

# NORTH I-680 CORRIDOR | OFFICE

Q3 2015

Accelerating success.

## The Ripple Effect

- > Leasing activity: 679,764 square feet year-to-date
- > Vacancy: 15.2 percent
- > Net absorption: 45,185 square feet year-to-date

As San Francisco's office market continues to soar and Oakland's office market vacancy rate drops below 4.0 percent, landlords in the Walnut Creek, Pleasant Hill and Concord office market are raising rates in anticipation of a spillover from the foggy side of the Caldecott Tunnel. While the majority of last quarters leasing activity along the Northern I-680 Corridor was due to organic growth, there is significant speculation that tenant migration to these value markets will occur by the close of 2015 and into 2016.

Average asking rates for Class A space in Walnut Creek have increased by 8.5 percent from the fourth quarter of 2014 and 2.3 percent in Concord over the equivalent period.

The overall vacancy rate for the North I-680 Corridor office market closed the third quarter at 15.2 percent, down 1.7 percent from the

### Market Indicators

Unemployment Rate      10-Year Nominal Interest Rate      Consumer Confidence



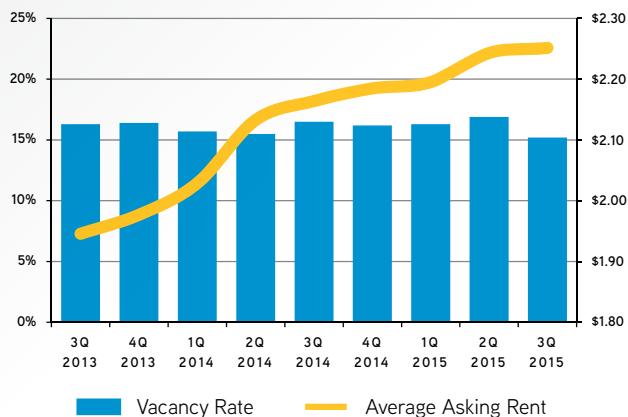
### Market Trends

Relative to prior period	Q3 2015	Q4 2015*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↔	↔
Rental Rate	↑	↑

\*Projected

### Vacancy vs. Asking Full Service Rental Rates

I-680 / Highway 4 Corridor | All Classes



Overall vacancy dropped 1.7 percent by the close of the third quarter in 2015; rental rates rose slightly to \$2.24. The lack of supply in surrounding submarkets, expected to persist in the coming months, will result in a decrease in vacancy rates and an increase in overall asking rates.

### Summary Statistics

Q3 Walnut Creek Office Market	Previous Quarter	Current Quarter
Overall Vacancy Rate	16.9%	15.2%
Net Absorption	(120,135)	163,520
Overall Asking Rents	\$2.23	\$2.24
Class A Asking Rents	\$2.69	\$2.77
Class B Asking Rents	\$1.96	\$1.97
Class C/Flex Asking Rents	\$1.60	\$1.59

\*Asking Rents Reported Monthly

### U.S. Market Economic Indicators

Unemployment Rate	5.3%	5.1%
Labor Force Participation Rate	63%	62%
Consumer Price Index	2.37%	2.38%
Interest Rate - 10 Yr Treasury	2.43%	2.05%
Business Confidence Index	99.87%	99.67%

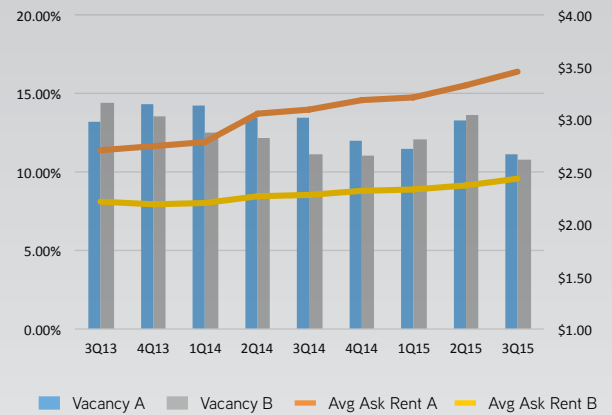
previous quarter. Class A vacancy experienced the greatest decrease, down by 2.4 percent from 15.9 percent. Concord and Pleasant Hill's Class A products were the main contributors to the lower overall vacancy rate. Concord's Class A vacancy rate decreased by 3.3 percent over the quarter, while Pleasant Hill's Class A vacancy rate decreased by 4.5 percent during the same period.

We can expect more positive absorption in the North I-680 Corridor submarkets over the coming quarters as there is no new office development in sight. Surging land prices, due to the high demand for apartments, coupled with still relatively low rental rates do not justify the cost of new construction.

