
3Q23

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 and technology sectors.
- Year-over-year, job growth is highest in the construction and education and health industries. The information and professional and business services sectors the largest decreases in employment.
- Technology firms are continuing to adjust labor needs. Locally, employment growth across all office-occupying sectors has slowed substantially.

Major Transactions

- The largest transaction in the third quarter was Gordon Rees Scully Mansukhani, LLP, which leased space at One Walnut Creek Center.
- Blue Cross was the largest renewal of the quarter. In a last minute reversal they went from a downsize by 50% to a renewal on their entire 14,399RSF space at Cal Plaza at WCBART.

Leasing Market Fundamentals

- The vacancy rate saw a slight increase by 10 bps to 24.5% in the third quarter of 2023. Net absorption in the third quarter was minimal, with the market only experiencing -6,521 SF of absorption.
- Asking rates experienced a slight drop in the third quarter, dropping to \$2.95 per foot.
- Leasing pace remains at 2021 levels due to space reductions and a cloudy economic outlook. Nearly all the tenants in the market are looking for less than 20,000 SF.
- Tenants continue to prioritize space with better amenities, as well as favoring buildings with higher levels of activity.

Outlook

- Deal and tour activity will remain focused on buildings in position to make deals quickly.
- The North I-680 market is expected to maintain activity due to migration of tenants from the San Francisco and Oakland markets.
- Space is expected to continue returning to the market as current tenants continue downsizing.

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

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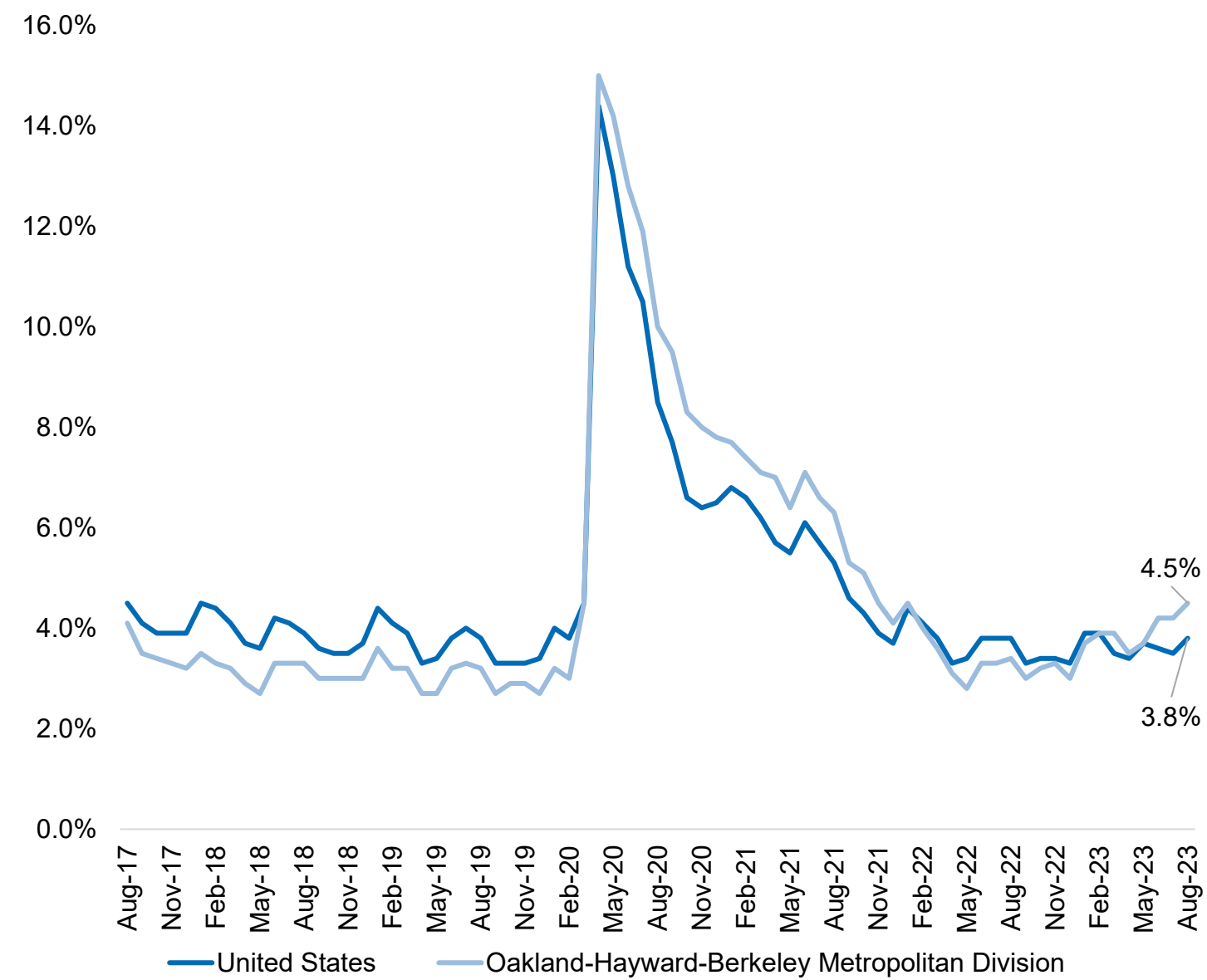
Economy



