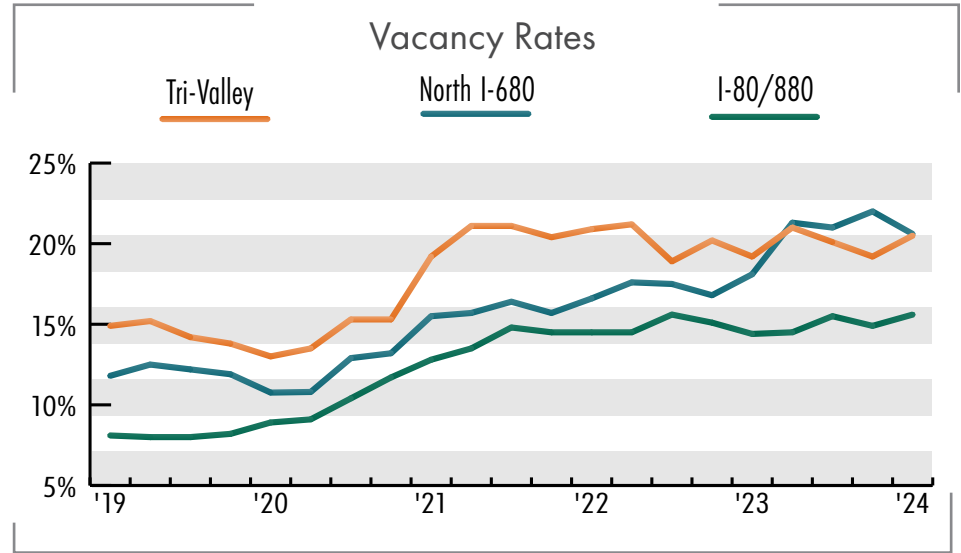




## EAST BAY OFFICE

- Inflation rose 3.5% in March in the 12-month period prior and along with high interest rates, continued to impact both Suburban and Downtown office space. All East Bay office markets experienced negative absorption with more office space being added to the marketplace. The year over year increase in vacancy is 1.2% to the current 20.5% average in the East Bay across all office classes.
- Remote work practices, offshoring and office automation have all contributed to higher office vacancies. Many tenants who renew their leases are shrinking their office footprint in place.
- Leasing transaction volume per month has decreased dramatically (less than half of the leasing velocity of Q1 2020 and only 59% of Q1 2023). Base Rental Rates have increased by 1% year over year.

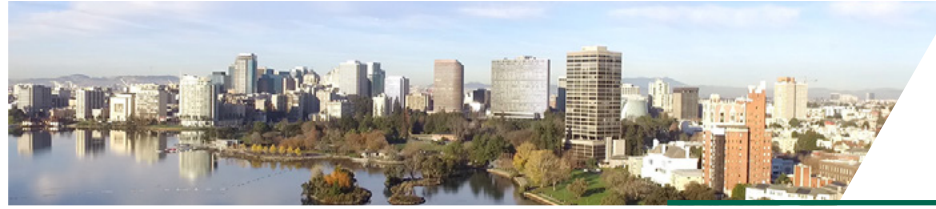


### EAST BAY SIGNPOST FIGURES

		TRENDING
YTD Net Absorption	-200,244 SF	∨
Class A Vacancy Rate	26.8%	∨
Sublease % (All Classes)	3.6%	∨
Under Construction	0 SF	

### FOCUSED FIGURES

Berkeley Vacancy	27.8%
Regional Rents Year Over Year	+0.3%



- The increases in office vacancy and decreasing rental rates have resulted in several buildings being foreclosed on or the sale of the underlying debt at steep discounts. In late March, Starwood Capital Group's defaulted on three office towers in Downtown Oakland which has a downtown vacancy rate of over 30%. The three structures totaling just short of a million square feet, had a defaulted loan value of 70% of what the firm paid for when they purchased this portfolio.
- Seagate Technologies of Ireland in Fremont reduced its presence at their R&D and office campus near the South Bay despite data storage a growing office sector. The sublease accounts for a little over 100,000 SF, about a fifth of their current space.
- The office campus occupied by Clorox in Pleasanton, 352,400 square feet, was sold at a steep discount. 4900 Johnson Drive garnered a sales price of \$73.5 million, a nearly 35% discount from its previous trade in 2016.
- Other identified trends in the severely competitive office leasing market include tenants' preference for ground floor/adjacent retail tenants and for as well as tenants' desire for environmentally sustainable buildings.
- Meanwhile, the sharp increase in AI uses, which require data center type power and buildouts, have and will continue to offset some of the office vacancy that office buildings are going through thanks to properties that have the capability to partially or fully convert to such a facility.

