



North I-680 Office Market

Tempered Enthusiasm

As the second quarter of 2021 comes to a close, a sense of normalcy is seemingly setting in. As of June 15, with California’s easing of most restrictions, masks are starting to disappear, vacations are being scheduled and the term “Shelter in Place” is no longer referenced on every conference call. In terms of the North I-680 office market, deals are starting to get done, employees are coming back to the office and parking garages are being used again. One year ago, the theme was short-term band-aid solutions until a return-to-work plan was set. This feels like a trend of the past, as decisions are being made (some good for the market and some not so good) and longer-term deals are getting finalized.

Statistical Overview

The North I-680 market had 77,522 square feet of negative net absorption in the quarter, bringing the YTD total to a negative 254,767 square feet. Since COVID-19 started 18 months ago:

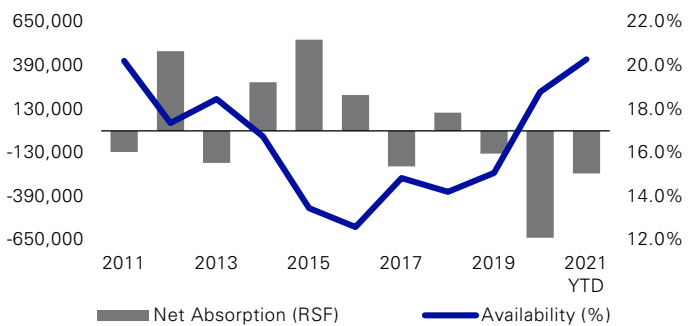
- The availability rate has increased in the North I 680 Office Market to its highest level in recorded history to 20.3%. This is an increase of roughly 27.0% in 18 months.
- The overall market (all building classes) posted 892,809 square feet of negative net absorption.
- Class A space in the North I-680 market posted 588,337 square feet of negative net absorption, bringing the availability rate to 25.7%. This is an increase of roughly 22.0% in 18 months.

Market Summary

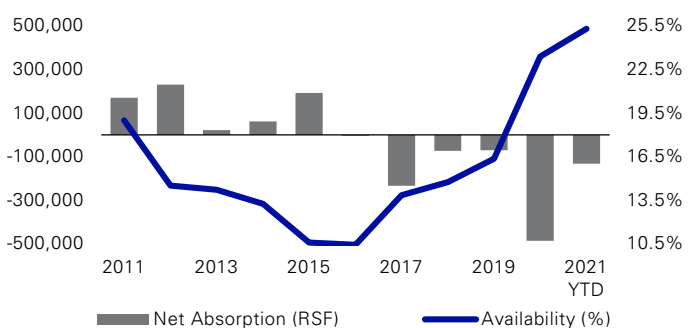
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	17.1M	17.1M	17.1M	↔
Total Avail Rate	20.3%	19.8%	15.7%	↔
Sublease Avail Rate	2.9%	2.7%	2.5%	↔
Qtr Net Abs (SF)	-78K	-177K	-136K	↓
Dir FS Ask Rent/SF	\$2.94	\$2.94	\$2.94	↓

Net Absorption & Availability

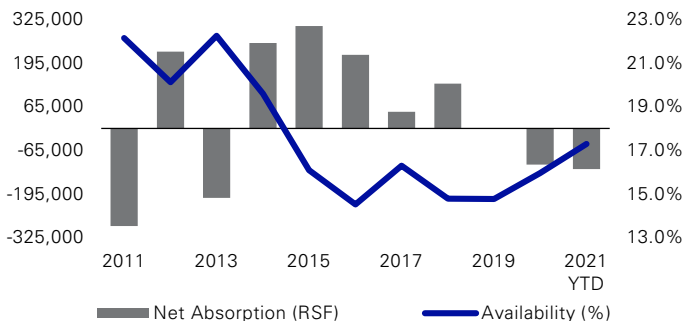
Overall North I-680 (All Classes)



WC Downtown, WC BART, Pleasant Hill BART (All Classes)



Concord, Pleasant Hill, WC Shadelands (All Classes)



