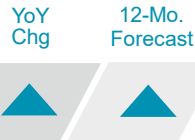


East Bay Pleasanton

Office R&D Q2 2021

16.6%
Vacancy Rate



-579K
Net Absorption, SF



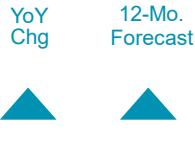
\$2.78
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

1.1M
East Bay Employment



6.3%
East Bay Unemployment Rate



5.9%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2021Q2 data are based in the latest available data

ECONOMY

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with over 68,600 jobs (+6.7%) obtained year-over-year (YOY), bringing regional employment to just over 1.08 almost 1.10 million. With this growth, the unemployment rate correspondingly dropped 760 basis points (bps) to 6.3%, slightly above the national rate of 5.9%. 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 has begun the reopening of the economy.

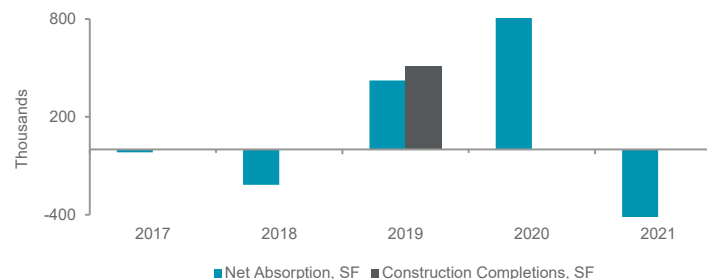
DEMAND : Leasing Diminishes After Strong 2019

Overall combined office/R&D net absorption was in the red for the quarter, totaling negative 579,756 square feet (sf), while being in the red by a negative 1,334,652 sf over the past 12 months. Leasing, meanwhile, experienced a slight uptick with 185,423 sf of activity in the second quarter. Net absorption in the R&D market in the second quarter totaled negative 1,776 sf with most of the givebacks occurring in the Dublin & Pleasanton submarkets. At this point, 168,454 sf of leased office and R&D space is expected to be occupied in the third quarter of 2021 with 153,505 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 move to the black in the coming quarters.

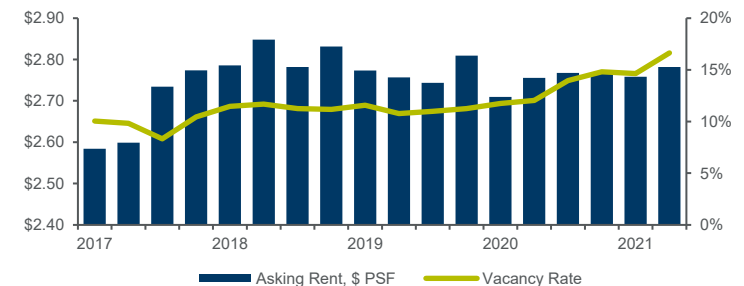
SUPPLY: Vacancy Continues to Rise

East Bay Pleasanton office/R&D market vacancy increased slightly to 16.6% in the second quarter of 2021, an increase of 200 bps quarter-over-quarter (QOQ) while up 460 bps year-over-year (YOY). The increase 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 1,526,416 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 regarding their future space requirements in a post-pandemic world.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



East Bay Pleasanton

Office R&D Q2 2021

PRICING: Asking Rents See Slight Uptick

Asking rents in East Bay Pleasanton experienced a slight uptick in the second quarter, closing at \$2.78 per square foot (psf) on a monthly full-service basis, up \$0.02 QOQ and up \$0.02 YOY. Livermore recorded the largest increase in asking rents, closing at \$1.86 psf at the end of the second quarter, representing a 1.1% QOQ increase. The Dublin submarket accounts for about 15% 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 there 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 second quarter, with three major transactions signed. Spieker Keech Hacienda LLC purchased a portfolio of 321,477 sf for \$57.8 million or \$180 psf at 4301 – 4309 Hacienda Dr in Pleasanton. Hesperian Properties LLC purchased a 66,260 sf building at 7401-7475 Southfront Rd for \$5.9 million or \$89 psf; Hesperian Properties also purchased another 66,260 sf building at 7503-7599 Southfront Rd for \$5.6 million or \$85 psf.

