



THIRD
QUARTER 2019

EAST BAY
INDUSTRIAL
REPORT

VACANCY & RENTS

Significant Leap in East Bay Industrial Leasing

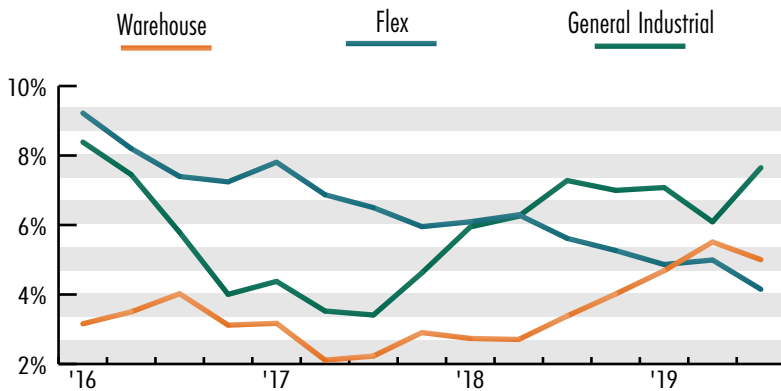
Despite a lull in the first half of 2019, net absorption jumped back into positive territory in Q3. Activity surged in R&D/flex space, with more than 152,422 square feet of net absorption. Over the course of the last three months, tenants inked 62 deals averaging more than 6,000 square feet each. Even with the recent uptick in activity, overall industrial rents have risen only slightly year-to-date and 8% year-over-year.

Most of the recent contraction in the East Bay is among traditional manufacturers who've been priced out of the market by elevated rents and employment costs. Overall, sublease vacancy has increased by more than

500,000 square feet year-over-year, with close to half in warehouse product. Sublease vacancy is a strong indicator of a reduction or shedding of excess space.

There are a handful of issues influencing the industrial market at the moment. Locally, landlord expectations have been driven up by the influx of industries including high-tech manufacturing and cannabis-related businesses that are willing to pay higher rents. At the same time, companies are struggling to manage the impact of rising business costs and commute times for workers. Many have moved on to Solano, San Joaquin and Sacramento counties seeking pricing relief, as well as closer proximity to the work force. External influences include the ongoing contraction of the U.S. manufacturing industry, the upcoming presidential election, tariffs and global trade concerns that impact businesses dependent on the Port of Oakland.

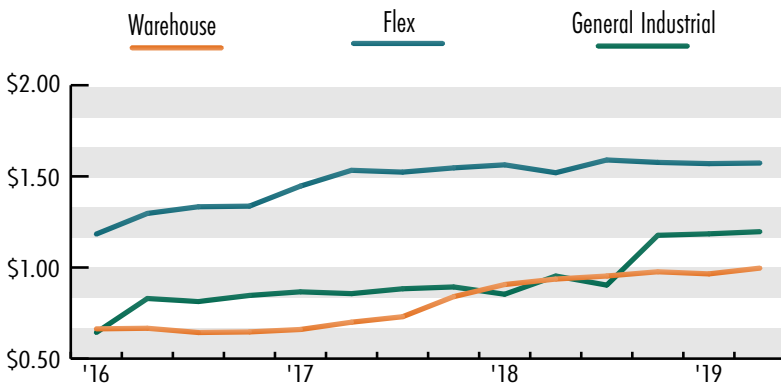
VACANCY RATES BY PRODUCT | Physically Vacant Space



Change in Vacancy (YoY)

 **+1.7%**

AVERAGE RENTAL RATES | Triple Net



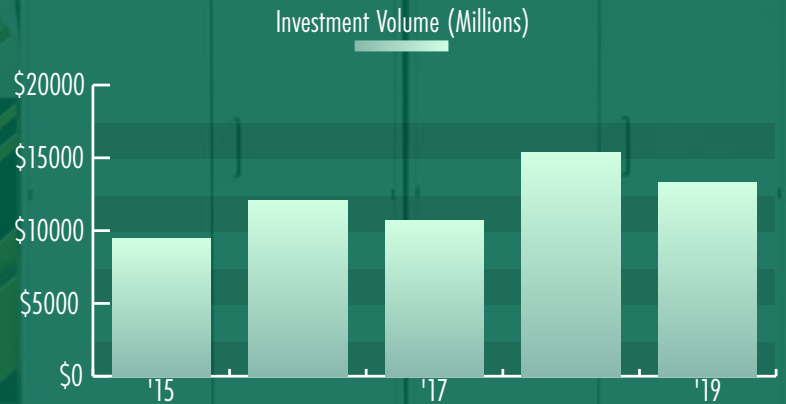
Change in Rents (YoY)

