

# North I-680 Office Market Overview

# Market Observations

## Economy

- The East Bay continued to experience slowly rising unemployment rates, primarily due to layoffs in the information and technology sectors.
- Construction, leisure and hospitality, and other services industries experienced the highest job growth in 2023. The information and professional and business services sectors experienced the largest decreases in employment.
- Technology firms are continuing to adjust labor needs throughout the Greater Bay Area.

## Major Transactions

- The largest transaction in the fourth quarter was Kaiser Foundation Hospitals with a lease extension of 21,859 SF of space at Creekside Oaks.
- TEKsystems Inc. had the largest direct lease of the quarter with 10,443 SF at 2999 Oak Road in Walnut Creek – Pleasant Hill BART. Voya Insurance also leased an additional 9,398 at the building.

## Leasing Market Fundamentals

- The vacancy rate saw a slight decrease of 40 bps to 24.1% in the fourth quarter of 2023. Net absorption in the fourth quarter was positive, with the market experiencing 43,227 SF of absorption.
- Leasing pace remained steady, as space reductions and a cloudy economic outlook matched the positive absorption from new deals completed. Tenants in the market activity picked up in Q4, However majority of over half of the tenants in the market are looking for less than 10,000 SF.
- Tenants continued 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 amenitized and improved buildings 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

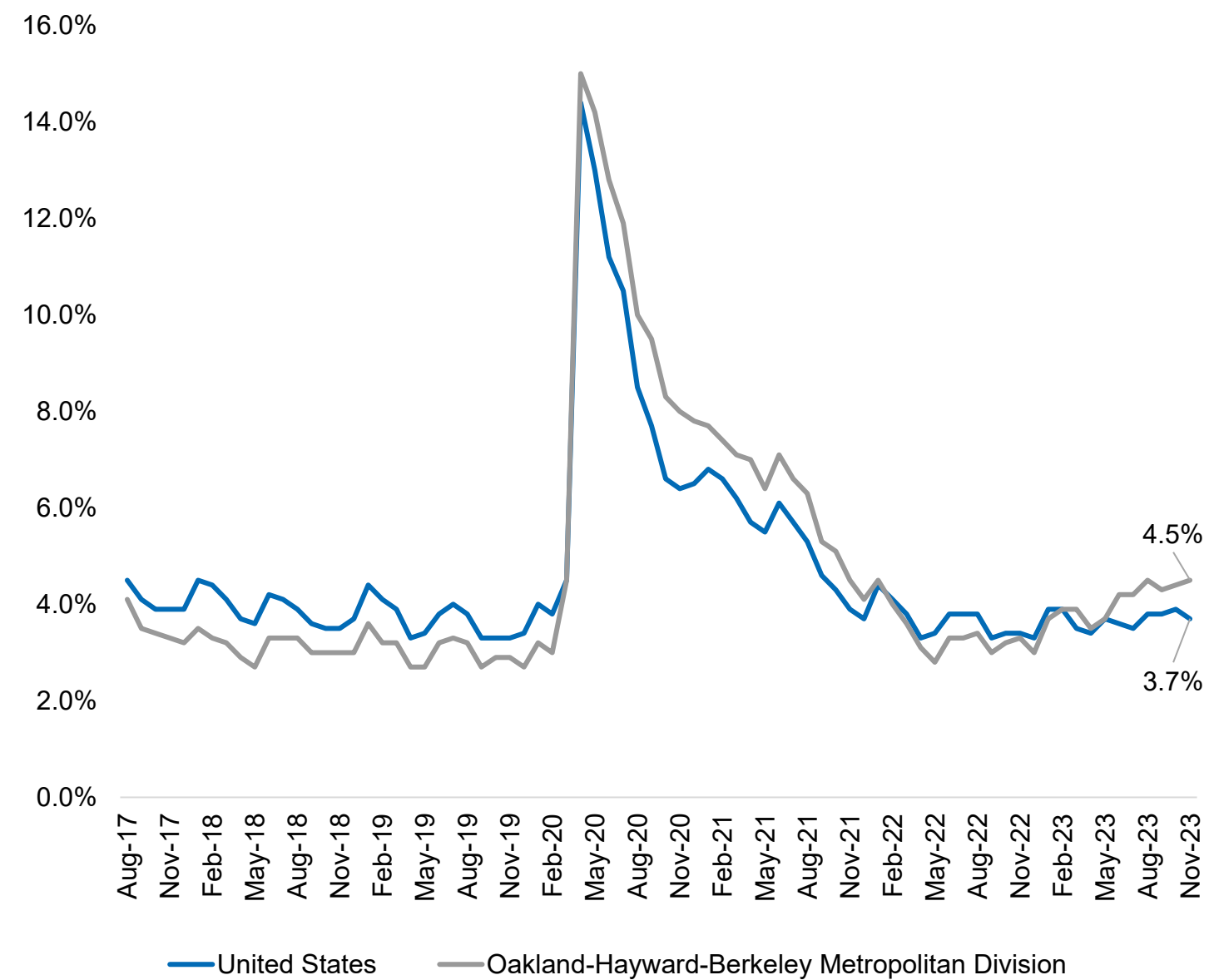




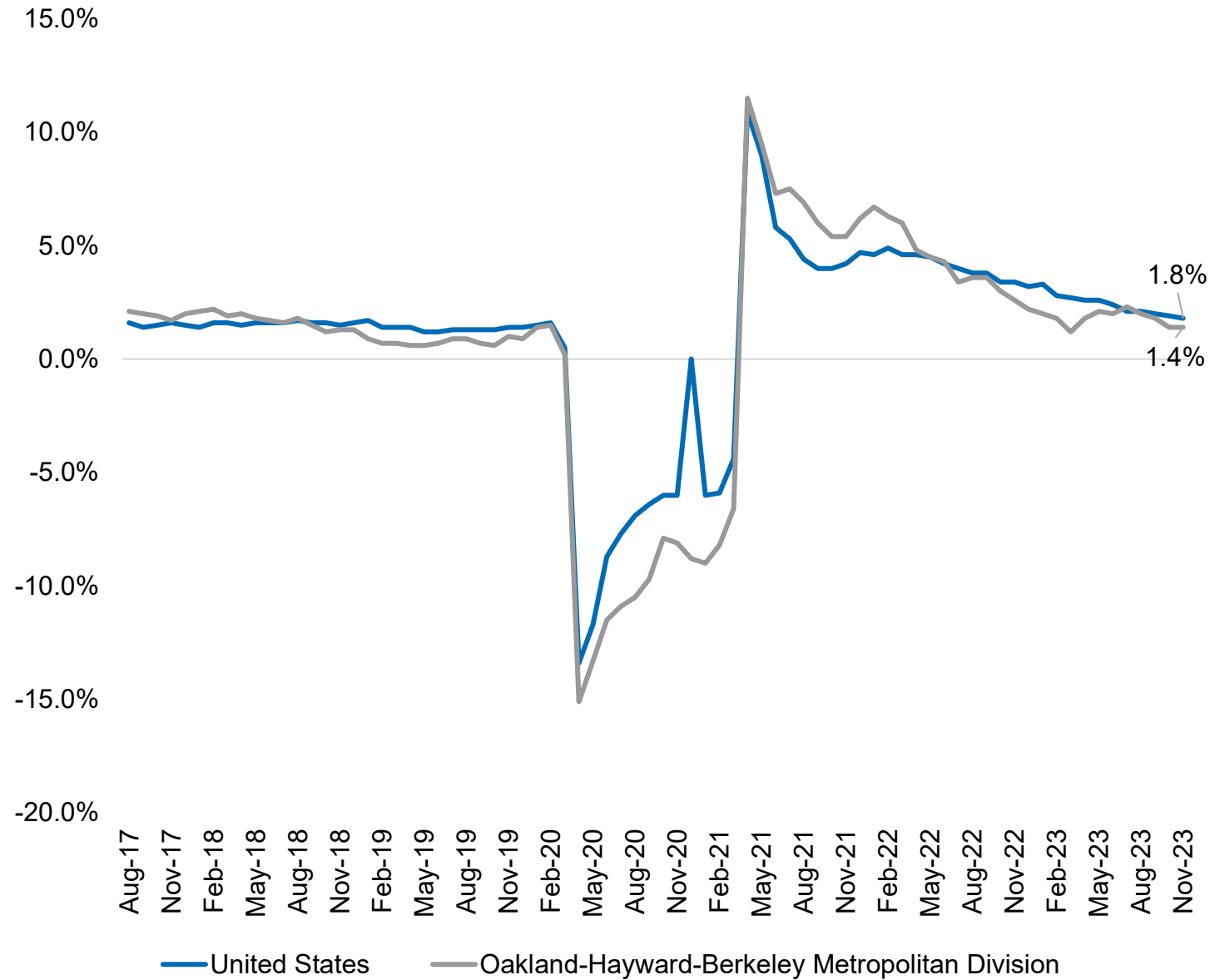
# Metro Employment Trends Signal A Slowing Economy

