

# Attractive Alternative

- > Office Inventory: 16,921,668 square feet
- > Vacancy: 15.0 percent
- > Net absorption: 6,193 square feet year-to-date

Although the North I-680 Corridor has performed strongly in recent memory, market activity and demand has cooled, however, vacancy still decreased to 15.0 percent, from 15.2 percent the previous quarter. While the vacancy rate has flattened, rental rates continue to increase. Although rents are on the rise, they are still a bargain compared to the exorbitant rates from the San Francisco, South Bay, or Oakland submarkets.

Class A rents overall are at \$3.50 per square foot, a \$0.04 increase over the last quarter. Class B rents have increased to \$2.51 per square foot from \$2.49 over the same period. Overall average asking rents increased to \$3.04 per square foot, a \$0.06 increase from the prior quarter. This is the fifth consecutive quarter of setting an all-time high for asking rates in the North I-680 Corridor.

## Market Indicators

Unemployment Rate  
N. I-680 Corridor

10-Year Nominal  
Interest Rate

Consumer  
Confidence



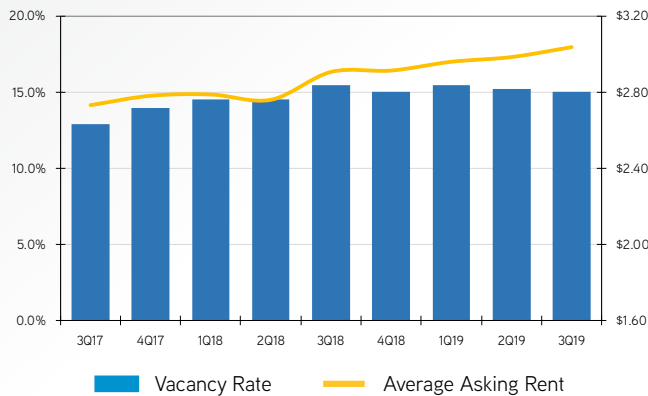
## Market Trends

Relative to prior period	Q3 2019	Q4 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 3Q19 to 15.0 percent. Asking rental rates in the region increased to \$3.04 per square foot

## Summary Statistics

Q3 Walnut Creek Office Market	Previous Quarter	Current Quarter
Overall Vacancy Rate	15.2%	15.0%
Net Absorption	72,821	4,610
Overall Asking Rents	\$2.99	\$3.04
Class A Asking Rents	\$3.46	\$3.50
Class B Asking Rents	\$2.49	\$2.51
Class C/Flex Asking Rents	\$1.95	\$1.99

\*Asking Rents Reported Monthly

## U.S. Market Economic Indicators

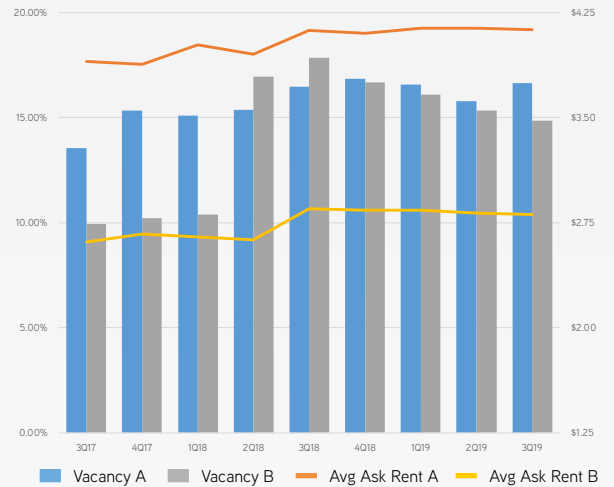
Unemployment Rate (N.I-680)	2.2%	2.8%
Labor Force Participation Rate	62.9%	63.2%
Consumer Price Index	2.56%	2.57%
Interest Rate - 10 Yr Treasury	2.00%	1.68%
Business Confidence Index	99.64	98.88
Consumer Confidence Index	121.5	125.1

While the region's asking rents continue their climb, vacancy has been slightly decreasing. Overall, the North I-680 Corridor's vacancy rate is at 15.0 percent, a decrease of twenty basis points since last quarter. Broker sentiment is that this is a tenant biased market providing reasonable concessions, in comparison to a frothy office market such as San Francisco with a 7.0 percent vacancy rate which is more favorable to landlords. There are submarkets with vacancy rates as high as 23.7 percent in the Shadelands, and as low as 5.7 percent in the boutique segment of Alamo/Danville. Net absorption during the quarter was 34,610 square feet.

