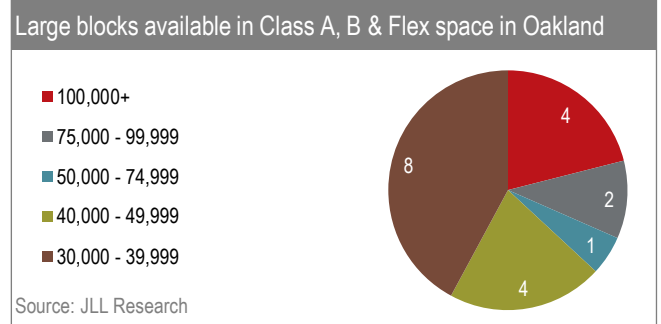




Landlords gain leverage in most submarkets

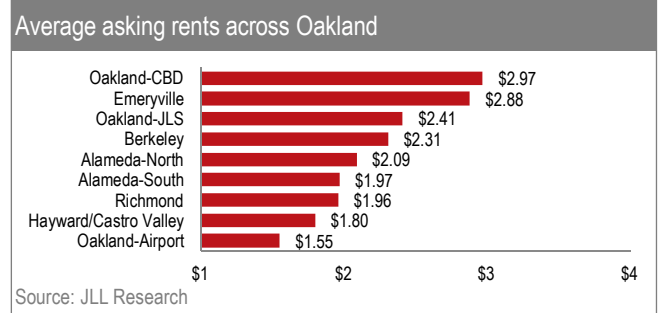
Large blocks in short supply with no relief in sight

Large blocks of space to accommodate growing companies are few and far between. Tightening vacancy and rising costs downtown have pushed companies seeking large blocks and expansion options to the surrounding Oakland suburbs. As a result, we are beginning to see peripheral submarkets re-position business parks and buildings to create a live-work-play atmosphere. Landlords are renovating shared common areas, adding free tenant amenities, and offering free shuttles to major transit hubs in order to capture the CBD spillover tenants.



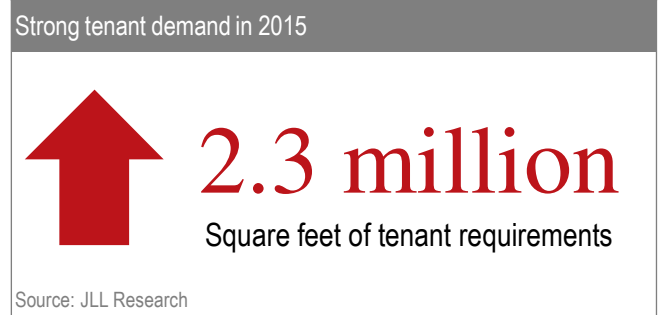
Competitive leasing pushes higher rents

The battle for talent is intense, and being downtown is a competitive advantage for recruitment and retention. Competition for space in close proximity to BART is increasing, with both small-and-mid-size users driving leasing activity in the CBD. In turn, the CBD has seen significant rental rate increases. More notably, average Class B rents have increased 25 percent year-over-year shrinking the price difference between commodity Class A space. Furthermore, landlords will continue to push asking rates more aggressively as office availabilities decline and tenant demand builds.



Diverse tenant base driving demand

Tenant demand remains strong with more than 2.3 million square feet of requirements and 80.0 percent of those requirements looking for space in the Emeryville and Oakland-CBD submarkets. Health care, non-profit, and professional services tenants are the top three industries looking for space in the market. Touring activity from San Francisco tenants is dominated by non-profits looking for more affordable options. Tenant spillover is expected to continue and may will result in a real migration trend for the booming technology sector.



13.8%

Total vacancy

175,991

Q1 2015 net absorption (s.f.)

11.3%

12-month rent growth

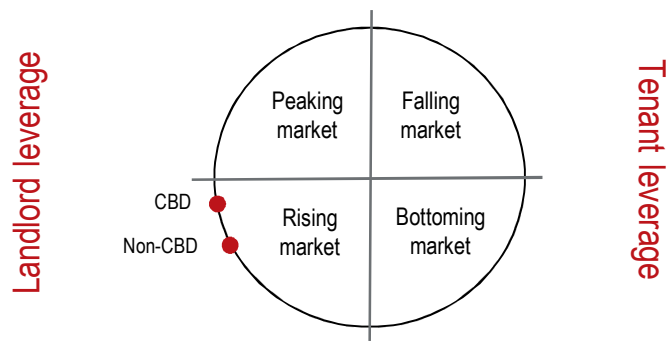
0

Total under construction (s.f.)

