

# Tri Valley Office and R&D Market Overview

# Market Observations

## Economy

- The East Bay’s unemployment decreased by 30 basis points in the first quarter and currently stands at 4.5%. This is 40 basis points higher than the national average.
- Job growth year-over-year was highest in the education and health, and government. The information, manufacturing, and construction sectors showed the largest decreases in employment.
- The U.S. Economy is undergoing significant changes driven by recent tariff policies and interest rate decisions which we will continue keep an eye on as we head into the second quarter of 2025.

## Major Transactions

- The two largest leases of the quarter were both from companies relocating and downsizing within Bishop Ranch. Hill Physicians leased ± 70,000 square feet at 2613 Camino Ramon, moving from Bishop Ranch 9, and BMO leased ± 30,000 square feet at 2623 Camino Ramon, moving from Bishop Ranch 7.
- Other leases in Bishop Ranch included Anaplan’s 10,402-square-foot lease at 2603 Camino Ramon
- Outside of Bishop Ranch, other leases in San Ramon included Eastown Church’s 9,074-square-foot at 3160 Crow Canyon Place.
- In Pleasanton, Charmhealth leased 8,316 square feet at 5912 Stoneridge Mall Road.

## Leasing Market Fundamentals

- The Tri Valley office and flex markets experienced positive absorption of 70,346 square feet in the first quarter of 2025.
- Newmark removed from its market report Bishop Ranch 8 and Bishop Ranch 11 due to conversion to residential housing and 12677 Alcosta Boulevard in Bishop Ranch 15 due to conversion to medical uses.
- There has been an increase in tenant demand as a percentage of inventory of 150 basis points compared to the fourth quarter of 2024.
- Tenants continue to be drawn to Class A space in buildings with energy, vibrancy, superior tenant amenities and ownership stability.

## Outlook

- The macroeconomic future remains uncertain, prompting both occupiers and investors to approach deals with increased caution.
- Projects with move in ready / market ready spaces continue to see increased touring and higher lease up success.
- Tri-Valley market tenant touring activity is more active with larger, national companies than regional and local based companies.
- It is likely that more vacant office buildings will be converted to alternate uses, such as the KB Homes announcement to acquire Bishop Ranch 9.

