

# INVESTMENT OUTLOOK

Industrial  
Oakland Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

MIDYEAR 2025

## Small-Bay Urban Assets Resilient in Oakland Amid Demand Weakness in Older Parts of the Metro

**Small-bay demand offsets big-box weakness.** Oakland has posted negative net absorption of industrial space for the past two years, driving vacancy above 8.5 percent as of March, even amid moderate inventory growth. As e-commerce demand cooled and tenants downsized, interest in large-box space has faded, while demand for small-bay spaces near urban cores has held up. This national trend is especially evident in Oakland, where infill supply is tight and in high demand due to limited land and dense population. This divergence has widened the gap in vacancy; the rate for properties between 10,000 and 50,000 square feet remains near 7 percent as of June but exceeds 10 percent for floorplans over 100,000 square feet. Leasing in the first half of 2025 was concentrated in San Leandro, Hayward and Fremont, driven largely by service and manufacturing tenants, who account for over half of new commitments. Steady light industrial demand is expected to continue supporting the market despite trade policy headwinds, as the metro recorded positive net absorption in the first quarter of 2025.

**Investors focus on infill submarkets.** Transaction activity has slowed slightly over the past two years, mainly due to a drop in sub-\$10 million deals. The average cap rate rose to 5.9 percent over the past 12 months — the highest among West Coast port markets — reflecting investors' need for higher returns amid softer fundamentals and elevated borrowing costs. Despite developer's concentration in the Berkeley area, sales trends align with leasing and focus on San Leandro and Fremont, with emerging interest along Highway 4 to the north. Here, vacancy was just 4.2 percent entering April — one of the lowest rates in the metro. A supply of pre-1990s warehouses with easy access to population centers and major highways is likely to attract investor's attention.

## 2025 MARKET FORECAST

-0.3%



**EMPLOYMENT:** The metro is expected to lose about 3,400 jobs on net this year, with ongoing declines in manufacturing and construction roles continuing from 2024.

2.3 million  
sq. ft.



**CONSTRUCTION:** Completions will hold steady for the third year in a row, increasing total inventory by 0.9 percent year over year — in line with the metro's long-term growth trend.

+70 bps



**VACANCY:** With demand still soft and new supply coming online, vacancy is projected to rise to 8.7 percent in 2025, about 160 basis points above the metro's 30-year average.

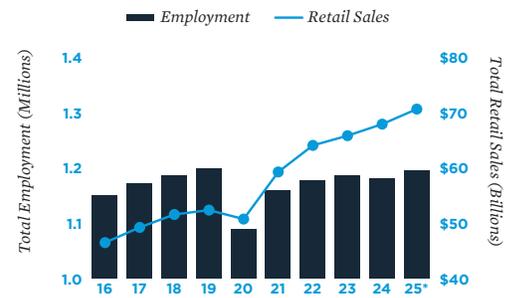
+2.4%



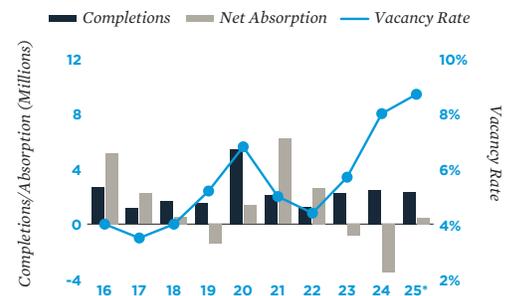
**RENT:** Even with higher vacancy, the average asking rent is set to climb further, reaching \$24.35 per square foot, which will keep the market the second-most expensive among major U.S. metros.

**INVESTMENT:** *Investor interest is growing in repositioning or upgrading older industrial properties, especially around the Coliseum industrial area near Oakland Airport due to its strong infrastructure access.*

## Economic Trends



## Supply and Demand



## Rent Trends



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

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.