

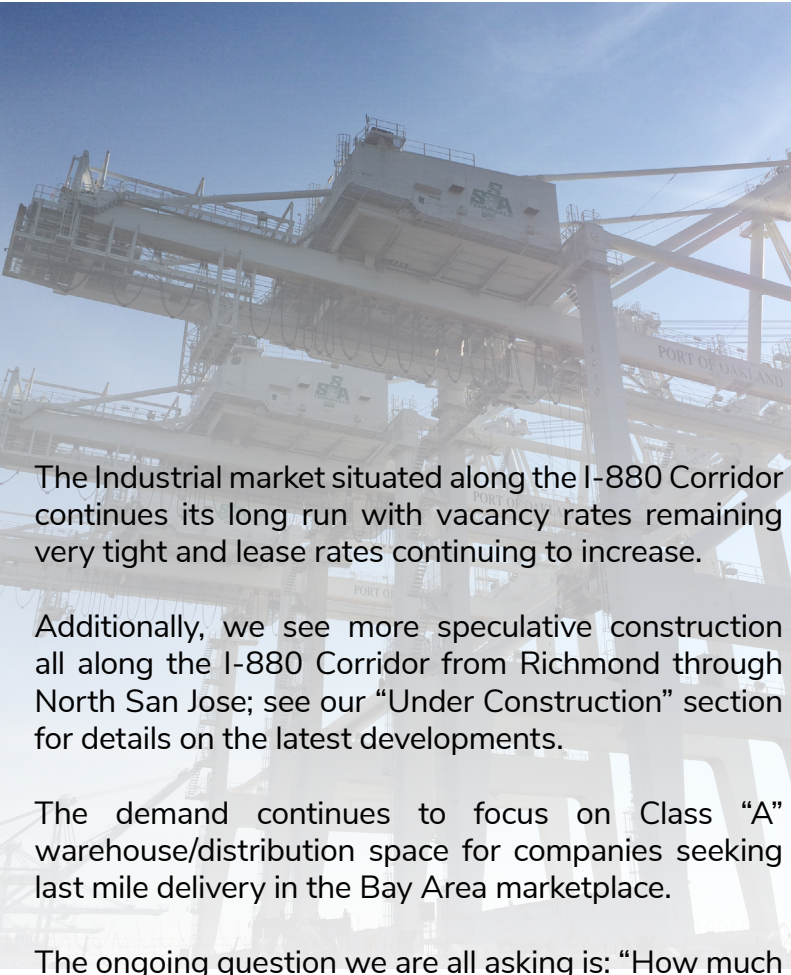


LEE &
ASSOCIATES

COMMERCIAL REAL ESTATE SERVICES

I-880 Corridor INDUSTRIAL MARKET REPORT

3rd Quarter 2017



The Industrial market situated along the I-880 Corridor continues its long run with vacancy rates remaining very tight and lease rates continuing to increase.

Additionally, we see more speculative construction all along the I-880 Corridor from Richmond through North San Jose; see our “Under Construction” section for details on the latest developments.

The demand continues to focus on Class “A” warehouse/distribution space for companies seeking last mile delivery in the Bay Area marketplace.

The ongoing question we are all asking is: “How much longer will this run last?”

We recently added to our Oakland Team with the addition of Nathan Vance as our newest Associate. Nathan will be focusing on sales and leasing of industrial product along the I-880 Corridor. Welcome to the Oakland office, Nathan!

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, SIOR, Managing Principal
Lee & Associates - Oakland

MARKET SNAPSHOT

| | |
|--|------------|
| North I-880 Industrial Inventory: | 57,136,732 |
| North I-880 Industrial Availability: | 1,412,005 |
| North I-880 Industrial Availability Rate: | 2.47% |
| I-880 Industrial Inventory: | 79,665,686 |
| I-880 Industrial Availability: | 2,688,357 |
| I-880 Industrial Availability Rate: | 3.37% |
| Fremont/Newark Industrial Inventory: | 55,613,739 |
| Fremont/Newark Industrial Availability: | 1,975,959 |
| Fremont/Newark Industrial Availability Rate: | 3.55% |

