

Weathering the Storm

- > Office Inventory: 16,911,696 square feet
- > Vacancy: 17.4 percent
- > Net absorption: (430,337) square feet year-to-date

As we enter the final quarter of 2020, the pandemic continues to drastically impact the North I-680 office market.

The weighted overall vacancy rate has increased to 17.4 percent, the highest since 2012. Surprisingly, overall “asking” rents have increased only slightly but the spread between asking rents and subsequent individual deal proposal rents continues to increase. As employers continue downsizing and maintain the work from home status for employees it’s unclear when market indicators will trend firmly back toward normal.

Overall weighted Class A asking rents are \$3.64 per square foot and Class B rents average \$2.50 per square foot. These quoted rents have surprisingly held up despite decreased demand, however that demand should increase as urban employers evaluate relocating to

Market Indicators

Unemployment Rate
N. I-680 Corridor

10-Year Nominal
Interest Rate

Consumer
Confidence



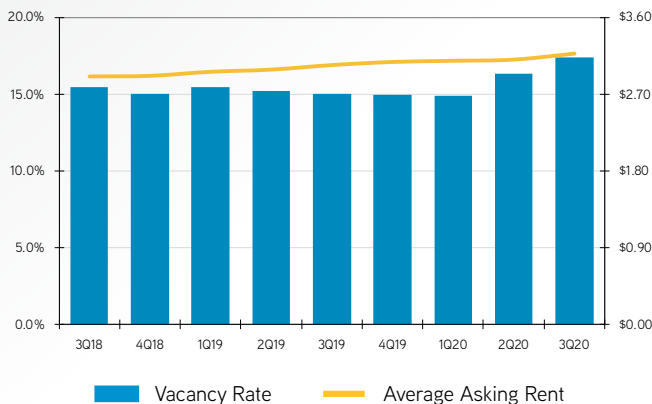
Market Trends

| Relative to prior period | Q3 2020 | Q4 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 continue to increase as COVID-19 restrictions hamper the office market. As more Class A and B available space comes onto the market, rental rates have also increased.

Summary Statistics

| Q3 Walnut Creek Office Market | Previous Quarter | Current Quarter |
|-------------------------------|------------------|-----------------|
| Overall Vacancy Rate | 16.3% | 17.4% |
| Net Absorption | (248,837) | (179,681) |
| Overall Asking Rents | \$3.10 | \$3.17 |
| Class A Asking Rents | \$3.55 | \$3.64 |
| Class B Asking Rents | \$2.45 | \$2.50 |
| Class C/Flex Asking Rents | \$2.00 | \$2.01 |

*Asking Rents Reported Monthly

U.S. Market Economic Indicators

| | | |
|--------------------------------|-------|-------|
| Unemployment Rate (N.I-680) | 11.4% | 8.1% |
| Labor Force Participation Rate | 61.5% | 61.4% |
| Consumer Price Index | 2.56% | 2.59% |
| Interest Rate - 10 Yr Treasury | 0.66% | 0.69% |
| Business Confidence Index | 97.7 | 100.7 |
| Consumer Confidence Index | 99.28 | 101.8 |

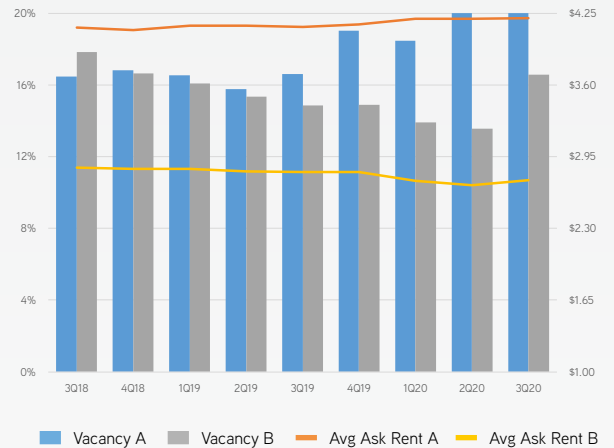
low-rise and lower density suburban offices closer to home for their employees.

