

East Bay Industrial Market

Another Strong Quarter

Activity in the East Bay industrial market was extremely active in the third quarter of 2021, picking up right where the strong second quarter left off. Overall, net absorption was positive at 407,051 square feet, vacancy rates fell by 32 basis points to 5.7% and asking rates increased substantially for the second straight quarter, finishing at \$1.30/SF for all product types. Capital continues to flow into the market, as investors remain eager to acquire buildings in a market with such strong fundamentals.

As expected, warehouse space dominated the leasing market, with over 1.4 million square feet of gross absorption. Somewhat uncharacteristically, due to the near total occupancy of newly constructed Class A warehouse space, it was second- and third-generation space that accounted for most of the absorption in the market. It should also be noted that asking rates for warehouses have decreased quarter over quarter. This is also due to the lack of availability of Class A warehouse space, rather than a reflection on the trajectory of rent growth in the market.

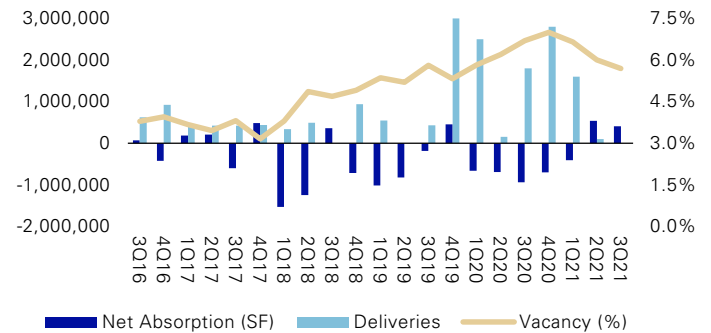
General industrial also had a strong quarter. Vacancy rates in the general industrial market now sit at just 3.3%, down 27 basis points from last quarter, with 261,000 square feet of positive net absorption, and a \$0.05/SF increase in asking rates.

Market Summary

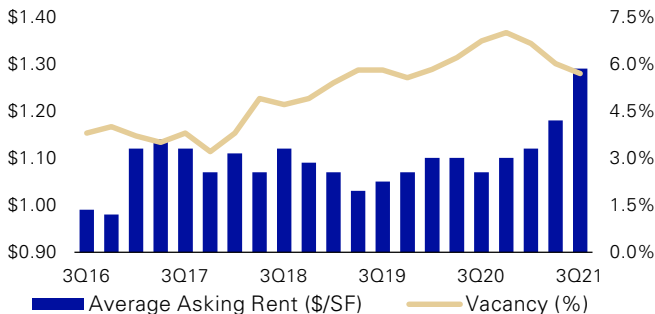
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	189.1M	189.1M	187.9M	↑
Vacancy Rate	5.7%	6.0%	6.7%	↓
Qtr Net Abs (SF)	407K	540K	-934K	↑
Avg NNN Ask Rent/SF	\$1.29	\$1.18	\$1.07	↑
Under Const (SF)	1.5M	2.1M	0.0	↑

Net Absorption v New Construction & Vacancy

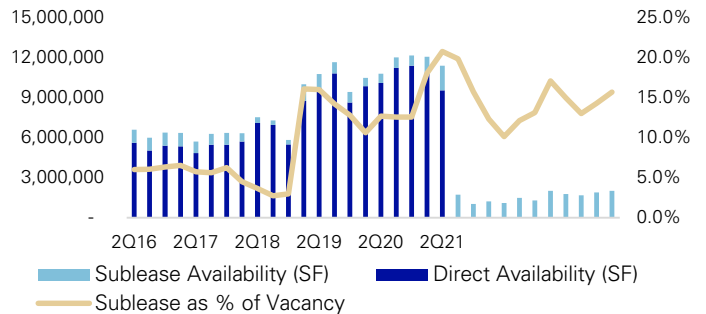
SQUARE FEET



ASKING RENT AND VACANCY RATE



SUBLEASE V. DIRECT AVAILABILITY (SF)



RESEARCH 3Q 2021

R&D asking rates increased by over 25% from last quarter, to \$2.19/SF due to the influx of available life science space on the market. During the same time, vacancy rates for R&D remained nearly unchanged, at 9.2% overall. The overall base of R&D is slowly increasing as investors seek to convert outdated products to new life science configurations.

