

# Walnut Creek

Office Q2 2021

YoY Chg      12-Mo. Forecast

**21.8%**  
Vacancy Rate



**-334K**  
Net Absorption, SF



**\$3.39**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2021

YoY Chg      12-Mo. Forecast

**1.1M**  
East Bay Employment



**6.3%**  
East Bay Unemployment Rate



**5.9%**  
U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2021Q2 data are based in the latest available data

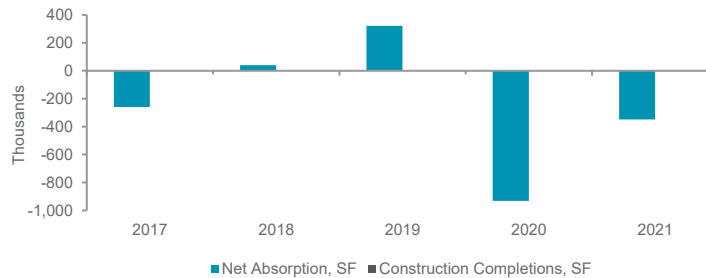
## ECONOMY

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with over 68,600 jobs (+6.7%) obtained year-over-year (YOY), bringing regional employment to almost 1.10 million. With this growth, the unemployment rate correspondingly dropped 760 basis points (bps) to 6.3%, slightly above the national rate of 5.9%. Upon the arrival of COVID-19 in the U.S., the economy entered a historically unprecedented recession in March of 2020. In the East Bay, consumer services industries were severely impacted, particularly the restaurant and retail sectors. The commercial real estate market saw a decline in office occupancy levels due to government shelter-in place orders, while the warehousing and distribution sector recorded consistent growth due to increasing consumer reliance on online marketplaces. The recovery began in the late Spring of 2020 at a slow clip because of uncertainty regarding a vaccine timeline for the novel disease. With the advent of reliable vaccines in early 2021, the road to full recovery has become clearer and California has begun the reopening of the economy.

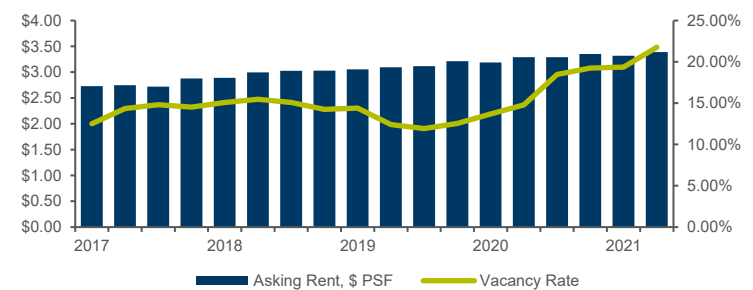
## SUPPLY AND DEMAND: Leasing Decreases, Vacancy Increases

East Bay Walnut Creek office market vacancy increased to 21.8% in the second quarter of 2021. This translates to a rise of 240 bps quarter-over-quarter (QOQ) while up 700 bps YOY. The second quarter recorded 3,023,179 square feet (sf) of vacancies, an increase of 47.1% in just the last 12 months. Overall net absorption was in the red for the second quarter, totaling negative 334,376 sf, a big change of pace from the previous quarters. The biggest direct space that came to the market this quarter was 27,683 sf at 3003 Oak Rd in Walnut Creek. There will most likely be flat to negative absorption for the greater market moving forward in 2021. This lack of activity can be heavily attributed to COVID-19 and the ripples the pandemic has created across the economy. The second quarter did experience an uptick in market activity with 114,367 sf leased, an increase of 102.1% QOQ, though a decrease of 54.3% YOY.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



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## PRICING: Asking Rents Increase

Asking rents in East Bay Walnut Creek increased slightly in the second quarter, closing at \$3.39 per square foot (psf) on a monthly full-service basis, up \$0.07 from the previous quarter and up \$0.10 YOY. Class A asking rents for the market recorded a slight uptick as well, closing at \$3.54 psf, up \$0.04 from the first quarter. This change was influenced by the \$0.13 increase in Class A asking rents in the Downtown Walnut Creek submarket. The marketwide direct Class A asking rent for the second quarter decreased \$0.05 from the previous quarter, closing at \$3.33 psf. Downtown Walnut Creek continued to have the highest direct Class A asking rent at \$4.95 psf. With limited leasing activity expected over the next few quarters, asking rents for Walnut Creek are expected to remain flat or move slightly lower.

## Sales

Investment activity was quiet in the East Bay Walnut Creek market, with only two notable sales this quarter. Total Come on Aileen LLC purchased 3,600 sf at 1020 Aileen St from Taffys World LLC for \$2.0 million or \$556 psf. Also, RFP LLC purchased 716 sf at 2272 Bacon St in Walnut Creek for \$800,000 or \$1,117 psf.

