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3Q24

# East Bay Industrial Market Overview

**NEWMARK**

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# Market Observations

## Economy

- In the East Bay, unemployment rose 140 basis points to 5.3%, which is now 110 basis points higher than the national average.
- For industrial using employment sectors, construction experienced year-over-year growth, while trade and transportation services and manufacturing employment decreased.

## Major Transactions

- KKR made the largest acquisition of the quarter, the 209,916 square foot building at 47020 Kato Road in Fremont.
- The largest lease transaction of the quarter was a 127,452 SF direct lease signed by Quanta at 6600 Stevenson Blvd in Fremont.
- The largest lease renewal was signed by Underwriter Labs which included three buildings for 138,887 square feet in Fremont.

## Leasing Market Fundamentals

- The market experienced negative net absorption of 1.5M square feet in the third quarter of 2024, amounting to negative 4.3M square feet YTD-2024. The two largest spaces that came to market were from 33300 Dowe Avenue (192K square feet) and 3129 Corporate Place (333K square feet).
- Vacancy rates increased by 100 basis points to 7.5%, largely driven by warehouse and distribution buildings coming to the market. All 3 product types saw an increase in vacancy rates in the third quarter.
- Overall availability rates increased 110 basis points to 9.4% with 2.4% being sublease space.
- East Bay tenants shed even more space in the third quarter, with 4 sublease spaces and 4 direct spaces coming to the market over 100,000 SF.

## Outlook

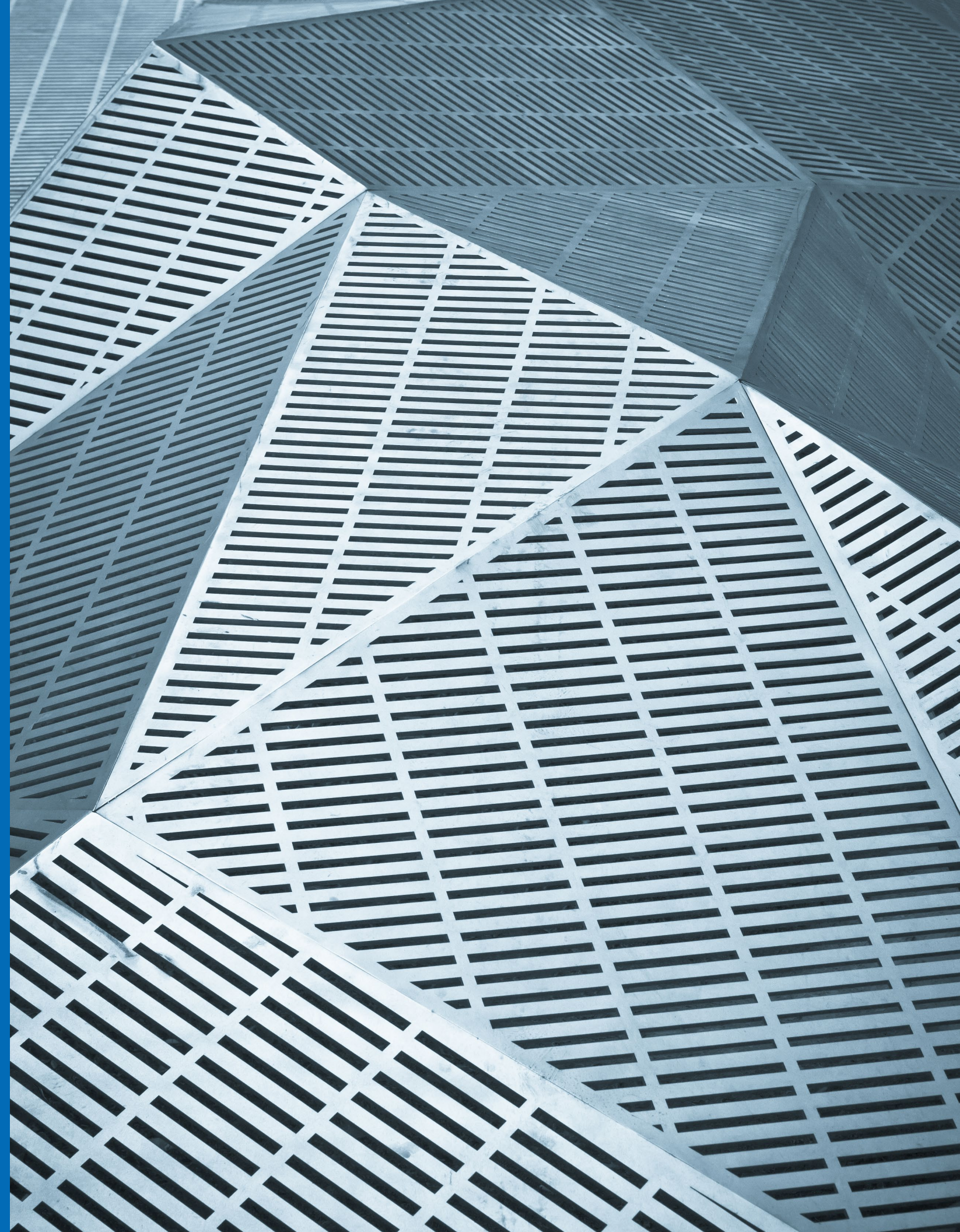
- The market saw an increase in overall market leasing activity due to a reset of owners rent expectations and a desire to spur activity.
- Heading into the fourth quarter, we expect more owners will aggressively pursue deals with below market offerings before year-end.
- Lowering interest rates has increased owner/user curiosity.
- Sales activity decreased, with sales transactions in the East Bay totaling just under 700K square feet in the third quarter of 2024.



