
APPENDIX P

**Pacific Gateway
Urban Decay Study**

Prepared for:

Raney Planning & Management, Inc.

Prepared by:

ALH | ECON

ALH Urban & Regional Economics

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I. EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this study is to assess the potential for urban decay resulting from development of Pacific Gateway, a planned mixed-use development on 1,576.7 net acres located about one mile south of the City of Tracy in unincorporated San Joaquin County (the “Project”). This study is in support of the CEQA environmental review process for the Project. The overall Pacific Gateway project is expected to include 24,675,000 square feet of industrial development (I-L Zone, comprising warehouse, logistics, fulfillment, and advanced manufacturing uses), 93,000 square feet of business park space (I-P Zone), 88,500 square feet of supportive general commercial space, a 60,000-square-foot hotel, an 11,500-square-foot Veterans of Foreign Wars Hall, and 1,379,150 square feet for a University. The Project’s overall anticipated development time frame is up to 30 years, from 2026 to 2056.

Raney Planning & Management, Inc. has been engaged to prepare an Environmental Impact Report (“EIR”) for the Project. ALH Urban & Regional Economics (“ALH Economics”) is part of the environmental team, responsible for conducting the EIR’s urban decay analysis on the Project’s industrial and hotel components, to be incorporated into the EIR. Generally speaking, for the purpose of CEQA, urban decay is characterized by physical deterioration to properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community.

This study estimates the extent to which development of the Project’s industrial and hotel components may or may not contribute to urban decay pursuant to potential impacts on existing industrial developments and hotels. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes the commercial real estate base and other germane real estate conditions, as measured against the current baseline. Characteristics of physical deterioration contributing to urban decay include abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

This study includes exhibits referenced in the text. These exhibits are located in the Appendix. The study is subject to the accompanying Assumptions and General Limiting Conditions presented at the end of the report.

SUMMARY OF FINDINGS

Key Economic and Market Findings

Highlights of the urban decay analysis for Pacific Gateway (the “Project”) are as follows:

Industrial

- San Joaquin County has an extensive transportation network with four major freeways, numerous smaller highways, access to the Port of Stockton, two national rail lines, and a regional airport. The county’s relative affordability and lower land and building prices have attracted strong residential growth and promoted industrial development.

- San Joaquin County's employment growth from 1990 to 2020 was greatest in the Transportation, Warehousing, & Utilities sector, with 6.4% compound annual growth. This high rate of growth resulted in the sector comprising the largest non-government industry sector in the county by 2020.
- According to research prepared by The Center for Business and Policy Research, University of Pacific, by 2017 San Joaquin County had the nation's second highest concentration of transportation and warehousing jobs, second only to the logistics hub in Laredo, Texas, on the U.S.-Mexico border.
- As of 2023, Transportation, Warehousing, & Utilities was the largest industry sector in the county, even exceeding Government, with 46,800 jobs, or 16% of the county's employment base.
- San Joaquin County has a large and strong industrial market totaling 138.4 million square feet of space, of which 77%, or 106.4 million square feet, is warehouse space. The industrial market vacancy rate reported by Colliers was 7.8% as of the third quarter of 2024.
- The Project represents a 17.8% increase in the county's overall 138.4-million-square-foot industrial inventory as of the third quarter of 2024.
- The addition of cumulative industrial projects would boost the future supply of new industrial space by 59.5 million square feet, increasing to 84.2 million square feet with the Project. This would increase the existing supply by over 60%. While a substantial increase, projected demand through 2060 in San Joaquin County is even greater at 144.3 million square feet.
- The industrial real estate base in the market area is well maintained and does not exhibit signs of physical deterioration. While the market has industrial buildings that date to the 1980s or earlier, a high percentage of product has been built since 2000. Newer buildings in the market are distinctly different than older buildings and tend to be larger with higher ceilings, more power, and able to accommodate greater loads, which is more in line with current tenant demand.

