

MARKET TRENDS | EAST BAY

INDUSTRIAL

4TH QUARTER
2019

▲ VACANCY | ◀▶ UNEMPLOYMENT | ▲ RENTAL RATE | ▼ CONSTRUCTION DELIVERIES

The East Bay industrial market continues to be attractive to tenants, as over 6.68 million s.f. was leased in 2019. Rental rates remain on an upwards climb, averaging \$1.22/s.f. NNN, a 3.4% jump YOY. An uptick in available industrial product was seen across all submarkets, landing at an increase of 25% from the prior year. Development activity remains active in the East Bay, with just over 2.13 million s.f. of industrial product under construction.

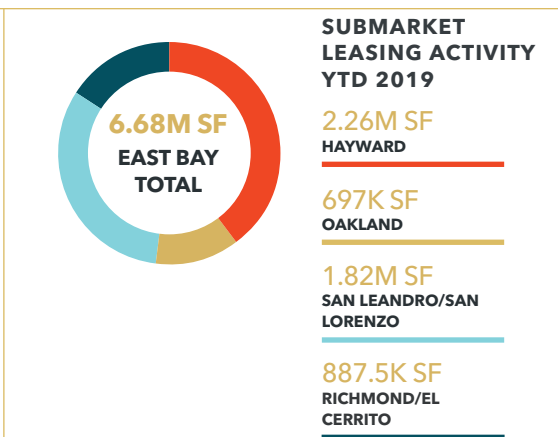
Vacancy rates grew 130 basis points from the prior year to a current rate of 4.8%. Alameda reported the highest rate at 8.8%. General industrial product types finished the past year with a vacancy rate of 4.7%, while flex properties sat at 3.8%. Spaces 200,000 s.f. and above had the highest availability rate, coming in at 15.4%.

Direct rental rates grew modestly in 2019, up 3.4% year-over-year (YOY) to reach an average of \$1.22/s.f. NNN. The Berkeley submarket held the highest industrial rate at \$2.15/s.f. NNN, while Union City drove a low-priced rent at \$0.91/s.f. NNN. Flex product types across all submarkets recorded the priciest rent at an average of \$1.59/s.f. NNN. Properties ranging from 5,000 s.f. to 25,000 s.f. experienced

a rental decrease of 2% YOY to post an average \$1.45/s.f. NNN.

Industrial absorption posted a low 23,949 s.f. gain at the end of 2019, compared to the previous year's 1.03 million s.f. of positive absorption. This is partially due to several East Bay submarkets reporting a loss of absorption. Union City experienced nearly 200,000 s.f. of negative absorption and Alameda recorded close to 115,000 s.f. of move-outs. However, the Richmond/El Cerrito submarket had a large gain of 367,701 s.f. of positive absorption. Within product types, warehouse/distribution properties closed the past year with a loss of 755,313 s.f. of absorption.

The East Bay industrial market closed 2019 with 6.68 million s.f. of leasing activity, down 30% from the previous year. Among the major submarkets, Hayward led with the highest amount of



2019 MARKET HIGHLIGHTS

SALES PRICE per square foot fell 6.9% to an average of \$194

S.F. SOLD decreased 16% to 4.7 million s.f. at year end

DIRECT RENTAL RATES rose nearly 4% to \$1.22/s.f. NNN

activity at 2.26 million s.f., followed by San Leandro/San Lorenzo at 1.82 million s.f. Several notable leases occurred in the East Bay, starting with Blue Apron renewing 319,577 s.f. at the industrial cold storage property at 3151 Regatta Boulevard in Richmond. The meal delivery service company will occupy the space until May 2022. Next, Mattress Firm signed a 245,000 s.f. lease in Building 1 at the Fairway Business Center in San Leandro. Finally, L3 Applied Technologies renewed 147,898 s.f. of flex space at the Merced Street Industrial Park in San Leandro.

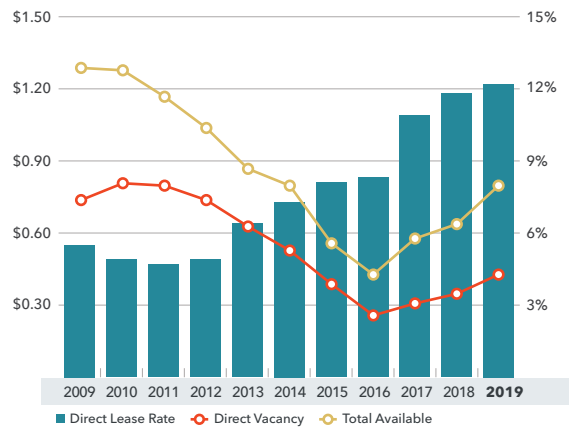
Investment activity cooled off in 2019, falling 8% YOY. The average price per s.f. increased 6.9% YOY to \$194 and average cap rates rose 20 basis points to 5.5%. The largest transaction of the year was DRA Advisors purchasing the Marina Village in Alameda, a 27-office & flex campus, for \$267 million, or \$263/s.f. DRA Advisors intends to convert part of the campus into life science space, strengthening Alameda as a biotech destination. This was followed by the sale-leaseback of two industrial properties located at 44100 Osgood Road & 44200-44280 Osgood Road in Fremont. Angelo, Gordon & Co. purchased the campus for \$117 million, or \$402 and the seller, Western Digital Corporation, will lease back the space through April 2034. Lastly, The Blackstone Group acquired the 268,538 s.f. industrial warehouse at the Mowry Business Center in Newark for \$75.2 million, or \$280/s.f. This purchase was part of a national industrial acquisition from Blackstone totaling \$13.4 billion and over 115 million s.f.

An uptick of East Bay development occurred in the past year, as over 2.13 million s.f. of industrial product is currently under construction. The largest project to date is Black Creek Group's Hayward Logistics Center, located at 2710 W Winton Avenue in Hayward. This 506,925 s.f. logistics facility is expected to deliver in Q4 2020. Next, Phase I of CenterPoint Landing, a 466,437 s.f. industrial facility within the Port of Oakland, is scheduled to arrive by Q2 2020. Lastly, B8 General Storehouse, a food manufacturing development in Alameda, will deliver 310,000 s.f. of prime food manufacturing space by Q4 2020.

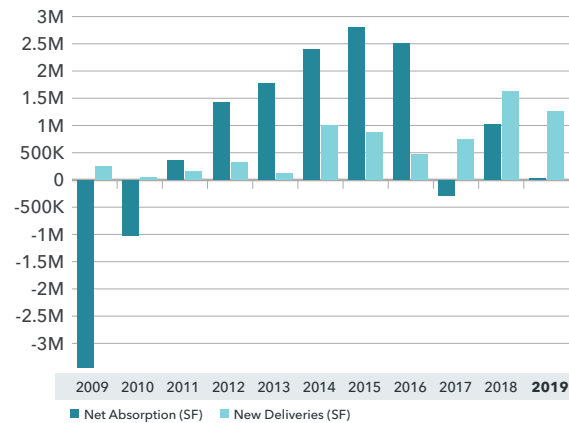
Deliveries in the East Bay fell to 1.26 million s.f., compared to 2018's 1.62 million s.f. of deliveries. The largest project completed in 2019 was Overton Moore Properties' 2000 Marina Ct., a 331,000 s.f. industrial center in San Leandro. The site was entirely pre-leased by food manufacturing company Torani. In addition, Building 2 at the Prologis Oakland Global Logistics Center arrived in the past year, adding 232,785 s.f. to Oakland's industrial inventory. Grocery delivery service Good Eggs occupies half of the site, while the other 116,000 s.f. is currently available for lease.

