

East Bay Pleasanton

Office R&D Q1 2022

	YoY Chg	12-Mo. Forecast
15.0% Vacancy Rate	▲	▲
77K Net Absorption, SF	▲	▲
\$2.77 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
1.2M East Bay Employment	▲	▲
4.6% East Bay Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2022Q1 data are based in the latest available data

ECONOMY

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with 55,100 jobs (+5.0%) obtained year-over-year (YOY), bringing regional employment to just under 1.2 million. With this growth, the unemployment rate correspondingly dropped 240 basis points (bps) to 4.6%, above the national rate of 3.6%. 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 first quarter of 2022 saw many companies returning back to the office and beginning to install the customs of previous work life. With the advent of reliable vaccines in early 2021, the road to full recovery has become clearer and California has lifted mandates which has allowed the economy and business environment to become more active and heal.

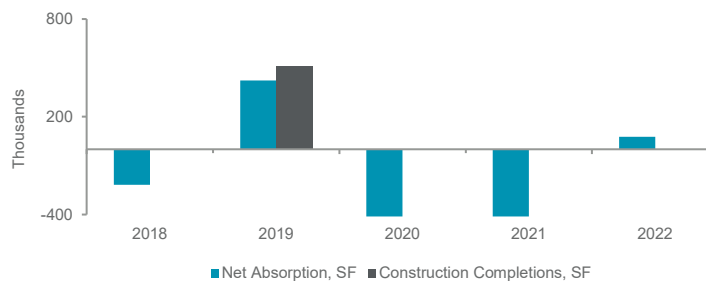
DEMAND : Leasing Activity Shows Signs of Recovery

Overall combined office/R&D net absorption was in the black for the first quarter, totaling 76,539 square feet (sf), while being in the red by negative 452,935 sf over the past four quarters. Net absorption in the R&D market in the first quarter totaled 86,790 sf with most of the activity occurring in the Livermore & Pleasanton submarkets, while office market experienced negative 10,251 of net absorption. Leasing, meanwhile, experienced a slight slowdown with 195,206 sf of activity in the first quarter. At this point, 127,151 sf of leased office and R&D space is expected to be occupied in the second quarter of 2022 with 240,330 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.

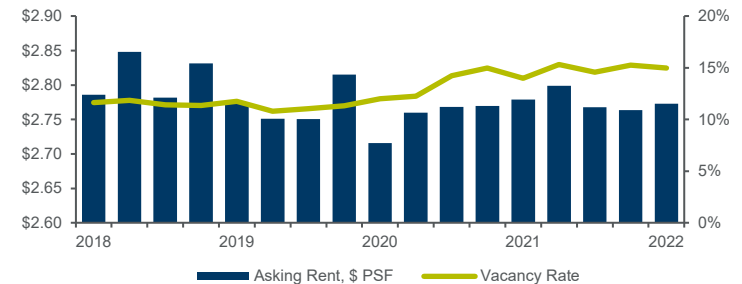
SUPPLY: Vacancy Remains Stagnant

East Bay Pleasanton office/R&D market vacancy closed the first quarter at 15.0%, a decrease of 30 bps quarter-over-quarter (QOQ) while up 100 bps year-over-year (YOY). The rise in vacancy can be attributed to rather minimal activity taking place in Dublin and Pleasanton. The YOY increase has been driven by direct and sublease space that continues to hit the market, with 4,135,034 sf currently available, an increase of 7.1% 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



East Bay Pleasanton

Office R&D Q1 2022



PRICING: Slight Decline in Asking Rents

Asking rents in East Bay Pleasanton experienced a slight uptick in the first quarter, closing at \$2.77 per square foot (psf) on a monthly full-service basis, up \$0.01 QOQ and down \$0.01 YOY. San Ramon recorded the only rent growth in the market, closing at \$2.93 psf at the end of the first quarter, representing a 0.7% QOQ increase. Livermore recorded the largest decrease in asking rents, closing at \$1.93, representing a 1.5% QOQ decrease. 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 first quarter, with three major transactions signed. Tarlton Properties purchased four properties totaling 291,591-sf for \$78 million or \$267 psf at 4125-4385 Hopyard Rd in Pleasanton. 240 Ryan Way Associates purchased a 41,27- sf building at 7180 Koll Center Pkwy for \$13.4 million or \$324 psf; and Rollins Road LLC also purchased a 41,700-sf building at 5934 Gibraltar Dr for \$11.5 million or \$276 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.

