

# OAKLAND METROPOLITAN AREA OFFICE Q3 2015

Accelerating success.

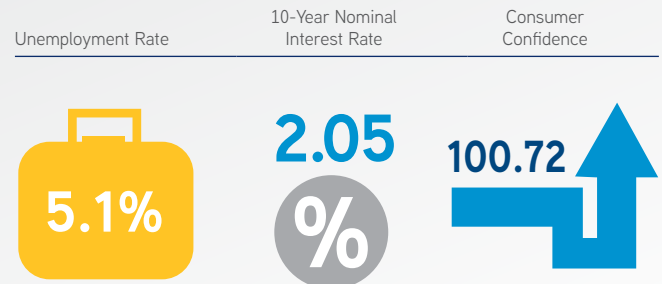
## Uber Exciting Office Market

- > Leasing Activity: 2,619,480 square feet year-to-date
- > Vacancy: 8.5 percent
- > Net Absorption: + 1,297,785 square feet year-to-date

**Intense interest in Oakland's Downtown office market resulted in overall vacancy decreasing, net absorption increasing, and rental rates edging higher from an already historic second quarter base number.**

Downtown Oakland was the star of the quarter, with overall vacancy decreasing from 7.3 percent to 3.9 percent for all classes, leaving limited space for eager tenants. Oakland's Downtown Class A vacancy rate decreased from 5.8 percent to a scant 3.7 percent. The Class B vacancy rate experienced an even greater decrease from 10.0 percent to 4.4 percent. Not since 1998 has Oakland seen a drop of this magnitude for this class. Rents in the Class A sector have increased 25.5 percent since the end of last year, and are expected to continue upward through the remainder of the year.

### Market Indicators



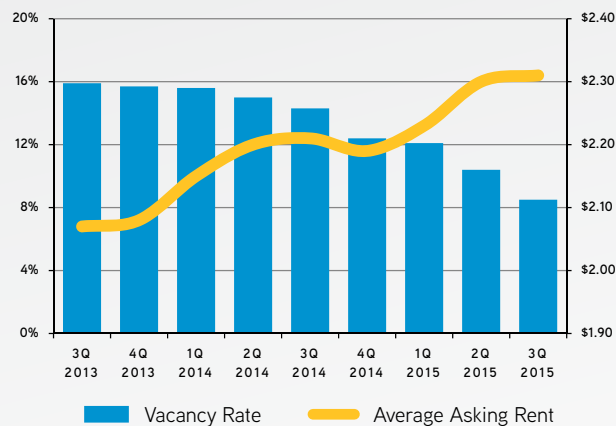
### Market Trends

Relative to prior period	Q3 2015	Q4 2015*
Vacancy	↓	↓
Rental Rate	↑	↑
Net Absorption	↑	↑
Construction	↔	↔

\*Projected

### Vacancy vs. Asking Full Service Rental Rates

Oakland Metropolitan Area | All Classes



Overall vacancy dropped 1.7 percent by the close of the third quarter in 2015; rental rates rose slightly to \$2.31. Continued demand and lack of supply expected in the coming months will result in a slight decrease in vacancy rates and an increase in overall asking rates.

### Summary Statistics

Q3 2015 I-80/I-880 Corridor Industrial Market	Previous Quarter	Current Quarter
Overall Vacancy	10.2%	8.5%
Net Absorption	561,702	554,587
Construction Completed	-	-
Under Construction	-	-
Overall Asking Rents	\$2.30	\$2.31
Class A Asking Rents	\$3.10	\$3.34
Class B/C Flex Asking Rents	\$2.00	\$1.99

### U.S. National Economic Indicators

Unemployment Rate	5.3%	5.1%
Labor Force Participation Rate	63%	62%
Consumer Price Index	2.37%	2.38%
Interest Rate - 10 Yr Treasury	2.43%	2.05%
Business Confidence	99.87%	99.67%
Consumer Confidence	100.90%	100.72%

# Oakland Metropolitan Area

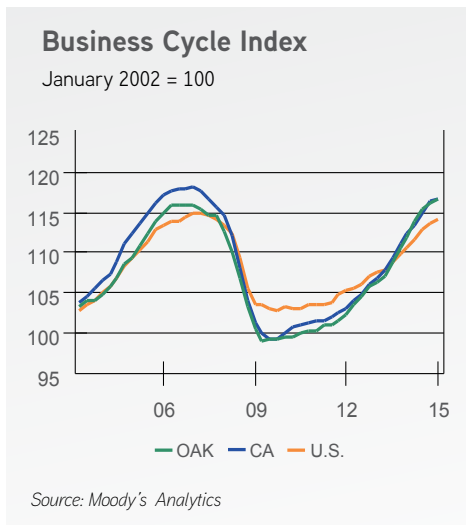
This lack of space is proving to be the biggest challenge facing the market, and this constraint is amplified by the fact that there is little construction on the horizon. Lane Partners' recent sale of the Sears Building to Uber for a whopping \$323 per square foot will undoubtedly have a transformative impact in Oakland. If Oakland wants to remain the center of relocation, the area will need to see cranes filling the sky, in the near future, to meet demand. There is no doubt that the fundamentals have changed in Oakland.

