

FIGURES | OAKLAND | Q2 2023

# Oakland Industrial Figures

▲ 2.4%

Vacancy Rate

▼ (240.9K)

SF Net Absorption

▼ 1.9M

SF Under Construction

▲ \$1.38 psf/mo

NNN / Asking Lease Rate for Existing Properties

▲ 285.7K

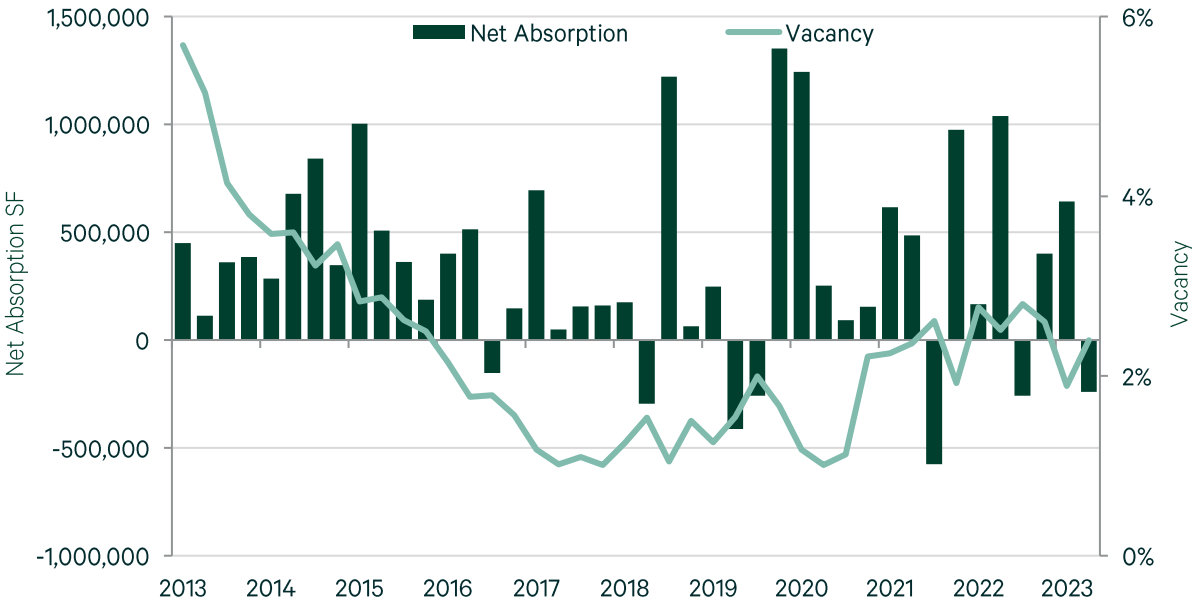
Industrial Using Employment Alameda & Contra Costa Cos

Note: Arrows indicate change from previous quarter.

## INDUSTRIAL MARKET HIGHLIGHTS

- The total population of Alameda and Contra Costa County increased to 2.8 million during Q2. Total labor force saw a decrease of 1,300 to 1.4 million. The unemployment rate increased by 20 basis points (bps) quarter-over-quarter (QoQ) from 2.9% to 3.1% and down 50 bps year-over-year (YoY).
- Near the end of the quarter, Prologis agreed to buy 14 million sq. ft. of U.S. logistics properties for \$3.1 billion. This includes properties scattered throughout the Oakland/East Bay market.
- Overall vacancy and availability were only slightly elevated by the slowing pace of the industrial market. With historically tight market conditions, this market has been well-insulated from massive occupancy loss.
- Net absorption fell to -240,938 sq. ft, compared to the positive 643,356 sq. ft. reported during Q1. This quarter marks only the third quarter of negative absorption in the last ten for the Oakland/East Bay industrial market.
- Renewal activity has been on the rise over the past few quarters. Fourteen out of the forty (35%) leases signed during Q2 were renewals.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW

The Oakland/East Bay industrial market currently contains just over 128 million sq. ft. of inventory. Developers delivered 435,007 sq. ft. of new product within the market during Q2. There is currently 1,910,418 sq. ft. under construction, of which 1,419,506 sq. ft. is expected to deliver by year end 2023. Leasing of under construction projects has been tepid during the market slowdown with only 45.2% of the square footage preleased. Despite the slowing pace of preleasing activity, this market is far from being considered oversupplied.

The Oakland/East Bay market continued to see tenant demand during Q2. The quarter ended with 61 active tenants demanding 4,865,000 sq. ft. of industrial space throughout the market. The average requirement size per tenant was 86,875 sq. ft., a decline from 131,346 sq. ft. per tenant one year ago. The logistics, automotive, and construction material industries were the top demand generators with warehouse space as the most sought-after product type.