The current unemployment rate for the East Bay Area is 150 basis points higher than it was at the end of 2022, and at 4.5% is 80 basis points higher than the National average.

Unemployment Rate, Non-Seasonally Adjusted



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

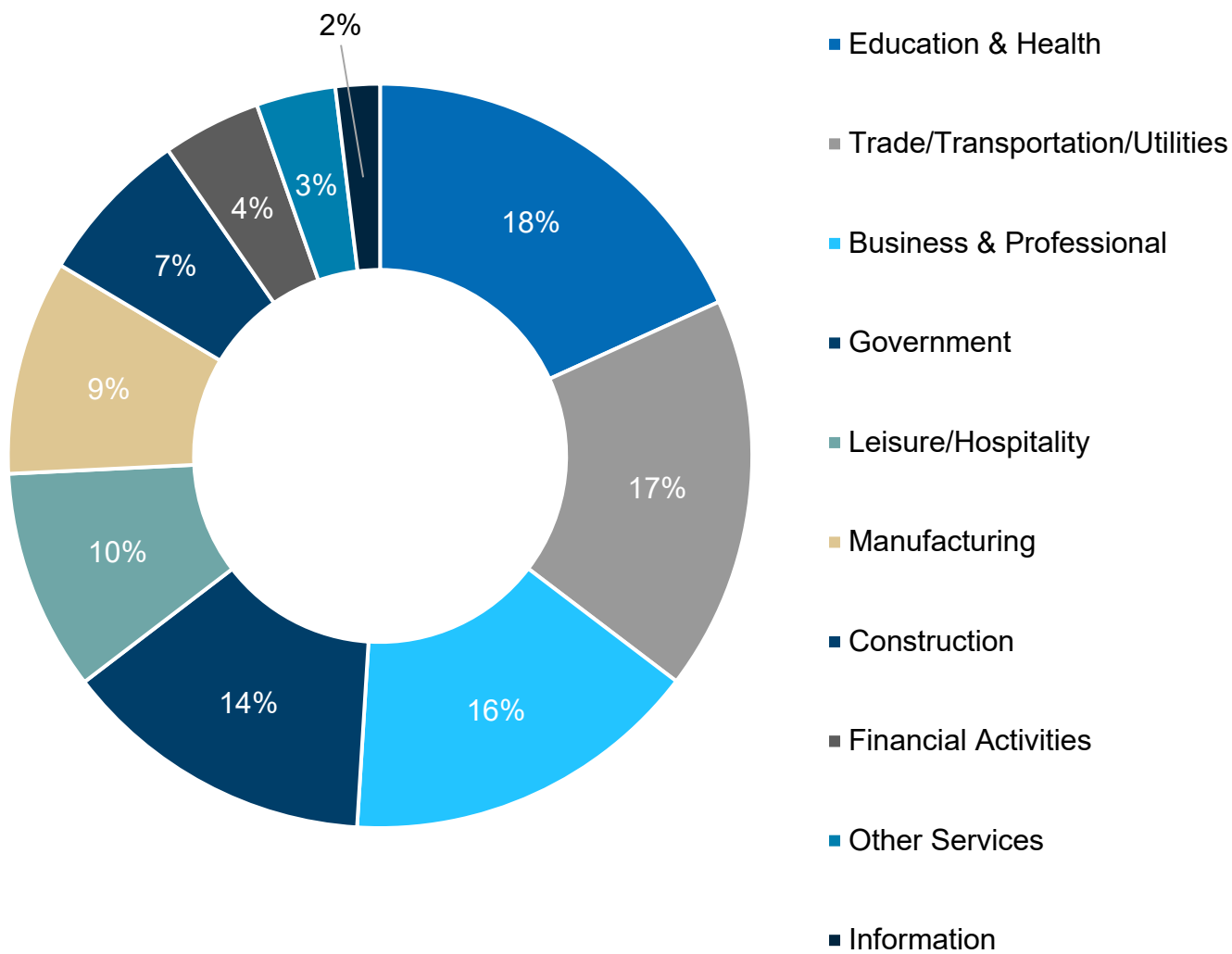


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

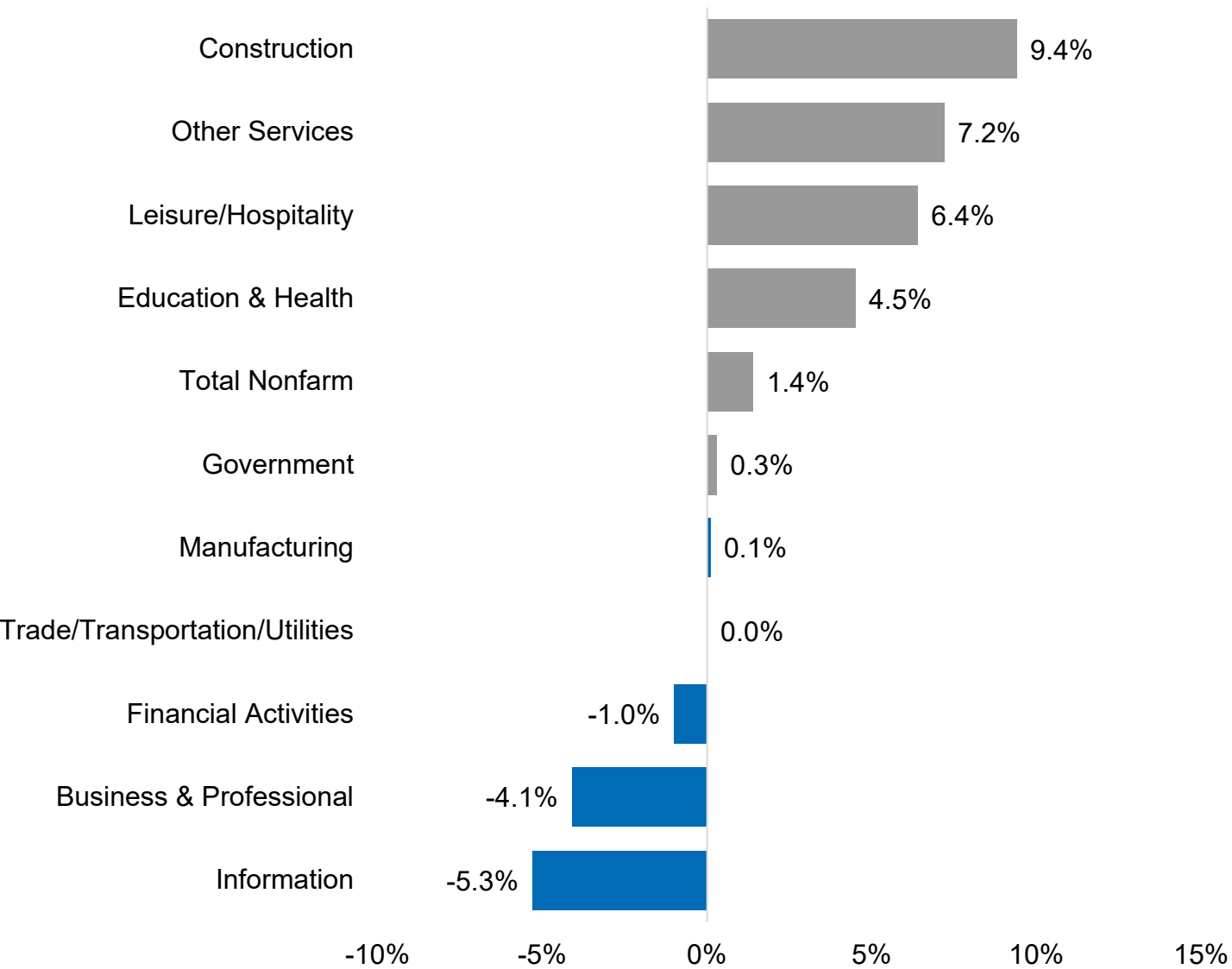
# Office-Using Employment Down

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, November 2023



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

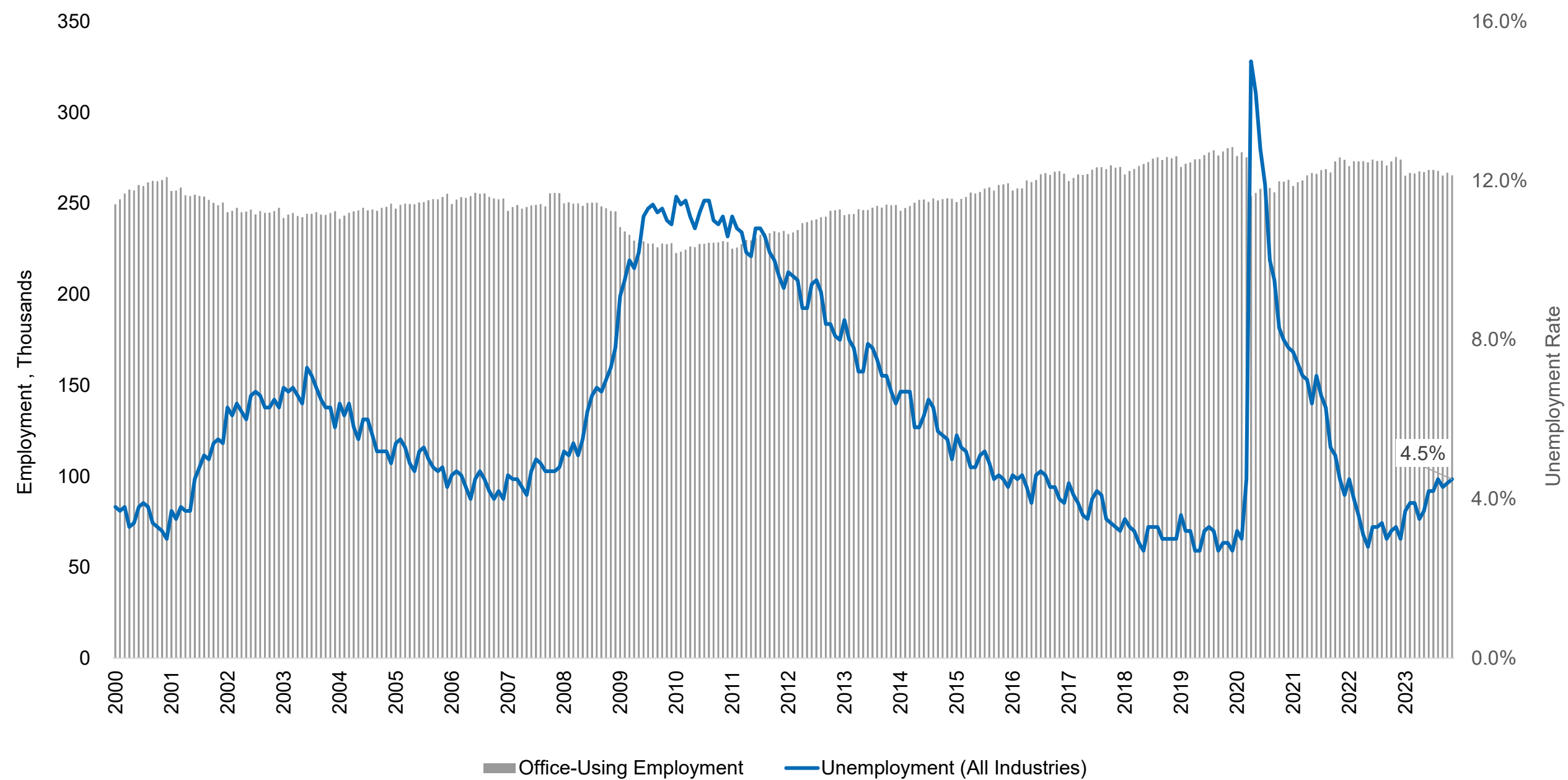


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

# 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. Office-using employment is currently close to 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

