

East Bay Industrial Market

Activity Continues to Accelerate

The second quarter of 2021 was the strongest for East Bay industrial real estate since before the beginning of the pandemic. Net absorption was finally positive, after five straight quarters in the red. This reversal was largely due to a strong warehouse leasing quarter with nine leases over 100,000 square-feet and over 3 million square feet of gross absorption in total.

As has been the case in the recent past, a significant portion of the warehouse construction came from leases on new construction; 48401 Fremont Boulevard, 2756 Alvarado Street, and 2001 Maritime Street are three examples of newly constructed buildings that were leased soon after construction.

The demand for these new spaces has had a great impact on the vacancy in the market. Of the close to 9 million square feet delivered to the market since the beginning of 2020, less than 1 million is still available. This has had the effect of pushing vacancy down to early 2020 levels. Expect it to continue to fall.

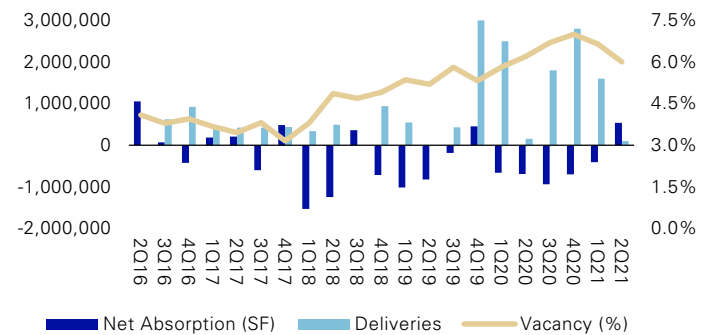
Rates in all three industrial asset classes increased, leading to a \$.07/SF increase this quarter. The overall change was due in large part to an influx of high-priced R&D space to the market. R&D accounts for only 15.0% of the total inventory in the market, but accounts for 23.0% of overall inventory. This quarter,

Market Summary

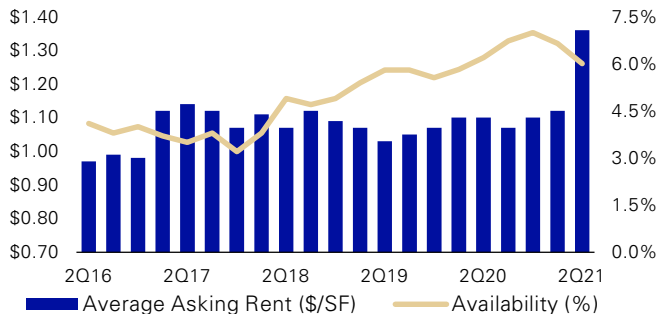
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	189.1M	189.0M	180.0M	↑
Vacancy Rate	6.0%	6.7%	6.2%	↓
Qtr Net Abs (SF)	540K	-406K	-691K	↑
Avg NNN Ask Rent/SF	\$1.18	\$1.11	\$1.07	↑
Under Const (SF)	2.1M	1.6M	154K	↑

Net Absorption v New Construction & Vacancy

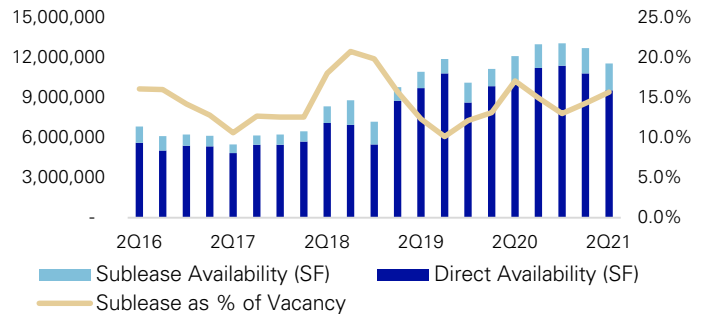
SQUARE FEET



ASKING RENT AND VACANCY RATE



SUBLEASE V. DIRECT AVAILABILITY (SF)



RESEARCH 2Q 2021

landlords began increasing prices on spaces in response to high R&D and life science demand. The sentiment among brokers in the market is that the increase in demand for space has not only affected pricing on buildings but also has some external effects. For example, landlords are getting more particular with the tenants that they will let into their spaces, to the point where some tenants are being immediately rejected. Additionally, concessions such as free rent and tenant improvements that were common as recently as two quarters ago are getting harder to come by.

The last important trend to discuss this quarter is the continued increase in capital flow. Institutional investors are becoming more and more confident that allocating capital in the market will lead to sizeable returns on investments. The two main ways this capital is allocated is into R&D spaces that they will pour money into are: in order to convert them to life science; and first and second-generation warehouse spaces that are either fully occupied or will be easy to lease.

Significant Transactions

There were notable leases in all three major industrial classes in the second quarter. There were nine warehouse leases of 100,000 square feet or greater. The most notable were Applied Materials’s 209,252-square-foot lease of the newly constructed 48401 Fremont Boulevard in Fremont and East Bay Logistics’s 171,445-square-foot lease at 2222 Grant Avenue in San Lorenzo.

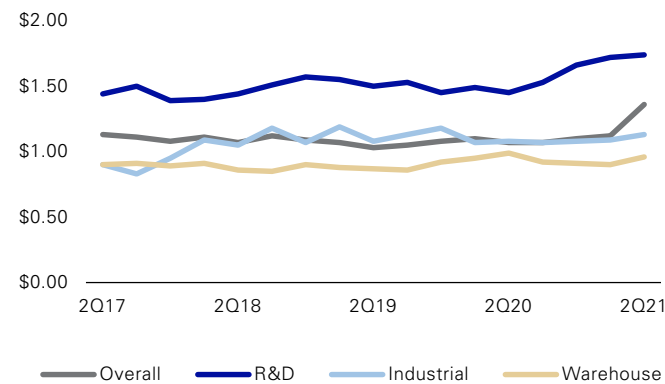
Next, Tesla took a 38,692-square-foot general industrial space at 4160 Business Center Drive in Fremont. Lastly, in R&D, Senti Biosciences took 91,900 square feet at 1430 Harbor Bay Parkway in Alameda and Alexza Pharmaceuticals took 62,653 square feet at 6550 Dumbarton Circle in Fremont.

Institutional investors are standing by ready to capitalize on opportunities as they present themselves. They seem to be most eager to capitalize on the demand for life-science space through conversions or complete rebuilds to accommodate these needs. In fact, over half a million square-feet of such space was purchased this quarter, totaling close to a quarter billion dollars. The most significant of these life-science conversion transactions was GI Partners’ acquisition of the 6 property, 370,000 square-foot Mount Eden Research Park in Hayward. Next, 34781-34801 Fremont Boulevard was acquired by BentallGreenOak. The last of the major life science conversion transactions was a three-property, 95,000 square-foot acquisition on Dumbarton Circle in Fremont, purchased by Lincoln Property Company.

At the same time, investors remain eager to fulfill tenant demand for class A warehouse space. Hines purchased the 203,500-square-foot newly constructed warehouse at 6045 Giant Road in Richmond, as well as a 209,000-square-foot portfolio at Dixon Landing Research Park, which it will tear down and convert to warehouse.

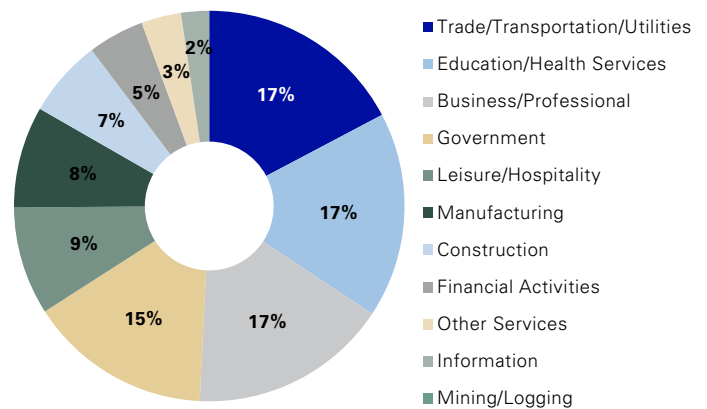
Direct Class A Asking Rents by Submarket

WEIGHTED, NNN, MONTHLY



East Bay Employment by Industry

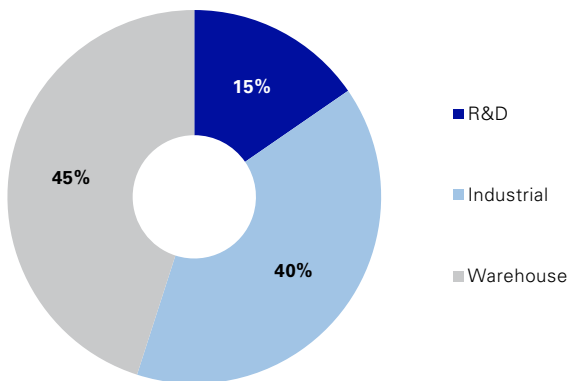
Source: US Bureau of Labor Statistics, 2021



