

NORTH I-680 CORRIDOR | OFFICE

Q2 2019

Accelerating success.

Ebb & Flow

- > Office Inventory: 16,968,736 square feet
- > Vacancy: 15.2 percent
- > Net absorption: 1,583 square feet year-to-date

While the North I-680 Corridor has performed very well in recent years, market activity and demand has slowed. Vacancy decreased to 15.2 percent, from 15.4 percent the previous quarter. Although vacancy has stabilized, rental rates continue on an upward trend. In comparison to competitive rates from the San Francisco, South Bay, or Oakland submarkets, the North I-680 Corridor remains the office space bargain capital of the Bay Area.

Class A rents overall are at \$3.46 per square foot, a \$0.01 increase over the last quarter. Class B rents have increased to \$2.50 per square foot from \$2.44 over the same period. Overall average asking rents increased to \$2.99 per square foot, a \$0.03 increase from the prior quarter. This is the fourth consecutive quarter of setting an all-time high for asking rates in the North I-680 Corridor.

Although the region's asking rents are performing well, the vacancy rate has been flat. Overall, the North I-680 Corridor's

Market Indicators

Unemployment Rate N. I-680 Corridor 10-Year Nominal Interest Rate Consumer Confidence



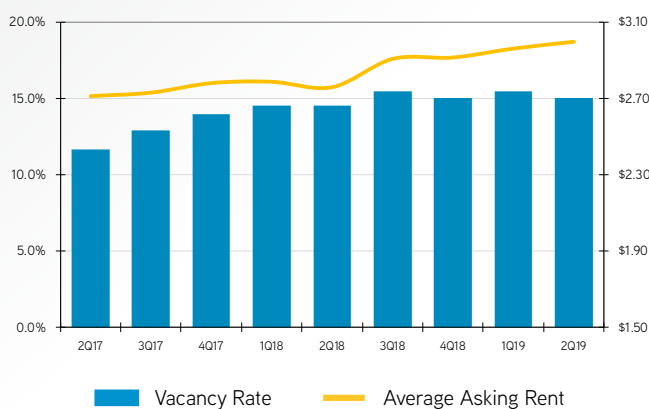
Market Trends

Relative to prior period	Q2 2019	Q3 2019*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↔	↔
Rental Rate	↑	↔

*Projected

Vacancy vs. Average Asking Rental Rates

I-680 / Highway 4 Corridor | All Classes



Vacancy rates in the North I-680 Corridor slightly decreased in 2Q19 to 15.2 percent. Asking rental rates in the region increased to \$2.99 per square foot.

Summary Statistics

Q2 Walnut Creek Office Market	Previous Quarter	Current Quarter
Overall Vacancy Rate	15.4%	15.2%
Net Absorption	(71,238)	72,821
Overall Asking Rents	\$2.96	\$2.99
Class A Asking Rents	\$3.45	\$3.46
Class B Asking Rents	\$2.44	\$2.50
Class C/Flex Asking Rents	\$1.89	\$1.95

*Asking Rents Reported Monthly

U.S. Market Economic Indicators

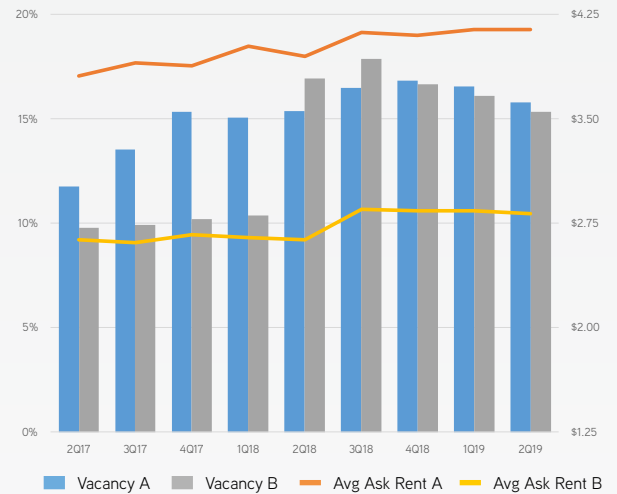
Unemployment Rate (N.I-680)	2.9%	2.2%
Labor Force Participation Rate	63.2%	62.9%
Consumer Price Index	2.52%	2.56%
Interest Rate - 10 Yr Treasury	2.41%	2.00%
Business Confidence Index	100.21	99.64
Consumer Confidence Index	124.1	121.5

