

MARKET STUDY
Economic Development Strategy
For Alameda Point

Prepared for:
City of Alameda

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I. EXECUTIVE SUMMARY

Keyser Marston Associates (KMA), Field Paoli Architects, and Carlson, Barbee & Gibson, Inc. (CBG) have been retained by City of Alameda (the City) to create an Economic Development Strategy for the former Naval Air Station Alameda (NAS Alameda), commonly referred to as Alameda Point. The focus of this analysis is to identify the opportunities to grow the job base at Alameda Point. This jobs based strategy is funded by a grant from the Office of Economic Adjustment.

Alameda Point needs to have an identified market niche to compete successfully within the economic climate of the Bay Area as the region recovers from the Great Recession. Alameda Point must capitalize on its unique assets to realize job growth opportunities in the marketplace. It must distinguish itself from the significant competition created by the standing inventory of vacant space in the inner East Bay office, R&D and industrial concentrations and from other municipalities, all seeking a share of the recovery. Important elements of this strategy will be creating an environment in which to invest and retaining key businesses now at Alameda Point as well as attracting new ones, both from within and beyond Alameda. The strategy must also address the physical constraints that impede growth at Alameda Point.

Job growth in the East Bay and in Alameda will create opportunities to continue occupying Alameda Point's existing buildings in the near to midterm. However, job growth will not support development of new complexes at the Point until commercial rents support development costs, with the notable exception being a build-to-suit for an end user or owner occupant that is attracted to Alameda Point's unique environment. Multi-tenant, speculative development cannot be supported by the market at this time. This condition exists throughout the East Bay and is not limited to Alameda Point. The report discusses in detail the trends in the East Bay, the competition and the current employment base at Alameda Point. The following is a summary of the market findings.

The opportunity for Alameda Point to grow its job base is positively influenced by such factors as:

1. Safe and welcoming community. There is a perception in the marketplace of Alameda being a friendly place to live and do business. Additionally, this is one of the safer communities within the East Bay. This is attractive to employers.
2. Existing Businesses at Alameda Point. There are more than 100 private and non-profit, businesses with approximately 1,000 employees. The diverse mix of tenants occupies approximately 1.8 million square feet. They are an asset in terms of producing revenue and for future job growth.
3. Size. The large inventory of buildings, approximately 5 million square feet, and the ability to create new development sites by using underdeveloped land areas create a diversity of opportunities to attract a wide range of businesses.

4. Views. Views of San Francisco and of the San Francisco Bay and views of the Estuary, Port of Oakland, and Oakland hills are unique in the marketplace.
5. Central location within the Bay Area. Alameda Point's location provides superb access to many locations in the Bay Area. For example, it is located only a 10 to 15 minute drive to Downtown Oakland, 15 to 20 minute drive to Downtown San Francisco, and 20 to 25 minute drive to the Oakland International Airport, or UC Berkeley.
6. Uniqueness of buildings. There are few places available in the inner Bay Area that offer the features of some of the largest spaces at Alameda Point, such as clear-span large floor plates with 40' ceiling heights. The cluster of buildings in a campus setting in the northern portion of Alameda Point also offers the opportunity to provide either institutional users or smaller office spaces an attractive campus setting.
7. Potential catalyst site. Through the efforts in attracting LBNL, staff has developed the foundation for creating a catalyst site to attract a major employer.
8. Seaplane Lagoon. This is an important asset both as an amenity and as a productive asset for the marine and recreational industries.
9. Historic role of Alameda Point. The historic role with the presence of military ships, the Pan Am building, and other memorabilia offers an opportunity for historic tourism and educational experiences.

Physical conditions create constraints in realizing the opportunities and affect the timing and pace of job growth. Such conditions include:

1. Regional access constraints. Alameda Point's distance from the main arteries of the regional transit and transportation networks, such as BART and the I-880 freeway, creates a perception of relative isolation. This is an issue that impacts other existing commercial developments in Alameda Point, such as Harbor Bay and Marina Village.
2. Environmental, biological and cultural resource constraints. Alameda Point faces numerous issues, such as a series of brown sites and the presence of historic buildings, related to its former use as a military operations site. Also, because of its location next to the Bay, it faces regulatory constraints related to land use and biological resources. These factors create a perception of a complicated development site.
3. Infrastructure constraints plus need for enhanced entry points, signage and way finding.
4. Navy control of sections until 2019.
5. Significant reinvestment in existing buildings. Large amounts of currently vacant space require reinvestment in order to be brought up to code and be leasable. This is a barrier particularly when the reinvestment is a requirement of the tenant.
6. More entitlement and construction certainty. There is need for further detail on defined sites to house major new employers in build-to-suit, single user complexes, such as, possible delivery dates, entitlements, access, and site development costs.

East Bay Job Growth

The inner Bay Area remains an attractive location for companies. With the recovery of the economy, job growth will spur potential demand for various types of space at Alameda Point. The Association of Bay Area Governments (ABAG) estimates that between 2010 and 2035, the inner East Bay will add approximately 285,000 new jobs. ABAG estimates that the City of Alameda will add almost 16,000 new jobs during the same period.

However, existing competition will affect Alameda Point's opportunities. Attraction of job growth is highly competitive in the Bay Area among existing concentrations of office, R&D, and industrial space and among cities. In the inner East Bay from Richmond to Fremont, there are over 23 million square feet of vacant industrial and flex buildings and over 6.6 million square feet of vacant office space. To the south, Fremont has over 400 acres of developable land. All of this space is more than adequate to support job growth for a number of years to come.

Beyond the supply of space and developable land in the inner East Bay, sites are in the pipeline for major employers in Mission Bay, Port of San Francisco, Hunters Point, South San Francisco, the Interstate 680/580 corridors to name a few.

Potential Space Demand in Alameda Supported by Projected Job Growth

One of the primary engines for job growth at Alameda Point may best be summarized by the East Bay Economic Development Alliance (EBEDA) in the widely respected report entitled, "Building on Our Assets: Economic Development & Job Creation in the East Bay" published in 2011. EBEDA points out that the vast majority of jobs in the East Bay are created by establishments that start and expand in the Bay Area. EBEDA also points out that small and midsize companies employ most of the people in the East Bay. This is significant because it means that existing businesses in the City of Alameda as well as Alameda Point could be the drivers of employment growth at Alameda Point. As discussed above, Alameda Point already has approximately 100 businesses employing approximately 1,000 people. The accompanying market analysis identifies numerous companies headquartered in the City of Alameda and in the immediate communities.

KMA used ABAG's 2035 job growth projections for the City of Alameda to estimate the amount of office, flex and warehousing/manufacturing space that these new jobs could support. After accounting for current excess supply in the City as well as the availability of development opportunity sites elsewhere in the City, KMA estimates that projected job growth in City could generate demand for approximately 2 to 2.17 million square feet of commercial space over the next 20+ years at Alameda Point broken down as follows:

Figure 1 – Potential Space Demand in Alameda Point Supported by Projected Job Growth

	Building Space (Sq. Ft.)	
	Low	High
Office	710,000	800,000
Flex	240,000	260,000
Warehouse/Mfg.	1,050,000	1,110,000
Total	2,000,000	2,170,000

Based on ABAG's job growth projections.

Alameda Point's Opportunities in a Competitive Environment

Despite the competition and other challenges in the marketplace, there are opportunities for Alameda Point to increase its job base, including:

- Berkeley, Emeryville, and Oakland have been the desired locations of major employers in the inner East Bay. Employers such as Pixar, Novartis, Leapfrog, Amyris Biotechnologies, and Movitv have selected the inner East Bay as their preferred location, primarily being located in Emeryville and Berkeley. However, these traditional locations for new employment and research space are increasingly more difficult to find as opportunity sites are built out and, when available, are increasingly more expensive. Alameda Point with its underdeveloped land presents an attractive opportunity for such companies in the future. As evidence of this potential, LBNL, needing to relocate and expand, evaluated six East Bay sites as possible locations, including Alameda Point. Although it is not possible to predict the timing of when such an opportunity might occur, it is a good time to plan on how to market to this opportunity.
- Alameda Point offers an opportunity for existing Alameda businesses to expand and grow. The marine related industry is a primary candidate in this regard. Spaces can be provided at competitive rents and there is a wide range in the size of spaces.
- Retaining the key businesses now at Alameda Point affords an excellent foundation for future growth. Creating an environment to further the success of such businesses as recreational, maritime, specialty beverage and food, antiques, artisans, specialty craftsmen, and others will expand jobs. This report includes a detailed list of tenants, grouped by industry cluster, with data on square footage occupied and rent revenue generated. These businesses have moved to Alameda Point mostly in the last ten years and mostly on short term leases. The ability to have longer term leases would provide the incentive to grow the job base, increasing their investment in buildings, and provide much needed revenues to fund critical investments.

Alameda Point Sub Areas

To facilitate the opportunities and timing for job growth, Alameda Point should be viewed as having four sub-areas for capturing development based on the existing inventory of buildings and underdeveloped land area (see map in Figure 2):

- a. Commercial Reuse – This sub area should build on its existing market position and tenant base. Buildings in this sub-area consist mostly of large warehouse and manufacturing type spaces. There are few places available in the Inner Bay Area that offer the features of some of the largest spaces at Alameda Point, such as clear-span large floor plates with 40' ceiling heights, and door access with 27'x98' clearance. The business clusters most prevalent in this sub-area include Arts/Entertainment/Recreation (Bladium, Michaan's Auctions, etc.), Specialty Beverage and Food (Rock Wall Wines, St. George's Spirits, etc.), and Midsized Manufacturing and Repair (including artisans, specialty craftsmen, maritime businesses, etc.) These three clusters account for more than 50 percent of the approximately 890,000 square feet of leased space.
- b. Campus – This area benefits from the historic military campus with its well constructed buildings, views, and open spaces. The location has the potential to be marketed with its own unique identity and northern entrance. Opportunities exist to be developed as an institutional campus, such as an academic institution or a corporate user willing to invest in the renovation of the buildings. The area could also function as a series of smaller office buildings that should be able to be competitively priced in a campus setting. A land assemblage to accommodate a new build-to-suit complex may also be possible.

However, this sub-area currently has the lowest occupancy rate, although that is partially explained by the unique configurations of the buildings located there (former military dormitories). Also, the current conditions of the buildings do not allow for them to be occupied or marketed more aggressively. Uses of space currently occupied consist mostly of limited office, civic and nonprofit businesses, and business related storage.

- c. North of Atlantic – This sub-area consists mostly of residential uses (e.g., Alameda Point Collaborative and Big Whites). It is assumed that this sub-area will continue to have a primarily residential emphasis.

Figure 2 – Alameda Point Sub-Areas



- d. South of Atlantic – This sub-area is in excess of 150 acres. To place the size in context, it as large as the commercial/institutional portion Mission Bay in San Francisco. The sub-area contains both large underdeveloped land areas as well as approximately 1 million square feet of leasable building area with one of the highest occupancy rates in Alameda Point. Marine users and personal storage are the most prevalent uses in this area (45 percent and 20 percent of total space leased, respective).

Given the large areas of underdeveloped land, this is the sub-area that offers the best opportunity to attract a large major employer to build a new campus and, in fact, was the proposed location for the LBNL Second Campus. As stated above, however, job growth will not support development of new multi-tenant complexes until commercial rents support development costs.

In summary, the distribution of the building inventory among sub-areas is:

Figure 3 – Alameda Point Building Inventory by Sub-Area

	Total Alameda Point	Commercial	Campus	North of Atlantic	South of Atlantic
Occupied SF	1,838,313	888,971	184,547	138,915	625,880
Total Vacant (SF)	2,309,716	738,923	843,895	369,337	357,561
Navy Controlled (SF)	1,148,742	1,043,435	0	62,192	43,115
Total Bldg. (SF)	5,296,771	2,671,329	1,028,442	570,444	1,026,556

Conclusion

As discussed above, there are currently more than 2.3 million square feet of vacant space at Alameda Point, not including the 1.1 million square feet controlled by the Navy which will be transferred to the City of Alameda by 2019. There are also areas of underdeveloped land. Job growth forecasted for Alameda in combination with retaining existing Alameda jobs and attracting jobs from beyond Alameda will be necessary to occupy vacant buildings at Alameda Point and to create new development opportunities, such as, the LBNL Second Campus proposal.

The sheer size of Alameda Point dictates that multiple strategies will need to be employed to grow employment and fuel demand for real estate at the Point. These strategies will be explored in future tasks of this assignment.

II. INTRODUCTION

Purpose of Assignment

Keyser Marston Associates (KMA), Field Paoli Architects, and Carlson, Barbee & Gibson, Inc. (CBG) have been retained as a Consultant Team to assist City by preparing a strategy that establishes a vision for Alameda Point as an employment center. One of the primary objectives of the City is to create a strategy to retain and attract key catalyst businesses and employers to Alameda Point. Another objective is a long-term leasing strategy for specific buildings by examining prototypes for adaptive reuse that will assist the City in retaining businesses and also generate increased lease revenues to help fund future predevelopment and implementation efforts for Alameda Point. This report presents our findings for the first task: Commercial Market Analysis.

This report presents our findings for the first task: Commercial Market Analysis. The goals of the Market Analysis are to identify:

1. The opportunities and constraints of Alameda Point for attracting commercial/industrial development relative to other local and regional locations;
2. Sources and amount of demand for the various types of commercial and industrial development within the region;
3. Areas and amount of competitive local and regional supply of land and/or buildings for commercial development;
4. Baseline near-, mid- and long-term market projections for regional commercial development and attainable capture rate specifically at Alameda Point;
5. Potential lease rates and capitalization rates¹; and
6. Recommendations on the appropriate level of fiscal neutrality "fee" that can be supported by commercial users.

The strategy will:

1. Identify strategies to retain and attract jobs at Alameda Point and create a critical mass/momentum to create an employment center;
2. Identify what kind of jobs they might be (i.e. science and technology, manufacturing, etc.), as well as what type of land uses (i.e. office, flex, and industrial);
3. Have flexibility to respond to changing market conditions;
4. Evaluate the existing tenant base and identify the potential for retention and growth of those firms through adaptive reuse;

¹ Additional information on operating costs, direct costs, indirect costs and developer profit for new and adaptive reuse commercial development types will be compiled in Task 4 of this assignment.

5. Assess the existing facilities and identify potential adaptation to attract/retain catalyst businesses;
6. Establish a high level financial feasibility for new development and adaptive reuse of existing buildings;
7. Explore the potential for possible PILOT programs as a means for funding municipal services (“fiscal neutrality”); and
8. Provide specific recommendations on how to generate revenue for the City to fund future predevelopment and implementation costs.

The Strategy will be developed through six (6) tasks:

1. Commercial Market Analysis;
2. Alameda Point Tenant Assessment and Forum;
3. Approach to Commercial and Institution Groups;
4. Adaptive Reuse Physical and Financial Analysis;
5. Industry Feasibility Testing and Interviews; and
6. Economic Development Strategy Preparation.

Assumptions

In addition to the constraints described in the previous section, KMA has made the following assumptions in the preparation of the market study:

1. Remediation by Navy – It is assumed that required environmental remediation by the Navy will impact timing on availability of sites and buildings for jobs as certain areas of Alameda Point will remain under control of the Navy until 2019.
2. Emphasis on jobs, not housing - The emphasis of the Economic Development Strategy will be on identifying opportunities for employment development. The land use for the portion of Alameda Point north of Atlantic Avenue and east of Pan-Am Way is assumed primarily for residential uses and therefore is not part of this analysis.
3. Available infrastructure – Previous infrastructure needs assessments conducted by the City reveal that significant investment will be needed to upgrade the existing infrastructure. While the final Strategy will address the costs associated with infrastructure needs and their impact on new development or adaptive reuse, the market study will assume that infrastructure will be funded at a level necessary to attract jobs and new investment.

4. Financial feasibility analysis - Task 4 of the Economic Development Strategy, which includes a financial feasibility analysis, will examine five buildings as prototypes for adaptive reuse. KMA, Field Paoli, and CBG will examine the financial feasibility of these prototypical conceptual designs in order to identify the opportunities and constraints from a market and feasibility point of view. The findings of this market study will reflect the findings of the analysis in Task 4.

Limiting Conditions

1. It is assumed that information and data furnished by the client and others are substantially correct.
2. No guarantee is made as to the correctness of estimates or opinions furnished by others.
3. All numerical references should be assumed to be "more or less" and accurate to a degree consistent with their use in the analysis.
4. No liability is assumed on account of matters of a legal nature affecting this property, such as title defects, liens, encroachments, overlapping boundaries, etc.
5. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws.
6. This report does not purport to express any opinion whatsoever as to the feasibility of the project, which is related to matters beyond the scope of Task 1- Commercial Market Analysis.
7. Reviewers are strongly advised that the pace of absorption and the prices that can be achieved for large land developments will vary substantially over time and that financial results for any specific period is particularly difficult to predict.
8. The projections in the report represent our professional judgment, but we do not certify that any of the projections will be achieved. Many intervening factors could cause the projections not to be realized.

III. ALAMEDA POINT

Alameda Point encompasses approximately 918 acres of the former NAS Alameda (see Figure 4). Alameda Point's boundaries are defined by Main Street to the east, the Oakland/Alameda Estuary to the north and the San Francisco Bay to the south and west.

Figure 4 – Alameda Point



Today, Alameda Point is home to more than 100 businesses employing between 700 and 1,500 employees. It is also home to approximately 500 residents. According to the December 2011 rent roll there were approximately 5.29 million square feet of building space in 91 buildings (not including residential buildings).

Alameda Point was decommissioned in 1997. Until then, NAS Alameda was a federal facility with approximately 60 military tenant commands for a combined military/civilian workforce of over 14,000 personnel.

In 1996 the City of Alameda adopted the NAS Alameda Community Reuse Plan (Reuse Plan). This was the first step in integrating Alameda Point into the general framework of the City. However, development of the Alameda Point as prescribed in the Reuse Plan faces numerous environmental, institutional, and physical challenges. The following excerpts are from the "Community Planning Workbook, Alameda Point 2010, Going Forward":

Public Trust Lands

The areas highlighted are (or will be) subject to California's Public Trust doctrine, which protects the rights of the public with regard to the State's waterways, including current and former tide and submerged lands (Public Trust Lands). The permitted uses on Public Trust Lands will be limited to harbor-related uses, such as marinas and shipyards, maritime related industry, warehouses, and water-oriented commerce; hospitality uses, such as hotels, restaurants, and other visitor-serving facilities; and ecology-related uses, such as wetlands, wildlife preserves, fishing areas, habitat and open space preservation, passive parks, greenways, and water-related recreation. Public Trust lands may not be used for general-purpose industrial, retail, commercial, office, or housing.



Biological Regulations

The area highlighted is part of the wildlife refuge buffer zone for the colony of the endangered California Least Tern that nests on the former runways during the spring and summer months (Buffer Zone). In this Buffer Zone new buildings and structures are generally prohibited unless they are constructed within the same footprint and with the same height and massing of the existing buildings. Outdoor uses within the area must be very carefully managed during the summer breeding season. Other restrictions apply to other areas of the property as well.



Hazardous Materials

Groundwater and to a lesser extent, soil contamination at Alameda Point may limit land use in some areas. The most extensive areas of soil and groundwater contamination occur in two major former industrial areas: the area directly south of Atlantic Avenue and east of the Seaplane Lagoon and the area at and around Building 5, one block north of the Seaplane Lagoon. Within these areas especially, land uses must be carefully considered. Single family homes are generally not permitted.

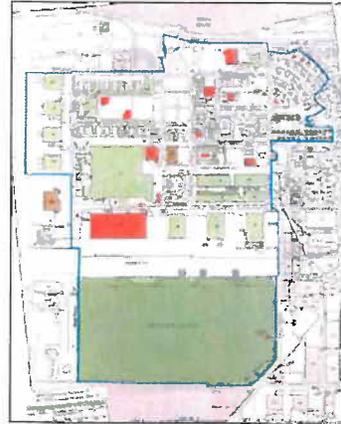
Mixed use buildings with residential use above a ground floor office or commercial use may be allowable.



NAS Alameda Historic District

Alameda Point is a World War II military installation designed in the Streamline Moderne style. The NAS Alameda Historic District (Historic District) contains various properties of historic significance. As such, it is a City of Alameda monument and a National Register eligible Historic District.

There are over 86 existing contributing structures, open spaces, and a circulation framework that comprise the Historic District. Any proposed changes to the Historic District must be carefully considered to determine whether the changes would affect the Historic District's eligibility for listing on the National Register.



Other Existing Conditions

In addition to the conditions described above, existing conditions include existing long term leases with the Alameda Point Collaborative² and with some businesses³ currently located there. These long term leases may impact new development potential at Alameda Point.

Planning Context

To facilitate the development of Alameda Point, the City has led various planning processes since 1997, including:

2003 – General Plan Amendment for Alameda Point. This Amendment re-designates the property for a mix of land uses and establishes appropriate land use, transportation, historic preservations and open space policies to guide development of the remaining portions of the area consistent with the vision established by the Reuse Plan.

2006 – Preliminary Development Concept (PDC). The PDC was a plan for the redevelopment of Alameda Point that was substantially consistent with the General Plan.

2010 – Community Workshops to identify the strengths and weaknesses of past planning efforts and assist in the preparation of a development vision for Alameda Point.

2011 – The City submitted a proposal to host a second campus for the Lawrence Berkeley National Lab (LBNL). The City offered 45 acres of free land to LBNL in the southwestern part of the site for the construction of a 2 million square-foot second campus. Six other sites in the I-80/I-880 Corridor were considered by the LBNL. Until the LBNL selected the Richmond Field

² A consortium that provides housing and social services to formerly homeless individuals and families.

³ Section III of this report provides an overview of the businesses currently located in Alameda Point.

Station as its preferred location for its second campus, significant planning and development information was prepared that can be used for future planning efforts.

Conclusion

This is the general context assumed for the market study. Some of the factors or issues described above are examined in more detail in different parts of the study or will be examined in other tasks of the Economic Development Strategy.

IV. EMPLOYMENT TRENDS

KMA conducted an analysis of employment trends in Alameda Point, the City of Alameda, and the region with the goal of understanding the dynamics that are likely to fuel future economic growth. This analysis is the basis to identify opportunities and challenges for growth in Alameda Point. A description of the data sources used in our analysis is provided in Appendix A. Our analysis is segmented into three (3) regions:

- The East Bay encompasses Alameda and Contra Costa Counties. The East Bay covers a relatively large geographic area (1,540 square miles) and includes 33 cities with nearly 2.5 million residents. It includes submarkets as distinct as Downtown Oakland, Fremont, Concord, and Livermore. Despite its size and socioeconomic diversity, the East Bay is a good unit of analysis because it can be easily identified geographically and because, despite its integration with the rest of the Bay Area, it has an economic identity that is different from other parts of the Bay Area, such as the Peninsula or the North Bay. Whenever data is available, we segmented the East Bay into submarkets to highlight trends within the Market Area. These submarkets are defined in Figure 5.
- The City of Alameda is approximately 10.6 square miles, including Alameda Island and Bay Farm Island. According to the U.S. Census, as of 2010, there were approximately 75,500 residents.
- Alameda Point encompasses approximately 918 acres of the former NAS Alameda. There are approximately 500 residents and over 100 businesses at Alameda Point. See Section III for a more detailed description.

Summary

The East Bay has a dynamic economy driven primarily by four industries: Health Care, Retail Trade, Professional, Scientific and Technical Services (PSTS), and Manufacturing. However, the East Bay job market has been greatly impacted by the Great Recession; more so than other parts of the Bay Area and the State as a whole. The industries most affected by the Great Recession were Construction, Government, Manufacturing, Retail Trade, Financial Activities, and Administration & Support and Waste Services. Only two industries have showed sustained growth over the past five years: Health Care and PSTS. These two industries are leading the job recovery in the East Bay; although consumer driven industries, such as retail and wholesale trade appear to be rebounding as well.

Most job losses during the last ten years in the East Bay have concentrated in the inner East Bay (along the I-80 and I-880 Corridors). This is a reflection of two trends: 1) large corporate employers choosing to locate along the I-680 Corridor where they can access more affordable land and skilled labor, and 2) high tech companies choosing to locate in the southern portions of the I-680 and I-880-corridor due to their proximity to Silicon Valley and the national research laboratories. These trends are expected to continue.

Nevertheless, the area between Richmond and Hayward remains an attractive location for companies. The success of Berkeley and Emeryville in attracting large, high profile companies is noteworthy. The City of Alameda has also been successful, despite fierce competition from other regions, in attracting large employers, such as Abbot Laboratories, Associated Third Party Administrators, and Wind River Systems. The City of Alameda also appears to be an attractive home base for small- and mid-size companies (under 100 employees). This is significant because the vast majority of jobs in the East Bay are created by establishments that start and expand in the East Bay. Also small (1-2 employees) and mid-size (3-100 employees) companies employ the most people in the East Bay. This bodes well the City of Alameda and also for Alameda Point.

Alameda Point has over 100, small and medium size companies. The largest business clusters at Alameda Point are marine related services, arts and entertainment, civic and nonprofit, transportation and warehousing, manufacturing/repair. There is also a significant number of companies that lease space at Alameda Point to store company equipment. A large number of the companies at Alameda Point are in industries that have not exhibited – and are not projected to experience – significant growth in the East Bay, such as transportation and warehousing and manufacturing. However, there are also numerous companies in the PSTS industry, which is one of the fastest growing industries in the East Bay. Regardless of whether they are in slow or fast growing industries, these companies represent an opportunity for Alameda Point because a) they can create additional demand for real estate as they grow, b) they create a critical mass of employment than can help attract other companies to the area, and c) they generate rents which could be used to fund further improvements at Alameda Point.

East Bay Employment Trends

The East Bay has a diverse, relatively well diversified economy. Its leading industries, in terms of employment are Health Care, Retail Trade, Professional, Scientific and Technical Services, and Manufacturing. These four industries account for nearly 40 percent of all employment in the East Bay. The Health Care and PSTS industries also have a larger presence in the East Bay than they do in the State or the United States as a whole (see Figure 6).

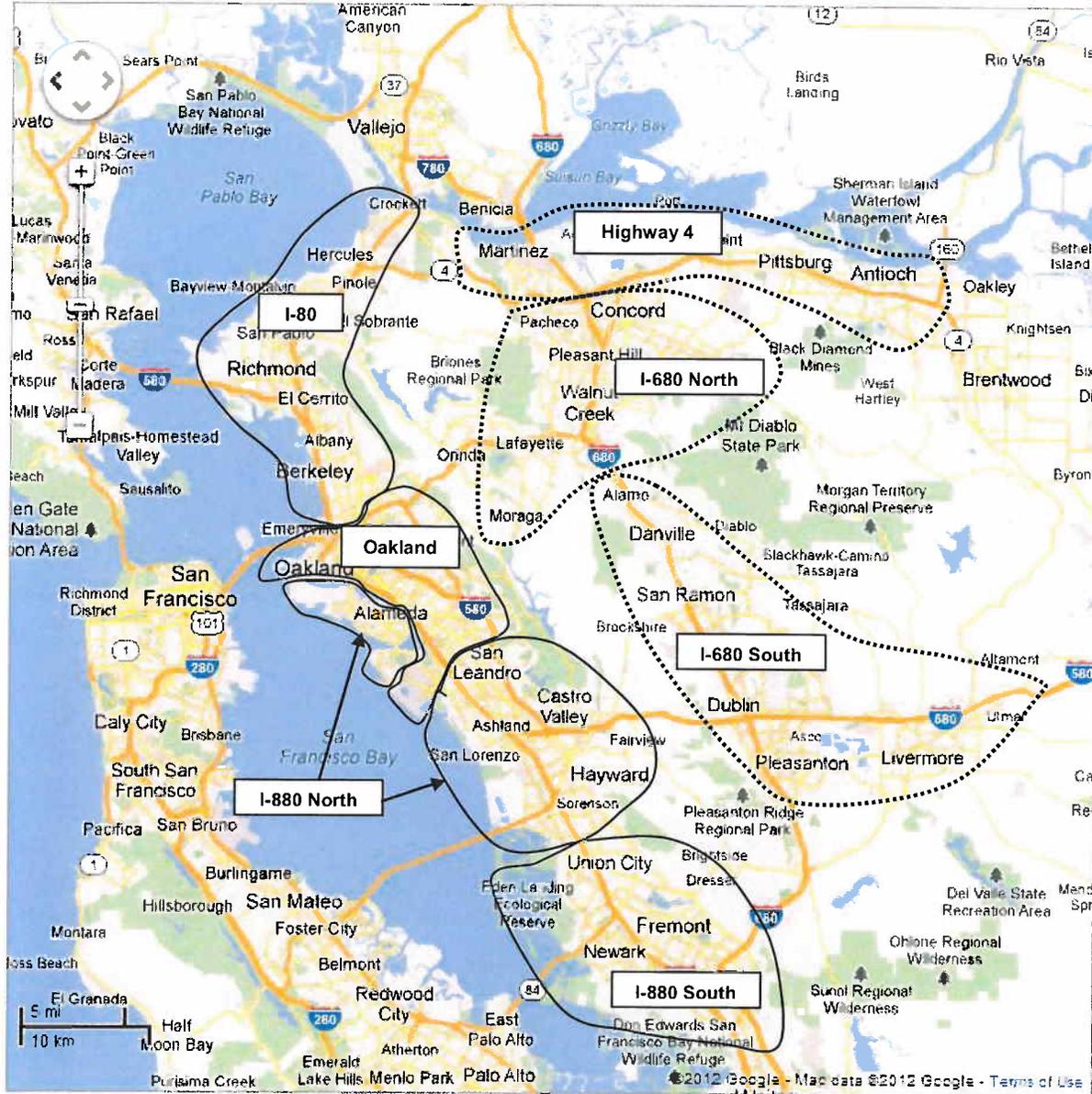
However, despite its dynamic labor market, the East Bay has been greatly impacted by the Great Recession. Over the past five years, the East Bay lost one out every ten jobs (see Figure 7). The impact of the recession has been felt more intensely in the East Bay than other parts of the Bay Area (See Figure 8). The industries most affected by the Great Recession were Construction, Government, Manufacturing, Retail Trade, Financial Activities, and Administration & Support and Waste Services. However, most industries lost jobs during this period, with two notable exceptions: Health Care and PSTS (see Figure 9).

There are signs that the economy is recovering, such as sustained job growth between January and December of 2011 across most industries (see Figure 10). The industries leading employment growth during this period were Health Care and PSTS, although consumer-driven industries such as retail and wholesale trade have shown some improvements as well. In terms of regional distribution of jobs, the East Bay is undergoing tremendous change. While the inner East Bay still accounts for almost 60 percent of all employment in the East Bay, it also lost the most jobs between 2000 and 2010 (see Figure 11). During this period, and the decade preceding it, the I-680 Corridor (North and South) emerged as a popular destination for large corporate headquarters in search of affordable land and a skilled workforce. Figure 12 highlights the high concentration of large employers in the I-680 Corridor. Meanwhile, because of their proximity to Silicon Valley and the national research laboratories, the I-880 Corridor South and the I-680 Corridor South are the most popular destinations in the East Bay for high-tech companies. These trends are expected to continue. According to ABAG, between 2010 and 2035, almost half of the projected job growth in the East Bay will concentrate in Oakland and the southern portions of the I-680 and I-880 Corridor (see Figure 13).

However, the inner East Bay remains an attractive location for businesses, as evidenced by the presence of firms such as Bayer Corporation, Pixar, Gillig Corporation, Sun Power, Inovis, Abbot Laboratories, and others (see Figure 14). Emeryville and Berkeley in particular have been relatively successful in attracting large employers. In Sections VI and VII, it is shown that demand for most types of commercial real estate in these two submarkets is strong. This is significant because these submarkets are largely built out, representing an opportunity for Alameda Point to position itself to capture some of that overflow demand.

While it may take time before job growth leads to demand for commercial space, eventually it will, as the East Bay remains an attractive location to do business. ABAG projects that approximately 500,000 new jobs will be created in the East Bay between 2010 and 2035. According to the California Employment Development Department (EDD), the industries that are projected to grow the most through 2018 are Health Care, PSTS, Retail, and Financial Activities (see Figure 15). Meanwhile, Manufacturing is expected to continue to experience declines in employment. Other industries expected to be stagnant through 2018 are the Information and Wholesale Trade industries.

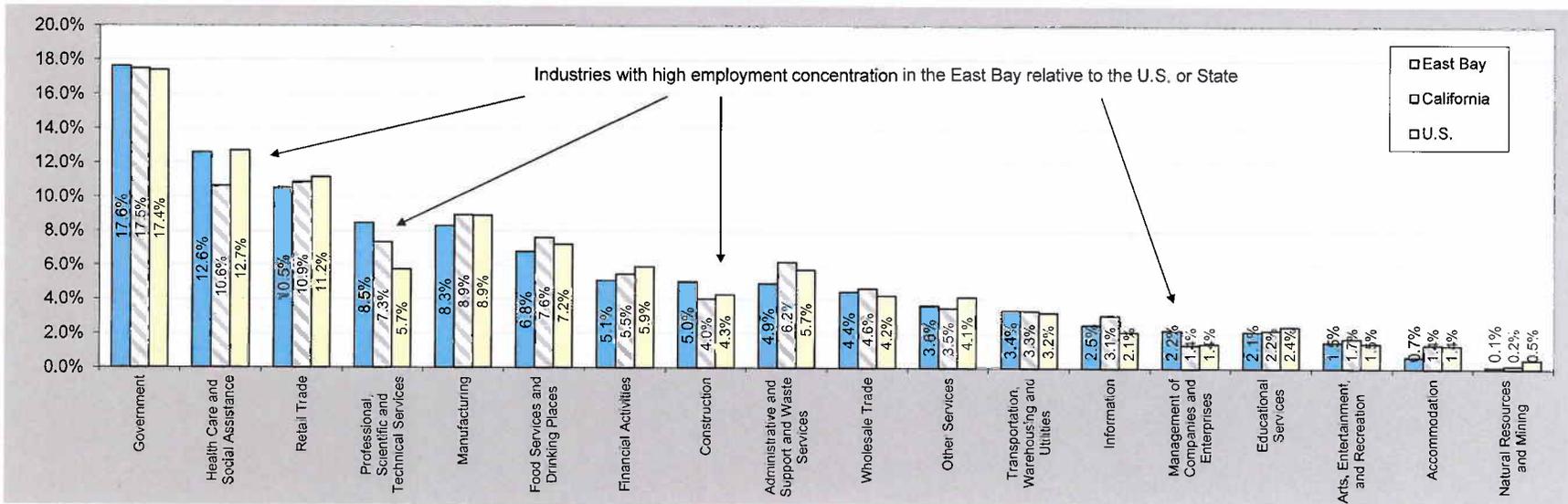
Figure 5 – East Bay Sub-Regions and Corridors



— Inner East Bay Corridors Outer East Bay Corridors
 Source: Google Maps, KMA.

