

Industrial Report

Bay Area | Fourth Quarter 2015



Industrial Market Report

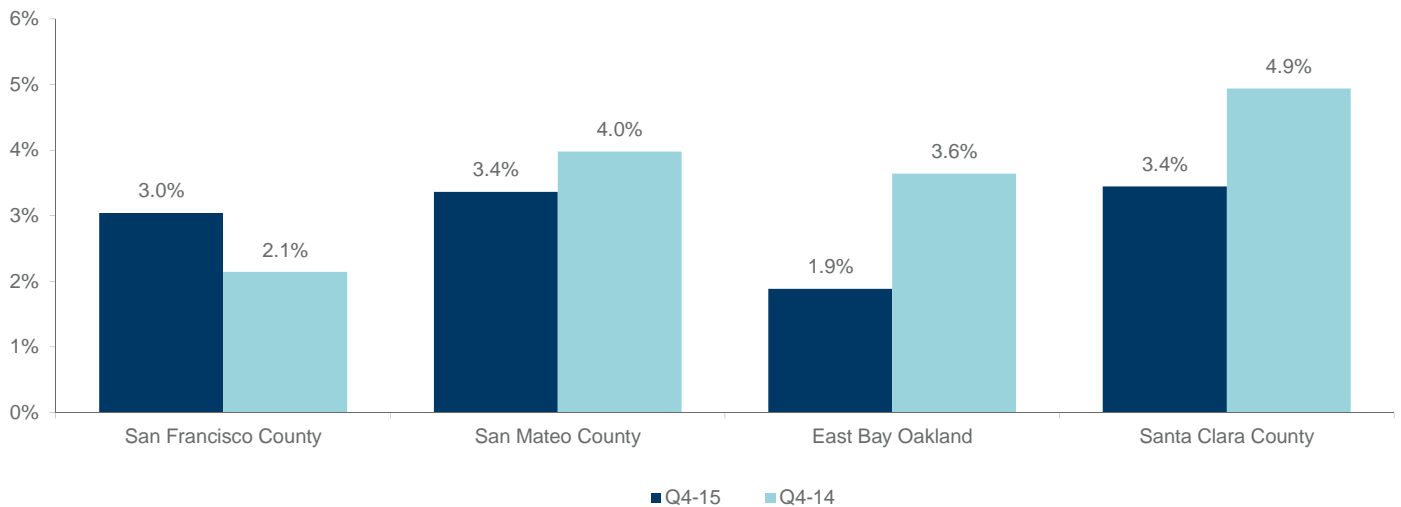
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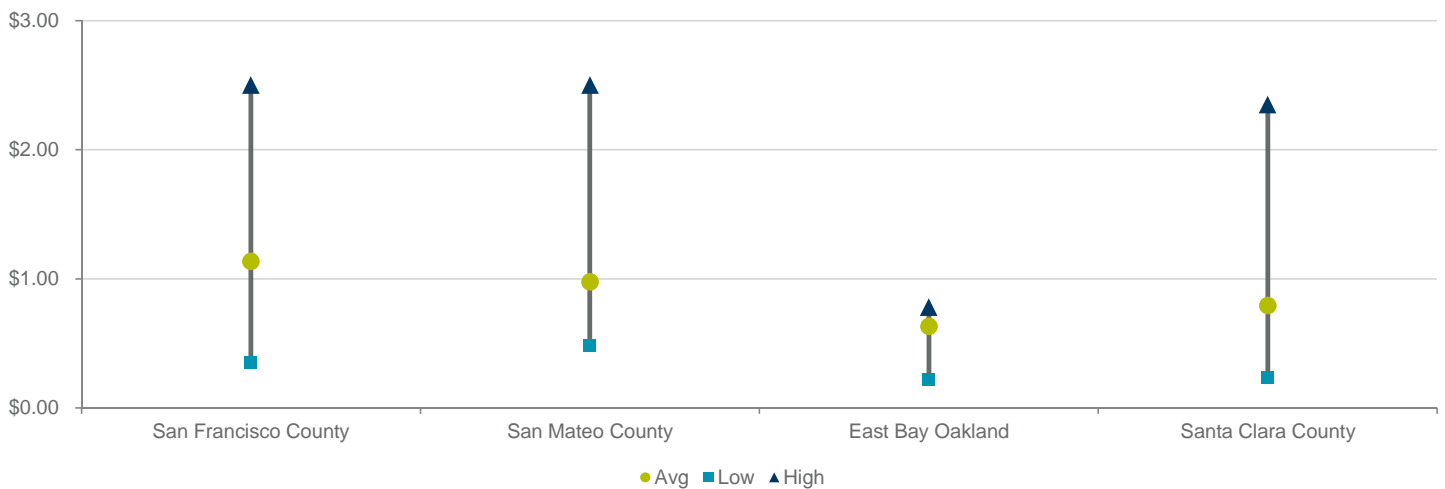
Market Summary

