

NORTH I-680 CORRIDOR | OFFICE

Q2 2020

Accelerating success.

Uncharted Territory

- > Office Inventory: 16,911,696 square feet
- > Vacancy: 16.3 percent
- > Net absorption: (250,656) square feet year-to-date

With the emergence of COVID-19, the North I-680 Corridor's office market has predictably felt the effects. The vacancy rate has reached 16.3 percent, the highest rate in five years. Overall asking rents have increased to \$3.10 from \$3.08, due in part to the mass influx of Class A available space on the market. While the commercial office world comes to grips with companies downsizing and allowing employees to work from home, suburban and Class B properties may become the prime beneficiaries of this shift.

Class A rents overall are at \$3.55 per square foot, a \$0.04 decrease over the last quarter. Class B rents have decreased to \$2.45 per square foot from \$2.48 over the same period. Overall average asking rents increased to \$3.10 per square foot, a \$0.02 increase from the prior quarter. Although the rental rates increased overall, most of the vacant square footage belongs to Class A which impact the overall rate.

Market Indicators

Unemployment Rate N. I-680 Corridor 10-Year Nominal Interest Rate Consumer Confidence



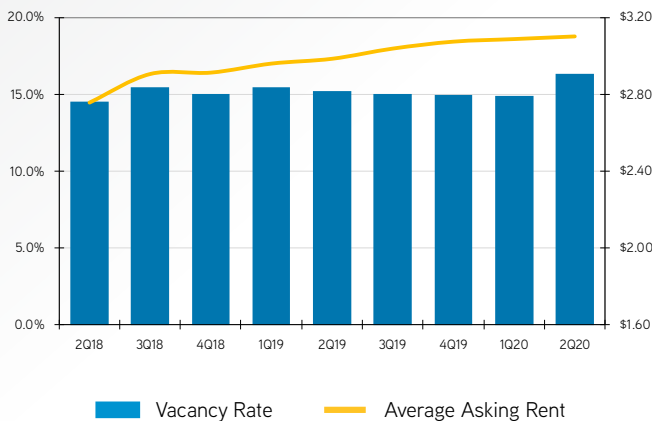
Market Trends

Relative to prior period	Q2 2020	Q3 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 have predictably increased with the rapid emergence of COVID-19. Rental rates also increased, mostly due to the vacant amount of Class A space weighing heavily on the average.

Summary Statistics

Q2 Walnut Creek Office Market	Previous Quarter	Current Quarter
Overall Vacancy Rate	14.9%	16.3%
Net Absorption	(1,819)	(248,837)
Overall Asking Rents	\$3.08	\$3.10
Class A Asking Rents	\$3.59	\$3.55
Class B Asking Rents	\$2.48	\$2.45
Class C/Flex Asking Rents	\$2.02	\$2.00

*Asking Rents Reported Monthly

U.S. Market Economic Indicators

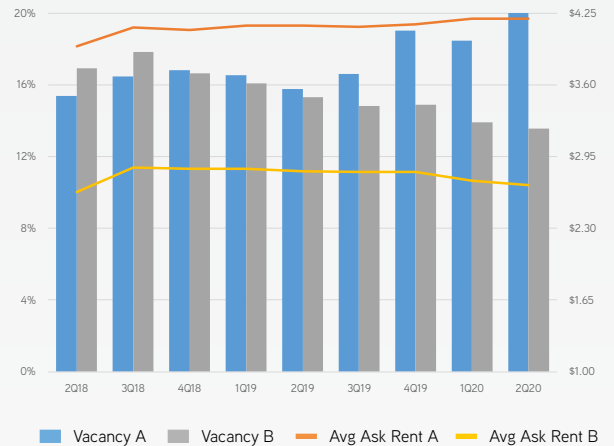
Unemployment Rate (N.I-680)	2.7%	11.4%
Labor Force Participation Rate	63.4%	61.5%
Consumer Price Index	2.59%	2.56%
Interest Rate - 10 Yr Treasury	0.70%	0.66%
Business Confidence Index	99.2	97.7
Consumer Confidence Index	101.9	98.15

While the overall vacancy rate increased to 16.3 percent, the overall sublease vacancy rate also increased to 2.2 percent or 365,854 square feet. Although net absorption during the quarter was negative 248,837 square feet, Class A net absorption was negative 266,925 square feet while Class B and C properties experienced 18,088 square feet of positive absorption.

