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An Increase in Sales, a Decrease in Leasing

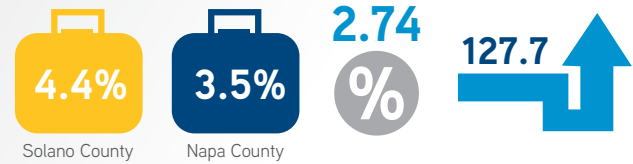
- > Industrial Inventory: 51,435,185 SF
- > Current Vacancy: 7.1%
- > Net Absorption: -354,353 SF

In the first quarter of 2018, there were five sales of 40,000 square feet or greater, a sharp increase from the prior quarter's total of one sale in this size range. In contrast, there was a decline in leasing activity in the quarter as there were no leases greater than 40,000 square feet that transacted, down from the two leases in that range in the prior quarter. The decline in leasing activity contributed to a slight increase in the vacancy rate from 6.2 percent to 7.1 percent in the first quarter. Net absorption for the quarter was negative 458,173 square feet. Average asking rates increased by \$0.01 to \$0.55 per square foot per month Triple Net (NNN) this quarter.

Market Indicators

Unemployment Rate
as of February 2018

Federal Reserve
10-Year Nominal
Interest Rate as of
3/30/2018 Consumer Confidence
as of March 2018



Market Trends

Relative to prior period

Q1 2018

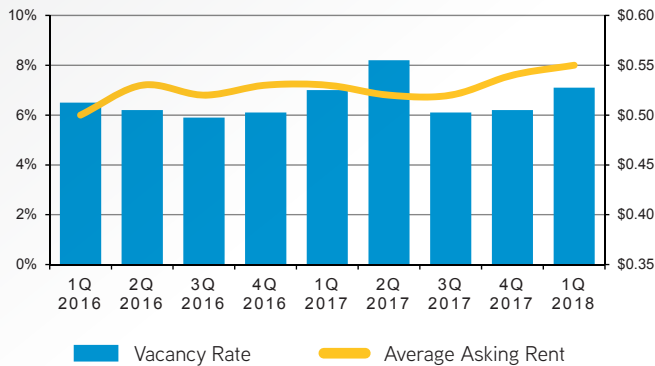
Q2 2018*

	Q1 2018	Q2 2018*
Vacancy	↑	↔
Rental Rate	↑	↑
Net Absorption	↓	↔
Construction	↔	↑

*Projected

Vacancy vs. Asking NNN Rental Rates

Solano and Napa Counties | All Classes



Rents and vacancy gradually increased

Summary Statistics

Q1 2018 Solano & Napa Counties
Industrial Market

Previous
Quarter

Current
Quarter

Overall Vacancy Rate	6.2%	7.1%
Net Absorption	-36,614	-354,353
Construction Completed	37,853	103,820
Under Construction	422,417	317,832
Overall Asking Rents*	\$0.54	\$0.55
Industrial	\$0.70	\$0.71
R&D/Flex	\$0.82	\$0.84
Warehouse/Distribution	\$0.46	\$0.46

*Asking Rents Reported Monthly



Benicia

Benicia's vacancy rate increased at the sharpest rate of any city covered in this report as it increased from 2.2 percent to 5.0 percent. The leading reason for this increase was 120,000 square feet of warehouse space became available at 437/451/457 Industrial Way in the Benicia Industrial Park. Only one significant lease took place in Benicia as High End Development Company leased 15,438 square feet of light industrial space at 665 Stone Road, also in the Benicia Industrial Park.

Fairfield

The vacancy rate in Fairfield increased from 6.4 percent to 7.2 percent in the first quarter. A large part of this increase was a result of the 100,494 square foot warehouse at 2290 Cordelia Road in the Solano Commerce Center coming on the market. The largest sale in the region took place in Fairfield as Invesco purchased the recently built two-building, 861,000 square foot Gateway 80 project at 2920 & 2950 Cordelia Road. The purchase price was \$100,000,000, or \$116 per square foot and the blended cap rate was 5.82 percent. The largest lease in Fairfield in the quarter was the lease of 25,027 square feet of warehouse space at 237 Lopes Road by American Builders & Contractors Supply Company. Fairfield remains the most active city in the region with regards to construction. Dennis Pauley is building two warehouses totaling 197,752 square feet at 2200 South Watney Lane in the Solano Business Park. Jelly Belly has just completed a 103,820 square foot warehouse addition to their existing warehouse at 2500 North Watney Way.

