
2Q24

Tri Valley Office and R&D Market Overview



NEWMARK

Market Observations

Economy

- The East Bay’s labor market remains strong amid shifting macroeconomic conditions. In the East Bay, May’s unemployment rate was 3.9%, which is the first time that the East Bay’s unemployment has been less than the National average since January 2023.
- Job growth year-over-year was highest in the education and health, other services, and leisure and government. The information, construction, and manufacturing sectors showed the largest decreases in employment.

Major Transactions

- Four out of the top 5 biggest deals were in BART submarkets.
- Cooper Bussmann LLC extended 23,304 SF in Pleasanton.
 - SavvyMoney Inc. leased 18,740 SF in Dublin.
 - Dunn-Edwards Corp. leased 7,995 SF in Livermore.
 - Peoples Associates Structural Engineers, Inc. leased 7,630 SF in Bishop Ranch.

Leasing Market Fundamentals

- The Tri Valley market experienced a negative absorption of 328,074 square feet for the second quarter of 2024.
- Asking rental rates remained relatively unchanged with a couple submarkets showing increases in the second quarter of 2024.
- There has been a slight decrease in tenant demand compared to the first quarter of 2024.
- Tenants continue to be drawn to Class A space in buildings with better amenities and shared spaces.

Outlook

- The macroeconomic future remains uncertain, prompting both occupiers and investors to approach deals with increased caution, ultimately influencing leasing and investment activity.
- Projects with move in ready / market ready spaces should continue to see increased touring and higher lease up success.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

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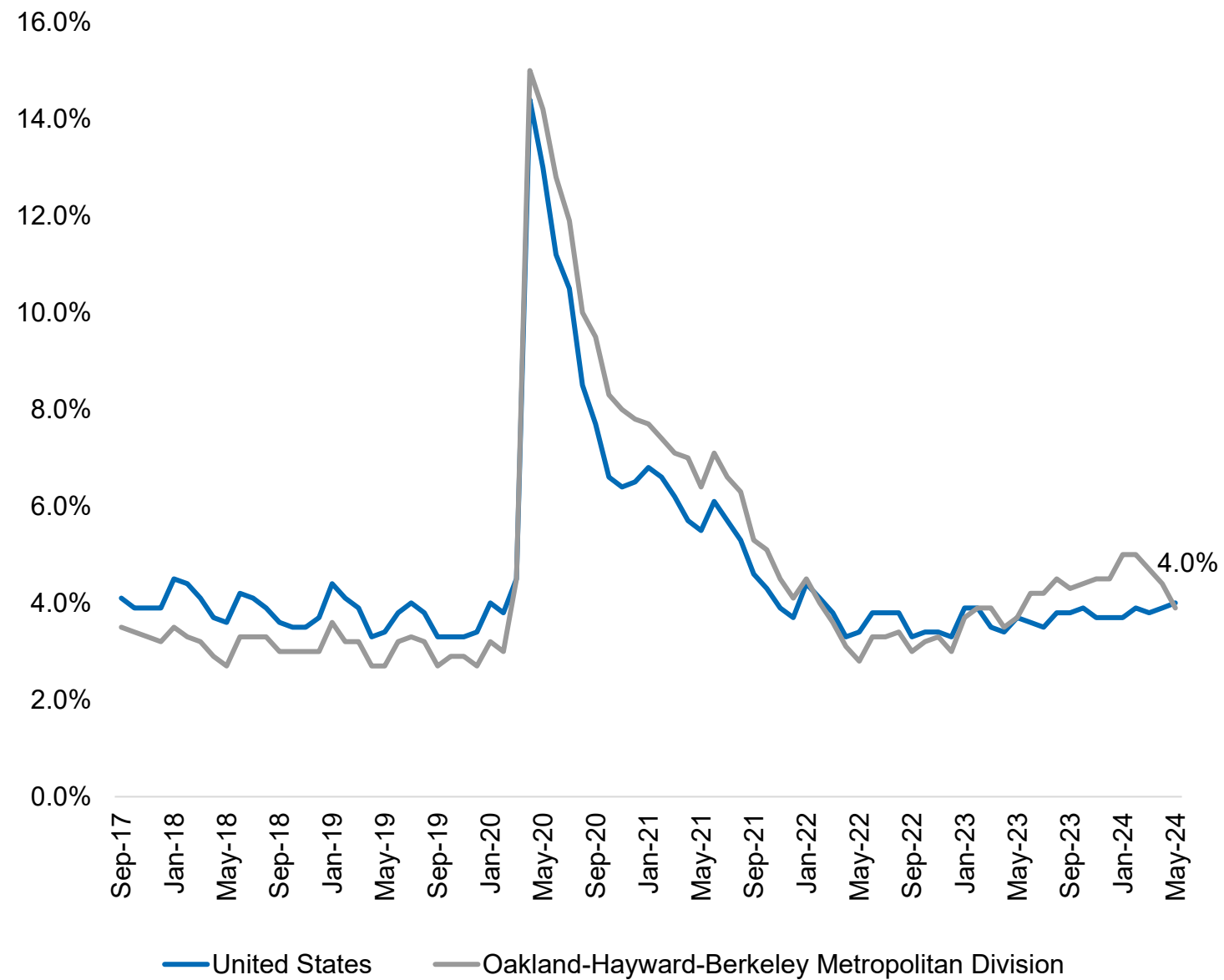
Economy



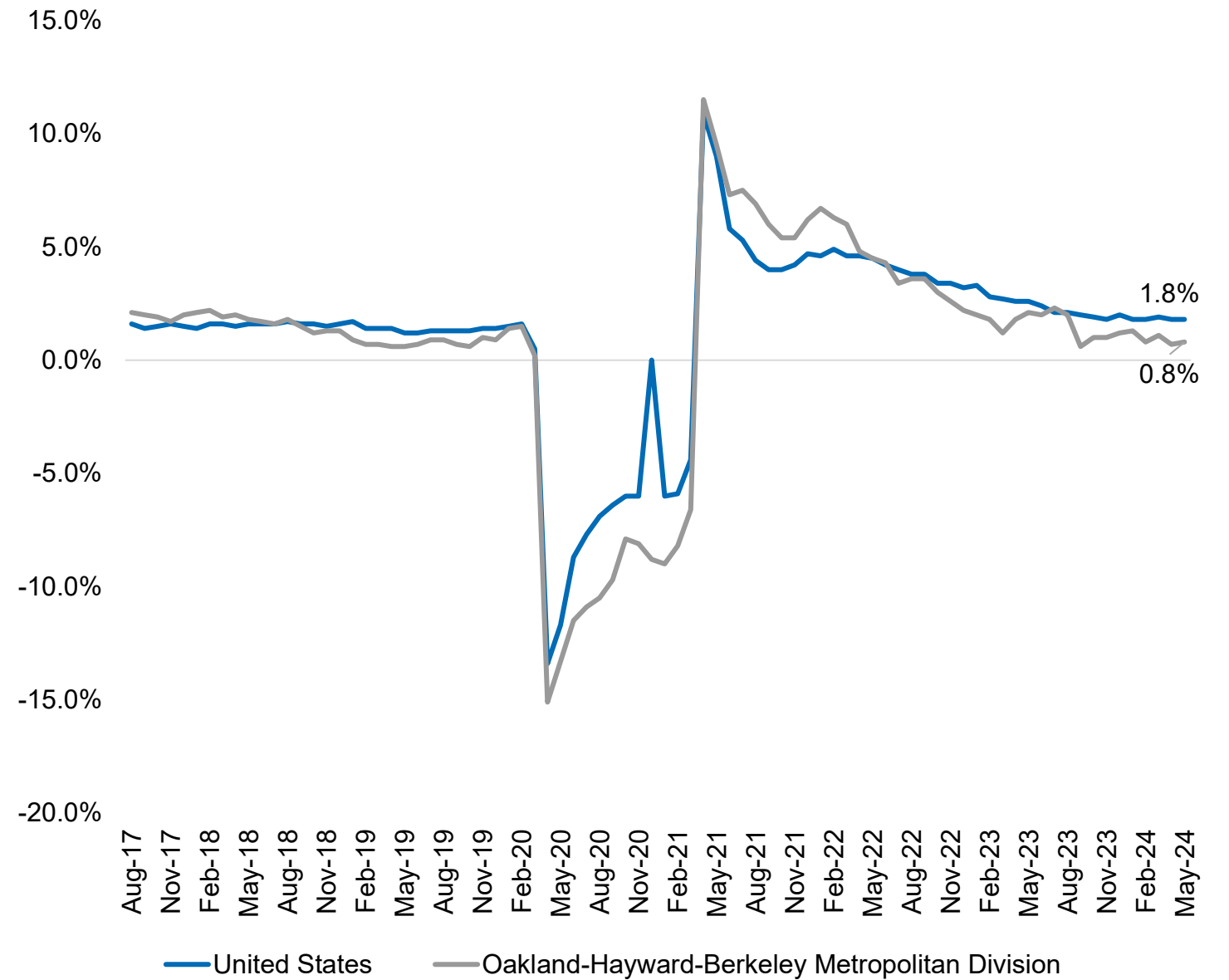
Metro Employment Trends Signal A Slight Comeback

The unemployment rate for the East Bay Area in May was 110 basis points lower than it was at the beginning of 2024, and at 3.9% is 10 basis points lower than the national average. Although unemployment rates remain above pre-pandemic levels, the second quarter of 2024 is showing positive workforce trends.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