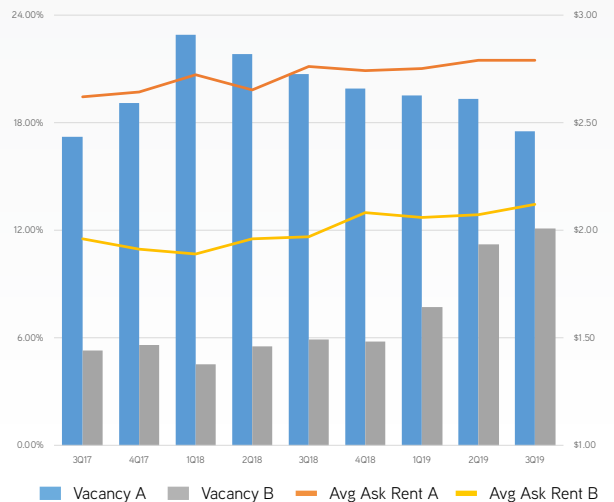
In regards to leasing, Swinerton took 38,524 square feet at 2001 Clayton Road in Concord. Brown and Caldwell renewed 37,480 square feet at 201 North Civic Drive in Walnut Creek. AssetMark expanded and leased 24,408 square feet at 1655 Grant Street in Concord; however, sales activity was lighter than usual this past quarter. 2121 North California Boulevard, a 393,680 square foot Class A building in Walnut Creek, sold to Pacific Coast for \$156,863,500. 400 Taylor Boulevard, a 60,000 square feet medical office building in Pleasant Hill, sold for an undisclosed amount to Lasalle.

As the San Francisco, South Bay, and Oakland submarkets continue to set the high watermark for rents and low vacancy, the North I-680 is an attractive alternative to prospective tenants. Brokers mention that quite a few Oakland based firms have been checking the North I-680 region for potential relocation opportunities due to the high rental rates and scarce options in their market. Another trend brokers have been seeing are long term leases with higher tenant improvement packages. The longer terms allow the landlord to justify investing substantial capital into improvements, sometimes with tenants also contributing. These trends continue to make the North I-680 a desirable option for potential tenants.

### Vacancy vs. Average Asking Rental Rates Downtown Walnut Creek



### Vacancy vs. Average Asking Rental Rates Concord



As rental rates continue to catapult to unprecedented highs, they still pale in comparison to those in surrounding markets like San Francisco, Oakland, or the South Bay. Brokers have indicated that several firms from these external markets have been seen touring the North I-680 Corridor in hopes of finding relief from those higher rents.

**Class A Office, Gateway Centre**  
1850 Mt. Diablo Boulevard  
Walnut Creek

## Significant Market Activity



### Swinerton

2001 Clayton Road  
Concord  
September 2019  
38,524 SF

### Assetmark

1655 Grant Street  
Concord  
July 2019  
24,408 SF

### Lasalle

400 Taylor Boulevard  
Pleasant Hill  
September 2019  
40,000 SF

### Flow Pharma

3451 Vincent Street  
Pleasant Hill  
July 2019  
12,000 SF

### Pacific Coast

2121 N. California Boulevard  
Walnut Creek  
September 2019  
393,680 SF

### Significant Sales

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
2121 North California Boulevard, Walnut Creek	September 2019	393,680	Pacific Coast	Investment
400 Taylor Boulevard, Pleasant Hill	September 2019	40,000	Lasalle	Investment