Submarket	Building Base	Available Space			Vacancy		Avg. Asking Rate (NNN)	Asking Rate Range (NNN)
		Direct	Sublease	Total	Q4-15	Q4-14		
San Francisco County	21,515,886	615,407	39,170	654,577	3.0%	2.1%	\$1.13	\$0.35-\$2.50
San Mateo County	39,709,183	1,221,870	114,626	1,336,496	3.4%	4.0%	\$0.98	\$0.48-\$2.50
East Bay Oakland	163,060,401	2,824,872	251,822	3,076,694	1.9%	3.6%	\$0.63	\$0.22-\$0.78
Santa Clara County	84,046,516	2,690,560	207,695	2,898,255	3.4%	4.9%	\$0.79	\$0.23-\$2.35
Totals	308,331,986	7,352,709	613,313	7,966,022	2.6%	3.9%	\$0.79	\$0.22-\$2.50

Vacancy by Area



Market Rent Ranges & Average Asking Rate NNN



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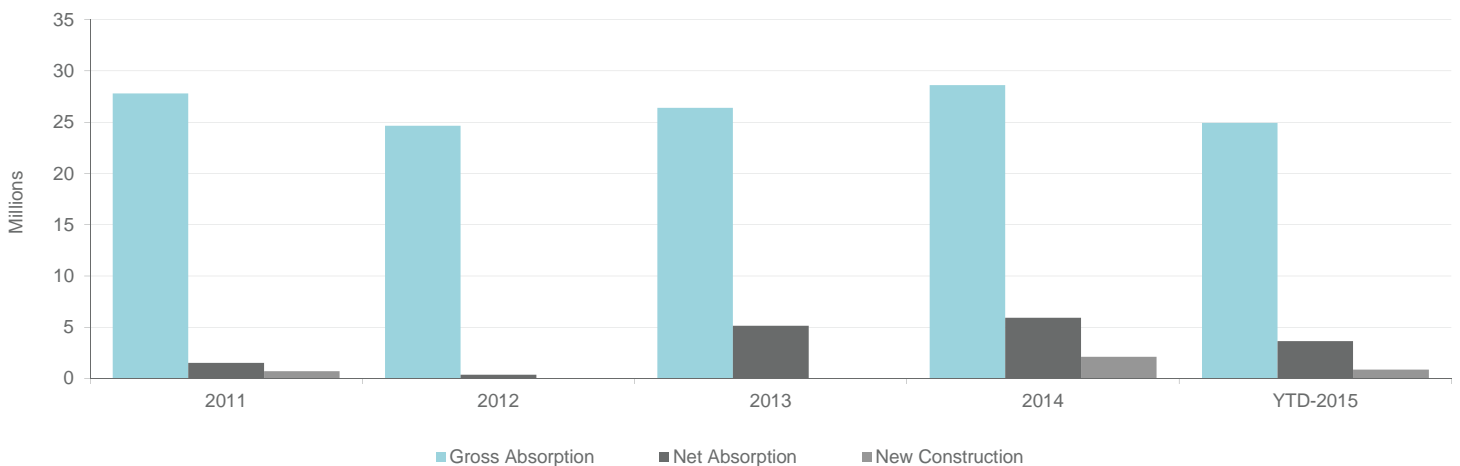


