

Economic Overview - 3rd Quarter 2017

The trend has remained steady all year and is showing little evidence of change to come as we approach the end of 2017.

Lower vacancies and higher prices for both lease rates and sale prices and overall market activity has remained strong. Will the holidays bring a slow down? We don't believe so.

Our prediction is that we will see much of the same as we move to the end of the year and look towards 2018.

We recently added to our Pleasanton Team with the addition of Will Ballowe, our newest Associate. Will will be focusing on the leasing and sales of office product within the Tri-Valley Market. Welcome to the Pleasanton Team, Will!

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!

**-Mike Furay, Managing Principal
 Lee & Associates - Pleasanton**

MARKET SNAPSHOT

Tri-Valley Industrial Inventory:	28,794,200
Tri-Valley Industrial Availability:	1,604,271
Tri-Valley Industrial Net Absorption:	-247,254
Tri-Valley Availability Rate:	5.57%
Tri-Valley Office Inventory:	23,934,638
Tri-Valley Office Availability:	2,929,062
Tri-Valley Office Absorption:	-526,075
Tri-Valley Availability Rate:	12.24%

KEY TERMS & DEFINITIONS

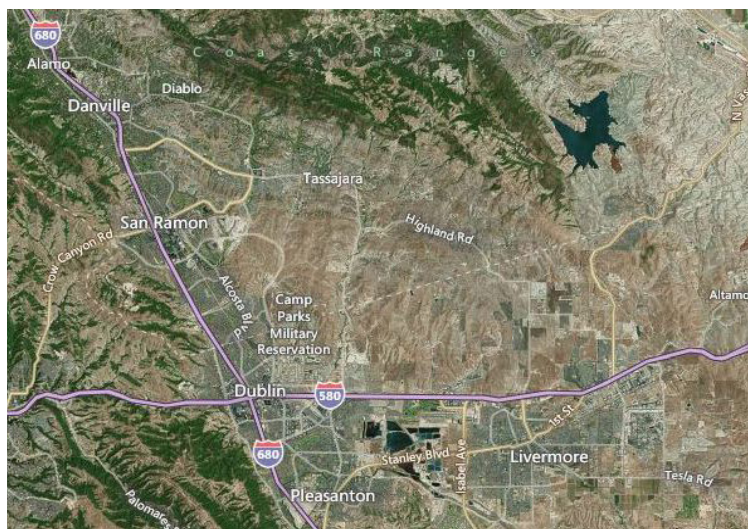
Availability: Square footage that is marketed for lease which is available within 90 days. This also includes sublease space.

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.

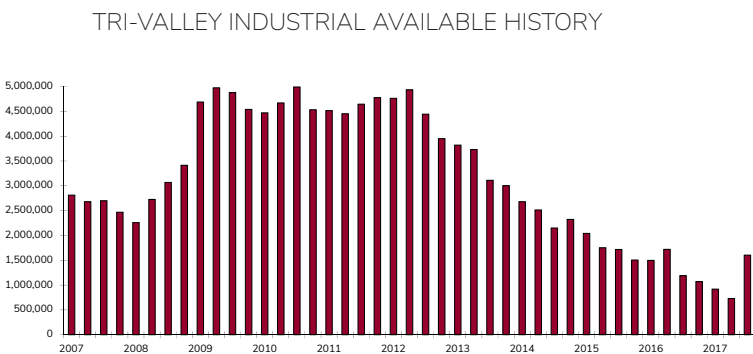


Lee & Associates maintains an up-to-date database of all available properties and sold/leased properties.

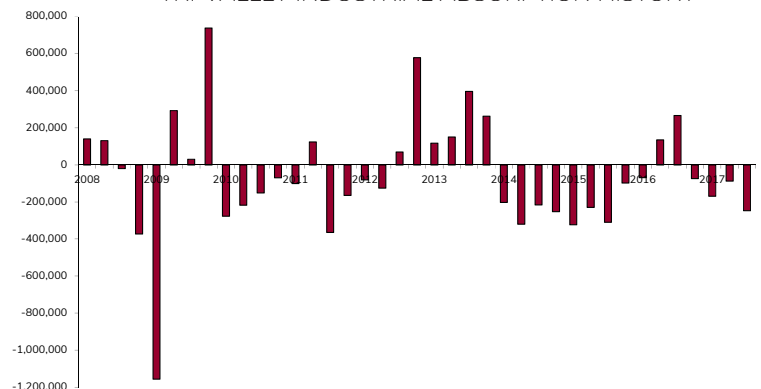
INDUSTRIAL MARKET STATISTICS - 3rd QUARTER 2017

