

RESEARCH & FORECAST REPORT



Sales Activity Increases While Leasing Stabilizes

The North I-680 Office leasing market remained unchanged while sales activity picked up during the fourth quarter 2013. Class A vacancy increased 70 basis points to 15.4 percent, Class B vacancy fell 20 basis points to 15.1 percent and Class C vacancy decreased 160 basis points to 21.6 percent. These changes combined to result in total vacancy remaining at 16.2 percent. The market as a whole gave back 93,527 square feet of negative net absorption for the year. The Class A market improved throughout most of 2013 but 64,039 square feet of negative net absorption in the fourth quarter pushed year to date absorption into the red, falling in at negative 17,862 square feet.

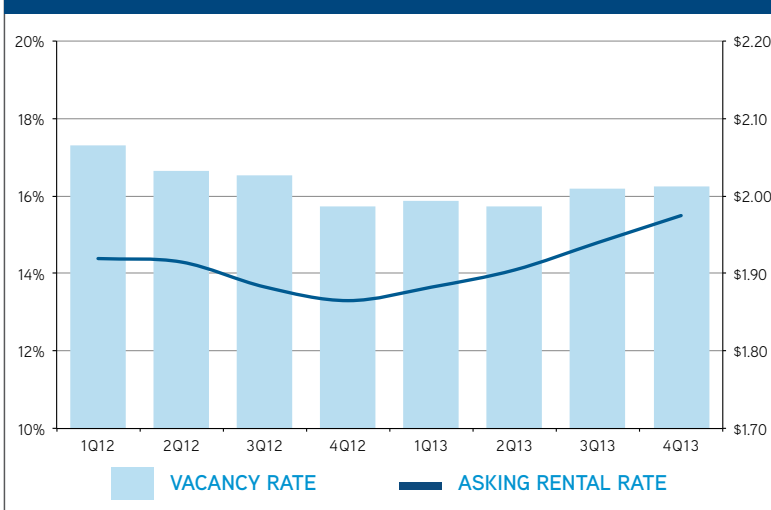
The Walnut Creek Downtown submarket gave back space in the fourth quarter. Class A vacancy increased 120 basis points to 14.3 percent. Class A registered 32,722 square feet of negative net absorption during the quarter and logged 29,056 square feet during 2013. Lease transaction frequency tapered off in the fourth quarter leaving few significant lease transactions.

The Walnut Creek Pleasant Hill BART Class A submarket registered a 100 basis point increase in vacancy. The submarket tracked 16,463 square feet of negative net absorption and vacancy now stands at 14.4 percent which is the highest it has been since the fourth quarter of 2012. That said, the submarket has improved over the previous year logging 18,356 square feet of net absorption. John Muir Health's 12,806 square foot renewal at Pacific Plaza was the largest lease transaction of the quarter for the submarket. Also at Pacific Plaza, Heald College leased 8,818 square feet on the third floor.

MARKET INDICATORS

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

NORTH I-680 CORRIDOR > VACANCY VS. ASKING RENTS



Vacancy may be flat but the brokers say the market is stronger.



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

Concord as a whole improved during the fourth quarter. Class A vacancy was unchanged as remaining solidly at 16.0 percent. Class B vacancy fell 60 basis points to 18.7 percent. Class C vacancy dipped 310 basis points to 28.2 percent. The Class A submarket tracked 30,936 square feet of net absorption for the year. Transaction activity picked up at Civic Executive Park in Concord as Regal Arts & Gifts leased 9,231 square feet in building 1470. Kaiser Permanente took 3,756 square feet on the fifth floor at One Concord Center. One & Two Corporate Center, which was being marketed for sale during the fourth quarter, was pulled off the market by the end of the year.

The Shadelands submarket improved in the fourth quarter as vacancy fell 80 basis points to 26.6 percent marking a positive change in course for a submarket that has recently registered consecutive quarters of deteriorating fundamentals.

Sales activity finished strong at year end. The most notable sale was Tishman Speyer's purchase of California Plaza in Downtown Walnut Creek. Tishman purchased the 393,680 square foot Class A multi-tenant office building from Heitman Financial, who owned the building

for fourteen years. In Lafayette, Corporate Terrace, an 82,000 square foot Class B office complex sold to Swift Realty Partners, making this their third acquisition in the North I-680 corridor. Swift purchased the buildings from Glenborough LLC.

In Martinez, the 70,400 square foot Class B office building at 777 Arnold Drive sold to Serb Systems; Five Star Bank was the seller. A 21,156 square foot Class C office building at 93 N 1st Street in Pacheco sold. McGuire Powersports purchased the building from RTG Group. In the Shadelands submarket a 14,213 square foot medical office condo sold at 460 N Wiget Lane; Hill Properties was the seller. Looking south, in Danville, the 12,989 square foot Class C office building at 588 San Ramon Valley Boulevard sold to Valentine Capital Asset Management; Bianchi Joint Ventures was the seller. In Alamo, an 8,634 square foot Class C office building at 1451 Danville Boulevard changed hands. The Ferreira Living Trust purchased the office property from Fritz Fort Alamo. There were four other office building sales in the North I-680 corridor of 3,000 square feet or less. The fourth quarter marked the most active quarter for building sales for the year. Fourth quarter office sales volume increased 10 percent over the same period in 2012.

SIGNIFICANT TRANSACTIONS

SALES ACTIVITY

PROPERTY NAME/ADDRESS	SALES DATE	SIZE SF	BUYER	CLASS
California Plaza	Dec-13	393,680	Tishman Speyer	A
Corporate Terrace	Oct-13	82,000	Swift Partners	B
777 Arnold Drive	Dec-13	70,400	Serb Systems	B
93 N 1st Street	Oct-13	21,156	McGuire Powersports	C
460 N Wiget Lane	Oct-13	14,213	Bay Area Surgeon Specialists	B
588 San Ramon Valley Boulevard	Oct-13	12,989	Valentine Capital Asset Management	C
1451 Danville Boulevard	Oct-13	9,634	Ferreira Living Trust	C

LEASING ACTIVITY

PROPERTY NAME/ADDRESS	LEASE DATE	SIZE SF	TENANT	CLASS
Pacific Plaza	Oct-13	12,806	John Muir Health	A
Civic Executive Park	Oct-13	9,231	Regal Arts & Gifts	B
Pacific Plaza	Oct-13	8,818	Heald College	A
One Concord Center	Oct-13	3,756	Kaiser Permanente	A
1455 Montego	Oct-13	3,680	Contra Costa Sleep Center	B
1700 N Broadway	Oct-13	3,462	Flares Bridal & Formal	B
Quail Court Office Park	Oct-13	3,457	Apex Physician Group	C
Kirby Plaza	Dec-13	3,200	WC Chamber of Commerce	B

