

One of the challenges facing the West Berkeley shuttle is to consider whether to expand the service beyond the current operations serving major employers, to a system that provides access to a more diverse base, including retail and residential uses in West Berkeley. This would require an expansion of its assessment district and the route, perhaps with connections to other BART stations, which may impact existing AC Transit bus operations. The daily commute inflows in West Berkeley suggest that there are a sufficient number of commuter inflows to justify a more robust system, assuming funding can be secured for operations.

Real Estate Market Analysis

The real estate analysis provides an overview of conditions for different product types to illustrate the strength of various markets. Data is presented on inventory, lease rates, and occupancy levels for geographies that most closely resemble the EBOTS Area. This analysis includes a summary of trends in manufacturing, research and development (R&D), warehousing, office, retail, and housing.

Manufacturing

The East Bay manufacturing real estate market, which stretches along I-80 and I-880 from Richmond to Fremont, contains over 88 million square feet of inventory. According to Cassidy Turley, Berkeley and Emeryville accounted for a small fraction of the East Bay's regional manufacturing space, while Oakland contained a larger inventory. In the Third Quarter of 2013 (Q3 2013), Berkeley's 4.6 million square feet of manufacturing space translated into a 5 percent market share, which was higher than Emeryville, which had 1.2 million square feet or 1 percent of the entire market. In contrast, Oakland's share of the manufacturing space market was 29 percent, or 25.2 million square feet.

The East Bay manufacturing sector has posted strong growth in 2013, buoyed by growth in advanced manufacturing. Vacancy rates have fallen to their lowest levels since 2007, and according to Cassidy Turley, 2013's year to date 2.1 million square feet of positive net absorption represents more positive absorption than in any year since 1997. According to the SF Business Times, the resurgence in manufacturing is driven by advanced manufacturing, one of the fastest growing sectors in the East Bay, that includes high technology, medical, pharmaceutical, and other specialized manufacturing.⁴ Companies like Penumbra Inc., a medical device maker, cite benefits from local engineering talent and proximity to other large medical device manufacturers, including Abbott Diabetes Care and NanoVasc, Inc., who are located in Alameda. Advanced technology and medical manufacturers have realized the benefits of locating in the East Bay, with relatively low rents compared to the Peninsula, access to a skilled labor force, and proximity to advanced transportation networks at the Port of Oakland and Oakland Airport.

⁴ San Francisco Business Times, *Manufacturers See Advantages in East Bay Sites*, March 30, 2012, Accessed November 4, 2013, <http://www.bizjournals.com/sanfrancisco/print-edition/2012/03/30/manufacturers-see-advantages-in-east.html?page=all>

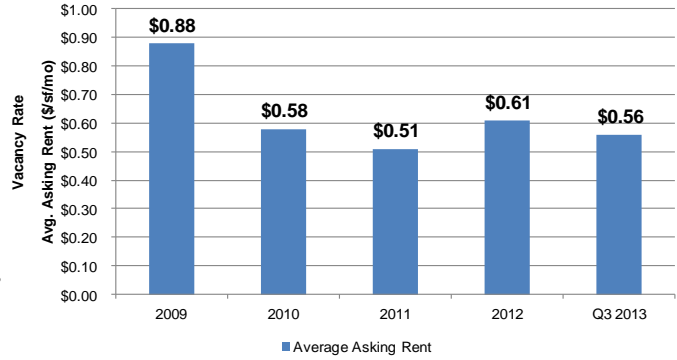
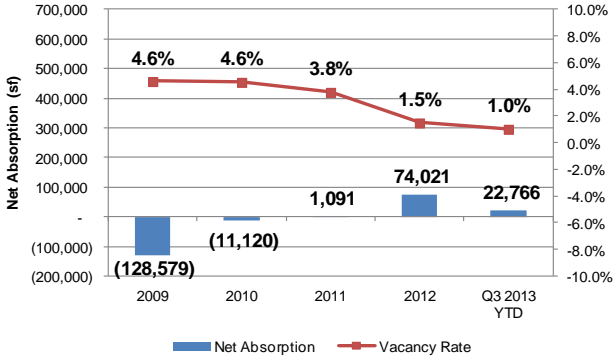
Vacancy rates in Berkeley, Emeryville, and Oakland were below the average compared to the East Bay market. The Q3 2013 vacancy rate was 1.0 percent in Berkeley, 0.9 percent in Emeryville, and 3.7 percent in Oakland, lower than the East Bay average of 5.3 percent.

Meanwhile, Emeryville and Berkeley led the East Bay manufacturing sector with the highest average asking rents, while Oakland's rents were slightly lower than the average, giving Oakland a potential competitive advantage. The average asking rent for manufacturing space in Emeryville was \$0.75 per square foot per month triple net, and \$0.56 per square foot per month triple net in Berkeley, higher than the market average of \$0.47 per square foot per month triple net (sf/month/NNN). The higher rents in Berkeley and Emeryville may reflect a premium for proximity to other advanced manufacturers and access to a skilled labor pool compared to other geographies. In comparison, Oakland's manufacturing asking rents of \$0.37/sf/month NNN⁵ were lower than the market average. These lower rents, combined with a tight inventory in Berkeley and Emeryville and no new manufacturing space in the pipeline, may provide an opening for Oakland to attract manufacturers looking to expand or seeking more affordable rents.

