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4Q24

# North I-680 Office Market Overview



**NEWMARK**

# Market Observations

## Economy

- The East Bay’s unemployment decreased by 50 basis points in the fourth quarter and currently stands at 4.8%. This is 70 basis points higher than the national average.
- Job growth year-over-year was highest in the education and health, Hospitality, and government. The information, manufacturing, and financial services sectors showed the largest decreases in employment.

## Major Transactions

- Matson Navigation Company. leased 57,334 square feet of space at 2121 N California Blvd.
- P.K. Kinder Company expanded, leasing 22,068 square feet of space at 2121 N California Blvd.
- Sutter Visiting Nurse Association and Hospice renewed 17,157 square feet at 5099 Commercial Circle.
- U.S. Bank renewed 16,165 square feet at 200 Pringle.
- Haley & Aldrich leased 11,898 square feet of space at 201 N Civic Drive.
- Walsh Construction Company II LLC downsized to 10,192 square feet at 1390 Willow Pass Road.

## Leasing Market Fundamentals

- The vacancy rate increased to 24.3% in the fourth quarter of 2024, with net absorption being negative, the market experienced an additional 36,696 square feet of negative absorption.
- Leasing pace/tenants in market is strong with good migration activity to North I-680 from Oakland and San Francisco.
- The energy of 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 tenant improvements and close deals quickly.
- The North I-680 Market is expected to increase deal velocity as tenants migrate from Oakland and San Francisco.
- The market awaits the outcome of several buildings hitting the market for sale. If the buildings sell and reset their cost basis, new owners could impact deal making within the competitive market.

