

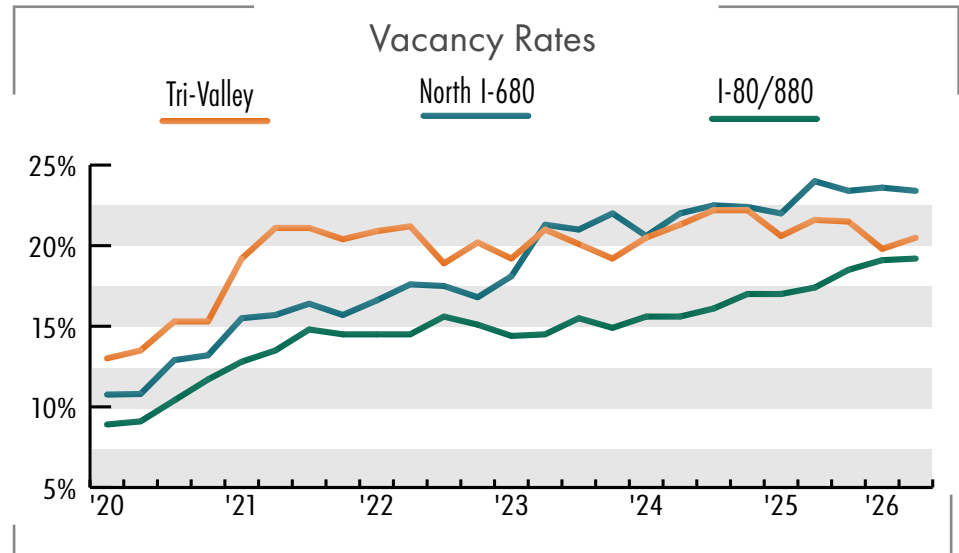


EAST BAY OFFICE

- The East Bay office market showed a minor leasing uptick in the second quarter of 2026, though the broader market recovery remains noticeably uneven. There was positive leasing absorption for the second straight quarter with net absorption at approximately 387,000 sf. Some suburban markets are experiencing renewed tenant interest. However, the Class A regional vacancy remains elevated, settling at 31.9% at the end of June. Asking rental rates remain largely stagnant in the \$3.10 to \$3.16 per sf per month full service range, continuing the trend of landlords holding rates steady to satisfy underlying bank loan equity valuation constraints.
- A notable bright spot for the East Bay region is the stabilization of mid-tier and suburban markets. Vacancy rates in the I-80 corridor are now comparable to the Tri-Valley market at 20%. Most office lease transactions are in the smaller range of less than 10,000 sf. Note the Small Business Administration (SBA) recently increased loan limits to historic levels, providing a vital catalyst for owner-user sales and small-to-midsize business expansions.

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EAST BAY SIGNPOST FIGURES

		TRENDING
Qtr Net Absorption	387,671	^
Class A Vacancy Rate	31.9%	✓
Sublease % (All Classes)	2.0%	✓
Under Construction	0 SF	✓

FOCUSED FIGURES

Walnut Creek Vacancy	25.4%
Concord Vacancy	31.6%



- However, distress in the urban core continues to dominate investment headlines as downtown Oakland which is undergoing a painful valuation reset. Notable Q2 debt challenges included a high-profile foreclosure at the Clorox Tower, alongside looming debt maturity hurdles at 1 Kaiser Plaza. These events underscore the severe liquidity constraints and cautious lender sentiment still heavily impacting the urban Class A sector. Some owners are tearing down office buildings to convert the land to residential while others are converting office buildings to medical uses.
- The East Bay's landscape remains distinctly bifurcated. While the I-80 and Tri-Valley corridors show resilience, the central I-680 corridor faces persistent market headwinds, with Concord's vacancy rate stubbornly exceeding 30% and Walnut Creek above 20%. Lenders are maintaining extreme caution across the board, leaving a clear divide between stabilizing premium nodes and struggling legacy assets burdened by a lack of liquidity.
- Net absorption continues to hover near neutral leasing levels. Ground-up office development remains entirely halted across the East Bay, with active construction pipelines restricted to highly specialized healthcare facilities.