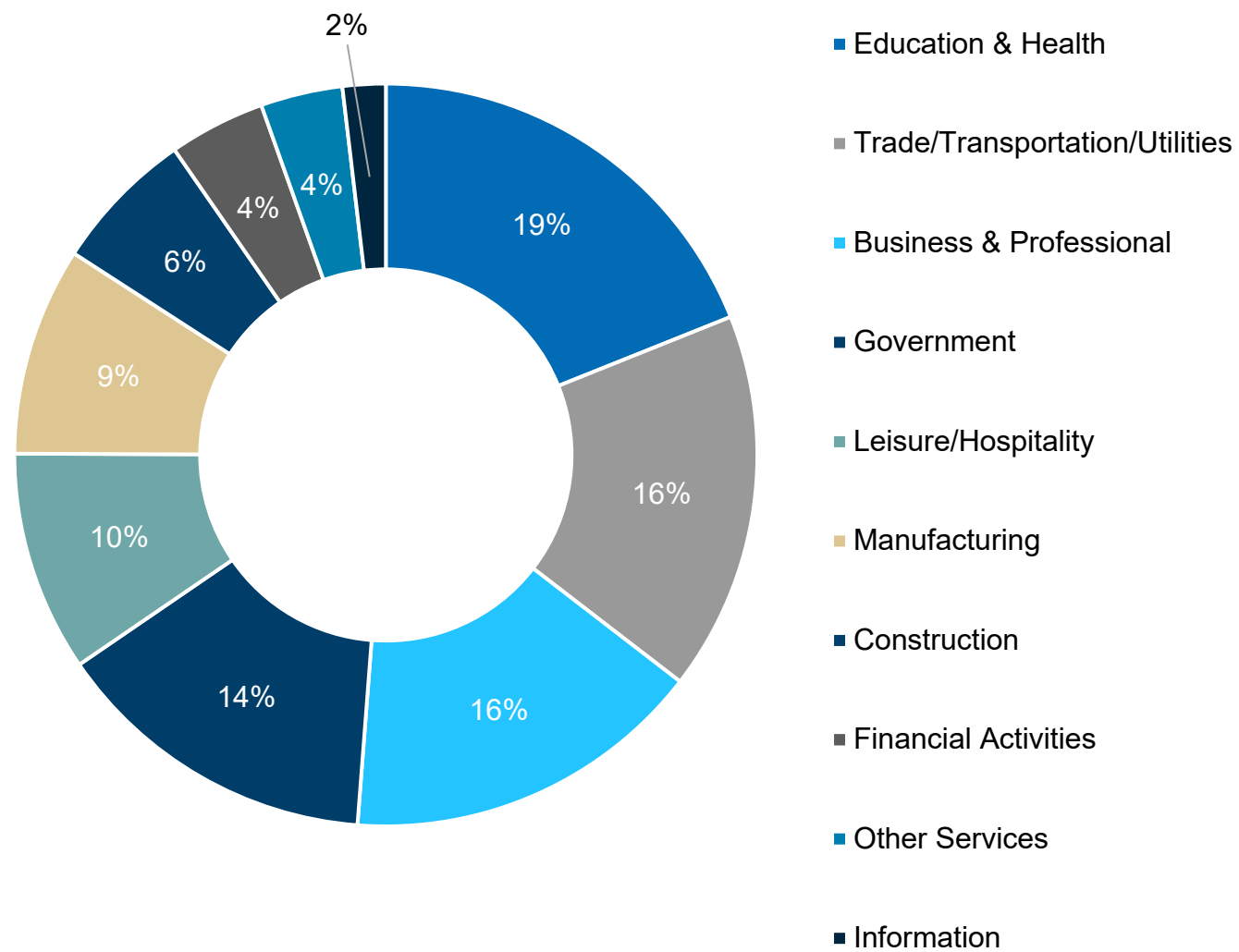


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

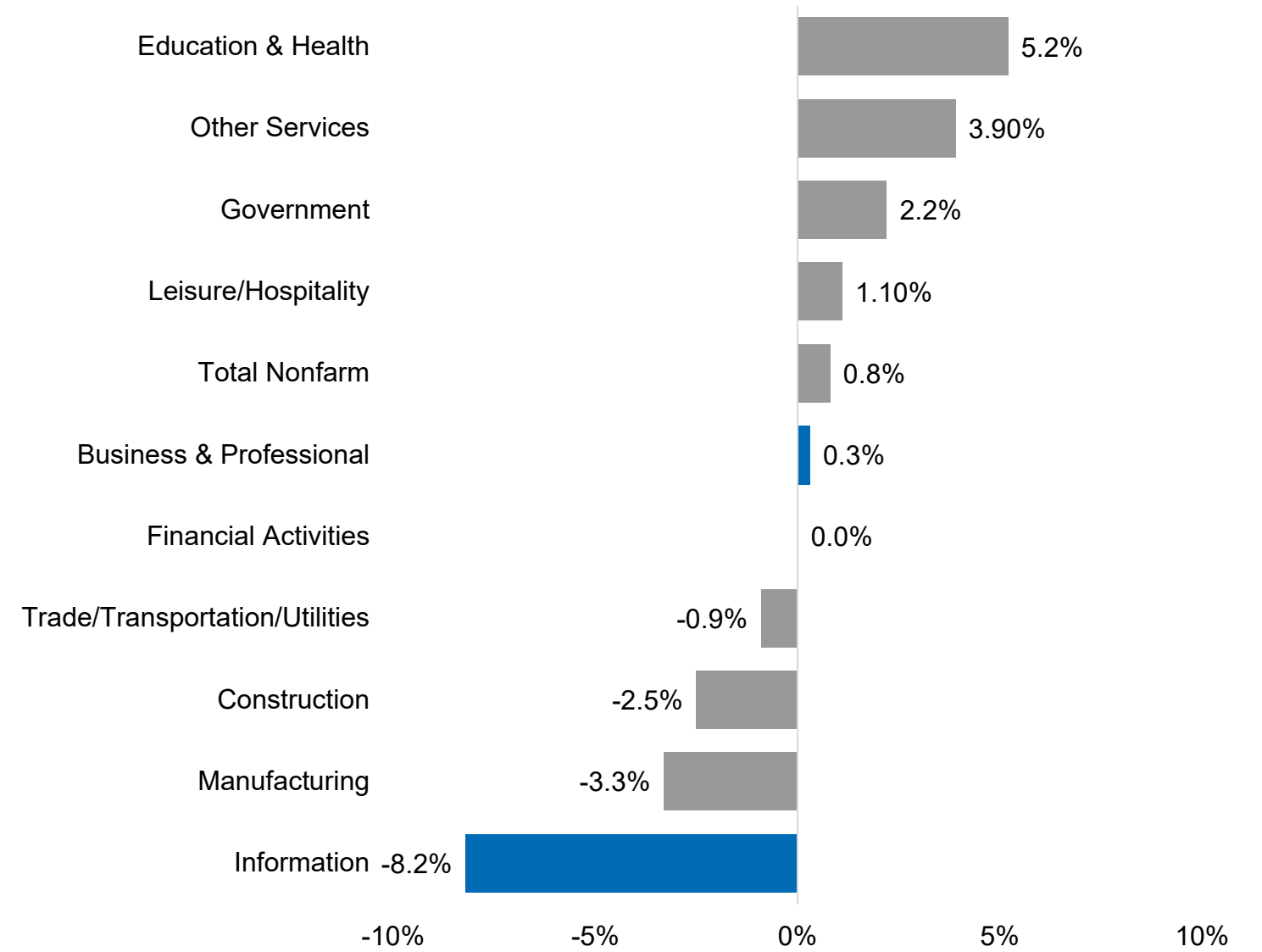
Office-Using Employment Down

Information experienced the largest loss in growth for office using sectors year-over-year, while financial activities experienced no growth, and business and professional services showed slight growth.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

