Walnut Creek Office Survey

Trends, Forecasts, and Recommendations

November 21, 2022

Prepared for the City of Walnut Creek
by TRI Commercial Real Estate Services &
Craft Consulting Group

Walnut Creek Office Market Study Summary

Market Overview: East Bay, North 680 Corridor, Walnut Creek
The City of Walnut Creek, with its central location in Contra Costa County by both the crossroads of Highways 24 /680 and the BART Station Transit Hub, has been a major regional financial, medical, office, retail, restaurant, and arts cultural center since the late 1970's.

The total office market in Downtown and Shadelands contains over 6.75 million square feet of office space. There also is approximately 589,000 SF of medical building space with an additional 24 acres located in three hospital campuses occupied by John Muir Health, Kaiser Permanente, and UCSF Benioff. R&D, Flex, and service commercial buildings provide an additional 687,000 SF. The total commercial space of all types not including retail in the seven Walnut Creek Districts identified in the report is approximately 10,305,345 SF[1]. **Pleasant Hill/Walnut Creek BART unincorporated area was included, as it is a key part of the office landscape even though it lies just outside of the City boundaries.**

This comprehensive study inventoried the various office, medical, R&D, sectors in total, delineating Class A, B & C building categories when applicable. A deeper analysis also inventoried seven distinct commercial districts including submarkets (see page 15 of the attached study) such as the Golden Triangle Transit District. The study also examined the impact of buildings' age, functionality, and amenities. Economic profiles of the Employee/Tenant Base were also described.

Walnut Creek's office employment is expected to grow over the next decade, albeit at a slower pace than in the past. Several office subsectors, including the financial services sector and media sector (including publishing and communications industries) are projected to see a decline in employment. The medical and business support sectors will experience the majority of the job growth, while professional services, corporate, and back-office sectors are expected to show modest job growth. See more about job growth on page 37.

1) *Data was compiled in early 2022 to capture data for year-end of 2021*

The City of Walnut Creek has 6.75 million square feet of office space with the vast majority located in its two major commerce hubs in Downtown and Shadelands Business Park.

There is approximately 589,000 SF of third party medical office space in Walnut Creek, not including hospital owned space.

Office Market Trends

Two and half years into the pandemic, the worker's relation to the office and the home is much different than was foreseen even five years ago.

Work-Place trends, including artificial intelligence, automation, remote work, just-in-time logistics, and employee migration out of the SF Bay Area have all been accelerated likely and permanently affecting how office space is utilized.

Contents

Introduction

The following Walnut Creek Office Survey catalogues the existing supply of office, and medical space in the City of Walnut Creek in Downtown, Shadelands Business Park, and adjoining unincorporated Contra Costa County Walnut Creek locations. Seven Geographic Employment Districts were identified characterized by significant clusters of commercial office, medical office, and/or R&D/Flex buildings and covers 252 buildings. Office Buildings will be classified by building type (i.e., Class A, B, & C)[1]. The Pleasant Hill BART Station buildings located in unincorporated Walnut Creek, are included in this study and account for 1.6 million SF and increase vacancy values by approximately 2%. They are included in the study as prospective tenants look at both Class A submarkets

For clarity, this report encompasses office buildings of all sizes, and in more detailed geographic regions than our TRI published quarterly report which covers different geographic boundaries. This may account for some variance in vacancy and average rent measurements plus or minus 3%.

A Competitive Market Survey comparing Walnut Creek to other nearby office/medical space in the immediate Central Contra Costa/ East Bay/ SF Bay Area market is included for comparisons.

Current Tenant Profiles are examined, including traditional drivers of space. Future Tenant profiles along with future commercial economic drivers and employment trends are also detailed. Walnut Creek's workforce is attractive to employers seeking a highly skilled and experienced workforce.

A Market Summary is attached in the Appendix.

1) *There will also be analysis of office building vacancies. Not all vacant buildings are equally competitive, as some are obsolete and do not meet current structural seismic standards, ADA code and/or do not have proper electrical power capacities.*

Introduction

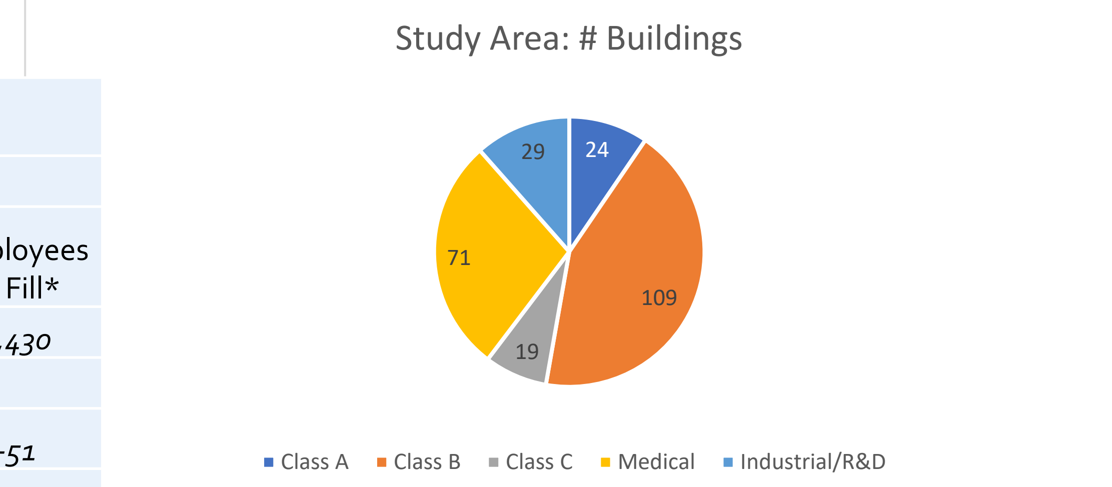
The East Bay Office Market, as of January 2022, defined as Contra Costa and Alameda Counties, has had a five-year negative office space absorption total of approximately three and a third million square feet with over four million vacant square feet hitting the market in the last two years of 2020 and 2021. At this annual absorption rate, there is a five to seven year plus supply of office space on a total supply of 116 million SF[1] in the East Bay to be leased[2]. This is before additional office supply is anticipated to be put back on the market in the next two years due to office automation, remote work trends, and migration of FIRE back-office jobs leaving the inner SF Bay Area due to lack of affordable housing for the middle-class work force earning $60,000 to $120,000 per year[3].

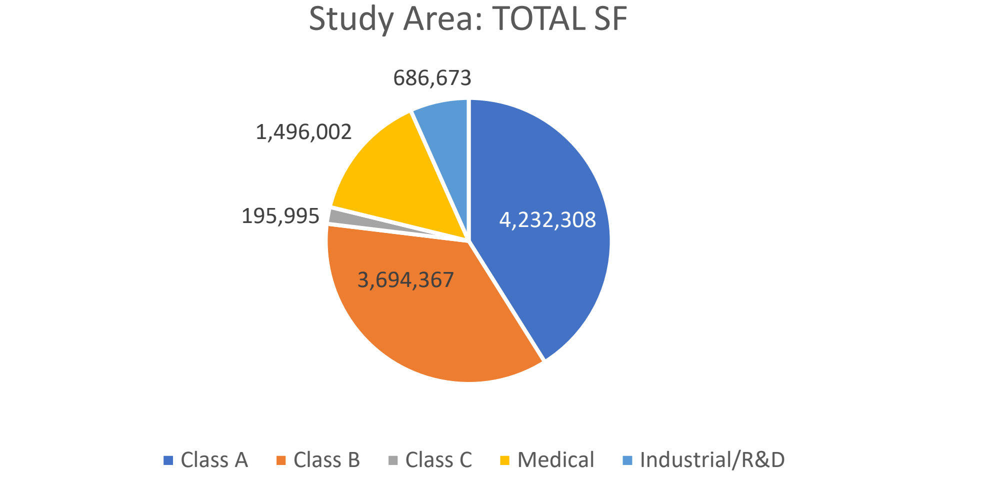
Closer to home, the North I-680 Office Corridor (Danville North, including Concord, Lamorinda, Walnut Creek, Martinez, Contra Costa County East) has also had a negative 5-year leasing absorption number of approximately 2.5 million and a ten-year negative absorption number of approximately 1.44 million. The North I-680 suburban has a current office vacancy of 16.5% with average rental rates of $2.83 per SF per month full service in all classes, at the end of the fourth quarter 2021. This vacancy rate will prevent new general office construction in the next five years until this space is leased. The Walnut Creek office market, within city limits, represents 23.6% of the total East Bay market and 43.2% of the North I-680 Market

1) *The methodology for surveying office buildings in this study is different than conventional industry trend reports which exclude buildings below 10,000 SF – which may account for a margin of error of up to 5%.*
2) *The methodology reflects all office statistics in this report*
3) *FIRE Tenants are defined as the Financial, Insurance, Real Estate, and Engineering employment sectors*

Walnut Creek Office Snapshot Figures

ALL OFFICE PROPERTIES IN STUDY AREA					
	TOTAL INVENTORY				
SUBAREA	Number of Buildings	Total SF Inventory	Vacant SF	% Vacant	Employees to Fill*
Downtown	77	4,334,512	872,887	20%	*2,430*
South WC	20	456,897	27,179	6%	*-51*
Mid Ygnacio Corridor	44	691,396	73,076	11%	*62*
Shadelands Area	73	2,829,445	550,417	19%	*1,237*
Northwest WC	20	225,334	22,293	10%	*84*
Rossmoor	6	92,746	39,590	43%	*131*
WC CITY LIMITS	240	8,630,330	1,585,442	18.37%	*3,894*
Pleasant Hill BART[1]	12	1,675,015	535,897	32%	*1,926*
TOTAL STUDY AREA	252	10,305,345	2,121,339	20.58%	*5,819*





Note: There is a total vacancy of 2,121,339 SF (20.58%). This vacancy rate represents over 5,000 unfilled jobs. Vacancy rates in 2019 fluctuated around 14%. The vacancy rate for an office market in balance is 9% with supply & demand.

The graphs for Walnut Creek city limits show a nearly identical market percentage.

*Calculations on Employees to fill is based on an expected full employment capacity at 91% office space occupancy and 200 SF per office employee, 250 SF per medical employee, and 2,000 SF per R&D employee. *Source: CoStar, 1/24/22*

1) Pleasant Hill BART, while not part of Walnut Creek, is included as it is part of the planning area and is often referred to as part of the Walnut Creek market.

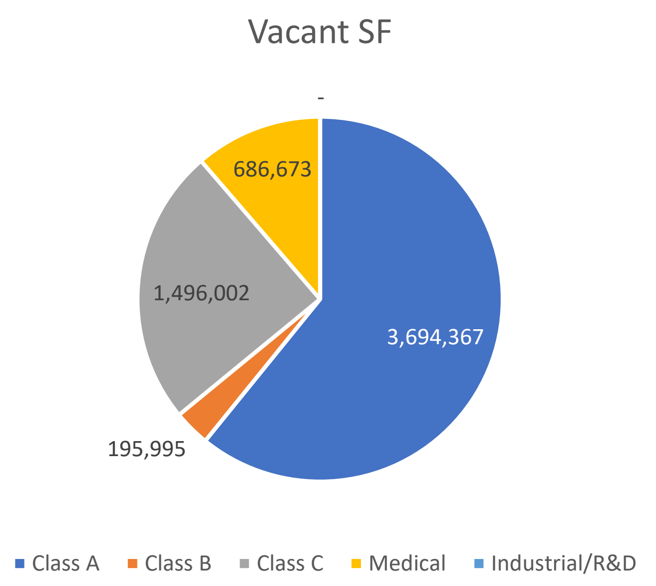
Walnut Creek Office Snapshot Figures

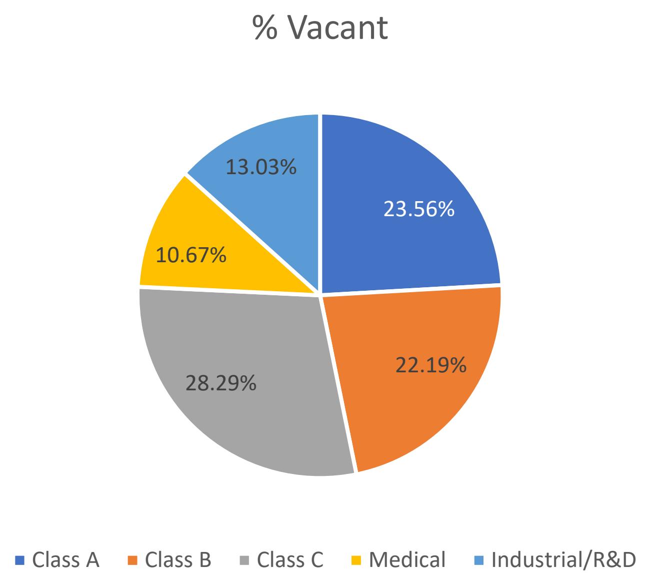
	CLASS A				CLASS B				CLASS C			
	Number of Buildings	Total SF Inventory	Vacant SF	% Vacant	Number of Buildings	Total SF Inventory	Vacant SF	% Vacant	Number of Buildings	Total SF Inventory	Vacant SF	% Vacant
Downtown	16	2,848,009	536,104	18.82%	41	1,359,120	310,909	22.88%	10	54,339	25,874	47.62%
South WC	0	-	-		7	225,145	23,161	10.29%	2	9,343	2,931	31.37%
Mid Ygnacio Corridor	0	-	-		10	143,220	26,528	18.52%	5	77,978	12,127	15.55%
Shadelands	1	107,146	85,003	79.33%	44	1,519,396	272,718	17.95%	1	14,878	8,006	53.81%
Northwest WC	0	-	-		1	42,667	22,293	52.25%	0	-	-	
Rossmoor	0	-	-		1	6,957	4,116	59.16%	1	39,457	6,500	16.47%
WC CITY LIMITS	**17**	**2,955,155**	**621,107**	**21.02%**	**104**	**3,296,505**	**659,725**	**20.01%**	**19**	**195,995**	**55,438**	**28.29%**
Pleasant Hill BART	7	1,277,153	376,018	29.44%	5	397,862	159,879	40.18%	0	-	-	
TOTAL STUDY AREA	**24**	**4,232,308**	**997,125**	**23.56%**	**109**	**3,694,367**	**819,604**	**22.19%**	**19**	**195,995**	**55,438**	**28.29%**

Class A buildings are steel and concrete buildings such as California Plaza and Growers Square. They have higher seismic structure quality and also tend to have more amenities such as plazas, big, staffed lobbies, retail amenities such as gyms and cafes.
Class B buildings are wood frame, lower floored buildings such as Walnut Creek Executive Park in Shadelands or Creekside Oak in South Walnut Creek
Class C buildings are concrete tilt-ups or masonry brick such as 350 N Wiget Lane in Shadelands. *Source: CoStar, 1/24/22*

Walnut Creek Office Snapshot Figures

	MEDICAL				R&D			
	Number of Buildings	Total SF Inventory	Vacant SF	% Vacant	Number of Buildings	Total SF Inventory	Vacant SF	% Vacant
Downtown	8	42,248	-	0.00%	2	30,796	-	0.00%
South WC	11	222,409	1,087	0.49%	0	-	-	
Mid Ygnacio Corridor	29	470,198	34,421	7.32%	0	-	-	
Shadelands	19	714,815	95,209	13.32%	8	473,210	89,481	18.91%
Northwest WC	0	-	-		19	182,667	-	0.00%
Rossmoor	4	46,332	28,974	62.54%	0	-	-	
WC CITY LIMITS	**71**	**1,496,002**	**159,691**	**10.67%**	**29**	**686,673**	**89,481**	**13.03%**
Pleasant Hill BART	0	-	-		0	-	-	
TOTAL STUDY AREA	**71**	**1,496,002**	**159,691**	**10.67%**	**29**	**686,673**	**89,481**	**13.03%**





Medical buildings are located in specifically zoned areas usually requiring higher parking ratios of 5 car stalls per 1,000 SF of building versus regular office parking ratios of 3.5 to 4 stalls per 1,000 SF. Hospital buildings have higher seismic structural requirements and require gas utilities. *Source: CoStar, 1/24/22*

Definitions of Building Classes

Class A buildings are concrete, steel structures characterized by floor loads of 75 to 100 lbs./SF.

They frequently offer a wide suite of amenities such as cafes, outdoor park space, business centers, and on-site staff.

Parking is 3 to 3.5 stalls /1,000 SF for Walnut Creek's Class A inventory at a monthly charge.
Current Average Rate: $3.68 psf

e.g., 2121 N California Blvd (*California Plaza*)

Class B structures are light steel and or wood structures characterized by floor loads of 50 to 75 lbs./SF.

They sometimes, but not often, offer amenities such as cafes or business centers.

Parking can be widely varied depending on location, from at 3 stalls/1,000 SF to 4.5 stalls/1,000 SF.
Current Average Rate: $3.03 psf

e.g., 1600 S Main St

Class C structures are masonry, brick and or concrete tilt-up structures one to three stories. Many of the current Class C Buildings are older (i.e., 40 plus years) often not meeting current seismic, ADA and title 24 codes.

Except under rare circumstances Class C buildings do not offer amenities.

Parking ratios for Class C vary but are similar to Class B. *Current Average Rate: $2.72 psf*

e.g. 216 Shadelands Dr

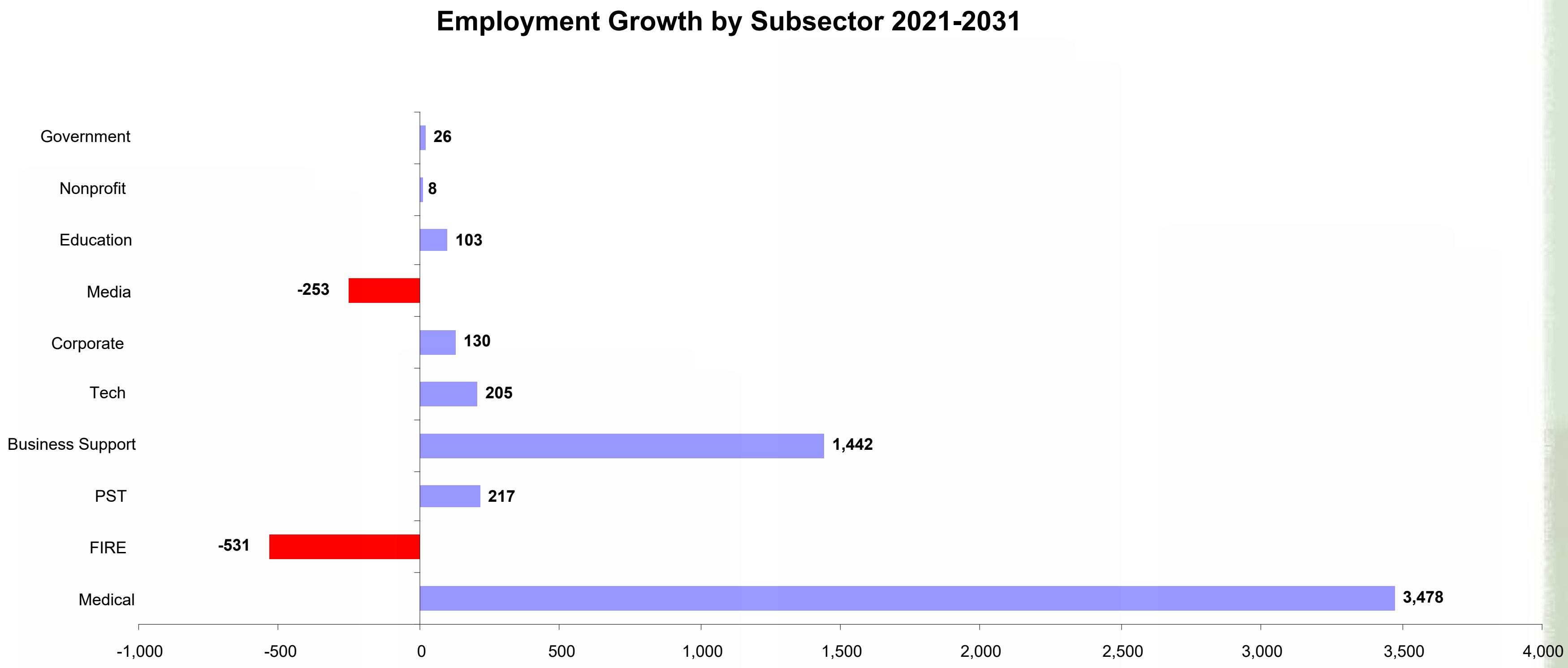
The appendix includes additional details on specific buildings included in this study.

Research labs, hospital clinics, and technology companies usually located in Class A structures require higher seismic structural qualities and floor weight loads for their equipment not needed by conventional tenants.

Space Use Calculation

- Traditional Office Use employs approximately 3.5 to 5 people per 1,000 square feet. Professional offices for attorneys, CPA's, and architects have more dividing walls for private offices while back offices, banks and insurance companies, for example, cluster more employees in cubicle areas. Professional Office spaceusers generally seek smaller floor plates where there is a larger window line relative to interior space, allowing for more private offices exposed to outside light. Typical floor sizes are 20,000-25,000 SF. The opposite tends to be true for FIRE Tenants (Finance, Insurance, Real Estate) who want larger floor space to allow more open space cubicle placement and require higher parking ratios. Typical floor sizes are 30,000 to 40,000 SF.
- Light Industrial by contrast to office, employs approximately 1 person per 1,500 to 2,000 SF. Note that this ratio is expected to decrease to approximately 1 person per 10,000 SF plus as a result of automation & use of robotics. Just-in-Time, same day delivery uses are generally included but are not usually employment centers. Space of this type is included because it can frequently be used by certain types of tenants under the right conditions.
- Medical Uses, including labs and administrative spaces employs approximately 3.5 to 4 people per 1,000 SF, not including patients and requires significantly more parking area.
- Research & Development Laboratory buildings are hybrid buildings with 20-40% office space and the remainder warehouse space with truck door access.

Projected Office Employment Growth



Source: Emsi Q3 2021, Industry Tables

**10-Year growth is an extrapolation normalized across each year.*

Walnut Creek's office employment is expected to grow over the next decade, albeit at a slower pace than in the past. Several office subsectors, including the financial services sector and media sector (including publishing and communications industries) are projected to see a decline in employment. The medical and business support sectors will experience the majority of the job growth, while professional services, corporate, and back-office sectors are expected to show modest job growth.

