

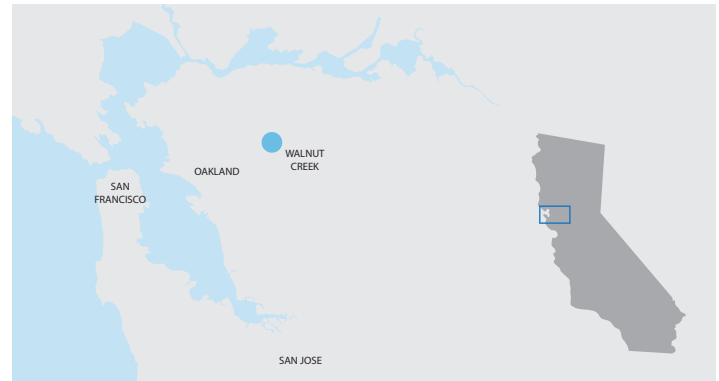
I-680 / Highway 4 Office Market Review

- > Leasing Activity: 17,706,074 square feet
- > Current Vacancy: 16.9 percent
- > Net Absorption: Negative (95,081) square feet

At a glance the North I-680 Corridor office market had a mixed second quarter for 2015 with both increasing rents and increasing vacancy.

Traditionally these two statistics are contradictory; however a closer look at the statistics reveals the underlying dynamics for the period that created this contradiction. The Class A office vacancy recorded no change from three months prior. Class B space inched up 100 basis points to 15.5 percent and the Class C product recorded an increase of 180 basis points to end the quarter with a vacancy rate of 23.5 percent. The total of all three classes combined led to a vacancy increase of 60 basis points for the North I-680 Corridor to 16.9 percent. Despite the increase in vacancy, average asking rental rates began the year at \$2.18 per square foot, but continued to rise steadily, ending the second quarter at \$2.23 per square foot.

Walnut Creek Downtown submarket registered negative net absorption of 79,922 square feet. Class A vacancy increased 180



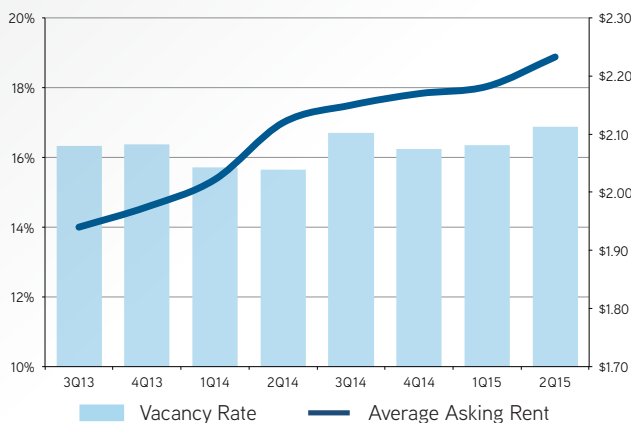
Market Trends

Relative to prior period	Q2 2015	Q3 2015*
Vacancy	↑	↑
Net Absorption	↓	↓
Construction	↔	↔
Rental Rate	↑	↑

*Projected

Vacancy vs. Asking Full Service Rental Rates

I-680 / Highway 4 Corridor | All Classes



Average asking rents increased significantly in the second quarter. We predict a continued increase in average asking rents.

Summary Statistics

Q2 Walnut Creek Office Market

	Previous Quarter	Current Quarter
Overall Vacancy Rate	16.3%	17.0%
Net Absorption	(17,339)	(119,489)
Construction Completed	0	0
Under Construction	0	0
Overall Asking Rents	\$2.18	\$2.23
Class A Asking Rents	\$2.58	\$2.68
Class B Asking Rents	\$1.92	\$1.96
Class C/Flex Asking Rents	\$1.57	\$1.60

*Asking Rents Reported Monthly

basis points to 13.3 percent and registered 49,037 square feet of negative net absorption. Class B vacancy moved up 150 basis points to 13.6 percent, reporting 22,731 square feet of negative absorption. Lastly, Class C recorded the highest increase in vacancy rate of 170 basis points to 8.0 percent with a negative net absorption of 8,154 square feet. Ultimately, the overall asking rents in the second quarter for Walnut Creek Downtown increased from \$2.83 to \$2.90 per square foot.