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# Economy

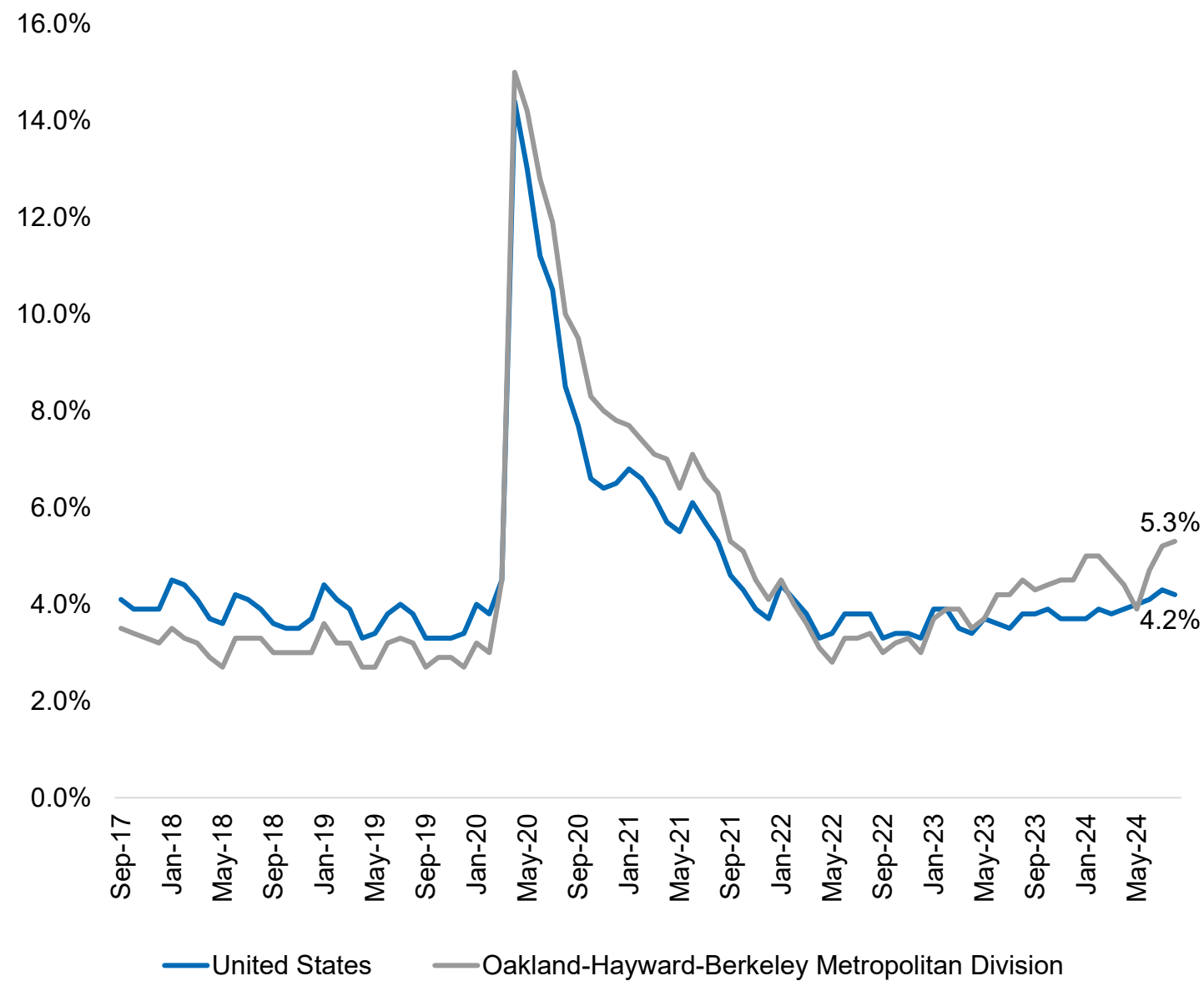




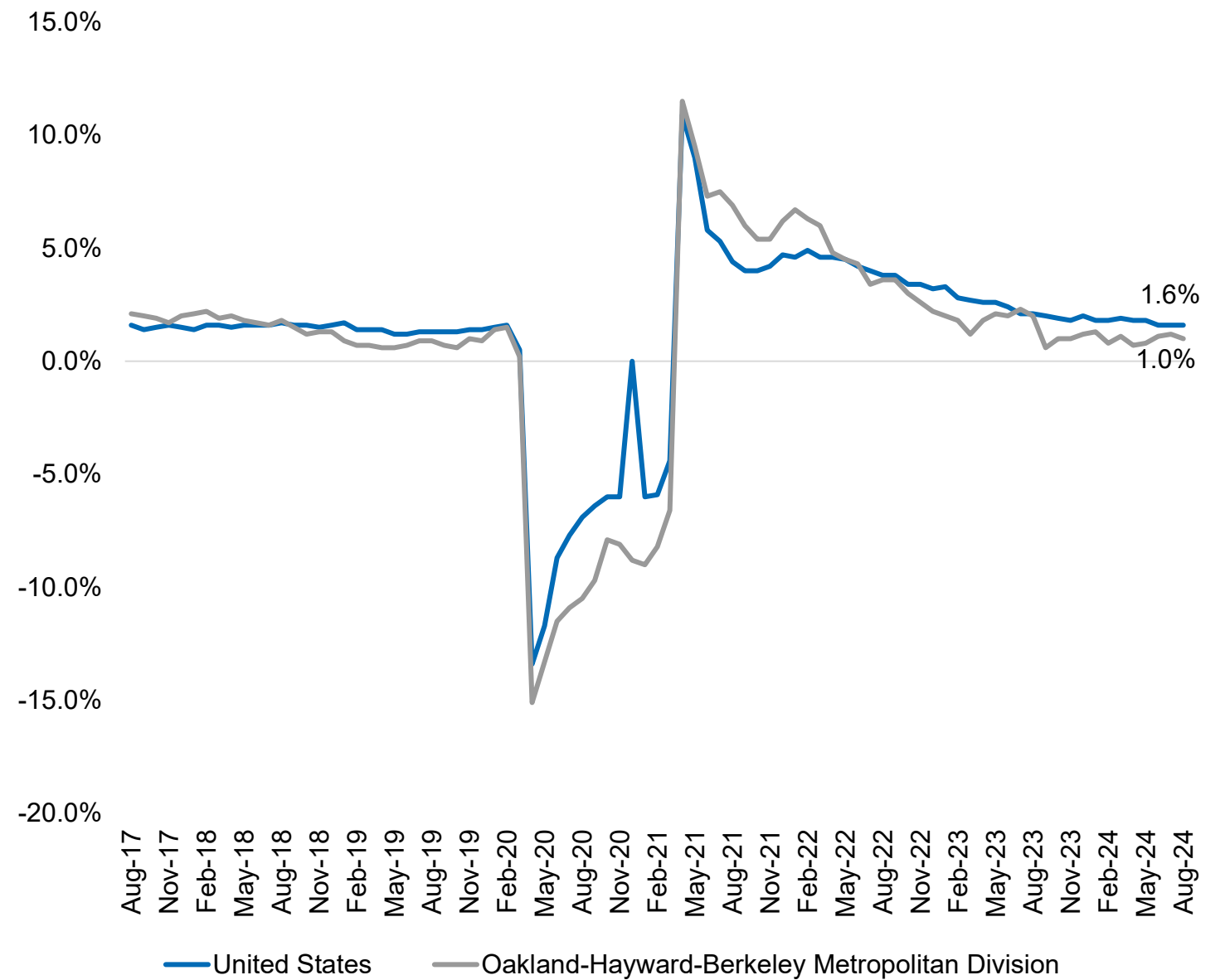
# Metro Employment Trends Signal A Slight Comeback

The current unemployment rate for the East Bay Area is 30 basis points higher than it was at the beginning of 2024, and at 5.3% is 110 basis points higher than the national average. Unemployment rates remain above pre-pandemic levels.

Unemployment Rate, Non-Seasonally Adjusted



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

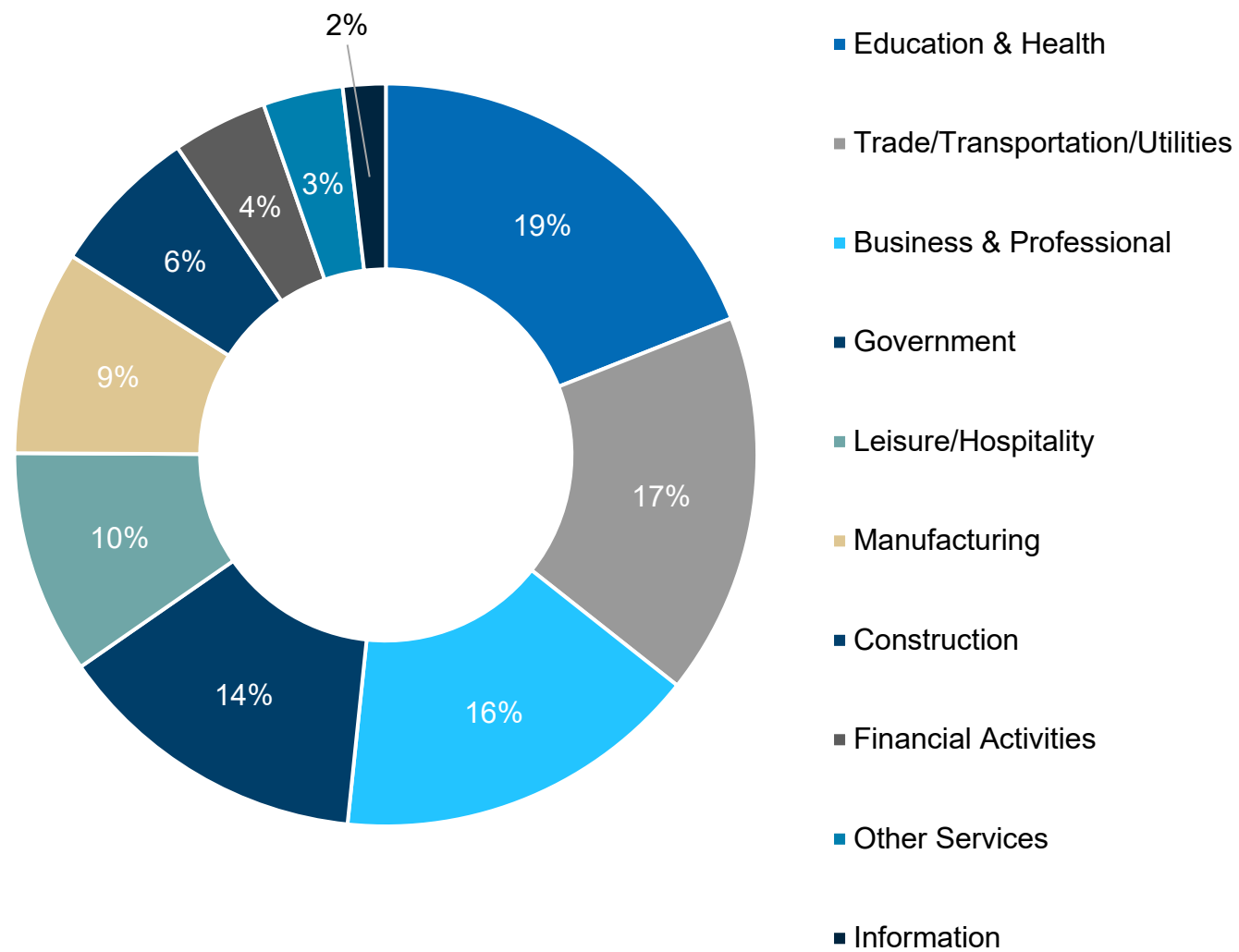


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

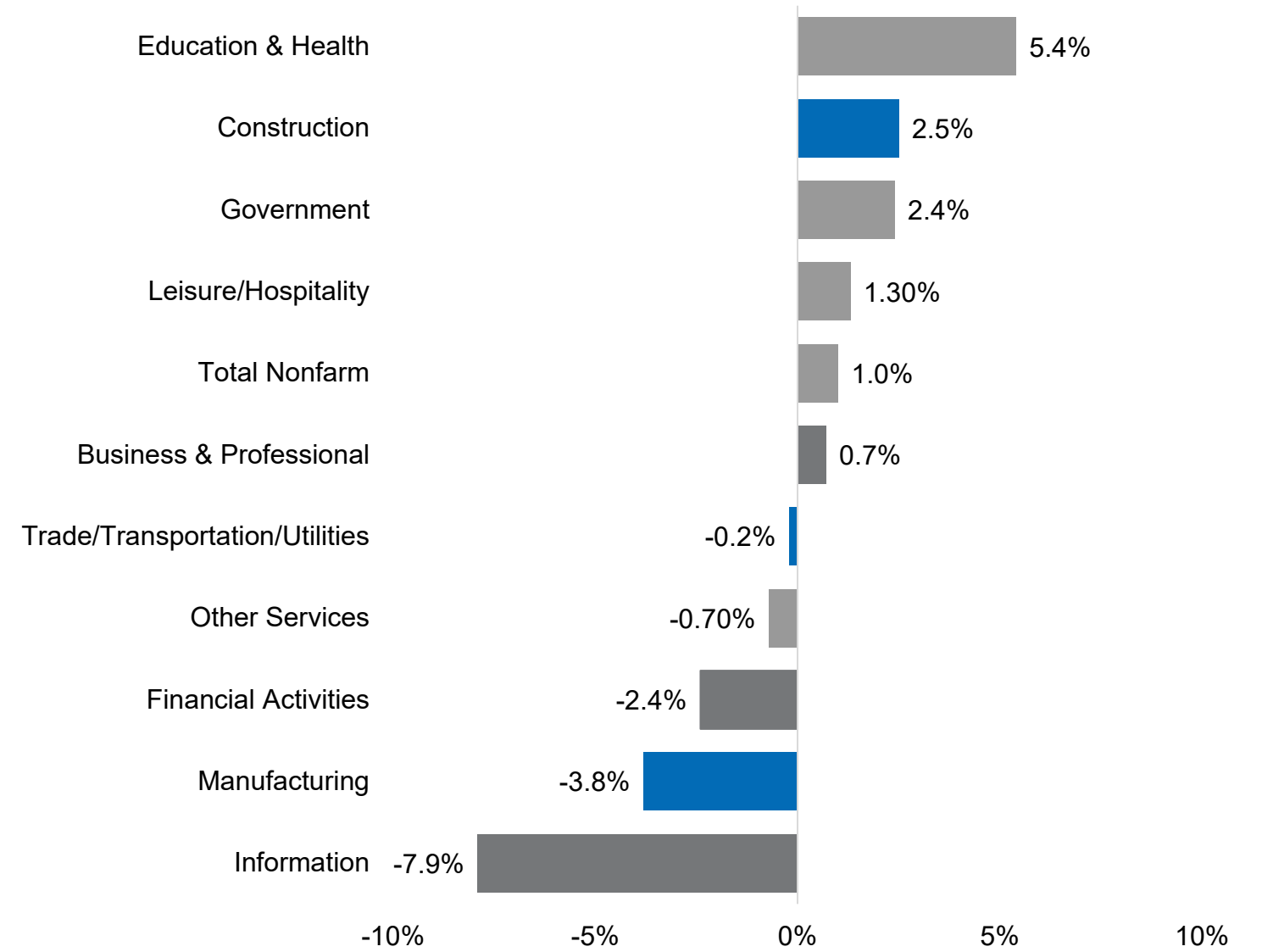
# Industrial Employment Down

Manufacturing experienced the largest loss in growth for industrial using sectors year-over-year, while construction experienced positive 2.5% growth.

Employment by Industry, August 2024



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

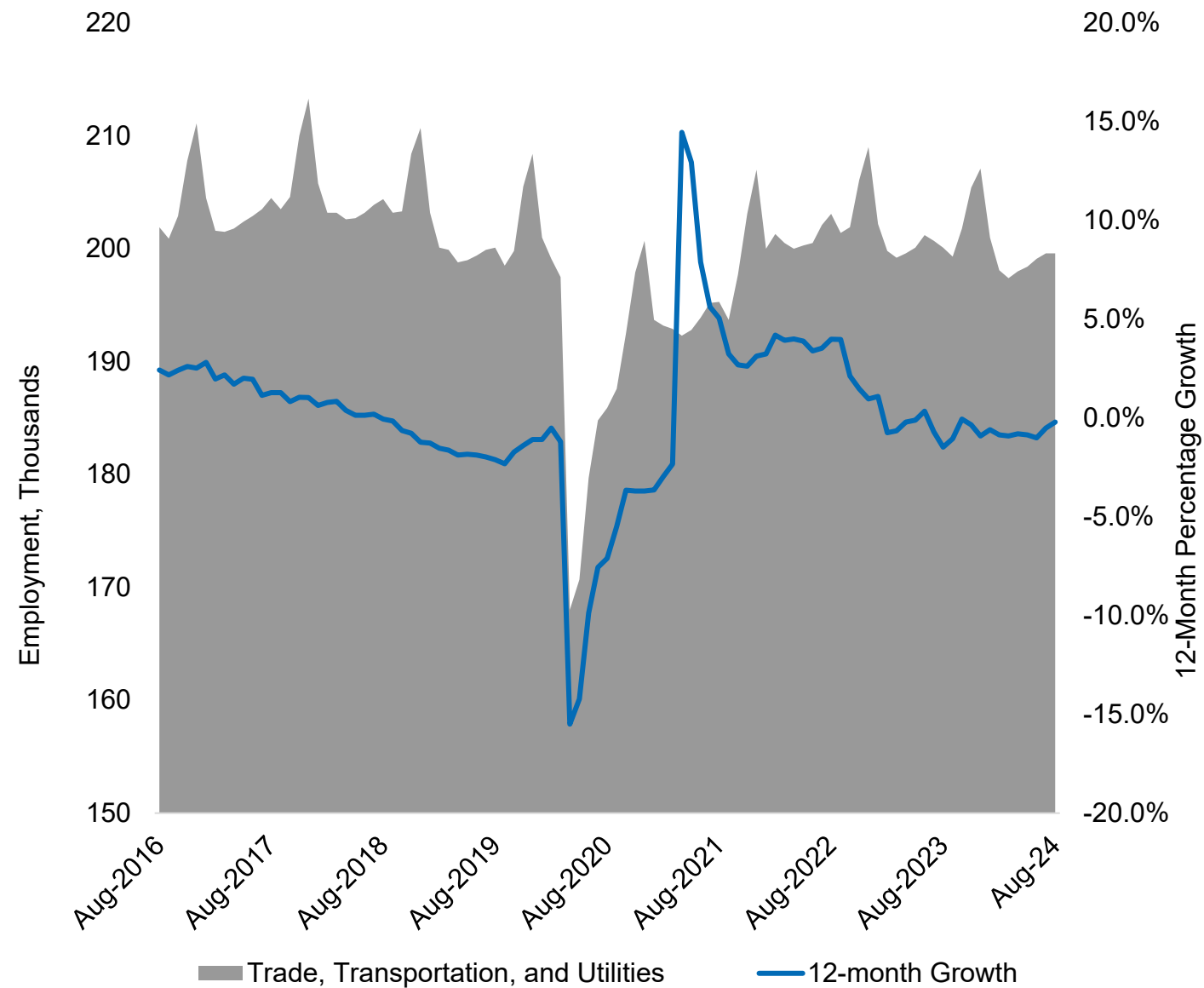


Source: U.S. Bureau of Labor Statistics, Oakland-Hayward-Berkeley Metropolitan Division (comprised of Alameda and Contra Costa Counties)

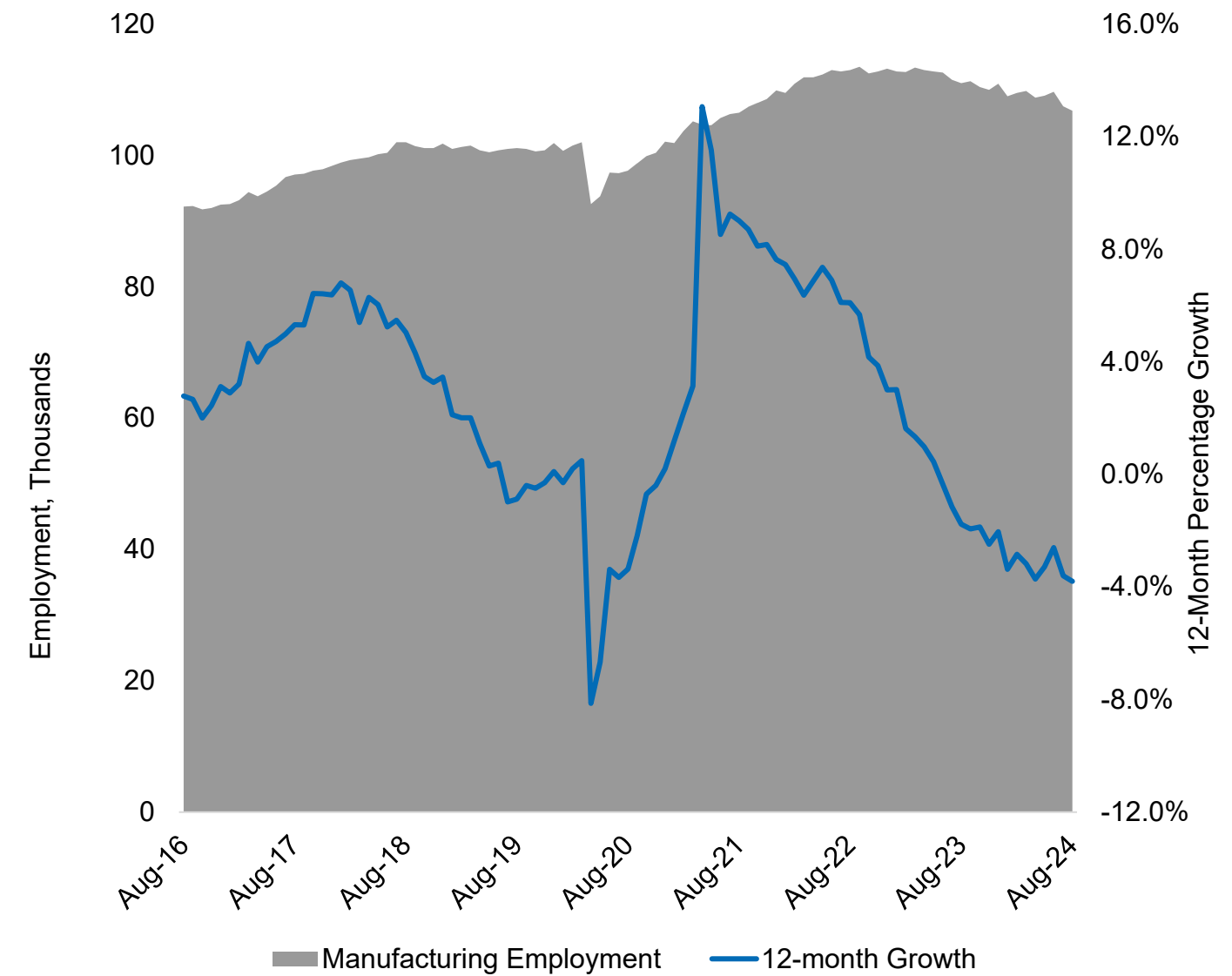
# Industrial Employment Strong but Not Immune to Softening Conditions

Since the pandemic spike, Trade/Transportation/Utilities and Manufacturing year-over-year growth has come back down close to pre pandemic levels. Both sectors have negative year-over-year growth for the month of August.

