

PLEASANTON | CALIFORNIA RESEARCH & FORECAST REPORT



Industrial Market Review

LEASING ACTIVITY REMAINS STRONG

The overall industrial vacancy rate in the Tri-Valley continued to creep upward from 12.8 percent in the first quarter to 13.1 percent in the second quarter. Though the vacancy rate increased slightly from last quarter it is an improvement from this time last year where it was reported at 15.0 percent. The average asking rates have leveled off at \$0.50 per square foot triple net for the last three consecutive quarters, which is the lowest this market has witnessed in over ten years. Though the Tri-Valley continues to feel the economic downturn, it has displayed improvement over the last year. Overall net absorption fell to negative 42,206 square feet in the second quarter from positive 45,982 square feet in the previous quarter. However, it is a vast improvement from second quarter 2009, which was reported at negative 673,620 square feet. Leasing activity remains strong with a 39.0 percent jump from this time last year to 371,750 square feet, demonstrating that the Tri-Valley market has maintained a fairly healthy position despite the flat economy.

MARKET INDICATORS

	Q2-10	Projected Q3-10
VACANCY	↑	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↔

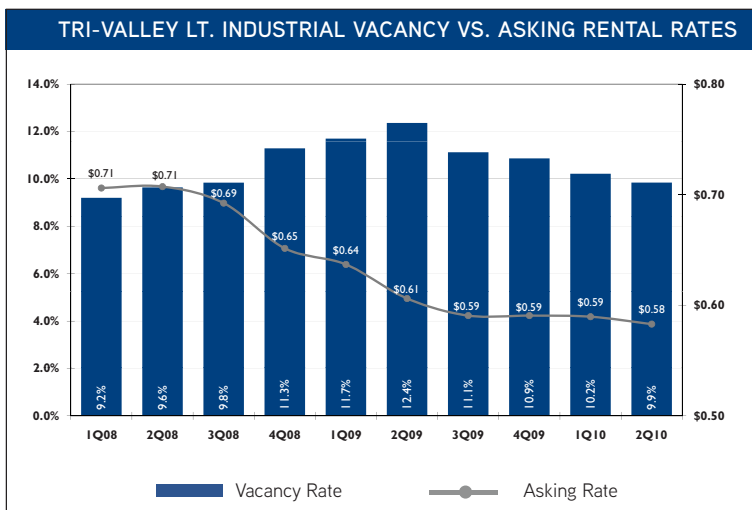
DUBLIN/PLEASANTON LIGHT INDUSTRIAL

Activity in the Dublin/Pleasanton light industrial market remained generally flat during the second quarter of 2010. Foreclosures have been minimal, however, for sale asking prices have taken a significant drop since the beginning of the year, indicating that there is some urgency for sellers to unload buildings. Rental rates remained relatively flat while vacancy rates are generally trending upward at a slow pace. There is still moderate leasing activity in the region and tenants 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 remain hesitant to include a large



MARKET ACTIVITY

Country Floral Supply Inc renewed their 42,600± square foot lease at 6909 Las Positas Road in Livermore for five years.





"Many landlords are offering free rent and other lease provisions to lure tenants to their building."

investment of tenant improvements in new leases due to the instability and uncertainty of tenants staying in business through the lease term. Looking forward, third quarter is expected to follow in the same pattern as second quarter 2010.

LIVERMORE CONDO MARKET

Four more industrial condominiums sold during the second quarter of 2010 at an average price of \$112 per square foot. The Vineyards at Tri-Valley Tech Park have leased or sold ten of their office/flex/industrial units in the past sixty days after a major price reduction into the \$135 per square foot range. This increased activity in the second quarter has helped to reduce the smaller square footage condo inventory. The larger condo units, 5,000 square feet plus, continue to see little to no activity with a couple of those units being acquired by the lenders as REO's. The third and fourth quarters should see continued closings and leases under 5,000 square feet and major price reductions for units over 5,000 square feet.

