

CENTRAL VALLEY INDUSTRIAL

TIM MUSTIN

Managing Director

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CENTRAL VALLEY INDUSTRIAL MARKET **Q4 2023**

151,164,218

Existing inventory (s.f.)

5,796,604

Under construction (s.f.)

2,512,605

YTD net absorption (s.f.)

6.5%

Direct vacancy

0.2%

Sublease vacancy

9.2%

Total availability

\$0.71

W & D asking
rate (NNN)

\$0.73

Manufacturing asking
rate (NNN)

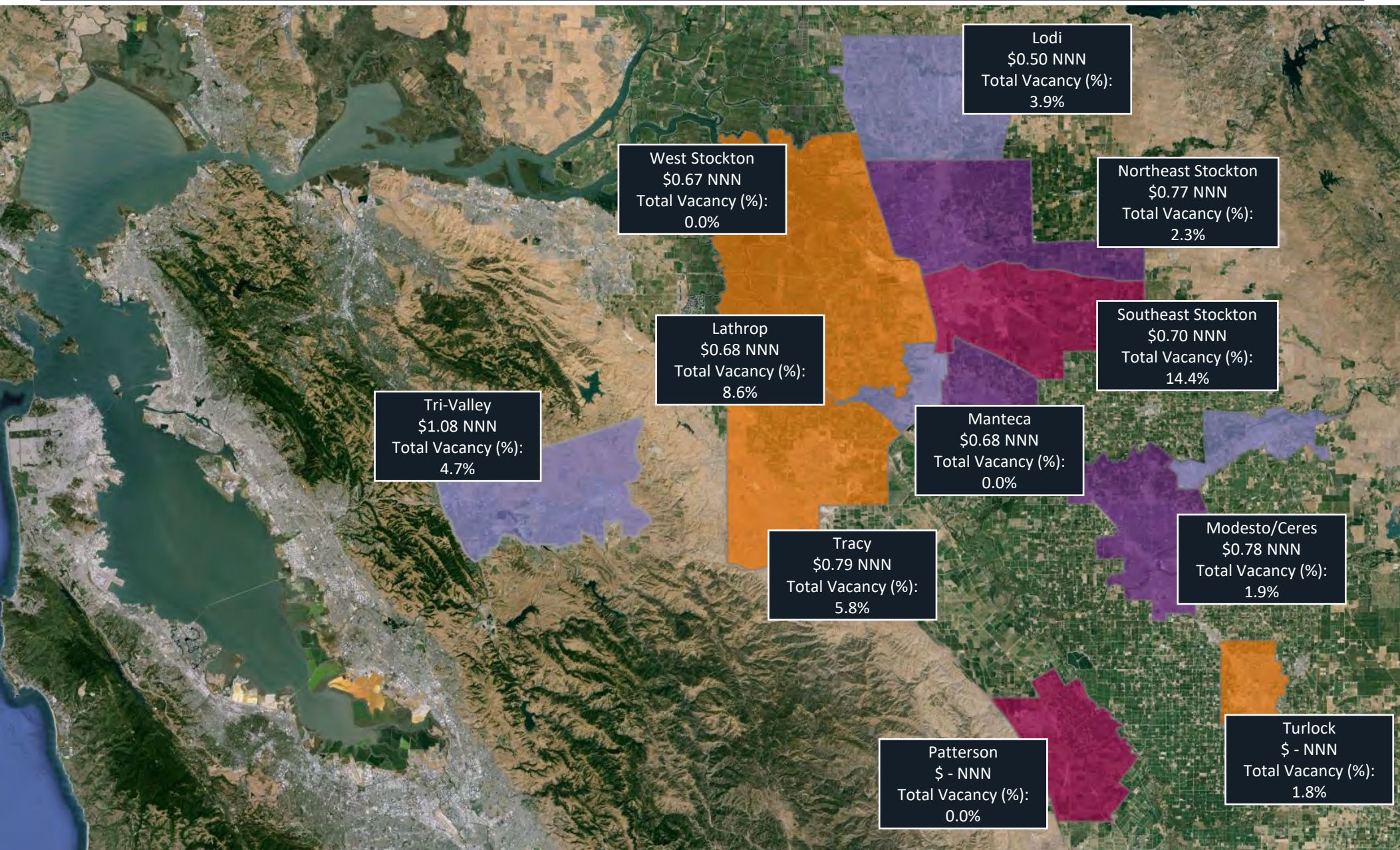
\$0.72

Overall asking
rate (NNN)



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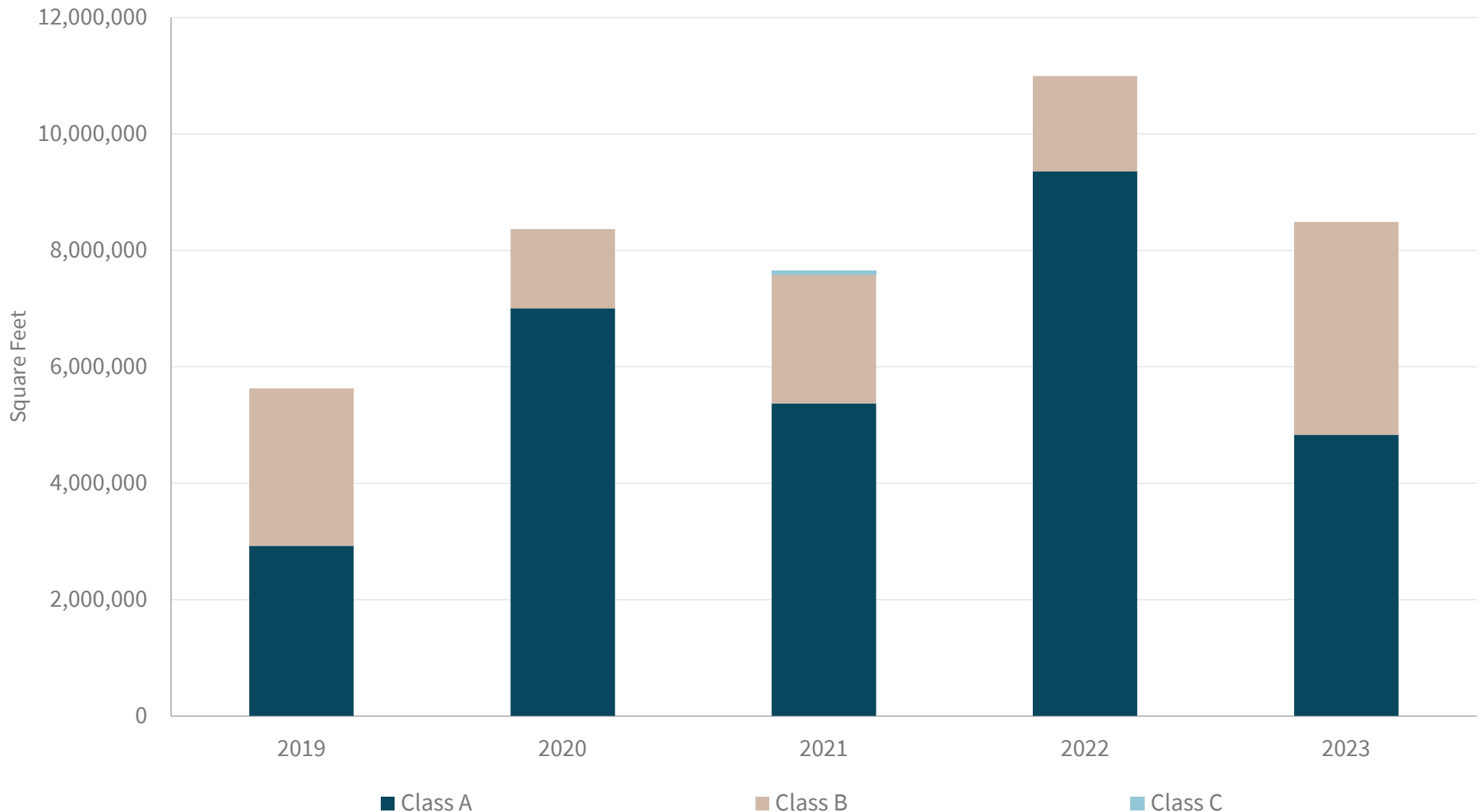
INDUSTRIAL Vacancy & Asking Rents by Submarket



