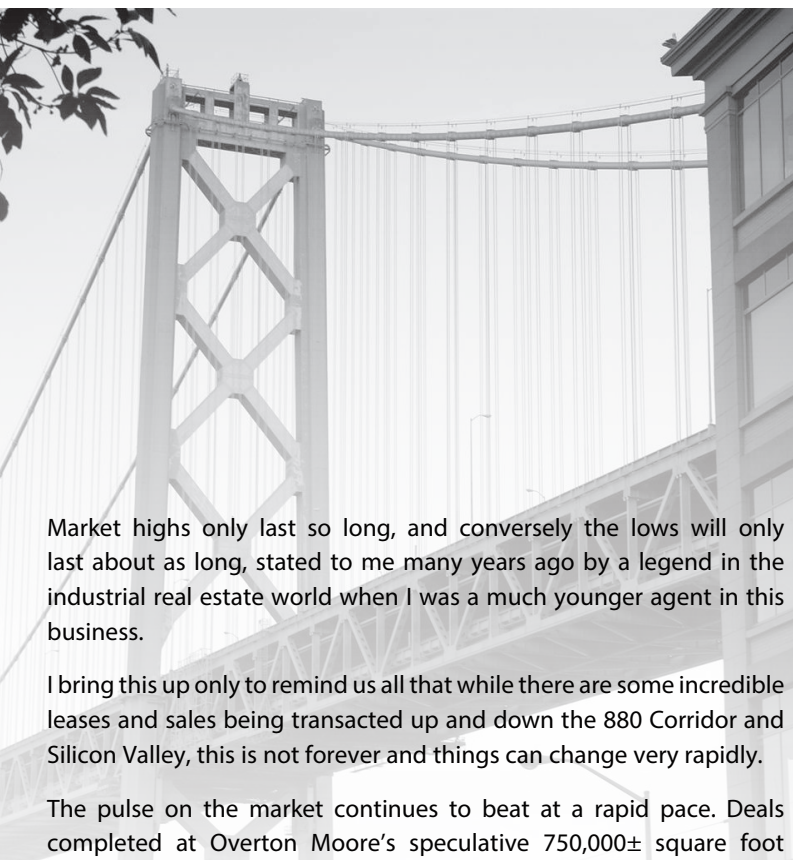


I-880 Corridor INDUSTRIAL MARKET REPORT

3rd Quarter 2014



Market highs only last so long, and conversely the lows will only last about as long, stated to me many years ago by a legend in the industrial real estate world when I was a much younger agent in this business.

I bring this up only to remind us all that while there are some incredible leases and sales being transacted up and down the 880 Corridor and Silicon Valley, this is not forever and things can change very rapidly.

The pulse on the market continues to beat at a rapid pace. Deals completed at Overton Moore's speculative 750,000± square foot warehouse project in South Fremont are a prime example. Leases (preleases, to be exact) with Living Spaces Furniture, Apple, and Pivot are but a few of the deals happening in our market.

The sale market continues to also be a point of strength along the 880 corridor, such as the recent purchase by KTR of the North Hayward Corp. Center (208,000± square feet) from Invesco.

The speculative development that we referenced in last quarter's newsletter is leasing up, even before the buildings have been completed. As a result, more developers are looking for sites to build up and down the 880 Corridor.

Lee & Associates continues its growth across the USA, now with more than 800 agents and 51 offices. The most recent addition is the Cleveland Office, with more office expansions announced soon!

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:	59,254,974
North I-880 Industrial Availability:	3,210,465
North I-880 Industrial Availability Rate:	5.42%
I-880 Industrial Inventory:	84,791,749
I-880 Industrial Availability:	3,457,969
I-880 Industrial Availability Rate:	4.08%
Fremont/Newark Industrial Inventory:	55,613,739
Fremont/Newark Industrial Availability:	5,430,362
Fremont/Newark Industrial Availability Rate:	9.76%

KEY TERMS & DEFINITIONS

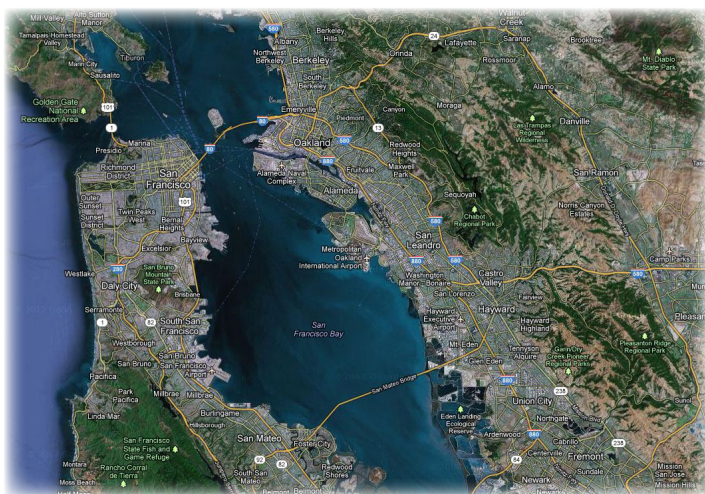
Availability: Square footage that is marketed for lease which is available within 90 days. This also includes sublease space.