Significant Transactions

There were leases of over 100,000 square feet in all three major asset classes in third-quarter 2021. There was seven such warehouse leases, but the most notable of them both took place in Oakland. Amazon took 336,680 square feet at 5800 Coliseum Way, and Shift Auto took 116,370 square feet at 2000 Maritime Street.

General industrial and R&D each had one lease over 100,000 square feet. Sana Bio took 163,193 square feet of brand-new advanced manufacturing space at 5567 Cushing Parkway in Fremont. As for R&D, demand for life science was once again strong. Personalis, a biotechnology company, leased the entire building at 6600 Dumbarton Circle, totaling 100,808 square feet of life science conversion space. Novo Nordisk and Ardelyx each extended their leases, all of which occurred in the Ardenwood

submarket of Fremont.

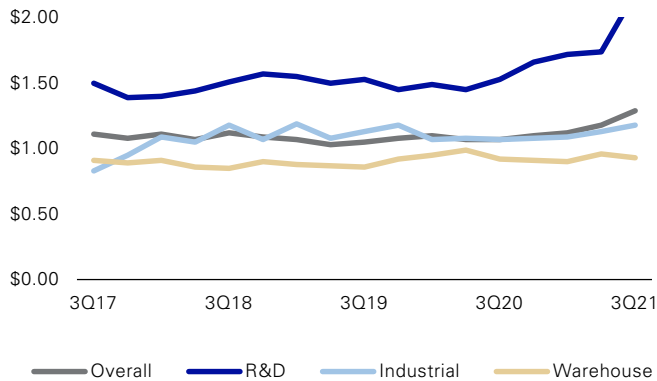
Likely the most important story from the third quarter was the continuation of institutional capital flow into the market. According to the data, over \$520.0 million of investment capital was deployed in just third-quarter 2021; 2021 is setting up to be a record-breaking year in the East Bay industrial market, which should result in over \$1.5 billion of investor capital transacted by the end of the year.

The most notable sales of the quarter were portfolio sales between institutional investors. Demand for R&D/life science conversion space continues to increase, as the most notable acquisition of the quarter was a 309,387-square-foot portfolio on Kaiser Drive in the Ardenwood submarket of Fremont. DWS Group sold the four buildings to TPG for \$140 million, or \$452/SF.

Another notable sale was the acquisition of the American Steel Portfolio in Oakland, comprised of eight industrial, warehouse, office and land properties on Mandela Parkway, Peralta Street, Poplar Street and West Grand Avenue in Oakland. SKB acquired the 436,616-square-foot portfolio from 11 West Partners for a total of \$82.5 million.

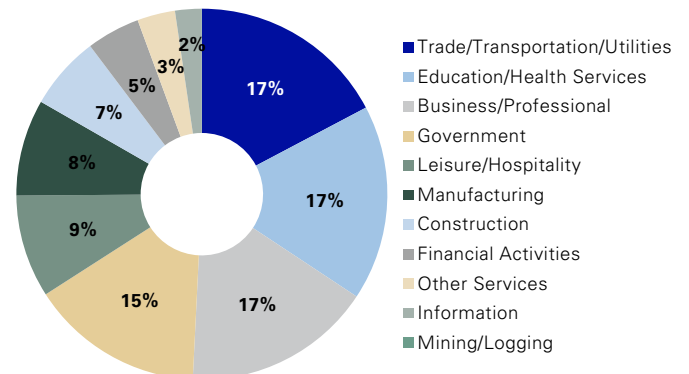
Direct Class A Asking Rents by Submarket

WEIGHTED, NNN, MONTHLY



East Bay Employment by Industry

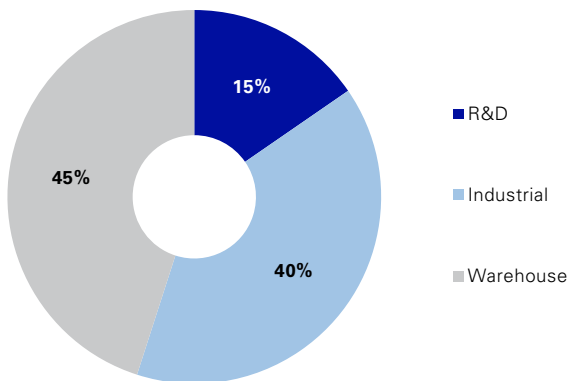
Source: US Bureau of Labor Statistics, 2021



