

# East Bay Pleasanton

Industrial Q4 2019

YoY  
Chg

12-Mo.  
Forecast

**9.4%**

Vacancy Rate

**15K**

Net Absorption, SF

**\$0.89**

Asking Rent, PSF



Overall, Net Asking Rent

## ECONOMIC INDICATORS Q4 2019

YoY  
Chg

12-Mo.  
Forecast

**1.21M**East Bay  
Employment**2.8%**East Bay  
Unemployment Rate**3.6%**U.S.  
Unemployment Rate

Source: BLS, Moody's Analytics  
2019Q4 data are based in the latest available data

## ECONOMY

The East Bay, composed of Alameda and Contra Costa counties, recorded positive job growth with nearly 22,000 jobs (+1.8%) added year-over-year (YOY), with total regional employment slightly over 1.2 million. The labor force increased slightly, but the unemployment rate decreased by 20 basis points (bps) to 2.8%, still well below the national average of 3.6%. Demand for newly constructed housing remains very strong with 14,875 multi-family units currently planned or under construction to help alleviate existing supply constraints; while 7,774 units have been delivered since 2017.

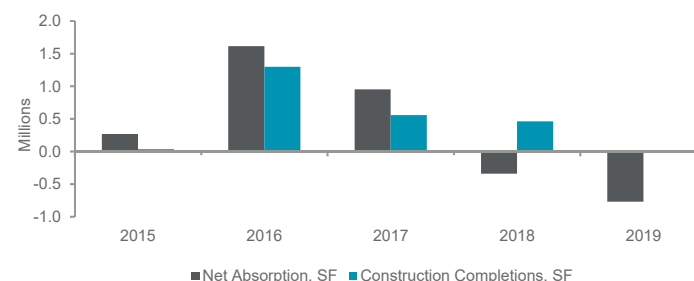
## VACANCY

Vacancy in the East Bay Pleasanton industrial market was 9.4% at the end of the fourth quarter, having slightly decreased 10 bps from the third quarter and up 360 bps YOY. The Quarter Over Quarter (QOQ) decrease was attributed to the Livermore submarket—which constitutes 80% of the industrial market's inventory—where 92,000 square feet (sf) of new product delivered in 2018 was leased in the fourth quarter of 2019. There were no significant givebacks in the fourth quarter and the vacancy decline was supplemented by 140,469 sf that was occupied—which allowed the market's vacancy levels to slightly recover. The Pleasanton submarket experienced the most significant decrease, with a vacancy rate of 11.8%, representing a 410 bps QOQ drop.

## PRICING: Asking Rents Remain Stagnant

Asking rents at the close of the fourth quarter were \$0.89 per square foot (psf) on a monthly triple-net basis, down from \$1.02 psf in the third quarter showing a 12.7% decrease QOQ and down \$0.06 or 6.3% YOY. Asking rents averaged annual increases of 11.6% between 2013 and 2017, peaking at \$1.08 psf in the third quarter of 2017 and have edged lower due to lethargic activity in the market along with climbing vacancy. In previous years, East Bay Pleasanton had earlier attracted some spillover demand from the nearby East Bay Oakland market, where rent growth has been more pronounced. As rents are beginning to level off in that market, there are no significant relocation or expansion requirements currently being tracked. With vacancy forecasted to tick up over the coming year, we expect corresponding further declines in asking rents.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



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## DEMAND: Leasing Diminishes After Strong 2018

With a lack of significant move-ins in the fourth quarter, net absorption was barely in the black, totaling 14,567 sf, with most of these move-ins occurring in Livermore. After four consecutive years of positive occupancy growth between 2014 and 2017, net absorption totaled negative 341,400 sf in 2018 and followed suit in 2019, ending the year at negative 770,637 sf. With minimal givebacks this quarter, existing large blocks are still relatively scarce. Historically, the East Bay Pleasanton tenant mix has been composed of large-block corporate users with just four listings over 100,000 sf available for immediate occupancy, there is limited inventory available to satisfy demand in this size range. This has created a bottleneck for tenants that might look to migrate into or expand in the market and has led to a shrinking list of active tenant requirements over the last several quarters. Moreover, with rents flattening against an increasing supply of large-block availabilities in East Bay Oakland, this has translated into a decline in industrial users from that market relocating to East Bay Pleasanton.

