



# Industrial Market Opened 2017 With Further Expansion

- > Industrial Inventory: 50,597,326 SF
- > Current Vacancy: 6.2%
- > Net Absorption: 790,807 SF

The industrial market in Solano and Napa counties opened 2017 with further expansion as construction was completed on 861,000 square feet of space in the first quarter. This additional inventory has now pushed the combined industrial inventory in Solano and Napa counties over 50 million square feet. The vacancy rate in the region remained largely unchanged in the first quarter at 6.2 percent, up only 0.1 percentage points for the quarter. Net absorption for the quarter was positive 790,807 square feet. Average asking rates remained flat at \$0.53 per square foot per month triple net (NNN) in the quarter.

## Market Indicators

Unemployment Rate

10-Year Nominal  
Interest Rate

Consumer Confidence



Solano County



Napa County



## Market Trends

Relative to prior period

Q1 2017

Q2 2017\*

Vacancy



Rental Rate



Net Absorption



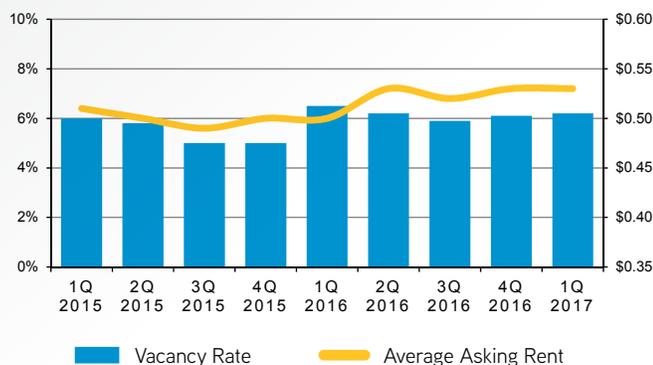
Construction



\*Projected

## Vacancy vs. Asking NNN Rental Rates

Solano and Napa Counties | All Classes



Both the vacancy rate and asking rates have steadied of late.

## Summary Statistics

Q1 2017 Solano & Napa Counties  
Industrial Market

Previous  
Quarter

Current  
Quarter

Overall Vacancy Rate

6.1%

6.2%

Net Absorption

-89,708

790,807

Construction Completed

0

861,000

Under Construction

1,520,651

779,779

Overall Asking Rents\*

\$0.53

\$0.53

Industrial

\$0.62

\$0.61

R&D/Flex

\$0.67

\$0.68

Warehouse/Distribution

\$0.48

\$0.48

\*Asking Rents Reported Monthly

## Benicia

Benicia's vacancy rate remained the second lowest in Solano County in the first quarter at 4.9 percent, down negligibly from 5.0 at the end of last year. The largest lease in the region covered in this report took place in Benicia: JF Hillebrand leased 78,267 square feet of warehouse space at 5307-5341 Industrial Way in the Benicia Industrial Park.

## Fairfield

Fairfield's vacancy rate declined slightly from 5.6 percent to 5.3 percent in the first quarter. Sales activity was greater than leasing activity in Fairfield as the two largest sales in the region covered in this report both took place in Fairfield, and both were investment sales. Lowenberg Corporation purchased the 212,802 square foot warehouse at 2102 Courage Drive for \$17,500,000 or \$82.24 per square foot. The property was vacant at the time of sale. 1801 Woolner, a 48,000 square foot warehouse, was purchased by Wallace Lee for \$4,163,000, or \$86.73 per square foot. The property was fully leased at the time of sale and sold for an approximate cap rate of 7.20 percent.