 **+12.6%**

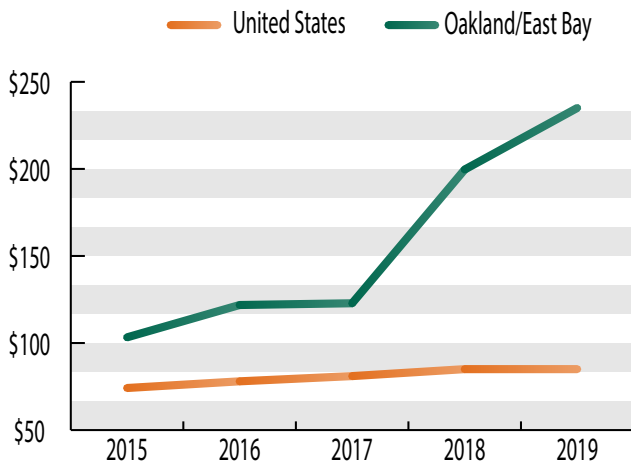
ECONOMY & INVESTMENT



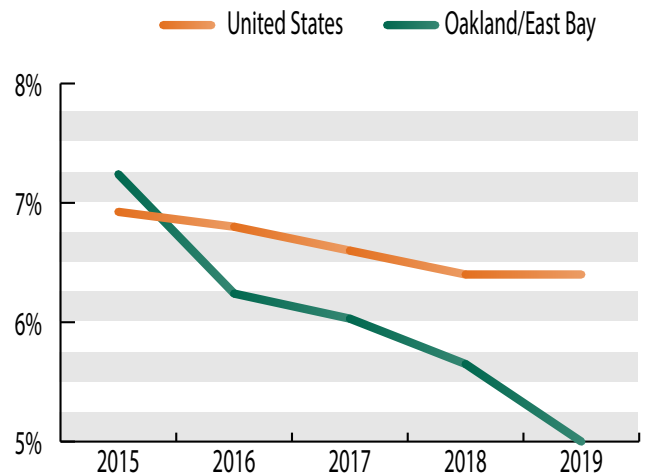
Total Sales Volume is on target to surpass the previous year thanks to a major portfolio acquisition by Stockbridge Capital. Tenants are now encouraged to acquire their own buildings for long term pricing relief and investors are grabbing core assets for redevelopment. Terreno Realty Group purchased a vacant distribution center in Oakland for \$256 per square foot and Stockbridge acquired more than 6.3 million square feet from Westcore Properties encompassing 26 assets across nine states including Antioch Distribution Center and 5675 Sunol Blvd. in Pleasanton.



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
2100-2300 Wilber Ave, Antioch	662,810	\$100,300,000.00	\$151	Stockbridge	Warehouse
5675 Sunol Blvd, Pleasanton	94,373	\$26,800,000.00	\$284	Stockbridge	Warehouse
1700 20th St, Oakland	94,000	\$23,800,000.00	\$253	Terreno Realty	Warehouse
10203 East St, Oakland	87,432	\$12,800,000.00	\$146	Charter Properties	Warehouse

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)



2,377,403

Average Price per SF



\$235

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.	23,664,055	1,698,399	238,230	1,936,629	7.2%	1.0%	8.2%	(103,799)	-	\$1.03
Flex	13,890,090	484,138	121,761	605,899	3.5%	0.9%	4.4%	25,751	496,034	\$1.61
Warehouse	86,425,787	3,602,434	599,876	4,202,310	4.2%	0.7%	4.9%	53,777	1,159,132	\$0.94
Total	123,979,932	5,784,971	959,867	6,744,838	4.7%	0.8%	5.4%	(24,271)	1,655,166	\$1.19
N. I-680										
General Ind.	5,992,799	372,800	-	372,800	6.2%	0.0%	6.2%	11,000	-	\$1.15
Flex	2,667,104	92,945	-	92,945	3.5%	0.0%	3.5%	118,904	29,000	\$1.51
Warehouse	9,914,305	89,554	11,520	101,074	0.9%	0.1%	1.0%	(10,475)	28,000	\$1.13
Total	18,574,208	555,299	11,520	566,819	3.0%	0.1%	3.1%	119,429	57,000	\$1.26
Tri-Valley										
General Ind.	1,808,197	98,274	-	98,274	5.4%	0.0%	5.4%	5,192	-	\$1.45
Flex	6,248,768	240,343	6,855	247,198	3.8%	0.1%	4.0%	7,767	208,650	\$1.63
Warehouse	13,575,322	1,077,680	116,617	1,194,297	7.9%	0.9%	8.8%	43,521	456,587	\$0.81
Total	21,632,287	1,416,297	123,472	1,539,769	6.5%	0.6%	7.1%	56,480	665,237	\$1.30
East Bay										
Class A	31,465,051	2,169,473	238,230	2,407,703	6.9%	0.8%	7.7%	(87,607)	0	\$1.21
Class B	22,805,962	817,426	128,616	946,042	3.6%	0.6%	4.1%	152,422	733,684	\$1.58
Class C	109,915,414	4,769,668	728,013	5,497,681	4.3%	0.7%	5.0%	86,823	1,643,719	\$0.96
Total	164,186,427	7,756,567	1,094,859	8,851,426	4.7%	0.7%	5.4%	151,638	2,377,403	\$1.25



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