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INDUSTRIAL **Leasing Velocity**

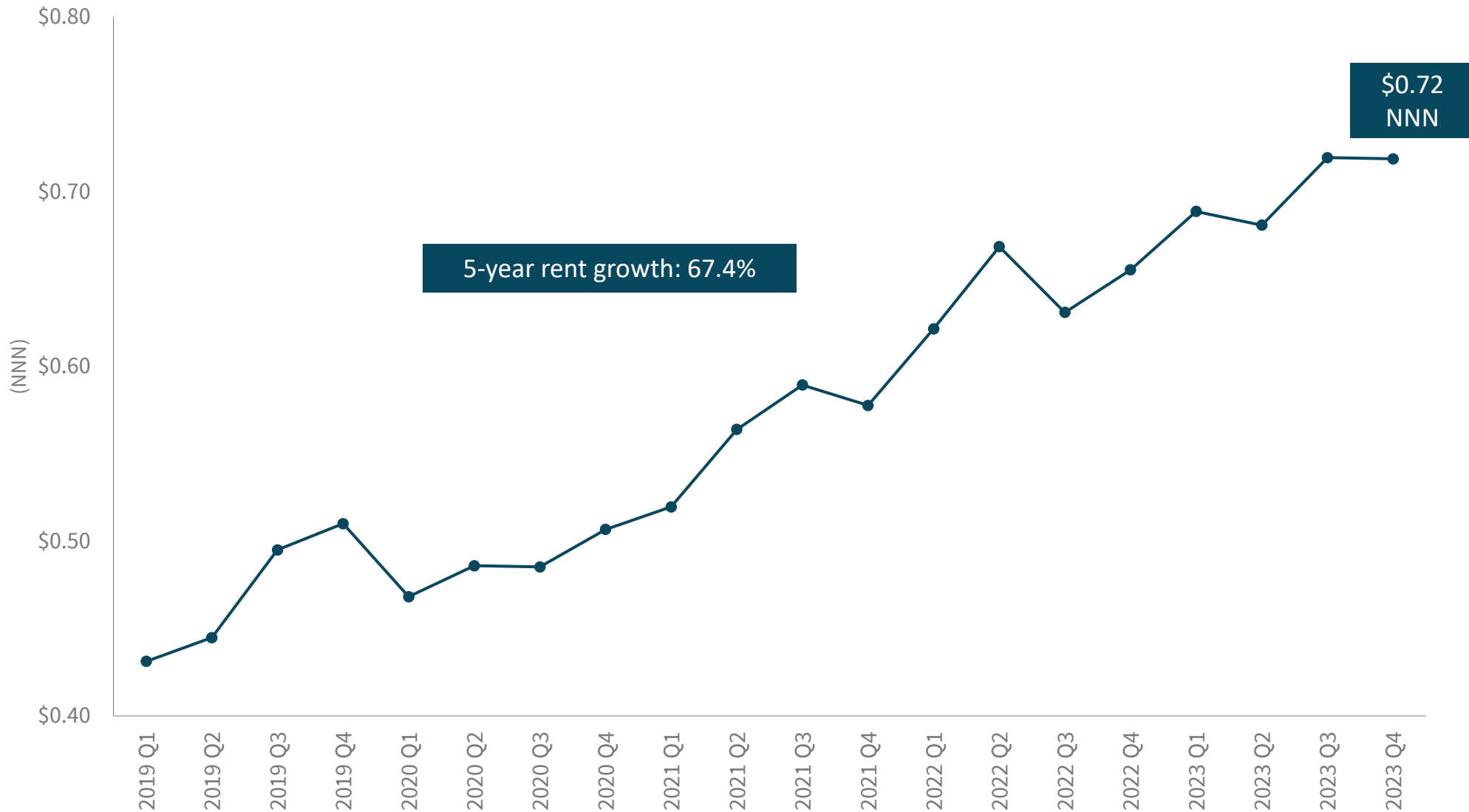
Though transaction volume fell by 23.5% year-over-year, leasing velocity stays above pre-pandemic levels. The market is resilient owing to the affordable asking rents and access to the Bay Area's distribution networks.



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INDUSTRIAL Rent Growth

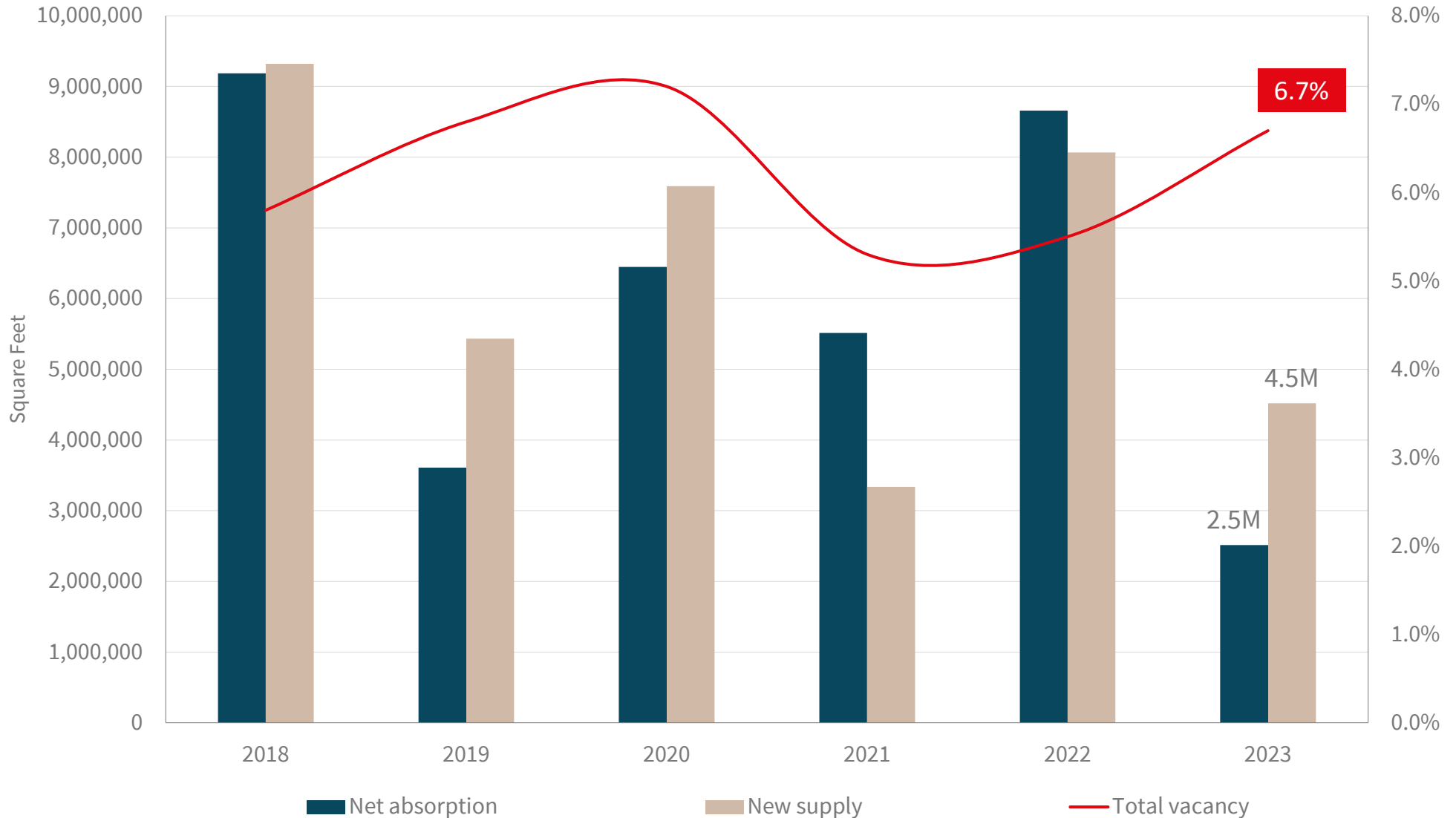
Average asking rents were flat quarter-over-quarter but have increased by 10.7% year-over-year. Rent growth is moderating as speculative development delivers vacant.



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INDUSTRIAL Absorption & Development

Net absorption lagged new construction for the first time since 2020.



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INDUSTRIAL **Sublease Availabilities**

Address	City	Building Class	Asking Rent	Primary Rent Type	Landlord	Available (s.f.)	
4650 Newcastle Rd	Stockton	A	\$0.55	NNN	Modlo	97,561	2
17400 Shideler Pkwy	Lathrop	B	\$0.68	NNN	EQT Exeter	73,000	1
11960-11964 S Harlan Rd	Lathrop	A	\$0.55	NNN	Link Logistics	45,229	1
4611 Newcastle Rd	Stockton	A	\$0.65	NNN	Prologis	38,000	1
3632 Petersen Rd	Stockton	B	\$0.55	NNN	Prologis	34,400	1
1605 Tillie Lewis Dr	Stockton	B	\$0.48	NNN	Kennedy Wilson	20,000	1
25176-25188 S Schulte Rd	Tracy	B	\$0.88	NNN	Clarion Partners	10,588	1
11980 S Harlan Rd	Lathrop	A	\$0.40	NNN	Link Logistics	49,403	
2301 W Louise Ave	Manteca	A	\$0.85	NNN	EQT Exeter	34,500	



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NORTHERN CALIFORNIA **Tenant Demand**

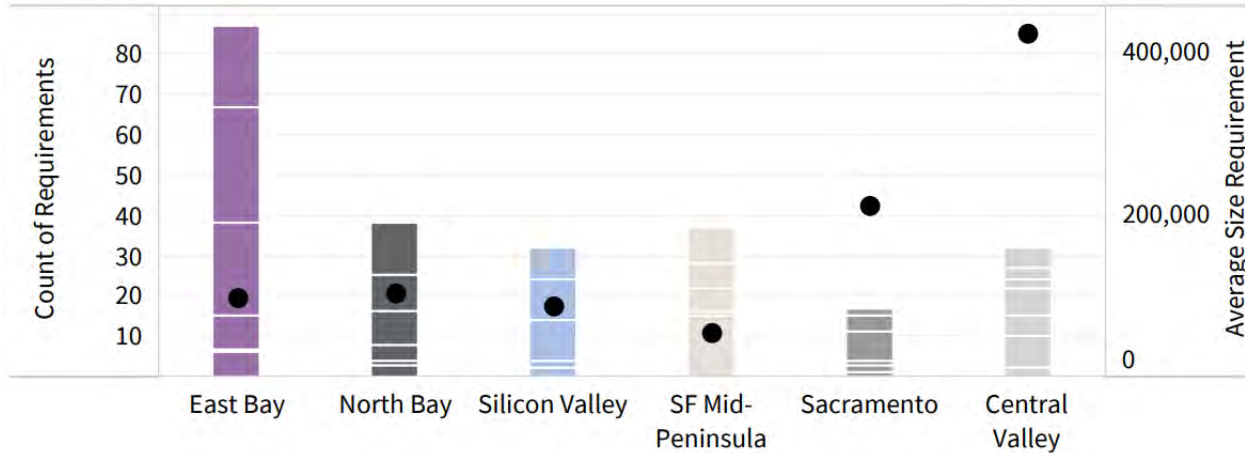
273

Active Large Requirements

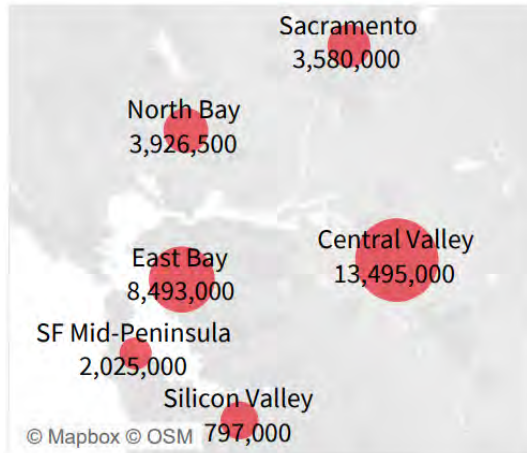
34,316,500

Total SF of Active Requirements

NorCal Tenant Requirements & Active Touring Size by Market:

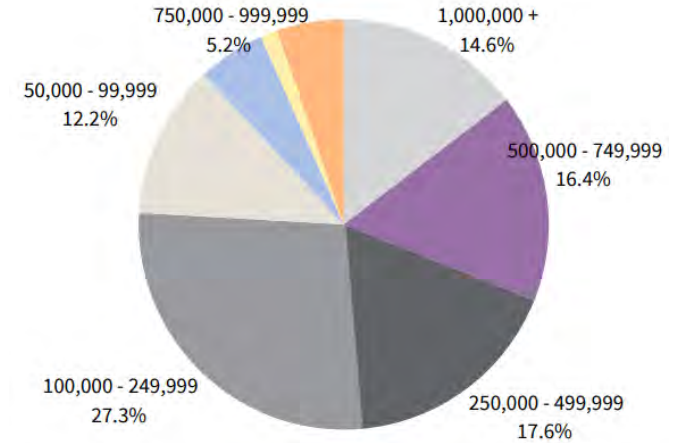


Total Geographical Industrial Requirements:



Central Valley	Average Requirement Size: 451,000
East Bay	Average Requirement Size: 111,407
North Bay	Average Requirement Size: 97,773
Sacramento	Average Requirement Size: 210,588
SF Mid-Peninsula	Average Requirement Size: 44,483
Silicon Valley	Average Requirement Size: 90,600

Requirement Breakdown by Size:



Size Tranche1	Count	Square Feet
1,000,000 +	5	5,000,000
750,000 - 999,999	3	2,300,000
500,000 - 749,999	12	6,000,000
250,000 - 499,999	21	6,010,000
100,000 - 249,999	61	9,095,000
50,000 - 99,999	60	3,637,000
25,000 - 49,999	55	1,841,000
<24,999	26	433,500
Other	30	



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CENTRAL VALLEY **Tenant Demand**

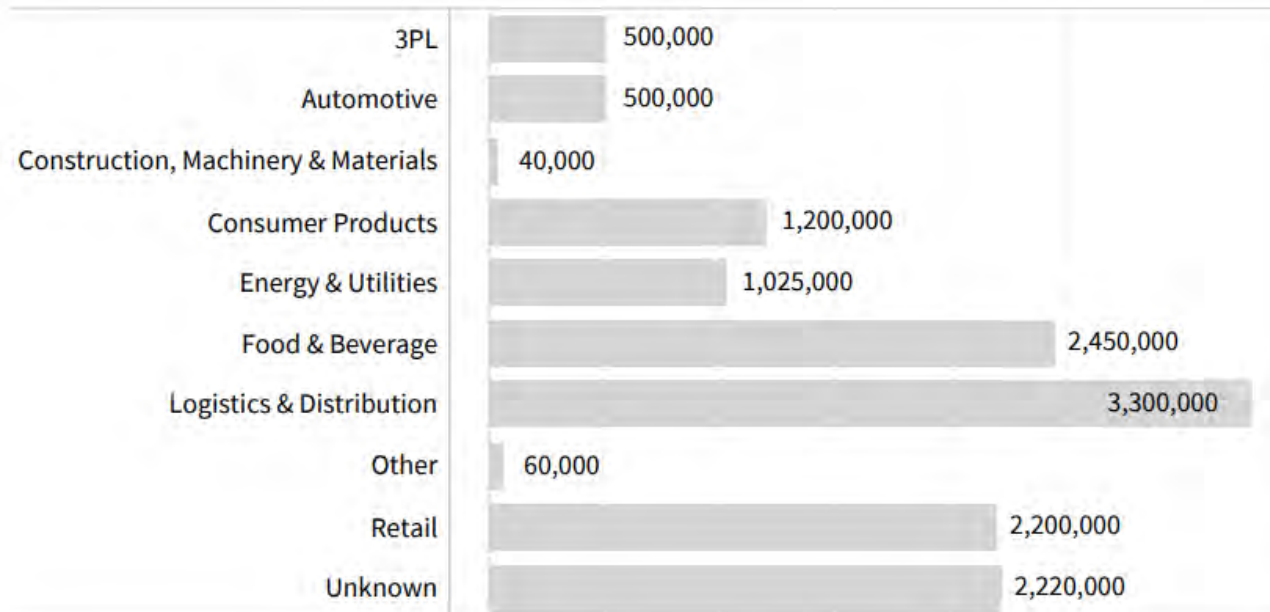
33

Active Large Requirements

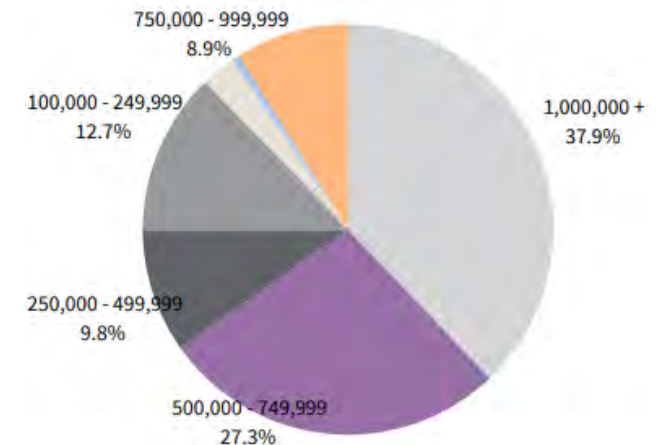
13,495,000

Total SF of Active Requirements

Requirements by Vertical Industry:



Requirement Breakdown by Size:



Size Tranche1	Count	Square Feet
1,000,000 +	5	5,000,000
750,000 - 999,999	2	1,500,000
500,000 - 749,999	8	4,000,000
250,000 - 499,999	5	1,400,000
100,000 - 249,999	7	1,350,000
50,000 - 99,999	2	140,000
25,000 - 49,999	3	105,000
Other	1	



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WAREHOUSE Development

Walmart broke ground on a 900,000-s.f. project in Stockton set to deliver Q4 2024 and Safeway broke ground on a 210,717-s.f. project anticipated to be complete by Q3 2024. There is 13.4 million s.f. of diverse tenant demand, heavily outweighing the amount of inventory under development. Of the 5.8 million s.f. under development, 54.4% is pre-leased.

