

Economic Overview - 4th Quarter 2017

We finished off 2017 just how we started it!

Vacancy rates declined throughout the year and values (rental and sale) increased. Activity was steady as the overall economy continued to remain healthy.

If there was a buzzword for this Quarter, it would be E-commerce. With Amazon leading the way, this industry has been a game changer for industrial and retail real estate.

In 2017 we added two new associates to the Pleasanton office. Hunter Steffien, who is focusing on the Tri-Valley industrial market and in the Tri-Valley office market, we have recently added Will Ballowe.

The question that remains on everyone's mind is "how much longer?"

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:	28,837,198
Tri-Valley Industrial Availability:	1,607,318
Tri-Valley Industrial Net Absorption:	-118,168
Tri-Valley Availability Rate:	5.57%
Tri-Valley Office Inventory:	23,891,611
Tri-Valley Office Availability:	3,109,745
Tri-Valley Office Absorption:	-284,378
Tri-Valley Availability Rate:	13.02%

KEY TERMS & DEFINITIONS

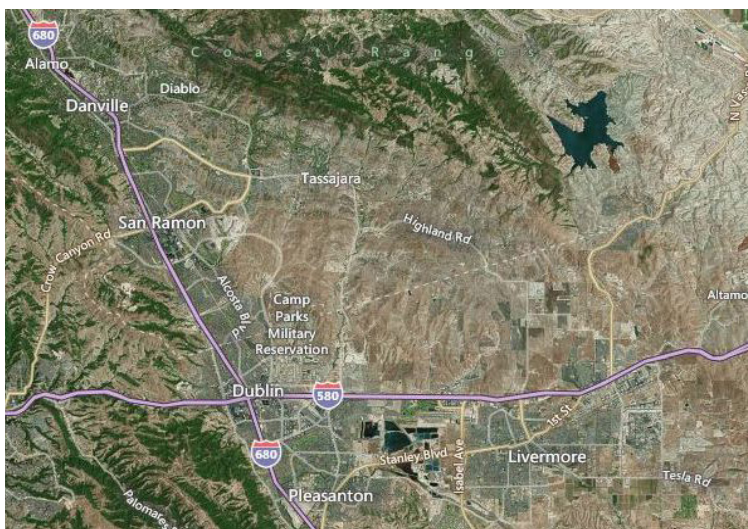
Availability: Square footage that is marketed for lease which is available within 90 days. This also includes sublease space.

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.

East Bay / Tri-Valley Quarterly Report

INDUSTRIAL MARKET STATISTICS

FOURTH QUARTER 2017



INDUSTRIAL MARKET STATISTICS - 4th QUARTER 2017

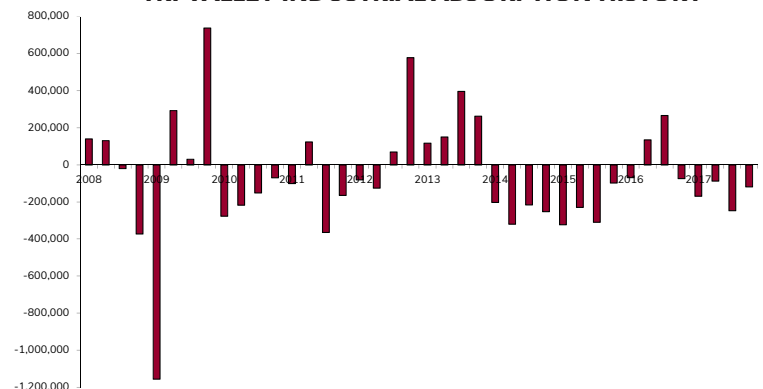
MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE		ABSORPTION
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total	Net Absorption
DUBLIN								
INDUSTRIAL	47	1,179,765	42,523	0	42,523	3.60%	3.60%	0
MULTI TENANT/INCUBATOR	14	319,647	31,152	0	31,152	9.75%	9.75%	6,431
FLEX/R&D	7	553,575	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%	72,983
LIVERMORE								
INDUSTRIAL	440	5,665,115	161,204	47,444	208,648	2.85%	3.68%	-73,381
MULTI TENANT/INCUBATOR	30	1,091,641	71,005	0	71,005	6.50%	6.50%	-13,605
FLEX/R&D	71	2,095,250	71,010	0	71,010	3.39%	3.39%	-13,986
WAREHOUSE/DIST	85	9,660,557	287,371	85,343	372,714	2.97%	3.86%	-44,607
TOTAL	626	18,512,563	590,590	132,787	723,377	3.19%	3.91%	-145,579
PLEASANTON								
INDUSTRIAL	211	2,059,774	26,470	0	26,470	1.29%	1.29%	-7,198
MULTI TENANT/INCUBATOR	18	495,256	11,938	0	11,938	2.41%	2.41%	-6,584
FLEX/R&D	99	3,229,297	122,242	0	122,242	3.79%	3.79%	-31,790
WAREHOUSE/DIST	4	523,353	394,000	0	394,000	75.28%	75.28%	0
TOTAL	332	6,307,680	554,650	0	554,650	8.79%	8.79%	-45,572
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	28,837,198	1,474,531	132,787	1,607,318	5.11%	5.57%	-118,168

