

PLEASANTON | TRI-VALLEY | INDUSTRIAL

Q4 2018

Accelerating success.

Significant Sales Mark the End of 2018

- › Tri-Valley industrial market vacancy bumped up to 3.0 percent
- › The weighted average asking rental rate is \$0.95 per square foot NNN
- › Overall net absorption closed the quarter at negative 126,879 square feet

The Tri-Valley industrial market finished fundamentally strong in 2018 with some significant sales transactions, despite the overall vacancy rate creeping up to three percent, which is two percentage points higher than at the end of 2017. Additionally, the year-to-date net absorption rate was negative 408,562 (versus positive 102,274 square feet at the end of last year). As rents tick higher in surrounding markets, the Tri-Valley is once again becoming a viable option for those tenants who are reevaluating their space and location needs. While the Tri-Valley continues to have a preferable location given its mid-point between the San Francisco Bay Area and the Central Valley, higher rental rates, larger operating expenses and lower general availability continue pushing many tenants to consider migrating eastward into the Central Valley. Compared to last year at this time, Tri-Valley light industrial rental rates increased fourteen percent, and Tri-Valley warehouse rates increased ten percent. From a total market of almost twenty million square feet, there is still only 557,880 square feet available for lease or purchase. These numbers will increase significantly in 2019 as new, big box construction comes online in the Livermore market.

Market Indicators

Unemployment Rate
Tri-Valley



10-Year Nominal
Interest Rate



Consumer
Confidence



Market Trends

Relative to prior period

Q4 2018

Q1 2019*

Vacancy



Net Absorption



Construction



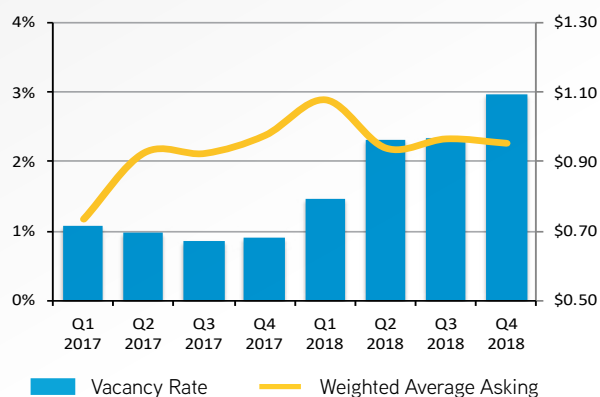
Rental Rate



*Projected

Historical Vacancy and Average Asking Rates

Tri-Valley | Overall



Over the past three quarters, vacancy rates have increased as the market slowed down. Asking rents stabilized, remaining relatively flat since mid-2018. With more product hitting the market in 2019, vacancies are expected to rise and rents steady, making the Tri-Valley an appealing option for outside tenants.

Summary Statistics

Q4 2018 Tri-Valley Industrial Market

Previous
Quarter

Current
Quarter

Vacancy Rate	2.3%	3.0%
Overall Asking Rate*	\$0.96	\$0.95
Light Industrial Asking Rate*	\$1.23	\$1.21
Whse/Dist Asking Rate*	\$0.71	\$0.79
Net Absorption	(2,861)	(126,879)
Gross Absorption	196,279	97,332

*Asking rates are reported on a triple net monthly basis

U.S. Economic Indicators

Unemployment Rate	3.9%	3.9%
Labor Force Participation Rate	62.7%	63.1%
Consumer Price Index	2.52%	2.20%
Interest Rate - 10 Yr Treasury	3.05%	2.69%
Business Confidence	101.50	101.17
Consumer Confidence	138.40	128.10

Dublin/Pleasanton Light Industrial

The Dublin industrial market is nearly fully leased, given an existing vacancy rate of 0.1 percent. This 1,580,942 square foot total inventory market, which is strategically located at the I-580/I-680 interchange, remains in high demand, and many industrial users who need to be here are now opting for GLP's Sierra Trinity office flex/R&D project. The one significant new listing becoming available at the end of the year is Arlen Ness' 68,342 square foot, two-story warehouse/showroom building which could accommodate a car dealership, an R&D user or a commercial industrial user that needs to be at the I-580/I-680 crossroads.

