

East Bay Pleasanton

Industrial Q4 2021

YoY
Chg

12-Mo.
Forecast

6.7%

Vacancy Rate

**88K**

Net Absorption, SF

**\$0.96**

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2021

YoY
Chg

12-Mo.
Forecast

1.1MEast Bay
Employment**5.8%**East Bay
Unemployment Rate**4.2%**U.S.
Unemployment Rate

Source: BLS, Moody's Analytics
2021Q4 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 31,000 jobs (+2.9%) obtained year-over-year (YOY), bringing regional employment to just over 1.1 million. With this growth, the unemployment rate correspondingly dropped 210 basis points (bps) to 5.8%, above the national rate of 4.2%. 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 though there have been some recent setbacks due to the Omicron strain.

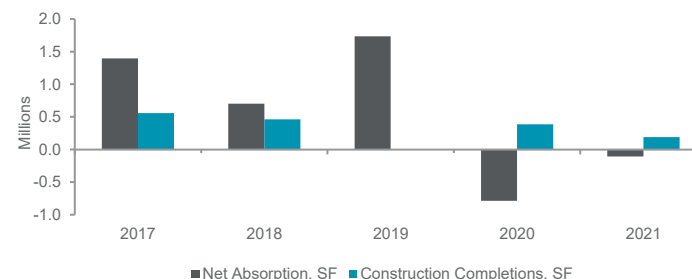
DEMAND: Fourth Quarter Absorption in the Black

The East Bay Pleasanton market experienced a modestly positive fourth quarter with net absorption moving into the black by 88,352 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 six 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 6.7% at the end of the fourth quarter, having decreased 40 bps from the third quarter though up 130 bps YOY. The decrease quarter-over-quarter (QOQ) was attributed to Livermore—which constitutes 80% of the industrial market's inventory – with its vacancy rate seeing a slight downtick of 50 bps QOQ. With only two significant givebacks in the fourth quarter, the vacancy increase was supplemented by a total of 88,254 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 fourth quarter were \$0.96 per square foot (psf) on a monthly triple-net basis, which is a slight uptick of \$0.11 from the third quarter though up \$0.14 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 fourth quarter, with three significant transactions signed. GIC Real Estate purchased 98,950 sf for \$18.9 million or \$191 psf at 6538 Patterson Pass Rd in Livermore from EQT Exeter. AEW Capital Management purchased 128,622 sf at 6755 Brisa St in Livermore for \$17.6 million or \$137 psf. Lastly, Black Mountain Properties purchased 70,560 sf at 4771 Arroyo Vista from Quatman LLC for \$15.9 million or \$225 psf.

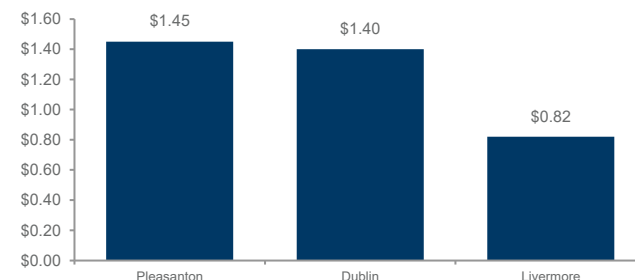
Look Ahead

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.

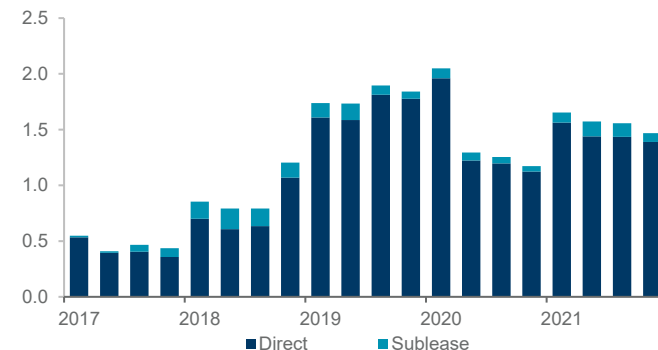
Outlook

- Current vacancy is 6.7% 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 recent demand for quality warehouse/distribution properties which is outperforming most other commercial real estate product types. Asking rents are likely to see a slight uptick as we move in 2022.
- Asking rents are likely to see a slight uptick as we move through 2022.

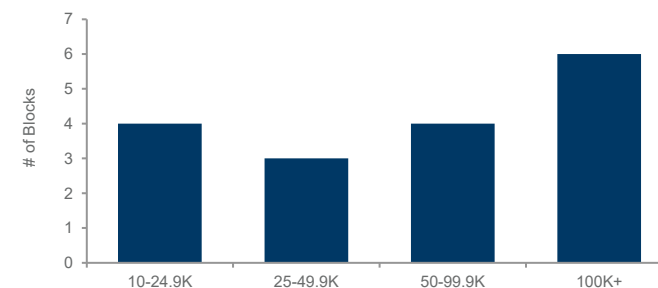
SUBMARKET ASKING RENT



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



AVAILABILITIES BY SEGMENT SIZE



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	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	9,297	0.5%	1,618	13,784	0	0	\$1.40	\$0.90	\$1.40
Pleasanton	2,639,934	300,955	11.4%	-1,520	-25,210	0	0	\$1.45	\$0.85	\$1.45
Livermore	17,616,533	1,157,799	6.6%	88,254	-99,691	0	0	\$0.93	\$0.82	\$0.82
Total	22,015,307	1,468,051	6.7%	88,352	-107,117	0	0	\$1.10	\$0.83	\$0.96

