

2Q25

East Bay Industrial Market Overview

NEWMARK

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Market Observations

Economy

- The East Bay’s unemployment decreased by 30 basis points in the second quarter and currently stands at 4.2%. This is now equivalent to the national average.
- The U.S. Economy is experiencing significant uncertainty amidst the president’s recent tariff policies and interest rate decisions, which we will continue keep an eye on throughout the second half of 2025.
- Port of Oakland volume is down approximately 6% year-over-year, which continues to suppress demand from third-party logistics (3PL) and warehouse users in North Alameda.

Major Transactions

- The largest direct lease transaction of the quarter was a 157,783 SF of space signed by Mitac Industrial at 40901 Encyclopedia Circle in Fremont. The building was completed in February by Ares Industrial REIT.
- The largest lease renewal was signed by Sanmina Corporation for 253,400 square feet also in Fremont.
- 727 Kennedy Street sold for \$16.4 million, or \$70/sf.
- 4900 Hannover Place (6 property portfolio) sold for \$43 million, or \$260/sf.

Leasing Market Fundamentals

- The industrial market experienced a continued decrease in demand resulting in negative net absorption of 1,389,097 in the second quarter of 2025 mainly due to 549,247 square feet of space in Fremont coming back to the market.
- Vacancy rates increased 70 basis points to 8.3% in the second quarter of 2025. The majority of the vacancy was in warehouse/distribution buildings. Overall availability rates increased 80 basis points to 10.6%.
- While published asking rates have remained relatively stable, actual deal terms have shown noticeable softening—particularly for transactions involving Class B buildings.

Outlook

- Concessions, including significant rent abatements, continue to rise as landlords work to preserve face rents and maintain contractual leasing optics.
- A clear divergence is emerging between Class A and Class B industrial space, with Class A continuing to outperform due to tenant preferences for newer facilities with higher power capacity and modern infrastructure. Demand remains significantly stronger in the South 880 corridor driven by the continued growth of advanced manufacturing and proximity to Silicon Valley.
- This divergence suggests that leasing fundamentals will remain soft for Class B buildings, with effective rents likely to stay depressed through the remainder of 2025 and into the first half of 2026.
- In an effort to backfill space before quarter-end, some institutional owners are signing leases well below market, revealing a lower-than-expected effective rental floor.

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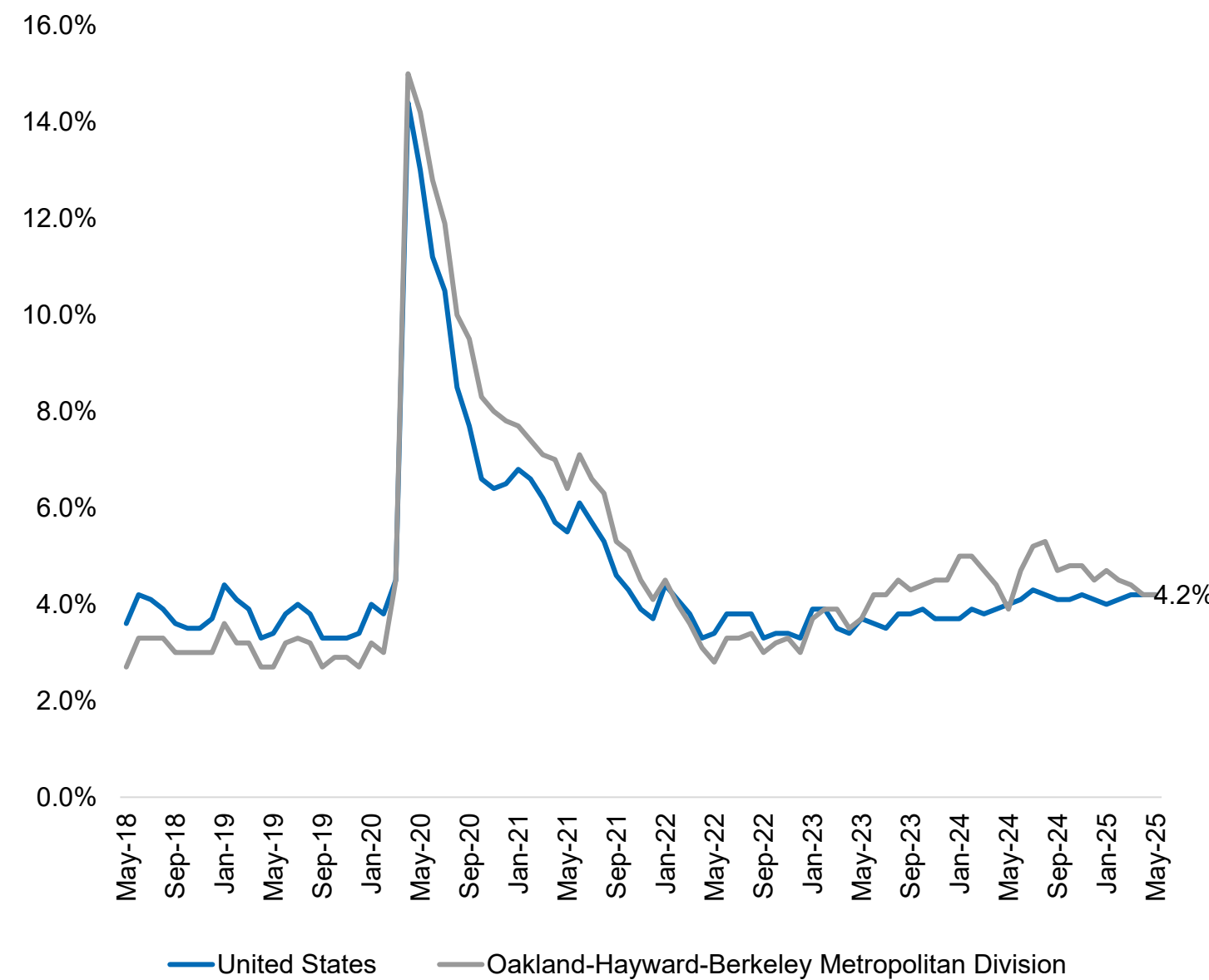
Economy