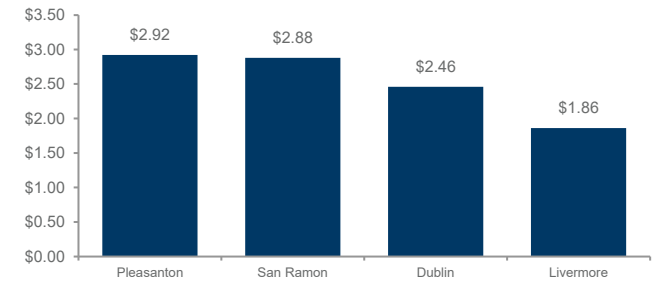
Look Ahead

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 remote work policies which may, in turn, entice tenants to have more accessible part-time offices for their employees.

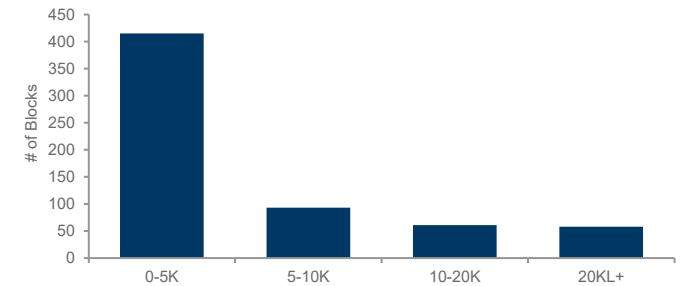
Outlook

- Rents are expected to level out or pull-back in the next twelve months as activity continues at a sluggish pace.
- Vacancy experienced a slight uptick in the second quarter and will likely remain somewhat flat in the near-term as the market adjusts to a post-pandemic economy.
- Leasing activity will remain sluggish through at least mid to late year 2021 the remainder of the year.

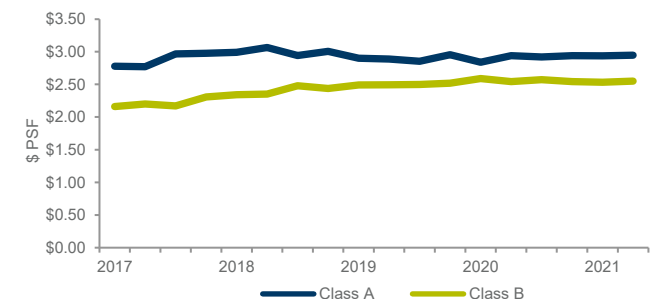
SUBMARKET ASKING RENT



AVAILABILITY BY SEGMENT SIZE



AVERAGE ASKING RENT BY CLASS (FULL SERVICE)



East Bay Pleasanton

Office R&D Q2 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	225,568	12.4%	5,084	19,912	22,653	0	\$2.46	\$2.49
San Ramon	8,596,972	754,596	1,310,109	24.0%	-342,397	-325,331	63,828	0	\$2.88	\$2.94
Pleasanton	12,939,210	494,431	1,496,145	15.4%	-236,412	-194,589	267,775	0	\$2.92	\$3.09
Livermore	4,194,280	97,157	266,642	8.7%	-6,031	-29,770	3,336	0	\$1.86	\$2.73
CLASS BREAKDOWN										
Class A	15,190,296	1,318,003	2,095,635	22.5%	-464,539	-433,070	103,830	0	\$2.95	-
Class B	5,156,653	117,068	607,947	14.1%	-99,720	-53,579	-	0	\$2.55	-
Office / Flex	7,182,195	90,542	551,682	8.9%	-1,776	-42,236	163,047	0	\$1.70	-
TOTALS	28,995,874	1,526,416	3,298,464	16.6%	-579,756	-529,778	357,592	0	\$2.78	\$2.95

*Rental rates reflect full service asking

KEY LEASE TRANSACTION Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
12657 Alcosta Blvd.	San Ramon	ARC Document Solutions	16,434	Direct
4301 Hacienda Dr.	Pleasanton	Undisclosed	12,604	Direct
7901 Stoneridge Dr.	Pleasanton	Hively	9,019	Direct
5075 Hopyard Rd.	Pleasanton	Undisclosed	7,772	Direct

