

I-880 Corridor INDUSTRIAL MARKET REPORT

2nd Quarter 2015



In the 2nd Quarter of 2015, we experienced a continuation of the trends from past quarters with strong leasing and sale activity within the Industrial marketplace along the 880 Corridor.

Leasing vacancies are at historic lows with very limited Class "A" product available for lease, and because we are an infill market, there is limited new product supply on the horizon.

Lease rates are also at historic levels, not adjusted for inflation, with lease rates on Class "A" product surpassing the \$0.60 PSF NNN Per Month mark in many areas.

Investors are still canvassing the 880 corridor for industrial product in one of the most competitive arenas we have seen in years. The desired product type remains warehouse/distribution space, but some investors are reaching for other product types that are not as overly impacted.

Several notable deals by the Lee & Associates Oakland Office this past Quarter include the sale of a 100,000± square foot warehouse building on Grant Avenue in San Lorenzo by Jesse Lucas, and the sale of a 125,000± square foot warehouse leased investment to Industrial Property Trust on Goodrick Avenue in Richmond by Craig Hagglund.

Also worthy of note is the 266,000± square foot spec warehouse soon to be under construction with Prologis in Hayward CA, referenced in our "Availables" section (see page 8). This 32' clear height, ESFR facility will be ready for occupancy in early 2016.

Welcome to our newest Lee & Associates office in Eastern Pennsylvania! We appreciate your business and invite you to contact us with any questions or comments you may have regarding commercial properties in the East Bay. Let us know how we can help you!

- Craig Hagglund, Managing Principal, Lee & Associates - Oakland

MARKET SNAPSHOT

North I-880 Industrial Inventory:	60,610,289
North I-880 Industrial Availability:	2,425,144
North I-880 Industrial Availability Rate:	4.00%
I-880 Industrial Inventory:	83,455,980
I-880 Industrial Availability:	2,572,913
I-880 Industrial Availability Rate:	3.08%
Fremont/Newark Industrial Inventory:	55,613,739
Fremont/Newark Industrial Availability:	3,193,324
Fremont/Newark Industrial Availability Rate:	5.74%

KEY TERMS & DEFINITIONS

Availability: Square footage that is marketed for lease which is available within 90 days. This also includes sublease space.

Industrial buildings are defined as buildings with a ceiling clearance of less than 22 feet with drive in truck doors; some may have dock doors. These buildings can be used by a wide variety of users. Parking is usually limited. This is the most prevalent type of industrial building.

Multi-tenant/incubator is defined as an industrial building that divides into units of less than 5,000± SF with drive in truck doors and a ceiling clearance of less than 18 feet. These buildings are ideal for expanding small businesses.

Warehouse and distribution buildings have a ceiling clearance of 22 feet or greater, dock high doors, limited parking and an adequate apron for truck deliveries.

Office/Flex/R&D buildings are characterized by having a parking ratio of at least 3/1000 SF of building. They usually have a lower clearance height and can be one or two stories. The parking enables these buildings to be flexible in the type of user they can accommodate. Any user from pure office to research & development can take advantage of the flexibility of this type of building.



QUARTER IN REVIEW

NORTH I-880 MARKET STATISTICS - 2nd Quarter 2015

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
BERKELEY/EMERYVILLE							
INDUSTRIAL/WAREHOUSE	417	9,489,209	168,594	0	168,594	1.78%	1.78%
FLEX/R&D	82	4,045,800	273,904	0	273,904	6.77%	6.77%
TOTAL	499	13,535,009	442,498	0	442,498	3.27%	3.27%
OAKLAND							
INDUSTRIAL	1,233	22,123,251	724,186	0	724,186	3.27%	3.27%
MULTI TENANT/INCUBATOR	42	291,246	16,057	0	16,057	5.51%	5.51%
FLEX/R&D	116	2,054,599	13,442	0	13,442	0.65%	0.65%
WAREHOUSE/DIST	87	6,939,760	178,742	0	178,742	2.58%	2.58%
TOTAL	1,478	31,408,856	932,427	0	932,427	2.97%	2.97%
RICHMOND							
INDUSTRIAL	289	7,716,642	615,040	59,000	674,040	7.97%	8.73%
MULTI TENANT/INCUBATOR	28	1,870,136	162,664	0	162,664	8.70%	8.70%
FLEX/R&D	25	1,017,187	55,167	0	55,167	5.42%	5.42%
WAREHOUSE/DIST	41	5,062,459	158,348	0	158,348	3.13%	3.13%
TOTAL	383	15,666,424	991,219	59,000	1,050,219	6.33%	6.70%
MARKET TOTAL	2,360	60,610,289	2,366,144	59,000	2,425,144	3.90%	4.00%