Figure 6
East Bay Jobs Profile by Industry, 2010
Market Study
Alameda Point Economic Development Strategy

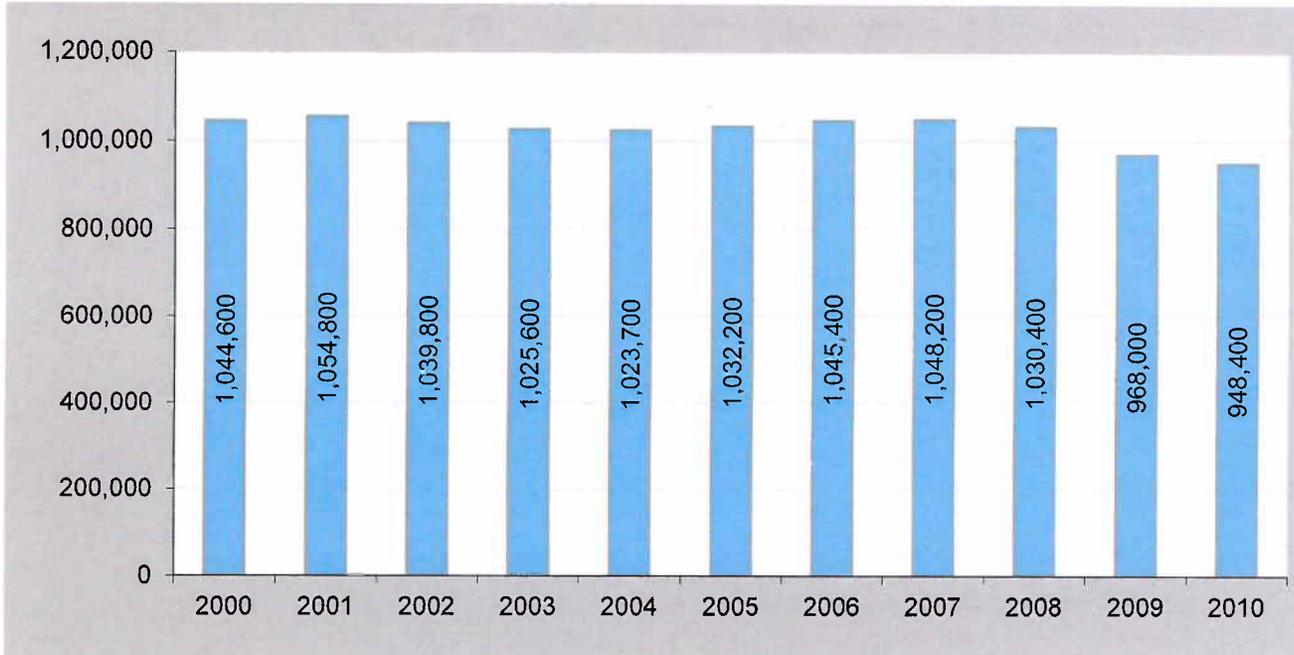
Industry	Jobs in 2010
Government	167,100
Health Care & Social Assistance	119,400
Retail Trade	99,900
Professional, Scientific & Technical Services	80,200
Manufacturing	78,600
Food Services & Drinking Places	64,500
Financial Activities	48,300
Construction	47,600
Administrative & Support & Waste Services	46,700
Wholesale Trade	42,100
Other Services	34,600
Transportation, Warehousing & Utilities	31,900
Information	23,900
Management of Companies & Enterprises	21,100
Educational Services	20,300
Arts, Entertainment & Recreation	14,600
Accommodation	6,500
Mining and Logging	1,200
Total	948,400



Source: California Employment Development Department, Current Employment Statistics Program.
 Totals may not sum due to rounding

Figure 7
East Bay Employment Growth/Decline
Market Study
Alameda Point Economic Development Strategy

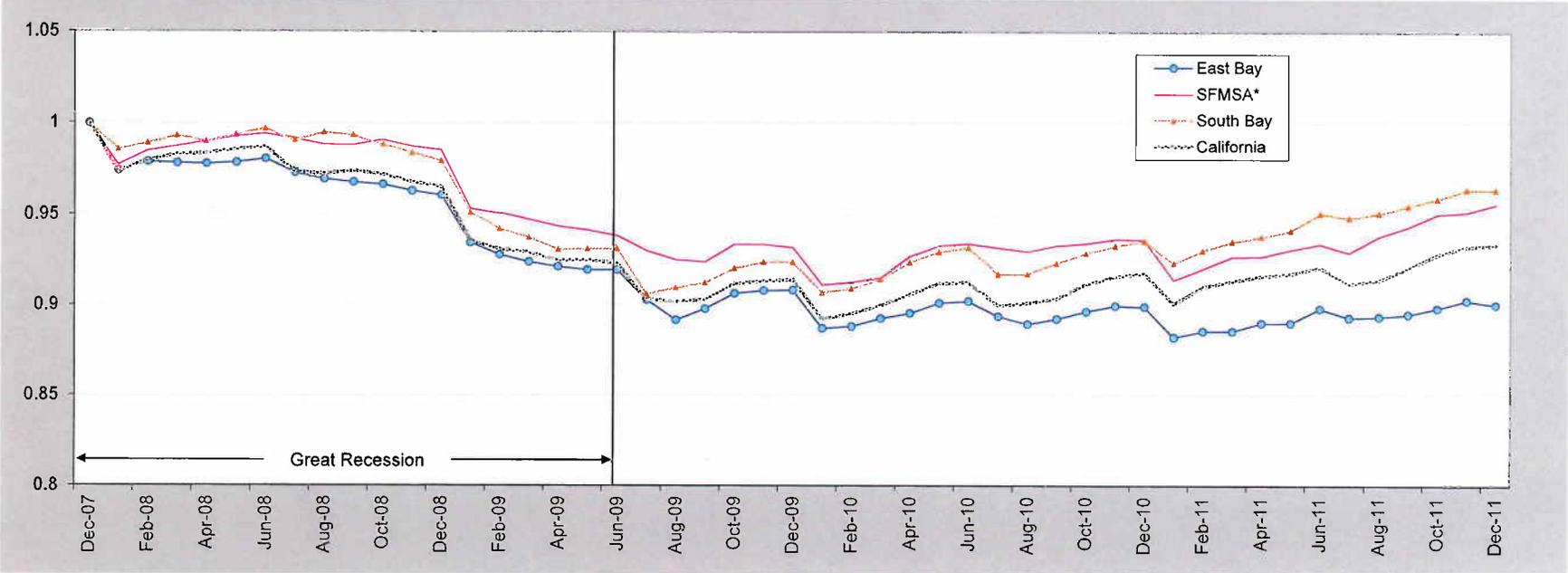
Average Jobs per Year



Source: California Employment Development Department, Current Employment Statistics Program.

Figure 8
Impact of Great Recession on Jobs, East Bay
Market Study
Alameda Point Economic Development Strategy

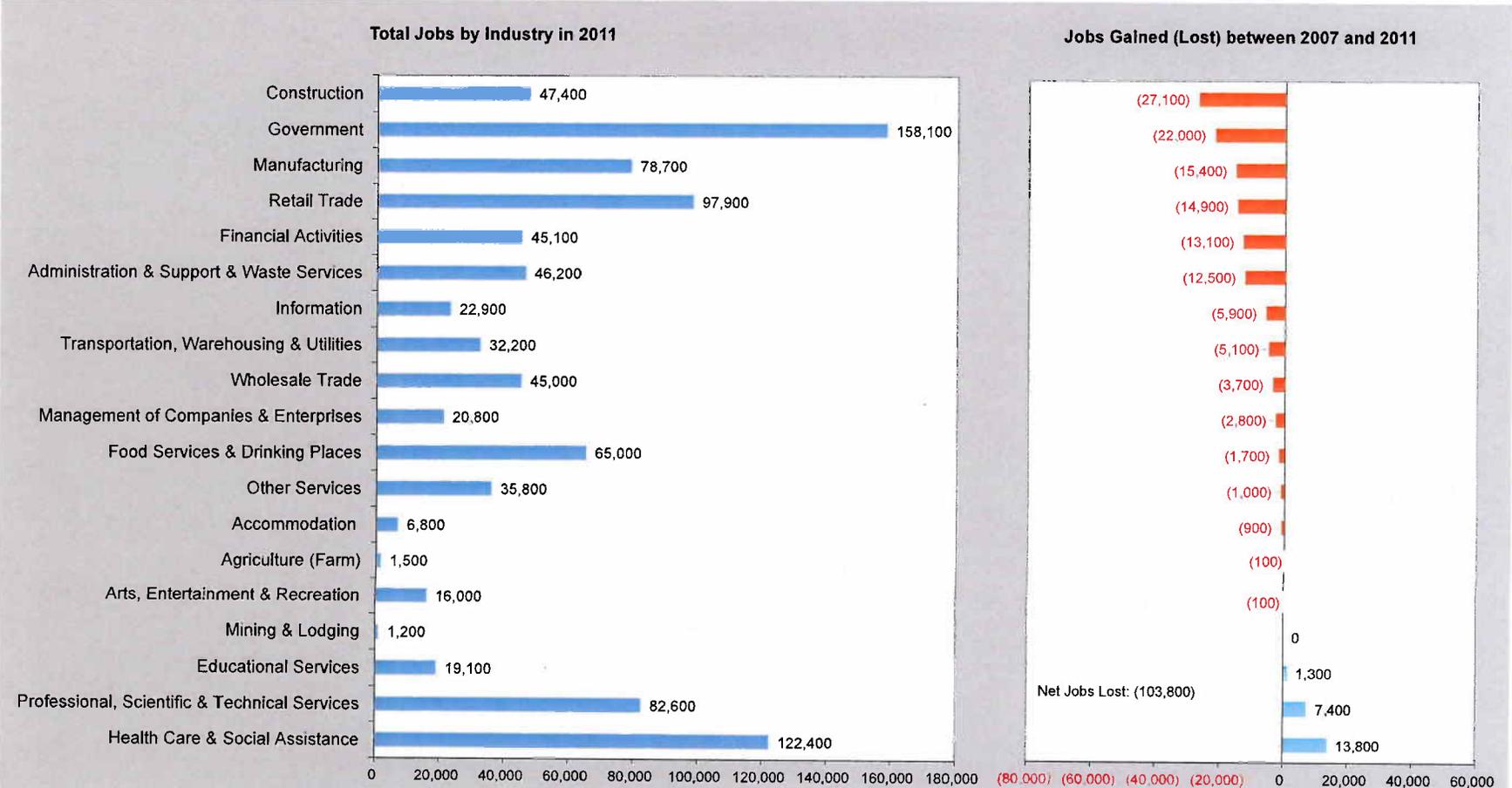
Job Growth/Decline Indexed to December 2009



Source: California Employment Development Department.
 * San Francisco Metropolitan Statistical Area includes San Francisco, San Mateo, and Marin counties.
 ** South Bay Includes Santa Clara and San Benito counties.

Figure 9
Impact of Great Recession on Jobs by Industry, East Bay
Market Study
Alameda Point Economic Development Strategy

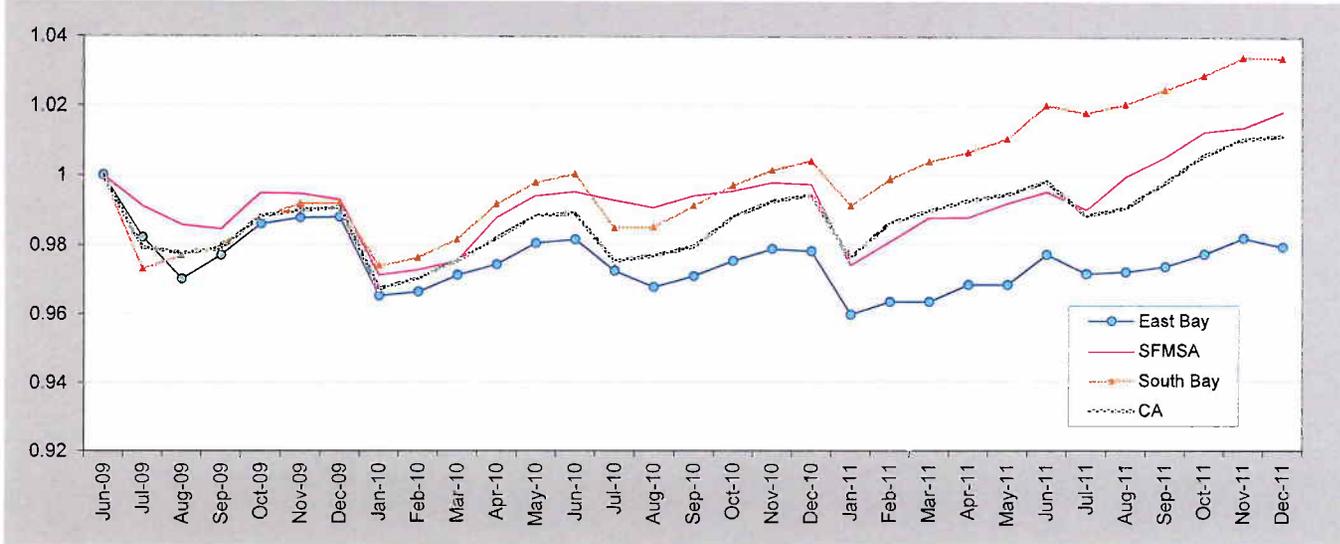
East Bay Job Trends by Industry, 2007-2011



Source: East Bay Economic Development Alliance, Building on Our Assets, Economic Development and Job Creation in the East Bay

Figure 10
East Bay Job Recovery
Market Study
Alameda Point Economic Development Strategy

Job Growth since the Official End of Recession (Indexed to June 2009)



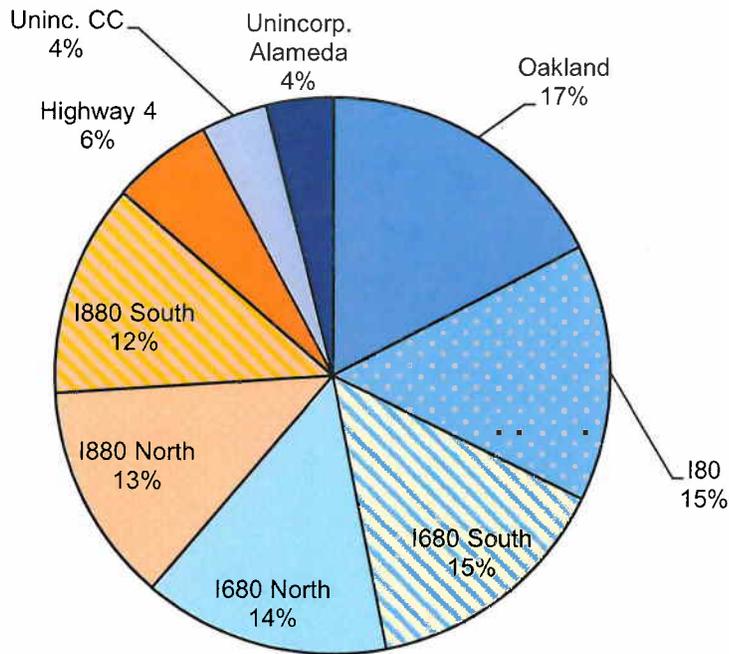
East Bay Job Growth by Industry

	Performance since Official End of Recession				Performance in 2011			
	# Jobs		Jobs Gained (Lost)				Jobs Gained (Lost)	
	Jun-09	Dec-11	#	%	Jan-11	Dec-11	#	%
Mining and Logging	1,200	1,100	(100)	-8.3%	1,100	1,100	0	0.0%
Construction	54,000	46,500	(7,500)	-13.9%	44,000	46,500	2,500	5.7%
Manufacturing	82,100	76,800	(5,300)	-6.5%	76,300	76,800	500	0.7%
Wholesale Trade	43,800	44,300	500	1.1%	41,700	44,300	2,600	6.2%
Retail Trade	101,000	103,200	2,200	2.2%	99,500	103,200	3,700	3.7%
Transportation, Warehousing & Utilities	33,000	32,700	(300)	-0.9%	31,600	32,700	1,100	3.5%
Information	25,000	23,000	(2,000)	-8.0%	23,100	23,000	(100)	-0.4%
Financial Activities	48,100	46,200	(1,900)	-4.0%	47,800	46,200	(1,600)	-3.3%
Professional, Scientific & Technical Services	78,200	84,100	5,900	7.5%	80,400	84,100	3,700	4.6%
Management of Companies & Enterprises	22,400	21,000	(1,400)	-6.3%	20,800	21,000	200	1.0%
Administrative & Support & Waste Services	47,700	45,700	(2,000)	-4.2%	46,100	45,700	(400)	-0.9%
Educational Services	20,700	21,700	1,000	4.8%	20,200	21,700	1,500	7.4%
Health Care & Social Assistance	115,600	124,300	8,700	7.5%	119,500	124,300	4,800	4.0%
Arts, Entertainment & Recreation	15,600	14,100	(1,500)	-9.6%	14,100	14,100	0	0.0%
Accommodation	6,800	6,400	(400)	-5.9%	6,300	6,400	100	1.6%
Food Services & Drinking Places	64,200	63,700	(500)	-0.8%	63,700	63,700	0	0.0%
Other Services	35,300	34,600	(700)	-2.0%	33,600	34,600	1,000	3.0%
Government	179,500	164,500	(15,000)	-8.4%	165,100	164,500	(600)	-0.4%
	974,200	953,900	(20,300)	-2.1%	934,900	953,900	19,000	2.0%

Source: California Employment Development Department.
 Prepared by Keyser Marston Associates, Inc.
 Z:\10\10002\1012\Employment Tables 6-18, 27-28, Tab 10 -Recovery; 4/23/2012

Figure 11
East Bay Jobs Profile and Trends (2000-2010), by Sub-Market
Market Study
Alameda Point Economic Development Strategy

Job Distribution by Submarket, 2010



East Bay Job Growth by Submarket, 2000-10

<u>Region</u>	<u>2000</u>	<u>2010</u>	<u>Jobs Gained/(Lost)</u>	
			<u>Total</u>	<u>CAGR</u> ¹
Unincorp. Contra Costa	40,790	42,540	1,750	0.4%
I-680 North	154,940	156,360	1,420	0.1%
Highway 4	62,690	63,540	850	0.1%
Unincorp. Alameda	43,540	42,410	-1,130	-0.3%
I-80	164,680	162,690	-1,990	-0.1%
I-680 South	161,730	159,560	-2,170	-0.1%
I-880 North	148,070	138,960	-9,110	-0.6%
I-880 South	145,560	135,020	-10,540	-0.7%
Oakland	199,470	188,590	-10,880	-0.6%
Total East Bay	1,121,470	1,089,670	-31,800	-0.3%

Source: ABAG, 2009 Projections

¹ Compound annual growth rate.

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Employment Tables 6-18, 27-28; Tab 11 - By Submarket; 4/23/2012

Figure 12
East Bay Largest Employers, 2010
Market Study
Alameda Point Economic Development Strategy

Rank	Company	Industry (Primary NAICS Description)	Jobs	City
1	AT&T Corp	Information	14,407	San Ramon
2	University of California, Berkeley	Educational Services	13,624	Berkeley
3	Safeway Inc	Retail Trade	7,378	Walnut Creek
4	Lawrence Livermore National Lab	Professional, Scientific, and Technical Services	7,000	Livermore
5	Wells Fargo Home Mortgage Inc	Finance and Insurance	6,889	Concord
6	Kaiser Foundation Hospitals	Health Care and Social Assistance	6,492	Walnut Creek
7	Lawrence Berkeley National Lab	Professional, Scientific, and Technical Services	5,000	Berkeley
8	World Savings & Loan Assn	Finance and Insurance	4,389	Oakland
9	Cost Plus Management Services	Retail Trade	4,219	Oakland
10	Nestle Waters North America	Wholesale Trade	4,192	Richmond
11	Chevron Corp	Manufacturing	4,124	San Ramon
12	Cooper Co's Inc	Manufacturing	4,000	Pleasanton
13	Summerville Management LLC	Health Care and Social Assistance	4,000	San Ramon
14	John Muir Physician Network	Health Care and Social Assistance	3,891	Concord
15	Edy's Grand Ice Cream	Manufacturing	3,700	Oakland
16	Pacpizza LLC	Accommodation and Food Services	3,600	San Ramon
17	Target Corp	Retail Trade	3,261	San Ramon
18	John Muir Health	Health Care and Social Assistance	3,150	Walnut Creek
19	Wal-Mart Stores Inc	Retail Trade	3,072	Union City
20	Albertson's LLC	Retail Trade	3,034	San Ramon
21	Macy's Department Stores Inc	Retail Trade	2,824	Concord
22	Home Depot USA Inc	Retail Trade	2,810	San Ramon
23	Peralta Community College District	Educational Services	2,759	Oakland
24	Ross Stores Inc	Retail Trade	2,602	Pleasanton
25	Fabco Automotive Corp	Manufacturing	2,500	Livermore
26	International Paper Co	Manufacturing	2,491	San Leandro
27	Sears, Roebuck & Co	Retail Trade	2,127	Concord
28	California State Automobile Association	Finance and Insurance	2,096	Walnut Creek
29	Children's Hospital & Research	Health Care and Social Assistance	2,070	Oakland
30	Oracle Systems Corp	Information	2,026	Pleasanton
31	Diablo Valley College Fndtn	Administrative and Support and Waste Management and	2,020	Pleasant Hill
32	Convenience Retailers LLC	Retail Trade	2,000	San Ramon
33	Itron Inc	Construction	2,000	Oakland
34	MediaNews Group Inc	Information	1,976	Walnut Creek
35	Sutter Health	Health Care and Social Assistance	1,934	Concord
36	Cvs Caremark Corp	Retail Trade	1,855	El Cerrito
37	Cellco Partnership	Information	1,763	Walnut Creek
38	Wells Fargo Bank, National	Finance and Insurance	1,759	Fremont

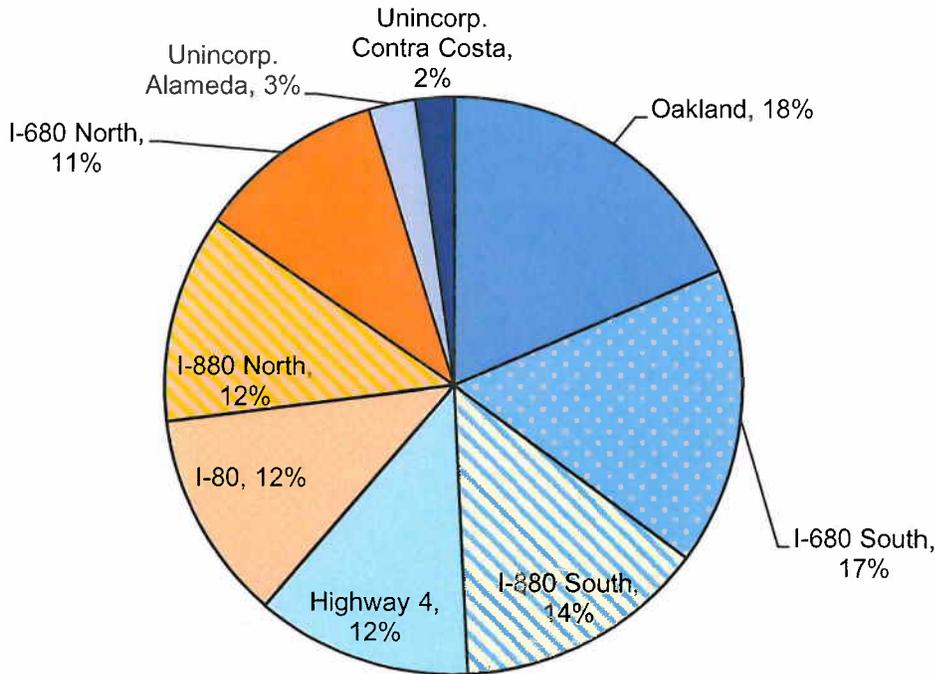
Industry	# of Firms	Jobs
Retail Trade	11	35,182
Health Care and Social Assistance	6	21,537
Finance and Insurance	5	16,892
Manufacturing	5	16,815
Information	4	20,172
Educational Services	2	16,383
Professional, Scientific, and Technical Services	2	12,000
Wholesale Trade	1	4,192
Accommodation and Food Services	1	3,600
Administrative and Support and Waste Management and	1	2,020
Construction	1	2,000

Submarket	# Firms	Jobs
680 Corridor South	13	55,364
680 Corridor North	12	42,540
Oakland	6	19,137
80 Corridor	4	24,671
880 Corridor South	2	4,831
880 Corridor North	1	2,491

Source: East Bay Economic Alliance. Excludes Government and School Districts.

Figure 13
East Bay Job Growth Projections by Sub-Market, 2010 - 2035
Market Study
Alameda Point Economic Development Strategy

Job Distribution of Projected Job Growth by Sub-Market - 2010 through 2035



Projected Job Growth by Submarket, 2010-35

Region	2010	2035	Job Growth		
			Total	CAGR ¹	
Oakland	188,590	281,900	93,310	1.6%	18%
I-680 South	159,560	243,920	84,360	1.7%	17%
I-880 South	135,020	206,380	71,360	1.7%	14%
Highway 4	63,540	124,110	60,570	2.7%	12%
I-80	162,690	222,240	59,550	1.3%	12%
I-880 North	138,960	198,000	59,040	1.4%	12%
I-680 North	156,360	209,640	53,280	1.2%	11%
Unincorp. Alameda	42,410	55,660	13,250	1.1%	3%
Unincorp. Contra Costa	42,540	53,480	10,940	0.9%	2%
Total East Bay	1,089,670	1,595,330	505,660	1.5%	100%

Source: ABAG, 2009 Projections

¹ Compound annual growth rate.

Table 14**Emeryville, Hayward, Oakland and Richmond Largest Employers - FY 2010-11****Market Study****Alameda Point Market Study**

Employer	Employees	City	Industry
Lawrence Berkeley National Laboratory	4,200	Berkeley	Research
Alta Bates Medical Center	3,100	Berkeley	Healthcare
Kaiser Permanente Medical Center	2,200	Hayward	Healthcare
Children's Hospital & Research	2,070	Oakland	Healthcare
Ittron	2,000	Oakland	Technology
Chevron Refinery	1,950	Richmond	Energy
Bayer Corporation	1,476	Berkeley	Pharmaceuticals
Pixar	1,276	Emeryville	Animation
St. Rose	1,065	Hayward	Healthcare
Novartis	840	Emeryville	Pharmaceuticals
Kaiser Permanente	786	Richmond	Healthcare
Gillig Corporation	700	Hayward	Manufacturing
Kaiser Permanente Medical Group	700	Berkeley	Healthcare
Sun Power	600	Richmond	Energy
Bayer Healthcare Pharmaceuticals	499	Emeryville	Pharmaceuticals
Inovis Inc.	499	Richmond	Technology
Alameda Hospital	492	Alameda	Healthcare
Celera	490	Alameda	Technology
Kobe Precision	450	Hayward	Technology
Injex Industries, Inc	425	Hayward	Manufacturing
American Medical Response West	402	San Leandro	Healthcare
Plastikon	400	Hayward	Manufacturing
Pacific Steel Casting Company	350	Berkeley	Manufacturing
Richmond Health Center	350	Richmond	Healthcare
Amyris Biotechnologies	336	Emeryville	Energy
Leapfrog	318	Emeryville	Educational Toys
North Face, Inc	314	San Leandro	Retail
California Autism Foundation, Inc	270	Richmond	Healthcare
Kindred Hospital	268	San Leandro	Healthcare
Bay Ship & Yacht Co	250	Alameda	Maritime
OSI Soft, Inc	238	San Leandro	Technology
Ex'pression Center for New Media	229	Emeryville	Education
Mobitv	223	Emeryville	Technology
Bay View Nursing & Rehab Center	180	Alameda	Healthcare

Sources

City of Alameda Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

City of Berkeley Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

City of Emeryville Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

City of Hayward Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

City of Oakland Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

City of Richmond Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

City of San Leandro Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011

Note that some of the employers with more than 1,500 employees do not appear in Figure 12. Also, the employment numbers do not match. This is partly explained by the fact that data are for different periods and from different sources. The data presented here is used to identify which companies are located in this submarket.

Figure 15
East Bay Employment Growth Projections by Industry, 2008 - 2018
Market Study
Alameda Point Economic Development Strategy

Industry	2008	2018	Job Growth (Loss) 2008-2018	
			#	CAGR ¹
Manufacturing	93,100	79,800	(13,300)	-1.5%
Information	27,800	27,200	(600)	-0.2%
Wholesale Trade	47,600	47,200	(400)	-0.1%
Mining and Logging	1,200	1,000	(200)	-1.8%
Accommodation	7,400	8,400	1,000	1.3%
Transportation, Warehousing, and Utilities	35,900	37,300	1,400	0.4%
Management of Companies and Enterprises	23,600	26,000	2,400	1.0%
Other Services (excludes 814-Private Household Workers)	36,100	38,700	2,600	0.7%
Arts, Entertainment, and Recreation	14,700	18,100	3,400	2.1%
Food Services and Drinking Places	66,900	70,500	3,600	0.5%
Educational Services (Private)	20,600	24,500	3,900	1.7%
Construction	64,900	69,700	4,800	0.7%
Admin. and Support and Waste Mgmt. and Remediation Service	54,900	59,900	5,000	0.9%
Financial Activities	57,200	62,700	5,500	0.9%
Retail Trade	109,400	115,700	6,300	0.6%
Professional, Scientific, and Technical Services	83,700	94,700	11,000	1.2%
Government	177,200	190,500	13,300	0.7%
Health Care and Social Assistance	108,000	132,500	24,500	2.1%
	1,030,200	1,104,400	74,200	0.7%

Source: State of California Employment Development Department

¹ Compound annual growth rate

City of Alameda Employment Trends

According to Claritas, a third-party data vendor, in 2011, there were approximately 24,000 jobs in the City of Alameda (see Figure 16). These jobs are distributed across a broad range of industries. The largest industries in the City in terms of employment are Retail, Business Services⁴, Health Services, Finance and Manufacturing.⁵ These industries include Alameda's largest employers such as Abbot Diabetes Care (biotechnology products), Alameda Hospital, Wind River Systems (computer programming services), Associated Third Party Administrators (insurance), and Bay Ship & Yacht (marine related services). The fact that the Health Care industry and the Business Services industries, which includes the PSTS industry in the previous section, have a strong presence in Alameda is significant. As described in the previous section, these two industries, not only continued to grow during and after the Great Recession, but are projected to continue growing considerably through 2018.

Figure 17 lists the City of Alameda's largest companies (i.e., companies with 50 or more employees). There are two notable facts about the Alameda's largest employers. First, the majority of them are based in the City (i.e. headquartered there or have only one location). Twenty five (25) of the 33 largest employers with 50 or more employees are headquartered in Alameda and twelve (12) of those have branches elsewhere.) Second, most of them have less than 100 employees. These observations are noteworthy because as highlighted by the East Bay Economic Alliance, the vast majority of jobs in the East Bay are created by establishments that start and expand in the East Bay. The East Bay Economic Development Alliance notes also that small (1-2 employees) and mid-size (3-100 employees) companies employ the most people in the East Bay.

Nevertheless, while the City appears to have a good employment base of small and medium local companies that can lead to further employment growth, attracting new companies to the City also needs to be part of a job growth strategy. As shown in Figure 18, job growth in the City has been sluggish over the past decade. According to ABAG, the City lost approximately 400 jobs between 2000 and 2010. This is mostly explained by the effects of the Great Recession and the Dot-Com Bust before that. However, those economic events impacted the East Bay as a whole and not all of its regions lost jobs during the decade. Danville, Concord, and other parts of Unincorporated Contra Costa County, for example, added jobs during this period. The City ranked 25 out of 35 localities within in the East Bay in terms of job growth during this period.

⁴ Unfortunately, Claritas uses the Standard Industrial Codes (SIC) which differs from the now more widely used North American Industrial Classification System (which is used in the previous section). The category Business Services includes the Professional Scientific & Technical Services used in the previous section.

⁵ Excluding Educational services, which accounts for approximately 1,600 jobs and would rank ahead of Manufacturing. Note that the industry categorization used by Claritas is different from the categories used elsewhere in the report.

However, the City's employment base is expected to grow at a moderate pace through 2035. According to ABAG, the City will grow at approximately 1.9 percent per year, adding approximately 15,800 jobs between 2010 and 2035. The success of the City in attracting these jobs will depend on providing real estate that can compete with other areas in the region. Section V presents an overview of the competitive supply of development opportunity sites in the Bay Area. Sections VI and VII examine the conditions of the commercial real estate market in the East Bay.

Figure 16
City of Alameda Employment by Industry, 2011
Market Study
Alameda Point Economic Development Strategy

Business Description	Total Establishments		Total Employees		Employees per Establishment
	#	% of Total	#	% of Total	
Industries (All)	2,811		24,016		9
Industries (Private Sector)	2,463	88%	19,658	82%	8
Industries (Government and Non-Profit) ¹	348	12%	4,358	18%	13
Retail	592	21%	5,770	24%	10
Business Services	345	12%	3,007	13%	9
Health Services	239	9%	2,468	10%	10
Finance	259	9%	1,799	7%	7
Educational Services	68	2%	1,588	7%	23
Manufacturing	129	5%	1,518	6%	12
Public Administration	65	2%	1,273	5%	20
Personal Services	323	11%	1,032	4%	3
Misc, Membership Orgs and Nonclassified	170	6%	899	4%	5
Construction	135	5%	847	4%	6
Social Services	106	4%	824	3%	8
Wholesale Trade	82	3%	806	3%	10
Motion Picture and Amusement	72	3%	787	3%	11
Transportation, Communications/Public Utilities	102	4%	679	3%	7
Legal Services	82	3%	485	2%	6
Hotel and Other Lodging	12	0%	118	0%	10
Agriculture	29	1%	114	0%	4
Mining	1	0%	2	0%	2

Source: Claritas

¹ Includes Public Administration, Museums, Educational, and Social Services.

Figure 17

City of Alameda Largest Employers (Companies with over 50 employees) ¹

Market Study

Alameda Point Economic Development Strategy

<u>Company Name</u>	<u>Location</u>	<u>Employee Size</u>	<u>Primary SIC Description</u>	<u>Broad Industry (NAICS)</u>	<u>Located at Alameda Point</u>	<u>HQ or Branch</u>
Abbott Diabetes Care ²		250 to 499	Biotechnology Products & Services	Scientific, and Technical Services		Branch
Alameda Hospital		250 to 499	Hospitals	Health Care and Social Assistance		Single Loc
Associated Third Party Administrators		250 to 499	Insurance	Financial Activities		HQ
Bay Ship & Yacht ³		250 to 499	Yacht Repair	Transportation and Warehousing	Yes ⁴	Single Loc
Wind River Systems		250 to 499	Computer Programming Services	Scientific, and Technical Services		HQ
ABB Concise		100 to 249	Physicians & Surgeons Equip & Spls-Mfrs	Manufacturing		Branch
Alameda Alliance For Health		100 to 249	Health Plans	Health Care and Social Assistance		Single Loc
Alameda Healthcare & Wellness		100 to 249	Convalescent Homes	Health Care and Social Assistance		Single Loc
Bay View Nursing & Rehab Ctr		100 to 249	Rehabilitation Services	Health Care and Social Assistance		Branch
Architectural Glass & Aluminum		100 to 249	Curtain Walls	Construction	Yes ³	HQ
Crown Bay Nursing & Rehab		100 to 249	Nursing & Convalescent Homes	Health Care and Social Assistance		Single Loc
Celera Corp		100 to 249	Physicians & Surgeons Equip & Spls-Mfrs	Manufacturing		HQ
Penumbra		100 to 249	Hospital Equip. & Supplies (Whls)	Wholesale Trade		HQ
Waters Edge Nursing Home		100 to 249	Nursing & Convalescent Homes	Health Care and Social Assistance		Single Loc
Alameda Family Svc		50 to 99	Organizations	Health Care and Social Assistance		Single Loc
Berkeley Heart Lab		50 to 99	Laboratories-Medical	Health Care and Social Assistance		Branch
CLEAR.COM		50 to 99	Cellular Telephones (Services)	Wholesale Trade		HQ
Creative Technology		50 to 99	Audio-Visual Production Service	Information	Yes	Branch
Delphi Productions Inc		50 to 99	Display Designers & Producers	Scientific, and Technical Services	Yes	HQ
Donsuemor Madeleines		50 to 99	Cookies & Crackers-Wholesale	Wholesale Trade		Single Loc
Ettore Products Co		50 to 99	Window Cleaning Equipment & Supls (Whls)	Wholesale Trade		HQ
Fleenor Paper Co ⁵		50 to 99	Paper-Manufacturers	Manufacturing		HQ
Frito-Lay Inc ⁶		50 to 99	Potato Chips (Whls)	Wholesale Trade		Branch
MBH Architects		50 to 99	Architects	Scientific, and Technical Services		Single Loc
Net Sol Tech North America Inc ²		50 to 99	Computer Software	Scientific, and Technical Services		Branch
NRC Environmental Svc Inc		50 to 99	Environmental & Ecological Services	Scientific, and Technical Services	Yes	Branch
Perforce Software Inc		50 to 99	Computer Software	Scientific, and Technical Services		HQ
Power Engineering Contrs Inc		50 to 99	Marine Contractors & Designers	Construction	Yes	Single Loc
RGB Spectrum		50 to 99	Video Equipment-Manufacturers	Manufacturing		HQ
SKS Die Casting & Machining		50 to 99	Aluminum Die Castings (Mfrs)	Manufacturing		Single Loc
Telecare Corp		50 to 99	Mental Health Services	Health Care and Social Assistance		HQ
Valerian Patterson & Stratman		50 to 99	Attorneys	Scientific, and Technical Services		Single Loc
Weinberg Roger & Rosenfeld		50 to 99	Attorneys	Scientific, and Technical Services		Single Loc

Prepared by Keyser Marston Associates, Inc.

