

East Bay Industrial Market

Increasing Demand in the East Bay Area

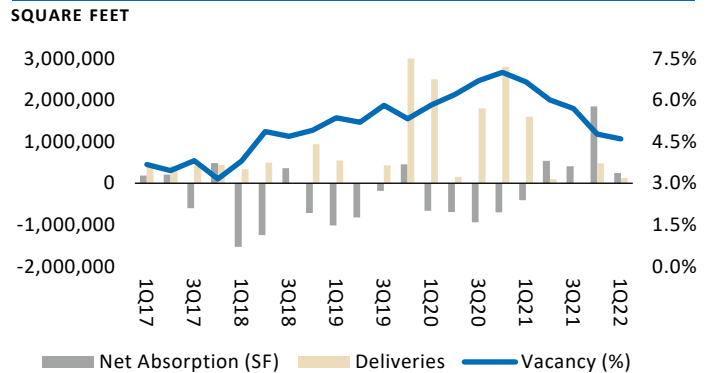
The East Bay industrial market continued where it left off in 2021, with overall steady asking rents, as well as a continually lowering vacancy rate. Properties under construction exploded from 1.0 million square feet in the fourth quarter of 2021 to around 2.3 million in the first quarter of 2022. Net absorption saw a decrease compared to the last quarter but stayed positive at 245,000 square feet. Vacancies ticked down a small amount, dropping from 4.8% to 4.6% this quarter. This remains significantly lower than last year's vacancy rate of 6.7%.

Rents remained consistent, staying at the average asking rate of \$1.38/SF over all product types; however, this can be deceiving. In the last 30 days of the quarter, industrial brokers saw rents climb quite significantly. A property that was \$0.93/SF in January could go for \$1.25/SF in March. Coupled with this, institutional ownerships are beginning to push for more aggressive rent increases. While the past industrial standard was a 3.0% rise each year, it is becoming increasingly more common to see increases in the 3.5% to 4.0% range. This is likely due to the rising inflation rates nationwide. Newly-built warehouses are priced at \$1.45/SF, which will likely lead to an increase in overall asking rents.

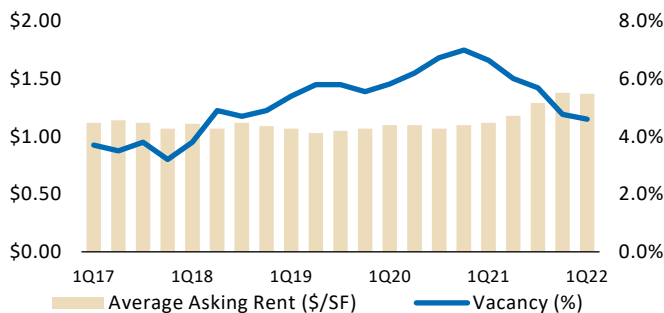
Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	175.2M	190.5M	189M	↔
Vacancy Rate	4.6%	4.8%	6.7%	↓
Qtr Net Abs (SF)	245K	1.8M	-406K	↑
Avg NNN Ask Rent/SF	\$1.37	\$1.38	\$1.11	↑
Under Const (SF)	2.3M	1.0M	1.6M	↔

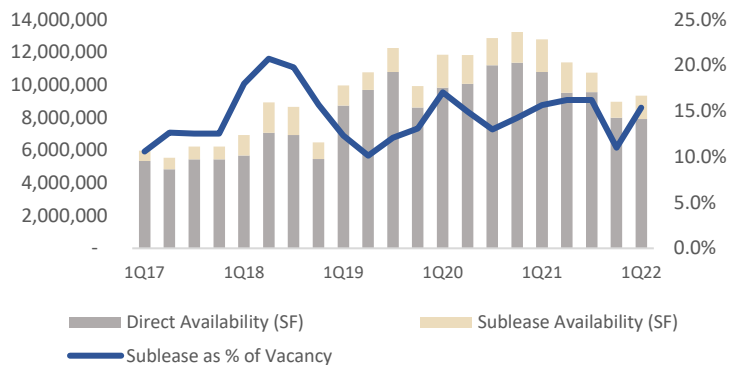
Net Absorption v New Construction & Vacancy



ASKING RENT AND VACANCY RATE



SUBLEASE V. DIRECT AVAILABILITY (SF)



The market is beginning to look for more Class B and Class C warehouse inventory as these rents increase. Due to the lower costs, warehouse space between 25,000 and 50,000 square feet has seen a rise in demand as users search for the intersection of applicable and affordable. The sales market along I-880, stretching down through Fremont to San Jose, has experienced a tightening this quarter, seeing sales prices shoot up 20% to 40% in comparison to this time last year.