TRI-VALLEY INDUSTRIAL HISTORY

TRI-VALLEY INDUSTRIAL AVAILABLE HISTORY



TRI-VALLEY INDUSTRIAL ABSORPTION HISTORY



DUBLIN INDUSTRIAL AVAILABILITY

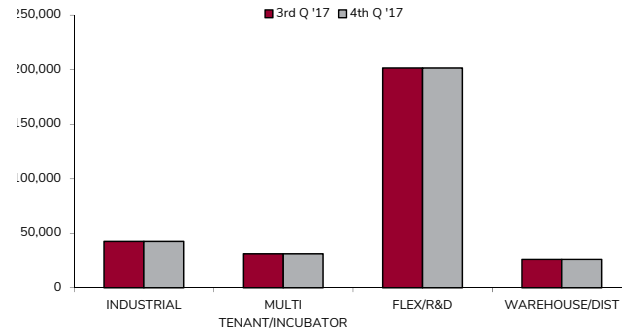
AVAILABILITY ↑ The Dublin Industrial Market consists of roughly 2.6 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space.

ABSORPTION ↓ The Dublin Industrial Market, like the rest of the Tri-Valley Market, 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 rates in the Dublin Market have ranged from \$0.93 Gross - \$1.45 NNN in Q4 of 2017.

LEASE RATE ↑

Prepared by Hunter Steffien

3rd QUARTER '17 VS. 4th 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 started off very strong in 2017 and that trend continued through the year. Limited supply and a strong demand continue to fuel the market, with little options available and multiple offers becoming a norm. With 725,000±SF of speculative development coming online in 2018 the Livermore Market will be tested, time will tell how deep the pool of larger tenants (>100k SF) really is. Landlords are in the driver's seat for the foreseeable future with no sign of an immediate correction in sight.

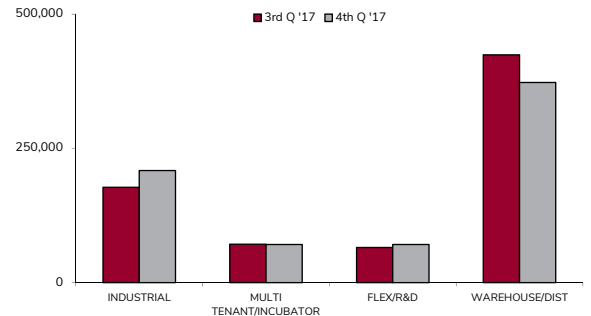
LEASE RATE ↑

Notable Transactions from the 4th Quarter:

- 39,170± SF Sale to LSTC California, LLC | 7451-7499 Longard Road
- 42,424± SF Lease to Amphenol | 6909 Las Positas Road, Suite A

Prepared by Sean Offers, SIOR

3rd QUARTER '17 VS. 4th QUARTER '17 AVAILABILITIES



PLEASANTON INDUSTRIAL AVAILABILITY

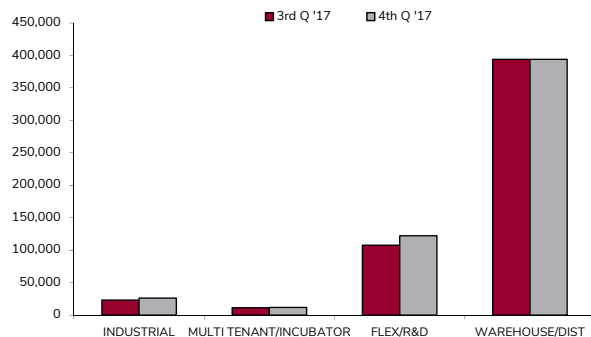
AVAILABILITY ↑ The Pleasanton Industrial Market consists of roughly 6.3 million square feet of warehouse/distribution, industrial, multi-tenant/incubator and flex/R&D space.