## Sales

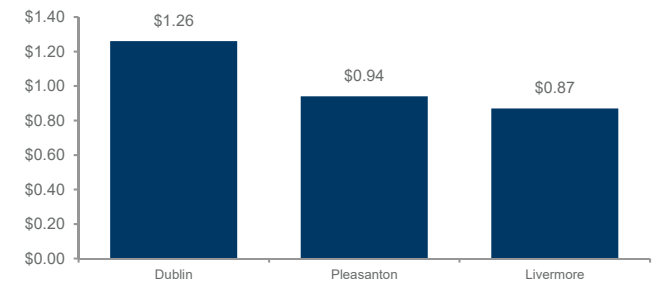
Investment activity was quiet in the fourth quarter, with only two transactions signed. LBA Realty purchased 104,500 sf for \$16 million or \$153 psf at 6211 Las Positas Rd. in Livermore. Also, Dryden Construction purchased 5,266 sf at 72 Rickenbacker Cir. in Livermore \$1.5 million or \$285 psf.

The East Bay Pleasanton market has been overshadowed of late by the more convenient transit-oriented markets such as Oakland and Walnut Creek. But prices are rising at a more rapid pace in those nearby markets and the more price sensitive East Bay tenants will focus on less costly alternatives. The likely source of any industrial growth for East Bay Pleasanton will come from those companies that are more concerned with price and less concerned with mass transit in addition to already having a location on the sunny side of the Bay.

## Outlook

- Current vacancy is 9.4% in the East Bay Pleasanton industrial market, and is expected to decrease in the next year as large vacant blocks and new project are occupied in the coming quarters.
- 931,943 sf of gross absorption was recorded in the third quarter, while net absorption was -151,749 sf. Slow velocity is mainly due to limited supply of larger blocks of space.
- Rents closed the quarter at \$1.00 psf and are expected to remain relatively flat over the next twelve months.

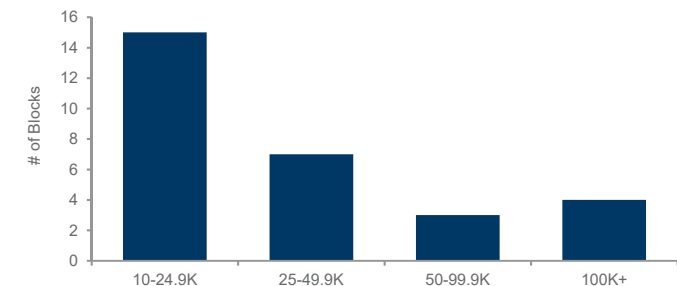
## SUBMARKET ASKING RENT



## DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



## AVAILABILITIES BY SEGMENT SIZE



## MARKET STATISTICS

| SUBMARKET  | INVENTORY (SF) | OVERALL VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | CONSTR COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT (MF) | OVERALL WEIGHTED AVG NET RENT (W/D) |
|------------|----------------|---------------------|----------------------|---|---------------------------------|------------------|-------------------------|------------------------------------|-------------------------------------|
| Dublin     | 1,758,840      | 50,027              | 2.8%                 | -1,671                                  | -14,591                         | 0                | 0                       | \$1.26                             | \$1.53                              |
| Pleasanton | 2,639,736      | 311,313             | 11.8%                | 108,790                                 | -184,848                        | 0                | 0                       | \$1.40                             | \$0.85                              |
| Livermore  | 17,063,466     | 1,661,026           | 9.7%                 | -92,552                                 | -571,198                        | 0                | 0                       | \$1.20                             | \$0.77                              |
| Total      | 21,462,042     | 2,022,366           | 9.4%                 | 14,567                                  | -770,367                        | 0                | 0                       | \$1.23                             | \$0.78                              |

\*Rental rates reflect weighted net asking \$psf/year

FX = Flex MF = Manufacturing W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q4 2019

| PROPERTY                    | SUBMARKET | TENANT                    | RSF    | TYPE   |
|-----------------------------|-----------|---------------------------|--------|--------|
| 7150 Patterson Pass Rd      | Livermore | Ronbow Corporation        | 74,193 | Direct |
| 6818-6902 Patterson Pass Rd | Livermore | Emerald Textiles Services | 17,000 | Direct |
| 7650 Marathon Dr            | Livermore | Link Fulfillment, LLC     | 9,621  | Direct |

