

OAKLAND | CALIFORNIA RESEARCH & FORECAST REPORT



Office Market Review

Downtown Oakland continues to lead the market with respect to tenant demand and rental rate pressure. While much of this activity can be attributed to the optimism that is prevalent throughout the market, “deal” activity is starting to support the trend. Year-to-date absorption in the Oakland Metro Market was over 635,000 square feet with the Airport submarket leading the way after the County of Alameda paid just over \$32 million for Arena Center (formerly the Zhone campus). The County bought the property from LBA who acquired the campus several years ago for just over \$11 million dollars. While not clear exactly who will be moving into the campus the impact to available space is significant as 279,000 square feet of space was removed from the available inventory. Rents in the region are up over 8 percent since the end of 2013, and we project rent growth to continue at this pace into the next several quarters.

On the investment front, LBA began marketing the Towers in Emeryville (formerly Watergate) and rumor has it the 815,000 square foot three building complex will close prior to year end for over \$300 per square foot. LBA successfully repositioned the assets which were purchased several years ago from Pacific National Bank after the former owner defaulted on its note. In Downtown Oakland, 180 Grand Avenue is also for sale. The 270,000 square foot building has attracted interest from institutional buyers as Oakland continues to evolve as a “trendy” alternative to new economy companies. We expect the property to close prior to year end at a price much higher than originally anticipated.

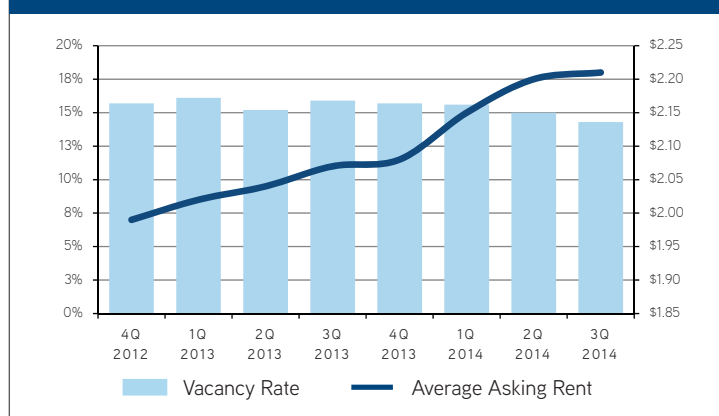
MARKET INDICATORS

	Q3-14	Projected Q4-14
VACANCY RATE	↓	↓
RENTAL RATE	↑	↑
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↔

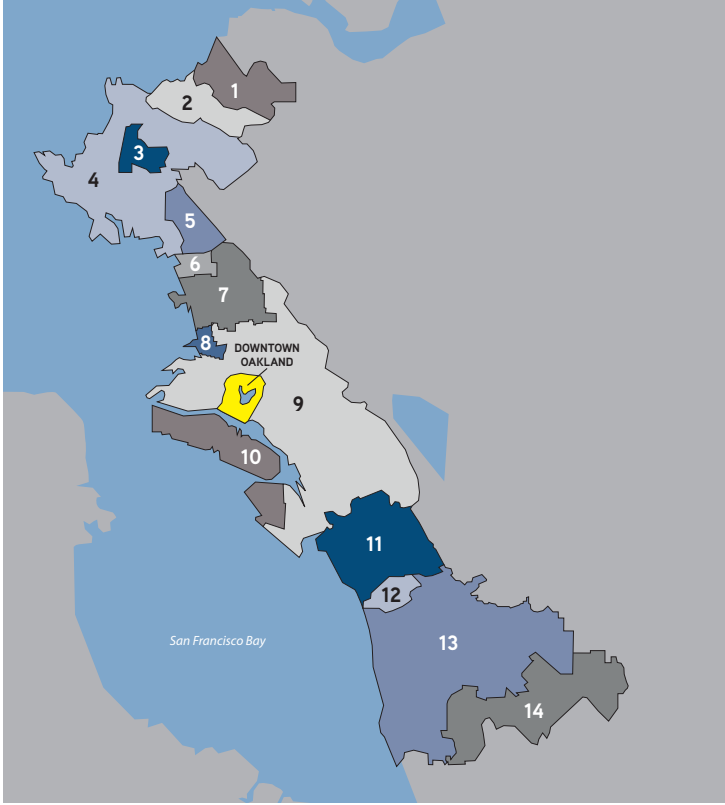
SELECTED MARKET STATISTICS

- > Third quarter leasing activity is 439,919 square feet and 1,169,370 square feet year to date.
- > Vacancy this quarter was 14.9 percent compared to 15.0 percent last quarter
- > Net absorption is positive 50,538 square feet and 262,925 square feet year to date.