The Walnut Creek Pleasant Hill Bart submarket registered 14,227 square feet of negative net absorption in the second quarter, changing from 13.9 percent to a total combined vacancy of 14.7 percent. Although the Class B market vacancy saw no change this quarter, the Class A vacancy increased to 15.3 percent, reporting 14,227 square feet of negative absorption.

On a positive note, Concord continued to improve during the second quarter. Class A vacancy decreased 160 basis points to 18.4 percent. This change corresponded with 63,564 square feet of net absorption. The Chevron facility in Concord containing approximately 608,751 square feet located on 30 acres fronting I-680 is currently on the market for sale and has the potential to contribute significantly to the future vacancies in Concord. Overall, the asking rental rates in Concord increased in the second quarter by \$0.05.

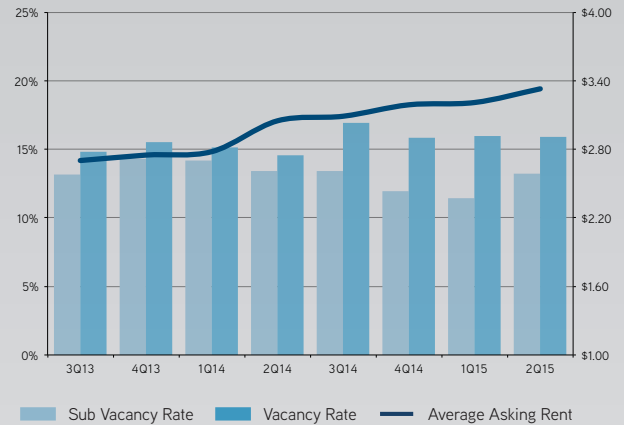
The Shadelands submarket experienced a minor change from first quarter. The vacancy rate increased by 70 basis points to 33.8 percent, a staggering number given the overall condition of the I-680 Corridor. Class A vacancy decreased by 4.0 percent to 36.7 percent. This drop in vacancy corresponded with 6,922 square feet of net absorption. The overall asking rates for the submarket experienced no change, holding steady at \$1.75 per square foot. Net absorption reported negative 12,985 square feet.

There were a few significant lease transactions in the second quarter. The largest transaction was the Del Monte move from San Francisco to Walnut Creek. PMI Plaza leased 26,377 square feet at Oak Road in Walnut Creek. At Swift Plaza, 1655 Grant Street in Concord, Am Trust North America signed a lease for 24,408 square feet. In the same building AssetMark Inc. expanded by 24,000 square feet on the eleventh floor. Yapstone expanded by 25,000 square feet at 2121 North California in Walnut Creek, and PRO Unlimited leased 6,449 square feet at California Plaza in Walnut Creek.

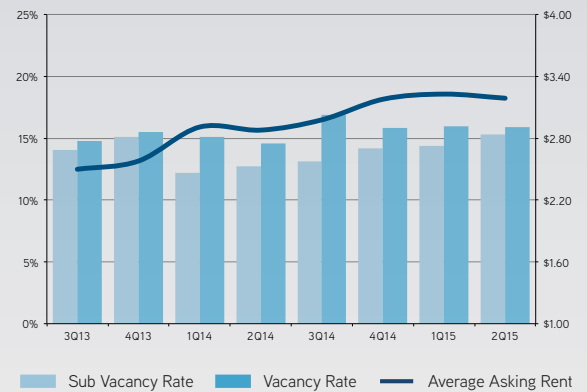
Significant sales transactions for the second quarter included Dunhill Partners acquisition of Orinda Theater Square containing 90,000 square feet of prime office and retail property in Orinda. Stark Partners LLC purchased an office building in Danville containing 27,454 square feet. In Walnut Creek, a local investor purchased the 16,763 square foot office building at 1220 Oakland Boulevard and Reliez Valley Ventures LLC purchased a 2,839 square foot office building at 1027 Brown Avenue, Lafayette.

