
4Q23

North I-680 Office Market Overview



NEWMARK

Market Observations

Economy

- The East Bay continues to experience slowly rising unemployment rates, primarily due to layoffs in the information sector.
- Job growth year-over-year was highest in the education and health, other service, and leisure and hospitality industries. The information, financial services, and manufacturing sectors showed the largest decreases in employment.
- Locally, employment growth across all office-occupying sectors has continued to slow, while we see unemployment further increasing nationally.

Major Transactions

- The largest transaction in the first quarter of 2024 was Keller Williams Realty at 201 N. Civic Drive with a lease extension of 10,324 SF of space.
- CBRE had the largest direct lease of the quarter with 7,874 SF at Growers Square Walnut Creek – Downtown.

Leasing Market Fundamentals

- The availability rate saw a slight increase of 90 bps to 25.1% in the first quarter of 2024. Net absorption in the first quarter was negative, with the market experiencing negative 59,837 square feet of absorption.
- Leasing pace remained steady, as space reductions and a cloudy economic outlook negated the positive absorption from new deals completed. Tenants in the market activity is uneven.
- Tenants continued to prioritize buildouts with better building amenities/access to retail amenities, as well as favoring buildings with higher levels of activity.

Outlook

- Deal and tour activity will remain focused on amenitized and improved spaces in position to make deals quickly.
- The North I-680 Market is expected to maintain activity from migration of tenants from the San Francisco and Oakland markets.
- Tenant downsizing is expected to continue in 2024.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

