

FIGURES | CENTRAL VALLEY | Q4 2022

Central Valley Industrial Figures

▲ 3.7%

Vacancy Rate

▼ 0.4M

SF Net Absorption

▼ 8.4M

SF Under Construction

▲ \$0.71

NNN / Lease Rate
Existing Properties

▲ 141K

Industrial Using Employment
San Joaquin

Note: Arrows indicate change from previous quarter.

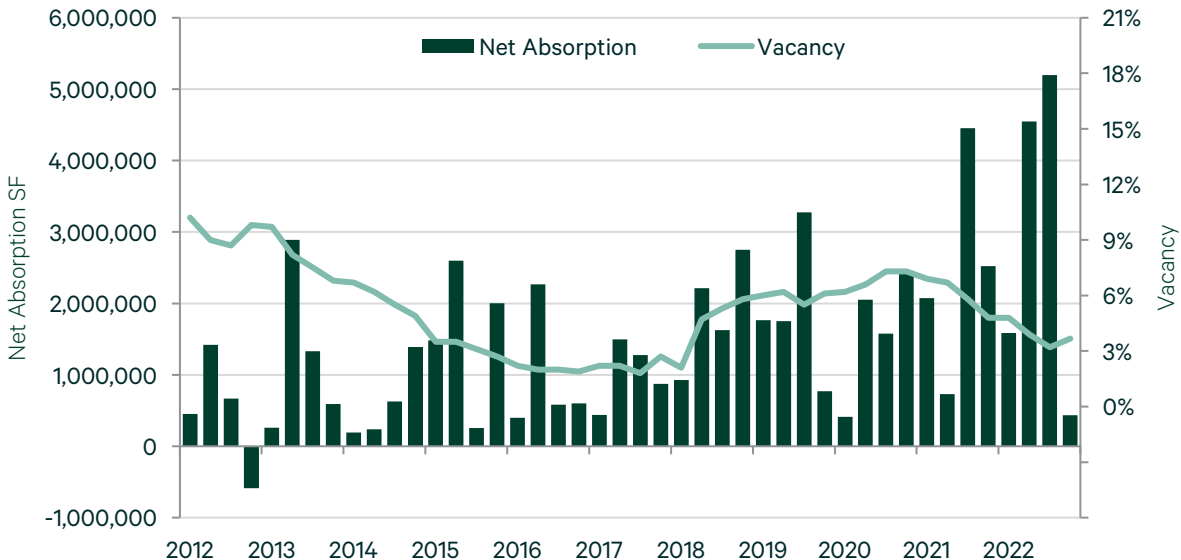
EMPLOYMENT

The Central Valley region is home to 1.3 million residents, with a labor force of 584,000. The total resident employment is 549,700, up by 17,200 jobs from Q4 2021. Unemployment ended the quarter at a rate of 5.9%, down from 7.0% posted this time last year. The Industrial sector is currently the largest employment sector in the region providing over 141,000 jobs and accounting for more than 24% of total employment, more than office and retail combined.

INDUSTRIAL OVERVIEW

The Central Valley Industrial market experienced the highest net absorption on record for a single year, posting 11.8 million sq. ft. of positive net absorption in 2022. Vacancy and availability rates rose in Q4. Two speculative developments totaling 846,908 sq. ft. delivered to the market. The construction pipeline remains robust with 8.4 million sq. ft. of new developments currently underway. Leasing transaction volume for the quarter totaled over 1.9 million sq. ft. with new leasing activity accounting for 69% of all transactions.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW (continued)

Market-wide vacancy and availability rates rose in Q4 2022. The vacancy rate increased 50 basis points (bps) to 3.7% and the availability rate followed suit, increasing 70 bps to 6.1%. The Lathrop submarket experienced the largest climb in vacancy from 3.3% to 7.4% quarter-over-quarter, following the delivery of two speculative buildings, adding 846,908 sq. ft. of new vacant space to the market. Asking rents continued to climb in Q4 2022, posting a new record high average asking rate of \$0.71 NNN, representing a 15% increase since Q1 2022.

Gross leasing activity was strong in Q4 2022 with 1.9 million sq. ft. of lease transactions. Stockton recorded the largest transaction of the quarter with Costco signing a 780,393 sq. ft. renewal at 2115 S Sinclair Ave., Stockton. The next largest transaction was a 198,581 sq. ft. new lease signed by McCollisters at 6751 W Schulte Rd., Tracy . Of the top 10 transactions completed in Q4 2022, 7 were new leases and 3 were renewals. On the capital markets side, Lowenberg Corp. closed on the largest sale of the quarter at 18231 Murphy Pkwy., Lathrop, a 198,183 sq. ft facility. The building was sold by Overton Moore Properties for \$152 per sq. ft.

