

# Market Research

OFFICE | THIRD QUARTER | 2009



## MARKET INDICATORS

	2Q 2009	3Q 2009*
VACANCY	↔	↔
NET ABSORPTION	↑	↔
CONSTRUCTION	↓	↔
LEASE RATES	↓	↔
CAP RATES	↑	↑
LAND PRICES	↓	↓

\*PROJECTED

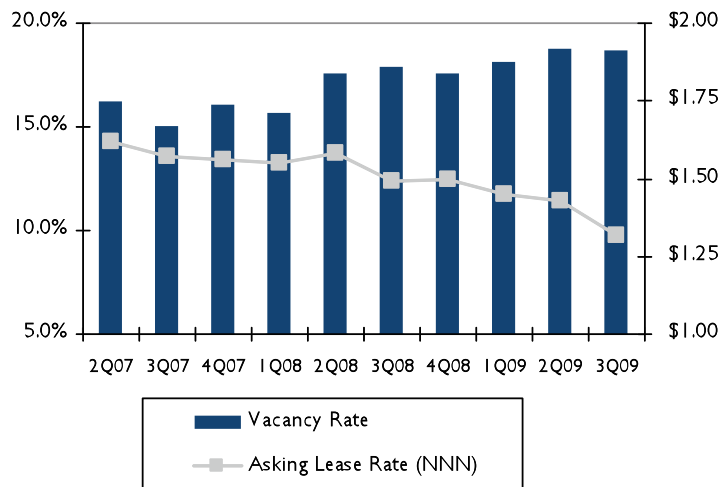
## Signs of a Plateau

Vacancy over the past two quarters has not significantly changed which may signal the end of the recession. San Joaquin County appears to be past the point where businesses are relinquishing office space as many have either closed their doors or reduced operating square footage. Indicators point to an end of the recession in the fourth quarter according to the Business Forecasting Center at the University of the Pacific. The report foresees a “sluggish start” towards recovery in 2010.

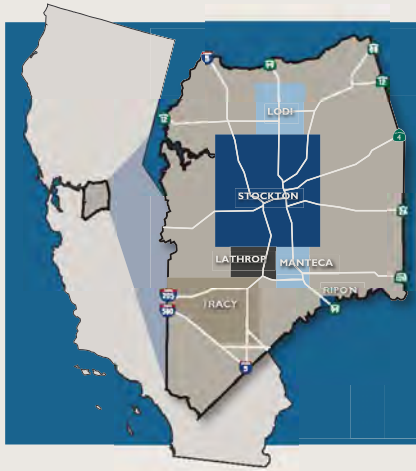
The unemployment rate over the last two quarters has leveled off for San Joaquin County at around 15.8%, which is down from the high of 16.4% reached this year in March. This plateau is a welcome sign considering the steep incline of the unemployment rate from 2007 to 2009, where the rate doubled. It appears that businesses have either made the cuts they needed to sustain operations or closed altogether.

Vacancy overall has decreased slightly for the third quarter to 18.7% from 18.8% in the second quarter. Net absorption was positive 42,650 square feet, due in large part to the completion of Chevron’s new 24,000 square foot office building located in Lathrop. For the year, Class A office space net absorption is negative 85,576 square feet.

