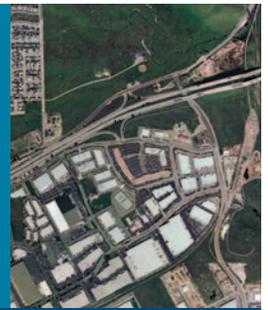




# Colliers International Tri-Valley

## Second Quarter - 2005 Market Overview



June 2005

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### Mid Year 2005 Industrial Market Overview

Livermore got the bounce it was looking for in the last half of 2004 and the first half of 2005. Investment sales and owner/user buildings for sale have been very active. Sales prices have increased 10% to 20% from the previous year for buildings under 15,000 square feet. The leasing market was slow during the first quarter of 2005, however, has picked up significantly in the second quarter. Rental rates should begin to increase by year end 2005. Highlights of the Livermore industrial/R&D market through the end of the second quarter 2005 are as follows:

#### SALES COMPARABLES

1. Wells Realty bought the 286,100± square foot Tri-Valley Distribution Center from IDI for \$19,500,000 (\$68.16 square feet).
2. Alere Property Group pur-

chased the 267,413± square foot Greenville Business Center for \$13,100,000 (\$49.00 per square foot).

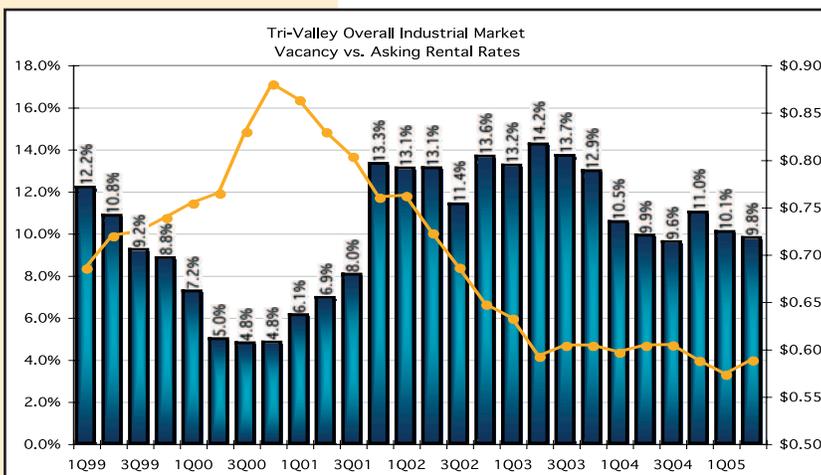
3. Angelo Ferro and Robert Miller purchased the 181,554± square foot Livermore Distribution Center for \$18,450,000.00 (\$52.05 per square foot).

4. Consolidated Electric Products purchased a 47,876± square foot building at Las Positas Road and Greenville Road in Livermore for \$4,416,561 (\$92.25 per square foot). This price includes \$20.00 per square foot of new tenant improvements.

5. WAFAB purchased a 28,128± square foot building in East Livermore on Industrial Way for \$3,234,720 (\$115.00 per square foot). The building had 4,800± square feet of office.

6. Mission Trading purchased a 25,381± square foot R&D building from Trumark for \$2,665,005 (\$105.00 per square foot). The building was a shell, with 4/1000 parking.

7. Pacific Union Commercial has sold two more buildings in National Corporation Center: 15,167± square feet and 9,898± square feet). The buildings are in escrow, and



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# Colliers International Tri-Valley Second Quarter - 2005 Market Overview



