
1Q24

East Bay Industrial Market Overview

NEWMARK

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Economy



Market Observations

Economy

- The unemployment rate in the East Bay increased by 50 basis points to 5.0% in the first quarter of 2024 and is now 110 basis points higher than the national average.
- The education and health sector leads all industries in job growth over the past 12 months, rising 590 basis points over the last year.
- Technology firms are continuing to adjust labor needs throughout the Bay Area.
- VC funding in the East Bay has rebounded; after the 2023 slowdown that followed the 2020-2022 VC biotech boom, VC funding over the last 12 months is nearly double the trailing 12-month funding during any of the 3 years prior to the pandemic.

Major Transactions

- The largest portfolio sale of the quarter was PGIM's purchase of 25500 Clawiter Rd, buildings 1 and 2. These buildings were around 353,000 SF of newly constructed never occupied space. The portfolio sold for \$103 million, or \$291 per square foot.
- The largest lease transaction of the quarter was a 129,808 SF direct lease signed by alphaEMS at 4211 Starboard Drive in Bayside, Fremont.
- The largest sublease transaction was a 42,428 SF lease that Viper Transportation signed at 4601 Malat Street in the Embarcadero area of Oakland.
- The largest renewal transaction came from Quanta Computer which renewed 120,960 SF of space at 41707 Christy Street at the Fremont Distribution Center.

Leasing Market Fundamentals

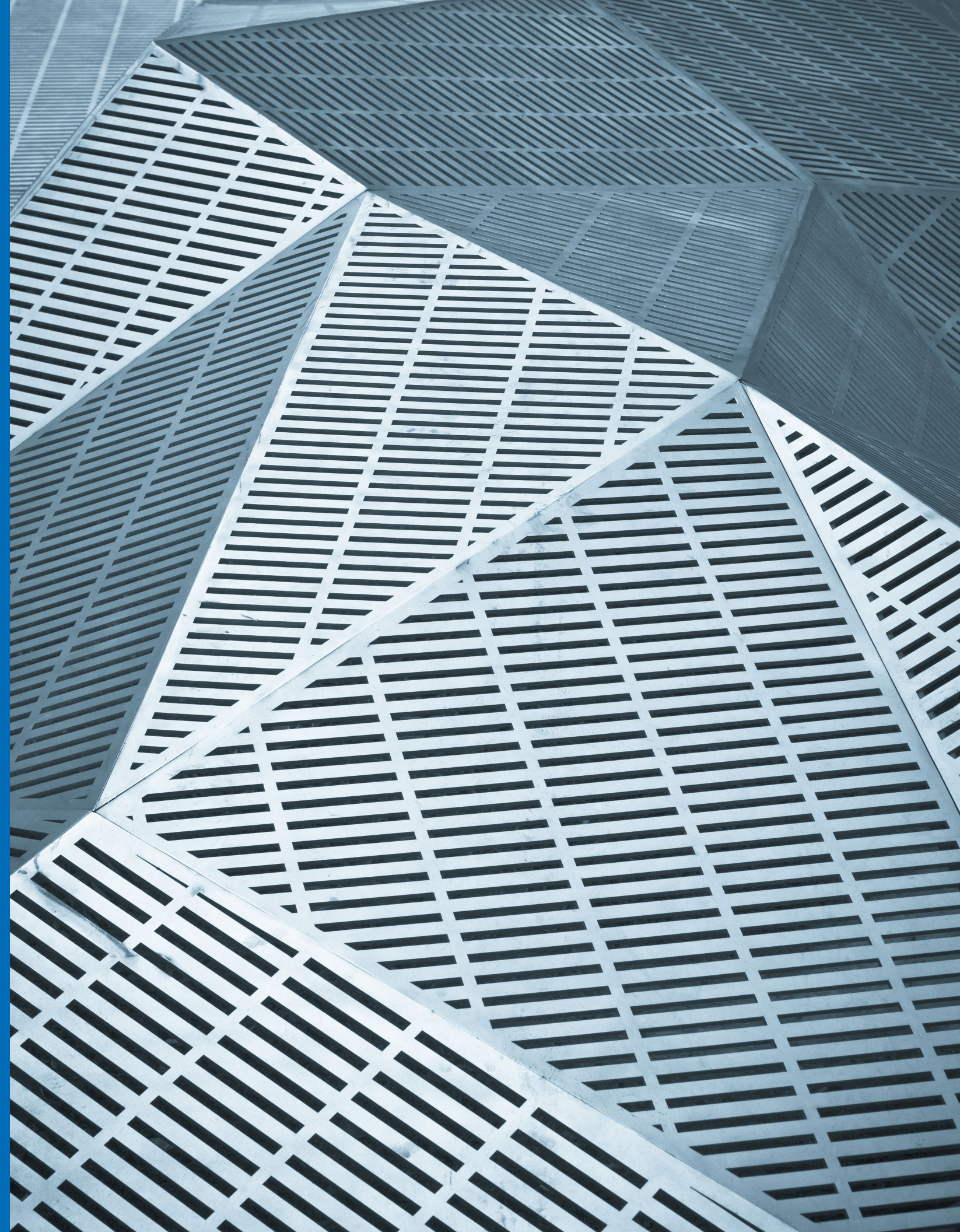
- The market experienced negative net absorption in the first quarter of 2024, amounting to negative 1.3M square feet.
- Vacancy rates increased by 20 basis points to 5.7%, largely driven by warehouse and distribution buildings coming to the market. Both the general industrial and warehouse/distribution markets continued to see below average vacancy rates in the first quarter at 4.0% and 5.0%, respectively.
- Overall availability rates increased 40 basis points to 7.6%, as well as vacancy rates, which slightly increased by 10 basis points to 5.6%.
- Greater Oakland tenants shed even more space in the first quarter of 2024, with 5 sublease spaces and 9 direct spaces coming to the market over 100,000 SF.

Outlook

- The market saw a sizeable decrease of rents, with a downturn in overall market leasing activity.
- Sales activity continues to be sporadic as interest rates remain high. Oakland had the most sales transactions in the East Bay for the first quarter of 2024, with 11 buildings sold totaling 308K square feet. Five buildings sold in Hayward totaling 371K square feet.

