

I-880 Corridor INDUSTRIAL MARKET REPORT

4th Quarter 2016



2016 ended up being an incredible year for the I-880 corridor industrial market!

We saw record high sale prices and lease rates on all product types. Vacancy rates are at historic lows, along with a scarcity of product to buy for both owner users and investors.

While we do have new construction projects due for completion later into 2017, we anticipate this trend of a tight market to continue well into the year.

What will separate the great firms from the rest of the pack is the ability to source product for their clients. Finding the deal not on the market, or the deal about to fall out of escrow. Having a pulse on the street and superior market knowledge is more important than ever in this tight market.

At Lee & Associates we pride ourselves on our street smarts, superior market knowledge and our ability to get deals done.

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. We look forward to working with you in 2017 and beyond!

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

MARKET SNAPSHOT

North I-880 Industrial Inventory:	57,213,657
North I-880 Industrial Availability:	1,098,473
North I-880 Industrial Availability Rate:	1.92%
I-880 Industrial Inventory:	79,451,684
I-880 Industrial Availability:	2,198,420
I-880 Industrial Availability Rate:	2.77%
Fremont/Newark Industrial Inventory:	55,613,739
Fremont/Newark Industrial Availability:	2,412,836
Fremont/Newark Industrial Availability Rate:	4.34%

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

4th Quarter 2016

NORTH I-880 MARKET STATISTICS - 4th Quarter 2016

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
BERKELEY/EMERYVILLE							
INDUSTRIAL/WAREHOUSE	421	9,267,539	249,559	0	249,559	2.69%	2.69%
FLEX/R&D	78	3,339,120	41,147	0	41,147	1.23%	1.23%
TOTAL	499	12,606,659	290,706	0	290,706	2.31%	2.31%
OAKLAND							
INDUSTRIAL	1,234	22,539,722	303,076	0	303,076	1.34%	1.34%
MULTI TENANT/INCUBATOR	42	291,246	18,287	0	18,287	6.28%	6.28%
FLEX/R&D	115	1,978,760	28,442	0	28,442	1.44%	1.44%
WAREHOUSE/DIST	82	6,306,408	22,440	0	22,440	0.36%	0.36%
TOTAL	1,473	31,116,136	372,245	0	372,245	1.20%	1.20%
RICHMOND							
INDUSTRIAL	286	6,881,448	160,743	7,500	168,243	2.34%	2.44%
MULTI TENANT/INCUBATOR	24	1,228,697	84,611	3,000	87,611	6.89%	7.13%
FLEX/R&D	21	779,258	9,386	0	9,386	1.20%	1.20%
WAREHOUSE/DIST	39	4,601,459	34,450	135,832	170,282	0.75%	3.70%
TOTAL	370	13,490,862	289,190	146,332	435,522	2.14%	3.23%
MARKET TOTAL	2,342	57,213,657	952,141	146,332	1,098,473	1.66%	1.92%

I-880 MARKET STATISTICS - 4th Quarter 2016

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
HAYWARD							
INDUSTRIAL	855	16,029,208	64,769	6,250	71,019	0.40%	0.44%
MULTI TENANT/INCUBATOR	167	2,205,519	19,558	0	19,558	0.89%	0.89%
FLEX/R&D	73	3,326,188	270,290	14,034	284,324	8.13%	8.55%
WAREHOUSE/DIST	224	21,580,098	463,343	134,678	598,021	2.15%	2.77%
TOTAL	1,319	43,141,013	817,960	154,962	972,922	1.90%	2.26%
SAN LEANDRO							
INDUSTRIAL	411	12,657,346	270,023	5,000	275,023	2.13%	2.17%
MULTI TENANT/INCUBATOR	29	595,232	1,273	0	1,273	0.21%	0.21%
FLEX/R&D	33	1,379,594	3,476	0	3,476	0.25%	0.25%
WAREHOUSE/DIST	94	7,636,403	219,047	0	219,047	2.87%	2.87%
TOTAL	567	22,268,575	493,819	5,000	498,819	2.22%	2.24%
UNION CITY							
INDUSTRIAL	108	3,316,464	63,201	26,944	90,145	1.91%	2.72%
MULTI TENANT/INCUBATOR	22	425,080	5,285	0	5,285	1.24%	1.24%
FLEX/R&D	15	438,401	6,552	0	6,552	1.49%	1.49%
WAREHOUSE/DIST	104	9,862,151	560,997	63,700	624,697	5.69%	6.33%
TOTAL	249	14,042,096	636,035	90,644	726,679	4.53%	5.18%
MARKET TOTAL	2,135	79,451,684	1,947,814	250,606	2,198,420	2.45%	2.77%

