Market Research

OVERVIEW | SECOND QUARTER | 2009

MARKET INDICATORS

OFFICE	2Q 2009	3Q 2009*
VACANCY	↑	↔
NET ABSORPTION	↓	↔
CONSTRUCTION	↑	↔
RENTAL RATE	↔	↔

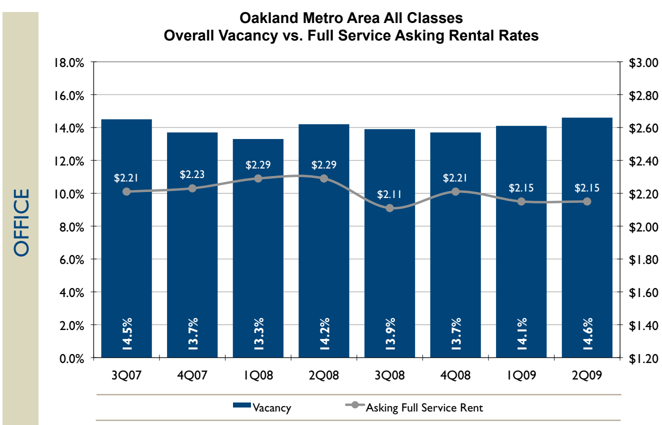
INDUSTRIAL	2Q 2009	3Q 2009*
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↔

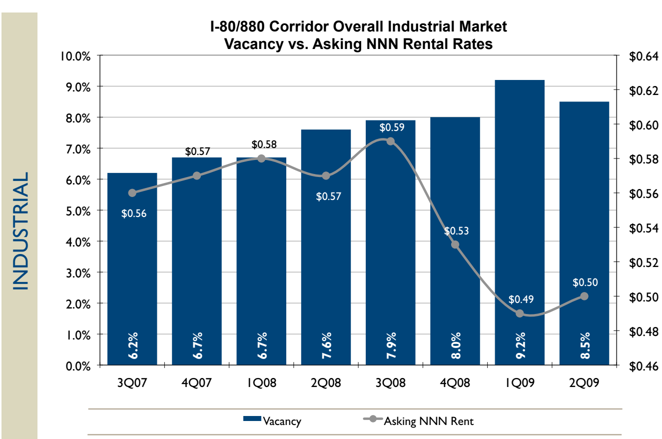
* PROJECTED

East Bay Overview

The overall vacancy rate in the Oakland Metropolitan Office Market increased seven basis points and closed the quarter at 14.6% up from 13.9% the prior quarter. Interesting to note, vacancy is essentially where it was in 2007, and since that time the market has expanded by 140,000 square feet. The vacancy rate for the I-880 Industrial Market rose 5.9% during the first half of the year to close the second quarter at 8.5%. Despite this rise, overall vacancy is down from 9.2% in the first quarter. Continued economic weakness leads us to believe that the markets will remain soft for the rest of 2009 and rebound as the market heals into 2010.

VACANCY VS. RENTAL RATE





COLLIERS INTERNATIONAL

www.colliersparrish.com

Office Overview

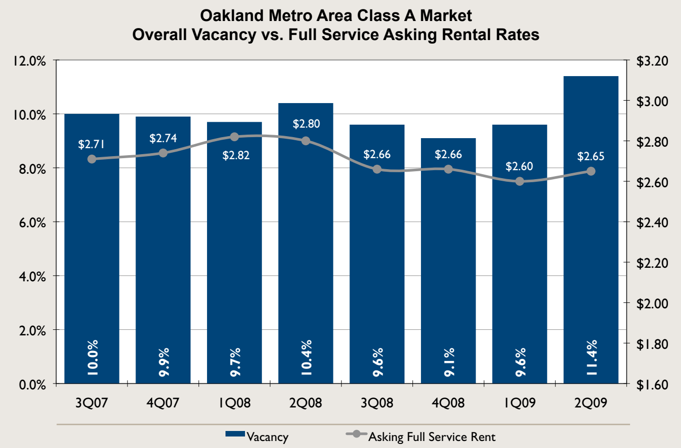
A general lack of confidence in the overall health of the economy resulted in relatively little leasing velocity through the second quarter of the year. Overall leasing activity was approximately 50% of what it was during the same period last year: 370,589 square feet (sq.ft.) as compared to 719,535 in the first two quarters of 2008. Absorption of space was also in the negative column totaling 370,359 sq.ft. through the end of June. Downtown Oakland led all markets with over 200,000 sq.ft. of negative absorption, the majority of that coming from APL putting its space at 1111 Broadway on the market. Rumor is that APL is close to signing a lease with First Solar for one floor, and several other tenants are looking at the rest of the space. Much of that activity, however, is internal to the market and will not impact absorption numbers positively.

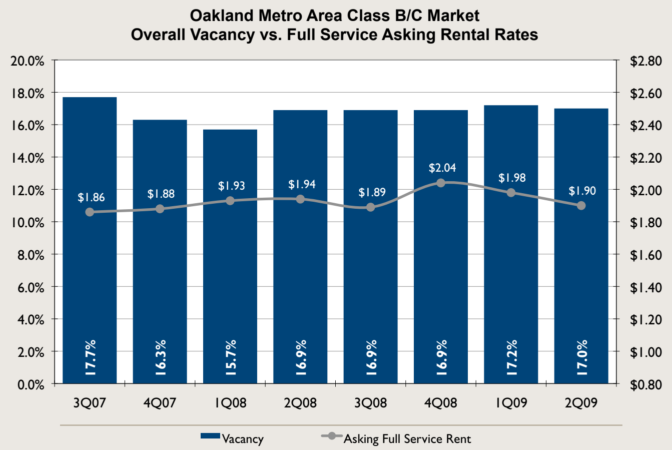
Weighted average asking rents throughout the region have remained relatively flat as compared to the previous period. They are currently $2.15 Full Service (FS) per square foot per month (psf/mo). The good news: we feel some, if not many, landlords in the area have hit bottom and are beginning to say "no" to tenants' demands for lower rents and landlord concessions. When that happens on a regular basis, rents cease to decline. With two consecutive quarters of flat asking rents, we may have reached that point.

Hines defaulted on its note at Watergate in Emeryville for three of the four buildings it owns. While not typically a good indicator of market conditions, perhaps the new owner will be in a better position to make lease transactions. The hope is that this will stimulate leasing activity in the Emeryville submarket. Ellis Partners announced the signing of an 115,000 sq.ft. lease with Cliff Bar who is consolidating from its Berkeley location—good news for Emeryville as that deal alone will improve vacancy numbers in Emeryville by 2.5%.

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

CLASS A, CLASS B&C





Downtown Oakland

The complexion of the Downtown Oakland office market is much the same as it was at the close of the first quarter. Vacancy rates are up since the beginning of the year to 8.8% for Class A product and 16.5% for Class B/C/Flex. Asking rental rates have dropped correspondingly. Class A rates are down to $2.76 from $2.83 FS psf/mo, and Class B/C/Flex rates are down to $1.93 from $2.00 FS psf/mo. Leasing activity has been extremely sluggish at 82,879 sq.ft. as compared to 183,703 sq.ft. at the close of the second quarter last year. In conjunction with increased vacancy rates, this has resulted in a 222,021 sq.ft. year-to-date negative net absorption for all classes combined, 186,500 sq.ft. in Class A alone. Because of market conditions, there has still been little to no investment activity.

