

I-880 Corridor INDUSTRIAL MARKET REPORT

1st Quarter 2015



This past quarter was a huge quarter for industrial properties along the 880 corridor. Some of the largest lease and sale transactions of recent memory closed this past quarter starting 2015 off with a bang. Some of the notable lease and sale transactions are noted in the back of this newsletter.

Our inventories are at very low levels, making competition for quality space as fierce as I have seen in my 20+ years in the market. Dare I say it is very much like 1999...

Who knows what the future will bring, but we anticipate the immediate future to be consistent with the last 12 months: rates and values up, vacancies and supply down.

Here at Lee & Associates Oakland we have also hit some milestones worthy of mention. For starters, we just completed our fiscal year ending March 31, 2015 and it was a record year for us, something we are all very proud of. We started in April 2006 with 4 agents and have grown to an office of 17 agents. One of those recent Associate hires is Zack Barnes. Zack will be focusing on sales and leasing of Industrial product in the areas around Oakland, Emeryville, Berkeley, and Richmond. Welcome, Zack! Additionally, we just promoted Andrew Stoddard from Associate to Principal. Andrew has done a tremendous job over the past 2 years, and we are very excited about his recent promotion and future at Lee & Associates.

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:	60,685,525
North I-880 Industrial Availability:	2,542,808
North I-880 Industrial Availability Rate:	4.19%
I-880 Industrial Inventory:	83,544,665
I-880 Industrial Availability:	3,355,948
I-880 Industrial Availability Rate:	4.02%
Fremont/Newark Industrial Inventory:	55,613,739
Fremont/Newark Industrial Availability:	4,141,778
Fremont/Newark Industrial Availability Rate:	7.45%

KEY TERMS & DEFINITIONS

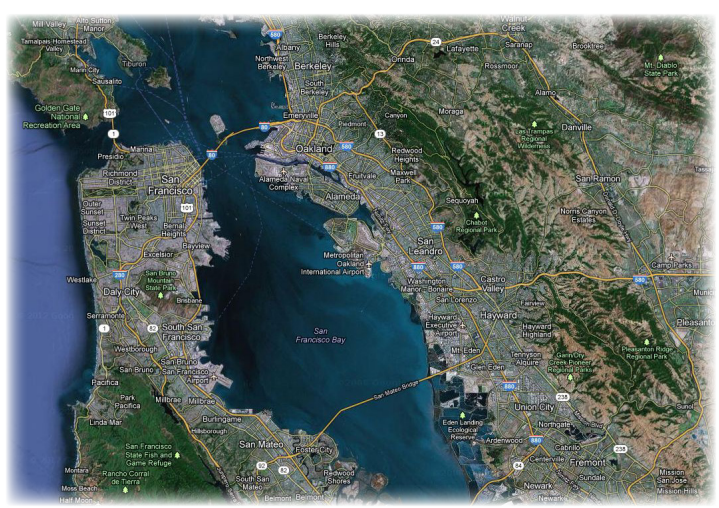
Availability: Square footage that is marketed for lease which is available within 90 days. This also includes sublease space.

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

1st Quarter 2015

NORTH I-880 MARKET STATISTICS - 1st Quarter 2015

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
BERKELEY/EMERYVILLE							
INDUSTRIAL/WAREHOUSE	417	9,505,159	130,979	0	130,979	1.38%	1.38%
FLEX/R&D	82	4,045,800	272,352	0	272,352	6.73%	6.73%
TOTAL	499	13,550,959	403,331	0	403,331	2.98%	2.98%
OAKLAND							
INDUSTRIAL	1,234	22,884,855	895,026	30,491	925,517	3.91%	4.04%
MULTI TENANT/INCUBATOR	42	291,246	16,057	0	16,057	5.51%	5.51%
FLEX/R&D	117	2,070,156	13,442	0	13,442	0.65%	0.65%
WAREHOUSE/DIST	86	6,187,641	283,961	0	283,961	4.59%	4.59%
TOTAL	1,479	31,433,898	1,208,486	30,491	1,238,977	3.84%	3.94%
RICHMOND							
INDUSTRIAL	286	7,574,848	287,534	59,000	346,534	3.80%	4.57%
MULTI TENANT/INCUBATOR	28	1,870,136	131,245	0	131,245	7.02%	7.02%
FLEX/R&D	25	1,017,187	56,913	0	56,913	5.60%	5.60%
WAREHOUSE/DIST	41	5,238,497	365,808	0	365,808	6.98%	6.98%
TOTAL	380	15,700,668	841,500	59,000	900,500	5.36%	5.74%
MARKET TOTAL	2,358	60,685,525	2,453,317	89,491	2,542,808	4.04%	4.19%