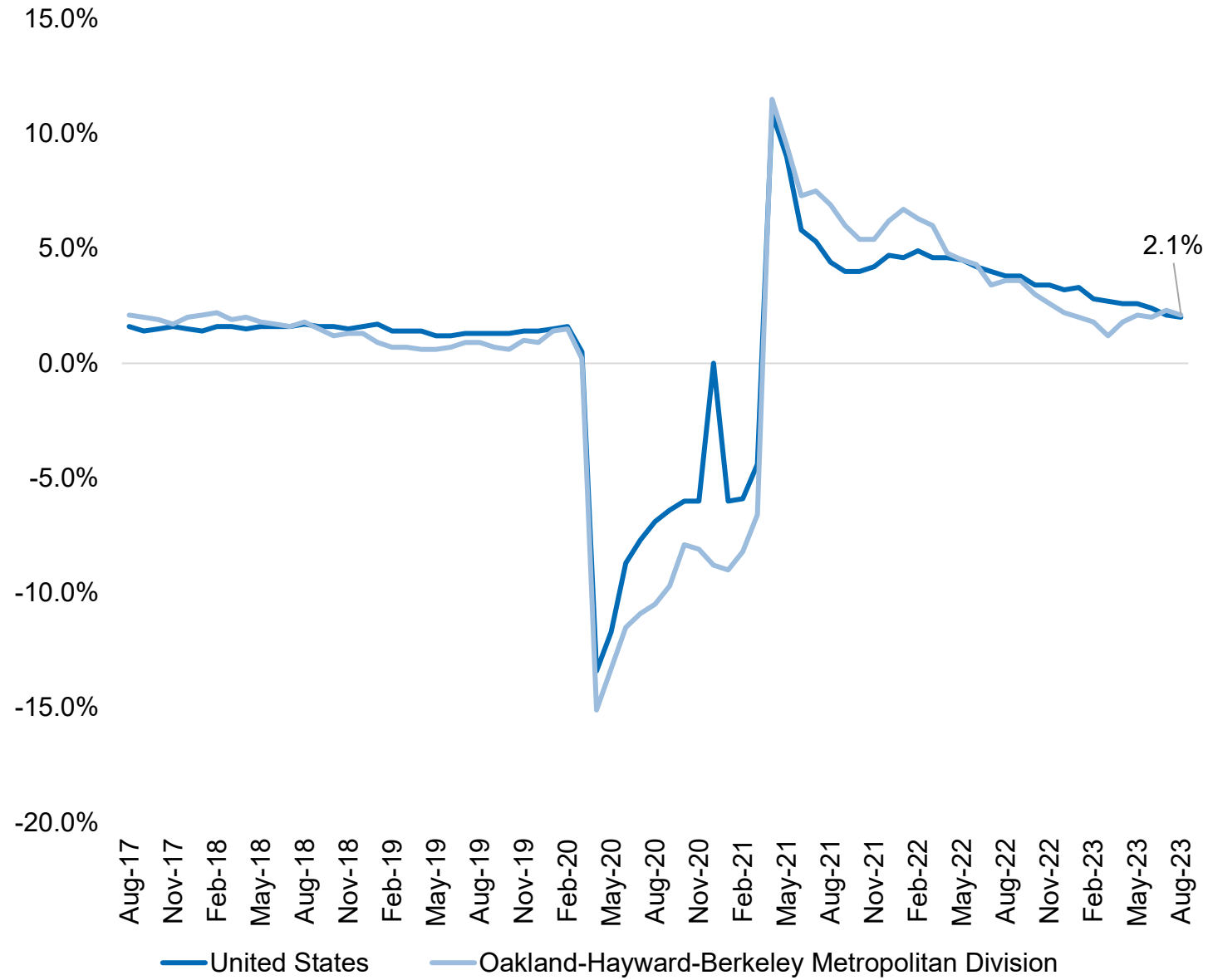
Metro Employment Trends Signal A Slowing Economy

The current unemployment rate for the East Bay Area is 150 basis points higher than it was in February of 2020, and has been slowly rising over the course 2023.