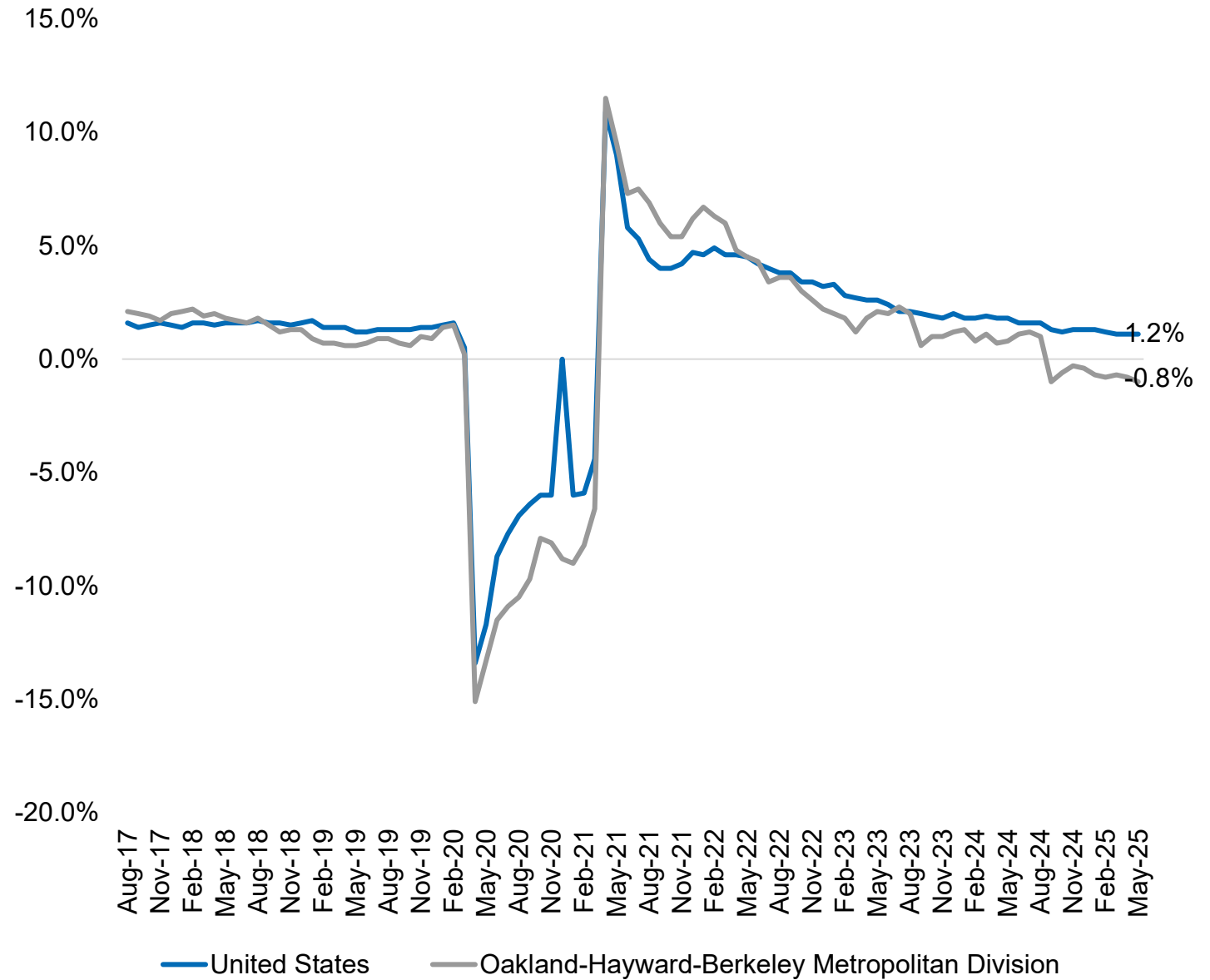
Metro Employment Trends Signaled a Slight Comeback

The May unemployment rate for the East Bay Area was 50 basis points lower than it was at the beginning of 2025, and at 4.2% was equivalent to the national unemployment rate. Unemployment rates remained above pre-pandemic levels.