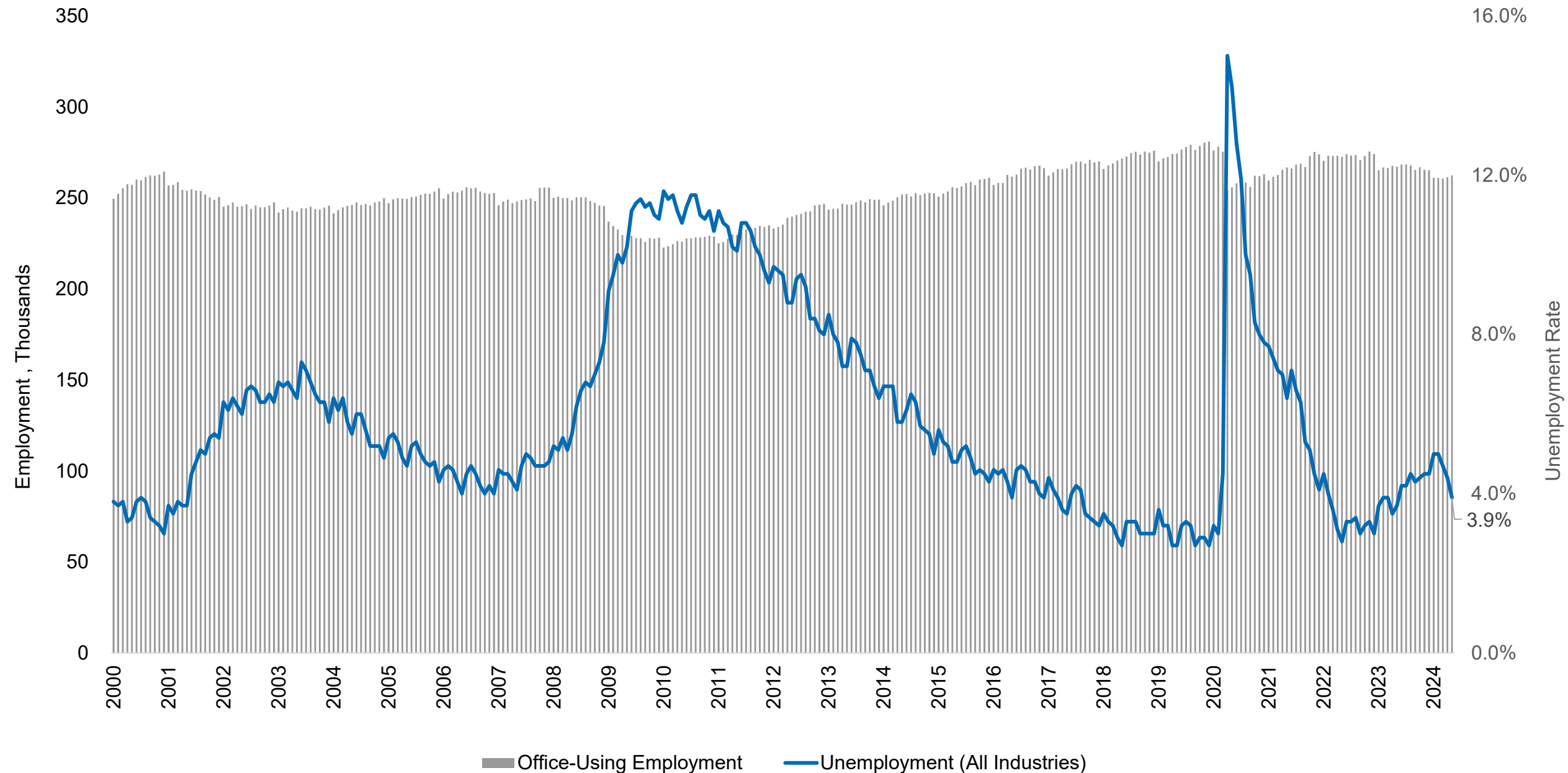


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

Overall Office-Using Employment Still Lower than Pre-Pandemic

The number of office jobs in the East Bay has yet to recover to pre-pandemic levels, with about 10 thousand fewer office-using jobs. Office-using employment is currently just below early-2017 levels.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties). Note: August 2023 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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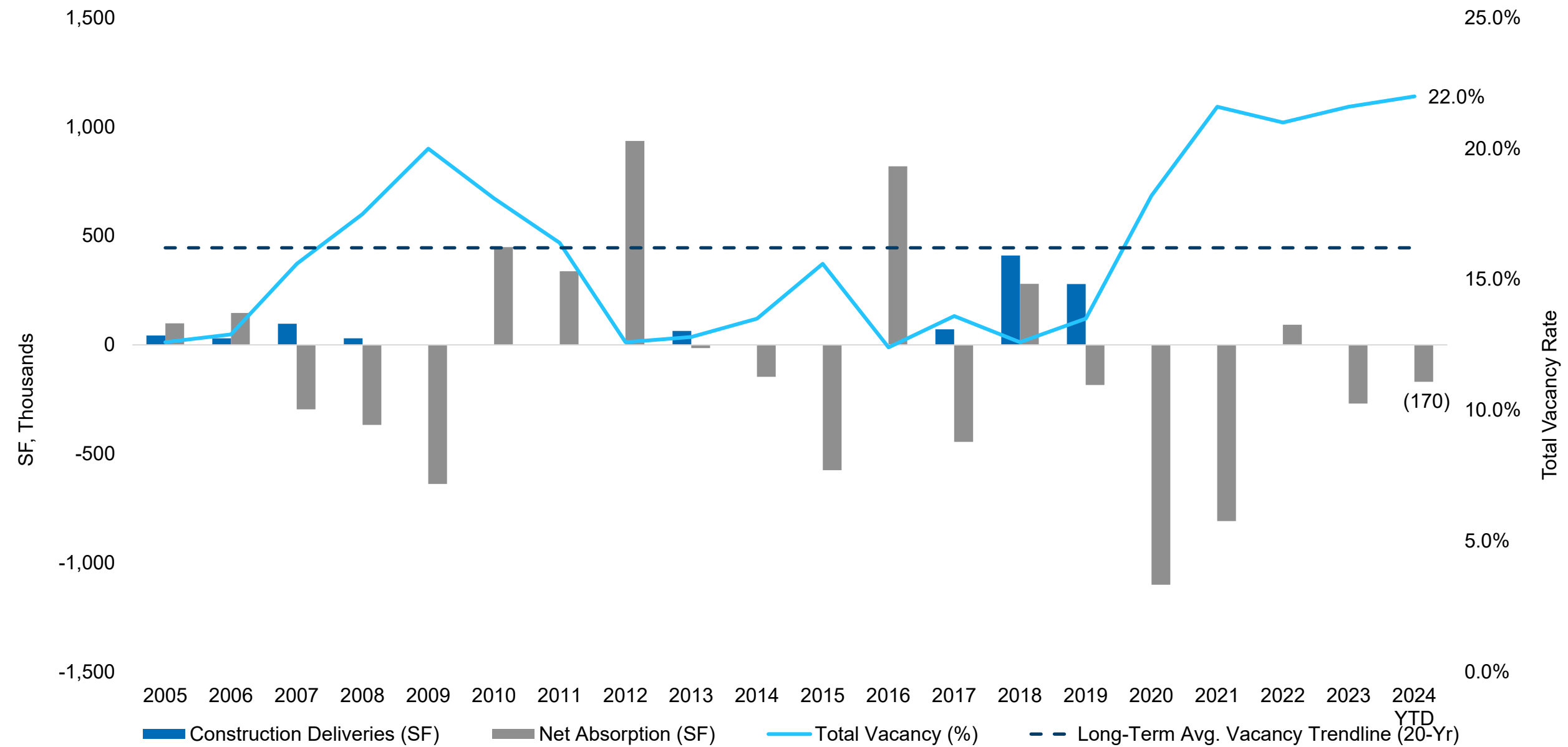
Leasing Market Fundamentals



Tri Valley Office Vacancy Had Slight Increase

The overall vacancy rate increased in the first quarter by 190 basis points, as the market logged 328,074 square feet of negative absorption with an overall vacancy rate of 22.7%.

Historical Construction Deliveries, Net Absorption, and Vacancy

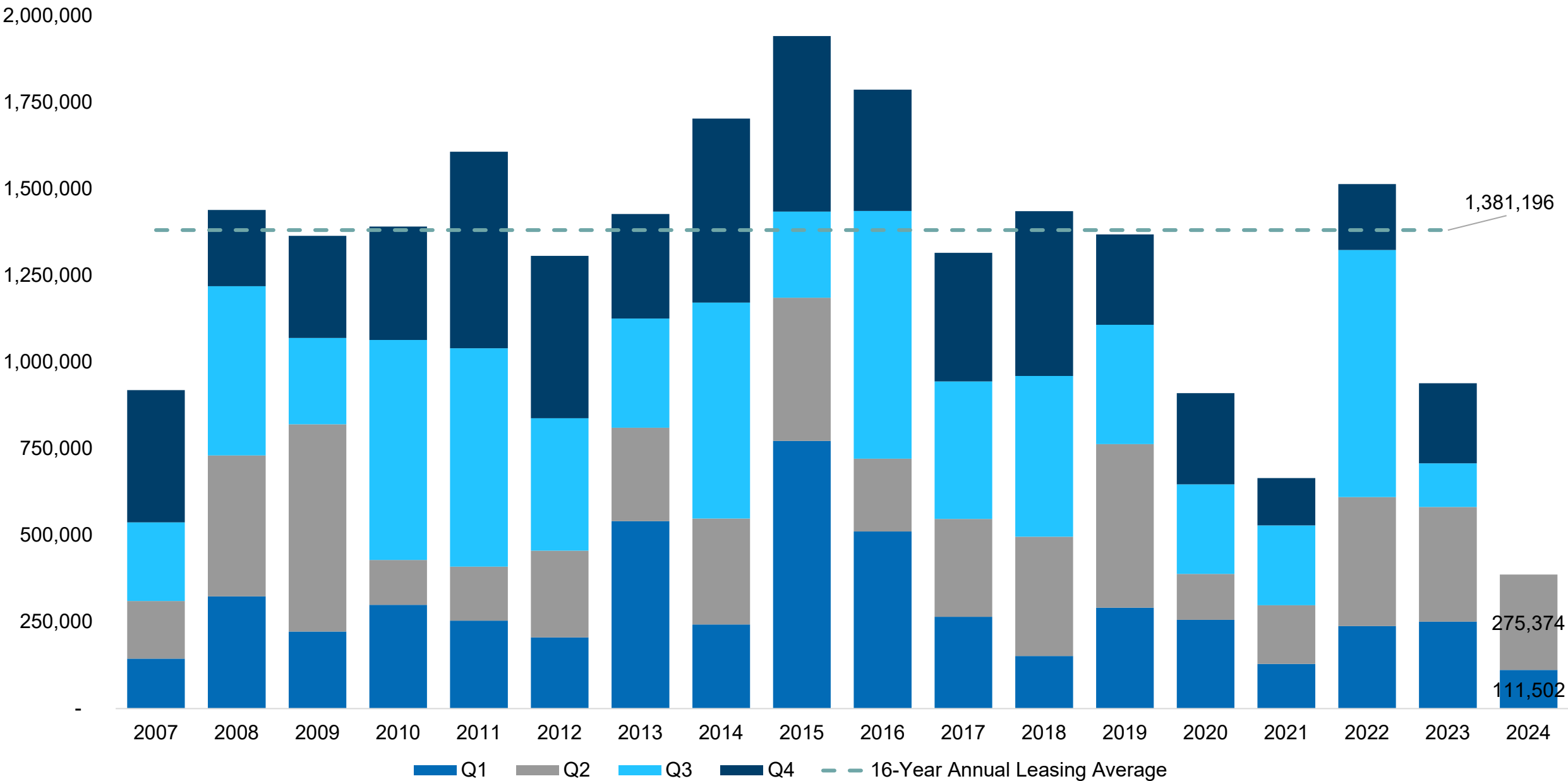


Source: Newmark Research, CoStar

Tri Valley Office Leasing Activity

Office leasing activity has picked up in the second quarter but is still on pace to be slower than 2023 levels.

Total Leasing Activity (sf)

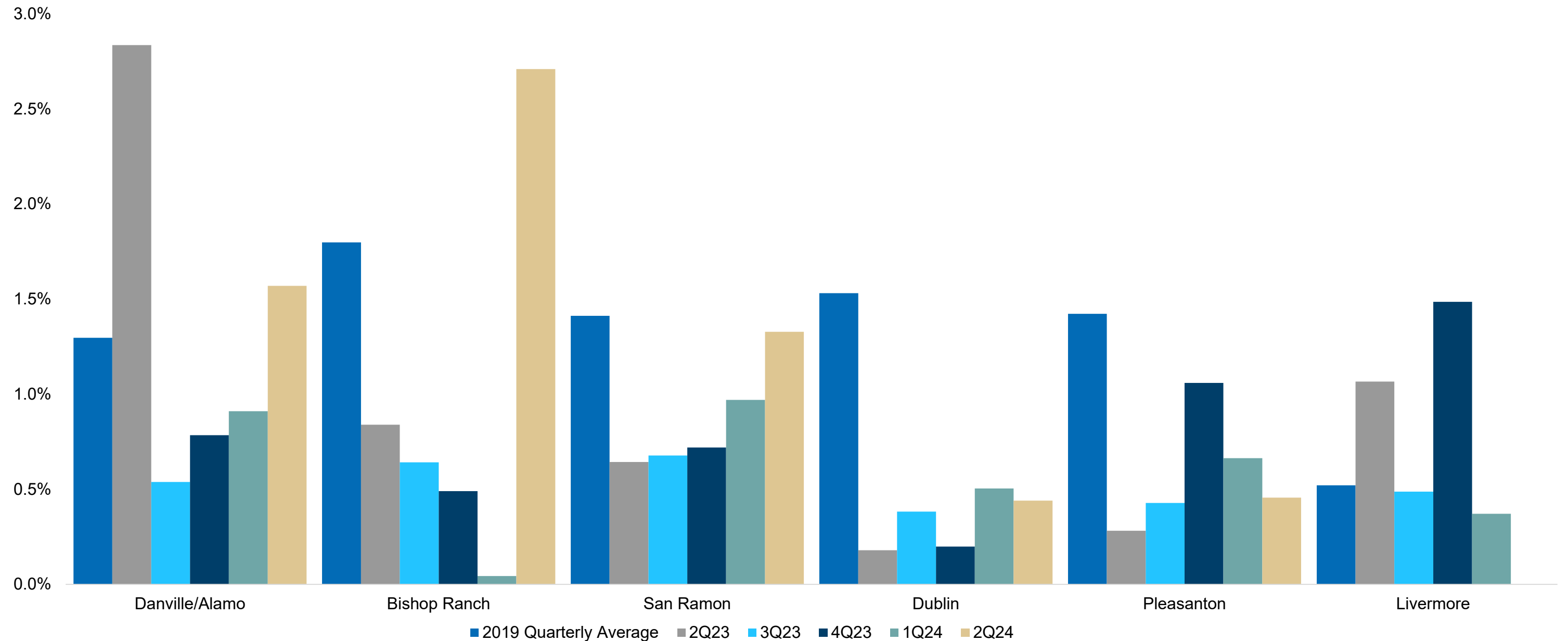


Source: Newmark Research, CoStar

Office Leasing Continued to Diversify Among Submarkets

Office leasing increased relative to the first quarter in the second quarter of 2024, with 275,374 square feet being leased in Tri-Valley. Bishop Ranch, Danville/Alamo and San Ramon experienced a significant increase, while Livermore had no completed deals.