Walnut Creek Driver Markets

The availability rate in the Walnut Creek driver market (Walnut Creek BART/Walnut Creek Downtown/Pleasant Hill BART) ended the quarter at 25.3% amongst all building classes. In Class A buildings, the availability rate is now 27.2%, up from 18.5% at the end of 2019. The good news is that the giveback seems to be slowing. From an absorption standpoint this was the best quarter since second-quarter 2019, with only 12,808 square feet of negative net absorption. The bad news is the cause for negative net absorption: a continuation of a pre-pandemic trend of large tenants downsizing. Philadelphia Insurance and Everfi both vacated roughly 9,000 square feet and plan to relocate employees or have the local groups work from home. Canadian Solar moved within the Pleasant Hill BART submarket, giving up roughly 37,000 square feet at 3000 Oak and relocating to 12,499 square feet at Urban West, moving the remainder of their employees to an existing office in San Francisco. Morgan Stanley extended on 32,933 square feet at The Plaza at Walnut Creek, giving back 3,824 square feet. Additionally, BKF extended its lease on 12,464 square feet at Growers Square, giving back 2,276 square feet.

Concord / Pleasant Hill / Walnut Creek Shadelands

The secondary markets of Concord, Pleasant Hill and the Walnut Creek Shadelands experienced 58,795 of negative net absorption. The majority of negative net absorption was in Class B or C buildings in these submarkets. While there has been an uptick in tour activity in Walnut Creek, the secondary markets

tour activity seems to be anemic, as many of these employers have not yet announced their post-pandemic work plans.

Looking Forward

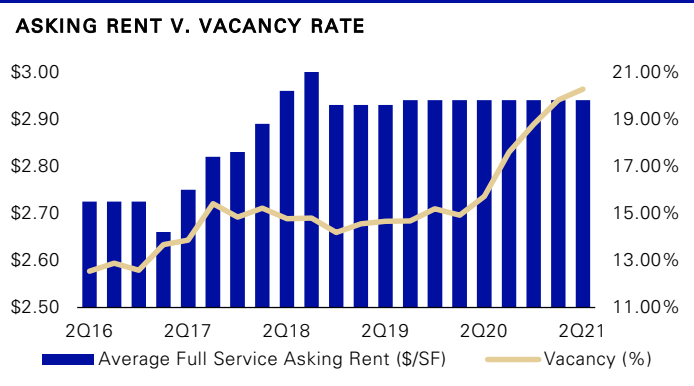
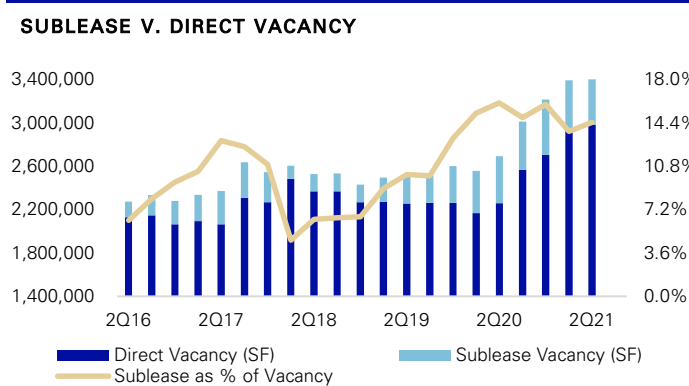
Anticipation is that a more robust return to work is likely to come in the fall, when kids are back in school, daycare facilities are open and vacations end. The speculation and questions about how companies will return to the office will gain clarity in the coming months. The questions that are likely to be answered during this time are:

- How much will the more traditional office users that dominate the North I-680 Corridor adopt some sort of hybrid model involving some continued work from home like tech companies of SF/Oakland?
- Even if the more traditional office users initially adopt a more robust in-office program, will they have to ultimately pivot to add a hybrid model in order to retain existing employees and recruit new in the fairly tight current employee market?
- Will the hybrid model disappear quickly once the fear of the pandemic subsidies like “nobody will go back to high-rises after 9/11” disappeared quickly?
- Will we see the long talked-about “hub/spoke” model materialize in the suburban markets like North I-680 as people long for an office environment closer to home to reduce the commutes they had become so weary of before the pandemic.

