

Industrial Q2 2022

3.6%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

250K

Net Absorption, SF



\$1.15

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q2 2022

1.2M

East Bay Oakland
EmploymentYoY
Chg12-Mo.
Forecast

3.6%

East Bay Oakland
Unemployment Rate

3.6%

U.S.
Unemployment RateSource: BLS, Moody's Analytics.
2022Q2 data are based on latest available data.

Economy: California Reopening Gains Momentum

The East Bay, consisting of Alameda and Contra Costa counties, recorded positive job growth with 47,200 jobs added year-over-year (YOY), bringing regional employment to nearly 1.17 million. This translated to an unemployment rate of 3.6%, a decline of 320 basis points (bps) from the same period in 2021. After a spike in COVID-19 cases late in the fourth quarter of 2021 threatened to derail the Bay Area's recovery, the majority of mask and social distancing mandates were dropped across the East Bay in the first half of 2022. While elevated vacancy has plagued the office and retail sectors, East Bay industrial continues to boom, shedding vacancy amidst record pricing. However, while market fundamentals held strong, global supply chain issues, soaring fuel costs and rising inflation all present major headwinds to the industries that have been driving growth.

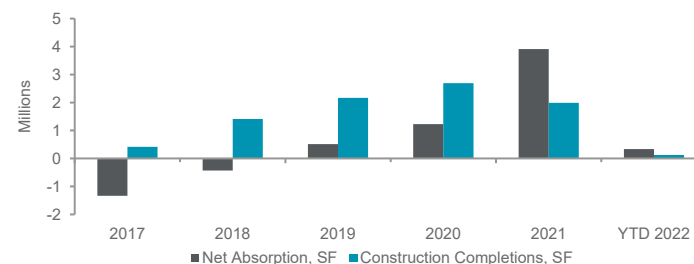
Supply: Sublease Spikes, Vacancy Keeps Falling

The vacancy rate in the East Bay Oakland industrial market was just 3.6% at the close of the second quarter, down 50 bps YOY and 10 bps from the prior quarter. The vacancy rate for manufacturing space ticked up for the first time in six quarters, after hitting a scant 3.2% in the first quarter, as new sublease space increased vacancy for the product type by 20 bps in the second quarter. Warehouse vacancy was down 30 bps YOY despite the addition of 1.0 million square feet (msf) to inventory over the same period. However, of that 1.0 msf, only 12% was delivered in 2022, marking one of the lowest six-month periods of delivery in recent record, allowing demand to erode existing vacancy. Looking ahead, vacancy will likely experience an uptick as the current pipeline of 1.8 msf under construction begins to deliver in the third quarter. The onset of the pandemic in early 2020 led many developers to pause projects, but as the industrial market continued to flourish, construction took off again. The majority of new supply is being built on a speculative basis, a test for new tenant demand. The East Bay Oakland experienced a similar construction boom beginning in late 2019, with vacancy rising 120 basis points in a year. The market was able to absorb that space and, despite continued deliveries through 2020 and 2021, vacancy closed the current quarter at its lowest level in over three years. The question now is can the market do it again?

