

# PLEASANTON | ALAMEDA COUNTY, CALIFORNIA RESEARCH & FORECAST REPORT



## Industrial Market Review

### PRESSING FORWARD

During the first half of 2013, in the Tri-Valley industrial market made significant improvement over the past year. The overall vacancy rate dropped into single digit territory, posting 9.1 percent in the second quarter from 11.1 percent three months ago, and 14.2 percent twelve months ago. This is the lowest the Tri-Valley industrial market has seen in five years. The weighted average asking rents held steady at \$0.52 per square foot triple net for the first part of 2013; dipping slightly from the end of 2012 where the weighted average asking was quoted at \$0.54 per square foot triple net. This time last year, the weighted average asking was \$0.48 per square foot triple net, which was truly indicative of the market due to a lack of demand contrasted with the surplus of available product. Today, the Tri-Valley has sustained the contractions and vacations of tenants over the past few years. The quarterly net absorption reported positive 343,453 square feet with the year-to-date coming in at 475,158 square feet, a 64 percent increase from the year-to-date net absorption by the end of 2012. While the overall health of the market is on an upswing, much of the improvement is attributed to the warehouse sector. The overall warehouse market dropped just over four bases points to 9.0 percent from last quarter and eleven bases points from the year prior.

Although the industrial market is recovering, the Tri-Valley has not fully bounced back. Touring activity is expected to pick up momentum as summer vacationers return home and the school's fall season resumes. Landlords and tenants continue to remain guarded before signing deals until the market has held steady for consecutive quarters.

### MARKET INDICATORS

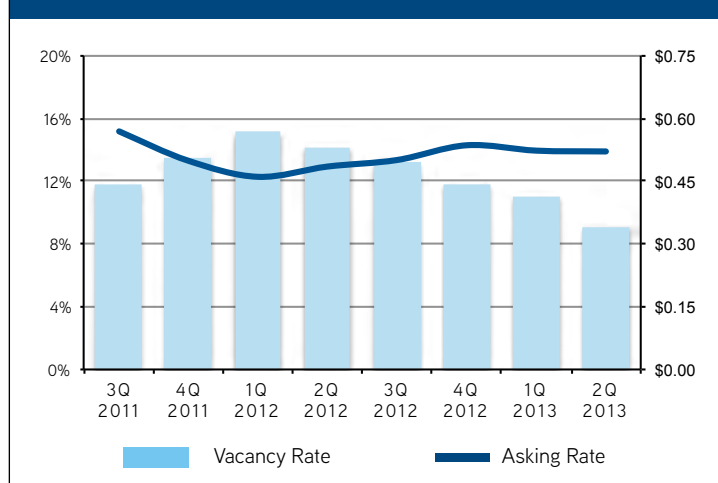
	Q2-13	Projected Q3-13
VACANCY	↓	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↓	↑

### SELECTED MARKET STATS

- > Overall vacancy dropped from 11.1 percent three months ago to 9.1 currently
- > Net absorption more than doubled from last quarter reporting a total of 343,453 square feet
- > The average weighted asking rate remained flat at \$0.52 per square foot triple net
- > Alameda County's unemployment rate is 7.4 percent as of June 2013\*

\*SOURCE: CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT

TRI-VALLEY OVERALL VACANCY VS. AVERAGE ASKING RATES



The weighted average asking rents held steady at \$0.52 per square foot triple net the first part of 2013; dipping slightly from the end of 2012 where the weighted average asking was quoted at \$0.54 per square foot triple net.



*“There is tremendous activity and traffic in both the light industrial and warehouse markets. Rent growth and net absorption is expected to continue into the next quarter.”*

As the Silicon Valley, Peninsula, and San Francisco markets continue to lead the Bay Area in activity, the rise in asking rents in those markets is likely to drive some tenants, who do not need to be in a high-tech market, yet desire a location where affordable housing, public transportation and lower rents meet their needs, toward the Tri-Valley.

### DUBLIN/PLEASANTON LIGHT INDUSTRIAL

The overall sales and leasing activity in the Dublin/Pleasanton light industrial market continued to pick up significant momentum in the second quarter of 2013. Both Dublin and Pleasanton showed overall positive net absorption. Industrial leasing activity is continuing to pick up steam in the greater Bay Area, and the Tri-Valley is benefiting. Quality space is continuing to lease at a faster pace with fewer concessions to tenants. While the overall activity is good, the recovery is uneven, with spurts of activity followed by lulls. It is a mixed bag as some sizes and types of spaces are hard to find, while others are plentiful. Most landlords are looking to push rents, although some are still aggressively pursuing tenants to fill spaces that have been vacant for months, if not years.

On the sale side, activity in Dublin/Pleasanton remains extremely active. Inventory is low and demand is getting stronger. Prices are continuing to stabilize and head north. For the first time in several years, buyers are entering bidding wars for quality real estate.

