

FIGURES | I-680 CORRIDOR | Q4 2022

I-680 Corridor Office Figures

▲ 19.5%
Vacancy Rate

▼ -438K
SF Net Absorption

▲ \$3.05 PSF
Lease Rate

▶ 0 SF
Under Construction

Note: Arrows indicate change from previous quarter.

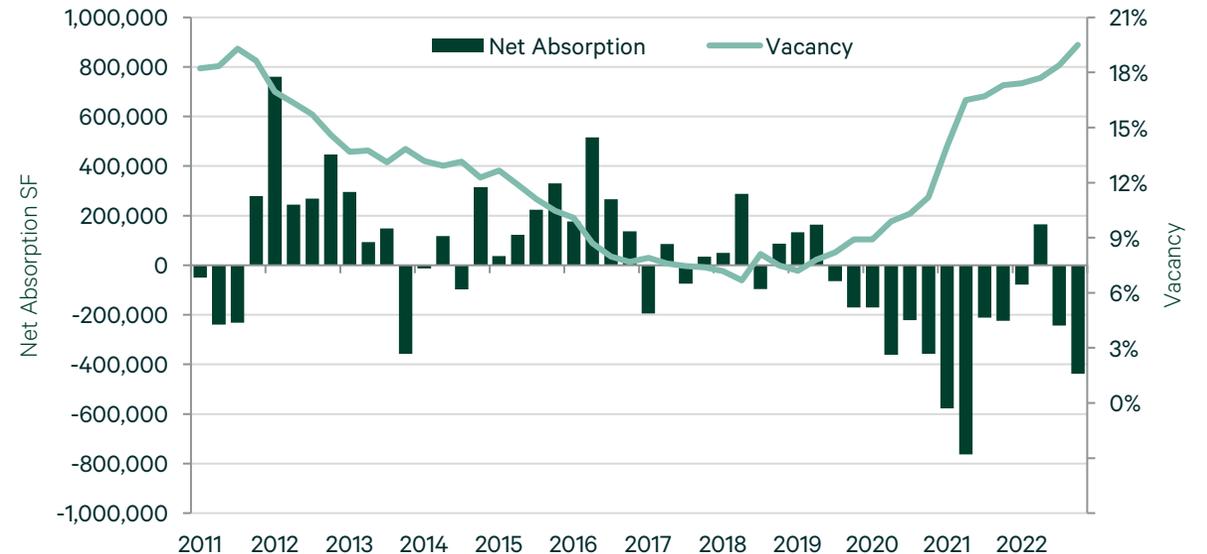
EAST BAY EMPLOYMENT

The East Bay, comprising of both Alameda and Contra Costa counties, is home to 2.8 million residents and hosts a labor force of 1.4 million. Ending December 2022, the total resident employment was 1.4 million, representing an increase of nearly 32,100 jobs from this time last year when the region was emerging out of shelter-in-place policies due to a combination of high vaccination rates and lower contraction numbers. This increase in employment caused the unemployment rate to decline 120 basis points (bps) over the past year, ending Q4 2022 at 3.5%.

OFFICE OVERVIEW

The I-680 Corridor saw 438,278 sq. ft. of negative net absorption during Q4 2022, largely due to big blocks of vacant space coming to the market. Despite having a significant amount of negative absorption in 2022, this market had several large leases signed throughout the year.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

OFFICE OVERVIEW (continued)

Office tenant demand in Q4 2022 remained below pre-COVID levels, totaling 1.0 million sq. ft. of space requirements. Similar to the previous quarter, tenant requirements continued to focus on built-out second generation space primarily in high-quality Class A space. Premier Class A office space with desirable on/off site amenities continued to attract leasing activity through 2022. Conversely, lower quality office space saw reductions in leasing activity and asking rates, causing the largest stratification between classes in recent years.

During the second half of 2022, more top-tier Class A office space hit the market, which resulted in increased asking rents despite the increase in vacancy and availability. The weighted average asking rental rate for office space in the overall market increased by \$0.03 to \$3.05 per square foot on a month full service gross basis in Q4 2022.

Large corporations, and their changing office utilization rates, continued to play a significant role in this market. Corporate space optimization resulted in rising availability and vacancy rates and overall negative net absorption. Notably in Q4 2022, Oracle began marketing 185,700 sq. ft. of their Pleasanton campus located at 5805 Owens Drive. Net absorption has also been negatively impacted by the decrease in small tenant activity. This segment has historically been a significant driver of activity in this market, but recent economic uncertainty and new workplace solutions resulted in the decline of leasing activity in the smaller user size segment throughout 2022.

