

# STOCKTON | SAN JOAQUIN COUNTY, CALIFORNIA RESEARCH & FORECAST REPORT



## Vacancies Continue to Decline to Historic Lows

Vacancy rates for San Joaquin County industrial space fell to pre-Great Recession levels for the first time since 2007, lowering to 8.9 percent by the end of the third quarter of 2014. San Joaquin County absorbed a total of 2.4 million square feet during the third quarter with the completion of the 1.8 million square foot Sutter Homes facility in Lodi, CA. The Sutter Homes facility will feature 600,000 square feet of bottling space, 1,200,000 square feet of warehouse, a press building and two administrative buildings. The plant is expecting to bring 400 new jobs to Lodi.

### MARKET INDICATORS

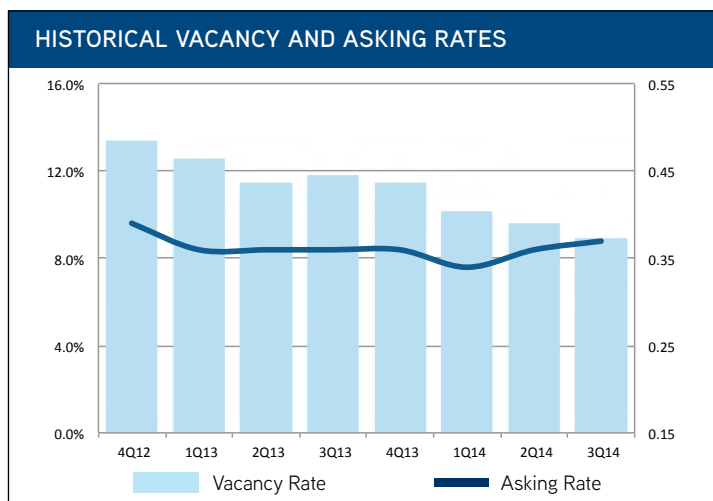
	Q3-14	Projected Q4-14
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	↔	↑
LEASE RATES	↑	↑
CAP RATES	↔	↔
LAND PRICES	↔	↔

### WAREHOUSE DISTRIBUTION

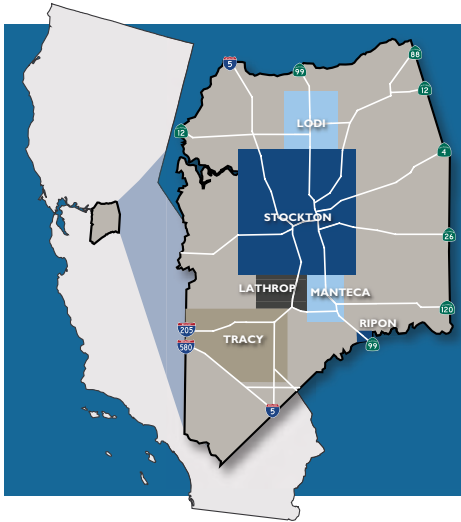
Leading the market in positive absorption, the warehouse/distribution sector absorbed 358,071 square feet during the third quarter not including the 1.8 million square feet absorbed by Sutter Homes' occupancy of their new warehouse. Positive absorption of warehouse space during the third quarter has lowered the sector's vacancy rate to 9.0 percent at the close of the quarter. The vacancy rate for warehouses 100,000 square feet and greater fell to 8.6 percent county wide and the larger occupiers in the market continue struggling to find Class A space over 250,000 square feet in San Joaquin County.

### SELECTED MARKET HIGHLIGHTS:

- > Vacancy rates for San Joaquin County industrial space fell to pre-Great Recession levels for the first time since 2007.
- > San Joaquin County absorbed a total of 2.4 million square feet during the third quarter.
- > +250,000 square foot requirements remain challenging to prospective tenants
- > San Joaquin County experienced an increase of activity from East Bay and Bay Area; as a result of limited options in their respective markets.



