



LEE &  
ASSOCIATES

COMMERCIAL REAL ESTATE SERVICES

# I-880 Corridor INDUSTRIAL MARKET REPORT

4th Quarter 2017



2017 was a busy year along the I-880 Corridor with lease rates and sale values continuing to push the limits on values of all product types.

Class "A" warehouse space remains the star in industrial leasing and development, while developers, owners & brokers try to fill buildings with E-Commerce and Last Mile Delivery oriented tenants.

2018 will see many spec projects come to completion and several new ones begin construction.

We expect 2018 to be very much like 2017, with limited product, low vacancy and continued upward pressure on lease rates and values. In 2018, several warehouse projects currently under construction will be completed and ready for occupancy. It will be interesting to see which ones pre-lease.

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 2018 and beyond!

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

## MARKET SNAPSHOT

North I-880 Industrial Inventory:	57,062,328
North I-880 Industrial Availability:	1,681,614
North I-880 Industrial Availability Rate:	2.95%
I-880 Industrial Inventory:	79,792,971
I-880 Industrial Availability:	2,105,615
I-880 Industrial Availability Rate:	2.64%
Fremont/Newark Industrial Inventory:	55,613,739
Fremont/Newark Industrial Availability:	2,690,630
Fremont/Newark Industrial Availability Rate:	4.84%

## KEY TERMS & DEFINITIONS

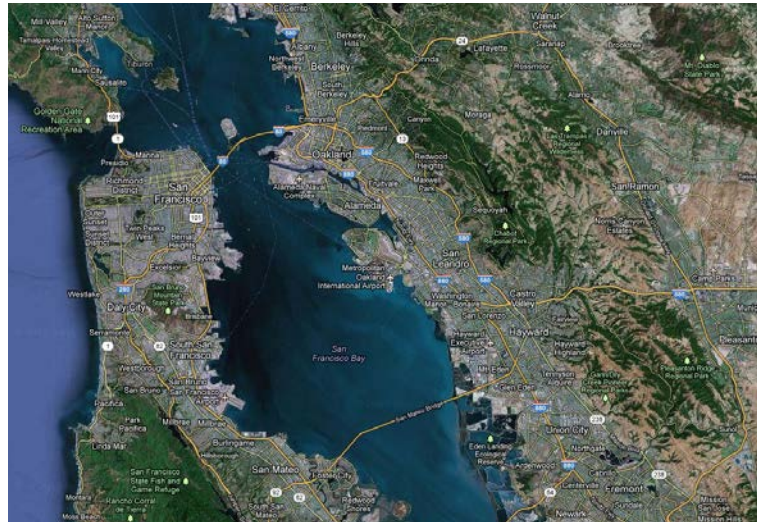
**Availability:** Square footage that is marketed for lease which is available within 90 days. This also includes sublease space.

**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

4<sup>th</sup> Quarter 2017

## NORTH I-880 MARKET STATISTICS - 4<sup>th</sup> Quarter 2017

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
BERKELEY/EMERYVILLE							
INDUSTRIAL/WAREHOUSE	421	9,118,678	204,860	22,302	227,162	2.25%	2.49%
FLEX/R&D	80	3,343,346	0	0	0	0.00%	0.00%
TOTAL	501	12,462,024	204,860	22,302	227,162	1.64%	1.82%
OAKLAND							
INDUSTRIAL	1,240	22,631,650	489,409	3,000	492,409	2.16%	2.18%
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	6,304,505	212,622	303,009	515,631	3.37%	8.18%
TOTAL	1,482	31,233,661	771,260	306,009	1,077,269	2.47%	3.45%
RICHMOND							
INDUSTRIAL	286	6,999,146	185,558	7,500	193,058	2.65%	2.76%
MULTI TENANT/INCUBATOR	23	1,142,316	17,826	3,000	20,826	1.56%	1.82%
FLEX/R&D	22	813,882	23,706	0	23,706	2.91%	2.91%
WAREHOUSE/DIST	39	4,411,299	139,593	0	139,593	3.16%	3.16%
TOTAL	370	13,366,643	366,683	10,500	377,183	2.74%	2.82%
MARKET TOTAL	2,353	57,062,328	1,342,803	338,811	1,681,614	2.35%	2.95%

