

# Deal Velocity Accelerates

- > Office Inventory: 16,921,668 square feet
- > Vacancy: 14.9 percent
- > Net Absorption: 40,424 square feet, year to date

**For the past several years, the North I-680 Corridor has seen tremendous growth in the office market. Vacancy decreased slightly to 14.9 percent, from 15.0 percent last year.** While the vacancy rate has flattened, rental rates continue to surge. Investors also took notice, as more sale transactions occurred this past quarter than usual.

Class A rents overall are at \$3.52 per square foot, a \$0.12 increase over the last year. Class B rents have increased to \$2.52 per square foot from \$2.44 over the same period. Overall average asking rents increased to \$3.07 per square foot, a \$0.03 increase from the prior quarter. This marks six consecutive quarters of increasing asking rates in the North I-680 Corridor. While rents as a whole have seen a new high watermark for the past several quarters, brokers caution that several availabilities in our market are quoting higher rents than the market dictates, giving a false sense of increasing rents.

## Market Indicators

Unemployment Rate  
North I-680 Corridor

10-Year Nominal  
Interest Rate

Consumer  
Confidence



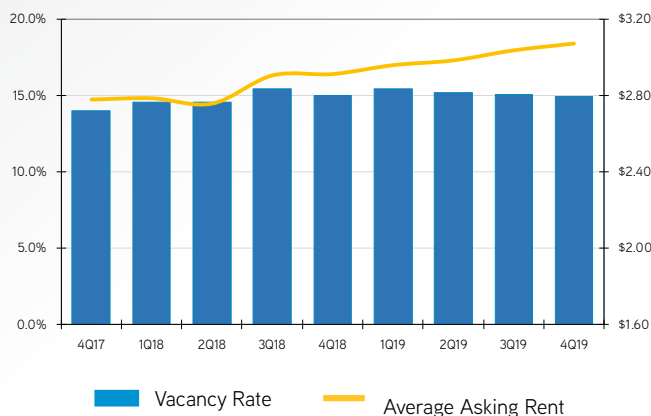
## Market Trends

Relative to prior period	Q4 2019	Q1 2020*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↔	↔
Rental Rate	↑	↔

\*Projected

## Vacancy vs. Average Asking Rental Rates

I-680 / Highway 4 Corridor | All Classes



Vacancy rates in the North I-680 Corridor decreased slightly in 4Q19 to 14.9 percent. Asking rental rates in the region increased to \$3.07 per square foot.

## Summary Statistics

Q4 Walnut Creek Office Market	Previous Quarter	Current Quarter
Overall Vacancy Rate	15.0%	14.9%
Net Absorption	34,610	34,231
Overall Asking Rents	\$3.04	\$3.07
Class A Asking Rents	\$3.50	\$3.52
Class B Asking Rents	\$2.51	\$2.52
Class C/Flex Asking Rents	\$1.99	\$2.03

\*Asking Rents Reported Monthly

## U.S. Market Economic Indicators

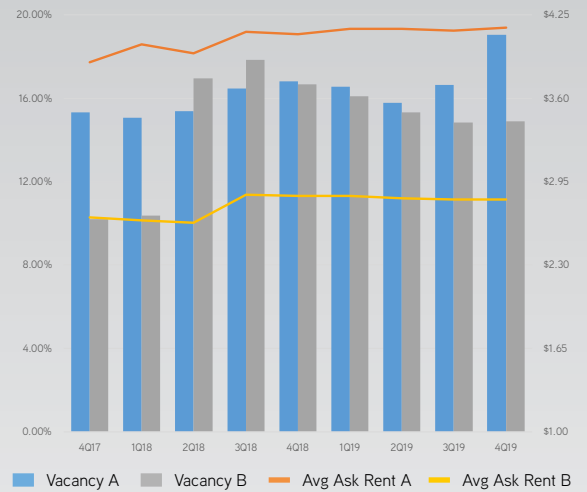
	Q4 2019	Q1 2020*
Unemployment Rate (N I-680)	2.8%	2.2%
Labor Force Participation Rate	63.2%	63.2%
Consumer Price Index	2.57%	2.57%
Interest Rate - 10 Yr Treasury	1.68%	1.92%
Business Confidence Index	99.01	98.77
Consumer Confidence Index	125.1	126.5

While rents have been providing strong returns for landlords, vacancy has been slightly decreasing. Overall, the North I-680 Corridor's vacancy rate is at 14.9 percent, a decrease of one basis points since last quarter. Although the vacancy rate has marginally decreased, the sublease vacancy rate is at 1.9 percent, which is the highest in two years. Net absorption during the quarter was 34,231 square feet.