*Renewals not included in leasing statistics

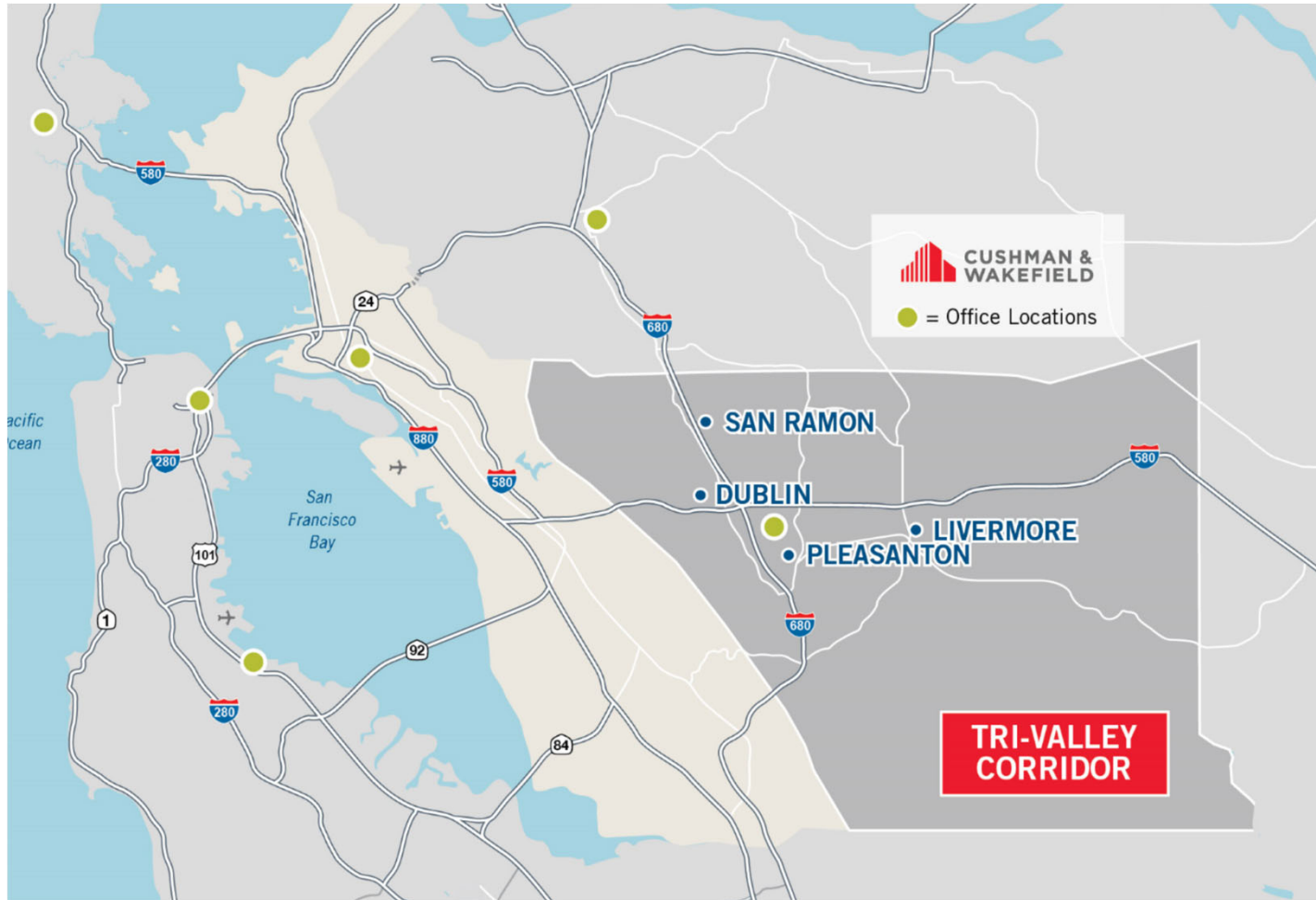
KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
4305 Hacienda Dr.	Pleasanton	ECI Three Hacienda LLC / Spieker Keech Hacienda LLC	122,300	\$22M/\$180
4301 Hacienda Dr.	Pleasanton	ECI Three Hacienda LLC / Spieker Keech Hacienda LLC	99,589	\$17.9M/\$180
4309 Hacienda Dr.	Pleasanton	ECI Three Hacienda LLC / Spieker Keech Hacienda LLC	99,588	\$17.9M/\$180

East Bay Pleasanton

Office R&D Q2 2021

OFFICE SUBMARKETS



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