

# East Bay Pleasanton

Office R&D Q4 2021

	YoY Chg	12-Mo. Forecast
<b>16.3%</b> Vacancy Rate	▲	▲
<b>-144K</b> Net Absorption, SF	▲	▲
<b>\$2.75</b> Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
<b>1.1M</b> East Bay Employment	▲	▲
<b>5.8%</b> East Bay Unemployment Rate	▼	▼
<b>4.2%</b> U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics  
2021Q4 data are based in the latest available data

## ECONOMY

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with 31,000 jobs (+2.9%) obtained year-over-year (YOY), bringing regional employment to just over 1.1 million. With this growth, the unemployment rate correspondingly dropped 210 basis points (bps) to 5.8%, above the national rate of 4.2%. 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 though there have been some recent setbacks due to the Omicron strain.

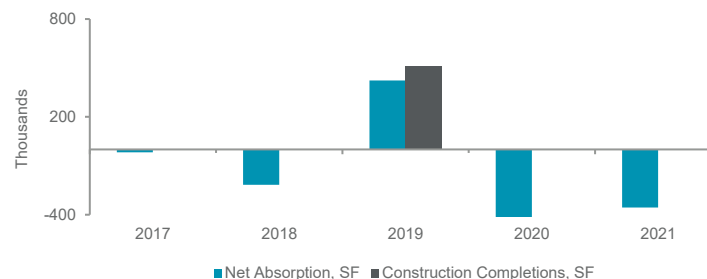
## DEMAND : Leasing Activity Shows Signs of Recovery

Overall combined office/R&D net absorption was in the red for the fourth quarter, totaling negative 143,891 square feet (sf), while being in the red by negative 356,757 sf over the past four quarters. Net absorption in the R&D market in the fourth quarter totaled negative 4,471 sf with most of the givebacks occurring in the Dublin & Pleasanton submarkets. Leasing, meanwhile, experienced a slight slowdown with 103,965 sf of activity in the fourth quarter. At this point, 61,359 sf of leased office and R&D space is expected to be occupied in the first quarter of 2022 with 300,242 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 into the black in the coming quarters.

## SUPPLY: Vacancy Remains Stagnant

East Bay Pleasanton office/R&D market vacancy closed the fourth quarter at 16.3%, an increase of 50 bps quarter-over-quarter (QOQ) while up 130 bps year-over-year (YOY). The rise in vacancy can be attributed to rather minimal activity taking place in Dublin and Pleasanton. The steep YOY increase has been driven by direct and sublease space that continues to hit the market, with 4,574,259 sf currently available, an increase of 8.5% in just the last 12 months. This abundance of space available is evidence that companies remain uncertain regarding their future space requirements in a post-pandemic world.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



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## PRICING: Slight Decline in Asking Rents

Asking rents in East Bay Pleasanton experienced a slight drop in the fourth quarter, closing at \$2.75 per square foot (psf) on a monthly full-service basis, down \$0.01 QOQ and down \$0.02 YOY. Livermore recorded the largest decrease in asking rents, closing at \$1.97 psf at the end of the fourth quarter, representing a 2.0% QOQ decrease. Pleasanton recorded the largest increase in asking rents, closing at \$2.90, representing an 0.4% QOQ increase. Despite minor fluctuations, average rents there remain near the former 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 a very strong fourth quarter, with three major transactions signed. SummerHill Homes purchased 672,452 sf for \$108 million or \$161 psf at 2400-2440 Camino Ramon in San Ramon. An undisclosed buyer purchased a 39,436-sf building at 5775 Las Positas Blvd for \$9.8 million or \$249 psf; and Mawi DNA also purchased a 17,625-sf building at 1252 Quarry Ln for \$6.0 million or \$340 psf.