Unemployment Rate, Non-Seasonally Adjusted



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

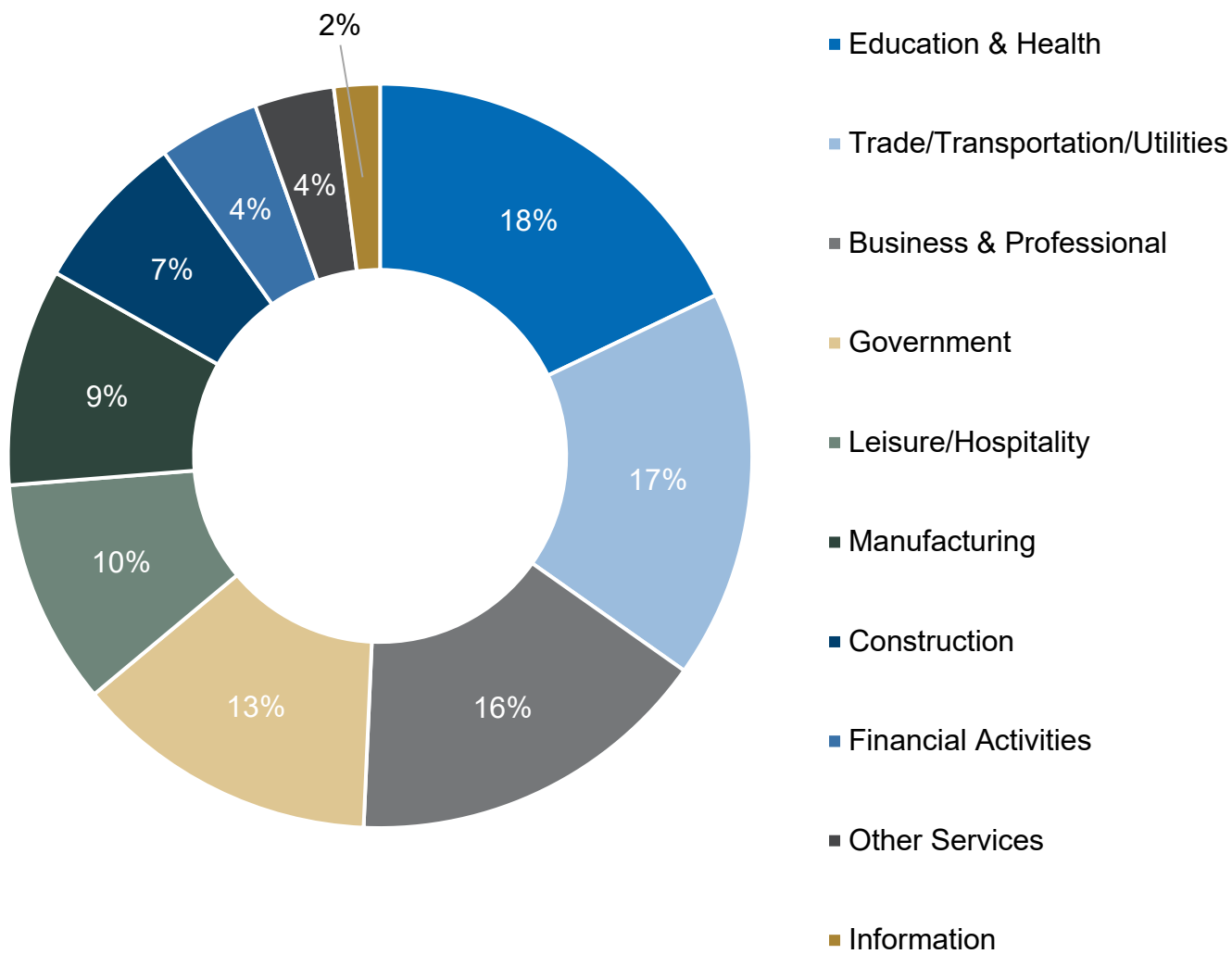


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

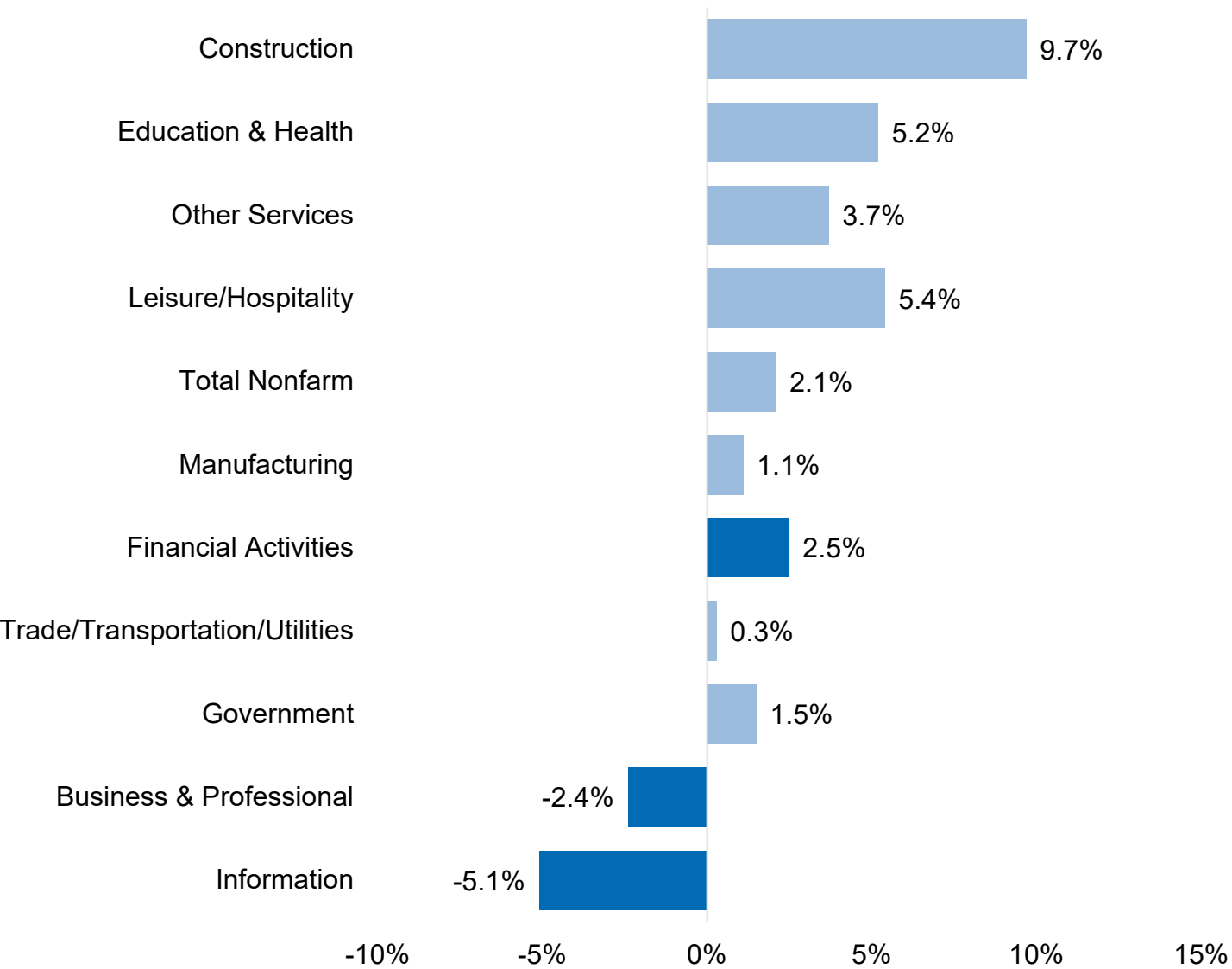
Office-Using Employment Down

The Information and Business & Professional Services sectors have experienced the largest job loss over the past twelve months, declining 240 basis points and 510 basis points, respectively.

Employment by Industry, August 2023



Employment Growth by Industry, 12-Month % Change, August 2023

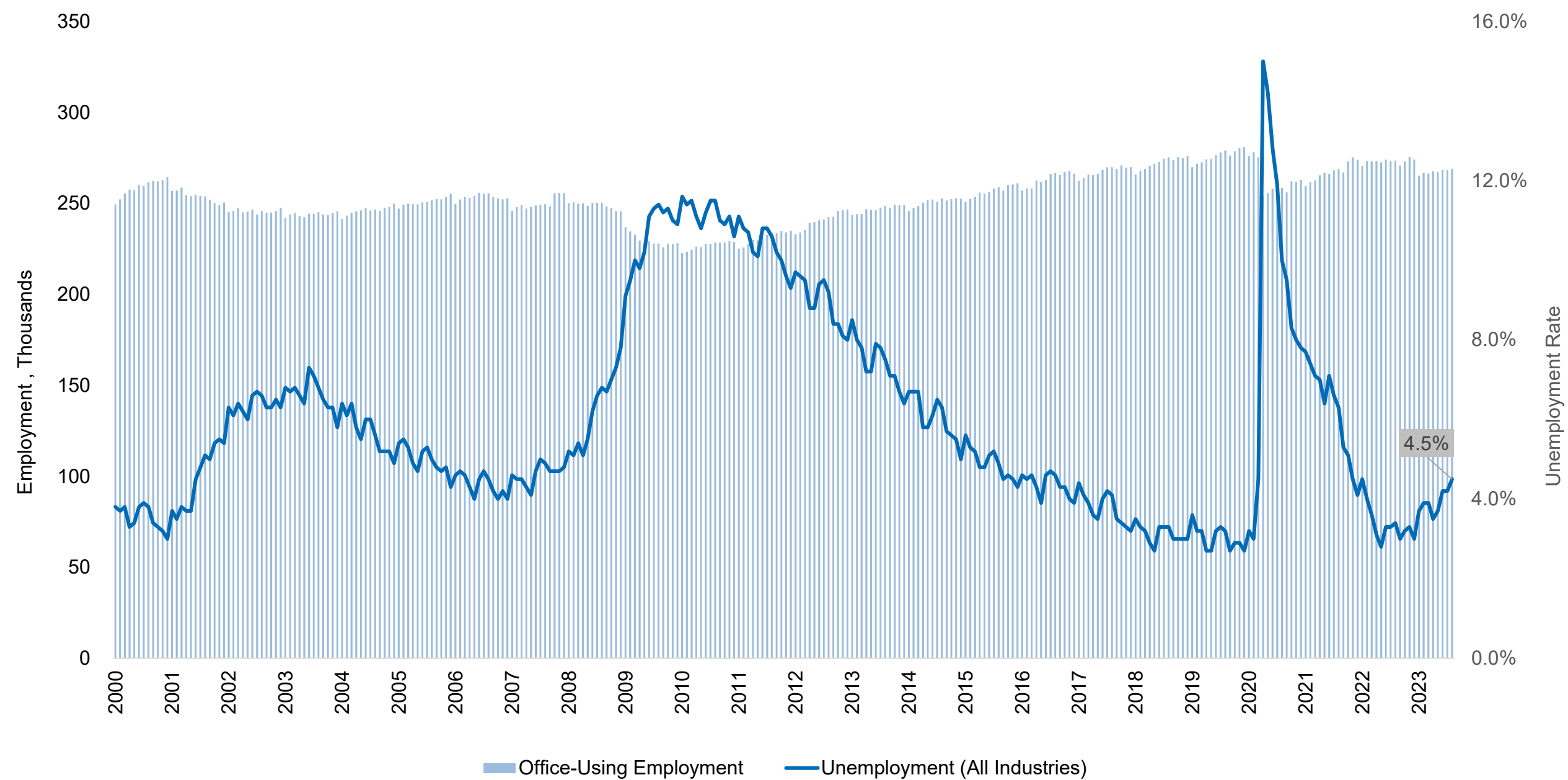


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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. The East Bay region is still experiencing lower numbers in office employment due to the significant number of layoffs in the Information and Business Services sectors in the first quarter of 2023.

