Solano County Economic Outlook 2008
Business Parks

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Colliers International

September 17, 2008

Solano County

Business Parks - Current Status

How are things?

Answer:

- **Industrial Product** – Ok
  - Rents slightly lower/vacancy rates up.
  - Modest activity, deals are still getting done.
  - Excellent inventories sitting empty that would have pre-leased during construction 18 months ago.

- **Office Product**
  - Virtually no activity.
  - Declining rent values .
  - Highest vacancies ever - 25.5% (just under 1,000,000 s/f).
  - Lack of market diversity in this sector showed when the residential market tanked – mortgage, title and residential real estate operations shut down everywhere.

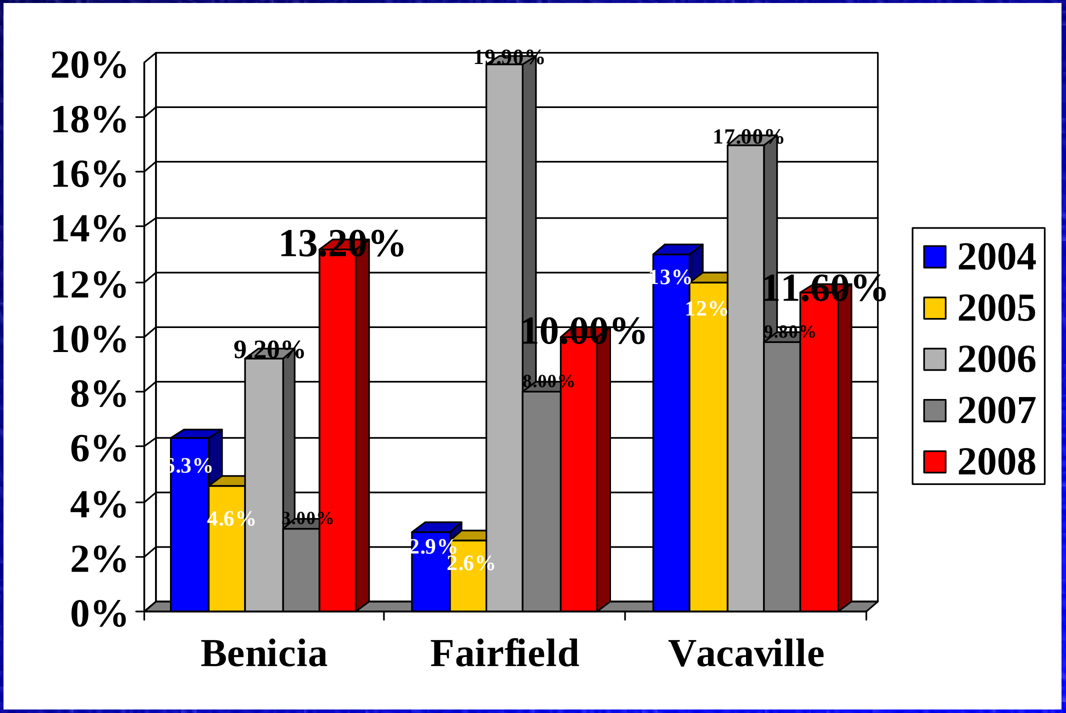
Industrial / Business Park

Approximate Vacancy Statistics

- **Benicia:** 13.2%
  Up from 3%

- **Fairfield:** 10%
  Up from 8%

- **Vacaville:** 11.6%
  Up from 9.8%



Blended Industrial

vacancy for

Solano County: **9.5%**

Up from 6% in 2007!

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Why?

The Trend:

Prior to the late 90's, Solano County was dependent primarily on the Bay Area for industrial deal migration. Approximately 2/3rds of the deals over ±10,000 SF were coming out of the Bay Area and approximately 1/3rd of the deals/expansions were coming from the local market (Solano-Solano). Between 2000-2005, the Bay Area deal engine cooled down for Solano (almost no larger deals) and the local market was fueling about 75% of the growth.