4Q23

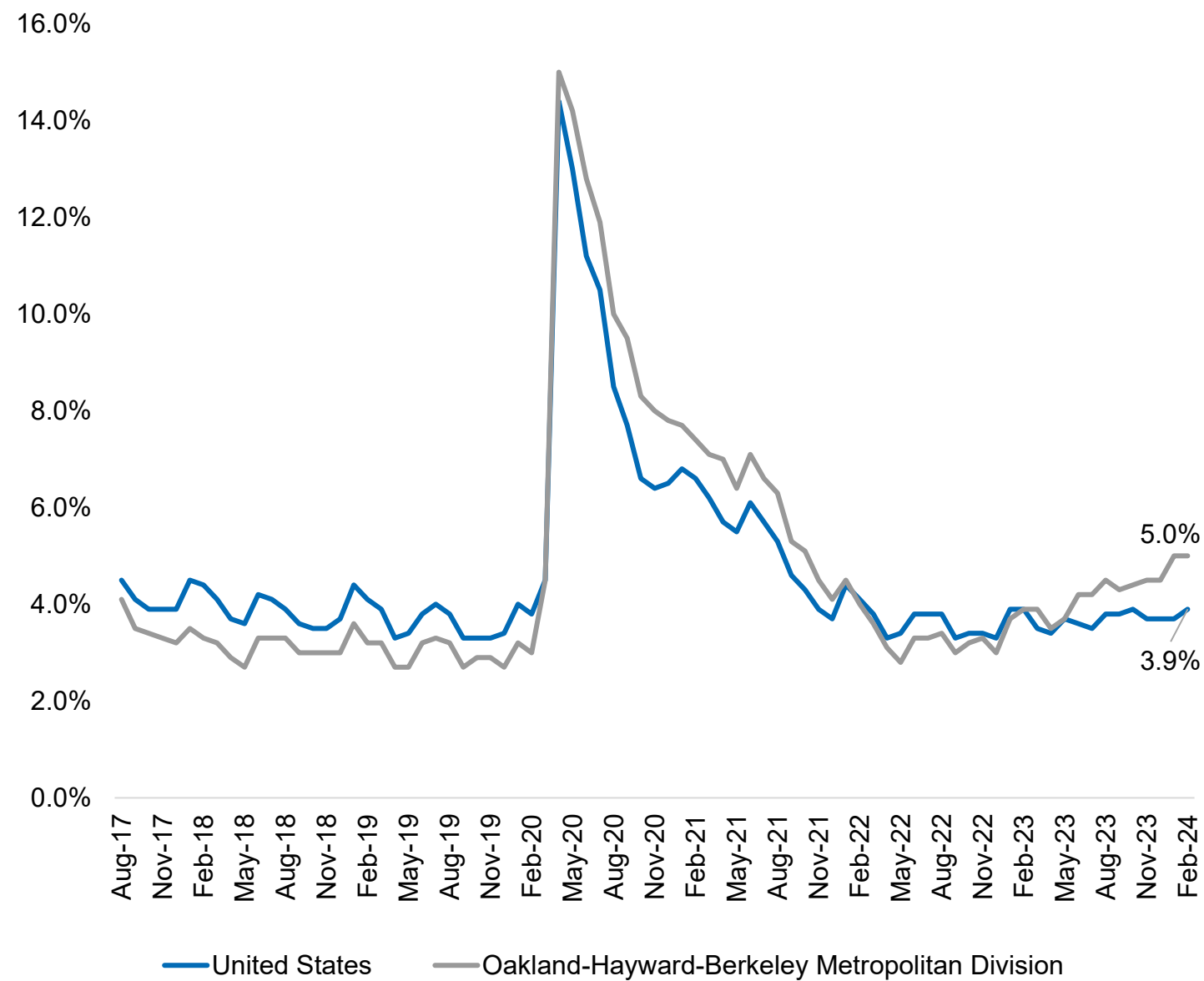
Economy



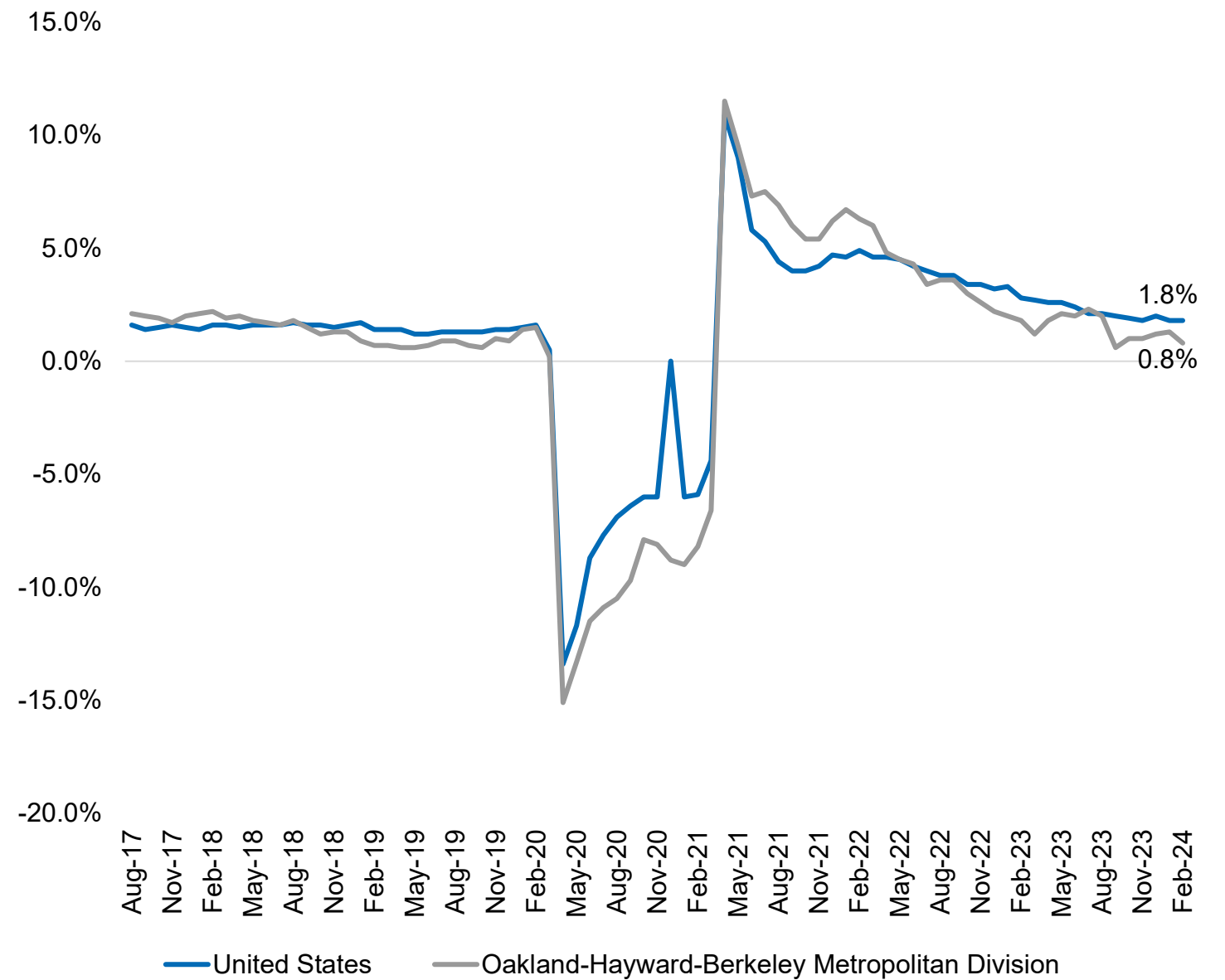
Metro Employment Trends Signal A Slowing Economy

The current unemployment rate for the East Bay Area is 50 basis points higher than it was at the end of 2023, and at 5.0% is 110 basis points higher than the National average.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