FREMONT/NEWARK MARKET STATISTICS - 4th Quarter 2016

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Total SF		Direct SF	Sublease SF	Available SF	Direct	Total
FREMONT/NEWARK							
INDUSTRIAL/WAREHOUSE	31,938,739		994,142	169,758	1,163,900	3.11%	3.64%
FLEX/R&D	23,675,000		1,202,335	46,601	1,248,936	5.08%	5.28%
MARKET TOTAL	55,613,739		2,196,477	216,359	2,412,836	3.95%	4.34%

QUARTER IN REVIEW

HAYWARD INDUSTRIAL AVAILABILITY

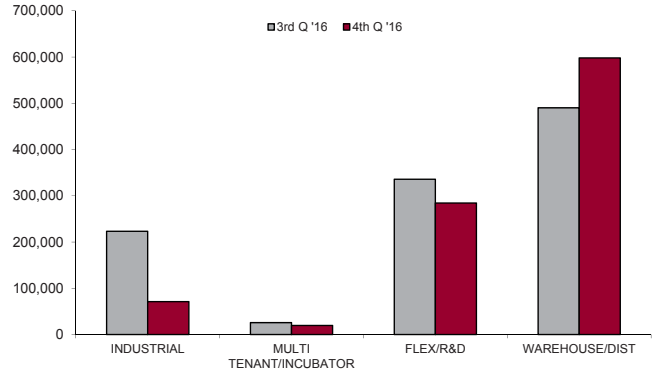
AVAILABILITY ↓ The Hayward market consists of roughly 43 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space. The Hayward market remains one of the hottest sub-markets along the I-880 corridor, with a very low vacancy rate.

ABSORPTION ↑ Several of the most notable transactions this past quarter were the sales of Eden Plaza to Black Mountain Properties (1031 exchange) for \$13.8 million (\$135/SF) and ±2.8 acres of industrial land on Depot Road (at Cabot Boulevard) to Everwest Real Estate Partners represented by Craig Hagglund and Ryan Martens of Lee & Associates. Everwest is starting construction on a 50,000± square foot Class "A" freestanding warehouse facility that will be "shell complete" in roughly the third quarter of 2017.

LEASE RATE ↑

- Craig Hagglund

3rd QUARTER '16 VS. 4th QUARTER '16 AVAILABILITIES



SAN LEANDRO INDUSTRIAL AVAILABILITY

AVAILABILITY ↓ The San Leandro market encompasses roughly 22 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space. Market surveys show the overall vacancy hovering around 2.25% with all four sectors down slightly from the end of the 3rd Quarter. The multi-tenant/incubator market is at a ridiculous 0.21% vacant. The warehouse/distribution market is the highest with a miniscule 2.87% vacancy rate. The end of the year saw a flurry of activity, with nine new deals over 30,000±SF signing in the 4th Quarter, averaging \$0.58/SF NNN. Due to a lack of inventory, however, the sale market saw just four total sales – two investor sales and two owner/user sales.

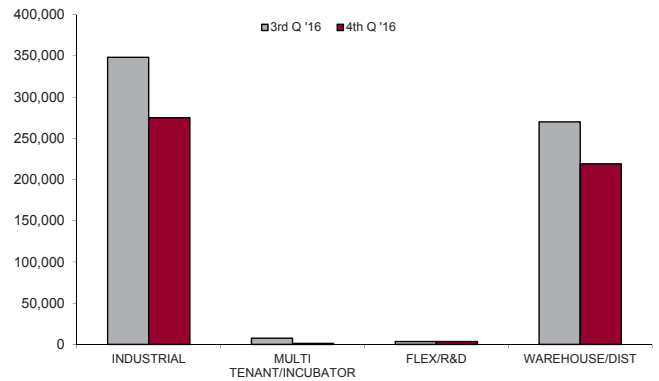
ABSORPTION ↑

LEASE RATE ↑

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

-Chris Schofield

3rd QUARTER '16 VS. 4th QUARTER '16 AVAILABILITIES



UNION CITY INDUSTRIAL AVAILABILITY

AVAILABILITY ↓ The Union City market consists of roughly 14 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space. Vacancy rates dropped slightly to 4.5% over the 4th Quarter. A few notable sales transactions took place, a 28,000±SF industrial building on 7th Street sold in October for \$3.3 million (\$123/SF) and a 36,000±SF multi-tenant warehouse on Bradford Way closed in December for a little over \$4 million (\$111/SF).

