

# OAKLAND METROPOLITAN AREA INDUSTRIAL Q3 2018

Accelerating success.

## Industrial continues to surge forward

- > Stable Vacancy at 2.1%
- > Asking-Rates climb from \$0.87 - \$0.90 in Q3
- > Gross Absorption 1,132,970 Square Feet

### An energetic economy paired with a limited supply has led the I-80/I-880 Corridor industrial market to surge toward near historic levels this quarter.

The bustle of microeconomic activity within the I-80/I-880 Corridor business ecosphere is primarily driven by the continued growth of the e-commerce sector, and is supported by the local manufacturing and logistics industries that provide stock to e-retailers. Record low inventory vacancies across the submarkets are pushing asking rates higher, and have attracted development firms to deploy institutional level capital to take advantage of current market conditions.

The Nation's economy continues to signal strong economic numbers across all of the key indicators. The United States' Gross Domestic Product (GDP) hit 4.1 percent in Q2, which is forecasted to slide slightly due to a lack of pre-

### Market Indicators

United States  
Unemployment Rate



10-Year Nominal  
Interest Rate



Consumer  
Confidence



### Market Trends

Relative to prior period

Q3 2018

Q4 2018\*

Vacancy



Rental Rate



Net Absorption



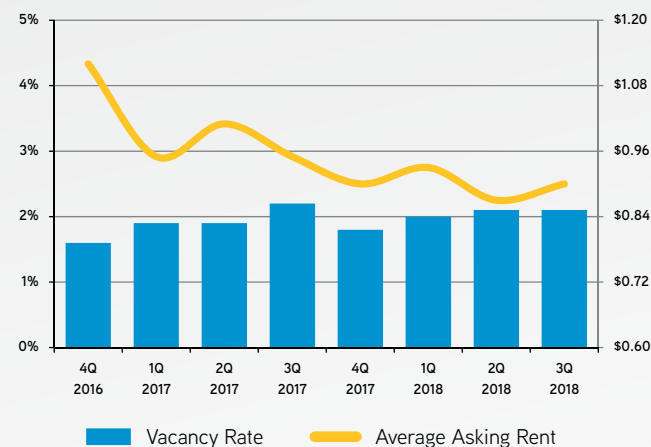
Construction



\*Projected

### Vacancy vs. Asking NNN Rental Rates

I-80/I-880 Corridor | Overall Industrial Market



Stable vacancy draws the asking prices up higher. Overall asking-rates increase from \$0.87 NNN in Q2 to \$0.90 NNN in Q3. While, overall vacancy rates remain level at 2.1% from Q2 to Q3.

### Summary Statistics

Q3 2018 I-80/I-880 Corridor Industrial Market

Previous  
Quarter

Current  
Quarter

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Overall Vacancy                 | 2.1%      | 2.1%      |
| Quarterly Net Absorption        | 516,561   | 43,325    |
| Construction Completed          | 926,371   | 0         |
| Under Construction              | 2,439,998 | 3,485,028 |
| Overall Asking Rents            | \$0.87    | \$0.90    |
| Overall Industrial Asking Rents | \$0.92    | \$0.92    |
| Overall Warehouse Asking Rents  | \$0.74    | \$0.79    |
| Overall R&D Flex Asking Rents   | \$1.36    | \$1.54    |

### U.S. National Economic Indicators

|                                |       |       |
|--------------------------------|-------|-------|
| Unemployment Rate              | 4.2%  | 3.7%  |
| Labor Force Participation Rate | 62.7% | 62.7% |
| Consumer Price Index           | 2.47% | 2.90% |
| Interest Rate - 10 Yr Treasury | 2.89% | 3.16% |
| Business Confidence            | 101.1 | 101.5 |
| Consumer Confidence            | 123.1 | 126.8 |

\* Data Source: EDD Labor Market Information Division

tariff orders on targeted products and commodities, which was expected. National unemployment numbers continue to strengthen, lowering for the fourth straight quarter, settling at 3.7 percent. The business confidence index inched higher, rising 0.4 basis points since the last quarter, reflecting the sentiment being heard by Moody's economists.

Locally, the I-80/I-880 Corridor economic activity remains robust, reporting historically positive numbers. Alameda County posted a decrease in their unemployment numbers, sliding from 3.2 percent to 3.1 percent; compounded by the 4,800 new jobs added in August alone. According to the latest Urban Land Institute report, venture capital (VC) funding has increased 12.0 percent over the previous quarter – totaling close to \$3.2 billion year-to-date.

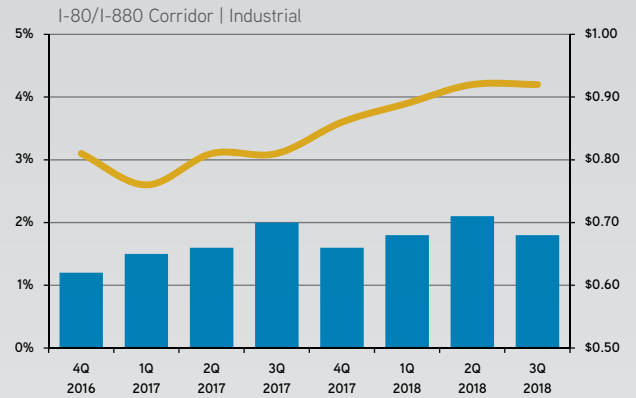
The industrial market continues to trend upward, reporting positive numbers across the vast majority of the I-80/I-880 Corridor submarkets; of which, 83 percent experienced an asking rate increase. Weighted averages in the total asking rates hiked from \$0.87 per square foot in the second quarter to \$0.90 per square foot in the third quarter. Specifically, Newark experienced the greatest total leap in asking rates; rising from \$0.95 triple-net (NNN) to \$1.69 NNN, directly due to a shift in weighted available space. However, a notable transaction of 305,028 square feet was leased to Lucid Motors at 7333 Gateway Boulevard with an effective rent of \$2.06. Of the top ten significant lease transactions, eight were direct and two were renewals.

The combined total vacancy rate across the I-880/I-80 Corridor remained unchanged at 2.1 percent this quarter, which is an accurate depiction of the broader submarket movements. The general trend was downward, as 66 percent of the submarkets experienced a decrease in vacancy. However, the trend was not strong enough to change the total overall vacancy, which portrays the stability of the I-880/I-80 industrial corridor. In the upcoming quarter, there will be a sizable delivery of inventory totaling 723,000 square feet which will ultimately move the vacancy in both San Leandro and Richmond markets, barring any additional pre-leasing.

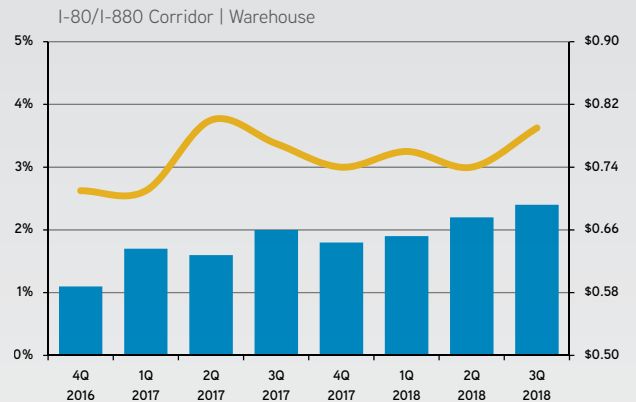
Gross absorption remained high, totaling 1,132,970 square feet, outpacing the preceding three quarters. Of the six total submarkets, three submarkets contributed 79 percent of the overall gross absorption; those markets being Newark, Union City and Hayward. The combined net absorption was relatively low, totaling 43,325 square feet, which is a positive indication of the realized growth of firms relocating within the markets.

Overall, the industrial market within the I-880/I-80 Corridor remains stable, reporting near record-low vacancy rates and high asking rates. This stability fuels investor demand from institutional level capital and development firms seeking to add supply to a demand-driven market.

