

Pleasanton

Office

23Q3

The Tri-Valley office market faces ongoing challenges due to increasing vacancy rates. Despite the rising vacancy levels, asking rates remained stable. Many businesses are reevaluating their office space needs and optimizing their real estate assets, leading to a greater supply of office spaces in the Tri-Valley region. Activity levels in the third quarter experienced a significant uptick, increasing by 58.0 percent since the beginning of the year.



Pleasanton

# Office 23Q3

## Key Takeaways

- Marketwide vacancy saw a 120-basis point uptick, increasing to 17.9% from the previous quarter
- Year-over-year, the average full-service asking rates climbed by 3.9% to reach \$2.94 per square foot
- Despite a net occupancy loss of 255,281 square feet, market activity rebounded with nearly 266,000 square feet leased in the third quarter

<b>Vacancy Rate</b> 17.9%	<b>Net Absorption</b> -255K SF	<b>Under Construction</b> 0K SF	<b>Overall Class A Asking Lease Rates (FS)</b> \$3.14/SF
YOY ▲ FORECAST ▲	YOY ▼ FORECAST ▼	YOY — FORECAST ▼	YOY — FORECAST —

## Vacancy Rises as Asking Rates Hold Firm

Overall vacancy in the Tri-Valley office market increased by 120 basis points (bps) quarter-to-quarter; an immediate consequence of companies moving out of the market or shedding surplus space they either have not utilized or do not anticipate needing for future growth. Despite the fluctuations in the market, asking rates stand strong, as property owners are committed to maintaining the value of their commercial assets. Asking rates increased by \$0.03 across all classes in comparison to the previous quarter, underscoring property owners' determination to uphold competitive pricing in the market while safeguarding the perceived worth of their properties.

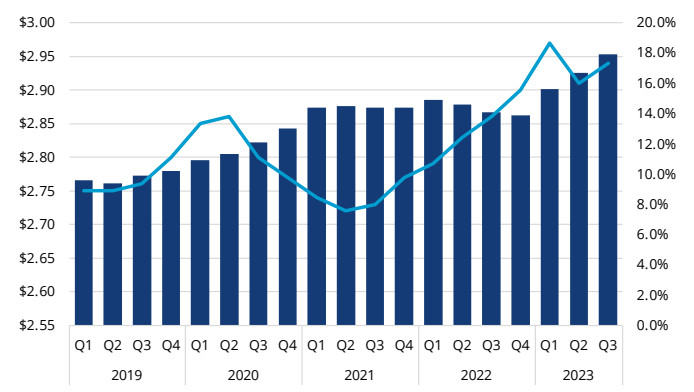
## Market Indicators

<b>3.80%</b> Unemployment Rate U.S.	<b>0.89%</b> GDP Quarterly % change yr/yr	<b>4.621%</b> U.S. 10 Year Treasury Note
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## Historic Comparison

	22Q3	23Q2	23Q3
<b>Total Inventory (in Thousands of SF)</b>	27,256.0	27,515.7	27,515.7
<b>New Supply (in Thousands of SF)</b>	0.0	0.0	0.0
<b>Net Absorption (in Thousands of SF)</b>	(13.2)	(302.8)	(255.3)
<b>Overall Vacancy</b>	14.1%	16.7%	17.9%
<b>Under Construction (in Thousands of SF)</b>	150.0	0.0	0.0
<b>Overall Asking Lease Rates (NNN)</b>	\$2.86	\$2.91	\$2.94

## Market Graph



Source: Colliers

■ Total Vacancy — Wtd Asking

In the third quarter, the Tri-Valley office market witnessed a substantial uptick in vacancy, surging 18.0%, resulting in a 380-basis-point increase over the course of a year. Following a decline in asking rates during the second quarter, rates rebounded, registering a 2.8% year-over-year increase.

