

MARKETBEAT OFFICE SNAPSHOT



OAKLAND, CA

A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

Job growth slowed during the second quarter of 2014, resulting in a slight uptick in unemployment. According to the California Employment Development Department, the unemployment rate for the East Bay, which includes Alameda and Contra Costa counties, was 5.9% as of June, up from 5.7% in May. This compares favorably to the 7.3% reported for California and 6.3% reported for the nation. Specifically, the unemployment rate was 5.8% in Alameda County. A total of 28,300 new jobs were added to the region year-over-year through June.

TENANTS DRIVING ACTIVITY

The strength of this market can easily be gauged by increasing tenant demand and asking rent growth. Growing tenant demand resulted in steady leasing for the quarter. There are roughly 200,000-300,000 square feet (sf) of leases currently pending in the market and more than 300,000 sf of tenants have moved, or are planning to move shortly, to Oakland's CBD from San Francisco. This activity could push CBD Class A vacancy down to single digits by year-end or IQ15 and virtually eliminate the large blocks of available space in the CBD.

The strongest asking rent growth for direct space occurred in Oakland CBD Class A, increasing by 5.2% year-over-year to \$2.82 per square foot/month full service. The slight uptick in overall vacancy, from 15.4% last quarter to 15.6% this quarter, was primarily due to new availabilities in CBD Class A product. This vacancy continues to keep overall absorption negative in Oakland CBD as non-CBD absorption moves positive; however absorption is a lagging indicator because space is not absorbed until it is occupied.

INVESTMENT ACTIVITY OPENING UP

The largest transaction in recent years involved the Marina Village portfolio sale in Alameda. Brookfield Office Properties purchased the note after the previous owner, Legacy Properties, defaulted on their loan. Brookfield will invest more money for capital improvements with hopes of reducing the elevated vacancy of the project that is contributing to Alameda's 24.2% overall vacancy. Major redevelopment plays are being made by local developers as well. For example, 1945 Broadway, the Sears Building, was purchased by Lane Partners with plans to convert it into a retail and creative office hub for Downtown Oakland. Lane intends to capture tech and traditional firms looking to escape rising rents by creating a new big-block of space in the market.

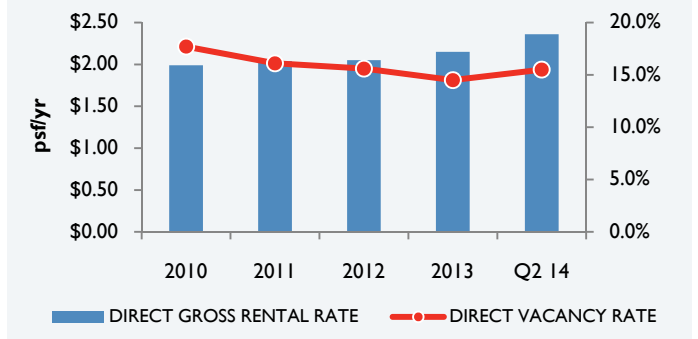
OUTLOOK

Tenants continue to look towards the East Bay as the San Francisco office market accelerates. We are seeing unmatched tour and proposal activity over the past few years, well above historical averages. Significant rent growth is occurring across all office classes with 15-year highs being achieved in the top tier of the Class A market. New institutional and non-institutional investors continue their strong interest in getting into this market. As office market fundamentals continue to improve, new office construction remains elusive until sustained low vacancies and higher taking rents are achieved.

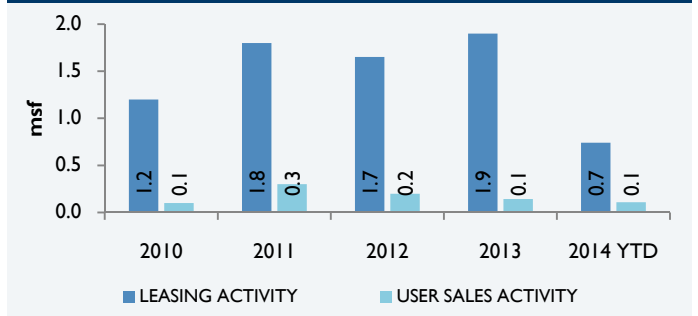
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	15.3%	15.6%	30 bps	▼
Direct Asking Rents (psf/mo)	\$2.04	\$2.36	15.7%	▲
YTD Leasing Activity (sf)	1,028,743	740,798	-28.0%	▲

DIRECT RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



OAKLAND, CA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG. ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Oakland City Center	4,115,119	13.5%	13.4%	163,409	0	0	(41,226)	(41,162)	\$2.62	\$2.80
Oakland Jack London	1,456,288	13.2%	13.2%	59,212	0	0	13,602	13,602	\$1.82	\$3.33
Oakland Lake Merritt	5,817,230	11.5%	11.1%	140,677	0	0	(35,017)	(42,229)	\$2.66	\$2.82
Oakland Telegraph	1,276,423	23.3%	23.3%	15,049	0	0	(5,968)	(5,968)	\$2.25	N/A
OAKLAND CBD	12,665,060	13.6%	13.3%	378,347	0	0	(68,609)	(75,757)	\$2.53	\$2.82
Alameda	3,364,285	24.2%	24.2%	69,884	0	0	(15,028)	(15,028)	\$1.96	\$2.10
Berkeley	2,865,031	6.1%	6.1%	43,137	0	0	5621	5,621	\$2.58	N/A
Emeryville	4,286,778	12.8%	12.7%	151,642	0	0	66475	65,685	\$2.87	\$3.03
Oakland Airport Area	2,232,863	24.5%	24.5%	43,308	0	0	(5,726)	(5,729)	\$1.44	\$1.85
Richmond	1,235,673	28.4%	28.4%	54,480	0	0	(3,616)	(3,616)	\$2.41	\$2.63
OAKLAND SUBURBAN	13,984,630	17.4%	17.4%	362,451	0	0	47,726	46,936	\$2.24	\$2.68
TOTALS	26,649,690	15.6%	15.5%	740,798	0	0	(20,883)	(28,821)	\$2.36	\$2.76

* RENTAL RATES REFLECT ASKING \$PSF/MONTH

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1402 Marina Way South	Richmond	TopLine	B	40,320
6401 Hollis Street	Emeryville	Lawrence Berkeley National Lab*	B	30,770
1500-1530 Broadway	Oakland Lake Merritt	VSCO (Visual Supply Co)	C	24,032
426 17 th Street	Oakland Lake Merritt	SfunCube	C	14,707
2200 Powell Street	Emeryville	Adamas Pharmaceuticals, Inc.	A	12,492
1000 Broadway	Oakland City Center	Sterling Health Services	A	12,207
570 10th Street	Oakland City Center	J.A. Cosmetics US	C	9,933
1333 Broadway	Oakland City Center	Impaq International	A	9,314
1333 Broadway	Oakland City Center	Berrett-Koehler Publishers	A	8,853
475 14 th Street	Oakland City Center	Eqecat, Inc.*	A	7,924
5858 Horton Street	Emeryville	Cesca Therapeutics	A	7,819
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Marina Village Portfolio Sale	Alameda	Brookfield Office Properties	N/A	1,094,182
1945 Broadway - Sears Building	Oakland Telegraph	Lane Partners	\$25,000,000 / \$69	360,370
2030 Franklin Street	Oakland Lake Merritt	Property Ventures of Marin, Inc.	\$8,000,000 / \$211	38,000
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS