

# MARKETBEAT EAST BAY PLEASANTON

## OFFICE R&D Q3 2024



### MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
<b>21.0%</b> Vacancy Rate	▲	▲
<b>85K</b> Net Absorption, SF	▲	▼
<b>\$2.88</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▼

### ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
<b>1.2M</b> East Bay Employment	▲	▲
<b>4.7%</b> East Bay Unemployment Rate	▲	▼
<b>4.1%</b> Country Unemployment Rate <i>Source: BLS</i>	▲	▼

### ECONOMY: UNSTEADY

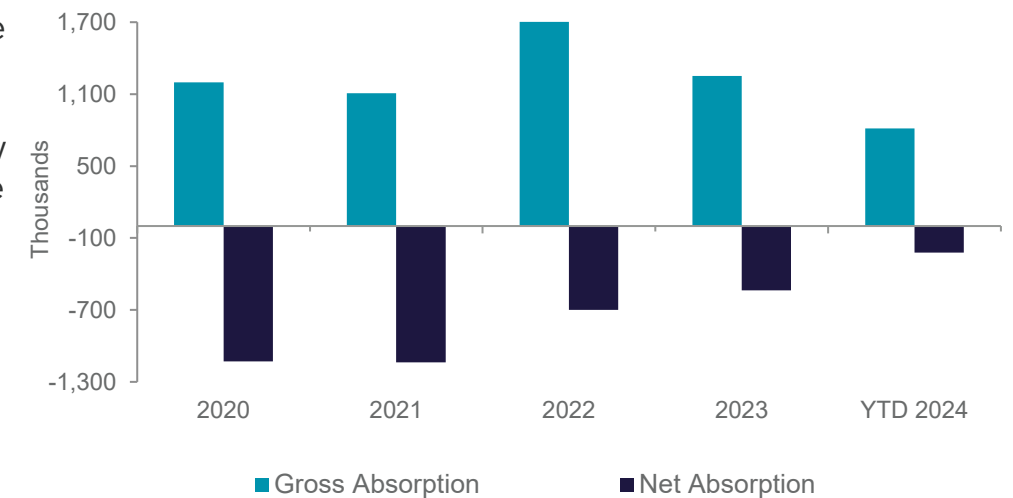
The East Bay, consisting of Alameda and Contra Costa counties, closed the third quarter with regional employment totaling 1.20 million, an increase of 13,100 jobs year-over-year (YOY). Despite this growth in positions, the unemployment rate crept up 40 basis points (bps) over the same period to 4.7%. For over a year, the Bay Area has experienced widespread layoffs within the technology sector, an industry that had previously been a driving force behind occupancy growth in the region. While Covid-19 concerns have largely faded for many employers, new social and macroeconomic uncertainties, coupled with remote work trends, have weighed heavily on industries beyond tech, stifling growth and the demand for office space. The East Bay Pleasanton office market has recorded steadily rising vacancy over the pandemic but has also outpaced its neighboring East Bay markets in attracting large new leases, a fact that has tempered occupancy decline in recent quarters.

