

RESEARCH & FORECAST REPORT



North I-680 Office Market Continues Steady Improvement

The North I-680 office market posted a decrease in total vacancy in the fourth quarter 2014. The market registered 79,555 square feet of positive net absorption for the quarter while registering negative 64,204 square feet year-to-date. The year would have ended with positive absorption had it not been for Bank of America vacating their campus in Concord. That said, the remainder of the market improved throughout the year with steady rent increases in the Class A and B markets.

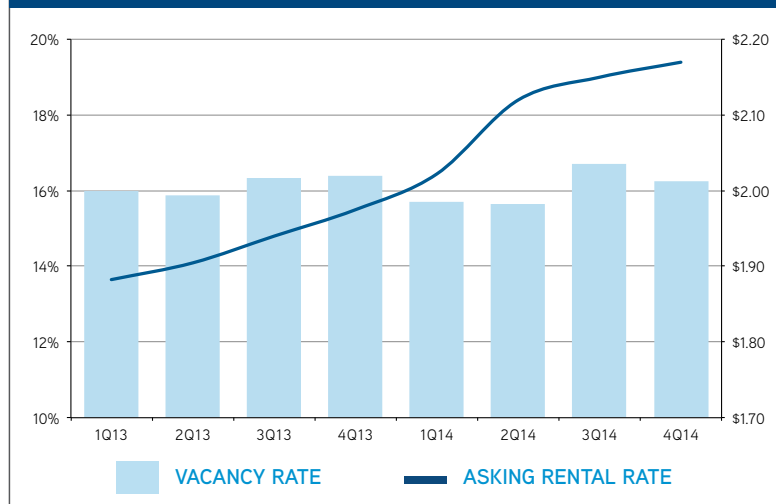
Walnut Creek Downtown registered 44,171 square feet of net absorption for the quarter as vacancy fell 90 basis points to 11.1 percent. The fourth quarter showed the lowest vacancy for the submarket since the second quarter 2008. Most of the leasing activity that contributed to positive absorption was concentrated in the Class A market as that product type absorbed 39,999 square feet. The market as a whole has absorbed 110,866 square feet year-to-date. Average asking rents for Class A space increased to \$3.19 PSF.

Pleasant Hill BART vacancy increased 90 basis points to 13.9 percent. Most of the increase in vacancy was concentrated in Treat Towers. Total net absorption for the quarter was negative 15,707 square feet, while the year finished at positive 10,416 square feet. Average asking rents

MARKET INDICATORS

	Q4	PROJECTED Q1
VACANCY RATE	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↑	↑

NORTH I-680 CORRIDOR > VACANCY VS. ASKING RENTS



Average asking rents are at a five year high.



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

For Class A space saw a significant increase to \$3.18 PSF as increases in Walnut Creek Downtown put upward pressure on the remainder of the market.

The Concord submarket saw a moderate decrease in Class A vacancy, absorbing 39,999 square feet of space. Total vacancy increased 320 basis points to a historic high of 21.1 percent. Concord has the largest available blocks of space in the North I-680 market. Any large users looking to move into the area will also have Bishop Ranch as an option. That said, vacancy is expected to remain at current levels for the foreseeable future.

There were several significant lease transactions in the fourth quarter. The largest lease transaction was Stearns

Lending's 11,901 square foot renewal and expansion at Two Corporate Centre in Concord. Benefit Mall leased 9,756 square feet at One Concord Center, Commercial Bank of the Bay leased 5,400 square feet at 156 Diablo Road in Danville, Dudum Real Estate Group renewed 5,235 square feet at Olympic Plaza II in Walnut Creek, and California Bank & Trust leased 4,911 square feet at Treat Towers.

Significant sales for the quarter included the following: Branagh Development purchased Lafayette Office Park, a 53,357 square foot Class B office complex. In Concord, Buchanan Oaks VII sold to an investor, Shelter Inc of Contra Costa County purchased 1333 Willow Pass Road in Concord, AJN Entities LLC purchased the 7,616 square foot Class C building at 1815 Arnold Drive, and in Lafayette

SIGNIFICANT TRANSACTIONS

SALES ACTIVITY

PROPERTY NAME/ADDRESS	SALES DATE	SIZE SF	BUYER	CLASS
Lafayette Office Park	Oct-14	53,357	Branagh Development Inc	B
Buchanan Oaks VII	Oct-14	24,036	Bradley Drian	C
Continente Centre	Dec-14	14,808	Shelter Inc of CCC	B
1815 Arnold Drive	Dec-14	7,616	AJN Entities LLC	C
925 Village Center	Oct-14	5,008	Viva al Espanol	C
60 Mayhew Way	Oct-14	2,125	Seiberlich Family Trust	C
2903 Salvo Street	Dec-14	1,672	HG Matrix LLC	C