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*“Leading the market in positive absorption, the warehouse/distribution sector absorbed 358,071 square feet during the third quarter not including the 1.8 million square feet absorbed by Sutter Homes’ occupancy of their new warehouse.”*

## MANUFACTURING

The manufacturing sector reported another quarter of positive absorption bringing year-to-date absorption to positive 381,364 square feet. Vacancy rates for manufacturing buildings held steady at 8.5 percent for the quarter.

## LIGHT INDUSTRIAL

Light Industrial space remained at 12.4 percent vacancy for the quarter even after returning 3,209 square feet back to the market.

## RENTAL RATES

Rental rates for San Joaquin County continued to climb for the third consecutive quarter to \$0.37 per square foot per month. The light industrial, warehouse and manufacturing sectors all saw an increase in asking rental rates, while R&D rental rates declined slightly.

## SAN JOAQUIN COUNTY GEOGRAPHICAL OVERVIEW:

San Joaquin County is located directly to the east of the San Francisco/Oakland Bay Area in Northern California’s Central Valley. It covers more than 1,400 square miles and bridges northern and central California. It’s geographical position within the Country’s third largest state places the county within a dynamic growth corridor ideally situated for business and industry. There are five (5) submarkets in San Joaquin County comprised of Tracy, Lathrop, Manteca, Stockton and Lodi.

Due to the centralized location of San Joaquin County, it has cultivated extensive transportation facilities. These facilities include The Port of Stockton, Interstate 5 and Highway 99, Union Pacific Railroad and Burlington Northern Santa Fe Railroad, and The Stockton Metropolitan Airport. With these transportation systems in place, San Joaquin County is a central staging area and meeting place in California.

### SIGNIFICANT DEALS

#### LEASE ACTIVITY

PROPERTY ADDRESS	LEASE DATE	SQUARE FEET	TENANT	TYPE
17660 Shideler Parkway, Lathrop CA	7/2014	221,893	5.11 Tactical (renewal & expansion)	Warehouse/Distribution
11940 Harlan Road, Lathrop CA	7/2014	100,000	National Distributions Centers, LLC	Warehouse/Distribution
25582 S Schulte Road, Tracy CA	8/2014	30,411	Homelife, LLC	Warehouse/Distribution
1627 Industrial Drive, Stockton CA	7/2014	21,000	Applied Aerospace	Warehouse/Distribution
157 Sloan Court, Tracy CA	8/2014	20,000	Diggity Dog Playhouse, LLC	Warehouse/Distribution

#### SALE ACTIVITY

PROPERTY ADDRESS	SALE DATE	SQUARE FEET	BUYER	TYPE
2650 N MacArthur Drive, Tracy CA	8/2014	517,458	Orchard Supply Hardware	Warehouse/Distribution
834 Performance Drive, Stockton CA	7/2014	165,464	LS Automall Development	Warehouse/Distribution
225 Guild Avenue, Lodi CA	8/2014	81,000	Mid-Peninsula Properties	Warehouse/Distribution
2210 N MacArthur Drive, Tracy CA	8/2014	9,690	Bo Wu & Jian Zhen	Warehouse/Distribution
25001 Kasson Road, Tracy CA	7/2014	8,000	Skydive California, LLC	Industrial
4519 B Street, Stockton CA	7/2014	6,090	Mark Day	Industrial