1. Economy
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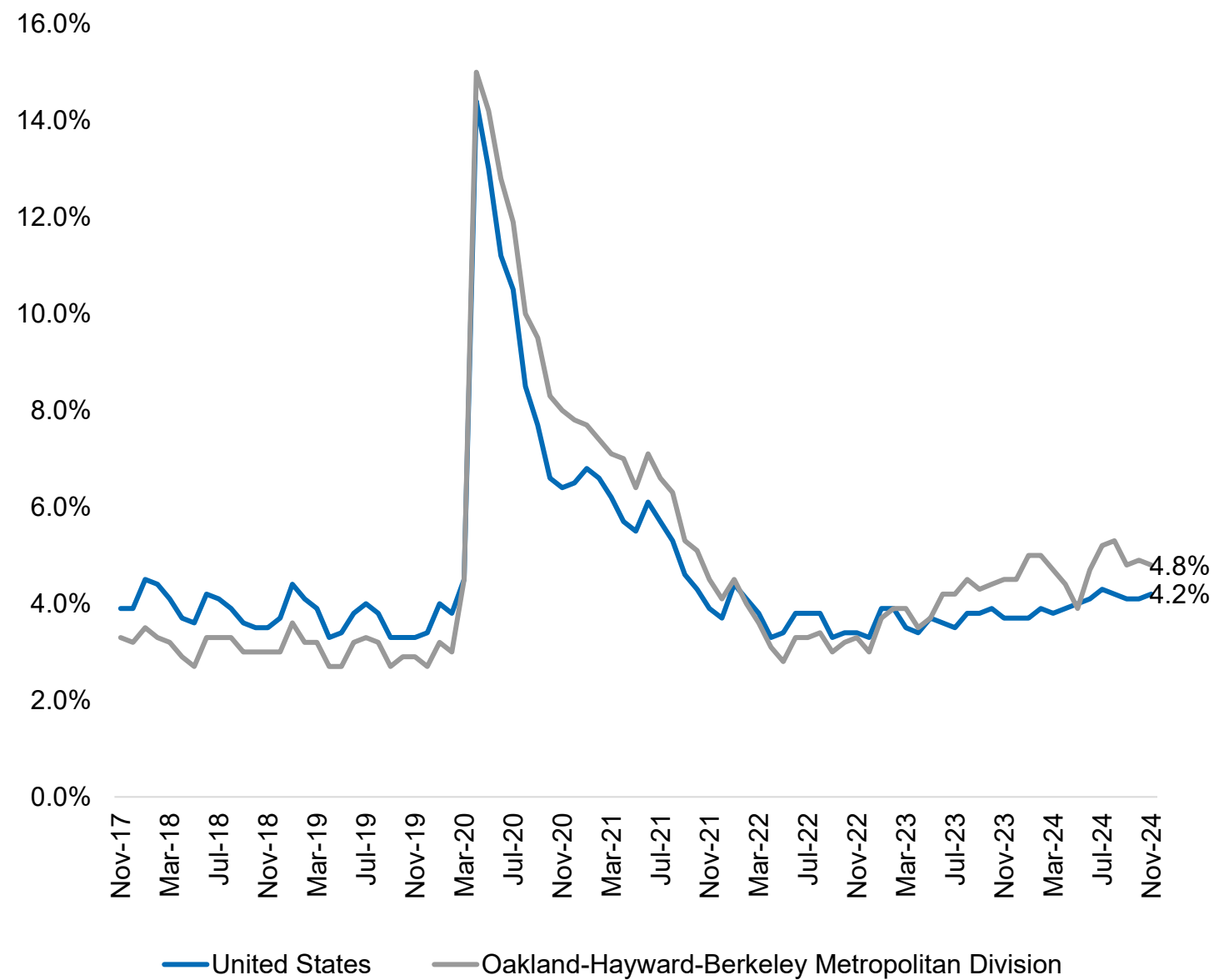
# Economy



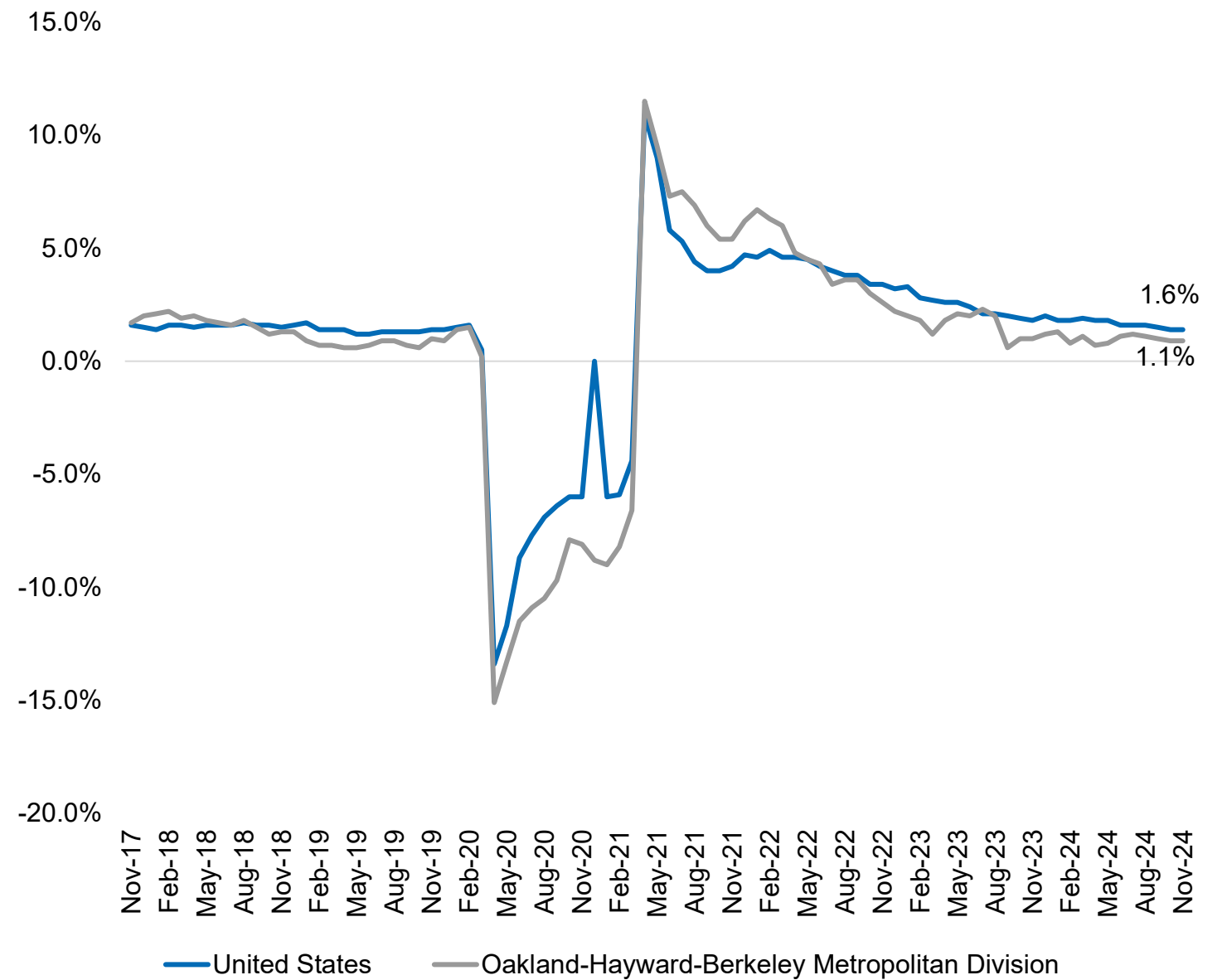
# Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is now 20 basis points higher than it was at the beginning of 2024, and at 4.8% is 60 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

