



Tri-Valley Office Market

Office and R&D Year-End Reviews

Continuing the momentum set in the third quarter of 2021, the Tri-Valley office and R&D market ended the year on a positive note, helping offset some of the damage done in the first two quarters of the year. Optimism ran higher in the fourth quarter of 2021 with a few large requirements, but most of those requirements have rolled over into 2022. All that said, COVID continued to stifle most major re-occupancy objectives set by companies over the year and office space remains largely underutilized, while R&D and industrial space is in high demand. This is represented in this quarter's significant transaction list as all the major leases occurred in office-flex buildings.

Statistical Overview

As mentioned, the Tri-Valley recorded 80,829 square feet of positive absorption over the fourth quarter of 2021, bringing the year-to-date absorption down to negative 268,897 square feet. This lowered the availability rate for the market to 17.6%. Class A office has the highest availability rate of all the product types, ending the year with 21.6% vacancy. This is in line with the entire Bay Area as Class A office space struggles in virtually all markets. The office-flex product type in the Pleasanton and Dublin submarkets recorded the majority of absorption for the quarter, and this product type continues to be the most sought after.

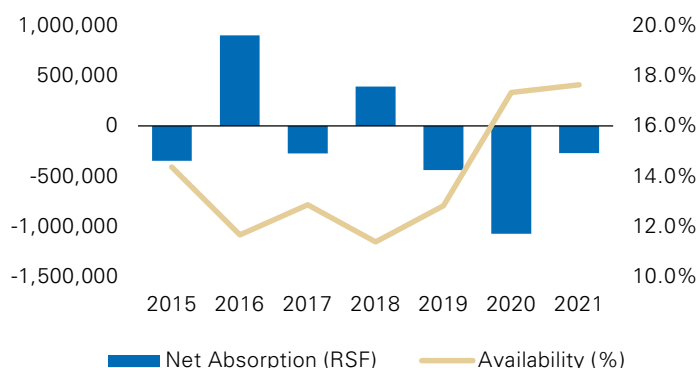
Of note, calendar year 2021 recorded significantly less negative absorption than 2020 and saw a renewed commitment from companies keeping or extending existing real estate commitments.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	29.4M	29.9M	29.9M	→
Total Avail Rate	17.64%	17.91%	17.33%	↑
Quarterly Net Absorption (SF)	80.8K	22.9K	-383K	↓
Dir FS Class A Rent	\$3.11	\$3.11	\$3.11	↓
Dir FS Class B Rent	\$2.49	\$2.49	\$2.49	↓
Dir NNN Flex Rent	\$1.73	\$1.73	\$1.73	↓

Market Analysis – Overall Tri-Valley Market

Overall Tri-Valley (All Classes)



Leasing and Sales Activity

In Pleasanton, after years on the market, 5775 W. Las Positas Boulevard, a 39,436-square-foot office and R&D facility, sold to Briggs Development Company and was leased to AAT Bioquest in the fourth quarter of 2021. Briggs had the project tied up when AAT expressed interest. AAT will be relocating out of its Sunnyvale facility; the new lease moves its headquarters closer to its employee base and offered expansion opportunity at a significant discount to Sunnyvale. Also in Pleasanton, 1252 Quarry Lane, a 17,625-square-foot R&D building, sold to Taoba, Inc, which plans to occupy a portion of the building. Additionally, Lockheed Martin leased 20,906 square feet at 6681 Owens Drive. The requirement, which had been in the market for over two years, will help Lockheed's employee retention as Lockheed competes for employees in the East Bay. Lastly, Amador Biosciences leased 12,315 square feet at 7133 Koll Center Parkway. The biotech company is expanding out of an executive center in Pleasanton after a substantial funding event.

In Livermore, Brooks Automation leased 201 Lindbergh Avenue, which consisted of 43,844 square feet. Brooks leased this facility to significantly increase manufacturing capacity for its PreciseFlex Collaborative Robotics product line. Brooks is already ramping up manufacturing in this facility and has an ultimate goal of adding approximately 100 jobs to the local market over the next few years.

San Ramon was relatively quiet when compared to previous quarters this year. That said, two notable sale transactions occurred. First, the sale of Bishop Ranch 6 was finalized and closed. Bishop Ranch 6 consisted of a five-building Class A office

project situated on 31 acres in the middle of Bishop Ranch. Sunset Development sold the property to Summerhill Homes, which intends to build approximately 404 living units of low- to medium-density housing. It has named the development "City Village Project," and construction is underway. Also in San Ramon, 2610 Crow Canyon Road, a 25,163-square-foot building, sold to Mehdi Mahmoodi.

