

# Need Industrial? Cast Your Nets Far & Wide...

- > Vacancy rates in the Tri-Valley industrial market are now down to a record 1.0 percent
- > The weighted average asking rental rate jumped to \$0.92 per square foot NNN
- > Net absorption closed the quarter at positive 15,793 square feet

**If you are an industrial tenant looking for expansion or relocation space in the Tri-Valley, your options are incredibly limited.** The statement used to be, "Show us what is available in the Tri-Valley." Now the statement has become, "Show us what is available in the Tri-Valley, I-880 Corridor or Central Valley." With a new record vacancy rate of 1.0 percent in the entire Tri-Valley industrial market, there is little remaining to show our clients for sale or lease. There was a total of 190,313 square feet of available warehouse and light industrial space as of the end of June. Year-to-date and quarterly net absorption was 112,248 square feet and 15,793 square feet, respectively. These low numbers reflect the lack of available inventory.

## Market Indicators

Unemployment Rate  
Tri-Valley

10-Year Nominal  
Interest Rate

Consumer  
Confidence



## Market Trends

Relative to prior period

Q2 2017

Q3 2017\*

Vacancy



Net Absorption



Construction



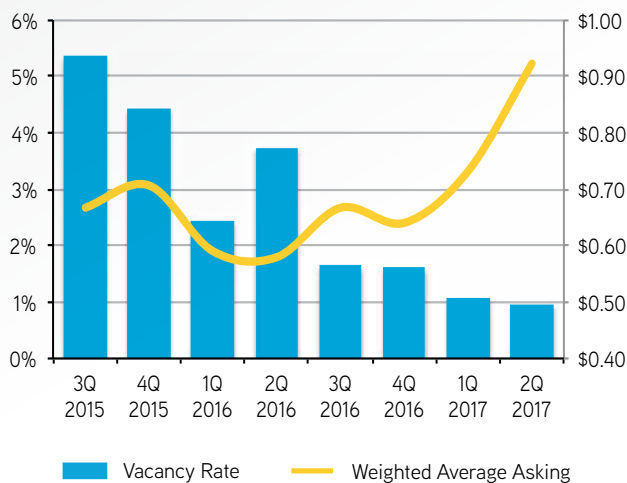
Rental Rate



\*Projected

## Historical Vacancy and Average Asking Rates

Tri-Valley | Overall



Demonstrating the strength of the industrial market, the Tri-Valley's vacancy hits a record low of 1.0 percent by the end of the second quarter. As the vacancy dropped over the past year, average asking rates spiked, increasing nearly sixty percent from this time last year. Pricing pressure expects to continue in the next coming months and into 2018.

## Summary Statistics

Q2 2017 Tri-Valley Industrial Market

Previous  
Quarter

Current  
Quarter

Vacancy Rate

1.1%

1.0%

Overall Asking Rate\*

\$0.73

\$0.92

Light Industrial Asking Rate\*

\$0.82

\$1.08

Whse/Dist Asking Rate\*

\$0.60

\$0.62

Net Absorption

96,455

15,793

Gross Absorption

224,140

160,386

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

## U.S. Economic Indicators

Unemployment Rate

4.7%

4.4%

Labor Force Participation Rate

63.0%

62.8%

Consumer Price Index

2.44%

2.44%

Interest Rate - 10 Yr Treasury

2.40%

2.31%

Business Confidence

101.0

103.6

Consumer Confidence

125.6

118.9

Speculative development for “big box” industrial is currently underway in Livermore. Local users are not only competing with themselves; they are also competing with users in the I-880 Corridor and the South Bay who cannot find space in their respective markets and are casting their nets far and wide. In the second quarter of 2016, the average asking price was \$0.58 per square foot, per month, triple net (NNN); last quarter it was \$0.73 per square foot, per month, NNN; and by the end of the second quarter, the average weighted asking rate for remaining industrial space had increased to \$0.92 per square foot, per month, NNN. We expect this upward pricing pressure to continue until the new inventory is developed or the market weakens (which we do not foresee).

Industrial land sales continue to occur, primarily fueled by users who desire adjacent expansion space or industrial yard space (or future land banking). The prices for these industrial land sales have reached new highs, similar to their building counterparts.

In the second quarter of 2017, the light industrial market’s vacancy rate declined from 1.3 percent to 1.2 percent from the previous quarter, with the weighted average asking rents increasing significantly from \$0.82 per square foot, per month, NNN, to \$1.08 per square foot, per month, NNN. Given most new speculative development is warehouse; there will be continued upward pressure on light industrial space.