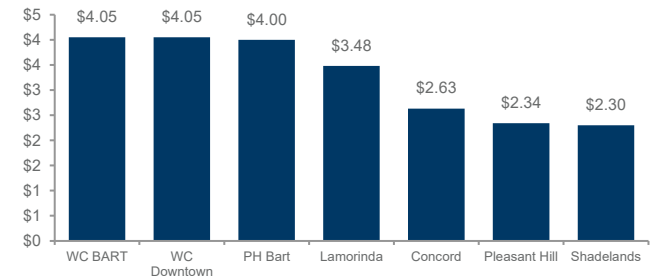
## Look Ahead

The East Bay Walnut Creek market has been overshadowed over the past decade by the more convenient transit-oriented markets such as Oakland and San Francisco. With commuters becoming aware of the issues around public transit during this time, more companies may look to the suburban areas such as East Bay Walnut Creek market for office space, near where many of their employees live. The trend of working remotely may further increase the need to at least have a small “spoke” office nearby. This would, no doubt, have a positive impact on the East Bay Walnut Creek market, which tends to cater to smaller requirements under 20,000 sf.

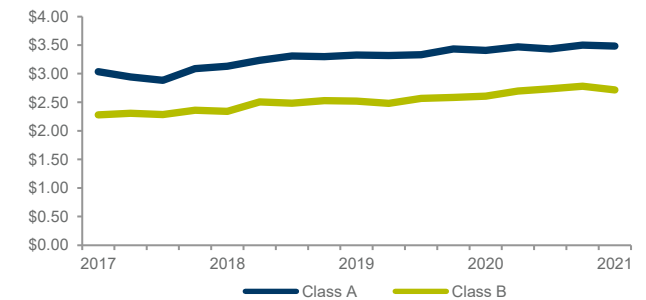
## Outlook

- Rents ended at \$3.39, increasing by \$0.07 during the quarter. They are likely to remain flat over the second half of the year as the market moves into recovery mode.
- Vacancy saw a slight uptick over the second quarter to close at 21.8% ; expect it to remain elevated, along with sluggish leasing activity.
- Walnut Creek has the potential to benefit from companies moving some operations from San Francisco and Oakland due to the remote work policies they are implementing as there is a desire to have strategic offices to accommodate those suburban-based employees.

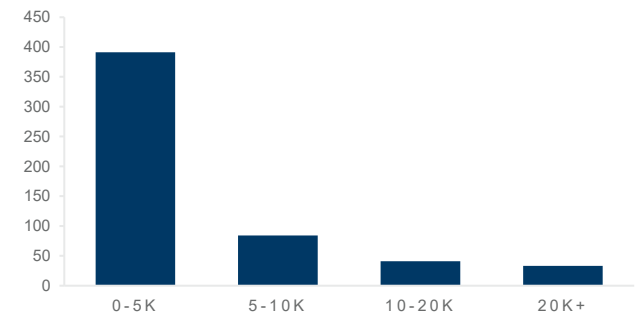
## SUBMARKET ASKING RENT



## ASKING RENT COMPARISON



## AVAILABILITIES BY SIZE SEGMENT



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## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Concord	4,518,312	153,214	632,466	17.4%	-180,850	-123,165	52,034	0	\$2.63	\$2.65
Pleasant Hill	553,572	31,608	29,153	11.0%	241	11,655	4,216	0	\$2.34	\$2.08
Lamorinda	1,160,114	1,613	112,784	9.9%	-3,415	-6,533	5,097	0	\$3.48	\$3.50
WC Downtown	1,905,551	23,005	302,594	17.1%	-40,108	-48,121	46,869	0	\$4.05	\$4.95
WC Pleasant Hill BART	1,673,423	248,886	285,430	31.9%	-74,513	-87,498	19,005	0	\$4.00	\$4.06
WC BART Area	2,343,146	133,043	677,994	34.6%	-84,612	-70,768	38,072	0	\$4.05	\$4.08
WC Shadelands	1,741,328	9,271	382,118	22.3%	-23,119	-24,265	5,668	0	\$2.30	\$2.58
<b>Walnut Creek Totals</b>	<b>13,895,446</b>	<b>600,640</b>	<b>2,422,539</b>	<b>21.8%</b>	<b>-334,376</b>	<b>-348,695</b>	<b>170,961</b>	<b>0</b>	<b>\$3.39</b>	<b>\$3.54</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1655 Grant St.	Concord	Undisclosed	24,408	Sublease
1340 Treat Blvd.	Walnut Creek	Undisclosed	16,948	New Lease
1000 Burnett Ave.	Concord	Old Republic Title Company	13,123	Renewal
1676 California Blvd.	Walnut Creek	Undisclosed	11,900	Sublease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q2 2021