The Central Valley construction pipeline remained active with 8.4 million sq. ft. under construction. Two speculative developments projects delivered in Lathrop totaling 846,908 sq. ft. Throughout 2022, the Central Valley delivered over 9.1 million sq. ft., consisting of build to suit and speculative developments. Looking forward to Q1 2023, there is the potential for 4.3 million sq. ft. of new industrial product to be delivered in the Central Valley Market. Continued impacts of construction cost, inflation, and reduced availability of construction debt has limited the number of new starts over the last three quarters, a trend that is expected to continue into the first half of 2023.

Occupier demand was robust in 2022, with 11.8 million sq. ft. of net absorption for the year. This marked the highest net absorption on record for a single year in the Central Valley and the 40th consecutive quarter of positive absorption. Net absorption in Q4 2022 ended with 433,032 sq. ft., most of which occurred in the Lathrop and Tracy submarkets. The largest move-in of the quarter occurred at 3160 N. Chrisman Rd., Tracy; Victory Packaging moved into 209,960 sq. ft. of the 309,108 sq. ft. building. Despite turbulence on the Capital Markets front, fundamentals on the leasing front are expected to remain strong in 2023.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate NNN (\$)	Q4 Net Absorption	YTD Net Absorption
Ceres	6,160,708	0.1	0.2	N/A	0	0
Lathrop	18,240,680	9.4	15.0	0.67	196,368	2,526,441
Lodi	5,423,163	0	0	N/A	0	0
Manteca	6,411,159	0.1	0.1	0.90	(4,542)	(4,542)
Modesto	14,434,114	0	0	N/A	0	405,301
Oakdale	890,391	0	0	N/A	0	0
Patterson	5,008,183	7.1	7.1	0.65	0	356,065
Stockton	38,139,768	3.8	6.0	0.68	0	1,824,397
Tracy	31,865,519	3.8	7.8	0.79	241,206	5,575,115
Turlock	2,875,028	0	0	N/A	0	1,080,000
Market Totals	129,448,713	3.7	6.1	0.71	433,032	11,762,777

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	Address	Square Feet	Type
Costco	2115 S Sinclair Ave, Stockton	780,393	Renewal
McCollisters	6751 W Schulte Rd, Tracy	198,581	New Lease
XPO Logistics	1340 Dupont Ct, Manteca	153,858	New Lease
Rexel	Keystone Pkwy, Patterson	136,083	Renewal

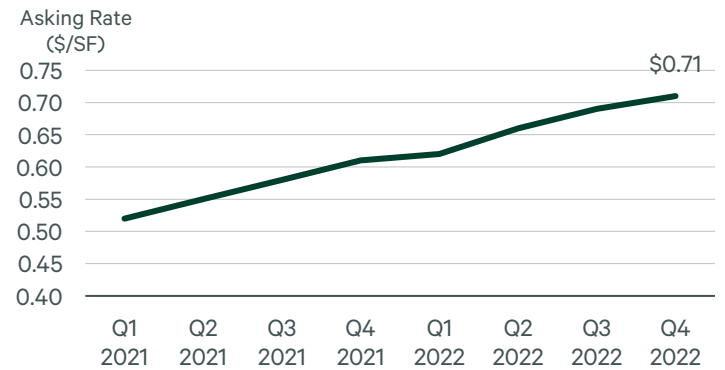
Source: CBRE Research

FIGURE 4: Notable Sale Transaction Q4 2022

Buyer	Address	Square Feet	Sale Price
Lowenberg	18321 Murphy Pkwy, Lathrop	198,183	\$30.3M