Leasing Activity as a Percentage of Inventory

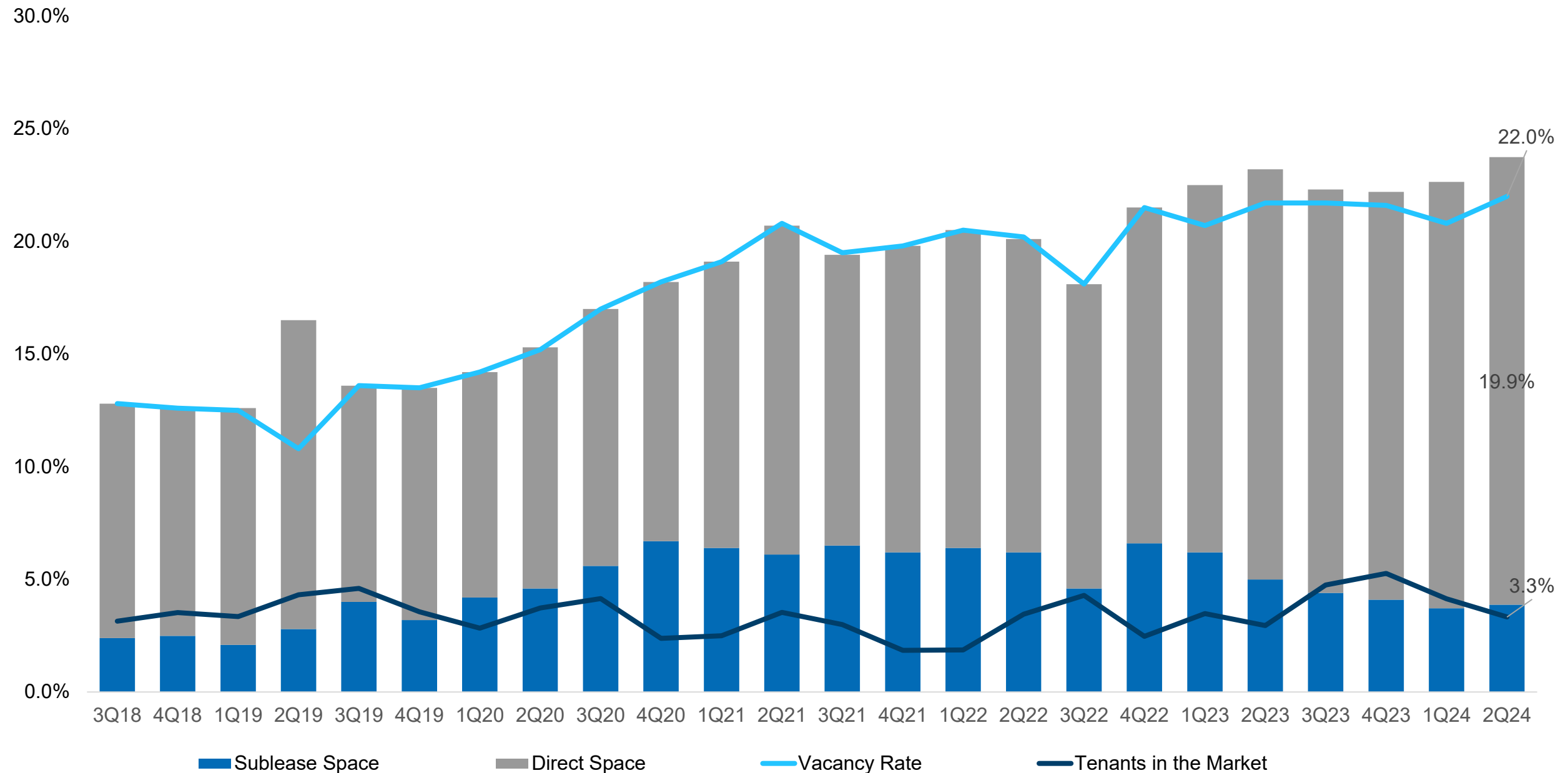


Source: Newmark Research, CoStar

Availability Increased While Tenant Demand Decreased

Vacancy and direct available space both went up in the second quarter of 2024, with the square footage of tenants in demand only totaling 3.3% of the Tri Valley market. There are approximately 16 tenants in the market currently looking for more than 10,000 square feet.

Available Space and Tenant Demand as Percent of Overall Market

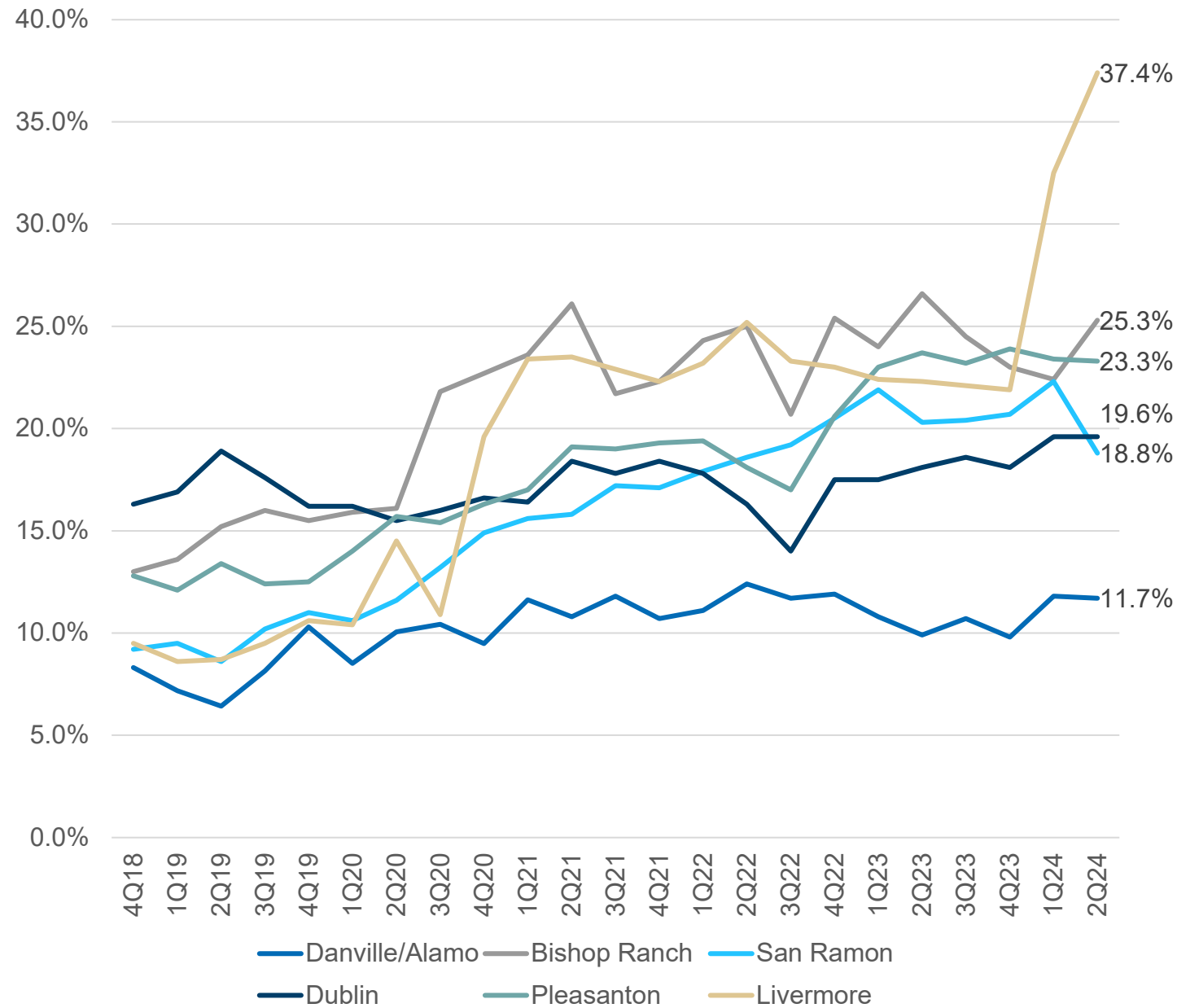


Source: Newmark Research, CoStar

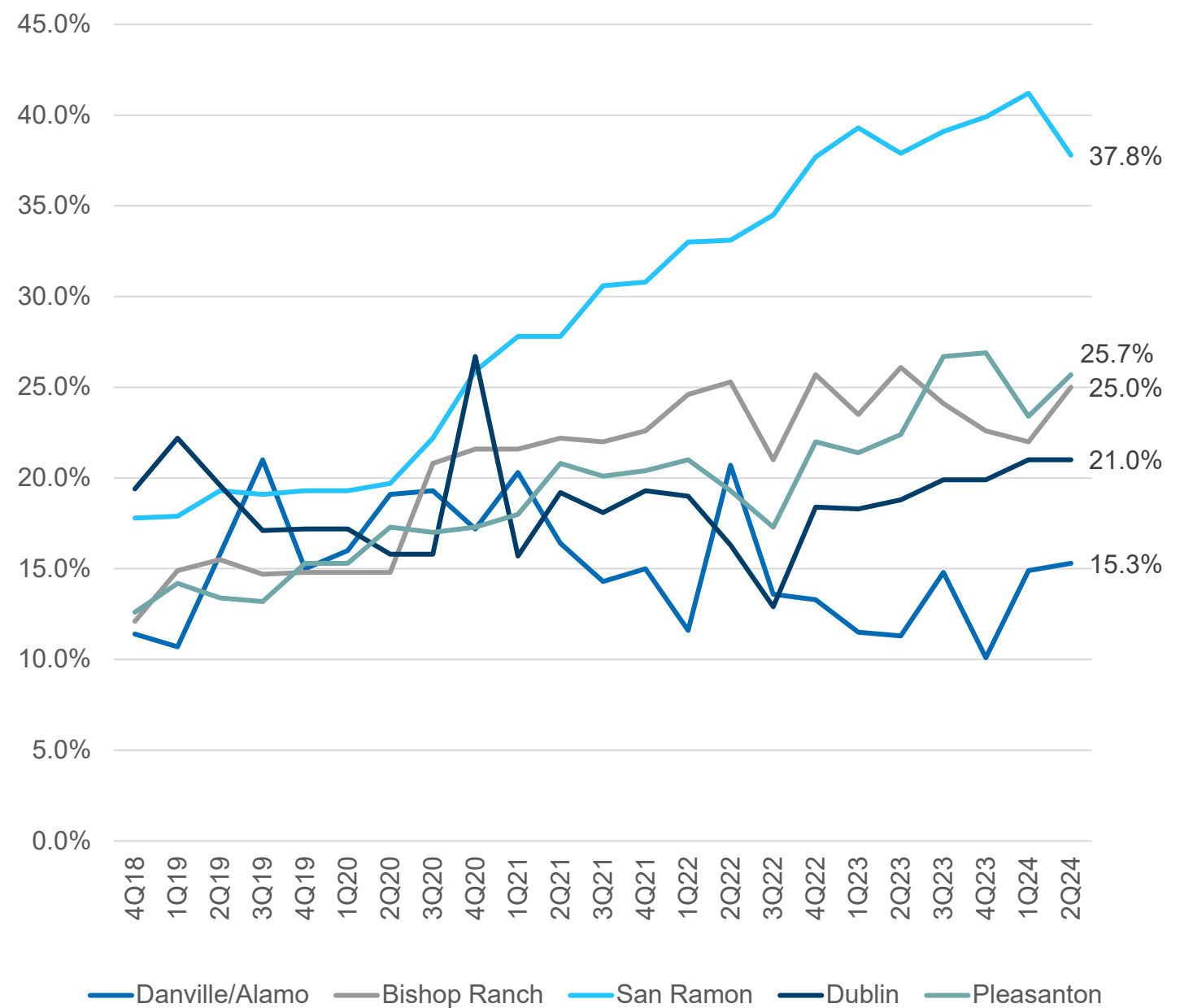
Office Availability by Submarket

Overall availability increased by a sizeable amount in Livermore in the second quarter of 2024, increasing by over 450 basis points while most other submarkets remained relatively stable. Class A availability in Pleasanton and Bishop Ranch had the largest changes in the second quarter both increasing by over 200 basis points. San Ramon was the only market to see a dip in Class A availability.

