

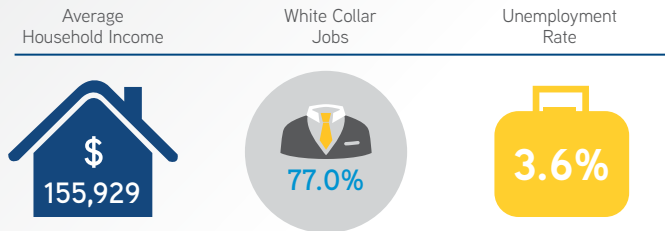
First Quarter 2016 is a "Good One"

- Tri-Valley office market reports a healthy positive net absorption of 146,968 square feet
- Total market weighted average asking rents are at \$2.45 full service gross compared to \$2.39 one year ago
- Total market direct vacancy rate is at 10.6 percent, down from the fourth quarter of 2015

The 2016 Tri-Valley office market got off to a good start in the first quarter with healthy positive net absorption of 146,968 square feet in the Class A, B and office/flex sectors. To put that number in perspective, net absorption for all classes of space for the entirety of the 2015 campaign was positive 141,332 square feet. Total market weighted average asking rents are at \$2.45 full service gross compared to \$2.39 one year ago. Total market direct vacancy rate is at 10.6 percent, down from the fourth quarter of 2015 when the direct vacancy rate was 11.6 percent.

The Tri-Valley Class A market weighs in with weighted average asking rents of \$2.69 full service gross and vacancy at 13.0 percent, down 0.8 percent from the fourth quarter 2015. There was 118,701 square feet of positive absorption that pushed the vacancy down. Class B office rents closed the quarter at \$2.09, up \$0.04 from the prior quarter and up from \$1.91 one year ago. Absorption for the quarter was positive 6,599 square feet and vacancy was at 11.2 percent. The office/flex sector ended the quarter with weighted average asking rents of \$1.86 (adjusted to full service gross) with positive absorption for the quarter at 21,668 square feet and a vacancy rate of 8.2 percent, down 3.2 percentage points year-to-year.

Market Indicators - Tri-Valley



Market Trends

Relative to prior period	Q1 2016	Q2 2016*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↔	↔
Rental Rate	↑	↑

*Projected

Summary Statistics

Q1 2016 Tri-Valley Office Market	Previous Quarter	Current Quarter
Vacancy Rate	12.7%	11.5%
Overall Asking Rate*	\$2.44	\$2.45
Class A Asking Rate*	\$2.72	\$2.69
Class B Asking Rate*	\$2.05	\$2.09
Flex Asking Rate*	\$1.88	\$1.86
Net Absorption	-11,022	146,968
Gross Absorption	204,626	298,753

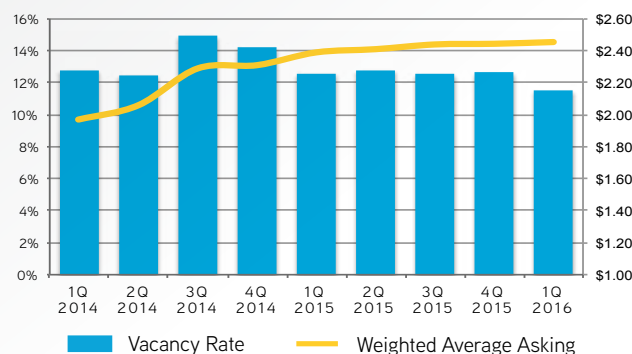
*Asking rates are reported on a full service monthly basis

U.S. Economic Indicators

Unemployment Rate	5.0%	5.0%
Labor Force Participation Rate	62.5%	63.0%
Consumer Price Index	2.40%	2.40%
Interest Rate - 10 Yr Treasury	2.30%	1.78%
Business Confidence	99.1%	99.2%
Consumer Confidence	96.5%	96.2%

Historical Vacancy and Average Asking Rates

Tri-Valley | All Classes



Total market weighted average asking rents are at \$2.45 full service gross compared to \$2.39 one year ago. Total market direct vacancy rate is at 10.6 percent, down from the fourth quarter of 2015 when the direct vacancy rate was 11.6 percent.

All in all, it was a decent quarter with no local signs of any trend changes – the trend being slow steady erosion of vacancy and metered slow rent growth. No one will accuse Tri-Valley market of being “on fire” over the last fifteen quarters, but the trend remains a “good one.” With 2.25 million square feet of mostly tech sublease space anticipated to soon be available in the San Francisco market—should there be concern of slowing growth in the tech sector? To be determined.

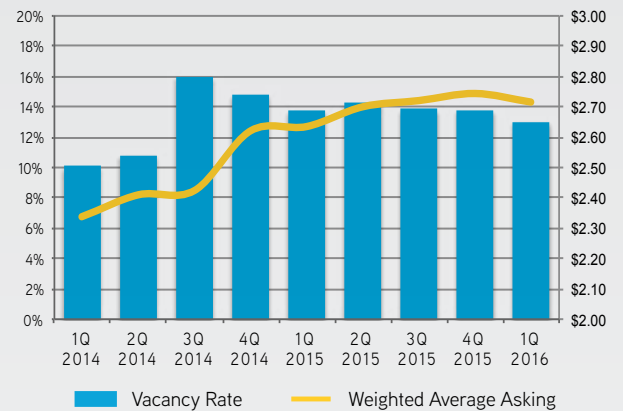
Pleasanton

Class A weighted average asking rents are at \$2.79 full service gross, up \$0.03 from the close of 2015. Absorption for the quarter was positive 26,728 square feet with the vacancy rate at 9.9 percent, down 0.4 percent from the fourth quarter. Cisco Systems, Inc. signed a lease for 21,000 square feet at Rosewood Commons (4460 Rosewood Drive). Rosewood Commons has inked 106,681 square feet of deals since the first quarter of 2015. Rosewood’s remaining vacancy of 365,058 square feet of Class A space represents 58 percent of Pleasanton’s total Class A vacancy. Blackhawk Network leased 148,902 square feet at 6220 Stoneridge Mall Road. Blackhawk Network, formerly a division of Safeway, has leased the entirety of one of the four buildings that comprise Pleasanton Corporate Commons. Their continued occupancy in this building results in no change to the absorption in this leasehold change from Safeway to Blackhawk Network. There were two notable Class A office buildings sold during the quarter. Park Plaza II sold to Park Plaza Pleasanton LP, with Westmar 1 Park Plaza as the buyer and ECI Three Las Positas LLC as the seller. Park Plaza II is a three story, 51,712 square foot, multi-tenant office building located in the Hacienda Business Park and was fully leased at close of escrow. Also trading in the quarter was 6000 Stoneridge Mall Road with Safeway as the seller and Workday Inc. as the buyer. This 58,100 square foot former Safeway holding adjacent to the West Dublin/Pleasanton BART station will provide immediate expansion space for Workday Inc.

Class B weighted average asking rents stand at \$2.46 full service gross, up a penny from the fourth quarter 2015 and up \$0.17 year to year. Class B absorption in the quarter was negative 1,687 square feet and vacancy is at 9.0 percent. Unchained Labs LLC leased 34,997 square feet in taking the entirety of 6870 Koll Center Parkway. This building is currently home to Acosta who will soon relocate 5735 W. Las Positas (Diablo Technology Center.) Unchained Labs LLC currently leases 12,305 square feet at nearby North Creek II. This newly leased building is expansion space for the tenant.

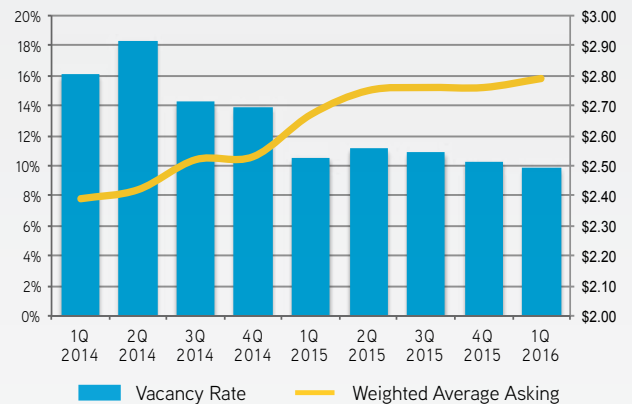
Historical Vacancy and Average Asking Rates

Tri-Valley | Class A



Historical Vacancy and Average Asking Rates

Pleasanton | Class A



PARK PLAZA II

Park Plaza II sold to Park Plaza Pleasanton LP with Westmar I Park Plaza as the buyer and ECI Three Las Positas LLC as the seller. Park Plaza II is a three story, 51,712 square foot, multi-tenant office building located in the Hacienda Business Park and was fully leased at close of escrow.

