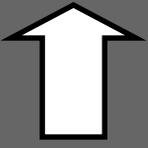


### Q1 2021 Central California Real Estate Update



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## Q1 Record Leasing and Touring Activity

2021 reveals no signs of slowing; reports from brokers show up to 8 million sq ft in total transactions. Speculative construction was over 9 million, a BTS is under construction for a multi-level 3.5 million sf DC. Also, over 170 acres were sold. The largest transactions were:

- Allen Distribution 709,556 sf
- Hawthorne Hydroponics 390,280
- Dairy America 391,489
- FedEx 383,382



### Quarterly Conversations

This quarter, we are talking to John Fondale of JLL whose team was awarded the SIOR 2020 Largest Transaction Award for their 925,475 sf lease to Michaels.

#### Q: How does Central Valley compare to other regions in the country?

A: "The Central Valley has become a key distribution location within the Western US with strong demand from corporate occupiers and institutional owners and developers looking to place capital. The Central Valley, especially the Northern Central Valley provides quick and easy

*"The Central Valley has become a key distribution location within the Western US with strong demand from corporate occupiers and institutional owners and developers looking to place capital."*



New 921,733 sf Building Available in Central Valley. 18 other buildings 700,000+ SF in the "planning" stages for which construction has yet to commence. Photo: Tri-Point Logistics

access to the Port of Oakland, large population base of the Bay area and regional access to the center of the State."

#### Q: What trend that was once projected, is happening now?

A: "E-commerce uses and corresponding demand for space has been steadily growing over the past few years with predictions of continued growth. COVID has accelerated the adoption of E-commerce resulting in a significant demand for more modern warehouse space and corresponding trailer storage."

#### Q: Can you give an example of a company locating from another area to Central Valley, and why.

A: "Michael's retail stores signed a large lease in 2020 in Tracy. They also considered the Inland Empire but realized they could utilize the Port of Oakland and get excellent transportation modeling, affordable labor and lease rates in the Central Valley."



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## Q1 2021: County Snapshots

### **Kern County**

There was unprecedented industrial activity in 1Q21. With up to 2 million sf of new space absorption, and 732 acres of land either bought, in escrow, or being negotiated. Amazon is nearing occupancy in 1.0 M sf in The Wonderful Industrial Park in Shafter. Wonderful announced plans for its third spec 1.0 M sf DC. Rexco bought an 80-acre parcel adjacent for spec development, an LA-based developer is in escrow on a 136-acre site along Hwy 58 in E. Bakersfield for spec development, a third LA developer entered escrow on an 80-acre site in S. Bakersfield for a BTS tenant. An 80-acre parcel near Shafter entered escrow with a user. *Cushman & Wakefield PACCRA- Wayne Kress*

### **Tulare County**

Tulare County shows the net absorption for Q1 2021 at 79,574 sf (Q4 2020 was 912,722 SF). Visalia and its pro-industrial outlook headline the activity in the area with the continued construction of the Cap Rock and YS Industrial projects. Amazon will occupy 1.0 M sf on W Riggin Ave in Visalia. The 36-acre former olive processing facility available in Lindsay is a unique repurposing opportunity and recently had a cannabis cultivation, manufacturing, and distribution conditional use permit approved by the city. Additionally, Tulare County as a whole has several large pieces of industrial land for sale. A recent land sale includes a 116-acre site in Visalia for a built-to-suit tenant. *Colliers, Buk Wagner, Charlie Shuh*

### **Kings County**

Kings County shows the net absorption for Q1 2021 at -79,723 sf, (Q4 2020 was -700,844 SF). Most of that vacant space was one property (a large former cotton storage facility in Hanford). Kings County has had a lot of interest and activity in solar projects. Helena announced its move from Hanford to Lemoore. And the 415-acre Jackson Ranch development planned for I-5 and Utica just south of Kettleman City is an exciting concept that will include a 113-acre warehouse component for occupiers interested in leveraging the logistical advantages of the location. *Colliers- Buk Wagner and Charlie Shuh*

### **Fresno County**

Net absorption for Fresno for Q1 2021 is at 541,457 sf. There is limited spec construction throughout the County, but there is activity at Francher Creek, Northpointe Business Park, and Hydro Business Park. "Demand is completely outpacing supply and that we're running at effectively a net zero vacancy factor in Fresno County, especially for Class A product types," according to *Nick Audino, Newmark Pearson Commercial*. There were 4 building sale transactions ranging in size from 72,000 to 127,000 according to *Charlie Schuh, Colliers*.

### **Madera County**

Madera County has experienced the same increase in industrial activity as most Valley communities over the last year. The County has positioned itself as a business-friendly area that is welcoming to the broad spectrum of industrial uses, including manufacturing, logistics and food production. Madera County, which has ample inventory of ready-to-develop, industrially-zoned parcels at relatively reasonable prices, should continue to be a viable option for new projects. In Freedom Industrial Park, SPAN Development is currently underway on a second 40K Spec building. *Newmark Pearson Commercial- Ethan Smith, SIOR, CCIM*

### **Merced County**

Like other Central Valley markets, Merced and Madera counties have been able to ride that momentum to grow their industrial sectors. There have been several expansions of food production facilities in the Merced area, and a transload rail concept at Castle Airforce Base is in the planning stages. Local economic development organizations are also brainstorming the possibility of an industrial park off the I-5. *Colliers- Buk Wagner and Charlie Shuh*

### **Stanislaus County**

Stanislaus County is on the move. A million-square-foot warehouse and distribution center employing 1,000 workers is planned at Turlock Regional Industrial Park. Circulus, an advanced plastics recycling company will move forward with operations at the Riverbank Industrial Complex. Innovative companies in the home-building sector such as Entekra and S2A Modular choose to call Stanislaus County their home/headquarters. Moreover, the Cannabis Industry continues to thrive. A national cannabis company has obtained approvals for a cannabis campus in the heart of Riverbank. The site is 32 acres in size and the initial improvements totaling more than 300,000 square feet. *PMZ Commercial-Duke Leffler, SIOR, CCIM*

### **San Joaquin**

San Joaquin County started off with an active quarter, signing more than 2.9 million s.f. of deals; 40% more than what signed in Q1 2020, thanks to an 82% increase in average lease size, which was 295,392 s.f. this quarter. Some of the notable move-ins this quarter included Allen Distribution, which occupied 709,556 s.f. on Logistics Drive in Stockton, Hawthorne Gardening (Scott's Fertilizer) took 388,971 s.f. on Chabot Court in Tracy, a large logistics and shipping company took 383,382 s.f. on Arch Road in Stockton. There is approximately 4.5 million sq ft under construction and the vacancy rate decreased by 80 bps to approx. 6.5% overall. Demand remains high especially in the ecommerce and general distribution sectors, and rents are steadily increasing. *Jones Lang LaSalle- John Fondale*