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.

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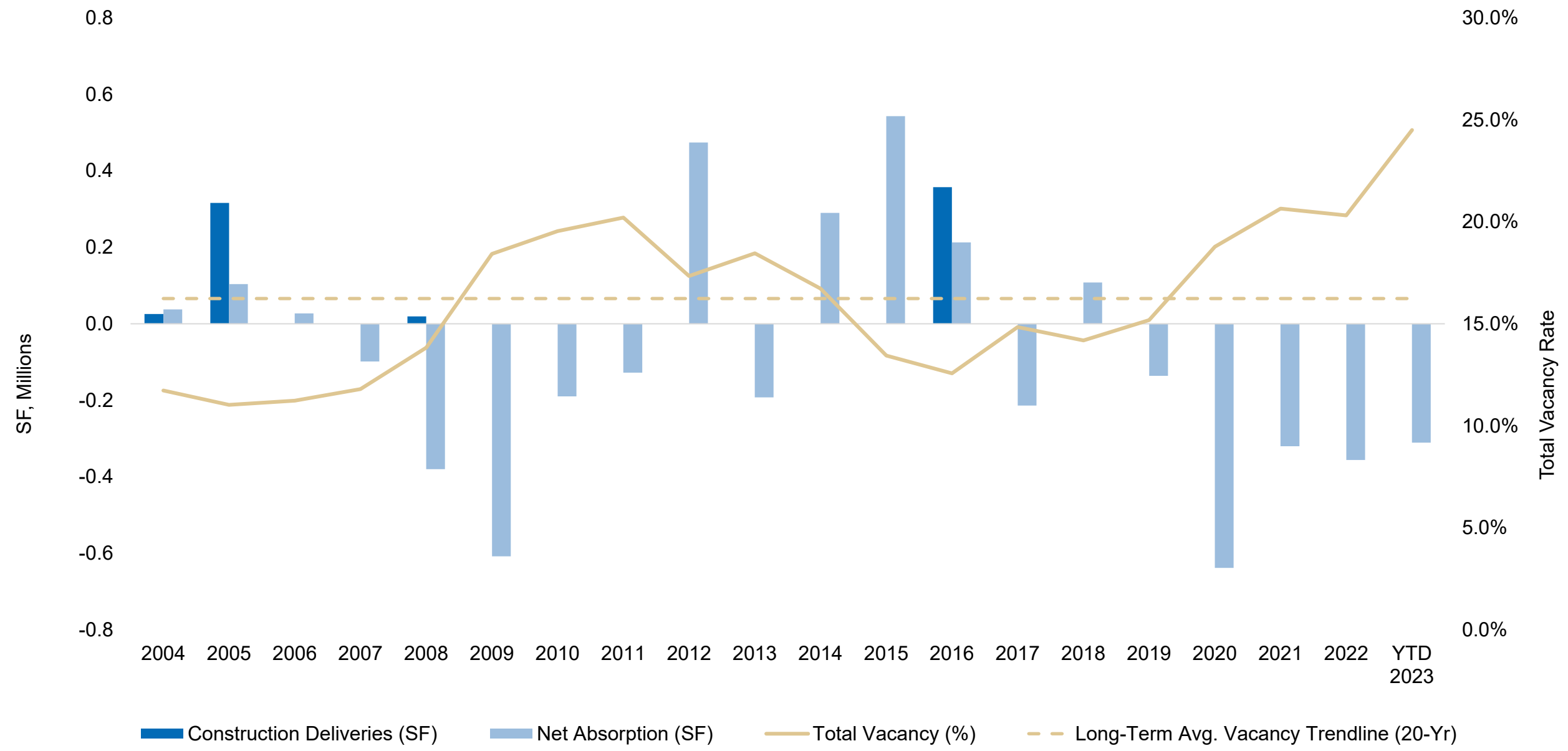
Leasing Market Fundamentals



Vacancy Stabilizes in the Third Quarter of 2023

The vacancy rate saw a slight increase by 10 bps to 24.5% in the third quarter of 2023. Net absorption in the third quarter was minimal, with the market only experiencing -6,521 SF of absorption. This vacancy is still expected to grow as tenants continue to right size their spaces. There is no new construction currently in the pipeline.