Pleasanton (continued)

Pleasanton office/flex average weighted asking rents increased \$0.04 from the previous quarter to \$2.16 (these rents are converted to “full service gross” equivalent rates) with positive net absorption in the quarter at 21,148 square feet. The direct vacancy rate is now at 4.3 percent, down from year-end 2015’s 5.0 percent. DR Horton (DHI Mortgage Company Ltd) leased 20,906 square feet at 6671-6683 Owens Drive (Reynolds & Brown, Landlord). They will relocate from 5050 Hopyard Road later this summer.

Dublin

Dublin Class A weighted average asking rents surged to \$2.65 full service gross, up \$0.14 from the prior quarter. Absorption for the quarter was positive 16,000 square feet. Vacancy is down to 8.9 percent, but as previously pointed out, when SAP (SAP America Inc.) vacates East Bay Center 1 & 2 in the first quarter of 2017 to relocate to 2600 in Bishop Ranch, the vacancy in the sector will spike to 34 percent.

The Class B Dublin market, comprised of only 348,612 square feet, remained unchanged from year-end 2015 with weighted average asking rents at \$1.96, vacancy at 22.8 percent and negative absorption of 298 square feet.

The healthy Dublin office/flex sector had a quiet quarter with weighted average asking rents closing the quarter at \$2.01 (adjusted to full service gross), negative absorption of 1,243 square feet and vacancy holding steady at 9.0 percent.

San Ramon

Class A weighted average asking rents ticked down slightly from the prior quarter to \$2.65, down from \$2.71 at the close of 2015 despite 75,973 square feet of positive absorption. Vacancy is at 16.4 percent, down one percentage point from the fourth quarter.

Bishop Ranch now quotes monthly (versus annual rents) with Bishop Ranch 8 and 15 at \$2.40 full service gross, and Bishop Ranch 1, 3 and 2600 at \$2.75. Chevron is rumored to be leaving 150,000 square feet (3 floor plates) at Bishop Ranch 1 at year’s end. This vacancy and the approximate 800,000 square feet available at 2600 point to the market’s need to attract large Class A users from throughout the Bay Area Region to the Tri-Valley to fill these large blocks of space.

The Class B sector closed the quarter with weighted average asking rents at \$2.03 full service gross with positive absorption of 8,584 square feet and vacancy at 3.7 percent. Bishop Ranch 2 was demolished during the quarter shaving 194,752 square feet off the San Ramon Class B inventory, which now sits at 818,353 square feet. The discerning eye will catch a direct vacancy rate of 22.7 percent in the fourth quarter of 2015, which was the result of that vacant building still in the inventory prior to being razed. It is gone now, making the way for San Ramon City Center coming late 2017/early 2018. Worth noting this quarter, Raybern’s lease of 6,464 square feet at Canyon Place Office Park; and Bishop Ranch is now quoting \$2.10 full service at Bishop Ranch 6, 11 and 12.

San Ramon office/flex rents (adjusted to full service gross) are at \$1.91 with vacancy at 8.7 percent. No one moved in or out during the quarter and thus zero absorption.

Pleasanton Corporate Commons



Blackhawk Network leased 148,902 square feet at 6220 Stoneridge Mall Road. Blackhawk Network, formerly a division of Safeway, has leased the entirety of one of the four buildings that comprise Pleasanton Corporate Commons. Their continued occupancy in this building results in no change to the absorption in this leasehold change from Safeway to Blackhawk Network.

Livermore

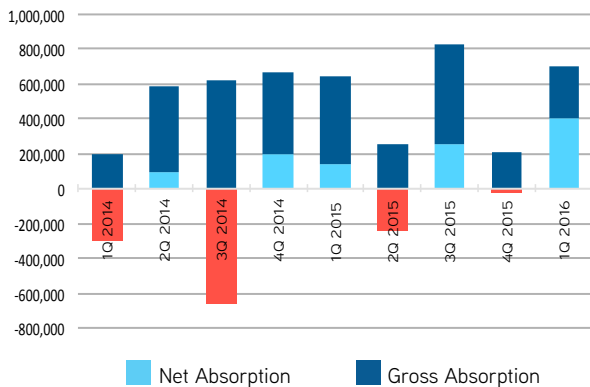
Virtually nothing changed overall regarding Livermore's office and flex vacancy rate, holding relatively steady at 15.6 percent. Livermore continues to have the highest office and flex vacancy rate among the Tri-Valley cities, and until BART comes to Livermore (10 years?) this may always hold true.

The City of Livermore is currently actively working on promoting an ACE train connection to the future West Livermore BART station to be located between the airport and Las Positas College, so that Livermore will be the easternmost connection between the Central Valley and Bay Area commuters. The plan around the future West Livermore BART station calls for high density residential and more office development in the Tri-Valley Tech Park in the future.

The two most significant office deals were Equity Office Properties Trust's purchase of a fully occupied 30,000 square foot office building at 7901 National Drive from GE Credit and the 25,160 square foot renewal in Pacific Corporate Center at 7451-7499 Longard Road. Livermore continues to be a bargain opportunity for office users, with an average weighted asking full service rate of \$1.60 per square foot.

Historical Net Absorption and Gross Absorption

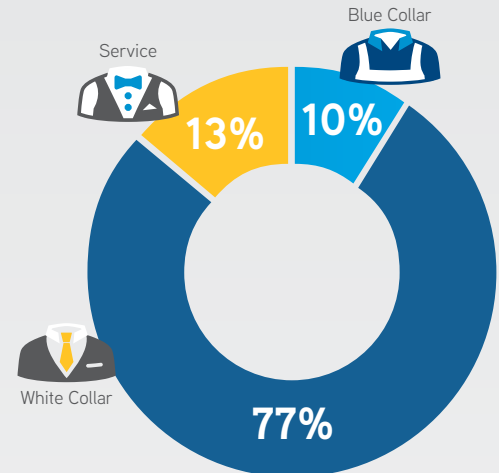
Tri-Valley | All Classes



Wrapping It Up

The quarter saw positive absorption, modest rent growth and mild erosion of vacancy, and as stated, it was a "good one." The notion that we need large users to migrate to this market is a tired notion but will be necessary to fill the large block vacancies in this market. Rodan + Fields (new tenant to the market) is rumored to be looking at Rosewood Commons for 50,000 square feet growing to 150,000; Easter Seals (new tenant to the market) is in the market for 40,000 square feet looking in Dublin and San Ramon; Zeltiq, a current Pleasanton tenant, is in the market for 35,000 with plans to grow to 150,000 square feet in three years. We project continued positive steps into the second quarter and hope that quarter will be a good one too.

