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COLLIERS INTERNATIONAL FIRST QUARTER MARKET REPORT OAKLAND, CA

FIRST QUARTER 2001

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Office Market

What goes up must come down. Like the stock market the commercial real estate markets throughout the Bay Area are experiencing what some would call, a well deserved "correction". The flood of sublease space that has hit San Francisco bears testimony to this shakeout. A recent report projected that 80% of the dot.com businesses in the Bay Area are likely to disappear within the next 12-24 months. The impact of our slowing economy is spilling over into the broader technology sector as firms like Cisco, Oracle and Intel announce layoffs. Technology is a "driver" in the Bay Area economy and it has many employers (tenants) and building owners worried. Seemingly, many users are sitting on their hands waiting to see what will happen.

What has this meant for the Oakland Metro real estate market? Not much. The market has been quiet. Leasing activity in the first quarter dropped off dramatically as compared to the prior four quarters; however, with the exception of Emeryville, most markets have remained relatively healthy. For the most part, vacancy rates are still in single digits, and the overall market actually posted positive absorption for the quarter (Siebel Systems accounted for approximately 200,000 square feet of this net absorption).

Despite several large blocks of sublease space returning to the market at discounted rates, no one seems to be biting. San Francisco tenants who had been considering the East Bay are now re-assessing their options in light of rising vacancy rates and declining rents. Meanwhile, tenants in this market are waiting to see how far rents will drop- and they are coming down marginally. Though difficult to accurately peg rents due to a lack of "current" leasing activity, we estimate rates across all submarkets have declined 10%. Emeryville, however, is the exception. A large vacancy rate, softening demand and on-going concerns relative to "internet" firms has put downward pressure on rents in Emeryville. Asking rents in Emeryville dropped from \$4.16 to \$2.98 per square foot or 28% during the first quarter.

Market corrections are never fun, but it seems that this real estate market was due. It was difficult to justify the doubling of office rents last year, so a 10% decline is viewed as relatively healthy. We anticipate the decline will likely continue for a few more months and level out around mid-year.

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Industrial Market

Although the 1st Quarter of 2001 in the I-880 corridor cooled down compared to the blazing 4th Quarter 2000, the market appears to be in great shape. Statistically, the Oakland Metropolitan Industrial Market was not significantly affected by the recent economic news that the media has been reporting. Rents, property values, and vacancy remained virtually unchanged from last quarter. The overall vacancy rate had a modest increase from 3.7% to 3.8%. However, as good as the market appears to be on paper, there is no denying that the market is starting to cool off due to recent economic events. But, before anyone panics, keep in mind that we have a mature market with unique features that will help get through this economic downturn:

1. Record Low Vacancy Rates - Vacancy rate remains below 4%.
2. Record High Values and Rents - Rates have increased 50% to 100% over the last 24 months.
3. High Land Values - Land values have soared making it almost economically unfeasible to build industrial product.
4. Projects Under Construction - There are only a handful of projects either under or planned construction that will not adversely affect vacancy rates.
5. Diversified User Base - The East Bay is represented by a large array of industries that will help insulate us from any segment of the market that has a downturn.
6. Decline in Industrial Base - Over the last 36 months, there has been a large trend of converting industrial product into office, thus creating a large decline in industrial inventory.

We know the market is cooling down as we are seeing migration of users from the Peninsula and Silicon Valley markets slowing down. However, we anticipate this trend to continue due to the attractive economics of the East Bay, compared to the south and west bay markets that are far more expensive. Even as rents drop on south and west bays, it is still twice as expensive than the East Bay market.