Office Market Trends

Office Market Trends
The office market picture two years after the onset of the pandemic is much different than before, with the acceleration of various local, regional, and national office sector employment trends. These trends include artificial intelligence, remote work trends, automation of back-office functions, just-in-time logistics, labor shortages, and migration of employees away from the inner San Francisco Bay Area job centers to areas where there is more affordable housing such as the North Bay, Sacramento, and Central Valley.

Downtowns will recover post-pandemic as centers of culture, art, intellectual and financial capital, and diverse work forces as cities have done throughout history. What is different now is how and when office clusters recover and what will employment centers look like post-pandemic.

Total employment in 2021 in the Walnut Creek office sector was approximately 32,500 with over 12,200 in the medical sector and approximately 1,500 in the Tech/R&D segment. The current unemployment rate as of November 2021 was approximately 4.1% vs 11.1% back in April 2020 the beginning of the pandemic. This compares to the Contra Costa County unemployment rate of 5.5%.

At the end of third quarter 2021, the East Bay Office Market had a 14.8% vacancy rate vs 9.7% the same period in 2019, with an acceleration of office vacancies trending upward. One industry estimate suggests that if remote work trends stabilize in two years at 25% to 30% from the present 80%, that over 12 million square feet of underutilized office space enters the East Bay market - especially in suburban areas. Walnut Creek is approximately an eighth of the East Bay market. Note that pre-COVID the percentage of remote workers was 5%.

Office Market Trends

Office Product:	Total Net Absorption						
Year	WC All Classes	Shadelands All Classes	Downtown All Classes	PH BART Class A	Downtown Class A	North I-680 Class A	North I-680 All Classes
2021 YTD	(365,646.00)	(68,061.00)	(145,090.00)	(143,181.00)	7,244.00	(611,721.00)	(753,760.00)
2020	(405,130.00)	(37,775.00)	(209,030.00)	(43,520.00)	123,267.00	(13,008.00)	(487,890.00)
2019	(30,088.00)	56,794.00	(73,619.00)	(34,390.00)	69,217.00	15,035.00	(188,611.00)
2018	(33,244.00)	36,241.00	32,648.00	(72,171.00)	(65,412.00)	(53,880.00)	100,218.00
2017	(104,910.00)	112,025.00	(112,274.00)	7,297.00	(70,727.00)	(979,940.00)	(1,164,970.00)
2016	45,426.00	(37,805.00)	(8,418.00)	80,378.00	(35,225.00)	16,348.00	236,491.00
2015	(82,397.00)	(129,688.00)	68,464.00	(42,989.00)	21,237.00	20,532.00	(83,424.00)
2014	36,664.00	54,280.00	1,651.00	120.00	(9,902.00)	(268,357.00)	(208,839.00)
2013	257,635.00	(57,539.00)	55,111.00	78,533.00	81,493.00	278,633.00	593,289.00
2012	287,758.00	40,510.00	168,052.00	48,873.00	(73,177.00)	206,181.00	521,180.00
	5 YEAR	*5 YEAR*	*5 YEAR*	*5 YEAR*	*5 YEAR*	*5 YEAR*	*5 YEAR*
	(939,018.00)	99,224.00	(507,365.00)	(285,965.00)	63,589.00	(1,643,514.00)	(2,495,013.00)
	10 YEAR	*10 YEAR*	*10 YEAR*	*10 YEAR*	*10 YEAR*	*10 YEAR*	*10 YEAR*
	(393,932.00)	(31,018.00)	(222,505.00)	(121,050.00)	48,015.00	(1,390,177.00)	(1,436,316.00)

This table shows that since 2011, the North I-680 corridor has lost 1.4 million SF of utilized office space.

Net Absorption values provide market monitors with an abbreviated figure for how much area became occupied during any given term. A negative absorption value, such as those in the parentheses, indicates that previously occupied square footage was either released to the market by the departure of tenants or there was new construction. Positive absorption values reflect tenants occupying new square footage on a net basis.

Office Market Trends

Vacancy Rate
The Walnut Creek Vacancy rate for the seven geographic market sectors covered in this report is 21.74%. There is a total negative office absorption of approximately projected 939,000 SF vacant over five years. There is projected 5 to 7 years or more general office space of supply. See Exhibit ii showing where the Class A Vacant space is in Downtown Walnut Creek per building).

The San Francisco Office Market, for comparison purposes, reached a 30-year high vacancy rate of 18.1% in the third quarter of 2021 with over 27 million vacant SF vs. 10 million SF end of third quarter 2019. Downtown Oakland meanwhile has an approximate 21.4% vacancy with total vacant office inventory of approximately 5.2 million SF for the entire city.

Ground Floor Commercial
High vacancies in office space frequently have a negative effect on ground floor commercial space as well.

Users of this type of space could be, for example, financial advisors, wealth managers, insurance firms, grab-n-go lunch cafes, print shops, design galleries, etc. Businesses that can occupy these spaces, especially those in tall office buildings rely on a healthy, low vacancy in the office cluster.

In Downtown alone, office vacancy represents over **2,500 employees not present** which impacts local retailers, commercial service firms and restaurants, resulting in local lower optimum retail sales and commercial economic activity than could otherwise be achieved.

Geographic Districts

TRI Commercial/Craft Consulting Group, along with the City's Economic Development Department, identified 7 geographic employment centers within Walnut Creek and unincorporated WC in which to research & characterize existing Commercial Office, R&D and Flex building inventory.

Note: For Purposes of this office study, the identified districts cover geographic sections of the City where there are significant clusters of office properties characterized by different product type along with unique neighborhood features.

Downtown WC

South Walnut Creek

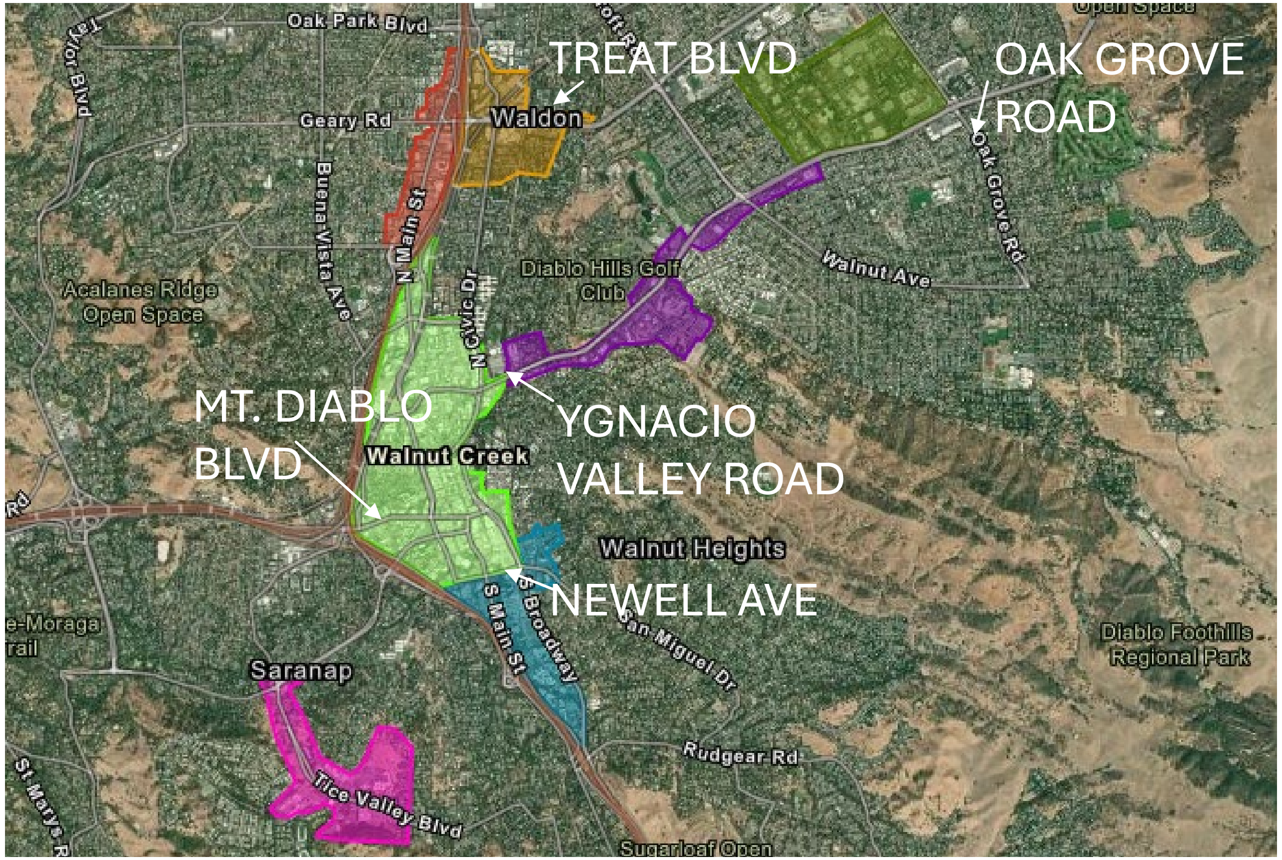
Mid Ygnacio Valley Corridor

Shadelands Area

Northwest Walnut Creek

Pleasant Hill BART

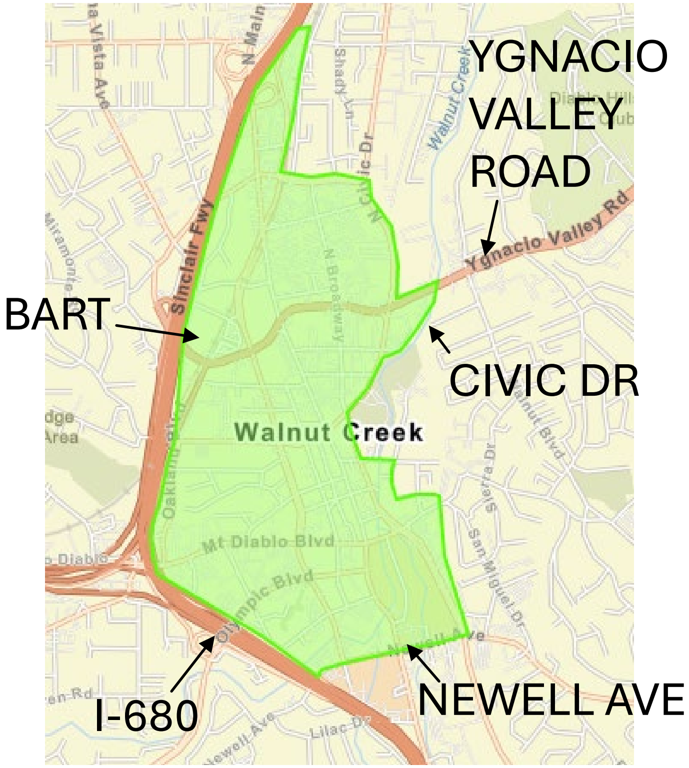
Rossmoor District



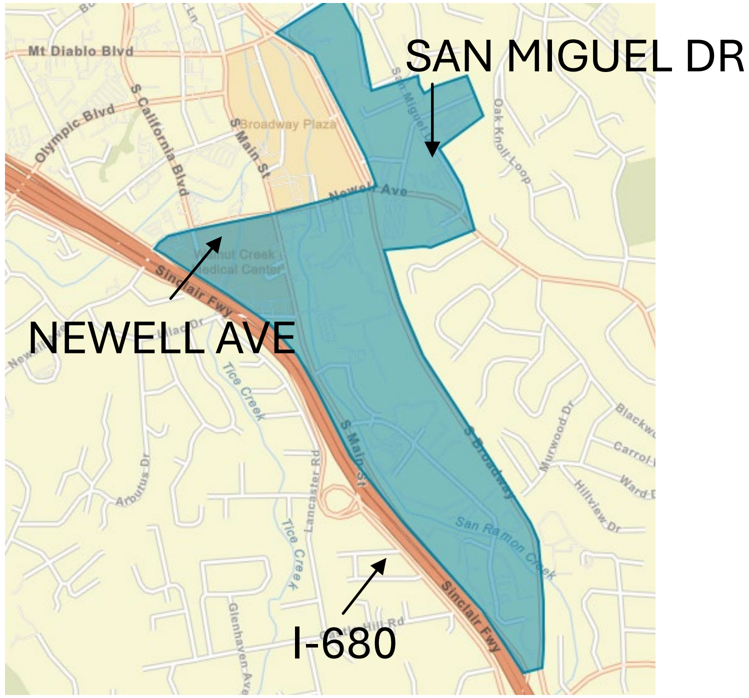
View the Map on ArcGIS.com

Downtown Districts

Downtown Walnut Creek
(4,334,512 SF: 42.1% of study area)
Downtown Walnut Creek is the main office district of the City located by the entrance crossroads at the interchange of Highways 24/680, Ygnacio Valley Rd, Mt. Diablo Blvd, Main Street, BART and AC Transit Hubs.



South Walnut Creek
(456,897 SF: 4.4% of study area)
The South Walnut Creek office market located by the Kaiser Medical Center is characterized by older Class B office buildings built prior to 1980.
This area has the potential for conversion to medical uses with proper zoning based on the existing number of medical buildings (11), central location by highways to Central Contra Costa County, and proximity to Kaiser Permanente Medical Center.



Downtown Walnut Creek contains the vast majority of the City's inventory of office space including Class A structures adjacent to BART. Highways 24 and 680 off-ramps, a traditional village grid with a high walkability rating, mixed-use residential, and major shopping areas each contribute to the city's role as the financial/retail center of Central Contra Costa County.

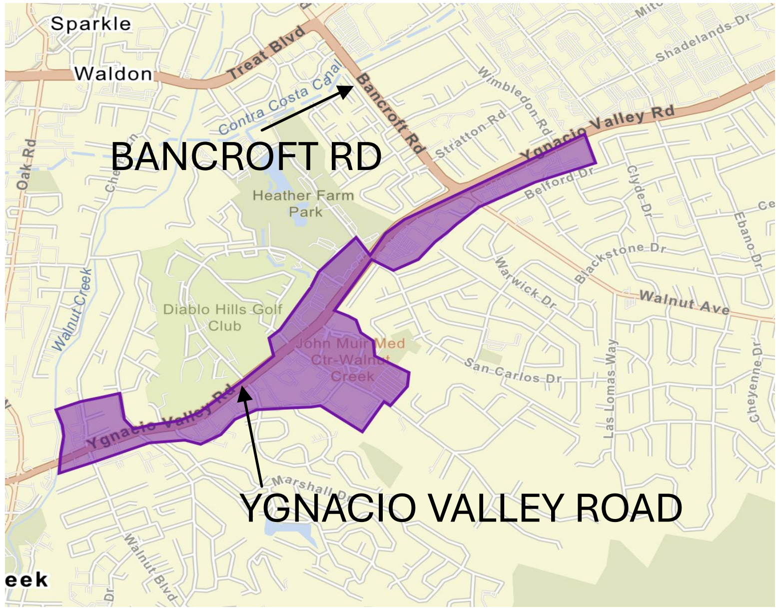
The Downtown Office Market, because of its crossroads location, City offices, County Court, & various other amenities, attracts a wide number of regional employers and local professional office uses.

South Walnut Creek is the location of Kaiser Permanente Medical Center and associated medical uses.

Eastern Districts

Mid Ygnacio Corridor
(669,967 SF: 6.5% of study area)
The Mid Ygnacio Corridor is centered around the John Muir Medical Center. The majority of the office buildings here, except those built by the hospital, are older Class B office buildings that contain a mix of medical and general office uses.

Shadelands
(2,829,445 SF: 27.5% of study area)
The Shadelands Business Park was first developed in the early 1960's. Additional properties have been added and re-purposed since then. The submarket also includes some office buildings across Oak Grove Road.



Note: "Shadelands" is often used to refer specifically to the original geography of Shadelands Business Park, however the region used in this study also contains extended geography.

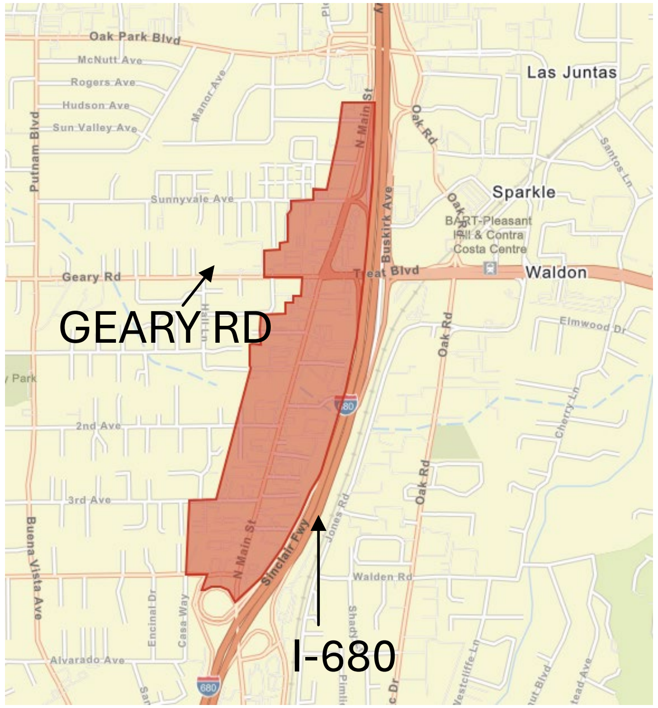
Ygnacio Valley Road sees an average of 52,000 Cars per day*. The submarkets along Ygnacio Valley Road and Shadelands Business Park have the potential for additional medical, life science, and medical research offices, reflecting employment growth trends identified in the East Bay Forward EDA September 2021 report.

Medical, for the purposes of this report, is defined as: located in medical zoned areas and of buildings having facilities designed specifically for health care practices licensed by the state, including clinics, primary care, urgent care and specialty care uses. They employ occupy 1,000 SF for every 3.5 to 4 people – both employees and patients.

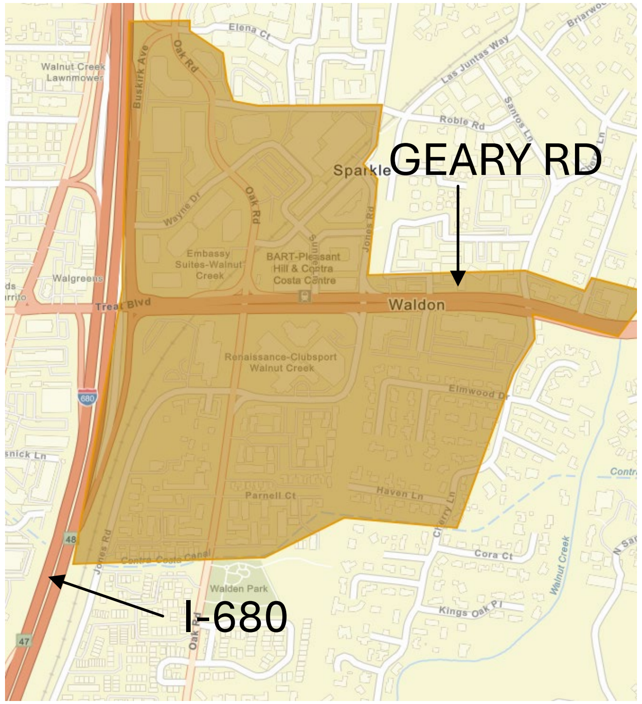
**Traffic Data from Esri, 2015.*

North Districts

NW Walnut Creek
(225,334 SF: 2.2% of study area)
NW Walnut Creek is zoned a commercial service district and includes repair, auto, and other services, but also features some minor office uses, auto dealerships, repair services, and the existing Holiday Inn and proposed Hilton Garden Inn Hotel.



Pleasant Hill BART District
(1,675,015 SF: 16.3% of study area)
The Pleasant Hill BART Station Mid-Rise Class A Office Market is located in the County Sphere of Walnut Creek. Regional office tenants have located here along with the Renaissance and the Embassy Suites Hotels, and mixed-use residential projects.



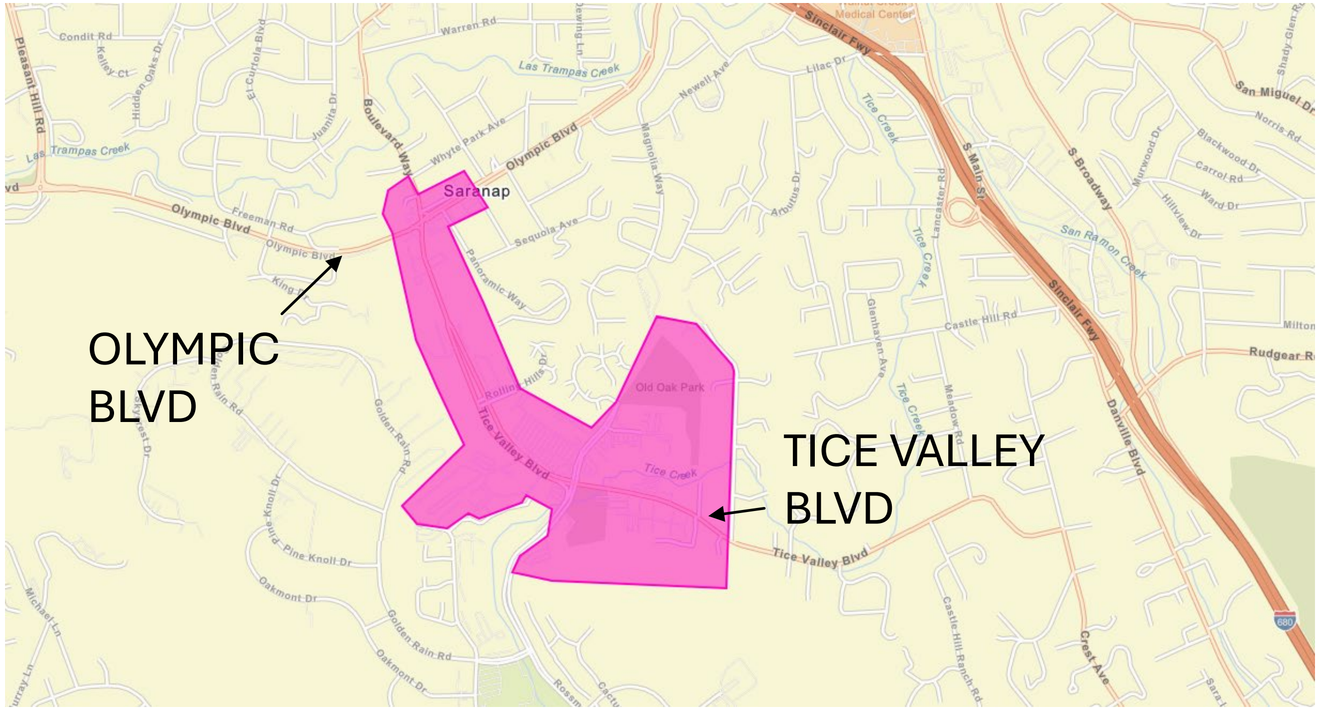
The Northwest Walnut Creek District is defined by North Main Street along I-680. It has the potential for Regional R&D, and Just In Time Logistics along the east side of North Main Street utilizing the downward slope to build 3-4 stories down into the hillside, which is allowable under Measure A.