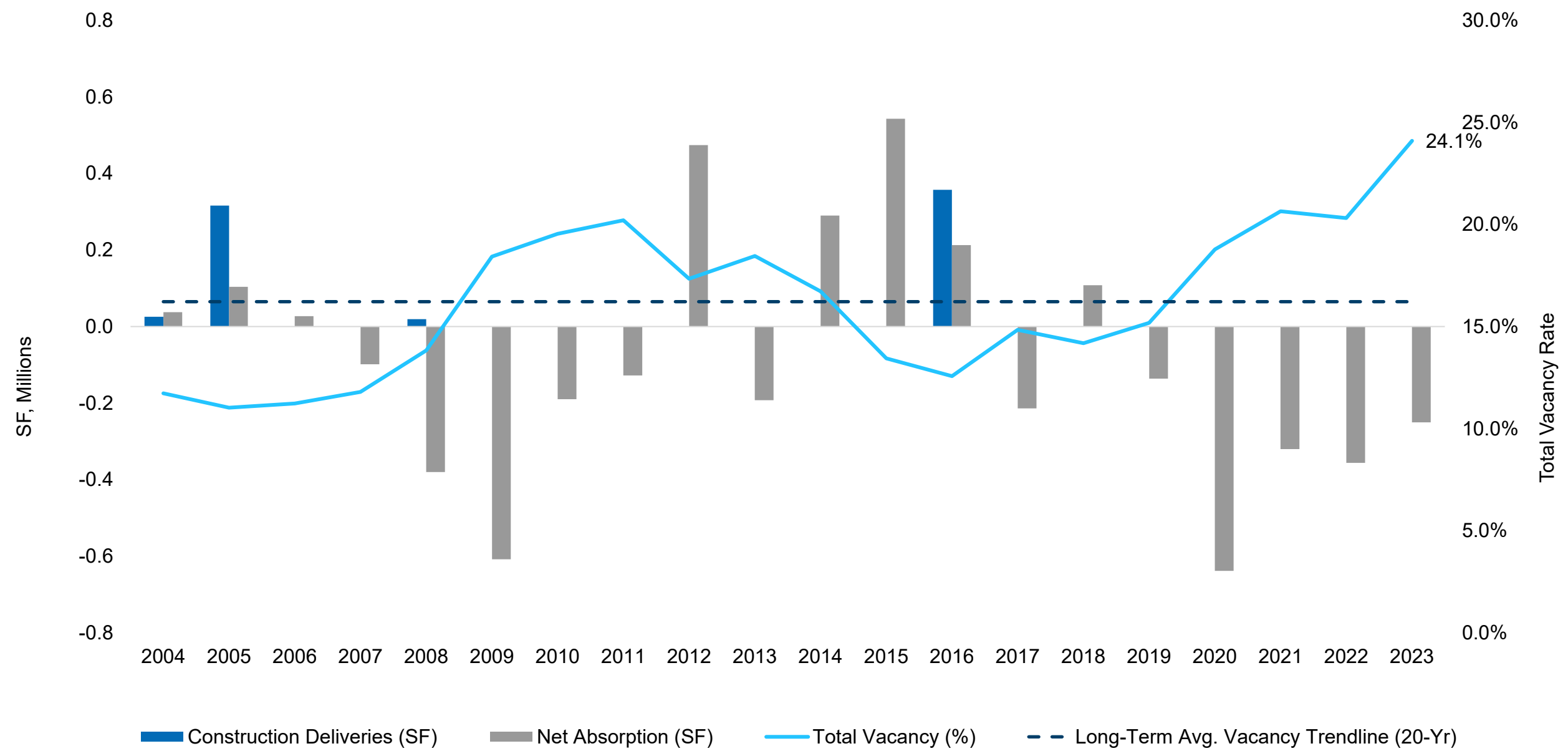




# Vacancy Stabilizes in the Fourth Quarter of 2023

The vacancy rate saw a slight decrease by 40 basis points to 24.1% in the fourth quarter of 2023. Net absorption in the fourth quarter was positive, with the market experiencing 43,227 SF of absorption. There is no new construction currently in the pipeline.

