



Tri-Valley Office and R&D Market

Large Transactions Floating the Market

Historically, the Tri-Valley office and R&D market has been driven by large tenant activity. This was indeed the case in the third quarter of 2022. Two headlining transactions drove the market, with Chevron and Sunset Development announcing the consummation of a ±400,000-square-foot lease at BR2600, and Unchained Labs finalizing a headquarters relocation of ±123,750 square feet. These two deals drove a positive absorption of 517,953 square feet for the quarter, dropping the availability rate by 177 basis points to 16.1%.

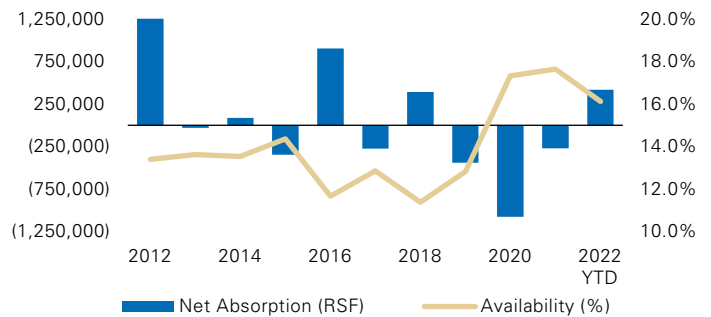
Tenant Activity

The two transactions mentioned above came on the heels of Snowflake expanding by over ±100,000 square feet, and Vagaro expanding by ±85,000 square feet. Taken in a vacuum, it would appear that the Tri-Valley office market is on the road to recovery; market amenities and location enabled these large expansions. Further, 15 tenants from other markets have been touring for space in the last 12 months, this supports tenant migration to the Tri-Valley as a continuing trend.

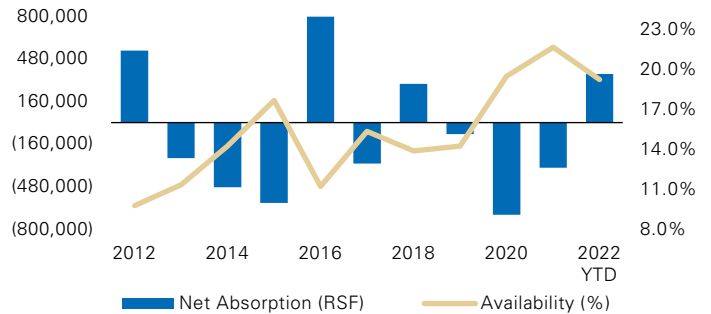
Market Summary				
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	29.4M	29.4M	29.9M	→
Total Avail Rate	16.1%	17.9%	17.9%	↑
Quarterly Net Absorption (SF)	517K	47K	23K	↓
Dir FS Class A Rent	\$3.21	\$3.21	\$3.11	→
Dir FS Class B Rent	\$2.41	\$2.41	\$2.49	→
Dir NNN Flex Rent	\$1.69	\$1.69	\$1.73	↑

Market Analysis – Overall Tri-Valley Market

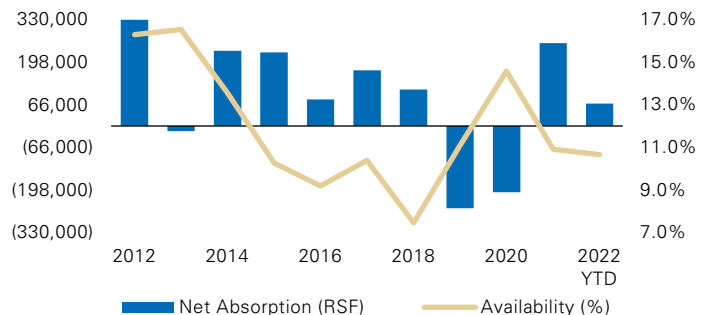
Overall Tri-Valley (All Classes)



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



Tri-Valley Flex Market



RESEARCH Q3 2022

However, several multi-tenant projects in the market struggled to gain momentum as small- to mid-sized tenant demand has waned and downsizing continues. Rents in multi-tenant projects have remained flat, though opinions on what the market should be vary greatly between landlord and tenant. Faced with increasing operating expenses and tenant improvement costs, landlords are often making deals with a payback several years after commencement, and accordingly are unable to lower rents. Tenants, on the other hand, are reading the news and believing that rents should be 10.0% to 25.0% lower than pre-pandemic levels.