The Pleasant Hill BART District East of I-680 is, like Downtown Walnut Creek, ideally located for regional employers due to its commuter accessibility at the Highway ramps.

R&D (Research & Development, such as Del Monte Labs in Shadelands) is hybrid office, laboratory, and small warehouse space. About 70%-80% office and/or laboratory space requires buildings to have upgraded electrical, gas utilities, seismic, and HVAC capabilities. They employ 3 to 4 employees per 1,000 sf leased.

Rossmoor District

Rossmoor District
(92,746 SF: 0.9% of study area)
The Rossmoor District has a mix of older Class B office and medical uses serving the nearby Rossmoor active adult community.



Medical services are used 56% of the time by people aged 55 and older, although that section of the population only represents 29% of the total population.** Medical uses will expand in the Rossmoor and in Walnut Creek due to local age demographics. Several commercial buildings such as the former post office have been converted to medical.

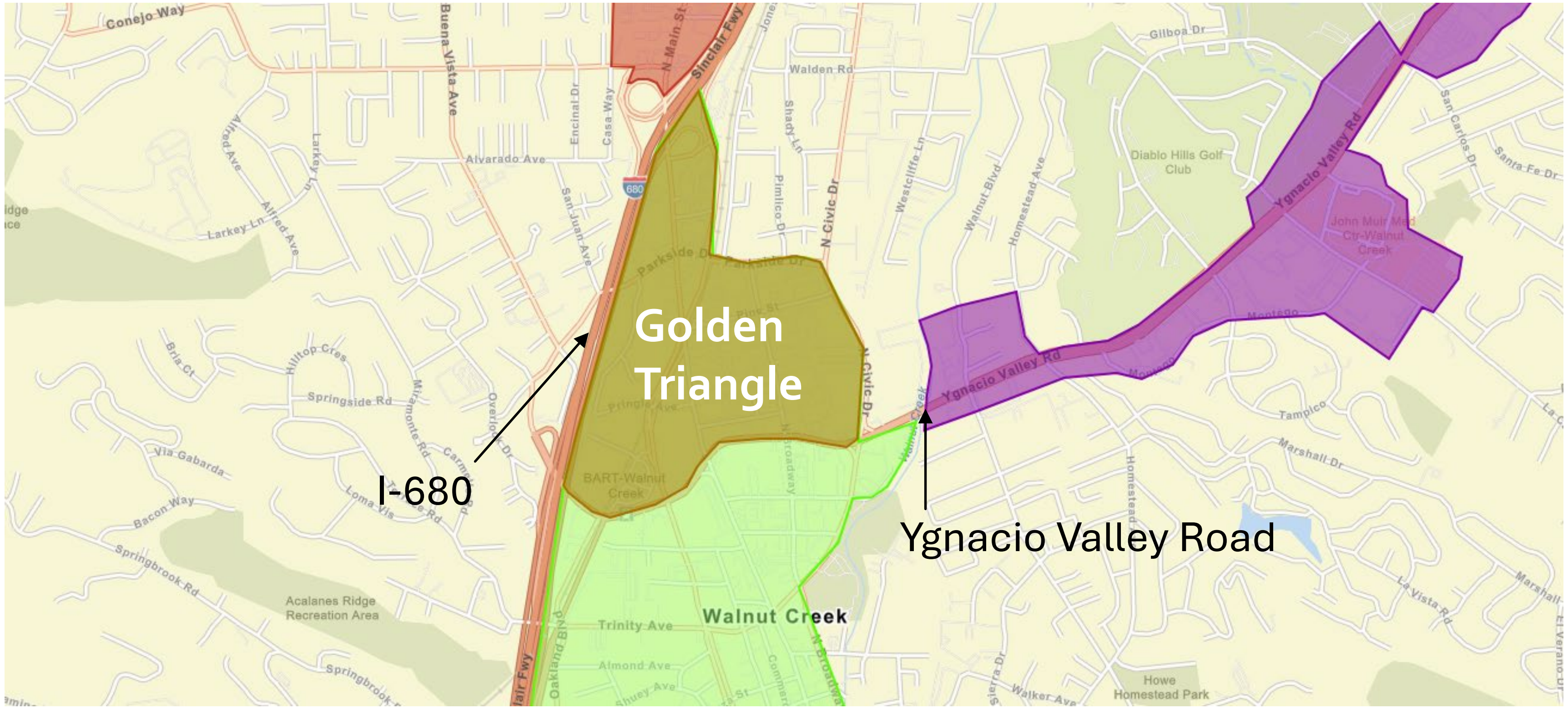
A nationwide trend for medical users is to convert buildings from previous bank and retail uses to medical clinics.
Healthcare Design Magazine April 25,2022

The over 55 population in the Rossmoor District is 8,256, while in Walnut Creek whole it is 25,658, meaning Rossmoor makes up 32% of the city's 55+ population.

The ten-mile radius from Downtown Walnut Creek has 139,183 residents over the age of 55 that utilize the City's hospitals and medical services.
Source: Esri, US Census,
**Health System Tracker (Nov 12, 2021)

Focused Districts

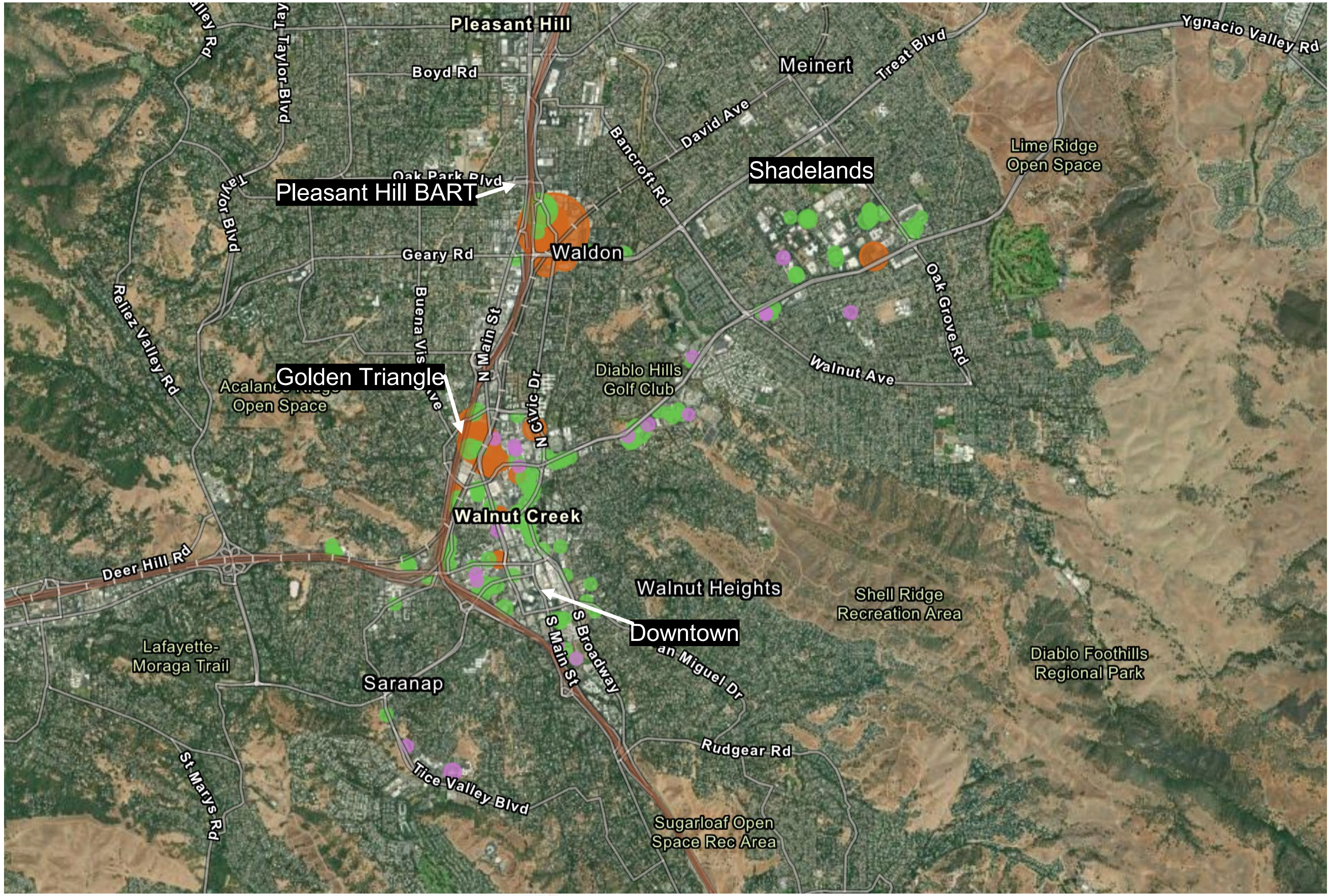
The Golden Triangle Transit District by the WC BART Station



The Golden Triangle District is the mid-rise class A office market located by the BART Transit Hub/680 & 24 Highway interchanges. It is where financial entities are clustered and where the most recent office development occurred. Mixed-Use Residential buildings are being developed on the BART station proper in addition to a three-block radius, including two existing hotels with meeting rooms.

Note that several of the older Golden Triangle area office towers have lower floors with very deep bay floors too large for many current tenant profiles in today's market. Natural sunlight does not penetrate the 40-60 ft interior from the window line. Tenants ideally look for interiors 32 to 36 ft deep.

Property Inventory Map



[View the Map on ArcGIS.com]

The map plots available office space in Walnut Creek as of October 20, 2021. The size of each location refers to SF of vacancies, while the color pertains to the Class of building.

Class A
Class B
Class C

TOTALS FOR ALL SEVEN SUBREGIONS

Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	24	4,232,308	906,083	21.41%
Class B	109	3,694,367	819,604	22.19%
Class C	19	195,995	55,438	28.29%
(Office) TOTAL	**152**	**8,122,670**	**1,781,125**	21.74%
Note this vacancy represents 5,000 - 6,000 possible jobs*				
Medical Office	71	1,469,002	159,691	10.67%
Note this vacancy = 900 potential jobs				
R&D	29	686,673	89,481	13.03%
Note this vacancy = 1,000 potential jobs				
TOTALS	**252**	**10,278,345**	**2,030,297**	20.58%

Note: Approx. 600,000 of the total vacant office, medical & R&D space above is in Shadelands Business Park

Data assembled by TRI Commercial, Source: CoStar, 1/24/22

** This figure represents jobs for the entire study area.*

Note Office Vacancy rates two years ago 9-15-19 Pre-Pandemic were :
Class A: 21.5%
Class B: 11.9%
Class C: 3.6%
Total Pre COVID 2019 Vacancy = 1,112,557 SF vs current 2,201,214

COVID has accelerated the pre-pandemic trends of remote workplace, offshoring to other countries, and out of Bay Area migration causing suburban office vacancies to increase.

The vacancy rate usually is higher on the lower large plate floors of the Class A mid-rises downtown. Historically, the tenants who occupied these spaces preferred large contiguous blocks of space for back office and dense cubicle layouts. (Source: Bay Area Council)

TOTALS Not including Pleasant Hill BART

Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	17	2,955,155	621,107	21.02%
Class B	104	3,296,505	659,725	20.01%
Class C	19	195,995	55,438	28.29%
(Office) TOTAL	**140**	**6,447,655**	**1,336,270**	20.72%
Medical Office	71	1,469,002	159,691	10.67%
R&D	29	686,673	89,481	13.03%
TOTALS	**240**	**8,603,330**	**1,585,442**	18.37%

Data assembled by TRI Commercial, Source: CoStar, 1/24/22

Property Inventory

DOWNTOWN WC

Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	16	2,848,009	536,104	18.82%
Class B	41	1,359,120	310,909	22.88%
Class C	10	54,339	25,874	47.62%
(Office) TOTAL	**67**	**4,261,468**	**872,887**	20.48%
Medical Office	8	42,248	0	0.00%
R&D	2	30,796	0	0.00%
TOTALS	**77**	**4,334,512**	**872,887**	20.14%

Data assembled by TRI Commercial, Source: CoStar, 1/24/22 . Note the Medical statistics do not include the Kaiser Permanente medical campus

Class A office buildings in Downtown were almost universally built between the period of 1984 and 1990. The exceptions include 2 of the buildings of Ygnacio Center, in 1992 and in 2001. No other new Class A spaces have been built since 2001.

Class B & C vacancy rates, in general, are higher than in Class A, as these are older buildings built in the 1965-1980 era. Newer, Class A office buildings have not been built in Downtown Walnut Creek since 2001 when Three Ygnacio Center on 2001 N Main was built. The absence of construction since then is due to high office vacancies in the past 25 years. Today's construction costs require developers to only build when vacancy is around 5% to 8% and $5.00 to $6.00/SF net rents can be charged for new space. Exceptions to this rule of thumb are build-to-suit buildings where there is a pre-leased tenant.

Property Inventory

SOUTH WALNUT CREEK

Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	0	0	0	-
Class B	7	225,145	23,161	10.29%
Class C	2	9,343	2,931	31.37%
(Office) TOTAL	**9**	**234,488**	**26,092**	11.13%
Medical Office	11	222,409	1,087	0.49%
R&D	0	0	0	-
TOTALS	**20**	**456,897**	**27,179**	5.95%

While Kaiser's campus is located along South Main, most medical tenants reside up the hill along San Miguel and occupy buildings that are no longer attractive to major medical institutions due to obsolescent building characteristics. Note the Medical statistics do not include the main Kaiser medical campus.

Data assembled by TRI Commercial, Source: CoStar, 1/19/22

Property Inventory

MID YGNACIO CORRIDOR				
Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	0	0	0	-
Class B	10	143,220	26,528	18.52%
Class C	5	77,978	12,127	15.55%
(Office) TOTAL	**15**	**221,198**	**38,655**	17.48%
Medical Office	28	448,769	32,830	7.32%
R&D	0	0	0	-
TOTALS	**43**	**669,967**	**71,485**	10.67%

Data assembled by TRI Commercial, Source: CoStar, 1/19/22 Note the Medical statistics do not include the main John Muir medical campus.

Property Inventory

SHADELANDS AREA

Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	1	107,146	85,003	79.33%
Class B	39	1,454,722	260,418	17.90%
Class C	1	14,878	8,006	53.81%
(Office) TOTAL	**41**	**1,576,746**	**353,427**	22.41%
Medical Office	19	714,815	95,209	13.32%
R&D	8	473,210	89,481	18.91%*
TOTALS	**73**	**2,764,771**	**538,117**	**19.45%**

Note the office buildings (not medical, lab or R&D) were mostly built during the 1972 (Interland Business Park) to 1984 (2700 Ygnacio) period with several updated.
Data assembled by TRI Commercial, Source: CoStar, 1/24/22

This subregion includes the Shadelands Business Park and surrounding properties.

Shadelands Business Park has a mix of uses including Health Care facilities, offices, labs, retail, schools, sports, and other tenant uses.

**This subregion inventory includes the former Joint Genome Institute center as an R&D building which will be demolished and replaced by a senior care facility in 2023, lowering vacancy numbers.*

Property Inventory

NORTHWEST WALNUT CREEK

Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	0	0	0	-
Class B	1	42,667	22,293	52.25%
Class C	0	0	0	-
(Office) TOTAL	**1**	**42,667**	**22,293**	52.25%
Medical Office	0	0	0	-
R&D	19	182,667	0	0.00%
TOTALS	**20**	**225,334**	**22,293**	9.89%

East of North Main on the slope down towards the highway is an underutilized commercial corridor where advanced manufacturing and other R&D Lab buildings could be built on east side of north main.
Data assembled by TRI Commercial, Source: CoStar, 1/19/22

Property Inventory

PLEASANT HILL BART *(Unincorporated Walnut Creek)*

Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant*
Class A	7	1,277,153	376,018	29.44%
Class B	5	397,862	159,879	40.18%
Class C	0	0	0	-
(Office) TOTAL	**12**	**1,675,015**	**535,897**	31.99%
Medical Office	0	0	0	-
R&D	0	0	0	-
TOTALS	**12**	**1,675,015**	**535,897**	**31.99%**

Note this submarket off the interchange by BART is a regional employment center zoned for large midrise office towers that can appeal to large employers, while other areas of WC are subject to Measure A that limits multi-floor tenants.
Data assembled by TRI Commercial, Source: CoStar, 1/24/22

Property Inventory

ROSSMOOR District				
Office Space	*Number of Buildings*	*Total SF Inventory*	*Vacant SF*	*% Vacant**
Class A	0	0	0	-
Class B	1	7,000	4,116	-
Class C	1	39,457	6,500	-
(Office) TOTAL	**2**	**46,457**	**10,616**	-
Medical Office	4	46,332	28,974	-
R&D	0	0	0	-
TOTALS	**6**	**92,789**	**39,590**	-

**Inventory count from Third Quarter 2021. Sample size in this district alone is too small to generate accurate vacancy rates.*

The Rossmoor District is a small commercial office medical sub-market with potential to expand medical uses on intersection of Tice Valley Blvd. & Rossmoor Parkway and R Valley by converting former vacant retail, office, and bank spaces to medical uses.
Data assembled by TRI Commercial, Source: CoStar, 1/19/2022

At the time of this study, the vacancy in this district was entirely due to what will, in the next few years, be converted into senior care residential.

Davita Dialysis took over a space in this district previously occupied by the USPS.

Walnut Creek's Competition

	Study Area	Walnut Creek (w/out PH BART region)	Concord	San Ramon	Pleasanton	Downtown Oakland	Emeryville	Fremont
Total Office Inventory	10.3 Million SF	8.6 Million SF	4.3 Million SF	6.8 Million SF	5.6 Million SF	10.9 Million SF	5.3 Million SF	5.8 Million SF
Vacancy Rate	20.6%	18.4%	24.9%	23.2%	30.3%	30.1%	19.9%	6.6%
Average Rental Rates	$3.39 PSF	$3.39 PSF	$2.61 PSF	$2.99 PSF	$2.76 PSF	$4.74 PSF	$3.85 PSF	$2.93 PSF
Population within a 30 min. drive	1,836,837	1,836,837	1,261,754	1,149,924	1,335,741	1,728,588	2,055,243	1,686,336

The Downtown Walnut Creek office market, because of its central location in Contra Costa by BART and Highways 24, 680, and Ygnacio Valley Road, is a regional employment commuter radius attracting employees from Oakland, Tri-Valley, Solano County and East County.

Walnut Creek's central location has a large population of inbound commuters within a 30-minute drive when compared to the other major East Bay office markets. Higher rents, such as those in Walnut Creek, Emeryville, and Downtown Oakland are achieved in office markets with both the best accessibility to a large workforce population and close proximity to San Francisco.

Data assembled by TRI Commercial, Source: Esri, 10/12/2021, CoStar 1/24/2022

Owner-User Space

898,000 Square Feet out of the 10,305,345 SF (i.e. 8.7%) in the identified areas of this study lie in what is considered Owner-User space. Occupants of commercial space that also own the property are less common than rent-paying tenants because they require a particular mix of factors such as long-term viability, capital for building improvements specific to their business, and candidacy for necessary loans.

Owner-User space is unique in that businesses do not as frequently report the utility of the occupied space, so measurements and categorization have a higher probability for errors. The trade-off is that an owner-user space sees much slower rates of move-outs and move-ins, making them more reliable job centers.

Note: Not included in the office and medical inventory numbers in the owner-user calculations are the two hospital campuses and any federal, state, county, city or service district government owned buildings. Common industry standards do not report owner-occupied space. See next page for more about these buildings.

Data assembled by TRI Commercial, Source: CoStar, 10/26/2021

Regional Medical Centers

Major hospitals, often defined more broadly as regional hospital owned medical centers, are not calculated in data regarding medical office space per industry standard. They are not counted in tallies of commercial space for third party owned buildings in terms of vacancy and lease rates. That said, they are significant employment centers in the City of Walnut Creek and represent over 1 million SF combined.

In Walnut Creek there are several major hospital/medical groups that own buildings:

Kaiser Permanente:
Kaiser's 13.66 Acre hospital site with 233 beds, with over 400 doctors is a major employment center in Walnut Creek and is a prime example of a large-scale owner-user site.

269,405 SF owner-occupied on South Main Campus

Kaiser also has a data center at 320 Lennon Lane in Shadelands

John Muir Health:
The main campus parcel taking up 20.27 Acres, John Muir's location is another large-scale owner-user employment center that compared to Kaiser's South Walnut Creek location, is more suited to acquiring additional parcels – locking them in to be an even more foundational employment center.

511,220 SF owner-occupied

FUTURE: John Muir/UCSF Cancer Center
New medical employment center will create a number of jobs as well as create another minor ecosystem of demand at nearby buildings.