I-880 MARKET STATISTICS - 2nd Quarter 2015

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
HAYWARD							
INDUSTRIAL	858	16,189,709	471,831	9,342	481,173	2.91%	2.97%
MULTI TENANT/INCUBATOR	169	2,528,554	108,051	0	108,051	4.27%	4.27%
FLEX/R&D	98	4,528,461	187,152	52,834	239,986	4.13%	5.30%
WAREHOUSE/DIST	229	22,377,686	921,000	82,721	1,003,721	4.12%	4.49%
TOTAL	1,354	45,624,410	1,688,034	144,897	1,832,931	3.70%	4.02%
SAN LEANDRO							
INDUSTRIAL	412	13,129,536	89,254	0	89,254	0.68%	0.68%
MULTI TENANT/INCUBATOR	31	688,623	5,403	0	5,403	0.78%	0.78%
FLEX/R&D	45	2,356,734	60,709	0	60,709	2.58%	2.58%
WAREHOUSE/DIST	92	7,524,410	68,412	0	68,412	0.91%	0.91%
TOTAL	580	23,699,303	223,778	0	223,778	0.94%	0.94%
UNION CITY							
INDUSTRIAL	106	3,303,463	54,762	0	54,762	1.66%	1.66%
MULTI TENANT/INCUBATOR	24	422,928	37,175	0	37,175	8.79%	8.79%
FLEX/R&D	21	723,503	83,148	0	83,148	11.49%	11.49%
WAREHOUSE/DIST	103	9,682,373	315,473	25,646	341,119	3.26%	3.52%
TOTAL	254	14,132,267	490,558	25,646	516,204	3.47%	3.65%
MARKET TOTAL	2,188	83,455,980	2,402,370	170,543	2,572,913	2.88%	3.08%

FREMONT/NEWARK MARKET STATISTICS - 2nd Quarter 2015

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total	
FREMONT/NEWARK							
INDUSTRIAL/WAREHOUSE	31,938,739	1,289,891	12,466	1,302,357	4.04%	4.08%	
FLEX/R&D	23,675,000	1,643,142	247,825	1,890,967	6.94%	7.99%	
MARKET TOTAL	55,613,739	2,933,033	260,291	3,193,324	5.27%	5.74%	

QUARTER IN REVIEW

HAYWARD INDUSTRIAL AVAILABILITY

- AVAILABILITY ↑
- ABSORPTION ↓
- LEASE RATE ↑

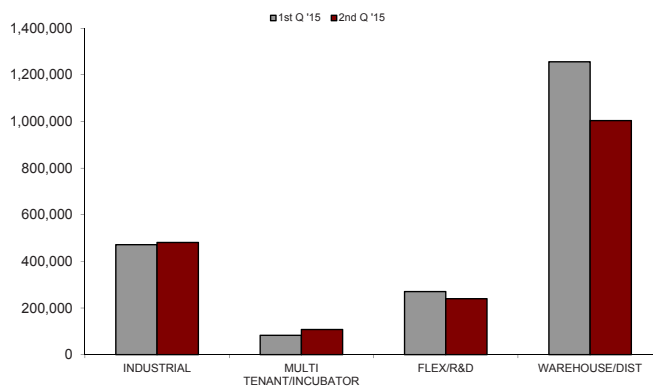
The Hayward market consists of roughly 46 million square feet of warehouse, industrial, multi-tenant, and R&D space. The Hayward marketplace continues to shine with more sale and lease transactions completed this past quarter, making Hayward one of the most desired submarkets along the 880 Corridor.

Several notable transactions in Hayward this past quarter include US Granite leasing 24,000± square feet on Connecticut St. (**landlord and tenant represented by Lee & Associates**), the Door to Door Moving lease renewal of 105,000± square feet on West Winton Ave., the Ikea lease renewal of 118,000± square feet of warehouse space on Cabot Blvd., and the East Bay Logistics lease of 214,000± square foot warehouse at 1900 West Winton Ave.

Additionally, several building involved in the Prologis acquisition of KTR Capital Partners were impacted this past quarter, and are now under the Prologis umbrella.

-Craig Hagglund

1st QUARTER '15 VS. 2nd QUARTER '15 AVAILABILITIES



SAN LEANDRO INDUSTRIAL AVAILABILITY

- AVAILABILITY ↓
- ABSORPTION ↑
- LEASE RATE ↑

The San Leandro market encompasses roughly 23 million square feet of warehouse, industrial, multi-tenant and R&D space. Market surveys show the overall vacancy hovering around 1% - down roughly one full percent from the previous quarter, with three of the four sectors seeing positive absorption.

