

OAKLAND | CALIFORNIA RESEARCH & FORECAST REPORT



Industrial Market Review

I-80/I-880 CORRIDOR OVERVIEW

The I-80/I-880 Corridor experienced a dramatic pickup in leasing and sale activity in the first quarter of 2012. Activity levels across the board, from smaller tenants and users that have been on the sidelines since 2008, to the larger Fortune 500 tenants, have increased. With this pickup in activity we are starting to see the highest quality assets, Class A product, absorbed at levels not yet seen in this market cycle. In addition, inquiries for land acquisition and speculative development have begun to increase.

Market-wide vacancy along all products lines (warehouse/distribution, industrial, and R&D/flex) decreased in the first quarter to 8.8 percent from 9.0 percent a quarter earlier. The Oakland and San Leandro submarkets remain extremely tight in both light industrial and warehouse inventory with vacancy rates well below 10.0 percent. The heart of the I-880 Corridor industrial market, the Hayward warehouse/distribution sector, ticked down significantly to 11.1 percent vacancy, the lowest in that sector since 2008.

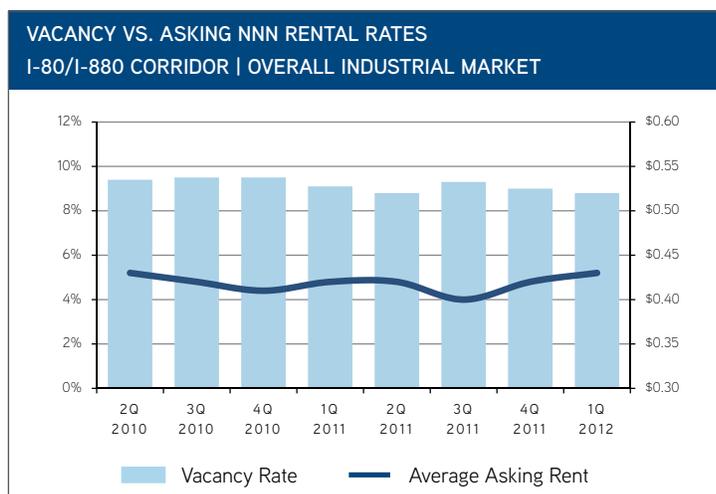
MARKET INDICATORS

	Q1-12	Projected Q2-12
VACANCY RATE	↓	↓
RENTAL RATE	↔	↔
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↑

SELECTED MARKET STATISTICS

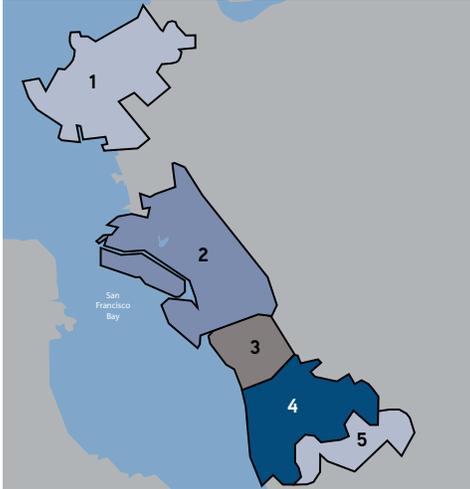
- > Year-to-date gross absorption is 1,101,180 square feet.
- > Vacancy this quarter was 8.8 percent compared to 9.0 percent last quarter
- > Net absorption for the first quarter of 2012 is 285,054 square feet.
- > Alameda County's unemployment rate is 9.5 percent as of February 2012.

* SOURCE: CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT



POSITIVE SIGNS FOR 2012

Overall vacancy has decreased quarter over quarter, a trend we foresee continuing throughout 2012. Though rental rate growth was minor this quarter, we expect to see greater growth towards the latter half of the year.



SUBMARKET MAP KEY

- 1 Richmond**
Hercules, Pinole, Richmond, San Pablo, El Cerrito
- 2 Oakland**
Oakland, Alameda
- 3 San Leandro**
San Leandro, San Lorenzo
- 4 Hayward**
Hayward
- 5 Union City**
Union City

(Continued from page 1)

Sales remain brisk as users and investors alike are able to find high quality assets at cyclical low prices and extremely attractive financing terms. Several larger portfolio transactions being marketed are attracting tremendous investor interest—a very good sign that the I-80/I-880 Corridor industrial market remains healthy with positive outlook for rent growth in future quarters.

