

Market Research

OVERVIEW | FOURTH QUARTER | 2008



MARKET INDICATORS

OFFICE

4Q 2008 | 1Q 2009*

VACANCY	↓	↑
NET ABSORPTION	↑	↓
CONSTRUCTION	↑	↓
RENTAL RATE	↑	↓

INDUSTRIAL

4Q 2008 | 1Q 2009*

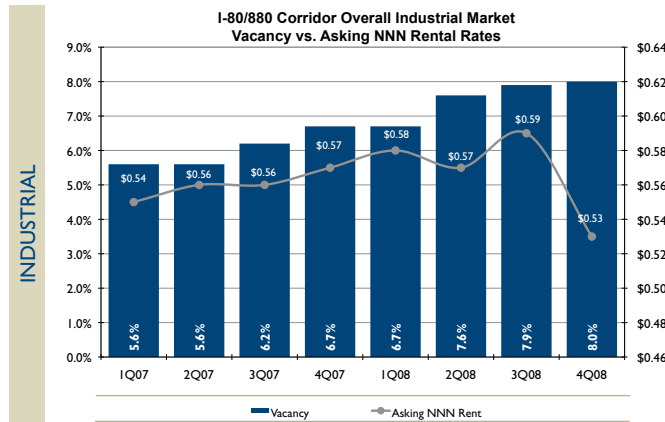
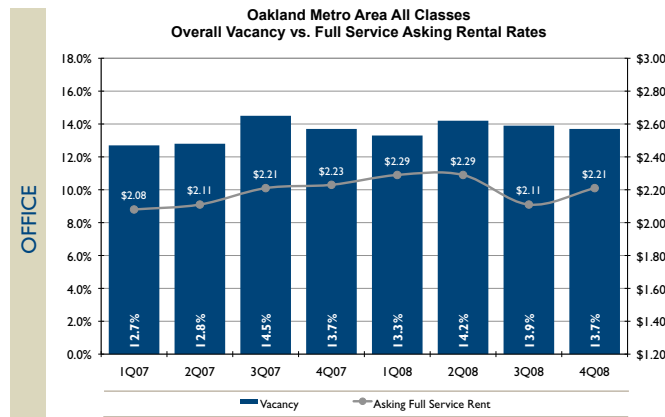
VACANCY	↑	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↔	↔
RENTAL RATE	↓	↓

* PROJECTED

East Bay Overview

Generally speaking, the East Bay real estate markets survived 2008 with little material impact to overall vacancy and rental rates. In fact, certain sub markets closed the year with positive net absorption. In light of the economic turmoil, especially during the second half of the year, this is very encouraging for property owners in the region. Despite negative absorption in all classes of industrial product, vacancy rates only rose from 6.7% to 8.0% as compared to the end of 2007. Average asking office rents remained relatively flat when compared to last year. This is certainly an oddity in the Bay Area, but can most likely be attributed to the fact that we compute rents on a weighted average basis and the few large blocks of space available in the region are located in Class A buildings. We expect continued downward pressure on valuations as there does not appear to be an end in sight to the tight commercial credit markets.

VACANCY VS. RENTAL RATE





Office Overview

Surprisingly, the Oakland Metro Market, consisting of the sub markets of Richmond, Berkeley, Emeryville, Oakland and Alameda, posted a relatively flat net absorption for the 2008 calendar year. Richmond led all markets with over 200,000 square feet largely due to Chevron’s expansion in Point Richmond. Downtown Oakland also posted positive net absorption in 2008 as a result of several leases signed during the latter part of the year, most notably Tetra Tech’s 15,000 square feet at 1999 Harrison Street (from San Francisco) and Cerexa, Inc.’s 38,000 square feet at 2100 Franklin Street (from Alameda). Virtually every other submarket in the region experienced negative absorption for the year, and the sluggish economy has certainly taken its toll on local landlords. Leasing velocity has slowed considerably, rent growth has flattened and the credit markets continue to be extremely tight.

Despite all of the bad news, Oakland captured the largest institutional sale in the Bay Area when the CIM Group purchased five buildings totaling approximately 1,700,000 square feet from Brandywine during the fourth quarter of the year. Additionally, the

Shorenstein Company started construction on a 600,000 square foot office building at City Center. The project, 601 12th Street, should be ready for occupancy by the middle of 2010.

Looking forward to 2009, we anticipate the market will continue to be stagnant during the first half of the year as demand remains soft and rents flatten out.

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

CLASS A, CLASS B&C

Oakland Metro Area Class A Market
Overall Vacancy vs. Full Service Asking Rental Rates



Oakland Metro Area Class B/C Market
Overall Vacancy vs. Full Service Asking Rental Rates



Downtown Oakland

Downtown Oakland is largely a professional service market with tenants that include governmental agencies and Kaiser Permanente. While the overall economy is in a state of confusion, Oakland continues to hold fast. Although it is not bulletproof and shows signs of recession, it will continue to stand on its feet. Proof of this is the sales and development we saw this year. Shorenstein broke ground on its 600,000 square foot project at Oakland's City Center. CIM closed on a portfolio sale that included five buildings for a total of 1,695,205 square feet.

Class A product ends the year with 6.9% vacancy, compared to 7.9% last year, with a 92,461 square foot net absorption. Although it has relatively high rents in comparison with neighboring markets, new tenants are choosing Downtown Oakland because of its infrastructure, central location,

proximity to mass transit and freeway access. In fact, Class A rents have increased from \$2.72 to \$2.83 Full Service (FS) per square foot per month (psf/mo) in the last year. Many tenants already in the market are renewing leases short term due to trepidation regarding the unstable economy.

Class B/C product fared reasonably well this year. Vacancy decreased from 16.2% to 15.9% from last year. We expect to see vacancy continue to rise over the next six months as competitive spaces in San Francisco continue to open up. Rents increased from \$1.85 to \$2.00 FS psf/mo this year. We expect that rents will not decrease much due to Downtown Oakland's location and because of landlords' belief in the stability of this market.



MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

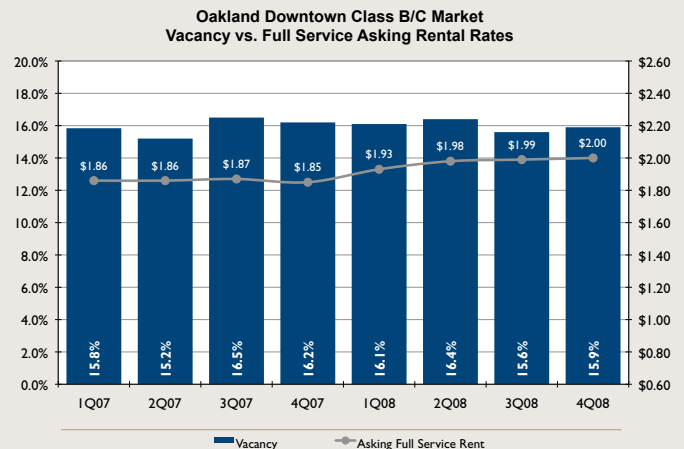
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
2101 Webster Street	11/1/08	37,190	DMJMAE COM	Office
2100 Franklin Street	12/1/08	24,937	Cerexa	Office
1999 Harrison Street	11/1/08	17,000	Tetra Tech	Office
555 12th Street	10/22/08	10,535	Hanna Brophy	Office

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
Portfolio Sale	10/8/08	1,695,205	CIM Group / Brandywine Realty	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

CLASS A, CLASS B&C





Oakland Airport

The Oakland Airport Market saw some, but not remarkably significant, negative net absorption. The overall vacancy rate in the fourth quarter of 2008 was 27.1%, up from 26.5% last year, and it is likely that it will continue to rise slightly over the next six months, much due to Coca-Cola's decision to vacate approximately 35,000 square feet at 7901 Oakport Street. However, downward pressure on rental rates should mitigate the increase as most landlords will likely need to modify their expectations in order to retain current tenants. Class A product ended the year with a 24.3% vacancy, compared to 38.1% last year. Rental rates decreased from \$1.94 to \$1.71 FS psf/mo. Class B/C & Flex product experienced an increase in vacancy, having risen from 22.6% over the course of the year to 28.0%. Like Class A, its rental rates were down, from \$1.62 to \$1.55 FS psf/mo. While asking rents have dropped only moderately, completed deals have been executed at a discount.

