
3Q24

Tri Valley Office and R&D Market Overview



NEWMARK

Market Observations

Economy

- The East Bay’s unemployment rose by 140 basis points in the third quarter, and currently stands at 5.3%. This is 110 basis points higher than the national average.
- Job growth year-over-year was highest in the education and health, construction, and government. The information, manufacturing, and financial services sectors showed the largest decreases in employment.

Major Transactions

All 5 of the largest deals were direct leases, two of which were flex space.

- ACCO Engineered Systems leased 67,757 SF in Pleasanton.
- Cloud Software Group, Inc. leased 24,877 SF in Bishop Ranch.
- Sunbelt Controls, Inc. leased 22,439 SF of flex space in Pleasanton.
- Sutter Health leased 22,910 SF in Pleasanton.
- Pacific Office Automation Inc. leased 11,280 SF in Pleasanton.
- PTC, Inc. leased 10,738 SF in Bishop Ranch.

Leasing Market Fundamentals

- The Tri Valley office and flex markets experienced a negative absorption of 165K square feet for the third quarter of 2024.
- Asking rental rates remained relatively unchanged with a couple submarkets showing decreases in the third quarter of 2024.
- Bishop Ranch experienced negative 160k square feet of absorption due to 250K square feet becoming vacant at 2613 Camino Ramon.
- Tenants continue to be drawn to Class A space in buildings with better amenities and shared spaces.
- Tenant downsizing/rightsizing continues based on preexisting lease expiration dates, due to the affects of Covid work from home changes based on when companies lease expiration dates occur.

Outlook

- Projects with move in ready / market ready spaces should continue to see increased touring and higher lease up success.
- The macroeconomic future remains uncertain, prompting both occupiers and investors to approach deals with increased caution, ultimately influencing leasing and investment activity.
- Corporate Downsizing / Subleasing continues with the Q3 announcements of Chevron vacating space at 2600 Camino Ramon and Vaco subleasing a full floor at Sycamore.

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

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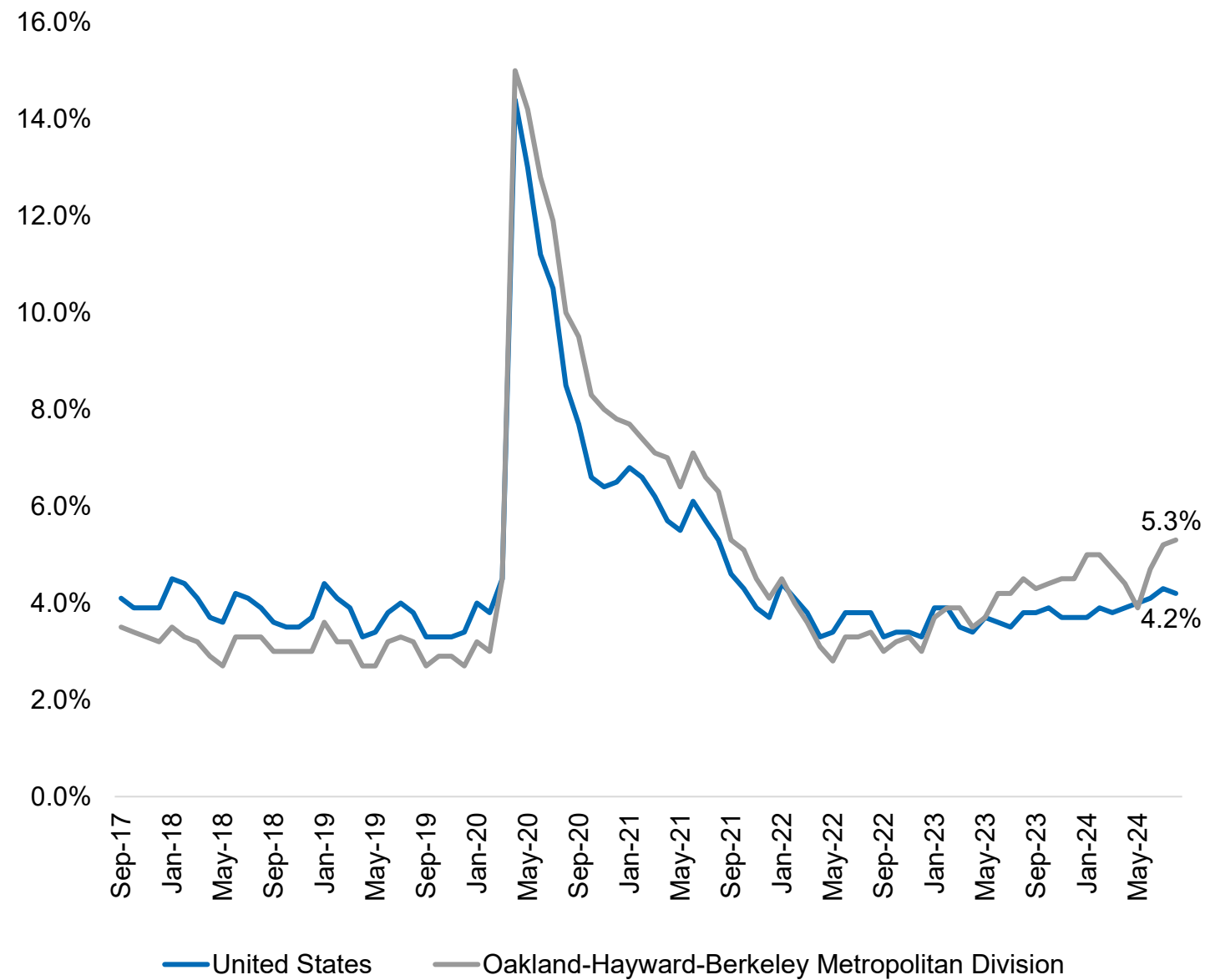
Economy