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	2,143,248	110,318	3.99%	683,400	162,207	-352,303	\$1.04
Richmond	13,560,207	626,416	0	4.62%	190,632	94,896	102,436	\$1.09
Berkeley	5,216,162	164,464	65,995	3.15%	29,180	11,331	-53,227	\$1.29
Emeryville	3,180,629	251,958	0	7.92%	0	18,917	-34,293	\$1.30
Oakland	32,929,943	1,100,410	44,323	3.48%	463,588	37,063	-367,219	\$0.92
SOUTH	134,138,279	7,411,375	1,084,981	6.33%	1,821,571	244,844	524,432	\$1.38
San Leandro	24,076,864	1,632,136	41,818	6.95%	197,557	-93,048	139,996	\$0.95
Hayward	42,090,231	2,891,972	356,386	7.72%	615,887	-154,085	-1,113,057	\$1.37
Union City	14,058,006	452,278	62,911	3.66%	234,765	230,281	387,721	\$0.93
Newark	11,384,894	395,249	136,346	4.67%	323,404	248,327	755,149	\$1.57
Fremont	42,528,284	2,039,740	487,520	5.94%	449,958	13,369	354,623	\$1.73
EAST BAY TOTAL	189,025,220	9,554,623	1,195,299	5.69%	2,504,971	407,051	172,129	\$1.30

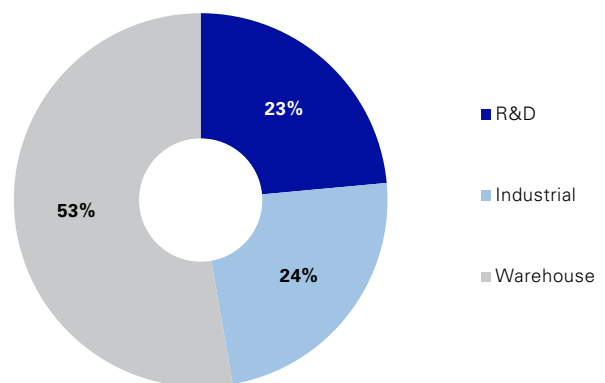
Inventory Breakdown

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	603,533	30,323	2.33%	38,380	-43,398	-106,033	\$1.36
Richmond	6,560,249	208,647	0	3.18%	0	0	0	\$1.18
Berkeley	4,115,407	144,711	0	3.52%	29,180	11,331	-13,979	\$1.32
Emeryville	2,106,659	92,575	0	4.39%	0	18,917	-17,840	\$1.58
Oakland	14,468,011	157,600	30,323	1.30%	9,200	-73,646	-88,193	\$1.11
SOUTH	47,543,228	1,716,959	137,923	3.90%	619,893	304,676	422,713	\$1.12
San Leandro	11,219,402	231,952	41,818	2.44%	72,556	-33,162	207,654	\$1.13
Hayward	16,723,367	656,983	83,625	4.43%	237,447	70,842	-90,464	\$1.05
Union City	3,176,371	182,585	0	5.75%	8,100	-8,199	-85,694	\$0.77
Newark	4,116,675	102,745	0	2.50%	187,874	146,378	162,717	\$1.54
Fremont	12,307,413	542,694	12,480	4.51%	113,916	128,817	228,500	\$1.23
EAST BAY TOTAL	74,793,554	2,320,492	168,246	3.33%	658,273	261,278	316,680	\$1.18

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Sana Biotechnology	5567 Cushing Parkway (Bldg 2A)	Fremont	Direct Lease	163,193
Freewire Technologies	7200 Gateway Blvd (Bldg 3)	Newark	Direct Lease	66,239
Advanced Manufacturing Group	30180 Ahern Avenue (Bldg C)	Union City	Lease Renewal	64,745
Vector Labs	6701 Mowry Avenue	Newark	Direct Lease	41,798
Lyten	42650 Osgood Road	Fremont	Direct Lease	38,760

