

Real Estate Market Review

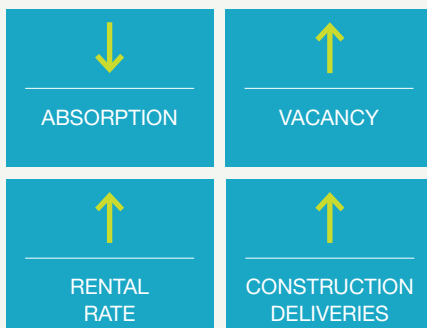
# East Bay Industrial

East Bay industrial landlords continued to benefit from robust demand during the first quarter of 2018, while developers and institutional buyers raced to provide high-quality distribution spaces to capitalize on the active market. Despite several givebacks over the past three quarters, the vacancy rate was 3.0% marketwide at quarter’s end, and virtually all submarkets were well below 5.0%. An increase in availabilities, driven in part by cycle-high construction levels, allowed for 1.15 million s.f. of first quarter leasing activity, with more likely to come later this year. More than 2.2 million s.f. of future industrial space was being built in the East Bay at the end of the first quarter, but the broad base of tenants in the market should keep rental rates firm against the increase in supply. State-of-the-art spaces have enjoyed a 20% jump in rents over the past 12 months, attracting investors from around the country to purchase, renovate, and reposition industrial assets along I-880.

The East Bay’s industrial vacancy rate ticked up to 3.0% this quarter while availabilities rose to 6.1%, their highest point since in seven quarters. With ample demand for industrial space in the logistically superior I-880 corridor, both rates are likely to trend downward over the course of 2018, as newly delivered industrial buildings secure their first tenants and recently vacated spaces are refilled. The brief rise in

vacancy and availability allowed several expanding tenants to stay in the East Bay, but large-scale and frugal users are increasingly pushed to consider alternatives beyond the Bay Area and out of state. Overall, the East Bay reported 45,241 s.f. of negative net absorption in the first quarter, staying ahead for the year at positive 89,390 s.f. for the past four quarters. Rental rates climbed to an average of

### Market Forecast Trends



### Notable Lease Transactions

- Veronica Foods, Inc.**  
1901 - 1981 Dennison Street, South Oakland  
168,489 s.f. leased (renewal)

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- 5901 San Leandro Street**  
Oakland Airport  
130,500 s.f. leased

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- 2600 Hilltop Drive**  
Richmond  
102,000 s.f. leased

### Notable Sale Transactions

- Deutsche Asset Management**  
FedEx Distribution Center, Hayward  
236,976 s.f. | \$93.5M or \$394.55/s.f.

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- 4410 Los Altos, LLC**  
575 Marina Boulevard, San Leandro  
41,000 s.f. | \$16.5M or \$402.44/s.f.

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- RVI-co Xii, LLC**  
8511 Blaine Street, Oakland  
205,927 s.f. | \$15.6M or \$75.51/s.f.