Limited availability of smaller industrial spaces has led to a steady increase in asking rents for industrial properties smaller than 5,000 square feet. By the end of the quarter, some small warehouses began to rival some office spaces in terms of rents at \$1.75/SF. Smaller spaces such as these are still frequently being leased over the asking rates due to the high demand for the product.

Significant Transactions

There were multiple significant leases over 100,000 square feet in the East Bay industrial market. Headlining this quarter was the 466,437-square-foot lease by PCC Logistics. Dependable

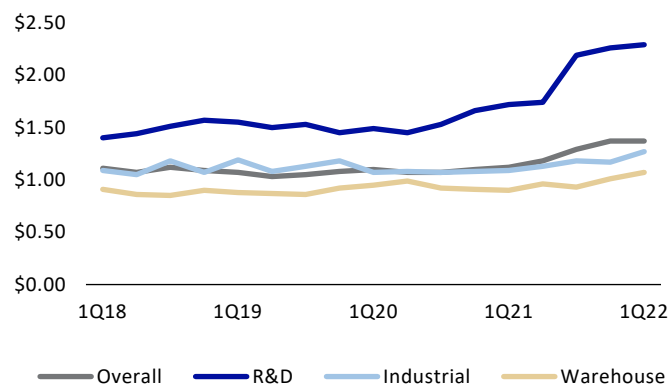
Highway Express subleased a 294,146-square-foot space in San Leandro, and S&M Moving Systems extended their lease in Fremont to 125,550 square feet.

R&D also saw several noteworthy transactions this quarter. Smart Modular Technologies, a computer component manufacturer, leased a 79,480-square-foot space in Newark. In Fremont, the Jabil Circuit Company renewed its lease for a 54,254-square-foot space in the Fremont Technology Park. Meanwhile, the Azzur Group leased two buildings for a total of 76,242 square feet in Alameda.

The largest sale of the quarter is a 220,710-square-foot purchase by the Stockbridge Capital Group for \$158.9 million. Fortinet also purchased a 257,000-square-foot space in Union City for just over \$65.5 million, or \$255/SF. Another notable transaction was the acquisition of 47900 Bayside by The LSMD Fund for \$44.8 million. Dermody sold its 44570 Christy St. property to Axa for \$31.3 million, amounting to a \$354.69/SF purchase.

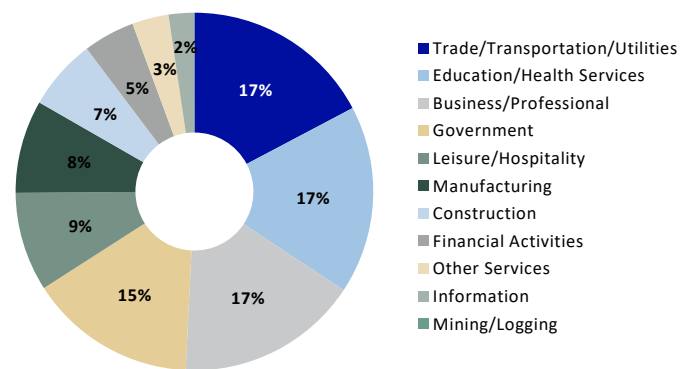
Direct Class A Asking Rents by Product Type

WEIGHTED, NNN, MONTHLY



East Bay Employment by Industry

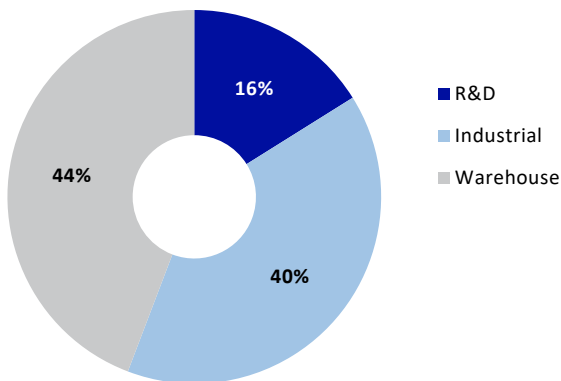
Source: US Bureau of Labor Statistics, 2021