VACANCY VS. ASKING FULL SERVICE RENTAL RATES
OAKLAND METROPOLITAN AREA | ALL CLASSES



Overall vacancy trended downward in the second quarter of 2014, primarily due to a large user sale in the Oakland Airport submarket, while rental rates remained constant. We expect to see an increased demand resulting in a decrease in vacancy rates over the course of the following quarter.



(Continued from page 1)

On the leasing front, Westcore completed a two floor deal totaling 40,981 square feet at 1221 Broadway with Workers Compensation Insurance Rating Bureau. Pandora expanded by 35,000 square feet at 2101 Webster Street to increase their Oakland footprint to over 130,000 square feet. Tour activity remains brisk as the market awaits news from Lane Partners about plans for the Sears Building at 1945 Broadway.

SUBMARKET MAP KEY

- | | | | |
|---|------------|----|-------------|
| 1 | Hercules | 8 | Emeryville |
| 2 | Pinole | 9 | Oakland |
| 3 | San Pablo | 10 | Alameda |
| 4 | Richmond | 11 | San Leandro |
| 5 | El Cerrito | 12 | San Lorenzo |
| 6 | Albany | 13 | Hayward |
| 7 | Berkeley | 14 | Union City |

LEASE AND SALES ACTIVITY

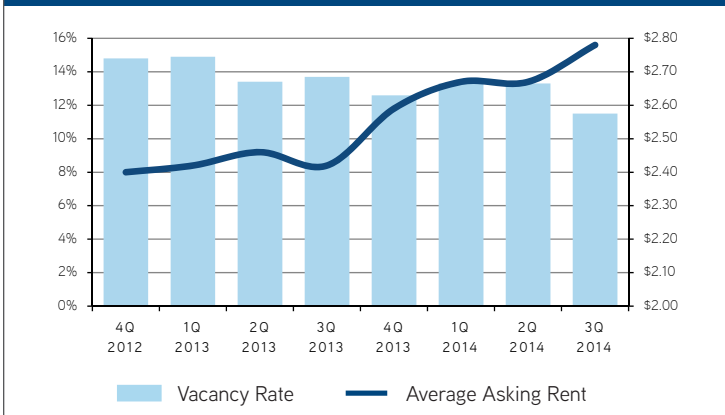
LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
1221 Broadway, Oakland	September 2014	40,981	Workers' Compensation Insurance Rating Bureau	Office
55 Harrison Street, Oakland	September 2014	25,806	Kazan, McClain, Satterley & Greenwood	Office

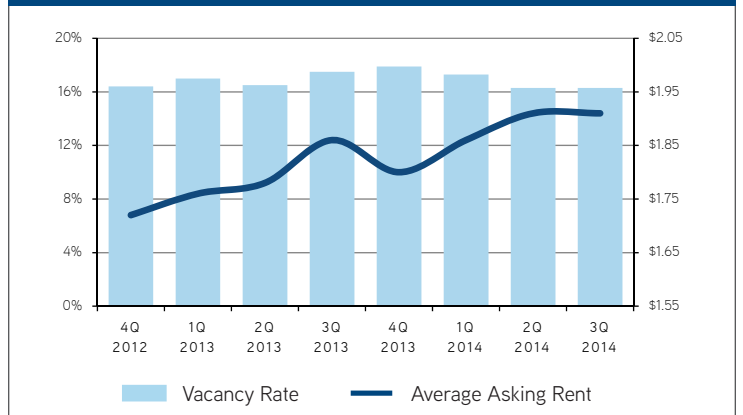
SALES ACTIVITY

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
6775-7195 Oakport Street	September 2014	192,922 SF	County of Alameda	Office
420 3rd Street, Oakland	July 2014	21,000	Mash Petroleum Inc.	Office