I-880 MARKET STATISTICS - 1st Quarter 2015

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
HAYWARD							
INDUSTRIAL	858	16,024,784	465,817	5,652	471,469	2.91%	2.94%
MULTI TENANT/INCUBATOR	169	2,509,164	81,108	1,750	82,858	3.23%	3.30%
FLEX/R&D	99	4,667,933	217,673	52,834	270,507	4.66%	5.80%
WAREHOUSE/DIST	230	22,518,936	1,183,017	73,021	1,256,038	5.25%	5.58%
TOTAL	1,356	45,720,817	1,947,615	133,257	2,080,872	4.26%	4.55%
SAN LEANDRO							
INDUSTRIAL	412	13,131,681	253,510	6,000	259,510	1.93%	1.98%
MULTI TENANT/INCUBATOR	31	688,623	20,795	0	20,795	3.02%	3.02%
FLEX/R&D	44	2,345,564	58,606	0	58,606	2.50%	2.50%
WAREHOUSE/DIST	92	7,526,585	141,179	69,660	210,839	1.88%	2.80%
TOTAL	579	23,692,453	474,090	75,660	549,750	2.00%	2.32%
UNION CITY							
INDUSTRIAL	115	3,323,576	121,599	0	121,599	3.66%	3.66%
MULTI TENANT/INCUBATOR	15	401,943	34,533	0	34,533	8.59%	8.59%
FLEX/R&D	21	723,503	77,964	0	77,964	10.78%	10.78%
WAREHOUSE/DIST	103	9,682,373	491,230	0	491,230	5.07%	5.07%
TOTAL	254	14,131,395	725,326	0	725,326	5.13%	5.13%
MARKET TOTAL	2,189	83,544,665	3,147,031	208,917	3,355,948	3.77%	4.02%

FREMONT/NEWARK MARKET STATISTICS - 1st Quarter 2015

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total	
FREMONT/NEWARK							
INDUSTRIAL/WAREHOUSE	31,938,739	1,943,232	22,730	1,965,962	6.08%	6.16%	
FLEX/R&D	23,675,000	1,909,511	266,305	2,175,816	8.07%	9.19%	
MARKET TOTAL	55,613,739	3,852,743	289,035	4,141,778	6.93%	7.45%	

QUARTER IN REVIEW

HAYWARD INDUSTRIAL AVAILABILITY

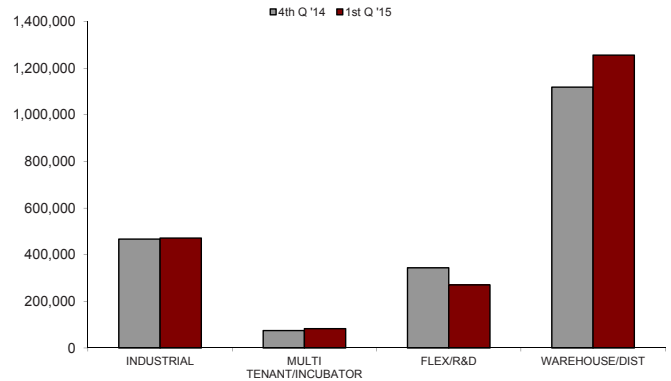
AVAILABILITY ↑ The Hayward market consists of roughly 46 million square feet of warehouse, industrial, multi-tenant, and R&D space. Hayward remains a very tight market with very little Class "A" space for lease or sale. We are close to reaching all-time highs on lease rates for Class "A" warehouse product. We still have not reached the pinnacle in owner-user sale values for buildings less than 100,000 square feet, but we are getting close!

ABSORPTION ↓ Some of the major sale transactions in Hayward this past quarter include the 116,024± square foot sale on Lincoln Avenue to KTR Capital Partners, the 446,000± square foot sale at 1001 Whipple Road to BART, and the 548,179± square foot sale on Hathaway Avenue to DCT Holdings.