## Recent Transactions



**Lease**  
5753 W Las Positas Blvd  
Pleasanton | 48k SF



**Lease**  
6870 Koll Center Pkwy  
Pleasanton | 35k SF



**Lease**  
5601 Arnold Rd  
Dublin | 31k



**Lease**  
4305 Hacienda Dr  
Pleasanton | 25k



**Lease**  
3083 Independence Dr  
Livermore | 19k



**Sale**  
1 & 101 Portola Ave  
Livermore | 246k

## Tri-Valley Office Markets

### Dublin

The Dublin office market reported a flat vacancy of 21.7 percent across all classes in the third quarter from the previous quarter; an increase of 1000 bps from this period last year. The spike in vacancy was attributed to Ross Stores vacating their 73,000- square-foot headquarter location on Hacienda Drive, and Amazon marketing their 200,000-square-foot flex building at 5160 Hacienda Drive, which they own but never occupied. The addition of these two large blocks drove the vacancy from single digits at the close of the fourth quarter last year to highest vacancy in the Tri-Valley office market. However, the increase in vacancy has not affected the overall asking rates, which remained flat at \$2.57 per square foot in the third quarter.

There were two renewals in the third quarter: ZELTIQ Aesthetics Inc renewed their 14,000-square-foot space on Sierra Court, and Alcohol Tobacco and Firearms (ATF) renewed their 31,000-square-foot lease on Arnold Road.



5160 Hacienda Drive, Dublin | 200,000 square feet

### Livermore

The vacancy rate in the Livermore office market experienced a modest 80-basis-point decline, bringing it to 14.2 percent on a quarter-to-quarter basis. Average asking rates remained stable at \$2.21 per square foot. However, driven by changes in market demand, supply dynamics, and economic conditions over the past several quarters, rates increased by a significant 18.0 percent from \$1.87 per square foot year-over-year. Among all the office markets in the Tri-Valley, the Class B office sector in Livermore currently holds the highest vacancy rate, standing at 26.1 percent.

Notable transactions in the third quarter included Acosta Inc relocating from Pleasanton and leasing 18,922 square feet at 3083 Independence Drive and Lam Research purchasing 246,470 square feet on Portola Avenue.

### Pleasanton

The Pleasanton office market vacancy increased 210 bps to 16.6 percent in three months. Both the Class A and flex sectors contributed to the uptick in vacancy. In the Class A sector, OpenText vacated a portion of their space at 6801 Koll Center Parkway, adding 33,000 square feet to the market. California State Compensation Insurance Fund vacated 113,334 square feet at 5880 Owens Drive and 120,283 square feet at 5890 Owens Drive. In the flex market, Teleflex, a company that makes medical devices for healthcare, vacated 40,000 square feet at 4155 Hopyard Road and a 28,000-square-foot vacancy at Diablo Technology Center contributed to the increase in the third quarter.



6801 Koll Center Parkway, Pleasanton | 33,000 square feet

Overall asking rates increased a nickel to \$3.00 per square foot, full service from the previous quarter. Landlords stand firm in maintaining their asking rates as a strategic measure to protect their asset values. This approach allows them to strike a balance between profitability, asset appreciation, and the ongoing appeal of their properties in a constantly evolving market.

In the third quarter, the Pleasanton office market reported a net occupancy loss of 215,357 square feet across all classes, primarily stemming from significant vacancies that emerged during the quarter. Despite this decline, there was a noticeable increase in leasing activity, indicating a potential rebound and recovery in the market.

Quarterly transactions included Boeing renewing and extending their 48,193-square-foot lease on West Las Positas Boulevard, Vector Atomic Inc leased 34,670 square feet at the former Unchained Labs location at 6870 Koll Center Parkway, ServiceNow renewed their lease at Hacienda Terrace for 24,817 square feet, PureRED renewed their commitment of 12,542 square feet at Diablo Technology Center, and BKF Engineers inked a 12,238-square-foot lease at Stoneridge Place.



Bishop Ranch | San Ramon

### San Ramon

San Ramon, with 9.0 million square feet of tracked inventory, ranks as the Tri-Valley's second-largest office market. San Ramon reported the second highest vacancy rate in the Tri-Valley market, standing at 19.9 percent, an increase of 270 bps from this period last year. In all property classes, the overall full-service asking rates remained steady at \$3.13 per square foot.