110,000 sq.ft. of newly constructed Class A office space was completed in Jack London Square's Jack London Marketplace this quarter, all of which is currently vacant. It was the only significant office construction project completed in the Oakland Metropolitan area this year. This newly constructed, vacant space accounts for both the 35.4% vacancy in the Jack London Square Class A market and the sharp rise in asking rental rates.

Even with these jumps in the vacancies, we believe Downtown Oakland is still in a good position. Because of the area's convenient location and competitive rental rates, we expect the Downtown Oakland market to rebound swiftly once the economy starts to recover.

MARKET ACTIVITY

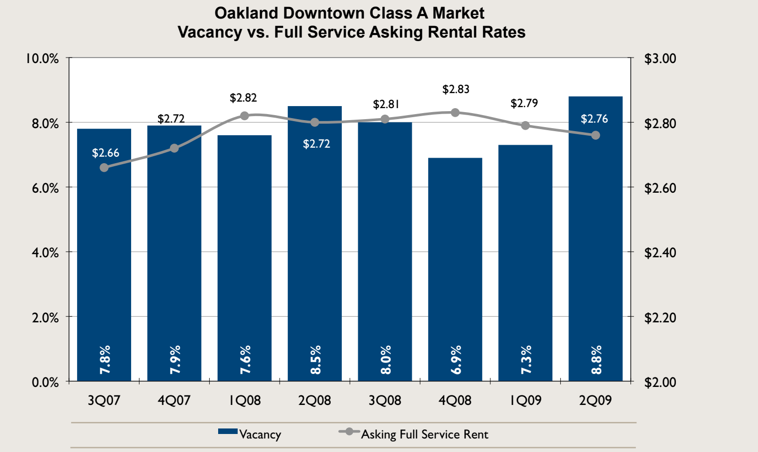
SIGNIFICANT SECOND QUARTER TRANSACTIONS

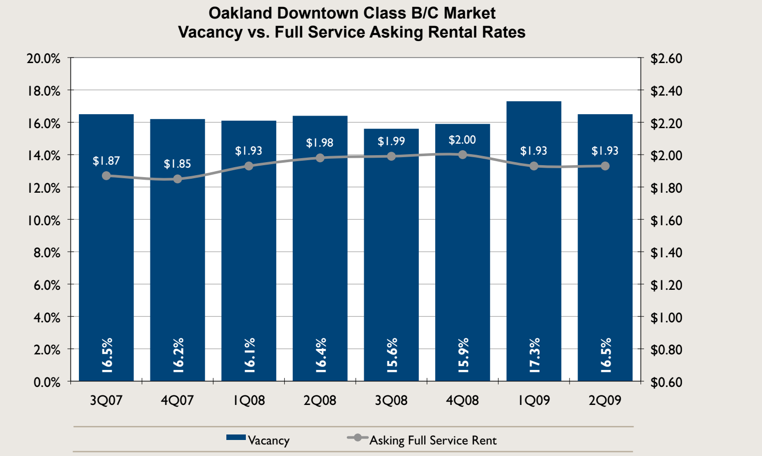
SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1999 Harrison Street	5/22/09	12,311	Natixis Asset Management Advisors	Office
1000 Broadway	4/1/09	11,314	California State University, East Bay	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

CLASS A, CLASS B&C





Oakland Airport

The Oakland Airport submarket ended the second quarter of 2009 with an overall positive net absorption of 22,614 sq.ft. Although total vacancy is down from 24.2% at the end of last year to 23.0% at the end of this quarter, asking rental rates are down as well. Rates have dropped from $1.71 to $1.55 FS psf/mo in the Class A market and from $1.55 to $1.43 FS psf/mo in the Class B/C & Flex market, 9.4% and 7.7% decreases respectively.

Despite economic conditions, leasing velocity remains relatively healthy when compared with surrounding submarkets. The Airport saw 93,367 leased sq.ft. year-to-date, 89,589 sq.ft. of that in Class B/C & Flex, the largest volume in the Oakland Metro office market. The largest transaction was Medical Imaging's 15,000 sq.ft. lease of 7901 Oakport Street. Tenants typically chose the Oakland Airport market due to its proximity to vital infrastructure. Therefore, despite lowered asking rental rates and landlord concessions, whether in the form of free rent or tenant improvements, vacancy has not been affected nearly as much as in neighboring submarkets. We believe rental rates will continue to decline throughout the rest of 2009, though not as severely as in the first half, and flatten out as we approach 2010.

MARKET ACTIVITY

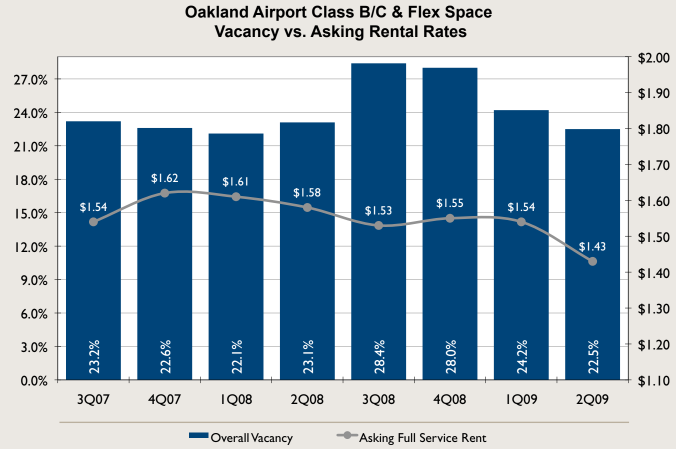
SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
7901 Oakport Street	4/1/09	15,000	Medical Imaging	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

CLASS A, CLASS B&C/FLEX



Berkeley

Downtown Berkeley

The vacancy rate in Downtown Berkeley dropped from 16.7% last quarter to 14.9% this quarter. Large blocks of space were leased at the recently completed David Brower Center, and smaller suites were leased in buildings such as 2030 Addison Street, 2054 University Avenue and 2150 Shattuck Avenue. Rents stayed within $0.07 FS psf/mo of where they were last quarter in Downtown Berkeley. This is very different from the surrounding markets of Oakland and Emeryville which saw higher peaks in their rents and are now seeing a much more substantial decline. Notable transactions include: Earth Island Institute and International Rivers leases of approximately 13,000 sq.ft. of office space combined in the David Brower Center and Nokia's approximately 3,500 sq.ft. lease at 2054 University Avenue.

West Berkeley

The vacancy rates in West Berkeley remained stable throughout the quarter with larger blocks of space remaining on the market and rents remaining virtually the same despite little activity. While a handful of major redevelopment sites including Flint Ink, Haws, and McCauley have stayed in play, other substantial sites are showing signs of life with construction well underway. The Essex Properties project started to take form in the heart of the Fourth Street shopping district, the Bus depot on Sixth Street and Gilman Street is pushing forward with momentum, and the long awaited new Berkeley Bowl completed construction and opened its doors.

