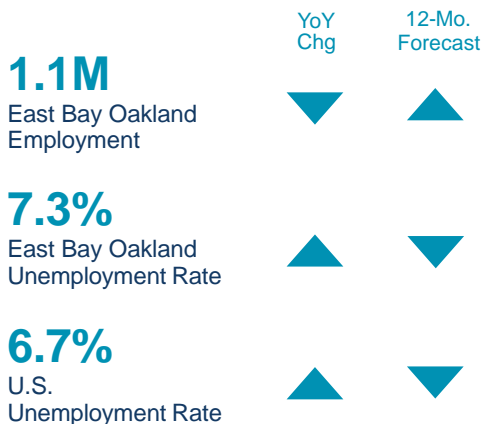


## ECONOMIC INDICATORS Q4 2020



Source: BLS, Moody's Analytics.  
2020Q4 data are based on latest available data.

## ECONOMY: Slow Road to Pandemic Recovery

The East Bay, encompassing Alameda and Contra Costa counties, recorded negative job growth with over 116,000 jobs (-9.9 %) lost year-over-year (YOY), bringing regional employment to just under 1.07 million. With this decline, the unemployment correspondingly rose by +450 basis points (bps) to 7.3%, above the national rate of 6.7%. Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. While the market has begun recovering, until there is a public health resolution and full access to vaccinations, full recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident.

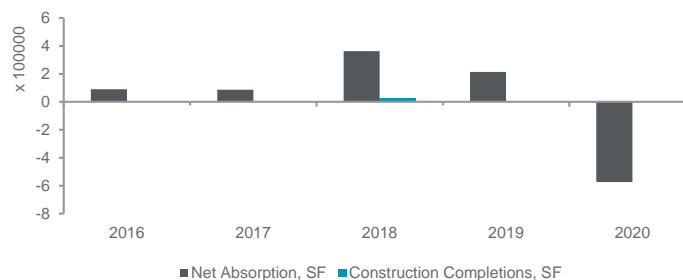
## SUPPLY: Market Relatively Healthy Compared to Other Product Types

The vacancy rate in the East Bay Oakland R&D market was 9.4% at the end of the fourth quarter, indicating an increase of just 10 bps from the previous quarter, though vacancy has risen 180 bps since this time last year. With a no projects in the pipeline, no new deliveries, and generally muted activity levels due to the ongoing COVID-19 pandemic, the rise was manifested in givebacks of existing space, especially in the 50,000 to 100,000 square foot (sf) size segment, for which demand has dwindled in recent quarters. Sublease space continued hitting the market throughout 2020, totaling 736,810 sf at the end of the fourth quarter, marking a 22% increase YOY. Despite these givebacks, the sublease market remains relatively healthy compared to the East Bay Oakland office and industrial markets, which saw sublease vacancy rise by 145% and 106% respectively over the course of 2020. Nearly all the space added to the market over the course of 2020 was located in the South 880 Corridor, encompassing Hayward south to Fremont, which has been a hotbed of R&D activity over the last several years. Vacancy is expected to increase in the coming quarters, though the magnitude of the increase will hinge on efforts to reopen the local and national economies.

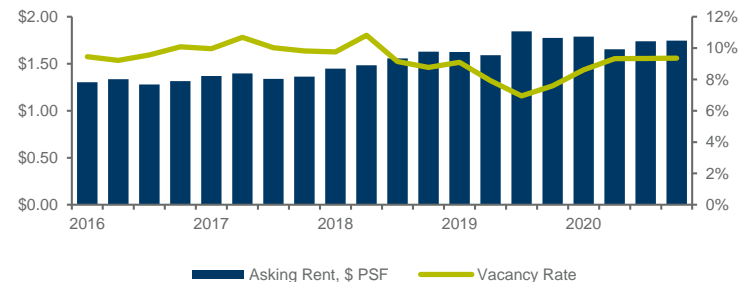
## PRICING: Rents Down Slightly Year-Over-Year

Asking rents closed the fourth quarter at \$1.74 per square foot (psf) on a monthly triple-net basis, recording no change from the third quarter, though down \$0.03 from this time last year. Contrary to typical market trends, sublease asking rents command a 10% premium over direct rents, though they have declined by \$0.68 over the past year. The premium is due in no small part to Lucid Motors' giveback of 127,000 sf of automotive manufacturing space in Newark and other large blocks of sublease space with modern amenities, particularly in the South 880 Corridor. While the East Bay Oakland R&D market continues to be considerably less expensive than Silicon Valley or San Mateo County, rents are expected to continue decreasing as the pandemic-related slowdown continues—though declines will be buffered by demand for modern life sciences space.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



### DEMAND: No Major Moveouts or Move-ins in Fourth Quarter

Moveouts were minimal in the fourth quarter with occupancy declining by 4,568 sf, while net absorption totaled negative 573,948 sf for 2020. The drop can largely be attributed to continued shelter-in-place orders with the givebacks concentrated in spaces under 100,000 sf. Despite the losses, roughly 16% of the East Bay R&D inventory has built out lab and life sciences space, for which demand has been steadily increasing as the race to develop a COVID-19 vaccine continues in addition to the rising focus on the sector. While the forecast is cautiously optimistic on the laboratory front, occupancy is still expected to decline in the coming months due to givebacks coming from other sectors.