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

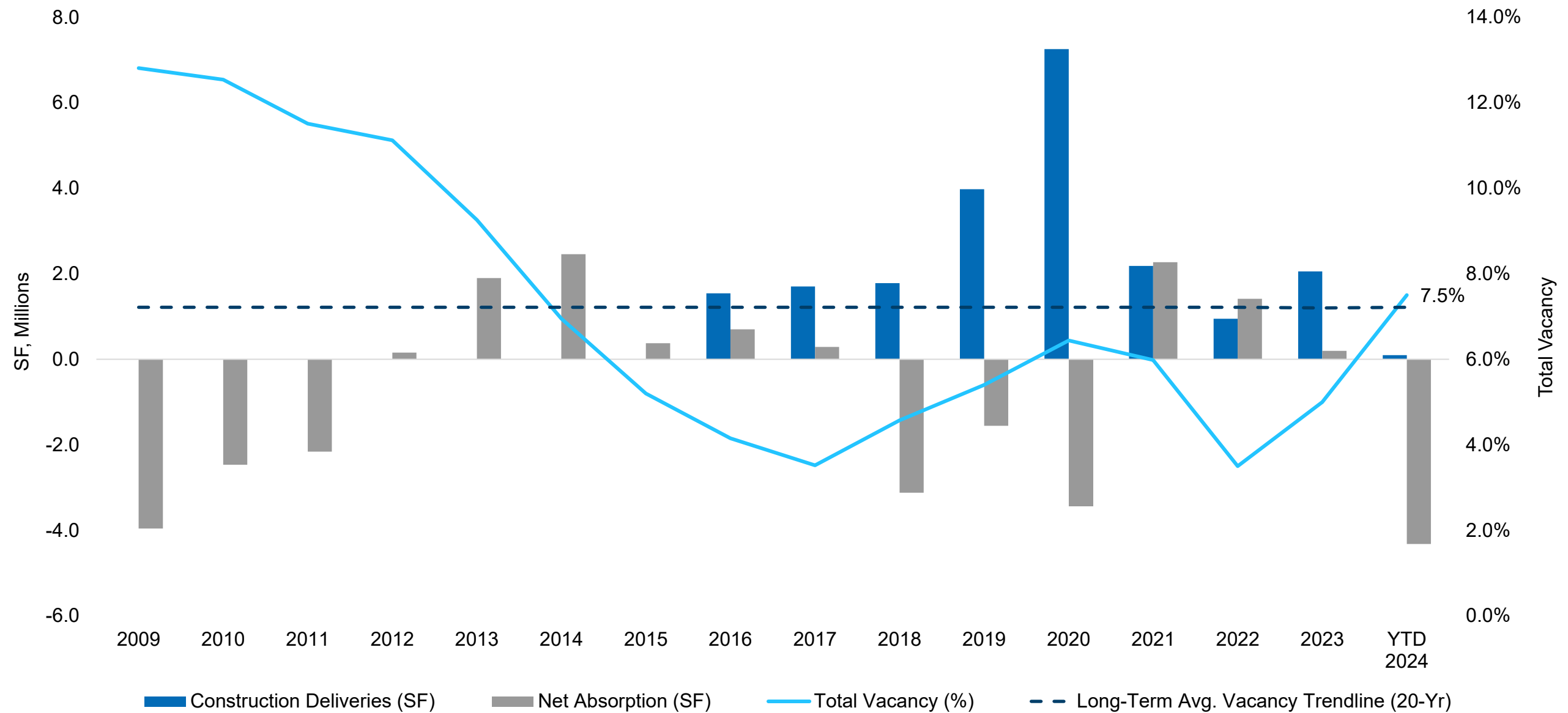




# Vacancy Started to Climb

Vacancy rates in the East Bay increased 100 basis points from last quarter, as absorption went deeper into the negatives. There was no new construction delivered in the third quarter, although there is 1.3 MSF currently under construction.

## Historical Construction Deliveries, Net Absorption, and Vacancy

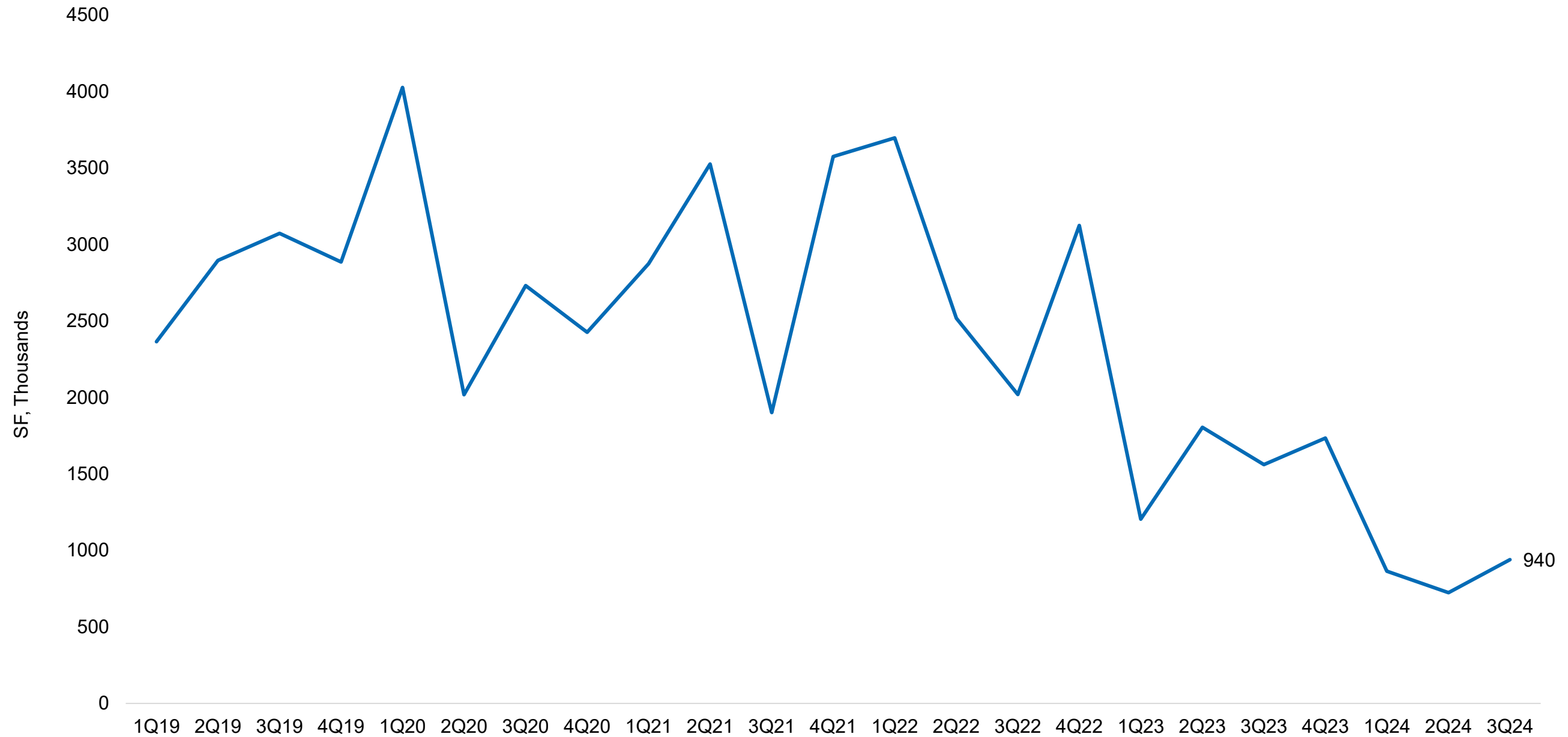


Source: Newmark Research

# Industrial Leasing Activity Increased

In the third quarter of 2024 overall leasing activity saw it's first increase since the third quarter of 2023. Further 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 Fremont which represented about 48% of the total square footage leased.