Despite the overall vacancy rate of 17.4 percent, most sub-markets saw minimal change in direct vacancy this past quarter. Concord, Pleasant Hill BART and downtown Walnut Creek had less than 20 basis points of vacancy variance from the previous quarter. Net absorption during the quarter was negative 179,681 square feet, but Class C types surprisingly experienced positive absorption of 7,902 square feet. Short term renewals of 12-18 months that may include downsizing are not uncommon.

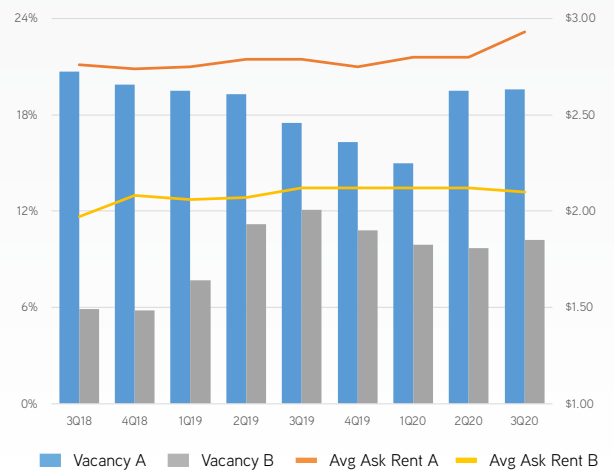
In regard to leasing, T-Mobile leased 61,522 square feet at 1200 Concord Avenue in Concord. Marsh McLennan Insurance leased 16,948 square feet at 1340 Treat Boulevard In Walnut Creek. In sale transactions, 300-500 Ellingwood Way, three Class B buildings in Pleasant Hill totaling 137,568 square feet, sold to Boyd Waterson Asset Management for \$23,100,000. 2700 Ygnacio Valley Road, a 106,463 square foot Class A office building in Concord sold for \$15,700,000 to Vukota Capital Management.

There is 360,178 sq. ft. of sublease space in the North I-680 Corridor which represents only 2.1% of the overall market, whereas downtown San Francisco and Silicon Valley have several million square feet of new sublease on the market. The North I-680 Corridor is heavily weighted with financial services, attorneys, insurance and other non-tech companies that trend away from the heavy urban tech-driven remote cultures and actual daily office building occupancy is increasing. We anticipate our suburban office demand to stay flat through the first quarter of 2021, and for that demand to increase in the second quarter of 2021.

