

NORTH I-680 CORRIDOR | OFFICE

Q2 2018

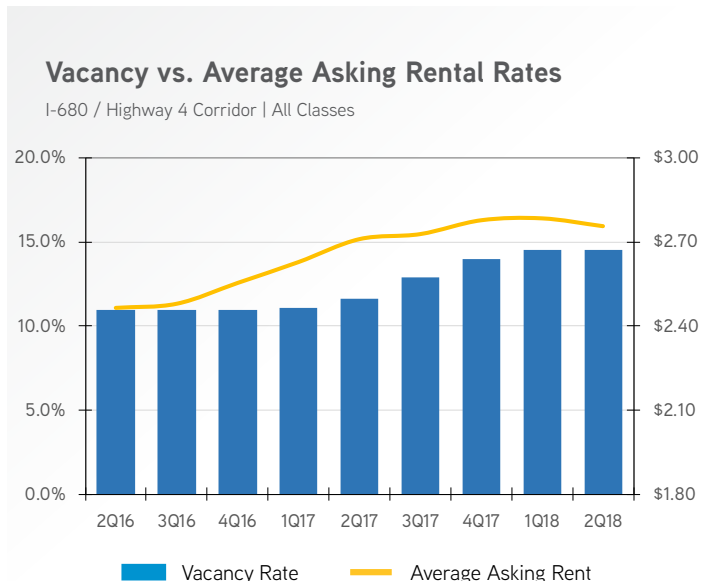
Accelerating success.

Holding Steady

- > Office Inventory: 16,998,288 Square Feet
- > Vacancy: 14.5 percent
- > Net absorption: 25,027 square feet year-to-date

Over the past several years, the North I-680 Corridor's office market has had unprecedented growth. Due in part to the explosive markets in San Francisco and Oakland, the North I-680 Corridor has reaped the benefits of proximity; experiencing record highs in asking rents and the lowest vacancy rates in more than ten years. With that in mind, the market appears to be leveling off as vacancy remained at 14.5 percent, the same as the previous quarter. While the vacancy rate has been slowly increasing, we may have seen the peak of rental rates.

Rents are still at relatively high levels for the region. Downtown Walnut Creek Class A rents are at \$3.95 per square foot, a \$0.07 decrease from the previous quarter. Concord Class A rents are \$2.65 per square foot, from \$2.72 the same period. On the other hand Pleasant Hill BART Class A rent increased to \$3.91, an \$0.11



Vacancy rates in the North I-680 Corridor stalled in 2Q18 at 14.5 percent. Asking rental rates in the region decreased to \$2.76 per square foot.

Market Indicators

Unemployment Rate
North I-680 Corridor

10-Year Nominal
Interest Rate

Consumer
Confidence



Market Trends

Relative to prior period	Q2 2018	Q3 2018*
Vacancy	↔	↓
Net Absorption	↑	↑
Construction	↔	↔
Rental Rate	↓	↔

*Projected

Summary Statistics

Q2 Walnut Creek Office Market	Previous Quarter	Current Quarter
Overall Vacancy Rate	14.5	14.5
Net Absorption	-88,840	113,867
Overall Asking Rents	\$2.78	\$2.76
Class A Asking Rents	\$3.24	\$3.20
Class B Asking Rents	\$2.30	\$2.36
Class C/Flex Asking Rents	\$1.79	\$1.81

*Asking Rents Reported Monthly

U.S. Market Economic Indicators

Unemployment Rate (N.I-680)	3.0%	2.3%
Labor Force Participation Rate	63.0%	62.9%
Consumer Price Index	2.48%	2.52%
Interest Rate - 10 Yr Treasury	2.74%	2.85%
Business Confidence Index	101.5	101.36
Consumer Confidence Index	127.7	126.4