LEASING ACTIVITY

PROPERTY NAME/ADDRESS	LEASE DATE	SIZE SF	TENANT	CLASS
Two Corporate Centre	Oct-14	11,901	Stearns Lending	A
One Concord Center	Nov-14	9,756	Benefit Mall	A
156 Diablo Road	Oct-14	5,400	Commercial Bank of the Bay	B
Olympic Plaza II	Nov-14	5,235	Dudum Real Estate Group	B
Treat Towers	Nov-14	4,911	California Bank & Trust	A
Growers Square	Oct-14	2,882	Prudential Insurance	A
Park Professional Office Center	Oct-14	2,696	PCHA	B
2255 Contra Costa Boulevard	Dec-14	2,500	AHTNA	B

Q4 2014 | MARKET COMPARISONS

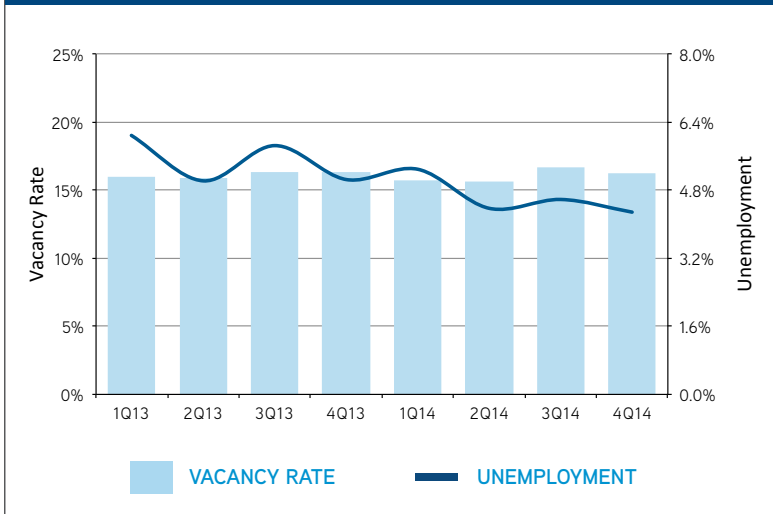
OFFICE MARKET

		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
WALNUT CREEK DT														
A	20	2,745,998	292,127	10.6%	36,607	1.3%	328,734	12.0%	13.4%	39,999	64,915	-	-	\$3.19
B	53	1,502,947	166,366	11.1%	0	0.0%	166,366	11.1%	11.1%	444	36,341	-	-	\$2.32
C	22	487,569	30,329	6.2%	0	0.0%	30,329	6.2%	7.0%	3,728	9,610	-	-	\$1.83
Total	95	4,736,514	488,822	10.3%	36,607	0.8%	525,429	11.1%	12.0%	44,171	110,866	-	-	\$2.84
WALNUT CREEK PH BART														
A	9	1,540,420	187,433	12.2%	30,868	2.0%	218,301	14.2%	13.2%	(15,707)	15,054	-	-	\$3.18
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	200,885	11.8%	35,820	2.1%	236,705	13.9%	13.0%	(15,707)	10,416	-	-	\$3.09
CONCORD														
A	17	3,901,864	687,458	17.6%	66,901	1.7%	754,359	19.3%	20.3%	39,280	(130,374)	-	-	\$2.16
B	35	1,015,353	176,032	17.3%	0	0.0%	176,032	17.3%	19.2%	19,167	15,933	-	-	\$1.63
C	36	988,165	265,735	26.9%	0	0.0%	265,735	26.9%	26.5%	(3,804)	12,696	-	-	\$1.41
Total	88	5,905,382	1,129,225	19.1%	66,901	1.1%	1,196,126	20.3%	21.2%	54,643	(101,745)	-	-	\$1.92
PLEASANT HILL														
A	2	188,131	39,636	21.1%	0	0.0%	39,636	21.1%	32.8%	22,072	20,120	-	-	\$2.47
B	16	752,263	38,240	5.1%	6,594	0.9%	44,834	6.0%	4.7%	(9,775)	5,388	-	-	\$1.95
C	14	240,671	20,284	8.4%	0	0.0%	20,284	8.4%	4.8%	(8,715)	86	-	-	\$1.32
Total	32	1,181,065	98,160	8.3%	6,594	0.6%	104,754	8.9%	9.2%	3,582	25,594	-	-	\$2.02
SHADELANDS														
A	2	174,807	73,381	42.0%	0	0.0%	73,381	42.0%	43.1%	1,931	(10,418)	-	-	\$1.85
B	29	1,286,383	376,964	29.3%	18,400	1.4%	395,364	30.7%	28.5%	(28,945)	(101,163)	-	-	\$1.79
