

Tri-Valley Office Market

Employees Are Coming Back to the Office.... Slowly?

California is open, including offices, but you might not know it by looking at office building parking lots. The much-anticipated June 15 “reopening” came and went without much fanfare as employers and employees have been slow to head back to their respective offices. That said, the second quarter started off with an encouraging upswing of activity, which should result in completed transactions later this year.

Statistical Overview

The second quarter of 2021 ended with 238,512 square feet of negative net absorption, which brings the year-to-date total to negative 372,701 square feet. This increased in the total market availability rate to 18.96%. Said another way, there is 37.3% more space available today than at the end of first-quarter 2020 or pre-COVID.

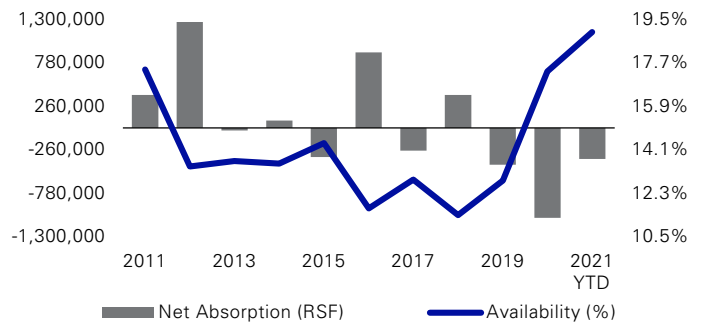
The majority of this quarter’s negative absorption was concentrated in the Pleasanton Class A submarket. The Shaklee headquarters at 4747 Willow Road has been on and off the market over the last couple years, and the 123,000-square-foot building is now back on the market; this building, along with the accumulation of many under 10,000 square foot spaces coming back on the market, accounts for the 185,000-square-foot negative absorption experienced in the submarket. There were two notable lease transactions completed this quarter. DiaCarta, a translational genomics and precision molecular diagnostics

Market Summary

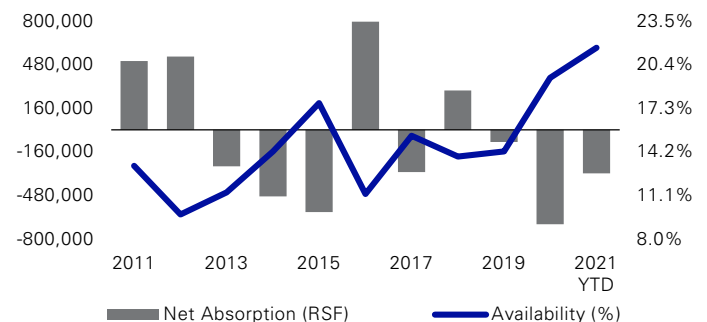
	Current Quarter	Prior Quarter	Year Ago Period	12-Mo Forecast
Total Inventory (SF)	29.9M	29.9M	29.9M	→
Total Avail Rate	19.0%	17.8%	14.4%	↑
Qtr Net Abs (SF)	-239K	-134K	-273K	↓
Dir FS Class A Rent	\$3.11	\$3.11	\$3.11	↓
Dir FS Class B Rent	\$2.49	\$2.49	\$2.52	↓
Dir NNN Flex Rent	\$1.73	\$1.73	\$1.82	↓

Net Absorption & Availability

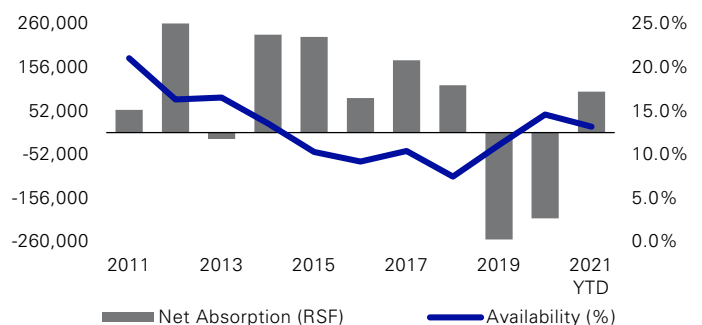
Overall Tri-Valley (All Classes)



Bishop Ranch, San Ramon, Dublin, Pleasanton (Class A)



Tri-Valley Flex Market



RESEARCH 2Q 2021

company, leased 37,000 square feet of lab and R&D space at 4385 Hopyard Road, Pleasanton. Brookfield Homes, a home developer, will be relocating from 500 La Gonda, Danville to Bishop Ranch 15 and signed a 16,434-square-foot lease at 12657 Alcosta Blvd. Both lease transactions are indicative of industries which are active in the market and actively pursuing space.