The past three months have shown continued increases in rent for the Class A, B and C office product. However, we have also seen a slight decrease in vacancy in all markets. With consistent regional job growth, the new Title 24 lighting requirements and construction costs increasing approximately 30 percent year over year, businesses in the East Bay and I-680 Corridor can expect to see rents increasing for the foreseeable future.

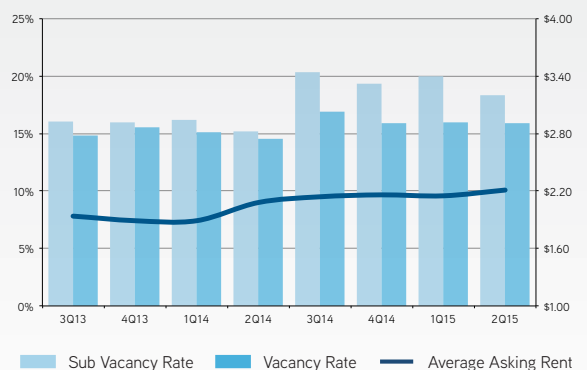
Class A Asking Rental Rate vs. Vacancy Rate Downtown Walnut Creek



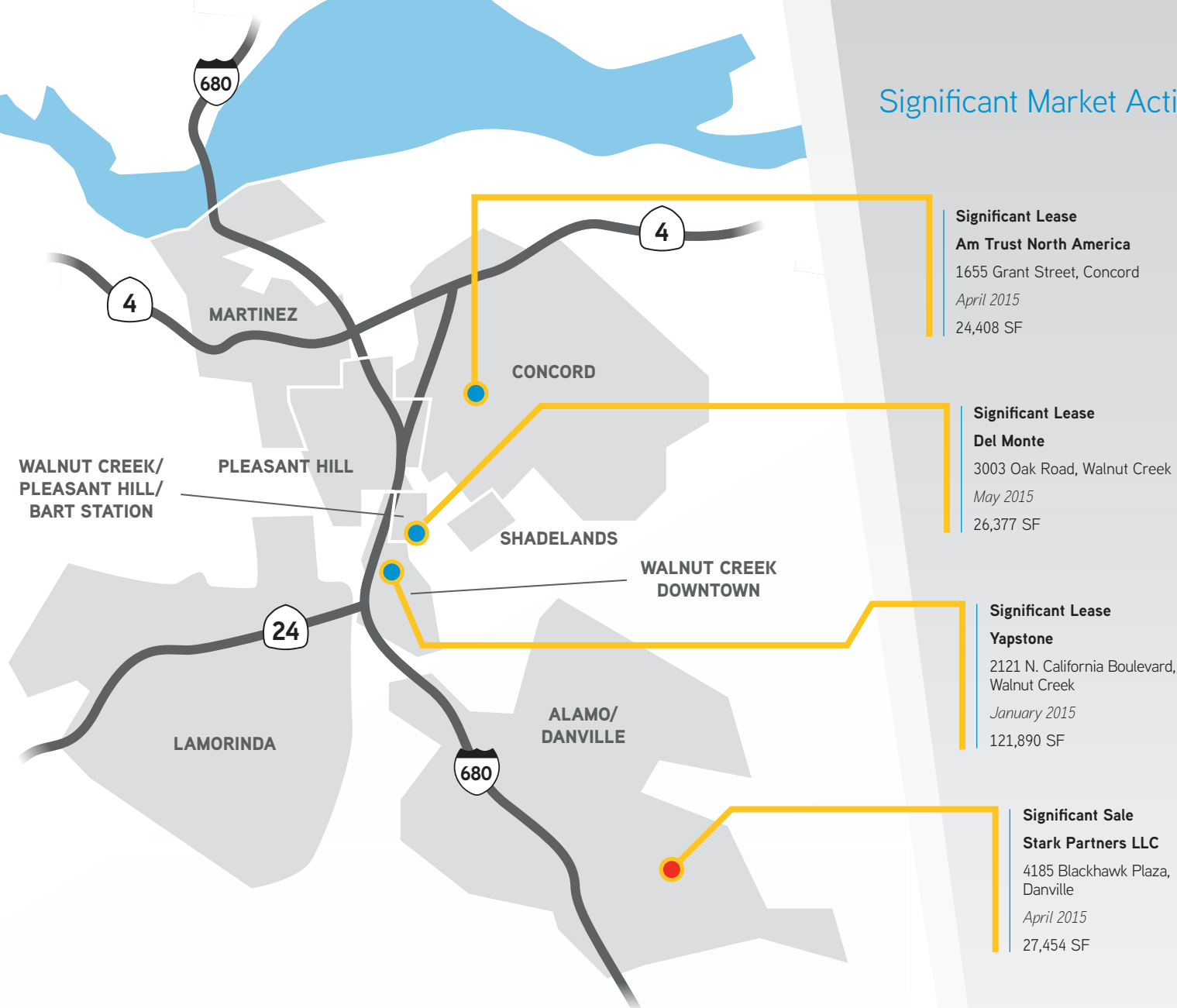
Class A Asking Rental Rate vs. Vacancy Rate Pleasant Hill



