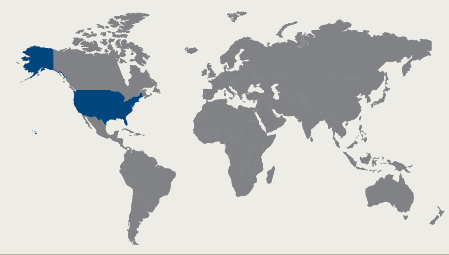


# Market Research

OFFICE | FOURTH QUARTER | 2009



## MARKET INDICATORS

	4Q 2009	1Q 2010*
VACANCY	↑	↔
NET ABSORPTION	↓	↔
CONSTRUCTION	↔	↔
LEASE RATES	↓	↓
CAP RATES	↑	↑
LAND PRICES	↓	↓

\*PROJECTED

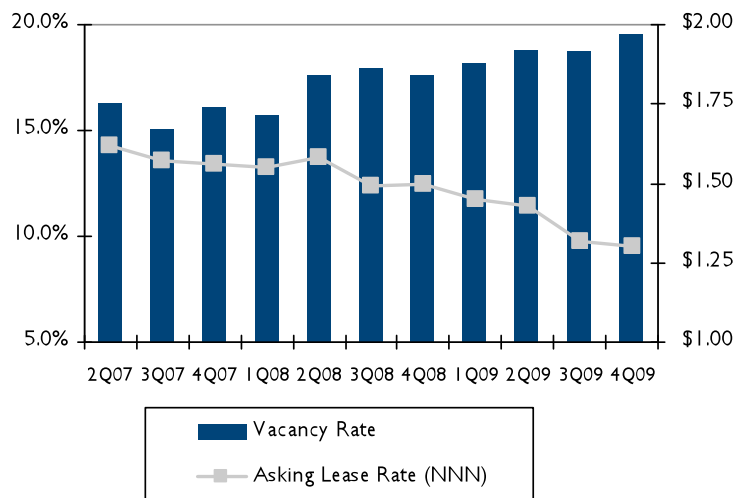
## Challenges and Opportunities

Vacancy for the office market has crept up to 19.5% from 18.7% in the third quarter. After two quarters of nearly unchanged vacancy rates, San Joaquin County again saw an increase in the available office space. Most impacted by the increase were Class A buildings, predominantly in the Stockton and Tracy submarkets. Subleasing of space has yet to have a significant role in the market; this is in contrast to other markets, such as the Bay Area, which has experienced a large increase in available sublease space.

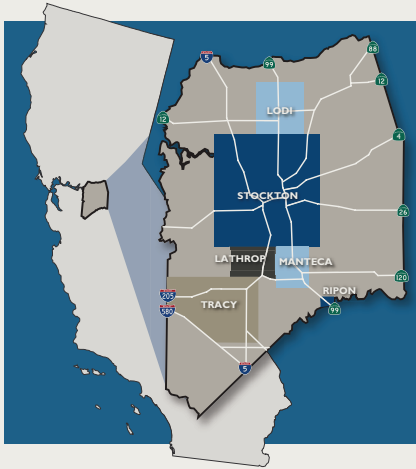
Driving the vacant space is the foreclosure crisis which has devastated the housing industry along with homeowners' equity. At the height of the housing boom, jobs related to the housing industry numbered 46,000, according to the Bureau of Labor Statistics. Following the credit "reality check" those jobs have been slashed by 12,000 to 34,000. In an area which historically has been (and is returning) to an agricultural community, the loss of office jobs has been tough to stomach.

The positive news is that tenants have an unprecedented number of options to occupy higher quality space without increasing their rent and additional leverage to negotiate with landlords. Creative leases have become the norm, whereby landlords are signing agreements that offer reduced annual rent increases, free rent and TI allowances, especially in new buildings.

