
3Q24

North I-680 Office Market Overview



NEWMARK

Market Observations

Economy

- The East Bay’s unemployment rose by 140 basis points in the third quarter, and currently stands at 5.3%. This is 110 basis points higher than the national average.
- Job growth year-over-year was highest in the education and health, construction, and government. The information, manufacturing, and financial services sectors showed the largest decreases in employment.

Major Transactions

- Bay Medical Management extended 16,348 square feet at 2125 Oak Grove Road.
- Acrisure of California leased 12,390 square feet of space at 1350 Treat Blvd.
- Turner Construction leased 12,109 square feet at 100 Pringle Avenue.
- RBC renewed 10,717 square feet at 1331 N California Blvd.

Leasing Market Fundamentals

- The vacancy rate remained at 24.2% in the third quarter of 2024, with slightly positive net absorption of 4,978 square feet.
- Class A Market absorption was stronger than the overall market, with 23,305 RSF of positive absorption bringing the Class A YTD total to 88,094 RSF of positive absorption.
- Leasing pace/tenants in market is strong with good migration activity to North I-680 from Oakland and San Francisco.
- Buildings with high occupancy and “new deal momentum” are attracting prospective Tenants. The push to bring employees to full buildings is preferred as employers look to stabilize or build the office culture.

Outlook

- Deal/tour activity will remain focused on amenitized buildings with improved spaces in position to fund TI’s/make 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.

