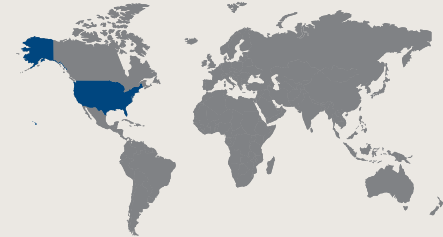


# Market Research

OFFICE | FOURTH QUARTER | 2009



## MARKET INDICATORS

	4Q 2009	1Q 2010*
VACANCY	↑	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↓	↓
RENTAL RATE	↓	↓

\* PROJECTED

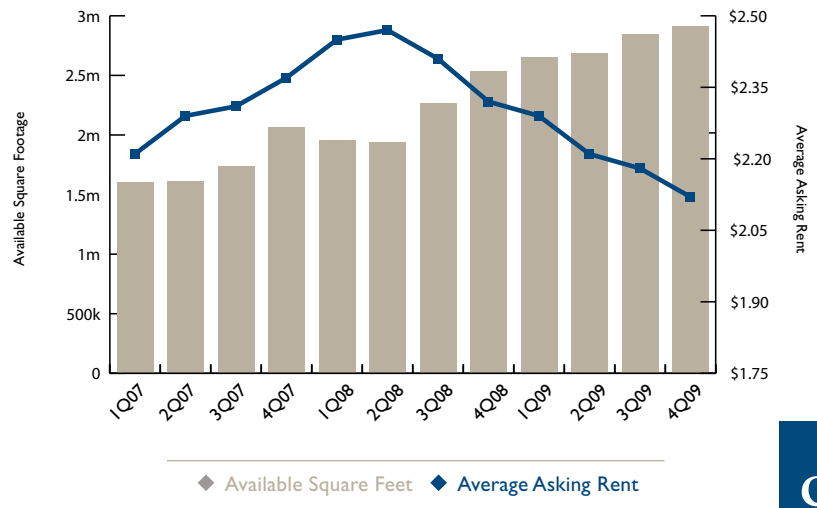
## North I-680 Corridor Office Report

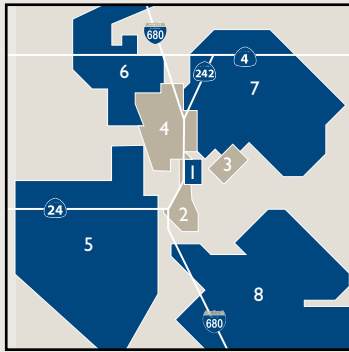
Though the economy may have technically emerged from a recession, conditions remain murky for the near future. In few industries does this ring truer than commercial real estate, specifically office properties. As tenants have reduced staff, given back space, and shuttered entirely; office properties have been deluged with large vacancies not generating rental income. However, as the pace of unemployment has ebbed, the office market may stand to benefit. The fourth quarter experienced some small signs of stability, after a year of dramatically altered market conditions.

Compared to the previous few quarters, the fourth quarter was a calm period for the office market. The North I-680 Corridor had 357,946 square feet of negative net absorption for all of 2009. However, the entire North I-680 Office Market only had 46,739 square feet of negative net absorption in the fourth quarter, and the vacancy rate only rose one tenth of a percent to 19.0%. Average asking rents continued to decline, down \$0.06 per square foot from the previous quarter to \$2.12 per square foot. Rents declined by sixteen percent since their recent high water mark in the second quarter of 2008.

Class A office properties were the winners of the fourth quarter with positive net absorption and declining vacancy. Vacancy for class A buildings declined from 22.1% in the fourth quarter to 20.5% in the fourth quarter. Average asking rents fell \$0.05, falling to \$2.39 per square foot in the fourth quarter. However, the class A office market had 92,744 square feet of positive net absorption. This is the first quarter of positive net absorption for class A office since the first quarter of 2007.

NORTH 680 OVERALL OFFICE • AVAILABLE SPACE VS. ASKING RENT





## 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

Class B and C properties did not experience the same improving conditions. Most notably, class B properties saw a surge in vacancy in the fourth quarter, rising 2.5% from the previous quarter, to close at 19.0%. Class B properties also had 161,005 square feet of negative net absorption in the fourth quarter; most of that total coming from certain large blocks of space coming available. Average asking rents for class B office space declined from \$2.03 to \$1.89 per square foot. Class C vacancy was down one tenth of a percent to 13.9%. Average asking rents declined significantly, falling by \$0.19 to \$1.52 per square foot.