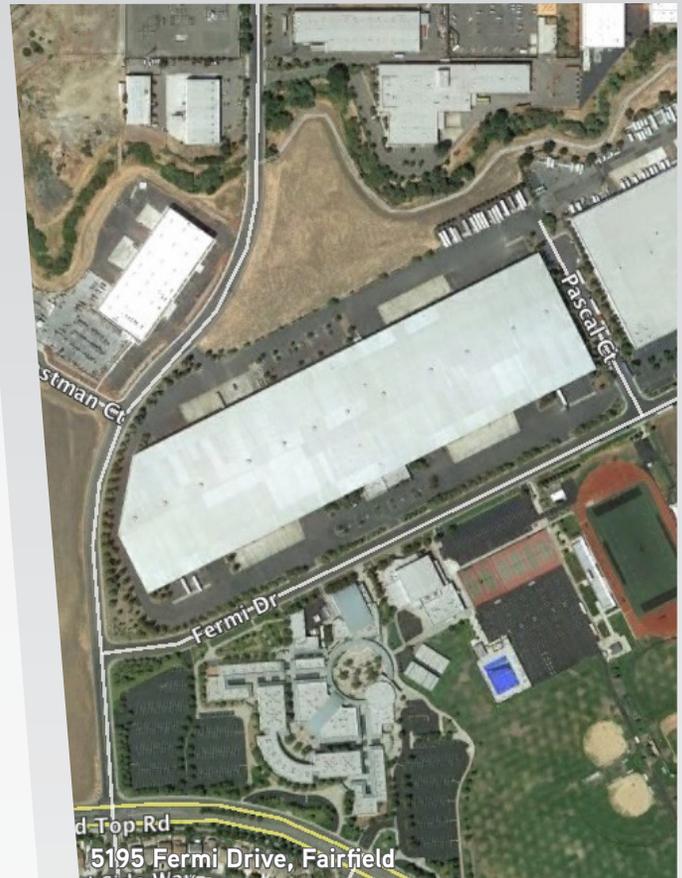
Construction of Panattoni Development's two-building, 861,000 square foot warehouse/distribution center was completed in the first quarter of 2017, and both buildings were pre-leased. Berlin Packaging and Blue Apron have each leased one of the two 430,500 square foot buildings at the Gateway 80 Business Park.

## American Canyon

American Canyon's vacancy rate declined slightly from 9.2 percent to 8.9 percent in the first quarter. Virtually all of this vacancy is the 646,000 square foot warehouse that was constructed last year at 1 Middleton Way at the Napa Logistics Park. Buzz Oates Enterprises has commenced construction on a 120,080 square foot cross-loader at 10 Jim Oswalt Way.

## City of Napa & Unincorporated Areas

Vacancy in Napa remains virtually non-existent as the vacancy rate was 1.0 percent at the end of the first quarter, up only 0.1 percentage points for the quarter. Construction of the 80,000 square foot warehouse at 1225 Airport Road near the Napa Valley Airport is nearly complete.



In the largest sale of the quarter, Lowenberg Corporation purchased the 212,802 square foot warehouse.

## Vacaville

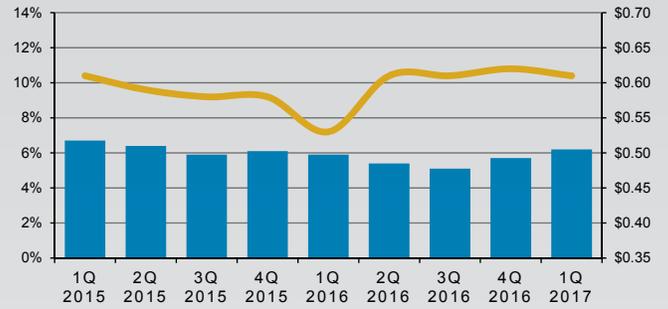
In a relatively quiet quarter, Vacaville’s vacancy rate increased minimally from 2.4 percent to 2.5 percent in the quarter. The only significant transaction was Greenberry Industrial’s lease of 8,002 square feet of space in the R&D/flex building at 2144 Icon Way in the Vacaville Business Park. Construction is nearly complete on Buzz Oates Enterprises’ 321,651 square foot warehouse at 300 Crocker Drive in the Vacaville Business Park.

## Summary

Strong demand has continued into 2017, leading to low vacancy rates and high levels of construction. The leading drivers have been the food and beverage industry in Solano County and the wine industry in Napa County. Not only is there strong demand for new construction given the low vacancy rates in the region, but Solano and Napa counties still have available developable land, while most of the other Bay Area counties do not. The long term forecast remains optimistic given Solano County’s relatively low cost of doing business, favorable manufacturing composition and positioning as a transportation hub for local, national and international businesses.

