

# North I-680 Office Market

## Oh, How the View Is Changing

As the pandemic continues to move into its later stages, it is becoming clear that more and more companies are recognizing having an office is still critical. While the question of how much space and where the office space is needed remains one of the hottest topics out there, activity levels have started to regain their momentum and most companies are starting to plan some form of return to the office. Commitments to long-term leases are becoming more plentiful versus an anomaly. Companies are realizing having an office is not a yes or no option with a growing number of firms implementing a hybrid strategy that will allow their employees to come to the office to “Collaborate, Create, and Celebrate,” to regain the ever-important company culture that has been lost during the pandemic.

### Statistical Overview

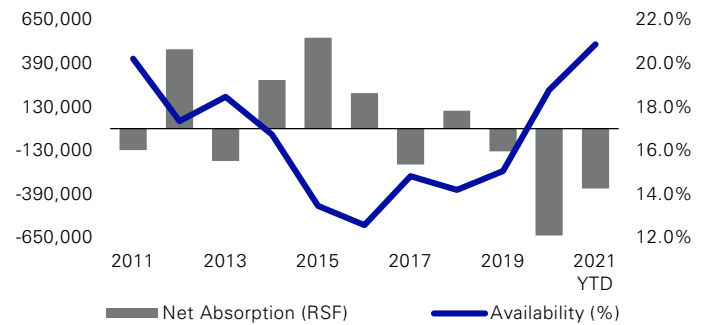
The North I-680 office market experienced 102,378 square feet of negative net absorption in the third quarter, bringing the YTD total to a negative 357,145 square feet. The overall availability rate in the North I-680 office market increased to 20.9%, up from 20.3% at the end of second quarter. Roughly half of the negative absorption occurred in the Concord submarket which experienced 47,393 square feet of negative absorption. The driver submarkets in Downtown Walnut Creek, Walnut Creek Bart and Pleasant Hill Bart combined experienced 56,286 square feet of negative absorption, well less than half of the average quarterly absorption in the first year of the pandemic as companies shift their focus from disposing of office space to re-

### Market Summary

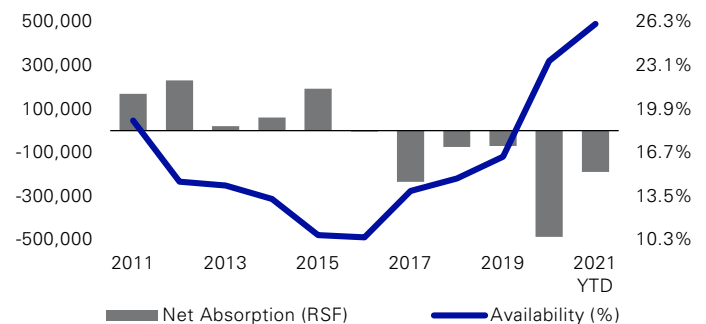
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	17.1M	17.1M	17.1M	→
Total Avail Rate	20.9%	18.8%	17.6%	↑
Sublease Avail Rate	2.5%	3.0%	2.6%	↑
Qtr Net Abs (SF)	-102K	-204K	-321K	↓
Dir FS Ask Rent/SF	\$2.94	\$2.94	\$2.94	→

### Net Absorption & Availability

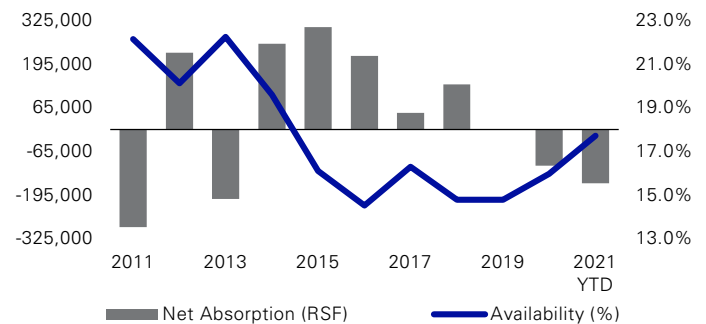
#### OVERALL NORTH I-680



#### WALNUT CREEK DOWNTOWN, WC & PLEASANT HILL BART



#### CONCORD, PLEASANT HILL, WALNUT CREEK SHADELANDS



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## RESEARCH 3Q 2021

boarding it. Year-to-date absorption in these driver submarkets through the first three quarters of 2021 stands at negative 189,629 square feet, compared to negative 359,783 square feet of net absorption experienced in the first three quarters of the pandemic.