Historical Summary

Submarket		2011	2012	2013	2014	YTD-2015
San Francisco	Avg Rent (NNN)	\$0.70	\$0.78	\$0.89	\$1.12	\$1.13
	Available Sq.Ft.	977,741	873,948	598,985	460,926	654,577
	Vacancy	4.5%	4.1%	2.8%	2.1%	3.0%
	Gross Absorption	743,859	714,812	1,010,877	1,012,994	904,113
	Net Absorption	-80,852	97,593	274,963	138,059	-193,651
	New Construction	0	0	0	0	0
	Conversion	0	0	0	0	0
San Mateo County	Avg Rent (NNN)	\$0.75	\$0.72	\$0.75	\$0.88	\$0.98
	Available Sq.Ft.	3,752,088	3,593,355	2,017,881	1,588,535	1,336,496
	Vacancy	9.3%	8.9%	5.1%	4.0%	3.4%
	Gross Absorption	3,383,771	3,253,115	3,720,621	3,913,976	3,130,882
	Net Absorption	173,577	133,653	1,073,721	409,346	34,269
	New Construction	26,840	0	0	0	0
	Conversion	45,102	25,080	501,753	20,000	217,770
East Bay Oakland	Avg Rent (NNN)	\$0.39	\$0.43	\$0.44	\$0.53	\$0.63
	Available Sq.Ft.	13,197,969	12,543,737	8,959,658	5,941,765	3,076,694
	Vacancy	8.1%	7.8%	5.5%	3.6%	1.9%
	Gross Absorption	17,391,694	13,732,937	15,376,929	16,357,680	14,758,199
	Net Absorption	1,134,496	425,232	3,405,118	4,516,914	2,779,162
	New Construction	683,353	0	0	2,116,021	858,149
	Conversion	0	229,000	178,961	617,000	944,058
Santa Clara County	Avg Rent (NNN)	\$0.54	\$0.59	\$0.57	\$0.67	\$0.79
	Available Sq.Ft.	6,331,788	5,659,191	5,185,752	4,163,782	2,898,255
	Vacancy	7.4%	6.7%	6.1%	4.9%	3.4%
	Gross Absorption	6,284,515	6,946,054	6,309,177	7,333,761	6,140,576
	Net Absorption	307,847	-294,938	386,519	856,091	1,042,470
	New Construction	0	0	0	0	0
	Conversion	61,400	967,535	86,920	165,879	223,057
Total	Avg Rent (NNN)	\$0.50	\$0.53	\$0.53	\$0.65	\$0.79
	Available Sq.Ft.	24,259,586	22,670,231	16,762,276	12,155,008	7,966,022
	Vacancy	7.8%	7.4%	5.5%	3.9%	2.6%
	Gross Absorption	27,803,839	24,646,918	26,417,604	28,618,411	24,933,770
	Net Absorption	1,535,068	361,540	5,140,321	5,920,410	3,662,250
	New Construction	710,193	0	0	2,116,021	858,149
	Conversion	106,502	1,221,615	767,634	802,879	1,384,885

*Conversion is the reduction in building base over a given period of time due to reclassification or redevelopment.

Historical Absorption & New Construction Trend



Industrial Market Report

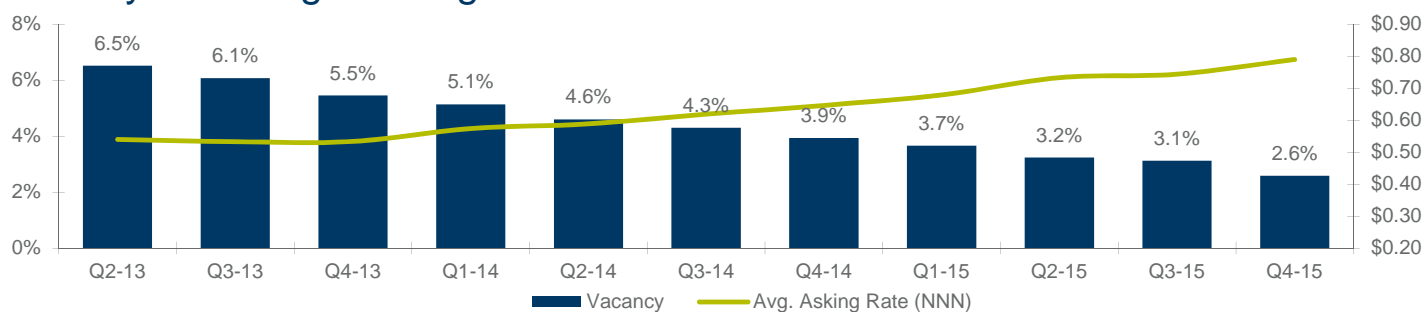
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Bay Area Totals