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

3Q24

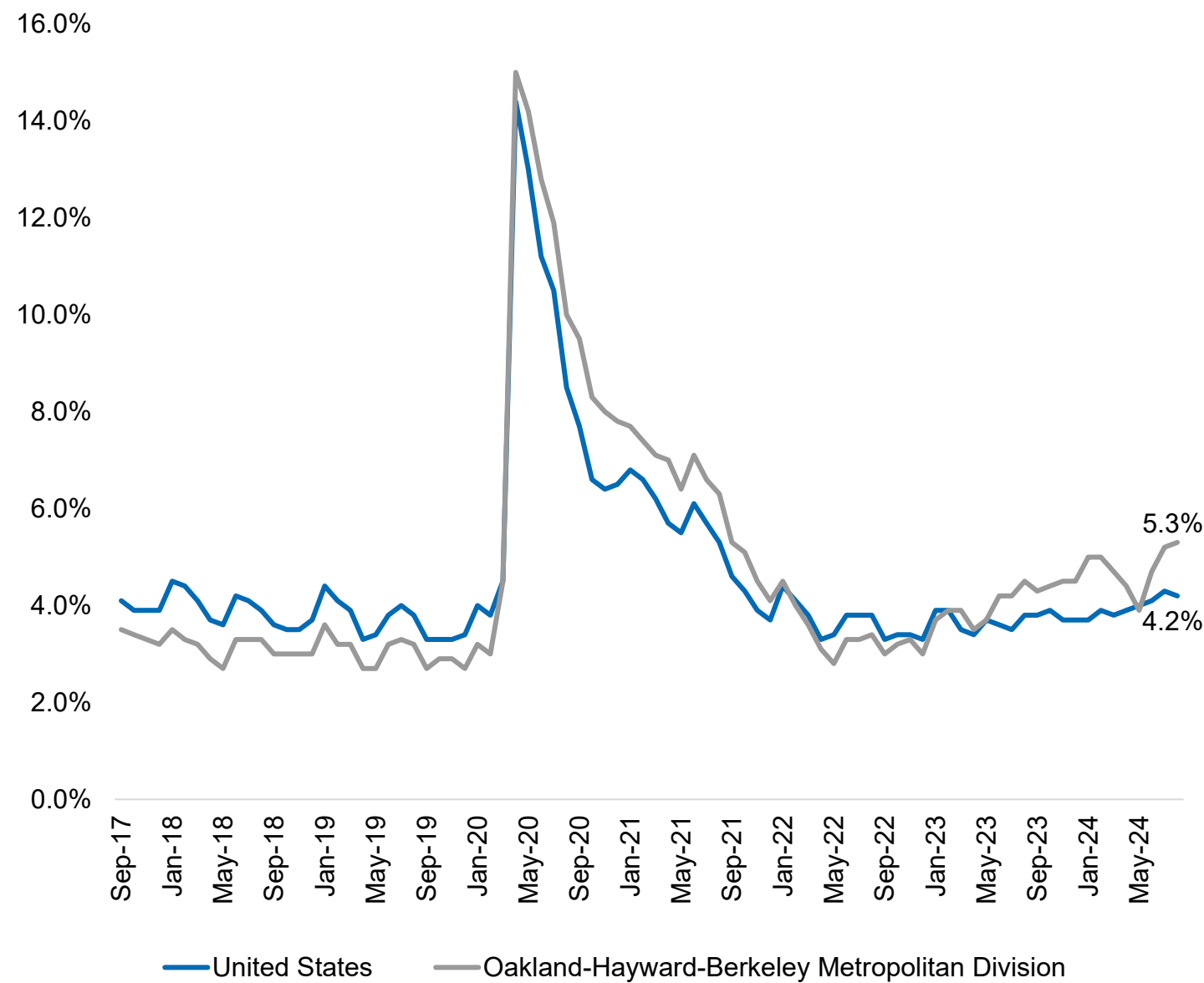
Economy



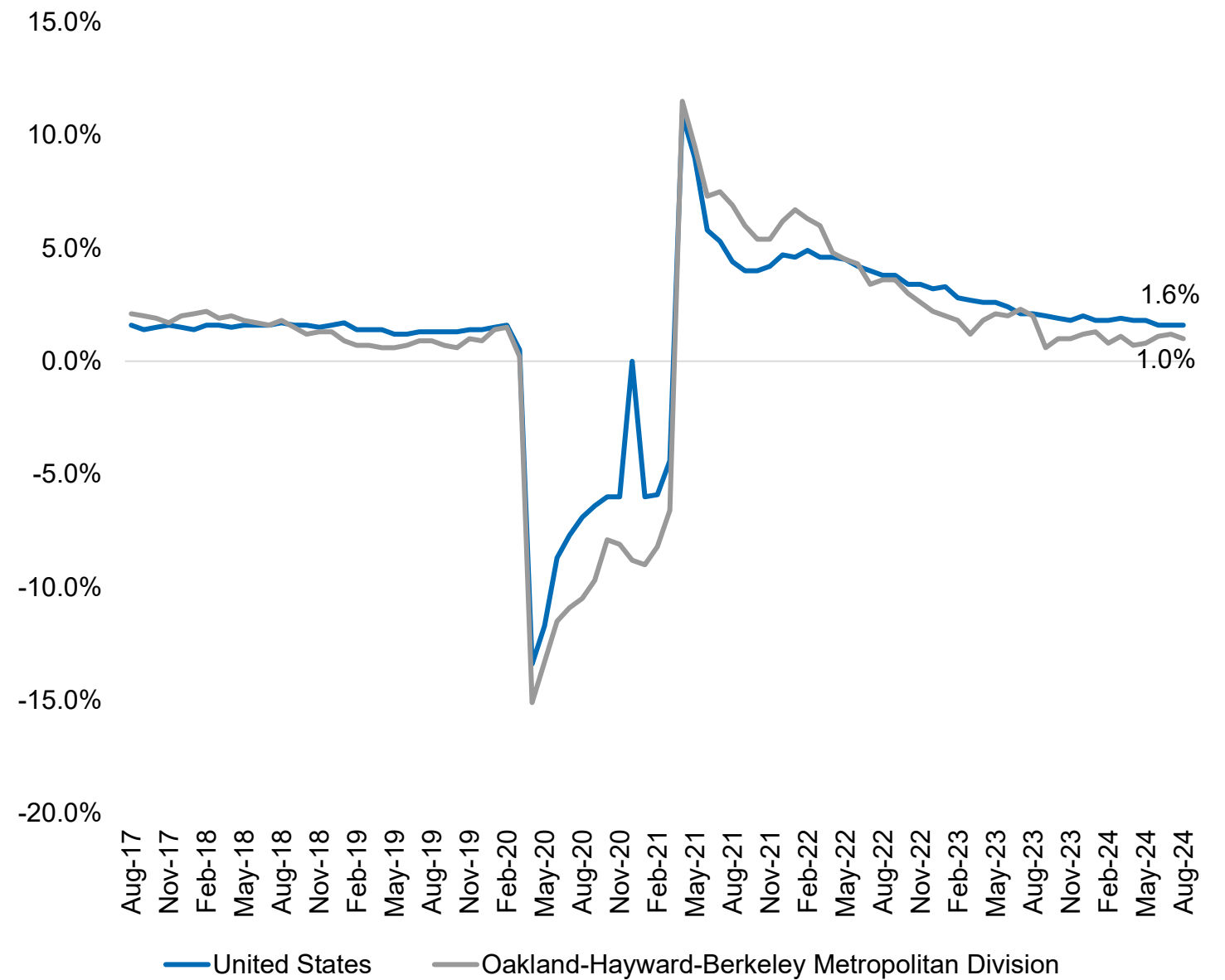
Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is 30 basis points higher than it was at the beginning of 2024, and at 5.3% is 110 basis points higher than the national average. Unemployment rates remain above pre-pandemic levels.

