

East Bay Pleasanton

Industrial Q3 2021

	YoY Chg	12-Mo. Forecast
8.6% Vacancy Rate	▲	▼
38K Net Absorption, SF	▲	▲
\$0.86 Asking Rent, PSF	▼	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
1.1M East Bay Employment	▲	▲
6.2% East Bay Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2021Q2 data are based in the latest available data

ECONOMY: The COVID-19 Impact

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with over 35,000 jobs (+3.9%) obtained year-over-year (YOY), bringing regional employment to just under 1.10 million. With this growth, the unemployment rate correspondingly dropped 460 basis points (bps) to 6.2%, slightly above the national rate of 5.2%. 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 has begun the reopening of the economy.

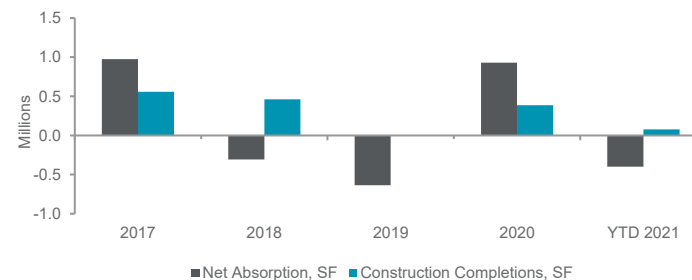
DEMAND: Third Quarter Stays in the Black

The East Bay Pleasanton market experienced a modestly positive third quarter with net absorption moving into the black by 38,239 square feet (sf), with most of the move-ins occurring in Livermore. 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 seven listings over 100,000 sf available for immediate occupancy, there is limited inventory available to satisfy demand in that larger 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, there has been an increasing supply of large-block availabilities in East Bay Oakland which, with flattening rents there, has corresponded to a decline in industrial users from that market searching for space in East Bay Pleasanton. That said, there remain numerous in-market tenants looking to expand or relocate to better quality product which is likely to create increased demand on its own.

SUPPLY: Vacancy Sees Slight Uptick

Vacancy in the East Bay Pleasanton industrial market was 8.6% at the end of the third quarter, having increased 30 bps from the second quarter though up 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 a slight uptick of 10 bps QOQ. With only two significant givebacks in the third quarter, the vacancy increase was supplemented by a total of 38,239 sf of positive 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 third quarter were \$0.87 per square foot (psf) on a monthly triple-net basis, which is a slight uptick of \$0.02 from the second quarter and up \$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 third quarter, with three significant transactions signed. Dalfen Industrial purchased 106,700 sf for \$20.9 million or \$196 psf at 6383 Las Positas Rd in Livermore from Prism Logistics. Sandu Products, Inc. purchased 47,018 sf at 4570-4580 Contractors Plz in Livermore for \$5.8 million or \$123 psf. Lastly, Greenan Development purchased 13,837 sf at 2158 Rheem Dr from Global Classic Collection for \$4.1 million or \$296 psf.

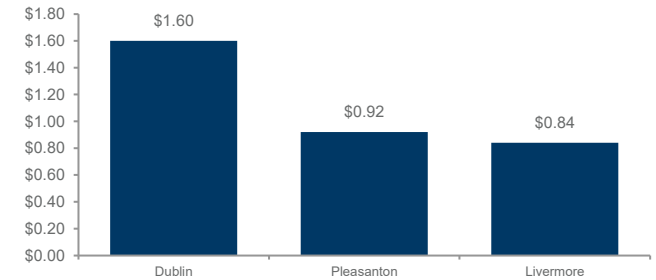
Look Ahead

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 at rents that have flattened, prices remain steeper in those nearby markets thus the more price sensitive East Bay tenants may focus their future attention on less costly East Bay Pleasanton. E-Commerce and various distribution facilities, like in almost all industrial markets, will continue to drive any demand.

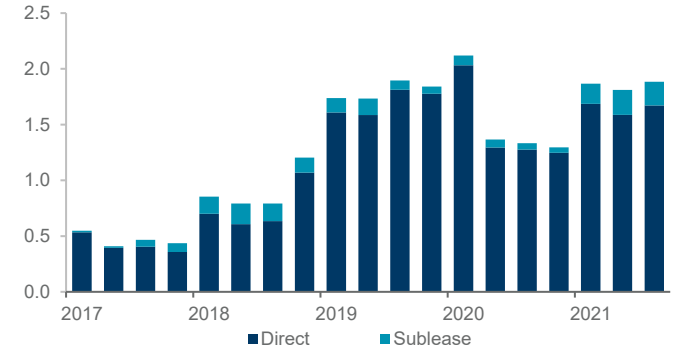
Outlook

- Current vacancy is 8.6% 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.
- Investment sales activity is likely to be strong in 2022 given the increased sales activity in the past 12 months.
- Asking rents are likely to see a slight uptick as we move in 2022.

