

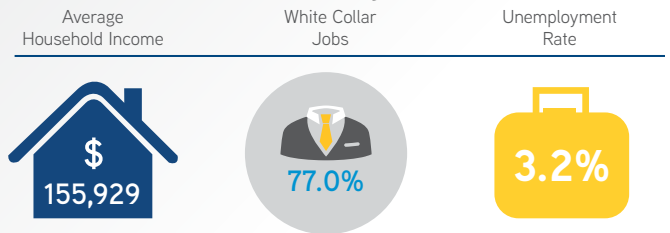
## Disappearing Vacancy

- > The office market vacancy continued its downward trend to 9.3 percent
- > Overall market weighted average asking rents held steady at \$2.47 per square foot full service
- > Total Tri-Valley net absorption was positive 752,771 square feet

**The third quarter 2016 will be remembered for massive net Class A absorption and robust sales activity.** Total Tri-Valley net absorption was positive 752,771 square feet with the Class A office sector contributing positive 634,920 square feet to the total number. To put that in perspective, the previous ten years of collective Class A absorption totaled negative 298,688 square feet with the highest annual total net absorption positive 533,160 square feet in 2012. It was a big quarter for inter-market net absorption with one notable new tenant to the market, and we will touch on the “who” and “where” in the following paragraphs specific to each submarket.

Also in the quarter, 891,780 square feet changed hands along with more than \$150 million. Those transactions will be called out relative to the cities as addressed below.

### Market Indicators - Tri-Valley



### Market Trends

Relative to prior period	Q3 2016	Q4 2016*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↔	↔
Rental Rate	↑	↑

\*Projected

### Historical Vacancy and Average Asking Rates

Tri-Valley | All Classes



Statistically, the total Tri-Valley weighted average asking rents closed the quarter at \$2.47 full service gross flat from the prior quarter and total market vacancy at 9.3 percent down 1.5 percent from the prior quarter.

### Summary Statistics

Q3 2016 Tri-Valley Office Market	Previous Quarter	Current Quarter
Vacancy Rate	10.8%	9.3%
Overall Asking Rate*	\$2.47	\$2.47
Class A Asking Rate*	\$2.70	\$2.76
Class B Asking Rate*	\$2.14	\$2.14
Flex Asking Rate*	\$1.91	\$1.90
Net Absorption	102,652	421,169
Gross Absorption	323,191	580,505

\*Asking rates are reported on a full service monthly basis

### U.S. Economic Indicators

	Q3 2016	Q4 2016*
Unemployment Rate	4.9%	5.0%
Labor Force Participation Rate	62.7%	62.9%
Consumer Price Index	2.40%	2.41%
Interest Rate - 10 Yr Treasury	1.49%	1.60%
Business Confidence	99.7%	99.5%
Consumer Confidence	100.8%	104.1%

Statistically, the total Tri-Valley weighted average asking rents closed the quarter at \$2.47 full service gross, flat from the prior quarter, and total market vacancy at 9.3 percent, down 1.5 percent from the prior quarter. Class A weighted average asking rents are at \$2.76, Class B at \$2.14, and the office/flex sector closed the third quarter 2016 at \$1.90 (adjusted to full service gross).

## Pleasanton

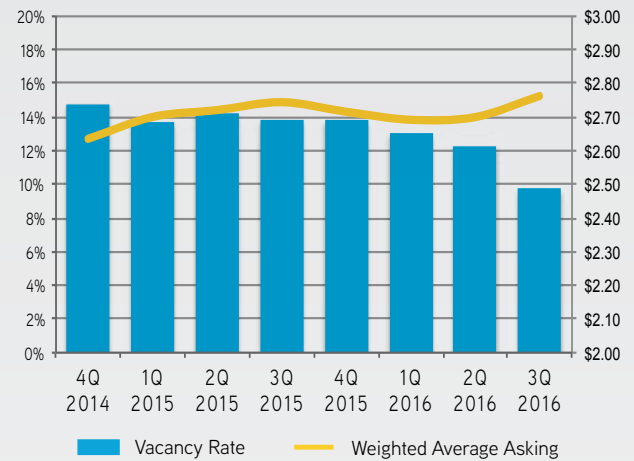
Pleasanton Class A weighted average asking rents are \$2.88 full service gross with 241,489 square feet of positive absorption. The Class A total vacancy rate is now 6.5 percent, down from 8.9 percent at the close of the second quarter. The bulk of the positive absorption came from Ellie Mae's expansion at Rosewood Commons. Ellie Mae leased 143,515 square feet, occupying floors three through six at 4430 Rosewood Drive. The expansion brings their total footprint to 280,000 square feet in the project. Workday Inc. leased an additional 18,669 square feet at Pleasanton Corporate Commons, bringing their total footprint at that project to approximately 300,000 square feet. They also purchased 205,051 square feet this quarter from Albertsons (Seller) in buying 5928 Stoneridge Mall Road in the Centerpointe Office Campus. It is assumed that they will vacate their leased footage at Pleasanton Corporate Commons once construction is complete on their 410,000 square foot, 5-story building at BART at the mall with estimated completion mid-2018.