*(Please note that Bishop Ranch has recently renamed six of their workplace properties as follows: BR-1 is now known as The Orchards, BR-3 as Sycamore, BR-2600 as Lakeside, BR-15 as Shepherd's Glen, BR-8 as Canopy, and BR-11 as Bishop Ranch Medical).*

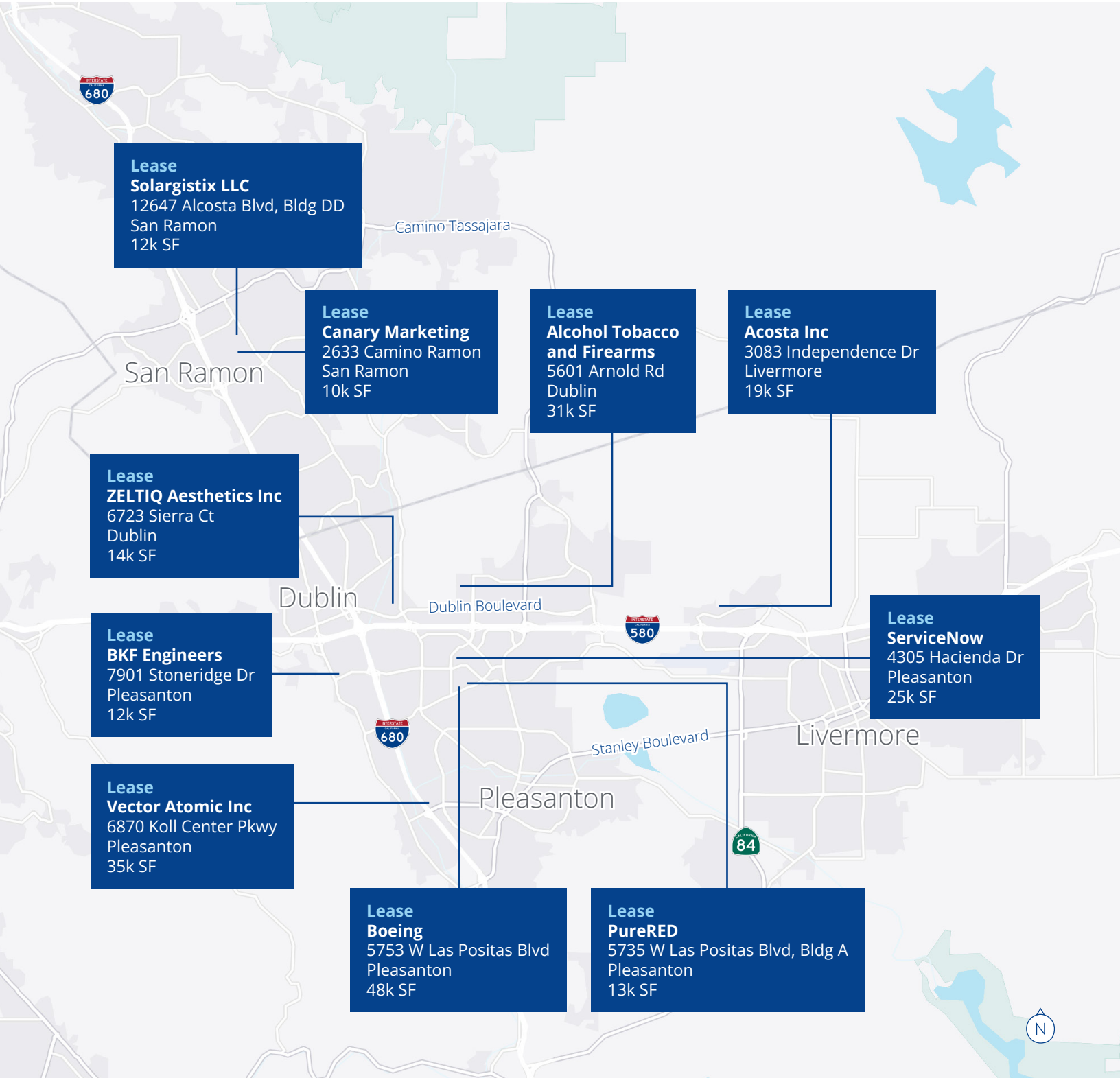
Large blocks of vacant space in Shepherd's Glen, The Orchards, Sycamore, and Lakeside carry the bulk of the uptick in vacancy over the past several quarters; however, if all available occupied were to be calculated into the vacancy, the number would be considerably higher at 27.0 percent.