LEASE RATE ↑

-Craig Hagglund

4th QUARTER '14 VS. 1st QUARTER '15 AVAILABILITIES



SAN LEANDRO INDUSTRIAL AVAILABILITY

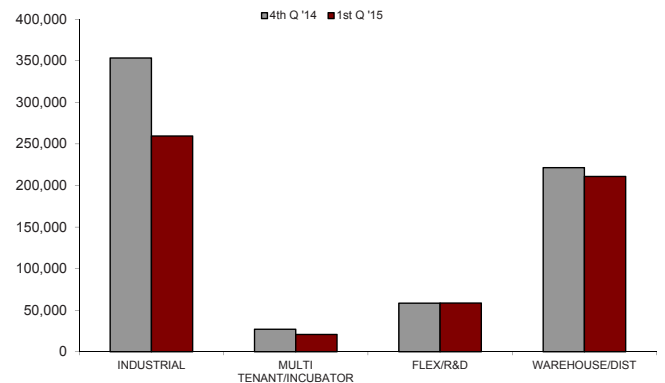
AVAILABILITY ↓ The San Leandro market encompasses roughly 23 million square feet of warehouse, industrial, multi-tenant and R&D space. Market surveys show the overall vacancy just over 2% - down 0.47% from the previous quarter, with three of the four sectors seeing positive absorption. Two of the larger lease transactions this quarter were Aryzta (formerly Otis Spunkmeyer) renewing their 90,000± square foot lease on Catalina Street, and Edges Electrical Supply signing a new lease for 49,000± square feet on Fairway Drive. The largest sale transaction was Lowenberg Partners selling their two building, 120,000± square foot, fully leased warehouse distribution project on Williams Street to KTR Partners. We anticipate that the low vacancy of 2.3% will continue to drive both lease rates and sale prices up in the next quarter.

ABSORPTION ↑

LEASE RATE ↑

-Doug Pearson

4th QUARTER '14 VS. 1st QUARTER '15 AVAILABILITIES



UNION CITY INDUSTRIAL AVAILABILITY

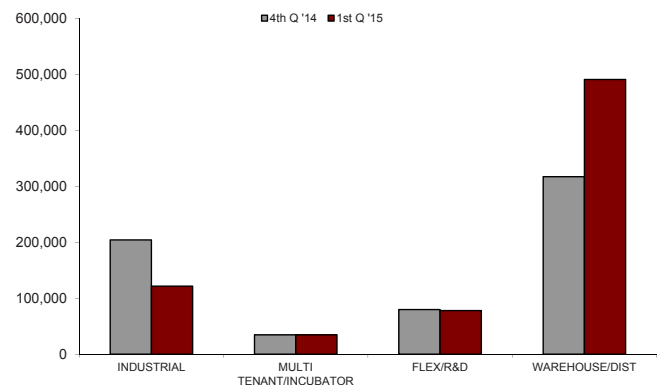
AVAILABILITY ↑ Union City consists of roughly 15 million square feet of warehouse, industrial, multi-tenant, and R&D space. The big news in Union City in the 1st Quarter of 2015 is the sale of Westcore's under construction industrial development to Terreno. This is the first Class 'A' speculative industrial development in Union City in the last decade and will add 300,000± square feet to the market place. Additionally, Terreno managed to buy a fully leased 65,000± square foot property on Ahern Avenue for \$7.4 million, or just under \$114 per square foot.

ABSORPTION ↓

LEASE RATE ↑ On the leasing side, Shaw Industries renewed their 127,000± square foot lease for three (3) years at \$0.57 NNN per square foot, and Plated, a meal delivery company represented by Chris Schofield in the Lee & Associates Oakland office, leased 52,939± square feet on Volpey Way for \$0.75 NNN per square foot.

-Jesse Lucas

4th QUARTER '14 VS. 1st QUARTER '15 AVAILABILITIES



QUARTER IN REVIEW

FREMONT/NEWARK INDUSTRIAL AVAILABILITY

AVAILABILITY ↓
 ABSORPTION ↑
 LEASE RATE ↑

Fremont / Newark continues to be one of the most dynamic industrial sub-markets in the East Bay. Lease rates and sale prices continue to climb, as space becomes more difficult to find. Many companies are relocating to Fremont/Newark from the south, as prices and availability in Silicon Valley proper continue to favor landlords and sellers.

Available buildings with minimal office build-out and dock doors have become difficult to come by. Another notable trend to consider: Landlords are becoming reluctant to provide large Tenant Improvement packages, as they get multiple offers to lease their few remaining vacancies.

