Research &
Forecast Report

NORTH I-680 CORRIDOR | OFFICE

Q3 2017

Colliers INTERNATIONAL

Accelerating success.

Red Hot Rents & Cooling Vacancy

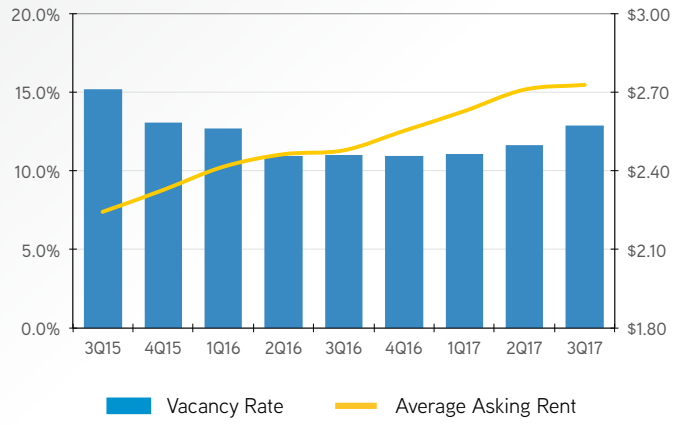
- Office Inventory: 16,926,446 Square Feet
- Vacancy: 12.9 percent
- Net absorption: (380,946) Square Feet Year-To-Date

While San Francisco and Oakland continue to experience unprecedented rental growth, the North I-680 Corridor is quietly increasing in vacancy. Overall rents in the area are keeping pace, and remain historically high. While rents have been on the rise, vacancy has hovered at 12.9 percent, an increase from 10.9 percent the year prior.

Rents continue to remain strong in the North I-680 Corridor. Class A rents are at $3.25 per square foot, from $3.30 the previous quarter. Class B rents have stabilized at $2.22 per square foot, a decrease from $2.26 over the same period. Overall average asking rents increased to $2.73 per square foot, an increase of $0.02 since last quarter. Brokerage sentiment indicates that these spikes are acting as a catalyst for relocation to Concord and the Shadelands.

Vacancy vs. Average Asking Rental Rates

I-680 / Highway 4 Corridor | All Classes



Vacancy rates in the North I-680 Corridor changed slightly in 3Q17, increasing to 12.9 percent from 11.6 percent the previous quarter. Asking rental rates in the region continue to increase to $2.73 per square foot.

Market Indicators

Unemployment Rate North I-680 Corridor	10-Year Nominal Interest Rate	Consumer Confidence
3.9%	2.33 %	119.8

Market Trends

Relative to prior period	Q3 2017	Q4 2017*
Vacancy	↑	↓
Net Absorption	↓	↑
Construction	↔	↔
Rental Rate	↑	↑

*Projected

Summary Statistics

Q3 Walnut Creek Office Market

	Previous Quarter	Current Quarter
Overall Vacancy Rate	11.6	12.9
Net Absorption	(97,974)	(212,768)
Overall Asking Rents	$2.71	$2.73
Class A Asking Rents	$3.30	$3.25
Class B Asking Rents	$2.26	$2.22
Class C/Flex Asking Rents	$1.63	$1.61

**Asking Rents Reported Monthly*

U.S. Market Economic Indicators

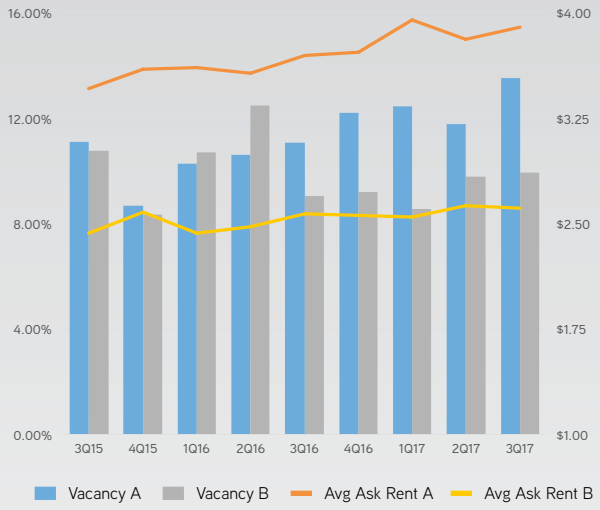
Unemployment Rate (N.I-680)	3.0%	3.9%
Labor Force Participation Rate	62.8%	62.9%
Consumer Price Index	2.44%	2.46%
Interest Rate - 10 Yr Treasury	2.31%	2.33%
Business Confidence Index	103.6	101.6
Consumer Confidence Index	118.9	119.8

The overall vacancy rate for the North I-680 Corridor, experienced a slight increase to 12.9 percent this quarter, from 11.6 percent in the previous quarter. Correspondingly, the market experienced negative net absorption of 272,768 square feet in the third quarter, due mostly to new vacancies at Concord Airport Plaza in Concord and California Plaza in Walnut Creek. It must be noted that Concord Airport Plaza on its own represents 261,694 square feet of the vacant space in Concord Class A, and roughly 230,000 square feet from that vacant space was negatively absorbed during the quarter. Absorption in the region has been negative for the past three quarters, while in contrast rents have been on the increase for the past several years.

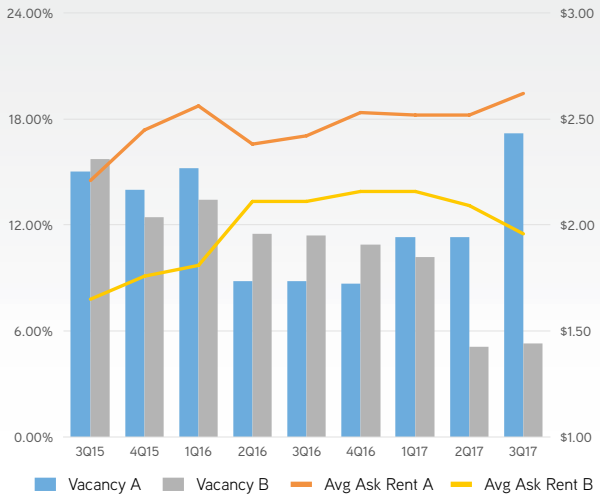
A few notable transactions occurred in the North I-680 Corridor the past quarter. 2300 Clayton Road in Concord, a Class A building, sold for $70,500,000, or $197.17 per square foot to Bridge Investment Group Partners. 1800 Sutter Street in Concord was purchased for $26,200,000, or $150 per square foot by Meridian Property. On the leasing side, Easter Seals leased 50,000 square feet at 2730-2820 Shadelands Drive in Walnut Creek. Ascent leased 9,865 square feet at 1001 Galaxy Way in Concord. Lastly, CBC Advisors leased 8,539 square feet at 2999 Oak Road in Walnut Creek.

The North I-680 Corridor has experienced increases in rents for the past several quarters, and that trend should continue into the final quarter of 2017. While rents have been increasing, vacancy has been decreasing slightly, although still relatively limited and expected to rebound. This may have a positive side effect in which prospective tenants may have an increase in options and/or concessions, although these are yet to be realized. As we move toward the end of 2017, it will be interesting to see if the current trends continue into 2018.