MARKET ACTIVITY

SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

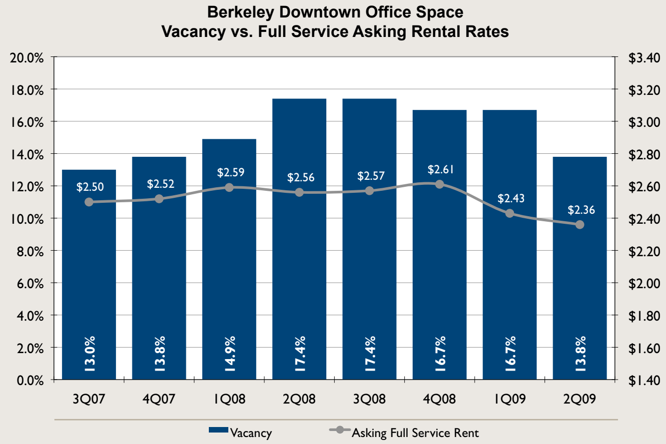
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
2150 Allston Way	5/1/09	7,032	Earth Island Institute	Office

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
2850 Telegraph Avenue	4/1/09	77,500	Regents of the University of California	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

DOWNTOWN BERKELEY AND WEST BERKELEY



Emeryville

The Emeryville Office Market has seen a sharp increase in vacancy since the beginning of the year from 12.3% at the end of quarter four 2008 to 15.5% at the conclusion of this quarter. Class A rates rose from 13.3% to 15.3%, a 15.0% increase, and Class B/C & Flex vacancy rose from 10.7% to 15.9%, a 49.0% increase, during the first half of 2009.

With closing businesses, especially those of software-related companies, and rising vacancy, we have seen a corresponding decrease in asking rental rates from $2.47 to $2.41 FS psf/mo in that same time period. There are many landlords fighting for a small number of tenants; thus landlords are continuing to find it necessary to make concessions. While asking rental rates for Class A space are at an average of $2.60 FS psf/mo, many deals are being signed in the low $2.00 FS psf/mo range with $25.00 to $35.00 in tenant improvements per square foot. A large number of these deals are renewals, and in the handful of new leases, most are tenants relocating within the Emeryville submarket. However, there have been a few noteworthy transactions. Lyris, Inc. subleased 30,770 sq.ft. of space at 6401 Hollis Street, and Carol H. Williams Advertising leased 15,849 sq.ft. of space at 1400 65th Street. We expect vacancy and rental rates to remain much the same through the end of 2009 and begin to show signs of vigor in early 2010.

MARKET ACTIVITY

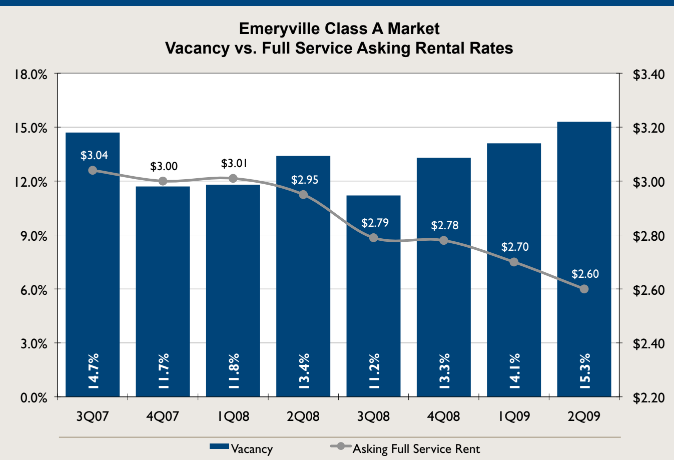
SIGNIFICANT SECOND QUARTER TRANSACTIONS

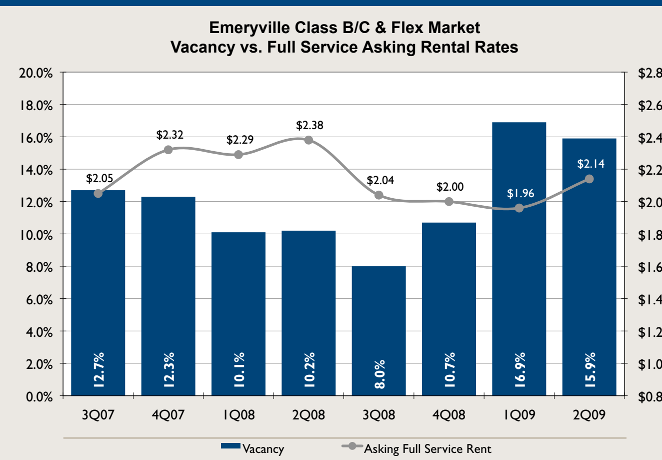
SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1900 Powell Street	5/1/09	35,312	LFR, Inc.	Office
6401 Hollis Street	5/1/09	30,770	Lyris, Inc.	Office/Flex
1400 65th Street	5/1/09	15,849	Carol H. Williams Advertising	Office/Flex

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

CLASS A, CLASS B&C/FLEX





Alameda

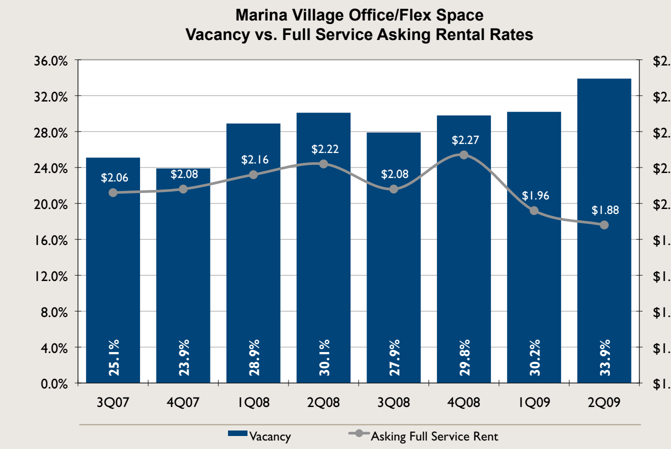
The Alameda Office Market saw increased vacancy through the first half of 2009. Harbor Bay vacancy rose from 17.9% to 18.5% and Marina Village from 29.8% to 33.9%, a 26.2% combined second quarter vacancy and a 10.5% increase. Of this, 24% is lab space. An earmark of challenging economic times, approximately 50% of the vacancy increase came from sublease space. Additionally, there are 22 spaces that are 18,000 sq.ft. or greater. Asking rental rates have softened over the course of the year. Harbor Bay closes the quarter with a $1.95 FS psf/mo rate, down from $2.07 at the end of fourth quarter 2008, a 5.8% decrease. Marina Village's asking rental rate is $1.88 FS psf/mo compared with a $2.27 rate, an 8.4% change over the same time period.

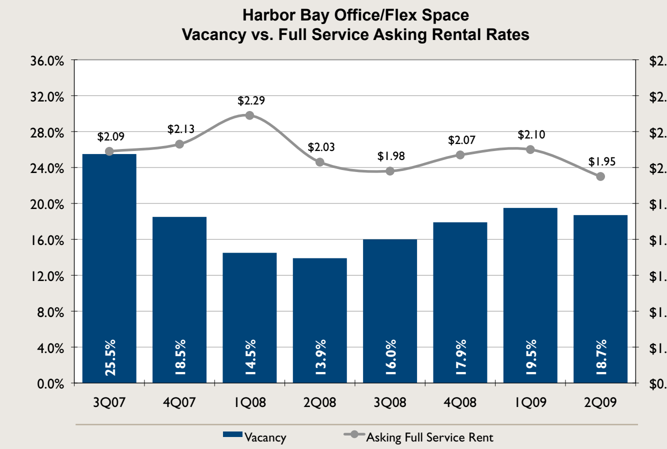
New leases have been few during the second quarter: a total of 25,506 sq.ft. year-to-date. At this time last year, a total of 131,304 sq.ft. of new leases had been signed in Harbor Bay and Marina Village combined. Now, most deals being signed are renewals, the largest of which is Embarcadero Systems 39,105 sq.ft. renewal at 1701 Harbor Bay Pkwy. The Alameda market will remain soft for the remainder of 2009; Harbor Bay asking rents and absorption continue to look better than in Marina Village, and will probably remain that way through 2009.

