**MARKET TRENDS | I-680 CORRIDOR / TRI-VALLEY**

# OFFICE

**1ST QUARTER  
2021****▲ VACANCY | ▼ RENTAL RATES | ◀▶ NET ABSORPTION | ▶◀ NEW CONSTRUCTION**

Year-over-year change

On March 19, 2020, the governor of California issued Covid “stay at home” orders for non-essential businesses. Office buildings have remained closed since that order and the water cooler talk or zoom call conversations over that one year plus period has centered around the topic of, “What will office needs be after the threat of Covid is largely behind us?”

Although the virus is far from behind us, we wonder if the effectiveness of “work from home” or “hybrid office/work from home” scenarios will prevail long term or will these recent constructs crumble over time as productivity potentially diminishes and demand for in-person interaction drives office employees back into buildings. Many of the major tech companies are on record in suggesting their work forces will have permanent work from home solutions and/or hybrid solutions and have backed that up by putting large blocks of lease-hold office space on the market for sublease.

There is little doubt, evidenced by the statistics and anecdotal rhetoric from the brokerage community, that office needs of the tenant base in the Tri-Valley has waned over the last 12 months and future office demand will be less robust going forward. Direct tenant feedback has included themes of, “Can you sublease our office space as we no longer need office space?”; “We are assessing our needs for office space going forward”; “We predict that going forward we need XYZ% of the office space we have.”

That said, the first quarter of 2021 gives promise of a reopening office market and provides evidence of the pent-up demand for office space. Alameda County has just moved to the “Orange Tier” and Contra Costa County is predicted to be in the Orange Tier by April 7, 2021. The Orange Tier allows for the reopening of office buildings with guarded, required safety protocols. However, it will take time for companies to re-occupy as they manage liability and invite their employees back to the workplace for the first time in over a year. Many of the large multi-tenant buildings will likely maintain card-key access only until occupancy meets a critical mass and fear of theft in largely vacant buildings abates.

Much of the demand for office space will include “down-sizing” or from a glass is half-full perspective, “right-sizing.” The optimism coming out of 1Q 2021 includes an uptick in touring activity (despite office buildings remaining closed), market surveys

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## Notable Sale Transactions

**KDCI DEVELOPMENT LLC** purchased 234-242, 310 and 349 Main St, Pleasanton from Main Street Pleasanton LLC  
31,243 SF | \$20M or \$640/SF

**10X GENOMICS** purchased 1701 Springdale Ave, Pleasanton from Equity One Pleasanton LLC  
163,469 SF | \$29.4M or \$179/SF

**DORINE C. SECREST TRUST & 3420 FOSTORIA WAY LLC** purchased 3420 Fostoria Way, Danville from Craig Bruns & Mark Fernwood  
31,440 SF | \$6.03M or \$192/SF

## Notable Lease Transactions

**MOMENTUM SOLAR** 5875 Arnold Dr, Suite 250, Dublin  
17,416 SF

**RHEOSENSE** 12667 Alcosta Blvd, Suite 100, San Ramon  
11,997 SF

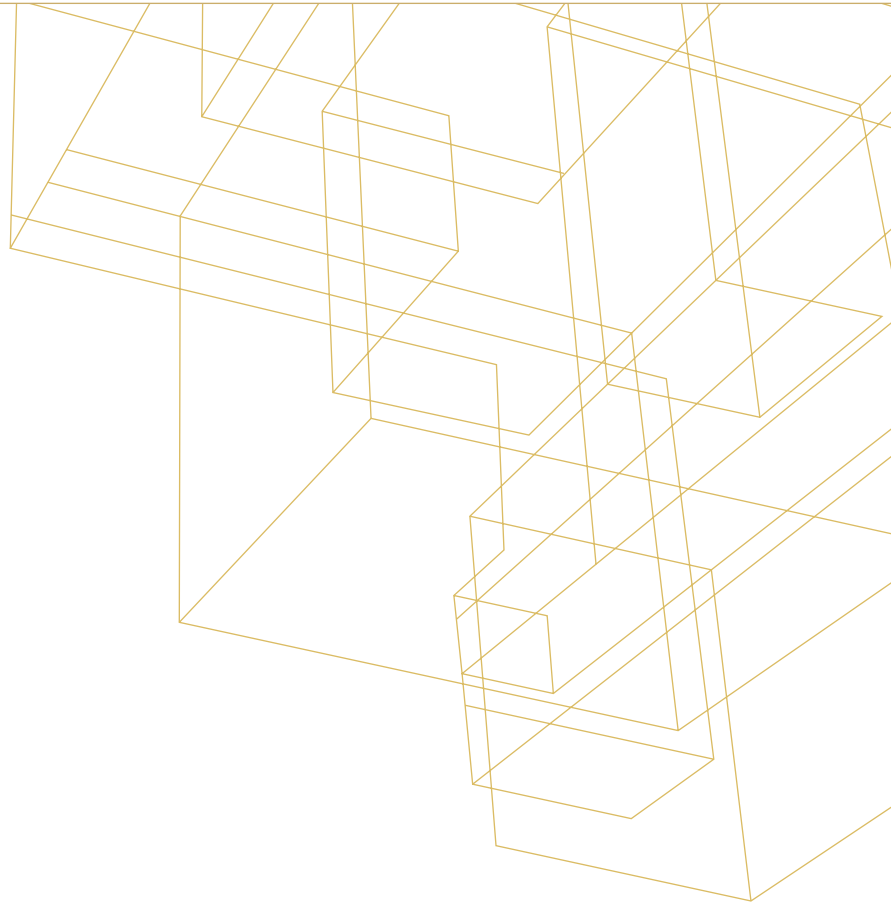
**BELDEN CONSULTING ENGINEERS** 4457 Willow Rd, Suite 100, Pleasanton  
7,189 SF

for pending tours/requirements and general information gathering by brokers on behalf of tenants. Moreover, the Tri-Valley is well poised for landing “hub and spoke” requirements, satellite offices and HQ relocations from urban centers. Mass transit options (BART, Wheels, etc.) coupled with newer housing development, premium office space and ample surface parking will be user attractants. It seems there is a strong contingent of the work force that will not re-embrace a 3-hour car commute or the confines of a tightly packed BART train. These themes will be drivers in employers exploring hub and spoke satellite offices or relocation to markets closer to their employee base.

As it relates to available, quality office space in our multi-tenant office and flex properties, vacancy in Class A and B office now stands at 20.67% in the Tri-Valley with Flex vacancy at 9.25%. Weighted Full-Service asking rents are lower and have trended lower over the last 12 months but not to the extent we might have guessed if told a year ago that the market would be “closed” for business for twelve plus months. Weighted average multi-tenant, Tri-Valley Class A office rents are now at \$3.23 per square foot per month full-service and Class B rents at \$2.58. Those numbers are buoyed by the notion that over the last year many Landlord’s did not drop their asking rates in a market void of touring tenants. These asking rents will endure great pressure if demand does not thrive in the coming six months and that demand will need to include tenant migrations into the Tri-Valley in the above-mentioned satellite office scenarios or HQ relocations from Bay Area urban markets. The multi-tenant office flex market has held its own over the last 12 months with vacancy now at the close of the first quarter 2021 at 9.25% and weighted

average asking rents (grossed up to full service) at \$2.22 per square foot per month. Both numbers are essentially flat quarter to quarter.

As we look forward at a Tri-Valley office market that will have “open” office buildings for the first in time in over a year, we are optimistic that general market activity and leasing velocity will build in the coming months. There will be movement within the market as tenants reposition to meet their new projected office needs. We expect these same tenants to approach leasing with caution in considering one-to-three-year lease terms as they weigh their near and medium-term space needs. Activity or lack thereof will dictate future pressure on rental rates and without migration of tenants into the Tri-Valley from other Bay Area markets, the rental rates will continue to push lower throughout the year as Landlord’s compete for local tenants.



The reflected office statistics are exclusive to competitive, multi-tenant Class A and B office projects as well as multi-tenant office-flex properties and is exclusive of single tenant or owner user buildings:

### OVERALL TRI-VALLEY OFFICE MARKET

	Class A	Class B	Total	Flex
Market Inventory SF	10,079,083	5,349,534	15,428,617	4,475,855
Weighted Average Asking Rent	\$3.23	\$2.58	\$3.00	\$2.22
Vacancy	19.58%	22.41%	20.46%	9.25%
Marketed Sub-Lease Space	1,109,482	203,797	1,313,279	76,870

### PLEASANTON

	Class A	Class B	Flex
Market Inventory SF	3,386,495	1,553,862	1,336,623
Weighted Average Asking Rent	\$3.12	\$2.62	\$2.89
Vacancy	28.36%	25.84%	16.30%
Marketed Sub-Lease Space	416,312	109,141	16,060

### DUBLIN

	Class A	Class B	Flex
Market Inventory SF	1,072,209	533,196	964,614
Weighted Average Asking Rent	\$3.22	\$2.20	\$2.40
Vacancy	15.62%	5.66%	5.55%
Marketed Sub-Lease Space	184,637	803	11,879

### SAN RAMON

	Class A	Class B	Flex
Market Inventory SF	5,620,379	1,145,052	193,510
Weighted Average Asking Rent	\$3.29	\$2.51	\$2.35
Vacancy	15.04%	32.96%	0%
Marketed Sub-Lease Space	508,533	10,693	48,931

### LIVERMORE

	Class A	Class B	Flex
Market Inventory SF	0	915,259	1,981,108
Weighted Average Asking Rent	N/A	\$2.04	\$1.66
Vacancy	N/A	32.30%	7.21%
Marketed Sub-Lease Space	0	75,535	0

### DANVILLE/ALAMO

	Total
Market Inventory SF	1,202,165
Weighted Average Asking Rent	\$3.19
Vacancy	5.58%
Marketed Sub-Lease Space	7,625

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### COMMERCIAL BROKERAGE

**23M**  
ANNUAL  
SALES SF

**42M**  
ANNUAL  
LEASING SF

**470+**  
NO. OF  
BROKERS

**\$8B**  
ANNUAL TRANSACTION  
VOLUME

### VALUATION ADVISORY

**1,800+**  
APPRAISALS  
ANNUALLY

**40/19**  
TOTAL NO.  
APPRAISERS/MAI'S

### PROPERTY MANAGEMENT

**70M+**  
MANAGEMENT  
PORTFOLIO SF

**\$12B+**  
IN ASSETS UNDER  
MANAGEMENT

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