
4Q24

Tri Valley Office and R&D Market Overview



NEWMARK

Market Observations

Economy

- The East Bay’s unemployment decreased by 50 basis points in the fourth quarter, and currently stands at 4.8%. This is 60 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 financial services sectors showed the largest decreases in employment.

Major Transactions

There were three leases over 10,000 square feet signed in the Tri Valley market during the fourth quarter:

- ServiceNow renewed 25,000 SF in Pleasanton.
- Arctera leased 12,340 SF in Pleasanton.
- Zinus leased 13,636 SF at Bishop Ranch, San Ramon.

Additional leases included:

- The Helsing Group leased 9,835 SF at Bishop Ranch, San Ramon.
- David W. White leased 7,016 SF in San Ramon.

Leasing Market Fundamentals

- The Tri Valley office and flex markets experienced positive absorption of 74,162 square feet in the fourth quarter of 2024.
- Asking rental rates remained relatively unchanged with only a couple submarkets showing decreases in the fourth quarter of 2024.
- There has been a slight increase in tenant demand compared to the second quarter of 2024.
- Tenants continue to be drawn to Class A space in buildings with better amenities and shared spaces.

Outlook

- The macroeconomic future remains uncertain, prompting both occupiers and investors to approach deals with increased caution, ultimately influencing leasing and investment activity.
- Projects with move in ready / market ready spaces should continue to see increased touring and higher lease up success.
- The Tri-Valley market is starting to see out of market requirements from larger organizations for shorter term Tri-Valley office locations.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

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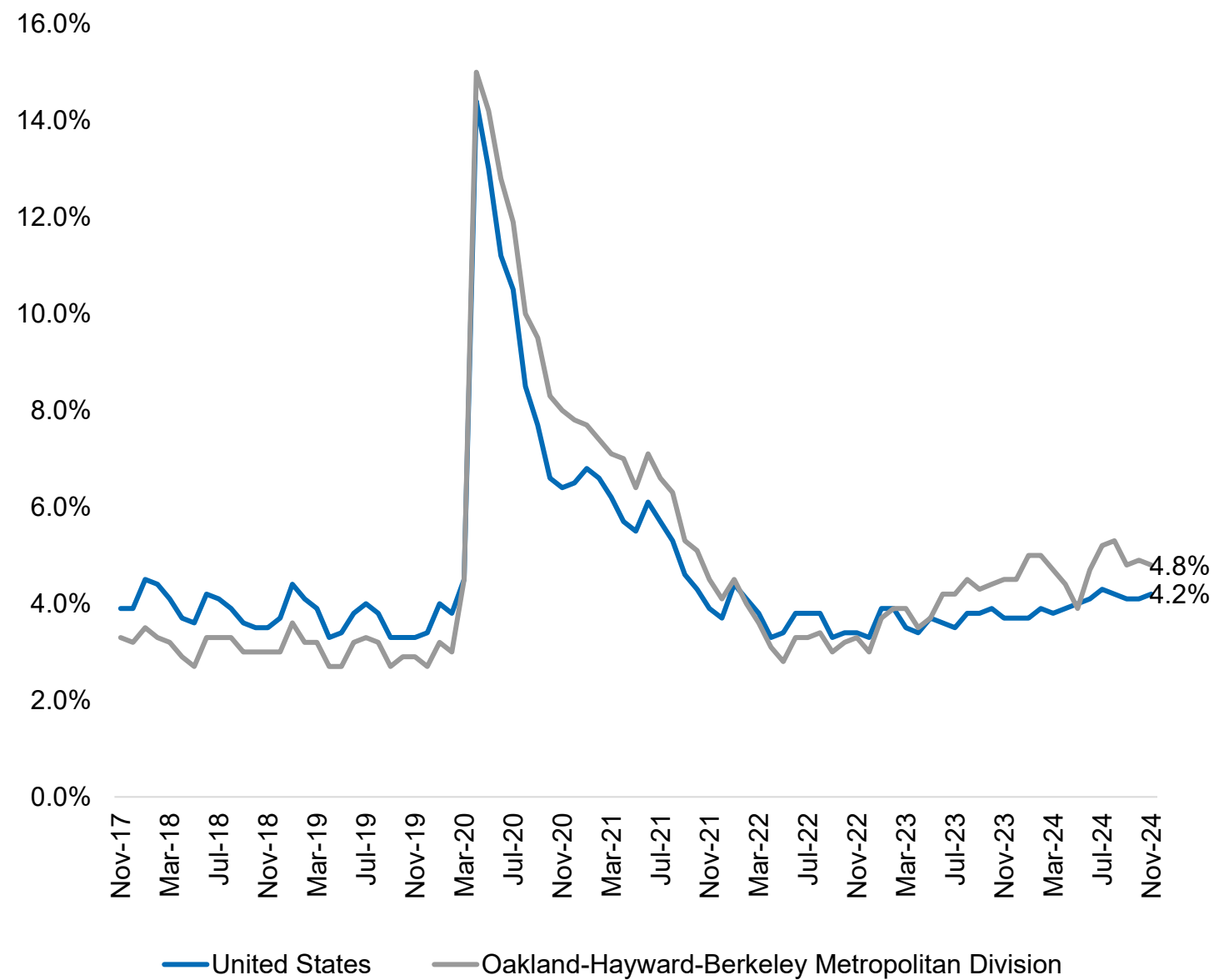
Economy