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Building Base					
Warehouse:	161,567,124	161,207,124	161,000,199	161,294,157	161,294,157
<u>Light Industrial:</u>	<u>147,291,598</u>	<u>147,291,598</u>	<u>147,227,808</u>	<u>147,054,808</u>	<u>147,037,829</u>
Total	308,858,722	308,498,722	308,228,007	308,348,965	308,331,986
Direct Availabilities					
Warehouse:	5,840,577	5,228,232	5,321,279	5,500,801	4,286,462
<u>Light Industrial:</u>	<u>5,116,904</u>	<u>4,879,637</u>	<u>3,728,100</u>	<u>3,372,988</u>	<u>3,066,247</u>
Total	10,957,481	10,107,869	9,049,379	8,873,789	7,352,709
Sublease Availabilities					
Warehouse:	837,784	801,945	596,424	596,758	393,209
<u>Light Industrial:</u>	<u>359,743</u>	<u>362,569</u>	<u>312,260</u>	<u>144,049</u>	<u>220,104</u>
Total	1,197,527	1,164,514	908,684	740,807	613,313
Total Availabilities					
Warehouse:	6,678,361	6,030,177	5,917,703	6,097,559	4,679,671
<u>Light Industrial:</u>	<u>5,476,647</u>	<u>5,242,206</u>	<u>4,040,360</u>	<u>3,517,037</u>	<u>3,286,351</u>
Total	12,155,008	11,272,383	9,958,063	9,614,596	7,966,022
Growth Rate (%)	0.5%	0.2%	0.3%	0.2%	0.5%
Vacancy					
Warehouse:	4.1%	3.7%	3.7%	3.8%	2.9%
<u>Light Industrial:</u>	<u>3.7%</u>	<u>3.6%</u>	<u>2.7%</u>	<u>2.4%</u>	<u>2.2%</u>
Total	3.9%	3.7%	3.2%	3.1%	2.6%
Gross Absorption					
Warehouse:	4,407,993	3,937,159	4,761,420	3,062,188	4,181,557
<u>Light Industrial:</u>	<u>2,155,872</u>	<u>2,019,515</u>	<u>3,233,822</u>	<u>2,384,466</u>	<u>1,353,643</u>
Total:	6,563,865	5,956,674	7,995,242	5,446,654	5,535,200
Net Absorption					
Warehouse:	974,657	288,184	-94,451	114,102	1,417,888
<u>Light Industrial:</u>	<u>547,082</u>	<u>234,441</u>	<u>1,138,056</u>	<u>350,323</u>	<u>213,707</u>
Total:	1,521,739	522,625	1,043,605	464,425	1,631,595
Build-To-Suit:	0	0	0	0	0
<u>Spec Construction:</u>	<u>507,313</u>	<u>0</u>	<u>346,421</u>	<u>511,728</u>	<u>0</u>
Total New Construction:	507,313	0	346,421	511,728	0
Asking Rate (NNN)					
Market Rent Range:	\$3.68-\$0.61	\$3.68-\$0.48	\$3.68-\$0.48	\$2.50-\$0.48	\$2.50-\$0.48
Average Warehouse:	\$0.63	\$0.66	\$0.72	\$0.72	\$0.75
Average Light Industrial:	<u>\$0.66</u>	<u>\$0.70</u>	<u>\$0.75</u>	<u>\$0.78</u>	<u>\$0.85</u>
Avg Asking Rate (NNN):	\$0.65	\$0.68	\$0.73	\$0.74	\$0.79
# of Availabilities by Size:					
100K SF +	20	18	19	19	15
50K SF - 99.9K SF	44	39	24	22	16
25K SF - 49.9K SF	69	73	65	67	50
10K SF - 24.9K SF	130	111	113	112	107
Total Availabilities:	257	241	221	220	188