APRIL 2005

## Industrial Market Statistics - Second Quarter 2005

SubMarket	Bldgs	EXISTING PROPERTIES								ABSORPTION			CONSTRUCTION		RENTS		
		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	Completions Current Qtr SF	Under Construction SF	Avg Asking Rate/Year	Avg Asking Rate/Month
<b>DUBLIN</b>																	
LIGHT INDUSTRIAL	43	1,238,791	99,667	8.0%	-	0.0%	99,667	8.0%	10.0%	1,139,124	24,679	(41,355)	12,518	-	-	\$ 9.24	\$ 0.77
WAREHOUSE	3	357,312	118,560	33.2%	-	0.0%	118,560	33.2%	33.2%	238,752	0	7,704	7,704	-	-	\$ 7.32	\$ 0.61
<b>TOTAL</b>	<b>46</b>	<b>1,596,103</b>	<b>218,227</b>	<b>13.7%</b>	<b>-</b>	<b>0.0%</b>	<b>218,227</b>	<b>13.7%</b>	<b>15.2%</b>	<b>1,377,876</b>	<b>24,679</b>	<b>(33,651)</b>	<b>20,222</b>	<b>-</b>	<b>-</b>	<b>\$ 8.81</b>	<b>\$ 0.73</b>
<b>LIVERMORE</b>																	
LIGHT INDUSTRIAL	300	6,436,642	566,133	8.8%	82,791	1.3%	648,924	10.1%	10.7%	5,787,718	41,543	222,765	333,198	-	91,516	\$ 6.84	\$ 0.57
WAREHOUSE	46	6,091,048	478,801	7.9%	-	0.0%	478,801	7.9%	7.9%	5,612,247	-	2,867	162,523	-	-	\$ 4.92	\$ 0.41
R&D/FLEX	24	874,780	236,542	27.0%	-	0.0%	236,542	27.0%	27.0%	638,238	-	12,013	12,013	-	-	\$ 10.20	\$ 0.85
<b>TOTAL</b>	<b>370</b>	<b>13,402,470</b>	<b>1,281,476</b>	<b>9.6%</b>	<b>82,791</b>	<b>0.6%</b>	<b>1,364,267</b>	<b>10.2%</b>	<b>10.5%</b>	<b>12,038,203</b>	<b>41,543</b>	<b>237,645</b>	<b>507,734</b>	<b>-</b>	<b>91,516</b>	<b>\$ 6.19</b>	<b>\$ 0.52</b>
<b>PLEASANTON</b>																	
LIGHT INDUSTRIAL	142	2,507,072	133,925	5.3%	33,645	1.3%	167,570	6.7%	6.1%	2,339,502	(13,797)	(17,491)	109,677	-	-	\$ 10.44	\$ 0.87
WAREHOUSE	3	410,060	0	0.0%	0	0.0%	0	0.0%	0.0%	410,060	-	-	-	-	-	\$ 8.16	\$ 0.68
<b>TOTAL</b>	<b>145</b>	<b>2,917,132</b>	<b>133,925</b>	<b>4.6%</b>	<b>33,645</b>	<b>1.2%</b>	<b>167,570</b>	<b>5.7%</b>	<b>5.3%</b>	<b>2,749,562</b>	<b>(13,797)</b>	<b>(17,491)</b>	<b>109,677</b>	<b>-</b>	<b>-</b>	<b>\$ 10.12</b>	<b>\$ 0.84</b>
<b>MARKET TOTAL</b>																	
LIGHT INDUSTRIAL	485	10,182,505	799,725	7.9%	116,436	1.1%	916,161	9.0%	9.5%	9,266,344	52,425	163,919	455,393	-	91,516	\$ 8.02	\$ 0.67
WAREHOUSE	52	6,858,420	597,361	8.7%	0	0.0%	597,361	8.7%	8.7%	6,261,059	0	10,571	170,227	-	-	\$ 5.24	\$ 0.44
R&D/FLEX	24	874,780	236,542	27.0%	0	0.0%	236,542	27.0%	27.0%	638,238	0	12,013	12,013	-	-	\$ 10.20	\$ 0.85
<b>TOTAL</b>	<b>561</b>	<b>17,915,705</b>	<b>1,633,628</b>	<b>9.1%</b>	<b>116,436</b>	<b>0.6%</b>	<b>1,750,064</b>	<b>9.8%</b>	<b>10.1%</b>	<b>16,165,641</b>	<b>66,222</b>	<b>186,503</b>	<b>637,633</b>	<b>0</b>	<b>91,516</b>	<b>\$ 7.06</b>	<b>\$ 0.59</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>																	
Q2-05	561	17,915,705	1,633,628	9.1%	116,436	0.6%	1,750,064	9.8%	10.1%	16,165,641	66,222	186,503	637,633	0	91,516	\$ 7.06	\$ 0.59
Q1-05	561	17,915,705	1,694,057	9.5%	108,432	0.6%	1,802,489	10.1%	11.0%	16,113,216	134,078	134,078	402,350	0	0	\$ 6.88	\$ 0.57
Q4-04	561	17,643,064	1,744,669	9.9%	191,898	1.1%	1,936,567	11.0%	9.6%	15,706,497	(200,841)	421,040	1,493,429	50,767	0	\$ 7.05	\$ 0.59
Q3-04	559	17,592,297	1,471,535	8.4%	213,424	1.2%	1,684,959	9.6%	9.9%	15,907,338	55,225	621,881	1,151,296	0	50,767	\$ 7.25	\$ 0.60
Q2-04	559	17,592,297	1,471,535	8.4%	280,869	1.6%	1,752,404	10.0%	10.5%	15,839,893	112,237	566,656	809,269	0	50,767	\$ 7.25	\$ 0.60

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

"R&D Rents are flat at an average asking rate of \$0.85 psf, NNN with owners willing to give free rent ..."

due to close in August of 2005.