Overall Submarket Statistics								
	Total Inventory (SF)	Direct Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
NORTH	49,274,447	2,611,318	328,435	6%	1,254,826	107,163	107,163	\$1.32
Richmond	13,807,103	657,278	160,627	5.9%	286,748	28,000	28,000	\$1.25
Berkeley	4,502,949	21,171	30,995	1.2%	27,503	53,591	53,591	\$1.73
Emeryville	2,801,325	234,954	4,750	8.6%	11,171	12,350	12,350	\$2.29
Oakland	28,163,070	1,697,915	132,063	6.5%	708,324	13,222	13,222	\$1.31
SOUTH	134,979,783	5,291,112	778,933	4.94%	2,684,753	1,666,875	2,191,307	\$1.64
San Leandro	21,454,840	1,431,025	52,818	5.5%	706,766	164,639	164,139	\$1.29
Hayward	38,767,900	1,650,552	692,077	6%	512,741	(377,797)	(377,797)	\$1.38
Union City	13,874,776	253,268	6,240	1.9%	297,180	64,503	64,503	\$1.20
Newark	11,283,752	421,342	35,000	4.1%	123,043	69,465	69,465	\$1.27
Fremont	38,763,347	1,534,925	310,577	4.8%	959,563	216,759	216,759	\$1.57
EAST BAY TOTAL	173,419,062	7,902,430	1,435,147	5.2%	3,939,579	244,732	244,732	\$1.37

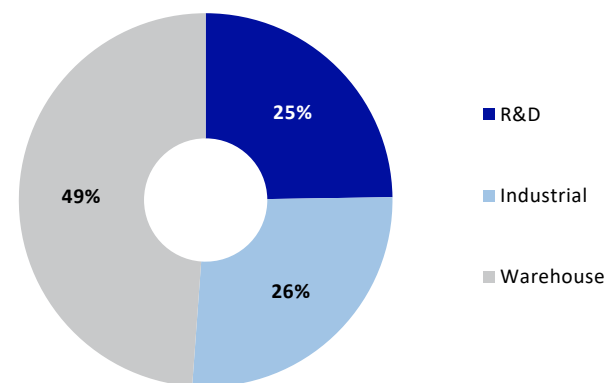
Inventory Breakdown

Percentage by Square Foot



Lease Availability

Percentage by Square Foot



Industrial Submarket Statistics								
	Total Inventory (SF)	Direct Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
NORTH	25,254,913	925,296	26,573	3.8%	587,906	50,688	50,688	\$1.83
Richmond	6,374,684	174,475	0	2.7%	83,748	28,000	28,000	\$1.68
Berkeley	3,750,884	21,171	0	0.6%	19,250	10,338	10,338	\$1.72
Emeryville	1,797,355	75,571	4,750	4.5%	11,171	12,350	12,350	\$2.79
Oakland	13,331,990	654,079	21,823	5.1%	473,737	0	0	-
SOUTH	43,549,610	1,141,842	176,370	3%	257,986	53,787	53,787	\$1.46
San Leandro	10,024,280	197,113	42,931	2.4%	15,000	(27,308)	(27,308)	\$1.59
Hayward	15,464,310	407,113	72,049	3.1%	59,598	(18,864)	(18,864)	\$1.18
Union City	3,098,876	141,369	0	4.6%	20,000	20,000	20,000	\$1.12
Newark	4,014,425	85,937	0	2.2%	48,447	(4,131)	(4,131)	\$1.23
Fremont	10,947,719	306,179	61,503	3.4%	114,941	84,090	84,090	\$1.61
EAST BAY TOTAL	68,804,523	2,067,138	202,943	3.3%	845,892	104,475	104,475	\$1.58

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Socket Mobile, Inc	40675 Encyclopedia Circle	Fremont - North	Direct Lease	35,913
Priority One Logistics	4811 Hannover Place	Fremont – Mission North	Direct Lease	20,922
DMZ Builders	2589 Goodrick	Richmond	Direct Lease	19,898