Vacancy vs. Average Asking Rental Rates Downtown Walnut Creek



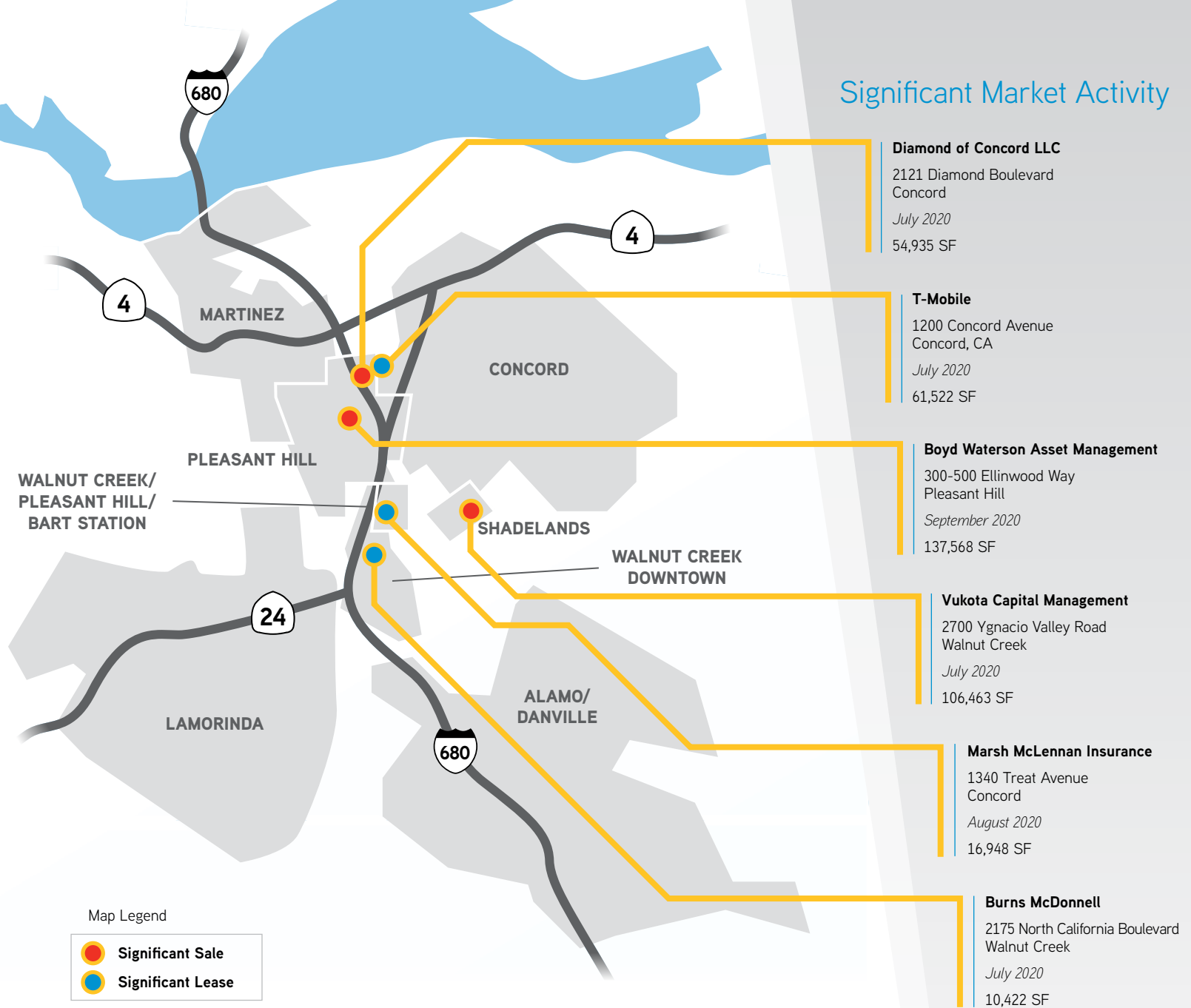
Vacancy vs. Average Asking Rental Rates Concord



While sublease space in other major metros surge, the rate in the North I-680 Corridor is only 2.1 percent.

Montego Ridge
1200, 1250 & 1350 Montego Way
Walnut Creek

Significant Market Activity



Significant Leases

| PROPERTY ADDRESS | LEASE DATE | SIZE | TENANT | TYPE |
|---|-------------|--------|--------------------------|---------|
| 1200 Concord Avenue, Concord | July 2020 | 61,522 | T-Mobile | Direct |
| 1340 Treat Boulevard, Concord | August 2020 | 16,948 | Marsh McLennan Insurance | Renewal |
| 2175 North California Boulevard, Walnut Creek | July 2020 | 10,422 | Burns McDonnell | Direct |
| 3697 Mount Diablo Boulevard, Lafayette | August 2020 | 8,056 | Assured Insurance | Direct |

