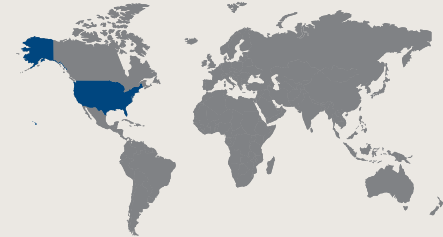


Market Research

OFFICE | FIRST QUARTER | 2010



MARKET INDICATORS

	1Q 2010	2Q 2010*
VACANCY	↑	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↓	↓
RENTAL RATE	↓	↓

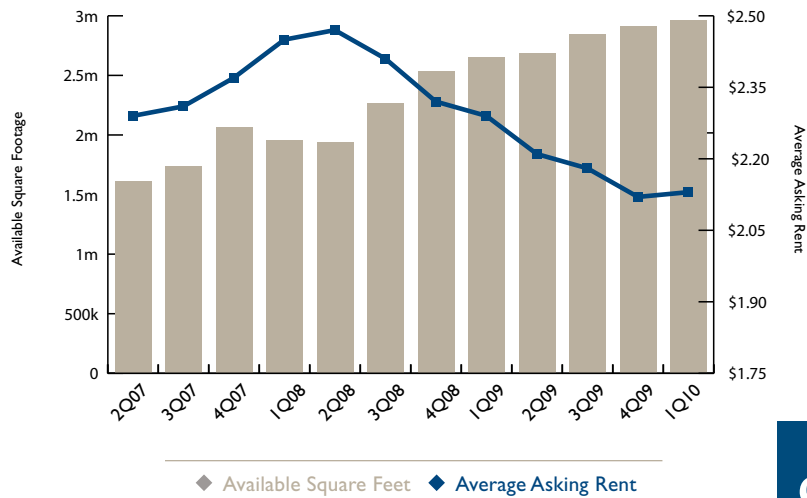
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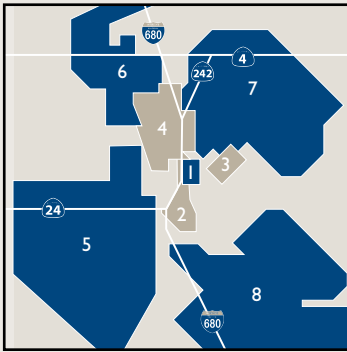
North I-680 Corridor Office Report

The office market in the North I-680 Corridor continued to be plagued by the effects of the stagnant economy during the first quarter of 2010 and is getting hammered by growing unemployment and a lack of business expansion. During the last quarter, unemployment continued to rise in the region and contributed to declining office occupancy. According to the California Employment Development Department, unemployment in February rose to 12.1% in Contra Costa County, a 2.9% increase from 2009. The majority of transactions come from tenants already doing business in this market; absent are firms moving from San Francisco, Oakland, and other markets. Vacancy will likely remain higher than average and net absorption will remain weak as long as high unemployment persists and employers delay hiring until economic conditions improve.

Market conditions deteriorated during the first quarter throughout the North I-680 Corridor, but not as dramatically as they did in 2009. Vacancy climbed by 0.3 percentage points to 19.3% across the entire North I-680 Corridor and office vacancy remains at all time highs. The North I-680 Corridor market had 67,903 square feet of negative net absorption during the first quarter. However, average asking rents remained stable, increasing one cent from the previous quarter to \$2.13 per square foot. We believe this means the market is bottoming out because of the slowing of negative absorption coupled with the flattening of rents.

NORTH 680 OVERALL OFFICE • AVAILABLE SPACE VS. ASKING RENT





SUBMARKET MAP

1. WALNUT CREEK / PLEASANT HILL BART STATION
2. WALNUT CREEK DOWNTOWN
3. SHADELANDS
4. PLEASANT HILL
5. LAMORINDA
6. MARTINEZ
7. CONCORD
8. ALAMO / DANVILLE

Leasing velocity, which is indicative of the number of transactions over time, fell by 4.3% from the previous quarter. Though, velocity remains well above the low set in the first quarter of 2009. More tellingly, the total square footage leased in the last quarter skyrocketed from the previous quarter. Total leased square footage grew by 51,489 square feet in the first quarter, a 24.8% increase from the previous quarter.

After abating in the previous quarter, vacancy continued its upward climb in Downtown Walnut Creek. Overall vacancy climbed by 1.7 percentage points to 17.2% in the first quarter. Among class A properties vacancy moved past the 20.0% to close at 21.0%. Average asking rents fell from \$2.56 per square foot to \$2.50 per square foot. Rents are now at the lowest levels since 2005. Downtown Walnut Creek also had negative net absorption after a break during the fourth quarter. During the first quarter the submarket had 83,382 square feet of negative net absorption.

