

BAKERSFIELD / KERN COUNTY INDUSTRIAL

The Rail Spur

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Industrial Outlook Mid-Year 2016

The Bakersfield/Kern County industrial market consists of approximately 37,836,001 square feet (SF) in buildings 9,000 SF and larger in the Kern County Metropolitan Statistical area of Bakersfield, Lamont, Arvin, Lebec, Taft, Wasco and Shafter. For the first six months of this year, 151,413 SF has been constructed compared to 3,095,600 SF constructed last year at this time. Vacancy rates have declined to 4.48% compared to 4.76% at the same time last year.

Looking at just the City of Bakersfield, the vacancy rate is still below 3%. As of the end of the Second Quarter, inventory consists of approximately 26,300,000 SF with a vacancy rate of 2.10%.

Construction completions at the end of the Second Quarter are 151,413 SF, of which approximately 119,000 SF build-to suit and the remainder speculative. Currently, there is approximately 124,000 SF of build-to-suit and another 149,520 SF of speculative inventory under construction.

The most notable leases during the first half of 2016 have been: IKEA – 407,767 SF at 4049 Industrial Parkway; Pactive Corp. – 114,200 SF at 1900 Sunnyside Court; McJunkin Red Man Corp. – 86,000 SF at 4700-4900 Fanucchi (Shafter); and Pace Supply – 38,219 SF at 3105 Gateway. The most notable sales during the same period were: 149,796 SF at 7800 District Boulevard – Buyer: Cathy Lim; 105,000 SF at 2901-2929 Unicorn Road – Buyer: Erwin & Essie Appel Trust of 1975, and 61,875 SF at 3925 & 3947 E. Brundage Lane – Buyer: Oh Se and Oh Doek Lee.

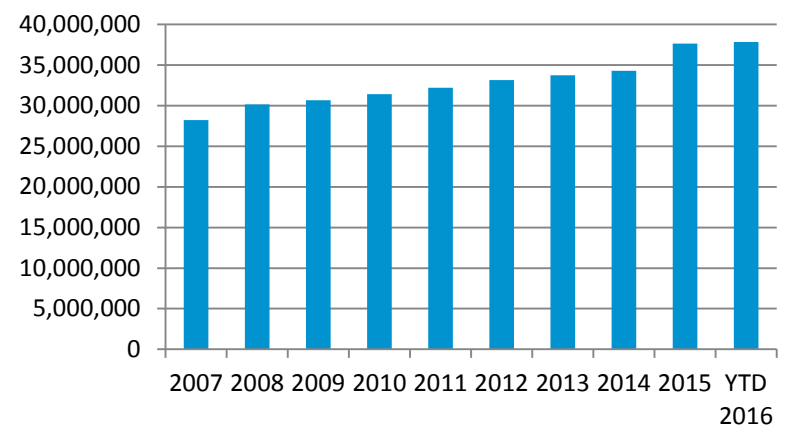
Market Indicators

Relative to prior period	Market Q2 2015	Market Q2 2016*
VACANCY	↓	↑
NET ABSORPTION	+	↓
CONSTRUCTION	↑	↓
RENTAL RATE	↑	↔

Note: Construction is the change in Under Construction. *Projected
 **Rental rates for current quarter are for CBD..

Market Size: 37,836,000 SF – this includes buildings over 9,000 sf in Bakersfield and surrounding areas. The City of Bakersfield has an inventory of 26,300,000 SF

Bakersfield / Kern County Inventory 2007 to 2016 YTD



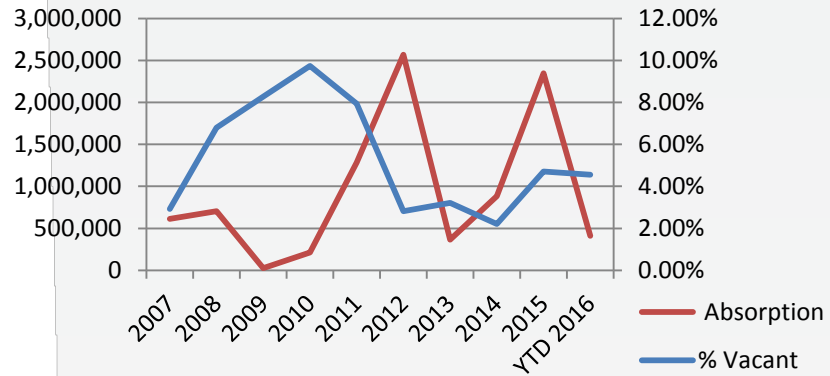
Even though our economy has historically been rooted in the oil and agricultural industries, we are seeing more diversification in the industrial market in Bakersfield and Kern County. New tenants include: Ross Dress for Less, American Tire Distribution, and the FedEx Ground facility. Other major industries have chosen our community, including IKEA (1,800,000 SF), Target Distribution Center (1,700,000 SF), Sears (1,300,000 SF), Caterpillar (400,000 SF) Famous Footwear (300,000 SF), American Tire Distributors (1,300,000 SF), Formica, The Hillman Group, and Performance Food Group. Other major manufacturing facilities include Grimmway Farms, Wm. Bolthouse (Campbell Soup), Nestle, Frito Lay and GAF Roofing Materials.

