



WALNUT CREEK | NORTH I-680 CORRIDOR

# RESEARCH & FORECAST REPORT



## Vacancy Increases as Bank of America Vacates Concord

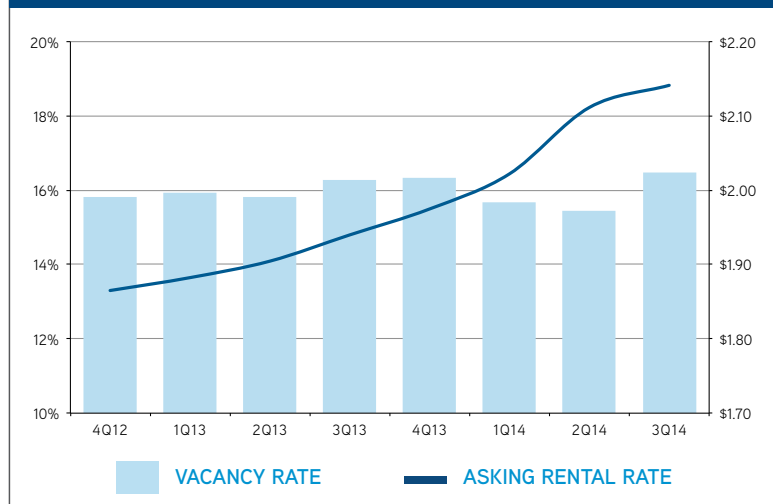
The North I-680 office market showed increased vacancy across all classes in the third quarter 2014. The market posted 272,445 square feet of negative net absorption for the quarter while registering negative 114,381 square feet year-to-date. Most of the increase in vacancy was caused by the Bank of America spaces at 1655 Grant Street, Concord becoming vacant in August. That block of space had been on the market available for lease since October 2013 but was not officially vacant until recently and did not count toward market statistics until this quarter. Had those spaces not become vacant Class A absorption would have recorded a less significant 38,872 square feet.

On a positive note, the Walnut Creek Downtown submarket registered 22,647 square feet of net absorption for the quarter as vacancy fell 50 basis points to 12.0 percent. The third quarter showed the lowest vacancy for the submarket since the fourth quarter 2008. Most of the leasing activity that contributed to positive absorption was concentrated in the Class B market as that sector absorbed 15,183 square feet. The market as a whole has absorbed 66,695 square feet year-to-date. Average asking rents for Class A space are beginning to look like 2001 rates.

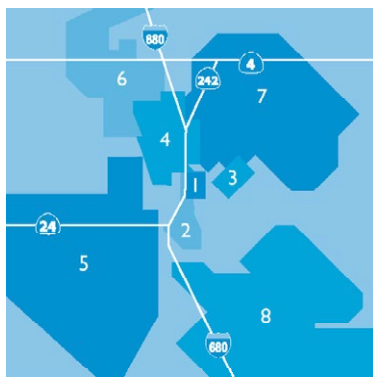
### MARKET INDICATORS

	Q3	PROJECTED Q4
VACANCY RATE	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↑	↑

NORTH I-680 CORRIDOR > VACANCY VS. ASKING RENTS



We predict a continued increase in average asking rents.



### 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

The Concord submarket saw a significant increase in Class A vacancy due to BofA's exit from the region. Class A gave back 201,663 square feet of space. Class B remained flat while Class C registered 13,039 square feet positive. Total vacancy increased 320 basis points to 21.1 percent, a historic high.

There were several significant lease transactions in the third quarter. The largest lease transaction of the quarter was Yapstone's 35,444 square foot long term sublease of the Dryer's space in California Plaza. Saxco International leased 23,907 square feet on the fourth floor at Concord Gateway II. In Walnut Creek, Diablo Clinical Research renewed their 13,106 square foot space at 2255 Ygnacio Valley Road. Yupana Tech subleased 11,411 square feet on the first floor at Civic Executive Center in Downtown Walnut Creek. The Walnut Creek Medical Group leased 8,136 square feet at 2625 Shadelands Drive. In Downtown Walnut Creek, CalPERS signed a long term renewal for 7,505 square feet on the second floor at

Pacific Plaza. Seller, Hazard, & Lucia signed a 5,519 square foot lease on the first floor at Civic Executive Center. Lastly, HPG International signed a 5,229 square foot lease on the first floor at Riviera Plaza in Downtown Walnut Creek.

