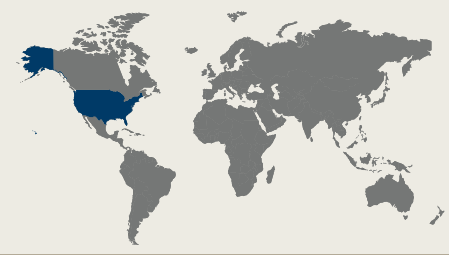




# Market Research

INDUSTRIAL | FIRST QUARTER | 2010



## MARKET INDICATORS

	1Q 2010	2Q 2010*
VACANCY	↑	↔
NET ABSORPTION	↓	↑
CONSTRUCTION	↓	↔
LEASE RATES	↔	↔
CAP RATES	↑	↔
LAND PRICES	↓	↔

\*PROJECTED

## Overview

Certain market sectors experienced an increase of activity in the first quarter and displayed positive signs with the start of the New Year. The activity was focused in the Stockton and Tracy submarkets where condominium and incubator space received the majority of the attention. The “wait & see” attitude that froze many small businesses throughout 2009 may be slowly changing.

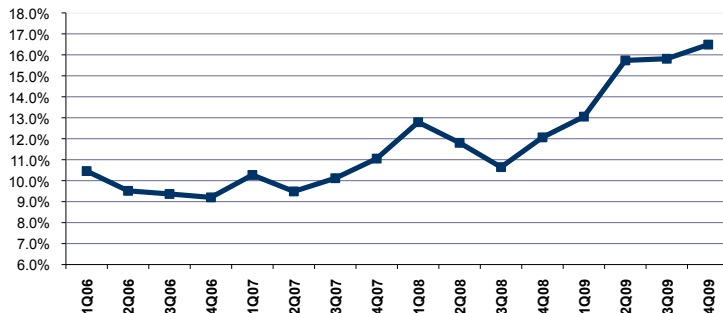
## Warehouse Distribution

Warehouse distribution buildings in San Joaquin County maintained the same trend from the fourth quarter into the first quarter with limited activity and only a small number of new vacancies. Throughout the market, vacancy was relatively unchanged with the exception of Tracy where General Mills vacated a 483,268 square foot (SF) facility. It should be noted that in the third quarter of 2009 General Mills took occupancy of a newly constructed 735,980 SF facility in Stockton. Asking lease rates remained flat on average, but far from stable. There are a few sublease opportunities in the market listed at below direct lease rates; however, institutional quality buildings have not been significantly affected by these loss-leaders.

## Light Industrial

Activity for light industrial space was flat for the first quarter with no significant change in vacancy or absorption. A trend of stagnation for light industrial has developed over the past two quarters. While lack of activity is a real challenge for the market, the trend of sharply increasing vacancy experienced in 2009 during the full force of the recession appears to be past us. The light industrial sector will continue to experience challenges until fundamentals stabilize and the downward pressure on rents and sales prices softens.

## INDUSTRIAL MARKET VACANCY



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## Condo/Incubator Units

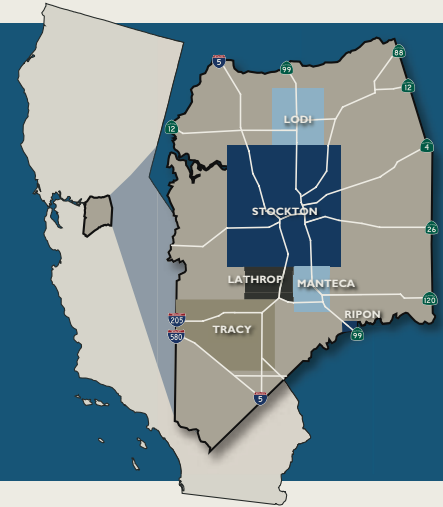
The condominium and incubator sector showed signs of life during the first quarter as leasing activity increased driven by small business owners. The positive change may indicate that this sector which was first into the market recession may be the first out of the recession, albeit at prices 25%-45% off the peak of the market. Sales prices for small buildings and condominiums are being severely impacted by low occupancy and distressed sales. Eventually, values will reach bottom and begin to appreciate toward replacement cost but that may take time.