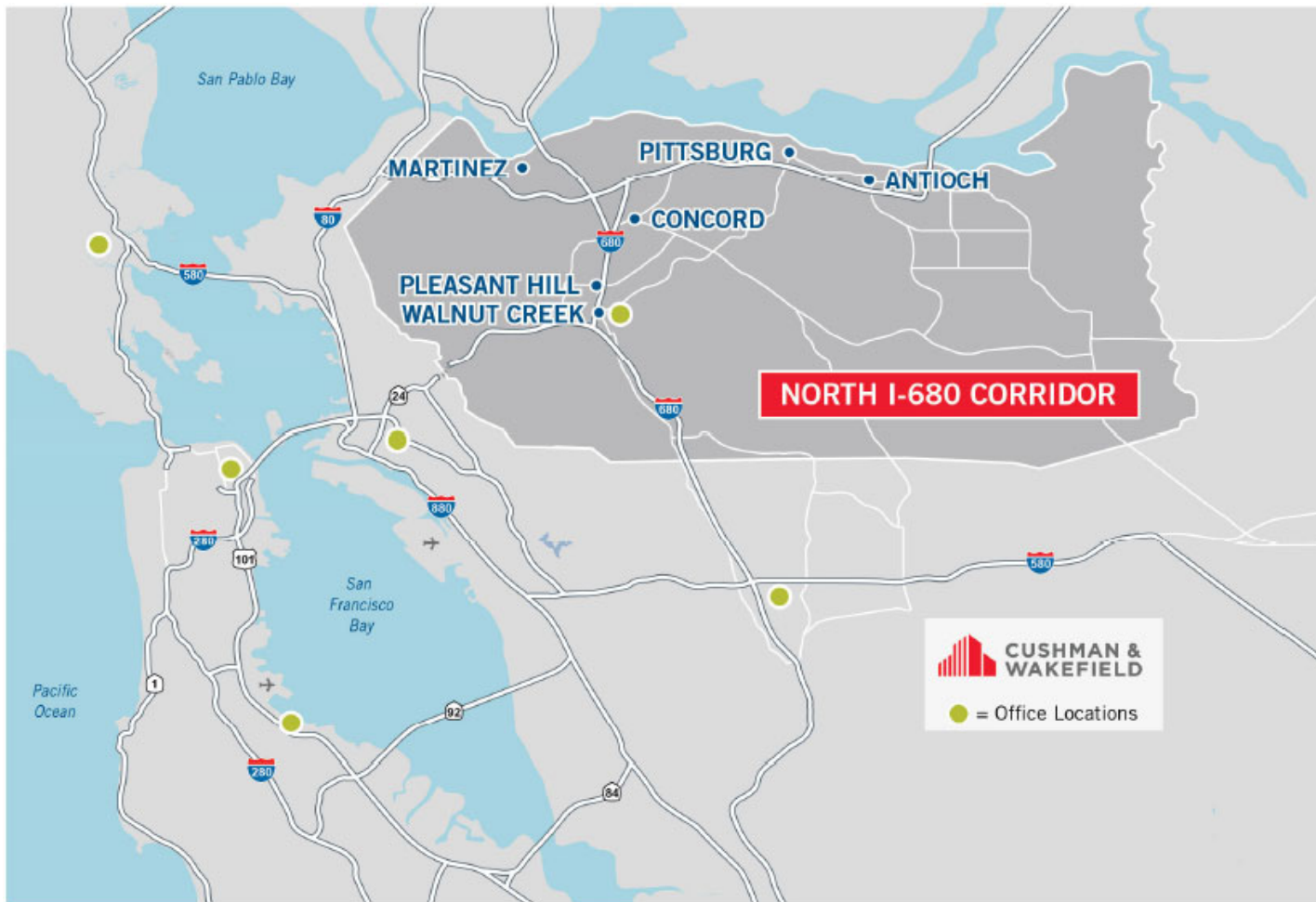
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1020 Aileen St.	Lamorinda	Taffys World LLC /Come on Aileen LLC	3,600	\$2.0M/\$540
2272 Bacon St.	Concord	Elchinoff Brian D / RFP LLC	716	\$800K/\$1,117

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## OFFICE SUBMARKETS



### Brandon Bissada

Research Analyst

Tel: +1 510 891 5807

[Brandon.Bissada@cushwake.com](mailto:Brandon.Bissada@cushwake.com)

### Keith Reichert

Senior Research Analyst

Tel: +1 510 267 6059

[Keith.Reichert@cushwake.com](mailto:Keith.Reichert@cushwake.com)

### CUSHMAN & WAKEFIELD

1333 N California Blvd

Suite 500

Walnut Creek, CA 94596

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