**VACANCY VS. ASKING FULL SERVICE RENTAL RATES
OAKLAND METROPOLITAN AREA | CLASS A**



**VACANCY VS. ASKING FULL SERVICE RENTAL RATES
OAKLAND METROPOLITAN AREA | CLASS B/C**



MARKET COMPARISONS

OFFICE MARKET

CLASS	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	COMPLETED CURRENT QTR SF	UNDER CONSTRUCTION SF	AVG ASKING FULL SERVICE
CBD SECTION														
OAKLAND - DOWNTOWN														
A	30	10,206,445	845,829	8.3%	127,361	1.2%	973,190	9.5%	9.8%	30,808	(11,406)	-	-	\$2.88
B/C & Flex	114	5,407,729	791,844	14.6%	38,246	0.7%	830,090	15.4%	15.1%	(14,044)	20,139	-	-	\$2.06
Total	144	15,614,174	1,637,673	10.5%	165,607	1.1%	1,803,280	11.5%	11.7%	16,764	8,733	-	-	\$2.50
OAKLAND - JACK LONDON SQUARE														
A	4	355,600	14,215	4.0%	-	0.0%	14,215	4.0%	4.0%	-	4,649	-	-	\$2.69
B/C & Flex	41	1,285,539	88,731	6.9%	-	0.0%	88,731	6.9%	7.9%	12,692	74,862	-	-	\$1.82
Total	45	1,641,139	102,946	6.3%	-	0.0%	102,946	6.3%	7.0%	12,692	79,511	-	-	\$1.94
CBD TOTAL														
A	34	10,562,045	860,044	8.1%	127,361	1.2%	987,405	9.3%	9.6%	30,808	(6,757)	-	-	\$2.88
B/C & Flex	155	6,693,268	880,575	13.2%	38,246	0.6%	918,821	13.7%	13.7%	(1,352)	95,001	-	-	\$2.03
Total	189	17,255,313	1,740,619	10.1%	165,607	1.0%	1,906,226	11.0%	12.7%	29,456	88,244	-	-	\$2.47
SUBURBAN SECTION														
RICHMOND														
A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	98	3,480,353	253,474	7.3%	-	0.0%	253,474	7.3%	7.2%	(1,853)	70,285	-	-	\$1.50
Total	98	3,480,353	253,474	7.3%	-	0.0%	253,474	7.3%	7.2%	(1,853)	70,285	-	-	\$1.50
BERKELEY - DOWNTOWN														
A	9	558,882	15,777	2.8%	9,662	1.7%	25,439	4.6%	3.6%	(5,184)	(5,078)	-	-	\$2.71
B/C & Flex	28	974,473	113,408	11.6%	-	0.0%	113,408	11.6%	10.4%	(12,235)	(36,910)	-	-	\$2.44
Total	37	1,533,355	129,185	8.4%	9,662	0.6%	138,847	9.1%	7.9%	(17,419)	(41,988)	-	-	\$2.49
BERKELEY - WEST														
A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	41	1,517,619	170,403	11.2%	-	0.0%	170,403	11.2%	11.4%	2,272	61,362	-	-	\$2.08
Total	41	1,517,619	170,403	11.2%	-	0.0%	170,403	11.2%	11.4%	2,272	61,362	-	-	\$2.08
EMERYVILLE														
A	15	2,668,348	510,242	19.1%	73,941	2.8%	584,183	21.9%	23.0%	29,353	(53,611)	-	-	\$2.69
B/C & Flex	44	1,683,088	239,198	14.2%	21,318	1.3%	260,516	15.5%	16.2%	12,259	2,995	-	-	\$2.33
Total	59	4,351,436	749,440	17.2%	95,259	2.2%	844,699	19.4%	20.4%	41,612	(50,616)	-	-	\$2.58
ALAMEDA - MARINA VILLAGE														
A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	55	1,671,320	521,159	31.2%	47,560	2.8%	568,719	34.0%	33.0%	(17,579)	21,975	-	-	\$1.95
Total	55	1,671,320	521,159	31.2%	47,560	2.8%	568,719	34.0%	33.0%	(17,579)	21,975	-	-	\$1.95
ALAMEDA - HARBOR BAY														
A	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	28	1,684,784	444,113	26.4%	20,598	1.2%	464,711	27.6%	27.8%	3,396	68,485	-	-	\$1.87
Total	28	1,684,784	444,113	26.4%	20,598	1.2%	464,711	27.6%	27.8%	3,396	68,485	-	-	\$1.87
OAKLAND - AIRPORT														
A	2	455,697	42,602	9.3%	-	0.0%	42,602	9.3%	52.1%	194,909	272,959	-	-	\$1.85
B/C & Flex	34	1,576,808	399,427	25.3%	-	0.0%	399,427	25.3%	25.9%	8,666	(34,859)	-	-	\$1.36
Total	36	2,032,505	442,029	21.7%	-	0.0%	442,029	21.7%	31.8%	203,575	238,100	-	-	\$1.41
SUBURBAN TOTAL														
A	26	3,682,927	568,621	15.4%	83,603	2.3%	652,224	17.7%	23.7%	219,078	214,270	-	-	\$2.64
B/C & Flex	328	12,588,445	2,141,182	17.0%	89,476	0.7%	2,230,658	17.7%	17.7%	(5,074)	153,333	-	-	\$1.86
Total	354	16,271,372	2,709,803	16.7%	173,079	1.1%	2,882,882	17.7%	19.0%	214,004	367,603	-	-	\$2.03