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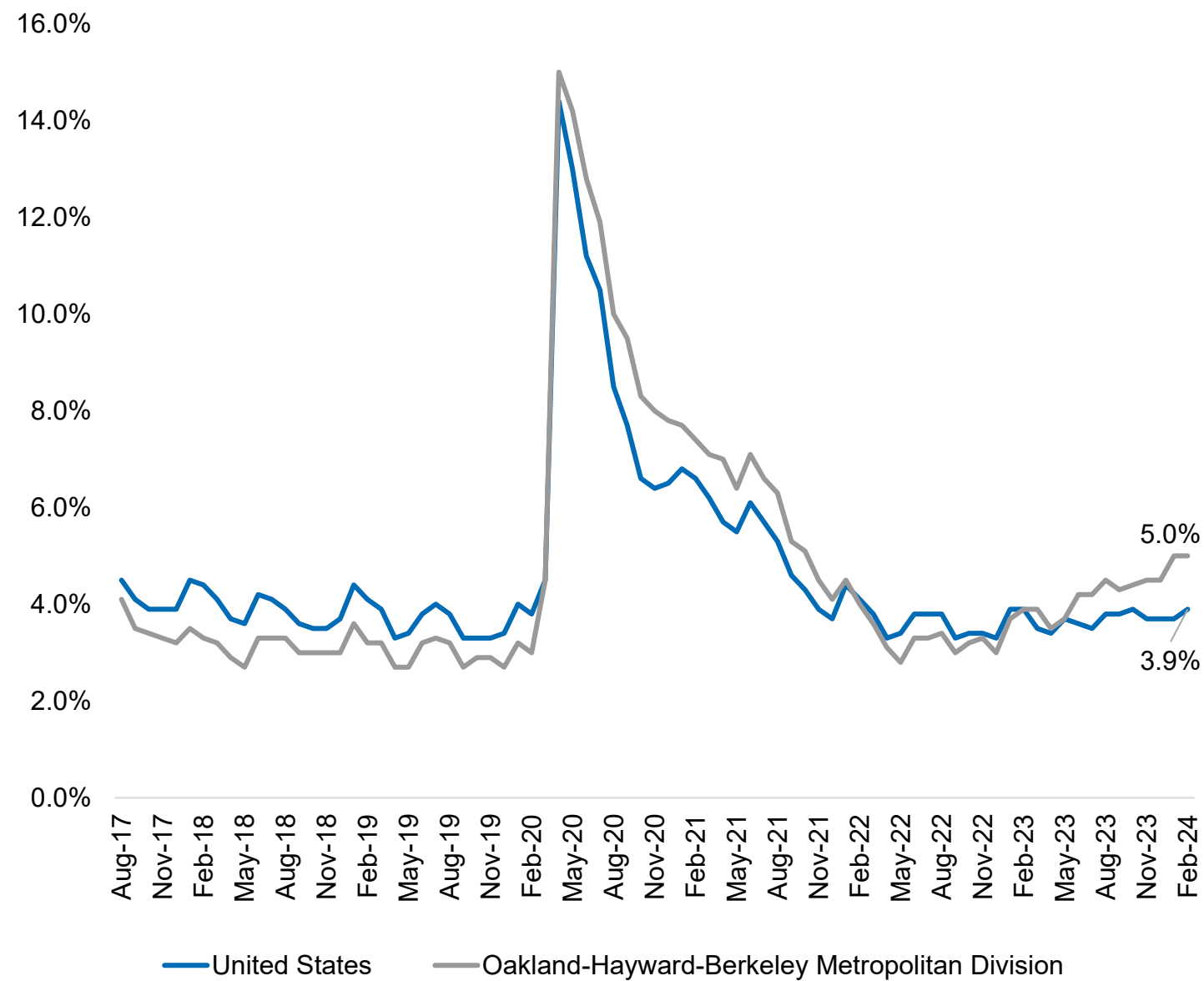
Economy



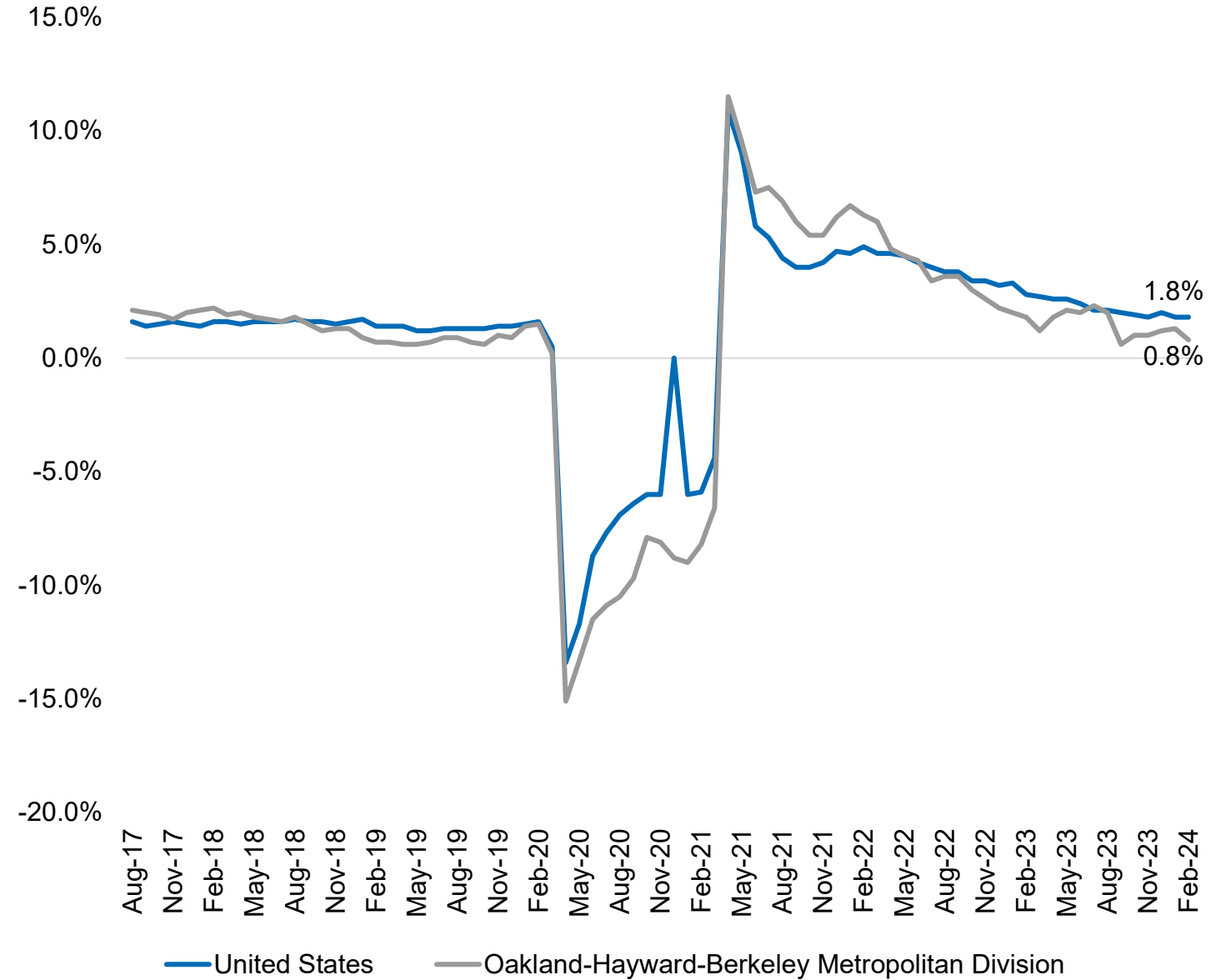
Metro Employment Trends Signal A Slowing Economy

The current unemployment rate for the East Bay Area is 50 basis points higher than it was at the end of 2023, and at 5.0% is 110 basis points higher than the national average.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

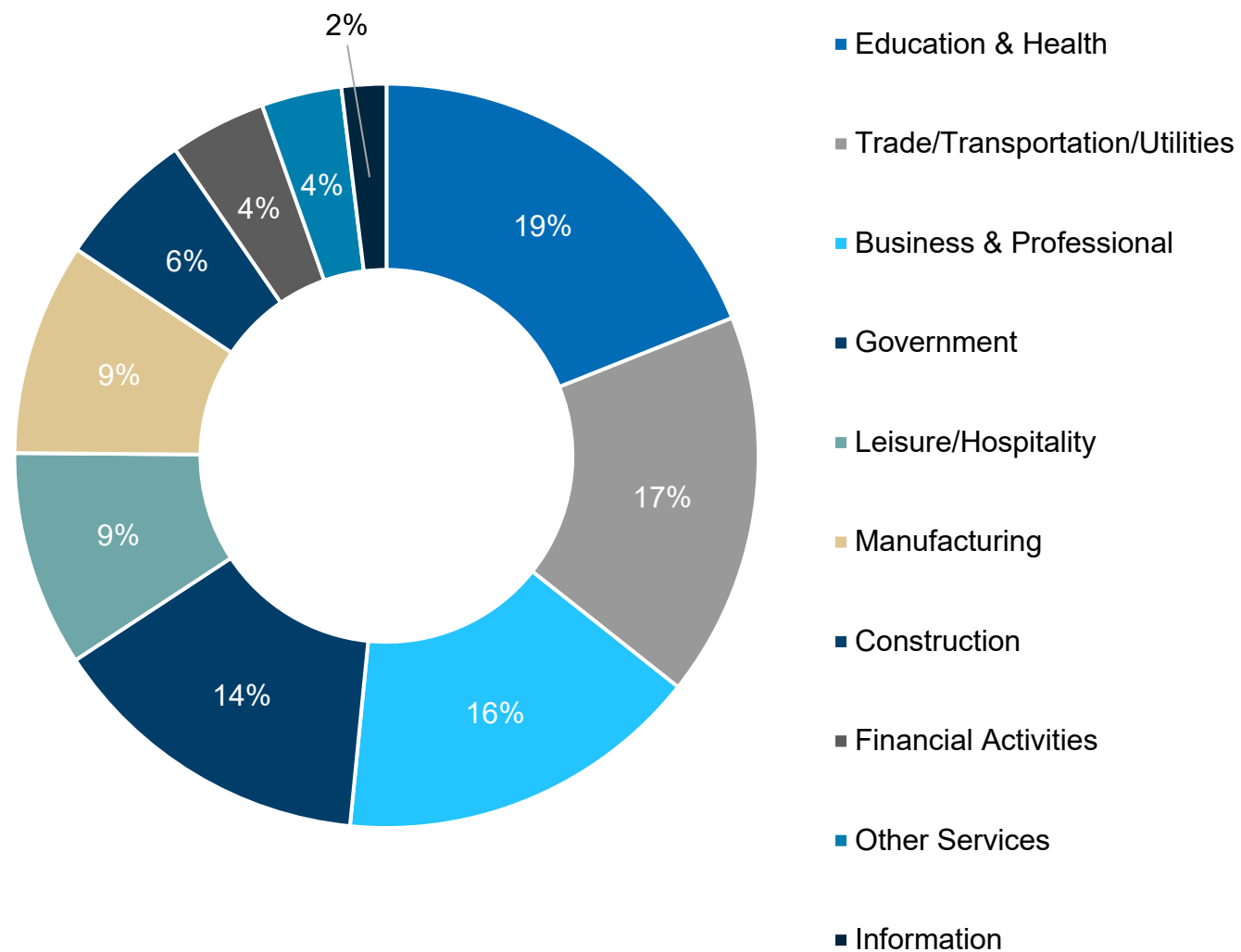


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

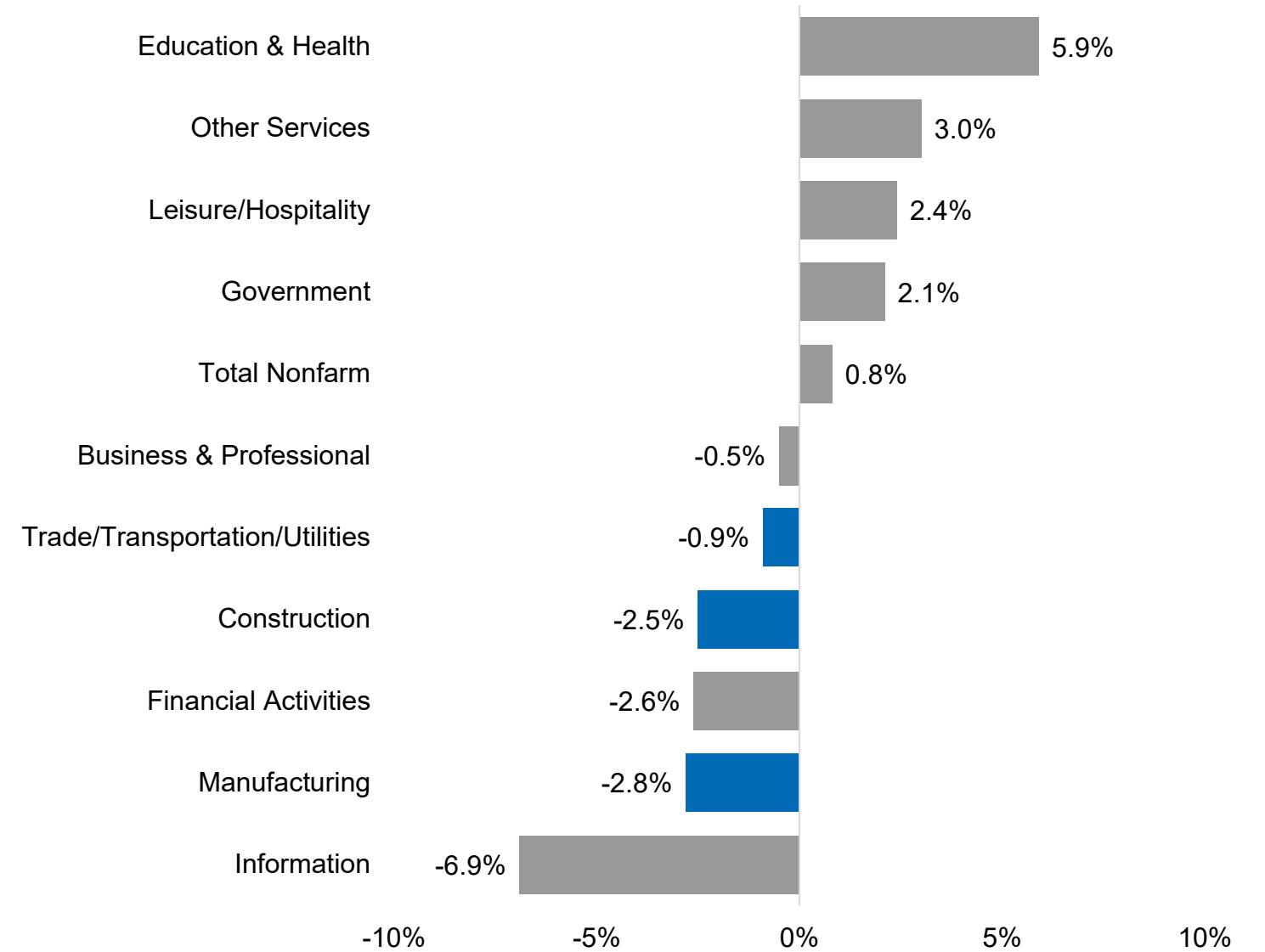
Industrial Employment Down

All three industrial sectors (Trade/Transportation/Utilities, Construction, and Manufacturing) have experienced job loss over the past twelve months.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

