



North I-680 Office Market

Companies have been slowly returning to the office since the end of summer and the start of the school year. Occupancy levels in several studied buildings are three times higher than 12 months ago. As the pandemic hopefully is coming to an end, the dust is beginning to settle and decisions are being made for companies to right size and begin their reboarding processes.

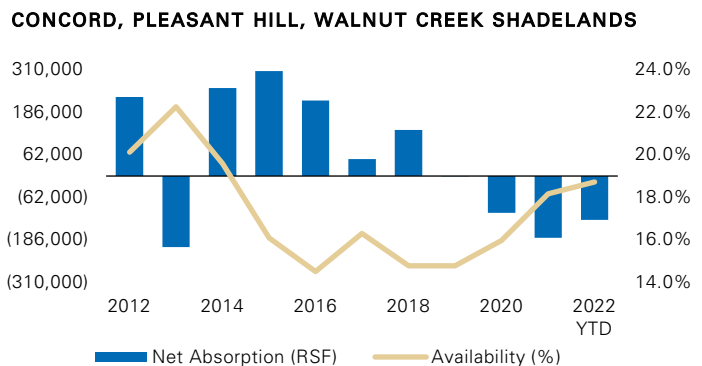
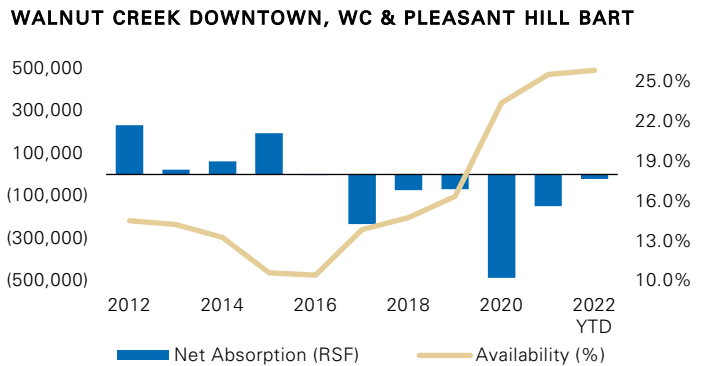
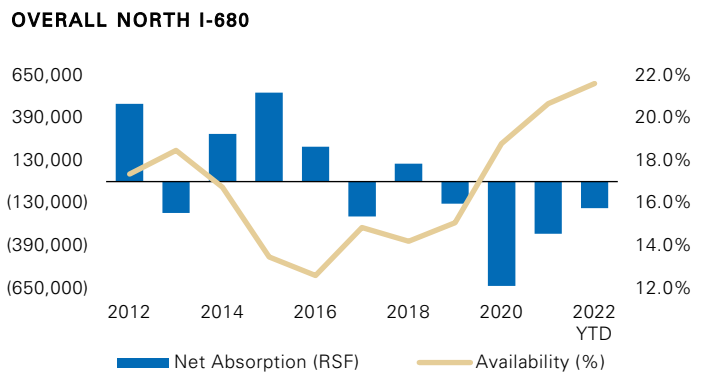
The bad news: In the third quarter of 2022, the North I-680 Corridor experienced 220,463 square feet of negative net absorption.

The good news: Nearly all the negative net absorption can be attributed to PG&E vacating ±223,000 square feet in Concord, which was officially put on the market as available this quarter.

Given the direction of the economy and emergence out of the COVID-19 lockdown, overall tenant activity has been decent. The wealth management and financial planning segment of the market has been strong, with companies like First Republic Bank, JPMorgan Chase and Merrill Lynch either growing or maintaining their large footprints in the area. Tenant demand from outside the market (primarily San Francisco and Oakland) has continued, albeit at a pace that will ideally improve as 2023 approaches.

Market Summary				
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	17.1M	17.1M	17.1M	→
Total Avail Rate	21.6%	20.3%	20.8%	↑
Sublease Avail Rate	2.31%	2.5%	2.47%	→
Quarterly Net Absorption (SF)	-220K	-16K	-102K	↑
Direct FS Ask Rent/SF	\$2.94	\$2.94	\$2.94	↓

Market Analysis – Overall North I-680 Market



Statistical Overview

Since the start of COVID-19 in the first quarter of 2020, available space in the North I-680 market has increased by over 1.1 million square feet. The overall market vacancy is now 21.6%. Class A product experienced negative 305,560 square feet, bringing vacancy to 28.4%.