Significant Sales

| PROPERTY ADDRESS | SALE DATE | SIZE | BUYER | TYPE |
|--|----------------|---------|--------------------------------|------------|
| 300-500 Ellinwood Way, Pleasant Hill | September 2020 | 137,568 | Boyd Waterson Asset Management | Investment |
| 2700 Ygnacio Valley Road, Walnut Creek | July 2020 | 106,463 | Vukota Capital Management | Investment |
| 2121 Diamond Boulevard, Concord | July 2020 | 54,935 | Diamond of Concord LLC | Investment |
| 2325 Clayton Road, Concord | July 2020 | 25,721 | Rona Concord LLC | 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 | 559,394 | 20.4% | 84,835 | 3.1% | 644,229 | 23.5% | 20.5% | (82,452) | (121,148) | - | - | \$4.21 |
| B | 55 | 1,600,089 | 253,499 | 15.8% | 11,904 | 0.7% | 265,403 | 16.6% | 13.6% | (48,179) | (26,851) | - | - | \$2.74 |
| C | 20 | 437,751 | 31,745 | 7.3% | 1,100 | 0.3% | 32,845 | 7.5% | 6.8% | (2,875) | 399 | - | - | \$2.07 |
| Total | 95 | 4,783,838 | 844,638 | 17.7% | 97,839 | 2.0% | 942,477 | 19.7% | 16.9% | (133,506) | (147,600) | - | - | \$3.72 |
| WALNUT CREEK PH BART | | | | | | | | | | | | | | |
| A | 9 | 1,540,420 | 191,492 | 12.4% | 165,862 | 10.8% | 357,354 | 23.2% | 22.5% | (11,445) | (77,353) | - | - | \$3.95 |
| B | 3 | 107,034 | 18,805 | 17.6% | - | 0.0% | 18,805 | 17.6% | 24.2% | 7,092 | 14,160 | - | - | \$2.65 |
| Total | 12 | 1,647,454 | 210,297 | 12.8% | 165,862 | 10.1% | 376,159 | 22.8% | 22.6% | (4,353) | (63,193) | - | - | \$3.89 |
| CONCORD | | | | | | | | | | | | | | |
| A | 16 | 3,351,886 | 625,618 | 18.7% | 30,813 | 0.9% | 656,431 | 19.6% | 19.5% | (1,373) | (109,334) | - | - | \$2.93 |
| B | 37 | 1,083,716 | 98,387 | 9.1% | 12,115 | 1.1% | 110,502 | 10.2% | 9.7% | (4,978) | 6,128 | - | - | \$2.10 |
| C | 33 | 914,803 | 104,386 | 11.4% | - | 0.0% | 104,386 | 11.4% | 13.3% | 16,893 | (6,266) | - | - | \$1.99 |
| Total | 86 | 5,350,405 | 828,391 | 15.5% | 42,928 | 0.8% | 871,319 | 16.3% | 16.5% | 10,542 | (109,472) | - | - | \$2.71 |
| PLEASANT HILL | | | | | | | | | | | | | | |
| A | 2 | 188,131 | 8,922 | 4.7% | 9,444 | 5.0% | 18,366 | 9.8% | 13.3% | 6,618 | 15,513 | - | - | \$2.95 |
| B | 15 | 722,263 | 25,128 | 3.5% | 26,690 | 3.7% | 51,818 | 7.2% | 6.4% | (5,850) | (15,730) | - | - | \$2.61 |
| C | 14 | 240,671 | 26,166 | 10.9% | - | 0.0% | 26,166 | 10.9% | 9.2% | (3,985) | (1,040) | - | - | \$1.70 |
| Total | 31 | 1,151,065 | 60,216 | 5.2% | 36,134 | 3.1% | 96,350 | 8.4% | 8.1% | (3,217) | (1,257) | - | - | \$2.43 |
| SHADELANDS | | | | | | | | | | | | | | |
| A | 2 | 174,807 | 92,666 | 53.0% | - | 0.0% | 92,666 | 53.0% | 45.3% | (13,505) | (17,701) | - | - | \$2.45 |
| B | 28 | 1,116,321 | 274,478 | 24.6% | 4,540 | 0.4% | 279,018 | 25.0% | 24.2% | (9,063) | (20,275) | - | - | \$2.14 |
| C | 17 | 310,783 | 9,687 | 3.1% | 428 | 0.1% | 10,115 | 3.3% | 3.1% | (506) | 5,412 | - | - | \$2.07 |