Total Leasing Activity (SF)



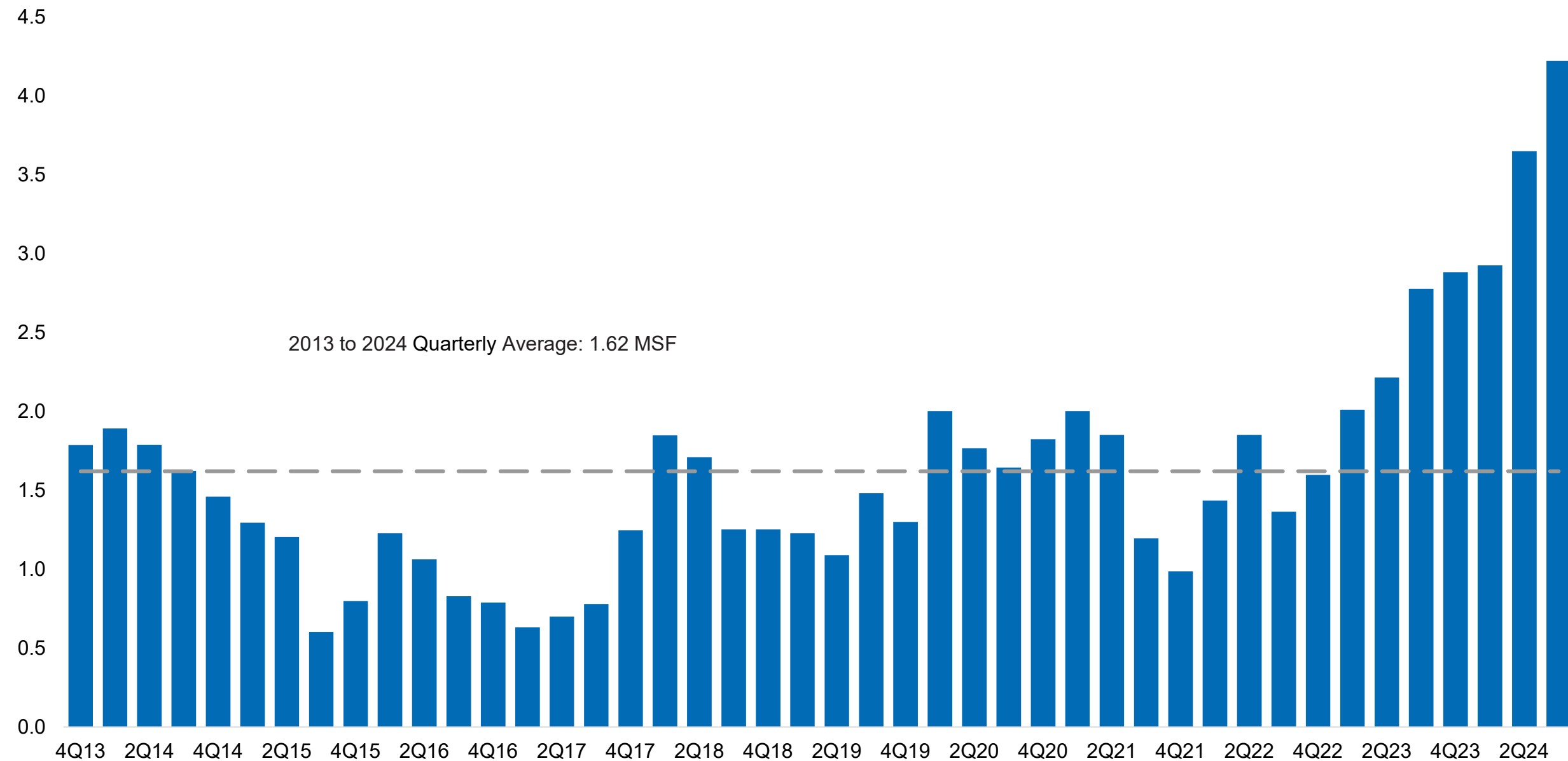
Source: Newmark Research, CoStar



# Industrial Sublease Availability Continued to Climb

In the East Bay, sublease space increased by almost 600,000 SF equalling 4.2 MSF total going into the fourth quarter of 2024 with 54% being represented by 15 spaces over 100K square feet. The largest spaces came from 277 Maritime Street and 7380 Morton Avenue. Across the East Bay industrial market, the amount of sublease space has doubled since the beginning of 2023.

Available Industrial Sublease Volume (MSF)

