

# OAKLAND METROPOLITAN AREA INDUSTRIAL Q3 2019

Accelerating success.

## Landlord Favored Equilibrium

- Gross absorption registers 770,199 SF
- Overall vacancy increased just 20 basis points
- Overall asking rates have remained stable for the last five quarters

The industrial market along the I-80/880 Corridor has been held to an overall vacancy rate of sub-3.0 percent for the past four years. Weighed down by a lack of new construction deliveries year to date, this landlord favored market is extremely tight with overall average asking rents testing the \$1.00 per square foot triple-net threshold.

Not only are vacancies low, but the investment arena is just as, if not more competitive. Industrial properties for sale are nearly non-existent and those that do become available are seeing multiple buyers engaging in bidding wars and transacting at continually higher prices per square foot.

The industrial investment arena did not disappoint this quarter. The Blackstone Group placed \$69,250,000 on the multi-tenant industrial complex at 2010-2020 Williams Street in San Leandro, headlined by 21<sup>st</sup> Amendment's brewery production facility in San Leandro; while Berkeley Partners purchased the two-building 6195-6201 Coliseum Way in Oakland for \$57,650,000.

### Market Indicators

United States  
Unemployment Rate

10-Year Nominal  
Interest Rate

Consumer  
Confidence

3.5%

1.68  
%

125.1

### Market Trends

Relative to prior period

Q3 2019

Q4 2019\*

Vacancy



Rental Rate



Net Absorption



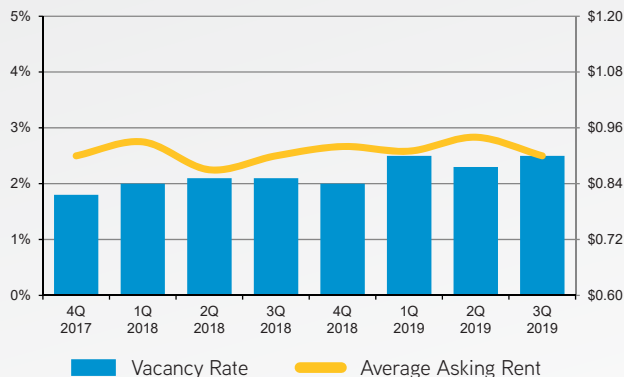
Construction



\*Projected

### Vacancy vs. Asking NNN Rental Rates

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



Overall, vacancy and asking rates continue to reflect equilibrium; with the overall vacancy at 2.5 percent and overall asking rates at \$0.90 per-square-foot.

### Summary Statistics

Q3 2019 I-80/I-880 Corridor Industrial Market

Previous  
Quarter

Current  
Quarter

Overall Vacancy	2.30%	2.50%
Quarterly Net Absorption	336,862	(308,843)
Construction Completed	0	0
Under Construction	3,372,022	3,372,022
Overall Asking Rents	\$0.94	\$0.90
Overall Industrial Asking Rents	\$1.03	\$0.93
Overall Warehouse Asking Rents	\$0.80	\$0.84
Overall R&D Flex Asking Rents	\$1.48	\$1.39