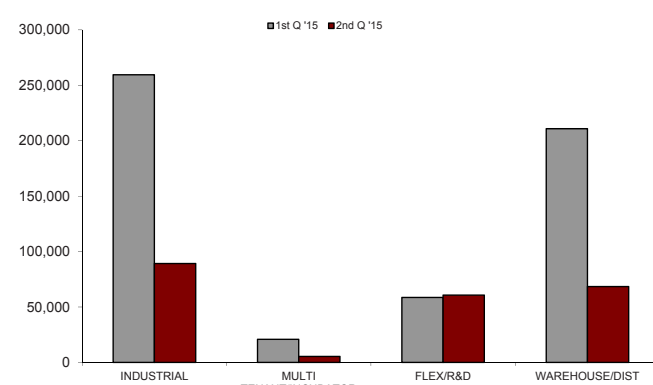
San Leandro saw three lease deals north of 90,000± square feet take place during the quarter - Corovan Moving (98,697± SF), Service West (157,421± SF), and The Annex (326,414± SF) - as well as a new deal from Best Buy (49,200± SF) and a lease renewal of NGY Stone & Cabinet (48,900± SF) (**landlord represented by Lee & Associates**).

There were three owner/user sales completed during the quarter - the largest of which was the 102,000± SF deal (**represented by Lee & Associates**) to 1675 Fulton Associates.

With a vacancy rate this low, we anticipate both lease rates and sale prices will continue to rise over the next quarter.

-Chris Schofield

1st QUARTER '15 VS. 2nd QUARTER '15 AVAILABILITIES



UNION CITY INDUSTRIAL AVAILABILITY

- AVAILABILITY ↓
- ABSORPTION ↑
- LEASE RATE ↑

Union City consists of roughly 15 million square feet of warehouse, industrial, multi-tenant, and R&D space. A limited number of lease & sale transactions took place over the 2nd Quarter of 2015, mainly due to a very low 3.5% vacancy rate. A 27,000± square foot warehouse was sold on Atlantic Street for roughly \$128/SF (**buyer represented by Lee & Associates**).

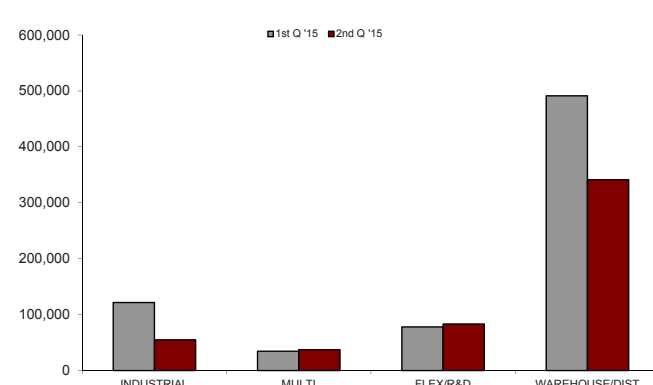
A handful of large lease transactions were completed this past quarter. Spacesonic, Inc. leased the 70,000± square foot facility on ±6 acres on Union City Blvd. for six years. They received 6 months free rent and a starting rent of \$0.45 gross per square foot.

EDE Group, Inc. leased the 192,000± square foot distribution space on Dowe Avenue for five years. This lease included 2 months of free rent and a starting rate of \$0.49 NNN per square foot.

We expect lease rates and sales prices to rise through the balance of the year. Tenants and buyers should expect to see a more competitive environment as the market continues to increase to record highs.

-Ryan Martens

1st QUARTER '15 VS. 2nd QUARTER '15 AVAILABILITIES



QUARTER IN REVIEW

FREMONT/NEWARK INDUSTRIAL AVAILABILITY

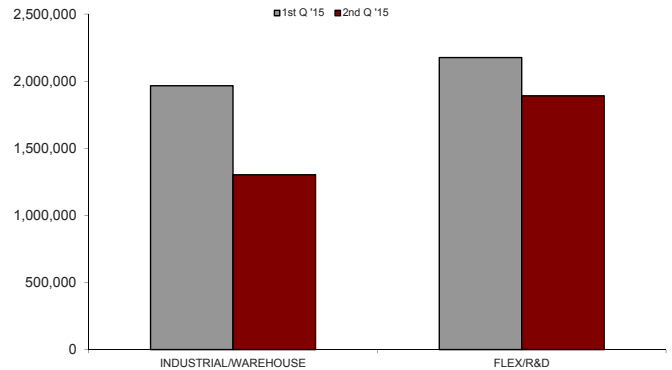
AVAILABILITY ↓
 ABSORPTION ↑
 LEASE RATE ↑

The Fremont/Newark market encompasses roughly 55 million square feet of warehouse, industrial, and R&D space. Fremont / Newark continues to be one of the preeminent industrial sub-markets for high-tech manufacturing / R&D in the East Bay. The availability of "Class A" product continues to shrink with Fortune companies taking down the few remaining 100,000± vacancies. Additionally, there is minimal availability of warehouse/distribution space 20,000 square feet & above. One trend worth monitoring is the migration of corporate campuses from the Peninsula, with TE Connectivity being a perfect case-study of this.