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	54,886,941	2,198,594	158,391	4.29%	1,219,566	302,620	526,862	\$1.08
Richmond	13,560,207	680,389	54,896	5.42%	214,332	159,436	7,540	\$1.07
Berkeley	5,216,162	175,795	65,995	4.64%	25,400	-40,655	-95,553	\$1.58
Emeryville	3,180,629	251,958	0	7.92%	3,562	0	-34,293	\$1.25
Oakland	32,929,943	1,090,452	37,500	3.43%	976,272	183,839	649,168	\$0.90
SOUTH	134,138,279	7,320,540	1,691,604	6.72%	3,652,143	238,348	186,929	\$1.21
San Leandro	24,076,864	1,560,913	255,831	7.55%	814,039	381,899	113,265	\$0.69
Hayward	42,090,231	2,715,350	497,102	7.63%	1,037,974	-375,592	-991,450	\$1.14
Union City	14,058,006	504,439	138,338	4.57%	167,014	-92,385	258,390	\$0.93
Newark	11,384,894	565,568	336,418	7.92%	689,258	73,184	490,620	\$1.49
Fremont	42,528,284	1,974,270	463,915	5.73%	943,858	251,242	316,104	\$1.49
EAST BAY TOTAL	189,025,220	9,519,134	1,849,995	6.01%	4,871,709	540,968	713,791	\$1.18

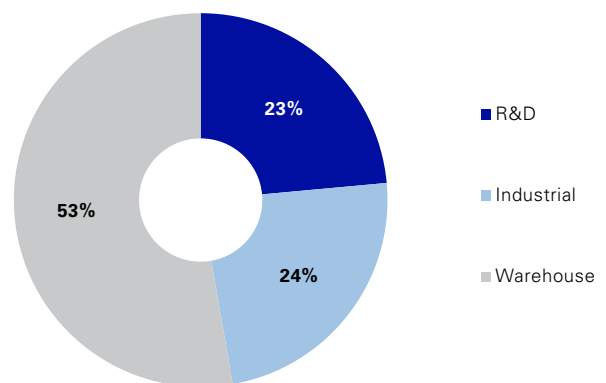
Inventory Breakdown

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	27,250,326	563,041	8,500	2.10%	65,802	27,180	-24,810	\$1.15
Richmond	6,560,249	208,647	0	3.18%	0	0	0	\$1.14
Berkeley	4,115,407	156,042	0	3.79%	25,400	-9,660	-25,310	\$1.29
Emeryville	2,106,659	92,575	0	4.39%	3,562	0	-17,840	\$1.44
Oakland	14,468,011	105,777	8,500	0.79%	36,840	36,840	18,340	\$1.11
SOUTH	47,543,228	1,905,447	218,813	4.47%	434,966	95,727	98,419	\$1.12
San Leandro	11,219,402	221,716	86,406	2.75%	102,055	53,837	193,302	\$0.00
Hayward	16,723,367	716,493	108,557	4.93%	143,535	50,738	-174,906	\$1.03
Union City	3,176,371	174,386	0	5.49%	6,268	-77,032	-77,495	\$0.76
Newark	4,116,675	237,753	11,370	6.05%	64,836	30,702	16,339	\$1.41
Fremont	12,307,413	555,099	12,480	4.61%	118,272	37,482	141,179	\$1.23
EAST BAY TOTAL	74,793,554	2,468,488	227,313	3.60%	500,768	122,907	73,609	\$1.13

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Crystal Creamery	3440 Enterprise Avenue	Hayward	Direct Lease	43,000
Tesla Motors	4160 Business Center Drive	Fremont	Direct Lease	38,692
Plusai, Inc.	41300 Boyce Road	Fremont	Direct Lease	36,087
DNZ Builders	10000 Bigge Street	San Leandro	Direct Lease	32,000
Gissing Automotive Systems, LLC	6815 Mowry Avenue	Newark	Direct Lease	30,702