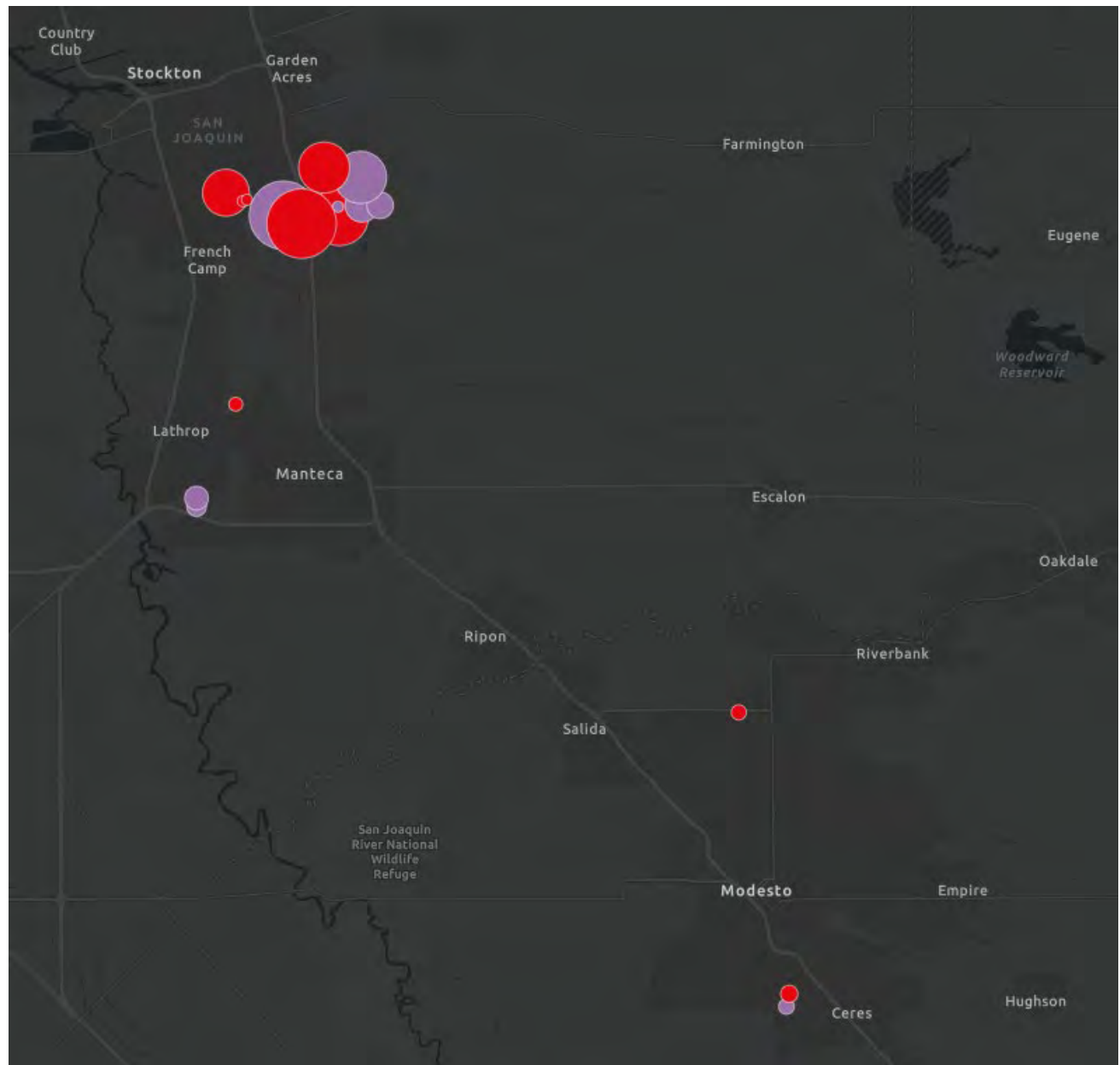
Live Data: [Click Here](#)

2023 Central Valley Development Pipeline

- Under Construction
- Existing

Bldg Size

- > 1,200,000
- 1,000,000
- 700,000
- 500,000
- < 250,000



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TOP 5 INDUSTRIAL TRANSACTIONS **Q4 2023**

Tenant	Address	Bldg Name	City	Lease Size	Type
Daiso	600 Spreckels Ave	Spreckels Park	Manteca	552,467	New Lease
C & S Wholesale Grocers	4199 Gibraltar Ct	C&S Grocers	Stockton	455,917	Renewal
C & S Wholesale Grocers	4201 Gibraltar Ct	Tracy Logistics	Stockton	324,000	Renewal
Macy's, Inc.	3400 Yosemite Ave	Building 3	Lathrop	272,900	New Lease
LeCangs	2795 N Paradise Ave	Bldg 2	Tracy	166,826	New Lease



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WAREHOUSE Demand

1/3 Organic



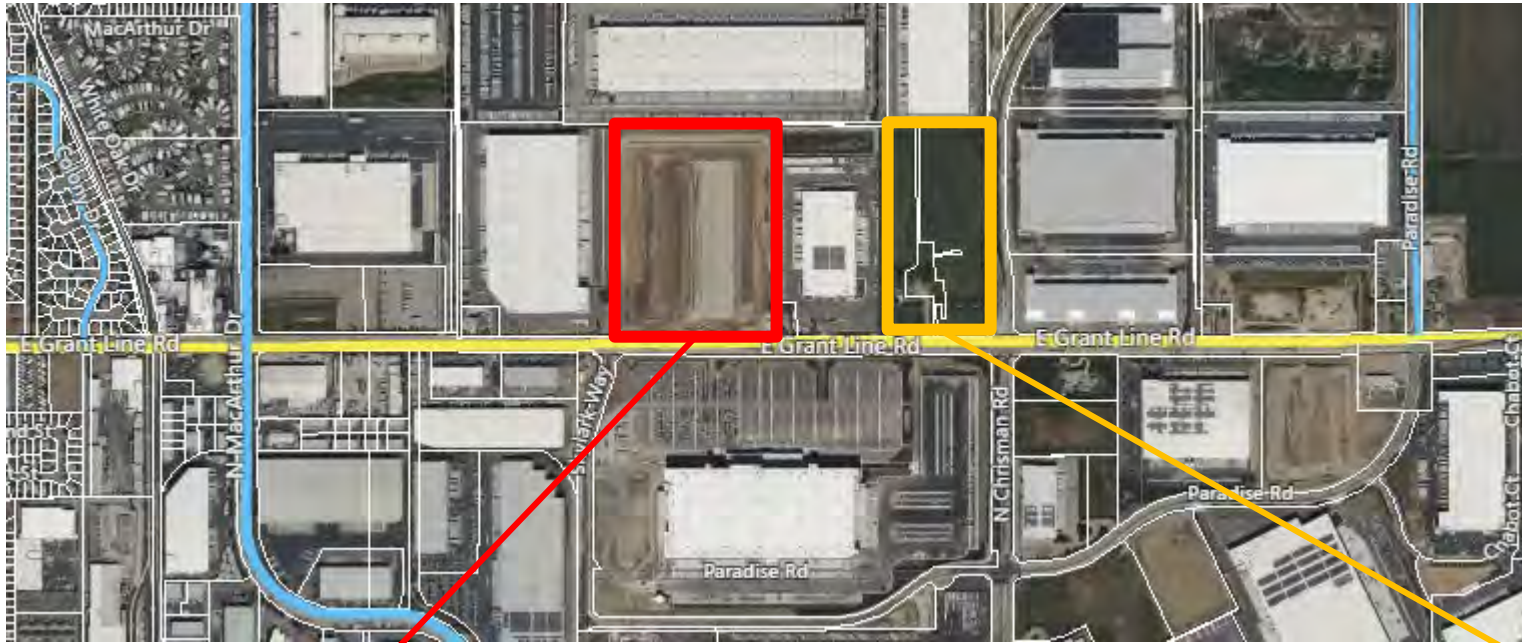
1/3 Bay Area



1/3 Out of Area



LAND SALE Comps



1205 E. Grant Line Road, Tracy

Buyer: Crow/CBRE Investors

Seller: Black Creek

Acres: 29.27

Sale Price: \$29,500,000

Price Per SF: \$23.14

Price Per Acre: **\$1,007,858**

Sale Price: 9/9/2021

31%

1681 E. Grant Line Road, Tracy

Buyer: Seefried

Seller: Kerry Churney

Acres: 18.86

Sale Price: \$13,000,000

Price Per SF: \$15.82

Price Per Acre: **\$689,290**

Sale Date: 11/16/2022



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ABOUT JONES LANG LASALLE

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JLL NORCAL CENTRAL VALLEY TEAM