Institutional sales activity remained strong in the first quarter with The Koll Company's purchase of Walnut Creek Executive Park. The twelve building office park was purchased in July. Greenlaw Partners was the seller on the transaction. Other sales for the quarter included Silvio Uno LLC's purchase of the 27,166 square foot Class C office building at 1211 Newell Avenue in Walnut Creek. 1485 Treat Boulevard sold to Ron Elvidge. He purchased the 15,908 square foot Class B office building from VK Chopra. In Danville, Cal-North Properties LLC purchased a 14,000 square foot Class C office building at 822 Hartz Way. The Gronbach Family Trust purchased a 5,022 square foot Class C building at 3799 Mt. Diablo Boulevard in Lafayette.

### SIGNIFICANT TRANSACTIONS

#### SALES ACTIVITY

PROPERTY NAME/ADDRESS	SALES DATE	SIZE SF	BUYER	CLASS
Walnut Creek Executive Park	Jul-14	420,000	The Koll Company	B
1211 Newell Avenue	Sep-14	27,166	Silvio Uno LLC	C
1485 Treat Boulevard	Jul-14	15,908	Ron Elvidge	B
822 Hartz Way	Jul-14	14,000	Cal-North Properties LLC	C
3799 Mt. Diablo Boulevard	Aug-14	5,022	Gronbach Family Trust	C

#### LEASING ACTIVITY

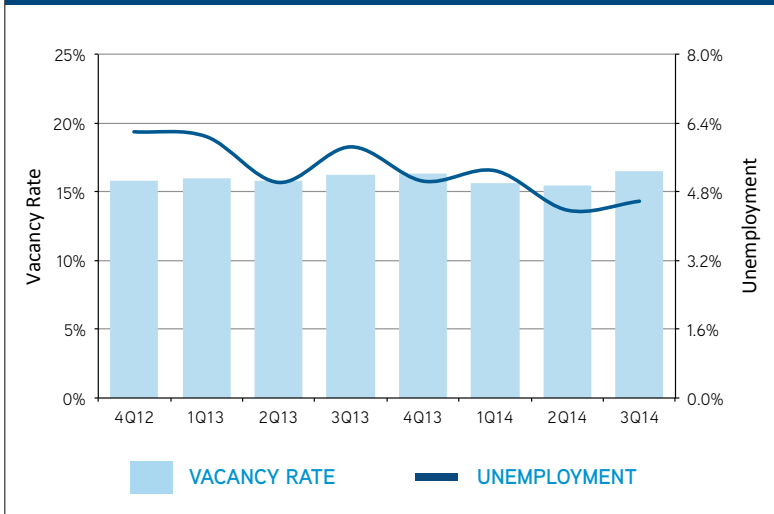
PROPERTY NAME/ADDRESS	LEASE DATE	SIZE SF	TENANT	CLASS
California Plaza	Sep-14	35,444	Yapstone	A
Concord Gateway II	Jul-14	23,907	Saxco International	A
2255 Ygnacio Valley Road	Jul-14	13,106	Diablo Clinical Research	C
Civic Executive Center	Sep-14	11,411	Yupana Tech	A
2625 Shadelands Drive	Jul-14	8,136	Walnut Creek Medical Group	B
Pacific Plaza	Sep-14	7,505	CalPERS	A
Civic Executive Center	Jul-14	5,519	Seller, Hazard, & Lucia	A
Riviera Plaza	Aug-14	5,229	HPG International	A