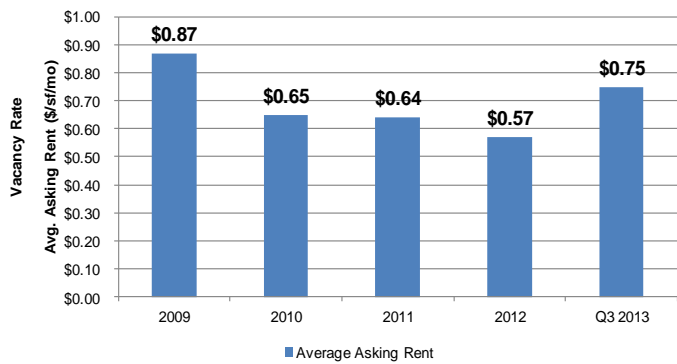
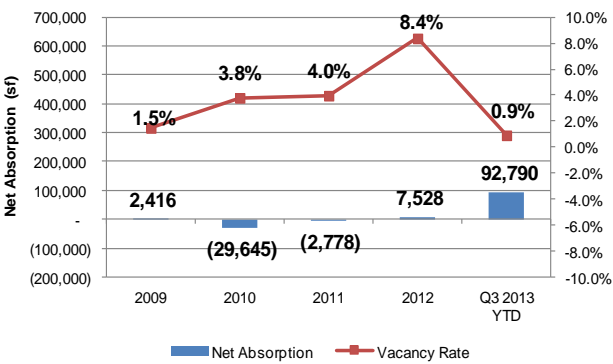
⁵ NNN = "triple-net", a common method for leasing industrial space, where tenants are fully responsible for all expenses related to maintenance, insurance, and property taxes.

Figure 5: Manufacturing Real Estate Market Overview, 2009 – Q3 2013

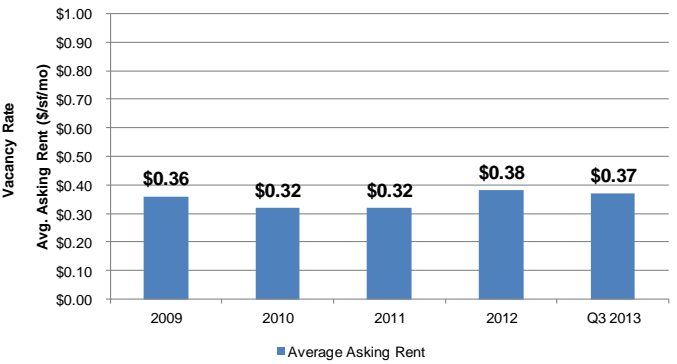
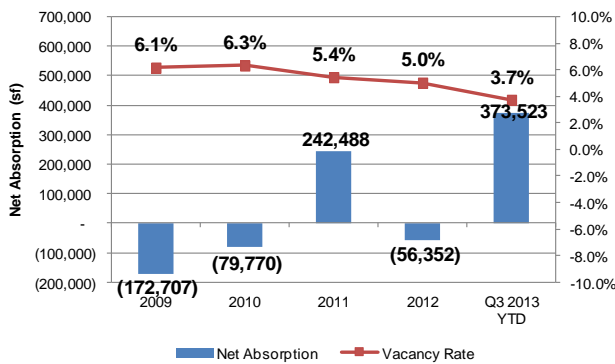
Berkeley



Emeryville



Oakland



Sources: Cassidy Turley; 2013; BAE, 2013.

Warehouse

Similar to the manufacturing market, the East Bay warehouse market follows I-80 and I-880 from Richmond to Fremont and contains over 74 million square feet of warehouse space. As of Q3 2013, Berkeley and Emeryville each maintained a small share of the regional market, with Berkeley at 2.1 million square feet, or 3 percent of the regional warehouse market, and Emeryville at 1.15 million square feet, or 2 percent of market supply. In contrast, Oakland contained a much larger share, 12.2 million square feet, or 17 percent of the warehouse market.

Berkeley and Emeryville led all trade areas with the highest average asking rents as of Q3 2013. The average asking rent was \$0.64/sf/month NNN in Berkeley and \$0.55/sf/month NNN in Emeryville, significantly higher than the East Bay market average of \$0.40/sf/month NNN. Like rents for manufacturing space, Oakland's average asking rent of \$0.37/sf/month was lower than the other geographies and on par with the average in the market.

Historic data shows that warehouse vacancy rates have declined to 2008 levels, and the occupancy rates in Berkeley, Emeryville, and Oakland were fairly robust compared to the overall market. In Q3 2013, the East Bay warehouse vacancy rate declined to 7.4 percent, marking the eighth consecutive quarter in which vacancy either declined or remained the same.

In Berkeley, the vacancy rate was only 2.5 percent in Q3 2013 and has remained below 5 percent since 2009. The historically low vacancy rates, coupled with limited annual net absorption, suggests little turnover. In fact, only two warehouse spaces were available for lease in Berkeley as of Q4 2012, with between 10,000 and 25,000 square feet, the smallest size facility available.