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4225 Hacienda Dr.	Pleasanton	Undisclosed	262,883	Direct
6909 Las Positas Rd.	Livermore	Protein Research Inc.	42,424	Direct
6144 Industrial Wy.	Livermore	Undisclosed	15,795	Direct

*Renewals not included in leasing statistics

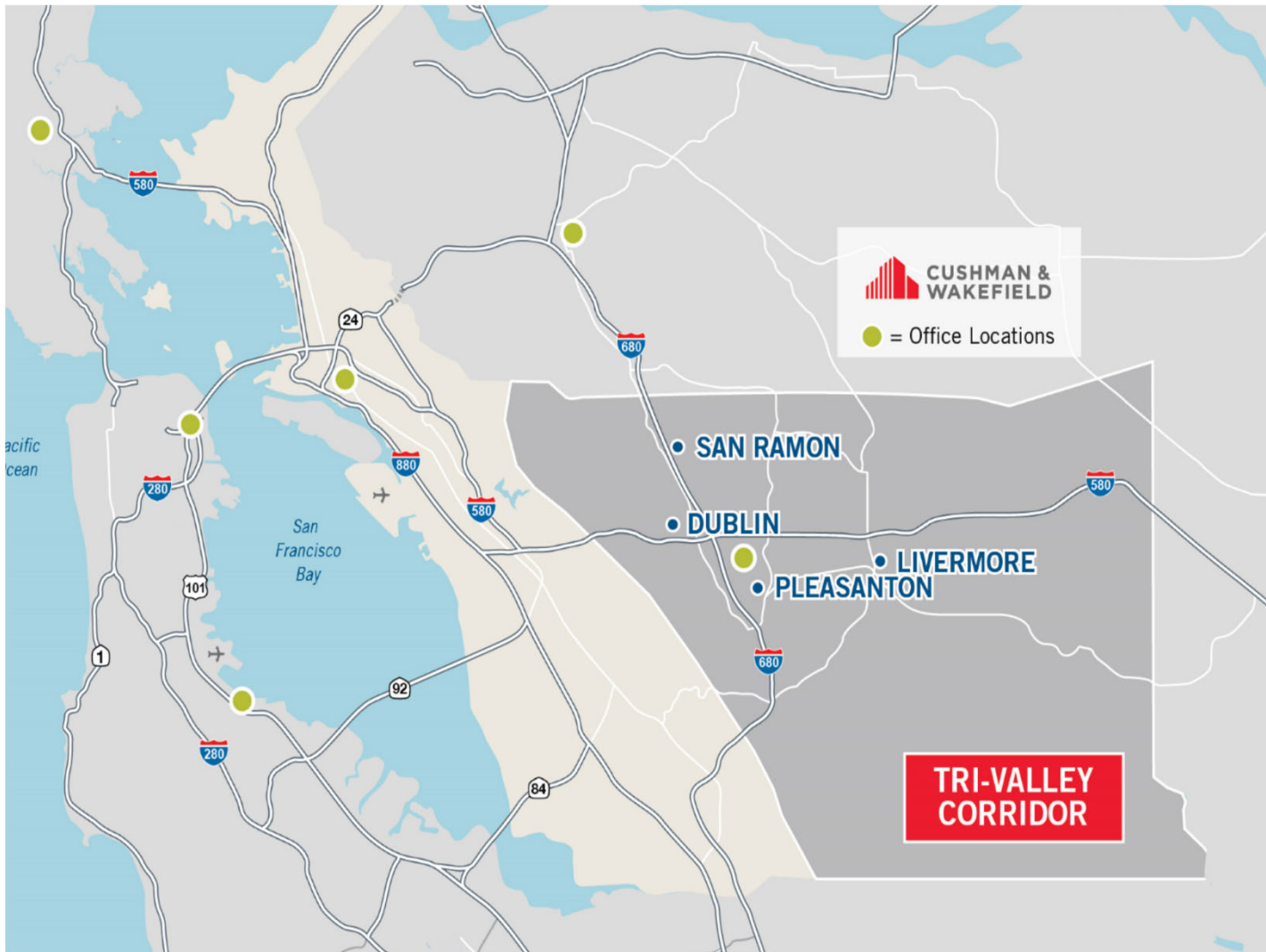
KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
6538 Patterson Pass Rd.	Livermore	EQT Exeter / GIC Real Estate	98,950	\$18.9M / \$191
6755 Brisa St.	Livermore	Crow Holdings / AEW Capital Management	128,622	\$17.6M / \$137
4771 Arroyo Vista	Livermore	Black Mountain Properties/ Quatman LLC	70,560	\$15.9M / \$225

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INDUSTRIAL SUBMARKETS

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