Throughout the first half of 2022, the I-680 Corridor experienced a gradual reduction in office sublease availability, ending Q2 2022 with 1.4 million sq. ft. of sublease space on the market. In the second half of 2022, nearly 500,000 sq. ft. of sublease space came to the market bringing the year-end total to 1.9 million sq. ft. of sublease space available.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate (\$)	Q4 Net Absorption	YTD Net Absorption
Walnut Creek - Downtown	4,610,474	22.0%	23.3%	3.60	(33,545)	(39,055)
Class A	2,758,956	23.4%	25.2%	4.05	(24,688)	2,053
Walnut Creek - Ygnacio Valley	1,850,248	20.9%	23.0%	2.17	6,426	(41,060)
Class A	606,982	23.4%	24.4%	2.35	3,941	(15,194)
Pleasant Hill - Bart	1,944,431	27.4%	33.3%	3.95	(26,122)	(82,128)
Class A	1,731,645	27.8%	34.2%	3.99	(30,451)	(92,054)
Pleasant Hill	1,094,044	5.8%	8.5%	2.48	(2,068)	808
Class A	129,131	12.1%	19.9%	3.25	0	1,501
Concord	4,965,836	16.1%	25.7%	2.58	(18,862)	135,537
Class A	3,371,331	17.6%	31.8%	2.67	(46,235)	113,406
Martinez, Pittsburg, Antioch	592,087	6.9%	7.1%	1.46	4,091	(2,025)
Class A	N/A					
Lamorinda	1,093,587	8.6%	9.9%	3.66	475	9,708
Class A	222,475	20.2%	22.7%	3.80	(1,884)	10,114
Alamo/Danville	658,347	10.2%	11.2%	3.18	(3,590)	(13,399)
Class A	220,602	16.6%	18.9%	3.21	(2,716)	(11,406)
San Ramon	7,277,034	24.1%	25.6%	3.08	(16,002)	(427,599)
Class A	5,635,890	28.7%	30.6%	3.13	(7,465)	(407,516)
Livermore	613,518	35.3%	35.3%	2.24	(14,931)	(14,315)
Class A	N/A					
Dublin	2,259,208	14.5%	17.8%	2.83	(84,834)	(10,594)
Class A	1,436,146	14.6%	19.9%	2.93	(87,113)	(16,292)
Pleasanton	8,538,940	18.9%	22.5%	2.95	(249,316)	(109,560)
Class A	6,200,273	21.4%	26.1%	3.04	(242,419)	(109,610)
I-680 Office Market	35,497,754	19.5%	23.0%	3.05	(438,278)	(593,682)
Class A	22,313,431	22.9%	28.0%	3.26	(439,030)	(524,998)

FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	Address	SF Leased	Type
Pac12 Conference	12647 Alcosta Blvd. San Ramon	42,090	New Lease
Concentra	2033 N Main St. Walnut Creek	8,381	New Lease
Matson	2175 N California Blvd. Walnut Creek	8,340	New Lease
Embark Inc.	370 N Wiget Ln. Walnut Creek	8,100	New Lease

Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q4 2022

Buyer	Address	SF Sold	Sale Price
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*There were no notable sales above 10,000 SF

Source: CBRE Research

FIGURE 5: Lease Rates

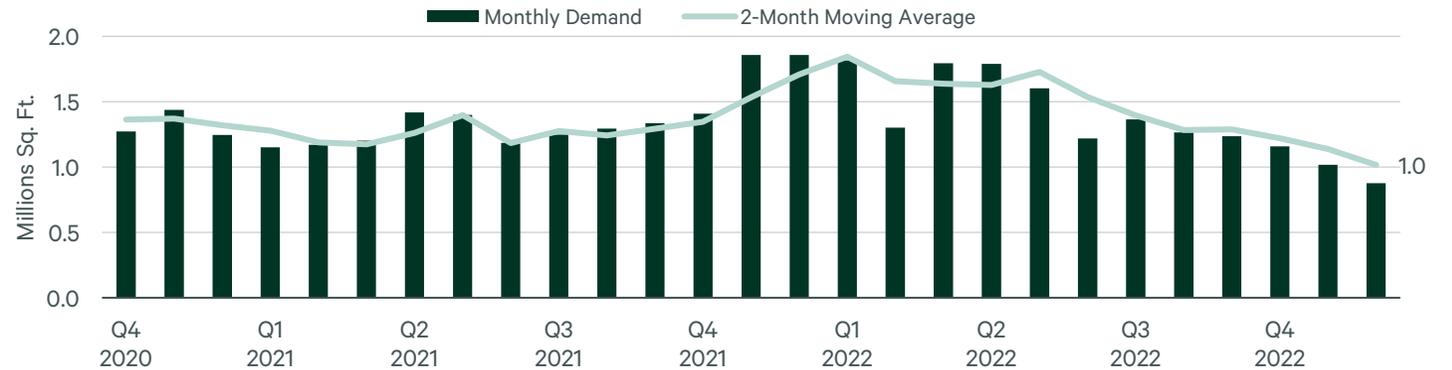


Source: CBRE Research

FIGURE 6: Vacancy & Availability



FIGURE 7: Active Tenant Space Demand



Source: CBRE Research "Demand": Square footage that active tenants in the market require.

Submarket Map



Source: CBRE Research, Location Intelligence

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Definitions

Average Asking Rate Direct Annual Lease Rates, Full Service Gross. Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy. CBD Central Business District; consists of Financial District and South Financial District submarkets.

CBRE’s market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in downtown San Francisco, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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