## Q3 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
<b>WALNUT CREEK DT</b>														
A	20	2,745,998	331,725	12.1%	37,008	1.3%	368,733	13.4%	13.4%	(303)	24,916	-	-	\$3.09
B	53	1,502,947	166,810	11.1%	0	0.0%	166,810	11.1%	12.1%	15,183	35,897	-	-	\$2.28
C	22	487,569	34,057	7.0%	0	0.0%	34,057	7.0%	8.6%	7,767	5,882	-	-	\$1.94
Total	95	4,736,514	532,592	11.2%	37,008	0.8%	569,600	12.0%	12.5%	22,647	66,695	-	-	\$2.78
<b>WALNUT CREEK PH BART</b>														
A	9	1,540,420	171,726	11.1%	1,490	0.1%	173,216	11.2%	10.8%	(6,822)	60,139	-	-	\$2.98
B	4	164,226	13,452	8.2%	4,952	3.0%	18,404	11.2%	11.2%	-	(4,638)	-	-	\$2.07
Total	13	1,704,646	185,178	10.9%	6,442	0.4%	191,620	11.2%	10.8%	(6,822)	55,501	-	-	\$2.89
<b>CONCORD</b>														
A	17	3,901,864	710,467	18.2%	83,172	2.1%	793,639	20.3%	15.2%	(201,663)	(169,654)	-	-	\$2.14
B	36	1,028,347	195,199	19.0%	0	0.0%	195,199	19.0%	19.0%	(127)	(3,234)	-	-	\$1.61
C	36	988,165	261,931	26.5%	0	0.0%	261,931	26.5%	27.8%	13,039	16,500	-	-	\$1.41
Total	89	5,918,376	1,167,597	19.7%	83,172	1.4%	1,250,769	21.1%	17.9%	(188,751)	(156,388)	-	-	\$1.90
<b>PLEASANT HILL</b>														
A	2	188,131	61,708	32.8%	0	0.0%	61,708	32.8%	32.8%	-	(1,952)	-	-	\$2.45
B	16	752,263	28,465	3.8%	6,594	0.9%	35,059	4.7%	3.8%	(6,594)	15,163	-	-	\$1.83
C	14	240,671	11,569	4.8%	0	0.0%	11,569	4.8%	4.7%	(326)	8,801	-	-	\$1.50
Total	32	1,181,065	101,742	8.6%	6,594	0.6%	108,336	9.2%	8.6%	(6,920)	22,012	-	-	\$2.15
<b>SHADELANDS</b>														
A	2	174,807	75,312	43.1%	0	0.0%	75,312	43.1%	43.9%	1,432	(12,349)	-	-	\$1.85
B	29	1,282,320	348,019	27.1%	18,400	1.4%	366,419	28.6%	28.7%	(30,490)	(72,218)	-	-	\$1.80
C	15	363,477	106,706	29.4%	0	0.0%	106,706	29.4%	25.7%	(58,032)	(56,310)	-	-	\$1.65
Total	46	1,820,604	530,037	29.1%	18,400	1.0%	548,437	30.1%	29.4%	(87,090)	(140,877)	-	-	\$1.77
<b>MARTINEZ</b>														
B	8	258,326	29,690	11.5%	0	0.0%	29,690	11.5%	4.7%	(17,493)	38,151	-	-	\$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	137,079	26.1%	0	0.0%	137,079	26.1%	22.8%	(17,493)	38,151	-	-	\$1.42
<b>LAMORINDA</b>														
A	6	248,205	1,027	0.4%	0	0.0%	1,027	0.4%	0.4%	-	3,860	-	-	\$3.35
B	26	621,572	51,982	8.4%	0	0.0%	51,982	8.4%	9.4%	6,654	(3,460)	-	-	\$2.67
C	5	128,454	27,599	21.5%	0	0.0%	27,599	21.5%	21.5%	-	(12,535)	-	-	\$2.25
Total	37	998,231	80,608	8.1%	0	0.0%	80,608	8.1%	8.7%	6,654	(12,135)	-	-	\$2.53
<b>ALAMO/DANVILLE</b>														
A	3	126,821	6,836	5.4%	0	0.0%	6,836	5.4%	3.5%	(2,372)	(262)	-	-	\$2.35
B	28	552,793	16,193	2.9%	1,540	0.3%	17,733	3.2%	4.1%	5,078	9,510	-	-	\$2.18
C	12	203,913	15,049	7.4%	0	0.0%	15,049	7.4%	8.7%	2,624	3,412	-	-	\$2.18
Total	43	883,527	38,078	4.3%	1,540	0.2%	39,618	4.5%	5.1%	5,330	12,660	-	-	\$2.21
<b>MARKET TOTAL</b>														
A	59	8,926,246	1,358,801	15.2%	121,670	1.4%	1,480,471	16.6%	14.2%	(209,728)	(95,302)	-	-	\$2.51
B	200	6,162,794	849,810	13.8%	31,486	0.5%	881,296	14.3%	14.5%	(27,789)	15,171	-	-	\$1.90
C	113	2,679,113	564,300	21.1%	0	0.0%	564,300	21.1%	21.5%	(34,928)	(34,250)	-	-	\$1.55
Total	372	17,768,153	2,772,911	15.6%	153,156	0.9%	2,926,067	16.5%	15.4%	(272,445)	(114,381)	-	-	\$2.14
<b>QUARTERLY COMPARISON AND TOTALS</b>														
3Q-14	372	17,768,153	2,772,911	15.6%	153,156	0.9%	2,926,067	16.5%	15.4%	(272,445)	(114,381)	-	-	\$2.14
2Q-14	375	17,873,153	2,613,801	14.6%	144,821	0.8%	2,758,622	15.4%	15.7%	40,628	158,064	-	-	\$2.11
1Q-14	375	17,873,153	2,621,586	14.7%	177,664	1.0%	2,799,250	15.7%	16.3%	117,436	117,436	-	-	\$2.02
4Q-13	375	17,873,153	2,690,266	15.1%	226,420	1.3%	2,916,686	16.3%	16.3%	(8,987)	(93,527)	-	-	\$1.97
3Q-13	375	17,873,153	2,702,205	15.1%	205,494	1.1%	2,907,699	16.3%	15.8%	(126,297)	(84,540)	-	-	\$1.94

