

NORTH I-680 3Q17 INDUSTRIAL MARKET

Contra Costa County

Contra Costa County posted 106,574 square feet of net absorption during the third quarter of 2017, bringing year-to-date net absorption to positive 220,790 square feet. As the market continues to tighten, the overall availability rate for Contra Costa County industrial product sits at 5.58%, with a majority of the available space deriving from 900 East Third Street in Pittsburg (357,000 square feet). This is a slight decrease from the prior quarter, when the availability rate was 6.1%. Pleasant Hill, a stagnant market in previous quarters, saw its availability rate drop from 6.56% to 0.69% during the third quarter.

The largest lease transaction in Contra Costa County during the third quarter was StonCor Group's leasing of 34,200 square feet at 2240 Wilbur lane in Antioch. In Pleasant Hill, Jova Beauty leased 12,170 square feet at 2495 Estand Way. As usual, a barrage of smaller deals (less than 5,000 square feet) were signed this quarter. Many of these deals included spaces that came onto the market and were snatched up within the quarter. Demand for these smaller units remains robust and heavily outweighs the market's supply.

It was a very active quarter for Contra Costa County in terms of sales activity. Westcore Properties purchased the Antioch Distribution Center on Wilbur Lane, a 665,775-square-foot multi-tenant warehouse project. All buildings were 100% leased at the time of sale. In north Concord, MKD Investments acquired five buildings that were previously part of the Garaventa portfolio from Birtcher Anderson, totaling 92,327 square feet. Also in Concord, 4030 Pike Lane was purchased by Dennis and Debra Reid for \$188/SF.

The concrete walls are officially tilted at Gonsalvez and Santucci Inc.'s 56,154-square-foot building at 5129 Commercial Circle in north Concord. The building continues to garner interest from full and partial building users. Expect a deal to land before the completion of the project. The 225,950-square-foot Concord Logistics Center on Evora Road is still finalizing its planning stages. The developer hopes to start construction in the early months of 2018.

Solano County

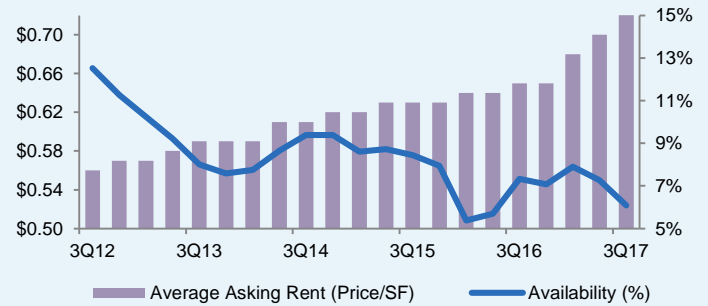
Solano County experienced 125,438 square feet of positive net absorption during the third quarter and has a current availability rate of 6.09%. This is a decrease from last quarter's availability rate of 6.38%. Year-to-date net absorption for Solano County is now a whopping 1,045,306 square feet.

As for notable lease transactions, Wright Brothers Supply renewed 25,440 square feet on Industrial Way, and ACC snatched up 13,250 square feet at 4650 East 2nd Street.

The Benicia market is extremely supply constrained right now, with only five spaces totaling 152,081 square feet, 133,245 square feet of which is located in a single block at 4355 Industrial Way. This is the tightest we have ever seen this southern Solano market and we expect the rent increases in 2018 to be dramatic, considering the lack of developable land in this market.