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.



Lee & Associates maintains an up-to-date database of all available properties and sold/leased properties.

QUARTER IN REVIEW

3rd Quarter 2014

NORTH I-880 MARKET STATISTICS - 3rd Quarter 2014

MARKET		INVENTORY		AVAILABILITY			AVAILABILITY RATE	
		Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
BERKELEY	INDUSTRIAL	279	5,514,481	104,129	6,300	110,429	1.89%	2.00%
	MULTI TENANT/INCUBATOR	6	71,189	0	0	0	0.00%	0.00%
	FLEX/R&D	53	2,261,891	360,915	0	360,915	15.96%	15.96%
	WAREHOUSE/DIST	3	64,849	0	0	0	0.00%	0.00%
	TOTAL	341	7,912,410	465,044	6,300	471,344	5.88%	5.96%
EMERYVILLE	INDUSTRIAL	133	3,677,788	155,480	19,346	174,826	4.23%	4.75%
	MULTI TENANT/INCUBATOR	4	99,936	16,448	0	16,448	16.46%	16.46%
	FLEX/R&D	19	1,154,006	12,377	0	12,377	1.07%	1.07%
	WAREHOUSE/DIST	8	346,573	0	0	0	0.00%	0.00%
	TOTAL	164	5,278,303	184,305	19,346	203,651	3.49%	3.86%
OAKLAND	INDUSTRIAL	1,222	21,909,601	942,260	64,120	1,006,380	4.30%	4.59%
	MULTI TENANT/INCUBATOR	42	291,246	16,057	0	16,057	5.51%	5.51%
	FLEX/R&D	118	2,092,713	40,698	0	40,698	1.94%	1.94%
	WAREHOUSE/DIST	88	6,220,641	446,121	0	446,121	7.17%	7.17%
	TOTAL	1,470	30,514,201	1,445,136	64,120	1,509,256	4.74%	4.95%
RICHMOND	INDUSTRIAL	283	7,628,133	396,489	110,592	507,081	5.20%	6.65%
	MULTI TENANT/INCUBATOR	28	1,842,821	105,301	0	105,301	5.71%	5.71%
	FLEX/R&D	29	1,019,041	65,034	4,166	69,200	6.38%	6.79%
	WAREHOUSE/DIST	41	5,060,065	311,800	32,832	344,632	6.16%	6.81%
	TOTAL	381	15,550,060	878,624	147,590	1,026,214	5.65%	6.60%
MARKET TOTAL		2,356	59,254,974	2,973,109	237,356	3,210,465	5.02%	5.42%

I-880 MARKET STATISTICS - 3rd Quarter 2014

MARKET		INVENTORY		AVAILABILITY			AVAILABILITY RATE	
		Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
HAYWARD	INDUSTRIAL	859	15,976,779	417,522	0	417,522	2.61%	2.61%
	MULTI TENANT/INCUBATOR	167	2,504,752	79,563	0	79,563	3.18%	3.18%
	FLEX/R&D	98	4,728,790	291,960	30,000	321,960	6.17%	6.81%
	WAREHOUSE/DIST	230	22,725,825	715,967	313,092	1,029,059	3.15%	4.53%
	TOTAL	1,354	45,936,146	1,505,012	343,092	1,848,104	3.28%	4.02%
SAN LEANDRO	INDUSTRIAL	412	13,039,079	547,509	30,128	577,637	4.20%	4.43%
	MULTI TENANT/INCUBATOR	30	672,995	26,831	0	26,831	3.99%	3.99%
	FLEX/R&D	44	2,345,564	51,055	4,988	56,043	2.18%	2.39%
	WAREHOUSE/DIST	93	7,610,295	289,222	42,000	331,222	3.80%	4.35%
	TOTAL	579	23,667,933	914,617	77,116	991,733	3.86%	4.19%
UNION CITY	INDUSTRIAL	114	3,272,756	211,908	0	211,908	6.47%	6.47%
	MULTI TENANT/INCUBATOR	15	401,943	35,744	0	35,744	8.89%	8.89%
	FLEX/R&D	20	706,152	79,759	0	79,759	11.29%	11.29%
	WAREHOUSE/DIST	105	10,806,819	290,721	0	290,721	2.69%	2.69%
	TOTAL	254	15,187,670	618,132	0	618,132	4.07%	4.07%
MARKET TOTAL		2,187	84,791,749	3,037,761	420,208	3,457,969	3.58%	4.08%