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
3600 Alameda Avenue	Oakland - Embarcadero	\$34,400,000	\$29	980,387
20503 Corsair Boulevard	Hayward - North	\$15,428,952	\$367	42,000
27601 Industrial Boulevard	Hayward – 92 Corridor	\$7,700,000	\$260	29,560
43160 Osgood Road	Fremont – Downtown	\$6,500,000	\$384	16,932

R&D Submarket Statistics								
	Total Inventory (SF)	Direct Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
NORTH	2,342,166	140,273	151,622	12.5%	0	35,000	35,000	\$1.59
Richmond	1,216,759	140,273	120,627	21.4%	0	0	0	\$1.59
Berkeley	299,830	0	30,995	10.3%	0	35,000	35,000	\$0.00
Emeryville	443,509	0	0	0.00%	0	0	0	\$0.00
Oakland	382,068	0	0	0.00%	0	0	0	\$0.00
SOUTH	25,462,000	1,817,047	358,834	8.5%	484,599	208,220	208,220	\$1.53
San Leandro	687,112	93,931	0	13.7%	0	0	0	\$0.95
Hayward	3,017,842	377,394	64,760	14.7%	53,107	59,635	59,635	\$1.44
Union City	517,128	9,211	0	1.8%	20,500	0	0	\$1.25
Newark	3,088,407	173,725	35,000	6.8%	13,440	13,440	13,440	\$2.26
Fremont	18,151,511	1,162,786	259,074	7.8%	321,310	135,145	135,145	\$2.35
EAST BAY TOTAL	27,804,166	1,957,320	510,456	8.9%	484,599	243,220	243,220	\$1.54

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Jabil Circuit Company	4225 Technology Drive	Fremont – Mission North	Lease Renewal	54,254
Azzur Group	1955 North Loop Road	Alameda	Direct Lease	38,528
Tenergy Corporation	436 Kato Terrace	Fremont – Mission South	Lease Renewal	28,700
Signet	3530 Breakwater Court	Hayward – 92 Corridor	Lease Renewal	18,751

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
1951 Harbor Bay	Alameda – Harbor Bay	\$158,900,000	\$720	322,318
47900 Bayside Parkway	Fremont – Bayside	\$44,800,000	\$367	122,092
6600 Dumbarton Circle	Fremont – Bayside	\$68,549,440	\$680	100,808

Warehouse Submarket Statistics								
	Total Inventory (SF)	Direct Availability (SF)	Sublease Availability (SF)	Total Availability Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
NORTH	21,677,368	1,545,749	150,240	7.8%	590,6782	21,475	21,475	\$1.19
Richmond	6,215,660	342,530	40,000	6.2%	203,000	0	0	\$0.90
Berkeley	452,235	0	0	0%	8,253	8,253	8,253	-
Emeryville	560,461	159,383	0	28.4%	0	0	0	-
Oakland	14,449,012	1,043,836	110,240	8.0%	234,587	13,222	13,222	\$1.31
SOUTH	55,133,005	2,040,341	571,508	4.7%	2,018,410	(124,438)	(124,438)	\$1.13
San Leandro	10,743,448	843,968	10,000	7.9%	777,226	191,947	191,947	\$1.05
Hayward	20,285,748	866,045	555,268	7.0%	400,036	(418,568)	(418,568)	\$0.98
Union City	10,258,772	102,688	6,240	1.1%	256,680	44,503	44,503	\$1.22
Newark	4,180,920	161,680	0	3.9%	61,156	60,156	60,156	\$1.35
Fremont	9,664,117	65,960	0	0.7%	523,312	(2,476)	(2,476)	\$1.40
EAST BAY TOTAL	76,810,373	3,862,103	721,748	5.6%	2,609,088	(102,963)	(102,963)	\$1.13

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
PCC Logistics	1300 Maritime	Oakland – West	Direct Lease	466,437
Dependable Highway Express	200 Halcyon Drive	San Leandro – East	Sublease	294,146
Amazon	6045 Giant Road	Richmond	Direct Lease	203,000
S&M Moving Systems	48551 Warm Springs Boulevard	Fremont – Mission South	Lease Renewal	125,550
Zoox, Inc.	47541 Kato Road	Fremont – Mission South	Direct Lease	110,551
United Mechanical, Inc	33210 Central Avenue	Union City – East	Direct Lease	103,550