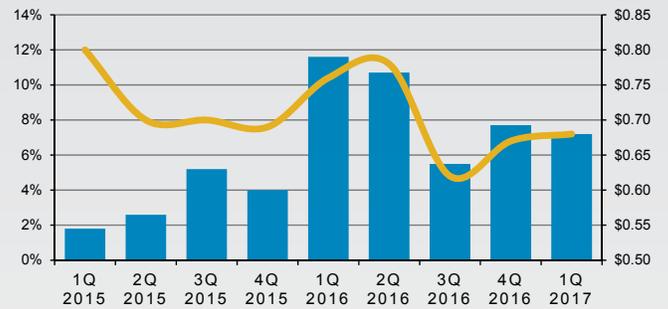
### Vacancy vs. Asking NNN Rental Rates

Solano & Napa counties | Industrial



### Vacancy vs. Asking NNN Rental Rates

Solano & Napa counties | R&D/Flex

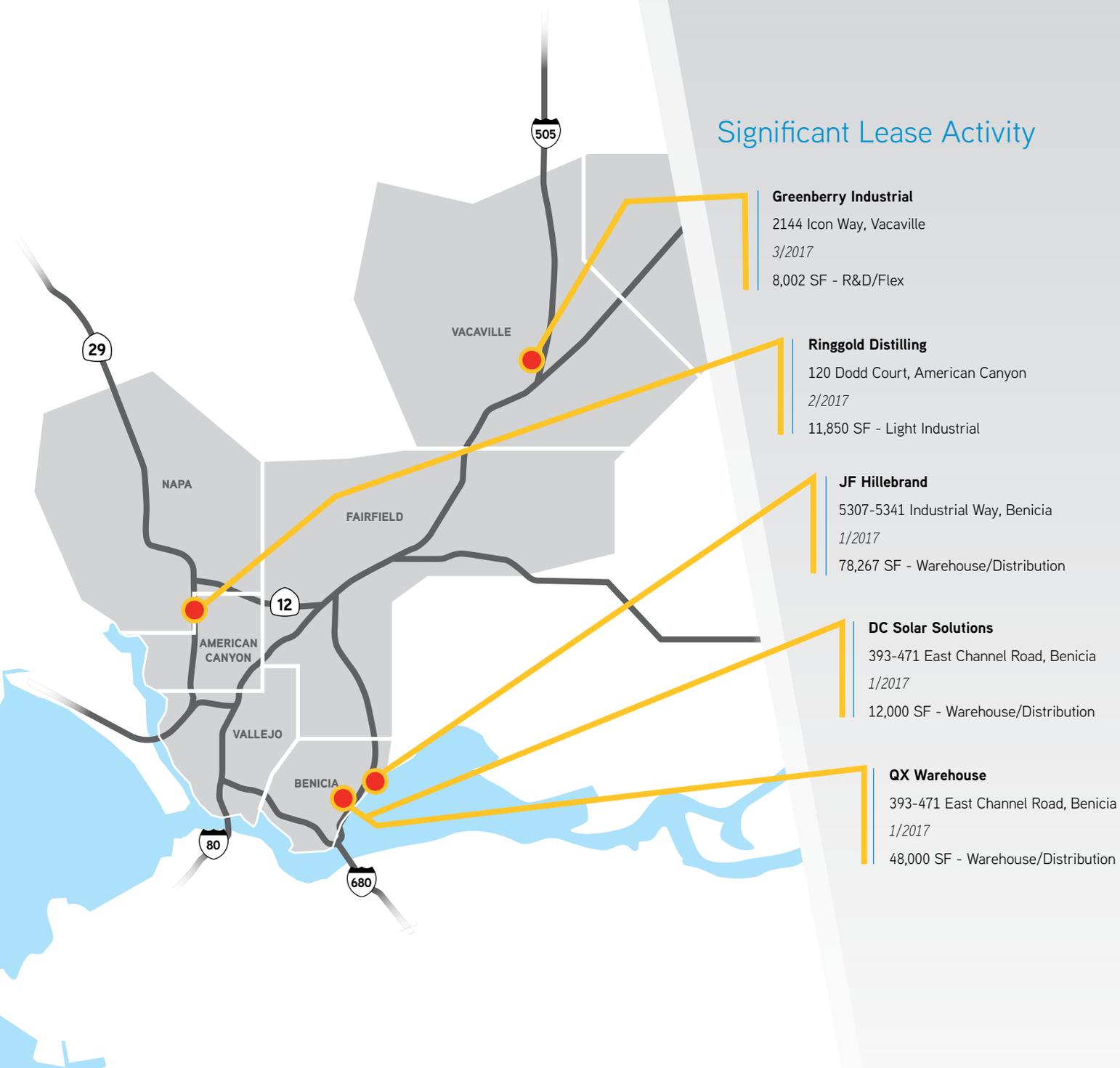


### Vacancy vs. Asking NNN Rental Rates

Solano & Napa counties | Warehouse/Distribution



## Significant Lease Activity



## Significant Sale Activity

PROPERTY ADDRESS	SALE DATE	SIZE	BUYER	TYPE
2102 Courage Drive, Fairfield	1/2017	212,802	Lowenberg Corporation	Warehouse/Distribution
1801 Woolner Avenue, Fairfield	1/2017	48,000	Wallace Lee	Warehouse/Distribution
473-477 East Channel Road, Benicia	2/2017	18,000	475 Channel Road LLC	Light Industrial
110 Corporate Place, Vallejo	1/2017	17,321	Petrochem	R&D/Flex
450 Technology Way, Napa	3/2017	10,424	Greg and Patricia Long	R&D/Flex