FREMONT/NEWARK MARKET STATISTICS - 3rd Quarter 2014

MARKET		INVENTORY		AVAILABILITY			AVAILABILITY RATE	
		Total SF		Direct SF	Sublease SF	Available SF	Direct	Total
FREMONT/NEWARK	INDUSTRIAL/WAREHOUSE	31,938,739		2,488,893	115,008	2,603,901	7.79%	8.15%
	FLEX/R&D	23,675,000		2,611,516	214,945	2,826,461	11.03%	11.94%
	MARKET TOTAL	55,613,739		5,100,409	329,953	5,430,362	9.17%	9.76%

QUARTER IN REVIEW

3rd Quarter 2014

HAYWARD INDUSTRIAL AVAILABILITY

AVAILABILITY



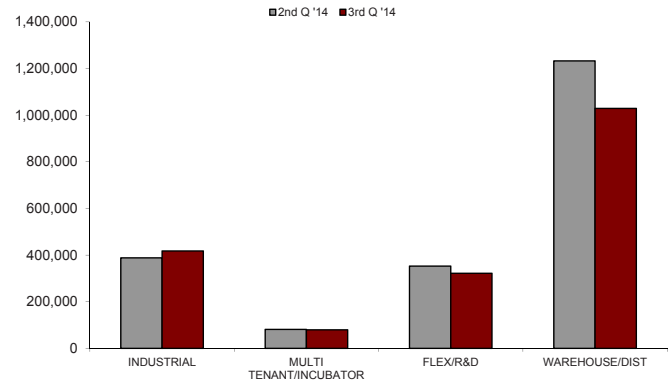
The Hayward market consists of roughly 45 million square feet of warehouse, industrial, multi-tenant, and R&D space. The Hayward market remains very strong with limited Class A warehouse space available. Owner-user building sales also remain strong as values approach market highs. One significant development just south of Highway 92/San Mateo Bridge area is a ± 32 acre development with McShane totaling roughly 471,000 \pm square feet in multiple buildings, the largest of which will be 333,365 \pm square feet with a 32' clear height and ESFR sprinklers. This is the only spec development of its kind in the Hayward market.

-Craig Hagglund

ABSORPTION



LEASE RATE

2nd QUARTER '14 VS. 3rd QUARTER '14 AVAILABILITIES

SAN LEANDRO INDUSTRIAL AVAILABILITY

AVAILABILITY



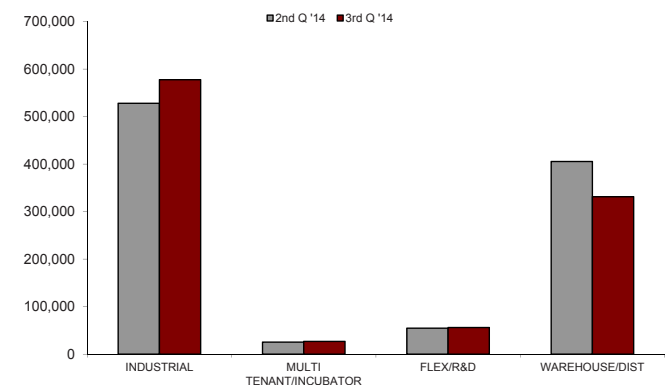
The San Leandro market encompasses roughly 23 million square feet of warehouse, industrial, multi-tenant, and R&D space. Market surveys show the overall vacancy at just over 4% - down 9 basis points from the previous quarter, with industrial and warehouse/distribution sectors seeing positive absorption. L3 Communications signed the largest lease in the 3rd quarter as they renewed their 135,000 \pm square foot space on Merced/Fairway. In another large transaction this quarter, Sloat Brothers LTD subleased 42,000 \pm square feet at 2800 Miller Street. On the sale side, DR Stephens purchased 45,000 \pm square feet on Doolittle Drive as a leased investment. We anticipate vacancy will continue to decline and both lease rates and sale prices will continue to rise over the next quarter.

-Doug Pearson

ABSORPTION



LEASE RATE

2nd QUARTER '14 VS. 3rd QUARTER '14 AVAILABILITIES

UNION CITY INDUSTRIAL AVAILABILITY

AVAILABILITY



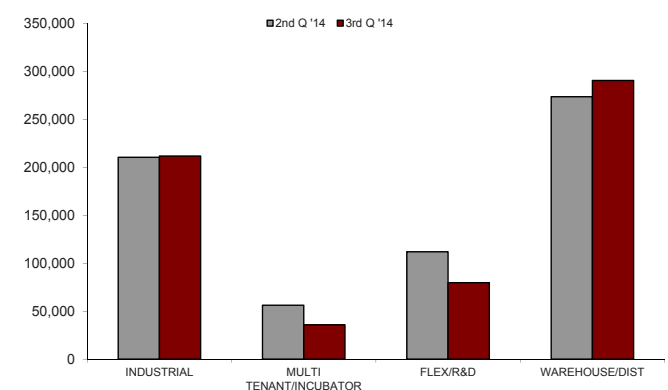
Union City consists of just under 16 million square feet of warehouse, industrial, multi-tenant, and R&D space. Market availability continued to tighten up over the 2nd Quarter in Union City. Vacancy rates are now at 4.07% - down from 4.3% in the 2nd Quarter. Union City is so tight on space that very little activity in the way of completed transactions took place in the 3rd Quarter. The largest leases were in the 40,000 \pm square foot range and rates were in the mid to high \$0.40s NNN with effective rents in the low to mid \$0.50s NNN. New product is being built by Westcore at the former Chronicle facility on Central Avenue. This will bring 300,000 \pm square feet of Class A industrial product to the market - delivery is said to be in the 2nd Quarter of 2015. Additionally, the Quality Distributing building that was formerly home to KFC's food delivery for Northern California has been brought to the market. Additionally, Chef's Warehouse and Tire Warehouse Co. are both negotiating 100,000 \pm square foot leases in Union City.