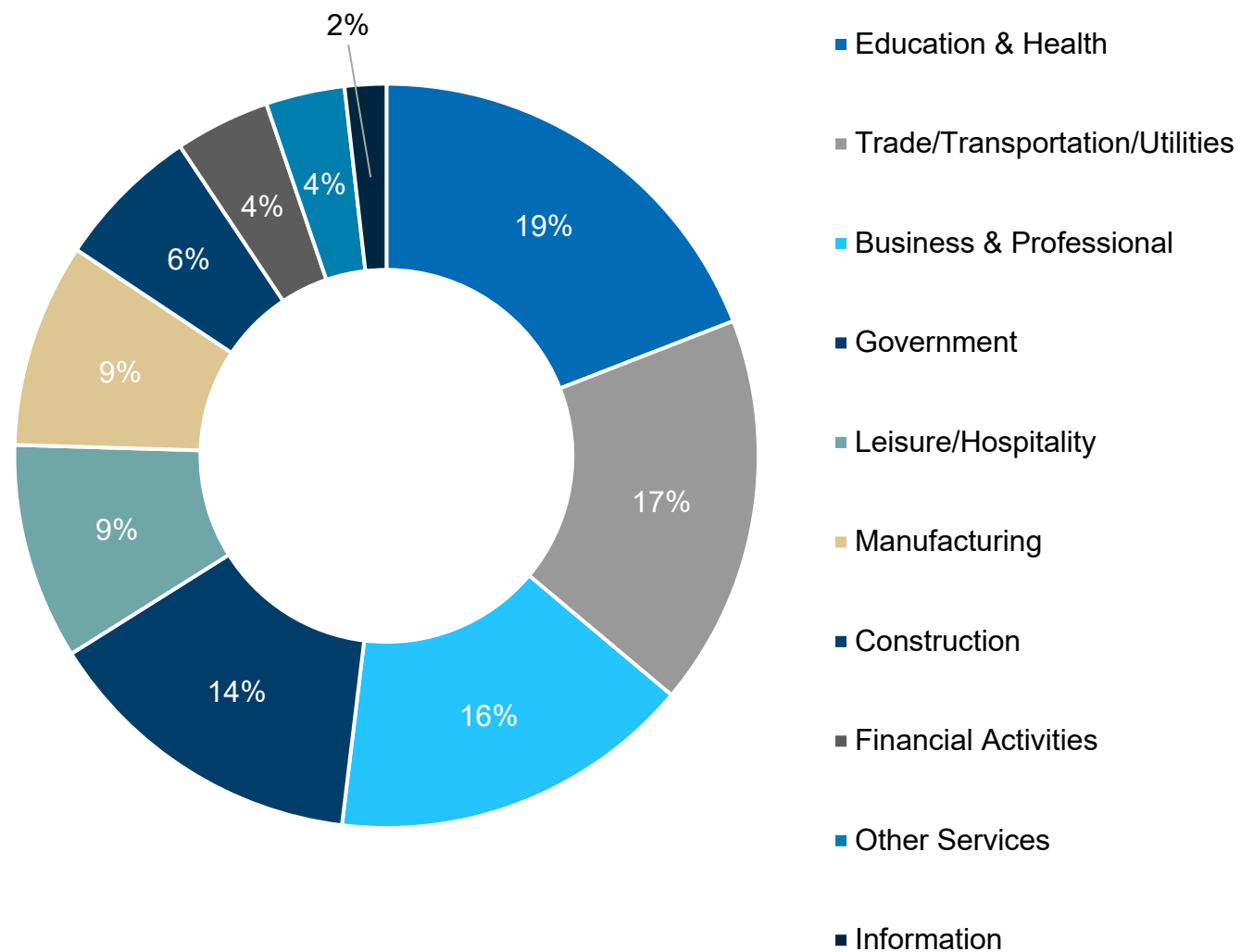


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

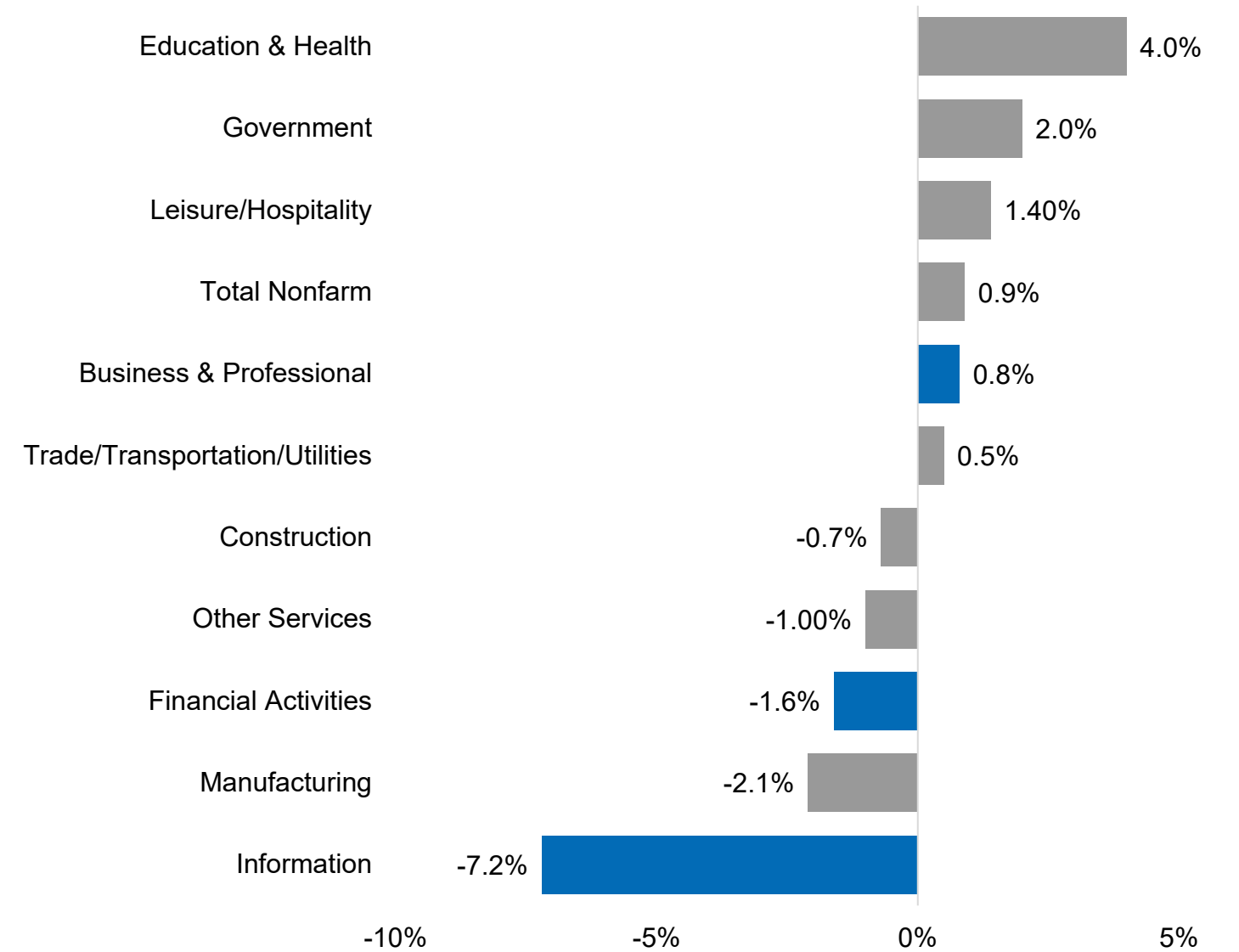
# Office-Using Employment Down

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, November 2024



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

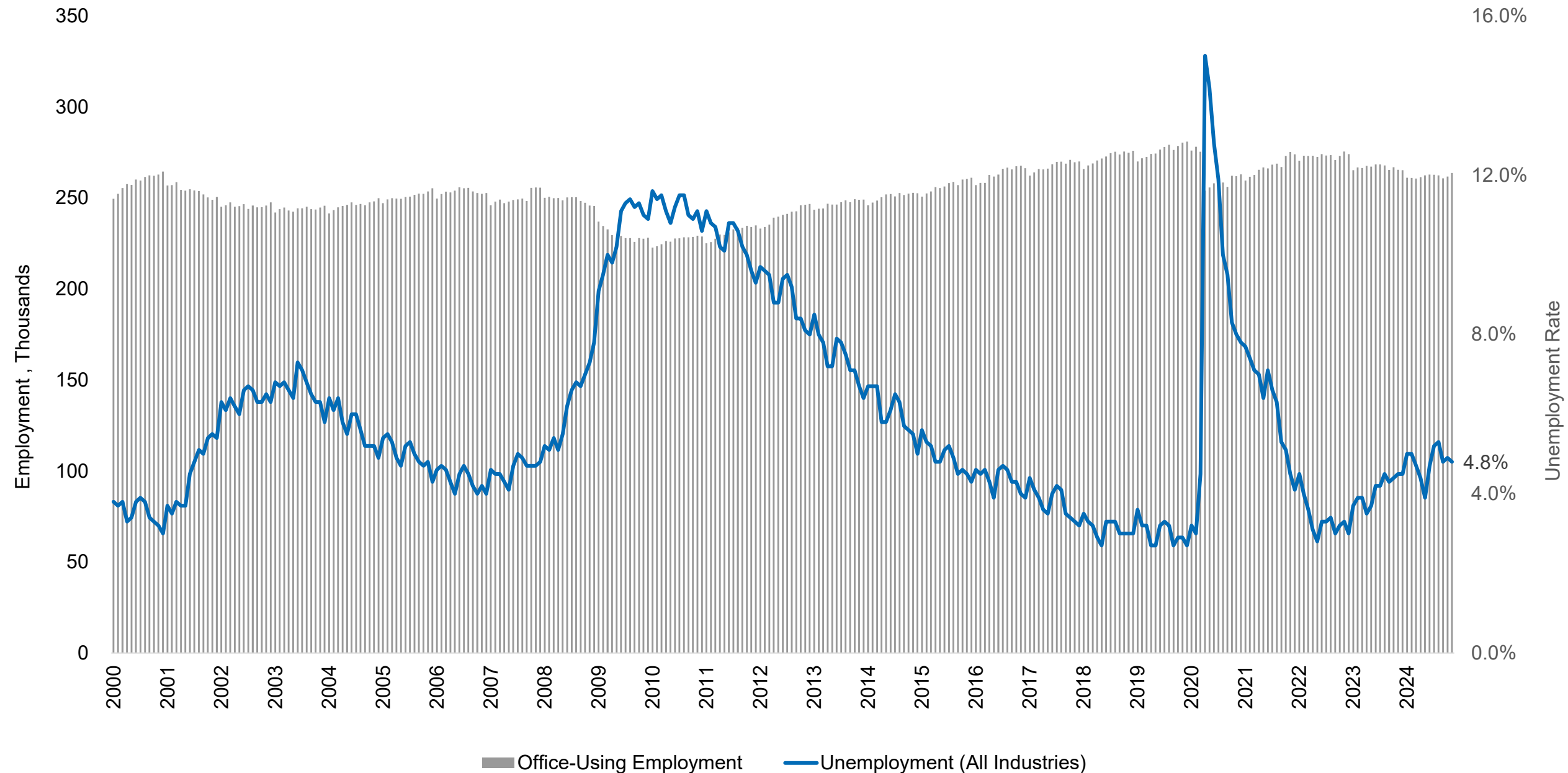


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