Historical Construction Deliveries, Net Absorption, and Vacancy

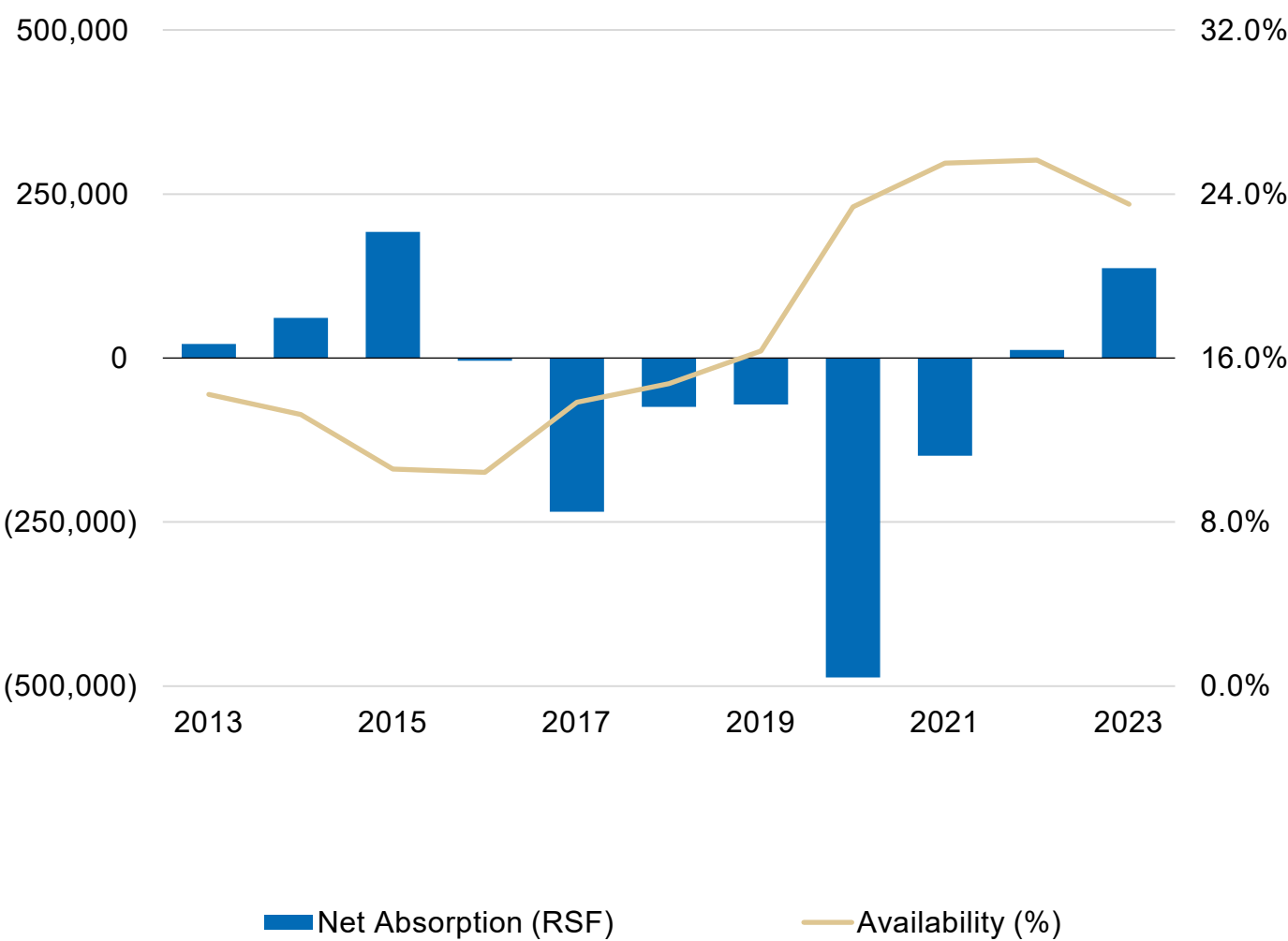


Source: Newmark Research

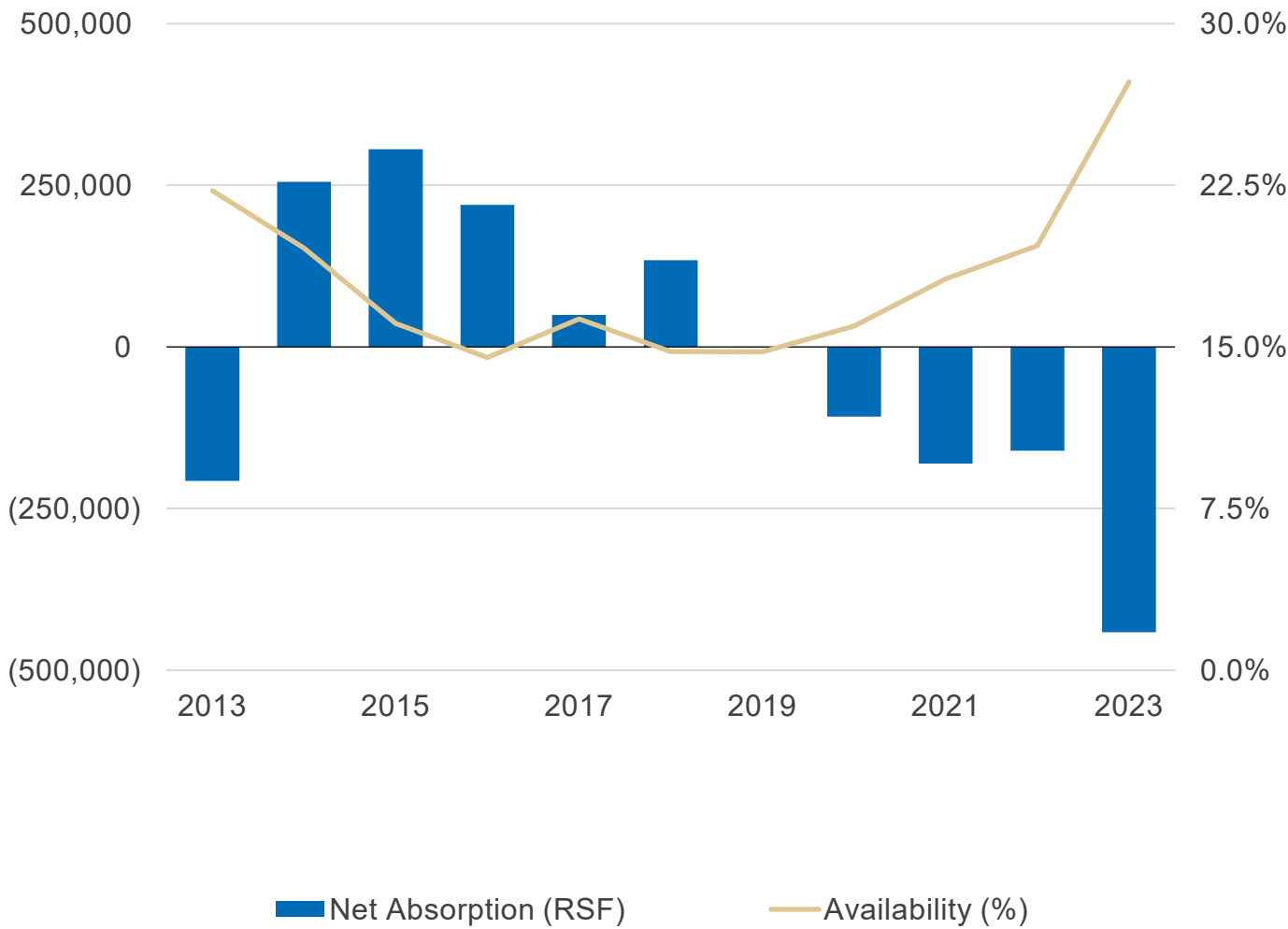
Net Absorption and Availability Correlation

The Walnut Creek markets continue to see positive absorption through the third quarter of 2023, while the Concord, Pleasant Hill, and Walnut Creek Shadelands submarkets continue to see negative absorption.