Business Park

- The Business Park square footage of 93,000 square feet is one of the smallest components of the Project (I-P zoning). It is intended to consist of smaller buildings used for combined office/warehouse uses, including a range of service-related businesses, among other business types.
- User demand for these relatively small tenant spaces is likely to comprise start-up or established businesses with local area ownership or targeted to serve the Project's 24,675,000 square feet of industrial users.
- Such uses are unlikely to be competitive with the light industrial stock in Tracy or beyond, all of which are 7 or more miles distant from the Project. Furthermore, the existing light industrial stock in Tracy, the geographically closest established market, is well-occupied, with a third quarter 2024 4.9% occupancy rate and about 735,000 square feet of inventory. Because of this lack of competitiveness this use is not evaluated in the context of potential urban decay.

Hotel

- The Tracy hotel market is comprised of eight properties totaling 608 rooms. The hotel types range from economy to upper midscale class. Only one property has been completed since 2020, while two others were completed in 2003 and 2006. The rest of the properties were completed between 1987 and 1999.
- Hotel occupancy rate trends over the past nine years (including 2024 through October) indicate an average occupancy rate of 76%.
- The existing competitive hotels in Tracy are in good condition.
- The Project's hotel represents a 16% increase in the market area's hotel rooms inventory.
- There is a substantial projected future supply of hotel space totaling 765 rooms.

- The addition of the cumulative hotel projects could result in projected occupancy rates well below industry standards. It is possible that forecasted hotel demand may exceed that projected, or that the Pacific Gateway project, including the relocated and expanded university, could induce additional hotel demand, all of which could result in higher occupancy rates. Alternatively, hotel developers could postpone construction of new hotels until warranted by market demand. The distance of the Project from competition could also insulate the existing hotel base from negative impacts.

Retail

- There is no existing competitive retail near the Project or its planned retail space.
- The planned Project retail, totaling 88,500 square feet, is not large enough to comprise a substantial shopping center. This is especially the case given that the retail will be located in two areas – The University Center (38,908 square feet) and the Gateway Center (49,592 square feet). Hence, the primary purpose of the University Center retail space will be to provide convenience shopping and dining opportunities for tenants and visitors of the Project, as well as the University students living on campus. The primary purpose of the Gateway Center space will be to capture drive-by traffic to/from the Bay Area via I-580, I-5, Route 132, and Route 99.
- Employees, hotel guests, and students are estimated to more than support the proposed University Center space. There will likely be yet additional demand generated by visitors to Pacific Gateway, nearby residents, and other businesses.
- It is not as easy at this juncture to estimate demand for the Gateway Center retail space. However, the next nearest highway-related retail nodes are approximately 10 miles northwest and 10 miles southeast of Pacific Gateway. This suggests a gap in the market for highway travelers. This distance will limit the potential for negative impacts on these existing nodes, and will heighten demand for Gateway Center retail.
- Thus, the retail spaces are likely to be supportable. There are no identified cumulative retail developments, which will result in focusing demand at the Project’s retail spaces.

Industrial Market Impacts

The Project’s industrial component totals 24,675,000 square feet of new industrial space. This amount of space comprises a 17.8% addition to the existing 138.4 million square-foot industrial inventory in San Joaquin County. The San Joaquin County economy as a whole is projected to experience demand for industrial space in the near- and long-term future. Projected demand from 2024 to 2040 totals 45.8 million square feet, with an additional 98.5 million square feet of demand projected through 2060. Overall, the Project represents less than one fifth of the county’s projected demand for the 2024 to 2060 period.

For the Project’s industrial space to potentially have a negative impact on the market, it would need to draw tenants away from existing buildings without the potential for that space to be re-tenanted, thus increasing the vacancy rate to an unhealthy level. There are major factors that suggest these circumstances are unlikely to happen, such as:

1. There is ample projected demand compared to the Project’s expected supply. Although in the period leading up to 2040 the Project’s anticipated phases represent 27% of projected demand, this ratio falls to 12% over the next 20 years from 2040 to 2060, when Project buildout is estimated.
2. The vacancy rate of 7.8% as reported by Colliers for San Joaquin County indicates the market is relatively healthy. Looking at CoStar statistics for the two-county market area of San Joaquin and

Stanislaus counties is at a 6.4% vacancy rate, well below that experienced during the height of the Great Recession, near 13% in 2009 and 2010. Although net absorption has slowed in relation to construction deliveries since 2021, developers have responded by postponing breaking ground on new buildings.

