

Market Research

INDUSTRIAL | FIRST QUARTER | 2010



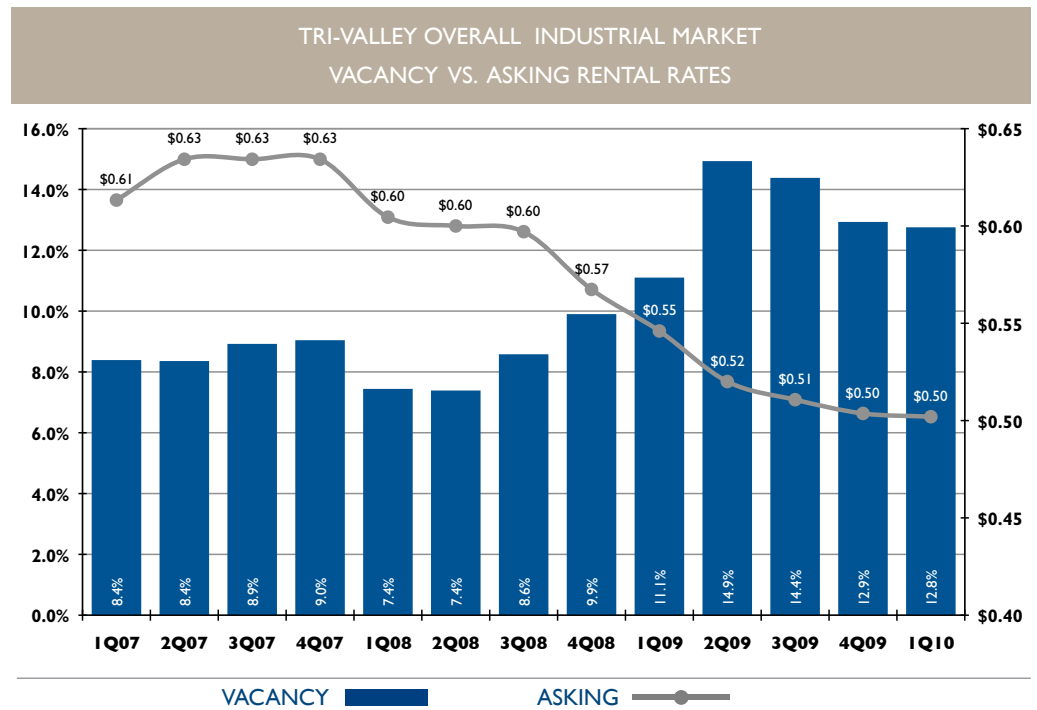
MARKET INDICATORS

	IQ 2010	2Q 2010*
VACANCY	↔	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↔

*PROJECTED

Market Overview

The Tri-Valley overall industrial market's vacancy rate was 12.9% in the first quarter; virtually unchanged from the 12.8% rate at the end of 2009. This time last year, the overall vacancy rate in the Tri-Valley was reported at 11.1%. Average asking rates have also flattened, remaining at \$0.50 per square foot triple net for the second consecutive quarter. Average asking rates have declined from their level of \$0.55 per square foot triple net one year ago. Overall net absorption remained positive in the first quarter at 45,982 square feet; however this was less than the previous quarter's positive 254,847 square feet of net absorption. Overall leasing activity in the first quarter was relatively quiet at 148,552 square feet. Despite the flat economy, the Tri-Valley area remains a desirable area for new and existing businesses, and touring activity is increasing.



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Dublin/Pleasanton Light Industrial

The Dublin/Pleasanton light industrial market remained sluggish during the first quarter of 2010. Unlike Livermore, we still have yet to see much in the way of foreclosure activity. Rental rates remained flat while vacancy rates are generally still trending upward, although the trend in rising vacancy rates seems to be slowing. There is still moderate leasing activity in the region and the tenants who are looking to lease space are finding very favorable terms. Many landlords are offering free rent, and other lease provisions to lure tenants to their building. Renewal activity remains high, as many tenants are staying in place, finding favorable renewal terms and avoiding moving costs. Landlords continue to be hesitant to include a large investment of tenant improvements in new leases due to the instability and uncertainty of tenants staying in business throughout the lease term. Expectations for the second quarter of 2010 are similar to that of the first quarter.