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE		ABSORPTION
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total	Net Absorption
DUBLIN								
INDUSTRIAL	47	1,179,765	42,523	0	42,523	3.60%	3.60%	-8,118
MULTI TENANT/INCUBATOR	14	319,647	31,152	0	31,152	9.75%	9.75%	6,431
FLEX/R&D	7	553,575	201,620	0	201,620	36.42%	36.42%	66,552
WAREHOUSE/DIST	4	552,653	26,029	0	26,029	4.71%	4.71%	0
TOTAL	72	2,605,640	301,324	0	301,324	11.56%	11.56%	64,865
LIVERMORE								
INDUSTRIAL	442	5,676,217	177,568	0	177,568	3.13%	3.13%	-67,087
MULTI TENANT/INCUBATOR	30	1,092,146	71,413	0	71,413	6.54%	6.54%	-3,075
FLEX/R&D	69	2,043,962	65,461	0	65,461	3.20%	3.20%	-26,524
WAREHOUSE/DIST	85	9,657,262	342,754	81,399	424,153	3.55%	4.39%	-143,396
TOTAL	626	18,469,587	657,196	81,399	738,595	3.56%	4.00%	-240,082
PLEASANTON								
INDUSTRIAL	211	2,059,752	23,262	0	23,262	1.13%	1.13%	-19,272
MULTI TENANT/INCUBATOR	19	508,864	11,571	0	11,571	2.27%	2.27%	-7,571
FLEX/R&D	99	3,229,297	107,552	0	107,552	3.33%	3.33%	-45,194
WAREHOUSE/DIST	3	509,745	394,000	0	394,000	77.29%	77.29%	0
TOTAL	332	6,307,658	536,385	0	536,385	8.50%	8.50%	-72,037
SAN RAMON								
INDUSTRIAL	21	725,761	13,521	0	13,521	1.86%	1.86%	0
MULTI TENANT/INCUBATOR	11	283,698	8,041	0	8,041	2.83%	2.83%	0
FLEX/R&D	5	401,856	6,405	0	6,405	1.59%	1.59%	0
TOTAL	37	1,411,315	27,967	0	27,967	1.98%	1.98%	0
MARKET TOTAL	1,067	28,794,200	1,522,872	81,399	1,604,271	5.29%	5.57%	-247,254

TRI-VALLEY INDUSTRIAL HISTORY



TRI-VALLEY INDUSTRIAL ABSORPTION HISTORY



DUBLIN INDUSTRIAL AVAILABILITY

AVAILABILITY ↑ The Dublin Industrial Market consists of roughly 2.6 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space.

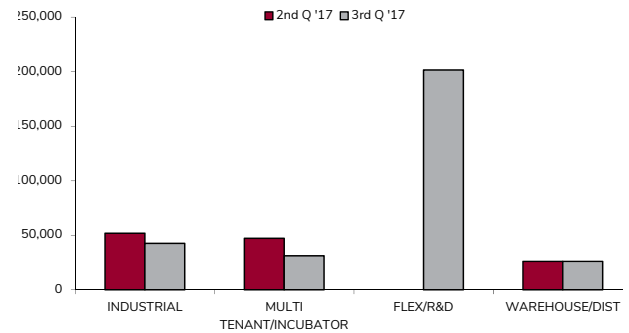
ABSORPTION ↓ Like the rest of the Tri-Valley, Dublin remains very strong with lease rates continuing to climb. The majority of the industrial market in Dublin lies within close proximity to the I-680/I-580 Corridors. This strategic positioning allows companies moving away from the Silicon Valley & I-880 markets to still have flexibility with distribution needs..

LEASE RATE ↑ Notable Lease from the 3rd Quarter:

- 20,160± SF to Keller Supply | 6800 Sierra Court, Suite N

Prepared by Hunter Steffien

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



LIVERMORE INDUSTRIAL AVAILABILITY

AVAILABILITY ↑ The Livermore Industrial Market consists of roughly 18 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space.