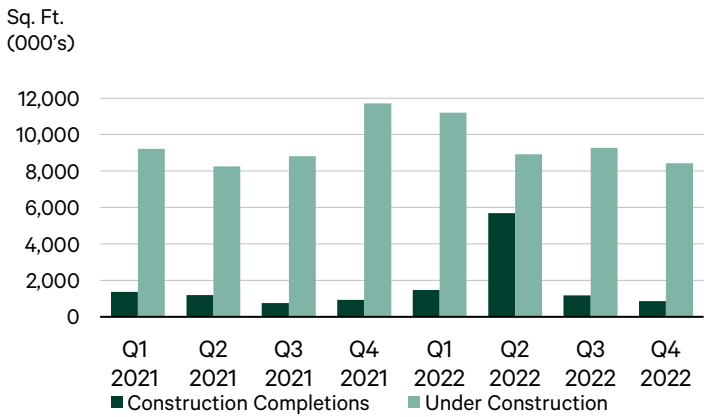
Source: CBRE Research

FIGURE 5: Lease Rates



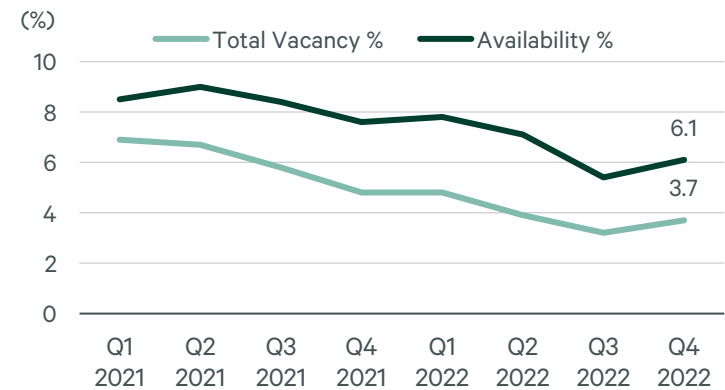
Source: CBRE Research

FIGURE 7: Construction Completions



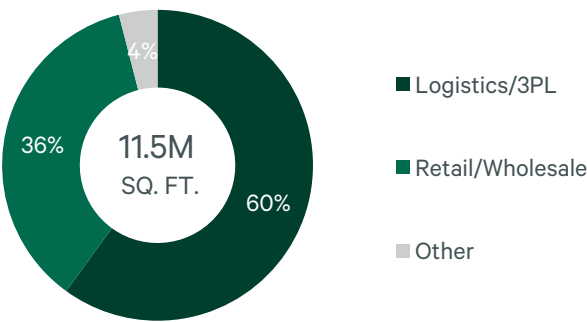
Source: CBRE Research

FIGURE 6: Vacancy & Availability



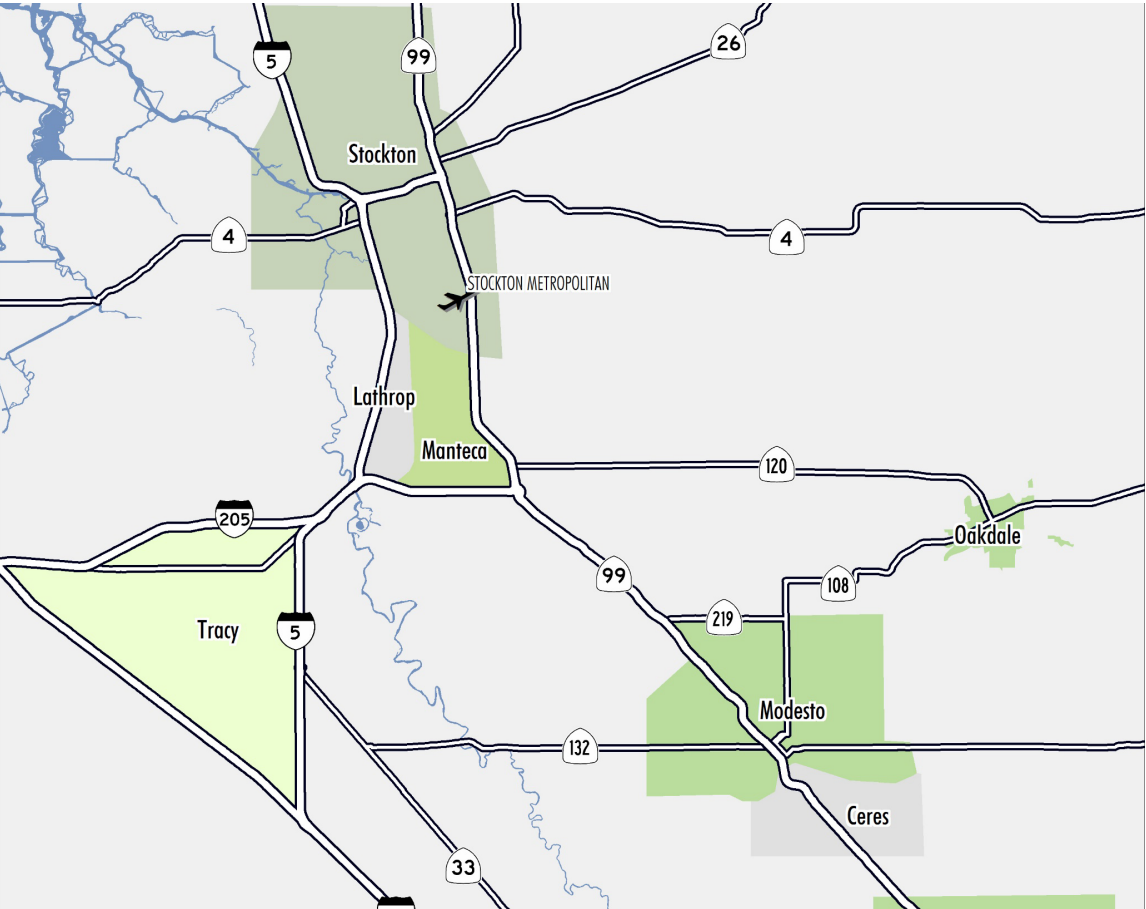
Source: CBRE Research

FIGURE 8: Top Leases of the Year by Industry (Q1 2022- Q4 2022)



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Monthly Lease Rates, Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE’s market report analyzes existing single- and multi-tenant industrial buildings that total 50,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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