

## Oakland – East Bay Office Highlights Q4 2009

### Tenants find opportunity in leasing market

Undoubtedly one of the most difficult years that the East Bay has experienced, 2009's economic environment certainly had impact on the office market. As economic and market fundamentals spiraled downward, tenants found increasingly favorable leasing conditions. Taking advantage of discounted rental rates, tenants were able to upgrade into higher quality space, like Harris and Associates in Concord. While price played a significant role in leasing activity during the quarter, demand among several companies was driven by growth. New leases signed by Perquest and Tria Beauty represent relocation and growth into larger locations.

Activity in the capital markets remained stagnant during the quarter, with only one significant deal closing in the East Bay. While several buildings have gone into default, presenting new investment opportunities, buyers are still hesitant to invest until conditions stabilize or seller expectations get substantially reduced.

#### Leasing activity

- Brown and Caldwell Engineering renewed its 56,000 square foot lease at 201 N. Civic Drive in Walnut Creek for a 10-year term.
- Harris and Associates relocated from Class B to Class A office space at 1401 Willow Pass Road, Concord. The 10-year, 45,000 square foot lease commenced on October 1.
- State Farm Insurance renewed its lease at 1400 65th Street in Emeryville for five years. The company gave back 18,077 square feet in December, remaining in 42,340 square feet on the first floor.
- Perquest Inc., a payroll company, will relocate its Oakland headquarters to 4160 Dublin Boulevard in Dublin on March 1. The company will occupy 35,000 square feet.

- Tria Beauty, a home beauty care company, signed a new lease at 4160 Dublin Boulevard. The 35,000 square foot lease commenced on November 1.
- Morgan Stanley renewed its 17,522 square foot lease at 1995 University Avenue in Berkeley. The new five-year term commences January 1.

#### Tenants in the market

- Carollo Engineers is in the market for 35,000 square feet looking in the North I-680 market. It will consider renewing at 2700 Ygnacio Valley Road, Walnut Creek.
- Central Garden and Pet is in the market for 25,000 to 30,000 square feet. Their current location is in Walnut Creek, but San Ramon is under consideration.
- San Francisco Estuary Institute is in the market for 15,000 square feet. The company is currently located at 7770 Pardee Lane in Oakland.
- ACG Tax is in the market for 12,000 square feet in Pleasanton. This will be a relocation within Pleasanton.
- East West Bank, which has locations in Oakland and Fremont, is out in the market for 5,000 square feet.
- Banker's Life and Casualty, located at 985 Atlantic Street, is in the market for 3,000 square feet.

#### Sales activity

- Bay View Plaza at 1650 Harbor Bay Parkway, Alameda was sold in November from Cawley Partners to Worthington California Investors. The medical/office building (67,700 square feet, Class A) was built in 2001 and is currently 89.0 percent occupied. Worthington purchased the property for approximately \$8 million, or \$118 per square foot. Cawley purchased the building in 2006 for \$11.5 million.
- CVS, which recently acquired Longs Drugstores, has placed two office buildings on the market for sale in an effort to consolidate operations:
  - 141 N. Civic Drive in Walnut Creek, 88,000 square feet
  - 5065 Deer Valley Road in Antioch, 54,000 square feet

#### Construction Activity

- There was no construction activity during the fourth quarter.