

# PLEASANTON | TRI-VALLEY | INDUSTRIAL

## Q1 2018

Accelerating success.

## Opportunities Continue to Elude Users

- > Tri-Valley industrial market vacancy inched upward to 1.5 percent
- > The weighted average asking rental rate continues to push upward hitting \$1.08 per square foot NNN
- > Overall net absorption started the year at negative 109,124 square feet

**While the fourth quarter 2017 theme was “Trading Spaces” due to record low vacancies and properties being leased or sold in hopes similar properties would emerge, the first quarter 2018 carries the same message.** The overall vacancy rate for the industrial market increased from 0.9 percent to 1.5 percent by the end of the quarter, primarily due to Westcore Properties marketing 5675 Sunol Boulevard in Pleasanton. Including this new property, there were only 287,811 square feet available for lease or sale on a base of 19,637,124 square feet in the industrial market. Upward pricing pressure will continue for light industrial and warehouse product less than 100,000 square feet, because all new construction expected to commence during the second quarter is for big-box users.

### Market Indicators

Unemployment Rate  
Tri-Valley

10-Year Nominal  
Interest Rate

Consumer  
Confidence



### Market Trends

Relative to prior period

Q1 2018

Q2 2018\*

Vacancy



Net Absorption



Construction



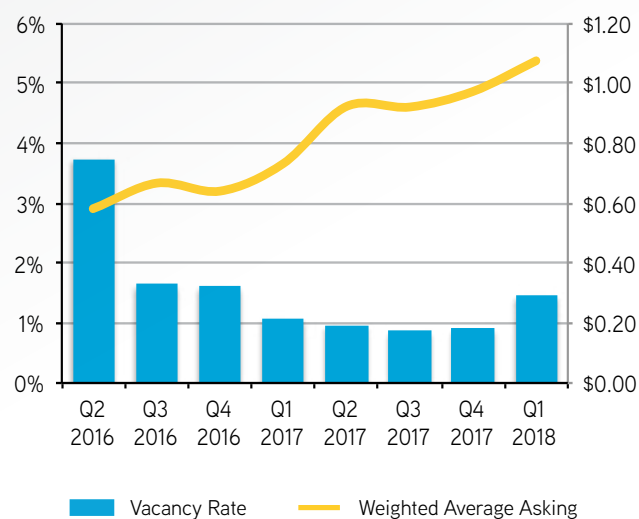
Rental Rate



\*Projected

### Historical Vacancy and Average Asking Rates

Tri-Valley | Overall



Though overall vacancy increased slightly to 1.5 percent, weighted average asking rates continued their upward push, peaking at \$1.08 per square foot, an \$0.11 jump from the previous quarter.

### Summary Statistics

Q1 2018 Tri-Valley Industrial Market

Previous  
Quarter

Current  
Quarter

Vacancy Rate	1.0%	1.5%
Overall Asking Rate*	\$0.97	\$1.08
Light Industrial Asking Rate*	\$1.06	\$1.13
Whse/Dist Asking Rate*	\$0.72	\$0.69
Net Absorption	(30,991)	(109,124)
Gross Absorption	231,026	164,684

\*Asking rates are reported on a triple net monthly basis

### U.S. Economic Indicators

Unemployment Rate	4.1%	4.1%
Labor Force Participation Rate	62.7%	63.0%
Consumer Price Index	2.47%	2.48%
Interest Rate - 10 Yr Treasury	2.40%	2.74%
Business Confidence	101.1	101.5
Consumer Confidence	122.1	127.7

During this time last year, the Tri-Valley overall weighted average asking rental rate was \$0.73 per square foot, triple net (NNN); by the end of the first quarter 2018, that number increased to \$1.08 per square foot, NNN, which is a 48 percent increase over last year. Even in Livermore, where the lion's share of opportunities exist, the weighted average asking NNN rental rate increased from \$0.84 per square foot, per month, NNN, to \$0.90 per square foot, per month, NNN. In the overall market, the average weighted asking rental rate for warehouse property remained flat, at \$0.69 per square foot, NNN, while light industrial increased from \$1.06 per square foot to \$1.13 per square foot, NNN. While the entire market showed a negative net absorption of 139,124 square feet, the new listing in Pleasanton (aforementioned) contributed significantly to this number. A total of 164,684 square feet was absorbed on a gross basis year-to-date.