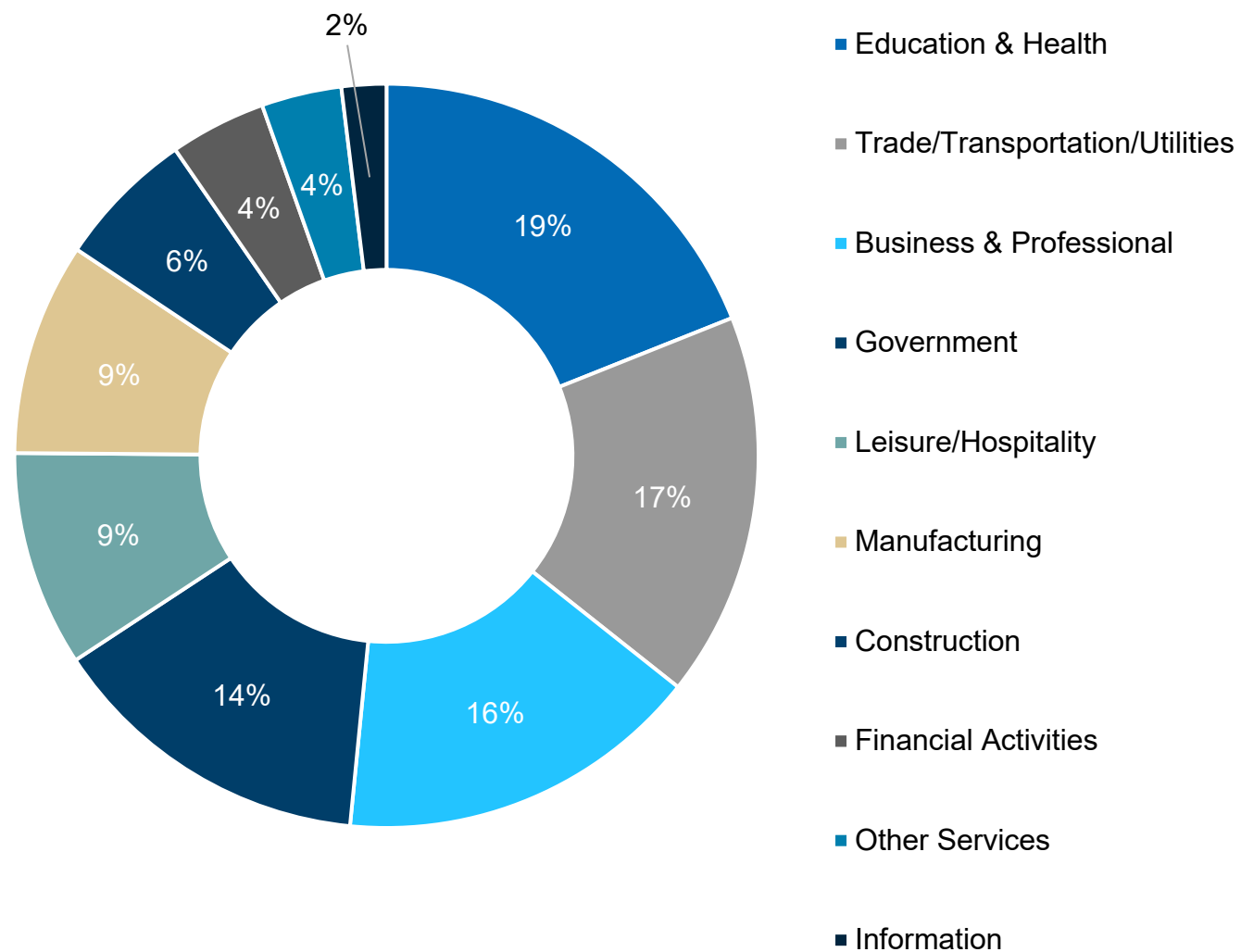


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

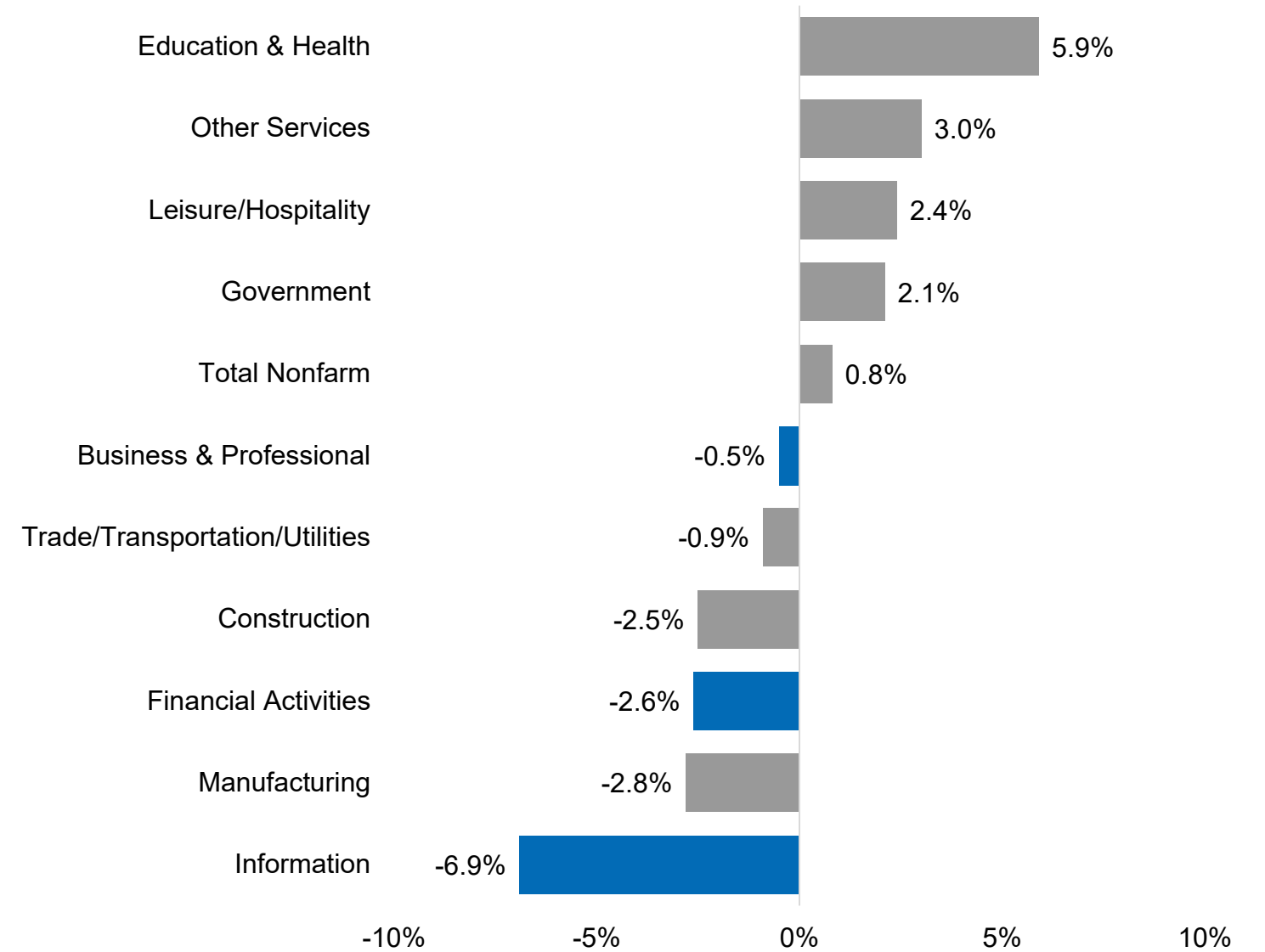
Office-Using Employment Down

All three office using sectors (Financial Activities, Information, and Business & Professional Services) have experienced job loss over the past twelve months due to the significant number of layoffs in these sectors throughout the course of 2023.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