MARKET ACTIVITY
SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1701 Harbor Bay Parkway	6/1/09	39,105	Embarcadero Systems	Office/Flex
1851 Harbor Bay Parkway	5/20/09	20,357	Matthews Packaging Graphics	Office/Flex
1801 Harbor Bay Parkway	4/19/09	15,656	Readytech, Inc.	Office/Flex





OFFICE MARKET STATISTICS
SECOND QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION			CONSTRUCTION		RENT
CLASS	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE CURRENT QUARTER	RATE PRIOR QUARTER	OCCUPIED SF CURRENT QUARTER	CURRENT QUARTER	YEAR TO DATE	COMPLETED CURRENT QUARTER	UNDER CONSTR.	AVERAGE ASKING FULL SERVICE
SUBMARKETS															
CBD SECTION OAKLAND DT															
A	29	9,842,645	716,573	7.3%	151,750	1.5%	868,323	8.8%	7.3%	8,974,322	(151,330)	(186,500)	-	-	$2.76
B/C & Flex	114	5,407,729	860,698	15.9%	34,034	0.6%	894,732	16.5%	17.3%	4,512,997	38,480	(35,521)	-	-	$1.93
Total	**143**	**15,250,374**	**1,577,271**	**10.3%**	**185,784**	**1.2%**	**1,763,055**	**11.6%**	**10.8%**	**13,487,319**	**(112,850)**	**(222,021)**	**-**	**-**	**$2.34**
OAKLAND JLS															
A	4	355,600	125,864	35.4%	-	0.0%	125,864	35.4%	10.1%	229,736	9,059	(6,086)	110,000	-	$3.45
B/C & Flex	41	1,416,649	192,373	13.6%	5,800	0.4%	198,173	14.0%	14.8%	1,218,476	10,976	18,784	-	62,000	$1.73
Total	**45**	**1,772,249**	**318,237**	**18.0%**	**5,800**	**0.3%**	**324,037**	**18.3%**	**12.7%**	**1,218,476**	**20,035**	**12,698**	**110,000**	**62,000**	**$2.40**
CBD TOTAL															
A	33	10,198,245	842,437	8.3%	151,750	1.5%	994,187	9.7%	7.3%	9,204,058	(142,271)	(192,586)	110,000	-	$2.85
B/C & Flex	155	6,824,378	1,053,071	15.4%	39,834	0.6%	1,092,905	16.0%	16.7%	5,731,473	49,456	(16,737)	-	62,000	$1.89
Total	**188**	**17,022,623**	**1,895,508**	**11.1%**	**191,584**	**1.1%**	**2,087,092**	**12.3%**	**12.7%**	**14,935,531**	**(92,815)**	**(209,323)**	**110,000**	**62,000**	**$2.35**
SUBBURBAN SECTION RICHMOND															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	97	3,436,753	322,641	9.4%	-	0.0%	322,641	9.4%	9.9%	3,114,112	18,030	30,287	-	-	$2.06
Total	**97**	**3,436,753**	**322,641**	**9.4%**	**-**	**0.0%**	**322,641**	**9.4%**	**9.9%**	**3,114,112**	**18,030**	**30,287**	**-**	**-**	**$2.06**
BERKELEY DT															
A	9	558,882	61,588	11.0%	4,353	0.8%	65,941	11.8%	17.7%	492,941	33,189	27,647	-	-	$2.77
B/C & Flex	28	974,473	144,899	14.9%	-	0.0%	144,899	14.9%	16.1%	829,574	12,020	18,310	-	-	$2.18
Total	**37**	**1,533,355**	**206,487**	**13.5%**	**4,353**	**0.3%**	**210,840**	**13.8%**	**16.7%**	**1,322,515**	**45,209**	**45,957**	**-**	**-**	**$2.36**
BERKELEY WEST															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	40	1,454,998	210,229	14.4%	13,401	0.9%	223,630	15.4%	13.0%	1,231,368	(35,110)	(39,284)	-	-	$1.72
Total	**40**	**1,454,998**	**210,229**	**14.4%**	**13,401**	**0.9%**	**223,630**	**15.4%**	**13.0%**	**1,231,368**	**(35,110)**	**(39,284)**	**-**	**-**	**$1.72**
EMERYVILLE															
A	14	2,569,348	282,129	11.0%	111,299	4.3%	393,428	15.3%	14.1%	2,175,920	(30,088)	(51,251)	-	-	$2.60
B/C & Flex	44	1,683,088	243,234	14.5%	24,437	1.5%	267,671	15.9%	16.9%	1,415,417	17,608	(87,542)	-	-	$2.14
Total	**58**	**4,252,436**	**525,363**	**12.4%**	**135,736**	**3.2%**	**661,099**	**15.5%**	**15.3%**	**3,591,337**	**(12,480)**	**(138,793)**	**-**	**-**	**$2.41**
ALAMEDA - MARINA VILLAGE															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	55	1,671,320	489,837	29.3%	76,373	4.6%	566,210	33.9%	30.2%	1,105,110	(61,234)	(68,672)	-	-	$1.88
Total	**55**	**1,671,320**	**489,837**	**29.3%**	**76,373**	**4.6%**	**566,210**	**33.9%**	**30.2%**	**1,105,110**	**(61,234)**	**(68,672)**	**-**	**-**	**$1.88**
ALAMEDA - HARBOR BAY															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	28	1,684,784	263,255	15.6%	52,185	3.1%	315,440	18.7%	19.5%	1,369,344	12,342	(13,145)	-	-	$1.95
Total	**28**	**1,684,784**	**263,255**	**15.6%**	**52,185**	**3.1%**	**315,440**	**18.7%**	**19.5%**	**1,369,344**	**12,342**	**(13,145)**	**-**	**-**	**$1.95**
OAKLAND AIRPORT															
A	3	453,697	105,877	23.3%	5,320	1.2%	111,197	24.5%	24.5%	342,500	-	(828)	-	-	$1.55
B/C & Flex	32	1,389,507	293,663	21.1%	19,428	1.4%	313,091	22.5%	24.2%	1,076,416	23,575	23,442	-	-	$1.43
Total	**35**	**1,843,204**	**399,540**	**21.7%**	**24,748**	**1.3%**	**424,288**	**23.0%**	**24.3%**	**1,418,916**	**23,575**	**22,614**	**-**	**-**	**$1.46**
SUBBURBAN TOTAL															
A	26	3,581,927	449,594	12.6%	120,972	3.4%	570,566	15.9%	16.0%	3,011,361	3.101	(24,432)	-	-	$2.31
B/C & Flex	324	12,294,923	1,967,758	16.0%	185,824	1.5%	2,153,582	17.5%	17.4%	10,141,341	(12,769)	(136,604)	-	-	$1.91
Total	**350**	**15,876,850**	**2,417,352**	**9.4%**	**306,796**	**0.0%**	**2,724,148**	**9.4%**	**17.1%**	**13,152,702**	**(9,668)**	**(161,036)**	**-**	**-**	**$1.99**
MARKET TOTAL															
A	59	13,780,172	1,292,031	9.4%	272,722	2.0%	1,564,753	11.4%	9.6%	12,215,419	(139,170)	(217,018)	110,000	-	$2.65
B/C & Flex	479	19,119,301	3,020,829	15.8%	225,658	1.2%	3,246,487	17.0%	17.2%	15,872,814	36,687	(153,341)	-	62,000	$1.90
Total	**538**	**32,899,473**	**4,312,860**	**13.1%**	**498,380**	**1.5%**	**4,811,240**	**14.6%**	**14.1%**	**28,088,233**	**(102,483)**	**(370,359)**	**110,000**	**62,000**	**$2.15**
QUARTERLY COMPARISON AND TOTALS															
Q2-09	538	32,899,473	4,312,860	13.1%	498,380	1.5%	4,811,240	14.6%	14.1%	28,088,233	(102,483)	(370,359)	110,000	62,000	$2.15
Q1-09	537	32,543,873	4,128,136	12.7%	407,338	1.3%	4,535,474	13.9%	13.6%	28,008,399	(107,421)	(107,421)	-	172,000	$2.15
Q4-08	537	32,789,473	4,076,194	12.4%	420,714	1.3%	4,496,908	13.7%	13.9%	28,292,565	15,266	55,098	-	772,000	$2.21
Q3-08	537	32,789,473	4,163,226	12.7%	393,275	1.2%	4,556,501	13.9%	14.2%	28,232,972	16,485	(75,318)	-	172,000	$2.11
Q2-08	537	32,789,473	4,114,915	12.5%	550,078	1.7%	4,664,993	14.2%	13.3%	28,124,480	(342,738)	(183,810)	-	172,000	$2.29
Q1-08	537	32,787,994	3,877,480	11.8%	470,132	1.4%	4,347,612	13.3%	13.7%	28,440,382	133,571	133,571	30,000	-	$2.29