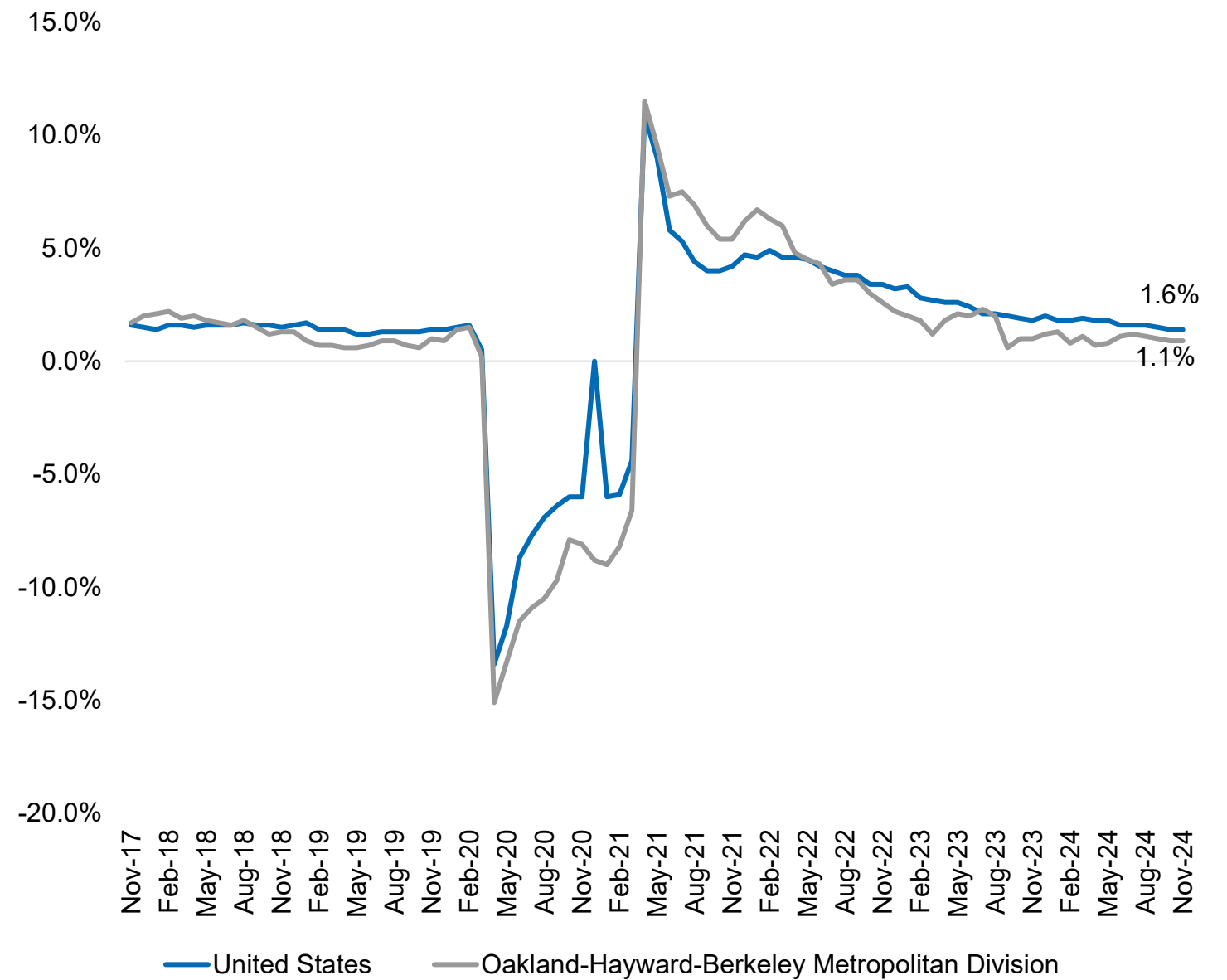
Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is now 20 basis points higher than it was at the beginning of 2024, and at 4.8% is 60 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