Office market conditions were markedly improved in Downtown Walnut Creek, where average asking rents remained unchanged from the previous quarter at \$2.56 per square foot. The Downtown submarket had 27,948 square feet of positive net absorption in the fourth quarter, though the submarket did have 165,548 square feet of negative net absorption year to date. Vacancy fell by six tenths of a percent to 15.5%. Much like the rest of the North I-680 Corridor, Downtown Walnut Creek saw improving market conditions for class A office properties. Vacancy fell from 19.6% in the third quarter to 18.0% in the fourth quarter. Class A properties saw 45,057 square feet of positive net absorption and average asking rents were only down by two cents, falling to \$2.77 per square foot in the fourth quarter.

Pleasant Hill BART had its second consecutive quarter of improving market conditions. Vacancy fell from 29.2% in the third quarter to 27.1% in the fourth quarter. Average asking rents remained unchanged from the prior quarter at \$2.67 per

square foot. Pleasant Hill BART had 31,274 square feet of positive net absorption for the fourth quarter and 40,937 square feet of positive net absorption for all of 2009.

Office market conditions in Concord improved slightly from the previous quarter. Vacancy also fell slightly, from 19.5% in the third quarter to 19.3% in the fourth quarter. The entire submarket had 11,006 square feet of positive net absorption in the fourth quarter and 59,514 square feet of negative net absorption for all of 2009. Average asking rents continued to fall in the fourth quarter from \$1.92 to \$1.89 per square foot.

Market conditions were mixed in the City of Pleasant Hill. Average asking rents were up slightly to \$2.20 per square foot in the fourth quarter, from \$2.16 in the third quarter. Pleasant Hill had 17,357 square feet of negative net absorption in the fourth quarter and 28,985 of negative net absorption year to date. Vacancy had a noticeable uptick, climbing more than two percent to 10.7%. Pleasant Hill continued to have the lowest vacancy in the North I-680 Corridor.

The Shadelands submarket was hammered in the fourth quarter by large blocks of sublease space flooding an already saturated market. Shadelands has been affected more than any other submarket by large corporate consolidations and closures; most notably the elimination of Long's/CVS back corporate offices and the consolidation of Bank of the West and Syston Donner. Vacancy in the submarket surged to 24.2% in the fourth quarter, up almost six percent from the previous quarter. The sublease vacancy for the submarket was 8.3%, more than double the sublease vacancy

## MARKET ACTIVITY

## SIGNIFICANT FOURTH QUARTER TRANSACTIONS

## SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQ FT	BUYER	SELLER	TYPE
23 AVENIDA DE ORINDA, ORINDA	09/09	13,296	VILLAGE COURT ORINDA LLC	VILLAGE COURT LLC	CLASS B
1844 CLAYTON RD, CONCORD	10/09	6,492	CLAYTON PROFESSIONAL CTR LLC	ROBERT & CAROL BARRICK	CLASS B

## SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQ FT	TENANT	TYPE
2300 CONTRA COSTA BLVD, PLEASANT HILL	11/09	14,000	PENSION DYNAMICS	CLASS A
3736-3746 MT DIABLO BLVD, LAFAYETTE	12/09	9,810	TETRA TECH	CLASS C

## OFFICE MARKET STATISTICS

### FOURTH QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION SF		U/C & PROPOSED SF		AVG RENTS
Class	Bldgs	Total Inventory Sq Ft	Sq Ft	Rate	Sq Ft	Rate	Sq Ft	4Q - 09	Vacancy Rate Previous Q	Current Occupied Sq Ft	Current Period	YTD	Completed This Qtr Sq Ft	Under Constr	Rate

### SUB MARKETS

#### WALNUT CREEK DT

A	21	2,760,236	444,972	16.1%	50,904	1.8%	495,876	18.0%	19.6%	2,264,360	45,057	(59,635)	-	-	\$2.77
B	43	1,264,435	164,623	13.0%	5,850	0.5%	170,473	13.5%	12.4%	1,093,962	(13,483)	(78,556)	-	-	\$2.16
C	23	574,195	41,794	7.3%	4,129	0.7%	45,923	8.0%	7.4%	528,272	(3,626)	(27,357)	-	-	\$1.94
TOTAL	87	4,598,866	651,389	14.2%	60,883	1.3%	712,272	15.5%	16.1%	3,886,594	27,948	(165,548)	-	-	\$2.56

#### WALNUT CREEK PH BART

A	9	1,370,079	322,698	23.6%	57,681	4.2%	380,379	27.8%	30.0%	989,700	31,274	37,952	-	-	\$2.70
B	3	107,034	19,813	18.5%	-	-	19,813	18.5%	18.5%	87,221	-	2,985	-	-	\$2.11
TOTAL	12	1,477,113	342,511	23.2%	57,681	3.9%	400,192	27.1%	29.2%	1,076,921	31,274	40,937	-	-	\$2.67

