

BAY AREA INVESTMENT

Economic Indicators

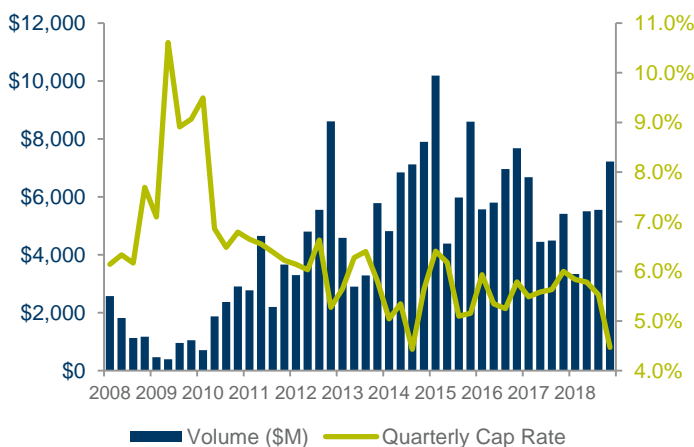
	Q4 17	Q4 18	12-Month Forecast
BAY AREA MSA Employment*	4,057k	4,157k	▲
BAY AREA MSA Unemployment*	2.8%	2.6%	▼
U.S. Unemployment	4.1%	3.7%	▼
U.S. GDP**	2.8%	3.5%	▲
U.S. 10-year Treasury	2.41	2.68	▲

\*Q4 18 data based on the average of October and November values  
 \*\*Q4 18 data based on Q3 values

Market Indicators

	Q4 17	Q4 18	12-Month Forecast
Overall Cap Rate	6.0%	4.5%	▲
Total Volume (USD)	\$5.414B	\$7.223B	▲
Total Properties	133	106	▼
Total SF (Excluding Multifamily)	114.2M	10.6M	▲
Total Units (Multifamily)	3,303	4,691	▲

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. 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 890,000 jobs since the recovery began in 2009.

Market Overview

The Bay Area investment market closed the fourth quarter of 2018 with over \$7.2 billion in total sales, well above its \$5.9 billion three-year quarterly average. Year-to-date sales totaled \$21.6 billion across 406 properties. The average cap rate shifted down 150 basis points year-over-year to 4.5%. A total of 10.6 million square feet (msf) traded during the quarter across the office, industrial and retail sectors along with 4,691 apartment units.

The office sector accounted for 51% of the total investment activity during the quarter, with over \$3.7 billion in volume. The apartment sector was the second largest component of quarterly transaction volume at 24% or \$1.7 billion. In the third spot was retail at \$1.1 billion followed by industrial at \$772 million. Silicon Valley retained the top spot in the region at \$2.8 billion while San Francisco and East Bay finished strong at \$1.9 billion and \$1.5 billion, respectively. The largest transaction was Alphabet's mega purchase of Britannia Shoreline Technology Park totaling 726,500 sf for a reported \$1.0 billion or \$1,376/sf. Within the last two years, Alphabet has spent at least \$2.83 billion in Santa Clara County alone.

Outlook

Domestic 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.

# MARKETBEAT

## Bay Area

Investment Q4 2018



PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SOLD	PRICE / SF*, UNIT	CAP RATE
Office	33	\$3,682,781,598	5,365,889 sf	\$686.33 / sf	4.3%
Industrial	25	\$771,887,621	2,745,291 sf	\$281.17 / sf	6.4%
Retail	13	\$1,053,267,441	2,459,936 sf	\$428.17 / sf	5.0%
Multifamily	35	\$1,714,967,873	4,691 units	\$365,587 / unit	3.5%
<b>TOTAL</b>	<b>106</b>	<b>\$7,222,904,533</b>	<b>10,571,116 sf</b>	<b>\$531.87 / sf</b>	<b>4.5%</b>

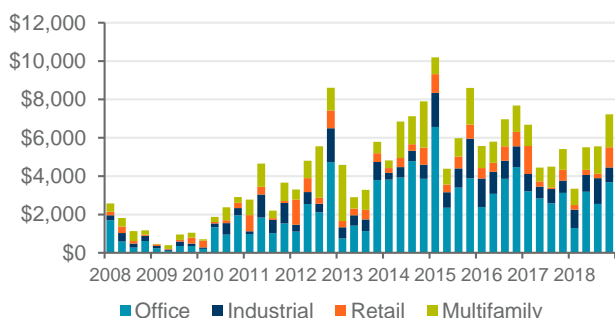
Sources: Real Capital Analytics, Cushman & Wakefield Research Services  
 Closed transactions over \$10 million  
 \*SF includes office, industrial and retail. Unit calculation for apartment only

### Significant Sales Q4 2018

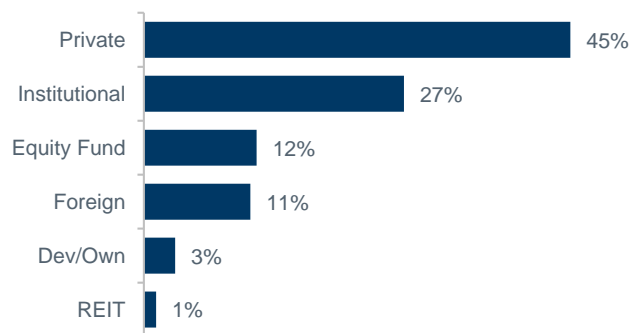
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)	MARKET
2011-2091 Stierlin Ct	Office	Alphabet	HCP	727,000	\$1,000,000,000	\$1,376	Silicon Valley
Stanford Research Park	Office	Sand Hill Property Company	HPE	546,000	\$380,000,000	\$696	Silicon Valley
The Ferry Building	Office	Hudson Pacific Properties / Allianz Real Estate	Blackstone	240,000	\$292,000,000	\$1,218	San Francisco
Owens-Brockway	Industrial	Blackstone	Gramercy	607,000	\$70,000,000	\$115	North Bay
Chesapeake Commons	Industrial	Google	Kilroy Realty	253,000	\$160,300,000	\$633	Silicon Valley
Broadway Plaza*	Retail	Heitman	Northwestern Mutual	714,000	\$420,000,000	\$1,176	East Bay
Westfield San Francisco	Retail	Brookfield AM**	Forest City	609,000	\$332,200,000	\$545	San Francisco
Bayside Village	Multi-Family	Brookfield AM**	Forest City	862	\$280,600,000	\$325,578	San Francisco
The Uptown	Multi-Family	Brookfield AM**	Forest City	665	\$134,500,000	\$202,215	East Bay

Sources: Real Capital Analytics, Cushman & Wakefield Research Services  
 \*Partial Interest Transfer (50.0%)  
 \*\*Brookfield AM acquisition of Forest City assets were part of an entity level sale, purchase prices represent allocated prices

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



Total Acquisitions by Capital Sector



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