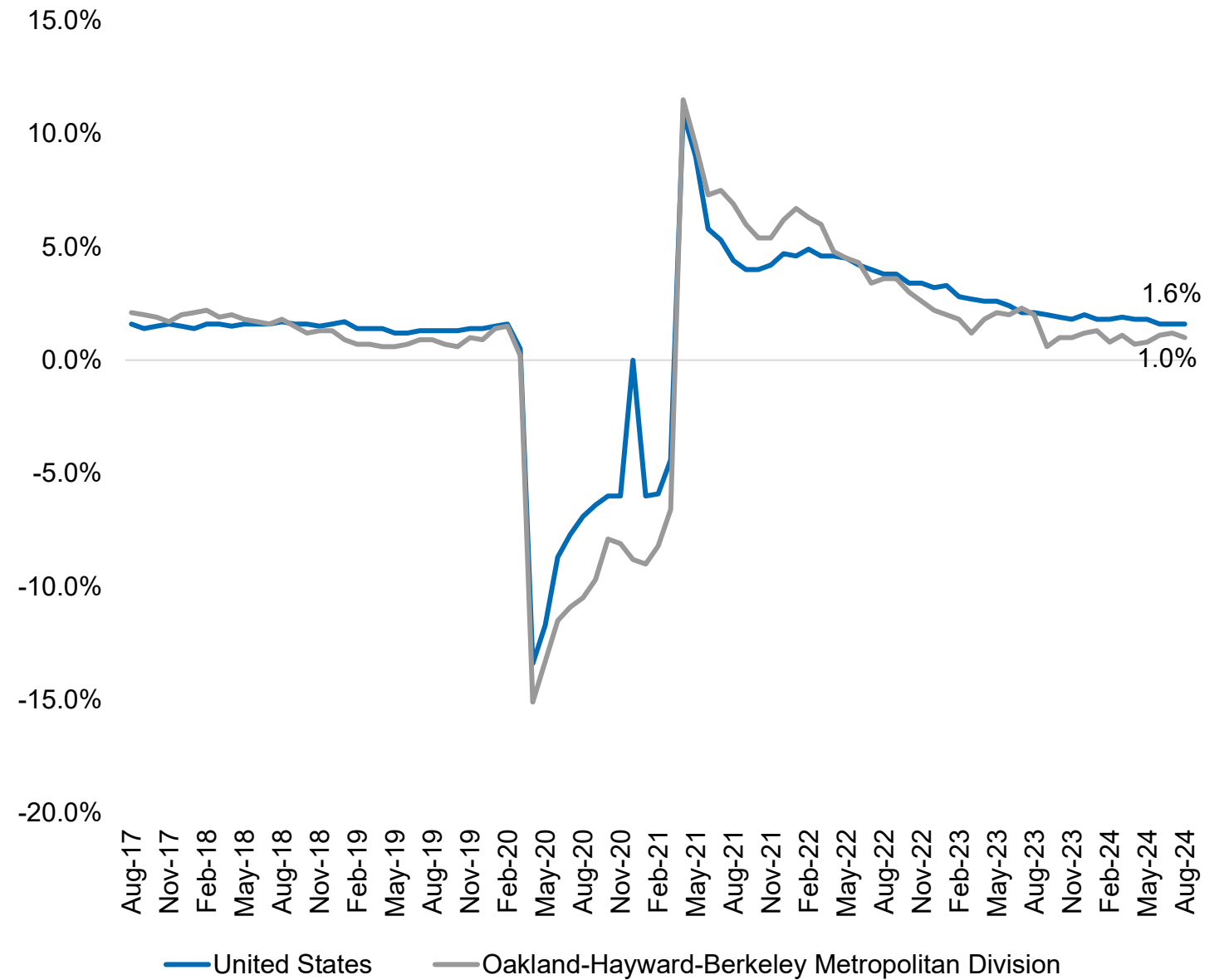
Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is 30 basis points higher than it was at the beginning of 2024, and at 5.3% is 110 basis points higher than the national average. Unemployment rates remain above pre-pandemic levels.

