

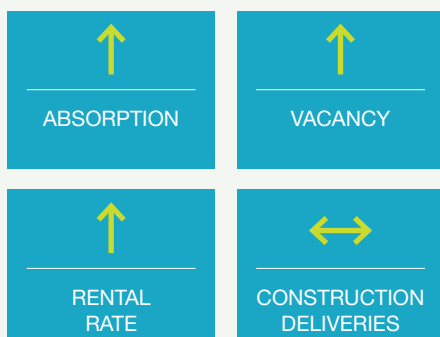
Real Estate Market Review

East Bay Office

The inner East Bay office real estate market stayed tight in the fourth quarter of 2017, with vacancies holding at 8.4% amid 10,826 s.f. of positive net absorption. Rental rates climbed dramatically year over year, with jumps of 30% or more for desirable space in close proximity to BART. The strength of the Downtown Oakland market was reflected in investment sales this quarter, as institutional buyers from Los Angeles and New York acquired assets in the CBD at high price tags and low cap rates. Development activity is at a cycle-high, with 1.36 million s.f. of office space under construction and another 400,000 s.f. likely to break ground in early 2018. As the technology industry broadens and grows, core East Bay markets such as Oakland, Berkeley, and Emeryville are positioned to benefit from inbound demand from San Francisco, where non-tech tenants are likely to be priced or squeezed out by the expansion of the city's most prominent sector. A relatively affordable housing market, compared to San Francisco and Silicon Valley, also makes the East Bay appealing to companies seeking to ease their workers' commutes.

Occupied office space levels were virtually unchanged in the fourth quarter, as 10,826 s.f. of positive net absorption brought the year-to-date total to negative 165,121 s.f. Oakland CBD recovered some of its losses from earlier this year, with 89,545 s.f. gained, as Clovis Oncology moved into 32,549 s.f. at 1330 Broadway and Solar Mosaic occupied 29,299 s.f. at 300 Lakeside Drive. Outside of Oakland, the

West Contra Costa submarkets enjoyed 37,436 s.f. of positive net absorption in the fourth quarter, and Emeryville was the market's leader for the year, gaining 155,329 s.f. overall despite a 32,090 s.f. loss in the last three months. Marketwide, Class A vacancies were down to 7.4%, following 86,571 s.f. of positive net absorption, while the Class B rate rose to 11.6%, after a 150,551 s.f. drop. Vacancies

Market Forecast Trends

Notable 2017 Leases

Blue Shield
601 City Center, Oakland
200,019 s.f. leased

UC Office of the President
1100 Broadway, Oakland
107,896 s.f. leased

Delta Dental
1333 Broadway, Oakland
72,759 s.f. leased

Notable 2017 Sales

CIM Group,
Uptown Station, Oakland
380,000 s.f. | \$180M or \$474/s.f.

Harvest Properties/KKR
180 Grand Avenue, Oakland
278,596 s.f. | \$119.25M or \$428/s.f.

KBS
Oakland City Center, Oakland
367,357 s.f. | \$155M or \$422/s.f.

Area Review

Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Q4 Net Absorption	YTD Net Absorption	Quarterly Leasing Activity	YTD Leasing Activity	Rental Rate
Oakland - Downtown	17,989,562	9.1%	9.8%	12.7%	90,835	(312,374)	258,269	1,196,359	\$4.86
Oakland - Jack London Sq	1,677,383	14.1%	14.7%	14.2%	(1,290)	(69,099)	29,977	135,747	\$3.41
Oakland CBD	19,666,945	9.6%	10.3%	12.8%	89,545	(381,473)	288,246	1,332,106	\$4.56
Greater Oakland	8,008,268	6.0%	6.0%	5.7%	(55,689)	47,168	32,663	315,867	\$2.20
West Contra Costa	2,441,562	2.3%	2.3%	2.3%	37,436	69,752	6,497	84,892	\$1.52
Berkeley	5,167,312	3.0%	3.9%	7.5%	13,402	(40,950)	68,741	151,898	\$2.86
Emeryville	5,213,781	9.9%	9.9%	15.1%	(32,090)	155,329	74,219	630,728	\$4.04
Alameda	3,839,441	13.2%	13.2%	12.8%	(76,912)	(65,968)	24,826	194,307	\$1.89
San Leandro/San Lorenzo	1,977,784	8.6%	8.6%	15.8%	18,498	29,952	5,256	72,209	\$1.92
Hayward/Castro Valley	3,265,760	8.4%	8.4%	9.8%	14,030	22,027	17,685	80,052	\$1.65
Union City	603,424	1.4%	1.4%	1.6%	5,572	4,084	1,488	15,559	\$1.66
Class A	11,061,902	6.5%	7.4%	14.0%	86,571	(225,016)	202,200	1,088,745	\$4.89
Class B	24,852,318	11.4%	11.6%	12.4%	(150,551)	62,389	241,246	1,435,978	\$3.27
Class C	13,742,837	3.8%	4.1%	4.9%	74,806	8,656	76,149	322,062	\$2.31
Total	49,668,207	8.1%	8.4%	10.7%	10,826	(165,121)	519,595	2,846,785	\$3.56

in BART-served areas are likely to trend downward in the coming quarters, as rental-rate hikes in San Francisco increase spillover demand and supply in the inner East Bay remains constrained in the near term.

East Bay rental rates rose sharply over the past 12 months, to a marketwide average of \$3.56 FS. Proximity to BART is a key determinant of asking rents for office space in inner East Bay cities, particularly in Oakland and Berkeley. Downtown Oakland rates climbed to an average of \$4.89 FS for quality Class A space and \$3.63 for Class B-C offerings. At the high end, space in an Uptown Class A building steps from the 19th Street BART station was listed in the low-\$5.00s FS. Some landlords marketing full floors with less desirable build-outs were offering significant TI allowances in exchange for starting rents over \$4.25 FS, as a trend of owners investing in the long-term value of their assets made its way across the Bay.

Approximately 520,000 s.f. of East Bay office space came off the market in leases signed during the fourth quarter, bringing the yearly total to 2.85 million s.f., up roughly 14% from 2016. The largest leases of 2017 were signed by Blue Shield and the University of California Office of the President, spurring development activity on the 601 City Center and 1100 Broadway towers. Delta Dental, which is relocating the majority of its headquarters from San Francisco to Oakland, inked the year's largest deal among existing East Bay buildings, taking 72,759 s.f. at 1333 Broadway. Finally, Oakland saw two major lease transactions in the fourth quarter, as Marqeta, a tech company that makes an open API platform for payments, renewed and expanded to 56,485 s.f. in 180 Grand Avenue, and the biotech firm Clovis Oncology leased 32,549 s.f. of office space in 1330 Broadway.

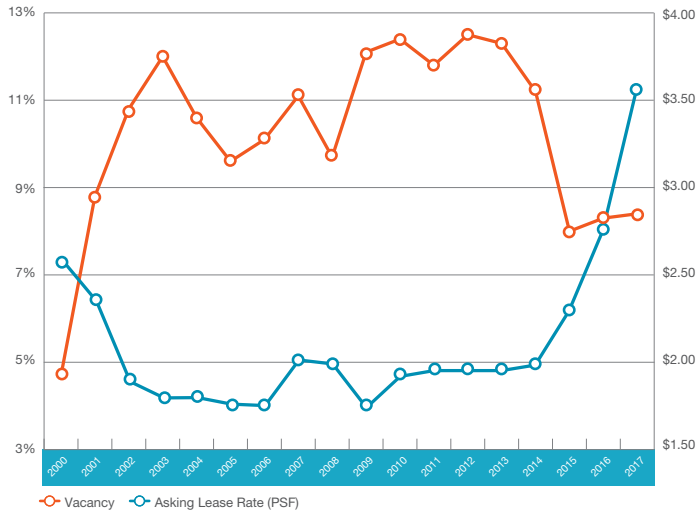
The quarter's most notable sale transaction involved Uptown Station, the 380,000 square foot former Sears building at 1955 Broadway in Oakland that was previously earmarked for Uber's