The warehouse sector also declined in vacancy from 0.8 percent to 0.7 percent, and the weighted average NNN asking rate for warehouse crept upward from \$0.60 per square foot, per month, to \$0.62 per square foot, per month, NNN. If all of the new speculative warehouse construction planned for delivery in 2018 occurs, we expect almost another 1,000,000 square feet of state-of-the-art, high-cube, ESFR ready warehouses to come onto the market in Livermore.

## Dublin/Pleasanton Light Industrial

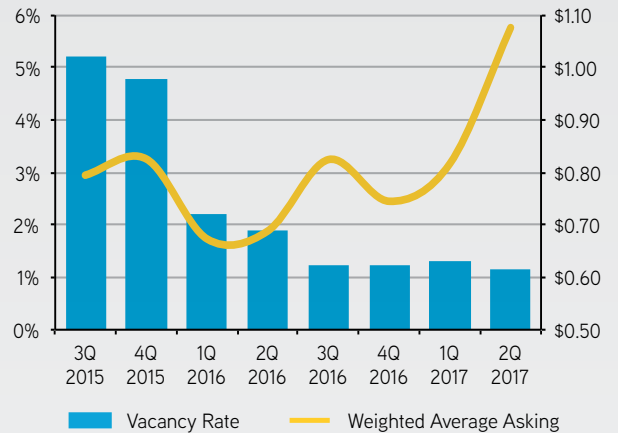
Given the lack of product in Dublin and Pleasanton, (combined, totals approximately 4.3 million square feet versus Livermore’s 15.2 million square feet), there is very little space to lease or purchase in either of these two markets. With 45,029 square feet of industrial space for lease coming on the market from two properties in Dublin, the vacancy rate has crept up to 3.4 percent; however, we do not expect it to last. Similarly, in Pleasanton, the vacancy rate crept up from 0.2 percent to 0.7 percent during the second quarter, with an additional 12,998 total square feet available for lease or purchase in this market.



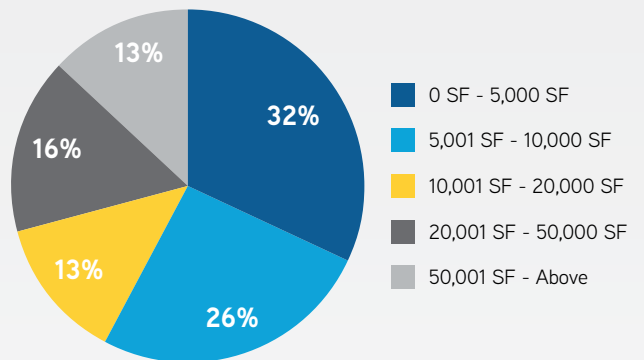
6515 Trinity Court - Dublin

## Historical Vacancy and Average Asking Rates

Tri-Valley | Light Industrial

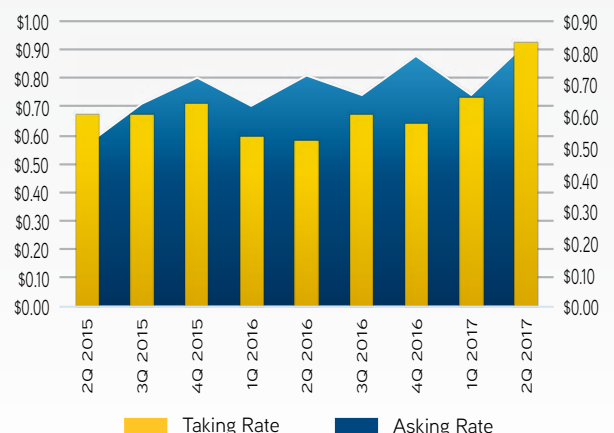


## Available Space by Square Foot Range



## Asking Rates and Taking Rates (NNN)

Tri-Valley | Overall



With no developable land available in these markets for industrial product, users will continue to migrate to Livermore or further beyond, as needed, as their expansions dictate.

In Dublin, SiteOne Landscape Supply, LLC leased 12,400 square feet at 6515 Trinity Court from Maynard Crowther; and 6310 Houston Place sold from Eckhard Evers to 6310 Houston Place, LLC, consisting of a 6,000 square foot light industrial building.