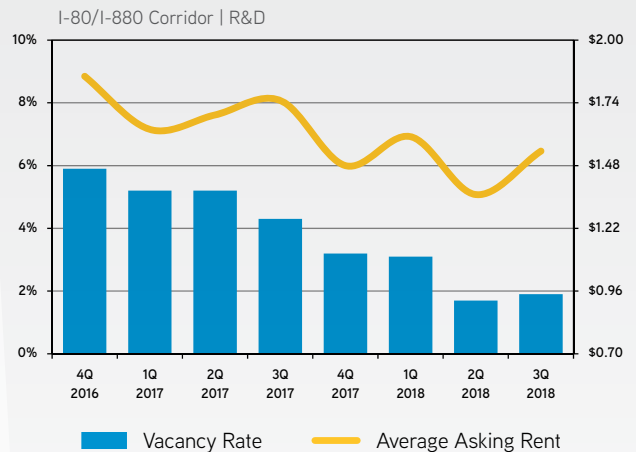
### Vacancy vs. Asking NNN Rental Rates



### Vacancy vs. Asking NNN Rental Rates



### Vacancy vs. Asking NNN Rental Rates



## Significant Lease Activity



## Significant Sale Activity

| PROPERTY ADDRESS                                       | SALE DATE | SIZE        | BUYER                      | TYPE       |
|--|-----------|-------------|----------------------------|------------|
| 880 Doolittle Drive and 498 Hester Street, San Leandro | Sep-2018  | 14.38 acres | Prologis                   | Investment |
| 2700-2800 Merced Street, San Leandro                   | Aug-2018  | 228,620     | Terreno Realty Corporation | Investment |
| 701 Whitney Street Building. B, San Leandro            | Sep-2018  | 128,073     | Terreno Realty Corporation | Investment |
| 725-34343 Zwissig Way, Union City                      | Aug-2018  | 102,000     | Healthy Pets, Inc          | Investment |
| 33401 Central Avenue, Union City                       | Jul-2018  | 94,976      | GJK Properties, LLC        | User       |