Overall, there has been very little change in the trends within the South Oakland Airport Market. The most significant news affecting the area was a report that the BART Extension Project might be shelved due to the drastic change in the capital markets.

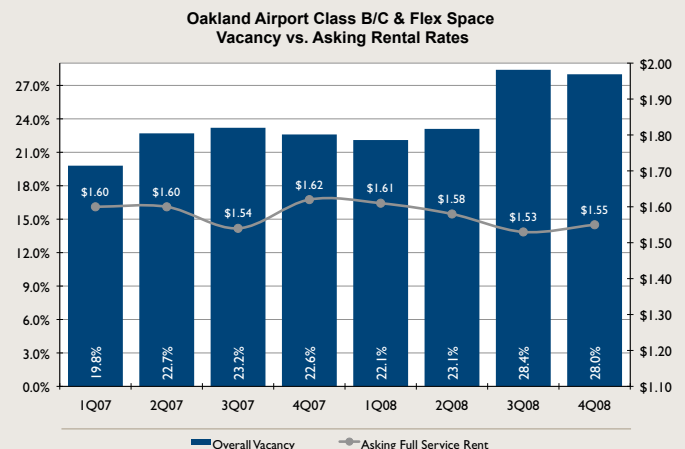
Tenants occupying office space in the airport district generally do so because of its proximity to the airport and industrial facilities that they often support. Therefore, trends in other submarkets within Oakland generally do not have a significant effect on the absorption of space, or displacement of tenants in the airport district.

MARKET ACTIVITY SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
400 Roland Way	11/26/08	26,209	Teamsters Local 70	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES CLASS A, CLASS B/C/FLEX



Berkeley

Downtown Berkeley

The Downtown Berkeley market was quiet during the fourth quarter of 2008. The vacancy rate for Class A space climbed from 13.3% at the end of 2007 to 16.7%. Rental rates have increased to \$2.82 FS psf/mo, an 8.0% increase in the same time period. The vacancy rate for Class B/C office space likewise rose during the year to end 2008 at 16.7%, up from 14.1%. As expected, Class B/C rental rates dipped to \$2.27 FS psf/mo. Notably, this quarter Yahoo vacated their 10,550 square foot Class B offices at 1950 University and relocated to 1,491 square feet at 2397 Shattuck Avenue, a trend we'll likely see more of in the near future. Two large building sale transactions that were expected to close during fourth quarter did not. Golden Bear at 1995 University Avenue fell out of contract with the Regents at UC Berkeley. 2850 Telegraph Avenue, also in contract with UC Berkeley was expected to close this year but due to delays will likely not close until the first quarter of 2009.

West Berkeley

The year in West Berkeley closes out with a vacancy of approximately 12.7% compared to last year's fourth quarter rate of 10.0%. Much of the space on the market has remained available for consecutive quarters, and in a handful of the completed transactions, the leases were due to the shifting of tenants within projects rather than new tenants signing new leases. Nolo Press, who occupies approximately 20,000 square feet, put their potential move on hold and has renewed with their landlord for two years. Lawrence Berkeley Laboratories has consolidated within 717 Potter, bringing 24,000 square feet of office and lab onto the market for immediate occupancy.



MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

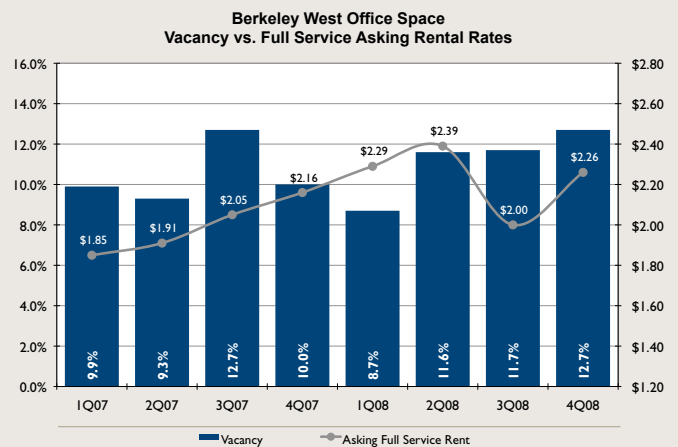
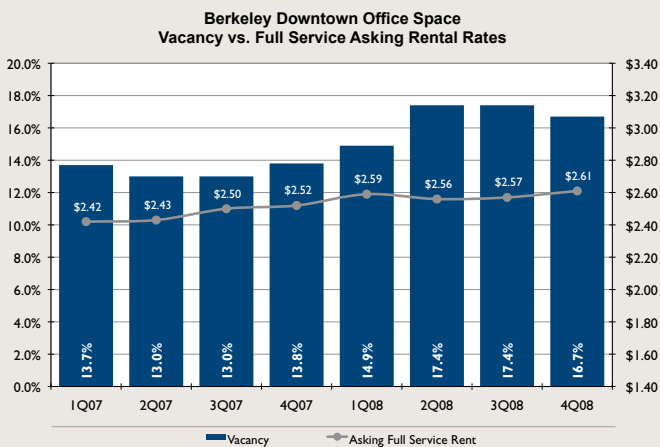
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
841 Folger Avenue	11/1/08	5,900	Berkeley Police Department Traffic Division	Office
2560 9th Street	12/10/08	3,553	Hatchuel Tabernik	Office

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
1798 University Avenue	10/1/08	9,680	Ed King & Leslie Sakai	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

DOWNTOWN BERKELEY AND WEST BERKELEY





Emeryville

The Emeryville office market saw an overall negative net absorption of 14,102 square feet in 2008. The vacancy rate in Class A office space has gone from 11.7% last year to 13.3% this year. As expected, asking rental rates saw a decline from \$3.00 to \$2.78 FS psf/mo. Adversely, vacancy in Class B/C & Flex decreased from 12.3% in the fourth quarter of 2007 to 10.7% this quarter. Rents, however, decreased from \$2.32 to \$2.00 FS psf/mo—though hopefully a sign there will be increased leasing activity in the near future. However, many landlords are not publishing asking rents. Instead, they are looking to the market to set rents. There has been little tenant activity in both new leases and expansions. Most tenants are renewing, downsizing or relocating to cheaper suburban markets.

which will total 400,000 square feet. This project is one of the first LEED certified platinum neighborhoods in the country.

