

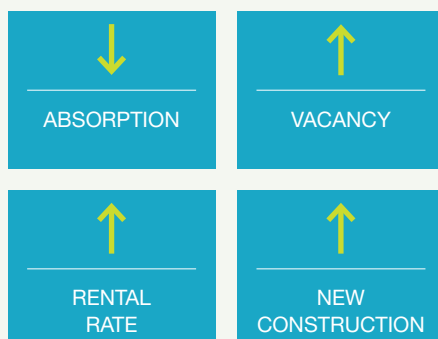
Real Estate Market Review

East Bay Industrial

East Bay industrial landlords continued to benefit from robust demand during the fourth quarter of 2017, while developers and institutional buyers raced to provide high-quality distribution spaces to capitalize on the sizzling market. Despite several givebacks over the past three months, the vacancy rate was 3.5% marketwide at year's end, and virtually all submarkets were well below 5%. An increase in availabilities, driven in part by cycle-high construction levels, allowed for 1.6 million s.f. of fourth-quarter leasing activity, with more likely to come in the first half of 2018. More than 1.6 million s.f. of future industrial space was being built in the inner East Bay at the end of 2017, but the broad base of tenants in the market should keep rental rates firm against the increase in supply. State-of-the-art spaces have enjoyed a 20% jump in rents over the past 12 months, attracting investors from around the country to purchase, renovate, and reposition industrial assets along I-880.

The inner East Bay's industrial vacancy rate ticked up to 3.5% this quarter while availabilities rose to 6.4%, their highest point since in seven quarters. With ample demand for industrial space in the logistically superior I-880 corridor, both rates are likely to trend downward over the course of 2018, as newly delivered industrial buildings secure their first tenants and recently vacated spaces are refilled. The brief rise in vacancy and availability allowed several

expanding tenants to stay in the East Bay, but large-scale and frugal users are increasingly pushed to consider alternatives beyond the Bay Area and out of state. Overall, the inner East Bay reported 321,667 s.f. of negative net absorption in the fourth quarter, staying ahead for the year at positive 163,031 s.f.. Rental rates climbed to an average of \$1.14/sf NNN for all industrial product types. Bulk industrial spaces larger than 100,000 s.f. continue to

Market Forecast Trends

Notable 2017 Leases

Penske Logistics
33400 Dowe Avenue, Union City
235,447 s.f. leased

Forward Air Freight
30108-30118 Eigenbrodt Way, Union City
135,860 s.f. leased

Southwest Food Services
30200 Whipple Road, Union City
130,140 s.f. leased

Notable 2017 Sales

Broadreach Capital Partners
Kellogg Plant, San Leandro
514,223 s.f. | \$53.5M or \$104/s.f.

CenterPoint Properties
25858-25886 Clawiter Road, Hayward
197,050 s.f. | \$23.82M or \$121/s.f.

CenterPoint Properties
2230-2242 Davis Court, Hayward
142,372 s.f. | \$14.65M or \$103/s.f.

Area Review

Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Q4 Net Absorption	YTD Net Absorption	Quarterly Leasing Activity	YTD Leasing Activity	Rental Rate
Richmond/El Cerrito	14,261,584	5.1%	5.1%	11.2%	(75,195)	228,979	55,560	544,239	\$1.55
Berkeley/Albany	6,738,099	1.7%	2.1%	2.5%	48,645	85,774	35,205	286,568	\$1.40
Emeryville	4,522,901	1.7%	1.7%	6.4%	60,492	(6,761)	9,687	125,604	\$2.32
Oakland	32,805,113	4.3%	4.4%	7.3%	(71,699)	(257,871)	66,459	421,909	\$1.15
Alameda	6,616,965	4.2%	4.3%	4.5%	(81,660)	77,123	15,455	107,976	\$0.72
San Leandro/San Lorenzo	23,134,486	1.6%	2.3%	4.9%	(28,562)	353,136	219,741	1,401,459	\$0.77
Hayward	40,419,761	2.7%	3.1%	6.5%	(124,511)	44,369	452,573	1,784,962	\$0.99
Union City	14,094,750	2.7%	3.8%	3.8%	(57,177)	(186,536)	185,780	792,367	\$1.09
Total	142,593,659	3.1%	3.5%	6.4%	(321,667)	163,031	1,596,504	5,465,084	\$1.14
General Industrial	27,041,711	4.5%	4.5%	8.4%	(157,140)	(168,751)	167,112	951,756	\$1.10
Warehouse/Distribution	94,545,860	3.1%	3.5%	5.7%	(142,967)	383,713	1,000,334	4,459,230	\$1.07
Flex	21,006,088	5.6%	5.6%	7.1%	(47,127)	(51,931)	248,949	1,121,160	\$1.68
10,000-24,999 SF	24,091,338	2.2%	2.2%	3.2%	(32,476)	(101,774)	146,705	720,125	\$1.24
25,000-49,999 SF	27,402,282	2.1%	2.3%	3.8%	(11,478)	209,056	169,003	850,728	\$1.23
50,000-99,999 SF	32,493,801	2.0%	2.2%	4.5%	39,251	177,360	241,139	837,827	\$1.00
100,000-199,999 SF	30,750,983	4.2%	4.3%	7.8%	(124,683)	2,008,687	604,619	1,634,950	\$0.96
200,000+ SF	27,855,255	5.3%	6.2%	11.7%	(177,281)	(330,298)	435,038	1,421,454	\$0.69

