

East Bay Pleasanton

Industrial Q1 2021

	YoY Chg	12-Mo. Forecast
7.4% Vacancy Rate	▼	▼
-302K Net Absorption, SF	▲	▲
\$0.85 Asking Rent, PSF	▼	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
1.1M East Bay Employment	▼	▲
7.2% East Bay Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics
2021Q1 data are based in the latest available data

ECONOMY: The COVID-19 Impact

The East Bay, consisting of Alameda and Contra Costa counties, recorded a decline in job growth with over 113,000 jobs (-9.5%) 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.

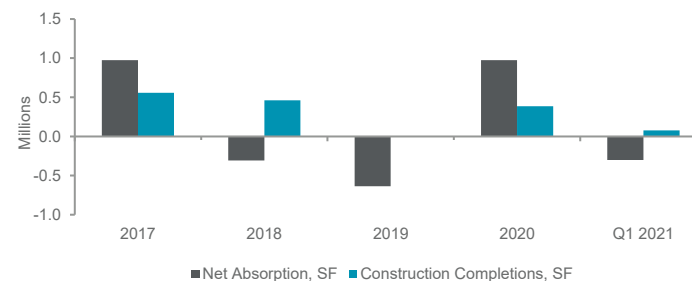
DEMAND: Second Quarter Moves Into the Black

With the market tightening after a successful 2020, the East Bay Pleasanton market experienced a tough opening to the year. Net absorption moved into the red for the first quarter, totaling negative 302,127 square feet (sf), with most of the move-outs occurring in Livermore. That said, 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 7.4% at the end of the first quarter, having increased 170 bps from the fourth quarter though down 250 bps YOY. The increase quarter-over-quarter (QOQ) was attributed to Livermore—which constitutes 80% of the industrial market's inventory – with its vacancy rate seeing an increase of 170 bps QOQ. Even though there was just one significant giveback in the first quarter, the vacancy increase was still supplemented by a total of 302,127 sf of negative occupancy growth.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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PRICING: Asking Rents Remain Stagnant

Asking rents at the close of the first quarter were \$0.85 per square foot (psf) on a monthly triple-net basis, which has seen a slight uptick from the fourth quarter and was up \$0.04 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

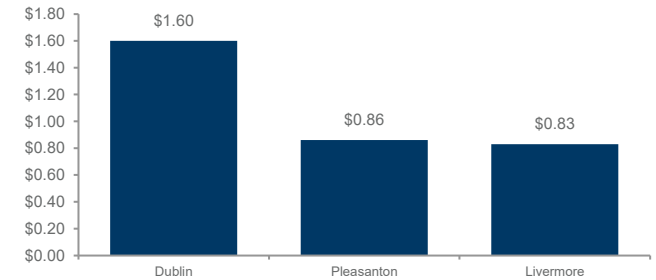
The investment market recorded rather strong activity in the first quarter, with three significant transactions signed. GIC Real Estate purchased 105,000 sf for \$23.9 million or \$505 228 psf at 6211 Las Positas Rd. in Livermore from LBA Realty. LREH California LLC purchased 18,117 sf at 5542 Brisa St. in Livermore \$3.7 million or \$204 psf. Lastly, Asmir & Faketa Sojkic purchased 11,255 sf at 76 Wright Brothers Ave. from Freels & Padilla Real Estate for \$3.2 million or \$284 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 thus 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 companies adjusting to the large demand of e-commerce and distribution facilities.

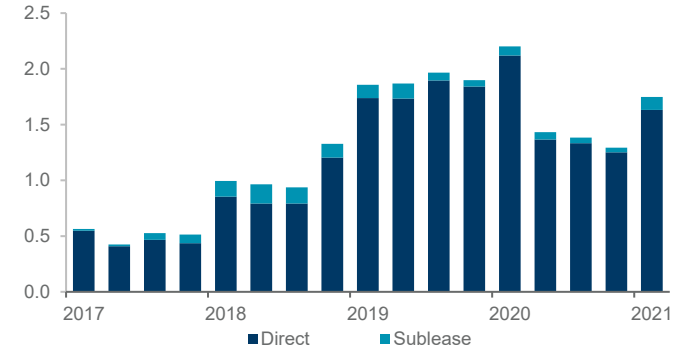
Outlook

- Current vacancy is 7.4% in the East Bay Pleasanton industrial market and is expected to remain at its current rate or decrease slightly as the market adjusts to a post-pandemic economy.
- Leasing activity is expected to bounce back in the remainder of 2021 as industrial requirements continue to be strong.
- Rents closed the quarter at \$0.85 psf and are expected to remain relatively flat over the next twelve months.