### Significant Leases

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
2001 Clayton Road, Concord	September 2019	38,524	Swinerton	Direct
201 North Civic Drive, Walnut Creek	August 2019	37,480	Brown and Caldwell	Renewal
1655 Grant Street, Concord	July 2019	24,408	AssetMark	Expansion
100 Pringle Avenue, Walnut Creek	August 2019	17,944	Fehr & Peers	Renewal
2300 Clayton Road, Concord	September 2019	17,312	United Health Group	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	429,685	15.6%	27,044	1.0%	456,729	16.6%	15.8%	(23,130)	5,312	-	-	\$4.13
B	55	1,599,461	237,597	14.9%	-	0.0%	237,597	14.9%	15.3%	10,334	31,637	-	-	\$2.81
C	20	437,751	32,692	7.5%	1,100	0.3%	33,792	7.7%	9.6%	8,242	(3,269)	-	-	\$2.06
Total	95	4,783,210	699,974	14.6%	28,144	0.6%	728,118	15.2%	15.1%	(4,554)	33,680	-	-	\$3.60
<b>WALNUT CREEK PH BART</b>														
A	9	1,540,420	193,939	12.6%	104,988	6.8%	298,927	19.4%	17.9%	(23,524)	(75,676)	-	-	\$3.95
B	3	107,034	31,575	29.5%	-	0.0%	31,575	29.5%	31.9%	2,526	7,592	-	-	\$2.95
Total	12	1,647,454	225,514	13.7%	104,988	6.4%	330,502	20.1%	18.8%	(20,998)	(68,084)	-	-	\$3.85
<b>CONCORD</b>														
A	16	3,351,886	500,985	14.9%	85,947	2.6%	586,932	17.5%	19.3%	58,903	78,883	-	-	\$2.79
B	37	1,083,716	118,526	10.9%	12,115	1.1%	130,641	12.1%	11.2%	(9,130)	(65,923)	-	-	\$2.12
C	34	925,403	110,191	11.9%	-	0.0%	110,191	11.9%	13.2%	12,242	(6,188)	-	-	\$1.97
Total	87	5,361,005	729,702	13.6%	98,062	1.8%	827,764	15.4%	16.6%	62,015	6,772	-	-	\$2.58
<b>PLEASANT HILL</b>														
A	2	188,131	22,780	12.1%	1,655	0.9%	24,435	13.0%	12.1%	(1,655)	(3,063)	-	-	\$3.19
B	16	722,263	28,366	3.9%	-	0.0%	28,366	3.9%	4.4%	4,487	(748)	-	-	\$2.55
C	14	240,671	23,926	9.9%	-	0.0%	23,926	9.9%	11.8%	4,588	20,365	-	-	\$1.75
Total	32	1,151,065	75,072	6.5%	1,655	0.1%	76,727	6.7%	7.1%	7,420	16,554	-	-	\$2.50
<b>SHADELANDS</b>														
A	2	174,807	69,650	39.8%	-	0.0%	69,650	39.8%	37.5%	(4,080)	(35,708)	-	-	\$2.23
B	28	1,116,321	292,358	26.2%	-	0.0%	292,358	26.2%	23.3%	(32,003)	25,323	-	-	\$2.10
C	17	310,783	17,536	5.6%	428	0.1%	17,964	5.8%	6.5%	2,086	3,666	-	-	\$2.00
Total	47	1,601,911	379,544	23.7%	428	0.0%	379,972	23.7%	21.6%	(33,997)	(6,719)	-	-	\$2.12
<b>MARTINEZ</b>														
B	8	258,326	17,905	6.9%	-	0.0%	17,905	6.9%	5.8%	(2,975)	(9,289)	-	-	\$1.75
C	9	266,864	26,717	10.0%	-	0.0%	26,717	10.0%	25.4%	41,115	50,787	-	-	\$1.65
Total	17	525,190	44,622	8.5%	-	0.0%	44,622	8.5%	15.8%	38,140	41,498	-	-	\$1.69
<b>LAMORINDA</b>														
A	6	248,205	34,666	14.0%	-	0.0%	34,666	14.0%	15.6%	3,978	(8,318)	-	-	\$4.15
B	24	550,017	54,580	9.9%	1,413	0.3%	55,993	10.2%	6.7%	(19,389)	(35,882)	-	-	\$3.75
C	5	128,454	8,622	6.7%	1,300	1.0%	9,922	7.7%	6.6%	(1,406)	11,605	-	-	\$2.84
Total	35	926,676	97,868	10.6%	2,713	0.3%	100,581	10.9%	9.0%	(16,817)	(32,595)	-	-	\$3.80
<b>ALAMO/DANVILLE</b>														
A	3	129,469	1,601	1.2%	-	0.0%	1,601	1.2%	1.2%	-	391	-	-	\$3.39
B	30	572,992	38,004	6.6%	5,049	0.9%	43,053	7.5%	8.1%	3,401	(3,492)	-	-	\$3.14
C	16	222,696	8,172	3.7%	-	0.0%	8,172	3.7%	3.7%	-	18,188	-	-	\$2.85
Total	49	925,157	47,777	5.2%	5,049	0.5%	52,826	5.7%	6.1%	3,401	15,087	-	-	\$3.10
<b>MARKET TOTAL</b>														
A	58	8,378,916	1,253,306	15.0%	219,634	2.6%	1,472,940	17.6%	17.7%	10,492	(38,179)	-	-	\$3.50
B	201	6,010,130	818,911	13.6%	18,577	0.3%	837,488	13.9%	13.1%	(42,749)	(50,782)	-	-	\$2.51
C	115	2,532,622	227,856	9.0%	2,828	0.1%	230,684	9.1%	11.7%	66,867	95,154	-	-	\$1.99
Total	374	16,921,668	2,300,073	13.6%	241,039	1.4%	2,541,112	15.0%	15.2%	34,610	6,193	-	-	\$3.04
<b>QUARTERLY COMPARISON AND TOTALS</b>														
3Q-19	374	16,921,668	2,300,073	13.6%	241,039	1.4%	2,541,112	15.0%	15.2%	34,610	6,193	-	-	\$3.04
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

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# 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.

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