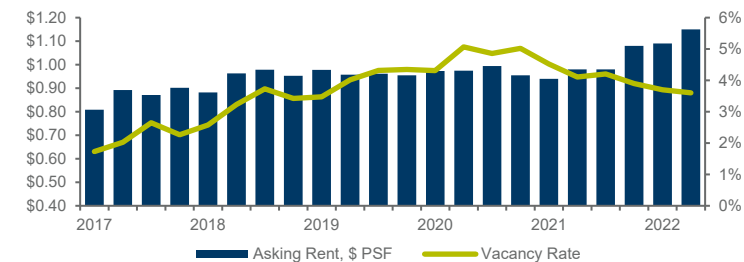
Demand: Big Tenants Taking Space

The East Bay industrial market recorded just over 3.0 msf of leasing activity in the second quarter, with net absorption of 250,026 sf, positive for the eighth consecutive quarter. The largest lease of the quarter was signed by VEEV for all 507,000 sf of 2701 W. Winton in Hayward. The warehouse facility, built in 2020 and originally leased to Amazon, was on the market for sublease just five months. The market has seen an uptick in large tenants this year, with five new leases over 200,000 sf signed in the first two quarters, level with the full year 2021 total. Developers have been betting on continued activity in this size range with many new projects catering to large block tenants, despite tenants in the 50,000 to 100,000 sf range dominating market demand historically. Availabilities in that mid-size range were down 50% YOY as well. At the end of the second quarter, Cushman & Wakefield was tracking over 40 industrial requirements in the market for 4.8 msf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Pricing: Demand Drives Higher Rents

The average asking rate for East Bay industrial closed the second quarter at \$1.15 per square foot (psf) on a monthly triple net basis, up \$0.06 from the prior quarter and \$0.17 YOY. Rental rates have surged in the past year amidst a combination of factors including new construction, rising construction costs, and limited vacancy. Projects currently under construction are being built at a much higher basis than prior cycles with the prices up for everything from land to lights. As a result, well located, Class A distribution space is asking upwards of \$1.35 psf. Low vacancy has also been a driver of pricing, with landlords able to push asking rates on dated, existing inventory. The rate itself is not the only area to record recent increases. In the second quarter, the market continued to see annual rental escalations for signed leases creep above 3%, a rate that had long been the market standard. As rental rates continue to rise and inflation hits a record high, landlords are looking to sign leases today that will not fall behind the market.

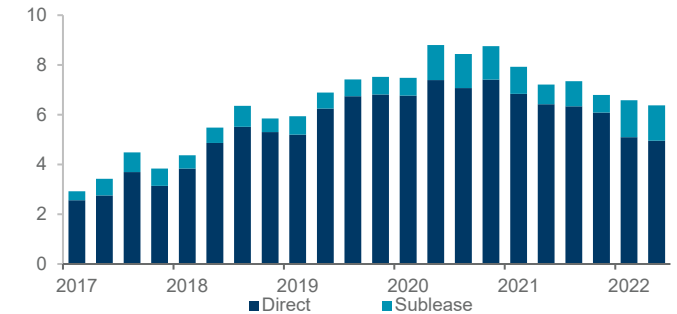
CAPITAL MARKETS: East Bay Industrial Continues to Trade

Despite rising interest rates, the strength of the East Bay Oakland industrial market continued to draw significant investment. The largest sale of the quarter was Ford Point, a 480,000-sf manufacturing facility in Richmond, which was sold by Orton Development to a joint venture between Madison Capital & Meadow Partners for \$103.7 million. Originally built as a production plant for Ford, the property now holds a diverse array of tenants and is being repositioned towards R&D and creative office. There were several additional transactions over 100,000-sf, capping off a strong quarter for sales activity, even in the face of various headwinds. The scarcity of developable land and strong market fundamentals are expected to continue to draw investment to the market.

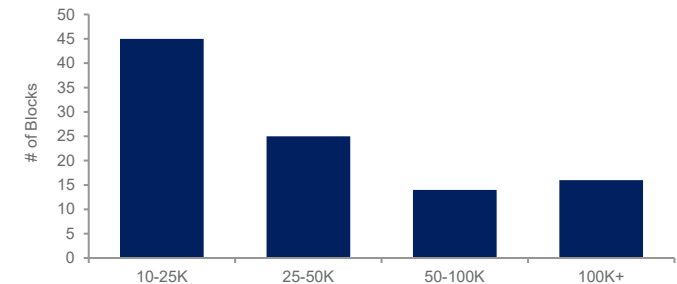
Outlook

- Asking rents at the end of the second quarter were \$1.15 psf. Looking forward, rent growth will likely slow, although new construction could place upward pressure.
- There is just shy of 1.8 msf currently under construction, the majority of which is available. This pipeline will likely create temporary spikes in vacancy, but robust tenant requirements are expected to absorb the space as it delivers throughout 2022.
- Rising interest rates present a significant headwind to investment, but the East Bay Oakland market is expected to continue drawing investment activity.