## I-880 MARKET STATISTICS - 4<sup>th</sup> Quarter 2017

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total
HAYWARD							
INDUSTRIAL	859	16,411,791	430,287	12,272	442,559	2.62%	2.70%
MULTI TENANT/INCUBATOR	166	2,171,194	32,475	0	32,475	1.50%	1.50%
FLEX/R&D	72	3,301,188	194,132	4,873	199,005	5.88%	6.03%
WAREHOUSE/DIST	225	21,551,233	622,787	0	622,787	2.89%	2.89%
TOTAL	1,322	43,435,406	1,279,681	17,145	1,296,826	2.95%	2.99%
SAN LEANDRO							
INDUSTRIAL	412	12,639,318	195,335	0	195,335	1.55%	1.55%
MULTI TENANT/INCUBATOR	29	595,162	1,511	0	1,511	0.25%	0.25%
FLEX/R&D	34	1,386,848	4,076	0	4,076	0.29%	0.29%
WAREHOUSE/DIST	94	7,566,968	131,060	53,988	185,048	1.73%	2.45%
TOTAL	569	22,188,296	331,982	53,988	385,970	1.50%	1.74%
UNION CITY							
INDUSTRIAL	109	3,443,173	42,388	0	42,388	1.23%	1.23%
MULTI TENANT/INCUBATOR	21	377,632	4,608	0	4,608	1.22%	1.22%
FLEX/R&D	15	438,401	13,005	0	13,005	2.97%	2.97%
WAREHOUSE/DIST	105	9,910,063	261,818	101,000	362,818	2.64%	3.66%
TOTAL	250	14,169,269	321,819	101,000	422,819	2.27%	2.98%
MARKET TOTAL	2,141	79,792,971	1,933,482	172,133	2,105,615	2.42%	2.64%

## FREMONT/NEWARK MARKET STATISTICS - 4<sup>th</sup> Quarter 2017

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE	
	Total SF		Direct SF	Sublease SF	Available SF	Direct	Total
FREMONT/NEWARK							
INDUSTRIAL/WAREHOUSE	31,938,739		695,854	747,230	1,443,084	2.18%	4.52%
FLEX/R&D	23,675,000		1,149,018	98,528	1,247,546	4.85%	5.27%
MARKET TOTAL	55,613,739		1,844,872	845,758	2,690,630	3.32%	4.84%

# QUARTER IN REVIEW

4<sup>th</sup> 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



Hayward has several buildings under construction including 50,000±SF with Everwest on Depot and Cabot (see the availables section of this newsletter for more information). Additionally, Panattoni has 70,000±SF under construction on Hall Road (at Industrial Parkway West), and Shea Properties just completed a four building complex on Industrial Boulevard and is hoping to get their first lease signed soon.

### LEASE RATE



Notable Sales from the 4<sup>th</sup> Quarter:

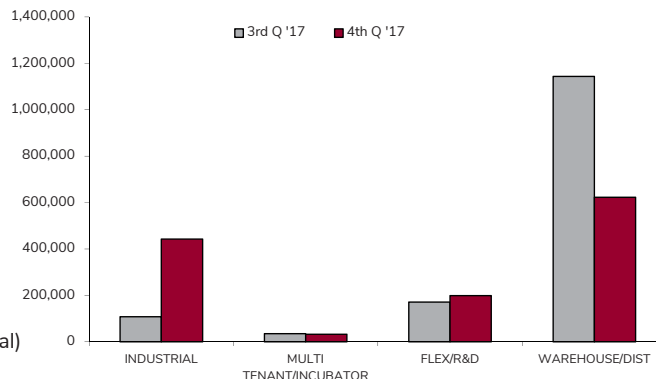
- 197,050±SF to CenterPoint Properties | Clawiter Road
- 195,044±SF to CIP | Eden Landing Road