Emeryville's asking rates have increased 22.3 percent since the end of 2014, with Class A rental rates currently at \$3.35 per square foot. Vacancy rates have decreased from 12.2 percent to 10.6 percent. Marina Village and Harbor Bay in Alameda have been slow to recover in this cycle, but for how much longer is the question, as space becomes a rare commodity in surrounding areas. Berkeley also experienced a 1.2 percent decrease in vacancy compared to the second quarter of 2015. The average asking rental rate is currently \$3.13 per square foot.

their existing space of approximately 230,000 square feet. CoreLogic also relocated from San Francisco taking a floor at 555 12th Street.

The majority of significant sales took place in Oakland, with smaller sales taking place in Berkeley and Alameda. 80 percent of the significant sales highlighted in this report were investment sales, with Uber being the only noteworthy user sale. True North Management bought 114,141 square feet at 360 22nd Street, Oakland for \$247.50 per square foot and a going in cap rate of 5.0 percent.

The existing supply-demand quagmire and the continued need for office space heading into the final quarter of the year will continue to pressure vacancies and push rental rates. The remainder of 2015 will set the stage for a very interesting 2016, especially with historically low vacancy rates and several entitled development sites. The August Moody's Analytics Report placed Oakland's market in the expansion phase of the business cycle; will 2016 be the year that Oakland finally sees cranes fill the sky?



Significant lease activity was on the rise this quarter, with migration from San Francisco taking the spotlight. Brown and Tolland Physicians lease of 58,016 square feet of space at 1221 Broadway, which was inked this quarter, coupled with the state of California's stem-cell institute lease, will bolster Oakland's economic base with approximately 330 new jobs. The Sierra Club, an influential environmental nonprofit, moved its headquarters from San Francisco to Oakland when they signed a 38,776 square foot lease at 2101 Webster Street. Pandora Media Inc. expanded its footprint at Center Twenty-One by adding 49,475 square feet to



## Significant Sale Activity



### True North Management

360 22nd Street, Oakland  
 July 2015  
 114,141 SF

### Uber

1945 Broadway, Oakland  
 September 2015  
 381,622 SF

### 1440 Broadway, LLC

1440 Broadway, Oakland  
 August 2015  
 83,165 SF

### Harvest Properties

2168 Shattuck Avenue, Berkeley  
 September 2015  
 32,000 SF

### Family Station, Inc.

1350 South Loop Road, Alameda  
 July 2015  
 38,924 SF

## Significant Lease Activity

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
1221 Broadway, Oakland	August 2015	58,016	Brown & Tolland	Direct
2101 Webster Street, Oakland	September 2015	38,776	Sierra Club	Direct
2100 Franklin Street, Oakland	July 2015	25,261	Pandora Media Inc.	Expansion
2101 Webster Street, Oakland	July 2015	24,214	Pandora Media Inc.	Expansion
555 12th Street, Oakland	August 2015	23,842	CoreLogic	Direct
1221 Broadway, Oakland	July 2015	20,529	Minted	Direct
1999 Harrison Street, Oakland	July 2015	17,097	California Institute for Regenerative Medicine	Direct
1101 Marina Village Parkway, Alameda	July 2015	16,604	Voxify Inc.	Direct
555 12th Street, Oakland	August 2015	15,380	Boornazian, Jensen & Gatthe	Renewal