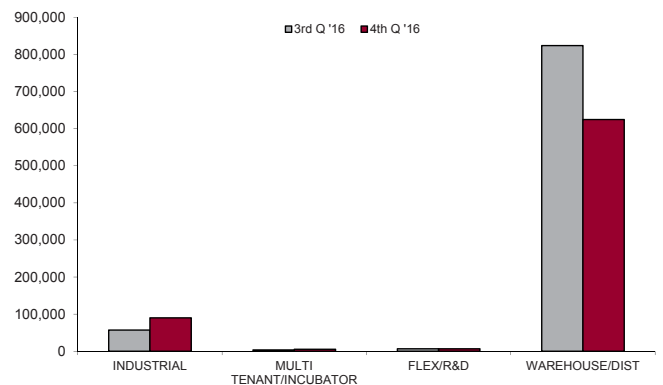
ABSORPTION ↑

LEASE RATE ↑

With vacancy rates below 5%, we expect both lease and sale values to continue to rise in 2017.

-Ryan Martens

3rd QUARTER '16 VS. 4th QUARTER '16 AVAILABILITIES



QUARTER IN REVIEW

FREMONT/NEWARK INDUSTRIAL AVAILABILITY

AVAILABILITY ↑
 ABSORPTION ↑
 LEASE RATE ↑

The Fremont/Newark market encompasses roughly 55 million square feet of warehouse/distribution, industrial, multi-tenant/ incubator and flex/R&D space. The Fremont/Newark market has now posted its 14th straight quarter of positive net absorption. Much like the year before, 2016 will be remembered for developers succeeding in pre-leasing speculative developments, rent and sale prices continuing to climb and a continued scarcity of available industrial space. Looking into 2017, we anticipate tenants either agreeing to renew at much higher rates, or forced to relocate out of the market to save 20%-30% (north to Hayward or east to Livermore). Following the greater trend of 2016, the 4th Quarter closed out with considerably few building sales. We will continue to encourage owners who are considering selling, to do so in 2017. There remains strong pent-up demand on the buyer side from owner/ users and investors.

Notable Leases from the 4th Quarter:

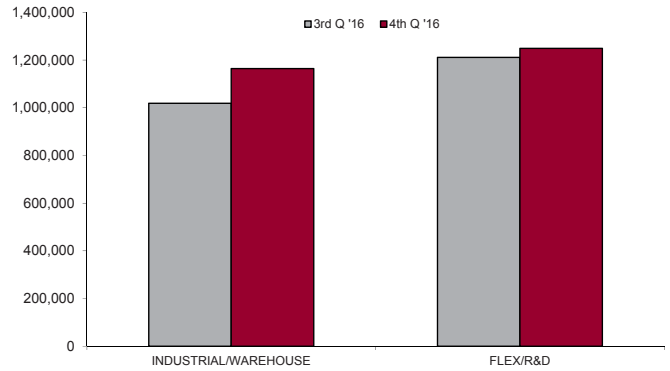
- 55,614±SF to Inside Source | 7055 Central Ave., Newark
- 75,378±SF to Think Surgical Inc. | 47201 Lakeview Boulevard, Fremont
- 61,010±SF to Compass Group USA | 4850-4900 Hannover Place, Fremont

Notable Sales from the 4th Quarter:

- 36,400±SF to Sharp Dimension | 4240 Business Center Drive, Fremont
- 43,199±SF to Winward Silks | 42712 Albrae Street, Fremont

-Andrew Stoddard & Garrett Drew

3rd QUARTER '16 VS. 4th QUARTER '16 AVAILABILITIES



OAKLAND INDUSTRIAL AVAILABILITY

AVAILABILITY ↓
 ABSORPTION ↑
 LEASE RATE ↑

The Oakland market encompasses roughly 31 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space. The 4th Quarter in the Oakland industrial market was very similar to the 3rd Quarter in terms of quantity of mid-sized building transactions. While the brokers who cover this area of the market would characterize it as "thin" in terms of available product, there is a good amount of deals that have occurred in the last two quarters. We have seen a flood of buildings come on the market aimed specifically at the cannabis market, for both lease and sale. This continues to be the major driving force for the Oakland industrial world.