ABSORPTION ↓ The Industrial Market for Pleasanton 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/Warehouse buildings available. Similarly, tenants leasing in the Pleasanton market should be mindful to stay ahead of their lease expiration dates and make sure they are covered whether it is signing a renewal or giving themselves enough time to secure a new space. Lease rates in the Pleasanton Market have ranged from \$1.05 Gross to \$1.48 NNN in Q4 of 2017.

LEASE RATE ↑

Prepared by Hunter Steffien

3rd QUARTER '17 VS. 4th QUARTER '17 AVAILABILITIES



East Bay / Tri-Valley Quarterly Report

OFFICE MARKET STATISTICS

FOURTH QUARTER 2017

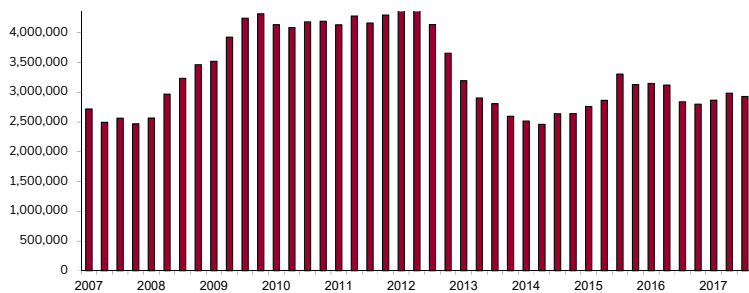


OFFICE MARKET STATISTICS - 4th QUARTER 2017

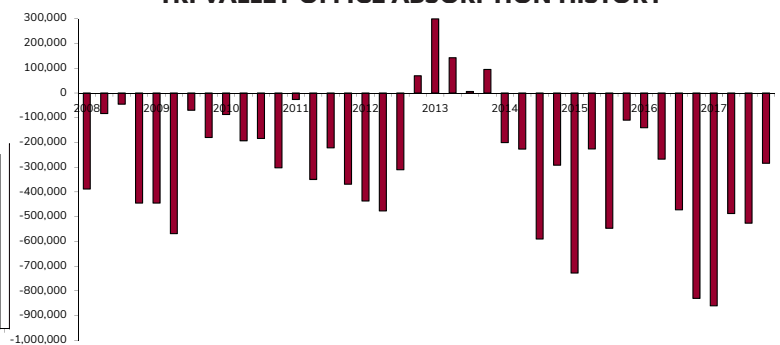
MARKET	INVENTORY		AVAILABILITY			AVAILABILITY RATE		ABSORPTION
	Buildings	Total SF	Direct SF	Sublease SF	Available SF	Direct	Total	Net Absorption
ALAMO								
B	10	127,934	5,088	0	5,088	3.98%	3.98%	0
TOTAL	10	127,934	5,088	0	5,088	3.98%	3.98%	0
DANVILLE								
A	4	75,000	1,992	7,268	9,260	2.66%	12.35%	-7,268
B	61	789,450	44,831	10,887	55,718	5.68%	7.06%	0
TOTAL	65	864,450	46,823	18,155	64,978	5.42%	7.52%	-7,268
DUBLIN								
A	11	1,544,222	451,540	71,303	522,843	29.24%	33.86%	0
B	34	915,019	70,954	3,518	74,472	7.75%	8.14%	-6,884
TOTAL	45	2,459,241	522,494	74,821	597,315	21.25%	24.29%	-6,884
LIVERMORE								
A	21	433,722	10,055	0	10,055	2.32%	2.32%	-6,353
B	50	975,024	220,608	0	220,608	22.63%	22.63%	-64,033
TOTAL	71	1,408,746	230,663	0	230,663	16.37%	16.37%	-70,386
PLEASANTON								
A	72	6,754,731	750,290	115,388	865,678	11.11%	12.82%	-118,604
B	92	1,750,997	203,649	11,065	214,714	11.63%	12.26%	-9,082
TOTAL	164	8,505,728	953,939	126,453	1,080,392	11.22%	12.70%	-127,686
SAN RAMON								
A	36	8,731,906	1,040,555	44,366	1,084,921	11.92%	12.42%	-64,427
B	87	1,793,606	39,499	6,889	46,388	2.20%	2.59%	-7,727
TOTAL	123	10,525,512	1,080,054	51,255	1,131,309	10.26%	10.75%	-72,154
MARKET TOTAL	478	23,891,611	2,839,061	270,684	3,109,745	11.88%	13.02%	-284,378