vacancy rate is at 15.2 percent, a decrease of two basis points since last quarter. Net absorption during the quarter was 72,821 square feet. Available sublease space is at 241,536 square feet, an increase of nearly 37,000 square feet from the previous quarter. Although absorption was slightly positive this quarter, brokers caution that smaller firms that used to incubate tougher existing office spaces are instead opting to work remotely or off-site.

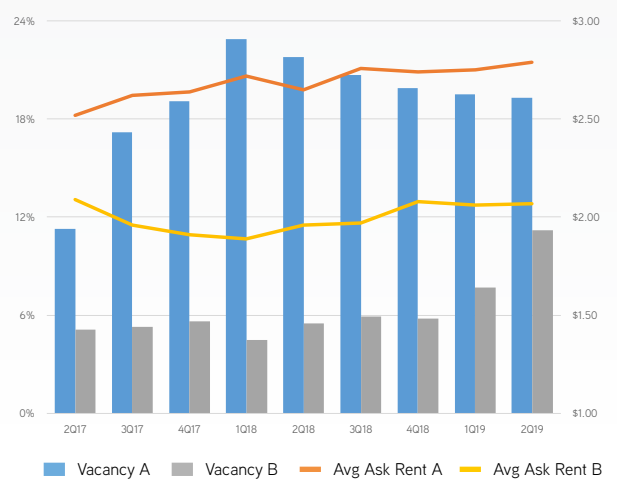
In regards to leasing, San Francisco Fire Credit Union took 22,761 square feet at 2300 Clayton Road in Concord. Contra Costa County Employees Retirement Association leased 21,527 square feet at 1200 Concord Avenue in Concord. Chicago Title leased 14,835 square feet also at 1200 Concord Avenue in Concord. Securitas leased 11,202 square feet at 1800 Sutter Street in Concord. Sales activity this past quarter was light. 2367 Shadelands Drive, an 85,000 square foot Class C building in Walnut Creek, sold for \$41,000,000 to Montecito Realty. Muir Parkway Office Center at 1320-1350 Arnold Drive, a 93,879 square foot Class B building in Martinez, sold for \$10,000,000 to RPE Muir LLC. 3249 Mt Diablo Boulevard, a 9,924 square foot Class C building in Lafayette sold for \$4,090,000 to 1196 Boulevard Way Associates LP.

As the San Francisco, South Bay, and Oakland submarkets are experiencing dramatically escalating office rents and low vacancy rates, the North I-680 Corridor is a different story. One reason is the total lack of tech companies, which has been the backbone of the San Francisco, Peninsula, and San Jose market's upturn. Furthermore there is still downsizing occurring in Contra Costa County, in particular with major banks such as Bank of America, Wells Fargo, and Bank of the West shedding hundreds of thousands of square feet in the past few cycles. In some instances, these large banking institutions that originally escaped San Francisco are leaving California altogether. The answer to a few of these problems may come in time as working class millennials mature, become tired of the long commute times, and relocate a part or all of their businesses to the suburbs where rental rates are a fraction of those in San Francisco. Until then, we will remain the office space bargain capital of the Bay Area.

Vacancy vs. Average Asking Rental Rates Downtown Walnut Creek



Vacancy vs. Average Asking Rental Rates Concord



As asking rental rates continue to climb to record highs, the vacancy rate has buoyed. Brokers mention the near total lack of tech tenants in the market, which bolster San Francisco, Peninsula, and Oakland's office market, may be a reason for the stagnating rate.

