

Colliers

Pleasanton

Office 22Q1

Continued challenges from the pandemic are evident, as the office market struggles to recover. Overall vacancy remains flat, reporting 14.9 percent by the end of the first quarter; however, **asking rates have not waivered**, registering a 1.8 percent increase in twelve months to $2.79 per square foot.



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Key Takeaways

- Overall vacancy increased 140 basis points year-to-year to 14.9%
- Total sales square footage increased 168% since this period last year
- The office market experienced a net occupancy loss of 160,000 square feet
- Class A vacancy increased 160 basis points to 17.3% from this time last year

Vacancy Rate 14.9% — YOY ▲ FORECAST ▼

Net Absorption -160K SF — YOY ▼ FORECAST ▲

Under Construction 381K SF — YOY ▲ FORECAST —

Overall Class A Asking Lease Rates (FS) $3.13/SF — YOY ▲ FORECAST ▲

Despite a Flat Quarter Asking Rates Increased

Class A asking rates increased 1.3 percent to $3.13 per square foot in the same period. A handful of vacancies in the first quarter resulted in a net occupancy loss of 160,000 square feet across all classes in the Tri-Valley. Though activity levels softened, investors, taking advantage of low-interest rates, purchased properties increasing the total square footage sold by 168 percent year-to-year.

Market Indicators

3.80% Unemployment Rate U.S.

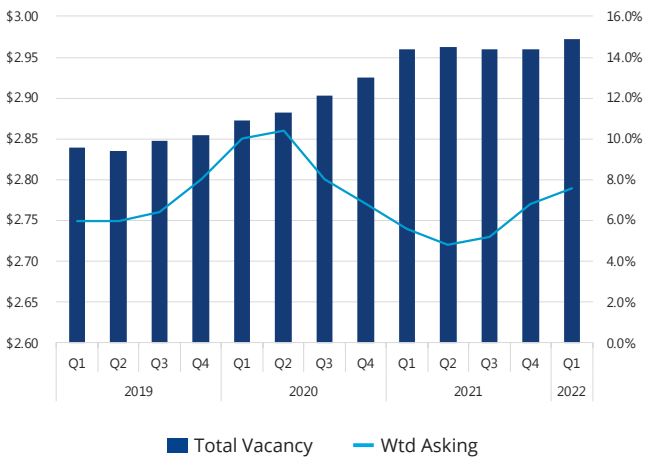
5.43% GDP Quarterly % change yr/yr

2.398% U.S. 10 Year Treasury Note

Historic Comparison

	21Q1	21Q4	22Q1
Total Inventory (in Thousands of SF)	27,776.8	27,241.7	27,256.0
New Supply (in Thousands of SF)	208.7	0.0	0.0
Net Absorption (in Thousands of SF)	(193.4)	4,587.0	(160.0)
Overall Vacancy	14.4%	14.4%	14.9%
Under Construction (in Thousands of SF)	0.0	381.0	381.0
Overall Asking Lease Rates (NNN)	$2.74	$2.77	$2.79

Market Graph



Source: Colliers

As vacancy levels remain relatively flat at 14.9%, asking rates inched upward, increasing a nickle to $2.79, year-to-year.

Recent Transactions

Lease
7020 Koll Center Pkwy
Pleasanton | 9k SF

Lease
6678 Owens Dr
Pleasanton | 8k SF

Lease
6761 Sierra Ct
Dublin | 7k SF



Sale
4125-4385 Hopyard Rd
Pleasanton | 292k SF



Sale
365 N Canyons Pkwy
Livermore | 49k SF



Sale
5934 Gibraltar Dr
Pleasanton | 42k

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Tri-Valley Office Markets

Dublin

Vacancy in the Dublin office market remains flat at 13.9 percent, an improvement of 50 basis points from Q1 2021. Asking rates, an average weighted rate on a full-service basis, increased $0.04 to $2.22 per square foot since the previous quarter; a decrease of $0.12 since this time last year. Class A office reported positive net gains of 13,338 square feet: reducing the vacancy by 80 basis points to 14.3 percent. This is a result of AEye removing their 48,000-square-foot sublease at 1 Park Place from the market and taking occupancy. The asking rate for Class A office is $3.36 per square foot.



1 Park Place, Dublin
AEye

Livermore

Livermore's vacancy increased 70 basis points to 15.9 percent in the first quarter since Q4 2021. The University of Phoenix's Class B 14,000-square-foot office space on Constitution Drive was the primary factor for the increase. The Livermore office market reported an overall occupancy loss of 18,812 square feet for the quarter. The marketwide weighted average asking rate increased 1.2 percent to $1.75 per square foot and Class B increased 2.6 percent to $1.95 per square foot from Q4 2021.