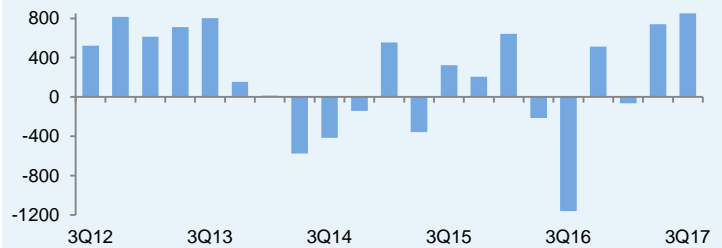
Current Conditions

Asking Rent and Availability



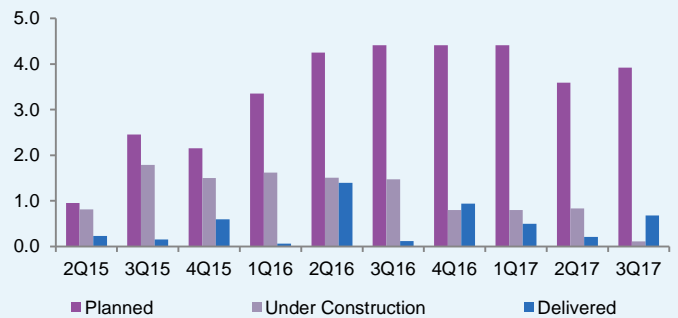
Net Absorption

Square Feet, Thousands



New Construction Pipeline

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (SF)	61.4M	60.3M	59.8M	↑
Availability Rate	5.64%	6.8%	6.9%	↓
Qtr Net Absorption (SF)	876K	741K	-1.16M	↑
Dir. Avg. NNN Ask Rent	\$0.74	\$0.70	\$0.59	↑
Under Construction (SF)	254K	836K	1.9M	↑
Planned Construction (SF)	3.9M	3.6M	3.6M	↔

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Vacaville experienced the largest sale transaction of the quarter when LDK Capital and PCCP formed a joint venture to acquire 700 Crocker Drive and the adjacent land to the property. They are rumored to be in discussion with multiple prospective tenants for the vacant 843,248-square-foot warehouse, formerly a Save Mart Supermarkets dry grocery warehouse.

Up the street at 300 Crocker Drive, Amazon began the hiring process for its 300,000-square-foot sortation center. Also in Vacaville, Seeno Homes purchased 1051 Aldridge Road, a fully occupied 63,000-square-foot warehouse. In Benicia, Tulloch Corporation acquired 4901-4999 Industrial Way, a 240,000-square-foot warehouse that is also fully leased. Solano County currently has approximately 350,000 square feet planned and another 197,799 square feet under construction.

Napa County

Napa County ended the third quarter of 2017 with 643,714 square feet of positive net absorption, leveling out to post positive 289,512 square feet year-to-date. The availability rate for Napa County dropped from 8.8% to

4.78%. American Canyon's availability rate dropped from 13.43% to 4.48%. After a negative first half of the year, Napa County bounced back in a big way during the third quarter, largely because of the Ikea deal in American Canyon. The Swedish furniture design company and retail powerhouse agreed to lease 646,000 square feet at the newly constructed Napa Logistics Park. It intends to use the site as a customer service fulfillment center.

The third quarter saw Wine Direct complete its 268,000-square-foot high-tech wine fulfillment center. However, there is still quite a bit of product in the pipeline in Napa County. This includes American Canyon's Napa Logistics Park, which has over 2.2 million square feet planned, and the Napa Airport Corporate Center, which has over 550,000 square feet planned with another 90,799 square feet under construction. In addition, 388,000 square feet of warehouse space is planned for Napa Commerce Center, and Oates Investments is planning a 116,000-square-foot warehouse.

Select Lease/Owner User Transactions

Tenant	Building	Use	Submarket	Type	Square Feet
IKEA	1 Middleton Way	Warehouse	American Canyon	Direct	646,000
StoneCor Group	2240 Wilbur Lane	Warehouse	Antioch	Direct	34,200
Wright Brothers Supply	3701 Industrial Way	Warehouse	Benicia	Renewal	25,440
ACC	4650 E 2nd Street	Warehouse	Benicia	Direct	13,250
Jova Beauty	2495 Estand Way	Light Industrial	Pleasant Hill	Direct	12,170
Dennis and Debra Reid (Buyer)	4030 Pike Lane	Light Industrial	Concord	Owner/User Sale	14,400

Select Investment Sales Transactions

Buyer	Building	Submarket	Use	Sale Price	Price/SF	Square Feet
LDK Capital & PCCP	700 Crocker Drive	Vacaville	Warehouse	\$31,000,000.00	\$36.76	843,248
Westcore Properties	2100-2300 Wilbur Lane	Antioch	Warehouse	\$32,400,000.00	\$48.67	665,775
Tulloch Corporation	4901-4999 Industrial Way	Benicia	Warehouse	\$21,600,000.00	\$90.00	240,000
MKD Investments, LP	5 Building North Concord Portfolio	Concord	Light Industrial	\$14,175,000.00	\$153.53	92,327
Seeno Homes	1051 Aldridge Road	Vacaville	Warehouse	\$4,275,000.00	\$67.86	63,000
Noor Mirviece	4949 Fulton Drive	Fairfield	Light Industrial	\$2,350,000.00	\$94.00	25,000

