

# RESEARCH & FORECAST REPORT



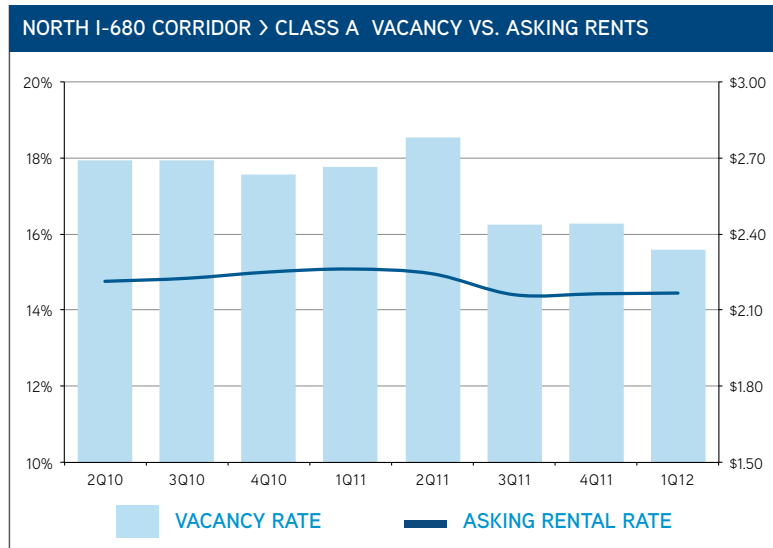
## North I-680 Market Summary

The first quarter of 2012 was unchanged. Total vacancy receded while asking rents remained flat. Quarterly Class A vacancy settled to a three year low as vacancy gradually declined to 15.6 percent, a 0.7 percentage point decrease. Tenants continued to shuffle throughout the market looking for the best deals on office space. There were quite a few deals of note for the quarter but the majority of tenants relocated within the market. The core Class A submarkets in Downtown Walnut Creek, Pleasant Hill BART, and Concord saw very modest absorption with Concord registering the only significant figure at 51,250 square feet. Looking at the labor market for possible demand, statistics for the North I-680 Corridor compiled by the California Employment Development Department reported unemployment at 7.2 percent for the month of February, a 0.2 percentage point increase over December. Even with the slight uptick, unemployment has not been this low since early 2009.

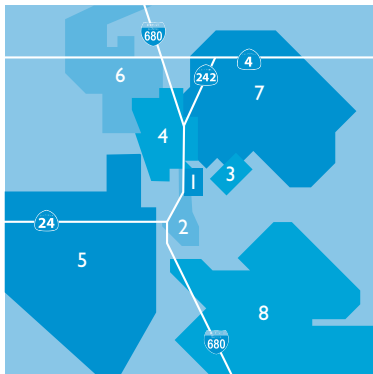
Walnut Creek Downtown Class A vacancy dipped 0.3 percentage points to 14.1 percent, continuing a five quarter trend of falling vacancy. This drop in vacancy coincided with 7,300 square feet of net absorption. This was the first quarter since 2007 to start off the year with positive net absorption. Notable Class A lease transactions included Berding & Weil taking 23,246 square feet at Mt Diablo Plaza, EnerNOC expanding to 11,000 square feet at Pacific Ygnacio Plaza, and Brady Marketing renewing 6,469 square feet at The Plaza at Walnut Creek. The Class B market remained flat with a slight drop in absorption. Asking rent for Class B space remained flat as well.

### MARKET INDICATORS

	Q1	PROJECTED Q2
VACANCY RATE	↓	↓
NET ABSORPTION	↔	↑
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↑



Class A vacancy settled to a two year low.



## 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

The Pleasant Hill BART Class A submarket saw its first quarterly vacancy increase in four quarters. Vacancy inched up 0.3 percentage points to 14.2. The Class A market gave back 5,824 square feet of negative net absorption during the first quarter. Steel George Schofield & Ramos LLP leased 5,800 square feet at Station Plaza.