-Jesse Lucas

ABSORPTION



LEASE RATE

2nd QUARTER '14 VS. 3rd QUARTER '14 AVAILABILITIES

QUARTER IN REVIEW

3rd Quarter 2014

FREMONT/NEWARK INDUSTRIAL AVAILABILITY

AVAILABILITY



The 3rd Quarter was marked by some of the largest sale & lease transactions this submarket has seen in decades. Fremont/Newark can now be considered one of the hottest submarkets on the West Coast for warehouse and manufacturing facilities. Lease rates and sale prices have continued to trend upward, and are now at, or approaching, peak levels.

ABSORPTION



Last quarter, we reported the commencement of construction at Milmont Commerce Center; Panattoni's 173,296± square foot speculative warehouse development. We are pleased to announce that Lee & Associates represented the ownership in signing JFC International to a 15 year lease for the entire building.

LEASE RATE

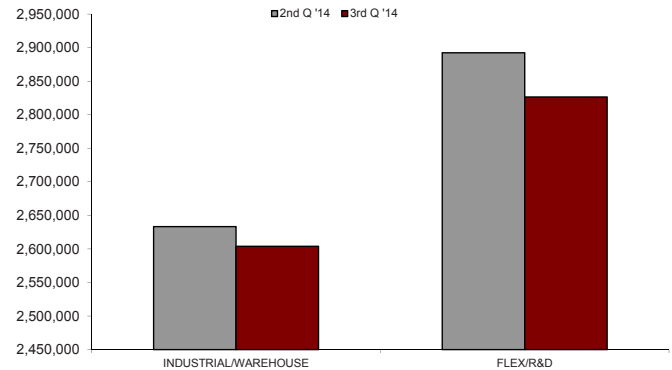


Last quarter we also noted the lease of the 574,640± square foot Cherry Logistics Center in Newark to Amazon. The developer, Connor Commercial, with American Realty Advisors has subsequently turned around and sold this asset to Metlife for a reported \$152 PSF (or \$87M).

In south Fremont, developer Overton Moore has announced lease commitments for 587,877± square feet of their 690,796± square foot warehouse development at The Crossings @ 880. These future tenants include Apple, Living Spaces, and Pivot Interiors.

This perfect storm of the demand instantly absorbing supply is a boom to the area and has put Fremont/Newark on the radar screens of both institutional investors and corporate occupiers.

2nd QUARTER '14 VS. 3rd QUARTER '14 AVAILABILITIES



On the owner/user side of the market, sales activity was quiet for the quarter. The two notable transactions were Pelican Signs purchase of 19,330± square feet SF at 41353 Albrae Street in Fremont and 034 Motorsports purchase of their 12,614± square foot facility at 42968 Osgood Road in Fremont.

