

INVESTMENT FORECAST

Industrial
Oakland

IPA
INSTITUTIONAL
PROPERTY
ADVISORS






2022

Retail Tenants Take Active Role in Leasing; Buyers Favor East Bay Industrial Over Other Property Types

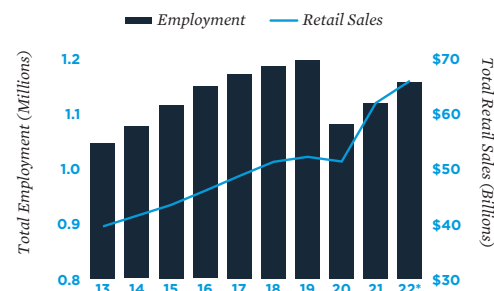
Industrial sector among East Bay's strongest. The prolonged recovery in the metro, due to a particularly hard-hit economy, is moving more quickly for industrial operations. Space demand has improved more than 3.5 percent since the onset of the pandemic, and is projected to advance an additional 1.5 percent this year. Much of the space need will come from the retail sector utilizing more direct-to-consumer options, which has been crucial to remote workers that were forced to stay away from offices well into 2022, due to COVID-19. Easing concerns surrounding the health crisis will do little to reduce momentum in the East Bay as residents across the Bay Area continue to utilize online retailing, evident by Amazon signing two of the three largest leases in 2021. Outside of last-mile distribution, the Port of Oakland remains integral to the local industrial sector. Last year, the port handled the greatest import volume in its 94-year history.

Sales rebound to pre-recession levels. Buyers are attracted by Bay Area real estate, and the East Bay industrial sector remains among the most appealing. Last year, the number of deals between \$10 million and \$20 million nearly tripled. Additionally, investors are exhibiting a willingness to spend more on local assets as the post-health crisis recovery becomes more apparent. Warehouses are on top of investors' wish lists, though manufacturing and light manufacturing assets at the other end of the spectrum have increased in popularity, highlighted by a surge in subsector deal flow last year. Buildings in the research and development arena are also sought after by both tech owner-users and investors. Active buyers and inexpensive capital pushed the average cap rate down to 5 percent entering this year, though upward pressure on first-year returns could mount in the coming months, due to the rising cost of capital and global unrest.

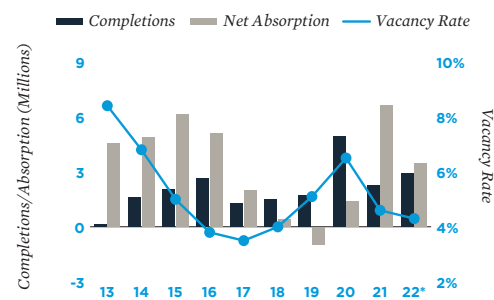
2022 Market Forecast

- Employment** up 3.4%  The addition of 38,000 positions this year nearly matches the 38,800 jobs created in 2021.
- Construction** 2.9 million sq. ft.  Following a 0.9 percent increase in inventory during 2021, developers expand stock by 1.2 percent in 2022. Approximately 50 percent of the underway space is pre-leased.
- Vacancy** down 30 bps  Conditions will continue to tighten this year, though at a slower pace than 2021. By year-end, the vacancy rate is expected to fall to 4.3 percent, as users absorb nearly 3.5 million square feet.
- Rent** up 4.8%  Lower vacancy facilitates an increase in average marketed rent to \$17.02 per square foot.
- Investment**  Buyers are expected to target properties at both ends of the Interstate 880 Corridor. Additional activity may emerge in Contra Costa County following recent local population growth.

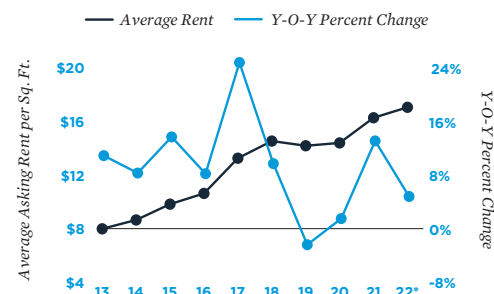
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.