# Area Review

## Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q Net Absorption	YTD Net Absorption	Quarterly Leasing Activity	YTD Leasing Activity	Rental Rate
Richmond / El Cerrito	14,165,802	5.60%	5.90%	12.80%	(99,314)	(99,314)	157,904	157,904	\$1.55
Berkeley / Albany	6,667,937	3.20%	3.60%	5.00%	(100,020)	(100,020)	48,597	48,597	\$1.25
Emeryville	4,537,291	2.20%	3.60%	6.80%	(86,174)	(86,174)	15,222	15,222	\$2.17
Oakland	32,914,696	3.80%	4.70%	5.40%	(274,085)	(274,085)	470,880	470,880	\$1.05
Alameda	6,516,208	2.00%	2.10%	3.90%	23,713	23,713	60,796	60,796	\$0.53
San Leandro / San Lorenzo	22,893,274	1.20%	1.90%	5.30%	74,000	74,000	96,092	96,092	\$0.85
Hayward	40,646,772	3.00%	3.40%	5.50%	192,137	192,137	248,537	248,537	\$0.92
Union City	14,104,853	1.30%	2.20%	5.30%	224,502	224,502	55,744	55,744	\$0.98
<b>Total</b>	<b>142,593,659</b>	<b>3.00%</b>	<b>3.50%</b>	<b>6.10%</b>	<b>(45,241)</b>	<b>(45,241)</b>	<b>1,153,772</b>	<b>1,153,772</b>	<b>\$1.08</b>
General Industrial	28,711,638	4.30%	4.80%	7.70%	(92,599)	(92,599)	89,478	89,478	\$1.01
Warehouse / Distribution	95,858,927	2.30%	2.90%	5.50%	(8,711)	(8,711)	881,446	881,446	\$0.90
Flex	18,582,512	4.20%	4.70%	6.60%	89,245	89,245	241,162	241,162	\$1.70
10,000 - 24,999 SF	24,127,973	1.90%	2.00%	2.90%	64,649	64,649	190,791	190,791	\$1.55
25,000 - 49,999 SF	27,545,186	2.20%	2.40%	4.20%	36,560	36,560	203,784	203,784	\$1.33
50,000 - 99,999 SF	32,872,384	2.80%	3.30%	4.30%	(275,382)	(275,382)	209,798	209,798	\$0.93
100,000 - 199,999 SF	30,711,683	3.70%	4.30%	9.50%	(146,989)	(146,989)	455,893	455,893	\$1.20
200,000+ SF	28,001,899	3.90%	5.40%	8.70%	286,547	286,547	153,027	153,027	\$0.74

\$1.08/s.f. NNN for all industrial product types, an increase of 20% year over year. Bulk industrial spaces larger than 100,000 s.f. continue to rise above \$1.00/s.f. while flex spaces are holding steady in the \$1.65-1.75/s.f. NNN range, on average. Rents are likely to keep increasing in the short run, as tenants are willing to stomach high real estate costs to enjoy the multi-modal logistical advantages that the East Bay provides.

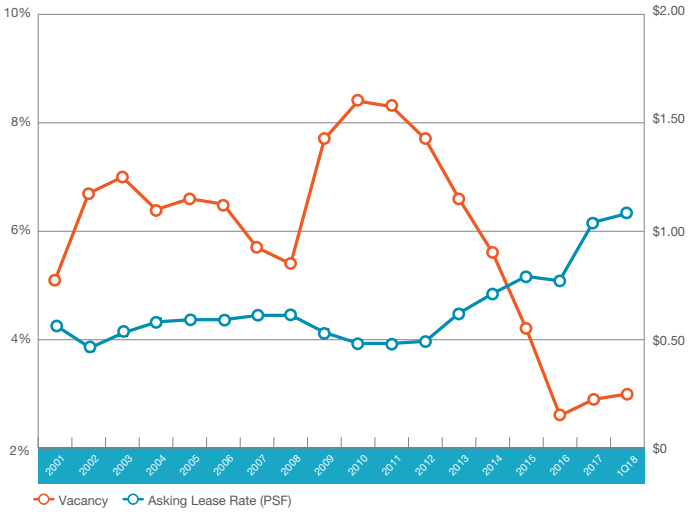
Limited availabilities continued to constrain leasing activity during the first quarter, but impending construction deliveries should accommodate a handful of large-scale users in 2018. A total of 1,153,772 s.f. came off the market in leases signed over the past three months, with warehouse/distribution spaces comprising more than 60% of the activity. The largest transaction of the quarter was a renewal with Veronica Foods for 168,489 s.f. at 1901-1981 Dennison Street in South Oakland.

Industrial sale volume totaled \$154.4 million for just over 810,000 s.f. of real estate during the first three months of 2018, for an average price tag of \$135/s.f. The largest individual transaction of the first quarter involved the FedEx Distribution Center located in Hayward, 236,976 s.f., for \$93.5 million or \$395/s.f.

