



SECOND
QUARTER 2019

EAST BAY
INDUSTRIAL
REPORT

VACANCY & RENTS



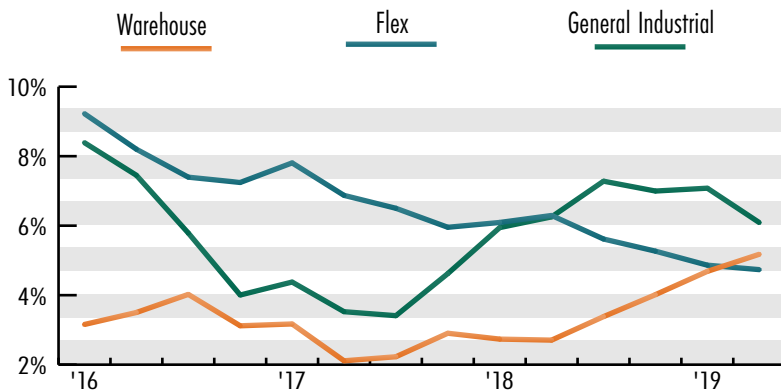
Despite Market Softening rents continue to climb. Total East Bay industrial inventory is nearly 160 million square feet and growing; with 2.4 million square feet delivered in the past 12 months and more than two million square feet in development. Alameda’s six-building North Loop advanced manufacturing center is expected to deliver in 2019.

As inventory rises, the market is showing signs of softening. Leasing activity is down approximately 1.3 million square feet year-over-year. Net absorption fell into negative territory for the second consecutive quarter. Despite a healthy job market and growing economy, the East Bay warehouse and manufacturing sector is feeling the impacts of a shrinking blue-collar

workforce and high rents. As the cost of living continues to rise, traditional manufacturers are unable to maintain competitive wages.

Tariffs also impinge on warehouse and manufacturing. Bay Area-headquartered retailers like Restoration Hardware and Williams Sonoma show about 40 and 15 percent of merchandise volume, respectively, are subject to China tariffs, according to the *San Francisco Chronicle*. Food manufacturers and California growers are seeing impacts from the potential tariffs with Mexico.

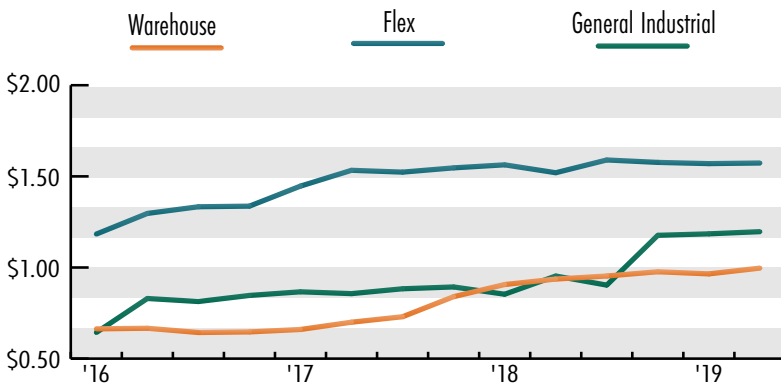
VACANCY RATES BY PRODUCT | Physically Vacant Space



Change in Vacancy (YoY)

+1.4%

AVERAGE RENTAL RATES | Triple Net



Change in Rents (YoY)