8. O'Brien Interest purchased 6.28± acres from Pacific Union Commercial for \$8.75 per square foot, and Callahan Properties purchased 3.46± acres from PFG for \$7.00 per square foot.

### LEASE COMPARABLES

1. Vistar Corporation leased 95,523± square feet from Alere Properties, LLC for ten years at the Greenville Business Center (\$0.48 per square foot, per month, NNN, effective).
2. Cruiser Customizing, Inc. leased 22,368± square feet from Pell Development Company in Arroyo Business Center II (\$0.48, per square foot, per month, NNN, effective).
3. Central Wholesale Electric Distributing leased 53,575± square feet at Gateway Business Park (\$0.39 per square foot, per

month, NNN, effective).

### R&D Market

While R&D and Flex transactions occurred in Dublin and Pleasanton during the second quarter of 05, nothing sold or leased in Livermore during the same period in this product type, and vacancy remained at 27%, the highest of the product types. R&D rents are flat at an average asking rate of \$0.85 psf, NNN with owners willing to give free rent and consider full TI buildouts for credit tenants. In Livermore, vacancies with 20,000 square feet or more of space include Tri-Valley Technology Park, the Airport area, the old Intel campus, Pacific Corporate Center and Opus Marathon. With similar space available at I-580/I-680, and with the continued softness for this product type in Silicon Valley, we expect this softness will continue for some time to come.



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## Second Quarter - 2005 Market Overview



APRIL 2005

*"The small user market has been the savior of the Bay Area industrial land market, and the Tri-Valley is no exception. ..."*

### TRI-VALLEY INDUSTRIAL LAND MARKET • 2nd Quarter 2005

The first half of 2005 saw moderate activity in the Tri-Valley industrial land market. Livermore land activity, where the majority of the Tri-Valley industrial land is situated, has seen a steady decline in overall activity since the market downturn of 2001. Land prices initially flattened, and in recent years, have generally declined. Much of this decline can be attributed to a lack of demand from the developer community, an increase in City fees throughout the Tri-Valley, and increasing construction costs. In addition, rents have pulled back during the last four years, thus, setting up a predictable scenario for land prices to soften and decline.

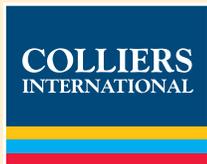
What has been keeping the industrial land market solvent is users looking for their own facilities to take advantage of historically low interest rates. This drives the market in two ways: 1) users buying land directly to build their own facilities; and 2) developers buying land to fill a needed niche by building small industrial buildings for sale, or industrial condominiums. The small user market has been the savior of the Bay Area industrial land market, and the Tri-Valley is no exception. There are numerous condo projects on the board, and several have begun construction: two in East Livermore, developed by Balch & Associates and Ellis Partners; and another off of First Street developed by Antrim Engineering. Other areas where we are seeing some absorption of land would be "niche development", for specialty type projects, such as mini-storage.

Major land sellers in the Tri-Valley include Principal Financial Group, the owner of the majority of the vacant land in National Industrial Park on the east side of Livermore and Pacific Coast Capital Partners, the owner of the Tri-Valley Technology Park

near the Livermore Airport. In 2004 PFG made a decision to divest themselves of all of their remaining land in the Park. Currently, the approximate 35 acres they still have under ownership is all in escrow to various users and/or developers. On the west side of Livermore, the excess land in Tri-Valley Technology Park has seen marginal activity, as the technology and R&D portion of the market continues to be the weakest portion of the overall commercial market in the Tri-Valley. The Oaks Business Park, the largest development in Livermore in some years, continues to wind its way through the approval process, and the developers expect to break ground in the Spring of 2006 on this 140+ acre, Master Planned project.

Land values for Heavy Industrial land are generally in the \$5.00 to \$7.50 per square foot range, depending upon size. A few sales have seen values of more than \$8.00 per square foot. The PFG bulk sales are rumored to be at \$5.00 per square foot or less, inclusive of assessments, while sales of smaller lots in the Park, from 1 to 3 acres, have topped the \$8.00 per square foot range, inclusive of assessments. On the west end of the Valley, asking prices range from \$10.00 to \$13.00 per square foot, however, again, activity has been slow.

With the overall pick-up in the lease market and the stability of interest rates, we expect the land market to be bottoming out, as supply is running thin and we expect demand to pick up in the second half of 2005 and into 2006.



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