The normal election year politics promise to make the second and third quarters very interesting, but we expect the I-80/I-880 Corridor industrial market will continue to outperform other Northern California submarkets and benefit from tech industry growth and high-end manufacturing sector growth. We expect that third party logistics companies will begin to expand in the second and third quarter to gear up for retail season as retail sales continue to beat analyst expectations.

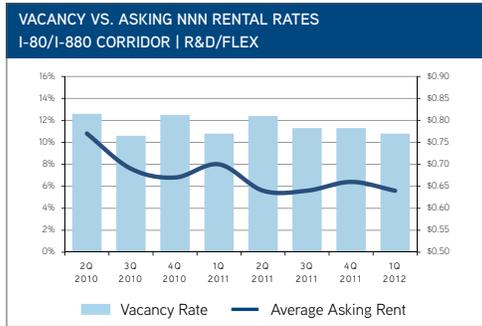
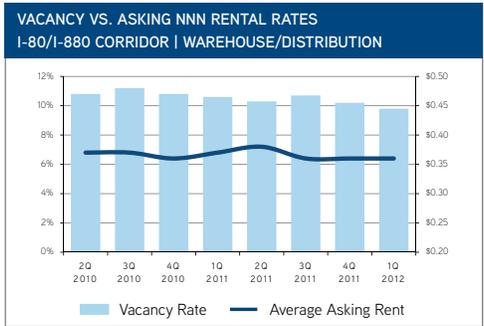
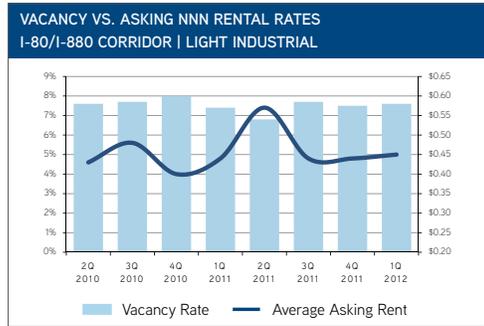
LEASE AND SALES ACTIVITY

LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
6195 Coliseum Way, Oakland	January 2012	90,000 SF	Ashley Furniture	Warehouse/Distribution
19312-19360 Cabot Blvd, Hayward	February 2012	89,460 SF	CORT Furniture Rental	Warehouse/Distribution
425-443 Hester Street, San Leandro	January 2012	84,524 SF	Berber Food Manufacturing	Light Industrial

SALES ACTIVITY

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
1470-1530 Doolittle Drive, San Leandro	March 2012	157,951 SF	Scannell Properties	Manufacturing
2230-2242 Davis Court, Hayward	March 2012	142,322 SF	Frase Enterprises, Inc.	Warehouse/Distribution
9201 San Leandro Street, Oakland	March 2012	100,000 SF	CTrains	Warehouse/Distribution