On the development front, TMG Partners was successful in securing entitlements to two new office and/or residential towers in Emeryville Marketplace

MARKET ACTIVITY

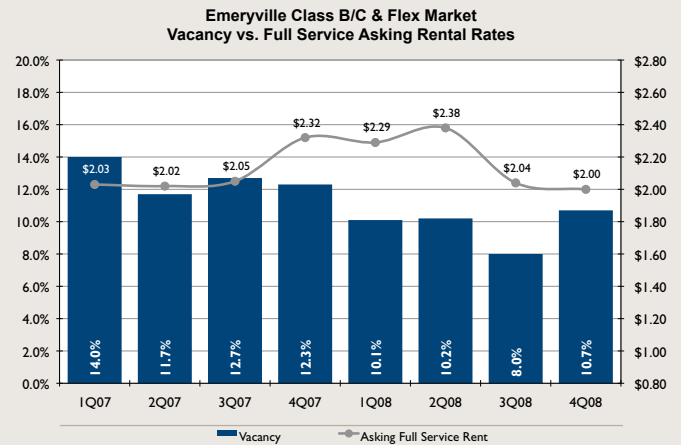
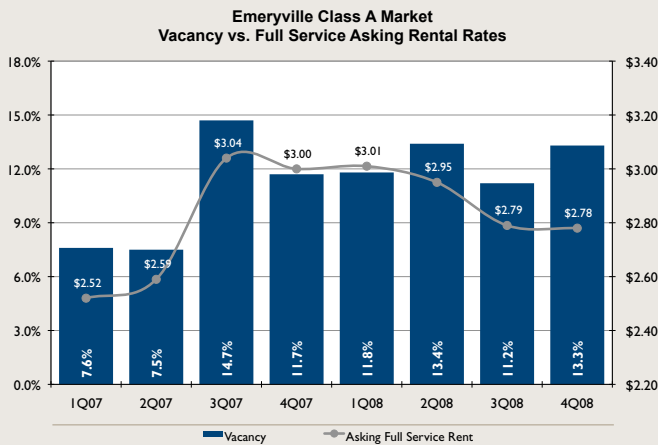
SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
2100 Powell Street	10/30/08	23,172	Onyx Pharmaceuticals, Inc.	Office
6425 Christie Avenue	10/24/08	17,392	Innovis	Office
5903 Christie Avenue	11/1/08	23,172	Wham-O	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

CLASS A, CLASS B&C/FLEX



Alameda

The Alameda Office Market will continue to provide value as the Oakland metropolitan area faces challenging times in 2009. The city has two unique business parks: Harbor Bay and Marina Village. They offer suburban style product, free parking, and water-oriented environments located very close to the island's diverse housing and retail amenities. The parks also offer laboratory space with 231,000 square feet available (29% of the vacancy inventory), as well as a diversity of spaces over 20,000 square feet. Combined vacancy was 23.8%. Asking rents increased 3.3% during the year. Two notable transactions during the fourth quarter were SEIU's 15,922 square foot lease at 1201 Harbor Bay Parkway and the sale of 1005 Atlantic Avenue.

Harbor Bay is contiguous to the Oakland Airport, one of the Bay Area's most convenient locations, while Marina Village is across the estuary from

Oakland's bustling Jack London Square and downtown business district. Harbor Bay performed better than Marina Village in 2008. Vacancy in Harbor Bay decreased to 17.9% from 18.5% a year ago, while Marina Village increased to 29.8% from 23.9%. Harbor Bay asking rents decreased from \$2.13 to \$2.07 FS psf/mo. Marina Village asking rents, on the other hand, increased in 2008, in part because of lab space coming to market at higher rates than typical office space. Leases were signed in the \$1.80 to \$2.50 FS psf/mo range. However, we expect that deteriorating economic conditions in 2009 will place a downward pressure on asking rents.



MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

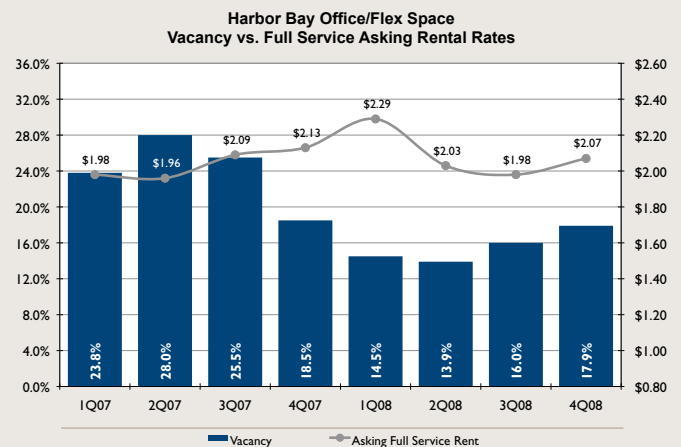
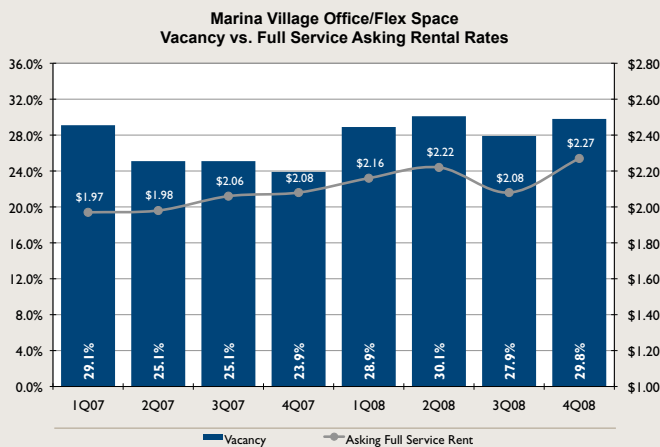
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1201 Harbor Bay Parkway	11/21/08	15,922	SEIU	Office
1141 Harbor Bay Parkway	11/15/08	6,000	Coastcom	Office

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
1005 Atlantic Avenue	11/4/08	27,975	Robert Siska / Legacy Partners I	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES

MARINA VILLAGE AND HARBOR BAY



OFFICE MARKET STATISTICS
 FOURTH QUARTER 2008

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION			CONSTRUCTION		RENT
CLASS	BLDGs	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE 4Q-2008	RATE PRIOR QUARTER	OCCUPIED SF 4Q-2008	4Q-2008	YEAR TO DATE	COMPLETED 4Q-2008	UNDER CONSTR.	AVERAGE ASKING FULL SERVICE
SUBMARKETS															
CBD SECTION															
OAKLAND DT															
A	29	9,842,645	590,048	6.0%	91,775	0.9%	681,823	6.9%	8.0%	9,160,822	108,193	92,461	-	600,000	\$2.83
B/C & Flex	114	5,407,729	838,976	15.5%	20,235	0.4%	859,211	15.9%	15.6%	4,548,518	(17,767)	18,265	-	-	\$2.00
Total	143	15,250,374	1,428,024	9.4%	112,010	0.7%	1,541,034	10.1%	10.7%	13,709,340	90,426	110,726	-	600,000	\$2.37
OAKLAND JLS															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	44	1,662,249	340,215	20.5%	-	0.0%	340,215	20.5%	19.5%	1,322,034	(15,410)	(96,926)	-	172,000	\$1.94
Total	44	1,662,249	340,215	20.5%	-	0.0%	340,215	20.5%	19.5%	1,322,034	(15,410)	(96,926)	-	172,000	\$1.94
CBD TOTAL															
A	29	9,842,645	590,048	6.0%	91,775	0.9%	681,823	6.9%	8.0%	9,160,822	63,866	92,461	-	600,000	\$2.83
B/C & Flex	158	7,069,978	1,179,191	16.7%	20,235	0.3%	1,199,426	17.0%	16.5%	5,870,552	(33,177)	(78,661)	-	172,000	\$1.98
Total	187	16,912,623	1,769,239	10.5%	112,010	0.7%	1,881,249	11.1%	12.7%	15,031,374	30,689	13,800	-	772,000	\$2.29
SUBBURBAN SECTION															
RICHMOND															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	97	3,436,753	288,028	8.4%	64,900	1.9%	352,928	10.3%	14.2%	3,083,825	136,276	204,073	-	-	\$2.10
Total	97	3,436,753	288,028	8.4%	64,900	1.9%	352,928	10.3%	14.2%	3,083,825	136,276	204,073	-	-	\$2.10
BERKELEY DT															
A	9	558,882	84,188	15.1%	9,400	1.7%	93,588	16.7%	16.3%	465,294	(2,382)	(13,944)	-	-	\$2.82
B/C & Flex	28	974,473	156,975	16.1%	6,234	0.6%	163,209	16.7%	18.0%	811,264	12,478	(26,156)	-	-	\$2.27
Total	37	1,533,355	241,163	15.7%	15,634	1.0%	256,797	16.7%	17.4%	1,276,558	10,096	(40,100)	-	-	\$2.61
BERKELEY WEST															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	40	1,454,998	179,596	12.3%	4,750	0.3%	184,346	12.7%	11.7%	1,270,652	(13,575)	(38,476)	-	-	\$2.26
Total	40	1,454,998	179,596	12.3%	4,750	0.3%	184,346	12.7%	11.7%	1,270,652	(13,575)	(38,476)	-	-	\$2.26
EMERYVILLE															
A	14	2,569,348	270,497	10.5%	71,680	2.8%	342,177	13.3%	11.2%	2,227,171	(55,558)	(40,418)	-	-	\$2.78
B/C & Flex	44	1,683,088	154,042	9.2%	26,087	1.5%	180,129	10.7%	8.0%	1,502,959	(44,886)	26,316	-	-	\$2.00
Total	58	4,252,436	424,539	10.0%	97,767	2.3%	522,306	12.3%	9.9%	3,730,130	(100,444)	(14,102)	-	-	\$2.47
ALAMEDA - MARINA VILLAGE															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	55	1,671,320	460,288	27.5%	37,250	2.2%	497,538	29.8%	27.9%	1,173,782	(31,128)	(103,901)	-	-	\$2.27
Total	55	1,671,320	460,288	27.5%	37,250	2.2%	497,538	29.8%	27.9%	1,173,782	(31,128)	(103,901)	-	-	\$2.27
ALAMEDA - HARBOR BAY															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	28	1,684,784	233,320	13.8%	68,975	4.1%	302,295	17.9%	16.0%	1,382,489	(32,502)	55,296	-	-	\$2.07
Total	28	1,684,784	233,320	13.3%	68,975	4.1%	302,295	17.9%	16.0%	1,382,489	(32,502)	55,296	-	-	\$2.07
OAKLAND AIRPORT															
A	3	453,697	110,369	24.3%	-	0.0%	110,369	24.3%	26.7%	343,328	10,804	62,278	-	-	\$1.71
B/C & Flex	32	1,389,507	369,652	26.6%	19,428	1.4%	389,080	28.0%	28.4%	1,000,427	5,050	(83,770)	-	-	\$1.55
Total	35	1,843,204	480,021	26.0%	19,428	1.1%	499,449	27.1%	28.0%	1,343,755	15,854	(21,492)	-	-	\$1.58
SUBBURBAN TOTAL															
A	26	3,581,927	465,054	13.0%	81,080	2.3%	546,134	15.2%	13.9%	3,035,793	(47,136)	7,916	-	-	\$2.44
B/C & Flex	324	12,294,923	1,841,901	15.0%	227,624	1.9%	2,069,525	16.8%	17.1%	10,225,398	31,713	33,382	-	-	\$2.07
Total	350	15,876,850	2,306,955	14.5%	308,704	1.9%	2,615,659	10.3%	16.4%	13,261,191	(15,423)	41,298	-	-	\$2.15
MARKET TOTAL															
A	55	13,424,572	1,055,102	7.9%	172,855	1.3%	1,227,957	9.1%	9.6%	12,196,615	16,730	100,377	-	600,000	\$2.66
B/C & Flex	482	19,364,901	3,021,092	15.6%	247,859	1.3%	3,268,951	16.9%	16.9%	16,095,950	(1,464)	(45,279)	-	172,000	\$2.04
Total	537	32,789,473	4,076,194	12.4%	420,714	1.3%	4,496,908	13.7%	13.9%	28,292,565	15,266	55,098	-	772,000	\$2.21
QUARTERLY COMPARISON AND TOTALS															
Q4-08	537	32,789,473	4,076,194	12.4%	420,714	1.3%	4,496,908	13.7%	13.9%	28,292,565	15,266	55,098	-	772,000	\$2.21
Q3-08	537	32,789,473	4,163,226	12.7%	393,275	1.2%	4,556,501	13.9%	14.2%	28,232,972	16,485	(75,318)	-	172,000	\$2.11
Q2-08	537	32,789,473	4,114,915	12.5%	550,078	1.7%	4,664,993	14.2%	13.3%	28,124,480	(342,738)	(183,810)	-	172,000	\$2.29
Q1-08	537	32,787,994	3,877,480	11.8%	470,132	1.4%	4,347,612	13.3%	13.7%	28,440,382	133,571	133,571	30,000	-	\$2.29
Q4-07	535	32,662,338	3,971,073	12.2%	510,110	1.6%	4,481,183	13.7%	14.5%	28,181,155	250,848	162,508	463,700	30,000	\$2.23
Q3-07	535	32,662,338	4,266,498	13.1%	465,533	1.4%	4,732,031	14.5%	12.9%	27,930,307	(176,715)	(88,340)	-	493,700	\$2.21

Industrial Overview

The Industrial Market on the I-880 corridor is holding steady despite unprecedented turmoil in the financial markets. Although the number of lease transactions is down slightly, the activity in the market has been consistent. There is a large number of firms looking for space; however, some are delaying their decision because of the market uncertainty. There should be a significant amount of leasing activity as soon as the market settles and these companies move forward with plans they have currently deferred. Most owners aren't waiting for that to happen. The average asking lease rate is down from \$0.57 Triple Net (NNN) per square foot per month (psf/mo) in the fourth quarter of 2007 to \$0.53 NNN psf/mo this quarter. On a year over year basis, the overall vacancy rate moved up from 6.7% to 8.0%, but this was not evenly distributed throughout the market. Some cities experienced no change and some had a significant change.

The credit crunch has caused a slight drop in sales as buyers are experiencing difficulty obtaining financing. There is also the looming problem of property owners' inability to refinance their existing debt as it begins to mature. It's not just property owners who face this dilemma but also business owners

who are the real drivers of real estate value. Hopefully TARP money will mitigate this issue, but no one can truly foresee its impact.