Despite the stable demand, leasing activity decreased roughly 36% QoQ to 1,493,391 sq. ft. Companies have become more mindful as they look to cut costs amid increasing economic uncertainty. Renewals are a growing segment of this market’s leasing activity, while new deals have not been enough to outpace occupancy losses. These occupancy losses resulted in overall vacancy rising to 2.4% and availability rising to 3.8%. This rise in vacancy resulted in -240,938 sq. ft. of net absorption. The leading contributors to this negative absorption were the addition of ten vacant spaces over 25,000 sq. ft.

Looking forward, the Oakland/East Bay industrial market is expected to grow with new construction and planned projects that are sprinkled throughout this market. Current tenant demand portrays the stability of this market, while strong renewal activity shows the desire for industrial tenants to stay, and potentially grow, within the region.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)		Q2 Net Absorption	YTD Net Absorption
				Mfg.	Whs.		
Richmond	13,003,981	0.8%	4.5%	\$1.30	\$1.30	(3,000)	429,555
Berkeley	5,085,233	0.5%	0.8%	\$1.50	\$1.75	(15,202)	(4,032)
Emeryville	2,333,324	2.5%	5.8%	\$1.50	\$1.75	(5,850)	15,202
Oakland	35,050,137	2.8%	4.3%	\$1.35	\$1.35	(49,029)	128,803
Alameda	3,693,884	4.8%	4.8%	\$1.10	\$1.50	(78,536)	(78,536)
San Leandro	19,964,315	3.4%	5.7%	\$1.40	\$1.40	(43,746)	(90,466)
San Lorenzo	1,206,363	0.9%	0.9%	\$1.10	\$1.10	0	0
Hayward	35,080,865	2.4%	3.1%	\$1.40	\$1.40	(45,745)	62,868
Union City	12,618,125	1.2%	1.3%	\$1.40	\$1.40	0	12,296
Oakland Ind. Market	128,009,227	2.4%	3.8%	\$1.36	\$1.38	(240,938)	474,970
Manufacturing	34,407,999	2.8%	3.2%	\$1.36	N/A	(60,251)	(31,284)
Warehouse	93,601,228	2.2%	4.0%	N/A	\$1.38	(180,687)	506,254

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q2 2023

Tenant	City	SF Leased	Type
Airport Appliance	Hayward	151,631	Warehouse
Confidential	Richmond	149 ,558	Warehouse
National Auto Parts	Hayward	148,525	Warehouse
JB Hunt	Union City	145,349	Warehouse
Rahi Systems	Hayward	65,401	Warehouse

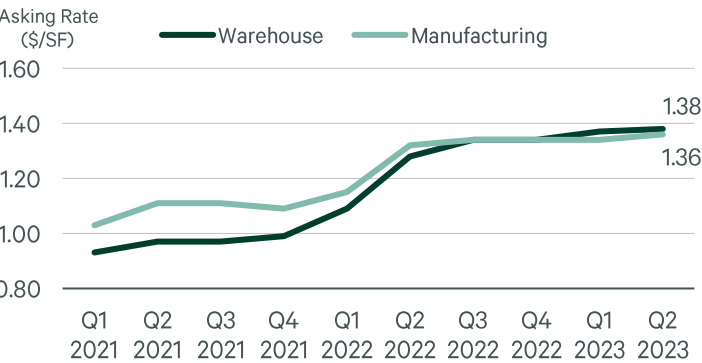
Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q2 2023

Buyer	City	SF Sold	Sale Price
Prologis	Hayward	22,400 (5.3 AC)	22.2M
Emery Hills	San Leandro	35,808	10.6M
Redco/New York Life	Hayward	4.5 AC	9.25M
Kermit Lynch Wines	San Leandro	26,500	9.2M
Progressive Properties	San Leandro	21,870	7.3M