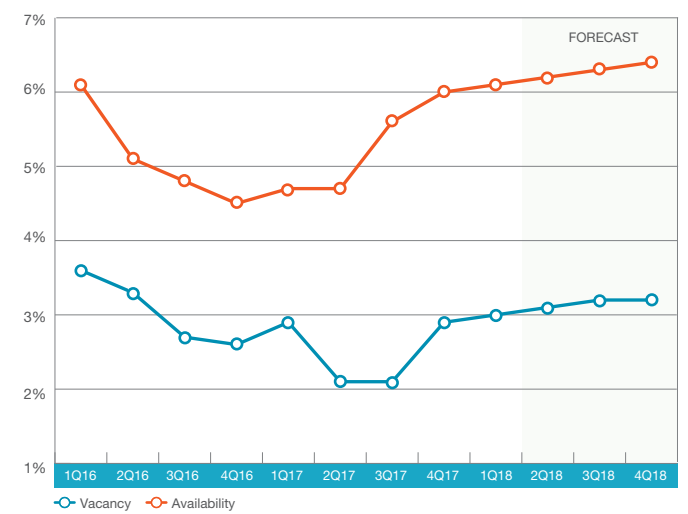
On the construction front, five buildings were completed in the first quarter, bringing the quarter's total of new industrial space to 316,634 sif. Nine more industrial buildings totaling 2.2 million s.f. were under construction at the close of the quarter, most of them south of Oakland airport. The largest project underway is the Bay Area Logistics Center development by LDK Ventures, totaling 707,820 s.f. The Center Point Landing, which will feature more than 440,000 s.f., is being built at Maritime & 14th Street in West Oakland, with delivery anticipated in mid 2019.