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1Q25

# Economy

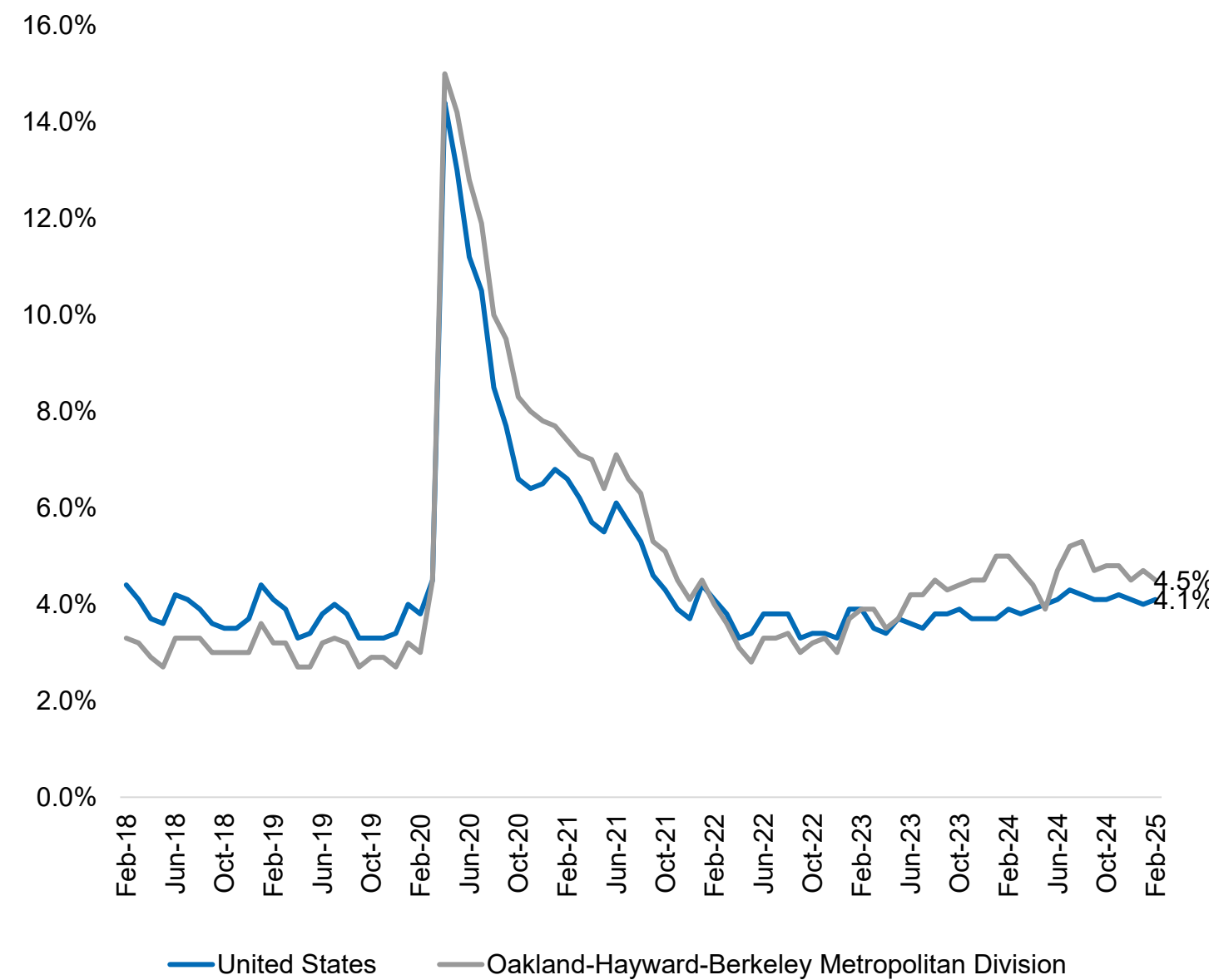




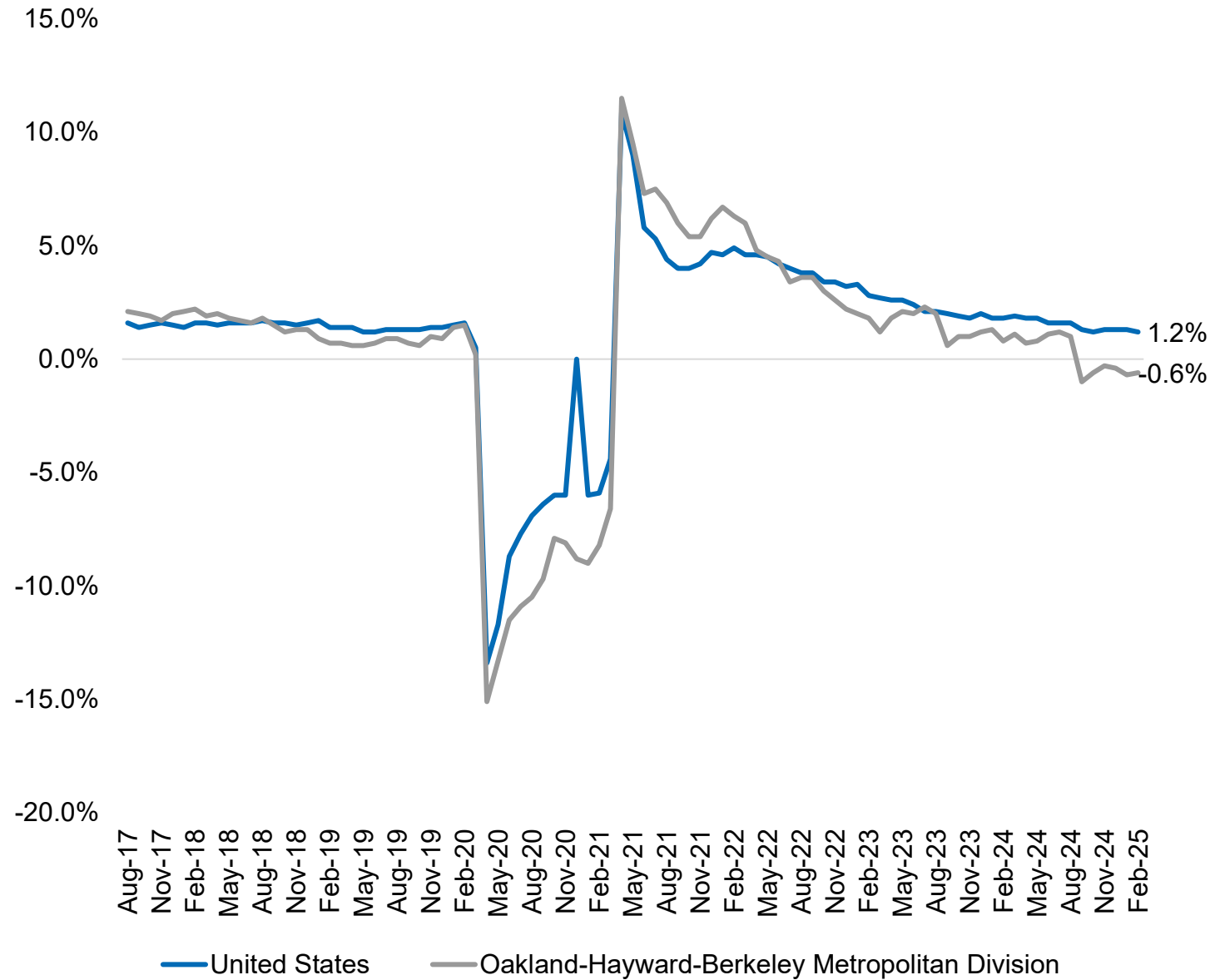
# Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is now 50 basis points lower than it was at the beginning of 2024, and at 4.5% is 40 just basis points higher than the national average. Unemployment rates remain above pre-pandemic levels.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

