



RESEARCH 4Q 2020



Tri-Valley Office Market

2020: A Challenging Year

It's been a challenging year, to say the least. 2020 brought the first global pandemic in 100 years. With that came shelter-in-place mandates, record unemployment, travel restrictions and a national election surrounded by both political and social unrest, just to name a few issues. It was a tough year, personally and professionally. Despite these challenges, 2021 is here. There is time to reflect on the events of 2020, the effects these events have had on the local commercial market and the opportunities presented for the market in the future. Below is the Year in Review.

Fourth-Quarter Statistical Information

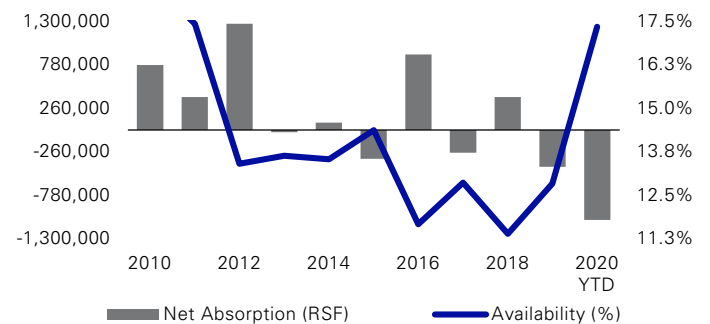
The overall Tri-Valley market experienced approximately 383,886 square feet of negative net absorption for the last quarter of 2020. This brings the total 2020 absorption to negative 1,072,744 square feet and an availability rate of 17.33%, a substantial increase from the 12.83% availability rate at the end of 2019. As a reference, the last time the Tri-Valley recorded over a million square feet of cumulative negative absorption was 2009, with 1,033,621 square feet when the availability rate was 18.93% during the Great Recession. Ideally, 2021 will follow 2010 when the market experienced a positive net absorption of 772,130

Market Summary

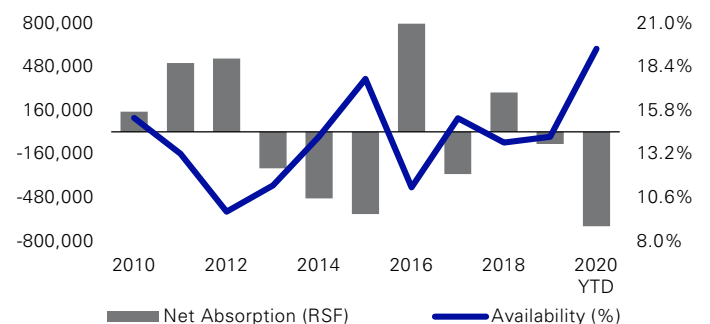
	Current Quarter	Prior Quarter	Year Ago Period	12-Mo Forecast
Total Inventory (SF)	29.9M	29.9M	29.9M	→
Total Avail Rate	17.3%	16.1%	12.8%	↑
Qtr Net Abs (SF)	-384K	-469K	-85K	↓
Dir FS Class A Rent	\$3.11	\$3.11	\$3.11	↓
Dir FS Class B Rent	\$2.49	\$2.49	\$2.52	↓
Dir NNN Flex Rent	\$1.73	\$1.73	\$1.82	↓

Net Absorption & Availability

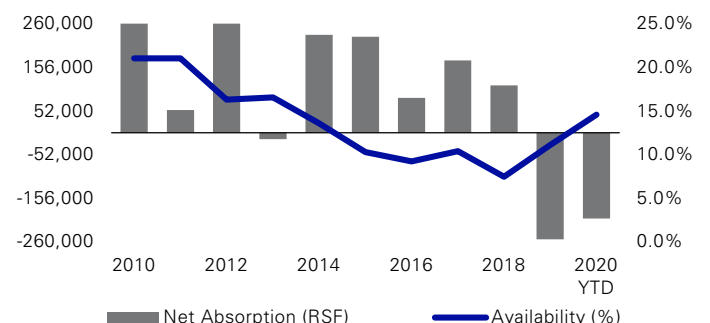
OVERALL TRI-VALLEY



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



TRI-VALLEY FLEX MARKET



NEWMARK

square feet. Most of the space brought on the market this quarter was concentrated in the Class B office and office-flex market segments. This is a welcome change of pace for the Class A office segment, which has shouldered most of the negative absorption for the year. More specifically, Comcast brought 71,161 square feet onto the market for sublease in Livermore, and Young's Market brought 64,000 square feet on the market for lease in their building, located at 5100 Franklin in Pleasanton, both in Class B base inventory. On the office-flex front, Unified Grocers is vacating 21,344 square feet at 455 North Canyons Parkway and Advantage Sales vacated 18,178 square feet at 2900 Collier Canyon Road. Both spaces are now being offered on a direct basis, and 18,922 square feet came on the market for sublease at 3083 Independence Drive, all of which are in Livermore.

