



# Tri-Valley Office and R&D Market

Despite challenges in the market, large tenant activity remains active, and properties are being considered for redevelopment which could reshape the local market and reinforce long-term commitments to the area. Work from office, work from home, and future office space needs remain in a state of flux, especially for smaller regional companies. That said, there are encouraging signs from public and private companies that appear willing to make commitments to lease space for the first time since the pandemic began.

## Statistical Overview

In the second quarter of 2022, the Tri-Valley experienced a modest positive net absorption of 47,213 square feet. This lowered the availability rate slightly to 17.9%. Unlike quarters past, where the office flex product type was the most active, most of the positive absorption this quarter occurred in a mix of Class A and Class B office buildings.

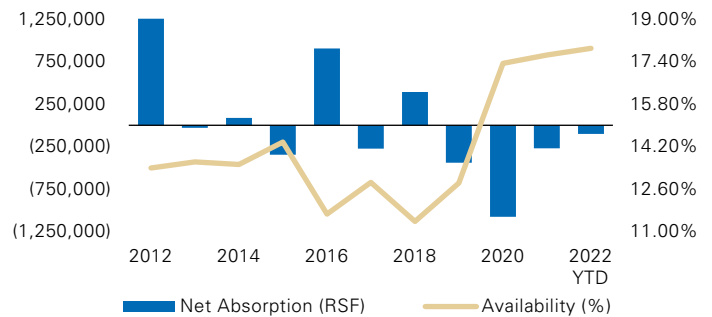
In general, rents from last quarter remain unchanged and leasing concessions remain high. Tenant improvement construction costs also remain higher than ever and are an obstacle to deal

## Market Summary

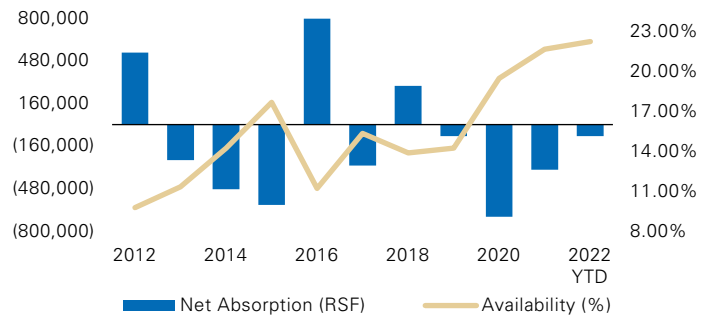
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	29.4M	29.4M	29.9M	↓
Total Avail Rate	17.90%	18.06%	19.0%	↑
Quarterly Net Absorption (SF)	47K	-147K	-239K	↓
Dir FS Class A Rent	\$3.21	\$3.21	\$3.11	→
Dir FS Class B Rent	\$2.41	\$2.41	\$2.49	→
Dir NNN Flex Rent	\$1.69	\$1.69	\$1.73	↑

## Market Analysis – Overall Tri-Valley Market

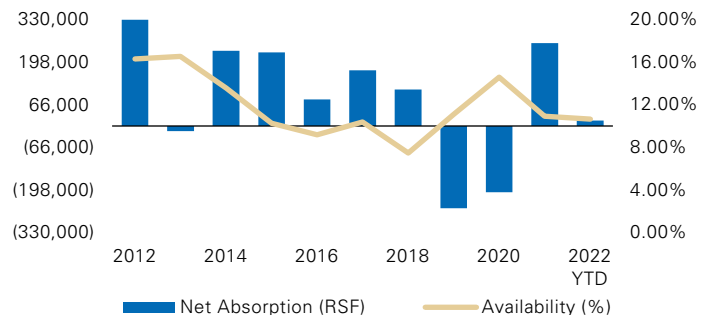
Overall Tri-Valley (All Classes)



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



Tri-Valley Flex Market



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## RESEARCH Q2 2022

making. Touring activity for the second quarter of 2022 was similar to the first quarter of 2022; expect the third quarter of 2022 to start off slower than years past as summer progresses and spikes in COVID-19 ensue.

### Tenant Activity

There were several large lease transactions signed in the second quarter of 2022. In Dublin, Snowflake's long-anticipated lease of the 4140 Dublin Blvd. building at Dublin Corporate Center was completed. Snowflake, which was leasing one floor in the building, has now committed to the full building, creating 113,570 square feet of positive absorption. Also, at Dublin Corporate Center, HS&BA downsized its square footage from 22,339 square feet to 15,466 square feet and extended its lease in the 4160 building. In Pleasanton, Vagaro, Inc. signed a 106,017-square-foot sublease on a portion of Ellie Mae's space in the 4430 building at Rosewood Commons. Vagaro currently occupies 19,011 square feet in Dublin Corporate Center that it has outgrown and put on the market for sublease. ProSomnus signed a new 32,219-square-foot lease at 5673 Gibraltar Dr. and will be relocating from a 12,584-square-foot space at the Arbor. Gatan renewed its 39,496-square-foot lease at Arroyo Center.