With Dublin and Pleasanton's weighted average asking NNN rental rates of \$1.25 per square foot, per month, and \$1.41 per square foot, per month, respectively, we do not expect to see any significant industrial users considering these markets, unless there is a strategic reason to be closer to I-580/I-680.

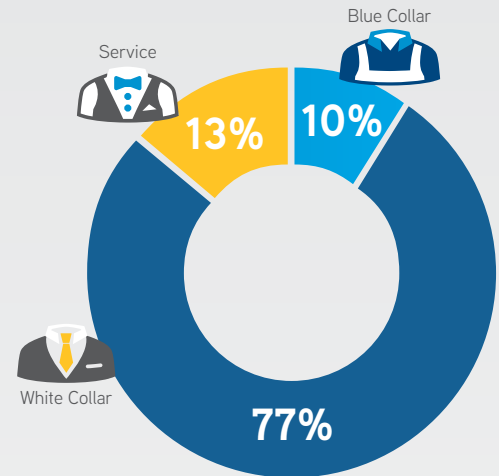
## Livermore Light Industrial/Warehouse

Livermore's industrial vacancy rate declined by 63 percentage points to 0.8 percent, with only 107,710 square feet remaining to lease. This is the lowest vacancy rate in the history of Livermore. Additionally, with weighted average NNN rental rates at \$0.74 per square foot, per month for light industrial and warehouse combined, we are also seeing records set in pricing.

In Oaks Business Park, Balch Construction has sold their 7.29 acres on Discovery Drive to Crow Holdings, who has additional speculative developments in the East Livermore industrial market. Scannell Properties continues to have significant activity on their 85,350 square foot industrial building on Jack London Boulevard. Gillig Corporation's headquarters and manufacturing campus celebrated their official opening on June 1, 2017. Gillig Corporation occupies a 600,000 square foot main manufacturing facility, along with a 50,000 square foot building used primarily for fabrication and assembly, and another 27,000 square foot prep facility for their bus manufacturing delivery in Oaks Business Park. This 127-year old company made the strategic decision to relocate from Hayward, given the location of their suppliers, their workforce, concessions and negotiating with the City of Livermore to accommodate their operation. With 900 employees now housed in this new facility, Gillig Corporation has become a major new employer in the Tri-Valley.

In East Livermore, the Exeter Property Group is negotiating with a Fortune 500 logistics company on a 13.5-acre parcel along Greenville Road, originally slated for a 265,170 square foot speculative state-of-the-art distribution building. Crow Holdings has broken ground on a 241,591 square foot industrial speculative building on 12.7 acres on Hawthorne Avenue. Along with their recent acquisition in the Oaks Business Park, Crow Holdings is also working on two other buildings in the East Livermore area: a 128,622 square foot building on Brisa Street and a 90,188 square foot building on Longard Road – all expect to be completed early to mid-2018.