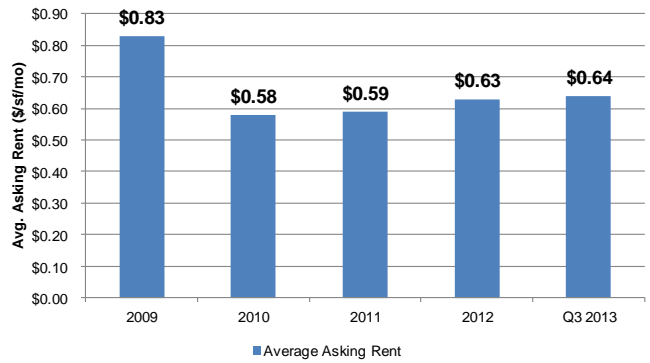
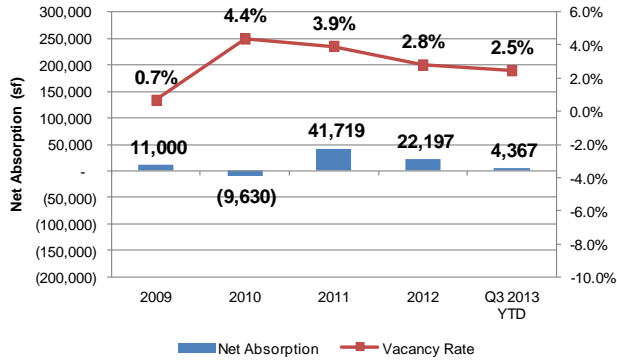
Emeryville has a higher vacancy rate of 10.5 percent compared to the regional market, which may be attributable to a small but significant number of economically obsolescent properties. Based on data from Q4 2012, there were three warehouses available in Emeryville, which remained on the market on average for three years, contributing to a high vacancy rate.

In Oakland, the availability of leasable warehouse space was tight, with vacancy rates reaching a low of 2.3 percent. Oakland's warehousing market is tied to activity at the Port of Oakland and the airport, and the Port is expected to continue a healthy level of trade in the near future, which will support the local warehousing sector. Historic trends point to declining vacancy rates between 2009 and 2013, a sign of a strong market. The Airport Logistics Center, a 375,000 square foot distribution facility, will be completed in the first half of 2014, and will be one of a few new speculative warehouse projects that are expected to add another one million square feet of inventory in the East Bay market⁶, with most of the new facilities expected in Fremont, Newark, and Union City. These modern distribution facilities will be a competitive addition to the market, since much of the existing inventory is comprised of older facilities that are bordering on functional obsolescence or are not suitable for modern logistics users.

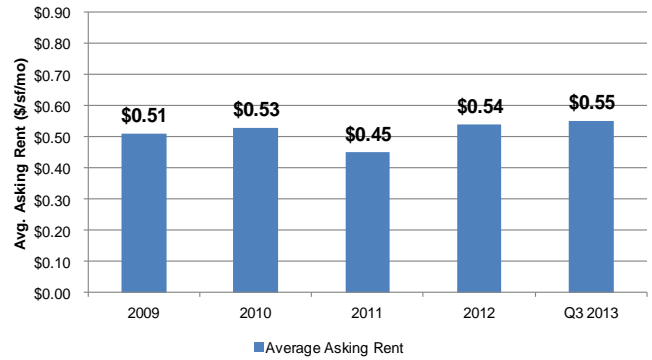
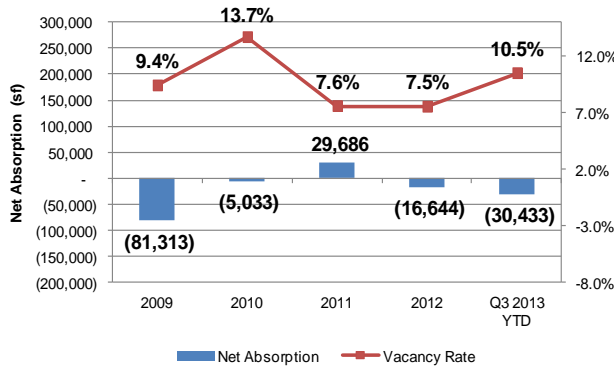
⁶ Excluding new logistics facilities being developed at the Port of Oakland and the former Oakland Army Base, both of which are west of I-880 and outside the EBOTS Area.

Figure 6: Warehouse Real Estate Market Overview, 2009 – Q3 2013

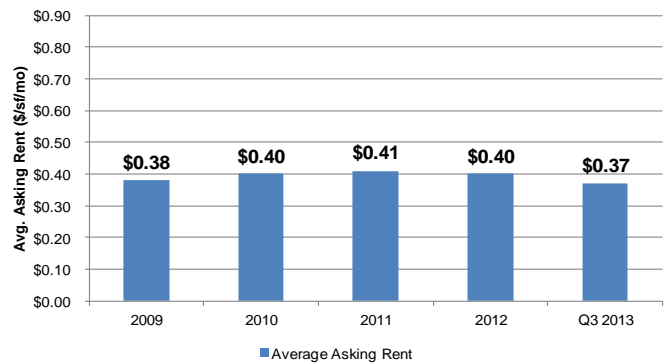
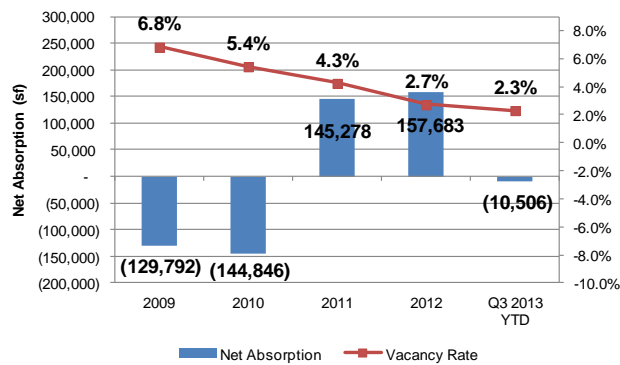
Berkeley



Emeryville



Oakland



Sources: Cassidy Turley; 2013; BAE, 2013.