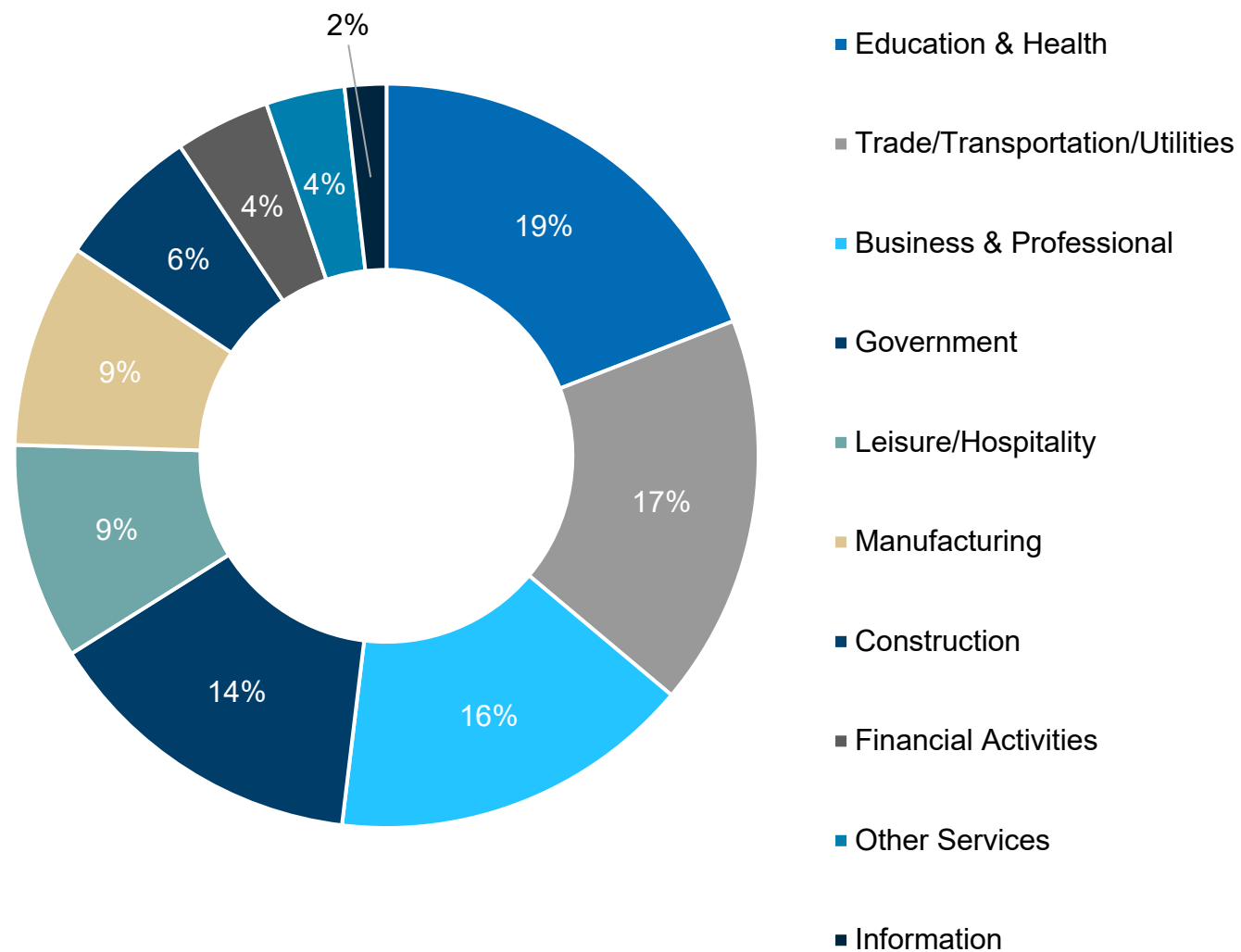


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

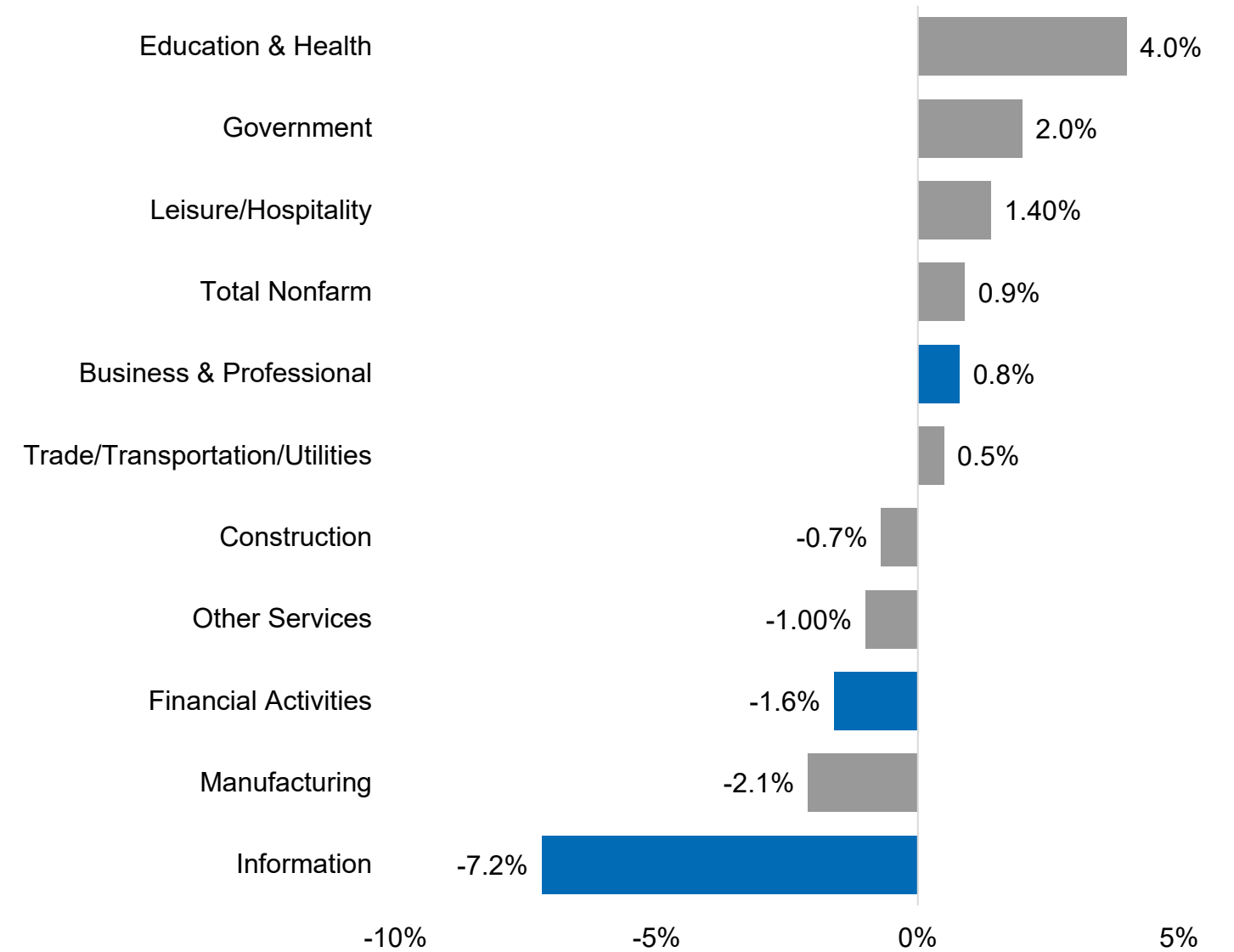
Office-Using Employment Down

Information experienced the largest loss in growth for office using sectors year-over-year, while financial activities also experienced negative growth, and business and professional services increased slightly.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

