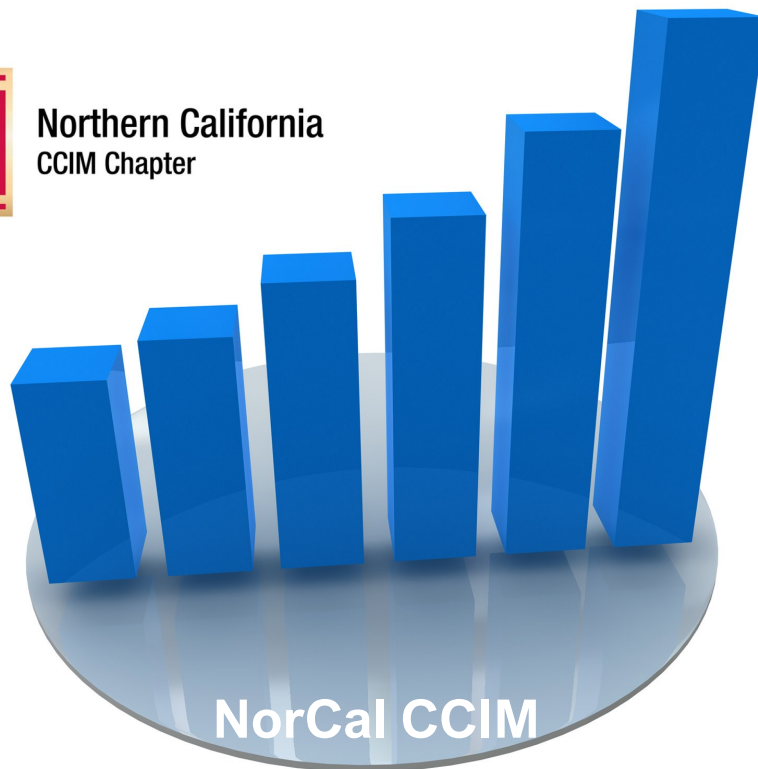




Northern California
CCIM Chapter



SF BAY AREA COMMERCIAL REAL ESTATE SNAPSHOT

Industrial & Office Sectors
2nd Quarter 2023

The Committee

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Special Credit Goes to



CoStar Group™

We're pleased to share the CCIM Northern California Second Quarter 2023 Market Report.

Q2 2023 INDUSTRIAL Scoreboard

Vacancy
4.34% ▼

Net Absorption
417,580 ▼

Leases Done
810 ▲

NorCal Industrial Snapshot Q2 2023

Strong 1st half for Northern California

Northern California's Industrial markets continue their winning streak as Q2, 2023's vacancy rates hit 4.34% for the end of the first half of the year and marked a sharp increase from Q2, 2022's 3.9% rate. Strong absorption in Q2 at 417K sq. ft. brought the year back into positive territory of 65K sq. ft. for the first six months of 2023. Deal velocity so far this year reached 810 transactions compared to 682 transactions for 2023.

MARKET	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	2Q 2023 VACANT %	2Q 2023 NET ABSORPTION	2Q 2023 YTD NET ABSORPTION	2Q 2023 DEAL VELOCITY	2Q 2022 VACANT %	2Q 2022 VACANT SF	2Q 2022 NET ABSORPTION	2022 YTD NET ABSORPTION	2Q 2022 DEAL VELOCITY
Industrial	27,014	767,509,454	29,395,321	3,978,294	4.34%	67,735	163,343	449	4.00%	30,994,313	1,449,779	7,059,781	389
Industrial/Warehouse	18,111	461,970,771	17,363,543	2,662,052	4.33%	349,845	(97,448)	361	3.80%	17,332,155	(120,500)	400,843	293
	45,125	1,229,480,225	46,758,864	6,640,346	4.34%	417,580	65,895	810	3.90%	48,326,468	1,329,279	7,460,624	682

Bay Area Industrial Snapshot Q2 2023

Pumping the Brakes

The San Francisco Bay area Industrial markets pumped the brakes hard during Q2, 2023 as vacancies rose to 4.35% vs. 4.05% for 2022 based off of 565K sq. ft. of negative absorption. That brings the YTD absorption to about 2.8M sq. ft. of negative absorption. Considering all of northern California still has positive absorption of 417K sq. ft. this year despite the SF Bay area returning 2.8M sq. ft. during that period, industrial activity is still strong for northern California's industrial product type.