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FIRST QUARTER MARKET REPORT
OAKLAND Metro Area, CA

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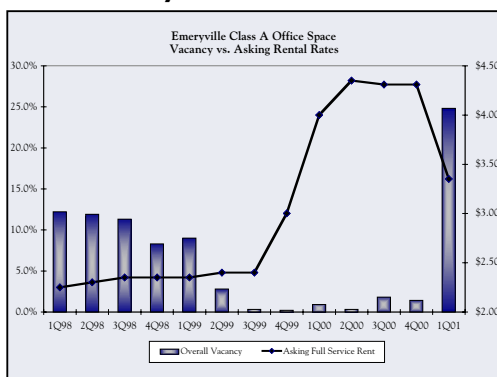
The Office Market

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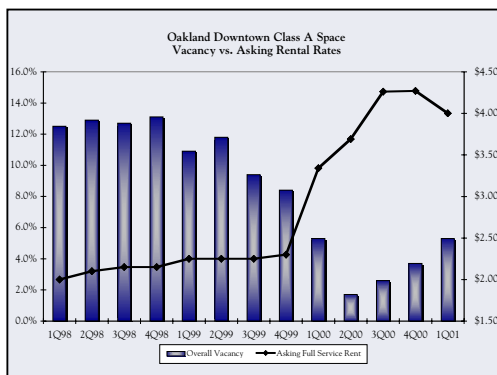
We attribute this prediction to the following:

- The East Bay has a broad tenant base and is less susceptible to sector specific declines.
- The lackluster first quarter will result in pent up demand from tenants with "real" real estate requirements.
- Despite increased construction activity, much of this space is pre-leased.
- East Bay will continue to be a less expensive alternative to San Francisco and the Peninsula.

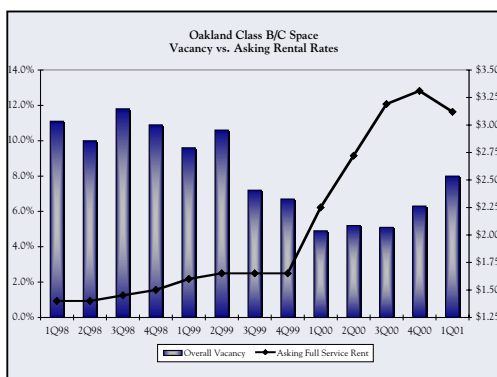
Emeryville Class A Office



Oakland Downtown Office Class A



Oakland Office Class B & C



Major Office Transactions

| ADDRESS | SQ. FT. | TENANT/BUYER |
|--------------------------------|---------|-----------------|
| 2000 Broadway | 75,000 | Kaiser |
| 1600 Harbor Bay Pkwy., Bldg. A | 30,000 | The Good Guys |
| 1000 42nd Street | 20,500 | Sprint |
| 2101 Webster Street | 23,740 | Kaiser |
| 1111 Jackson Street | 22,500 | Social Security |

Major Construction Activity

Under Construction

| PROJECT/DEVELOPER | CITY | SIZE | COMP. DATE |
|--|------------|---------|------------|
| Bayview/Lennar | Alameda | 120,000 | Jun-00 |
| 1401 Park/Levin Menzies | Emeryville | 53,000 | Aug-01 |
| 555 City Center/Shorenstein | Oakland | 432,000 | Mar-01 |
| 1111 Jackson/Encinal Dev. | Oakland | 120,000 | Jul-01 |
| Wakefield/Arroyo & Coates | Oakland | 60,400 | Jun-01 |
| Total Under Construction: 785,400 | | | |

Planned Construction

| PROJECT/DEVELOPER | CITY | SIZE | COMP. DATE |
|-----------------------------------|----------|---------|------------|
| 20th & Broadway/Ellis Partners | Oakland | 320,000 | Nov-01 |
| EastPointe/The Martin Group | Albany | 225,000 | Oct-01 |
| Bayview/Lennar | Alameda | 60,000 | TBD |
| Berkeley Crossing/Dennis Wong | Berkeley | 100,000 | TBD |
| Shipway/Marina Village Associates | Alameda | 150,000 | TBD |
| Jackson Center II/Encinal | Oakland | 229,000 | TBD |
| Marina Bay/Ziegler Development | Richmond | 140,000 | TBD |
| Total Planned: 1,224,000 | | | |

