

MARKET TRENDS

# I-680 CORRIDOR / TRI-VALLEY OFFICE



Year-Over-Year Change

*The Tri-Valley office and office/flex market survived the first quarter 2023 with mixed statistical results. Rental rates edged higher despite lackluster leasing and touring activity.*

This is a direct result of Class A user inventory added to the base index inventory. The weighted average rents pushed Class A rents higher despite market sentiment suggesting rents should be pushing lower. The average asking full-service rents closed the 2022 campaign at \$3.01 and finished the first quarter at \$3.06 across all Tri-Valley multi-tenant

office properties. The vacancy in the quarter is at 22.38% for Tri-Valley Class A and B office.

Tri-Valley office/flex rents pushed higher to \$2.38 per square foot grossed up to full-service after closing 2022 at \$2.24. Vacancy in the sector is at 11.24% in Tri-Valley multi-tenant office/flex properties. Office/flex leases of note, Bosch Rexroth leased 14,611 square feet at 1183 Quarry Lane in Pleasanton's Valley Business Park. Bosch Rexroth will relocate from their current location at The Arbor (5880 W. Las Positas Blvd., Pleasanton). Precision Cabinets renewed their lease at 4255 Hopyard Road (Britannia Business Center I) in 11,404 square feet of office/flex space. Pacific Signaling will relocate from Stoneridge Business Center (office/flex) as they have signed a lease for 7,644 square feet of class B office space at 2301 Armstrong Street in Livermore.

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## NOTABLE SALE TRANSACTIONS

Serenthos LLC purchased 1010 - 1074 Murrieta Blvd, Livermore from Beck Trust  
21,4701 SF | \$11.3M or \$523/SF

Marina Mechanical purchased 4763 Bennett Dr, Livermore from Triangle Coatings Inc.  
36,708 SF | \$7.6M or \$205/SF

Costco Wholesale purchased 7164 Johnson Dr, Pleasanton from Nearon Enterprises  
15,000 SF | \$5.5M or \$367/SF

Foothill Fire Protection purchased 2900 Collier Canyon Rd, Livermore from Mission Trading Company  
18,178 SF | \$5.3M or \$292/SF

## NOTABLE LEASE TRANSACTIONS

Vacol leased 2623 Camino Ramon, San Ramon  
50,000 SF (Office)

Insight Global leased 12667 Alcosta Blvd, San Ramon  
21,000 SF (Office)

Tailor Brands Inc. leased 5875 Arnold Rd, Dublin  
17,416 SF (Flex/Sublease)

Bosch Rexroth leased 1183 Quarry Ln, Pleasanton  
14,611 SF (Flex)

Pacific Signaling leased 2301 Armstrong St, Livermore  
11,404 SF (Flex/Renewal)

Bishop Ranch consummated two significant lease deals in the first quarter of 2023. Insight Global leased 21,000 square feet at Bishop Ranch 15 (12667 Alcosta Blvd.). Additionally, Vaco, currently in Walnut Creek (2001 N. Main Street), will relocate to Bishop Ranch 3 (2623 Camino Ramon) in leasing approximately 50,000 square feet of Class A office space.

Regarding property sales in the first quarter 2023, Costco Wholesale purchased 7164 Johnson Dr in Pleasanton from Nearon Enterprises (15,000 SF) for \$5.5MM or \$367/SF. The rumor is Costco will demolish the building as part of their planned new store construction scope. Also, Foothill Fire Protection, with offices in Chico and Concord, purchased 2900

Collier Canyon Rd in Livermore from Mission Trading Company (18,178 SF) for \$5.3MM or \$292 SF.