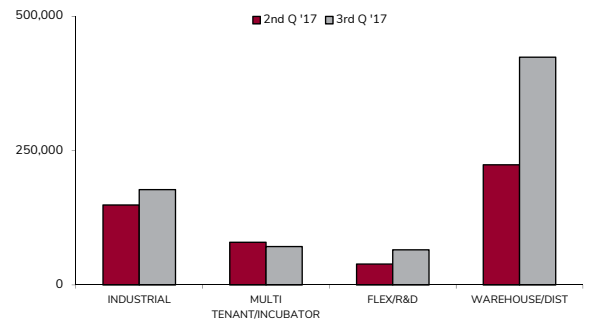
ABSORPTION ↓ The Livermore market continues to remain strong throughout 2017. With very limited supply and continued demand, there are little to no options for Tenants and Buyers to choose from. A handful of institutional investors are in the process of building larger warehouse facilities, which will flood the market with another additional 725,000±SF in early 2018. This will be a big indicator of how deep the Livermore industrial market really is. With many business moving away from the I-880 and Silicon markets due to increased prices, we foresee the healthy market continuing here locally.

LEASE RATE ↑ Notable Sales from the 3rd Quarter:

- 95,574± SF to Industrial Property Trust | 161 S. Vasco Road
- 10,400± SF to Tucson Sunrise Properties, LLC. | 6691 Brisa Street

Prepared by Sean Offers, SIOR

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



PLEASANTON INDUSTRIAL AVAILABILITY

AVAILABILITY ↑ The Pleasanton Industrial Market consists of roughly 6.3 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space.

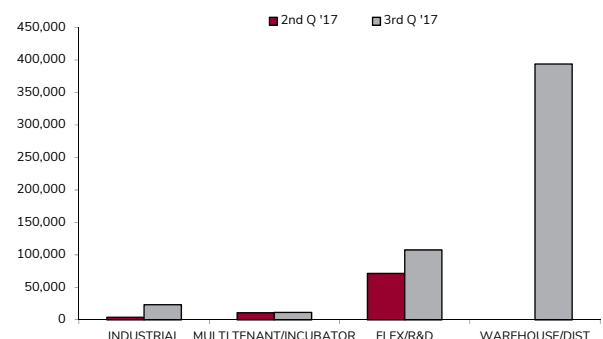
ABSORPTION ↓ The Pleasanton Industrial Market remains very strong as lease rates continue to climb. Tenants will need to move quickly on availabilities since there is substantial demand for the limited supply of industrial and warehouse buildings available.

LEASE RATE ↑ Notable Sales from the 3rd Quarter:

- 34,975± SF to Crosspoint Church | 5627 Gibraltar Drive
- 1,854± SF to Arian, LLC. | 1039 Serpentine Lane

Prepared by Hunter Steffien

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



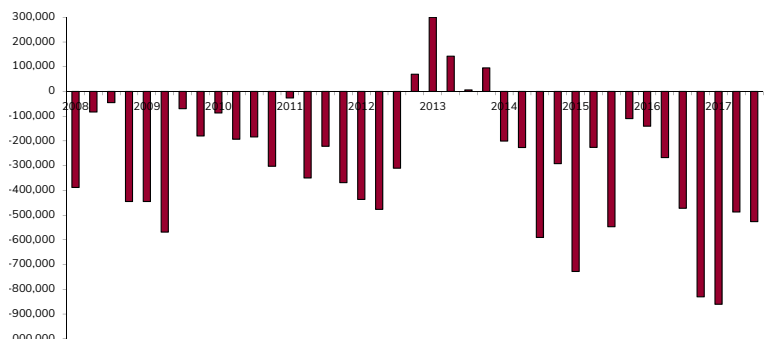
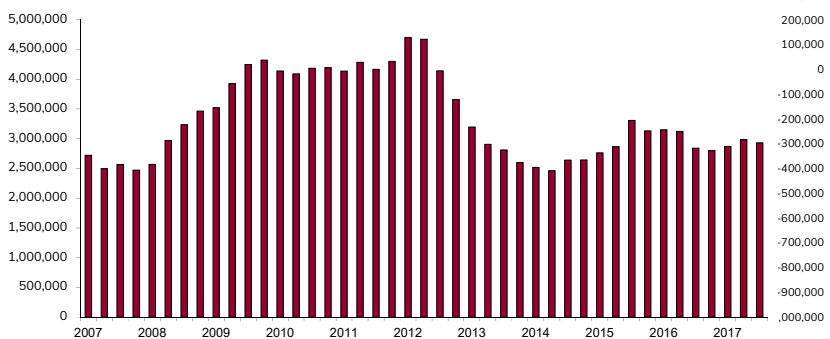
OFFICE MARKET STATISTICS - 3rd QUARTER 2017

MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE		ABSORPTION
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total	Net Absorption
ALAMO								
B	10	127,934	5,088	0	5,088	3.98%	3.98%	0
TOTAL	10	127,934	5,088	0	5,088	3.98%	3.98%	0
DANVILLE								
A	4	75,000	1,992	0	1,992	2.66%	2.66%	0
B	62	797,060	46,208	14,587	60,795	5.80%	7.63%	-3,749
TOTAL	66	872,060	48,200	14,587	62,787	5.53%	7.20%	-3,749
DUBLIN								
A	11	1,544,222	451,540	71,303	522,843	29.24%	33.86%	-135,059
B	33	906,599	76,519	6,954	83,473	8.44%	9.21%	-11,313
TOTAL	44	2,450,821	528,059	78,257	606,316	21.55%	24.74%	-146,372
LIVERMORE								
A	21	433,722	11,591	0	11,591	2.67%	2.67%	0
B	51	1,018,027	156,575	0	156,575	15.38%	15.38%	-8,380
TOTAL	72	1,451,749	168,166	0	168,166	11.58%	11.58%	-8,380
PLEASANTON								
A	72	6,755,565	689,409	129,977	819,386	10.21%	12.13%	-157,736
B	92	1,750,997	207,858	7,271	215,129	11.87%	12.29%	-41,673
TOTAL	164	8,506,562	897,267	137,248	1,034,515	10.55%	12.16%	-199,409
SAN RAMON								
A	36	8,731,906	952,729	48,114	1,000,843	10.91%	11.46%	-161,489
B	87	1,793,606	46,768	4,579	51,347	2.61%	2.86%	-6,676
TOTAL	123	10,525,512	999,497	52,693	1,052,190	9.50%	10.00%	-168,165
MARKET TOTAL	479	23,934,638	2,646,277	282,785	2,929,062	11.06%	12.24%	-526,075

TRI-VALLEY OFFICE HISTORY

TRI-VALLEY OFFICE ABSORPTION HISTORY

TRI-VALLEY OFFICE AVAILABLE HISTORY

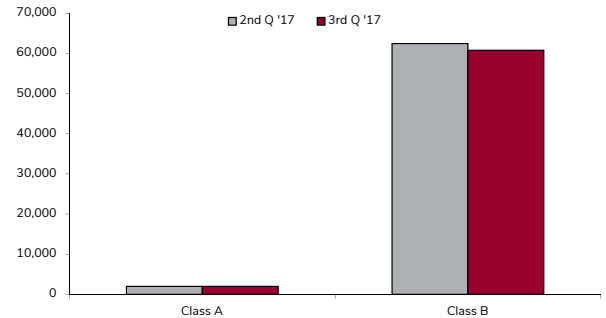


DANVILLE OFFICE AVAILABILITY

- AVAILABILITY** ↓ The Danville Office Market consists of roughly 800 thousand square feet of Class A & B office space.
- ABSORPTION** ↓ The city of Danville is a niche market with very little change in available space from quarter to quarter. Serving as the perfect “middle of the road” market for many offices users that would prefer to avoid commuting too far North or too far South along I-680. While most of the office product can sometimes clash with retail, the inventory has historically remained low. Additionally, there are no significant projects coming online in the near future to help free up the low vacancy rate. Despite the dismal outlook, a majority of Landlords have kept rates consistent from previous quarters in an effort to attract users from neighboring cities.
- LEASE RATE** ↑

Prepared by Tyler Gare

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

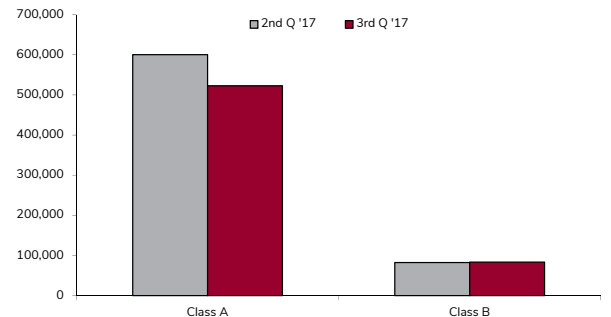


DUBLIN OFFICE AVAILABILITY

- AVAILABILITY** ↓ The Dublin Office Market consists of roughly 2 million square feet of Class A & B office space.
- ABSORPTION** ↓ The Dublin Office Market has dropped marginally from last Quarter. The availability rate has decreased from 27.82% to 24.74%. The lease rates have remained the same and there has been negative absorption in the last Quarter.
- LEASE RATE** ↑
- Notable Leases from the 3rd Quarter:
- 72,930± SF to TriNET Systems | 1 Sybase Drive, 5th & 6th Floors
 - 19,430± SF to Saba | 4120 Dublin Boulevard