### Walnut Creek Driver Markets

The third quarter had several significant transactions, highlighted by Miller Starr Regalia's renewal of 27,467 square feet, with a give back of 2,436 square feet at The Plaza at Walnut Creek; Bowles & Verna, which extended its lease of 16,241 square feet at California Plaza; Hanson Bridgett renewed its existing lease at Growers Square for 13,013 square feet; and Moffatt & Nichol extended its lease of 12,114 square feet at Mount Diablo Plaza with a giveback of 3,466 square feet. Over at Ygnacio Center Two, Bremer Whyte Brown & O'Meara relocated from Oakland and leased 7,184 square feet and the Federal Aviation Agency signed a new lease of 5,221 square feet at 2999 Oak, relocating from Brisbane. The only significant sublease deal that was completed for the third quarter was Guidepost moving from Oakland, subleasing 7,310 square feet at 2121 N. California Blvd. The availability rate in the Walnut Creek driver market (Walnut Creek BART/Walnut Creek Downtown/Pleasant Hill BART) ended the quarter at 26.1% in all building classes and 27.7% in Class A.

While many renewing tenants continue to downsize, the volume of space coming back to the market has slowed considerably. While Class A vacancy is at an all-time high in the driver markets, a lot of positive absorption is going to be needed to bring things back to equilibrium. We are generally seeing more inquiries, tours and longer-term renewals than at any other time since the pandemic began.

### Concord / Pleasant Hill / Walnut Creek Shadelands

The secondary markets of Concord, Pleasant Hill and the Walnut Creek Shadelands experienced the largest transaction of the quarter with Chevron Federal Credit Union executing a lease of 25,921 square feet at 2300 Clayton Road in Concord to relocate their headquarters from Oakland. This was a positive net absorption of 12,466 square feet as they already occupied 13,455 square feet in the building. The submarket saw negative net absorption of 58,515 square feet with the bulk of that being in Concord Class A space, posting a negative 45,630 square feet. Pleasant Hill ended up being the bright spot for the quarter with

positive net absorption equaling 19,388 square feet. Activity levels in these submarkets seem to be lagging the driver submarkets, as has usually been the case historically. We are hopeful as things pick up in the driver markets, we will start to see increased inquiries and tours in the cost-effective secondary markets.

### Looking Forward

Clearly things have changed in the office world! The volume of companies adopting a hybrid office strategy is staggering and appears here to stay for a while and maybe forever. However, we believe that most employers will eventually push for in person work (even if it is hybrid with part-time remote) over a fully remote work force.

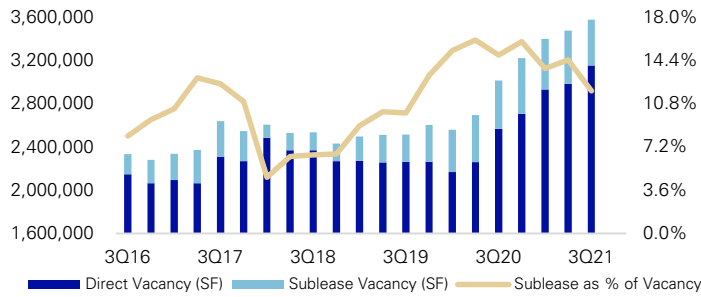
As companies continue to re-establish the value of office space, and in the midst of a tight labor market, it is becoming clear that the location and access to off-site and existence of quality on-site amenities at projects will be key factors in determining which buildings will be victorious in securing new and maintaining existing tenants. Companies (and most importantly their employees) are placing more value on access to restaurants and services off-site and outdoor space/fitness centers/tenant amenity/conference centers, etc., as reasons to promote and expedite their employees to return to the office.

In terms of pure numbers moving forward, 2022 will likely experience a neutral position with some negative absorption as a result of many renewing tenants giving back a portion of their space, while largely offset by decent demand from "hub-and-spoke" employers wishing to establish a new outpost more convenient to where many employees live.