Recently Completed

| PROJECT/DEVELOPER | CITY | SIZE | COMP. DATE |
|-----------------------------------|------------|---------|-------------|
| Siebel Systems/Spieler | Emeryville | 344,000 | Shell Comp. |
| Emery Station/Wareham Dev. | Emeryville | 170,000 | Shell Comp. |
| Hollis Business Center/Simeon | Emeryville | 210,000 | Shell Comp. |
| Berkeley Farms/Silberman | Emeryville | 28,000 | Shell Comp. |
| Rotunda/CCI | Oakland | 300,000 | Shell Comp. |
| Total Completed: 1,052,000 | | | |

OAKLAND Metro Area, CA

FIRST QUARTER 2001

The Industrial Market

Continued from page 1...

At this point, the cooling off means that product will stay on the market longer which will be good for tenants. For the past year, it has been extremely difficult to grow and expand business in the Bay Area due to tight market conditions and landlord's stringent demands. Tenants will benefit from an increase supply, as they once again will have alternatives and the ability to negotiate terms with landlords. The sales side appears to remain very tight as there are still far more buyers than sellers. With the lower interest rates on the horizon, the sale market will continue to be strong.

Where are we going from here? How will this economic slow down impact the East Bay Industrial Market? We know true speculative development will stop, and only those buildings which are preleased will move forward with construction. The main segment of the market that may be impacted most will be in the office/R&D product, which soared last year due to the technology boom. However, from an industrial standpoint, it is important to remember that this is a mature market that is well insulated from severe conditions in any single industry. The traditional industrial product should continue to be healthy due to the combination of the lack of heavy technology influence in the industrial base, low vacancy rates, minimal land for new development and the loss of industrial product to office conversions.

WILLOWBROOK BUSINESS CENTER



Newly constructed Willowbrook Business Center, Union City, Ca. Mixed use/light industrial/manufacturing/warehouse project totaling 219,463 square feet. Currently available for lease.

Construction Activity

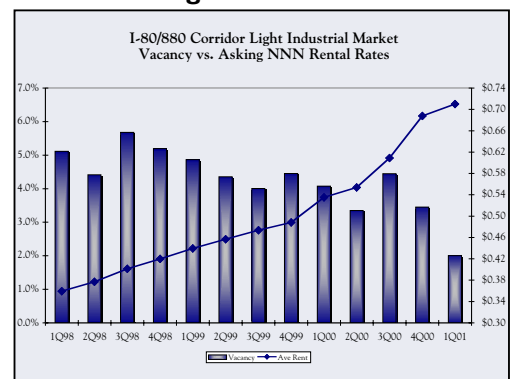
| PROJECT/DEVELOPER | CITY | SIZE | STATUS |
|-----------------------|-------------|---------|--------------|
| Investment Boulevard | Hayward | 18,603 | Under Const. |
| San Antonio Street | Hayward | 25,816 | Under Const. |
| Pinole Point | Richmond | 131,328 | Under Const. |
| Willowbrook | Union City | 219,463 | Under Const. |
| Merced Street | San Leandro | 43,000 | Under Const. |
| Shelton-Wiegman/Delta | Hayward | 106,335 | Comp./Sold |