rise toward \$1.00/sf while flex spaces are holding steady in the \$1.65-1.70/sf NNN range, on average. Rents are likely to keep increasing in the short run, as tenants are willing to stomach high real estate costs to enjoy the multimodal logistical advantages that the East Bay provides.

Limited availabilities continued to constrain leasing activity during the fourth quarter, but impending construction deliveries should accommodate a handful of large-scale users in early 2018. A total of 1,596,504 s.f. came off the market in leases signed over the past three months, with warehouse/distribution spaces comprising more than 60% of the activity. Southwest Food Services signed a 10-year lease for 130,140 s.f. of cold-storage space at 30200 Whipple Road in Union City, previously home to LA Specialty Produce. Meanwhile in Hayward, the plastics manufacturer CHawk Technology grabbed 99,830 s.f. at 31033 Huntwood Avenue, an expansion from its current location at 1256 San Luis Obispo Street. Together, Hayward and Union City hosted nearly 40% of the square footage leased in the fourth quarter, as large availabilities in the northern segment of the I-880 corridor remain scant.

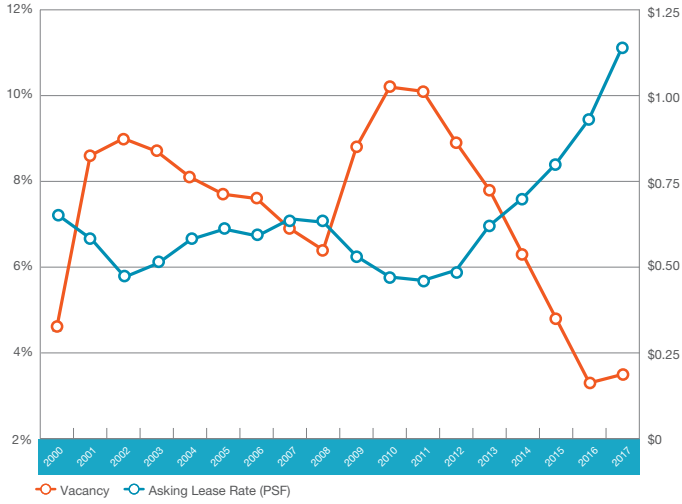
Industrial sale volume totaled \$128.6 million for about 1.07 million s.f. of real estate during the final three months of 2017, for an average price tag of \$143/s.f., excluding low-end outliers. CenterPoint Properties, an Illinois-based investor focusing on intermodal freight facilities, bet big on the inner East Bay during the latter half of 2017. In the fourth quarter, CenterPoint bought two buildings at 25858-25886 Clawiter Road in Hayward, spending \$23.82 million for a total of 197,050 s.f. (\$121/s.f.). That purchase followed CenterPoint's third-quarter acquisition of the Davis Court Industrial Center in Hayward,

a 142,372 s.f. asset, for \$105/s.f. CenterPoint Properties aims to renovate and reposition both properties, seizing on the demand for quality logistics space along the I-880 corridor. The largest individual transaction of the fourth quarter involved the Kellogg's Plant at 2010-2040 Williams Street in San Leandro. Palo Alto-based Broadreach Capital Partners acquired the 514,223 s.f. facility for \$53.5 million or \$104/s.f.