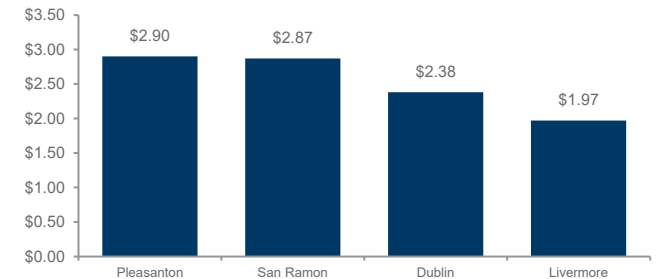
## Look Ahead

The East Bay Pleasanton market was overshadowed in the pre-pandemic world by the more convenient transit-oriented markets such as Oakland and Walnut Creek. With public transit somewhat less viable for commuters, at least in the near-term, suburban markets have the potential to become more strategic areas to occupy office space. Put another way, more companies are implementing remote work policies which may, in turn, entice tenants to have more accessible part-time offices for their employees.

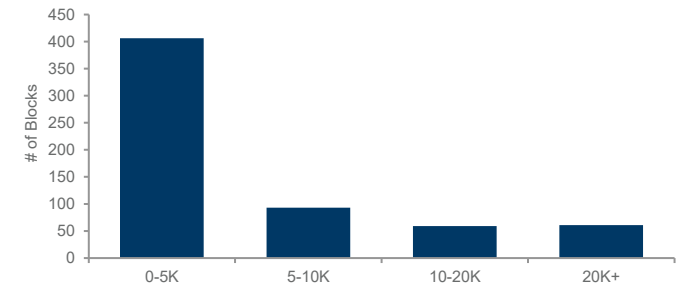
## Outlook

- 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 downtick in the third 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 the beginning of 2022.

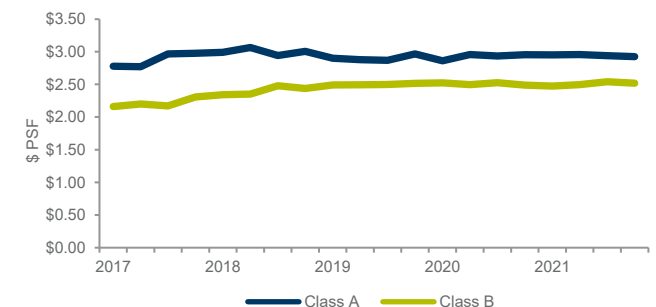
## SUBMARKET ASKING RENT



## AVAILABILITY BY SEGMENT SIZE



## AVERAGE ASKING RENT BY CLASS (FULL SERVICE)



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## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	OVERALL ABSORPTION (SF)	LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Dublin	3,265,412	255,307	150,987	12.4%	-79,610	-57,944	41,594	0	\$2.38	\$2.39
San Ramon	8,596,972	404,287	1,298,802	19.7%	-16,760	27,716	145,567	0	\$2.87	\$2.94
Pleasanton	12,068,290	519,290	1,506,586	16.8%	-39,405	-258,506	478,505	0	\$2.90	\$3.05
Livermore	4,194,280	94,457	445,000	10.6%	-8,116	-68,023	27,571	0	\$1.97	\$2.73
CLASS BREAKDOWN										
Class A	14,314,251	1,029,377	3,047,106	21.3%	-117,337	-150,974	-	0	\$2.92	-
Class B	5,158,783	161,964	686,013	16.4%	-15,422	-144,110	-	0	\$2.52	-
Office / Flex	7,182,195	82,000	551,100	8.8%	-4,471	-59,230	-	0	\$1.74	-
<b>TOTALS</b>	<b>28,124,954</b>	<b>1,273,341</b>	<b>3,300,918</b>	<b>16.3%</b>	<b>-143,891</b>	<b>-356,757</b>	<b>693,237</b>	<b>0</b>	<b>\$2.75</b>	<b>\$2.92</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTION Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5000 Franklin Dr.	Pleasanton	Thoratec LLC	29,936	Direct
6681-6683 Owens Dr.	Pleasanton	Undisclosed	20,906	Direct
7133 Koll Center Pkwy.	Pleasanton	Amador Bioscience	12,315	Direct
12647 Alcosta Blvd.	San Ramon	Undisclosed	9,943	Direct

