

# Market Research

RETAIL | FOURTH QUARTER | 2009



## MARKET INDICATORS

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

\* PROJECTED

## North I-680 & Highway 4 Corridors Retail Report

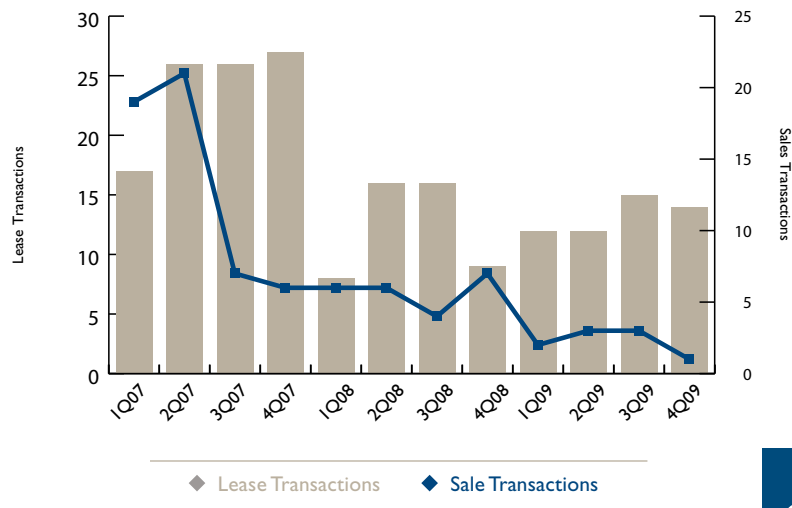
Many in retail real estate would love to forget 2009, which has been marked by retailers shuttering their doors, landlords struggling to reconcile lower rents, higher vacancy and low demand. Retail closures have ranged from local, “mom and pop” stores to major national chains.

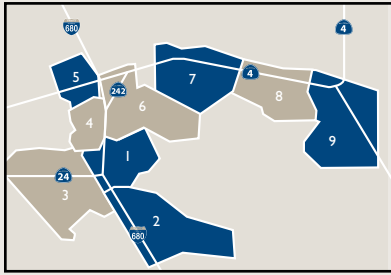
However, the same recession that sent the consumer into hibernation and left retailers and landlords pulling their hair out, has posed opportunities for others. Healthy retailers now and creative landlords are adapting to the new realities of the retail real estate market. Landlords with flexibility on rents and tenant improvements have been able to increase occupancy as tenants look for less expensive space. Tenants in the market now have a plethora of available space at discounted rents, allowing many tenants to leverage themselves into large spaces or better locations.

### LOCAL RETAIL TRENDS

During the fourth quarter, select large local retailers, were able to capitalize on a weaker retail market. Bay Area based specialty pet retailer Pet Food Express filled a

NORTH 680 & HWY 4 CORRIDOR - SALES VS LEASE VELOCITY





### SUBMARKET MAP

1. WALNUT CREEK
2. ALAMO / DANVILLE
3. LAMORINDA
4. PLEASANT HILL
5. MARTINEZ
6. CONCORD
7. PITTSBURG
8. ANTIOCH
9. BRETWOOD

large vacant hole in Downtown Walnut Creek. Pet Food Express filled the large vacancy left by the exit of Elephant Pharm in February of 2009. In Pleasant Hill, Home Concepts Furniture added a 21,000 square foot store at DVC Plaza. The downtrodden market and a flexible landlord allowed the retailer to expand their business into a grocery anchored center, at a busy intersection in a core submarket. Healthy retailers now have opportunities that were not present two or three years ago.

Retail expansion is also coming to Downtown Walnut Creek. After an exhaustive, protracted legal and legislative battle, the residents of Walnut Creek made the decision to allow a Neiman Marcus to move into Walnut Creek. Measure I was passed by a wide margin and allows the city's general plan to skirt parking rules, which in turn allows Neiman Marcus to set up shop at Broadway Plaza. The 92,000 square foot Neiman Marcus store will join Macy's and Nordstrom and will be the only Neiman Marcus in the East Bay when it opens in 2011.

### MARKET CONDITIONS

Market conditions for retail real estate in the North I-680 & Highway 4 Corridors continued to deteriorate in the fourth quarter. Vacancy was up six tenths of a percent in the fourth quarter, rising to 8.4% across the entire region. The Highway 4 Corridor had considerably higher vacancy than the North I-680 Corridor. The Highway

4 Corridor saw vacancy rise from 10.6% to 10.9%, while the North I-680 Corridor saw vacancy rise from 6.3% to 7.0%. Average asking rents for both corridors fell from \$1.97 per square foot triple net to \$1.92 per square foot triple net. During the fourth quarter the entire market region had 168,109 square feet of negative net absorption.

Walnut Creek saw the retail market improve somewhat in the fourth quarter. The Walnut Creek submarket had 8,052 square feet of positive net absorption. Vacancy fell four tenths of a percent to 5.4%. However, average asking rents fell from \$2.67 per square foot to \$2.50 per square foot.

The Pleasant Hill submarket also showed some signs of improvement. Vacancy in Pleasant Hill fell from 3.1% to 2.7%. Pleasant Hill had the lowest retail vacancy rate in the region by two tenths of a percent. The submarket had 24,132 square feet of positive net absorption. Though vacancy and net absorption improved, average asking rents continued to fall, from \$2.40 per square foot to \$2.21 per square foot.

Some market conditions improved in Alamo / Danville as well. The submarket had 3,927 square feet of positive net absorption. Vacancy was down four tenths of a percent to 7.0% in the fourth quarter. Average asking rents fell from \$2.77 per square foot to \$2.64 per square foot.

## MARKET ACTIVITY

### SIGNIFICANT FOURTH QUARTER TRANSACTIONS

#### SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
1388 S CALIFORNIA BLVD, WALNUT CREEK, CA	10/09	14,000	PET FOOD EXPRESS	STRIP RETAIL
85 CHILPANCINGO PKWY, PLEASANT HILL, CA	11/09	5,840	INTERNATIONAL EDUCATION CENTER	NEIGHBORHOOD

#### SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	BUYER / SELLER	TYPE
MAIN ST & CAROL LANE, OAKLEY, CA	10/09	6,590	GOLDEN JUBILEE / VILLAGE PROPERTIES, INC.	NEIGHBORHOOD

**RETAIL MARKET STATISTICS**  
FOURTH QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY					AVG RENTS	
Type	Bldgs	Total Inventory SF	Sq Ft	Rate	Sublease Vacant SF	Vacancy Rate	Sq Ft	Rate 4Q-09	Rate Previous Q	Net Absorp. Q4 2009	Occupied Space SF	Weighted Average Rate	Weighted Average Annual

**SUB MARKETS**

**CENTRAL CONTRA COSTA COUNTY**

<b>WALNUT CREEK</b>													
TOTAL	31	2,108,072	113,951	0.0%	0	0.0%	113,951	5.4%	5.8%	8,052	1,994,121	\$2.50	\$30.03
<b>CONCORD</b>													
TOTAL	47	4,514,501	385,736	8.5%	35,000	0.8%	420,736	9.3%	7.6%	(208,036)	4,093,765	\$1.91	\$22.92
<b>PLEASANT HILL</b>													
TOTAL	18	1,431,399	39,289	2.7%	0	0.0%	39,289	2.7%	3.1%	24,132	1,392,110	\$2.21	\$26.52
<b>MARTINEZ</b>													
TOTAL	6	277,819	7,943	2.9%	0	0.0%	7,943	2.9%	1.5%	(3,806)	269,876	\$1.91	\$22.92
<b>LAMORINDA</b>													
TOTAL	7	505,450	36,860	7.3%	3,023	0.6%	39,883	7.9%	5.1%	(35)	465,567	\$2.00	\$24.00
<b>ALAMO/DANVILLE</b>													
TOTAL	18	1,135,916	79,881	7.0%	0	0.0%	79,881	7.0%	7.4%	3,927	1,056,035	\$2.64	\$31.68

**EAST CONTRA COSTA COUNTY**

<b>PITTSBURG</b>													
TOTAL	13	1,724,539	112,566	6.5%	0	0.0%	112,566	6.5%	6.5%	0	1,611,973	\$1.29	\$15.48
<b>ANTIOCH</b>													
TOTAL	22	2,633,024	233,602	8.9%	12,268	0.5%	245,870	9.3%	8.2%	(5,361)	2,387,154	\$1.44	\$17.28
<b>BRENTWOOD</b>													
TOTAL	11	1,153,246	215,079	18.6%	29,224	2.5%	244,303	21.2%	22.3%	13,018	908,943	\$1.87	\$22.44