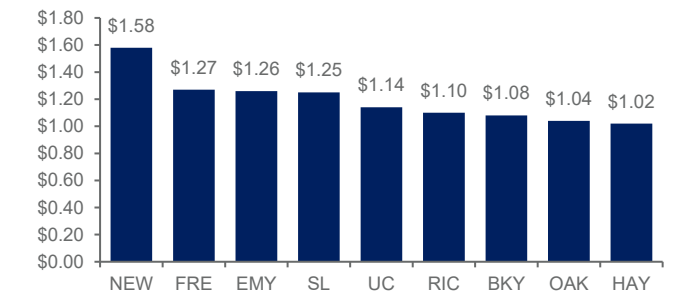
DIRECT AND SUBLEASE AVAILABLE SPACE



AVAILABILITIES BY SIZE SEGMENT



OVERALL AVERAGE ASKING RATE BY SUBMARKET (NNN)



Industrial Q2 2022

MARKET STATISTICS

SUBMARKETS	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 (W/D)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT
Richmond	13,862,517	939,386	6.8%	8,497	222,473	329,553	124,050	\$1.01	\$1.26	\$1.10
Berkeley	6,428,356	13,500	0.2%	19,054	88,999	0	0	\$1.08	\$1.49	\$1.08
Emeryville	2,723,006	169,373	6.2%	-59,179	-73,003	0	0	\$1.56	\$1.07	\$1.26
Oakland	38,073,574	1,414,317	3.7%	147,434	49,754	592,738	0	\$1.09	\$0.98	\$1.04
San Leandro	28,449,457	1,106,132	3.9%	291,063	175,028	0	0	\$1.23	\$1.26	\$1.25
Hayward	39,682,589	1,330,805	3.4%	11,457	-8,233	509,820	0	\$1.06	\$0.93	\$1.02
Union City	13,664,513	268,527	2.0%	125,176	108,732	0	0	\$1.40	\$0.80	\$1.14
Newark	9,786,300	359,355	3.7%	-59,475	403	0	0	\$1.52	\$1.59	\$1.58
Fremont	23,272,203	772,950	3.3%	-234,001	-99,539	320,474	0	\$1.36	\$1.23	\$1.27
EAST BAY OAKLAND TOTALS	175,942,515	6,374,345	3.6%	250,026	464,614	1,752,585	124,050	\$1.14	\$1.16	\$1.15