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
14420 Catalina Street	San Leandro	\$16,000,000	\$176	90,725
3200 Investment Blvd	Hayward	\$13,050,000	\$261	50,000
1919 Peralta Street	Oakland	\$6,600,000	\$183	36,000
14444 Griffith Street	San Leandro	\$4,339,000	\$231	18,774

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	2,134,214	13,973	65,995	3.75%	0	-30,995	-61,990	\$2.12
Richmond	784,298	13,973	0	1.78%	0	0	0	\$1.50
Berkeley	355,292	0	65,995	18.57%	0	-30,995	-61,990	\$2.40
Emeryville	373,509	0	0	0.00%	0	0	0	\$0.00
Oakland	621,115	0	0	0.00%	0	0	0	\$0.00
SOUTH	26,963,048	1,941,706	654,836	9.63%	525,725	-213,343	-331,466	\$1.73
San Leandro	238,615	20,500	0	8.59%	12,900	12,900	12,900	\$1.25
Hayward	3,367,026	524,687	103,090	18.64%	136,999	-196,309	-215,995	\$2.08
Union City	517,128	32,100	0	6.21%	0	0	0	\$1.33
Newark	3,088,407	89,885	269,434	11.63%	3,985	-33,680	-116,610	\$1.80
Fremont	19,751,872	1,274,534	282,312	7.88%	371,841	3,746	-11,761	\$1.68
EAST BAY TOTAL	29,097,262	1,955,679	720,831	9.20%	525,725	-244,338	-393,456	\$1.74

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Senti Biosciences	1430 Harbor Bay Parkway	Alameda	Direct Lease	91,910
Alexza Pharmaceuticals, Inc.	6550 Dumbarton Circle	Fremont	Direct Lease	62,523
Owens Design Inc	47451 Fremont Blvd	Fremont	Direct Lease	30,400
ZPE Systems Inc	3793 Spinnaker Court	Fremont	Sublease	24,006
Hewlett Packard	213 Hammond Avenue	Fremont	Lease Renewal	9,430

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
Mount Eden Research Park (6 Property Portfolio)	Hayward	\$155,000,000	\$419	369,986
Fremont Research Center	Fremont	\$52,490,648	\$244	215,000
49000 Milmont Drive	Fremont	\$47,000,000	\$225	209,000
6550 Dumbarton Circle	Fremont	\$27,500,000	\$289	95,000
34781-34801 Campus Drive	Fremont	\$53,100,000	\$575	92,250

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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	25,502,401	1,621,580	83,896	6.69%	1,153,764	306,435	613,662	\$0.97
Richmond	6,215,660	457,769	54,896	8.25%	214,332	159,436	7,540	\$1.03
Berkeley	745,463	19,753	0	2.65%	0	0	-8,253	\$1.18
Emeryville	700,461	159,383	0	22.75%	0	0	-16,453	\$1.14
Oakland	17,840,817	984,675	29,000	5.68%	939,432	146,999	630,828	\$0.88
SOUTH	59,632,003	3,473,387	817,955	7.20%	2,691,452	355,964	419,976	\$0.96
San Leandro	12,618,847	1,318,697	169,425	11.79%	699,084	315,162	-92,937	\$0.82
Hayward	21,999,838	1,474,170	285,455	8.00%	757,440	-230,021	-600,549	\$0.85
Union City	10,364,507	297,953	138,338	4.21%	160,746	-15,353	335,885	\$0.97
Newark	4,179,812	237,930	55,614	7.02%	620,437	76,162	590,891	\$1.18
Fremont	10,468,999	144,637	169,123	3.00%	453,745	210,014	186,686	\$1.04
EAST BAY TOTAL	85,134,404	5,094,967	901,851	7.04%	3,845,216	662,399	1,033,638	\$0.96

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Applied Materials	48401 Fremont Blvd	Fremont	Direct Lease	209,252
East Bay Logistics	2222 Grant Avenue	San Lorenzo	Direct Lease	171,445
Cepheid	6601 Overlake Place	Newark	Direct Lease	160,000
Wine.Com	2756 Alvarado Street	San Leandro	Direct Lease	154,619
Decathlon USA LLC	7240 Edgewater Drive	Oakland	Direct Lease	144,408
Home Depot	2000 Maritime Street (Bldg 2)-U/C	Oakland	Direct Lease	117,785
XPO Logistics	6120 Stewart Avenue	Fremont	Lease Renewal	114,918
Chef's Warehouse	211 Cutting Blvd	Richmond	Direct Lease	102,436
Transpak	38503 Cherry Street	Newark	Lease Renewal	101,250
Javelin Logistics	7025 Central Avenue	Newark	Lease Renewal	97,034