Unemployment Rate, Non-Seasonally Adjusted



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

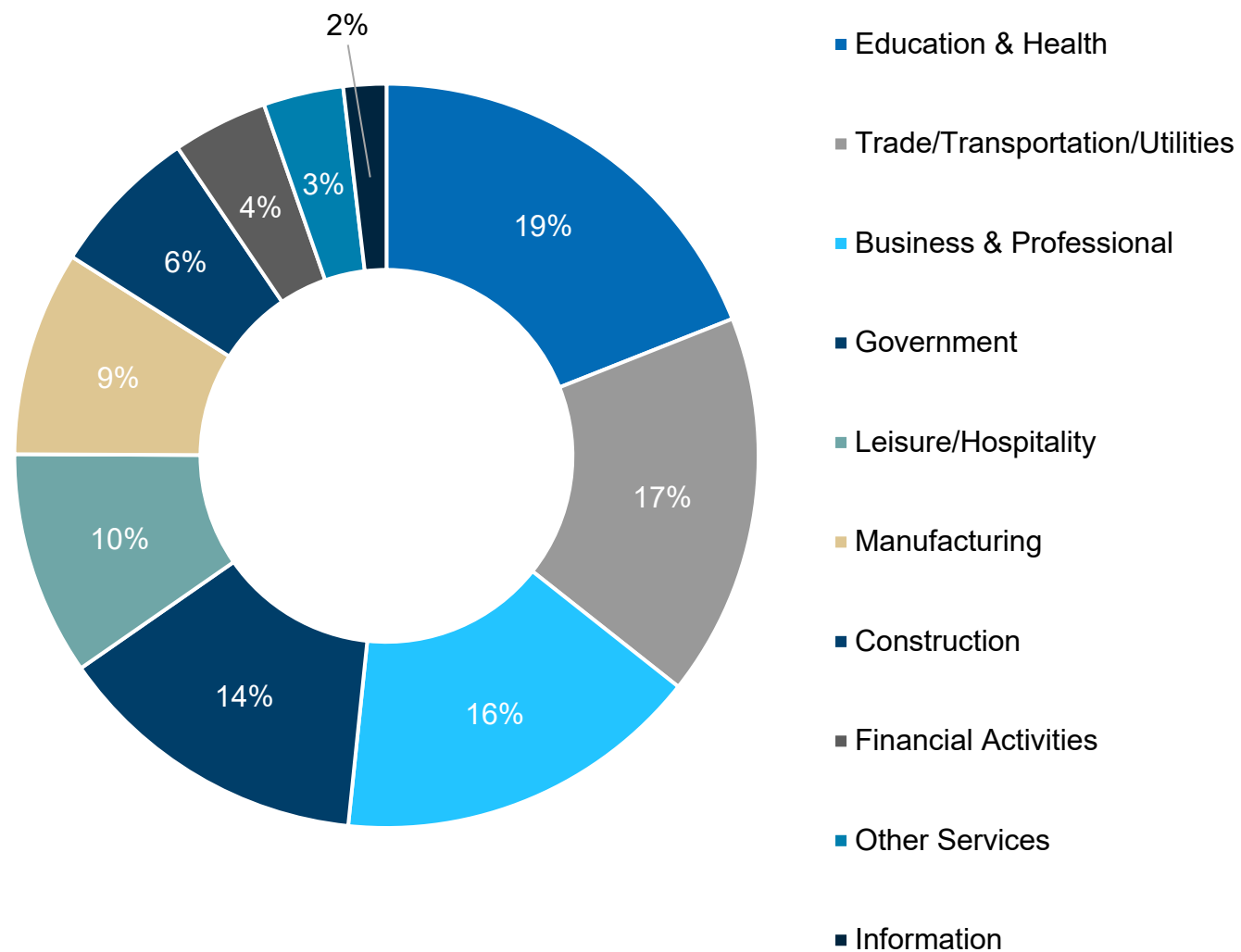


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

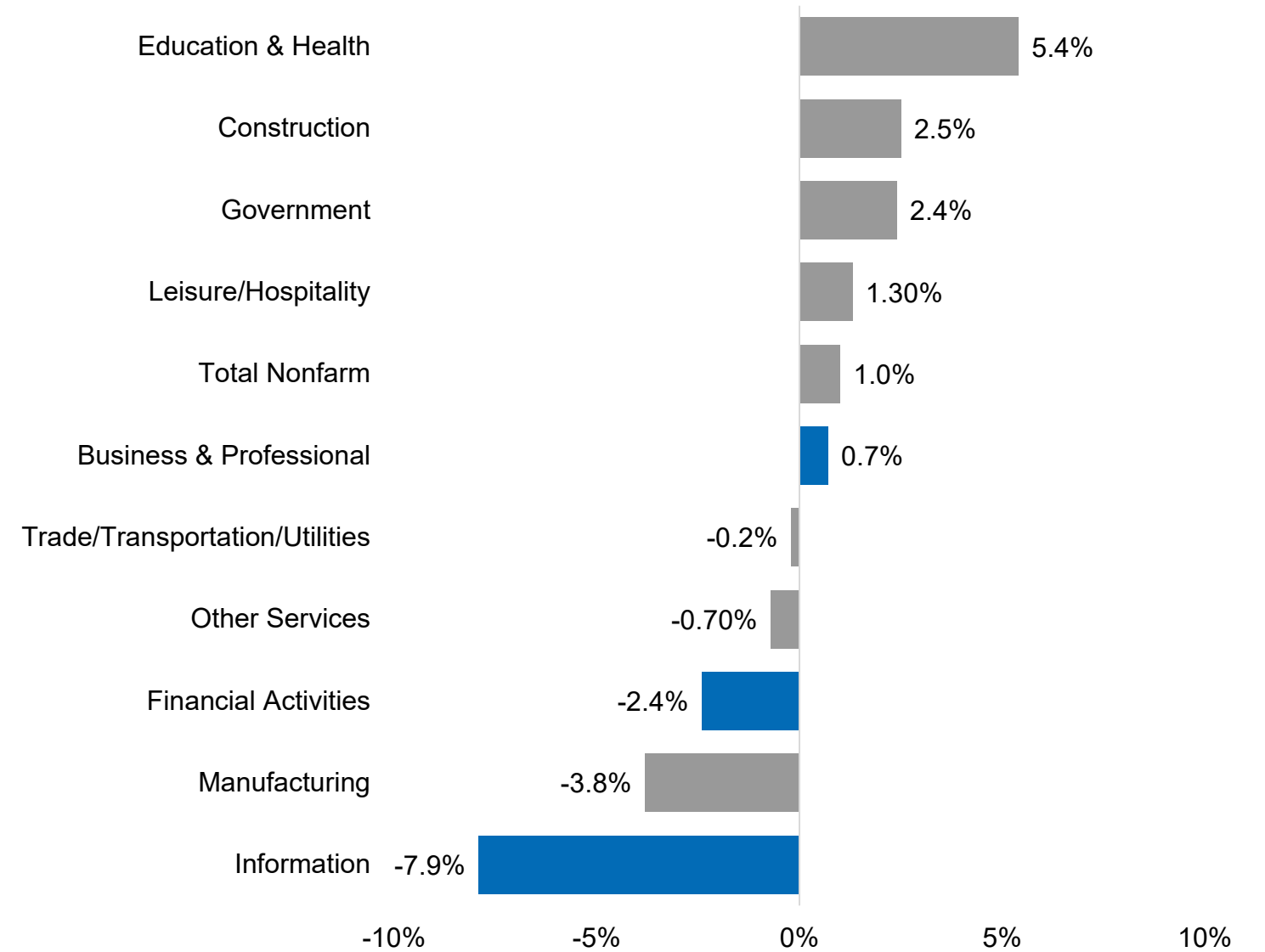
Office-Using Employment Down

Information experienced the largest loss in growth for office using sectors year-over-year, while financial activities also experienced negative growth, and business and professional services increased slightly.