3. Development of the Project will be driven by market conditions and tenant demand. To the extent that demand for the Project's industrial buildings is less robust than expected, then construction will slow to better align with demand. This may mean that development timing of later phases could be pushed further out into the future.

Because of these factors, the Project is not expected to negatively impact the existing industrial base in the market area.

Hotel Market Impacts

The Project's hotel component totals 60,000 square feet, or 100 rooms, which comprises a 16.0% addition to the existing 608-room Tracy hotel inventory. With projected modest annual demand growth in the hotel market, absent any other new market additions, the Project is not anticipated to impact the existing hotel market. Part of this conclusion is based on its unique location for a hotel, which is over 10 miles distant from the closest existing hotel competitor and proximate to the planned University, creating its own unique node.

Retail Market Impacts

The Project's University Center retail space is estimated to be more than amply supported by internal demand generated by employees, hotel guests, and University students. There are no identified cumulative retail developments. As a result, the internally generated demand will be strongly focused on this University Center retail space, limiting the potential for any urban decay to result from its development. Given its location, the Gateway Center retail space will be oriented to demand external to Pacific Gateway. The next nearest highway-related retail nodes are approximately 10 miles northwest and 10 miles southeast of Pacific Gateway. This suggests a gap in the market for highway travelers needing to stop for a break, restock supplies, get a meal or a snack, etc. This distance will limit the potential for negative impacts on these existing nodes, and will heighten demand for Gateway Center retail. Accordingly, it is unlikely that development of the Gateway Center retail space will cause or contribute to urban decay of like properties.

URBAN DECAY CONCLUSIONS

Industrial

The study findings suggest that existing industrial properties in the Project's competitive industrial market area are not anticipated to experience significant adverse physical impacts related to economic and social changes and/or effects leading to urban decay or deterioration following the addition of the planned Pacific Gateway Project or cumulative projects.

While the potential cumulative supply of industrial space is extensive, the potential supply additions are more than matched by forecasted space demand. ALH Economics believes that urban deterioration or decay would not result from the identified increase in the industrial inventory. ALH Economics therefore concludes that the industrial component of the Project and cumulative projects are not anticipated to cause adverse physical impacts leading to urban decay.

Hotel

The study findings suggest that existing Tracy hotels are not anticipated to experience significant adverse physical impacts related to economic and social changes and/or effects leading to urban decay or deterioration following the addition of the planned Pacific Gateway Project's hotel.

With respect to the potential cumulative supply, there is a substantial potential increase in the number of hotel rooms. However, due to the Project's distance of over 10 miles from the existing hotels, it is quite possible that the Project hotel may not divert demand from all hotels equally and may capture its own customers. Additionally, the analysis conservatively did not quantify a demand boost for the Project hotel based on its location proximate to the University. There is likely to be a steady level of some demand associated with the University, peaking at key times such as student move-in, graduation, and student move-out. Finally, there could be other sources of hotel demand that emerge during the projection period that could boost hotel demand. Alternatively, hotel developers would not be able to attract financing to construct new hotels in a market that appears to have an oversupply. Thus, the developers of the approved hotels might delay commencement of construction until such time as demand warrants new hotel rooms.

Retail

The study findings indicate that the Project's modest amount of retail space, split between two site locations, is likely to be supportable, from primarily internally generated demand supplemented and by external highway-related demand. As there is no competitive retail near the Project, development of the planned retail spaces are not likely to contribute to urban decay of any existing commercial properties.

Summary Conclusion

In conclusion, Pacific Gateway industrial's component, along with the identified cumulative projects, is not anticipated to cause or contribute to urban decay in the Project's market area. For the hotel component, the Project's hotel by itself is not anticipated to cause or contribute to urban decay in the market area. However, with consideration of the identified cumulative supply, it is possible that there could be negative impacts. These impacts are mainly due to the future supply of hotels as opposed to the Project, due to the Project's unique location distant from the existing hotel base and proximity to the planned University. Additionally, it is possible that potential future negative impacts might be offset by higher-than-forecasted demand or curtailed future supply as hotel developers postpone construction until warranted by market conditions. Given the lack of any nearby competitive retail space, development of the Project's modest amount of retail space is not likely to contribute to urban decay of any existing commercial properties.