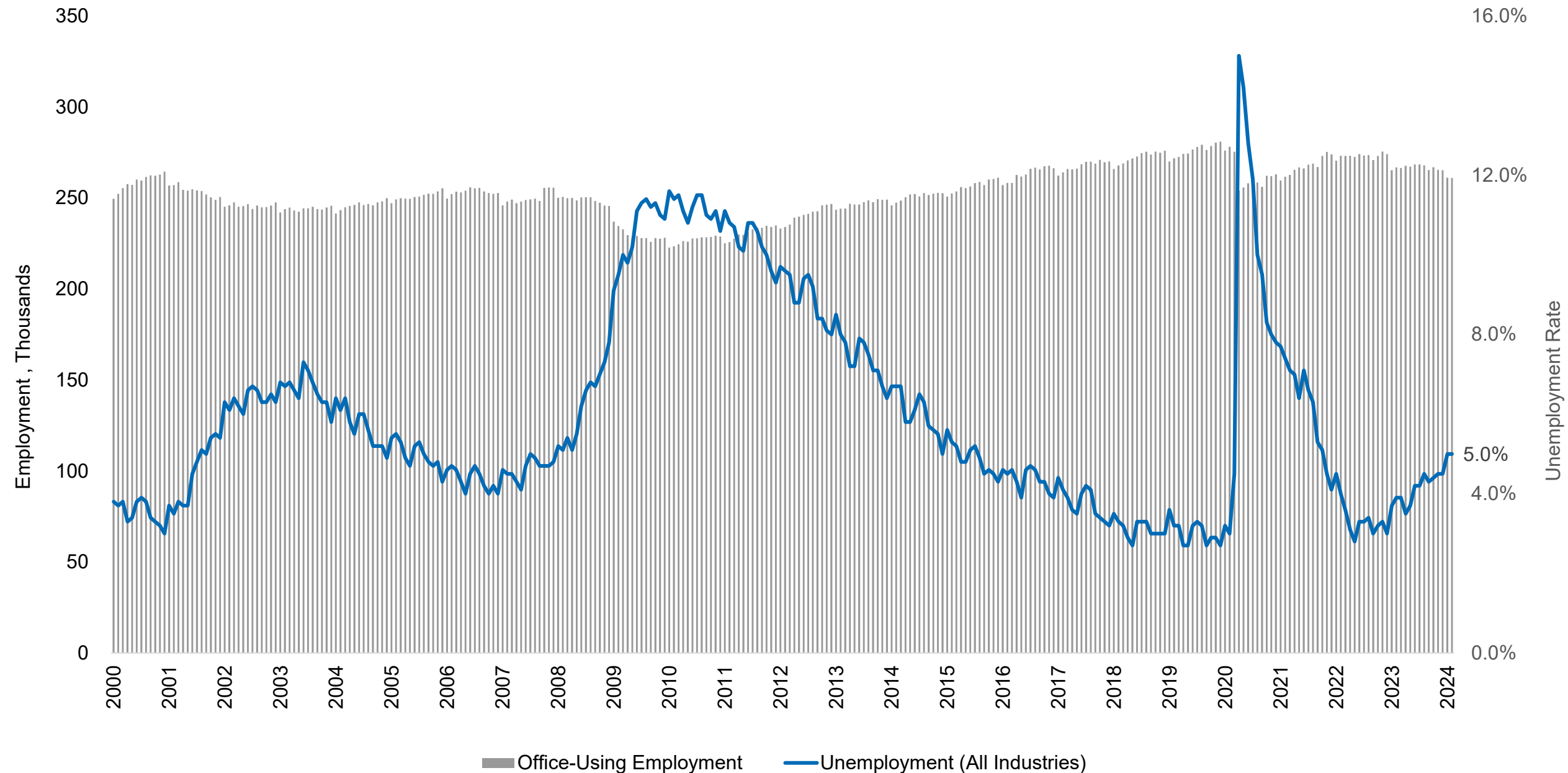


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

Overall Office-Using Employment Still Lower than Pre-Pandemic

The number of office jobs in the East Bay has yet to recover to pre-pandemic levels, with about 10 thousand fewer office-using jobs. Office-using employment is currently just below early-2017 levels.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties). Note: August 2023 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