## Dublin/Pleasanton Light Industrial

If one were to eliminate the Westcore property at 5675 Sunol Boulevard in Pleasanton from the overall numbers for Dublin and Pleasanton industrial, there would only be 45,314 square feet available for lease or sale in both markets. Significant transactions in Dublin include ALCAL Specialty Contracting Inc.'s lease of 26,029 square feet at 6500 Sierra Court; Bintang Badminton, Inc.'s renewal of 23,112 square feet at 6780 Sierra Court; and Tile Setters Toy Store's renewal of 11,520 square feet at 6800 Sierra Court.

Currently marketed as available, the Veritiv building (4225 Hacienda Drive) in Pleasanton, will be vacated in the third quarter of this year. This property consists of approximately 394,000 square feet of office/warehouse on 22.38 acres. This vacation will be a significant impact on the market until a new tenant reoccupies the space.

The Westcore property, at 5675 Sunol Boulevard, is a 90,629 square foot cooler/freezer facility with an adjacent 3.0 acres of secured paved yard. Previously occupied by MBM Industries, Westcore is looking to lease it as-is to another freezer/cooler industry user or looking at wider, more creative industrial or institutional uses. The City appears flexible in entertaining non-industrial uses here; however, their preference is to retain their industrial base unless there is a community use that would drive a Conditional Use Permit (CUP). The entire property occupies 11.34 acres.

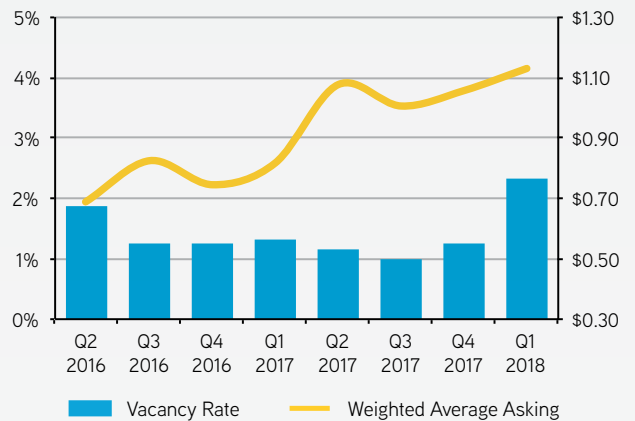
Finally, Blocka Construction is building a 20,000 square foot light industrial building with yard at 445 Boulder Court. They expect completion by the end of the year.

## Livermore Industrial/Warehouse

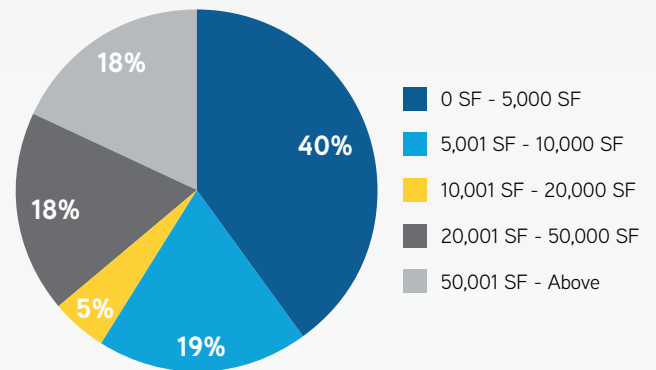
Livermore's total vacancy rate for light industrial and warehouse space closed the quarter at 1.0 percent. In the Oaks Business Park, Walmart sold their corner, 25-acre parcel, with previous plans to develop a Sam's Club warehouse, to Prologis who has a build-to-suit user in tow. Another commercial land purchase occurred at 4236 Las Positas Road, where the Livermore Auto Mall acquired 3.79 acres for future dealership development. In addition, near the airport, Scannell Properties continues to move forward with their current build-to-suit project for a South Bay/Livermore manufacturer who is expanding in the area.