Major Industrial Transactions

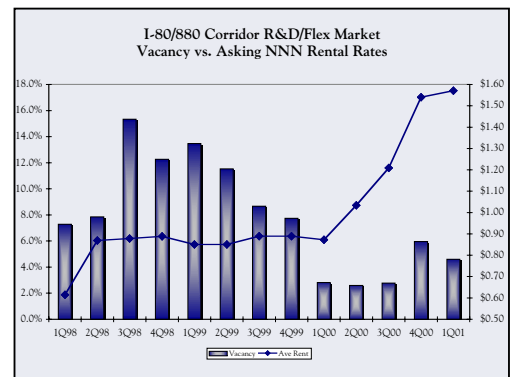
| ADDRESS | SQ. FT. | TENANT/BUYER |
|----------------------------|---------|------------------------------|
| 2424 Whipple Road | 214,172 | Morgan Advanced Ceramics |
| 7200 Edgewater Drive | 214,200 | Metropolitan Furniture Corp. |
| 2704-2748 W. Winton Ave. | 125,880 | Aradigm Corporation |
| 1717-1739 Doolittle Dr. | 90,000 | Charcoal Companion |
| 200-250 Garrard Blvd. | 71,150 | Veriflo/Parker Hannifin |
| 29987-29995 Ahern Ave. | 54,720 | Am-Pac Tire |
| 30800-30996 Santana Street | 54,266 | Finisar Corporation |

The East Bay will continue to attract a diverse group of users, investors and developers taking advantage of great opportunities. Again, the East Bay market is the largest, most diverse submarket in the Bay Area making it the most stable. We believe that with both the recent interest rate cuts and our diversity, the East Bay is positioned well for a soft economic landing.

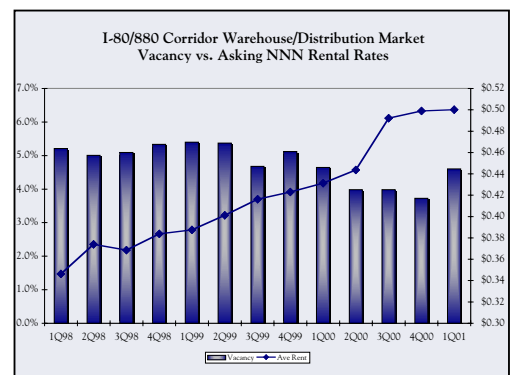
Light Industrial



R&D Flex



Warehouse/Distribution



OAKLAND Metro Area, CA

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Market Statistics - First Quarter 2001

251 Offices Worldwide

127 . . . Americas
95 United States
17 Canada
15 Latin America
78 Europe, Middle East & Africa
46 Greater Asia

52 Countries on 6 Continents

| | |
|----------------|----------------------|
| Argentina | New Zealand |
| Australia | Northern Ireland |
| Austria | Norway |
| Belgium | Peru |
| Brazil | Philippines |
| Canada | Poland |
| Chile | Portugal |
| China | Republic of Ireland |
| Colombia | Romania |
| Czech Republic | Russia |
| Denmark | Scotland |
| England | Singapore |
| France | South Africa |
| Germany | South Korea |
| Hong Kong | Spain |
| Hungary | Sweden |
| India | Switzerland |
| Indonesia | Taiwan |
| Israel | Thailand |
| Italy | Turkey |
| Kazakhstan | Ukraine |
| Japan | United Arab Emirates |
| Malaysia | United States |
| Mexico | Uruguay |
| Mozambique | Venezuela |
| Netherlands | Vietnam |

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Oakland Metropolitan Office Statistics