### U.S. National Economic Indicators

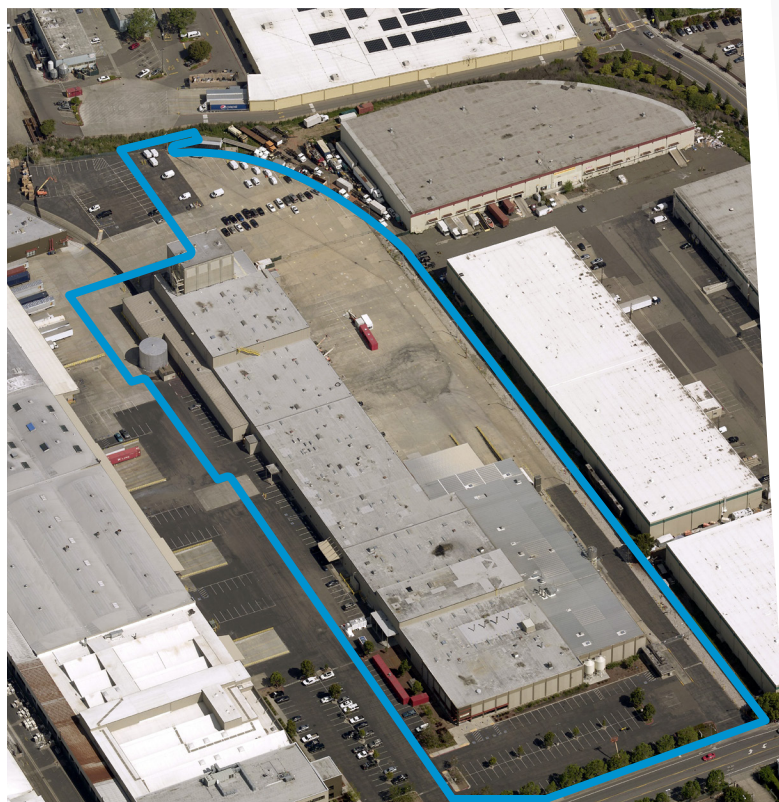
Unemployment Rate	3.60%	3.50%
Labor Force Participation Rate	62.90%	63.20%
Consumer Price Index	2.56%	2.57%
Interest Rate - 10 Yr Treasury	2.00%	1.68%
Business Confidence	99.64	98.90
Consumer Confidence	121.50	125.10

\* Data Source: EDD Labor Market Information Division

Even with the highly constricted building base inventory, the lack of available space for lease and sale, and the correspondingly high asking prices, the vast majority of tenants are renewing in place. Managing their business expenses to account for significant rental rate increases, tenants here are battling for access to the Northern California consumer; whether that is in direct sale showrooms and services or via the last-mile same-day delivery demand that retailers are offering to differentiate from the competition and satiate consumer demand. Distribution, warehouse and cross-dock facilities are golden!

While gross absorption remains consistent, there are some larger spaces available. 6753 Mowry Avenue in Newark was 100 percent vacated, bringing 268,538 square feet of warehouse/distribution space to the market; while around the corner at 38503 Cherry Street, Prologis continues their search to backfill 125,072 square feet of cross-dock warehouse/distribution product. Interestingly, these properties bookend the Amazon fulfillment center, tucked behind the Golden State Lumber property fronting Cherry Street.

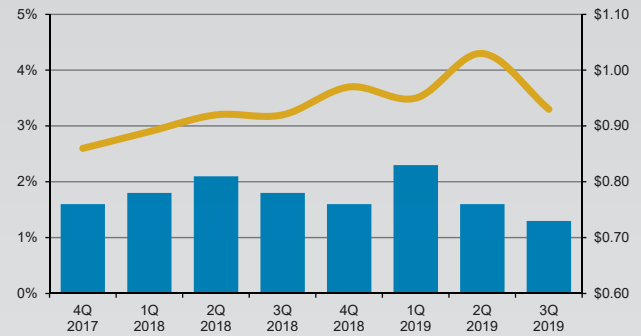
The potential headwind to continued strength here, is the ongoing tariff trade wars between China and the U.S. Administration. Even with that threat, leasing activity is expected to remain very strong through the end of 2019 and into the new year, reinforcing the market fundamentals that substantiate the importance of the I-80/880 Corridor industrial market.