# Market Comparisons

## INDUSTRIAL MARKET

| SUBTYPE            | BLDGS        | TOTAL INVENTORY SF | DIRECT VACANT SF | DIRECT VACANCY RATE | SUBLEASE VACANT SF | SUBLEASE VACANCY RATE | TOTAL VACANT SF  | VACANCY RATE CURRENT QUARTER | VACANCY RATE PRIOR QUARTER | NET ABSORPTION CURRENT QTR SF | NET ABSORPTION YTD SF | COMPLETED CURRENT QTR SF | UNDER CONSTRUCTION SF | GROSS ABSORPTION CURRENT QTR | AVG ASKING NNN |
|--------------------|--------------|--------------------|------------------|---------------------|--------------------|-----------------------|------------------|------------------------------|----------------------------|-------------------------------|-----------------------|--------------------------|-----------------------|------------------------------|----------------|
| <b>RICHMOND</b>    |              |                    |                  |                     |                    |                       |                  |                              |                            |                               |                       |                          |                       |                              |                |
| Industrial         | 230          | 4,902,375          | 192,107          | 3.9%                | 12,500             | 0.3%                  | 204,607          | 4.2%                         | 3.8%                       | (16,885)                      | 20,281                | -                        | -                     | 80,755                       | \$0.66         |
| Warehouse          | 50           | 5,606,671          | 748,961          | 13.4%               | -                  | 0.0%                  | 748,961          | 13.4%                        | 13.8%                      | 26,450                        | -                     | -                        | 353,574               | -                            | \$0.72         |
| R&D/Flex           | 54           | 3,411,053          | 7,477            | 0.2%                | 42,896             | 1.3%                  | 50,373           | 1.5%                         | 1.4%                       | (1,150)                       | 6,343                 | -                        | -                     | -                            | \$1.04         |
| <b>Total</b>       | <b>334</b>   | <b>13,920,099</b>  | <b>948,545</b>   | <b>6.8%</b>         | <b>55,396</b>      | <b>0.4%</b>           | <b>1,003,941</b> | <b>7.2%</b>                  | <b>7.3%</b>                | <b>8,415</b>                  | <b>26,624</b>         | <b>-</b>                 | <b>353,574</b>        | <b>80,755</b>                | <b>\$0.72</b>  |
| <b>OAKLAND</b>     |              |                    |                  |                     |                    |                       |                  |                              |                            |                               |                       |                          |                       |                              |                |
| Industrial         | 873          | 22,664,359         | 314,364          | 1.4%                | 36,000             | 0.2%                  | 350,364          | 1.5%                         | 1.9%                       | 87,165                        | (46,308)              | -                        | 440,234               | 43,378                       | \$1.08         |
| Warehouse          | 166          | 11,246,965         | 65,568           | 0.6%                | 15,000             | 0.1%                  | 80,568           | 0.7%                         | 0.5%                       | (25,568)                      | 410,114               | -                        | 232,785               | 51,640                       | \$0.85         |
| R&D/Flex           | -            | -                  | -                | -                   | -                  | -                     | -                | -                            | -                          | -                             | -                     | -                        | -                     | -                            | -              |
| <b>Total</b>       | <b>1,039</b> | <b>33,911,324</b>  | <b>379,932</b>   | <b>1.1%</b>         | <b>51,000</b>      | <b>0.2%</b>           | <b>430,932</b>   | <b>1.3%</b>                  | <b>1.5%</b>                | <b>61,597</b>                 | <b>363,806</b>        | <b>-</b>                 | <b>673,019</b>        | <b>95,018</b>                | <b>\$1.03</b>  |
| <b>SAN LEANDRO</b> |              |                    |                  |                     |                    |                       |                  |                              |                            |                               |                       |                          |                       |                              |                |
| Industrial         | 476          | 11,902,478         | 118,548          | 1.0%                | 36,379             | 0.3%                  | 154,927          | 1.3%                         | 1.6%                       | 38,067                        | (39,737)              | -                        | -                     | 34,805                       | \$0.88         |
| Warehouse          | 134          | 14,780,091         | 139,781          | 0.9%                | -                  | 0.0%                  | 139,781          | 0.9%                         | 0.6%                       | (57,327)                      | 195,751               | -                        | 879,898               | 20,234                       | \$0.83         |
| R&D/Flex           | 53           | 847,380            | 12,054           | 1.4%                | 6,673              | 0.8%                  | 18,727           | 2.2%                         | 1.6%                       | (5,451)                       | (18,727)              | -                        | -                     | 6,603                        | \$1.30         |
| <b>Total</b>       | <b>663</b>   | <b>27,529,949</b>  | <b>270,383</b>   | <b>1.0%</b>         | <b>43,052</b>      | <b>0.2%</b>           | <b>313,435</b>   | <b>1.1%</b>                  | <b>1.0%</b>                | <b>(24,711)</b>               | <b>137,287</b>        | <b>-</b>                 | <b>879,898</b>        | <b>61,642</b>                | <b>\$0.89</b>  |
| <b>HAYWARD</b>     |              |                    |                  |                     |                    |                       |                  |                              |                            |                               |                       |                          |                       |                              |                |
| Industrial         | 794          | 16,949,654         | 373,287          | 2.2%                | 19,235             | 0.1%                  | 392,522          | 2.3%                         | 2.7%                       | 70,962                        | 289,654               | -                        | -                     | 165,822                      | \$0.91         |
| Warehouse          | 229          | 21,728,289         | 285,317          | 1.3%                | 38,214             | 0.2%                  | 323,531          | 1.5%                         | 1.4%                       | (12,813)                      | 4,492                 | -                        | 576,271               | 87,210                       | \$0.83         |
| R&D/Flex           | 109          | 4,502,794          | 113,282          | 2.5%                | 7,484              | 0.2%                  | 120,766          | 2.7%                         | 3.2%                       | 21,978                        | 165,204               | -                        | -                     | 39,830                       | \$1.44         |
| <b>Total</b>       | <b>1,132</b> | <b>43,180,737</b>  | <b>771,886</b>   | <b>1.8%</b>         | <b>64,933</b>      | <b>0.2%</b>           | <b>836,819</b>   | <b>1.9%</b>                  | <b>2.1%</b>                | <b>80,127</b>                 | <b>459,350</b>        | <b>-</b>                 | <b>576,271</b>        | <b>292,862</b>               | <b>\$0.96</b>  |
| <b>UNION CITY</b>  |              |                    |                  |                     |                    |                       |                  |                              |                            |                               |                       |                          |                       |                              |                |
| Industrial         | 168          | 7,883,678          | 95,880           | 1.2%                | 8,100              | 0.1%                  | 103,980          | 1.3%                         | 1.2%                       | (11,112)                      | 6,136                 | -                        | -                     | 46,255                       | \$0.89         |
| Warehouse          | 87           | 7,488,110          | 1,500            | 0.0%                | 219,971            | 2.9%                  | 221,471          | 3.0%                         | 1.5%                       | (108,560)                     | (202,571)             | -                        | -                     | 206,690                      | \$0.90         |
| R&D/Flex           | 14           | 870,672            | 10,222           | 1.2%                | -                  | 0.0%                  | 10,222           | 1.2%                         | 1.5%                       | 2,783                         | 2,783                 | -                        | -                     | 6,067                        | \$1.15         |
| <b>Total</b>       | <b>269</b>   | <b>16,242,460</b>  | <b>107,602</b>   | <b>0.7%</b>         | <b>228,071</b>     | <b>1.4%</b>           | <b>335,673</b>   | <b>2.1%</b>                  | <b>1.3%</b>                | <b>(116,889)</b>              | <b>(193,652)</b>      | <b>-</b>                 | <b>-</b>              | <b>259,012</b>               | <b>\$0.90</b>  |
| <b>NEWARK</b>      |              |                    |                  |                     |                    |                       |                  |                              |                            |                               |                       |                          |                       |                              |                |
| Industrial         | 88           | 4,262,847          | 31,930           | 0.7%                | 15,440             | 0.4%                  | 47,370           | 1.1%                         | 1.9%                       | 31,918                        | (13,719)              | -                        | 397,470               | 3,600                        | \$1.17         |
| Warehouse          | 32           | 3,923,778          | 20,000           | 0.5%                | -                  | 0.0%                  | 20,000           | 0.5%                         | 1.7%                       | 45,844                        | 39,494                | -                        | 604,796               | -                            | \$0.90         |
| R&D/Flex           | 39           | 3,082,263          | 4,217            | 0.1%                | 38,759             | 1.3%                  | 42,976           | 1.4%                         | 0.0%                       | (42,976)                      | 5,662                 | -                        | -                     | 340,081                      | \$2.63         |
| <b>Total</b>       | <b>159</b>   | <b>11,268,888</b>  | <b>56,147</b>    | <b>0.5%</b>         | <b>54,199</b>      | <b>0.5%</b>           | <b>110,346</b>   | <b>1.0%</b>                  | <b>1.3%</b>                | <b>34,786</b>                 | <b>31,437</b>         | <b>-</b>                 | <b>1,002,266</b>      | <b>343,681</b>               | <b>\$1.69</b>  |

## MARKET TOTAL

|              |              |                    |                  |             |                |             |                  |             |             |               |                |          |                  |                  |               |
|--------------|--------------|--------------------|------------------|-------------|----------------|-------------|------------------|-------------|-------------|---------------|----------------|----------|------------------|------------------|---------------|
| Industrial   | 2,629        | 68,565,391         | 1,126,116        | 1.6%        | 127,654        | 0.2%        | 1,253,770        | 1.8%        | 2.1%        | 200,115       | 216,307        | -        | 837,704          | 374,615          | \$0.92        |
| Warehouse    | 698          | 64,773,904         | 1,261,127        | 1.9%        | 273,185        | 0.4%        | 1,534,312        | 2.4%        | 2.2%        | (131,974)     | 447,280        | -        | 2,647,324        | 365,774          | \$0.79        |
| R&D/Flex     | 269          | 12,714,162         | 147,252          | 1.2%        | 95,812         | 0.8%        | 243,064          | 1.9%        | 1.7%        | (24,816)      | 161,265        | -        | -                | 392,581          | \$1.54        |
| <b>Total</b> | <b>3,596</b> | <b>146,053,457</b> | <b>2,534,495</b> | <b>1.7%</b> | <b>496,651</b> | <b>0.3%</b> | <b>3,031,146</b> | <b>2.1%</b> | <b>2.1%</b> | <b>43,325</b> | <b>824,852</b> | <b>-</b> | <b>3,485,028</b> | <b>1,132,970</b> | <b>\$0.90</b> |

## QUARTERLY COMPARISONS AND TOTALS

|       |       |             |           |      |         |      |           |      |      |           |           |         |           |           |        |
|-------|-------|-------------|-----------|------|---------|------|-----------|------|------|-----------|-----------|---------|-----------|-----------|--------|
| Q3-18 | 3,596 | 146,053,457 | 2,534,495 | 1.7% | 496,651 | 0.3% | 3,031,146 | 2.1% | 2.1% | 43,325    | 824,852   | -       | 3,485,028 | 1,132,970 | \$0.90 |
| Q2-18 | 3,596 | 146,053,457 | 2,659,341 | 1.8% | 415,130 | 0.3% | 3,074,471 | 2.1% | 1.9% | 516,561   | 781,527   | 926,371 | 3,044,794 | 1,090,948 | \$0.87 |
| Q1-18 | 3,594 | 145,127,086 | 2,233,978 | 1.5% | 556,113 | 0.4% | 2,790,091 | 1.9% | 1.8% | 139,536   | 139,536   | 274,724 | 2,795,950 | 812,511   | \$0.92 |
| Q4-17 | 3,591 | 144,852,362 | 2,277,114 | 1.6% | 377,789 | 0.3% | 2,654,903 | 1.8% | 2.2% | 845,113   | 1,040,758 | 256,136 | 2,004,816 | 1,392,485 | \$0.90 |
| Q3-17 | 3,583 | 144,596,226 | 2,790,603 | 1.9% | 453,277 | 0.3% | 3,243,880 | 2.2% | 1.9% | (113,997) | 195,645   | 333,365 | 1,912,682 | 1,064,811 | \$0.95 |

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