TRI-VALLEY OFFICE HISTORY

TRI-VALLEY OFFICE AVAILABLE HISTORY



TRI-VALLEY OFFICE ABSORPTION HISTORY



DANVILLE OFFICE AVAILABILITY

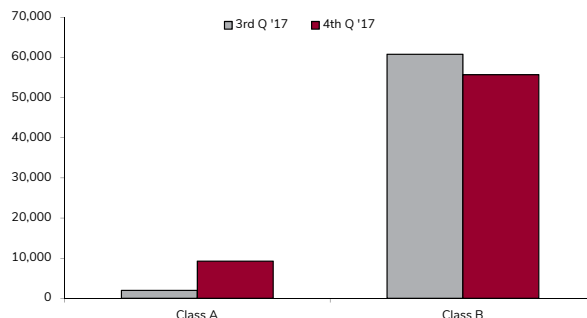
AVAILABILITY ↑ The Danville Office Market consists of roughly 800 thousand square feet of Class A & B office space.

ABSORPTION ↓ The city of Danville is a very small market with minimal change in inventory from quarter to quarter. This niche market serves as the balance for users that enjoy being more well located to nearby residential communities along with adding a healthy mix Office of Retail product. Many users also appreciate a close middle of the road commute to Pleasanton or Walnut Creek. While the inventory remains low office rates have remained consistent since Landlords are focused attracting users from neighboring cities.

LEASE RATE ↑

Prepared by Tyler Gare

3rd QUARTER '17 VS. 4th QUARTER '17 AVAILABILITIES



DUBLIN OFFICE AVAILABILITY

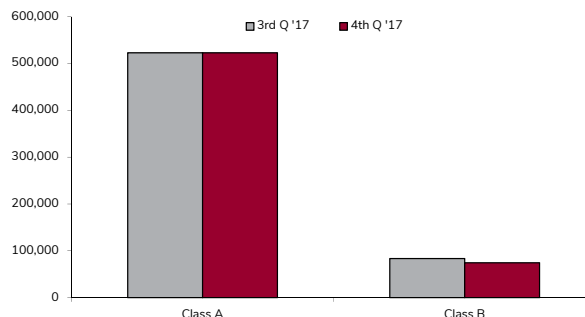
AVAILABILITY ↓ The Dublin Office Market consists of roughly 2 million square feet of Class A & B office space.

ABSORPTION ↑ The Dublin office market has decreased fractionally since last Quarter. The availability of office product has decreased by a rate of 0.45% to 24.29%. There was an increase in the absorption rate, and the lease rates are trending upwards.

LEASE RATE ↑ Notable Lease from the 4th Quarter:
 • 1,791±SF at 6370 Clark Avenue, Suite 205 | \$2.35/SF

Prepared by Will Ballowe

3rd QUARTER '17 VS. 4th QUARTER '17 AVAILABILITIES



LIVERMORE OFFICE AVAILABILITY

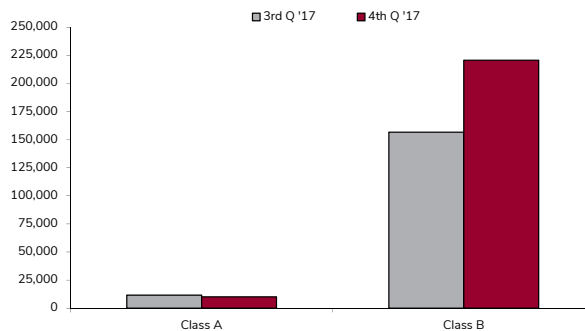
AVAILABILITY ↑ The Livermore Office Market consists of roughly 1 million square feet of Class A & B office space.

ABSORPTION ↓ The Livermore market has seen very little movement since last quarter. Many users are more comfortable with the lower rates of Livermore as compared to Pleasanton. One of the continuing key interests about Livermore is that users further East are shifting their business closer to the Bay Area have found Livermore as the more affordable option compared to the rest of the Tri-Valley. These changes have tightened the inventory with only a fraction of available product that can help capture the growing demand.