# 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 15 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

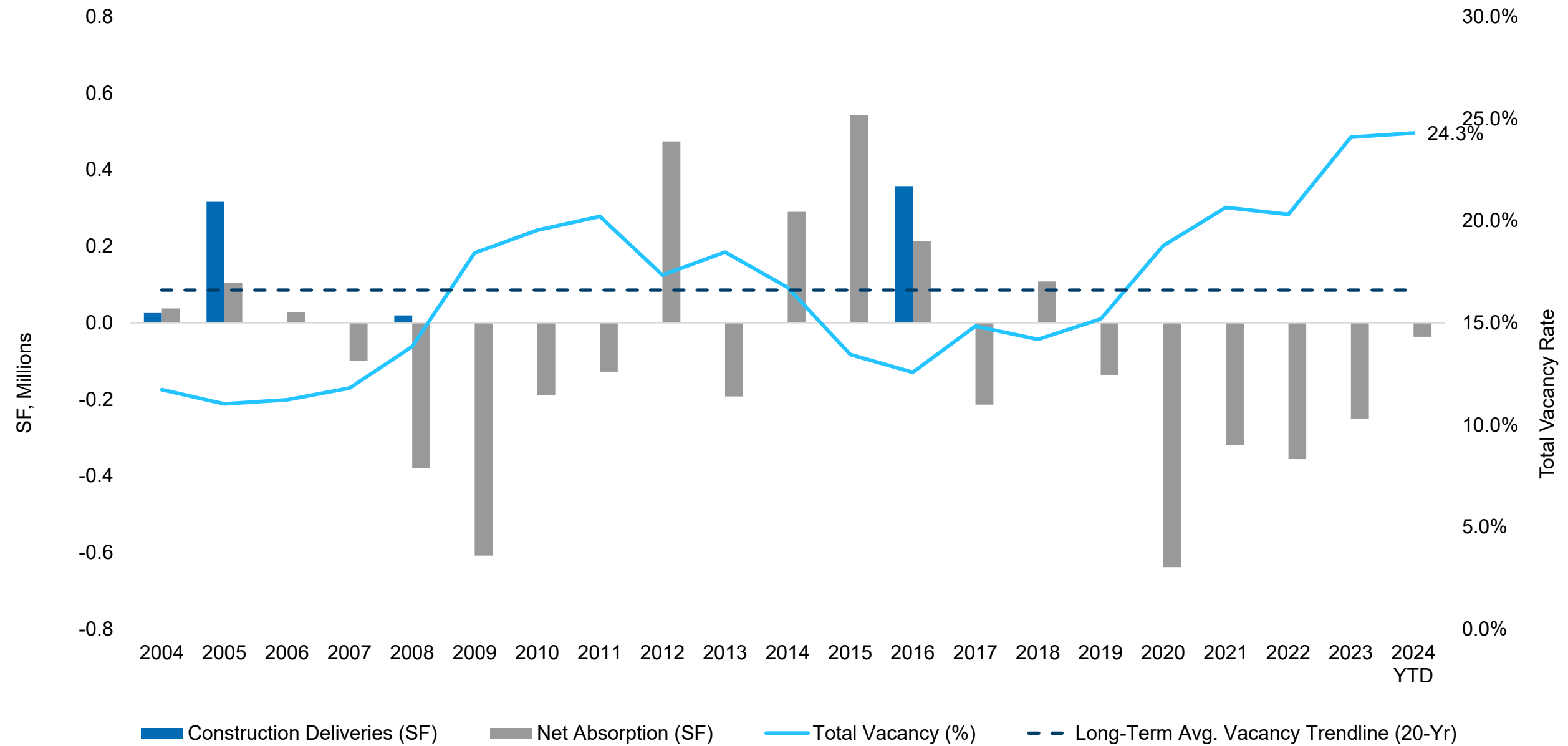




# Vacancy Remained Steady in the Fourth Quarter of 2024

The vacancy rate increase slightly to 24.3% in the fourth quarter of 2024. Net absorption in fourth quarter was negative 36,696 square feet. There are still no construction projects for office in the pipeline.

