
2Q24

North I-680 Office Market Overview



NEWMARK

Market Observations

Economy

- The East Bay’s labor market remains strong amid shifting macroeconomic conditions. In the East Bay the unemployment rate in May was 3.9%, which is the first time that the East Bay’s unemployment has been less than the National average since January 2023.
- Job growth year-over-year was highest in the education and health, other services, and leisure and government. The information, construction, and manufacturing sectors showed the largest decreases in employment.

Major Transactions

- Black and Veatch renewed 21,445 square feet at 2999 Oak Rd.
- GSA expanded to 20,307 square feet at 1855 Gateway Blvd.
- P.K. Kinder Co. Inc. expanded to 16,721 square feet at 2121 N California Blvd.
- Cubic Transportation leased 14,000 square feet of space at 1401 Willow Pass Rd.
- Contra Costa Transportation Authority renewed 11,215 square feet 2999 Oak Rd.

Leasing Market Fundamentals

- The vacancy rate saw a slight decrease of 20 bps to 24.2% in the second quarter of 2024. Net absorption in the second quarter was positive, with 6,298 square feet of absorption.
- Leasing pace/tenants in market is decent with good migration activity to North I-680 from other markets offset somewhat by continued downsize of some existing market tenants via renewals or putting space on market for sublease.
- Tenants continue to prioritize leasing of space in good condition in buildings with best access to on/off-site amenities and higher levels of occupancy/activity.

Outlook

- Deal/tour activity will remain focused on amenitized buildings with improved spaces in position to fund tenant improvements and close deals quickly.
- Touring activity from Tenants out of the market has increased significantly over the past 30 days amongst all size ranges. The North I-680 Market is expected to maintain or increase deal velocity as tenants migrate from Oakland and San Francisco.
- Some existing tenants will continue trend of downsizing on renewal/subleasing.

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

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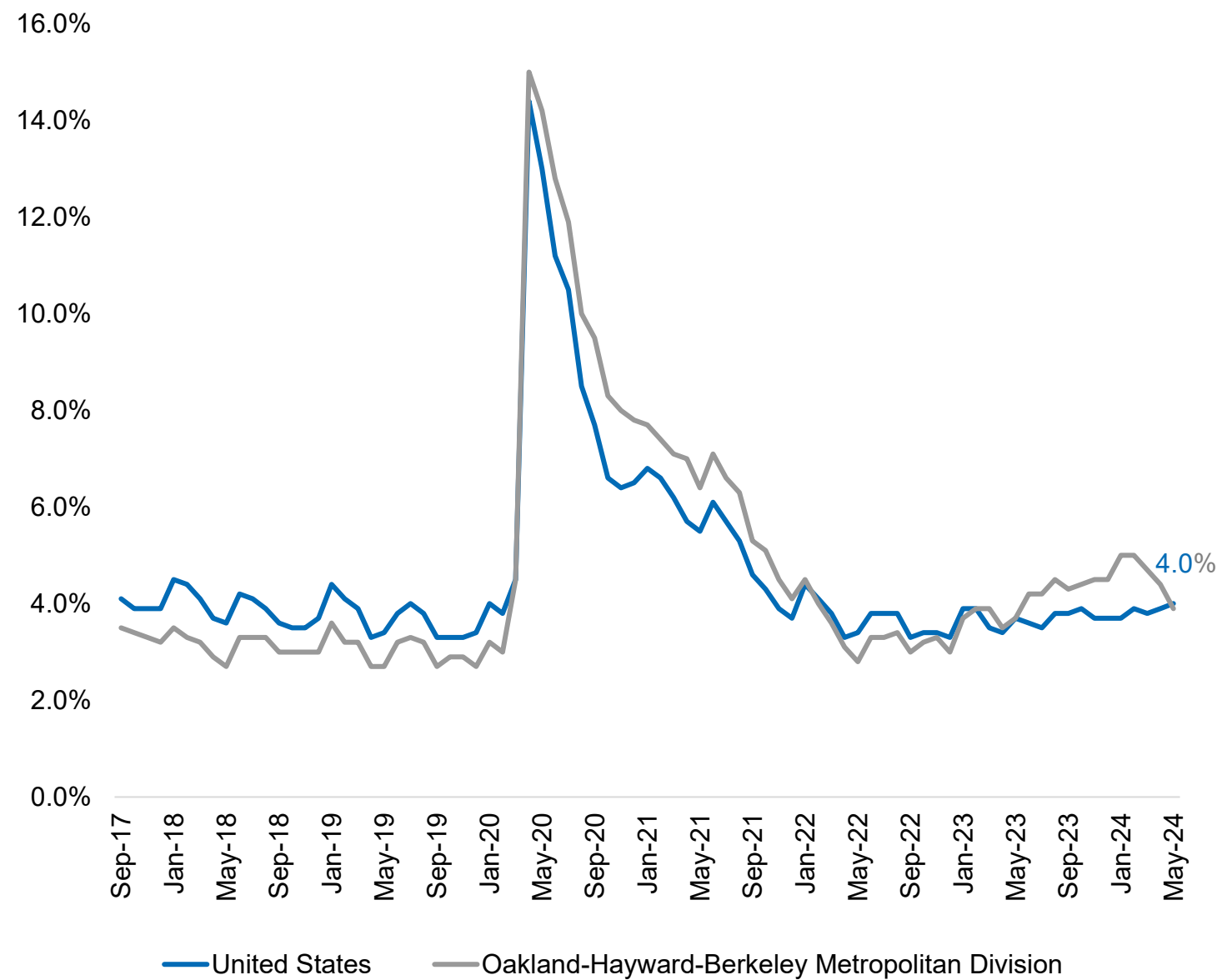
Economy