160,000 SF on WC Campus

BASS Medical Group
At 2637 Shadelands Drive
85,000 SF owner-occupied
&
570 Lennon Lane
44,000 SF owner-occupied

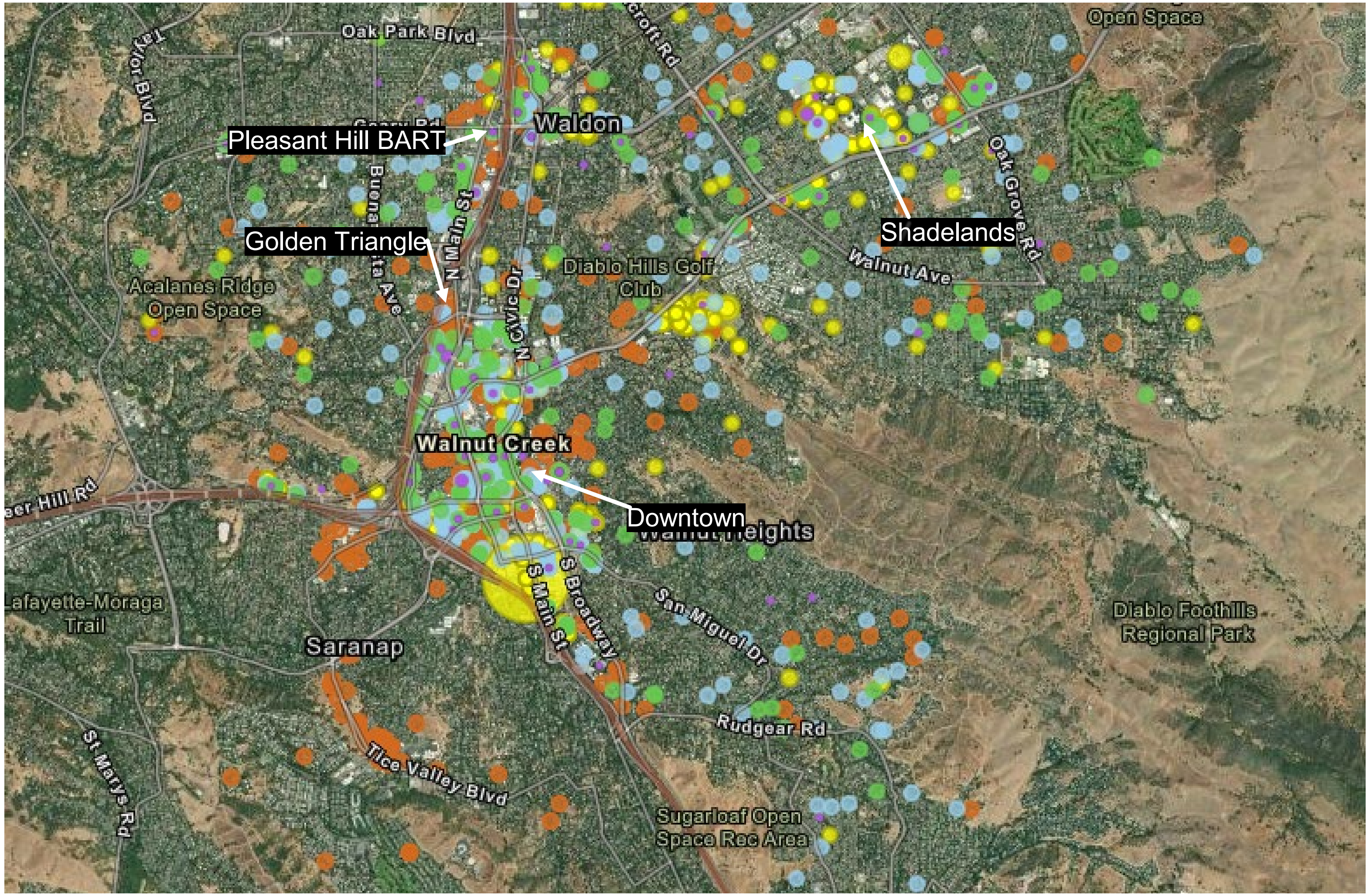
UCSF Benioff Children's Hospital
At 2401 Shadelands Drive
73,000 SF owner-occupied

Healthcare providers frequently rent or acquire satellite clinics to first bring higher quality medical care out to a greater area and secondly to feed more intensive medical needs to the hospital.

Total Owner-Occupied Medical Center SF: 1,069,625

Office Sector Workforce Analysis

Employment Sector Map

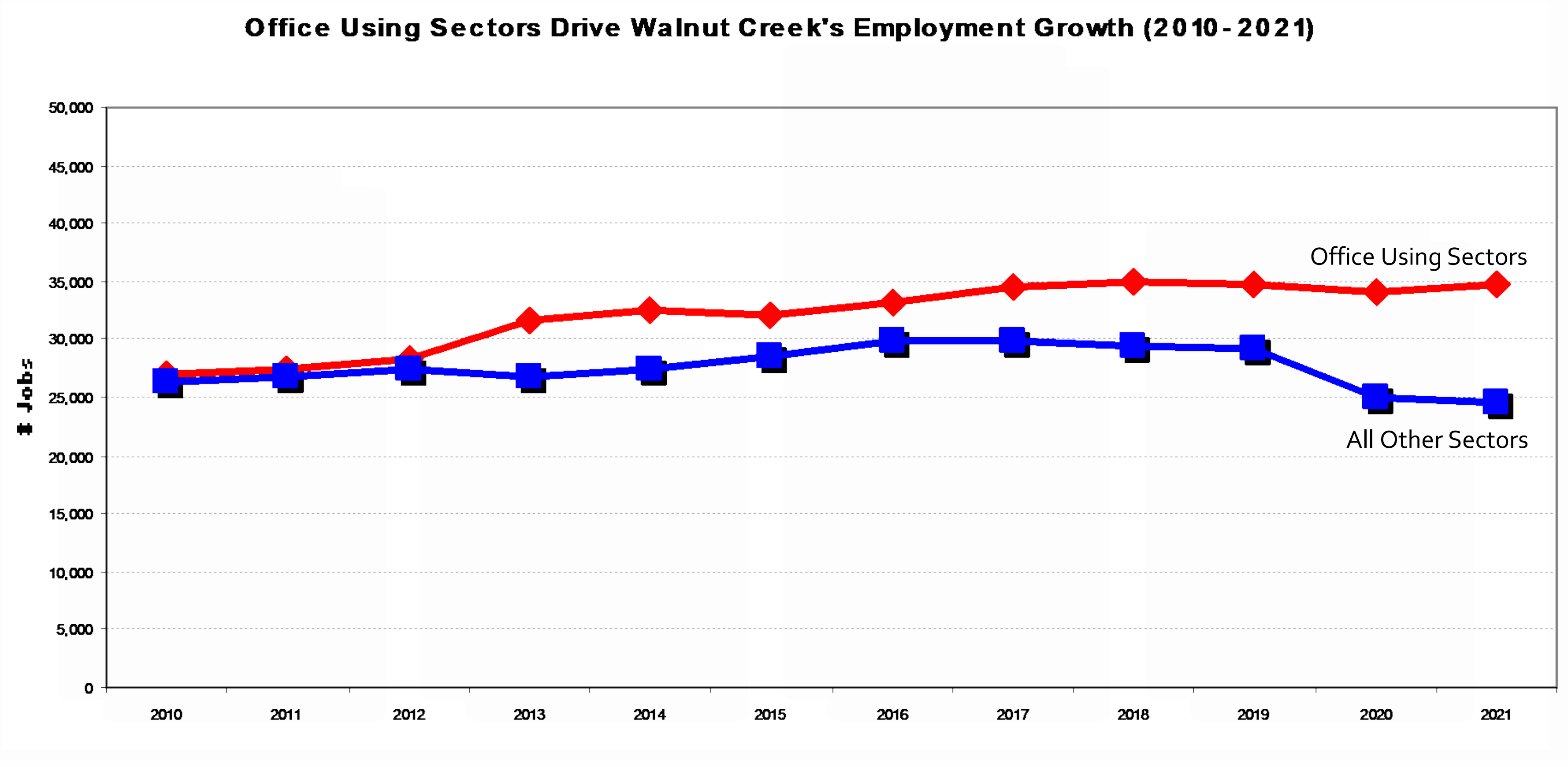


[View the Map on ArcGIS.com]

The map plots concentration of employee types by the top 5 groups detailed on the following pages. The size of the points pertain to the number of employees, the color indicates what employment sector is depicted.

FIRE
Medical
Professional Services
Business Support
Tech

Office Sector Driving Employment Growth



Over the past ten years, white collar office employment has grown in Walnut Creek and is the major employment sector as compared to retail employment and blue-collar* job growth.

*Blue-collar jobs can be considered industrial/warehouse employees, but also run the range of contractors to logistics workers, surveyors and other jobs that have off-site requirements.

Major Office Employees by Subsector

Number of employees working in each Subsector by geographic district

Employment information is based on zip code and census tract sources and may not match exactly with the geographic seven office districts identified in this study.

Walnut Creek's office market is dominated by medical and traditional office sectors including financial and professional services, business support, and corporate offices.

Office Using Subsector Employment by Subarea (2021)

Subarea	Medical	FIRE	PST	Business Support	Corporate	Tech	Education	Media	Government	Non-Profit	Total
Downtown	4,739	2,686	1,479	1,501	277	689	237	40	135	62	**11,783**
South Walnut Creek	890	799	610	272	0	208	109	25	115	175	**3,203**
North Main	18	114	82	83		100	95	12	19	30	**523**
PH Bart	592	1,337	2,544	405	1,409	256	91	361	83	65	**7,078**
Mid-Ygnacio	1,439	289	138	99		50	113		43	54	**2,171**
Shadelands Business Park	4,560	400	420	62	270	167	83	128	61		**6,151**
Rossmoor	819	185	92	66		266	20		139		**1,587**
Total Office Sector	**13,057**	**5,810**	**5,365**	**2,488**	**1,956**	**1,736**	**748**	**566**	**595**	**386**	**32,496**
% Total Employment	22.0%	9.8%	9.0%	4.2%	3.3%	2.9%	1.3%	1.0%	1.0%	0.7%	54.8%
Projected Growth (%)	29%	(-11%)	3%	(-38%)	0%	6%	10%	(-29%)	(-2%)	8%	6%

Source: EMSI Q3 2021 Industry Tables, Craft Consulting Group analysis 9/13/21; Projected growth % is calculated for the next 10 years trajectory; Additional breakdowns on following pages. Total employment % does not add up to 100% because a number of employment use categories were not surveyed.

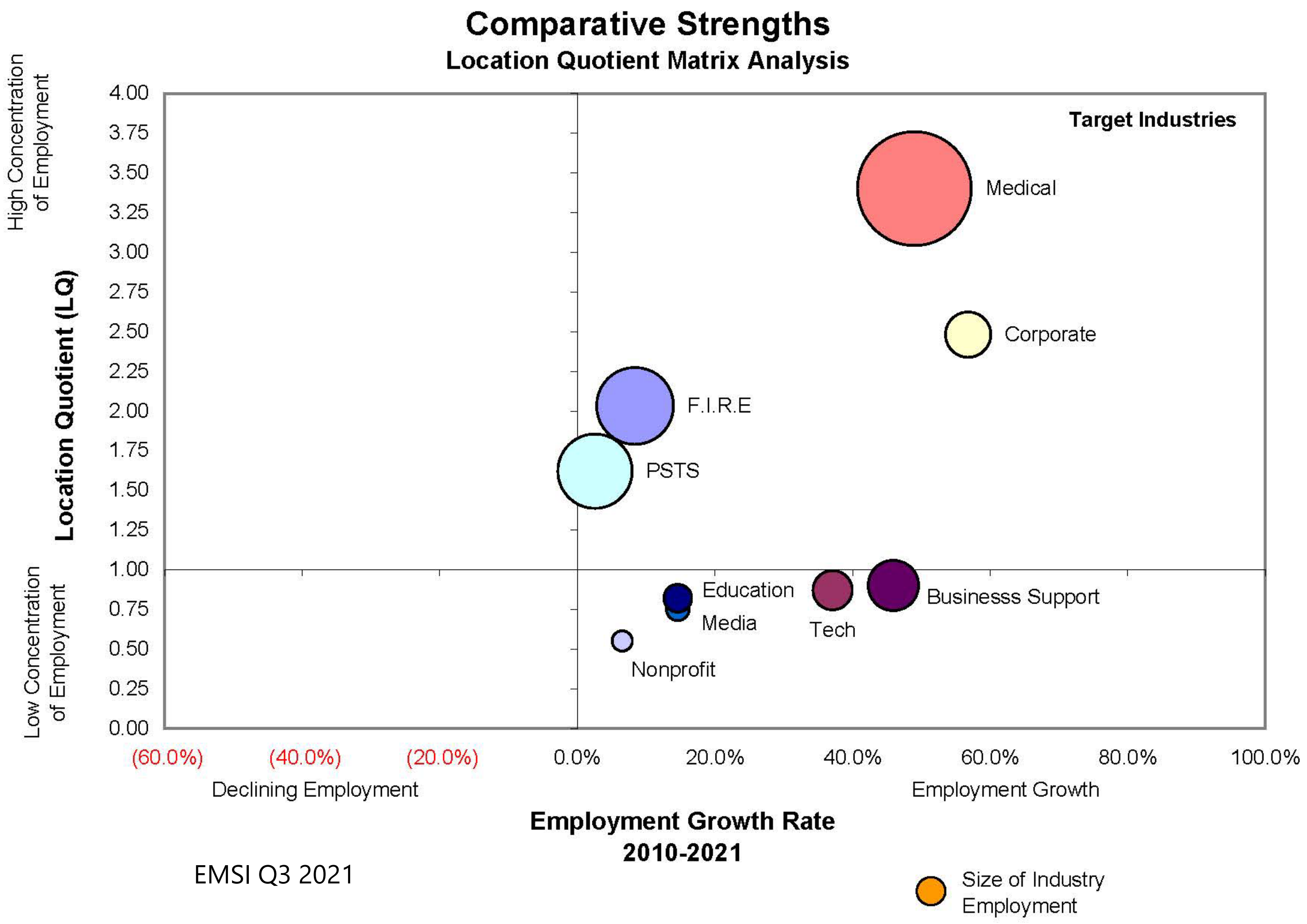
FIRE stands for Financial, Insurance, Real Estate Sectors; PST stands for Professional Services Sector

See Appendix for detailed breakdowns of the types of employees grouped in the above categories

The employee totals on this table are 54.8% of all employees in Walnut Creek (the remainder ~45% work in retail, industrial etc).

The medical sector is the largest employment subsector accounting for nearly one-fourth of all office employment.

Industries with Competitive Strengths



EMSI Q3 2021

PSTS indicates Professional Services

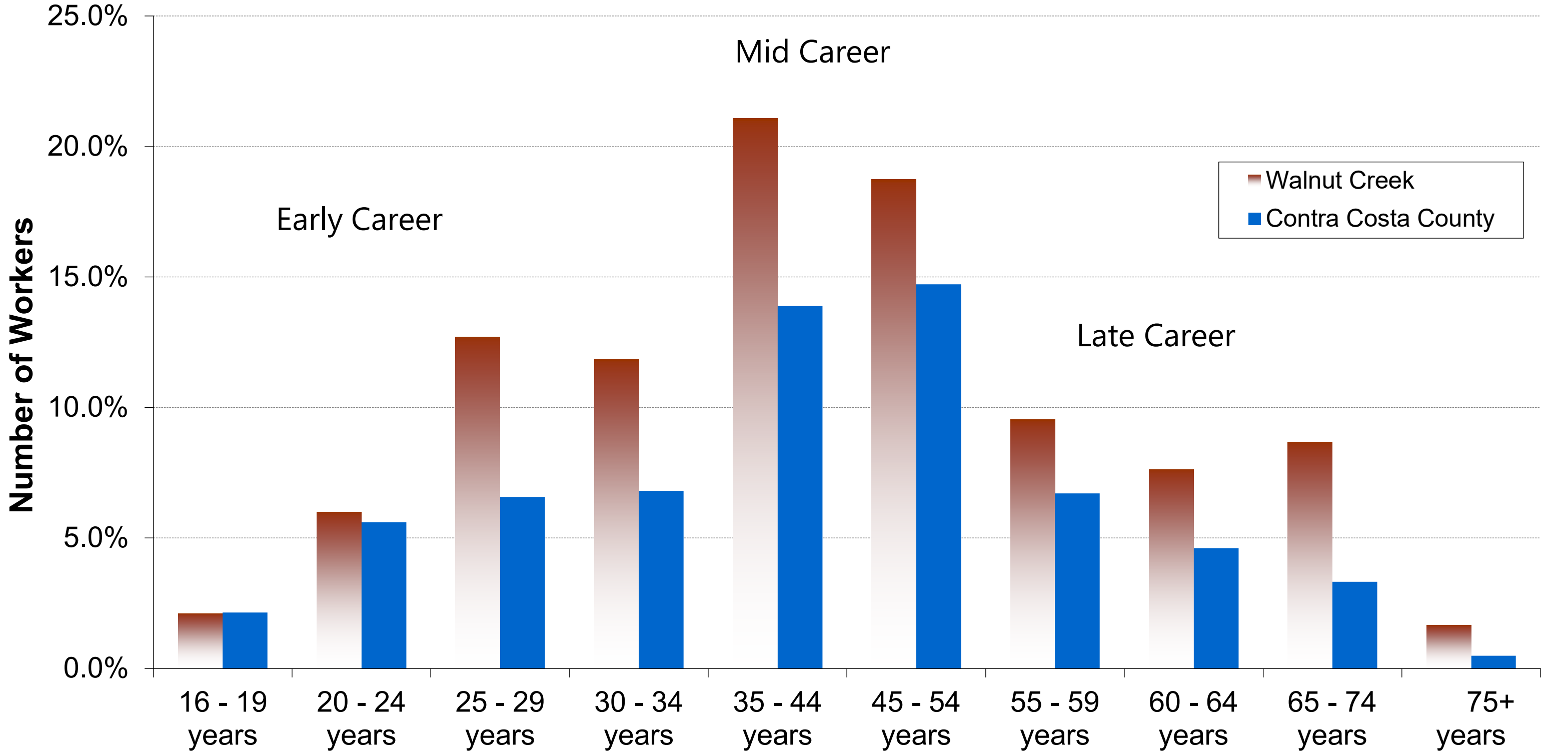
Walnut Creek shows competitive strength in a few industry sectors. Medical Sector employment in particular, has proven to be a major powerhouse due in part to Walnut Creek's central location, which allows patient drive times of 20 minutes or less from surrounding communities. Several major regional hospital medical centers have located in Walnut Creek.

This is expected to continue, at least in the short term, as the population of the East Bay continues to age and grow. (Between the 2010 and 2020 censuses, the median age has increased approximately 1.5 years and population was increased by 100,000 to 2.85 million.)

Workforce Demographics

Age Composition of Resident Workforce

Age diversity in the workplace improves organizational performance. The local labor market includes a diversity of age groups. Walnut Creek has an older workforce that bring skill and experience. The availability of a younger labor force in the region can be an important factor when it comes to attracting certain industries. Technology companies in particular tend to favor locations with access to a significant pool of well educated young workers from which to recruit.



Source: American Community Survey, 2019 5-yr estimate, Table S2301

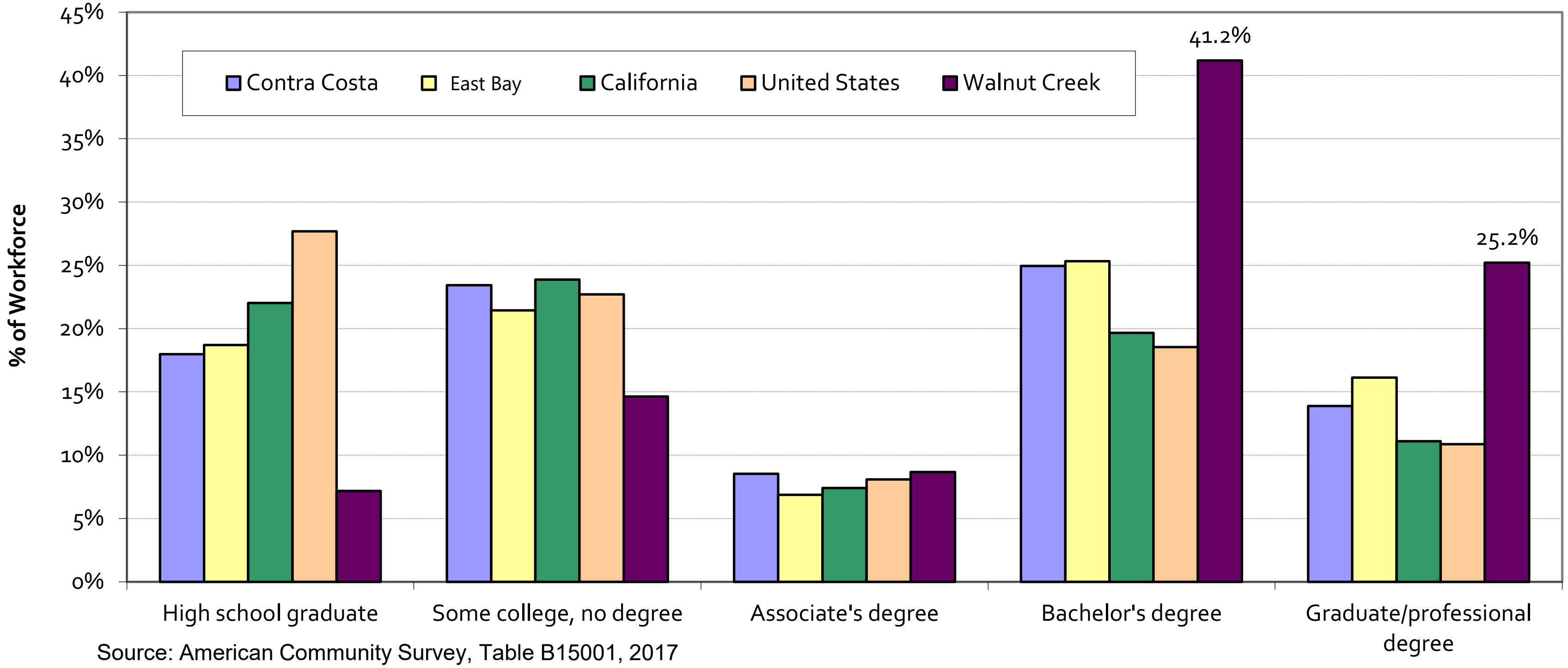
Walnut Creek's workforce is attractive to employers seeking a highly skilled and experienced workforce.