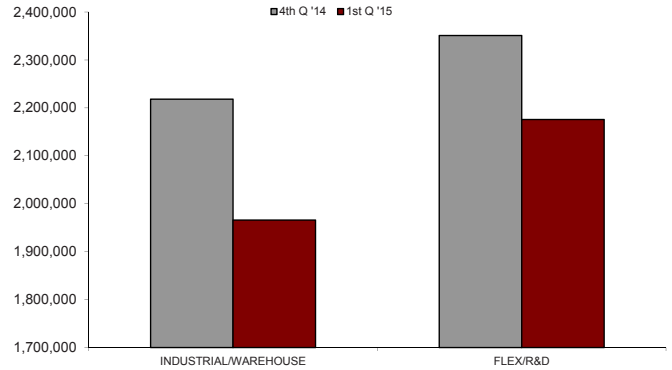
Notable LEASES from the 1st Quarter include:

- Solar City leased 199,352± square feet from Digital Realty Trust on Kato Road & Page Avenue in Fremont
- Intermax renewed their lease of 76,222± square feet with Walton Fremont Holdings on Fremont Boulevard in Fremont
- Scholastic Books renewed their lease of 67,920± square feet with PNC Realty Advisors on Christy Street in Fremont

Notable SALES from the 1st Quarter include:

- Cabot Properties sold 49,145± square feet at 34325 Ardenwood Boulevard in Fremont to Valley Oak Partners (transacted by Lee & Associates, Oakland)

4th QUARTER '14 VS. 1st QUARTER '15 AVAILABILITIES



- CAM 7000 Gateway sold 70,000± square feet at 7000 Gateway Boulevard in Newark to Healthy Pets
- G-Marks Properties sold 51,100± square feet at 47823 Westinghouse Drive in Fremont to BMC Inventories (transacted by Lee & Associates, Oakland)
- Dollinger Properties sold 50,400± square feet at 1220 Page Avenue in Fremont to AMAX Information Technologies
-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 1st Quarter of 2015 in the Oakland Industrial market was perhaps one of the healthiest quarters of activity we have seen in this current upswing. We had high profile lease and sale transactions on investment grade industrial product, acquisitions and repurposing of older industrial facilities by investors, conversions of outdated industrial land property to residential development, and small to mid-sized sales and leases of "B" quality industrial buildings.

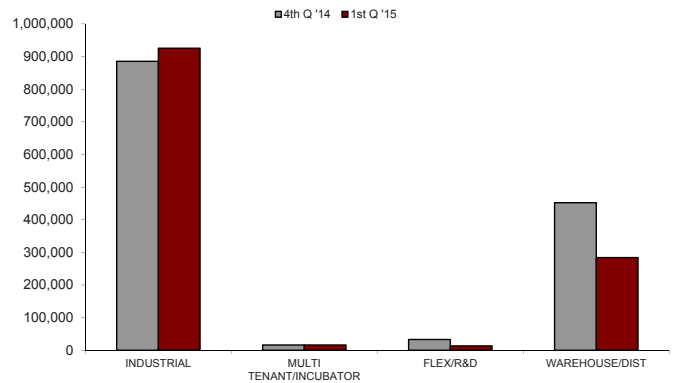
Sale deals of note include 810 81st Avenue - the 192,557± square foot former Mothers Cookies food production facility to an investor, and the owner-user sale of 430-436 Lesser Street - a 26,500± square foot building situated just off the I-880 Freeway to an owner-user.

The highlights for leasing include the lease of 232,881± square feet at the newly constructed Goodman Distribution Center at 8350 Pardee Drive to Coasters Fine Furniture, and the lease at Prologis-owned 7240 Edgewater Drive which was 192,680± square feet to Purcell Murray Company, Inc.

Vacancy rates are approaching historic low numbers and the search for space becomes more and more challenging. We expect more of the same type of positive activity in the 2nd Quarter of 2015 and deep into the year.

