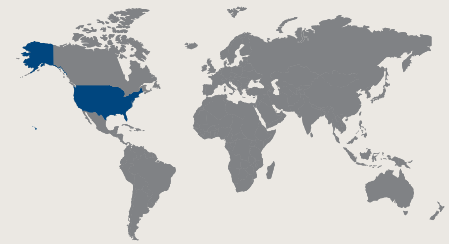


Market Research

OFFICE | FIRST QUARTER | 2010



MARKET INDICATORS

	1Q 2010	2Q 2010*
VACANCY	↑	↔
NET ABSORPTION	↓	↔
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↔

* PROJECTED

Oakland Metro Area • Office Overview

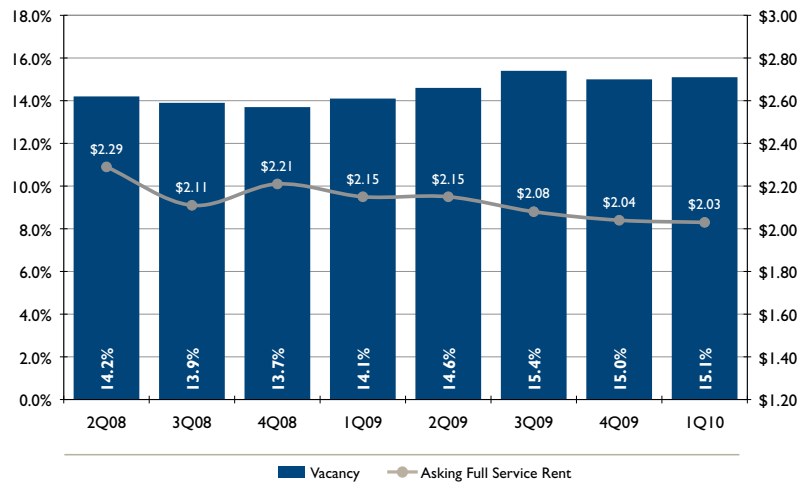
The tone of the Oakland Metropolitan office market during the first quarter of 2010 was much the same as 2009. Leasing activity was slightly higher than the previous quarter, 202,994 square feet (sq.ft.) versus 174,575 sq.ft., a 16.3% increase, and slightly higher than the same period in 2009 (189,242 sq.ft.), a 7.3% increase. The market, however, posted 41,727 sq.ft. of negative net absorption for the first three months of the year. The encouraging news is that the negative absorption trend line seems to be shifting. We believe much, if not all, of the space expected to come back to the market is already reflected in our numbers, and based upon current tenant demand, we might even see positive absorption of space as early as the second quarter of the year.

While tenant demand for the past fifteen months has been internally driven, most of which has been existing tenants extending leases, there have been a couple of bright spots with respect to job creation and growth. Not surprisingly these jobs are coming primarily from green technology and alternative energy related firms. Of note, Sungevity signed a lease with Ellis Partners for 19,000 square feet of space in Jack London Square and Rumsey Engineers (a mechanical engineering firm specializing in “green” systems and design) leased 17,000 square feet in Downtown Oakland. Also of note, Gracenote, a division of Sony, expanded in Watergate in Emeryville and leased an additional floor at 2000 Powell Street, for a total of 47,957 sq.ft.

Overall vacancy rate for all products in all submarkets was flat for the quarter, closing the period at 15.1%. The largest increase appeared in the Emeryville class A submarket where the rate increased from 15.4% to 17.7%. The bright spot in the region was Downtown Oakland’s class A submarket.

VACANCY VS. RENTAL RATE

Oakland Metro Area All Classes
Overall Vacancy vs. Asking Full Service Rental Rates





The vacancy rate at the end of the quarter was 9.5%, and although this is a half percentage point increase from the previous quarter, a sub 10% rate is notable in this economy.

Weighted average asking rates for all products and all submarkets were \$2.06 Full Service (FS) per square foot per month (psf/mo), 3.7% lower when compared to year-end 2009 and 12.3% lower when compared to year-end 2008. We believe rents have bottomed out and will remain flat in the near term. We expect to see upward pressure on rates as early as the third quarter of the year as the economy continues to improve and tenant demand picks up.

US Bank finally foreclosed on and has taken possession of three buildings at Watergate, formerly owned by Hines. The buildings total

813,000 sq.ft. The new owner has indicated it will hold and stabilize the assets. This will have a positive impact on the market as the uncertainty created by Hines' default greatly influenced the overall perception of the Emeryville market. Further, Berkeley Crossing, located on 4th Street, is on the market for sale in anticipation of the pending lease expiration of Discovery Channel Toys later this year. No price has been set, but we expect to see a high level of interest as there seems to be sufficient capital patiently waiting for the right opportunities to hit the market.

