

RESEARCH & FORECAST REPORT



Walnut Creek Rents Rising; Exceed 2007 Rates

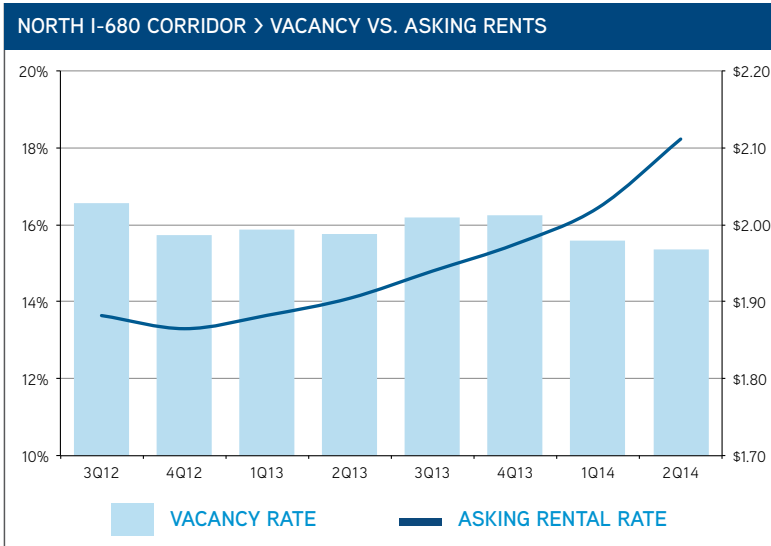
The North I-680 leasing market showed modest improvement during the second quarter 2014. Class A vacancy decreased 90 basis points to 14.1 percent, Class B vacancy increased 60 basis points to 14.5 percent and Class C vacancy increased 10 basis points to 21.5 percent. These changes combined to result in total vacancy falling 20 basis points to 15.4 percent. The market as a whole absorbed 40,628 square feet, putting year-to-date net absorption at 158,064 square feet.

The Walnut Creek Downtown submarket registered positive net absorption in the second quarter. Class A vacancy decreased 80 basis points to 13.4 percent. Class A registered 21,737 square feet of net absorption during the quarter, a seven quarter high. Class B registered 5,551 square feet of net absorption as vacancy fell 40 basis points to 12.1 percent

The Walnut Creek Pleasant Hill BART Class A submarket registered a 140 basis point decrease in vacancy. Vacancy now stands at 10.2 percent, a six year low not seen since early 2008. The submarket tracked 21,312 square feet of net absorption. There were a couple of significant lease transactions during the second quarter. Liberty Mutual expanded into 36,674 square feet on the fourth floor of Pacific Plaza; and Great American Insurance Company leased 7,427

MARKET INDICATORS

	Q2	PROJECTED Q3
VACANCY RATE	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↑	↑



Average asking rents increased significantly in the second quarter. These gains were driven by increases in the core Class A market in downtown Walnut Creek.



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

square feet on the eighth floor at Treat Towers.

Concord continued to improve during the second quarter. Class A absorbed 39,588 square feet as vacancy fell 100 basis points to 15.2 percent. Class B vacancy increased 220 basis points to 19.0 percent. Class C vacancy remained flat at 27.8 percent. Class A leasing activity increased as several tenants took large blocks of space. AmTrust North America leased the seventh floor totaling 24,064 square feet at Swift Plaza. In the same building, AIG leased 19,190 square feet on the eighth floor. These will be the first new tenants to move in to the office park since Swift purchased the property in middle 2011. Contra Costa County signed a long term lease of 17,960 square feet, taking the entire second floor of building 1470 in Civic Executive Park. At Concord Gateway II, Front Line Energy Services leased 15,557 square feet on the second floor.

basis points to 29.4 percent. Class A vacancy in the submarket has reached a historic high of 43.9 percent.