Overall Availability Rate by Submarket



Class A Availability Rate by Submarket

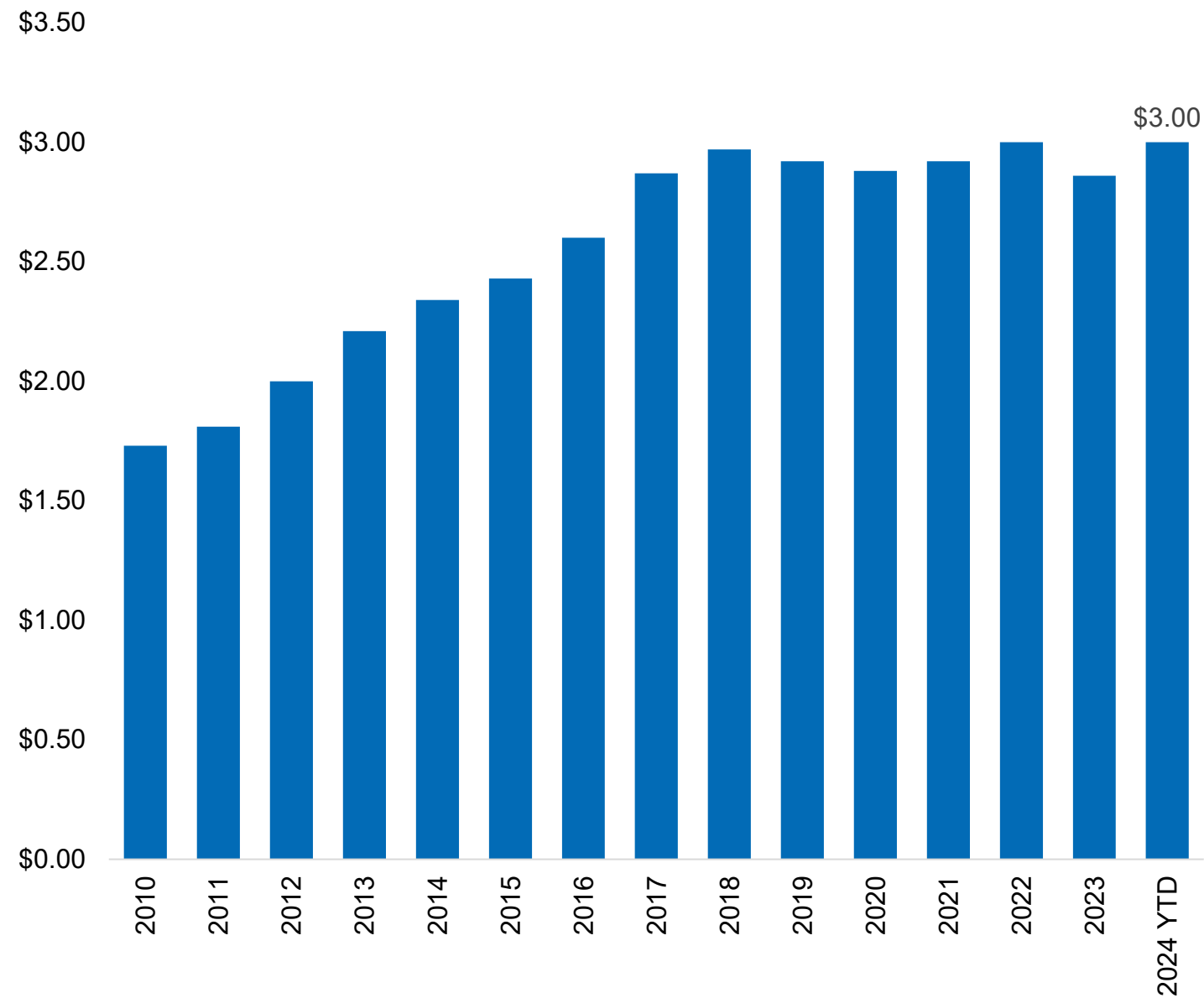


Source: Newmark Research, CoStar

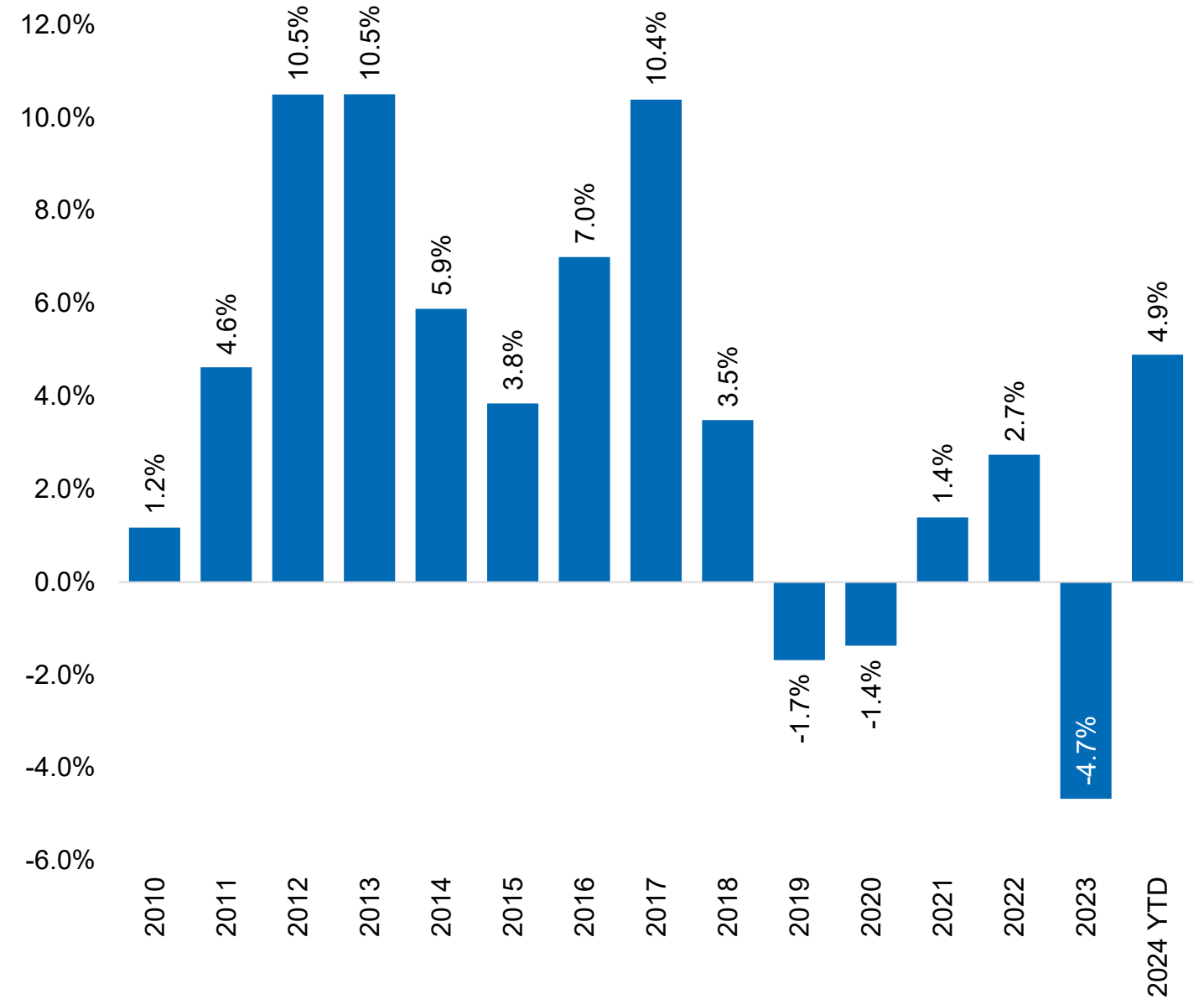
Office Asking Rents Stay Consistent

While overall asking rates appear to have continued to increase this year, the rise is due to the amount of added Class A space in the market in relation to lower-priced Class B and Class C space. Asking rents remained stable quarter-over-quarter. Overall, there has been no significant change to asking rates.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