Unemployment Rate, Non-Seasonally Adjusted



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

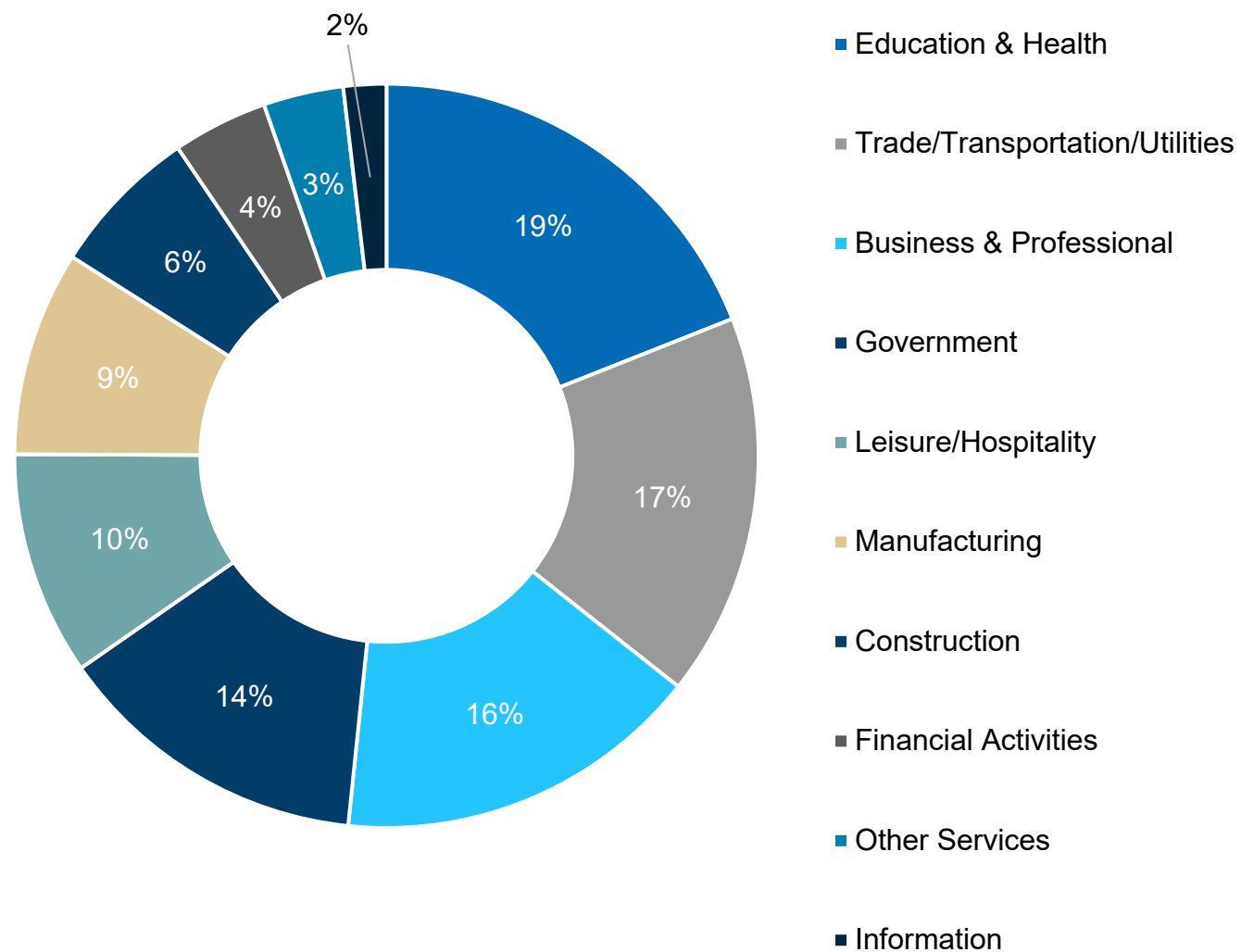


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

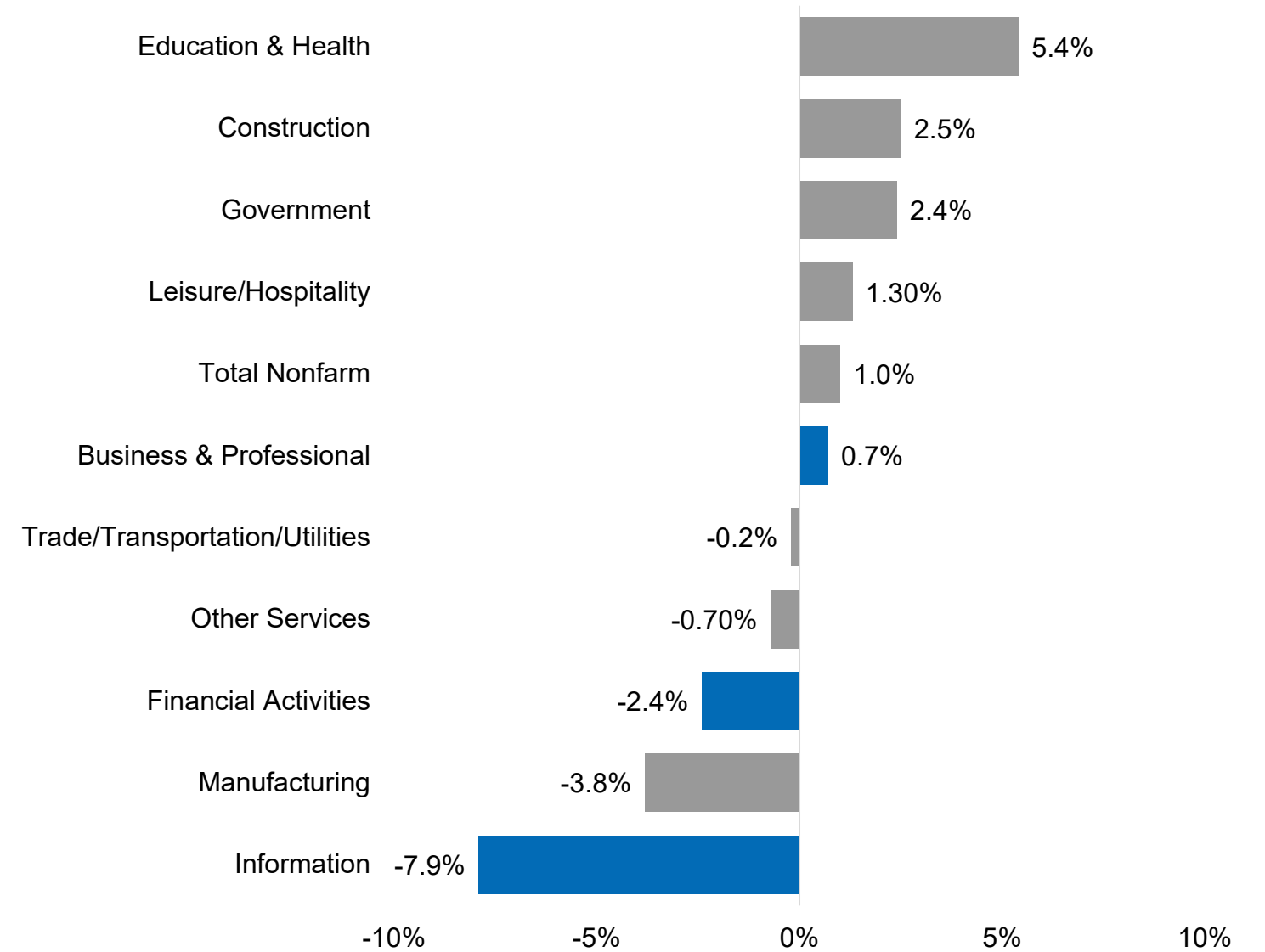
Office-Using Employment Down

Information experienced the largest loss in growth for office using sectors year-over-year, while financial activities also experienced negative growth, and business and professional services increased slightly.

