

East Bay Pleasanton

Industrial Q4 2020

| | YoY Chg | 12-Mo. Forecast |
|-----------------------------------|---------|-----------------|
| 6.3% Vacancy Rate | ▼ | ▼ |
| 94K Net Absorption, SF | ▲ | ▲ |
| \$0.78 Asking Rent, PSF | ▼ | ▲ |

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2020

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 1.1M East Bay Employment | ▼ | ▲ |
| 7.3% East Bay Unemployment Rate | ▲ | ▼ |
| 6.7% U.S. Unemployment Rate | ▲ | ▼ |

Source: BLS, Moody's Analytics
2020Q4 data are based in the latest available data

ECONOMY: The COVID-19 Impact

The East Bay, composed of Alameda and Contra Costa counties, recorded negative job growth with nearly 124,000 jobs (-10.44%) lost year-over-year (YOY), bringing regional employment to just over 1.06 million. The labor force increased slightly, and the unemployment rate increased by 520 basis points (bps) to 7.3%, above the national average of 6.7%. 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 market fundamentals for the remainder of the year. 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. Access the most recent research on CRE and the state of economy [here](#).

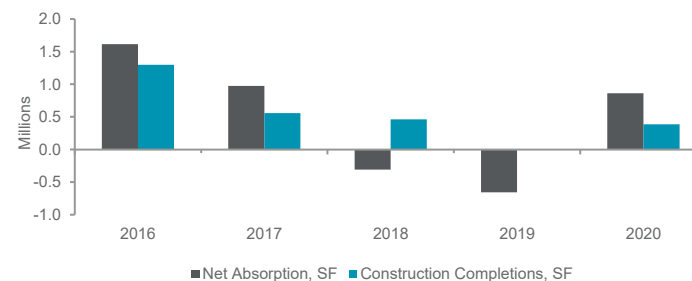
DEMAND: Second Quarter Moves Into the Black

With several mid-sized move-ins in the fourth quarter, net absorption was in the black, totaling 94,390 square feet (sf), with most of that occurring in Livermore. After four consecutive years of positive occupancy growth between 2014 and 2017, net absorption totaled negative 770,637 sf in 2019. In a hopeful sign, the 2020 net absorption figure was 861,090 sf. With minimal givebacks this quarter, existing large blocks were still relatively scarce. Historically, the East Bay Pleasanton tenant mix has been composed of large-block corporate users and 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 to or expand in the market thus leading 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.

SUPPLY: Vacancy Sees Slight Downtick

Vacancy in the East Bay Pleasanton industrial market was 6.3% at the end of the fourth quarter, having decreased 50 bps from the third quarter and down 240 bps YOY. The decrease quarter over quarter (QOQ) was attributed to Livermore—which constitutes 80% of the industrial market's inventory – with its vacancy rate seeing a 50 bps decrease QOQ. Even with one significant givebacks in the fourth quarter, the vacancy decline was supplemented by 94,390 sf of positive occupancy growth.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



East Bay Pleasanton

Industrial Q4 2020

PRICING: Asking Rents Remain Stagnant

Asking rents at the close of the third quarter were \$0.78 per square foot (psf) on a monthly triple-net basis, which has remained unchanged from the third quarter and was down \$0.06 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 plateaued due to relatively stable leasing activity and occupancy. In previous years, East Bay Pleasanton has attracted 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 remain relatively constant in the coming year, average asking rental rates should follow a similar path.

Sales

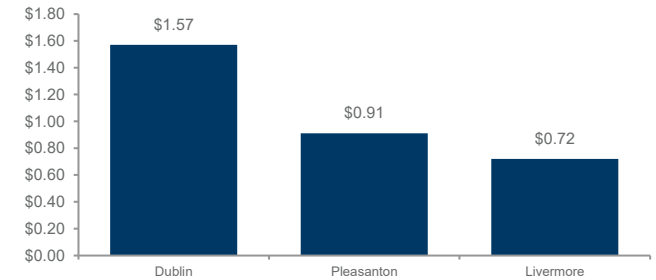
The investment market recorded rather strong activity in the fourth quarter, with three significant transactions signed. Stockbridge Capital Group purchased 86,700 sf for \$39.7 million or \$458 psf at 7501 Marathon Dr. in Livermore from Dedeaux Properties LLC. SMW Training purchased 30,055 sf at 1401-1499 Greenville Rd. in Livermore \$7.5 million or \$250 psf. Lastly, Mancini Properties purchased 21,797 sf at 7034 Commerce Cir. from Das Property Holdings for \$3.8 million or \$176 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 even with additional availability there, prices are generally steeper 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 e-commerce and distribution companies looking for last-mile facilities to the suburbs.