30% Early Career
40% Mid Career
30% Late Career

Skilled Workforce Profile

Walnut Creek has a Highly Educated Workforce

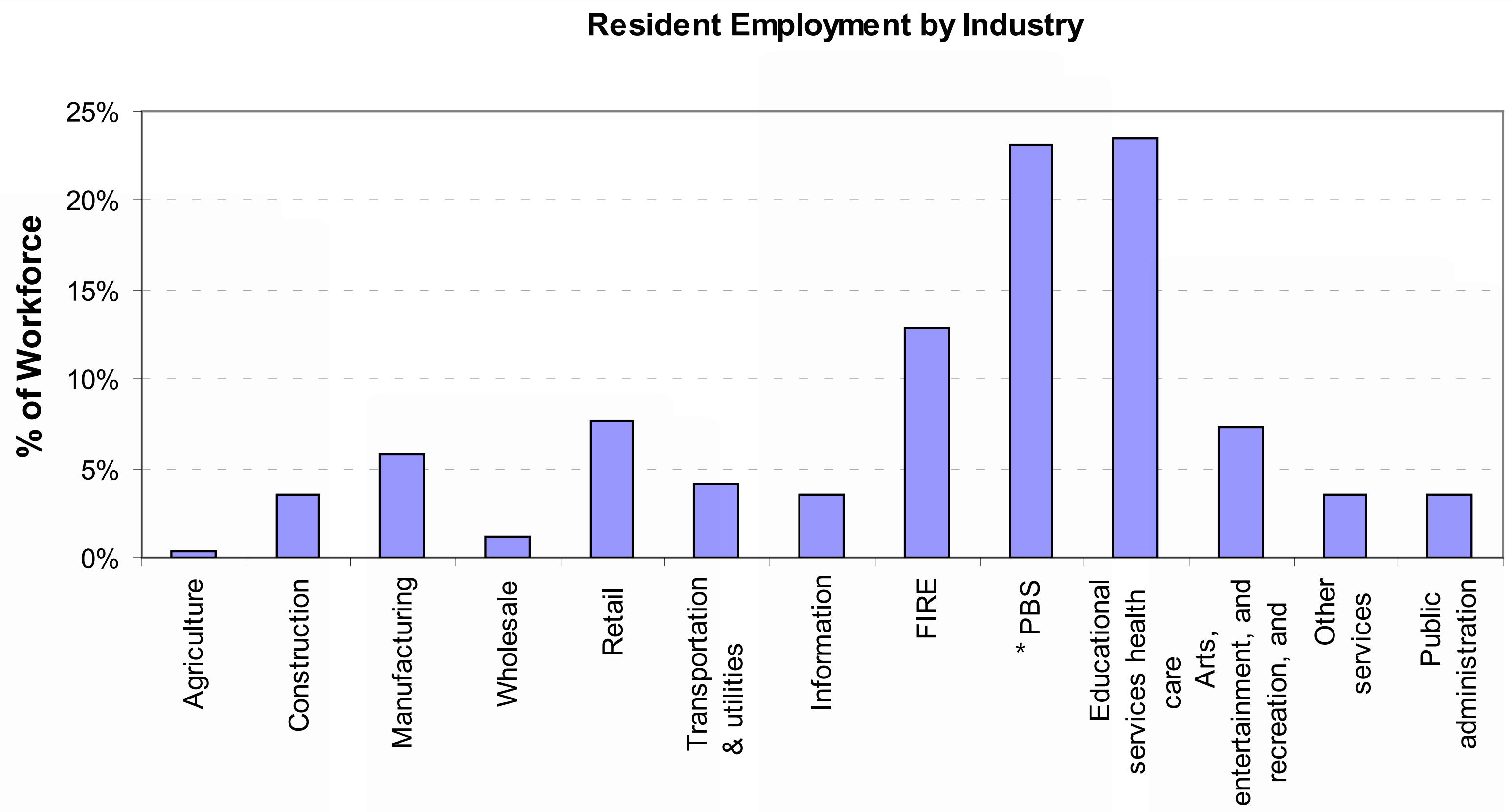
Walnut Creek's working age population has a high level of education, much higher that the East Bay and State. Demand for skilled labor is competitive. Nationally, over the past three decades, the level of educational attainment has increased in the U.S. labor force. The share of the people with a bachelor's or advanced degree has steadily increased. Along with the growth in higher educational attainment, the number of occupations requiring college degrees also surged. Employment growth is rising faster in occupations requiring higher levels of education. According to the Bureau of Labor Statistic of the 30 fastest-growing occupations, more than half require more than a high school diploma. **Industries looking for a highly skilled, educated workforce include education, healthcare, financial services, information, and technology sectors.**



Source: American Community Survey, Table B15001, 2017

Walnut Creek has a potential competitive edge compared to the rest of the County in terms of workers with college degrees, as more employers seek workers with a bachelor's degree or higher.

Workforce by Industry

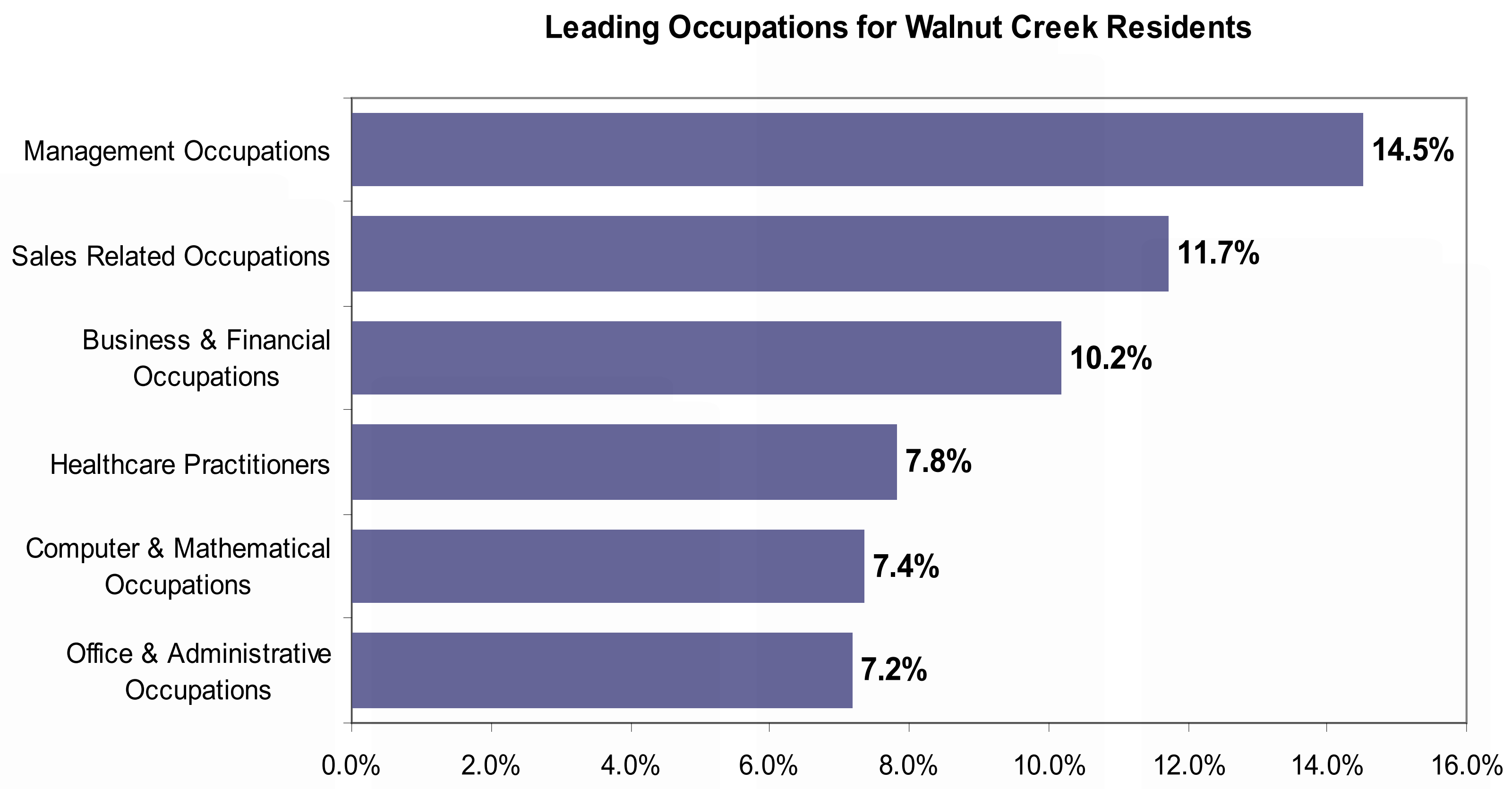


Source: American Community Survey, Table DP03, 2019

The majority of Walnut Creek's workforce is employed in knowledge-based industries including financial services, professional services, education, and healthcare.

*The Professional Business Category includes multiple subsectors identified earlier in this report.

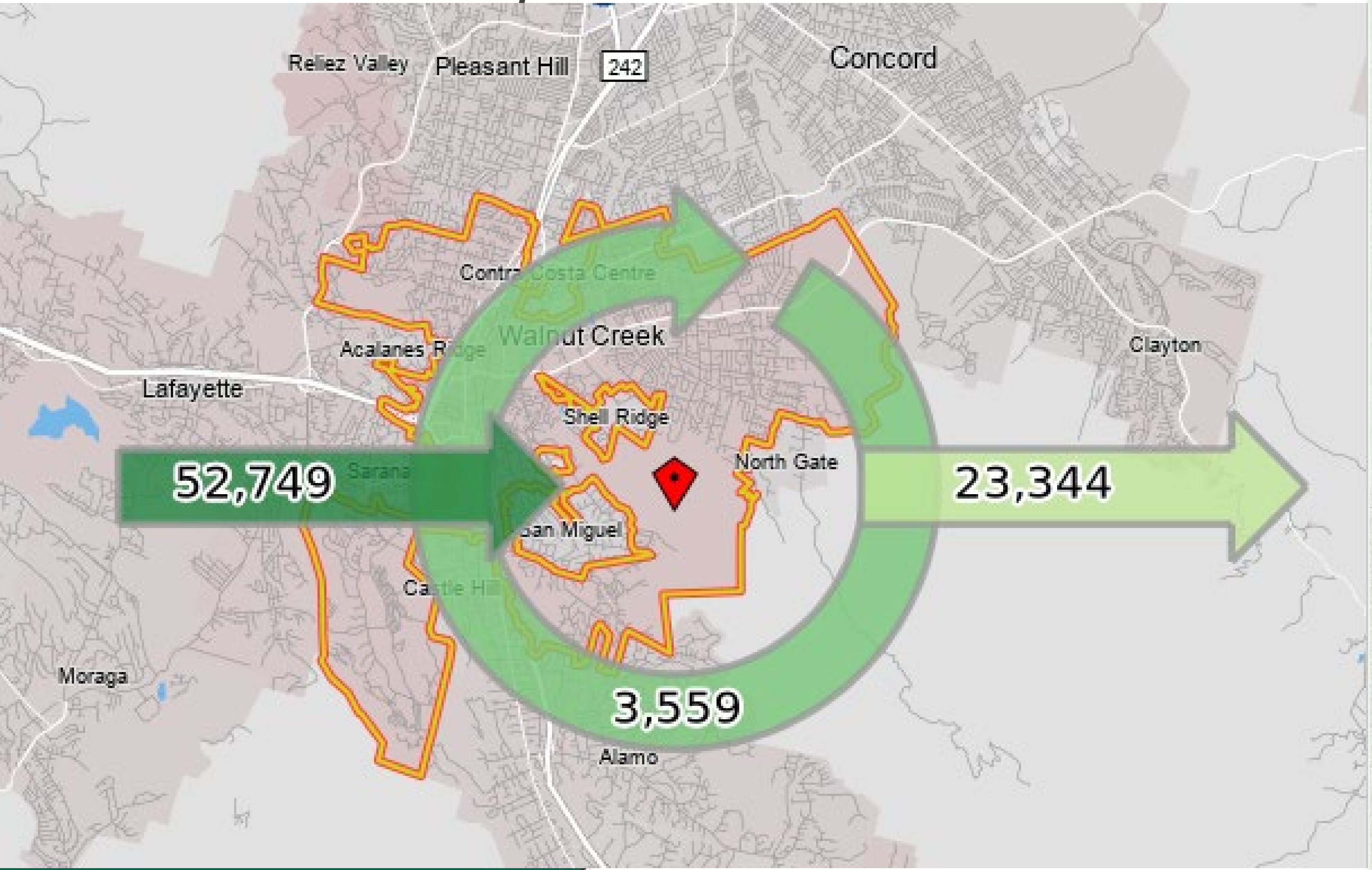
Workforce by Occupation



Source: American Community Survey, 2019 5-year estimate, Table DPO 3

The most common occupations for Walnut Creek residents are management, business, sales, and healthcare, administrative, and professional service occupations. These occupations account for 58.8% of the City's workforce.

Inflow/Outflow of Workers



Walnut Creek employers attract the majority of their workforce from the surrounding region. Workers commute into Walnut Creek from neighboring communities in central Contra Costa County, the East Bay, and Tri-Valley.

- The inflow of non-resident workers to Walnut Creek daily is estimated at 52,749
- The estimated number of workers who both live and work in Walnut Creek is 3,559
- The estimated number of workers who live in Walnut Creek and commute elsewhere for work is 23,344
- The majority of Walnut Creek's working population commutes to jobs outside of the city limit. Most of the commuters into Walnut Creek live within a 10-mile radius, but outside of the city limits .

Medical Office Subsector Profile

Medical Sector Employment (2010 compared to 2021)

				Sector Performance (Growth/Decline)		Competitive Strength
NAICS	Industry Sector	2010 Jobs	2021 Jobs	Amount	2010 - 2021 Change	Relative Concentration (LQ)
6211	Offices of Physicians	1,691	1,735	44	3%	1.96
6212	Offices of Dentists	441	443	2	0%	1.52
6213	Offices of Other Health Practitioners	305	484	179	59%	1.50
6214	Outpatient Care Centers	4,977	8,247	3,270	66%	24.07
6215	Medical and Diagnostic Laboratories	107	129	22	21%	1.32
6216	Home Health Care Services	386	548	162	42%	1.05
6219	Other Ambulatory Health Care Services	92	268	176	192%	2.43
6241	Individual and Family Services	160	363	203	127%	0.37
6243	Vocational Rehabilitation Services	56	21	(35)	(63%)	0.26
	Total Medical Sector	8,214	12,238	4,024	49.0%	3.40

Source: EMSI, Q3 2021, Industry Table by Census Tract

Medical Sector by Subarea

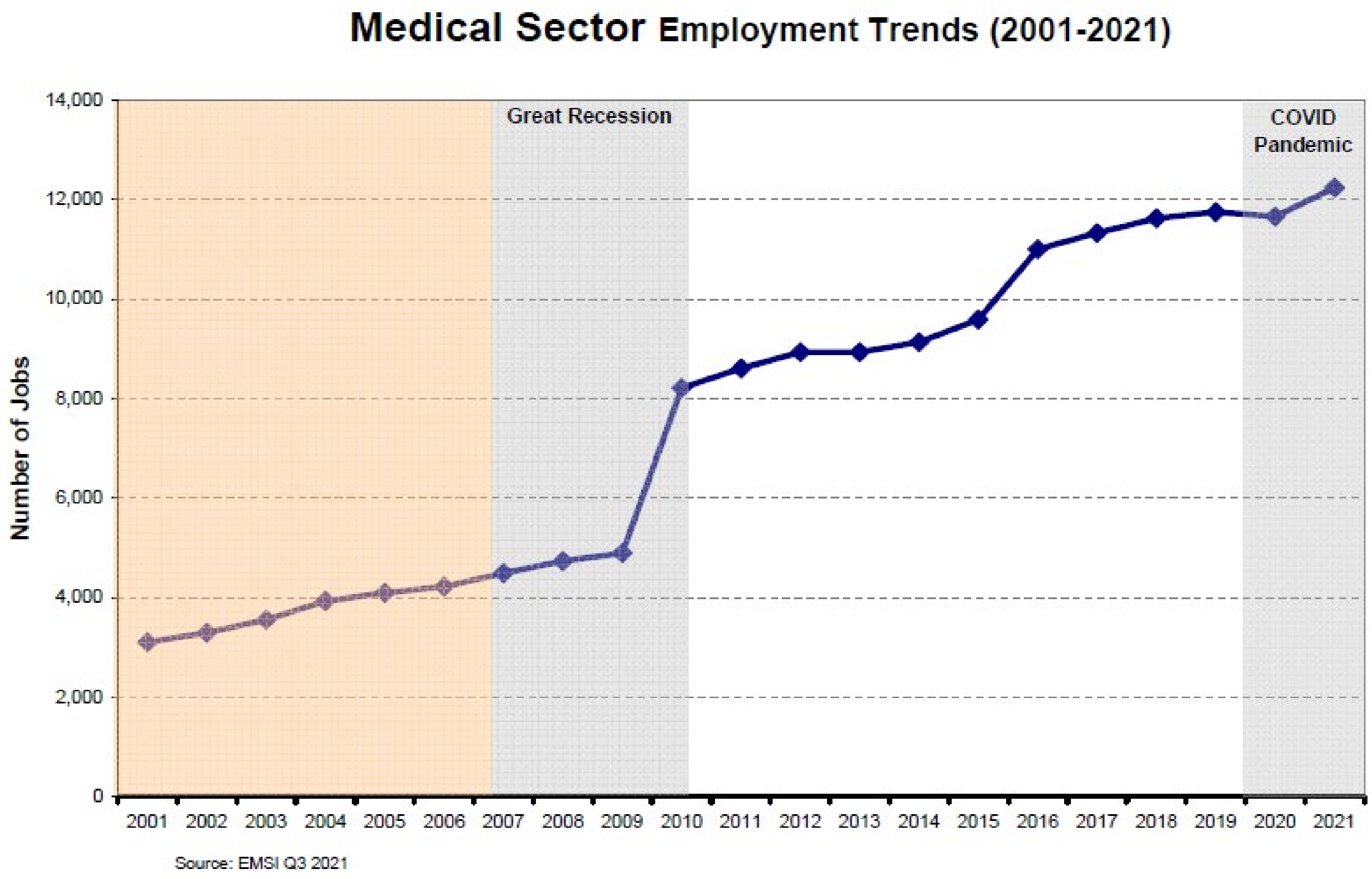
Subarea	2010 Jobs	2021 Jobs	2010 - 2021 Change	% Change
Downtown	2,961	4,739	1,779	60.1%
South WC	653	890	237	36.3%
North Main	13	18	5	158.5%
PH Bart	462	592	131	32.2%
Mid-Ygnacio	1,274	1,439	165	12.9%
Shadelands Business Park	2,853	4,560	1,708	59.9%
Total Medical Sector	8,214	12,238	4,024	49.0%

The majority of medical office employment is located around John Muir Medical Center in Mid-Ygnacio and Shadelands Business Park and Kaiser Permanente in the downtown and south Walnut Creek districts.

This sector *does not* include employees at the major hospitals which employ between 7,000 and 12,000. The California EDD noted that the East Bay, as of March 2022, employs 74,000 medical office workers, meaning Walnut Creek is 16.5% of the share.

Competitive Strength (LQ) is compared to a national score of 1.0.

Medical Office Subsector Employment Growth



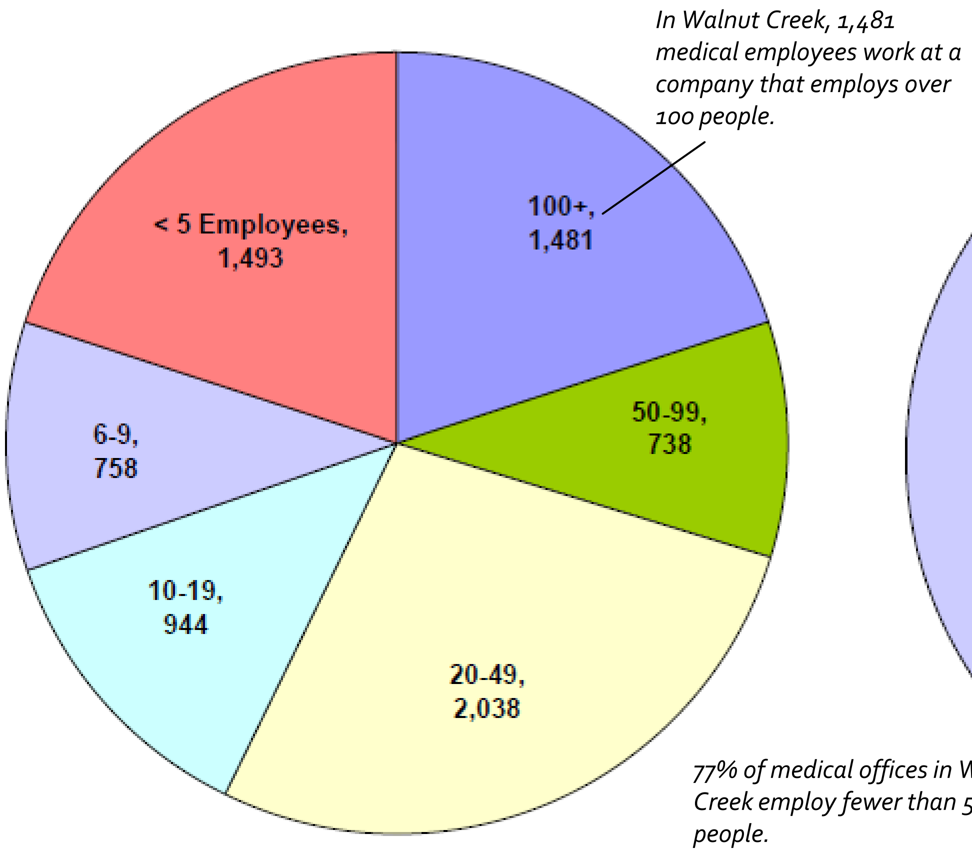
The medical subsector has seen explosive growth over the past decade due to the County's aging population, increased healthcare spending, and technology advances. Healthcare providers are consolidating into larger group practices driven by hospitals, insurance companies, and private equity firms seeking improved efficiencies. This sector is projected to continue growing over the next ten years.

Page 46 further compares the growth in the Walnut Creek medical office sector to comparable markets in the East Bay.