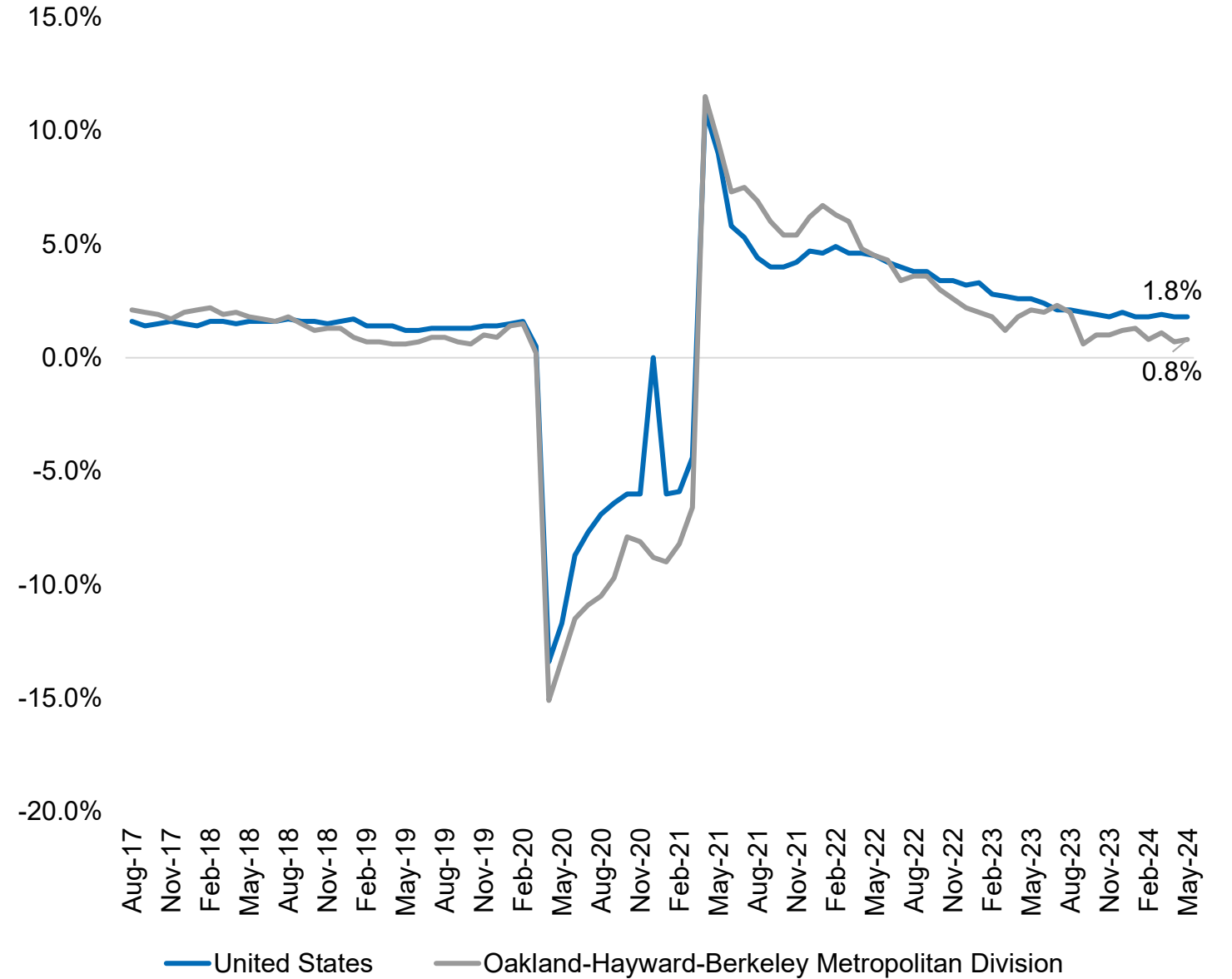
Metro Employment Trends Signaled a Slight Comeback

The unemployment rate for the East Bay Area was 110 basis points lower in May than it was at the beginning of 2024, and at 3.9% is 10 basis points lower than the national average. Although unemployment rates remain above pre-pandemic levels, the second quarter of 2024 is showing positive workforce trends.