Historical Construction Deliveries, Net Absorption, and Vacancy

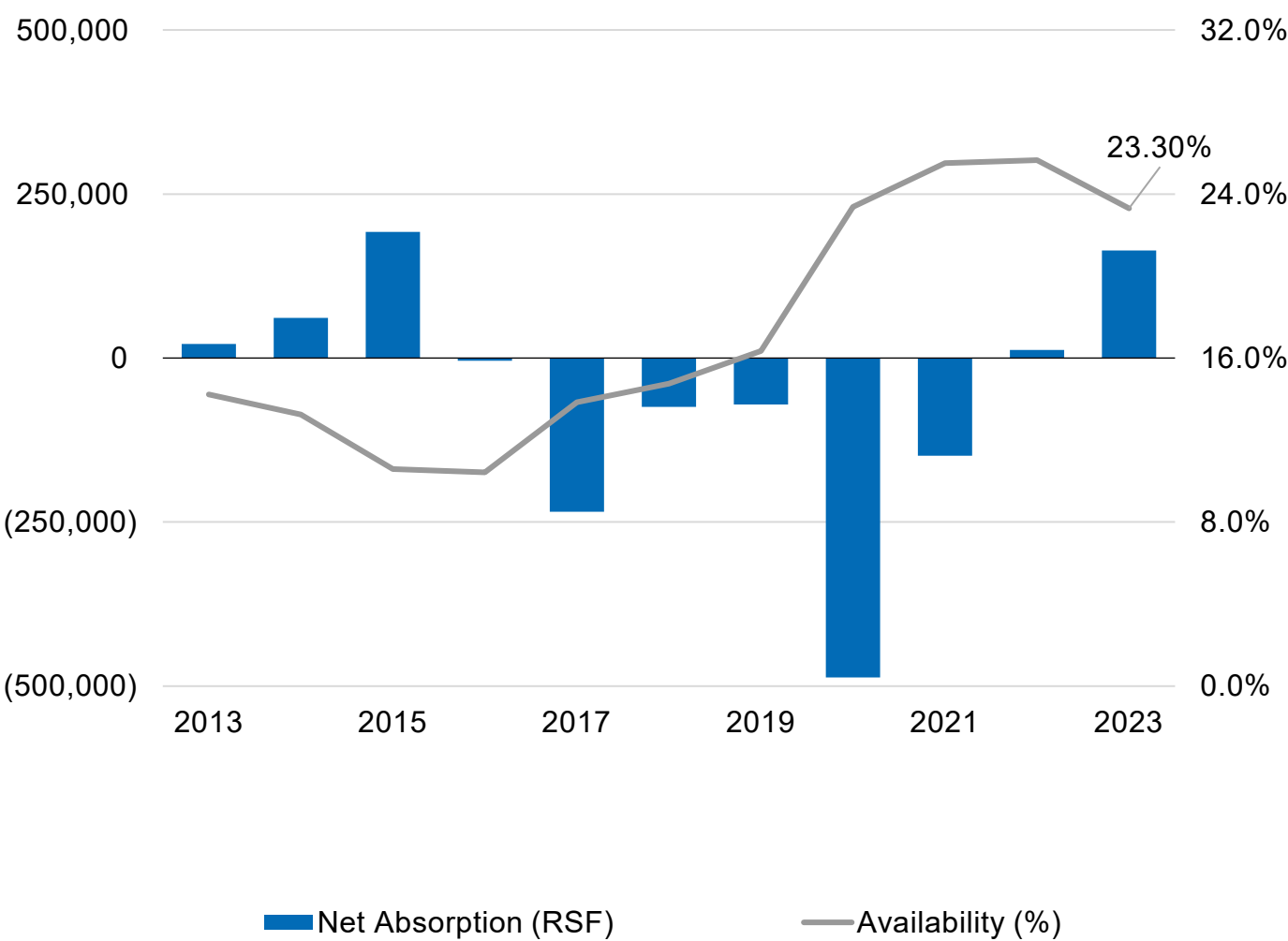


Source: Newmark Research

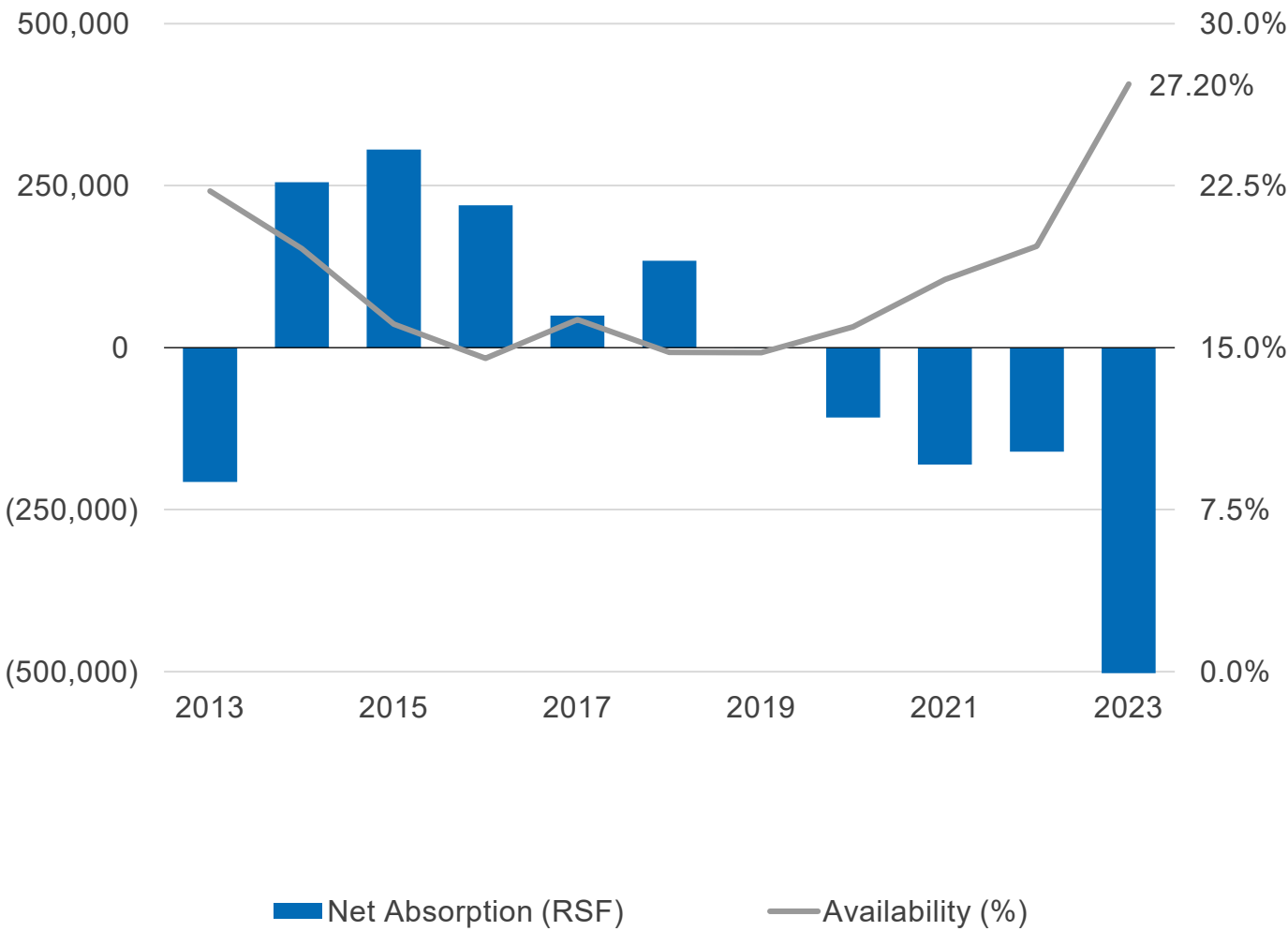
# Net Absorption and Availability Correlation

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

Walnut Creek Downtown, Walnut Creek BART and Pleasant Hill BART