Vacancy & Average Asking Rate Trend



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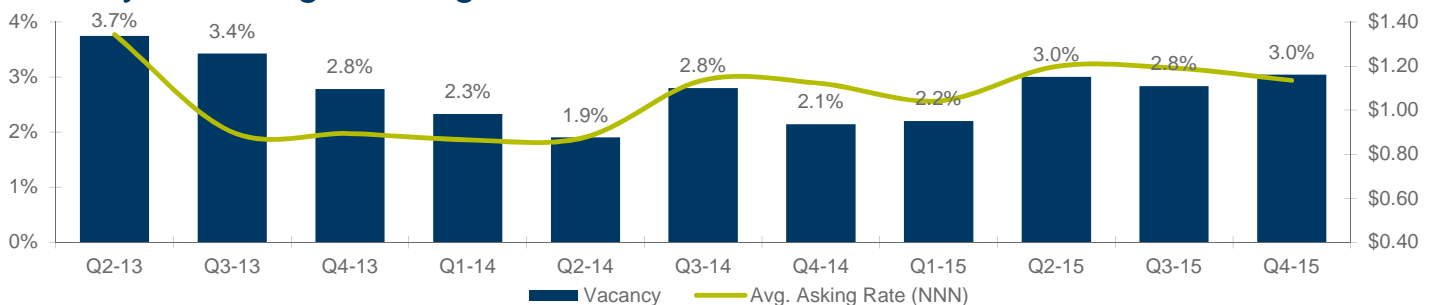
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San Francisco County

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Building Base					
Warehouse:	21,515,886	21,515,886	21,515,886	21,515,886	21,515,886
<u>Manufacturing:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	21,515,886	21,515,886	21,515,886	21,515,886	21,515,886
Direct Availabilities					
Warehouse:	451,246	444,380	585,158	571,047	615,407
<u>Manufacturing:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	451,246	444,380	585,158	571,047	615,407
Sublease Availabilities					
Warehouse:	9,680	28,770	61,040	39,170	39,170
<u>Manufacturing:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	9,680	28,770	61,040	39,170	39,170
Total Availabilities					
Warehouse:	460,926	473,150	646,198	610,217	654,577
<u>Manufacturing:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	460,926	473,150	646,198	610,217	654,577
Growth Rate (%)	0.7%	-0.1%	-0.8%	0.2%	-0.2%
Vacancy					
Warehouse:	2.1%	2.2%	3.0%	2.8%	3.0%
<u>Manufacturing:</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Total	2.1%	2.2%	3.0%	2.8%	3.0%
Gross Absorption					
Warehouse:	242,190	144,111	151,641	430,339	178,022
<u>Manufacturing:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total:	242,190	144,111	151,641	430,339	178,022
Net Absorption					
Warehouse:	141,095	-12,224	-173,048	35,981	-44,360
<u>Manufacturing:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total:	141,095	-12,224	-173,048	35,981	-44,360
Build-To-Suit:	0	0	0	0	0
<u>Spec Construction:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total New Construction:	0	0	0	0	0
Asking Rate (NNN)					
Market Rent Range:	\$0.35-\$2.49	\$0.35-\$2.49	\$0.35-\$2.49	\$0.35-\$2.49	\$0.35-\$2.50
Average Warehouse:	\$1.12	\$1.04	\$1.20	\$1.19	\$1.13
Average Manufacturing:	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Avg Asking Rate (NNN):	\$1.12	\$1.04	\$1.20	\$1.19	\$1.13
# of Availabilities by Size:					
100K SF +	0	0	0	0	0
50K SF - 99.9K SF	0	1	1	1	2
25K SF - 49.9K SF	2	2	4	4	4
10K SF - 24.9K SF	18	14	17	15	15
Total Availabilities:	14	17	22	20	21

Vacancy & Average Asking Rate Trend



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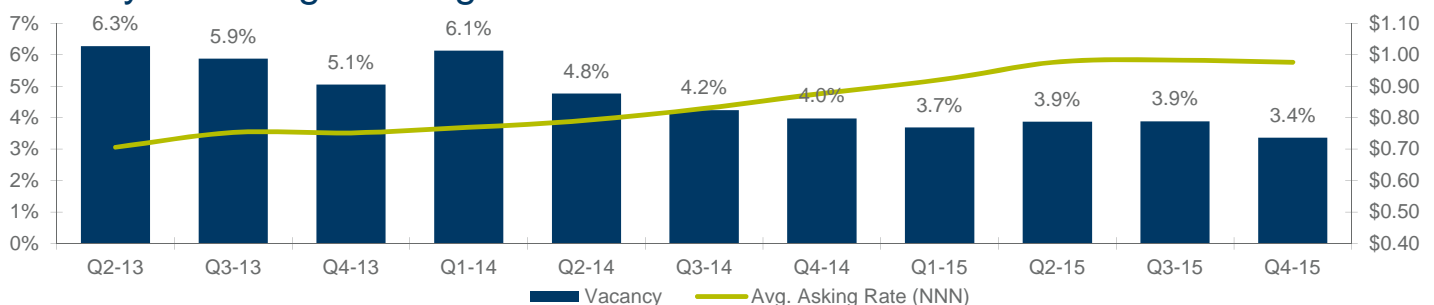
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San Mateo County