Unemployment Rate, Non-Seasonally Adjusted



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

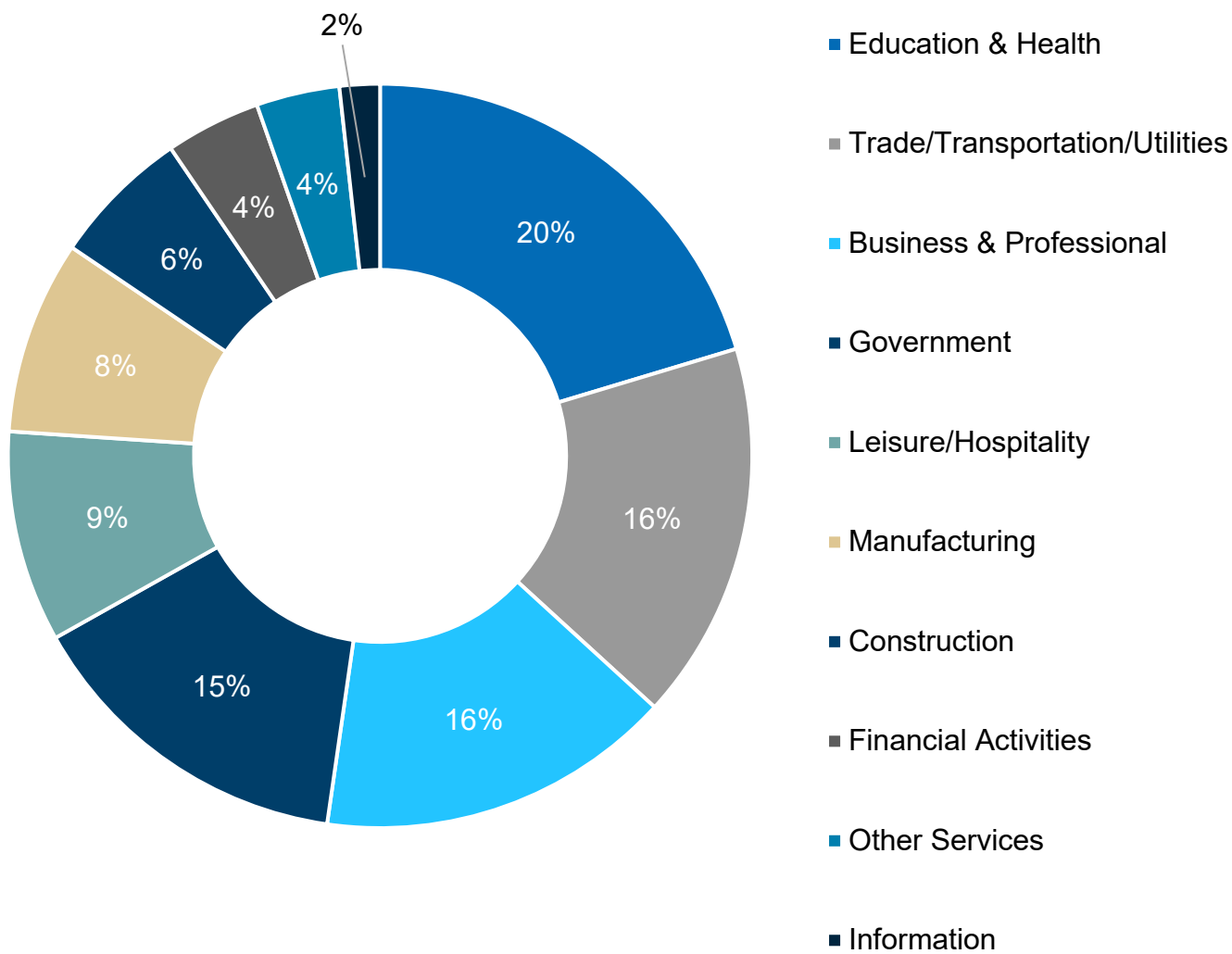


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

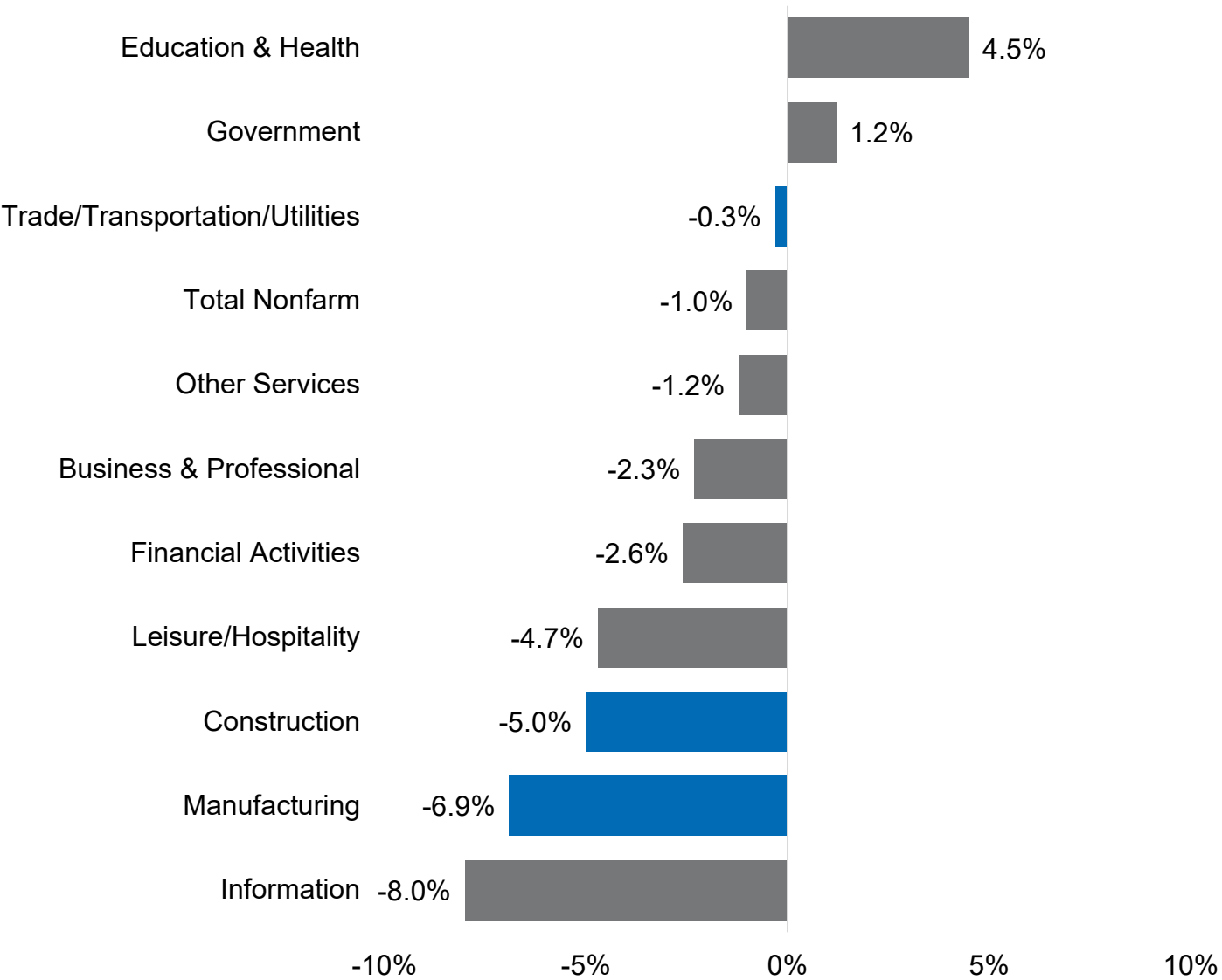
Industrial Using Employment Down

Manufacturing experienced the largest loss in growth for industrial using sectors year-over-over, while construction also experienced large negative growth. The Trade/Transportation/Utilities sector decreased only slightly year-over-year.