American Canyon

American Canyon's vacancy rate remained unchanged in the first quarter at 1.0 percent, the lowest rate of any of the cities covered in this report. There was limited activity in the quarter, partially a result of there being almost no space available. Buzz Oates' construction of a 120,080 square foot warehouse at 100 Jim Oswalt Way is expected to be completed in the second quarter of 2018.

City of Napa & Unincorporated Areas

The vacancy rate in Napa increased in the first quarter from 2.9 percent to 3.8 percent. This increase was primarily a result of 745-747 Skyway Court in the Napa Airport Centre coming on the market. Two significant sales took place in Napa, Bergin Glass and Printing purchased the recently constructed 82,000 square foot industrial building at 451 Technology Way that they had been leasing since late last year for \$13,532,000, or \$165.02 per square foot, and WineShop At Home purchased the 42,982 square foot warehouse at 560 Technology Way for approximately \$5,800,000, or \$135 per square foot and WineShop At Home purchased the property with the intent to occupy it themselves.



In the largest sale of the quarter, Invesco purchased the recently built two-building, 861,000 square foot Gateway 80 project at 2920 & 2950 Cordelia Road in Fairfield.

Vacaville

The vacancy rate in Vacaville increased in the first quarter by 1.2 percentage points to 15.3 percent. Nearly 80 percent of this vacancy is in one building: the 843,248 square foot warehouse Save Mart vacated at the beginning of 2017. If this vacancy is removed, the overall vacancy rate in Vacaville is 3.2 percent. The largest lease in any region covered in this report took place in Vacaville at 2131 Icon Way in the Vacaville Business Park where Orbis RMP leased 25,080 square feet of warehouse space. The second largest sale in the region covered in this report took place in Vacaville as DJ Prolo Partnership purchased the two warehouse buildings totaling 149,200 square feet at 4971-4977 Allison Parkway in an investment sale. The purchase price was \$7,500,000, or \$50.27 per square foot at a cap rate of 7.25 percent.

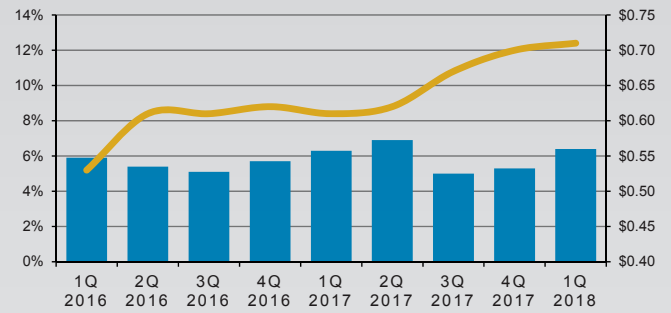
Summary

In the first quarter, the vacancy rate rose from 7.9 percent to 9.0 percent in Solano County and from 1.9 percent to 2.3 percent in Napa County. Despite these slight increases, vacancy remains near historical low levels. A continued steady wave of construction of primarily larger warehouse spaces has been driven by these low levels of vacancy. Although there was a decrease of leasing activity in the first quarter, there was an increase in sales activity both for owner-user sales and investment sales.

Napa County's very low vacancy rate and increase in construction activity are continuing examples of the strength and continued success of Napa's power as one of the predominant wine growing and production areas in the world. As buildings throughout the San Francisco Bay Area continue to fill up and rental rates continue to rise, Solano County's affordability advantage over the rest of the Bay Area counties combined with the area still having available developable land contribute to a prosperous forecast for the region.

