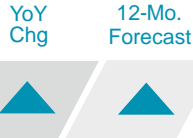


5.6%
Vacancy Rate



-1.3M
Net Absorption, SF



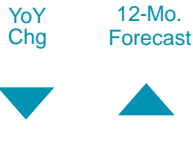
\$0.99
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2020

1.0M
East Bay Oakland Employment



14.2%
East Bay Oakland Unemployment Rate



13.0%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics.
2020Q2 data are based on latest available data.

ECONOMY: COVID-19 Declines Continue into Second Quarter

The East Bay, encompassing Alameda and Contra Costa counties, recorded negative job growth with nearly 175,000 jobs (-14.7%) lost year-over-year (YOY), bringing regional employment to just over 1.01 million. This decline corresponded with the unemployment rate climbing 1,110 basis points (bps) to 14.2%, above the national average of 13.0%. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

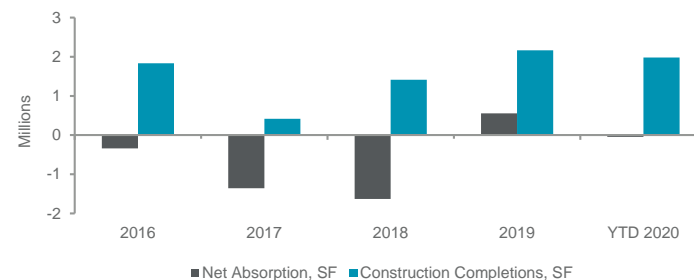
SUPPLY: Givebacks and New Construction Drive Vacancy Growth

Vacancy in the East Bay Oakland industrial market was 5.6% at the end of the second quarter, up 80 bps from the previous quarter, and up 140 bps YOY. While givebacks of existing space drove the bulk of this increase, 33% of the 2.7 million square feet (msf) of vacant space added to market in the previous 12 months has been in new construction, with most of this new available product being built in Newark and Fremont. Sublease space also continues to flood the market, with 1.7 msf presently available—a 113% increase from the second quarter of 2019—and the highest total since the Dot Com Recession. Hayward currently hosts the largest amount of sublease space, with 437,496 square feet (sf) on the market, and givebacks are expected to increase market-wide over the next year.

PRICING: Asking Rents Bolstered by New Construction

Despite the inundation of space hitting the market, asking rents continued to rise in the second quarter, closing at \$0.99 per square foot (psf) on a monthly triple-net basis, up \$0.03 YOY. Rent growth in this business cycle has been driven by strong demand and low vacancy, buoyed by the delivery of large blocks of modern manufacturing and warehouse space. Growth has flattened after the significant gains realized between 2012 and 2017, when asking rates averaged 12.3% annual increases. With the increase of space on the market and a tapering off of demand—especially from smaller users—rents are expected to begin decreasing in the coming quarters. The magnitude of this change will hinge on ongoing efforts to reopen the local and national economies.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



DEMAND: First Quarter Gains Erased, Though Light is on Horizon

After an auspicious first quarter, in which occupancy grew by 1.2 msf—due mainly to the delivery of preleased new construction in the South 880 Corridor—net absorption has turned an abrupt about-face into the red, totaling negative 1.3 msf, erasing the gains of the start of the year. While the decline can be largely attributed to continued shelter-in-place orders, it is important to note that there is currently 600,000 sf of preleased product under construction slated for delivery in the next year which will help reverse the momentum of occupancy growth. Gross absorption totaled 2.1 msf in the second quarter, a pronounced drop-off from 4.0 msf in the first quarter though still near the five-year average. While the volume of tenants in the marketplace has tapered off in recent months, demand for industrial space has not fallen as sharply as in other sectors: Notably, we are tracking 4.5 msf of warehousing and logistics requirements. The comparable health of the warehouse market can be attributed to the rise in eCommerce requirements—due to increasing consumer reliance on meal and grocery delivery as shelter-in-place orders continue. While the lasting effects of the COVID-19 pandemic on the East Bay Oakland market remain to be seen, the combination of preleased new construction and strong eCommerce demand will help dampen occupancy losses in the coming months.

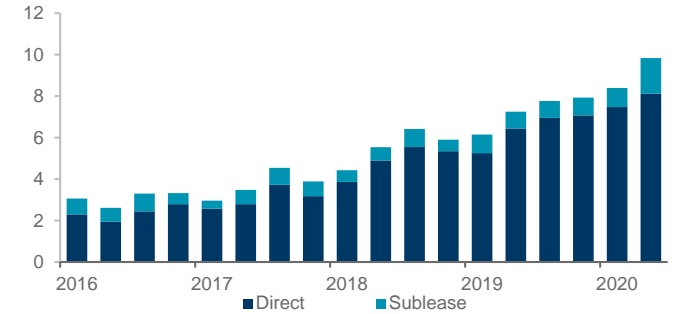
New Construction: Building Out the East Bay

The East Bay has been a hotbed of construction in recent years, with 7.8 msf delivered since 2016; this activity has been fueled by the East Bay’s central location, access to consumer markets, and lack of available space elsewhere in the Bay Area. Notably, the delivery of the 815,000 sf Pacific Commons Industrial Center—preleased to UPS—represented one of the largest individual deals ever in the market. There is currently 2.7 msf of speculative product under construction while 189,038 sf was delivered in the second quarter at the Oakland Global Logistics Center project. There is a further 2.4 msf of proposed projects in the pipeline. Despite lingering global uncertainty, the majority of this new space will fit the needs of users looking for that in-demand modern industrial product.