| Total | 47 | 1,601,911 | 376,831 | 23.5% | 4,968 | 0.3% | 381,799 | 23.8% | 22.4% | (23,074) | (32,564) | - | - | \$2.21 |
| MARTINEZ | | | | | | | | | | | | | | |
| B | 8 | 258,326 | 42,707 | 16.5% | - | 0.0% | 42,707 | 16.5% | 16.5% | - | (25,241) | - | - | \$1.75 |
| C | 9 | 266,864 | 26,717 | 10.0% | - | 0.0% | 26,717 | 10.0% | 10.0% | - | - | - | - | \$1.65 |
| Total | 17 | 525,190 | 69,424 | 13.2% | - | 0.0% | 69,424 | 13.2% | 13.2% | - | (25,241) | - | - | \$1.71 |
| LAMORINDA | | | | | | | | | | | | | | |
| A | 6 | 248,205 | 44,123 | 17.8% | 900 | 0.4% | 45,023 | 18.1% | 21.4% | 8,056 | (17,131) | - | - | \$4.21 |
| B | 24 | 550,017 | 70,637 | 12.8% | - | 0.0% | 70,637 | 12.8% | 7.8% | (27,623) | (28,383) | - | - | \$3.39 |
| C | 5 | 128,454 | 8,622 | 6.7% | 1,625 | 1.3% | 10,247 | 8.0% | 6.7% | (1,625) | (1,625) | - | - | \$2.84 |
| Total | 35 | 926,676 | 123,382 | 13.3% | 2,525 | 0.3% | 125,907 | 13.6% | 11.3% | (21,192) | (47,139) | - | - | \$3.64 |
| ALAMO/DANVILLE | | | | | | | | | | | | | | |
| A | 3 | 129,469 | 10,025 | 7.7% | - | 0.0% | 10,025 | 7.7% | 7.7% | - | - | - | - | \$3.28 |
| B | 30 | 572,992 | 51,513 | 9.0% | 9,922 | 1.7% | 61,435 | 10.7% | 9.9% | (4,881) | (8,519) | - | - | \$3.16 |
| C | 16 | 222,696 | 8,791 | 3.9% | - | 0.0% | 8,791 | 3.9% | 3.9% | - | 4,648 | - | - | \$2.89 |
| Total | 49 | 925,157 | 70,329 | 7.6% | 9,922 | 1.1% | 80,251 | 8.7% | 8.1% | (4,881) | (3,871) | - | - | \$3.15 |
| MARKET TOTAL | | | | | | | | | | | | | | |
| A | 58 | 8,378,916 | 1,532,240 | 18.3% | 291,854 | 3.5% | 1,824,094 | 21.8% | 20.6% | (94,101) | (327,154) | - | - | \$3.64 |
| B | 200 | 6,010,758 | 835,154 | 13.9% | 65,171 | 1.1% | 900,325 | 15.0% | 13.4% | (93,482) | (104,711) | - | - | \$2.50 |
| C | 114 | 2,522,022 | 216,114 | 8.6% | 3,153 | 0.1% | 219,267 | 8.7% | 9.0% | 7,902 | 1,528 | - | - | \$2.01 |
| Total | 372 | 16,911,696 | 2,583,508 | 15.3% | 360,178 | 2.1% | 2,943,686 | 17.4% | 16.3% | (179,681) | (430,337) | - | - | \$3.17 |
| QUARTERLY COMPARISON AND TOTALS | | | | | | | | | | | | | | |
| 3Q20 | 372 | 16,911,696 | 2,583,508 | 15.3% | 360,178 | 2.1% | 2,943,686 | 17.4% | 16.3% | (179,681) | (430,337) | - | - | \$3.17 |
| 2Q20 | 372 | 16,911,696 | 2,397,851 | 14.2% | 365,854 | 2.2% | 2,763,705 | 16.3% | 14.9% | (248,837) | (250,656) | - | - | \$3.10 |
| 1Q20 | 373 | 16,912,708 | 2,188,362 | 12.9% | 326,806 | 1.9% | 2,515,168 | 14.9% | 14.9% | (1,819) | (1,819) | - | - | \$3.08 |
| 4Q19 | 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 |
| 3Q19 | 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 |

68 countries

\$3.5

billion in
annual revenue

2.0

billion square feet
under management

18,000+

professionals
and staff

\$129

billion in
total transaction value

*All statistics are for 2019 are in U.S. dollars and include affiliates.

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