- Drew Fischer

4th QUARTER '14 VS. 1st QUARTER '15 AVAILABILITIES



QUARTER IN REVIEW

BERKELEY/EMERYVILLE INDUSTRIAL AVAILABILITY

AVAILABILITY ↓

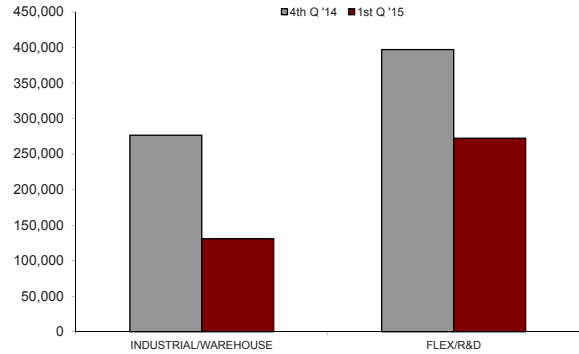
ABSORPTION ↑

LEASE RATE ↔

The Berkeley submarket consists of 13.5 million square feet of warehouse, industrial, multi-tenant, and R&D space. The Berkeley & Emeryville submarkets continue see activity primarily from the creative industries, the craft food and beverage industries, and those looking for non-traditional research and development style space. Both Berkeley & Emeryville have recorded sales in the 1st Quarter of 2015 in markets where sales are typically few and far between. Sellers that have been holding on to quality assets until pricing reaches all-time highs may be beginning to loosen their grip in order to capitalize on intense buyer demand. This is reflected in the two sales we are reporting this quarter at 907 Camellia in Berkeley where an 8,500± square foot three unit building sold for \$100,000 over asking price at \$1.8 million to investor Stephen Block, and at 1450 63rd Street in Emeryville where an 8,520± square foot single tenant building sold for \$350,000 over asking at \$2.4 million to Leport Schools. These prices are in the \$200 to \$300 per square foot range, which is indicative of the highly seller-favorable market that has been created by an extended period of minimal sales inventory in these cities.

We are also tracking sites in both cities that have moved into escrow during the last quarter, some of which are larger redevelopment sites, and are anticipated to achieve highly aggressive sales figures to report next quarter.

4th QUARTER '14 VS. 1st QUARTER '15 AVAILABILITIES



For owners in these markets that are contemplating evaluating disposition options in the near future we are seeing all-time high demand from owner-users looking to base their companies in these dynamic cities, as well as the investment and development community looking for properties that offer infill redevelopment opportunity to higher and better uses, such as residential conversion, office & R&D space, and smaller unit multi-tenant creative industrial space.

-Ryan Davidson

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. The Richmond industrial submarket continued to see notable leases and sales in the 1st Quarter of 2015.

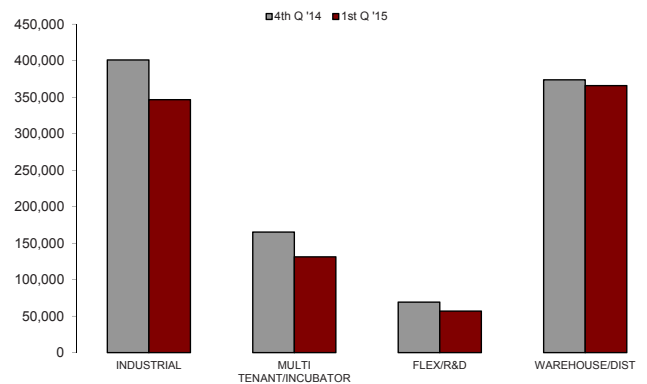
There were ten leases completed in the 1st Quarter, five of which were between 10,000± and 40,000± square feet. The most notable of the leases was a 5 year lease of 31,000± square feet on West Ohio Avenue to Kohana Coffee, who relocated from Emeryville, CA.

The sales market also had two (2) noteworthy transactions: WR Hoyt Trust purchased a 6,000± square foot building on Ohio Avenue, and Pottery Land USA purchased a 128,000± square foot building on Carlson Boulevard. The building on Carlson had been available for 12 months.

The Richmond market starting heating up in 2014. Supply of buildings is down and the demand for the Richmond submarket is up, due to increasing prices in Oakland, Emeryville, and Berkeley. Buyers and Tenants are realizing Richmond is not far from San Francisco and/or beautiful Marin County.