Unemployment Rate, Non-Seasonally Adjusted



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

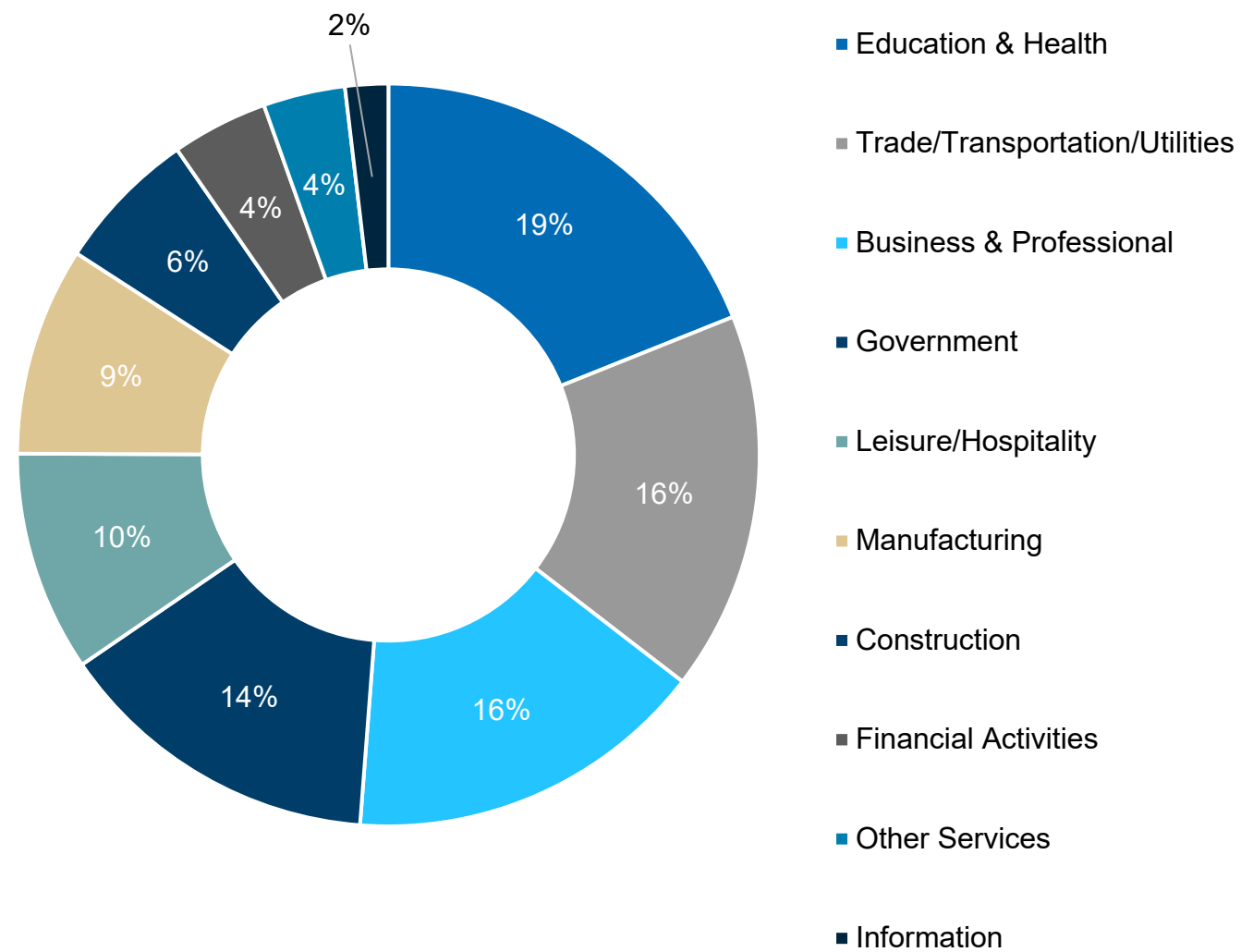


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

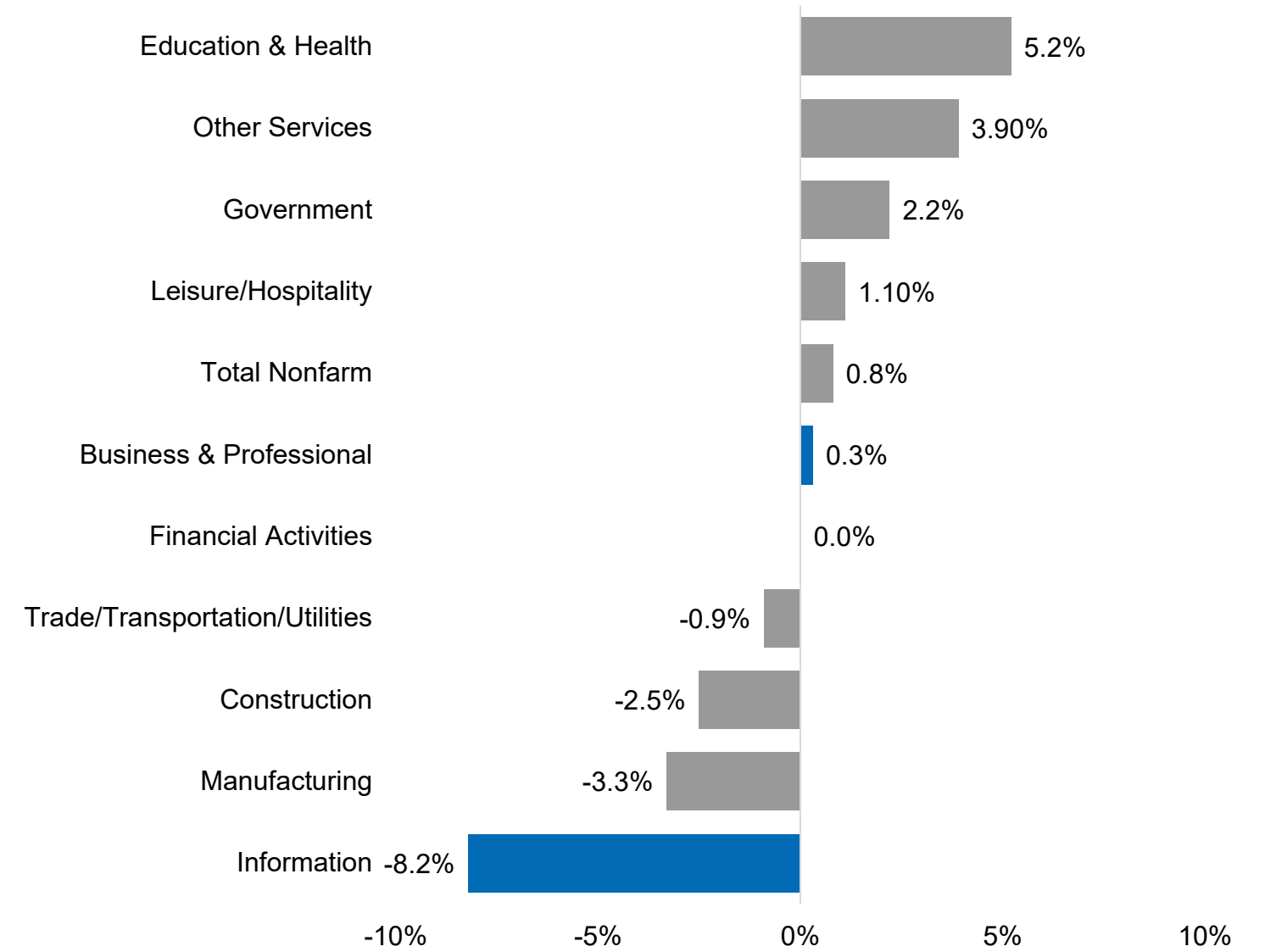
Office-Using Employment Down

Information experienced the largest loss in growth for office using sectors year-over-year, while financial activities experienced no growth, and business and professional services showed slight growth.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

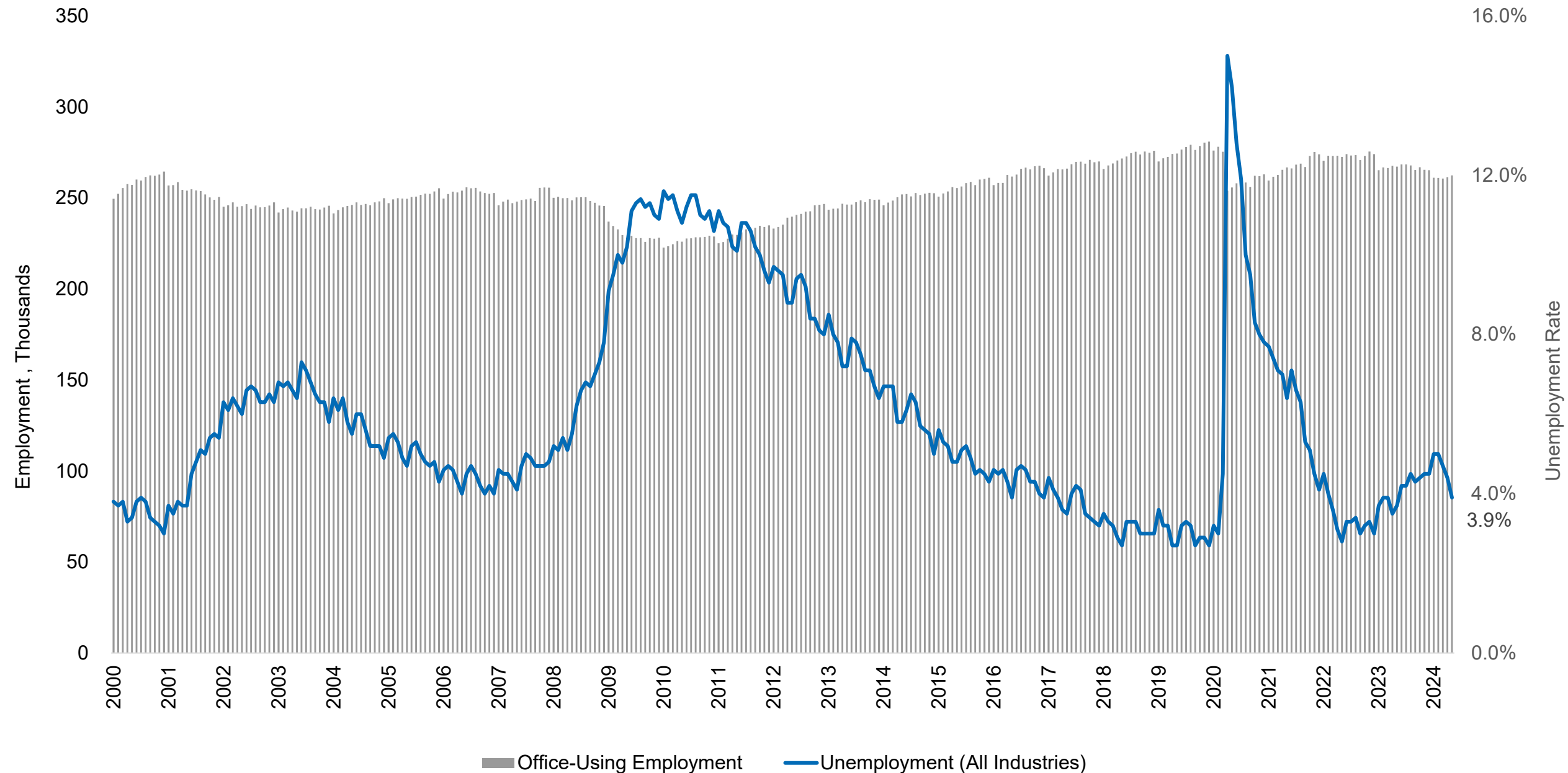


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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 just below 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.