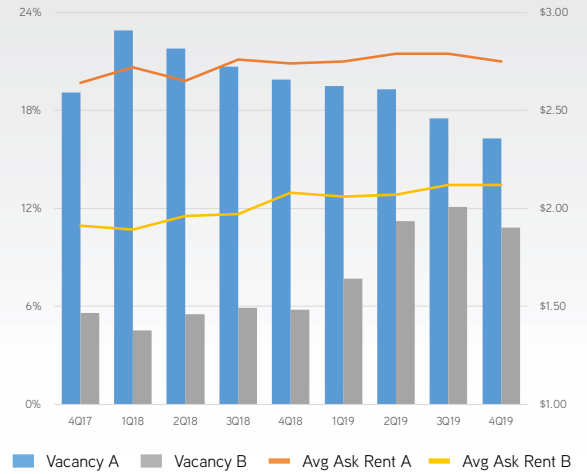
In regards to leasing, Carollo Engineers expanded to 35,000 square feet at 2795 Mitchell Drive in Walnut Creek. Industrious leased 25,523 square feet at 2001 Clayton Road in Concord. First Republic Bank leased 22,916 square feet at 1656 North California Boulevard in Walnut Creek. Several large transactions occurred during the quarter. 1255-1277 Treat Boulevard in Walnut Creek, a pair of Class A buildings totaling 367,313 square feet, sold to Rockpoint Group for \$190,500,000. 106-114 La Casa Villa, a portfolio of five office medical buildings totaling 96,897 square feet in Walnut Creek sold for \$29,909,500 to Doc Shell Ridge Plaza MOB LLC. 1355 Willow Way, an 83,268 square foot Class B building in Concord, sold to Pacific Service Credit Union for \$17,500,000.

As the San Francisco, South Bay, and Oakland submarkets continue to set the pace for high rents and low vacancy, the North I-680 Corridor still provides great value to prospective tenants in the market. Broker sentiment indicates that tenant improvement costs have increased during the past few quarters. They caution the standard five-year lease term is becoming endangered in favor of minimum seven-year terms if turnkey buildouts are required. Also, security deposits are becoming less of a function of tenant credit and more of a function of tenant improvement cost exposure by the landlord.

### Vacancy vs. Average Asking Rental Rates Downtown Walnut Creek



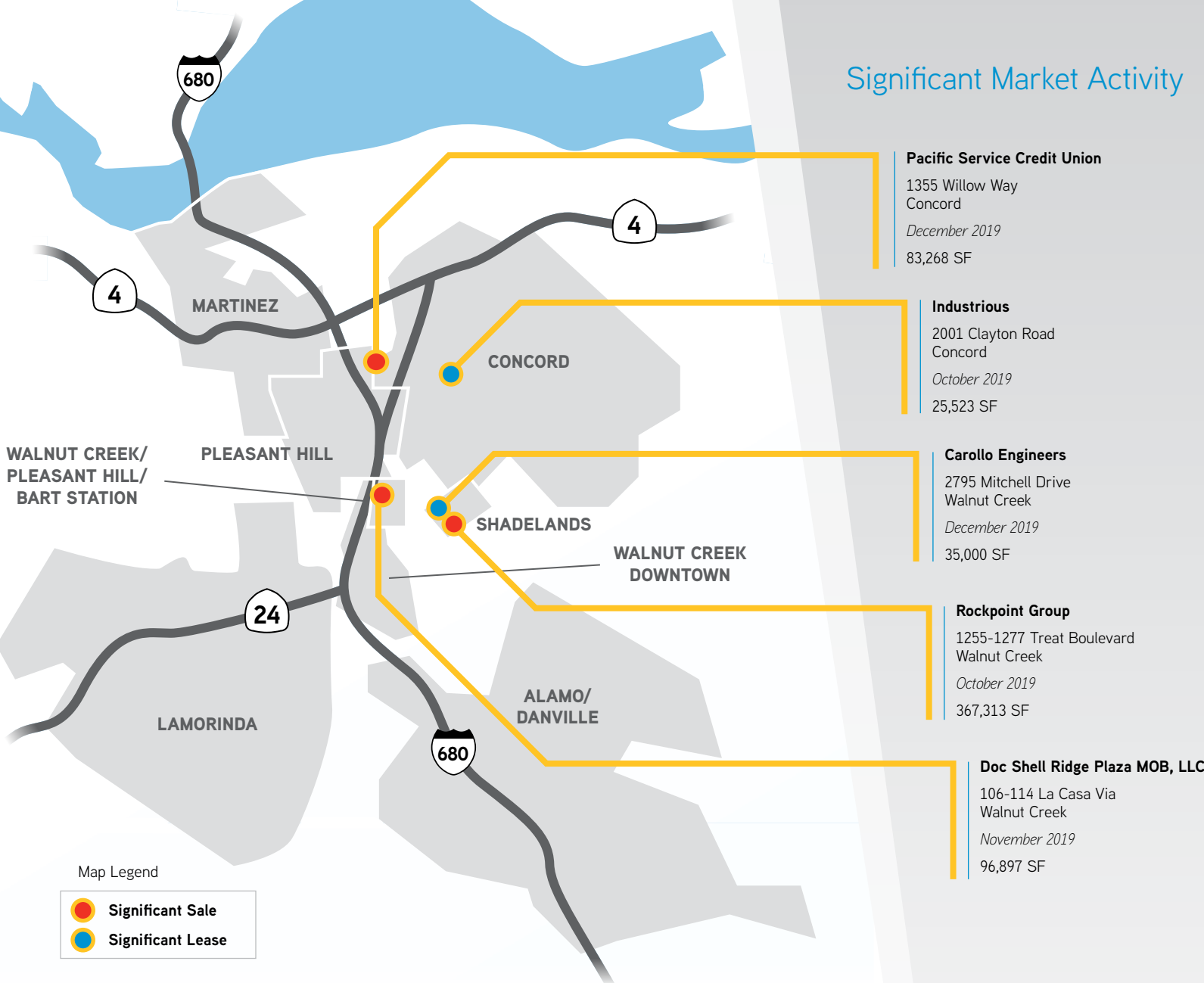
### Vacancy vs. Average Asking Rental Rates Concord