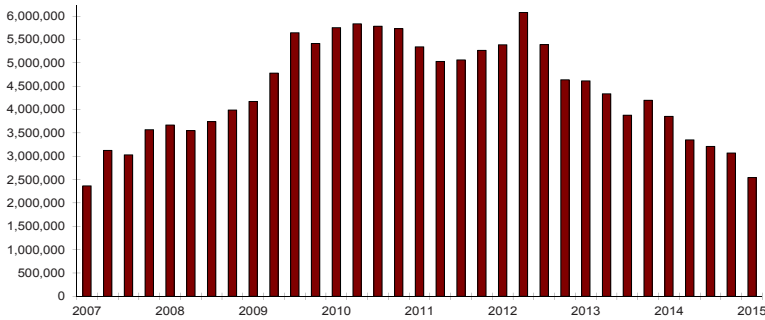
-Brian Barden

4th QUARTER '14 VS. 1st QUARTER '15 AVAILABILITIES

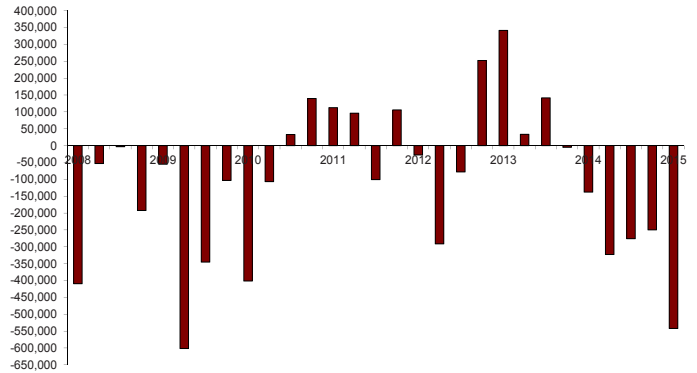


QUARTER IN REVIEW

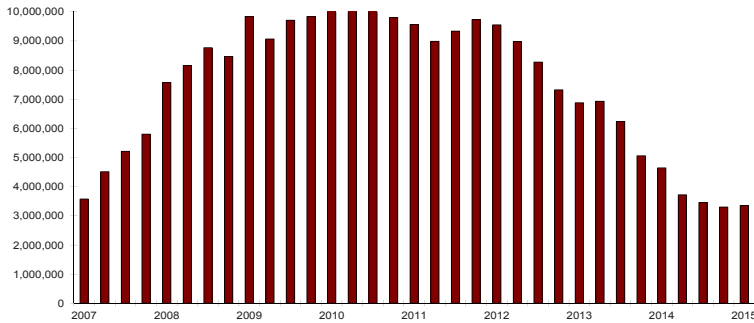
NORTH I-880 AVAILABILITY HISTORY



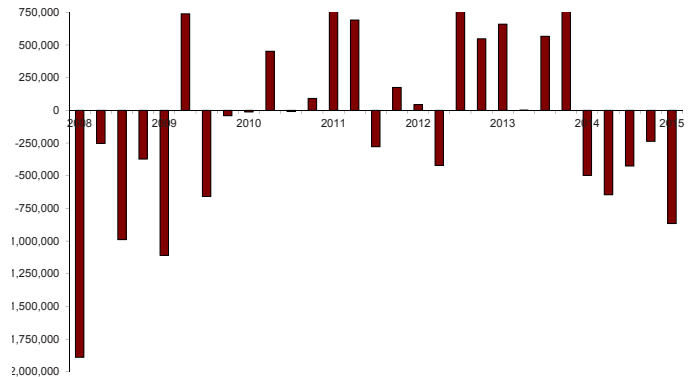
NORTH I-880 ABSORPTION HISTORY



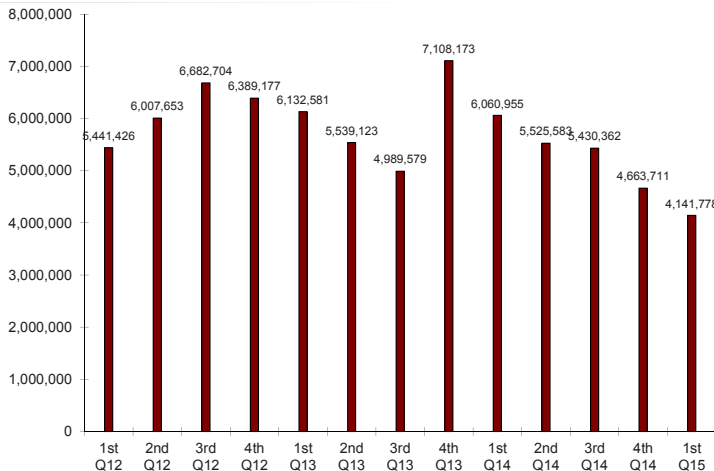
I-880 AVAILABILITY HISTORY



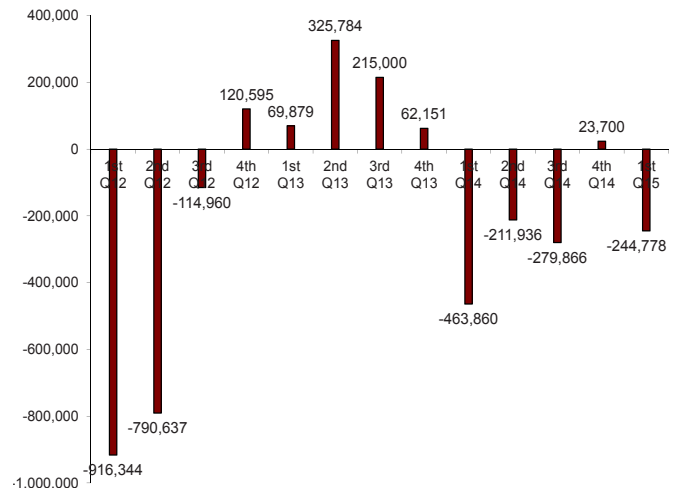
I-880 ABSORPTION HISTORY



FREMONT/NEWARK AVAILABILITY HISTORY



FREMONT/NEWARK ABSORPTION HISTORY



TRANSACTIONS

Industrial - 302,564± SF Leased
47400-47422 Kato Road, Fremont
TESLA MOTORS



Industrial - 232,881± SF Leased
8350 Pardee Drive, Unit B, Oakland
COASTERS FINE FURNITURE



Industrial - 214,809± SF Leased
47422 Kato Road, Fremont
JC PAPER



Industrial - 192,680± SF Leased
7230-7240 Edgewater Drive, Oakland
PURCELL MURRAY COMPANY, INC.