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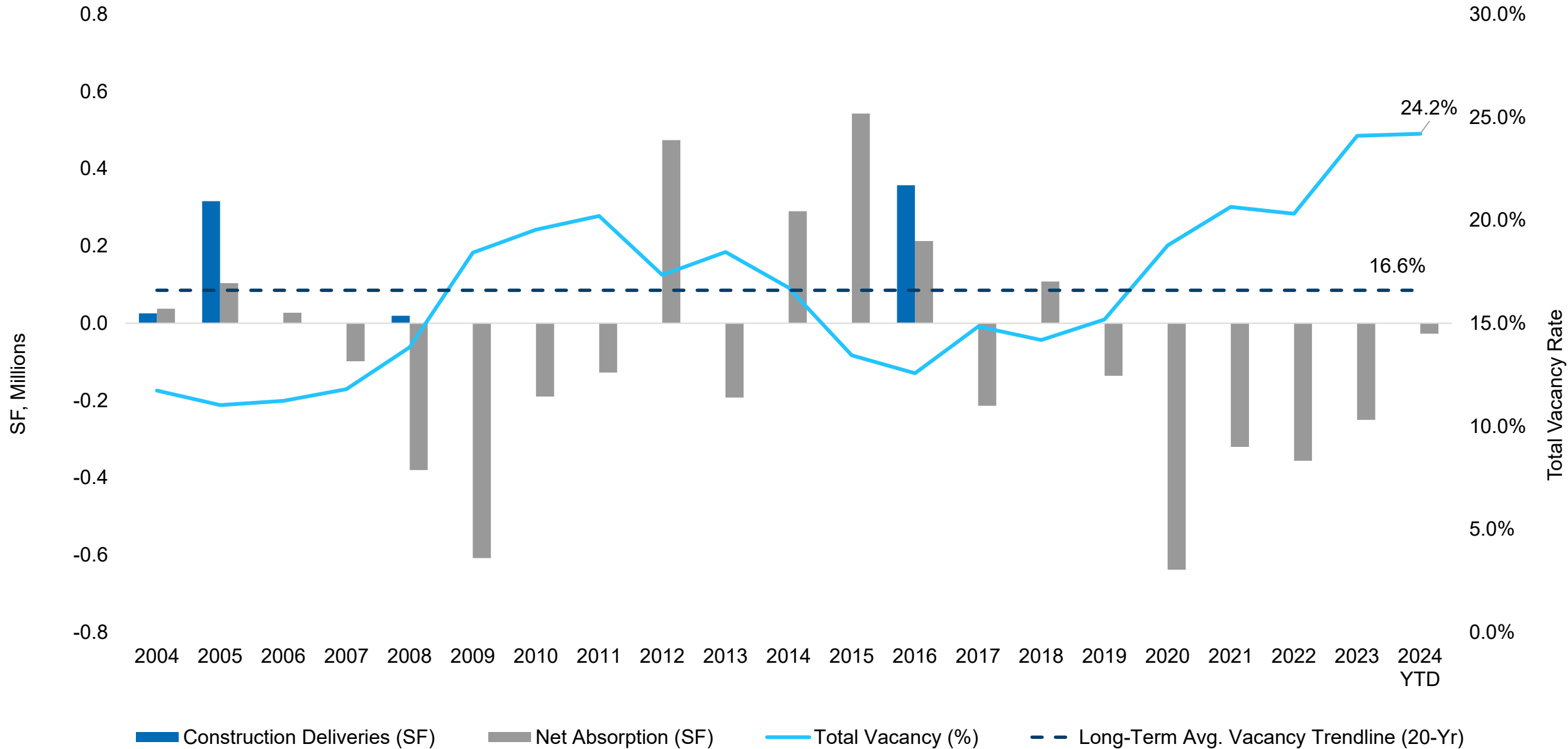
Leasing Market Fundamentals



Vacancy Dipped Slightly in the Second Quarter of 2024

The vacancy rate saw a slight decrease by 20 basis points to 24.2% in the second quarter of 2024. Net absorption in second quarter was positive 6,298 square feet. There are no construction projects for office in the pipeline.