Notable Leases from the 4<sup>th</sup> Quarter:

- 323,254±SF to CEVA Logistics | Huntwood Avenue (renewal)
- 99,830±SF to C-Hawk Technology | Huntwood Avenue
- 45,255±SF to Ferguson | Wiegman Road

- Craig Hagglund, SIOR

3<sup>rd</sup> QUARTER '17 VS. 4<sup>th</sup> 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 just under 1.75%, down from 3% at the end of the 3<sup>rd</sup> Quarter. Due to a lack of inventory, very few new leases and sales were completed in the 4<sup>th</sup> Quarter. Of those, the most significant one being the 326,698±SF full building lease of the Marina Gateway Industrial Center which is currently under construction. Torani signed the new deal before the walls have even been tilted, pre-leasing the new development with an anticipated start date of September 2018.

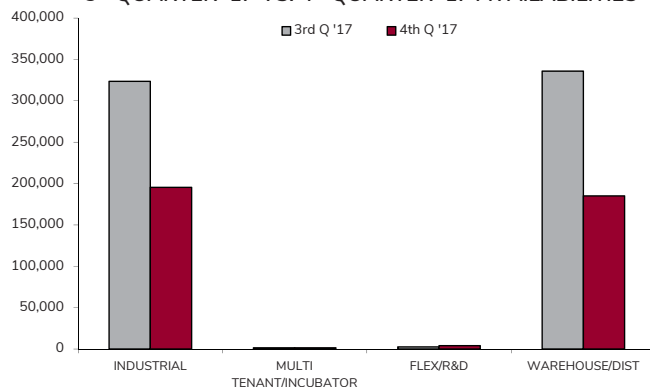
### LEASE RATE



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

- Chris Schofield, SIOR

3<sup>rd</sup> QUARTER '17 VS. 4<sup>th</sup> 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's vacancy rate continued to tighten up to 2.5% in the 4<sup>th</sup> Quarter. Lease & Sale values are on the rise as the limited inventory keeps demand strong.

### LEASE RATE

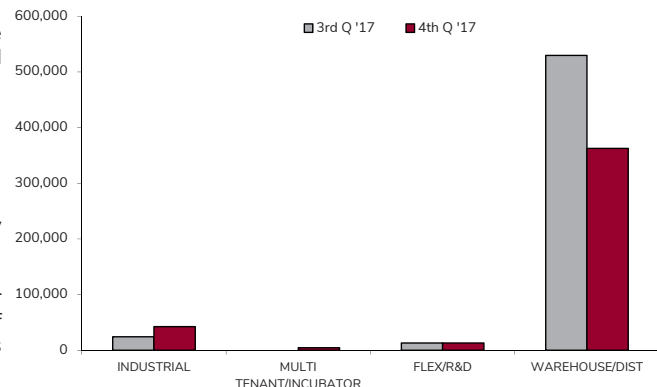


- Notable Leases from the 4<sup>th</sup> Quarter:
- 126,456±SF to Penske Logistics | Whipple Road
  - 130,140±SF to West Central Foods | Whipple Road
  - 257,500±SF to Macy's | Whipple Road (renewal)
  - 135,860±SF to Forward Air Corporation | Eigenbrodt Way

Union City recently identified the Light Industrial & Special Industrial zoned areas to accommodate permitting for commercial cultivation, manufacturing and dispensing of marijuana. We expect to see an upward trend in lease/sale values throughout 2018.

-Ryan Martens

3<sup>rd</sup> QUARTER '17 VS. 4<sup>th</sup> QUARTER '17 AVAILABILITIES





# QUARTER IN REVIEW

4<sup>th</sup> 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 18<sup>th</sup> straight Quarter of positive net absorption. Fremont continues to benefit from tenant migration from the Peninsula market, highlighted by Facebook's expansion into a 90,100±SF Office/R&D Campus. We expect 2018 to be another strong year with focus being placed upon the anticipated delivery of Overton Moore Properties & Connor Commercial's spec developments.