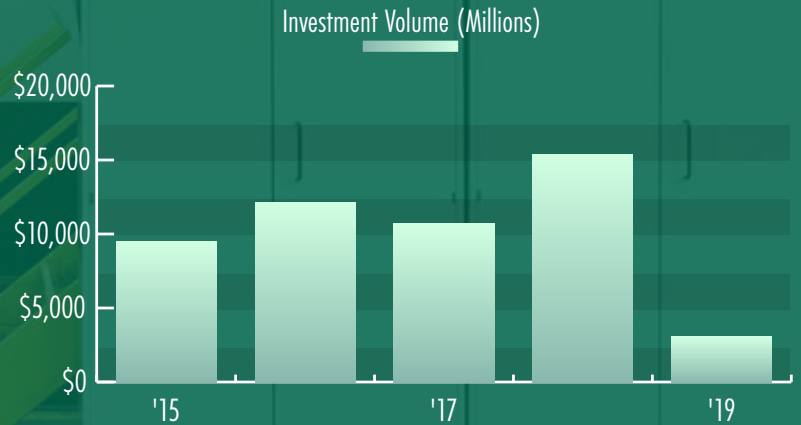
+11.9%

ECONOMY & INVESTMENT

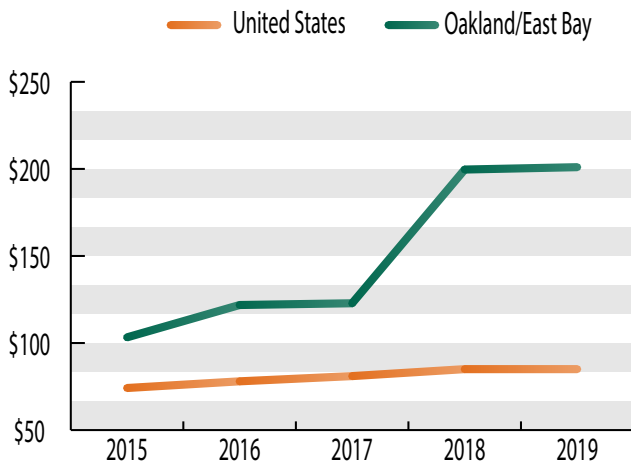


Despite a Slow in Leasing,

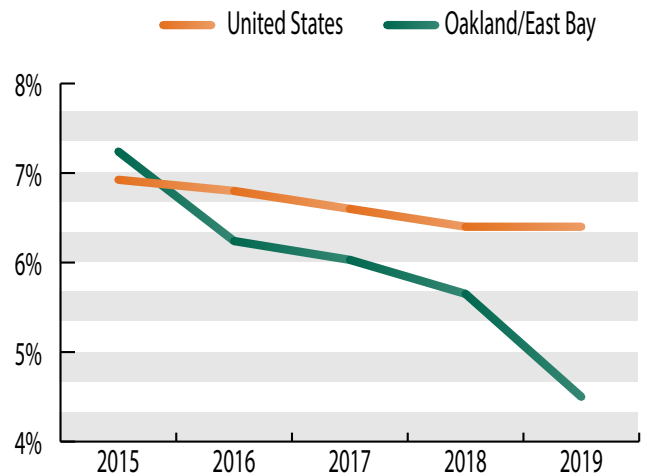
rental rates and property values have continued to increase at record pace across the Bay Area. The East Bay has seen a substantial uptick in investment volume due to the increase in rents. Asking rates overall are up 5% from last quarter. Flex product over the past few quarters has made a comeback in tenant interest and as a result showed decreases in the vacancy. The growth of tech in the Bay Area has benefited the industrial market.



SALE PRICE PSF | REGIONAL VS NATIONAL TRENDS



CAP RATES | REGIONAL VS NATIONAL TRENDS



SALE TRANSACTIONS | NOTABLE INDUSTRIAL TRANSACTIONS

| Property Address | Size (SF) | Sale Price | PSF | Buyer | Type |
|------------------------------------|-----------|-----------------|-------|----------------------|-----------|
| 33201 Dowe Ave, Union City | 306,650 | \$53,500,000.00 | \$174 | Investor | Warehouse |
| 4600 Norris Canyon Road, San Ramon | 103,182 | \$37,300,000.00 | \$361 | Madison Marquette | Flex |
| 4550 Norris Canyon Road, San Ramon | 97,123 | \$23,000,000.00 | \$237 | Dollinger Properties | Flex |