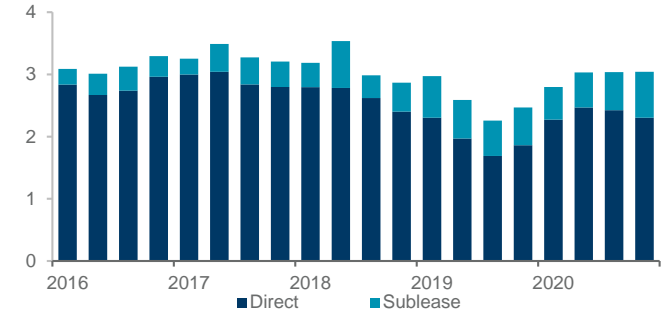
### INVESTMENT ACTIVITY: 2020 Lull in Activity Continues in Fourth Quarter

As expected due to the general slowdown, investment activity was lukewarm in the fourth quarter, with 180,965 sf traded in four transactions. Of note was BentallGreenOak's sale of its 137,102 sf property at 6401 Hollis Street in Emeryville to Beacon Capital Partners as part of a multiple property sale. The building sold for \$44.9 million, or \$327 psf, representing a psf sale price near the high watermark for the submarket. Though investment activity is expected to remain stagnant for several quarters, investors remain confident due to solid long-term market fundamentals and the robust life sciences inventory.

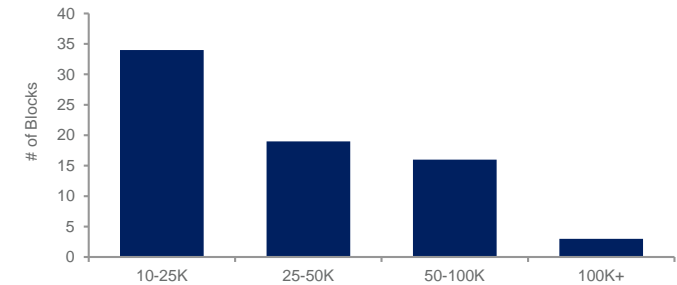
### Outlook

- Asking rents were flat in the fourth quarter, closing at \$1.74 psf, recording no change from the fourth quarter. Though the market commands a healthy discount over Silicon Valley and San Mateo County, rents are expected to fall further as the general slowdown continues.
- After enjoying ten years of consecutive occupancy growth, the market finally began seeing losses in 2020 with net absorption totaling negative 573,948 sf for the year. Despite demand from life sciences, occupancy is expected to fall due to givebacks in other sectors.
- In recent years, cloud computing companies such as Facebook, and micro-mobility start-ups such as Lime and Bird, have made up an increasing share of the tenants shopping the market. These trends are likely to continue and be bolstered by a rising number of life sciences requirements.

### DIRECT AND SUBLEASE AVAILABLE SPACE



### AVAILABILITIES BY SIZE SEGMENT



### OVERALL AVERAGE ASKING RATE BY SUBMARKET (NNN)



## R&amp;D Q4 2020

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*
Berkeley	1,382,958	0	158,227	11.4%	0	-51,075	0	0	\$3.11
Emeryville	1,747,755	0	70,000	4.0%	0	-70,000	0	0	\$4.25
San Leandro	907,568	0	25,952	2.9%	14,749	14,952	40,605	0	\$1.52
Hayward	3,898,879	126,710	307,896	11.1%	15,250	-130,163	80,943	0	\$1.54
Union City	958,970	0	64,170	6.7%	-26,958	-25,100	10,741	0	\$1.29
Newark	2,940,995	256,219	88,487	11.7%	-33,315	-64,872	253,358	0	\$2.25
Fremont	20,685,146	353,881	1,589,540	9.4%	25,706	-247,690	1,632,523	0	\$1.52
<b>TOTALS</b>	<b>32,522,271</b>	<b>736,810</b>	<b>2,304,272</b>	<b>9.5%</b>	<b>-4,568</b>	<b>-573,948</b>	<b>2,018,170</b>	<b>0</b>	<b>\$1.74</b>

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

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
48113-48133 Warm Springs Blvd	Fremont	Netflix	56,500	New Lease
47493-47517 Seabridge Dr	Fremont	SolarEdge Technologies, Inc.	27,000	Renewal*
48377 Fremont Blvd - Bldg D	Fremont	Coagusense, Inc.	13,804	Renewal*
48000-48016 Fremont Blvd	Fremont	KAM Specialty Equipment Services Co.	11,583	Sublease
48389 Fremont Blvd	Fremont	Coagusense	5,812	Expansion

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6401 Hollis Street	Emeryville	Bentall Kennedy / Beacon Capital Partners	137,102	\$44.9 / \$327

# EAST BAY OAKLAND

R&D Q4 2020

## INDUSTRIAL SUBMARKETS



### KEITH REICHERT

Senior Research Analyst

Tel: +1 510 267 6059

[keith.reichert@cushwake.com](mailto:keith.reichert@cushwake.com)

### CUSHMAN & WAKEFIELD

555 12<sup>th</sup> 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 2019, the firm had revenue of \$8.8 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.

©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.

[cushmanwakefield.com](http://cushmanwakefield.com)