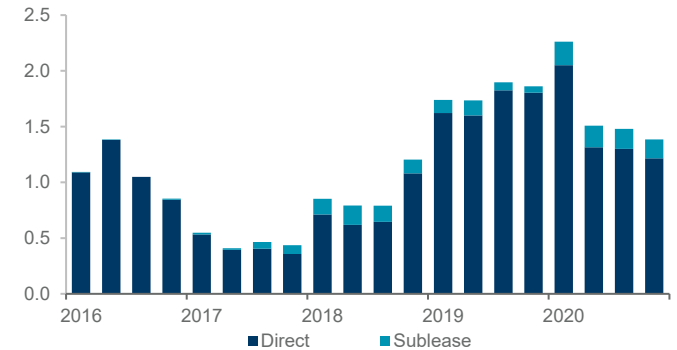
Outlook

- Current vacancy is 6.3% in the East Bay Pleasanton industrial market and is expected to increase in the next year as the market adjusts to the effects of COVID-19.
- Leasing activity is expected to remain healthy as industrial requirements continue to be in high demand.
- Rents closed the quarter at \$0.78 psf and are expected to remain relatively flat over the next twelve months.

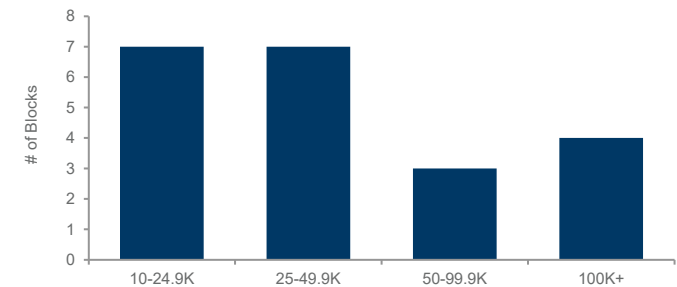
SUBMARKET ASKING RENT



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) | OVERALL AVG ASKING RENT |
|------------|----------------|---------------------|----------------------|---|---------------------------------|------------------|-------------------------|------------------------------------|-------------------------------------|-------------------------|
| Dublin | 1,758,840 | 44,735 | 2.5% | 2,000 | 319 | 0 | 0 | \$1.57 | \$1.53 | \$1.57 |
| Pleasanton | 2,639,934 | 293,943 | 11.1% | 5,439 | -11,225 | 0 | 0 | \$1.44 | \$0.85 | \$0.91 |
| Livermore | 17,428,043 | 1,046,463 | 6.0% | 86,951 | 871,996 | 0 | 0 | \$0.94 | \$0.66 | \$0.72 |
| Total | 21,826,817 | 1,385,141 | 6.3% | 94,390 | 861,090 | 0 | 0 | \$1.10 | \$0.70 | \$0.78 |

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2020

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|-------------------------|-----------|-------------------|--------|---------|
| 7150 Patterson Pass Rd. | Livermore | GMR North America | 77,583 | Direct |
| 7480 Las Positas Rd. | Livermore | Nestle Waters | 59,664 | Renewal |
| 751 Canyons Pkwy. | Livermore | Undisclosed | 23,100 | Direct |