Research and Development (R&D)

The East Bay R&D market consisted of 31.8 million square feet, with a majority of R&D based in Fremont. While the I-880 market is influenced by trends in Silicon Valley, Berkeley and Emeryville's R&D market is shaped by local forces and somewhat removed from high tech-related activity in the South Bay. Because Cassidy Turley only tracks R&D inventory in Berkeley and Emeryville and areas south of Oakland below I-880, Oakland is excluded from the following discussion.

The inventory of R&D space in Berkeley and Emeryville is tight. As of Q3 2013, Berkeley maintained approximately 850,000 square feet of R&D, 3 percent of the East Bay market, while Emeryville hosted 1.7 million square feet, or 5 percent of the market.

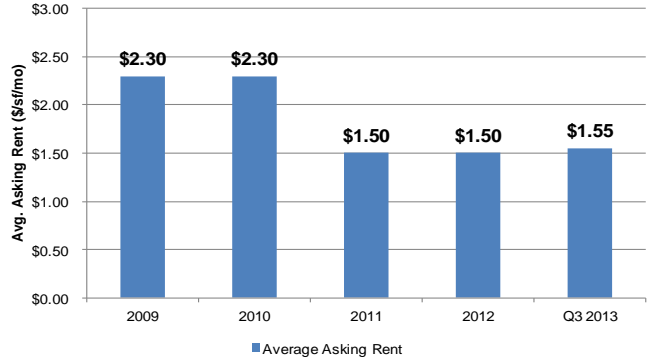
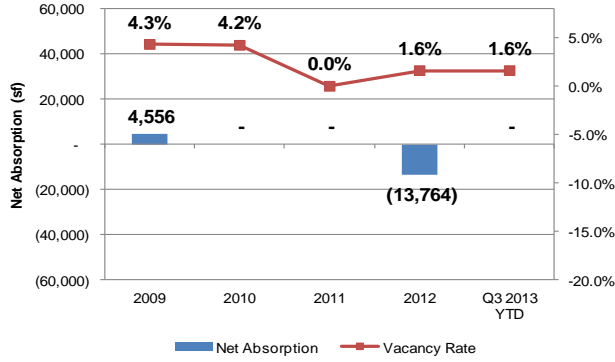
Vacancy rates for R&D space were extremely low in Berkeley and Emeryville, registering at 1.6 percent in Berkeley and 0.2 percent in Emeryville, compared to a high of 19.4 percent in the East Bay as of Q3 2013. This translated into a scarce availability of vacant R&D stock, with only 13,800 square feet in Berkeley and 3,280 square feet in Emeryville. Based on these figures, there is virtually no vacancy in the Berkeley and Emeryville marketplace.

Historically low vacancy rates have led to high average asking rents. In Q3 2013, the average asking rent in Berkeley was \$1.55/sf/month NNN and \$1.45/sf/month NNN in Emeryville, higher than the East Bay average of \$0.89/sf/month NNN.

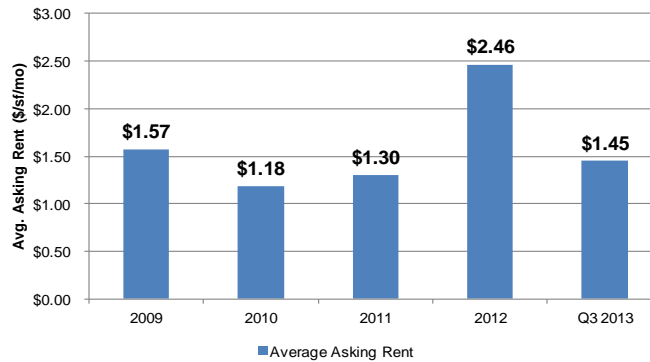
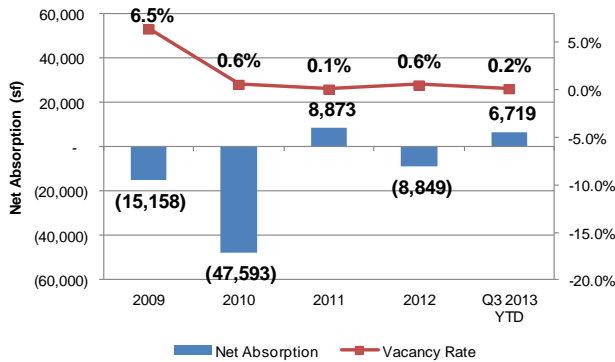
No new R&D development is currently in the pipeline, and the market is expected to remain very tight. Given the historically low vacancy rates and the short average time that R&D properties remain on the market, the EBOTS Area is likely to support additional R&D development.

Figure 7: R&D Real Estate Market Overview, 2009 – Q3 2013

Berkeley



Emeryville



Sources: Cassidy Turley; 2013; BAE, 2013.