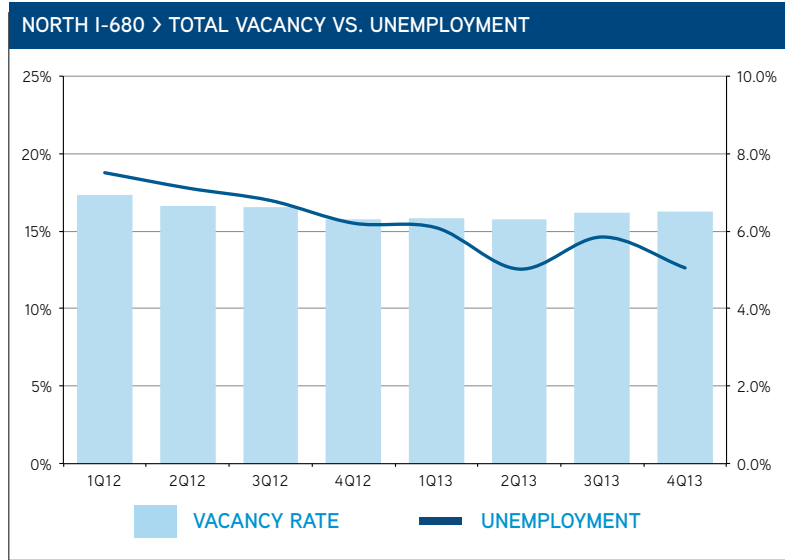
Q4 2013 | MARKET COMPARISONS

OFFICE MARKET

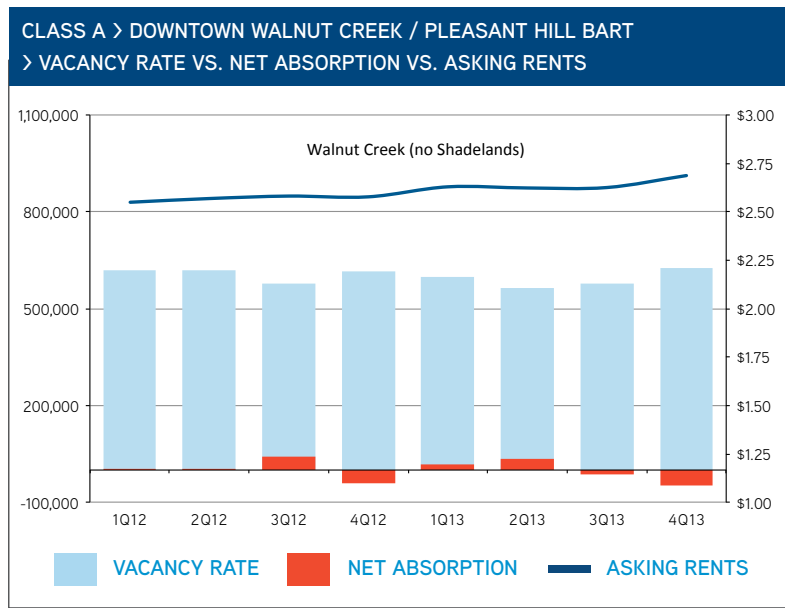
		Existing Properties							Absorption		Construction		Rents	
TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANCY SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PREVIOUS QUARTER	NET ABSORPTION CURRENT SF	NET ABSORPTION YTD SF	COMPLETED CURRENT QTR SF	UNDER CONSTRUCT. SF	WEIGHTED ASKING RENTAL RATE
WALNUT CREEK DT														
A	20	2,745,998	310,760	11.3%	82,889	3.0%	393,649	14.3%	13.1%	(32,722)	(29,056)	-	-	\$2.75
B	53	1,512,247	201,840	13.3%	867	0.1%	202,707	13.4%	14.3%	12,879	(38,077)	-	-	\$2.19
C	22	485,309	38,671	8.0%	1,268	0.3%	39,939	8.2%	8.2%	(343)	6,253	-	-	\$1.90
Total	95	4,743,554	551,271	11.6%	85,024	1.8%	636,295	13.4%	13.0%	(20,186)	(60,880)	-	-	\$2.52
WALNUT CREEK PH BART														
A	10	1,623,999	195,920	12.1%	37,435	2.3%	233,355	14.4%	13.4%	(16,463)	18,356	-	-	\$2.58
B	4	164,226	13,766	8.4%		0.0%	13,766	8.4%	2.4%	(9,813)	(5,813)	-	-	\$1.93
Total	14	1,788,225	209,686	11.7%	37,435	2.1%	247,121	13.8%	12.3%	(26,276)	12,543	-	-	\$2.54
CONCORD														
A	17	3,901,864	545,346	14.0%	78,639	2.0%	623,985	16.0%	16.0%	993	30,936	-	-	\$1.89
B	36	1,028,347	191,965	18.7%	0	0.0%	191,965	18.7%	19.3%	6,362	19,162	-	-	\$1.68
C	36	988,165	278,431	28.2%	0	0.0%	278,431	28.2%	31.3%	30,634	(9,271)	-	-	\$1.15
Total	89	5,918,376	1,015,742	17.2%	78,639	1.3%	1,094,381	18.5%	19.1%	37,989	40,827	-	-	\$1.66
PLEASANT HILL														
A	2	188,131	59,756	31.8%	0	0.0%	59,756	31.8%	10.4%	(40,128)	(40,128)	-	-	\$2.25
B	16	752,263	50,042	6.7%	180	0.0%	50,222	6.7%	6.7%	(167)	7,999	-	-	\$1.85
C	14	240,671	20,370	8.5%	0	0.0%	20,370	8.5%	9.6%	2,763	150	-	-	\$1.75
Total	32	1,181,065	130,168	11.0%	180	0.0%	130,348	11.0%	7.9%	(37,532)	(31,979)	-	-	\$1.84
SHADELANDS														
A	2	174,807	62,963	36.0%	0	0.0%	62,963	36.0%	41.8%	10,023	(22,231)	-	-	\$1.85
B	30	1,327,320	320,801	24.2%	18,400	1.4%	339,201	25.6%	26.0%	6,479	(11,602)	-	-	\$1.80
C	16	423,477	106,848	25.2%	3,548	0.8%	110,396	26.1%	25.8%	(961)	(73,547)	-	-	\$1.60
Total	48	1,925,604	490,612	25.5%	21,948	1.1%	512,560	26.6%	27.4%	15,541	(107,380)	-	-	\$1.75
MARTINEZ														
B	8	258,326	67,841	26.3%	0	0.0%	67,841	26.3%	26.3%	-	3,236	-	-	\$1.31
C	9	266,864	107,389	40.2%	0	0.0%	107,389	40.2%	42.8%	6,902	6,902	-	-	\$1.40
Total	17	525,190	175,230	33.4%	0	0.0%	175,230	33.4%	34.7%	6,902	10,138	-	-	\$1.37
LAMORINDA														
A	6	248,205	4,887	2.0%	0	0.0%	4,887	2.0%	7.7%	14,258	11,931	-	-	\$3.35
B	26	621,572	45,986	7.4%	2,536	0.4%	48,522	7.8%	7.2%	(3,980)	6,272	-	-	\$2.27
C	5	128,454	14,406	11.2%	658	0.5%	15,064	11.7%	11.6%	(115)	(115)	-	-	\$2.23
Total	37	998,231	65,279	6.5%	3,194	0.3%	68,473	6.9%	7.9%	10,163	18,088	-	-	\$2.34
ALAMO/DANVILLE														
A	3	126,821	6,574	5.2%	0	0.0%	6,574	5.2%	5.2%	-	12,330	-	-	\$2.35
B	28	552,793	27,243	4.9%	0	0.0%	27,243	4.9%	4.8%	(488)	7,482	-	-	\$2.27
C	12	203,913	18,461	9.1%	0	0.0%	18,461	9.1%	11.5%	4,900	5,304	-	-	\$2.23
Total	43	883,527	52,278	5.9%	0	0.0%	52,278	5.9%	6.4%	4,412	25,116	-	-	\$2.27
MARKET TOTAL														
A	60	9,009,825	1,186,206	13.2%	198,963	2.2%	1,385,169	15.4%	14.7%	(64,039)	(17,862)	-	-	\$2.09
B	201	6,217,094	919,484	14.8%	21,983	0.4%	941,467	15.1%	15.3%	11,272	(11,341)	-	-	\$1.87
C	114	2,736,853	584,576	21.4%	5,474	0.2%	590,050	21.6%	23.2%	43,780	(64,324)	-	-	\$1.41
Total	375	17,963,772	2,690,266	15.0%	226,420	1.3%	2,916,686	16.2%	16.2%	(8,987)	(93,527)	-	-	\$1.88