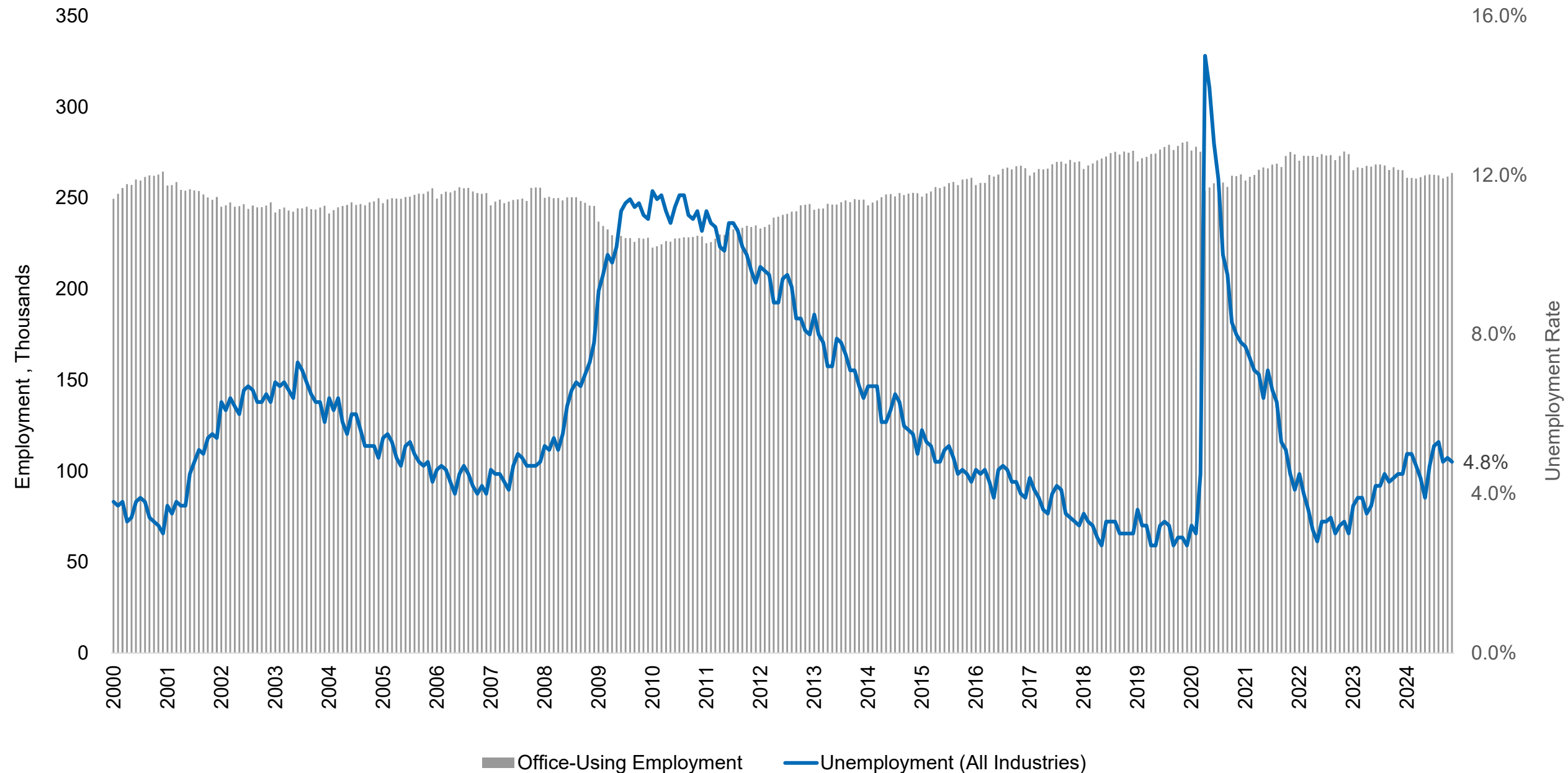


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

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 15 thousand fewer office-using jobs. Office-using employment is currently just below early-2017 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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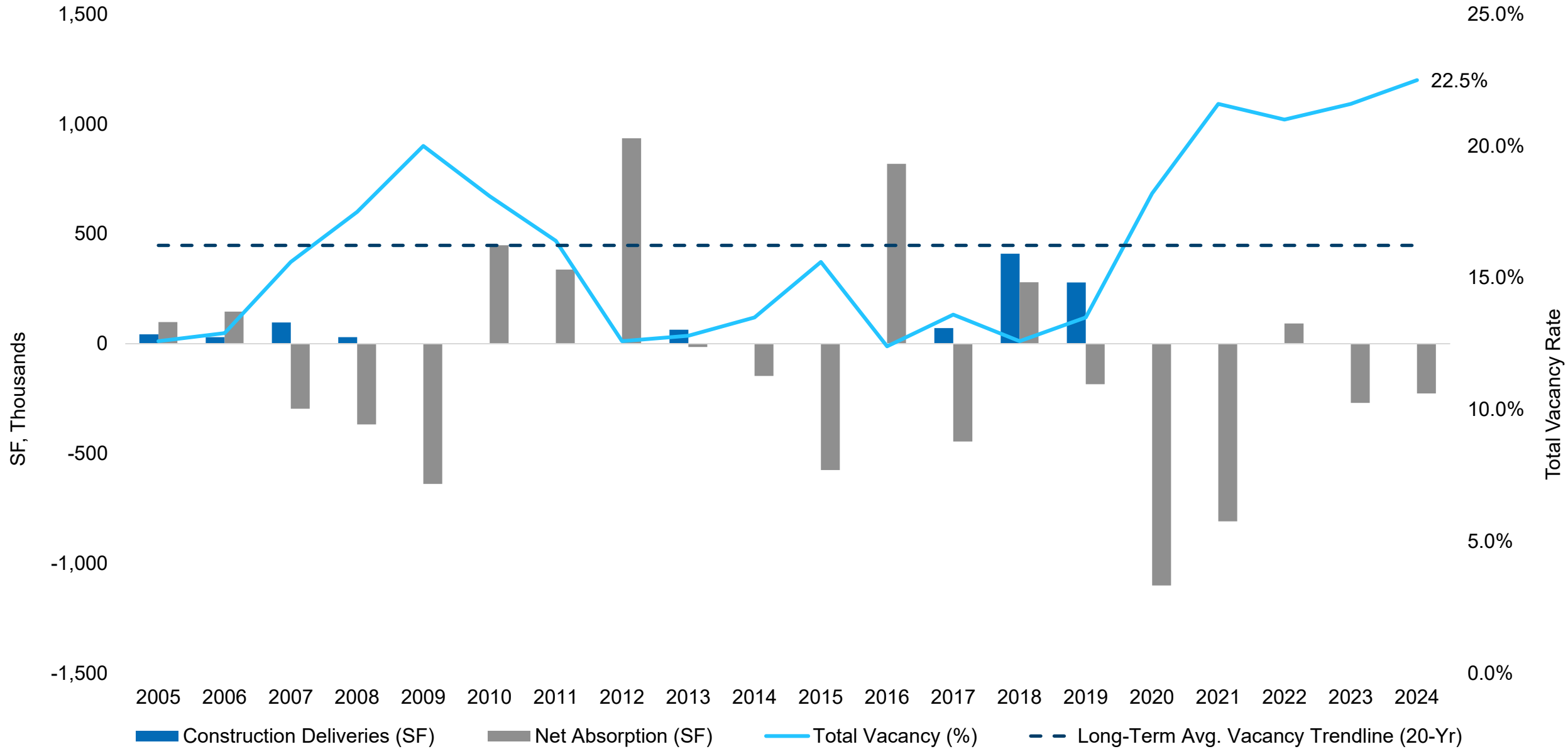
Leasing Market Fundamentals



Slight Increase in Vacancy Year-over-Year

While the vacancy rate increased by 90 basis points year-over-year, it decreased in the fourth quarter by 40 basis points. The market logged 43,836 square feet of positive absorption to reach an overall vacancy rate of 22.5%.

Historical Construction Deliveries, Net Absorption, and Vacancy

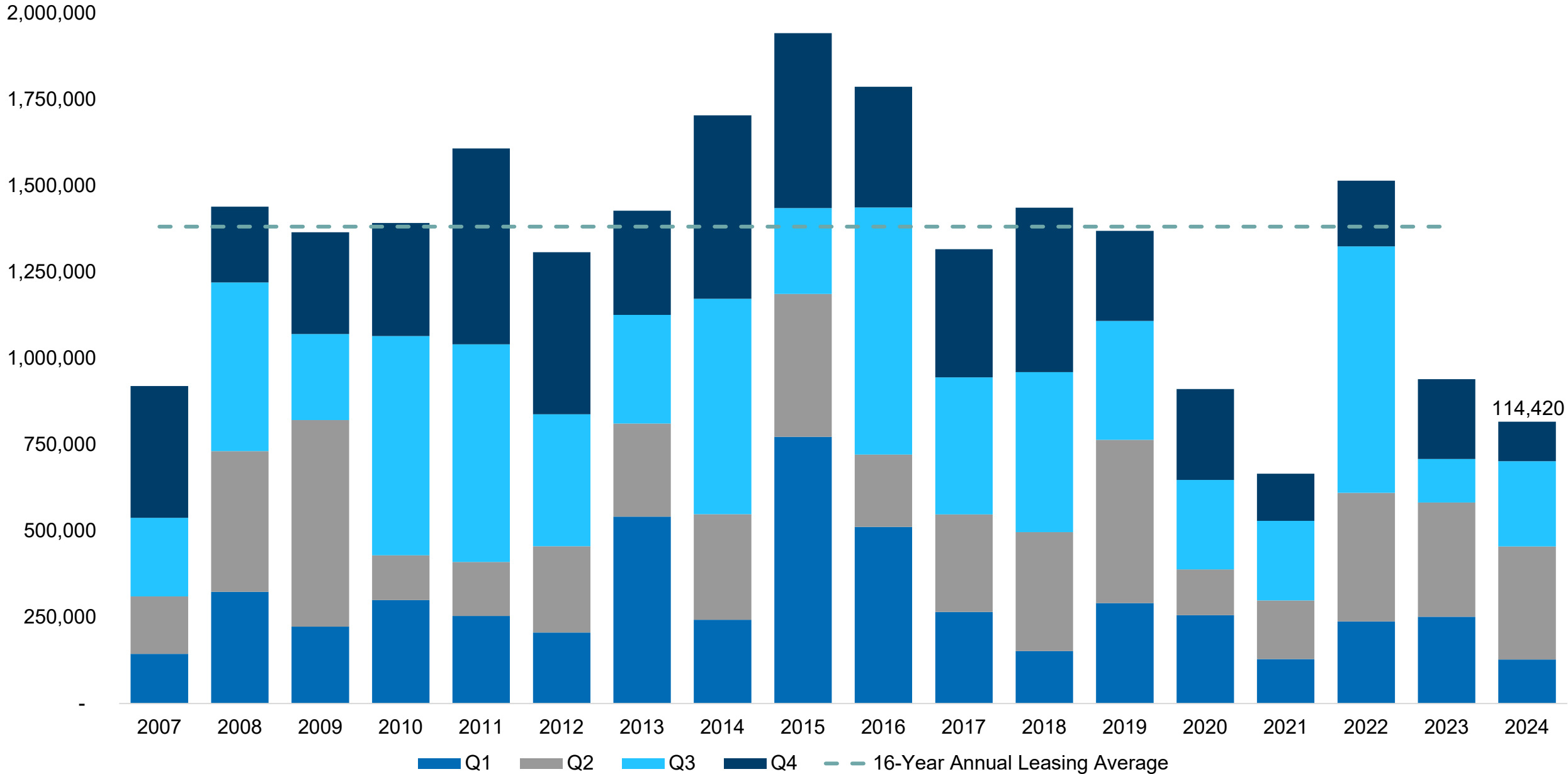


Source: Newmark Research, CoStar

Tri Valley Office Leasing Activity 4Q24

Office leasing activity in 2024 was less than it was in 2023, and slowed down in the fourth quarter.