East Bay headquarters. After making plans to consolidate its local workforce in San Francisco's Mission Bay, Uber sold the building to CIM Group for \$180 million or \$474/s.f. The Los Angeles-based investor will aim to attract high-end creative tenants to the historic structure, which sits atop the 19th Street BART station and will feature 78,000 s.f. floorplates that are exceptionally rare in the Bay Area. Renovations on the building are expected to be finished in early 2018. Also in Downtown Oakland, New York-based Brickman acquired the Plaza 360 building at 360 22nd Street for \$43.4 million or \$378/s.f. Brickman's purchase was underwritten at a 4.3% cap rate, reflecting its high level of confidence in the asset. All told, office investment volume in the East Bay summed to 152 transactions for 2.54 million s.f., as the average price tag continued to hover around \$300/s.f. and cap rates were in the 4-6% range.

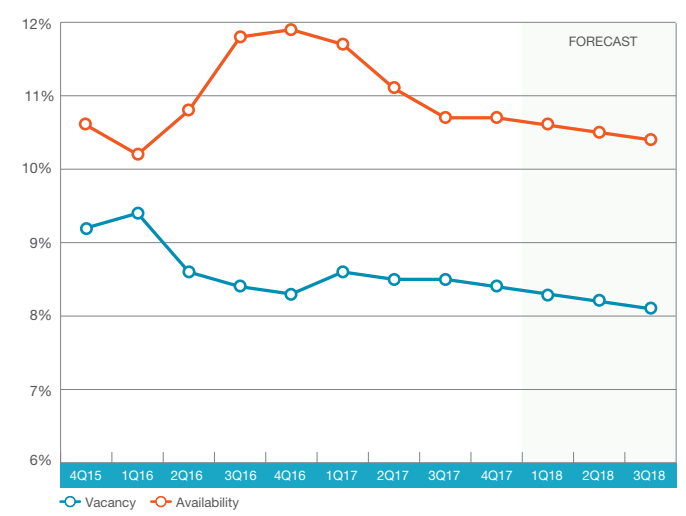
Office building deliveries in the East Bay continue to lag behind demand growth in the market. Only one new structure was completed in 2017: 1630 San Pablo Avenue, a 26,700 s.f. Class B building in Downtown Oakland, which was fully preleased before delivery. Six projects were under construction at the end of the year, with a total of 1.36 million s.f. of future office space rising, about two-thirds of which was available for lease. The largest ongoing development is 601 City Center, a 596,767 s.f. Class A tower; Blue Shield will occupy the top seven floors (200,019 s.f.), and the remainder was listed for lease at \$5.25 MG, with delivery set for 2019. Outside of Downtown Oakland, the Berkeley Way West project at 1919 Shattuck Avenue will add 325,000 s.f. to that city's inventory upon its mid-2018 completion. Construction will soon begin on the 334,000 s.f. 1100 Broadway tower, which is about 33% leased to the University of California Office of the President. While these additions to the East Bay inventory will accommodate multiple large tenants who lack existing options in the market, there is currently ample demand for space to keep rental rates firm against the increase in supply.