KEY TERMS & DEFINITIONS

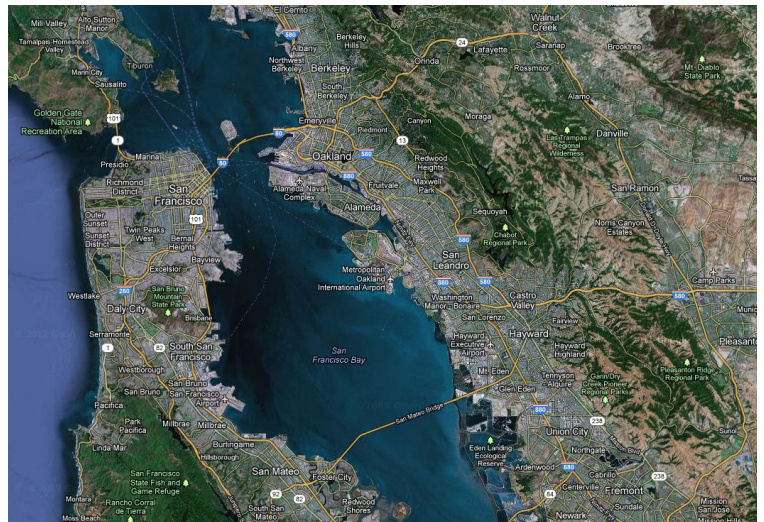
Availability: Square footage that is marketed for lease which is available within 90 days. This also includes sublease space.

Industrial Buildings are defined as buildings with a clearance of less than 22' 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'. These buildings are ideal for expanding small businesses.

Warehouse and distribution buildings have a ceiling clearance of 22' 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 3/1,000± 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 2017

NORTH I-880 MARKET STATISTICS - 3rd Quarter 2017

| MARKET | INVENTORY | | AVAILABILITY | | | AVAILABILITY RATE | |
|------------------------|--------------|-------------------|------------------|----------------|------------------|-------------------|--------------|
| | Buildings | Total SF | Direct SF | Sublease SF | Available SF | Direct | Total |
| BERKELEY/EMERYVILLE | | | | | | | |
| INDUSTRIAL/WAREHOUSE | 423 | 9,213,644 | 193,148 | 51,112 | 244,260 | 2.10% | 2.65% |
| FLEX/R&D | 79 | 3,328,606 | 7,335 | 0 | 7,335 | 0.22% | 0.22% |
| TOTAL | 502 | 12,542,250 | 200,483 | 51,112 | 251,595 | 1.60% | 2.01% |
| OAKLAND | | | | | | | |
| INDUSTRIAL | 1,241 | 22,649,984 | 448,778 | 3,000 | 451,778 | 1.98% | 1.99% |
| MULTI TENANT/INCUBATOR | 42 | 291,246 | 18,287 | 0 | 18,287 | 6.28% | 6.28% |
| FLEX/R&D | 117 | 2,006,260 | 50,942 | 0 | 50,942 | 2.54% | 2.54% |
| WAREHOUSE/DIST | 83 | 6,314,861 | 169,500 | 110,329 | 279,829 | 2.68% | 4.43% |
| TOTAL | 1,483 | 31,262,351 | 687,507 | 113,329 | 800,836 | 2.20% | 2.56% |
| RICHMOND | | | | | | | |
| INDUSTRIAL | 286 | 6,999,646 | 199,244 | 7,500 | 206,744 | 2.85% | 2.95% |
| MULTI TENANT/INCUBATOR | 23 | 1,142,316 | 17,826 | 3,000 | 20,826 | 1.56% | 1.82% |
| FLEX/R&D | 21 | 778,870 | 23,706 | 0 | 23,706 | 3.04% | 3.04% |
| WAREHOUSE/DIST | 39 | 4,411,299 | 108,298 | 0 | 108,298 | 2.46% | 2.46% |
| TOTAL | 369 | 13,332,131 | 349,074 | 10,500 | 359,574 | 2.62% | 2.70% |
| MARKET TOTAL | 2,354 | 57,136,732 | 1,237,064 | 174,941 | 1,412,005 | 2.17% | 2.47% |