## Market Comparisons – Oakland

### 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	AVG ASKING FULL SERVICE
CBD SECTION												
OAKLAND - DOWNTOWN												
A	30	10,206,445	345,378	3.4%	27,787	0.3%	373,165	3.7%	5.8%	220,867	479,742	\$3.50
B/C & Flex	114	5,407,729	211,674	3.9%	26,386	0.5%	238,060	4.4%	10.0%	300,758	373,662	\$2.47
Total	144	15,614,174	557,052	3.6%	54,173	0.3%	611,225	3.9%	7.3%	521,625	853,404	\$3.10
OAKLAND - JACK LONDON SQUARE												
A	4	355,600	2,595	0.7%	-	0.0%	2,595	0.7%	0.0%	(2,595)	3,086	\$2.85
B/C & Flex	41	1,285,539	59,020	4.6%	-	0.0%	59,020	4.6%	5.4%	10,135	16,822	\$2.11
Total	45	1,641,139	61,615	3.8%	-	0.0%	61,615	3.8%	4.2%	7,540	19,908	\$2.14
CBD TOTAL												
A	34	10,562,045	347,973	3.3%	27,787	0.3%	375,760	3.6%	5.6%	218,272	482,828	\$3.49
B/C & Flex	155	6,693,268	270,694	4.0%	26,386	0.4%	297,080	4.4%	9.1%	310,893	390,484	\$2.40
Total	189	17,255,313	618,667	3.6%	54,173	0.3%	672,840	3.9%	7.0%	529,165	873,312	\$3.01
SUBURBAN SECTION												
RICHMOND												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	98	3,480,353	140,051	4.0%	-	0.0%	140,051	4.0%	4.2%	4,727	(3,088)	\$1.68
Total	98	3,480,353	140,051	4.0%	-	0.0%	140,051	4.0%	4.2%	4,727	(3,088)	\$1.68
BERKELEY - DOWNTOWN												
A	9	558,882	11,340	2.0%	9,662	1.7%	21,002	3.8%	3.8%	-	6,077	\$3.13
B/C & Flex	28	974,473	41,032	4.2%	2,754	0.3%	43,786	4.5%	6.3%	17,608	42,299	\$2.59
Total	37	1,533,355	52,372	3.4%	12,416	0.8%	64,788	4.2%	5.4%	17,608	48,376	\$2.77
BERKELEY - WEST												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	41	1,517,619	266,329	17.5%	-	0.0%	266,329	17.5%	14.6%	(44,863)	(19,448)	\$2.36
Total	41	1,517,619	266,329	17.5%	-	0.0%	266,329	17.5%	14.6%	(44,863)	(19,448)	\$2.36
EMERYVILLE												
A	15	2,668,348	225,453	8.4%	20,427	0.8%	245,880	9.2%	11.3%	55,981	219,173	\$3.35
B/C & Flex	44	1,683,088	215,005	12.8%	-	0.0%	215,005	12.8%	13.7%	15,260	25,835	\$2.11
Total	59	4,351,436	440,458	10.1%	20,427	0.5%	460,885	10.6%	12.2%	71,241	245,008	\$2.77
ALAMEDA - MARINA VILLAGE												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	51	1,600,673	370,122	23.1%	19,000	1.2%	389,122	24.3%	24.4%	2,120	143,807	\$2.09
Total	51	1,600,673	370,122	23.1%	19,000	1.2%	389,122	24.3%	24.4%	2,120	143,807	\$2.09
ALAMEDA - HARBOR BAY												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	28	1,684,784	459,019	27.2%	20,598	1.2%	479,617	28.5%	26.6%	(31,388)	(14,906)	\$1.83
Total	28	1,684,784	459,019	27.2%	20,598	1.2%	479,617	28.5%	26.6%	(31,388)	(14,906)	\$1.83
OAKLAND - AIRPORT												
A	2	455,697	37,206	8.2%	-	0.0%	37,206	8.2%	7.9%	(1,052)	(1,052)	\$1.85
B/C & Flex	34	1,576,808	345,385	21.9%	-	0.0%	345,385	21.9%	22.3%	7,029	25,776	\$1.42
Total	36	2,032,505	382,591	18.8%	-	0.0%	382,591	18.8%	19.1%	5,977	24,724	\$1.46
SUBURBAN TOTAL												
A	26	3,682,927	273,999	7.4%	30,089	0.8%	304,088	8.3%	9.7%	54,929	224,198	\$3.15
B/C & Flex	324	12,517,798	1,836,943	14.7%	42,352	0.3%	1,879,295	15.0%	14.8%	(29,507)	200,275	\$1.92
Total	350	16,200,725	2,110,942	13.0%	72,441	0.4%	2,183,383	13.5%	13.6%	25,422	424,473	\$2.09

### MARKET TOTAL

A	60	14,244,972	621,972	4.4%	57,876	0.4%	679,848	4.8%	6.7%	273,201	707,026	\$3.34
B/C & Flex	479	19,211,066	2,107,637	11.0%	68,738	0.4%	2,176,375	11.3%	12.8%	281,386	590,759	\$1.99
TOTAL	539	33,456,038	2,729,609	8.2%	126,614	0.4%	2,856,223	8.5%	10.2%	554,587	1,297,785	\$2.31

### QUARTERLY COMPARISON AND TOTALS

Q3-15	539	33,456,038	2,729,609	8.2%	126,614	0.4%	2,856,223	8.5%	10.2%	554,587	1,297,785	\$2.31
Q2-15	539	33,456,038	3,268,246	9.8%	142,564	0.4%	3,410,810	10.2%	12.1%	-	743,198	\$2.30
Q1-15	539	33,456,038	3,863,047	11.5%	193,081	0.6%	4,056,128	12.1%	12.4%	-	97,880	\$2.23
Q4-14	539	33,456,038	3,897,789	11.7%	256,219	0.8%	4,154,008	12.4%	14.3%	-	1,020,300	\$2.19
Q3-14	543	33,526,685	4,450,422	13.3%	338,686	1.0%	4,789,108	14.3%	15.0%	-	455,847	\$2.21

No construction activity

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# 502 offices in 67 countries on 6 continents

United States: **140**

Canada: **31**

Latin America: **24**

Asia Pacific: **199**

EMEA: **108**

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## \$2.3

billion in  
annual revenue

## 1.7

billion square feet  
under management

## 16,300

professionals  
and staff

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