



# CENTRAL CALIFORNIA... CENTER YOURSELF

## WEST COAST TRANSPORTATION HUB



## MARKET UPDATE

### POPULATION GROWTH

	1990	2000	2010	Growth
California	29,950,111	33,871,653	37,253,956	10.0%
Fresno County	671,660	799,407	930,450	16.4%
Kern County	549,219	661,645	839,631	26.9%
Kings County	101,809	129,461	152,982	18.2%
Madera County	89,014	123,109	150,865	22.5%
Merced County	179,812	210,554	255,793	21.5%
San Joaquin County	480,628	563,598	685,306	21.6%
Stanislaus County	370,522	446,997	514,453	15.1%
Tulare County	313,897	368,021	442,179	20.2%

### INDUSTRIAL LEASE RATES (20,000 sq. ft. plus)

Bakersfield	\$0.20 – 0.40 NNN
Fresno	\$0.26 – 0.33 NNN
Hanford	\$0.11 – 0.30 NNN
Madera	\$0.23 – 0.36 NNN
Merced	\$0.15 – 0.25 NNN
Modesto	\$0.20 – 0.38 NNN
Stockton	\$0.22 – 0.29 NNN
Visalia	\$0.15 – 0.28 NNN

### INDUSTRIAL SALES PRICES

\$28–\$85 sq. ft., depending upon amenities

### INDUSTRIAL BASE AND VACANCY

	Total Base (sq. ft.)	Vacancy (sq. ft.)	Vacancy Rate
Bakersfield	35,000,000	2,520,000	7.2%
Fresno	60,029,213	627,038	10.4%
Hanford	4,647,000	789,990	17.0%
Madera	7,042,114	873,222	12.4%
Merced	3,500,000	140,000	4.0%
Modesto	49,000,000	4,753,000	9.7%
Stockton	90,000,000	17,640,000	19.6%
Visalia	13,263,605	1,021,298	7.7%

## REAL ESTATE FORECAST • 2011

INTEREST IN CENTRAL CALIFORNIA REAL ESTATE HAS PICKED UP in recent months, and commercial real estate professionals are generally optimistic about 2011. Indicators have been signaling a reversal to the recession's downward spiral projecting positive incremental growth as the year progresses.

"I haven't been optimistic for the past two-plus years," says Stewart Randall, Senior Vice President, Colliers International in Fresno, "but I think things bottomed out in the third quarter of 2010. The end of 2010 was very active with a number of smaller deals made in the Fresno area. Those deals weren't happening a year ago, and it's enough to make me believe it's a trend."

### TRENDS

#### Activity Up

Activity has picked up throughout the region. "It's sporadic, but there's been a marked increase for mid-range requirements across the board," says Blake Rasmussen, Senior Vice President, CB Richard Ellis in Stockton.

According to Rasmussen, requirements for north valley properties are vacillating at around five million square feet, up by about one million square feet since the beginning of the year.

Randall notes that the region is warehouse oriented, and this industry segment is becoming more active. Central California's location, as well as available road and rail transportation systems, makes it well suited to the logistics industry.

#### Favorable Tenant Market

With the current imbalance in supply and demand means the market remains favorable to tenants who are ready to make deals. For Santa Clara-based ECS Refining, the deal was securing a 262,000 square foot former auto parts plant in Stockton. ECS recycles electronic waste collected from throughout the state so the central location was an important factor. The company expects to expand rapidly and the new facility will provide room that growth.

#### Market Values

"Our industrial market's most recent peak was in 2007," adds Wayne Kress, First Vice President, CB Richard Ellis in Bakersfield. "Since then, market values have declined 25-40% for leased industrial buildings, 35-45% for sold buildings, and 45-55% for land, and cap rates went from 6.9% to 9.8%. It now looks like the market bottomed in 2009, as demand began returning in 2010, but it has not been evenly distributed."

#### Overspill Effect

Kress says port traffic is up again, and Los Angeles/Long Beach ports are already operating at near record levels. "The return of LA/Long Beach port traffic will mean increased demand for warehouse space in the LA Basin, and as that fills up, we will again see overspill. Each previous recession expansion has brought us more overspill." To the north, there is optimism with increased activity at the Port of Oakland and significant demand from the Bay area.



## Market Appreciation Forecasted in 2012

Since new construction has been practically non-existent in recent years, Rasmussen says he expects to see demand exceeding supply by 2012. He expects a few more foreclosures to hit the industrial market in 2011, which will hold prices down through the end of the year then the market will begin to appreciate again.

### TARGET INDUSTRIES

#### Distribution

With an increased demand for warehouse space, the Central Valley is perfectly situated to accommodate the logistical needs of companies shipping goods throughout the West Coast and across the nation. VWR International, LLC will open a new 500,000 sf distribution facility in Tulare County which is expected to be operational in 2012 and employ 100-150 people.

#### Manufacturing

Manufacturing has been leading the country out of the recession, expanding in each of the last 18 months. California manufacturers will find favorable opportunities in the Central Valley where a pro-business attitude combines with relatively low labor costs, available real estate, and proximity to consumers. Bell



Carter Packaging recently opened a new 258,000 sf facility in Stanislaus County.

#### Back Office

California's Central Valley is ideal for regional offices, call centers, and other labor-intensive operations. RYLA expanded their operations in Fresno, adding 400 people.

#### High Tech

Central California offers room for high tech industries to grow, while providing all of the communication technologies required for cutting edge business.

#### Retail

More than 3.5 million people live in California's Central Valley and the region's population is projected to grow to nearly 6 million by 2020, according to the California Department of Finance.



### CONTACT INFORMATION

Jennifer Faughn, Executive Director  
Phone: 888-998-2345 • www.centralcalifornia.org