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State Of The Market-CENTRAL VALLEY OFFICE

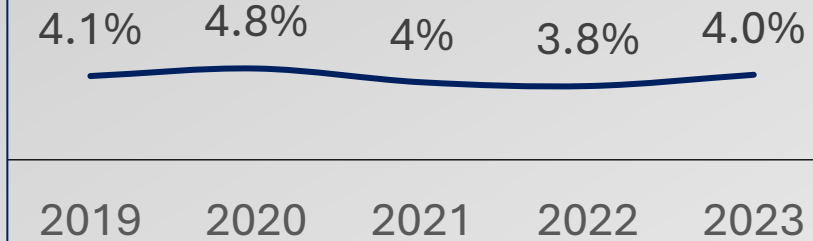


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REAL ESTATE

Office Snapshot

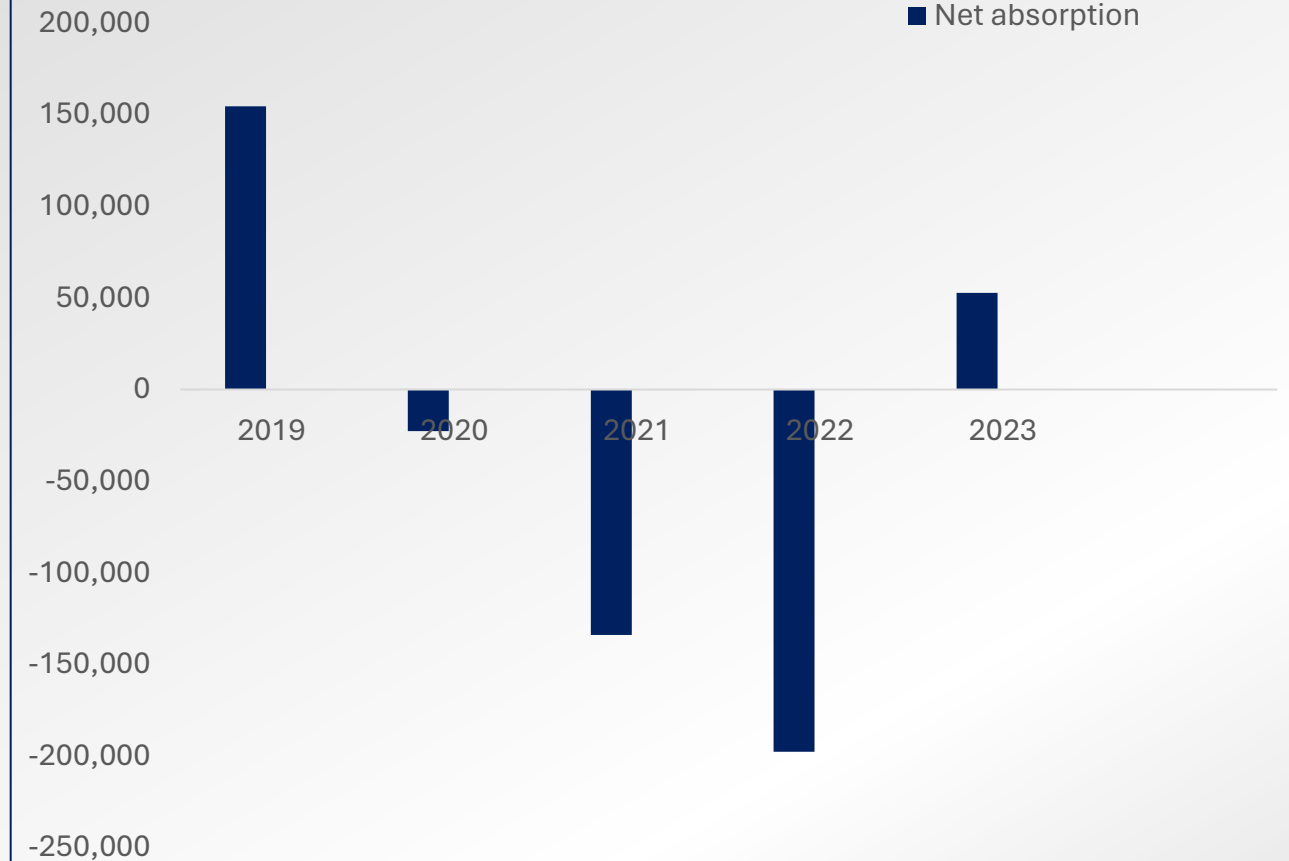
Total Vacancy



Average Asking Rents (\$/s.f.)