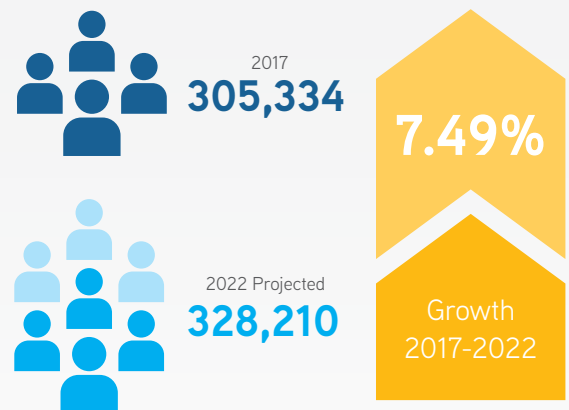
## Employment By Category



Data Source: © 2017 Environics Analytics

*“..there will be continued upward pressure on light industrial space.”*

## Population



Data Source: © 2017 Environics Analytics

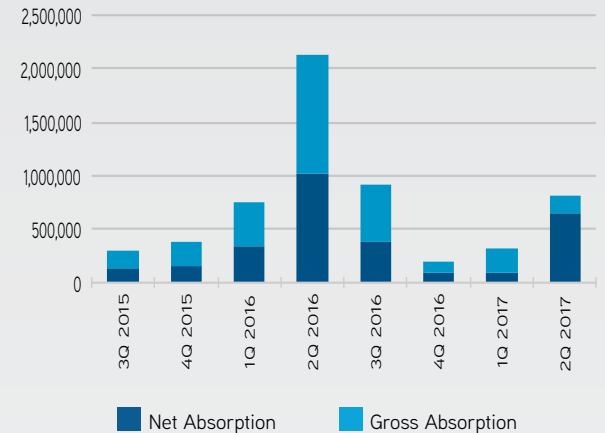
Significant Livermore industrial sales transactions during the second quarter of 2017 included the Hotan building, at 751-789 North Canyons Parkway (this was an off-market sale to Prince of Peace Enterprises, Inc., a food distributor who relocated from the I-880 Corridor in Hayward). The sale consisted of a 153,000 square foot warehouse/distribution building with a significant amount of office space. Other significant sales comparables included a 39,045 square foot sale on 3.34 acres from Stockton Products to FM Industries at 7100 National Drive and a 19,590 square foot light industrial building sale at 2305 South Vasco Road from Hensley Family Trust to Scott and Paulette Tabler.

Significant lease transactions included: an 18,007 square foot renewal/expansion to Lost World Adventures from Patterson Pass Associates, LLC, at 6538 Patterson Pass Road; a 30,767 square foot transaction between The Centerwall and Woodward Trust to Festo Corporation at 550-582 Commerce Way; Festo Corporation's 18,000 square foot warehouse renewal at 6052 Industrial Way; and Cintas Corporation's 12,900 square foot expansion from Callahan Properties, at 333-345 Stealth Court.

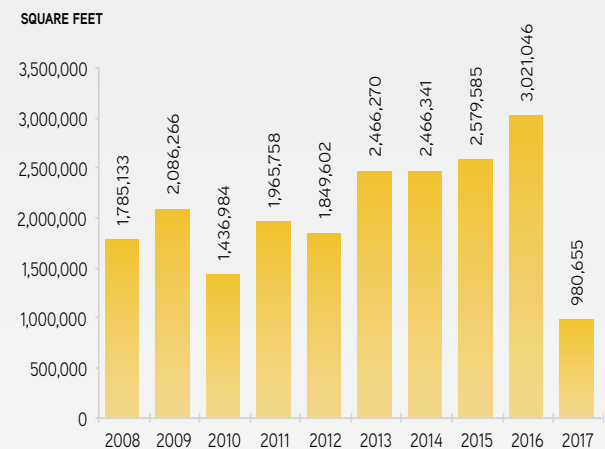
## Looking Ahead

Looking ahead, with the Tri-Valley industrial market as tight as it is, and given that most product for sale or lease is priced to perfection, there are very few, if any, concessions for new tenants or buyers to consider when making their offers. Most industrial land for speculative development is currently under contract or sold, and we do not expect any additional significant industrial speculative development to be announced until the current projects are well underway and at least partially leased. Given the location of the Tri-Valley in relation to the Central Valley and the I-880 Corridor, we are still very well poised to participate from both markets. The Tri-Valley, seen as an island, bridges these two significant industrial markets. Given the continued strong state of manufacturing, warehouse and distribution in Northern California, the Tri-Valley is poised to continue to grow and further develop its industrial market base.