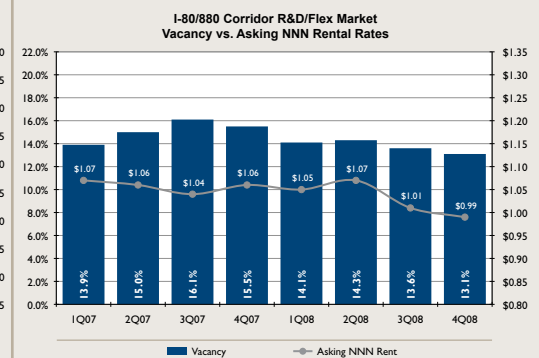
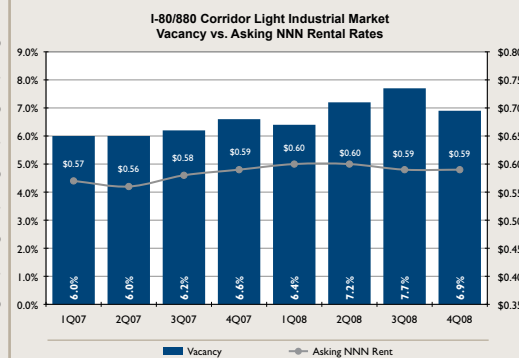
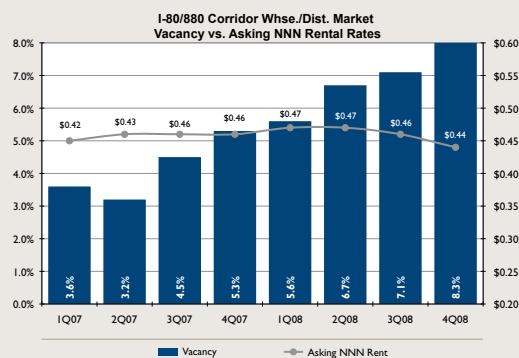
The market for converting industrial land into high-density residential is non-existent. The only development projects that show signs of life were put into the pipeline more than a year ago and many of those are in doubt. The developers, who were so aggressive just 18 months ago, have stopped acquiring property. This will come as a relief to many industrial tenants who were being pressured to leave by owners who wanted to cash in on the hot development market.

2009 will be a year in which we are constantly reassessing risk and the return we expect to receive, however, it will be a year in which market timers and value buyers will see many new opportunities.



INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

I-80/880 CORRIDOR WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX





Richmond

Richmond ended 2008 much like the rest of the East Bay submarkets with a slightly higher overall vacancy and lower rental rates. The light industrial sector's vacancy increased to 19.3%, and its asking rental rates declined from \$0.55 to \$0.52 NNN psf/mo. The R&D/flex market performed better, closing out the year with a 10.4% vacancy, 35.8% less than last year. However, signs of a weak economy are apparent in its asking rental rates, down 20.8% to \$1.03 NNN psf/mo. The warehouse sector experienced a similar trend with decreased vacancy to 2.3% and decreased rental rates from \$0.47 to \$0.35 NNN psf/mo.

Like the past two years, much of the tenant influx into the Richmond market this year was due to movement from Berkeley and Emeryville. Sunpower, who moved to Richmond in 2006, expanded its operations by 70,399 square feet this year to a total of 286,679 square feet at Ford Point.

The outlook for the first quarter of 2009 is a slow one for Richmond. However, Sares Regis Group has received entitlements to construct nearly 650,000 square feet in four new state-of-the-art warehouse/distribution and manufacturing buildings in Phase II of Pinole Point Business Park. The flexible building design and prime location will provide users the opportunity to lease or purchase very unique buildings and be part of a nearly 1.1 million square foot development. Despite an uncertain economic outlook for 2009, we believe Richmond's proximity to the Port of Oakland and its availability of developable land in a market that lacks it positions Richmond well for the future.

MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

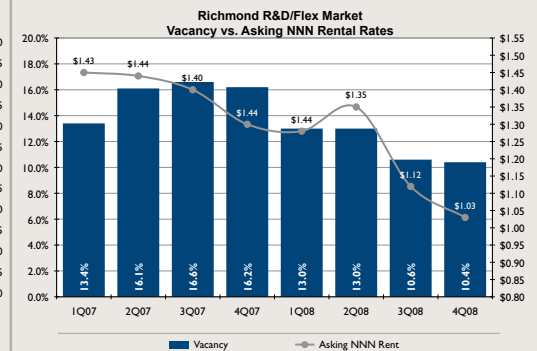
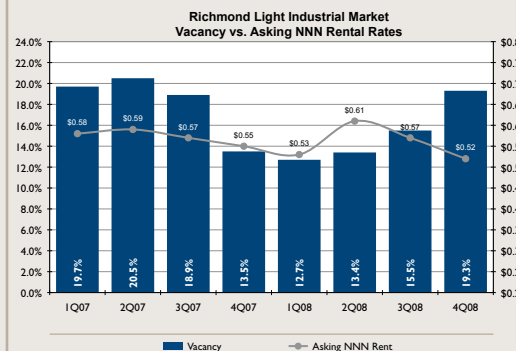
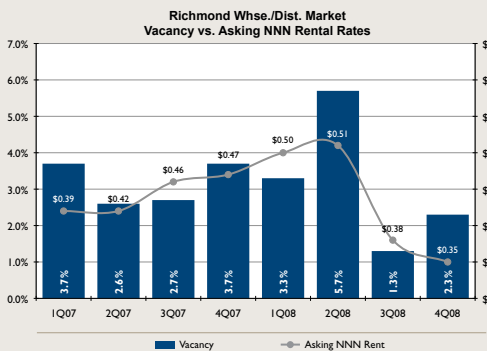
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
770 Market Street	10/15/08	81,478	Professional Finishing	Warehouse/Distribution

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
Pinole Point Business Park	5/2/08	474,754	Sares-Regis Group	Warehouse/Distribution

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX



Oakland

Holding steady: that is the state of the Oakland Industrial Market. While the housing market has been in turmoil and every stock index that exists has plummeted, the industrial market has experienced a modest correction. Sale prices dipped because of the credit crunch and lease rates are down as well, however, the changes are small in comparison with other sectors. Light Industrial vacancy remained flat in the fourth quarter of 2008, and the average asking lease rate dropped from \$0.57 to \$0.54 NNN psf/mo over the year. The warehouse market had a slight decrease in vacancy, moving from 8.5% to 7.9%, and a decrease in average asking rents from \$0.47 to \$0.45 NNN psf/mo. There is concern that the severe drop in home construction will eventually cause a decrease in demand for industrial space, but as of December that has not happened. Part of the slowdown is simply because many companies have put their moving or expansion plans on hold while they wait for the market to find equilibrium. There will be an increase in leasing activity during the first and

second quarters of 2009, as many companies finally move forward with the plans they have currently put on hold. Class A warehouse buildings in good locations will lease first but at lower rates than they did in 2008.

One of the salient points of 2008 was the small number of large transactions. The most notable are the sale of the Fruitvale Business Center to AC Transit and the sale of the former Hills Brothers Coffee building to PacAm. AC Transit will use the site to expand its bussing operations that currently take place next door. PacAm will use the Hills Brothers building for port-related third party logistics.

2009 will be a slow but steady year as the market returns to “normal” after an unprecedented housing boom that changed the complexion of many industrial areas.



MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

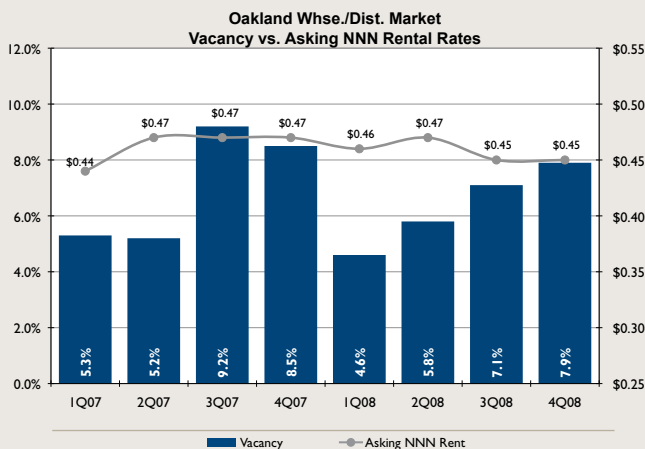
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
6315 San Leandro Street	9/30/08	36,000	St.Vincent De Paul Society	Warehouse/Distribution

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
8410 Amelia Street	12/23/08	75,000	Libitzky Properties	Light Industrial
7801 Capwell Drive	10/8/08	36,311	Webcor Builders	Light Industrial

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE AND LIGHT INDUSTRIAL





San Leandro

The San Leandro Industrial Market continues to soften. The warehouse sector was especially affected. Its vacancy rate rose from 3.5% to 8.6% over the year, resulting in 735,460 square feet of negative net absorption. Light industrial product continued to struggle as well, its vacancy rising from 7.4% to 8.9% with asking rents down 10.5% in the last year. This can be attributed to sublease spaces and other vacated spaces coming onto the market, as many companies have been affected by the economy. Vacancy for R&D/Flex space remained relatively flat, increasing only 1.1% in the course of the year. Asking rental rates have dropped from \$0.90 to \$0.87 NNN psf/mo, in an attempt by landlords to attract tenants in a down economy.

Over the course of the next six months we expect to see leasing activity continue to slow due to lack of financing for business expansion. Investors are cautious and the

state of debt markets will persist in hindering deals. However, the market is not completely stagnant. Dependable Highway Express signed a lease this quarter for 250,115 square feet at 3199 Alvarado Street and Energy Recovery Systems leased 123,500 square feet at 1717 Doolittle Drive. We expect functional buildings will continue to lease notwithstanding tenants drawn out of the market to cheaper alternatives in Hayward.

MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
3199 Alvarado Street	10/27/08	250,115	Dependable Highway Express	Warehouse/Distribution
1717 Doolittle Drive	12/13/08	123,500	Energy Recovery Systems	Warehouse/Distribution
1625 Alvarado Street	12/15/08	34,540	Aidells Sausage & Meat	Light Industrial

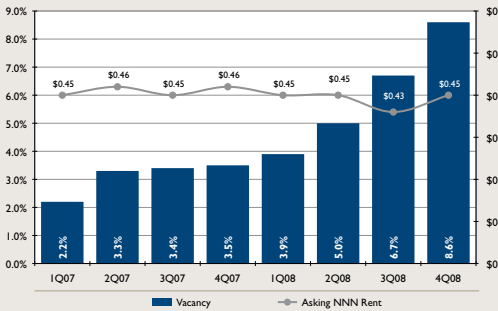
SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
2480 Grant Avenue	11/26/08	84,675	Golden West Paper Company	Warehouse/Distribution
2481 San Leandro Blvd.	11/10/08	16,513	David Lai	Light industrial

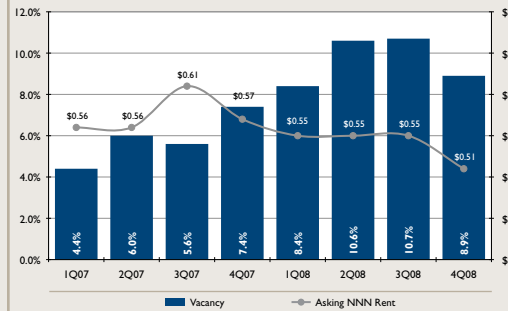
INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX

San Leandro Whse./Dist. Market
Vacancy vs. Asking NNN Rental Rates



San Leandro Light Industrial Market
Vacancy vs. Asking NNN Rental Rates



San Leandro R&D/Flex Market
Vacancy vs. Asking NNN Rental Rates



Hayward

Vacancy in the Hayward Industrial Market increased from 6.6% last year to 8.5% this year. This was due predominately to the warehouse sector whose vacancy rate for fourth quarter is 9.1%, and saw 1,269,512 square feet of negative net absorption. Rents fell accordingly to \$0.43 from \$0.46 NNN psf/mo. Some larger tenants have moved out of the area or consolidated locations. Crate & Barrel and Restoration Hardware are both vacating Hayward and establishing distribution centers in the Central Valley at cheaper lease rates. Amcor-Sunclipse vacated 80,000 square feet this quarter and consolidated into its space in Fremont. The light industrial and R&D/flex sectors fared better. Light industrial vacancy decreased from 8.0% to 5.9%, and R&D/flex 17.5% to 15.1% year-end. Asking rents decreased slightly for light industrial product since the end of 2007, dropping from \$0.62 to \$0.61 NNN psf/mo. R&D/flex asking rents

increased from \$0.92 to \$0.99 NNN psf/mo.

Fourth quarter leasing volume has been anemic due to concerns about the underlying economy. Rents will likely soften as landlords aggressively pursue new tenants in an effort to boost occupancy rates and we expect activity to increase somewhat over the next six months as tenants test the market. Ultimately, we expect many tenants to simply renew at lower rates.



MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

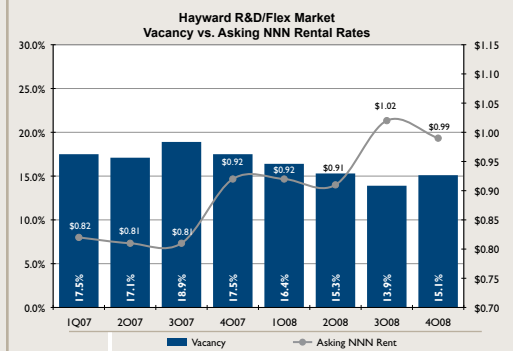
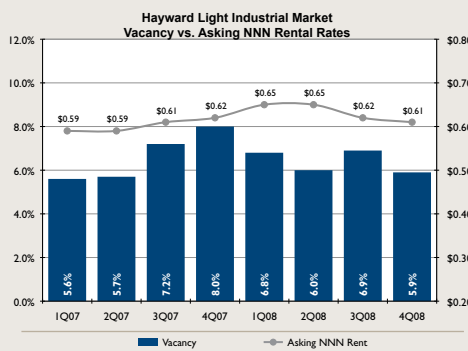
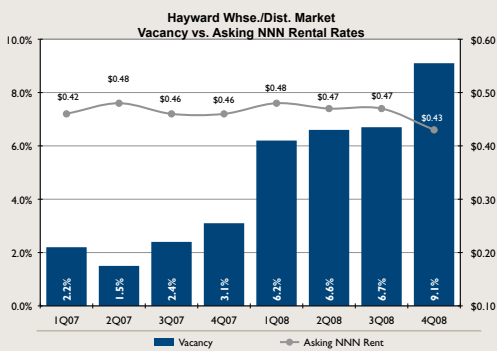
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
1961 Stearman Avenue	10/25/08	206,820	Prism Capital 5 LP	Warehouse/Distribution
22300 Hathaway Avenue	12/19/08	96,313	MS Stone	Warehouse/Distribution
3317-3319 Arden Road	10/1/08	73,620	California Newspaper Partnership	Warehouse/Distribution
30962 Santana Street	11/1/08	45,408	Kensington Laboratories, Inc.	Light Industrial
23271-23285 Eichler Street	11/1/08	31,104	Paramount Building Services	Warehouse/Distribution

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
1761 National Avenue	10/31/08	23,750	Steven Wechsler	Light Industrial
3305 Depot Road	12/19/08	13,287	Ohmiya Corporation	Light Industrial

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX





Union City

This past year, the Union City Industrial Market has experienced an overall flat vacancy rate, remaining at 7.7%. However, the R&D/Flex market's vacancy has risen from 8.6% to 17.7%. This can be accounted for solely by 76,214 square feet at 3280 Whipple Road coming back on the market for sublease during the fourth quarter. Light Industrial product saw a rise in vacancy from 4.0% last year to 4.9% this year. The warehouse sector fared better. Its net absorption was 153,566 square feet, and rents remained flat. Notably, 33300 Dowe Avenue was bought by Trident Partners. The 191,868 square foot building will soon be back on the market for lease or sale.

