

STOCKTON | SAN JOAQUIN COUNTY, CALIFORNIA RESEARCH & FORECAST REPORT



Office Market Review

The San Joaquin County office vacancy rate closed the quarter at 12.4 percent, down from 14.1 percent at year end. The county experienced positive net absorption for the first quarter of 2015 totaling 144,157 square feet with the purchase of the 134,147 square foot office property at 3136 Boeing Way. Overall office rental rates decreased to \$1.21 per square foot, with the decrease seen in Class B and C space. Class A rental rates increased to \$1.64 per square foot per month.

MARKET INDICATORS

	Q1-15	Projected Q2-15
VACANCY	↓	↓
NET ABSORPTION	↑	↔
CONSTRUCTION	↔	↔
LEASE RATES	↓	↔
CAP RATES	↔	↔
LAND PRICES	↔	↔

LEASE ACTIVITY

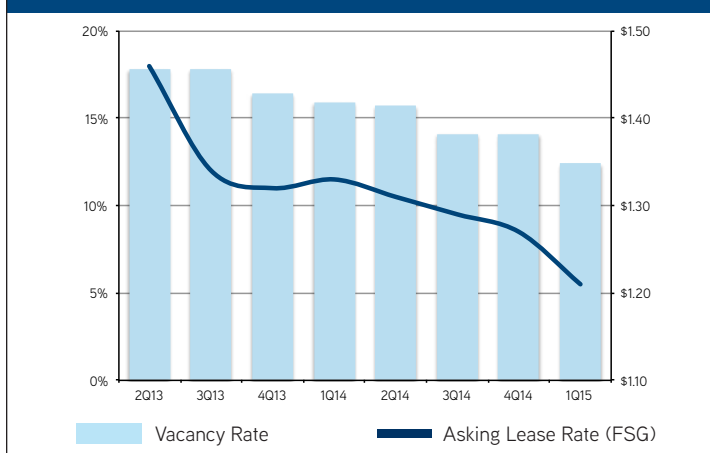
San Joaquin County experienced nearly 10,000 square feet of positive net absorption attributed to leasing activity. Two of the submarkets, Lathrop and Ripon, reported negative absorption with Lathrop contributing the majority of 26,000 square feet negative net absorption. Class B office once again reported positive absorption of 17,334 square feet with an average asking rental rate of \$0.96 per square foot per month. Class A and C office reported negative net absorption for leasing both with less than 6,000 square feet of negative net absorption.

SELECTED MARKET HIGHLIGHTS:

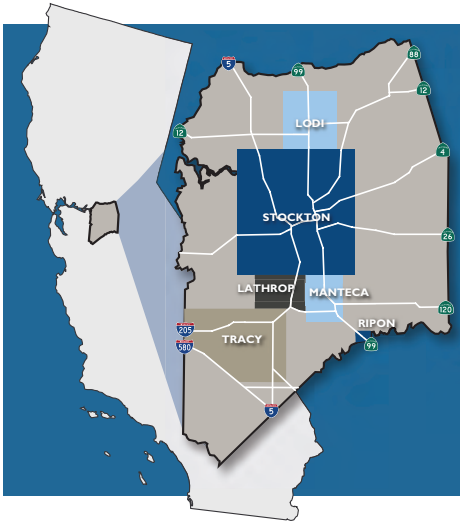
- > The San Joaquin County office vacancy rate closed the quarter at 12.4%.
- > The County experienced positive net absorption for the first quarter of 2015 totaling 144,157 square feet.
- > Opportunities for investors and owners/users continue to be favorable as financing has remained favorable and interest rates remain low.

*SOURCE: www.bls.gov

HISTORICAL VACANCY AND ASKING RATES



Leasing activity for the quarter totaled positive 144,157 net square feet.



“Overall, rental rates for office product in San Joaquin County for the first quarter fell to \$1.21 per square foot per month.”

SALES ACTIVITY

Sales activity was slower for the first quarter of 2015 compared to the last quarter of 2014. One notable sale of mention was of 3136 Boeing Way in Stockton. Pacific Gas & Electric (PG&E) purchased the 134,147 square foot building from developer Buzz Oates to use as a call center and an energy training center for employees. Dohrmann Properties purchased 3415 Brookside Road in Stockton for \$2,250,000. Opportunities for investors and owners/users continue to be favorable as financing has remained favorable and interest rates remain low.

OUTLOOK

As interest rates remain low, sales activity should continue. The improvement of the market coupled with the possibility rates may rise later in 2015 should drive sales activity in the coming months. The anticipated increase in interest rates should not have a significant impact on the office market, at least initially.

As far as office development is concerned, other than the San Joaquin Courthouse in Downtown Stockton, there is little under construction in the county.

Leasing activity is slowly stabilizing, driven by government requirements and an expansion of mortgage companies. Class B and C properties are still hurting and will only begin to stabilize once Class A property absorption has taken place.

SAN JOAQUIN COUNTY GEOGRAPHICAL OVERVIEW

San Joaquin County is located directly to the east of the San Francisco/Oakland Bay Area. 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 NAME	LEASE DATE	SQUARE FEET	TENANT	TYPE
1630 W. Yosemite Avenue, Manteca, CA	1/2015	2,357	iMortgage	Class A Office
3414 Brookside Road, Stockton, CA	2/2015	2,000	Mission San Jose Mortgage	Class A Office
2800 W. March Lane, Stockton, CA	3/2015	1,932	AutoFocus, Inc.	Class A Office

SALES ACTIVITY

PROPERTY NAME	SALE DATE	SQUARE FEET	BUYER	TYPE
3136 Boeing Way, Stockton, CA	1/2015	134,147	Pacific Gas & Electric Company	Class A Office
804 N. Hunter Street, Stockton, CA	3/2015	67,052	Visionary Home Builders of CA	Class B Office
1660 W. Linne Road, Tracy, CA	1/2015	41,000	Process Specialties, Inc.	Class B Office
3415 Brookside Road, Stockton, CA	3/2015	10,115	Dohrmann Properties LLC	Class A Office

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502 offices in 67 countries on 6 continents

United States: 140
Canada: 31
Latin America: 24
Asia Pacific: 199
EMEA: 108

- > \$2.3 billion in annual revenue
- > \$1.7 billion square feet under management
- > Over 16,300 professionals

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