\*Renewals not included in leasing statistics

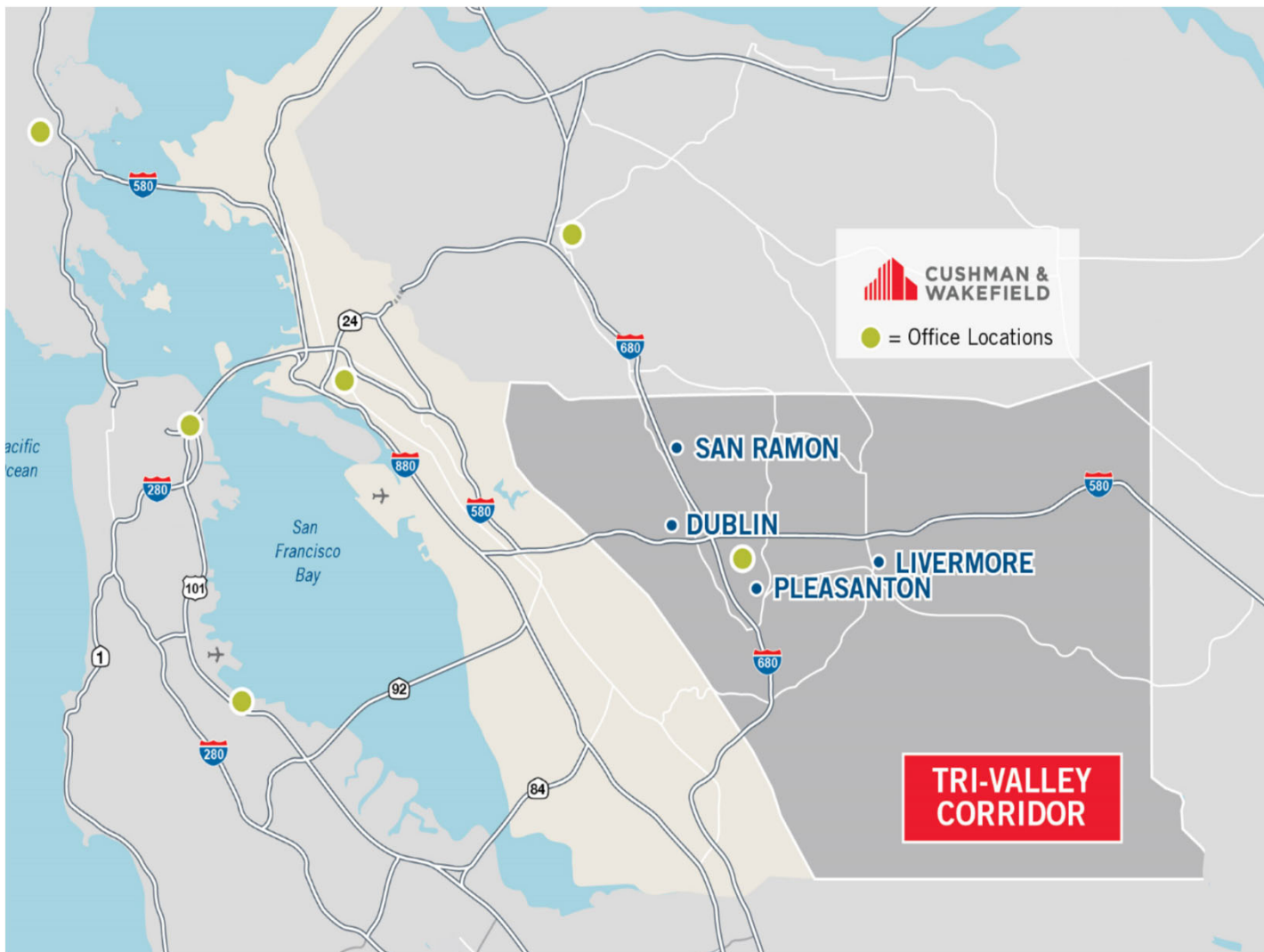
## KEY SALES TRANSACTIONS Q4 2019

| PROPERTY            | SUBMARKET | SELLER / BUYER                               | SF      | PRICE/\$ PSF   |
|---------------------|-----------|--|---------|----------------|
| 6211 Las Positas Rd | Livermore | LBA Realty / Elizabeth Easton Wong           | 104,500 | \$16M / \$153  |
| 72 Rickenbacker Cir | Livermore | Dryden Construction Inc. / Paul D Rosa Trust | 5,266   | \$1.5M / \$285 |

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## INDUSTRIAL SUBMARKETS

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