Notable LEASES from the 2nd Quarter include:

- Tesla leased 506,490± square feet from Stockbridge Capital at 901 Page Avenue in Fremont
- TE Connectivity leased 186,000± square feet from Sobrato Development on Kaiser Drive and Paseo Padre Parkway in Fremont
- Alom Technologies leased 125,100± square feet from Walton Street Capital LLC at 48105 Warm Springs Boulevard in Fremont
- Belden leased 52,000± square feet from Harvest Properties at 255 Fourier Avenue in Fremont
- Supermicro Computer Inc. renewed their lease of 246,750± square feet with Industrial Income Trust on Fremont Boulevard

1st QUARTER '15 VS. 2nd QUARTER '15 AVAILABILITIES



Notable SALES from the 2nd Quarter include:

- Terreno Realty sold 141,440± square feet at 48603-48633 Warm Springs Boulevard in Fremont to Berreta Property Management
 - D.R. Stephens Company sold 117,504± square feet at 46555 Landing Parkway in Fremont to TMG Partners
- Andrew Stoddard & Garrett Drew

OAKLAND INDUSTRIAL AVAILABILITY

AVAILABILITY ↓
 ABSORPTION ↑
 LEASE RATE ↑

The Oakland market encompasses roughly 31 million square feet of warehouse, industrial, multi-tenant, and R&D space. The 2nd Quarter of 2015 was again very solid for the Oakland Industrial Real Estate market. Sale prices and lease rates continue to climb, especially on quality buildings. Industrial space is becoming scarce, and tenants and buyers are scrambling with requirements.

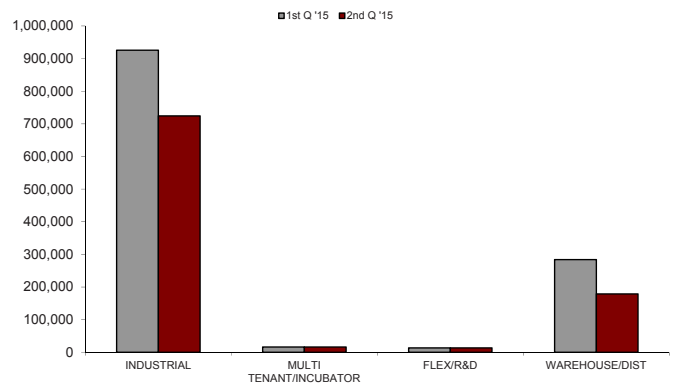
Lease deals of note in the 2nd Quarter include the 10 year lease renewal of Brinks Armored Trucks in 80,000 square feet at 3725-3775 Alameda Avenue (**landlord represented by Lee & Associates**), and the lease completed at 800-850 77th Avenue to Central Valley Ag, which was a 78,000 square foot recycling facility formerly home to Smurfit Paper.

On the sale side, we saw the acquisition of the 65,800 square foot Just Desserts facility at 550 85th Avenue by an investor looking to take advantage of the surge of food production tenants in the market. Also, we saw the sale of 2401-2417 Peralta Street, which is a 76,180 square foot multi-tenant leased investment property located in West Oakland.

With such limited supply, we are anticipating a very steady future for the market, one in which the struggle for space in Oakland becomes more and more challenging.

- Drew Fischer

1st QUARTER '15 VS. 2nd QUARTER '15 AVAILABILITIES



QUARTER IN REVIEW

BERKELEY/EMERYVILLE INDUSTRIAL AVAILABILITY

- ↑ AVAILABILITY
- ↓ ABSORPTION
- ↑ LEASE RATE

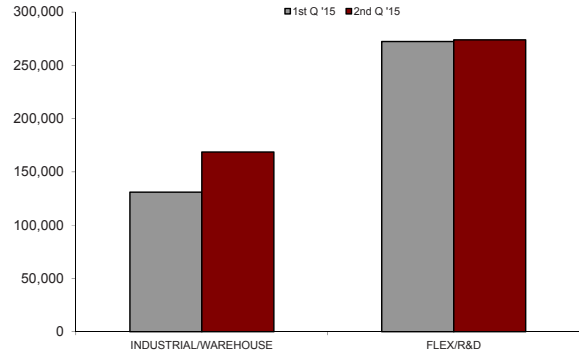
The Berkeley submarket consists of 13.5 million square feet of warehouse, industrial, multi-tenant, and R&D space. Berkeley & Emeryville continue to push the envelope for pricing as buyer demand remains high with few assets to pursue.