There were several significant sales transactions in the second quarter. In the Shadelands, the 60,000 square foot office/flex building at 2625 Shadelands Drive sold to TSM Investments. In Martinez, an 11,567 square foot Class C office building at 1805 Arnold Drive sold; Nancy Thompson was the buyer. 1931 San Miguel Drive in Walnut Creek sold. The property is a 9,500 square foot Class B office building. 1931 San Miguel Partners were the buyer. In Danville, the 6,909 square foot Class B office building at 55 Oak Court sold to the Fjeld Family.

The Shadelands submarket registered 48,757 square feet of negative net absorption in the second quarter as vacancy increased 250

SIGNIFICANT TRANSACTIONS

SALES ACTIVITY

PROPERTY NAME/ADDRESS	SALES DATE	SIZE SF	BUYER	CLASS
2625 Shadelands Drive	Jun-14	60,000	TSM Investment Corp	C
1805 Arnold Drive	May-14	11,567	Nancy Thompson	C
1931 San Miguel Drive	May-14	8,667	1931 San Miguel Partners	B
55 Oak Court	May-14	6,909	Fjeld Family	B
522-524 Hartz Avenue	May-14	5,425	---	C

LEASING ACTIVITY

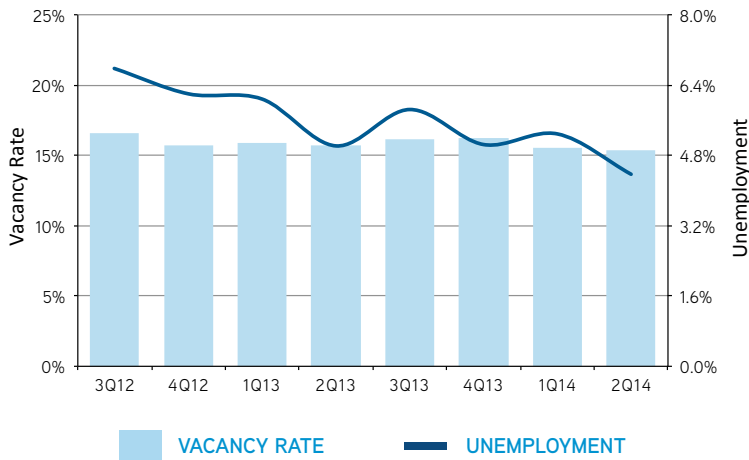
PROPERTY NAME/ADDRESS	LEASE DATE	SIZE SF	TENANT	CLASS
Pacific Plaza	Jun-14	36,674	Liberty Mutual	A
Swift Plaza	May-14	24,064	AmTrust North America	A
Swift Plaza	Jun-14	19,190	AIG	A
Civic Executive Park	Jun-14	17,960	Contra Costa County	B
Concord Gateway II	Jun-14	15,557	Front Line Energy Services	A
Treat Towers	Apr-14	7,427	Great American Insurance Company	A
Mt Diablo Plaza	Apr-14	4,656	New American Funding	A
Diablo Oak Centre	Apr-14	4,590	RPM Mortgage	B