Notable Leases in 4th Quarter:

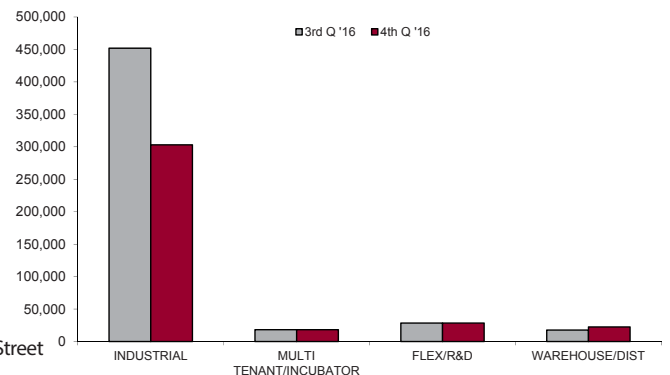
- 15,000±SF on ±3.3 acres to Sunstate Equipment, Co. | 8001 Oakport Street
- 75,217±SF to Thomas Espinosa | 2109 Frederick Street
- 48,120±SF to Matheson Flight Extenders, Inc. | 7240 Edgewater Drive

Notable Sales in 4th Quarter:

- 75,009±SF to Amelia Oakland, LLC | 8410-8430 Amelia Street
- 214,154±SF to Adam Goldberg | 1960 Mandela Parkway
- 18,938±SF to 290 Hegenberger LLC | 290 Hegenberger Road

- Drew Fischer

3rd QUARTER '16 VS. 4th QUARTER '16 AVAILABILITIES



QUARTER IN REVIEW

BERKELEY/EMERYVILLE INDUSTRIAL AVAILABILITY

AVAILABILITY ↓ The Berkeley & Emeryville sub-markets consist of 12 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space. The Berkeley and Emeryville markets continued to command some of the highest sale and rent figures in the East Bay throughout the last quarter of 2016. Inventory continues to remain limited, with demand at an all-time high for all product types including industrial, office, land and residential redevelopment sites.

ABSORPTION ↑

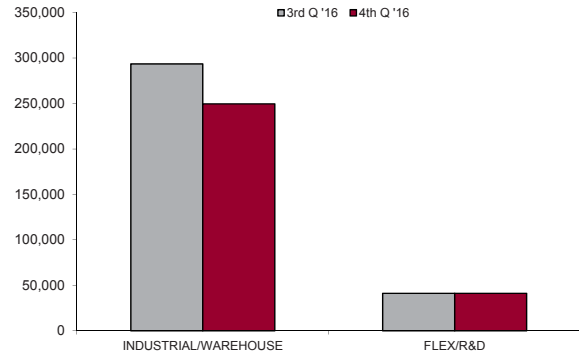
LEASE RATE ↑ Sales of note this quarter include developer Rawson Blum & Leon's acquisition of 3637 Adeline Street on the Emeryville/Oakland border. This \$1.45 million sale achieved \$115/SF on the 12,560± square foot parcel or \$240/SF on the 6,000± square foot building.

On the leasing side, in Emeryville, Symbio Robotics took 6,550± square feet of manufacturing space at 1368 Park Avenue with a starting rent of \$1.45/SF IG. In Berkeley, the redevelopment of The Pyramid Brewing Facility on Gilman saw its first lease in the project, with Blue Bottle Coffee taking 7,500± square feet with a starting rent of \$1.25/SF NNN.

We anticipate strong demand and premium pricing to continue in this sub-market.

- Ryan Davidson

3rd QUARTER '16 VS. 4th QUARTER '16 AVAILABILITIES



RICHMOND INDUSTRIAL AVAILABILITY

AVAILABILITY ↓ The Richmond market consists of roughly 13 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space. In the 4th Quarter of 2016 leasing continued its steady pace, while sales went to another level of "hot"!

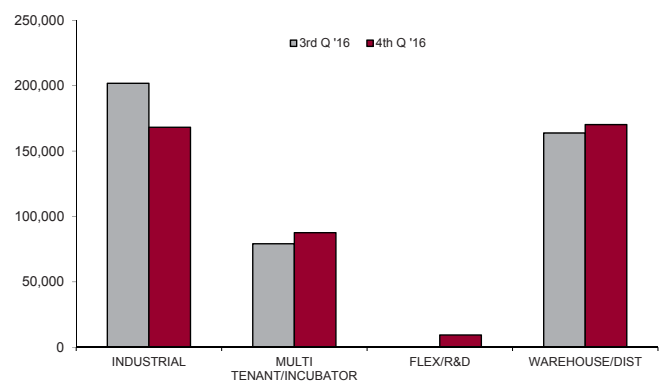
ABSORPTION ↑ There were two new leases signed in the Richmond market in the 4th Quarter. Both leases were signed for approximately 20,000± square feet each, with one located on West Ohio Avenue and the other on Marina Bay Parkway. The leasing market has remained steady; vacancy is still low and prices have risen.