Vacancy vs. Average Asking Rental Rates Downtown Walnut Creek



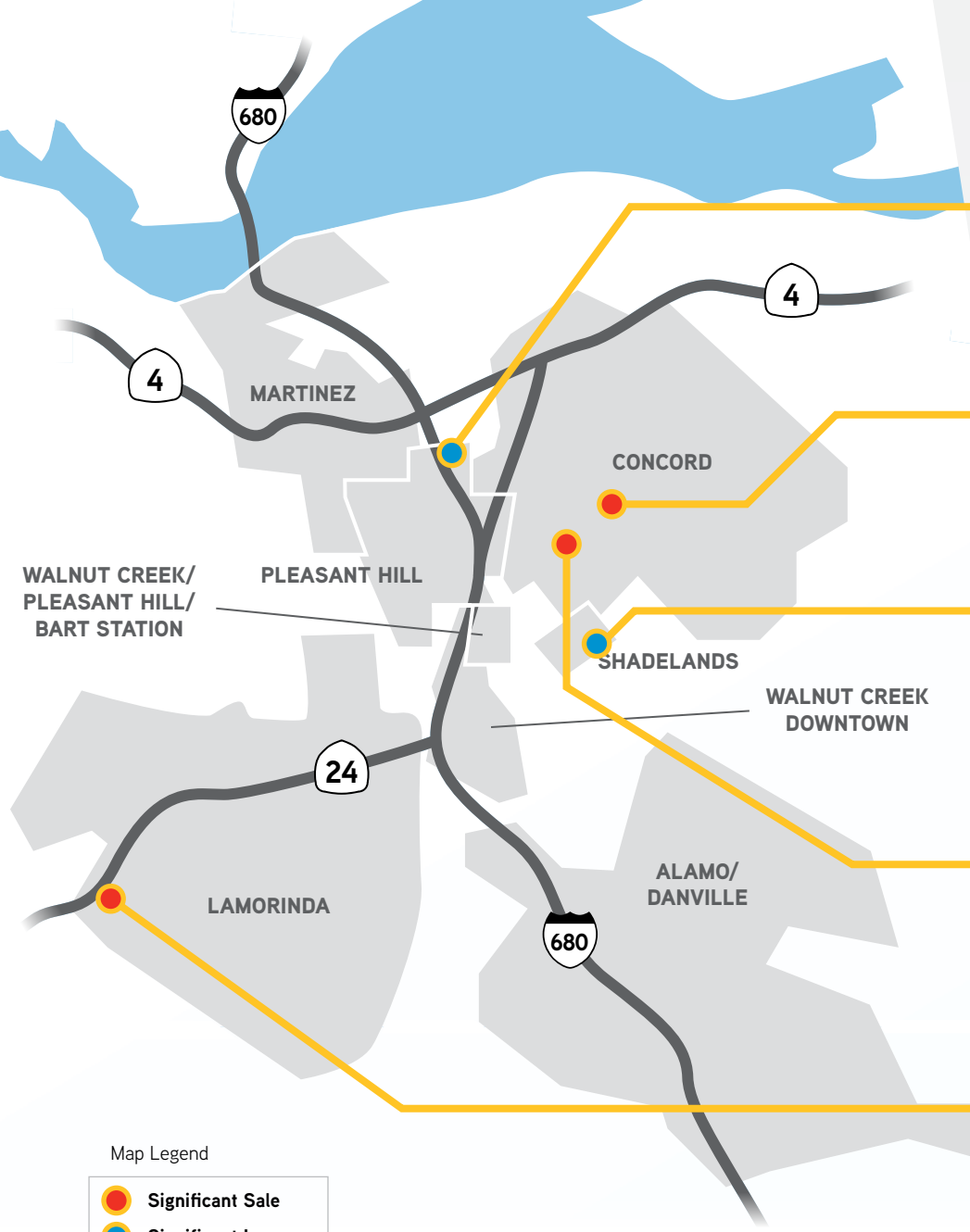
Vacancy vs. Average Asking Rental Rates Concord



Rental rates in the North I-680 Corridor continue to increase, prompting potential relocations to areas like the Shadelands and Concord. Overall rental rates in our region have increased for four consecutive years, giving us the highest rents since Colliers tracked the market back in 1999.

Class B Office, Park Centre
350, 370, 390 N. Wiget Lane, Walnut Creek

Significant Market Activity



Ascent
1001 Galaxy Way, Concord
September 2017
9,865 SF

Bridge Investment Group Partners
2300 Clayton Road, Concord
August 2017
357,566 SF

Easter Seals
2730-2820 Shadelands Drive, Walnut Creek
September 2017
50,000 SF

Meridian Property
1800 Sutter Street, Concord
August 2017
190,227 SF

89 Davis LP
89 Davis Road, Orinda
Septermber 2017
16,355 SF

Map Legend

- **Significant Sale**
- **Significant Lease**

Significant Leases

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
2730-2820 Shadelands Drive, Walnut Creek	September 2017	50,000	Easter Seals	Direct
1001 Galaxy Way, Concord	September 2017	9,865	Ascent	Direct
2999 Oak Road, Walnut Creek	August 2017	8,539	CBC Advisors	Direct

Significant Sales

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
2300 Clayton Road, Concord	August 2017	357,566	Bridge Investment Group Partners	Investment
1800 Sutter Street, Concord	August 2017	190,227	Meridian Property	Investment
400-404 North Wiget Lane, Walnut Creek	July 2017	16,808	Piazza Montana LLC	Investment
89 Davis Road, Orinda	September 2017	16,355	89 Davis LP	Investment

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
WALNUT CREEK DOWNTOWN														
A	20	2,745,998	335,019	12.2%	36,719	1.3%	371,738	13.5%	11.8%	(48,655)	(36,395)	-	-	$3.90
B	53	1,494,337	134,378	9.0%	14,197	1.0%	148,575	9.9%	9.8%	(2,336)	(12,136)	-	-	$2.61
C	20	437,751	35,778	8.2%	5,153	1.2%	40,931	9.4%	7.3%	(8,915)	(15,911)	-	-	$2.12
Total	93	4,678,086	505,175	10.8%	56,069	1.2%	561,244	12.0%	10.7%	(59,906)	(64,442)	-	-	$3.43
WALNUT CREEK PH BART														
A	9	1,540,420	94,696	6.1%	113,652	7.4%	208,348	13.5%	15.6%	31,666	(88,767)	-	-	$3.86
B	4	164,226	19,491	11.9%	4,674	2.8%	24,165	14.7%	18.8%	6,726	7,027	-	-	$2.78
Total	13	1,704,646	114,187	6.7%	118,326	6.9%	232,513	13.6%	15.9%	38,392	(81,740)	-	-	$3.75
CONCORD														
A	16	3,328,553	510,752	15.3%	63,265	1.9%	574,017	17.2%	11.3%	(198,772)	(236,571)	-	-	$2.62
B	37	1,081,716	55,865	5.2%	1,533	0.1%	57,398	5.3%	5.1%	(2,299)	60,441	-	-	$1.96
C	34	925,403	66,435	7.2%	252	0.0%	66,687	7.2%	7.2%	-	72,953	-	-	$1.38
Total	87	5,335,672	633,052	11.9%	65,050	1.2%	698,102	13.1%	9.3%	(201,071)	(103,177)	-	-	$2.45
PLEASANT HILL														
A	2	188,131	43,944	23.4%	-	0.0%	43,944	23.4%	18.9%	(8,366)	(18,329)	-	-	$3.18
B	15	723,846	47,125	6.5%	1,800	0.2%	48,925	6.8%	3.9%	(20,384)	12,816	-	-	$2.12
C	14	240,671	42,125	17.5%	-	0.0%	42,125	17.5%	9.2%	(19,889)	(23,475)	-	-	$1.62
Total	31	1,152,648	133,194	11.6%	1,800	0.2%	134,994	11.7%	7.5%	(48,639)	(28,988)	-	-	$2.31
SHADELANDS														
A	2	174,807	8,564	4.9%	-	0.0%	8,564	4.9%	4.9%	-	22,661	-	-	$2.21
B	27	1,159,503	298,745	25.8%	3,227	0.3%	301,972	26.0%	30.9%	56,788	(131,281)	-	-	$2.01
C	13	310,329	23,115	7.4%	-	0.0%	23,115	7.4%	8.6%	3,679	8,383	-	-	$1.72
Total	42	1,644,639	330,424	20.1%	3,227	0.2%	333,651	20.3%	24.0%	60,467	(100,237)	-	-	$2.00
MARTINEZ														
B	8	258,326	6,406	2.5%	-	0.0%	6,406	2.5%	1.4%	(2,700)	(6,406)	-	-	$1.65
C	9	266,864	82,494	30.9%	-	0.0%	82,494	30.9%	30.9%	-	14,761	-	-	$1.35
Total	17	525,190	88,900	16.9%	-	0.0%	88,900	16.9%	16.4%	(2,700)	8,355	-	-	$1.37
LAMORINDA														
A	6	248,205	24,098	9.7%	11,160	4.5%	35,258	14.2%	13.3%	(2,169)	(18,681)	-	-	$4.25
B	25	602,532	29,265	4.9%	1,495	0.2%	30,760	5.1%	5.6%	2,781	9,191	-	-	$2.56
C	5	128,454	15,799	12.3%	1,300	1.0%	17,099	13.3%	13.3%	-	(205)	-	-	$2.25
Total	36	979,191	69,162	7.1%	13,955	1.4%	83,117	8.5%	8.6%	612	(9,695)	-	-	$3.21
ALAMO/DANVILLE														
A	3	129,469	1,992	1.5%	-	0.0%	1,992	1.5%	1.5%	-	-	-	-	$3.00
B	30	572,992	25,030	4.4%	2,688	0.5%	27,718	4.8%	4.8%	-	(5,116)	-	-	$2.49
C	12	203,913	19,444	9.5%	1,160	0.6%	20,604	10.1%	10.1%	77	4,094	-	-	$1.76
Total	45	906,374	46,466	5.1%	3,848	0.4%	50,314	5.6%	5.6%	77	(1,022)	-	-	$2.21