While the R&D market was not the highlight of the quarter, activity continues to be consistent. The current market vacancy is 9.9%, compared with 13.0% a year ago. The future for R&D and lab space in the Tri-Valley continues to look bullish.

Sales Activity

In spite of heavy volatility due to rising interest rates, the third

quarter of 2022 saw a few sales transactions worth mentioning. As noted above, Chevron is moving its headquarters within San Ramon. As a result, it has sold its 92-acre campus to Sunset Development. Sunset Development has a long-term development mindset in place; to date, it has not released any details on specific redevelopment plans.

In Pleasanton, Pleasanton Unified School District closed escrow on Arroyo Center, a ±105,000-square-foot project. It will move its administrative functions to this building and ultimately sell its current site Downtown to a residential developer. The Tri-Valley market has not been immune to challenges in the capital markets.

Looking Forward

As 2022 comes to a close, rents will likely continue to hover flat as tenant demand remains unstable and interest rates continue to rise.

Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Chevron	Bishop Ranch	2600 Camino Ramon	Direct	400,000
Unchained Labs	Pleasanton	4747 Willow Rd	Direct	123,750
Tailor Brands	Dublin	5601 Arnold Dr	Sublease	31,796
Savvymoney	Dublin	4160 Dublin Blvd	Direct	15,466
Kimly Horn	Pleasanton	4637 Chabot Dr	Direct Expansion	15,317
S2 Genomics	Livermore	7683 Southfront Rd	Direct	14,000
Compass	Danville	760 Camino Ramon	Direct	10,531

Select Sale Transactions

Building(s)	Submarket	Reported Sale Price	Reported \$/RSF	Square Feet
Chevron Campus	San Ramon	\$174,500,000	\$118	1,477,869
5758 W Las Positas Blvd	Pleasanton	\$23,480,216	\$207	113,638
2671 Crow Canyon Rd	San Ramon	\$5,100,000	\$500	10,204