I-880 MARKET STATISTICS - 3rd Quarter 2017

| MARKET | INVENTORY | | AVAILABILITY | | | AVAILABILITY RATE | |
|------------------------|--------------|-------------------|------------------|----------------|------------------|-------------------|--------------|
| | Buildings | Total SF | Direct SF | Sublease SF | Available SF | Direct | Total |
| HAYWARD | | | | | | | |
| INDUSTRIAL | 860 | 16,363,635 | 107,804 | 0 | 107,804 | 0.66% | 0.66% |
| MULTI TENANT/INCUBATOR | 166 | 2,174,644 | 35,003 | 0 | 35,003 | 1.61% | 1.61% |
| FLEX/R&D | 72 | 3,301,188 | 166,435 | 4,873 | 171,308 | 5.04% | 5.19% |
| WAREHOUSE/DIST | 225 | 21,549,229 | 1,023,644 | 119,841 | 1,143,485 | 4.75% | 5.31% |
| TOTAL | 1,323 | 43,388,696 | 1,332,886 | 124,714 | 1,457,600 | 3.07% | 3.36% |
| SAN LEANDRO | | | | | | | |
| INDUSTRIAL | 412 | 12,554,587 | 253,478 | 70,092 | 323,570 | 2.02% | 2.58% |
| MULTI TENANT/INCUBATOR | 29 | 595,162 | 1,511 | 0 | 1,511 | 0.25% | 0.25% |
| FLEX/R&D | 34 | 1,386,848 | 2,610 | 0 | 2,610 | 0.19% | 0.19% |
| WAREHOUSE/DIST | 94 | 7,571,268 | 245,562 | 90,339 | 335,901 | 3.24% | 4.44% |
| TOTAL | 569 | 22,107,865 | 503,161 | 160,431 | 663,592 | 2.28% | 3.00% |
| UNION CITY | | | | | | | |
| INDUSTRIAL | 109 | 3,443,029 | 24,261 | 0 | 24,261 | 0.70% | 0.70% |
| MULTI TENANT/INCUBATOR | 21 | 377,632 | 0 | 0 | 0 | 0.00% | 0.00% |
| FLEX/R&D | 15 | 438,401 | 13,005 | 0 | 13,005 | 2.97% | 2.97% |
| WAREHOUSE/DIST | 105 | 9,910,063 | 384,241 | 145,658 | 529,899 | 3.88% | 5.35% |
| TOTAL | 250 | 14,169,125 | 421,507 | 145,658 | 567,165 | 2.97% | 4.00% |
| MARKET TOTAL | 2,142 | 79,665,686 | 2,257,554 | 430,803 | 2,688,357 | 2.83% | 3.37% |

FREMONT/NEWARK MARKET STATISTICS - 3rd Quarter 2017

| MARKET | INVENTORY | | AVAILABILITY | | | AVAILABILITY RATE | |
|----------------------|-------------------|--|------------------|----------------|------------------|-------------------|--------------|
| | Total SF | | Direct SF | Sublease SF | Available SF | Direct | Total |
| FREMONT/NEWARK | | | | | | | |
| INDUSTRIAL/WAREHOUSE | 31,938,739 | | 945,688 | 48,156 | 993,844 | 2.96% | 3.11% |
| FLEX/R&D | 23,675,000 | | 888,587 | 93,528 | 982,115 | 3.75% | 4.15% |
| MARKET TOTAL | 55,613,739 | | 1,834,275 | 141,684 | 1,975,959 | 3.30% | 3.55% |

QUARTER IN REVIEW

3rd Quarter 2017

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.

ABSORPTION



The Hayward market has a 3.36% vacancy rate and demand remains very high.

Notable Sales from the 3rd Quarter:

- 77,000±SF to Ramorino Properties | San Antonio Street (owner/user)

LEASE RATE

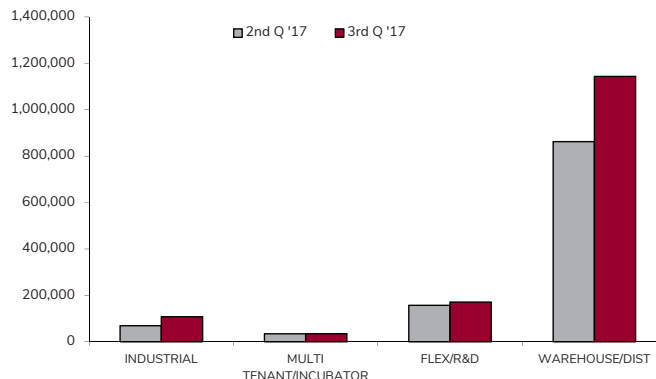


Notable Leases from the 3rd Quarter:

- 80,000±SF to Crane Logistics | Danti Court (relocation & expansion)
- 36,000±SF to Pan Pacific Plastics | Danti Court (expansion)

- Craig Hagglund, SIOR

2nd QUARTER '17 VS. 3rd QUARTER '17 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.

ABSORPTION



Market surveys show the overall vacancy at 3%, which is up slightly from the end of the 2nd Quarter. Due to a continued lack of inventory, very few new leases and sales were completed in the 3rd Quarter.

