

# Market Research

RETAIL | THIRD QUARTER | 2009



## MARKET INDICATORS

	3Q 2009	4Q 2009*
VACANCY	↑	↑
NET ABSORPTION	↓	↓
CONSTRUCTION	↓	↓
RENTAL RATE	↓	↓

\* PROJECTED

## North I-680 & Highway 4 Corridors Retail Report

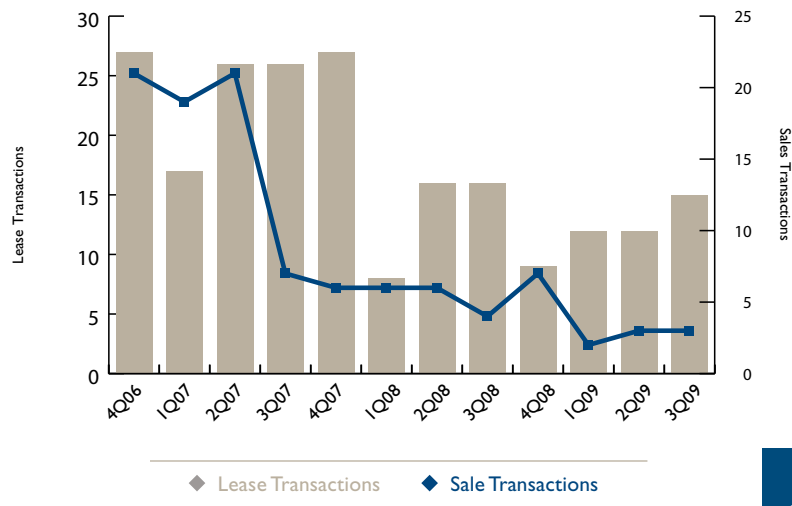
Written by Brian Landes

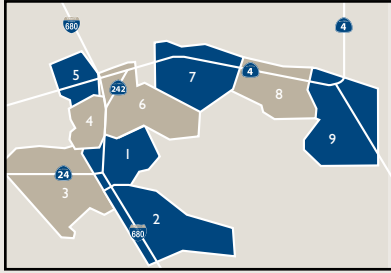
### DISASTER FOR SOME IS OPPORTUNITY FOR OTHERS

The third quarter of 2009 was an exceedingly slow quarter for the retail real estate market in the North I-680 and Highway 4 Corridors. Vacancy climbed as net absorption and rents fell. More and more retailers are closing shop permanently. Home goods chain Smith & Hawken ended their retail operations and shuttered all of their stores including Walnut Creek as well as four other Bay Area locations. Blockbuster Video recently announced plans to eliminate 960 stores nationally and has already begun to liquidate some of their local locations. Many tenants that remain in business worked with landlords to restructure their leases. Landlords have found it necessary to reduce rents by as much as 60% to keep retailers from going dark.

There are some retailers seeking opportunity in this downturn. UFC Gym recently expanded into the Willows Shopping Center in Concord. Many other retailers still have an eye toward expansion in the Bay Area. CVS, Walgreens, and Safeway are continuing their expansion plans. Discount retailers that have thrived during the current recession are

NORTH 680 & HWY 4 CORRIDOR - SALES VS LEASE VELOCITY





### SUBMARKET MAP

1. WALNUT CREEK
2. ALAMO / DANVILLE
3. LAMORINDA
4. PLEASANT HILL
5. MARTINEZ
6. CONCORD
7. PITTSBURG
8. ANTIOCH
9. BRETENWOOD

also looking to expand further. 99 Cents Only, Dollar Tree & Big Lots are looking for new locations and discount juggernaut Wal-Mart continues to have a strong desire to expand further in this region.

Neiman Marcus' expansion at Broadway Plaza remains on hiatus. The city council recently had to rescind its approval after a judge's ruling that they ignored two Taubman backed referendum proposals regarding the project. The decision as to whether it will be built is now up to the voters of Walnut Creek as Measure I on the November ballot. Fierce debate continues between the two opposing factions that is unlikely to be quelled anytime soon.

### MARKET STATUS

Market conditions continued to deteriorate for the North I-680 and Highway 4 Corridors Retail Market. Vacancy climbed to 7.8%, up from 7.5% the previous quarter. The Central Contra Costa County the vacancy rate rose almost one percent to 6.3%, but remained still well below the 10.6% vacancy rate in East Contra Costa County. The entire market had 35,287 square feet of negative net absorption. Average asking rents declined slightly to \$1.97 per square foot across all markets. The number of lease transactions was up slightly to fifteen in the third quarter. Retail conditions

were markedly different among the various submarkets. Core submarkets in established areas were generally healthier than newer markets, where large supplies of space were created during the recent retail boom.