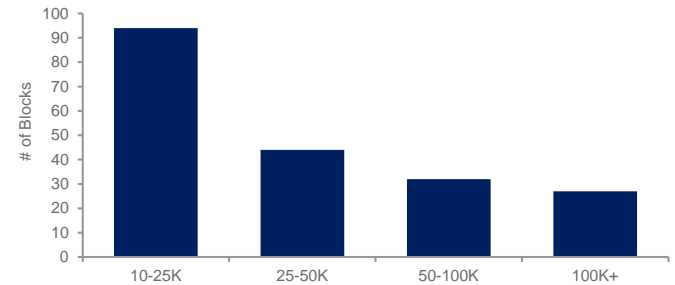
Outlook

- Asking rents at the end of the first quarter were \$0.99 psf, up \$0.03 from this time last year. Looking forward, rents will begin declining due to the increase of product on the market and a tapering-off of demand.
- 2.0 msf of distribution and manufacturing space has been delivered so far in 2020, primarily in the South 880 Corridor. Of the 2.7 msf under construction, 600,000 sf is preleased which will help dampen occupancy losses in the coming quarters.
- Demand tracking currently totals 4.5 msf in 37 requirements, with the majority seeking modern distribution space. Due to rising consumer reliance on meal and grocery delivery, demand from the eCommerce sector is expected to continue rising in the next year.

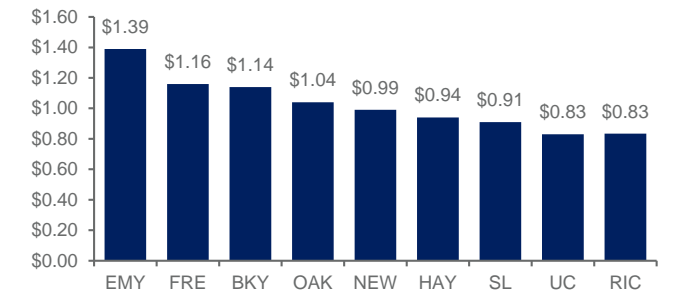
DIRECT AND SUBLEASE AVAILABLE SPACE



AVAILABILITIES BY SIZE SEGMENT



OVERALL AVERAGE ASKING RATE BY SUBMARKET (NNN)



Industrial Q2 2020

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 WEIGHTEDAVG NET RENT (W/D) | OVERALL WEIGHTED AVG NET RENT (MF) | OVERALL WEIGHTED AVG NET RENT |
|--------------------------------|--------------------|---------------------|----------------------|--|---------------------------------|------------------|-------------------------|------------------------------------|------------------------------------|-------------------------------|
| Richmond | 12,985,271 | 507,574 | 3.9% | 52,441 | 540,102 | 203,500 | 0 | \$0.90 | \$0.65 | \$0.83 |
| Berkeley | 6,416,596 | 67,702 | 1.1% | -17,000 | 7,288 | 0 | 0 | \$1.08 | \$1.45 | \$1.39 |
| Emeryville | 2,661,124 | 125,674 | 4.7% | 13,200 | -29,370 | 0 | 0 | \$1.08 | \$1.35 | \$1.14 |
| Oakland | 38,397,462 | 1,820,252 | 4.7% | -453,278 | -327,097 | 974,781 | 189,038 | \$1.12 | \$0.95 | \$1.04 |
| San Leandro | 28,553,748 | 1,704,254 | 6.0% | -193,516 | -442,981 | 154,619 | 0 | \$0.88 | \$0.94 | \$0.91 |
| Hayward | 39,822,408 | 2,131,806 | 5.4% | -295,279 | 18,823 | 0 | 0 | \$0.84 | \$1.10 | \$0.94 |
| Union City | 13,648,180 | 861,661 | 6.3% | -135,942 | -257,824 | 0 | 0 | \$0.85 | \$0.75 | \$0.83 |
| Newark | 9,335,210 | 842,771 | 9.0% | -21,916 | 192,030 | 604,796 | 0 | \$0.89 | \$1.21 | \$0.99 |
| Fremont | 22,749,761 | 1,776,708 | 7.8% | -202,984 | 252,153 | 790,545 | 0 | \$1.01 | \$1.23 | \$1.16 |
| EAST BAY OAKLAND TOTALS | 174,569,760 | 9,838,402 | 5.6% | -1,254,274 | -46,876 | 2,728,241 | 189,038 | \$0.93 | \$1.07 | \$0.99 |

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

**Stats are not reflective of U.S. Overview Tables

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2020

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|------------------------|-------------|--------------------|---------|-----------|
| 30736-30750 Wiegman Rd | Hayward | Innovel Solutions | 180,164 | New Lease |
| 1700-1788 Fairway Dr | San Leandro | East Bay Logistics | 139,000 | New Lease |
| 1800 Merced St | San Leandro | Pitco Foods | 105,450 | New Lease |
| 30551 Huntwood Ave | Hayward | Coast Aluminum | 101,700 | Renewal* |
| 1700 20th St | Oakland | Lilac Solutions | 92,884 | New Lease |

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|------------------------|-----------|---|---------|----------------|
| 901 Page Ave | Fremont | Divco West / Morgan Stanley | 506,490 | \$110.2M/\$218 |
| 2589-2593 Goodrick Ave | Richmond | New York Life / Dermody Properties Foundation | 172,455 | \$33.6M/\$195 |
| 8380 Pardee Dr | Oakland | Horizon Beverage / Westcore Properties | 155,000 | \$40.5M/\$261 |
| 1200 Hensley St | Richmond | Doug Sherer / Fox Marble | 83,862 | \$8.0M/\$95 |

KEY CONSTRUCTION COMPLETIONS Q2 2020

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER/DEVELOPER |
|----------------------|-----------|--------------|---------|-----------------|
| 2001 Maritime Street | Oakland | N/A | 189,038 | Prologis |

EAST BAY OAKLAND

Industrial Q2 2020

INDUSTRIAL SUBMARKETS



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