Employment by Industry, August 2024



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

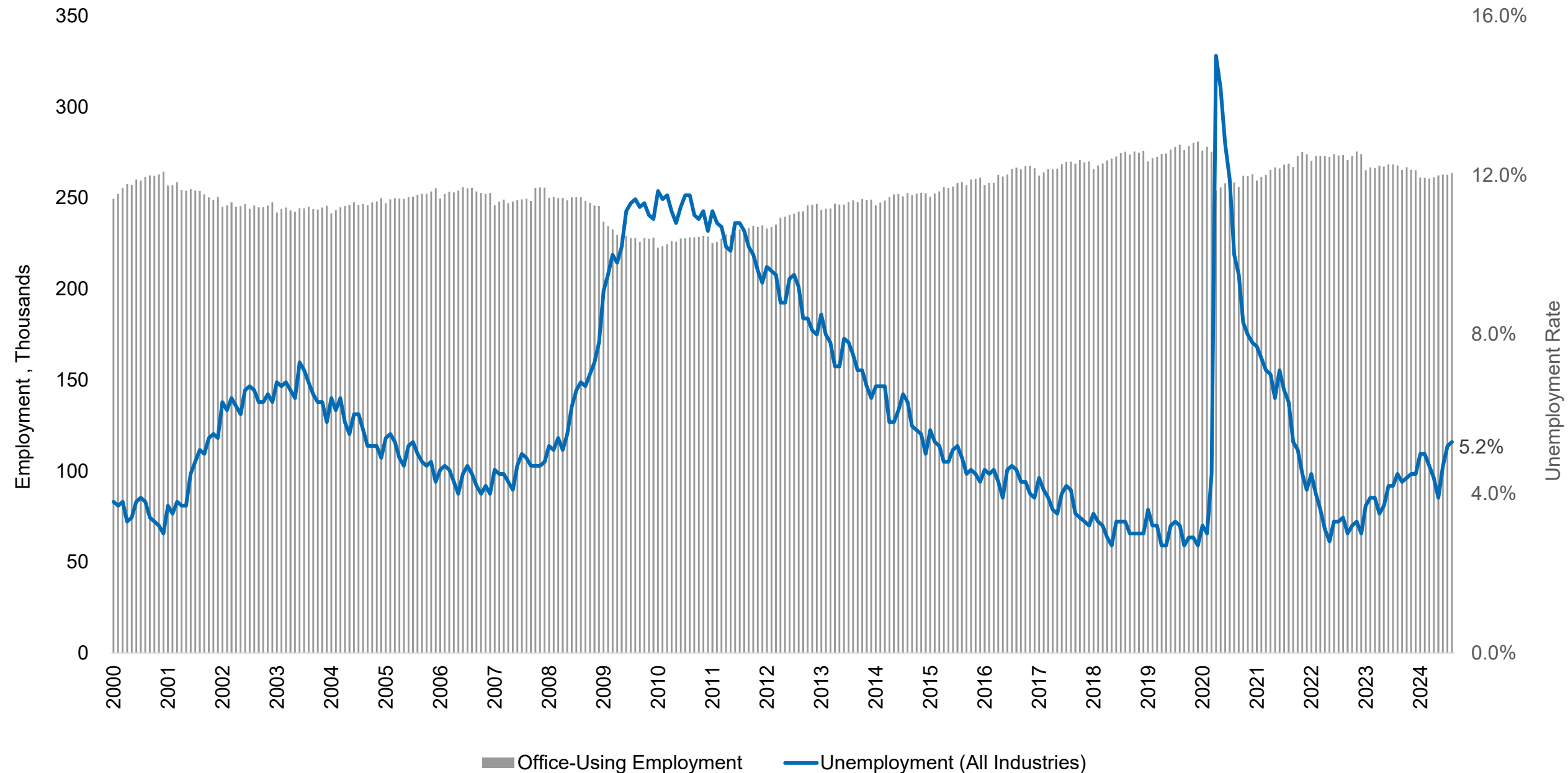


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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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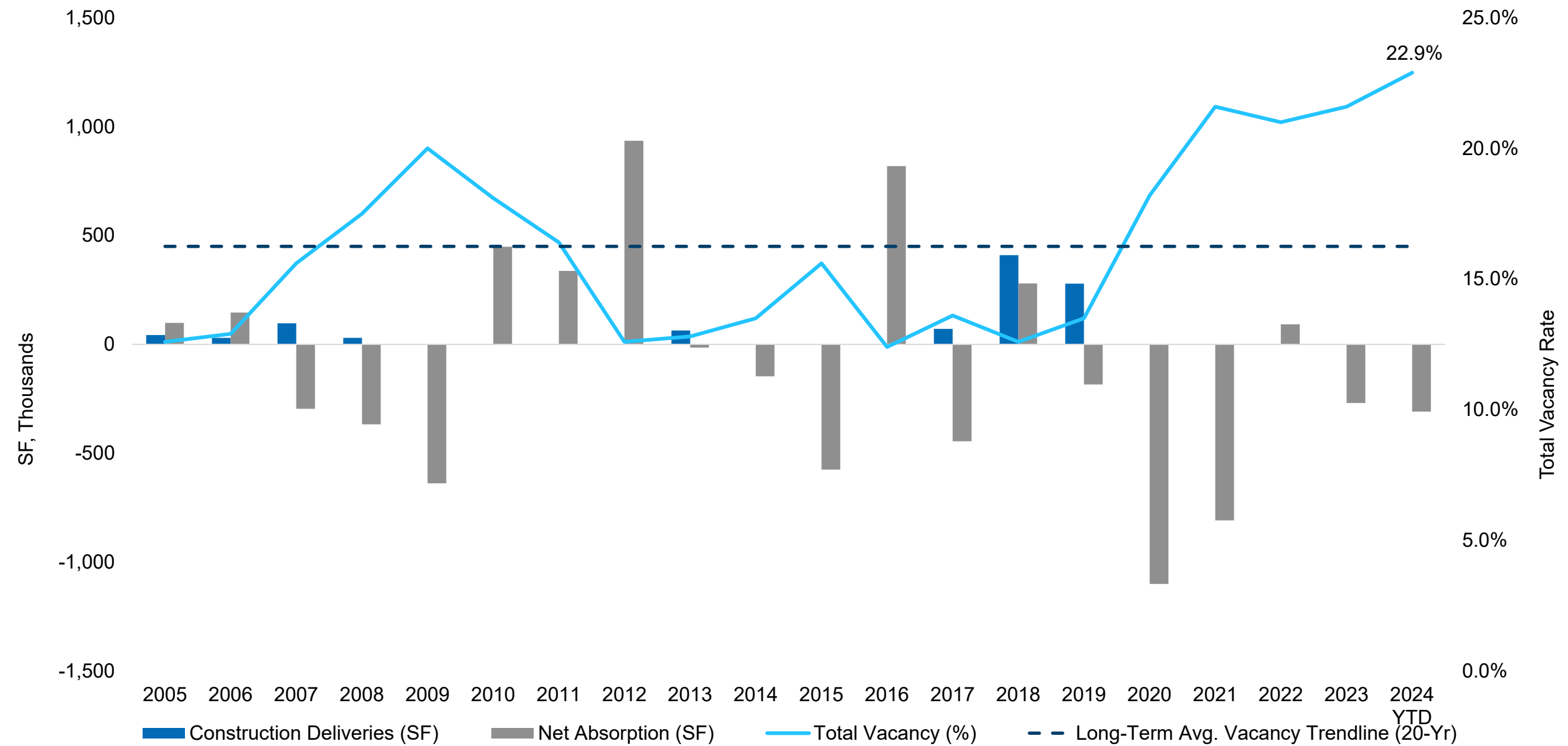
Leasing Market Fundamentals



Tri Valley Office Vacancy Sees A Slight Increase

The overall vacancy rate increased in the first quarter by 20 basis points, as the market logged 189,185 square feet of negative absorption with an overall vacancy rate of 22.9%.

Historical Construction Deliveries, Net Absorption, and Vacancy

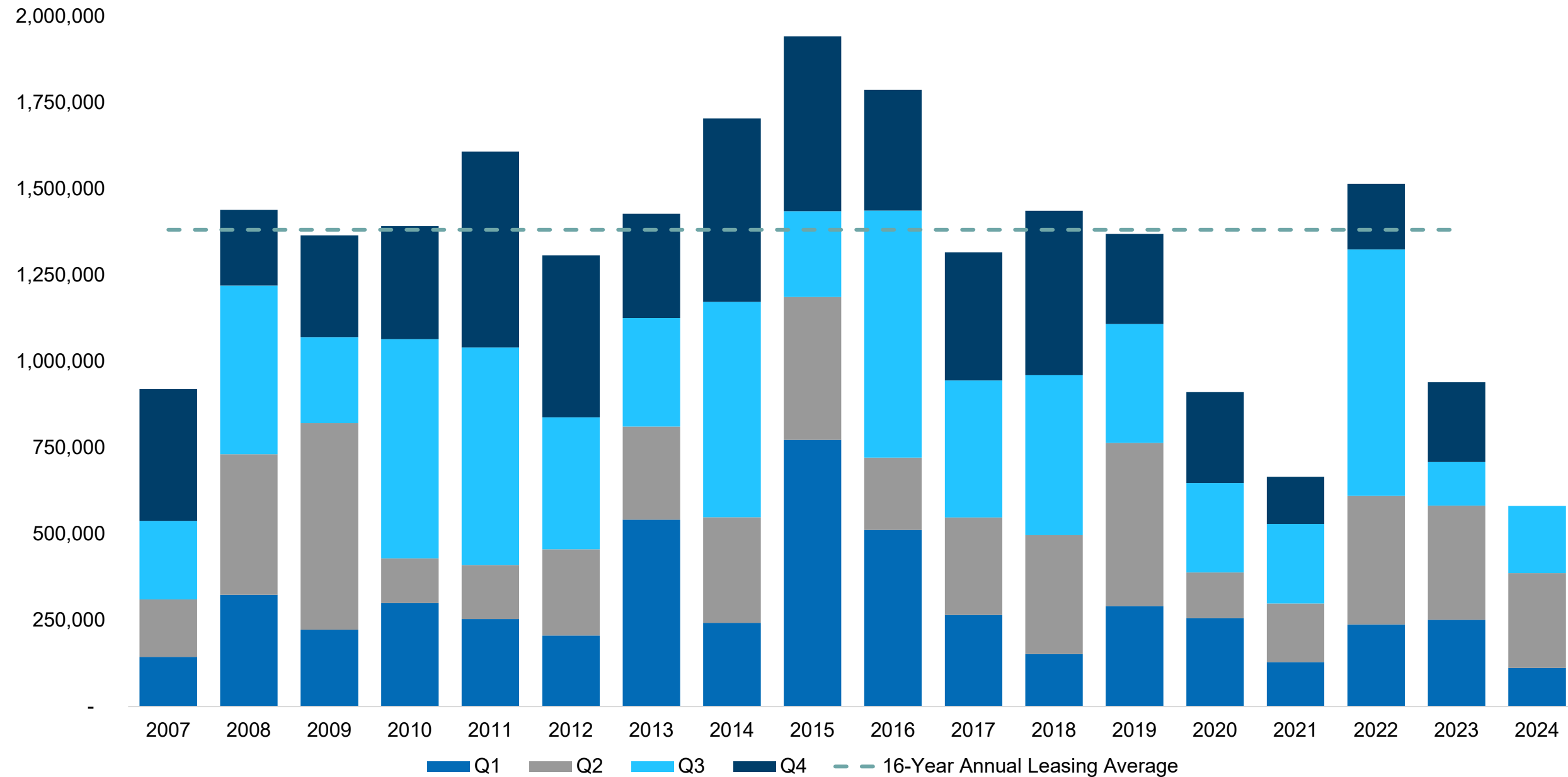


Source: Newmark Research, CoStar

Tri Valley Office Leasing Activity 3Q24

Office leasing activity is on pace to be slower than 2023 levels.