The Pleasanton light industrial market remained flat between the third and fourth quarters of 2018, and if one took the Westcore Properties' freezer/cooler, 96,803 square feet at 5675 Sunol Boulevard out of the equation, there would be nearly no space to lease in this market. The most significant Pleasanton lease transaction was AMM Fencing's takedown of 13,608 square feet from Greenan Development, LLC, at 2110 Rheem Drive. The most significant sales transaction that occurred in this market was Dermody Properties' purchase of Cardinal Capital Partners' 394,000 square foot warehouse/distribution building at 4225 Hacienda Drive. This property is currently fully leased by Veritiv, who plans to vacate the property in July of 2019. Dermody plans to make significant improvements to the property, including ESFR sprinklers, and other improvements to multi-tenant it. There is already some user activity for a portion of the property.

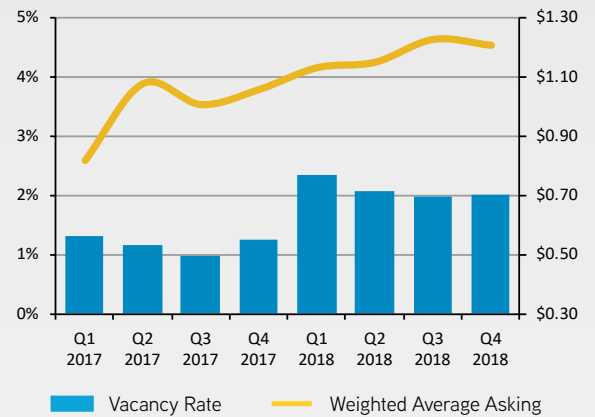
Livermore Industrial/Warehouse

For most industrial users looking to expand or locate into the Tri-Valley, Livermore is virtually the only reasonable and available option. The lion's share of the Tri-Valley industrial marketplace is in Livermore. Last year at this time, the total vacancy rate there was 1.5 percent, and this year it is 3.1 percent. A large reason for this difference in vacancy is Crow Holdings Industrial's (CHI) Bay Area Commerce Center, at 6755 Brisa Street, which is a 128,622 square foot Class A warehouse that came online this year and remains vacant. CHI has two other projects underway: Bay Area Commerce Center – Hawthorne (a 241,591 square foot high-cube warehouse located at 7600 Hawthorne Avenue); and Bay Commerce Center – Longard (a 90,000 square foot building located on Longard Road). Both properties should be completed in the first quarter of 2019, which bodes well for larger users that need to be in the Tri-Valley market. Prologis continues to process its entitlements for a 77,500 square foot industrial building for sale or lease on 4.2 acres on National Drive. Scannell Properties is actively entitling their 23,000 and 28,000 square foot industrial building development on Contractors Place for lease or sale, as well as a 6.0 acre speculative development at the southeast corner of Las Positas and South Vasco Roads, which they are actively entitling for an 111,000 square foot industrial building for sale or lease.

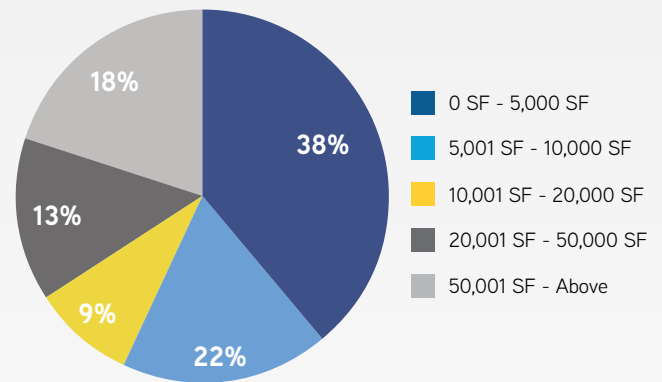
Two notable land sales occurred in Livermore in the Tri-Valley Tech Park last quarter. At the southwest corner of Airway Boulevard and Constitution Drive, Fortiss purchased 11.3 acres from Chamberlin Associates.