## Market Comparisons – Fairfield

### INDUSTRIAL MARKET

EXISTING PROPERTIES										ABSORPTION		CONSTRUCTION		RENTS
SUBMARKET	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	TOTAL VACANCY RATE	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	AVG ASKING RATE
<b>AMERICAN CANYON</b>														
Industrial	32	740,174	4,500	0.6%	-	0.0%	4,500	0.6%	3.0%	17,850	17,850	-	-	\$0.75
R&D Flex		-	-	-	-	-	-	-	-	-	-	-	-	-
Warehouse / Dist.	29	6,551,284	646,000	9.9%	-	0.0%	646,000	9.9%	9.9%	-	-	-	378,128	\$0.54
<b>TOTAL</b>	<b>61</b>	<b>7,291,458</b>	<b>650,500</b>	<b>8.9%</b>	<b>-</b>	<b>0.0%</b>	<b>650,500</b>	<b>8.9%</b>	<b>9.2%</b>	<b>17,850</b>	<b>17,850</b>	<b>-</b>	<b>378,128</b>	<b>\$0.54</b>
<b>BENICIA</b>														
Industrial	137	3,876,158	13,300	0.3%	-	0.0%	13,300	0.3%	0.9%	21,440	21,440	-	-	\$0.68
R&D Flex	5	156,833	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$0.55
Warehouse / Dist.	35	4,381,403	401,006	9.2%	-	0.0%	401,006	9.2%	8.8%	(13,737)	(13,737)	-	-	\$0.44
<b>Total</b>	<b>177</b>	<b>8,414,394</b>	<b>414,306</b>	<b>4.9%</b>	<b>-</b>	<b>0.0%</b>	<b>414,306</b>	<b>4.9%</b>	<b>5.0%</b>	<b>7,703</b>	<b>7,703</b>	<b>-</b>	<b>-</b>	<b>\$0.45</b>
<b>DIXON</b>														
Industrial	31	818,517	-	0.0%	-	0.0%	-	0.0%	1.6%	13,500	13,500	-	-	\$0.61
R&D Flex		-	-	-	-	-	-	-	-	-	-	-	-	-
Warehouse / Dist.	6	1,511,988	136,500	9.0%	-	0.0%	136,500	9.0%	9.7%	10,000	10,000	-	-	\$0.36
<b>Total</b>	<b>37</b>	<b>2,330,505</b>	<b>136,500</b>	<b>5.9%</b>	<b>-</b>	<b>0.0%</b>	<b>136,500</b>	<b>5.9%</b>	<b>6.9%</b>	<b>23,500</b>	<b>23,500</b>	<b>-</b>	<b>-</b>	<b>\$0.36</b>
<b>FAIRFIELD</b>														
Industrial	93	2,945,395	159,868	5.4%	6,400	0.2%	166,268	5.6%	5.4%	(6,932)	(6,932)	-	-	\$0.72
R&D Flex	13	340,459	30,240	8.9%	-	0.0%	30,240	8.9%	11.4%	8,500	8,500	-	-	\$0.67
Warehouse / Dist.	64	10,597,425	536,879	5.1%	-	0.0%	536,879	5.1%	5.5%	861,000	861,000	861,000	-	\$0.50
<b>Total</b>	<b>170</b>	<b>13,883,279</b>	<b>726,987</b>	<b>5.2%</b>	<b>6,400</b>	<b>0.0%</b>	<b>733,387</b>	<b>5.3%</b>	<b>5.6%</b>	<b>862,568</b>	<b>862,568</b>	<b>861,000</b>	<b>-</b>	<b>\$0.56</b>
<b>NAPA</b>														
Industrial	99	2,360,030	13,359	0.6%	6,906	0.3%	20,265	0.9%	0.8%	(1,737)	(1,737)	-	-	\$0.92
R&D Flex	16	567,626	24,370	4.3%	-	0.0%	24,370	4.3%	3.9%	(2,500)	(2,500)	-	-	\$0.96
Warehouse / Dist.	37	3,603,893	21,425	0.6%	-	0.0%	21,425	0.6%	0.6%	-	-	-	80,000	\$0.68
<b>Total</b>	<b>152</b>	<b>6,531,549</b>	<b>59,154</b>	<b>0.9%</b>	<b>6,906</b>	<b>0.1%</b>	<b>66,060</b>	<b>1.0%</b>	<b>0.9%</b>	<b>(4,237)</b>	<b>(4,237)</b>	<b>-</b>	<b>80,000</b>	<b>\$0.85</b>
<b>SUISUN CITY</b>														
Industrial	13	220,463	1,575	0.7%	-	0.0%	1,575	0.7%	0.9%	315	315	-	-	\$0.66