Employment by Industry, August 2024



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

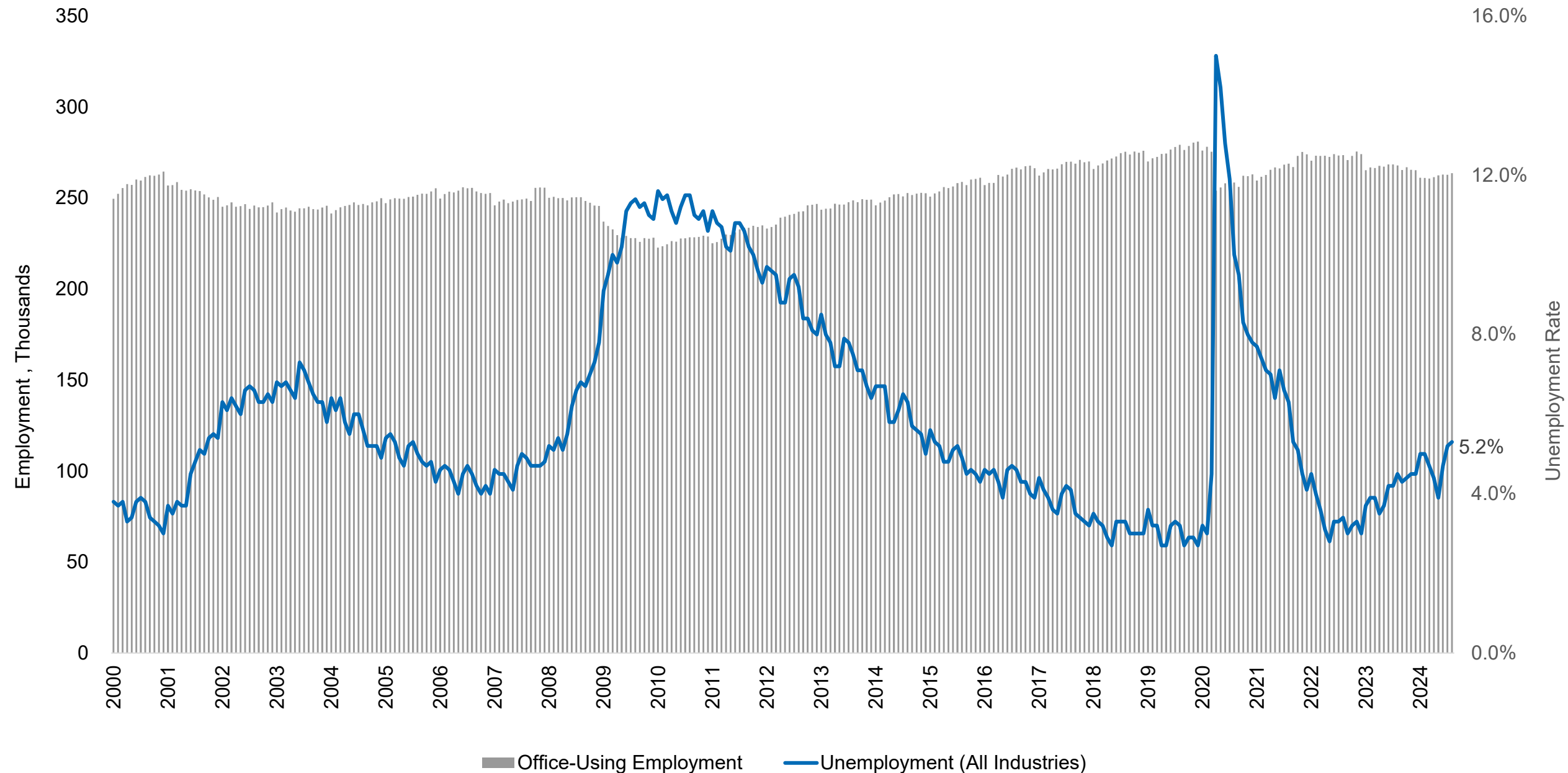


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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.

3Q24

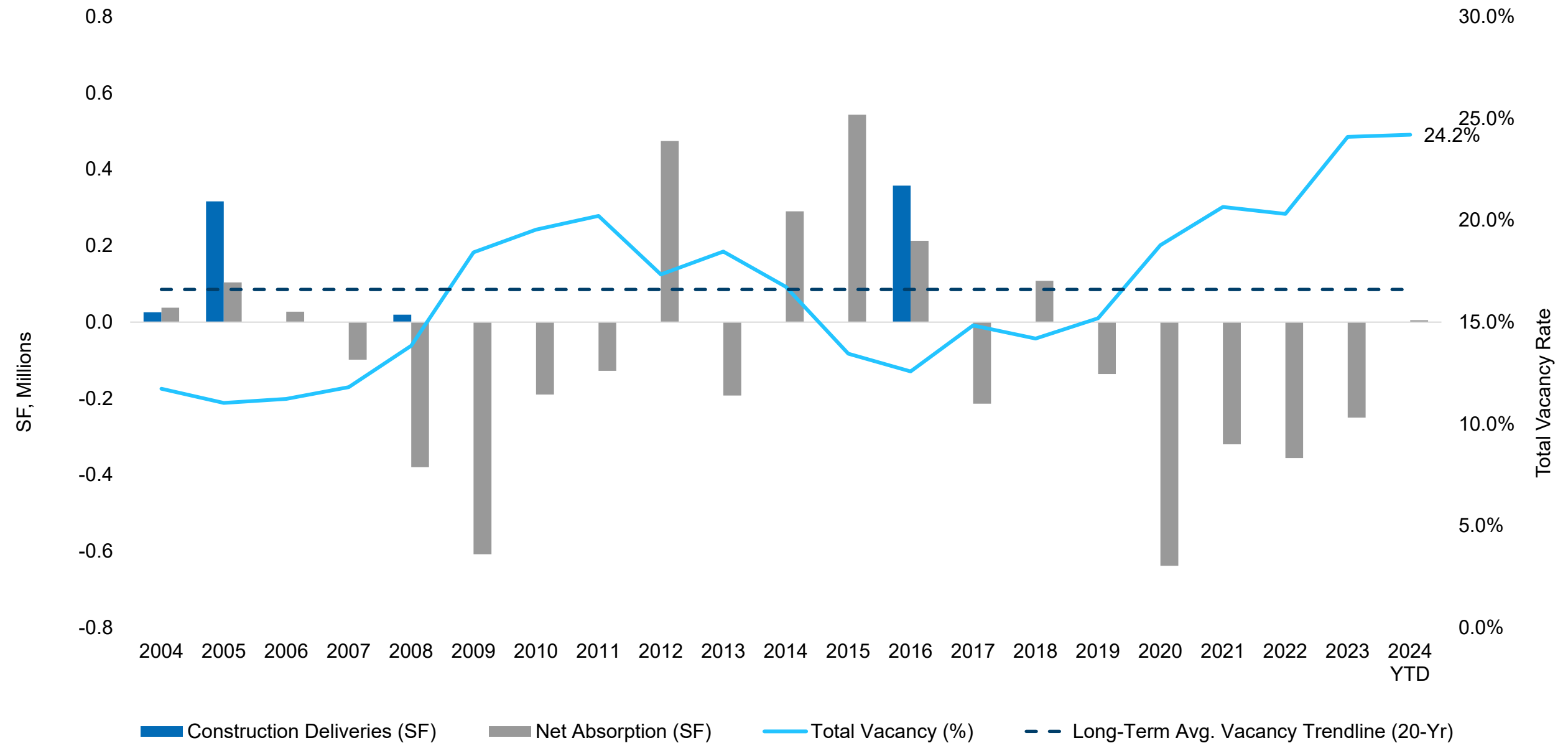
Leasing Market Fundamentals



North I-680 Corridor Vacancy

The vacancy rate remained at 24.2% in the third quarter of 2024. Net absorption in third quarter was positive 4,978 square feet. There are still no construction projects for office in the pipeline.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