MARKET	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	2Q 2023 VACANT %	2Q 2023 NET ABSORPTION	2Q 2023 YTD NET ABSORPTION	2Q 2023 DEAL VELOCITY	2Q 2022 VACANT %	2Q 2022 VACANT SF	2Q 2022 NET ABSORPTION	2022 YTD NET ABSORPTION	2Q 2022 DEAL VELOCITY
Industrial	13,954	363,077,285	13,298,205	2,425,653	4.30%	601,303	(1,832,528)	259	4.30%	14,641,929	715,501	1,936,111	231
Industrial/Warehouse	8,804	232,959,882	8,650,141	1,576,938	4.40%	35,861	(962,784)	195	3.80%	8,850,059	(248,225)	(699,750)	156
	22,758	596,037,167	21,948,346	4,002,591	4.35%	(565,442)	(2,795,312)	454	4.05%	23,491,988	467,276	1,236,361	387

The Northern California office market in Q2 2023. We expect similar conditions in the second half of the year.

Q2 2023 OFFICE Scoreboard

Vacancy
15.50% ▼

Net Absorption
4,820,000 ▼

Leases Done
1,231 ▼

CCIM Northern California 2nd Quarter 2023 Update:

Vacancy: The office vacancy rate in Northern California increased by 29.46 basis points over the 2nd Quarter of 2023 compared to the 2nd Quarter of 2022. Vacancy currently standing at 15.50%. Individual markets vary with San Francisco's Financial District hitting ±30%. Direct vacancy accounting for 13.74% and sublease space 2.72%. Across Northern California, Class A vacancy is currently at an extraordinary 23.10% compared with 6.60% for Class C space.

Net Absorption: Demand for office space remains weak. Absorption for the 2nd Quarter was a negative 4.82 million square feet, with total year to date over negative 6.02 million square feet. Shockingly, at this time last year, negative absorption for the first half of 2022 was only negative 2.71 million square feet.

Leases Done: Deal velocity has decreased from last year, with 1,231 leases signed in Q2 compared to 2,906 leases signed in the same quarter last year. However, the San Francisco Bay Area experienced an increase, with 1,672 leases signed compared to 971 last year, and companies are expected to secure leases at favorable rates while reassessing their office space needs due to evolving work patterns.

NorCal Office Snapshot Q2 2023

MARKET	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	2Q 2023 VACANT %	2Q 2023 NET ABSORPTION	2Q 2023 YTD NET ABSORPTION	2Q 2023 DEAL VELOCITY	2Q 2022 VACANT %	2Q 2022 VACANT SF	2Q 2022 NET ABSORPTION	2022 YTD NET ABSORPTION	2Q 2022 DEAL VELOCITY
OFFICE A	910	167,248,023	30,653,741	7,978,564	23.10%	(4,815,154)	(6,019,746)	195	18.80%	29,841,704	(1,438,649)	(2,705,240)	978
OFFICE B	9,641	251,932,542	36,031,103	6,376,565	16.80%	(1,549,153)	(2,440,709)	678	16.70%	76,899,527	(1,932,681)	(5,957,656)	1579
OFFICE C	15,882	122,646,972	7,737,450	388,645	6.60%	(13,618)	(346,355)	358	7.00%	7,686,270	(354,848)	(270,189)	349
	26,433	541,827,537	74,422,294	14,743,774	15.50%	(6,377,925)	(8,806,810)	1,231	14.17%	114,427,501	(3,726,178)	(8,933,085)	2,906

Bay Area Office Snapshot Q2 2023

MARKET	BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	2Q 2023 VACANT %	2Q 2023 NET ABSORPTION	2Q 2023 YTD NET ABSORPTION	2Q 2023 DEAL VELOCITY	2Q 2022 VACANT %	2Q 2022 VACANT SF	2Q 2022 NET ABSORPTION	2022 YTD NET ABSORPTION	2Q 2022 DEAL VELOCITY
OFFICE A	700	143,565,166	26,837,289	7,670,549	24.00%	(4,419,571)	(2,010,308)	136	18.80%	26,641,138	(1,241,561)	(2,142,292)	205
OFFICE B	5,467	178,260,288	27,452,864	5,831,236	18.70%	(1,465,688)	(188,011)	475	16.70%	29,582,468	(504,427)	(2,698,075)	559
OFFICE C	8,488	67,242,872	4,584,970	335,770	7.30%	(25,589)	(26,744)	188	7.00%	4,715,079	(71,258)	(147,632)	207
	14,655	389,068,326	58,875,123	13,837,555	16.67%	(5,859,670)	(2,225,063)	799	14.17%	60,938,685	(1,817,246)	(4,987,999)	971