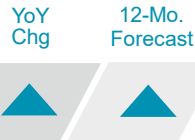


East Bay Pleasanton

Office R&D Q1 2021

14.5%
Vacancy Rate



24K
Net Absorption, SF



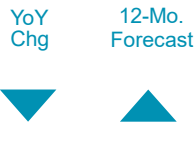
\$2.77
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

1.1M
East Bay Employment



7.2%
East Bay Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2021Q1 data are based in the latest available data

ECONOMY

The East Bay, consisting of Alameda and Contra Costa counties, recorded a decline in job growth with over 113,000 jobs (-9.5%) lost year-over-year (YOY), bringing regional employment to just over 1.08 million. With this loss, the unemployment rate correspondingly rose +410 basis points (bps) to 7.2%, significantly above the national rate of 6.0%. Upon the arrival of COVID-19 in the U.S., the economy entered a historically unprecedented recession in March of 2020. In the East Bay, consumer services industries were severely impacted, particularly the restaurant and retail sectors. The commercial real estate market saw a decline in office occupancy levels due to government shelter-in place orders, while the warehousing and distribution sector recorded consistent growth due to increasing consumer reliance on online marketplaces. The recovery began in the late Spring of 2020 at a slow clip because of uncertainty regarding a vaccine timeline for the novel disease. With the advent of reliable vaccines in early 2021, the road to full recovery has become clearer and California is expected to fully reopen by June of 2021.

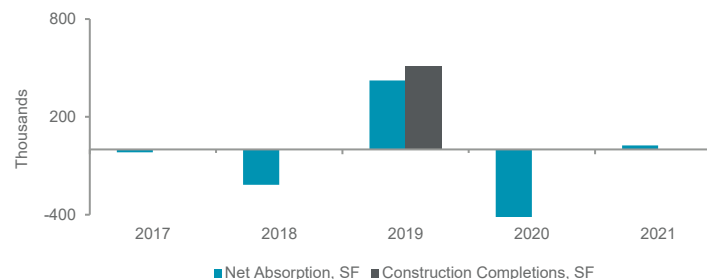
DEMAND : Leasing Diminishes After Strong 2019

Overall combined office/R&D net absorption was in the black for the quarter, totaling 24,357 square feet (sf), while being in the red by negative 682,121 sf over the past 12 months. Leasing, meanwhile, diminished significantly with only 79,840 sf of activity in the first quarter. Net absorption in the R&D market in the first quarter totaled negative 30,127 sf with most of the givebacks occurring in the Dublin & Pleasanton submarkets. At this point, 37,760 sf of leased office and R&D space is expected to be occupied in the second quarter of 2021 with 323,344 sf likely to be vacated; however, these numbers could change significantly due to the ongoing economic issues. In any case, it is anticipated that net absorption will struggle to stay in the black in the coming quarters.

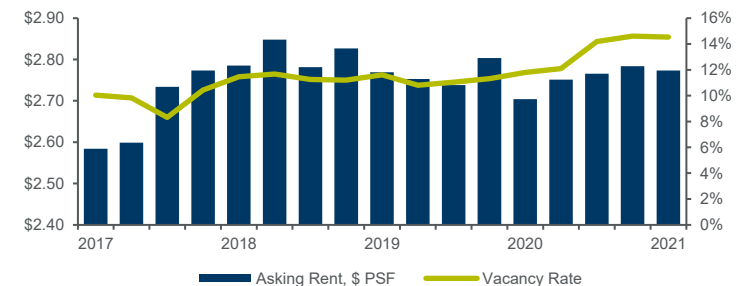
SUPPLY: Vacancy Continues to Rise

East Bay Pleasanton office/R&D market vacancy decreased slightly to 14.5% in the first quarter of 2021, a drop of 10 bps quarter-over-quarter (QOQ) while up 320 bps year-over-year (YOY). The decrease in vacancy can be attributed to rather minimal activity taking place in Dublin and Pleasanton. The steep YOY increase has been driven by sublease space that continues to hit the market, with 1,438,644 sf currently available, an increase of 71% in just the last 12 months. The abundance of sublease space and direct space available is evidence that companies remain uncertain of their future space requirements in a post-pandemic world.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



East Bay Pleasanton

Office R&D Q1 2021

PRICING: Asking Rents See Slight Uptick

Asking rents in East Bay Pleasanton experienced a slight downtick in the first quarter, closing at \$2.77 per square foot (psf) on a monthly full-service basis, down \$0.01 QOQ and up \$0.07 YOY. Dublin recorded the largest decrease in asking rents, closing at \$2.46 psf at the end of the first quarter, representing a 0.8% QOQ decrease. The Dublin submarket accounts for about 11% of the market's total building base; thus, fluctuations in its asking rents can be influential on overall market averages. Despite minor fluctuations, average rents remain near the high watermark of \$2.84 psf set in the second quarter of 2018. That said, limited leasing activity and the rise of available space will likely cause asking rents to remain flat or drop slightly over the next few quarters.

