



Landlords maintain confidence in Oakland

Class B plays bigger role moving forward

Class B space is beginning to gain favor among tenants, especially as more creative and tech companies tour the Oakland market. Additionally, recent workplace trends indicate that creative tenants are favoring historical Class B buildings over Trophy/Class A assets, generating a higher demand for second-tier options. As a result, rents in this segment have increased by 21.6 percent in the last 12 months, compared with just 12.2 percent for Class A. Robust leasing activity for both Class A and B space have created more competition, especially for small-to-mid-size users. Rental rates continue to climb as overall vacancies fell to single digits this quarter, down to 9.4 percent, the lowest since 2007.

Oakland Suburbs poised for more tenant activity

As the Oakland-CBD continues to tighten, tenant activity has begun to increase in neighboring submarkets such as Emeryville and Alameda. We are currently tracking over 2.4 million square feet of tenant demand for space in the Oakland suburbs, especially in the bio-tech and life science sectors. These second-tier submarkets are becoming viable contenders to downtown Oakland, satisfying the demand for larger space for startups to grow as well as allowing seasoned companies to expand their footprint.

Booming economy fueling demand

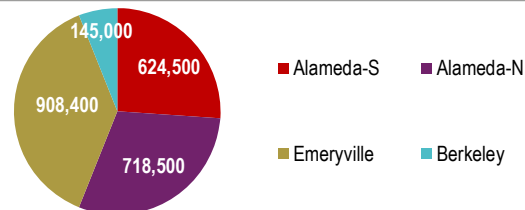
More companies are considering Oakland as a viable market for growth due to a skilled labor pool and greater affordability. Additionally, investors have been more engaged in Oakland's tech cluster as high-tech VC funding nearly doubled in Q1. This translates into a heightened confidence in tech, bio, and life science startups. As a result, job growth should continue to flourish as startups wade through the labor pool for talent. As the east-bound migration continues, Oakland will continue to see economic growth across all business sectors, translating into swelling demand for office space. Oakland could see speculative construction in the next 12-18 months if demand continues at this pace and economic conditions remain steady.

Oakland-CBD historical Class B rents (p.s.f)



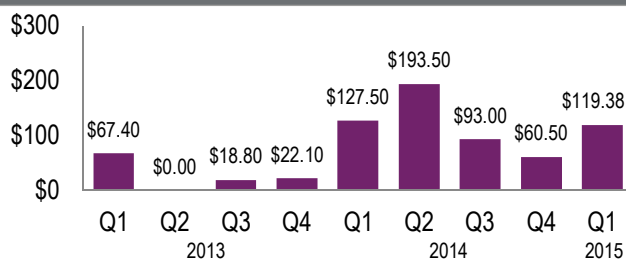
Source: JLL Research

Tenant demand targeting Oakland Suburbs (total s.f.)



Source: JLL Research

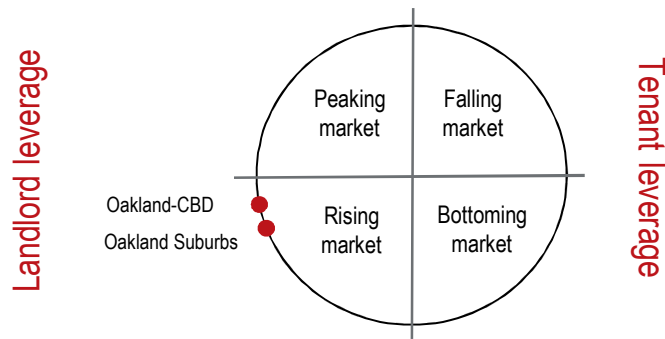
Investor confidence in tech cluster (\$ in mil)



Source: JLL Research, PwCMoneytree

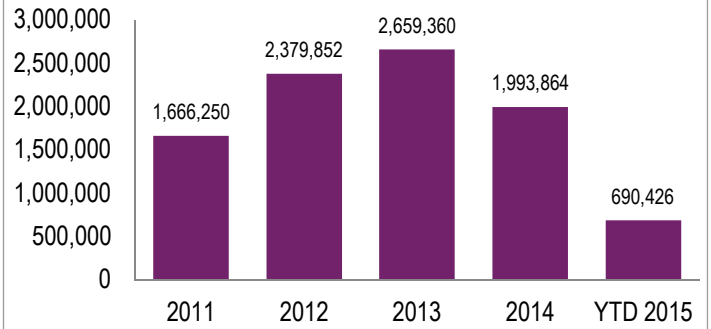
<p>12,484,874</p> <p>Total inventory (s.f.)</p>	<p>84,068</p> <p>Q2 2015 net absorption (s.f.)</p>	<p>\$3.11</p> <p>Direct average asking rent (p.s.f)</p>	<p>0</p> <p>Total under construction (s.f.)</p>
<p>13.2%</p> <p>Total vacancy</p>	<p>269,074</p> <p>YTD net absorption (s.f.)</p>	<p>5.4%</p> <p>12-month rent growth</p>	<p>0.0%</p> <p>Total preleased</p>

Current conditions – submarket



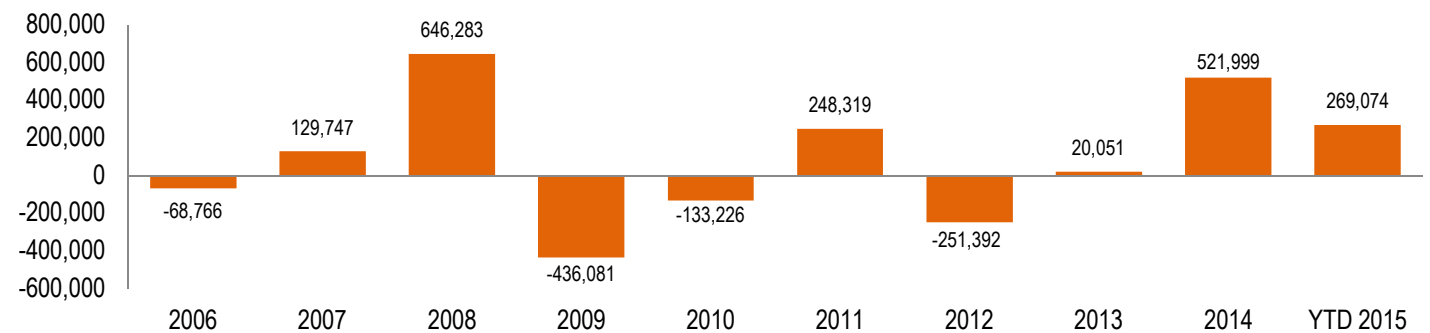
Source: JLL Research

Historical leasing activity (s.f.)



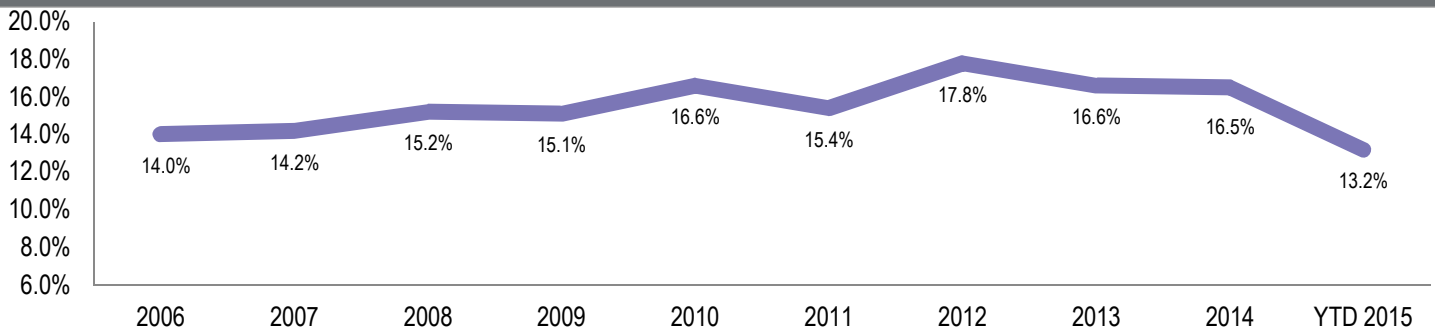
Source: JLL Research

Total net absorption (s.f.)



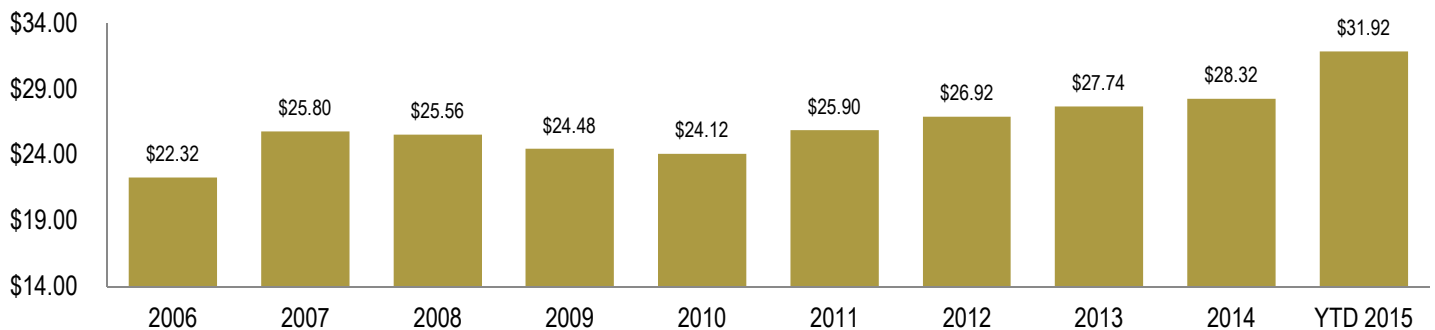
Source: JLL Research

Total vacancy rate (%)



Source: JLL Research

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



Source: JLL Research