

# MARKETBEAT

## East Bay

### Retail Q3 2019



#### ECONOMIC INDICATORS

##### National

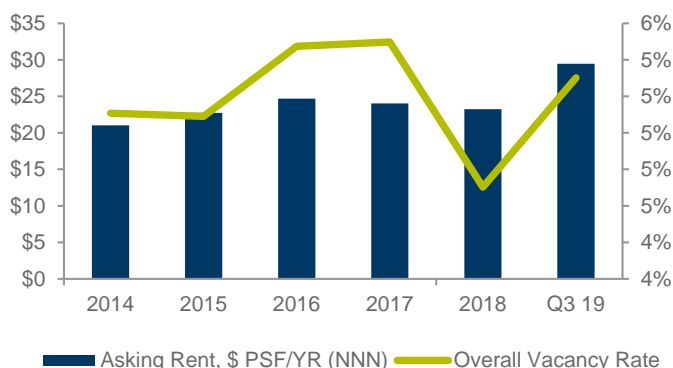
	Q3 18	Q3 19	12-Month Forecast
GDP Growth	3.1%	2.1%	▲
CPI Growth	2.6%	1.8%	▲
Consumer Spending Growth	5.9%	4.1%	▲
Retail Sales Growth	5.6%	3.7%	▲

##### Regional

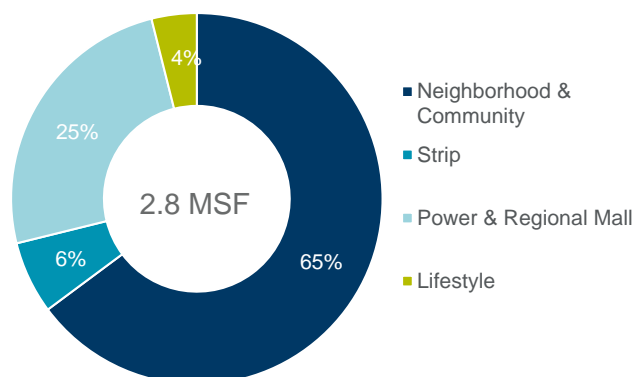
	Q3 18	Q3 19	12-Month Forecast
Median Household Income	\$100,400	\$103,400	▲
Population Growth	0.5%	0.6%	■
Unemployment	2.9%	3.0%	▲

Q3 2019 data are based on latest available data. Growth rates are year-over-year.  
Source: BLS, BOC, Moody's Analytics

#### Rental Rate vs. Overall Vacancy



#### Availability by Type



#### Economy

The East Bay, composed of Alameda and Contra Costa counties, recorded positive job growth with 21,600 jobs (+1.8%) added year-over-year (YOY), bringing regional employment to 1.2 million jobs. Despite employment gains, the unemployment rate has ticked up a modest 10 basis points (bps) across the same time period to 3.0% from 2.9% as the labor force increased slightly. The East Bay remains a desirable place to live in the Bay Area for its relatively affordable housing costs in the region with increases to the labor force being significant. The population grew 0.6% YOY and the median household income continued to climb, up 3.0% YOY, reaching \$103,400 in the third quarter of 2019.

#### Market Overview

The East Bay retail market closed the third quarter of 2019 with a 5.3% vacancy rate. Although it was slightly down from 5.4% rate in the second quarter, it has increased 60 bps from 4.7% over the past year. The shopping center vacancy in Alameda County was recorded at 5.4% (up from 4.7% last year) and in Contra Costa County it was 5.2% (up from 4.6% one year ago). Store closures by national and regional brands, including Payless Shoes, Dressbarn and Orchard Supply Hardware, were the major contributor to the rise of vacancy rate in the first nine months of 2019.

The South 80 Corridor, which includes Albany, Berkeley, Emeryville and Kensington, continued to have the lowest vacancy rate at 3.1%. Having the least retail space in the region at 1.7 million square feet (msf), availability in South 80 Corridor was only 51,000 square feet (sf) at the end of the third quarter of 2019. This was followed by 680 Corridor at 4.2%, and 880 Corridor and 580 Corridor – each at 4.8%.