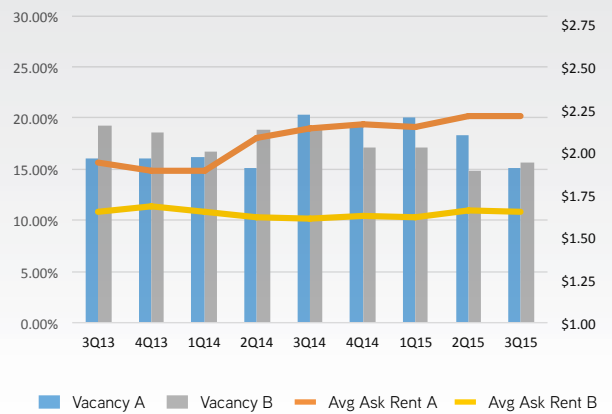
The Shadelands area of Walnut Creek has the highest vacancy rate among the submarkets. With quality options and over 150 vacant office suites currently available, Shadelands is poised to attract some of the anticipated spillover from the Oakland market. Other submarkets such as the Pleasant Hill Bart area and Concord, with large blocks of high quality Class A office space, will also benefit from the anticipated tenant migration.

Notable deals from the last quarter include PG&E, who renewed their 166,349 square feet space at 1850 Gateway Boulevard, Concord. The Regional Center for the East Bay signed a 24,811 square foot lease at 1320 Willow Pass Road in Concord. Hormel Foods Corporation signed a direct lease for 21,624 square feet at 1340 Treat Boulevard in Walnut Creek. Principal Mutual Life Insurance expanded their footprint at 500 Ygnacio Valley Road, Walnut Creek by adding 12,995 square feet. Ygnacio Valley Road saw plenty of action, with EIG Services taking 7,490 square feet at 500 Ygnacio Valley Road, and Loving and Campos Architects taking 7,139 square feet at 590 Ygnacio Valley Road.

### Vacancy vs. Asking Full Service Rental Rates Downtown Walnut Creek



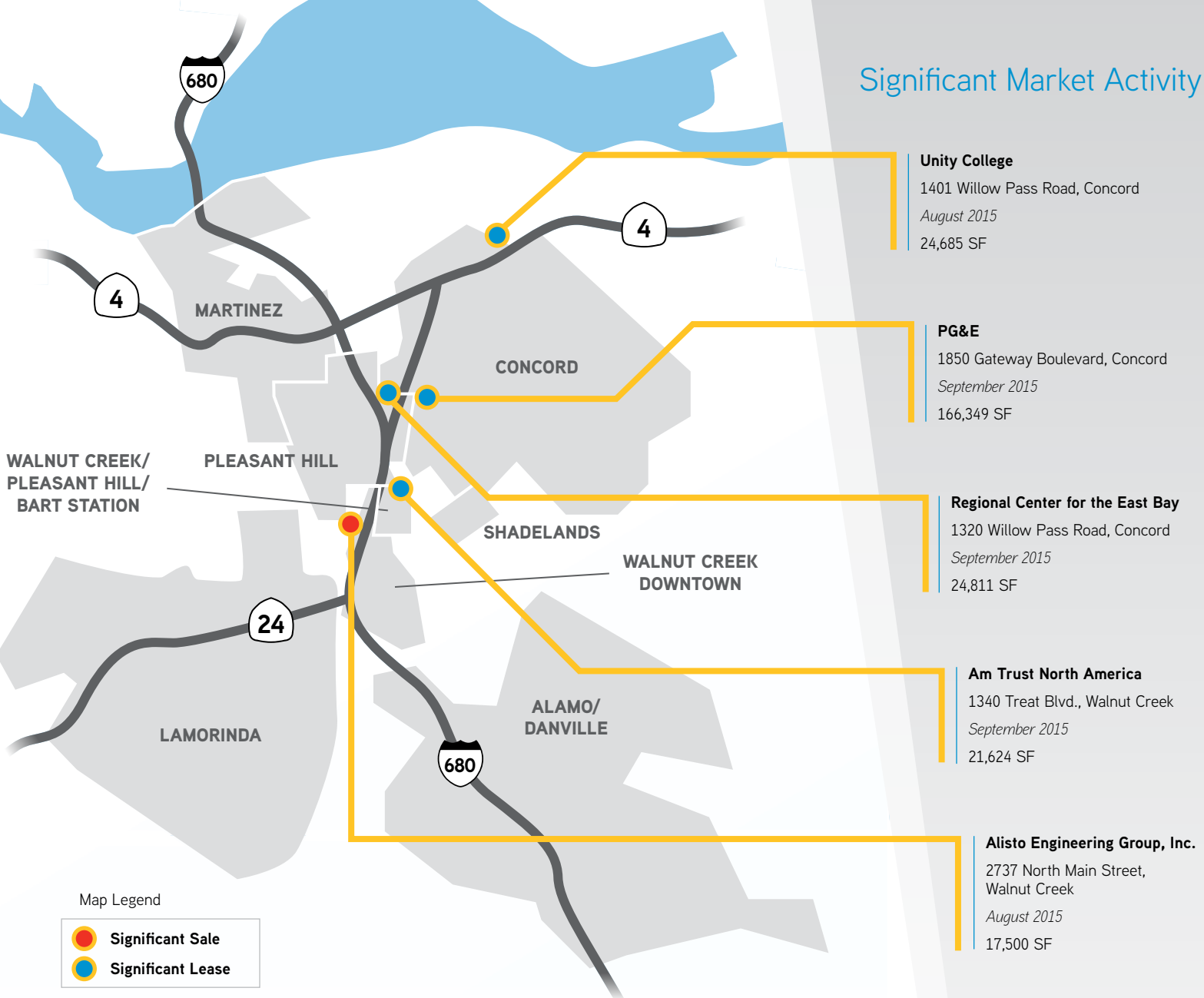
### Vacancy vs. Asking Full Service Rental Rates Concord