Concord Class A vacancy fell 1.3 percentage points to 17.5 percent. Much of the lease activity for the quarter occurred at 2300 Clayton and Corporate Centre. Jenkins Insurance leased 22,810 square feet at Two Corporate Centre. Pipeline Systems leased 20,100 square feet at One Corporate Centre, and Sutter Health took 9,950 square feet on the fifth floor of One Concord Center. Bank of America renewed several floors at Swift Plaza. The Class A submarket registered 51,250 square feet of net absorption. Average asking rents for Class A space increased \$0.01 PSF to \$1.87 PSF.

While almost all of the office submarkets across the Bay Area continue to strengthen, the one submarket that seems to be well behind the eight ball is Walnut Creek Shadelands. During the next six months users occupying more than 230,000 square feet are expected to relocate from Shadelands, with PG&E moving approximately 100,000 square feet of office operations to their

new San Ramon facility. Tri-Star and Pacific Service Credit Union each purchased office buildings in Concord and will be relocating to these later this year, vacating a combined 40,000 square feet, and at least one other major current occupant in Shadelands is rumored to be vacating 85,000 square feet when they also relocate to Concord. On the one hand this will dramatically increase the Shadelands vacancy rate, but on a positive note these are available locations for firms seeking what may be the lowest-priced quality office space in the entire Bay Area.

The market is watching several key investment sale opportunities: Treat Towers, Airport Plaza, Centre Point, and a portion of Swift Plaza. We expect these to trade hands next quarter. Sellers are underwriting market rental expectations. The space absorption and rental increases in Walnut Creek along with scarcity of institutional quality office properties and low financing costs are all key factors in the projected financial sales models.

## SIGNIFICANT TRANSACTIONS

### SALES ACTIVITY

PROPERTY ADDRESS	SALES DATE	SIZE SF	BUYER	CLASS
Civic Plaza	February	45,500	Ottex Corp	B
Century Plaza	March	24,000	A & C Lius LLC	B
2123 Ygnacio Valley Road	February	6,744	David Chow	C

### LEASING ACTIVITY

PROPERTY NAME/ADDRESS	LEASE DATE	SIZE SF	TENANT	CLASS
Mt Diablo Plaza	January	23,246	Berding & Weil	A
Two Corporate Centre	February	22,810	Jenkins Insurance	A
One Corporate Centre	January	20,100	Pipeline Systems Inc	A
Pacific Plaza	January	11,000	EnerNOC	A
One Concord Center	February	9,950	Sutter Health	A

