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

OFFICE

**4TH QUARTER
2021****▲ VACANCY | ◀▶ RENTAL RATES | ▼ NET ABSORPTION | ▶◀ NEW CONSTRUCTION**

Year-over-year change

The dangers of this Covid-19 and its impact on the former “normal” workplace are far from behind us as we launch into 2022 wondering what it will bring. It is safe to say it will not bring a surge of employees back to the office, at least in the 1Q 2022.

We anticipate and hope that the planning and preparation for “back to the office” continues to gain momentum in the form of tenant touring and discussion on re-occupancy of office space. Moreover, in the near term, and as we have for eight straight quarters, expect increased market activity as companies position to relocate, right-size, and re-enter the market for office space.

The fourth quarter of 2021 was not void of deals being consummated, however the leasing of office square footage seems to be counter-balanced by new space coming online. Essentially net absorption is static and with every new deal another tenant decides to go remote or not renew in any event. This is evidenced in the quarter-to-quarter statistics which are essentially unchanged. Direct vacancy at the close of the 3Q 2021 for Tri-Valley multi-tenant office properties was at 20.42% and at year-end 2021, up a fraction at 21.52%. Weighted full service asking rents closed the year at \$3.06 per square foot per month versus \$3.04 at the end of the 3Q 2021.

Multi-Tenant Tri-Valley flex, continuing to be the active segment of the market saw its direct vacancy rate drop to 5.49% down from the 3Q 2021 figure of 7.63%. This decrease in vacancy in part due to PG&E leasing 23,192 SF of flex space at Dublin Technology Park, 5875 Arnold Road, Dublin CA. Additionally, AAT Bioquest leased 39,436 SF of flex space at 5775 W Las Positas Blvd, Pleasanton CA.

The Tri-Valley multi-tenant office properties have been demised over the last two decades to meet market demand in this Bay Area region which historically has been a small tenant market. As such, most brokers/owners in the market would, prior to Covid-19, anecdotally offer that the average sized Tri-Valley office tenant is 3,500 to 4,000 RSF; which fits the chemistry of most multi-tenant Class A and B office

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Notable Sale Transactions

BRIGGS DEVELOPMENT purchased 5775 W Las Positas Blvd, Pleasanton from Nemat & M Maleksalehi Trust
39,436 SF | \$9.75M or \$247/SF

NEXT PETROLEUM purchased 2610 Crow Canyon Pl., San Ramon from SMW Ca Crow Canyon, LLC dba Sheet Metal Workers Pension Plan of Northern California
25,163 SF | \$4.81M or \$193/SF

DR. HAYES GLADSTONE DBA GLADSTONE CLINIC purchased 3860 Blackhawk Rd., Danville from Paul & Joann DiDonato
12,228 SF | \$4.1M or \$335/SF

Notable Lease Transactions

AAT BIOSCIENCE leased 5775 W Las Positas Blvd, Pleasanton
39,436 SF (Flex)

PG&E leased 5875 Arnold Rd., Dublin
23,192 SF (Flex)

AMADOR BIOSCIENCE leased 7133 Koll Center Pkwy., Pleasanton
12,315 SF (Flex)

properties in the market that are largely comprised of suites from 700 RSF to 10,000 RSF. A CoStar run today searching for Class A and B multi-tenant office properties just in the City of Pleasanton will give the below staggering “already demised” non-medical, non-sublease options at the referenced footages:

AVAILABILITY SEARCH PARAMETERS

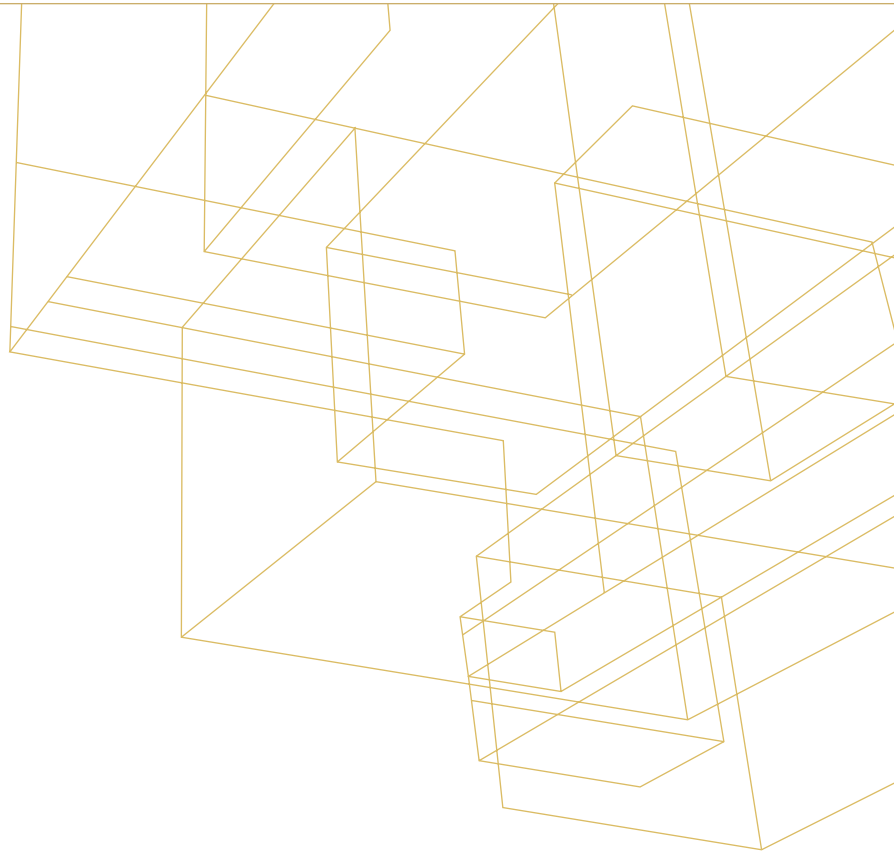
| | | |
|----------------------|------------------------|------------------------------|
| Location | Pleasanton | |
| Property Type | Class A & B Office | # of Available Spaces |
| Footage Range | 700 RSF to 1,499 RSF | 35 |
| | 1,500 RSF to 2,999 RSF | 45 |
| | 3,000 RSF to 4,999 RSF | 40 |
| | 5,000 RSF to 8,000 RSF | 25 |

The lack of both demand and presence of these small users in the market is alarming. These users have not resurfaced, and one could guess that they have figured out how to be effective working from home without having office space. These small users do not impact the vacancy numbers like a new 40,000 SF full floor plate office user migrating to the market but the holes they have left in the multi-tenant assets are very evident and without their return to the office, there will be prolonged high double-digit vacancy in the Tri-Valley multi-tenant office buildings.

When a hypothetical +/- 2,000 SF user shows up to tour and lease space in Pleasanton, they and their broker will surely pare the 45 options to tour down to a reasonable list of 6 to 8 candidate properties. The differentiators will be sub-market location, condition of the suite (i.e., is it in ‘spec’ move-in ready

condition; does it have polished concrete floors or exposed ceilings) and tenant and broker incentives will weigh in as well. Landlord’s need to best position their suites to stand-out and ensure their spaces make the “tour list”.

Looking forward, we are hopeful the current Omicron strain of this terrible virus, that is currently running rampant in the world, maybe the crescendo is lessened, and we settle into a more “back to normal” life. Covid is here to stay but management of the disease hopefully looks more like standard flu management going forward. Perhaps in a few weeks, late first quarter, we will see a return to focus on getting back into the office. We would also predict static rental rates and modest vacancy erosion for the balance of the year as companies slowly define their office needs going forward.



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 | 4,806,540 | 14,885,623 | 4,487,509 |
| Weighted Average Asking Rent | \$3.23 | \$2.70 | \$3.06 | \$2.22 |
| Vacancy | 19.80% | 25.12% | 21.52% | 5.49% |
| Marketed Sub-Lease Space | 970,023 | 193,767 | 1,163,790 | 105,672 |

PLEASANTON

| | Class A | Class B | Flex |
|------------------------------|-----------|-----------|-----------|
| Market Inventory SF | 3,386,495 | 1,556,857 | 1,336,623 |
| Weighted Average Asking Rent | \$3.13 | \$2.60 | \$2.89 |
| Vacancy | 26.04% | 26.55% | 10.98% |
| Marketed Sub-Lease Space | 357,426 | 96,607 | 29,627 |

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 | 10.49% | 10.57% | 1.95% |
| Marketed Sub-Lease Space | 261,167 | 803 | 8,192 |

SAN RAMON

| | Class A | Class B | Flex |
|------------------------------|-----------|---------|---------|
| Market Inventory SF | 5,620,379 | 594,350 | 193,510 |
| Weighted Average Asking Rent | \$3.29 | \$2.46 | \$2.35 |
| Vacancy | 17.81% | 15.75% | 0.00% |
| Marketed Sub-Lease Space | 351,430 | 2,970 | 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 | 29.95% | 4.08% |
| Marketed Sub-Lease Space | 0 | 83,161 | 18,922 |

DANVILLE/ALAMO

| | Total |
|------------------------------|-----------|
| Market Inventory SF | 1,206,878 |
| Weighted Average Asking Rent | \$3.68 |
| Vacancy | 7.59% |
| Marketed Sub-Lease Space | 10,226 |

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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

45/23
TOTAL NO.
APPRAISERS/MAI'S

ASSET SERVICES

64M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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