Total Leasing Activity (sf)



Source: Newmark Research, CoStar

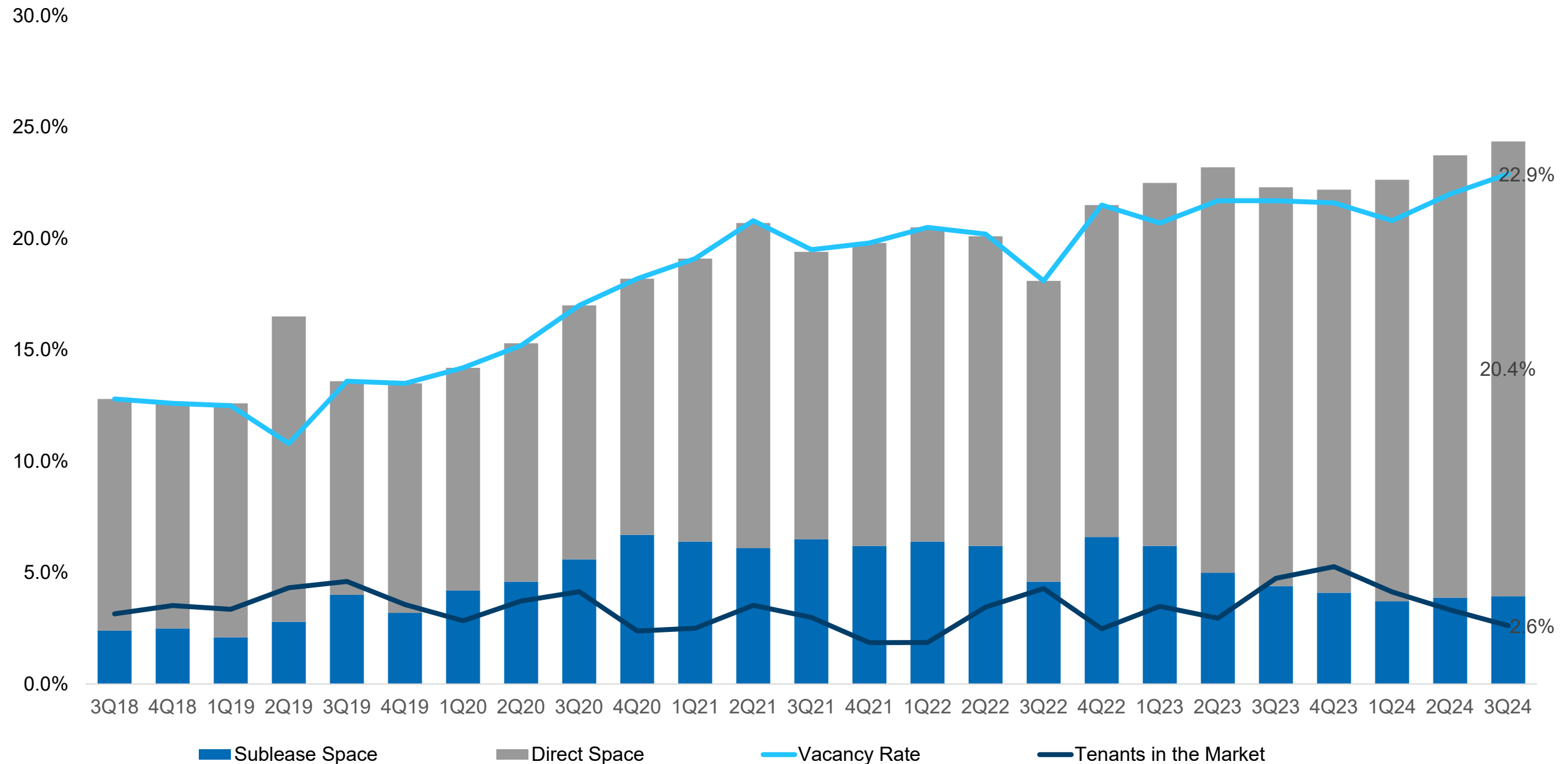


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Availability Increases While Tenant Demand Decreases

Vacancy and direct available space both went up in the third quarter of 2024, with the square footage of tenants in demand only totaling 2.6% of the Tri Valley market. There are approximately 11 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