Concord, Pleasant Hill and Walnut Creek Shadelands

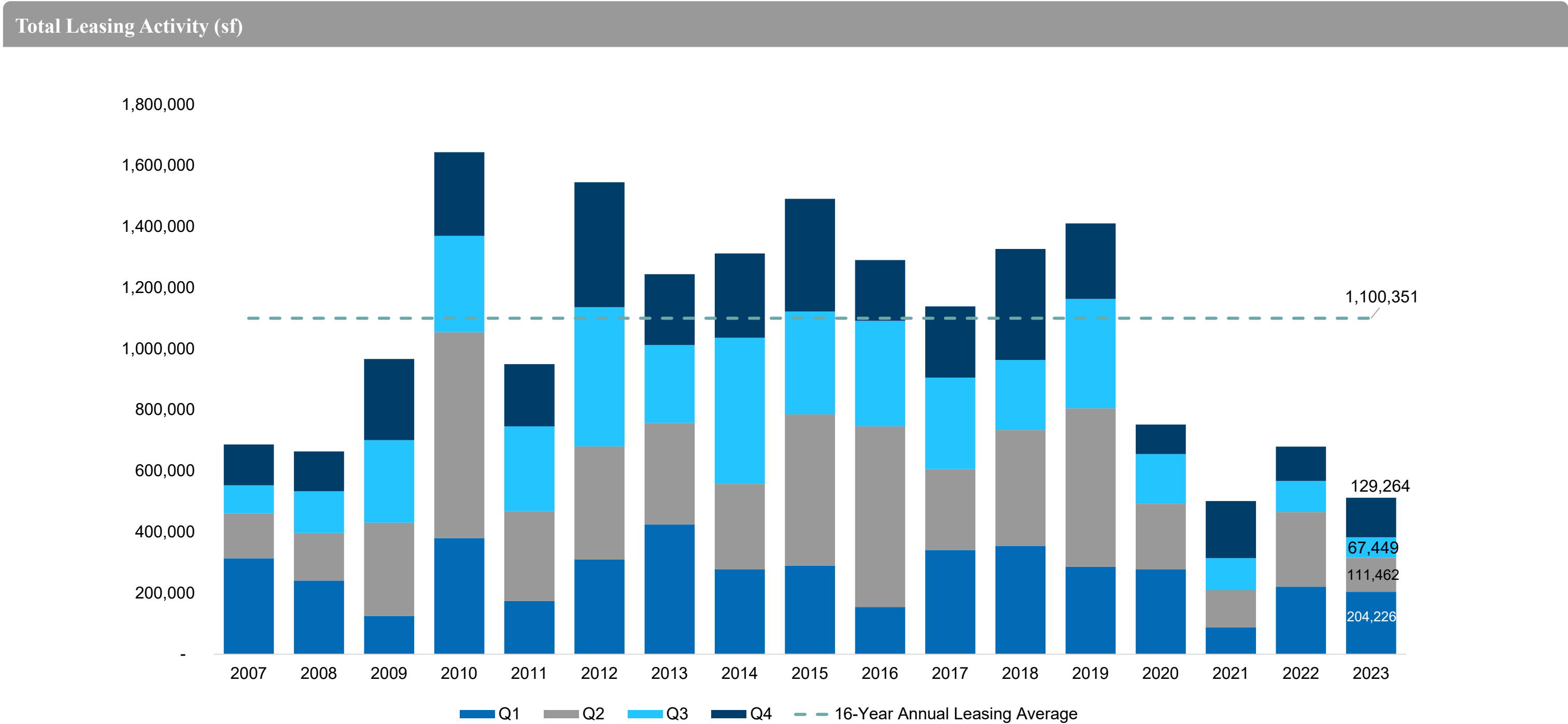


Source: Newmark Research



# Leasing Activity Has Slowed

Leasing activity picked up through the fourth quarter of 2023, with year-to-date totals matching 2021. Companies continued to be patient while assessing current and future economic outlooks.