Two sales are being reported this quarter in Emeryville showing high per foot thresholds where sellers are cashing in on pent up demand. J-Sei purchased 1285 66th Street, a 17,400± square foot office/warehouse building, for \$207 per foot. Pirates Press from San Francisco purchased 1290 Powell Street, a 27,000± square foot warehouse/retail building, for \$145 per foot. These prices are indicative of the highly seller favorable market that has been created by an extended period of minimal sales inventory in these cities.

On the leasing side, both Berkeley and Emeryville have new leases to report. In Berkeley at 775 Heinz Avenue, Rigetti & Co, an R&D/Tech company, took 15,700± square feet of space at \$0.95 per square foot NNN, and, at 2829 7th Street, Ancient Organics took 3,000± square feet for \$1.08 per square foot gross. In Emeryville, Imperfect Foods leased at 1385 63rd Street for 5,000± square feet at \$1.05 per foot gross (**represented by Lee & Associates**), and Soma Precision for 3,600± square feet at 1425 63rd Street at \$1.05 per square foot gross.

-Ryan Davidson

1st QUARTER '15 VS. 2nd QUARTER '15 AVAILABILITIES



RICHMOND INDUSTRIAL AVAILABILITY

- ↑ AVAILABILITY
- ↓ ABSORPTION
- ↑ LEASE RATE

The Richmond market consists of roughly 16 million square feet of warehouse, industrial, multi-tenant, and R&D space. In the 2nd Quarter of 2015, sales and leasing continued to heat up.

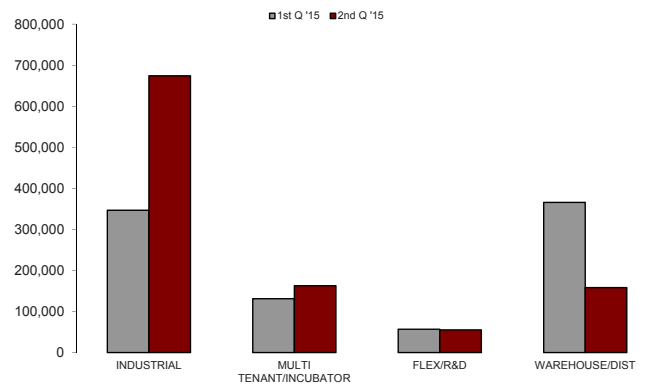
There were at least eight leases that occurred during the quarter. One major lease was completed by Williams Sonoma for 250,000± square feet. Williams Sonoma completed the lease transaction in the brand new warehouse owned by KTR Property Trust (now Prologis) on Atlas Road. The other lease of note was signed by Sasol Wax for 103,000± square feet at 211 Cutting Boulevard. The other six leases that were completed were sub-20,000± square feet.

The sale market in the 2nd Quarter of 2015 had some serious velocity with five sales transactions. There were two major sales that occurred in the 2nd Quarter. One was the sale of 2600 Goodrick to Industrial Property Trust. The property purchased was 125,000± square feet on ±7.5 acres (**transaction represented by Lee & Associates**). The other major sale was an 88,000± square foot multi-tenant industrial building purchased by The Wang Brothers Investments (**transaction represented by Lee & Associates**).

The Richmond market really began heating up in the last two (2) quarters of 2014. It is extremely hot in both sales and leasing at this time due to low supply in surrounding markets.