Walnut Creek Downtown, Walnut Creek BART and Pleasant Hill BART



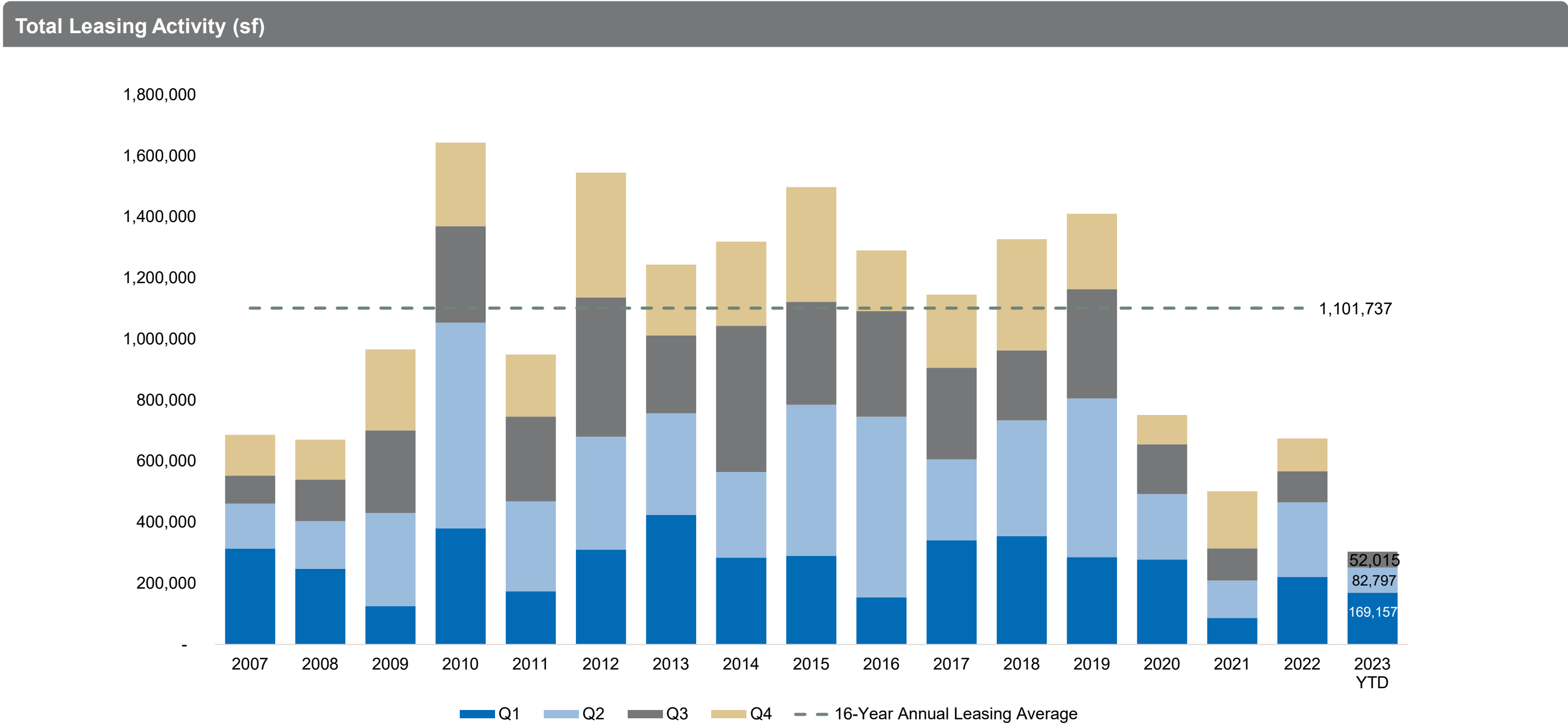
Concord, Pleasant Hill and Walnut Creek Shadelands



Source: Newmark Research

Leasing Activity Has Slowed

Leasing activity continues to slow through the third quarter of 2023, with year-to-date totals matching 2021. Companies continue to be patient while assessing current and future economic outlooks.



Source: Newmark Research, CoStar

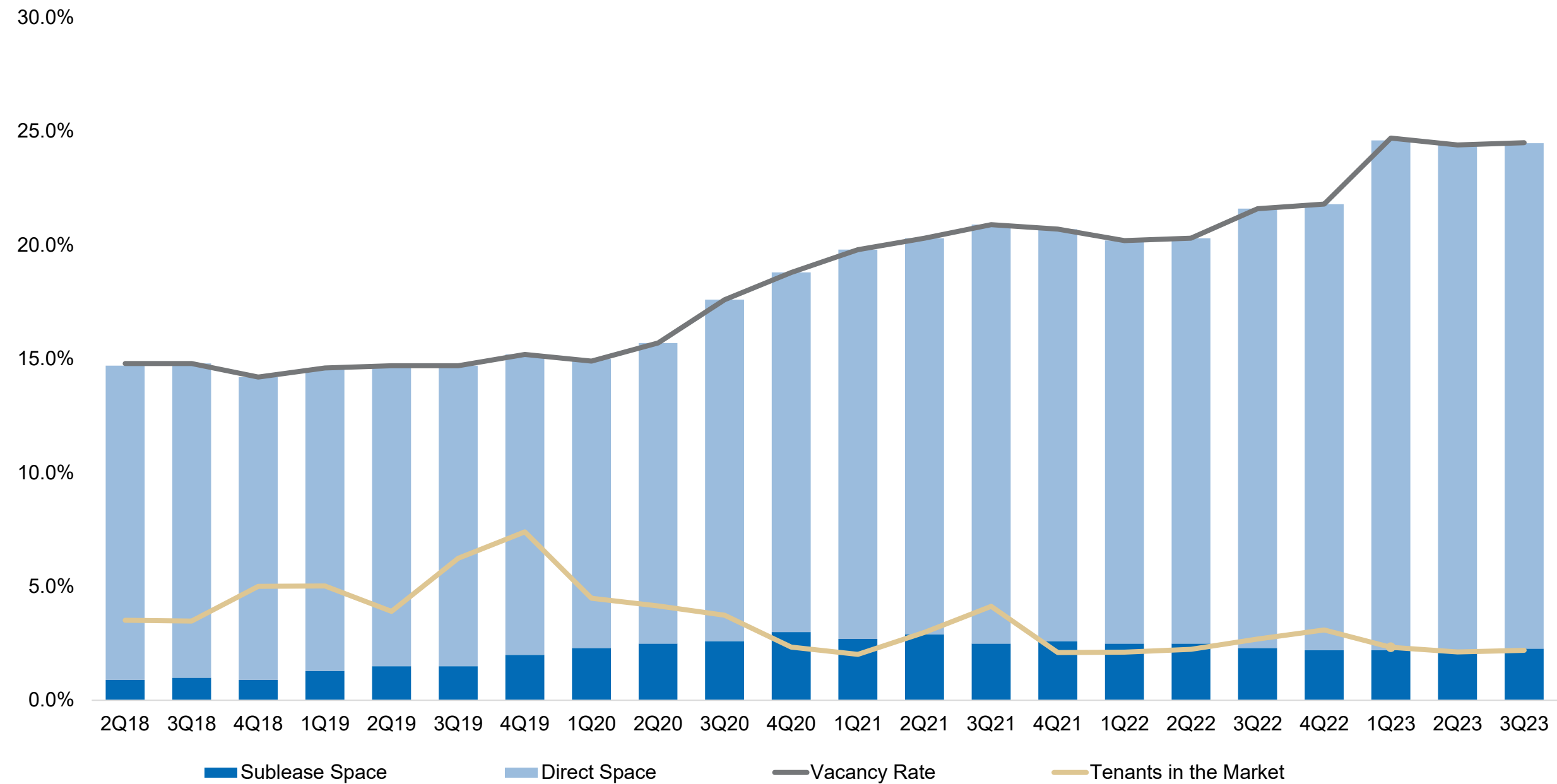
Leasing Strong in Downtown Walnut Creek

Please reach out to your
Newmark business contact for this information

Availability and Tenant Demand Remain Stable

While available space and overall tenant demand have remained constant through the third quarter of 2023, a growing proportion of tenants are looking for under 10,000 square-feet of space. With the lack of demand for large office spaces, vacancy is expected to increase as space continues to return to the market.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