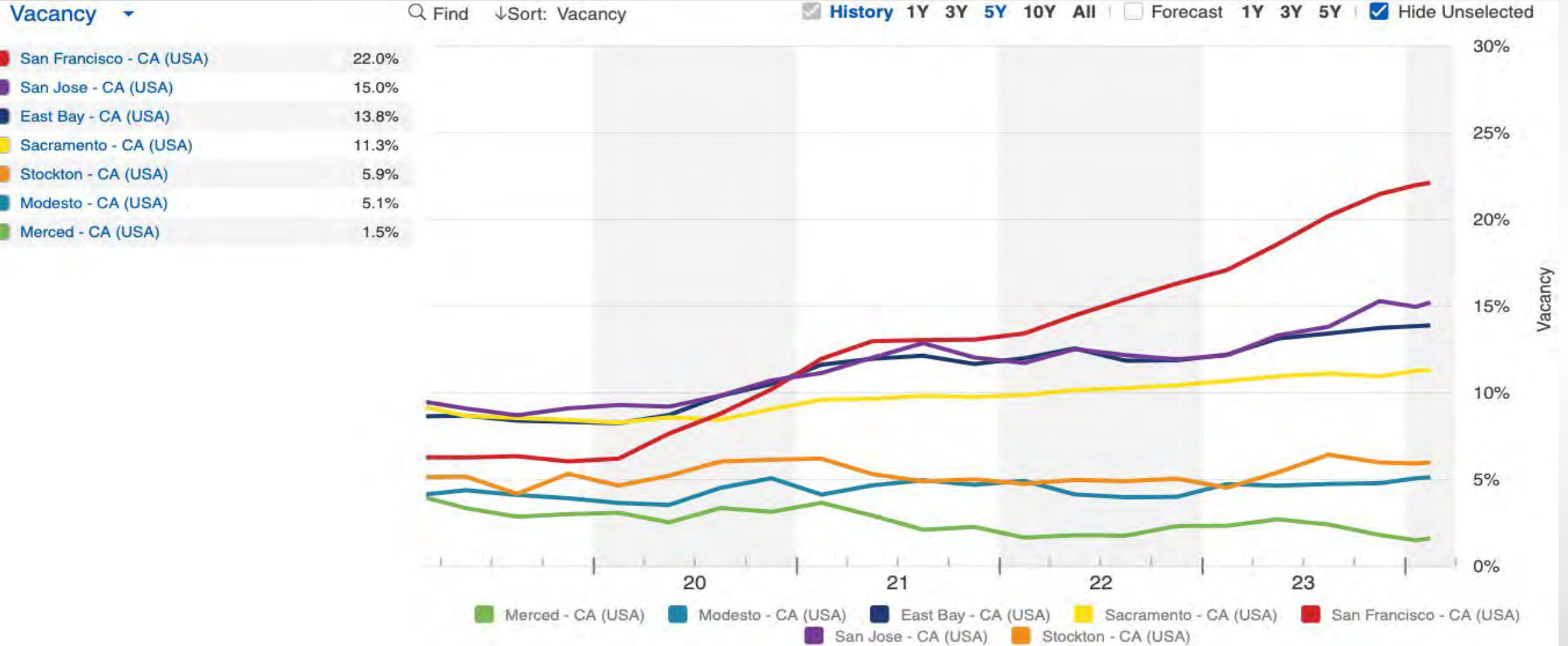


Supply and Demand (s.f.)



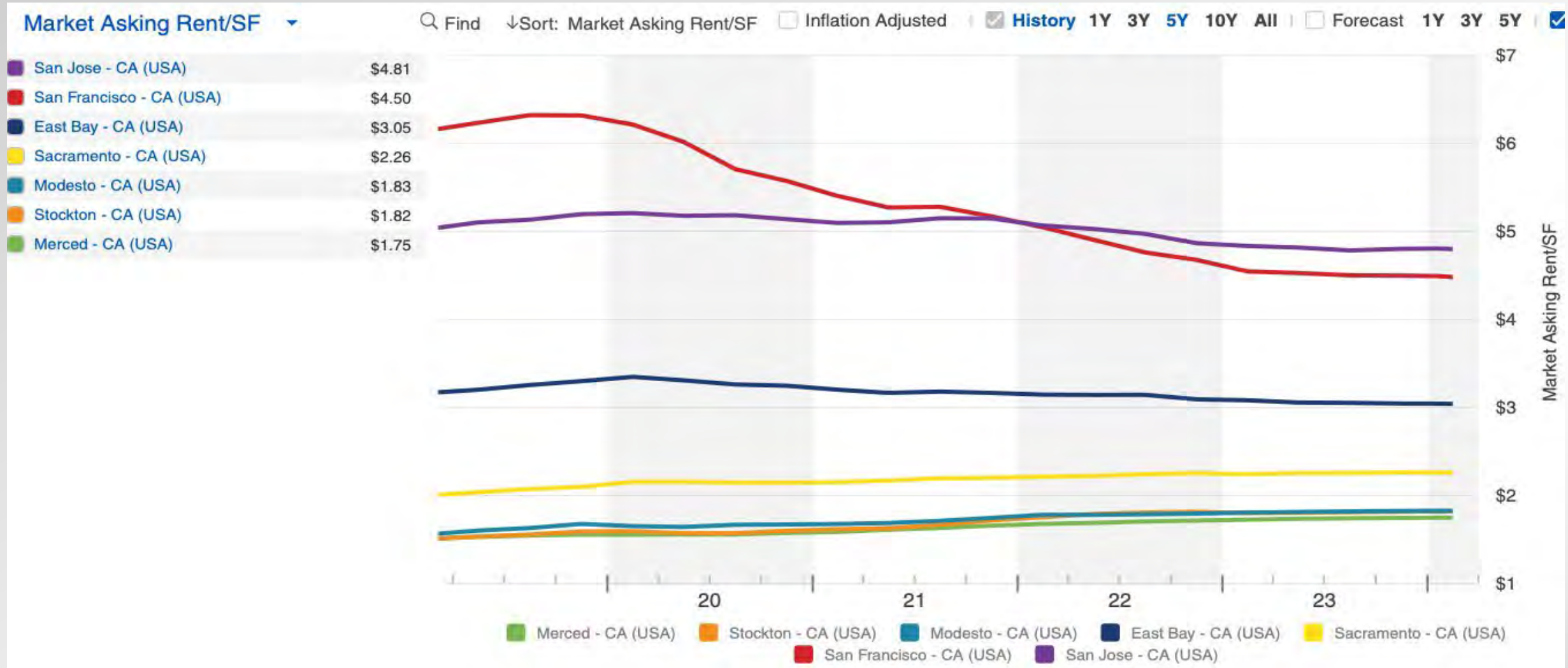
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5 Year Office Vacancy



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5 Year Asking Rent



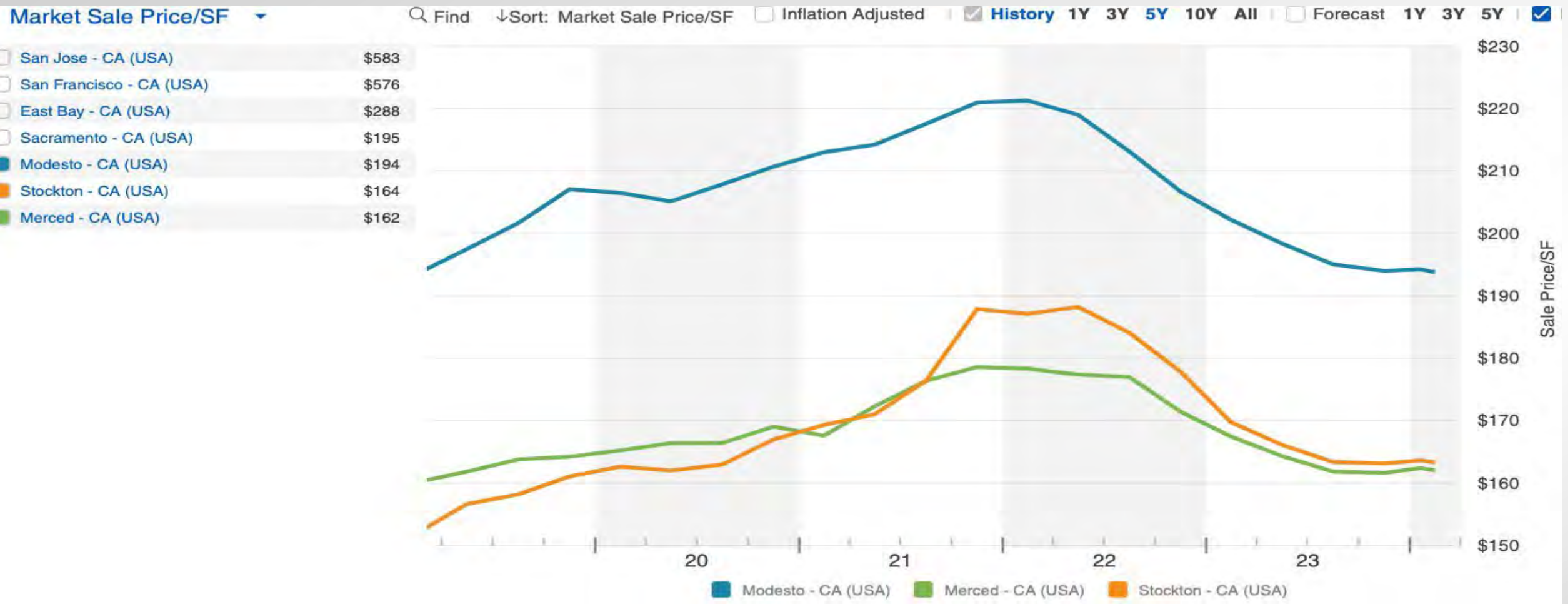
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5 Year Central Valley Market Cap Rates



