

East Bay I-80/I-880 Corridor Industrial Market on Track for a Record Breaking Year

- > Year-to-date gross absorption is 6,325,118 square feet
- > Vacancy this quarter was 3.1 percent compared to 3.6 percent last quarter
- > Year-to-date net absorption is 1,875,775 square feet

The first half of 2015 saw the industrial market surging, with the third quarter putting the East Bay I-80/I-880 Corridor on track for a record breaking year.

Overall vacancy rates remained historically low, dropping across all product types, from 3.6 percent in the second quarter, to 3.1 percent in third quarter. The 2014 year end vacancy rate came in slightly higher, at 3.9 percent, in comparison.

Market Indicators

Unemployment Rate



10-Year Nominal Interest Rate



Consumer Confidence



Market Trends

Relative to prior period

Q3 2015

Q4 2015*

Vacancy



Rental Rate



Net Absorption



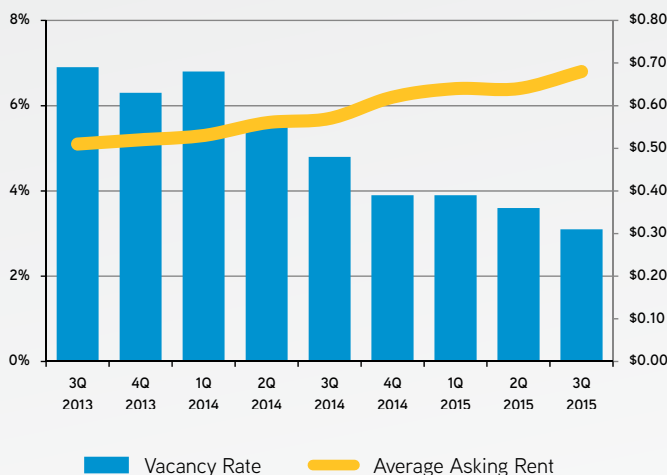
Construction



*Projected

Vacancy vs. Asking NNN Rental Rates

I-80/I-880 Corridor | Overall Industrial Market



Vacancy rates have remained at historically low levels during the course of 2015 with vacancy dropping further this quarter. The 3Q2015 vacancy rate dropped to 3.1 percent. We expect moderate but steady rental rate growth to continue for the remainder of 2015.

Summary Statistics

Q3 2015 I-80/I-880 Corridor Industrial Market

Previous Quarter

Current Quarter

Overall Vacancy	3.6%	3.1%
Net Absorption	1,074,645	759,042
Construction Completed	670,089	107,024
Under Construction	440,024	1,243,750
Overall Asking Rents	\$0.65	\$0.68
Overall Industrial Asking Rents	\$0.65	\$0.62
Overall Warehouse Asking Rents	\$0.56	\$0.56
Overall R&D Flex Asking Rents	\$0.84	\$1.04

*Asking Rents Reported Monthly

U.S. National Economic Indicators

Unemployment Rate	5.3%	5.1%
Labor Force Participation Rate	63%	62%
Consumer Price Index	2.37%	2.38%
Interest Rate - 10 Yr Treasury	2.43%	2.05%
Business Confidence	99.87%	99.67%
Consumer Confidence	100.90%	100.72%

The third quarter also registered a number of noteworthy lease transactions. East Bay Logistics renewed their 214,320 square feet at 1900 West Winton in Hayward. In addition, Ceva Logistics expanded their footprint in the market by leasing 268,800 square feet at 6753 Mowry Avenue in Newark. The space was formerly occupied by Coasters Furniture, who relocated to 232,881 square feet at 8350 Pardee Drive in Oakland earlier in the year. HelloFresh, a meal delivery kit company, signed a long-term lease at the former Richmond Wholesale facility, a 109,594 square foot cold storage distribution building, located at 2041 Factory Drive in Richmond. Gobble, also a meal delivery kit company, signed a long-term lease at the former Just Desserts facility, a 66,913 square foot Class A food production building. Each deal was able to achieve historically high lease rates.

These deals have directly contributed to higher asking rates across all product types and classes. The vast majority of Class A warehouse space is coming to market north of \$0.55 NNN, with a large number of those spaces asking \$0.60 - \$0.65 NNN. With multiple parties negotiating on each space, the vast majority of deals are being executed close to, or at, the asking rate.

There were a number of sales throughout the third quarter; the majority were small to mid-size owner/user sales below 50,000 square feet. Conflow purchased a 16,670 square foot building at 25670 Nickel Place in Hayward for \$2,180,000 or approximately \$131.00 per square foot. In addition, 2930 Faber Street, a 41,856 square foot industrial building in Union City, sold to an out of market user for \$4,800,000 or \$115.00 per square foot. Most owner/user buildings coming on the market are being listed anywhere from \$120.00 to \$150.00 per square foot.

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The I-80/I-880 East Bay industrial market continues to be one of the strongest in the nation, with the third quarter boasting some of the lowest vacancy rates on record. Following an extremely positive first three quarters of the year, we expect the market to continue at its current pace through the fourth quarter, and into 2016.