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Building Base					
Warehouse:	32,917,488	32,917,488	32,917,488	32,699,718	32,699,718
<u>Manufacturing:</u>	<u>7,009,465</u>	<u>7,009,465</u>	<u>7,009,465</u>	<u>7,009,465</u>	<u>7,009,465</u>
Total	39,926,953	39,926,953	39,926,953	39,709,183	39,709,183
Direct Availabilities					
Warehouse:	1,235,940	1,036,293	1,097,197	1,129,363	1,024,691
<u>Manufacturing:</u>	<u>194,641</u>	<u>204,250</u>	<u>174,598</u>	<u>195,361</u>	<u>197,179</u>
Total	1,430,581	1,240,543	1,271,795	1,324,724	1,221,870
Sublease Availabilities					
Warehouse:	143,954	208,567	271,310	218,025	114,626
<u>Manufacturing:</u>	<u>14,000</u>	<u>22,400</u>	<u>4,000</u>	<u>0</u>	<u>0</u>
Total	157,954	230,967	275,310	218,025	114,626
Total Availabilities					
Warehouse:	1,379,894	1,244,860	1,368,507	1,347,388	1,139,317
<u>Manufacturing:</u>	<u>208,641</u>	<u>226,650</u>	<u>178,598</u>	<u>195,361</u>	<u>197,179</u>
Total	1,588,535	1,471,510	1,547,105	1,542,749	1,336,496
Growth Rate (%)	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Vacancy					
Warehouse:	4.2%	3.8%	4.2%	4.1%	3.5%
<u>Manufacturing:</u>	<u>3.0%</u>	<u>3.2%</u>	<u>2.5%</u>	<u>2.8%</u>	<u>2.8%</u>
Total	4.0%	3.7%	3.9%	3.9%	3.4%
Gross Absorption					
Warehouse:	766,413	677,417	693,916	534,378	831,909
<u>Manufacturing:</u>	<u>104,805</u>	<u>59,971</u>	<u>180,496</u>	<u>80,837</u>	<u>71,958</u>
Total:	871,218	737,388	874,412	615,215	903,867
Net Absorption					
Warehouse:	101,810	135,034	-123,647	-196,651	208,071
<u>Manufacturing:</u>	<u>3,601</u>	<u>-18,009</u>	<u>48,052</u>	<u>-16,763</u>	<u>-1,818</u>
Total:	105,411	117,025	-75,595	-213,414	206,253
Build-To-Suit:	0	0	0	0	0
<u>Spec Construction:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total New Construction:	0	0	0	0	0
Asking Rate (NNN)					
Market Rent Range:	\$0.61-\$3.68	\$0.48-\$3.68	\$0.48-\$3.68	\$0.48-\$2.50	\$0.48-\$2.50
Average Warehouse:	\$0.83	\$0.88	\$0.93	\$0.93	\$0.93
Average Manufacturing:	<u>\$1.16</u>	<u>\$1.16</u>	<u>\$1.29</u>	<u>\$1.34</u>	<u>\$1.25</u>
Avg Asking Rate (NNN):	\$0.88	\$0.92	\$0.98	\$0.98	\$0.98
# of Availabilities by Size:					
100K SF +	2	1	1	1	2
50K SF - 99.9K SF	5	6	6	6	3
25K SF - 49.9K SF	9	10	13	13	9
10K SF - 24.9K SF	21	14	17	20	21
Total Availabilities:	37	31	37	40	35