Z:\1010002\012\Employment Tables 6-18, 27-28; Tab 17 Alameda Largest Empl; 4/23/2012

Figure 17
City of Alameda Largest Employers (Companies with over 50 employees) ¹
Market Study
Alameda Point Economic Development Strategy

(Page 2 of 2)

Summary by Industry (NAICS)

Industry	# of Firms
Scientific, and Technical Services	9
Health Care and Social Assistance	9
Manufacturing	5
Wholesale Trade	5
Construction	2
Transportation and Warehousing	1
Information	1
Financial Activities	1
Total	33

Summary by Location Type

Branch/HQ/Single Location	# of Firms
Branch	8
HQ	12
Single Loc	13
Total	33

Source: City of Alameda from Reference USA; InfoUSA.

¹ Excludes Government, Education, and Retail.

² City Staff reports that employment figure for Abbot is likely to be more than 700 employees.

³ Broad industry classification assigned by KMA.

⁴ Firm is headquartered in City of Alameda and conducts some its operations at Alameda Point.

⁵ City staff reports that Fleenor has their administrative offices in Alameda. The employment number may include distribution center and drivers.

⁶ Frito-Lay is a distribution center so not all employees are on site. Employment figure likely includes drives.

Figure 18
East Bay Employment Trends by City
Market Study
Alameda Point Economic Development Strategy

City	Job Estimates/Projections			2000-2010 Job Growth			2010-2035 Job Growth			Households 2010		Jobs per Household	
	2000	2010	2035	Total	Rank	Annual %	Total	Rank	Annual %	2010	Rank	Ratio	Rank
Alameda	27,380	26,970	42,730	(410)	25	-0.2%	15,760	13	1.9%	31,770	11	0.85	22
Albany	5,190	5,030	5,580	(160)	21	-0.3%	550	33	0.4%	7,150	29	0.70	26
Antioch	19,700	20,160	38,690	460	7	0.2%	18,530	11	2.6%	34,770	9	0.58	29
Berkeley	78,320	76,170	86,200	(2,150)	29	-0.3%	10,030	19	0.5%	46,150	7	1.65	5
Brentwood	6,670	6,520	12,920	(150)	20	-0.2%	6,400	22	2.8%	19,030	18	0.34	33
Clayton	1,350	1,390	1,810	40	15	0.3%	420	34	1.1%	4,020	34	0.35	32
Concord	59,860	60,800	86,260	940	4	0.2%	25,460	5	1.4%	46,860	6	1.30	10
Danville	13,670	13,860	16,040	190	11	0.1%	2,180	28	0.6%	15,620	20	0.89	20
Dublin	16,540	19,650	42,620	3,110	1	1.7%	22,970	7	3.1%	16,220	19	1.21	12
El Cerrito	5,580	5,720	8,840	140	13	0.2%	3,120	25	1.8%	10,420	25	0.55	30
Emeryville	19,860	18,610	28,010	(1,250)	28	-0.6%	9,400	20	1.6%	5,770	33	3.23	1
Fremont	104,830	94,440	140,440	(10,390)	34	-1.0%	46,000	2	1.6%	71,110	2	1.33	8
Hayward	76,320	71,050	97,510	(5,270)	33	-0.7%	26,460	4	1.3%	47,300	5	1.50	7
Hercules	2,780	2,790	5,610	10	16	0.0%	2,820	27	2.8%	8,360	28	0.33	34
Lafayette	10,790	11,320	11,940	530	6	0.5%	620	32	0.2%	9,350	27	1.21	13
Livermore	32,820	30,550	55,190	(2,270)	30	-0.7%	24,640	6	2.4%	28,300	13	1.08	17
Martinez	18,150	18,510	30,110	360	9	0.2%	11,600	17	2.0%	14,770	21	1.25	11
Moraga	4,940	5,030	6,050	90	14	0.2%	1,020	30	0.7%	5,810	32	0.87	21
Newark	21,420	20,350	24,830	(1,070)	26	-0.5%	4,480	24	0.8%	13,300	23	1.53	6
Oakland	199,470	188,590	281,900	(10,880)	35	-0.6%	93,310	1	1.6%	157,840	1	1.19	14
Oakley	3,170	2,980	8,190	(190)	22	-0.6%	5,210	23	4.1%	10,720	24	0.28	35
Orinda	6,230	6,220	6,950	(10)	17	0.0%	730	31	0.4%	6,700	31	0.93	19
Piedmont	2,120	2,090	2,140	(30)	18	-0.1%	50	35	0.1%	3,810	35	0.55	31
Pinole	5,570	5,720	7,300	150	12	0.3%	1,580	29	1.0%	7,080	30	0.81	24
Pittsburg	15,000	15,370	34,200	370	8	0.2%	18,830	10	3.3%	20,990	16	0.73	25
Pleasant Hill	16,870	17,090	26,450	220	10	0.1%	9,360	21	1.8%	14,770	21	1.16	15
Pleasanton	58,670	55,770	78,000	(2,900)	31	-0.5%	22,230	8	1.4%	25,160	14	2.22	2
Richmond	39,250	40,660	69,730	1,410	3	0.4%	29,070	3	2.2%	36,940	8	1.10	16
San Leandro	44,370	40,940	57,760	(3,430)	32	-0.8%	16,820	12	1.4%	31,270	12	1.31	9
San Pablo	6,010	5,900	8,830	(110)	19	-0.2%	2,930	26	1.6%	9,680	26	0.61	28
San Ramon	40,030	39,730	52,070	(300)	23	-0.1%	12,340	16	1.1%	23,660	15	1.68	4
Uninc. Alameda County	43,540	42,410	55,660	(1,130)	27	-0.3%	13,250	15	1.1%	51,700	4	0.82	23
Uninc. Contra Costa County	40,790	42,540	53,480	1,750	2	0.4%	10,940	18	0.9%	60,900	3	0.70	27
Union City	19,310	20,230	41,110	920	5	0.5%	20,880	9	2.9%	20,420	17	0.99	18
Walnut Creek	54,900	54,510	70,180	(390)	24	-0.1%	15,670	14	1.0%	32,230	10	1.69	3
Alameda County	750,160	712,850	1,039,680	(37,310)		-0.5%	326,830		1.5%	557,270		1.28	
Contra Costa County	371,310	376,820	555,650	5,510		0.1%	178,830		1.6%	392,680		0.96	
East Bay	1,121,470	1,089,670	1,595,330	(31,800)		-0.3%	505,660		1.5%	949,950		1.15	

Source: ABAG

Alameda Point Employment

KMA identified 105 public and private enterprises conducting business at Alameda Point. Private sector businesses range from bicycle sales and repair to marine contractors and logistics companies. Based on InfoUSA's job range estimates for each firm, the number of jobs at Alameda Point may range from 600-1,400 jobs.⁶ Firms with the largest number of employees are Power Engineering, Group Delphi, and NRC Environmental Services.

Figure 20 contains the public and private businesses located in Alameda Point, which range from bicycle sales and repair to marine contractors and logistics companies. These businesses were identified from data from InfoUSA corroborated by consultations with PMRG, attendance at the Tenant Forum, and site visits.

In Figure 20, these companies are grouped into clusters according to the type of business activities they conduct. Most of these clusters correspond to the North American Industrial Classification (NAICS). However, there are some clusters, such as Business Related Storage, Marine Related Services, and Other Services, which do not match specific NAICS. Brief descriptions of each cluster are provided in Appendix B.

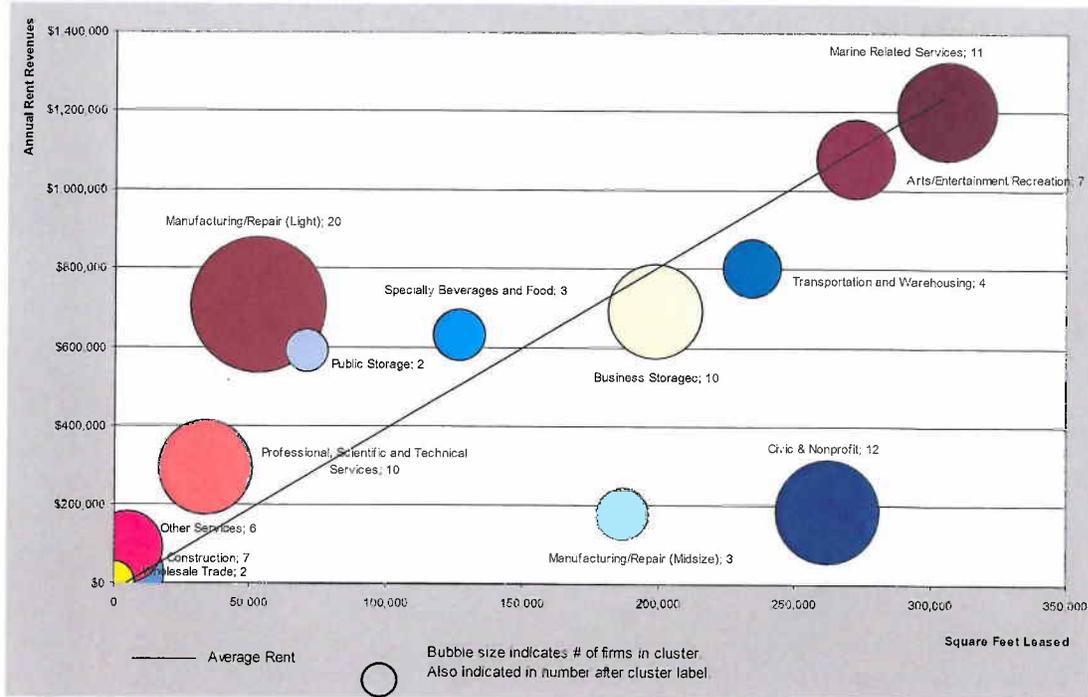
The business clusters are evaluated on various dimensions: number of firms, amount of space leased, rent revenue generated, relative contribution to employment generation, and impact on the visibility of Alameda Point⁷. Figure 21 and Figure 22 summarize the square footage leased and rent revenues by cluster type as of December 2011. It is important to note that these figures reflect the cluster designation of the lessee, therefore these figures may over- or underestimate the square footage and rent revenues for each particular cluster. For example, the square footage and revenues associated with Building 167 are assigned to the Marine Related cluster (the cluster associated with the lessee, Power Engineering). However, Power Engineering subleases space to Megaelectric (part of the Construction Cluster) and to West Teak (part of the Light-Manufacturing cluster). In this particular case, the square footage and rent revenues of the Marine-Related industry will be over-stated, while the Construction and Light-Manufacturing clusters will be under-stated. Nevertheless, these figures provide benchmarks to better understand the relative contribution of the various business clusters at the Alameda Point.

Figure 19 is a graphical representation of three of these dimensions for each cluster.

⁶ Employment data are not available for 19 of the companies identified. Nine (9) of the companies missing employment data use their facilities at Alameda Point as storage or for other uses that are not likely to generate direct employment at the Point (i.e. soccer fields, or church).

⁷ Impact on the visibility of Alameda Point is generally measured by whether the businesses at Alameda Point generate customer/client traffic at Alameda Point.

Figure 19– Number of firms, space leased, and revenues generated by cluster



Source: See Tables 1 through 3.

Notes:

- * The number of firms by cluster includes main tenants AND subtenants. Square foot leased and annual rent revenues are based ONLY on main tenants.
- * Square footage data excludes land leases and leases of piers and wharves. Rental revenue data includes revenues from land leases and leases of piers and wharves.
- * Square footage for the Public Storage cluster excludes approximately 230,000 square feet of land leased to Alameda Point Storage. However, rent from Alameda Point Storage are included in the rent revenues.
- * Square footage for the Marine Related Services cluster excludes leases of piers and wharfs. However, rent revenues generated by those leases are included.
- * The Manufacturing/Repair (midsize) cluster includes existing lease with Jetsmart which is an outlier on a per square foot basis.

Summary by Cluster

Arts, Entertainment, Recreation

This cluster consists of establishments that operate facilities or provide services for the cultural, entertainment, and recreational interests of their customers. This cluster includes businesses such as Bladium, Auctions by the Bay, and the USS Hornet.

- Strong presence based on number of tenants: 7 businesses.
- Leases large amounts of space: 2nd largest.
- Generates significant rent revenues: 2nd largest.

- Based on Bladium, Antiques/ Auctions by the Bay, and Soccer Clubs, tenants in this cluster tend to occupy large spaces.
- Generates significant employment; Bladium and Antiques/Auctions by the Bay are among the largest employers at Alameda Point.
- Increases visibility of Alameda Point; these businesses appear to attract the largest number of visitors to Alameda Point.

Business Related Storage

This is not an industry cluster but rather a cluster of businesses across various industries using their space at Alameda Point primarily for storage purposes. For example, Chabot Space & Science Center and the Pacific Pinball Museum would have been included in the Arts, Entertainment, and Recreation cluster but they use their space at Alameda Point to store museum pieces. Architectural Glass & Aluminum and JK Communications & Construction would have been included in the Construction cluster, but they use their facilities at Alameda Point for storage and lay down area for materials, and parking of company vehicles.

- Strong presence based on number of tenants: 10 businesses.
- Leases large amounts of space: 5th largest.
- Generates significant rent revenues: 5th largest
- Does not generate significant employment. Use of space is mostly passive.
- Neutral impact on the visibility of Alameda Point.

Civic & Nonprofit

This cluster includes branches of City's government such as the Public Works Department and the Fire Department. Also includes nonprofits such as the Alameda Point Collaborative and Community Bible Church.

- Strong presence based on number of tenants: 12 businesses.
- Leases large amounts of space: 3rd largest.
- Does not generate significant rent revenues.
- Positive impact on employment generation.
- Neutral impact on visibility of Alameda Point. Civic uses draw mostly city employees and nonprofits serve mostly Alameda Point residents.

Construction

This cluster includes companies ranging from roofing, plumbing, and electrical contractors. Companies include Jim Bustos Plumbing and Rain Defense.

- Strong presence based on number of tenants: 7 businesses.
- Currently, most companies in this cluster are subtenants and data on how much space is leased and rent revenues are not readily available.
- Positive impact on employment generation; however, most services are provided outside of Alameda Point.
- Neutral impact on visibility of Alameda Point.

Film and Event Production

This cluster includes two types of businesses: film and video production, and event production companies. Film and video production comprises establishments primarily engaged in producing, or producing and distributing motion pictures, videos, television programs, or television commercials. Examples of this type of businesses include Beyond Productions and Area 51 Productions. Event production companies are primarily engaged in organizing, promoting, and/or managing live performing arts productions, concerts, festivals, sports events, and similar events in facilities that are managed and operated by others. Businesses in this category include Edge Innovations, Gene Productions, and Event Productions, Inc.

- Strong presence based on number of tenants: 8 businesses.
- Not among largest lessees of space or revenues, however many businesses are subtenants and therefore information is not readily available on square feet leased and revenue generated.
- Most likely does not generate significant permanent employment at Alameda Point.
- Production of television shows and films made/produced in Alameda Point, such as Mythbusters or the Matrix Increases visibility of Alameda Point.

Manufacturing/Repair (Midsized)

Midsized manufacturing/repair businesses are defined as manufacturing businesses occupying between 5,000 and 100,000 square feet of space.

- Not a strong presence based on number of tenants: 3 businesses
- Large lessee of space: 6th largest.
- Generates solid rent revenues: 4th largest.
- Presents opportunities to lease large spaces.

- Generates employment. Cluster includes some of Alameda's largest employers.
- Neutral impact on visibility of Alameda Point. Does not draw a large number of visitors to the Point.

Manufacturing/Repair – Light

Businesses in this cluster are engaged in small scale/artisan manufacturing and repair, ranging from high-end, custom made furniture makers and designers to kayak fabricators.

- Strong presence based on number of tenants: 20 businesses. The largest cluster by number of firms.
- Not a significant lessee of space; most businesses are subtenants.
- Not significant source of revenues. However, rents per square foot appear to be above average.
- Businesses in this cluster occupy relatively small industrial spaces (i.e. less than 5,000 square feet.)
- Neutral employment impact. Firms consist mostly of sole proprietorships with 1-4 employees.
- Increases visibility of Alameda Point. Firms use space at Alameda Point as a mixture of workshop/showroom, therefore attracting some visitors to Alameda Point.

Marine Related Services

Businesses in this cluster range from ship building and repair to maritime infrastructure construction. Businesses include Bay Ship & Repair, Island Planet Sails, Delta Sandblasting, and Vigor Marine.

- Strong presence based on number of tenants: 11 businesses. Not surprisingly, these businesses are concentrated in proximity to the piers and wharves.
- Largest lessee of space at Alameda Point.
- Largest rent revenue generator (including the U.S. Department of Transportation Maritime Administration - MARAD)
- Presents an opportunity to lease large spaces: Large businesses footprint range from 5,000 to 55,000 square feet (excluding MARAD, which leases 117,000 square feet plus the piers).
- Generates significant employment. Cluster includes most of Alameda Point's largest employers.
- Neutral impact on visibility of Alameda Point. Most businesses in this cluster do not generate customer traffic.

Professional, Scientific and Technical Services (PSTS)/High Tech

This cluster includes establishments that specialize in performing professional, scientific, and technical activities, which require a high degree of expertise and training. Many of the companies in this cluster are primarily involved in clean-technology development. Businesses in this cluster include Makani Power, Natel Energy, and Point Source Power.

- Strong presence based on number of tenants: 10 businesses.
- Businesses in this cluster do not occupy large amounts of space nor generate large rent revenues. However, in addition to businesses in the civic and nonprofit cluster, businesses in the PSTS/High Tech cluster are the only ones that lease office space/flex at Alameda Point.
- Generates employment opportunities for highly specialized/skilled workers.
- Increases visibility of Alameda Point. Companies are developing cutting edge technology, which creates a buzz. Also, most of the companies in this cluster are in the clean-tech and biotechnology sectors, which attract significant investment and are among the fastest growing industries.

Public Storage

This cluster comprises establishments primarily engaged in renting or leasing space for self-storage. These establishments provide secure space (i.e., rooms, compartments, lockers, containers, or outdoor space) where clients can store and retrieve their goods. It differs from Business related storage in that their services are open to the general public. Two public storage companies operate in Alameda Point: Alameda Point Storage, and Container Storage, Inc.

- Not a strong presence based on number of tenants; 2 businesses. Both located on the southeast corner of Alameda Point.
- Leases large areas (when land lease by Alameda Public Storage is included).
- Important source of rent revenues: 7th largest.
- Not significant impact on employment.
- Neutral impact on visibility of Alameda Point. Draws customers to Alameda Point, but fewer than other clusters such as the Specialty Beverages and Food, or the Arts, Entertainment and Recreation clusters.

Specialty Beverages and Food

There are only three companies included in this cluster: Pacific Fine Food, Rockwall Wine Company, and St. George's spirits.

- Only 3 firms in this cluster, but they create a destination along Monarch Street.
- Leases large amounts of space: 7th largest.
- Generates significant rent revenues: 6th largest.
- Presents opportunity to lease large spaces, for example, St. George's Spirits and Rock Wall Wines lease 60,000 square feet each, on average.
- Generates employment St. Georges' Spirits is one of Alameda Point's largest employers.
- Increases visibility of Alameda Point. St. George's Spirits and Rock Wall Wines tasting rooms draw people to the Point, and they also organize events.

Transportation and Warehousing

This cluster includes industries providing transportation of cargo, warehousing and storage for goods, and support activities related to transportation. Business in this cluster use transportation equipment and/or warehousing facilities as a productive asset. Businesses in this cluster include TransFreight Express, DR Trucking, and North American Van Lines.

- Not a strong presence based on number of tenants: 4 businesses.
- Large lessees of space: 4th largest
- Significant source of revenues: 3rd largest
- Generates moderate employment opportunities. Trans Freight Express for example has approximately 25 employees on site.
- Neutral impact on visibility of Alameda Point. Companies in this cluster do not draw visitors/customers to Alameda Point; however, businesses such as Trans Freight Express make very active use of their space, which contributes to an impression of economic activity at the Point.

Wholesale Trade

This cluster includes establishments engaged in wholesaling merchandise, generally without transformation (i.e. value added), and rendering services incidental to the sale of merchandise.

- Not a strong presence based on number of tenants: two businesses.
- One company (West Coast Novelty) in this cluster leases approximately 65,000 square feet of space and generates significant revenue. However, most of the space (approximately 50,000 square feet) is subleased to a shipping company, which uses the space for storage purposes.
- Neutral impact on visibility of Alameda Point.

Alameda Point Employment/Cluster Analysis Conclusion

Alameda Point appears to be an attractive location for the following types of tenants:

1. Tenants seeking access to the water, such as marine-related services.
2. Tenants looking for buildings with unique attributes such as clear-span large floor plates with 40' ceiling heights.
3. Industrial space users looking for spaces under 5,000 square feet, such as artisans and small scale manufacturers.
4. Businesses in need of storage space.

Traditional industrial users, such as logistics companies and wholesale do not have a strong presence at Alameda Point. In Section VI of this report, we point out that logistics companies tend to lease large spaces and tend to concentrate in the I-880 Corridor north where there is abundant industrial space and good access to transportation infrastructure (i.e., I-880 and the Port of Oakland). These industries, however, are not projected to grow significantly through 2018. Regional transportation access constraints are most likely the reason why these industries do not have a stronger presence at Alameda Point, as these types of companies prefer to locate close to freeways.

The strength of the Arts, Entertainment, Recreation highlights the potential to build on historical tourism and education experiences at Alameda Point.

In Appendix C, we present an analysis of the leasing-inquiry log maintained by property management. This analysis further supports the findings presented here.

Table 20

Companies located at Alameda Point, by Cluster (2011)

Tenant Forum

Alameda Point Economic Development Strategy

Industry/Company	Building	Address	Industry SIC Description	Job Range	Headquarters/ Branch
Arts, Entertainment, and Recreation					
1 Alameda Naval Air Museum	77	2151 Ferry Pt # 77	Museums	1 to 4	Single Location
2 Alameda Soccer Club	Lot 22	250 W. Hornet Ave.	Soccer Club	N/A	N/A
3 Antiques By The Bay	NWT 22	2700 Saratoga St	Antiques-Dealers	1 to 4	Single Location
4 Auctions By The Bay Inc	18, 20, 25, 525	1951 Monarch St	Auctions/Sales	20 to 49	Single Location
5 Aircraft Carrier Hornet Fndtn	Pier 3 and Parking Area	707 W Hornet Ave # 3	Museums	1 to 4	Single Location
6 Bladium/Hangar 40 Sports Bar & Café	40	800 W. Tower Ave.	Health Clubs Studios & Gymnasiums	20 to 49	Single Location
7 Piedmont Youth Soccer Club	Fields 424, 425 (License)	2655 Lexington St.	Sports Organization	N/A	N/A
Business Related Storage ¹					
1 American Red Cross	8	451 Stardust Pl	Social Service & Welfare Organizations	5 to 9	Branch
2 Architectural Glass & Aluminum	118 (Fenced Lot)	104 W. Tower Av. (Fenced Lot)	Glass and Glazing Work	N/A	N/A
3 Chabot Space & Science Center	8	2350 Saratoga St.	Museums	N/A	N/A
4 Friends of the Alameda Theater	91	651 W. Tower Ave.	Member Associates	N/A	N/A
5 General Services Administration	169	1680 Viking St.	Government Offices-Federal	1 to 4	Branch
6 Glenn Products	Subtenant (unknown)	2701 Monarch St	Storage of Personal Equipment	5 to 9	Single Location
7 JK Communications & Construction	118 (Fenced Lot)	106 W. Tower Av.	Fiberglass, cable installation	1 to 4	Branch
8 Matson Navigation	(Subtenant Bldg. 23)	2401 Monarch #23	Ship Parts & Equipment Storage	1 to 4	Branch
9 Scooterimporter.com	Subtenant (unknown)	51 W Hornet Ave	Toys-Retail	5 to 9	Branch
10 The Pacific Pinball Museum	13	2100 Ferry Point, Suite 100-300	Museums	N/A	N/A
Civic & Non Profit					
1 Alameda Development Corp	7	851 W Midway Ave # 102	Housing Assistance	1 to 4	Single Location
2 Alameda Fire Training Div	6, 522	950 W Ranger Ave	Fire Departments	1 to 4	Branch
3 Alameda Head Start Matheson	Subtenant (Collab.)	670 W Midway Av	Child Care Service	5 to 9	Single Location
4 Alameda National Wildlife Refuge	Air Field	Air Field	Wildlife Refuge	N/A	N/A
5 Alameda Municipal Power	162, 557		Utility Company	N/A	N/A
6 Alameda Point Collaborative	607	677 W Ranger Ave	Social Service & Welfare Organizations	20 to 49	Single Location
7 Bessie Coleman Court	Subtenant (Collab.)	2500 Barbers Point Rd	Housing Assistance	1 to 4	Single Location
8 Changing Gears Bike Shop	Subtenant (Unknown)	650 W Ranger Ave	Bicycle Repair	1 to 4	Single Location
9 City of Alameda	1, 6, 60, 76, 134, 162, 397	950 W. Mall Sq.	Government	20 to 49	Branch
10 Community Bible Church	564		Religious		N/A
11 Native American Health Center	Subtenant 607	677 W Ranger Ave	Clinics	1 to 4	Single Location
12 Operation Dignity		2350 Rainbow Ct	Housing Assistance	5 to 9	Single Location
Construction					
1 Advanced Roofing Svc Inc	Subtenant	1450 Viking St	Roofing Contractors	10 to 19	Single Location
2 Alliance Solar Svc	Subtenant (Bldg. 163, 414)	1800 Orion St	Solar Energy Equipment Installation	1 to 4	Single Location
3 All Phase Electric	Subtenant (14)	1800 Ferry Pt. #14	Electric Contractors	1 to 4	Single Location
4 Hadal	Subtenant	1500 Ferry Pt	Contractors-Engineering General	5 to 9	Single Location
5 Jim Bustos Plumbing	612	1450 Viking St	Plumbing Contractors	5 to 9	Single Location
6 Megaelectric	Subtenant (Bldg. 166)	1501 Viking St # 100	Electric Contractors	1 to 4	Single Location
7 Rain Defense Inc	Subtenant	2400 Monarch St	Roofing Contractors	10 to 19	Single Location

Table 20

Companies located at Alameda Point, by Cluster (2011)

Tenant Forum

Alameda Point Economic Development Strategy

Industry/Company	Building	Address	Industry SIC Description	Job Range	Headquarters/Branch
Film/Event Production					
1 Area 51 Productions	Subtenant (24, 25)	2301 Monarch St # 200	Motion Picture Producers & Studios	1 to 4	Single Location
2 Beyond Productions	NWT (License)	2900 Navy Way	Filming	N/A	N/A
3 Da Vinci Fusion Inc	Subtenant (unknown)	650 W Ranger Ave	Events-Special	1 to 4	Single Location
4 Edge Innovations	13	2100 Ferry Point, suite 400	Event Lighting and Design	N/A	Branch
5 Event Productions Inc	91	651 W Tower Ave	Conventions, trade shows and corp. events	20 to 49	Single Location
6 Gene Productions	Subtenant (Bldg. 163, 414)	1800 Orion St	Event Management	N/A	
7 Sacchi Enterprises	170 (South Land)	1770 Viking St.	Film Props	1 to 4	Single Location
8 Turn Key Show Productions	459	101 W. Tower Av.	Motion Picture and Tape Distribution	N/A	N/A
Manufacturing/Repair (Midsize)					
1 American Bus Repair	24	2301 Monarch St	Truck-Repairing & Service	10 to 19	Single Location
2 Group Delphi	39, 117	950 W Tower Ave	Display Designers & Producers	50 to 99	Headquarter
3 Jetsmart / Alameda Aerospace	398		Aircraft maintenance and services	10 to 19	N/A
Manufacturing/Repair (Light)					
1 Alameda Import Automotive LLC	Subtenant (Bldg. 608)	50 W Hornet Ave	Automobile Repairing & Service	1 to 4	Single Location
2 Avanti Cabinets	Subtenant (Bldg. 98)		Cabinet Makers	1 to 4	Single Location
3 Brian Harte	Subtenant (Bldg. 14)	1800 Ferry Pt	Furniture-Designers & Custom Builders	1 to 4	Single Location
4 Callahan Piano Service	Subtenant (Bldg. 14)	1800 Ferry Point	Piano Reconditioning and Rebuilding		
5 Christopher Loomis Studios	Subtenant (Bldg. 14)	1800 Ferry Pt # 14	Furniture-Designers & Custom Builders	1 to 4	Single Location
6 Dreyfuss Capital Partners	29	1701 W. Monarch St.	Lighting Manufacturing, general office	N/A	N/A
7 Eco Exotic	Subtenant (Bldg. 91)	651 Tower Ave	Furniture & Design	1 to 4	Single Location
8 Frank Bletsch Design	Subtenant (Unknown)	50 W Hornet Ave	Metal Fabricators - Artistic	1 to 4	Single Location
9 Hirschfeld Fabrications	Subtenant (Unknown)	450 W Atlantic Ave	Metal Fabricators - Artistic	5 to 9	Single Location
10 Janofsky Design	Subtenant (Bldg. 14)	1800 Ferry Pt # 14	Woodworkers	1 to 4	Single Location
11 Leon Paulos (Loenidas Kyriakopoulos)	Subtenant (Bldg. 14)	1800 Ferry Pt # 14	Furniture-Designers & Custom Builders	1 to 4	Single Location
12 Navigator Desk Systems	14	1800 Ferry Pt # 14	Ergonomic furniture manufacturer	5 to 9	Single Location
13 One Inch Round	Subtenant (Bldg. 14)	1800 Ferry Pt # 14	Custom Buttons	5 to 9	Single Location
14 Stafford Sent Packing	611	2440 Pan Am Way	Real Estate Staging	1 to 4	Single Location
15 Studio Roeper	Subtenant (Bldg. 14)	1800 Ferry Pt	Furniture-Designers & Custom Builders	1 to 4	Single Location
16 The Last Inch	Subtenant (Bldg. 14)	1800 Ferry Pt # 14	Furniture-Designers & Custom Builders	1 to 4	Single Location
17 The Pilgrim Soul Forge	Subtenant (Unknown)	450 West Atlantic Avenue	Artist Blacksmith		Single Location
18 West Teak Inc	Subtenant (Bldg 166)	1501 Viking St # 108	Furniture-Outdoor	1 to 4	Single Location
19 Wolfgang Brinck Small Boats	Subtenant (Bldg. 29)	1701 Monarch St	Kayak manufacturers		
20 Woodmasters	43	2440 Monarch St # B	Woodworkers	1 to 4	Single Location

Table 20
Companies located at Alameda Point, by Cluster (2011)
Tenant Forum
Alameda Point Economic Development Strategy

Industry/Company	Building	Address	Industry SIC Description	Job Range	Headquarters/ Branch
Marine Related Services					
1 BAE	Subtenant (167)	1500 Ferry Pt # 200	Ship Builders & Repairers (Mfrs)	10 to 19	Single Location
2 Bay Ship & Yacht Co Fleet Svc	292, 400A	1450 Ferry Pt	Ship Building and Repair	10 to 19	Branch
3 Building 43 & Associates	43	2440 Monarch St.	Ship Repair	N/A	N/A
4 Delta Sandblasting Co Inc	Subtenant (Bldg. 166)	1501 Viking St	Sandblasting	1 to 4	Single Location
5 Island Planet Sails	Subtenant (Bldg. 163, 414)	1800 Orion St.	Sailmaking		Branch
6 MARAD	168, Piers 1, 2, 3	1651 Viking St. & Piers 1, 2, 3	Government - Cargo Ships	100 to 249	Branch
7 Nelson's Marine	167	1500 Ferry Pt # 167	Boat Storage	20 to 49	Single Location
8 NRC Environmental Svc Inc	15, 64, 616	1500 Ferry Pt	Environmental & Ecological Services	50 to 99	Branch
9 Power Engineering Contrs Inc	166	1501 Viking St # 200	Marine Contractors & Designers	50 to 99	Single Location
10 Puglia Engineering Inc	67	401 W Seaplane Lagoon	Ship Repair	10 to 19	Single Location
11 Vigor Marine	7	851 Midway Ave. # 104A	Boat Repairing	1 to 4	Single Location
Other Services					
1 AT&T	22		Cellular Service Provider	N/A	Branch
2 B & B Environmental Safety Inc	7	851 W Midway Ave # 201c	Environmental & Ecological Services	1 to 4	Single Location
3 Cingular Wireless	Unknown		Cellular Service Provider	N/A	Branch
4 Conmar	98	451 W Seaplane Lagoon	Concrete Prods-Ex Block & Brick (Mfrs)	N/A	Branch
5 MDG Promo	Subtenant (166)	1501 Viking St # 103	Advertising-Promotional	1 to 4	Single Location
6 Nextel	624		Cellular Service Provider	N/A	Branch
Professional, Scientific, and Technical Services (High Tech)					
1 InTouch BioSolutions	7	851 W. Midway Ave. #113, 114	Biotechnical research	N/A	N/A
2 Kirsen Radio Vision	Subtenant (Bldg. 163, 414)		High-tech 3-D imaging	N/A	
3 Makani Power, Inc.	19, NWT (License)	2175 Monarch Street	Energy Extraction technologies	N/A	N/A
4 Natel Energy	Subtenant (19)	2175 Monarch Street	Energy Extraction technologies	N/A	Single Location
5 MTR, Inc. Membrane Tech. & Research	Subtenant (Bldg. 163, 414)		Gas separation systems for oil and gas	N/A	Branch
6 PhasorCorp / Biofuel Resources	Subtenant (Bldg. 163, 414)		Biodiesel car	N/A	
7 Point Source Power	7	851 W Midway Ave # 104a	Energy Extraction technologies	1 to 4	Single Location
8 Renovare International Inc	7	851 W Midway Ave # 104c	Electrochemical cell technology	5 to 9	Single Location
9 Sustainable Technologies	Subtenant (Bldg. 163, 414)	1800 Orion St # 101	Design, fabrication, and installation of PVsys	5 to 9	Single Location
10 Volochem, Inc.	7	851 W. Midway Ave. #208, 201B	Biotech R&D	1 to 4	Single Location
Public Storage					
1 Alameda Point Storage	Land	50 W Oriskany Ave	Storage-Household & Commercial	1 to 4	Single Location
2 Container Storage Inc	338, 608	50 W Hornet Ave	Storage-Household & Commercial	1 to 4	Single Location
Specialty Beverages and Food					
1 Pacific Fine Food Inc	42	2480 Monarch St	Food Preparation/Catering	5 to 9	Single Location
2 Rockwall Wine Co Inc	24, 25	2301 Monarch St # 300	Winemaking & retail tasting	1 to 4	Single Location
3 St George Spirits	21	2601 Monarch St	Distillers (Mfrs) & retail tasting	20 to 49	Single Location

Table 20
Companies located at Alameda Point, by Cluster (2011)
Tenant Forum
Alameda Point Economic Development Strategy

Industry/Company	Building	Address	Industry SIC Description	Job Range	Headquarters/ Branch
Transportation and Warehousing					
1 D R Trucking	Subtenant (unknown)	1190 W Tower Ave	Trucking	1 to 4	Single Location
2 GFC/North American Van Lines	170	1770 Viking St	Movers	10 to 19	Branch
3 GRM	9	707 W. Tower Ave.	Document Management	1 to 4	Branch
4 Trans Freight Express	11	1190 W Tower Ave	Transportation/Shipping	5 to 9	Single Location
Wholesale Trade					
1 Con-Roc Distribution Inc	Subtenant (Bldg. 43)	2440 Monarch St	Concrete Equipment & Supplies (Whls)	1 to 4	Single Location
2 West Coast Novelty	23	2401 Monarch St # 23	Importers (Whls)	20 to 49	Branch

Summary By Cluster	# of Firms
Manufacturing/Repair (Light)	20
Manufacturing/Repair (Midsize)	3
Civic & Non Profit	12
Marine Related Services	11
Business Related Storage	10
Professional, Scientific, and Technical Services	10
Construction	7
Film/Event Production	8
Arts, Entertainment, and Recreation	7
Other Services	6
Transportation and Warehousing	4
Specialty Beverages and Food	3
Public Storage	2
Wholesale Trade	2
	105

Source: City of Alameda, HdL Companies, Info USA, KMA.