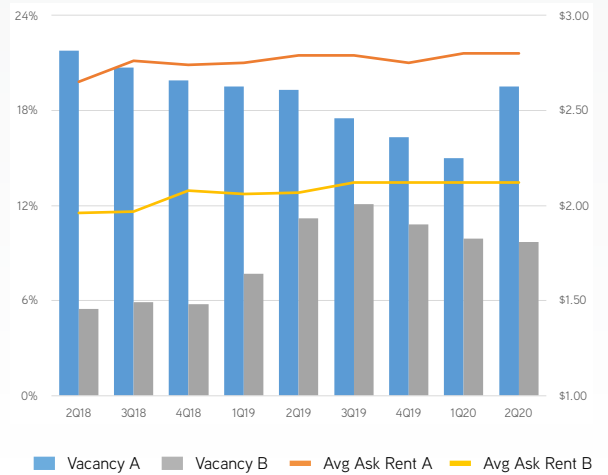
In regard to leasing, Amtrust Financial renewed 24,408 square feet at 1655 Grant Street in Concord. Sedgwick Insurance renewed 19,535 square feet at 1320 Willow Pass Road in Concord. Marsh & McLennan Companies also renewed their 17,267 square foot space at 1340 Treat Boulevard in Concord. In sale transactions, 165 Lennon Lane, a 32,916 square foot Class B building in Walnut Creek, sold to Image Partners LLC for \$5,547,000. 3300 Clayton Road, a 7,420 square foot Class C office building in Concord sold for \$1,300,000 to Imran Junaid and Anita Bhat.

With the pandemic effectively changing the office landscape, there are several potential silver linings the suburban markets can offer. Employee spacing and separation requires larger spaces and leasing those spaces in suburban markets helps accomplish this goal while paying less rent. Furthermore, companies in high rises in upper floors and in concentrated metro areas may have challenges getting employees in and out of their facilities altogether, and public transportation is another possible risk factor employees face. If companies can lease space out where their employees live, they eliminate these barriers and have great potential during an otherwise bleak moment in time.