Market conditions improved mildly in the Pleasant Hill BART submarket. The submarket had 4,733 square feet of positive net absorption during the first quarter. Pleasant Hill BART also had a decline in vacancy. Though it did decline, vacancy remains remarkably high at 26.8%; with a 0.3 percentage point decline from

the previous quarter. Average asking rents fell to \$2.61 per square foot from \$2.67 per square foot in the previous quarter. Asking rents have declined by 13.0% from their recent highs in 2008, but may lead to greater leasing velocity due to the reduced rents.

After a positive fourth quarter market conditions declined during the first quarter in Concord. Concord had 14,481 square feet of negative net absorption. Class A properties had 22,906 square feet of negative net absorption. Vacancy across all classes climbed to 19.6%. Average asking rents declined \$0.04 from the previous quarter to \$1.85 per square foot in the first quarter. Average asking rents are also below the low levels set in 2005 and actually \$0.04 less than the average asking rent from 2000.

Vacancy in Pleasant Hill rose throughout the first quarter, rising 0.9 percentage points to 11.6%. This led average asking rents to fall considerably, from \$2.10 per square foot to \$1.98 per square foot. The Pleasant Hill submarket had 8,462 square feet of negative net absorption, its fifth consecutive quarter in negative territory.

Shadelands had the most challenging market conditions during the first quarter of 2010. The submarket continued to have negative net

MARKET ACTIVITY

SIGNIFICANT FIRST QUARTER TRANSACTIONS

SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQ FT	TENANT	TYPE
201 N CIVIC DR	FEB-10	56,000	BROWN & CALDWELL	CLASS A
2700 YGNACIO VALLEY RD	FEB-10	35,000	CARROLLO ENGINEERS	CLASS A
165 LENNON LN	MAR-10	16,846	THOMAS, WIRIG, DOLL, & CO	CLASS B
100 PRINGLE AVE	FEB-10	13,900	FEHR & PERES ASSOCIATES	CLASS A
2185 N CALIFORNIA BLVD	MAR-10	13,762	MOFFATT & NICHOL	CLASS A
1401 WILLOW PASS RD	JAN-10	12,430	FRANKLIN AMERICAN MORTGAGE	CLASS A

OFFICE MARKET STATISTICS

FIRST QUARTER 2010

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION SF		U/C & PROPOSED SF		AVG RENTS
Class	Bldgs	Total Inventory Sq Ft	Sq Ft	Rate	Sq Ft	Rate	Sq Ft	IQ - 10	Vacancy Rate Previous Q	Current Occupied Sq Ft	Current Period	YTD	Completed This Qtr Sq Ft	Under Constr	Rate

SUB MARKETS

WALNUT CREEK DT

A	21	2,760,236	524,326	19.0%	54,932	2.0%	579,258	21.0%	18.0%	2,180,978	(83,382)	(83,382)	-	-	\$2.77
B	43	1,282,257	149,182	11.6%	5,850	0.5%	155,032	12.1%	13.5%	1,127,225	33,263	33,263	-	-	\$2.10
C	23	531,184	46,599	8.8%	4,129	0.8%	50,728	9.5%	8.0%	480,456	(43,687)	(43,687)	-	-	\$1.92
TOTAL	87	4,573,677	720,107	15.7%	64,911	1.4%	785,018	17.2%	15.5%	3,788,659	(93,806)	(93,806)	-	-	\$2.50

WALNUT CREEK PH BART

A	9	1,370,079	332,026	24.2%	35,855	2.6%	367,881	26.9%	27.8%	1,002,198	12,498	12,498	-	-	\$2.64
B	3	107,034	27,578	25.8%	-	-	27,578	25.8%	18.5%	79,456	(7,765)	(7,765)	-	-	\$2.19
TOTAL	12	1,477,113	359,604	24.3%	35,855	2.4%	395,459	26.8%	27.1%	1,081,654	4,733	4,733	-	-	\$2.61

CONCORD

A	13	2,858,808	545,430	19.1%	55,266	1.9%	600,696	21.0%	20.2%	2,258,112	(22,906)	(22,906)	-	-	\$1.99
B	27	843,005	149,407	17.7%	1,167	0.1%	150,574	17.9%	18.9%	692,431	8,467	8,467	-	-	\$1.74
C	34	907,839	143,768	15.8%	6,826	0.8%	150,594	16.6%	16.6%	757,245	(42)	(42)	-	-	\$1.42
TOTAL	74	4,609,652	838,605	18.2%	63,259	1.4%	901,864	19.6%	19.3%	3,707,788	(14,481)	(14,481)	-	-	\$1.85