This year has seen a moderate decrease in rental rates, a 6.9% drop from \$0.58 to \$0.54 NNN; though the trend has recently flattened somewhat. We expect to see asking rents continue to decrease as landlords begin making concessions to

tenants in order to sign deals. Undoubtedly we are going to see vacancy rates increase in the next six months as tenants downsize or close operations because of the economy. Few industries are looking to lease additional space and expand operations, and more large spaces have come and stayed on the market.

MARKET ACTIVITY

SIGNIFICANT FOURTH QUARTER TRANSACTIONS

SIGNIFICANT LEASES

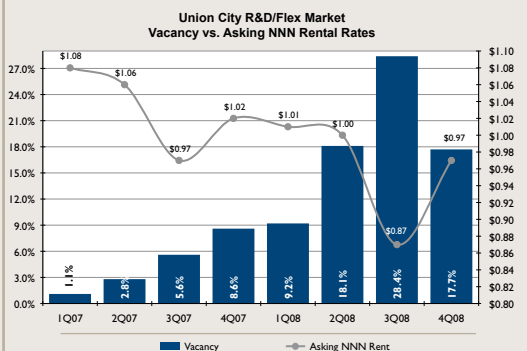
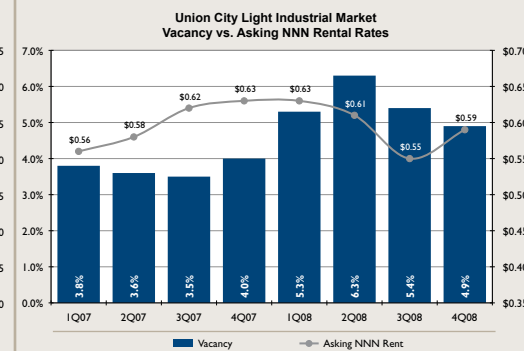
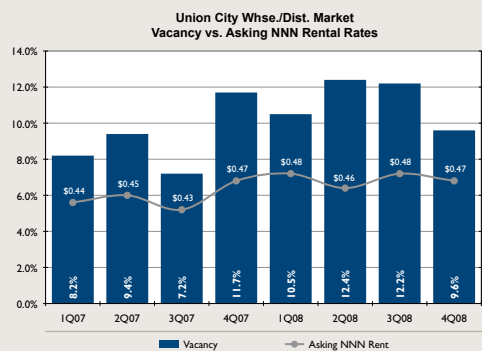
PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
33001 Dowe Avenue	12/16/08	89,000	Crown Moving	Warehouse/Distribution
3200 Whipple Road	12/1/08	53,781	Bank of America	Warehouse/Distribution

SIGNIFICANT SALES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	BUYER / SELLER	TYPE
33300 Dowe Avenue	9/17/08	191,868	Trident Partners	Warehouse/Distribution
33233 Central Avenue	8/19/08	54,176	Northwood Industries	Warehouse/Distribution
2930 Faber Street	9/18/08	40,760	Rick Mariano	Light Industrial