LEASE RATE ↑

Prepared by Tyler Gare

3rd QUARTER '17 VS. 4th QUARTER '17 AVAILABILITIES



PLEASANTON OFFICE AVAILABILITY

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

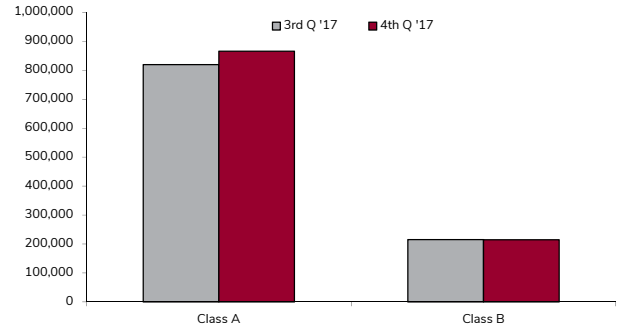
ABSORPTION ↓ The Pleasanton office market posted another strong Quarter. Sale and lease prices inched up slightly again. The main driver for the slight increase continues to be the lack of availability in the marketplace. The Pleasanton office market hovers around 11% vacancy.

LEASE RATE ↑ Notable Lease from the 4th Quarter:

- 17,100± SF to Teichert Construction | 5200 Franklin Drive
- 5,296± SF to SavvyMoney | 7901 Stoneridge Drive, Suite 207

Prepared by Simon Vogt

3rd QUARTER '17 VS. 4th 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.

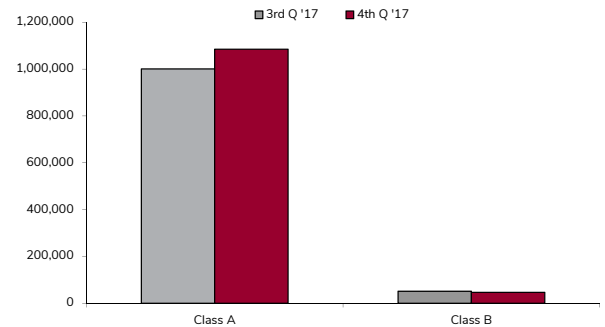
ABSORPTION ↓ Availability rose slightly this Quarter in Class A spaces while Class B spaces decreased slightly. This could be from companies looking to find more affordable spaces in the marketplace as rents are near all-time highs. For notable transactions in the market Insight Wealth recently subleased 13,440±SF of Class A office space in Bishop Ranch 8 at a \$2.15/SF start rate. For office sales there continues to be a lot of demand for owner/user properties partly due to the continued cheap financing and historically high lease rates.

LEASE RATE ↑

In recent development news Summit Senior Care Facility is under construction next to the San Ramon Regional Hospital and once completed will have 82 beds available for occupancy. In South San Ramon at 9000 Alcosta Boulevard there is an application in to develop 95 multi-family senior apartment units. These two sites have long been vacant land with future plans for development so the recent movement on them shows that developers have expectations of continued growth in the market.

Prepared by Mark Rinkle

3rd QUARTER '17 VS. 4th QUARTER '17 AVAILABILITIES



East Bay / Tri-Valley Quarterly Report
TRANSACTIONS

FOURTH QUARTER 2017

20.76± ACRES
5700 LAS POSITAS ROAD, LIVERMORE
JB HUNT



42,424± SF INDUSTRIAL SPACE
6909 LAS POSITAS ROAD, SUITE A, LIVERMORE
AMPHENOL



39,170± SF INDUSTRIAL BUILDING
7451-7499 LONGGARD ROAD, LIVERMORE
LSTC CALIFORNIA, LLC.



19,860± SF INDUSTRIAL SPACE
7039 COMMERCE CIRCLE, PLEASANTON
BRIGHTVIEW



17,100± SF OFFICE SPACE
5200 FRANKLIN DRIVE, PLEASANTON
TEICHERT CONSTRUCTION



7,415± SF OFFICE BUILDING
22-54 FENTON STREET, LIVERMORE
DR. WILLIAM & FLORA TING



FOR LEASE IN LIVERMORE
1.40±ACRES OF YARD SPACE
ENTERPRISE COURT



FOR LEASE IN LIVERMORE
32,199±SF INDUSTRIAL SPACE
6567 BRISA STREET



FOR LEASE IN LIVERMORE
13,986±SF OFFICE SPACE
2575 COLLIER CANYON ROAD



FOR LEASE IN PLEASANTON
2,552±SF OFFICE SPACE
6601 OWENS DRIVE, SUITE 230



FOR LEASE IN DUBLIN
1,506±SF OFFICE SPACE
11700 DUBLIN BOULEVARD, SUITE 200



FOR LEASE IN PLEASANTON
560±SF RETAIL SPACE
5686 STONERIDGE DRIVE



East Bay / Tri-Valley Quarterly Report
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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.