

OAKLAND METROPOLITAN AREA OFFICE Q3 2016

Accelerating success.

Dust Settling from the Rent Explosion

- > Leasing activity is 1,688,505 square feet year to date.
- > Vacancy this quarter was 8.1 percent compared to 7.5 percent last quarter
- > Net absorption (current quarter) is negative 185,027 square feet

San Francisco's overall office asking rent, one of the highest in the country, remained essentially unchanged from the second quarter, dropping by just a penny to \$5.77 per square foot per month. High rents in the city continue to push tenants to seek lower rents in the East Bay, where the tech industry has grown robustly over the past year. The demand, combined with a dwindling supply of office space, has fueled extraordinary rent growth in Oakland in the past year, particularly in the Commercial Business District ("CBD"), a 15 minute BART ride from San Francisco.

With little significant construction activity underway or recently completed, tenants face a lack of options, and leasing activity remains light. Moderation in asking rents is expected in the next few months, fueled by fewer transactions.

Market Indicators

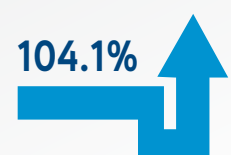
United States
Unemployment Rate



10-Year Nominal
Interest Rate



Consumer
Confidence



Market Trends

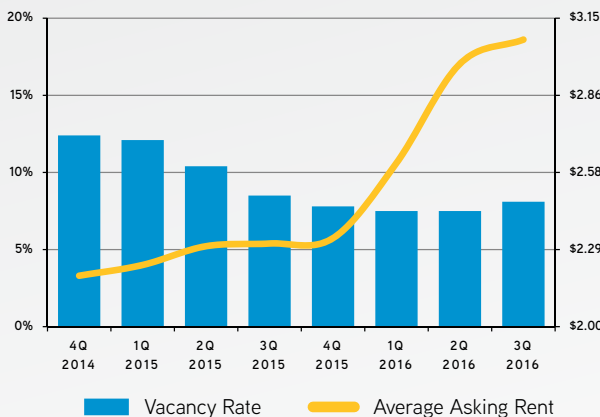
Relative to prior period

	Q3 2016	Q4 2016*
Vacancy	↑	↔
Rental Rate	↑	↔
Net Absorption	↓	↑
Construction	↔	↔

*Projected

Vacancy vs. Asking Full Service Rental Rates

Oakland Metropolitan Area | All Classes



Overall vacancy increased by 0.6% in the third quarter of 2016; rental rates rose slightly from \$2.98 to \$3.07. Continued demand and lack of supply in the coming months will result in an increase in overall asking rates. Overall vacancy rate should remain low and stable, as has been the trend for the past several quarters.

Summary Statistics

Q3 2016 Oakland Metropolitan Area
Office Market

	Previous Quarter	Current Quarter
Overall Vacancy	7.5%	8.1%
Net Absorption	-16,549	-185,027
Construction Completed	-	-
Under Construction	-	-
Overall Asking Rents	\$2.98	\$3.07
Class A Asking Rents	\$4.09	\$3.91
Class B/C Flex Asking Rents	\$2.65	\$2.82

U.S. National Economic Indicators

	Previous Quarter	Current Quarter
U.S. Unemployment Rate	4.9%	5.0%
California Unemployment Rate	5.2%	5.6%
Alameda County Unemployment Rate	3.8%	4.6%
Contra Costa Unemployment Rate	4.0%	4.7%
U.S. Labor Force Participation Rate	62.7%	62.9%
U.S. Consumer Price Index	2.40%	2.41%
U.S. Interest Rate - 10 Yr Treasury	1.49%	1.60%
U.S. Business Confidence Index	99.70%	99.30%
U.S. Consumer Confidence Index	100.80%	104.10%

Oakland Metropolitan Area

Oakland CBD Class A asking rents dropped from \$4.37 per square foot per month full service ("FS") in the previous quarter to \$4.20 per square foot per month FS and Class B/C went up from \$3.14 per square foot per month FS to \$3.40 per square foot per month FS, contributing to the overall (combined Class A and Class B/C) CBD asking rate of \$3.60 per square foot per month FS, which has remained essentially unchanged from the previous quarter.