Livermore Condo Market

The industrial condominium market has seen increased activity during the first quarter of 2010. A number of units have closed ranging in price from \$95 per square foot to \$127 per square foot. Sellers, needing to move units, reduced prices significantly during the third and fourth quarters of 2009 resulting in the closed sales. Contractors Place is 100% sold or in escrow, Shannon Court has two remaining units priced at \$100 per square foot and The Vineyards project has 90% of their product remaining. This pricing trend is expected to continue as buyers look for good deals. The SBA has extended the reduced loan fee schedule (2.15% to .65%) and the rates remain in the 5.77% range on the SBA portion of the loan.

Livermore Light Industrial/Warehouse

As with the rest of the Valley’s commercial real estate sectors, lack of absorption continues to be an issue for industrial landlords and developers. Last year the industrial/warehouse market’s 13 million square foot base experienced a negative net absorption of 752,223 square feet, marking the lowest rate in recent history. While 2009 drew to a close with

MARKET ACTIVITY SIGNIFICANT FIRST QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
101-129 Pullman St	3/2010	27,648	Homsite Services	Lt Industrial
4569 Las Positas Rd	3/2010	20,595	Ferrotec (USA) Corporation*	Lt Industrial
1410-1418 Stealth St	2/2010	10,644	Woodhams Enterprises Inc	Lt Industrial
4555 Las Positas Rd	2/2010	9,000	Cyclone Martial Arts and Fitness	Lt Industrial
288-236 Lindbergh Ave	2/2010	6,380	Wax Properties	Whse/Dist

SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
4777 Bennett Dr	1/2010	5,648	Gregory Alameda	Lt Industrial

