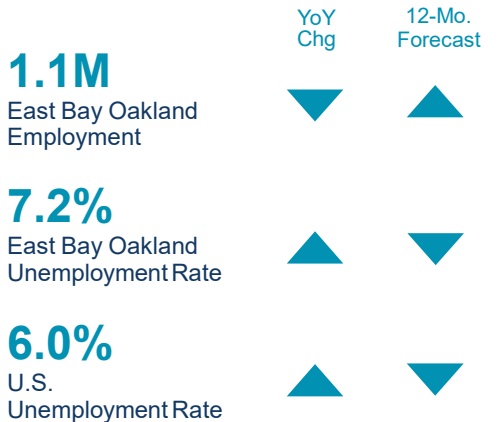


ECONOMIC INDICATORS Q1 2021



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: Pandemic-Induced Vacancy Rise

The vacancy rate in the East Bay Oakland R&D market was 10.0% at the end of the first quarter, having risen 100 bps from the end of 2020 and 170 bps from this time last year. Deliveries were minimal over the past year, totaling just 17,000 square feet (sf) and thus the rise was manifested nearly exclusive in givebacks of existing space, a trend exacerbated by the ongoing COVID-19 pandemic and R&D tenants reevaluating their space needs. The uptick in available space was most pronounced in the 50,000 to 100,000 sf size segment, for which demand has declined in recent quarters. Echoing trends seen in other product types, R&D sublease space continues to hit the market, with 848,885 sf available at the end of the first quarter, indicating a 61% increase YOY. Despite those givebacks, the sublease market remains relatively healthy compared to the East Bay Oakland office and industrial markets, where sublease vacancy rose by 123% and 63% respectively YOY. Nearly all the space added to the market over the past year has been located in the South 880 Corridor, spanning from Hayward south to Fremont, where the bulk of R&D activity has occurred in recent years. With no large blocks of space slated for occupancy in the coming months, vacancy is expected to steadily increase over the next year.

PRICING: Asking Rents Trend Down Year-Over-Year

With the flurry of space hitting the market, asking rents recorded a corresponding decline, closing the first quarter at \$1.77 per square foot (psf) on a monthly triple-net basis, having declined by \$0.03 from this time last year. Contrary to normal market trends, sublease rents outpaced direct rents throughout 2020 due primarily to a handful of large sublease blocks with modern amenities commanding top-of-the-market pricing. That trend finally reversed in the first quarter, with direct asking rents closing at \$1.80 psf and sublease rents closing at \$1.67 psf—due mostly to a slew of second and third generation sublease spaces hitting the market. While the East Bay Oakland R&D market remains considerably less expensive than Silicon Valley or San Mateo County, rents are expected to continue decreasing as the pandemic-related slowdown drags on—though declines will be buffered by demand for modern life sciences space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



DEMAND: 2020 Occupancy Decline Continues in 2021

The trends seen in 2020—when occupancy losses totaled negative 549,924 sf due primarily to the ongoing pandemic—continued in 2021, with net absorption totaling negative -325,942 sf in the first quarter. The Newark and Fremont submarkets, which host the majority of East Bay Oakland’s R&D inventory, were responsible for the vast majority of these givebacks, with net absorption totaling negative 283,982 sf between the two cities combined. Despite the losses, roughly 16% of the East Bay R&D inventory contains built out lab and life sciences space, for which demand has been steadily increasing with 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.

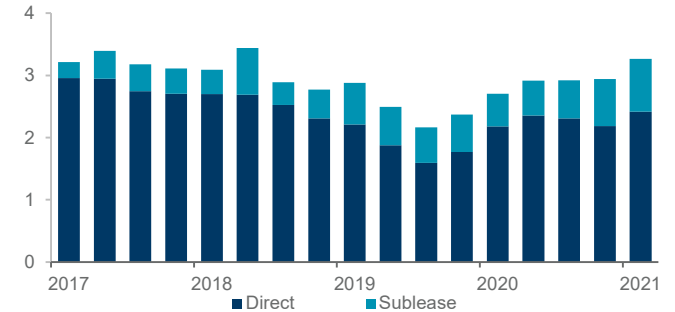
INVESTMENT ACTIVITY

There was a lull in investment activity in 2020 as a consequence of the general slowdown and 2021 has so far followed that trend, with just one significant transaction signed in the first quarter - 48400 Fremont Boulevard, totaling 42,816 sf, was sold by the Koll Company to BKM Capital Partners for \$14.5 million, or \$339 psf. 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.

