

# MARKETBEAT

## Industrial Snapshot Q4 2015

### Bakersfield, CA



END OF YEAR REPORT | 2015

### Economy

The greater Bakersfield industrial market was anxious throughout 2015, owing to the declining value of oil throughout the year. This is understandable, given our role as California's leading producer of oil and gas. But our industrial market held up remarkably well throughout the year. Oil started its slide in July 2014, and we entered 2015 with a 6.9% vacancy rate. We ended the year at 3.7%.

The oil situation did reduce demand—some—but it did not *kill* demand. Indeed, the year was marked more by a lack of supply, particularly of finished industrial lots, and rents and sale prices continued an upward trend. And Bakersfield is now California's oil-service infrastructure hub, which mutes the negatives some.

We think, however, that negative consequences of the oil situation will be felt more in 2016. Historically, the decline of oil prices is followed by declining industrial real estate prices about 18 months later. That puts us at January, 2016. Stay tuned.

### Market Overview

The market absorbed 1.47 million sf in 2015, down significantly from the 2.5 million sf in 2014. This was more because of lack of supply than lack of demand, a claim that is supported by the increased number of build-to-suits. Twelve have occurred since 2013, and nine more properties leased during the early construction phase of spec projects. Two more are negotiating as 2015 ended. That's 23 such projects. Contrast this: only five build-to-suits occurred over the previous 25 years (that's not a typo; 25 years).

The supply side is being fed mostly by Roll Real Estate Development, who have spec developments in three locations: Logistics distribution buildings in Paramount Logistics Park, wholesale warehouse space in North Meadows Business Park, and smaller user buildings in Crossroads Business Park. Tejon Ranch Commerce Center was mostly silent on the industrial front in 2015, concentrating mostly on their commercial/retail developments.

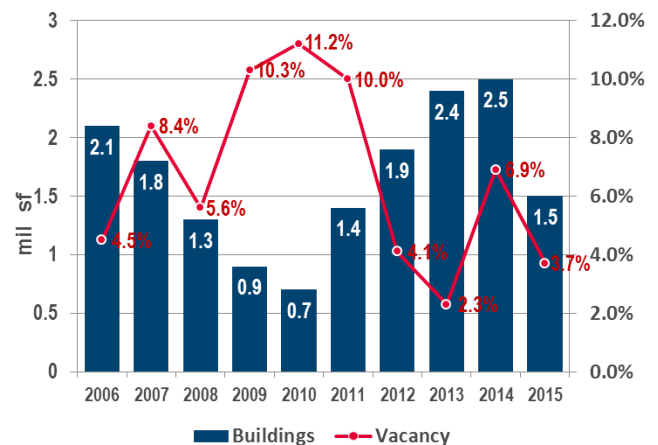
What's coming? The airport area is becoming ground-

zero for industrial growth in the metro area, while the big logistics users will go to either Paramount or Tejon. The corridor between Hwy 99 and Airport Drive has two 100+ acre developments under way—the 138-acre Landings Logistics Center across the street from our airport, and an as-yet unnamed 114-acre development next door to the airport. Another 117-acre site is also available for sale.

### Outlook

STATS ON THE GO					
	Q4 2013	Q4 2014	Q4 2015	Y-o-Y Change	12 month Forecast
Overall Vacancy	2.8%	6.9%	3.7%	-3.2pp	▲
Overall Rents	\$0.49	\$0.54	\$0.71	+\$0.17	▼

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY

