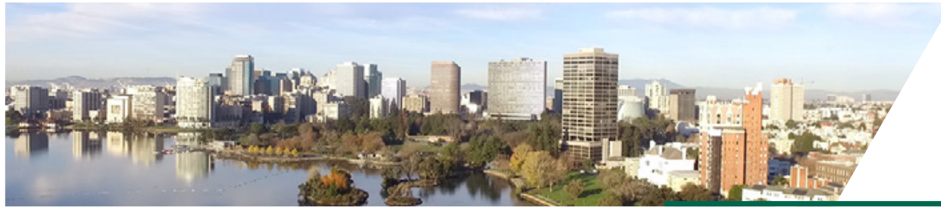
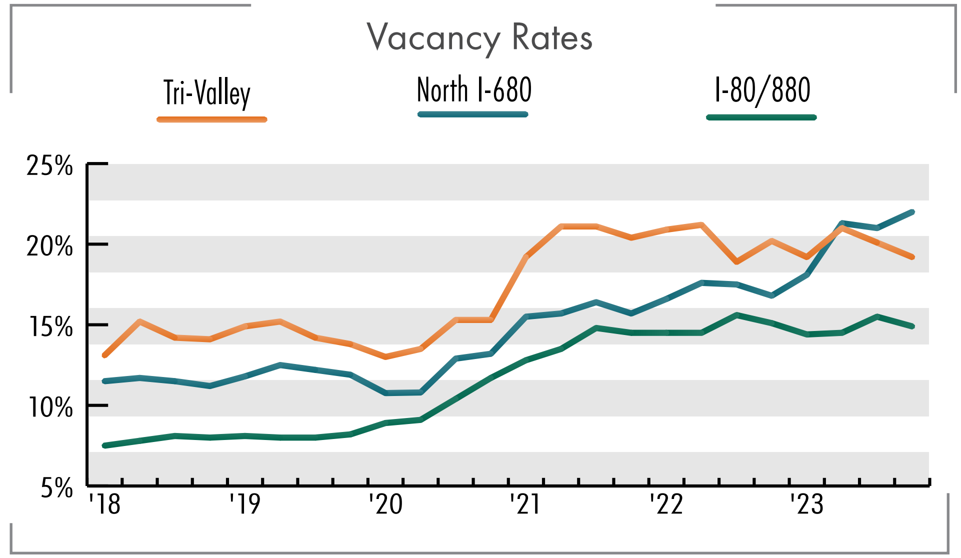
TRI COMMERCIAL



FOURTH QUARTER 2023

EAST BAY OFFICE

- The East Bay Office Market at the end of the end of 2023 continued to decline resulting in increased vacancies and lower rents in all building classes. Vacancy rates in Class A space continued to rise averaging 30%. Institutional investors have begun to seek exit strategies along with several building owners giving back the keys to the lender.
- Among the most staggering examples of the weak market was the transaction of Concord Corporate Centre. The 7-story office building at the interchange of CA-242 and I-680 sold at only $58/SF ($20 million total) for this 347,000 SF Class A building. For context, this building was purchased in 2017 and went for $183/SF.
- The velocity of office lease transactions completed per month has not recovered to pre-pandemic levels. This trend is only exacerbated by remote work trends and many tenants shrinking their footprint in place as they renew leases.
- Many eyes are on the federal reserve's next moves with significant numbers of office assets in distress or near-distressed

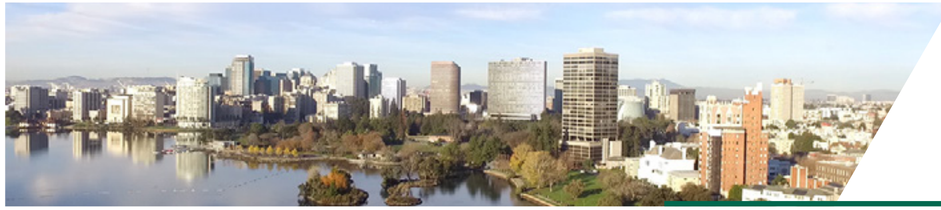


EAST BAY SIGNPOST FIGURES		TRENDING
YTD Net Absorption	-2,333,225SF	∨
Class A Vacancy Rate	29.7%	∧
Sublease % (All Classes)	3.8%	∧
Under Construction	0 SF	