*Renewals not included in leasing statistics

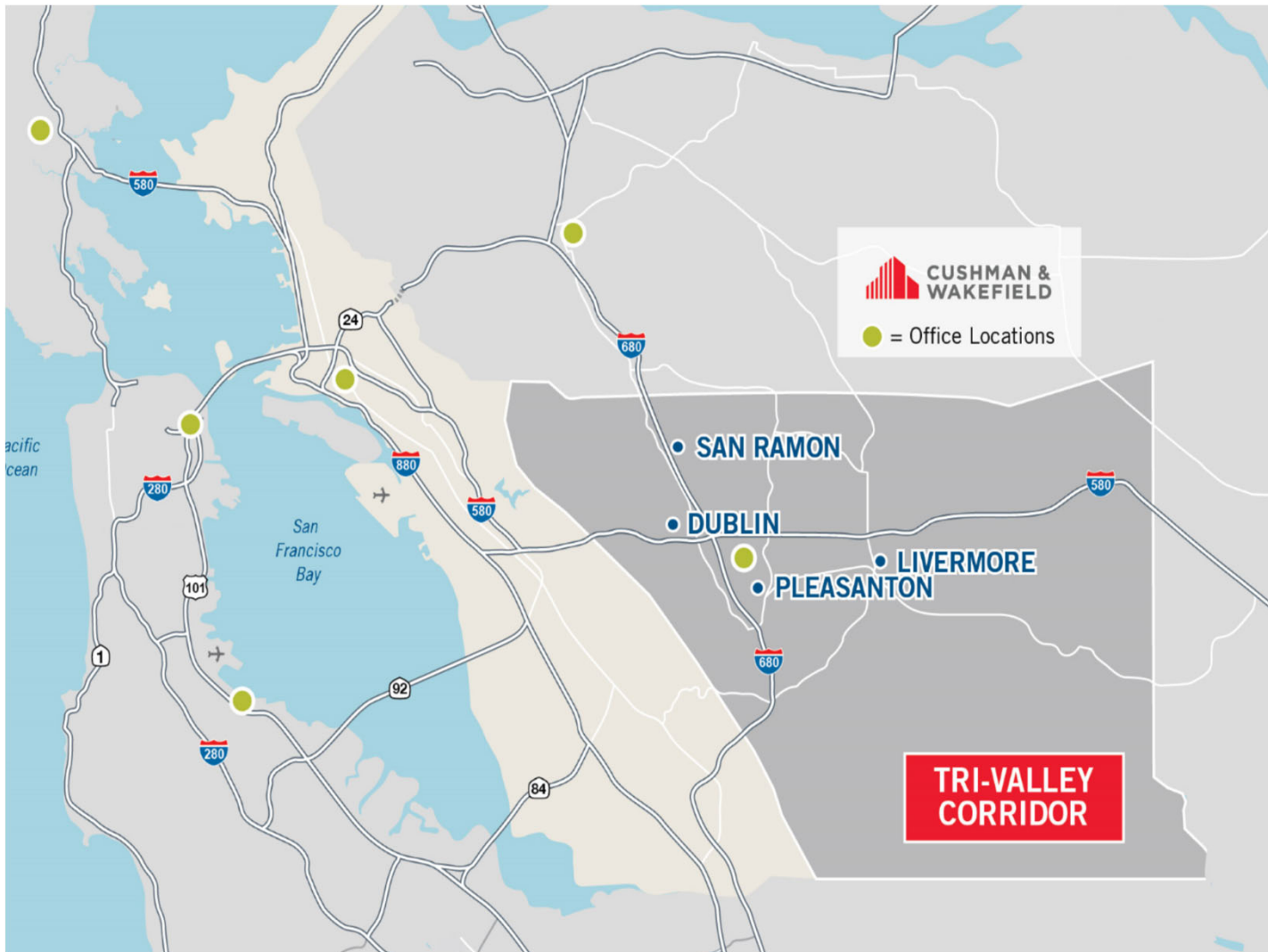
KEY SALES TRANSACTIONS Q4 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|--------------------------|-----------|--|--------|----------------|
| 7501 Marathon Dr. | Livermore | Stockbridge Capital / Dedeaux Properties | 86,700 | \$40M / \$458 |
| 1401-1499 Greenville Rd. | Livermore | SMW Training / Anvid Huang LLC | 30,055 | \$7.5M / \$250 |
| 7034 Commerce Cir. | Livermore | Mancini Properties / KDG Investments | 21,797 | \$3.8M / \$176 |

East Bay Pleasanton

Industrial Q4 2020

INDUSTRIAL SUBMARKETS



Brandon Bissada

Research Analyst

Tel: +1 510 891 5807

Brandon.Bissada@cushwake.com

Keith Reichert

Senior Research Analyst

Tel: +1 510 267 6059

Keith.Reichert@cushwake.com

CUSHMAN & WAKEFIELD

555 12th St.

Suite 1400

Oakland, CA 94607

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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 53,000 employees in 400 offices and 60 countries. In 2018, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.