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In 2006, the Bay Area deal engine restarted:

<u>2006 deals over ±70,000 SF</u>

The following were completed in the 4th Qtr. Alone:

1. Encore Glass, Benicia	±135,000 s/f	From Richmond
2. Home Depot, Benicia	±120,000 s/f	Consolidated from several Bay Area Counties
3. Ashley Furniture, Vacaville	±70,000 s/f	
4. Owens-Illinois, Fairfield	±607,000 s/f	Consolidated from Oakland, Hayward, Antioch & Sacramento
5. Smaller Benicia Industrial Park deals:		
➢ Alsco	±16,000 s/f	From Concord
➢ Oakhills Hardwood	±12,000 s/f	From Burlingame
➢ Checkers Moving	±12,000 s/f	From Oakland
➢ Cole Supply	<u>±31,000 s/f</u>	From Concord
	±71,000 s/f	

6.	Critchfield Mechanical, Benicia	±80,000 s/f	From San Mateo
7.	Saint Gobain, Fairfield	±1,000,000 s/f	From Fairfield
8.	Adobe Lumber, Fairfield	±130,000 s/f	From Richmond
9.	All Weather Insulated Panels, Vacaville	±96,000 s/f	From Richmond
10.	North Bay Auto Auction, Fairfield	±110,000 s/f	From Fairfield
11.	Dieter Folk, Vacaville	±86,934 s/f	From Vacaville
	Total Square Feet:	**±2,505,934 s/f**	
	Total Square Feet from Bay Area:	**±1,309,000 s/f**	

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2007 – 2008 Deal Migration:

Engine has cooled down again. Everyone has been focusing efforts on renewals (keeping what we've got) as new migration deals are scarce.

2007-2008 Migration	Square Feet	From
Bay City Books, Benicia	±12,000 s/f	Oakland
Transbay Steel Company, Fairfield	±127,000 s/f	Albany/Napa
Grateful Palate, Fairfield	±59,000 s/f	Napa
Freight Transport, Fairfield	±74,000 s/f	Napa
Industrial Gasket, Benicia	±8,000 s/f	Pinole
Total Safety, Fairfield	±13,000 s/f	Hayward
Maestri (Bottler from Skyy Vodka)	±24 acres	San Jose

- **Total Migration: ±293,000 s/f**

- Take Napa movement out, which is not Bay Area Migration, and the total is ±92,000 or roughly 7% of last year's total.

OUCH!!!!!!

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Industrial Land Inventory

Land is scarce -

Declining inventories have historically fueled

upward pressure on

existing inventories and land values.

But, sluggish activity is placing almost NO pressure

on land inventories – values relatively static -

almost no land activity.

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Industrial Land Value

(County Wide Range)