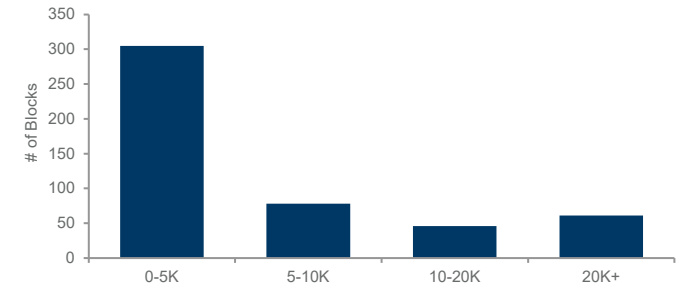
Outlook

- 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 first 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.

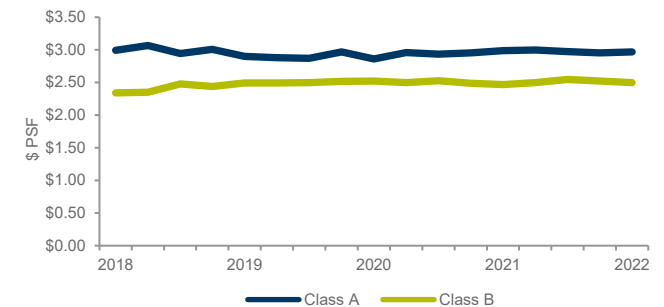
SUBMARKET ASKING RENT



AVAILABILITY BY SEGMENT SIZE



AVERAGE ASKING RENT BY CLASS (FULL SERVICE)



East Bay Pleasanton

Office R&D Q1 2022

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	229,954	111,238	10.4%	17,048	17,048	31,284	0	\$2.26	\$2.28
San Ramon	8,061,569	434,019	1,049,726	18.4%	-16,983	-16,983	20,963	0	\$2.93	\$3.02
Pleasanton	12,068,290	518,024	1,389,486	15.8%	52,239	52,239	121,615	0	\$2.91	\$3.05
Livermore	4,194,280	94,457	308,130	9.6%	24,235	24,235	21,344	0	\$1.93	\$2.73
CLASS BREAKDOWN										
Class A	13,778,848	1,020,014	1,757,462	20.2%	-22,539	-22,539	-	0	\$3.04	-
Class B	5,158,783	171,171	614,738	15.2%	15,960	15,960	-	0	\$2.50	-
Office / Flex	7,185,910	85,269	439,389	7.3%	86,790	86,790	-	0	\$1.71	-
TOTALS	27,589,551	1,276,454	2,858,580	15.0%	76,539	76,539	195,206	0	\$2.77	\$2.96

*Rental rates reflect full service asking

KEY LEASE TRANSACTION Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5775 Las Positas Blvd	Pleasanton	AAT Bioquest	39,436	Direct
4464 Willow Rd	Pleasanton	Pacific Office Automation	25,000	Direct
5875 Arnold Rd	Dublin	PG&E	23,192	Direct
455 Canyons Pkwy N	Livermore	Stanford	21,344	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
4125-4385 Hopyard Rd	Pleasanton	Britania Property Owner / Tarlton Properties	291,591	\$78M/\$267
7180 Koll Center Pkwy.	Pleasanton	United Pacific / Ryan Way Associates	41,271	\$13.4M/\$324
5934 Gibraltar Dr.	Pleasanton	Ridge Capital Investors / Rollins Rd LLC	17,625	\$6M/\$340