On the investment sales front, The Atrium at the mall (5776 Stoneridge Mall Road) sold for \$15.5 million dollars (\$208/square foot) with MPVCA Pleasanton LLC, Seller, and Trivam Partners LLC as Buyer. This 74,241 square foot project was over 90 percent leased at sale with a rumored sales cap south of 7.0 percent. Additionally, Center Park (5000 Franklin Drive) traded to Westwood Company, Buyer, and Franklin Drive LLC as Seller. This 62,864 square foot two-story office building was 100 percent leased at sale; although, it is speculated that D+H will vacate 30,232 square feet upon their lease expiration at the end of February 2017.

Class B weighted average asking rents closed the quarter at \$2.46 full service gross, up from \$2.43 the prior quarter, but relatively flat from one year ago when weighted average asking rents were \$2.47. Net absorption for the quarter was negative 28,114 square feet, and the vacancy rate in the sector is 10.0 percent. Deploy HR, Inc. leased 6,845 square feet at Birch Lakes (7031 Koll Center Parkway).

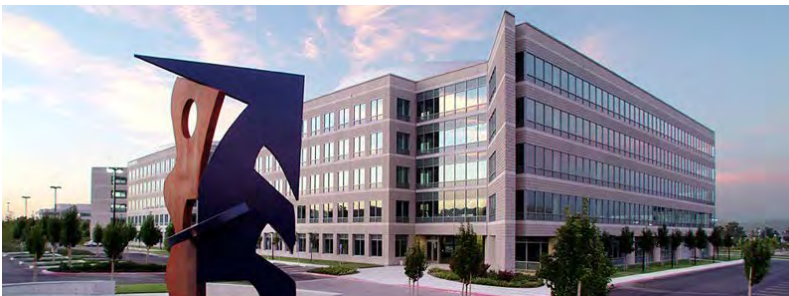
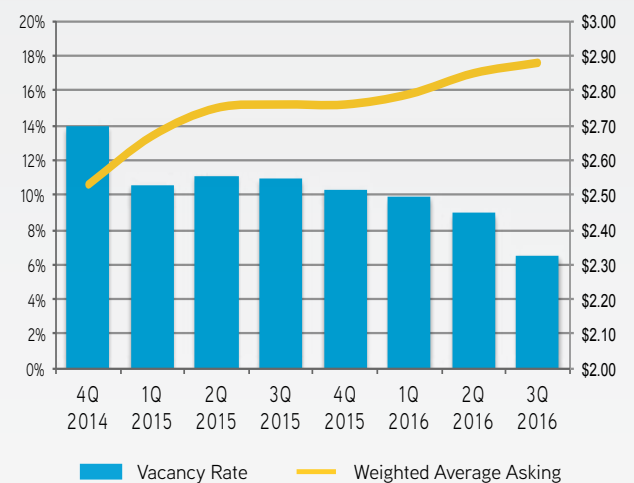
## Historical Vacancy and Average Asking Rates

Tri-Valley | Class A



## Historical Vacancy and Average Asking Rates

Pleasanton | Class A



### PLEASANTON CORPORATE COMMONS

Workday Inc. leased an additional 18,669 square feet at Pleasanton Corporate Commons bringing their total footprint at that project to approximately 300,000 square feet.