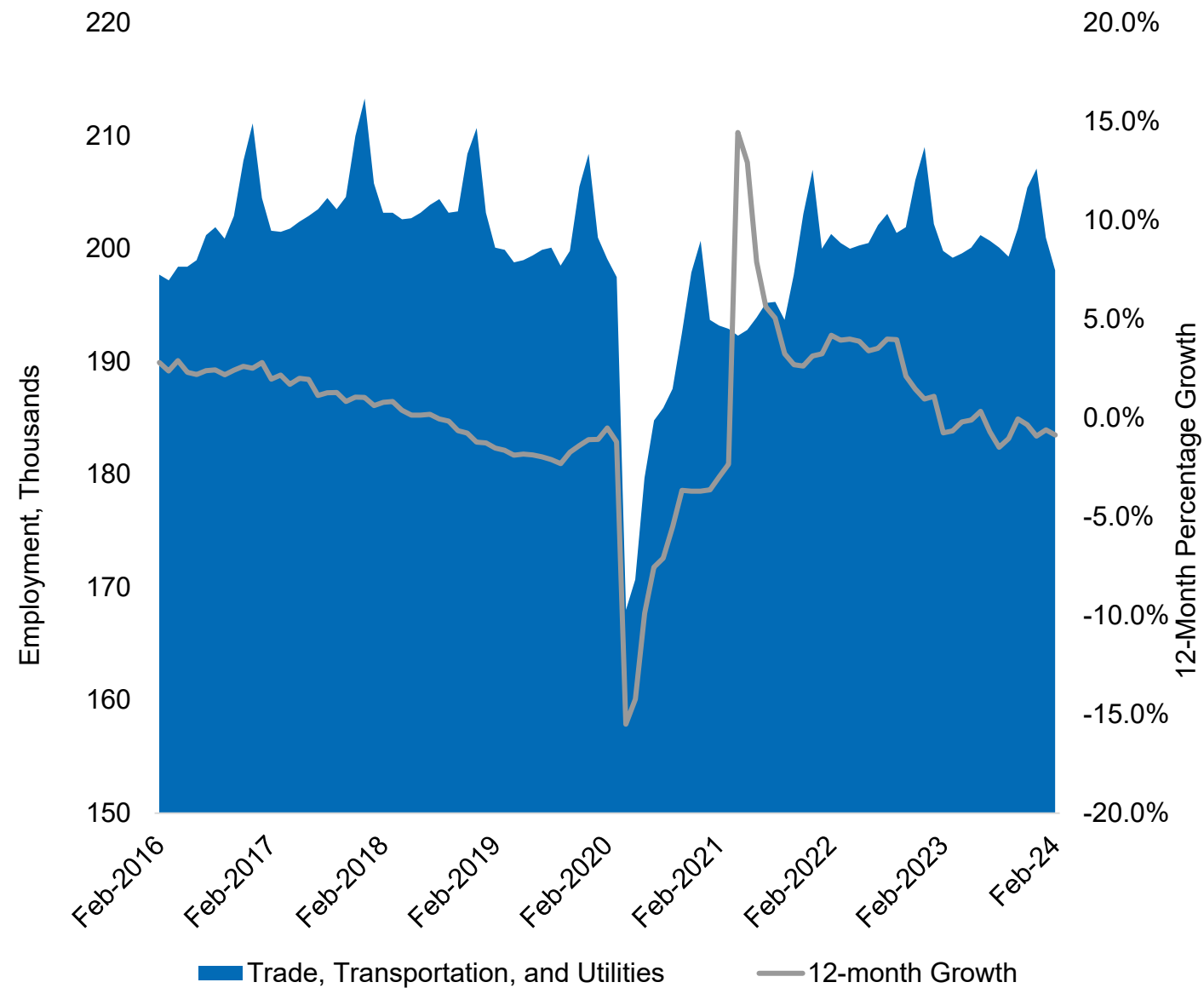


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

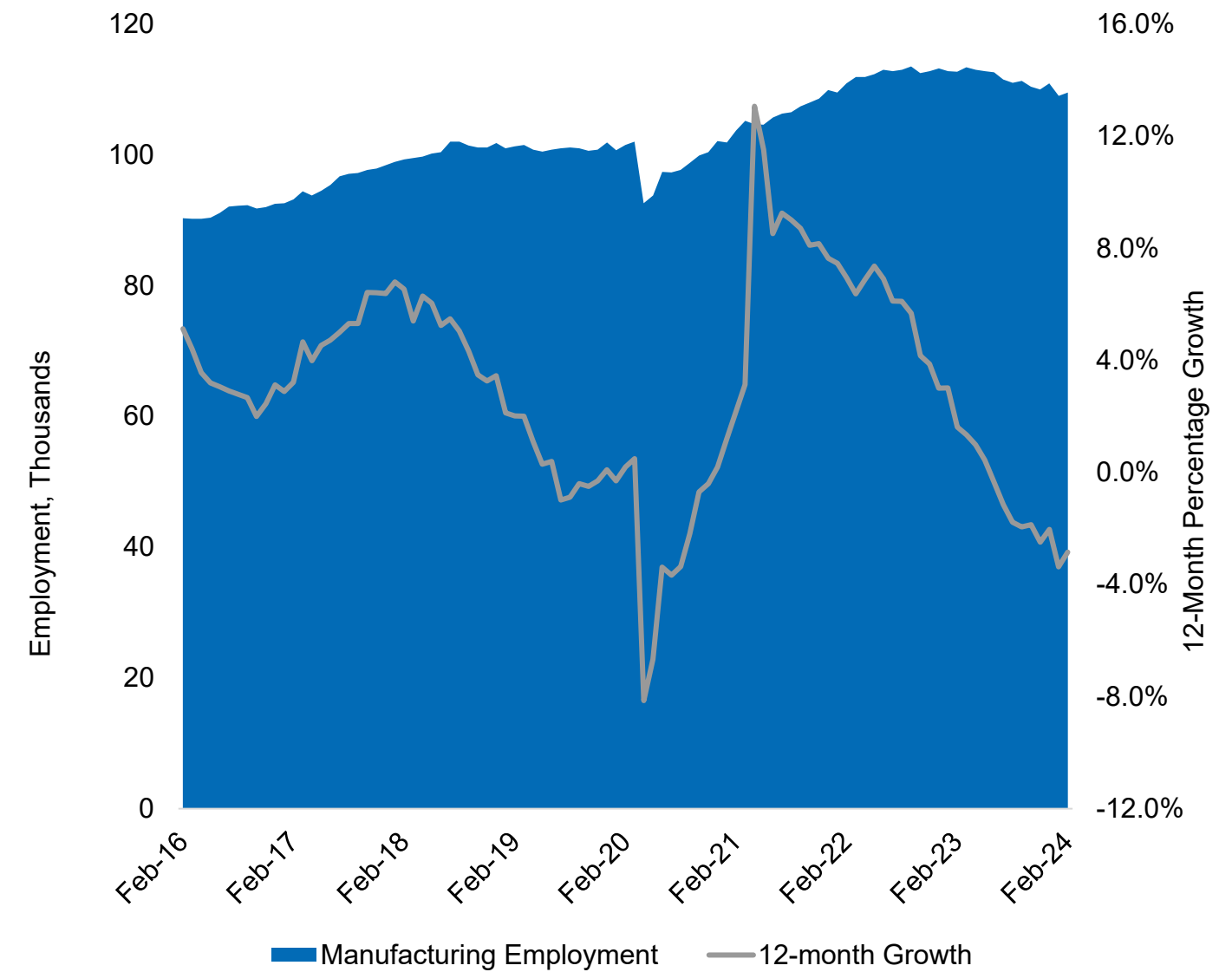
Industrial Employment Strong but Not Immune to Softening Conditions

Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs; however, competition for labor is still a challenge for many occupiers in the market.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley

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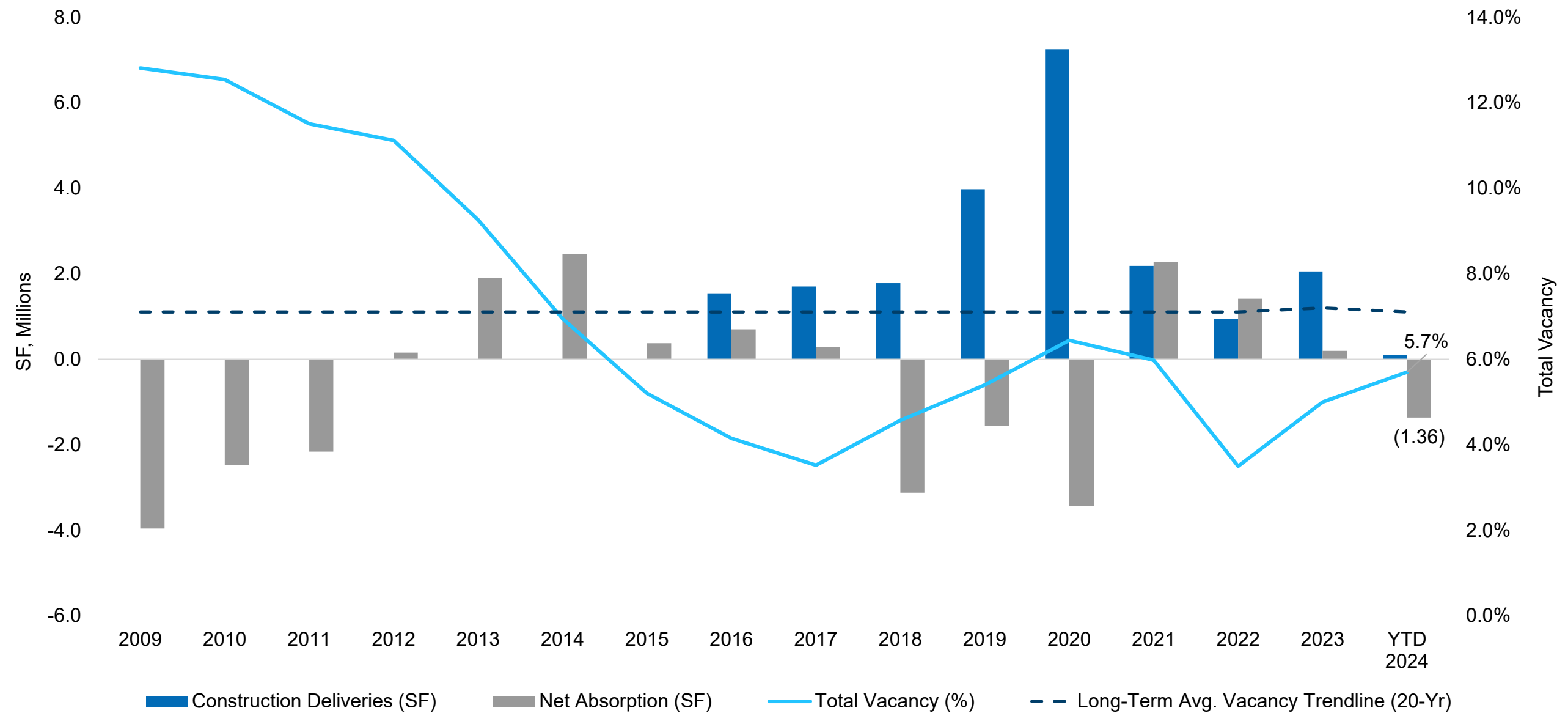
Leasing Market Fundamentals



Vacancy Starting to Climb

Vacancy rates in the East Bay increased 20 basis points from last quarter, while absorption went deep into the negatives. There was one new 97,115 SF building delivered in the first quarter of 2024, with another 1.2M SF currently under construction.