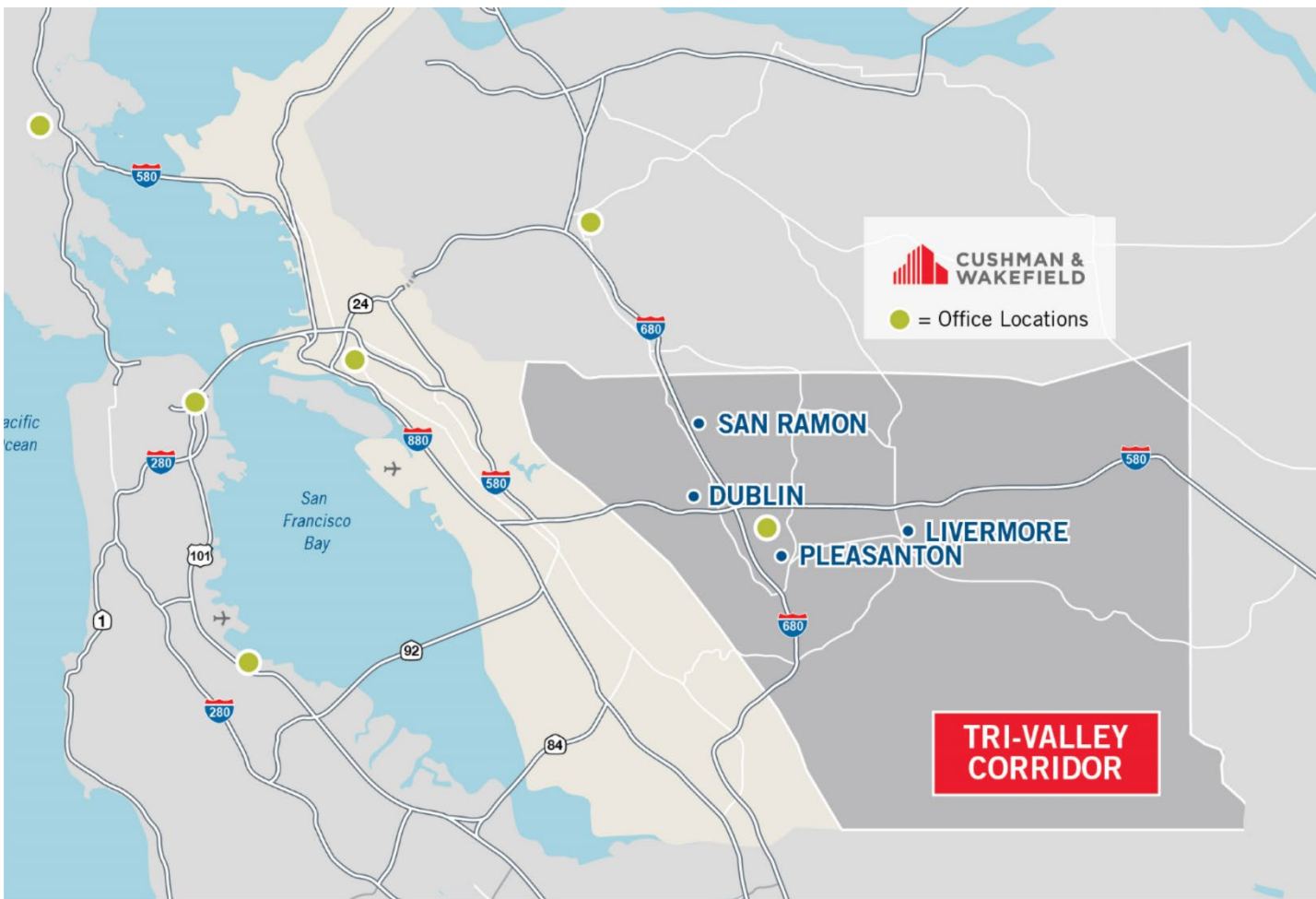
East Bay Pleasanton

Office R&D Q1 2022



CUSHMAN & WAKEFIELD

OFFICE SUBMARKETS



Brandon Bissada

Research Analyst

Tel: +1 510 891 5807

Brandon.Bissada@cushwake.com

Wescott Owen

Research Manager

Tel: +1 415 451 2418

Wescott.Owen@cushwake.com

CUSHMAN & WAKEFIELD

1333 N California Blvd

Suite 500

Walnut Creek, CA 94596

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com