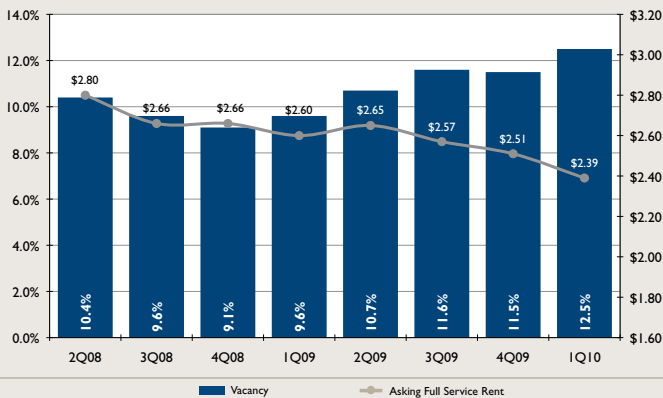
MARKET ACTIVITY
SIGNIFICANT FIRST QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	MONTH/YEAR	SQUARE FEET	TENANT	TYPE
2000 Powell Street, Emeryville	1/2010	47,957	Gracenote	Office
66 Franklin Street, Oakland	1/2010	19,326	Sungevity	Office
427-35 13th Street, Oakland	3/2010	17,174	Rumsey Engineers	Office
505 14th Street, Oakland	2/2010	14,089	Devry Institute	Office