Employment by Industry, May 2025



Employment Growth by Industry, 12-Month % Change, May 2025

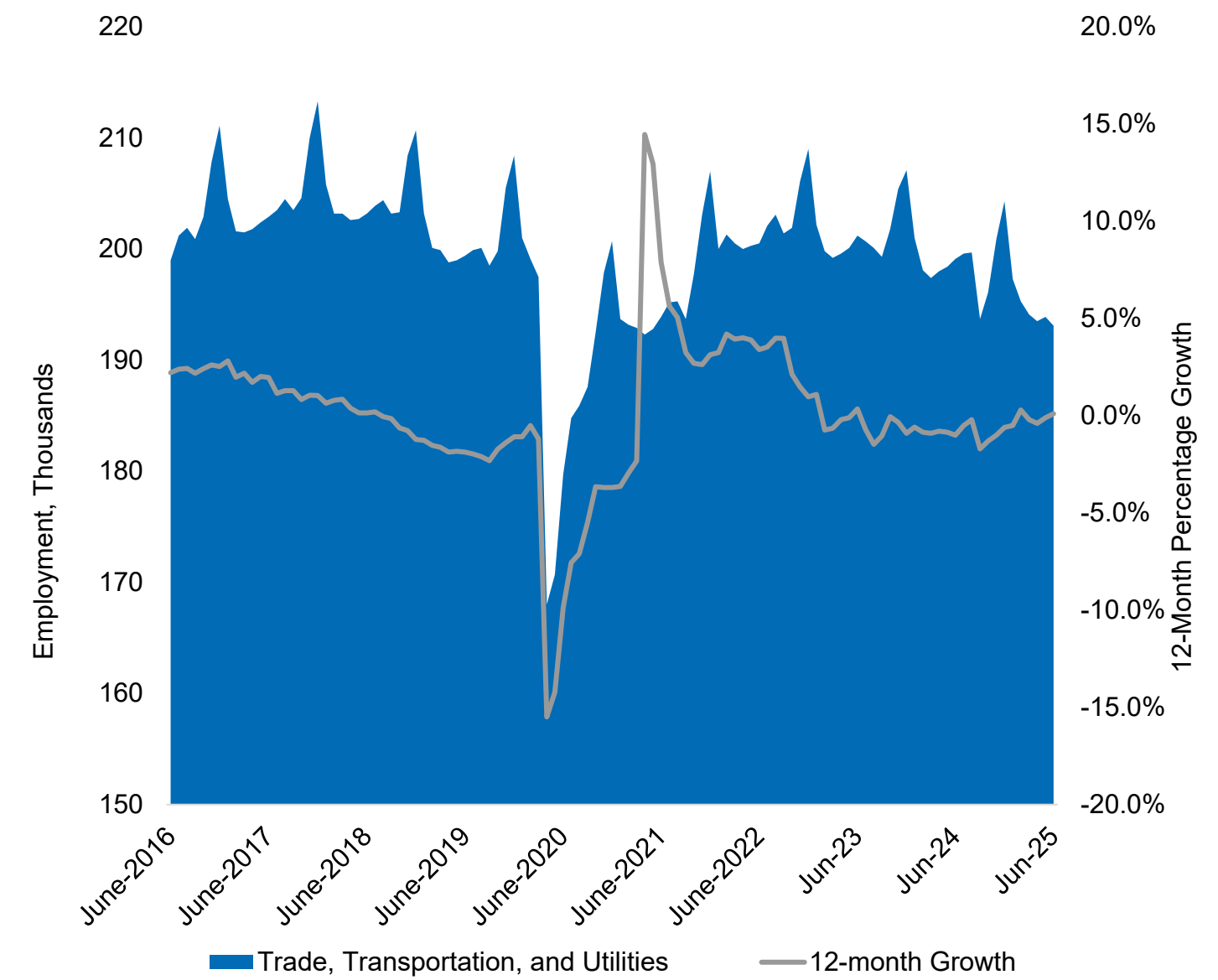


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

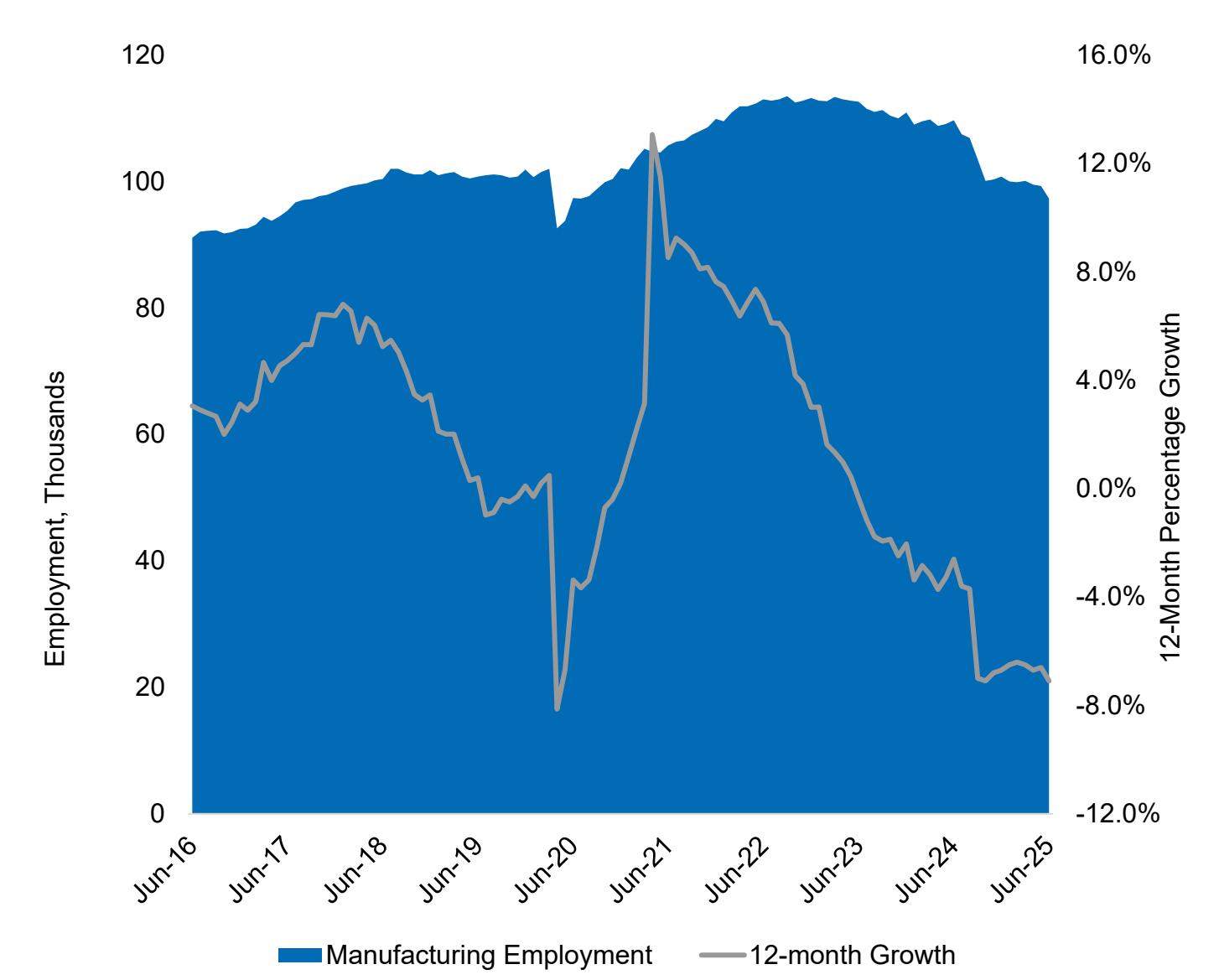
Industrial Employment Strong but Not Immune to Softening Conditions

Since the pandemic spike, Trade/Transportation/Utilities and Manufacturing year-over-year growth has come back down close to pre pandemic levels. Trade/transportation/utilities finished the year with slightly positive year-over-year growth. Manufacturing has had negative year-over-year growth since July of 2023.