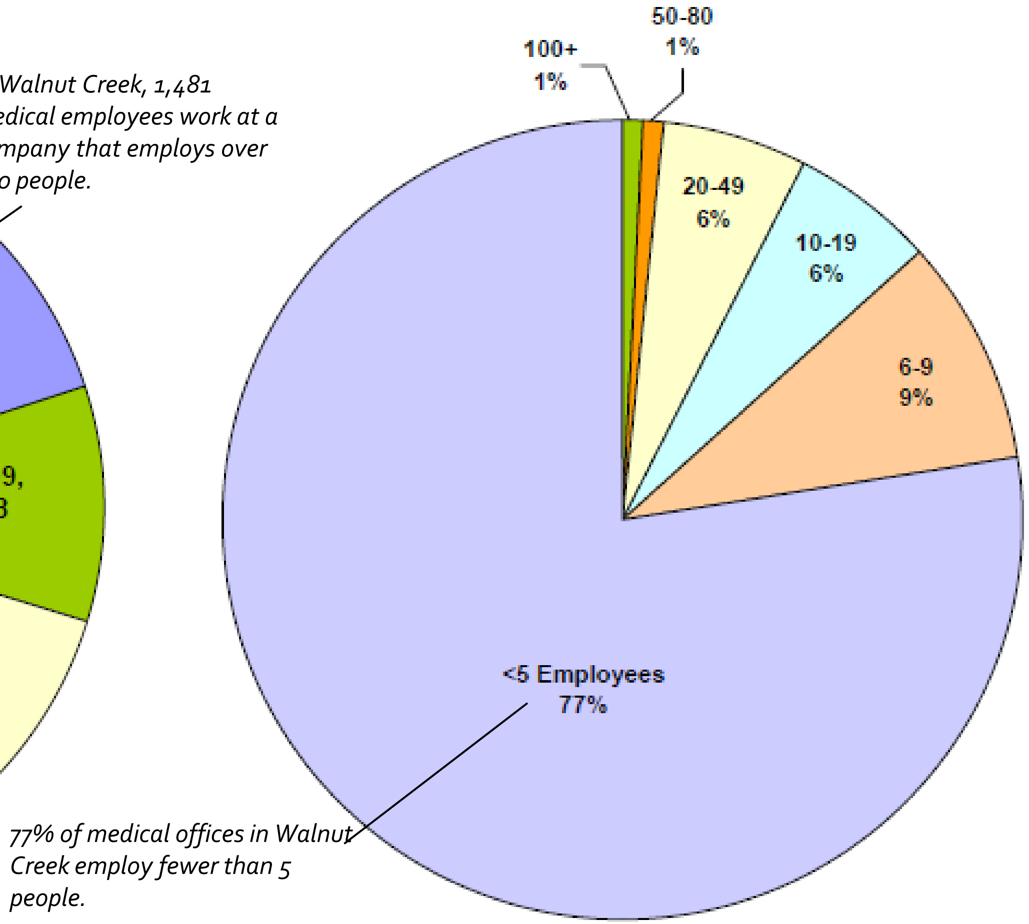
Source: US Census Bureau

Medical Employment by Business Size

Number of Medical Employees by Business Size



% of Medical Offices by Employee Size



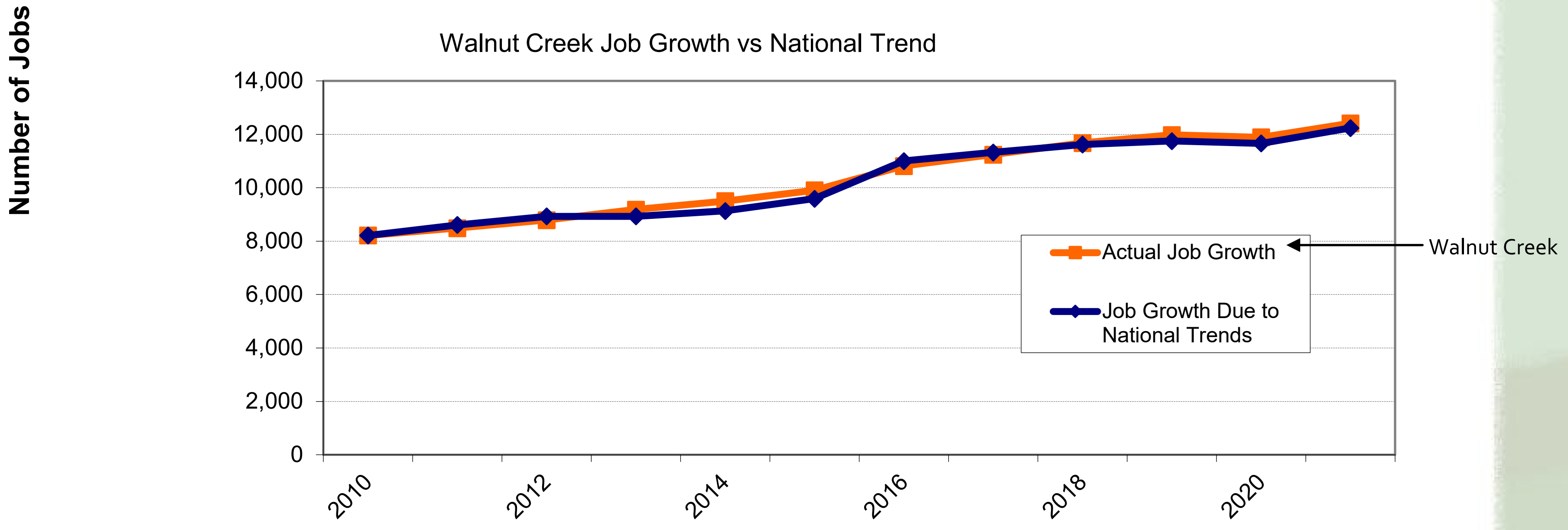
Source: Database USA Business List

The left pie chart shows area according to the number of medical sector employees by the size of business. The right pie chart shows the percentage of medical businesses by size.

Small and medium sized enterprises are a key component of most local economies. While major employers account for a significant share of the medical office sector jobs, very small medical tenants make up the vast majority of medical firms (77%).

Opportunities & Constraints: Medical

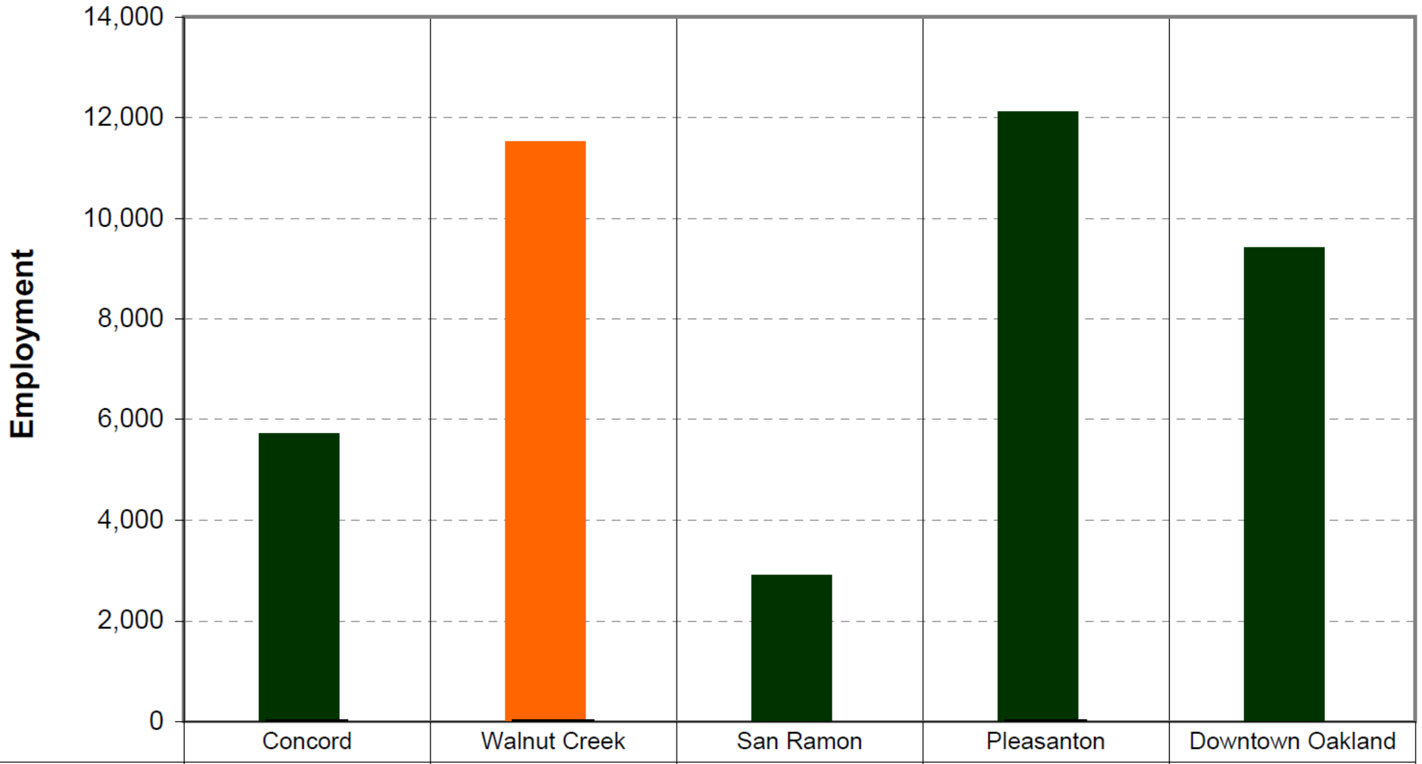
While the local Medical Sector has seen high growth rates employment grew at approximately the same rate as the national economy and industry mix



Source: Emsi Q3 2021, Industry Data Tables

Walnut Creek has grown into a major Medical hub. Job growth in this sector matching national trends.

Regional Medical Markets



	Concord	Walnut Creek	San Ramon	Pleasanton	Downtown Oakland
Employment	5,731	11,532	2,905	12,124	9,423
Comparative Strength (LQ)	2.10	4.58	1.43	3.32	1.10
Growth Rate 2010-2021	91.8%	82.5%	65.7%	76.7%	104.3%

Emsi Q3 2021, Industry Data Tables

Medical office has been one of the most dynamic employment growth sectors in the wake of the 2008 crisis. Walnut Creek has a significant share of the East Bay's medical office space in a rapidly growing health employment sector. Note a location criteria that future medical office users will consider is that many buildings do not meet current seismic, fire safety and building standards set by the state.

While Walnut Creek is a regional medical center. It faces strong competition from Downtown Oakland and Pleasanton. Tri-Valley, in general, is a larger market than Walnut Creek. It has an estimated 361,000 population. Pleasanton is at the center of the Tri-Valley market and is building new medical facilities.

Financial Subsector Profile

Financial Services Sector (2010 compared to 2021)

NAICS	Industry Sector	2010 Jobs	2021 Jobs	Sector Performance (Growth/Decline): Amount	Sector Performance (Growth/Decline): 2010 - 2021 Change	Competitive Advantage: Relative Strength (LQ)
5221	Banks, S&L, Credit Unions	1,214	1,181	(33)	(3%)	1.95
5222	Credit Card, Sales Financing, Consumer Lending	438	460	21	5%	2.44
5223	Loan Brokers & Financial Transaction Processing	77	171	95	123%	1.80
523	Stock & Commodity Brokers	685	766	80	12%	2.40
524	Insurance Brokers & Carriers, Claims Adjusting	1,744	1,915	171	10%	2.36
525	Fund Management	56	43	(13)	(23%)	6.78
531	Real Estate	816	1,018	201	25%	1.84
532	Consumer Credit & Equipment Leasing	161	73	(87)	(54%)	0.47
533	Franchise & Asset Licensing Fees	0	0	0	0%	0.00
	Total F.I.R.E Sector	5,191	5,626	435	8.4%	2.03

Source: EMSI, Q3 2021, Industry Table by Census Tract

Financial Service Sector by Subarea

Subarea	2010 Jobs	2021 Jobs	2010 - 2021 Change	% Change
Downtown	2,429	2,686	257	10.6%
South WC	776	799	24	3.1%
North Main	97	114	17	17.9%
PH Bart	1,260	1,337	77	6.1%
Mid-Ygnacio	288	289	1	0.5%
Shadelands Business Park	336	400	64	18.9%
Total FIRE Sector	5,191	5,625	440	8.4%

Competitive Strength (LQ) is compared to a national score of 1.0.

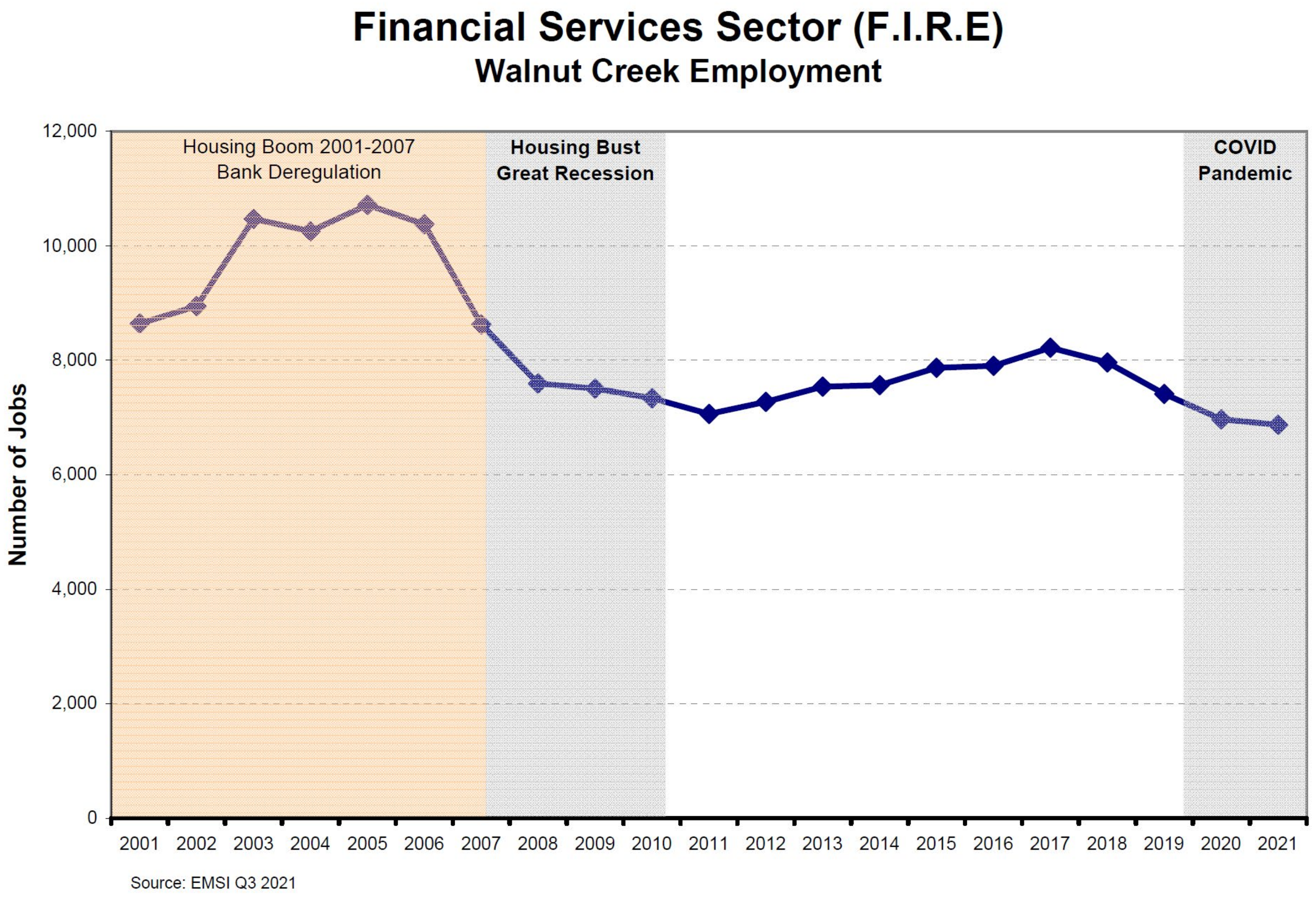
The financial services subsector has seen marginal growth over the past decade. It is concentrated primarily in easily accessible areas like Downtown Walnut Creek and PH Bart.

Walnut Creek serves as a regional financial center with a broad range of banking, credit unions, insurance companies, consumer finance, investment funds, and stock brokerage firms.
There are two conflicting future trends affecting space utilization in Walnut Creek in this sector.

First, FIRE jobs will continue to migrate from San Francisco and Oakland to Walnut Creek for a variety of factors including lower rents, cost of doing business, and access to their employees' relocation to affordable housing areas.

Second, Financial sector jobs in general will shrink their office use due to AI automation, offshoring, and out of area migration to cheaper housing areas. *(McKinsey Global Institute Report, February 2021)*

Financial Sector Employment Trends



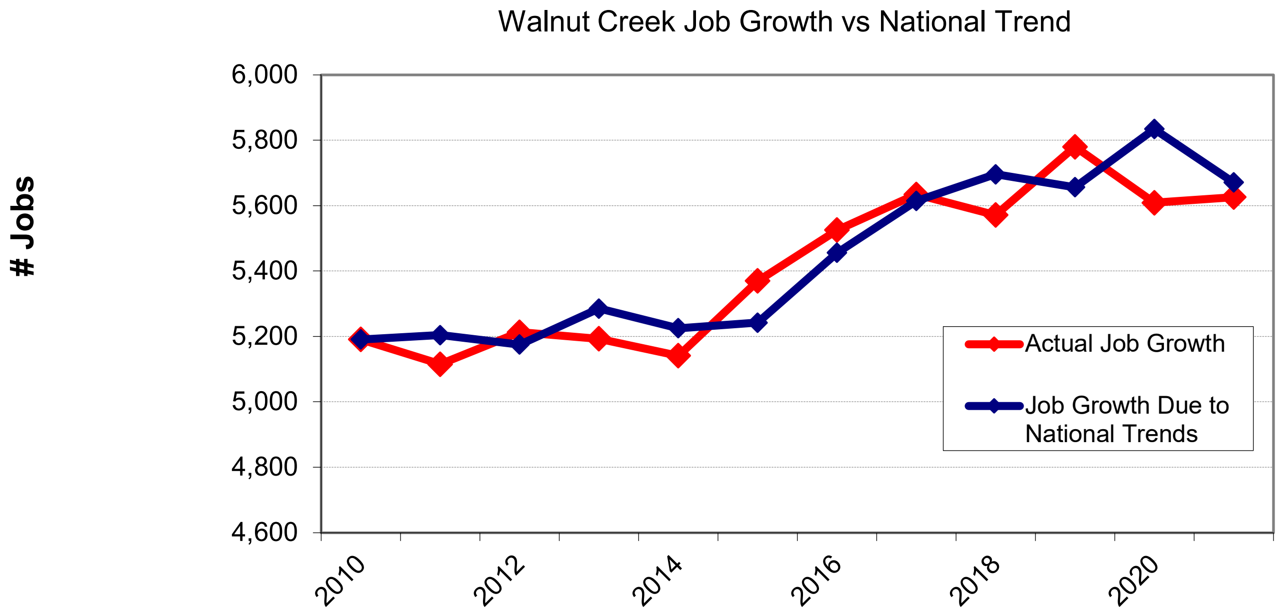
The Financial, Insurance, Real Estate (FIRE) employment sector, characterized by back office open space plan layouts, are shrinking their footprint and using less space. Office automation, artificial intelligence, overseas outsourcing, and out-of-area employee migration has lessened demand.

These long-term trends in the FIRE sector at the local, regional and national levels, have been accelerated by the pandemic, are the major cause of increased suburban office vacancy rates.

It is estimated that remote workplace trends alone will add 12 million SF of under-utilized office space in the East Bay in the next 4 years if the remote work force stabilizes at 30% (rather than the current 70% or pre-covid 5%). Walnut Creek contains approximately an eighth of the East Bay's office supply, so if vacancy were to be released evenly across the region, this could mean approximately 1.5 million square feet was left vacant in Walnut Creek due to Covid.

Opportunities & Constraints: FIRE

Local Financial Services Sector Employment grew at approximately the same rate as the national economy and industry mix

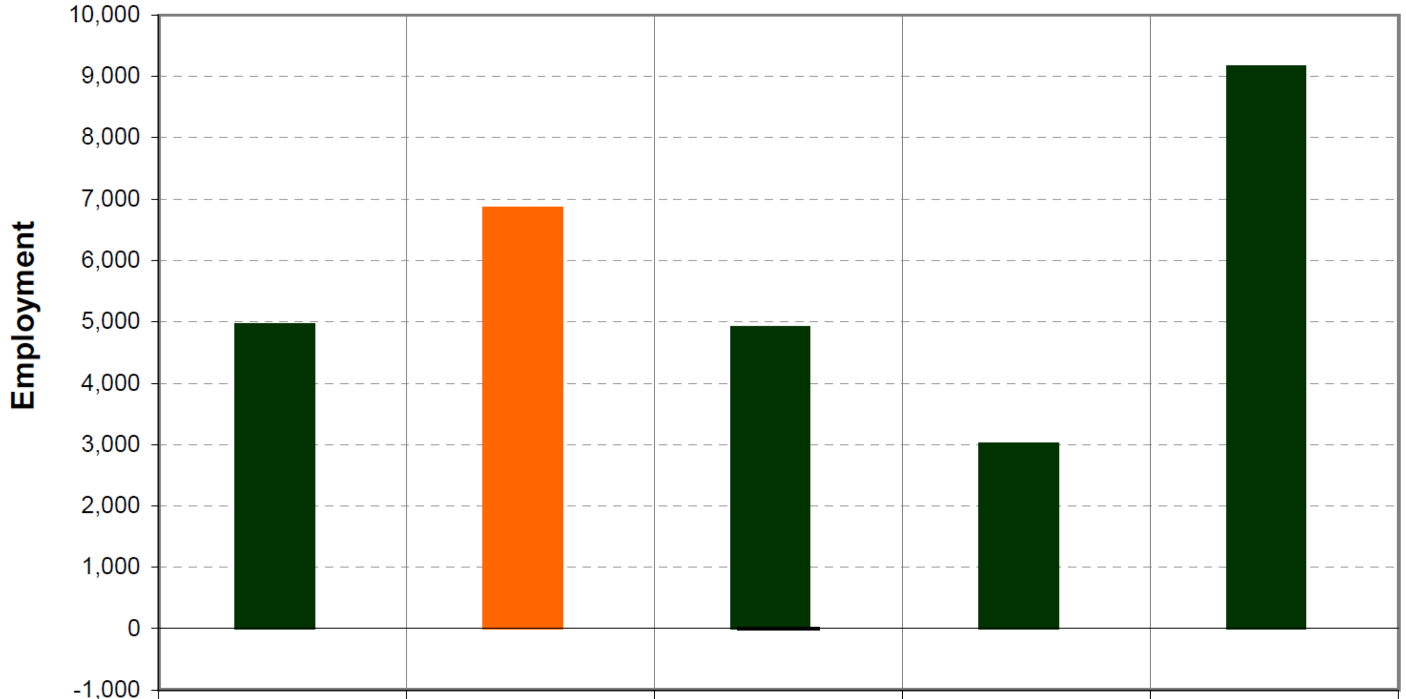


Source: Emsi Q3 2021, Industry Data Tables

The Financial/Insurance Services Sector shows signs of flagging in growth.

Remote Work Trends, Office Automation, Offshoring and lack of local affordable workforce housing will restrict growth in this area.