Bakersfield continues to be a prime location within California for distribution centers due to its proximity to major north - south routes (I-5 and I-99) and east – west routes (SR 58 which intersects with I-15 and I-40 to the east).

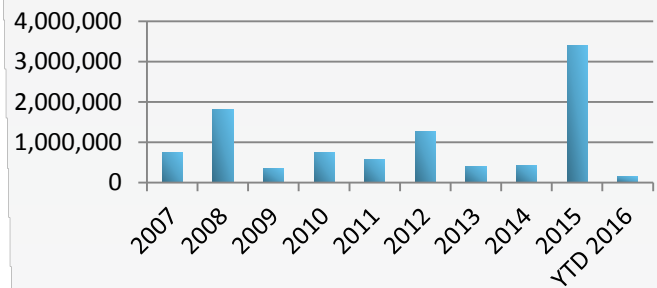
In addition to location, Bakersfield has a large employee pool and is one of the most affordable communities in the state of California.

The ongoing drought in California has not had the effect on the Bakersfield industrial market as one would expect. However, lower oil prices have affected the service industries that provide services to the large oil companies, and we have seen layoffs in the oil and services sectors. As a whole though, the Bakersfield/Kern County Industrial Market is healthy and active, and we expect that to continue through the remainder of this year.

**Annual Absorption & Vacancy
2007 to 2016 YTD**



**Annual Construction
2017 through 2016 YTD**



Inventory by Submarket

Submarket	Inventory	Sublease Vacancy	Total Vacancy	% Vacant
Bakersfield-Downtown	2,865,829	0	124,950	4.36%
Bakersfield-North	4,397,769	24,492	235,896	5.36%
Bakersfield-Northeast	2,554,418	0	116,240	4.55%
Bakersfield-Northwest	5,226,648	0	103,797	1.99%
Bakersfield-Southeast	5,268,468	0	91,700	1.74%
Bakersfield-Southwest	6,042,173	0	281,502	4.66%
Kern–Arvin/Lamont	639,537	0	0	0.00%
Kern-Lebec	3,409,632	0	0	0.00%
Kern-Shafter	7,368,600	0	742,250	10.07%
Kern-Taft/Wasco	62,927	0	0	0.00%
TOTAL	37,836,001	24,492	1,696,336	

Notable Lease Transactions

Address	Tenant	SF	Lease Rate
4049 Industrial Parkway	IKEA	407,768	\$0.38 psf/Ind. Gross
1900 Sunnyside Court	Pactiv Corporation	114,200	\$0.22 psf/NNN
4700-4500 Fanucchi Way – Shafter	McJunkin Red Man Corp	86,000	\$0.91 psf/NNN
3105 Gateway Avenue	Pace Supply Corporation	38,219	\$0.60 psf/NNN
2358 Cepheus Court	Motion Industries	22,081	\$0.50 psf/Ind. Gross
6881 District Boulevard	Flooring Liquidators	19,200	\$0.68 psf/Ind. Gross
4475 Buck Owens Boulevard	Iron Gate Resources	15,000	\$0.29 psf/Ind. Gross
8502 Crippen Street	GWC Valve	14,133	\$0.70 psf/Ind. Gross
6600 McDivitt Drive	Red Bull Distribution Company	10,803	\$0.60 psf/Ind. Gross
Carrier Parkway	Hunting Titan	10,000	\$0.90 psf/Ind. Gross

Notable Building Sales

Address	Buyer	SF	Sale Price
7800 District Boulevard	Cathy E. Lim	149,796	\$8,450,000
2901-2929 Unicorn Road	Erwin & Essie Appel Trust of 1975	105,000	\$15,000,000
3925 & 3947 E. Brundage Lane	Oh S. & Oh Deok Lee	61,875	\$1,700,000
2801 Gateway Drive	Crimsonco, LLC	11,710	\$3,000,000

Notable Land Sales

Address	Buyer	Acres	Sale Price
31139 7 th Standard Road	LKMP Properties, LLC	19.56	\$2,000,000
2910 Patton Way	Legacy Land Management, LLC	7.35	\$1,178,211
New Horizon Blvd.	Bram Investments, LLC	4.20	\$80,498
3515 & 3629 E. Brundage Lane	Triple A Meat Sales	2.63	\$260,000

FOR MORE INFORMATION



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