*Data Source: CoStar*

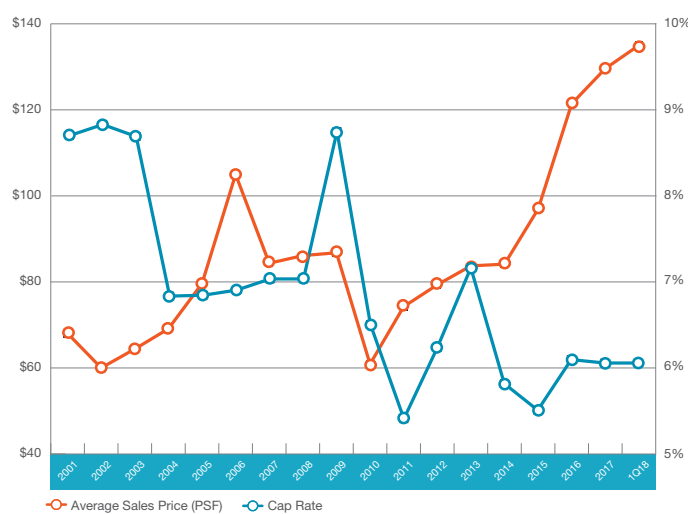
### VACANCY VS ASKING LEASE RATE



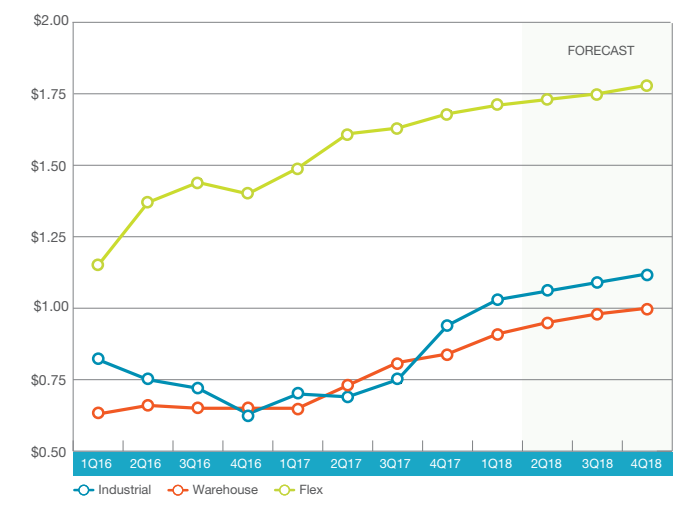
### VACANCY VS AVAILABILITY



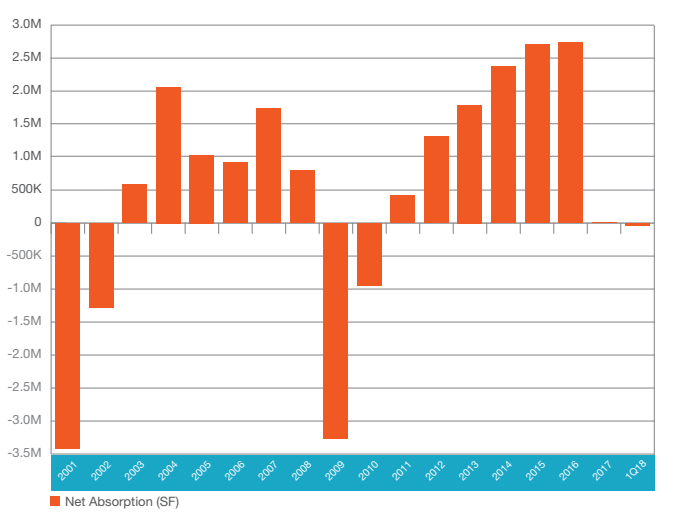
### AVERAGE SALES PRICE & CAPITALIZATION RATES