## Historical Net Absorption and Gross Absorption



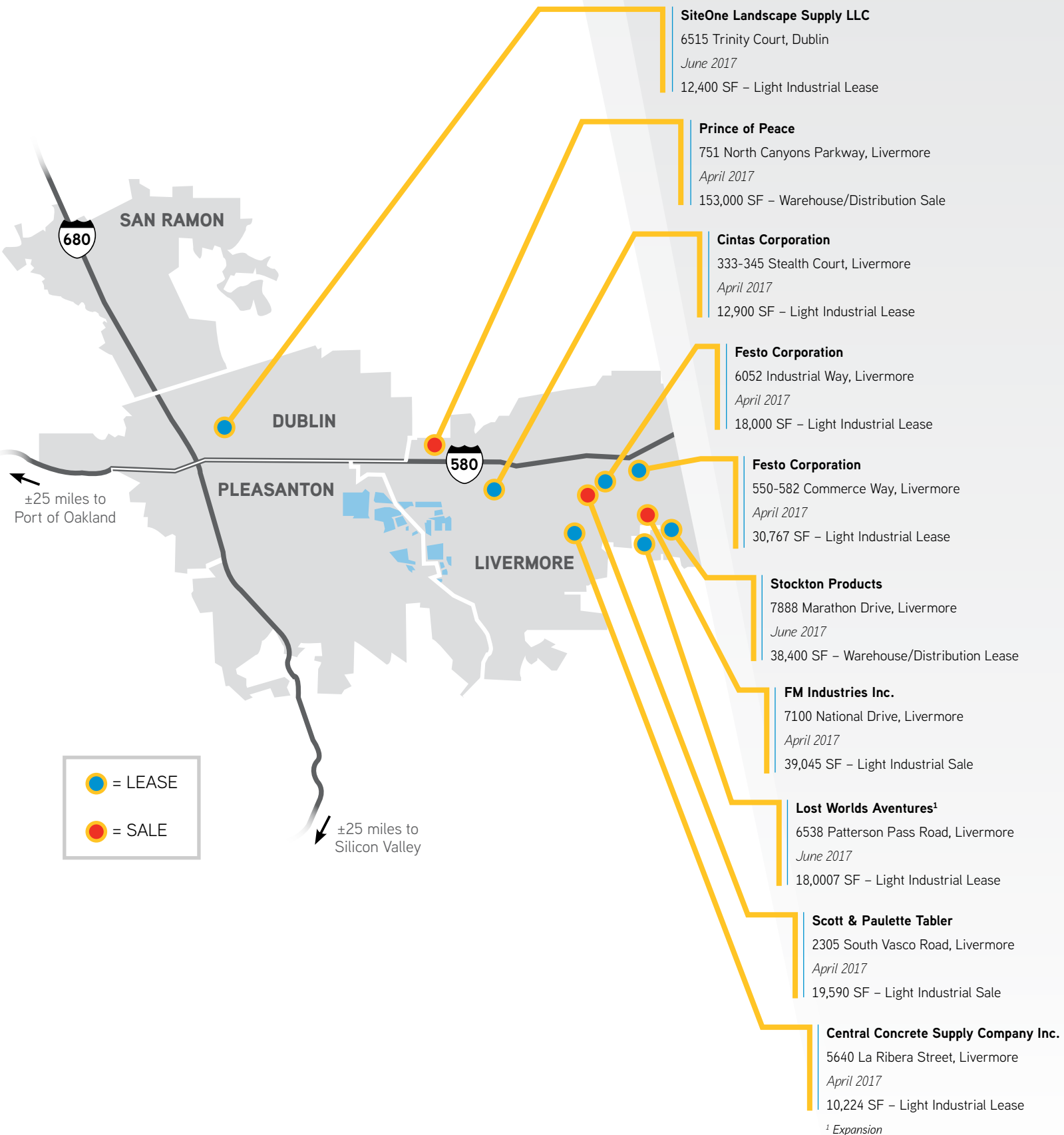
## Transaction Volume



### 6538 PATTERSON PASS ROAD - LIVERMORE

Lost Worlds Adventures, a family fun recreational center, expanded by 14,000 square feet, totaling 35,000 square feet of space for seven years.

## Significant Lease & Sale Activity



## 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        | 1,343,546          | 45,029           | 3.4%                | 9,320              | 0.7%                  | 54,349          | 4.0%                         | 0.7%                       | (45,029)                      | (54,349)              | 6,000                   | -                          | -                     | \$1.25                       |
| Whse          | 259,917            | -                | 0.0%                | -                  | 0.0%                  | -               | 0.0%                         | 0.0%                       | -                             | -                     | -                       | -                          | -                     | \$-                          |
| <b>Total</b>  | <b>1,603,463</b>   | <b>45,029</b>    | <b>2.8%</b>         | <b>9,320</b>       | <b>0.6%</b>           | <b>54,349</b>   | <b>3.4%</b>                  | <b>0.6%</b>                | <b>(45,029)</b>               | <b>(54,349)</b>       | <b>6,000</b>            | <b>-</b>                   | <b>-</b>              | <b>\$1.25</b>                |

|                  |                   |                |             |               |             |                |             |             |               |                |                |                |                |               |
|------------------|-------------------|----------------|-------------|---------------|-------------|----------------|-------------|-------------|---------------|----------------|----------------|----------------|----------------|---------------|
| <b>LIVERMORE</b> |                   |                |             |               |             |                |             |             |               |                |                |                |                |               |
| Lt Ind           | 7,256,421         | 52,755         | 0.7%        | -             | 0.0%        | 52,755         | 0.7%        | 1.8%        | 66,000        | 61,633         | 191,492        | 633,566        | -              | \$0.86        |
| Whse             | 8,024,897         | 54,955         | 0.7%        | 10,000        | 0.1%        | 64,955         | 0.8%        | 0.9%        | 7,820         | 112,238        | 177,825        | -              | 128,622        | \$0.62        |
| <b>Total</b>     | <b>15,281,318</b> | <b>107,710</b> | <b>0.7%</b> | <b>10,000</b> | <b>0.1%</b> | <b>117,710</b> | <b>0.8%</b> | <b>1.3%</b> | <b>73,820</b> | <b>173,871</b> | <b>369,317</b> | <b>633,566</b> | <b>128,622</b> | <b>\$0.74</b> |