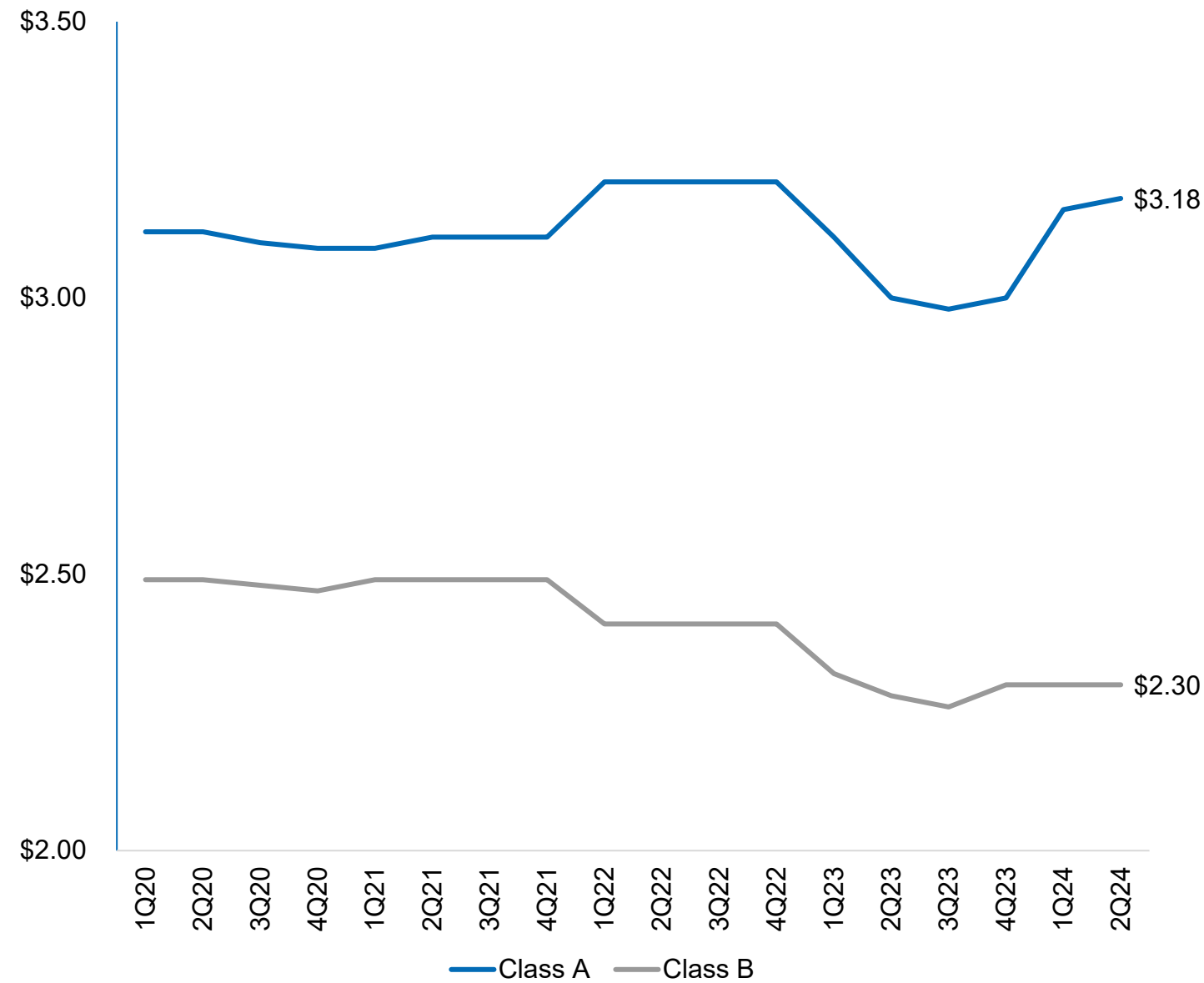


Source: Newmark Research, CoStar

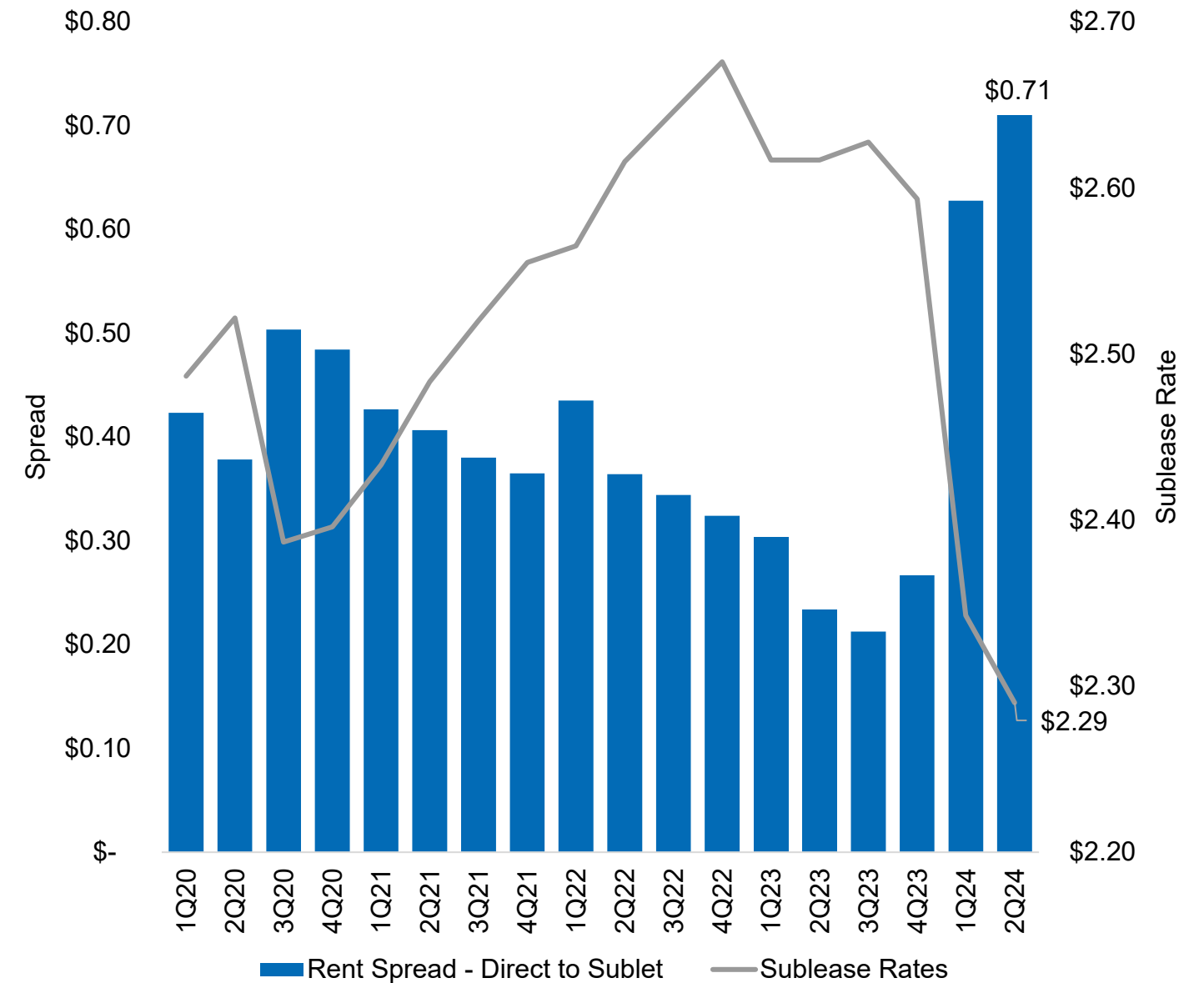
Office Sublease Rates Dropped

Direct rents continued to see increase in the second quarter, while overall sublease rates dropped furthermore. The continued decrease of sublease rates in the second quarter, as noted on page 14, caused the gap between direct and sublease rents to increase.

Class A and Class B Asking Rents



Sublease Rates

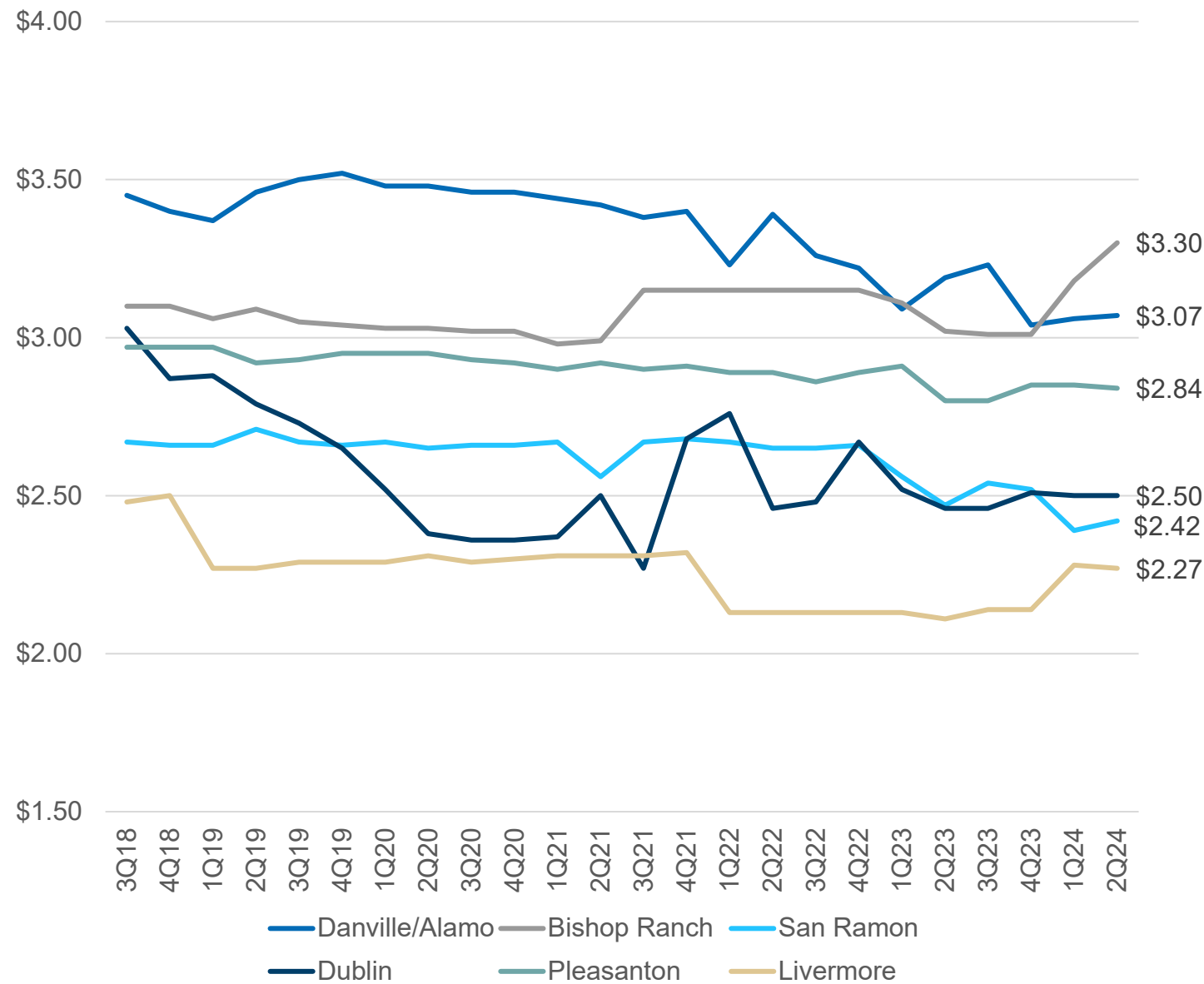


Source: Newmark Research, CoStar

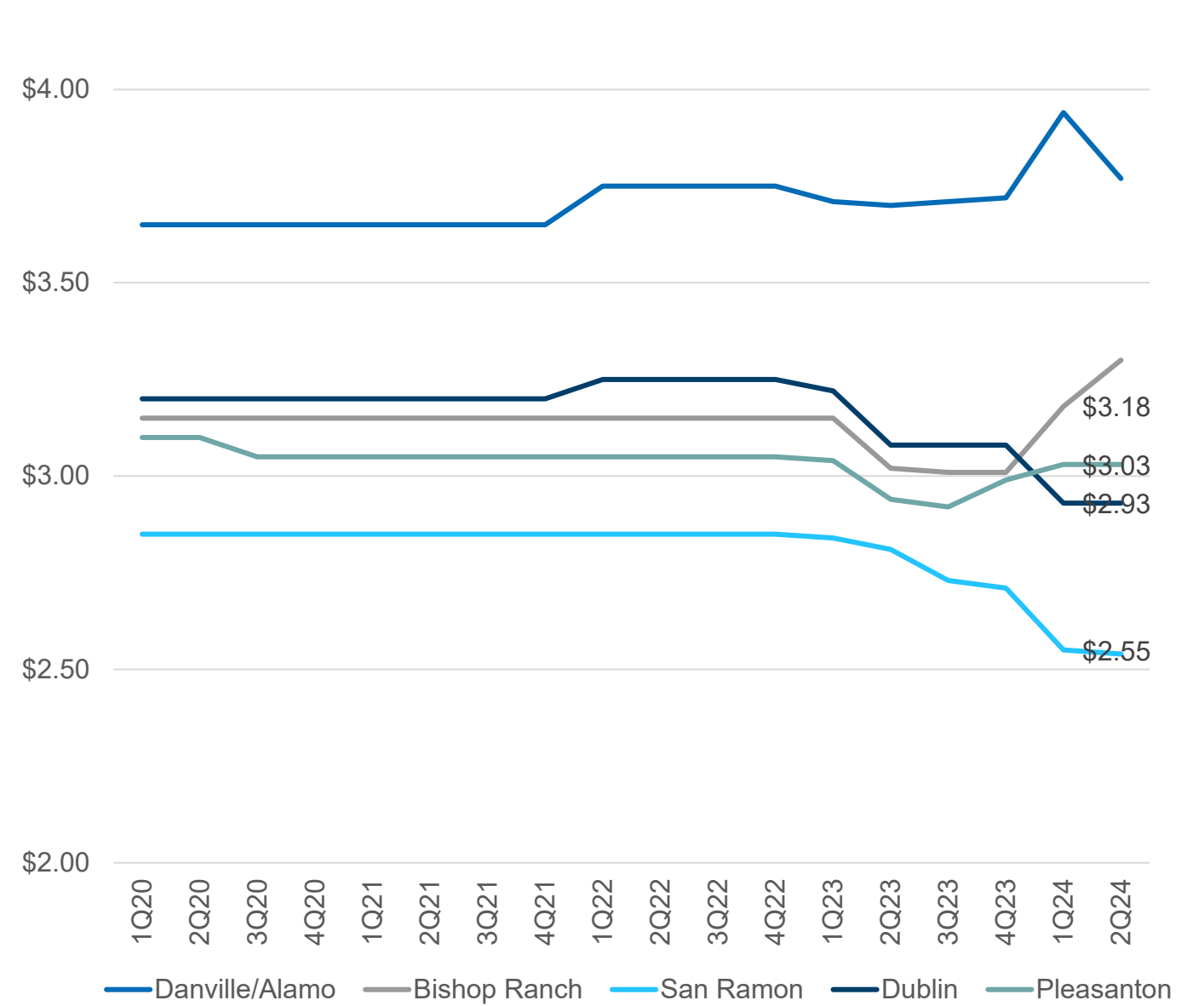
Office Asking Rents By Submarket

In the second quarter, the majority of submarkets experienced no change in asking rents. Bishop Ranch and Danville/Alamo saw the most change in Class A asking rents due to changes in the balance of available space as more Class A space becomes available.