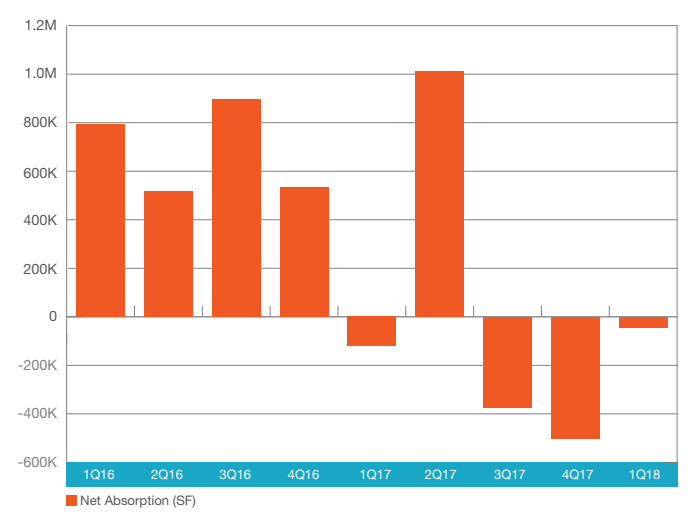
### ASKING LEASE RATE



### NET ABSORPTION - HISTORICAL



### NET ABSORPTION - QUARTERLY



**Offices**

Seattle  
206.296.9600

Bellevue  
425.454.7040

South Seattle  
206.248.7300

Tacoma  
253.722.1400

Olympia  
360.705.2800

Portland  
503.221.9900

San Francisco  
415.229.8888

Redwood Shores  
650.769.3600

Silicon Valley  
408.970.9400

Sacramento  
916.970.9700

Roseville  
916.751.3600

Los Angeles  
213.880.5250

El Segundo  
310.807.0880

Commerce  
323.727.1144

Long Beach  
562.472.0071

Orange County  
949.557.5000

Inland Empire  
909.764.6500

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

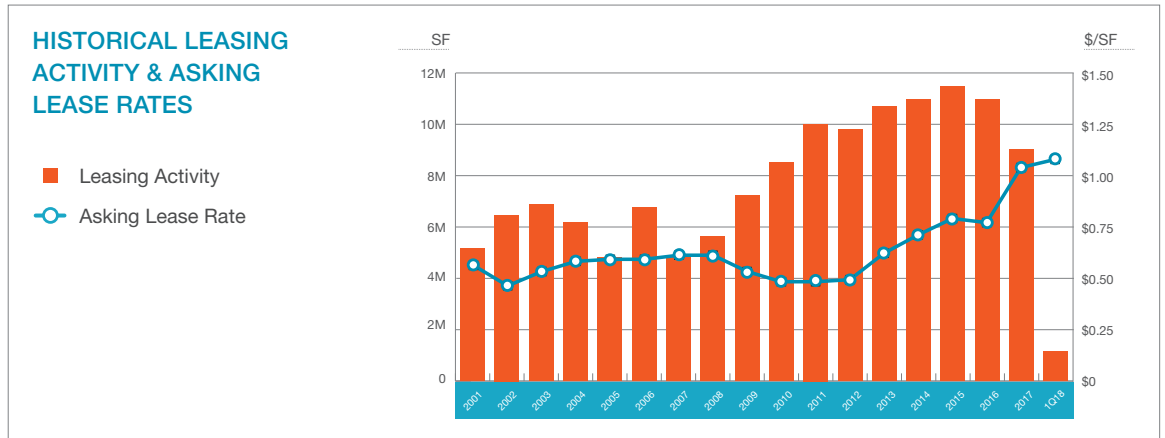
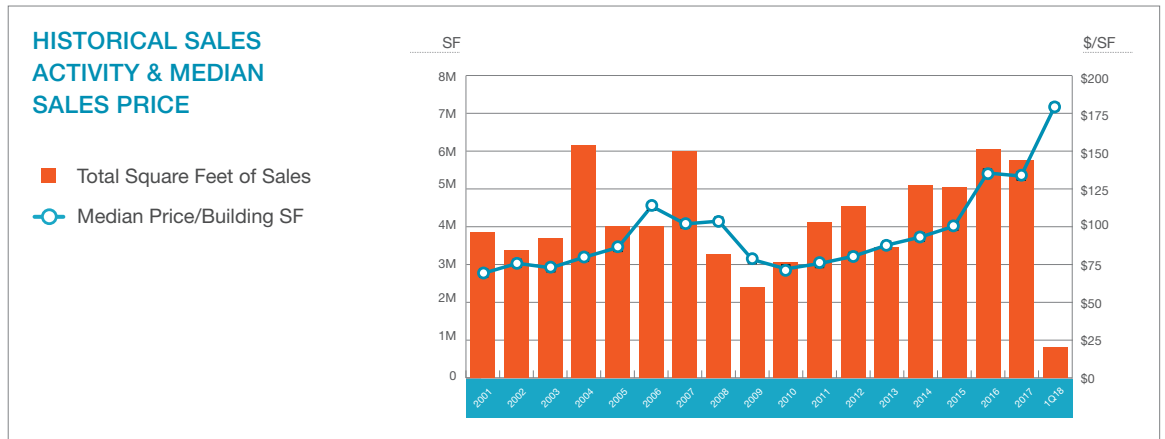
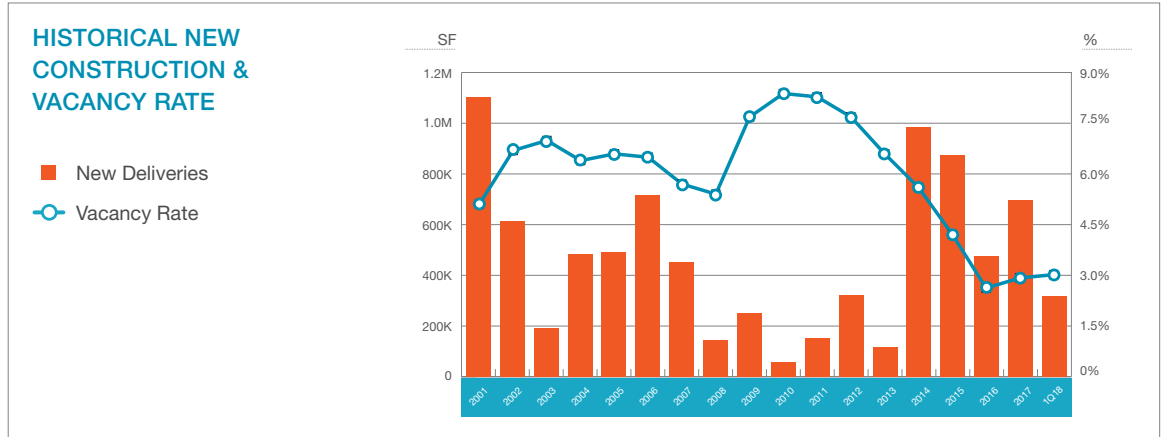
**Contact**

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Designated Broker  
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**Market Breakdown**

	1Q18	4Q17	1Q17	Annual % Change
Vacancy Rate	3.0%	2.9%	2.9%	3.4%
Availability Rate	6.1%	6.0%	4.7%	29.8%
Asking Lease Rate	\$1.08	\$1.07	\$0.90	20.0%
Leased SF	1,153,772	2,916,569	2,808,586	-58.9%
Sold SF	810,343	2,046,900	970,021	-16.5%
Net Absorption	-45,241	-500,313	-119,798	N/A



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