Historical Construction Deliveries, Net Absorption, and Vacancy

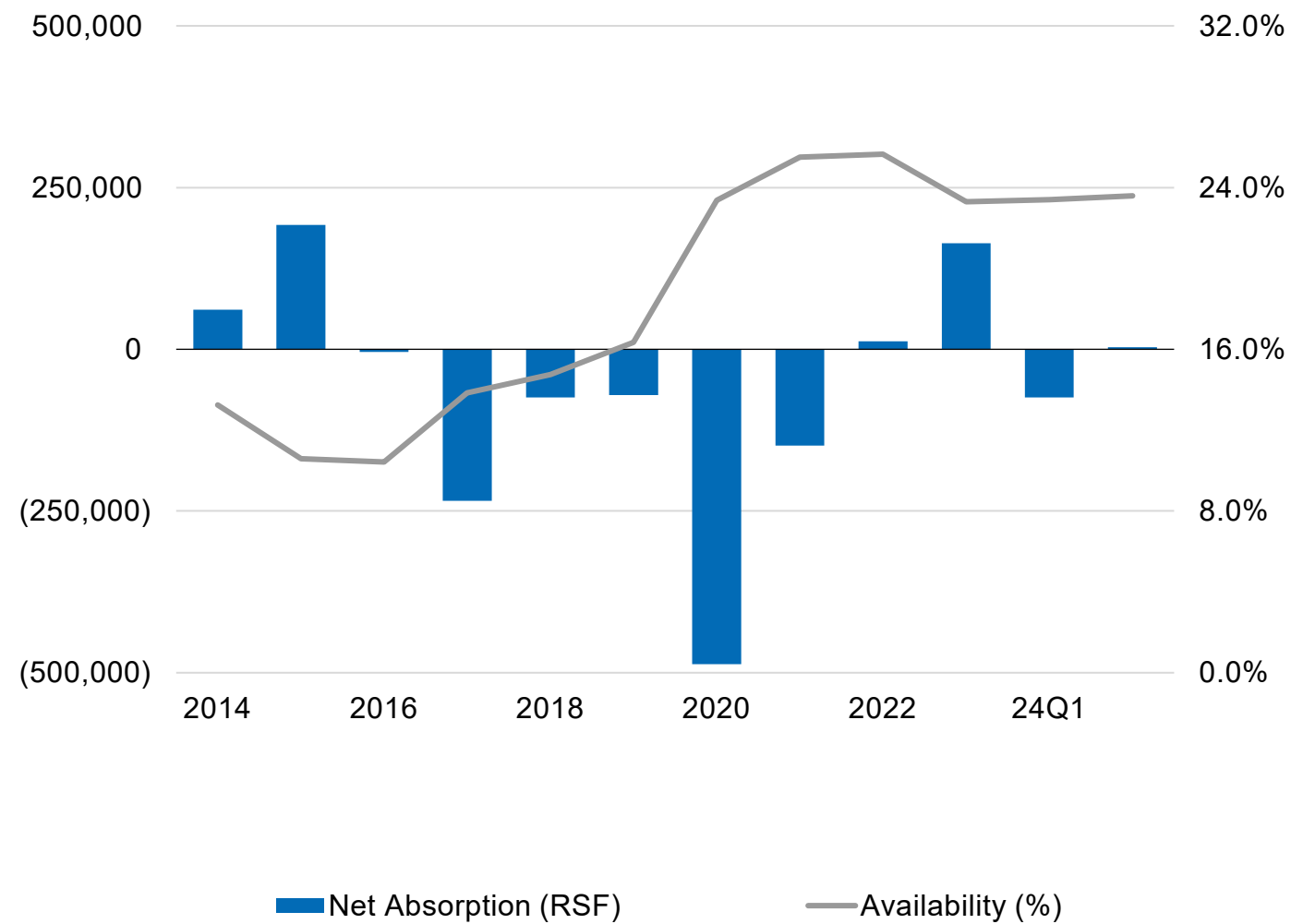


Source: Newmark Research

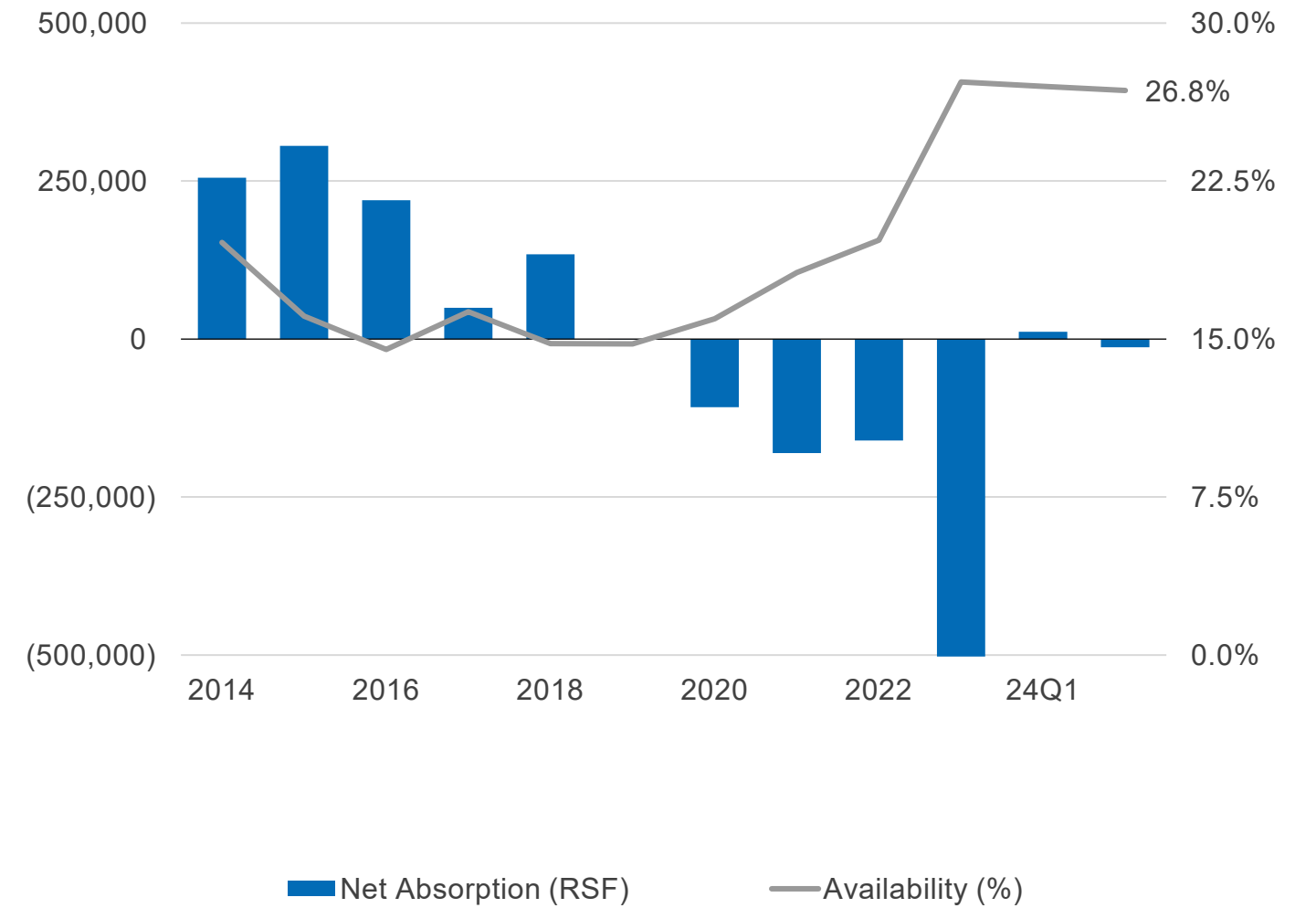
Net Absorption and Availability Correlation

The Walnut Creek markets experienced slight positive absorption of 3,373 square feet in the second quarter of 2024, while the Concord, Pleasant Hill, and Walnut Creek Shadelands submarkets experienced minimal negative absorption of 12,973 square feet.

Walnut Creek Downtown, Walnut Creek BART and Pleasant Hill BART



Concord, Pleasant Hill and Walnut Creek Shadelands

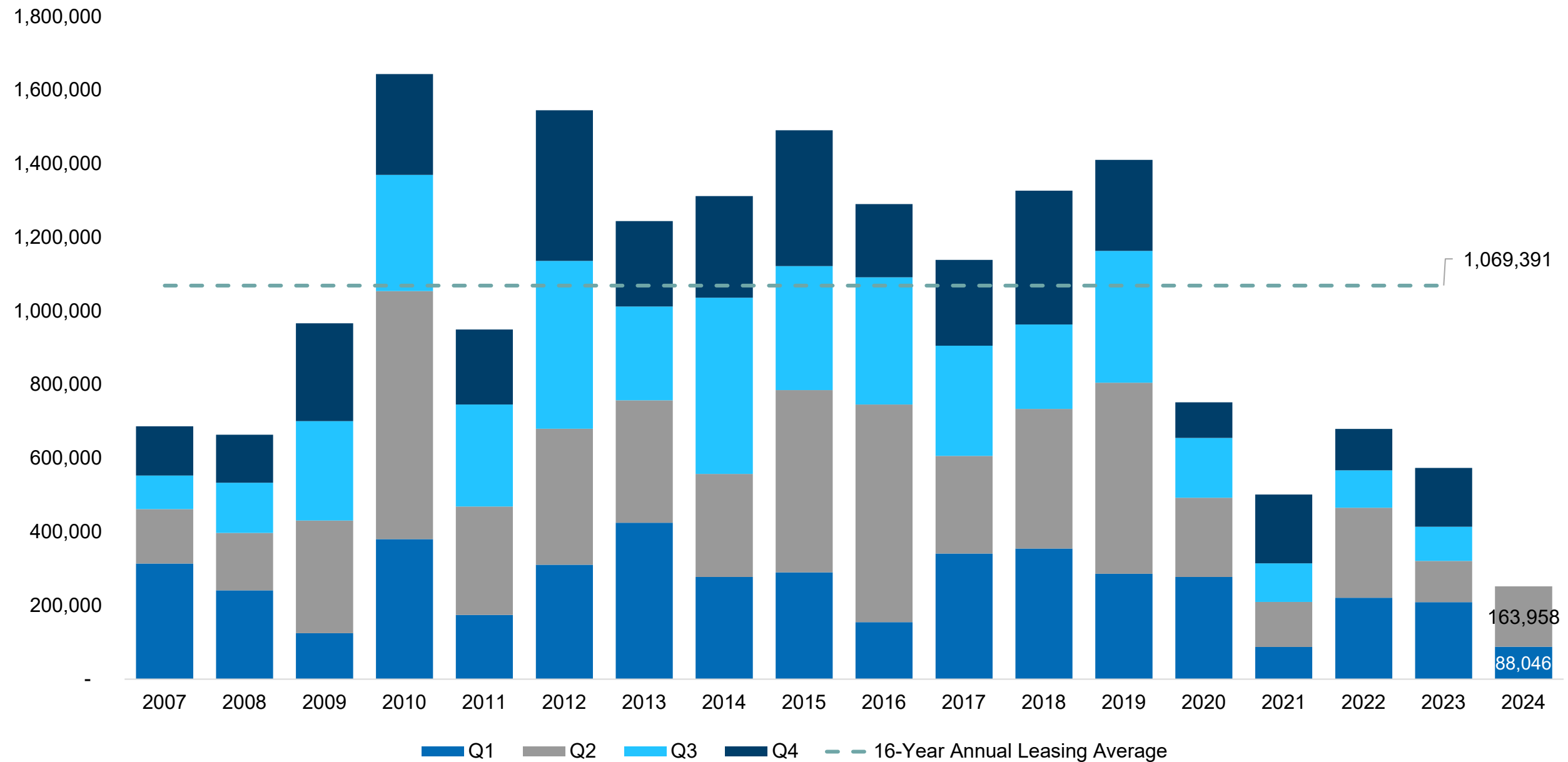


Source: Newmark Research

Leasing Activity Has Slowed

Leasing activity has still struggled to revitalize and reach levels similar to before the pandemic. Companies continued to be patient while assessing current and future economic outlooks.

