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

# OFFICE

**2ND QUARTER  
2021****▲ VACANCY | ▼ RENTAL RATES | ▼ NET ABSORPTION | ◀▶ NEW CONSTRUCTION**

Year-over-year change

The second quarter of 2021 did not deliver in building off what seemed to be mounting leasing momentum in the first quarter of multi-tenant Tri-Valley Office and Office/Flex properties. Our predications of a “burst” of activity upon the lifting of Shelter in Place (“SIP”) orders did not play out.

Speculation, that companies’ eminent needs to right-size, relocate or re-enter the market for needed office or office/flex space, might drive an active summer leasing market, also missed the mark. The notions that business might take the approaches of “get a vaccine and get back in the office” or “SIP is lifted, time to come back into the office” have given way to summer vacations and further discussion on re-occupancy timelines. Those timelines have been pushed out until the fall at a minimum.

There will be the discussed burst or more likely, “blips”, of leasing activity to address right-sizing, relocating and re-occupancy of office and office/flex buildings but perhaps not until late 2021 or first quarter 2022. There should be the typical up-tick in leasing requirements this fall after summer vacations and when the kids are all hopefully back in the classroom but it is very evident that the mandates of “get back in the office” will be softer in tone and allow for some employees to continue to work from home, others

to work a percentage of the work week at the office and surely some will come back full-time. Hard dates for these new work structures and re-occupancy will not align with one date or one event - it is a moving and evolving theme as company’s vet new office occupancy dynamics and their space needs.

Statistically, quarter to quarter, the markets remained unchanged with overall multi-tenant Tri-Valley vacancy moving from 20.46 percent at the end of the first quarter 2021 to 21.19% at the end of Q2. Overall weighted full service asking rents for multi-tenant office were essentially unchanged at \$3.02 up two cents from the first quarter 2021.

Sublease vacancy in the office and office/flex sector rose to 1,533,128 square feet up 142,979 square feet from the first quarter. This represents 7.7% additional vacancy

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## Notable Sale Transactions

**SPIEKER PROPERTIES JV KEECH PROPERTIES** purchased 4301 Hacienda Dr, Pleasanton from Embarcadero Capital Partners LLC  
300,701 SF | \$58M or \$193/SF

**HESPERIAN PROPERTIES** purchased 7407-7599 Southfront Rd & 7503-7599 Southfront Rd, Livermore from Vineyard Management Company  
236,340 SF | \$21.5M or \$91/SF

**BHUSHAN BANSAL** purchased 4185 Blackhawk Plaza Cir, Danville from Keystone National Group  
27,648 SF | \$9.57M or \$346/SF

## Notable Lease Transactions

**DIACARTA** 4385 Hopyard Rd, Pleasanton  
37,000 SF

**INSIGHT GLOBAL, INC.** 12667 Alcosta Blvd, San Ramon  
20,869 SF

**TEKION CORP.** 5934 Gibraltar Dr, Pleasanton  
12,630 SF

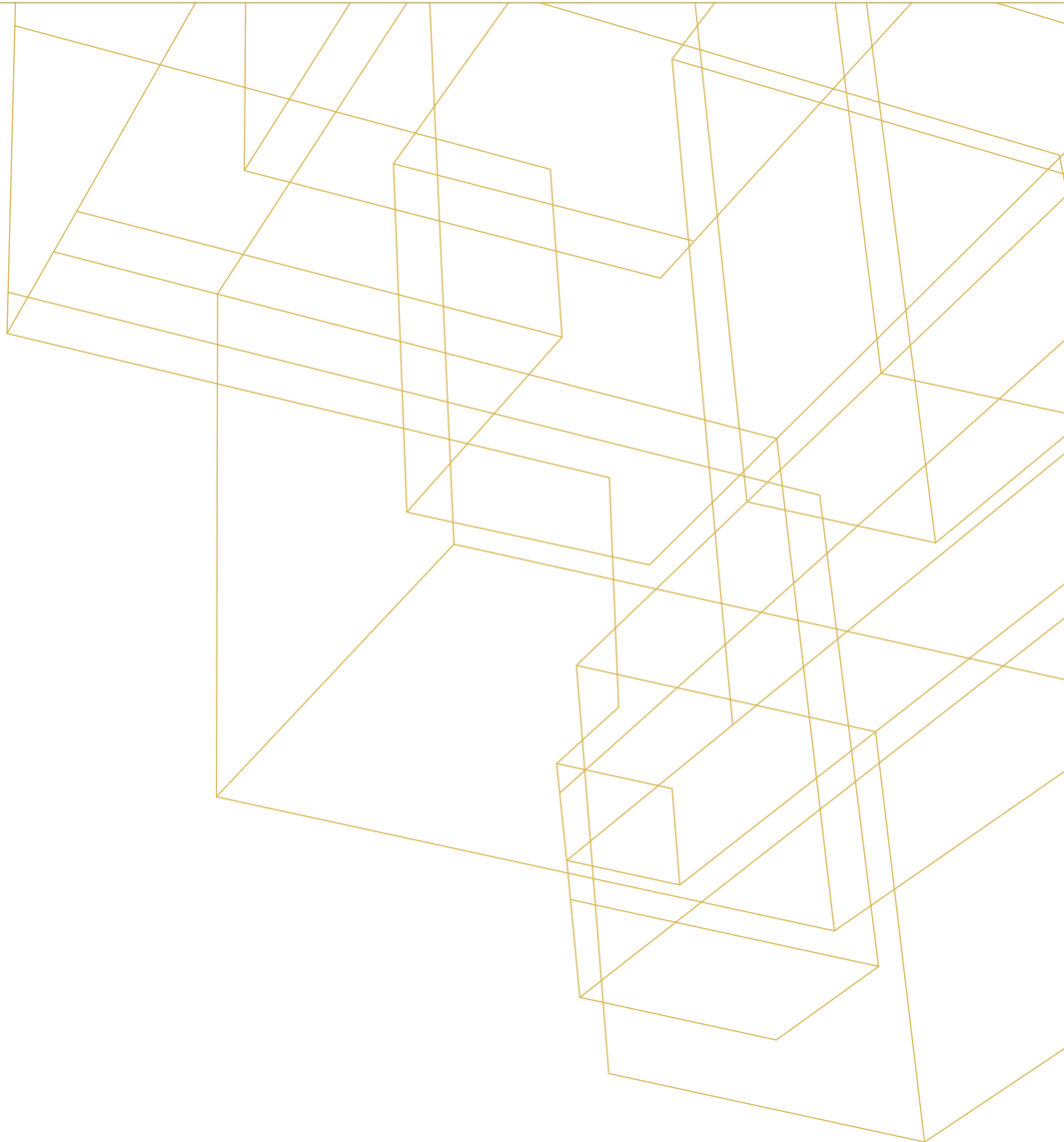
in the total Tri-Valley office and office/flex multi-tenant marketplace. With direct vacancy at 21.19% and another 7.7% of sublease space (leased but on the market for sublease), we are close to a market that is 30% vacant. That said, the feeling is that those companies looking to get out of lease term obligations have acted and we do not predict any further significant sublease space coming online.