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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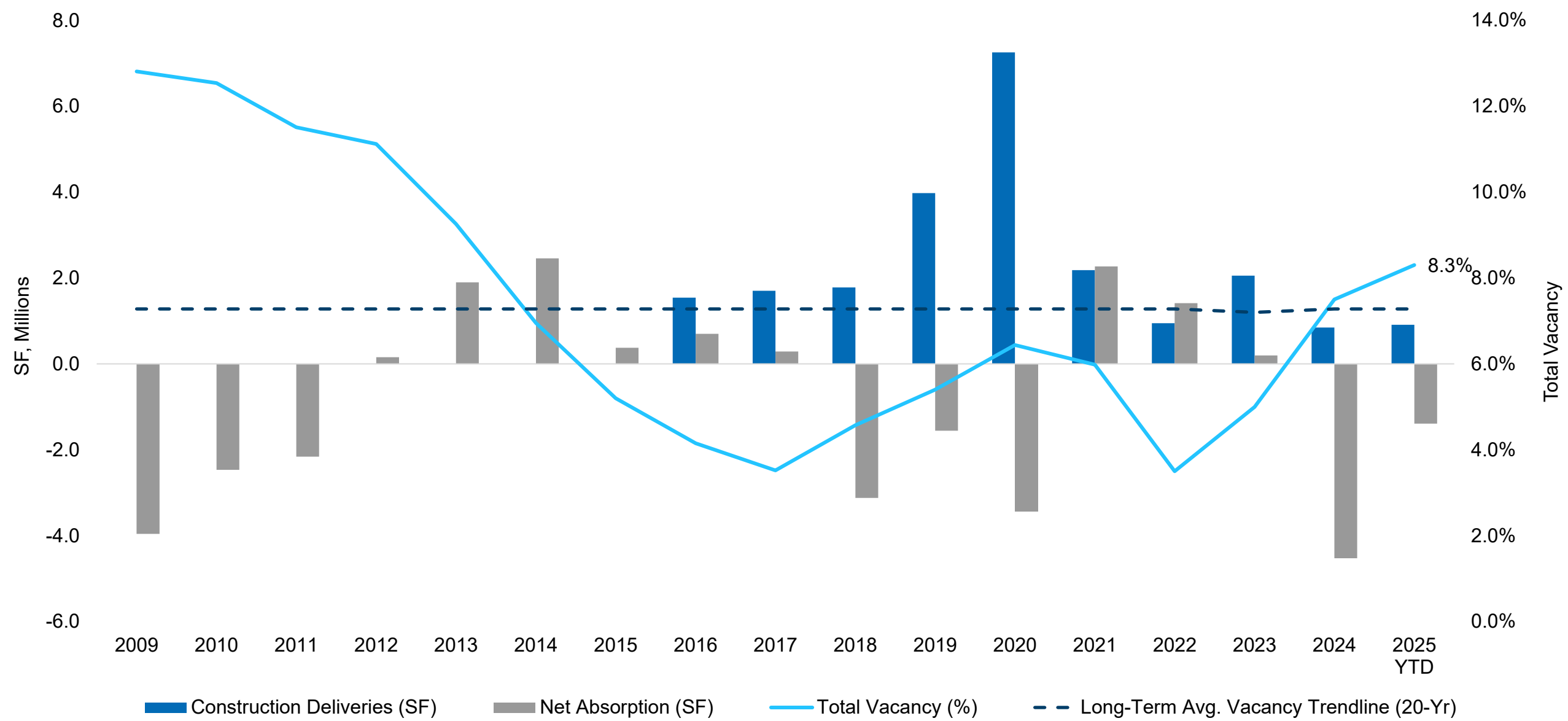
Leasing Market Fundamentals



Vacancy Remained Up Year Over Year

East Bay vacancy rates increased by 70 basis points in the second quarter of 2025. Although 80,000 square feet of new construction was underway at the end of the quarter, no new projects were delivered during the period.

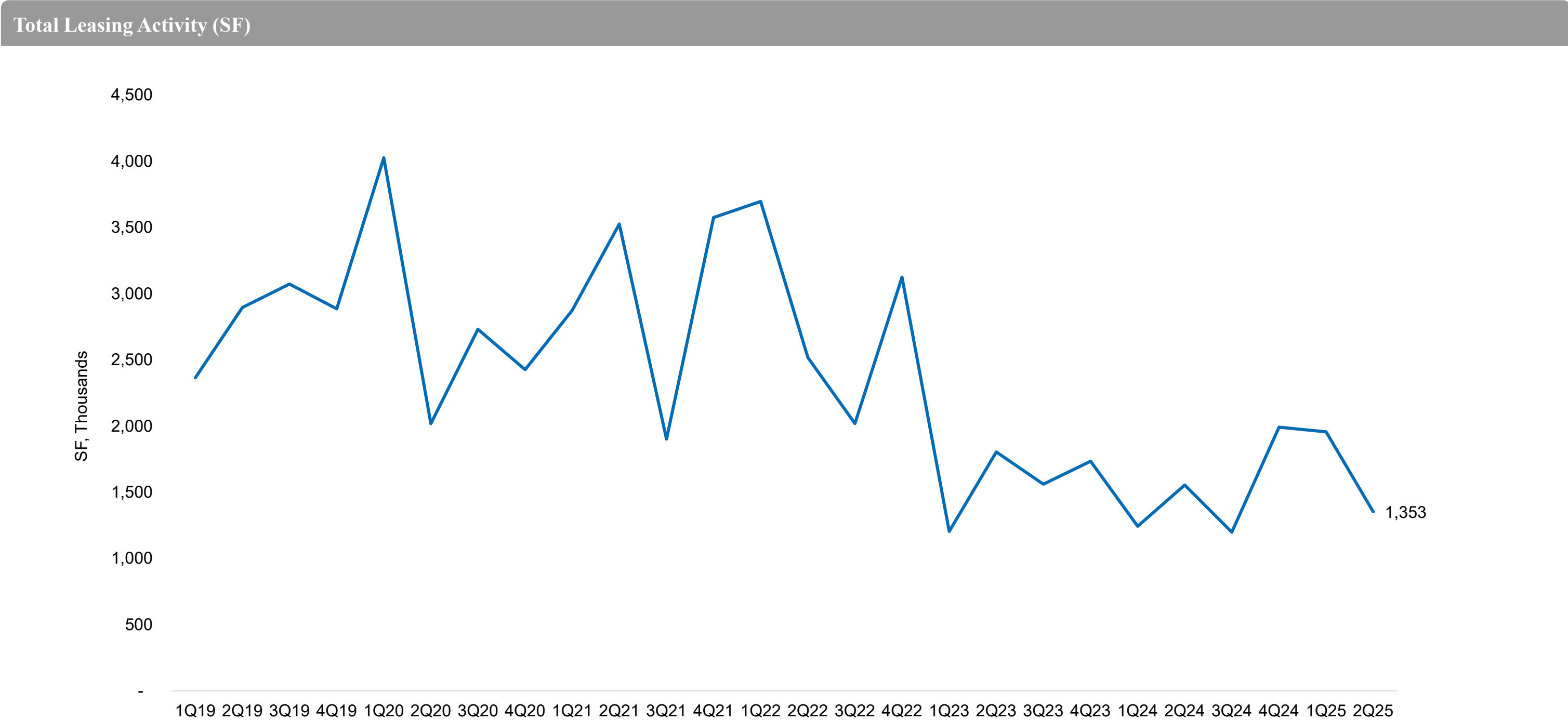
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Decreased