### CENTRAL COSTA COSTA COUNTY

Vacancy declined slightly in Walnut Creek down to 5.8%. The submarket had 13,102 square feet of positive net absorption. Walnut Creek's position as a premier regional retail destination continues to command higher asking rents. The average asking rent for retail space in Walnut Creek was \$2.67.

Market conditions were more adverse in Concord. Average asking rents slid \$1.85 per square foot. Vacancy climbed 1.3% to 7.6% in the third quarter. The submarket had 53,826 square feet of negative net absorption.

Pleasant Hill saw conditions improve slightly from the previous quarter. Vacancy was down six tenths of a percent to a very low 3.1%. Pleasant Hill also had 8,393 square feet of positive net absorption.

Martinez had the areas lowest vacancy rate at 1.5% in the third quarter. The Martinez submarket was also able to eek out 325 feet of positive net absorption. Average asking rents fell \$1.93 per square foot, the lowest average asking rent in Central Contra Costa County.

### MARKET ACTIVITY

SIGNIFICANT THIRD QUARTER TRANSACTIONS

#### SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	BUYER	SELLER	TYPE
LAUREL RD & O'HARA AVE	8/1	74,444	FRESH & EASY	O'HARA PROPERTIES, LLC	DEVELOPMENT
2655 N MAIN ST	7/1	12,486	WOOD BROTHERS, LLC	STEAD LEASING, INC.	SPECIALTY RETAIL

**RETAIL MARKET STATISTICS**  
THIRD QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY					AVG RENTS	
Type	Bldgs	Total Inventory SF	Sq Ft	Rate	Sublease Vacant SF	Vacancy Rate	Sq Ft	Rate 3Q-09	Rate Previous Q	Net Absorp. Q3 2009	Occupied Space SF	Weighted Average Rate	Weighted Average Annual

**SUB MARKETS**

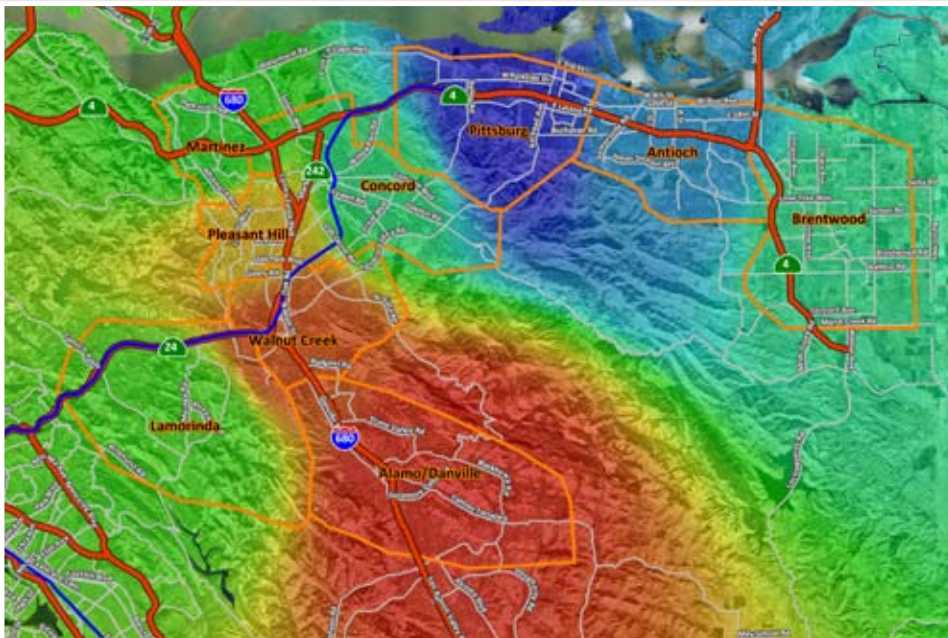
<b>WALNUT CREEK DOWNTOWN</b>													
TOTAL	31	2,108,072	122,003	0.0%	0	0.0%	122,003	5.8%	6.4%	13,102	1,986,069	\$2.67	\$32.01
<b>CONCORD</b>													
TOTAL	47	4,670,940	334,139	7.2%	23,000	0.5%	357,139	7.6%	6.3%	(53,826)	4,313,801	\$1.85	\$22.20
<b>PLEASANT HILL</b>													
TOTAL	18	1,411,567	43,589	3.1%	0	0.0%	43,589	3.1%	3.7%	8,393	1,367,978	\$2.40	\$28.80
<b>MARTINEZ</b>													
TOTAL	6	277,819	4,137	1.5%	0	0.0%	4,137	1.5%	1.6%	325	273,682	\$1.93	\$23.16
<b>LAMORINDA</b>													
TOTAL	7	490,482	21,857	4.5%	3,023	0.6%	24,880	5.1%	2.7%	(11,692)	465,602	\$2.00	\$24.00
<b>ALAMO/DANVILLE</b>													
TOTAL	18	1,135,916	83,808	7.4%	0	0.0%	83,808	7.4%	3.9%	(39,575)	1,052,108	\$2.77	\$33.24
<b>PITTSBURG</b>													
TOTAL	13	1,724,539	112,566	6.5%	0	0.0%	112,566	6.5%	6.5%	(948)	1,611,973	\$1.30	\$15.60
<b>ANTIOCH</b>													
TOTAL	22	2,616,024	211,241	8.1%	3,200	0.1%	214,441	8.2%	10.3%	54,785	2,401,583	\$1.57	\$18.84
<b>BRENTWOOD</b>													
TOTAL	11	1,153,246	228,097	19.8%	29,224	2.5%	257,321	22.3%	21.8%	(5,851)	895,925	\$1.83	\$21.96