### LEASE RATE



Notable Sales from the 4<sup>th</sup> Quarter:

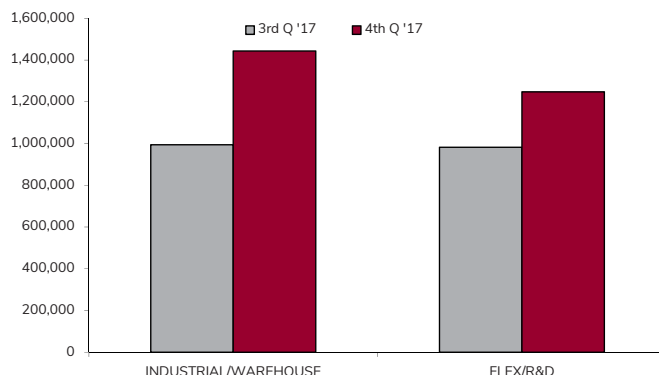
- 166,758±SF to Menlo Land & Capital | Fremont Technology Park (Investment Sale)
- 40,830±SF to Terreno Realty | 45861-45873 Hotchkiss Street

Notable Leases from the 4<sup>th</sup> Quarter:

- 229,530±SF to Tesla Motors | 6800-6900 Dumbarton Circle
- 90,100±SF to Facebook | 6422 Commerce Circle
- 50,095±SF to Kateeva, Inc. | 37840 Filbert Street

-Andrew Stoddard & Garrett Drew

3<sup>rd</sup> QUARTER '17 VS. 4<sup>th</sup> 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 4<sup>th</sup> Quarter in the Oakland sector showed yet again all of the indicators of a stringently tight marketplace; off market transactions, dramatic escalations in price per square foot on sales - especially small to mid-sized buildings - as well as direct and renewal rents spiking upwards. This is one of the greatest 'Sellers Markets' in the history in Oakland. Mostly driven by cannabis related businesses, the market for small industrial space is generally unknown - each deal jumps the previous one.

### LEASE RATE



Notable Leases from the 4<sup>th</sup> Quarter:

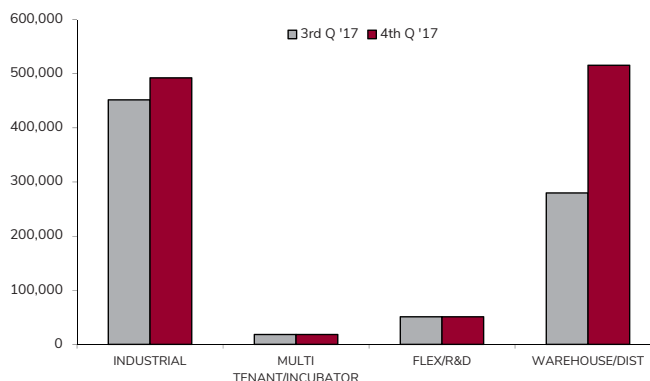
- 48,120±SF to Decathlon USA | Prologis Distribution Center
- 14,000±SF to 4 Wheel Parts | 48 Hegenberger Court
- 11,820±SF to Three Rivers Trucking | 4909 Tidewater Avenue

Notable Sales from 4<sup>th</sup> Quarter:

- 22,500±SF building sold to Ministerio International Marantha | 330 Brush Street
- 6,600±SF building sold to Dig a Hole, LLC. | 1190 28<sup>th</sup> Street

- Drew Fischer

3<sup>rd</sup> QUARTER '17 VS. 4<sup>th</sup> QUARTER '17 AVAILABILITIES



# QUARTER IN REVIEW

4<sup>th</sup> 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 submarket, which typically only sees a small number of sales per quarter, is reporting a flurry of significant sales in the 4<sup>th</sup> Quarter.