R&D Flex	1	29,000	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-
Warehouse / Dist.		-	-	-	-	0.0%	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14</b>	<b>249,463</b>	<b>1,575</b>	<b>0.6%</b>	<b>-</b>	<b>0.0%</b>	<b>1,575</b>	<b>0.6%</b>	<b>0.8%</b>	<b>315</b>	<b>315</b>	<b>-</b>	<b>-</b>	<b>\$0.66</b>
<b>VACAVILLE</b>														
Industrial	66	1,520,055	36,141	2.4%	-	0.0%	36,141	2.4%	1.7%	(10,802)	(10,802)	-	-	\$0.70
R&D Flex	4	85,691	34,200	39.9%	-	0.0%	34,200	39.9%	39.9%	-	-	-	-	\$0.48
Warehouse / Dist.	31	5,531,460	106,974	1.9%	-	0.0%	106,974	1.9%	2.0%	4,000	4,000	-	321,651	\$0.41
<b>Total</b>	<b>101</b>	<b>7,137,206</b>	<b>177,315</b>	<b>2.5%</b>	<b>-</b>	<b>0.0%</b>	<b>177,315</b>	<b>2.5%</b>	<b>2.4%</b>	<b>(6,802)</b>	<b>(6,802)</b>	<b>-</b>	<b>321,651</b>	<b>\$0.48</b>
<b>VALLEJO</b>														
Industrial	84	3,418,137	751,332	22.0%	-	0.0%	751,332	22.0%	18.6%	(116,206)	(116,206)	-	-	\$0.57
R&D Flex	4	54,962	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$0.50
Warehouse / Dist.	15	1,286,373	185,810	14.4%	-	0.0%	185,810	14.4%	14.9%	6,116	6,116	-	-	\$0.46
<b>Total</b>	<b>103</b>	<b>4,759,472</b>	<b>937,142</b>	<b>19.7%</b>	<b>-</b>	<b>0.0%</b>	<b>937,142</b>	<b>19.7%</b>	<b>17.4%</b>	<b>(110,090)</b>	<b>(110,090)</b>	<b>-</b>	<b>-</b>	<b>\$0.55</b>
<b>MARKET TOTAL</b>														
Industrial	555	15,898,929	980,075	6.2%	13,306	0.1%	993,381	6.2%	5.7%	(82,572)	(82,572)	-	-	\$0.61
R&D Flex	43	1,234,571	88,810	7.2%	-	0.0%	88,810	7.2%	7.7%	6,000	6,000	-	-	\$0.68
Warehouse / Dist.	217	33,463,826	2,034,594	6.1%	-	0.0%	2,034,594	6.1%	6.3%	867,379	867,379	861,000	779,779	\$0.48
<b>MARKET TOTAL</b>	<b>815</b>	<b>50,597,326</b>	<b>3,103,479</b>	<b>6.1%</b>	<b>13,306</b>	<b>0.0%</b>	<b>3,116,785</b>	<b>6.2%</b>	<b>6.1%</b>	<b>790,807</b>	<b>790,807</b>	<b>861,000</b>	<b>779,779</b>	<b>\$0.53</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>														
Q1-17	815	50,597,326	3,103,479	6.1%	13,306	0.0%	3,116,785	6.2%	6.1%	790,807	790,807	861,000	779,779	\$0.53
Q4-16	813	49,736,326	3,033,286	6.1%	13,306	0.0%	3,046,592	6.1%	5.9%	(89,708)	308,030	-	1,520,699	\$0.53
Q3-16	813	49,736,326	2,956,884	5.9%	-	0.0%	2,956,884	5.9%	6.2%	118,750	397,738	-	-	\$0.52
Q2-16	813	49,736,326	3,055,631	6.1%	20,003	0.0%	3,075,634	6.2%	6.5%	306,786	278,988	156,350	1,360,651	\$0.53
Q1-16	811	49,579,976	3,206,067	6.5%	20,003	0.0%	3,226,070	6.5%	5.0%	(27,798)	(27,798)	774,758	238,013	\$0.50

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**\$2.6**  
billion in  
annual revenue\*

**2.0**  
billion square feet  
under management

**15,000**  
professionals  
and staff

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