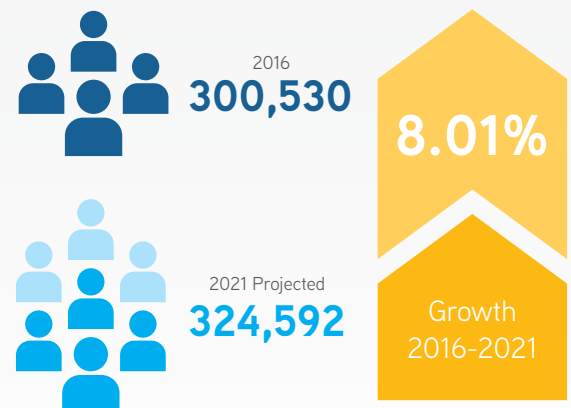
Employment By Category



Data Source: The Nielsen Company

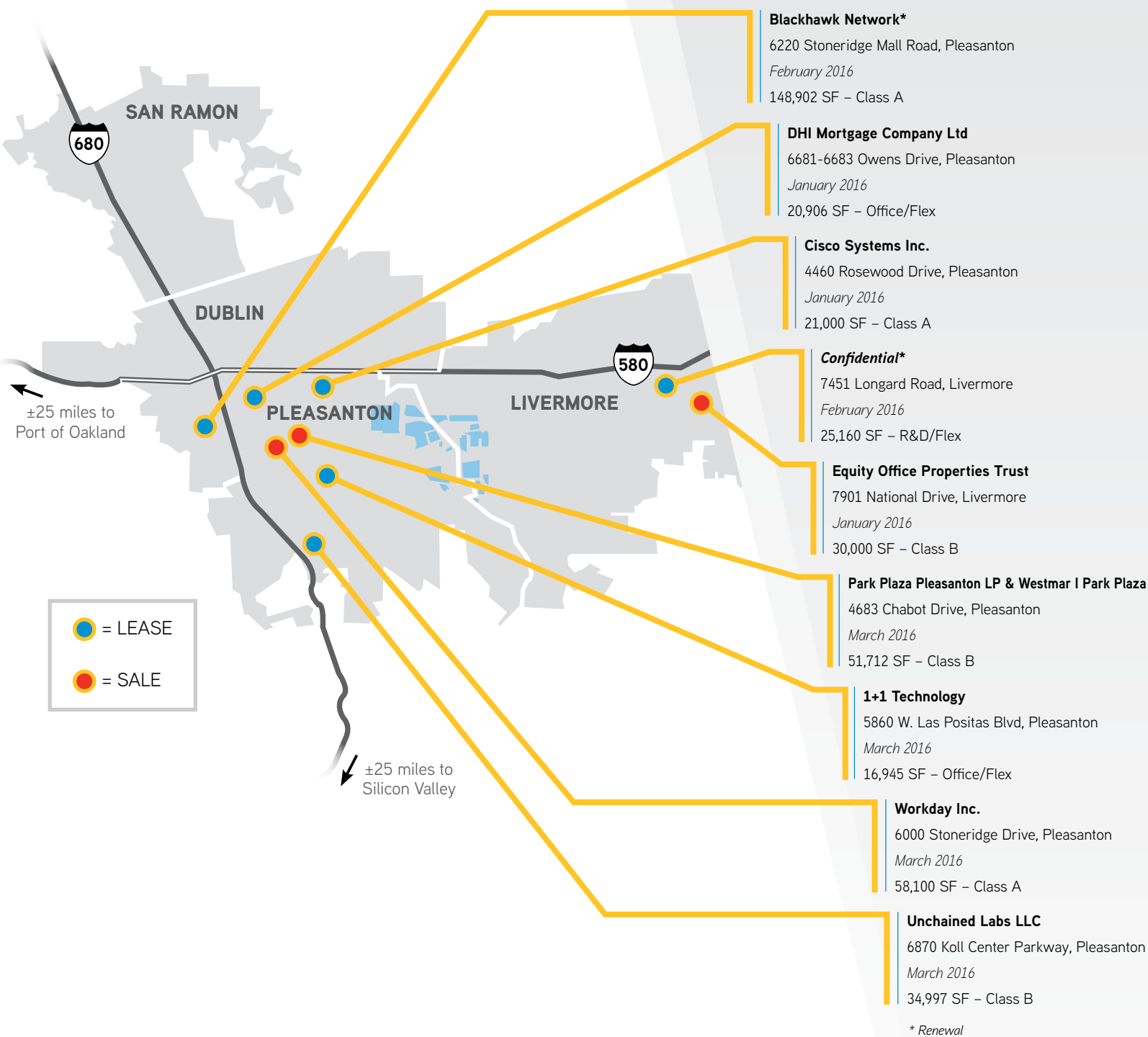
"..Livermore will be the easternmost connection between the Central Valley and Bay Area commuters."

Population



Data Source: The Nielsen Company

Significant Lease & Sale Activity



Significant Lease Activity 10,000-15,000 SF

PROPERTY ADDRESS	LEASE DATE	SIZE	TENANT	TYPE
2430 Camino Ramon, San Ramon	March 2016	10,108 SF	Canadian Solar USA Inc.	Class A
3001 Bishop Drive, San Ramon	February 2016	11,194 SF	Trumark Commercial	Class A
4000 Executive Parkway, San Ramon	February 2016	11,326 SF	Spanawave Corporation ⁺	Class A
2420 Camino Ramon, San Ramon	February 2016	11,642 SF	Insight Global Inc. ⁺	Class A
7180 Koll Center Parkway, Pleasanton	January 2016	12,276 SF	SCJ Insurance Services ⁺	Class B

