

The 2018 Central Valley Office Market in Summary

- > Office inventory: 8,567,819 SF
- > Vacancy: 8.4 percent
- > Net absorption: 225,911 SF Year-to-Date

The Central Valley office market closed the fourth quarter of 2018 with positive absorption, completed new office development and significant construction planned for 2019. The average overall asking lease rate has increased from \$1.45 to \$1.61 from the first quarter to the close of 2018. The vacancy rate for the Central Valley office market is down for the fifth consecutive quarter, decreasing by 230 basis points to 8.3 percent by year end. Landlords have noticeably tightened their tenant improvement allowances and rent incentives. Sales have steadily continued with people taking advantage of the low interest rates despite low inventory.

Market Indicators

United States Unemployment Rate	10-Year Nominal Interest Rate	Consumer Confidence
3.9%	2.69%	128.1

Market Trends

Relative to prior period	Q4 2018	Q1 2019*
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↑	↑
Lease Rates	↑	↑
Cap Rates	↔	↔
Land Prices	↔	↔

*Projected

Summary Statistics

San Joaquin County Office Market	Previous Quarter	Current Quarter
Vacancy Rate	9.3%	8.4%
Overall Asking Rate*	\$1.52	\$1.61
Class A Asking Rate*	\$2.15	\$2.03
Class B Asking Rate*	\$1.31	\$1.40
Class C Asking Rate*	\$1.10	\$1.26
Net Absorption	62,842	92,548

*Asking rates are reported on a full service monthly basis

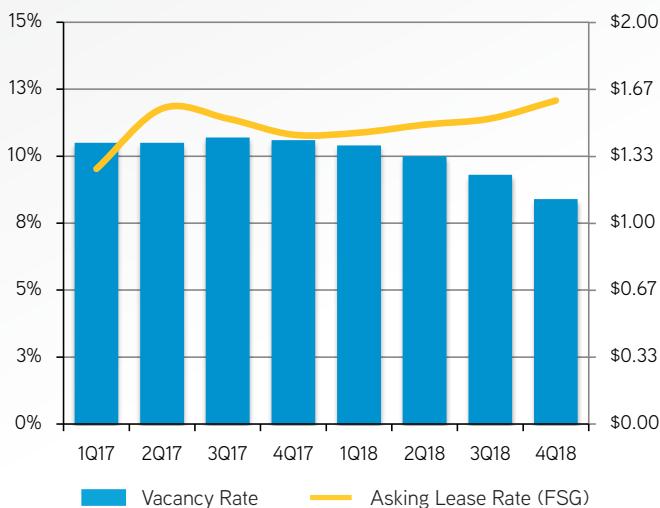
U.S. Economic Indicators

Unemployment Rate	3.7%	3.9%
Labor Force Participation Rate	62.7%	63.1%
Consumer Price Index	2.52%	2.20%
Interest Rate - 10 Yr Treasury	3.05%	2.69%
Business Confidence	101.47	101.17
Consumer Confidence	138.40	128.10

Data Source: EDD Labor Market Information Division

Historical Vacancy and Average Asking Rates

San Joaquin County | Overall



The average overall asking lease rate increased from \$1.45 to \$1.61 from the first quarter to the close of 2018.

Absorption

Growth and expansion activity remains the theme for the Stockton submarket. Class A market rates trend on the highest side of the Central Valley submarkets, second only to Tracy and Lathrop because of the lack of space and full service asking rates have skyrocketed since the first quarter. Before any improvement allowance, rates are trending significantly beyond the \$2.00 per square foot, full service gross threshold.

The Lathrop submarket has few turnkey opportunities left with all of the lease up activity that has occurred this year. There remains one turnkey property that offers about 6,000 square feet for consideration with high freeway visibility.

The vacancy rate in Lodi has decreased from 5.1 percent to 3.4 percent in the past year. 2017 saw a negative absorption of about 6,700 square feet and 2018 closed with a total of over 15,000 square feet of positive absorption and new construction planned. One office building sale closed in the fourth quarter, pushing sales prices to new heights for the submarket.

The Manteca submarket tightened significantly from the first quarter of 2018. Reflected in numbers, there was a total absorption of 15,646 square feet during the fourth quarter driving the vacancy rate to 1.6 percent.