## Q1 2012 | MARKET COMPARISONS

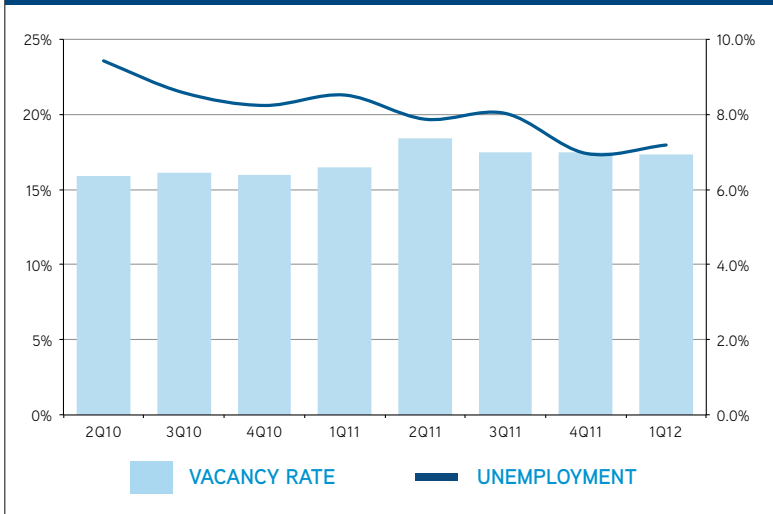
## OFFICE MARKET

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
<b>WALNUT CREEK DT</b>														
A	20	2,745,998	351,992	12.8%	36,238	1.3%	388,230	14.1%	14.4%	7,300	7,300	-	-	\$2.59
B	49	1,418,935	162,681	11.5%	0	0.0%	162,681	11.5%	11.0%	(7,063)	(7,063)	-	-	\$1.96
C	27	670,329	146,563	21.9%	1,585	0.2%	148,148	22.1%	21.8%	(1,763)	(1,763)	-	-	\$1.83
Total	96	4,835,262	661,236	13.7%	37,823	0.8%	699,059	14.5%	14.4%	(1,526)	(1,526)	-	-	\$2.28
<b>WALNUT CREEK PH BART</b>														
A	10	1,625,079	230,024	14.2%	1,500	0.1%	231,524	14.2%	13.9%	(5,824)	(5,824)	-	-	\$2.48
B	5	319,644	174,629	54.6%	0	0.0%	174,629	54.6%	53.5%	(3,582)	(3,582)	-	-	\$2.17
Total	15	1,944,723	404,653	20.8%	1,500	0.1%	406,153	20.9%	20.4%	(9,406)	(9,406)	-	-	\$2.35
<b>CONCORD</b>														
A	17	3,863,225	670,984	17.4%	5,554	0.1%	676,538	17.5%	18.8%	51,250	51,250	-	-	\$1.87
B	34	1,006,005	226,851	22.5%	0	0.0%	226,851	22.5%	24.0%	14,578	14,578	-	-	\$1.62
C	36	988,165	229,242	23.2%	6,000	0.6%	235,242	23.8%	20.8%	(29,273)	(29,273)	-	-	\$1.20
Total	87	5,857,395	1,127,077	19.2%	11,554	0.2%	1,138,631	19.4%	20.1%	36,555	36,555	-	-	\$1.68
<b>PLEASANT HILL</b>														
A	2	188,131	15,043	8.0%	0	0.0%	15,043	8.0%	7.1%	(1,683)	(1,683)	-	-	\$-
B	16	735,277	77,113	10.5%	0	0.0%	77,113	10.5%	9.5%	(7,272)	(7,272)	-	-	\$1.96
C	14	240,671	17,217	7.2%	0	0.0%	17,217	7.2%	7.5%	788	788	-	-	\$1.35
Total	32	1,164,079	109,373	9.4%	0	0.0%	109,373	9.4%	8.7%	(8,167)	(8,167)	-	-	\$1.85
<b>SHADELANDS</b>														
A	2	174,807	41,123	23.5%	0	0.0%	41,123	23.5%	22.7%	(1,464)	(1,464)	-	-	\$-
B	31	1,350,081	244,127	18.1%	87,892	6.5%	332,019	24.6%	23.9%	(10,023)	(10,023)	-	-	\$1.77
C	16	438,659	19,441	4.4%	28,548	6.5%	47,989	10.9%	11.5%	2,546	2,546	-	-	\$1.61
Total	49	1,963,547	304,691	15.5%	116,440	5.9%	421,131	21.4%	21.0%	(8,941)	(8,941)	-	-	\$1.75
<b>MARTINEZ</b>														
B	8	258,326	86,002	33.3%	0	0.0%	86,002	33.3%	33.3%	-	-	-	-	\$1.30
C	10	286,064	128,409	44.9%	0	0.0%	128,409	44.9%	45.0%	295	295	-	-	\$1.20
Total	18	544,390	214,411	39.4%	0	0.0%	214,411	39.4%	39.4%	295	295	-	-	\$1.24
<b>LAMORINDA</b>														
A	6	248,205	24,533	9.9%	0	0.0%	24,533	9.9%	13.2%	8,248	8,248	-	-	\$3.35
B	26	655,476	40,455	6.2%	3,275	0.5%	43,730	6.7%	6.8%	820	820	-	-	\$2.62
C	5	128,454	16,760	13.0%	0	0.0%	16,760	13.0%	13.8%	946	946	-	-	\$2.25
Total	37	1,032,135	81,748	7.9%	3,275	0.3%	85,023	8.2%	9.2%	10,014	10,014	-	-	\$2.76
<b>ALAMO/DANVILLE</b>														
A	3	126,821	18,647	14.7%	4,003	3.2%	22,650	17.9%	19.4%	2,000	2,000	-	-	\$2.05
B	28	552,793	34,593	6.3%	0	0.0%	34,593	6.3%	8.3%	11,432	11,432	-	-	\$1.64
C	12	203,913	21,956	10.8%	0	0.0%	21,956	10.8%	10.5%	(461)	(461)	-	-	\$2.25
Total	43	883,527	75,196	8.5%	4,003	0.5%	79,199	9.0%	10.4%	12,971	12,971	-	-	\$1.93
<b>MARKET TOTAL</b>														
A	60	8,972,266	1,352,346	15.1%	47,295	0.5%	1,399,641	15.6%	16.3%	59,827	59,827	-	-	\$2.12
B	197	6,296,537	1,046,451	16.6%	91,167	1.4%	1,137,618	18.1%	18.1%	(1,110)	(1,110)	-	-	\$1.83
C	120	2,956,255	579,588	19.6%	36,133	1.2%	615,721	20.8%	19.8%	(26,922)	(26,922)	-	-	\$1.45
Total	377	18,225,058	2,978,385	16.3%	174,595	1.0%	3,152,980	17.3%	17.5%	31,795	31,795	-	-	\$1.89