¹ Business Related Storage differs from "transportation and warehousing" in that the later category use its facilities as a productive asset.

Table 21

Alameda Point Occupancy Analysis by Cluster (based on primary tenant type)

Tenant Forum

Alameda Point Economic Development Strategy

Total Square Feet	Alameda Point Subdistricts				
	Total Alameda Pt. ¹	Commercial ²	Campus	North of Atlantic	South of Atlantic
Occupied Space					
Arts/Entertainment/Recreation	272,527	232,319	40,208	-	-
Business Related Stor: ³	198,820	90,530	-	21,788	86,502
Civic & Non Profit	262,518	49,375	140,378	11,150	61,615
Construction	4,000	-	-	-	4,000
Film/Event Production	82,080	30,000	-	12,080	40,000
Manufacturing/Repair - Light ⁴	53,181	12,587	-	9,200	31,394
Manufacturing/Repair - Midsize	187,194	120,997	-	66,197	-
Marine	306,235	18,420	231	14,000	273,584
Other ⁵	5,191	301	390	4,500	-
PSTS - High Tech	34,024	16,888	3,340	-	13,796
Public Storage ⁶	70,989	-	-	-	70,989
Specialty Beverages and Food	126,993	126,993	-	-	-
Transportation and Warehousing	234,561	190,561	-	-	44,000
Wholesale Trade ⁷	0	-	-	-	-
Total Occupied	1,838,313	888,971	184,547	138,915	625,880
Vacant Space					
Vacant - Available	476,683	182,041	139,833	72,558	82,251
Vacant - Not Available ⁸	1,833,033	556,882	704,062	296,779	275,310
Total Vacant	2,309,716	738,923	843,895	369,337	357,561
Navy Controlled	1,148,742	1,043,435	-	62,192	43,115
Total	5,296,771	2,671,329	1,028,442	570,444	1,026,556
Occupancy Rate					
% of Total	35%	33%	18%	24%	61%
% of Total Excluding Navy Controlled and Vacant Not Available	79%	83%	57%	66%	88%

Source: 'AP Rent Roll 12.19.11'.xls

¹ Excludes land leases identified as "ALLAND" in the rent roll, such as soccer fields, piers, wharfs, and land.

² Data on 12.19.11 rent roll updated to reflect the vacancies of Building 22, 527. Also Buildings 16 and 94 were added to the roll as vacant.

³ Business Related Storage differs from "transportation and warehousing" in that the later category use its facilities as a productive asset. Includes square footage of Bldg. 23, which is leased to West Coast Novelty (Wholesaler), but used mainly by Matson for storage purposes.

⁴ Includes square footage for Bldg. 98, which is leased to Conmar. Most of this space is used by Avanti Cabinets (woodworking

⁵ Includes B&B Environmental, and Cellular Telephone Carriers.

⁶ Excludes area of land leased to Alameda Point Storage.

⁷ Excludes square footage of Bldg. 23, which is leased to West Coast Novelty (Wholesaler), but used mainly by Matson for storage

⁸ Buildings not in a condition to be occupied and not currently being marketed by PMRG.

Table 22

Alameda Point Rent Revenue Analysis by Cluster (based on primary tenant type)

Tenant Forum

Alameda Point Economic Development Strategy

Annual Rent

	Total Alameda Pt. ²	Alameda Point Subdistricts				
		Commercial	Campus	North of Atlantic	South of Atlantic	Land
Business cluster ¹						
Arts/Entertainment/Recreation	\$1,079,879	\$822,969	\$256,910	\$0	\$0	\$0
Business Related Storage ³	\$690,240	\$295,092	\$0	\$45,888	\$349,260	\$0
Civic & Non Profit	\$183,012	\$0	\$0	\$36,780	\$133,236	\$12,996
Construction	\$24,012	\$0	\$0	\$0	\$24,012	\$0
Film/Event Production	\$173,484	\$45,828	\$0	\$41,256	\$86,400	\$0
Manufacturing/Repair - Light	\$177,720	\$51,168	\$0	\$39,300	\$87,252	\$0
Manufacturing/Repair - Midsize	\$706,692	\$558,336	\$0	\$148,356	\$0	\$0
Marine	\$1,200,720	\$54,540	\$0	\$65,568	\$1,056,612	\$24,000
Other ⁴	\$90,396	\$51,420	\$12,480	\$0	\$0	\$26,496
PSTS - High Tech	\$292,513	\$153,984	\$66,529	\$0	\$72,000	\$0
Public Storage ⁵	\$588,940	\$0	\$0	\$0	\$396,220	\$192,720
Specialty Beverages and Food	\$631,248	\$631,248	\$0	\$0	\$0	\$0
Transportation and Warehousing	\$800,376	\$656,376	\$0	\$0	\$144,000	\$0
Wholesale Trade ⁶	\$0	\$0	\$0	\$0	\$0	\$0
Total Occupied	\$6,639,232	\$3,320,961	\$335,919	\$377,148	\$2,348,992	\$256,212

Source: 'AP Rent Roll 12.19.11'.xls

¹ Based on business type of primary leaseholder. Does not take into account subtenants.

² Data on 12.19.11 rent roll updated to reflect the Hesco vacating building 22, and Toys for Tots vacating building 527.

³ Business Related Storage differs from "transportation and warehousing" in that the later category use its facilities as a productive asset.

Includes rent revenues from Bldg. 23, which is leased to West Coast Novelty (Wholesaler), but used mainly by Matson for storage purposes.

⁴ Includes B&B Environmental, GRM Systems and Cellular Telephone Carriers.

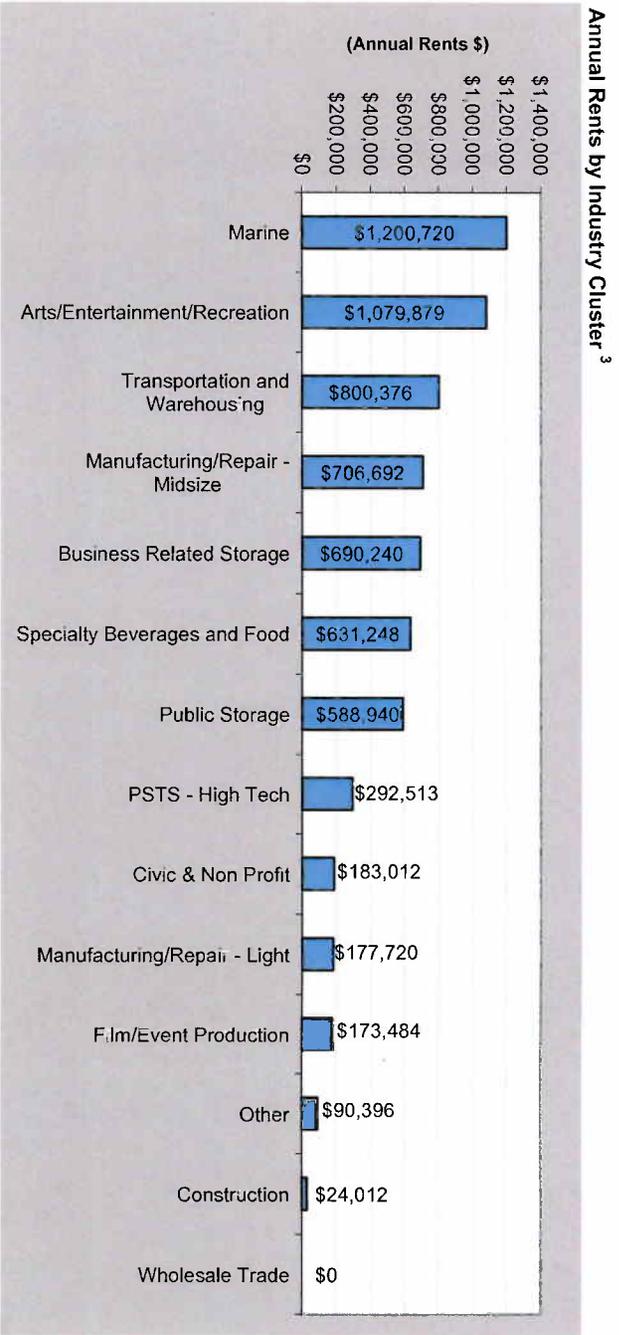
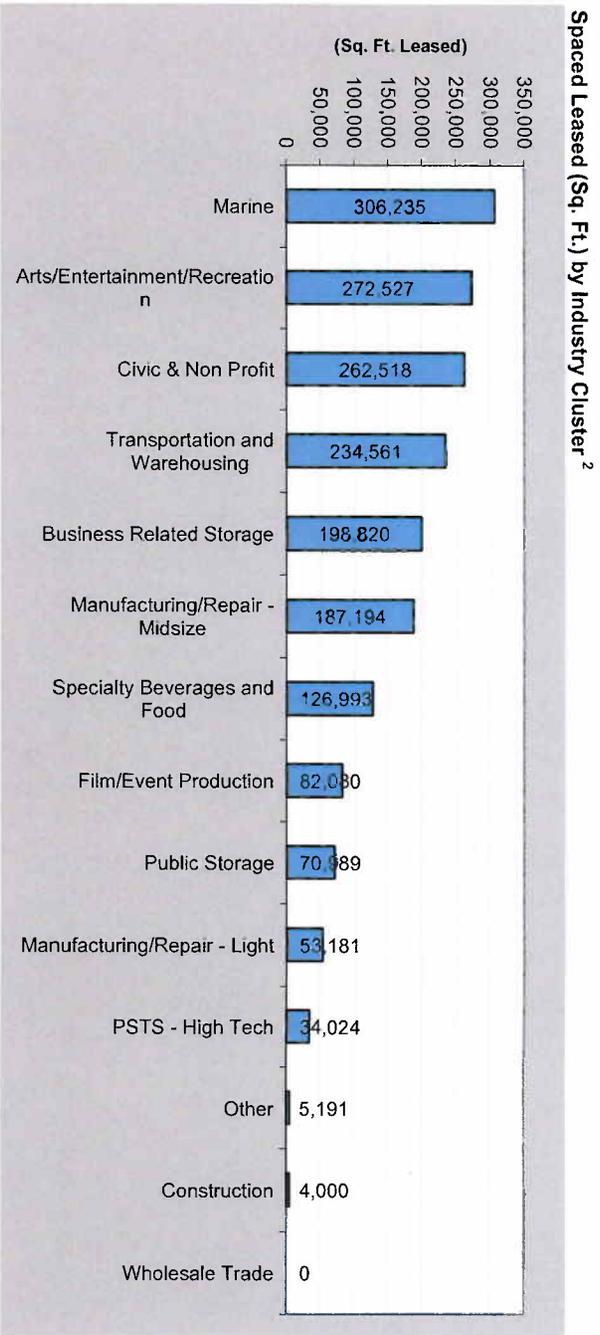
⁵ Includes revenues from land leased to Alameda Point Storage.

⁶ Excludes square footage of Bldg. 23, which is leased to West Coast Novelty (Wholesaler), but used mainly by Matson for storage.

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Alameda Point Cluster Analysis Tables 001-002; Tab 3 -Rents by Tenant Clusters; 4/23/2012

Figure 23
Alameda Point Occupancy Analysis by Cluster (based on primary tenant type) 1
Tenant Forum
Alameda Point Economic Development Strategy



¹ Clusters based on industry of primary tenant on lease.
² Excludes land leases
³ Includes revenues from land leased

V. COMPETITIVE SUPPLY OF LARGE DEVELOPMENT SITES IN THE BAY AREA

The following is a description of some of the sites available for commercial development in the East Bay and San Francisco. Except for one, most of these sites are larger than 50 acres, and most of them are waterfront sites. This section highlights the fact that if Alameda Point is to attract an end-user searching for a development opportunity site, it must compete with numerous sites available in the East Bay and San Francisco. While some of these sites have been approved primarily for residential development, the willingness of “Oak to 9th” property owners to pursue the LBNL Second Campus opportunity despite having already been approved for 3,100 residential units, highlights the competitiveness of the market.

East Bay Sites

Oakland - Oak to 9th

In 2011, this site was selected as one of the finalist for the LBNL Second Campus. The Oak to 9th project was originally approved primarily as a residential site by the City of Oakland’s Council on July 2006. However, according to the developer, the LBNL alternative was an ‘intriguing alternative to the current project approved for the Property if the residential market remains weak.’⁸

The project approved by the City of Oakland in 2006 includes:

- 3,100 residential units,
- 200,000 square feet of ground-floor commercial space,
- 3,500 structured parking spaces,
- approximately 27 acres of public open space,
- two renovated marinas, and
- a wetlands restoration area.

The primary advantages of this site are visibility and access. The location of this site relative to I-880 and BART (Lake Merrit Station), and Jack London Square, make it a desirable location for residential and commercial uses.

Albany – Golden Gate Fields

This site was proposed and selected as one of the finalists for the LBNL Second Campus as well. The proposed development included uses that are not currently allowed in Albany’s Waterfront District. Measure C, passed by Albany voters in 1989, requires any necessary zoning changes to be approved directly by a majority of Albany voters.

⁸ Agenda for the Oakland Port Commissions’ January 12, 2012 meeting.

In 2010, the City of Albany released the report of the “Voices to Vision” community input process. This process was intended to result in community consensus and the development of guidelines and policies to shape and drive decisions about the development of Albany’s waterfront. The resulting guidelines recommend that the “Built” footprint (including associated circulation, roads, and parking) of any commercial or public structures (excluding amenities related directly to park activities) should not exceed a total of 27 acres (26% of the total land area of the site). The minimum amount of new dedicated public open space shall be 75 acres (74% of the total land area of the site).⁹ Allowed uses include:

- Hotel (minimum 100 rooms; maximum 300 rooms),
- Restaurants, bars, and cafes,
- Conference center, meeting facilities, and related support structures, and
- Retail (which could include non-hotel-related restaurants, bars, and cafes) (maximum of 250,000 net SF space).

The location of this site relative to I-880 and I-580 make it a more attractive development site. However, Measure C and community opposition to large scale commercial or residential development at the site make future development uncertain.

Fremont – Baylands, Ardenwood, Warm Springs

In 2008, the City of Fremont identified approximately 400 acres of vacant industrial land available through 2030 for industrial development in the three core industrial districts in the City, including the portion of Warm Springs that will be used by BART-related development.¹⁰

Proximity to Silicon Valley, relatively good access to I-880 and I-680, and greenfield development opportunities make Fremont formidable competition for Alameda Point. However, large scale development may require potentially costly land assembly from multiple owners.

San Francisco Sites

Treasure Island

The proposed development plan for Treasure Island includes:¹¹

- Up to 8,000 new residential units
- Up to 500 hotel rooms

⁹ Fern Tiger Associates. Voices to Vision: A Community Vision for Albany’s Waterfront. April 5, 2010.

¹⁰ Economic Planning Systems, 2008. Industrial Land Use Analysis for the City of Fremont General Plan Update. Prepared for the City of Fremont.

¹¹ Amounts shown are the maximum program being reviewed as part of the environmental impact report; the actual amount of development could be less. Treasure Island, Yerba Buena Island, Community Meeting. January 29, 2011.

- Up to 450,000 square feet of retail & historic reuse
- Up to 100,000 square feet of office
- 300 acres of open space

While this site is also located on an island, proximity to downtown San Francisco makes this an attractive development site for residential and commercial space.

Mission Bay

In 2010, Salesforce.com acquired two-thirds (14 acres) of the remaining undeveloped commercial portions of Mission Bay with the intention of building a nearly 2 million square-foot campus. However, on February 2012, Salesforce.com announced that it planned to halt construction of its new campus and choose, instead, to move into available vacant space in downtown San Francisco.

Given these developments, it is reasonable to assume that the 14-acre site will be available for development by another or multiple end-users that may be looking for a development opportunity.

Availability of large development sites, the new University of California, San Francisco (UCSF) hospital, as well as an already vibrant cluster of biotech cluster companies at Mission Bay will make it difficult for other sites in the Bay Area, such as Alameda Point, to compete with it for a slice of the biotech industry, at least in the near-term. Bayer's recent relocation of some its research activities in the East Bay to Mission Bay highlights the attractiveness of Mission Bay for biotechnology companies. Also, as exemplified by the Salesfoce acquisition, if the biotech sector were to stumble, it is conceivable that demand for large development opportunities at Mission Bay could come from other high tech sectors.

Pier 70

Pier 70 is a 69-acre industrial site located in San Francisco, just south of Mission Bay. Specifics objectives of the Pier 70 Master Plan include:

- Continued operation of the ship repair yard on approximately 17 acres,
- Establishment of a Pier 70 National Register Historic District and the planned rehabilitation of approximately 700,000 square feet of historic buildings,
- 3,000,000 square feet of new infill development (office and technology space), and
- Approximately 11 acres of waterfront open space and 9 acres of upland open space.

On April 2011, Port of San Francisco staff selected Forest City to develop Pier 70.

Because of its location next to Mission Bay, and its connectivity to the rest of San Francisco this site presents a competitive alternative to capture some of the demand for new commercial space in San Francisco and the Peninsula in the mid-term.

Hunters Point Shipyard/Candlestick Point

The redevelopment program for Hunters Point Shipyard/Candlestick Point includes:

- 10,500 residential units
- 885,000 square feet of neighborhood and regional retail
- 2.6 million square feet of office and R&D
- Hotel
- Arena
- 255,000 square feet of artist space
- 100,000 square feet of space for community use.

In 2010, the selected master developer for the site (Lennar Corporation) received initial approval of an Environmental Impact Report from the San Francisco Board of Supervisors.

This site is similar to Alameda Point in some respects; a relatively isolated, decommissioned naval shipyard, which offers large scale development opportunities.

VI. INDUSTRIAL REAL ESTATE: OVERVIEW

KMA examined trends in industrial real estate markets in the East Bay to gain a better understanding of the competitive position of Alameda Point within the region. We examined vacancy rates, rental rates, inventory and leasing patterns in several sub-markets in the East Bay. The following narrative summarizes our overview of the flex¹² and warehousing/manufacturing real estate markets. The conclusions presented here are based on data presented in Appendix D.

Flex Space Summary

Figure 24 – Flex Market Summary Statistics

Market Snapshot: Q4 2011				
	Inventory (SF)	Vacant (SF)	Vacant %	Avg. Asking Rents
City of Alameda	1,668,372	307,364	18.4%	\$0.95
East Bay	55,333,626	9,973,690	18.0%	\$0.77
Historic Statistics : 1997-2011 ¹				
	New Space Added (SF)	Avg. Annual Net Absorpt. (SF)	Average Vacancy %	Avg. Asking Rents
City of Alameda	174,214	(5,854)	15.2%	\$1.21
East Bay	15,642,752	501,839	14.0%	\$0.97

Source: CoStar. Average asking rents are reported on a triple net basis per square foot per month.

¹ Historic average asking rents are for the period Q4/2006 to Q4/2011.

The flex space market in the East Bay has been impacted by the large amounts of new space built during the 1990s, the subsequent dot-com bust and more recently by the Great Recession. As a result, vacancy rates of flex space are near their 15-year high and rents are near their 15-year low. As of December 2011, flex space accounted for 20 percent of industrial inventory, but it accounted for almost a third of all vacant industrial space (approximately 10 million square feet). The sub-markets that have been impacted the most by the recent recession are the I-880 Corridor South and the I-680 Corridor South, which account for more than 55 percent of all flex space in the East Bay. As of December 2011, there were approximately 6.5 million square feet of vacant flex space at relatively low asking rental rates in these sub-areas.

¹² Flex space is usually thought of as R&D space. This space may be used in combination with office, research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. See definition in Appendix D.

The City of Alameda's flex market has been similarly negatively impacted. Vacancy of flex space in the City is on par with the East Bay as a whole, but average annual absorption of flex space has been negative between 1997 and 2011. This is an indication of the challenges of attracting flex space users to the City.

There are, however, some positive signs for the flex market in the East Bay, which could lead to improvements in the City's flex market. For example, the rapid pace of construction of flex space during the 1990s gave way to limited construction during the 2000-2010 decade. Also, very minimal new space is currently under construction. Construction of flex space in the City was particularly sluggish relative to the East Bay during 2000-2010. This has helped by not adding inventory to an already saturated market. Also, since the official end of the Great Recession, net absorption of flex space in the East Bay has been positive (anemic, but positive), including in the City.

However, even with these developments it may be five or six years before this market recovers (i.e., excess inventory is absorbed and vacancies return to long-term averages). As the EBEDA points out, while some of the vacant flex space may be absorbed by the current economic expansion of the high tech sector in the Bay Area, some space may need to be adapted for other uses. This is already happening in some of the core sub-markets in Silicon Valley. However, this will not be sufficient to significantly reduce the inventory of vacant flex space.

Implications for Alameda Point

Despite the trends discussed above, there may be opportunities for Alameda Point to capture some demand for flex space. Alameda Point is surrounded by relatively competitive flex space sub-markets in the East Bay, such as Berkeley, Emeryville, Oakland, and the I-880 Corridor North sub-market. These sub-markets have experienced relatively low vacancy rates for flex space, particularly Berkeley, Emeryville, and Oakland. Also, while the I-880 Corridor North commands some of the lowest rents in the East Bay, submarkets, such as Berkeley, Emeryville, and Oakland command some of the highest rents in the East Bay. The trends in Berkeley, Emeryville, and Oakland, where vacancy rates of flex space are low and rental rates are high relative to the East Bay as a whole, indicate that there may be an opportunity for Alameda Point to position itself to capture some of the spillover demand from those sub-markets.¹³

However, other submarkets will also be competing for this demand. For example, despite low vacancy rates, there are over one million square feet of vacant, competitively priced, flex space inventory in the I-880 Corridor North that could compete with Alameda Point. Available flex space in the I-880 Corridor North tends to have relatively better access to I-880, which puts Alameda Point at a competitive disadvantage. However, perceived safety and the attractiveness

¹³ In Task 4 of the Economic Development Strategy, KMA, Field Paoli, and CBG will explore the potential costs to retrofit/improve the existing buildings at Alameda Point to make them more competitive in the market.

of Alameda Point as a place to live could help offset potential access issues. However, Alameda Point must also compete with the I-880 Corridor South and I-680 Corridor South where there is ample inventory of vacant space offered at relatively affordable rental rates. Potential tenants unable to find suitable flex space in Berkeley, Emeryville, or Oakland could bypass Alameda Point and the I-880 Corridor North altogether and instead head further south. The I-880 Corridor South and I-680 Corridor South have the advantage of being perceived as an extension of Silicon Valley. Alameda Point is more likely to attract companies looking for flex space, for which proximity to Silicon Valley is not important.

To conclude, demand for new construction of flex space at Alameda Point is not likely to exist in the near- or mid-term, because there is ample existing inventory to be absorbed in the East Bay and also because there are locations where land may be more affordable and development easier (i.e., greenfield locations in the I-680 Corridor South and the I-880 Corridor South). There are also various locations, such as Pier 70 and Hunters Point in San Francisco, and South San Francisco, which are in the pipeline to provide new flex space once the recovery of the flex market begins in earnest. If development of new flex space at Alameda Point were to occur, in the long run, it would most likely be as part of a Class A office complex (see Section VII for an overview of the office market). The exception would be space built for an end-user or owner occupant, which may be feasible sooner, depending on interest.

In the near- and mid-term, some of the existing buildings at Alameda Point might be repositioned to attract some of the spill over demand for flex space that cannot be accommodated in the Oakland/Berkeley/Emeryville sub-markets. However, this will require investment to make the buildings suitable to tenants who have other competitively priced options elsewhere in the East Bay in submarkets such as the I-880 Corridor (north and south).

Warehousing/Manufacturing Summary

The Great Recession and long-term declines in the manufacturing, warehousing and transportation industry in the East Bay have negatively impacted the warehousing/manufacturing real estate market. Vacancy rates in the East Bay have recently improved but remain above the long term average. Recovery will take time. As of Q4 2011, there were almost 20 million square feet of warehouse/manufacturing space in the East Bay. Taking an optimistic outlook, and assuming annual absorption of 1 million square feet¹⁴, it may take over five years to lower vacancy to 14.5 million square feet, which would be the equivalent of its long term average of 6.5 percent.

¹⁴ As discussed in Section IV, net absorption of Warehousing/Manufacturing space has averaged approximately 62,000 over the past 15 years. If the two years (2001 and 2009) with the largest negative absorption are excluded, then average net absorption would have been approximately 975,000 square feet per year.

Figure 25 – Warehousing/Manufacturing Summary Statistics

Market Snapshot: Q4 2011				
	Inventory (SF)	Vacant (SF)	Vacant %	Avg. Asking Rents
City of Alameda	6,370,706	893,699	14.0%	\$0.41
East Bay	222,369,644	19,862,121	8.9%	\$0.48
Historic Statistics : 1997-2011 ¹				
	New Space Added (SF)	Avg. Annual Net Absorpt. (SF)	Average Vacancy %	Avg. Asking Rents
City of Alameda	479,248	(3,368)	10.0%	\$0.39
East Bay	21,466,475	61,526	6.5%	\$0.50

Source: CoStar. Average asking rents are reported on a triple net basis per square foot per month.

¹ Historic average asking rents are for the period Q4/2006 to Q4/2011.

Based on our review of trends, Alameda Point's competitive trade area for warehousing/manufacturing space encompasses the Oakland and I-880 Corridor North sub-markets. This market area, which accounts for more than half of all the East Bay's industrial space, has been able to maintain below average vacancy rates. However, despite experiencing relatively low vacancy rates, as of December 2011, there were more than 8.5 million square feet of vacant warehousing/manufacturing space available in these sub-markets. Also, low vacancy rates have not translated into higher rental rates, as these sub-markets command some of the lowest rental rates in the East Bay.

Our review of market trends also revealed that demand for large spaces (larger than 50,000 square feet) is relatively limited in the East Bay compared to demand for spaces smaller than 10,000 square feet. For example, less than 12 percent of tenants in the East Bay occupy spaces greater than 50,000 square feet. By comparison more than half of tenants of warehouse/industrial space in the East Bay occupy spaces smaller than 10,000 square feet. Nevertheless, the I-880 Corridor North and Oakland remain attractive areas for tenants in search of large spaces. This is mostly due to a complex network of goods movement infrastructure, which includes the Ports of Oakland (sea and air), rail, and highway linkages. There is also an ample inventory of large industrial spaces available. Therefore, these sub-areas remain particularly attractive for large-footprint, traditional manufacturers (as opposed to high tech manufacturing), wholesale traders, and warehousing and transportation companies.

Manufacturers of high tech products, such as computer devices, high-end optical systems, silicon solar panels, and specialized machinery have also been leasing large amounts of space in the East Bay. However, these types of users tend to cluster in the southern portions of the I-880 and I-680 Corridor, where proximity to Silicon Valley and the national research laboratories, and availability of relatively affordable greenfield land have led to most new warehousing/manufacturing space to be built over the past two decades.

Implications for Alameda Point

The strength of Alameda Point is in providing existing warehousing/manufacturing spaces (particularly large spaces) at affordable rates that are competitive within the Oakland and I-880 Corridor North sub-markets. Demand for large spaces within these sub-markets appears to come primarily from traditional manufacturers (as opposed to high tech manufacturing), wholesale traders, and warehousing and transportation companies. Demand for spaces smaller than 10,000 square feet also appears to be strong the East Bay, which means that some of the existing spaces at Alameda Point may be easier to market if they were segmented into smaller spaces.

Some of the larger spaces could also be repositioned to attract high tech manufacturers. However, the level of investment to make the space suitable for high tech manufacturers may be relatively high and does not guarantee that demand will materialize, as the sub-markets favored by this type of users have high amounts of vacant space. It will take time before excess inventory in those sub-markets is absorbed.¹⁵

As described above, KMA used ABAG's 2035 job growth projections for the City to estimate the amount of various types of real estate that these new jobs will require. Assuming that the vacant buildings at Alameda Point could be brought up to a standard that could also compete with other space available in Oakland and the I-880 Corridor North, Alameda Point could potentially capture demand for 1.05 million to 1.11 million square feet of warehousing/manufacturing space through 2035.

However, as discussed above, in the commercial sub-area alone, there are currently more than 1.7 million square feet of vacant space.¹⁶ The projected demand for warehousing/manufacturing would not be sufficient to occupy all of the vacant space at Alameda Point. The large size and complexity of Alameda Point dictates that multiple strategies will need to be employed to utilize the buildings at Alameda Point. These strategies will be explored in future tasks.

Lastly, demand for new construction of warehouse/manufacturing space at Alameda Point is not likely to exist because there is ample existing inventory to be absorbed in the East Bay and also because there are locations where land may be more affordable and development easier (i.e., greenfield locations in the I-680 Corridor South and the I-880 Corridor South). The exception would be space built for an end user or owner occupant.

¹⁵ In Task 4 of the Economic Development Strategy, KMA, Field Paoli, and CBG will explore the potential costs to retrofit/improve the existing buildings at Alameda Point to make them more competitive in the market.

¹⁶ This estimate includes the approximately one million square feet of industrial space that will be controlled by the Navy through 2019.

VII. OFFICE REAL ESTATE MARKET: OVERVIEW

KMA examined trends in the office real estate markets in the East Bay with the goal of better understanding the potential for office development at Alameda Point. The conclusions presented in this section are based on data presented in Appendix E, which also contains definitions of the various office classes analyzed.

Figure 26 – Office Market Summary Statistics

Market Snapshot: February 2012				
	Inventory (SF)	Vacant (SF)	Vacant %	Avg. Asking Rents
Class A				
City of Alameda	0	0	N/A	N/A
East Bay	26,050,919	2,641,979	10.1%	\$2.21
Class B				
City of Alameda	2,178,430	423,337	19.4%	\$1.64
East Bay	55,977,462	8,227,117	14.7%	\$1.80
Class C				
City of Alameda	1,823,553	224,367	12.3%	\$1.77
East Bay	28,753,448	2,172,521	7.6%	\$1.69
Historic Statistics : 1997-2011				
	New Space Added (SF)	Avg. Annual Net Absorpt. (SF)	Average Vacancy %	Avg. Asking Rents
Class A				
City of Alameda	N/A	N/A	N/A	N/A
East Bay	6,941,995	348,636	9.1%	\$2.30
Class B				
City of Alameda	721,764	38,178	16.6%	\$1.76
East Bay	12,013,549	393,257	11.7%	\$1.88
Class C				
City of Alameda	116,048	(306)	11.1%	\$1.49
East Bay	1,418,493	(22,332)	5.7%	\$1.59

Source: CoStar. Average asking rents are reported on a full service basis per square foot per month.

The East Bay's office real estate market has been battered by the impacts of the Great Recession. The recent increase in demand for office space in San Francisco, the Peninsula and Silicon Valley, which was spurred by growth in the high tech sector, has not been sufficient to significantly improve the East Bay's office market. Total office vacancy in the East Bay has declined slightly but is still well above the long term average. As of February 2012, there were approximately 13 million square feet of vacant Class A, B, and C office space in the East Bay. Assuming long-term average annual net absorption of 720,000 square feet, it would take approximately four years to reduce vacancy to its long term average of 9.5 percent.

The City has been hit particularly hard. As of February 2012, vacancy of office space in the City was approximately 16.2 percent. During 2011, net absorption of office space was negative 112,000 square feet. The City's Harbor Bay and Marina Village were underperforming relative to the overall East Bay market. As of February 2012, vacancy rates for Harbor Bay and Marina Village were approximately 17 and 27 percent, respectively.

A relatively bright spot in the East Bay's office market was Class A office space. In 2011, absorption of Class A space was the strongest (relative to Class B and C). The largest leases of space (i.e., single new leases or renewals of over 15,000 square feet) in the East Bay in 2011 took place in areas which have a robust inventory of Class A office space. Class A office space in the East Bay is primarily concentrated in three sub-markets: Downtown Oakland, Emeryville, and the I-680 Corridor. In 2011, Class A space in Berkeley, Emeryville, and Oakland experienced relatively low vacancy rates and high asking rates in the East Bay, which further highlights the demand for Class A office space in the inner East Bay.

Implications for Alameda Point

The improving outlook of the Class A office market, however, is not likely to have a positive impact on Alameda Point because the existing office space at Alameda Point is mostly Class B/C space. In 2011, Class B office space had the highest vacancy rate in the East Bay at 14.7 percent. Class C office space had the lowest vacancy rate at 7.6 percent, but net absorption of Class C space has been negative for three straight years. This appears to be a long-term trend as net absorption for Class C office space has been negative for the 1997-2011 period. The City underperforms in these two Classes. Vacancy rates for office space Class B and Class C in the City are among the highest in the East Bay. The relatively poor performance of the City's office market is partially explained by the perceived isolation due to its island location separated by bridges and tubes from the main transit and transportation network arteries. The availability of Class B and C office space in more easily accessible locations such as Emeryville, Berkeley, and Oakland impact the marketability of office space in Alameda.

To conclude, the office market in the East Bay has underperformed relative to San Francisco, the Peninsula, and Silicon Valley. It is uncertain whether Alameda Point will be positively impacted by the current high tech expansion in San Francisco and Silicon Valley in which

technology companies appear willing to pay premium for office space. Also, various developers are currently looking to build additional office space in the Peninsula in the near to medium term to capture some of the demand emanating from San Francisco and Silicon Valley. In the long term, there are also various locations, such as Mission Bay, Pier 70 (in San Francisco), Hunters Point, and South San Francisco and the Peninsula, which are in the pipeline to provide massive amounts of office space (see Appendix F for a list of opportunity sites around the Bay Area). This will impact the ability of Alameda Point to capture spill over demand from Silicon Valley and San Francisco.

However, there are signs that there may be demand for Class A office space in some parts of the inner East Bay. The Berkeley, Emeryville, Oakland sub-markets appear to be relatively healthy, compared to other parts of the East Bay, as evidenced by low vacancy and relatively high rents. In 2011 alone, 10 firms leased or extended leases for approximately 320,000 square feet in these sub-markets. Alameda Point might be able to capture some of the demand unable to find suitable space in those sub-markets.

However, Class A office space at Alameda Point would most likely have to be developed from the ground up and current rents in the East Bay do not support speculative, multi-tenant buildings. Given the increasingly limited sites for development opportunities in Berkeley and Emeryville, it is conceivable that Alameda Point could be an attractive location for an end-user looking for a development site in the area. In the near term, it may be prudent for the City to plan on how to market to this opportunity when it presents itself.

Regarding existing buildings at Alameda Point, improving the prospects of these buildings to attract office space users in the near- to medium-term will require investment to make the spaces marketable and competitive with other space currently available in the Berkeley, Emeryville, Oakland sub-markets.

Greater Bay Area Context

In addition to examining the East Bay Area office real estate, KMA reviewed trends in the greater Bay Area's office market to gain a better understanding the competitiveness of Alameda Point within the region. KMA examined three main sub-markets San Francisco, Silicon Valley (Santa Clara County), and the Peninsula (San Mateo County).

San Francisco

According to Grubb & Ellis, San Francisco is the top office market in the United States. Resurgence in the office sector in 2011 has been due almost exclusively to a booming technology industry, although other industries have also begun to recover. These factors led to the San Francisco office market to absorb 1.7 million square feet of office space in 2011. Approximately 28 percent of that space was absorbed in technology-centric South of Market

(SOMA), even though this sub-market accounts for only nine percent of San Francisco's office inventory. As a result vacancy is approximately 13.3 percent, with some areas sub-markets, such as SOMA, approaching single digit vacancy. Increased demand has also led to rent increasing by 18 to 20 percent over the year. In some sub-markets, such as SOMA and the South Financial District, Class A rents have increased as much as 29 percent and 56 percent, respectively. Nevertheless, there are approximately 8.5 million square feet of vacant space in San Francisco, and some technology companies, such as Salesforce.com, which would have typically rented in SOMA, are now considering more traditional space in Downtown.