The 2020 Year in Review

Independent of the COVID-19 effect, the first quarter of this year started slowly for the Tri-Valley. California's shelter-in-place mandate took effect on March 16, 2020, a mere two weeks shy of the end of the quarter, and the market had already registered negative 219,846 square feet. The availability rate at the time was 13.57%. What little activity there was in the market was from existing companies with near-term lease expirations evaluating space needs. The largest transaction that quarter was Zenith Insurance relocating within the market and signing a 35,633-square-foot lease at 3 Park Place, Dublin, although Zenith then immediately began marketing 12,844 square feet for sublease.

In the second quarter, there was a genuine uptick in touring activity, although it was still considerably lower than in years past. Most of the activity continued to be from tenants who already resided in the Tri-Valley market. A few transactions which had been in negotiations pre-pandemic were completed. The largest transactions were Cooper Vision's renewal in 48,390 square feet at 5870 Stoneridge Drive, Pleasanton and the Alameda Sherriff's department leasing 36,716 square feet at 3 Park Place, Dublin. COVID-19 had at this point paralyzed any new or exploratory requirements to the market. At the end of the second quarter, the market registered an additional 272,688 square feet of negative absorption, 492,534 square feet cumulative for the year and an availability rate of 14.48%.

The third quarter continued to feel slow, despite several transactions being completed. Comcast renewed and downsized in 145,536 square feet in Livermore, Five9 relocated and slightly expanded in Bishop Ranch for a total of 104,253 square feet, Revance signed a sublease for 30,772 square feet at Pleasanton Corporate Commons and Stanford Medical leased 22,411 square feet at Hacienda Lakes. Overshadowing all this activity was AT&T bringing 335,893 square feet on the market for sublease at 2600 Camino Ramon. It was long expected this space would be coming to market, and it was made official this quarter. That brought the third quarter's negative absorption to 469,012 square feet, the highest quarterly amount since 2007's Great Recession, and a cumulative total of 688,858 square feet of negative absorption for the quarter. The availability rate was 16.05% at the end of the quarter.

Fourth Quarter: The Trend Continues

The trends experienced in the second and third quarters continued into the fourth quarter. Market activity was low and tour activity was slow. Heightened concerns over increased COVID-19 cases only exacerbated the market's challenges. On a bright note, 10X Genomics expanded its footprint by leasing 145,155 square feet of Class A space at Pleasanton Corporate Commons. 10X also continues to be in escrow on 14.5 acres at the JCPenney- anchored retail center on Stoneridge Mall Road, where they plan to build a state-of-the-art biotech campus. Close of escrow is now estimated to be at the end of first-quarter 2021. As mentioned above, the market registered an additional 383,886 square feet of negative absorption, which brought the availability rate to 17.33% for the end of the year.

Asking rental rates for all market segments remained generally unchanged throughout 2020, as transactional volume was minimal. Starting after Labor Day, unsolicited offers with lower rental rates or increased tenant concession structures became more common, but few of these transactions have finalized or led to a drop in asking rates. Sales of both large and small buildings also remained sluggish in 2020, maintaining pre-pandemic valuations in most cases. Expect the increases in availability rate and continued low demand and activity levels to begin to affect asking rental rates and sales valuations in the first half of 2021.

Looking Forward

The hopes that COVID-19 would be under control before the end of the year are gone, but approval of a vaccine brings cautious optimism of a safe return to the office and some semblance of a past normal. The nine-month period since the start of the pandemic has forced landlords and tenants to respond to unprecedented challenges. Out of necessity and safety, office utilization plummeted and companies were forced to pivot to remote work options. As the pandemic continued, remote work and avoiding arduous commutes became a silver lining. For some, this changed after the summer months, when schools and child care options were kept closed and parents and children had to share work spaces and internet bandwidth. If a common thread is taken from the large tech firms, remote work, flex work

schedules and/or offices closer to employee housing will be a part of life moving forward. The Tri-Valley is one of the best-positioned markets in the entire Bay Area with its population demographic, educated workforce and access to affordable housing. Expect modest improvements to the market in the first half of 2021, while vaccine distribution accelerates. Expect that the second half of 2021 will see a significant increase in touring activity and transactions due to pent-up demand and a greater number of vaccines reaching the workforce and students. As the pandemic gets further under control and companies have more clarity on their space needs, companies will likely look for lower-cost office markets like the Tri-Valley to provide their employees a better quality of life via shorter commutes and access to more amenity-rich office environments.

Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
10X Genomics	6210 Stoneridge Mall Road	Pleasanton	Direct	145,155
Therapeutic Pathways	5601 Arnold Road	Dublin	Renewal	13,455
John Muir Physician Network	200 Porter Drive	San Ramon	Renewal	11,603

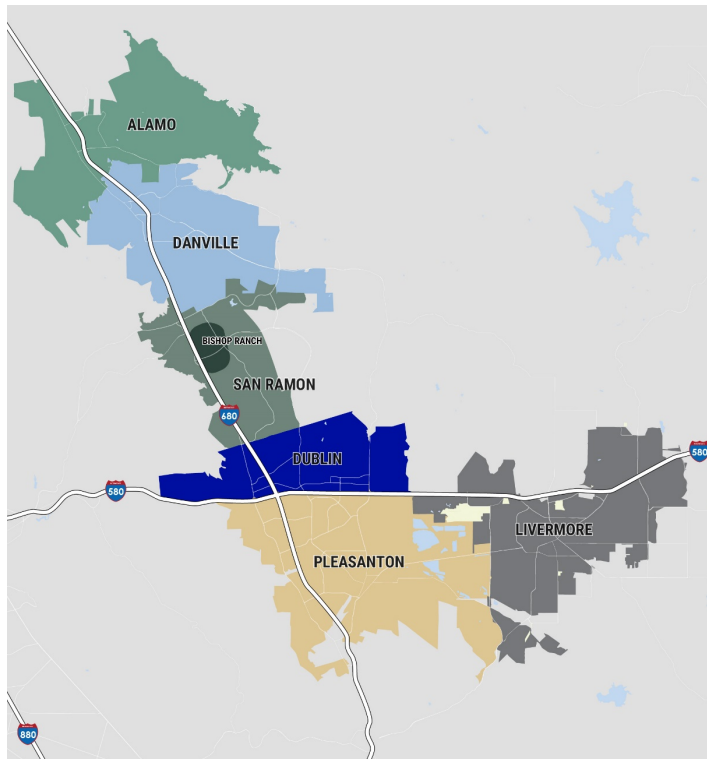
Select Investment Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
No Significant Sale Transactions				

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	80,194	8,674	9.48%	1.03%	8,012	19,921	\$3.47
Class A	273,074	46,874	4,925	17.17%	1.80%	5,839	19,120	\$3.65
Class B	436,138	23,529	3,749	5.39%	0.86%	2,173	7,284	\$3.25
Class C	136,526	9,791	0	7.17%	0.00%	0	-6,483	\$3.06
Bishop Ranch	7,557,624	1,722,648	720,951	22.79%	9.54%	-68,606	-551,302	\$3.03
Class A	6,731,842	1,453,344	658,902	21.59%	9.79%	-55,426	-496,354	\$3.15
Class B	632,272	220,373	13,118	34.85%	2.07%	-13,180	-54,948	\$2.50
Flex	193,510	48,931	48,931	25.29%	25.29%	0	0	\$1.75
San Ramon	2,169,320	294,869	35,231	13.59%	1.62%	-21,406	-47,949	\$2.53
Class A	672,231	174,222	12,805	25.92%	1.90%	-24,754	-43,167	\$2.85
Class B	921,773	71,580	19,640	7.77%	2.13%	-265	-2,647	\$2.35
Class C	230,967	25,841	2,786	11.19%	1.21%	-5,414	-7,183	\$2.05
Flex	344,349	23,226	0	6.74%	0.00%	9,027	5,048	\$1.75
Dublin	3,206,526	455,881	201,499	14.22%	6.28%	-20,063	-41,483	\$2.56
Class A	1,388,188	231,119	184,637	16.65%	13.30%	-11,477	-13,289	\$3.20
Class B	498,200	102,638	803	20.60%	0.16%	-1,470	-4,064	\$2.12
Class C	339,799	36,044	0	10.61%	0.00%	-316	-7,558	\$1.95
Flex	980,339	86,080	16,059	8.78%	1.64%	-6,800	-16,572	\$1.60
Pleasanton	12,886,067	1,994,941	537,824	15.48%	4.17%	-130,059	-327,864	\$2.75
Class A	6,712,059	1,159,191	398,913	17.27%	5.94%	-20,003	-139,625	\$3.05
Class B	2,457,836	388,742	109,038	15.82%	4.44%	-62,780	-67,815	\$2.60
Class C	421,971	15,265	3,442	3.62%	0.82%	-3,134	-549	\$2.26
Flex	3,294,201	431,743	26,431	13.11%	0.80%	-44,142	-119,875	\$2.03
Livermore	3,225,252	632,581	106,449	19.61%	3.30%	-151,764	-124,067	\$1.64
Class A/B	916,183	186,632	82,247	20.37%	8.98%	-87,541	-51,871	\$2.35
Class C	91,874	10,991	0	11.96%	0.00%	0	1,231	\$1.82
Flex	2,217,195	434,958	24,202	19.62%	1.09%	-64,223	-73,427	\$1.45
Tri-Valley	29,890,527	5,181,114	1,610,628	17.33%	5.39%	-383,886	-1,072,744	\$2.72
Class A	15,777,394	3,064,750	1,260,182	19.42%	7.99%	-105,821	-673,315	\$3.11
Class B	5,862,402	993,494	228,595	16.95%	3.90%	-163,063	-174,061	\$2.49
Class C	1,221,137	97,932	6,228	8.02%	0.51%	-8,864	-20,542	\$2.12
Flex	7,029,594	1,024,938	115,623	14.58%	1.64%	-106,138	-204,826	\$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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