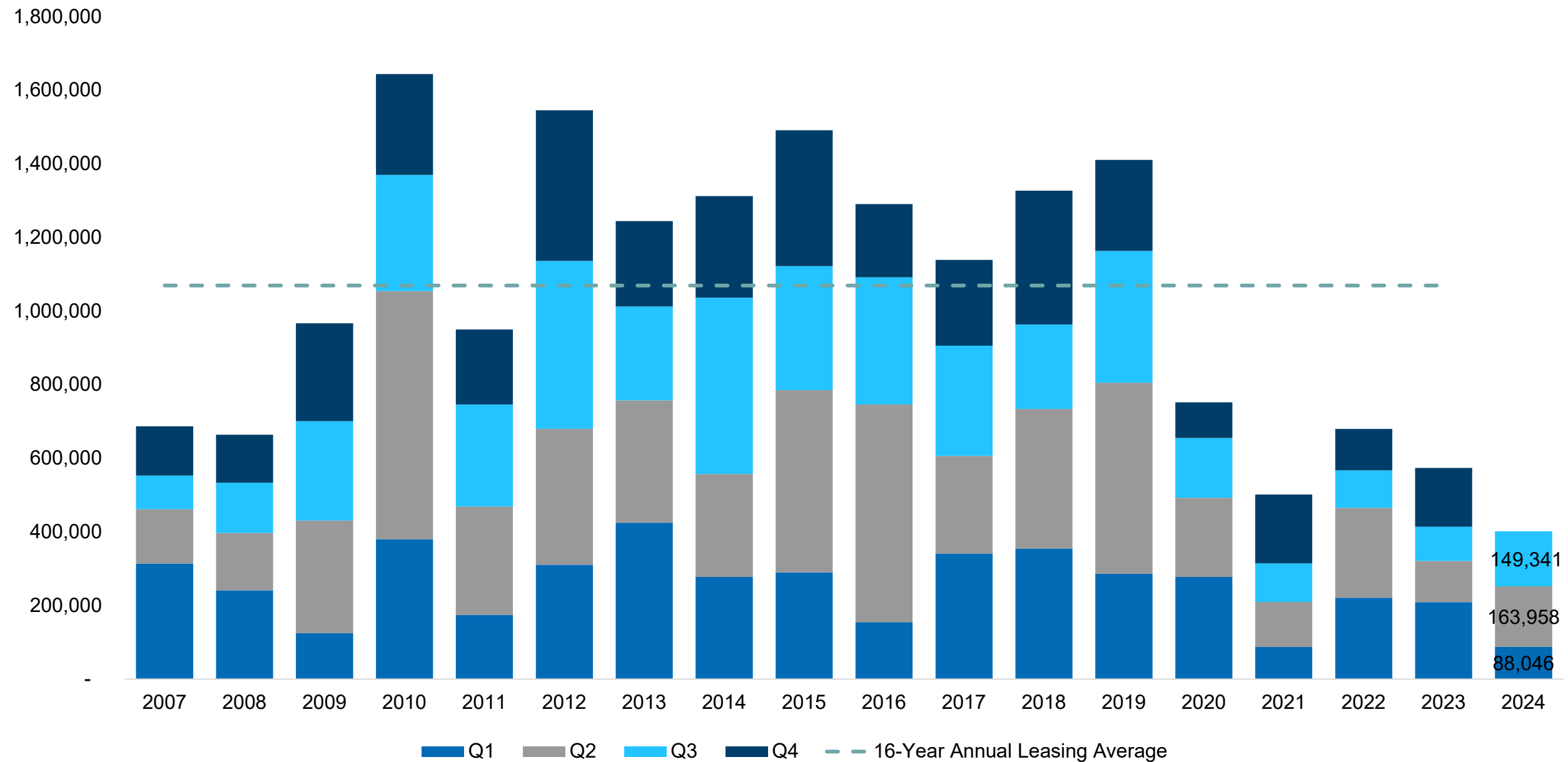


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North I-680 Corridor Leasing Activity

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 leased)