Walnut Creek Driver Markets

Class A vacancy is as high as it has ever been historically, ending the quarter at 28.0%. Though all buildings have vacancies, some buildings have been hit harder than others. In context, five of the 34 Class A buildings in the Driver market are at least 50.0% vacant. This is largely driven by the location of the product, age and quality of tenant and building improvements and the lack of amenities. JP Morgan leased 7,905 square feet at The Plaza, a new office to the area, after occupying space in Industrious on a short-term basis. Berkeley and Parson relocated from 1 Cal Plaza to Walnut Creek Center, leasing 8,401 square feet. Ygnacio Center had three tenants close their doors (Fox & Bank, Bayside Management and DocuSign/formerly Seal Software). Flight to quality remains paramount, as the two top-tier buildings in Downtown Walnut Creek remain below 10.0% vacancy.

Concord/ Pleasant Hill/ Walnut Creek Shadelands

Concord Class A continues to be one of the hardest-hit submarkets in the North I-680 office market. Contributing to the now 29.1% vacancy is the recent vacancy caused by PG&E at

Concord Gateway. PG&E plans to vacate over 223,000 square feet as it consolidates to its Oakland asset. Good news for the market was Contra Costa County leasing 32,000 square feet at Systron Business Center. This lease gave positive absorption to the embattled market. Overall, however, downsizes and office closures continue to plague Concord for the time being.

Investment Overview

The largest sale of the quarter was California Capital and Investment Group's acquisition of the 12-building Walnut Creek Executive Park in the Shadelands. The project sold for \$48.8 million, or \$108.43/SF. California Capital and Investment Group also acquired The Terraces (2300 Contra Costa Blvd.) in Pleasant Hill for \$38.5 million, or \$286/SF. A challenging lending environment, plus uncertainty about tenant demand, has kept investors cautious through the latter part of the quarter. No significant transactions were completed in September. While some ownerships are electing to test the market, expect continued low transactional volume in the near term as buyers and sellers struggle to come to terms on pricing.

Looking Forward

As the cost of construction and interest rates continue to climb, expect the next 12 months to be "eventful." Proactive landlords will do what they can to take care of their existing tenants and work with them to offer tools to bring their employees back to the office.

Select Lease/User Transactions

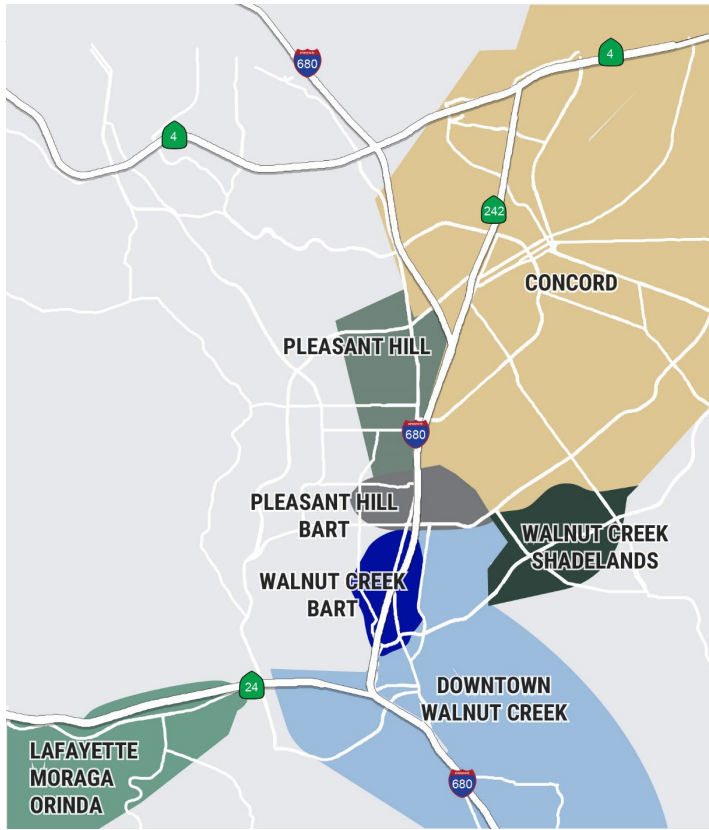
Tenant	Submarket	Building	Type	Square Feet
Contra Costa County	Concord	2727 Systron Dr	Sublease	31,999
BevMo	Concord	1401 Willow Pass Rd	Direct	11,500
JP Morgan Chase & Co	Walnut Creek	1333 N California Blvd	Direct	7,905