Industrial - 127,969± SF Leased
4017 Whipple Road, Union City
SHAW INDUSTRIES



Industrial - 548,179± SF Sold
22290-22300 Hathaway Avenue, Hayward
DCT HOLDINGS



Industrial - 446,000± SF Sold
1001-1083 Whipple Road, Hayward
BAY AREA RAPID TRANSIT



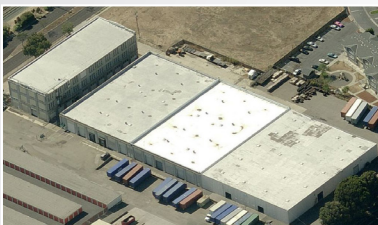
Industrial - 300,620± SF Sold
1550 Pacific Street, Union City
TERRENO



Industrial - 192,557± SF Sold
810 81st Avenue, Oakland
ARVUS EQUITY LLC



Industrial - 128,000± SF Sold
350 Carlson Boulevard, Richmond
POTTERY LAND USA



Industrial - 121,890± SF Sold
1964 Williams Street, San Leandro
KTR CAPITAL PARTNERS



Industrial - 116,024± SF Sold
2368 Lincoln Avenue, Hayward
KTR CAPITAL PARTNERS



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 LEASE
AVAILABLE: 98,185± SF & ±3.44 Acre Yard
3151 Regatta Boulevard, RICHMOND



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



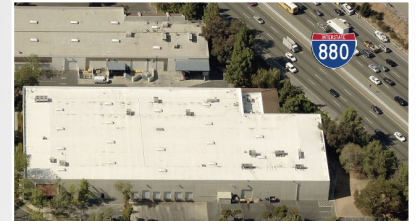
FOR SALE
AVAILABLE: 78,300± SF
888 Doolittle Drive, SAN LEANDRO



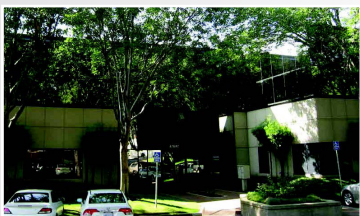
FOR LEASE
AVAILABLE: 278,720± SF
31775 Hayman Street, HAYWARD



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



FOR LEASE OR SALE
AVAILABLE: 53,200± SF
47697 Westinghouse Drive, FREMONT



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



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



YOUR TEAM

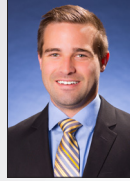
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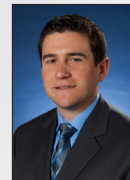
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ABOUT LEE & ASSOCIATES

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.

