

OAKLAND METROPOLITAN OFFICE MARKET REPORT

Q2 2017

Deal velocity in Oakland-CBD picked up in the second quarter of 2017 as remaining full floors were leased. Notable leases include Oracle's 16,088 square foot deal at 1330 Broadway, Solar Mosaic's 29,299 square foot lease at 300 Lakeside Drive, WeWork's 81,452 square foot deal at 1111 Broadway, and global consulting firm ARUP's 16,034 square foot lease at 1330 Broadway. Tenant demand for space is still constant, but with low vacancy, leasing activity can only be at the pace in which landlords can offer tenants space. Projected vacancy for CBD is estimated to be below 3.0 percent by 2018.

The gap between Class A and Class B asking rates continue to narrow with Class B rents now at \$4.21 PSF FS, compared to Class A rates of \$4.34 PSF FS. The \$4.29 PSF FS average asking rates are at an all-time high. With low vacancy and landlords continuing to push rates up this combination will cause asking rates to rise more in the next six months, but remain discounted compared to rents in San Francisco.

In the second quarter, overall rents increased by 18.6 percent year-over-year, mostly driven by Class A availability and Class B modern renovations. The CBD is positioned to see rent growth in the next 12-18 months as landlords are targeting between \$5.00 PSF FS and \$5.83 PSF FS annual rents, and demand remains steady from San Francisco.

Investment activity is high, with investors continuing to show interest in the CBD as stabilized occupancies provide core opportunities in the market. Harvest Properties and KKR bought 180 Grand Avenue, a 278,538 square foot office building, from Ellis Partners for \$430 PSF. HP Investors and LNG Management purchased a 10-story office building at 1700 Broadway for \$13.2 million, or \$412 PSF, the tenth Oakland deal for HP Investors in the past three years. Rubicon Point Partners is marketing 505 14th Street and 1300 Clay Street for sale, and expect to complete the transactions by the end of the third quarter this year. With the repositioning of assets and upcoming new office spaces, Oakland is poised for continued growth through 2017.

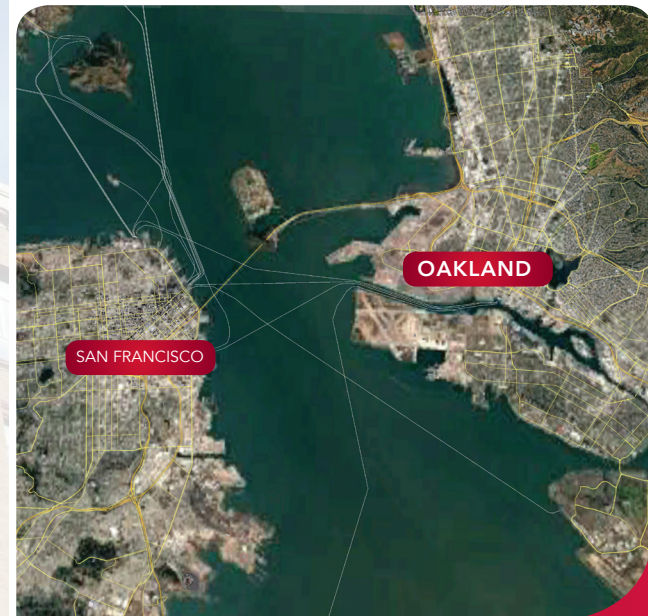
In development, there is now construction activity at many land sites throughout the CBD and new developments in the pipeline. Shorestein and Ellis Partners are building 601 City Center and 1100 Broadway respectively. Ellwood Commercial is planning a development for 505 Grand Avenue a six-story mixed-use building overlooking Lake Merritt. Also in the pipeline is the renovated 2150 Webster Street, and Uber's Uptown Station at 1955 Broadway.

- ▶ Downtown Oakland vacancy rate dropped from 5.3 percent to 5.1 percent quarter-on-quarter and is now one of the lowest downtown market vacancies in the country.
- ▶ Vacancy for Class A spaces increased slightly from 3.7 percent to 4.3 percent
- ▶ Vacancy for Class B spaces decreased from 8.2 to 6.7 percent



MARKET SNAPSHOT

- ▶ Oakland Office Inventory: **17,266,313**
- ▶ Oakland Office Availability: **942,259**
- ▶ Oakland Office Availability Rate: **5.5%**



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SUBMARKET	TOTAL INVENTORY SF	AVAILABILITY				ABSORPTION		AVG ASKING FULL SERVICE		
		DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT RATE	SUBLEASE RATE	TOTAL VACANCY SF	VACANCY RATE Q2 2017		NET ABSORPTION Q2 2017	NET ABSORPTION YTD SF
CENTRAL BUSINESS DISTRICT	15,625,174	651,767	4.2%	141,000	0.9%	792,815	5.1%	44,261	(202,318)	\$4.29
JACK LONDON SQUARE	1,641,139	141,962	8.7%	7,482	0.5%	149,444	9.1%	(174)	(20,846)	\$3.81
OAKLAND AIRPORT	2,032,505	221,559	10.9%	0	0.0%	221,559	10.9%	45,034	(5,789)	\$1.60
MARKET TOTALS	19,298,818	1,015,288	7.9%	148,482	0.7%	1,163,818	8.4%	89,121	(228,953)	\$3.23