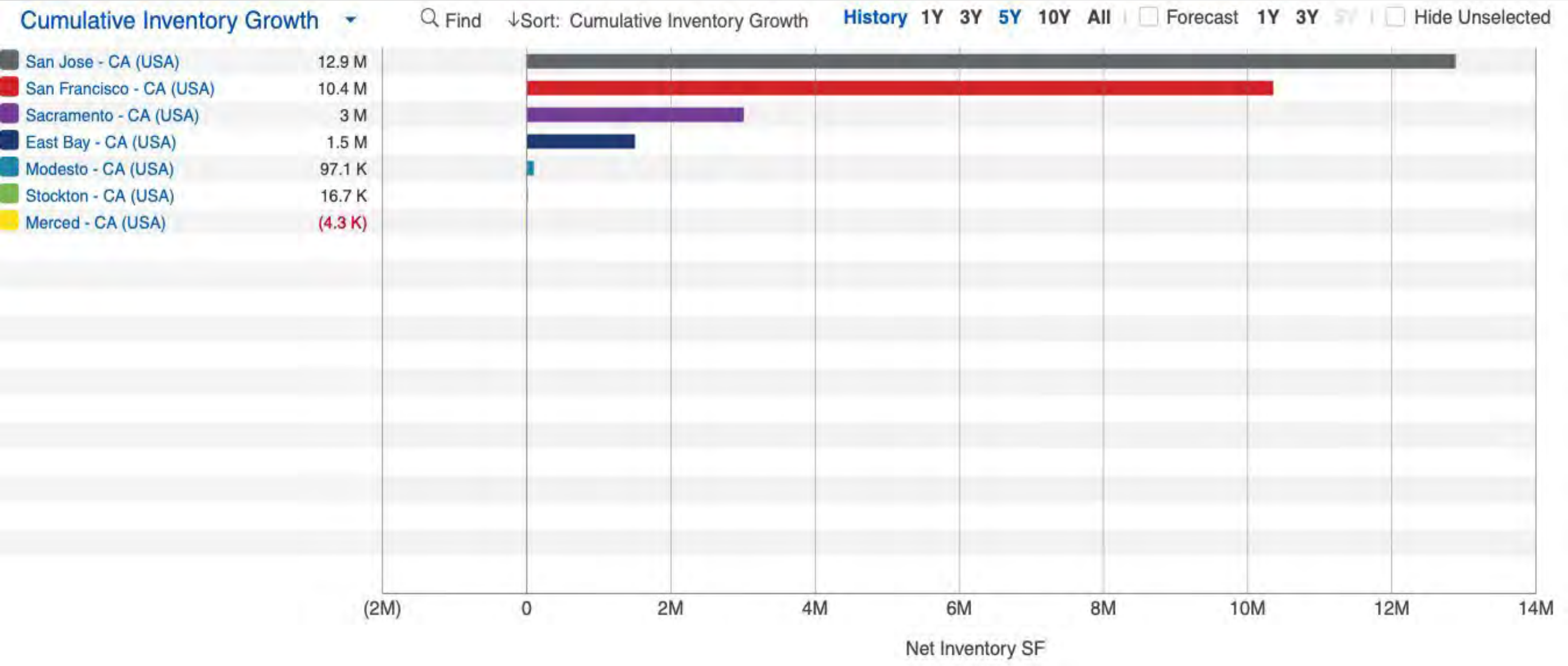
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5 Year Central Valley Market Sale Price Per SF



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5 Year Cumulative Inventory Growth



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Office Sale Comps

1 | 2077 Yosemite Ave

SOLD

Manteca, CA 95337

San Joaquin



Sale Date **Mar 4, 2024**
Sale Price **Not Disclosed**
Actual Cap Rate **5.25%**

Parcels **200-140-13**

Type **3 Star Office**
Year Built **2023**
RBA **10,502 SF**
Land Acres **0.95 AC**
Land SF **41,382 SF**

2 | 1500 Fulkerth Rd

SOLD

Turlock, CA 95380

Stanislaus

Recorded Buyer **Claude Banipal Kanoun**
3939 Monroe Ave
Fremont, CA 94536
(510) 796-9214 (p)

Recorded Seller **Zagaris M & M Trust**
7161 Carver Rd
Modesto, CA 95356

True Buyer **Claude Banipal Kanoun**
3939 Monroe Ave
Fremont, CA 94536
(510) 796-9214 (p)

True Seller **Michael Zagaris**
1230 E Orangeburg Ave
Modesto, CA 95350



Sale Date **Jan 30, 2024**
Sale Price **\$1,100,000**
Price/SF **\$237.38**

Parcels **042-39-69**

Type **3 Star Office**
Year Built **2002**
RBA **4,634 SF**
Land Acres **0.49 AC**
Land SF **21,344 SF**

3 | 3001 Health Care Way Building 200

SOLD

Modesto, CA 95356

Stanislaus



Sale Date **Jan 3, 2024**
Sale Price **\$3,000,000**
Price/SF **\$711.91**
Pro Forma Cap **5.35%**
Actual Cap Rate **5.35%**

Type **3 Star Office**
Year Built **2023**
RBA **4,214 SF**
Land Acres **0.61 AC**
Land SF **26,572 SF**



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Office Sale Comps



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State of the Office Market **Summary**

- **Vacancy Rates in Central Valley are stable, when compared to larger markets and media reports**
- **Asking Rents have steadily grown over past 5 years – reflection of inflation**
- **CoStar Cap Rates are Unreliable – Actual Cap Rates trending from 5.5% -7%**
- **Average Sales Price Per Sq Ft is down roughly 10% over past 2 years – reflection of higher interest rates**
- **Inventory Growth in Central Valley has been minimal when compared to neighboring larger markets. Reflection of much less construction and lower vacancy rates**



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