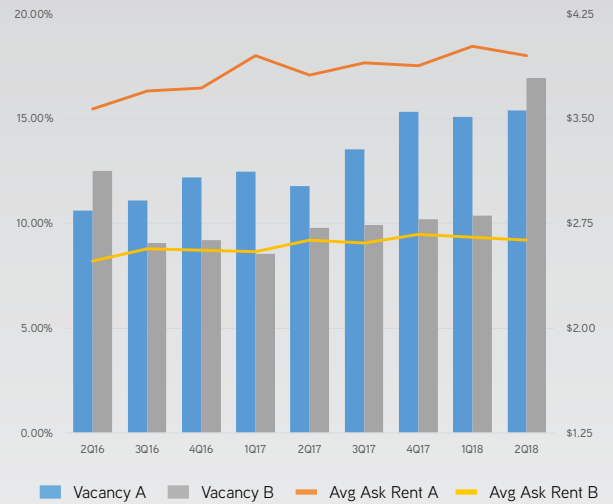
increase from last quarter. Class B rents have increased to \$2.36 per square foot, an increase from \$2.30 over the same period. Overall average asking rents dipped to \$2.76 per square foot, a \$0.02 decrease from last quarter.

The North I-680 Corridor’s vacancy appears to have approached a standstill, with the overall vacancy rate registering 14.5 percent for the second consecutive quarter; resulting in an admittedly anemic, yet positive, 113,867 square feet of net absorption. The Shadelands, Pleasant Hill, Pleasant Hill BART, and Concord submarkets each experienced absorption of 19,000 square feet or more during this past quarter. Downtown Walnut Creek would have also had positive net absorption if not for Montego Ridge, a 120,000 square foot vacant Class B office park being added to the inventory.

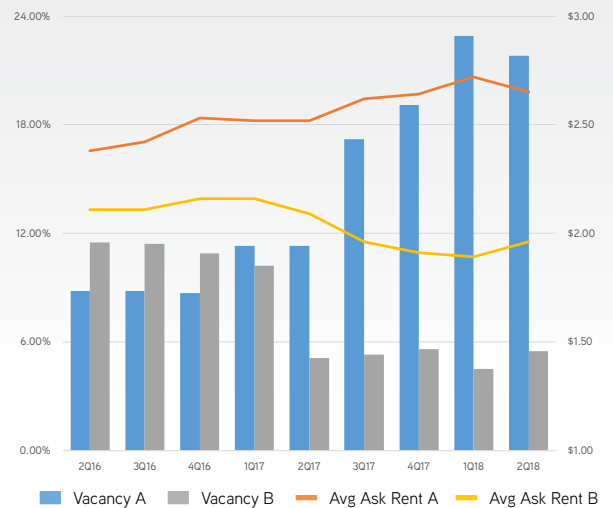
Sales velocity is still performing well as we move into the second half of 2018. 1855 Olympic Boulevard, a 51,072 square foot Class B building in Walnut Creek sold for \$8,285,000 to Hall Equities Group. 2255 Ygnacio Valley Road, a 36,690 square foot Class C building in Walnut Creek sold for \$7,115,978 to Patrick & Denise Ellwood. 1910 North Broadway, a 6,400 square foot Class C building also in Walnut Creek sold for \$6,508,000. In regards to leasing, Wells Fargo leased 51,046 square feet at 2001 Clayton Road in Concord. United States of America leased 20,524 square feet at 391 Taylor Boulevard in Pleasant Hill. Lastly, Level 3 Communications leased 14,352 square feet at 1340 Treat Boulevard in Walnut Creek.

As we move halfway into 2018, we finally have our first glimpse of rental rates receding for the first time in six years. Although the vacancy rate has flattened out at 14.5 percent, there is no shortage of deals being done in the region. Brokers have indicated that several blocks of sublease space is becoming available Q318, which will further hamper asking rates in the region. With asking rents plateauing and a stagnating vacancy rate, we expect the leasing activity to continue into the next quarter which will decrease vacancy.