-Victor DeBoer, Andrew Stoddard, & Neil Cowperthwaite

OAKLAND INDUSTRIAL AVAILABILITY

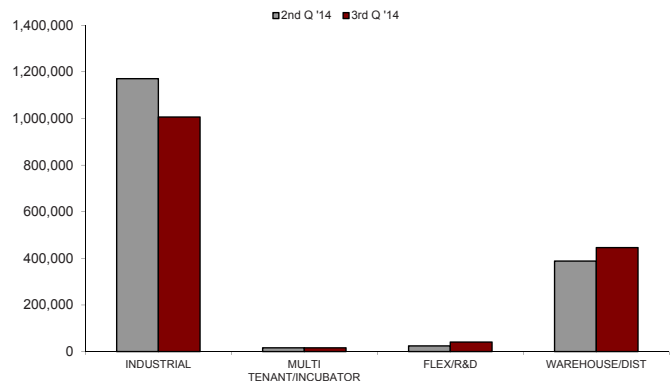
AVAILABILITY



The Oakland market encompasses roughly 30 million square feet of warehouse, industrial, multi-tenant, and R&D space. For the Oakland industrial real estate market, the 3rd Quarter of 2014 may have set a new high mark in terms of the number of high profile and large lease and sale transactions. We will often go years without this much activity in the 25,000± square foot and over range. The market is clearly thriving. Here are the deals that stand out for the 3rd Quarter: 35,000± SF on ±4.12 acres at 845 92nd Avenue leased to Unites Site Services; Dealer Tire leased 134,000± SF at the ProLogis Distribution Center at 7200 Edgewater Drive; Philz Coffee came into Oakland from the Peninsula to set up their main roasting and distribution facility in 48,000± SF at 650 85th Avenue, also owned by ProLogis; Benjamin Moore signed a long-term lease for 141,844± SF at the newly construction distribution facility at 8350 Pardee Drive. On the sale side we saw: a 12,000± SF building on ±2 acres of land located at 7699 Edgewater Drive sell for a million dollars more than it previously sold just one year ago.; a 105,066± SF building at 155 98th Avenue sold to C&J Foods, Inc; and lastly, a 36,311± SF building on ±3.8 acres at 7801 Capwell Drive, home to Webcor, sold to investors for \$4,100,000. We predict more and more positive activity and growth in Oakland and this bodes well for the next quarter and beyond.

- Drew Fischer

2nd QUARTER '14 VS. 3rd QUARTER '14 AVAILABILITIES



QUARTER IN REVIEW

3rd Quarter 2014

BERKELEY & EMERYVILLE INDUSTRIAL AVAILABILITY

AVAILABILITY



ABSORPTION



LEASE RATE

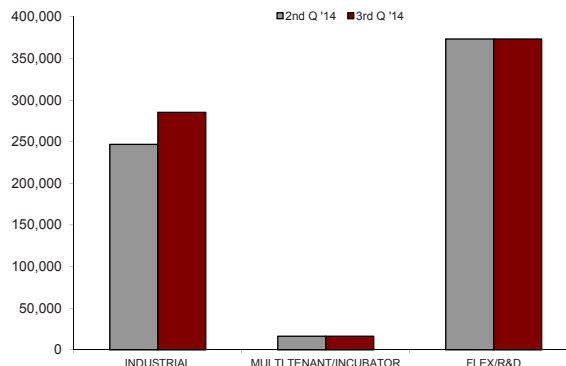


The Berkeley submarket consists of 7.9 million square feet of warehouse, industrial, multi-tenant, and R&D space. The Emeryville submarket consists of roughly 5 million square feet of warehouse, industrial, multi-tenant, and R&D space. The Berkeley & Emeryville submarkets continue to offer a very limited amount of traditional industrial space for true warehouse and manufacturing users. This is a trend that will perpetuate itself for the foreseeable future as limited inventory pushes pricing higher for the existing stock of industrial property in these cities. The prevailing demand for available industrial space tends to be driven by the creative industries, the craft food and beverage industries, and those looking for non-traditional research and development style space.

There are no sales of industrial properties to report for this quarter, although there continues to be an ongoing demand for under utilized redevelopment sites in these cities from infill developers looking to capitalize on higher and better uses for functionally obsolete industrial properties. Due to their close proximity to San Francisco, and ample transit options, these cities have become high priority targets for residential development looking to accommodate the wave of interest currently coming out of San Francisco where prices have skyrocketed in the last 24 months. Some leases of note for this quarter include Far West Brewing who is building a 13,000± square foot brewery and restaurant at 1150 6th Street in Berkeley, and Jeremy's Retail from San Francisco taking a 6,550± square foot building at 1368 Park Avenue in Emeryville.

-Ryan Davidson

2nd QUARTER '14 VS. 3rd QUARTER '14 AVAILABILITIES



RICHMOND INDUSTRIAL AVAILABILITY

AVAILABILITY



ABSORPTION



LEASE RATE

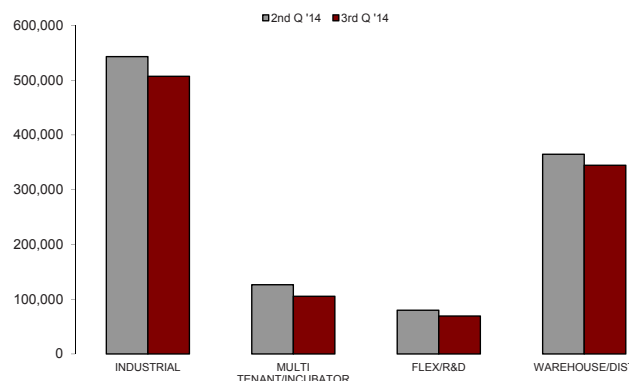


The Richmond market consists of roughly 14 million square feet of warehouse, industrial, multi-tenant, and R&D space. Much like the 1st and 2nd Quarters, the Richmond industrial submarket continued to see notable leases and sales in the 3rd Quarter. Of note was the sale of 50,000± square feet at 2200 Central Avenue, which had been on the market for nine (9) months. A notable lease was signed for 58,000± square feet by Grace Bakery at 3200 Regatta Boulevard. In addition to the notable transactions, there were ten (10) other leases signed in the 3rd Quarter below 20,000± square feet.