FOCUSED FIGURES	
Concord Class A Vacancy	39.7%
Regional Rents Year Over Year	-3.2%

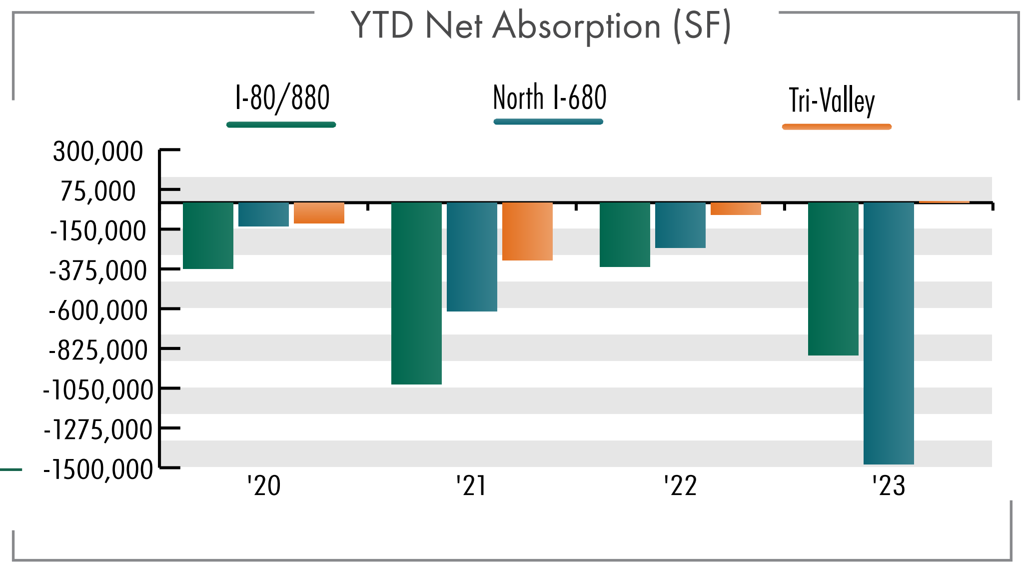
Justin Flom
Director of San Francisco Bay Area
Marketing & Research
justin.flom@tricommercial.com

Edward F. Del Beccaro
Executive Vice President
San Francisco Bay Area Manager
ed.delbeccaro@tricommercial.com



status. 10-year treasury notes are expected to decrease to between 3-4% by 2025. Many assets with loans due in 2024 are not able to wait that long; Lenders requiring additional equity may force sales. The Financial Stability Oversight Council, part of the Treasury Report, advises that 6 trillion CRE loans are coming due in the next few years - the biggest threat to the national economy.

- According to a Bisnow report in December, '80's and '90's era office buildings made up over half of all vacancies nationwide. Tenants are preferring newer buildings that meet current building standards and that feature amenities in a "flight-to-quality." This is problematic in the East Bay, where most suburban submarkets such as Walnut Creek, Concord, and San Ramon have significant amounts of inventory built 30 to 40 years ago.
- Older obsolescent office buildings are being converted to other uses and/or will be torn down for residential development. The major example is Bishop Ranch in San Ramon which will replace the 1.6 million Chevron campus with over ~2,250 residential uses.
- Per square foot rental rates in the East Bay decreased by 3% from the end of 2022 averaging $3.33/SF. Major concessions are being made with hefty tenant improvement allowances and free rent (sometimes as much as a year, whereas it used to be only a couple of months).
- Berkeley is an exception undergoing major housing construction and rezoning compared to its neighbors which will likely make the downtown office market even tighter with vacancies at 8%.
- Downtown Oakland saw 2000 Broadway, a 5-story office building across from the Paramount Theater, sold in December for $248/SF - besides the Concord Corporate Centre transaction, this was the largest in the East Bay for the 4th quarter. Some investors are and will take advantage of this market buying buildings at less than 40% of replacement value.



Justin Flom
Director of San Francisco Bay Area
Marketing & Research
justin.flom@tricommercial.com

Edward F. Del Beccaro
Executive Vice President
San Francisco Bay Area Manager
ed.delbeccaro@tricommercial.com