**MARKET TOTAL**

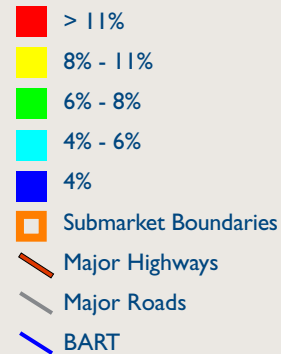
EAST COUNTY	46	5,510,809	561,247	10.2%	41,492	0.8%	602,739	10.9%	10.6%	7,657	4,908,070	\$1.48	\$17.80
CENTRAL CO.	127	9,973,157	663,660	6.7%	38,023	0.4%	701,683	7.0%	6.3%	(175,766)	9,271,474	\$2.17	\$25.99
TOTAL	173	15,483,966	1,224,907	7.9%	79,515	0.5%	1,304,422	8.4%	7.8%	(168,109)	14,179,544	\$1.92	\$23.08

**QUARTERLY COMPARISON AND TOTALS**

Q4-09	173	15,483,966	1,224,907	7.9%	79,515	0.5%	1,304,422	8.4%	7.8%	(168,109)	14,179,544	\$1.92	\$23.08
Q3-09	173	15,588,605	1,161,437	7.5%	58,447	0.4%	1,219,884	7.8%	7.5%	(35,287)	14,368,721	\$1.97	\$23.69
Q2-09	173	15,588,605	1,126,150	7.2%	48,447	0.3%	1,174,597	7.5%	N/A	N/A	14,414,008	\$1.97	\$23.58



**RETAIL VACANCY RATES**



Retail market conditions during the fourth quarter worsened more in Concord than in any other submarket. Vacancy climbed from 7.6% in the third quarter to 9.3% in the fourth quarter. Concord had 208,036 square feet of negative net absorption, up from negative 53,826 square feet in the previous quarter. Average asking rents edged up slightly, climbing six cents to \$1.91 per square foot.

Market conditions remained relatively stable for retail properties in Martinez. Average asking rents were down only two cents to \$1.93 per square foot in the fourth quarter. The submarket had only 3,806 square feet of negative net absorption. Though vacancy did almost double during the fourth quarter, climbing from 1.5% to 2.9%, it is still among the lowest rates in either the North I-680 or Highway 4 Corridors.

Though vacancy climbed in Lamorinda during the fourth quarter, negative net absorption was very minimal and average asking rents remained stable. Vacancy was up 2.8% to 7.9%. Lamorinda only had thirty-five square feet of negative net absorption. Average asking rents remained unchanged at \$2.00 per square foot.

Pittsburg continued to be a quiet retail submarket. Average asking rents were off by one cent, falling to \$1.29 per square foot in the third quarter. The Pittsburg submarket continued to have the lowest average asking

rents in either the North I-680 or Highway 4 Corridors. Vacancy remained unchanged from the previous quarter at 6.5%.

Antioch saw retail market conditions worsen again during the fourth quarter, where vacancy climbed more than one percent to 9.3%. Average asking rents continued to fall, falling from \$1.57 per square foot in the third quarter to \$1.44 per square foot in the fourth quarter. Antioch had 5,361 square feet of negative net absorption in the fourth quarter.

Though net absorption grew and average asking rent edged up, Brentwood continued to have a vacancy rate that dwarfs any other submarket in the region. Average asking rents were up by four cents to \$1.87 per square foot. The submarket had 13,018 square feet of positive net absorption. Vacancy was down by more than a percent, but still only fell to 21.2%. Brentwood has a vacancy rate twice as high as any other submarket in the region.

#### WHAT 2010 HOLDS

2009 was a rough year for retail real estate and 2010 may have some of the same challenges. Retailers will have to adapt to lower consumer spending and demand. Landlords will have to adapt to lower tenant demand and declining rents. Those that survive and thrive will be flexible and adaptable to the changing market. Though 2010 may be another rough year, some will thrive as others falter.

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  
925.279.4620

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