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

OFFICE

**1ST QUARTER
2022****▲ VACANCY | ◀▶ RENTAL RATES | ▼ NET ABSORPTION | ▶◀ NEW CONSTRUCTION**

Year-over-year change

The first quarter of 2022 Tri-Valley Office and Office/Flex campaign is in the books - the masks are off and office buildings are open.

Touring activity was far from robust but hints of future touring and requirements were evidenced by broker market surveys for pending tours. There will be no rush back to the office in the second quarter of 2022 with each active deal in the market illustrating caution as it relates to users taking less footage than before for shorter terms. Defining who will work from the office, who will work from home and who will be a hybrid employee is still the main theme with no apparent progress made quarter to quarter - the rhetoric remains the same. Small users (1,000 SF to 4,000 SF), for the most part, are still absent from the market due in part to success in remote working and generally, anecdotally, no demand from their customers to have physical plants. We would also speculate that until the larger users in the market dictate "all hands back to work" or some degree of that sentiment, the small users will remain working remotely and enjoy not paying rents which for small users is a more meaningful line item in the budget.

Tri-Valley multi-Tenant office realized an uptick in vacancy from the first quarter 2022 going from 21.52% to 23.03% with weighted average asking

rents essentially unchanged at \$3.05, down one penny from the prior quarter. Mounting vacancy over the last two years has had little effect on asking rents as the notion of dropping asking rents in a market void of tenants resonates as futile. The asking rents are also supported by soaring costs of tenant improvements. In leasing deals that involve even modest tenant improvements, the costs are such that current asking rents barely justify the work in approaching a profitable lease. Free rent is the main elixir in enticing tenants from one opportunity to the next. We are also seeing, with so many options on the market, tenants gravitating towards those projects with extensive amenity sets - gyms, conference centers,

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Notable Sale Transactions

TARLTON PROPERTIES & HARRISON ST purchased 4125-4255 Hopyard Road, Pleasanton from Virtua Partners
291,591 SF | \$78M or \$267/SF

CENTURY URBAN purchased 5934 Gibraltar Drive, Pleasanton from Ridge Capital Investors
41,700 SF | \$11.5M or \$276/SF

FRANMAR COMPANY purchased 365 N Canyons Parkway, Livermore from Silver Key Property Corp
50,377 SF | \$10.4M or \$207/SF

Notable Lease Transactions

LUMIN DIGITAL leased 3001 Bishop Drive, San Ramon
20,814 SF (Office)

ALIF SEMICONDUCTOR USA leased 7901 Stoneridge Drive, Pleasanton | 8,477 SF (Office)

IRIS VISION leased 5994 W Las Positas Boulevard, Pleasanton | 7,102 SF (Office)

DAYBREAK LABS leased 7683 Southfront Road, Livermore | 7,215 SF (Office/Lab)

cafes, and outdoor tenant spaces that include bocce courts, BBQ's and seating.

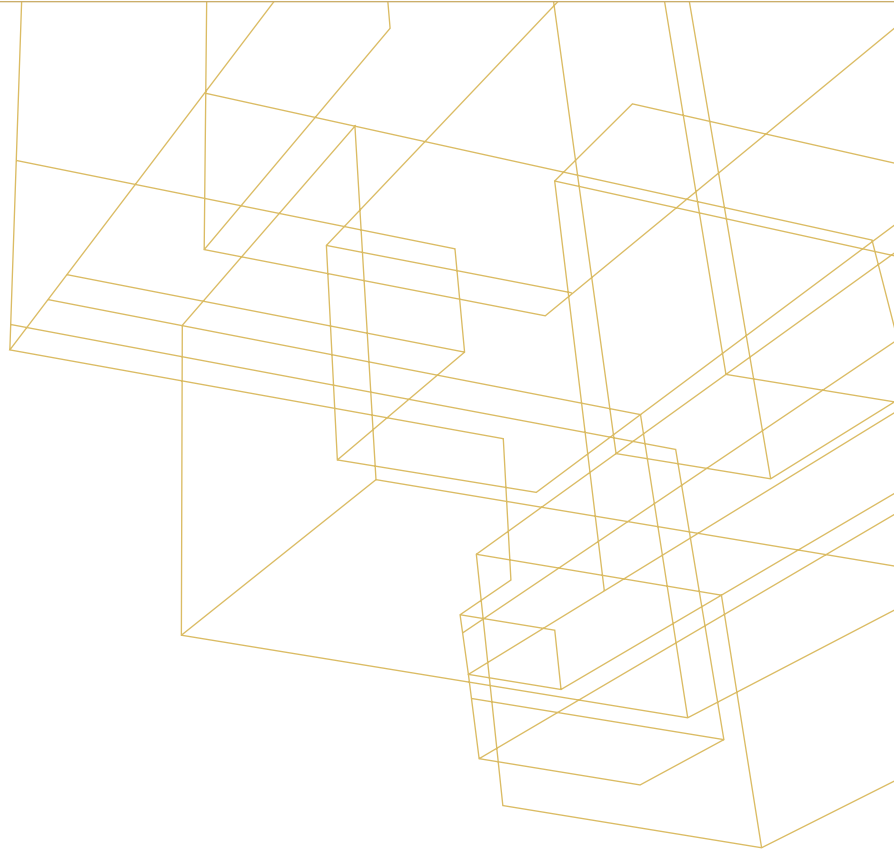
The quarter was highlighted by three investment sales. Tarlton Properties and Harrison Street purchased Britannia Business Center, a four building 291,591 sf office and R&D campus located at 4125-4255 Hopyard Road from Virtua Partners of \$78MM or \$267/SF. The project is home to Teleflex, ADP and DiaCarta. Century Urban purchased 5934 Gibraltar, a two-story Class B office property as part of the Saratoga Center project located in the Hacienda Business Park. The property was fully leased at close of escrow and traded for \$11.5MM or \$276/SF and the seller was Ridge Capital Investors. In Livermore, 365 N. Canyons Parkway sold for \$10.4MM or \$207/SF. The Buyer, Franmar Company, purchased