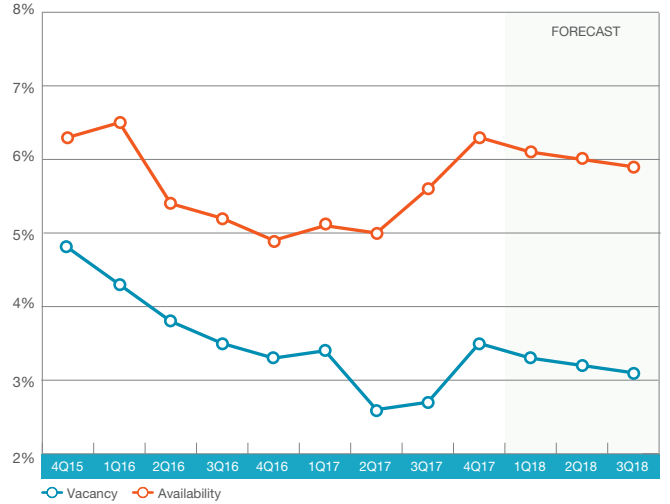
On the construction front, two buildings were completed in the fourth quarter, bringing the year's total of new industrial space to 792,349 s.f. In Hayward, Conor Commercial wrapped up construction on Building 1 of the Hayward 92 Industrial Center, a 333,365 s.f. warehouse fully leased to Federal Express. Further up the I-880 corridor, Prologis finished the first building of the Northeast Gateway development at 277 Maritime Street in West Oakland; that 256,136 s.f. warehouse was available for lease at quarter's end but should be occupied in early 2018. Twelve more industrial buildings totaling 2.2 million s.f. were under construction at the close of 2017, all of them south of Oakland airport. The largest project underway is the Marina Gateway development by Overton Moore Properties; an unknown tenant was rumored to be in leases for the 296,698 s.f. facility at 2000 Marina Court in San Leandro. The San Leandro Business Center, which will feature more than 550,000 square feet in three buildings, is being built at 100 Halcyon Drive, with delivery anticipated in mid-2018. Finally, in Hayward, the four-building, 275,000 s.f. Shea Center project is expected to be ready for occupancy this spring and was fully available at quarter's end.