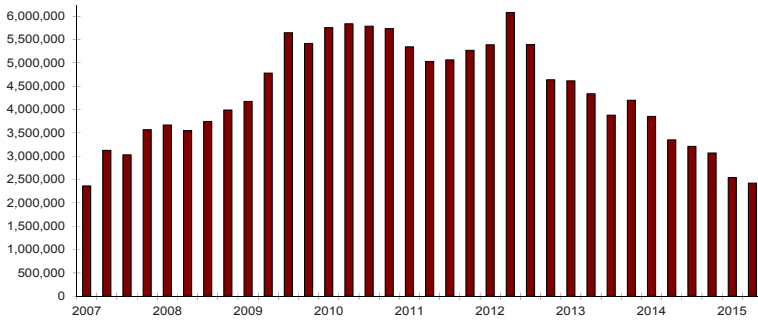
-Brian Barden

1st QUARTER '15 VS. 2nd QUARTER '15 AVAILABILITIES

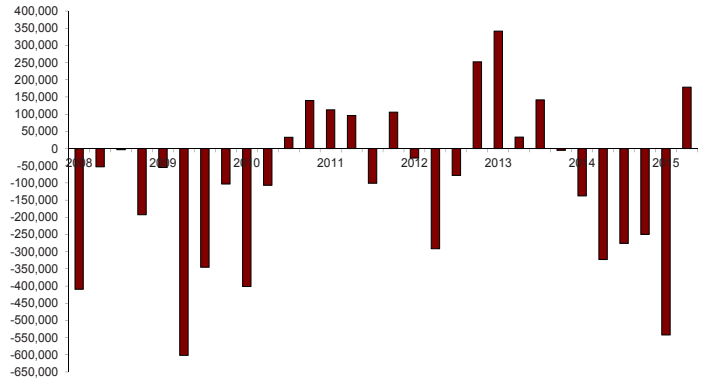


QUARTER IN REVIEW

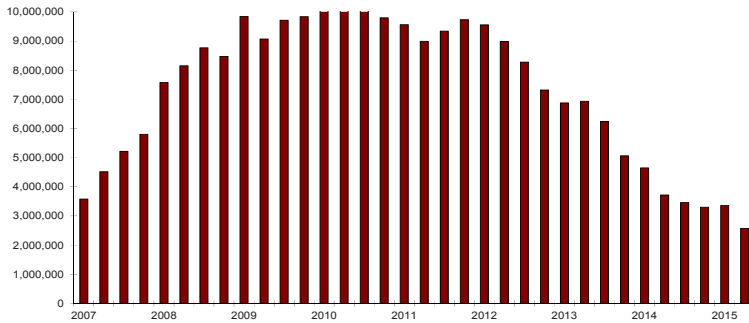
NORTH I-880 AVAILABILITY HISTORY



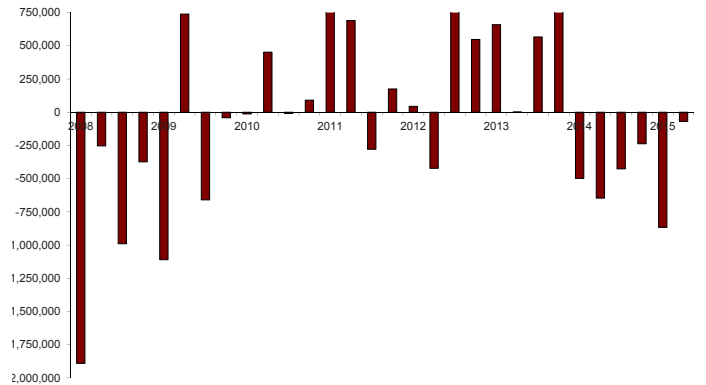
NORTH I-880 ABSORPTION HISTORY



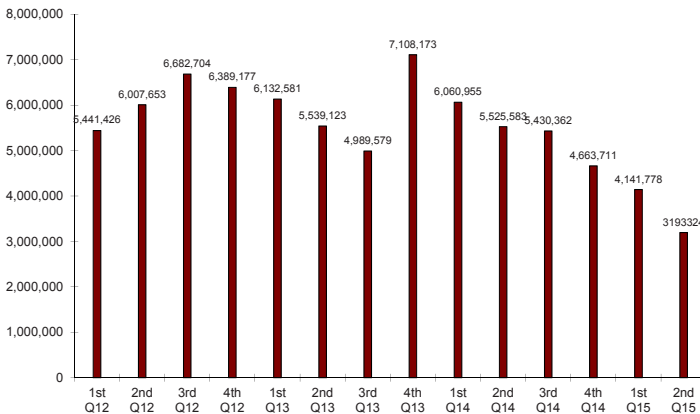
I-880 AVAILABILITY HISTORY



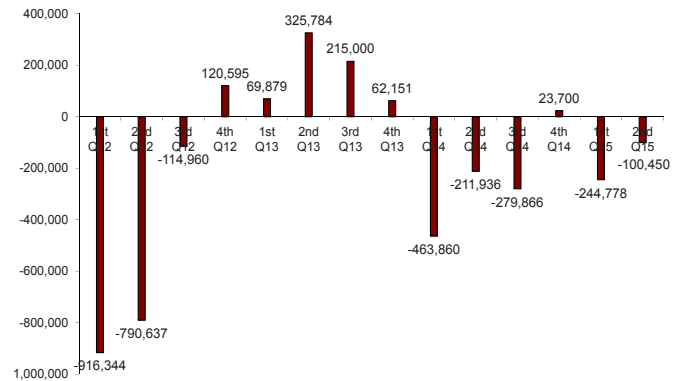
I-880 ABSORPTION HISTORY



FREMONT/NEWARK AVAILABILITY HISTORY



FREMONT/NEWARK ABSORPTION HISTORY



TRANSACTIONS

Industrial - 506,490± SF Leased
901 Page Avenue, Fremont
TESLA MOTORS



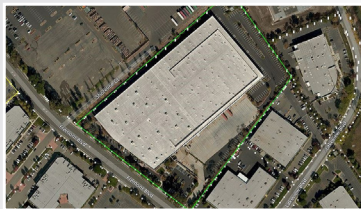
Industrial - 326,414± SF Leased
1345 Doolittle Drive, San Leandro
THE ANNEX



Industrial - 249,896± SF Leased
Pinole Point Business Park #1, Richmond
WILLIAMS-SONOMA



Industrial - 246,750± SF Leased
48350 Fremont Blvd., Fremont
SUPERMICRO COMPUTER, INC.