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
4211 Starboard Dr	Fremont	\$32,000,000	\$197	129,808
1960-1980 Mandela Pky	Oakland	\$29,816,789	\$149	200,000
30803 San Clemente	Hayward	\$14,500,000	\$227	64,137
2000-2014 Mandela Pky	Oakland	\$14,908,394	\$227	65,400
1190 Zephyr Ave	Hayward	\$9,750,000	\$200	48,552

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	0	65,995	3.09%	0	0	-30,995	\$2.40
Richmond	784,298	0	0	0.00%	0	0	0	\$0.00
Berkeley	355,292	0	65,995	0.00%	0	0	-30,995	\$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	2,186,273	466,055	9.84%	406,897	-164,888	-384,822	\$2.19
San Leandro	238,615	31,321	0	13.13%	-10,280	-10,821	2,079	\$1.25
Hayward	3,367,026	693,287	103,090	23.65%	16,989	-171,810	-384,595	\$2.66
Union City	517,128	11,600	0	2.24%	0	0	20,500	\$1.29
Newark	3,088,407	70,776	136,346	6.71%	135,530	101,949	-14,661	\$2.00
Fremont	19,751,872	1,379,289	226,619	8.13%	264,658	-84,206	-8,145	\$2.08
EAST BAY TOTAL	29,097,262	2,186,273	532,050	9.34%	406,897	-164,888	-415,817	\$2.19

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Personalis	6600 Dumbarton Circle	Fremont	Direct Lease	100,808
VELO3D	2710 Lakeview Court	Fremont	Direct Lease	81,394
Ardelyx	34175 Ardenwood Blvd	Fremont	Lease Renewal	72,500
Lucid Motors	7151 Gateway Boulevard	Newark	Sublease	71,065
Novo Nordisk	6300 Dumbarton Court	Fremont	Lease Renewal	44,000

Select Investment Sale Transactions				
Building(s)	Submarket	Sale Price	\$/SF	Square Feet
Kaiser Drive (4 Properties)	Fremont	\$140,000,000	\$453	309,387
Eden Landing Business Park (10 Properties)	Hayward	\$46,000,000	\$235	195,326
48603-48613 Warm Springs	Fremont	\$30,500,000	\$216	140,980
600-630 Bancroft Way	Berkeley	\$39,453,000	\$821	48,038
44036 S Grimmer	Fremont	\$8,342,152	\$214	38,880

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	1,539,715	14,000	6.09%	645,020	205,605	533,142	\$0.96
Richmond	6,215,660	417,769	0	6.72%	190,632	94,896	102,436	\$1.04
Berkeley	745,463	19,753	0	2.65%	0	0	-8,253	\$1.10
Emeryville	700,461	159,383	0	22.75%	0	0	-16,453	\$1.14
Oakland	17,840,817	942,810	14,000	5.36%	454,388	110,709	455,412	\$0.88
SOUTH	59,632,003	3,508,143	481,003	6.69%	794,781	105,056	486,511	\$0.98
San Leandro	12,618,847	1,368,863	0	10.85%	135,281	-49,065	-69,767	\$0.91
Hayward	21,999,838	1,541,702	169,671	7.78%	361,451	-53,117	-637,998	\$0.91
Union City	10,364,507	258,093	62,911	3.10%	226,665	238,480	452,915	\$1.01
Newark	4,179,812	221,728	0	5.30%	0	0	607,093	\$1.18
Fremont	10,468,999	117,757	248,421	3.50%	71,384	-31,242	134,268	\$0.98
EAST BAY TOTAL	85,134,404	5,047,858	495,003	6.51%	1,439,801	310,661	1,019,653	\$0.98

Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Amazon	5800 Coliseum Way	Oakland	Direct Lease	336,680
MSI	22300 Hathaway Ave	Hayward	Owner-User	152,950
Peking Handicraft Inc.	23119 Eichler Street (Bldg 11)	Hayward	Lease Renewal	148,415
Blommer Chocolate Company	33361-33377 Transit Ave	Union City	Lease Renewal	121,500
Marathon Packaging	1602 Whipple Road	Union City	Direct Lease	121,450
Shift Auto	2000 Maritime Street (Bldg 2)	Oakland	Direct Lease	116,370
Vicarious	28345 Industrial Blvd (Bldg 3)	Hayward	Direct Lease	59,208
Edges Electrical Group	1940 Fairway Drive	San Leandro	Lease Renewal	49,920