Outlook

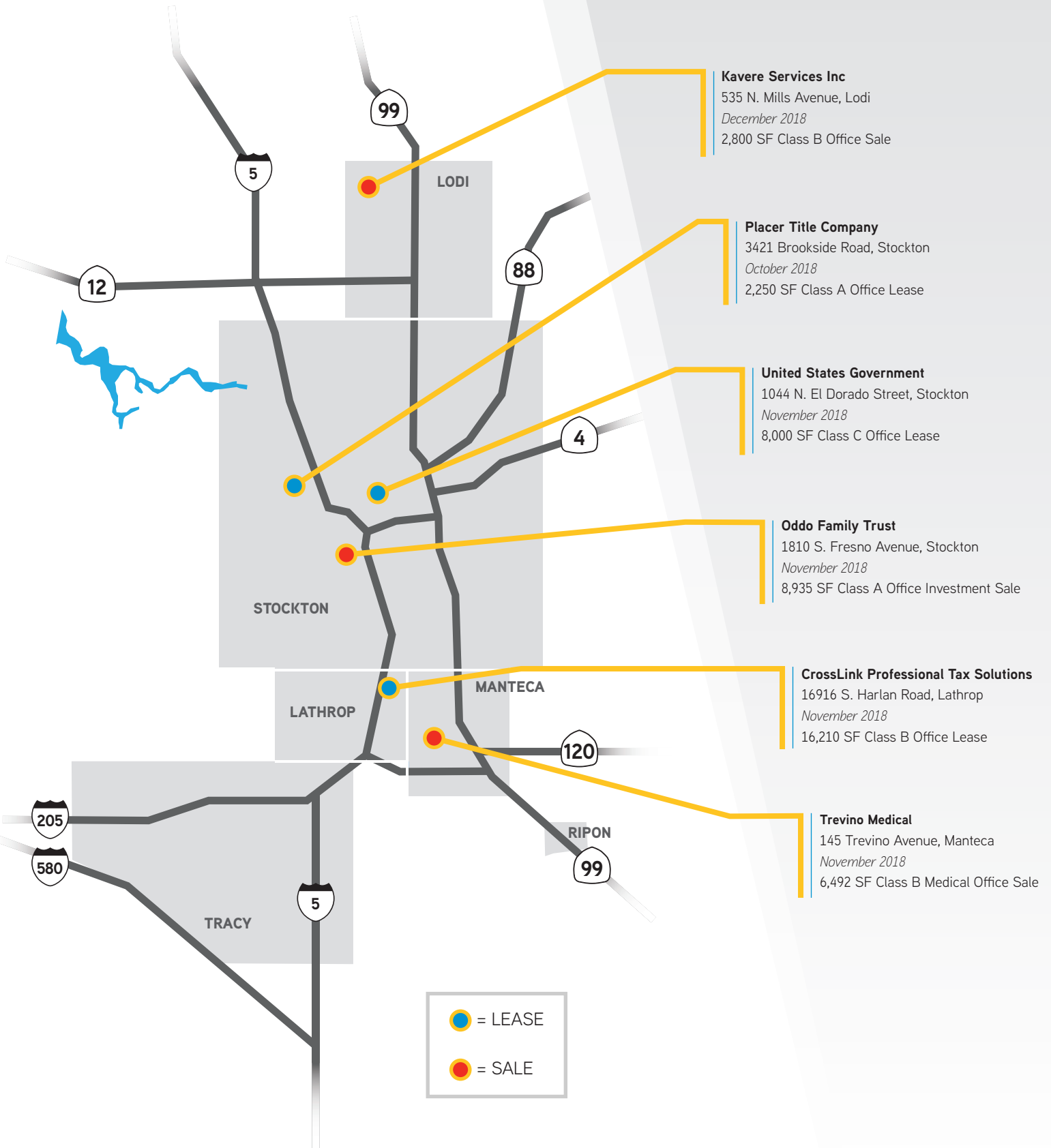
The traffic continues coming over the Altamont Pass to leave the high rent rates in the Tri Valley market and find more reasonably priced space in the Central Valley. Limited availability of quality product continues to push tenants further east, north and south along the I-5 Corridor. Rates will continue rising to keep up with the demand and new speculative construction will break ground in 2019.



2321 WEST MARCH LANE | STOCKTON, CA

2321 West March Lane is a professional two story multi-tenant office building. The building totals ±18,000 square feet and includes designated parking. It is located ±1 mile east of Interstate 5 in Stockton. The building benefits from its location surrounded by entertainment, retail, restaurants and banking establishments.

Significant Lease & Sale Activity



Market Comparisons – San Joaquin County

OFFICE MARKET

CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	OCCUPIED SPACE SF	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	WEIGHTED AVG ASKING RATE F5G
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LATHROP

A	3	72,208	10,372	14.4%	-	0.0%	10,372	14.4%	17.4%	61,836	2,196	6,928	-	-	\$2.45
B	2	137,288	16,501	12.0%	-	0.0%	16,501	12.0%	23.8%	120,787	16,210	42,210	-	-	\$1.70
C	2	16,084	-	0.0%	-	0.0%	-	0.0%	8.4%	16,084	1,350	1,350	-	-	\$-
Total	7	225,580	26,873	11.9%	-	0.0%	26,873	11.9%	20.7%	198,707	18,406	50,488	-	-	\$1.99