Office

The East Bay office market contains 29.6 million square feet of inventory and includes office markets from Richmond through Oakland and Alameda. West Berkeley maintains a small fraction of the regional office inventory, with 1.3 million square feet, or 4 percent of the regional market. Emeryville contains 4.1 million square feet, or a 14 percent market share. While Cassidy Turley does not track office inventory in West Oakland, the Oakland Central Business District (CBD) is the nearest and largest center for office activity in Oakland. In Q3 2013, the Oakland CBD consisted of 5.1 million square feet, or 17 percent of the total market. Vacancy rates were very low in West Berkeley, and higher in the Oakland CBD and Emeryville. The average rental rate for the East Bay office market was \$2.26 per square foot per month, full service gross.

In Q3 2013, West Berkeley's vacancy rate registered 4.5 percent, which reflects the limited availability of office space. Only a handful of office properties were vacant in West Berkeley, with half less than 5,000 square feet, and the other half between 5,000 to 10,000 square feet. Rental rates matched that for the larger East Bay market. Finding available space continues to be a challenge for mid-size or large users.

Emeryville's office vacancy was 16.1 percent, but excluding lab space, pure office vacancy rates were approaching 10 percent, with the majority of recent growth occurring in startups seeking small spaces in non-institutional buildings at lower rents, according to Cassidy Turley. The average rent in Emeryville, depending on the class of space, ranged from \$2.60 to \$2.65⁷ per square foot per month, full service gross; however, this average masks the impact of much more expensive lab space that ranges, depending on class, from \$2.99 to \$3.13 per square foot per month, full service gross.

Vacancy rates in the Oakland CBD were also fairly low, at 12.9 percent, which reflects investment activity in downtown this past quarter. Oakland's CBD vacancy rate is now lower than the average in the regional market of 15.5 percent, with rental rates ranging from \$2.50 to \$2.72 per square foot per month full service gross, depending on the class of space. Vacancy rates are expected to continue to decline, as tenants in the San Francisco continue to face rising rents, which may force them seek office space elsewhere. Still, recent net absorption figures have shown only modest recovery, and there is still a substantial amount of inventory in the Oakland CBD and periphery markets to work through.

Retail

The East Bay retail market is somewhat flat, with vacancy rates unchanged at six percent since Q1 2013. Despite the limited changes in net absorption, the overall trend has been one of declining vacancy and rising rents, led by more activity in Class A retail products and gradual improvement in Class B and C space. According to Cassidy Turley, new Class A retail is moving quickly, with minimal lease up times, while Class B and C space, which accounts for a large share of the existing vacant

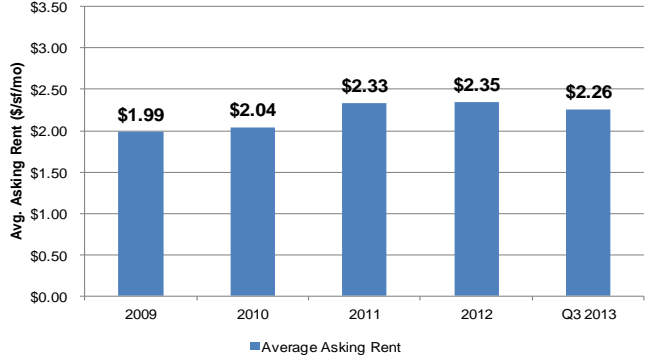
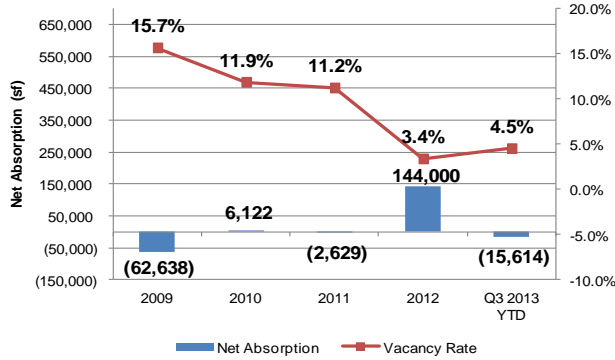
⁷ In this section, the lower figure represents all classes of space, while the high figure represents Class A space (newer, more modern, higher quality space).

stock, is still waiting to be filled. The economic recovery underway is expected to boost absorption of Class B and C space, as start-up mom and pop retailers, which typically occupy these spaces, are expected to return to the market. These types of businesses are typically funded by SBA and home equity loans, which are expected to rebound with the upswing in the housing market.

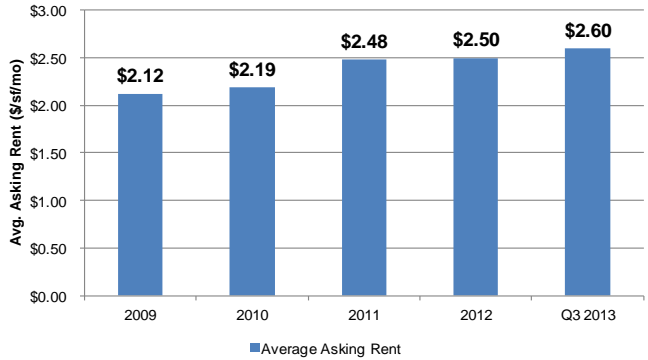
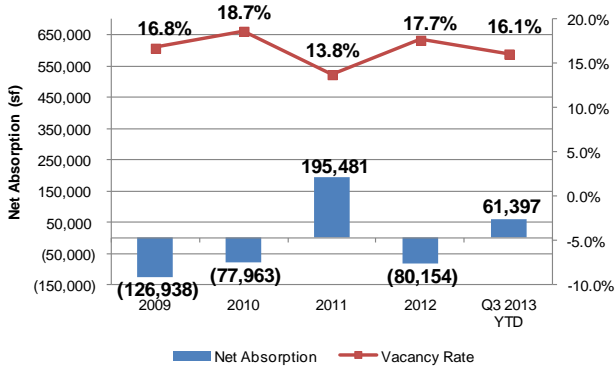
Within the EBOTS Area, Cassidy Turley tracks the I-80 corridor, which extends from Hercules to Emeryville, so this submarket will be used to describe trends in Berkeley and Emeryville. In Q2 2013, there was a total of 5.4 million square feet of retail along the I-80 corridor, and another 2.7 million square feet in Oakland. Vacancy rates were fairly low, at 5.0 percent along I-80 and just 3.9 percent in Oakland, the lowest vacancy rate in the region. Triple-net annual asking rents averaged \$19.59 per square foot per year (\$1.63 per month) for the I-80 corridor and \$22.40 per square foot per year (\$1.87 per month) for Oakland, somewhat similar to the regional average of \$20.34 per square foot per year (\$1.70 per month).