Source: Newmark Research, CoStar





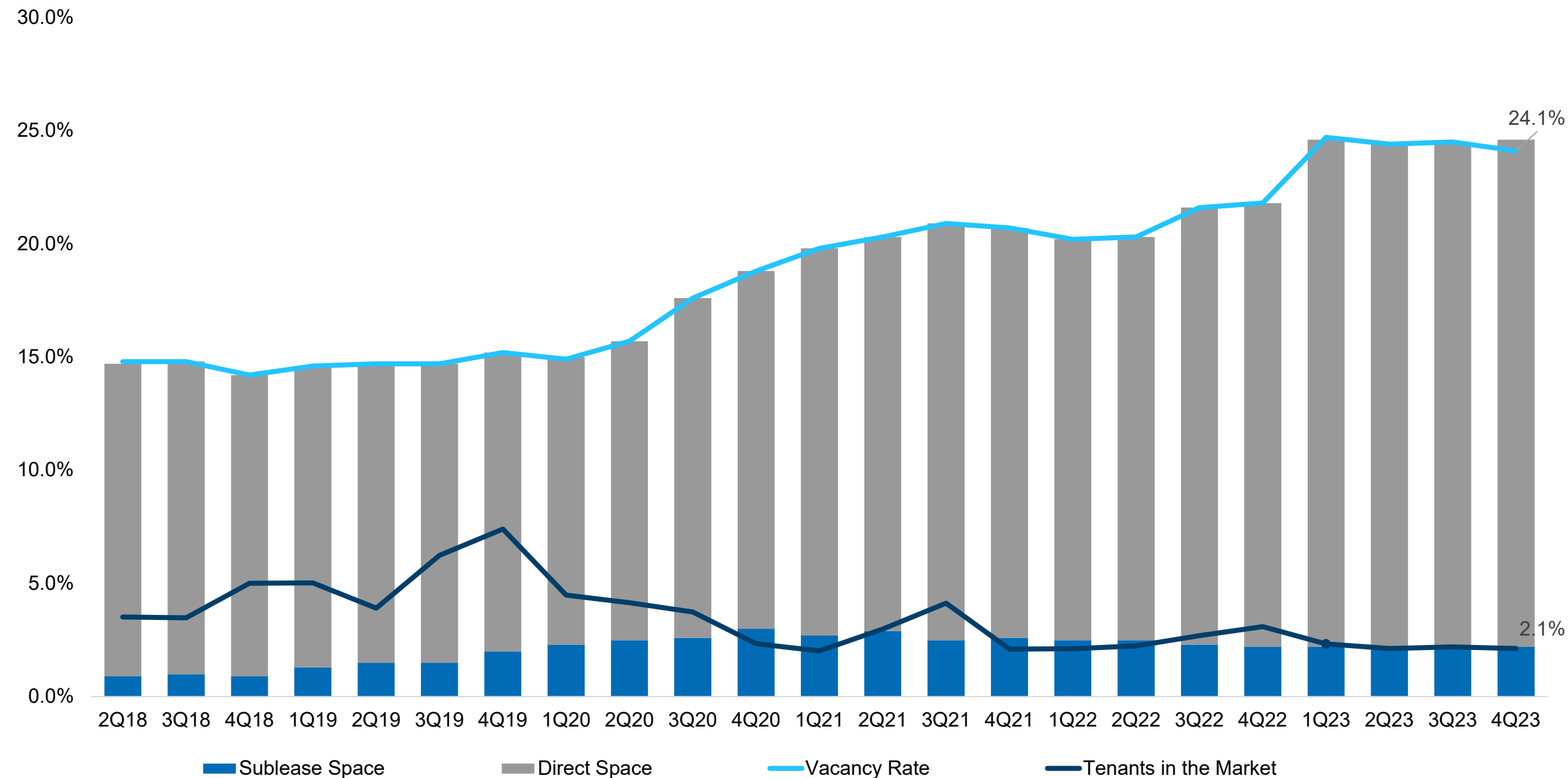
Please reach out to your  
Newmark business contact for this information



# Availability and Tenant Demand Remain Stable

While available space and overall tenant demand remained constant through the fourth quarter of 2023, the majority of tenants are still looking for under 10,000 square-feet of space. Vacancy decreased to 24.1% in the fourth quarter, this is the lowest it has been all year.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research





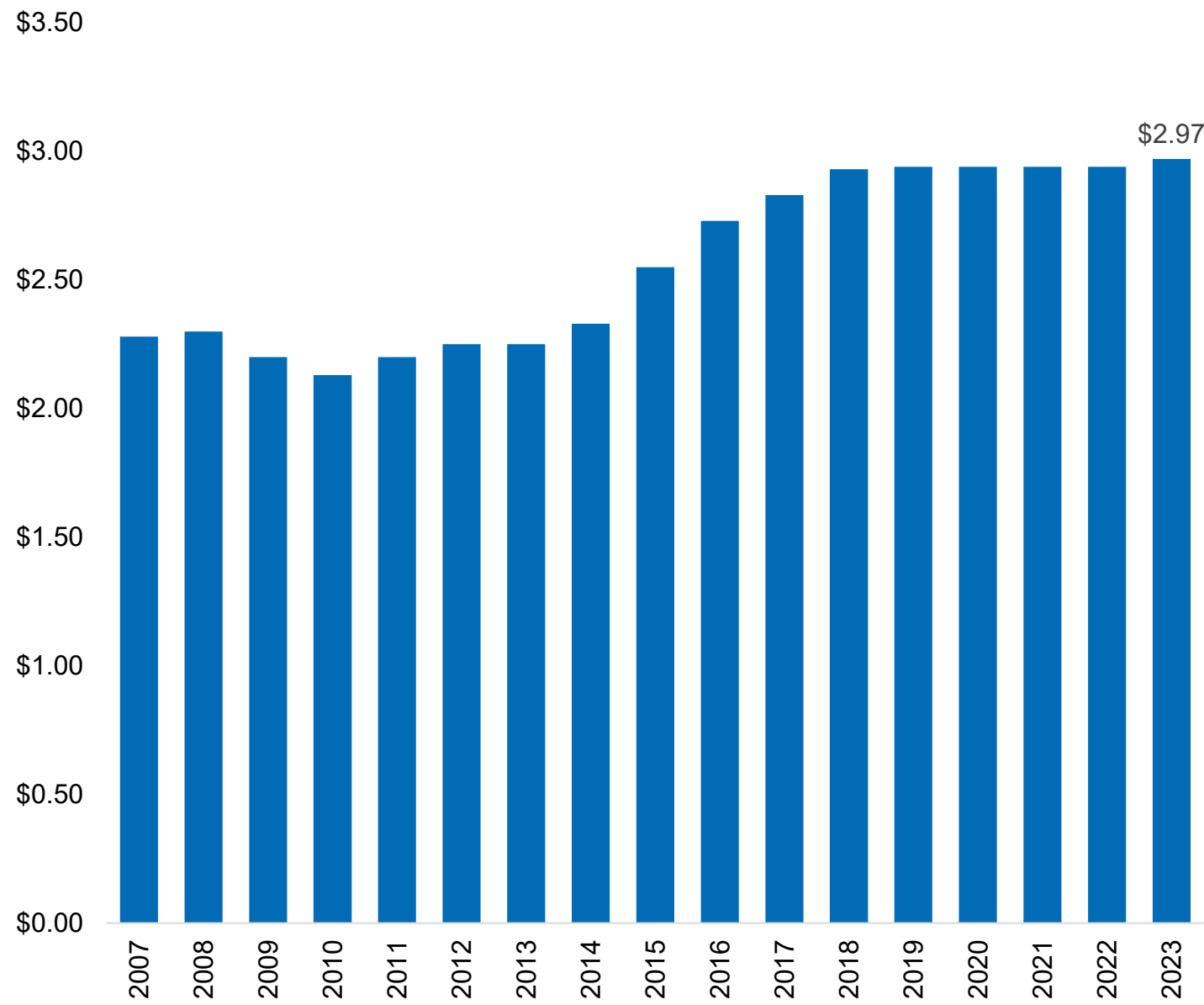
Please reach out to your  
Newmark business contact for this information