PLEASANT HILL

A	1	128,131	3,592	2.8%	-	-	3,592	2.8%	2.8%	124,539	0	-	-	-	\$2.55
B	12	576,035	88,799	15.4%	0	0.0%	88,799	15.4%	13.6%	487,236	(10,170)	(10,170)	-	-	\$1.98
C	9	163,119	8,524	5.2%	-	-	8,524	5.2%	6.3%	154,595	1,708	1,708	-	-	\$1.79
TOTAL	22	867,285	100,915	11.6%	0	0.0%	100,915	11.6%	10.7%	766,370	(8,462)	(8,462)	-	-	\$1.98

SHADELANDS

A	2	174,807	45,496	26.0%	-	-	45,496	26.0%	24.2%	129,311	(3,110)	(3,110)	-	-	\$2.00
B	28	1,097,335	217,763	19.8%	139,579	12.7%	357,342	32.6%	31.4%	739,993	(9,265)	(9,265)	-	-	\$1.70
C	15	402,758	19,241	4.8%	0	0.0%	19,241	4.8%	4.6%	383,517	(22,402)	(22,402)	-	-	\$1.67
TOTAL	45	1,674,900	282,500	16.9%	139,579	8.3%	422,079	25.2%	24.2%	1,252,821	(34,777)	(34,777)	-	-	\$1.75

MARTINEZ

B	7	243,326	66,803	27.5%	0	0.0%	66,803	27.5%	30.3%	176,523	10,194	10,194	-	-	\$1.67
C	7	195,912	81,212	41.5%	8,490	0	89,702	45.8%	41.5%	106,210	(12,914)	(12,914)	-	-	\$1.21
TOTAL	14	439,238	148,015	33.7%	8,490	1.9%	156,505	35.6%	35.3%	282,733	(2,720)	(2,720)	-	-	\$1.42

LAMORINDA

A	6	248,204	28,622	11.5%	3,045	1.2%	31,667	12.8%	15.8%	216,537	7,533	7,533	-	-	\$2.97
B	24	632,960	42,016	6.6%	0	0.0%	42,016	6.6%	9.7%	590,944	19,071	19,071	-	-	\$1.80
C	4	75,910	11,026	14.5%	-	-	11,026	14.5%	14.5%	64,884	7,157	7,157	-	-	\$2.18
TOTAL	34	957,074	81,664	8.5%	3,045	0.3%	84,709	8.9%	11.6%	872,365	33,761	33,761	-	-	\$2.26

ALAMO/DANVILLE

A	3	126,821	25,754	20.3%	-	-	25,754	20.3%	25.8%	101,067	7,005	7,005	-	-	\$2.07
B	27	541,793	64,008	11.8%	1,393	0.3%	65,401	12.1%	18.4%	476,392	39,875	39,875	-	-	\$2.26
C	6	112,590	24,746	22.0%	-	-	24,746	22.0%	22.8%	87,844	969	969	-	-	\$1.87
TOTAL	36	781,204	114,508	14.7%	1,393	0.2%	115,901	14.8%	20.3%	665,303	47,849	47,849	-	-	\$2.13

MARKET TOTAL

A	55	7,667,086	1,505,246	19.6%	149,098	1.9%	1,654,344	21.6%	20.5%	6,012,742	(82,362)	(82,362)	-	-	\$2.43
B	171	5,323,745	805,556	15.1%	147,989	2.8%	953,545	17.9%	19.0%	4,370,200	83,670	83,670	-	-	\$1.85
C	98	2,389,312	335,116	14.0%	19,445	0.8%	354,561	14.8%	14.1%	2,034,751	(69,211)	(69,211)	-	-	\$1.47
TOTAL	324	15,380,143	2,645,918	17.2%	316,532	2.1%	2,962,450	19.3%	19.0%	12,417,693	(67,903)	(67,903)	-	-	\$2.13

QUARTERLY COMPARISON AND TOTALS

Q1-10	324	15,380,143	2,645,918	17.2%	316,532	2.1%	2,962,450	19.3%	19.0%	12,417,693	(67,903)	(67,903)	-	-	\$2.13
Q4-09	324	15,406,333	2,586,603	16.8%	336,320	2.2%	2,922,923	19.0%	18.9%	12,483,410	(55,892)	(367,099)	-	-	\$2.12
Q3-09	324	15,411,449	2,610,326	16.9%	296,248	1.9%	2,906,574	18.9%	17.4%	12,504,875	(201,811)	(509,023)	-	-	\$2.18
Q2-09	324	15,409,448	2,332,047	15.1%	341,667	2.2%	2,673,714	17.4%	17.1%	12,735,734	(97,093)	(307,212)	0	-	\$2.22
Q1-09	324	15,487,593	2,274,738	14.7%	376,668	2.4%	2,651,406	17.1%	15.8%	12,836,187	(207,839)	(207,839)	3,593	-	\$2.29