Notable Sales from the 3rd Quarter:

- 75,000±SF to ASA Trading | 2300 Polvorosa Avenue (owner/user)
- 5,000±SF to Zone 1701, LLC | 1611-19 Neptune Avenue (owner/user)

LEASE RATE

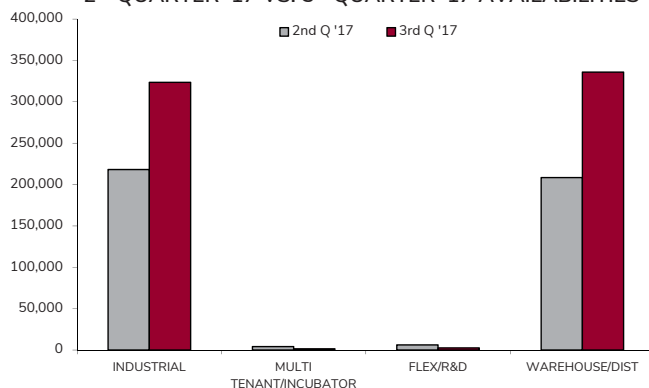


Notable Leases from the 3rd Quarter:

- 92,000±SF to Creative Energy | 1501 Doolittle Drive (renewal & expansion)

- Doug Pearson

2nd QUARTER '17 VS. 3rd QUARTER '17 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.

ABSORPTION



Union City has a direct vacancy rate of 4%. We continue to see rental rates and property value appreciation. No notable transactions took place in Union City in the 3rd Quarter, in part because there is nothing on the market for sale.

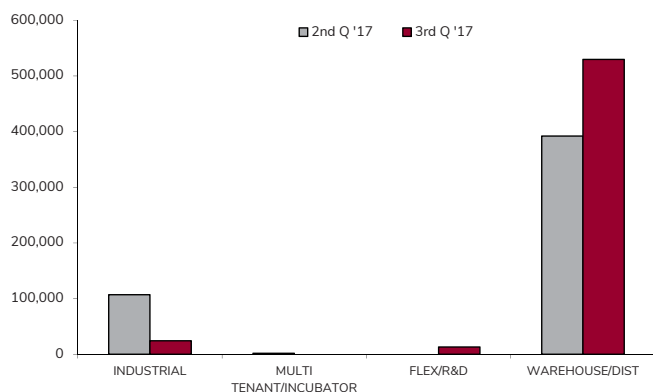
LEASE RATE



Prologis put Eigenbrodt Way, the former Spicers Paper space, on the market for lease and they are expecting \$0.80/NNN for the ESFR equipped 135,860±SF warehouse with 28' clear height. The building was built roughly seventeen years ago.

-Jesse Lucas

2nd QUARTER '17 VS. 3rd QUARTER '17 AVAILABILITIES



QUARTER IN REVIEW

3rd Quarter 2017

FREMONT/NEWARK INDUSTRIAL AVAILABILITY

AVAILABILITY ↓ The Fremont/Newark market encompasses roughly 55 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space.

ABSORPTION ↑ The Fremont/Newark market has now posted its 17th straight Quarter of positive net absorption. Due to historically low vacancy rates, developers continue to push forward with new projects. Overton Moore Properties & Connor Commercial recently gained approval for a spec development project totaling 11 buildings/2.53 million square feet.

LEASE RATE ↑ We forecast steady growth for the remained of 2017 with continued strong demand with minimal supply.

Notable Sale from the 3rd Quarter:

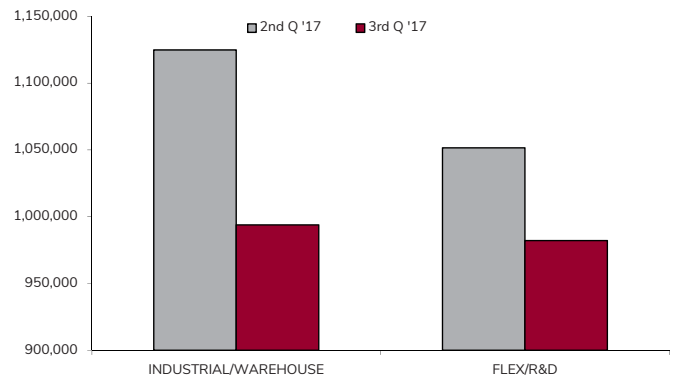
- 80,354±SF to Dermody Properties | 2710 Lakeview Court
- 21,725±SF to RAM Properties | 39675 Cedar Boulevard (transacted by Lee & Associates)

Notable Leases from the 3rd Quarter:

- 747,454±SF to Office Depot | 6700 Auto Mall Parkway (renewal)
- 47,703±SF to RK Logistics | 41049 Boyce Road (transacted by Lee & Associates)

-Andrew Stoddard & Garrett Drew

2nd QUARTER '17 VS. 3rd QUARTER '17 AVAILABILITIES



OAKLAND INDUSTRIAL AVAILABILITY

AVAILABILITY ↑ The Oakland market encompasses roughly 31 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space.