MARKET COMPARISONS																
INDUSTRIAL MARKET																
EXISTING PROPERTIES										ABSORPTION		CONSTRUCTION			RENT	
TYPE	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QTR	VACANCY RATE PRIOR QTR	NET ABSORP CURRENT QTR SF	NET ABSORP YTD SF	COMPLETIONS CURRENT QTR SF	COMPLETIONS YTD SF	UNDER CONST SF	WEIGHTED AVG ASKING RATE NNN	
<b>TRACY</b>																
LT IND	48	772,650	48,770	6.3%	-	0.0%	48,770	6.3%	9.9%	27,600	62,042	-	-	-	\$0.46	
WH	42	13,458,325	782,308	5.8%	-	0.0%	782,308	5.8%	5.8%	1,082	769,015	-	-	38,293	\$0.33	
RD/FL	45	869,314	42,773	4.9%	-	0.0%	42,773	4.9%	7.8%	24,648	66,811	-	-	-	\$0.84	
MFG	13	2,318,961	131,036	5.7%	-	0.0%	131,036	5.7%	2.8%	(67,036)	510,964	-	-	-	\$0.22	
SP PURP	19	1,550,566	106,383	6.9%	-	0.0%	106,383	6.9%	11.1%	65,353	(27,114)	-	-	-	\$0.51	
<b>TOTAL</b>	<b>167</b>	<b>18,969,816</b>	<b>1,111,270</b>	<b>5.9%</b>	<b>-</b>	<b>0.0%</b>	<b>1,111,270</b>	<b>5.9%</b>	<b>6.1%</b>	<b>51,647</b>	<b>1,381,718</b>	<b>-</b>	<b>-</b>	<b>38,293</b>	<b>\$0.36</b>	
<b>LATHROP</b>																
LT IND	14	466,046	-	0.0%	-	0.0%	-	0.0%	0.0%	-	42,798	-	-	-	\$0.50	
WH	20	7,147,578	578,531	8.1%	-	0.0%	578,531	8.1%	7.4%	(46,923)	471,007	-	27,160	-	\$0.32	
RD/FL	7	215,100	46,500	21.6%	-	0.0%	46,500	21.6%	18.1%	(7,500)	(6,600)	-	-	-	\$0.70	
MFG	4	1,561,056	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-	
SP PURP	18	716,346	7,200	1.0%	-	0.0%	7,200	1.0%	7.6%	47,000	47,000	-	-	-	\$0.57	
<b>TOTAL</b>	<b>63</b>	<b>10,106,126</b>	<b>632,231</b>	<b>6.3%</b>	<b>-</b>	<b>0.0%</b>	<b>632,231</b>	<b>6.3%</b>	<b>6.2%</b>	<b>(7,423)</b>	<b>554,205</b>	<b>-</b>	<b>27,160</b>	<b>-</b>	<b>\$0.35</b>	
<b>MANTECA</b>																
LT IND	58	941,539	12,400	1.3%	-	0.0%	12,400	1.3%	1.1%	(2,400)	15,955	-	-	-	\$0.51	
WH	9	2,141,316	218,686	10.2%	-	0.0%	218,686	10.2%	8.0%	(46,445)	-	-	-	-	\$0.32	
RD/FL	29	380,685	39,119	10.3%	-	0.0%	39,119	10.3%	8.6%	(6,218)	11,903	-	-	-	\$0.68	
MFG	8	733,935	39,400	5.4%	-	0.0%	39,400	5.4%	7.5%	15,600	(4,400)	-	-	-	\$0.34	
SP PURP	38	979,988	-	0.0%	11,640	1.2%	11,640	1.2%	1.3%	60,150	48,510	60,150	60,150	-	\$0.56	
<b>TOTAL</b>	<b>142</b>	<b>5,177,463</b>	<b>309,605</b>	<b>6.0%</b>	<b>11,640</b>	<b>0.2%</b>	<b>321,245</b>	<b>6.2%</b>	<b>5.5%</b>	<b>20,687</b>	<b>71,968</b>	<b>60,150</b>	<b>60,150</b>	<b>-</b>	<b>\$0.38</b>	
<b>STOCKTON</b>																
LT IND	351	6,738,520	1,127,866	16.7%	63,000	0.9%	1,190,866	17.7%	17.8%	11,660	12,559	-	-	-	\$0.44	
WH	303	33,328,379	3,917,996	11.8%	34,200	0.1%	3,952,196	11.9%	13.2%	452,356	592,030	-	-	257,000	\$0.34	
RD/FL	65	1,161,847	122,667	10.6%	-	0.0%	122,667	10.6%	11.6%	11,541	45,384	-	-	-	\$0.61	
MFG	78	5,701,008	947,901	16.6%	-	0.0%	947,901	16.6%	16.3%	(20,196)	(110,200)	-	-	-	\$0.40	
SP PURP	112	2,140,398	111,399	5.2%	-	0.0%	111,399	5.2%	4.6%	(13,140)	(22,740)	-	-	-	\$0.55	