Total Leasing Activity (sf)



Source: Newmark Research, CoStar

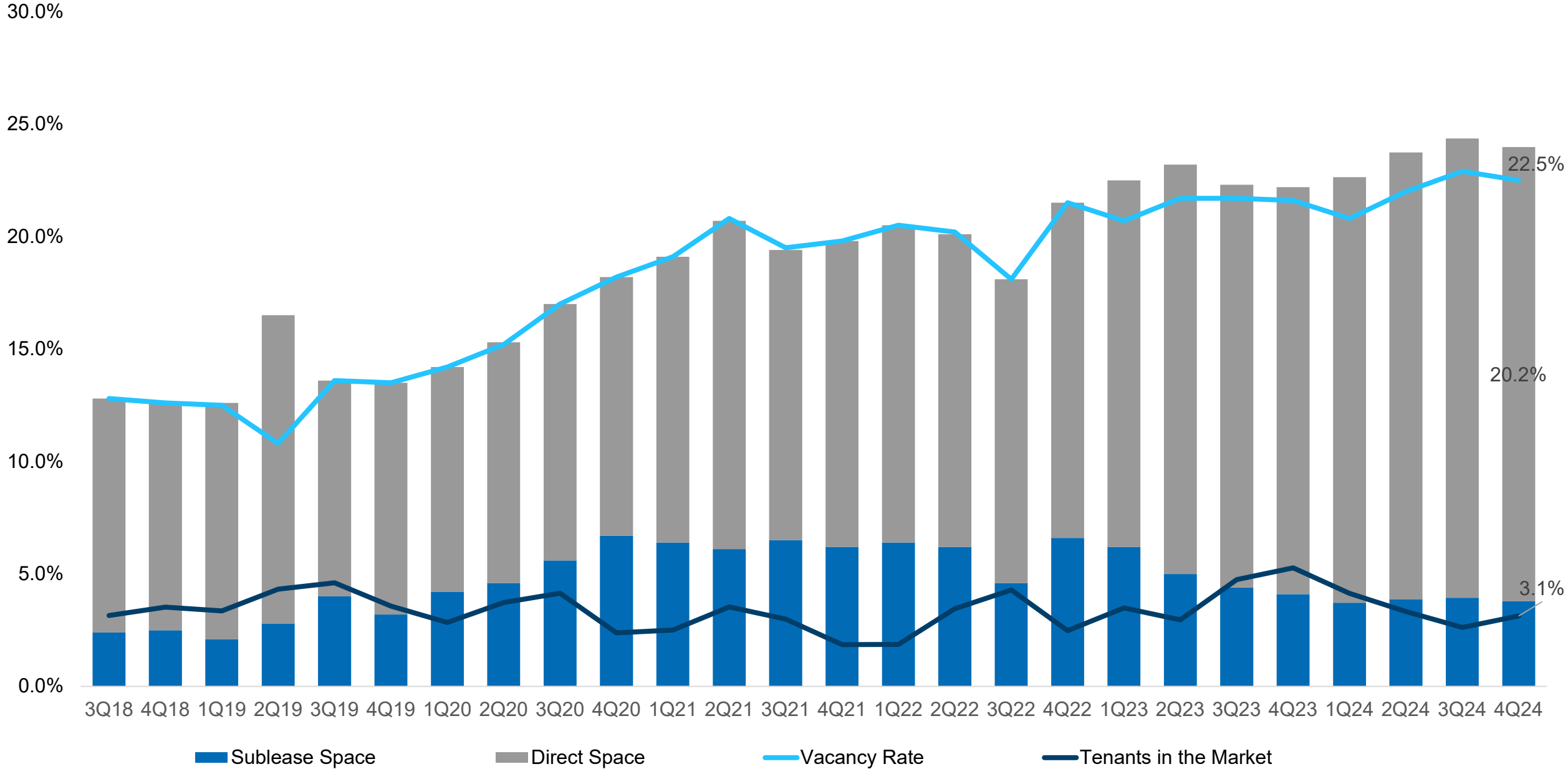


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Slight Decrease in Availability While Tenant Demand Increased

Vacancy and direct available space both decreased in the fourth quarter of 2024, with the tenants in demand totaling 3.1% of the Tri Valley market. There are approximately 13 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