Overall Asking Rent by Submarket



Class A Asking Rent by Submarket

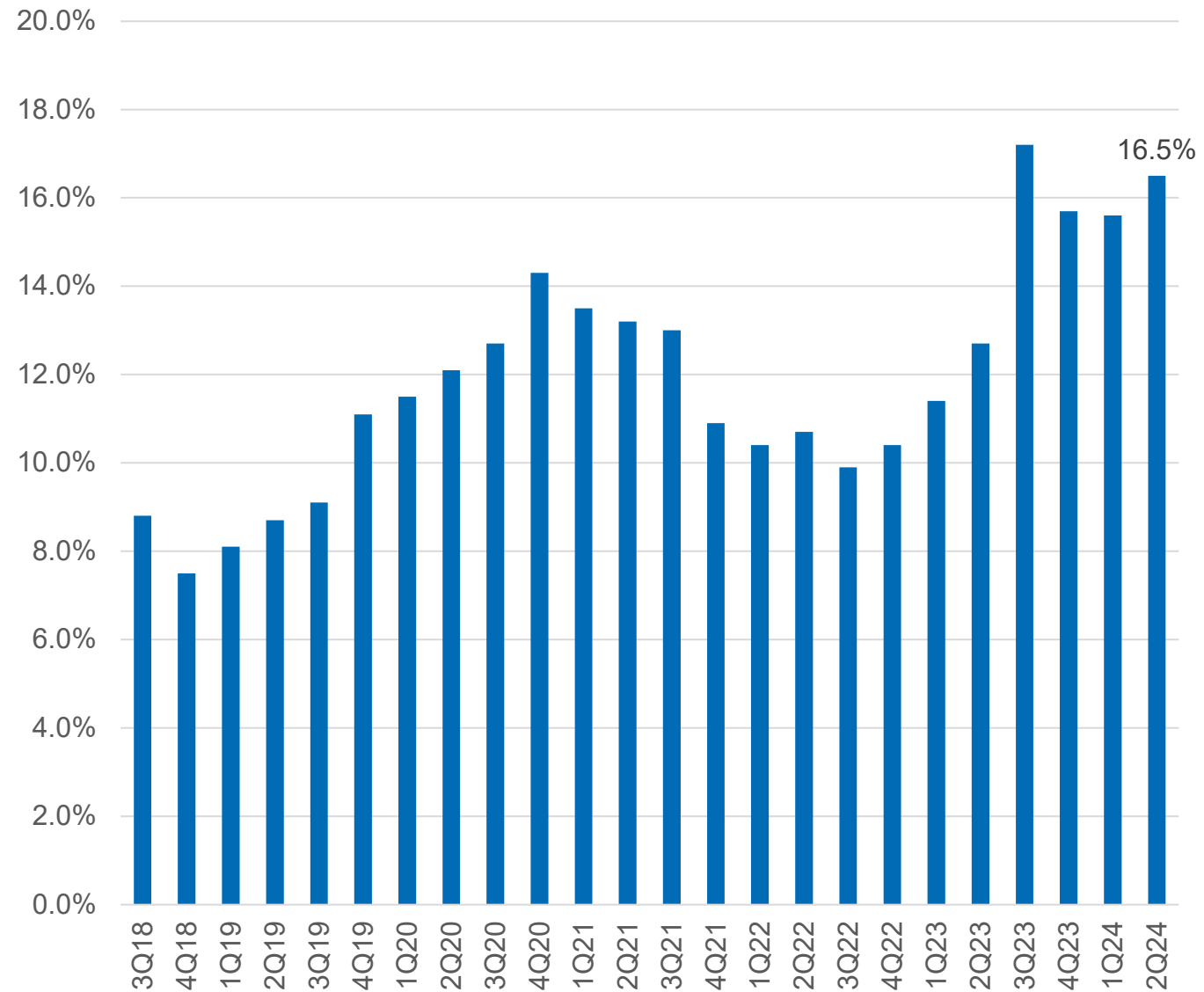


Source: Newmark Research, CoStar

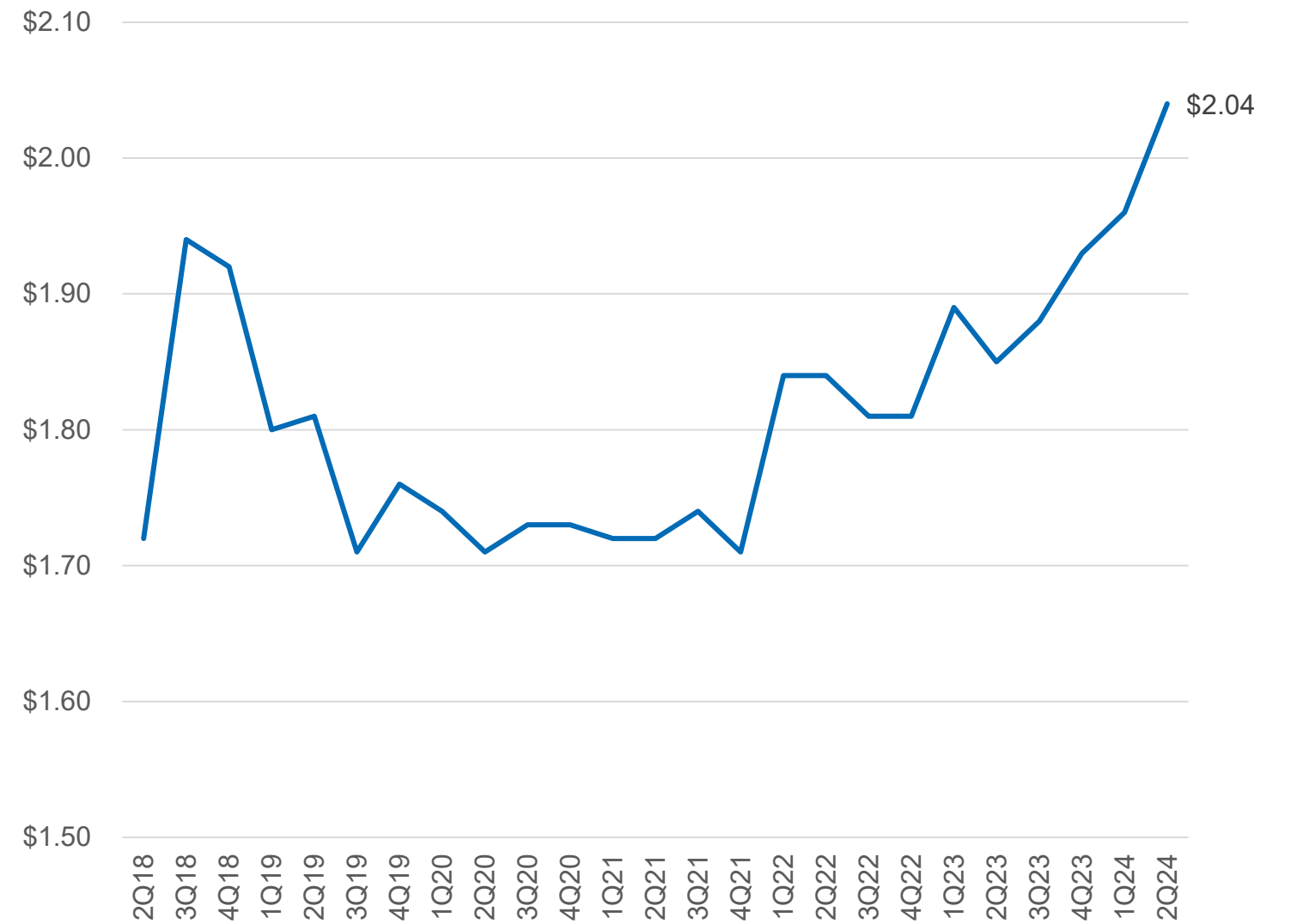
Flex Market Overall Availability and Asking Rent

Flex availability increased in the second quarter with 81,938 SF of negative absorption in the Tri-Valley submarket, heavily concentrated in Pleasanton. Overall net absorption for year to date shows negative 53,327 square feet. Availability increased by 90 basis points, while rents increased from \$1.96/SF to \$2.04/SF.