Retail leasing transactions were relatively muted in 2019. Total net absorption in the third quarter of 2019 was recorded at 74,000 sf, the first positive quarterly absorption in 2019. This figure was only 24% of the total quarterly net absorption in the same period last year at 312,000 sf. The 680 Corridor contributed the most absorption at 59,000 sf, followed by North 80 Corridor, 880 Corridor and 580 Corridor at 33,000 sf, 29,000 sf and 21,000 sf, respectively.

Fitness, services – such as medical and child care – and restaurants remain the most active tenants searching for new spaces within retail throughout the region. Along with the boom

## MARKETBEAT

# East Bay

Retail Q3 2019



in housing construction in the East Bay, home improvement and furnishing stores have also been expanding.

Planet Fitness inked a 24,000-sf lease at a former Staples space in Williamson Ranch Plaza in Antioch. Ace Hardware opened two Bay Area locations (in the East Bay and South Bay) that once were occupied by Orchard Supply Hardware. The new Ace Hardware in the East Bay is occupying 31,000-sf retail space at 1440 Fitzgerald Drive in Pinole.

There were 12,000 sf of retail space delivered from the completion of Eden Shore in Hayward, which brought the total shopping center inventory in the East Bay to 53.4 million square feet (msf). In addition, 159,000 sf of retail space are currently under construction. The largest shopping center currently underway is Sciortino Ranch, an 84,300-sf community center, in Brentwood that will be delivered in December.

## LEASING ACTIVITY WAS MUTED AND THE VACANCY RATE INCREASED TO 5.3% IN THE THIRD QUARTER OF 2019

The average asking rent for the region in the third quarter of 2019 was \$29.47 per square foot (psf) on an annual triple net basis, up 26.2% from last year's figure of \$23.36 psf. These rates reflect what is currently available in the marketplace, which is mostly Class B or C space. Asking rents for small shop space in Class A or newly completed projects command as much as \$65.00 psf.

There was no major shopping center sale transaction in the East Bay during the third quarter. The largest retail transaction was the sale of 44,600-sf University Village at 1075 Monroe Street in Albany. The property, which is occupied by Sprouts, Pet Food Express, Habit Burger and Starbucks, was sold for approximately \$21 million or \$471 per sf by Oppidan Investment Co.

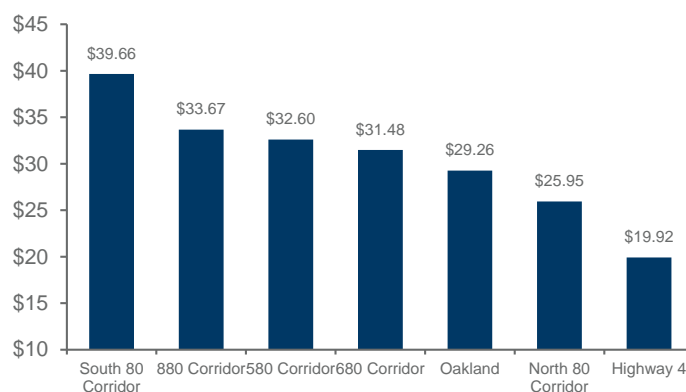
### Outlook

- Fitness, child care and restaurants remain the most active tenants.
- Good quality retail space with great visibility, healthy traffic volume and high income will attain high occupancy and command premium rents.
- Rent growth is forecast to remain subdued.