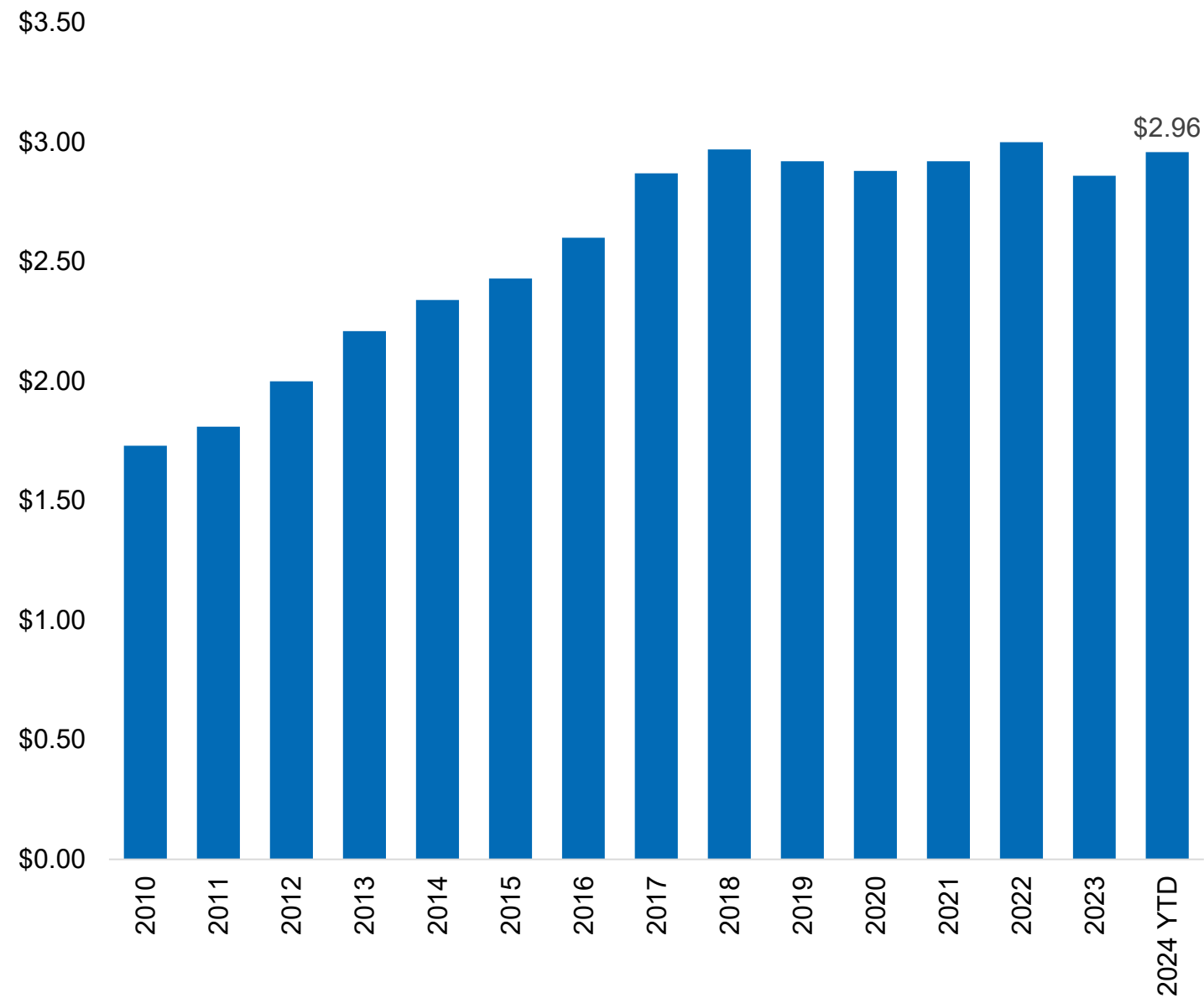


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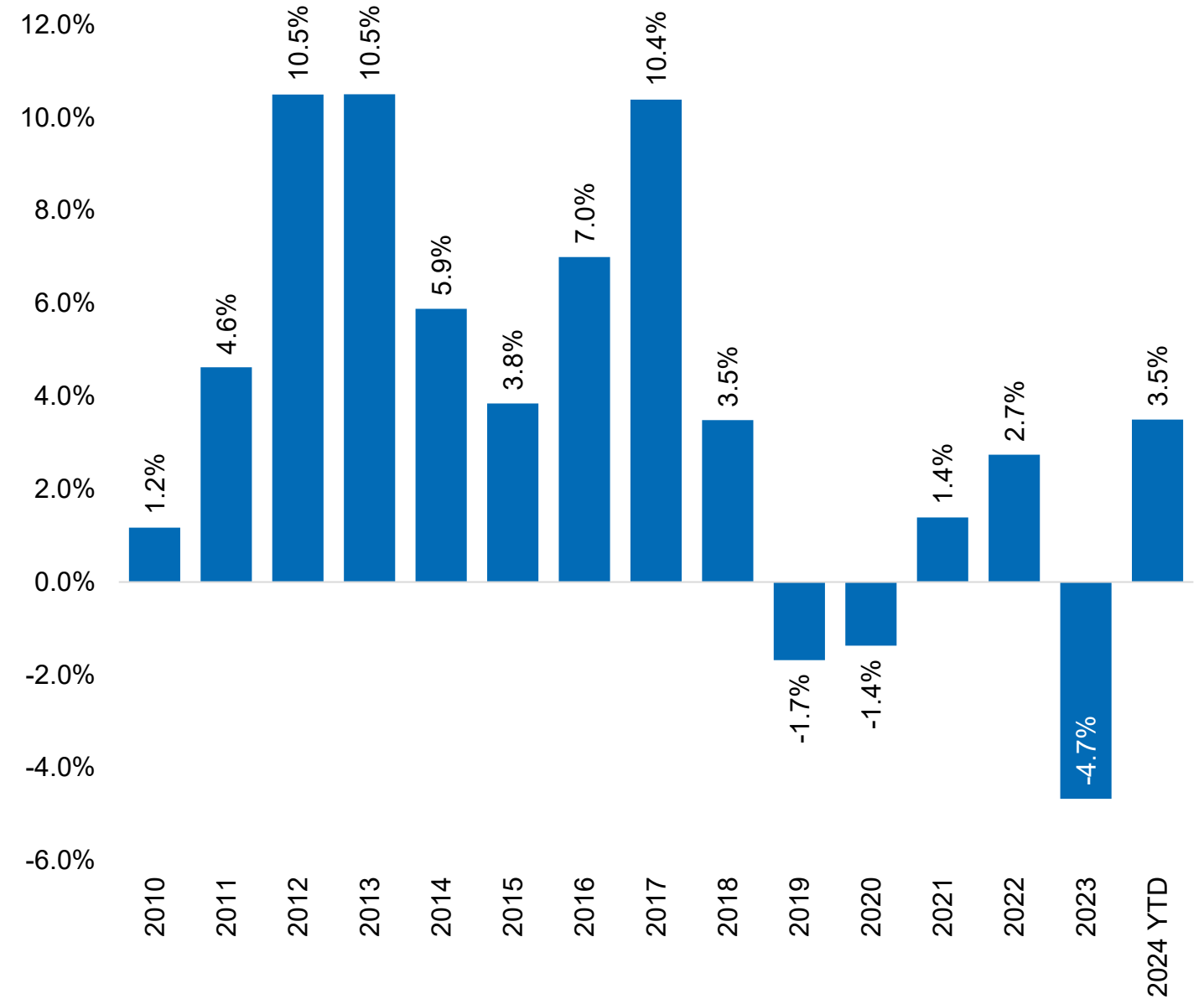
Office Asking Rents Stay Consistent