Figure 8: Office Real Estate Market Overview, 2009 – Q3 2013

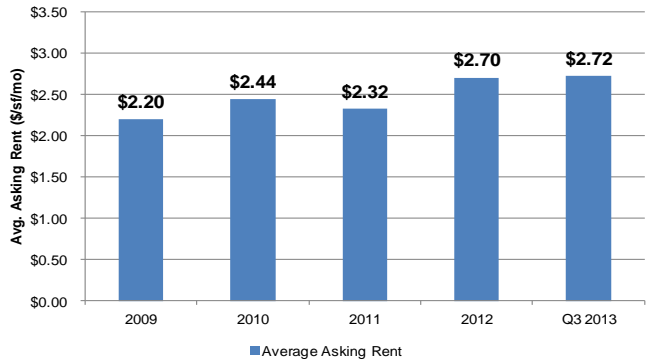
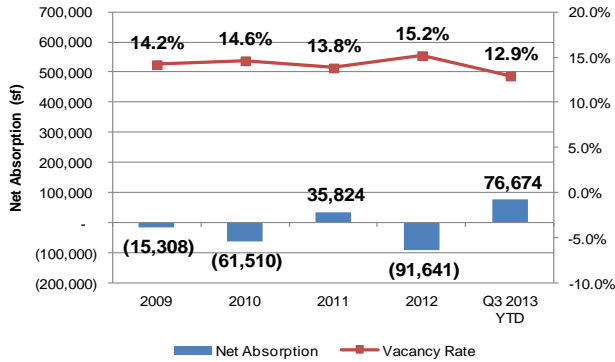
West Berkeley



Emeryville



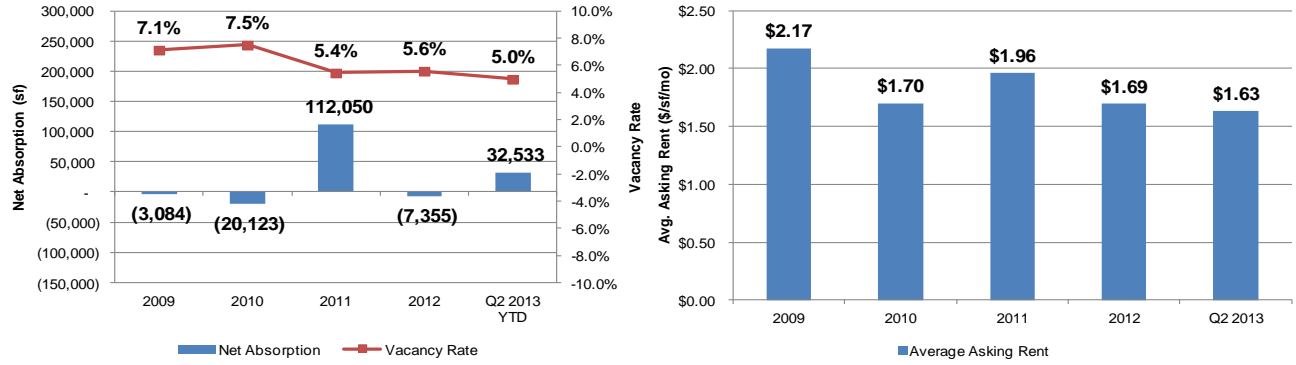
Oakland CBD



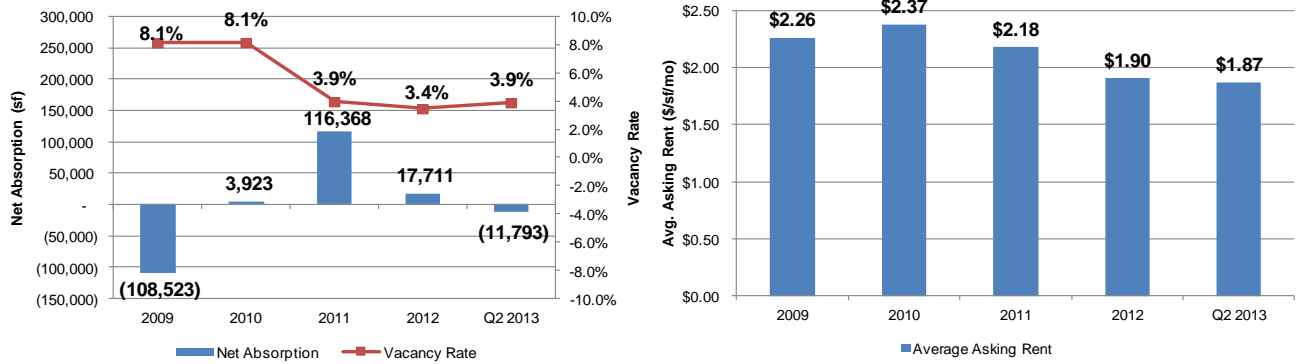
Sources: Cassidy Turley; 2013; BAE, 2013.