Silicon Valley

Silicon Valley absorbed (net) a 1.9 million square feet of office space in 2011; decreasing vacancies by 230 basis points compared to year-end 2010. Much of this activity was concentrated in Palo Alto, Mountain View, and Sunnyvale sub-markets. Google and Apple increased their presence in Cupertino and Sunnyvale. Companies, such as Zynga, Omnicell, Synopsys, that could not compete for space with larger technology firms moved into space in Mountain View. Apple made headlines by announcing plans for a new 2.8 million-square-foot headquarters in Cupertino. If those plans come to fruition, it may free up existing space that is in much demand.

Despite the strong demand for office space in Palo Alto, Mountain View, Sunnyvale, and Cupertino, there were approximately 10.5 square feet of vacant office space in Silicon Valley at year-end 2011. Vacancies remain particularly high in Downtown and North San Jose, as well as Santa Clara.

The Peninsula

The Peninsula office market experienced impressive recovery in 2011 as a result of the growth in the technology industry. As available space in the core of Silicon Valley (Palo Alto, Mountain View, Sunnyvale, and Cupertino) remain scarce, technology companies tend to migrate north to the Peninsula market. Technology leaders, such as Facebook, Sony, Youtube, Zazzle, Kabam, and Perfect World Entertainment, have recently expanded their footprint in this sub-market. However, it is not just large technology companies that have increased demand. As a result of large leases by technology giants, and the cluster effect that pervades the technology sectors, demand for spaces in the 10,000 square foot range has also picked up, as start-ups and smaller companies search for space next to the leaders in their industry.

Nevertheless, at the end of 2011, there were more than 4 million square feet of vacant office space in the Peninsula market, representing a 14.9% vacancy rate.

New Construction

Given the performance of the office market in the Silicon Valley and San Francisco, it is not surprising that developers are returning to the market. Cassidy Turley is currently tracking more than one million square feet of new speculative and build-to-suit office projects in the pipeline for completion in 2012 in Silicon Valley alone. Various developers, including Hunter/Strom LLC, TMG partners, Lowe Enterprises, and Essex Property Trust, as well as Sobrato, are currently vying for new development opportunities, particularly in the Peninsula where some of the last remaining large blocks exist.

Implications for Alameda Point

As office space becomes scarcer due to the current technology boom in the Silicon Valley, the Peninsula, and San Francisco, demand for office space could eventually extend to the East Bay. However, despite all the tremendous leasing activity during the past two years in those sub-markets, leasing activity in the East Bay has remained slow, except for a few bright spots in the I-680 corridor and Berkeley/Emeryville.

If the current growth of the high tech sector were to continue, it is possible that demand for office space will spill over to Alameda Point; especially from a build-to-suit-user seeking larger well-located property. However, there are a few facts that need to be taken into account that temper how much trends in these Bay Area markets will affect East Bay locations like Alameda Point:

1. Even with the rapid pace of absorption in San Francisco and the core of Silicon Valley, there are over 23 million square feet of available office space available from Silicon Valley to San Francisco.
2. Buoyed by the tech boom, developers appear to be ready to begin adding to the existing office space inventory in the near- to mid-term, particularly in the Peninsula.
3. Planned commercial developments at Hunters Point, Pier 70, and Mission Bay could increase the supply of office space in San Francisco in the mid- to long-term.
4. There are more than 1.7 million square feet of Class A vacant space and more than 3.5 million square feet of Class B vacant space in the I-680 corridor. There are also more than 400 acres available for commercial development in the I-880 Corridor South. If, or when, demand for office in the Silicon Valley spills over to the East Bay, these submarkets are well positioned to capture a significant share.
5. It is uncertain if the current technology industry expansion can be sustained. Office rental rates in SOMA have already reached levels not seen since the Dot-Com era. There are concerns that the sector is merely reenacting yet another boom and bust cycle.

VIII. WORKSPACE DEMAND PROJECTIONS

KMA estimated demand for various types of commercial space at Alameda Point. Demand for commercial space is directly linked to employment growth. These demand estimates are based on ABAG's employment growth projections for the City of Alameda between 2010 and 2035. Employment projections for the City of Alameda are converted to building space demand at the Alameda Point as follows:

1. Employment growth estimates are segmented into type of building space that each industry is likely to occupy.
2. The projected number of new jobs is converted to square feet using "square feet per employee factors".
3. Capture rates for Alameda Point are estimated by KMA based on land availability and redevelopment opportunities in Alameda as a whole.

Figure 27 and Figure 28 show the assumptions and calculations used to convert employment growth into workspace demand. Based on these calculations, KMA projects the following:

- Office. By 2035, approximately 4,500 new jobs in the City of Alameda will require approximately 1.14 million square feet of office space Citywide. Given the limited availability of land in the City of Alameda for new development, KMA estimates that Alameda Point could capture approximately 710,000 to 800,000 square feet of office space. Using an FAR of 0.4, that translates into a demand of 41 to 46 acres of land. However, it must be noted that not all of this demand will translate into demand for new space. At least part of the demand may be for Class B or C space located in the Campus sub-area of Alameda Point. The rest would be for Class A, which would require new construction.
- Flex. By 2035, approximately 1,000 new jobs in the City of Alameda will require approximately 410,000 square feet of flex space Citywide. After accounting for current excess inventory (i.e., vacant inventory above long term average vacancy), KMA estimates that Alameda Point could capture approximately 240,000 to 260,000 square feet. Using an FAR of 0.5, that translates into a demand of 11 to 12 acres of land. Most of this demand could be absorbed within the currently vacant space in the Commercial sub-area of Alameda Point. It is also possible that some of this demand could be accommodated in new flex space built as part of a Class A office complex.
- Warehouse/Mfg. A total of approximately 2,300 new jobs likely to occupy warehouse/manufacturing space are projected by 2035 in the City of Alameda. Accommodating these new employees will require approximately 1.16 million square feet of flex space Citywide. KMA estimates that Alameda Point could capture most of the new demand (1 to 1.1 million square feet). Using an FAR of 0.3, that translates into a

demand of 80 to 85 to acres of land. Most of this demand could be accommodated within the currently vacant space in the Commercial sub-area of Alameda Point.

- **Medical Office/Institutional.** KMA estimates that approximately 2,500 new jobs in the City of Alameda in the health care industry will create demand for approximately 700 to 800 square feet of new medical office/institutional space at Alameda Point. Given that most of the existing buildings are inadequate to accommodate a modern medical center or hospital, it is unlikely that a new medical center would choose to locate in the vacant space in the Campus sub-area. This space is more likely to be built brand new. If this were the case, assuming an FAR of 0.4 would require 40 to 45 acres. If this opportunity materializes, a suitable site must be identified.
- **Other Institutional.** This category represents demand of space by governmental entities and educational related entities. According to our calculations based on ABAG's employment growth projections, over the next 25 years approximately 3,000 new jobs in the City of Alameda will require approximately 830,000 square feet of real estate space Citywide. Alameda Point could capture 660,000 to 750,000 square feet of that demand. Using an FAR of 0.4, that translates into a demand of 38 to 43 acres of land. However it must be noted that not all of this demand will translate into demand for new space. In fact, it is possible that a large portion of this demand could fill up the large amount of vacant space in the Campus sub-area.

As discussed above, there are currently more than 2.31 million square feet of vacant space at Alameda Point, not including the 1.15 million square feet controlled by the Navy which will be transferred to the City of Alameda by 2019. If as described above, we assume that some of the office demand will require construction of new Class A space and that the demand for medical-related space will also require new construction, then the remaining projected demand would not be sufficient to occupy all of the currently vacant space at Alameda Point.

Also, even if we assume that all of the office demand and all of the medical space will require new construction, and assuming FAR of 0.4, the demand for land created by these types of users would not occupy more than 60 percent of the land area for the South of Atlantic sub-area.

The sheer size of Alameda Point dictates that multiple strategies will need to be employed to grow employment and fuel demand for real estate at the point. These strategies will be explored in future tasks of this assignment.

Figure 27
Projected Workspace Demand, City of Alameda
Market Study
Alameda Point Economic Development Strategy

City of Alameda Employment Growth Projections ¹

	2010	2020	2035	Job Growth 2010-35
Mfg., Wholesale & Transportation	3,690	4,980	5,260	1,570
Retail	2,670	2,870	3,960	1,290
Financial & Prof. Service	6,050	6,900	9,380	3,330
Health, Ed. & Rec. Service	9,400	11,540	14,420	5,020
Other ²	5,160	6,560	9,710	4,550
Total	26,970	32,850	42,730	15,760

Job Growth Allocation by Type of Building Space ³

	Office	Flex	Warehouse/ Mfg.	Retail	Medical Office/ Institutional	Other Institutional ⁴	Other Workspace ⁵
Mfg., Wholesale & Transportation	5%	15%	75%	0%	0%	0%	5%
Retail	10%	0%	10%	80%	0%	0%	0%
Financial & Prof. Service	80%	10%	0%	0%	0%	0%	10%
Health, Ed. & Rec. Service	20%	0%	10%	0%	50%	15%	5%
Other	15%	10%	10%	0%	0%	50%	15%

New Jobs 2010-35, Allocated by Building Type

	Office	Flex	Warehouse/ Mfg.	Retail	Medical Office/ Institutional	Other Institutional	Other Workspace
Mfg., Wholesale & Transportation	79	236	1,178	0	0	0	79
Retail	129	0	129	1,032	0	0	0
Financial & Prof. Service	2,664	333	0	0	0	0	333
Health, Ed. & Rec. Service	1,004	0	502	0	2,510	753	251
Other	683	455	455	0	0	2,275	683
	4,558	1,024	2,264	1,032	2,510	3,028	1,345

Jobs to Square Feet Conversion Factors

	Office	Flex	Warehouse/ Mfg.	Medical Office/ Institutional	Other Institutional
SF/Employee:	250	400	700	350	275

City of Alameda New Building Space Demand (Square Feet)

	Office	Flex	Warehouse/ Mfg.	Medical Office/ Institutional	Other Institutional
Mfg., Wholesale & Transportation	19,625	94,200	824,250	0	0
Retail	32,250	0	90,300	0	0
Financial & Prof. Service	666,000	133,200	0	0	0
Health, Ed. & Rec. Service	251,000	0	351,400	878,500	207,075
Other	170,625	182,000	318,500	0	625,625
	1,139,750	409,800	1,585,150	832,975	0

Sources:

¹ ABAG Projections 2009. Excludes Agricultural and Natural Resources.

² Includes Information, Construction, and Public Administration.

³ KMA.

⁴ Government and educational related uses.

⁵ Allocation for people who do not require workspace, such as some construction workers and people who work from home.

Figure 28
Projected Workspace/Land Demand, Alameda Point
Market Study
Alameda Point Economic Development Strategy

City of Alameda New Building Space Demand (Square Feet)¹

	Office	Flex	Warehouse/ Mfg.	Medical Office/ Institutional
Projected demand	1,139,750	409,800	1,585,150	832,975
<Less> excess current Alameda vacancy ³	247,506	140,527	415,896	
Demand for new space (rounded) ⁴	890,000	270,000	1,170,000	830,000

Alameda Point Capture Rates⁵

	Office	Flex	Warehouse/ Mfg.	Medical Office/ Institutional
Low	0.80	0.90	0.90	0.80
High	0.90	0.95	0.95	0.90

Alameda Point Building Space Demand (Rounded)⁴

	Office	Flex	Warehouse/ Mfg.	Medical Office/ Institutional
Low	710,000	240,000	1,050,000	660,000
High	800,000	260,000	1,110,000	750,000

Conversion to Land Demand

	Office	Flex	Warehouse/ Mfg.	Medical Office/ Institutional
Floor Area Ratio (FAR) ⁵	0.4	0.5	0.3	0.4
Square Feet				
Low	1,775,000	480,000	3,500,000	1,650,000
High	2,000,000	520,000	3,700,000	1,875,000
Acres				
Low	41	11	80	38
High	46	12	85	43

¹ See Table X.

² Government and educational related uses.

³ Net absorption needed to reduce current vacancy to long term average.

⁴ Rounded to nearest 10,000th.

⁵ KMA.

APPENDIX A: DESCRIPTION OF EMPLOYMENT DATA SOURCES

Keyser Marston Associates relied on three primary sources of employment data for the market study. Because all three sources were estimated at different periods in time and because they all use different assumptions to estimate employment, all of them arrive at slightly different estimates (although there are generally no significant discrepancies at the aggregate level.)

1. California Employment Development Department
 - a. Employment Estimates (Monthly and Annual), 1990-2011
 - b. Projections of Employment by Industry 2008-2018

EDD data are used to examine trends by industry at the regional level. The EDD employment estimates are the official employment estimates and are therefore the preferred source for estimating the total number of jobs across time and across industries. The most recent year for which EDD has published annual data is 2010. Data for 2011 will be published in mid- to late-March.

EDD's smallest regional of analysis is the County, therefore comparisons across cities is not possible. As described below, ABAG estimates are used to make comparisons across cities.

KMA also used EDD employment growth projections by industry from 2008-2018 in our analysis. While ABAG provides growth projections by industry it does not provide a sufficient level of disaggregating by industry (only 5 broad industry categories are provided.) For this reason, the EDD projections are used. New ten-year projections will be available in mid- to late-March.

2. Association of Bay Area Governments (ABAG), 2009 Projections

KMA used data from ABAG to estimate the breakdown of employment by city and sub-markets in the East Bay. Since these projections are over two-years old, the estimates for 2010 do not match exactly with the EDD 2010 employment estimates. Nevertheless, the data provide the best information available on the relative patterns of job growth across jurisdictions. It also provides the best data available for long-term projections.

3. Claritas Workplace and Employment Summary 2011

This is one of the few data sources that provides employment by industry at the City level. KMA used this data to estimate the breakdown of employment by industry in the City of Alameda.

APPENDIX B: ALAMEDA POINT BUSINESS CLUSTERS DEFINITIONS

The following are descriptions of the business clusters used to categorize businesses based on in Alameda Point. Most of these clusters mirror to the North American Industrial Classification Systems (NAICS) codes. However, there are some clusters, such as Business Related Storage, Marine Related Services, and Other Services, which do not match specific NAICS codes.

1. *Arts, Entertainment, and Recreation.* This cluster consists of establishments that operate facilities or provide services for the cultural, entertainment, and recreational interests of their customers. Includes establishments involved in producing, promoting events, or exhibits intended for public viewing; establishments that preserve and exhibit objects and sites of historical, cultural, or educational interest; and establishments that operate facilities or provide services that enable patrons to participate in recreational activities, amusements, hobbies, and leisure time activities.
2. *Business Related Storage.* This is not an industry cluster but rather a cluster of businesses across various industries using their space at Alameda Point primarily for storage purposes. For example, Chabot Space & Science Center and the Pacific Pinball Museum would have been included in the Arts, Entertainment, and Recreation cluster but they use their space at Alameda Point to store museum pieces. Architectural Glass & Aluminum and JK Communications & Construction would have been included in the Construction cluster, but they use their facilities at Alameda Point for storage and lay down area for materials, and parking of company vehicles.

The companies in this cluster differ from the Transportation and Warehousing, the Wholesale Trade, and the Public Storage clusters, in that those clusters use their facilities as a productive asset. Business Related Storage businesses use their space at Alameda Point as a passive asset.

3. *Civic & Nonprofit.* Businesses in this cluster include government-related entities, such as fire department, and the department of public works, as well as nonprofit organizations.
4. *Construction.* This cluster includes businesses primarily engaged in the construction of buildings or engineering projects. Construction work done may include new work, additions, alterations, or maintenance and repairs.
5. *Film/Event Production.* This cluster includes two types of businesses:
 - a. Film and video production, which comprises establishments primarily engaged in producing, or producing and distributing motion pictures, videos, television programs, or television commercials.

- b. Event production companies, which are primarily engaged in organizing, promoting, and/or managing live performing arts productions, concerts, festivals, sports events, and similar events in facilities that are managed and operated by others.
6. *Specialty Food & Beverages*. Establishments in this cluster have special equipment (e.g., freezers, refrigerated display cases, refrigerators) for the production and display of food and beverage goods. They have staff trained in the processing of food products to guarantee the proper storage and sanitary conditions required by regulatory authority.
7. *Manufacturing and Repair*. This cluster includes businesses engaged in the mechanical, physical, or chemical transformation of materials, substances or components into new products or the repair of products. This industry can be further segmented into two sub-sectors:
 - a. *Midsize Manufacturing/Repair*. Midsized manufacturing/repair businesses are defined as manufacturing businesses occupying between 5,000 and 100,000 square feet of space.
 - b. *Light Manufacturing/Repair*. Businesses in this cluster are engaged in small scale/artisan manufacturing and repair ranging from high-end, custom made furniture makers and designers to kayak fabricators.
8. *Marine-Related Industry Cluster*. Business in this cluster range from ship building and repair to maritime infrastructure construction.
9. *Professional, Scientific, and Technical Services (High-Tech) Cluster*. This cluster includes establishments that specialize in performing professional, scientific, and technical activities, which require a high degree of expertise and training.
10. *Transportation and Warehousing*. This cluster includes industries providing transportation of cargo, warehousing and storage for goods, and support activities related to transportation. Business in this cluster use transportation equipment and/or warehousing facilities as a productive asset.
11. *Public Storage*. This cluster comprises establishments primarily engaged in renting or leasing space for self- storage. These establishments provide secure space (i.e., rooms, compartments, lockers, containers, or outdoor space) where clients can store and retrieve their goods. It differs from Business related storage in that their services are open to the general public.
12. *Wholesale Trade*. This cluster includes establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.

APPENDIX C: ANALYSIS OF ALAMEDA POINT'S LEASING INQUIRY/TOUR LOG

KMA reviewed the Leasing Inquiry/Tour Log maintained by PMRG to identify the types of businesses that have expressed interest in locating in Alameda Point. The log contains information about companies and individuals inquiring about space available at Alameda Point. KMA examined data between July and December 2011. Figure Appendix C-1 summarizes our findings.

According to the log, the buildings most frequently toured or receiving the most inquiries are:

1. Building 117 (8 inquiries/tours). Delphi Productions currently occupies 38,600 square feet in Suite 100. Suites 200 and 300 are vacant and approximately 30,000 square feet each.
2. Building 41 (7 inquiries/tours). Two suites of approximately 60,000 square feet each, or 120,000 square feet. City had received proposal for an aquatic facility.
3. Building 12 (4 inquiries/tours). Approximately 110,000 square feet.
4. Building 517 (4 inquiries/tours). Consists of approximately 8,000 square feet. May also have a large fence yard.

The types of space wanted by businesses interested (measured by number of inquiries tours) in locating in Alameda Point are:

1. Light manufacturing/repair. This consists of carpentry shops, furniture restoration, auto repair or restoration, welding, etc. These are businesses looking for spaces under 5,000; typically 1,000-3,000 square feet.
2. Warehouse/storage. This can be further segmented into:
 - a. Small users: less than 5,000 square feet.
 - b. Medium to large size users. There is some interest by people looking for parking for trucks or containers and some non-identified warehousing.
3. Sports/entertainment space. Almost 15 percent of the inquiries are in this category. Businesses include mini-golf, ice hockey, indoor skate parks, indoor bike parks, etc.
4. Marine space. This consisted of a combination of small (garage size) spaces for boat repair and berth/dock access with size not specified.

Types of businesses looking for larger spaces:

1. Sports/entertainment space. Almost 17 percent of the inquiries are in this category. Businesses include mini-golf, ice hockey, indoor skate parks, indoor bike parks, etc.
2. Warehouse storage, especially parking for trucks and containers.
3. Breweries and spirits.

Types of businesses looking for smaller spaces:

1. Light manufacturing and repair, such as auto-related, woodworking, welding, etc. These are businesses looking for spaces under 5,000; typically 1,000-3,000 square feet.
2. There is also some interest in small office spaces and small spaces mixing warehouse and office.

Figure Appendix C -1
 Alameda Point Leasing Inquiry Analysis, July - December 2011
 Market Study
 Alameda Point Economic Development Strategy

WORKING DRAFT

Use Type	Total Inquiries ¹	Type of Space ²	Inquiries by Building																	No Bldg. Identified		
			Rec Center	Bldg. 1	Bldg. 2	Bldg. 3	Bldg. 7	Bldg. 12	Bldg. 18	Bldg. 22	Bldg. 41	Bldg. 94	Bldg. 117	Bldg. 119	Bldg. 168	Bldg. 517	Bldg. 527	Bldg. 530	Bldg. 585			
Warehouse/Storage																						
E Waste Collection	1	Large																				1
Parking for trucks or containers	3	Large																				2
Construction	1	Unknown																				1
General warehouse/storage	3	Large																				1
Small warehouse (Less than 5,000sf)	5	Small																				5
	13																					
Food/Beverages																						
Beer/Spirits	4	Large/Small																				1
Catering	1	Small																				1
	5																					
Light Mfg./Repair																						
Woodworking	4	Small																				2
Bikes	1	Small																				1
Auto repair/Restoration	6	Small																				6
Welding	1	Small																				1
	12																					
Marine Users	6	Unknown		1																		6
Sports/Entertainment																						
Mini-Golf	1	Large																				1
Ice Hockey/Ice Skating	1	Large																				1
Volleyball League	1	Large																				1
Indoor Skate Park	1	Large																				1
Trampoline ³	2	Large																				2
Pinball Museum	1	Large	1			1																
Swimming Schools	1	Large																				1
Soccer Fields	1	Large																				1
Indoor Soccer	1	Large																				1
Indoor Bike Park	1	Large																				1
Paintball	1	Large																				1
	12																					
Small Office/Warehouse	2	Small																				2
Retail																						
Motorcycle Sales	1	Large																				1
Thrift Shop	1	Unknown																				1
	2																					
Office																						
Body Massage/Spa	1	Small																				1
General office	4	Small			1																	2
	5																					
Other																						
Living Shelters	1	Unknown																				1
Audio Video Production	1	Unknown																				1
Church /School	3	Small																				1
	5																					
Not Stated	9		1	1	1	1	1	3	1	2	4	1	1	1	1	1	1	1	0			43
TOTAL	71		2	2	2	2	1	4	1	2	7	2	7	1	1	4	1	1	0			43

Source: PM Realty Leasing Inquiry List.

¹ Excludes inquiries by existing tenants and duplicate inquiries. Some inquiries request tours of more than 1 buildings. In such instances each inquiry is counted only once, but the inquiry by building counts all the buildings visited or inquired about.

² Small = less than 5,000sf. Large = larger than 5,000sf. Category based on information in list provided by PM Realty or KMA assumption.

³ It is unclear if the two inquiries are related.

⁴ It is unclear if two Church related inquiries are related.

APPENDIX D: INDUSTRIAL REAL ESTATE OVERVIEW SUPPORTING TABLES

This appendix presents the data and main observations about the East Bay's industrial real estate market. The analysis is segmented into Flex Space and Warehousing/Manufacturing space. Section VI of the report summarizes, in narrative form, the main points of this analysis, as well as the implications for Alameda Point.

Flex space is usually thought of as R&D space. Flex space is usually built alongside manufacturing facilities and buildings sometimes overlap. CoStar defines Flex space as follows:

"A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off."¹⁷

For ease of labeling, the "Warehouse/Manufacturing" category is labeled as "Warehouse" or "Warehousing Space" although it combines various industrial uses including manufacturing.

Inventory

East Bay

1. There are approximately 278 million square feet of industrial space in the East Bay (See Figure D-1). Approximately 20 percent of that is flex space and the rest is warehouse space. Approximately 38 percent of the building inventory is multi-tenant buildings and 62 percent is single-tenant occupancy (see Figure D-2).
2. Construction of new industrial space in the East Bay has been very limited since the Dot-Com Bust. Approximately 2.5 million square feet per year of new industrial space were built between 1997 and 2011 for a total of 37 million square feet (60 percent warehouse and 40 percent flex). However, since 2007, less than 1 million square feet of new industrial space per year have been built. In 2011, only 150,000 square feet of new industrial space were built (see Figure D-1)
3. The economic downturn has led to approximately 10.9 million square feet of negative net absorption¹⁸ of industrial space since the end of 2008. This has led to above average vacancy rates as described below. Between 1997 and 2011, net absorption has been

¹⁷ The CoStar Industrial Report: East Bay/Oakland Industrial Market - Year-end 2011.

¹⁸ Net absorption is The rate at which rentable space is filled (indicated by a positive rate) or vacated (indicated by a negative rate). It is equal to the amount occupied at the end of a period minus the amount occupied at the beginning of a period and takes into consideration space vacated during the period.

approximately half-a-million square feet per year. Flex space absorption accounts for approximately 90 percent of that amount (See Figure D-1)

City of Alameda

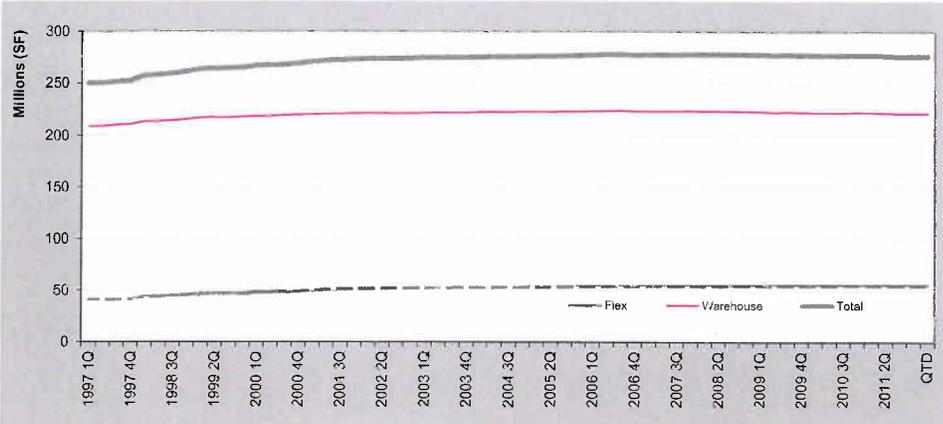
1. The City of Alameda has approximately 8 million square feet of industrial space. It accounts for approximately 2.9 percent of the East Bay's industrial space. Approximately 20 percent of the industrial space in Alameda is flex space (see Figure D-3).
2. Construction of new industrial space in the City of Alameda has lagged behind the rest of the county. For example, between 1997 and 2011, approximately 37 million square feet of new industrial space were built in Alameda County. That is approximately 15 percent of the total industrial inventory in Q1 1997 (See Figure D-1). By comparison, only 650,000 square feet of industrial space were built in the City of Alameda during the same period (See Figure D-3). That is nine percent of the City's total industrial inventory in Q1 1997.

Construction of flex space in the City, in particular, has lagged behind the rest of the Alameda County. Between 1997 and 2011, approximately 15.6 million square feet of flex space were built in Alameda County; a 38 percent increase over the Q1 1997 inventory (See Figure D-1). By comparison, Alameda added 174,000 square feet of new flex space; a 12 percent increase over the Q1 1997 inventory (See Figure D-3).

3. Despite experiencing some positive net absorption between 2006 and 2008, net industrial absorption in the City of Alameda has been negative over the 15 year period between 1997 and 2011. Net absorption has averaged negative 9,000 square feet per year (see Figure D-3).

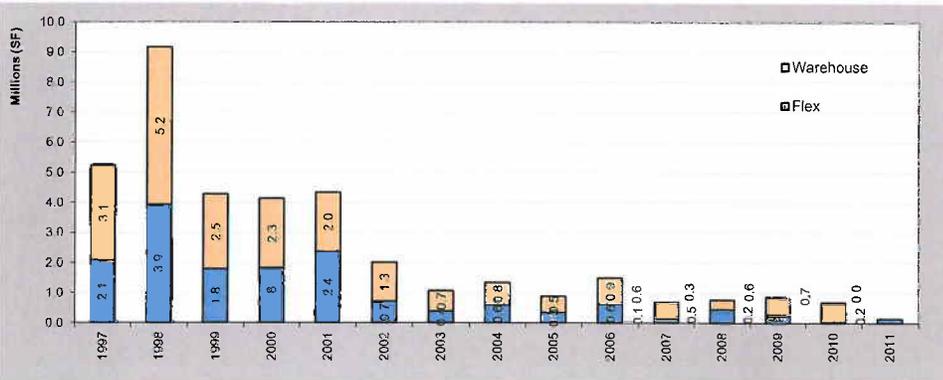
Figure D-1
East Bay Historical Industrial Real Estate Market Trends
Market Study
Alameda Point Economic Development Strategy

Inventory tracked by CoStar (Square Feet)



	Industrial Inventory		Growth in Inventory		
	1997 1Q	2011 4Q	Total SF	Avg. Annual (SF)	% Annual
Flex	41,303,642	55,333,626	14,029,984	935,332	2.0%
Warehouse	208,939,899	222,369,644	13,429,745	895,316	0.4%
Total	250,243,541	277,703,270	27,459,729	1,830,649	0.7%

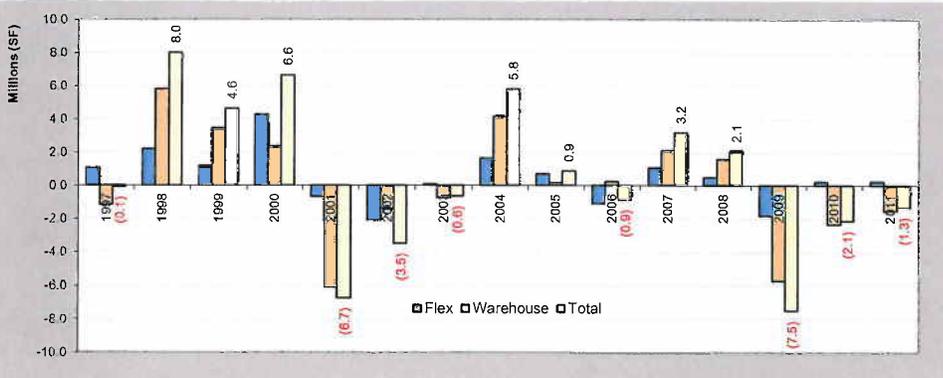
Annual Historical Deliveries¹



	New Space Added (SF)	
	Total	Avg. Annual
Flex	15,642,752	1,042,850
Warehouse	21,466,475	1,431,098
Total	37,109,227	2,473,948

38%
10%
15%

Annual Net Absorption

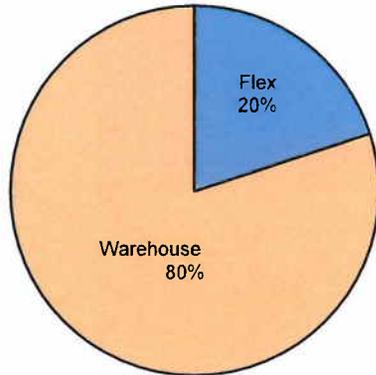


	Net Absorption (SF)	
	Total	Avg. Annual
Flex	7,527,592	501,839
Warehouse	922,896	61,526
Total	8,450,488	563,366

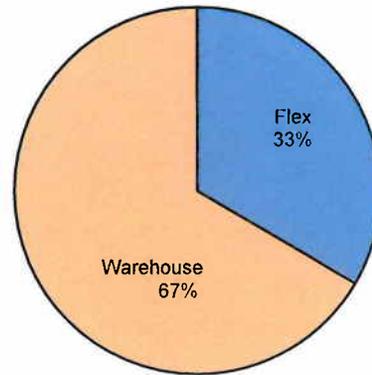
Source: CoStar Property
¹ Deliveries indicate new space completed.

Figure D-2
East Bay's Industrial Real Estate Market Snapshot - Fourth Quarter 2011
Market Study
Alameda Point Economic Development Strategy

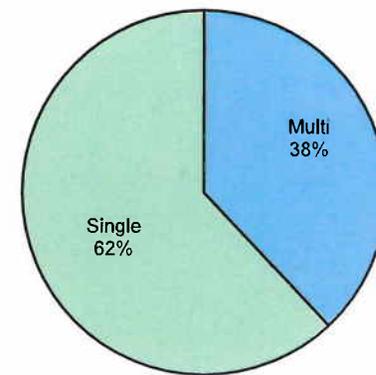
Existing Inventory by Building Type



Vacancy by Building Type



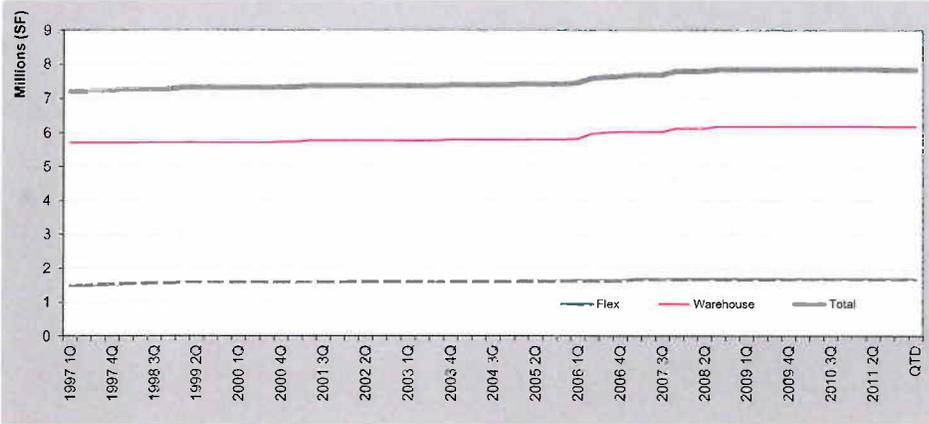
Existing Inventory by Tenancy Type



Source: CoStar Property

Figure D-3
City of Alameda Historical Industrial Real Estate Market Trends
Market Study
Alameda Point Economic Development Strategy

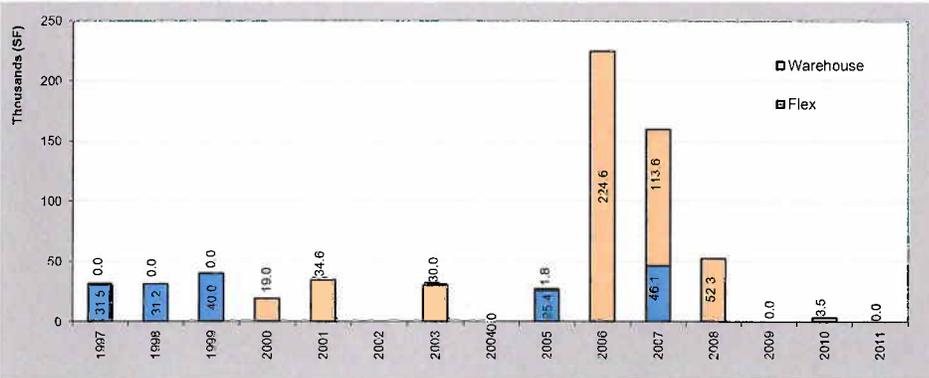
Inventory tracked by CoStar (Square Feet)



Industrial Inventory		
	1997 1Q	2011 4Q
Flex	1,494,158	1,668,372
Warehouse	5,708,785	6,370,706
Total	7,202,943	8,039,078

Growth in Inventory		
Total	Annual	% Annual
174,214	11,614	0.7%
661,921	44,128	0.7%
836,135	55,742	0.7%

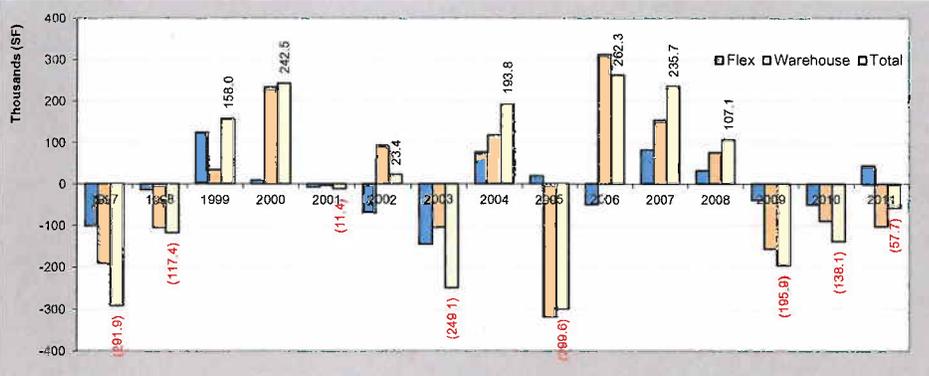
Annual Historical Deliveries¹



New Space Added (SF)		
1997-2011		
	Total	Avg. Annual
Flex	174,214	11,614
Warehouse	479,248	31,950
Total	653,462	43,564

12%
8%
9%

Annual Net Absorption (Square Feet)



Net Absorption (SF)		
1997-2011		
	Total	Avg. Annual
Flex	(87,812)	(5,854)
Warehouse	(50,517)	(3,368)
Total	(138,329)	(9,222)

Geographic Distribution of Industrial Space

Industrial uses in the East Bay are concentrated primarily along the Oakland/I-80/I-880 Corridor (the Inner East Bay) from Richmond to Fremont. This sub-market accounts for more than 75 percent of all industrial space in the East Bay. There are, however, a few nuances, which must be discussed:

1. Flex Space is primarily concentrated in the I-880 Corridor South (39 percent of all flex space) and I-680 Corridor South (17 percent of all flex space). See Figure D-4. These are also the areas where most of the new flex space has been built over the last two decades. Growth has been spurred by proximity to Silicon Valley and research institutions (Lawrence Livermore National Laboratory and Sandia National Labs).

