



**Northern California  
CCIM Chapter**

**SF BAY AREA  
COMMERCIAL REAL ESTATE  
SNAPSHOT**

**Q3'  
2023**

**Industrial & Office Sectors**

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## We're pleased to share the CCIM Northern California Q3 2023 Market Report.

### NorCal Industrial Snapshot

#### Challenges Persist: Q3 2023 Reveals Northern California's Industrial Real Estate Market Slowdown

Northern California's Industrial commercial real estate markets continued to slow down during Q3 as vacancies jumped 45 basis points to 4.75% at the end of the quarter. Net absorption spiked to a negative 2.89M sq. ft. during Q3 and that pushed the YTD absorption into negative territory at 2.82M sq. ft. vs. the 7.4M of positive absorption we had last year at this time. Sublease listings also grew 1M sq. ft. from Q2, 2023. Deal activity was up with 804 transactions noted in Q3, 2023 compared to 737 in 2022.

Property Type	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	3Q 2023 VACANT %	2Q 2023 VACANT %	3Q 2022 VACANT %	3Q 2023 NET ABSORPTION	2Q 2023 NET ABSORPTION	2023 YTD NET ABSORPTION	3Q 2022 NET ABSORPTION	2022 YTD NET ABSORPTION	3Q 2023 DEAL VELOCITY	3Q 2022 DEAL VELOCITY	2023 YTD DEAL VELOCITY
Industrial	27,030	771,711,458	32,674,727	4,490,696	4.80%	4.30%	4.10%	(1,589,011)	67,735	(1,425,668)	1,704,040	7,059,781	454	423	1,326
Industrial/Warehouse	18,093	462,259,125	18,676,117	3,246,399	4.70%	4.30%	3.90%	(1,301,809)	349,845	(1,399,257)	(205,960)	400,843	350	314	1,048
	45,123	1,233,970,583	51,350,844	7,737,095	4.75%	4.30%	4.0%	(2,890,820)	417,580	(2,824,925)	1,498,080	7,460,624	804	737	2,374

### Bay Area Industrial Snapshot

#### Slow and Steady: San Francisco Bay Area Industrial Markets Grapple with Rising Vacancies in Q3 2023

The San Francisco Bay Area Industrial markets still kept their foot on the brakes during Q3 with skid marks of vacancies jumping 60 basis points to 4.95% at the end of the quarter which represents a 15% increase in vacancies from 2022. The negative absorption of 2.7M sq. ft. in the area during Q3 represents over 95% of the negative absorption for all of Northern California. Deal activity was slightly up from 2022 with 451 transactions in Q3, 2023 contrasted against 406 during Q3, 2022.

Property Type	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	3Q 2023 VACANT %	2Q 2023 VACANT %	3Q 2022 VACANT %	3Q 2023 NET ABSORPTION	2Q 2023 NET ABSORPTION	2023 YTD NET ABSORPTION	3Q 2022 NET ABSORPTION	2022 YTD NET ABSORPTION	3Q 2023 DEAL VELOCITY	3Q 2022 DEAL VELOCITY	2023 YTD DEAL VELOCITY
Industrial	13,955	364,914,882	15,401,599	2,767,440	5.00%	4.30%	4.00%	(1,912,318)	(601,303)	(3,744,846)	133,620	1,936,111	265	244	768
Industrial/Warehouse	8,793	233,708,286	9,645,440	1,874,762	4.90%	4.40%	4.10%	(854,665)	35,861	(1,817,449)	(793,485)	(699,750)	186	162	567
	22,748	598,623,168	25,047,039	4,642,202	4.95%	4.35%	4.05%	(2,766,983)	(565,442)	(5,562,295)	467,276	(659,865)	451	406	1,335



# The Northern California office market in Q3 2023.

## NorCal Office Snapshot

### Persisting Headwinds: Northern California's Office Commercial Real Estate Markets Continue to Decline, though the Rate of Slowdown Eases in Q3 2023

Northern California's office commercial real estate markets continued to decline although the rate of the slow down has decreased. During Q3 vacancies moved from 15.50% last quarter to 16.17% now. Net absorption improved from the previous quarter but was still negative 3.30M sq. ft., bringing the YTD absorption to a shocking negative 11.98 M sq. ft. That compares with negative 2M sq. ft. from Q3 last year. Deal activity is also down with almost double the transactions (2,404) in Q3 last year compared to 1,219 transactions Q3 2023.

Property Type	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	3Q 2023 VACANT %	2Q 2023 VACANT %	3Q 2022 VACANT %	3Q 2023 NET ABSORPTION	2Q 2023 NET ABSORPTION	2023 YTD NET ABSORPTION	3Q 2022 NET ABSORPTION	3Q 2023 DEAL VELOCITY	3Q 2022 DEAL VELOCITY	2023 YTD DEAL VELOCITY
Office - Class A	924	169,201,075	32,674,727	8,893,071	24.60%	23.10%	18.50%	(2,280,207)	(4,815,154)	(8,299,953)	(421,882)	166	235	585
Office - Class B	9,626	249,352,673	18,676,117	6,165,468	17.10%	16.80%	31.20%	(789,480)	(1,549,153)	(3,230,189)	(1,468,202)	692	1633	2,082
Office - Class C	15,866	122,428,105	7,952,689	378,503	6.80%	6.60%	6.70%	(229,882)	(13,618)	(450,244)	(1,468,202)	361	336	1,046
	26,416	540,981,853	77,080,654	15,437,042	16.17%	15.50%	18.80%	(3,299,569)	(6,377,925)	(11,980,386)	(2,080,220)	1,219	2,204	3,713

## Bay Area Office Snapshot

### Bay Area Office Markets: Challenging Times Persist with Rising Vacancies and Diminished Deal Activity in Q3 2023

The San Francisco Bay Area office markets performed worse than the overall Northern California market. Vacancies increased to 17.37% in Q3 from 16.67% last quarter, and up from 14.53% this time last year. Year to date negative absorption of 10.69M sq. ft. compared to 5.86M in Q2, almost doubling. The negative absorption in the Bay Area during Q2 represents over 89% of the negative absorption for all of Northern California.

Deal activity was slightly down from 2022 with 803 transactions in Q3 2023 compared with 902 in Q3 last year.

Property Type	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	3Q 2023 VACANT %	2Q 2023 VACANT %	3Q 2022 VACANT %	3Q 2023 NET ABSORPTION	2Q 2023 NET ABSORPTION	2023 YTD NET ABSORPTION	3Q 2022 NET ABSORPTION	3Q 2023 DEAL VELOCITY	3Q 2022 DEAL VELOCITY	2023 YTD DEAL VELOCITY
Office - Class A	712	145,201,170	28,593,975	8,618,104	25.60%	24.00%	19.20%	(2,121,815)	(4,419,571)	(7,602,253)	(289,262)	118	174	428
Office - Class B	5,448	175,785,615	27,830,519	5,612,686	19.00%	18.70%	17.20%	(802,498)	(1,465,688)	(2,812,806)	(869,110)	485	534	1467
Office - Class C	8,471	67,153,693	4,701,779	328,765	7.50%	7.30%	7.20%	(86,258)	25,589	(274,269)	(169,667)	200	194	580
	14,631	388,140,478	61,126,273	14,559,555	17.37%	16.67%	14.53%	(3,010,571)	(5,859,670)	(10,689,328)	(1,328,039)	803	902	2,475