

# MARKETBEAT BAY AREA

Investment Q2 2020



YoY  
Chg

12-Mo.  
Forecast

**5.3%**

Cap Rate



**\$2.03b**

Total Volume (USD)



**48**

Total Properties Sold\*



**2.9 MSF**

Total SF (Excluding MF)



**1,839**

Total Units (MF)



\* Closed transactions over \$10 million  
(All Property Classes)  
MF = Multifamily

## ECONOMIC INDICATORS Q2 2020

YoY  
Chg

12-Mo.  
Forecast

**3.51M**

Bay Area  
Employment



**15%**

Bay Area  
Unemployment Rate



**13.0%**

U.S.  
Unemployment Rate



**0.53%**

U.S. 10-Yr Treasury  
Yield



Source: BLS

## ECONOMIC OVERVIEW: Pandemic Shifts Economy Into Low Gear

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 (SIP) ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#). The unemployment rate for the nine-county Bay Area skyrocketed to 15.0% in the second quarter from just 2.9% in the first quarter. The number of officially unemployed climbed to just under 527,000 from 118,000 over the quarter. There was some improvement in the latest monthly figures though some counties have once again had to shut down businesses because of "hot spots."

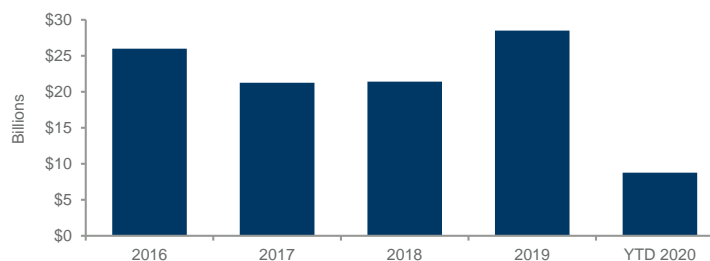
## INVESTMENT OVERVIEW: Slowdown May Not Last Long

The Bay Area investment market closed the second quarter of 2020 with over \$2.0 billion in total sales, well below its \$5.6 billion three-year quarterly average. Average price per square foot (psf) (excluding apartments) dropped to \$406 psf across 29 properties. The office sector remains the most expensive sector at \$564 psf; however, this is down from a record high \$712 psf set only a year ago in Q2 2019 and also down from \$611 psf in the first quarter. The average cap rate for all products increased to 5.3% by the end of the second quarter, which is up 20 basis point from last quarter.

Unsurprisingly, the total volume of square feet (sf) traded dropped markedly during the second quarter throughout the Bay Area. A paltry total of 2.93 million square feet (msf) traded during the quarter across the office, industrial and retail sectors. The apartment sector traded 1,839 units, well below the 3,040 three-year quarterly average. The sharp downturn in activity has been showing signs of abating as liquidity in the debt markets returned much more swiftly than anticipated. Numerous transactions are pending as investors focus on durable income streams and the sectors most likely to benefit from the disruptions of COVID - distribution, industrial, data centers, and life science. Government-backed loans for multi-family product have pushed interest rates to record lows, enabling many multi-family investment sales to close at low cap rates.

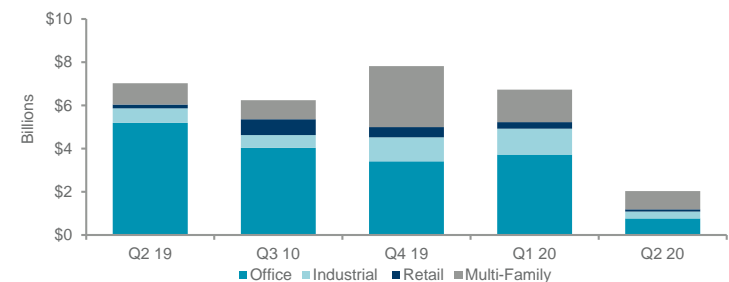
Silicon Valley was the lone market to break a total dollar volume over \$1.0 billion, coming in at nearly \$1.2 billion. Conversely, San Francisco had the lowest total dollar volume with only \$31.75 million. The largest transaction was at 237@First in San Jose, sold by South Bay Development to CBRE Global Investors. The office property totaled 369,000 sf and sold for a reported \$184 million or \$504 psf. Additionally, One South Market (312 units) in San Jose was sold by Essex to Lakevision Capital for \$175 million. Investors believe that Silicon Valley will be one of the strongest markets to emerge from the COVID disruption as a driver of innovation across many areas of the economy that will result in significant job growth across the region.