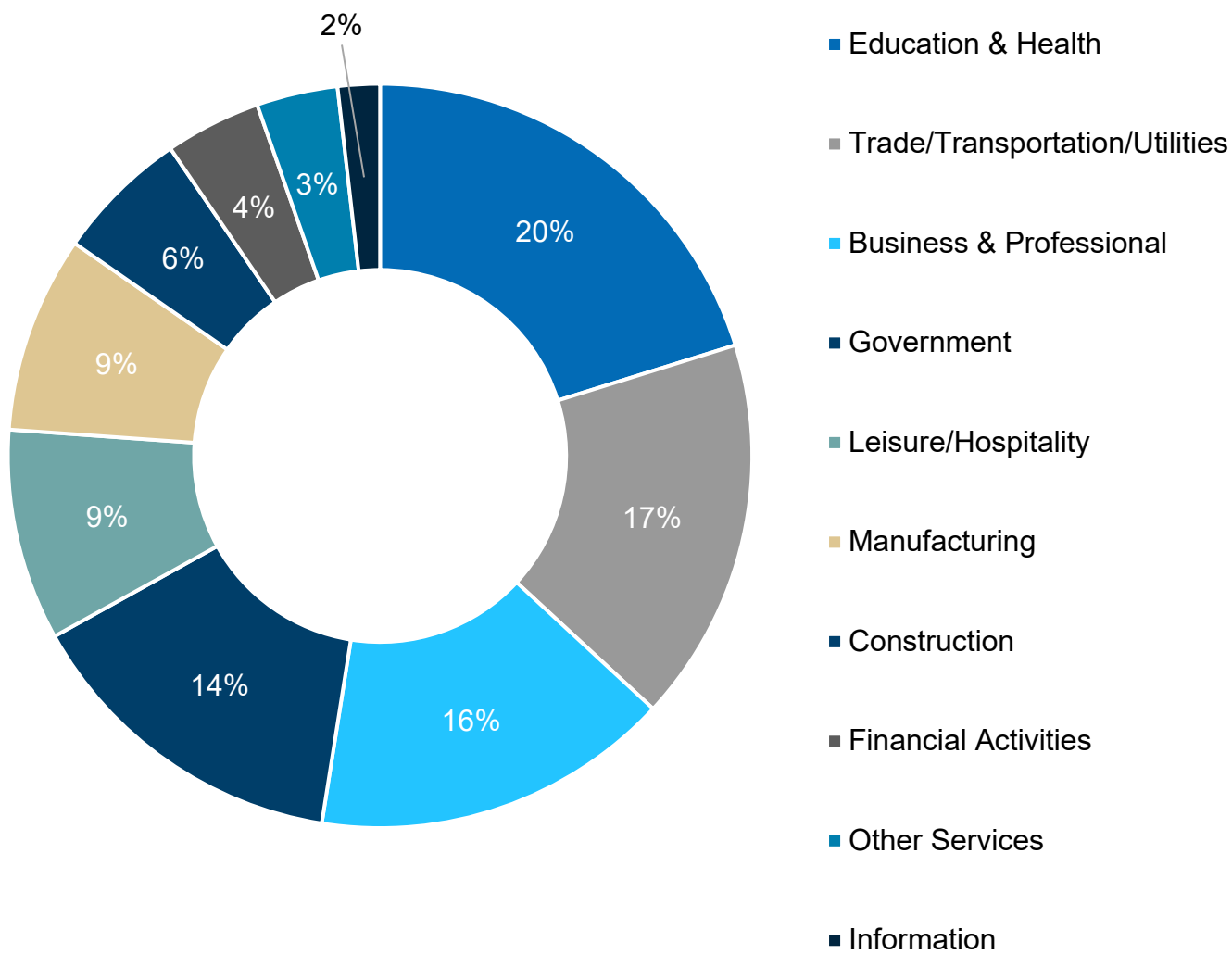


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

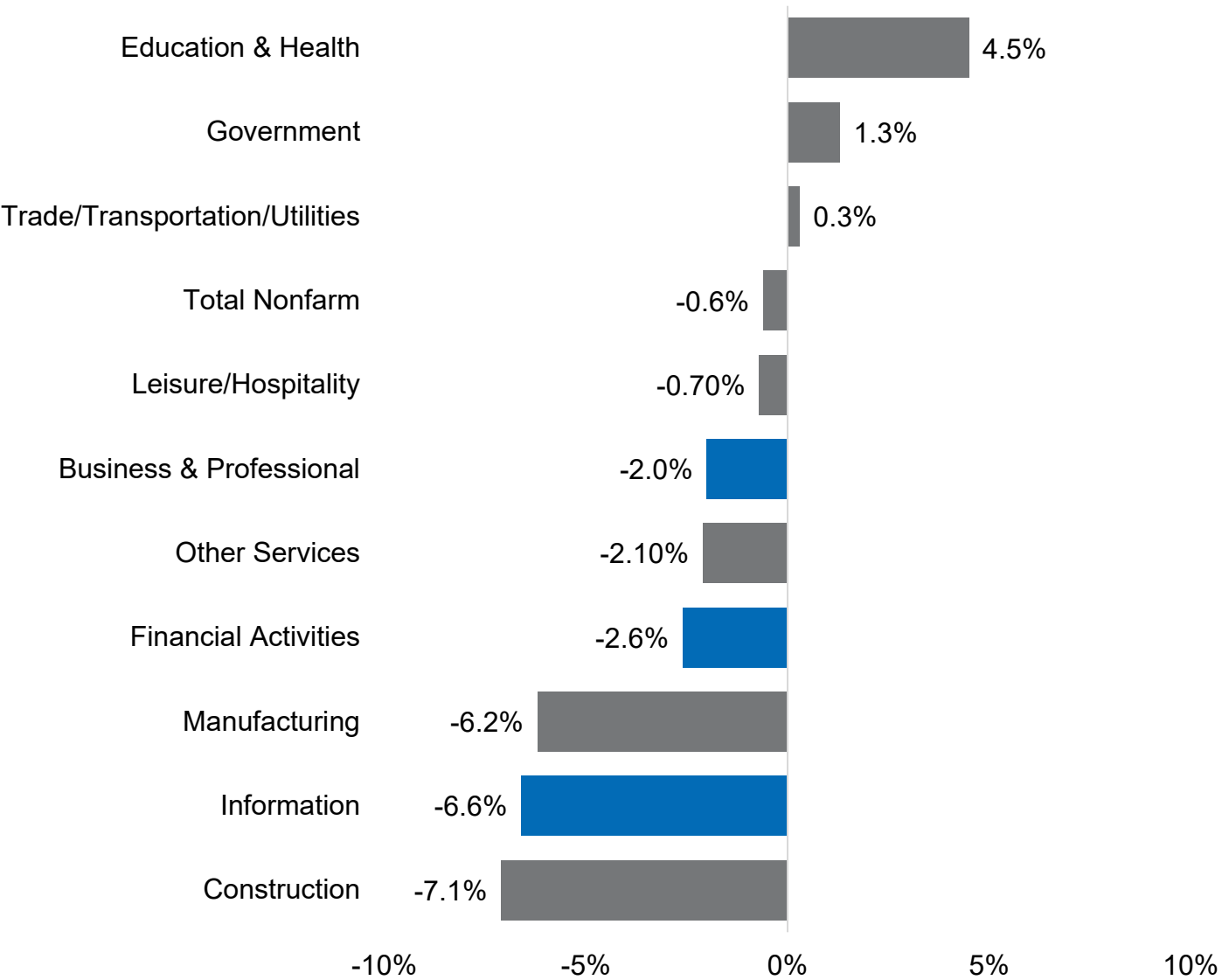
# Office-Using Employment Down

All three office using sectors experienced negative growth over a 12-month period, with the Information sector experiencing the most negative growth.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