## Historical Vacancy and Average Asking Rates

Tri-Valley | Light Industrial

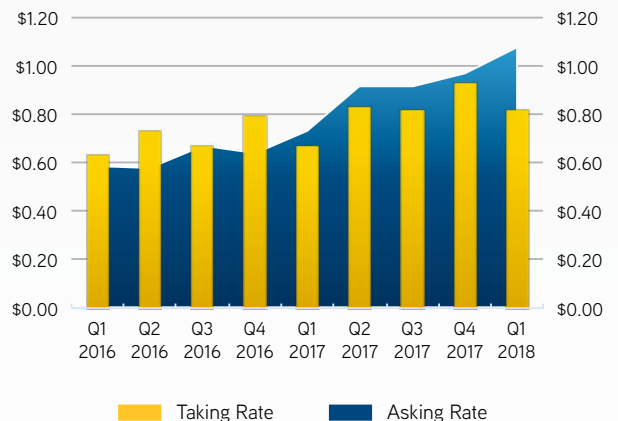


## Available Space by Square Foot Range



## Asking Rates and Taking Rates (NNN)

Tri-Valley | Overall



The proposed BART extension to Isabel Avenue is affecting land use decisions near the planned station, turning many light industrial and R&D-zoned land parcels into potential high-density office or residential type uses. By spring 2018, the BART Board of Directors will decide to move forward with the proposed Isabel Station or seek an alternative transit plan for the West Livermore area.

Form Factor, in East Livermore, has their 168,636 square foot campus on the market for sale with an asking price estimated to be in the \$36 million dollar range. Form Factor’s headquarters for R&D, warehouse/distribution and manufacturing have been located in Livermore for approximately 20 years, and the property has traded hands several times before. The total site area is 11.29 acres, with the properties built in the early 2000’s. Form Factor has a long lease term still left on these buildings.

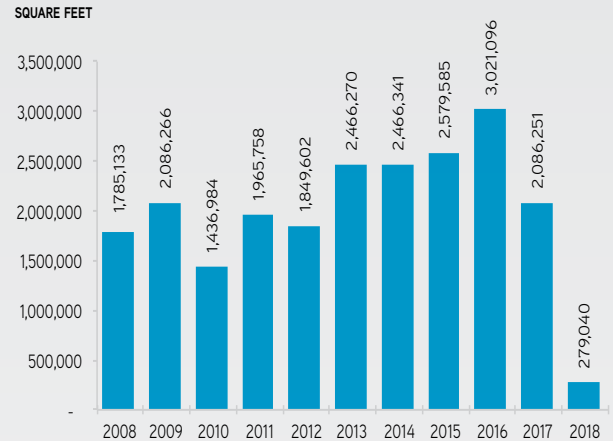
In East Livermore, Exeter Property Group has obtained most of the entitlements on their 13.5-acre parcel along Greenville Road for a major build-to-suit logistics distribution facility. Crow Holdings Industrial (CHI) will be shell complete next quarter at Bay Area Commerce Center – Brisa, a 128,622 square foot, Class A warehouse located at 6755 Brisa Street. They are entertaining a short-term requirement to occupy the entire property upon completion. CHI continues development on Bay Area Commerce Center – Hawthorne, a 241,591 square foot high-cube warehouse located at 7600 Hawthorne Avenue (due in the third quarter of this year) and Bay Area Commerce Center – Longard, a 90,000 square foot planned building located on Longard Road, which will be deliverable toward the end of this year. CHI’s preference is to land single users for all of their properties. Industrial land values in Livermore are significantly skyrocketing, with recent land sales mostly in the high-teens/low \$20’s per square foot.

Significant lease transactions during the first quarter include: Pleasanton Rentals’ expansion from 5,000 square feet in Pleasanton to 27,153 square feet at 4577 Las Positas Road; LACO, Inc.’s 20,580 square feet at 6767 Preston Avenue; PetersenDean Roofing’s 18,324 square feet at 4555 Las Positas Road; Ebbert Pacific Company’s 13,200 square feet at 208-274 Lindbergh Avenue; Baker Distributing Company’s 12,672 square feet at 6727 Preston Avenue; and Laze Star, Inc.’s 11,687 square feet at 6956 Preston Avenue.

## Looking Ahead

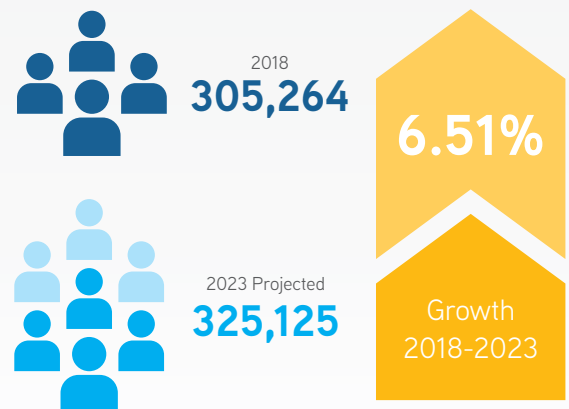
Tenants must plan their renewals or expansions a minimum of twelve months ahead, given the lack of inventory and the difficulty of finding any place to lease or purchase, with the Tri-Valley often as a first choice and then looking over to the Central Valley. While rental rates in the Central Valley have traditionally been significantly lower, the lack of availability is driving rents closer to the rates in the Tri-Valley, especially for light industrial spaces. Even with the new construction of large-box distribution buildings in Livermore, new market supply expects to be absorbed quickly by out-of-the-area users looking for options closer to the South Bay and the I-880 Corridor. The trends in retail, construction and the general Bay Area economy are driving our industrial market, and we do not expect it to change, unless there are upcoming significant negative events in the economy. We expect market conditions to change very little in the remainder of the year.

## Transaction Volume



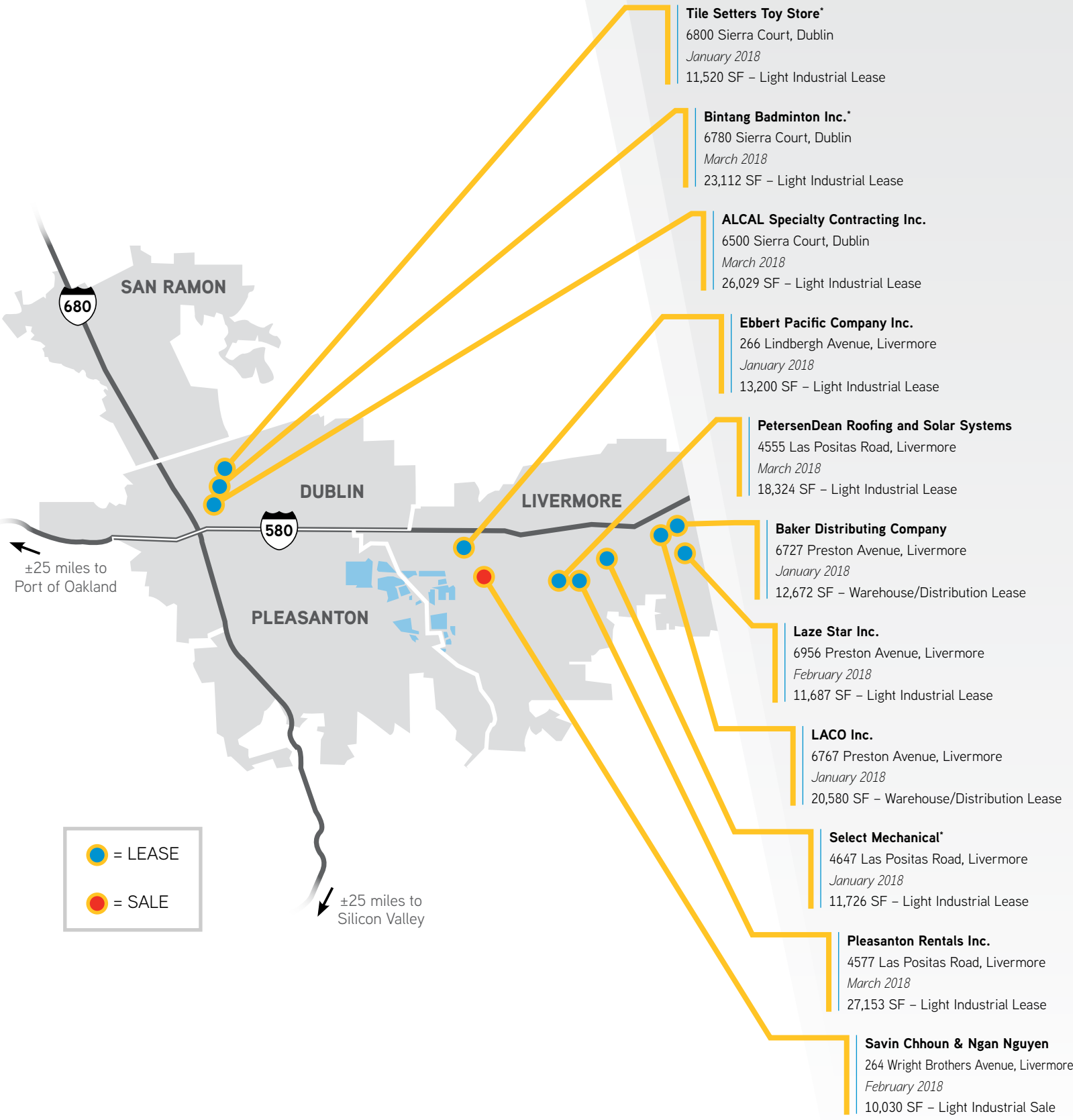
4577 Las Positas Road – Livermore

## Population



Data Source: © 2018 Environics Analytics

# Significant Lease & Sale Activity



\* Renewal



## Market Comparisons – Tri-Valley

### INDUSTRIAL MARKET

CLASS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	GROSS ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	WEIGHTED AVG ASKING RATE NNN
<b>DUBLIN</b>														
Lt Ind	1,321,025	15,772	1.2%	1,400	0.1%	17,172	1.3%	2.5%	15,757	15,757	26,029	-	-	\$0.86
Whse	259,917	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
<b>Total</b>	<b>1,580,942</b>	<b>15,772</b>	<b>1.0%</b>	<b>1,400</b>	<b>0.1%</b>	<b>17,172</b>	<b>1.1%</b>	<b>2.1%</b>	<b>15,757</b>	<b>15,757</b>	<b>26,029</b>	<b>-</b>	<b>-</b>	<b>\$0.86</b>

<b>LIVERMORE</b>														
Lt Ind	7,280,999	108,389	1.5%	8,104	0.1%	116,493	1.6%	0.8%	(55,657)	(55,657)	102,362	-	-	\$0.97
Whse	8,039,860	34,375	0.4%	-	0.0%	34,375	0.4%	0.5%	9,621	9,621	30,201	-	370,213	\$0.69
<b>Total</b>	<b>15,320,859</b>	<b>142,764</b>	<b>0.9%</b>	<b>8,104</b>	<b>0.1%</b>	<b>150,868</b>	<b>1.0%</b>	<b>0.7%</b>	<b>(46,036)</b>	<b>(46,036)</b>	<b>132,563</b>	<b>-</b>	<b>370,213</b>	<b>\$0.90</b>

<b>PLEASANTON</b>														
Lt Ind	2,247,918	119,771	5.3%	-	0.0%	119,771	5.3%	1.8%	(78,845)	(78,845)	6,092	-	-	\$1.31
Whse	487,405	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
<b>Total</b>	<b>2,735,323</b>	<b>119,771</b>	<b>4.4%</b>	<b>-</b>	<b>0.0%</b>	<b>119,771</b>	<b>4.4%</b>	<b>1.5%</b>	<b>(78,845)</b>	<b>(78,845)</b>	<b>6,092</b>	<b>-</b>	<b>-</b>	<b>\$1.31</b>