Total Leasing Activity (sf)



Source: Newmark Research, CoStar

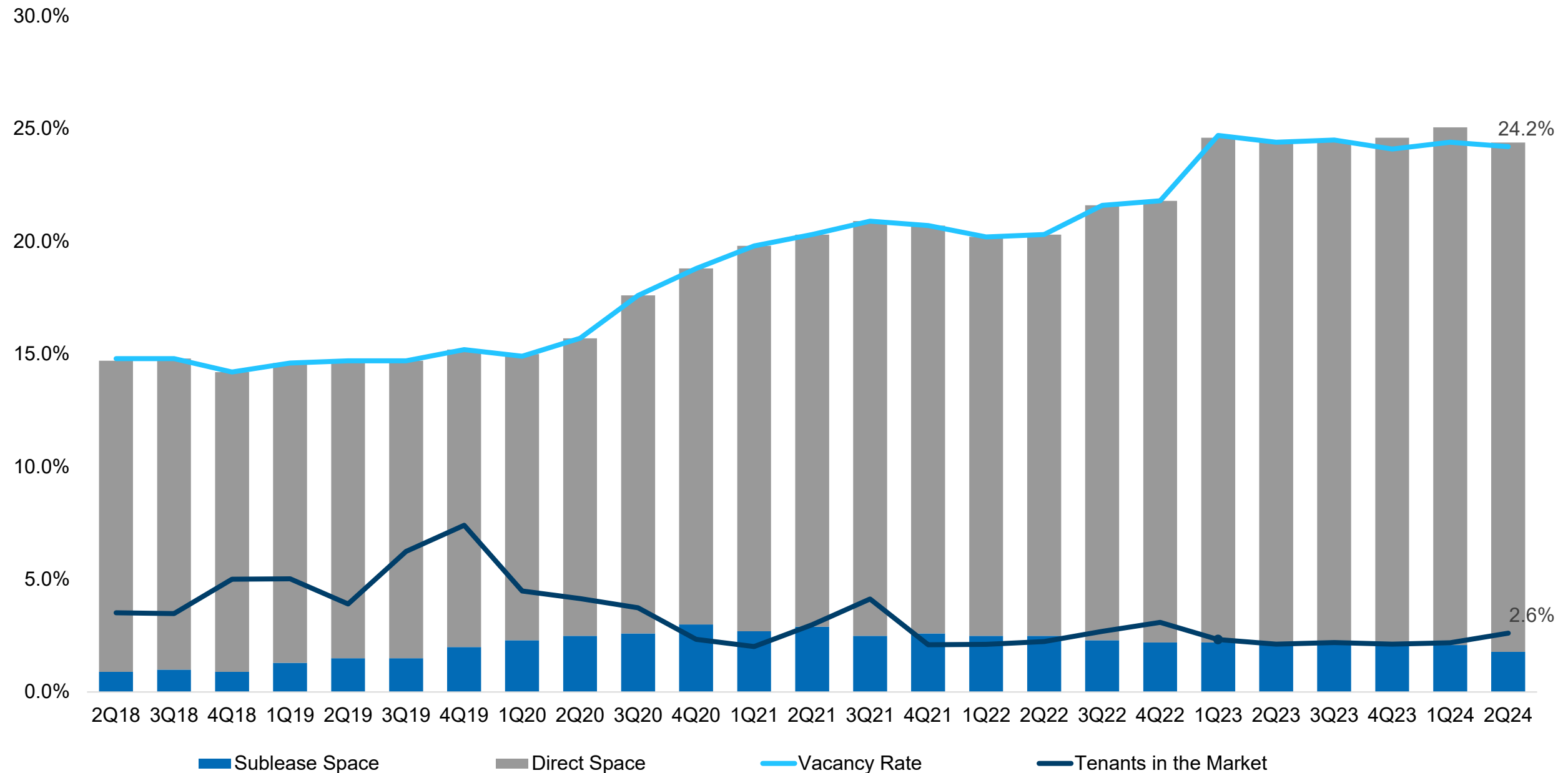


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Availability and Tenant Demand Remained Relatively Stable

There was a slight decrease to vacancy as well as availability in the second quarter of 2024. Over 70% of tenants in the market continue to look for 10,000 square-feet of space or less. Vacancy decreased by 20 basis points to 24.2%.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