II. INTRODUCTION

STUDY BACKGROUND

Raney Planning & Management, Inc. has been retained to prepare an Environmental Impact Report for the Pacific Gateway Project (“Project”). To support this effort and comply with the California Environmental Quality Act (“CEQA”), ALH Urban & Regional Economics (“ALH Economics”) was asked to analyze the potential for the Project’s industrial and hotel components to cause or contribute to urban decay. The initial impetus for urban decay analysis within the context of environmental review stems from the decision by the Fifth District Court of Appeal in *Bakersfield Citizens for Local Control v. The City of Bakersfield*, which was a case pertaining to the environmental review of two planned Walmart stores and other associated retail development in the City of Bakersfield. This court decision suggested that in some circumstances, CEQA may require a lead agency to consider and analyze the potential for the introduction of planned retailers to result in adverse physical impacts on the environment by causing a chain reaction of store closures and long-term vacancies, otherwise referred to as a condition of “urban decay.” Consequently, urban decay analyses are often prepared for retail development, or the retail components of large-scale mixed-use projects. Some environmental impact reports also conservatively extend the urban decay analysis to other land uses, including office, hotel, and industrial land uses. Such is the case for this current analysis for Pacific Gateway, which is primarily an industrial development. Although the Project plans include business park and general commercial space, these uses are relatively small and are intended to be supportive of the industrial space, relying on internally generated demand.

For the purpose of this analysis, and to support CEQA’s impact threshold requirements,¹ urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and long lasting that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth.

This study analyzes the potential impact of the Project’s planned industrial and hotel components on the physical environment as represented by the respective real estate bases. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes existing industrial buildings and other germane real estate conditions, as measured against the current baseline.

PROJECT DESCRIPTION

The proposed Pacific Gateway (“Project”) comprises approximately 1,576.7 net acres in unincorporated San Joaquin County. The site is positioned in the southwest portion of the county, located generally north and east of Interstate 580 and State Route 132. The primary access to Pacific Gateway is S. Chrisman Road via SR 132. Secondary access points include MacArthur Drive and Bird Road off of SR 132. The northernmost boundary of the site is approximately one mile south of the City of Tracy’s city

¹ CEQA Guidelines Section 15064(e), 15064(f)(6), 15131, and 15182.

limits. The site is relatively level and is currently an active agricultural area, with almond and cherry orchards, plus two agricultural processing and manufacturing facilities.

Exhibit 1 presents the breakdown of the Project's proposed components, mainly comprising industrial space (I-L Zone) totaling 24,675,000 square feet. This space is anticipated to include modern industrial building types, such as logistics facilities, fulfillment centers, and advanced manufacturing buildings, as well as warehouses. The other major land use is a University with 1,379,150 square feet. Supporting both the industrial uses and the University are a business park (93,000 square feet, I-P Zone), general commercial space (88,5000 square feet), and hotel (60,000 square feet or 100 rooms). Finally, there will be an 11,500-square-foot hall for Veterans of Foreign Wars. The Project's overall anticipated development time frame is 30 years, from 2026 to 2056.

STUDY TASKS

ALH Economics engaged in numerous tasks to complete this assignment assessing the prospective urban decay impact of the Project's industrial and hotel components. The general tasks pursued to explore the Project's urban decay implications are as follows:

- Conduct site and field reconnaissance
- Collaborate with local brokers, identify a competitive market area for the Project's industrial component, and assess existing conditions
- Estimate demand for industrial space in the market area
- Research the local hotel market and estimate future demand
- Assess Project impacts
- Identify and assess cumulative project impacts
- Identify urban decay implications of the planned Project's industrial and hotel components and cumulative projects

The findings pertaining to these tasks are reviewed and summarized in this report, with analytical findings presented in the exhibits in the Appendix. Additionally, while the Project's general commercial space was not specifically analyzed under the lens of urban decay due to its distance from competitive retail nodes, ALH Economics prepared a brief analysis of internally generated economic support for the space.