Historical Construction Deliveries, Net Absorption, and Vacancy (North I-680 Entire Market)



Source: Newmark Research, CoStar

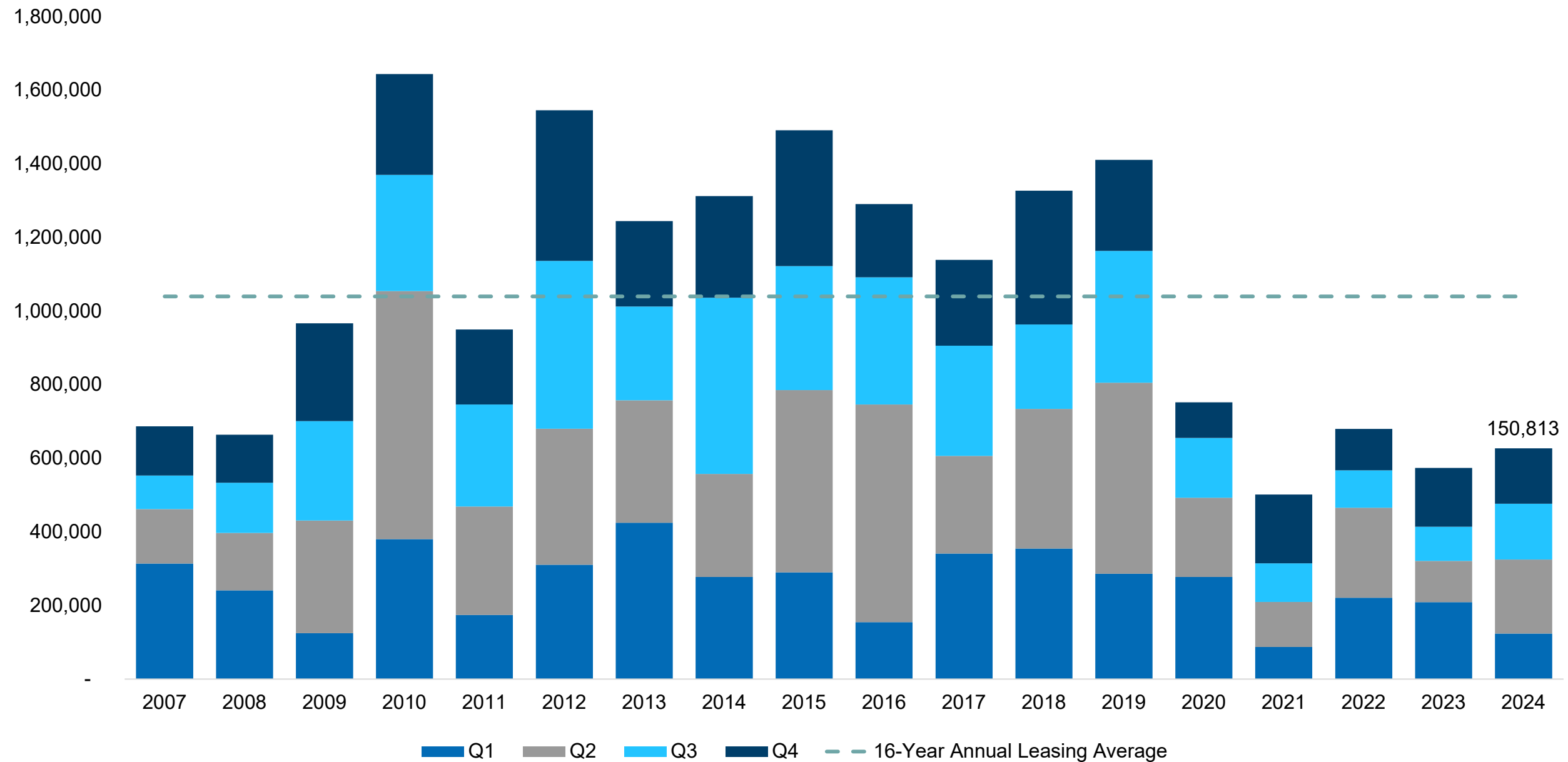


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# Leasing Activity Has Slowed

Leasing activity has still struggled to revitalize and reach levels similar to before the pandemic, however there was more leasing activity in 2024 than in 2023. Companies continued to be patient while assessing current and future economic outlooks.

Total Leasing Activity (sf)



