

Office & Retail Market Update San Joaquin & Stanislaus June 3rd, 2010



Presented By: Tim Mustin
 Research Analyst II
 Colliers International
 3439 Brookside Road, Suite 108
 Stockton, CA 95219
 Direct: 209-475-5110
 Main: 209-475-5100



2010 Statistics

	United States	Canada	Asia	ANZ	Latin America	EMEA	Total
Revenues	\$1.1B	\$176M	\$95M	\$280M	\$22M	\$240M	\$1.9B
No. of Countries	1	1	12	2	8	37	61
No. of Offices	135	39	26	168	17	95	480
No. of Employees	6,135	1,631	1,949	2,386	296	2,655	15,052
No. of Brokers	1,580	364	443	950	138	1,313	4,788
SF Managed	1.3B	48M	343M	507M	10M	139M	2.4B
No. of Lease/Sale Transactions	62,592	12,165	7,219	31,835	2,190	19,976	135,977
Total Transaction Value	\$74B	\$17B	\$9B	\$15B	\$3B	\$36B	\$154B

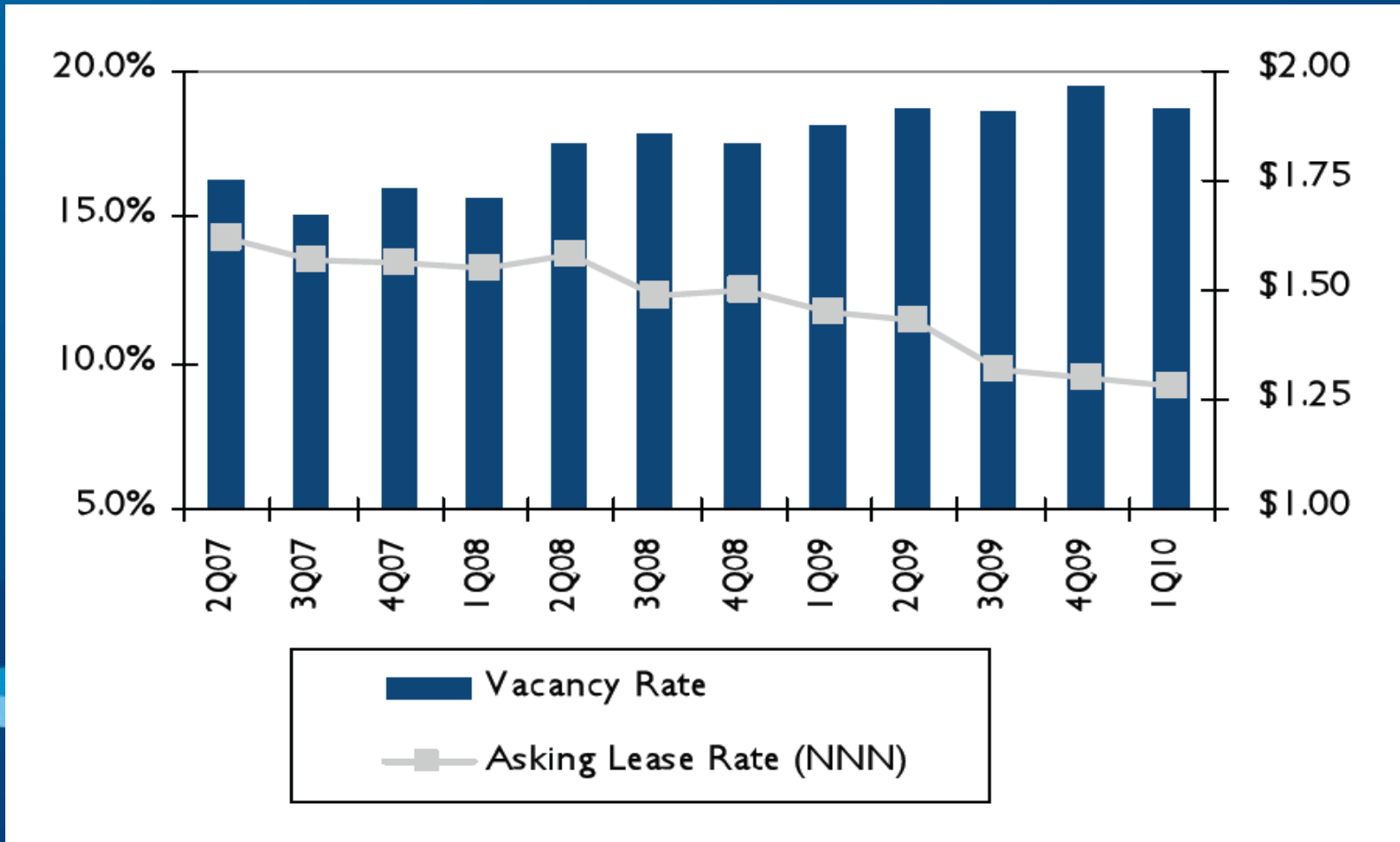


View of the Office Market



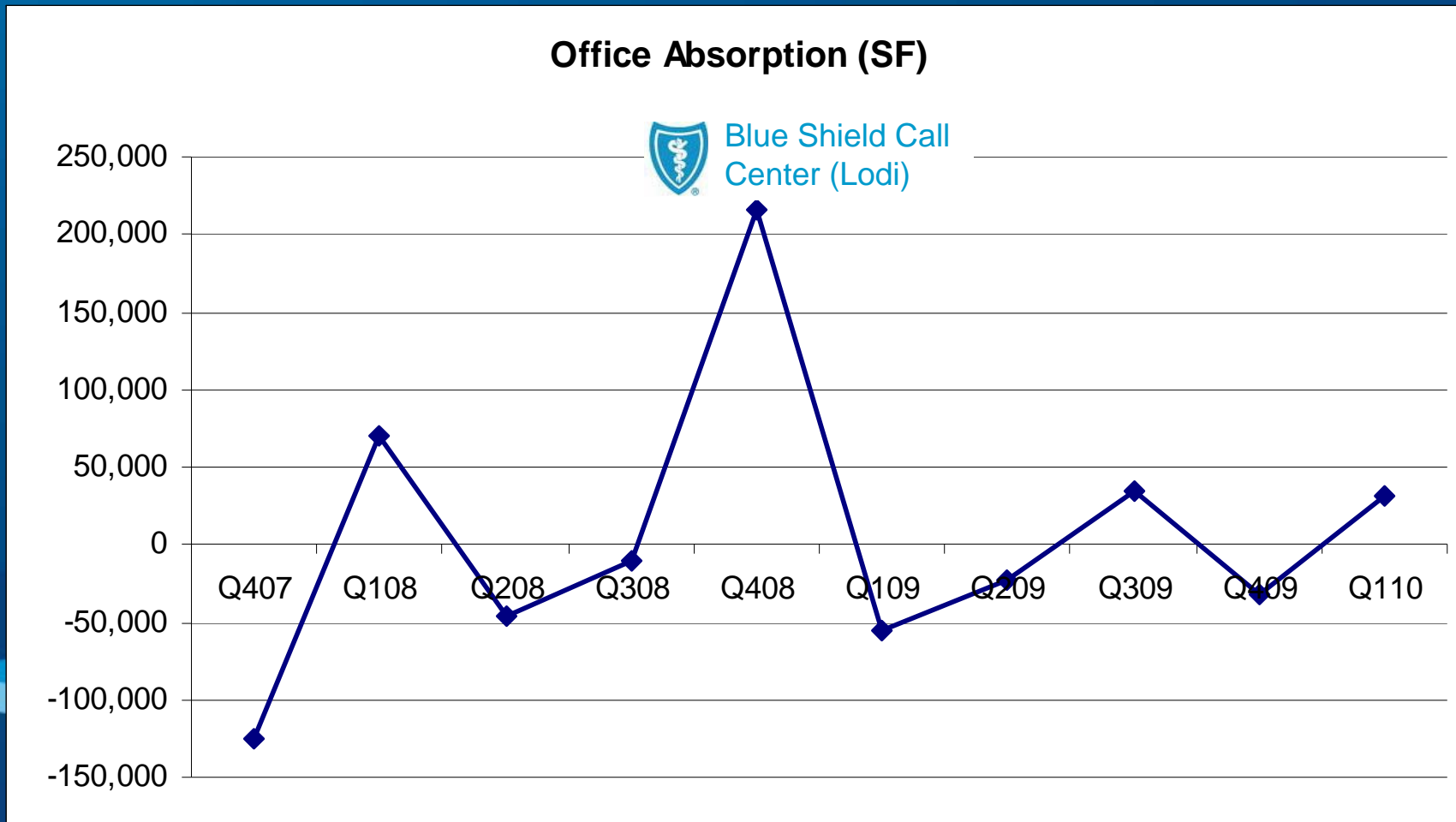
- Possible vacancy plateau ($\pm 18\%$)
- Rents decline is slowing.
- Resources at Home Offices contributes to the “Wait & See” attitudes.
- Subleasing not as prominent as previously expected.