**SIGNIFICANT TRANSACTION: 2010-2020 WILLIAMS STREET, SAN LEANDRO CA**

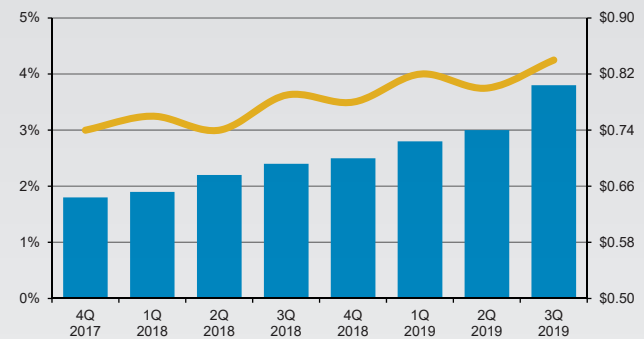
## Vacancy vs. Asking NNN Rental Rates

I-80/I-880 Corridor | Industrial



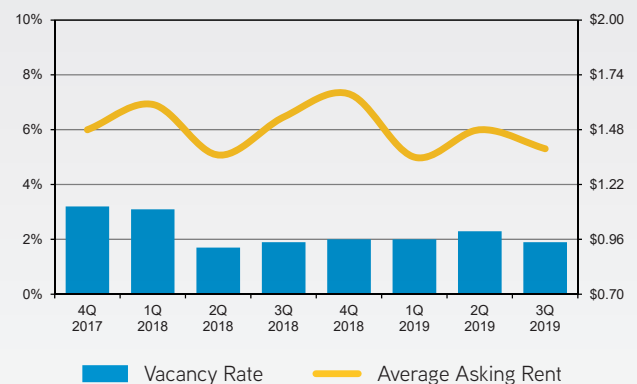
## Vacancy vs. Asking NNN Rental Rates

I-80/I-880 Corridor | Warehouse



## Vacancy vs. Asking NNN Rental Rates

I-80/I-880 Corridor | R&D



## Significant Lease Activity



## Significant Sale Activity

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
2010-2020 Williams Street, San Leandro	Jul-2019	438,301	Blackstone Group	Investment
6195-6201 Coliseum Way, Oakland	Aug-2019	358,675	Berkeley Partners	Investment
1700 20th Street, Oakland	Aug-2019	92,884	Terreno Realty Corporation	Investment
425-443 Hester Street, San Leandro	Sep-2019	85,089	Centerpoint Properties Inc	Investment
1968-1970 Alpine Way, Hayward	Sep-2019	52,624	AHG Recycling	Owner/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
RICHMOND															
Industrial	230	4,902,375	-	0.0%	-	0.0%	-	0.0%	0.6%	28,000	160,393	-	-	41,916	\$0.94
Warehouse	51	5,720,096	810,032	14.2%	-	0.0%	810,032	14.2%	14.2%	-	52,354	-	240,568	-	\$0.74
R&D/Flex	54	3,411,053	22,829	0.7%	22,961	0.7%	45,790	1.3%	1.3%	-	4,583	-	-	-	\$1.10
Total	335	14,033,524	832,861	5.9%	22,961	0.2%	855,822	6.1%	6.3%	28,000	217,330	-	240,568	41,916	\$0.76
OAKLAND															
Industrial	873	22,664,359	352,603	1.6%	-	0.0%	352,603	1.6%	1.5%	(5,860)	(19,785)	-	-	33,595	\$0.83
Warehouse	166	11,246,965	320,557	2.9%	-	0.0%	320,557	2.9%	3.4%	67,411	(141,409)	-	673,019	148,186	\$0.91
R&D/Flex	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,039	33,911,324	673,160	2.0%	-	0.0%	673,160	2.0%	2.2%	61,551	(161,194)	-	673,019	181,781	\$0.87
SAN LEANDRO															
Industrial	476	11,902,478	176,209	1.5%	18,130	0.2%	194,339	1.6%	1.5%	(13,416)	(71,170)	-	-	119,261	\$1.00
Warehouse	134	14,780,091	198,321	1.3%	24,435	0.2%	222,756	1.5%	2.0%	70,428	(10,087)	-	879,898	77,638	\$0.93
R&D/Flex	53	847,380	25,082	3.0%	-	0.0%	25,082	3.0%	5.0%	16,926	(455)	-	-	19,426	\$1.32
Total	663	27,529,949	399,612	1.5%	42,565	0.2%	442,177	1.6%	1.9%	73,938	(81,712)	-	879,898	216,325	\$0.98
HAYWARD															
Industrial	794	16,949,654	154,201	0.9%	19,010	0.1%	173,211	1.0%	1.8%	127,861	142,838	-	-	166,819	\$1.10
Warehouse	229	21,728,289	352,302	1.6%	131,268	0.6%	483,570	2.2%	1.6%	(136,051)	(286,304)	-	576,271	139,303	\$0.76
R&D/Flex	109	4,502,794	124,612	2.8%	18,437	0.4%	143,049	3.2%	4.2%	44,987	(22,690)	-	-	1,767	\$1.20
Total	1,132	43,180,737	631,115	1.5%	168,715	0.4%	799,830	1.9%	1.9%	36,797	(166,156)	-	576,271	307,889	\$0.91
UNION CITY															
Industrial	168	7,883,678	174,808	2.2%	-	0.0%	174,808	2.2%	2.6%	27,520	(68,271)	-	-	5,200	\$0.86
Warehouse	87	7,488,110	80,778	1.1%	132,311	1.8%	213,089	2.8%	1.4%	(105,203)	(93,077)	-	-	14,688	\$1.03
R&D/Flex	14	870,672	12,640	1.5%	-	0.0%	12,640	1.5%	0.3%	(10,251)	(2,418)	-	-	-	\$1.31
Total	269	16,242,460	268,226	1.7%	132,311	0.8%	400,537	2.5%	1.9%	(87,934)	(163,766)	-	-	19,888	\$0.97
NEWARK															
Industrial	88	4,262,847	20,080	0.5%	5,077	0.1%	25,157	0.6%	0.4%	(8,779)	45,516	-	397,470	2,400	\$1.17
Warehouse	32	3,923,778	409,810	10.4%	2,000	0.1%	411,810	10.5%	0.1%	(409,810)	(391,810)	-	604,796	-	\$0.92
R&D/Flex	39	3,082,263	18,168	0.6%	2,606	0.1%	20,774	0.7%	0.6%	(2,606)	22,205	-	-	-	\$3.50
Total	159	11,268,888	448,058	4.0%	9,683	0.1%	457,741	4.1%	0.3%	(421,195)	(324,089)	-	1,002,266	2,400	\$1.05