Source: Newmark Research, CoStar

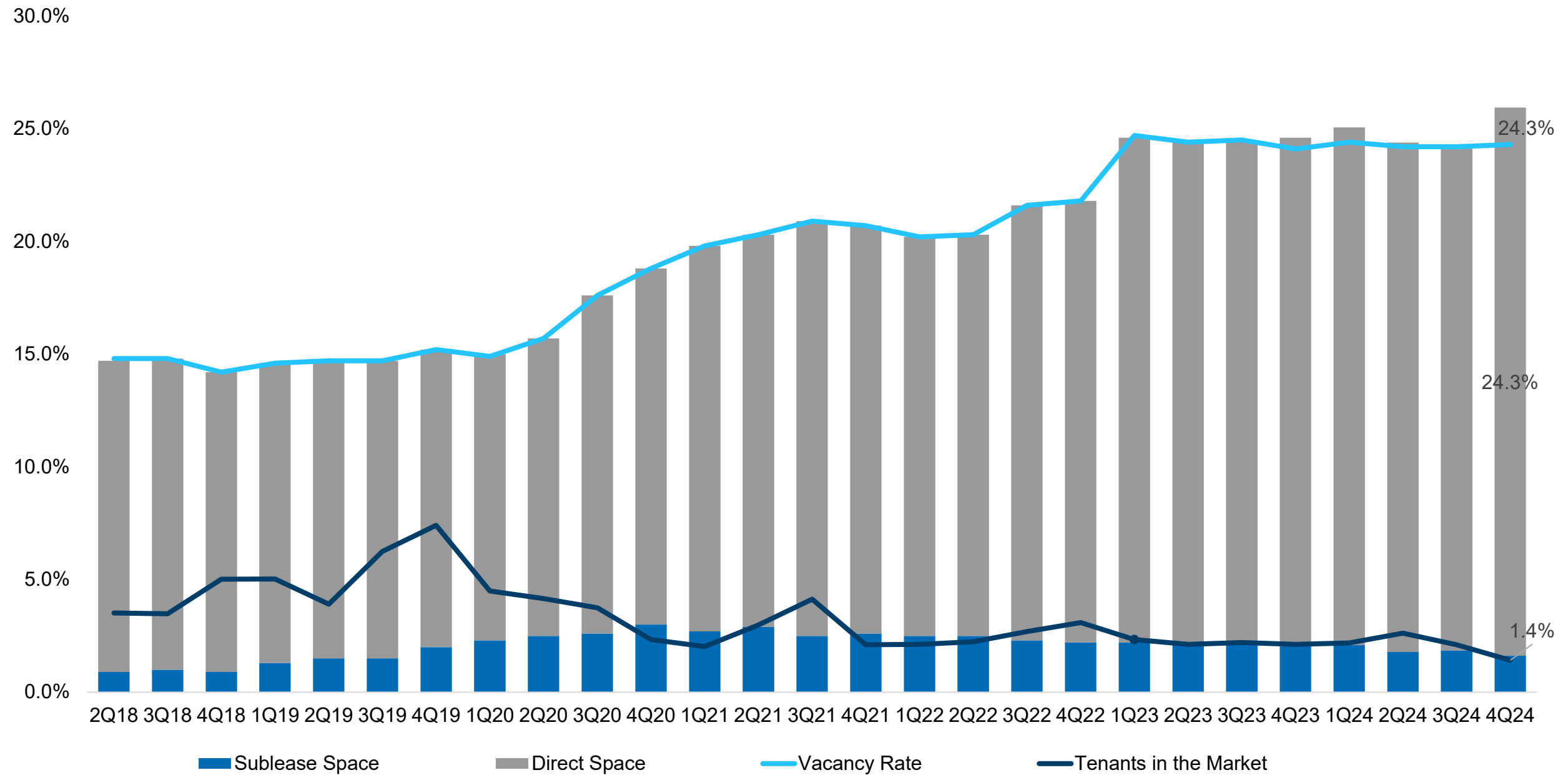


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# Availability and Tenant Demand Remained Relatively Stable

Vacancy and sublease availability remained the same in the fourth quarter of 2024 while direct availability increased 200 basis points. 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, CoStar