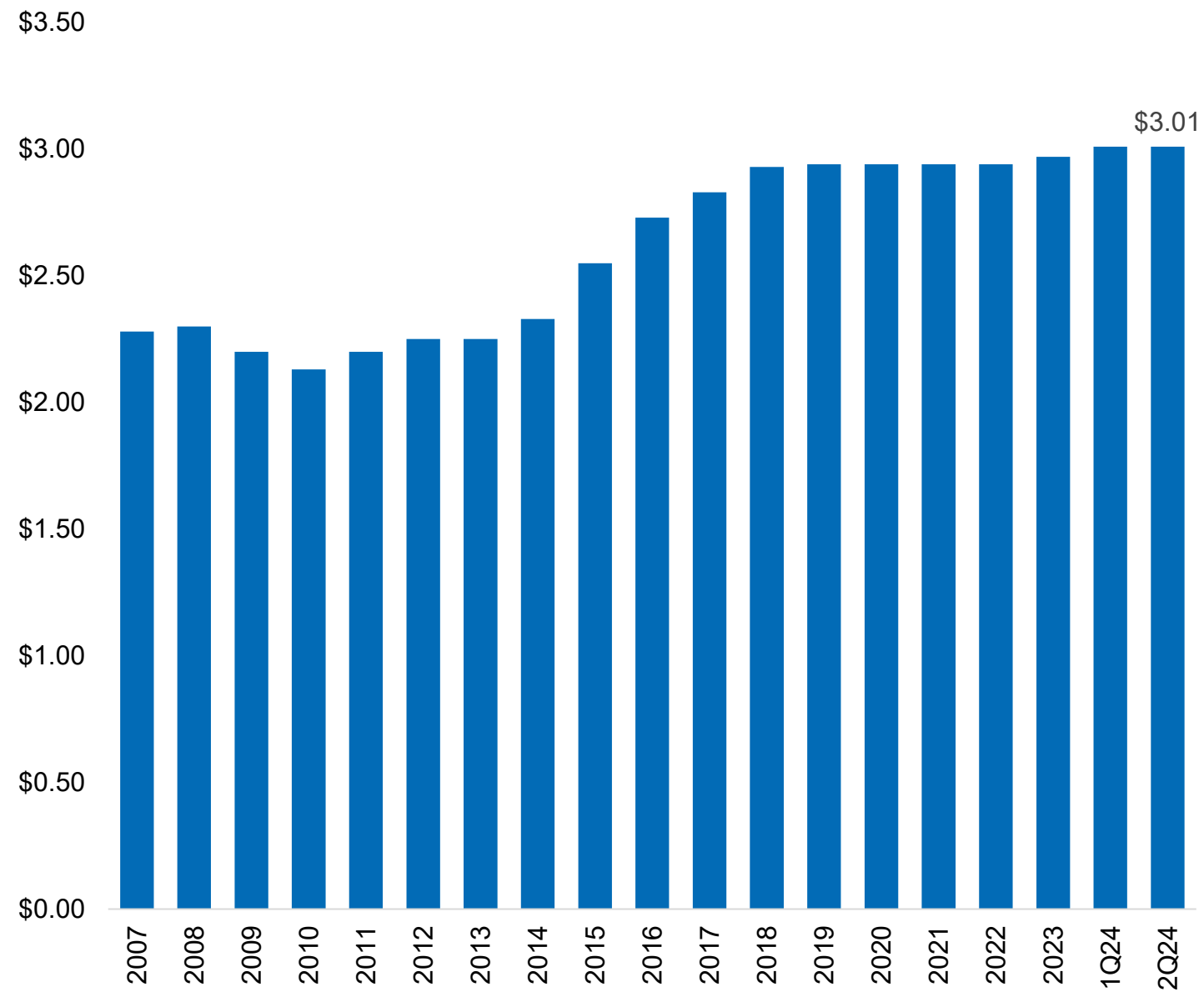


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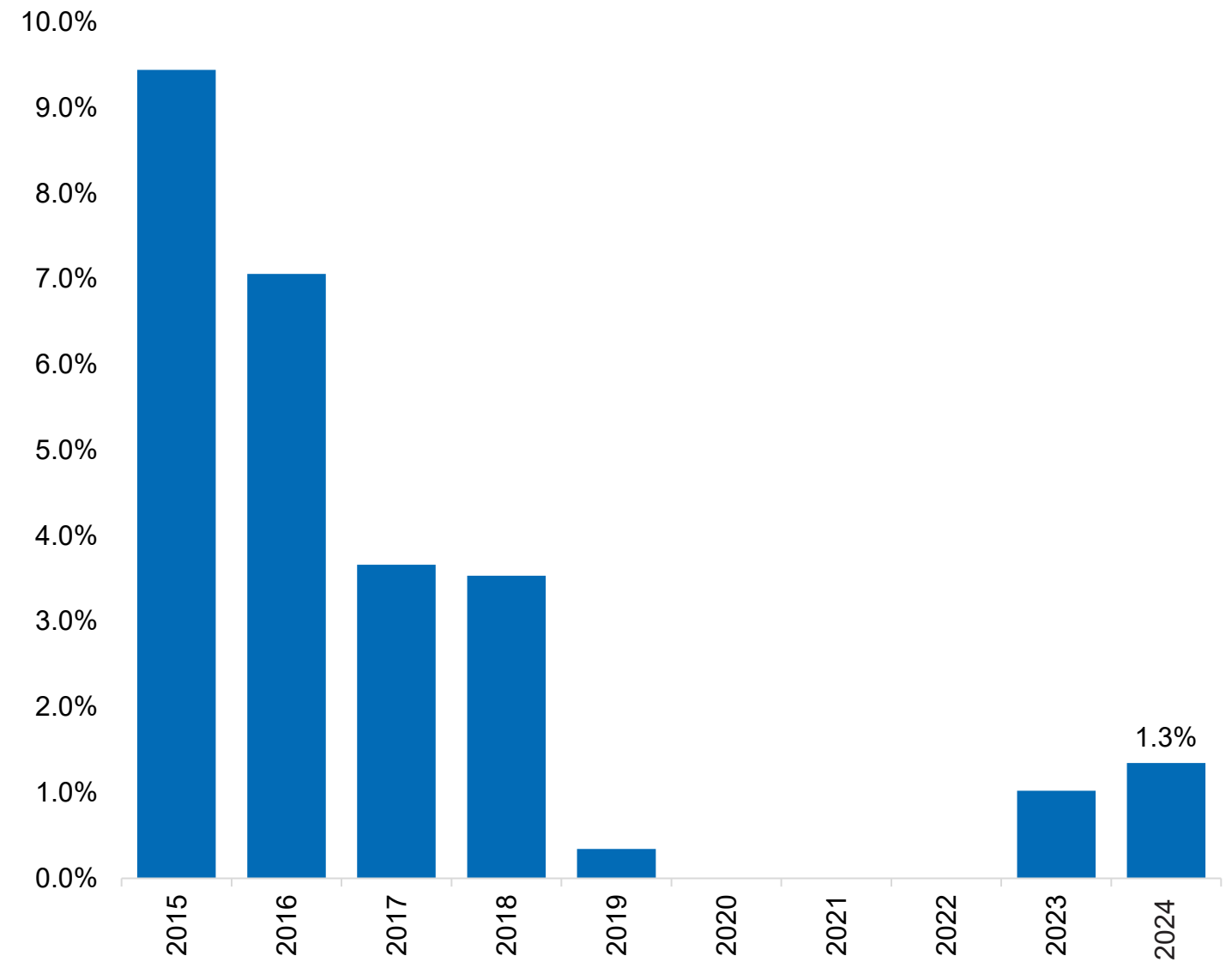
Direct Asking Rents Continued to Hold Steady

Office rents stayed stagnant through the second quarter of 2024, the average rent continued to be \$3.01 FS per-square-foot.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