Historical Construction Deliveries, Net Absorption, and Vacancy

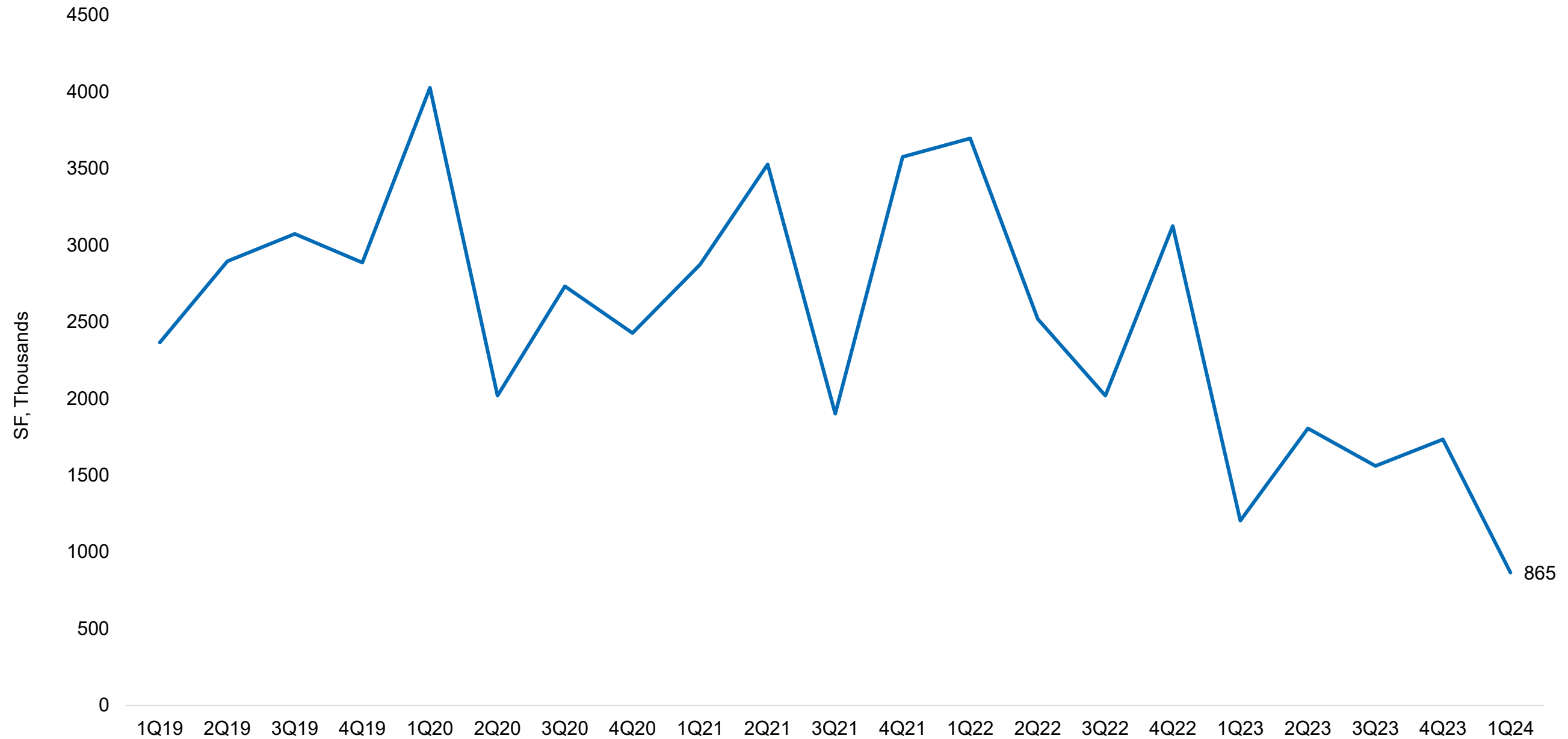


Source: Newmark Research

Industrial Leasing Activity Slows to Pandemic Levels

In the first quarter of 2024 there was a downturn in overall leasing activity, it is now the lowest it has been since before the pandemic. Contraction in the technology sector in the south end of the market has impacted R&D/Flex leasing activity. The majority of the leasing activity this quarter came from Hayward and Richmond which represented about 52% of the total square footage leased.

Total Leasing Activity (SF)

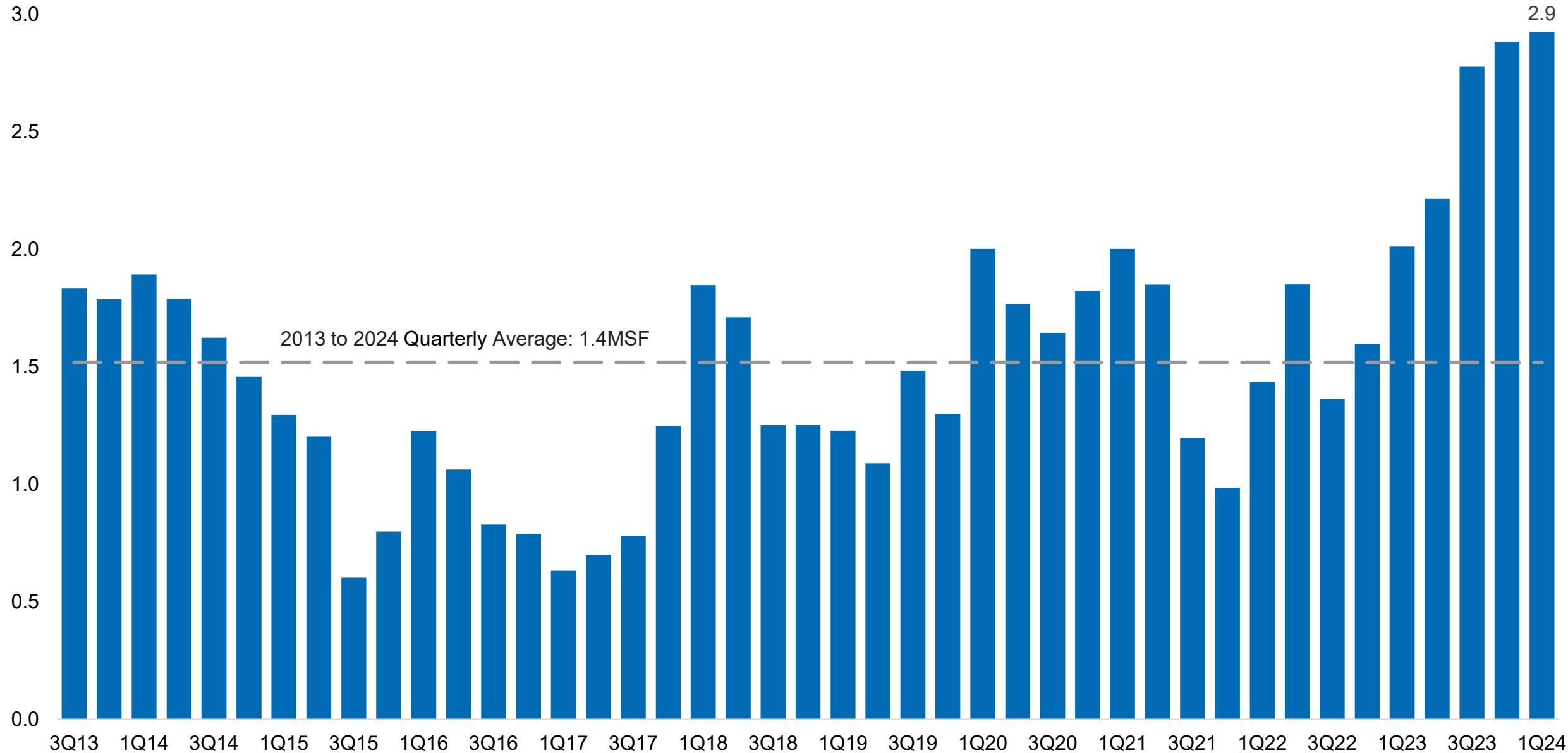


Source: Newmark Research, CoStar

Industrial Sublease Availability Continues to Climb

Many markets across the country saw an increase in sublease space in the first quarter of 2024. In the East Bay, sublease space increased by 43,000 SF to 2.9 MSF across the East Bay industrial market, nearly tripling the amount of sublease space on the market at the end of 2021.