## INVESTMENT SALES VOLUME



Source: Real Capital Analytics

## INVESTMENT SALES VOLUME BY SECTOR



# MARKETBEAT BAY AREA

## Investment Q2 2020



### INVESTMENT ACTIVITY

PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SOLD	PRICE / SF*, UNIT	CAP RATE
Office	14	\$763,299,873	1,348,064 SF	\$566.22	5.00%
Industrial	10	\$318,410,849	1,251,358 SF	\$254.45	5.50%
Retail	6	\$106,444,493	326,649 SF	\$325.87	5.90%
Multifamily	18	\$845,397,204	1,839 UNITS	\$459,705	4.70%
<b>TOTAL</b>	<b>48</b>	<b>\$2,033,552,419</b>	<b>2,926,071</b>	<b>\$406.06</b>	<b>5.30%</b>

Sources: Real Capital Analytics, Cushman & Wakefield Research Closed transactions over \$10 million

### SIGNIFICANT SALES

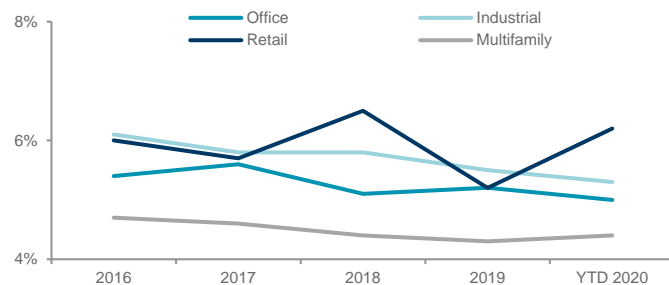
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE / UNIT (\$ PSF)	MARKET
237@First	Office	CBRE Global Investors	South Bay Development	364,911	\$184,000,000	\$504	San Jose
One South Market	Multifamily	Lakevision Capital	Essex Property Trust	312	\$175,000,000	\$560,897	San Jose
160 West Santa Clara	Office	Barrett Block Properties	Beacon Capital Partners	212,181	\$135,000,000	\$636	San Jose
1075 Commercial St**	Industrial	Alexandria	Kelly-Moore Paint	87,999	\$113,250,000	\$1,287	Peninsula
Skyline Terrace	Multifamily	Pacific Urban Residential	Equity Residential	138	\$108,000,000	\$782,609	Peninsula
Waters Technology Park**	Office	Pulte Homes	Angelo Gordon, Strada	161,631	\$106,000,000	\$656	Peninsula

Sources: Real Capital Analytics, Cushman & Wakefield Research Closed transactions over \$10 million

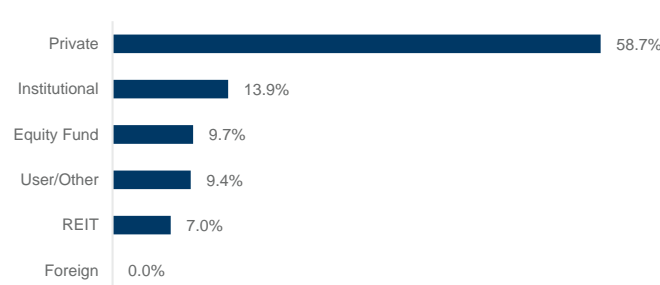
\*SF includes office, industrial and retail. Unit calculation for apartment only

\*\*Purchased for Redevelopment

### CAP RATE TREND



### TOTAL ACQUISITIONS BY CAPITAL SECTOR



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