In other tenant news, TriNet, which occupies the top three top floors at 1 Park Pl. in Dublin, has put one floor on the market for sublease (36,465 square feet). Also in Dublin at the 4160 Dublin Blvd. building at Dublin Corporate Center, RedFin put its 18,740 square feet on the market for sublease and Medeanalytics put its 10,146 square feet on the market for sublease. In Pleasanton, Natus Medical Incorporated is subleasing its 8,191 square feet as it moved its headquarters to Wisconsin. Expect more downsizing and subleasing in the months and years to come.

### Sales Activity

In Pleasanton, 4480 Willow Rd., a 63,202-square-foot office flex property in Pleasanton was sold off market by Signature

Properties to Cannae Partners. Cannae anticipates a fully vacant building in early 2023 and is aiming to capitalize on the tight R&D market in the Tri-Valley. Also in Pleasanton, Stanford Medical purchased Hacienda Lakes, a 197,200-square-foot Class B multi-tenant office project which has struggled with leasing over the last few years. Stanford purchased the project for \$58.4 million, or \$296/SF. In Livermore, 365 N. Canyons Pkwy. sold for over \$10.4 million, or \$206/SF, to Franmar Company in a 1031 exchange. In Danville, 675 Hartz Ave., a 14,402-square-foot multi-tenant building, was purchased by Drew Osborn for approximately \$341/SF, where the buyer intends to occupy most of the building. There are several currently pending sales. In Pleasanton, Pleasanton Unified School District is in contract to purchase Arroyo Center, a 113,000-square-foot office project. PUSD intends to relocate its district administration functions to the project, and Gatan/Ametek will continue its occupancy of the west side of the building. Chevron has announced the sale of its 92-acre Worldwide Headquarters property in San Ramon. It is seeking buyers at this time, and it remains to be seen what will happen with the overall site. Chevron has been vocal about maintaining a presence in the Tri-Valley; expect it is working on a large lease locally.

### Looking Forward

As outlined above, things are happening, and transactions are getting done. A few large company expansions are encouraging, but tenant downsizes and subleasing is a neutral effect. Expect deal velocity to continue to improve. Building sales like Stanford's of Hacienda Lakes, PUSD's of Arroyo Center and Chevron's San Ramon headquarters will be helpful by further reducing inventory of commodity space in the Tri-Valley. Generally speaking, the shift in company decision-making is a good sign. While there are still many short-term extensions, more and more companies are making long decisions on their office needs, which will lead to better stability in the market.

### Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Snowflake	Dublin	4140 Dublin Blvd	Direct Expansion	153,000
Vagaro	Pleasanton	4430 Rosewood Dr	Sublease	106,017
Gatan Inc.	Pleasanton	5794 W Las Positas Blvd	Renewal	39,496
ProSomnus Sleep Technologies	Pleasanton	5673 Gibraltar Dr	Direct	32,219
HS&BA	Dublin	4160 Dublin Blvd	Direct	15,466

### Select Sale Transactions

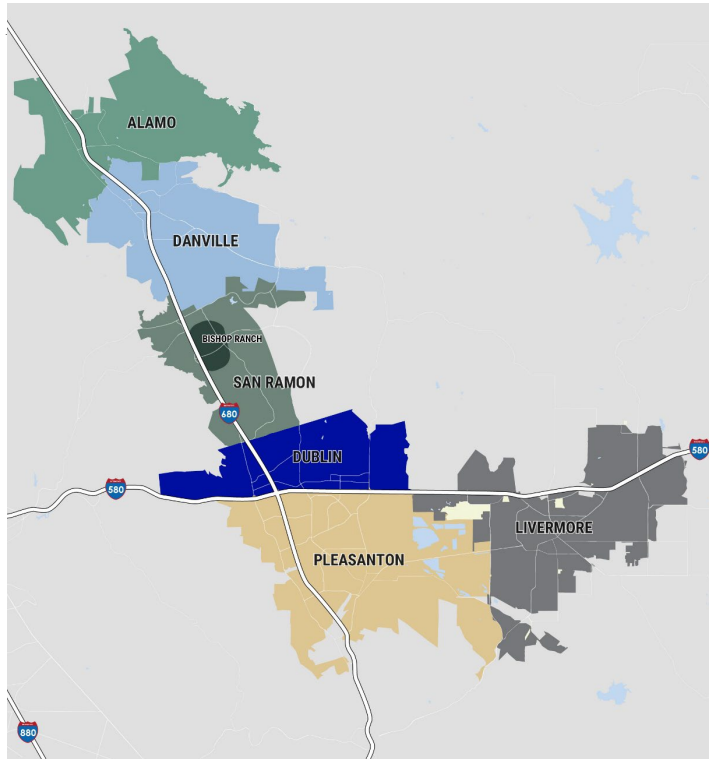
Building(s)	Submarket	Reported Sale Price	Reported \$/RSF	Square Feet
Hacienda Lakes	Pleasanton	\$58,400,000	\$296	197,200
4480 Willow Rd	Pleasanton	\$13,487,000	\$213	63,202
365 N Canyons Pkwy	Livermore	\$10,400,000	\$206	50,485
675 Hartz Ave	Danville	\$4,920,000	\$341	14,402