Expectations for the second half of 2013 are for lease and sale activity to continue increasing as the economy improves. Rental rates are likely to continue to rise as inventory thins. The rebound of the housing market has significantly helped the recovery of the Tri-Valley commercial market. The recovery of small businesses that benefit from a robust housing market is crucial to the continuing recovery of the commercial real estate market. Expectations are for a continued recovery going forward in 2013.

#### SIGNIFICANT DEALS

##### SALE ACTIVITY

PROPERTY ADDRESS	SALE DATE	SQUARE FEET	BUYER	TYPE
5640 La Ribera Street	Apr-13	22,660	Elwood Investment	Light Industrial
567 Exchange Court	May-13	21,400	Eagle Haywood Inc	Light Industrial
575 Boulder Court	May-13	19,622	MiCom Labs Inc	Light Industrial

##### LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	SQUARE FEET	TENANT	TYPE
6150 Las Positas Road	Jun-13	148,440	Sunlight Supply Inc	Warehouse/Distribution
7041 Las Positas Road	Apr-13	45,089	Thrift Recycling Management Inc	Warehouse/Distribution
7364 Marathon Drive	May-13	44,640	Arizona Tile LLC	Warehouse/Distribution
6757 Las Positas Road	Jun-23	39,936	Kaweah Container Inc	Warehouse/Distribution
7888 Marathon Drive	Jun-13	38,341	Western Eagle Packaging Inc	Warehouse/Distribution
6611 Preston Avenue	Jun-13	27,600	Tri-Valley Ice Management LLC	Warehouse/Distribution
6818 Patterson Pass Road	Jun-13	25,920	WCS Distribution LLC	Warehouse/Distribution
7650 Hawthorne Avenue	Apr-13	19,400	Reterro Inc	Light Industrial

MARKET COMPARISONS

TYPE	BLDGS	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	OCCUPIED SPACE SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	GROSS ABSORPTION YTD SF	COMPLETIONS CURRENT QTR	UNDER CONST SF	WEIGHTED AVG ASKING RENTAL
<b>DUBLIN</b>																
Ind	41	1,299,302	251,343	19.3%	-	0.0%	251,343	19.3%	19.8%	1,047,959	6,000	(4,320)	-	-	-	\$0.71
Whse	2	259,917	-	0.0%	-	0.0%	-	0.0%	0.0%	259,917	-	-	-	-	-	\$-
Total	43	1,559,219	251,343	16.1%	-	0.0%	251,343	16.1%	16.5%	1,307,876	6,000	(4,320)	-	-	-	\$0.71
<b>LIVERMORE</b>																
Ind	318	6,708,756	583,950	8.7%	20,000	0.3%	603,950	9.0%	9.2%	6,104,806	10,012	31,526	193,501	-	-	\$0.52
Whse	50	6,497,143	531,867	8.2%	19,200	0.3%	551,067	8.5%	13.4%	5,946,076	316,685	443,964	504,742	-	-	\$0.40
Total	368	13,205,899	1,115,817	8.4%	39,200	0.3%	1,155,017	8.7%	11.2%	12,050,882	326,697	475,490	698,243	-	-	\$0.46
<b>PLEASANTON</b>																
Ind	127	2,244,336	86,487	3.9%	-	0.0%	86,487	3.9%	4.3%	2,157,849	10,756	3,988	45,651	-	-	\$0.82
Whse	2	487,405	97,745	20.1%	-	0.0%	97,745	20.1%	20.1%	389,660	-	-	-	-	-	\$0.45
Total	129	2,731,741	184,232	6.7%	-	0.0%	184,232	6.7%	7.1%	2,547,509	10,756	3,988	45,651	-	-	\$0.62
<b>MARKET TOTAL</b>																
Ind	486	10,252,394	921,780	9.0%	20,000	0.2%	941,780	9.2%	9.4%	9,310,614	26,768	31,194	239,152	-	-	\$0.59
Whse	54	7,244,465	629,612	8.7%	19,200	0.3%	648,812	9.0%	13.3%	6,595,653	316,685	443,964	504,742	-	-	\$0.40
Total	540	17,496,859	1,551,392	8.9%	39,200	0.2%	1,590,592	9.1%	11.1%	15,906,267	343,453	475,158	743,894	-	-	\$0.52
<b>QUARTERLY COMPARISON AND TOTALS</b>																
Q2-13	540	17,496,859	1,551,392	8.9%	39,200	0.2%	1,590,592	9.1%	11.1%	15,906,267	343,453	475,158	743,894	-	-	\$0.52
Q1-13	540	17,496,859	1,894,845	10.8%	39,200	0.2%	1,934,045	11.1%	11.8%	15,562,814	131,705	131,705	257,228	-	-	\$0.52
Q4-12	540	17,542,354	2,026,550	11.6%	39,200	0.2%	2,065,750	11.8%	13.2%	15,476,604	247,259	289,919	1,278,273	-	-	\$0.54
Q3-12	540	17,542,354	2,293,809	13.1%	19,200	0.1%	2,313,009	13.2%	14.2%	15,229,345	175,276	42,660	809,746	-	-	\$0.50
Q2-12	540	17,542,354	2,469,085	14.1%	19,200	0.1%	2,488,285	14.2%	15.1%	15,054,069	165,801	(132,616)	442,181	-	-	\$0.48
Q4-11	542	17,437,318	2,265,447	13.0%	90,222	0.5%	2,355,669	13.5%	11.7%	15,081,649	(311,055)	(405,115)	901,641	-	-	\$0.50