Select Lease/User Transactions

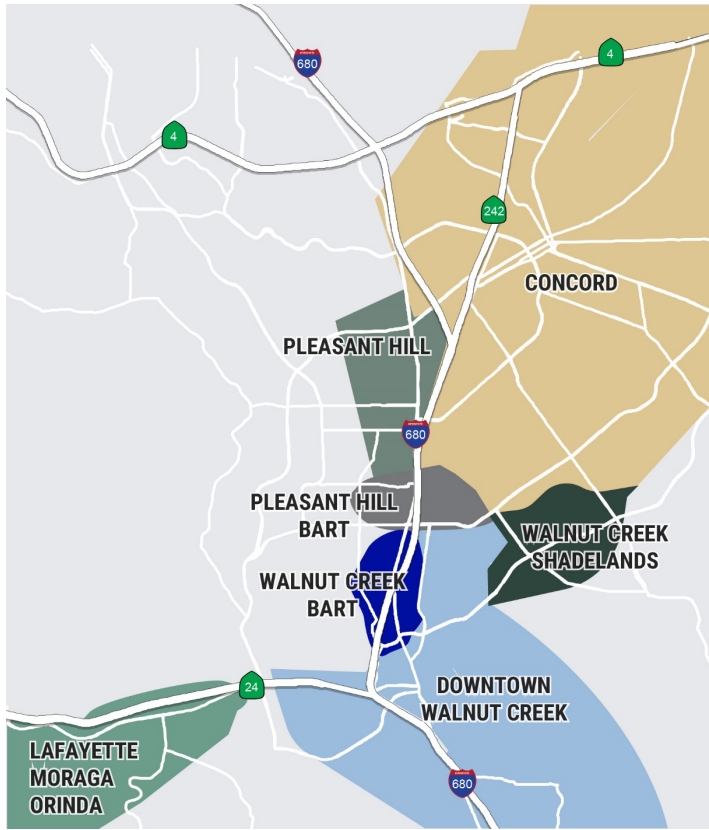
Tenant	Building(s)	Submarket	Type	Square Feet
Morgan Stanley	1333 N California Blvd	Walnut Creek Downtown	Renewal	32,933
Kyocera	1855 Gateway Blvd	Concord	Renewal	17,477
Canadian Solar	1350 Treat Blvd	Pleasant Hill BART	Direct Relocation	12,499
BKF Engineers	1646 N California Blvd	Walnut Creek Downtown	Renewal	12,464