The current market for flex space is weak due to the exuberant pace of construction that occurred in the 1980s and 1990s; coupled with the recent economic downturn. However, some flex space will be absorbed by the current expansion of the high tech sector. Areas such as Berkeley, Emeryville, Pleasanton, and Newark, for example, experienced significant positive net absorption in 2011 (see Figure D-6).

2. Warehousing space is concentrated in the I-880 corridor. Hayward/Castro Valley and San Leandro account for approximately one-third (31 percent) of all warehousing space in the East Bay (see Figure D-6). However, an analysis by the East Bay Economic Development Alliance points out that most of the warehousing space built recently is located in Southern Alameda County (I-880 South) and the Tri-Valley Area (I-680 South) where land is abundant/ affordable and there is good access to freeways.
3. Data are not available to separate Manufacturing space. This space is included in the Warehousing category in our analysis. However, the East Bay Economic Development Alliance point out that that traditional manufacturing is concentrated in Northern and Central Alameda (I-880 Corridor North).

New manufacturing space is built mostly in greenfield locations in South Alameda County (I-880 Corridor South) and to a lesser extent in the Tri-Valley region (I-680 South). This is mostly due to proximity to Silicon Valley and good access to growing skilled workforce in the outer Bay Area.

Since new manufacturing construction occurs in greenfield areas, many older manufacturing buildings in the inner East Bay have aged and the available infrastructure has degraded. These areas require extensive upgrades in order to attract new users.

Figure D-4
Industrial Real Estate Market Snapshot - Fourth Quarter 2011
Market Study
Alameda Point Economic Development Strategy

Flex Market Statistics

<u>Sub-Market</u>	<u># Bldgs</u>	<u>Existing Inventory</u>		<u>Vacancy</u>		<u>YTD Net</u>	<u>YTD</u>	<u>Under</u>
		<u>Total RBA</u>	<u>% of Total</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Absorption</u>	<u>Deliveries</u>	<u>Const SF</u>
City of Alameda	43	1,668,372	3.02%	307,364	18.40%	44,381	0	0
680 Corridor North	76	2,381,588	4.30%	475,655	20.00%	(100,732)	0	0
680 Corridor South	274	9,141,025	16.52%	1,312,125	14.40%	143,961	0	0
80 Corridor	215	7,526,520	13.60%	1,001,926	13.30%	148,022	150,000	89,678
880 Corridor North	252	8,754,720	15.82%	1,031,385	11.78%	64,843	0	5200
880 Corridor South	437	21,646,131	39.12%	5,207,228	24.06%	111,199	0	0
Highway 4	99	1,672,310	3.02%	430,581	25.70%	(53,125)	0	0
Oakland	122	2,542,960	4.60%	207,426	8.20%	(17,538)	0	0
Totals	1,518	55,333,626	100.00%	9,973,690	18.02%	341,011	150,000	94,878

Warehouse Market

<u>Sub-Market</u>	<u># Bldgs</u>	<u>Existing Inventory</u>		<u>Vacancy</u>		<u>YTD Net</u>	<u>YTD</u>	<u>Under</u>
		<u>Total RBA</u>	<u>% of Total</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Absorption</u>	<u>Deliveries</u>	<u>Const SF</u>
City of Alameda	125	6,370,706	2.86%	893,699	14.00%	(88,678)	0	0
680 Corridor North	334	5,950,253	2.68%	599,846	10.10%	(96,244)	0	0
680 Corridor South	553	17,818,607	8.01%	2,358,829	13.20%	(99,772)	0	0
80 Corridor	964	25,103,824	11.29%	2,353,347	9.40%	(47,267)	0	39,067
880 Corridor North	1,813	68,973,490	31.02%	5,574,007	8.08%	510,235	0	0
880 Corridor South	902	43,717,752	19.66%	4,622,039	10.57%	(1,351,861)	0	0
Highway 4	533	15,954,761	7.17%	1,400,695	8.80%	(148,198)	0	0
Oakland	1,527	38,480,251	17.30%	2,059,659	5.40%	544,508	0	0
Totals	6,751	222,369,644	100.00%	19,862,121	8.93%	(777,277)	0	39,067

Total Industrial

<u>Sub-Market</u>	<u># Bldgs</u>	<u>Existing Inventory</u>		<u>Vacancy</u>		<u>YTD Net</u>	<u>YTD</u>	<u>Under</u>
		<u>Total RBA</u>	<u>% of Total</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Absorption</u>	<u>Deliveries</u>	<u>Const SF</u>
City of Alameda	168	8,039,078	2.89%	1,201,063	14.90%	(44,297)	0	0
680 Corridor North	410	8,331,841	3.00%	1,075,501	12.90%	(196,976)	0	0
680 Corridor South	827	26,959,632	9.71%	3,670,954	13.60%	44,189	0	0
80 Corridor	1,179	32,630,344	11.75%	3,355,273	10.30%	100,755	150,000	128,745
880 Corridor North	2,065	77,728,210	27.99%	6,605,392	8.50%	575,078	0	5200
880 Corridor South	1,339	65,363,883	23.54%	9,829,267	15.04%	(1,240,662)	0	0
Highway 4	632	17,627,071	6.35%	1,831,276	10.40%	(201,323)	0	0
Oakland	1,649	41,023,211	14.77%	2,267,085	5.50%	526,970	0	0
Totals	8,269	277,703,270	100.00%	29,835,811	10.74%	(436,266)	150,000	133,945

Source: CoStar Property

Notes: The City of Alameda is normally tracked by most brokers as a subset of the I-880 Corridor North. Our analysis shows the City separately to better understand the trends affecting Alameda Point.

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Appendix D - Industrial RE Analysis Tables; D-4-Submarket Summary; 4/23/2012

Vacancy Rates

East Bay

1. Total industrial vacancy in the East Bay is improving, but is still well above the long term average. At the end of 2011, there were approximately 30 million square feet of vacant space in the East Bay. The high vacancy rate is largely driven by flex space, which accounts for almost a third of the vacant space. Industrial vacancy peaked at approximately 11.6 percent during the 3rd quarter of 2010. Vacancy declined to 10.7 percent during the 4th quarter of 2011. The long-term (1997-2011) average industrial vacancy in the East Bay was 7.9 percent. Reducing the vacancy from its current 10.7 percent to the long term average of 7.9 percent would require the absorption of approximately 8 million square feet of industrial space (see Figure D-5).
2. Flex space vacancy rate (18.2 percent) is more than twice the vacancy rate for warehouse space (See Figure D-5). There were approximately 10 million square feet vacant of flex space in the East Bay at year's end. Approximately two-thirds of the vacant space was available in the I-880 corridor.

Assuming the long-term (15-year) average net absorption for flex space of 500,000 square feet per year is achieved (See Figure D-1 for historic absorption rate), it would take approximately 5 years to reduce flex space vacancy to its long term vacancy rate of 14 percent.¹⁹

3. There are currently approximately 20 million square feet of vacant warehouse space (see Figure D-5). Warehouse vacancy rate (8.9 percent) is above its 15-year average (6.5 percent). Warehouse vacancy peaked at 9.9 percent during the third quarter of 2010.

Average net absorption for warehouse space over the past 15 years has averaged a dismal 62,000 square feet per year (See Figure D-1). This average is severely impacted by the years of the Dot-Com Bust and the Great Recession in which net absorption averaged negative 7 million. Assuming long-term (15-year) average net absorption of 975,000, which excludes the years with the highest negative absorption (2001 and 2009), it would take approximately 6 years to reduce vacancy to its long term vacancy rate of 6.5 percent.²⁰

¹⁹ There are currently approximately 10 million square feet of vacant flex space, resulting in an 18 percent vacancy rate. Reducing vacancy to its long term average of 14 percent, would require the absorption of approximately 2.25 million square feet of space.

²⁰ There are currently approximately 20 million square feet of vacant space or approximately 8.9 percent. Reducing vacancy to its long term average of 6.5 percent, would require the absorption of approximately 5.4 million square feet of space.

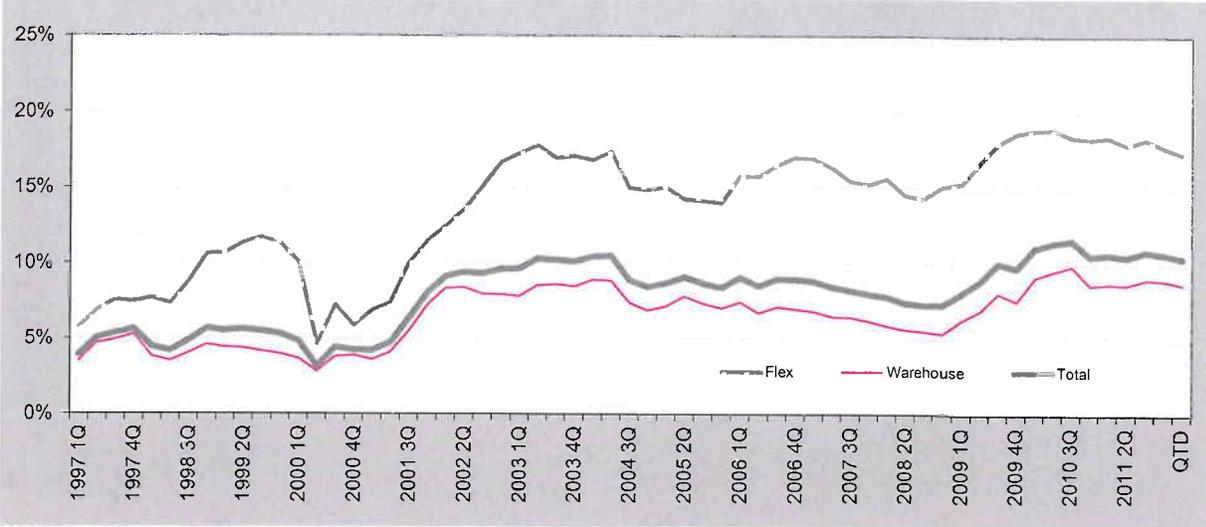
City of Alameda

Industrial vacancy in the City of Alameda is 14.9 percent, which is high relative to the rest of the East Bay (10.74 percent). Only Fremont (15.11 percent), Newark (18.8 percent) and Livermore (15.10 percent) have higher vacancy rates. Other cities with significant inventory of industrial spaces, such as Hayward (51 million square feet), San Leandro (27 million square feet) and Oakland (41 million square feet) have significantly lower vacancy rates; 9.8, 5.9, and 5.5 percent vacancy rates, respectively (see Figure D-6).

1. Flex vacancy rate for the City of Alameda (18.4 percent) is only slightly above the East Bay average (18 percent). Berkeley (5.7 percent), Emeryville (8.3 percent), and Oakland (8.2 percent) have the lowest vacancy rates among cities with large inventory of flex space. Other cities with large inventory and below average vacancy rates are Dublin (11 percent) and San Leandro (10.5 percent). See Figure D-7.
2. Warehouse vacancy rate for the City of Alameda (14 percent) is significantly higher than the rest of the East Bay (8.9 percent). The inner East Bay remains a desirable location. Oakland (5.4 percent), Emeryville (2.9 percent), San Leandro (5.6) and, to a lesser extent Hayward (9.5 percent), and have very low vacancy rates. The highest vacancy rates are in Livermore (15.1 percent), Fremont (12.1 percent), Richmond/San Pablo (11.4 percent), and Pleasanton (11.3 percent). See Figure D-8.

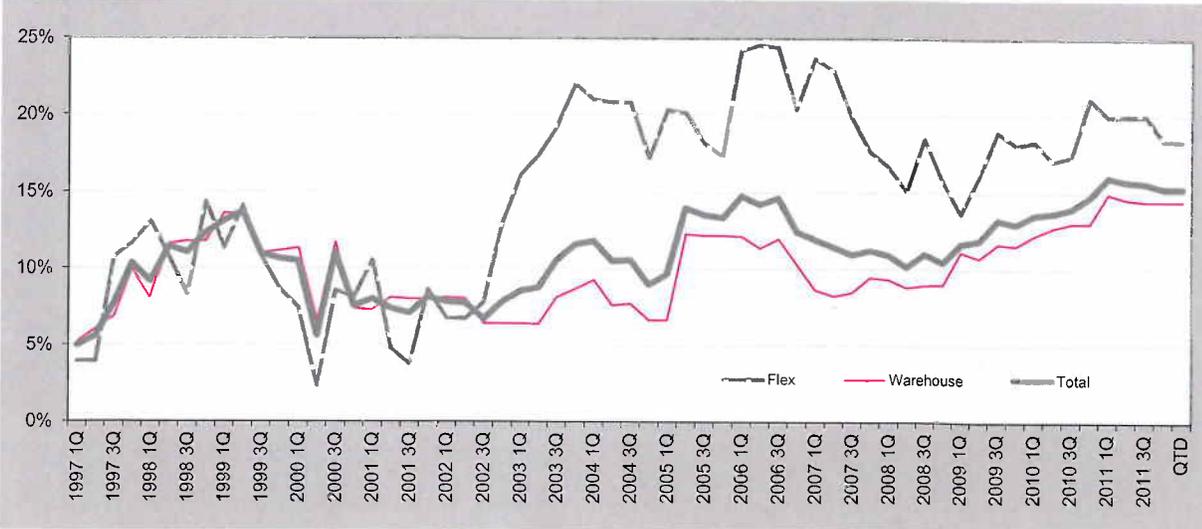
Figure D-5
Historical Vacancy Trends by Building Type
Market Study
Alameda Point Economic Development Strategy

East Bay



	Inventory	Vacant Space		Average Vacancy 1997-2011
		SF	%	
Flex	55,333,626	9,973,690	18.0%	14.0%
Warehouse	222,369,644	19,862,121	8.9%	6.5%
Total	277,703,270	29,835,811	10.7%	7.9%

City of Alameda



	Inventory	Vacant Space		Average Vacancy 1997-2011
		SF	%	
Flex	1,668,372	307,364	18.4%	15.2%
Warehouse	6,370,706	893,699	14.0%	10.0%
Total	8,039,078	1,201,063	14.9%	11.1%

Source: CoStar Property

Figure D-6
Total Industrial Real Estate Market By City - Fourth Quarter 2011
Market Study
Alameda Point Economic Development Strategy

Sub-Market	Existing Inventory			Vacancy		YTD Net	YTD	Under
	# Bldgs	Total RBA	% of Total	Total SF	Vac %	Absorption	Deliveries	Const SF
Alameda	168	8,039,078	2.89%	1,201,063	14.90%	(44,297)	0	0
Albany/Kensington	11	251,325	0.09%	3,446	1.40%	(1,446)	0	0
Antioch/Pittsburg	351	11,752,776	4.23%	1,204,826	10.30%	(101,681)	0	0
Berkeley	426	8,291,464	2.99%	870,785	10.50%	199,765	0	0
Bishop Ranch	5	490,819	0.18%	49,000	10.00%	(19,862)	0	0
Brentwood	30	448,020	0.16%	47,252	10.50%	2,521	0	0
Concord	342	6,840,201	2.46%	982,998	14.40%	(149,020)	0	0
Danville/Alamo	11	164,843	0.06%	1,500	0.90%	1,000	0	0
Dublin	72	2,474,450	0.89%	241,612	9.80%	62,099	0	0
El Cerrito	8	36,095	0.01%	0	0.00%	9,830	0	0
Emeryville	177	5,908,484	2.13%	267,499	4.50%	79,995	150,000	89,678
Fremont	952	42,958,420	15.47%	6,489,299	15.11%	(1,355,565)	0	0
Hacienda Business Park	41	2,019,525	0.73%	149,319	7.40%	21,908	0	0
Hayward/Castro Valley	1,326	51,108,849	18.40%	5,025,721	9.83%	274,837	0	5,200
Lafayette/Moraga/Orinda	8	65,455	0.02%	0	0.00%	0	0	0
Livermore	496	17,164,566	6.18%	2,595,616	15.10%	(29,130)	0	0
Martinez/Pacheco	251	5,426,275	1.95%	579,198	10.70%	(102,163)	0	0
Newark	227	13,434,026	4.84%	2,527,733	18.80%	481,945	0	0
Oakland-Airport	375	11,515,651	4.15%	611,399	5.30%	212,988	0	0
Oakland-Downtown	42	438,782	0.16%	17,250	3.90%	(655)	0	0
Oakland-North	149	1,775,188	0.64%	155,783	8.80%	24,806	0	0
Oakland-Port/Jack London	94	1,778,205	0.64%	69,194	3.90%	(23,300)	0	0
Oakland-South	550	12,435,250	4.48%	745,597	6.00%	113,807	0	0
Oakland-West	439	13,080,135	4.71%	667,862	5.10%	199,324	0	0
Pinole/Hercules/El Sobrante	55	1,905,338	0.69%	28,339	1.50%	22,394	0	0
Pleasant Hill	22	441,154	0.16%	26,160	5.90%	9,847	0	0
Pleasanton	173	3,950,982	1.42%	565,175	14.30%	35,063	0	0
Richmond/San Pablo	502	16,237,638	5.85%	2,185,204	13.50%	(209,783)	0	39,067
San Leandro	739	26,619,361	9.59%	1,579,671	5.93%	300,241	0	0
San Ramon-Other	29	694,447	0.25%	68,732	9.90%	(26,889)	0	0
Union City	160	8,971,437	3.23%	812,235	9.10%	(367,042)	0	0
Walnut Creek-BART/DT	30	344,248	0.12%	7,700	2.20%	840	0	0
Walnut Creek-Shadelands	8	640,783	0.23%	58,643	9.20%	(58,643)	0	0
Totals	8,269	277,703,270	100.00%	29,835,811	10.74%	-436,266	150,000	133,945

Source: CoStar

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Appendix D - Industrial RE Analysis Tables; D-6-Total by City; 4/23/2012

Figure D-7
Flex Space Real Estate Market By City - Fourth Quarter 2011
Market Study
Alameda Point Economic Development Strategy

Sub-Market	Existing Inventory			Vacancy		YTD Net	YTD	Under
	# Bldgs	Total RBA	% of Total	Total SF	Vac %	Absorption	Deliveries	Const SF
Alameda	43	1,668,372	3.02%	307,364	18.40%	44,381	0	0
Albany/Kensington	0	0	0.00%	0	0.00%	0	0	0
Antioch/Pittsburg	50	785,044	1.42%	144,328	18.40%	15,776	0	0
Berkeley	74	1,614,051	2.92%	91,299	5.70%	115,361	0	0
Bishop Ranch	4	262,969	0.48%	49,000	18.60%	(19,862)	0	0
Brentwood	15	259,590	0.47%	33,952	13.10%	(479)	0	0
Concord	57	1,584,074	2.86%	402,412	25.40%	(68,985)	0	0
Danville/Alamo	2	42,852	0.08%	0	0.00%	0	0	0
Dublin	34	1,189,575	2.15%	131,052	11.00%	(6,828)	0	0
El Cerrito	2	4,250	0.01%	0	0.00%	0	0	0
Emeryville	36	1,810,437	3.27%	149,569	8.30%	107,462	150,000	89,678
Fremont	366	17,329,416	31.32%	3,393,240	19.58%	10,737	0	0
Hacienda Business Park	25	1,187,634	2.15%	136,694	11.50%	29,896	0	0
Hayward/Castro Valley	191	6,889,826	12.45%	835,497	12.13%	51,500	0	5,200
Lafayette/Moraga/Orinda	2	18,157	0.03%	0	0.00%	0	0	0
Livermore	101	3,587,051	6.48%	541,021	15.10%	77,236	0	0
Martinez/Pacheco	34	627,676	1.13%	252,301	40.20%	(68,422)	0	0
Newark	60	4,004,647	7.24%	1,743,114	43.50%	121,593	0	0
Oakland-Airport	33	800,838	1.45%	30,296	3.80%	(5,104)	0	0
Oakland-Downtown	12	132,103	0.24%	4,250	3.20%	0	0	0
Oakland-North	24	505,113	0.91%	52,584	10.40%	(1,734)	0	0
Oakland-Port/Jack London	9	241,847	0.44%	21,694	9.00%	4,400	0	0
Oakland-South	23	431,120	0.78%	61,135	14.20%	12,996	0	0
Oakland-West	21	431,939	0.78%	37,467	8.70%	(28,096)	0	0
Pinole/Hercules/El Sobrante	19	609,676	1.10%	24,339	4.00%	(11,639)	0	0
Pleasant Hill	2	56,808	0.10%	10,700	18.80%	0	0	0
Pleasanton	101	2,597,176	4.69%	412,487	15.88%	87,075	0	0
Richmond/San Pablo	84	3,488,106	6.30%	736,719	21.10%	(63,162)	0	0
San Leandro	61	1,864,894	3.37%	195,888	10.50%	13,343	0	0
San Ramon-Other	7	273,768	0.49%	41,871	15.30%	(23,556)	0	0
Union City	11	312,068	0.56%	70,874	22.70%	(21,131)	0	0
Walnut Creek-BART/DT	8	81,766	0.15%	3,900	4.80%	26,896	0	0
Walnut Creek-Shadelands	7	640,783	1.16%	58,643	9.20%	(58,643)	0	0
Totals	1,518	55,333,626	100.00%	9,973,690	18.02%	341,011	150,000	94,878

Source: CoStar

Figure D-8
Warehouse Real Estate Market By City - Fourth Quarter 2011
Market Study
Alameda Point Economic Development Strategy

Sub-Market	# Bldgs	Existing Inventory		Vacancy		YTD Net	YTD	Under
		Total RBA	% of Total	Total SF	Vac %	Absorption	Deliveries	Const SF
Alameda	125	6,370,706	2.86%	893,699	14.00%	(88,678)	0	0
Albany/Kensington	11	251,325	0.11%	3,446	1.40%	(1,446)	0	0
Antioch/Pittsburg	301	10,967,732	4.93%	1,060,498	9.70%	(117,457)	0	0
Berkeley	352	6,677,413	3.00%	779,486	11.70%	84,404	0	0
Bishop Ranch	1	227,850	0.10%	0	0.00%	0	0	0
Brentwood	15	188,430	0.08%	13,300	7.10%	3,000	0	0
Concord	285	5,256,127	2.36%	580,586	11.00%	(80,035)	0	0
Danville/Alamo	9	121,991	0.05%	1,500	1.20%	1,000	0	0
Dublin	38	1,284,875	0.58%	110,560	8.60%	68,927	0	0
El Cerrito	6	31,845	0.01%	0	0.00%	9,830	0	0
Emeryville	141	4,098,047	1.84%	117,930	2.90%	(27,467)	0	0
Fremont	586	25,629,004	11.53%	3,096,059	12.08%	(1,366,302)	0	0
Hacienda Business Park	16	831,891	0.37%	12,625	1.50%	(7,988)	0	0
Hayward/Castro Valley	1,135	44,219,023	19.89%	4,190,224	9.48%	223,337	0	0
Lafayette/Moraga/Orinda	6	47,298	0.02%	0	0.00%	0	0	0
Livermore	395	13,577,515	6.11%	2,054,595	15.10%	(106,366)	0	0
Martinez/Pacheco	217	4,798,599	2.16%	326,897	6.80%	(33,741)	0	0
Newark	167	9,429,379	4.24%	784,619	8.30%	360,352	0	0
Oakland-Airport	342	10,714,813	4.82%	581,103	5.40%	218,092	0	0
Oakland-Downtown	30	306,679	0.14%	13,000	4.20%	(655)	0	0
Oakland-North	125	1,270,075	0.57%	103,199	8.10%	26,540	0	0
Oakland-Port/Jack London	85	1,536,358	0.69%	47,500	3.10%	(27,700)	0	0
Oakland-South	527	12,004,130	5.40%	684,462	5.70%	100,811	0	0
Oakland-West	418	12,648,196	5.69%	630,395	5.00%	227,420	0	0
Pinole/Hercules/El Sobrante	36	1,295,662	0.58%	4,000	0.30%	34,033	0	0
Pleasant Hill	20	384,346	0.17%	15,460	4.00%	9,847	0	0
Pleasanton	72	1,353,806	0.61%	152,688	11.28%	(52,012)	0	0
Richmond/San Pablo	418	12,749,532	5.73%	1,448,485	11.40%	(146,621)	0	39,067
San Leandro	678	24,754,467	11.13%	1,383,783	5.59%	286,898	0	0
San Ramon-Other	22	420,679	0.19%	26,861	6.40%	(3,333)	0	0
Union City	149	8,659,369	3.89%	741,361	8.60%	(345,911)	0	0
Walnut Creek-BART/DT	22	262,482	0.12%	3,800	1.40%	(26,056)	0	0
Walnut Creek-Shadelands	1	0	0.00%	0	0.00%	0	0	0
Totals	6,751	222,369,644	100.00%	19,862,121	8.93%	-777,277	0	39,067

Source: CoStar

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Appendix D - Industrial RE Analysis Tables; D-8 Warehouse by City; 4/23/2012

Rental Rates

East Bay

1. Total rental rates in the East Bay are improving, but are still below the long term average (see Figure D-9). Industrial, triple net (NNN) asking rents were approximately \$0.56 per square foot per month during the last quarter of 2011 (see Figure D-10).
2. Rents for flex space in the East Bay over the past 15 years have averaged approximately \$1.00 but have exhibited wild swings ranging from \$0.76 to \$1.41. Flex space rents as of the fourth quarter of 2011 were \$0.77. See Figures D-9 and D-10.

The highest average rents for flex space in the East Bay are in the I-80 corridor (Berkeley/Emeryville) and Oakland at \$1.05.

3. Current rent for warehouse space in the East Bay is \$0.48, which is near the 15-year average of \$0.50. Warehouse rents have been significantly less volatile than flex space rents. Warehouse average rents ranged between \$0.42 and \$0.62 during this period. See Figures D-9 and D-10.

The I-880 Corridor North and the I-80 Corridor have some of the lowest warehouse average rental rates in the East Bay; \$0.45 and \$0.35, respectively.

City of Alameda

1. Industrial rental rates in the City of Alameda are below the average. Average asking (NNN) rents in the City of Alameda during the fourth quarter of 2011 averaged \$0.42 per square foot per month. The East Bay average asking rate was \$0.56. See Figures D-9 and D-10.
2. Warehouse space asking rental rates in the City of Alameda are below the East Bay's average. Average asking rates (NNN) in the City of Alameda are \$0.41 per square foot vs. \$0.48 in the East Bay as a whole. Alameda average rents are comparable to rents in the I-880 Corridor North. However, even areas with large amounts of vacant space, such as the I-880 (South) and I-680 Corridors and Oakland have higher asking rental rates. The I-80 Corridor is the only sub-market offering lower rents at \$0.35 per square foot. See Figures D-9 and D-10.
3. Flex space asking rental rates in the City of Alameda are above the East Bay average. However, it should be noted that the East Bay average is low because of the large amount of vacant space in the I-880 Corridor and I-680 Corridor South where more than 7.5 million square feet of relatively affordable flex space are vacant. Flex space asking

rates in the City of Alameda are below most other sub-markets, including I-680 North, I-80, Highway 4, and Oakland. See Figures D-9 and D-10.

Alameda Point

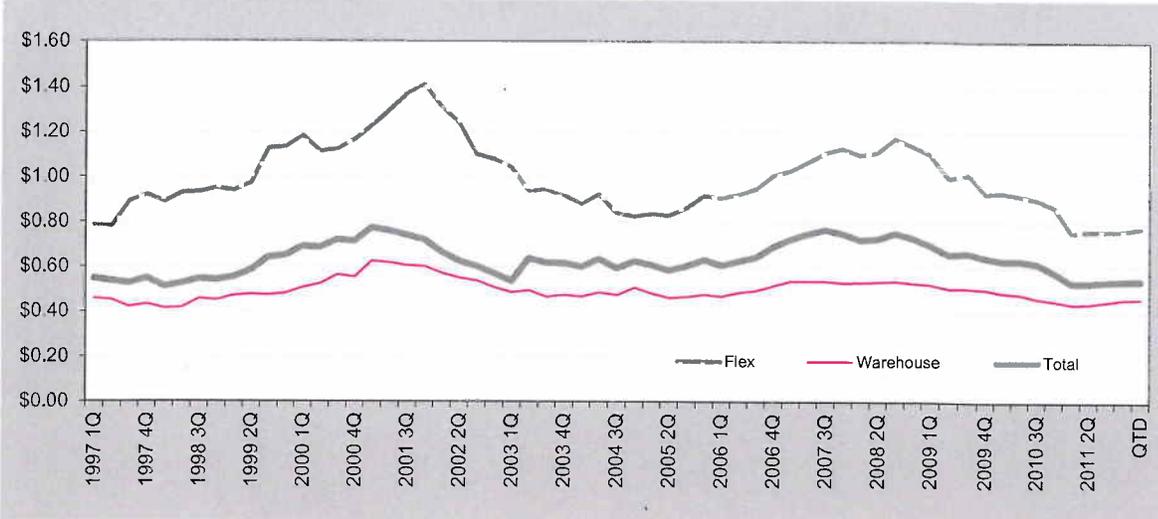
KMA examined the rent rates paid by current tenants at Alameda Point and compared them against current asking rates in Central Alameda County (e.g. North I-880 Corridor and Oakland). The analysis is segmented by building size (see Figure D-11). Data for Alameda Point is from the Tenant Roll as of December 2011. This analysis excludes leased spaces for which the City receives no rent as well as certain outliers (i.e., spaces where rents are extremely high or extremely low.) Average rents at Alameda Point are compared against asking rates for warehouse space. Asking rents for Flex Space are included in Figure D-11 for illustrative purposes.

It should be pointed out that rental rates for Central Alameda County are reported as asking rates, which are most likely higher than the final negotiated price. Nevertheless, this metric provides a good basis for comparison.

1. Average lease rates for Alameda Point (\$0.34) are below the average asking rates for warehouse space in Central Alameda County (\$0.43).
2. The gap between lease rates in Alameda Point and asking rates in Central Alameda County is most significant for spaces smaller than 40,000 square feet and particularly for spaces smaller than 10,000 square feet.
3. Lease rates in Alameda Point for spaces greater than 40,000 square feet appear to be in line with the current asking rates in Central Alameda County.

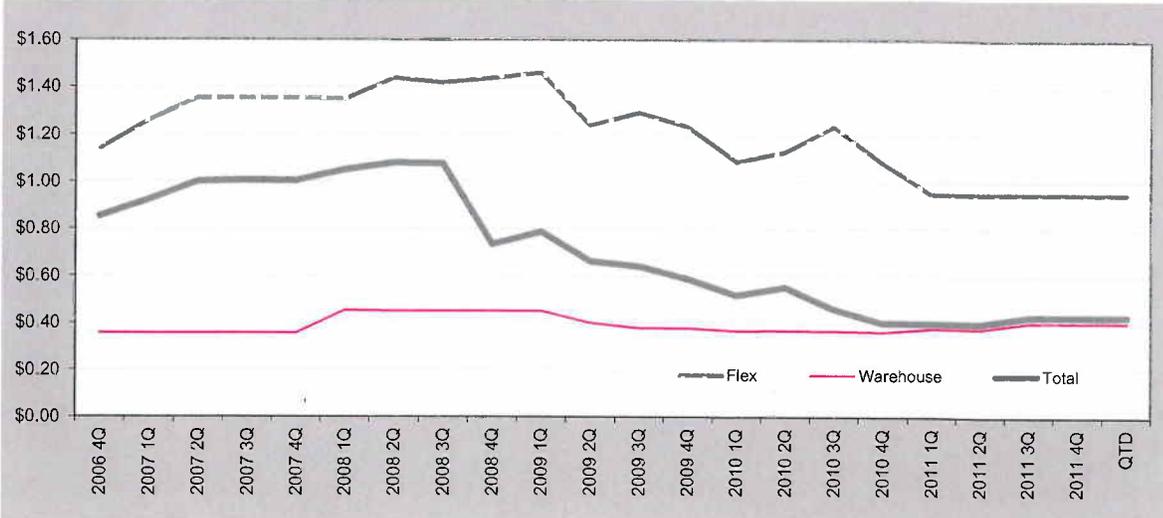
**Figure D-9
Historical Rental Rates (NNN)
Market Study
Alameda Point Economic Development Strategy**

Asking Rent (NNN) by Building Type in the East Bay



	Average Asking Rate	
	1997-2011	2006-2011
Flex	\$1.00	\$0.97
Warehouse	\$0.50	\$0.50
Total	\$0.63	\$0.66

Asking Rent (NNN) by Building Type in the City of Alameda



	Average Asking Rate	
	2006-2011	
Flex	\$1.21	
Warehouse	\$0.39	
Total	\$0.70	

Source: CoStar Property

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Appendix D - Industrial RE Analysis Tables; D-9-Historical Rental Rates; 4/23/2012

Figure D-10
Average Asking Rents (Monthly/SF) Industrial Space - Fourth Quarter 2011
Market Study
Alameda Point Economic Development Strategy

Flex Market

<u>Sub-Market</u>	<u>F/S Gross</u>	<u>Industrial Gross</u>	<u>Modified Gross</u>	<u>NNN</u>
City of Alameda	\$1.48	\$1.46	N/A	\$0.95
680 Corridor North	\$1.03	\$0.90	\$1.22	\$1.09
680 Corridor South	\$1.09	\$0.88	\$1.03	\$0.79
80 Corridor	\$2.44	\$0.83	\$1.60	\$1.05
880 Corridor North	N/A	\$0.77	\$0.73	\$0.68
880 Corridor South	\$1.49	\$0.75	\$0.65	\$0.71
Highway 4	\$1.29	\$1.09	\$1.17	\$1.20
Oakland	\$1.19	\$0.74	\$1.25	\$1.05
Totals	\$1.62	\$0.86	\$0.91	\$0.77

Warehouse Market

<u>Sub-Market</u>				
City of Alameda	N/A	\$0.30	\$0.75	\$0.41
680 Corridor North	N/A	\$0.89	\$0.98	\$0.79
680 Corridor South	\$1.06	\$0.82	\$0.80	\$0.46
80 Corridor	\$3.11	\$0.61	\$0.81	\$0.35
880 Corridor North	\$0.72	\$0.45	\$0.75	\$0.45
880 Corridor South	\$0.81	\$0.54	\$0.84	\$0.55
Highway 4	\$0.85	\$0.69	\$0.32	\$0.45
Oakland	\$0.90	\$0.47	\$0.67	\$0.49
Totals	\$0.89	\$0.54	\$0.64	\$0.48

Total Industrial

<u>Sub-Market</u>				
City of Alameda	\$1.48	\$0.44	\$0.75	\$0.42
680 Corridor North	\$1.03	\$0.89	\$1.14	\$0.95
680 Corridor South	\$1.07	\$0.84	\$0.91	\$0.55
80 Corridor	\$2.44	\$0.67	\$1.19	\$0.54
880 Corridor North	\$0.72	\$0.48	\$0.75	\$0.48
880 Corridor South	\$1.35	\$0.60	\$0.66	\$0.62
Highway 4	\$1.28	\$0.78	\$0.39	\$0.48
Oakland	\$1.07	\$0.48	\$0.93	\$0.51
Totals	\$1.48	\$0.60	\$0.79	\$0.56

Source: CoStar Property

TABLE D-11

Rental Rate Comparison Alameda Point vs. Central Alameda County ¹
Infrastructure Fee Analysis
Alameda Point, Alameda CA

<u>Building Size (Sq. Ft.)</u>	<u>Alameda Point</u>				<u>Central Alameda County</u>					
	<u># of Leases</u>	<u>Total Sq. Ft.</u>	<u>Avg. SF per Lease</u>	<u>Avg. Lease Rate ²</u>	<u>Warehouse Space</u>			<u>Flex Space</u>		
					<u># Spaces</u>	<u>Avg. SF per Lease</u>	<u>Avg. Asking Rate ³</u>	<u># Spaces</u>	<u>Avg. SF per Lease</u>	<u>Avg. Asking Rate ³</u>
Under 10,000 ⁴	15	75,210	5,014	\$0.32	23	6,161	\$0.61	7	5,764	\$0.62
10,000 to 19,999	11	172,481	15,680	\$0.40	19	15,547	\$0.50	7	12,786	\$0.59
20,000-39,999 ⁵	9	284,807	31,645	\$0.26	24	26,966	\$0.42	8	29,095	\$0.71
40,000-79,999 ⁶	8	417,324	52,166	\$0.37	16	56,606	\$0.41	3	58,098	\$0.94
80,000-119,999	6	604,482	100,747	\$0.34	6	96,177	\$0.38	N/A	N/A	N/A
Total	49	1,554,304	31,720	\$0.34	88	29,171	\$0.43	25	21,476	\$0.76

Sources: PMRG, City of Alameda, and CoStar.