## AVAILABLE SPACE VS. ASKING RATE

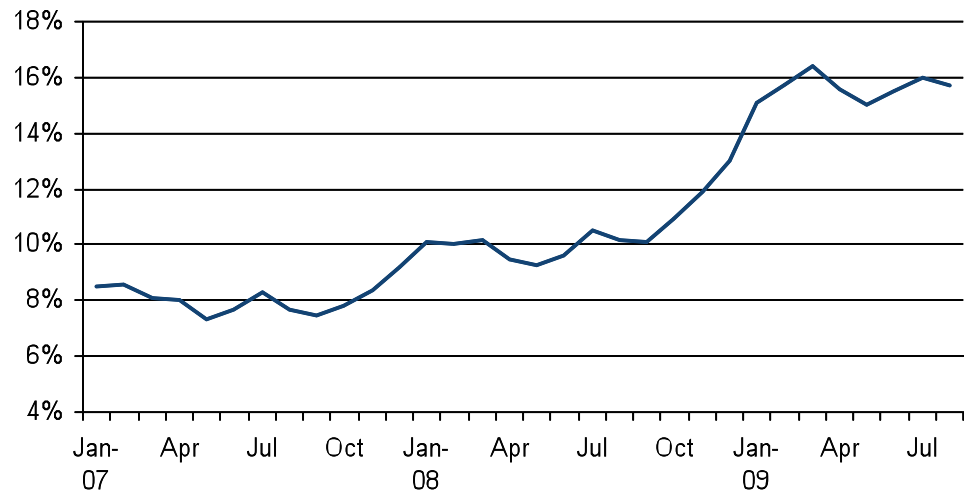


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“San Joaquin County appears to be past the point where businesses are relinquishing office space as many have either closed their doors or reduced operating square footage.”

## San Joaquin County Unemployment



## Lease Rates

Asking lease rates for the market took a significant hit moving from an average of \$1.43 per square foot triple net (NNN) in the second quarter to \$1.32 per square foot NNN in the third quarter. Class A space experienced another \$0.06 per square foot reduction in asking rents to finish the quarter at \$1.57 per square foot NNN. Class B space finished the quarter down \$0.15 for an average asking rate of \$1.08 per square foot NNN.

## Forward Looking

The uncertainty of the office market is softening as many of the answers to how deep the recession will be are coming to light. Before recovery in the office sector begins, industries that directly and indirectly impact the San Joaquin County office market will need to report positive growth. Contributing to both the success and failure of the office sector has been the volatile residential market. Currently, new home building is frozen, foreclosures continue to log jam the sales market, and lenders, title companies and architects as a whole have cut their work force dramatically. Look for the appreciation of home values and an increase in the issuance of single family home permits as signs pointing to the recovery of the office leasing market.

## MARKET ACTIVITY

### SIGNIFICANT THIRD QUARTER TRANSACTIONS

#### SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
17270 Golden Valley Parkway, Lathrop	9/2009	18,000	T.J. Fig	Office
850 W. March Ln, Stockton	8/2009	4,000	Golden I Credit Union	Office
1520 Kettleman Ln, Lodi	9/2009	1,438	CMG Mortgage	Office

#### SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	SELLER	BUYER
3984 E Cherokee Ln, Stockton	8/2009	15,425	American Ag Credit FLCA	Laborer International Union
179-185 W Alameda St, Manteca	7/1/2009	10,000	Luis Vazquez	Golden Star Properties
1150 W Center St, Manteca	9/2009	5,000	Lamatis Trust	Stephen Liu