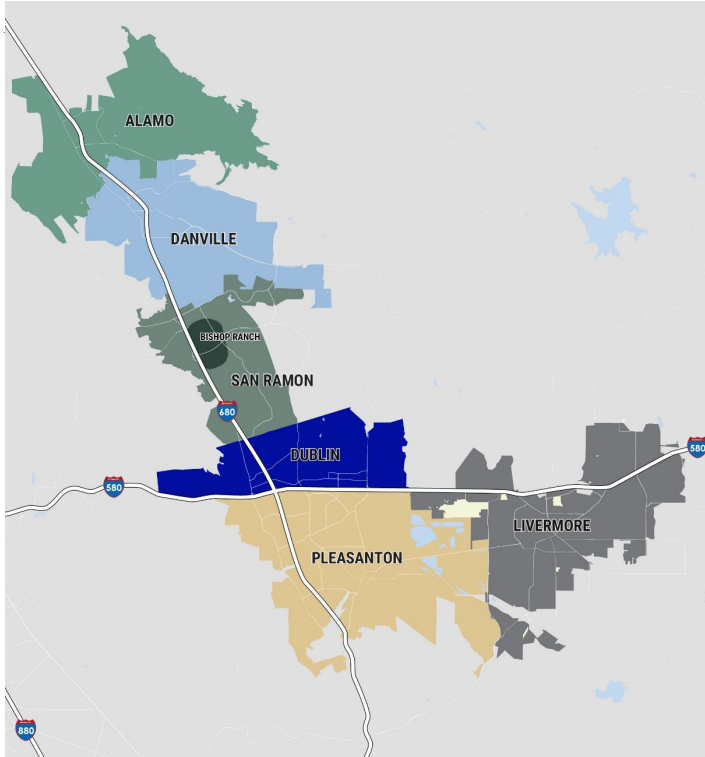
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Overall Submarket Statistics								
	Total Inventory (SF)	Total Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Sublease Availability Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct FS* Asking Rent (Price/SF)
Danville/Alamo	845,738	98,862	0	11.69%	0.00%	6,162	-8,252	\$3.18
Class A	273,074	37,145	0	13.60%	0.00%	19,465	3,900	\$3.75
Class B	436,138	49,642	0	11.38%	0.00%	-7,428	-9,570	\$3.00
Class C	136,526	12,075	0	8.84%	0.00%	-5,875	-2,582	\$2.80
Bishop Ranch	7,022,472	1,459,807	438,804	20.79%	6.25%	293,073	112,348	\$2.30
Class A	6,731,842	1,410,876	389,873	20.96%	5.79%	293,073	112,348	\$3.15
Class B	97,120	0	0	0.00%	0.00%	0	0	\$2.50
Flex	193,510	48,931	48,931	25.29%	25.29%	0	0	\$1.25
San Ramon	2,169,320	364,913	27,285	16.82%	1.26%	-10,149	-31,649	\$2.21
Class A	672,231	232,069	12,805	34.52%	1.90%	-9781	-25,020	\$2.85
Class B **	921,773	100,028	14,480	10.85%	1.57%	755	-11,144	\$2.30
Class C	230,967	18,650	0	8.07%	0.00%	-3,158	-1,907	\$1.95
Flex	344,349	14,166	0	4.11%	0.00%	2,035	6,422	\$1.75
Dublin	3,216,468	353,137	121,882	10.98%	3.79%	52,624	82,290	\$2.24
Class A	1,398,130	180,449	100,171	12.91%	7.16%	47,432	88,795	\$3.25
Class B	498,200	98,593	0	19.79%	0.00%	-821	8,542	\$2.05
Class C	339,799	34,242	800	10.08%	0.24%	4895	1,267	\$1.90
Flex	980,339	39,853	20,911	4.07%	2.13%	1,118	-16,314	\$1.75
Pleasanton	12,889,558	1,896,695	451,531	14.71%	3.50%	135,165	220,497	\$2.45
Class A	6,715,550	1,159,403	322,784	17.26%	4.81%	136,513	188,270	\$3.05
Class B	2,457,836	436,441	112,281	17.76%	4.57%	-20,387	18,562	\$2.45
Class C	421,971	35,913	0	8.51%	0.00%	-6,900	-12,755	\$2.20
Flex	3,294,201	264,938	16,466	8.04%	0.50%	25939	26420	\$2.10
Livermore	3,225,252	565,166	155,169	17.52%	4.81%	41078	42,876	\$1.85
Class A/B	916,183	225,480	75,535	24.61%	8.24%	18,409	-8,253	\$2.15
Class C	91,874	9,656	0	10.51%	0.00%	0	-1,638	\$1.80
Flex	2,217,195	330,030	79,634	14.89%	3.59%	22,669	52,767	\$1.60
Tri-Valley	29,368,808	4,738,580	1,194,671	16.13%	4.07%	517,953	418,110	\$2.32
Class A	15,790,827	3,019,942	825,633	19.12%	5.23%	486,702	368,293	\$3.21
Class B	5,327,250	910,184	202,296	17.09%	3.80%	-9,472	-1,863	\$2.41
Class C	1,221,137	110,536	800	9.05%	0.07%	-11,038	-17,615	\$1.98
Flex	7,029,594	697,918	165,942	9.93%	2.36%	51,761	69,295	\$1.69

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

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