Vacancy vs. Average Asking Rental Rates Downtown Walnut Creek



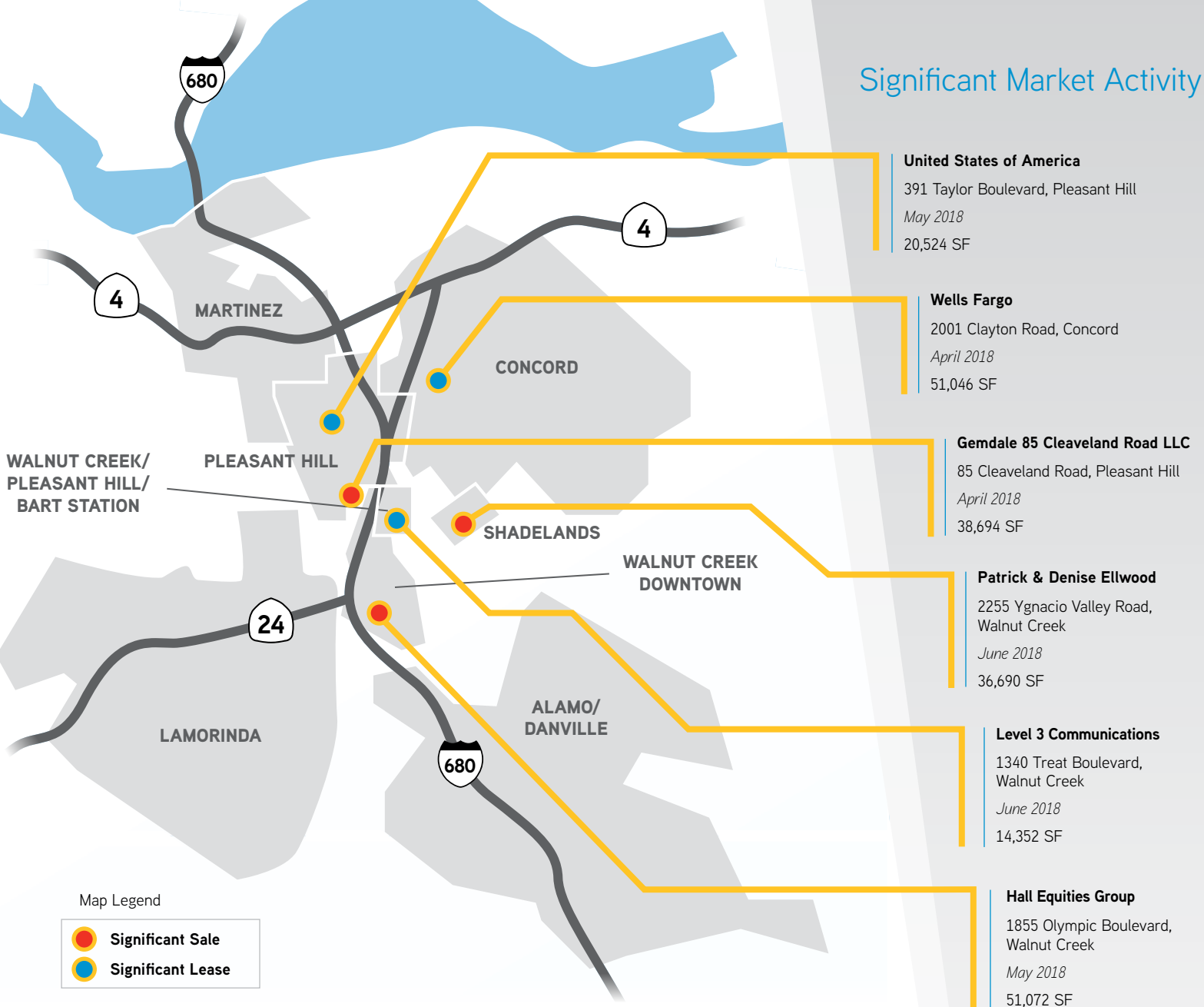
Vacancy vs. Average Asking Rental Rates Concord



Across the North I-680 Corridor Class A vacancy decreased to 16.4 percent, from 17.2 percent the previous quarter. Rents in the same segment decreased by \$0.04 to \$3.20 per square foot during the same period.