STUDY RESOURCES AND REPORT ORGANIZATION

Study Resources

The urban decay analysis relied upon a number of key resources. These resources are all identified in the sources and notes to the exhibits developed to support the analysis. Representative resources include the following:

- **Governmental resources.** These sources include the State of California Employment Development Department; State of California Department of Finance; planning department websites for the cities of Tracy and Lathrop; planning department staff for the cities of Patterson and Stockton; and the San Joaquin County Council of Governments.
- **Third party resources.** These sources include Raney Planning & Management, Inc.; Fehr & Peers; Page Architects; David Babcock + Associates; Ridgeline Property Group; Cushman &

Wakefield; Colliers; CoStar; brokerage firm, real estate investment trust, and developer websites; Loopnet; Woods & Poole, a national resource for demographic estimates and projections; STR, Inc., GoogleMaps, and municode.com.

All of these resources are identified as warranted in the text and/or the series of exhibits found in the Appendix.

Report Organization

This report includes five chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Industrial Market Characteristics
- IV. Market Area Industrial Demand
- V. Project and Cumulative Project Impacts - Industrial
- VI. Hotel Component Urban Decay Analysis
- VII. Project Retail Component Support
- VIII. Urban Decay Implications

This report is subject to the appended Assumptions and General Limiting Conditions.

III. INDUSTRIAL MARKET CHARACTERISTICS

COUNTY OVERVIEW

Locational Context

San Joaquin County is located east of the Bay Area's Alameda County in California's Central Valley. The county encompasses almost 920,000 acres, extending from the Delta and the Diablo Range (with its Altamont Pass) in the west to the start of the foothills of the Sierra Nevada in the east. Much of the county is relatively level with rich agricultural lands. Stockton is the county seat and is the largest city. Other major cities are Tracy, Manteca, and Lodi, with smaller incorporated areas including Lathrop, Ripon, and Escalon. Tracy is the westernmost city in San Joaquin County.

San Joaquin County has an extensive transportation network that includes four major freeways: Interstate 5, California's primary north-south freeway; Interstate 580, which connects to the Bay Area; Interstate 205, which connects Interstates 5 and 580; and State Route 99, a secondary north-south freeway connecting to Fresno and Bakersfield. Smaller highways include State Routes 4, 12, 26, 120, and 132. The Port of Stockton is a major inland deep-water port that connects to the Pacific Ocean. There are also two national rail lines, both of which have intermodal facilities, and a regional airport.

Due to its proximity to the Bay Area, San Joaquin County has experienced tremendous residential growth, with residents attracted by its relatively affordable housing stock. The advantage of lower land and building prices has also promoted industrial development throughout the county, expanding upon its historic agricultural-related industrial base.

Economic Base

San Joaquin County. San Joaquin County is a heavily agricultural county, with prime agricultural land historically and currently supporting agriculture and related businesses. Historic information about San Joaquin County's employment base from 1990 through 2023 is presented in Exhibit 2. This information, summarized in Table 1, indicates that County employment totaled 169,400 in 1990, increasing to 288,900 in 2023. This growth reflects a 1.6% compound annual average growth rate (CAGR), meaning year over year the County experienced average growth of 1.6%. Over this 33-year time frame, most of the major industry sectors experienced growth, but three did not: Total Farm; Information; and Financial Activities. The Farm sector declined by a modest -0.3% CAGR, while the Information sector experienced a loss of 1,600 jobs, comprising a -2.7% CAGR between 1990 and 2023. The Financial Activities sector shrank with a nominal -0.5% CAGR, with employment dropping from 9,400 in 1990 to 8,000 in 2023.

Despite San Joaquin County's historic stronghold in the agricultural sector, Total Farm employment declined by 1,500 jobs from 1990 to 2023, while Food Manufacturing lost 2,000 jobs. By 2023, given the rise of employment in other sectors and the drop in Total Farm and Food Manufacturing employment, combined Total Farm and Food Manufacturing employment comprised 7% of the County's employment, down from 14% in 1990. However, even with this relative decline in importance to San Joaquin County's economic base, these agriculture-oriented sectors continue to comprise a significant share of the economy relative to other areas of California.