### MARKET TOTAL

Industrial	2,629	68,565,391	877,901	1.3%	42,217	0.1%	920,118	1.3%	1.6%	155,326	189,521	-	397,470	369,191	\$0.93
Warehouse	699	64,887,329	2,171,800	3.3%	290,014	0.4%	2,461,814	3.8%	3.0%	(513,225)	(870,333)	-	2,974,552	379,815	\$0.84
R&D/Flex	269	12,714,162	203,331	1.6%	44,004	0.3%	247,335	1.9%	2.3%	49,056	1,225	-	-	21,193	\$1.39
Total	3,597	146,166,882	3,253,032	2.2%	376,235	0.3%	3,629,267	2.5%	2.3%	(308,843)	(679,587)	-	3,372,022	770,199	\$0.90

### QUARTERLY COMPARISONS AND TOTALS

Q3-19	3,597	146,166,882	3,253,032	2.2%	376,235	0.3%	3,629,267	2.5%	2.3%	(308,843)	(679,587)	-	3,372,022	770,199	\$0.90
Q2-19	3,597	146,166,882	2,891,405	2.0%	429,019	0.3%	3,320,424	2.3%	2.5%	336,862	(370,744)	-	3,372,022	1,021,355	\$0.94
Q1-19	3,597	146,166,882	3,169,927	2.2%	487,359	0.3%	3,657,286	2.5%	2.0%	(707,606)	(707,606)	-	3,372,022	840,069	\$0.91
Q4-18	3,597	146,166,882	2,542,625	1.7%	407,055	0.3%	2,949,680	2.0%	2.1%	194,891	1,019,743	113,425	3,371,704	990,054	\$0.92
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

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