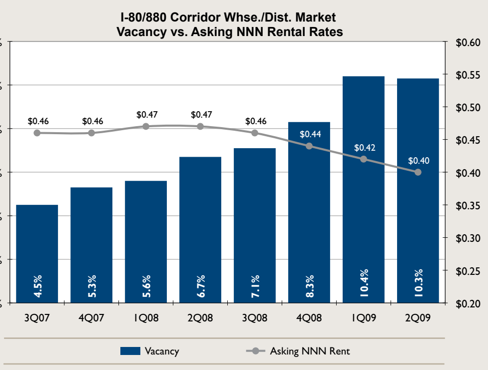
Industrial Overview

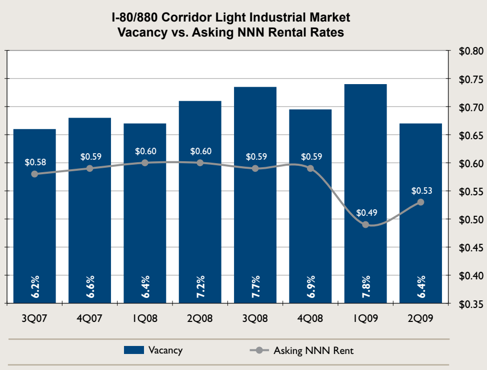
Market activity picked up in the second quarter of 2009. The Oakland Metropolitan Industrial Market, which languished in the first quarter of 2009, saw a number of significant transactions consummated this quarter. In Hayward, Pods signed a lease for 118,820 square feet (sq.ft.). at RREEF's Cabot Distribution Center; Falcon Global Distribution leased another 89,000 sq.ft. from Morgan Stanley at Whipple Business Park; and The Guardian Services Group leased 115,000 sq.ft. from Principal/Harvest Properties at Winton Industrial Park. Each of these transactions were active requirements in the first quarter of 2009, but were completed in the second. Despite an increase in activity, the overall vacancy rate and average asking rental rate for warehouse/distribution space on the I-880 Corridor remains at 10.3% and $0.41 Triple Net (NNN) per square foot per month (psf/mo), respectively, consistent with the first quarter. Sublease opportunities are on the rise, and landlords continue to offer considerable concessions to aggressively attract tenants; the market remains heavily in tenants' favor.

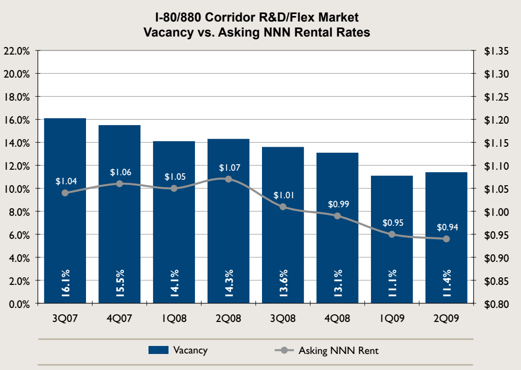
Prologis disposed of three business parks in Hayward. One property was purchased by a local owner, GSI Holdings out of Mill Valley, CA, the others were part of a larger national portfolio acquired through a joint venture between Prologis and Stockbridge which totaled over ten million square feet. Though the economic terms of each transaction were not disclosed, the sales were the only investment grade transactions year-to-date.

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

I-80/880 CORRIDOR WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX







Richmond

The Richmond Industrial Market saw decreased overall vacancy to 9.6% from 11.2% at the beginning of the year and a 210,688 sq.ft. net absorption. The largest drop was in the warehouse sector which went from 19.3% vacant to 14.8% vacant, a 23.3% change. Compared to neighboring submarkets such as Oakland and Hayward, Richmond has fared the first half of 2009 well. There have been recent signs of increased tenant and owner/users looking for space, and landlords are willing to make concessions to sign deals. Despite that, gross absorption is low at 125,541 sq.ft. for all product types combined year-to-date. Asking rental rates have remained flat at $0.52 NNN psf/mo overall; however, because landlords are signing deals at significantly discounted rates, this does not necessarily reflect actual lease rates. Completed deals this year include Sun Print's 32,450 sq.ft. lease of 870 Harbour Way South and Guardian Glass' 25,000 sq.ft. lease of 2200 Central Avenue. There has been no significant sale activity.

We expect to see asking rental rates soften over the second half of the year. However, the Richmond submarket is in a good position for a market rebound. Richmond is the only market left in the I-880 Corridor with significant tracts of developable land, which should attract tenants and investors alike once economic growth begins to accelerate.

MARKET ACTIVITY

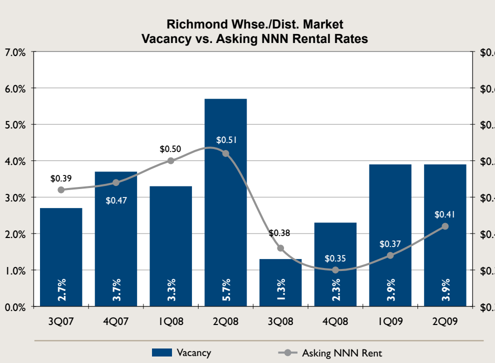
SIGNIFICANT SECOND QUARTER TRANSACTIONS

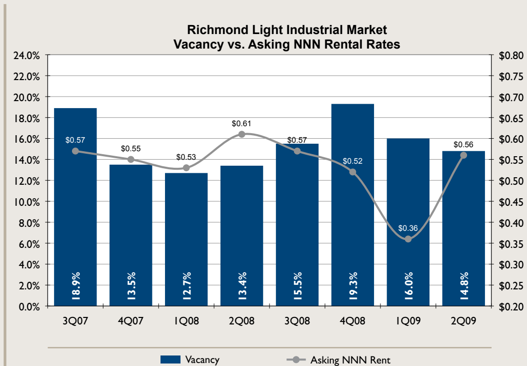
SIGNIFICANT LEASES

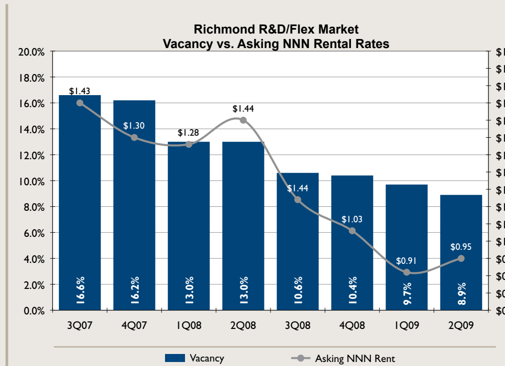
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
870 Harbour Way South	6/1/09	32,450	Sun Print	Light Industrial
2200 Central Avenue	6/1/09	25,000	Guardian Glass	Light Industrial