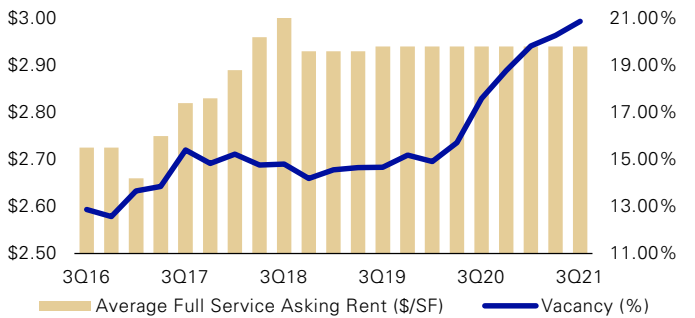
Where we go after will be dependent on the office occupancy model. Will we see virtually no long-term effect on office vacancy as a result of the pandemic, ultimately much like we did in the years after 9-11 where everyone said they would never go in a high rise again...but did? Or is this change in the work model here to stay with a large volume of work staying remote, thus causing a tectonic long-term shift in office occupancy? Stay tuned for the next episode. Same time...same channel!

**Market Analysis – Overall North I-680 Market**

**SUBLEASE V. DIRECT VACANCY**



**ASKING RENT V. VACANCY RATE**



**Select Lease/User Transactions**

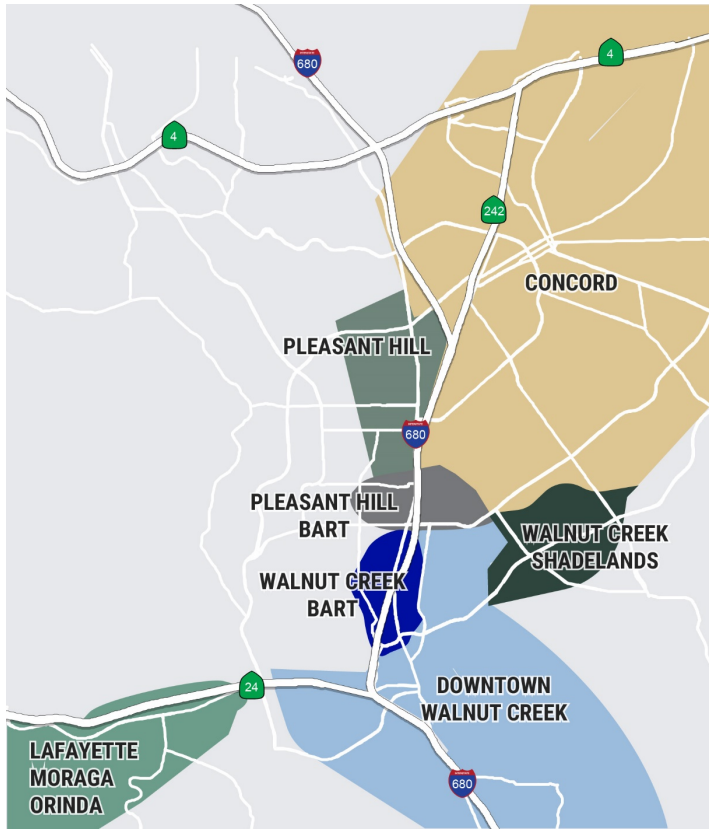
Tenant	Building(s)	Submarket	Type	Square Feet
Miller Starr Regalia	1331 N. California Blvd	Walnut Creek Downtown	Renewal	26,076
Chevron Federal Credit Union	2300 Clayton Rd	Concord	Extension/Expansion	25,921
Bowles & Verna	2121 N. California Blvd	Walnut Creek BART	Extension	13,500
Hanson Bridgett	1676 N. California Blvd	Walnut Creek Downtown	Extension	13,013
Moffatt & Nichol	2175 N. California Blvd	Walnut Creek BART	Renewal	12,114

**Select Investment Sale Transactions**

Building(s)	Market	Sale Price	\$/SF	Square Feet
1485 Treat Blvd	Walnut Creek	\$2,875,000	\$181	15,908
800 Ellinwood Way	Pleasant Hill	\$3,255,000	\$207	15,735