* Renewal

INDUSTRIAL MARKET STATISTICS
FIRST QUARTER 2010

Market	EXISTING PROPERTIES										ABSORPTION			CONSTRUCTION		RENT
	Bldgs	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Total Vacancy Rate	Vacancy Rate Prior Qtr	Occupied Space SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Gross Absorption YTD SF	Under Construction (SF)	Construction Completed (SF)	Avg Asking Rate (NNN)
SUB MARKETS																
DUBLIN																
LIGHT INDUSTRIAL	41	1,319,966	117,216	8.9%	-	0.0%	117,216	8.9%	8.9%	1,202,750	788	788	2,588	-	-	\$0.68
WAREHOUSE	3	265,917	-	0.0%	-	0.0%	-	0.0%	0.0%	265,917	-	-	-	-	-	\$0.55
TOTAL	44	1,585,883	117,216	7.4%	-	0.0%	117,216	7.4%	7.4%	1,468,667	788	788	2,588	-	-	\$0.66
LIVERMORE																
LIGHT INDUSTRIAL	320	6,809,506	736,706	10.8%	28,200	0.4%	764,906	11.2%	11.9%	6,044,600	55,888	55,888	107,837	-	-	\$0.50
WAREHOUSE	47	6,253,502	1,138,105	18.2%	20,000	0.3%	1,158,105	18.5%	18.0%	5,095,397	(39,760)	(39,760)	6,380	156,069	-	\$0.38
TOTAL	367	13,063,008	1,874,811	14.4%	48,200	0.4%	1,923,011	14.7%	14.8%	11,139,997	16,128	16,128	114,217	156,069	-	\$0.44
PLEASANTON																
LIGHT INDUSTRIAL	128	2,430,330	177,616	7.3%	10,420	0.4%	188,036	7.7%	8.6%	2,242,294	29,066	29,066	31,747	-	-	\$0.80
WAREHOUSE	1	389,660	-	0.0%	-	0.0%	-	0.0%	0.0%	389,660	-	-	-	-	-	\$ -
TOTAL	129	2,819,990	177,616	6.3%	10,420	0.4%	188,036	6.7%	7.5%	2,631,954	29,066	29,066	31,747	-	-	\$0.69
MARKET TOTAL																
LIGHT INDUSTRIAL	489	10,559,802	1,031,538	9.8%	38,620	0.4%	1,070,158	10.1%	10.8%	9,489,644	85,742	85,742	142,172	-	-	\$0.59
WAREHOUSE	51	6,909,079	1,138,105	16.5%	20,000	0.3%	1,158,105	16.8%	16.3%	5,750,974	(39,760)	(39,760)	6,380	156,069	-	\$0.37
TOTAL	540	17,468,881	2,169,643	12.4%	58,620	0.3%	2,228,263	12.8%	12.9%	15,240,618	45,982	45,982	148,552	156,069	-	\$0.50
QUARTERLY COMPARISON AND TOTALS																
Q1-10	540	17,468,881	2,169,643	12.4%	58,620	0.3%	2,228,263	12.8%	12.9%	15,240,618	45,982	45,982	148,552	156,069	-	\$0.50
Q4-09	554	17,585,047	2,208,258	12.6%	65,987	0.4%	2,274,245	12.9%	14.4%	15,310,802	254,847	(505,455)	1,529,964	-	-	\$0.50
Q3-09	561	17,585,047	2,451,725	13.9%	77,367	0.4%	2,529,092	14.4%	14.9%	15,055,955	96,839	(760,302)	1,165,250	-	-	\$0.51
Q2-09	565	17,585,047	2,507,406	14.3%	118,525	0.7%	2,625,931	14.9%	11.1%	14,959,116	(673,620)	(857,141)	268,332	-	-	\$0.52
Q1-09	570	17,585,047	1,835,414	10.4%	116,897	0.7%	1,952,311	11.1%	9.9%	15,632,736	(183,521)	(183,521)	101,279	-	-	\$0.55
Q4-08	620	18,651,014	1,767,793	9.5%	78,835	0.4%	1,846,628	9.9%	8.6%	16,804,386	(175,804)	(33,975)	935,614	-	77,151	\$0.57
Q3-08	634	18,503,797	1,438,069	7.8%	155,604	0.8%	1,593,673	8.6%	7.4%	16,914,529	(166,205)	141,829	763,417	77,151	59,598	\$0.60
Q2-08	632	18,442,034	1,213,347	6.6%	154,523	0.8%	1,367,870	7.4%	7.4%	17,053,200	9,971	308,034	704,365	71,579	-	\$0.60
Q1-08	632	18,422,034	1,282,316	7.0%	120,633	0.7%	1,402,949	7.6%	9.0%	17,039,085	320,863	320,863	301,151	59,287	28,639	\$0.60

moderate leasing and sales activity, the first part of 2010 shows an encouraging up-tick in interest. Business sectors that have shown recent activity include alternative energy related companies, consumer oriented food businesses, healthcare related businesses and recreational related businesses.

The Livermore light industrial market's vacancy improved slightly from 11.9% in the previous quarter to 11.2% currently. Looking back twelve months, vacancy was reported at 11.8%. In comparison, the asking rents decreased 14.0% from \$0.57 per square foot triple net this time last year to \$0.50 per square foot triple net currently. The warehouse market in Livermore had the largest increase in vacancy from 7.9% one year ago to 18.5% in the first quarter. This was primarily due to the Circuit City building, which became vacant in the second quarter of 2009. The Circuit City building will be partially occupied (300,000 square feet) by the owner of E & E Furnishings/JLA Home in the third quarter of 2010. They will be vacating 178,000 square feet at Amador Business Center. Asking rents for warehouse decreased from \$0.42 per square foot triple net by year-end 2008 to \$0.38 per square foot triple net in the first quarter of 2010.

The moderate leasing activity in the first quarter included Homesite Services leasing 27,648 square feet from property reserve in East Livermore and American Pacific Promotions leasing 10,644 square feet at 1414 Stealth Street.

The inventory for industrial buildings for sale is increasing and we expect this trend to continue. The 106,700 square foot Johnson Controls building located at 6383 Las Positas Road is now for sale.

Peterson Tractor, which has been in San Leandro for sixty plus years, is looking to relocate their San Leandro sales and service facility on 18.7 acres and plans include a 144,000 square foot industrial building. The new headquarters will have approximately 220 employees. Peterson Tractor operates 10 sites in Northern California that sell and service Caterpillar heavy equipment.

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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 VACANCY VS. ASKING RENTAL RATES