LEASE RATE ↑ The sales market was on fire in the 4th Quarter of 2016. There were six sales of significance, the largest sale occurred at 350 Carlson Boulevard which was 128,000± square feet to an investor. The other notable sales included an 110,000± square foot building at 1015 Chesley Avenue to SJ Foods and a sale on Lakeside Drive where the STG Group sold a two building flex/R&D property to Making Waves, a charter school.

The Richmond market remains very active and the outlook for Richmond continues to soar for 2017.

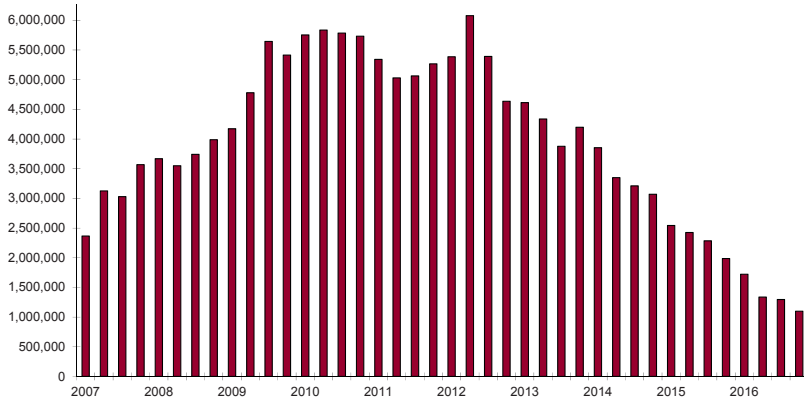
-Brian Barden

3rd QUARTER '16 VS. 4th QUARTER '16 AVAILABILITIES

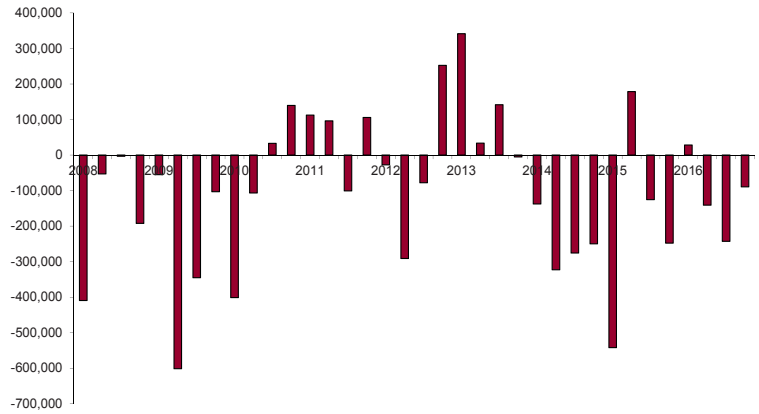


QUARTER IN REVIEW

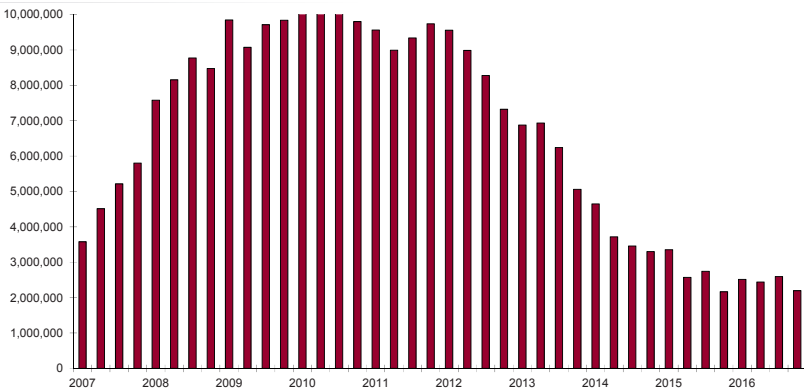
NORTH I-880 AVAILABILITY HISTORY



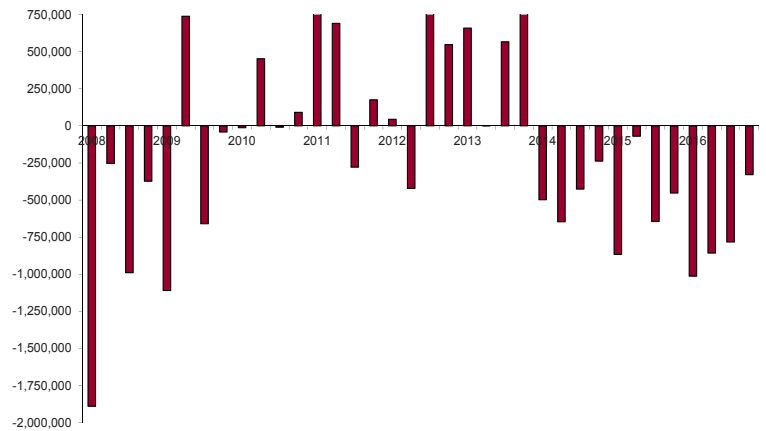
NORTH I-880 ABSORPTION HISTORY



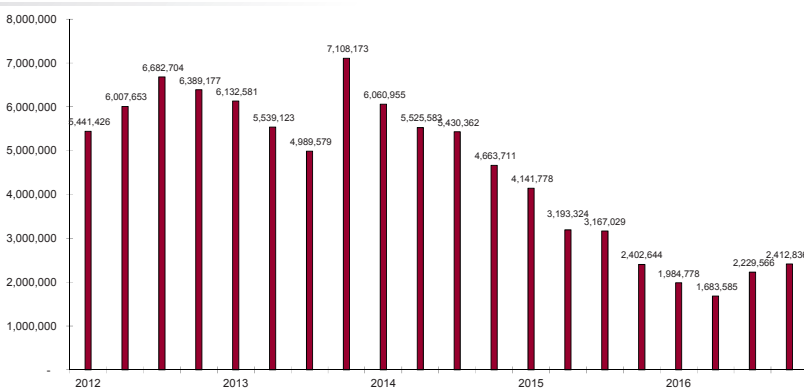
I-880 AVAILABILITY HISTORY



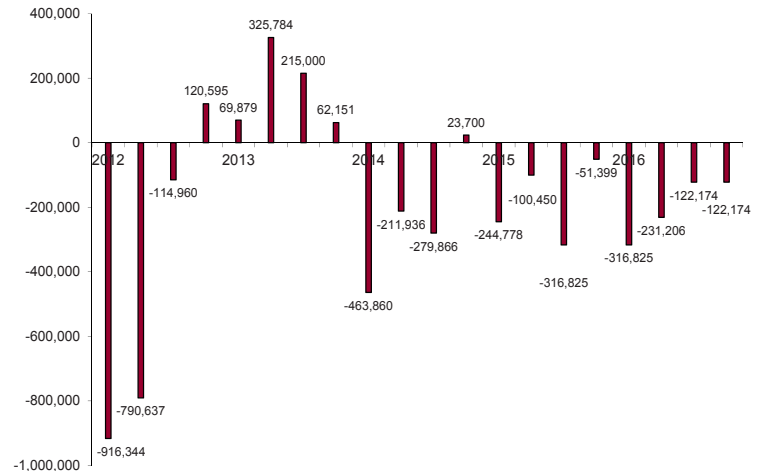