On the development side, KTR development company will be breaking ground in the 4th Quarter of 2014 on a three building industrial distribution project totaling 515,000± square feet. The Richmond market has now become a tight market and has benefitted from the low vacancy in surrounding markets.

-Brian Barden

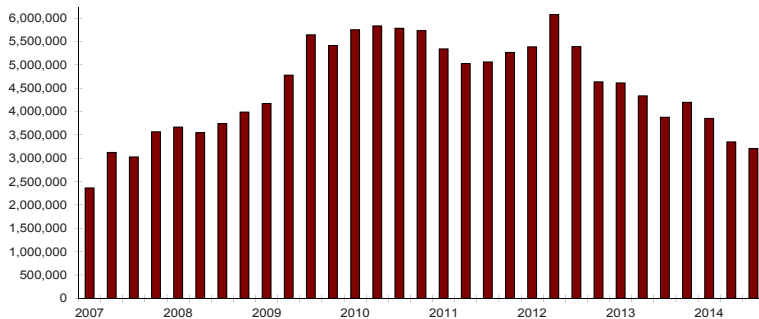
2nd QUARTER '14 VS. 3rd QUARTER '14 AVAILABILITIES



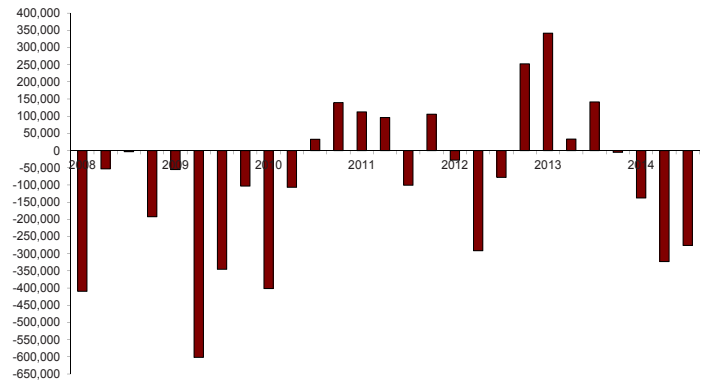
QUARTER IN REVIEW

3rd Quarter 2014

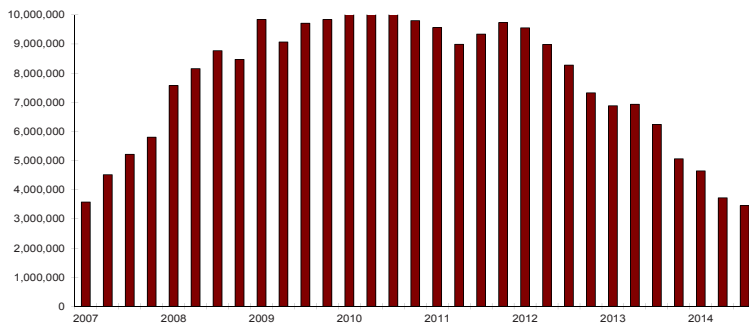
NORTH I-880 AVAILABILITY HISTORY



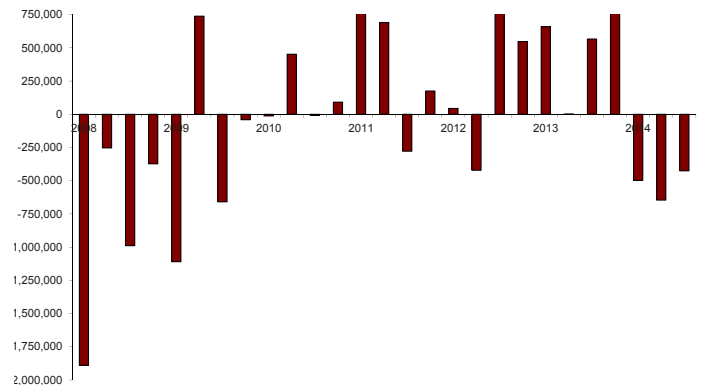
NORTH I-880 ABSORPTION HISTORY



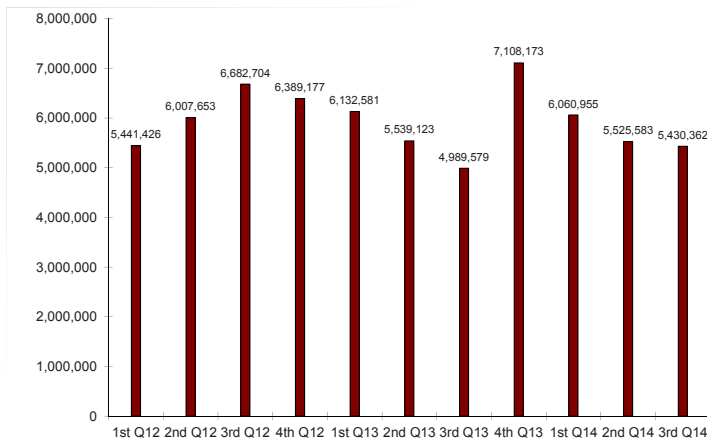
I-880 AVAILABILITY HISTORY



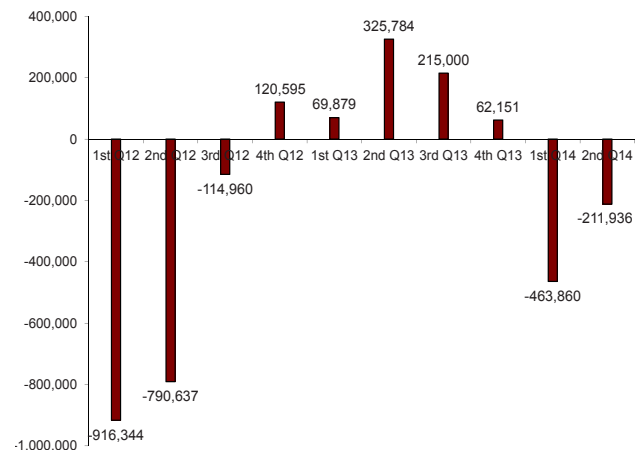
I-880 ABSORPTION HISTORY



FREMONT/NEWARK AVAILABILITY HISTORY



FREMONT/NEWARK ABSORPTION HISTORY



TRANSACTIONS

Industrial - 139,400± SF Leased
30535 Huntwood Avenue, Hayward
DYNAMEX



Industrial - 138,240± SF Leased