Industrial - 191,868± SF Leased
33300 Dowe Avenue, Union City
EDE GROUP, INC.



Industrial - 157,421± SF Leased
2250 Williams Drive, San Leandro
SERVICE WEST



Industrial - 124,484± SF Sold
2600 Goodrick Avenue, Richmond
INDUSTRIAL PROPERTY TRUST



Industrial - 117,504± SF Sold
46555 Landing Parkway, Fremont
TMG PARTNERS



Industrial - 102,000± SF Sold
2561 Grant Avenue, San Leandro
1675 FULTON ASSOCIATES



Industrial - 87,785± SF Sold
3033-3095 Richmond Pkwy., Richmond
WANG BROS. INVESTMENTS



Industrial - 76,180± SF Sold
2401-2417 Peralta Street, Oakland
ADAM GOLDENBERG



Industrial - 65,800± SF Sold
550 85th Avenue, Oakland
WESTCORE PROPERTIES, AC, LLC



LEE AVAILABLES

FOR LEASE OR SALE
AVAILABLE: ±3.16 Acres
Boscell Road, FREMONT



FOR LEASE
AVAILABLE: 5,880± SF
709 Sandoval Way, HAYWARD



FOR LEASE OR SALE
AVAILABLE: 26,500± SF
1250 Business Center Dr., SAN LEANDRO



FOR SALE
AVAILABLE: ±2.9 Acres & 11,200± SF
11 Parr Boulevard, RICHMOND



FOR SALE
AVAILABLE: 85,000± SF
2695-2707 McCone Avenue, HAYWARD



FOR LEASE OR SALE
AVAILABLE: 32,107± SF
20609 Corsair Boulevard, HAYWARD



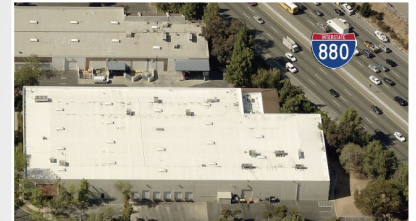
FOR LEASE
AVAILABLE: 80,000± SF
1742 Sabre Street, HAYWARD