In Danville, 3860 Blackhawk Road, a 12,228-square-foot building, was sold to Hayes B. Gladstone and 675 Hartz Avenue has been listed for auction on TenX.

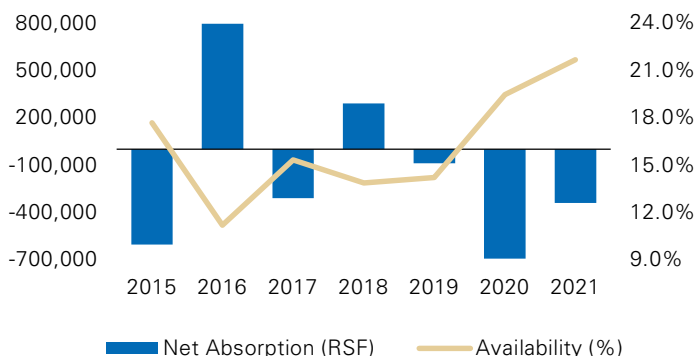
Looking Forward

Heading into 2022, expect a slow start to leasing velocity as the Omicron variant has led to widespread COVID-19 cases. As a result, many employers have further delayed re-entry plans originally scheduled for early 2022. Despite that, tenants are not viewing the latest surge as a surprise or delay. For the companies that are planning a hybrid or full return to the office, expect a push to bring employees back soon, with the understanding that future surges/variants will lead to a temporary work-from-home situation.

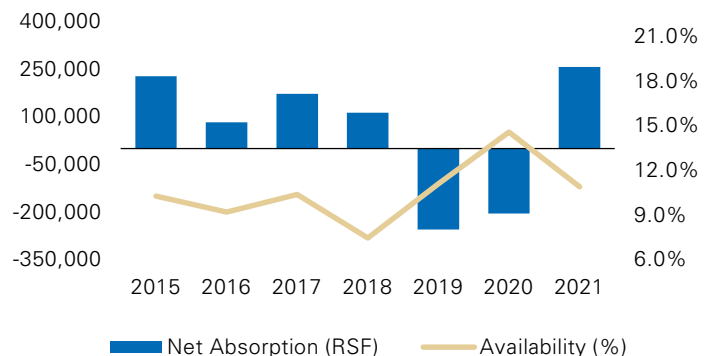
Much of the coming activity will be the result of tenants committing to longer-term deals who had previously worked out short-term extensions during the pandemic. Many of these companies will need less space going forward as a result of some employees working from home fulltime and new hybrid work schedules.

Market Analysis

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



Tri-Valley Flex Market



Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Brooks Automation	Livermore	201 Lindbergh Ave	Direct	43,844
AAT Bioquest	Pleasanton	5775 W. Las Positas Blvd	Direct	39,436
Lockheed Martin Corporation	Pleasanton	6681 Owens Drive	Direct	20,906
Amador Biosciences	Pleasanton	7133 Koll Center Pkwy	Direct	12,315
JOEL	Pleasanton	4670 Willow Road	Direct	9,113

Select Sale Transactions

Building(s)	Submarket	Reported Sale Price	Reported \$/RSF	Square Feet
2400-2440 Camino Ramon – BR6	Bishop Ranch	\$108,000,000	\$3,483,870 / AC	31 Acres
5775 W. Las Positas Blvd	Pleasanton	\$9,750,000	\$247	39,436
1252 Quarry Lane	Pleasanton	\$5,992,500	\$340	17,625
2610 Crow Canyon Road	San Ramon	\$4,810,000	\$191	25,163
3860 Blackhawk Road	Danville	\$4,100,000	\$335	12,228