OFFICE MARKET VACANCY VS. ASKING FULL SERVICE RENTAL RATES
CLASS A, CLASS B&C

Oakland Metro Area Class A Market
Vacancy vs. Asking Full Service Rental Rates



Oakland Metro Area Class B/C Market
Vacancy vs. Asking Full Service Rental Rates



OFFICE MARKET STATISTICS

FIRST QUARTER 2010

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION			CONSTRUCTION		RENT
CLASS	BLDGS	TOTAL INVENTORY SQUARE FEET	SQUARE FEET	RATE	SQUARE FEET	RATE	SQUARE FEET	RATE CURRENT QUARTER	RATE PRIOR QUARTER	OCCUPIED SF CURRENT QUARTER	CURRENT QUARTER	YEAR TO DATE	COMPLETED CURRENT QUARTER	UNDER CONSTR.	AVERAGE ASKING FULL SERVICE
SUBMARKETS															
CBD SECTION															
OAKLAND DT															
A	29	9,842,645	751,281	7.6%	185,147	1.9%	936,428	9.5%	9.0%	8,906,217	(51,921)	(51,921)	-	-	\$2.50
B/C & Flex	114	5,407,729	904,555	16.7%	35,647	0.7%	940,202	17.4%	17.5%	4,467,527	4,368	4,368	-	-	\$1.95
Total	143	15,250,374	1,655,836	10.9%	220,794	1.4%	1,876,630	12.3%	12.0%	13,373,744	(47,553)	(47,553)	-	-	\$2.22
OAKLAND JACK LONDON SQUARE															
A	4	355,600	123,283	34.7%	-	0.0%	123,283	34.7%	34.7%	232,317	-	-	-	-	\$2.95
B/C & Flex	41	1,416,649	195,640	13.8%	8,144	0.6%	203,784	14.4%	14.7%	1,212,865	3,896	3,896	-	62,000	\$1.56
Total	45	1,772,249	318,923	18.0%	8,144	0.5%	327,067	18.5%	18.7%	1,445,182	3,896	3,896	-	62,000	\$2.08
CBD TOTAL															
A	33	10,198,245	874,564	8.6%	185,147	1.8%	1,059,711	10.4%	9.9%	9,138,534	(51,921)	(51,921)	-	-	\$2.55
B/C & Flex	155	6,824,378	1,100,195	16.1%	43,791	0.6%	1,143,986	16.8%	16.9%	5,680,392	8,264	8,264	-	62,000	\$1.88
Total	188	17,022,623	1,974,759	11.6%	228,938	1.3%	2,203,697	12.9%	12.7%	14,818,926	(43,657)	(43,657)	-	62,000	\$2.20
SUBURBAN SECTION															
RICHMOND															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	97	3,436,753	389,247	11.3%	12,257	0.4%	401,504	11.7%	12.1%	3,035,249	15,851	15,851	-	-	\$1.51
Total	97	3,436,753	389,247	11.3%	12,257	0.4%	401,504	11.7%	12.1%	3,035,249	15,851	15,851	-	-	\$1.51
BERKELEY DT															
A	9	558,882	71,166	12.7%	4,853	0.9%	76,019	13.6%	13.7%	482,863	514	514	-	-	\$2.56
B/C & Flex	28	974,473	187,532	19.2%	-	0.0%	187,532	19.2%	16.1%	786,941	(30,450)	(30,450)	-	-	\$2.16
Total	37	1,533,355	258,698	16.9%	4,853	0.3%	263,551	17.2%	15.2%	1,269,804	(29,936)	(29,936)	-	-	\$2.28
BERKELEY WEST															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	40	1,454,998	183,776	12.6%	20,983	1.4%	204,759	14.1%	14.7%	1,250,239	8,679	8,679	-	-	\$2.14
Total	40	1,454,998	183,776	12.6%	20,983	1.4%	204,759	14.1%	14.7%	1,250,239	8,679	8,679	-	-	\$2.14
EMERYVILLE															
A	14	2,569,348	286,194	11.1%	169,396	6.6%	455,590	17.7%	15.4%	2,113,758	(60,459)	(60,459)	-	-	\$2.19
B/C & Flex	44	1,683,088	214,251	12.7%	11,693	0.7%	225,944	13.4%	13.7%	1,457,144	4,366	4,366	-	-	\$1.76
Total	58	4,252,436	500,445	11.8%	181,089	4.3%	681,534	16.0%	14.7%	3,570,902	(56,093)	(56,093)	-	-	\$2.05
ALAMEDA - MARINA VILLAGE															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	55	1,671,320	416,003	24.9%	60,581	3.6%	476,584	28.5%	33.5%	1,194,736	83,935	83,935	-	-	\$1.92
Total	55	1,671,320	416,003	24.9%	60,581	3.6%	476,584	28.5%	33.5%	1,194,736	83,935	83,935	-	-	\$1.92
ALAMEDA - HARBOR BAY															
A	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	N/A
B/C & Flex	28	1,684,784	314,282	18.7%	25,592	1.5%	339,874	20.2%	19.1%	1,344,910	(18,858)	(18,858)	-	-	\$1.74
Total	28	1,684,784	314,282	18.7%	25,592	1.5%	339,874	20.2%	19.1%	1,344,910	(18,858)	(18,858)	-	-	\$1.74
OAKLAND AIRPORT															
A	3	453,697	123,378	27.2%	5,320	1.2%	128,698	28.4%	24.5%	324,999	(17,501)	(17,501)	-	-	\$1.67
B/C & Flex	32	1,389,507	264,008	19.0%	8,343	0.6%	272,351	19.6%	20.7%	1,117,156	15,853	15,853	-	-	\$1.43
Total	35	1,843,204	387,386	21.0%	13,663	0.7%	401,049	21.8%	21.7%	1,442,155	(1,648)	(1,648)	-	-	\$1.51
SUBURBAN TOTAL															
A	26	3,581,927	480,738	13.4%	179,569	5.0%	660,307	18.4%	16.3%	2,921,620	(77,446)	(77,446)	-	-	\$2.14
B/C & Flex	324	12,294,923	1,969,099	16.0%	139,449	1.1%	2,108,548	17.1%	17.8%	10,186,375	79,376	79,376	-	-	\$1.81
Total	350	15,876,850	2,449,837	15.4%	319,018	2.0%	2,768,855	17.4%	17.5%	13,107,995	1,930	1,930	-	-	\$1.89
MARKET TOTAL															
A	59	13,780,172	1,355,302	9.8%	364,716	2.6%	1,720,018	12.5%	11.5%	12,060,154	(129,367)	(129,367)	-	-	\$2.39
B/C & Flex	479	19,119,301	3,069,294	16.1%	183,240	1.0%	3,252,534	17.0%	17.5%	15,866,767	87,640	87,640	-	62,000	\$1.83
Total	538	32,899,473	4,424,596	13.4%	547,956	1.7%	4,972,552	15.1%	15.0%	27,926,921	(41,727)	(41,727)	-	62,000	\$2.03
QUARTERLY COMPARISON AND TOTALS															
Q1-10	538	32,899,473	4,424,596	13.4%	547,956	1.7%	4,972,552	15.1%	15.0%	27,926,921	(41,727)	(41,727)	-	62,000	\$2.03
Q4-09	538	32,899,473	4,373,223	13.3%	557,602	1.7%	4,930,825	15.0%	15.4%	27,968,648	143,478	(599,944)	-	62,000	\$2.04
Q3-09	538	32,899,473	4,474,620	13.6%	599,683	1.8%	5,074,303	15.4%	14.4%	27,825,170	(263,063)	(743,422)	-	62,000	\$2.08
Q2-09	538	32,899,473	4,312,860	13.1%	498,380	1.5%	4,811,240	14.4%	13.9%	28,088,233	(102,483)	(370,359)	110,000	62,000	\$2.15
Q1-09	537	32,543,873	4,128,136	12.7%	407,338	1.3%	4,535,474	13.9%	13.7%	28,008,399	(107,421)	(107,421)	-	172,000	\$2.15
Q4-08	537	32,789,473	4,076,194	12.4%	420,714	1.3%	4,496,908	13.7%	13.9%	28,292,565	15,266	55,098	-	172,000	\$2.21

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\$48.1 billion in annual transaction
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