MARKET COMPARISONS

INDUSTRIAL MARKET

SUB-TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETED CURRENT QTR SF	UNDER CONSTRUCTION SF	AVG ASKING NNN
RICHMOND														
Industrial	226	5,094,106	826,871	16.2%	41,089	0.8%	867,960	17.0%	16.8%	(13,548)	(13,548)	-	-	\$0.44
Warehouse	41	4,263,981	419,180	9.8%	237,500	5.6%	656,680	15.4%	11.4%	(172,005)	(172,005)	-	-	\$0.27
R&D/Flex	101	3,436,753	199,674	5.8%	6,200	0.2%	205,874	6.0%	7.2%	42,551	42,551	-	-	\$0.71
Total	368	12,794,840	1,445,725	11.3%	284,789	2.2%	1,730,514	13.5%	12.4%	(143,002)	(143,002)	-	-	\$0.41
OAKLAND														
Industrial	834	22,664,359	1,242,379	5.5%	39,059	0.2%	1,281,438	5.7%	5.7%	15,102	15,102	-	-	\$0.44
Warehouse	156	10,616,104	939,576	8.9%	55,807	0.5%	995,383	9.4%	9.5%	11,834	11,834	-	-	\$0.37
R&D/Flex	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	990	33,280,463	2,181,955	6.6%	94,866	0.3%	2,276,821	6.8%	6.9%	26,936	26,936	-	-	\$0.41
SAN LEANDRO														
Industrial	460	11,661,810	828,270	7.1%	22,097	0.2%	850,367	7.3%	8.8%	175,442	175,442	-	-	\$0.46
Warehouse	127	14,543,408	427,325	2.9%	251,600	1.7%	678,925	4.7%	5.2%	71,737	71,737	-	25,650	\$0.31
R&D/Flex	52	847,380	134,892	15.9%	-	0.0%	134,892	15.9%	14.4%	(13,074)	(13,074)	-	-	\$0.84
Total	639	27,052,598	1,390,487	5.1%	273,697	1.0%	1,664,184	6.2%	7.0%	234,105	234,105	-	25,650	\$0.43
HAYWARD														
Industrial	784	16,504,507	1,298,733	7.9%	121,307	0.7%	1,420,040	8.6%	8.4%	(31,858)	(31,858)	-	-	\$0.46
Warehouse	214	21,078,545	2,117,866	10.0%	211,496	1.0%	2,329,362	11.1%	13.1%	439,398	439,398	-	-	\$0.39
R&D/Flex	107	4,579,872	517,432	11.3%	55,430	1.2%	572,862	12.5%	13.0%	24,505	24,505	-	-	\$0.53
Total	1,105	42,162,924	3,934,031	9.3%	388,233	0.9%	4,322,264	10.3%	11.3%	432,045	432,045	-	-	\$0.43
UNION CITY														
Industrial	162	7,883,678	382,461	4.9%	17,789	0.2%	400,250	5.1%	3.0%	(160,461)	(160,461)	-	-	\$0.45
Warehouse	80	7,187,526	995,035	13.8%	-	0.0%	995,035	13.8%	12.4%	(100,239)	(100,239)	-	-	\$0.40
R&D/Flex	14	870,672	138,275	15.9%	-	0.0%	138,275	15.9%	15.4%	(4,330)	(4,330)	-	-	\$0.79
Total	256	15,941,876	1,515,771	9.5%	17,789	0.1%	1,533,560	9.6%	8.0%	(265,030)	(265,030)	-	-	\$0.45

MARKET TOTAL

Industrial	2,466	63,808,460	4,578,714	7.2%	241,341	0.4%	4,820,055	7.6%	7.5%	(15,323)	(15,323)	-	-	\$0.45
Warehouse	618	57,689,564	4,898,982	8.5%	756,403	1.3%	5,655,385	9.8%	10.2%	250,725	250,725	-	25,650	\$0.36
R&D/Flex	274	9,734,677	990,273	10.2%	61,630	0.6%	1,051,903	10.8%	11.3%	49,652	49,652	-	-	\$0.64
Total	3,358	131,232,701	10,467,969	8.0%	1,059,374	0.8%	11,527,343	8.8%	9.0%	285,054	285,054	-	25,650	\$0.43

QUARTERLY COMPARISON AND TOTALS

Q1-12	3,358	131,232,701	10,467,969	8.0%	1,059,374	0.8%	11,527,343	8.8%	9.0%	285,054	285,054	-	25,650	\$0.43
Q4-11	3,358	131,232,701	10,404,212	7.9%	1,408,185	1.1%	11,812,397	9.0%	9.3%	346,080	712,552	-	25,650	\$0.42
Q3-11	3,358	131,232,701	11,127,871	8.5%	1,030,606	0.8%	12,158,477	9.3%	8.8%	(666,649)	366,472	-	25,650	\$0.40
Q2-11	3,358	131,232,701	10,597,313	8.1%	894,515	0.7%	11,491,828	8.8%	9.1%	407,324	1,033,121	-	25,650	\$0.42
Q1-11	3,358	131,232,701	10,714,755	8.2%	1,184,397	0.9%	11,899,152	9.1%	9.5%	625,797	625,797	-	25,650	\$0.42

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- Over 12,300 professionals

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