Figure 9: Retail Real Estate Market Overview, 2009 – Q3 2013

I-80 Corridor



Oakland



Sources: Cassidy Turley; 2013; BAE, 2013.

Rental Housing

Multi-family rental housing is tight in the East Bay, driven by high demand for rental housing and rapidly rising rents in San Francisco that has led renters priced out of that market to seek housing elsewhere. In Alameda County, the vacancy rate in Q3 2013 was 3.1 percent, well below the 5 percent vacancy threshold that typically indicates full occupancy.

In Alameda County, asking rents averaged \$1,781 per month in Q3 2013, a nine percent increase from the same time last year. New developments are ramping up and deliveries will hit the market in the second half of 2014 and early 2015.

Comparing monthly rents in the EBOTS Area to Alameda County, average rents in Emeryville (\$2,453) and Berkeley (\$1,994) were higher than the County average (\$1,781) while rents in West Oakland were slightly lower (\$1,692) than the average.

Table 12: Monthly Average Rents, Currently Leasing Rental Residential Units in the EBOTS Area, October 2013

West Berkeley			Emeryville			West Oakland		
Unit Type	#	Avg. Rent (a)	Unit Type	#	Avg. Rent (a)	Unit Type	#	Avg. Rent (a)
1 BD / 1 BA	2	\$1,709	Studio	4	\$1,998	Studio	1	\$975
2 BD / 2 BA	1	\$2,564	1 BD / 1 BA	23	\$2,101	1 BD / 1 BA	5	\$1,324
Total	3	\$1,994	2 BD / 1 BA	3	\$2,388	2 BD / 1 BA	11	\$1,717
			2 BD / 2 BA	8	\$2,486	2 BD / 2 BA	1	\$958
			3 BD / 1 BA	1	\$3,200	3 BD / 1 BA	3	\$1,682
			3 BD / 2 BA	4	\$3,297	3 BD / 2 BA	5	\$1,696
			3 BD / 3 BA	1	\$4,309	3 BD / 3 BA	2	\$2,075
			4 BD / 3 BA	1	\$3,900	4 BD / 2 BA	3	\$2,443
			Total	45	\$2,453	Total	31	\$1,692

Note:

(a) Average rents are based on posted apartments with complete information as of 10/30/2013

Padmapper aggregates online apartment listings from multiple sources, including Craigslist and brokers.

Source: Padmapper, 2013; BAE 2013

For Sale Housing

The for-sale housing market in Alameda County is robust, with home prices rising 34 percent between September 2012 and September 2013. According to DQNews, the average price of homes sold in Alameda County was \$512,000 in September 2013, up from \$382,000 in September 2012.

Within the EBOTS Area, prices in West Berkeley eclipsed the County average, while homes sold in Emeryville and West Oakland were slightly below the average. Based on data from April to October of 2013, with only 11 total sales, the average single family home in West Berkeley sold for \$1,225,000, while the average condominium sold for \$553,000, higher than the County average of \$512,000. These figures are not representative due to the very few homes were sold in West Berkeley in this time period.

Table 13: Sales Price Distribution, West Berkeley, April – October 2013

Sale Price Range	Number of Units Sold				Total	% Total
	1 BRs	2 BRs	3 BRs	4+ BRs		
Single-Family Residences						
Less than \$400,000	0	0	0	0	0	0.0%
\$400,000-\$499,999	1	2	0	0	3	27.3%
\$500,000-\$599,999	0	1	0	0	1	9.1%
\$600,000-\$699,999	0	1	0	0	1	9.1%
\$700,000-\$799,999	0	1	1	0	2	18.2%
\$800,000-\$899,999	0	1	0	0	1	9.1%
\$900,000-\$999,999	0	0	0	0	0	0.0%
\$1,000,000 or more	0	0	3	0	3	27.3%
Total (a)	1	6	4	0	11	100.0%
% Total	0.0%	54.5%	36.4%	0.0%	90.9%	
Median Sale Price	N/A	N/A	N/A	N/A	\$725,000	
Average Sale Price	N/A	N/A	N/A	N/A	\$1,228,000	
Average Size (sf)	N/A	N/A	N/A	N/A	966	
Average Price/sf	N/A	N/A	N/A	N/A	\$573	
Condominiums						
Less than \$300,000	0	0	0	0	0	0.0%
\$300,000-\$399,999	0	1	0	0	1	16.7%
\$400,000 or more	2	2	1	0	5	83.3%
Total (a)	2	3	1	0	6	100.0%
% Total	33.3%	50.0%	16.7%	0.0%	100.0%	
Median Sale Price	N/A	N/A	N/A	N/A	\$525,000	
Average Sale Price	N/A	N/A	N/A	N/A	\$553,000	
Average Size (sf)	N/A	N/A	N/A	N/A	1,348	
Average Price/sf	N/A	N/A	N/A	N/A	\$410	

(a) Consists of all full and verified sales of single-family residences and condominiums in the 94710 zip code between 4/29/2013 and 10/29/2013.

