

North I-680 Office Market

After ending the 2021 year on a positive note, the momentum in the North I-680 office market has continued to pick up steam. Several large transactions were completed. The largest deal done in the first quarter of 2022 was the result of a relocation out of San Francisco and into the North I-680 Market. This is a trend that has long been anticipated, which may signal a sign of things to come. The prominent tech companies announced re-occupancy plans for their employees, which in turn has sparked momentum for all tenants to go back to their collective offices. Office building parking lots are filling up more noticeably than over the last two years.

Statistical Overview

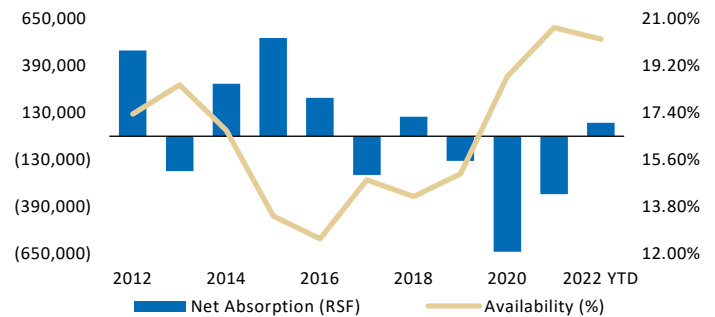
Building off the momentum in the fourth quarter of 2021, the North I-680 Market experienced its second quarter in a row of positive net absorption by recording 73,456 square feet of new net leased space. This brought the overall market availability rate down slightly, to 20.22%. Class A product experienced 94,007 square feet of absorption, the largest positive net absorption quarter since the fourth quarter of 2018. The Class A vacancy rate is now 26.8% in the Walnut Creek driver markets of Pleasant Hill BART and Downtown.

Market Summary

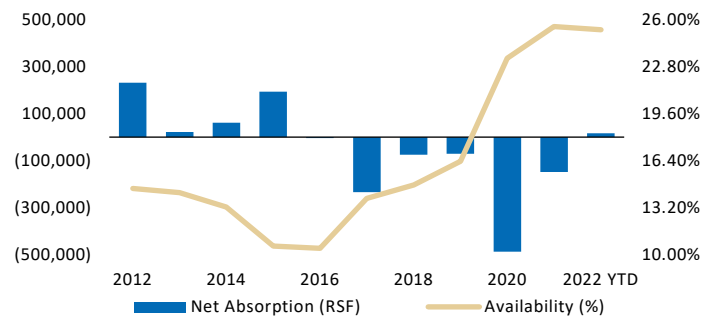
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	17.1M	17.1M	17.1M	→
Total Avail Rate	20.2%	20.7%	20.1%	↓
Sublease Avail Rate	2.5%	2.6%	2.82%	→
Quarterly Net Absorption (SF)	73K	-37K	-224K	↑
Direct FS Ask Rent/SF	\$2.94	\$2.94	\$2.94	→

Market Analysis – Overall North I-680 Market

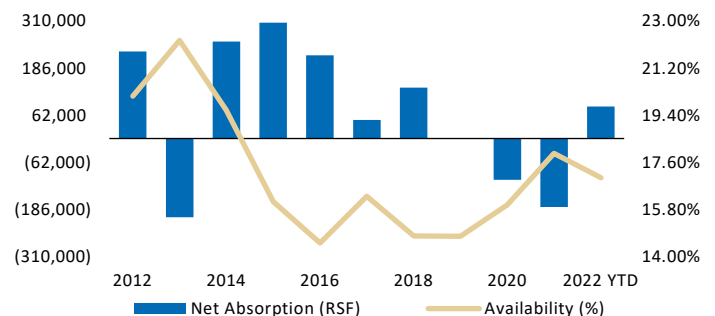
OVERALL NORTH I-680



WALNUT CREEK DOWNTOWN, WC & PLEASANT HILL BART



CONCORD, PLEASANT HILL, WALNUT CREEK SHADELANDS



RESEARCH Q1 2022

Walnut Creek Driver Markets

The largest transaction in the first quarter of 2022 occurred in the Walnut Creek BART submarket at California Plaza. An undisclosed tenant leased 88,544 square feet of space in a long-term commitment with the building. This tenant plans to relocate a large portion of its San Francisco workforce to Walnut Creek in a decision that centers around obtaining transit-oriented office space in close proximity to existing employees' homes. HDR, an engineering and consulting company, is relocating within the market from Walnut Creek Center to 3003 Oak Road at Pleasant Hill BART. HDR signed a lease for 28,375 square feet in a consolidation of its two Walnut Creek locations. In Walnut Creek Downtown, Umpqua Bank renewed its 13,504-square-foot lease at The Plaza Walnut Creek.