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)
<b>Concord</b>	<b>5,726,768</b>	<b>1,081,447</b>	<b>161,716</b>	<b>18.88%</b>	<b>2.82%</b>	<b>-47,393</b>	<b>-140,120</b>	<b>\$2.56</b>
Class A	3,325,642	810,213	117,522	24.36%	3.53%	-45,630	-89,821	\$2.73
Class B	894,363	110,732	10,268	12.38%	1.15%	-6,955	-11,211	\$2.07
Class C	562,680	104,599	0	18.59%	0.00%	-666	-39,813	\$2.01
Flex	944,083	55,903	33,926	5.92%	3.59%	5,858	725	\$1.82
<b>Pleasant Hill</b>	<b>1,135,055</b>	<b>119,162</b>	<b>21,164</b>	<b>10.50%</b>	<b>1.86%</b>	<b>19,388</b>	<b>10,283</b>	<b>\$2.60</b>
Class A	341,555	46,733	21,164	13.68%	6.20%	11,696	12,021	\$2.95
Class B	546,033	21,624	0	3.96%	0.00%	442	-4,360	\$2.24
Class C	247,467	50,805	0	20.53%	0.00%	7,250	2,622	\$2.00
<b>Pleasant Hill BART</b>	<b>1,946,210</b>	<b>598,397</b>	<b>110,910</b>	<b>30.75%</b>	<b>5.70%</b>	<b>-24,153</b>	<b>-99,779</b>	<b>\$3.73</b>
Class A	1,789,006	565,471	110,910	31.61%	6.20%	-21,302	-91,094	\$3.95
Class B	157,204	32,926	0	20.94%	0.00%	-2,851	-8,685	\$2.85
<b>Walnut Creek BART</b>	<b>2,073,401</b>	<b>624,096</b>	<b>77,960</b>	<b>30.10%</b>	<b>3.76%</b>	<b>-8,144</b>	<b>-38,552</b>	<b>\$3.96</b>
Class A	1,905,609	589,262	70,949	30.92%	3.72%	-7,139	-24,684	\$4.20
Class B	167,792	34,834	7,011	20.76%	4.18%	-1,005	-13,868	\$3.05
<b>Walnut Creek Downtown</b>	<b>2,919,819</b>	<b>588,729</b>	<b>19,550</b>	<b>20.16%</b>	<b>0.67%</b>	<b>-23,989</b>	<b>-51,298</b>	<b>\$3.85</b>
Class A	1,121,560	178,409	3,994	15.91%	0.36%	7,384	20,527	\$5.00
Class B	1,449,667	365,872	15,556	25.24%	1.07%	-27,910	-68,829	\$3.05
Class C	348,592	44,448	0	12.75%	0.00%	-3,463	-2,996	\$2.46
<b>Walnut Creek Shadelands</b>	<b>2,237,648</b>	<b>411,642</b>	<b>6,232</b>	<b>18.40%</b>	<b>0.28%</b>	<b>-11,122</b>	<b>-30,539</b>	<b>\$2.08</b>
Class A	697,829	292,155	6,232	41.87%	0.89%	-16,836	-17,846	\$2.10
Class B	917,400	107,600	0	11.73%	0.00%	7,147	-11,265	\$2.05
Class C	315,360	11,887	0	3.77%	0.00%	-1,433	-1,428	\$1.97
Flex	307,059	0	0	0.00%	0.00%	0	0	\$0.00
<b>Lafayette/Moraga/Orinda</b>	<b>1,088,383</b>	<b>150,510</b>	<b>26,048</b>	<b>13.83%</b>	<b>2.39%</b>	<b>-6,965</b>	<b>-7,140</b>	<b>\$3.54</b>
Class A	612,393	123,967	26,048	20.24%	4.25%	-15,304	-17,732	\$4.00
Class B	351,127	17,673	0	5.03%	0.00%	8,339	9,944	\$3.20
Class C	124,863	8,870	0	7.10%	0.00%	0	648	\$2.50
<b>NORTH I-680</b>	<b>17,127,284</b>	<b>3,573,983</b>	<b>423,580</b>	<b>20.87%</b>	<b>2.47%</b>	<b>-102,378</b>	<b>-357,145</b>	<b>\$2.94</b>
Class A	9,793,594	2,606,210	356,819	26.61%	3.64%	-87,131	-208,629	\$3.17
Class B	4,483,586	691,261	32,835	15.42%	0.73%	-22,793	-108,274	\$2.60
Class C	1,598,962	220,609	0	13.80%	0.00%	1,688	-40,967	\$2.10
Flex	1,251,142	55,903	33,926	4.47%	2.71%	5,858	725	\$1.82

\*Note: Total Availability is space marketed for lease regardless of whether the space is vacant or occupied



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