Office Vacancy vs. Rents



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Net Office Absorption

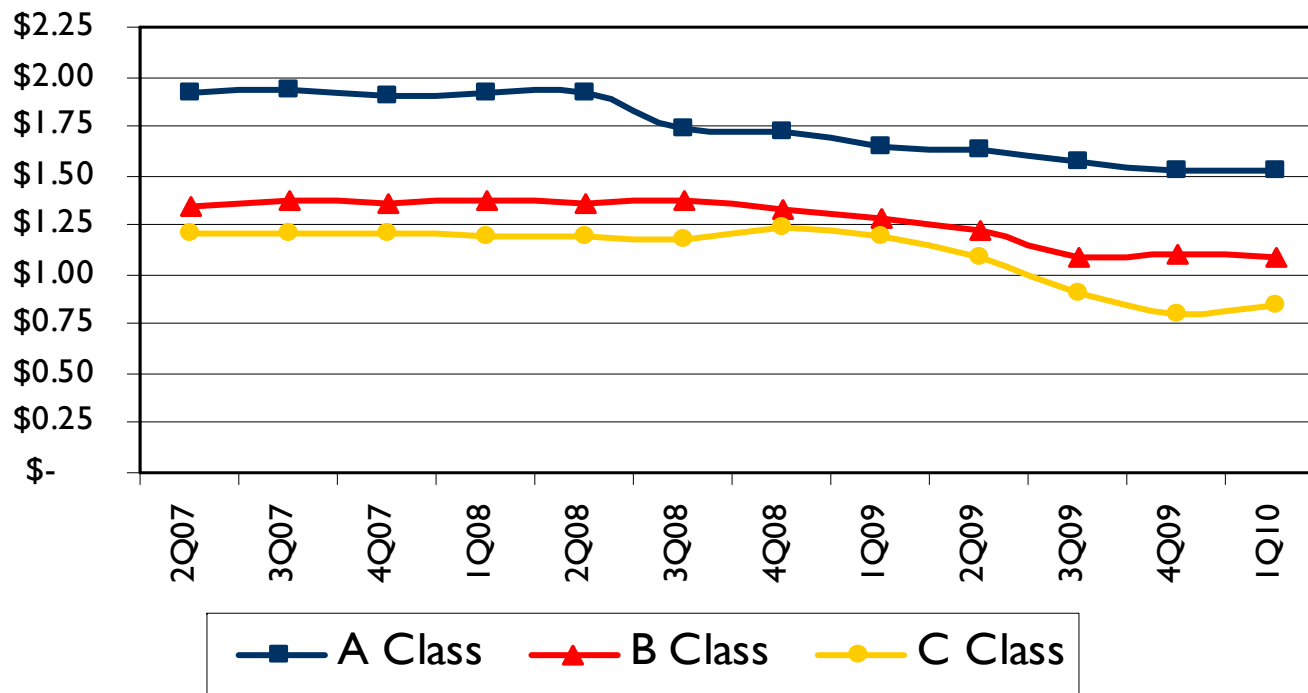


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Office Rents



Asking Lease Rates (NNN)



Office Comps



Address	Date Lease	Square Feet	Lease Rate	Term	Tenant
2800 W. March Lane, Stockton	3/2010	5,100	\$1.75 FS	40 Months	Wells Fargo – Home Loan
Wells Fargo Home Loan vacated 2,000 SF and occupied 5,100 SF in the same building.					
3203 W. March Lane, Stockton	3/2010	4,287	\$1.45 FS	36 Months	First Amer. Title
This is lowest lease rate in the Brookside area of Stockton. Brookside is the newest class “A” area in Stockton.					

Case Study - Office



Address	Date Sold	Square Feet	Sales Price	Constructed	Purchaser Type
3244 Brookside Rd, Stockton	3/2010	44,000	\$3,520,000 \$80/SF	2006	Owner/User

Previously Listed For Lease

Date	Rent	Rent Type	Expenses	TIs/SF	
2005-2007	\$1.90	NNN	\$0.41	\$30	
2008-2010	\$1.55	NNN	\$0.41	\$50-60	



65% Vacant
(Shell)
When Sold

View of the Retail Market



- “Commute Zone” communities boomed and are now bust.
- Necessity retail – grocery/drug – is maintaining foot traffic.
- Price impact sector doing well.
- Unanchored “B” Locations more vulnerable to vacancy.

View of the Retail Market



- Activity - Small increase
 - Mom & Pop
- Nationals – Wait & See
- CV to follow behind Bay Area
- New owner type - REO

Retail Investments



- Cap Rates may be deceptive.
- Rent rolls are inflated (mid-2000).
- Tenant future viability in question.