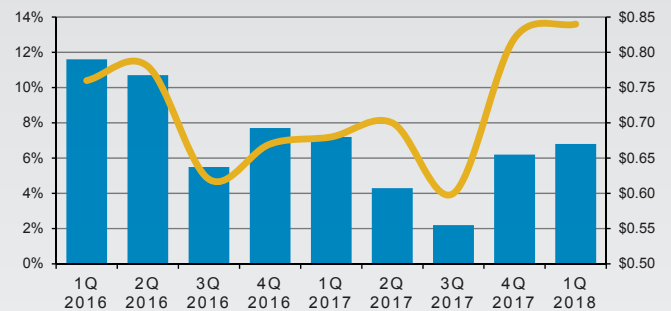
Vacancy vs. Asking NNN Rental Rates

Solano & Napa counties | Industrial



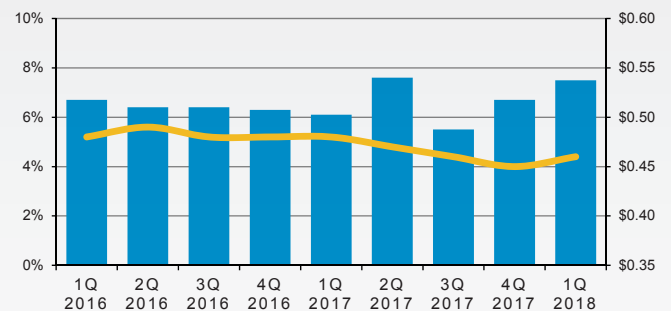
Vacancy vs. Asking NNN Rental Rates

Solano & Napa counties | R&D/Flex

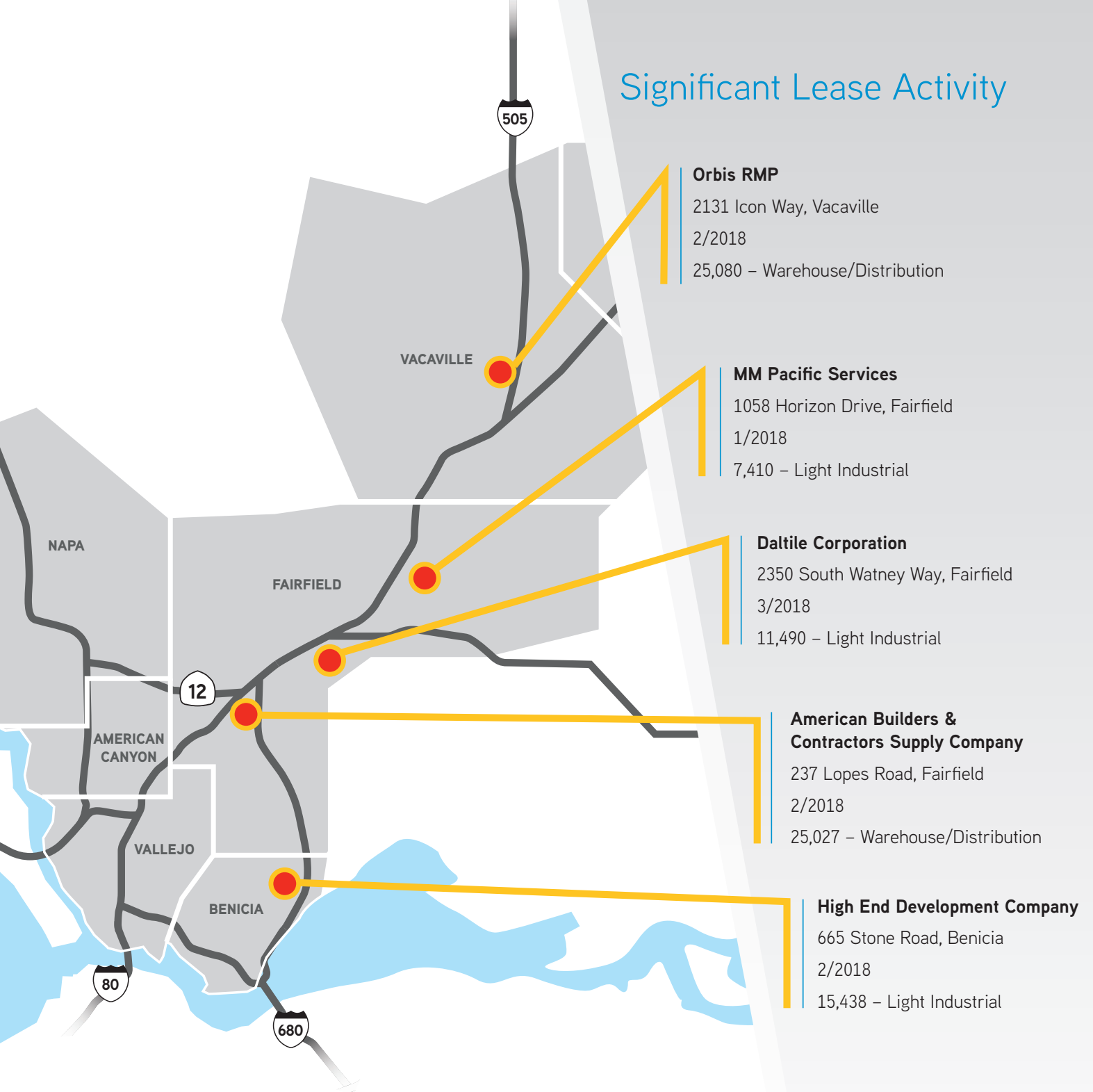


Vacancy vs. Asking NNN Rental Rates

Solano & Napa counties | Warehouse/Distribution



Significant Lease Activity



Significant Sale Activity

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
2920 & 2950 Cordelia Road, Fairfield	1/2018	861,000	Invesco	Warehouse/Distribution
4971 & 4977 Allison Parkway, Vacaville	1/2018	149,200	DJ Prolo Partnership	Warehouse/Distribution
451 Technology Way, Napa	3/2018	82,000	Bergin Glass and Printing	Industrial
560 Technology Way, Napa	3/2018	42,982	WineShop At Home	Warehouse
473 Edison Court, Fairfield	3/2018	30,500	Fernando Reyes	Light Industrial