⁺Sublease

Market Comparisons – Tri-Valley

OFFICE MARKET

CLASS	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	GROSS ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	WEIGHTED AVG ASKING RATE F5Q
DUBLIN															
A	10	1,473,288	96,029	6.5%	34,832	2.4%	130,861	8.9%	9.9%	16,000	16,000	-	-	-	\$2.65
B	12	348,612	75,868	21.8%	3,518	1.0%	79,386	22.8%	22.7%	(298)	(298)	9,197	-	-	\$1.96
Flex	23	825,068	74,479	9.0%	-	0.0%	74,479	9.0%	8.9%	(1,243)	(1,243)	-	-	-	\$2.01
Total	45	2,646,968	246,376	9.3%	38,350	1.4%	284,726	10.8%	11.2%	14,459	14,459	9,197	-	-	\$2.24

LIVERMORE															
B	23	833,964	176,853	21.2%	-	0.0%	176,853	21.2%	21.2%	-	-	-	-	-	\$1.65
Flex	64	2,126,529	173,730	8.2%	112,000	5.3%	285,730	13.4%	13.3%	1,763	1,763	8,310	-	-	\$1.55
Total	87	2,960,493	350,583	11.8%	112,000	3.8%	462,583	15.6%	15.5%	1,763	1,763	8,310	-	-	\$1.60

PLEASANTON															
A	49	6,368,412	563,885	8.9%	66,823	1.0%	630,708	9.9%	10.3%	26,728	26,728	114,658	-	-	\$2.79
B	68	2,845,890	241,243	8.5%	15,524	0.5%	256,767	9.0%	9.0%	(1,687)	(1,687)	17,204	-	-	\$2.46
Flex	92	3,095,722	133,852	4.3%	-	0.0%	133,852	4.3%	5.0%	21,148	21,148	54,686	-	-	\$2.16
Total	209	12,310,024	938,980	7.6%	82,347	0.7%	1,021,327	8.3%	8.7%	46,189	46,189	186,548	-	-	\$2.62

SAN RAMON															
A	32	7,664,037	1,251,746	16.3%	8,301	0.1%	1,260,047	16.4%	17.4%	75,973	75,973	83,648	-	-	\$2.65
B	22	818,353	25,902	3.2%	4,552	0.6%	30,424	3.7%	23.1%	8,584	8,584	11,050	-	-	\$2.03
Flex	9	700,724	61,154	8.7%	-	0.0%	61,154	8.7%	8.7%	-	-	-	-	-	\$1.91
Total	63	9,183,114	1,338,802	14.6%	12,823	0.1%	1,351,625	14.7%	17.4%	84,557	84,557	94,698	-	-	\$2.60

MARKET TOTAL															
A	90	15,505,737	1,911,660	12.3%	109,956	0.7%	2,021,616	13.0%	13.8%	118,701	118,701	198,306	-	-	\$2.69
B	125	4,846,819	519,866	10.7%	23,564	0.5%	543,430	11.2%	14.8%	6,599	6,599	37,451	-	-	\$2.09
Flex	188	6,748,043	443,215	6.6%	112,000	1.7%	555,215	8.2%	8.5%	21,668	21,668	62,996	-	-	\$1.86
Total	403	27,100,599	2,874,741	10.6%	245,520	0.9%	3,120,261	11.5%	12.7%	146,968	146,968	298,753	-	-	\$2.45

QUARTERLY COMPARISON AND TOTALS															
Q1-16	403	27,100,599	2,864,741	10.6%	245,520	0.9%	3,120,261	11.5%	12.7%	146,968	146,968	298,753	-	-	\$2.45
Q4-15	418	27,363,882	3,184,545	11.6%	277,436	1.0%	3,461,981	12.7%	12.6%	(11,022)	141,332	1,529,187	-	-	\$2.44
Q3-15	419	27,447,346	3,187,943	11.6%	263,016	1.0%	3,450,959	12.6%	13.5%	250,917	152,354	1,324,561	-	-	\$2.44
Q2-15	418	27,447,346	3,468,382	12.6%	233,494	0.9%	3,701,876	13.5%	12.6%	(242,926)	(98,563)	751,397	-	-	\$2.41
Q1-15	418	27,447,346	3,223,740	11.7%	235,210	0.9%	3,458,950	12.6%	14.2%	144,363	144,363	500,361	-	-	\$2.39

Note: The weighted average asking rate for office/flex is converted to a full service equivalent.

554 offices in 66 countries on 6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

\$2.5

billion in
annual revenue

2

billion square feet
under management

16,000

professionals
and staff

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