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

*These values not reflective of the U.S. MarketBeat Tables

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2022

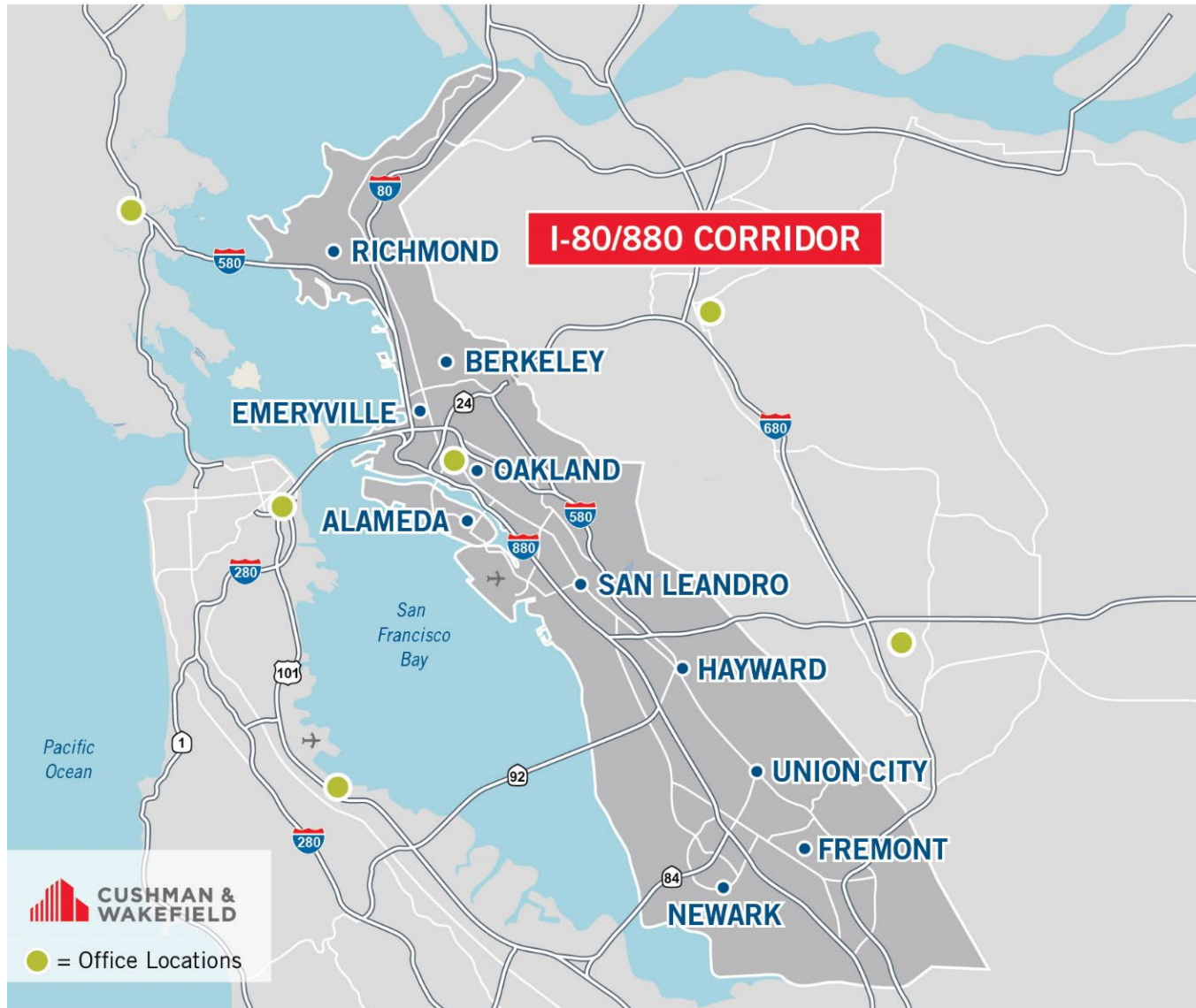
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2701 W. Winton Avenue	Hayward	VEEV	506,925	Sublease
6700 Auto Mall Parkway	Fremont	Office Depot	476,176	Renewal
2222 Grant Avenue	San Lorenzo	Santini Foods	235,000	New Lease
7395 Morton Avenue (Morton Commerce Center)	Newark	Confidential	161,680	New Lease
425 Hester Street	San Leandro	Apex Logistics	88,378	New Lease
33463 Western Avenue	Union City	Orora Packaging	86,104	Renewal

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$PSF
Ford Point	Richmond	Orton Development / Madison Capital & Meadow Partners	480,000	\$103.7M / \$216
2450 Alvarado Street	San Leandro	PSAI / Ark Row	135,000	\$26.4M / \$196
2953-3057 Teagarden Street (Portfolio)	San Leandro	Reynolds & Brown / Terreno Realty	104,000	\$34.6M / \$333
42744-42774 Boscell Road	Fremont	AER Worldwide Receiving / Fortress	93,385	\$29.0M / \$311
1514-1586 Zephyr Avenue	Hayward	Mason Properties / EastGroup Properties	82,080	\$28.5M / \$347



INDUSTRIAL SUBMARKETS

**Wescott Owen***Research Manager*

Tel: +1 415 451 2418

wescott.owen@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 over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 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.

©2022 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