A noteworthy transaction in the first quarter was the 50,377-square-foot sale at 365 North Canyons Parkway. Franmar Company, a joint venture with Caliente Cowboss LLC out of Bakersfield, purchased the two-story Class B office building. The buyer was in a trade, looking to invest in a life science build-out opportunity. The property is approximately 50.0 percent occupied with the remaining square feet currently on the market for lease.



365 North Canyons Parkway, Livermore
Franmar Company

Pleasanton

The Pleasanton office market remained flat over the past five quarters, reporting an overall vacancy of 13.8 percent. Asking rates hold firm at $2.90 per square foot, full service across all classes. Spaces above 10,000 square feet added to the vacancy, accounting for an occupancy net loss of nearly 42,000 square feet in the first quarter. However, this is an improvement of 54.0 percent from the net loss of 94,784 square feet in the first quarter of 2021.

Class A vacancy increased 50 basis points to 17.1 percent from 16.6 percent in the previous quarter. Companies waiting to see how the new variant plays out, cautiously make plans for employees to return to the office full-time or with a flexible schedule, from mid-spring to early summer. In the coming months, an increase in demand for high-end office space with upscale amenities is expected, consequently, property owners with Class A properties hold firm on asking rates. In the last three months, asking rates increased 2.0 percent to $3.06 per square foot. Although Class A reported an occupancy loss of 36,833 square feet in the first quarter, this is an improvement of 49.0 percent from a year ago.

Class B office vacancy increased 60 basis points to 15.0 percent, currently, from 14.4 percent in the previous quarter. Asking rates were flat at $2.59 per square foot. Vacancies in the first quarter resulted in a net occupancy loss of 15,822 square feet.

Tekion Corporation expanded by 6,000 square feet at Saratoga Center, now occupying approximately 18,000 square feet in the 42,000 square foot property.



Saratoga Center, Pleasanton
Tekion Corporation

Sale transactions in the first quarter to note: Tarlton Properties & Harrison Street purchased four buildings at Britannia Business Center I totaling nearly 292,000 square feet of Class B and flex property. Century Urban, an investor out of San Francisco, purchased the fully leased 42,000-square-foot property at 5934 Gibraltar Drive. Craig and Linda Corey purchased the Class B two-story office building at 7180 Koll Center Parkway.



Britannia Business Center, Pleasanton
Tarlton Properties & Harrison Street

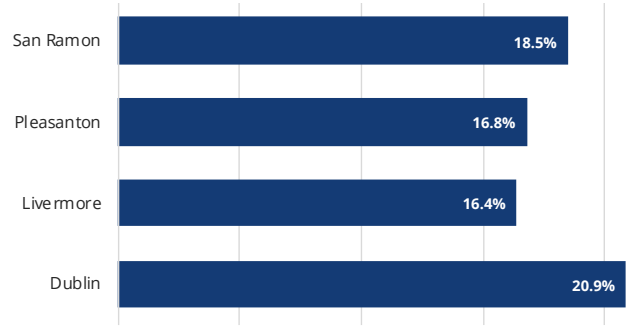
San Ramon

With 9.0 million square feet of Class A, B, and flex tracked inventory, San Ramon is the second-largest office market in the Tri-Valley. Vacant space greater than 10,000 square feet added to the market, increased the vacancy by 430 basis points to 16.6 percent in two years. Across all classes, San Ramon reported a net occupancy loss of 97,972 square feet. Asking rates continued to rise throughout 2021, reporting a 3.3 percent increase to $3.13 per square foot year-to-year.

Class A office carries the bulk of the total market inventory of 7.2 million square feet. Vacancy increased 130 basis points to 18.2 percent in the first quarter from three months prior. Direct vacant space accounts for 78.0 percent of the total vacancy, registering a net loss of 92,784 square feet by the end of the first quarter. Despite an increase in vacancy, asking rates remain unaffected, increasing 4.0 percent to $3.19 per square foot year-over-year.

Class B vacancy increased 250 basis points to 10.9 percent since this time last year. Asking rates increased by 3.6 percent to $2.56 per square foot in twelve months.