Class A Office, Metroplex Office Centre
1401 Willow Pass Road, Concord

Significant Market Activity



Significant Leases

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
2001 Clayton Road, Concord	April 2018	51,046	Wells Fargo	Direct
391 Taylor Boulevard, Pleasant Hill	May 2018	20,524	United States of America	Direct
1340 Treat Boulevard, Walnut Creek	June 2018	14,352	Level 3 Communications	Direct
2300 Clayton Road, Concord	June 2018	13,022	Towill	Direct

Significant Sales

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
1855 Olympic Boulevard, Walnut Creek	May 2018	51,072	Hall Equities Group	Investment
85 Cleaveland Road, Pleasant Hill	April 2018	38,694	Gemdale 85 Cleaveland Road LLC	Investment
2255 Ygnacio Valley Road, Walnut Creek	June 2018	36,690	Patrick & Denise Ellwood	Investment
1485 Civic Court, Concord	May 2018	32,741	1485 Civic LLC	Investment

Market Comparisons – Walnut Creek

OFFICE MARKET

TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETED CURRENT QTR SF	UNDER CONSTRUCTION SF	WEIGHTED AVG ASKING RENTAL RATE
WALNUT CREEK DOWNTOWN														
A	20	2,745,998	389,196	14.2%	33,089	1.2%	422,285	15.4%	15.1%	(8,261)	(1,089)	-	-	\$3.95
B	55	1,616,529	272,969	16.9%	1,079	0.1%	274,048	17.0%	10.4%	3,267	758	-	-	\$2.63
C	20	437,751	27,024	6.2%	-	0.0%	27,024	6.2%	6.7%	2,456	8,581	-	-	\$2.10
Total	95	4,800,278	689,189	14.4%	34,168	0.7%	723,357	15.1%	12.8%	(2,538)	8,250	-	-	\$3.38
WALNUT CREEK PH BART														
A	9	1,540,420	99,243	6.4%	20,982	1.4%	120,225	7.8%	9.3%	22,999	96,323	-	-	\$3.91
B	3	107,034	30,060	28.1%	7,868	7.4%	37,928	35.4%	20.7%	(3,882)	(13,763)	-	-	\$2.86
Total	14	1,647,454	129,303	7.8%	28,850	1.8%	158,153	9.6%	10.4%	19,117	82,560	-	-	\$3.66
CONCORD														
A	16	3,351,886	686,865	20.5%	42,576	1.3%	729,441	21.8%	22.9%	41,073	(69,635)	-	-	\$2.65
B	37	1,081,716	57,787	5.3%	1,533	0.1%	59,320	5.5%	4.5%	(10,216)	1,076	-	-	\$1.96
C	34	925,403	85,152	9.2%	3,717	0.4%	88,869	9.6%	8.5%	(9,930)	(9,397)	-	-	\$1.85
Total	87	5,359,005	829,804	15.5%	47,826	0.9%	877,630	16.4%	16.7%	20,927	(77,956)	-	-	\$2.52
PLEASANT HILL														
A	2	188,131	30,147	16.0%	-	0.0%	30,147	16.0%	18.9%	5,394	5,394	-	-	\$3.18
B	16	752,263	30,331	4.0%	2,016	0.3%	32,347	4.3%	8.2%	29,304	47,083	-	-	\$2.25
C	14	240,671	39,707	16.5%	-	0.0%	39,707	16.5%	16.5%	-	(2,583)	-	-	\$1.58
Total	32	1,181,065	100,185	8.5%	2,016	0.2%	102,201	8.7%	11.6%	34,698	49,894	-	-	\$2.26
SHADELANDS														
A	2	174,807	23,897	13.7%	1,672	1.0%	25,569	14.6%	22.9%	14,511	16,720	-	-	\$2.25
B	27	1,113,753	307,135	27.6%	-	0.0%	307,135	27.6%	29.4%	20,167	(38,754)	-	-	\$2.04
C	13	310,329	32,255	10.4%	-	0.0%	32,255	10.4%	8.4%	(6,291)	(7,657)	-	-	\$1.90
Total	42	1,598,889	363,287	22.7%	1,672	0.1%	364,959	22.8%	24.6%	28,387	(29,691)	-	-	\$2.04
MARTINEZ														
B	8	258,326	9,958	3.9%	-	0.0%	9,958	3.9%	4.5%	1,670	1,448	-	-	\$1.85
C	9	266,864	77,504	29.0%	-	0.0%	77,504	29.0%	32.2%	8,490	4,990	-	-	\$1.65
Total	17	525,190	87,462	16.7%	-	0.0%	87,462	16.7%	18.6%	10,160	6,438	-	-	\$1.67
LAMORINDA														
A	6	248,205	31,613	12.7%	10,454	4.2%	42,067	16.9%	14.3%	(6,474)	(6,584)	-	-	\$4.08
B	25	603,374	18,713	3.1%	-	0.0%	18,713	3.1%	4.6%	9,244	13,294	-	-	\$2.69
C	5	128,454	19,098	14.9%	1,300	1.0%	20,398	15.9%	19.2%	4,207	(3,299)	-	-	\$2.30
Total	36	980,033	69,424	7.1%	11,754	1.2%	81,178	8.3%	9.0%	6,977	3,411	-	-	\$3.31
ALAMO/DANVILLE														
A	3	129,469	1,992	1.5%	-	0.0%	1,992	1.5%	1.5%	-	-	-	-	\$3.00
B	30	572,992	44,289	7.7%	2,688	0.5%	46,977	8.2%	7.5%	(3,861)	(13,617)	-	-	\$2.96
C	12	203,913	24,328	11.9%	538	0.3%	24,866	12.2%	12.2%	-	(4,262)	-	-	\$1.76
Total	45	906,374	70,609	7.8%	3,226	0.4%	73,835	8.1%	7.7%	(3,861)	(17,879)	-	-	\$2.56