Prepared by Will Ballowe

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

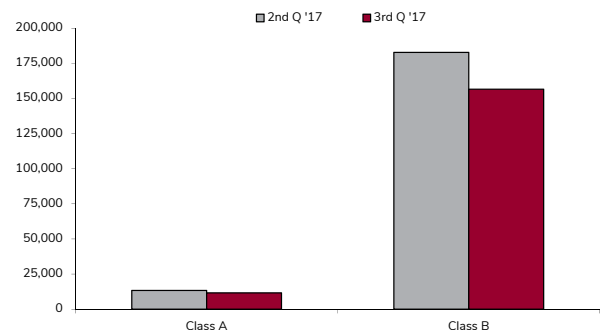


LIVERMORE OFFICE AVAILABILITY

- AVAILABILITY** ↓ The Livermore Office Market consists of roughly 1 million square feet of Class A & B office space.
- ABSORPTION** ↑ The Livermore market has seen more absorption since last Quarter. Many users have relocated due to the lower rates Livermore has to offer compared to Pleasanton. Additionally, users from Tracy and Stockton shifting their business closer to the Bay Area have pinpointed Livermore as an attractive alternative compared to other areas of the Tri-Valley market. In return, the inventory for office and office/flex has become tighter. Considering the general market conditions, many Landlords are taking advantage of the limited inventory and pushing rates higher, thus leaving current users, along with new businesses faced with the dilemma of paying more than the previous years.
- LEASE RATE** ↑

Prepared by Tyler Gare

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



PLEASANTON OFFICE AVAILABILITY

AVAILABILITY ↑ The Pleasanton Office Market consists of roughly 8 million square feet of Class A & B office space.

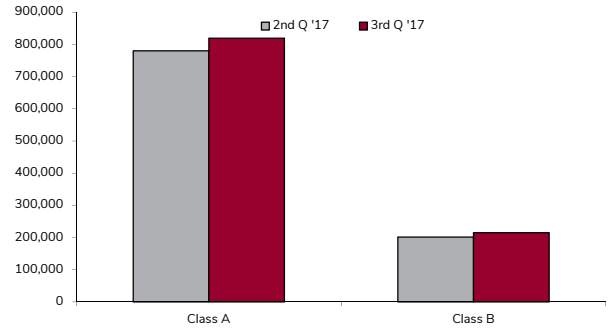
ABSORPTION ↑ The 3rd Quarter for the Pleasanton office market was another strong one with both sale and lease prices inching slightly upwards again. The main driver for increase is the continued lack of availability in the marketplace. Pleasanton has seen rents increase close to 80% over a five year span.

LEASE RATE ↑ Notable Lease from the 3rd Quarter:

- 13,714±SF to Clapp, Maroney, Vucinich, Beeman & Scheley | 5860 Owens Drive, 4th Floor
- 6,225± SF to First United Credit | 5934 Gibraltar Drive, Suite 101

Prepared by Simon Vogt

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



SAN RAMON OFFICE AVAILABILITY

AVAILABILITY ↓ The San Ramon Office Market consists of roughly 10 million square feet of Class A & B office space.

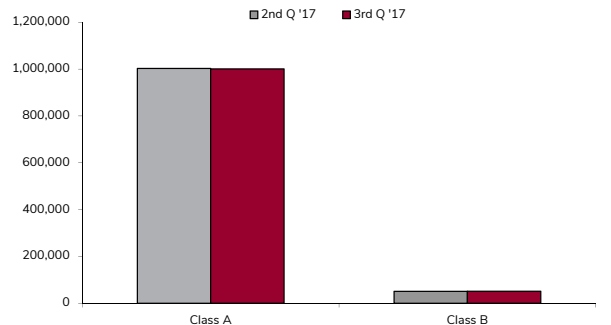
ABSORPTION ↓ There were no significant deals to report this Quarter and only two small office condo sales recorded. However, the low number of sales recorded is due to a lack of available product rather than low demand. There is still a lot of demand for owner/user properties partly due to the continued low cost of debt in comparison to historically high lease rates.

LEASE RATE ↑ The San Ramon lease market continues to see negative absorption mostly due to new Class A subleases hitting the market. Bishop Ranch has the bulk of these subleases which have hit the market this quarter. Some of these subleases may be due to companies trying to become more efficient to save cost on steadily increasing lease rates over the past several years. However, lease rates this quarter for both Class A and B spaces have remained relatively flat.