Historical Vacancy and Average Asking Rates

Tri-Valley | Light Industrial

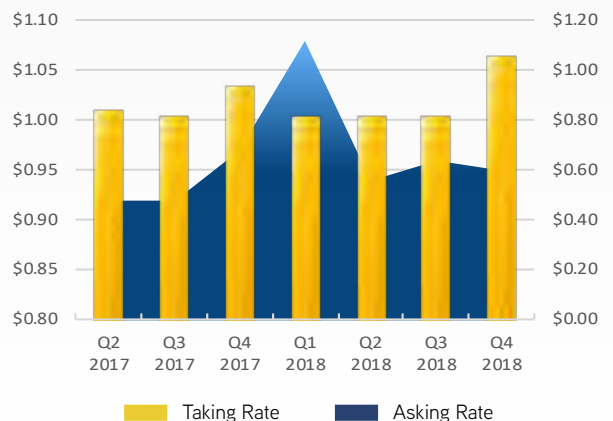


Available Space by Square Foot Range



Asking Rates and Taking Rates (NNN)

Tri-Valley | Overall



This marked Chamberlin’s last land sale of its holdings in the Livermore marketplace. The Livermore Valley Joint Unified School District purchased 12.44 acres at the northeast corner of Airway Boulevard and Constitution Drive, a site previously held by the Livermore Charter School.

The largest industrial sales transaction that occurred last quarter was iStar’s purchase of the FormFactor campus from Mohr PC LLP, which consisted of 168,636 square feet of R&D and flex buildings on 11.29 acres. Other significant sales included: DGSG Properties, LLC’s purchase of a 14,160 square foot building on 2.22 acres from Dennis Moore; and 230-250 South Vasco Road, which consisted of a 68,502 square foot building on 4.75 acres between AL Industries (buyer) and George and Perri Linton (seller).

Significant lease transactions included: Seaside Refrigerated Transport’s renewal of 36,545 square feet at 7041 Las Positas Road; Performance Food Group’s expansion and renewal of 44,480 square feet at 7503 Las Positas Road; and DTA USA, Inc.’s leasing of 10,980 square feet at 230 South Vasco Road.

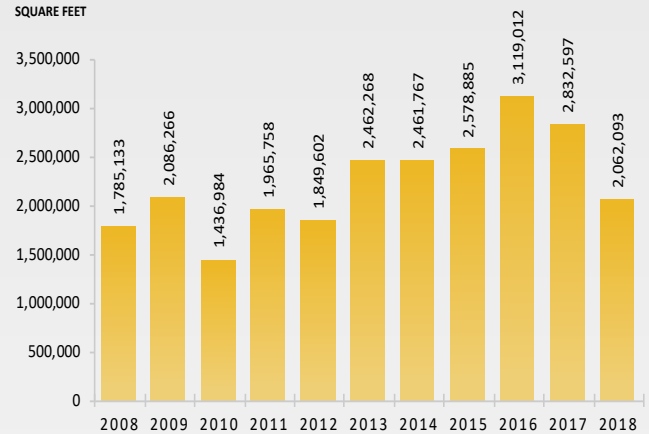
Looking Forward

As the San Francisco Bay Area economy continues to show strength and the U.S. national economy remains on track, the Tri-Valley industrial market will continue to have significantly low vacancy rates, despite the new big box product that will come online and be entitled in 2019. With some increased vacancy occurring market-wide, rents appear to have potentially plateaued, and smaller users who cannot be candidates for the new, larger product may have a few more options to accommodate their expansion or relocation. The Tri-Valley industrial market, like many industrial markets in Northern California and across the country, will continue to be a landlord/seller’s market, regardless of what the stock market may be indicating at the end of 2018.