With the rental rates seeing new all-time highs for the past several quarters, tenants in the market are trying to optimize their usage of space as well as looking at more competitively priced options.

**Concord Gateway**  
**1850 & 1855 Gateway Boulevard**  
**Concord, California**

# Significant Market Activity



Several large transactions occurred to wrap up 2019, which continues to show the demand for premier office space in the North I-680 Corridor. Treat Towers, La Casa Via Medical Center, and The Willows Office Park all sold in 4Q19

**1255-1277 Treat Boulevard  
Walnut Creek, California**

# 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
<b>WALNUT CREEK DOWNTOWN</b>														
A	20	2,745,998	458,439	16.7%	64,642	2.4%	523,081	19.0%	16.6%	(66,352)	(61,040)	-	-	\$4.15
B	55	1,599,461	236,402	14.8%	2,150	0.1%	238,552	14.9%	14.9%	16,113	47,750	-	-	\$2.81
C	20	437,751	32,144	7.3%	1,100	0.3%	33,244	7.6%	7.7%	548	(2,721)	-	-	\$2.06
Total	95	4,783,210	726,985	15.2%	67,892	1.4%	794,877	16.6%	15.2%	(49,691)	(16,011)	-	-	\$3.66
<b>WALNUT CREEK PH BART</b>														
A	9	1,540,420	139,563	9.1%	140,438	9.1%	280,001	18.2%	19.4%	18,926	(56,750)	-	-	\$3.92
B	3	107,034	32,965	30.8%	-	0.0%	32,965	30.8%	29.5%	(1,390)	6,202	-	-	\$2.95
Total	12	1,647,454	172,528	10.5%	140,438	8.5%	312,966	19.0%	20.1%	17,536	(50,548)	-	-	\$3.82
<b>CONCORD</b>														
A	16	3,351,886	456,718	13.6%	90,379	2.7%	547,097	16.3%	17.5%	39,835	118,718	-	-	\$2.75
B	37	1,083,716	104,515	9.6%	12,115	1.1%	116,630	10.8%	12.1%	14,011	(51,912)	-	-	\$2.12
C	34	925,403	108,720	11.7%	-	0.0%	108,720	11.7%	11.9%	1,471	(4,717)	-	-	\$2.00
Total	87	5,361,005	669,953	12.5%	102,494	1.9%	772,447	14.4%	15.4%	55,317	62,089	-	-	\$2.55
<b>PLEASANT HILL</b>														
A	2	188,131	32,224	17.1%	1,655	0.9%	33,879	18.0%	13.0%	(9,444)	(12,507)	-	-	\$3.19
B	16	722,263	29,562	4.1%	6,526	0.9%	36,088	5.0%	3.9%	(7,722)	(8,470)	-	-	\$2.60
C	14	240,671	25,126	10.4%	-	0.0%	25,126	10.4%	9.9%	(1,200)	19,165	-	-	\$1.75
Total	32	1,151,065	86,912	7.6%	8,181	0.7%	95,093	8.3%	6.7%	(18,366)	(1,812)	-	-	\$2.59
<b>SHADELANDS</b>														
A	2	174,807	74,965	42.9%	-	0.0%	74,965	42.9%	39.8%	(5,315)	(41,023)	-	-	\$2.23
B	28	1,116,321	258,743	23.2%	-	0.0%	258,743	23.2%	26.2%	33,615	58,938	-	-	\$2.09
C	17	310,783	15,099	4.9%	428	0.1%	15,527	5.0%	5.8%	2,437	6,103	-	-	\$2.04
Total	47	1,601,911	348,807	21.8%	428	0.0%	349,235	21.8%	23.7%	30,737	24,018	-	-	\$2.12
<b>MARTINEZ</b>														
B	8	258,326	17,466	6.8%	-	0.0%	17,466	6.8%	6.9%	439	(8,850)	-	-	\$1.75
C	9	266,864	26,717	10.0%	-	0.0%	26,717	10.0%	10.0%	-	50,787	-	-	\$1.65
Total	17	525,190	44,183	8.4%	-	0.0%	44,183	8.4%	8.5%	439	41,937	-	-	\$1.69
<b>LAMORINDA</b>														
A	6	248,205	27,892	11.2%	-	0.0%	27,892	11.2%	14.0%	6,774	(1,544)	-	-	\$4.07
B	24	550,017	42,254	7.7%	-	0.0%	42,254	7.7%	10.2%	13,739	(22,143)	-	-	\$3.75
C	5	128,454	8,622	6.7%	-	0.0%	8,622	6.7%	7.7%	1,300	12,905	-	-	\$2.84