4Q23

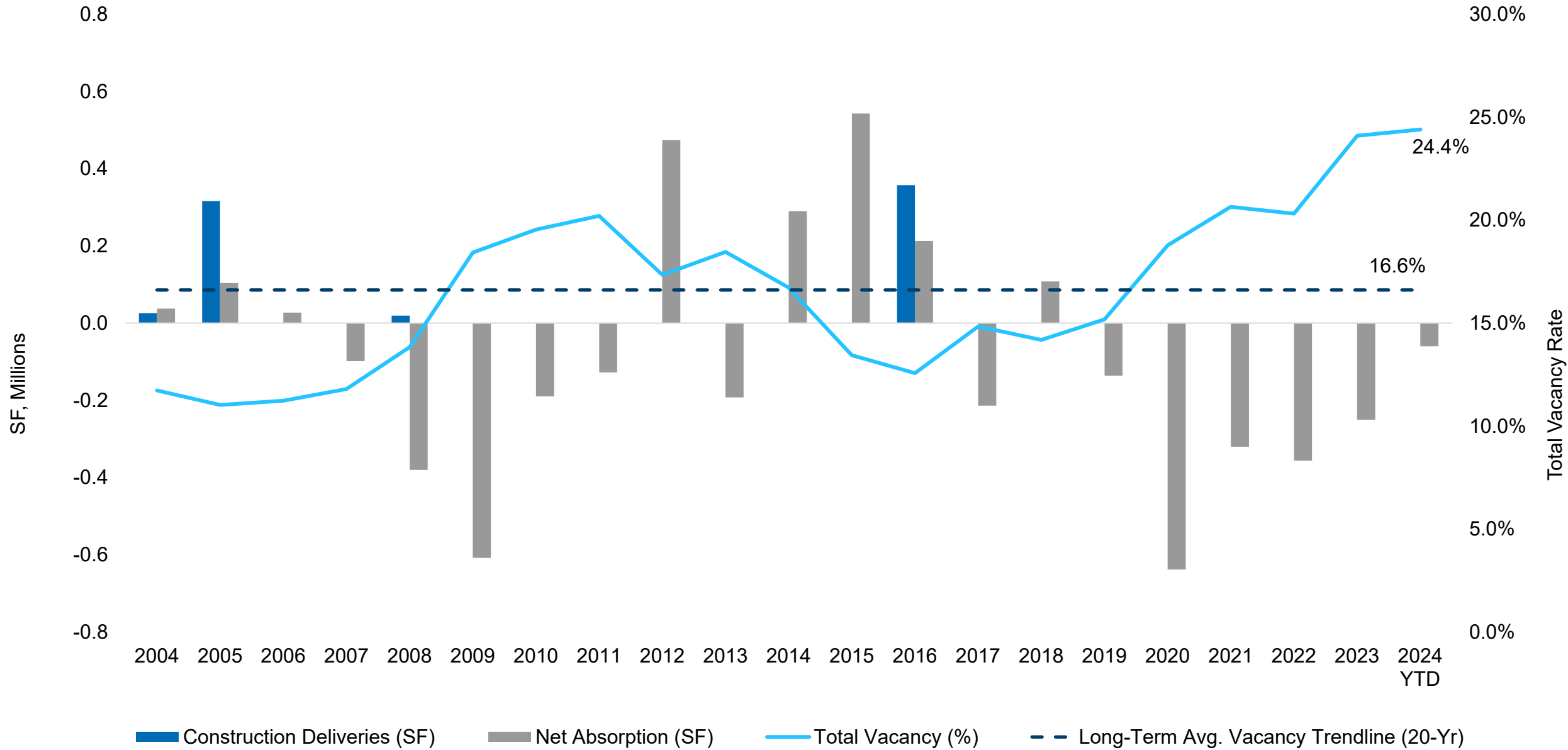
Leasing Market Fundamentals



Vacancy Slightly Rose in the First Quarter of 2024

The vacancy rate saw a slight increase by 30 basis points to 24.4% in the first quarter of 2024. Net absorption in first quarter was negative 59,827 square feet. There is no construction projects for office in the pipeline.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

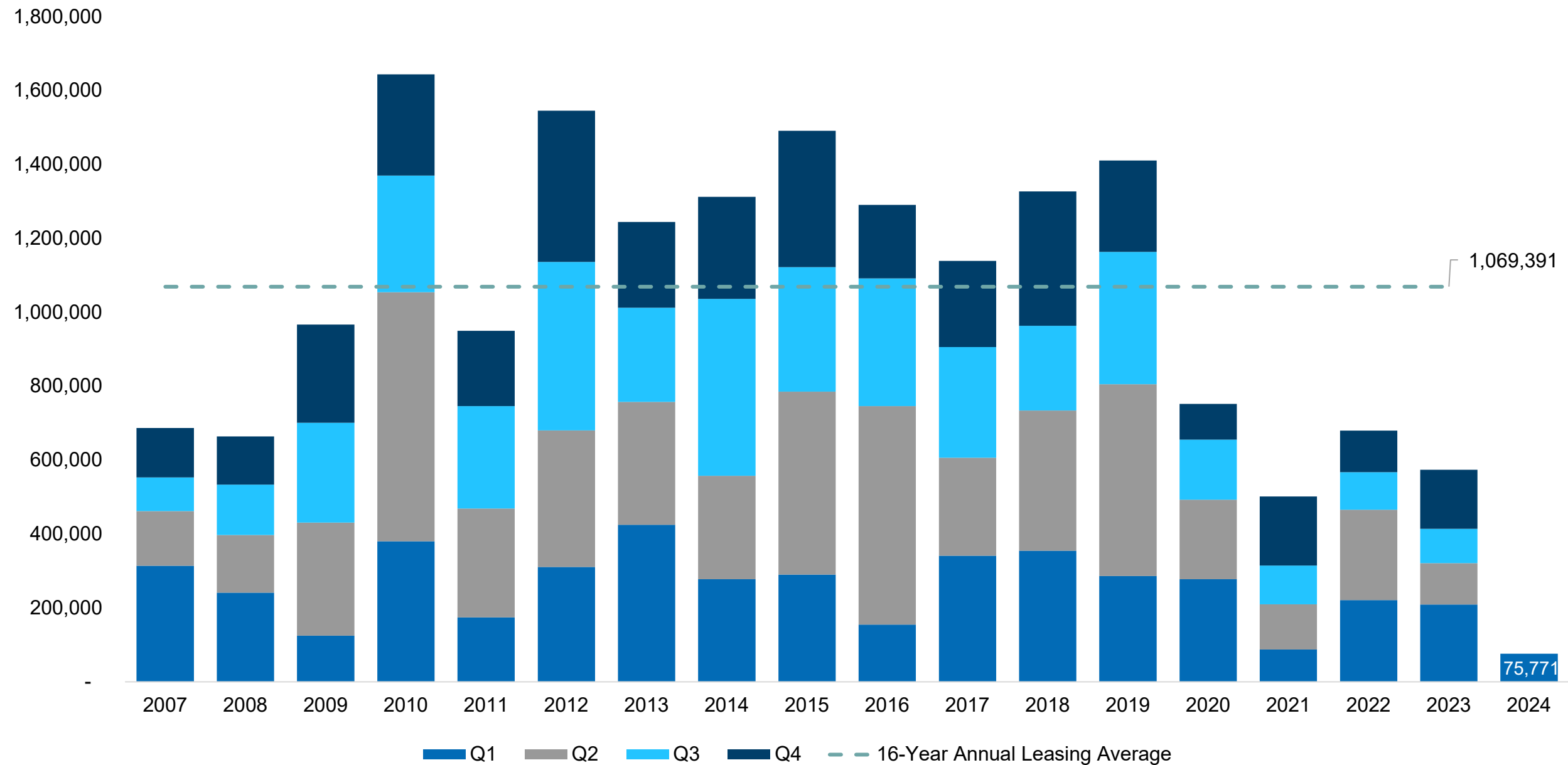


Please reach out to your
Newmark business contact for this information

Leasing Activity Has Slowed

Leasing activity has still struggled to revitalize and reach levels similar to before the pandemic. Companies continued to be patient while assessing current and future economic outlooks.