<b>TOTAL</b>	<b>909</b>	<b>49,070,152</b>	<b>6,227,829</b>	<b>12.7%</b>	<b>97,200</b>	<b>0.2%</b>	<b>6,325,029</b>	<b>12.9%</b>	<b>13.8%</b>	<b>442,221</b>	<b>517,033</b>	<b>-</b>	<b>-</b>	<b>257,000</b>	<b>\$0.38</b>	
<b>LODI</b>																
LT IND	124	1,840,759	98,969	5.4%	-	0.0%	98,969	5.4%	3.2%	(40,069)	(34,969)	-	-	-	\$0.44	
WH	28	6,183,532	59,399	1.0%	-	0.0%	59,399	1.0%	1.3%	1,810,751	1,810,751	1,812,750	1,812,750	-	\$0.34	
RD/FL	70	773,497	44,406	5.7%	-	0.0%	44,406	5.7%	6.0%	1,650	(24,746)	-	-	-	\$0.62	
MFG	32	3,002,726	50,000	1.7%	-	0.0%	50,000	1.7%	4.4%	81,000	(15,000)	-	-	-	\$0.41	
SP PURP	27	1,508,659	3,400	0.2%	-	0.0%	3,400	0.2%	2.6%	36,000	-	-	-	-	\$0.55	
<b>TOTAL</b>	<b>281</b>	<b>13,309,173</b>	<b>256,174</b>	<b>1.9%</b>	<b>-</b>	<b>0.0%</b>	<b>256,174</b>	<b>1.9%</b>	<b>2.9%</b>	<b>1,889,332</b>	<b>1,736,036</b>	<b>1,812,750</b>	<b>1,812,750</b>	<b>-</b>	<b>\$0.44</b>	
<b>RIPON</b>																
LT IND	6	107,041	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-	
WH	7	185,664	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-	
RD/FL	2	49,125	-	0.0%	-	0.0%	-	0.0%	8.4%	4,139	6,089	-	-	-	\$-	
MFG	3	497,755	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-	
SP PURP	2	43,570	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-	
<b>TOTAL</b>	<b>20</b>	<b>883,155</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>0.5%</b>	<b>4,139</b>	<b>6,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$-</b>	
<b>MARKET TOTAL</b>																
LT IND	601	10,866,555	1,288,005	11.9%	63,000	0.6%	1,351,005	12.4%	12.4%	(3,209)	98,385	-	-	-	\$0.45	
WH	410	62,444,794	5,556,920	8.9%	34,200	0.1%	5,591,120	9.0%	9.8%	2,170,821	3,642,803	1,812,750	1,839,910	295,293	\$0.33	
RD/FL	218	3,449,568	295,465	8.6%	-	0.0%	295,465	8.6%	9.4%	28,260	98,841	-	-	-	\$0.67	
MFG	138	13,815,441	1,168,337	8.5%	-	0.0%	1,168,337	8.5%	8.5%	9,368	381,364	-	-	-	\$0.31	
SP PURP	216	6,939,527	228,382	3.3%	11,640	0.2%	240,022	3.5%	5.5%	195,363	45,656	60,150	60,150	-	\$0.54	
<b>TOTAL</b>	<b>1583</b>	<b>97,515,885</b>	<b>8,537,109</b>	<b>8.8%</b>	<b>108,840</b>	<b>0.1%</b>	<b>8,645,949</b>	<b>8.9%</b>	<b>9.6%</b>	<b>2,400,603</b>	<b>4,267,049</b>	<b>1,872,900</b>	<b>1,900,060</b>	<b>295,293</b>	<b>\$0.37</b>	
<b>QUARTERLY COMPARISON AND TOTALS</b>																
Q3-14	1583	97,515,885	8,537,109	8.8%	108,840	0.1%	8,645,949	8.9%	9.6%	2,400,603	4,267,049	1,872,900	1,900,060	295,293	\$0.37	
Q2-14	1581	95,642,985	9,127,812	9.5%	45,840	0.0%	9,173,652	9.6%	10.4%	805,549	1,866,446	-	27,160	1,872,900	\$0.36	
Q1-14	1581	95,642,985	9,916,201	10.4%	63,000	0.1%	9,979,201	10.4%	11.5%	1,060,897	1,060,897	27,160	27,160	1,872,900	\$0.34	
Q4-13	1581	95,615,825	10,915,738	11.4%	97,200	0.1%	11,012,938	11.5%	11.8%	230,865	2,433,526	-	1,547,353	1,839,910	\$0.36	
Q3-13	1581	95,615,825	11,006,683	11.5%	237,120	0.2%	11,243,803	11.8%	11.5%	700,503	2,202,661	1,017,353	1,547,353	1,839,910	\$0.36	