I-880 ABSORPTION HISTORY



FREMONT/NEWARK AVAILABILITY HISTORY



FREMONT/NEWARK ABSORPTION HISTORY



TRANSACTIONS

Industrial - 136,442± SF Leased
2048-2050 Williams Street, San Leandro
ANCHOR DISTRIBUTING, INC.



Flex - 100,103± SF Leased
6500 Paseo Padre Parkway, Fremont
JOHNSON & JOHNSON SERVICES



Industrial - 79,842±SF Leased
1251 Doolittle Drive, San Leandro
RELIABLE LIQUIDATION & INSTALLATION



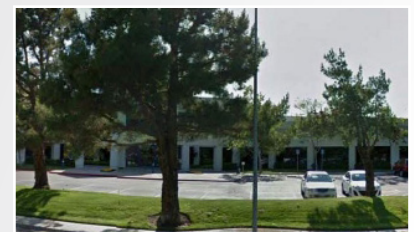
Flex - 75,378± SF Leased
47201 Lakeview Boulevard, Fremont
THINK SURGICAL INC.



Industrial - 75,217± SF Leased
2109 Frederick Street, Oakland
THOMAS ESPINOZA



Flex - 74,674± SF Leased
46831 Lakeview Boulevard, Fremont
SEAGATE TECHNOLOGY



Industrial - 450,000± SF Sold
2055 S. 7th Street, San Jose
THE BLACKSTONE GROUP



Industrial - 214,154± SF Sold
1960 Mandela Parkway, Oakland
ADAM GOLDBERG



Industrial - 132,994± SF Sold
2756 Alvarado Street, San Leandro
INDUSTRIAL PROPERTY TRUST