## QUARTERLY COMPARISON AND TOTALS

1Q-12	377	18,225,058	2,978,385	16.3%	174,595	1.0%	3,152,980	17.3%	17.5%	31,795	31,795	-	-	\$1.89
4Q-11	377	18,225,058	3,007,189	16.5%	177,586	1.0%	3,184,775	17.5%	17.6%	5,833	(275,217)	-	-	\$1.89
3Q-11	377	18,225,058	3,020,146	16.6%	192,462	1.1%	3,212,608	17.6%	18.4%	167,957	(281,050)	-	-	\$1.93
2Q-11	377	18,225,058	3,085,065	16.9%	273,500	1.5%	3,358,565	18.4%	16.5%	(358,795)	(449,007)	-	-	\$1.98
1Q-11	377	18,225,058	2,731,254	15.0%	270,696	1.5%	3,001,950	16.5%	16.0%	(90,212)	(90,212)	-	-	\$2.01

NORTH I-680 > TOTAL VACANCY VS. UNEMPLOYMENT



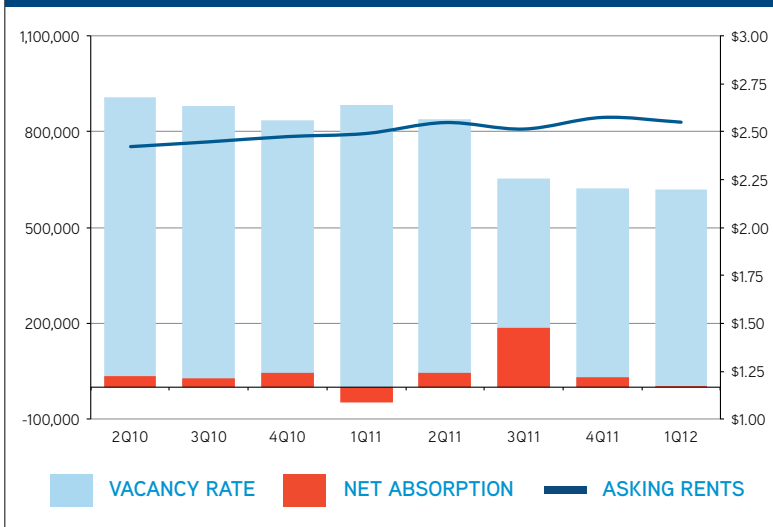
Unemployment continued the current trend of changing course after the previous quarter's dip.

522 offices in 62 countries on 6 continents

United States: 147  
 Canada: 37  
 Latin America: 19  
 Asia Pacific: 201  
 EMEA: 118

- \$1.8 billion in annual revenue
- 1.25 billion square feet under management
- Over 12,300 professionals

DOWNTOWN WALNUT CREEK / PLEASANT HILL BART > VACANCY RATE VS. NET ABSORPTION VS. ASKING RENTS



Walnut Creek remained unchanged during 1Q12 as tenants shuffled throughout the market.

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