### LEASE RATE

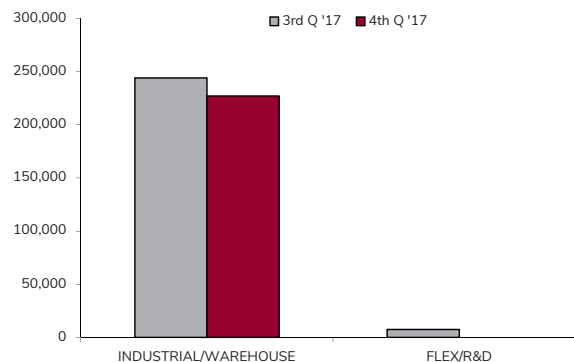


In West Berkeley a company called Berkeley Partners acquired the former Haws Drinking Fountain facility which has been converted to a 30,414±SF multi-tenant project at 1435 4<sup>th</sup> Street for \$200/SF. The biggest news from the 4<sup>th</sup> Quarter is the acquisition activity by Lift Partners in West Berkeley and Emeryville, where the value-add investment company closed on three off market sales. In West Berkeley, Lift Partners acquired a 75,000±SF warehouse project from Henkel Corporation for \$106/SF as well as a three building 37,000±SF mixed use office and flex space project at 918 Parker Street from The Goldin Family for \$245/SF. In Emeryville Lift acquired a vacant former steel fabrication facility at 6655 Hollis Street which is 19,414±SF for \$185/SF. In a market where owners typically hold onto assets long term, these sales may be indicative of a trend where select owners are looking to cash in on perceived top of market cycle pricing.

Lastly, Ryan Davidson & Craig Hagglund are currently marketing a highly unique 90,000±SF leasing opportunity on 4<sup>th</sup> Street in Berkeley and encouraging all interested parties to reach out and tour the facility.

- Ryan Davidson

3<sup>rd</sup> QUARTER '17 VS. 4<sup>th</sup> QUARTER '17 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.

### ABSORPTION



There were multiple leases signed less than 10,000±SF, as the market in the sub 10,000±SF range remains tight. The main highlight in this very strong leasing market was a 23,000±SF lease signed by Kember Hardwood Flooring at 3701 Collins.

### LEASE RATE



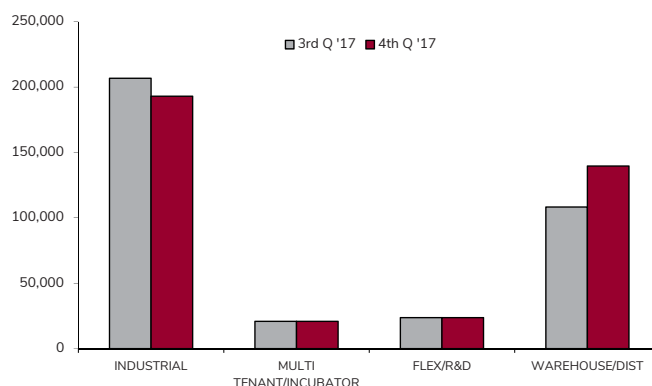
There were four sales of significance in the 4<sup>th</sup> Quarter, as well as multiple buildings that went into escrow in the 4<sup>th</sup> Quarter. The major highlight in the sales arena was the sale of 830 Marina Way South. This property was 435,000±SF and sold to a developer. One other sale of note was a 9,000±SF building on South 50<sup>th</sup> Street that sold to Advanced Home Energy an owner/user.

Additionally, there are several Class "A" warehouse projects starting construction in 2018, including 556,000±SF in two buildings off the Richmond Parkway with Scannell Development and CenterPoint is planning 400,000±SF Class "A" Warehouse in the North Richmond area as well.

The Richmond market remains very active and the outlook for Richmond continues to soar for 2018!