Industrial - 128,000± SF Sold
350 Carlson Boulevard, Richmond
ADEL PARK LLC



Land - 121,532± SF Sold
3781 Depot Road, Hayward
EVERWEST



Industrial - 110,000± SF Sold
1015 Chesley Avenue, Richmond
SJ FOODS

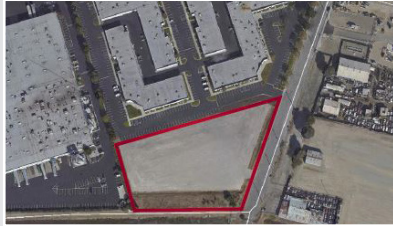


LEE AVAILABLES

FOR LEASE/SALE
AVAILABLE: ±107.82 Acres
2101-2603 Wilbur Ave., ANTIOCH



FOR LEASE
AVAILABLE: 50,230±SF
3781 Depot Rd., HAYWARD



FOR SALE
AVAILABLE: 44,280± SF
1833 Stearman Ave., HAYWARD



FOR LEASE
AVAILABLE: 34,000± SF
4120 Point Eden Way, HAYWRD



FOR LEASE
AVAILABLE: 32,874± SF
1387-1401 Marina Way, RICHMOND



FOR LEASE
AVAILABLE: 47,703± SF
41049 Boyce Rd., FREMONT



FOR SALE
AVAILABLE: 26,772± SF
2438 Radley Court, HAYWARD



FOR SUBLEASE
AVAILABLE: 26,453± SF
2350 Zanker Rd., SAN JOSE



FOR LEASE
AVAILABLE: 15,626± SF
40950 Encyclopedia Cir., FREMONT



FOR LEASE
AVAILABLE: 15,000± SF
201 Second St., OAKLAND



FOR SALE
AVAILABLE: 29,634± SF
1015 Shary Cir., CONCORD



FOR LEASE
AVAILABLE: 15,000± SF
5035 Brandin Ct., FREMONT



INDUSTRIAL AGENTS

NAME	TITLE	PHONE NUMBER	EMAIL ADDRESS
Brian Barden	Associate	510-903-7616	bbarden@lee-associates.com
Zack Barnes	Associate	510-903-7619	zbarnes@lee-associates.com
Ryan Davidson	Principal	510-903-7614	rdavidson@lee-associates.com
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Guy Warren	Principal	510-903-7617	gwarren@lee-associates.com

OFFICE AGENTS

NAME	TITLE	PHONE NUMBER	EMAIL ADDRESS
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Ben Jones	Principal	510-903-7606	bjones@lee-associates.com
Dave McCarty	Principal	510-903-7601	dmccarty@lee-associates.com
Joseph McGlynn	Associate	510-903-7612	jmccglynn@lee-associates.com

RETAIL AGENT

NAME	TITLE	PHONE NUMBER	EMAIL ADDRESS
Cass Gulden	Associate	510-599-3139	cgulden@lee-associates.com

MANAGING PRINCIPAL

NAME	TITLE	PHONE NUMBER	EMAIL ADDRESS
Mike Furay	Managing Principal	925-737-4140	mfuray@lee-associates.com