Concord/ Pleasant Hill/ Walnut Creek Shadelands

Concord was active, with several significant deals completed in the first quarter of 2022. GSA Immigration Services leased 72,811 square feet at Concord Gateway in a relocation of its court/offices from San Francisco. Terracon Consultants relocated from North Concord to 1220 Concord Avenue to expand its footprint and provide a better office location to employees. Also relocating from out of the market, Hargrove & Associates subleased 7,369 square feet and Sixteen5hundred subleased 7,228 square feet at One Concord Center to open new offices in the area.

Investment Overview

On the sales front, 1855 Olympic Blvd. sold for an estimated \$10 million. 1855 Investors LLC was the seller, and Christian Church Homes, a non-profit organization, was the buyer. Christian Church Homes is currently headquartered in Oakland and plans to utilize a portion of the building for their operations.

Despite the Federal Reserve's recent rate hike in mid-March to combat inflation, owner/user demand for office remains strong. There is, however, a lack of available product on the market as many owners grapple with the thought of finding a "replacement property" in a supply constrained market. With another rate hike looming, we will be monitoring the markets closely.

Looking Forward

Market touring activity is up. Companies are announcing re-occupancy plans. Commute times have increased. More cars are in office parking lots. Concessions (free rent, TI allowances, etc.) remain aggressively offered as landlords are trying to be as competitive as possible with the activity in the market. Construction costs are still at an all-time high and remain a challenge for landlords wanting to make a competitive deal. Expect all these trends to continue through the next quarter. The recent momentum from tenants relocating from out of market is likely to snowball in a continued trend as companies look for more affordable, transit-oriented office options closer to their existing workforces.

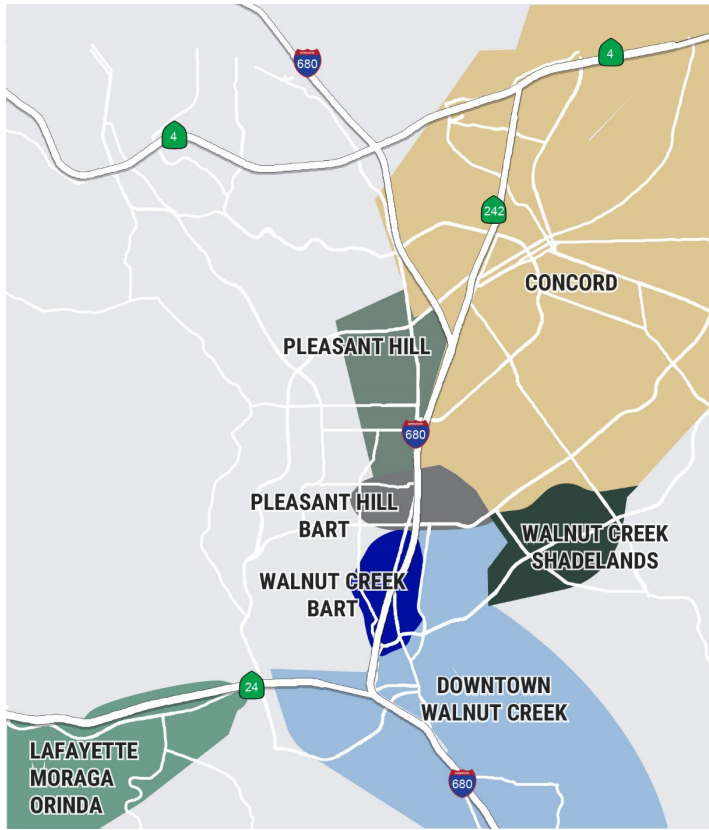
Select Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
Undisclosed	Walnut Creek BART	2121 N California Blvd	Direct	88,544
GSA Immigration Services Office	Concord	1855 Gateway Blvd	Direct	72,811
HDR, Inc.	Pleasant Hill BART	3003 Oak Rd	Direct	28,375
Terracon Consultants, Inc.	Concord	1220 Concord Ave	Direct	16,417
Umpqua Bank	Walnut Creek Downtown	1333 N California Blvd	Renewal	13,504