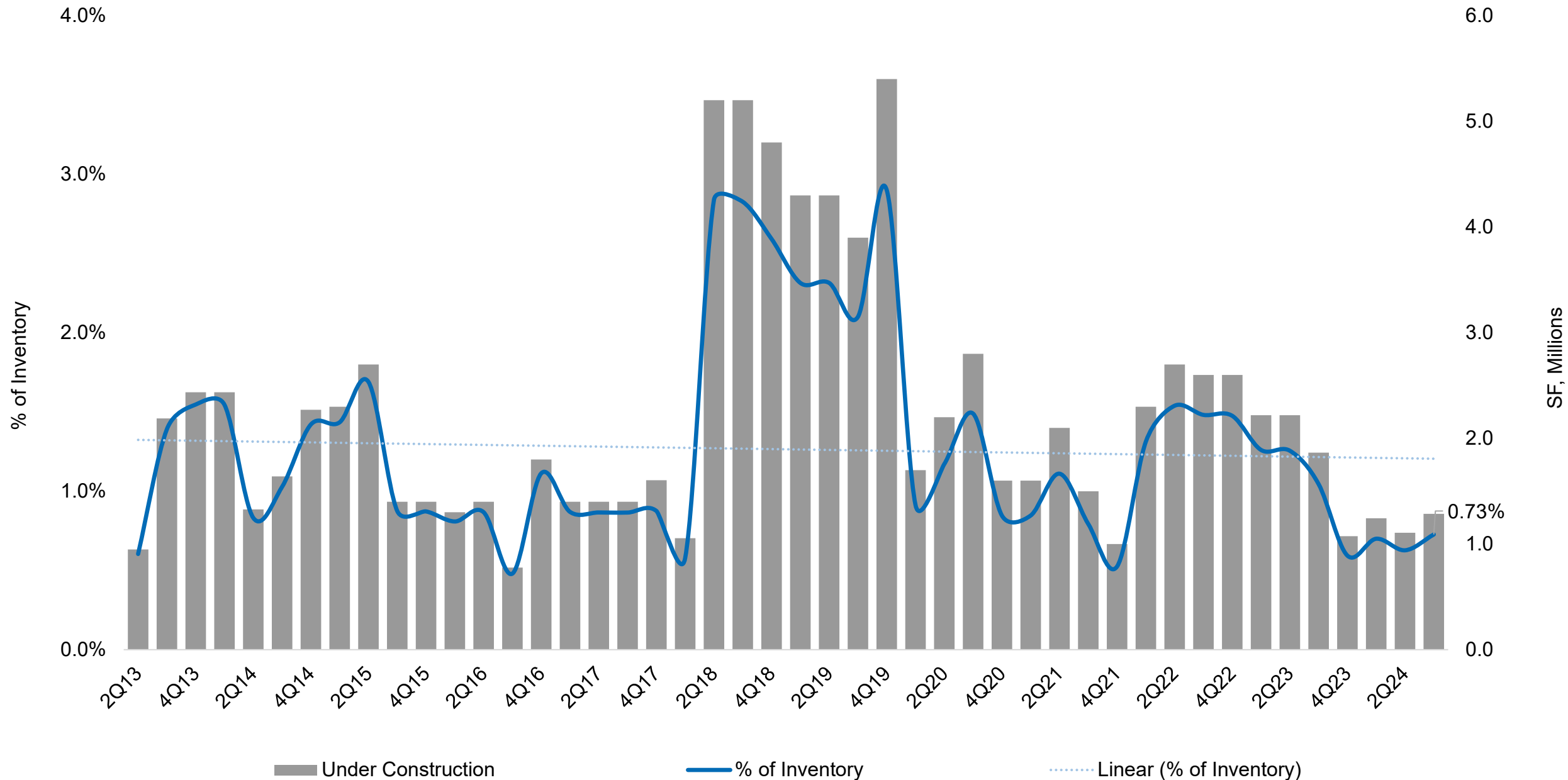


Source: CoStar

# Industrial Supply Pipeline Increased

There were no new construction starts in the third quarter, but 5 buildings are expected to be delivered by year end. Approximately 1.3M square feet of construction activity was recorded in the market, with the bulk of it originating from Warehouse/Distribution buildings.