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

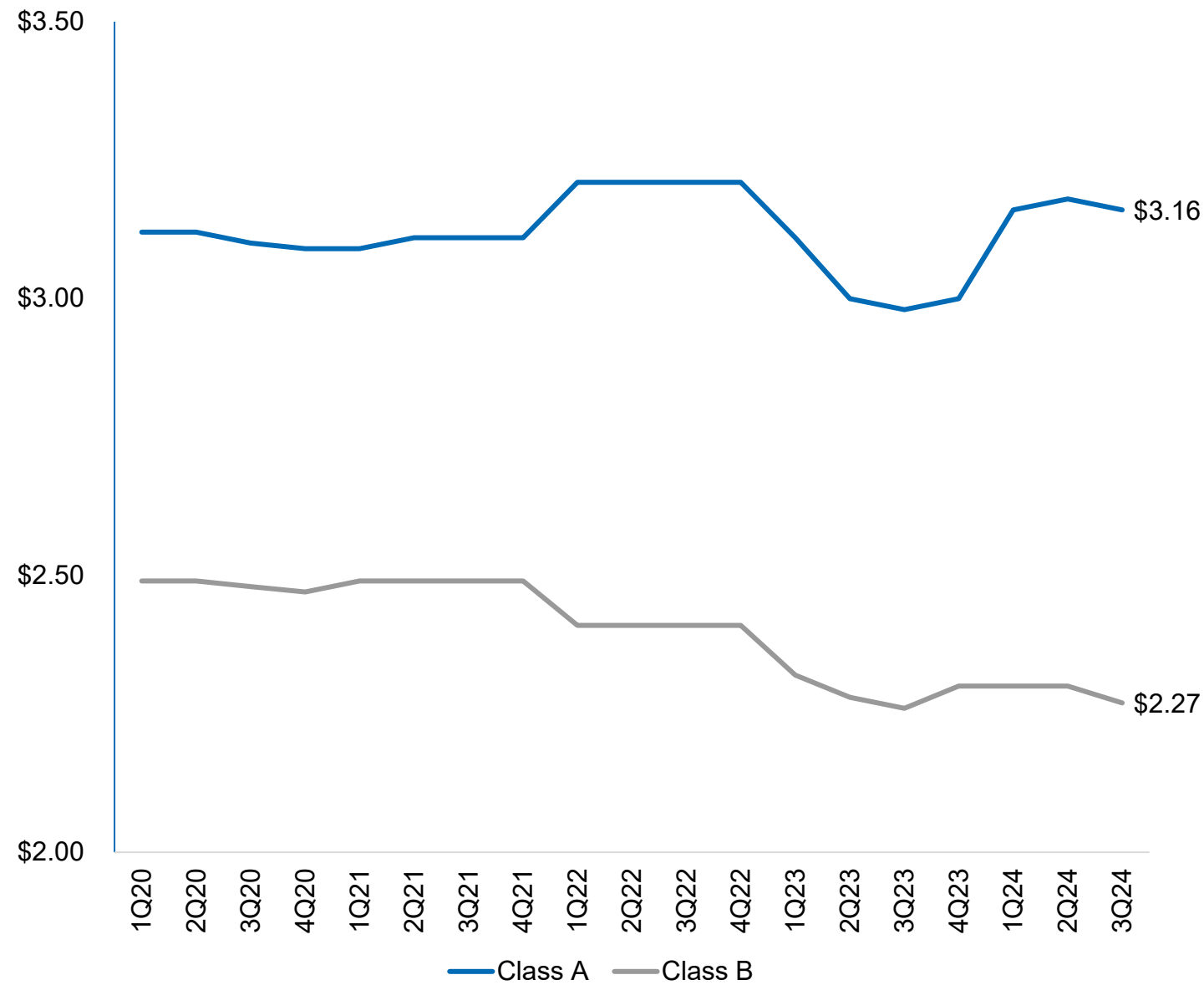


Source: Newmark Research, CoStar

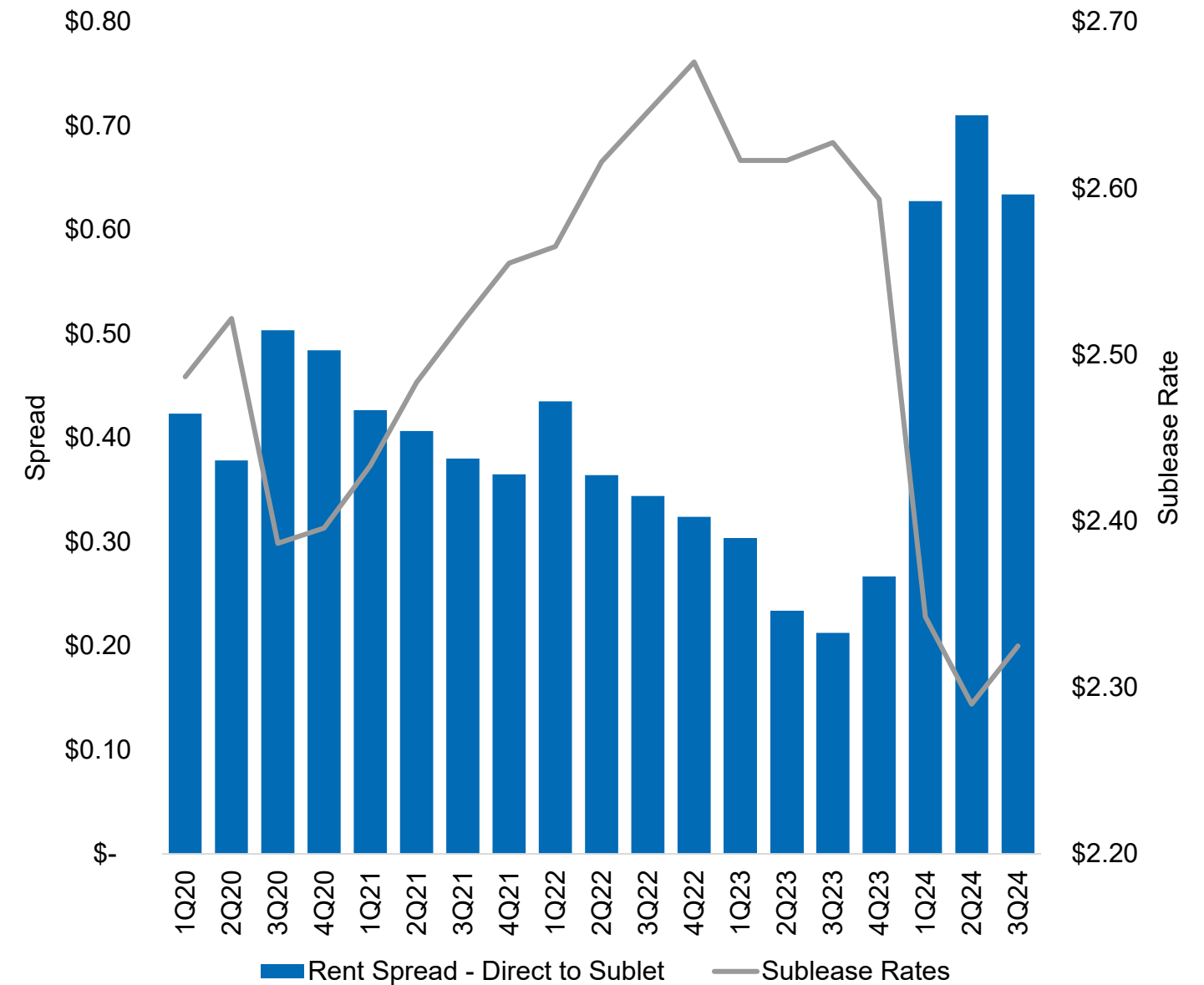
Office Sublease Rates Increase

Direct rents experienced a decrease in third quarter, while overall sublease rates increase for the first time in the past year. The rent spread between direct and sublet has decreased in this third quarter of 2024.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