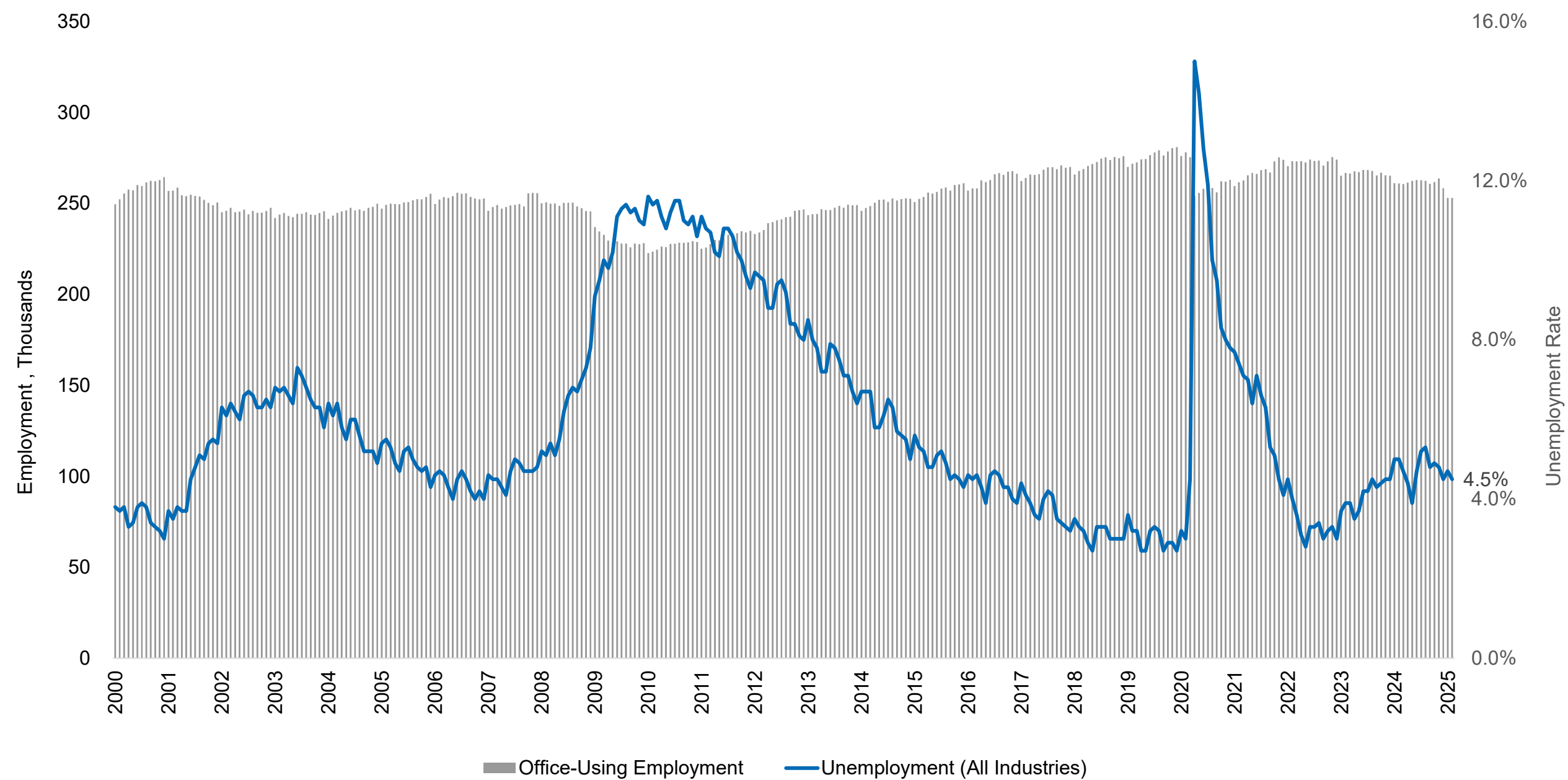


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

# Overall Office-Using Employment Still Lower than Pre-Pandemic

The number of office jobs in the East Bay has yet to recover to pre-pandemic levels, with about 25 thousand fewer office-using jobs. Office-using employment is now just below early-2015 levels.

Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics , Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties). Note: August 2023 data is preliminary.  
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.



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# Leasing Market Fundamentals

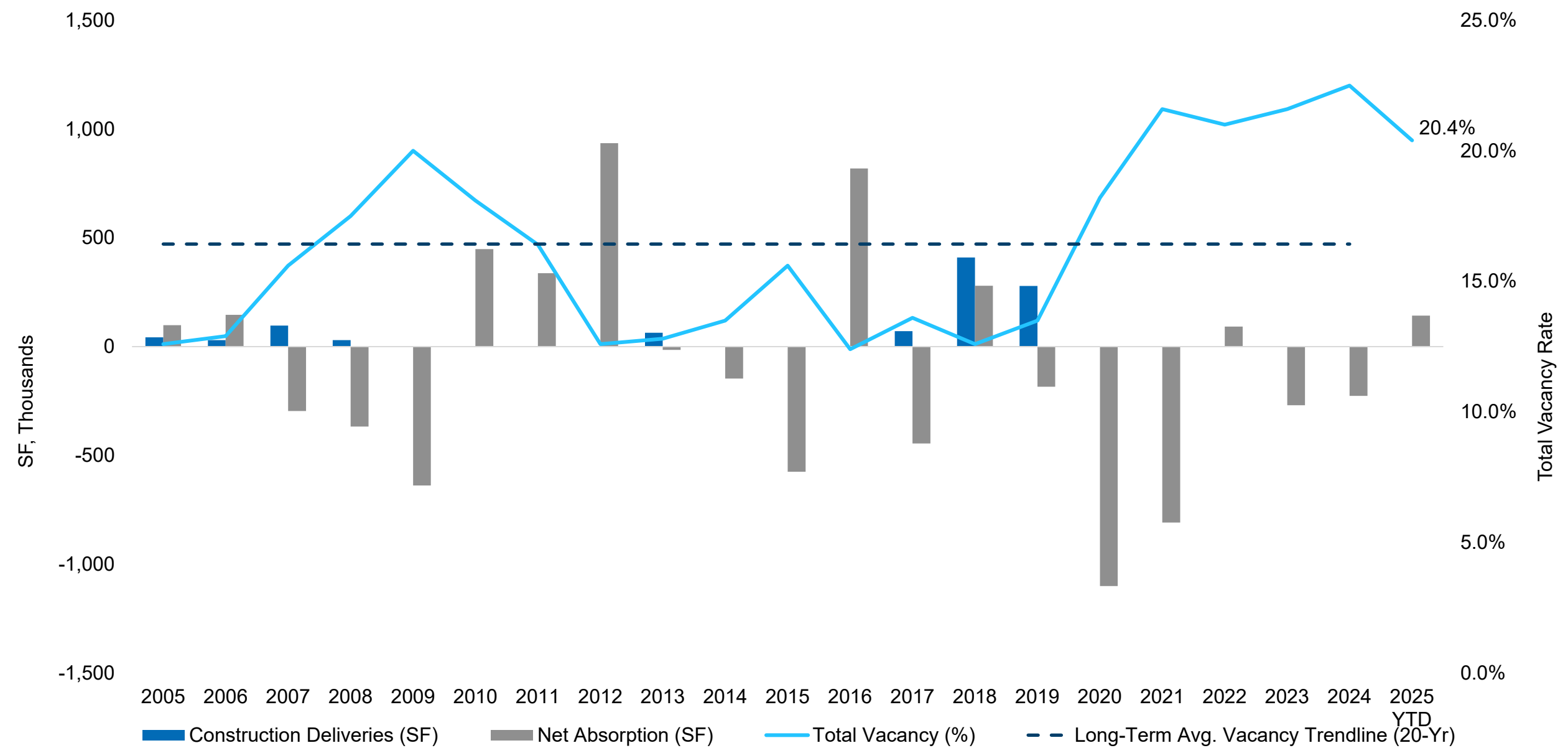




# Tri Valley Office Vacancy Decreased

The overall vacancy rate decreased in the first quarter by 180 basis points, as the market logged 142,196 square feet of positive absorption with an overall vacancy rate of 20.4%.