Select Investment Sale Transactions

Building(s)	Submarket	Reported Sale Price	Reported \$/RSF	Square Feet
1855 Olympic Blvd	Walnut Creek Downtown	\$10,000,000	\$263.78	37,910

Overall Submarket Statistics								
	Total Inventory (SF)	Total Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Sublease Availability Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct FS Asking Rent (Price/SF)
Concord	5,726,768	1,005,390	132,397	17.56%	2.31%	73,846	73,846	\$2.56
Class A	3,325,642	707,710	93,387	21.28%	2.81%	91,472	91,472	\$2.73
Class B	894,363	133,660	0	14.94%	0.00%	-19,964	-19,964	\$2.07
Class C	562,680	107,228	7,011	19.06%	1.25%	4,158	4,158	\$2.01
Flex	944,083	56,792	31,999	6.02%	3.39%	-1820	-1,820	\$1.82
Pleasant Hill	1,135,055	105,802	21,164	9.32%	1.86%	18,984	18,984	\$2.60
Class A	341,555	45,874	21,164	13.43%	6.20%	6,061	6,061	\$2.95
Class B	546,033	16,411	0	3.01%	0.00%	1,997	1,997	\$2.24
Class C	247,467	43,517	0	17.58%	0.00%	10,926	10,926	\$2.00
Pleasant Hill BART	1,946,210	615,653	134,488	31.63%	6.91%	-29,052	-29,052	\$3.73
Class A	1,789,006	577,408	115,776	32.28%	6.47%	-15,936	-15,936	\$3.95
Class B	157,204	38,245	18,712	24.33%	11.90%	-13,116	-13,116	\$2.85
Walnut Creek BART	2,073,401	555,444	73,487	26.79%	3.54%	56,388	56,388	\$3.96
Class A	1,905,609	521,982	66,476	27.39%	3.49%	54,976	54,976	\$4.20
Class B	167,792	33,462	7,011	19.94%	4.18%	1412	1,412	\$3.05
Walnut Creek Downtown	2,919,819	583,838	10,963	20.00%	0.38%	-11,738	-11,738	\$3.85
Class A	1,121,560	191,469	0	17.07%	0.00%	-7,541	-7,541	\$5.00
Class B	1,449,667	350,739	10,963	24.19%	0.76%	-7,784	-7,784	\$3.05
Class C	348,592	41,630	0	11.94%	0.00%	3587	3,587	\$2.46
Walnut Creek Shadelands	2,237,648	436,521	14,369	19.51%	0.64%	-8,246	-8,246	\$2.08
Class A	697,829	304,081	6,232	43.58%	0.89%	-10,046	-10,046	\$2.10
Class B	917,400	118,202	8,137	12.88%	0.89%	1,442	1,442	\$2.05
Class C	315,360	14,238	0	4.51%	0.00%	358	358	\$1.97
Flex	307,059	0	0	0.00%	0.00%	0	0	\$0.00
Lafayette/Moraga/Orinda	1,088,383	160,761	40,734	14.77%	3.74%	-26,726	-26,726	\$3.54
Class A	612,393	121,377	39,402	19.82%	6.43%	-24,979	-24,979	\$4.00
Class B	351,127	30,442	1,332	8.67%	0.38%	-4,919	-4,919	\$3.20
Class C	124,863	8,942	0	7.16%	0.00%	3,172	3,172	\$2.50
NORTH I-680	17,127,284	3,463,409	427,602	20.22%	2.50%	73,456	73,456	\$2.94
Class A	9,793,594	2,469,901	342,437	25.22%	3.50%	94,007	94,007	\$3.17
Class B	4,483,586	721,161	46,155	16.08%	1.03%	-40,932	-40,932	\$2.60
Class C	1,598,962	215,555	7,011	13.48%	0.44%	22,201	22,201	\$2.10
Flex	1,251,142	56,792	31,999	4.54%	2.56%	-1820	-1,820	\$1.82



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