Sources: DataQuick 2013; BAE 2013

Emeryville's prices were slightly lower than the County average, which may be due to a high proportion of studio and 1-bedroom condos sold in the last six months. The average sale price for single family homes was \$435,000, while the average price for condos was \$345,000. Condos accounted for a majority of total units exchanged in the Emeryville market (58 percent), and a

majority of those units were either studios or one-bedrooms (64 percent). Comparing the average price per square foot, both single family homes and condominiums averaged approximately \$359 per square foot.

West Oakland had the lowest average sales price of the three subareas, with single family home sales averaging \$295,000 and condominiums averaging \$358,000. Similar to West Berkeley, there were few single family homes sold in the last six months, which means this data may not be representative of the overall market for single family homes. The overall data shows, compared to the other subareas, that average home prices in West Oakland were generally lower than both Emeryville and West Berkeley.

Table 14: Sales Price Distribution, Emeryville, April – October 2013

Sale Price Range	Number of Units Sold					Total	% Total
	Studios	1 BRs	2 BRs	3 BRs	4+ BRs		
Single-Family Residences							
Less than \$300,000	N/A	3	7	5	2	17	17.2%
\$300,000-\$399,999	N/A	0	8	5	3	16	16.2%
\$400,000-\$499,999	N/A	1	24	5	3	33	33.3%
\$500,000-\$599,999	N/A	2	11	3	2	18	18.2%
\$600,000-\$699,999	N/A	0	7	2	3	12	12.1%
\$700,000-\$799,999	N/A	1	0	2	0	3	3.0%
\$800,000 or more	N/A	0	0	0	0	0	0.0%
Total (a)	N/A	7	57	22	13	99	100.0%
% Total	N/A	0.0%	57.6%	22.2%	13.1%	92.9%	
Median Sale Price	N/A	\$405,000	\$436,200	\$402,550	\$440,000	\$435,000	
Average Sale Price	N/A	\$375,714	\$442,245	\$434,934	\$434,154	\$434,854	
Average Size (sf)	N/A	831	1,047	1,391	1,861	1,215	
Average Price/sf	N/A	\$452	\$422	\$313	\$233	\$358	
Condominiums							
Less than \$200,000	16	1	0	0	0	17	12.4%
\$200,000-\$299,999	5	35	2	2	0	44	32.1%
\$300,000-\$399,999	0	16	19	2	0	37	27.0%
\$400,000 or more	0	14	21	4	0	39	28.5%
Total (a)	21	66	42	8	0	137	100.0%
% Total	15.3%	48.2%	30.7%	5.8%	0.0%	100.0%	
Median Sale Price	\$192,500	\$290,000	\$397,500	\$418,000	N/A	\$335,000	
Average Sale Price	\$188,620	\$324,404	\$444,179	\$405,188	N/A	\$345,027	
Average Size (sf)	527	886	1,173	1,584	N/A	960	
Average Price/sf	\$358	\$366	\$379	\$256	N/A	\$359	

(a) Consists of all full and verified sales of single-family residences and condominiums in the 94608 zip code between 4/29/2013 and 10/29/2013.

Sources: DataQuick 2013; BAE 2013

Table 15: Sales Price Distribution, West Oakland, April – October 2013

Sale Price Range	Number of Units Sold					Total	% Total
	Studios	1 BRs	2 BRs	3 BRs	4+ BRs		
Single-Family Residences							
Less than \$300,000	N/A	1	5	1	1	8	42.1%
\$300,000-\$399,999	N/A	0	2	3	1	6	31.6%
\$400,000-\$499,999	N/A	0	1	0	4	5	26.3%
\$500,000 or more	N/A	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0.0%
Total (a)	N/A	1	8	4	6	19	100.0%
% Total	N/A	0.0%	42.1%	21.1%	31.6%	94.7%	
Median Sale Price	N/A	\$242,000	\$236,000	\$360,000	\$412,500	\$305,000	
Average Sale Price	N/A	\$242,000	\$247,625	\$303,750	\$362,333	\$295,368	
Average Size (sf)	N/A	670	985	1,423	1,344	1,174	
Average Price/sf	N/A	\$361	\$251	\$213	\$270	\$252	
Condominiums							
Less than \$200,000	4	8	1	0	0	13	13.4%
\$200,000-\$299,999	0	13	10	0	0	23	23.7%
\$300,000-\$399,999	0	11	17	3	0	31	32.0%
\$400,000 or more	<u>0</u>	<u>11</u>	<u>14</u>	<u>5</u>	<u>0</u>	<u>30</u>	<u>30.9%</u>
Total (a)	4	43	42	8	0	97	100.0%
% Total	4.1%	44.3%	43.3%	8.2%	0.0%	100.0%	
Median Sale Price	\$168,000	\$310,000	\$358,000	\$451,250	N/A	\$330,750	
Average Sale Price	\$200,400	\$329,186	\$389,940	\$444,688	N/A	\$358,081	
Average Size (sf)	638	935	1,066	1,381	N/A	1,012	
Average Price/sf	\$314	\$352	\$366	\$322	N/A	\$354	

(a) Consists of all full and verified sales of single-family residences and condominiums in the 94607 zip code between 4/29/2013 and 10/29/2013.

Sources: DataQuick 2013; BAE 2013