Vacancy & Average Asking Rate Trend



Industrial Market Report

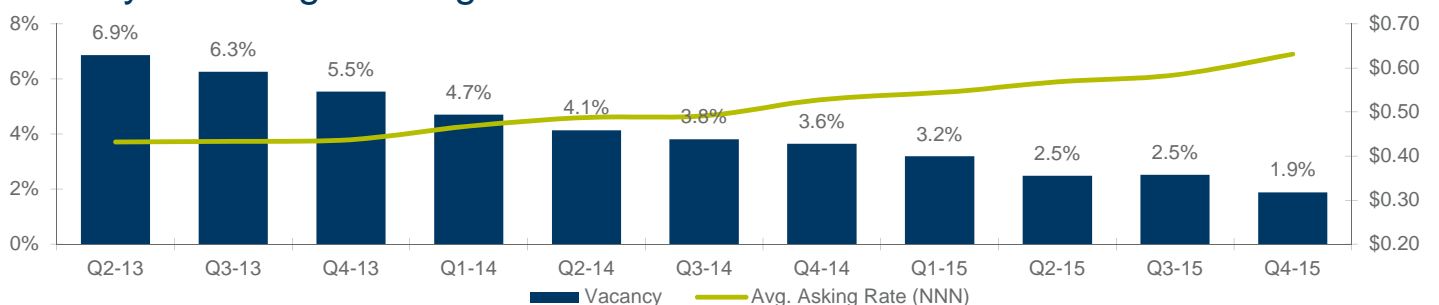
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East Bay Oakland

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Building Base					
Warehouse:	76,023,470	75,663,470	75,615,812	76,127,540	76,127,540
<u>Manufacturing:</u>	<u>87,122,840</u>	<u>87,122,840</u>	<u>87,122,840</u>	<u>86,949,840</u>	<u>86,932,861</u>
Total	163,146,310	162,786,310	162,738,652	163,077,380	163,060,401
Direct Availabilities					
Warehouse:	2,413,050	1,828,009	1,801,037	2,108,800	1,316,535
<u>Manufacturing:</u>	<u>2,578,865</u>	<u>2,514,289</u>	<u>1,871,694</u>	<u>1,677,067</u>	<u>1,508,337</u>
Total	4,991,915	4,342,298	3,672,731	3,785,867	2,824,872
Sublease Availabilities					
Warehouse:	644,978	539,506	113,797	213,701	119,413
<u>Manufacturing:</u>	<u>304,872</u>	<u>310,524</u>	<u>259,092</u>	<u>108,258</u>	<u>132,409</u>
Total	949,850	850,030	372,889	321,959	251,822
Total Availabilities					
Warehouse:	3,058,028	2,367,515	1,914,834	2,322,501	1,435,948
<u>Manufacturing:</u>	<u>2,883,737</u>	<u>2,824,813</u>	<u>2,130,786</u>	<u>1,785,325</u>	<u>1,640,746</u>
Total	5,941,765	5,192,328	4,045,620	4,107,826	3,076,694
Growth Rate (%)	0.5%	0.2%	0.7%	0.2%	0.6%
Vacancy					
Warehouse:	4.0%	3.1%	2.5%	3.1%	1.9%
<u>Manufacturing:</u>	<u>3.3%</u>	<u>3.2%</u>	<u>2.4%</u>	<u>2.1%</u>	<u>1.9%</u>
Total	3.6%	3.2%	2.5%	2.5%	1.9%
Gross Absorption					
Warehouse:	2,142,774	2,670,341	3,107,800	1,461,537	2,481,969
<u>Manufacturing:</u>	<u>1,157,074</u>	<u>962,310</u>	<u>1,820,077</u>	<u>1,597,525</u>	<u>656,640</u>
Total:	3,299,848	3,632,651	4,927,877	3,059,062	3,138,609
Net Absorption					
Warehouse:	346,036	330,513	405,023	104,061	886,553
<u>Manufacturing:</u>	<u>416,947</u>	<u>58,924</u>	<u>694,027</u>	<u>172,461</u>	<u>127,600</u>
Total:	762,983	389,437	1,099,050	276,522	1,014,153
Build-To-Suit:	0	0	0	0	0
<u>Spec Construction:</u>	<u>507,313</u>	<u>0</u>	<u>346,421</u>	<u>511,728</u>	<u>0</u>
Total New Construction:	507,313	0	346,421	511,728	0
Asking Rate (NNN)					
Market Rent Range:	\$0.16-\$0.78	\$0.16-\$0.78	\$0.23-\$0.78	\$0.22-\$0.78	\$0.22-\$0.78
Average Warehouse:	\$0.50	\$0.51	\$0.53	\$0.56	\$0.56
Average Manufacturing:	<u>\$0.56</u>	<u>\$0.57</u>	<u>\$0.60</u>	<u>\$0.61</u>	<u>\$0.69</u>
Avg Asking Rate (NNN):	\$0.53	\$0.54	\$0.57	\$0.58	\$0.63
# of Availabilities by Size:					
100K SF +	11	9	8	8	4
50K SF - 99.9K SF	21	16	9	8	9
25K SF - 49.9K SF	36	35	29	36	26
10K SF - 24.9K SF	54	49	47	48	35
Total Availabilities:	122	109	93	100	74