Select Investment Sale Transactions

Building(s)	Submarket	Reported Sale Price	Reported \$/RSF	Square Feet
Walnut Creek Executive Park (12 Properties)	Walnut Creek	\$48,805,000	\$108.43	450,096
2300 Contra Costa Blvd	Pleasant Hill	\$38,500,000	\$285.70	134,759
401 Lennon Ln (Part of Portfolio Sale)	Walnut Creek	\$17,391,841	\$203.38	85,512
2055 Meridian Park Blvd	Concord	\$20,000,000	\$795.51	25,141
5000 Marsh Dr	Concord	\$3,000,000	\$231.48	12,960

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	1,193,540	74,602	20.84%	1.30%	-190,304	-114,304	\$2.50
Class A	3,325,642	967,133	73,602	29.08%	2.21%	-256,555	-167,951	\$2.55
Class B	894,363	94,599	0	10.58%	0.00%	31,766	19,097	\$2.07
Class C	562,680	109,818	1,000	19.52%	0.18%	733	1,568	\$2.01
Flex	944,083	21,990	0	2.33%	0.00%	33752	32,982	\$1.82
Pleasant Hill	1,135,055	110,094	21,164	9.70%	1.86%	6,990	14,692	\$2.55
Class A	341,555	47,790	21,164	13.99%	6.20%	3,498	4,145	\$2.85
Class B	546,033	16,620	0	3.04%	0.00%	4,007	1,788	\$2.24
Class C	247,467	45,684	0	18.46%	0.00%	-515	8,759	\$2.00
Pleasant Hill BART	1,946,210	610,635	162,779	31.38%	8.36%	-10,974	-24,034	\$3.73
Class A	1,789,006	584,469	155,524	32.67%	8.69%	-10,398	-22,997	\$3.95
Class B	157,204	26,166	7,255	16.64%	4.62%	-576	-1037	\$2.85
Walnut Creek BART	2,073,401	583,152	38,271	28.13%	1.85%	-28,836	28,680	\$3.80
Class A	1,905,609	543,745	31,260	28.53%	1.64%	-25,018	33,213	\$4.05
Class B	167,792	39,407	7,011	23.49%	4.18%	-3818	-4,533	\$3.05
Walnut Creek Downtown	2,919,819	598,770	49,723	20.51%	1.70%	1,645	-26,670	\$3.80
Class A	1,121,560	219,329	25501	19.56%	2.27%	-19,209	-35,401	\$5.00
Class B	1,449,667	345,117	24,222	23.81%	1.67%	16,862	-2,162	\$2.85
Class C	348,592	34,324	0	9.85%	0.00%	3992	10,893	\$2.46
Walnut Creek Shadelands	2,237,648	456,972	20,747	20.42%	0.93%	-2,060	-28,697	\$2.08
Class A	697,829	310,615	12,610	44.51%	1.81%	0	-16,580	\$2.10
Class B	917,400	133,539	8,137	14.56%	0.89%	-1,700	-13,895	\$2.05
Class C	315,360	12,818	0	4.06%	0.00%	-360	1778	\$1.97
Flex	307,059	0	0	0.00%	0.00%	0	0	\$0.00
Lafayette/Moraga/Orinda	1,088,383	147,068	28,507	13.51%	2.62%	3,076	-13,033	\$3.54
Class A	612,393	108,191	27,175	17.67%	4.44%	2,122	-11,793	\$4.00
Class B	351,127	25,764	1,332	7.34%	0.38%	5,374	-241	\$3.20
Class C	124,863	13,113	0	10.50%	0.00%	-4,420	-999	\$2.50
NORTH I-680	17,127,284	3,700,231	395,793	21.60%	2.31%	-220,463	-163,366	\$2.94
Class A	9,793,594	2,781,272	346,836	28.40%	3.54%	-305,560	-217,364	\$3.17
Class B	4,483,586	681,212	47,957	15.19%	1.07%	51,915	-983	\$2.60
Class C	1,598,962	215,757	1,000	13.49%	0.06%	-570	21,999	\$2.10
Flex	1,251,142	21,990	0	1.76%	0.00%	33752	32,982	\$1.82

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