QUARTERLY COMPARISON AND TOTALS

4Q-13	375	17,963,772	2,690,266	15.0%	226,420	1.3%	2,916,686	16.2%	16.2%	(8,987)	(93,527)	-	-	\$1.88
3Q-13	375	17,963,772	2,702,205	15.0%	205,494	1.1%	2,907,699	16.2%	15.5%	(126,297)	(84,540)	-	-	\$1.87
2Q-13	375	18,019,642	2,625,368	14.6%	159,688	0.9%	2,785,056	15.5%	15.6%	20,936	41,757	-	-	\$1.84
1Q-13	375	18,019,642	2,682,706	14.9%	123,286	0.7%	2,805,992	15.6%	15.7%	20,821	20,821	-	-	\$1.83
4Q-12	375	17,967,426	2,718,263	15.1%	108,550	0.6%	2,826,813	15.7%	16.5%	72,581	114,898	-	-	\$1.82



Unemployment in the North I-680 corridor is nearing 5 percent.



Walnut Creek Class A registered 49,185 square feet of negative net absorption in the fourth quarter. This marked the only quarter in 2013 with significant negative absorption.

482 offices in 62 countries on 6 continents

United States: 140
 Canada: 42
 Latin America: 20
 Asia Pacific: 195
 EMEA: 85

- > \$2.0 Billion in annual revenue
- > 112 Billion* square feet under management
- > Over 13,500 professionals

*The combination of Colliers International and FirstService results in 2.5 Billion SF under management (2nd largest in the world).

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