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX







Oakland

The rate of transactions has slowed significantly in the Oakland Industrial Market. Buyers have become very conservative and no longer have the expectation that property values will rise. At the same time, many owners are unwilling to sell their properties at what they consider bargain basement prices. As a result, there are very few properties offered for sale. The most popular strategy for owners who are trying to get through this slow market is to sign short-term leases at attractive lease rates. This is reflected in the latest statistics. The vacancy rate for light industrial space has remained steady for the last six months but the average asking rate has dropped from $0.54 to $0.45 NNN psf/mo. In the same period warehouse vacancy rates have increased from 7.9% to 12.9% and average asking rates have dropped from $0.45 to $0.37 NNN psf/mo. Most tenants are looking for short-term deals as well. Traditionally, when rates are low tenants seek to lock into a long-term lease. However, many are reluctant to do so because they are unsure how well their business will be doing in the near future.

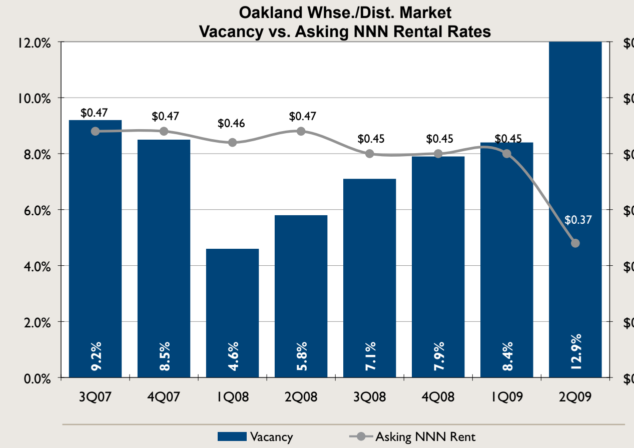
There have been very few notable deals in the Oakland market so far this year. The largest transaction of the year occurred when Big Art, LLC leased 250,000 sq.ft. in the former American Steel facility. There have been no notable sale transactions in 2009 which reflects owners' reluctance to sell into this down market. Some are predicting that the foreclosure rate will increase, creating more buying opportunities for business owners and property investors. Another possibility is that the economy will improve and prices will rise to a level at which owners are willing to sell. However, at this point there are no reliable predictions indicating when the market will pick up. All industries seem to be struggling and most business owners feel that it will continue until sometime next year.

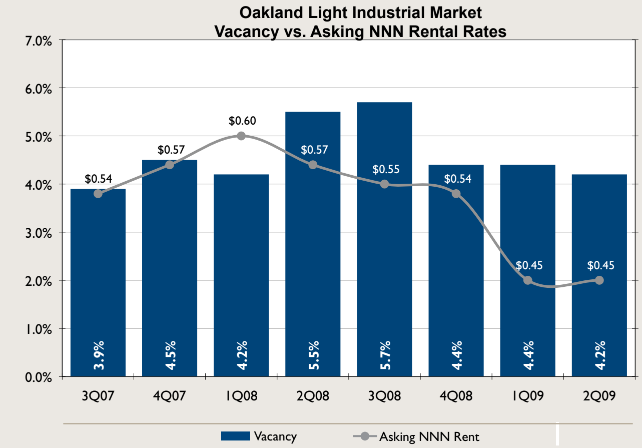
MARKET ACTIVITY
SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1960 Mandela Parkway	4/20/09	251,000	Big Art, LLC	Manufacturing
1260 57th Avenue	4/1/09	34,778	Legacy Shipping	Light Industrial

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES
WAREHOUSE AND LIGHT INDUSTRIAL





San Leandro

The San Leandro Industrial Market ended the second quarter of 2009 with a significantly decreased vacancy rate (5.8% overall) compared with the first quarter. This was due primarily to several larger spaces being taken off the market. Industrial product experienced the largest decrease, from 11.7% to 6.4%, a 45.3% change.

Despite low vacancy, deal velocity is still slow. The Port of Oakland has slowed tremendously due to a sluggish import/export market, and the unemployment rate is high. The majority of transactions have been short term renewals or expansions. Some tenants have been able to expand by taking adjoining units to theirs at a discount.

Overall current asking rates are at $0.44 NNN psf/mo as compared to $0.49 at the end of 2008. Rents dropped in two of three sectors during the course of the year: from $0.51 to $0.44 NNN psf/mo for industrial product; and $0.45 to $0.42 NNN psf/mo for warehouse/distribution product. R&D/Flex product increased in asking rental rates from $0.87 to $0.98 NNN psf/mo since the end of 2008. Landlords are finding it necessary to continue to make concessions in the form of free rent or tenant improvements to fill space. We expect to see this trend continue throughout 2009; rents and vacancy will stabilize once hiring begins again.

MARKET ACTIVITY

SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

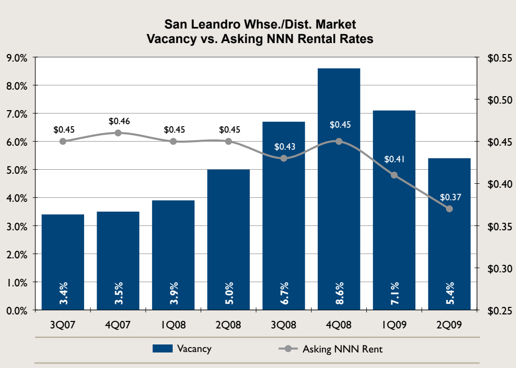
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1501 Doolittle Drive	4/15/09	92,986	ASA Warehouse	Warehouse/Distribution
14700 Doolittle Drive	5/30/09	45,200	The Independent Way	Light Industrial

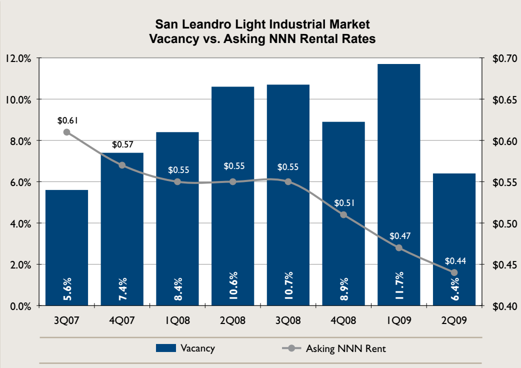
SIGNIFICANT SALES

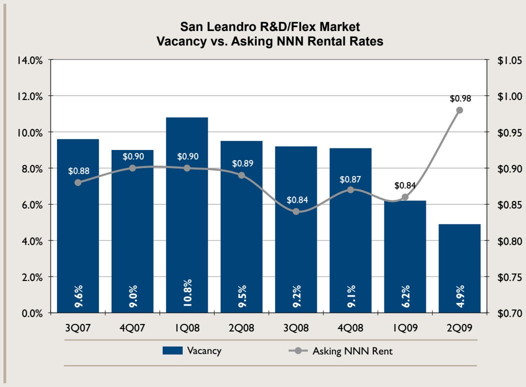
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
2100 Williams Street	5/22/09	59,500	Nan Feng Distribution	Light Industrial

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX







Hayward

Vacancy has increased in the Hayward Industrial Market from 8.5% at the outset of the year to 11.4% at the close of second quarter. The increase in vacancy can be largely accounted for by slow moving, existing, for sale product in a weak sale market. However, there were two notable sales in the Hayward market this quarter: GSI Realty Company purchased 113,160 sq.ft. of warehouse/distribution space at 21040-21056 Forbes Street, and Pinnacle Printing purchased 65,267 sq.ft. of light industrial space at 30680 Huntwood Avenue.

We are seeing a trend of short term (typically two to three year) renewals as both tenants and landlords try to ride out the market. Owners are in "deal mode." Their focus is on occupancy, somewhat regardless of rate or free rent. Current asking rental rates are down $0.05 to $0.51 NNN psf/mo from the beginning of the year for all product types combined. Though Hayward has a year-to-date negative net absorption of 1,262,428 sq.ft., the market has a nearly flat net absorption for the quarter. We expect to see a slight increase in vacancy over the next six months due to companies attempting to sublet excess space or vacating space entirely.

MARKET ACTIVITY
SIGNIFICANT SECOND QUARTER TRANSACTIONS

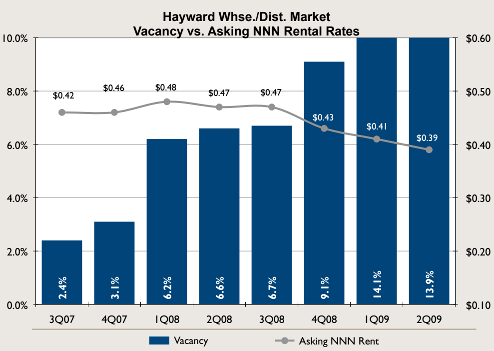
SIGNIFICANT LEASES

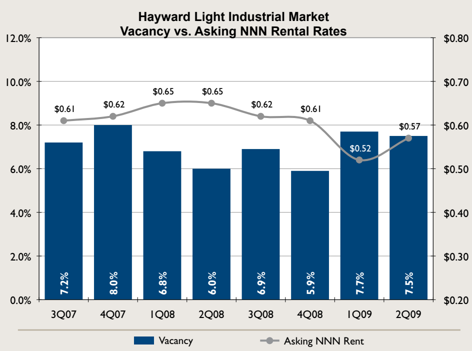
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
21001 Cabot Boulevard	6/17/09	118,820	POD's	Warehouse/Distribution
1065 Whipple Road	6/1/09	89,000	Falcon Global Distribution	Warehouse/Distribution
25881-901 Industrial Blvd.	6/30/09	88,381	Solta Medical, Inc.	R&D/Flex
3197 Depot Road	5/1/09	82,000	Inland Metals, Inc.	Light Industrial

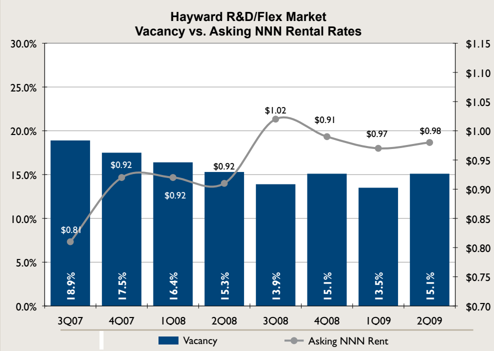
SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
21040-56 Forbes Street	4/22/09	113,160	GSI Realty Company	Warehouse/Distribution
30680 Huntwood Avenue	6/2/09	65,267	Pinnacle Printing	Light Industrial

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES
WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX







Union City

The Union City Industrial Market closed out the second quarter of 2009 with an overall vacancy rate of 7.6% and a slightly positive year-to-date net absorption of 18,078 sq.ft., indicating that the market is beginning to pick up. The two largest blocks of space that have come onto the market during the quarter are 128,516 sq.ft. at 30336 Whipple Road. and 60,000 sq.ft. at 4700 Horner Street. Investment sales have been non-existent as CAP rates have increased 150 to 200 basis points. Among most significant leases of the quarter is Federated Department Stores' renewal of 260,000 sq.ft. of space at 1200 Whipple Rd.

Though there has been a slight decrease in vacancy, many deals are being completed at below-market rates. Much of the newly occupied space is due to tenants expanding from within projects, taking advantage of low rates and free rent.

Current asking rates for warehouse/distribution and industrial product are up very slightly from the end of last year to $0.48 and $0.53 NNN psf/mo from $0.47 and $0.55 psf/mo, respectively. However, this marks a significant increase from the close of first quarter, up from $0.42 and $0.49 NNN psf/mo. We expect asking rental rates to continue to rise throughout the rest of 2009 as the economy mends and vacancy decreases.

MARKET ACTIVITY

SIGNIFICANT SECOND QUARTER TRANSACTIONS

SIGNIFICANT LEASES

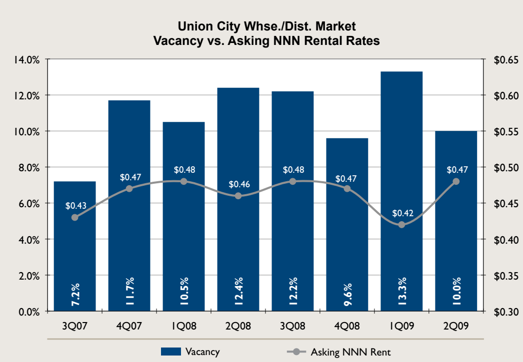
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1200 Whipple Road	4/1/09	260,000	Federated Department Stores	Warehouse/Distribution
33277 Central Avenue	5/5/09	58,850	Tricor Braun	Warehouse/Distribution

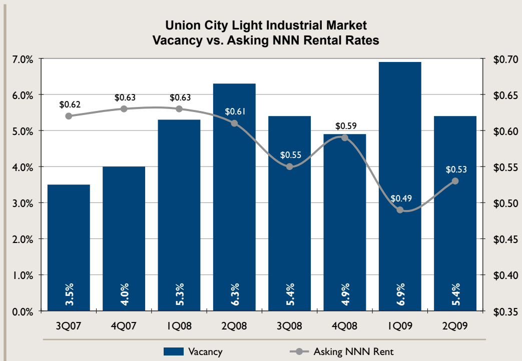
SIGNIFICANT SALES

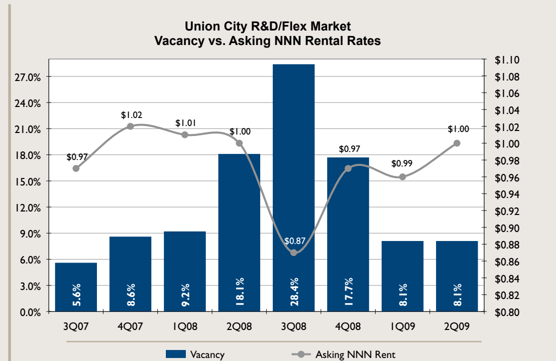
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
2801 Faber Street	6/26/09	35,530	99 Ranch Market	Warehouse/Distribution