Regional Financial Sector Markets



	Concord	Walnut Creek	San Ramon	Pleasanton	Downtown Oakland
Employment	4,975	6,870	4,932	3,025	9,177
Comparative Strength (LQ)	1.65	2.03	2.20	0.75	1.90
Growth Rate 2010-2021	-1.1%	-6.4%	3.6%	-3.1%	87.3%

Emsi Q3 2021, Industry Data Tables

The Finance, Insurance, Real Estate sector (FIRE) is one of Walnut Creek's strongest employment categories. The amount of space claimed by FIRE tenants has decreased the past decade as some admin/back-office employees have either been moved offsite or automated.

Walnut Creek has the second largest concentration of FIRE tenants in the East Bay, but a slower growth rate over the past ten years.

Professional Services Subsector Profile

Professional Services Technical Employment (2010 compared to 2021)

				Sector Performance (Growth/Decline)		Competitive Strength
NAICS	Industry Subsector	2010 Jobs	2021 Jobs	Amount	2010 - 2021 Change	Relative Concentration (LQ)
5411	Legal Services	1,099	1,023	(77)	(7%)	2.72
5412	Accounting, Tax Preparation, Bookkeeping, and Payroll Se	434	480	46	11%	1.38
5413	Architectural, Engineering, and Related Services	2,357	2,601	244	10%	5.19
5414	Specialized Design Services	26	39	13	50%	0.87
5416	Management, Scientific, and Technical Consulting Service:	815	782	(34)	(4%)	1.47
5418	Advertising, Public Relations, and Related Services	191	85	(106)	(55%)	0.62
5419	Other Professional, Scientific, and Technical Services	217	263	45	21%	1.03
	Total PSTS Sector	**5,140**	**5,272**	**132**	**2.6%**	**2.38**

Source: Emsi, Q3 2021, Industry Table by Census Tract

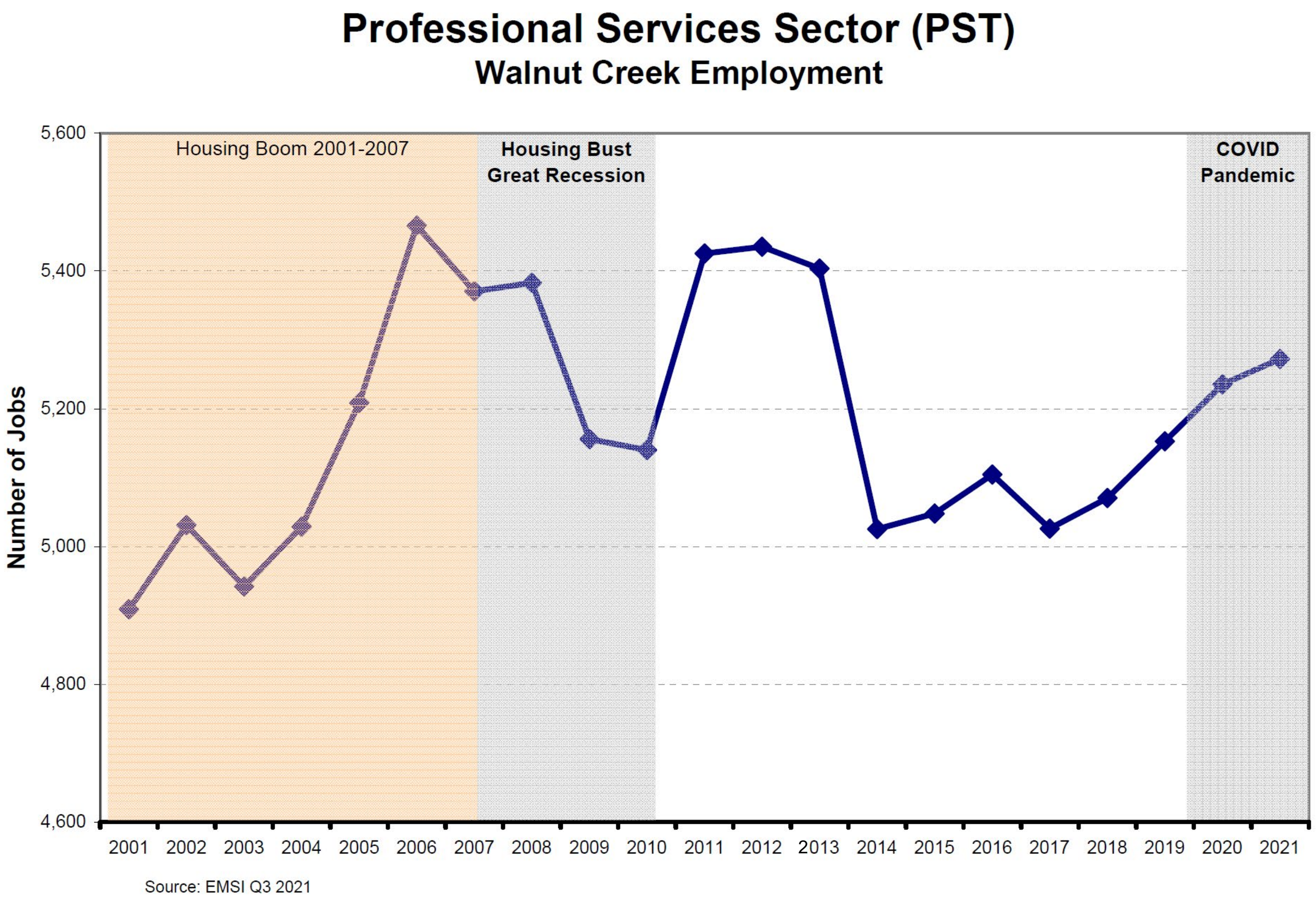
Professsional Service Sector by Subarea

Subarea	2010 Jobs	2021 Jobs	2010-2021 Change	% Change
Downtown	1,455	1,479	23	1.6%
South WC	554	610	56	10.2%
North Main	74	82	8	10.8%
PH Bart	2,556	2,544	(12)	(0.5%)
Mid-Ygnacio	126	138	13	10.0%
Shadelands	376	420	44	11.7%
Total Subarea	5,140	5,272	132	2.6%

Competitive Strength (LQ) is compared to a national score of 1.0.

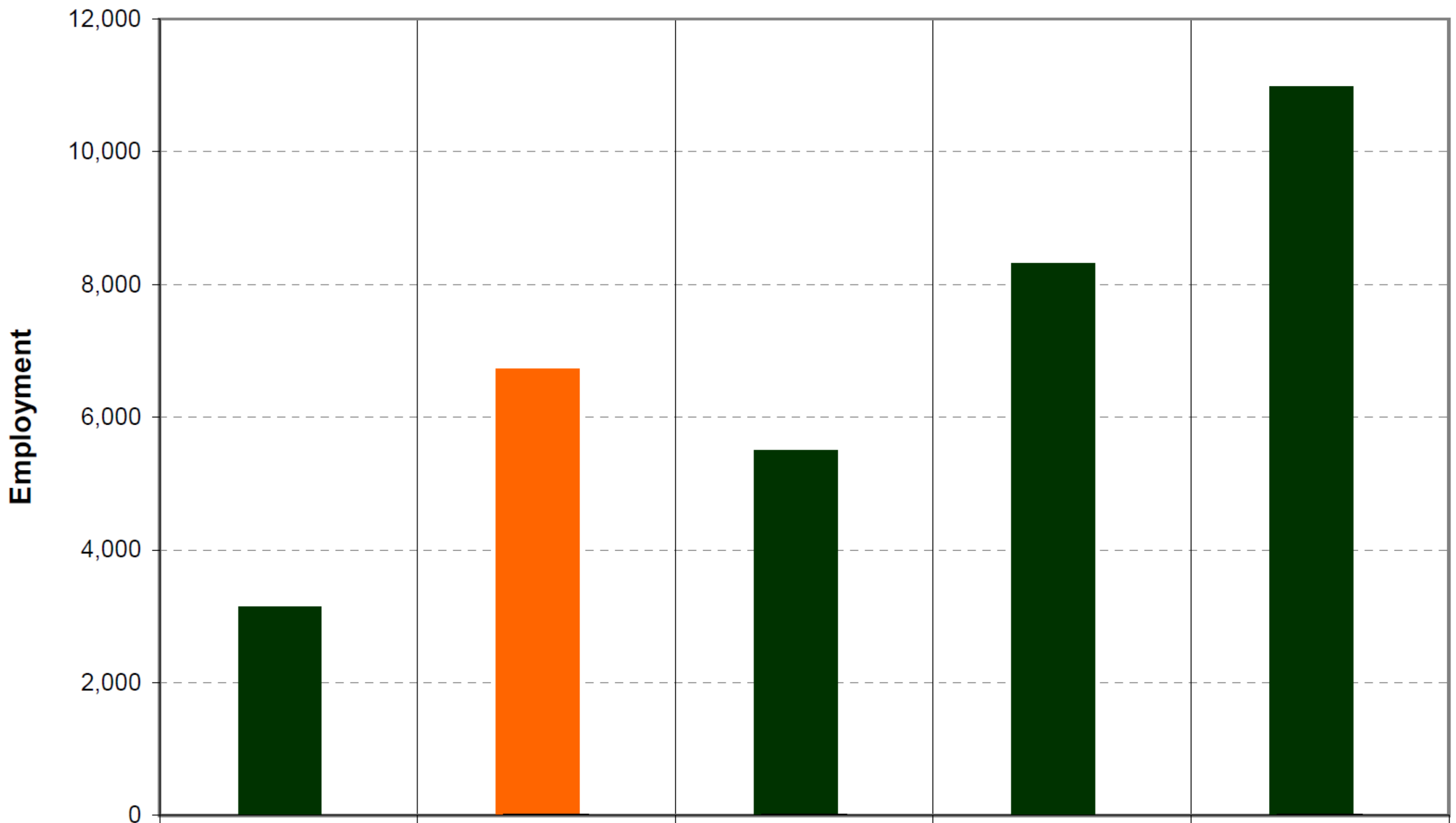
Professional service firms are heavily concentrated in the Downtown and Pleasant Hill BART districts. Although job growth is occurring, companies in this subsector are becoming more efficient with the amount of space they use by implementing technology and more open, shared workspaces. The sector has added jobs in the previous few years, though the area footprint of each job is less, meaning the Professional Services sector can not be predicted to continue to absorb office space.

Professional Services Employment Trends



The Professional Services subsector has lost jobs since peaking in 2012. While the city's concentration of professional services employment is above the national average, its growth compared to national growth has not kept pace, per the comparison shown on page 56.

Regional Professional Services Markets

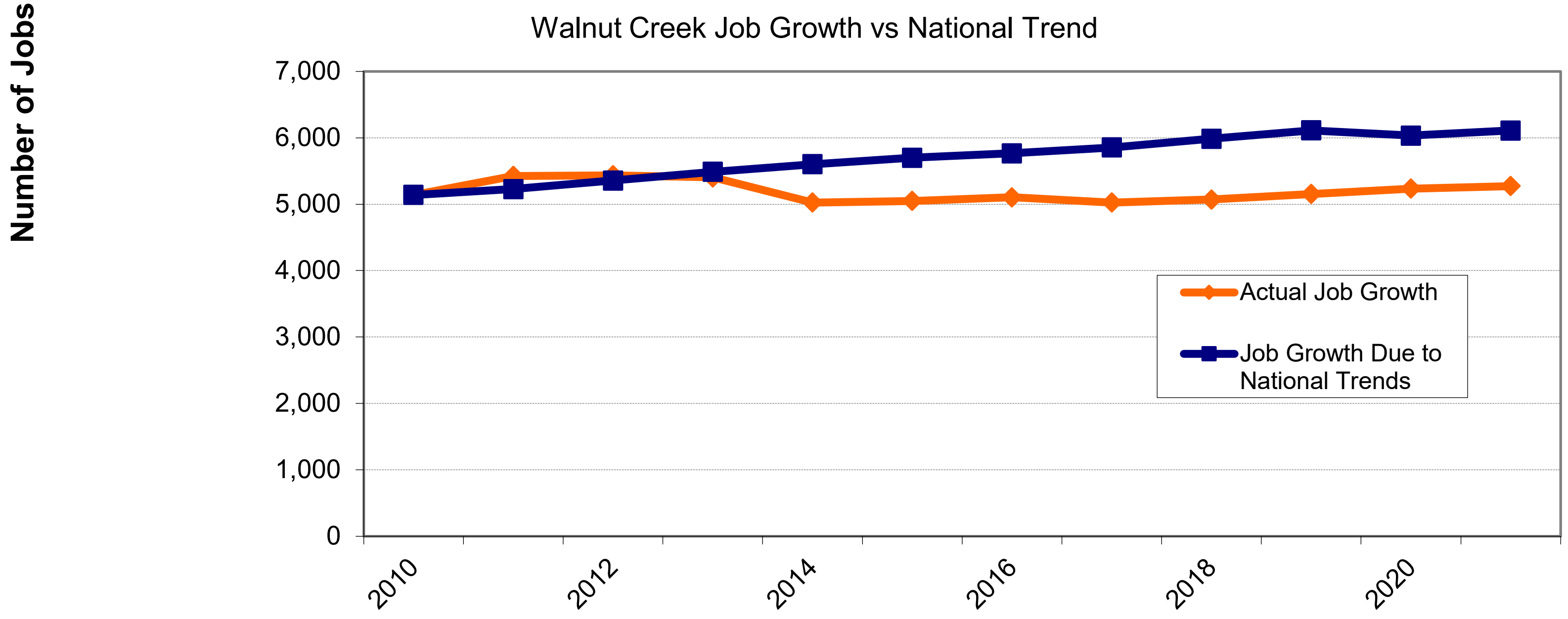


	Concord	Walnut Creek	San Ramon	Pleasanton	Downtown Oakland
Employment	3,147	6,735	5,496	8,313	10,974
Comparative Strength (LQ)	1.16	2.70	2.32	1.81	2.53
Growth Rate 2010-2021	14.0%	8.8%	17.3%	26.7%	16.9%

Emsi Q3 2021, Industry Data Tables

Professional Services include financial, legal, accounting, architectural, and real estate services. They are located in Walnut Creek as the office center for Central Contra Costa County.

Opportunities & Constraints: Professional Services



Source: Emsi Q3 2021, Industry Data Tables

Industries that are growing at a faster rate than the national average are leading industries, while industries that are growing slower are considered lagging industries.

Business Support Subsector Employment

Business Support Employment (2010 compared to 2021)

				Sector Performance (Growth/Decline)		Competitive Advantage
NAICS	Industry Sector	2010 Jobs	2021 Jobs	Amount	2010 - 2021 Change	Relative Strength (LQ)
5611	Office Administrative Services	112	174	62	55%	0.95
5612	Facilities Support Services	41	25	(16)	(39%)	0.56
5613	Employment Services	880	1,474	594	67%	1.36
5614	Business Support Services	123	42	(81)	(66%)	0.17
5615	Travel Arrangement and Reservation Services	44	28	(16)	(36%)	0.60
5616	Investigation and Security Services	96	180	84	88%	0.57
5617	Services to Buildings and Dwellings	334	461	126	38%	0.66
5619	Other Support Services	29	38	9	32%	0.38
	Total Business Support Sector	**1,660**	**2,422**	**762**	**45.9%**	**0.90**

Source: EMSI, Q3 2021, Industry Table by Census Tract

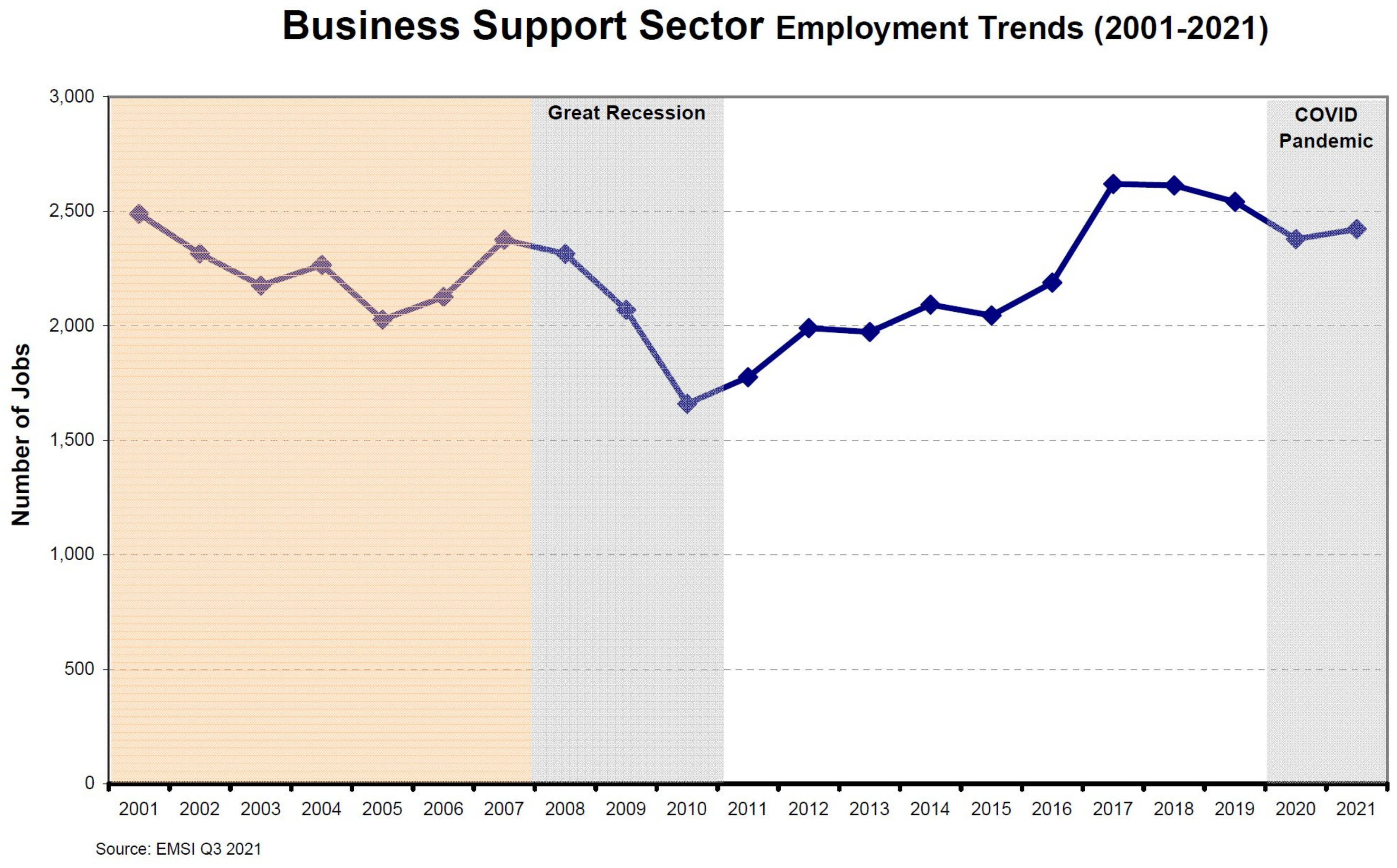
Business Support Sector by Subarea

Subarea	2010 Jobs	2021 Jobs	2010 - 2021 Change	% Change
Downtown	1,013	1,501	488	48.2%
South WC	182	272	90	49.7%
North Main	66	83	17	25.0%
PH Bart	266	405	140	52.5%
Mid-Ygnacio	85	99	14	17.1%
Shadelands Business Park	49	62	13	27.5%
Total Business Support Sector	1,660	2,422	762	45.9%

This category of employment, comprised of the ecosystem of workers who help keep office-users businesses running, as typified by security firms, temp agencies, property management firms, and much more. Therefore, the sector is a useful bellwether indicator for employment trends.

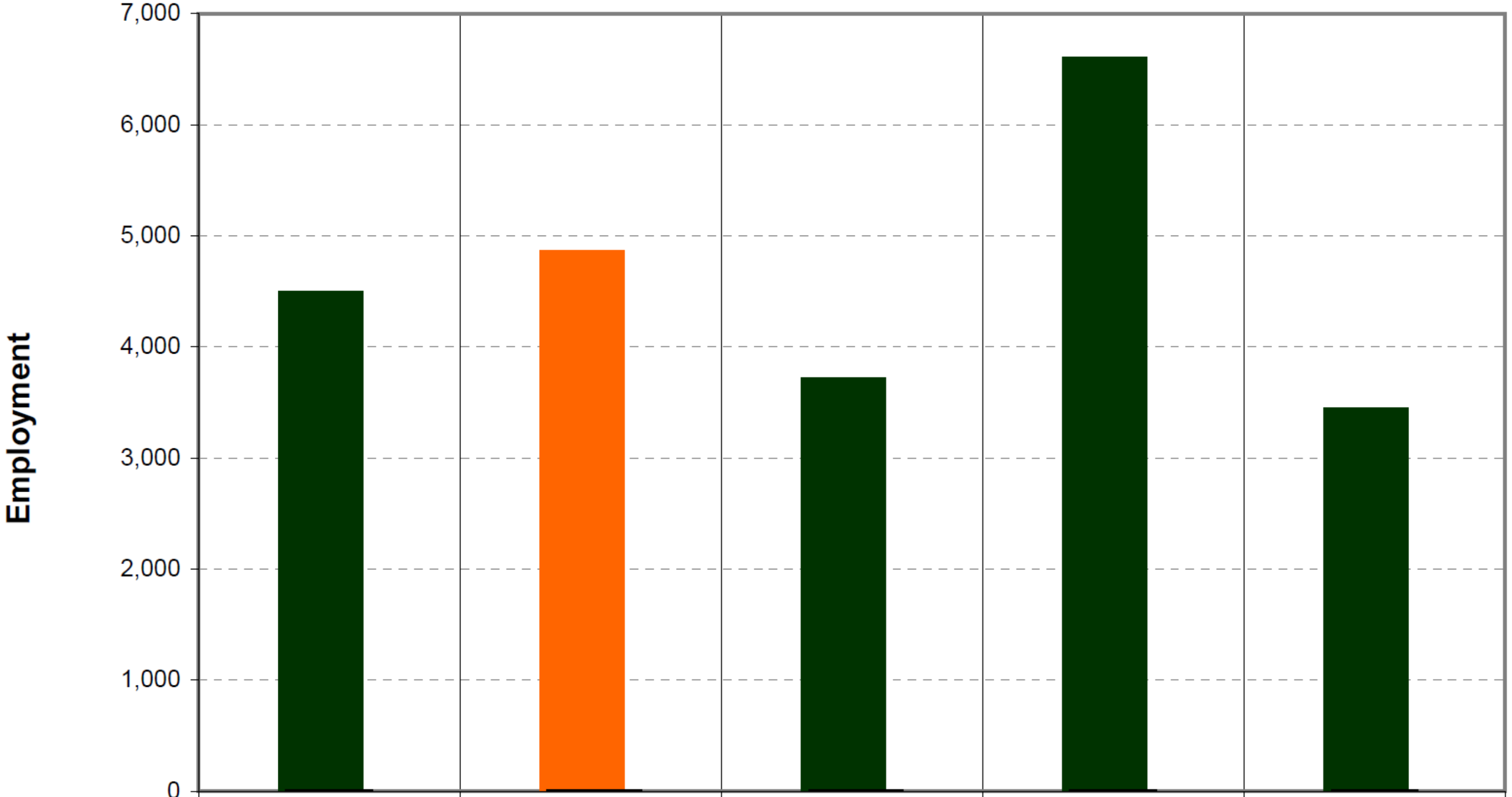
Competitive Strength (LQ) is compared to a national score of 1.0.

