

Leasing brokers almost ready to cheer

Five straight quarters of positive net absorption and commercial leasing brokers are eyeing the champagne even if they aren't ready to pop the cork.

Negotiation is creeping back into the transaction process and that means that the days – years actually – of kowtowing to the tenant are nearing an end. Some East Bay submarkets are actually seeing rents rise. It's only a percentage point or two, but it's up.

Third quarter stats from the major brokerages bear this out.

Grubb & Ellis called for companies to “expect the playing field to be more level between tenants and landlords.” Grubb's numbers show the East Bay market absorbed more than 968,000 square feet during the past year, pushing overall vacancy to just under 13 percent – more than 3 percent lower than its peak in 2004.

Cornish & Carey was even more bullish: “The Tri-Valley is showing signs of returning, slowly, to a landlord's market.” For Tri-Valley brokers, the turning point was the Oracle/PeopleSoft sale.

“Right now there's a bit of uptick and excitement,” said Mike Copeland, a broker with Colliers International. “Kaiser's purchase was a big turning point. There was a fear it would go to an investor who would inundate the market with vacant available space.”

Instead, Kaiser Permanente bought the two buildings from Oracle for its IT operation for about \$175 a square foot. The transaction will have the opposite effect in Walnut Creek, Kaiser's current digs. But, that's the breaks.

“Balance might be a good call,” said Paul Sheehan, of Cornish & Carey. “It's more of a stable market, which means it



Commercial space

Katherine Conrad

can be good for landlords and good for tenants. It's not heavily favored in either direction.”

On the other end of the I-680 corridor, Jeff Weil, of Colliers, and Breck Lutz and Alex Grell of Cornish & Carey Commercial handled a deal that kept absorption rates in positive territory when they brokered a 47,000-square-foot lease with BEI Technologies in Walnut Creek's Shadelands.

Lutz and Grell represented the landlord, Limar Realty Group, and Weil represented BEI in what Weil called a “very welcome deal” and prompted C&C to call Shadelands the “best performing submarket” – words seldom used to describe that business park.

Sell, sell, sell

Even as brokers predict that the red hot pace of building sales will slow, another tower hits the market. This time it's 2201 Broadway in Oakland, the historic, art deco 160,000-square-foot building that was the former home of the San Francisco State University Oakland Multimedia Center. George Eckard, of Cushman & Wakefield, said the Breuner building built in 1933 is certain to attract more than a suitor or two when it hits the market before year's end.

kcanrad@bizjournals.com | 925-598-1427