ABOUT LEE & ASSOCIATES

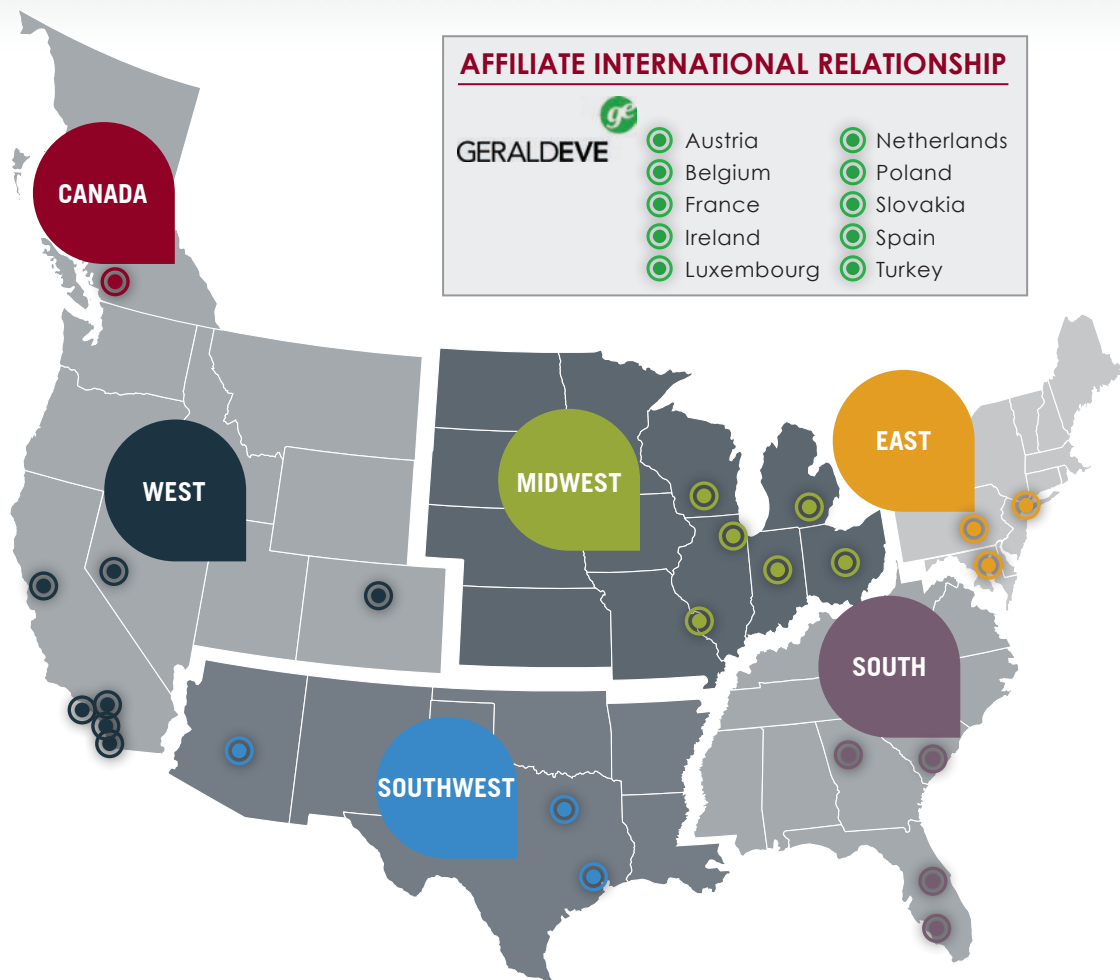
Lee & Associates, founded in 1979, is one of the largest regional commercial real estate providers in the United States.

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.

Stay Connected:



LOCAL EXPERTISE. INTERNATIONAL REACH. WORLD CLASS.



INTERNATIONAL ORGANIZATION, LOCAL OWNERSHIP

Established in 1979, Lee & Associates has expanded across the nation and North America 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

Since its inception there has been an explosive growth of Lee & Associates offices throughout the country and now in Vancouver, British Columbia, making it one of the largest and fastest growing commercial real estate organizations in North America.



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|--------------------------------------|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| 2016 - Pasadena, CA | 2012 - Edison, NJ | 2009 - Elmwood Park, NJ | 2006 - San Diego - UTC, CA | 1996 - Central LA, CA | 1987 - Ontario, CA |
| 2016 - Vancouver, B.C. | 2012 - Orlando, FL | 2008 - Boise, ID | 2006 - Ventura, CA | 1994 - Sherman Oaks, CA | 1984 - Newport Beach, CA |
| 2015 - Eastern Pennsylvania | 2012 - Charleston, SC | 2008 - ISG, LA, CA | 2006 - San Luis Obispo, CA | 1994 - West LA, CA | 1983 - Orange, CA |
| 2015 - Columbus, OH | 2011 - Fort Myers, FL | 2008 - Palm Desert, CA | 2005 - Southfield, MI | 1993 - Pleasanton, CA | 1979 - Irvine, CA |
| 2015 - Houston, TX | 2011 - Manhattan, NY | 2008 - Santa Barbara, CA | 2005 - Los Olivos, CA | 1993 - Stockton, CA | |
| 2014 - Denver, CO | 2011 - Greenville, SC | 2006 - Antelope Valley, CA | 2004 - Calabasas, CA | 1991 - Phoenix, AZ | |
| 2014 - Cleveland, OH | 2010 - Atlanta, GA | 2006 - Dallas, TX | 2004 - St. Louis, MO | 1990 - Carlsbad, CA | |
| 2013 - Long Island-Queens, NY | 2010 - Greenwood, IN | 2006 - Madison, WI | 2002 - Chicago, IL | 1990 - Industry, CA | |
| 2013 - Chesapeake Region, MD | 2010 - Indianapolis, IN | 2006 - Oakland, CA | 2001 - Victorville, CA | 1989 - LA - Long Beach, CA | |
| 2012 - Valuation, Atlanta, GA | 2009 - Long Beach, CA | 2006 - Reno, NV | 1999 - Temecula Valley, CA | 1989 - Riverside, CA | |