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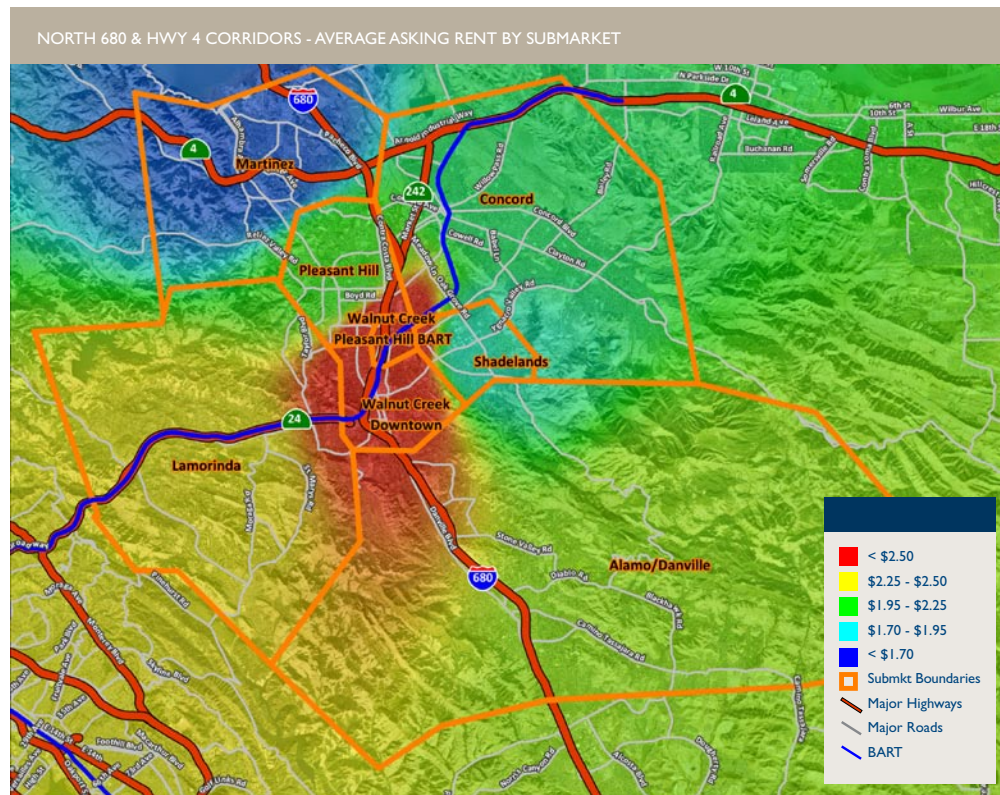
absorption, 34,777 square feet during this time period. Vacancy climbed to 25.2%. Vacancy has risen by more than 40% in the last two years. Average asking rents in Shadelands were \$1.73 per square foot during the first quarter.

Though it is one of the smallest submarkets, Martinez continued to have the highest vacancy rate in the North I-680 Corridor by a wide margin. Vacancy climbed by 1.4 percentage points to 35.6% in the first quarter. Martinez had 2,720 square feet of negative net absorption during the first quarter after having positive net absorption in the previous quarter. Average asking rent was \$1.42 per square foot across all classes.

The boutique Lamorinda submarket had the best conditions of any submarket in the North I-680 Corridor. Average asking rents climbed

slightly to \$2.26 per square foot, a \$0.03 per square foot increase from the previous quarter. Vacancy fell to 8.9% from 11.6%. Lamorinda had positive net absorption for the first time in four consecutive quarters, 33,761 square feet in the first quarter. We believe this market has turned though transaction velocity remains low.

The office market remains tremendously affected by the weak conditions in the broader economy. Job creation spurs office space demand and there is no apparent creator of jobs. Lowering rents has actually been the best recourse for most landlords looking to move surplus office space. The weakest markets are leasing at or below cost. The economy is no longer in free fall, but how long it will take to improve GDP, spur job creation and realize positive net absorption in the office market remains to be seen.



294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia Pacific 64
EMEA 97

\$48.1 billion in annual transaction
volume

1.1 billion square feet under
management

12,729 Professionals

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