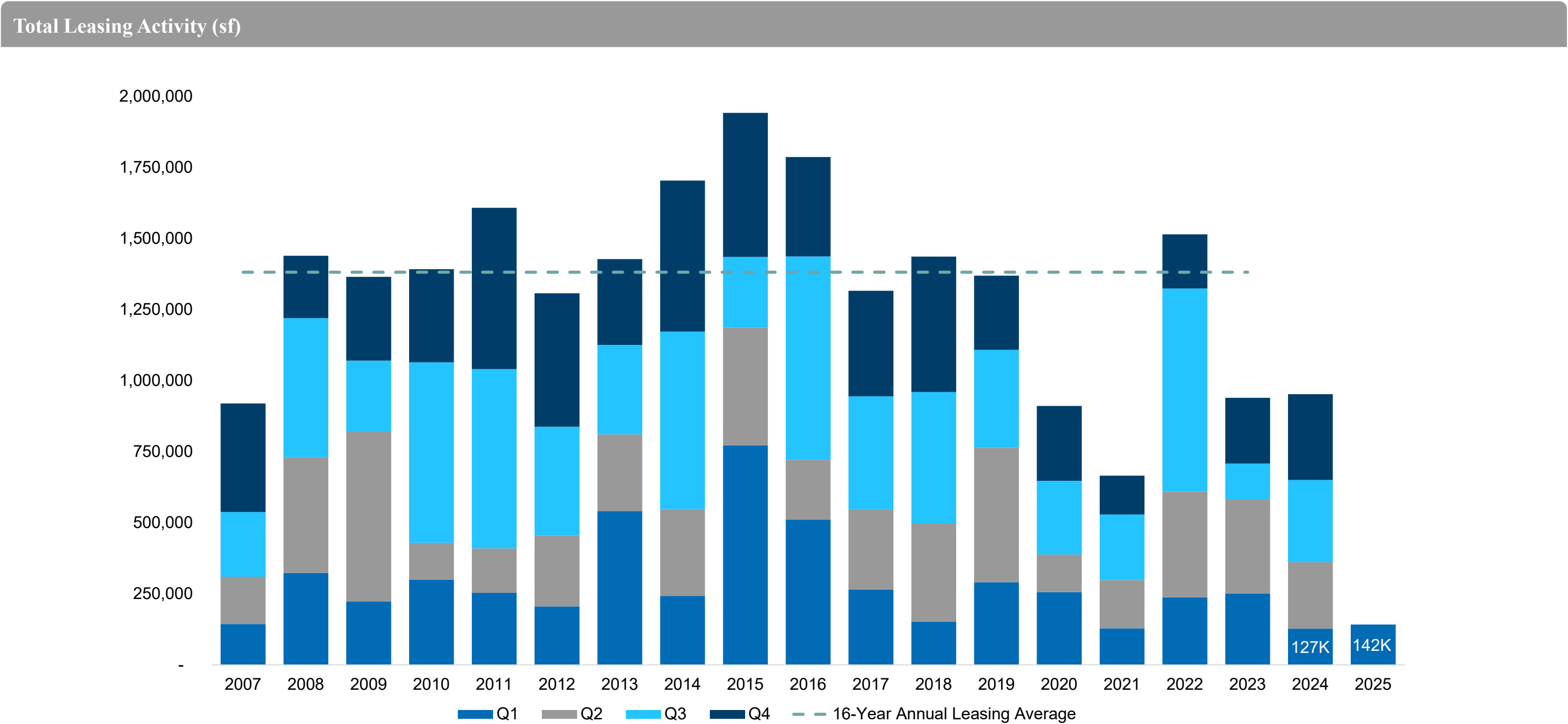
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Tri Valley Office Leasing Activity 1Q25

Office leasing activity in the first quarter of 2025 was slightly more than what it was in the first quarter of 2024.