Total	35	926,676	78,768	8.5%	-	0.0%	78,768	8.5%	10.9%	21,813	(10,782)	-	-	\$3.76
<b>ALAMO/DANVILLE</b>														
A	3	129,469	10,025	7.7%	-	0.0%	10,025	7.7%	1.2%	(8,424)	(8,033)	-	-	\$3.29
B	30	572,992	45,304	7.9%	7,612	1.3%	52,916	9.2%	7.5%	(9,863)	(13,355)	-	-	\$3.17
C	16	222,696	13,439	6.0%	-	0.0%	13,439	6.0%	3.7%	(5,267)	12,921	-	-	\$2.89
Total	49	925,157	68,768	7.4%	7,612	0.8%	76,380	8.3%	5.7%	(23,554)	(8,467)	-	-	\$3.14
<b>MARKET TOTAL</b>														
A	58	8,378,916	1,199,826	14.3%	297,114	3.5%	1,496,940	17.9%	17.6%	(24,000)	(62,179)	-	-	\$3.52
B	201	6,010,130	767,211	12.8%	28,403	0.5%	795,614	13.2%	13.9%	58,942	8,160	-	-	\$2.52
C	115	2,532,622	229,867	9.1%	1,528	0.1%	231,395	9.1%	9.1%	(711)	94,443	-	-	\$2.03
Total	374	16,921,668	2,196,904	13.0%	327,045	1.9%	2,523,949	14.9%	15.0%	34,231	40,424	-	-	\$3.07
<b>QUARTERLY COMPARISON AND TOTALS</b>														
4Q-19	374	16,921,668	2,196,904	13.0%	327,045	1.9%	2,523,949	14.9%	15.0%	34,231	40,424	-	-	\$3.07
3Q-19	374	16,921,668	2,300,073	13.6%	241,039	1.4%	2,541,112	15.0%	15.2%	4,610	6,193	-	-	\$3.04
2Q-19	374	16,968,736	2,334,186	13.8%	241,536	1.4%	2,575,722	15.2%	15.4%	72,821	1,583	-	-	\$2.99
1Q-19	374	16,968,736	2,413,967	14.2%	204,576	1.2%	2,618,543	15.4%	15.0%	(71,238)	(71,238)	-	-	\$2.96
4Q-18	374	16,966,736	2,413,247	14.2%	132,058	0.8%	2,545,305	15.0%	15.4%	74,323	(35,823)	-	-	\$2.91

---

# 68 countries

## \$3.3

billion in  
annual revenue

## 2.0

billion square feet  
under management

## 17,000+

professionals  
and staff

## \$127

billion in  
total transaction value

\*All statistics are for 2018 are in U.S. dollars and include affiliates.

---

COLLIERS INTERNATIONAL | WALNUT CREEK

1850 Mt. Diablo Boulevard, Suite 200  
Walnut Creek, CA 94596

+1 925 279 0120

MARKET CONTACTS:

**Scott Ellis, SIOR**  
Executive Managing Director  
CA License No. 00713974  
+1 925 279 5575  
scott.ellis@colliers.com

**Cristian Villarreal**  
Market Research Analyst  
+1 925 279 5579  
Cristian.Villarreal@colliers.com



---

## About Colliers International

Colliers International (NASDAQ, TSX: CIG) is a leading global real estate services and investment management company. With operations in 68 countries, our 14,000 enterprising people work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 20 years, our experienced leadership team, owning more than 40% of our equity, have delivered industry-leading investment returns for shareholders. In 2018, corporate revenues were \$2.8 billion (\$3.3 billion including affiliates), with more than \$26 billion of assets under management.

Learn more about how we accelerate success at [corporate.colliers.com](http://corporate.colliers.com), Twitter [@Colliers](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers).

[colliers.com/walnutcreek](http://colliers.com/walnutcreek)

Copyright © 2020 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.