Class A Asking Rental Rate vs. Vacancy Rate Concord



Significant Market Activity



Significant Sale & Lease Activity

Significant Sales				
PROPERTY ADDRESS	SALE DATE	SIZE	SELLER/BUYER	CLASS
Theater Square, Orinda	May 2015	90,000	Dunhill Partners	A
4185 Blackhawk Plaza, Danville	April 2015	27,454	Stark Partners LLC	A
1220 Oakland Boulevard, Walnut Creek	May 2015	16,763	Local Investor	B
1027 Brown Avenue, Lafayette	April 2015	2,839	Reliez Valley Ventures LLC	C
Significant Leases				
PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	CLASS
3003 Oak Road, Walnut Creek	May 2015	26,377	Del Monte	A
1655 Grant Street, Concord	April 2015	24,408	Am Trust North America	A
2121 N. California Boulevard, Walnut Creek	June 2015	25,000	Yapstone	A
1655 Grant Street, Concord	April 2015	24,000	AssetMark Inc.	A
2121 N California Boulevard, Walnut Creek	May 2015	6,449	PRO Unlimited	A

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	321,618	11.7%	42,286	1.5%	363,904	13.3%	11.5%	(49,037)	(35,170)	-	-	\$3.33
B	53	1,502,947	204,192	13.6%	-	0.0%	204,192	13.6%	12.1%	(22,731)	(37,826)	-	-	\$2.25
C	22	487,569	38,483	7.9%	532	0.1%	39,015	8.0%	6.3%	(8,154)	(8,686)	-	-	\$1.77
Total	95	4,736,514	564,293	11.9%	42,818	0.9%	607,111	12.8%	11.1%	(79,922)	(81,682)	-	-	\$2.91
WALNUT CREEK / PLEASANT HILL BART														
A	9	1,540,420	197,159	12.8%	38,761	2.5%	235,920	15.3%	14.4%	(14,227)	(17,619)	-	-	\$3.19
B	4	164,226	14,952	9.1%	-	0.0%	14,952	9.1%	9.1%	-	3,452	-	-	\$2.15
Total	13	1,704,646	212,111	12.4%	38,761	2.3%	250,872	14.7%	13.9%	(14,227)	(14,167)	-	-	\$3.13
CONCORD														
A	17	3,901,864	627,461	16.1%	89,024	2.3%	716,485	18.4%	20.0%	63,564	37,874	-	-	\$2.21
B	36	1,031,760	152,898	14.8%	-	0.0%	152,898	14.8%	17.1%	23,734	23,134	-	-	\$1.66
C	35	971,758	285,720	29.4%	-	0.0%	285,720	29.4%	23.4%	(58,729)	(19,985)	-	-	\$1.57
Total	88	5,905,382	1,066,079	18.1%	89,024	1.5%	1,155,103	19.6%	20.0%	28,569	41,023	-	-	\$1.98
PLEASANT HILL														
A	2	188,131	34,562	18.4%	-	0.0%	34,562	18.4%	15.9%	(4,721)	5,074	-	-	\$2.48
B	16	752,263	54,513	7.2%	9,675	1.3%	64,188	8.5%	8.8%	1,950	(19,354)	-	-	\$1.90
C	14	240,671	26,769	11.1%	-	0.0%	26,769	11.1%	11.5%	910	(6,485)	-	-	\$1.34
Total	32	1,181,065	115,844	9.8%	9,675	0.8%	125,519	10.6%	10.5%	(1,861)	(20,765)	-	-	\$1.94
SHADELANDS														