Source: CoStar, San Francisco Business Times

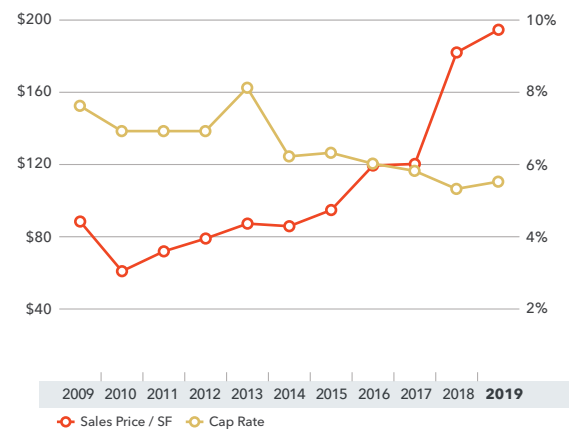
LEASE RATE, VACANCY & AVAILABILITY



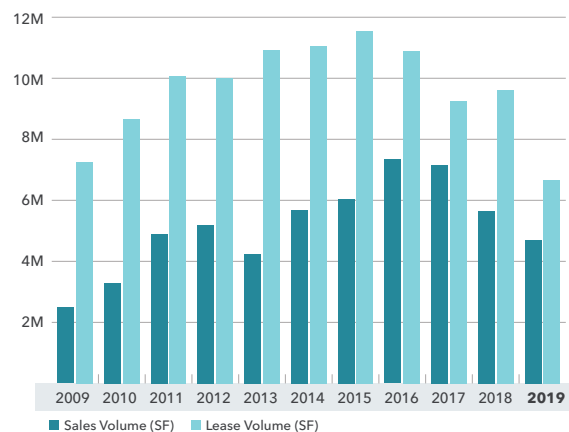
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALE PRICE & CAP RATES



