

MARKET TRENDS

# I-680 CORRIDOR / TRI-VALLEY OFFICE



Year-Over-Year Change

*In the fourth quarter of 2023, the Tri-Valley office market continued its trend of modestly increasing vacancy rates despite an increase in transaction volume.*

This aligns with the prevailing real estate conditions in most markets as companies continue downsizing efforts. The vacancy rate for class A and B multi-tenant Tri-Valley office properties rose slightly from 25.01% to 25.94%. Despite this increase, rental rates remained flat quarter-over-quarter. Sublease space in the market, which decreased by 8.99% in the previous quarter, experienced a significant drop of

26.64% in the fourth quarter of 2023, reaching 978,702 square feet. Tri-Valley Office-flex space saw a slight increase of 10 basis points in vacancy, reaching 14.29%, following a small decrease in the third quarter.

Outside of renewals, which played a significant role in activity this quarter, tenants signing new leases have been focused on downsizing and signing short term leases in higher quality spaces in order to entice their smaller workforce back into the office. Prominent office /flex transactions for the quarter consist of Robert Half’s office lease at 3001 Bishop Drive in San Ramon for 73,067 SF. Robert Half downsized from Sycamore, formerly known as BR 3.

Additionally, Morgan Stanley renewed a lease at 4309 Hacienda Drive in Pleasanton for 20,655 SF of office space.

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## NOTABLE SALE TRANSACTIONS

Eyring Realty, Inc. purchased 2671 Crow Canyon Rd in San Ramon from Quattro Development 10,204 SF | \$12.6MM or \$1,237.65psf

Trumark Companies purchased 2481 Deerwood Dr in San Ramon from Sieva Networks Inc. 50,835 SF | \$11.5MM or \$226.22psf

Dr. Ron Hassanzadeh purchased 2355 San Ramon Valley Blvd in San Ramon from Sam Hirbod 16,500 SF | \$5.9MM or \$357.58psf

Cement Masons Local 300, Area 580 purchased 4495 Stoneridge Dr in Pleasanton from Future Innovations, Inc. 7,488 SF | \$3.1MM or \$414psf

## NOTABLE LEASE TRANSACTIONS

Robert Half leased 3001 Bishop Dr, San Ramon 73,067 SF (Office)

Morgan Stanley renewed lease for 4309 Hacienda Drive, Pleasanton 20,655 SF (Office)

Natera leased 5100 Franklin Dr, Pleasanton 16,319 SF (Flex)

Shea Homes leased 4309 Hacienda Dr, Pleasanton 14,569 SF (Office)

Withum, Smith & Brown leased 6101 Bollinger Canyon Rd, San Ramon 12,807 SF (Office)

Clapp Maroney renewed lease for 5860 Owens Dr, Pleasanton 11,757 SF (Office)

As a part of a relocation from a San Carlos facility, Natera leased 16,319 SF of flex space at 5100 Franklin Drive in Pleasanton. After selling an occupied building to Fremont Bank, Shea Homes relocated from 2630 Shea Center Drive in Livermore to 14,569 SF of office space at 4309 Hacienda Drive in Pleasanton. Withum, Smith & Brown leased 12,807 SF of office at 6101 Bollinger Canyon Road in San Ramon after relocating from Canopy formerly known as BR 8. Lastly, Clapp Maroney renewed a lease at 5860 Owens Drive in Pleasanton for 11,757 SF of office space.

As the Tri-Valley office market experiences a rise in overall vacancy, reaching 25.94%, landlords are actively seeking innovative strategies to maximize returns on their investments. Some have gone as far as turning to rezoning and redeveloping properties, while others have turned to coworking companies to fill spaces. Rental rate decreases are an option that

has yet to be explored, and may be on the horizon soon. This oversupply is trending to continue, leading developers to put a pause on planned offices, possibly reevaluating their land investment entirely, even when the ground is ready for the planned properties to be built.

The Tri-Valley market saw a dip in office sales influenced by factors such as financing issues and decreased demand from prospective tenants. However, there were still noteworthy transactions that transpired this quarter. The most significant transaction of the quarter occurred in San Ramon at 2671 Crow Canyon Rd when 10,204 SF was purchased by Eyring Realty, Inc. from Quattro Development for \$12.6MM. The Trumark Companies followed with a \$11.5MM purchase of 50,835 SF from Sieva Networks Inc. at 2481 Deerwood Dr in San Ramon. Furthermore, Dr. Ron Hassanzadeh purchased 16,500 SF at 2355 San Ramon Valley Blvd in San Ramon

from Sam Hirbod for \$5.9MM. Cement Masons Local 300, Area 580 wrapped up the quarter's most significant sale transactions with the purchase of 7,488 SF at 4495 Stoneridge Dr in Pleasanton from Future Innovations, Inc. for \$3.1MM.

The activity in the 4th Quarter can be attributed to tenants seeking smaller spaces and buyers exercising caution due to rising interest rates and uncertainty of ROI as companies continue to enact work from home and hybrid work policies. Q1 projections are for activity to remain stagnant or see a marginal decrease, continued vacancy rises, and possible rental rate decreases as landlords come back to the table to make deals and fill spaces. Despite these difficulties, there is optimism for 2024, fueled by discussions of potential Federal Reserve rate cuts and the prospect of a presidential election year.



LARGEST PURCHASE OF THE 3RD QUARTER

*2671 Crow Canyon Rd, San Ramon*

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	4,756,431	15,685,275	5,108,205
Weighted Average Asking Rent	\$3.22	\$2.63	\$3.04	\$2.38
Vacancy	28.83%	19.30%	25.94%	14.29%
Marketed Sub-Lease Space	702,510	276,192	978,702	276,812

### PLEASANTON

	Class A	Class B	Flex
Market Inventory (SF)	4,041,256	1,385,960	1,806,493
Weighted Average Asking Rent	\$3.11	\$2.47	\$2.92
Vacancy	31.98%	28.38%	19.48%
Marketed Sub-Lease Space	463,881	59,089	149,088

### DUBLIN

	Class A	Class B	Flex
Market Inventory (SF)	1,267,209	580,361	829,917
Weighted Average Asking Rent	\$3.25	\$2.23	\$2.51
Vacancy	19.05%	11.78%	20.66%
Marketed Sub-Lease Space	115,330	0	18,766

### SAN RAMON

	Class A	Class B	Flex
Market Inventory (SF)	5,620,379	859,446	257,825
Weighted Average Asking Rent	\$3.30	\$2.41	\$2.51
Vacancy	28.77%	19.50%	6.28%
Marketed Sub-Lease Space	123,299	60,254	48,931

### LIVERMORE

	Class A	Class B	Flex
Market Inventory (SF)	0	734,562	2,213,970
Weighted Average Asking Rent	N/A	\$2.11	\$1.88
Vacancy	N/A	22.55%	8.59%
Marketed Sub-Lease Space	0	149,581	60,027

### DANVILLE/ALAMO

	Total
Market Inventory (SF)	1,196,102
Weighted Average Asking Rent	\$3.50
Vacancy	10.29%
Marketed Sub-Lease Space	7,268

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>2,800+</b>	<b>42/23</b>
ASSIGNMENTS ANNUALLY	TOTAL NO APPRAISERS/MAI'S

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