Two significant deals in the third quarter to note include Solargistix LLC leasing 12,042 square feet at Shepherd's Glen, and Canary Marketing signing a 10,281-square-foot lease at Sycamore.

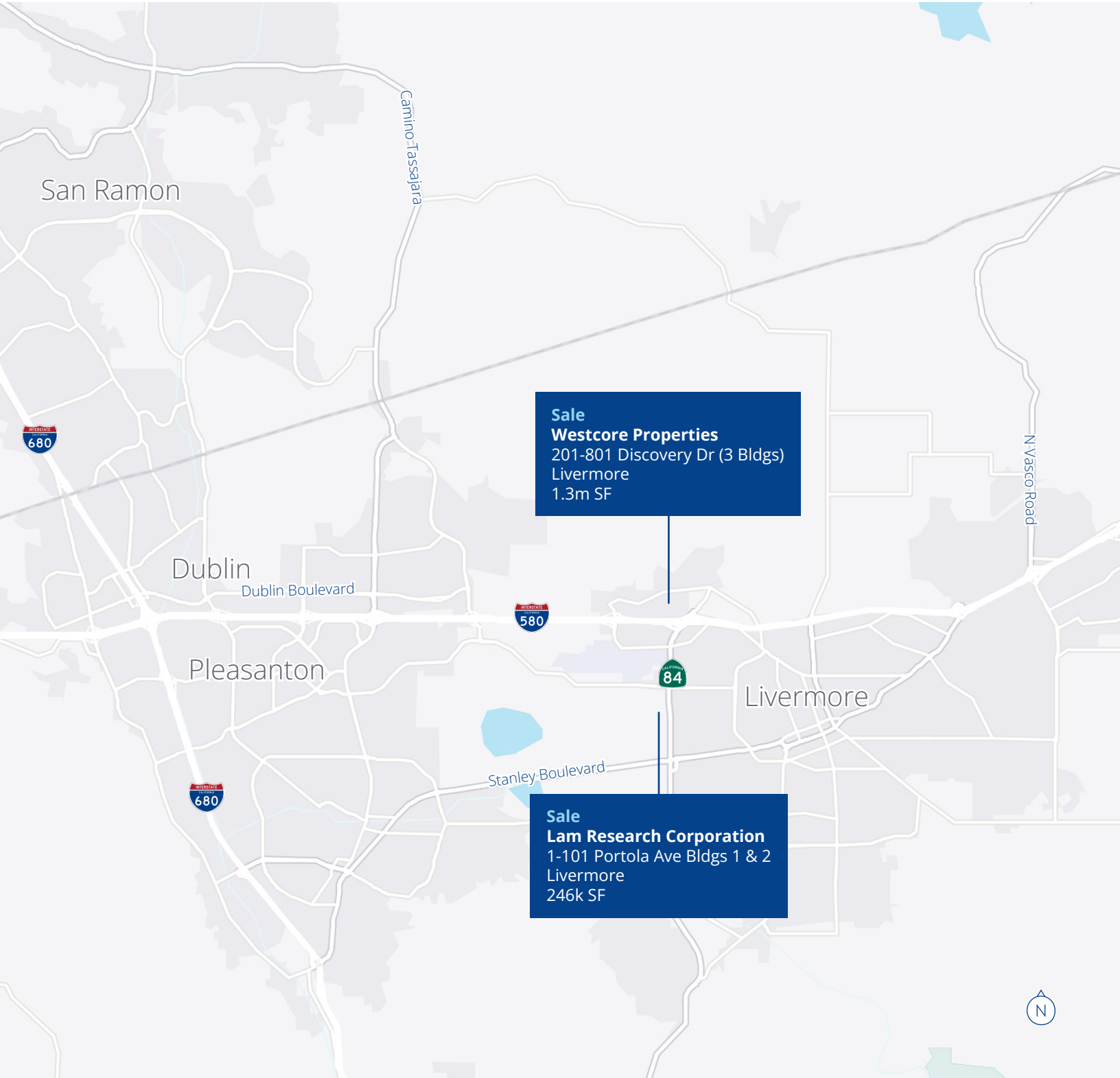
### Looking Forward

As companies navigate the evolving landscape of hybrid work and economic uncertainties, they are actively resizing their office footprints and seeking space in higher-quality buildings that provide enhanced amenities, aimed at enticing employees to return to the workplace full-time. This strategic portfolio evaluation driven by the need to streamline costs while prioritizing profit sustainability, especially in the face of rising interest rates, which have led companies to emphasize profitability over revenue growth. Anticipated consequences include a notable impact on the Class A office market. Nevertheless, property owners are unwavering in their commitment to keeping asking rates unchanged. Rather than lowering these rates, which might diminish the value of their properties, they are choosing to provide concessions and tenant improvement incentives to tenants who are financially stable and have good credit. Because of these dynamics, it is anticipated that vacancy rates will increase, while asking rates are likely to remain stable throughout 2023.