Data Source: CoStar

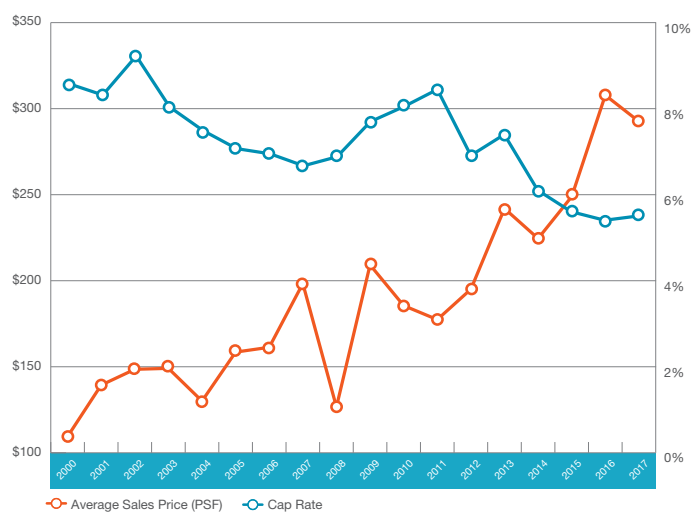
VACANCY VS ASKING LEASE RATE



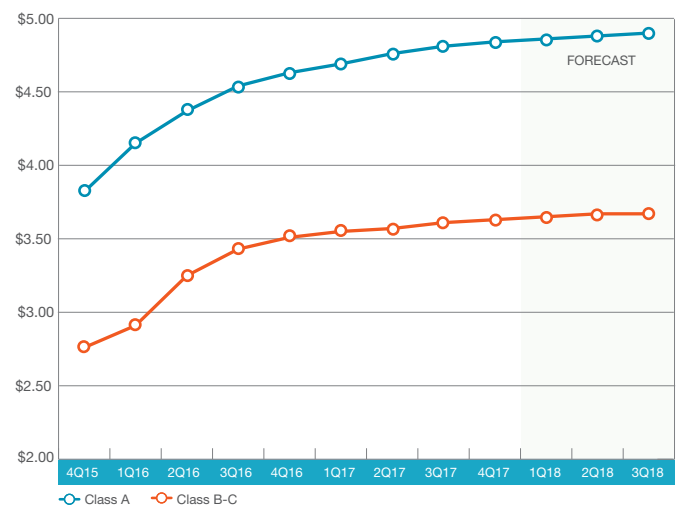
VACANCY VS AVAILABILITY



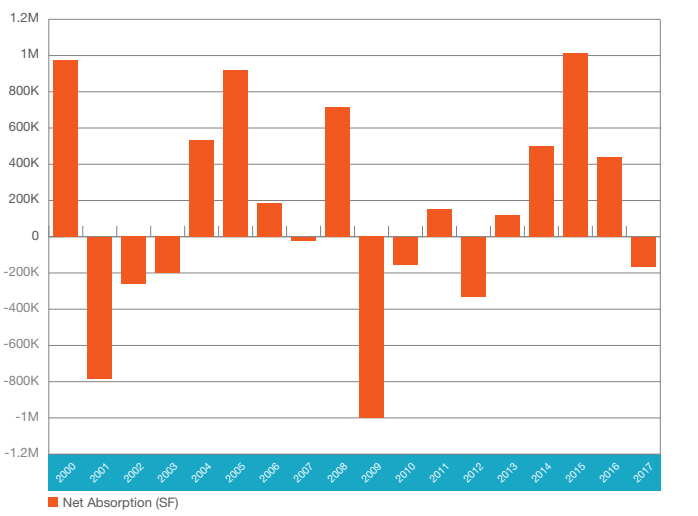
AVERAGE SALES PRICE & CAPITALIZATION RATES