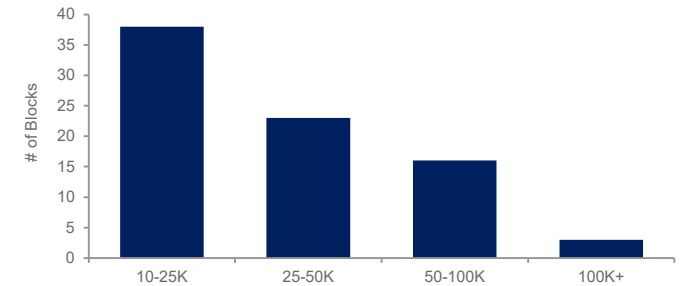
Outlook

- Asking rents dipped down in the first quarter, closing at \$1.77 psf, declining \$0.03 from this time last year. 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 saw significant losses in 2020, and that trend continued in the first quarter of 2021, with net absorption totaling negative 325,942 sf. Despite demand from life sciences, occupancy is expected to fall further 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.

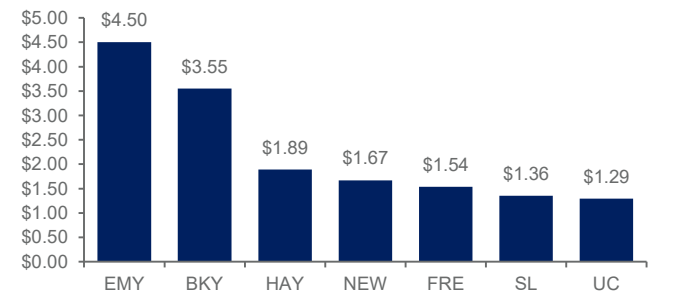
DIRECT AND SUBLEASE AVAILABLE SPACE



AVAILABILITIES BY SIZE SEGMENT



OVERALL AVERAGE ASKING RATE BY SUBMARKET (NNN)



R&D Q1 2021

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	1,399,958	0	175,227	12.5%	0	0	0	0	\$3.55
Emeryville	1,747,755	0	70,000	4.0%	0	0	0	0	\$4.50
San Leandro	907,878	10,281	48,970	6.5%	-33,299	-33,299	19,332	0	\$1.36
Hayward	3,918,537	126,710	314,444	11.3%	-12,990	-12,990	15,698	0	\$1.89
Union City	958,970	0	59,931	6.2%	4,239	4,239	9,776	0	\$1.29
Newark	2,940,995	327,284	113,047	15.0%	-115,408	-115,408	0	0	\$1.67
Fremont	20,687,543	384,610	1,635,306	9.8%	-168,484	-168,484	240,994	0	\$1.54
TOTALS	32,561,636	848,885	2,416,925	10.0%	-325,942	-325,942	285,800	0	\$1.77

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3100-3178 Laurelview Ct	Fremont	Yield Engineering Systems, Inc.	48,400	New Lease
47451-47475 Fremont Blvd	Fremont	Weee!	42,711	New Lease
4245 Technology Dr	Fremont	Q'Apel Medical	35,690	New Lease
40919-40929 Encyclopedia Cir - Bldg B	Fremont	ElringKlinger	25,272	New Lease
48500-48560 Fremont Blvd	Fremont	Bionova Scientific	22,155	New Lease