MARKET TOTAL

A	58	8,378,916	1,262,953	15.1%	108,773	1.3%	1,371,726	16.4%	17.2%	69,242	41,129	-	-	\$3.20
B	201	6,105,987	771,242	12.6%	15,184	0.2%	786,426	12.9%	11.8%	45,693	(2,475)	-	-	\$2.36
C	107	2,513,385	305,068	12.1%	5,555	0.2%	310,623	12.4%	12.3%	(1,068)	(13,627)	-	-	\$1.81
Total	366	16,998,288	2,339,263	13.8%	129,512	0.8%	2,468,775	14.5%	14.5%	113,867	25,027	-	-	\$2.76

QUARTERLY COMPARISON AND TOTALS

2Q-18	366	16,998,288	2,339,263	13.8%	129,512	0.8%	2,468,775	14.5%	14.5%	113,867	25,027	-	-	\$2.76
1Q-18	365	16,931,340	2,297,084	13.6%	161,418	1.0%	2,458,502	14.5%	14.0%	(88,840)	(88,840)	-	-	\$2.78
4Q-17	364	16,926,446	2,042,422	12.1%	322,346	1.9%	2,364,768	14.0%	12.9%	(181,933)	(562,879)	-	-	\$2.78
3Q-17	364	16,926,446	1,920,560	11.3%	262,275	1.5%	2,182,835	12.9%	11.6%	(212,768)	(380,946)	-	-	\$2.73
2Q-17	364	16,926,446	1,651,422	9.8%	319,645	1.9%	1,971,067	11.6%	11.1%	(97,974)	(168,178)	-	-	\$2.71

69 countries

\$2.7

billion in
annual revenue

2.0

billion square feet
under management

15,400

professionals
and staff

\$116

billion in
total transaction value

*All statistics are for 2017 are in U.S. dollars and include affiliates.

COLLIERS INTERNATIONAL | WALNUT CREEK

1850 Mt. Diablo Boulevard, Suite 200
Walnut Creek, CA 94596

+1 925 279 0120

MARKET CONTACTS:

Scott Ellis, SIOB
Executive Managing Director
CA License No. 00713974
+1 925 279 5575
scott.ellis@colliers.com

Cristian Villarreal
Market Research Analyst
+1 925 279 5579
Cristian.Villarreal@colliers.com



About Colliers International

Colliers International Group Inc. (NASDAQ: CIGI) (TSX: CIGI) is a top tier global real estate services and investment management company operating in 69 countries with a workforce of more than 12,000 professionals. Colliers is the fastest-growing publicly listed global real estate services and investment management company, with 2017 corporate revenues of \$2.3 billion (\$2.7 billion including affiliates). With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide, and through its investment management services platform, has more than \$20 billion of assets under management from the world's most respected institutional real estate investors.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.

Colliers is led by an experienced leadership team with a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.

For the latest news from Colliers, visit Colliers.com or follow us on [Twitter: @Colliers](#) and [LinkedIn](#).

colliers.com/walnutcreek

Copyright © 2018 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.