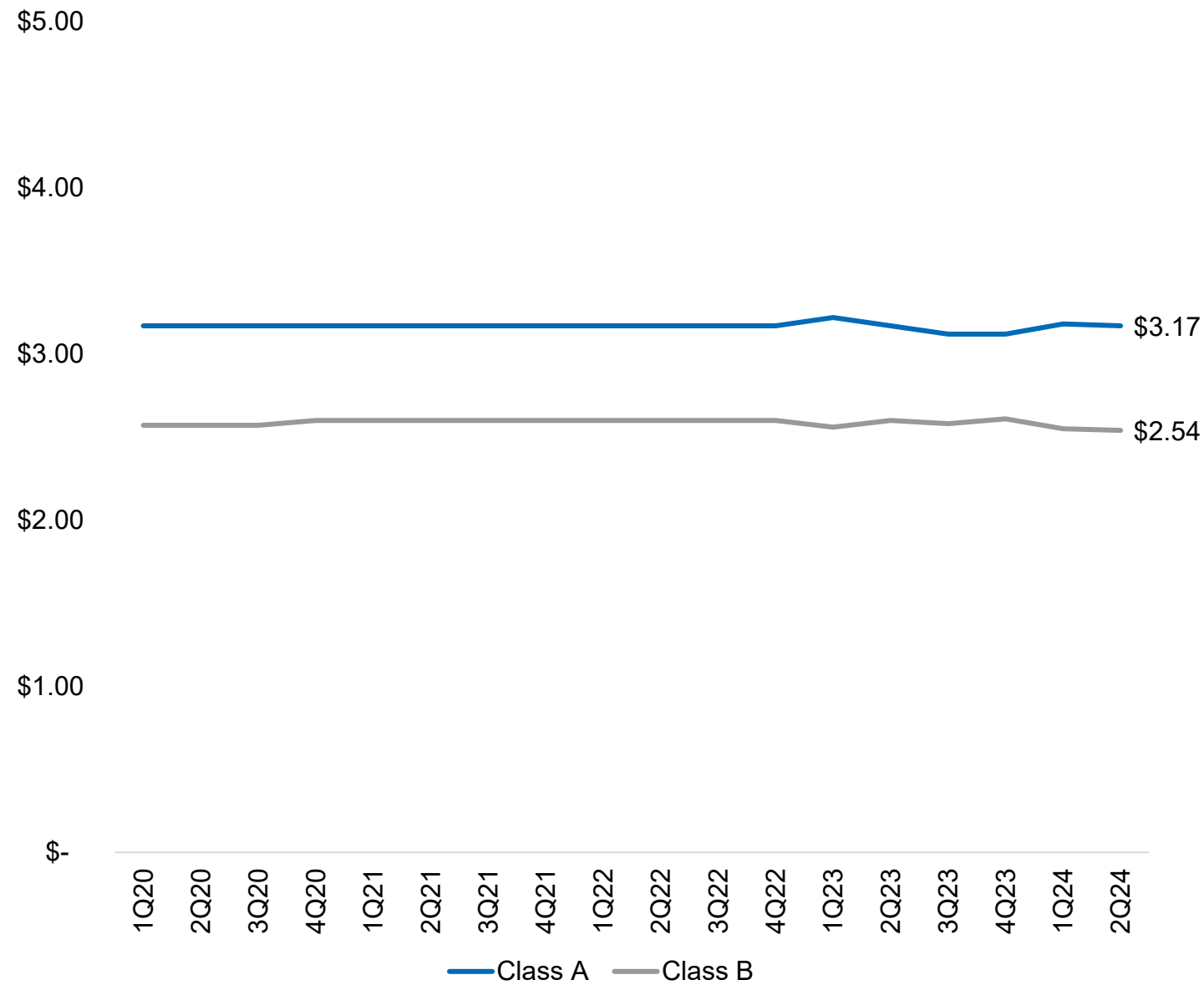


Source: Newmark Research, CoStar

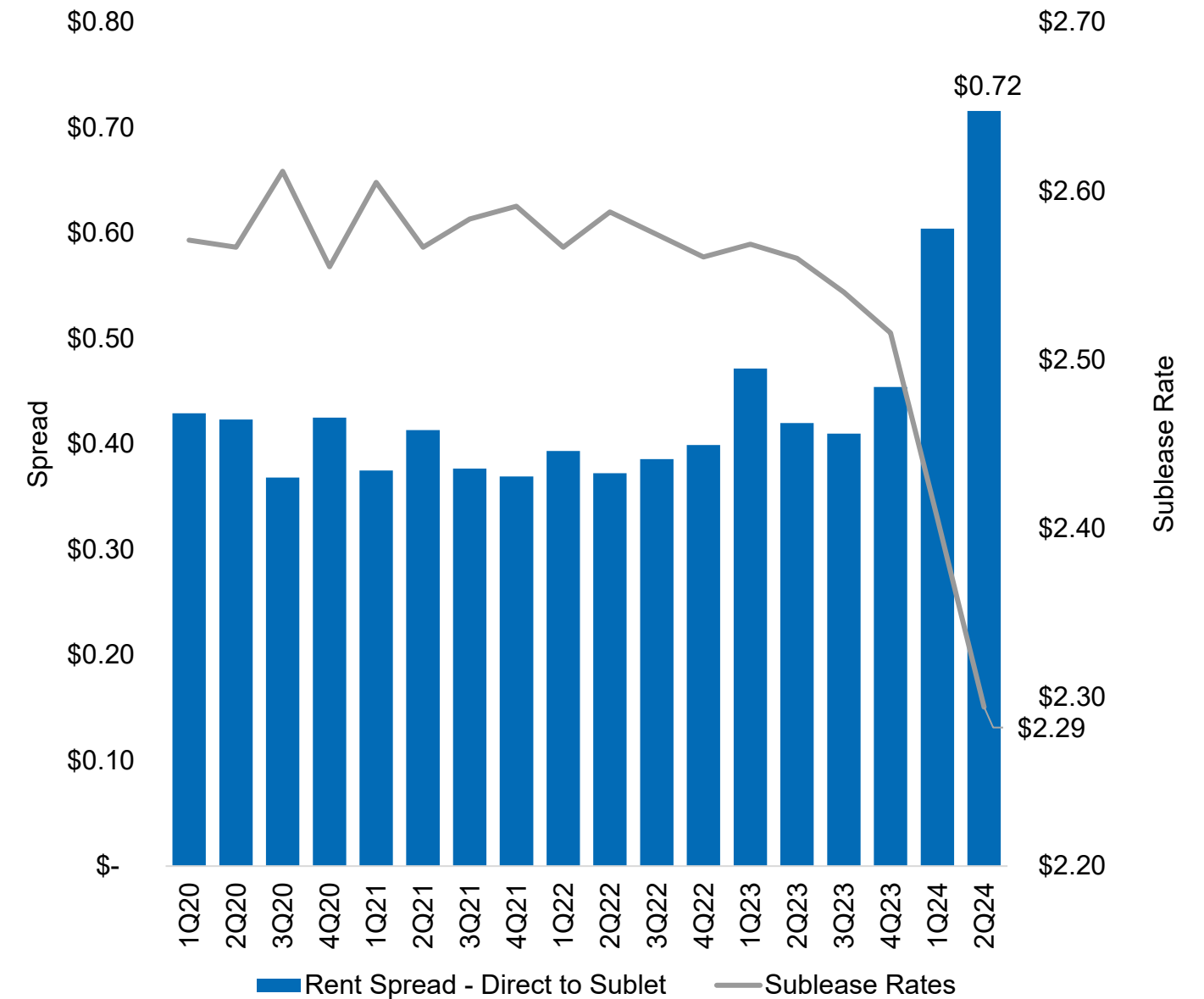
Sublease Rates Remained Steady

While overall sublease rates fell slightly to \$2.29/SF in the second quarter, the reduced average is due to a change in where the space is located rather than a drop in rates. A handful of small subleases were removed from the market from buildings with higher advertised rates and were replaced with an equal number of small subleases in buildings with lower rates.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar



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Second Quarter Lease Transactions

Lease renewals made up the majority of leasing activity for the second quarter of 2024.

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Black and Veatch	2999 Oak Rd	Walnut Creek – Pleasant Hill BART	Lease Renewal	21,445
GSA	1855 Gateway Blvd	Concord	Lease Expansion	20,307
P.K. Kinder Co, Inc	2121 N California Blvd	Walnut Creek – Walnut Creek BART	Lease Expansion	16,721
Cubic Transportation	1401 Willow Pass Rd	Concord	Direct Lease	14,000
Contra Costa Transportation Authority	2999 Oak Rd	Walnut Creek – Pleasant Hill BART	Lease Renewal	11,215
RBC Capital Markets, LLC	1331 N California Blvd	Walnut Creek -- Downtown	Lease Renewal	10,717
MKA International, Inc.	100 Pringle Ave	Walnut Creek – Walnut Creek BART	Lease Renewal/Relocation	10,120
State Farm Insurance	1401 Willow Pass	Concord	Direct Lease	10,089

Source: Newmark Research

Appendix





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