Available Industrial Sublease Volume (MSF)

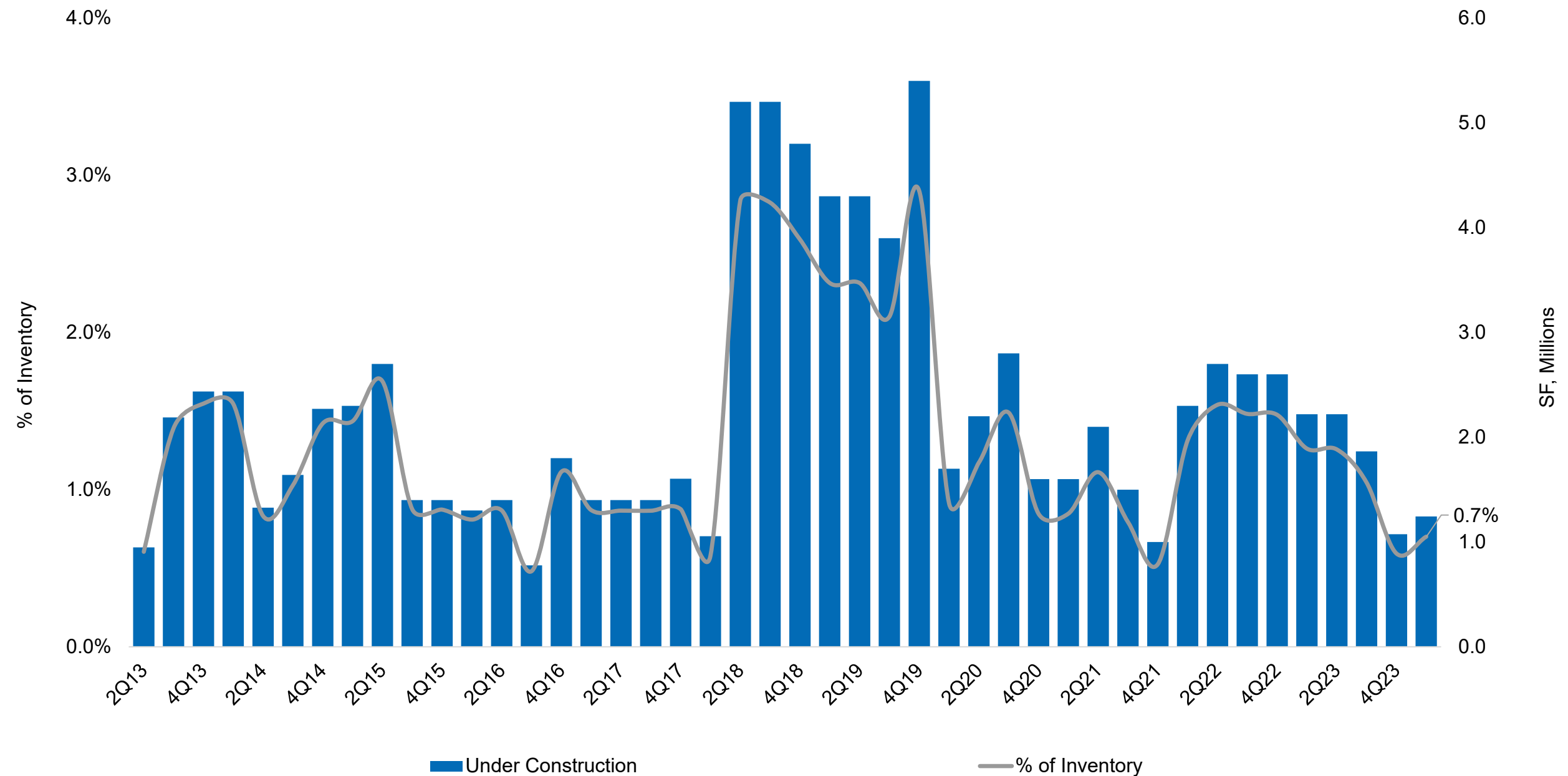


Source: CoStar

Industrial Supply Pipeline Increases

In the first quarter, there was a modest uptick observed in the new construction pipeline. Approximately 1.2 million square feet of construction activity was recorded in the market, with the bulk of it originating from Warehouse/Distribution buildings in Fremont and Hayward. The newest additions to the pipeline are 3636 Enterprise Avenue, 40901 Encyclopedia Circle, 40541 Albrae Street and 47020 Kato Road.

