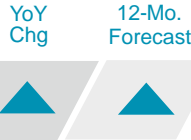


East Bay Pleasanton



Office R&D Q4 2022

17.8%
Vacancy Rate



-366K
Net Absorption, SF



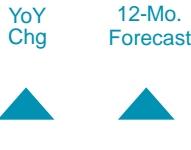
\$2.79
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

1.2M
East Bay Employment



3.1%
East Bay Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2022Q4 data are based in the latest available data

Economy:

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with 37,100 jobs added year-over-year (YOY), bringing regional employment to 1.18 million. This translated to an unemployment rate of 3.1%, a decline of 190 basis points (bps) from the same period in 2021. While COVID-19 mandates have eased throughout 2022, a consistent return to the office has been slower than anticipated, with work from home proving stickier than many employers expected. As a result, users continued to reevaluate their space needs, often downsizing, with some even shifting to fully remote workforces. COVID-19 aside, inflationary pressure and macroeconomic uncertainties have presented new challenges for many industries, which have extended cautious decision-making.

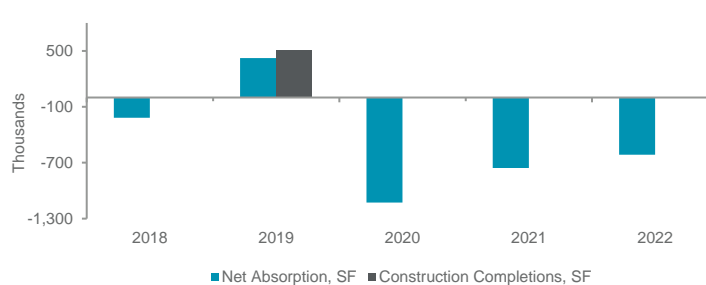
Supply: Vacancy Continues to Rise

Vacancy in the East Bay Pleasanton market, known as the Tri-Valley, closed the fourth quarter at 17.8%, a 140-bps increase from the prior quarter, the result of 366,187 square feet (sf) of negative net absorption. Accounting for a significant portion of new vacancy this quarter was the 185,700-sf, full building availability at 5805 Owens Drive in Pleasanton. Owned by Oracle as part of a larger corporate campus, the entire building is being offered direct. While listed on a direct basis, this vacancy is in line with a recent rise in sublease space as occupiers continued to grapple with their need for office space. Sublease availabilities are up 26.0% YOY. Over the course of 2022, Class A product in the Tri-Valley has recorded the largest increase in vacancy, hitting 27.4% in the fourth quarter and up 630 bps on the year. Large block suburban office space, a significant portion of the Tri-Valley's inventory, has struggled to attract employees back into the office through much of the pandemic. By comparison, vacancy was a scant 6.1% for the R&D product type, down 230 bps YOY. Across the Bay Area, R&D/flex space has outperformed office space, with many R&D using industries unable to transfer to a work from home model. This has given tenants in these industries more clarity and confidence in leasing space than traditional office users.

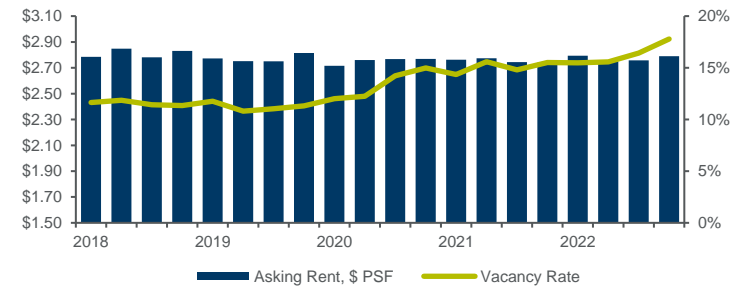
Demand: Large Users Carry 2022

Leasing activity cooled slightly in the fourth quarter, with the market recording 213,000 sf of activity. After two consecutive quarters of above average activity, leasing levels have fallen back to rates seen throughout the first two years of the pandemic. However, large tenant demand in the second and third quarters was enough to push total activity for 2022 to 1.66 million square feet (msf), the highest level since 2018 and approximately double the total recorded in 2021.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



East Bay Pleasanton

Office R&D Q4 2022



The largest lease this quarter was signed by the Pac-12 for 42,000 sf at 12647 Alcosta in San Ramon, part of the Bishop Ranch development. Also of note was Tailored Brands' sublease of 5601 Arnold Road in Dublin, a 31,796-sf lease. This year saw exciting momentum in the market, recording more large tenant activity than neighboring Oakland and Walnut Creek. Tenants including Chevron, Snowflake, Vagaro, and Unchained Labs all signed leases for over 100,000 sf in 2022. Companies appeared to be expanding closer to where their employees live, with the Tri-Valley inventory benefiting from the combination of both public transport and significant onsite parking. Despite a strong year of activity, vacancy still rose significantly throughout the year and is anticipated to continue rising into 2023.