Vacancy vs. Average Asking Rental Rates Downtown Walnut Creek



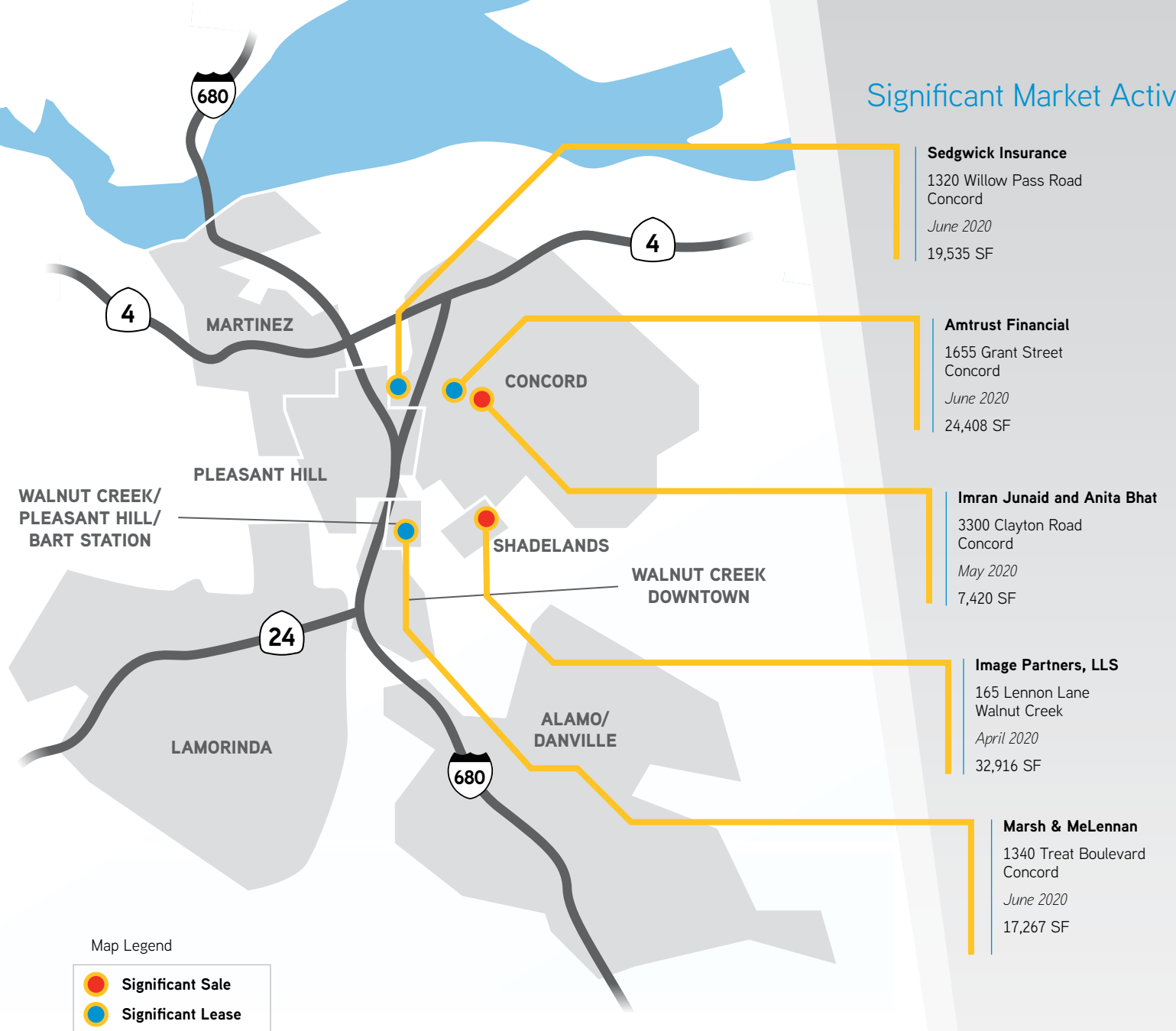
Vacancy vs. Average Asking Rental Rates Concord



While Class A properties experienced negative 266,925 square feet of absorption, Class B and C properties experienced 18,088 square feet of positive absorption.

Class B Office, 801 Ygnacio
801 Ygnacio Valley Road,
Walnut Creek

Significant Market Activity



Significant Sales

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
165 Lennon Lane, Walnut Creek	April 2020	32,916	Image Partners LLC	Investment
3300 Clayton Road, Concord	May 2020	7,420	Imran Junaid and Anita Bhat	Investment

Significant Leases

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
1655 Grant Street, Concord	June 2020	24,408	Amtrust Financial	Renewal
1320 Willow Pass Road, Concord	June 2020	19,535	Sedgwick Insurance	Renewal
1340 Treat Boulevard, Concord	June 2020	17,267	Marsh & McLennan Companies	Renewal
1255 Treat Boulevard, Concord	June 2020	8,355	JAMS Inc	Renewal