Sales

Investment activity experienced significant movement in the first quarter, with four major transactions signed. Workday purchased a portfolio of 969,830 sf for \$162.5 million or \$168 psf at 6002, and 6110-6150 Stoneridge Mall Rd in Pleasanton; Toda America, Inc. purchased a 120,199 sf building at 5601 Arnold Rd for \$34.7 million or \$289 psf; Shabnam Farzaneh purchased an 11,560 sf property at 9301 Firecrest Ct for \$4.5 million or \$389 psf; and Safety Compliance Management purchased a 5,573 sf property at 14 Crow Canyon for \$1.8 million or \$323 psf.

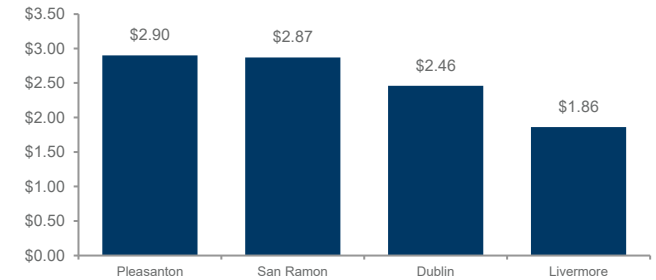
Look Ahead

The East Bay Pleasanton market has been overshadowed of late by the more convenient transit-oriented markets such as Oakland and Walnut Creek. As public transit becomes less viable for commuters, at least in the near-term, suburban markets can become strategic areas to occupy office space. To compliment this; more companies are implementing work-from-home policies which may, in turn, entice tenants to have more accessible part-time offices for their employees.

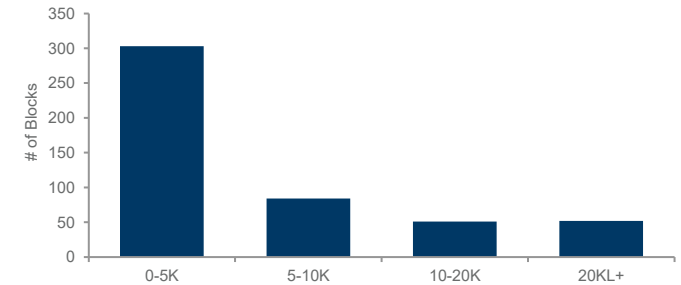
Outlook

- Rents are expected to level out or pull-back in the next twelve months as activity continues at a sluggish pace.
- Vacancy was relatively unchanged in the first quarter and will likely remain that way in the near-term as the market adjusts to a post-pandemic economy.
- Leasing activity will remain sluggish through at least mid-year 2021.

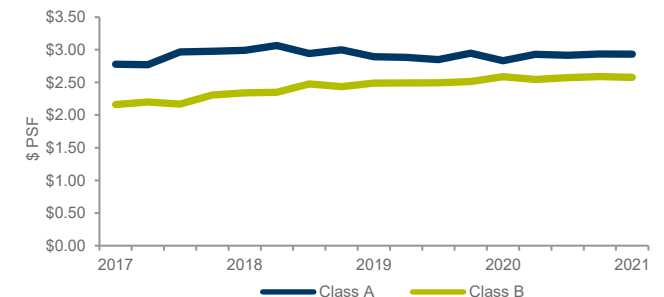
SUBMARKET ASKING RENT



AVAILABILITY BY SEGMENT SIZE



AVERAGE ASKING RENT BY CLASS (FULL SERVICE)



East Bay Pleasanton

Office R&D Q1 2021

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Dublin	3,265,412	180,232	234,997	12.7%	14,828	14,828	0	0	\$2.46	\$2.47
San Ramon	8,596,972	738,381	998,084	20.7%	6,281	6,281	0	0	\$2.87	\$2.94
Pleasanton	12,939,210	483,696	1,287,200	13.7%	28,022	28,022	76,504	0	\$2.90	\$3.06
Livermore	4,194,280	36,335	255,112	6.9%	-24,774	-24,774	3,336	0	\$1.86	\$2.62
CLASS BREAKDOWN										
Class A	15,190,296	1,307,407	1,726,971	20.0%	15,168	15,168	15,168	0	\$2.93	-
Class B	5,156,653	54,185	523,784	11.2%	24,488	24,488	-	0	\$2.58	-
Office / Flex	7,182,195	76,249	495,339	8.0%	-30,127	-30,127	64,672	0	\$1.66	-
TOTALS	28,995,874	1,438,644	2,775,393	14.6%	24,357	24,357	79,840	0	\$2.77	\$2.93