LODI

A	15	381,874	22,964	6.0%	-	0.0%	22,964	6.0%	6.2%	358,910	690	(6,590)	-	-	\$1.81
B	33	433,310	7,698	1.8%	900	0.2%	8,598	2.0%	2.1%	424,712	673	13,295	-	-	\$1.51
C	13	138,261	1,664	1.2%	-	0.0%	1,664	1.2%	1.2%	136,597	-	8,326	-	-	\$1.33
Total	61	953,445	32,326	3.4%	900	0.1%	33,226	3.5%	3.6%	920,219	1,363	15,031	-	-	\$1.71

MANTECA

A	10	108,636	3,010	2.8%	-	0.0%	3,010	2.8%	4.4%	105,626	1,785	1,785	-	-	\$1.90
B	21	187,543	4,344	2.3%	-	0.0%	4,344	2.3%	8.1%	183,199	10,792	2,075	-	-	\$1.77
C	16	150,289	-	0.0%	-	0.0%	-	0.0%	2.0%	150,289	3,069	-	-	-	\$-
Total	47	446,468	7,354	1.6%	-	0.0%	7,354	1.6%	5.2%	439,114	15,646	3,860	-	-	\$1.82

RIPON

A	5	49,411	-	0.0%	-	0.0%	-	0.0%	3.0%	49,411	1,500	1,780	-	-	\$-
B	3	16,980	-	0.0%	-	0.0%	-	0.0%	0.0%	16,980	-	-	-	-	\$-
C	1	5,052	-	-	-	0.0%	-	-	0.0%	5,052	-	-	-	-	\$-
Total	9	71,443	-	0.0%	-	0.0%	-	0.0%	2.1%	71,443	1,500	1,780	-	-	\$-

STOCKTON

A	49	2,262,737	192,811	8.5%	10,306	0.5%	203,117	9.0%	9.9%	2,059,620	37,769	60,694	17,690	13,600	\$1.99
B	177	3,263,825	334,943	10.3%	-	0.0%	334,943	10.3%	10.4%	2,928,882	4,332	66,398	-	-	\$1.44
C	56	784,930	86,083	11.0%	-	0.0%	86,083	11.0%	12.1%	698,847	9,194	16,382	-	-	\$1.26
Total	282	6,311,492	613,837	9.7%	10,306	0.2%	624,143	9.9%	10.5%	5,687,349	51,295	143,474	17,690	13,600	\$1.59

TRACY

A	13	282,498	14,702	5.2%	-	0.0%	14,702	5.2%	5.0%	267,796	(582)	18,023	-	-	\$2.68
B	16	164,366	13,128	8.0%	-	0.0%	13,128	8.0%	10.2%	151,238	3,570	(6,745)	-	-	\$2.00
C	15	112,527	-	0.0%	-	0.0%	-	0.0%	0.0%	112,527	-	-	-	-	\$-
Total	44	559,391	27,830	5.0%	-	0.0%	27,830	5.0%	5.7%	531,561	2,988	11,278	-	-	\$2.36

MARKET TOTAL

A	95	3,157,364	243,859	7.7%	10,306	0.3%	254,165	8.0%	8.9%	2,903,199	43,358	82,620	17,690	13,600	\$2.03
B	252	4,203,312	376,614	9.0%	900	0.0%	377,514	9.0%	9.8%	3,825,798	35,577	117,233	-	-	\$1.40
C	103	1,207,143	87,747	7.3%	-	0.0%	87,747	7.3%	8.4%	1,119,396	13,613	26,058	-	-	\$1.26
Total	450	8,567,819	708,220	8.3%	11,206	0.1%	719,426	8.4%	9.3%	7,848,393	92,548	225,911	17,690	13,600	\$1.61

QUARTERLY COMPARISON AND TOTALS

Q4-18	450	8,567,819	708,220	8.3%	11,206	0.1%	719,426	8.4%	9.3%	7,848,393	92,548	225,911	17,690	13,600	\$1.61
Q3-18	449	8,550,129	782,129	9.1%	12,155	0.1%	794,284	9.3%	10.0%	7,755,845	62,842	133,363	-	17,690	\$1.52
Q2-18	449	8,550,129	832,105	9.7%	25,021	0.3%	857,126	10.0%	10.4%	7,693,003	31,954	70,521	-	17,690	\$1.49
Q1-18	449	8,550,129	871,557	10.2%	17,523	0.2%	889,080	10.4%	10.6%	7,661,049	38,567	38,567	22,310	17,690	\$1.45
Q4-17	448	8,527,819	890,314	10.4%	15,023	0.2%	905,337	10.6%	10.7%	7,622,482	6,880	310,934	-	22,310	\$1.44

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 volume

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

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