Q2 2014 | MARKET COMPARISONS

OFFICE MARKET

		Existing Properties							Absorption		Construction		Rents	
TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PREVIOUS QUARTER	NET ABSORPTION CURRENT SF	NET ABSORPTION YTD SF	COMPLETED CURRENT QTR SF	UNDER CONSTRUCT. SF	WEIGHTED ASKING RENTAL RATE
WALNUT CREEK DT														
A	20	2,745,998	332,559	12.1%	35,871	1.3%	368,430	13.4%	14.2%	21,737	25,219	-	-	\$3.05
B	53	1,502,947	181,993	12.1%	0	0.0%	181,993	12.1%	12.5%	5,551	20,714	-	-	\$2.27
C	22	487,569	40,556	8.3%	1,268	0.3%	41,824	8.6%	8.0%	(3,043)	(1,885)	-	-	\$1.96
Total	95	4,736,514	555,108	11.7%	37,139	0.8%	592,247	12.5%	13.0%	24,245	44,048	-	-	\$2.73
WALNUT CREEK PH BART														
A	10	1,623,999	166,394	10.2%	0	0.0%	166,394	10.2%	11.6%	21,312	66,961	-	-	\$2.88
B	4	164,226	13,452	8.2%	4,952	3.0%	18,404	11.2%	11.2%	-	(4,638)	-	-	\$2.07
Total	14	1,788,225	179,846	10.1%	4,952	0.3%	184,798	10.3%	11.5%	21,312	62,323	-	-	\$2.80
CONCORD														
A	17	3,901,864	509,186	13.0%	82,790	2.1%	591,976	15.2%	16.2%	39,588	32,009	-	-	\$2.08
B	36	1,028,347	195,072	19.0%	0	0.0%	195,072	19.0%	16.8%	(22,322)	(3,107)	-	-	\$1.62
C	36	988,165	274,970	27.8%	0	0.0%	274,970	27.8%	27.8%	162	3,461	-	-	\$1.39
Total	89	5,918,376	979,228	16.5%	82,790	1.4%	1,062,018	17.9%	18.2%	17,428	32,363	-	-	\$1.82
PLEASANT HILL														
A	2	188,131	61,708	32.8%	0	0.0%	61,708	32.8%	34.1%	2,533	(1,952)	-	-	\$2.45
B	16	752,263	28,465	3.8%	0	0.0%	28,465	3.8%	6.7%	21,870	21,757	-	-	\$1.83
C	14	240,671	11,243	4.7%	0	0.0%	11,243	4.7%	5.5%	2,023	9,127	-	-	\$1.50
Total	32	1,181,065	101,416	8.6%	0	0.0%	101,416	8.6%	10.8%	26,426	28,932	-	-	\$2.17
SHADELANDS														
A	2	174,807	76,744	43.9%	0	0.0%	76,744	43.9%	38.7%	(9,177)	(13,781)	-	-	\$1.85
B	30	1,327,320	362,529	27.3%	18,400	1.4%	380,929	28.7%	25.4%	(43,931)	(41,728)	-	-	\$1.79
C	16	423,477	108,674	25.7%	0	0.0%	108,674	25.7%	26.7%	4,351	1,722	-	-	\$1.65
Total	48	1,925,604	547,947	28.5%	18,400	1.0%	566,347	29.4%	26.9%	(48,757)	(53,787)	-	-	\$1.76
MARTINEZ														
B	8	258,326	12,197	4.7%	0	0.0%	12,197	4.7%	5.6%	2,201	55,644	-	-	\$1.50
C	9	266,864	107,389	40.2%	0	0.0%	107,389	40.2%	40.2%	-	-	-	-	\$1.40
Total	17	525,190	119,586	22.8%	0	0.0%	119,586	22.8%	23.2%	2,201	55,644	-	-	\$1.41
LAMORINDA														
A	6	248,205	1,027	0.4%	0	0.0%	1,027	0.4%	2.0%	3,860	3,860	-	-	\$3.35
B	26	621,572	58,636	9.4%	0	0.0%	58,636	9.4%	8.9%	(3,489)	(10,114)	-	-	\$2.54
C	5	128,454	27,599	21.5%	0	0.0%	27,599	21.5%	16.1%	(6,926)	(12,535)	-	-	\$2.25
Total	37	998,231	87,262	8.7%	0	0.0%	87,262	8.7%	8.1%	(6,555)	(18,789)	-	-	\$2.46
ALAMO/DANVILLE														
A	3	126,821	4,464	3.5%	0	0.0%	4,464	3.5%	3.5%	-	2,110	-	-	\$2.35
B	28	552,793	21,271	3.8%	1,540	0.3%	22,811	4.1%	4.8%	3,540	4,432	-	-	\$2.38
C	12	203,913	17,673	8.7%	0	0.0%	17,673	8.7%	9.1%	788	788	-	-	\$2.13
Total	43	883,527	43,408	4.9%	1,540	0.2%	44,948	5.1%	5.6%	4,328	7,330	-	-	\$2.28
MARKET TOTAL														
A	60	9,009,825	1,152,082	12.8%	118,661	1.3%	1,270,743	14.1%	15.0%	79,853	114,426	-	-	\$2.24
B	201	6,207,794	873,615	14.1%	24,892	0.4%	898,507	14.5%	13.9%	(36,580)	42,960	-	-	\$1.92
C	114	2,739,113	588,104	21.5%	1,268	0.0%	589,372	21.5%	21.4%	(2,645)	678	-	-	\$1.54
Total	375	17,956,732	2,613,801	14.6%	144,821	0.8%	2,758,622	15.4%	15.6%	40,628	158,064	-	-	\$1.99
QUARTERLY COMPARISON AND TOTALS														
2Q-14	375	17,956,732	2,613,801	14.6%	144,821	0.8%	2,758,622	15.4%	15.6%	40,628	158,064	-	-	\$1.99
1Q-14	375	17,956,732	2,621,586	14.6%	177,664	1.0%	2,799,250	15.6%	16.2%	117,436	117,436	-	-	\$1.92
4Q-13	375	17,956,732	2,690,266	15.0%	226,420	1.3%	2,916,686	16.2%	16.2%	(8,987)	(93,527)	-	-	\$1.88
3Q-13	375	17,956,732	2,702,205	15.0%	205,494	1.1%	2,907,699	16.2%	15.5%	(126,297)	(84,540)	-	-	\$1.87
2Q-13	375	18,012,602	2,625,368	14.6%	159,688	0.9%	2,785,056	15.5%	15.6%	20,936	41,757	-	-	\$1.84