| Market | Inventory | Available Square Feet | Overall Vacancy | | Wtd Avg Asking FS Rental Rate | | Net Absorption | Leasing Activity |
|-----------------------------|-------------------|-----------------------|-----------------|-------------|-------------------------------|---------------|-----------------|------------------|
| | Current | Current | 4Q00 | 1Q01 | 4Q00 | 1Q01 | YTD 2001 | YTD 2001 |
| Class A Office | | | | | | | | |
| Oakland DT | 6,301,271 | 333,076 | 3.7% | 5.3% | \$4.27 | \$4.00 | -99,596 | 73,787 |
| South Richmond | 0 | 0 | NA | NA | NA | NA | 0 | 0 |
| Berkeley DT | 442,721 | 50,621 | 0.2% | 11.4% | \$3.48 | \$3.25 | -47,259 | 0 |
| Berkeley West | 0 | 0 | NA | NA | NA | NA | 0 | 0 |
| Emeryville | 2,100,534 | 521,583 | 1.4% | 24.8% | \$4.31 | \$3.35 | 38,578 | 29,003 |
| Marina Village | 0 | 0 | NA | NA | NA | NA | 0 | 0 |
| Harbor Bay | 0 | 0 | NA | NA | NA | NA | 0 | 0 |
| Oakland Airport | 453,697 | 18,999 | 5.1% | 4.2% | \$2.50 | \$2.50 | 4,273 | 4,295 |
| | 9,298,223 | 924,279 | 3.1% | 9.9% | \$4.24 | \$3.74 | -104,004 | 107,085 |
| Class B/C & Flex | | | | | | | | |
| Oakland DT | 5,325,995 | 425,239 | 5.7% | 8.0% | \$3.31 | \$3.12 | 232,042 | 192,830 |
| South Richmond | 1,989,178 | 272,257 | 9.3% | 13.7% | \$2.75 | \$2.50 | 100,804 | 134,300 |
| Berkeley DT | 964,539 | 113,293 | 0.9% | 11.7% | \$2.81 | \$2.50 | -104,691 | 12,720 |
| Berkeley West | 1,155,121 | 85,574 | 5.3% | 7.4% | \$2.62 | \$2.30 | -21,441 | 13,026 |
| Emeryville | 1,632,572 | 195,149 | 3.1% | 12.0% | \$3.99 | \$2.50 | 19,816 | 67,165 |
| Marina Village | 1,527,257 | 67,886 | 1.6% | 4.4% | \$3.43 | \$3.40 | -29,481 | 13,162 |
| Harbor Bay | 1,196,521 | 73,176 | 7.0% | 6.1% | \$2.31 | \$2.31 | 68,131 | 41,461 |
| Oakland Airport | 1,089,247 | 123,945 | 9.5% | 11.4% | \$1.93 | \$1.80 | -20,519 | 26,167 |
| | 14,880,430 | 1,159,398 | 4.8% | 7.8% | \$3.20 | \$2.73 | 265,180 | 474,664 |
| Totals | | | | | | | | |
| Oakland DT | 11,627,266 | 758,315 | 4.8% | 6.5% | \$3.85 | \$3.60 | 132,446 | 266,617 |
| South Richmond | 1,989,178 | 272,257 | 9.3% | 13.7% | \$2.35 | \$2.50 | 100,804 | 134,300 |
| Berkeley DT | 1,407,260 | 163,914 | 0.7% | 11.6% | \$3.02 | \$2.74 | -151,950 | 12,720 |
| Berkeley West | 1,155,121 | 85,574 | 5.3% | 7.4% | \$2.62 | \$2.30 | -21,441 | 13,026 |
| Emeryville | 3,733,106 | 716,732 | 2.2% | 19.2% | \$4.16 | \$2.98 | 58,394 | 96,168 |
| Marina Village | 1,527,257 | 67,886 | 0.4% | 4.4% | \$3.43 | \$3.40 | -29,481 | 13,162 |
| Harbor Bay | 1,196,521 | 73,176 | 7.0% | 6.1% | \$2.31 | \$2.31 | 68,131 | 41,461 |
| Oakland Airport | 1,542,944 | 142,944 | 8.2% | 9.3% | \$2.05 | \$2.01 | -16,246 | 30,462 |
| Grand Total | 24,178,653 | 2,137,854 | 3.9% | 8.8% | \$3.64 | \$3.12 | 156,903 | 577,454 |

