

Tri-Valley Office Market

One Year Later...Office & R&D Market Overview

Similar to the balance of the Bay Area, the Tri-Valley office and R&D market experienced another quarter of negative absorption; however, we have seen several indications that the market is starting to turn, specifically with an uptick in activity and sales velocity.

Statistical Overview

The first quarter of 2021 echoed the last three quarters statistically. Overall, Q1 resulted in a negative net absorption of 134,189 square feet. This brought the overall vacancy rate up to 17.8%, a 31% increase from the 13.6% vacancy rate at the start of the Covid-19 pandemic twelve months ago.

Leasing Activity – Signs of a New Day

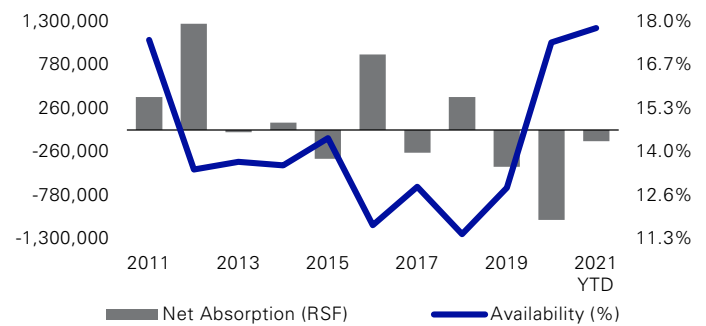
While statistically the first quarter looks like the past three quarters of the pandemic, activity has certainly changed. Touring activity is up across the market, starting with increased inquiries in January and having transitioned to tours and proposals. The majority of activity is from local and regional privately held companies. Corporate activity is slow, although numerous publications related to corporate America’s return to the office are being seen as positive in terms of future activity.

Market Summary

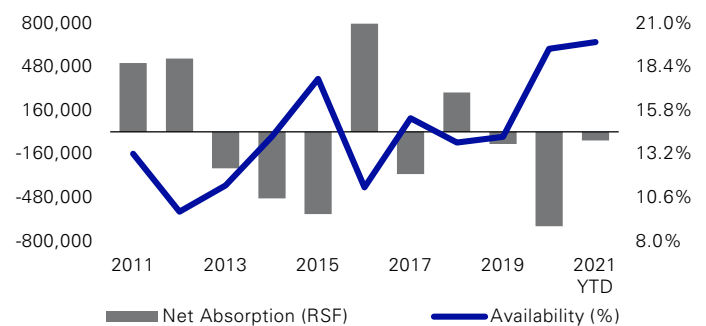
	Current Quarter	Prior Quarter	Year Ago Period	12-Mo Forecast
Total Inventory (SF)	29.9M	29.9M	29.9M	→
Total Avail Rate	17.8%	17.3%	13.6%	↓
Qtr Net Abs (SF)	-134K	-384K	-220K	↓
Dir FS Class A Rent	\$3.11	\$3.11	\$3.11	→
Dir FS Class B Rent	\$2.49	\$2.49	\$2.52	→
Dir NNN Flex Rent	\$1.73	\$1.73	\$1.82	→

Net Absorption & Availability

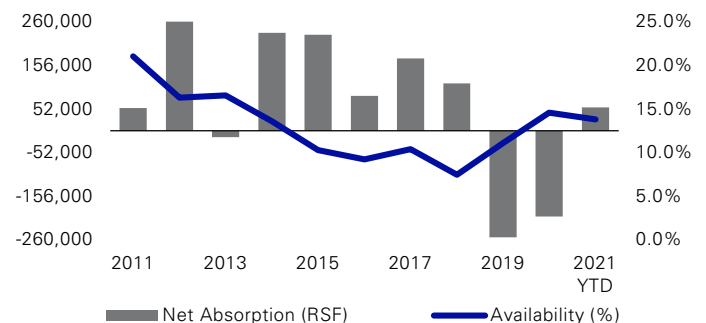
OVERALL TRI-VALLEY



BISHOP RANCH, SAN RAMON, DUBLIN, PLEASANTON (CLASS A)



TRI-VALLEY FLEX MARKET



RESEARCH 1Q 2021

While the activity is a positive change, tenants are keenly aware of the increases in vacancy and weaker tenant demand and are pursuing aggressive deal terms. While asking rents have generally stayed at pre-pandemic levels, free rent and tenant improvement allowances have increased in almost all circumstances. We have also seen landlords get creative by offering move allowances and furniture packages.

Of specific note, Sunset Development has executed several transactions within the Bishop Ranch business park in an effort to relocate tenants out of Bishop Ranch 6, as it is actively working with the city of San Ramon to design residential units on the Bishop Ranch 6 site. The most notable transactions include the relocations of Mason McDuffie into roughly 22,000 square feet and RheoSense into 12,000 square feet, both in Bishop Ranch 15.

Sales Activity

Q1 2021 is the first quarter since the pandemic started where multiple notable sale transactions closed. 10X Genomics closed on JC Penney Plaza, a 14.6 acre site on Stoneridge Mall Road. The rapidly growing life science company intends to tear down

the retail project and build a new R&D headquarters in addition to the 150,000 square foot office lease it signed at 6210 Stoneridge Mall Road. Also on Stoneridge Mall Road, Workday purchased a five-building project that it currently occupies. The transaction was off market, and as the seller was Workday's founder Dave Duffield, the transaction was not considered a true market deal. In Dublin, Hites Plaza closed escrow with a new owner coming into the Tri-Valley.

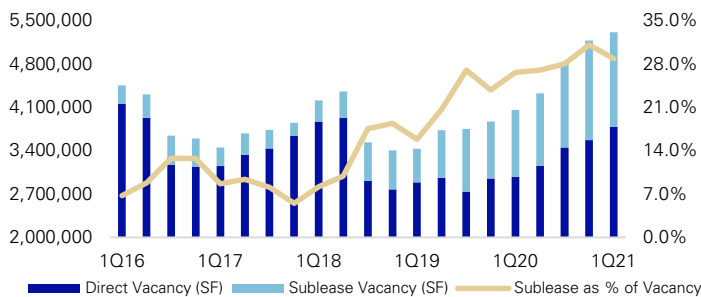
Over the last six months, one of the few bright spots in the market has been the owner/user sales for under 10,000 square feet. Buyer demand is seemingly as strong as it has ever been. Sales valuations were relatively unchanged during 2020 and starting in 2021 we are now seeing record pricing of both condo units and free-standing buildings.

Looking Forward

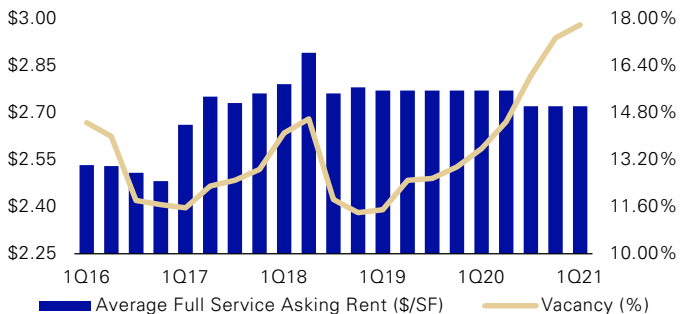
We are encouraged by the uptick in activity in the market as it indicates a return to the workplace, but there continues to be a very large delta between tenant and landlord expectations on deal terms. We anticipate this will lead to prolonged negotiations and should keep asking rents flat through mid-year.

Market Analysis – Overall Tri-Valley Market

SUBLEASE V. DIRECT VACANCY



ASKING RENT V. VACANCY RATE



Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
ADP	4125 Hopyard Road	Pleasanton	Renewal	62,446
SolarJuice	6950 Preston Ave	Livermore	Direct	57,988
Fastly	5142 Franklin Drive	Pleasanton	Direct	14,179
BeneSys	7180 Koll Center Parkway	Pleasanton	Direct /Expansion	12,236
RheoSense	12667 Alcosta Blvd	Bishop Ranch	Direct	11,997

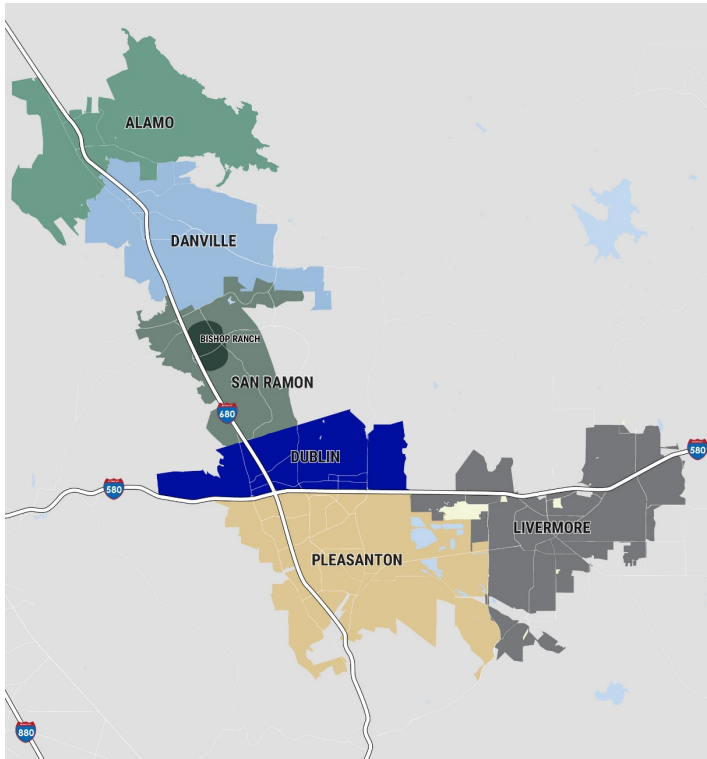
Select Investment Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
JC Penney Plaza	Pleasanton	\$29,400,000	\$46 (Land)	14.6 acres
6110-6160 Stoneridge Mall Road	Pleasanton	\$172,500,000	\$177	972,700
5601 Arnold Road	Dublin	\$34,700,000	\$289	120,199
9301 Firecrest Court	San Ramon	\$4,525,000	\$391	11,560