Pricing: Asking Rents Hold

Asking rents in East Bay Pleasanton closed the fourth quarter at \$2.79 per square foot (psf) on a monthly full-service basis, up slightly from the prior quarter. Class A properties continued to command a significant premium, with an overall asking rate of \$3.00 psf, 32% higher than Class B and 78% more than R&D/flex product. Despite the rise in vacancy, rates across the Tri-Valley have held firm throughout the pandemic as they already offer a relative discount to the neighboring Oakland and Walnut Creek markets. However, the region has seen an increase in concessions as landlords use free rent and tenant improvements to compete in a market where tenants' options continue to grow.

Other News:

Rising interest rates and low occupancy levels have weighed heavily on investment activity across the country and the Tri-Valley was no exception. After several notable transactions earlier in the year, activity slowed dramatically in the fourth quarter. The largest sale of the quarter was 5775 W. Las Positas Boulevard in Pleasanton, a 39,436-sf R&D building that sold for \$21 million. Many investors are expected to remain pencils down until capital markets and the office market itself stabilize. The only new office/R&D under construction in the region is the first phase of 10X Genomics' build-to-suit campus in Pleasanton, approximately 150,000 sf.

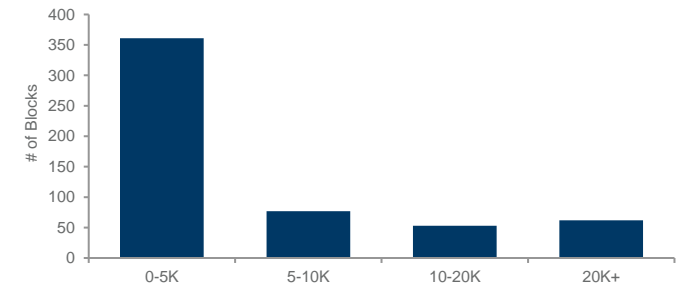
Outlook

- Rents are expected to hold relatively stable, while the market waits for full demand to return.
- Vacancy is expected to increase in the long term as office users continue to evaluate their need for space. However, strong activity earlier in the year could slow this rise.
- Overall, office leasing activity is expected to hold below pandemic levels for the near future, despite the recent bump in activity from several large tenants.

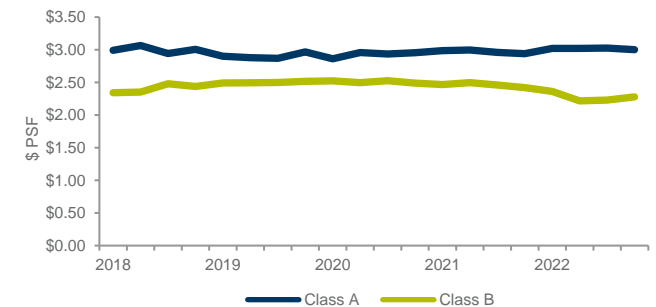
SUBMARKET ASKING RENT



AVAILABILITY BY SEGMENT SIZE



AVERAGE ASKING RENT BY CLASS (FULL SERVICE)



East Bay Pleasanton

Office R&D Q4 2022

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	3,238,923	157,095	323,739	14.8%	-80,958	-118,505	247,825	0	\$2.78	\$3.12
San Ramon	8,061,569	669,459	1,181,113	23.0%	12,799	-383,119	546,918	0	\$2.88	\$2.96
Pleasanton	11,416,873	529,258	1,504,462	17.8%	-281,521	-129,589	755,250	150,000	\$2.91	\$3.03
Livermore	4,167,336	90,083	329,709	10.1%	-16,507	25,264	110,843	0	\$1.81	\$2.50
CLASS BREAKDOWN										
Class A	13,281,915	1,176,281	2,467,598	27.4%	-370,633	-847,206	-	0	\$3.00	-
Class B	4,971,168	164,384	474,743	12.9%	20,650	88,237	-	0	\$2.28	-
Office / Flex	7,162,296	101,735	338,719	6.1%	-6,221	158,070	-	150,000	\$1.69	-
TOTALS	26,884,701	1,445,895	3,339,023	17.8%	-366,187	-614,949	1,660,836	150,000	\$2.79	\$3.00

*Rental rates reflect full service asking

KEY LEASE TRANSACTION Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
12647 Alcosta Blvd. – BR 15	San Ramon	Pac-12	42,090	Direct
5601 Arnold Rd.	Dublin	Tailored Brands	31,796	Sublease
4511 Willow Rd.	Pleasanton	Pulte Homes	25,560	Renewal
5860 W. Las Positas Blvd.	Pleasanton	Convergint	25,061	Expansion

