

MARKET TRENDS

I-680 CORRIDOR / TRI-VALLEY OFFICE



Year-Over-Year Change

The Tri-Valley office market continued its pattern of reduced transactions and increased vacancy in the third quarter of 2023 on par with the current real-estate climate across most markets.

An increase from 24.51% to 25.01% vacancy was seen in class A and B multi-tenant Tri-Valley office properties. On the other hand, rental rates decreased by \$0.02 quarter-over-quarter, monetarily reflecting the demand of office space in the area. After increasing by 71,477k SF last quarter, the marketed sublease space dropped by 8.99% in the third quarter of 2023 to 1,334,147 SF.

Tri-Valley Office-flex space experienced a decrease in vacancy from 14.61% in Q2 to 14.28% suggesting a brighter future for flex properties. Tenant activity has been centered around shorter lease terms, decreased SF, higher quality buildings, and amenities. This quarter's noteworthy office/flex transactions include Vector Atomic's lab lease at 6870 Koll Center Pkwy in Pleasanton for 34,670 SF. Vector Atomic expanded from 9,013 SF previously located at 5700 Stoneridge Drive also in Pleasanton. In Livermore, Acosta leased 18,922 SF of flex space at 3083 Independence Drive.

More in line with market trends, Acosta downsized from 27,814SF located at 5735 W Las Positas Blvd in Pleasanton. A final notable office/flex transaction was the 12,542 SF lease renewal at 5735 W Las Positas by PureRed.

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NOTABLE SALE TRANSACTIONS

300 - Operative Plasters & Cement Masons purchased 4495 Stoneridge Dr in Pleasanton from Cal West Steel Detailing 7,488 SF | \$3.1MM or \$414psf

Great Portland Estate LLC purchased 9260 Alcosta Blvd in San Ramon from The Klenow Family Trust 7,700 SF | \$2.4MM or \$308.44psf

Tejdeep Rattan DDS purchased 1304 - 1346 Concannon Blvd in Livermore from Mana Investments 2,958 SF | \$755k or \$255.24psf

Navin Mallavaram purchased 7031 Koll Center Pkwy in Pleasanton from Westmar I 7031, LLC & ACRE Nodar 7031, LLC 4,334 SF | \$1.7MM or \$400psf

NOTABLE LEASE TRANSACTIONS

Vector Atomic leased 6870 Koll Center Pkwy, Pleasanton 38,670 SF (Lab)

Acosta leased 3083 Independence Dr, Livermore 18,922 SF (Flex)

PureRed leased 5735 W Las Positas, Pleasanton 12,542 SF (Flex) (Renewal)

BFK Engineers leased 7901 Stoneridge Dr, Pleasanton 12,238 SF (Office)

Solargistix leased 12647 Alcosta Blvd, San Ramon 12,042 SF (Office)

Pleasanton saw the largest office lease when BKF Engineers signed for 12,238 SF of office at 7901 Stoneridge Drive. San Ramon experienced two of the most significant office leases of the quarter with Solargistix taking 12,042 SF at 12647 Alcosta Blvd and Canary Marketing taking 10,281 SF at 2633 Camino Ramon.

With the Tri-Valley office market's overall increase in vacancy to 25.01%, landlords are exploring innovative approaches to generate returns on their investments. This oversupply has prompted some developers to reevaluate the construction of their office buildings. Some landlords have adjusted by forming partnerships with coworking companies to provide office spaces, event venues, and meeting facilities, while others are adapting by transforming their properties to address the increasing preference for increased residential supply through zoning re-entitlements.

Similar to a decrease in office tenant demand, the Tri-Valley witnessed a slow-down in office sales influenced by factors such as conservative lending, decreased demand, and increased interest rates. Despite the downtrend in office sales, noteworthy deals did come out of this quarter. Pleasanton observed the largest sale of the quarter at 4495 Stoneridge Dr when 300 - Operative Plasters & Cement Masons purchased the 7,488 SF office building from Cal West Steel Detailing for \$3.1M. Succeeding the largest sale of the quarter was a \$2.4M purchase of 7,700 SF by Great Portland Estate LLC at 9260 Alcosta Blvd in San Ramon from The Klenow Family Trust. Additionally, 4,334 SF of office space at 7031 Koll Center Pkwy in Pleasanton was purchased from Westmar I 7031, LLC & ACRE Nodar 7031, LLC by Dr. Navin Mallavaram for \$1.7M. In addition to

having one of the most significant leases of the quarter, Livermore had one of the major sales of the quarter. For this sale, Tejdeep Rattan DDS purchased 2,958 SF at 1304 - 1346 Concannon Blvd from Mana Investments for \$755k.

Overall 3rd Quarter activity generally reflected tenants' desires for less office space and buyers' caution due to rising interest rates and possible further macroeconomic slowdown. Looking forward we expect Q4 activity to be flat to down due to continued economic uncertainty and corresponding vacancy increases and rental rates to fall. The hope is with 2024 being a Presidential election year that the skepticism fades to reemergence of economic growth.



LARGEST PURCHASE OF THE 3RD QUARTER

4495 Stoneridge Dr, Pleasanton

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)	10,928,844	4,655,047	15,583,891	5,070,938
Weighted Average Asking Rent	\$3.22	\$2.63	\$3.04	\$2.37
Vacancy	28.29%	17.31%	25.01%	14.28%
Marketed Sub-Lease Space	1,013,920	320,227	1,334,147	260,582

PLEASANTON

	Class A	Class B	Flex
Market Inventory (SF)	4,041,256	1,314,817	1,670,028
Weighted Average Asking Rent	\$3.11	\$2.47	\$2.94
Vacancy	31.74%	23.48%	19.77%
Marketed Sub-Lease Space	494,966	89,859	132,858

DUBLIN

	Class A	Class B	Flex
Market Inventory (SF)	1,267,209	580,361	948,045
Weighted Average Asking Rent	\$3.25	\$2.23	\$2.45
Vacancy	19.05%	10.74%	20.48%
Marketed Sub-Lease Space	115,330	0	18,766

SAN RAMON

	Class A	Class B	Flex
Market Inventory (SF)	5,620,379	853,531	257,825
Weighted Average Asking Rent	\$3.30	\$2.41	\$2.51
Vacancy	27.89%	19.34%	4.12%
Marketed Sub-Lease Space	403,624	65,193	48,931

LIVERMORE

	Class A	Class B	Flex
Market Inventory (SF)	0	734,562	2,195,040
Weighted Average Asking Rent	N/A	\$2.11	\$1.88
Vacancy	N/A	22.46%	8.61%
Marketed Sub-Lease Space	0	149,581	60,027

DANVILLE/ALAMO

	Total
Market Inventory (SF)	1,171,776
Weighted Average Asking Rent	\$3.51
Vacancy	8.93%
Marketed Sub-Lease Space	15,594

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COMMERCIAL BROKERAGE

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

ASSET SERVICES

<i>53M</i>	<i>771+</i>
MANAGEMENT PORTFOLIO SF	ASSETS UNDER MANAGEMENT

VALUATION ADVISORY

<i>2,800+</i>	<i>41/23</i>
ASSIGNMENTS ANNUALLY	TOTAL NO APPRAISERS/MAI'S

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