LIVERMORE LIGHT INDUSTRIAL/ WAREHOUSE

The Livermore light industrial market's vacancy improved slightly from 11.2 percent in the previous quarter to 10.5 percent currently. Looking back twelve months, vacancy was

reported at 11.8 percent. In comparison, the asking rents have decreased slightly from \$0.52 per square foot triple net this time last year to \$0.50 per square foot triple net currently. The warehouse market in Livermore had an increase in vacancy from 17.5 percent one year ago to 19.7 percent in the second quarter. This was mainly due to two larger spaces coming back to the market this quarter (5874 Brisa Street for 36,500± square feet and 7888 Marathon Drive for 38,596± square feet). Asking rents for warehouse decreased from \$0.40 per square foot triple net by the second quarter of 2009 to \$0.38 per square foot triple net in the second quarter of 2010.

The moderate leasing activity in the second quarter included Cool Earth Solar leasing 25,724± square feet from Arroyo/Livermore Business Park in East Livermore and Prestige Furniture leasing 31,492± square feet at 6189 Preston Avenue and Country Floral Supply, Inc renewed their lease at 6909 Las Positas Road.

The inventory for industrial buildings for sale has stabilized and we expect to see more foreclosed and bank owned properties hit the market in the next six months.

SIGNIFICANT DEALS

LEASE ACTIVITY

PROPERTY ADDRESS	SQUARE FEET	LEASE TYPE	BLDG TYPE	LESSEE	LESSOR
6909 Las Positas Rd	42,624	Renewal	Warehouse/ Distribution	Country Floral Supply Inc	ProLogis
6189 Preston Ave	31,492	Direct	Light Industrial	Prestige Furniture	GA Farrar & P Harrisong
4659 Las Positas Rd	25,724	Renewal	Light Industrial	Cool Earth Solar	Arroyo/Livermore Business Park LP
2305 S Vasco Rd	19,180	Direct	Light Industrial	Advantage Assembly LLC	Hensler Family Trust
1901-1999 Rutan Dr	13,890	Renewal	Light Industrial	Computer Shopping Network	WCV Commercial Properties
6780 Sierra Ct	10,272	Direct	Light Industrial	Golden State Fleet Services	B&G Development Company