Data Source: CoStar

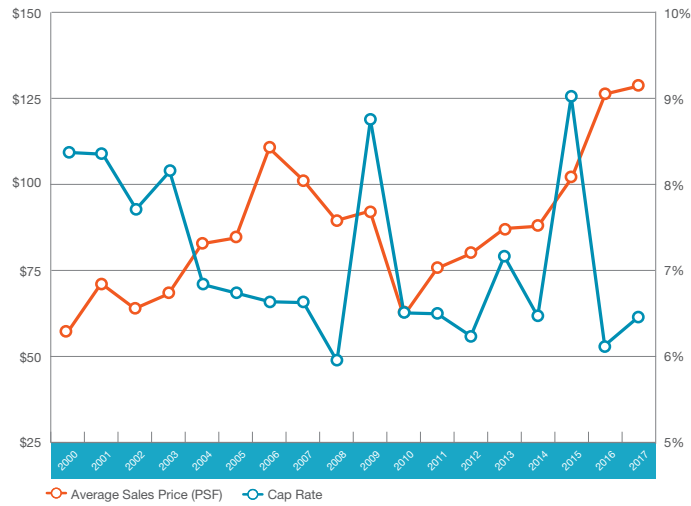
VACANCY VS ASKING LEASE RATE



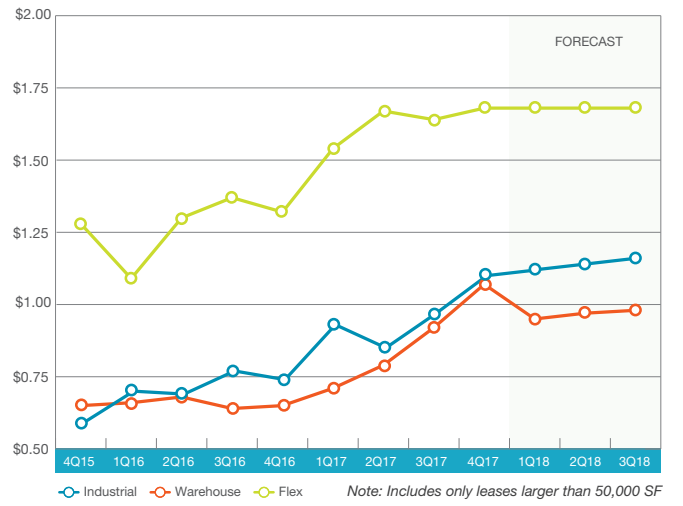
VACANCY VS AVAILABILITY



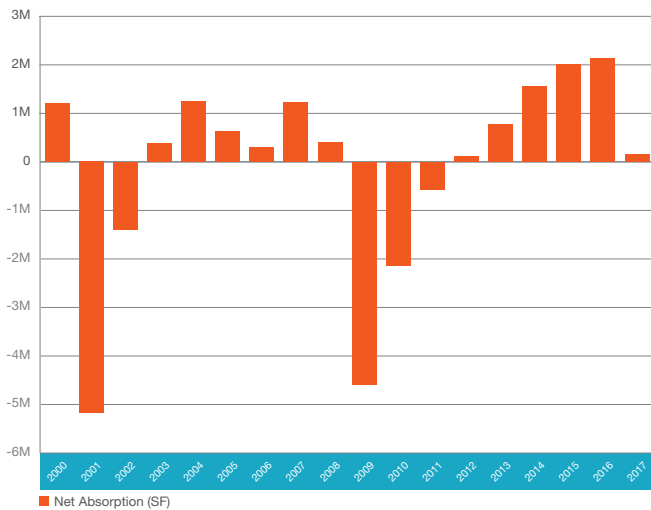
AVERAGE SALES PRICE & CAPITALIZATION RATES