Class A Office, Ygnacio Plaza
101 Ygnacio Valley Road,
Walnut Creek

Significant Market Activity



Significant Sales

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
1320-1350 Arnold Drive, Martinez	April 2019	93,879	RPE Muir LLC	Investment
2637 Shadelands Drive, Walnut Creek	May 2019	85,000	Montecito Realty	Investment
2440 Stanwell Drive, Concord	May 2019	11,250	Stanwell Office LLC	Investment
3249 Mount Diablo Boulevard, Lafayette	May 2019	9,924	1196 Boulevard Way Associates LP	Investment

Significant Leases

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
2300 Clayton Road, Concord	April 2019	22,761	San Francisco Fire Credit Union	Direct
1200 Concord Avenue, Concord	June 2019	21,527	Contra Costa County Employees' Retirement Association	Direct
1200 Concord Avenue, Concord	June 2019	14,835	Chicago Title	Direct
1800 Sutter Street, Concord	May 2019	11,202	Securitas	Direct

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	410,700	15.0%	22,899	0.8%	433,599	15.8%	16.6%	21,177	28,442	-	-	\$4.14
B	55	1,616,529	245,525	15.2%	2,406	0.1%	247,931	15.3%	16.6%	20,546	21,303	-	-	\$2.82
C	20	437,751	40,934	9.4%	1,100	0.3%	42,034	9.6%	5.9%	(16,211)	(11,511)	-	-	\$2.17
Total	95	4,800,278	697,159	14.5%	26,405	0.6%	723,564	15.1%	15.6%	25,512	38,234	-	-	\$3.57
WALNUT CREEK PH BART														
A	9	1,540,420	167,701	10.9%	107,702	7.0%	275,403	17.9%	19.0%	17,457	(52,152)	-	-	\$3.96
B	3	107,034	34,101	31.9%	-	0.0%	34,101	31.9%	35.5%	3,904	5,066	-	-	\$2.65
Total	12	1,647,454	201,802	12.2%	107,702	6.5%	309,504	18.8%	20.1%	21,361	(47,086)	-	-	\$3.82
CONCORD														
A	16	3,351,886	559,314	16.7%	86,521	2.6%	645,835	19.3%	19.5%	6,488	19,980	-	-	\$2.79
B	37	1,083,716	109,396	10.1%	12,115	1.1%	121,511	11.2%	7.7%	(38,560)	(56,793)	-	-	\$2.07
C	34	925,403	122,433	13.2%	-	0.0%	122,433	13.2%	11.9%	(12,251)	(18,430)	-	-	\$1.99
Total	87	5,361,005	791,143	14.8%	98,636	1.8%	889,779	16.6%	15.8%	(44,323)	(55,243)	-	-	\$2.58
PLEASANT HILL														
A	2	188,131	22,780	12.1%	-	0.0%	22,780	12.1%	11.4%	(1,408)	(1,408)	-	-	\$3.19
B	16	752,263	30,837	4.1%	2,016	0.3%	32,853	4.4%	3.8%	(4,549)	(5,235)	-	-	\$2.58
C	14	240,671	28,514	11.8%	-	0.0%	28,514	11.8%	21.3%	22,753	15,777	-	-	\$1.71
Total	32	1,181,065	82,131	7.0%	2,016	0.2%	84,147	7.1%	8.5%	16,796	9,134	-	-	\$2.45
SHADELANDS														
A	2	174,807	65,570	37.5%	-	0.0%	65,570	37.5%	39.3%	3,113	(31,628)	-	-	\$2.24
B	28	1,116,321	260,355	23.3%	-	0.0%	260,355	23.3%	27.8%	79,525	87,326	-	-	\$2.08
C	17	310,783	19,622	6.3%	428	0.1%	20,050	6.5%	6.2%	(880)	1,580	-	-	\$1.91
Total	47	1,601,911	345,547	21.6%	428	0.0%	345,975	21.6%	24.8%	81,758	57,278	-	-	\$2.10
MARTINEZ														
B	8	258,326	14,930	5.8%	-	0.0%	14,930	5.8%	3.3%	(6,314)	(6,314)	-	-	\$1.75
C	9	266,864	67,832	25.4%	-	0.0%	67,832	25.4%	25.4%	-	9,672	-	-	\$1.65
Total	17	525,190	82,762	15.8%	-	0.0%	82,762	15.8%	14.6%	(6,314)	3,358	-	-	\$1.67
LAMORINDA														
A	6	248,205	38,644	15.6%	-	0.0%	38,644	15.6%	8.1%	(18,489)	(12,296)	-	-	\$4.24
B	24	550,017	36,604	6.7%	-	0.0%	36,604	6.7%	4.8%	(10,417)	(16,493)	-	-	\$3.75
C	5	128,454	7,216	5.6%	1,300	1.0%	8,516	6.6%	16.3%	12,361	13,011	-	-	\$2.79
Total	35	926,676	82,464	8.9%	1,300	0.1%	83,764	9.0%	7.3%	(16,545)	(15,778)	-	-	\$3.88
ALAMO/DANVILLE														
A	3	129,469	1,601	1.2%	-	0.0%	1,601	1.2%	1.5%	391	391	-	-	\$3.35
B	30	572,992	41,405	7.2%	5,049	0.9%	46,454	8.1%	6.8%	(7,533)	(6,893)	-	-	\$3.14
C	16	222,696	8,172	3.7%	-	0.0%	8,172	3.7%	4.4%	1,718	18,188	-	-	\$2.85
Total	49	925,157	51,178	5.5%	5,049	0.5%	56,227	6.1%	5.5%	(5,424)	11,686	-	-	\$3.10