Office/flex weighted average asking rents closed the quarter at \$2.18 (adjusted to full service gross) with 39,720 square feet of positive net absorption. Vacancy in the sector is at 3.7 percent; it was 5.4 percent one year ago. Purigen Biosystems Inc. leased 16,165 square feet at Britannia Business Center II (5700 Stoneridge Drive). At the close of the quarter, Black Mountain Holdings, LLC purchased 4511 Willow Road and 5870 Stoneridge Drive (total of 114,155 square feet in two of the three properties that comprise Diablo Tech Center & Britannia Business Center III) from CREFIII-REI Britannia, LLC. This premium R&D property was 100 percent leased at sale.

## Dublin

Dublin Class A weighted average asking rents are at \$2.75 full service gross with just 86,525 square feet of direct available footage. When SAP vacates Park Place in Dublin in the first quarter 2017, the weighted average asking rent will jump to \$3.08 full service gross reflecting 405,000 square feet on the market at \$3.15 per square foot. The total vacancy rate at the moment is 8.2 percent, but this will climb to 35.7 percent when SAP moves north to Bishop Ranch. Dublin did not participate in the Class A total market absorption extravaganza – net absorption for the quarter was zero.

Class B weighted average asking rents are at \$2.04 with 2,524 square feet of positive absorption and a total vacancy rate of 18.3 percent. Office/flex weighted average asking rents are at \$2.03 (adjusted to full service gross) with 6,933 square feet of positive absorption, leaving vacancy in that sector at 7.6 percent.

Sleepy Hollow Investment Company disposed of their Dublin holdings in selling their three-building office project, The Crossroads (6375, 6377 and 6379 Clark Avenue) and their office/flex project, Sierra Business Center (6465-6557 Sierra Lane) to Square I LLC (Beacon Group Ventures). The combined 141,490 square foot investment sale traded for \$23.35 million (\$165 per square foot).

## San Ramon

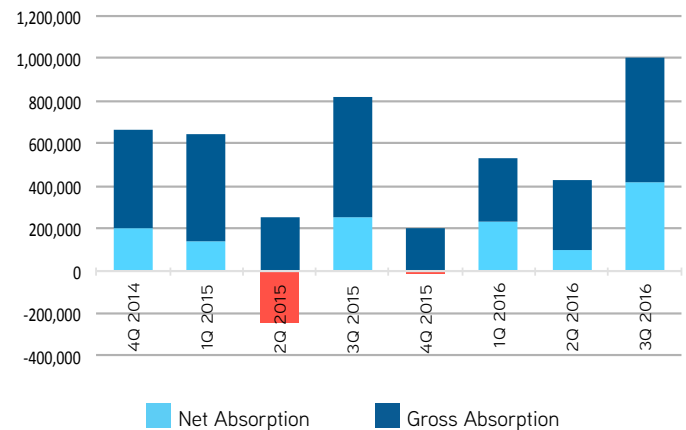
Class A weighted average asking rents closed the quarter at \$2.72 full service gross with a whopping 367,927 square feet of net absorption. The total Class A vacancy rate is now at 12.6 percent. One year ago the total vacancy rate was 17.5 percent. The lions' share of the absorption came from two lease transactions at 2600 in Bishop Ranch.

Rodan + Fields LLC leased 150,000 square feet at the project, representing the largest tenant to migrate to this market in recent memory. General Electric expanded outside of Bishop Ranch 3 in taking approximately 100,000 square feet at 2600, bringing their total footprint at "The Ranch" to 340,000 square feet. Asking rents are now at \$3.00 at 2600 for the remaining 250,000 square feet of marketed vacancy.

Class B weighted average asking rents are \$2.46 full service gross with 5,929 square feet of negative absorption leaving vacancy rates at 4.3 percent.

### Historical Net Absorption and Gross Absorption

Tri-Valley | All Classes



The office/flex sector with total inventory at 700,724 square feet has a weighted average asking rent of \$2.10 (adjusted to full service gross) with no net absorption for the quarter and a total vacancy rate of 7.9 percent.

## Livermore

Livermore's office and office/flex market was generally quiet in the third quarter, with vacancy remaining flat at 13.3 percent. Despite promises of BART to Livermore in 2025 by local politicians, Livermore continues to lead the other four Tri-Valley cities in terms of office vacancy rates. Weighted average full service asking rates also remained flat at \$1.63 per square foot.



2600

Rodan + Fields LLC leased 150,000 square feet at 2600 representing the largest tenant to migrate to this market in recent memory. General Electric expanded outside of Bishop Ranch 3 in taking approximately 100,000 square feet at 2600 bringing their total footprint at "The Ranch" to 340,000 square feet.