Class A space is at hovering at around a 11.5% vacancy rate while the much more affordable Class B space is enjoying a low 2.86% vacancy rate. There has been a much more healthy demand for sub 2,500±SF office spaces than there has been for the larger office footprints. We forecast these trends to continue for the remainder of 2017.

Prepared by Mark Rinkle

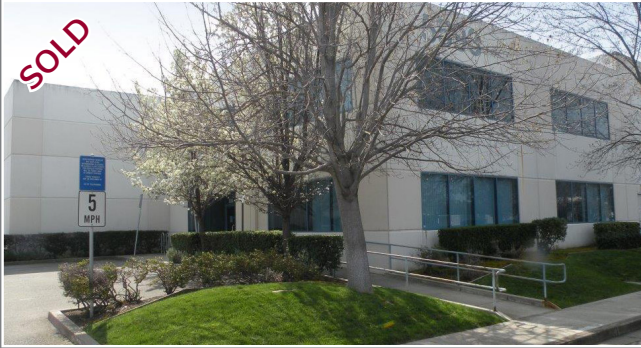
2nd QUARTER '17 VS. 3rd QUARTER '17 AVAILABILITIES



TRANSACTIONS

THIRD QUARTER 2017

21,644± SF INDUSTRIAL BUILDING
5593 LA RIBERA STREET, LIVERMORE
BACK COUNTRY HOLDINGS, LLC.



11,255± SF INDUSTRIAL BUILDING
76 WRIGHT BROTHERS AVENUE, LIVERMORE
CORNERSTONE SELECT BUILDERS



10,400± SF INDUSTRIAL BUILDING
6691 BRISA STREET, LIVERMORE
TUCSON SUNRISE PROPERTIES, LLC



635± SF OFFICE CONDO
111 DEERWOOD ROAD, SUITE 385, SAN RAMON
WAYNE LIN



8,640± SF INDUSTRIAL SPACE
6800 SIERRA COURT, SUITE Q, DUBLIN
FREEDOM SOLAR



8,400± SF INDUSTRIAL SPACE
6400 SIERRA COURT, SUITE C, DUBLIN
PATHCOM SYSTEMS



**FOR SALE IN DUBLIN
182,994±SF INDUSTRIAL BUILDING
6400 SIERRA COURT**



**FOR SUBLEASE IN SAN RAMON
13,440±SF OFFICE SPACE
5000 EXECUTIVE PARKWAY, SUITE 420**



**FOR SALE IN SAN RAMON
4,797±SF OFFICE/MEDICAL BUILDING
790 SAN RAMON VALLEY BOULEVARD**



**FOR SALE IN DUBLIN
40,212±SF RETAIL STRIP CENTER
6000-6058 DOUGHERTY ROAD**



**FOR LEASE IN LIVERMORE
27,300±SF FLEX SPACE WITH YARD
1264 STEALTH STREET**



**FOR SALE IN SAN RAMON
7,945±SF OFFICE/DENTAL BUILDING
2810 CROW CANYON ROAD**



MIKE FURAY
Managing Broker
925-737-4140
mfuray@lee-associates.com



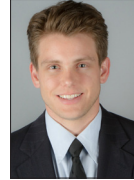
WILL BALLOWE
Associate
925-737-4143
wballowe@lee-associates.com



TONY FERRERI
Principal
925-737-4147
tferreri@lee-associates.com



TYLER GARE
Associate
925-737-4158
tgare@lee-associates.com



ARON HOENNINGER
Principal
925-737-4155
ahoenninger@lee-associates.com



BRETT HOLDEN
Principal
925-737-4141
bholden@lee-associates.com



BOB KUMNICK
Principal
925-737-4146
bkumnick@lee-associates.com



JESSICA MAUSER
Principal
925-737-4168
jmauser@lee-associates.com



SEAN OFFERS, SIOR
Principal
925-737-4159
soffers@lee-associates.com



MARK PLEIS
Principal
925-737-4148
mpleis@lee-associates.com



MARK RINKLE
Principal
925-737-4145
mrinkle@lee-associates.com



MIKE SMITH
Principal
925-737-4151
mikesmith1@lee-associates.com



HUNTER STEFFIEN
Associate
925-737-4154
hsteffien@lee-associates.com



VIRGINIA VOELKEL
Principal
925-737-4150
vvoelkel@lee-associates.com



SIMON VOGT
Principal
925-737-4157
svogt@lee-associates.com



TIM WILLET
Associate
925-737-4149
twillett@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.