Looking forward, we anticipate that several of the premium sublease spaces on the market will soon be leased. There are several pending transactions expected to close in the second quarter that will aid in re-directing the minimal market activity back to direct multi-tenant space. These deals will be inked far below Class A asking rents. Vacancy rates and rent support will not find relief in 2023 without migration of office tenants from the greater Bay Area to the Tri-Valley. The underlying anecdote of vacation of companies from urban markets relocating to suburban markets due to elevated urban crime in sparsely

populated downtown business centers together with continued resistance of employees' desire to return to the office has not yet come to fruition as it relates to driving activity to the Tri-Valley. These employees who enjoyed non-commutes during Covid shutdowns are largely not on board resuming 2-to-3-hour daily commutes. These factors, we expect, will be the drivers of possible increased tenant activity late in 2023.

LARGEST PURCHASE OF THE 1ST QUARTER

*1010-1074 Murrieta Blvd, Livermore, CA*



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)        | 10,888,825 | 4,427,171 | 15,315,996 | 4,622,621 |
| Weighted Average Asking Rent | \$3.23     | \$2.64    | \$3.06     | \$2.38    |
| Vacancy                      | 23.97%     | 18.45%    | 22.37%     | 11.24%    |
| Marketed Sub-Lease Space     | 1,112,729  | 281,754   | 1,394,483  | 94,009    |

### PLEASANTON

|                              | Class A   | Class B   | Flex      |
|------------------------------|-----------|-----------|-----------|
| Market Inventory (SF)        | 4,001,237 | 1,211,678 | 1,449,038 |
| Weighted Average Asking Rent | \$3.11    | \$2.48    | \$2.98    |
| Vacancy                      | 28.35%    | 20.86%    | 14.29%    |
| Marketed Sub-Lease Space     | 397,220   | 61,994    | 86,514    |

### DUBLIN

|                              | Class A   | Class B | Flex    |
|------------------------------|-----------|---------|---------|
| Market Inventory (SF)        | 1,267,209 | 570,361 | 874,359 |
| Weighted Average Asking Rent | \$3.25    | \$2.23  | \$2.51  |
| Vacancy                      | 18.51%    | 13.07%  | 11.07%  |
| Marketed Sub-Lease Space     | 103,417   | 0       | 3,495   |

### SAN RAMON

|                              | Class A   | Class B | Flex    |
|------------------------------|-----------|---------|---------|
| Market Inventory (SF)        | 5,620,379 | 754,908 | 257,825 |
| Weighted Average Asking Rent | \$3.30    | \$2.42  | \$2.50  |
| Vacancy                      | 22.09%    | 19.08%  | 5.90%   |
| Marketed Sub-Lease Space     | 612,092   | 65,193  | 0       |

### LIVERMORE

|                              | Class A | Class B | Flex      |
|------------------------------|---------|---------|-----------|
| Market Inventory (SF)        | 0       | 734,562 | 2,041,399 |
| Weighted Average Asking Rent | N/A     | \$2.11  | \$1.89    |
| Vacancy                      | N/A     | 28.21%  | 9.82%     |
| Marketed Sub-Lease Space     | 0       | 149,581 | 4,000     |

### DANVILLE/ALAMO

|                              | Total     |
|------------------------------|-----------|
| Market Inventory (SF)        | 1,155,662 |
| Weighted Average Asking Rent | \$3.50    |
| Vacancy                      | 11.98%    |
| Marketed Sub-Lease Space     | 4,986     |

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

### COMMERCIAL BROKERAGE

|                 |                             |
|-----------------|-----------------------------|
| <b>32.1M</b>    | <b>41.2M</b>                |
| ANNUAL SALES SF | ANNUAL LEASING SF           |
| <b>500+</b>     | <b>\$12B</b>                |
| NO. OF BROKERS  | TRANSACTION VOLUME ANNUALLY |

### ASSET SERVICES

|                         |                         |
|-------------------------|-------------------------|
| <b>53M</b>              | <b>771+</b>             |
| MANAGEMENT PORTFOLIO SF | ASSETS UNDER MANAGEMENT |

### VALUATION ADVISORY

|                      |                           |
|----------------------|---------------------------|
| <b>2,600+</b>        | <b>46/23</b>              |
| ASSIGNMENTS ANNUALLY | TOTAL NO APPRAISERS/MAI'S |

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