### SUPPLY: DIVIDED BY PRODUCT TYPE

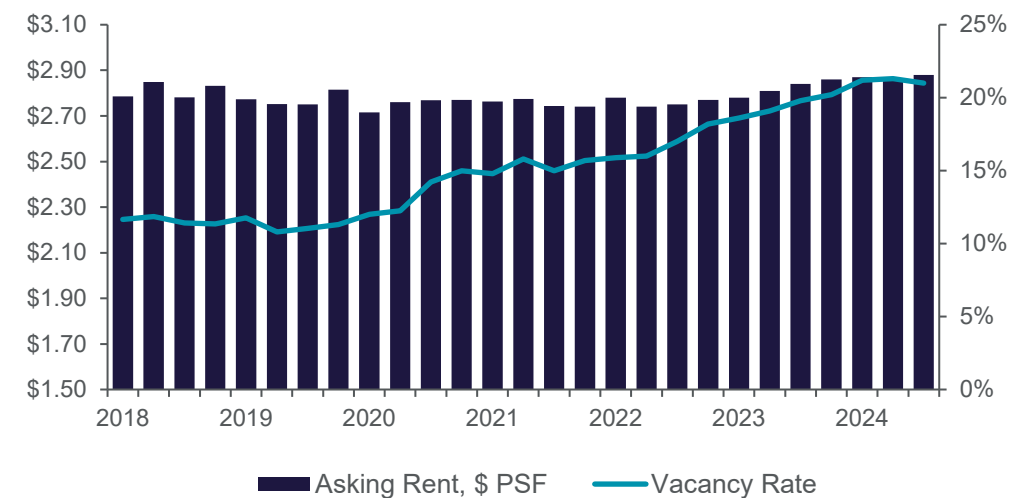
Vacancy in the Tri-Valley, consisting of Dublin, San Ramon, Pleasanton, and Livermore, closed the third quarter at 21.0%, a decline of 30 bps from the prior quarter and the result of 84,848 square feet (sf) of positive net absorption. This is the first quarter of positive net absorption since the third quarter of 2021, marking a significant momentum shift for a market that recorded more than 100,000 sf of negative absorption in seven of the prior nine quarters. Sublease space continued to weigh on the market accounting for over 22.0% of the 5.7 million sf of vacancy. Driving positive absorption this quarter was a significant drop in flex/R&D vacancy, a product type that has outperformed traditional office throughout the pandemic. In Livermore, the full building, 124,000-sf flex vacancy at 101 Portola Avenue was withdrawn from the market this quarter. The property had been purchased by semiconductor manufacturer Lam Research in September of last year and offered for lease from that time of purchase until this quarter. No plans have been announced but it is possible Lam plans on re-occupying the property.

Net absorption for pure office product remained slightly in the red, recording negative 18,893 sf and closing this quarter with a vacancy rate of 25.1%. Large-block, second and third generation, 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. Employers nationwide have increasingly looked to trophy level or well amenitized buildings to drive in-office attendance.

