

# EAST BAY OAKLAND

## Industrial Q1 2021

**5.7%**  
Vacancy Rate



**152K**  
Net Absorption, SF



**\$1.06**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q1 2021

**1.1M**  
East Bay Oakland  
Employment



**7.2%**  
East Bay Oakland  
Unemployment Rate



**6.0%**  
U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics.  
2021Q1 data are based on latest available data.

### ECONOMY: Path to Recovery Comes Into Focus

The East Bay, consisting of Alameda and Contra Costa counties, recorded a decline in job growth with nearly 113,000 jobs (-9.4%) lost year-over-year (YOY), bringing regional employment to just over 1.08 million. With this loss, the unemployment rate correspondingly rose +410 basis points (bps) to 7.2%, significantly above the national rate of 6.0%. Upon the arrival of COVID-19 in the U.S., the economy entered a historically unprecedented recession in March of 2020. In the East Bay, consumer services industries were severely impacted, particularly the restaurant and retail sectors. The commercial real estate market saw a decline in office occupancy levels due to government shelter-in place orders, while the warehousing and distribution sector recorded consistent growth due to increasing consumer reliance on online marketplaces. The recovery began in the late Spring of 2020 at a slow clip because of uncertainty regarding a vaccine timeline for the novel disease. With the advent of reliable vaccines in early 2021, the road to full recovery has become clearer and California is expected to fully reopen by June of 2021.

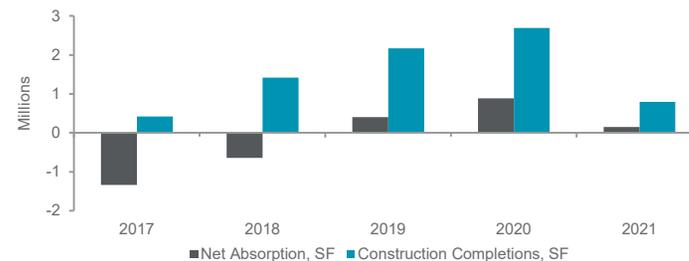
### SUPPLY: Vacancy Rise Manifested in Smaller Blocks

The vacancy rate in the East Bay Oakland industrial market was 5.7% at the end of the first quarter, having edged up 30 bps from the end of 2020 and up 110 bps from this time last year. While existing space givebacks were responsible for some of this increase, about 60% of the 2.1 million square feet (msf) added to the market in the past year has been in new construction. Reflecting pandemic trends seen in other product types, sublease space continued to flood the market with 1.3 msf of sublease space currently available, representing a 64% YOY increase. The YOY rise in availabilities was most pronounced in the 10,000 to 50,000 square foot (sf) size segment, reflecting the disproportional impact the ongoing pandemic has had on smaller industrial users in that size range. With several large blocks of space slated to be vacated in the coming months, and 1.3 msf of available product currently under construction, vacancy is expected to increase in the next year, though will still remain near historically low levels.

### PRICING: Rents Rise Year-Over-Year; Growth to Level Out Soon

Even with the steady flow of space hitting the market, rents nevertheless continued ascending, closing the first quarter at \$1.06 per square foot (psf) on a monthly triple-net basis, up \$0.09 YOY though slightly down from \$1.07 psf at the end of 2020. Rent growth in recent years has been buoyed by strong and rising demand from traditional warehouse users, especially those requiring more than 100,000 sf of space, a size segment which started exhibiting particularly tight vacancy in the first quarter of 2015. New construction has also played a large role, with the market seeing an average of 1.4 msf of modern warehouse and distribution space delivered annually over the same time period. In recent months, there has been a notable rise in demand from the e-commerce sector due to growing consumer reliance on online shopping and delivery services as the COVID-19 pandemic continues. Requirements originating from this sector necessarily require large, modern distribution space, fueling rent growth particularly for that product type. With asking rents nearly at the high watermark for the market, growth has flattened after the substantial gains realized between 2012 and 2017, when asking rates averaged 12.3% annual increases. Looking forward over the next 12 months, there will be a bifurcation in pricing amongst asset classes, with rents on older class C product expected to remain flat or decline while modern, large-block class A space will see continued rent growth due to high demand and limited new supply in the pipeline.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



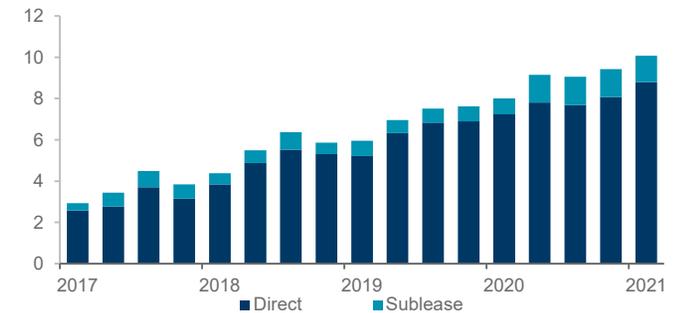
## DEMAND: E-Commerce Drives Occupancy Growth

Occupancy growth was in the black in the first quarter of 2021, with net absorption totaling positive 151,562. These gains were fully realized in the warehouse sector, where net absorption totaled 294,393 sf, while the manufacturing sector saw occupancy decline by negative 142,831 sf. Occupancy growth in recent years has been driven by the delivery of preleased new construction, particularly to e-commerce users. In the context of this trend, 2020 was a particularly notable year in which occupancy grew by positive 883,701 sf due in no small part to a record-breaking 1.2 msf of preleased construction deliveries in the first quarter of that year. That trend has been bucked so far in 2021 with 798,353 sf of new product added to the market, all of which is presently available; occupancy growth was thus entirely manifested in reabsorption of existing vacant space. There is 373,975 sf of preleased new construction slated for delivery in the latter half of the year, though these gains to occupancy will be somewhat tempered by givebacks of existing space. Leasing activity was robust in the first quarter, with gross absorption totaling 2.3 msf, significantly above the quarterly average even before the COVID-19 pandemic. Furthermore, there are currently 5.7 msf of warehouse and logistics requirements in the marketplace, with 4.9 msf of these requirements over 100,000 sf. 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 e-commerce demand will help dampen occupancy losses in the coming months.

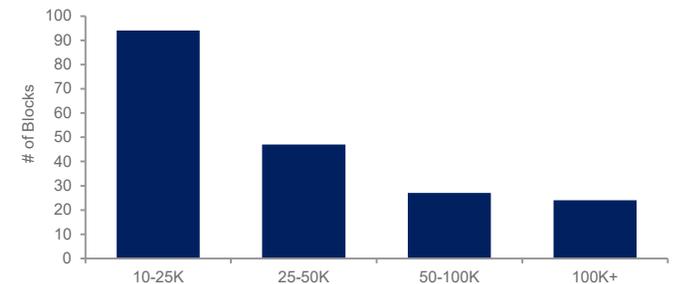
## Outlook

- Asking rents at the end of the first quarter were \$1.06 psf, up \$0.09 from this time last year, though down \$0.01 from the fourth quarter of 2020. Looking forward, rents will decline slightly due to the glut of product on the market and a tapering-off of demand from smaller users, though losses will be tempered by continued demand from the e-commerce sector.
- There was 798,353 sf of new product delivered in the first quarter, all of which is presently available. Additionally, there is 1.7 msf currently under construction with 373,957 sf preleased, all slated for delivery in 2021.
- The vacancy rate was 5.7% at the end of first quarter, having ticked up 30 bps from the third quarter, and up 110 bps from this time last year. Vacancy is expected to continue rising through 2021 and will be primarily driven by the delivery of new construction.

## DIRECT AND SUBLEASE AVAILABLE SPACE



## AVAILABILITIES BY SIZE SEGMENT



## OVERALL AVERAGE ASKING RATE BY SUBMARKET (NNN)



## Industrial Q1 2021

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (\$F)	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 (W/D)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT
Richmond	13,192,206	822,125	6.2%	-27,669	-27,669	428,655	203,500	\$0.90	\$0.84	\$0.87
Berkeley	6,414,256	165,191	2.6%	-19,834	-19,834	0	0	\$1.08	\$1.36	\$1.27
Emeryville	2,661,124	135,041	5.1%	0	0	0	0	\$1.08	\$1.03	\$1.04
Oakland	39,026,836	2,339,062	6.0%	-105,861	-105,861	534,547	440,234	\$0.93	\$0.94	\$0.94
San Leandro	29,002,327	1,614,773	5.6%	-134,450	-134,450	0	154,619	\$0.93	\$1.89	\$1.47
Hayward	39,821,672	2,072,877	5.2%	-187,706	-187,706	0	0	\$0.84	\$1.01	\$0.91
Union City	13,658,737	561,175	4.1%	328,516	328,516	0	0	\$0.84	\$1.02	\$0.89
Newark	9,872,218	1,061,701	10.8%	-52,660	-52,660	0	0	\$1.08	\$1.20	\$1.15
Fremont	22,794,051	1,301,556	5.7%	351,226	351,226	686,146	0	\$1.01	\$1.17	\$1.11
<b>EAST BAY OAKLAND TOTALS</b>	<b>176,443,427</b>	<b>10,073,501</b>	<b>5.7%</b>	<b>151,562</b>	<b>151,562</b>	<b>1,649,348</b>	<b>798,353</b>	<b>\$0.92</b>	<b>\$1.21</b>	<b>\$1.06</b>

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

MF = Manufacturing W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6753 Mowry Ave	Newark	RK Logistics	268,538	New Lease
33300 Dowe Ave	Union City	Omni Logistics	191,868	New Lease
2001 Maritime St	Oakland	Custom Goods LLC	189,038	New Lease
5555 Auto Mall Pkwy	Fremont	Synnex	177,041	Renewal
7375 Morton Avenue	Newark	RK Logistics	141,275	New Lease

## KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$PSF
2102-2108 Edison Ave	San Leandro	Jensen & Mayta / Terreno Realty Corp.	108,877	\$17.6M / \$162
1285 Atlantic St	Union City	Novaera Dev't Grp LLC / Fortinet, Inc.	90,704	\$12.4M / \$137
888 Doolittle Dr	San Leandro	Kevin Sarkisian / American Emperor LLC	79,834	\$11.7M / \$146
2300 Polvorosa Ave	San Leandro	ASA Trading Company / Westcore Properties	75,414	\$15.0M / \$199
44533 S Grimmer Blvd	Fremont	Hoppe Properties LLC / Lift Partners	39,571	\$9.8M / \$248

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## INDUSTRIAL SUBMARKETS



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