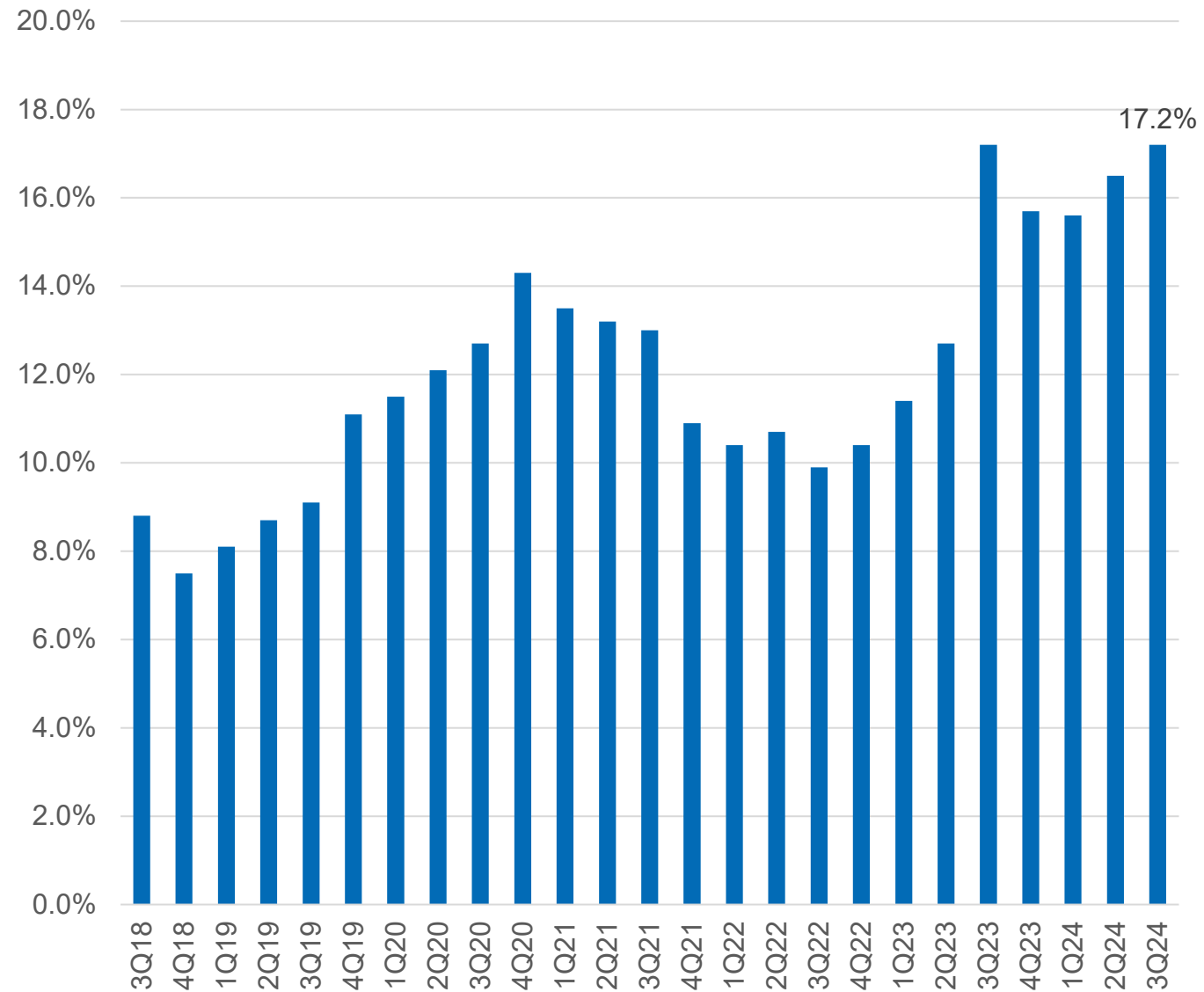


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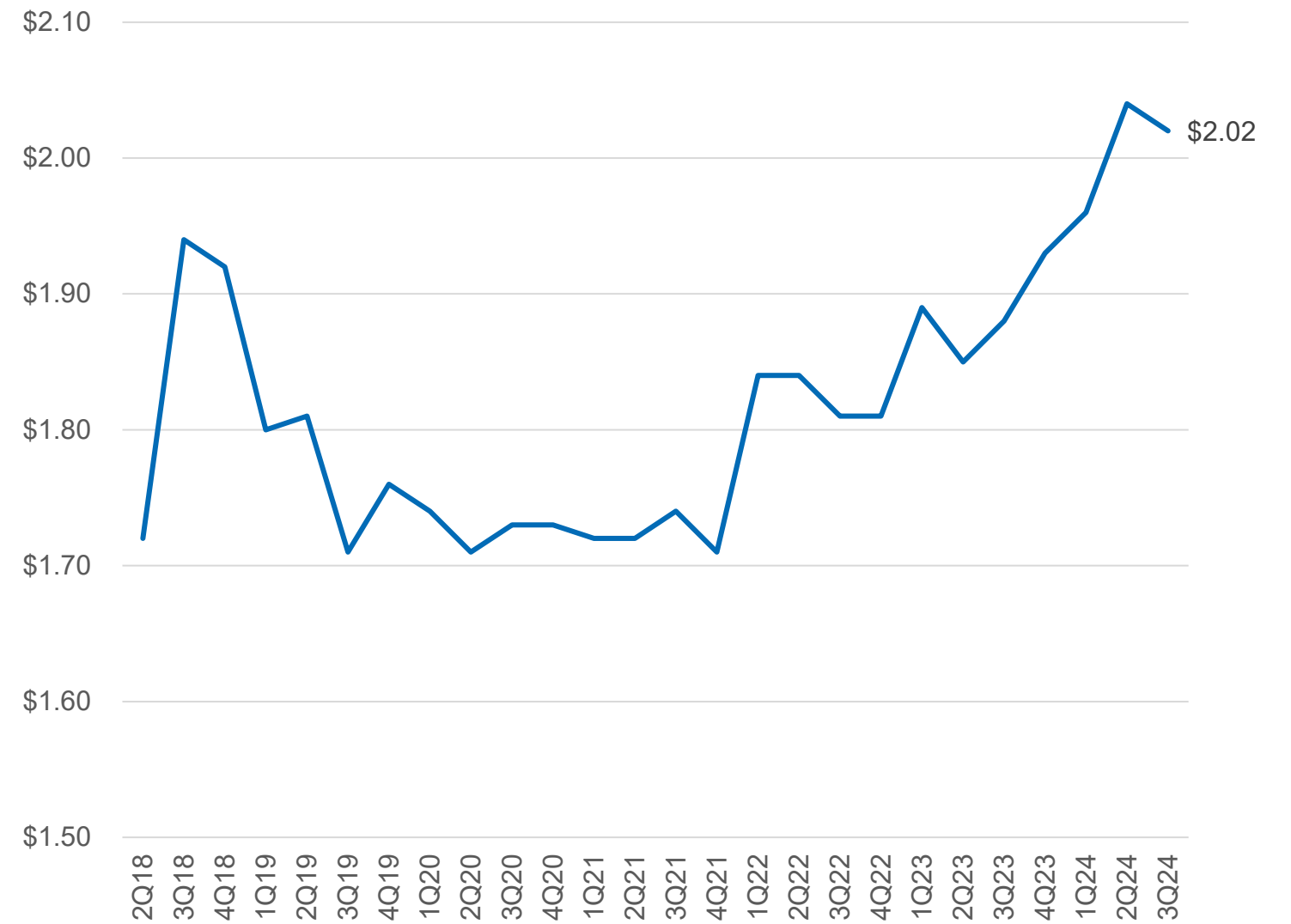
Flex Market Overall Availability and Asking Rent

Flex availability increased by 70 basis points in the third quarter of 2024. Rents decreased for the first time in over a year from \$2.04/SF to \$2.02/SF

Flex Space Overall Availability



Flex Rate Direct Asking Rent



Source: Newmark Research, CoStar



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Third Quarter Lease Transactions

Pleasanton and Bishop Ranch shared the majority of the large leases in the third quarter of 2024, all of which were direct.

Notable 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
ACCO Engineered Systems	5890 Owens Drive	Pleasanton – Hacienda Business Park	Direct Lease	67,757
Cloud Software Group, Inc.	2623 Camino Ramon	San Ramon – Bishop Ranch	Direct Lease	24,877
Sunbelt Controls, Inc.	5700 Stoneridge Drive	Pleasanton - Hacienda Business Park	Direct Lease	22,439
Sutter Health	5075 Hopyard Road	Pleasanton – Hacienda Business Park	Direct Lease	22,910
Pacific Office Automation Inc.	6940 Koll Center Parkway	Pleasanton – Bernal Corporate Park	Direct Lease	11,280
PTC Inc	2700 Camino Ramon	San Ramon – Bishop Ranch	Direct Lease	10,798

Source: Newmark Research

Appendix





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