#### 1850 Gateway Boulevard, Concord, CA

Office markets are clearly in a transition. With vacancy rates expected to continue to decrease in the near term and a robust economic climate, rental rates should continue to climb steadily over the next quarter and into 2016.

## Significant Market Activity



### Significant Sales

PROPERTY ADDRESS	SALE DATE	SIZE	SELLER/BUYER	TYPE
2737 North Main Street, Walnut Creek	August 2015	17,500	Alisto Engineering Group, Inc.	Investment

### Significant Leases

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
1850 Gateway Boulevard, Concord	September 2015	166,349	PG&E	Renewal
1320 Willow Pass Road, Concord	September 2015	24,811	Regional Center for the East Bay	Direct
1401 Willow Pass Road, Concord	August 2015	24,685	Unity College	Sublease
1340 Treat Boulevard, Walnut Creek	September 2015	21,624	Hormel Foods Corporation	Direct
3003 Oak Road, Walnut Creek	August 2015	16,741	Mass Mutual Financial Group	Direct
500 Ygnacio Valley Road, Walnut Creek	August 2015	12,995	Principal Mutual Life Insurance	Expansion
500 Ygnacio Valley Road, Walnut Creek	July 2015	7,490	EIG Services, Inc.	Direct
590 Ygnacio Valley Road, Walnut Creek	September 2015	7,139	Loving and Campos Architects, Inc.	Direct
1800 Sutter Street, Concord	September 2015	7,064	East Bay Sports Medicine	Renewal

# 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
<b>WALNUT CREEK DOWNTOWN</b>														
A	20	2,745,998	277,694	10.1%	27,209	1.0%	304,903	11.1%	13.3%	47,182	12,012	-	-	\$3.46
B	53	1,502,638	161,664	10.8%	-	0.0%	161,664	10.8%	13.6%	42,528	4,702	-	-	\$2.43
C	22	487,569	38,483	7.9%	532	0.1%	39,015	8.0%	8.0%	-	(8,686)	-	-	\$1.92
Total	95	4,736,205	477,841	10.1%	27,741	0.6%	505,582	10.7%	12.8%	89,710	8,028	-	-	\$3.01
<b>WALNUT CREEK PH BART</b>														
A	9	1,540,420	181,635	11.8%	30,868	2.0%	212,503	13.8%	15.3%	23,417	5,798	-	-	\$3.35
B	4	164,226	16,364	10.0%	-	0.0%	16,364	10.0%	9.1%	(1,412)	2,040	-	-	\$2.50
Total	13	1,704,646	197,999	11.6%	30,868	1.8%	228,867	13.4%	14.7%	22,005	7,838	-	-	\$3.29
<b>CONCORD</b>														
A	17	3,900,553	582,652	14.9%	4,533	0.1%	587,185	15.1%	18.4%	(8,360)	29,514	-	-	\$2.21
B	36	1,031,760	162,502	15.7%	-	0.0%	162,502	15.7%	14.8%	(9,604)	13,530	-	-	\$1.65
C	35	971,758	286,037	29.4%	-	0.0%	286,037	29.4%	29.4%	(4,858)	(24,843)	-	-	\$1.50
Total	88	5,904,071	1,031,191	17.5%	4,533	0.1%	1,035,724	17.5%	19.6%	(22,822)	18,201	-	-	\$1.93
<b>PLEASANT HILL</b>														
A	2	188,131	26,075	13.9%	-	0.0%	26,075	13.9%	18.4%	8,487	13,561	-	-	\$2.60
B	16	752,263	50,247	6.7%	-	0.0%	50,247	6.7%	8.5%	13,941	(5,413)	-	-	\$2.20
C	14	240,671	20,806	8.6%	-	0.0%	20,806	8.6%	11.1%	5,963	(522)	-	-	\$1.40
Total	32	1,181,065	97,128	8.2%	-	0.0%	97,128	8.2%	10.6%	28,391	7,626	-	-	\$2.14
<b>SHADELANDS</b>														
A	2	174,807	64,157	36.7%	-	0.0%	64,157	36.7%	36.7%	-	9,224	-	-	\$1.90
B	29	1,286,383	386,621	30.1%	18,400	1.4%	405,021	31.5%	32.4%	11,486	(9,657)	-	-	\$1.80
C	13	310,329	117,452	37.8%	-	0.0%	117,452	37.8%	38.1%	743	(10,347)	-	-	\$1.65
Total	44	1,771,519	568,230	32.1%	18,400	1.0%	586,630	33.1%	33.8%	12,229	(10,780)	-	-	\$1.77
<b>MARTINEZ</b>														
B	8	258,326	26,127	10.1%	-	0.0%	26,127	10.1%	9.6%	(1,396)	(1,396)	-	-	\$1.45
C	9	266,864	102,143	38.3%	-	0.0%	102,143	38.3%	38.3%	-	-	-	-	\$1.40
Total	17	525,190	128,270	24.4%	-	0.0%	128,270	24.4%	24.2%	(1,396)	(1,396)	-	-	\$1.41
<b>LAMORINDA</b>														
A	6	248,205	4,350	1.8%	-	0.0%	4,350	1.8%	1.7%	(199)	(4,350)	-	-	\$3.35
B	25	602,532	40,957	6.8%	-	0.0%	40,957	6.8%	8.6%	(6,692)	(10,446)	-	-	\$2.79
C	5	128,454	18,894	14.7%	-	0.0%	18,894	14.7%	19.1%	5,610	5,610	-	-	\$2.25
Total	36	979,191	64,201	6.6%	-	0.0%	64,201	6.6%	8.2%	(1,281)	(9,186)	-	-	\$2.67
<b>ALAMO/DANVILLE</b>														
A	3	126,821	2,411	1.9%	-	0.0%	2,411	1.9%	1.9%	18,387	13,645	-	-	\$3.30
B	30	572,992	23,651	4.1%	1,540	0.3%	25,191	4.4%	4.2%	(45)	(1,218)	-	-	\$2.45
C	12	203,913	17,061	8.4%	-	0.0%	17,061	8.4%	8.3%	18,342	12,427	-	-	\$2.50
Total	45	903,726	43,123	4.8%	1,540	0.2%	44,663	4.9%	4.8%	36,684	24,854	-	-	\$2.43
<b>MARKET TOTAL</b>														
A	59	8,924,935	1,138,974	12.8%	62,610	0.7%	1,201,584	13.5%	15.9%	88,914	79,404	-	-	\$2.77
B	201	6,171,120	868,133	14.1%	19,940	0.3%	888,073	14.4%	15.5%	48,806	(7,858)	-	-	\$1.97
C	110	2,609,558	600,876	23.0%	532	0.0%	601,408	23.0%	23.5%	25,800	(26,361)	-	-	\$1.59
Total	370	17,705,613	2,607,983	14.7%	83,082	0.5%	2,691,065	15.2%	16.9%	163,520	45,185	-	-	\$2.24
<b>QUARTERLY COMPARISON AND TOTALS</b>														
3Q-15	370	17,705,613	2,607,983	14.7%	83,082	0.5%	2,691,065	15.2%	16.9%	163,520	45,185	-	-	\$2.24
2Q-15	369	17,706,074	2,784,735	15.7%	204,369	1.2%	2,989,104	16.9%	16.3%	(95,081)	(112,420)	-	-	\$2.23
1Q-15	369	17,705,613	2,731,366	15.4%	162,657	0.9%	2,894,023	16.3%	16.2%	(15,722)	(15,722)	-	-	\$2.18
4Q-14	369	17,706,074	2,710,028	15.3%	164,322	0.9%	2,874,350	16.2%	16.5%	79,555	(64,204)	-	-	\$2.17
3Q-14	369	17,706,074	2,772,911	15.7%	153,156	0.9%	2,926,067	16.5%	15.5%	272,445	(114,381)	-	-	\$2.15

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# 502 offices in 67 countries on 6 continents

United States: **140**

Canada: **31**

Latin America: **24**

Asia Pacific: **199**

EMEA: **108**

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## \$2.3

billion in  
annual revenue

## 1.7

billion square feet  
under management

## 16,300

professionals  
and staff

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