New Construction

Project	Address	Submarket	Use	Status	Square Feet
Napa Logistics Park	Devlin Road (2 buildings)	American Canyon	Warehouse	Planned	2,254,000
Napa Airport Corporate Center	Airport Road & S Kelly Road	Napa	Warehouse	Planned	550,783
Napa Commerce Center	Devlin Road & Airport Blvd	Napa	Warehouse	Planned	388,000
Guittard Chocolate Company	785 Chadbourne Road	Fairfield	Warehouse	Planned	290,000
Concord Logistics Center	Evora Road & Willow Pass Road	Concord	Warehouse	Planned	225,950
Metropolitan Van & Storage	South Watney Way	Fairfield	Warehouse	U/C	197,799
Oates Investments Project	Green Island Road	American Canyon	Warehouse	Planned	116,000
Innova Fairfield Project	2705 Maxwell Way	Fairfield	Warehouse	Planned	61,739
Gonsalves & Santucci	5129 Commercial Circle	Concord	Warehouse	U/C	56,154
Busch Corporate Park	2825 Cordelia Road	Fairfield	Warehouse	Planned	37,853

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Submarket Statistics

	Total Inventory (RSF)	Total Availability* (RSF)	Sublease Availability* (RSF)	Total Availability Rate	Sublease Availability Rate	Qtr Net Absorption (RSF)	YTD Net Absorption (RSF)	Direct NNN Asking Rent (Price/RSF)
Contra Costa County	16,893,900	943,226	0	5.58%	0.00%	106,574	220,790	\$0.86
Antioch	3,126,700	50,022	0	1.60%	0.00%	48,181	35,156	\$0.96
R&D	71,460	0	0	0.00%	0.00%	1,665	1,665	-
Industrial	1,813,370	50,022	0	2.76%	0.00%	1,316	7,491	\$0.96
Warehouse	1,241,870	0	0	0.00%	0.00%	45,200	26,000	-
Pittsburg	4,060,632	680,734	0	16.76%	0.00%	36,898	48,937	\$0.61
R&D	24,500	11,911	0	48.62%	0.00%	0	0	\$0.60
Industrial	2,881,105	91,075	0	3.16%	0.00%	-38,971	-26,932	\$0.71
Warehouse	1,155,027	577,748	0	50.02%	0.00%	75,869	75,869	\$0.55
Concord	6,789,211	104,396	0	1.54%	0.00%	-3,719	98,592	\$0.93
R&D	559,598	0	0	0.00%	0.00%	4,140	27,025	\$0.00
Industrial	5,598,541	104,396	0	1.86%	0.00%	-7,859	51,437	\$0.93
Warehouse	631,072	0	0	0.00%	0.00%	0	20,130	-
Martinez/Pacheco	2,582,561	105,775	0	4.10%	0.00%	3,792	7,217	\$1.16
R&D	318,341	92,626	0	29.10%	0.00%	0	0	\$1.18
Industrial	1,858,311	13,149	0	0.71%	0.00%	3,792	7,217	\$0.92
Warehouse	405,909	0	0	0.00%	0.00%	0	0	-
Pleasant Hill	334,796	2,299	0	0.69%	0.00%	21,422	30,888	\$1.85
R&D	9,466	0	0	0.00%	0.00%	0	9,466	-
Industrial	325,330	2,299	0	0.71%	0.00%	21,422	21,422	\$1.85
Warehouse	0	0	0	0.00%	0.00%	0	0	-
Solano County	29,899,278	1,821,970	157,851	6.09%	0.53%	125,438	1,042,906	\$0.58
Benicia	7,710,895	154,681	0	2.01%	0.00%	47,179	293,643	\$0.52
R&D	138,876	0	0	0.00%	0.00%	0	0	-
Industrial	2,432,767	21,436	0	0.88%	0.00%	556	28,778	\$0.65
Warehouse	5,139,252	133,245	0	2.59%	0.00%	46,623	264,865	\$0.50
Fairfield	15,248,856	687,117	128,248	4.51%	0.84%	-4,194	352,659	\$0.59
R&D	1,419,651	122,274	0	8.61%	0.00%	7,266	24,018	\$1.14
Industrial	1,551,681	132,313	23,786	8.53%	1.53%	-12,011	-2,687	\$0.53
Warehouse	12,277,524	432,530	104,462	3.52%	0.85%	551	331,328	\$0.50
Vacaville	6,939,527	980,172	29,603	14.12%	0.43%	82,453	396,604	\$0.78
R&D	313,865	46,884	14,448	14.94%	4.60%	-8,956	5,705	\$0.74
Industrial	614,413	25,713	0	4.18%	0.00%	-13,591	-11,941	\$0.79
Warehouse	6,011,249	907,575	15,155	15.10%	0.25%	105,000	402,840	\$0.50
Napa County	14,620,247	698,641	66,625	4.78%	0.46%	643,714	289,512	\$0.82
American Canyon	7,327,663	328,534	7,500	4.48%	0.10%	662,750	364,486	\$0.62
R&D	0	0	0	0.00%	0.00%	0	0	-
Industrial	1,537,978	71,526	0	4.65%	0.00%	16,750	-32,006	\$0.75
Warehouse	5,789,685	257,008	7,500	4.44%	0.13%	646,000	396,492	\$0.58
Napa	7,292,584	370,107	59,125	5.08%	0.81%	-19,036	-74,974	\$1.24
R&D	1,435,649	71,012	36,819	4.95%	2.56%	45,550	9,259	\$1.31
Industrial	2,952,190	126,817	3196	4.30%	0.11%	-39,418	-39,955	\$1.04
Warehouse	2,904,745	172,278	19,110	5.93%	0.66%	-25,168	-44,278	\$1.50
NORTH I-680	61,413,425	3,463,837	224,476	5.64%	0.37%	875,726	1,553,208	\$0.74
R&D	4,291,406	344,707	51,267	8.03%	1.19%	49,665	77,138	\$1.15
Industrial	21,565,686	638,746	26,982	2.96%	0.13%	-68,014	2,824	\$0.80
Warehouse	35,556,333	2,480,384	146,227	6.98%	0.41%	894,075	1,473,246	\$0.60