**MARKET TOTAL**

E. COUNTY	46	5,493,809	551,904	10.0%	32,424	0.6%	584,328	10.6%	11.5%	47,986	4,909,481	\$1.54	\$18.48
CON. COST.	127	10,094,796	609,533	6.0%	26,023	0.3%	635,556	6.3%	5.4%	(83,273)	9,459,240	\$2.21	\$26.53
TOTAL	173	15,588,605	1,161,437	7.5%	58,447	0.4%	1,219,884	7.8%	7.5%	(35,287)	14,368,721	\$1.97	\$23.69

**QUARTERLY COMPARISON AND TOTALS**

Q3-09	173	15,588,605	1,161,437	7.5%	58,447	0.4%	1,219,884	7.8%	7.5%	(35,287)	14,368,721	\$1.97	\$23.69
Q2-09	173	15,588,605	1,126,150	7.2%	48,447	0.3%	1,174,597	7.5%	N/A	N/A	14,414,008	\$1.97	\$23.58



RETAIL AVERAGE ASKING RENTS



- SUBMARKET BOUNDARIES
- MAJOR HIGHWAYS
- MAJOR ROADS
- BART

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Compared to other submarkets, vacancy in the Lamorinda submarket remained very low even though it climbed up to 5.1% in the third quarter. The submarket had 11,692 square feet of negative net absorption. Average asking rents declined to \$2.00 per square foot.

Alamo and Danville also had increasing vacancy in the last quarter. Vacancy climbed to 7.4% and the submarket experienced 39,575 square feet of negative net absorption. Much of this increase in vacancy can be attributed to large blocks of space coming available at a couple of projects in the area. Average asking rents were \$2.77 per square foot in the third quarter, the highest asking rents in the North I-680 Corridor.

#### EAST CONTRA COSTA COUNTY

Retail market conditions remained relatively stable in Pittsburg. Vacancy in the submarket remained unchanged at 6.5%, the lowest vacancy rate in East Contra Costa County. Pittsburg only had 948 square feet of negative net absorption. Average asking rents declined slightly to \$1.30.

Vacancy declined slightly in Antioch, falling to 8.2% in the third quarter. The

Antioch submarket had 54,785 square feet of positive net absorption. Average asking rents were \$1.57 per square foot.

Brentwood continued to have by far the highest vacancy in the North I-680 and Highway 4 Corridors. Vacancy climbed further reaching 22.3% in the third quarter. The Brentwood submarket had 5,851 square feet of negative net absorption. Average asking rents declined to \$1.83 per square foot.

#### LOOKING TOWARD THE FUTURE

Due to a recessionary economy the retail real estate landscape has changed considerably in the last twenty four months. Stifled consumer spending is forcing retailers to adapt or die in this market. Vacancy and rental rates from two years ago are ancient history. There is an adage in retail leasing that “rent is a function of sales.” Landlords and industry professionals are going to need to continue to adapt, like the retailers, to this new age. We will continue to see a tenant’s market where vacancy will continue to grow, rents will continue to decline, and deal terms will remain favorable to tenants.

294 OFFICES IN 61 COUNTRIES  
ON 6 CONTINENTS

USA 94  
Canada 22  
Latin America 17  
Asia Pacific 64  
EMEA 97

\$48.1 billion in annual transaction volume

1.1 billion square feet under management

12,729 Professionals

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