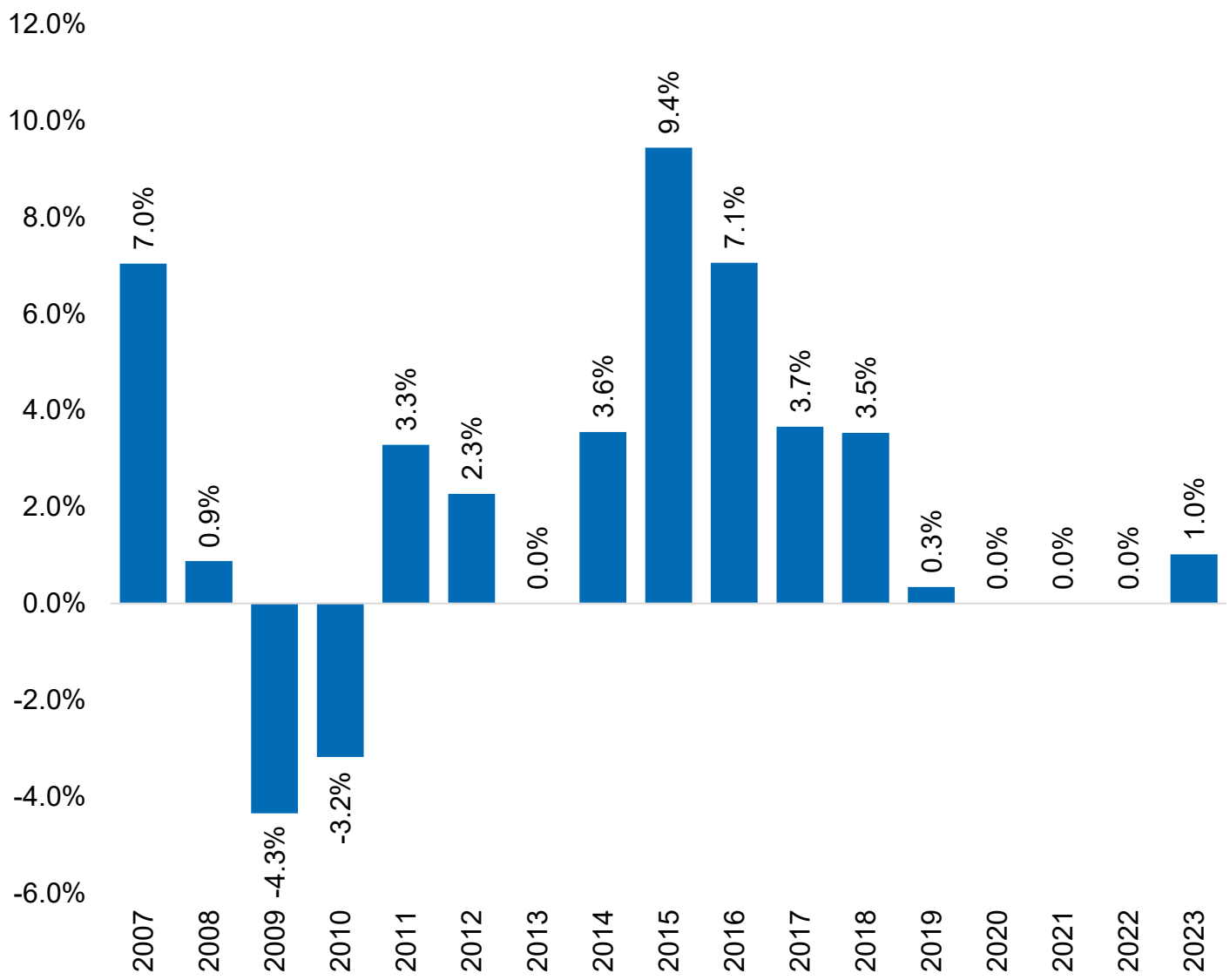
# Direct Asking Rents Continue to Hold Steady

Office rents have increased slightly in the fourth quarter, going from \$2.95 FS per-square-foot in the third quarter to \$2.97 FS per-square-foot in the fourth.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