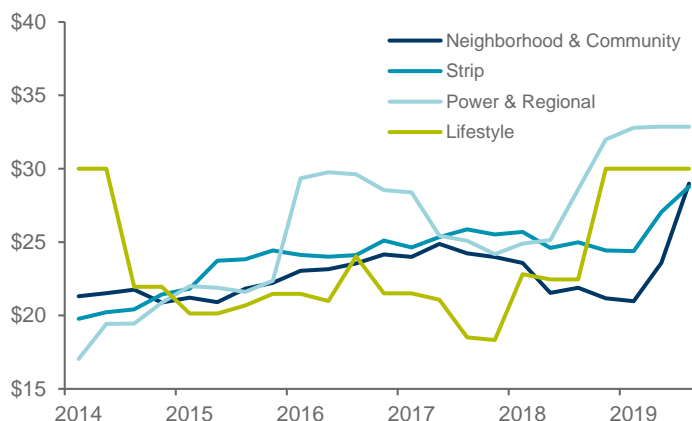
### Market Indicators

	Q3 18	Q3 19	% Growth (1 Year)	12-Month Forecast
Overall Vacancy	4.7%	5.3%	60 BPS	■
Net Absorption (SF)	312,000	74,000	-76.3%	▲
Under Construction (SF)	389,000	159,000	-59.0%	■
Average Asking Rent (NNN)	\$23.36	\$29.47	26.2%	■

### Average Asking Rent by Market \$PSF/YR (NNN)



### Average Asking Rate by Type \$PSF/YR (NNN)



# MARKETBEAT

## East Bay

### Retail Q3 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
North 80 Corridor	188	3,922,665	5.5%	32,720	7,354	0	\$25.95
South 80 Corridor	63	1,655,096	3.1%	-1,301	28,683	0	\$39.66
Oakland	132	2,405,951	11.9%	-8,368	-18,255	10,524	\$29.26
880 Corridor	765	15,588,842	4.8%	29,263	-151,163	0	\$33.67
580 Corridor	346	8,634,089	4.8%	20,943	-77,995	0	\$32.60
Highway 4	404	9,267,148	6.5%	-55,700	-126,388	146,430	\$19.92
680 Corridor	531	11,545,273	4.2%	58,693	63,216	0	\$31.48

SHOPPING CENTER TYPE	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
Neighborhood & Community	1,442	33,530,216	5.5%	3,294	-208,282	146,430	\$28.98
Strip	720	6,377,509	2.8%	8,109	-14,327	12,924	\$28.78
Power & Regional	258	10,435,744	6.8%	20,471	-163,372	0	\$32.85
Lifestyle	40	3,054,609	3.6%	42,000	77,399	0	\$30.00
<b>EAST BAY RETAIL TOTALS</b>	<b>2,460</b>	<b>53,398,078</b>	<b>5.3%</b>	<b>73,874</b>	<b>-308,582</b>	<b>159,354</b>	<b>\$29.47</b>

\*Rental rates reflect NNN asking \$PSF/year

### Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4863 Lone Tree Way (Williamson Ranch Plaza)	24,000	Planet Fitness	Lease	Antioch
11555 San Pablo Avenue	21,900	Dd's Discount	Lease	El Cerrito
2455 Railroad Avenue	6,500	Pennyweight Craft Brewing	Lease	Livermore
5931 Lone Tree Way	5,700	7-Eleven	Lease	Brentwood

### Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
1075 Monroe Street (University Village)	44,600	Oppidan Investment Co / N/A	\$21,000,000 / \$471	Albany
1934 1 <sup>st</sup> Street	25,900	Bordoni Ranch LLC / Legacy Partners Res	\$10,200,000 / \$394	Livermore
1200 Fairmont Drive (Bank of America)	15,300	Michael K. Park / Dollinger Properties	\$2,900,000 / \$189	San Leandro
1456 136 <sup>th</sup> Avenue (Walgreens)	13,650	Jensen F & Jade Cheng / Del Norte Villas LLC	\$7,000,000 / \$513	San Leandro

## MARKETBEAT

# East Bay

Retail Q3 2019



## RETAIL SUBMARKETS

EAST BAY



Cushman & Wakefield  
425 Market Street, Suite 2300  
San Francisco, CA 94105

For more information, contact:  
Soany Gunawan, Senior Analyst  
Tel: +1 415 658 3665  
[soany.gunawan@cushwake.com](mailto:soany.gunawan@cushwake.com)

### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.