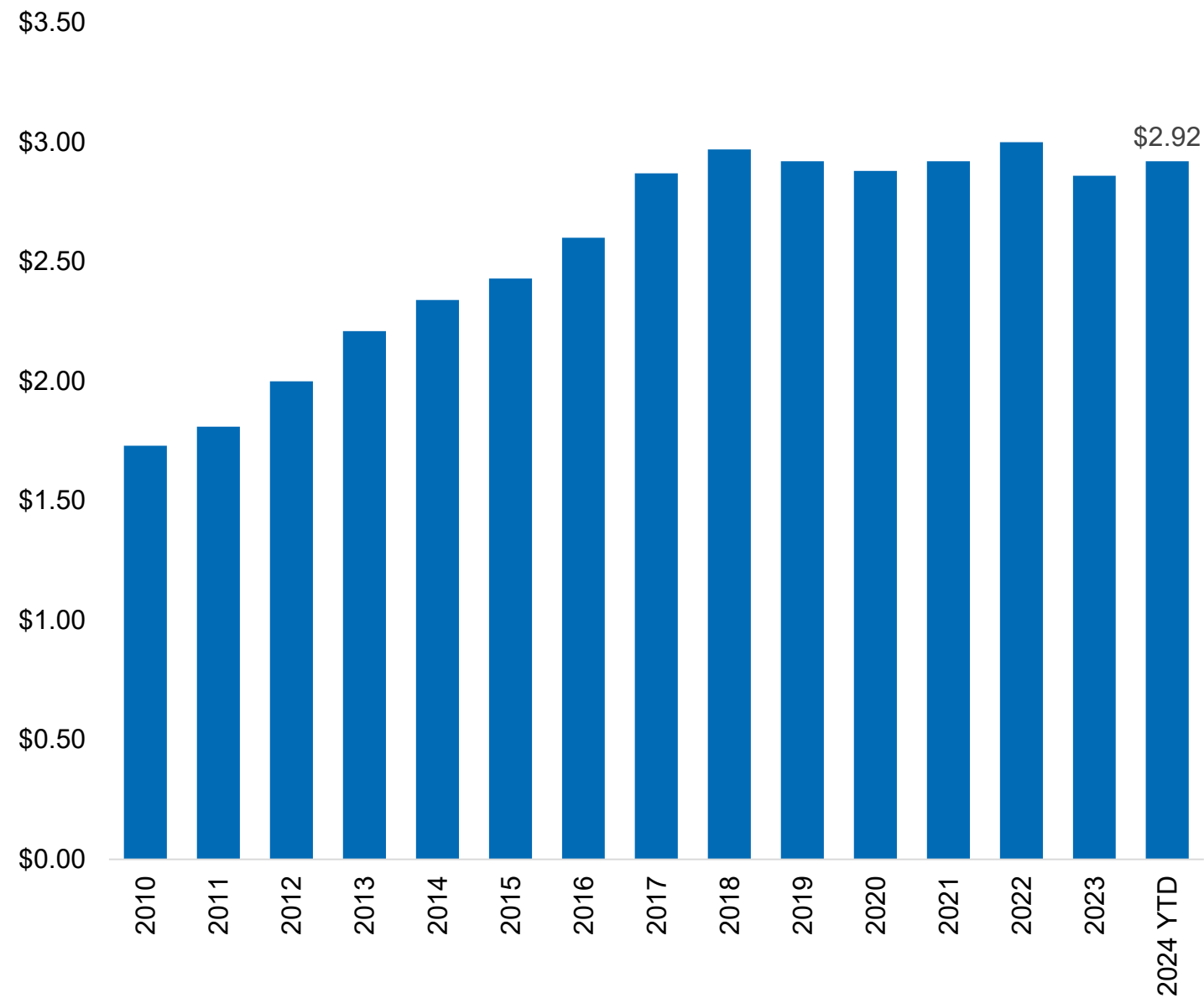


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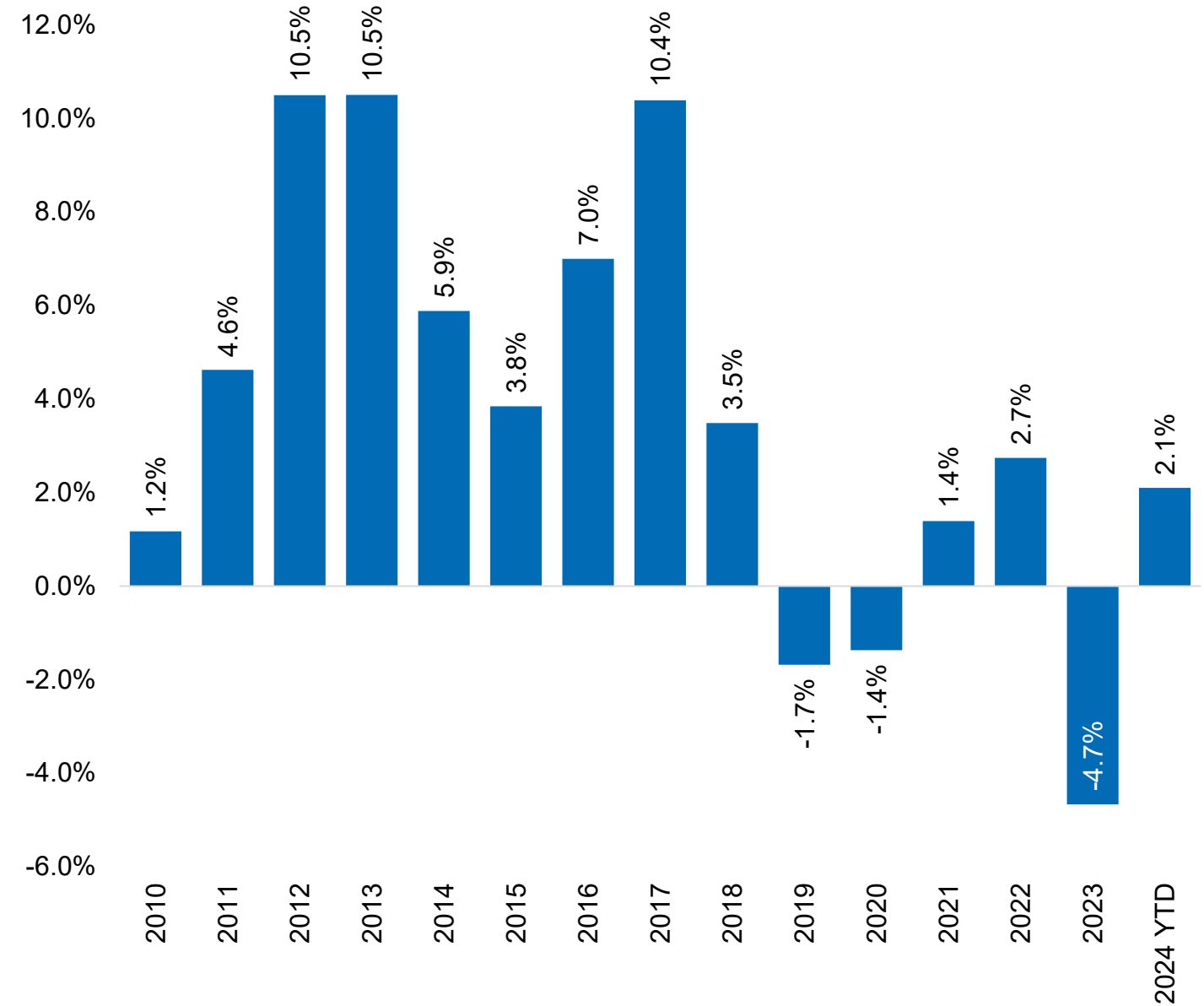
Asking Rents Remain Consistent

Overall asking rates appear to have come to a slow, the fourth quarter has shown signs of optimism as the asking rates have remained stable and even decreased in some submarkets.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