STATISTICS BY SUBMARKET

LEASING ACTIVITY | EAST BAY METRO AREA

| TENANT | Property Address | Size (SF) | Type |
|-----------------|-----------------------------------|-----------|-----------|
| SHAW INDUSTRIES | 4025 Whipple Road, Union City | 126,000 | Warehouse |
| HOPSY | 4909 Central Avenue, Richmond | 56,805 | Warehouse |
| PIVOT BIO | 4030-4058 Point Eden Way, Hayward | 32,200 | Flex |

Under Construction (SF)

 **2,008,689**

Average Price per SF

 **\$201**

| Market/ Submarket | Total Inventory | Direct SF | Sublease SF | Total SF | Direct % | Sublease % | Total % | Qtr Net Absorption | Under Construction | Average Asking Rent |
|----------------------|--------------------|------------------|------------------|------------------|----------------|---------------|------------------|-----------------------|-----------------------|---------------------------|
| I-80/880 | | | | | | | | | | |
| General Ind. | 22,713,378 | 1,288,866 | 83,230 | 1,372,096 | 5.7% | 0.4% | 6.0% | 129,243 | 430,734 | \$1.01 |
| Flex | 13,448,413 | 480,611 | 119,199 | 599,810 | 3.6% | 0.9% | 4.5% | 79,786 | 186,034 | \$1.79 |
| Warehouse | 86,175,321 | 4,125,932 | 308,878 | 4,434,810 | 4.8% | 0.4% | 5.1% | (414,447) | 1,070,151 | \$0.98 |
| Total | 122,337,112 | 5,895,409 | 511,307 | 6,406,716 | 4.8% | 0.4% | 5.2% | (205,418) | 1,686,919 | \$1.26 |
| N. I-680 | | | | | | | | | | |
| General Ind. | 6,030,710 | 383,800 | - | 383,800 | 6.4% | 0.0% | 6.4% | 20,000 | - | \$1.13 |
| Flex | 2,667,663 | 213,066 | 48,931 | 261,997 | 8.0% | 1.8% | 9.8% | (52,277) | 29,000 | \$1.46 |
| Warehouse | 9,786,055 | 352,390 | 11,520 | 363,910 | 3.6% | 0.1% | 3.7% | (238,385) | - | \$1.09 |
| Total | 18,484,428 | 949,256 | 60,451 | 1,009,707 | 5.1% | 0.3% | 5.5% | (270,662) | 29,000 | \$1.23 |
| Tri-Valley | | | | | | | | | | |
| General Ind. | 1,783,839 | 103,466 | - | 103,466 | 5.8% | 0.0% | 5.8% | 4,963 | - | \$1.45 |
| Flex | 5,047,671 | 140,330 | - | 140,330 | 2.8% | 0.0% | 2.8% | (23,240) | 208,650 | \$1.47 |
| Warehouse | 13,114,875 | 731,528 | 116,617 | 848,145 | 5.6% | 0.9% | 6.5% | (116,821) | 84,120 | \$0.92 |
| Total | 19,946,385 | 975,324 | 116,617 | 1,091,941 | 4.9% | 0.6% | 5.5% | (135,098) | 292,770 | \$1.28 |
| East Bay | | | | | | | | | | |
| Class A | 9,301,988 | 0 | 1,236,467 | 13.3% | 176,171 | 1.9% | 1,412,638 | 15.2% | (58,120) | \$3.44 |
| Class B | 16,912,730 | 0 | 1,688,914 | 10.0% | 230,140 | 1.4% | 1,919,054 | 11.3% | (158,170) | \$2.39 |
| Class C | 2,899,823 | 0 | 99,883 | 3.4% | 6,741 | 0.2% | 106,624 | 3.7% | 10,896 | \$2.00 |
| Total | 29,114,541 | 0 | 3,025,264 | 10.4% | 413,052 | 1.4% | 3,438,316 | 11.8% | (205,394) | \$2.61 |



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