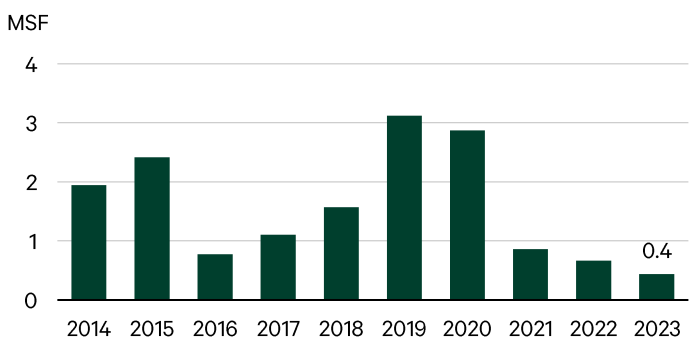
Source: CBRE Research

FIGURE 5: Lease Rates



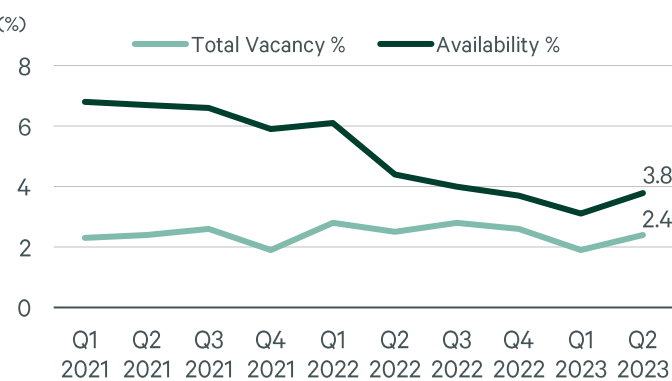
Source: CBRE Research

FIGURE 7: Construction Completions



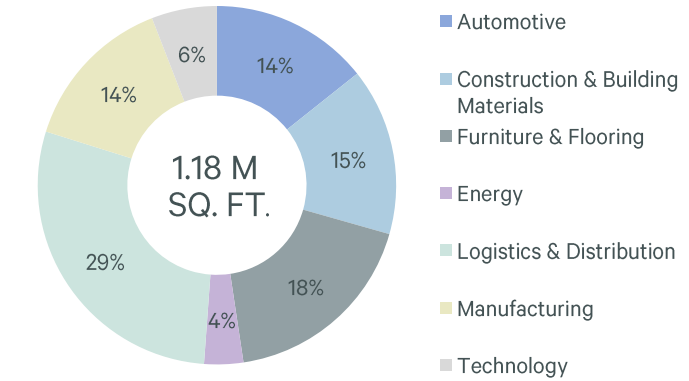
Source: CBRE Research

FIGURE 6: Vacancy & Availability



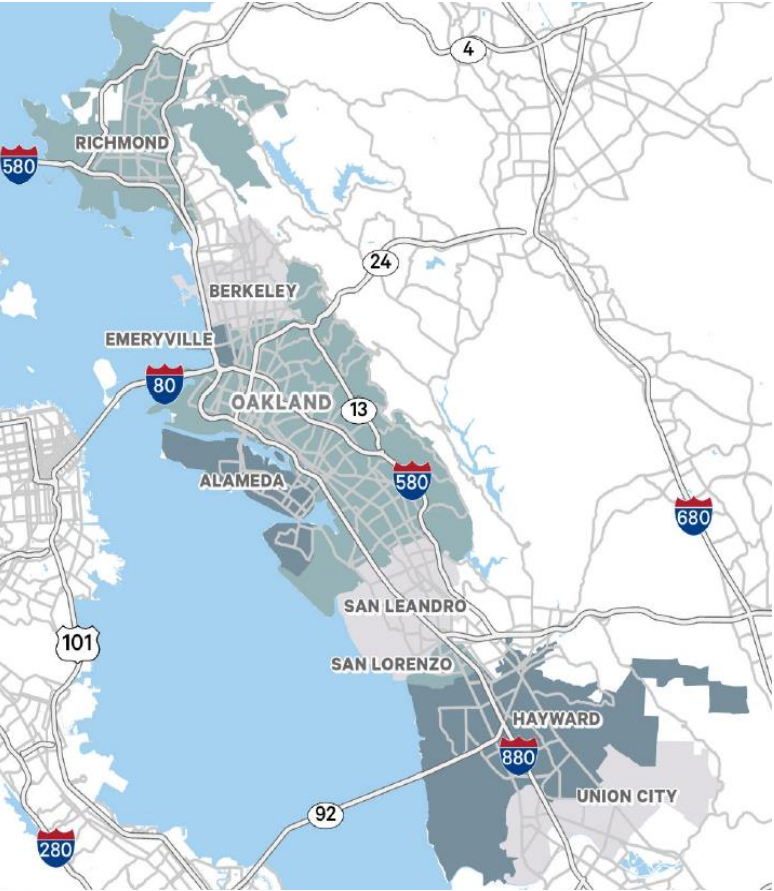
Source: CBRE Research

FIGURE 8: Top 25 Leases of the Quarter by Industry



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

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Definitions

Average Asking Rate Direct Monthly Lease Rates, Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Contacts

Dominic Guan

Research Analyst  
+1 510 874 1902  
Dominic.Guan@cbre.com

Paul Magoria

Research Manager  
+1 510 874 1912  
Paul.Magoria@cbre.com

Trevor Thorpe

Managing Director  
+1 510 874 1967  
Trevor.Thorpe@cbre.com

Collin Dougherty

Research Analyst  
+1 510 874 1907  
Collin.Dougherty@cbre.com

Konrad Knutsen

Associate Director, Northern CA  
+1 916 446 8292  
Konrad.Knutsen@cbre.com

Oakland Office

1111 Broadway, Suite 1850  
Oakland, CA 94607