FOR LEASE
AVAILABLE: 278,720± SF
31775 Hayman Street, HAYWARD



FOR LEASE
AVAILABLE: 55,632± SF
2801-2809 Faber Street, UNION CITY



FOR LEASE
AVAILABLE: 49,145± SF
34325 Ardenwood Blvd., FREMONT



FOR LEASE
AVAILABLE: 12,297± SF
5015 Brandin Court, FREMONT



FOR SALE
AVAILABLE: 44,000± SF
1835 Oak Street, ALAMEDA



YOUR TEAM

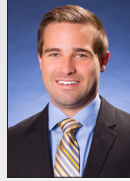
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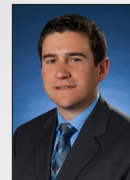
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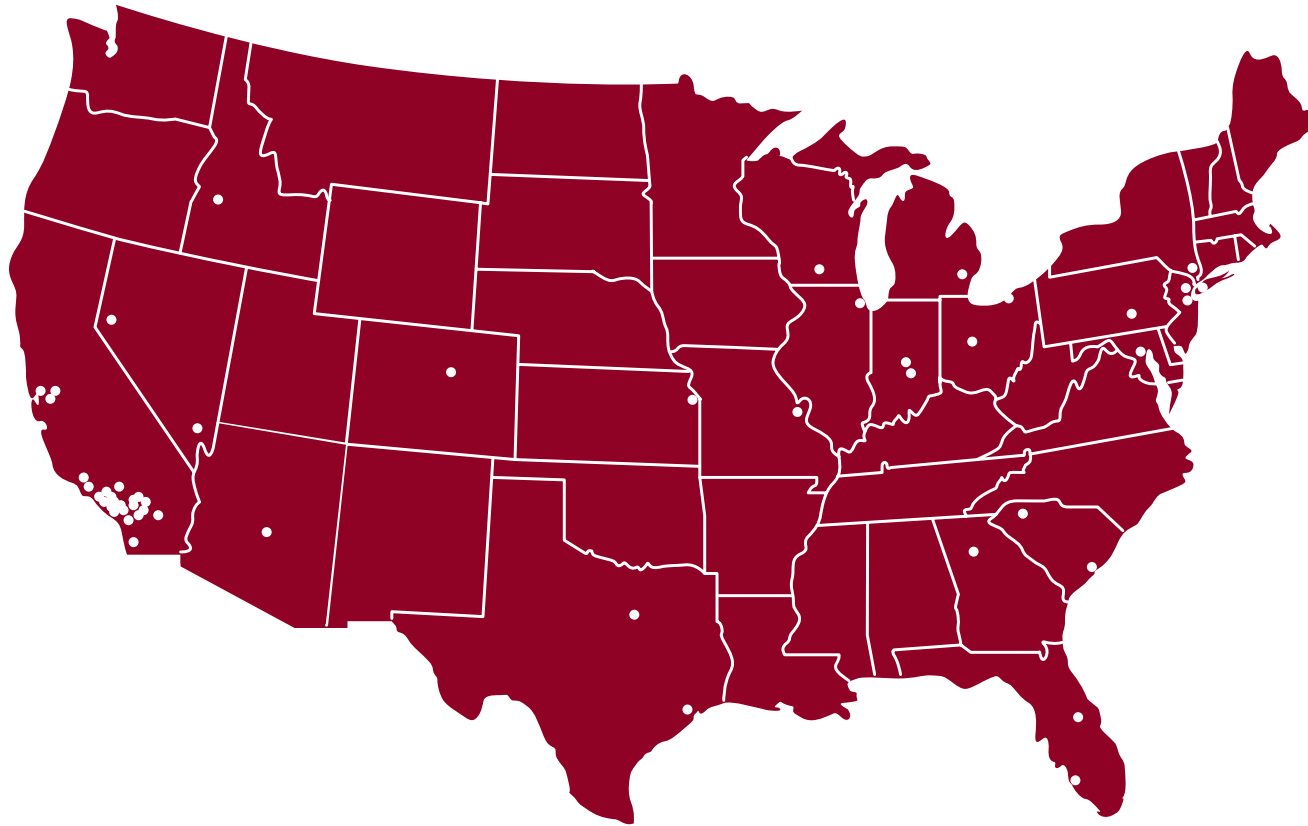


ABOUT LEE & ASSOCIATES

Lee & Associates, founded in 1979, is one of the largest regional commercial real estate providers in the United States.

Since 1979, our seasoned, motivated shareholders and professionals have been offering comprehensive quality service nationally and locally in a pro-active manner. We develop customized solutions for all of your real estates needs through our market-to-market knowledge in all property types. Our unique business model and extensive experience has helped us become one of the largest commercial real estate providers in the United States.

LOCAL EXPERTISE. NATIONAL REACH. WORLD CLASS.



NATIONAL ORGANIZATION, LOCAL OWNERSHIP

Established in 1979, Lee & Associates has expanded across the nation with offices that are individually owned by the shareholders of that office, thus encouraging an entrepreneurial spirit and allowing more freedom and creativity to make real estate transactions work.

EXPLOSIVE GROWTH

Over the past 35 years, there has been an explosive growth of Lee & Associates offices throughout the country, making it one of the largest and fastest growing commercial real estate organizations in the United States.



2015 - Eastern Pennsylvania	2012 - Orlando, FL	2009 - Long Beach, CA	2006 - Oakland, CA	2002 - Chicago, IL	1991 - Phoenix, AZ
2015 - Columbus, OH	2012 - Charleston, SC	2009 - Elmwood Park, NJ	2006 - Reno, NV	2001 - Victorville, CA	1990 - Carlsbad, CA
2015 - Houston, TX	2011 - Fort Myers, FL	2008 - Boise, ID	2006 - San Diego - UTC, CA	1999 - Temecula Valley, CA	1990 - Industry, CA
2014 - Denver, CO	2011 - Kansas City, KS	2008 - ISG, LA, CA	2006 - Ventura, CA	1996 - Central LA, CA	1989 - Los Angeles, CA
2014 - Cleveland, OH	2011 - Manhattan, NY	2008 - Palm Desert, CA	2006 - San Luis Obispo, CA	1994 - Sherman Oaks, CA	1989 - Riverside, CA
2013 - Long Island-Queens, NY	2011 - Greenville, SC	2008 - Santa Barbara, CA	2005 - Southfield, MI	1994 - West LA, CA	1987 - Ontario, CA
2013 - Chesapeake Region, MD	2010 - Atlanta, GA	2006 - Antelope Valley, CA	2005 - Los Olivos, CA	1993 - Pleasanton, CA	1984 - Newport Beach, CA
2013 - Charleston-Dwntrn, SC	2010 - Greenwood, IN	2006 - Dallas, TX	2004 - Calabasas, CA	1993 - Stockton, CA	1983 - Orange, CA
2012 - Edison, NJ	2010 - Indianapolis, IN	2006 - Madison, WI	2004 - St. Louis, MO	1992 - Las Vegas, NV	1979 - Irvine, CA