## Significant Lease Activity

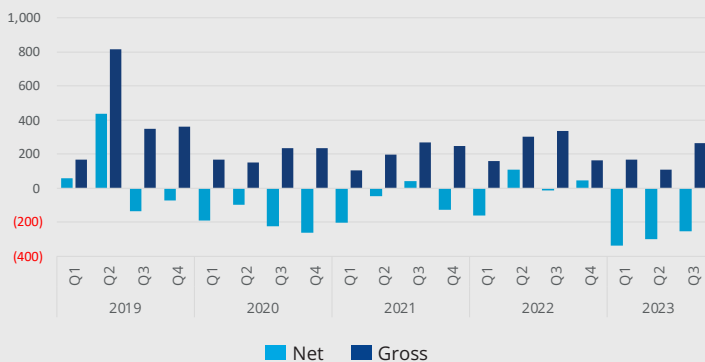


## Significant Sale Activity



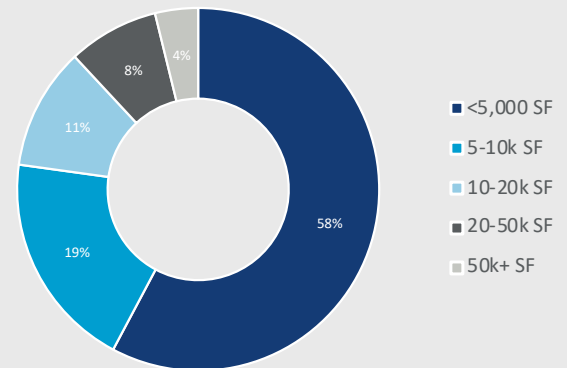
Submarket/ Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (FSG)
<b>Total</b>											
Class A	15,754,105	22.2%	6.0%	28.2%	21.2%	19.2%	(248,944)	(757,570)	-	-	\$3.14
Class B	5,075,723	15.1%	4.3%	19.4%	15.8%	16.3%	32,700	(7,230)	-	-	\$2.37
Flex	6,685,909	10.4%	3.3%	13.7%	11.9%	11.0%	(17,188)	(110,799)	-	150,000	\$2.56
<b>TOTAL</b>	<b>27,515,737</b>	<b>18.0%</b>	<b>3.8%</b>	<b>21.8%</b>	<b>17.9%</b>	<b>16.7%</b>	<b>(233,432)</b>	<b>(875,599)</b>	<b>-</b>	<b>150,000</b>	<b>\$2.94</b>
<b>Dublin</b>											
Class A	1,677,529	9.5%	7.1%	16.7%	15.4%	15.4%	0	(111,879)	-	-	\$3.23
Class B	347,447	38.5%	0.0%	38.5%	33.7%	31.4%	(8,011)	(5,447)	-	-	\$1.78
Flex	806,717	28.9%	2.3%	31.2%	29.6%	29.2%	2,125	(216,400)	-	-	\$2.51
<b>TOTAL</b>	<b>2,831,693</b>	<b>18.6%</b>	<b>4.9%</b>	<b>23.5%</b>	<b>21.7%</b>	<b>21.3%</b>	<b>(5,886)</b>	<b>(333,726)</b>	<b>-</b>	<b>-</b>	<b>\$2.57</b>
<b>Livermore</b>											
Class B	966,779	21.2%	7.4%	28.6%	26.1%	26.3%	2,102	15,922	-	-	\$2.17
Flex	2,047,357	8.5%	2.8%	11.3%	8.5%	9.6%	21,849	24,555	-	-	\$2.26
<b>TOTAL</b>	<b>3,014,136</b>	<b>12.5%</b>	<b>4.3%</b>	<b>16.8%</b>	<b>14.2%</b>	<b>15.0%</b>	<b>23,951</b>	<b>40,477</b>	<b>-</b>	<b>-</b>	<b>\$2.21</b>
<b>Pleasanton</b>											
Class A	6,719,401	26.8%	6.0%	32.7%	22.1%	19.1%	(177,125)	(442,587)	-	-	\$3.10
Class B	2,873,799	11.9%	3.0%	15.0%	10.6%	10.9%	7,180	6,222	-	-	\$2.71
