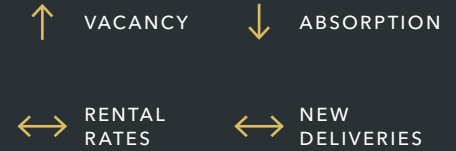


MARKET TRENDS

I-680 CORRIDOR /TRI-VALLEY OFFICE



Year-Over-Year Change

The Tri-Valley office market saw a continued increase in vacancy rates and a decline in leasing volume in the first quarter of 2024.

This has been seen throughout most office markets as companies continue to take smaller spaces to align with work from home policies. Despite these market conditions, rental rates remained flat year-over-year. There was a significant 26.64% reduction of sublease space on the market in the fourth quarter of 2023 mostly due to sublease offering expirations, reaching 978,702 square feet (SF), since then it has leveled out, dropping 1.64% from the previous quarter

to 962,668 SF. The vacancy rate for office-flex space in the Tri-Valley area rose by 236 basis points, reaching 16.65%. This uptick follows a slight increase in the fourth quarter of the previous year.

The trend of tenants favoring quality Class A office buildings in attractive neighborhoods with amenities, along with the decrease in leased space, is evident in this quarter's relocation patterns. This quarter saw less lease volume than last quarter, but it had many companies moving from outside of the market which could be a good sign of things to come. Notable office transactions for the quarter include a 14,976 SF sublease at 6200 Stoneridge Mall Rd in Pleasanton by a confidential subtenant. Inneos leased 11,929 SF of office space at 4255 Hopyard Rd in Pleasanton after relocating from Britannia Bus Center II.

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NOTABLE SALE TRANSACTIONS

PSAI Realty Partners purchased 4900 Johnson Dr in Pleasanton from Stockbridge Capital Group, LLC
357,338 SF | \$73.5MM or \$206 PSF

Lennar Homes Of California Inc purchased 12943-12959 Alcosta Blvd & 3401 Crow Canyon Rd in San Ramon from Nearon Sunset LLC 210,056 SF | \$40.5MM or \$193 PSF

DJP Enterprises, LLC purchased 5341 Owens Ct in Pleasanton from HUB 925 LLC 34,353 SF | 10.9MM or \$316 PSF

Harsha Properties LLC purchased 6908 Sierra Ct in Dublin from Driscoll Enterprises LLC 10,425 SF | \$3.5MM or \$334 PSF

Northern California Allied Trades purchased 55 Oak Ct in Danville from 55 Oak Ct LLC 6,814 SF | \$4.1MM or \$603 PSF

NOTABLE LEASE TRANSACTIONS

A confidential tenant subleased 6200 Stoneridge Mall Rd, Pleasanton 14,976 SF (Office)

Inneos leased 4255 Hopyard Rd, Pleasanton 11,929 SF (Office)

K&A engineering leased 4637 Chabot Dr, Pleasanton 8,659 SF (Office)

Whiting Turner leased 6701 Koll Center Pkwy, Pleasanton 7,658 SF (Office)

Bay Area Fencing leased 5870 Stonridge Dr, Pleasanton 7,412 SF (Office)

Orchestra.ai leases 4160 Dublin Blvd, Dublin 4,217 SF (Office)

K&A Engineering relocated from San Ramon and expanded, leasing 8,659 SF at 4637 Chabot Drive in Pleasanton. Also, as a relocation, Whiting Turner leased 6701 Koll Center Pkwy in Pleasanton, moving from 4690 Chabot Dr also in Pleasanton. Expanding from Los Gatos to open a new facility, Bay Area Fencing leased 7,412 SF of space at 5870 Stoneridge Drive in Pleasanton. Lastly, Orchestro.ai completed a sublease at 4160 Dublin Blvd in Dublin, which totaled 4,217 SF of office space. Despite vacancy reaching new heights of 26.44%, rental rates are remaining stable in the marketplace. To avoid losses on their investments, landlords have remained firm in their rental pricing. Without exploring the option to reduce rents soon, we may see more sales as investors and/or lenders reconsider properties purchased at peak market prices. Trends of downsizing due to work from home policies appear to be here to stay, requiring investors to either adjust asking prices or accept losses to attract tenants and fill vacancies.