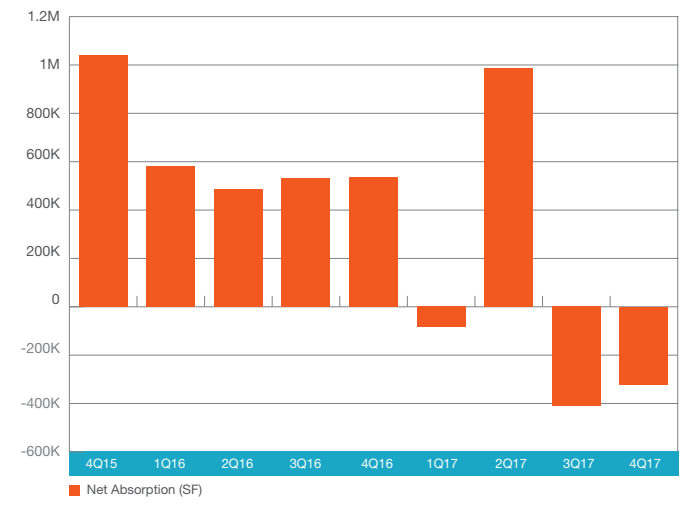
ASKING LEASE RATE



NET ABSORPTION - HISTORICAL



NET ABSORPTION - QUARTERLY



Market Breakdown

Offices

Seattle
206.296.9600

Bellevue
425.454.7040

South Seattle
206.248.7300

Tacoma
253.722.1400

Olympia
360.705.2800

Portland
503.221.9900

San Francisco
415.229.8888

Redwood Shores
650.769.3600

Silicon Valley
408.970.9400

Sacramento
916.970.9700

Roseville
916.751.3600

Los Angeles
213.880.5250

Commerce
323.727.1144

Long Beach
562.472.0071

Orange County
949.557.5000

Inland Empire
909.764.6500

San Diego
858.509.1200

Carlsbad
760.430.1000

Reno
775.301.1300

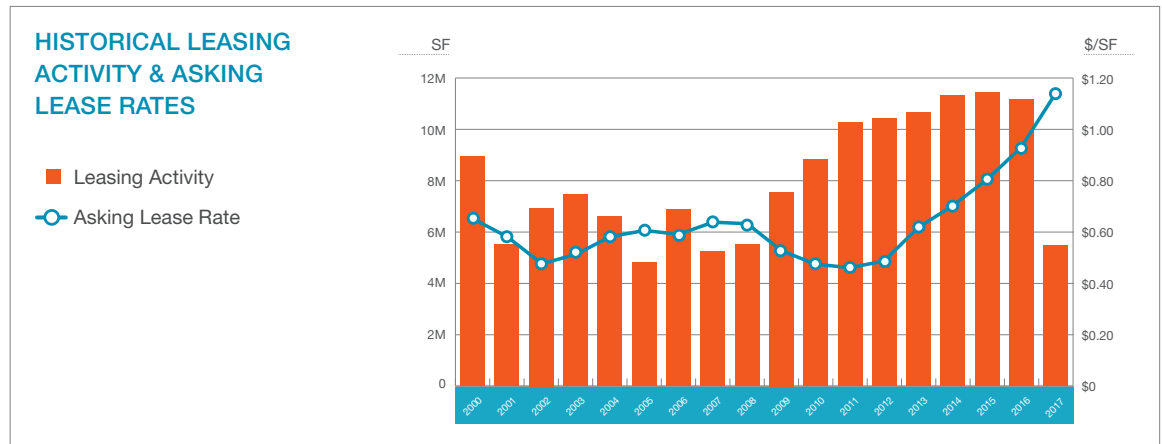
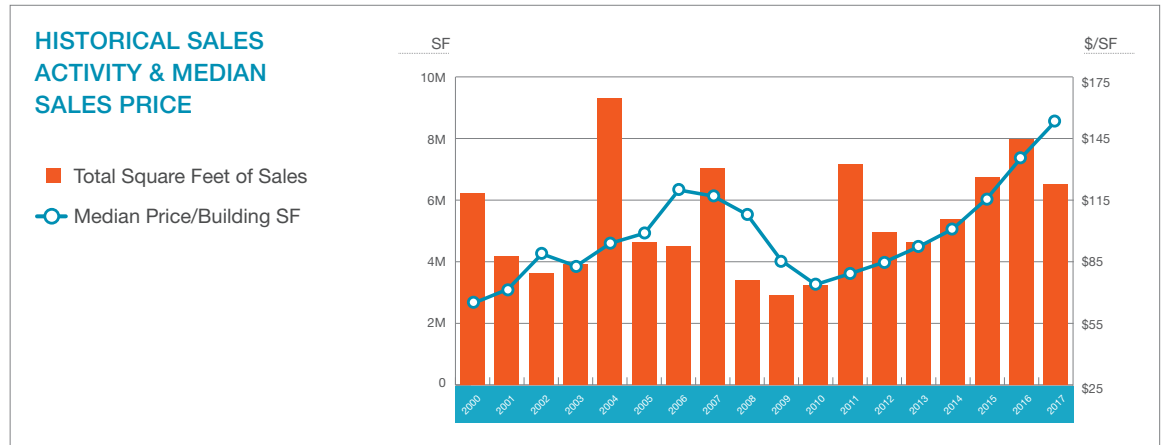
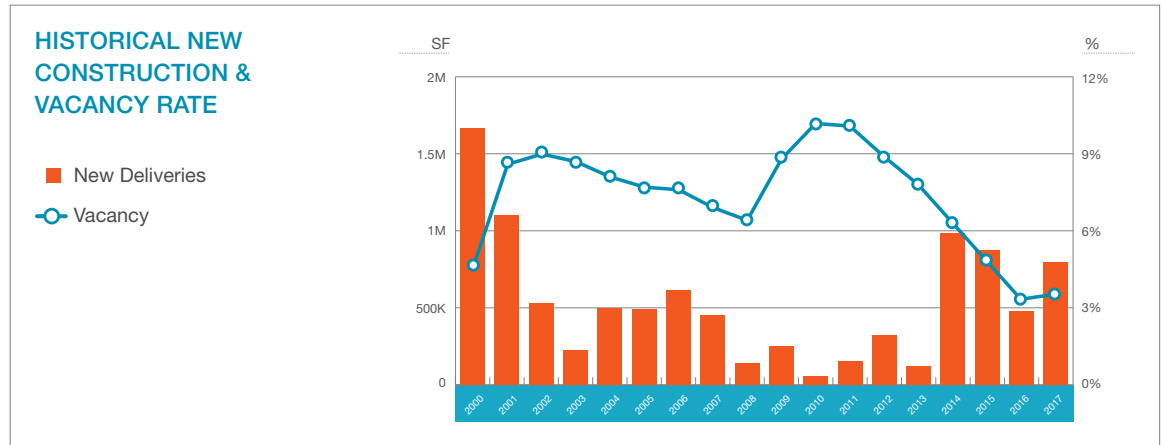
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	2017	2016	2015	Annual % Change
Vacancy Rate	3.5%	3.3%	4.8%	6.1%
Availability Rate	6.3%	5.6%	5.0%	12.5%
Asking Lease Rate	\$1.14	\$0.93	\$0.80	22.60%
Leased SF	5,465,084	11,153,637	11,437,659	-51.0%
Sold SF	6,498,255	7,973,489	6,748,551	-18.5%
Net Absorption	163,031	2,136,752	2,000,143	N/A



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