NORTH I-680 > TOTAL VACANCY VS. UNEMPLOYMENT



Unemployment has slowly trended down over the past two years.

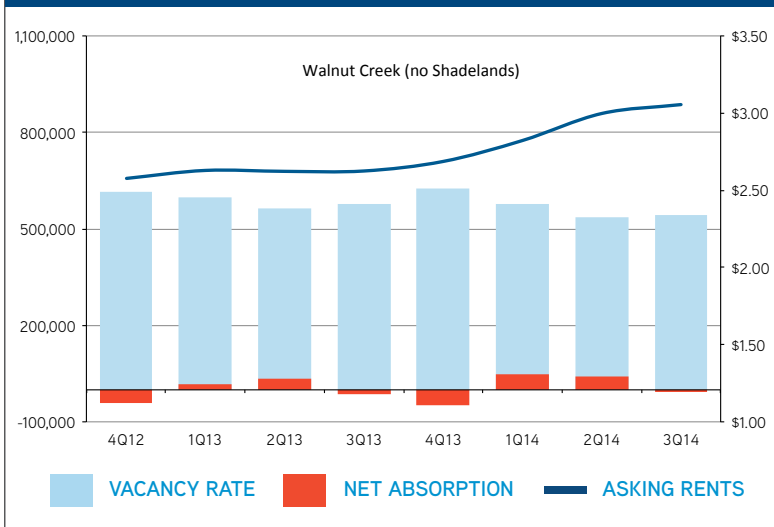
## 485 offices in 63 countries on 6 continents

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



Class A Walnut Creek asking rents are approaching historic highs

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