26521 Danti Court, Hayward
DAISO CALIFORNIA



Industrial - 208,420± SF Sold
20919-20995 Cabot Blvd., Hayward
KTR CAPITAL PARTNERS, LLC



Industrial Land - 77,347± SF Sold
28410 Hesperian Blvd., Hayward
THE BAILEY FAMILY TRUST



Industrial - 174,578± SF Leased
The Crossings at 880, Building 1, Fremont
APPLE



Industrial - 311,469± SF Leased
The Crossings at 880, Building 3, Fremont
LIVING SPACES



Industrial - 177,041± SF Leased
5555 Auto Mall Parkway, Fremont
SYNNEX CORPORATION



Industrial - 64,597± SF Sold
48664-48668 Milmont Drive, Fremont
COFAN USA



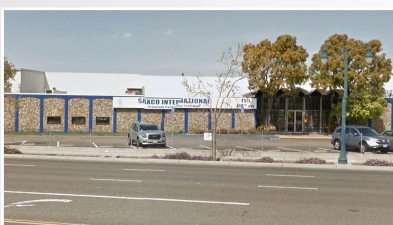
Industrial - 141,844± SF Leased
8350 Pardee Drive, Unit A, Oakland
BENJAMIN MOORE



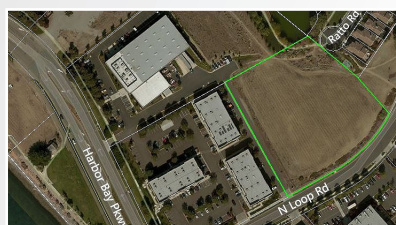
Industrial - 134,300± SF Leased
7200-7210 Edgewater Drive, Oakland
DEALER TIRE



Industrial - 105,066± SF Sold
155 98TH Avenue, Oakland
JJCH, LLC



Industrial Land - ±2.82 Acres Sold
2321-2551 N. Loop Road, Alameda
VF OUTDOOR, INC.