## AVAILABLE SPACE VS. ASKING RATE



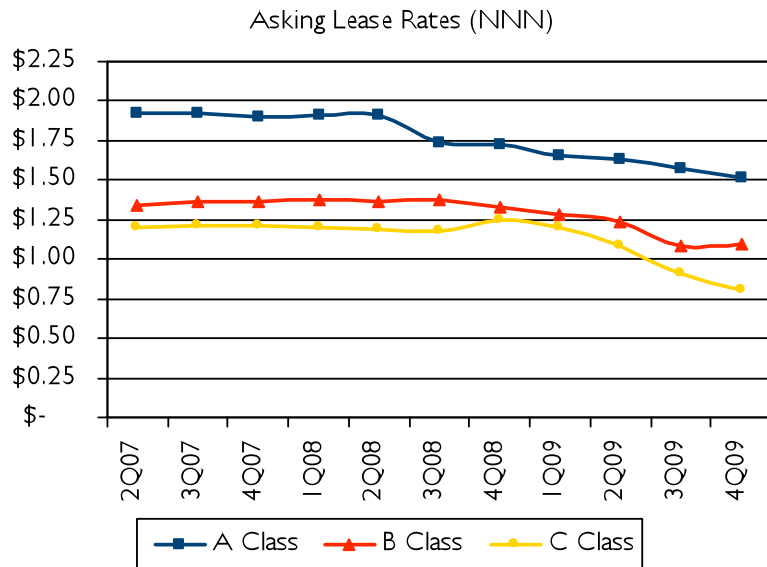
www.colliersparrish.com



“After two quarters of nearly unchanged vacancy rates, San Joaquin County again saw an increase in the available office space.”

## Lease Rates

Asking lease rates for all office product types slid south again by \$0.02 on average to \$1.30 per square foot NNN compared against the third quarter. Landlords of class A office space reduced their asking rates, on average, from \$1.57 to \$1.52 per square foot NNN. Businesses looking to increase the quality of their office space have an excellent opportunity to move from a class B location to a class A location with little to no increase in rental costs as illustrated in the graph below.



## Forward Looking

Signs of recovery appear to be pushed off another year. It seems that most analysts are extending their forecasts an additional twelve to eighteen months at the national level. Locally, we have a lot of residential vacancy and owners who are not paying their mortgages. Correction in the residential market will directly impact and increase the requirement for office space. Construction has been non-existent throughout the county with the exception of a build-to-suit for the Chevron Corporation in Lathrop. There are no signs that construction will return anytime soon as the current availability of a quality space offers many options both large and small.

### MARKET ACTIVITY SIGNIFICANT FOURTH QUARTER TRANSACTIONS

#### SIGNIFICANT LEASES

PROPERTY ADDRESS	DATE	SQUARE FEET	TENANT	TYPE
6 S. El Dorado, Stockton	12/2009	9,652	InShape Health Club	Office
1776 W. March Ln, Stockton	12/2009	7,851	University of the Pacific	Office
3255 W. March Ln, Stockton	12/2009	3,107	Alcohol, Tobacco and Firearms	Office

#### SIGNIFICANT SALES

PROPERTY ADDRESS	DATE	SQUARE FEET	SELLER	BUYER
1625 W March Ln, Stockton	11/2009	10,871	Forteny Trust	Jeff Phen LLC
2160 Grant Line Rd Suite 150, Tracy	10/2009	4,200	WT Capitol Lender	Bank of Stockton
2320 N California St, Stockton	10/2009	2,800	Vine Street Partners	Javad Jamshidi