Unlike previous quarters, the Tri-Valley market experienced a rise in sold office square footage, driven by property owners selling at significant losses due to tenant vacancies and overstated loan amounts. The standout transaction of the quarter was the sale of Clorox's Pleasanton campus located at 4900 Johnson Dr. PSAI Realty Partners purchased the 6-building complex totaling 357,338 SF of office and R&D space from Stockbridge Capital Group LLC for \$73.5MM. The next most significant transaction occurred when Lennar Homes of California, Inc. purchased 12943 - 12959 Alcosta Blvd & 3401 Crow Canyon Rd in San Ramon from Nearon Sunset LLC for \$40.5MM for residential redevelopment. The 34,353 SF office space at 5341 Owens Ct in Pleasanton was purchased for \$10.9MM by an investor, DJP Enterprises LLC. Closing out significant transactions of the quarter are an owner/user, Harsha Properties LLC's purchase of \$3.5MM for 10,425 SF at 6908 Sierra Ct in Dublin from

Driscoll Enterprises LLC and Northern California Allied Trades' purchase of \$4.1MM for 6,814 SF at 55 Oak Ct in Danville from 55 Oak Court LLC.

Largely, the activity in the first quarter reflected ongoing trends in the post-pandemic office market, characterized by tenants adjusting their space requirements and owners selling at a loss due to a reduction in tenants. As economic uncertainty persists, vacancy rates rise and lenders remain cautious. This trend is expected to continue, leading to increased vacancy, more investor sales, and steady or reduced rental rates. These developments are just the initial phases of the 2024 election year, with optimism remaining for a potential economic comeback as the year progresses.

LARGEST PURCHASE OF THE 1ST QUARTER

4900 Johnson 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	5,025,012	15,953,856	5,341,490
Weighted Average Asking Rent	\$3.22	\$2.65	\$3.04	\$2.37
Vacancy	29.56%	19.65%	26.44%	16.65%
Marketed Sub-Lease Space	672,952	289,716	962,668	277,811

PLEASANTON

	Class A	Class B	Flex
Market Inventory (SF)	4,041,256	1,581,633	1,945,371
Weighted Average Asking Rent	\$3.11	\$2.51	\$2.90
Vacancy	32.31%	28.16%	21.43%
Marketed Sub-Lease Space	422,321	60,436	150,087

DUBLIN

	Class A	Class B	Flex
Market Inventory (SF)	1,267,209	580,361	829,917
Weighted Average Asking Rent	\$3.25	\$2.27	\$2.51
Vacancy	22.93%	16.52%	27.70%
Marketed Sub-Lease Space	125,162	0	18,766

SAN RAMON

	Class A	Class B	Flex
Market Inventory (SF)	5,620,379	859,446	266,872
Weighted Average Asking Rent	\$3.30	\$2.41	\$2.42
Vacancy	29.07%	17.47%	5.45%
Marketed Sub-Lease Space	125,469	54,824	48,931

LIVERMORE

	Class A	Class B	Flex
Market Inventory (SF)	0	788,250	2,299,330
Weighted Average Asking Rent	N/A	\$2.15	\$1.86
Vacancy	N/A	23.07%	9.90%
Marketed Sub-Lease Space	0	160,788	60,027

DANVILLE/ALAMO

	Total
Market Inventory (SF)	1,215,322
Weighted Average Asking Rent	\$3.51
Vacancy	9.41%
Marketed Sub-Lease Space	13,668

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 19 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

\$10B

3-YEAR AVERAGE
TRANSACTION VOLUME

42.4M

ANNUAL
LEASING SF

500+

NO. OF
BROKERS

31.7M

ANNUAL
SALES SF

ASSET SERVICES

51M

MANAGEMENT
PORTFOLIO SF

750+

ASSETS UNDER
MANAGEMENT

VALUATION ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

43/25

TOTAL NO
APPRAISERS/MAI'S

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