INDUSTRIAL MARKET VACANCY VS. ASKING NNN RENTAL RATES

WAREHOUSE, LIGHT INDUSTRIAL AND R&D/FLEX



INDUSTRIAL MARKET STATISTICS

FOURTH QUARTER 2008

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION			CONSTRUCTION		RENT
SUB-TYPE	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE 4Q-2008	RATE PRIOR QUARTER	OCCUPIED SF 4Q-2008	4Q-2008	YEAR TO DATE	COMPLETED 4Q-2008	UNDER CONSTR.	NNN WTD.AVG. ASKING
SUBMARKETS															
RICHMOND															
Industrial	226	5,094,106	983,313	19.3%	-	0.0%	983,313	19.3%	15.5%	4,110,793	(191,887)	(296,892)	-	144,386	\$0.52
Warehouse	41	4,263,981	99,123	2.3%	-	0.0%	99,123	2.3%	1.3%	4,164,858	(43,283)	59,919	-	-	\$0.35
R&D/Flex	101	3,436,753	291,026	8.5%	64,900	1.9%	355,926	10.4%	10.6%	3,080,827	9,044	201,075	-	-	\$1.03
Total	368	12,794,840	1,373,462	10.7%	64,900	0.5%	1,438,362	11.2%	9.5%	11,356,478	(226,126)	(35,898)	-	144,386	\$0.52
OAKLAND															
Industrial	834	22,664,359	931,965	4.1%	56,910	0.3%	988,875	4.4%	5.7%	21,675,484	306,878	25,221	-	-	\$0.54
Warehouse	156	10,616,104	759,791	7.2%	78,535	0.7%	838,326	7.9%	7.1%	9,777,778	(87,175)	69,055	-	-	\$0.45
R&D/Flex	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
Total	990	33,280,463	1,691,756	5.1%	135,445	0.4%	1,827,201	5.5%	6.2%	31,453,262	219,703	94,276	-	-	\$0.51
SAN LEANDRO															
Industrial	460	11,661,810	1,012,778	8.7%	21,422	0.2%	1,034,200	8.9%	10.7%	10,627,610	218,547	(167,528)	-	-	\$0.51
Warehouse	127	14,543,408	1,118,083	7.7%	128,986	0.9%	1,247,069	8.6%	6.7%	13,296,339	(272,361)	(735,460)	-	25,650	\$0.45
R&D/Flex	52	847,380	51,706	6.1%	25,118	3.0%	76,824	9.1%	9.2%	770,556	1,415	(748)	-	-	\$0.87
Total	639	27,052,598	2,182,567	8.1%	175,526	0.6%	2,358,093	8.7%	8.5%	24,694,505	(52,399)	(903,736)	-	25,650	\$0.49
HAYWARD															
Industrial	784	16,504,507	878,665	5.3%	98,886	0.6%	977,551	5.9%	6.9%	15,526,956	167,113	336,660	-	-	\$0.61
Warehouse	214	21,078,545	1,220,831	5.8%	697,588	3.3%	1,918,419	9.1%	6.7%	19,160,126	(496,217)	(1,269,512)	-	-	\$0.43
R&D/Flex	107	4,579,872	622,942	13.6%	68,628	1.5%	691,570	15.1%	13.9%	3,888,302	(57,091)	110,690	-	-	\$0.99
Total	1,105	42,162,924	2,722,438	6.5%	865,102	2.1%	3,587,540	8.5%	7.6%	38,575,384	(386,195)	(822,162)	-	-	\$0.56
UNION CITY															
Industrial	162	7,883,678	389,161	4.9%	-	0.0%	389,161	4.9%	5.4%	7,494,517	32,668	(75,100)	-	-	\$0.55
Warehouse	80	7,187,526	534,569	7.4%	151,980	2.1%	686,549	9.6%	12.2%	6,500,977	191,780	153,566	-	-	\$0.47
R&D/Flex	14	870,672	58,110	6.7%	96,214	11.1%	154,324	17.7%	28.4%	716,348	92,696	(79,119)	-	-	\$0.97
Total	256	15,941,876	981,840	6.2%	248,194	1.6%	1,230,034	7.7%	9.7%	14,711,842	317,144	(653)	-	-	\$0.54
MARKET TOTAL															
Industrial	2,466	63,808,460	4,195,882	6.6%	177,218	0.3%	4,373,100	6.9%	7.7%	59,435,360	533,319	(177,639)	-	144,386	\$0.59
Warehouse	618	57,689,564	3,732,397	6.5%	1,057,089	1.8%	4,789,486	8.3%	7.1%	52,900,078	(707,256)	(1,722,432)	-	25,650	\$0.44
R&D/Flex	274	9,734,677	1,023,784	10.5%	254,860	2.6%	1,278,644	13.1%	13.6%	8,456,033	46,064	231,898	-	-	\$0.99
Total	3,358	131,232,701	8,952,063	6.8%	1,489,167	1.1%	10,441,230	8.0%	7.9%	120,791,471	(127,873)	(1,668,173)	-	170,036	\$0.53
QUARTERLY COMPARISON AND TOTALS															
Q4-08	3,358	131,232,701	8,952,063	6.8%	1,489,167	1.1%	10,441,230	8.0%	7.9%	120,791,471	(127,873)	(1,668,173)	-	170,036	\$0.53
Q3-08	3,358	131,232,701	8,748,794	6.7%	1,564,563	1.2%	10,313,357	7.9%	7.5%	120,919,344	(376,746)	(2,309,380)	-	170,036	\$0.59
Q2-08	3,358	131,232,701	8,842,617	6.7%	1,093,994	0.8%	9,936,611	7.5%	6.7%	121,296,090	(1,194,510)	(1,163,554)	-	144,386	\$0.57
Q1-08	3,358	131,232,701	7,637,508	5.8%	1,104,593	0.8%	8,742,101	6.7%	6.7%	122,490,600	30,956	30,956	-	144,386	\$0.58
Q4-07	3,358	131,232,701	7,947,671	6.1%	825,386	0.6%	8,773,057	6.7%	6.2%	122,459,644	(555,727)	(1,607,402)	-	144,386	\$0.57
Q3-07	3,358	131,232,701	7,440,453	5.7%	713,724	0.5%	8,154,177	6.2%	5.6%	123,078,524	(736,086)	(988,522)	-	-	\$0.56
Q2-07	3,349	131,169,548	6,901,855	5.3%	453,083	0.3%	7,354,938	5.6%	5.6%	123,814,610	(70,254)	(252,436)	113,674	-	\$0.56
Q1-07	3,349	131,169,548	6,652,764	5.1%	631,920	0.5%	7,284,684	5.6%	5.4%	123,884,864	(182,182)	(182,182)	-	113,674	\$0.55
Q4-06	3,349	131,169,548	6,544,124	5.0%	558,678	0.4%	7,102,802	5.4%	5.5%	-	211,051	1,900,988	-	-	\$0.54

MANAGING PARTNER

Kenneth W. Meyersieck
Managing Partner/SVP
(510) 433-5802
kmeyersieck@colliersparrish.com

OFFICE

Elena Cohen
Associate
(510) 433-5816
ecohen@colliersparrish.com

Mike Corbett
Associate
(510) 433-5819
mcorbett@colliersparrish.com

Aileen Dolby
Senior Vice President
(510) 433-5815
adolby@colliersparrish.com

Benjamin F. Harrison
Vice President
(510) 433-5852
bharrison@colliersparrish.com

Trent Holsman
Vice President
(510) 433-5859
tholsman@colliersparrish.com

Ann Lovi
Associate
(510) 433-5837
alovi@colliersparrish.com

Kenneth W. Meyersieck
Senior Vice President
(510) 433-5802
kmeyersieck@colliersparrish.com

Al Musante
Vice President
(510) 433-5817
amusante@colliersparrish.com

INDUSTRIAL

Chet Barney
Vice President
(510) 433-5826
cbarney@colliersparrish.com

Gabe I. Burke, SIOR
Vice President
(510) 433-5834
gburke@colliersparrish.com

Brennan Carpenter
Associate
(510) 433-5813
bcarpenter@colliersparrish.com

Sam De Sa
Associate
(510) 433-5814
sdesa@colliersparrish.com

David Henderson
Vice President
(510) 433-5823
dhenderson@colliersparrish.com

Richard P. Keely
Vice President
(510) 433-5806
rkeely@colliersparrish.com

Greig F. Lagomarsino, SIOR
Senior Vice President
(510) 433-5809
glago@colliersparrish.com

Catherine Wong
Assistant to Greig Lagomarsino
(510) 433-5843
cwong@colliersparrish.com

Casey Rickson
Senior Vice President
(510) 433-5805
cricksen@colliersparrish.com

Sean Sabarese
Associate
(510) 433-5803
ssabarese@colliersparrish.com

Todd O. Severson, SIOR
Senior Vice President
(510) 433-5810
tseverson@colliersparrish.com

Joe Yamin
Senior Associate
(510) 433-5812
jyamin@colliersparrish.com

**INVESTMENT/
PRIVATE CAPITAL GROUP**

Kenneth W. Meyersieck
Managing Partner/SVP
(510) 433-5802
kmeyersieck@colliersparrish.com

Kevin Ebrahimi, CCIM
Senior Associate
(510) 433-5820
kebrahimi@colliersparrish.com

Joe Bruzzone
Associate
(510) 433-5807
jbruzzone@colliersparrish.com

RETAIL

Reesa Tansey
Associate
(510) 433-5808
rtansey@colliersparrish.com

Sandra Weck
Senior Vice President
(925) 227-6230
sweck@colliersparrish.com

ADMINISTRATIVE

Catherine Arlin
Operations Manager
(510) 433-5829
carlin@colliersparrish.com

Donna Thibeaux
Administrative Assistant
(510) 433-5825
dthibeaux@colliersparrish.com

Danielle Chappelle
Receptionist
(510) 433-5801
dchappelle@colliersparrish.com

RESEARCH

Molly Herrick
Research Assistant
(510) 433-5836
mherrick@colliersparrish.com

MARKETING

Jason Radburn
Graphic Designer I
(510) 433-5845
jradburn@colliersparrish.com

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18
Asia Pacific 62
EMEA 95

\$63.5 billion in annual transaction
volume
868 million square feet under
management
11,000 Professionals

CONTACT INFORMATION**UNITED STATES**

Colliers International
1999 Harrison Street,
Suite 1750
Oakland, CA 94612
Tel: 510-986-6770
Fax: 510-986-6775

Ken Meyersieck
Managing Partner/SVP
Tel: 510-433-5802

Molly Herrick
Research Assistant
Tel: 510-433-5836

This report and other research materials may be found on our website at www.colliersparrish.com. This report is a research document of Colliers International – Oakland, California. Questions related to information herein should be directed to the Research Department at 510-433-5835. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers Parrish International is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 293 offices throughout more than 61 countries worldwide.



www.colliersparrish.com