2005: $2.50 - ±$5.50

2007: ±5.00 - ±$10.00 and rising

2008: Holding

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Business Park Land Values

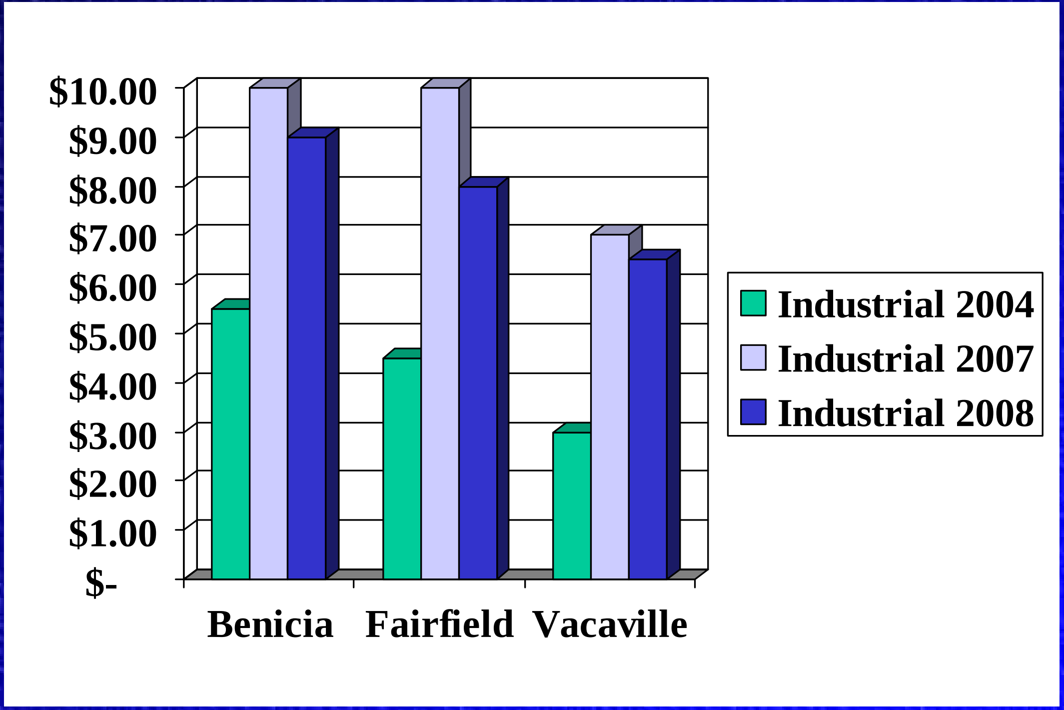
Industrial

- **Benicia: No inventory - assume static**

- **Fairfield:** $6.00 - $10.00 psf (up from a high of $4.50 in 2004)

- **Vacaville:** $5.00 - $7.00 psf (up from a high of $3.00 in 2004)

Nothing to quantify slight value decline other than sluggish economy has to have a temporary effect on land values.

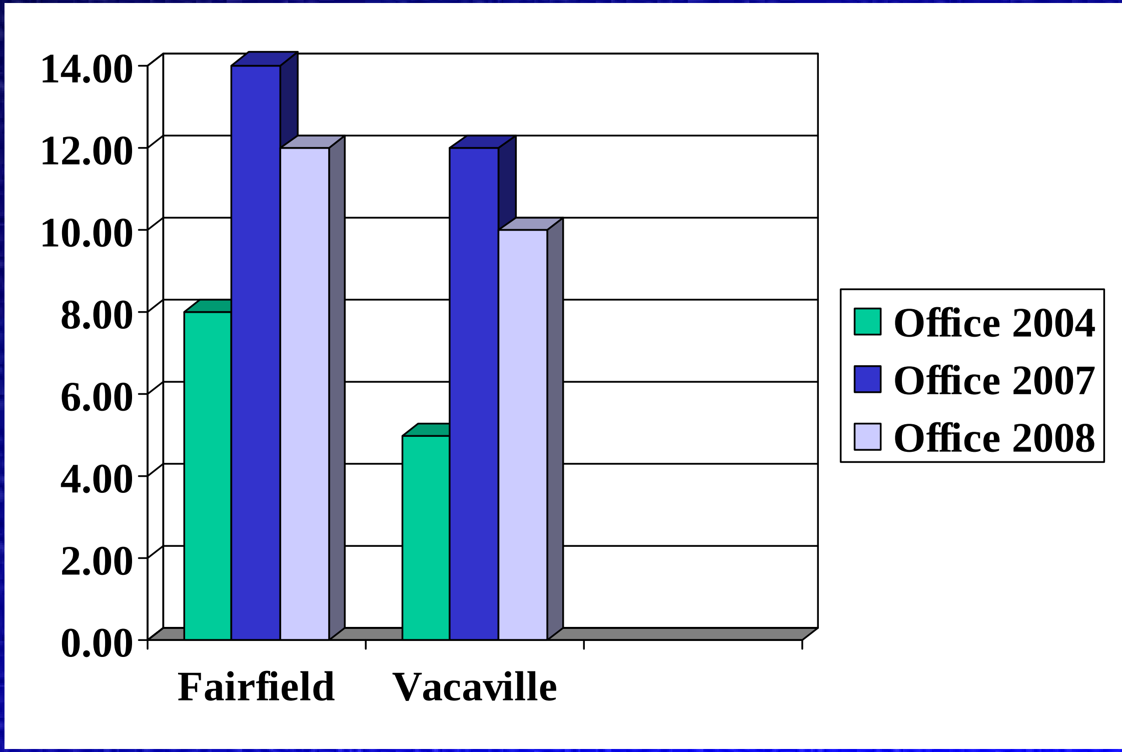


Business Park Land Values

Office

- **Fairfield:** $12.00 psf
  (down from $16.00 in 2006)

- **Vacaville:** $10.00 psf
  (down from $12.00 in 2006)



Impact Resulting from Residential Crash

Industrial

- Institutional equity, critical for larger deals, in almost non-existent.
- Few (if any) spec. projects in 2008-2009 will help take pressure off existing projects.
- Lower housing costs will actually help in the long term by reducing overall costs of living and making our labor costs more viable.