¹ Central Alameda County is defined at Oakland, San Leandro, and Hayward/San Lorenzo.

² Triple net rents.

³ Data for Central Alameda County reflects asking rents for warehouse space on a triple net basis.

⁴ Data for Alameda Point excludes spaced leased to cellular carriers and Chabot Space and Science Center, as well as Building 7.

⁵ Data for Alameda Point excludes 28,000 square feet lease with Jetsmart/Alameda Aerospace.

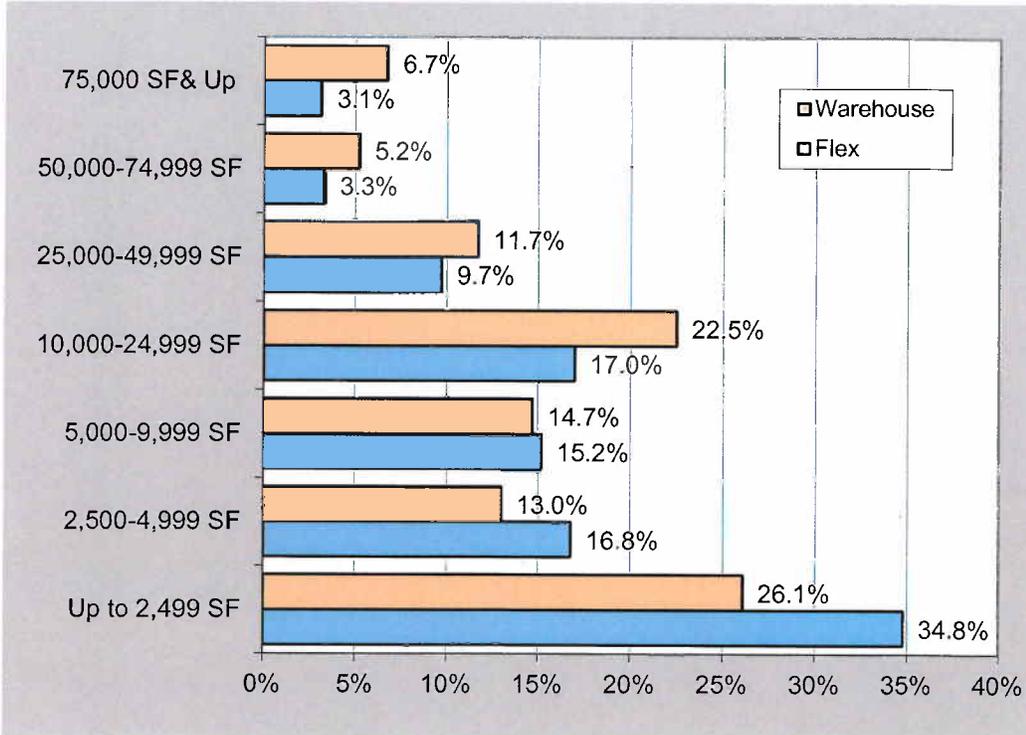
⁶ Data for Alameda Point excludes 53,000 square feet lease with Alameda Municipal Power.

Large Lease Activity

1. The market for spaces over 50,000 square feet is limited (see Figure D-12). Less than 12 percent of warehouse space tenants occupy spaces larger than 50,000 square feet. Less than 6.5 percent of flex space tenants lease spaces larger than 50,000 square feet.
2. The I-880 Corridor North and Oakland remain a popular destination for large industrial users (See Figure D-13). Eighteen of the largest industrial leases in 2011 (including lease renewals) occurred in this area. These 18 transactions accounted for approximately two million square feet of industrial leases. Companies leasing large industrial spaces in the I-880 Corridor North in 2011, included:
 - a. Traditional manufacturers (as opposed to high-tech manufacturing companies, which tend to concentrate in the I-880 Corridor South), such as manufacturers of construction materials, kitchen cabinets, and plastic bags.
 - b. Wholesalers
 - c. Logistics and distribution companies

Figure D-12
East Bay Industrial Tenants by Size Range - Fourth Quarter 2011
Market Study
Alameda Point Economic Development Strategy

Tenants by Size Range
 Based on total number of tenants



Source: CoStar

Figure D-13
Largest Industrial Leases in 2011
Market Study
Alameda Point Economic Development Strategy

Rank	Building	City	SF	Qtr	Tenant	Industry	Industry Detail
1	7200-7240 Edgewater Dr	Oakland	192,682	1st	Exel, Inc.	Warehousing and Transportation	
2	33300 Dowe Ave	Union City	191,868	1st	Southern Wine and Spirits	Wholesale Trade	Wine & Spirits
3	1600 Whipple Rd	Hayward	185,500	3rd	Rich Products	Wholesale Trade	Food Products
4	199 Filbert St*	Hayward	174,278	2nd	Owens Corning	Manufacturing	Building Materials
5	7700 Gateway Blvd	Newark	158,181	2nd	Logitech	High Tech Sector Manufacturing	Computer and Television Devices
6	7025-7055 Central Ave*	Newark	152,053	3rd	Pacific Coast Warehouse Company	Warehousing and Transportation	
7	25509 Industrial Blvd	Hayward	152,000	2nd	Special Dispatch of CA, Inc.	Warehousing and Transportation	
8	3525 Arden Rd	Hayward	151,389	3rd	nal.syncreon	Warehousing and Transportation	
9	4001-4025 Whipple Rd*	Hayward	126,669	1st	Shaw Floors	Manufacturing	Flooring
10	38503 Cherry St*	Newark	125,072	1st	RONBOW Materials Corporation	Manufacturing	Cabinets
11	1251 Doolittle Dr	San Leandro	123,221	3rd	KWW Kitchen Cabinets	Manufacturing	Cabinets
12	6120-6150 Stewart Ave*	Fremont	114,948	4th	Menlo Worldwide	Warehousing and Transportation	
13	7600 Gateway Blvd	Newark	105,312	2nd	Logitech	High Tech Sector Manufacturing	Computer and Television Devices
14	22308 Hathaway Ave	San Leandro	105,000	1st	Marelch Mechanical	Construction	HVAC
15	1979-1999 Davis St*	San Leandro	103,817	1st	Lancaster Distribution	Wholesale Trade	Paint
16	7200-7240 Edgewater Dr	Oakland	100,800	1st	OneSource Distributors Holdings, Inc.	Wholesale Trade	
17	40999-41049 Boyce Rd*	Newark	100,586	4th	Bunzl Distribution	Warehousing and Transportation	
18	6700 Golden Gate Dr	Dublin	99,427	2nd	Sky River RV	Retail	RV Sales
19	31902-31918 Hayman St*	Hayward	97,810	1st	IMT Precision, Inc.	High Tech Sector Manufacturing	Sheet Metal for Precision Industry
20	30973-30995 Santana St*	Hayward	96,000	1st	Brook Furniture Rental	Retail	Furniture Rental
21	1570-1580 Atlantic St	Union City	95,000	4th	N/A	N/A	
22	1400 W 4th St	Antioch	92,500	4th	N/A	N/A	
23	2333 Nissen Dr	Livermore	82,855	2nd	The Well Christian Community	Other Services	
24	7150 Patterson Pass Rd*	Livermore	74,193	4th	Z-Line Designs, Inc.	Manufacturing	Furniture
25	2391-2399 W Winton Ave	Hayward	72,431	2nd	Tireco, Inc.	Wholesale Trade	
26	1936-1980 W Avenue 140th	San Leandro	72,000	3rd	Anchor Distributing	Warehousing and Transportation	
27	31101 Wiegman Rd*	Hayward	71,600	3rd	Unisource Solutions	Retail	Furniture
28	48660 Kato Rd*	Fremont	65,241	3rd	Zygo Corporation	High Tech Sector Manufacturing	High-end Optical Systems
29	8455 Cabot Ct*	Newark	65,000	3rd	Sanmina-SCI Corporation	High Tech Sector Manufacturing	Electronic and Mechanical Products
30	48664 Milmont Dr	Fremont	64,597	2nd	Nova Solar Technologies	High Tech Sector Manufacturing	Silicon Solar Panels
31	39630 Eureka Dr	Newark	62,382	4th	Membrane Technology & Research, Inc.	High Tech Sector Manufacturing	Peterochemical Machinery
32	2274-2282 Davis Ct	Hayward	61,357	4th	D&J International, Inc.	Manufacturing	Plastic Bags
33	44259 Nobel Dr*	Fremont	60,000	3rd	Elitegroup Computer Systems, Inc.	High Tech Sector Manufacturing	Computer Peripheral Equipment
34	7701-7775 Las Positas Rd	Livermore	59,280	3rd	F. Rodgers Corporation	Manufacturing	Insulation and Specialty Contractors
35	26511-26535 Danti Ct*	Hayward	55,296	1st	Daiso California LLC	Retail	
36	1025-1035 Mission Ct*	Fremont	55,138	4th	Cable Connection	Manufacturing	Custom Cables, Harnesses, Etc.
37	31702 Hayman St	Hayward	54,925	2nd	Integrity Retail Distribution	Warehousing and Transportation	
38	2100 Atlas Rd	Richmond	54,896	4th	Serena & Lily, Inc.	Retail	
39	1940 Milmont Dr	Fremont	54,440	2nd	Ascentool, Inc.	High Tech Sector Manufacturing	Inputs for Solar Devices
40	39745 Eureka Dr	Newark	52,661	3rd	N/A	N/A	

Figure D-13
Largest Industrial Leases in 2011
Market Study
Alameda Point Economic Development Strategy

(Page 2 of 2)

Summary by City

City	Transactions	SF
Hayward	12	1,299,255
Newark	8	821,247
Fremont	6	414,364
San Leandro	4	404,038
Oakland	2	293,482
Union City	2	286,868
Livermore	3	216,328
Dublin	1	99,427
Antioch	1	92,500
Richmond	1	54,896
Grand Total	40	3,982,405

City	Transactions	SF
I-880 Corridor North	16	1,703,293
I-880 Corridor South	16	1,522,479
I-680 Corridor South	4	315,755
Oakland	2	293,482
Hwy 4 Corridor	1	92,500
I-80 Corridor	1	54,896
Grand Total	40	3,982,405

Summary by Industry

Industry	Transactions	SF
Warehousing and Transportation	8	990,583
Manufacturing	8	799,208
High Tech Sector Manufacturing	9	732,963
Wholesale Trade	5	654,416
Retail	5	377,219
N/A	3	240,161
Construction	1	105,000
Other Services	1	82,855
Grand Total	40	3,982,405

Source: CoStart Property
 * Renewal

APPENDIX E: OFFICE REAL ESTATE OVERVIEW SUPPORTING TABLES

KMA examined trends in office real estate markets in the East Bay with the goal of better understanding the potential for office development within Alameda Point. We examined vacancy, rental rates, inventory and leasing patterns in several sub-markets in the East Bay. Also, our analysis is segmented by class. The class types are defined by CoStar as follows²¹:

Class A: Buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

Class B: Buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Class C: Buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Section VII of the report summarizes, in narrative form, the main points of this analysis, as well as the implications for Alameda Point.

Inventory

East Bay

1. There are approximately 110 million square feet of office space in the East Bay (see Figure E-1). Approximately 25 percent of the office inventory is Class A space, 50 percent is Class B and the rest (25 percent) is Class C. Approximately 79 percent of the

²¹ CoStar Property.

leased space is leased in single tenant buildings and 21 percent is leased in multi-tenant buildings (see Figure E-2).

2. Construction of new office space in the East Bay has been very limited since the Dot-Com Bust (see Figure E-1). Approximately 1.4 million square feet per year of new office space were built between 1997 and 2011 for a total of 20 million square feet (35 percent Class A, 60 percent Class B and 5 percent Class C). However, since 2004, less than half a million square feet of new office space per year have been built. In 2011, less than 50,000 square feet of new office space were built.
3. Average annual net absorption of office space since 1997 has averaged approximately 720,000 per year (see Figure E-1). Annual net absorption of Class A space has averaged approximately 350,000 square feet. Annual net absorption of Class B space has averaged approximately 390,000 square feet. Class C has averaged negative absorption of 22,000 square feet per year since 1997.
4. Net absorption was approximately 860,000 square feet in 2011, after two years of average negative absorption of approximately 1.35 million square feet per year following the Great Recession. The rebound has not been sufficient to impact vacancy rates, which remain above the long term average across all classes of office space.
5. Class C office space did not benefit from the recovery in the office market. Net absorption was negative for a consecutive 4th year in a row. Net absorption in 2011 was negative 265,000 square feet.

City of Alameda

1. The City of Alameda has approximately 4 million square feet of office space (see Figure E-3). It accounts for approximately 3.65 percent of the East Bay's office space. Approximately 55 percent of office space in Alameda is Class B and the rest is Class C. According to CoStar, there is no Class A office space in Alameda.
2. Despite only adding approximately 840,000 square feet of office space in a 15 year period (1997-2011), the City of Alameda accounts for approximately 4 percent of new construction in the East Bay. However, there have been no Class A office buildings built within the City (see Figure E-3)
3. Average annual net absorption between 1997 and 2011 in the City of Alameda was approximately 38,000 square feet. Class C buildings experienced practically no net absorption (see Figure E-3).

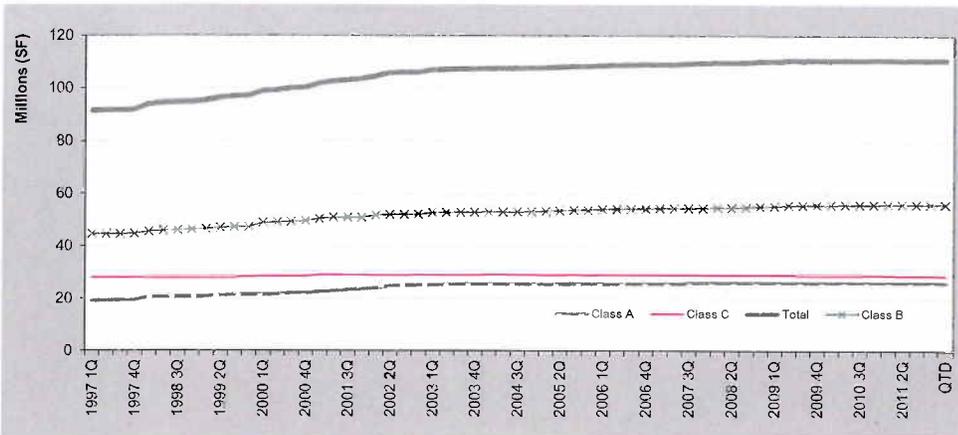
4. Despite maintaining positive net absorption during the Great Recession and through 2010, Alameda experienced negative net absorption (172,056 square feet) in 2011 (see Figure E-3).

Alameda Point

Currently, there is limited supply of office space at Alameda Point. According to PMRG, there are approximately 102,000 square feet of vacant office space (see Figure E-4).²² According to the December 2011 rent roll, there are five (5) companies currently leasing approximately 3,700 square feet of office/lab space at Building 7 (an average of 750 square feet of space per tenant).

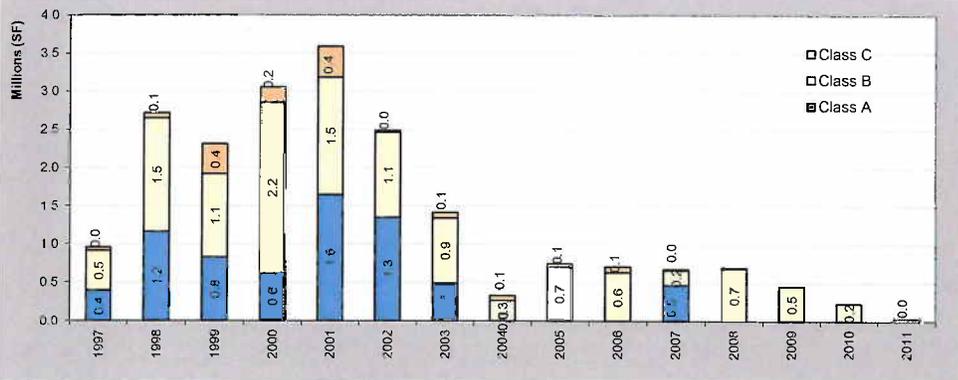
²² Based on data available at www.thepointatalameda.com and the December 2012 rent roll. Excludes space occupied by City of Alameda and Alameda Collaborative.

Figure E-1
East Bay Office Real Estate Historical Market Trends
Market Study
Alameda Point Economic Development Strategy



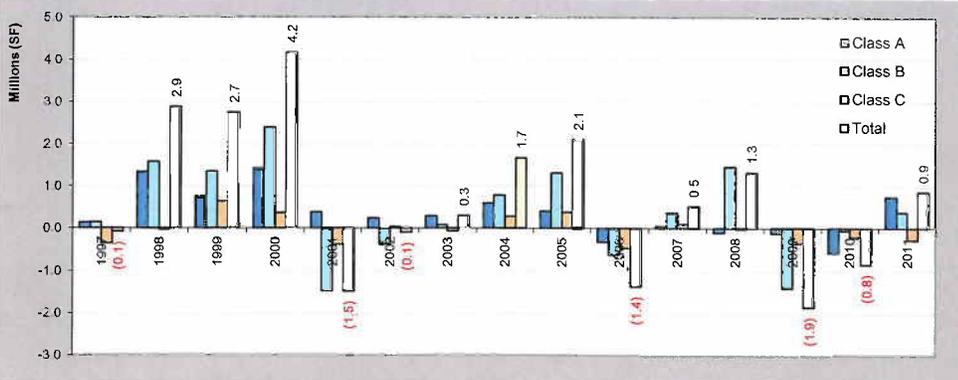
	Office Inventory		Growth in Inventory		
	1997 1Q	Feb. 2011	Total SF	Avg. Annual (SF)	% Annual
Class A	19,108,924	26,050,919	6,941,995	462,800	2.1%
Class B	44,572,652	55,977,462	11,404,810	760,321	1.5%
Class C	27,907,024	28,753,448	846,424	56,428	0.2%
Total	91,588,600	110,661,334	19,072,734	1,271,516	1.3%

Annual Historical Deliveries



	New Space Added (SF)	
	Total	Avg. Annual
Class A	6,941,995	462,800
Class B	12,013,549	800,903
Class C	1,418,493	94,566
Total	20,374,037	1,358,269

Annual Net Absorption

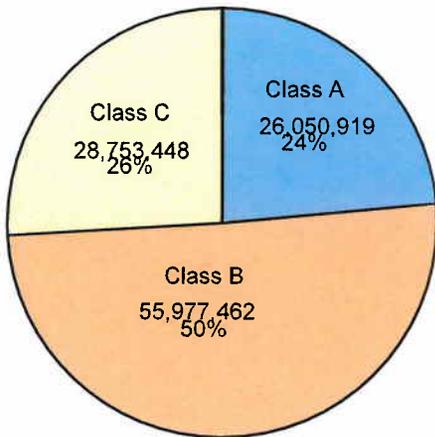


	Net Absorption (SF)	
	Total	Avg. Annual
Class A	5,229,535	348,636
Class B	5,898,860	393,257
Class C	(334,987)	(22,332)
Total	10,793,408	719,561

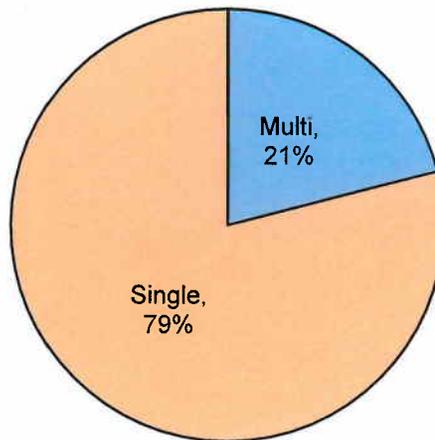
Source: CoStar Property

Figure E-2
East Bay Office Real Estate Market Characteristics - February 2012
Market Study
Alameda Point Economic Development Strategy

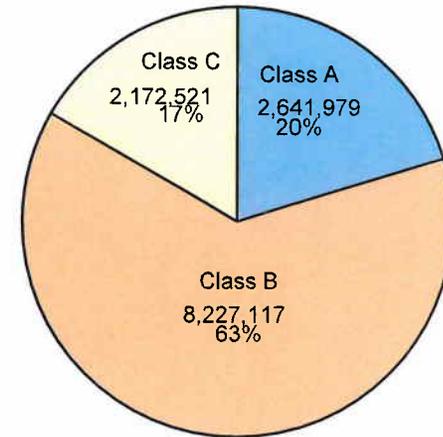
Inventory by Building Class



Inventory by Space Type



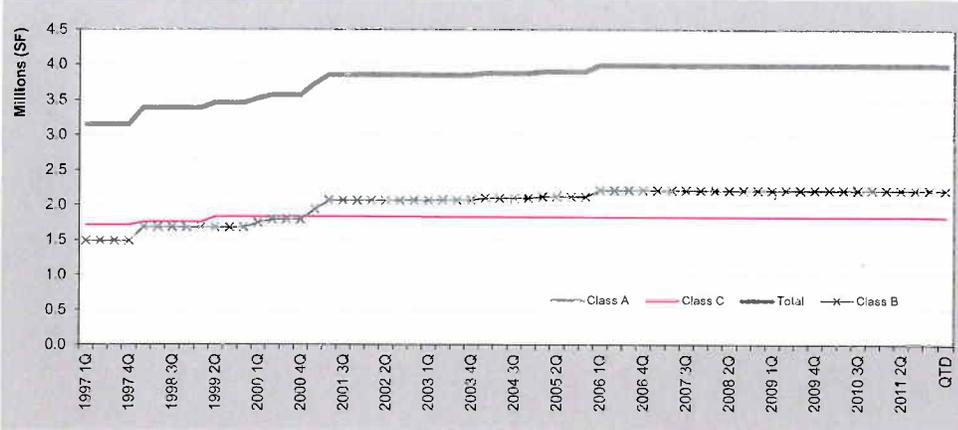
Vacancy By Building Class



Source: CoStar Property

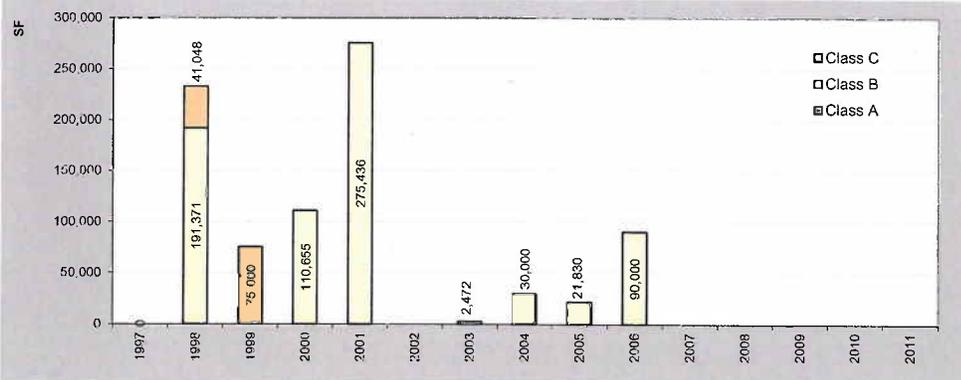
Figure E-3
City of Alameda Office Real Estate Historical Market Trends
Market Study
Alameda Point Economic Development Strategy

Inventory Tracked by CoStar (Square Feet)



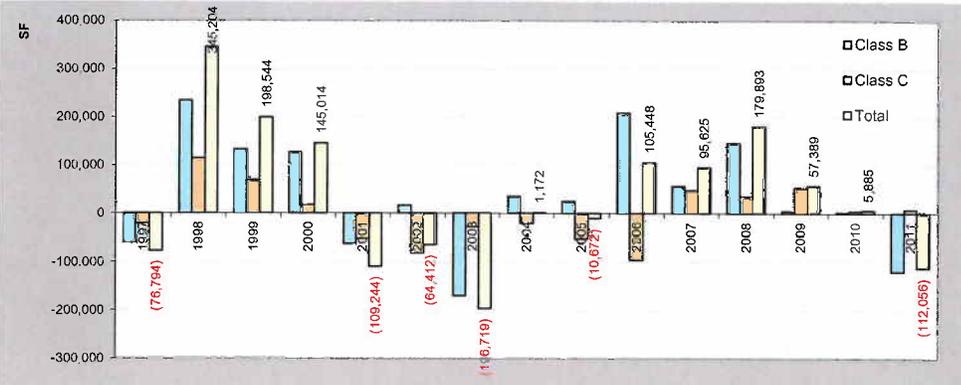
	Office Inventory		Growth in Inventory		
	1997 1Q	Feb. 2011	Total SF	Avg. Annual (SF)	% Annual
Class A					
Class B	1,485,692	2,178,430	692,738	46,183	2.6%
Class C	1,713,521	1,823,553	110,032	7,335	0.4%
Total	3,155,243	4,001,983	846,740	56,449	1.6%

Annual Historical Deliveries



	New Space Added (SF)	
	Total	Avg. Annual
Class A		
Class B	721,764	48,118
Class C	116,048	7,737
Total	837,812	55,854

Annual Net Absorption



	Net Absorption (SF)	
	Total	Avg. Annual
Class A		
Class B	572,666	38,178
Class C	(4,589)	(306)
Total	564,277	37,618

Source: CoStar Property

Figure E-4
Available Office Space at Alameda Point - February 2012
Market Study
Alameda Point Economic Development Strategy

Occupied Space ¹

Building/Address	Type	Square Feet
851 W. Midway Avenue - Building 7	Office/Lab	3,730

Vacant Space ²

950 W. Mall Square - Building 1		
Ste. 245	Office	320
Ste. 246	Office	315
Ste. 247	Office	262
Ste. 248	Office	306
Ste. 250	Office	306
Ste. 251	Office	262
Ste. 252	Office	315
Ste. 253	Office	320
851 W. Midway Avenue - Building 7		
Ste. 103	Office	238
Ste. 104A	Office	231
Ste. 104B	Office	306
Ste. 111/112	Office	380
Ste. 117	Lab	650
Ste. 118	Lab	485
Ste. 119	Office	319
Ste. 201A	Office	256
Ste. 201 E	Lab	323
Ste. 209	Lab	470
151 W. Atlantic Avenue - Building 527	Office	6,000
2599 Lexington Street - Building 2 Wing 3	Office	10,000
2750 Todd Street - Building 585	Office	10,550
2550 Monarch Street - Building 2 Wings 8, 9 & 10	Office	66,000
Total Vacant		98,614
Total Office/Lab (Vacant & Occupied)		102,344

¹ December 2012 Rent Roll

² www.thepointatalameda.com

Geographic Distribution of Office Space

Office real estate in the East Bay is concentrated primarily in Oakland and in the I-680 Corridor (see Figure E-5 and Figure E-6). These sub-sectors account for approximately 68 percent of all office space in the East Bay. There are however a few nuances, which must be discussed:

1. Approximately 60 percent of all Class A office space is concentrated in the I-680 Corridor; an additional 30 percent is located in Oakland and 5 percent in Emeryville. As highlighted by the East Bay Economic Development Alliance, between 1995 and 2010, most of the new office space in the East Bay was built in the Tri-Valley region (Pleasanton, Dublin, San Ramon), Northern Alameda County (primarily Emeryville), and Central Contra Costa County (Walnut Creek, Concord, and Pleasant Hill).
2. The inventory of office space in the Inner East Bay²³, excluding Oakland, consists mostly of Class B (51 percent) and Class C (43 percent). Almost all of the Class A space in the Inner Bay Area is located in Emeryville. By comparison, the Outer East Bay²⁴ has a robust inventory of Class A space (30 percent).

²³ Includes I-80 Corridor, City of Alameda, and I-880 Corridor (North and South).

²⁴ Includes Highway 4 Corridor and I-680 Corridor (North and South).

Figure E-5
East Bay Office Real Estate Market Snapshot - February 2012
Market Study
Alameda Point Economic Development Strategy

Class A

	<u>Existing Inventory</u>			<u>Vacancy</u>		<u>Absorption</u>
	<u># Bldgs.</u>	<u>Avg Bldg Age in Yrs</u>	<u>Total RBA</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Net - 2011</u>
Alameda	0	0	0	0	0.0%	0
680 Corridor North	34	24	7,143,453	1,063,196	14.9%	285,154
680 Corridor South	32	17	8,331,649	700,985	8.4%	177,156
80 Corridor	7	16	1,749,706	132,985	7.6%	85,597
880 Corridor North	1	11	175,918	0	0.0%	0
880 Corridor South	0	-2	0	0	-	0
Highway 4	1	25	112,904	0	0.0%	0
Oakland	27	28	8,537,289	744,813	8.7%	192,487
Total	102	22	26,050,919	2,641,979	10.1%	740,394

Class B

Alameda	54	34	2,178,430	423,337	19.4%	(119,508)
680 Corridor North	443	38	9,515,456	1,689,073	17.8%	(277,406)
680 Corridor South	414	27	16,268,886	2,023,294	12.4%	591,604
80 Corridor	228	42	6,807,071	647,712	9.5%	153,753
880 Corridor North	88	34	2,748,176	634,918	23.1%	21,033
880 Corridor South	112	27	3,859,672	692,990	18.0%	(7,815)
Highway 4	141	30	2,077,128	216,844	10.4%	(33,140)
Oakland	258	56	12,522,643	1,898,949	15.2%	57,488
Total	1,738	37	55,977,462	8,227,117	14.7%	386,009

Class C

Alameda	128	63	1,823,553	224,367	12.3%	7,452
680 Corridor North	496	48	3,882,510	328,904	8.5%	(102,310)
680 Corridor South	345	44	2,845,050	237,937	8.4%	(25,260)
80 Corridor	681	59	5,530,265	356,906	6.5%	(69,658)
880 Corridor North	550	53	3,712,574	240,473	6.5%	(26,695)
880 Corridor South	213	50	1,918,081	115,641	6.0%	21,422
Highway 4	278	54	1,773,919	141,433	8.0%	(4,554)
Oakland	799	72	7,267,496	526,860	7.2%	(66,293)
Total	3,490	57	28,753,448	2,172,521	7.6%	(265,896)

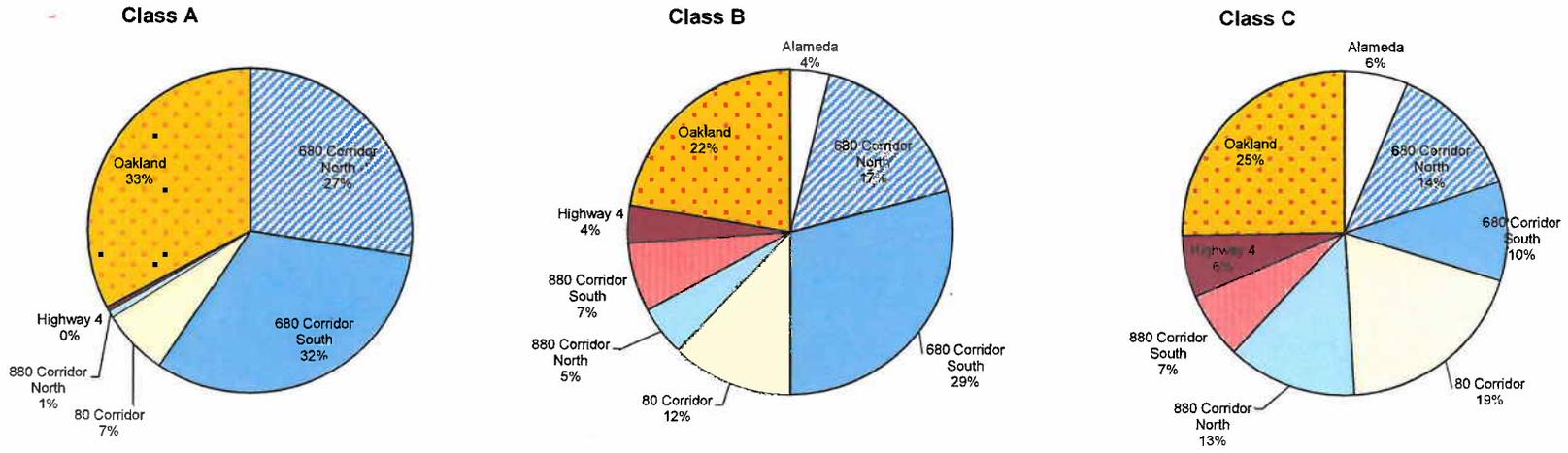
Total

Alameda	182	44	4,001,983	647,704	16.2%	(112,056)
680 Corridor North	973	26	20,541,419	3,081,173	15.0%	(94,562)
680 Corridor South	791	20	27,445,585	2,962,216	10.8%	743,500
80 Corridor	916	44	14,087,042	1,137,603	8.1%	169,692
880 Corridor North	639	46	6,636,668	875,391	13.2%	(5,662)
880 Corridor South	325	33	5,777,753	808,631	14.0%	13,607
Highway 4	420	36	3,963,951	358,277	9.0%	(37,694)
Oakland	1,084	54	28,327,428	3,170,622	11.2%	183,682
Total	5,330	38	110,781,829	13,041,617	11.8%	860,507

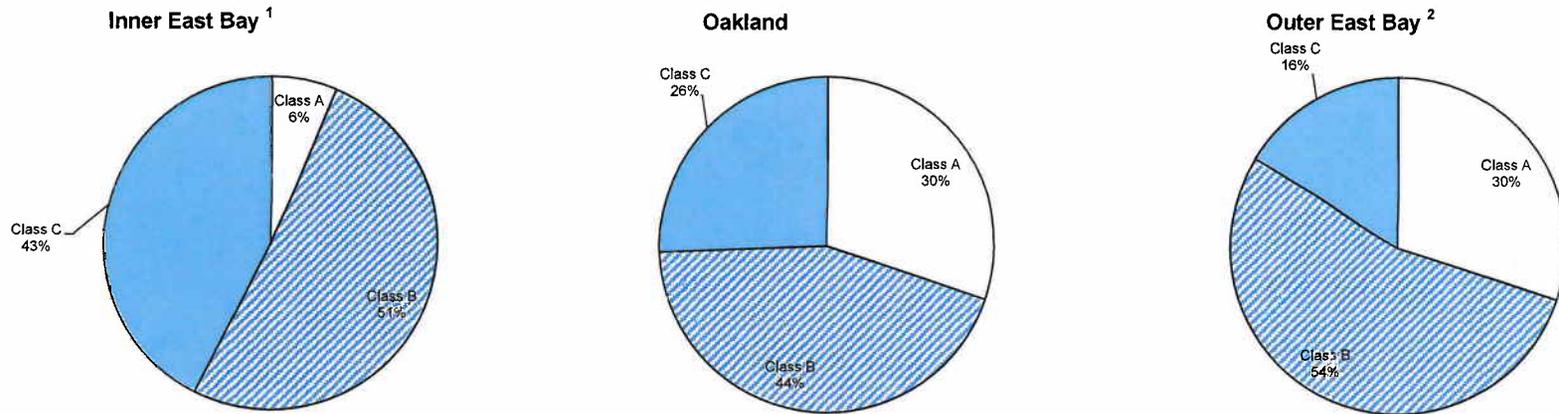
Source: CoStar Property

Figure E-6
Regional Distribution of Office Real Estate in the East Bay
Market Study
Alameda Point Economic Development Strategy

Class by Region



Region by Class



Source: CoStar Property

¹ Includes I-880 Corridor, Alameda, and I-880 Corridor (North and South)

² Includes I-680 Corridor (North and South) and Highway 4 Corridor.