0%

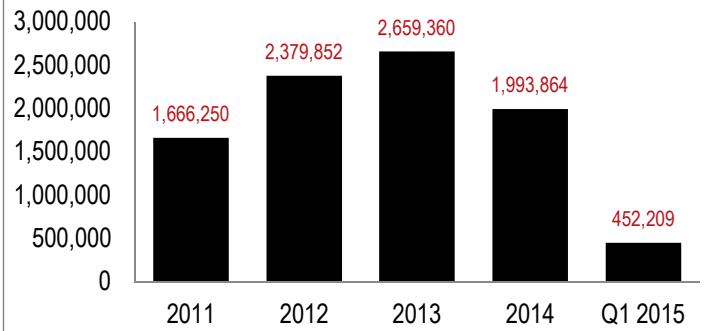
Total preleased

Current conditions – market and submarket



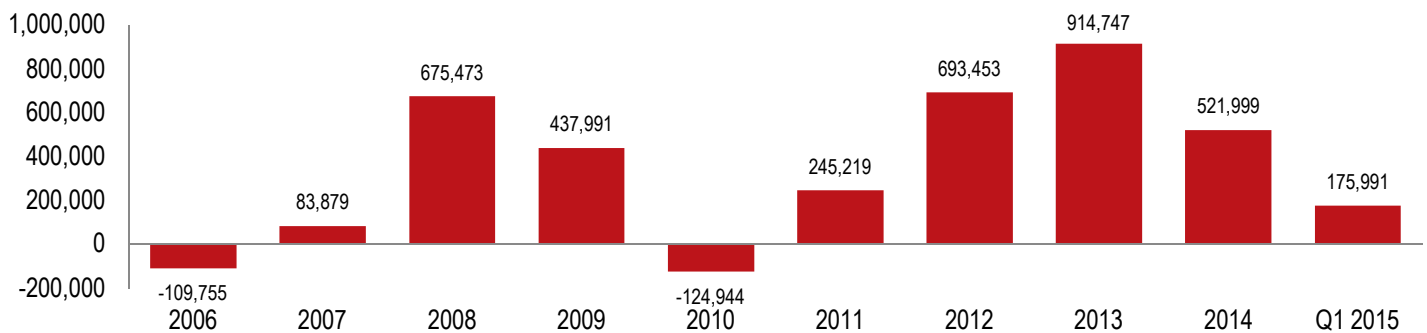
Source: JLL Research

Historical leasing activity



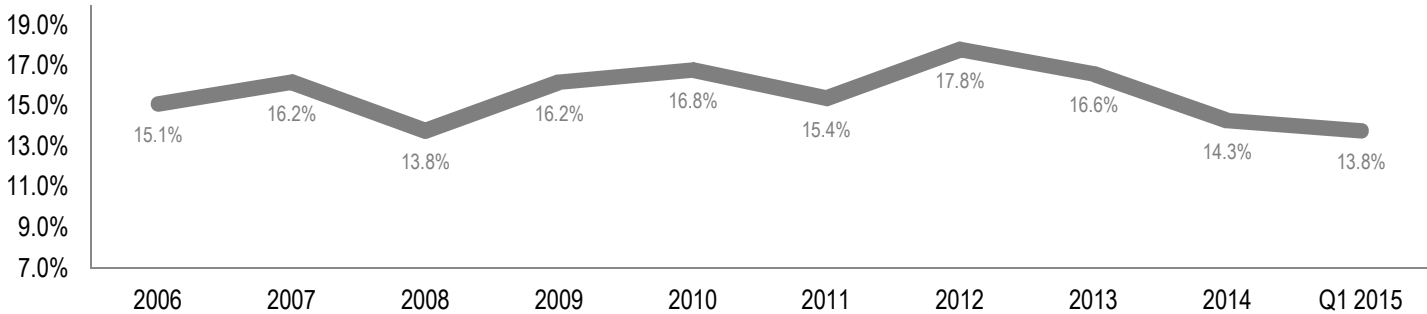
Source: JLL Research

Total net absorption (s.f.)



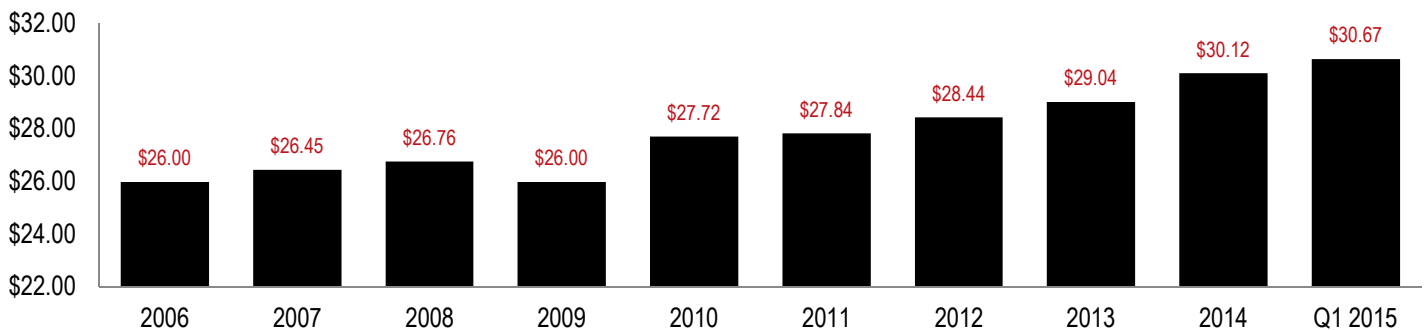
Source: JLL Research

Total vacancy rate



Source: JLL Research

Direct average asking rent (\$ p.s.f.)



Source: JLL Research