### SPACE DEMAND / DELIVERIES



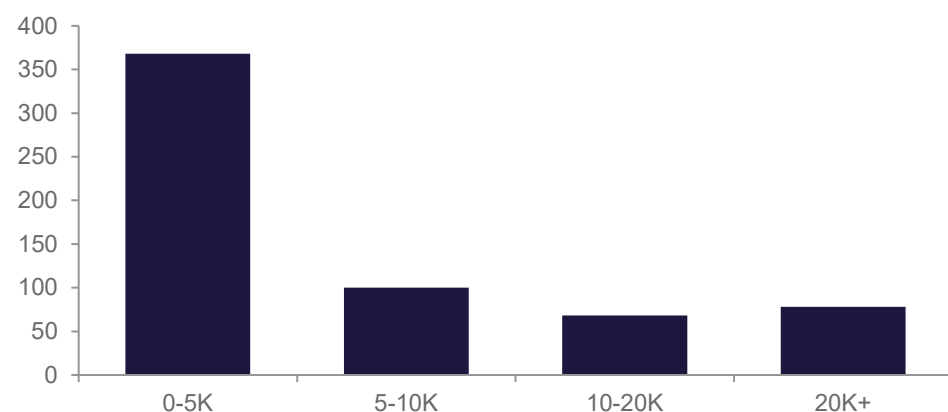
### OVERALL VACANCY & ASKING RENT



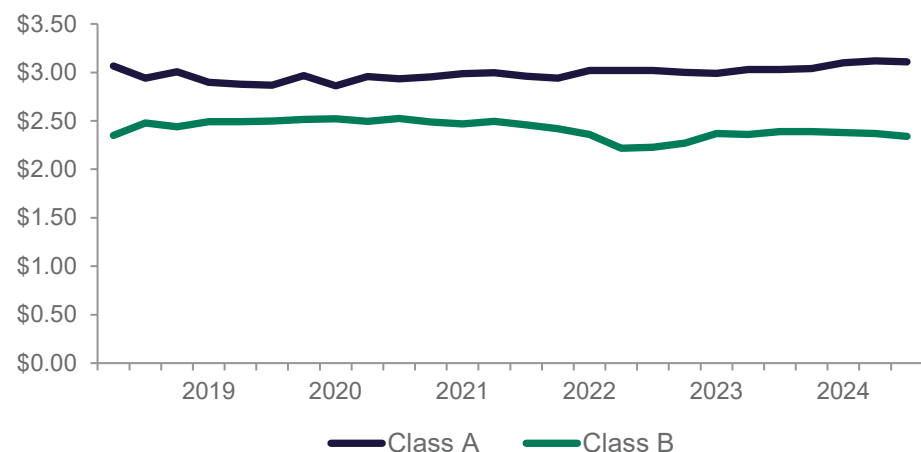
**AVERAGE ASKING RATE BY SUBMARKET(FULL SERVICE)**



**AVAILABILITIES BY SIZE SEGMENT**



**AVERAGE ASKING RATE BY CLASS (FULL SERVICE)**



However, over the past two years, an emphasis on bringing the workplace closer to employees has put the Tri-Valley back in the spotlight for many employers. They see the region as an opportunity to cut costs compared to major metros like San Francisco, while also cutting employee commute times. While this interest has not been enough to stem the rise in vacancy, it has led to some of the largest new leases in the greater East Bay and raises the question of if we are approaching the bottom of the current cycle.

**DEMAND: DOWN BUT NOT OUT**

Quarter three of 2024 recorded 196,611 sf of leasing activity, down significantly both quarter-over-quarter (QOQ) and year-over-year (YOY). There were however some exciting takeaways from leasing during the quarter. There were three new leases signed over 20,000 sf, including a 23,000-sf lease by Sutter Health that took their total new leasing in the Tri-Valley to nearly 90,000 sf this year. The largest lease of the quarter was signed by Cloud Software Group for 24,877 sf at 2623 Camino Ramon in San Ramon, part of the Bishop Ranch development. Also of note, Sunbelt Controls signed for 22,437 sf in Pleasanton. It will take another few quarters of sustained new leasing activity to fully turn the trajectory back towards historic levels of vacancy.

**PRICING: RESILIENT**

The overall asking rental rate for East Bay Pleasanton closed the third quarter at \$2.88 per square foot (psf) on a monthly full-service basis, up \$0.02 psf QOQ and \$0.03 psf YOY. Class B properties continued to be priced at a significant discount when compared to class A, coming in at \$2.34 psf and \$3.11 psf respectively, a spread of \$0.77 psf. Despite elevated supply, the Tri-Valley has been resilient in its asking rates as it already offers a relative discount to neighboring Walnut Creek and Oakland markets. Additionally, landlords have been able to protect base rates by offering increased concession packages, giving tenants more free rent. This has led to a rising delta between asking rates and the effective rate a tenant actually pays over the course of their lease.

**OTHER NEWS: SALES UP IN 2024**

Constrained access to capital and a challenging office landscape have weighed heavily on investor demand for office properties across the country, with sales volumes and pricing well below pre-pandemic levels. However, the Tri-Valley market has managed to draw investment despite these headwinds. The largest transaction year-to-date was Nome Capital Partners' four property portfolio purchase of 6200-6230 Stoneridge Mall Rd in Pleasanton. UBS Asset Management sold the properties, totaling 595,608 sf, for \$151.8 million or \$255 psf. This sale also marked the largest office transaction in the greater East Bay in nearly two years. The largest transaction of the third quarter was 4600-4650 Norris Canyon Road, a 96,535-sf flex property that sold to Orion Office REIT Inc. for \$34.6 million. The property was highly improved and fully leased at the time of sale. Other recent transactions have highlighted interest from residential developers who see obsolete office properties as an opportunity for redevelopment. If this trend continues to gain momentum, the Tri-Valley may begin to see vacant office buildings torn down or converted to make room for housing, a change that will help combat vacancy.

**OUTLOOK**

- Rents are likely to decrease slightly, but not to the extent of neighboring markets. This is due primarily to already discounted rents and landlords' abilities to offer concessions.
- Despite positive absorption this quarter, vacancy is expected to increase into 2025 amidst muted demand.
- R&D product will continue placing downward pressure on overall market vacancy; however, it could see its own climb in vacancy amidst broader commercial real estate weakness.

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	3,097,867	197,741	285,742	15.6%	-25,753	-83,387	79,243	0	\$2.58	\$3.08
San Ramon	8,103,783	455,539	1881,869	28.8%	-67,221	-75,327	157,848	0	\$3.09	\$3.17
Pleasanton	11,622,799	459,716	1,870,175	20.0%	45,365	20,953	494,848	0	\$2.95	\$3.07
Livermore	4,168,284	140,237	386,211	12.6%	132,457	-83,327	80,676	0	\$1.93	\$2.42
CLASS BREAKDOWN										
Class A	13,348,964	803,137	3,331,996	31.0%	-48,954	-15,880	-	0	\$3.11	-
Class B	5,088,094	185,421	611,675	15.7%	28,850	-62,420	-	0	\$2.34	-
Office / Flex	7,103,566	260,571	429,979	9.7%	103,741	-143,889	-	0	\$1.73	-
<b>TOTALS</b>	<b>26,992,733</b>	<b>1,253,233</b>	<b>4,423,997</b>	<b>21.0%</b>	<b>84,848</b>	<b>-220,989</b>	<b>812,615</b>	<b>0</b>	<b>\$2.88</b>	<b>\$3.11</b>