Source: Newmark Research, CoStar

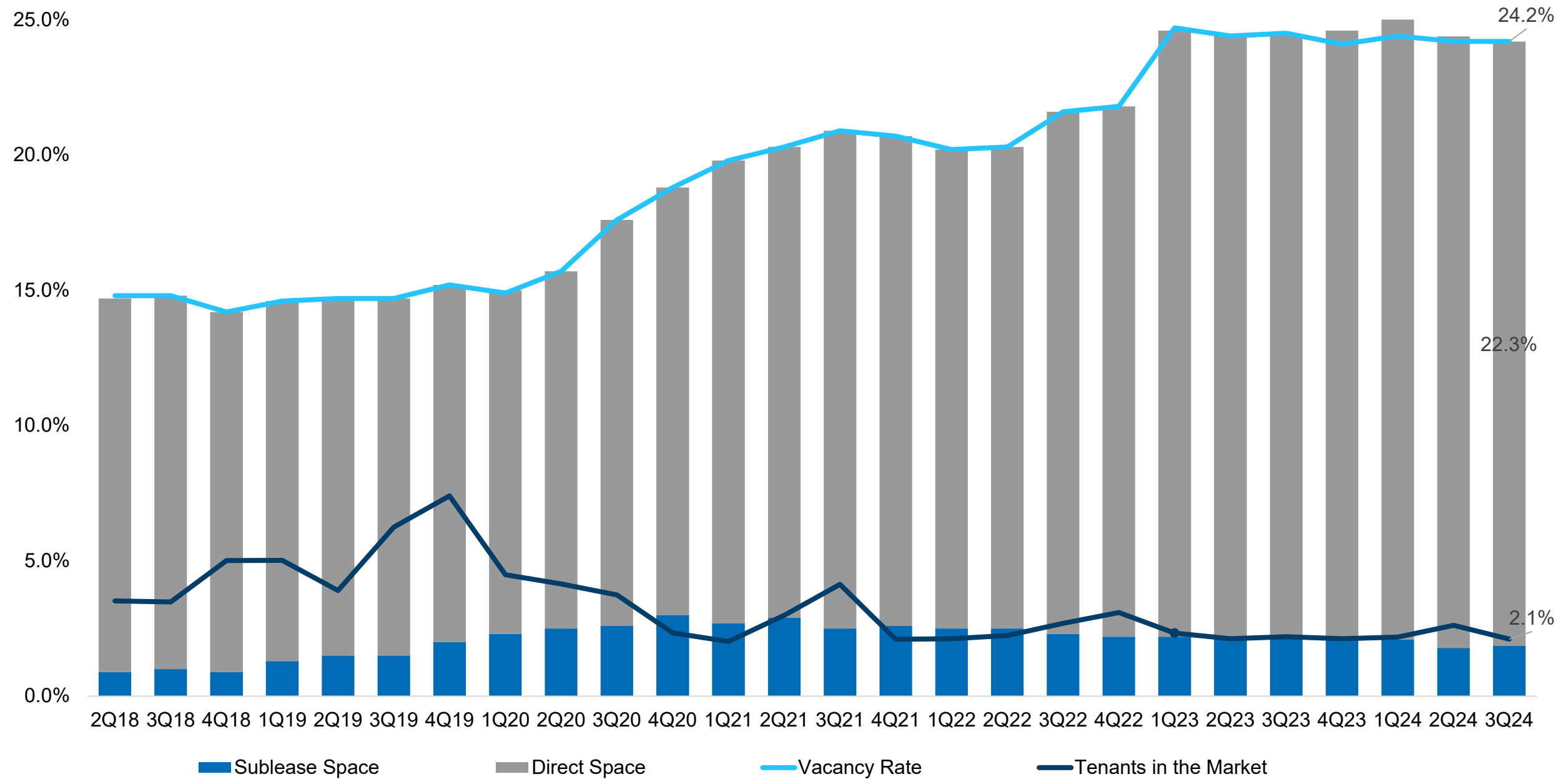


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North I-680 Corridor Availability and Tenant Demand

Vacancy and availability remained the same in the third quarter of 2024. Over 70% of tenants in the market continued to look for 10,000 square-feet of space or less.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