RESEARCH Q2 2022

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)
<b>Danville/Alamo</b>	<b>845,738</b>	<b>105,024</b>	<b>0</b>	<b>12.42%</b>	<b>0.00%</b>	<b>-11,501</b>	<b>-14,414</b>	<b>\$3.18</b>
Class A	273,074	56,610	0	20.73%	0.00%	-24,985	-15,565	\$3.75
Class B	436,138	42,214	0	9.68%	0.00%	7,536	-2,142	\$3.00
Class C	136,526	6,200	0	4.54%	0.00%	5,948	3,293	\$2.80
<b>Bishop Ranch</b>	<b>7,022,472</b>	<b>1,752,880</b>	<b>770,059</b>	<b>24.96%</b>	<b>10.97%</b>	<b>-45,940</b>	<b>-180,725</b>	<b>\$2.30</b>
Class A	6,731,842	1,703,949	721,128	25.31%	10.71%	-45,940	-180,725	\$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
<b>San Ramon</b>	<b>2,169,320</b>	<b>354,764</b>	<b>24,283</b>	<b>16.35%</b>	<b>1.12%</b>	<b>-6,641</b>	<b>-21,500</b>	<b>\$2.21</b>
Class A	672,231	222,288	12,805	33.07%	1.90%	-750	-15,239	\$2.85
Class B **	921,773	100,783	11,478	10.93%	1.25%	-12,057	-11,899	\$2.30
Class C	230,967	15,492	0	6.71%	0.00%	1,779	1,251	\$1.95
Flex	344,349	16,201	0	4.70%	0.00%	4,387	4,387	\$1.75
<b>Dublin</b>	<b>3,216,468</b>	<b>405,761</b>	<b>172,418</b>	<b>12.62%</b>	<b>5.36%</b>	<b>37,833</b>	<b>29,666</b>	<b>\$2.24</b>
Class A	1,398,130	227,881	150,707	16.30%	10.78%	37,171	41,363	\$3.25
Class B	498,200	97,772	0	19.63%	0.00%	-3,742	9,363	\$2.05
Class C	339,799	39,137	800	11.52%	0.24%	-239	-3,628	\$1.90
Flex	980,339	40,971	20,911	4.18%	2.13%	4,643	-17,432	\$1.75
<b>Pleasanton</b>	<b>12,889,558</b>	<b>2,031,860</b>	<b>448,500</b>	<b>15.76%</b>	<b>3.48%</b>	<b>121,865</b>	<b>85,332</b>	<b>\$2.45</b>
Class A	6,715,550	1,295,916	311,317	19.30%	4.64%	113,235	51,757	\$3.05
Class B	2,457,836	416,054	111,086	16.93%	4.52%	11,105	38,949	\$2.45
Class C	421,971	29,013	0	6.88%	0.00%	-2,644	-5,855	\$2.20
Flex	3,294,201	290,877	26,097	8.83%	0.79%	169	481	\$2.10
<b>Livermore</b>	<b>3,225,252</b>	<b>606,244</b>	<b>146,206</b>	<b>18.80%</b>	<b>4.53%</b>	<b>-48,403</b>	<b>1,798</b>	<b>\$1.85</b>
Class A/B	916,183	243,889	75,535	26.62%	8.24%	-19,655	-26,662	\$2.15
Class C	91,874	9,656	0	10.51%	0.00%	0	-1,638	\$1.80
Flex	2,217,195	352,699	70,671	15.91%	3.19%	-28,748	30,098	\$1.60
<b>Tri-Valley</b>	<b>29,368,808</b>	<b>5,256,533</b>	<b>1,561,466</b>	<b>17.90%</b>	<b>5.32%</b>	<b>47,213</b>	<b>-99,843</b>	<b>\$2.32</b>
Class A	15,790,827	3,506,644	1,195,957	22.21%	7.57%	78,731	-118,409	\$3.21
Class B	5,327,250	900,712	198,099	16.91%	3.72%	-16,813	7,609	\$2.41
Class C	1,221,137	99,498	800	8.15%	0.07%	4,844	-6,577	\$1.98
Flex	7,029,594	749,679	166,610	10.66%	2.37%	-19,549	17,534	\$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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