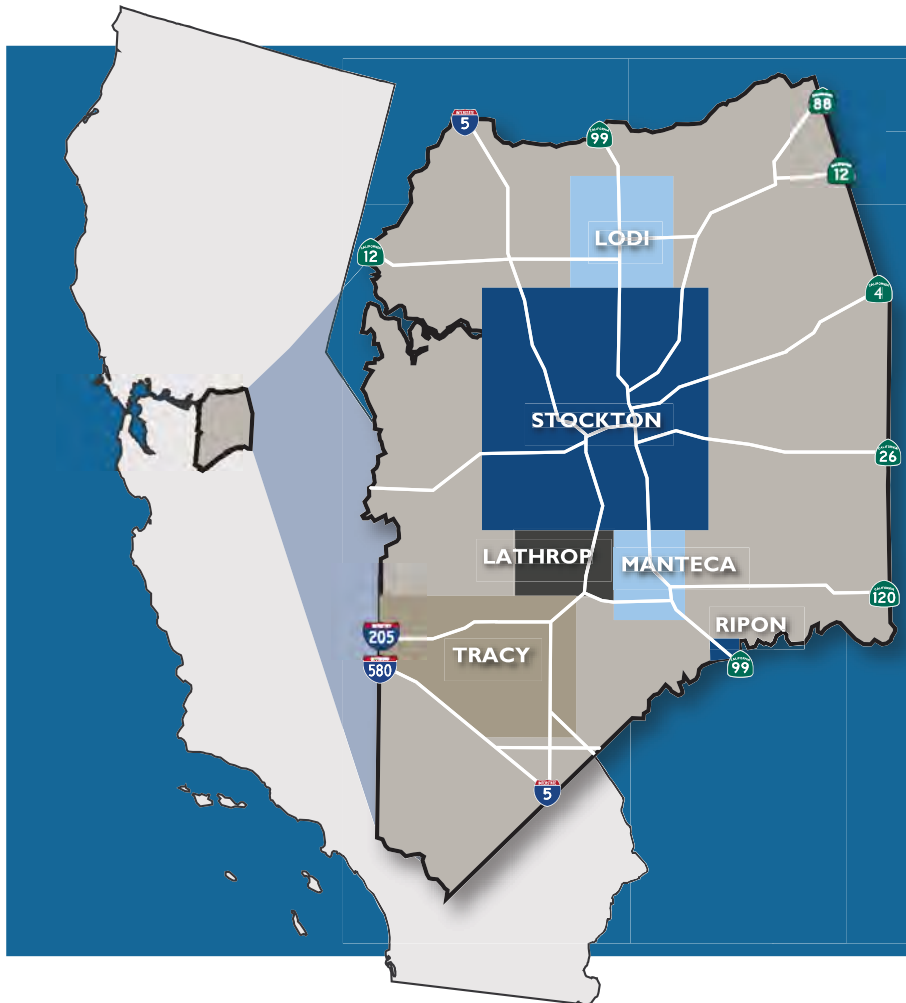
## OFFICE MARKET STATISTICS

THIRD QUARTER 2009

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY					ABSORPTION		CONSTRUCTION		RENT
Market	Bldgs	Total Inventory SF	Vacant SF	Vacancy Rate	Vacant SF	Vacancy Rate	SF	Rate	Prior Qtr Vac.	Current Occupied Space SF	Previous Occupied Space SF	Net absorption Current Quarter	Net Absorption YTD SF	Under Const. SF	Completed SF YTD	Avg Asking Rate
<b>SUB MARKETS</b>																
<b>LATHROP</b>																
A	3	72,208	24,104	33.4%	8,000	11.1%	32,104	44.5%	100.0%	40,104	-	40,104	16,000	-	24,000	\$1.55
B	2	137,288	19,900	14.5%	-	0.0%	19,900	14.5%	14.5%	117,388	117,388	-	(11,600)	-	-	\$1.42
C	2	16,084	-	0.0%	-	0.0%	-	0.0%	0.0%	16,084	16,084	-	-	-	-	-
Total	7	225,580	44,004	19.5%	8,000	3.5%	52,004	23.1%	33.8%	173,576	133,472	40,104	4,400	-	24,000	\$1.50
<b>LODI</b>																
A	15	503,278	106,965	21.3%	4,882	1.0%	111,847	22.2%	24.3%	391,431	386,107	5,324	(2,100)	-	-	\$1.37
B	32	499,418	65,274	13.1%	-	0.0%	65,274	13.1%	13.7%	434,144	457,263	(23,119)	(12,717)	-	-	\$0.92
C	13	137,661	-	0.0%	-	0.0%	-	0%	0.0%	137,661	137,661	-	-	-	-	\$-
Total	60	1,140,357	172,239	15.1%	4,882	0.4%	177,121	15.5%	16.7%	963,236	981,031	(17,795)	(14,817)	-	-	\$1.20
<b>MANTECA</b>																
A	11	108,633	59,870	55.1%	-	0.0%	59,870	55.1%	50.7%	48,763	48,763	0	(3,645)	-	-	\$1.45
B	19	177,153	19,900	11.2%	-	0.0%	19,900	11.2%	9.0%	157,253	159,053	(1,800)	(220)	-	-	\$1.15
C	18	168,144	3,874	2.3%	1,720	1.0%	5,594	3%	3.3%	162,550	162,550	0	(1,720)	-	-	\$0.97
Total	48	453,930	83,644	18.4%	1,720	0.4%	85,364	18.8%	16.2%	368,566	370,366	(1,800)	(5,585)	-	-	\$1.35
<b>RIPON</b>																
A	5	52,844	15,504	29.3%	-	0.0%	15,504	29.3%	12.1%	37,340	46,458	(9,118)	(5,709)	-	-	\$1.50
B	3	16,980	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-	\$-
C	1	5,052	-	0.0%	-	0.0%	-	0.0%	0.0%	5,052	5,052	-	-	-	-	\$-
Total	9	74,876	15,504	20.7%	-	0.0%	15,504	20.7%	8.5%	59,372	68,490	(9,118)	(5,709)	-	-	\$1.50
<b>STOCKTON</b>																
A	43	1,730,942	523,721	30.3%	22,443	1.3%	546,164	31.6%	32.4%	1,184,778	1,172,319	12,459	(85,427)	-	-	\$1.62