Industrial Under Construction and % of Inventory

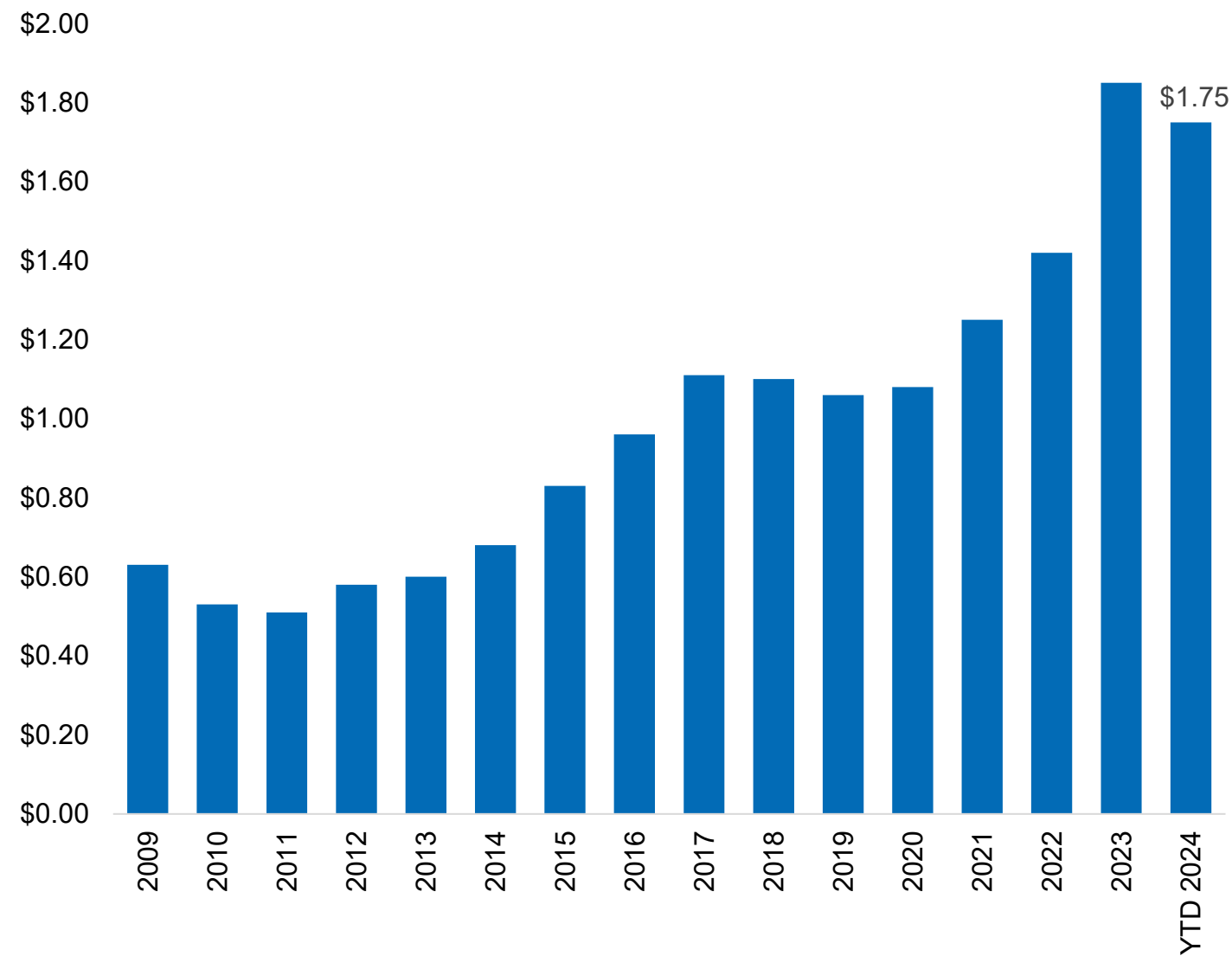


Source: Newmark Research, CoStar

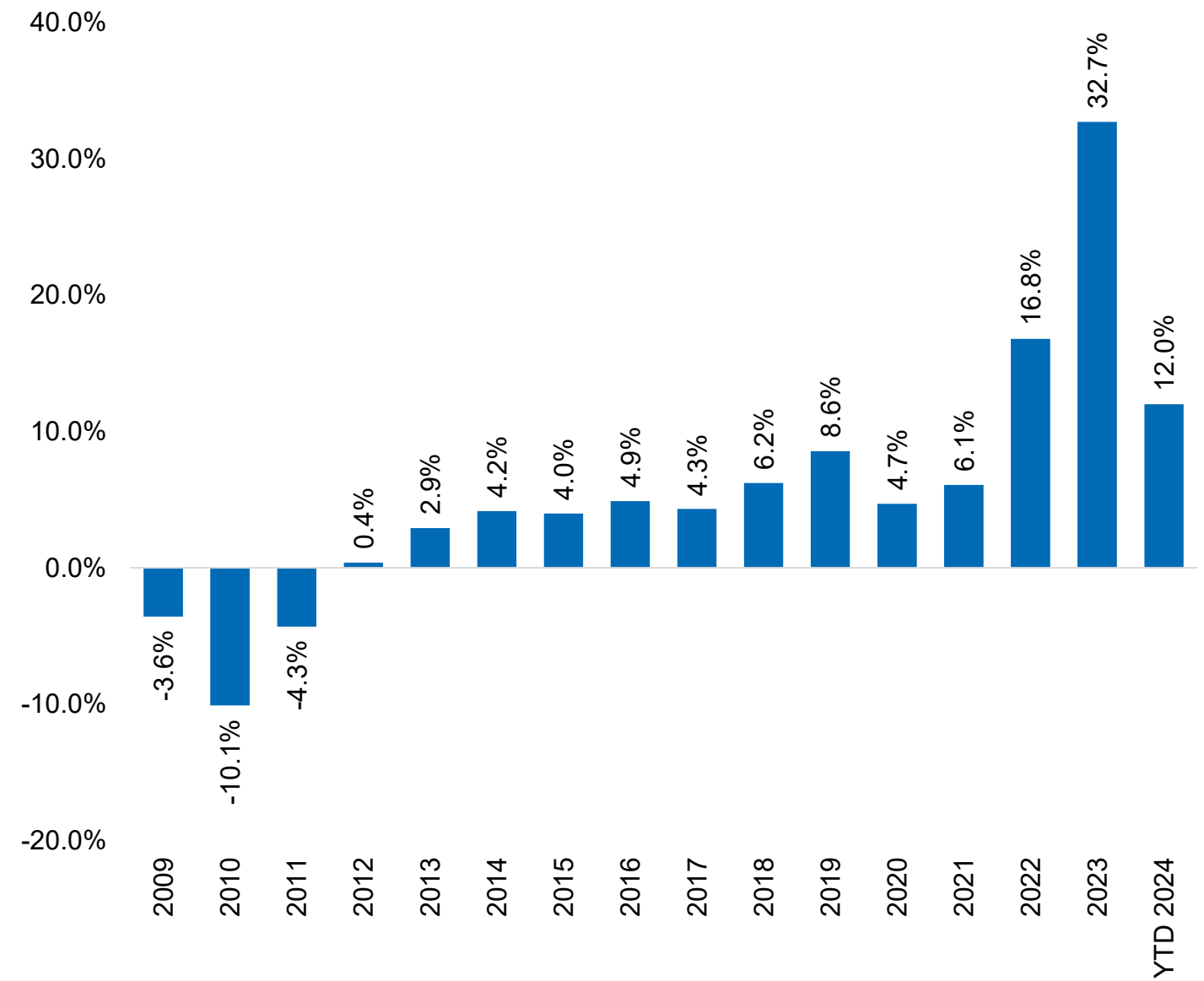
Industrial Asking Rent Growth Decreases Slightly

Industrial average asking rents saw a small decrease over the first quarter of 2024, falling 5.7% to \$1.75/SF. Based on a study of completed deals, over 75% of spaces leased in the first quarter were taken at rates below the fourth quarter average asking rate of \$1.85, and as a result we are beginning to see a decline in asking rents to meet the market..

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 1Q24 Lease Transactions

While leasing activity has slowed in the first quarter of 2024. The most active city was Hayward with 3 of the largest deals totaling 295,580 SF.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
alphaEMS	4211 Starboard Dr	Fremont – Bayside	Direct	129,808
Quanta Computer	41707 Christy St	Fremont – Auto Mall North	Renewal	120,960
PODS	21001 Cabot Blvd	Hayward – North	Renewal	118,820
Access Information Systems	2704 W Winton #5	Hayward – North	Direct	90,240
Access Information Systems	2660 W Winton #1	Hayward – North	Renewal	86,520

Source: Newmark Research



Please reach out to your
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Appendix





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