SALES VOLUME VS. LEASE VOLUME

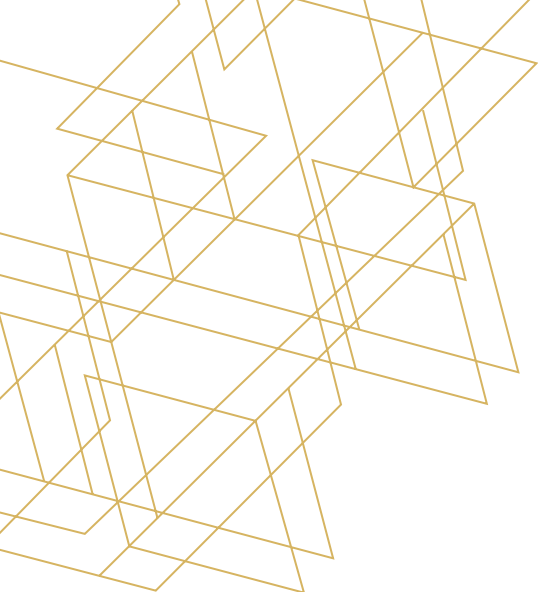


EAST BAY SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q4 2019 Direct Net Absorption	YTD Direct Net Absorption	Q4 2019 Total Leasing Activity	YTD Total Leasing Activity	Rental Rate
Richmond/El Cerrito	16,773,248	429,088	6.1%	0.3%	6.5%	11.4%	28,324	367,701	28,883	887,511	\$1.09
Berkeley/Albany	7,638,495	-	2.7%	0.3%	2.9%	3.3%	(23,560)	(13,580)	42,989	125,933	\$2.15
Emeryville	4,794,218	-	2.4%	1.0%	3.4%	5.4%	51,632	84,324	0	239,983	\$1.35
Oakland	35,365,764	473,187	4.6%	0.3%	4.9%	7.4%	(122,764)	(64,004)	128,312	697,024	\$1.14
Alameda	6,508,638	496,034	8.8%	0.2%	8.9%	17.9%	18,485	(114,362)	9,982	84,825	\$1.43
San Leandro/San Lorenzo	24,384,413	154,619	4.9%	0.3%	5.2%	7.8%	78,654	74,211	833,098	1,824,060	\$0.96
Hayward	42,437,578	575,425	3.2%	0.9%	4.1%	8.0%	(94,297)	(113,842)	305,446	2,256,303	\$0.95
Union City	14,209,297	-	2.9%	0.8%	3.7%	5.0%	(36,851)	(196,499)	65,161	561,491	\$0.91
East Bay Total	152,111,651	2,128,353	4.3%	0.5%	4.8%	8.0%	(100,377)	23,949	1,413,871	6,677,130	\$1.22
General Industrial	29,605,275	0	4.7%	0.3%	5.1%	7.5%	472,562	625,511	520,995	1,045,804	\$0.94
Warehouse/Distribution	104,229,068	1,632,319	4.2%	0.6%	4.8%	7.8%	(560,267)	(755,313)	686,681	4,604,385	\$1.00
Flex	19,572,078	496,034	3.8%	0.5%	4.3%	9.4%	3,766	132,618	216,255	1,122,652	\$1.59
5,000-24,999 SF	31,734,700	54,660	2.0%	0.4%	2.4%	3.7%	9,719	8,435	205,297	862,515	\$1.45
25,000-49,999 SF	27,823,260	138,124	3.3%	0.5%	3.8%	6.6%	(185,603)	(309,109)	118,228	887,233	\$1.31
50,000-99,999 SF	32,948,130	68,500	3.9%	0.6%	4.5%	4.0%	18,078	(197,980)	171,268	1,351,961	\$0.93
100,000-199,999 SF	29,918,385	337,027	4.3%	0.7%	5.0%	8.1%	(2,262)	211,065	465,938	1,653,603	\$0.95
200,000+ SF	29,687,176	1,530,042	7.9%	0.5%	8.4%	15.4%	59,691	311,538	453,140	1,921,818	\$0.91

Market Breakdown

	2019	2018	2017	Annual % Change
New Construction	1,261,632	1,621,951	749,453	-22.22%
Under Construction	2,128,353	1,694,346	2,320,490	25.62%
Vacancy Rate	4.80%	3.50%	3.1%	37.17%
Availability Rate	8.0%	6.4%	5.8%	25.52%
Direct Asking Rents	\$1.22	\$1.18	\$1.09	3.39%
Leased SF	6,677,130	9,617,970	9,251,892	-30.58%
Sold SF	4,713,422	5,641,697	7,169,651	-16.45%
Net Absorption	23,949	1,027,443	(292,344)	N/A



Notable Sale Transactions

DRA ADVISORS LLC purchased Marina Village in Alameda from Brookfield Asset Management, Inc.
1,012,288 s.f. | \$267M or \$263.76/s.f.

ANGELO, GORDON & CO. purchased 44100 Osgood Rd & 44200-44280 Osgood Rd, in Fremont from Western Digital Corporation
291,061 s.f. | \$117M or \$402.28/s.f.

THE BLACKSTONE GROUP L.P. purchased 6753 Mowry Ave in Newark from Global Logistic Properties Ltd
268,538 s.f. | \$75.25M or \$280.21/s.f.

Notable Lease Transactions

BLUE APRON 3151 Regatta Blvd, Richmond (renewal)
319,577 s.f.

MATTRESS FIRM 1700-2800 Fairway Dr, San Leandro
245,000 s.f.

L3 APPLIED TECHNOLOGIES 2700-2800 Merced St, San Leandro (renewal)
147,898 s.f.



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The information in this report was composed by the Kidder Mathews Research Group.

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COMMERCIAL BROKERAGE

20M	ANNUAL SALES SF	420+	NO. OF BROKERS
\$9B	ANNUAL TRANSACTION VOLUME	40M	ANNUAL LEASING SF

VALUATION ADVISORY

1,600+	APPRAISALS ANNUALLY	39/24	TOTAL NO. APPRAISERS/MAI'S
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PROPERTY MANAGEMENT

70M+	MANAGEMENT PORTFOLIO SF	\$9.4B	IN ASSETS UNDER MANAGEMENT
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