The Class A direct vacancy rate in the Oakland CBD is just 1.6 percent, contributing to an overall vacancy of 5.5 percent which has crept up 80 basis points from the previous quarter. Oakland CBD registered a negative quarterly net absorption of 155,341 square feet, due largely to 55,000 square feet of space in the ABAG/MTC Building, 18,500 square feet at 2930 Lakeshore Ave, 17,000 square feet at the Pacific Building, 8,900 square feet at 1212 Broadway, and several spaces under 5,000 square feet coming available on the market.

Oakland CBD Class A vacancy rates are expected to trend slightly upwards in the next few months, with tour activity expected to go back up in tandem with the increased vacancy.

Vacancy rate changes for the suburban markets were mixed, moving down in Alameda Harbor Bay, Oakland Airport, and Downtown Berkeley, and up in Richmond, West Berkeley, Emeryville, and Marina Village. Overall, vacancy rates in the current quarter for the suburban section stand at 10.5 percent, up 20 basis points from the previous quarter.

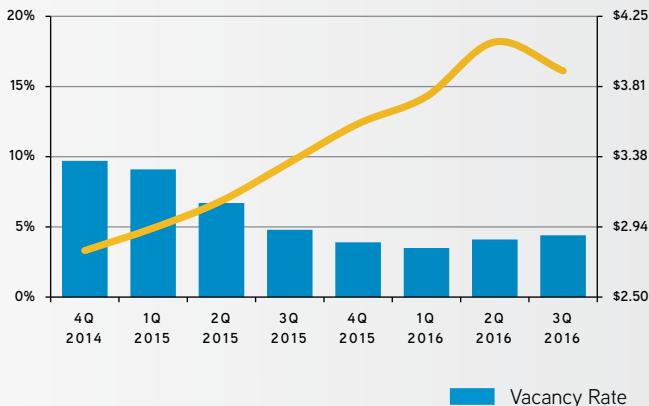
Strong demand in all office classes in Downtown Berkeley and West Berkeley and asking rents in the Airport Corporate Centre at 7677 Oakport Street buoyed overall suburban asking rents to four basis point above the previous quarter's figure.

Transactions of note include the lease of 24,000 square feet at 1111 Broadway in Oakland to GT Nexus, 32,500 square feet at 1400-1422 Harbour Way South in Richmond to California Closets, 22,500 square feet at 1320 Harbor Bay Parkway in Alameda to The Latham Foundation, and 27,000 square feet in 5980 Horton Street to Zymergen in Emeryville. Sales include 535,000 square feet to Clarion Partners at 1999 Harrison Street, 52,000 square feet to Zuo Modern Contemporary at 80 Swan Way, 26,000 square feet to Lane Partners, LLC at 2131-2147 Broadway, and 24,000 square feet at 1750 Broadway, all in Oakland.

As San Francisco struggles with housing affordability and transit gridlock, Oakland's cool factor, urban location and diverse workforce remains a draw for companies and residents seeking relocation. The growth of tech in Oakland, particularly in the software publishing, e-markets, and internet publishing subsectors, have posted significant gains over the past year, but further growth can be achieved with an increase in the local tech-educated workforce. Google, which has leased 200 space in Oakland's Fruitvale Transit Village to serve as a tech education center for local students, has come at a good time. With all signs pointing to positive short term economic outlook and job growth, we eagerly await more office development.