Total Leasing Activity (sf)



Source: Newmark Research, CoStar

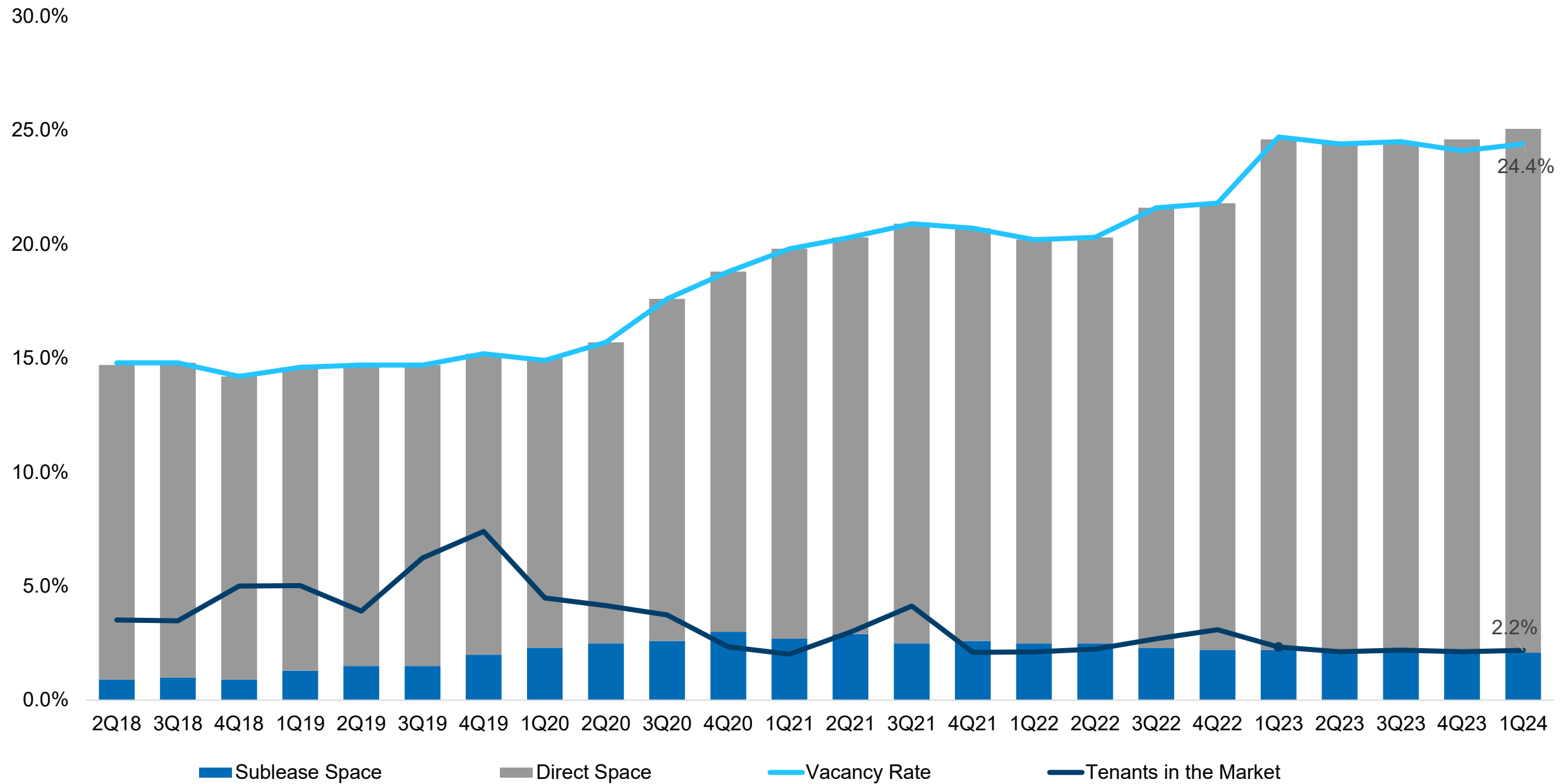


Please reach out to your
Newmark business contact for this information

Availability and Tenant Demand Remain Stable

There was a slight increase to vacancy as well as availability in the first quarter of 2024. 70% of tenants in the market are looking for 10,000 square-feet of space or less. Vacancy increased by 30 basis points to 24.4%.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

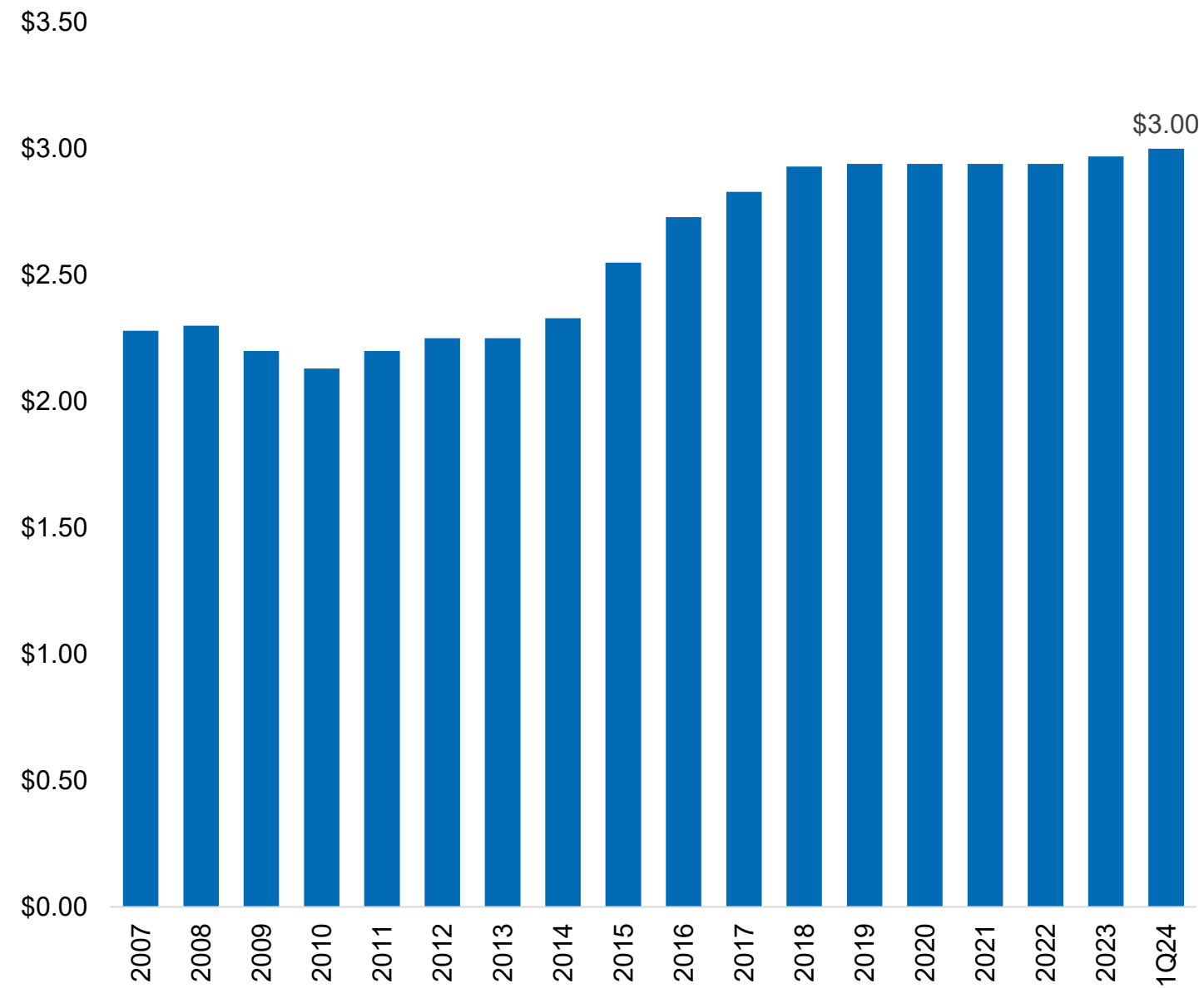


Please reach out to your
Newmark business contact for this information

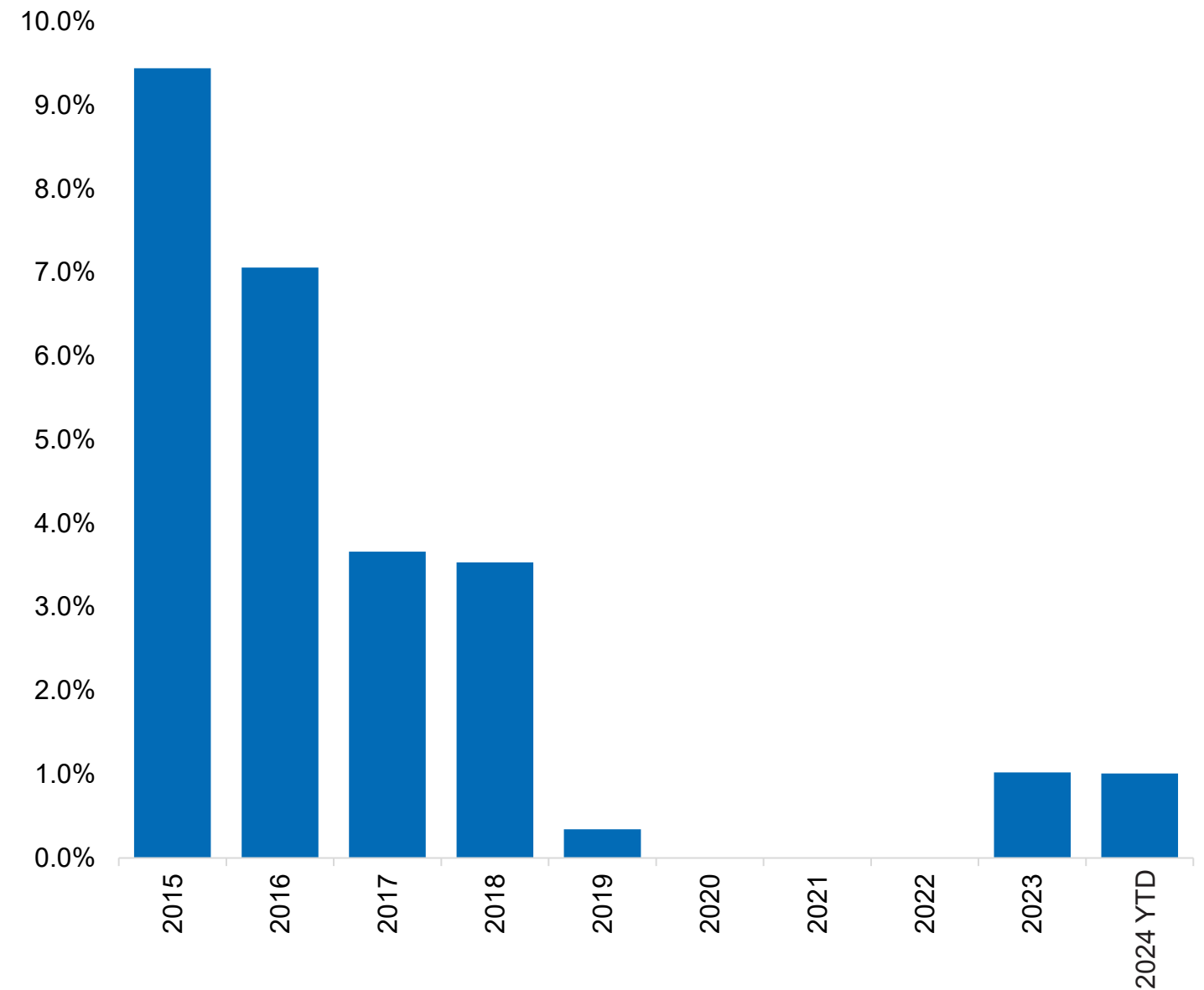
Direct Asking Rents Continue to Hold Steady