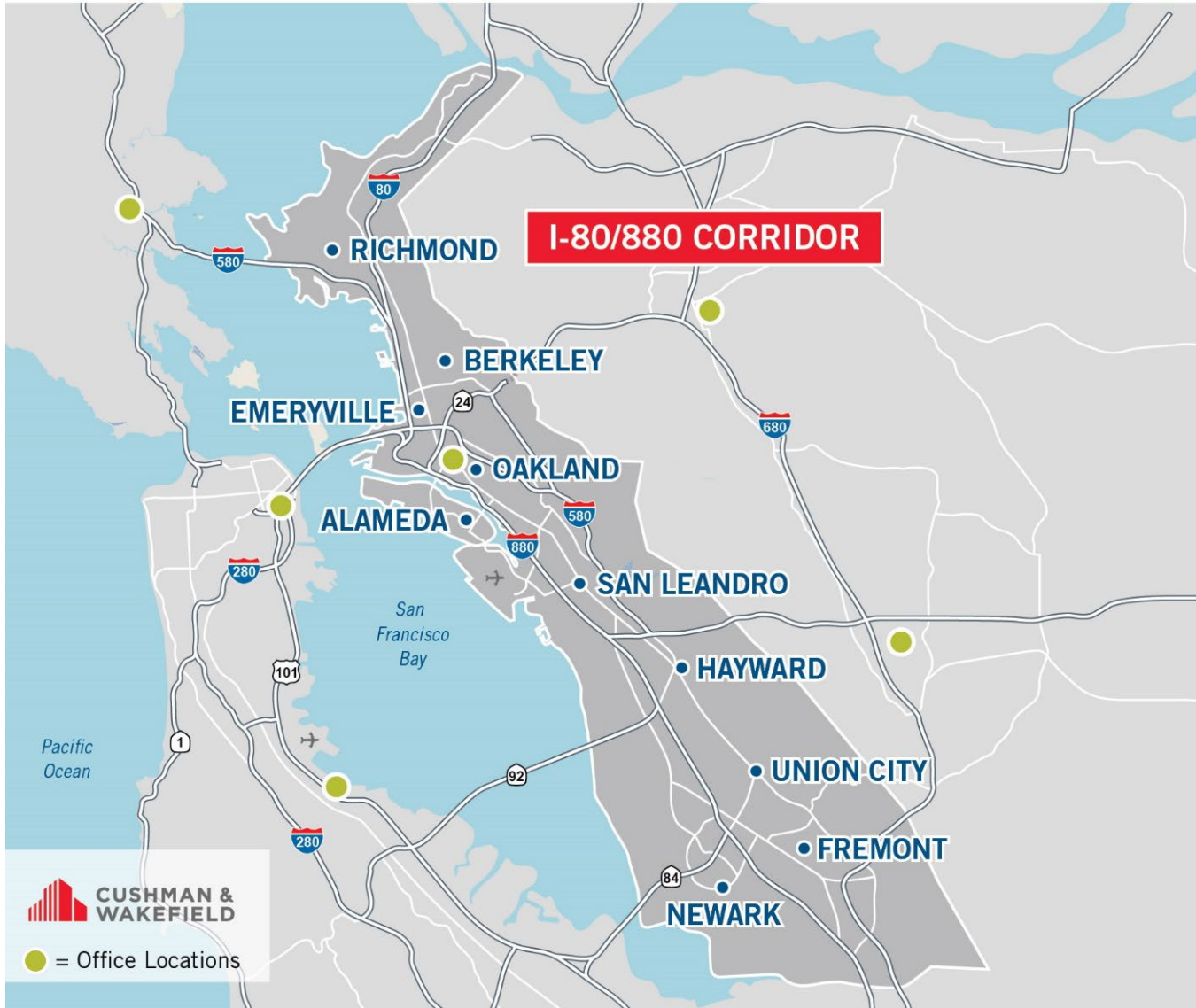
KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
48400 Fremont Blvd	Fremont	BKM Capital Partners / The Koll Copmany	42,816	\$14.5M / \$339

EAST BAY OAKLAND

R&D Q1 2021

INDUSTRIAL SUBMARKETS



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 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com 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