### MARKET TOTAL

Lt Ind	10,849,942	243,932	2.2%	9,504	0.1%	253,436	2.3%	1.2%	(118,745)	(118,745)	134,483	-	-	\$1.13
Whse	8,787,182	34,375	0.4%	-	0.0%	34,375	0.4%	0.5%	9,621	9,621	30,201	-	370,213	\$0.69
<b>Total</b>	<b>19,637,124</b>	<b>278,307</b>	<b>1.4%</b>	<b>9,504</b>	<b>0.0%</b>	<b>287,811</b>	<b>1.5%</b>	<b>0.9%</b>	<b>(109,124)</b>	<b>(109,124)</b>	<b>164,684</b>	<b>-</b>	<b>370,213</b>	<b>\$1.08</b>

### QUARTERLY COMPARISON AND TOTALS

Q1-18	19,637,124	278,307	1.4%	9,504	0.0%	287,811	1.5%	0.9%	(109,124)	(109,124)	164,684	-	370,213	\$1.08
Q4-17	19,621,047	177,287	0.9%	1,400	0.0%	178,687	0.9%	0.9%	(9,391)	123,874	776,853	-	128,622	\$0.97
Q3-17	19,621,047	148,696	0.8%	20,600	0.1%	169,296	0.9%	1.0%	21,017	133,265	545,827	-	128,622	\$0.92
Q2-17	19,621,047	163,493	0.8%	26,820	0.1%	190,313	1.0%	1.1%	15,793	112,248	384,526	633,566	128,622	\$0.92
Q1-17	18,987,481	186,106	1.0%	20,000	0.1%	206,106	1.1%	1.6%	96,455	96,455	224,140	-	633,566	\$0.73



#### 6767 PRESTON AVENUE – LIVERMORE

LACO Inc. inked a 20,580 square foot deal, making it one of two deals for this building in the first quarter.

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# 69 countries

## \$2.7

billion in  
annual revenue\*

## 2.0

billion square feet  
under management

## 15,400

professionals  
and staff

## \$116

billion in  
total transaction volume

\*All statistics are for 2017, are in U.S. dollars and include affiliates.

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