A	2	174,807	64,157	36.7%	-	0.0%	64,157	36.7%	40.7%	6,922	9,224	-	-	\$1.95
B	29	1,286,383	398,107	30.9%	18,400	1.4%	416,507	32.4%	31.8%	(7,223)	(21,143)	-	-	\$1.79
C	13	310,329	118,195	38.1%	-	0.0%	118,195	38.1%	34.0%	(12,684)	(11,090)	-	-	\$1.59
Total	44	1,771,519	580,459	32.8%	18,400	1.0%	598,859	33.8%	33.1%	(12,985)	(23,009)	-	-	\$1.75
MARTINEZ														
B	8	258,326	24,731	9.6%	-	0.0%	24,731	9.6%	9.6%	-	-	-	-	\$1.45
C	9	266,864	102,143	38.3%	-	0.0%	102,143	38.3%	38.3%	-	-	-	-	\$1.40
Total	17	525,190	126,874	24.2%	-	0.0%	126,874	24.2%	24.2%	-	-	-	-	\$1.41
LAMORINDA														
A	6	248,205	-	0.0%	4,151	1.7%	4,151	1.7%	1.7%	-	(4,151)	-	-	\$3.35
B	26	621,572	53,305	8.6%	-	0.0%	53,305	8.6%	7.7%	(5,621)	(3,754)	-	-	\$2.74
C	5	128,454	24,504	19.1%	-	0.0%	24,504	19.1%	19.1%	-	-	-	-	\$2.25
Total	37	998,231	77,809	7.8%	4,151	0.4%	81,960	8.2%	7.6%	(5,621)	(7,905)	-	-	\$2.62
ALAMO / DANVILLE														
A	3	126,821	2,411	1.9%	-	0.0%	2,411	1.9%	1.9%	-	-	-	-	\$2.35
B	28	552,793	21,839	4.0%	1,540	0.3%	23,379	4.2%	3.1%	(6,430)	(4,742)	-	-	\$2.21
C	12	203,913	17,016	8.3%	-	0.0%	17,016	8.3%	7.1%	(2,604)	(1,173)	-	-	\$2.35
Total	43	883,527	41,266	4.7%	1,540	0.2%	42,806	4.8%	3.8%	(9,034)	(5,915)	-	-	\$2.27
MARKET TOTAL														
A	59	8,926,246	1,247,368	14.0%	174,222	2.0%	1,421,590	15.9%	15.9%	2,501	(4,768)	-	-	\$2.69
B	200	6,170,270	924,537	15.0%	29,615	0.5%	954,152	15.5%	14.5%	(16,321)	(60,233)	-	-	\$1.96
C	110	2,609,558	612,830	23.5%	532	0.0%	613,362	23.5%	21.7%	(81,261)	(47,419)	-	-	\$1.60
Total	369	17,706,074	2,784,735	15.7%	204,369	1.2%	2,989,104	16.9%	16.3%	(95,081)	(112,420)	-	-	\$2.23
QUARTERLY COMPARISON AND TOTALS														
2Q15	369	17,706,074	2,784,735	15.7%	204,369	1.2%	2,989,104	16.9%	16.3%	(95,081)	(112,420)	-	-	\$2.23
1Q15	369	17,706,074	2,731,366	15.4%	162,657	0.9%	2,894,023	16.3%	16.2%	(15,722)	(15,722)	-	-	\$2.18
4Q14	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
3Q14	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
2Q14	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

502 offices in 67 countries on 6 continents

United States: **140**

Canada: **31**

Latin America: **24**

Asia Pacific: **199**

EMEA: **108**

\$2.3

billion in
annual revenue

1.7

billion square feet
under management

16,300

professionals
and staff

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