KEY SALES TRANSACTIONS Q4 2022

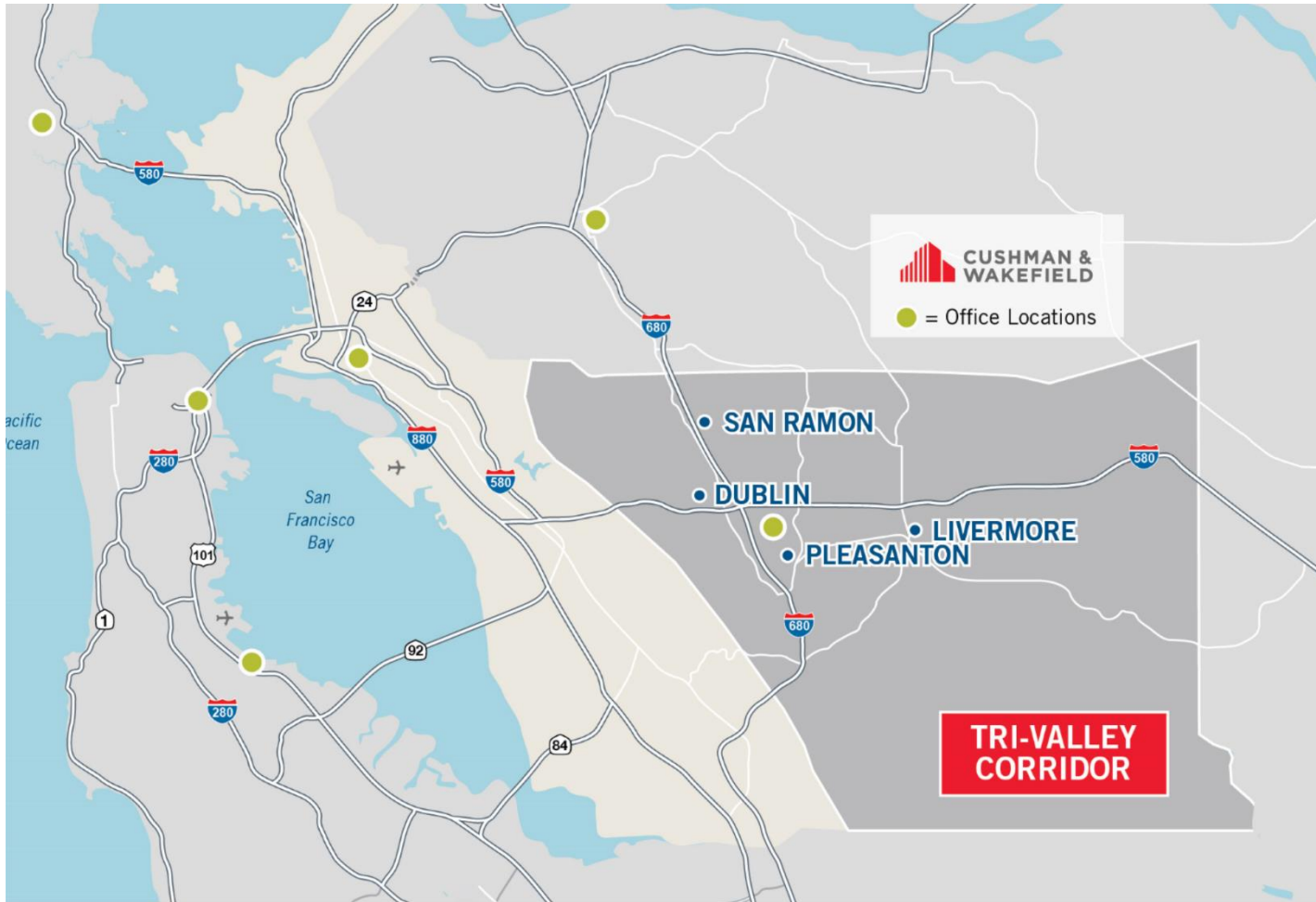
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
5775 W. Las Positas Blvd.	Pleasanton	Briggs Development Corp. / Eleanor Sade	39,436	\$21.0M / \$533
3589 Nevada St.	Pleasanton	Lam Family Trust / Apostle, Inc.	16,311	\$4.8M / \$297
5510 Sunol Blvd.	Pleasanton	Fairfield 1998 Admin. Trust / Paul Marin	5,720	\$1.5M / \$262

East Bay Pleasanton

Office R&D Q4 2022



OFFICE SUBMARKETS



Wescott Owen

Research Manager

Tel: +1 415 451 2418

Wescott.Owen@cushwake.com

Jordan Howell

Research Analyst

Tel: +1 510 264 7962

Jordan.Howell@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.

©2023 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.