Business Support Employment Trends



The Business Support sector has been impacted by COVID and is expected to recover over the next two years maintaining twenty-year employment trends.

Regional Business Support Markets



	Concord	Walnut Creek	San Ramon	Pleasanton	Downtown Oakland
Employment	4,498	4,872	3,726	6,610	3,449
Comparative Strength (LQ)	1.76	2.07	1.96	1.93	0.84
Growth Rate 2010-2021	50.2%	78.5%	77.8%	35.0%	10.3%

Emsi Q3 2021, Industry Data Tables

Business Support employees are sometimes officed in a different submarket closer to the "third outer ring" of a metro area, closer to where they live due to lower salary bases or out of the area entirely taking advantage of remote work trends. (i.e. accounting, HR, etc)

Tech Subsector Employment Profile

				Sector Performance (Growth/Decline)		Competitive Advantage
NAICS	Industry Sector	2010 Jobs	2021 Jobs	Amount	2010 - 2021 Change	Relative Strength (LQ)
3254	Pharmaceutical	112	89	(23)	(21%)	0.87
3342	Communications Equipment	116	46	(70)	(60%)	1.90
3343	Audio and Video Equipment	3	4	1	33%	1.06
3344	Electronic Component	39	5	(34)	-87%	0.02
3345	Instruments	14	18	4	27%	0.14
3391	Medical Equipment and Supplies	66	26	(39)	(60%)	0.28
4541	Electronic Shopping	28	200	171	603%	1.44
5112	Software Publishers	125	322	197	158%	1.87
5415	Computer Systems Design	502	675	173	34%	0.89
5417	Research and Development	66	83	17	27%	0.31
	Total R&D/Tech Sector	1,072	1,469	398	37.1%	0.87

Source: EMSI, Q3 2021, Industry Table by Census Tract

R&D/Tech Sector by Subarea

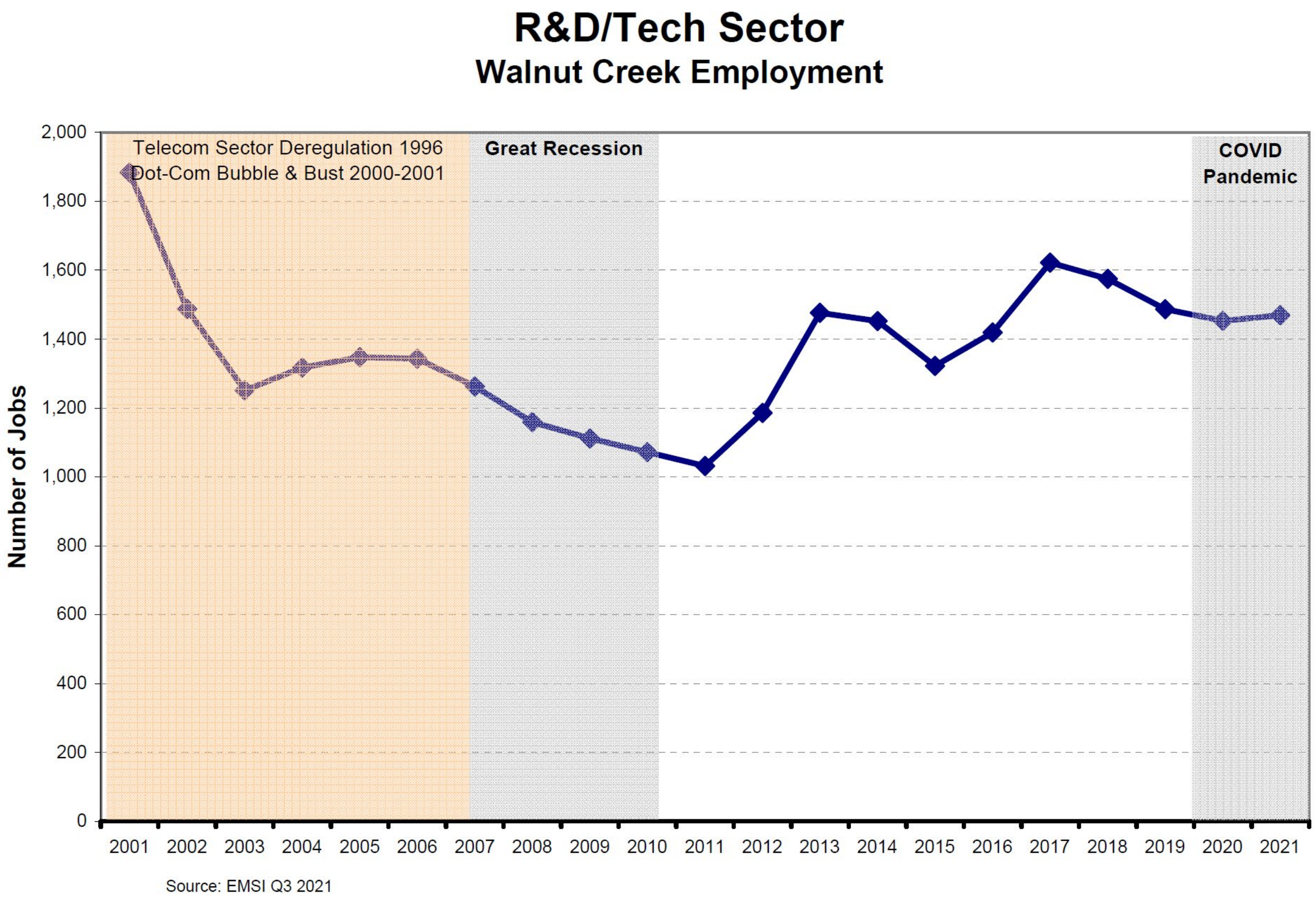
Subarea	2010 Jobs	2021 Jobs	2010 - 2021 Change	% Change
Downtown	312	689	376	120.4%
South WC	164	208	44	26.7%
North Main	155	100	(55)	(35.2%)
PH Bart	196	256	60	30.6%
Mid-Ygnacio	41	50	9	21.1%
Shadelands Business Park	204	167	(36)	(17.9%)
Total Tech Sector	1,072	1,469	398	37.1%

Competitive Strength (LQ) is compared to a national score of 1.0.

Walnut Creek has a small, but growing, technology sector. The largest subsectors are computer systems design, software, and electronic shopping technology jobs.

While the industry sector ranks 5th for greatest growth in Walnut Creek, it still underperforms slightly compared to national averages, as noted in the Relative Strength score of 0.87 on the table to the left .

Tech Employment Trends

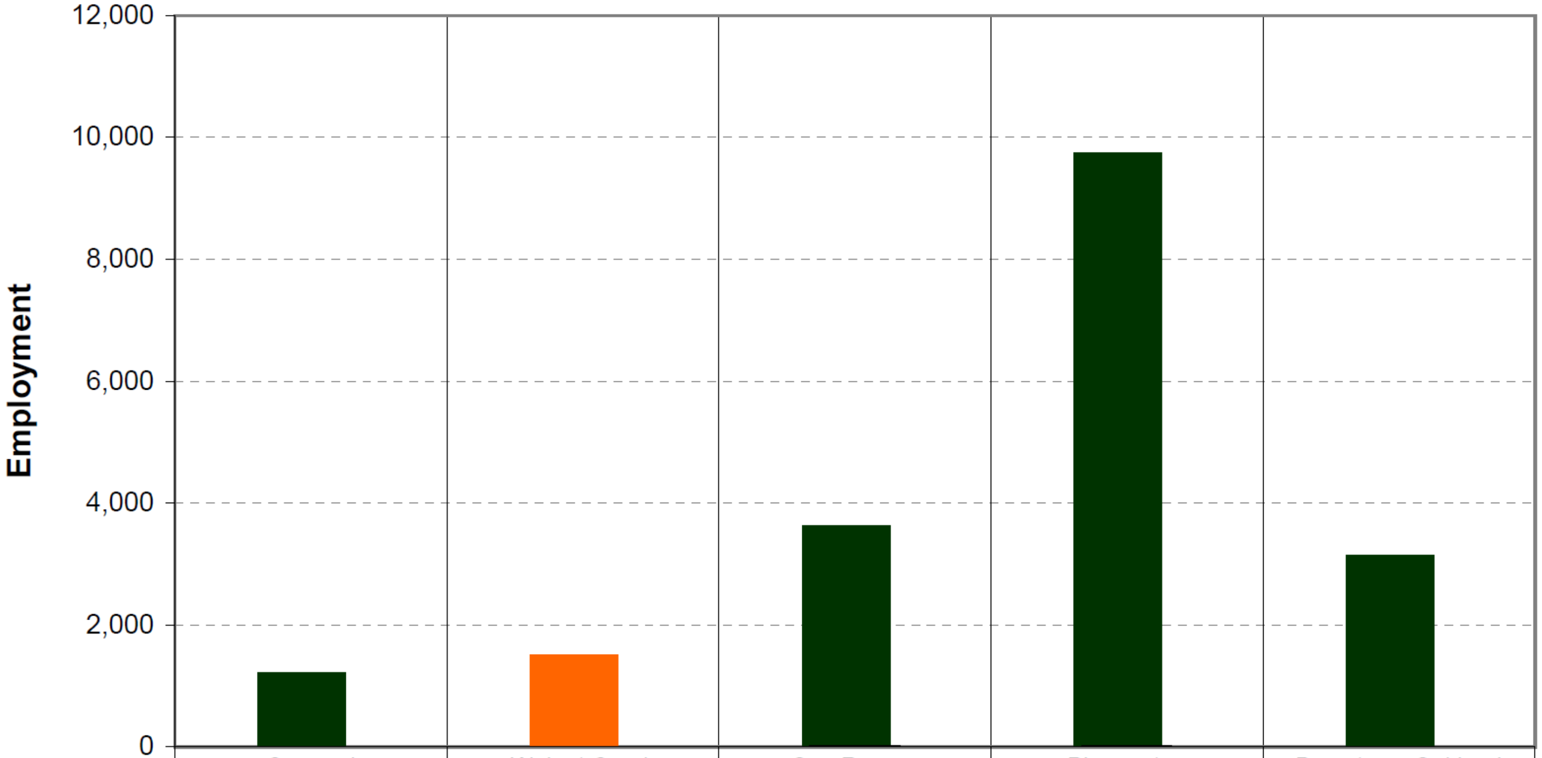


R&D/Tech businesses rely more heavily on younger demographics and on populations with higher proportions of immigrants.

Compared to Fremont, the Tri-Valley, and to a lesser extent, Berkeley/Emeryville/Oakland, Walnut Creek's resident workforce's average age is slightly higher and has a more fixed population with less in-flow of highly skilled immigrants from other parts of the country and world. This results in less new intellectual capital or exchange of ideas.

Source ESRI & EMSI demographics

Regional Tech Markets



	Concord	Walnut Creek	San Ramon	Pleasanton	Downtown Oakland
Employment	1,219	1,513	3,638	9,753	3,139
Comparative Strength (LQ)	0.83	1.11	3.31	4.93	1.33
Growth Rate 2010-2021	1.2%	22.3%	47.1%	65.5%	28.0%

Emsi Q3 2021, Industry Data Tables

Tech tenants have not yet located in significant numbers to the North 680 Corridor as opposed to the Tri-Valley which is closer to Silicon Valley. One Factor is that Lawrence Livermore Lab is also located here which as a research lab has spawned over 120 plus related private sector companies in TriValley.

Many Silicon Valley tenants & expanders are looking for a unique mix of Flex or Flex-type office space and urban attractiveness.

In order for Walnut Creek to be able to compete in this field, changes in zoning and creative building renovations would need to be made, such as an expansion of higher speed internet in both commercial and residential areas and the development of Innovation Zone overlays. *Source: "Seven Reasons Why a Business Should Have Fast Internet, Sophie Turton, 2020"; "Importance of High-Speed Internet for your Business, Nate Plummer, 2015"*

Technology and Life Science companies require high speed fiber optic internet.

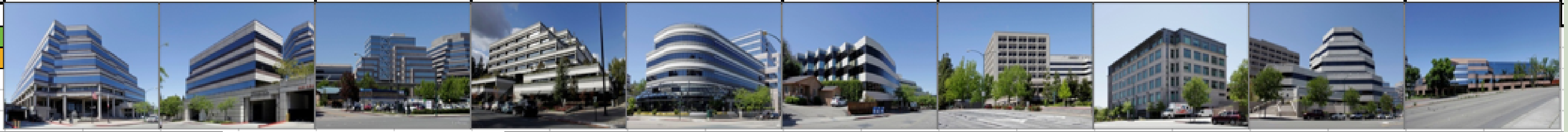
Appendix

Office Market Trends (Exhibit ii)

Stacking Charts only show Class A buildings with 100,000+ SF

Floors										
10			9,317				1,766 / 2,831		3,955	
9	10,051		28,000				4,785		18,440	
8			1,657							
7	19,907			1,485			3,469		3,570	
6	5,095						9,840	3,329	14,093	
5		13,237 / 6,447		16,211			9,490		17,454	
4	2,997			23,922	2,674	33,517	6,775			6,588
3	5,763		607	26,757	2,502	2,624 / 18,324	9,420		8,106 / 6,228	9,463 / 5,896
2	10,101	1,248	11,828	1,044		40,942	5,605	5,646	3,531	5,158
1	3,542		1,434	7,767		5,872	4,219		25,794	6,693
Bldg Name	Mt Diablo Plaza I	Mt Diablo Plaza II	California Plaza	One Walnut Creek Center	Two Walnut Creek Center	Riviera Plaza	One Ygnacio Center	Three Ygnacio Center	Two Ygnacio Center	500 Ygnacio Valley Rd
Address	2175 N California Blvd	2185 N California Blvd	2121 N California Blvd	100 Pringle Ave	200 Pringle Ave	1600 Riviera Ave	1990 N California Blvd	2001 N Main St	2033 N Main St	500 Ygnacio Valley Rd
Property Size (SF)	203,500	125,079	394,123	193,518	63,574	156,000	276,250	166,468	191,199	105,495
Direct Available (SF)	57,456	7,695	52,843	77,186	2,502	98,655	52,965	8,975	93,066	27,902
Sublease Available (SF)	0	13,237	0	0	2,674	2,624	5,235	0	8,106	5,896
Total Available (SF)	57,456	20,932	52,843	77,186	5,176	101,279	58,200	8,975	101,172	33,798
Vacancy (%)	28.23%	16.74%	13.41%	39.89%	8.14%	64.92%	21.07%	5.39%	52.91%	32.04%
Weighted Average Rent (FS	$4.15	-	-	$4.25	$4.25	$3.55			$4.00	$4.15
Link	Mt. Diablo Plaza		California Plaza	Walnut Creek Center I & II		Riviera Plaza	Ygnacio Centers at Walnut Creek			500 Ygnacio

Direct
Sublease
Ground Floor Retail



Source: CoStar, October 18th, 2022
The above survey is a selection of office buildings and not representative of the entire office market.

Office Market Trends (Exhibit ii)

Stacking Charts only show Class A buildings with 100,000+ SF

Floor										
7										
6					1,265	1,728	2,436	4,325		
5				1,350	11,900			4,328		
4	5,021		7,281	2,276				6,165		
3	11,352	18,360	3,292	1,880		2,543		1,182 / 5,308		37,000
2	9,017	7,639	3,805		6,264	6,740	4,827	3,931	11,778	23,004
1	1,611	13,652		2,654	2,288	4,974		13,295	11,686	24,999
Bldg Name	The Atrium On Broadway	Civic Executive Center	101 Ygnacio Plaza	Growers Square	Growers Square	Gateway Centre	The Plaza at Walnut Creek	The Plaza at Walnut Creek	Alpine Square	2700 Ygnacio
Address	1981 Broadway	201 N Civic Dr	101 Ygnacio Valley Rd	1646 N California Blvd	1676 N California Blvd	1850 Mt Diablo Blvd	1331 N California Blvd	1333 N California Blvd	1777 Botelho Dr	2700 Ygnacio Valley Road
Property Size (sf)	112,000	165,117	82,520	85,846	87,770	118,400	131,490	207,247	99,458	107,146
Direct Available (sf)	27,001	39,651	14,378	8,160	3,553	15,985	7,263	31,187	23,464	85,003
Sublease Available (sf)	0	0	0	0	18,164	0	0	7,347	0	0
Ground Floor Retail (SF)	0	0	0	0	0	0	0	0	0	0
Total Available (sf)	27,001	39,651	14,378	8,160	21,717	15,985	7,263	38,534	23,464	85,003
Vacancy (%)	24.11%	24.01%	17.42%	9.51%	24.74%	13.50%	5.52%	18.59%	23.59%	79.33%
Weighted Average Rent ($FS)	-	-	$3.75	-	-	-	-	-	$3.90	$2.45
Sublease Asking Rents (FS)	-		-	-	-		-	-	-	-
Retail Asking Rents (NNN)		-	-	-	-	-	-	-	-	-
Parking Rate										
Link	Atrium @ Broadway	Civic Executive Center	101 Ygnacio Plaza	Growers Square		Gateway Centre	The Plaza at Walnut Creek		Alpine Square	

Direct
Sublease
Ground Floor Retail

Source: CoStar, October 18th, 2022
The above survey is a selection of office buildings and not representative of the entire office market.

Office Market Trends

Rental Rates

Average Rental Rates for the entire East Bay are between $2.20 per sf per month and $2.60 per sf full service (exceptions being Downtown Walnut Creek and Oakland where Class A Rents are higher, double in some cases). Note that these rental rates are 40 to 45% of replacement value for newly constructed buildings. This study forecasts that there will be few new office buildings built in the East Bay next five plus years (exceptions possibly in Downtown Oakland, or new medical buildings as medical requires new construction and/or specific build to suits for life science and tech companies.

Building Functionality

The Walnut Creek Office Building Class A vacancy rate is approximately 21 to 24% vacant totaling over 1,023,000 SF. Most of the current Class A buildings in Walnut Creek were built in the 1980's. The only downtown Class A tower built after 1992 was Ygnacio Three in 2002. What is noteworthy about the age of these buildings is that none of them have been rehabbed in the last 30 years for recent seismic standards necessary for medical, tech, and life science occupants who require seismic upgrades for use of laser and other laboratory technologies. Several of the Class A Office Midrise Towers in the Golden Triangle BART District were built for an historical tenant profile of back-office users that is no longer market relevant. These buildings have on the lower stories, floors 2-4, large floor plates of over 30,000 to 40,000 SF characterized by deep bay depths,45 to 60 SF from the window line for back-office FIRE Tenants (i.e., financial, insurance, real estate and engineering uses) used as large cubicle open space work areas.

These lower floors are where most of the currently office space vacancy is located. These buildings were built in the 1980's to lease to the FIRE tenants who were attracted away from Downtown San Francisco following their employees who sought affordable housing in Central Costa County. These same tenants have now started to migrate out of the Bay Area, to where their employees now live in more affordable housing areas that offer housing in the $400,000 to $500,000 range. [Note the average FIRE salary range is $60,000 to $120,000 per year and is not a sustainable salary wage rate to attract employees in Walnut Creek and Central Contra Costa County.] Measure A also limits the heights of these office buildings and is a growth constraint.

Class A Structures downtown are charging $80 to $120 per parking stall. Tenants located in the outer suburban ring often have access to free parking.

Building Functionality

Class B and C buildings in Shadelands which are of wood and concrete tilt up construction, are even older with most built in the 1970's and 1980's and do not meet current seismic and/or Title 24 energy standards. Shadelands Business Park also suffers from not being three to four blocks from a highway interchange unlike its competitor business parks in TriValley, San Ramon, Concord, and Fairfield. The rental rates in Shadelands on average are lower than the Class A more recently built structures in Concord (vintage 1990's) or buildings located in San Ramon (Bishop Ranch).

South Walnut Creek has several obsolete wood frame and light steel buildings built in the late 1970's and early 1980's on South Broadway and across South Main from the Kaiser Permanente Hospital Campus. The potential here is for new medical, laboratory, or life science buildings. Proximity to Downtown, highway access, and Kaiser Permanente Medical Center are crucial ingredients for redevelopment as a medical life science innovation tech zone.

R&D Space

Warehouse space in the East Bay has a current vacancy rate of 4.9% (3.8% in the 880 corridor) reflecting just-in-time logistics and storage demand with the vacancy rate in new warehouses over with proper clear heights of 32 to 38 feet, dock high truck loading doors, fire sprinkler and upgraded electrical power. Most warehouses are located along the highway 4 corridor between Hercules, Martinez, Concord, and East County. Walnut Creek has a mixture of small warehouse, flex, R&D, some labs in Shadelands (i.e., Del Monte), commercial repair services etc totaling approximately 687,000 SF. Note that most warehouses older than 1995 do not have requisite clear heights, proper fire sprinklers and/or truck loading doors.

Biosciences, Life Sciences and Technology

While Life Sciences had a strong 2021 in Alameda County along the 880 Corridor with total leases transacted at 519,451 SF, Central Contra Costa County had minimal activity. Life Sciences is a potential tenant sector for Walnut Creek in the future involving biotech, bio synthetics and medical laboratories. Technology related companies currently employ only 2.9 % of the Walnut Creek workforce but could be a major employer in the future.

These tenants require new buildings connected to high-speed fiber optics with highway access. Potential development areas include South Walnut Creek and North Main Street past the interchange on the highway side where 4 stories could be possible built down the slope within Measure A height Limits. Zoning would have to be updated (i.e., Innovations Zones that allow laboratories and R & D Biotech manufacturing uses similar to Emeryville).

Walnut Creek has a highly educated population which is important to attracting life sciences and technology employers.

A typical R&D/Life Sciences use mix includes 70%-80% office and/or lab space with some minor warehouse.

Logistics/Warehouse: 10%-20% office with 80%-90% warehouse.

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