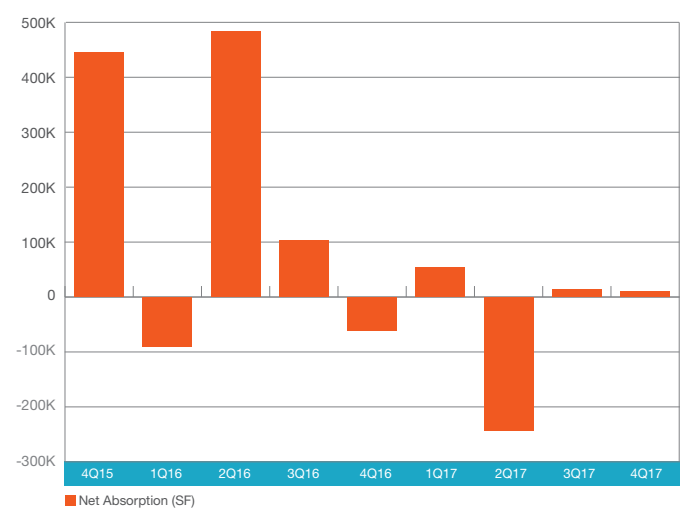
ASKING LEASE RATE - OAKLAND CBD



NET ABSORPTION - HISTORICAL



NET ABSORPTION - QUARTERLY



Offices

Seattle
206.296.9600

Bellevue
425.454.7040

South Seattle
206.248.7300

Tacoma
253.722.1400

Olympia
360.705.2800

Portland
503.221.9900

San Francisco
415.229.8888

Redwood Shores
650.769.3600

Silicon Valley
408.970.9400

Sacramento
916.970.9700

Roseville
916.751.3600

Los Angeles
213.880.5250

Commerce
323.727.1144

Long Beach
562.472.0071

Orange County
949.557.5000

Inland Empire
909.764.6500

San Diego
858.509.1200

Carlsbad
760.430.1000

Reno
775.301.1300

Phoenix
602.513.5200

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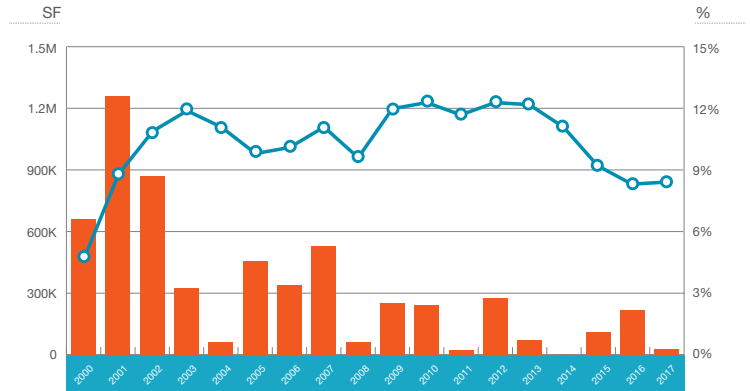
Designated Broker
Mark Read | LIC #00572743

Market Breakdown

	2017	2016	2015	Annual % Change
Vacancy Rate	8.4%	8.3%	9.2%	1.2%
Availability Rate	10.7%	11.9%	10.6%	-10.1%
Asking Lease Rate	\$3.56	\$2.71	\$2.11	31.4%
Leased SF	2,846,785	2,499,687	3,567,515	13.9%
Sold SF	2,542,842	4,278,675	5,350,399	-40.6%
Net Absorption	-165,121	436,124	1,012,685	N/A

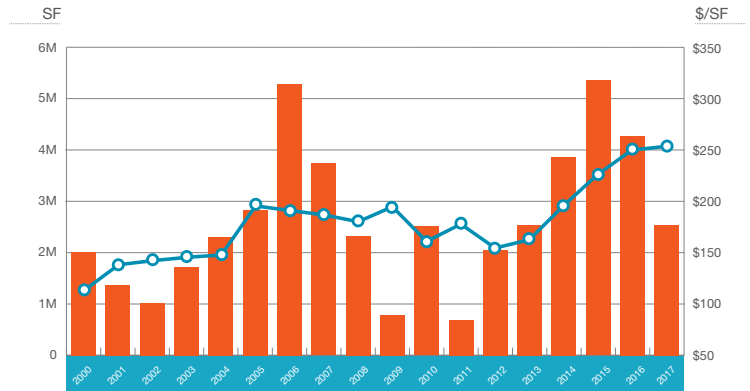
HISTORICAL NEW CONSTRUCTION & VACANCY RATE

■ New Deliveries
○ Vacancy Rate



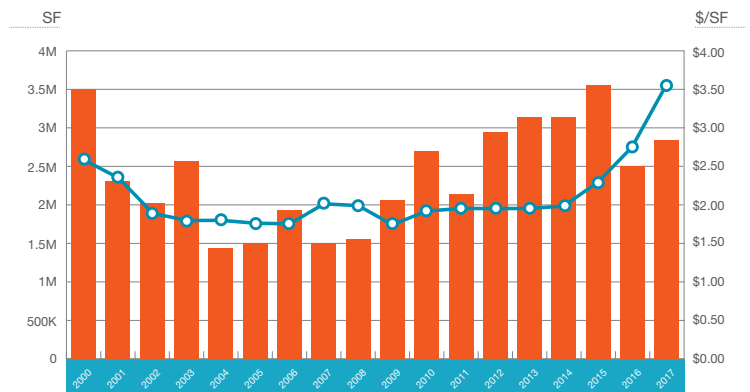
HISTORICAL SALES ACTIVITY & MEDIAN SALES PRICE

■ Total Square Feet of Sales
○ Median Price/Building SF



HISTORICAL LEASING ACTIVITY & ASKING LEASE RATES

■ Leasing Activity
○ Asking Lease Rate



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