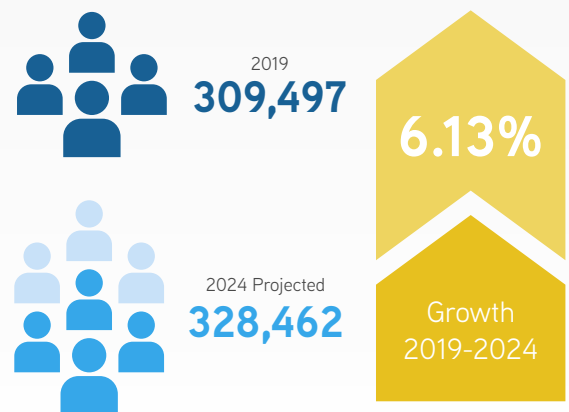
7005-7545 Southfront Road, Livermore – iStar purchased four R&D/flex buildings totaling 168,636 square feet. These buildings, occupied by FormFactor Inc, are part of the Pacific Corporate Center business park.

Transaction Volume



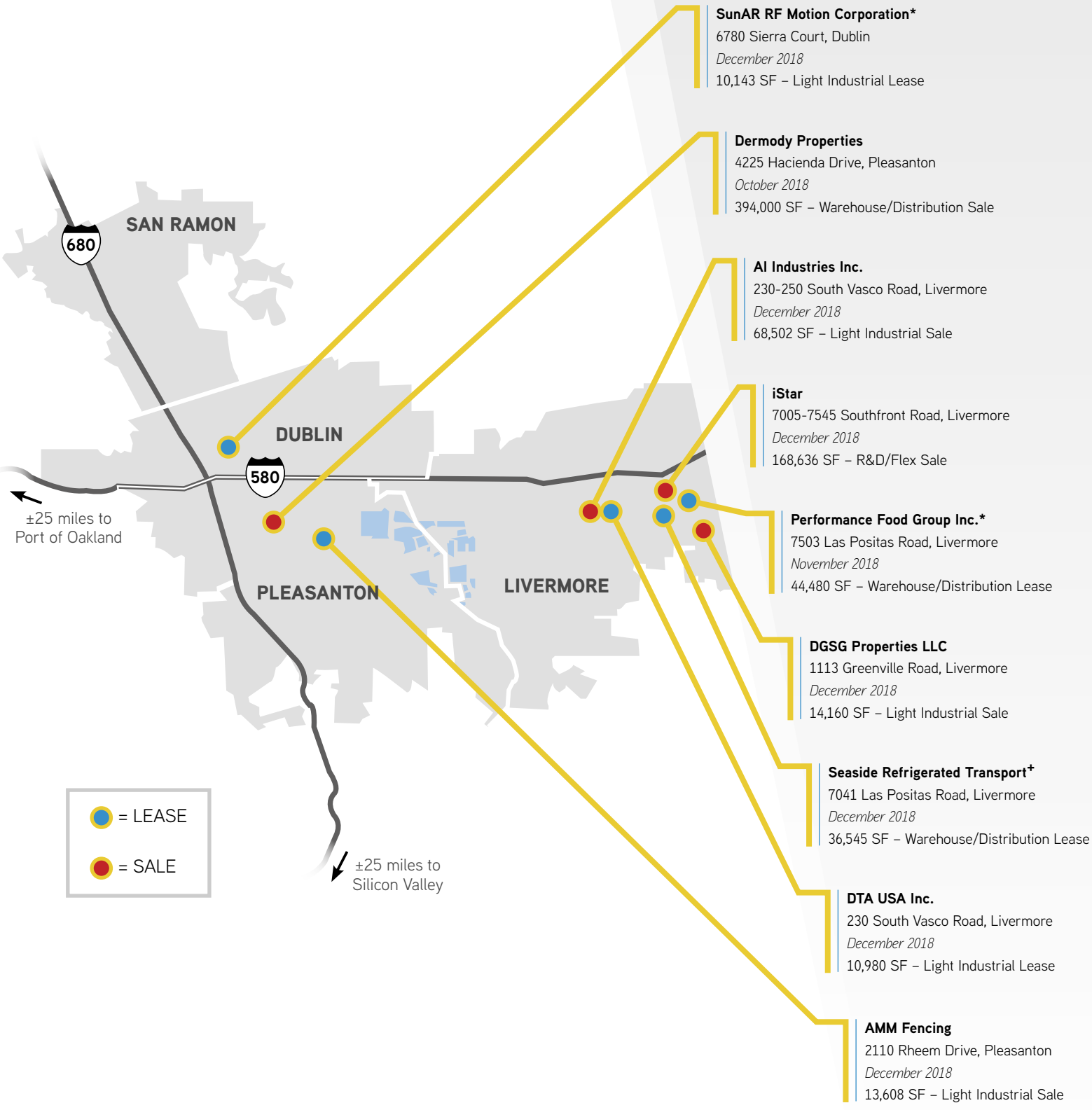
“..Livermore is virtually the only reasonable and available option.”

