

BAY AREA INVESTMENT

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
BAY AREA MSA Employment	3,920.5k	4,013.7k	▲
BAY AREA MSA Unemployment	3.1%	2.6%	▼
U.S. Unemployment	4.4%	3.9%	▼
U.S. GDP	3.0%	4.2%	▲
U.S. 10-year Treasury	2.33	3.06	▲

Market Indicators

	Q3 17	Q3 18	12-Month Forecast
Overall Cap Rate	5.6%	5.5%	▲
Total Volume (USD)	\$4.493B	\$5.188B	▲
Total Properties	93	99	▼
Total SF (Excluding Multifamily)	11.6M	12.1M	▲
Total Units (Multifamily)	2,657	3,655	▲

Economy

The Bay Area’s economy remains robust with signs of growth across all major economic sectors. With a total labor force of nearly 4.2 million, the region currently employs just over 4.0 million of its residents. The unemployment rate has dropped to 2.6% with continued strong job growth momentum, adding 93,200 nonfarm jobs from a year ago and 865,000 jobs since the recovery began in 2009.

Market Overview

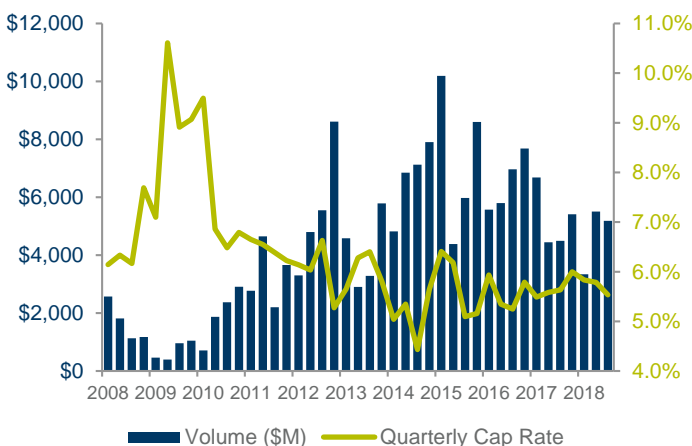
The Bay Area investment market closed the third quarter of 2018 with over \$5.1 billion in total sales for the quarter, slightly below its \$5.8 billion three-year quarterly average. Year-to-date sales totaled \$14.1 billion across 299 properties. The average cap rate declined 10 basis points year-over-year to 5.5%. A total of 12.1 million square feet (msf) traded during the quarter across the office, industrial and retail sectors along with 3,655 apartment units.

The office sector accounted for 49% of the total investment activity during the quarter, with over \$2.5 billion in volume. The apartment sector was the second largest component of quarterly transaction volume at 28% or \$1.4 billion. In the third spot was industrial at \$982 million followed by retail at \$228 million. Silicon Valley retained the top spot in the region at \$2.1 billion with the East Bay close behind at \$1.9 billion. The largest transaction was a portfolio of four office centers in the East Bay totaling 1.9 msf; Swift Real Estate Partners sold the portfolio to Partners Group AG for a reported \$585.3 million or \$308/sf.

Outlook

American and International investors are looking at the Bay Area to leverage the local market’s strength. What this means for investors: the core downtown office and multifamily markets will continue to transact at a premium while value-add opportunities remain in the suburbs. Record low vacancies across all property types will continue to elevate pricing with a lack of supply within multifamily placing upward pressure on pricing.

Total Dollar Volume and Cap Rate Trend
(Dollar Volume in Millions)



MARKETBEAT

Bay Area

Investment Q3 2018



PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SOLD	PRICE / SF*, UNIT	CAP RATE
Office	31	\$2,547,693,238	6,119,293 sf	\$416.34 / sf	5.1%
Industrial	31	\$981,801,878	5,364,815 sf	\$183.01 / sf	5.6%
Retail	10	\$228,012,742	567,848 sf	\$401.54 / sf	7.7%
Multifamily	27	\$1,430,311,665	3,655 units	\$391,330 / unit	4.3%
TOTAL	99	\$5,187,819,523	12,051,956 sf	\$340.48 / sf	5.5%

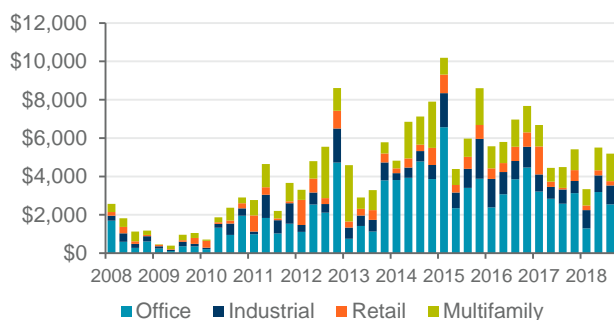
Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 Closed transactions over \$10 million
 *SF includes office, industrial and retail. Unit calculation for apartment only.

Significant Sales Q3 2018

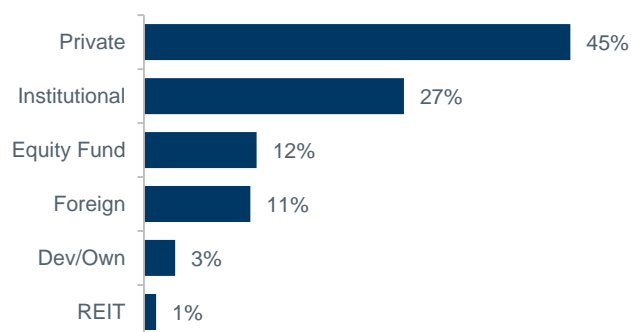
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)	MARKET
Rosewood Commons	Office	Partners Group	Swift Realty Partners	863,000	\$351,400,000	\$407	East Bay
301 Howard Street	Office	DivcoWest / CalSTRS	Vanbarton Group	307,000	\$292,500,000	\$953	San Francisco
Peninsula Office Park	Office	Harvest Properties / Invesco	Farallon Capital Partners / Hudson Pacific Properties	447,000	\$210,000,000	\$470	Peninsula
110-180 W Tasman Drive	Industrial	County of Santa Clara	Shorenstein	426,000	\$174,000,000	\$408	Silicon Valley
Gold Street Technology Center	Industrial	PSAI Realty Partners	Embarcadero Capital	302,000	\$91,500,000	\$303	Silicon Valley
4800 El Camino Real	Retail	Imperial Hornet Developers	Joseph Lawton	54,000	\$55,000,000	\$1,019	Silicon Valley
East Washington Place	Retail	UBS Realty Investors / Vestar Development	Regency Centers	203,000	\$54,900,000	\$270	North Bay
El Rancho Verde	Multi-Family	WNC & Associates	Clark Realty Capital	700	\$370,000,000	\$528,571	Silicon Valley
South Shore Apartments	Multi-Family	Maximus Real Estate Partners	Prometheus Real Estate	450	\$193,200,000	\$429,333	East Bay

Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 *Approximate allocation based on purchase price

Total Dollar Volume by Property Type (Dollar Volume in Millions)



Total Acquisitions by Capital Sector



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