Hacienda Terrace, a three-building 321,000-square-foot Class A multi-tenant project in Pleasanton, sold this quarter for \$58.0 million, or approximately \$180/SF. The project was 70.0% occupied at the time of sale, and the new owner is reviewing numerous common area and project upgrades. Additionally, a number of smaller owner-user buildings and condominiums sold this quarter at pre-COVID valuations, with strong demand from buyers and accommodative financing from lenders. In June, a number of new buildings came to market for sale with continued strong demand from buyers and reaffirmation of sales values.

As mentioned in past reports, Sunset Development Company has continued making progress on the office to residential conversion at Bishop Ranch 6. While some companies still occupy space at the project, the majority of tenants have made deals elsewhere in the market, predominately within Bishop Ranch. The resulting impact has led to positive absorption, benefiting a few specific projects. Most notably, multiple large blocks of available space, including two full floors at Bishop Ranch 15, have been absorbed

as a result of these relocations. Significant BR15 lease transactions include: Mason McDuffie ($\pm 22,000$ square feet); Insight Global ($\pm 21,000$ square feet); Brookfield ($\pm 16,000$ square feet); RheoSense ($\pm 12,000$ square feet); Japonesque ($\pm 7,500$ square feet); and Clare Computer Solutions ($\pm 6,500$ square feet). In total, over 120,000 square feet of vacant space at BR15 has been leased in the last few quarters. Additionally, Sunset is working on accommodating the many smaller tenants under 1,000 square feet from BR6 in a full floor (55,000 square feet) at Bishop Ranch 1. The floor was previously occupied by Chevron's legal team and was left with many private offices and meeting rooms.

Looking Forward

The long-anticipated June 15th reopening has come and gone. Employers and employees are still settling in to what in-person office work looks like moving forward. We're seeing a number of companies adopt a hybrid work model, and we believe the second half of this year will continue in the evolution of reentry back into the office. The next major hurdle will be Labor Day and kids going back to school full-time. We are encouraged by an increase of office utilization and consistent announcements by technology or publicly traded companies stating their reentry plans. We anticipate the latter trend to result in an increase in activity over the second half of the year.

Select Lease/User Transactions

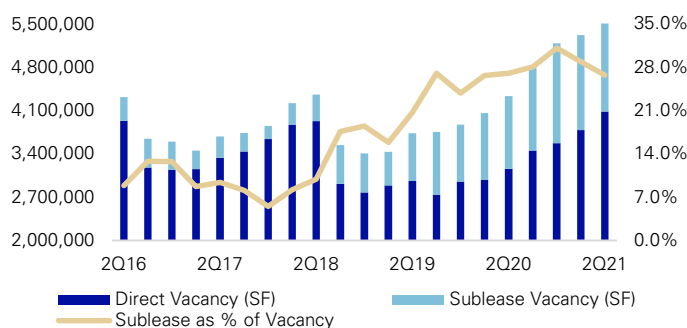
Tenant	Building(s)	Submarket	Type	Square Feet
DiaCarta	4385 Hopyard Road	Pleasanton	Direct	37,000
Brookfield Homes	12657 Alcosta Blvd	Bishop Ranch	Direct	16,434

