

MARKETBEAT

Bay Area

Investment Q2 2019



BAY AREA INVESTMENT

Economic Indicators*

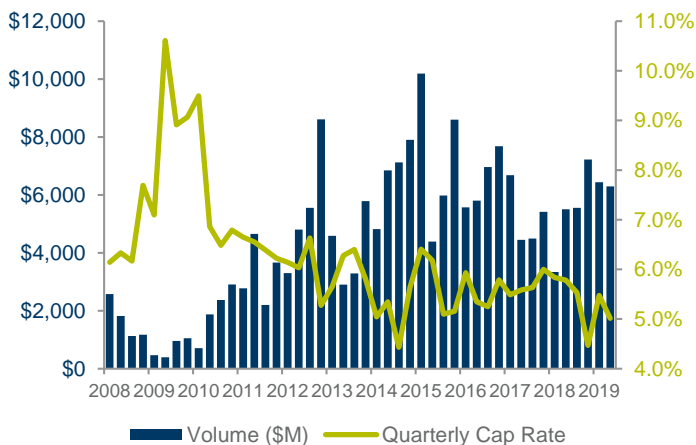
	Q2 18	Q2 19	12-Month Forecast
Bay Area Employment	3.98M	4.08M	▲
Bay Area Unemployment	2.8%	2.9%	▼
U.S. Unemployment	3.9%	3.6%	▼
U.S. Real Gross Product %	2.9%	2.5%	▼
U.S. 10-year Treasury Rate	2.92%	2.47%	▲

*2019 Q2 data are based on latest available data.

Market Indicators

	Q2 18	Q2 19	12-Month Forecast
Overall Cap Rate	5.8%	5.0%	▲
Total Volume (USD)	\$5.504B	\$6.292B	▲
Total Properties	103	99	▼
Total SF (Excluding Multifamily)	10.4M	9.8M	▲
Total Units (Multifamily)	2,155	1,820	▲

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



Economy

The Bay Area's economy remains robust with signs of growth across all major economic sectors. There is continued job growth momentum though it has slowed somewhat over the past year as the market has reached full employment. Nevertheless, there have been 92,400 nonfarm jobs added from just one year ago and a total of 873,100 additional jobs since the recovery began in 2009.

Market Overview

The Bay Area investment market closed the second quarter of 2019 with over \$6.2 billion in total sales, well above its \$5.8 billion three-year quarterly average. Average price per square foot (excluding apartments) reached \$544 per square foot across 81 properties; the office sector remains red hot at \$650 per square foot. The average cap rate shifted down 80 basis points year-over-year to 5.0%, Silicon Valley commands the highest spot at 5.9% and East Bay at the low end at 4.4% across all products.

A total of 9.8 million square feet (msf) traded during the quarter across the office, industrial and retail sectors. The apartment sector slowed down by trading 1,228 units less than the 3,048 three-year quarterly average. All product sectors are gaining further momentum to finish the year strong with competing offers on top tier products and development sites.

Regarding volume, Silicon Valley retained the top spot in the region for 15 straight quarters at \$2.1 billion while San Francisco and Peninsula finished strong at \$2.0 billion and \$1.1 billion, respectively. The largest transaction was 650 Townsend Street in San Francisco, sold by occupier Zynga, totaling 672,000 sf for a reported \$698 million or \$1,039 per square foot. Top office tenants include Zynga, Airbnb and iRhythm Technologies. In San Jose's robust multifamily market, Equity Residential traded Domain Apartments to Prime Group for a reported \$255.5 million at \$575,450 per unit. Built in 2014, the 444 unit property was 98% occupied at the time of sale.

Outlook

Strong buyer demand for office product is expected to continue through 2019 while other property types lag somewhat behind. Private buyers will command acquisitions with major tech companies adding more properties to their portfolios.

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PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SOLD	PRICE / SF*, UNIT	CAP RATE
Office	46	\$4,443,886,259	6,836,468 sf	\$650 / sf	4.9%
Industrial	24	\$686,552,966	2,407,363 sf	\$285 / sf	5.1%
Retail	11	\$172,991,999	582,072 sf	\$297 / sf	5.2%
Multifamily	18	\$988,901,980	1,820 units	\$543,353 / unit	4.3%
TOTAL	99	\$6,292,333,204	9,825,903 sf	\$545 / sf	5.0%

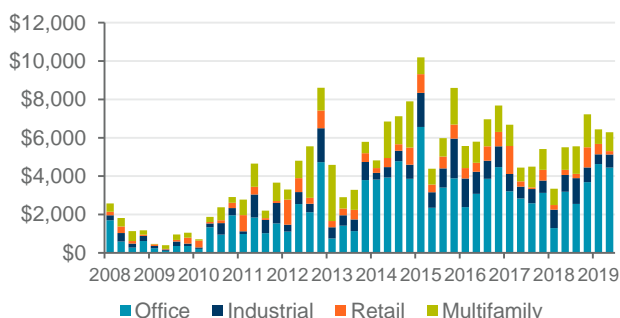
Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 Closed transactions over \$10 million
 *SF includes office, industrial and retail. Unit calculation for apartment only

Significant Sales Q2 2019

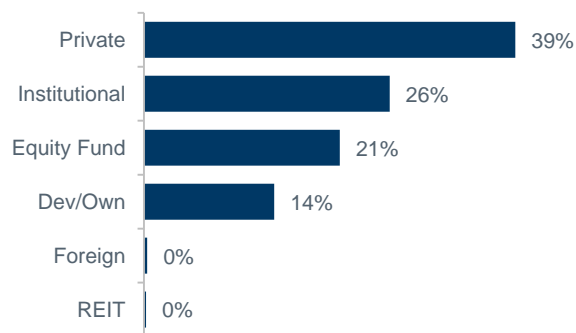
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)	MARKET
650 Townsend St	Office	Beacon Capital Partners	Zynga	672,000	\$698,000,000	\$1,039	San Francisco
The Crossroads	Office	C-III Investment Mgmt	Beacon Capital Partners	408,000	\$269,000,000	\$659	South Bay
123 Mission St	Office	JUUL	Northwood Investors	346,000	\$397,000,000	\$1,147	San Francisco
MidPoint @237	Industrial	Google	Lincoln Property, Gemdale	415,000	\$137,500,000	\$331	Silicon Valley
33201 Dowe Ave	Industrial	Investcor	Comstock Realty Partners	307,000	\$53,500,000	\$174	East Bay
Oakmont Plaza	Retail	Niki Group	B & L Properties II	105,000	\$11,000,000	\$105	Solano
26231 Mission Blvd	Retail	Merlone Geier Partners	ESL Investments	94,000	\$19,000,000	\$202	East Bay
Domain	Multi-Family	Prime Group	Equity Residential, Northwestern Mutual	444	\$255,500,000	\$575,450	Silicon Valley
Jasper	Multi-Family	Northwestern Mutual	Crescent Heights	319	\$306,500,000	\$960,815	San Francisco

Sources: Real Capital Analytics, Cushman & Wakefield Research Services

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



Total Acquisitions by Capital Sector



Cushman & Wakefield
 425 Market Street
 Suite 2300
 San Francisco, CA 94015
cushmanwakefield.com

For more information, contact:
 Jason Karbelk, Senior Analyst
 Tel: +1 415 568 3422
jason.karbelk@cushwake.com

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