LEE AVAILABLES

FOR LEASE

AVAILABLE SF: 24,174± SF
23481-85 Connecticut St., HAYWARD



FOR LEASE

AVAILABLE SF: 5,880± SF
709-721 Sandoval Way, HAYWARD



FOR LEASE

AVAILABLE SF: 42,357± SF
990 Beecher Street, SAN LEANDRO



FOR SALE

AVAILABLE SF: 4,800± SF
2347 Dunn Road, HAYWARD



FOR LEASE OR SALE

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



FOR LEASE/SALE

AVAILABLE SF: 28,168± SF
20609 Corsair Blvd., HAYWARD



FOR LEASE

AVAILABLE SF: 10,320± SF
3177-3179 Diablo Ave., HAYWARD



FOR LEASE

AVAILABLE SF: 280,000± SF
31775 Hayman Street, HAYWARD



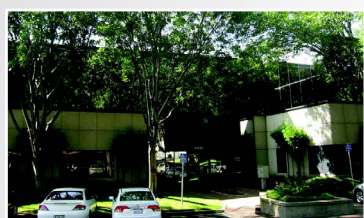
FOR LEASE

AVAILABLE SF: 51,100± SF
47823 Westinghouse Drive, FREMONT



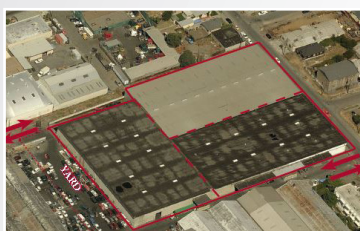
FOR LEASE OR SALE

AVAILABLE SF: 53,200± SF
47697 Westinghouse Drive, FREMONT



FOR LEASE

AVAILABLE SF: 125,372± SF
8717 G Street, OAKLAND



FOR LEASE

AVAILABLE SF: 27,582± SF
31023 Huntwood Avenue, HAYWARD

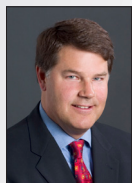


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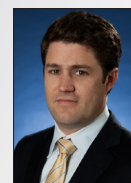
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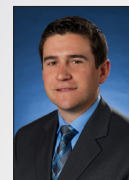
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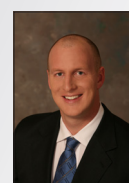
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ABOUT LEE & ASSOCIATES

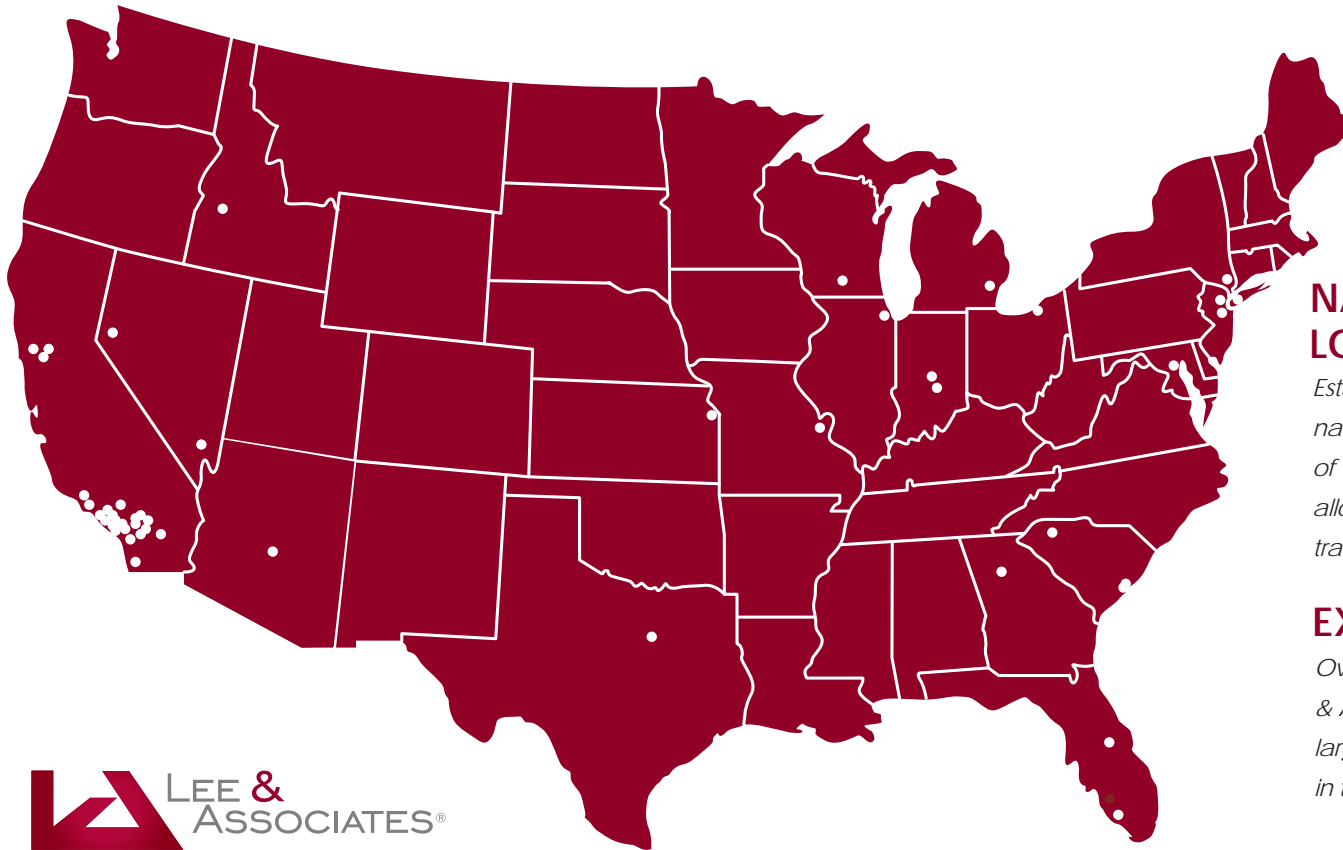
Lee & Associates, founded in 1979, is one of the largest regional commercial real estate providers in the United States.

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.

NATIONAL PRESENCE

50

LOCATIONS STRONG



COMMERCIAL REAL ESTATE SERVICES

NATIONAL ORGANIZATION, LOCAL OWNERSHIP

Established in 1979 in Irvine, California, Lee & Associates has 50 nationwide 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.

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