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	504,329	18.4%	57,448	2.1%	561,777	20.5%	18.5%	(54,002)	(38,696)	-	-	\$4.20
B	55	1,600,089	213,980	13.4%	3,244	0.2%	217,224	13.6%	13.9%	5,810	21,328	-	-	\$2.69
C	20	437,751	28,870	6.6%	1,100	0.3%	29,970	6.8%	7.5%	2,717	3,274	-	-	\$2.06
Total	95	4,783,838	747,179	15.6%	61,792	1.3%	808,971	16.9%	16.0%	(45,475)	(14,094)	-	-	\$3.72
WALNUT CREEK PH BART														
A	9	1,540,420	180,194	11.7%	165,715	10.8%	345,909	22.5%	20.1%	(36,449)	(65,908)	-	-	\$3.95
B	3	107,034	25,897	24.2%	-	0.0%	25,897	24.2%	31.3%	7,580	7,068	-	-	\$2.87
Total	12	1,647,454	206,091	12.5%	165,715	10.1%	371,806	22.6%	20.8%	(28,869)	(58,840)	-	-	\$3.87
CONCORD														
A	16	3,351,886	577,056	17.2%	78,002	2.3%	655,058	19.5%	15.0%	(151,287)	(107,961)	-	-	\$2.80
B	37	1,083,716	93,409	8.6%	12,115	1.1%	105,524	9.7%	9.9%	2,179	11,106	-	-	\$2.12
C	33	914,803	121,279	13.3%	-	0.0%	121,279	13.3%	12.6%	(6,313)	(23,159)	-	-	\$1.99
Total	86	5,350,405	791,744	14.8%	90,117	1.7%	881,861	16.5%	13.6%	(155,421)	(120,014)	-	-	\$2.61
PLEASANT HILL														
A	2	188,131	13,885	7.4%	11,099	5.9%	24,984	13.3%	13.3%	-	8,895	-	-	\$2.95
B	15	722,263	19,278	2.7%	26,690	3.7%	45,968	6.4%	6.7%	2,482	(9,880)	-	-	\$2.57
C	14	240,671	22,181	9.2%	-	0.0%	22,181	9.2%	10.6%	3,408	2,945	-	-	\$1.70
Total	31	1,151,065	55,344	4.8%	37,789	3.3%	93,133	8.1%	8.6%	5,890	1,960	-	-	\$2.46
SHADELANDS														
A	2	174,807	79,161	45.3%	-	0.0%	79,161	45.3%	45.3%	-	(4,196)	-	-	\$2.23
B	28	1,116,321	268,454	24.0%	1,501	0.1%	269,955	24.2%	24.1%	(1,457)	(11,212)	-	-	\$2.09
C	17	310,783	8,881	2.9%	428	0.1%	9,309	3.0%	4.8%	5,228	5,918	-	-	\$2.07
Total	47	1,601,911	356,496	22.3%	1,929	0.1%	358,425	22.4%	22.6%	3,771	(9,490)	-	-	\$2.12
MARTINEZ														
B	8	258,326	42,707	16.5%	-	0.0%	42,707	16.5%	13.0%	(9,209)	(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%	11.5%	(9,209)	(25,241)	-	-	\$1.71
LAMORINDA														
A	6	248,205	52,179	21.0%	900	0.4%	53,079	21.4%	11.2%	(25,187)	(25,187)	-	-	\$4.21
B	24	550,017	43,014	7.8%	-	0.0%	43,014	7.8%	8.0%	804	(760)	-	-	\$3.54
C	5	128,454	8,622	6.7%	-	0.0%	8,622	6.7%	6.7%	-	-	-	-	\$2.84
Total	35	926,676	103,815	11.2%	900	0.1%	104,715	11.3%	8.7%	(24,383)	(25,947)	-	-	\$3.82
ALAMO/DANVILLE														
A	3	129,469	10,025	7.7%	-	0.0%	10,025	7.7%	7.7%	-	-	-	-	\$3.28
B	30	572,992	48,942	8.5%	7,612	1.3%	56,554	9.9%	9.8%	(463)	(3,638)	-	-	\$3.21
C	16	222,696	8,791	3.9%	-	0.0%	8,791	3.9%	6.3%	5,322	4,648	-	-	\$2.89
Total	49	925,157	67,758	7.3%	7,612	0.8%	75,370	8.1%	8.7%	4,859	1,010	-	-	\$3.18

MARKET TOTAL

A	58	8,378,916	1,416,829	16.9%	313,164	3.7%	1,729,993	20.6%	17.5%	(266,925)	(233,053)	-	-	\$3.28
B	200	6,010,758	755,681	12.6%	51,162	0.9%	806,843	13.4%	13.5%	7,726	(11,229)	-	-	\$3.21
C	114	2,522,022	225,341	8.9%	1,528	0.1%	226,869	9.0%	9.4%	10,362	(6,374)	-	-	\$2.89
Total	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

QUARTERLY COMPARISON AND TOTALS

2Q-20	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
1Q-20	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
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

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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