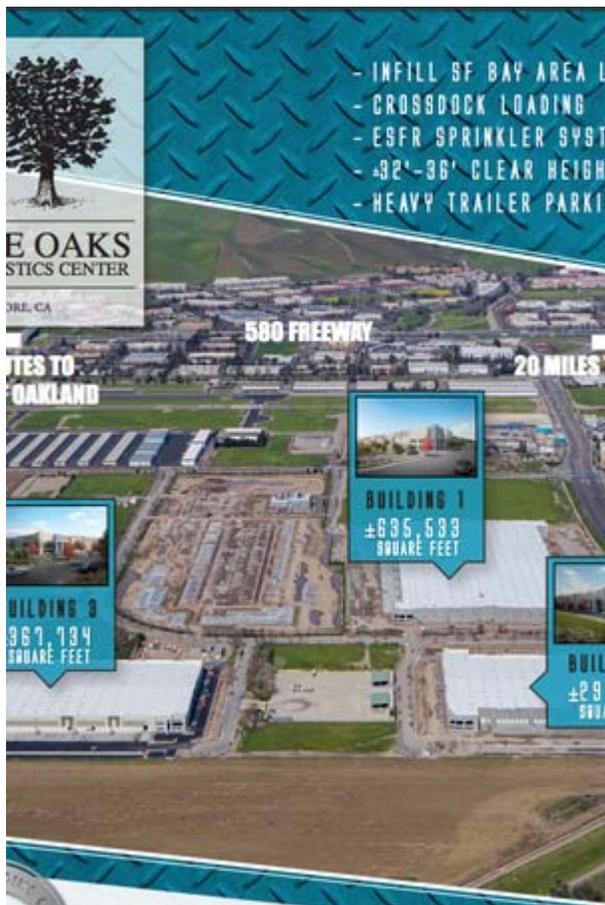


Exclusive: Tesla snaps up huge warehouse lease in Livermore, highlighting car ramp-up plans

May 2, 2016



CBRE/Colliers/Trammell Crow

Tesla leased two buildings in Livermore at this project: Building 1, which is 635,000 square feet, and Building 3 at 368,000 square feet.

Tesla could still lease Building 2, which is nearly 300,000 square feet.

Tesla Motors Inc. has snapped up a massive amount of warehouse space in Livermore as the closely watched electric-car company prepares to boost production at its Fremont plant.

The Palo Alto-based company led by Elon Musk leased two buildings totaling just over 1 million square feet, or more than 17 football fields, at the Oaks Logistics Center, multiple sources told me last week. Tesla could also take another roughly 300,000-square-foot building there, sources said.

The complex is under way on Discovery Drive, spitting distance to the Livermore Municipal Airport and about 20 miles from Tesla's

Fremont factory. The project, which will achieve a LEED Silver energy-efficiency rating,

was slated for completion early this year and is one of the largest industrial developments in the Bay Area.

The transaction, confirmed by a number of sources outside the deal, is notable for a couple of reasons: First, it is another data point that supports the bullish Bay Area outlook for new industrial space, which developers have been racing to build after years of basically zero new supply. And it highlights Tesla's ramp-up as it prepares to fulfill blow-out pre-orders for its less-

expensive Model 3 sedan starting at the end of 2017, not to mention the Model X crossover, which started deliveries in September.

The Model 3 starts at \$35,000 and even though it is not expected to start shipping until late next year, Tesla has received more 400,000 pre-orders. In comparison, the company expects between 80,000 and 90,000 in combined sales this year of the Model S and Model X.

The Livermore project, developed by Trammell Crow Co. and partner Bentall Kennedy, is relatively close enough to Fremont -- a half hour with no traffic -- to make it attractive, experts said. The location could also allow Tesla to attract a workforce from a larger geography, such as the Central Valley.

"Sure, we get it about the traffic and timeline between Fremont and Livermore, but the site, its LEED credentials, its central location, interstate access and exposure all carry the day here," said site selection expert John Boyd Jr., principal at the Boyd Co, which advises clients nationwide. He said the space could also "play a role in Elon Musk's interests in serving The Bay Area in sectors, including solar and who knows — intergalactic travel."

Tesla once stuffed its Fremont factory with everything from parts storage to suppliers to production equipment. But it's been pushing some of those uses outside of the factory to focus on manufacturing as its production needs have grown. That's fueled deals from suppliers and Tesla itself largely in the East Bay,

It's unclear how many jobs could be created at the new project, but several sources told me that the use is expected to be warehouse, not manufacturing. A Tesla spokeswoman didn't return emails or phone calls left last week. Robert Ferraro and Blake Rasmussen of CBRE, and Michael Lloyd of Colliers represented the developer. Trammell Crow declined to comment on the deal. John Yandle and Shawn Kellenberger of Newmark Cornish & Carey represented Tesla; Yandle declined to comment on Monday citing a confidentiality agreement, and Ferraro didn't return a phone call.

Tesla is reportedly paying about 57 cents per square foot per month, two sources told me. The buildings Tesla took are 635,533 square feet and 367,734 square feet. The remaining building is about 294,000 square feet.

This is the largest regional Tesla lease since last year's 901 Page Ave., a 500,000 square foot former Solyndra manufacturing building in Fremont that **Tesla leased in the summer**. Tesla last year also leased the 300,000-square-foot 47400 Kato Road in Fremont, which recently finished construction.

But Tesla appears to be placing dots on the map elsewhere, too, to tap into worker availability. That's what Tesla did in Lathrop in 2014 **for a facility focused on CNC**(computer numerical control) machining.

Real estate observers told me last week that Tesla going to Livermore probably reflects simple availability: While there are some large warehouse and manufacturing campuses in the works in Silicon Valley and the East Bay, most of those are already spoken for or are still a ways off from entitlement and completion. Cushman & Wakefield's first-quarter industrial market report shows that vacancy in the warehouse sector stood at just 3.5 percent in the Santa Clara County/South I-880 corridor markets.

"In Silicon Valley we are seeing a perfect storm of spiking demand from both local and regional users as well as national and global e-commerce players," the report stated.

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