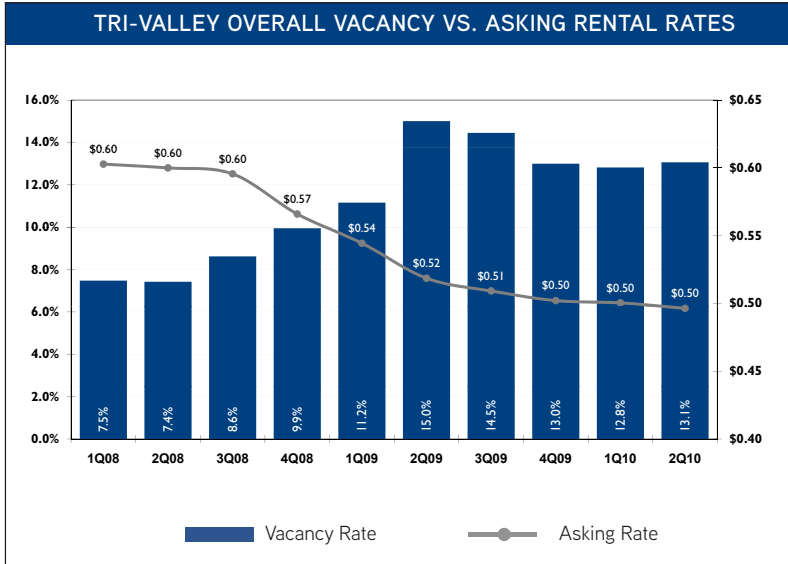
MARKET COMPARISONS

INDUSTRIAL MARKET

MARKET	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	COMPLETIONS CURRENT QTR SF	GROSS ABSORPTION YTD	UNDER CONST	COMPLETED CONST YTD SF	AVG ASKING RENTAL (NNN)
DUBLIN																
Industrial	41	1,319,966	106,944	8.1%	16,583	1.3%	123,527	9.4%	8.9%	1,196,439	(6,311)	(5,523)	17,852	-	-	\$0.68
Warehouse	3	265,917	6,000	2.3%	-	0.0%	6,000	2.3%	0.0%	259,917	(6,000)	(6,000)	-	-	-	\$0.55
Total	44	1,585,883	112,944	7.1%	16,583	1.0%	129,527	8.2%	7.4%	1,456,356	(12,311)	(11,523)	17,852	-	-	\$0.66
LIVERMORE																
Industrial	320	6,809,506	703,704	10.3%	9,500	0.1%	713,204	10.5%	11.2%	6,096,302	51,702	107,590	260,375	-	-	\$0.50
Warehouse	47	6,253,502	1,213,201	19.4%	20,000	0.3%	1,233,201	19.7%	18.5%	5,020,301	(75,096)	(114,856)	49,004	156,069	-	\$0.38
Total	367	13,063,008	1,916,905	14.7%	29,500	0.2%	1,946,405	14.9%	14.7%	11,116,603	(23,394)	(7,266)	309,379	156,069	-	\$0.44
PLEASANTON																
Industrial	128	2,340,154	194,499	8.3%	9,900	0.4%	204,399	8.7%	8.0%	2,135,755	(16,363)	12,703	44,519	-	-	\$0.77
Warehouse	1	389,660	-	0.0%	-	0.0%	-	0.0%	0.0%	389,660	-	-	-	-	-	\$-
Total	129	2,729,814	194,499	7.1%	9,900	0.4%	204,399	7.5%	6.9%	2,525,415	(16,363)	12,703	44,519	-	-	\$0.66
MARKET TOTAL																
Industrial	489	10,469,626	1,005,147	9.6%	35,983	0.3%	1,041,130	9.9%	10.2%	9,428,496	29,028	114,770	322,746	-	-	\$0.58
Warehouse	51	6,909,079	1,219,201	17.6%	20,000	0.3%	1,239,201	17.9%	16.8%	5,669,878	(81,096)	(120,856)	49,004	156,069	-	\$0.37
Total	540	17,378,705	2,224,348	12.8%	55,983	0.3%	2,280,331	13.1%	12.8%	15,098,374	(52,068)	(6,086)	371,750	156,069	-	\$0.50

QUARTERLY COMPARISON AND TOTALS

Q2-10	540	17,378,705	2,224,348	12.8%	55,983	0.3%	2,280,331	13.1%	12.8%	15,098,374	(52,068)	(6,086)	371,750	156,069	-	\$0.50
Q1-10	540	17,378,705	2,169,643	12.5%	58,620	0.3%	2,228,263	12.8%	13.0%	15,150,442	45,982	45,982	148,552	156,069	-	\$0.50
Q4-09	554	17,494,871	2,208,258	12.6%	65,987	0.4%	2,274,245	13.0%	14.5%	15,220,626	254,847	(505,455)	1,529,964	-	-	\$0.50
Q3-09	561	17,494,871	2,451,725	14.0%	77,367	0.4%	2,529,092	14.5%	15.0%	14,965,779	96,839	(760,302)	1,165,250	-	-	\$0.51
Q2-09	565	17,494,871	2,507,406	14.3%	118,525	0.7%	2,625,931	15.0%	11.2%	14,868,940	(673,620)	(857,141)	268,332	-	-	\$0.52
Q1-09	404	26,832,446	3,993,307	14.9%	425,123	1.6%	4,418,430	16.5%	16.5%	22,414,016	(100,827)	(100,827)	257,956	256,312	-	\$1.88
Q4-08	377	25,551,284	3,772,533	14.8%	431,972	1.7%	4,204,505	16.5%	13.3%	21,346,779	(684,923)	(825,146)	1,785,900	256,312	125,383	\$1.95
Q3-08	380	25,425,901	3,033,729	11.9%	360,470	1.4%	3,394,199	13.3%	14.3%	22,031,702	238,888	(140,223)	1,454,257	279,695	-	\$2.00
Q2-08	379	25,420,735	3,161,713	12.4%	471,374	1.9%	3,633,087	14.3%	14.4%	21,787,648	37,260	(379,111)	1,030,367	381,695	-	\$2.11
Q1-08	379	25,420,735	3,325,060	13.1%	345,287	1.4%	3,670,347	14.4%	12.6%	21,750,388	(416,371)	(416,371)	432,307	125,383	10,050	\$2.11



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 Asia Pacific: 194
 EMEA: 95

- \$1.6 billion in annual revenue
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