Two transactions and one non-transaction were notable this last quarter. Topcon Positioning Systems was finally able to purchase their 30,000 square foot headquarters office building on 3.24 acres at 7901 National Drive, at the corner of National and Greenville Road. Topcon had leased this building from F Rodgers, who later lost the property in foreclosure to GE Capital, who later sold it to Equity Office Properties. Given their first right of refusal to purchase, Topcon was able to purchase this property for considerably less than replacement cost.

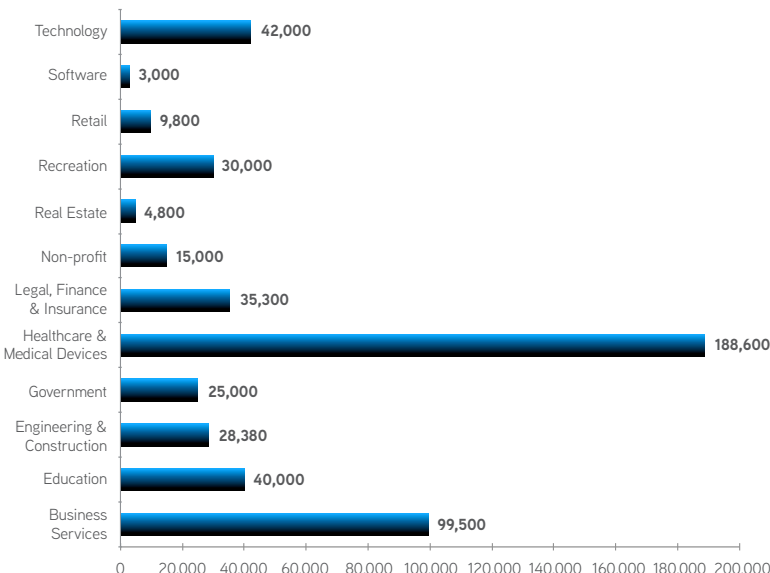
Additionally, Vintage Design, a flooring and counter design firm that works with homebuilders and buyers in the area, renewed their lease of 14,010 square feet at 7491 Longard Road. Finally, Comcast, who is leasing the old Triad campus in the Tri-Valley Tech Park, took their 70,000 square foot sublease off the market, deciding to backfill the empty space with more workforce.

## In Closing

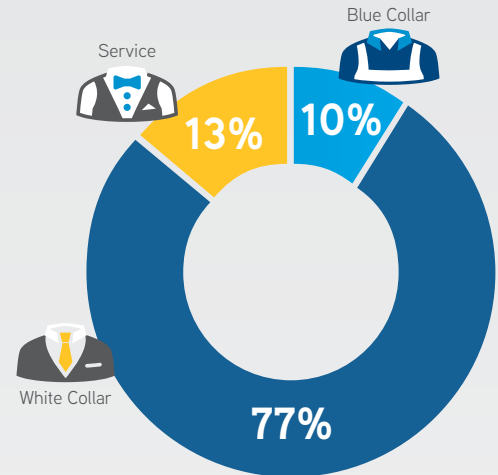
Rodan + Fields' lease of 150,000 square feet in Bishop Ranch (2600) represented a rare migration of a large user to this market. This, coupled with extraordinary inter-market expansion, led to an impressive quarter with staggering net absorption. All signs point to continued erosion of vacancy and upward trending rents. The near term leasing success of 2600 in San Ramon and Rosewood Commons in Pleasanton has led the way for all Class A landlords to continue to push rents. The pending 405,000 square feet of vacancy at Park Place in Dublin (upon SAP's first quarter exit) will represent the largest block of contiguous (two buildings) available space in the Tri-Valley; with an asking rent of \$3.15 full service gross, weighted average asking rents will continue to push higher.