6150 LAS POSITAS ROAD IN LIVERMORE

Livermore Industrial Holdings LLC (dba Sunlight Supply Inc) leased 148,440 square feet for five years at Vasco Industrial Park. They are expanding from their current location of 32,000 square feet on Brisa Street. This marks the largest lease transaction the Tri-Valley industrial market year-to-date.

## LIVERMORE LIGHT INDUSTRIAL/WAREHOUSE

The Livermore light industrial market vacancy rate closed at 9.0 percent in the second quarter, down slightly from 9.2 percent three months ago – a significant improvement from twelve months ago when the vacancy approached double digits at 10.0 percent. The weighted average asking rent dipped back down to \$0.52 per square foot triple net in the second quarter from \$0.55 per square foot triple net in the previous quarter. The first part of the second quarter was somewhat quiet yet started to gain momentum in the last month of the quarter. Net absorption remained positive at 10,012 square feet, an improvement from six months ago where the net absorption was reported at negative 7,959 square feet. Though this may seem insignificant, it is an indication that the market is moving in the right direction. Presently, the year-to-date gross absorption is 193,501 square feet, a little more than half of the total reported at the end of 2012.

The second quarter of 2013 will be remembered as the quarter the warehouse market rebounded in Livermore. The Livermore warehouse vacancy closed at 8.5 percent in the second quarter, down dramatically from 13.4 percent from the previous quarter. There was 316,685 square feet of net absorption and 504,742 of gross absorption year-to-date, which are both substantial increases over previous quarters in 2012/2013. Some of the significant deals to note include: Sunlight Supply Inc leasing 148,440 square feet from Prologis at 6150 Las Positas Road, Arizona Tile LLC's lease of 44,640 square feet at 7364 Marathon Drive, Kaweah Container Inc's expansion into 39,936 square feet at 6757 Las Positas Road from Prologis, and Western Eagle Packaging expanding and renewing into 38,341 square feet at 7888 Marathon Drive.

There is tremendous activity and traffic in both the light industrial and warehouse markets. Rent growth and net absorption is expected to continue into the next quarter.

## SALES

The second quarter closed six industrial sale deals ranging from 2,661 square feet to 22,660 square feet. The deals were split evenly between the Pleasanton and Livermore markets. MiCom Labs, Inc. relocated down the street and purchased 19,622 square feet in Pleasanton; a deal that was on and off the market in eight months. The seller, McGuire and Hester, sold the industrial condo at \$168 per square foot. The other two sales, also on Boulder Court, included: Fung Lee's purchase of 4,487 square foot condo, which is to be used as an indoor batting practice facility known as Danville Baseball Academy and Charles Carlton James purchasing 2,661 square feet, dba Western Abatement Inc. Both deals were delivered as cold shell for \$115 per square foot, PJMB Commercial was the seller. Of the three deals in Livermore, only one was a user sale. Eagle Haywood Inc purchased 21,400 square feet on Exchange Court for slightly under \$190 per square foot.

The two investment deals included: Elwood Investment's purchase of 22,660 square feet on La Ribera Street, the seller will leaseback 12,580 square feet for seven years, and John and Sara Eshelman's purchase of a 10,030 square foot light industrial building, which is fully leased to Hangar One Vodka. Comparing year-over-year, the price per square foot for deals done in the second quarter 2013 have increased by 7.1 percent from deals completed the same time last year. As the Tri-Valley industrial market continues to recover and touring activity picks up, showing signs of healthy activity, asking rates for purchases are expected to increase by 5 to 10 percent the second half of the 2013 and into 2014.

## LOOKING FORWARD

The Tri-Valley industrial market will continue to show signs of recovery throughout the remainder of 2013. With unemployment in the single digits, an upsurge in job growth, existing companies expanding from their current location and landlords signing longer term deals all indicate the industrial market is healthy and heading in the right direction. Vacancy rates, asking rents and absorption will continue to improve throughout the year and into 2014.

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