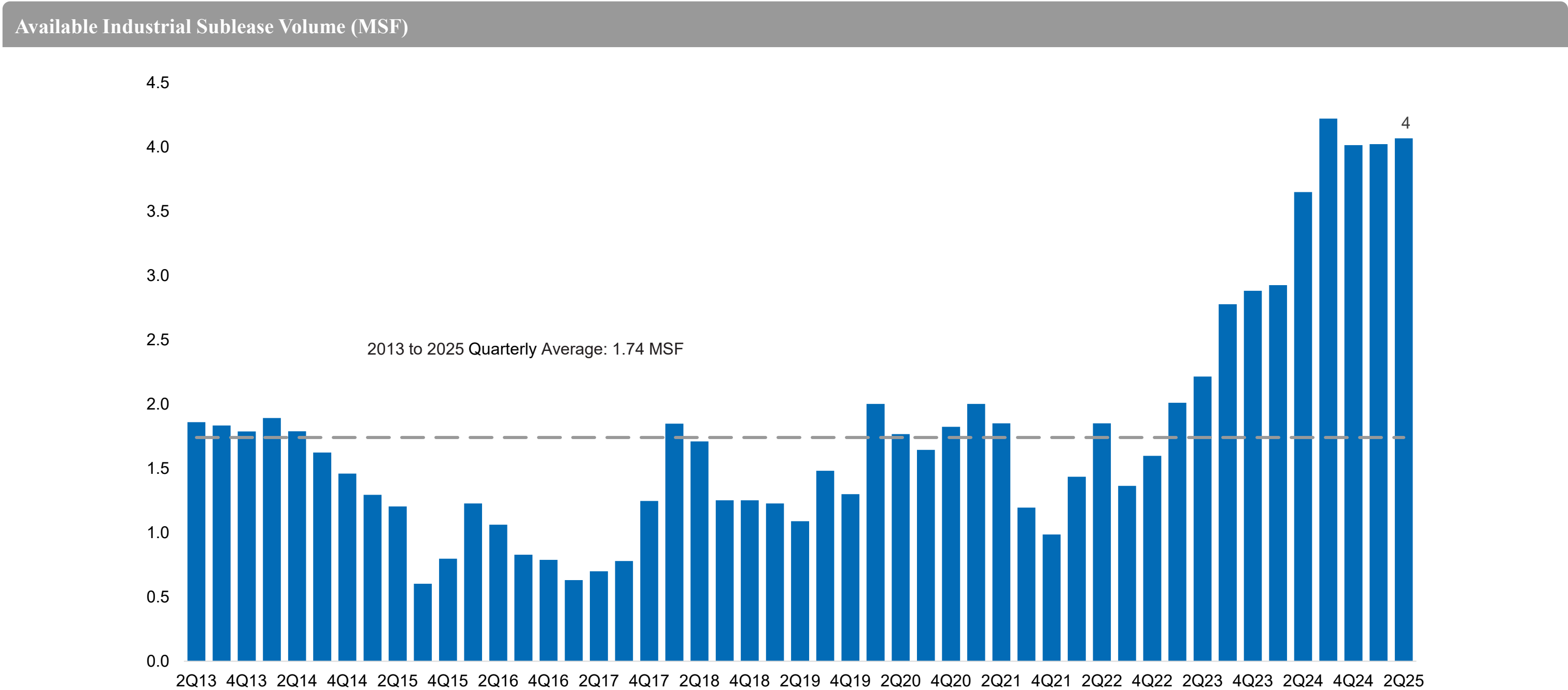
In the second quarter of 2025, overall leasing activity declined by nearly 600,000 square feet compared to the previous quarter. Oakland and Fremont accounted for the majority of the activity, together representing approximately 72% of the total square footage leased during the period.



Source: Newmark Research, CoStar

Industrial Sublease Availability Remained Steady

In the East Bay, sublease availability rose slightly to 4.1 million square feet in the second quarter of 2025. Notably, 51% of this total is concentrated in 14 large blocks, each exceeding 100,000 square feet. Two significant sublease transactions occurred in the greater Oakland market during the quarter: 83,000 square feet at 955 Kennedy Street and 64,000 square feet at 3500 Gateway Boulevard.

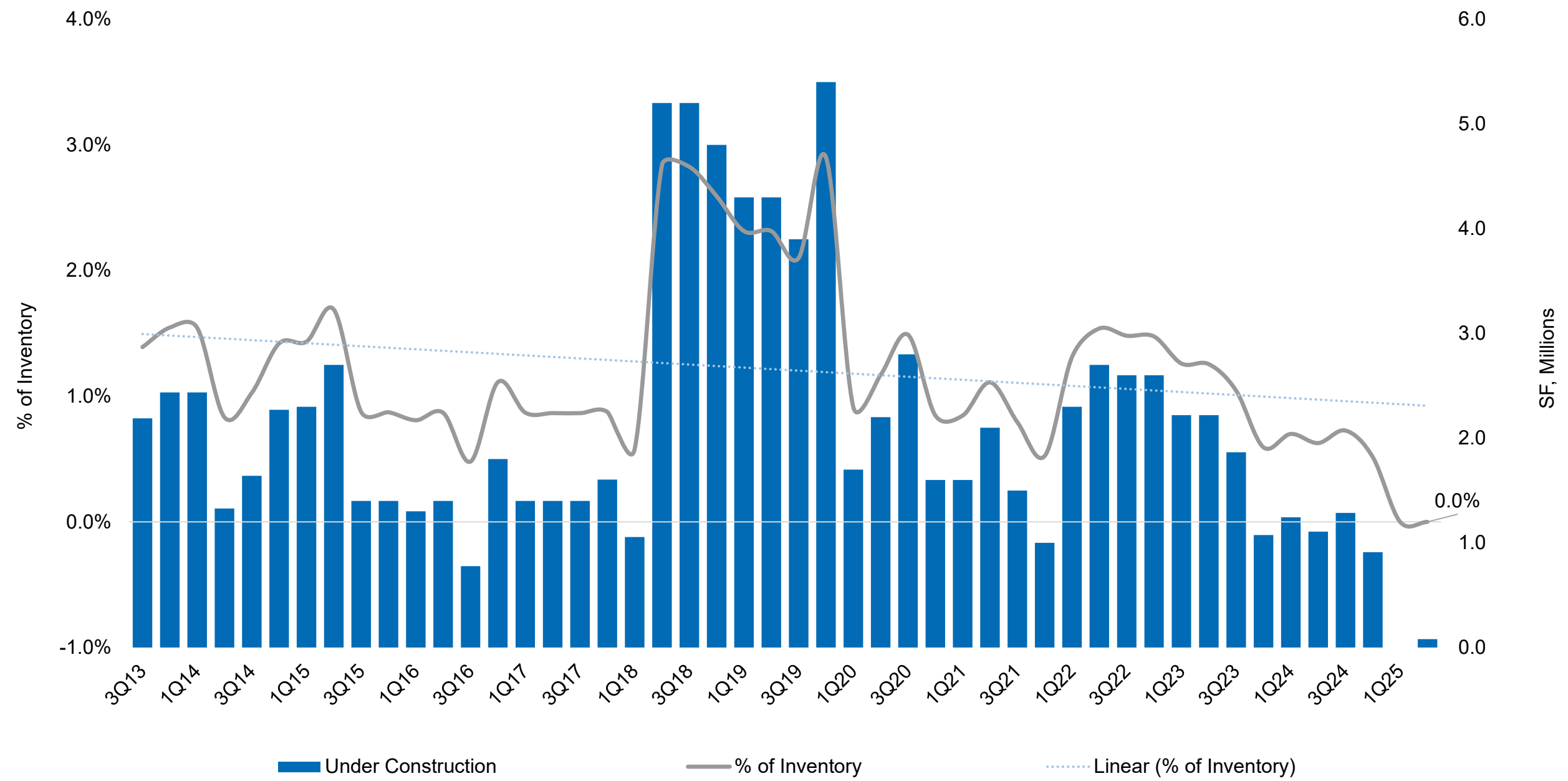


Source: Newmark Research, CoStar

Industrial Supply Pipeline

The Oakland industrial market construction pipeline dropped off in in recent years given the weakness in market fundamentals as well as the lending environment. There is currently just 80k square feet of new construction underway.