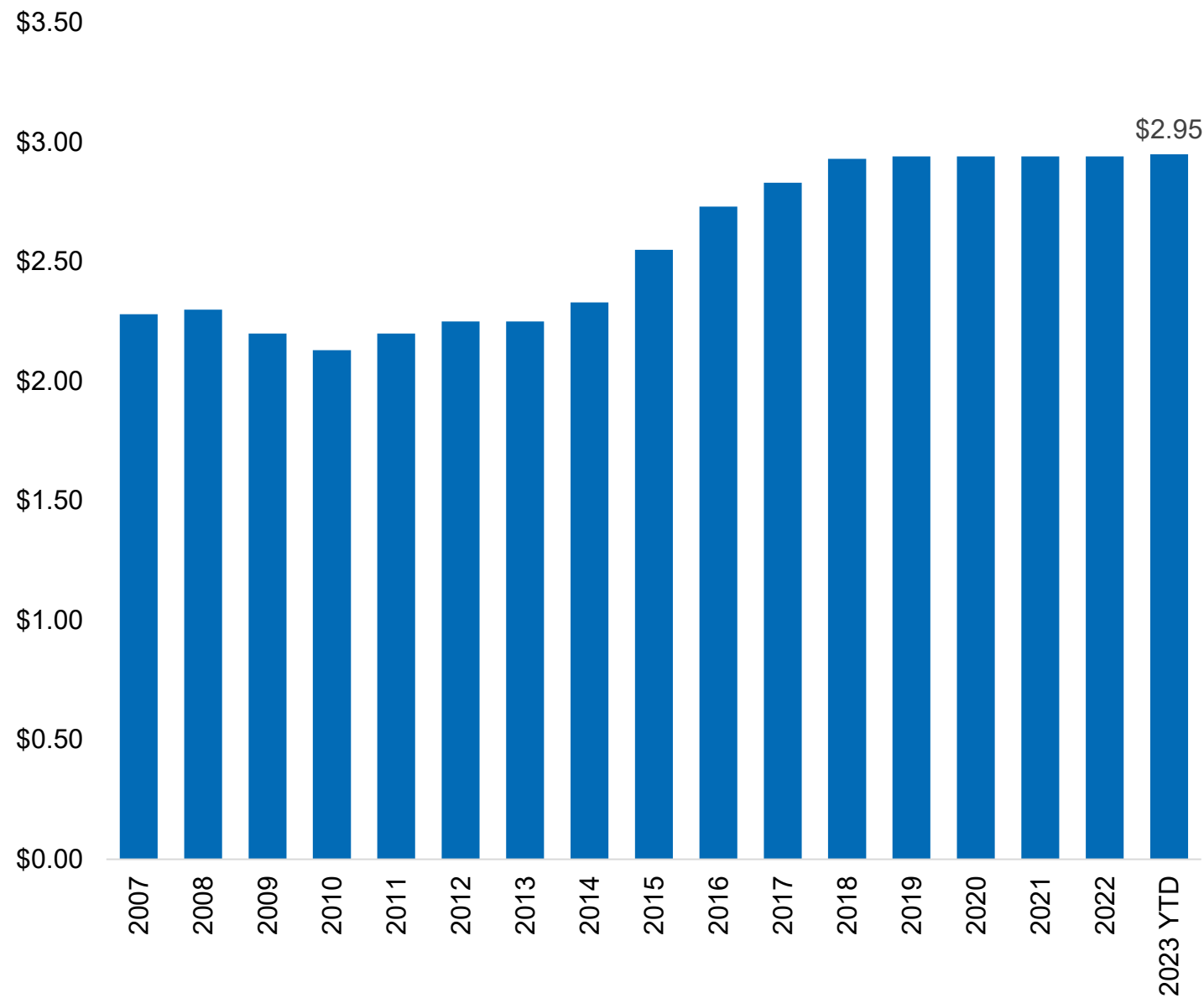
Availability Sees Small Change in the Third Quarter

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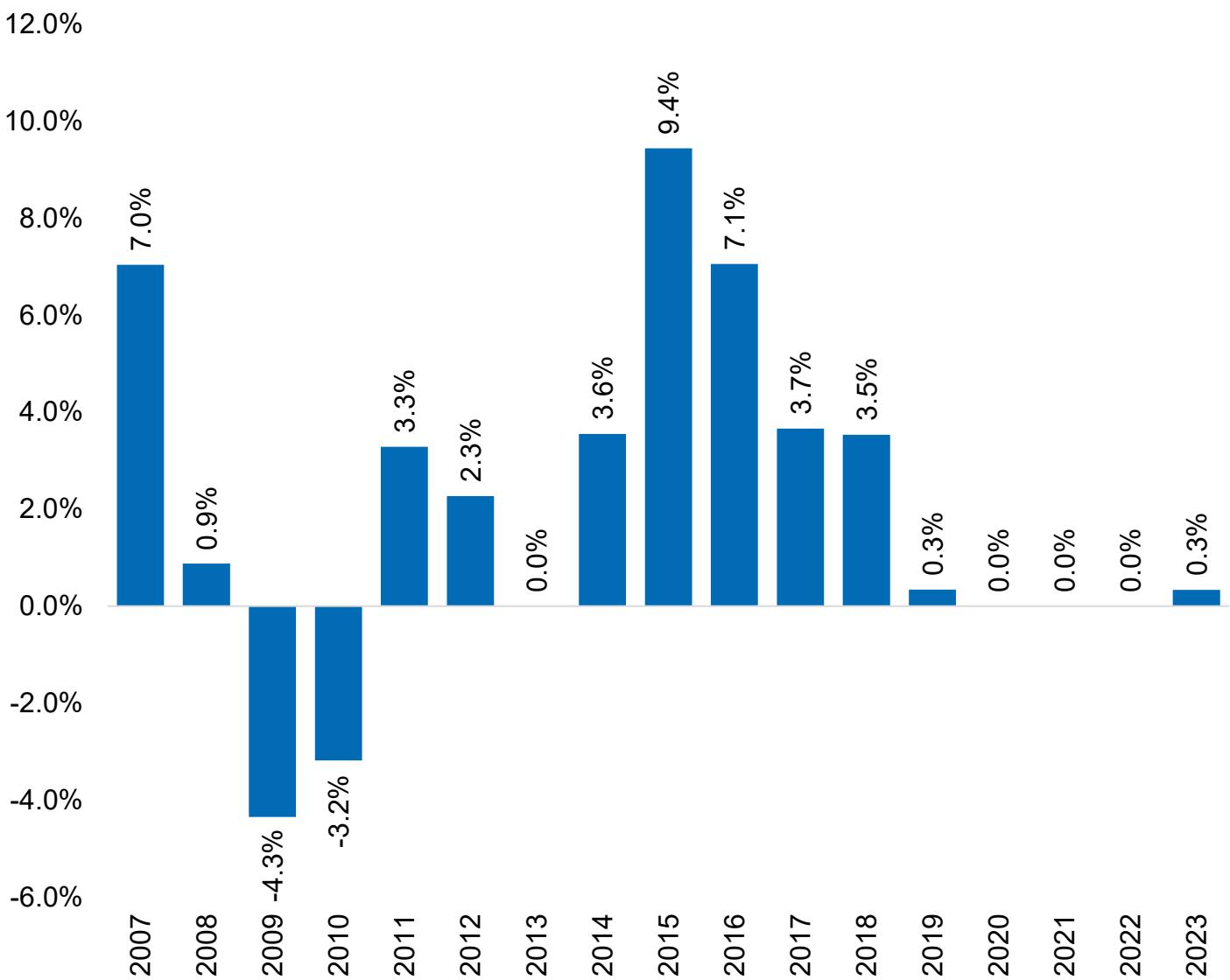
Direct Asking Rents Continue to Hold Steady