Market Analysis – Overall North I-680 Market



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	1,034,054	158,019	18.06%	2.76%	-44,777	-92,727	\$2.56
Class A	3,325,642	764,583	113,825	22.99%	3.42%	2,111	-44,191	\$2.73
Class B	894,363	103,777	10,268	11.60%	1.15%	-7,741	-4,256	\$2.07
Class C	562,680	103,933	0	18.47%	0.00%	-39,147	-39,147	\$2.01
Flex	944,083	61,761	33,926	6.54%	3.59%	0	-5,133	\$1.82
Pleasant Hill	1,135,055	138,550	48,864	12.21%	4.30%	-8,099	-9,105	\$2.60
Class A	341,555	58,429	30,608	17.11%	8.96%	-1,921	325	\$2.95
Class B	546,033	22,066	0	4.04%	0.00%	-2,151	-4,802	\$2.24
Class C	247,467	58,055	18,256	23.46%	7.38%	-4,027	-4,628	\$2.00
Pleasant Hill BART	1,946,210	574,244	158,207	29.51%	8.13%	-2,595	-75,626	\$3.73
Class A	1,789,006	544,169	158,207	30.42%	8.84%	-2,595	-69,792	\$3.95
Class B	157,204	30,075	0	19.13%	0.00%	0	-5,834	\$2.85
Walnut Creek BART	2,073,401	615,952	93,773	29.71%	4.52%	-18,439	-30,408	\$3.96
Class A	1,905,609	582,123	86,762	30.55%	4.55%	-16,040	-17,545	\$4.20
Class B	167,792	33,829	7,011	20.16%	4.18%	-2,399	-12,863	\$3.05
Walnut Creek Downtown	2,919,819	564,740	8,587	19.34%	0.29%	-4,498	-27,309	\$3.85
Class A	1,121,560	185,793	3,994	16.57%	0.36%	5,827	13,143	\$5.00
Class B	1,449,667	337,962	4,593	23.31%	0.32%	-13,440	-40,919	\$3.05
Class C	348,592	40,985	0	11.76%	0.00%	3,115	467	\$2.46
Walnut Creek Shadelands	2,237,648	400,520	6,232	17.90%	0.28%	-5,919	-19,417	\$2.08
Class A	697,829	275,319	6,232	39.45%	0.89%	-2,868	-1,010	\$2.10
Class B	917,400	114,747	0	12.51%	0.00%	-2,668	-18,412	\$2.05
Class C	315,360	10,454	0	3.31%	0.00%	-383	5	\$1.97
Flex	307,059	0	0	0.00%	0.00%	0	0	\$0.00
Lafayette/Moraga/Orinda	1,088,383	143,545	16,037	13.19%	1.47%	6,805	-175	\$3.54
Class A	612,393	108,663	16,037	17.74%	2.62%	4,664	-2,428	\$4.00
Class B	351,127	26,012	0	7.41%	0.00%	2,141	1,605	\$3.20
Class C	124,863	8,870	0	7.10%	0.00%	0	648	\$2.50
NORTH I-680	17,127,284	3,471,605	489,719	20.27%	2.86%	-77,522	-254,767	\$2.94
Class A	9,793,594	2,519,079	415,665	25.72%	4.24%	-10,822	-121,498	\$3.17
Class B	4,483,586	668,468	21,872	14.91%	0.49%	-26,258	-85,481	\$2.60
Class C	1,598,962	222,297	18,256	13.90%	1.14%	-40,442	-42,655	\$2.10
Flex	1,251,142	61,761	33,926	4.94%	2.71%	0	-5,133	\$1.82

Note: Availability refers to space marketed for lease regardless of whether it is vacant or occupied.



For more information:

Newmark

1333 N California Blvd, Suite 343
Walnut Creek, CA 94596
t 925-974-0100
Corporate CA RE #: 00832933

Nelson Roberts

Tri-Valley Market Researcher
nelson.roberts@ngkf.com

nmrk.com

Office Division

Dan Watson

Executive Vice President
t 925.467.0903
dan.watson@nmrk.com

Alex Grell

Senior Managing Director
t 925.974.0108
alex.grell@nmrk.com

Knute Bucklew

Senior Managing Director
t 925.974.0240
knute.bucklew@nmrk.com

Jeff Morgenstern

Senior Managing Director
t 925.467.0905
jeff.morgenstern@nmrk.com

Curtis Berrien

Managing Director
t 925.974.0129
curtis.berrien@nmrk.com

Danny Bartz

Director
t 925.974.0231
danny.bartz@nmrk.com

Breck Lutz

Vice Chairman
t 925.974.0109
breck.lutz@nmrk.com

Rick Steffens

Senior Managing Director
t 925.974.0110
rick.steffens@nmrk.com

Mark McNally

Senior Managing Director
t 925.974.0101
mark.mcnally@nmrk.com

Rich Hoyt

Managing Director
t 925.460.9292
rich.hoyt@nmrk.com

Dave Bruzzone

Managing Director
t 925.467.0910
dave.bruzzone@nmrk.com

Investment Division

Forrest Gherlone

Senior Managing Director
t 925.974.0237
forrest.gherlone@nmrk.com

Max Gunari

Associate
t 925.974.0116
max.gunari@nmrk.com

Mike Zylstra

Senior Managing Director
t 925.974.0106
mike.zylstra@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 ngkf.com/research.
All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. 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. This document is intended 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.