Case Study



- New 54,000 SF strip center in Manteca – 2006
- Listed immediately in 2006 for \$16M
- Note: \$14.2M
- Now asking at \$6.5M
- PetSmart has never paid rent
 - 50% vacancy trigger



Investors



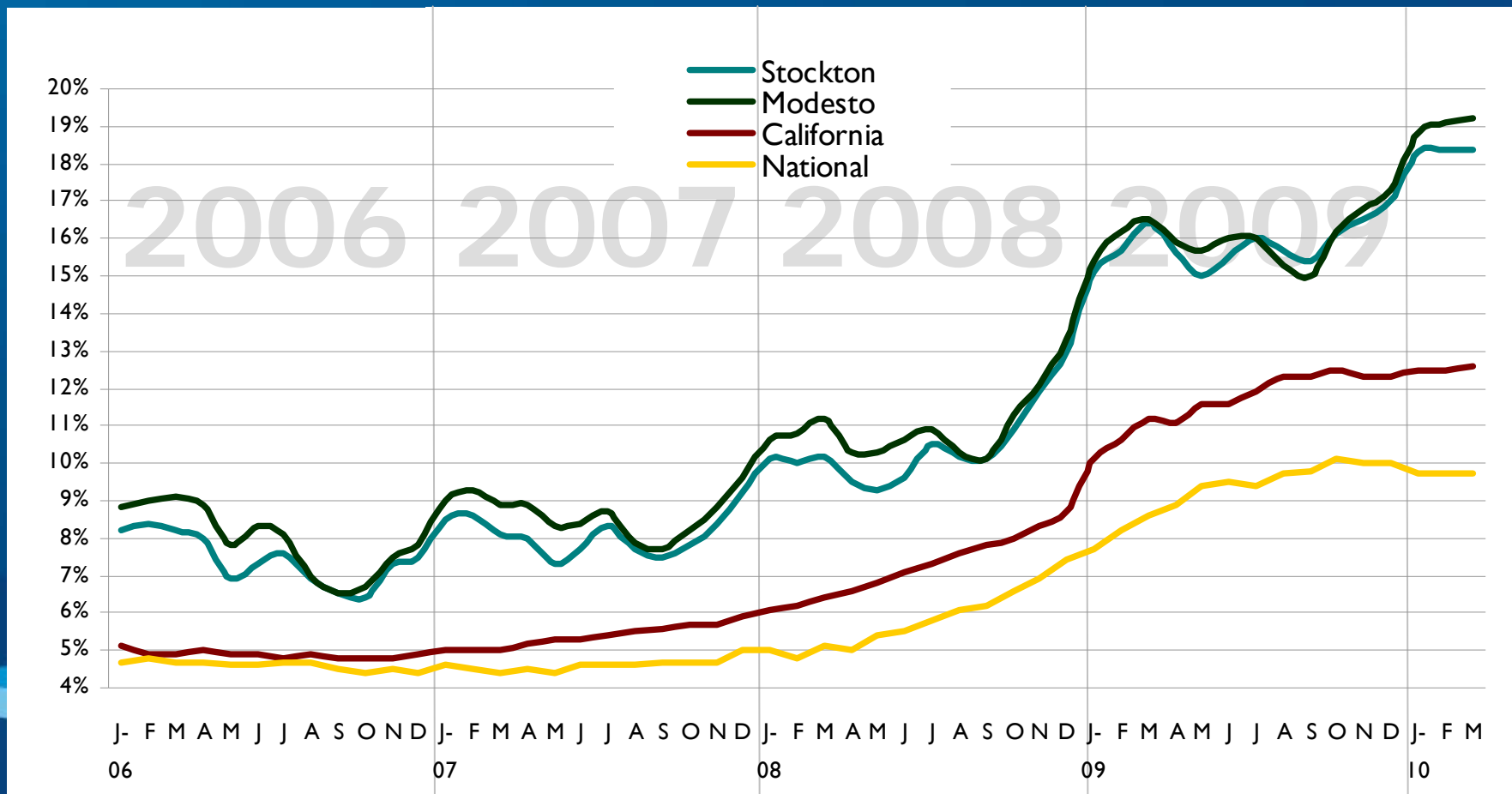
- Safety - Consistency
- NNN single tenant buildings interest is growing.
- Guarantor is Key
 - Corporate guarantee?
 - Franchisee net worth?
 - Franchisee locations in operation?