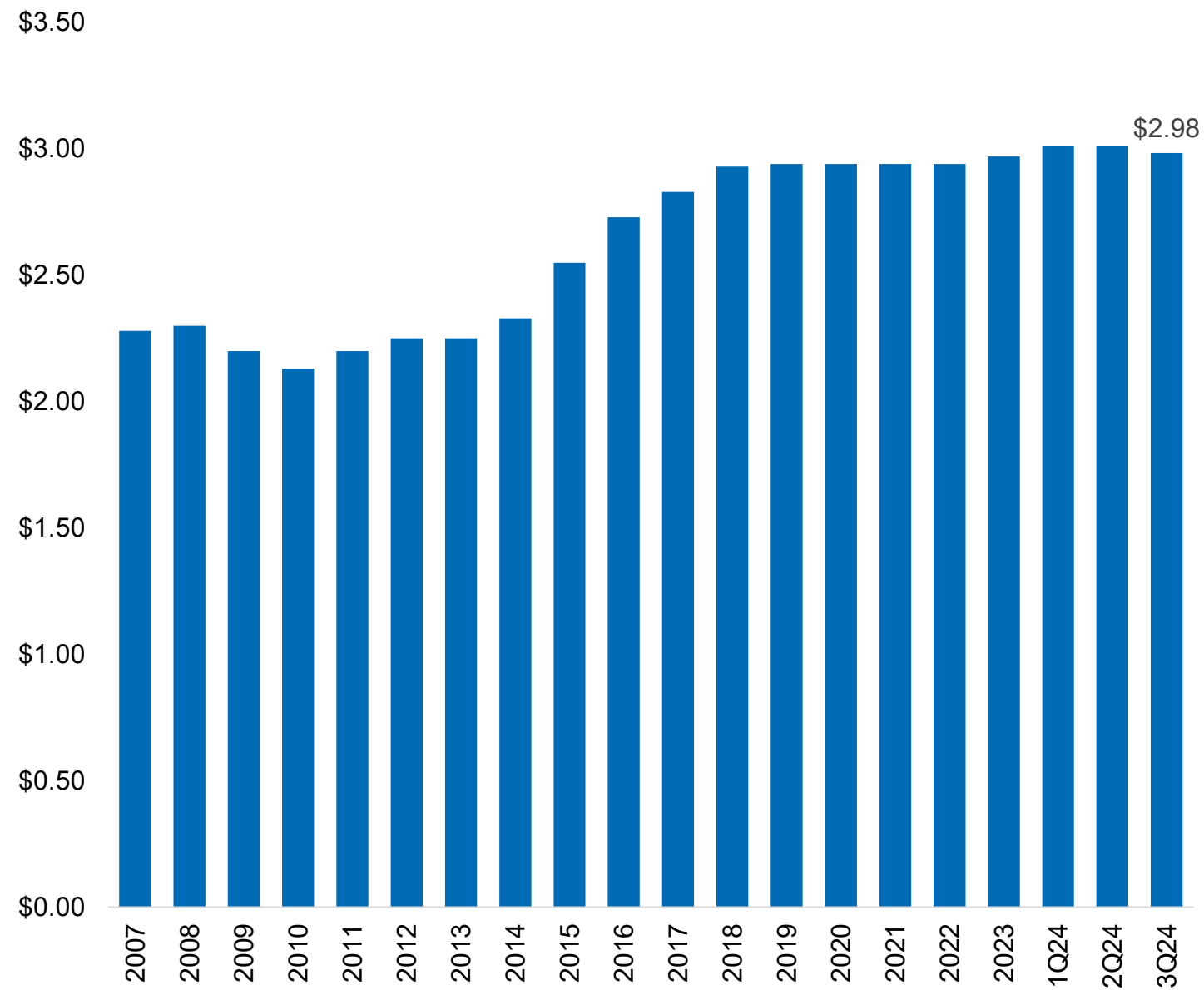


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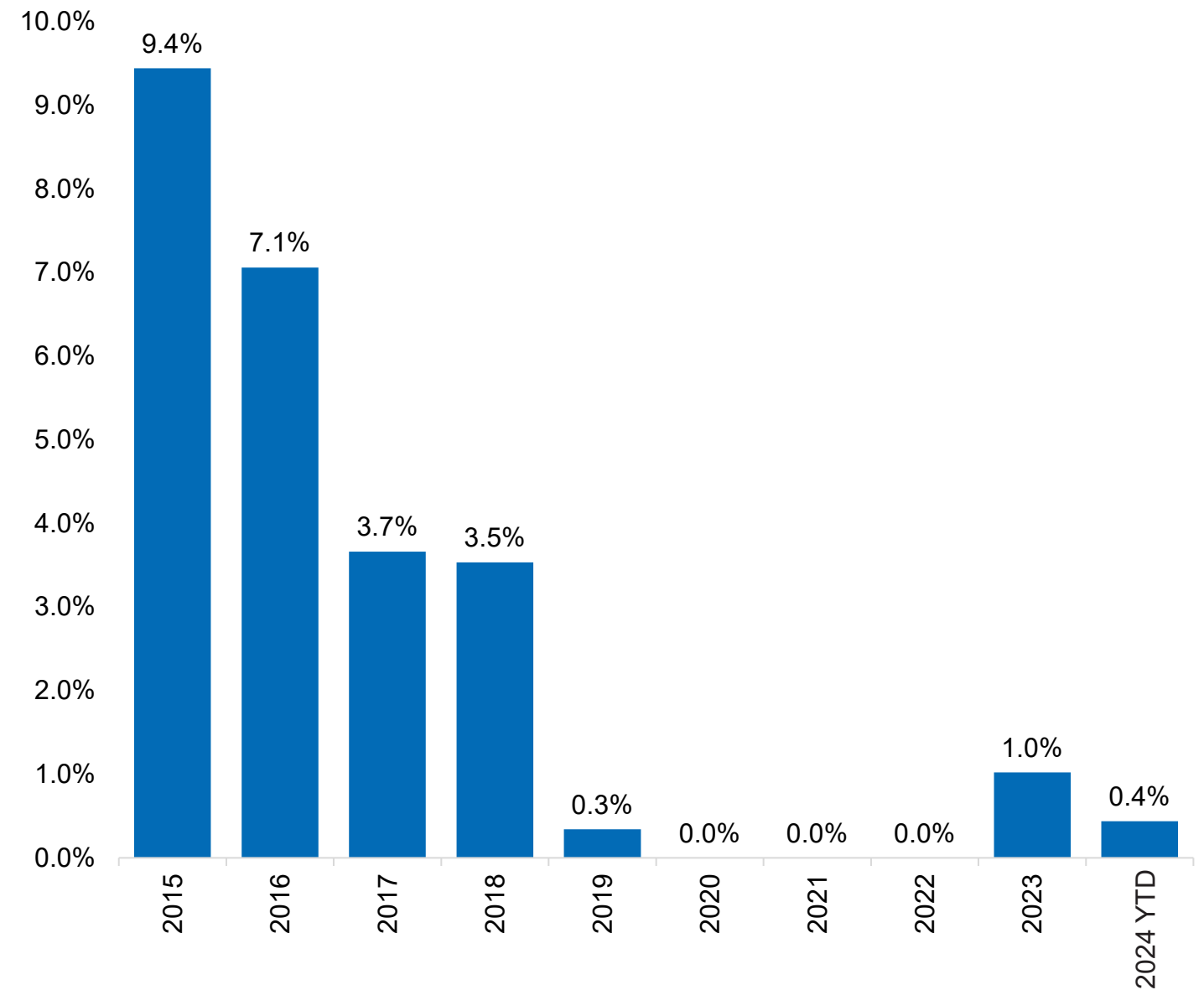
North I-680 Corridor Asking Rents

Office rents took a slight dip in the third quarter of 2024, the average rent decreased to \$2.98 FS per-square-foot.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

