

MARKETBEAT INDUSTRIAL SNAPSHOT



PACIFIC
COMMERCIAL REALTY ADVISORS
INDEPENDENTLY OWNED AND OPERATED

BAKERSFIELD, CALIFORNIA

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END OF YEAR REPORT | Q4 2014



ECONOMIC OVERVIEW

2014 marked a coming out of sorts for the logistics industry and the Paramount Logistics Park in Shafter. Ross Dress For Less nears completion of a 1.75 million sf fulfillment center; American Tire Distributors took delivery of a 1.0 million sf distribution center; and FedEx Ground began construction of a 210,000 sf sorting and delivery center. As of year-end, other requirements are negotiating.

Elsewhere in the market, 2014 was generally a year lacking supply—of both buildings and finished lots. Throughout the year, vacancy was well below 5% and ended at 3.9%. Absorption totalled 2.3 million sf, though 1.0 million sf of that was a build-to-suit-for-lease done for American Tire Distributors. The remaining 1.3 million sf was down from the 1.7 million sf absorbed in 2013, though several build-to-suits are in the works and won't be counted as absorption until delivery occurs in 2015.

As Bakersfield is an energy producer, oil prices can affect demand. Prices were relatively stable during the first half of 2014 at around \$100/bbl, but prices began a steady decline in July and finished the year under \$50/bbl. The local boom in hydraulic fracturing generally requires \$60/bbl pricing. Still, while some demand evaporated, several deals remained. Bakersfield is the declared California infrastructure hub of the oil service industry, and the industry isn't going away.

INDUSTRIAL MARKET OVERVIEW

Since the beginning of 2010, the local industrial users have bought or leased nearly 8 million sf of space, and the vacancy rate has fallen from 11.2% to 3.9%. Speculative building construction has been slow to come, though that is beginning to change. Four projects are scheduled to break ground in 1Q15—all in the airport area—totaling 171,500sf. In addition, two new industrial parks are under construction—Landings Logistics Center (138ac) in the airport, and CrossRoads Business Park (80ac) in the southwest. Another 94 acres site was acquired in the airport for development, and another 117 acres site is offered for sale.

After the American Tire Distribution deal, building absorption occurred mainly in three areas: the Rosedale Oilpatch (37%), the airport (35%), and the southwest (25%).

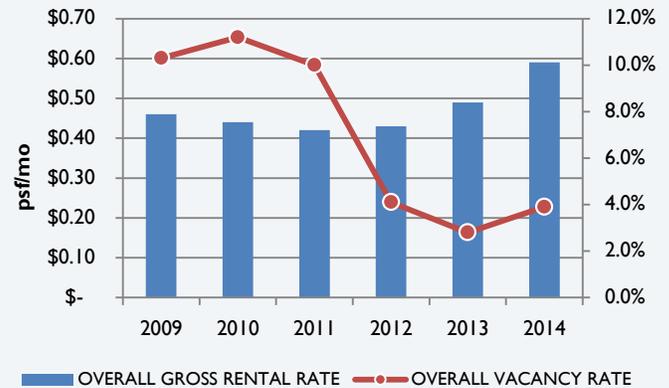
OUTLOOK

Despite the declines in oil prices, we are fairly optimistic for 2015. Our own opening book of business for the year is spread among energy (38%), construction (29%), and logistics (12%). Investors and spec-development are also active.

STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	2.8%	3.9%	+1.1pp	▲
Overall Rents (psf/yr)	\$0.49	\$0.54	+\$0.06	▲

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY