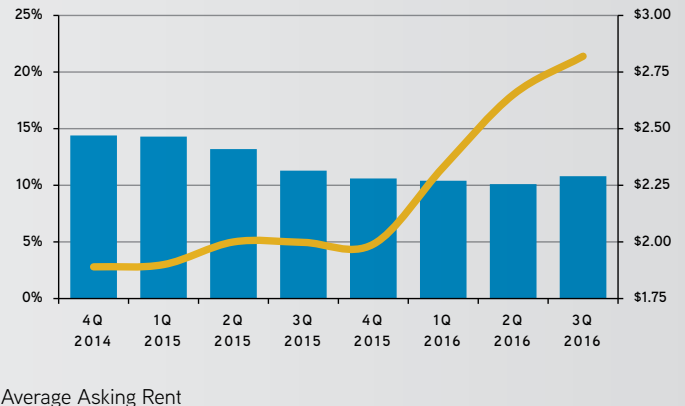
Vacancy vs. Asking Full Service Rental Rates

Oakland Metropolitan Area | Class A



Vacancy vs. Asking Full Service Rental Rates

Oakland Metropolitan Area | Class B



Significant Lease Activity



Significant Sale Activity

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
1999 Harrison St	Aug-2016	535,252	Clarion Partners	Investment
80 Swan Way	Sep-2016	52,466	Zuo Modern Contemporary	Owner/User
2131-2147 Broadway	Jul-2016	26,348	Lane Partners, LLC	Investment
1750 Broadway	Sep-2016	24,267	Rubicon Point Partners	Investment

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	162,031	1.6%	56,176	0.6%	218,207	2.1%	2.6%	43,697	75,715	\$4.20
B/C & Flex	114	5,407,729	616,898	11.4%	21,549	0.4%	638,447	11.8%	8.7%	(167,586)	(363,777)	\$3.40
Total	144	15,614,174	778,929	5.0%	77,725	0.5%	856,654	5.5%	4.7%	(123,889)	(288,062)	\$3.60
OAKLAND - JACK LONDON SQUARE												
A	4	355,600	73,826	20.8%	-	0.0%	73,826	20.8%	11.7%	(32,278)	(73,826)	\$4.40
B/C & Flex	41	1,285,539	70,462	5.5%	-	0.0%	70,462	5.5%	5.5%	826	(40,532)	\$3.15
Total	45	1,641,139	144,288	8.8%	-	0.0%	144,288	8.8%	6.9%	(31,452)	(114,358)	\$3.79
CBD TOTAL												
A	34	10,562,045	235,857	2.2%	56,176	0.5%	292,033	2.8%	2.9%	11,419	1,889	\$4.25
B/C & Flex	155	6,693,268	687,360	10.3%	21,549	0.3%	708,909	10.6%	8.1%	(166,760)	(404,309)	\$3.37
Total	189	17,255,313	923,217	5.4%	77,725	0.5%	1,000,942	5.8%	4.9%	(155,341)	(402,420)	\$3.63
SUBURBAN SECTION												
RICHMOND												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	98	3,480,353	94,620	2.7%	-	0.0%	94,620	2.7%	2.5%	(6,019)	26,568	\$1.54
Total	98	3,480,353	94,620	2.7%	-	0.0%	94,620	2.7%	2.5%	(6,019)	26,568	\$1.54
BERKELEY - DOWNTOWN												
A	9	558,882	17,106	3.1%	-	0.0%	17,106	3.1%	1.1%	(11,182)	(11,098)	\$3.31
B/C & Flex	28	974,473	23,471	2.4%	-	0.0%	23,471	2.4%	3.7%	12,468	(7,137)	\$2.95
Total	37	1,533,355	40,577	2.6%	-	0.0%	40,577	2.6%	2.7%	1,286	(18,235)	\$3.10
BERKELEY - WEST												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	41	1,517,619	291,219	19.2%	24,687	1.6%	315,906	20.8%	18.7%	(32,002)	(32,379)	\$3.57
Total	41	1,517,619	291,219	19.2%	24,687	1.6%	315,906	20.8%	18.7%	(32,002)	(32,379)	\$3.57
EMERYVILLE												
A	15	2,668,348	263,812	9.9%	38,353	1.4%	302,165	11.3%	9.7%	(42,408)	(84,234)	\$3.72
B/C & Flex	44	1,683,088	174,453	10.4%	15,935	0.9%	190,388	11.3%	10.5%	(14,134)	2,821	\$2.66
Total	59	4,351,436	438,265	10.1%	54,288	1.2%	492,553	11.3%	10.0%	(56,542)	(81,413)	\$3.31
ALAMEDA - MARINA VILLAGE												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	51	1,600,673	91,756	5.7%	55,602	3.5%	147,358	9.2%	7.4%	(29,663)	154,518	\$2.81
Total	51	1,600,673	91,756	5.7%	55,602	3.5%	147,358	9.2%	7.4%	(29,663)	154,518	\$2.81
ALAMEDA - HARBOR BAY												
A	-	-	-	-	-	-	-	-	-	-	-	-
B/C & Flex	28	1,684,784	351,133	20.8%	7,328	0.4%	358,461	21.3%	25.5%	71,605	97,845	\$2.26
Total	28	1,684,784	351,133	20.8%	7,328	0.4%	358,461	21.3%	25.5%	71,605	97,845	\$2.26
OAKLAND - AIRPORT												
A	2	455,697	19,478	4.3%	-	0.0%	19,478	4.3%	2.9%	(6,195)	17,728	\$2.34
B/C & Flex	34	1,576,808	232,961	14.8%	4,200	0.3%	237,161	15.0%	16.8%	27,844	104,764	\$1.63
Total	36	2,032,505	252,439	12.4%	4,200	0.2%	256,639	12.6%	13.7%	21,649	122,492	\$1.69
SUBURBAN TOTAL												
A	26	3,682,927	300,396	8.2%	38,353	1.0%	338,749	9.2%	7.6%	(59,785)	(77,604)	\$3.62
B/C & Flex	324	12,517,798	1,259,613	10.1%	107,752	0.9%	1,367,365	10.9%	11.2%	30,099	347,000	\$2.53
Total	350	16,200,725	1,560,009	9.6%	146,105	0.9%	1,706,114	10.5%	10.3%	(29,686)	269,396	\$2.75

MARKET TOTAL

A	60	14,244,972	536,253	3.8%	94,529	0.7%	630,782	4.4%	4.1%	(48,366)	(75,715)	\$3.91
B/C & Flex	479	19,211,066	1,946,973	10.1%	129,301	0.7%	2,076,274	10.8%	10.1%	(136,661)	(57,309)	\$2.82
TOTAL	539	33,456,038	2,483,226	7.4%	223,830	0.7%	2,707,056	8.1%	7.5%	(185,027)	(133,024)	\$3.07

QUARTERLY COMPARISON AND TOTALS

Q3-16	539	33,456,038	2,483,226	7.4%	223,830	0.7%	2,707,056	8.1%	7.5%	(185,027)	(133,024)	\$3.07
Q2-16	539	33,456,038	2,299,544	6.9%	222,485	0.7%	2,522,029	7.5%	7.5%	-	45,984	\$2.98
Q1-16	539	33,456,038	2,432,423	7.3%	73,057	0.2%	2,505,480	7.5%	7.8%	-	87,415	\$2.61
Q4-15	539	33,456,038	2,484,207	7.4%	82,120	0.2%	2,592,895	7.8%	8.5%	-	1,587,681	\$2.33
Q3-15	539	33,456,038	2,729,609	8.2%	126,614	0.4%	2,856,223	8.5%	10.2%	-	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

554 offices in 66 countries on 6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia: **231**

EMEA: **112**

\$2.5

billion in
annual revenue*

2.0

billion square feet
under management

16,000

professionals
and staff

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*All statistics are for 2016 and include affiliates



Accelerating success.