C	13	310,329	107,105	34.5%	0	0.0%	107,105	34.5%	34.4%	(399)	(56,709)	-	-	\$1.61
Total	44	1,771,519	557,450	31.5%	18,400	1.0%	575,850	32.5%	31.0%	(27,413)	(168,290)	-	-	\$1.75
MARTINEZ														
B	8	258,326	24,731	9.6%	0	0.0%	24,731	9.6%	11.5%	4,959	43,110	-	-	\$1.47
C	9	266,864	102,143	38.3%	0	0.0%	102,143	38.3%	40.2%	5,246	5,246	-	-	\$1.40
Total	17	525,190	126,874	24.2%	0	0.0%	126,874	24.2%	26.1%	10,205	48,356	-	-	\$1.41
LAMORINDA														
A	6	248,205	0	0.0%	0	0.0%	0	0.0%	0.4%	1,027	4,887	-	-	\$3.35
B	26	621,572	49,551	8.0%	0	0.0%	49,551	8.0%	8.4%	2,431	(10,299)	-	-	\$2.63
C	5	128,454	24,504	19.1%	0	0.0%	24,504	19.1%	21.5%	3,095	(9,440)	-	-	\$2.25
Total	37	998,231	74,055	7.4%	0	0.0%	74,055	7.4%	8.1%	6,553	(5,582)	-	-	\$2.50
ALAMO/DANVILLE														
A	3	126,821	2,411	1.9%	0	0.0%	2,411	1.9%	5.4%	4,425	4,163	-	-	\$2.35
B	28	552,793	17,097	3.1%	0	0.0%	17,097	3.1%	3.2%	(904)	8,606	-	-	\$2.18
C	12	203,913	15,049	7.4%	0	0.0%	15,049	7.4%	7.4%	-	3,412	-	-	\$2.18
Total	43	883,527	34,557	3.9%	0	0.0%	34,557	3.9%	4.5%	3,521	16,181	-	-	\$2.19
MARKET TOTAL														
A	59	8,926,246	1,282,446	14.4%	134,376	1.5%	1,416,822	15.9%	16.6%	93,027	(31,653)	-	-	\$2.59
B	199	6,153,863	862,433	14.0%	29,946	0.5%	892,379	14.5%	14.3%	(12,623)	2,548	-	-	\$1.92
C	111	2,625,965	565,149	21.5%	0	0.0%	565,149	21.5%	21.5%	(849)	(35,099)	-	-	\$1.52
Total	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

QUARTERLY COMPARISON AND TOTALS

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
2Q-14	369	17,811,074	2,613,801	14.7%	144,821	0.8%	2,758,622	15.5%	15.7%	40,628	158,064	-	-	\$2.12
1Q-14	369	17,811,074	2,621,586	14.7%	177,664	1.0%	2,799,250	15.7%	16.4%	117,436	117,436	-	-	\$2.02
4Q-13	369	17,811,074	2,690,266	15.1%	226,420	1.3%	2,916,686	16.4%	16.3%	(8,987)	(93,527)	-	-	\$1.97

NORTH I-680 > TOTAL VACANCY VS. UNEMPLOYMENT



Unemployment is at its lowest point since the first quarter 2008.

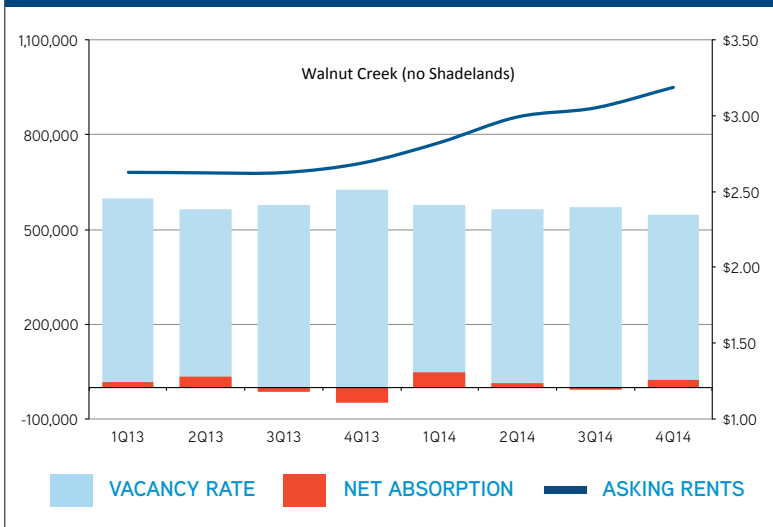
485 offices in
63 countries on
6 continents

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



We predict average asking rents to continue to rise in the near term.

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