Office Availability Rates

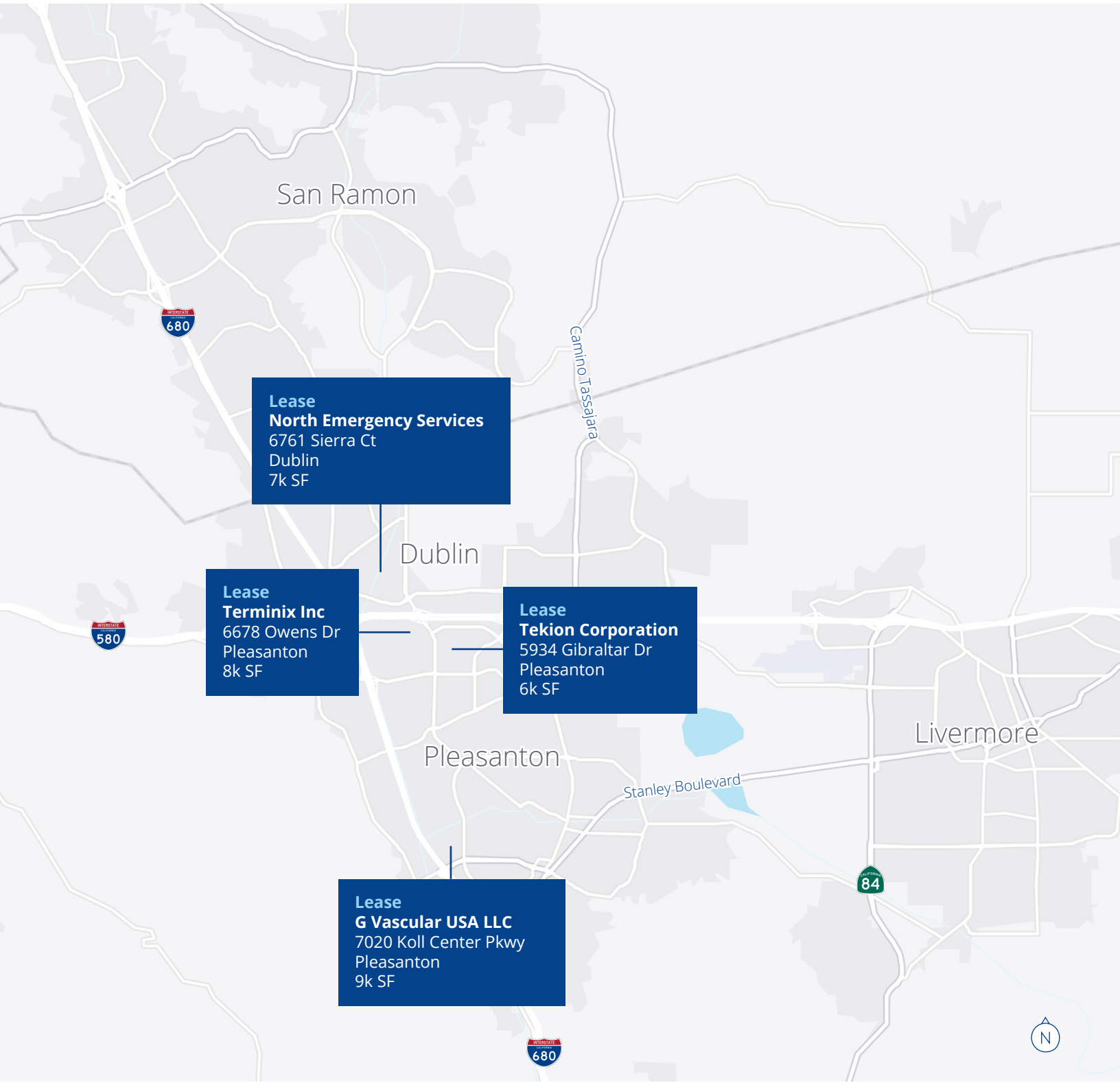


Source: Colliers

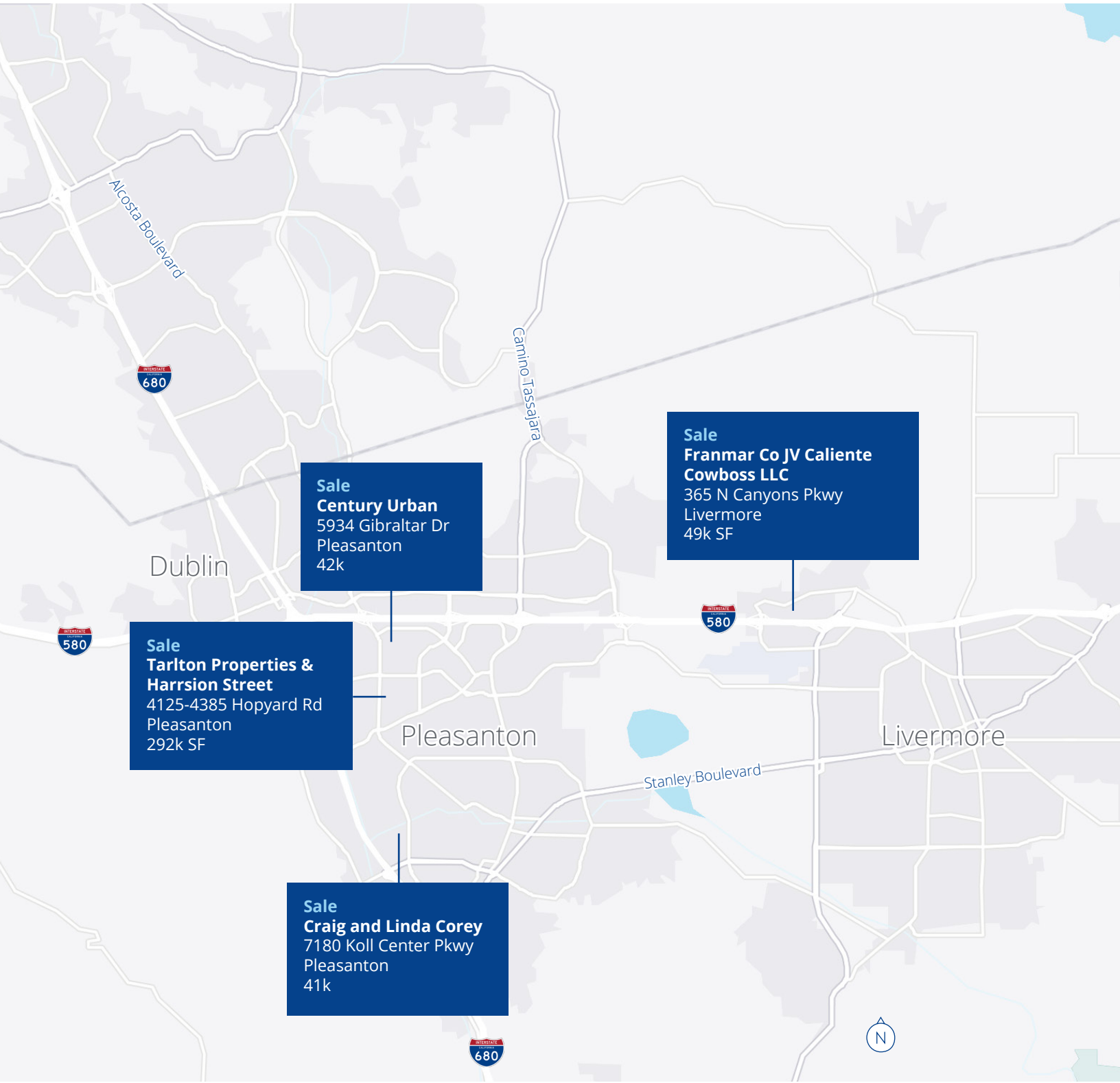
Looking Forward

The timeline for the RTO looks different from company to company, with no “one size fits all” model. Companies planning for their employees’ return are offering flexible schedule options, for a new post-pandemic workplace strategy. Looking into the second half of 2022, as companies expand to accommodate the new work environment, vacancies will decrease. The continued increase in asking rates is expected as the market improves over the next several quarters.