the property with 21,569 SF of shell space in two vacant units representing a 43% vacant office building. Silver Key Property Corporation was seller.

Leasing on the quarter included a 20,814 SF lease to Lumin Digital at 3001 Bishop Drive. This San Ramon address is associated with BR2600, the flagship and highest priced project within Bishop Ranch, San Ramon. Asking rents at that property are \$3.65/sf full service. In Livermore, DayBreak labs leased 7,215 SF at The Vineyard (7683 Southfront Road). ALIF Semiconductor USA expanded at Stoneridge Place (7901 Stoneridge Drive) taking 8,477 SF. IrisVision, a tenant at Las Positas Office Plaza (5994 W. Las Positas Blvd., Pleasanton) expanded for a third time in the last three years and now lease 7,102 SF in that two building 105,000 SF project. On a sobering note, there are rumors that TriNet

Group, Inc. will soon put two of their three floor plates (72,930 SF) at Park Place (the 4th and 5th floors at 1 Park Place, Dublin) on the market for sublease.

Based on current activity, we know the second quarter of 2022 will not bring significant erosion of our lofty Tri-Valley vacancies. We remain hopeful that the year will build momentum and users will start to come back to the office as they get clarity on their space needs in defining who will work in the office and which employee roles will remain "work form home" or a hybrid solution. The euphoria of waning Covid concerns has been subdued by rising interest rates, inflation concerns and the Russian-Ukrainian war. These actualities temper any predication that 2022 will be a banner year for office leasing in the Tri-Valley.



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:

TRI-VALLEY OFFICE MARKET

	Class A	Class B	Total	Flex
Market Inventory SF	10,079,083	4,877,296	14,956,379	4,487,509
Weighted Average Asking Rent	\$3.23	\$2.69	\$3.05	\$2.22
Vacancy	21.57%	26.04%	23.03%	4.77%
Marketed Sub-Lease Space	1,021,505	187,399	1,208,904	108,588

PLEASANTON

	Class A	Class B	Flex
Market Inventory SF	3,386,495	1,556,857	1,336,623
Weighted Average Asking Rent	\$3.13	\$2.59	\$2.89
Vacancy	27.46%	26.76%	9.88%
Marketed Sub-Lease Space	408,655	91,469	29,627

DUBLIN

	Class A	Class B	Flex
Market Inventory SF	1,072,209	601,740	976,268
Weighted Average Asking Rent	\$3.22	\$1.90	\$2.40
Vacancy	10.49%	11.59%	1.57%
Marketed Sub-Lease Space	260,615	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	\$2.52	\$2.35
Vacancy	20.13%	17.87%	0.00%
Marketed Sub-Lease Space	352,235	1,740	48,931

LIVERMORE

	Class A	Class B	Flex
Market Inventory SF	0	917,471	1,981,108
Weighted Average Asking Rent	N/A	\$2.04	\$1.66
Vacancy	N/A	34.47%	3.37%
Marketed Sub-Lease Space	0	83,161	21,838

DANVILLE/ALAMO

	Total
Market Inventory SF	1,206,878
Weighted Average Asking Rent	\$3.78
Vacancy	14.76%
Marketed Sub-Lease Space	10,226

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COMMERCIAL BROKERAGE

49.7M

ANNUAL
SALES SF

43.7M

ANNUAL
LEASING SF

460+

NO. OF
BROKERS

\$10.9B

ANNUAL TRANSACTION
VOLUME

VALUATION ADVISORY

2,600+

APPRAISALS
ANNUALLY

51/24

TOTAL NO.
APPRAISERS/MAI'S

ASSET SERVICES

62M

MANAGEMENT
PORTFOLIO SF

\$11B

IN ASSETS UNDER
MANAGEMENT

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