Market Comparisons – Fairfield

INDUSTRIAL MARKET

SUBMARKET	BLDGS	EXISTING PROPERTIES								ABSORPTION		CONSTRUCTION		RENTS
		TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	TOTAL VACANCY RATE	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	AVG ASKING RATE
AMERICAN CANYON														
Industrial	32	740,174	15,120	2.0%	-	0.0%	15,120	2.0%	2.0%	-	-	-	-	\$0.75
R&D Flex		-	-	-	-	-	-	-	-	-	-	-	-	-
Warehouse / Distribution	30	6,809,332	60,606	0.9%	-	0.0%	60,606	0.9%	0.9%	-	-	-	120,080	\$0.70
TOTAL	62	7,549,506	75,726	1.0%	-	0.0%	75,726	1.0%	1.0%	-	-	-	120,080	\$0.71
BENICIA														
Industrial	138	3,886,438	99,333	2.6%	13,036	0.3%	112,369	2.9%	1.4%	(58,565)	(58,565)	-	-	\$0.70
R&D Flex	5	156,833	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$-
Warehouse / Distribution	35	4,400,915	285,145	6.5%	22,238	0.5%	307,383	7.0%	3.0%	(174,138)	(174,138)	-	-	\$0.44
Total	178	8,444,186	384,478	4.6%	35,274	0.4%	419,752	5.0%	2.2%	(232,703)	(232,703)	-	-	\$0.51
DIXON														
Industrial	31	818,517	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
R&D Flex		-	-	-	-	-	-	-	-	-	-	-	-	-
Warehouse / Distribution	6	1,511,988	141,000	9.3%	-	0.0%	141,000	9.3%	9.3%	-	-	-	-	\$0.38
Total	37	2,330,505	141,000	6.1%	-	0.0%	141,000	6.1%	6.1%	-	-	-	-	\$0.38
FAIRFIELD														
Industrial	93	2,948,025	130,331	4.4%	9,200	0.3%	139,531	4.7%	4.0%	(21,325)	(21,325)	-	-	\$0.72
R&D Flex	14	378,312	19,742	5.2%	-	0.0%	19,742	5.2%	5.2%	-	-	-	-	\$0.67
Warehouse / Distribution	64	10,701,245	420,885	3.9%	430,500	4.0%	851,385	8.0%	7.1%	3,326	3,326	103,820	197,752	\$0.51
Total	171	14,027,582	570,958	4.1%	439,700	3.1%	1,010,658	7.2%	6.4%	(17,999)	(17,999)	103,820	197,752	\$0.56
NAPA														
Industrial	99	2,360,030	167,544	7.1%	5,184	0.2%	172,728	7.3%	5.1%	(51,753)	(51,753)	-	-	\$0.94
R&D Flex	16	567,626	45,500	8.0%	16,032	2.8%	61,532	10.8%	8.4%	(13,632)	(13,632)	-	-	\$0.96
Warehouse / Distribution	38	3,684,164	17,600	0.5%	-	0.0%	17,600	0.5%	0.5%	2,110	2,110	-	-	\$0.68
Total	153	6,611,820	230,644	3.5%	21,216	0.3%	251,860	3.8%	2.9%	(63,275)	(63,275)	-	-	\$0.92
SUISUN CITY														
Industrial	13	220,463	7,600	3.4%	-	0.0%	7,600	3.4%	3.4%	-	-	-	-	\$0.80
R&D Flex	1	29,000	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
Warehouse / Distribution		-	-	-	-	0.0%	-	-	-	-	-	-	-	-