\*Rental rates reflect full service asking

\*\*Stats are not reflective of U.S. Overview Tables

KEY LEASE TRANSACTIONS Q3 2024

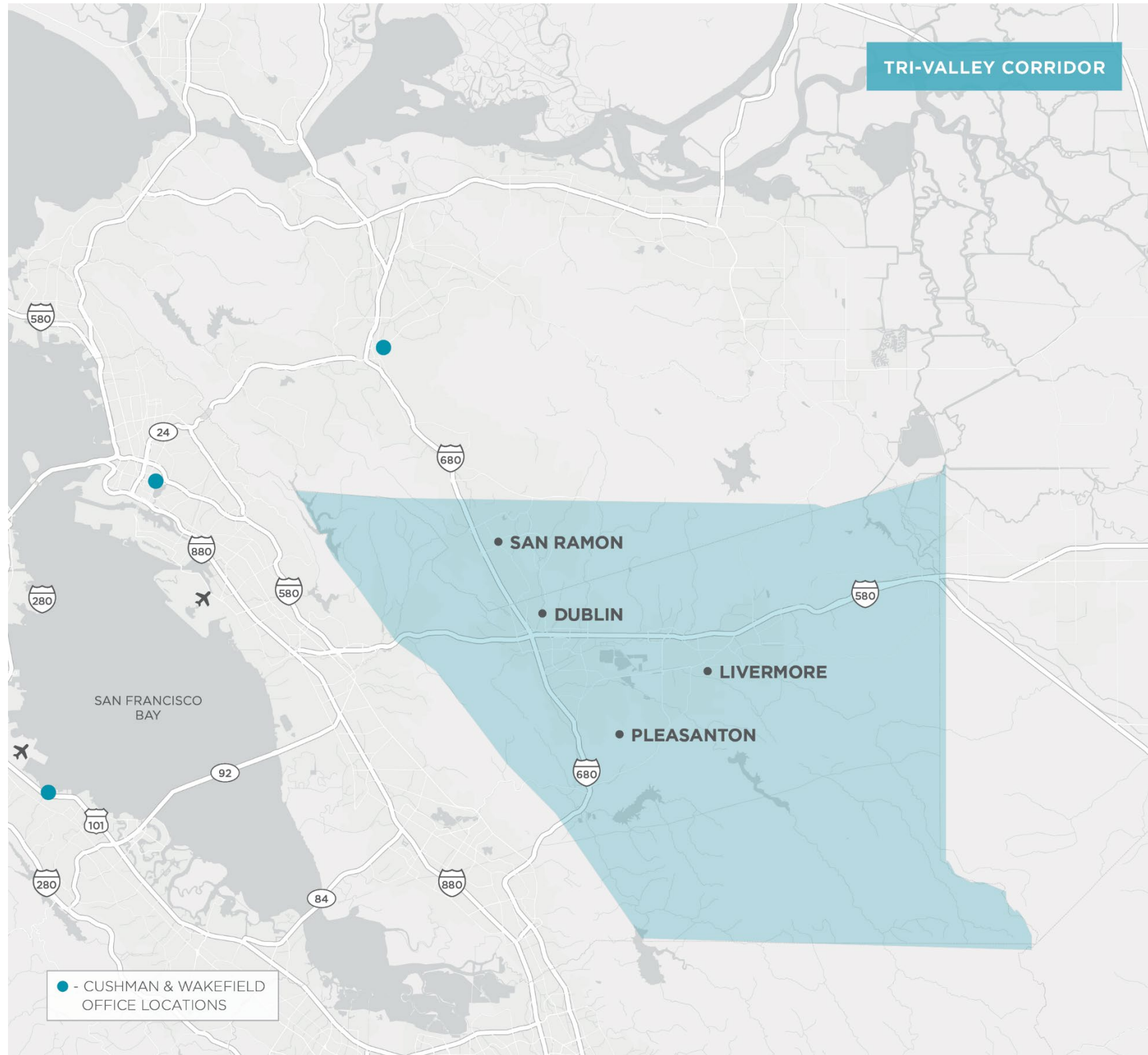
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2623 Camino Ramon	San Ramon	Cloud Software Group	24,877	Direct
5075 Hopyard Rd	Pleasanton	Sutter Health	23,000	Direct
5700 Stoneridge Dr	Pleasanton	Sunbelt Controls	22,437	Direct
4160 Dublin Blvd	Dublin	SavvyMoney	18,740	Direct
4430 Rosewood Blvd	Pleasanton	Calyxo	17,428	Direct

KEY SALES TRANSACTIONS YTD 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6200-6230 Stoneridge Mall Rd (Portfolio)	Pleasanton	UBS Asset Management / Nome Capital Partners	595,608	\$151.8M / \$256
4900-5060 Johnson Dr - Pleasanton Corporate Center (Portfolio)	Pleasanton	Stockbridge Capital Group, LLC / PSAI Realty Partners	341,392	\$73.5M / \$215
3401 Crow Canyon Rd & 12943-12959 Alcosta Blvd - Sunset Business Park (Portfolio)	San Ramon	Nearon / Quarterra Multifamily Living, LLC	210,056	\$40.5M / \$193
4600-4650 Norris Canyon Rd.	San Ramon	Global Securitization Services / Orion Office REIT Inc.	96,535	\$34.6M / \$358



OFFICE SUBMARKETS



**WESCOTT OWEN**  
Research Manager  
Tel: +1 415 451 2418  
[Wescott.Owen@cushwake.com](mailto:Wescott.Owen@cushwake.com)

**ALEXANDER BRANDT**  
Research Analyst  
Tel: +1 510 267 6096  
[Alexander.Brandt@cushwake.com](mailto:Alexander.Brandt@cushwake.com)

**CUSHMAN & WAKEFIELD**  
555 12<sup>th</sup> St  
Suite 100  
Oakland, CA 94607

**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com).

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.