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
6045 Giant Road	Richmond	\$52,000,000	\$256	203,500
1950 Marina Blvd	San Leandro	\$23,900,000	\$230	104,120

For more information:

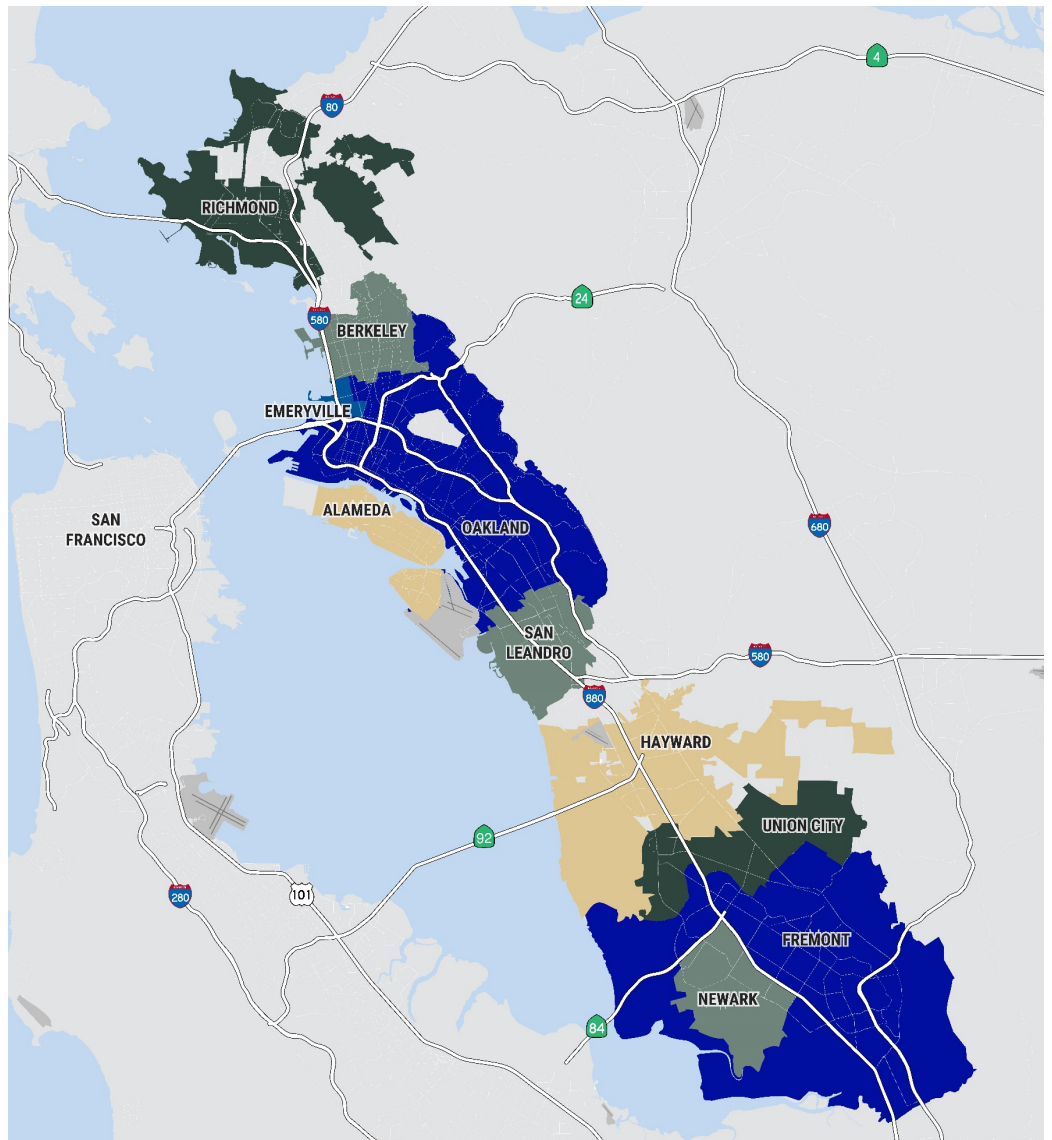
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