#### CONCORD

A	13	2,858,808	520,585	18.2%	57,205	2.0%	577,790	20.2%	21.3%	2,281,018	31,790	(36,120)	-	-	\$2.05
B	27	843,005	154,559	18.3%	4,482	0.5%	159,041	18.9%	14.6%	683,964	(35,895)	(54,588)	-	-	\$1.77
C	34	907,839	143,726	15.8%	6,826	0.8%	150,552	16.6%	18.2%	757,287	15,111	31,194	-	-	\$1.42
TOTAL	74	4,609,652	818,870	17.8%	68,513	1.5%	887,383	19.3%	19.5%	3,722,269	11,006	(59,514)	-	-	\$1.89

#### PLEASANT HILL

A	1	128,131	3,592	2.8%	-	-	3,592	2.8%	2.8%	124,539	-	-	-	-	\$2.55
B	12	576,035	77,320	13.4%	1,289	0.2%	78,609	13.6%	10.5%	497,426	(17,387)	(29,385)	-	-	\$2.24
C	9	163,119	10,232	6.3%	-	-	10,232	6.3%	6.5%	152,887	30	400	-	-	\$1.80
TOTAL	22	867,285	91,144	10.5%	1,289	0.1%	92,433	10.7%	8.6%	774,852	(17,357)	(28,985)	-	-	\$2.20

#### SHADELANDS

A	2	174,807	42,386	24.2%	-	-	42,386	24.2%	19.5%	132,421	(8,377)	(7,276)	-	-	\$-
B	28	1,097,335	205,480	18.7%	139,579	12.7%	345,059	31.4%	23.6%	752,276	(86,969)	(149,631)	-	-	\$1.71
C	15	402,758	18,427	4.6%	-	-	18,427	4.6%	4.6%	384,331	995	98,251	-	-	\$1.73
TOTAL	45	1,674,900	266,293	15.9%	139,579	8.3%	405,872	24.2%	18.4%	1,269,028	(94,351)	(58,656)	-	-	\$1.44

#### MARTINEZ

B	7	243,326	73,665	30.3%	-	0.0%	73,665	30.3%	43.7%	169,661	3,332	(30,566)	-	-	\$1.33
C	7	195,912	81,212	41.5%	-	-	81,212	41.5%	34.8%	114,700	-	(11,680)	-	-	\$1.21
TOTAL	14	439,238	154,877	35.3%	-	0.0%	154,877	35.3%	39.7%	284,361	3,332	(42,246)	-	-	\$1.27

#### LAMORINDA

A	6	248,205	34,588	13.9%	4,612	1.9%	39,200	15.8%	13.0%	209,005	(7,000)	(31,716)	-	-	\$2.84
B	24	632,960	58,717	9.3%	2,370	0.4%	61,087	9.7%	8.6%	571,873	(10,603)	293	-	-	\$1.77
C	4	75,910	11,026	14.5%	-	-	11,026	14.5%	-	64,884	(141)	(11,026)	-	-	\$2.25
TOTAL	34	957,075	104,331	10.9%	6,982	0.7%	111,313	11.6%	10.3%	845,762	(17,744)	(42,449)	-	-	\$2.18

#### ALAMO/DANVILLE

A	3	126,821	32,759	25.8%	-	-	32,759	25.8%	25.8%	94,062	-	17,486	-	-	\$2.15
B	27	542,793	98,714	18.2%	1,393	0.3%	100,107	18.4%	16.8%	442,686	-	(17,305)	-	-	\$2.17
C	6	112,590	25,715	22.8%	-	-	25,715	22.8%	22.8%	86,875	-	(10,819)	-	-	\$1.99
TOTAL	36	782,204	157,188	20.1%	1,393	0.2%	158,581	20.3%	19.1%	623,623	-	(10,638)	-	-	\$2.14

### MARKET TOTAL

A	55	7,667,087	1,401,580	18.3%	170,402	2.2%	1,571,982	20.5%	22.1%	6,095,105	92,744	(79,309)	-	-	\$2.39
B	171	5,306,923	852,891	16.1%	154,963	2.9%	1,007,854	19.0%	16.4%	4,299,069	(161,005)	(356,753)	-	-	\$1.89
C	98	2,432,323	332,132	13.7%	10,955	0.5%	343,087	14.1%	14.0%	2,089,236	12,369	68,963	-	-	\$1.52
TOTAL	324	15,406,333	2,586,603	16.8%	336,320	2.2%	2,922,923	19.0%	18.9%	12,483,410	(55,892)	(367,099)	-	-	\$2.12