Flex Space Overall Availability



Flex Rate Direct Asking Rent

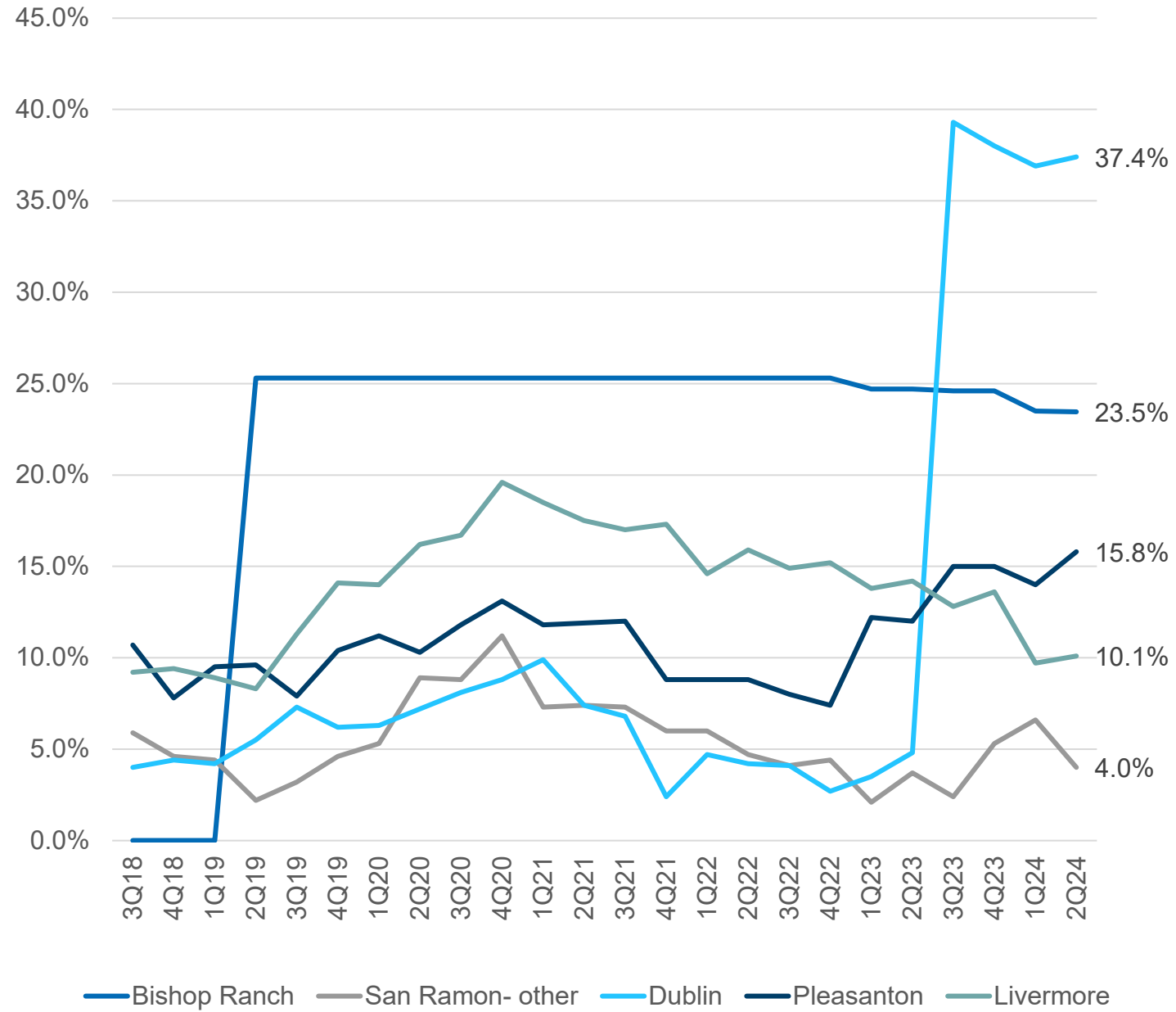


Source: Newmark Research, CoStar

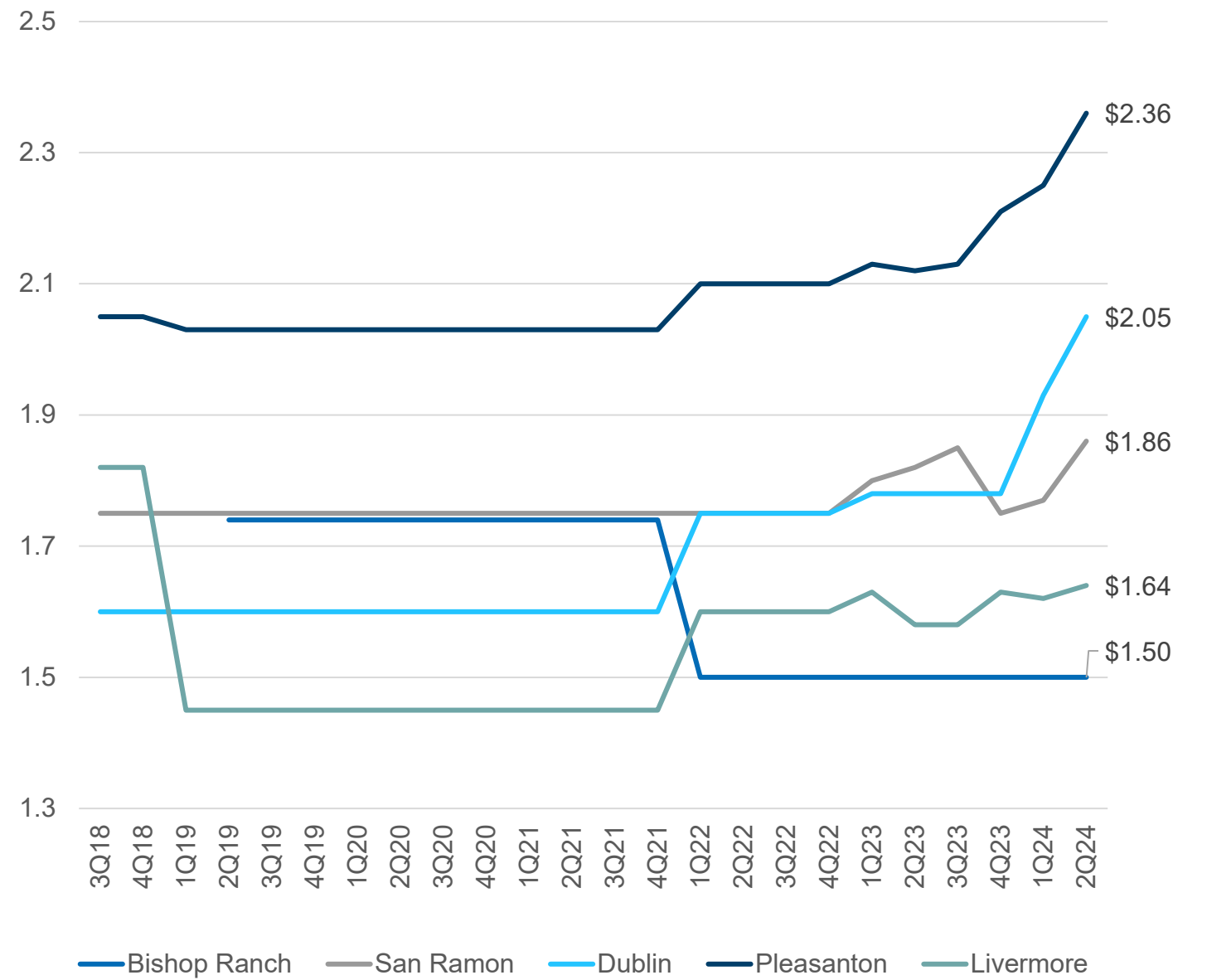
Flex Market Availability and Asking Rent by Submarket

The Flex market availability rate and rental rates remained relatively flat during the quarter.

Availability by Submarket



Asking Rent by Submarket



Source: Newmark Research, CoStar

Second Quarter Lease Transactions

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Cooper Bussmann LLC	5735 W Positas Blvd.	Pleasanton – Hacienda Business Park	Lease Extension	23,304
SavvyMoney, Inc.	4160 Dublin Blvd	Dublin - Dublin	Direct Lease	18,740
Dunn-Edwards Corporation	3981 First Street	Livermore -- Central	Direct Lease	7,995
Peoples Associates Structural Engineers, Inc.	2633 Camino Ramon	San Ramon – Bishop Ranch	Direct Lease	7,630

Appendix



Tri-Valley Market Statistics

Office Market Stats 2Q24

	Inventory (SF)	Total Avail (SF)	Total Avail Rate	Direct Avail (SF)	Direct Avail Rate	Sublease Avail (SF)	Sublease Avail Rate	Qtr Net Absrop (SF)	YTD Net Absorp. (SF)	Direct FS Asking Rent (Price/SF)
Danville/Alamo	815,607	95,234	11.70%	80,974	9.93%	14,260	1.75%	-13,479	-20,490	\$3.07
Class A	254,824	38,869	15.30%	24,609	9.66%	14,260	5.60%	9,113	-21,407	\$3.77
Class B	430,874	46,909	10.90%	46,909	10.89%	0	0.00%	2,743	2,103	\$2.58
Class C	129,909	9,456	7.30%	9,456	7.28%	0	0.00%	1,623	-1,186	\$3.36
Bishop Ranch	6,618,436	1,677,560	25.30%	1,530,934	23.13%	146,626	2.22%	-238,739	65,803	\$3.30
Class A	6,521,316	1,628,570	25.00%	1,530,934	23.48%	97,636	1.50%	-238,739	65,803	\$3.30
Class B	97,120	48,990	50.40%	0	0.00%	48,990	50.44%	0	0	-
San Ramon	1,742,189	327,081	18.80%	313,243	17.98%	13,838	0.79%	35,565	1,431	\$2.42
Class A	614,732	232,567	37.80%	223,672	36.39%	8,895	1.45%	12,628	6,831	\$2.54
Class B	902,063	77,709	8.60%	72,766	8.07%	4,943	0.55%	29,048	3,667	\$2.27
Class C	225,394	16,805	7.50%	16,805	7.46%	0	0.00%	-6,111	-9,067	\$2.07
Dublin	2,244,030	438,721	19.60%	359,901	16.04%	78,820	3.51%	-37,692	-37,692	\$2.50
Class A	1,403,056	294,323	21.00%	215,503	15.36%	78,820	5.62%	-31,318	-31,318	\$2.93
Class B	501,175	113,911	22.70%	113,911	22.73%	0	0.00%	-2,283	-2,283	\$2.09
Class C	339,799	30,487	9.00%	30,487	8.97%	0	0.00%	-4,091	-4,091	\$1.87
Pleasanton	9,571,006	2,226,046	23.30%	1,745,776	18.24%	480,270	5.02%	-8,491	34,126	\$2.84
Class A	6,708,586	1,727,606	25.70%	1,314,134	25.75%	413,238	6.16%	7,392	76,743	\$3.03
Class B	2,461,028	462,676	18.80%	395,644	16.08%	67,032	2.72%	-3,755	-35,916	\$2.38
Class C	401,392	35,998	9.00%	35,998	8.97%	0	0.00%	-12,128	-6,701	\$2.27
Livermore	1,035,270	387,205	37.40%	302,996	29.27%	84,209	8.13%	-26,037	-136,192	\$2.27
Class A/B	943,396	379,800	40.30%	295,591	31.33%	84,209	8.93%	-26,037	-142,066	\$2.27
Class C	91,874	7,405	8.10%	7,405	8.06%	0	0.00%	0	5,874	\$2.28
Tri-Valley	22,026,538	5,228,740	23.70%	4,375,239	19.86%	853,501	3.87%	-328,074	-169,907	\$3.00
Class A	15,502,514	3,975,349	25.60%	3,327,022	21.46%	648,327	4.18%	-281,480	43,004	\$3.18
Class B	5,335,656	1,151,220	21.60%	946,046	17.73%	205,174	3.85%	-24,712	-195,720	\$2.30
Class C	1,188,368	102,171	8.60%	102,171	8.60%	0	0.00%	-21,882	-17,191	\$2.25

Flex Market Stats 2Q24

	Inventory (SF)	Total Avail (SF)	Total Avail Rate	Direct Avail (SF)	Direct Avail Rate	Sublease Avail (SF)	Sublease Avail Rate	Qtr Net Absrop (SF)	YTD Net Absorp. (SF)	Direct FS Asking Rent (Price/SF)
Bishop Ranch	208,608	48,931	23.50%	0	0.00%	48,931	23.46%	0	2,450	\$0.00
San Ramon	537,859	62,118	11.50%	13,187	2.45%	48,931	9.10%	2,902	972	\$1.86
Dublin	913,271	341,803	37.40%	318,486	34.87%	23,317	2.55%	-4,572	3,698	\$2.05
Pleasanton	3,211,535	505,855	15.80%	356,242	11.09%	149,613	4.66%	-68,044	-53,478	\$2.36
Livermore	2,161,108	218,040	10.10%	214,040	9.90%	4,800	0.22%	-12,224	-4,519	\$1.64
Tri-Valley Flex	6,823,773	1,128,616	16.50%	901,955	13.22%	226,661	3.32%	-81,938	-53,327	\$2.04

Source: Newmark Research

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