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2021

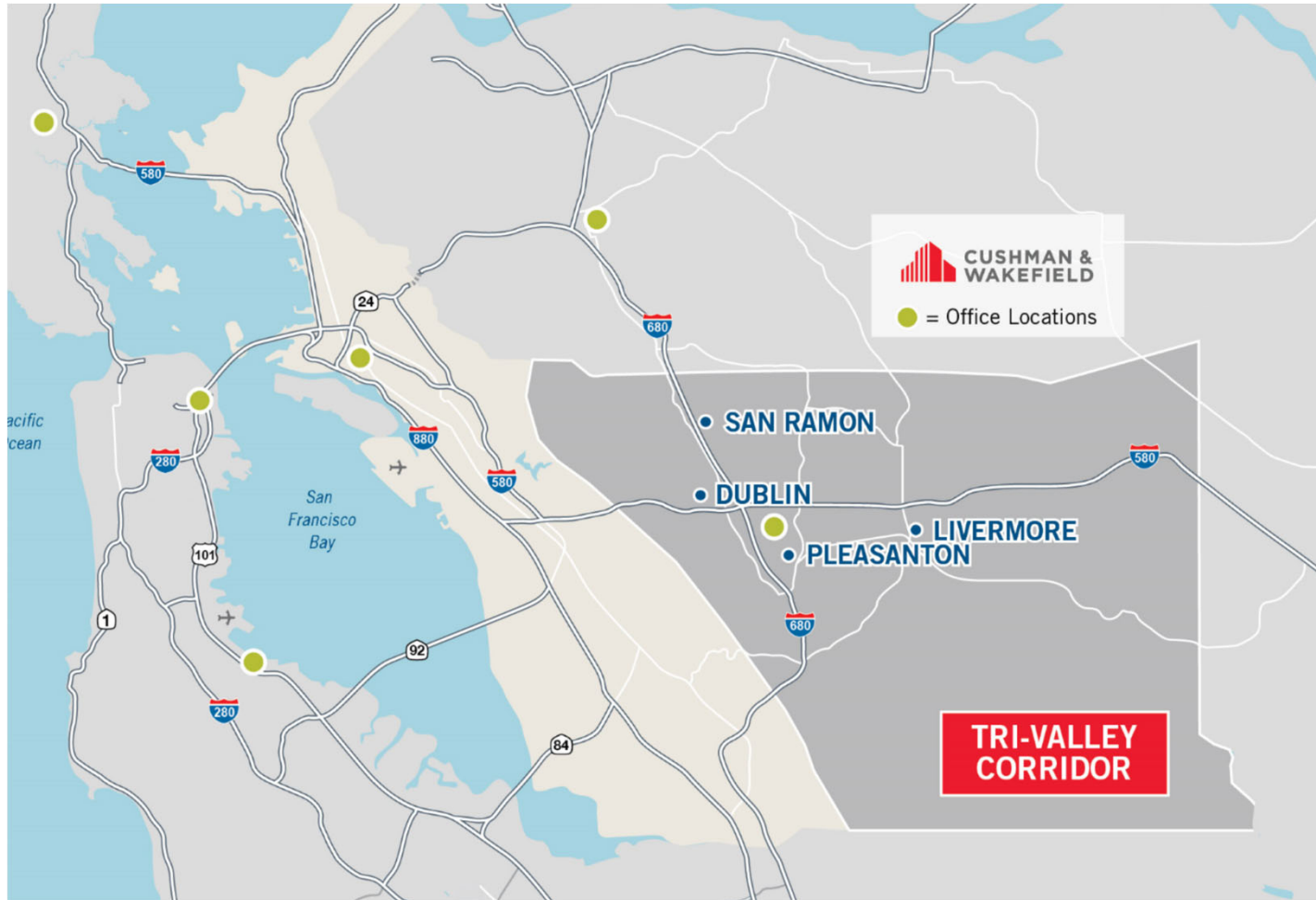
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2400-2440 Camino Ramon	San Ramon	Sunset Development / SummerHill Homes	672,452	\$108M/\$161
5775 Las Positas Blvd.	Pleasanton	Nemat & Maleksalehi Trust / Undisclosed	39,436	\$9.8M/\$274
1252 Quarry Ln.	Pleasanton	Full Spectrum Analytics / Mawi DNA	17,625	\$6M/\$340



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## OFFICE SUBMARKETS



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