

MARKET REPORT

Industrial
Oakland Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

Midyear 2022

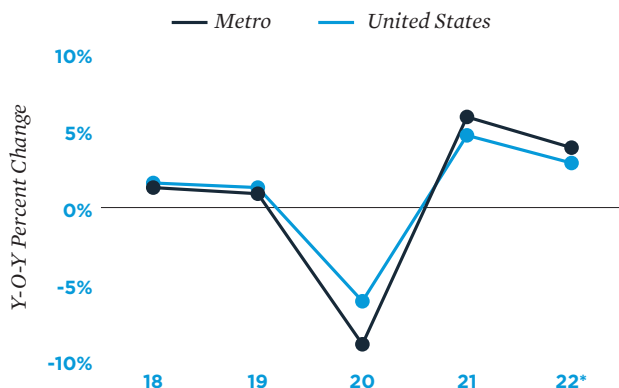
Industrial Users' Space Requirements Expand, Dropping Vacancy to Pandemic-Era Low

Global trade and discretionary budgets fuel demand for space.

The East Bay's industrial sector is recording encouraging performance, following a surge in e-commerce spending nationally and record cargo volumes locally over the past year. The Port of Oakland reported a new high mark for freight shipping in 2021, and activity has not slowed in 2022, motivating shipping and logistics firms to fill warehouses here. Additionally, the Bay Area's notable proportion of higher-earning households has supported solid consumer spending, heightening demand for last-mile space. Net absorption from the final two quarters of last year reflects this, with tenants taking a combined 5.6 million square feet of the market, the highest such level in more than a decade. Persistent inflation may materialize in fewer shipments in the future, but conditions have enabled vacancy to fall 30 basis points below the 2019 measure as of March.

Tenants seek regionally economical options. The cost of leasing space in Oakland remains significantly below San Francisco and San Jose, despite the metro recording sizable year-over-year growth in mean asking rents. Additionally, Oakland is the Bay Area's largest industrial market by inventory, providing tenants with more options both locationally and functionally than the other two metros. These factors have prompted a collection of larger-scale commitments from national firms. In the six months preceding June, Amazon signed three leases each for more than 200,000 square feet, while Tesla committed to 260,000 square feet in Pleasanton.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2022 Outlook



**45,000
JOBS**
will be created

EMPLOYMENT:

Labor market expansion of 3.9 percent in the East Bay will bring the metro-wide job count 2,000 roles below the pre-pandemic recording. Notably, manufacturing employment is more than 8,000 jobs ahead of pre-pandemic levels entering April.



**2,700,000
SQ. FT.**
will be completed

CONSTRUCTION:

Builders expand local stock by 1.1 percent as annual supply additions surpass the trailing five-year average by roughly 350,000 square feet. The Oakland metro will account for two-thirds of the industrial space delivered throughout the Bay Area.



**20
BASIS POINT**
decrease in vacancy

VACANCY:

Following a 180-basis-point retreat in availability during 2021, vacancy will maintain its downward momentum, falling to 4.8 percent by the end of December. Notable container volumes at the port and inland population growth will support this trend.

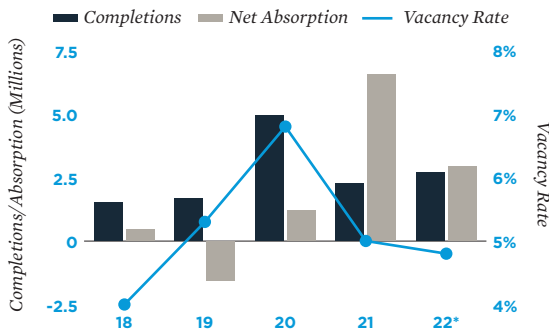


**10.8%
INCREASE**
in asking rent

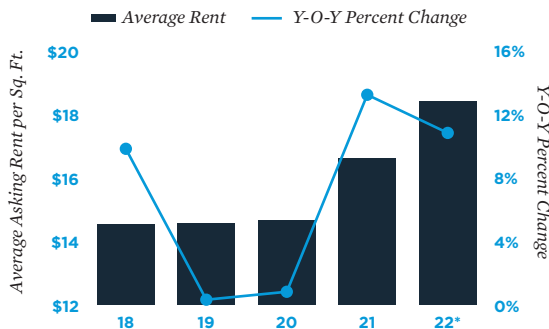
RENT:

Heightened demand for space has resulted in one of the strongest waves of asking rent growth on record. The average market rate is anticipated to rise to \$18.40 per square foot by year-end, following a 13.2 percent jump in 2021.

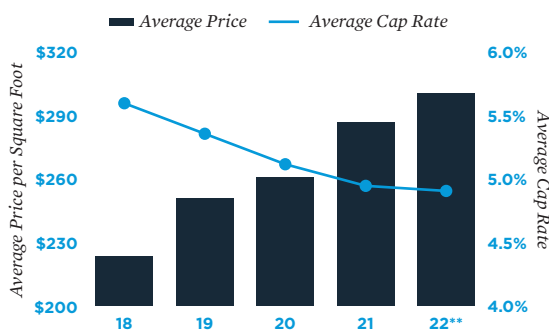
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

1Q 2022 - 12-Month Period



CONSTRUCTION

1,732,000 sq. ft. completed

- Development activity during the annual period ending in March expanded stock by 0.7 percent, roughly half the level of the previous yearlong period.
- Construction was spread across the East Bay, with only one of the metro's submarkets — the 680 Corridor North — recording completions of less than 100,000 square feet.



VACANCY

190 basis point decrease in vacancy Y-O-Y

- Driven by a surge in leasing, vacancy fell in four of the metro's six submarkets, bringing metrowide availability to 5.0 percent in March.
- Availability has declined most in bayfront locales outside of Oakland proper. Vacancies in the 880 Corridor and 80 Corridor were at least 80 basis points below their respective pre-pandemic measures entering April.



RENT

19.4% increase in the average asking rent Y-O-Y

- The mean asking rent reached \$17.79 per square foot in March. This rate is more than 22 percent above the pre-pandemic average.
- Western locales are driving much of the marketwide rent gains, as average asking rates in the 80 Corridor and 880 Corridor both climbed by at least 22 percent annually.

Investment Highlights

- Sales velocity is still roughly 85 percent of the pre-pandemic level. However, the dollar volume of transactions in the 12 months preceding April was the largest on record in the East Bay. Average sales pricing over that span was \$300 per square foot, up 12 percent from the previous yearlong stretch, contributing to the swell in dollar volume. Despite the gains, entry costs here are still well below those recorded in either San Jose or San Francisco, enabling a wider array of investors to participate in Oakland.
- Bayfront portions of the metro recorded the most transactions in the last 12 months, with industrial properties changing hands regularly from Albany to Fremont. Downtown Oakland and the neighboring Berkeley and Alameda areas are the most targeted locations, with research and development and manufacturing facilities changing hands often.
- Among inland locales, the Pleasanton-Livermore area of the 680 Corridor South has the most liquid industrial market. Population growth in the vicinity has supported increased demand for distribution and warehouse space, resulting in heightened performance and investor interest here. Pricing in these locales is below market average, with further discounted entry costs available to the east in Livermore.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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