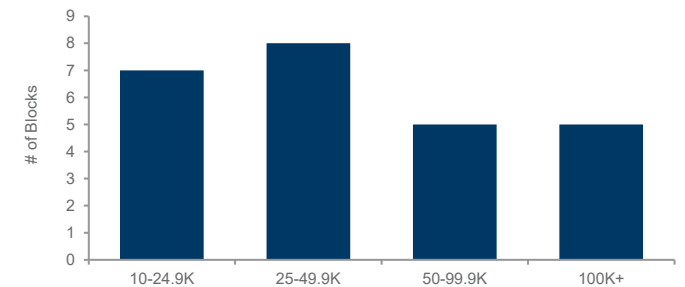
SUBMARKET ASKING RENT



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	24,553	1.4%	10,954	10,954	0	0	\$1.60	\$1.53	\$1.60
Pleasanton	2,639,934	362,698	13.7%	-86,953	-86,953	0	0	\$1.43	\$0.85	\$0.86
Livermore	17,505,361	1,244,095	7.1%	-226,128	-226,128	0	77,318	\$0.90	\$0.82	\$0.83
Total	21,904,135	1,631,346	7.4%	-302,127	-302,127	0	77,318	\$1.11	\$0.83	\$0.85

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6950-6956 Preston Ave.	Livermore	SolarJuice	57,988	Direct
4659 Las Positas Rd.	Livermore	Undisclosed	12,862	Direct
4754 Bennett Dr.	Livermore	DSC Pacific	12,849	Direct

*Renewals not included in leasing statistics

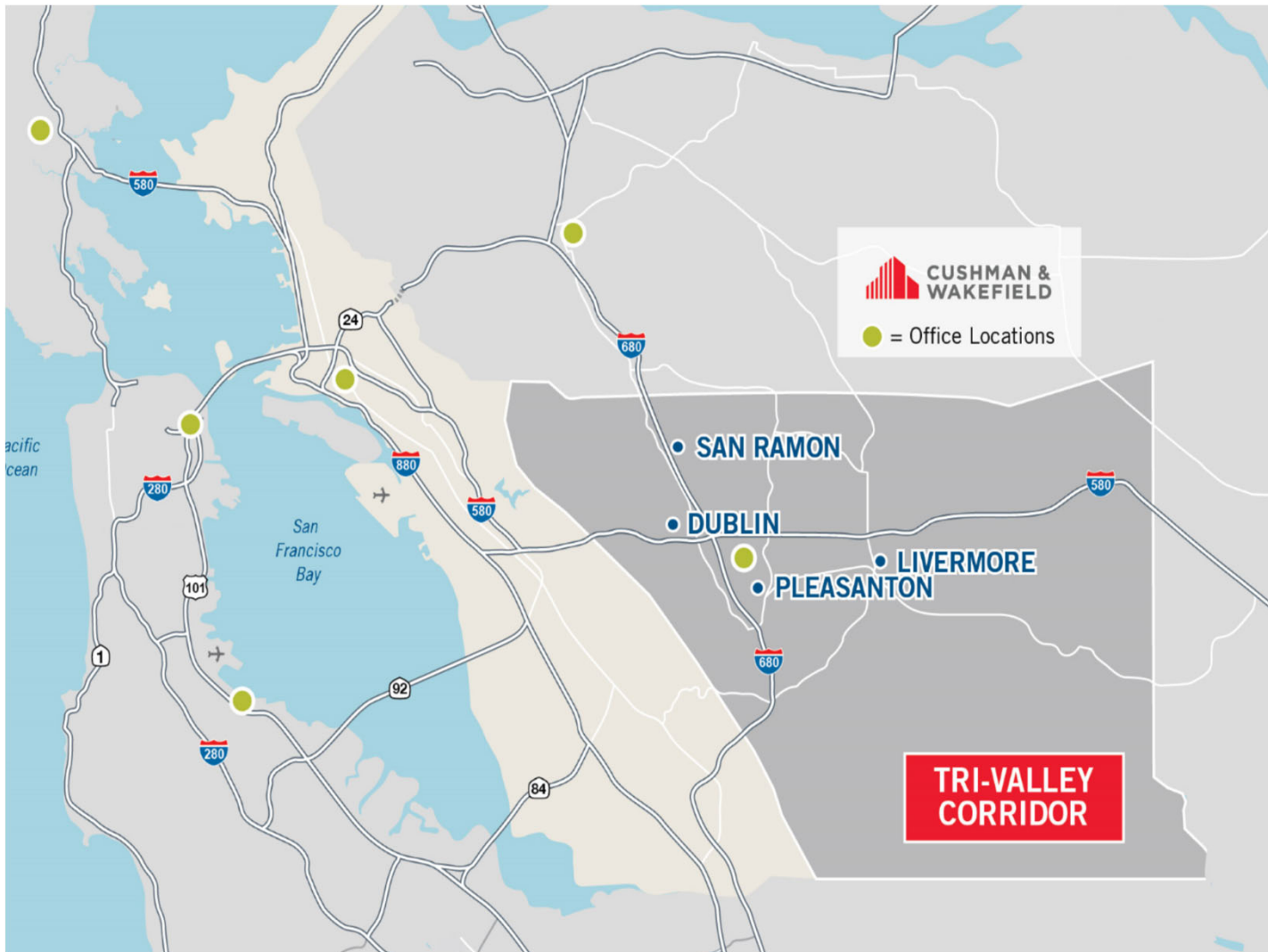
KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6211 Las Positas Rd.	Livermore	LBA Realty / Dedeaux Properties	105,000	\$23.9M / \$228
5542 Brisa St.	Livermore	JRC Properties / LREH California LLC	18,117	\$3.7M / \$204
76 Wright Brothers Ave.	Livermore	Freels & Padilla RE / Asmir & Faketa Sojkic	11,255	\$3.2M / \$284

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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

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