## Current Tenant Demand

Tri-Valley



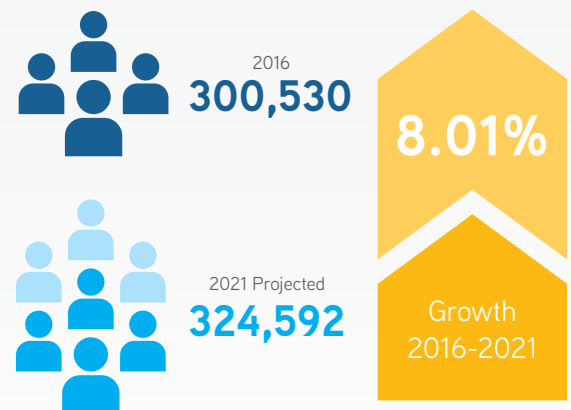
## Employment By Category



Data Source: The Nielsen Company

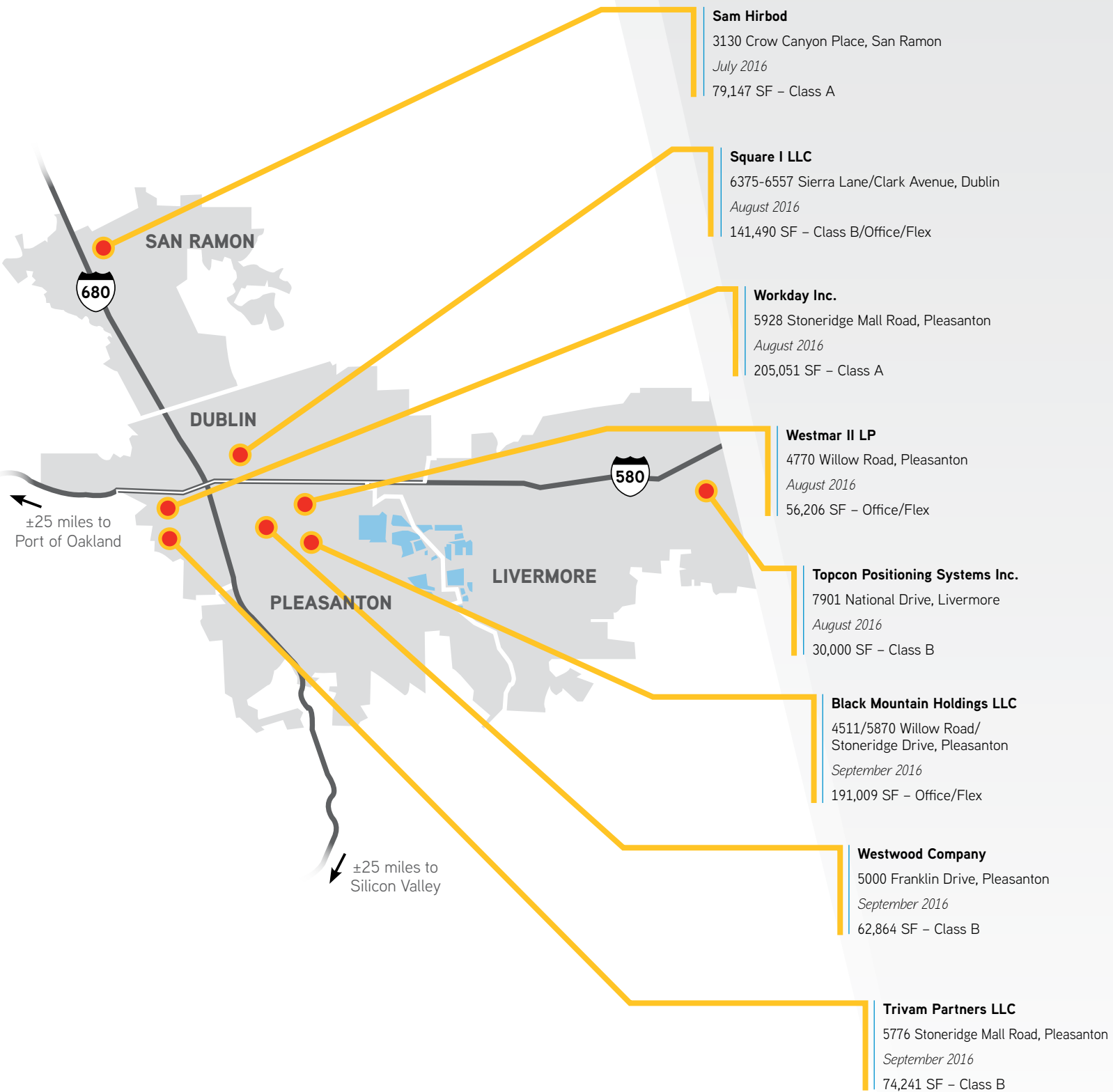
*“All signs point to continued erosion of vacancy and upward trending rents.”*