## Industrial Under Construction and % of Inventory



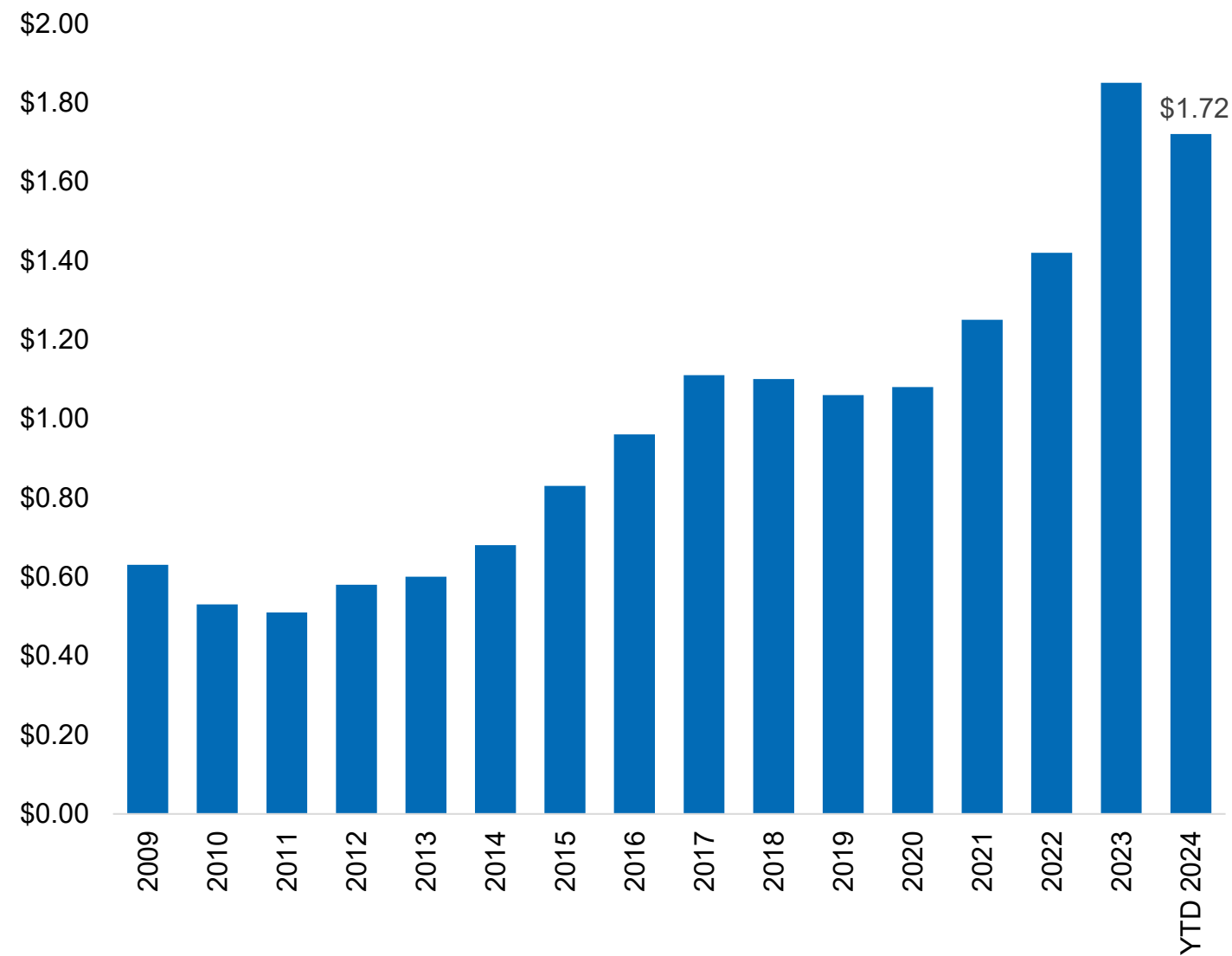
Source: Newmark Research, CoStar



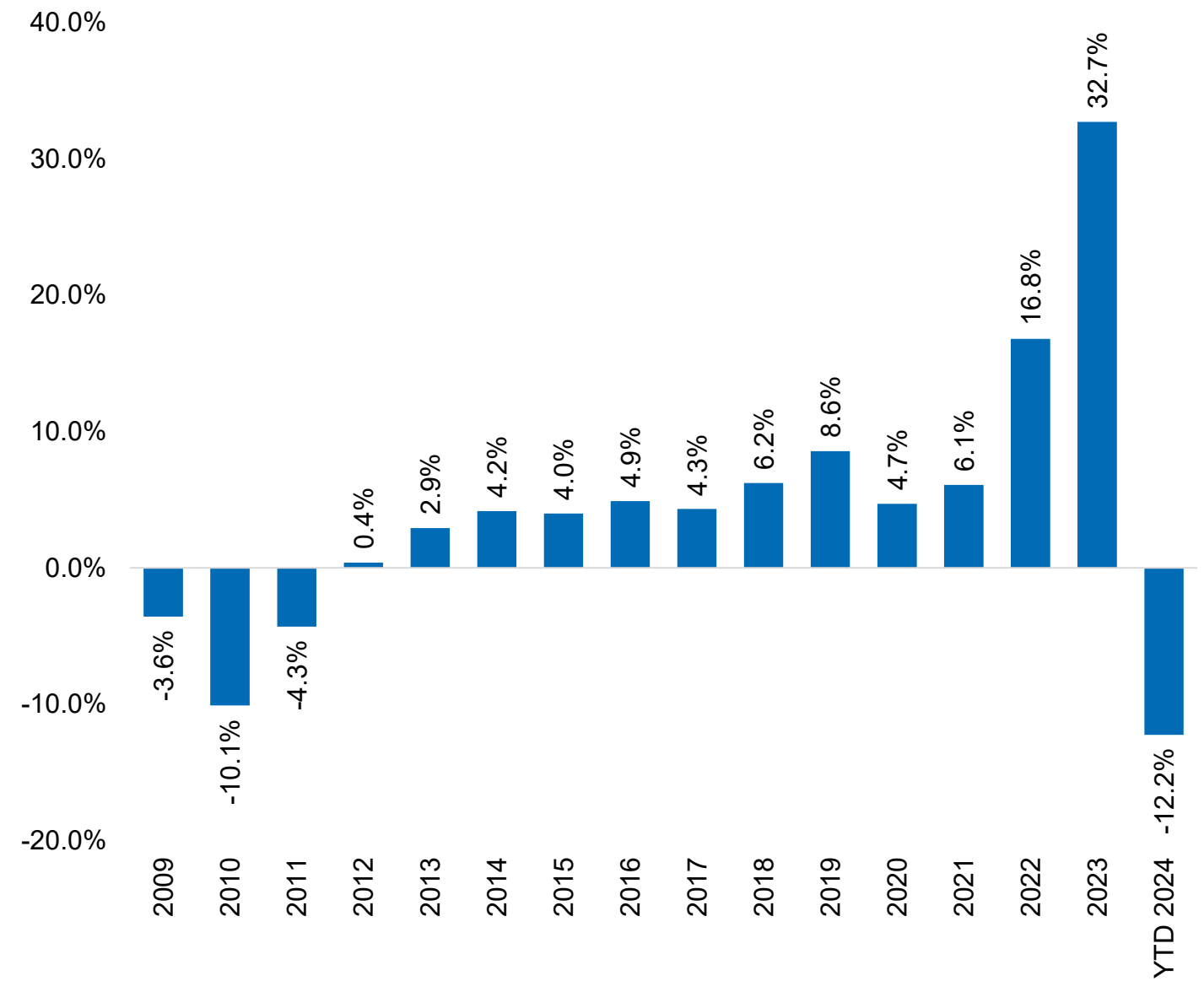
# Industrial Asking Rent Growth Decreased

Industrial average asking rents continue to sink in 2024. The 2024 average asking rents now sit \$0.13 below where they were at the end of 2023.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

# Notable 3Q24 Lease Transactions

While there were 6 transactions over 100,000 SF, leasing continued to remain slow in comparison to pre-pandemic activity. Five of the six 100K+ deals were Warehouse/Distribution buildings. Fremont saw the highest volume of large deals in the third quarter of 2024.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Product Type	Square Feet
Underwriter Laboratories (3 Bldgs)	47173 Benicia Street	Fremont – Mission South	Lease Renewal	R&D Flex	138,887
Quanta	6600 Stevenson Blvd	Fremont – Auto Mall North	Direct Lease	Warehouse/Distribution	127,452
Chetak	30300 Whipple Road	Union City -- West	Direct Lease	Warehouse/Distribution	126,464
Veronica Foods	1991 Dennison Street	Oakland – Embarcadero/High St	Lease Renewal	Warehouse/Distribution	125,232
XPO Logistics	6120 Stewart Avenue	Fremont – Auto Mall North	Lease Renewal	Warehouse/Distribution	114,948
Nippon Express USA	26534 Danti Court	Hayward – 92 Corridor	Lease Renewal	Warehouse/Distribution	112,800

Source: Newmark Research





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# Appendix







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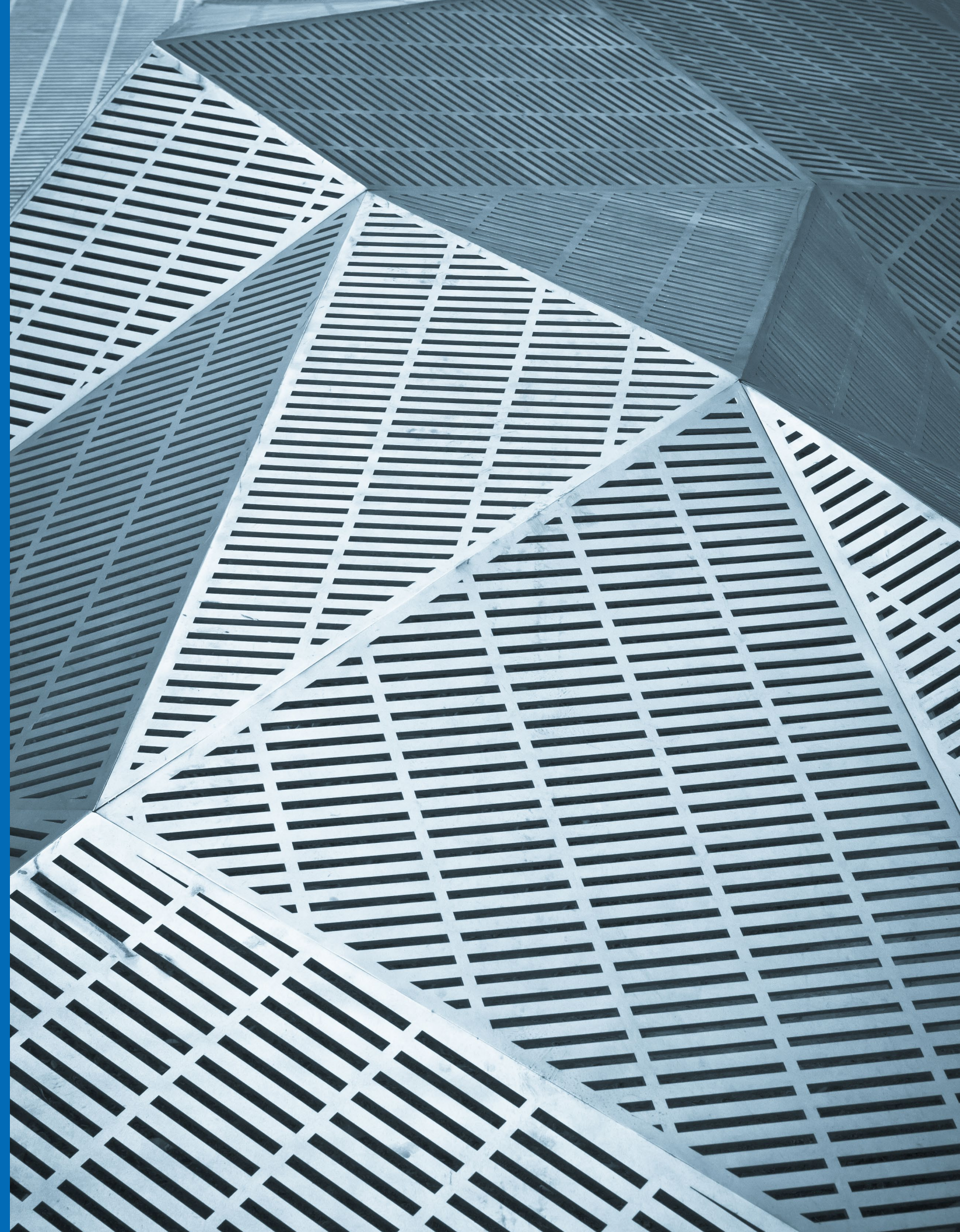
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