## INDUSTRIAL DEFINITIONS

**Total Rentable Square Feet:**

Industrial space in buildings with 4,800 SF or greater of industrial space. Includes speculative as well as owner-occupied buildings. Excludes buildings that are functionally obsolete in addition to space that is under construction or renovation.

**Total Vacancy:**

Space in existing buildings that are vacant and immediately available during the quarter for direct lease, for sublease or for sale, plus space that is vacant but not available for direct lease or sublease.

**Sales and Leasing Activity:**

Square feet sold or leased for all known transactions completed during the quarter. Includes lease renewals and includes investment sale transactions.

**Manufacturing Buildings:**

Includes buildings designed for the conversion or fabrication of goods. Buildings range in size from 20,000-250,000 square feet.

**High-Cube Warehouse Distribution:**

A sub-type of Warehouse buildings, high-cube buildings include buildings 50,000 square feet and greater with a minimum clear height of 26 feet. Typically the buildings provide dock-high doors at a ratio of one door per 10,000 square feet or more.

**Under-Construction/Renovation:**

Includes buildings that are in some phase of construction, beginning with foundation work and ending with the issuance of a Certificate of Occupancy. Also includes buildings that are undergoing substantial renovation.

**Average Sales Price:**

Calculated using a straight average of actual sales transactions.

**Direct Vacancy:**

Space in existing buildings that are vacant and immediately available during the quarter for direct lease or for sale, plus space that is vacant but not available for direct lease or sublease (for example, that is being held for a future commitment).

**Net Absorption:**

Net change in occupied square feet from one period to the next (includes the impact of change in vacant space available for sublease).

**Weighted Average Asking Rental Rates:**

Weighted by square feet available for direct lease. Data is based on triple net rents, and excludes expenses such as taxes, insurance, maintenance, janitorial service and utilities. Reported on a monthly per square foot basis.

**Warehouse Buildings:**

Includes buildings of 50,000 square feet and greater with a minimum clear height of 16 feet. They have multiple dock-high doors and are primarily used for storage and/or distribution of goods.

**Light Industrial Buildings:**

Includes buildings in which the space is used primarily for development, service, production, storage or distribution of goods. Buildings range in size from 10,000-100,000 square feet.

**R&D Flex:**

Includes buildings designed to allow its occupants flexibility of alternative uses, in a building with multiple tenants, usually in an industrial park setting. Buildings range in size from 4,800-25,000 square feet.

**Incubator:**

Includes buildings designed to allow alternative uses by multiple tenants who occupy less than 4,000 square feet. Buildings range in size from 4,800-25,000 square feet.

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485 offices in  
63 countries on  
6 continents

United States: 146  
Canada: 44  
Latin America: 25  
Asia Pacific: 186  
EMEA: 84

- > \$2.1 billion in annual revenue
- > \$1.46 billion square feet under management
- > Over 15,800 professionals

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