Vacancy Rates

East Bay

1. Total office vacancy in the East Bay is improving, but is still well above the long term average (see Figure E-7 and Figure E-8). As discussed above, the East Bay experienced positive net absorption in 2011 for Class A and B office space. More than 860,000 square feet of office space were absorbed (net) during 2011. Nevertheless, as of February 2012, there were approximately 13 million square feet of vacant office space in the East Bay. Assuming long term average net absorption of 720,000 it would take approximately 4 years to reduce vacancy to its long term average of 9.5 percent. The high vacancy rate is largely driven by Class B office space, which accounts for 8.8 million square feet of vacant space.
2. Class C office space has the lowest vacancy rate. However, vacancy rates for Class A and B have been declining for three straight quarters. Vacancy rates for Class C space have continued to climb up, albeit moderately, during this period.

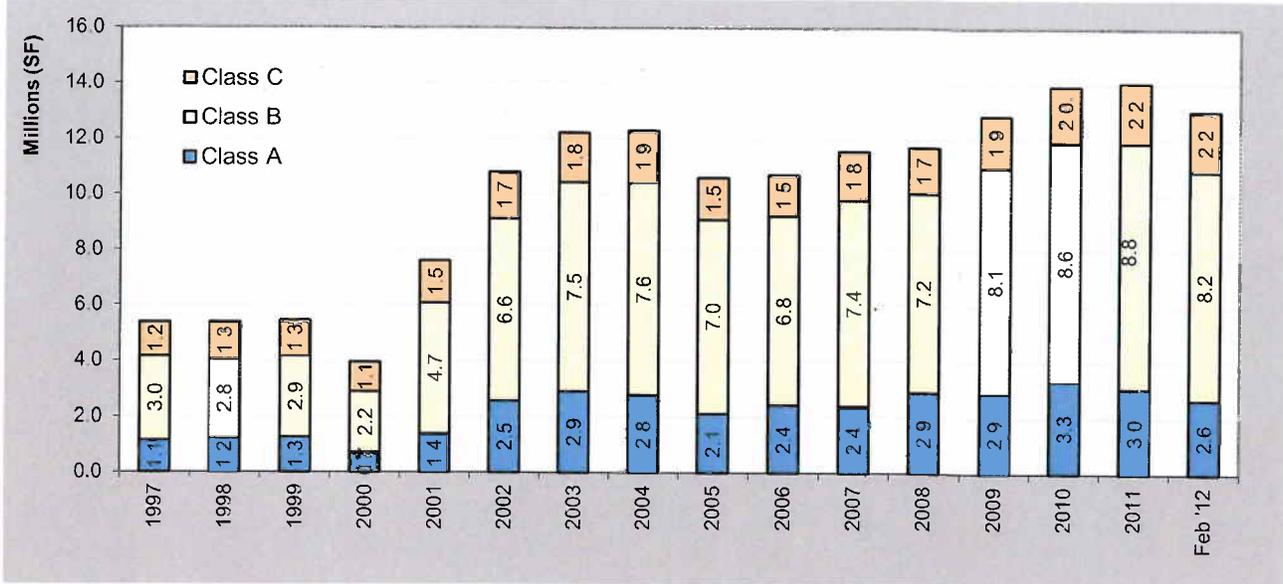
City of Alameda

The City of Alameda has the third highest office vacancy rate (16.2 percent) among cities with more than one (1) million square feet of office space in the East Bay (see Figure (E-9); Hayward has an 18.6 vacancy rate and Walnut Creek has an 18.8 percent vacancy rate.

1. Alameda's vacancy rate for Class B space is high relative to the rest of the East Bay (see Figure E-11). Vacancy rate for Class B space is 19.5 percent in the City compared to 14.7 percent in the East Bay. There are approximately 423,000 square feet of vacant Class B space in the City of Alameda. Berkeley, Emeryville, Oakland and San Leandro have approximately 2.4 million square feet of vacant Class C space.
2. Alameda's vacancy rate is the highest among cities with more than 1 million square feet of space (see Figure E-12). Vacancy rate of Class C space is 12.3 percent in the City compared to 7.6 percent in the East Bay. With approximately 224,000 square feet, Alameda has the third largest amount of vacant Class C space. Berkeley, Emeryville, Oakland and San Leandro have approximately 1 million square feet of vacant Class C space.

Figure E-7
East Bay Office Real Estate Historical Market Trends
Market Study
Alameda Point Economic Development Strategy

Average Annual Vacant Space

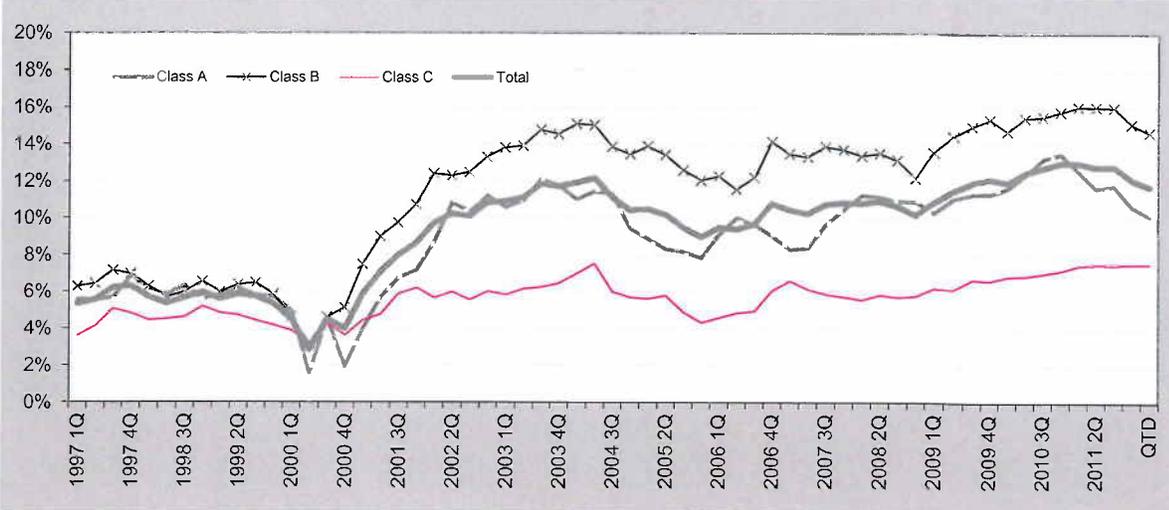


Year	Class A	Class B	Class C	Total
1997	1,143,259	2,998,621	1,234,571	5,376,451
1998	1,238,622	2,815,080	1,315,670	5,369,371
1999	1,251,171	2,904,588	1,282,643	5,438,402
2000	712,814	2,155,792	1,071,756	3,940,362
2001	1,371,915	4,692,388	1,538,415	7,602,718
2002	2,549,069	6,561,186	1,680,039	10,790,293
2003	2,892,521	7,537,488	1,789,592	12,219,600
2004	2,763,154	7,619,725	1,903,153	12,286,031
2005	2,128,352	6,964,149	1,500,280	10,592,781
2006	2,421,661	6,801,159	1,489,246	10,712,066
2007	2,374,272	7,405,604	1,770,589	11,550,465
2008	2,879,895	7,152,972	1,664,965	11,697,831
2009	2,869,091	8,113,196	1,864,025	12,846,311
2010	3,310,593	8,586,003	2,022,595	13,919,190
2011	3,043,729	8,849,431	2,164,264	14,057,423
Feb '12	2,641,979	8,227,117	2,172,521	13,024,439
Avg.	2,196,674	6,077,159	1,619,453	9,893,286

Source: CoStar Property

Figure E-8
Historical Office Vacancy Trends by Building Class
Market Study
Alameda Point Economic Development Strategy

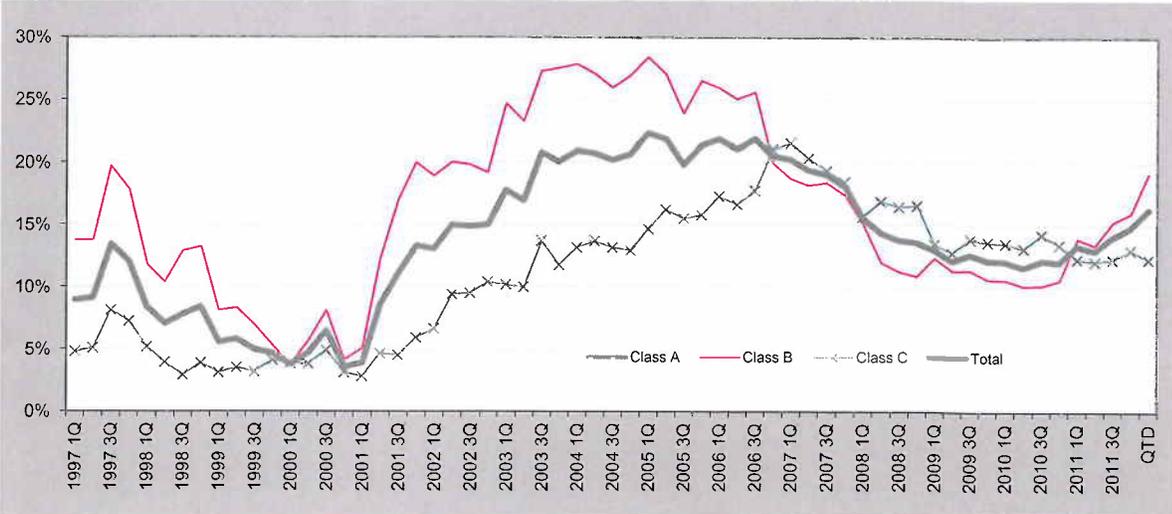
East Bay



**Average
Vacancy
1997-2011**

Class A	9.1%
Class B	11.7%
Class C	5.7%
	<u>9.5%</u>

City of Alameda



**Average
Vacancy
1997-2011**

Class A	N/A
Class B	16.6%
Class C	11.1%
	<u>14.0%</u>

Source: CoStar Property

Figure E-9
Office (All Classes) Real Estate Market Snapshot - February 2012
Market Study
Alameda Point Economic Development Strategy

	<u>Existing Inventory</u>		<u>Vacancy</u>		<u>Absorption</u>	Highlighted cells RBA > 1 million SF
	<u># Bldgs.</u>	<u>Total RBA</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Net - 2011</u>	
Alameda	182	3,989,195	647,704	16.2%	(112,056)	
Alameda Pt	1	16,888	0	0.0%	0	
Alamo	18	222,231	8,994	4.0%	752	
Albany	51	212,345	3,973	1.9%	3,418	
Antioch	138	1,298,458	147,569	11.4%	6,974	
Bay Point	4	40,020	0	0.0%	0	
Berkeley	431	5,791,467	413,685	7.1%	7,337	
Brentwood	51	483,981	58,317	12.0%	(29,153)	
Castro Valley	95	517,420	26,295	5.1%	(6,575)	
Clayton	4	14,592	1,300	8.9%	(1,300)	
Concord	293	6,705,558	847,204	12.6%	86,405	
Crockett	1	5,280	0	0.0%	0	
Danville	123	1,383,113	112,487	8.1%	(7,064)	
Dublin	62	2,494,125	411,533	16.5%	148,108	
El Cerrito	46	198,299	4,330	2.2%	1,725	
El Sobrante	29	151,481	11,450	7.6%	(372)	
Emeryville	98	4,728,907	415,534	8.8%	195,669	
Fremont	247	4,736,528	656,717	13.9%	13,067	
Hayward	291	3,598,716	670,654	18.6%	18,399	
Hercules	4	68,458	2,374	3.5%	5,842	
Kensington	1	3,000	0	0.0%	0	
Lafayette	138	1,078,377	67,854	6.3%	423	
Livermore	177	2,107,920	336,630	16.0%	(95,184)	
Martinez	116	1,320,630	39,110	3.0%	(1,932)	
Moraga	31	269,075	24,092	9.0%	(2,969)	
Newark	37	516,431	121,213	23.5%	(21,038)	
Oakland	1052	28,109,081	3,157,917	11.2%	180,662	
Oakley	13	28,966	1,715	5.9%	(1,715)	
Orinda	41	546,731	46,431	8.5%	(3,111)	
Pacheco	8	58,365	30,985	53.1%	2,155	
Piedmont	3	20,463	3,125	15.3%	(875)	
Pinole	52	423,249	22,604	5.3%	25,813	
Pittsburg	81	559,492	23,979	4.3%	8,400	
Pleasant Hill	81	1,435,663	148,674	10.4%	(20,248)	
Pleasanton	252	10,790,754	1,429,956	13.3%	503,566	
Point Richmond	4	99,736	35,006	35.1%	0	
Richmond	179	2,240,920	222,832	9.9%	(63,095)	
Rodeo	11	26,766	1,050	3.9%	(550)	
San Leandro	232	2,478,124	171,049	6.9%	(13,897)	
San Lorenzo	26	107,845	7,393	6.9%	(3,589)	
San Pablo	33	269,581	14,345	5.3%	(2,200)	
San Ramon	158	10,443,342	662,616	6.3%	193,322	
Union City	41	524,794	30,701	5.9%	21,578	
Walnut Creek	394	10,665,462	2,002,220	18.8%	(176,185)	
Total	5330	110,781,829	13,041,617	11.8%	860,507	

Source: CoStar Tenants

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Appendix E - Office RE Analysis Tables; E-9 All Classes det by City; 4/23/2012

Figure E-10
Office (Class A) Real Estate Market Snapshot - February 2012
Market Study
Alameda Point Economic Development Strategy

	<u>Existing Inventory</u>			<u>Vacancy</u>		<u>Absorption</u>
	<u># Bldgs.</u>	<u>Avg Bldg Age in Yrs</u>	<u>Total RBA</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Net - 2011</u>
Berkeley	1	24	250,000	0	0.0%	0
Concord	14	25	3,750,993	396,333	10.6%	188,593
Dublin	7	14	1,026,526	173,120	16.9%	103,689
Emeryville	6	15	1,499,706	132,985	8.9%	85,597
Fremont	0	0	0	0	-	0
Hayward	1	11	175,918	0	0.0%	0
Martinez	1	25	112,904	0	0.0%	0
Oakland	27	28	8,537,289	744,813	8.7%	192,487
Pleasant Hill	1	25	130,000	6,932	5.3%	4,272
Pleasanton	13	19	1,991,470	420,613	21.1%	31,503
San Ramon	12	17	5,313,653	107,252	2.0%	41,964
Walnut Creek	19	24	3,262,460	659,931	20.2%	92,289
Total	102	22	26,050,919	2,641,979	10.1%	740,394

Source: CoStar Tenants

Figure E-11
Office (Class B) Real Estate Market Snapshot - February 2012
Market Study
Alameda Point Economic Development Strategy

	<u>Existing Inventory</u>			<u>Vacancy</u>		<u>Absorption</u>	
	<u># Bldgs.</u>	<u>Avg Bldg Age in Yrs</u>	<u>Total RBA</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Net - 2011</u>	
Alameda	54	33.9	2,165,642	423,337	19.5%	(119,508)	Highlighted cells RBA > 1 million SF
Alameda Pt	1	-	16,888	0	0.0%	0	
Alamo	10	31.5	142,474	8,844	6.2%	752	
Albany	9	32	96,437	1,779	1.8%	2,004	
Antioch	51	16.5	772,581	89,335	11.6%	24,587	
Bay Point	2	87	35,000	0	0.0%	0	
Berkeley	118	50.1	2,798,689	182,104	6.5%	56,202	
Brentwood	23	21.7	347,532	40,826	11.7%	(21,529)	
Castro Valley	15	35.5	175,365	7,678	4.4%	(3,709)	
Clayton	1	-	2,965	0	0.0%	0	
Concord	80	38.5	1,675,932	318,057	19.0%	(51,802)	
Danville	48	27.9	802,331	83,512	10.4%	(1,513)	
Dublin	33	28.6	1,238,200	203,707	16.5%	46,801	
El Cerrito	8	29.3	35,972	1,056	2.9%	(308)	
El Sobrante	2	26.5	28,296	3,440	12.2%	0	
Emeryville	28	45.9	2,155,655	247,436	11.5%	93,088	
Fremont	91	26.7	3,332,801	575,510	17.3%	(7,280)	
Hayward	35	37	1,576,082	563,684	35.8%	21,587	
Hercules	3	12.2	64,415	2,374	3.7%	5,842	
Lafayette	82	42.5	808,794	62,733	7.8%	5,544	
Livermore	87	31.4	1,563,083	268,701	17.2%	(86,435)	
Martinez	40	51.9	649,626	25,529	3.9%	(7,938)	
Moraga	5	25.6	55,113	15,703	28.5%	(2,737)	
Newark	8	26.2	301,511	95,994	31.8%	(19,963)	
Oakland	257	55.9	12,517,899	1,898,949	15.2%	57,488	
Oakley	3	22	12,576	0	0.0%	0	
Orinda	18	39.2	325,174	29,372	9.0%	1,822	
Pacheco	1	8.3	16,000	8,129	50.8%	(2,493)	
Pinole	13	18.3	235,644	11,548	4.9%	24,197	
Pittsburg	15	36.9	108,289	3,326	3.1%	1,200	
Pleasant Hill	38	30.1	918,866	114,296	12.4%	(14,418)	
Pleasanton	154	23.7	7,857,926	951,024	12.1%	458,238	
Point Richmond	2	9.5	89,736	35,006	39.0%	0	
Richmond	42	39.7	1,249,493	148,624	11.9%	(25,072)	
San Leandro	36	31.9	967,703	63,556	6.6%	3,155	
San Pablo	6	28.4	86,504	14,345	16.6%	(2,200)	
San Ramon	81	26.2	4,660,772	507,506	10.9%	173,761	
Union City	13	29.4	225,360	21,486	9.5%	19,428	
Walnut Creek	225	36.3	5,864,136	1,198,611	20.4%	(242,782)	
Total	1,738	36.9	55,977,462	8,227,117	14.7%	386,009	

Source: CoStar Tenants

Figure E-12
Office (Class C) Real Estate Market Snapshot - February 2012
Market Study
Alameda Point Economic Development Strategy

	<u>Existing Inventory</u>			<u>Vacancy</u>		<u>Absorption</u>	
	<u># Bldgs.</u>	<u>Avg Bldg Age in Yrs</u>	<u>Total RBA</u>	<u>Total SF</u>	<u>Vac %</u>	<u>Net - 2011</u>	
Alameda	128	62.5	1,823,553	224,367	12.3%	7,452	Highlighted cells RBA > 1 million SF
Alamo	8	48	79,757	150	0.2%	0	
Albany	42	66.2	115,908	2,194	1.9%	1,414	
Antioch	87	50	525,877	58,234	11.1%	(17,613)	
Bay Point	2	47	5,020	0	0.0%	0	
Berkeley	312	66.4	2,742,778	231,581	8.4%	(48,865)	
Brentwood	28	43.4	136,449	17,491	12.8%	(7,624)	
Castro Valley	80	52.5	342,055	18,617	5.4%	(2,866)	
Clayton	3	21.5	11,627	1,300	11.2%	(1,300)	
Concord	199	51.6	1,278,633	132,814	10.4%	(50,386)	
Crockett	1	104	5,280	0	0.0%	0	
Danville	75	47.3	580,782	28,975	5.0%	(5,551)	
Dublin	22	32.4	229,399	34,706	15.1%	(2,382)	
El Cerrito	38	54.3	162,327	3,274	2.0%	2,033	
El Sobrante	27	48.7	123,185	8,010	6.5%	(372)	
Emeryville	64	57.8	1,073,546	35,113	3.3%	16,984	
Fremont	156	47.4	1,403,727	81,207	5.8%	20,347	
Hayward	255	51.8	1,846,716	106,970	5.8%	(3,188)	
Hercules	1	28	4,043	0	0.0%	0	
Kensington	1	102	3,000	0	0.0%	0	
Lafayette	56	54.1	269,583	5,121	1.9%	(5,121)	
Livermore	90	55.3	544,837	67,929	12.5%	(8,749)	
Martinez	75	63.3	558,100	13,581	2.4%	6,006	
Moraga	26	40.4	213,962	8,389	3.9%	(232)	
Newark	29	59.5	214,920	25,219	11.7%	(1,075)	
Oakland	768	71.5	7,053,893	514,155	7.3%	(69,313)	
Oakley	10	61.1	16,390	1,715	10.5%	(1,715)	
Orinda	23	45.7	221,557	17,059	7.7%	(4,933)	
Pacheco	7	49.7	42,365	22,856	54.0%	4,648	
Piedmont	3	52.5	20,463	3,125	15.3%	(875)	
Pinole	39	45.9	187,605	11,056	5.9%	1,616	
Pittsburg	66	50.7	451,203	20,653	4.6%	7,200	
Pleasant Hill	42	41.3	386,797	27,446	7.1%	(10,102)	
Pleasanton	85	42.5	941,358	58,319	6.2%	13,825	
Point Richmond	2	29	10,000	0	0.0%	0	
Richmond	137	54.3	991,427	74,208	7.5%	(38,023)	
Rodeo	11	57.4	26,766	1,050	3.9%	(550)	
San Leandro	196	54.3	1,510,421	107,493	7.1%	(17,052)	
San Lorenzo	26	61.9	107,845	7,393	6.9%	(3,589)	
San Pablo	27	44.4	183,077	0	0.0%	0	
San Ramon	65	31.3	468,917	47,858	10.2%	(22,403)	
Union City	28	51.4	299,434	9,215	3.1%	2,150	
Walnut Creek	150	44.7	1,538,866	143,678	9.3%	(25,692)	
Total	3490	57.0	28,753,448	2,172,521	7.6%	(265,896)	

Source: CoStar Tenants

Rental Rates²⁵

East Bay

1. Office rents in the East Bay have held steady since a 5.5 percent decline in Q4 2009 (see figure E-13); fluctuating between approximately \$1.82 and \$1.85 per square foot. However, as explained below Class A and C rents have declined for the last couple of years.
2. Office Rents for Class A space in the East Bay have been declining since the third quarter of 2009 (see figure E-13). Class A rents increased slightly during three quarters (Q3 2010, Q2 2011, and Q3 2011), but overall the trend is down. Rents in February 2012 were approximately \$2.23 per square foot (see Figure E-14).
3. Following two consecutive quarters of declines, office rents for Class B space in the East Bay are approximately \$1.76 (see Figure E-14); their lowest point since Q1 2007 (see figure E-13). For the most part however, following a 5.5 percent decline in Q4 2009, rents have mostly fluctuated between \$1.78 and \$1.82 per square foot.
4. Class C rents have been steadily decreasing since Q3 2008 (see figure E-13). As of February 2012, class C asking rents averaged 7.6 percent. Between Q3 2008 and February 2012, rents declined more than 11 percent.

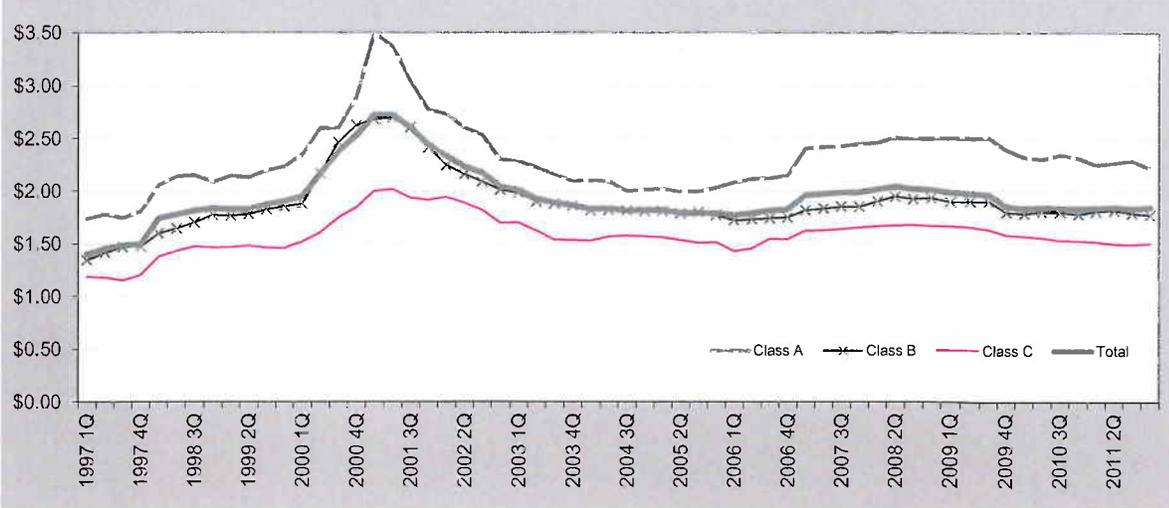
City of Alameda

1. Office rents in the City of Alameda are below the average. As of February 2012, average asking rents in the City of Alameda averaged \$1.67 per square foot per month (see Figure E-14). The East Bay average asking rate was \$1.91. Only the Highway 4 Corridor exhibited lower rents.
2. Class B asking rental rates in the City of Alameda are below the East Bay average (see Figure 14).
3. Class C asking rental rates in the City of Alameda are above the East Bay average (see Figure 14).

²⁵ Unless otherwise noted, (asking) office rents are reported on a full service basis.

Figure E-13
Historical Asking Rents (Full Service)
Market Study
Alameda Point Economic Development Strategy

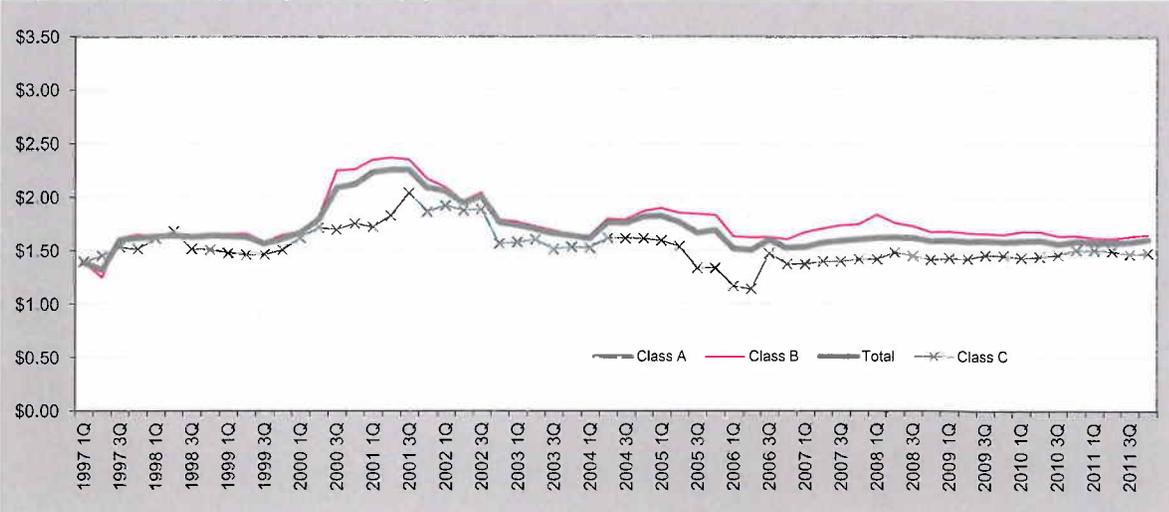
East Bay Asking Rent (Full Service) by Class



Average Asking Rate 1997-2011

Class A	\$2.30
Class B	\$1.88
Class C	\$1.59
	<u>\$1.93</u>

City of Alameda Asking Rent (Full Service) by Class



Average Asking Rate 1997-2011

Class A	N/A
Class B	\$1.76
Class C	\$1.49
	<u>\$1.68</u>

Source: CoStar Property

Figure E-14
Average Asking Rents Office Space (Full Service) - February 2012
Market Study
Alameda Point Economic Development Strategy

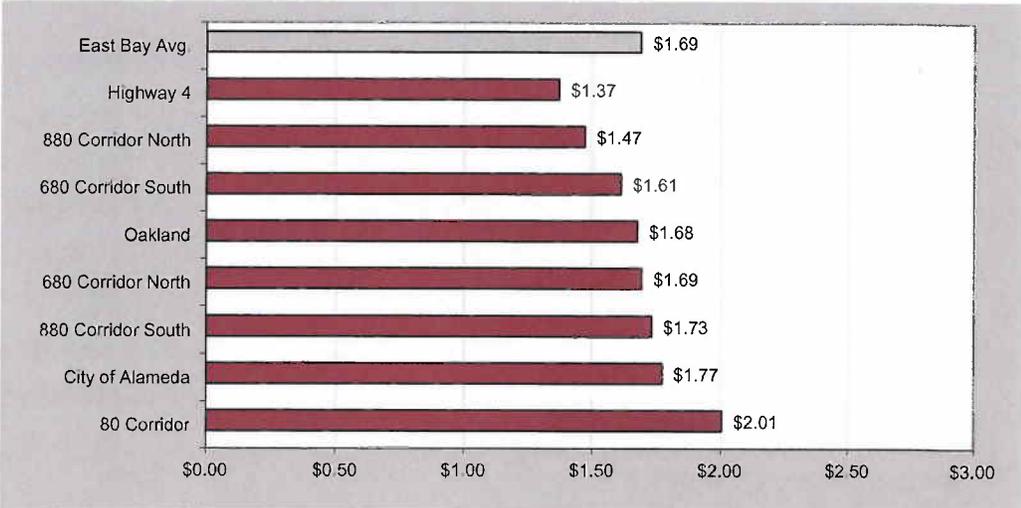
Class A



Class B



Class C



Source: CoStar

Prepared by Keyser Marston Associates, Inc.

Z:\10\10002\012\Appendix E - Office RE Analysis Tables; E-14-Rental Rates Chart; 4/23/2012

Large Lease Activity

1. More than half of the top 40 leases (new and renewals) in the East Bay occurred in the I-680 Corridor. There were 21 leases averaging approximately 43,000 each. Although this figure is inflated by General Electric moving into a 234,000 facility in San Ramon.
2. Nevertheless, excluding leases to the City of Berkeley and UC Berkeley, there were eight large office leases in Emeryville and Berkeley in 2011 for a total of approximately 275,000 square feet.²⁶

²⁶ Includes a 23,804 square foot lease renewal by ZipRealty at 2000 Powell St.

Figure E-15
Largest Office Leases in 2011
Market Study
Alameda Point Economic Development Strategy

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Rank	Building/Address	City	SF Leased	Qtr.	Tenant	Industry	Industry Detail
1	2623 Camino Ramon	San Ramon	233,674	4th	General Electric	Information	R&D Software Center
2	4140 Dublin Blvd*	Dublin	108,644	3rd	Taleo Corporation	Information	Recruitment Software
3	1900 Powell St	Emeryville	74,325	3rd	AAA	Financial Activities	Insurance
4	4120 Dublin Blvd	Dublin	71,972	3rd	Fluor Enterprises	Construction	
5	4120 Dublin Blvd	Dublin	70,002	3rd	Epicor Software	Information	Enterprise Software
6	55 Harrison St	Oakland	68,000	3rd	Sungevity	PSTS	Solar Technology
7	2100 Powell St	Emeryville	47,951	4th	Art.com	Other Services	
8	2100 Powell St	Emeryville	47,760	2nd	Santen, Inc.	PSTS	Pharmaceuticals
9	1751 Harbor Bay Pky	Alameda	37,663	1st	Webcor Builders	Construction	
10	2121 N California Blvd	Walnut Creek	36,769	3rd	Nestle Dreyer's Ice Cream	Food & Beverages	Headquarters
11	1401 Willow Pass Rd	Concord	33,971	3rd	BevMo	Food & Beverages	
12	1850 Gateway Blvd*	Concord	33,047	2nd	Fidelity National Home Warranty	Financial Activities	Insurance
13	500 12th St	Oakland	33,000	4th	Chevron Federal Credit Union	Financial Activities	
14	5000 Franklin Dr	Pleasanton	30,232	3rd	Harland Clarke	Financial Activities	Payment solutions
15	7901 National Dr	Livermore	30,000	3rd	Topcon	PSTS	GPS
16	6700 Koll Center Pky	Pleasanton	29,357	2nd	Advantage Sales & Marketing LLC	PSTS	Sales & Marketing
17	2118-2120 Milvia St*	Berkeley	26,114	3rd	City of Berkeley	Government	
18	6800 Koll Center Pky	Pleasanton	25,709	2nd	MegaPath, Inc.	PSTS	VoIP, and Security technologies provider
19	6140 Stoneridge Mall Rd	Pleasanton	25,548	3rd	Ericsson	Information	Telecom
20	2101 Webster St	Oakland	24,134	1st	N/A	Unknown	
21	2000 Powell St*	Emeryville	23,803	3rd	ZipRealty, Inc.	Financial Activities	Real estate
22	1111 Broadway*	Oakland	23,211	1st	Merrill Lynch Wealth Management	Financial Activities	Wealth management
23	1500-1530 Broadway*	Oakland	23,076	2nd	U.S. Customs Service	Government	
24	4000 Dublin Blvd	Dublin	22,848	4th	N/A	Unknown	
25	5980 Horton St	Emeryville	22,056	1st	Novartis Vaccines & Diagnostics	PSTS	Pharmaceuticals
26	2150 Shattuck Ave	Berkeley	20,650	3rd	UC Berkeley	Educational Services	
27	1401 Willow Pass Rd*	Concord	20,131	3rd	Wood Smith Henning & Berman LLP	PSTS	Law Firm
28	555 12th St	Oakland	20,042	3rd	Weaver Austin Villeneuve & Sampson IP	PSTS	Law Firm
29	1608 4th St	Berkeley	20,000	4th	Sensys Networks	PSTS	Intelligent Transportation Services
30	2001 N Main St	Walnut Creek	19,900	3rd	Burr Pilger Mayer	PSTS	CPAs
31	2100 Milvia St	Berkeley	19,899	2nd	Internet-Journals, Inc.	Information	Academic Journals
32	6425 Christie Ave	Emeryville	19,436	4th	Children's Hospital & Research Center	Health Care & Social Assistance	
33	2001 N Main St	Walnut Creek	19,426	2nd	N/A	Unknown	
34	5000 Franklin Dr	Pleasanton	19,115	3rd	N/A	Unknown	
35	5700 Stoneridge Dr	Pleasanton	18,900	4th	Pacific Office Automation	PSTS	Document Imaging and Office Technology
36	3000 Oak Rd	Walnut Creek	18,791	1st	Union Bank of California	Financial Activities	
37	6503-6515 Dumbarton Cir*	Fremont	18,756	3rd	Trillion Science, Inc.	PSTS	Semiconductors coatings
38	1800 Sutter St	Concord	18,298	3rd	Game Ready	PSTS	Medical equipment
39	1901 Harrison St	Oakland	16,385	3rd	Wells Fargo Bank	Financial Activities	
40	1255 Treat Blvd	Walnut Creek	16,323	2nd	YCMNET Advisors	Financial Activities	Wealth management

Figure E-15
Largest Office Leases in 2011
Market Study
Alameda Point Economic Development Strategy

(Page 2 of 2)

Summary by City

City	Transactions	SF
Dublin	4	273,466
Emeryville	6	235,331
San Ramon	1	233,674
Oakland	7	207,848
Pleasanton	6	148,861
Walnut Creek	5	111,209
Concord	4	105,447
Berkeley	4	86,663
Alameda	1	37,663
Livermore	1	30,000
Fremont	1	18,756
Total	40	1,488,918

Summary by Submarket

Submarket	Transactions	SF
I-680 Corridor South	13	722,770
I-80 Corridor	11	359,657
Oakland	7	207,848
I-680 Corridor North	8	179,887
I-880 Corridor South	1	18,756
Total	40	1,488,918

Summary by Industry

Industry	Transactions	SF
Information	5	457,767
PSTS	13	358,909
Financial Activities	9	269,117
Construction	2	109,635
Unknown	4	85,523
Food & Beverages	2	70,740
Government	2	49,190
Other Services	1	47,951
Educational Services	1	20,650
Health Care & Social Assistance	1	19,436
Total	40	1,488,918

Source: CoStar Property