Flex	3,124,464	8.9%	3.1%	12.0%	10.3%	7.8%	(45,412)	77,966	-	150,000	\$2.84
<b>TOTAL</b>	<b>12,717,664</b>	<b>19.0%</b>	<b>4.6%</b>	<b>23.6%</b>	<b>16.6%</b>	<b>14.5%</b>	<b>(215,357)</b>	<b>(358,399)</b>	<b>-</b>	<b>-</b>	<b>\$3.00</b>
<b>San Ramon</b>											
Class A	7,357,175	20.9%	5.7%	26.6%	21.7%	20.2%	(93,668)	(224,953)	-	-	\$3.17
Class B	887,698	9.7%	6.7%	16.4%	14.5%	16.7%	31,429	(23,927)	-	-	\$2.45
Flex	707,371	1.2%	6.9%	8.1%	7.9%	8.5%	4,250	3,080	-	-	\$2.02
<b>TOTAL</b>	<b>8,952,244</b>	<b>18.2%</b>	<b>2.0%</b>	<b>20.2%</b>	<b>19.9%</b>	<b>18.9%</b>	<b>(57,989)</b>	<b>(245,800)</b>	<b>-</b>	<b>-</b>	<b>\$3.13</b>
<b>Tri-Valley Quarterly Comparisons and Totals</b>											
Q3 2023	27,515,737	18.0%	3.8%	21.8%	17.9%	16.7%	(255,281)	(897,448)	-	150,000	\$2.94
Q2 2023	27,515,737	17.4%	0.0%	17.4%	16.7%	15.6%	(302,816)	(642,167)	-	150,000	\$2.91
Q1 2023	27,515,737	16.5%	2.1%	18.6%	15.6%	13.9%	(339,351)	(339,351)	-	150,000	\$2.97
Q4 2022	27,255,979	13.7%	2.8%	16.5%	13.9%	14.1%	45,968	(19,637)	150,000	-	\$2.90
Q3 2022	27,255,979	12.5%	3.0%	15.5%	14.1%	14.6%	(13,216)	(65,605)	150,000	-	\$2.86

### Tri-Valley Gross vs Net Absorption



Source: Colliers

### Availabilities by Size Range



Source: Colliers

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# 66 countries on 6 continents



**\$4.5B**  
annual revenue



**2B**  
square feet managed



**19,000 +**  
professionals

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