## Market News

The closure of the NUMMI General Motors and Toyota manufacturing facility in Fremont, CA has impacted the Central Valley as local manufacturers and distributors for the automobile plant have closed their operations. NUMMI related companies that have closed their locations include Trim Masters (131,000 SF) in Modesto, AMTEX (57,000 SF) in Manteca, Aisin Electronics (59,850 SF) in Stockton and Vistech (32,500 SF) in Stockton.

## Trends

- Landlords have been creative and willing to negotiate and close deals with credit tenants.
- Small businesses and companies requiring less than 10,000 square feet are becoming somewhat active again in the market.
- Investors with capital continue to track distressed properties and submit aggressive offers.



*“While lack of activity is a real challenge for the market, the trend of sharply increasing vacancy experienced in 2009 during the full force of the recession appears to be past us..”*

## MARKET ACTIVITY

SIGNIFICANT FIRST QUARTER TRANSACTIONS

### SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
2928 Boeing Way, Stockton	3/2010	29,241	Source Interlink	Light Industrial
721 N Union St, Stockton	1/2010	20,000	Golden Valley Industries	Warehouse
2736 Teepee Dr, Stockton	1/2010	12,400	Tile Outlet	Light Industrial

### SIGNIFICANT SALES

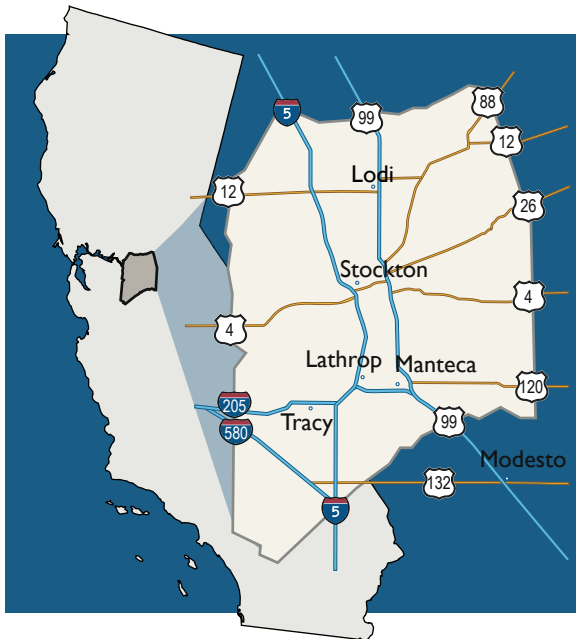
PROPERTY ADDRESS	DATE	SQUARE FEET	BUYER/SELLER	TYPE
3023 E Myrtle St, Stockton	3/2010	42,000	San Joaquin Regional Transit / Golden Bay Fence	Light Industrial
1815 Industrial Dr, Stockton	3/2010	35,000	Conquest Imaging/ Massie & Company	Light Industrial
4104 & 4168 B St, Stockton	3/2010	30,000	Golden Bay Fence / Massie & Company	Light Industrial

## Outlook

- Market conditions will remain favorable for tenants and buyers looking to negotiate attractive deals due to ample supply of product and motivated owners.
- Construction starts will remain stagnate until vacancy rates retract and rental rates increase.
- Cities and counties that continue to increase development impact fees will have very limited success attracting any new industries.

## San Joaquin County Geographical Overview

San Joaquin County is located directly east of the San Francisco/Oakland Bay Area. Its geographical position within the Central Valley is ideal for the distribution industry. San Joaquin County has cultivated extensive transportation systems which provide the means to distribute goods throughout California, the Western U.S., and the Nation. These systems include; The Port of Stockton, Interstate 5, Interstate 580, Highway 99, the Union Pacific Intermodal facility in Lathrop, the Burlington Northern Sante Fe Intermodal facility in Stockton, and the Stockton Metropolitan Airport. With these transportation systems in place, San Joaquin County is an ideal location for distribution centers and manufacturing facilities.



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  
 12,749 Professionals

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