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX







INDUSTRIAL MARKET STATISTICS

SECOND QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION			CONSTRUCTION		RENT
SUB-TYPE	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE CURRENT QUARTER	RATE PRIOR QUARTER	OCCUPIED SF CURRENT QUARTER	CURRENT QUARTER	YEAR TO DATE	COMPLETED CURRENT QUARTER	UNDER CONSTR.	NNN WTD. AVG. ASKING
SUBMARKETS															
RICHMOND															
Industrial	226	5,094,106	754,332	14.8%	-	0.0%	754,332	14.8%	16.0%	4,339,774	61,614	228,981	-	-	$0.56
Warehouse	41	4,263,981	166,153	3.9%	-	0.0%	166,153	3.9%	3.9%	4,097,828	-	(67,030)	-	-	$0.41
R&D/Flex	101	3,436,753	307,189	8.9%	-	0.0%	307,189	8.9%	9.7%	3,129,564	27,480	48,737	-	-	$0.95
Total	**368**	**12,794,840**	**1,227,674**	**9.6%**	**-**	**0.0%**	**1,227,674**	**9.6%**	**10.3%**	**11,567,166**	**89,094**	**210,688**	**-**	**-**	**$0.64**
OAKLAND															
Industrial	834	22,664,359	903,245	4.0%	56,910	0.3%	960,155	4.2%	4.4%	21,704,204	38,903	28,720	-	-	$0.45
Warehouse	156	10,616,104	1,015,095	9.6%	350,182	3.3%	1,365,277	12.9%	8.4%	9,250,827	(476,847)	(526,951)	-	-	$0.37
R&D/Flex	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
Total	**990**	**33,280,463**	**1,918,340**	**5.8%**	**407,092**	**1.2%**	**2,325,432**	**7.0%**	**5.7%**	**30,955,031**	**(437,944)**	**(498,231)**	**-**	**-**	**$0.40**
SAN LEANDRO															
Industrial	460	11,661,810	727,556	6.2%	16,582	0.1%	744,138	6.4%	11.7%	10,917,672	620,803	290,062	-	-	$0.44
Warehouse	127	14,543,408	760,843	5.2%	31,052	0.2%	791,895	5.4%	7.1%	13,751,513	243,390	455,174	-	25,650	$0.42
R&D/Flex	52	847,380	26,684	3.1%	14,875	1.8%	41,559	4.9%	6.2%	805,821	10,992	35,265	-	-	$0.98
Total	**639**	**27,052,598**	**1,515,083**	**5.6%**	**62,509**	**0.2%**	**1,577,592**	**5.8%**	**9.1%**	**25,475,006**	**875,185**	**780,501**	**-**	**25,650**	**$0.44**
HAYWARD															
Industrial	784	16,504,507	1,117,384	6.8%	112,636	0.7%	1,230,020	7.5%	7.7%	15,274,487	34,212	(252,469)	-	-	$0.57
Warehouse	214	21,078,545	1,861,951	8.8%	1,068,644	5.1%	2,930,595	13.9%	14.1%	18,147,950	45,083	(1,012,176)	-	-	$0.39
R&D/Flex	107	4,579,872	612,914	13.4%	76,439	1.7%	689,353	15.1%	13.5%	3,890,519	(70,828)	2,217	-	-	$0.93
Total	**1,105**	**42,162,924**	**3,592,249**	**8.5%**	**1,257,719**	**3.0%**	**4,849,968**	**11.5%**	**11.5%**	**37,312,956**	**8,467**	**(1,262,428)**	**-**	**-**	**$0.51**
UNION CITY															
Industrial	162	7,883,678	425,538	5.4%	-	0.0%	425,538	5.4%	6.9%	7,458,140	114,744	(36,377)	-	-	$0.53
Warehouse	80	7,187,526	645,657	9.0%	69,939	1.0%	715,596	10.0%	13.3%	6,471,930	241,459	(29,047)	-	-	$0.48
R&D/Flex	14	870,672	50,822	5.8%	20,000	2.3%	70,822	8.1%	8.1%	799,850	-	83,502	-	-	$1.00
Total	**256**	**15,941,876**	**1,122,017**	**7.0%**	**89,939**	**0.6%**	**1,211,956**	**7.6%**	**9.8%**	**14,729,920**	**356,203**	**18,078**	**-**	**-**	**$0.53**
MARKET TOTAL															
Industrial	2,466	63,808,460	3,928,055	6.2%	186,128	0.3%	4,114,183	6.4%	7.8%	59,694,227	870,276	258,917	-	-	$0.53
Warehouse	618	57,689,564	4,449,699	7.7%	1,519,817	2.6%	5,969,516	10.3%	10.4%	51,720,048	53,085	(1,180,030)	-	26,650	$0.40
R&D/Flex	274	9,734,677	997,609	10.2%	111,314	1.1%	1,108,923	11.4%	11.1%	8,625,754	(32,356)	169,721	-	-	$0.94
Total	**3,358**	**131,232,701**	**9,375,363**	**7.1%**	**1,817,259**	**1.4%**	**11,192,622**	**8.5%**	**9.2%**	**120,040,079**	**891,005**	**(751,392)**	**-**	**26,650**	**$0.50**
QUARTERLY COMPARISON AND TOTALS															
Q2-09	3,358	131,232,701	9,375,363	7.1%	1,817,259	1.4%	11,192,622	8.5%	9.2%	120,040,079	891,005	(751,392)	-	26,650	$0.50
Q1-09	3,358	131,232,701	10,617,658	8.1%	1,465,969	1.1%	12,083,627	9.2%	8.0%	119,149,074	(1,642,397)	(1,642,397)	-	170,036	$0.49
Q4-08	3,358	131,232,701	8,952,063	6.8%	1,489,167	1.1%	10,441,230	8.0%	7.9%	120,791,471	(127,873)	(1,668,173)	-	170,036	$0.53
Q3-08	3,358	131,232,701	8,748,794	6.7%	1,564,563	1.2%	10,313,357	7.9%	7.5%	120,919,344	(376,746)	(2,309,380)	-	170,036	$0.59
Q2-08	3,358	131,232,701	8,842,617	6.7%	1,093,994	0.8%	9,936,611	7.5%	6.7%	121,296,090	(1,194,510)	(1,163,554)	-	144,386	$0.57
Q1-08	3,358	131,232,701	7,637,508	5.8%	1,104,593	0.8%	8,742,101	6.7%	6.7%	122,490,600	30,956	30,956	-	144,386	$0.58
Q4-07	3,358	131,232,701	7,947,671	6.1%	825,386	0.6%	8,773,057	6.7%	6.2%	122,459,644	(555,727)	(1,607,402)	-	144,386	$0.57
Q3-07	3,358	131,232,701	7,440,453	5.7%	713,724	0.5%	8,154,177	6.2%	5.6%	123,078,524	(736,086)	(988,522)	-	-	$0.56
Q2-07	3,349	131,169,548	6,901,855	5.3%	453,083	0.3%	7,354,938	5.6%	5.6%	123,814,610	(70,254)	(252,436)	113,674	-	$0.56

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294 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia Pacific 64
EMEA 97

$48.1 billion in annual transaction volume
1.1 billion square feet under management
12,749 Professionals

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