Select Investment Sale Transactions

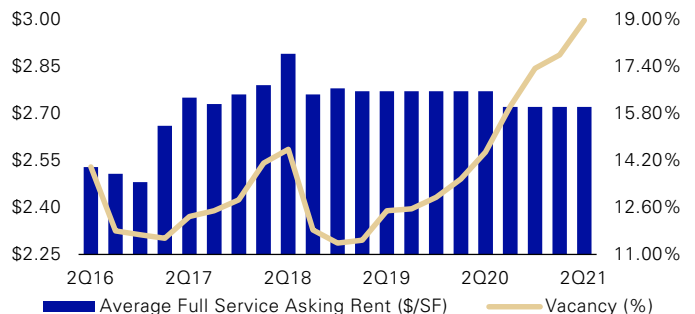
Building(s)	Market	Sale Price	\$/SF	Square Feet
4301, 4305, 4309 Hacienda Drive	Pleasanton	\$58,000,000	\$180	321,477
7101-7475 & 7503-7599 Southfront Rd	Livermore	\$21,500,000	\$98	218,856
4185 Blackhawk Plaza Circle	Danville	\$9,575,000	\$346	27,648

Market Analysis – Overall Tri-Valley Market

SUBLEASE V. DIRECT VACANCY



ASKING RENT V. VACANCY RATE

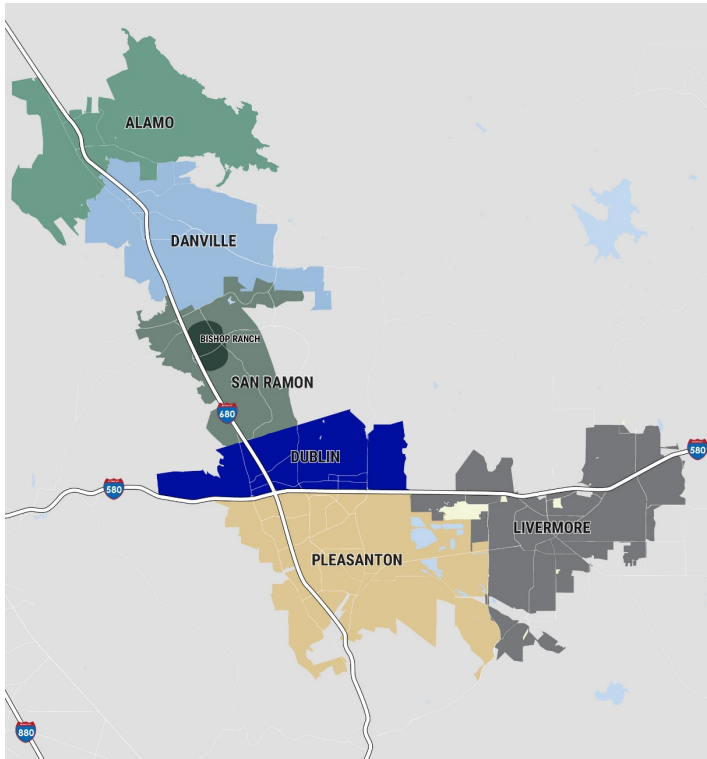


Overall Submarket Statistics								
	Total Inventory (SF)	Total Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Sublease Availability Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct FS* Asking Rent (Price/SF)
Danville/Alamo	845,738	91,211	13,975	10.78%	1.65%	7,053	-11,017	\$3.47
Class A	273,074	44,705	7,625	16.37%	2.79%	10,771	2,169	\$3.65
Class B	436,138	36,715	6,350	8.42%	1.46%	-6,116	-13,186	\$3.25
Class C	136,526	9,791	0	7.17%	0.00%	2,398	0	\$3.06
Bishop Ranch	7,022,472	1,828,352	721,033	26.04%	10.27%	-43,618	-105,704	\$3.03
Class A	6,731,842	1,496,395	669,679	22.23%	9.95%	-43,618	-43,051	\$3.15
Class B	97,120	283,026	2,423	291.42%	2.49%	0	-62,653	\$2.50
Flex	193,510	48,931	48,931	25.29%	25.29%	0	0	\$1.75
San Ramon	2,169,320	315,059	36,692	14.52%	1.69%	-4,904	-20,190	\$2.53
Class A	672,231	187,024	17,636	27.82%	2.62%	120	-12,802	\$2.85
Class B **	921,773	79,135	16,270	8.59%	1.77%	-3,290	-7,555	\$2.35
Class C	230,967	22,402	2,786	9.70%	1.21%	-308	3,439	\$2.05
Flex	344,349	26,498	0	7.70%	0.00%	-1,426	-3,272	\$1.75
Dublin	3,216,468	483,297	205,794	15.03%	6.40%	-12,117	-17,474	\$2.56
Class A	1,398,130	268,668	184,637	19.22%	13.21%	-27,607	-27,607	\$3.20
Class B	498,200	108,926	803	21.86%	0.16%	-4,438	-6,288	\$2.12
Class C	339,799	32,866	800	9.67%	0.24%	-3,888	3,178	\$1.95
Flex	980,339	72,837	19,554	7.43%	1.99%	23,816	13,243	\$1.60
Pleasanton	12,889,558	2,224,020	405,474	17.25%	3.15%	-204,941	-225,588	\$2.75
Class A	6,715,550	1,397,993	357,584	20.82%	5.32%	-184,505	-235,311	\$3.05
Class B	2,457,836	423,889	28,348	17.25%	1.15%	-17,190	-35,147	\$2.60
Class C	421,971	11,436	0	2.71%	0.00%	-1,293	3,829	\$2.26
Flex	3,294,201	390,702	19,542	11.86%	0.59%	-1,953	41,041	\$2.03