ABSORPTION ↓ The 3rd Quarter in the Oakland industrial market showed another strong performance with prices taking a big move upwards for both sale and lease transactions. The continuing lack of availability in the marketplace and the ever growing cannabis cultivation related activity has pushed rents for warehouse space under 20,000±SF to over \$1.00/SF. In many areas of Oakland, this represents 80 - 90% increases over a five year span.

LEASE RATE ↑

Notable Sales from the 3rd Quarter:

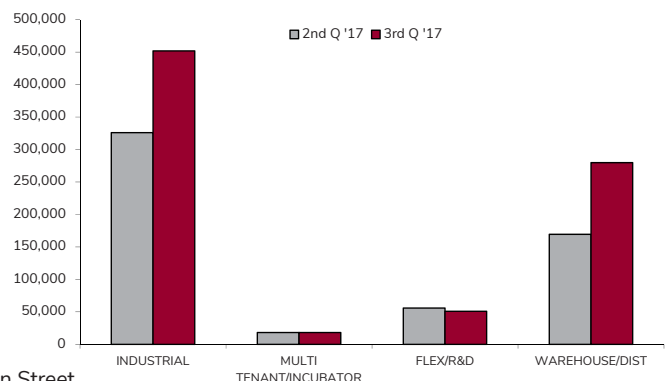
- 130,680±SF to 850 Pardee Drive, LLC | 8520 Pardee Drive
- 168,000±SF to Hager Pacific Properties | 1901-91 Dennison Street
- 61,885±SF to TNP Real Estate Investments | 2400 Filbert Street

Notable Leases from the 3rd Quarter:

- 36,700±SF to CFS, Inc. | 745 85th Avenue (renewal)
- 16,514±SF to SSF Imported Auto Parts | 39 4th Street (new tenant to the Oakland market)

- Drew Fischer

2nd QUARTER '17 VS. 3rd QUARTER '17 AVAILABILITIES

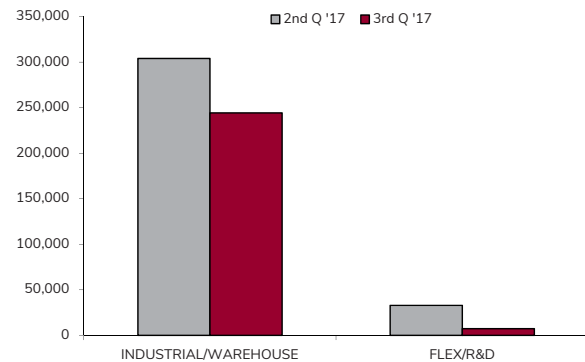


QUARTER IN REVIEW

3rd Quarter 2017

BERKELEY/EMERYVILLE INDUSTRIAL AVAILABILITY

| | | |
|--------------|---|--|
| AVAILABILITY | ↓ | The Berkeley & Emeryville markets consist of 12 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space. |
| ABSORPTION | ↑ | The Berkeley/Emeryville market saw a handful of significant sale and lease transactions in the 3 rd Quarter of 2017. |
| LEASE RATE | ↑ | In Berkeley, we have been tracking continued leasing activity at the Pyramid Brewery redevelopment project on Gilman Street, which is rumored to be fully leased with the last 30,000±SF vacancy claimed by Tesla as a service facility. Berkeley is also reporting two significant sales this quarter with sale of a 20,000±SF freeway frontage building at 1001 Eastshore Highway to Save On Glass & Metal for \$218/SF and the sale of a 30,000±SF multi-tenant investment building at 1435 4 th Street to Berkeley Properties for \$202/SF. |

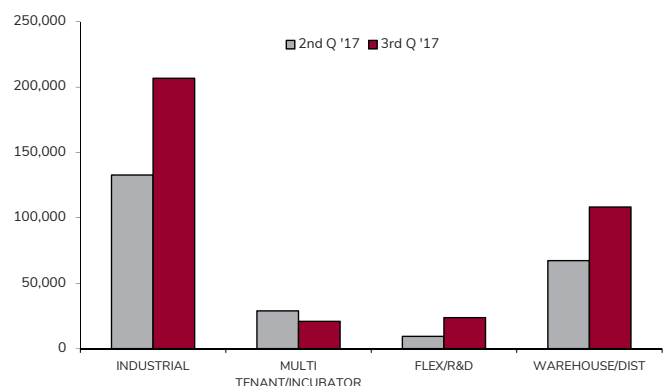
2nd QUARTER '17 VS. 3rd QUARTER '17 AVAILABILITIES

Emeryville is reporting one of the larger industrial sales in the East Bay Area with the sale of the 155,000±SF multi-tenant Corder property to the Yasuda Family of Berkeley Bold Grocery Store for \$155/SF, which is considered a high watermark for buildings of this type and location in the market. These sales are indicative of the continued strong appetite and competition for well-located infill assets from investors and owner-users in this small market.