B	173	3,484,126	440,274	12.6%	1,729	0.0%	442,003	12.7%	12.1%	3,042,123	3,040,548	1,575	52,617	-	-	\$1.07
C	60	863,340	164,956	19.1%	-	0.0%	164,956	19.1%	19.8%	698,384	698,696	(312)	29,857	-	-	\$0.89
Total	276	6,078,408	1,128,951	18.6%	24,172	0.4%	1,153,123	19.0%	19.0%	4,925,285	4,911,563	13,722	(2,953)	-	-	\$1.30
<b>TRACY</b>																
A	12	259,188	73,721	28.4%	-	0.0%	73,721	28.4%	26.6%	185,467	176,034	9,433	(4,686)	-	-	\$1.58
B	14	144,067	22,442	15.6%	1,607	1.1%	24,049	16.7%	16.7%	120,018	120,018	0	(8,628)	-	-	\$1.45
C	17	133,277	11,595	8.7%	-	0.0%	11,595	8.7%	8.7%	121,682	121,682	0	(5,692)	-	-	\$1.12
Total	43	536,532	107,758	20.1%	1,607	0.3%	109,365	20.4%	19.2%	427,167	417,734	9,433	(19,006)	-	-	\$1.50
<b>MARKET TOTAL</b>																
A	89	2,727,093	803,885	29.5%	35,325	1.3%	839,210	30.8%	31.8%	1,887,883	1,829,681	58,202	(85,567)	-	24,000	\$1.57
B	243	4,459,032	567,790	12.7%	3,336	0.1%	571,126	12.8%	12.3%	3,870,926	3,894,270	(23,344)	19,452	-	-	\$1.08
C	111	1,323,558	180,425	13.6%	1,720	0.1%	182,145	13.8%	14.2%	1,141,413	1,141,725	(312)	22,445	-	-	\$0.91
Total	443	8,509,683	1,552,100	18.2%	40,381	0.5%	1,592,481	18.7%	18.8%	6,900,222	6,865,676	34,546	(20,138)	-	24,000	\$1.32
Q2-2009	440	8,475,771	1,533,655	18.1%	59,460	0.7%	1,593,115	18.8%	18.2%	6,865,676	6,889,208	(23,532)	(78,216)	24,000	-	\$1.43
Q1-2009	437	8,445,139	1,478,212	17.5%	60,739	0.7%	1,538,951	18.2%	17.6%	6,889,208	6,943,892	(54,684)	(54,684)	24,000	-	\$1.45
Q4-2008	437	8,443,260	1,450,459	17.2%	31,929	0.4%	1,482,388	17.6%	17.9%	6,943,892	6,727,627	216,265	229,503	-	418,256	\$1.50
Q3-2008	432	8,227,544	1,441,053	17.5%	32,770	0.4%	1,473,823	17.9%	17.6%	6,727,627	6,738,241	(10,614)	13,238	191,419	201,229	\$1.49
Q2-2008	428	8,216,870	1,415,775	17.2%	33,783	0.4%	1,449,558	17.6%	15.7%	6,738,241	6,811,650	(46,305)	23,852	294,850	153,840	\$1.58

## 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. Its 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 Sante 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.



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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