|                   |                  |               |             |              |             |               |             |             |                 |                |              |          |          |               |
|-------------------|------------------|---------------|-------------|--------------|-------------|---------------|-------------|-------------|-----------------|----------------|--------------|----------|----------|---------------|
| <b>PLEASANTON</b> |                  |               |             |              |             |               |             |             |                 |                |              |          |          |               |
| Lt Ind            | 2,248,861        | 10,754        | 0.5%        | 7,500        | 0.3%        | 18,254        | 0.8%        | 0.2%        | (12,998)        | (7,274)        | 9,209        | -        | -        | \$1.41        |
| Whse              | 487,405          | -             | 0.0%        | -            | 0.0%        | -             | 0.0%        | 0.0%        | -               | -              | -            | -        | -        | \$-           |
| <b>Total</b>      | <b>2,736,266</b> | <b>10,754</b> | <b>0.4%</b> | <b>7,500</b> | <b>0.3%</b> | <b>18,254</b> | <b>0.7%</b> | <b>0.2%</b> | <b>(12,998)</b> | <b>(7,274)</b> | <b>9,209</b> | <b>-</b> | <b>-</b> | <b>\$1.41</b> |

### MARKET TOTAL

|              |                   |                |             |               |             |                |             |             |               |                |                |                |                |               |
|--------------|-------------------|----------------|-------------|---------------|-------------|----------------|-------------|-------------|---------------|----------------|----------------|----------------|----------------|---------------|
| Lt Ind       | 10,848,828        | 108,538        | 1.0%        | 16,820        | 0.2%        | 125,358        | 1.2%        | 1.3%        | 7,973         | 10             | 206,701        | 633,566        | -              | \$1.08        |
| Whse         | 8,772,219         | 54,955         | 0.6%        | 10,000        | 0.1%        | 64,955         | 0.7%        | 0.8%        | 7,820         | 112,238        | 177,825        | -              | 128,622        | \$0.62        |
| <b>Total</b> | <b>19,621,047</b> | <b>163,493</b> | <b>0.8%</b> | <b>26,820</b> | <b>0.1%</b> | <b>190,313</b> | <b>1.0%</b> | <b>1.1%</b> | <b>15,793</b> | <b>112,248</b> | <b>384,526</b> | <b>633,566</b> | <b>128,622</b> | <b>\$0.92</b> |

### QUARTERLY COMPARISON AND TOTALS

|       |            |         |      |        |      |         |      |      |           |           |           |           |         |        |
|-------|------------|---------|------|--------|------|---------|------|------|-----------|-----------|-----------|-----------|---------|--------|
| 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 |
| Q4-16 | 18,755,698 | 279,616 | 1.5% | 22,945 | 0.1% | 302,561 | 1.6% | 1.6% | 91,753    | 1,850,824 | 2,145,751 | 86,700    | 633,566 | \$0.64 |
| Q3-16 | 18,668,998 | 304,669 | 1.6% | 2,945  | 0.0% | 307,614 | 1.6% | 3.7% | 391,855   | 1,759,071 | 2,034,541 | -         | 720,266 | \$0.67 |
| Q2-16 | 18,668,998 | 693,524 | 3.7% | 5,945  | 0.0% | 699,469 | 3.7% | 2.5% | 1,025,392 | 1,367,216 | 1,518,393 | 1,298,207 | 720,266 | \$0.58 |



#### 7888 MARATHON DRIVE - LIVERMORE

The 38,400 square foot space was on the market for just under a year when Stockton Products signed a five-year term. They sold their previous location on National, relocating less than a mile away.

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# 396 offices in 68 countries on 6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **36**

EMEA: **111**

ANZ: **43**

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## \$2.6

billion in  
annual revenue\*

## 2.0

billion square feet  
under management

## 15,000

professionals  
and staff

\*All statistics are for 2016 and include affiliates

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