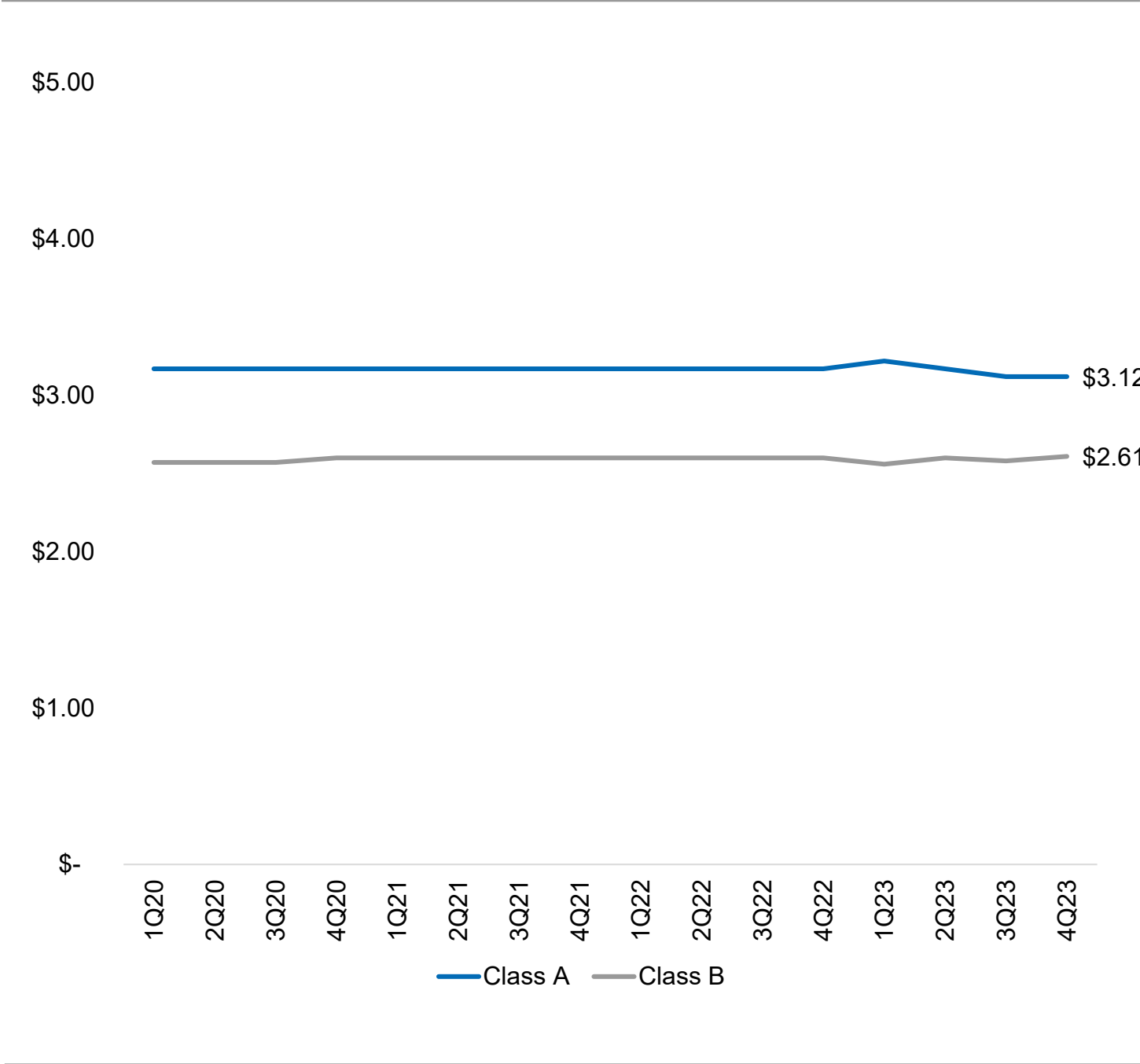


Source: Newmark Research, CoStar

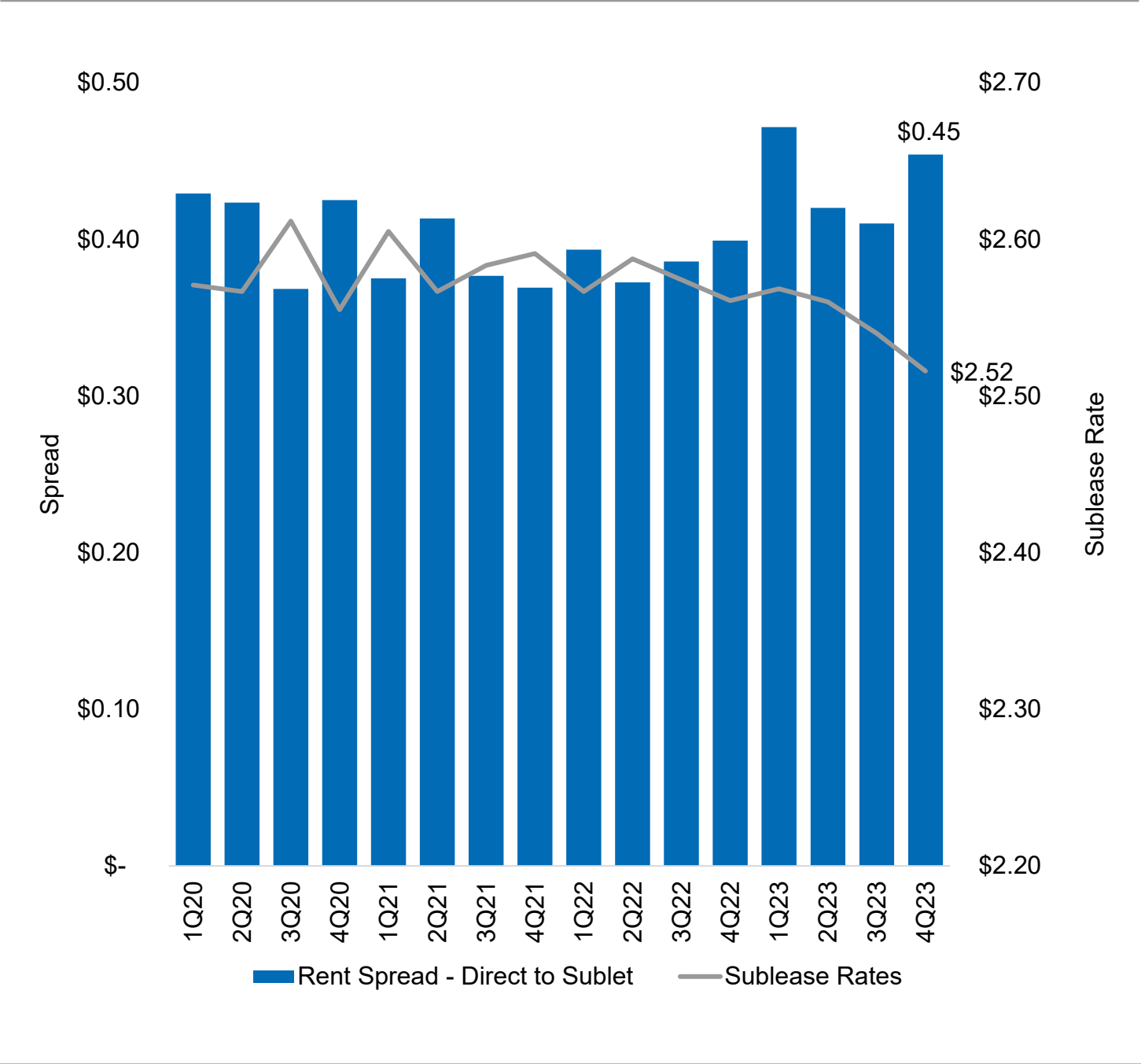
# Sublease Rates See a Marginal Decline

Sublease rates again saw a small decline in the fourth quarter, dropping from \$2.54/SF to \$2.52/SF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar





Please reach out to your  
Newmark business contact for this information



# Fourth Quarter Lease Transactions

Direct Leases make up the majority of leasing activity for the fourth quarter.

Notable 4Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Kaiser Foundation Hospitals	1440 Maria Lane	Walnut Creek – Downtown	Lease Extension	21,859
TEKsystems Inc.	2999 Oak Road	Walnut Creek – Pleasant Hill BART	Direct Lease	10,443
VIM HOLDINGS LLC	2999 Oak Road	Walnut Creek – Pleasant Hill BART	Direct Lease	9,398
CDM Smith, Inc.	2300 Clayton Center	Concord - Concord	Renewal/Downsizing	8,159
Continental Casualty Company	2121 N California Blvd	Walnut Creek – Walnut Creek BART	Direct Lease	7,321

Source: Newmark Research



---

# 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](https://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**