POWER OF THE NETWORK

LOCAL EXPERTISE

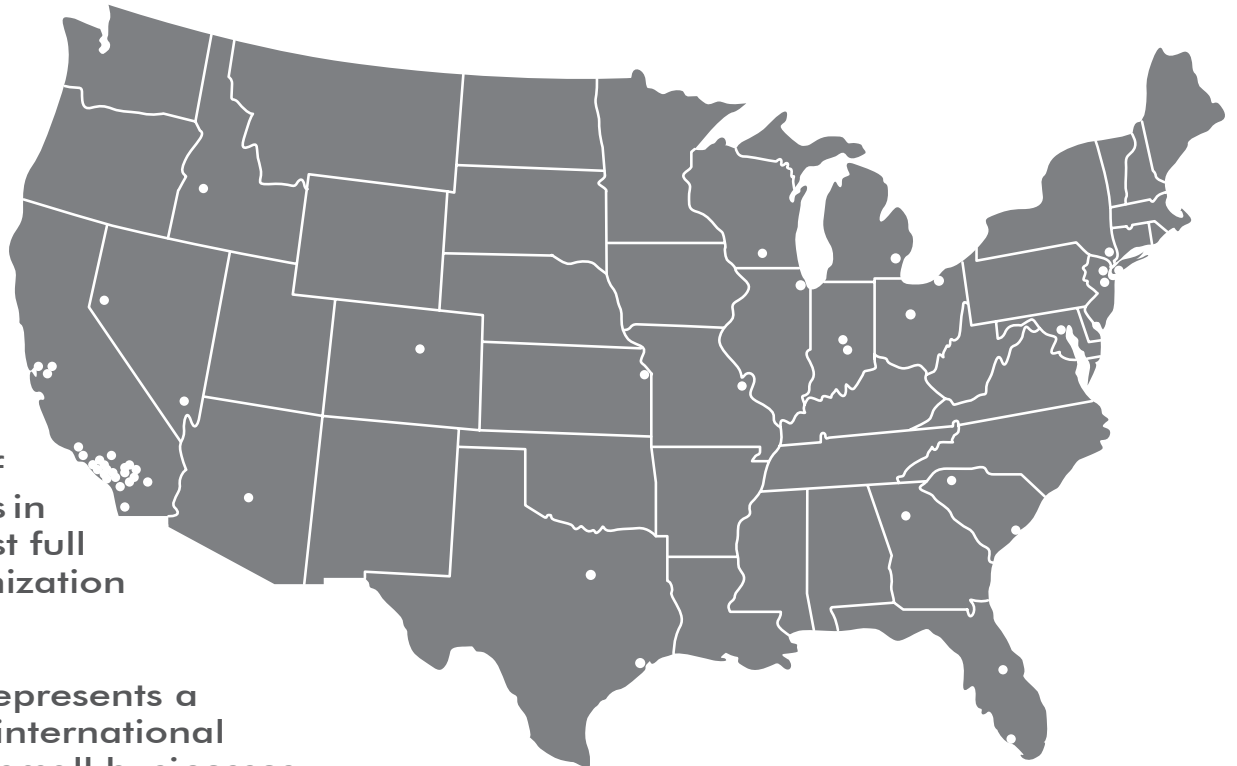
NATIONAL REACH

WORLD CLASS

With offices across the nation, the Lee & Associates® group of independently owned and operated companies is the largest provider of regional commercial real estate services in the United States and the fourth largest full service commercial real estate organization overall.

Each Lee & Associates® group office represents a broad array of regional, national and international clients – from individual investors and small businesses to large corporations and institutions. Last year, the Lee & Associates® group successfully completed transactions with a total value of over \$8 billion.

LEE & ASSOCIATES®
CLIENTS ENJOY A COMPREHENSIVE
RANGE OF SPECIALIZED
COMMERCIAL REAL ESTATE SERVICES
INCLUDING:



PROPERTY ACQUISITION

REAL ESTATE FINANCING

INDUSTRIAL OFFICE RETAIL LAND

PROPERTY SALES & LEASING

REAL ESTATE INVESTMENT CONSULTING



COMMERCIAL REAL ESTATE SERVICES

www.lee-associates.com



NATIONAL ORGANIZATION

2015 - Columbus, OH
2015 - Houston, TX
2014 - Denver, CO
2014 - Cleveland, OH
2013 - Long Island-Queens, NY
2013 - Chesapeake Region , MD
2012 - Edison, NJ
2012 - Orlando, FL
2012 - Charleston, SC
2011 - Fort Myers, FL
2011 - Kansas City, KS
2011 - Manhattan, NY
2011 - Greenville, SC
2010 - Atlanta, GA
2010 - Greenwood, IN
2010 - Indianapolis, IN
2009 - Long Beach, CA
2009 - Elmwood Park, NJ

2008 - Boise, ID
2008 - ISG, LA, CA
2008 - Palm Desert, CA
2008 - Santa Barbara, CA
2006 - Antelope Valley, CA
2006 - Dallas, TX
2006 - Madison, WI
2006 - Oakland, CA
2006 - Reno, NV
2006 - San Diego - UTC, CA
2006 - Ventura, CA
2006 - San Luis Obispo, CA
2005 - Southfield, MI
2005 - Los Olivos, CA
2004 - Calabasas, CA
2004 - St. Louis, MO
2002 - Chicago, IL

2001 - Victorville, CA
1999 - Temecula Valley, CA
1996 - Central LA, CA
1994 - Sherman Oaks, CA
1994 - West LA, CA
1993 - Pleasanton, CA
1993 - Stockton, CA
1992 - Las Vegas, NV
1991 - Phoenix, AZ
1990 - Carlsbad, CA
1990 - Industry, CA
1989 - Los Angeles, CA
1989 - Riverside, CA
1987 - Ontario, CA
1984 - Newport Beach, CA
1983 - Orange, CA
1979 - Irvine, CA

LOCAL OWNERSHIP