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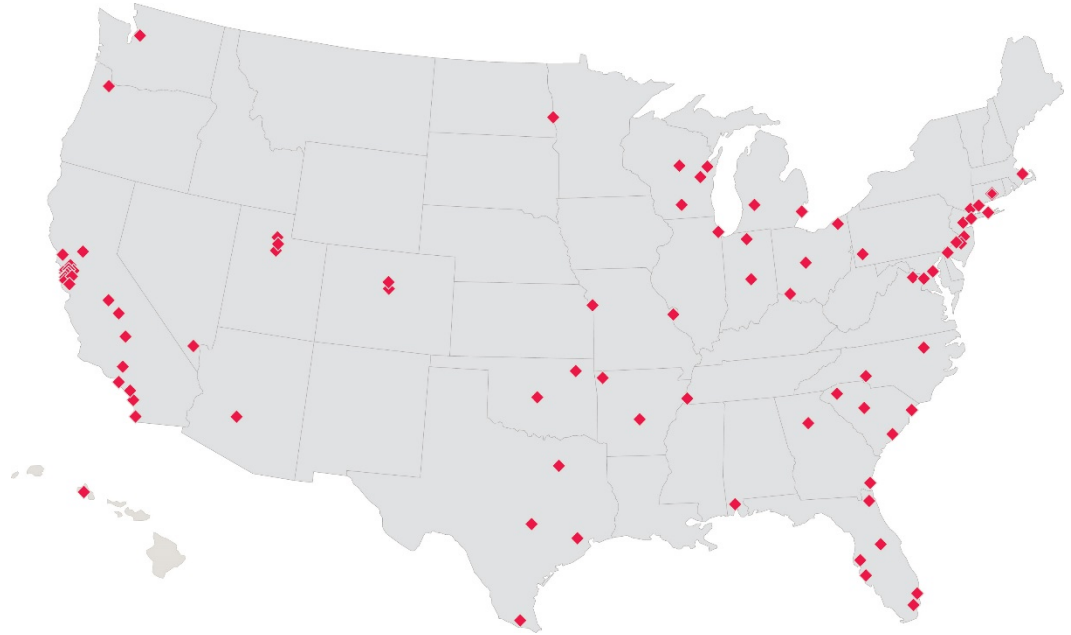
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