MARKET TOTAL

A	58	8,378,916	1,266,310	15.1%	217,122	2.6%	1,483,432	17.7%	18.0%	28,729	(48,671)	-	-	\$3.46
B	201	6,057,198	773,153	12.8%	21,586	0.4%	794,739	13.1%	13.2%	36,602	21,967	-	-	\$2.50
C	115	2,532,622	294,723	11.6%	2,828	0.1%	297,551	11.7%	12.0%	7,490	28,287	-	-	\$1.95
Total	374	16,968,736	2,334,186	13.8%	241,536	1.4%	2,575,722	15.2%	15.4%	72,821	1,583	-	-	\$2.99

QUARTERLY COMPARISON AND TOTALS

2Q-19	374	16,968,736	2,334,186	13.8%	241,536	1.4%	2,575,722	15.2%	15.4%	72,821	1,583	-	-	\$2.99
1Q-19	374	16,968,736	2,413,967	14.2%	204,576	1.2%	2,618,543	15.4%	15.0%	(71,238)	(71,238)	-	-	\$2.96
4Q-18	374	16,966,736	2,413,247	14.2%	132,058	0.8%	2,545,305	15.0%	15.4%	74,323	(35,823)	-	-	\$2.91
3Q-18	374	16,967,009	2,449,347	14.4%	170,281	1.0%	2,619,628	15.4%	14.5%	(128,775)	(103,748)	-	-	\$2.90
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

68 countries

\$3.3

billion in
annual revenue

2.0

billion square feet
under management

17,000+

professionals
and staff

\$127

billion in
total transaction value

*All statistics are for 2018 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, SIOR
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 (NASDAQ, TSX: CIG) is a leading global real estate services and investment management company. With operations in 68 countries, our 14,000 enterprising people work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 20 years, our experienced leadership team, owning more than 40% of our equity, have delivered industry-leading investment returns for shareholders. In 2018, corporate revenues were \$2.8 billion (\$3.3 billion including affiliates), with more than \$26 billion of assets under management.

Learn more about how we accelerate success at corporate.colliers.com, Twitter [@Colliers](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers).

colliers.com/walnutcreek

Copyright © 2019 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.