Impact Resulting from Residential Crash

Office

In some communities, most of the office inventory (except for medical) is dependent on the residential real estate market (mortgage, title and brokerage) and that area has been decimated. With few local market sectors to absorb these vast vacancies, we may be dependent almost exclusively on office migration from the East Bay and other Bay Area locations.

Impact Resulting from Rising Fuel and Energy Costs

Industrial

- Greater demand to stay closer to the Port of Oakland.

- The trend towards Mega hub deals over ±500,000 s/f is dead. Instead, expect to see more regional operations in the ±100,000 s/f range. This helps us, as we are a Norcal Regional hub.

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Impact Resulting from Rising Fuel and Energy Costs

Office

Super high fuel costs actually help us. Our ±200,000 commuters passing through Solano to the Bay Area will eventually revolt against their employees. Solano and the Brentwood (East Contra Costa County) markets have already seen some smaller regional office leasing as larger Bay Area facilities are being decentralized.

Industrial / Business Park

What happens next?

- Expect rents / values to continue slight fall through most of 2009.

- Expect land values, because of small inventory, to remain relatively static.

- Expect office recovery to be slow (2 years).

Significant Deals/Development by City

2007-2008 (12 month period)

Benicia:

❖ **Biagi Bros:**	±200,000 s/f (renewal & expansion)
❖ **Encore Glass:**	±48,000 s/f (expansion)
❖ **Western Container/Coca-Cola:**	±122,000 s/f (renewal)
❖ **Bio-Rad:**	±72,576 s/f (expansion)
❖ **Cytosport:**	±36,000 s/f (expansion)
❖ **Cork Supply:**	±100,000 s/f (expansion)
❖ **JV Industrial:**	±38,870 s/f (expansion)

Significant Deals by City

2007-2008 (12 month period)

Fairfield:

- **Fed Ex:** ±330,000 s/f (regional expansion)
- **Transbay Steel Corp:** ±129,669 s/f (expansion)
- **Bottler for Skyy Vodka:** ±26 acres (new deal)
- **Grateful Palate:** ±59,000 s/f (expansion)
- **Recall Record Storage:** ±83,000 s/f lease (new deal)
- **Freight Transport:** ±72,000 s/f (expansion)
- **Elliot Turbo Machinery:** ±36,000 s/f (expansion)
- **Starcom International:** ±32,000 s/f (expansion)
- **Kiewit Pacific:** ±30,000 s/f office to-be-built

Significant Deals by City
2007-2008 (12 month period)

Vacaville:

❖ **Metro Candy:**	±22,000 s/f (expansion)
❖ **Pacific Cycle:**	±564,000 s/f (renewal & expansion)
❖ **PG&E:**	±5 acres for switching facility (new deal)
❖ **Dex Products:**	±57,926 s/f (expansion)
❖ **Total Warehousing:**	±111,250 s/f (expansion)

Significant Deals by City

2007-2008 (12 month period)

Vallejo/Mare Island:

❖ **Latham Truss:**	±42,000 s/f
❖ **Alamillo Rebar:**	±17,000 s/f
❖ **Performance Contracting:**	±21,000 s/f
❖ **XKT Engineering:**	±82,000 s/f (renewal)
❖ **Touro University/Siemens:**	±216 acres; ±2.2 billion at full build out, 6,000 jobs, $4,000,000 per year estimated in public tax benefits.

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Significant Deals by City

2007-2008 (12 month period)

Suisun City Redevelopment

Mainstreet West Partners

±16 Total Acres

±160 Single Family Units

±55,000 SF Retail / Commercial

±45,000 SF Office

Marketing Tools We Still Need To Highlight

- Our over-abundance of inexpensive labor (±200,000 local commuters) and reduced facility costs.
- Captive Labor Pool: ±200,000 commuters traveling through Solano have an almost impossible commute (up to 1.5 hours per direction) and desperately want to stay close to home.
- Reverse Commute for Everyone
- Plummeting Housing Costs
- Strategic location midway between some very important places!

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Thank You

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