MARKET TOTAL

A	58	8,355,583	1,019,065	12.2%	224,796	2.7%	1,243,861	14.9%	12.2%	(226,296)	(376,082)	-	-	$3.25
B	199	6,057,478	616,305	10.2%	29,614	0.5%	645,919	10.7%	11.3%	38,576	(65,464)	-	-	$2.22
C	107	2,513,385	285,190	11.3%	7,865	0.3%	293,055	11.7%	10.7%	(25,048)	60,600	-	-	$1.61
Total	364	16,926,446	1,920,560	11.3%	262,275	1.5%	2,182,835	12.9%	11.6%	(212,768)	(380,946)	-	-	$2.73

QUARTERLY COMPARISON AND TOTALS

3Q-17	364	16,926,446	1,920,560	11.3%	262,275	1.5%	2,182,835	12.9%	11.6%	(212,768)	(380,946)	-	–	$2.73
2Q-17	364	16,926,446	1,651,422	9.8%	319,645	1.9%	1,971,067	11.6%	11.1%	(97,974)	(168,178)	–	–	$2.71
1Q-17	364	16,926,446	1,670,677	9.9%	201,406	1.2%	1,872,083	11.1%	10.9%	(70,204)	(70,204)	–	–	$2.63
4Q-16	367	17,623,918	1,710,299	9.7%	218,470	1.2%	1,928,769	10.9%	11.0%	6,998	388,379	–	–	$2.55
3Q-16	367	17,623,918	1,711,029	9.7%	227,965	1.3%	1,938,994	11.0%	11.5%	(5,503)	381,381	–	–	$2.48

396 offices in **68** countries on **6** continents

United States: **153**
Canada: **29**
Latin America: **24**
Asia Pacific: **36**
EMEA: **111**
ANZ: **43**

$2.6
billion in
annual revenue

2.0
billion square feet
under management

15,000
professionals
and staff

*All statistics are for 2016 and include affiliates

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