Source: Newmark Research, CoStar





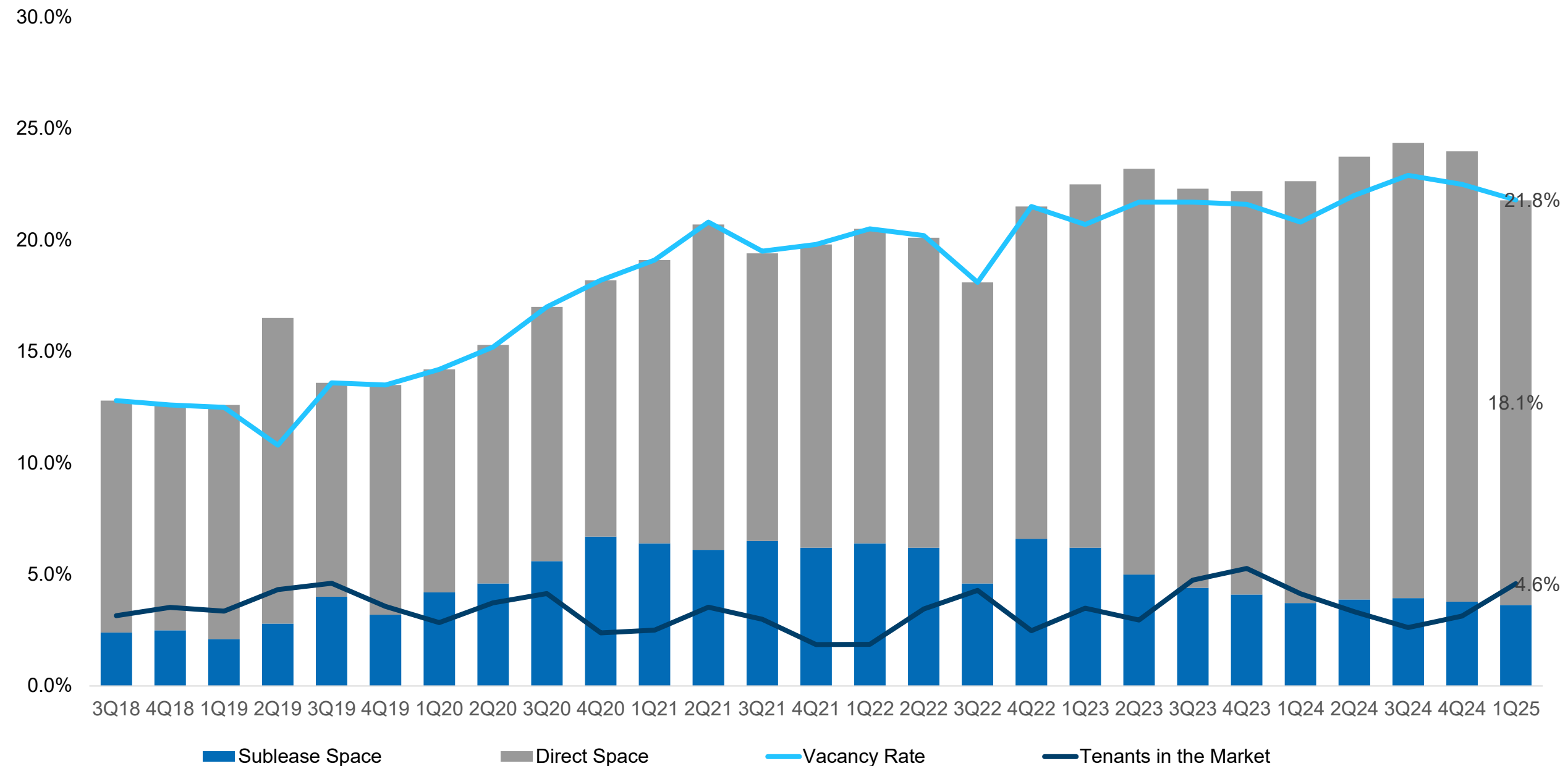
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# Availability Experiences a Decrease While Tenant Demand Increases

Vacancy and direct available space both decreased in the first quarter of 2025, with the tenants in demand totaling 4.6% of the Tri Valley market. This was a 150-basis point increase in tenant demand from the previous quarter. There are approximately 12 tenants in the market currently looking for more than 10,000 square feet.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar





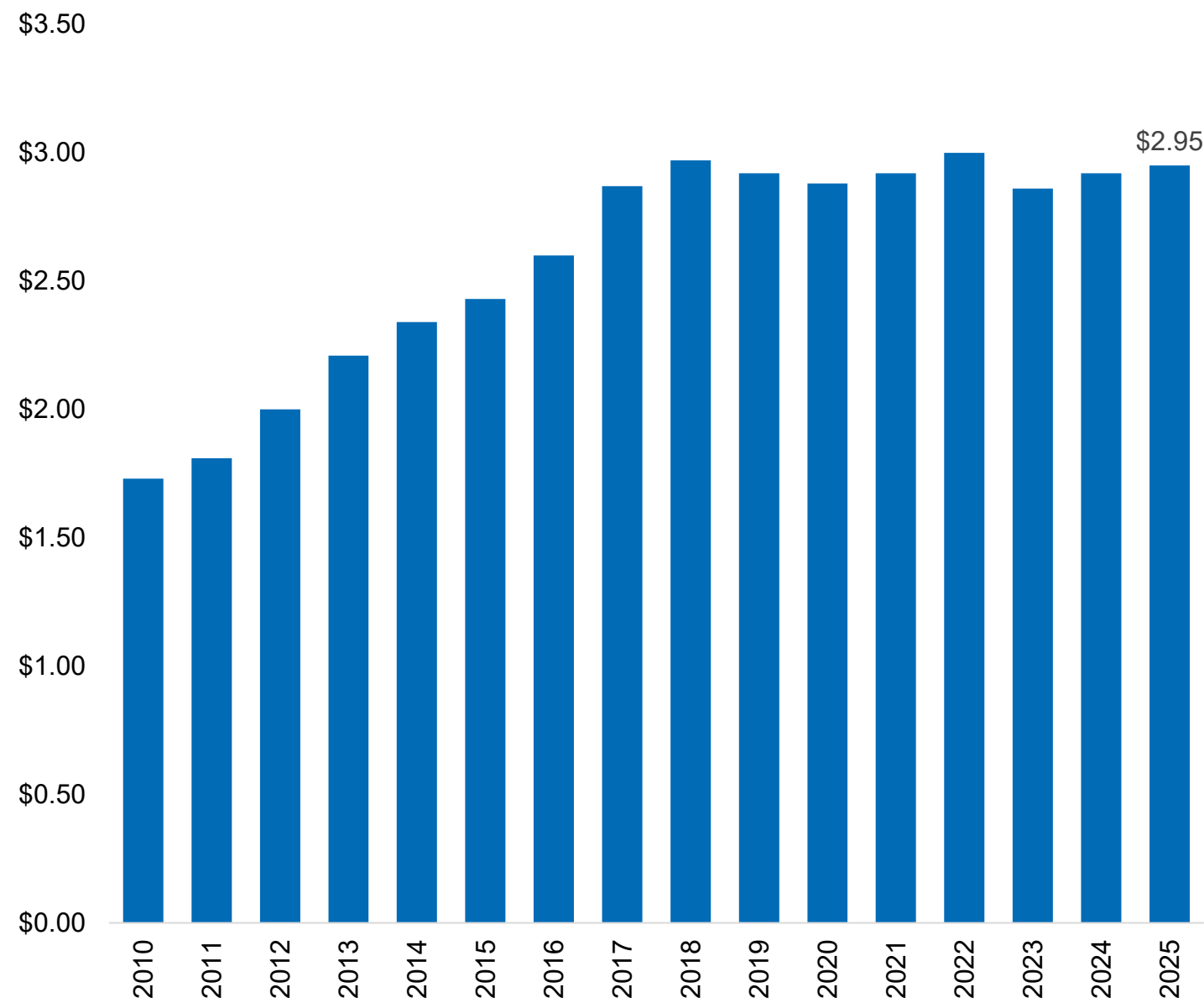
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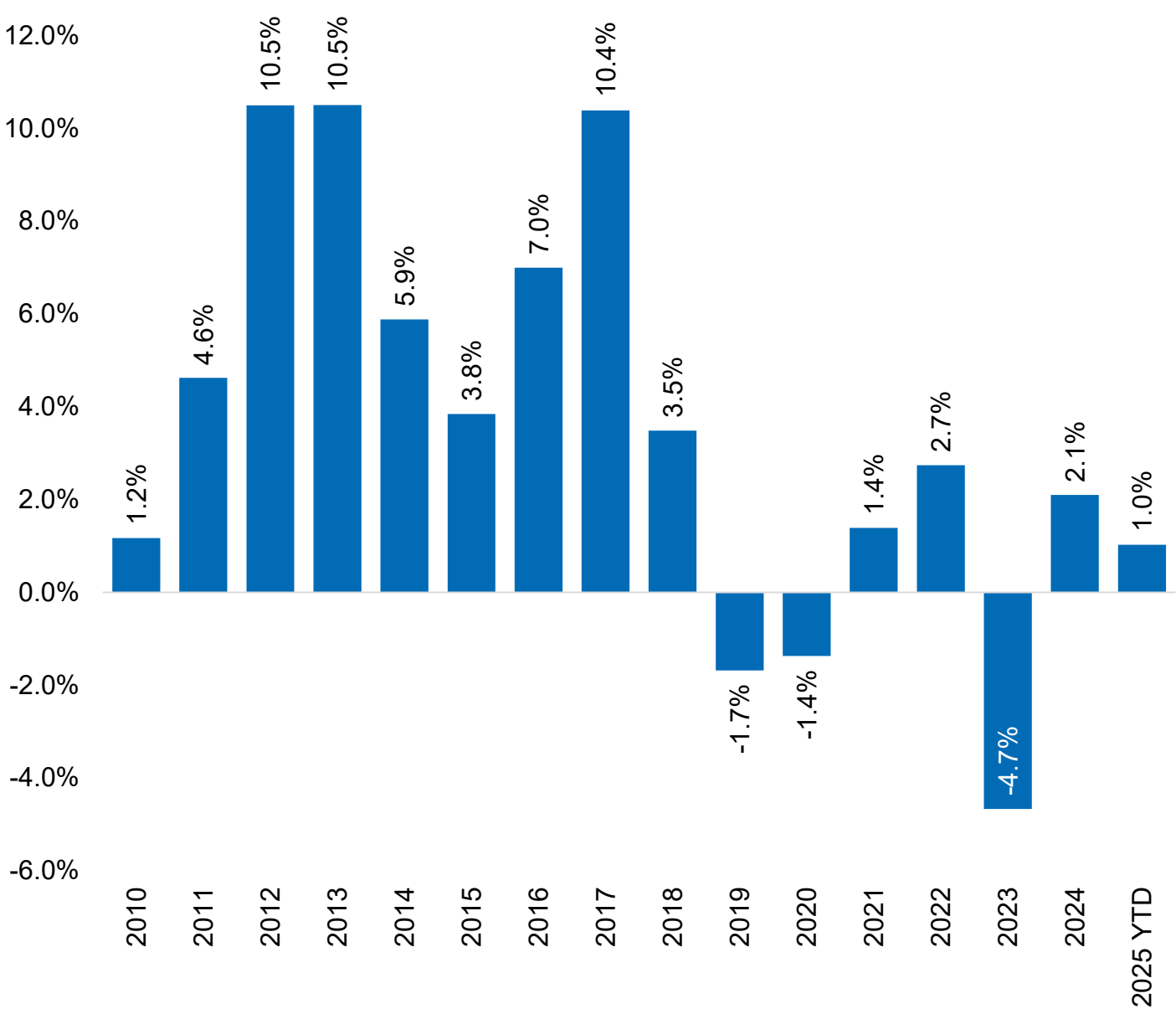
# Office Asking Rents Stay Consistent

Overall asking rates have remained steady over the course of the first quarter of 2025. There has been a slight 1% increase year over year.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