Retail Challenges



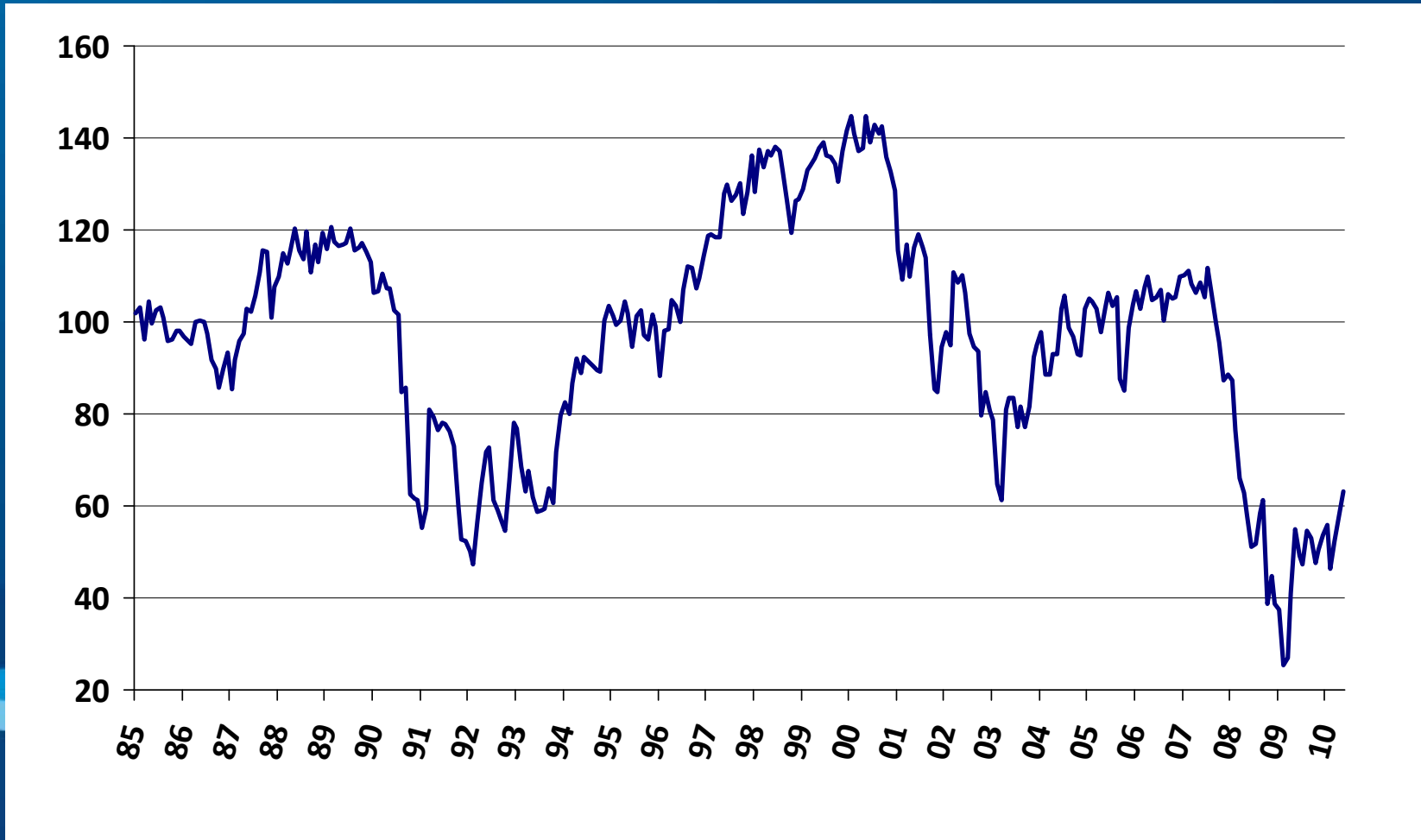
- Jobs: Critical step to stabilize retail.
- Employment >
Steady Income >
Consumer Confidence >
Retail Revenue >
“Building Values
& Expansion.”

Unemployment



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Consumer Confidence



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Challenges



- Foreclosures
 - Foreclosure absorption is key.
- No home construction.
 - New homes fuel retail demand/growth.
- Consumer savings & home equity

Commercial Construction



- Construction will be stifled on three fronts:
 1. High Vacancy.
 2. Low Rent.
 3. Permit Fees, Impact Fees, Transportation Fees.

Commercial Outlook



- Consumer demand needs to increase for positive change in CRE.
- Foreclosures and negative homeowner equity will continue to acutely impact CRE.
- Investors remain on the sidelines attempting to “time” the market bottom.

Contact Info:

Tim Mustin

Colliers International

Tim.Mustin@Colliers.com

209.475.5110

Russ Sherwood

Hulberg & Associates, Inc.

Russ@Hulberg.com