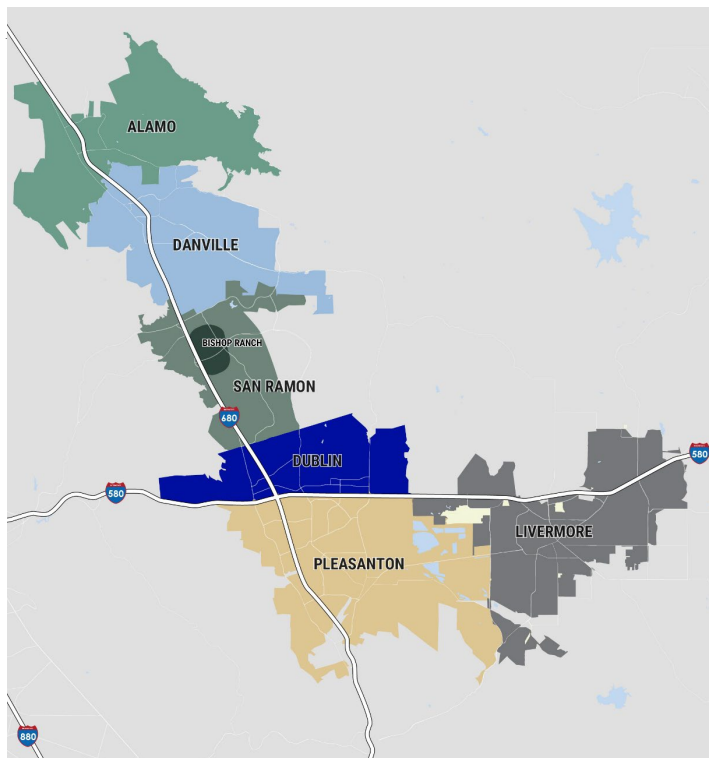
*BR 6 sold and is being redeveloped into residential

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	90,610	2,601	10.71%	0.31%	9,360	-10,416	\$3.47
Class A	273,074	41,045	2,601	15.03%	0.95%	-1,993	5,829	\$3.65
Class B	436,138	40,072	0	9.19%	0.00%	8,655	-16,543	\$3.25
Class C	136,526	9,493	0	6.95%	0.00%	2,698	298	\$3.06
Bishop Ranch	7,022,472	1,572,155	780,026	22.39%	11.11%	-42,727	-132,533	\$3.03
Class A	6,731,842	1,523,224	731,095	22.63%	10.86%	-42,727	-69,880	\$3.15
Class B	97,120	0	0	0.00%	0.00%	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	333,264	24,519	15.36%	1.13%	5,603	-38,395	\$2.53
Class A	672,231	207,049	10,255	30.80%	1.53%	-1,119	-32,827	\$2.85
Class B **	921,773	88,884	11,478	9.64%	1.25%	-1,554	-17,304	\$2.35
Class C	230,967	16,743	2,786	7.25%	1.21%	3,969	9,098	\$2.05
Flex	344,349	20,588	0	5.98%	0.00%	4,307	2,638	\$1.75
Dublin	3,216,468	435,427	109,067	13.54%	3.39%	28,573	30,396	\$2.56
Class A	1,398,130	269,244	105,702	19.26%	7.56%	-16,976	-28,183	\$3.20
Class B	498,200	107,135	803	21.50%	0.16%	1,791	-4,497	\$2.12
Class C	339,799	35,509	800	10.45%	0.24%	611	535	\$1.95
Flex	980,339	23,539	1,762	2.40%	0.18%	43,147	62,541	\$1.60
Pleasanton	12,889,558	2,140,920	453,650	16.61%	3.52%	80,762	-142,488	\$2.75
Class A	6,715,550	1,371,401	386,694	20.42%	5.76%	-18,706	-208,719	\$3.05
Class B	2,457,836	455,003	47,329	18.51%	1.93%	-8,502	-66,261	\$2.60
Class C	421,971	23,158	0	5.49%	0.00%	3,665	-7,893	\$2.26
Flex	3,294,201	291,358	19,627	8.84%	0.60%	104,305	140,385	\$2.03
Livermore	3,225,252	608,042	143,558	18.85%	4.45%	-742	24,539	\$1.64
Class A/B	916,183	217,227	77,920	23.71%	8.50%	2,294	-30,595	\$2.35
Class C	91,874	8,018	0	8.73%	0.00%	2,973	2,973	\$1.82
Flex	2,217,195	382,797	65,638	17.26%	2.96%	-6,009	52,161	\$1.45
Tri-Valley	29,368,808	5,180,418	1,513,421	17.64%	5.15%	80,829	-268,897	\$2.72
Class A	15,790,827	3,411,963	1,236,347	21.61%	7.83%	-81,521	-333,780	\$3.11
Class B	5,327,250	908,321	137,530	17.05%	2.58%	2,684	-197,853	\$2.49
Class C	1,221,137	92,921	3,586	7.61%	0.29%	13,916	5,011	\$2.12
Flex	7,029,594	767,213	135,958	10.91%	1.93%	145,750	257,725	\$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 2021



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