Livermore	3,225,252	625,309	103,113	19.39%	3.20%	20,015	7,272	\$1.64
Class A/B	916,183	225,865	78,911	24.65%	8.61%	-1,329	-39,233	\$2.35
Class C	91,874	10,991	0	11.96%	0.00%	0	0	\$1.82
Flex	2,217,195	388,453	24,202	17.52%	1.09%	21,344	46,505	\$1.45
Tri-Valley	29,368,808	5,567,248	1,486,081	18.96%	5.06%	-238,512	-372,701	\$2.72
Class A	15,790,827	3,394,785	1,237,161	21.50%	7.83%	-244,839	-316,602	\$3.11
Class B	5,327,250	1,157,556	133,105	21.73%	2.50%	-32,363	-164,062	\$2.49
Class C	1,221,137	87,486	3,586	7.16%	0.29%	-3,091	10,446	\$2.12
Flex	7,029,594	927,421	112,229	13.19%	1.60%	41,781	97,517	\$1.73

Total Availability/Sublease Availability is space marketed for lease regardless of whether the space is vacant or occupied.

*Flex Asking Rents are shown in NNN

**BR6 was removed from Class B inventory in Q2 2021



For more information:

Newmark

1333 N California Blvd, Suite 343
Walnut Creek, CA 94596
t 925-974-0100
Corporate CA RE #: 00832933

Nelson Roberts

Tri-Valley Market Researcher
nelson.roberts@ngkf.com

nmrk.com

Office Division

Dan Watson

Executive Vice President
t 925.467.0903
dan.watson@nmrk.com

Alex Grell

Senior Managing Director
t 925.974.0108
alex.grell@nmrk.com

Knute Bucklew

Senior Managing Director
t 925.974.0240
knute.bucklew@nmrk.com

Jeff Morgenstern

Senior Managing Director
t 925.467.0905
jeff.morgenstern@nmrk.com

Curtis Berrien

Managing Director
t 925.974.0129
curtis.berrien@nmrk.com

Danny Bartz

Director
t 925.974.0231
danny.bartz@nmrk.com

Breck Lutz

Vice Chairman
t 925.974.0109
breck.lutz@nmrk.com

Rick Steffens

Senior Managing Director
t 925.974.0110
rick.steffens@nmrk.com

Mark McNally

Senior Managing Director
t 925.974.0101
mark.mcnally@nmrk.com

Rich Hoyt

Managing Director
t 925.460.9292
rich.hoyt@nmrk.com

Dave Bruzzone

Managing Director
t 925.467.0910
dave.bruzzone@nmrk.com

Investment Division

Forrest Gherlone

Senior Managing Director
t 925.974.0237
forrest.gherlone@nmrk.com

Mike Zylstra

Senior Managing Director
t 925.974.0106
mike.zylstra@nmrk.com

Max Gunari

Associate
t 925.974.0116
max.gunari@nmrk.com

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