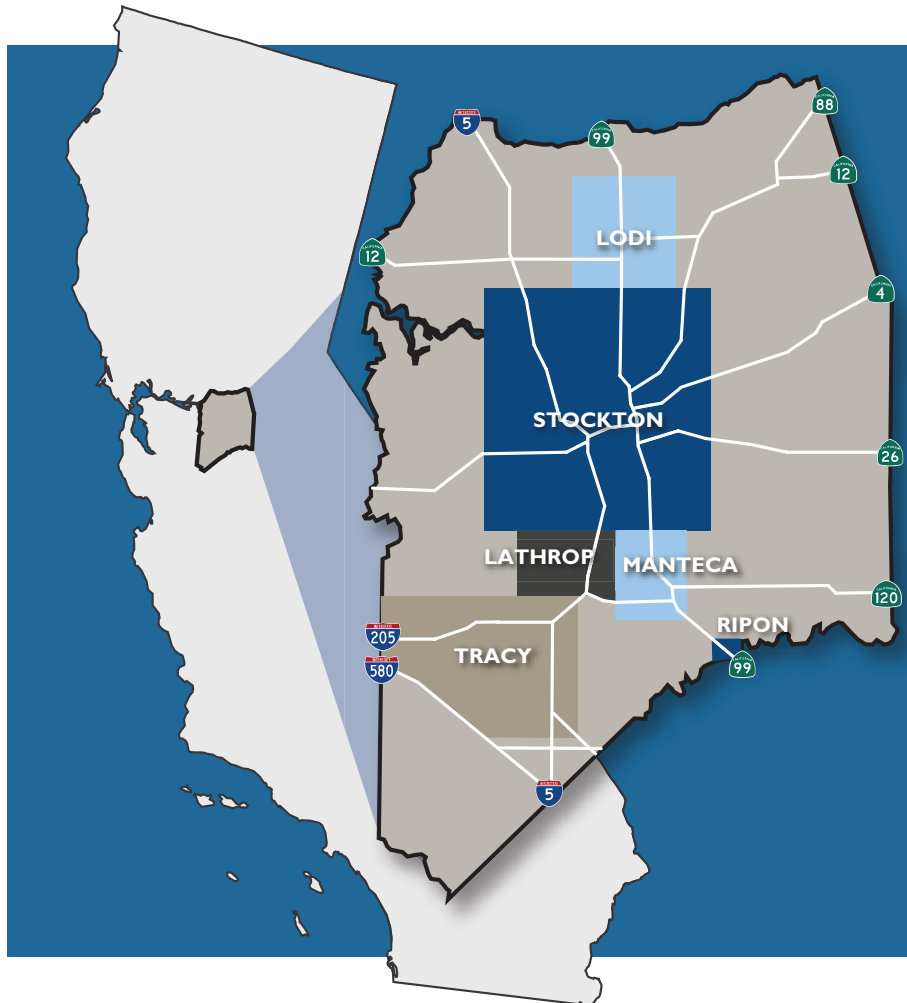
## OFFICE MARKET STATISTICS

### FOURTH 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%	44.5%	40,104	-	40,104	56,104	-	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%	23.1%	173,576	133,472	40,104	44,504	-	24,000	\$1.50
<b>LODI</b>																
A	15	503,278	106,965	21.3%	4,882	1.0%	111,847	22.2%	22.2%	391,431	386,107	5,324	3,224	-	-	\$1.40
B	32	499,418	65,274	13.1%	-	0.0%	65,274	13.1%	13.1%	434,144	457,263	(23,119)	(35,836)	-	-	\$0.91
C	13	37,661	-	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%	15.5%	963,236	981,031	(17,795)	(32,612)	-	-	\$1.22
<b>MANTECA</b>																
A	11	108,633	60,367	55.6%	-	0.0%	60,367	55.6%	55.1%	48,266	48,763	(497)	(4,142)	-	-	\$1.49
B	19	177,153	19,000	10.7%	-	0.0%	19,000	10.7%	11.2%	158,153	159,053	(900)	(1,120)	-	-	\$1.02
C	18	168,144	3,874	2.3%	1,720	1.0%	5,594	3%	3.3%	162,550	162,550	0	(1,720)	-	-	\$0.83
Total	48	453,930	83,241	18.3%	1,720	0.4%	84,961	18.7%	18.8%	368,969	370,366	(1,397)	(6,982)	-	-	\$1.34
<b>RIPON</b>																
A	5	52,844	15,504	29.3%	-	0.0%	15,504	29.3%	29.3%	37,340	46,458	(9,118)	(14,827)	-	-	\$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%	20.7%	59,372	68,490	(9,118)	(14,827)	-	-	\$1.50
<b>STOCKTON</b>																
A	43	1,730,742	579,359	33.5%	22,443	1.3%	601,802	34.8%	31.6%	1,128,940	1,172,319	(43,379)	(128,806)	-	-	\$1.54
B	173	3,485,126	453,502	13.0%	1,729	0.0%	455,231	13.1%	12.7%	3,029,895	3,040,548	(10,653)	41,964	-	-	\$1.10
C	60	863,856	164,476	19.0%	-	0.0%	164,476	19.0%	19.1%	699,380	698,696	684	30,541	-	-	\$0.80
Total	276	6,079,724	1,197,337	19.7%	24,172	0.4%	1,221,509	20.1%	19.0%	4,858,215	4,911,563	(53,348)	(56,301)	-	-	\$1.28
<b>TRACY</b>																
A	12	259,188	77,921	30.1%	-	0.0%	77,921	30.1%	28.4%	181,267	176,034	5,233	547	-	-	\$1.54
B	14	144,067	17,921	12.4%	1,607	1.1%	19,528	13.6%	16.7%	124,539	120,018	4,521	(4,107)	-	-	\$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)	-	-	\$0.97
Total	43	536,532	107,437	20.0%	1,607	0.3%	109,044	20.3%	20.4%	427,488	417,734	9,754	(9,252)	-	-	\$1.46
<b>MARKET TOTAL</b>																
A	89	2,726,893	864,220	31.7%	35,325	1.3%	899,545	33.0%	30.8%	1,827,348	1,829,681	(2,333)	(87,900)	-	24,000	\$1.52
B	243	4,460,032	575,597	12.9%	3,336	0.1%	578,933	13.0%	12.8%	3,864,119	3,894,270	(30,151)	(10,699)	-	-	\$1.10
C	111	1,324,074	179,945	13.6%	1,720	0.1%	181,665	13.7%	13.8%	1,142,409	1,141,725	684	23,129	-	-	\$0.81
Total	443	8,510,999	1,619,762	19.0%	40,381	0.5%	1,660,143	19.5%	18.7%	6,833,876	6,865,676	(31,800)	(86,484)	-	24,000	\$1.30
Q3-2009	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

## 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 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.



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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