Population



Data Source: © 2019 Environics Analytics

Significant Lease & Sale Activity



* Renewal ⁺ Sublease

Market Comparisons – Tri-Valley

INDUSTRIAL MARKET

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	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
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DUBLIN

Lt Ind	41	1,321,025	-	0.0%	1,400	0.1%	1,400	0.1%	1.3%	8,088	31,529	44,389	-	-	\$-
Whse	2	259,917	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
Total	43	1,580,942	-	0.0%	1,400	0.1%	1,400	0.1%	1.1%	8,088	31,529	44,389	-	-	\$-

LIVERMORE

Lt Ind	303	7,280,999	103,684	1.4%	-	0.0%	103,684	1.4%	1.3%	(23,057)	(42,848)	306,776	-	-	\$1.06
Whse	56	8,168,482	342,354	4.2%	25,344	0.3%	367,698	4.5%	2.9%	(121,710)	(323,702)	175,863	-	332,091	\$0.79
Total	359	15,449,481	446,038	2.9%	25,344	0.2%	471,382	3.1%	2.1%	(144,767)	(366,550)	482,639	-	332,091	\$0.85

PLEASANTON

Lt Ind	125	2,247,918	111,842	5.0%	2,625	0.1%	114,467	5.1%	5.0%	9,800	(73,541)	46,394	-	-	\$1.34
Whse	2	487,405	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
Total	127	2,735,323	111,842	4.1%	2,625	0.1%	114,467	4.2%	4.1%	9,800	(73,541)	46,394	-	-	\$1.34

MARKET TOTAL

Lt Ind	469	10,849,942	215,526	2.0%	4,025	0.0%	219,551	2.0%	2.1%	(5,169)	(84,860)	397,559	-	-	\$1.21
Whse	60	8,915,804	342,354	3.8%	25,344	0.3%	367,698	4.1%	2.6%	(121,710)	(323,702)	175,863	-	332,091	\$0.79
Total	529	19,765,746	557,880	2.8%	29,369	0.1%	587,249	3.0%	2.3%	(126,879)	(408,562)	573,422	-	332,091	\$0.95

QUARTERLY COMPARISON AND TOTALS

Q4-18	529	19,765,746	557,880	2.8%	29,369	0.1%	587,249	3.0%	2.3%	(126,879)	(408,562)	573,422	-	332,091	\$0.95
Q3-18	529	19,765,746	433,626	2.2%	26,744	0.1%	460,370	2.3%	2.3%	(2,861)	(281,683)	476,090	-	332,091	\$0.96
Q2-18	529	19,765,746	430,765	2.2%	26,744	0.1%	457,509	2.3%	1.5%	(169,698)	(278,822)	279,811	128,622	351,779	\$0.94
Q1-18	520	19,637,124	278,307	1.4%	9,504	0.0%	287,811	1.5%	0.9%	(109,124)	(109,124)	164,684	-	390,213	\$1.08
Q4-17	520	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



4225 HACIENDA DRIVE - PLEASANTON

Currently occupied by Veritiv through July 2019, Dermody Properties purchased the 394,000 square foot warehouse/distribution building and plan to make significant improvements preparing it for multiple tenants.

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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Accelerating success.