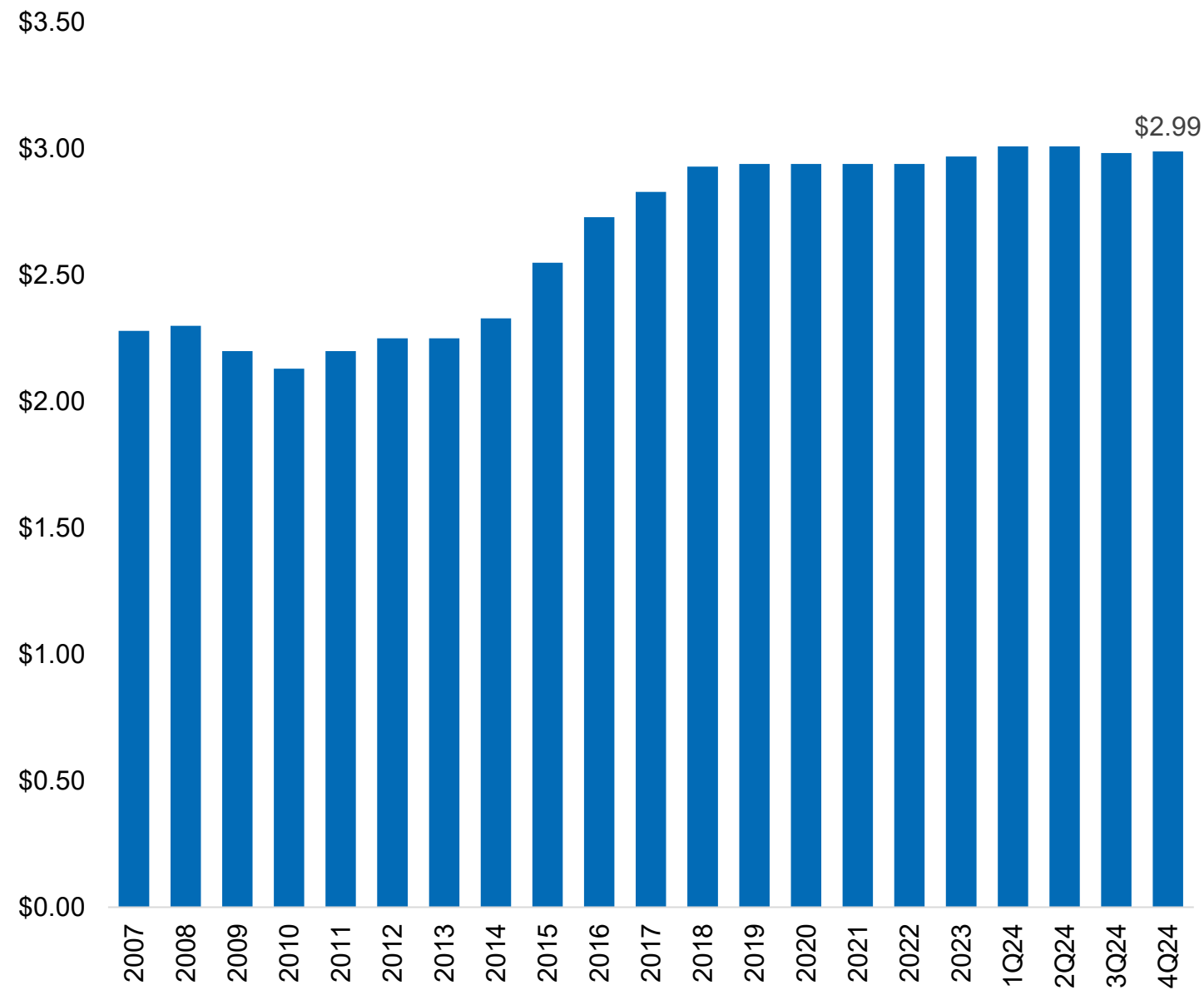


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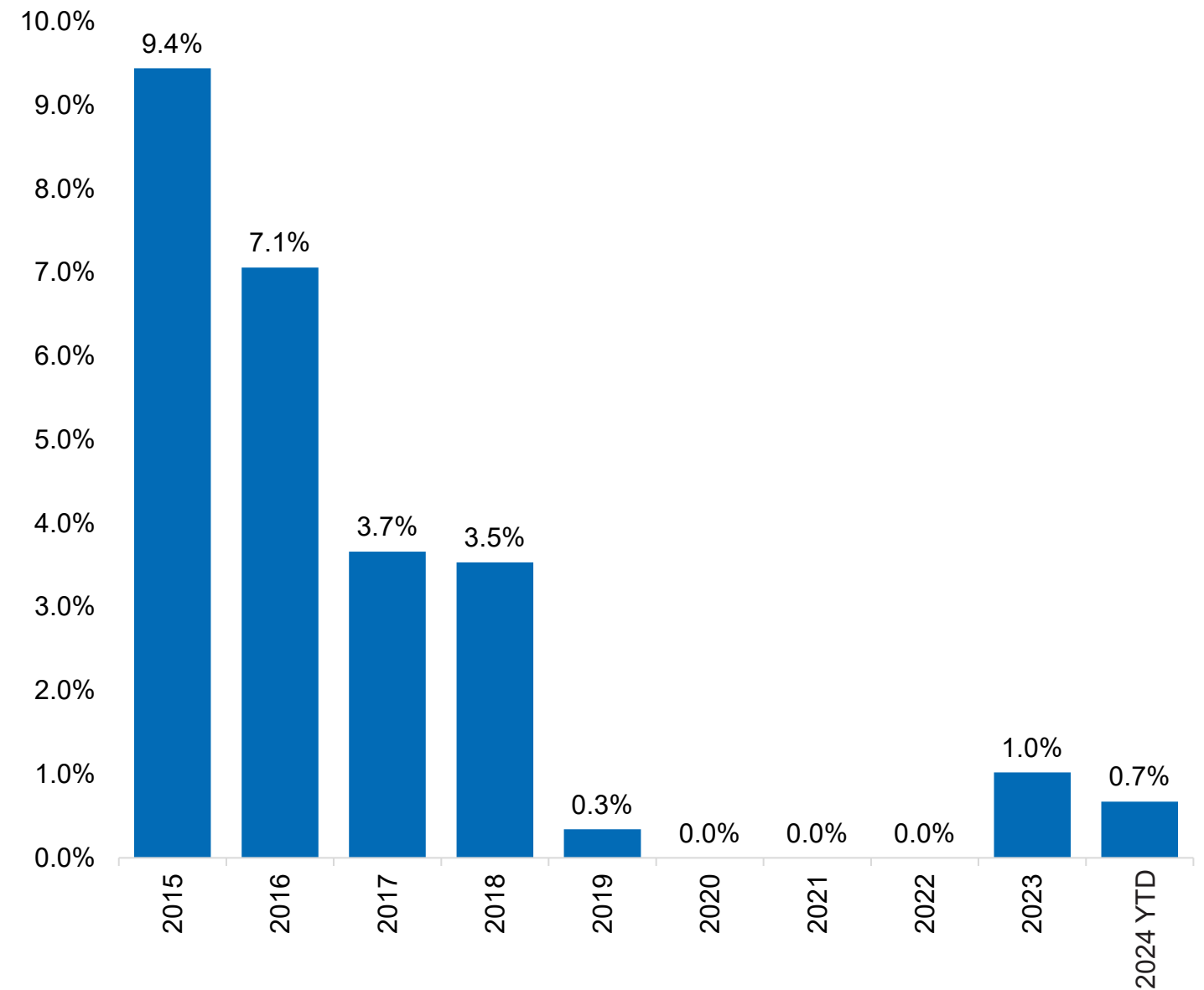
# Direct Asking Rents Increase Slightly

Office rents remained stable in the fourth quarter of 2024. The average rent increased slightly.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