*Rental rates reflect full service asking

KEY LEASE TRANSACTION Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4125 Hopyard Rd.	Pleasanton	ADP	60,000	Direct
6900 Koll Center Pkwy.	Pleasanton	Undisclosed	13,600	Direct
3095 Independence Dr.	Livermore	Undisclosed	3,336	Direct
5627 Stoneridge Dr.	Pleasanton	Undisclosed	1,739	Direct

*Renewals not included in leasing statistics

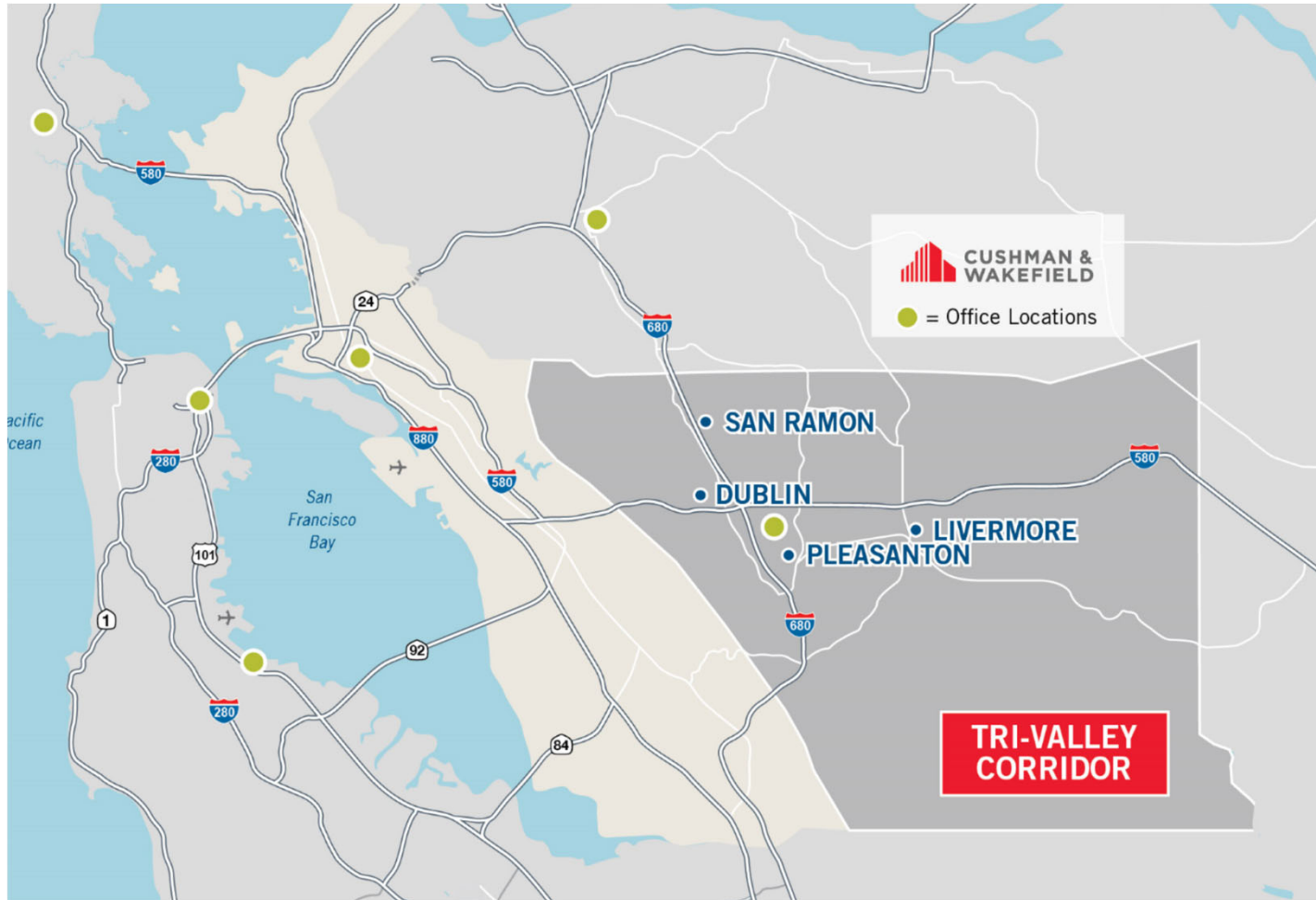
KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6002, 6110-6150 Stoneridge Mall Rd	Pleasanton	NPC Holdings LLC / Workday	969,830	\$162.5M/\$168
5601 Arnold Rd	Dublin	HHH Investment Company / Toda America, Inc.	120,199	\$34.7M/\$289
9301 Firecrest Ct	San Ramon	Donald Schninnerer/ Shabnam Farzaneh	11,560	\$4.5M/\$391

East Bay Pleasanton

Office R&D Q1 2021

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