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
37600 Filbert Street	Newark	\$20,633,508	\$343	60,156
306 Adeline Street	Oakland – Embarcadero	\$6,725,000	\$297	22,624

For more information:

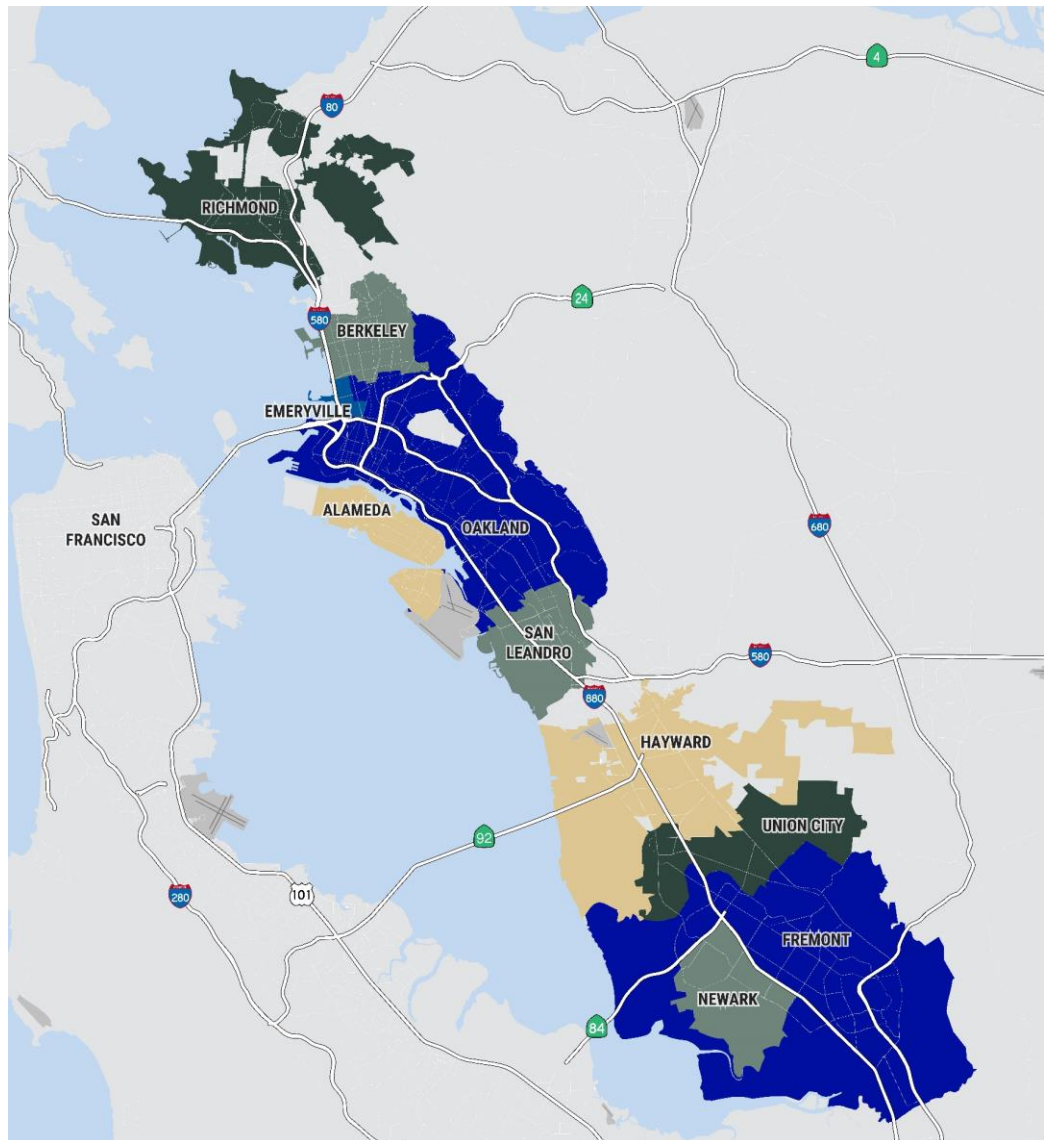
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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