Select Investment Sale Transactions

Building(s)	Submarket	Sale Price	\$/SF	Square Feet
2002 Davis Street	San Leandro	\$13,700,000	\$170	80,900
30680 Huntwood Ave	Hayward	\$13,210,000	\$202	65,267

For more information:

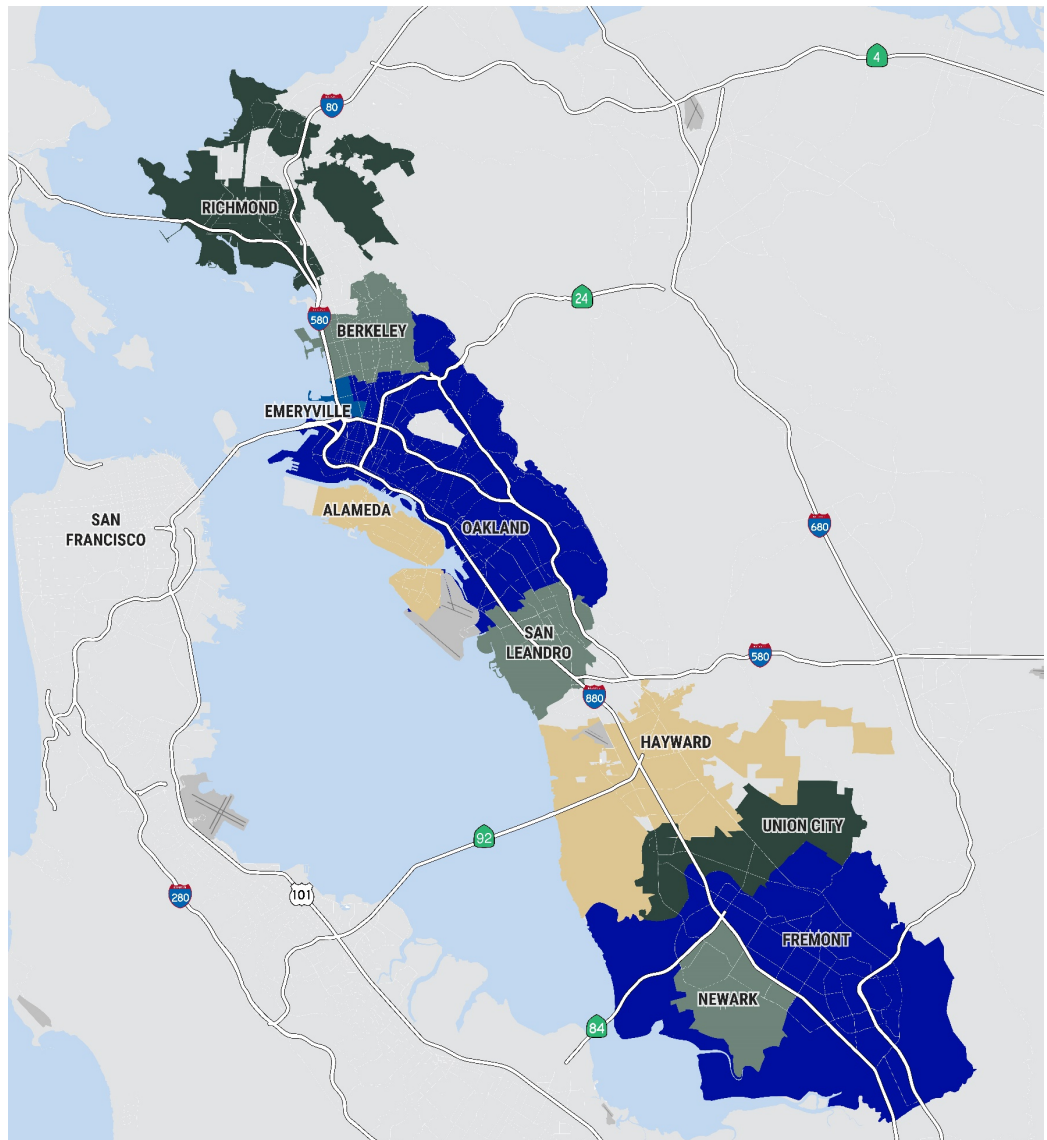
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