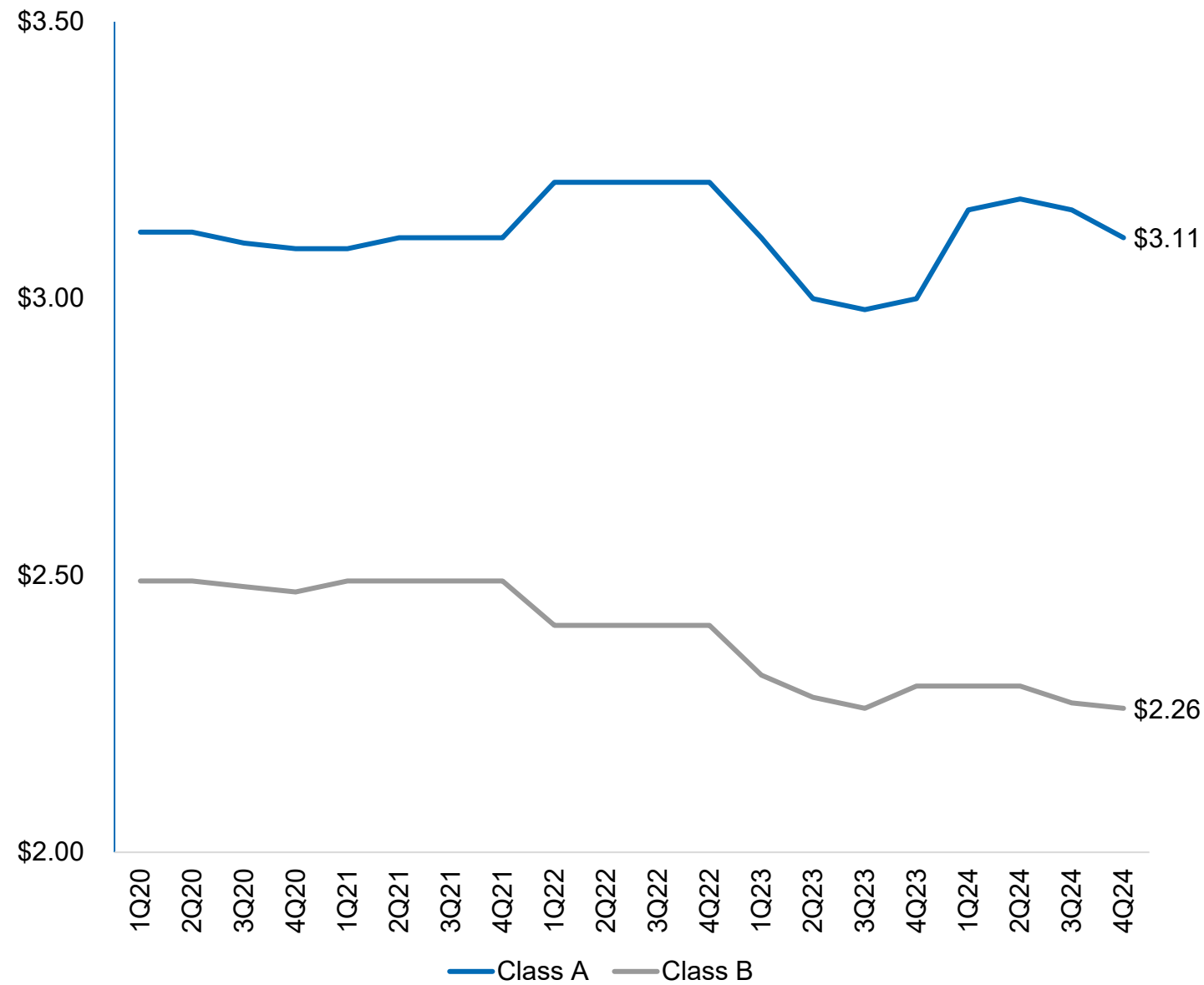


Source: Newmark Research, CoStar

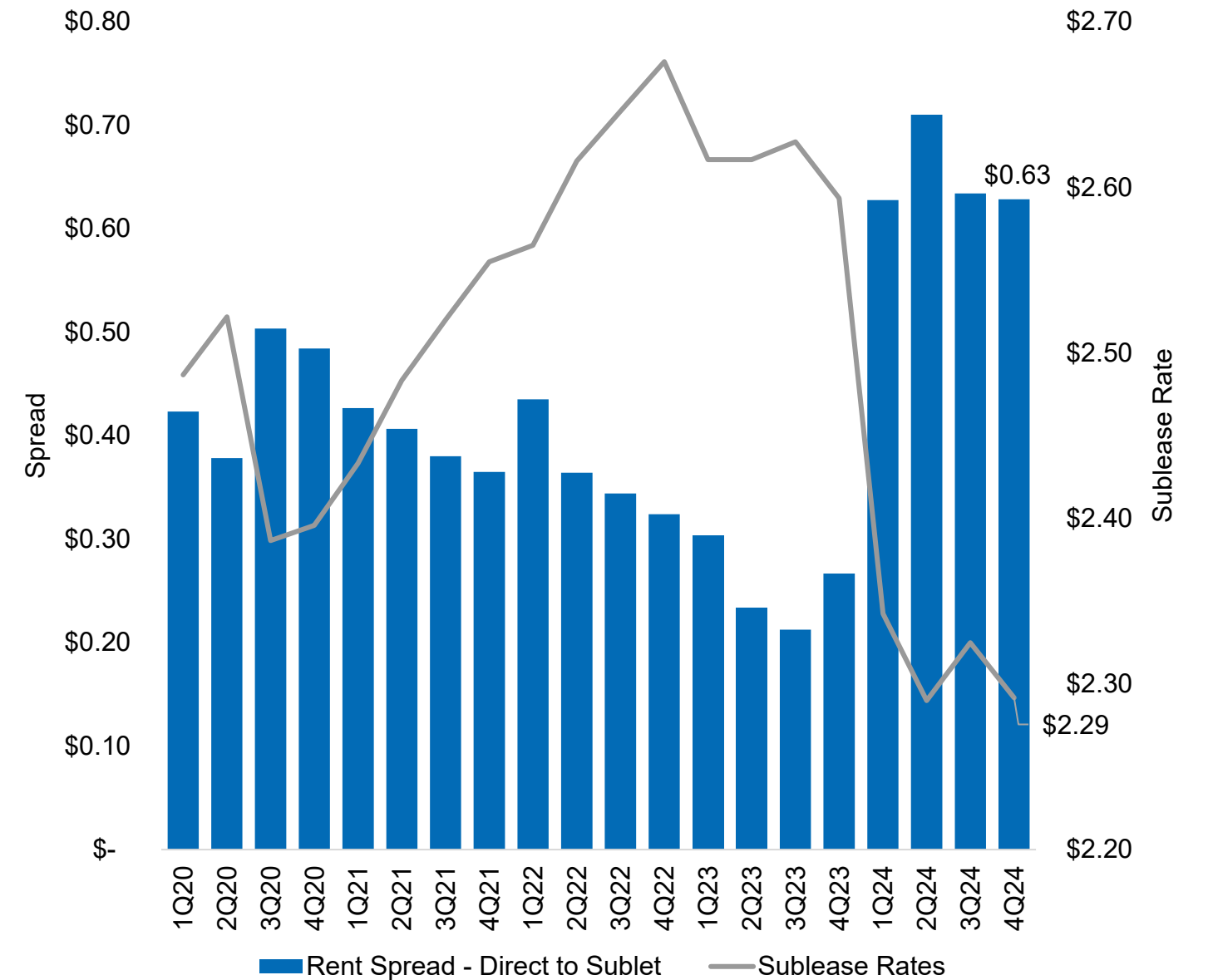
Office Sublease Rates Increase

Direct rents experienced a slight decrease in fourth quarter along with the sublease rates. The rent spread between direct and sublet has remained stable through the end of the year.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