Overall Submarket Statistics								
	Total Inventory (SF)	Total Availability* (SF)	Sublease Availability* (SF)	Total Availability* Rate	Sublease Availability* Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct FS** Asking Rent (Price/SF)
Danville/Alamo	845,738	98,264	11,374	11.62%	1.34%	-18,070	-18,070	\$3.47
Class A	273,074	55,476	7,625	20.32%	2.79%	-8,602	-8,602	\$3.65
Class B	436,138	30,599	3,749	7.02%	0.86%	-7,070	-7,070	\$3.25
Class C	136,526	12,189	0	8.93%	0.00%	-2,398	-2,398	\$3.06
Bishop Ranch	7,557,624	1,784,734	710,256	23.62%	9.40%	-62,086	-62,086	\$3.03
Class A	6,731,842	1,452,777	658,902	21.58%	9.79%	567	567	\$3.15
Class B	632,272	283,026	2,423	44.76%	0.38%	-62,653	-62,653	\$2.50
Flex	193,510	48,931	48,931	25.29%	25.29%	0	0	\$1.75
San Ramon	2,169,320	310,155	36,692	14.30%	1.69%	-15,286	-15,286	\$2.53
Class A	672,231	187,144	17,636	27.84%	2.62%	-12,922	-12,922	\$2.85
Class B	921,773	75,845	16,270	8.23%	1.77%	-4,265	-4,265	\$2.35
Class C	230,967	22,094	2,786	9.57%	1.21%	3,747	3,747	\$2.05
Flex	344,349	25,072	0	7.28%	0.00%	-1,846	-1,846	\$1.75
Dublin	3,206,526	461,238	204,994	14.38%	6.39%	-5,357	-5,357	\$2.56
Class A	1,388,188	231,119	184,637	16.65%	13.30%	0	0	\$3.20
Class B	498,200	104,488	803	20.97%	0.16%	-1,850	-1,850	\$2.12
Class C	339,799	28,978	0	8.53%	0.00%	7,066	7,066	\$1.95
Flex	980,339	96,653	19,554	9.86%	1.99%	-10,573	-10,573	\$1.60
Pleasanton	12,886,067	2,015,588	467,515	15.64%	3.63%	-20,647	-20,647	\$2.75
Class A	6,712,059	1,209,997	413,613	18.03%	6.16%	-50,806	-50,806	\$3.05
Class B	2,457,836	406,699	32,042	16.55%	1.30%	-17,957	-17,957	\$2.60
Class C	421,971	10,143	0	2.40%	0.00%	5,122	5,122	\$2.26
Flex	3,294,201	388,749	21,860	11.80%	0.66%	42,994	42,994	\$2.03
Livermore	3,225,252	645,324	103,113	20.01%	3.20%	-12,743	-12,743	\$1.64
Class A/B	916,183	224,536	78,911	24.51%	8.61%	-37,904	-37,904	\$2.35
Class C	91,874	10,991	0	11.96%	0.00%	0	0	\$1.82
Flex	2,217,195	409,797	24,202	18.48%	1.09%	25,161	25,161	\$1.45
Tri-Valley	29,890,527	5,315,303	1,533,944	17.78%	5.13%	-134,189	-134,189	\$2.72
Class A	15,777,394	3,136,513	1,282,413	19.88%	8.13%	-71,763	-71,763	\$3.11
Class B	5,862,402	1,125,193	134,198	19.19%	2.29%	-131,699	-131,699	\$2.49
Class C	1,221,137	84,395	2,786	6.91%	0.23%	13,537	13,537	\$2.12
Flex	7,029,594	969,202	114,547	13.79%	1.63%	55,736	55,736	\$1.73

*Total Availability is space marketed for lease regardless of whether the space is vacant or occupied

**Flex Asking Rents are shown in NNN



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