Total	14	249,463	7,600	3.0%	-	0.0%	7,600	3.0%	3.0%	-	-	-	-	\$0.80
VACAVILLE														
Industrial	66	1,521,138	41,650	2.7%	-	0.0%	41,650	2.7%	2.2%	(8,280)	(8,280)	-	-	\$0.72
R&D Flex	4	85,691	5,700	6.7%	-	0.0%	5,700	6.7%	13.3%	5,700	5,700	-	-	\$0.48
Warehouse / Distribution	32	5,853,453	1,037,389	17.7%	57,926	1.0%	1,095,315	18.7%	17.2%	(86,526)	(86,526)	-	-	\$0.42
Total	102	7,460,282	1,084,739	14.5%	57,926	0.8%	1,142,665	15.3%	14.1%	(89,106)	(89,106)	-	-	\$0.43
VALLEJO														
Industrial	84	3,420,506	524,774	15.3%	-	0.0%	524,774	15.3%	14.6%	(25,706)	(25,706)	-	-	\$0.63
R&D Flex	4	54,962	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
Warehouse / Distribution	15	1,286,373	89,524	7.0%	-	0.0%	89,524	7.0%	12.7%	74,436	74,436	-	-	\$0.59
Total	103	4,761,841	614,298	12.9%	-	0.0%	614,298	12.9%	13.9%	48,730	48,730	-	-	\$0.62
MARKET TOTAL														
Industrial	556	15,915,291	986,352	6.2%	27,420	0.2%	1,013,772	6.4%	5.3%	(165,629)	(165,629)	-	-	\$0.71
R&D Flex	44	1,272,424	70,942	5.6%	16,032	1.3%	86,974	6.8%	6.2%	(7,932)	(7,932)	-	-	\$0.84
Warehouse / Distribution	220	34,247,470	2,052,149	6.0%	510,664	1.5%	2,562,813	7.5%	6.7%	(180,792)	(180,792)	103,820	317,832	\$0.46
MARKET TOTAL	820	51,435,185	3,109,443	6.0%	554,116	1.1%	3,663,559	7.1%	6.2%	(354,453)	(354,353)	103,820	317,832	\$0.55
QUARTERLY COMPARISON AND TOTALS														
Q1-18	820	51,435,185	3,109,443	6.0%	554,116	1.1%	3,663,559	7.1%	6.2%	(354,353)	(354,353)	103,820	317,832	\$0.55
Q4-17	820	51,331,365	2,750,540	5.4%	454,846	0.9%	3,205,386	6.2%	6.1%	(36,614)	1,400,371	37,853	422,417	\$0.54
Q3-17	819	51,293,512	3,107,623	6.1%	23,296	0.0%	3,130,919	6.1%	8.2%	1,315,037	1,436,985	258,048	460,270	\$0.52
Q2-17	818	51,035,464	4,164,612	8.2%	23,296	0.0%	4,187,908	8.2%	7.0%	(218,847)	121,948	402,264	295,901	\$0.52
Q1-17	816	50,633,200	3,553,491	7.0%	13,306	0.0%	3,566,797	7.0%	6.1%	340,795	340,795	861,000	779,779	\$0.53

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69 countries

\$2.7

billion in
annual revenue

2.0

billion square feet
under management

15,400

professionals
and staff

\$116

billion in
total transaction value

*All statistics are for 2017, are in U.S. dollars and include affiliates.

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