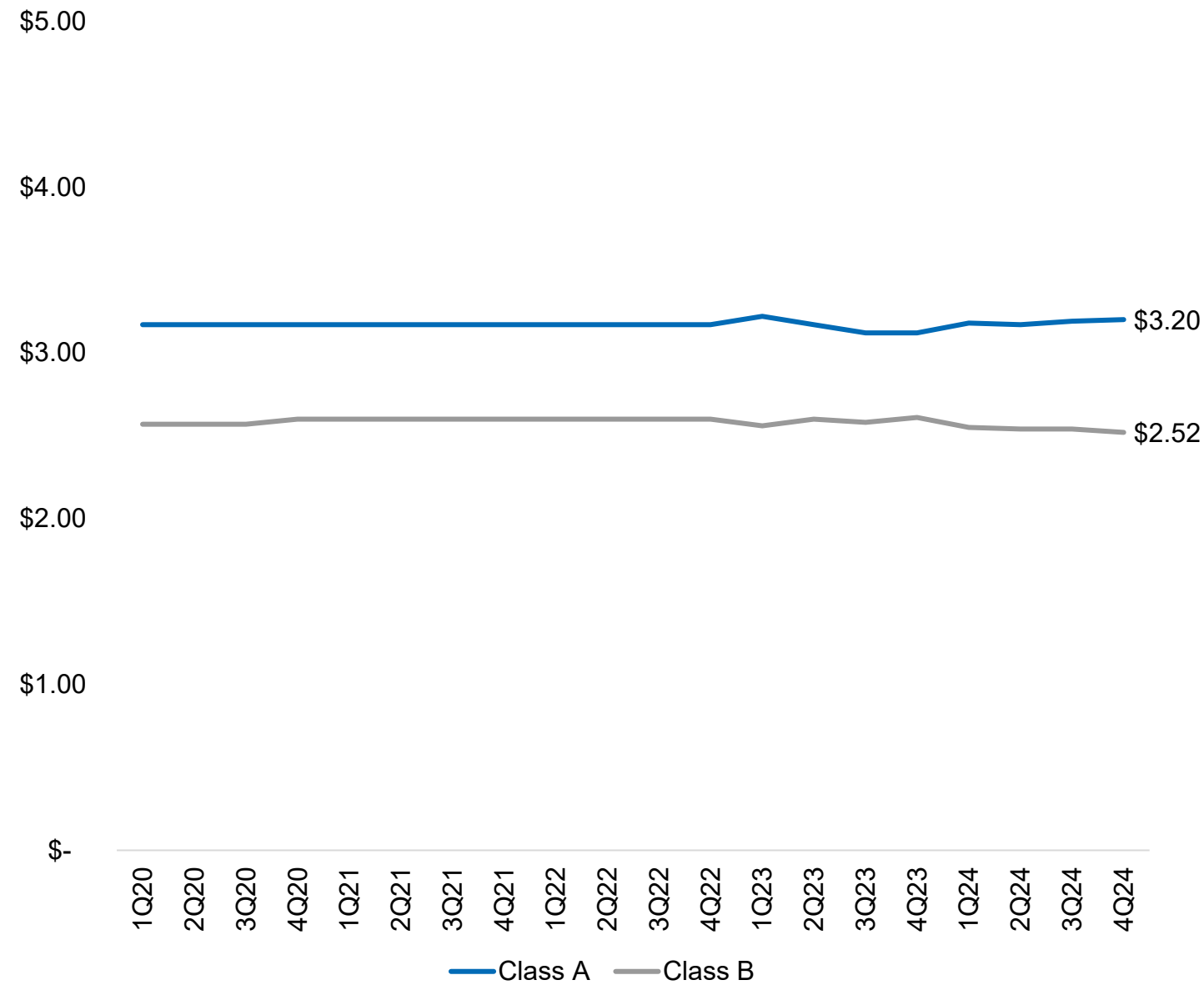


Source: Newmark Research, CoStar

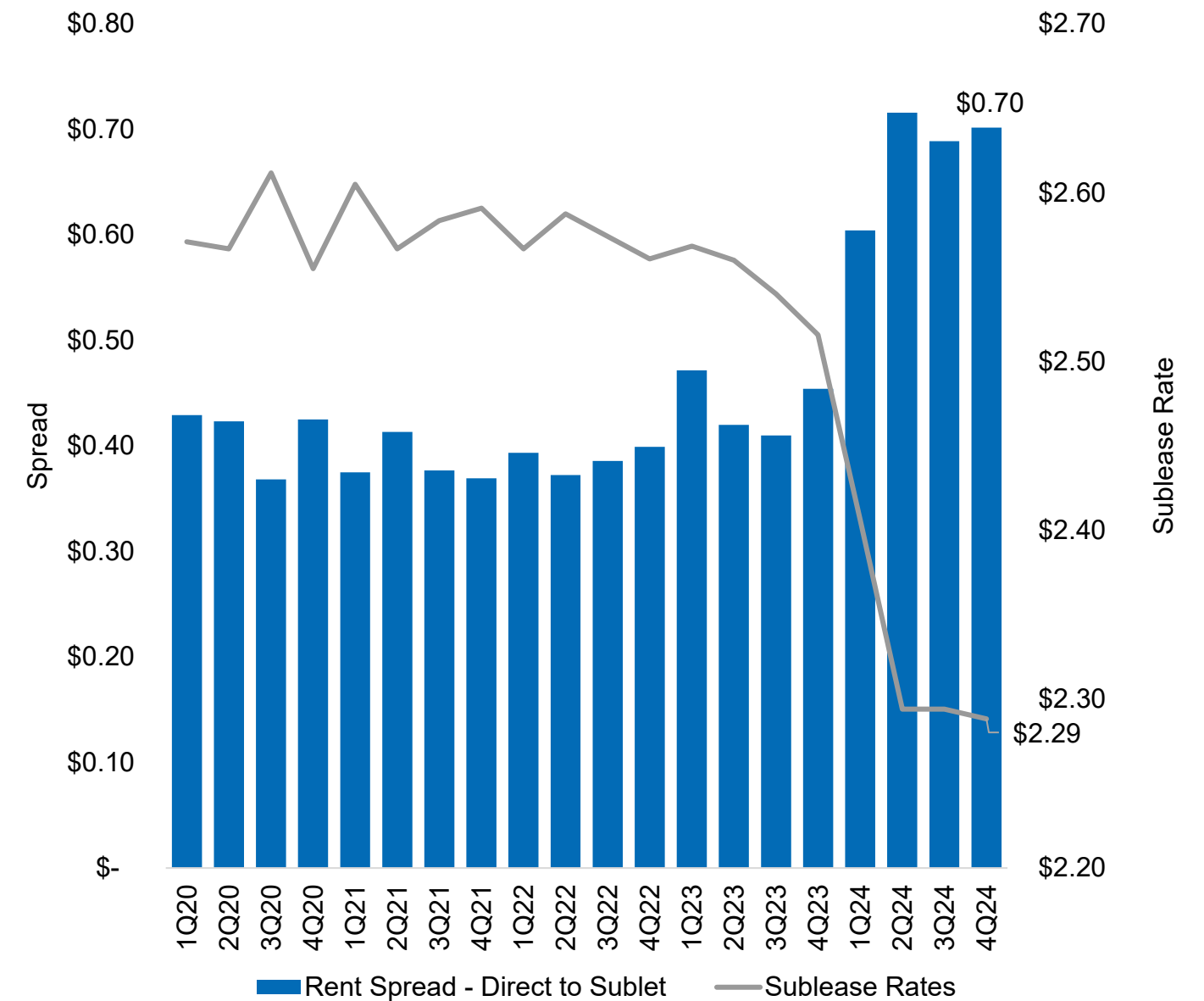
# Sublease Rates Remain Stable

In the fourth quarter of 2024 direct and sublease rates remained stable overall.

## Class A and Class B Asking Rents



## Sublease Rates



Source: Newmark Research, CoStar





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# Fourth Quarter Lease Transactions

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

## Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Matson Navigation Company, Inc.	2121 N California Blvd	Walnut Creek – Walnut Creek BART	Direct Lease	57,334
P.K. Kinder Co, Inc	2121 N California Blvd	Walnut Creek – Walnut Creek BART	Lease Expansion	22,068
Sutter Visiting Nurse Association and Hospice	5099 Commercial Circle	Concord -- Concord	Lease Renewal	17,157
U.S. Bank National Association	200 Pringle Avenue	Walnut Creek – Walnut Creek BART	Lease Renewal	16,165
Haley & Aldrich	201 N Civic Drive	Walnut Creek – Walnut Creek Downtown	Direct Lease	11,898
Walsh Construction Company II LLC	1390 Willow Pass Road	Concord -- Concord	Downsizing	10,192

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# Appendix





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