## Population

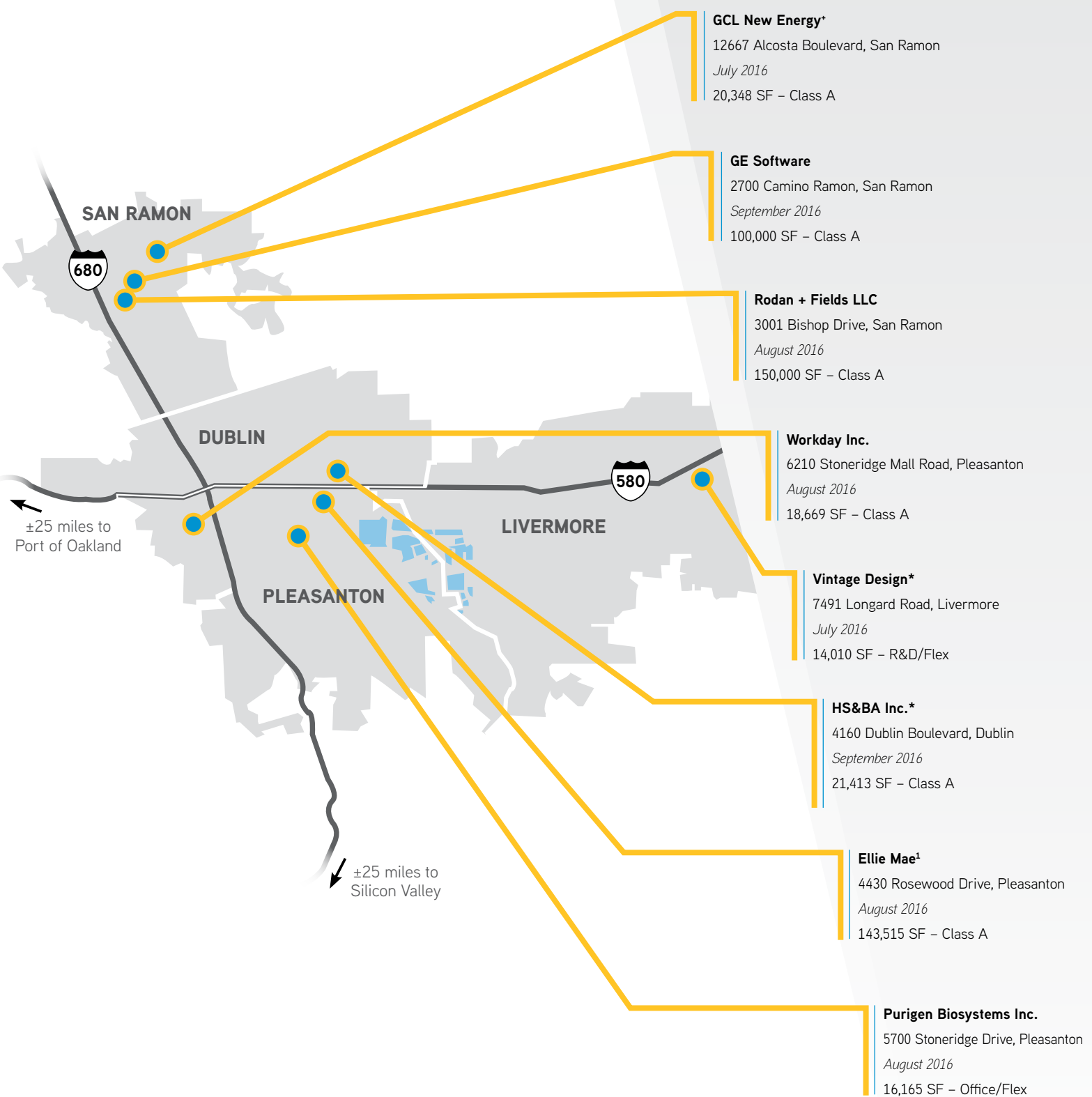


Data Source: The Nielsen Company

## Significant Sale Activity



## Significant Lease Activity



\* Renewal    <sup>1</sup> Expansion    \* Sublease

# Market Comparisons – Tri-Valley

## OFFICE MARKET

CLASS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	GROSS ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	WEIGHTED AVG ASKING RATE F5G
<b>DUBLIN</b>														
A	1,473,288	86,525	5.9%	34,832	2.4%	121,357	8.2%	8.2%	-	25,504	8,237	-	-	\$2.75
B	348,612	60,438	17.3%	3,518	1.0%	63,956	18.3%	19.1%	2,524	15,132	29,096	-	-	\$2.04
Flex	825,068	62,660	7.6%	-	0.0%	62,660	7.6%	8.4%	6,933	10,576	19,292	-	-	\$2.03
Total	2,646,968	209,623	7.9%	38,350	1.4%	247,973	9.4%	9.7%	9,457	51,212	56,625	-	-	\$2.33