### QUARTERLY COMPARISON AND TOTALS

Q4-09	324	15,406,333	2,586,603	16.8%	336,320	2.2%	2,922,923	19.0%	18.9%	12,483,410	(55,892)	(367,099)	-	-	\$2.12
Q3-09	324	15,411,449	2,610,326	16.9%	296,248	1.9%	2,906,574	18.9%	17.4%	12,504,875	(201,811)	(509,023)	-	-	\$2.18
Q2-09	324	15,409,448	2,332,047	15.1%	341,667	2.2%	2,673,714	17.4%	17.1%	12,735,734	(97,093)	(307,212)	-	-	\$2.22
Q1-09	324	15,487,593	2,274,738	14.7%	376,668	2.4%	2,651,406	17.1%	15.8%	12,836,187	(207,839)	(207,839)	3,593	-	\$2.29
Q4-08	330	15,533,801	2,114,350	13.6%	420,883	2.7%	2,535,233	15.8%	14.6%	12,998,568	(187,104)	(428,530)	540	-	\$2.32

THIS REPORT AND OTHER RESEARCH MATERIALS MAY BE FOUND ON OUR WEBSITE AT WWW.COLLIERSPARRISH.COM. THIS IS A RESEARCH DOCUMENT OF COLLIERS PARRISH - WNC. QUESTIONS RELATED TO INFORMATION HEREIN SHOULD BE DIRECTED TO THE RESEARCH DEPARTMENT AT 925.279.0120. INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM SOURCES DEEMED RELIABLE AND NO REPRESENTATION IS MADE AS TO THE ACCURACY THEREOF. COLLIERS PARRISH IS AN OWNER MEMBER OF COLLIERS INTERNATIONAL, A WORLDWIDE REAL ESTATE PARTNERSHIP WITH OFFICES IN THE AMERICAS, EUROPE, ASIA, AUSTRALIA, AND AFRICA.

for any other office Shadelands submarket in the North I-680 Corridor. Net absorption was negative 94,351 square feet in the fourth quarter and negative 58,656 square feet for all of 2009. Average asking rents in the Shadelands fell to \$1.44 per square foot, down from \$1.52 per square foot in the prior quarter.

Market conditions improved slightly in Martinez in the fourth quarter. Though average asking rents fell considerably, net absorption was positive and vacancy declined. In the fourth quarter, office vacancy in Martinez declined from 39.7% to 35.3%. Martinez had the largest vacancy rate decline; however, it is still much higher than any other submarket in the region. The submarket had 3,332 square feet of positive net absorption in the fourth quarter and average asking rents fell from \$1.45 per square foot to \$1.27 per square foot.

The Lamorinda submarket remained reasonably stable through the fourth quarter. Average asking rents across all building classes declined slightly, falling \$0.04 from the previous quarter to \$2.18 per square foot. The vacancy rate climbed from 10.3% in the third quarter to 11.6% in the fourth quarter. The entire submarket had

17,744 square feet of negative net absorption in the fourth quarter and 42,449 square feet of negative net absorption for all of 2009.

Alamo / Danville was the quiet submarket for the fourth quarter, where market conditions remained largely similar to the previous quarter. Average asking rents declined slightly, falling from \$2.19 per square foot to \$2.14 per square foot. Vacancy climbed over one percent to 20.3% in the fourth quarter. The market had 10,638 square feet of negative net absorption for all of 2009.

Though office market conditions did show some signs of improvement in the fourth quarter, the coming quarters may still bring deteriorating conditions and consternation for landlords. The office market will be prevented from fully recovering until the labor market in the broader economy recovers. At the end of November, the unemployment rate in the East Bay was 11.5%. Until jobs are created to absorb the surplus labor, there will continue to be a surplus in office space.

294 OFFICES IN 61 COUNTRIES  
ON 6 CONTINENTS

USA 94  
Canada 22  
Latin America 17  
Asia Pacific 64  
EMEA 97

\$48.1 billion in annual transaction  
volume  
1.1 billion square feet under  
management  
12,729 Professionals

## CONTACT INFORMATION

### UNITED STATES

Walnut Creek  
1850 Mt. Diablo Boulevard  
Suite 200  
Walnut Creek, CA 94596  
Tel: 925-279-0120  
Fax: 925-279-0450

**Ed Del Beccaro**  
Senior Managing Partner  
edelbeccaro@colliersparrish.com  
CA License No. 00642167  
925.279.0120

**Brian Landes**  
Research Analyst  
blandes@colliersparrish.com  
Tel: 925-279-4620

This report and other research materials may be found on our website at [www.colliersparrish.com](http://www.colliersparrish.com). This is a research document of Colliers International – Walnut Creek, CA. Questions related to information herein should be directed to the Research Department at 925-279-4620. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers Parrish International, Inc., dba Colliers International in the State of California is an independently owned and operated business and member firm of Colliers International Property Consultants, an affiliation of independent companies with 294 offices throughout 61 countries worldwide.



[www.colliersparrish.com](http://www.colliersparrish.com)

NORTH 680 & HWY 4 CORRIDORS - OVERALL VACANCY