Oakland Metropolitan Industrial Statistics

| Market | Inventory | Available Square Feet | Overall Vacancy | | Wtd Avg Asking NNN Rental Rate | | Net Absorption | Lease/Sale Activity |
|---------------------|--------------------|-----------------------|-----------------|-------------|--------------------------------|---------------|-----------------|---------------------|
| | Current | Current | 4Q00 | 1Q01 | 4Q00 | 1Q01 | YTD 2001 | YTD 2001 |
| Industrial | | | | | | | | |
| Richmond | 4,900,000 | 183,127 | 4.3% | 3.7% | \$0.64 | \$0.62 | 27,101 | 13,500 |
| Oakland | 21,909,000 | 906,905 | 3.8% | 4.1% | \$0.67 | \$0.67 | -74,901 | 102,922 |
| San Leandro | 11,750,843 | 238,886 | 2.9% | 2.0% | \$0.62 | \$0.72 | 100,000 | 55,669 |
| Hayward | 16,486,971 | 403,387 | 3.3% | 2.4% | \$0.72 | \$0.75 | 247,783 | 197,872 |
| Union City | 7,880,846 | 156,033 | 3.0% | 2.0% | \$0.80 | \$0.80 | 134,574 | 10,735 |
| | 62,927,660 | 1,888,338 | 3.4% | 3.0% | \$0.69 | \$0.71 | 434,557 | 380,698 |
| Warehouse | | | | | | | | |
| Richmond | 4,134,000 | 173,659 | 5.8% | 4.2% | \$0.45 | \$0.45 | 65,500 | 128,429 |
| Oakland | 10,791,000 | 739,774 | 3.3% | 6.9% | \$0.44 | \$0.45 | -382,416 | 351,095 |
| San Leandro | 14,356,460 | 224,854 | 1.2% | 1.6% | \$0.58 | \$0.55 | -54,171 | 202,783 |
| Hayward | 21,062,645 | 781,983 | 2.9% | 3.7% | \$0.48 | \$0.50 | -176,154 | 683,910 |
| Union City | 6,755,312 | 713,444 | 11.3% | 10.6% | \$0.51 | \$0.50 | 170,001 | 67,349 |
| | 57,099,417 | 2,633,714 | 3.7% | 4.6% | \$0.50 | \$0.50 | -377,240 | 1,433,566 |
| R&D/Flex | | | | | | | | |
| Richmond | 1,636,201 | 137,682 | 9.8% | 8.4% | \$1.66 | \$1.66 | 49,325 | 17,403 |
| Oakland | 170,000 | 5,000 | 8.8% | 2.9% | \$1.65 | \$1.65 | 10,000 | 10,000 |
| San Leandro | 804,200 | 53,899 | 3.3% | 6.7% | \$0.94 | \$1.30 | -27,689 | 5,040 |
| Hayward | 4,544,850 | 138,128 | 3.6% | 3.0% | \$1.63 | \$1.60 | 23,367 | 191,520 |
| Union City | 870,672 | 32,229 | 14.1% | 3.7% | \$1.40 | \$1.50 | 116,339 | 116,419 |
| | 8,025,923 | 366,938 | 5.9% | 4.6% | \$1.54 | \$1.57 | 171,342 | 340,382 |
| Totals | | | | | | | | |
| Richmond | 10,670,201 | 494,468 | 5.7% | 4.6% | \$0.72 | \$0.71 | 141,926 | 159,332 |
| Oakland | 32,870,000 | 1,651,679 | 3.6% | 5.0% | \$0.59 | \$0.60 | -447,317 | 464,017 |
| San Leandro | 26,911,503 | 517,639 | 2.0% | 1.9% | \$0.61 | \$0.65 | 18,140 | 263,492 |
| Hayward | 42,094,466 | 1,323,498 | 3.1% | 3.1% | \$0.70 | \$0.72 | 94,996 | 1,073,302 |
| Union City | 15,189,367 | 901,706 | 7.3% | 5.9% | \$0.71 | \$0.72 | 420,914 | 194,503 |
| Grand Total | 128,053,000 | 4,888,990 | 3.7% | 3.8% | \$0.66 | \$0.67 | 228,659 | 2,154,646 |