As discussed, "asking rental rate" erosion has been relatively light with most Landlords giving free rent concessions verse dropping their asking rents to meet a marketplace

largely void of tenants. That said, the comps that were inked in the first two quarters of the 2021 Tri-Valley leasing campaign will reflect start rents roughly \$0.10 (3%±) below asking with free rent in credit lease terms approaching one month of free rent per one year of lease term.

Owner/user building or condo acquisitions remained a strong sector in the market despite interest rates moving up. Sales prices in the first two quarters were historically strong and demand has remained steady throughout the pandemic. Many buyers expected "deals" as result of Covid 19 but with low inventories and decent demand, purchase prices remained high.

It is evident that July and August touring activity/ deal consummations or lack thereof will not fix the vacancy woes of the Tri-Valley. Vacations and lack of commitment to drive employees back to the office will put office touring on the back burner. If we do not see healthy leasing activity commencing in fall, then expect a drop in asking rents and then look to first quarter 2022 for the pending, expected right-sizing, relocating and re-occupancy of Tri-Valley office and office/flex properties.



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	5,347,078	15,426,161	4,487,509
Weighted Average Asking Rent	\$3.23	\$2.64	\$3.02	\$2.22
Vacancy	19.86%	23.71%	21.19%	8.08%
Marketed Sub-Lease Space	1,238,619	194,535	1,433,154	99,974

### PLEASANTON

	Class A	Class B	Flex
Market Inventory SF	3,386,495	1,553,862	1,336,623
Weighted Average Asking Rent	\$3.13	\$2.61	\$2.89
Vacancy	27.69%	29.48%	15.86%
Marketed Sub-Lease Space	358,901	104,113	17,801

### DUBLIN

	Class A	Class B	Flex
Market Inventory SF	1,072,209	533,196	976,268
Weighted Average Asking Rent	\$3.22	\$2.20	\$2.40
Vacancy	11.94%	7.73%	5.96%
Marketed Sub-Lease Space	222,186	803	8,192

### SAN RAMON

	Class A	Class B	Flex
Market Inventory SF	5,620,379	1,145,052	193,510
Weighted Average Asking Rent	\$3.29	\$2.50	\$2.35
Vacancy	16.65%	33.02%	0.00%
Marketed Sub-Lease Space	657,532	6,459	48,931

### LIVERMORE

	Class A	Class B	Flex
Market Inventory SF	0	915,259	1,981,108
Weighted Average Asking Rent	N/A	\$2.00	\$1.66
Vacancy	N/A	27.50%	4.67%
Marketed Sub-Lease Space	0	75,535	25,050

### DANVILLE/ALAMO

	Total
Market Inventory SF	1,199,709
Weighted Average Asking Rent	\$3.48
Vacancy	6.84%
Marketed Sub-Lease Space	7,625

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### COMMERCIAL BROKERAGE

**23M**  
ANNUAL  
SALES SF

**42M**  
ANNUAL  
LEASING SF

**460+**  
NO. OF  
BROKERS

**\$8B**  
ANNUAL TRANSACTION  
VOLUME

### VALUATION ADVISORY

**1,800+**  
APPRAISALS  
ANNUALLY

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

### ASSET SERVICES

**70M**  
MANAGEMENT  
PORTFOLIO SF

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

### GARY BARAGONA

Director of Research  
415.229.8925  
[gary.baragona@kidder.com](mailto:gary.baragona@kidder.com)

### ERIC LUHRS

Regional President, Brokerage  
Northern California & Nevada  
415.229.8888  
[eric.luhrs@kidder.com](mailto:eric.luhrs@kidder.com)

Designated Broker  
Mark Read | LIC N° 00572743

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