NORTH I-680 > TOTAL VACANCY VS. UNEMPLOYMENT



N-680 unemployment now stands at 4.4%, the lowest figure since 2Q08.

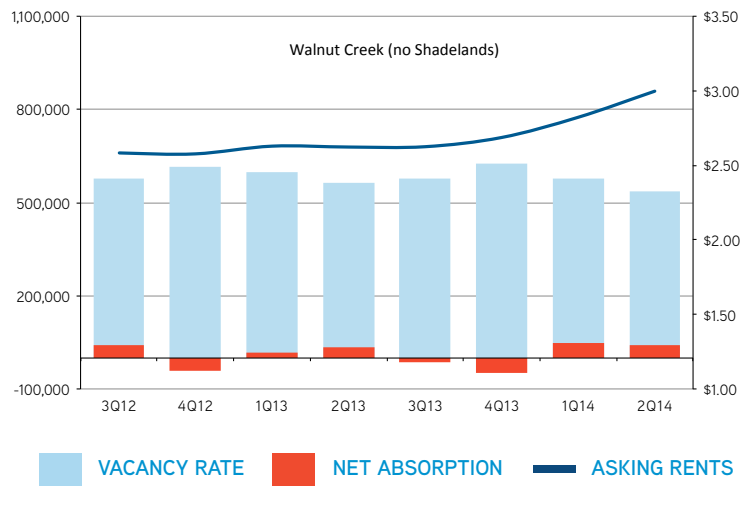
485 offices in 63 countries on 6 continents

United States: 146
 Canada: 44
 Latin America: 25
 Asia Pacific: 186
 EMEA: 84

- > \$2.1 Billion in annual revenue
- > 1.46 Billion* square feet under management
- > Over 15,800 professionals

*Square footage includes office, industrial and retail property under management. Residential property is excluded from this total. All statistics are for 2013.

CLASS A > DOWNTOWN WALNUT CREEK / PLEASANT HILL BART > VACANCY RATE VS. NET ABSORPTION VS. ASKING RENTS



Average asking rents in Walnut Creek are passing \$3.00 per square foot.

COLLIERS INTERNATIONAL

1850 Mt. Diablo Blvd. Suite 200
 Walnut Creek, CA 94596
 TEL +1 925 279 0120
 FAX +1 925 279 0450

MANAGING PARTNER:

Brooks Pedder, SIOR
 Executive Managing Director
 Executive Vice President
 TEL +1 925 279 5581
 CA License No. 00902154

RESEARCHER:

Derek Daniels, CPRC
 Research Analyst II
 TEL +1 925 279 4620

This report and other research materials may be found at www.colliers.com. This report is a research document of Colliers International - Walnut Creek, California. Questions related to information herein should be directed to the Research Department at +1 925 279 4620. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports. © 2014 Colliers International.



Accelerating success.