MARKET TOTAL

A	60	14,244,972	1,428,665	10.0%	210,964	1.5%	1,639,629	11.5%	13.3%	249,886	207,513	-	-	\$2.78
B/C & Flex	483	19,281,713	3,021,757	15.7%	127,722	0.7%	3,149,479	16.3%	16.3%	(6,426)	248,334	-	-	\$1.91
TOTAL	543	33,526,685	4,450,422	13.3%	338,686	1.0%	4,789,108	14.3%	15.0%	243,460	455,847	-	-	\$2.21

QUARTERLY COMPARISON AND TOTALS

Q3-14	543	33,526,685	4,450,422	13.3%	338,686	1.0%	4,789,108	14.3%	15.0%	243,460	455,847	-	-	\$2.21
Q2-14	543	33,526,685	4,638,562	13.8%	394,006	1.2%	5,032,568	15.0%	15.6%	202,972	212,387	-	-	\$2.20
Q1-14	543	33,526,685	4,903,011	14.6%	332,529	1.0%	5,235,540	15.6%	15.7%	9,415	9,415	62,621	-	\$2.15
Q4-13	540	33,056,664	4,789,579	14.5%	392,755	1.2%	5,182,334	15.7%	15.9%	73,854	(25,022)	-	-	\$2.07
Q3-13	540	33,056,664	4,768,204	14.4%	487,984	1.5%	5,256,188	15.9%	15.2%	(240,817)	(98,876)	-	-	\$2.07
Q2-13	540	33,056,664	4,583,165	13.9%	432,206	1.3%	5,015,371	15.2%	16.1%	297,015	141,941	-	-	\$2.04
Q1-13	540	33,056,664	4,781,981	14.5%	477,108	1.4%	5,259,089	16.1%	15.7%	(133,883)	(133,883)	-	-	\$2.02
Q4-12	540	33,056,664	4,689,414	14.2%	489,089	1.5%	5,178,503	15.7%	16.1%	138,690	(60,392)	-	-	\$1.99
Q3-12	540	33,056,664	4,939,257	14.9%	377,936	1.1%	5,317,193	16.1%	16.7%	218,287	(199,082)	-	-	\$1.99
Q2-12	540	33,056,664	5,087,821	15.4%	447,659	1.4%	5,534,440	16.7%	16.0%	(182,865)	(318,369)	99,000	-	\$2.03

GLOSSARY

INDUSTRIAL DEFINITIONS

Incubator:	Multi-tenant buildings without dock-high loading doors that have a parking ratio lower than 3.5/1,000 square feet and bay sizes lower than 3,500 square feet.
Light Distribution:	Multi- or single-tenant buildings that include dock-high loading doors and have bay sizes of less than 15,000 square feet.
Light Industrial:	Multi- or single-tenant buildings without dock-high loading doors that have a parking ratio lower than 3.5/1,000 square feet and, in the case of multi-tenant buildings, bay sizes of at least 3,500 square feet.
Flex:	Multi- or single-tenant buildings without dock-high loading doors with parking ratios in excess of 3.5/1,000 square feet.
Warehouse/Distribution:	Multi- or single-tenant buildings that include dock-high loading doors and have bay sizes of at least 15,000 square feet.

GENERAL DEFINITIONS

Vacant SF:	Space in a building that is unoccupied and offered for lease by the owner of the property.
Sublease SF:	Space in a building that is offered for sublease by the primary tenant. This space may or may not be occupied.
Net Absorption:	Difference in occupied square footage from one period to another.

485 offices in
63 countries on
6 continents

United States: 146
Canada: 44
Latin America: 25
Asia Pacific: 186
EMEA: 84

- > \$2.1 billion in annual revenue
- > 1.46 billion* square feet under management
- > Over 15,800 professionals

*Square footage includes office, industrial, and retail property under management. Residential property is excluded from this total. All statistics are for 2013.

COLLIERS INTERNATIONAL | OAKLAND

1999 Harrison Street
Suite 1750
Oakland, CA 94612
TEL +1 510 986 6770
FAX +1 510 986 6775

MANAGING PARTNER

Ken Meyersieck
Managing Director
CA License No. 00939525
TEL +1 510 433 5802

RESEARCHER

Rishika Das
Research Analyst I
TEL +1 510 433 5836

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