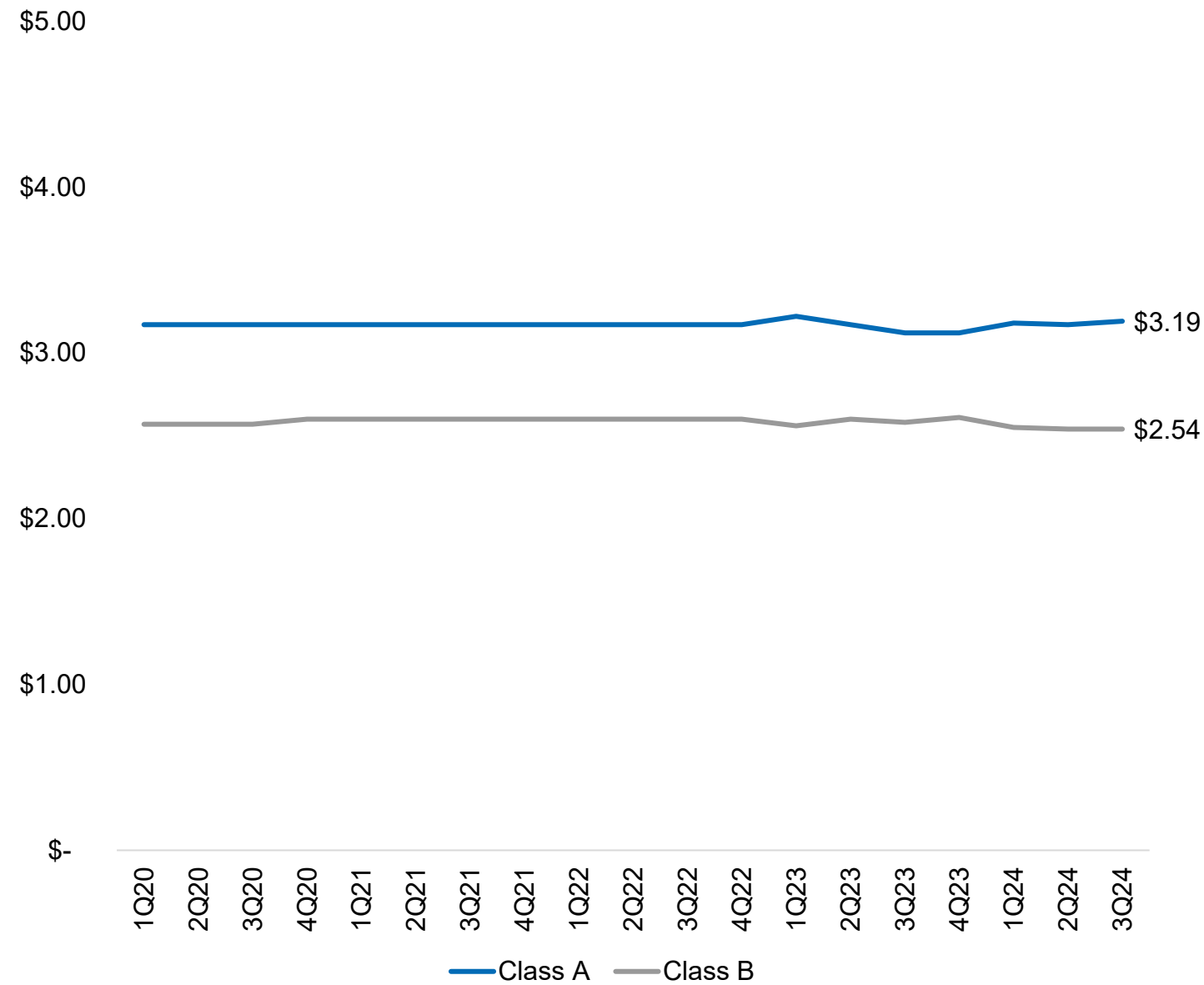


Source: Newmark Research, CoStar

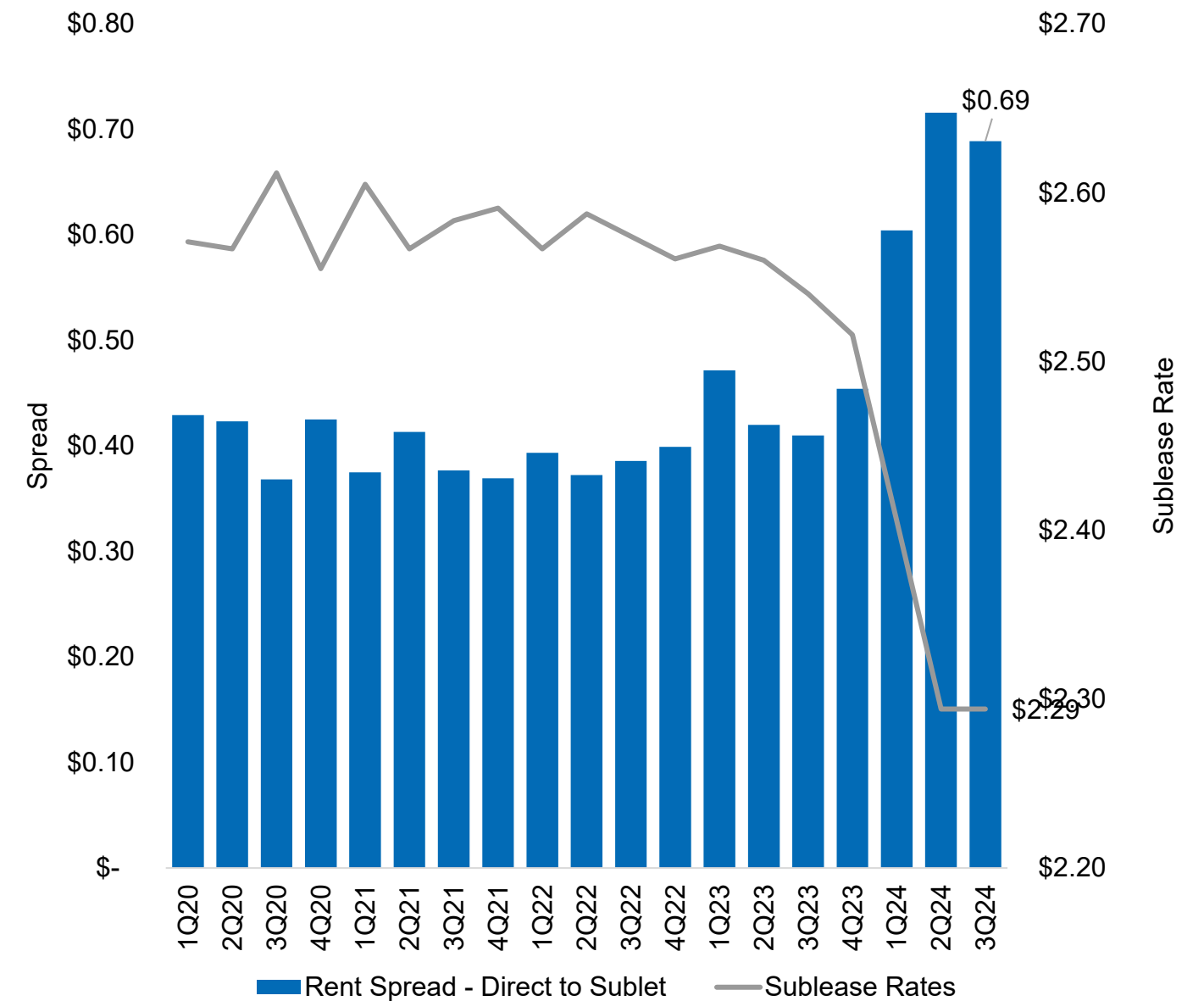
North I-680 Corridor Asking Rents

In the third quarter of 2024 direct rates decreased while the sublease rates remained steady.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar



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Third Quarter Lease Transactions

Walnut Creek made up the majority of leasing activity in the East Bay for the third quarter of 2024.

Notable 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Bay Medical Management	2125 Oak Grove Road	Walnut Creek – Shadelands	Lease Extension	16,348
Acrisure of California	1350 Treat Blvd	Walnut Creek – Pleasant Hill BART	Direct Lease	12,390
Turner Construction Company	100 Pringle Avenue	Walnut Creek – Walnut Creek BART	Direct Lease	12,109
RBC	1333 N California Blvd	Walnut Creek -- Downtown	Lease Renewal	10,717

Appendix





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