Office rents have declined slightly in the third quarter, dropping to \$2.95 FS per-square-foot from \$2.98 FS per-square-foot last quarter.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

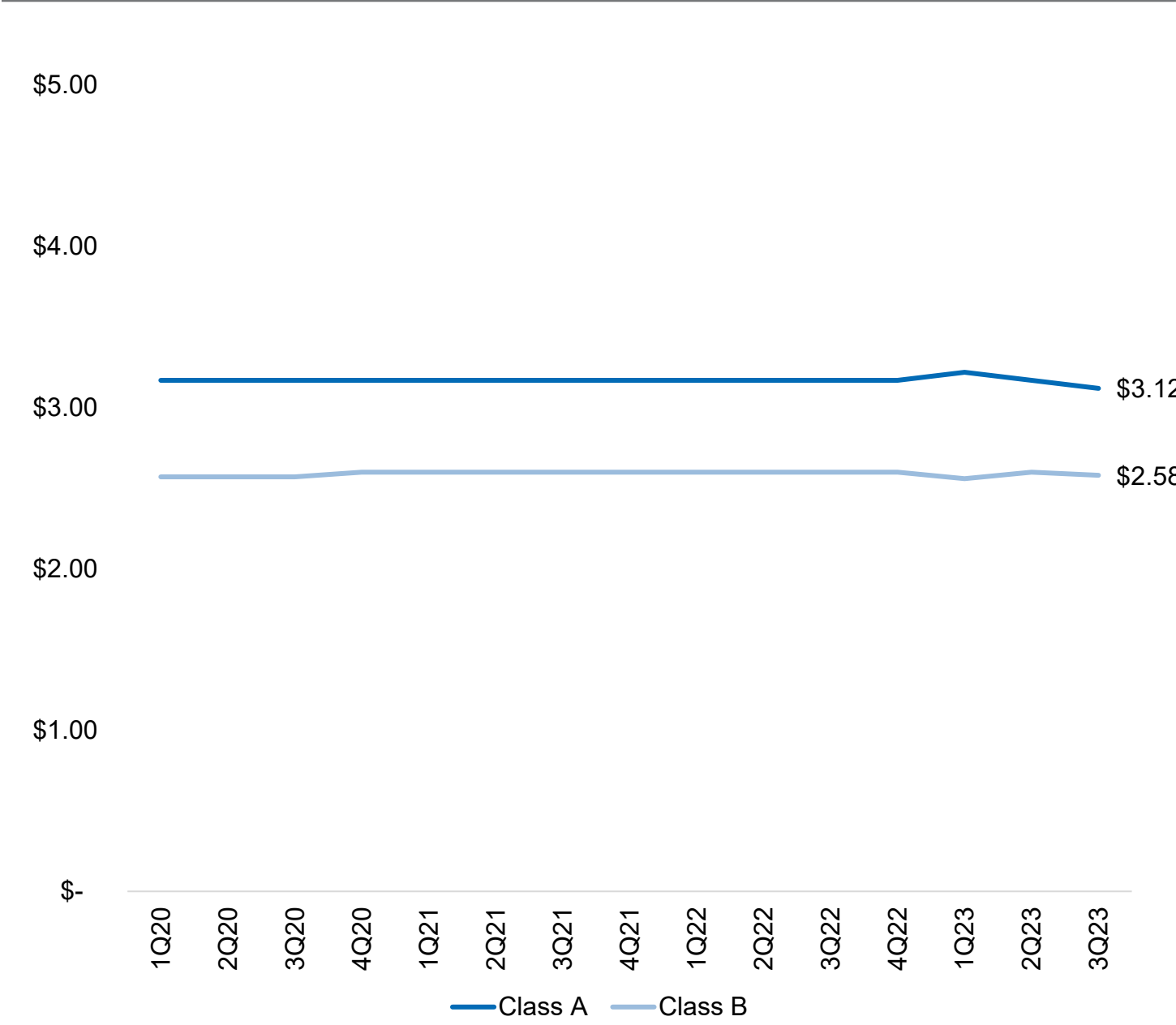


Source: Newmark Research, CoStar

Sublease Rates See a Marginal Decline

Sublease rates saw a small decline in the third quarter, dropping from \$2.56/SF to \$2.54/SF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

BART Submarkets Show Stability

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Third Quarter Lease Transactions

Lease renewals continue to make up the majority of leasing activity.

Notable 3Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Gordon Rees Scully Mansukhani, LLP	100 Pringle Ave	Walnut Creek – BART	Direct Lease	19,733
Anthem Blue Cross	2121 California Blvd	Walnut Creek – BART	Lease Renewal	14,399
Stantec Consulting	2999 Oak Rd	Pleasant Hill – BART	Direct Lease	13,711
MESA LLC	1333 California Blvd	Walnut Creek – Downtown	Lease Renewal	8,257
Radnet Management	2300 Clayton Rd	Concord	Lease Renewal	5,642

Source: Newmark Research

Appendix



I-680 Office Market Statistics

Please reach out to your
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