Office rents have increased slightly in the first quarter of 2024, going from \$2.97 FS per-square-foot in the fourth quarter of 2023 to \$3.00 FS per-square-foot in the first quarter of 2024.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

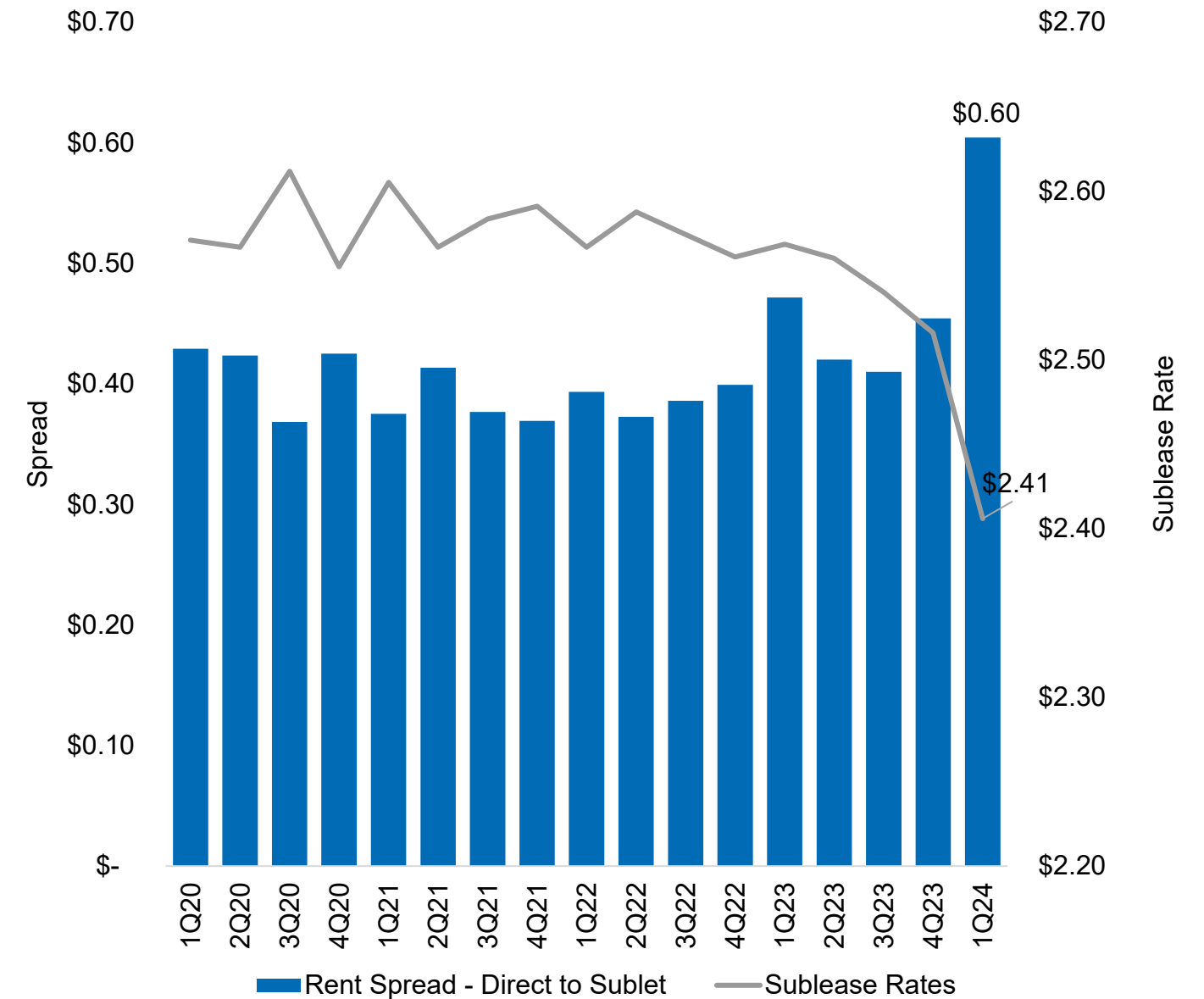
Sublease Rates Remain Steady

While overall sublease rates fell slightly to \$2.41/SF in the first quarter, the reduced average is due to a change in where the space is located rather than a drop in rates. A handful of small subleases were removed from the market from buildings with higher advertised rates and were replaced with an equal number of small subleases in buildings with lower rates.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar



Please reach out to your
Newmark business contact for this information

First Quarter Lease Transactions

Direct Leases made up the majority of leasing activity for the first quarter of 2024, with most of the leases being under 10,000 square feet.

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Keller Williams Realty	201 N Civic Dr.	Walnut Creek – Downtown	Extension	10,324
CBRE	1676 N California Blvd.	Walnut Creek – Downtown	Direct	7,874
Anvil Corporation	1340 Treat Blvd.	Walnut Creek – Pleasant Hill BART	Direct	7,430
Tamarack Healthcare	1220 Concord Ave.	Concord	Direct	7,113

Appendix





Please reach out to your
Newmark business contact for this information

For more information:

Jack Baughman

*Research Analyst
East Bay Research*

Jack.Baughman@nmrk.com

Reed Watson

*Research Analyst
East Bay Research*

Reed.Watson@nmrk.com

Greater Oakland

1111 Broadway, Suite 100
Oakland, CA 94607
t 510-923-6200

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK

NEWMARK