Industrial Under Construction and % of Inventory

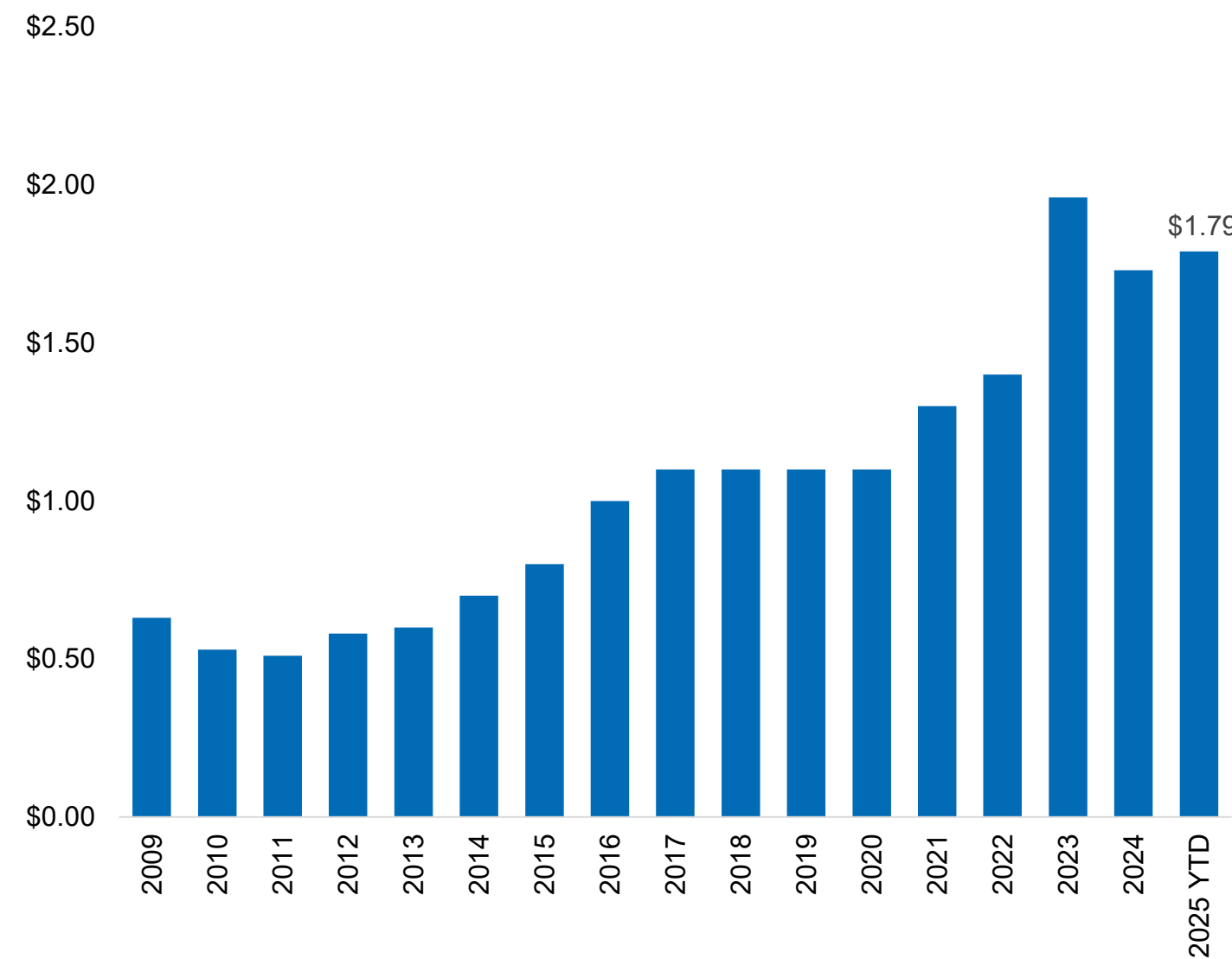


Source: Newmark Research, CoStar

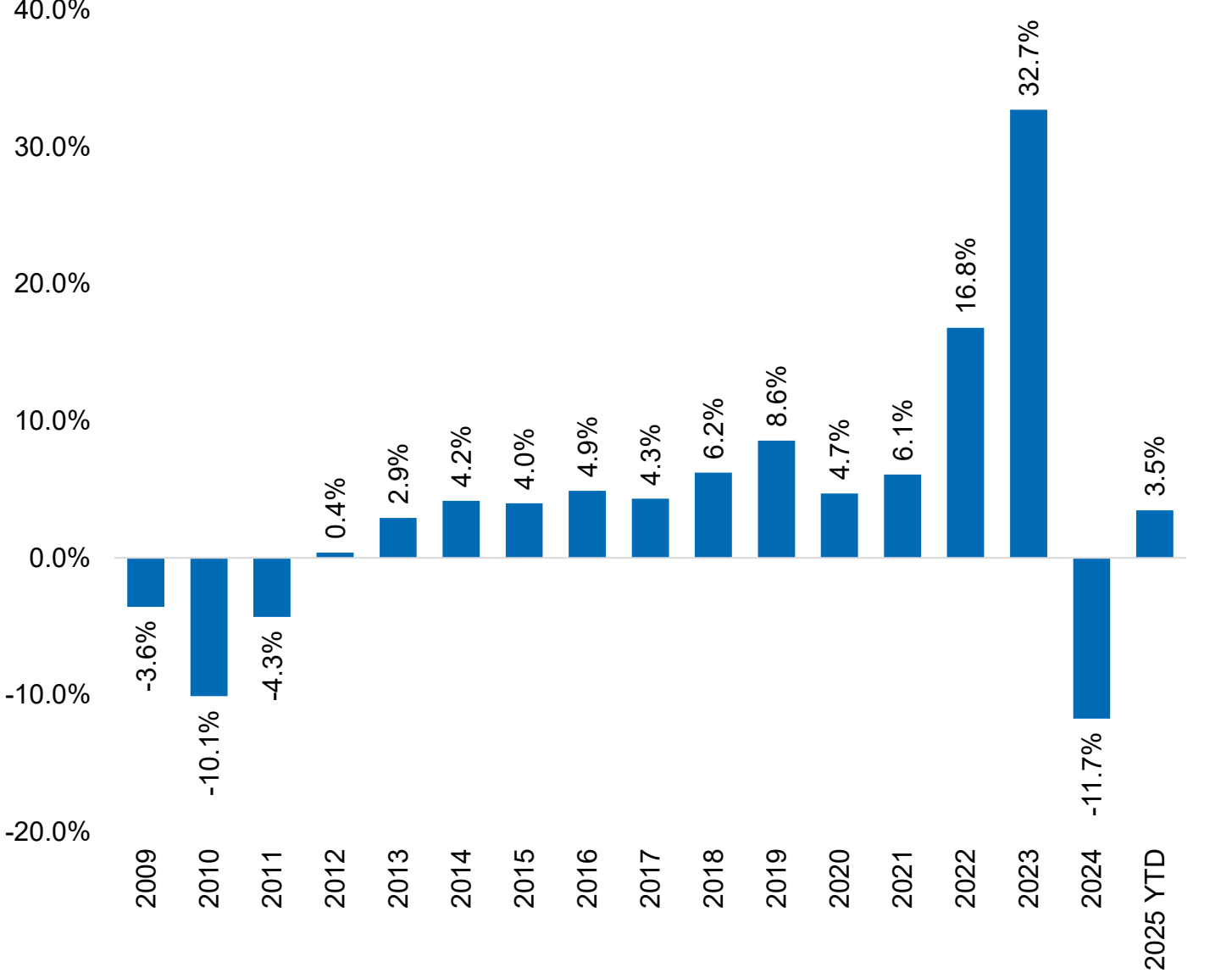
Industrial Asking Rent Growth Stabilized

Industrial average asking rents held steady during the second quarter of 2025. However, we anticipate upward pressure on rents in the second half of the year, driven by stronger tenant engagement and an uptick in leasing activity.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Appendix



Notable 2Q25 Lease Transactions

There were a handful of lease transactions 150,000 SF and higher in the second quarter of 2025. Leasing continued to remain slow in certain areas of the Greater Oakland Market but these large deals provide signs to be optimistic about the future. The majority of large deals this quarter came from renewals in Fremont.

Select Lease Transactions					
Tenant	Building	Submarket	Type	Product Type	Square Feet
Sanmina Corporation	42701 Christy Street	Fremont – Auto Mall North	Lease Renewal	Warehouse/Distribution	253,400
Forward Air	33300 Dowe Avenue	Union City – East	Lease Renewal	Warehouse/Distribution	191,668
Quanta Computer	45101 Industrial Drive	Fremont – Mission North	Lease Renewal	Warehouse/Distribution	178,911
Mitac	40901 Encyclopedia	Fremont – Auto Mall North	Direct Lease	Warehouse/Distribution	157,783
Service West	8380 Pardee Drive	Oakland – West	Direct Lease	Warehouse/Distribution	155,000
Quanta Computer	45550 Northport loop	Fremont – Bayside	Lease Renewal	R&D Flex	119,702
Quanta Computer	45225 Northport Court	Fremont – Bayside	Lease Renewal	R&D Flex	117,610

Source: Newmark Research



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