<b>LIVERMORE</b>														
B	833,964	182,513	21.9%	-	0.0%	182,513	21.9%	19.8%	(17,700)	(5,660)	15,800	-	-	\$1.64
Flex	2,126,529	175,496	8.3%	35,600	1.7%	211,096	9.9%	10.2%	5,629	76,397	22,463	-	-	\$1.62
Total	2,960,493	358,009	12.1%	35,600	1.2%	393,609	13.3%	12.9%	(12,071)	70,737	38,263	-	-	\$1.63

<b>PLEASANTON</b>														
A	6,368,412	352,315	5.5%	63,632	1.0%	415,947	6.5%	8.9%	153,044	241,489	450,256	-	410,000	\$2.88
B	2,845,890	267,670	9.4%	15,524	0.5%	283,194	10.0%	10.7%	21,311	(28,114)	50,408	-	-	\$2.46
Flex	3,095,722	112,780	3.6%	2,500	0.1%	115,280	3.7%	3.9%	6,989	39,720	111,741	-	-	\$2.18
Total	12,310,024	732,765	6.0%	81,656	0.7%	814,421	6.6%	8.1%	181,344	253,095	612,405	-	410,000	\$2.62

<b>SAN RAMON</b>														
A	7,664,037	963,374	12.6%	4,719	0.1%	968,093	12.6%	15.9%	248,368	367,927	475,812	-	-	\$2.72
B	818,353	30,297	3.7%	4,522	0.6%	34,819	4.3%	3.5%	(5,929)	4,189	19,344	-	-	\$2.46
Flex	700,724	55,543	7.9%	-	0.0%	55,543	7.9%	7.9%	-	5,611	-	-	-	\$2.10
Total	9,183,114	1,049,214	11.4%	9,241	0.1%	1,058,455	11.5%	14.2%	242,439	377,727	495,156	-	-	\$2.68

## MARKET TOTAL

A	15,505,737	1,402,214	9.0%	103,183	0.7%	1,505,397	9.7%	12.3%	401,412	634,920	934,305	-	410,000	\$2.76
B	4,846,819	540,918	11.2%	23,564	0.5%	564,482	11.6%	11.7%	206	(14,453)	114,648	-	-	\$2.14
Flex	6,748,043	406,479	6.0%	38,100	0.6%	444,579	6.6%	6.9%	19,551	132,304	153,496	-	-	\$1.90
Total	27,100,599	2,349,611	8.7%	164,847	0.6%	2,514,458	9.3%	10.8%	421,169	752,771	1,202,449	-	410,000	\$2.47

## QUARTERLY COMPARISON AND TOTALS

Q3-16	27,100,599	2,349,611	8.7%	164,847	0.6%	2,514,458	9.3%	10.8%	421,169	752,771	1,202,449	-	410,000	\$2.47
Q2-16	27,100,599	2,767,393	10.2%	168,234	0.6%	2,935,627	10.8%	11.2%	102,652	331,602	621,944	-	410,000	\$2.47
Q1-16	27,100,599	2,869,159	10.6%	169,120	0.6%	3,038,279	11.2%	12.7%	228,950	228,950	298,753	-	-	\$2.45
Q4-15	27,363,882	3,184,545	11.6%	277,436	1.0%	3,461,981	12.7%	12.6%	(11,022)	141,332	1,529,187	-	-	\$2.44
Q3-15	27,447,346	3,187,943	11.6%	263,016	1.0%	3,450,959	12.6%	13.5%	250,917	152,354	1,324,561	-	-	\$2.44

Note: The weighted average asking rate for office/flex is converted to a full service equivalent.

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# 554 offices in 66 countries on 6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

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## \$2.5

billion in  
annual revenue\*

## 2.0

billion square feet  
under management

## 16,000

professionals  
and staff

\*All statistics are for 2015 and include affiliates

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