- Ryan Davidson

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. |
| ABSORPTION | ↓ | The Richmond market is seeing some of its most robust growth and activity in recent years. Land is at peak value as this region is seen as one of the last areas of the I-880 Corridor with space to develop. |
| LEASE RATE | ↑ | One Corp recently purchased a 60± Acre industrial site in the Pt. Pinole region, represented by Craig Hagglund and Ryan Davidson in our Lee & Associates Oakland office, and is building a 220,000±SF Class "A" warehouse for Mattress City, with plans to build another 110,000±SF Class "A" spec warehouse that will be available for lease. |

2nd QUARTER '17 VS. 3rd QUARTER '17 AVAILABILITIES

Additionally, Serena & Lily, represented by Brian Barden and Craig Hagglund in our Lee & Associates Oakland office, leased an additional 80,000±SF on Collins Avenue from Jones Development for expansion purposes. Blackcreek Group has plans to build 180,000±SF in the Harbor Way area, with construction starting very soon on this speculative Class "A" warehouse.

Lastly, Ryan Davidson & Brian Barden in our Lee & Associates Oakland office sold a 83,000±SF multi-tenant industrial project on Collins Avenue to Walden Management.

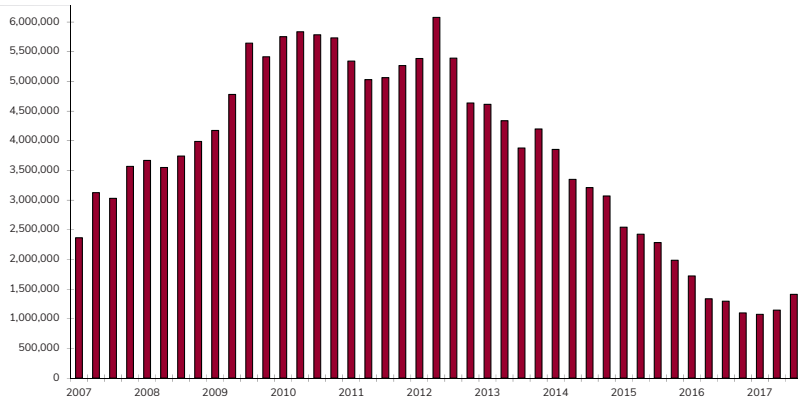
-Craig Hagglund, SIOR

QUARTER IN REVIEW

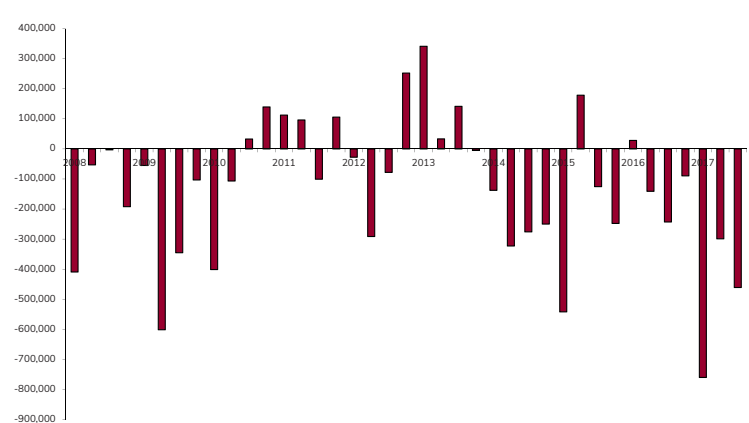
3rd Quarter 2017

NORTH I-880 HISTORY

NORTH I-880 AVAILABLE HISTORY

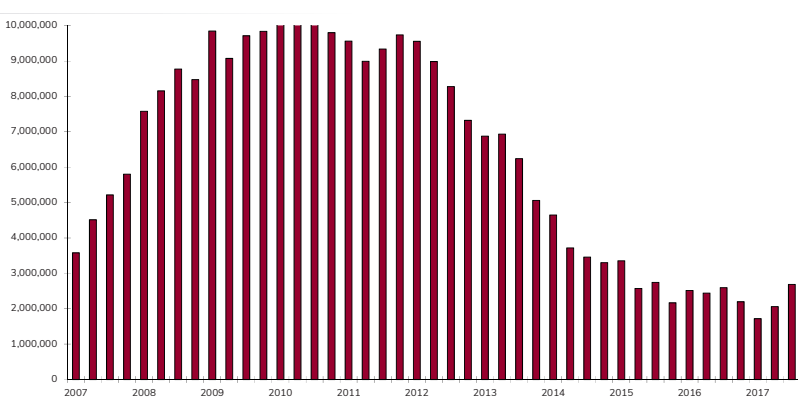


NORTH I-880 ABSORPTION HISTORY

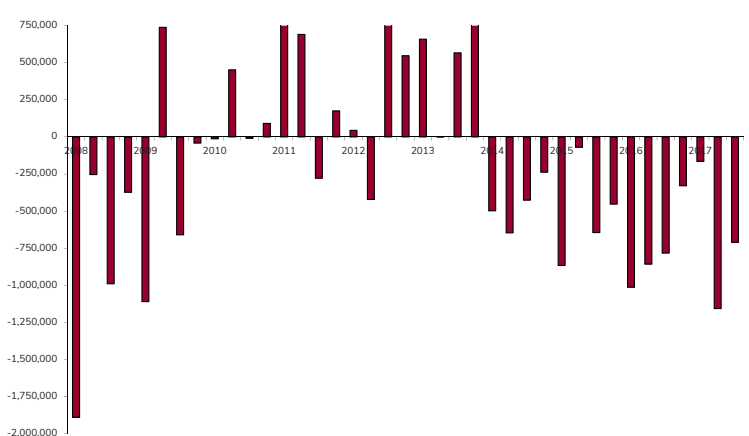


I-880 HISTORY

I-880 AVAILABLE HISTORY

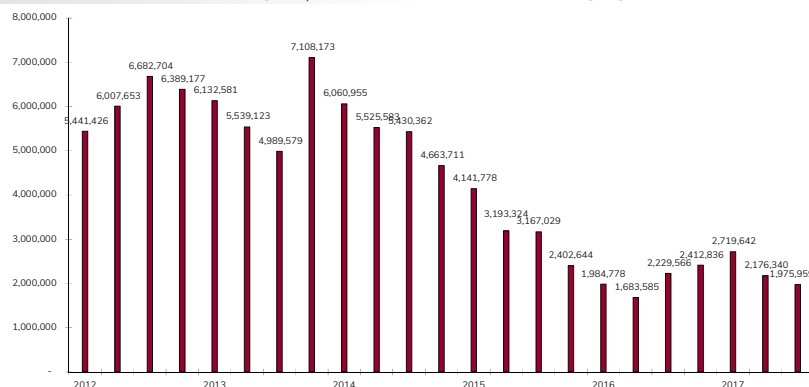


I-880 ABSORPTION HISTORY

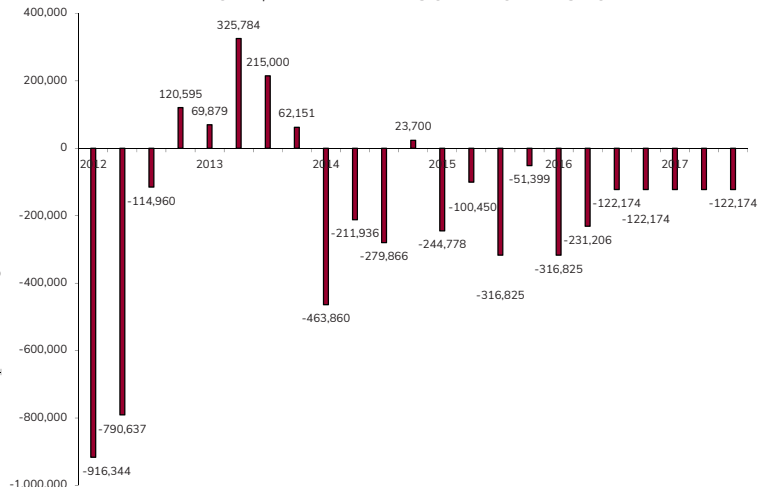


FREMONT/NEWARK HISTORY

FREMONT/NEWARK AVAILABLE HISTORY



FREMONT/NEWARK ABSORPTION HISTORY



NEW CONSTRUCTION

804,106±SF, MILPITAS
DEVELOPER: MCCARTHY RANCH



Phase I Currently Under Construction; Delivery Q2 2018: Two Buildings Totaling 450,610±SF (313,978±SF & 136,632±SF)