-Brian Barden

3<sup>rd</sup> QUARTER '17 VS. 4<sup>th</sup> QUARTER '17 AVAILABILITIES

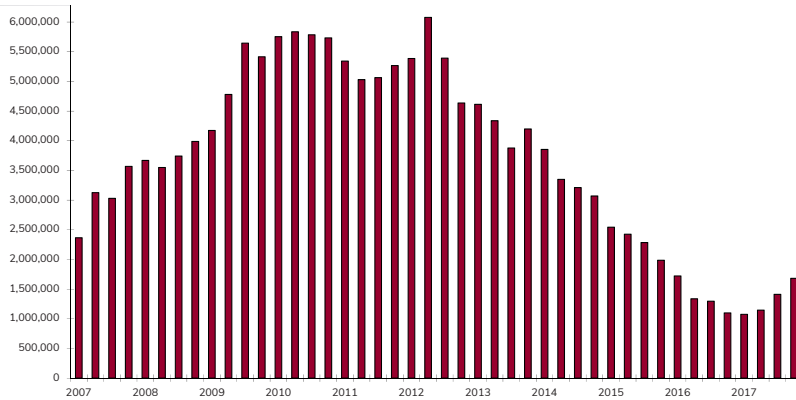


# QUARTER IN REVIEW

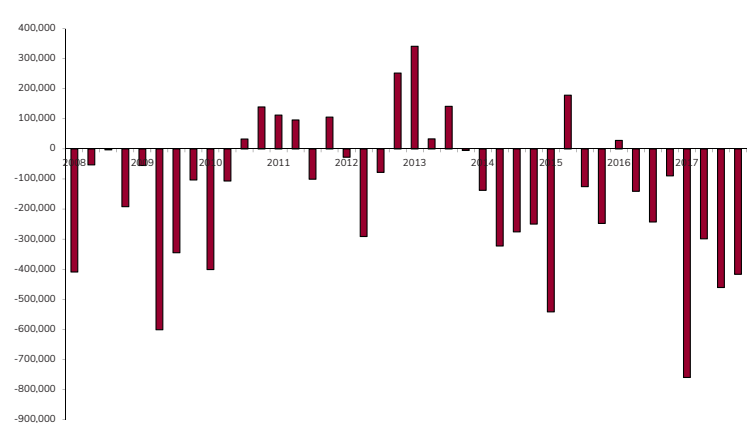
4th Quarter 2017

## NORTH I-880 HISTORY

NORTH I-880 AVAILABLE HISTORY

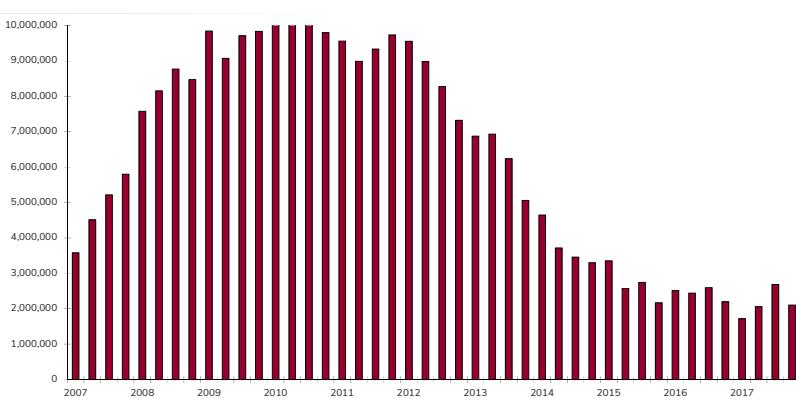


NORTH I-880 ABSORPTION HISTORY

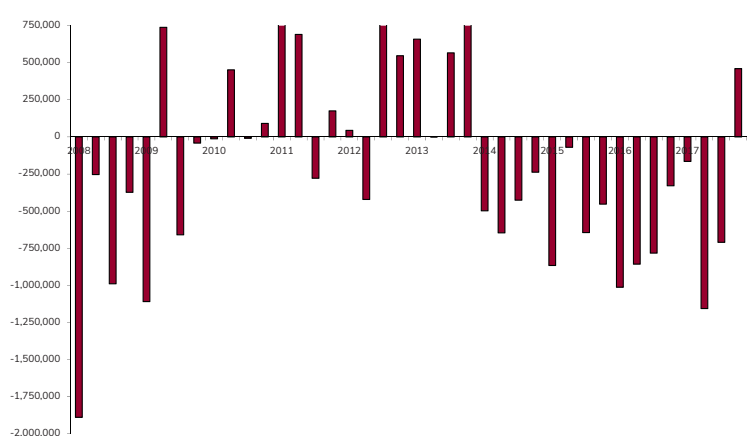


## I-880 HISTORY

I-880 AVAILABLE HISTORY

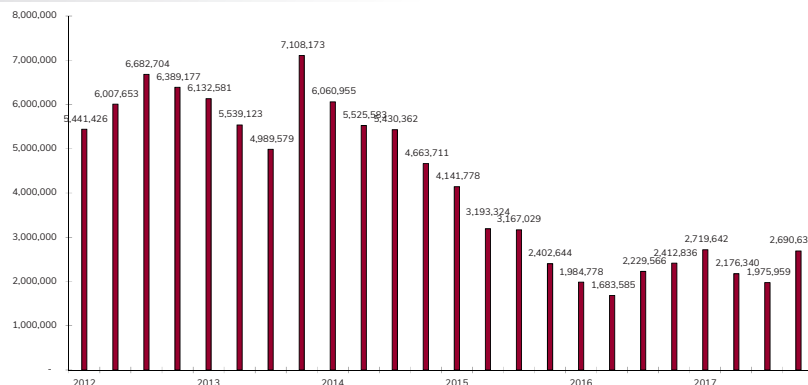


I-880 ABSORPTION HISTORY

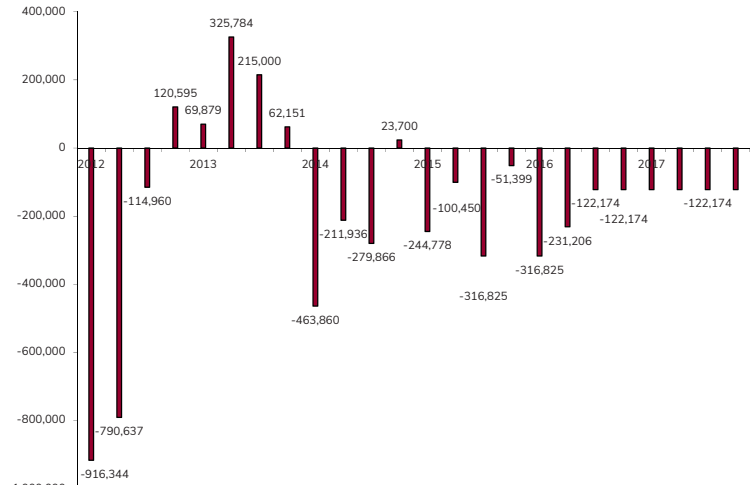


## FREMONT/NEWARK HISTORY

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

75,200±SF, SAN LEANDRO  
DEVELOPER: DCT



Under Construction  
Freestanding "A" Warehouse

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

566,725±SF, RICHMOND  
DEVELOPER: SCANNELL



Two Proposed Industrial Buildings  
Estimated Completion of Q2 2019

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



Under Construction  
Class "A" Warehouse Development

256,136±SF, OAKLAND  
DEVELOPER: PROLOGIS



State of the Art Class "A"  
Warehouse Development  
Phase I Completed

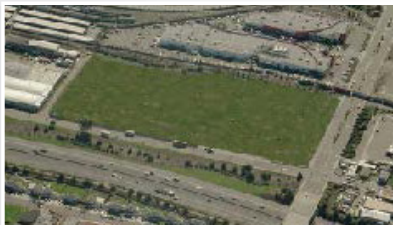


# TRANSACTIONS

Land - 66.46± Acres Sold  
Alviso Milpitas Road, San Jose  
MICROSOFT



Industrial - 10± Acres Sold  
830 Marina Way South, Richmond  
WILLIAM LYON HOMES