East Bay Logistics: 1900 West Winton, Hayward



Gobble: 550 85th Avenue, Oakland



Ceva Logistics: 6753 Mowry Avenue, Newark

Significant Lease & Sale Activity



Market Comparisons

INDUSTRIAL MARKET

SUBTYPE	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	225	4,920,275	288,004	5.9%	-	0.0%	288,004	5.9%	7.6%	147,847	113,759	-	-	\$0.58
Warehouse	44	4,857,710	250,154	5.1%	-	0.0%	250,154	5.1%	6.6%	70,813	340,504	-	749,185	\$0.56
R&D/Flex	100	3,393,153	199,520	5.9%	-	0.0%	199,520	5.9%	6.1%	7,293	33,394	-	-	\$0.71
Total	369	13,171,138	737,678	5.6%	-	0.0%	737,678	5.6%	6.8%	225,953	487,657	-	749,185	\$0.61
OAKLAND														
Industrial	834	22,664,359	337,614	1.5%	21,201	0.1%	358,815	1.6%	3.1%	349,731	263,798	-	-	\$0.55
Warehouse	157	10,990,829	213,497	1.9%	-	0.0%	213,497	1.9%	3.0%	118,620	437,658	-	-	\$0.57
R&D/Flex	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	991	33,655,188	551,111	1.6%	21,201	0.1%	572,312	1.7%	3.1%	468,351	701,456	-	-	\$0.56
SAN LEANDRO														
Industrial	460	11,661,810	124,111	1.1%	-	0.0%	124,111	1.1%	2.1%	124,649	171,057	-	-	\$0.70
Warehouse	127	14,543,408	26,500	0.2%	57,000	0.4%	83,500	0.6%	1.2%	90,725	335,413	-	161,200	\$0.56
R&D/Flex	52	847,380	57,896	6.8%	-	0.0%	57,896	6.8%	5.3%	(12,600)	(7,182)	-	-	\$0.86
Total	639	27,052,598	208,507	0.8%	57,000	0.2%	265,507	1.0%	1.7%	202,774	499,288	-	161,200	\$0.69
HAYWARD														
Industrial	786	16,581,585	452,363	2.7%	-	0.0%	452,363	2.7%	2.1%	(108,650)	(11,106)	-	-	\$0.67
Warehouse	214	21,078,545	1,062,116	5.0%	29,700	0.1%	1,091,816	5.2%	5.8%	126,342	(421,475)	-	333,365	\$0.56
R&D/Flex	105	4,502,794	293,596	6.5%	17,132	0.4%	310,728	6.9%	7.2%	12,473	191,153	-	-	\$0.76
Total	1,105	42,162,924	1,808,075	4.3%	46,832	0.1%	1,854,907	4.4%	4.5%	30,165	(241,428)	-	333,365	\$0.62
UNION CITY														
Industrial	162	7,883,678	80,467	1.0%	-	0.0%	80,467	1.0%	1.3%	24,094	49,753	-	-	\$0.60
Warehouse	82	7,294,550	352,596	4.8%	25,646	0.4%	378,242	5.2%	4.2%	(154,882)	(502)	107,024	-	\$0.57
R&D/Flex	14	870,672	88,742	10.2%	-	0.0%	88,742	10.2%	10.6%	3,448	59	-	-	\$0.89
Total	258	16,048,900	521,805	3.3%	25,646	0.2%	547,451	3.4%	3.1%	(127,340)	49,310	107,024	-	\$0.63
NEWARK														
Industrial	139	4,119,474	83,680	2.0%	1,860	0.0%	85,540	2.1%	1.7%	(14,910)	43,361	-	-	\$0.70
Warehouse	29	3,923,778	25,592	0.7%	30,000	0.8%	55,592	1.4%	0.8%	(25,592)	20,656	-	-	\$0.60
R&D/Flex	43	3,082,263	252,177	8.2%	-	0.0%	252,177	8.2%	8.2%	(359)	315,475	-	-	\$1.75
Total	211	11,125,514	361,449	3.2%	31,860	0.3%	393,309	3.5%	3.2%	(40,861)	379,492	-	-	\$1.36

MARKET TOTAL

Industrial	2,606	67,831,181	1,366,239	2.0%	23,061	0.0%	1,389,300	2.0%	2.7%	522,761	630,622	-	-	\$0.62
Warehouse	653	62,688,820	1,930,455	3.1%	142,346	0.2%	2,072,801	3.3%	3.8%	226,026	712,254	107,024	1,243,750	\$0.56
R&D/Flex	314	12,696,262	891,931	7.0%	17,132	0.1%	909,063	7.2%	7.2%	10,255	532,899	-	-	\$1.04
Total	3,573	143,216,262	4,188,625	2.9%	182,539	0.1%	4,371,164	3.1%	3.6%	759,042	1,875,775	107,024	1,243,750	\$0.68

QUARTERLY COMPARISONS AND TOTALS

Q3-15	3,573	143,216,262	4,188,625	2.9%	182,539	0.1%	4,371,164	3.1%	3.6%	759,042	1,875,775	107,024	1,243,750	\$0.68
Q2-15	3,573	143,233,909	4,821,375	3.4%	326,478	0.2%	5,147,853	3.6%	3.9%	-	1,116,733	670,089	440,024	\$0.65
Q1-15	3,569	142,563,820	4,628,639	3.2%	923,770	0.6%	5,552,409	3.9%	3.9%	-	42,088	-	1,107,634	\$0.65
Q4-14	3,569	142,563,820	4,708,975	3.3%	885,522	0.6%	5,594,497	3.9%	4.8%	-	4,353,089	-	633,584	\$0.62
Q3-14	3,569	142,563,820	5,906,095	4.1%	961,814	0.7%	6,867,909	4.8%	5.6%	1,116,697	2,977,613	-	580,584	\$0.57

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