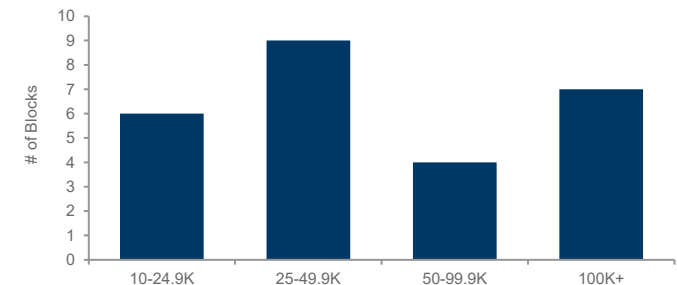
SUBMARKET ASKING RENT



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	22,882	1.3%	0	12,625	0	0	\$1.60	\$1.53	\$1.60
Pleasanton	2,639,934	390,240	14.8%	-33,848	-114,495	0	0	\$1.45	\$0.85	\$0.92
Livermore	17,616,533	1,470,897	8.3%	72,087	-297,914	0	111,172	\$0.99	\$0.83	\$0.84
Total	22,015,307	1,671,483	8.6%	38,239	-399,784	0	111,172	\$1.23	\$0.83	\$0.87

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6611 Preston Ave.	Livermore	Go Deliver	41,400	Direct
7650 Marathon Dr.	Livermore	JW Logistics	25,344	Direct
161 – 195 Pullman St.	Livermore	GS Cosmeceutical	23,000	Direct

*Renewals not included in leasing statistics

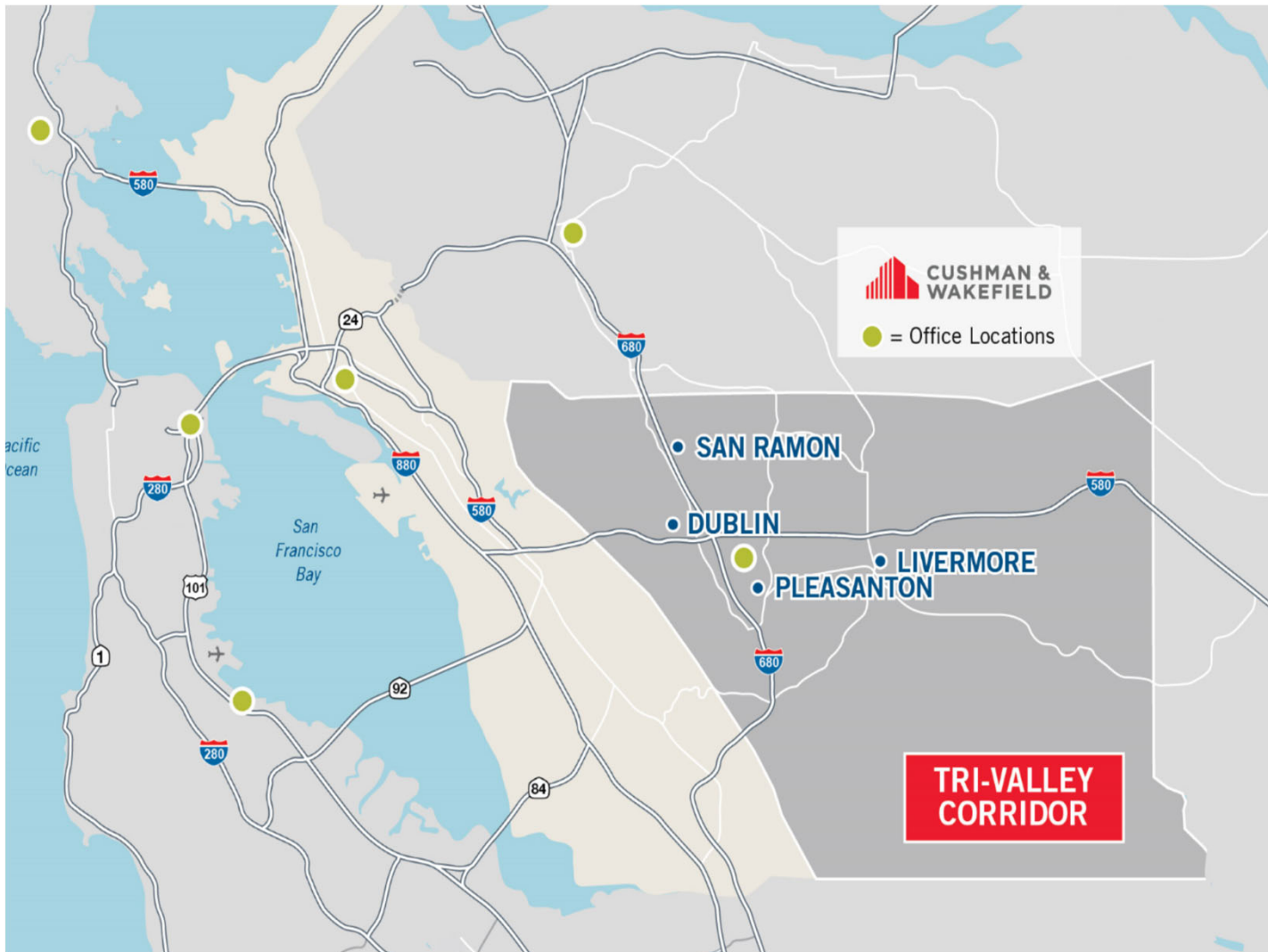
KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6393 Las Positas Rd.	Livermore	Dalfen Industrial / Prism Logistics	106,700	\$20.9M / \$195
4570 – 4580 Contractors Plz.	Livermore	Sandhu Products / Stockbridge Capital	47,018	\$5.8M / \$123
2158 Rheem Dr.	Livermore	Greenan Development / Global Classic Inc.	13,837	\$4.1M / \$296

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INDUSTRIAL SUBMARKETS



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