Industrial - 326,698±SF Leased  
2000 Marina Boulevard, San Leandro  
TORANI



Industrial - 323,254± SF Leased  
31353 Huntwood Avenue, Hayward  
CEVA LOGISTICS



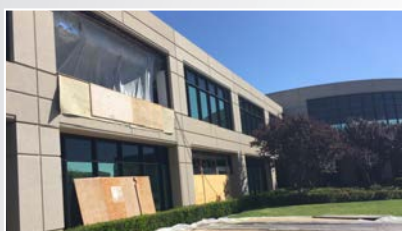
Industrial - 257,500± SF Leased  
1200 Whipple Road, Union City  
MACY'S DEPARTMENT STORES



Land - 5.49± Acres Sold  
4150 Point Eden Way, Hayward  
AMERCO/UHAUL



Office - 229,530± SF Leased  
6800-6900 Dumbarton Circle, Fremont  
TESLA MOTORS



Industrial - 197,050± SF Sold  
25858-25886 Clawiter Road, Hayward  
CENTERPOINT PROPERTIES



Industrial - 195,044± SF Sold  
Eden Landing, Hayward  
CIP



Industrial - 166,758± SF Sold  
4209-4227 & 4245 Technology Drive, Fremont  
MENLO LAND & CAPITAL VI, LLC.



Industrial - 135,860± SF Leased  
30108-30118 Eigenbrodt Way, Union City  
FORWARD AIR CORPORATION



Industrial - 130,140± SF Leased  
30200 Whipple Road, Union City  
WEST CENTRAL FOODS





# 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: 128,168± SF  
650-680 85<sup>th</sup> Avenue, Oakland



FOR LEASE

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



FOR SUBLEASE

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



FOR LEASE

AVAILABLE: 1.250± - 10,000± SF  
BKM BAYSIDE, Fremont



FOR LEASE/SALE

AVAILABLE: 50,300± SF  
31500 Hayman Street, Hayward



FOR SALE

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



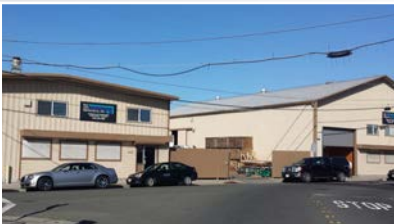
FOR LEASE

AVAILABLE: 28,738± SF  
31015 Huntwood Avenue, Hayward



FOR LEASE

AVAILABLE: 17,180± SF  
543 & 525 S. 31<sup>st</sup> Street, Richmond



FOR SALE

AVAILABLE: 7,254± SF  
2000 E. 14<sup>th</sup> Street, San Leandro



FOR SALE/LEASE

AVAILABLE: 4,584± SF  
383 Preda Street, San Leandro



## 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
Garrett Drew	Principal	510-903-7613	gdrew@lee-associates.com
Drew Fischer	Principal	510-903-7602	dfischer@lee-associates.com
Craig Hagglund	Principal	510-903-7611	chagglund@lee-associates.com
Jesse Lucas	Principal	510-903-7607	jllucas@lee-associates.com
Ryan Martens	Principal	510-903-7605	rmartens@lee-associates.com
Doug Pearson	Principal	510-903-7610	dpearson@lee-associates.com
Chris Schofield	Principal	510-903-7608	cschofield@lee-associates.com
Michael Schofield	Principal	510-903-7604	mschofield@lee-associates.com
Andrew Stoddard	Principal	510-903-7618	astoddard@lee-associates.com
Nate Vance	Associate	510-903-3021	nvance@lee-associates.com

## INVESTMENT AGENTS

NAME	TITLE	PHONE NUMBER	EMAIL ADDRESS
Rick Bland	Principal	510-903-7609	rbland@lee-associates.com
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
Neil Cowperthwaite	Associate	510-903-7603	ncowperthwaite@lee-associates.com
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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