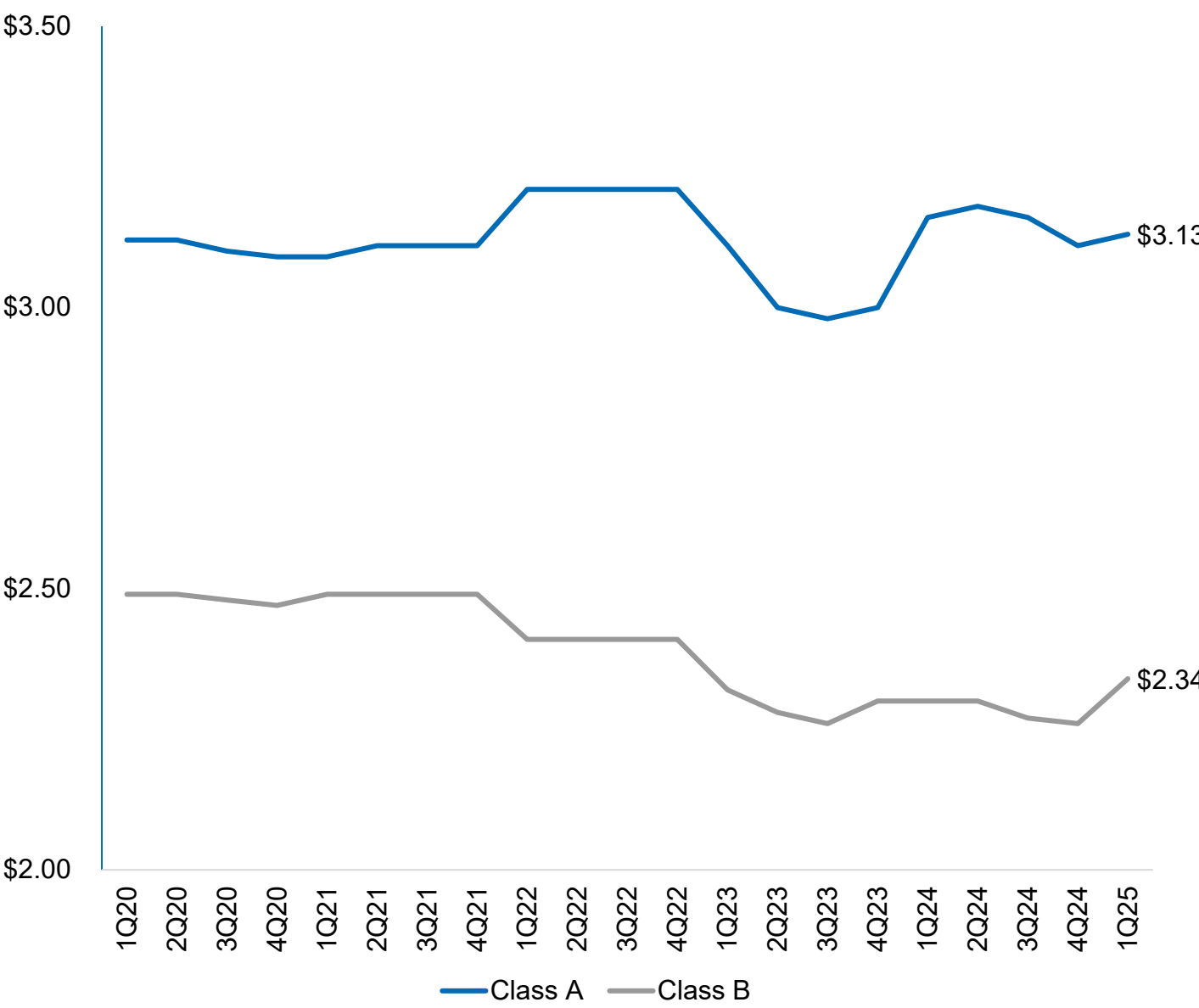
Source: Newmark Research, CoStar



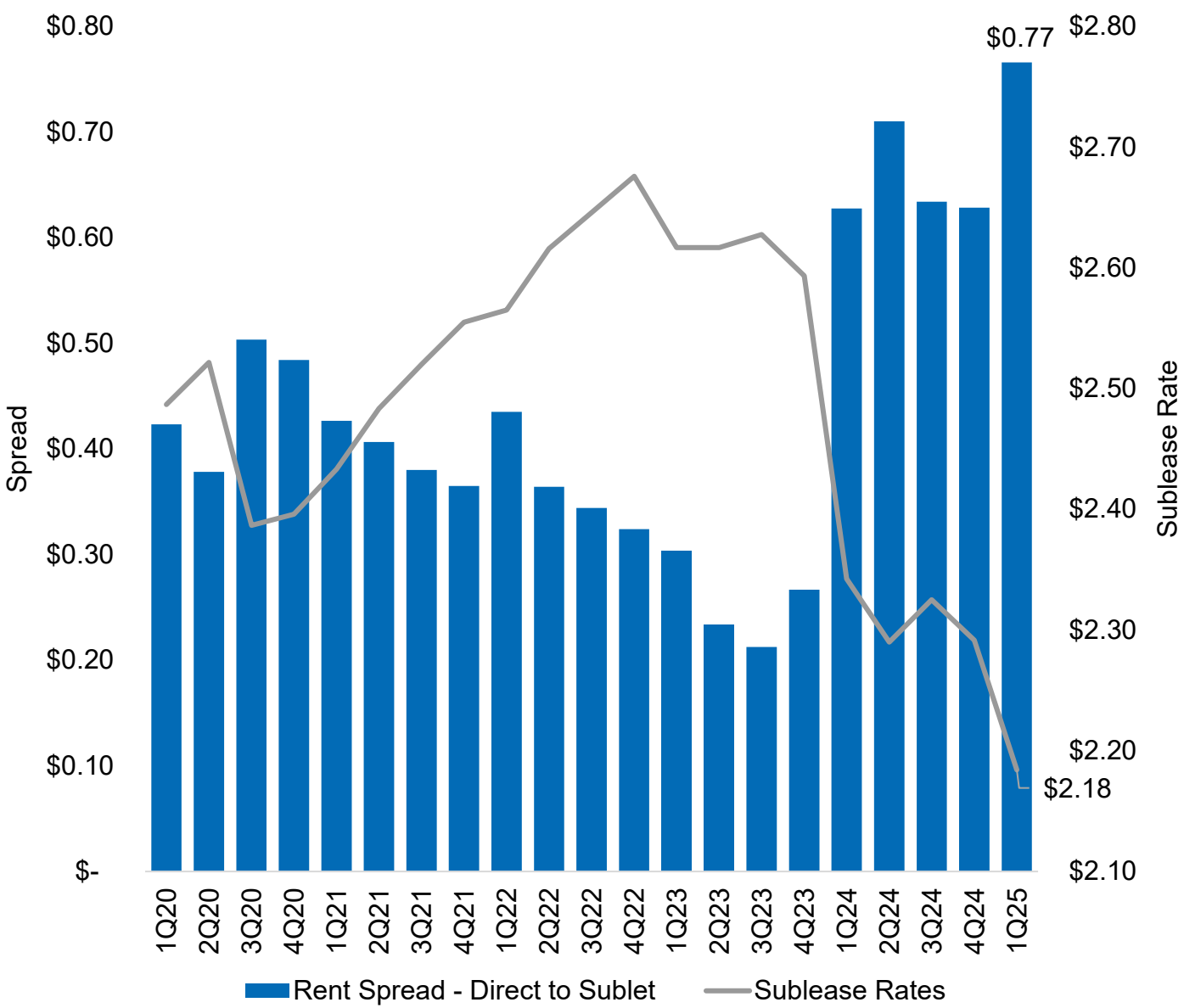
# Office Sublease Rates Increase

Direct rents experienced a slight increase in first quarter, while sublease rents decreased, therefore the rent spread between sublease and direct increased slightly in the first quarter.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar





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# First Quarter Lease Transactions

Bishop Ranch had the largest transactions of the first quarter for the Tri-Valley office market.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Hill Physicians	2613 Camino Ramon	San Ramon – Bishop Ranch	Downsize Relocation	±70,000
BMO	2623 Camino Ramon	San Ramon – Bishop Ranch	Downsize Relocation	±30,000
Anaplan	2603 Camino Ramon	San Ramon – Bishop Ranch	Direct Lease	10,402
Eastown Church	3160 Crow Canyon Place	San Ramon – Other	Direct Lease	9,074
CharmHealth	5912 Stoneridge Mall Road	Pleasanton – Stoneridge Mall	Direct Lease	8,316

Source: Newmark Research



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# Appendix







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