Vacancy & Average Asking Rate Trend



Industrial Market Report

Bay Area • Fourth Quarter 2015



Santa Clara County

Quarter	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015
Building Base					
Warehouse:	31,110,280	31,110,280	30,951,013	30,951,013	30,951,013
<u>Manufacturing:</u>	<u>53,159,293</u>	<u>53,159,293</u>	<u>53,095,503</u>	<u>53,095,503</u>	<u>53,095,503</u>
Total	84,269,573	84,269,573	84,046,516	84,046,516	84,046,516
Direct Availabilities					
Warehouse:	1,740,341	1,919,550	1,837,887	1,691,591	1,329,829
<u>Manufacturing:</u>	<u>2,343,398</u>	<u>2,161,098</u>	<u>1,681,808</u>	<u>1,500,560</u>	<u>1,360,731</u>
Total	4,083,739	4,080,648	3,519,695	3,192,151	2,690,560
Sublease Availabilities					
Warehouse:	39,172	25,102	150,277	125,862	120,000
<u>Manufacturing:</u>	<u>40,871</u>	<u>29,645</u>	<u>49,168</u>	<u>35,791</u>	<u>87,695</u>
Total	80,043	54,747	199,445	161,653	207,695
Total Availabilities					
Warehouse:	1,779,513	1,944,652	1,988,164	1,817,453	1,449,829
<u>Manufacturing:</u>	<u>2,384,269</u>	<u>2,190,743</u>	<u>1,730,976</u>	<u>1,536,351</u>	<u>1,448,426</u>
Total	4,163,782	4,135,395	3,719,140	3,353,804	2,898,255
Growth Rate (%)	0.6%	0.0%	0.2%	0.4%	0.5%
Vacancy					
Warehouse:	5.7%	6.3%	6.4%	5.9%	4.7%
<u>Manufacturing:</u>	<u>4.5%</u>	<u>4.1%</u>	<u>3.3%</u>	<u>2.9%</u>	<u>2.7%</u>
Total	4.9%	4.9%	4.4%	4.0%	3.4%
Gross Absorption					
Warehouse:	1,256,616	445,290	808,063	635,934	689,657
<u>Manufacturing:</u>	<u>893,993</u>	<u>997,234</u>	<u>1,233,249</u>	<u>706,104</u>	<u>625,045</u>
Total:	2,150,609	1,442,524	2,041,312	1,342,038	1,314,702
Net Absorption					
Warehouse:	385,716	-165,139	-202,779	170,711	367,624
<u>Manufacturing:</u>	<u>126,534</u>	<u>193,526</u>	<u>395,977</u>	<u>194,625</u>	<u>87,925</u>
Total:	512,250	28,387	193,198	365,336	455,549
Build-To-Suit:	0	0	0	0	0
<u>Spec Construction:</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total New Construction:	0	0	0	0	0
Asking Rate (NNN)					
Market Rent Range:	\$0.10-\$2.25	\$0.20-\$2.75	\$0.20-\$2.25	\$0.20-\$2.35	\$0.23-\$2.35
Average Warehouse:	\$0.58	\$0.61	\$0.60	\$0.61	\$0.61
Average Manufacturing:	<u>\$0.74</u>	<u>\$0.82</u>	<u>\$0.88</u>	<u>\$0.92</u>	<u>\$0.98</u>
Avg Asking Rate (NNN):	\$0.67	\$0.72	\$0.73	\$0.75	\$0.79
# of Availabilities by Size:					
100K SF +	7	8	10	10	9
50K SF - 99.9K SF	18	16	8	7	2
25K SF - 49.9K SF	22	26	19	14	11
10K SF - 24.9K SF	37	34	32	29	36
Total Availabilities:	84	84	69	60	58

Vacancy & Average Asking Rate Trend