Significant Lease Activity



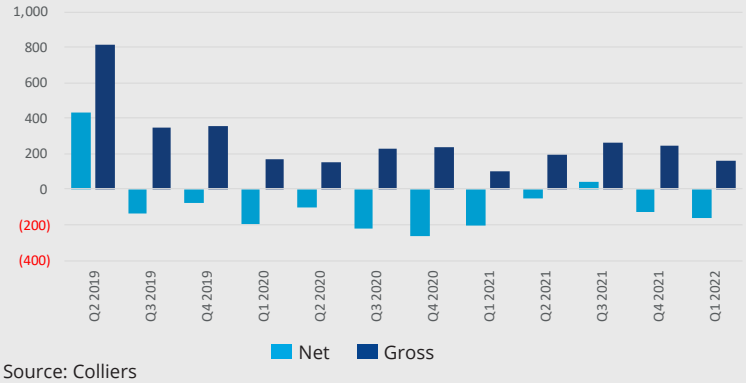
Significant Sale Activity



Pleasanton | 22Q1 | Office | Market Statistics

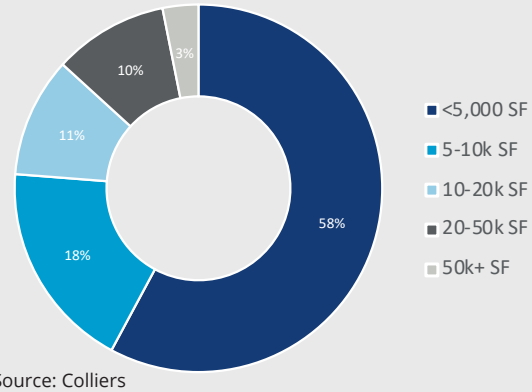
Submarket/ Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FSG)
Total											
A	15,648,170	16.0%	5.2%	21.3%	17.3%	16.6%	(116,279)	(116,279)	-	-	$3.13
B	5,074,261	16.2%	3.3%	19.4%	17.7%	17.0%	(37,059)	(37,059)	-	-	$2.32
Flex	6,533,548	6.8%	1.1%	7.9%	7.1%	7.0%	(6,694)	(6,694)	381,000	-	$2.03
TOTAL	27,255,979	13.8%	3.9%	17.7%	14.9%	14.4%	(160,032)	(160,032)	381,000	-	$2.79
Dublin											
A	1,670,792	12.3%	12.6%	25.0%	14.3%	15.1%	13,338	13,338	-	-	$3.36
B	347,447	37.1%	0.0%	37.1%	31.4%	31.3%	(668)	(668)	-	-	$1.92
Flex	806,717	3.0%	2.6%	5.6%	5.6%	3.8%	(14,351)	(14,351)	-	-	$2.25
TOTAL	2,824,956	12.7%	8.2%	20.9%	13.9%	13.9%	(1,681)	(1,681)	-	-	$2.22
Livermore											
B	963,502	19.3%	7.8%	27.2%	27.2%	25.9%	(14,541)	(14,541)	-	-	$1.95
Flex	2,047,031	11.3%	0.0%	11.3%	10.5%	10.3%	(4,271)	(4,271)	-	-	$1.58
TOTAL	3,010,533	13.9%	2.5%	16.4%	15.9%	15.3%	(18,812)	(18,812)	-	-	$1.75
Pleasanton											
A	6,798,072	16.9%	4.6%	21.5%	17.1%	16.6%	(36,833)	(36,833)	-	-	$3.06
B	2,874,983	13.7%	2.8%	16.5%	15.0%	14.4%	(15,822)	(15,822)	-	-	$2.59
Flex	2,972,429	6.2%	0.0%	6.2%	4.9%	5.3%	11,088	11,088	381,000	-	$2.68
TOTAL	12,645,484	13.7%	3.1%	16.8%	13.8%	13.5%	(41,567)	(41,567)	381,000	-	$2.90
San Ramon											
A	7,179,306	16.1%	4.1%	20.2%	18.2%	16.9%	(92,784)	(92,784)	-	-	$3.19
B	888,329	12.4%	1.1%	13.5%	10.9%	10.2%	(6,028)	(6,028)	-	-	$2.56
Flex	707,371	0.6%	6.9%	7.5%	7.5%	7.6%	840	840	-	-	$1.55
TOTAL	8,775,006	14.5%	4.0%	18.5%	16.6%	15.5%	(97,972)	(97,972)	-	-	$3.13
Tri-Valley Quarterly Comparisons and Totals											
Q1 2022	27,255,979	13.8%	3.9%	17.7%	14.9%	14.4%	(160,032)	(160,032)	381,000	-	$2.79
Q4 2021	27,241,702	14.7%	3.7%	18.4%	14.4%	14.4%	4,587	(336,938)	381,000	208,650	$2.77
Q3 2021	27,241,702	14.0%	3.5%	17.5%	14.4%	14.5%	(97,996)	(341,525)	381,000	208,650	$2.73
Q2 2021	27,776,812	14.5%	3.3%	17.9%	14.5%	14.4%	(50,114)	(243,529)	-	208,650	$2.72
Q1 2021	27,776,812	16.3%	5.5%	21.8%	14.4%	13.0%	(193,415)	(193,415)	-	208,650	$2.74

Tri-Valley Gross vs Net Absorption



Source: Colliers

Availabilities by Size Range



Source: Colliers

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62 countries on 6 continents



$4.1B
in revenue

2B
square feet under management

17,000 +
professionals and staff

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