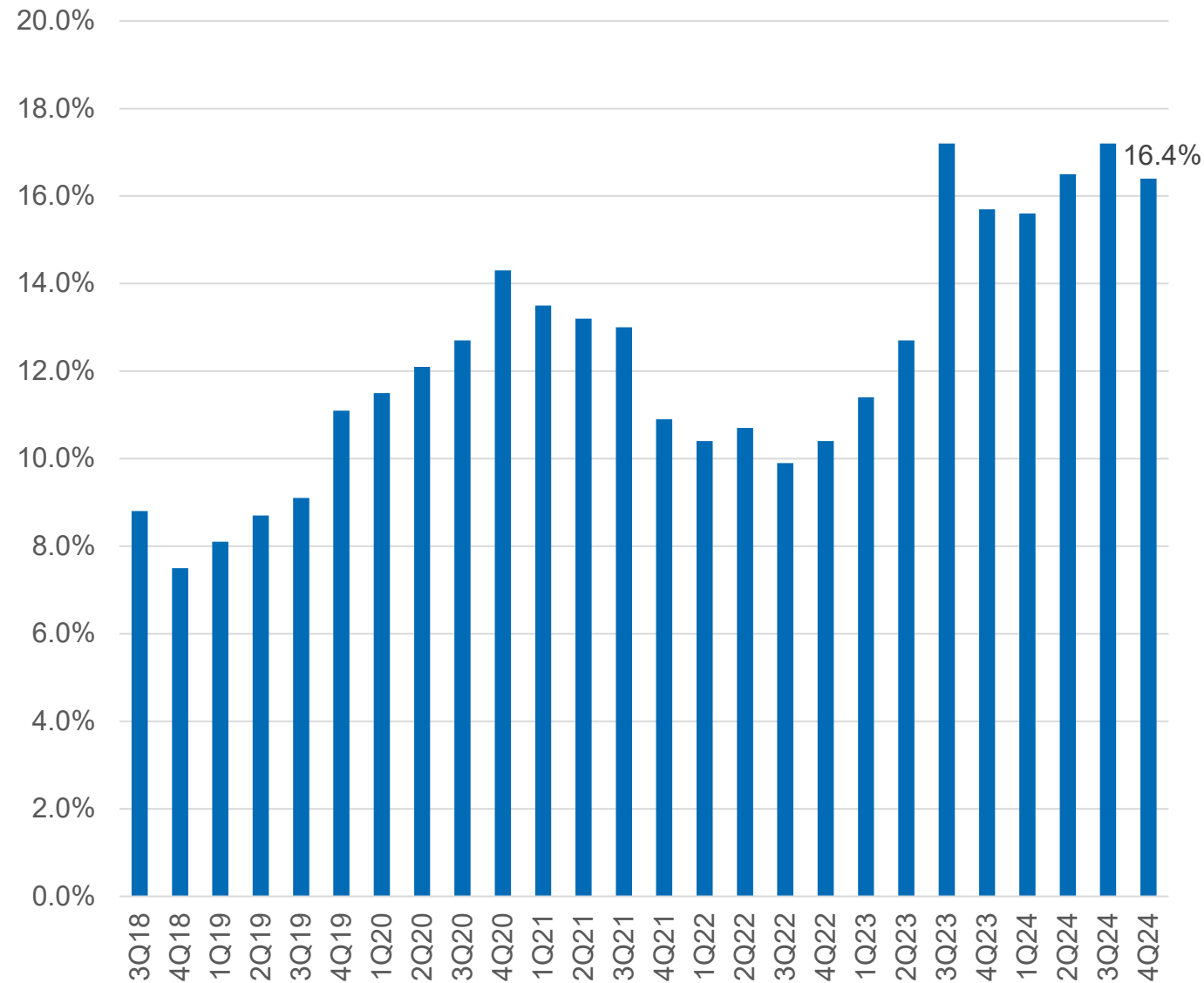


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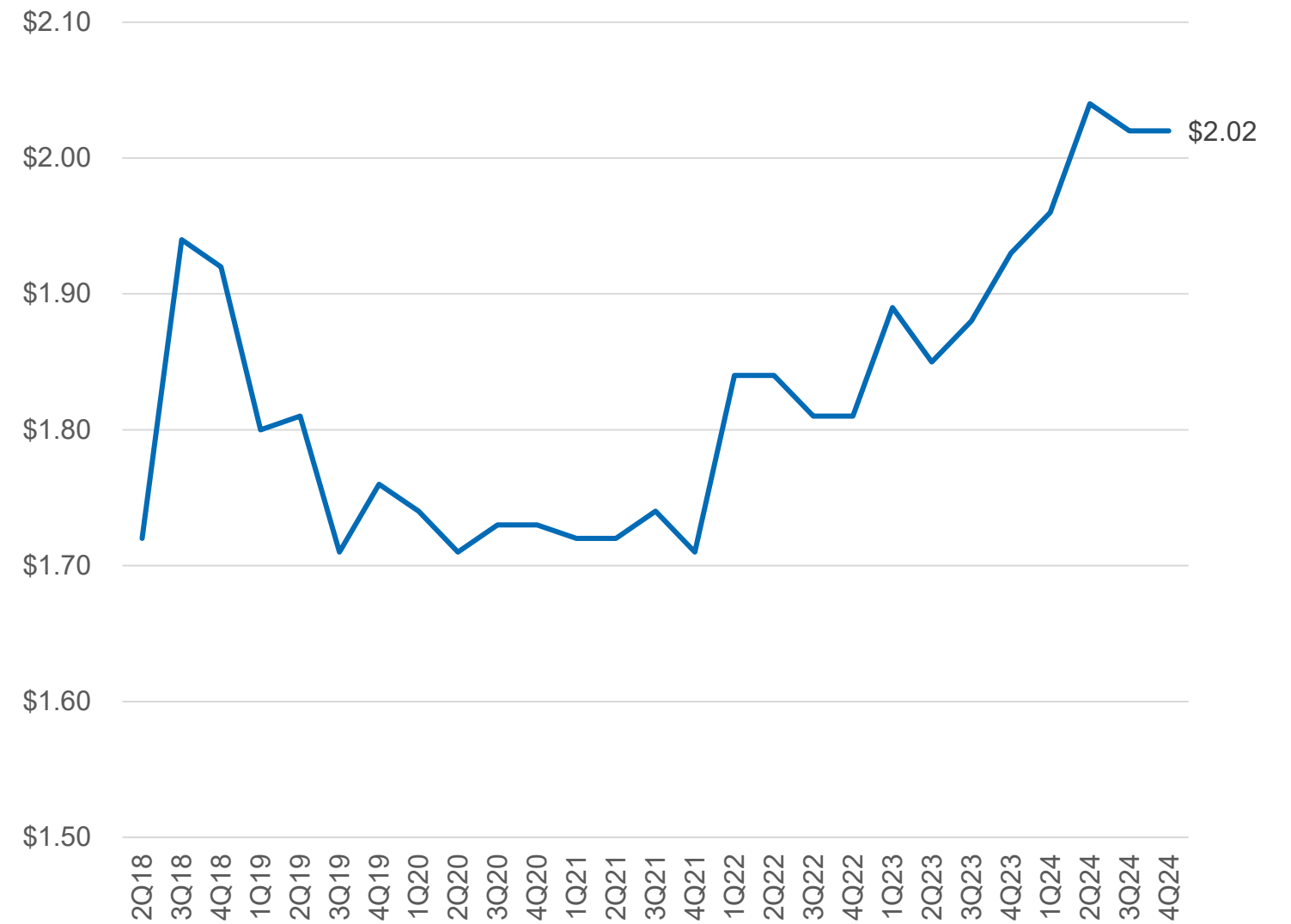
Flex Market Overall Availability and Asking Rent

Flex availability decreased in the fourth quarter with there being 30,326 square feet of positive absorption in the Tri-Valley submarket, heavily concentrated in Pleasanton. Overall net absorption for year to date shows positive 15,317 square feet. Availability decreased by 80 basis points while rents remain stable at \$2.02/SF.

Flex Space Overall Availability



Flex Rate Direct Asking Rent



Source: Newmark Research, CoStar



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Fourth Quarter Lease Transactions

Pleasanton and Bishop Ranch had the largest transactions of the fourth quarter for the Tri-Valley market.

Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
ServiceNow	4305 Hacienda Drive	Pleasanton – Hacienda Business Park	Lease Renewal	25,000
Zinus	6111 Bollinger Canyon Road	San Ramon – Bishop Ranch	Direct Lease	13,636
Arctera	6200 Stoneridge Mall Road	Pleasanton – Stoneridge Mall	Direct Lease	12,340
The Helsing Group	6101 Bollinger Canyon Road	San Ramon – Bishop Ranch	Direct Lease	9,835
David W White Inc.	2000 Crow Canyon Place	San Ramon - Other	Direct Lease	7,016

Appendix





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