2,530,000±SF, FREMONT
DEVELOPER: OVERTON MOORE & CONNOR COMMERCIAL



11 Buildings on 143±Acres; Project Approved & Construction Slated For 2018

275,000±SF, HAYWARD
DEVELOPER: SHEA



Under Construction,
4 Building Industrial Complex

296,698±SF, SAN LEANDRO
DEVELOPER: OVERTON MOORE



Class "A" Warehouse
Situated on 13± Acres

50,000±SF, HAYWARD
DEVELOPER: EVERWEST



Under Construction,
Freestanding Class "A" Warehouse

181,750±SF, RICHMOND
DEVELOPER: IPT



Class "A" Warehouse
Industrial Property Trust Development

555,000±SF, SAN LEANDRO
DEVELOPER: TRAMMEL CROW



Class "A"
Warehouse Development

256,136±SF, OAKLAND
DEVELOPER: PROLOGIS



State of the Art Class "A"
Warehouse Development

TRANSACTIONS

Industrial - 474,454± SF Leased
6700 Auto Mall Parkway, Fremont
OFFICE DEPOT



Industrial - 191,483± SF Leased
41707 Christy Street, Fremont
RK LOGISTICS



Industrial - 92,986±SF Leased
1501 Doolittle Drive, Suite A-C, San Leandro
CREATIVE ENERGY



Industrial - 82,944± SF Leased
26511-26535 Danti Court, Hayward
CRANE WORLDWIDE LOGISTICS



Industrial - 75,963± SF Leased
42323-42505 Christy Street, Fremont
THREE WAY LOGISTICS



Industrial - 72,000± SF Leased
3655 Collins Avenue, Richmond
SERENA & LILY, INC.



Industrial - 168,000± SF Sold
1901-91 Dennison Street, Oakland
HAGER PACIFIC PROPERTIES



Industrial - 155,174± SF Sold
66th & 67th Street, Emeryville
YASUDA FAMILY TRUST



Industrial - 142,322± SF Sold
2230-42 Davis Court, Hayward
CENTERPOINT PROPERTIES



Industrial - 83,000± SF Sold
3701 Collins Avenue, Richmond
WALDEN MANAGEMENT



Industrial - 75,414± SF Sold
2300 Polvorosa Avenue, San Leandro
ASA TRADING



Industrial - 50,400± SF Sold
1510 Zephyr Avenue, Hayward
CAM YUEN



LEE AVAILABLES

FOR LEASE
AVAILABLE: 5.47± ACRES
6565-87 Smith Avenue, Newark



FOR LEASE
AVAILABLE: 142,322± SF
2230-42 Davis Court, Hayward



FOR LEASE
AVAILABLE: 88,995± SF
701 Dwight Way, Berkeley



FOR SUBLEASE
AVAILABLE: 72,775± SF
3536 Arden Road, Hayward



FOR SALE
AVAILABLE: 1.39± ACRES
1230 San Pablo Avenue, Pinole



FOR LEASE/SALE
AVAILABLE: 50,300± SF
31500 Hayman Street, Hayward



FOR SUBLEASE
AVAILABLE: 48,343± SF
3625 Arden Road, Hayward



FOR SALE
AVAILABLE: 44,280± SF
1833 Stearman Avenue, Hayward



FOR SALE
AVAILABLE: 29,450± SF
24615-19 O'Neil Avenue, Hayward



FOR LEASE
AVAILABLE: 18,748± SF
31019 Huntwood Avenue, Hayward



FOR SALE
AVAILABLE: 12,800± SF
8480 Enterprise Way, Oakland



FOR SALE
AVAILABLE: 7,254± SF
2000 E. 14th Street, San Leandro



INDUSTRIAL AGENTS

| NAME | TITLE | PHONE NUMBER | EMAIL ADDRESS |
|-------------------|-----------|--------------|-------------------------------|
| Brian Barden | Associate | 510-903-7616 | bbarden@lee-associates.com |
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| Ryan Davidson | Principal | 510-903-7614 | rdavidson@lee-associates.com |
| Garrett Drew | Principal | 510-903-7613 | gdrew@lee-associates.com |
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| Andrew Stoddard | Principal | 510-903-7618 | astoddard@lee-associates.com |
| Nate Vance | Associate | 510-903-3021 | nvance@lee-associates.com |

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| NAME | TITLE | PHONE NUMBER | EMAIL ADDRESS |
|------------------|-----------|--------------|--------------------------------|
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| David Scarpinato | Principal | 510-903-3022 | dscarpinato@lee-associates.com |
| Winston Street | Associate | 510-903-7615 | wstreet@lee-associates.com |
| 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 | jmcglynn@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.

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