**Table 1
San Joaquin County Employment Trends, 1990-2023**

Industry Sector	Employment			Percent of All Employment			CAGR (1)		
	1990	2020	2023	1990	2020	2023	90-'20	20-23	90-23
All Industry Employment	169,400	257,700	288,900	NA	NA	NA	1.4%	3.9%	1.6%
Industry Sectors (2)									
Total Farm	15,600	14,600	14,100	9.2%	5.7%	4.9%	-0.2%	-1.2%	-0.3%
Goods Producing	34,200	33,200	37,400	20.2%	12.9%	12.9%	-0.1%	4.1%	0.3%
Food Manufacturing (3)	8,000	5,600	6,000	4.7%	2.2%	2.1%	-1.2%	2.3%	-0.9%
Wholesale Trade	6,700	10,600	12,300	4.0%	4.1%	4.3%	1.5%	5.1%	1.9%
Retail Trade	18,000	24,600	27,200	10.6%	9.5%	9.4%	1.0%	3.4%	1.3%
Transportation, Warehousing, & Utilities	6,100	38,800	46,800	3.6%	15.1%	16.2%	6.4%	6.4%	6.4%
Information	2,700	1,200	1,100	1.6%	0.5%	0.4%	-2.7%	-2.9%	-2.7%
Financial Activities	9,400	7,800	8,000	5.5%	3.0%	2.8%	-0.6%	0.8%	-0.5%
Professional & Business Services	9,300	21,300	23,700	5.5%	8.3%	8.2%	2.8%	3.6%	2.9%
Educational & Health Services	16,900	37,300	42,200	10.0%	14.5%	14.6%	2.7%	4.2%	2.8%
Leisure & Hospitality	11,700	18,500	24,600	6.9%	7.2%	8.5%	1.5%	10.0%	2.3%
Other Services	4,800	6,800	8,200	2.8%	2.6%	2.8%	1.2%	6.4%	1.6%
Government	34,000	43,000	43,400	20.1%	16.7%	15.0%	0.8%	0.3%	0.7%

Sources: Exhibit 2; and ALH Urban & Regional Economics.

(1) CAGR is an acronym for Compound Annual Growth Rate.

(2) Comprises major industry sectors, each of which has numerous sub-sectors. The sub-sectors are not included herein.

(3) This sub-sector is included because it pertains to the historic agricultural orientation of San Joaquin County.

As shown in Table 1, the Transportation, Warehousing, & Utilities sector experienced substantial growth, with jobs increasing nearly eightfold from 6,100 in 1990 to 46,800 in 2023. This represents a 6.4% CAGR. This sector drives demand for industrial space, and in 2023 comprised the county's largest industry sector. As a consequence of this sector's strong growth, employment in the sector increased significantly from 3.6% of all county employment in 1990 to 16.2% in 2023. A few other sectors increased their share of total county employment over this time, but to a much lesser extent. Notable examples include Educational & Health Services increasing from 10.0% to 14.6%, Professional & Business Services, increasing from 5.5% to 8.2%, and Leisure & Hospitality increasing from 6.9% to 8.5%.

State of California Comparison. Table 2 presents employment trends for all of California paralleling the information presented for San Joaquin County in Table 1. As shown in Table 2, Total Farm employment throughout California comprised 2.8% of all statewide employment in 1990, dropping to 2.2% in 2023. Similar to San Joaquin County, Food Manufacturing declined, comprising 1.4% of state employment in 1990 and only 0.9% in 2023. Thus, the combined food-related sectors in San Joaquin County continue to be comparatively stronger sectors, with 7.0% of all employment in 2023 compared to the statewide combined share of 3.2%.

Table 2
State of California Employment Trends, 1990-2023

Industry Sector	Employment			Percent of All Employment			CAGR (1)		
	1990	2020	2023	1990	2020	2023	90-'20	20-'23	90-'23
All Industry Employment	12,904,200	16,593,800	18,231,700	NA	NA	NA	0.8%	3.2%	1.1%
Industry Sectors (2)									
Total Farm	363,700	406,800	406,700	2.8%	2.5%	2.2%	0.4%	0.0%	0.3%
Goods Producing	2,650,100	2,144,800	2,267,200	20.5%	12.9%	12.4%	-0.7%	1.9%	-0.5%
Food Manufacturing (3)	174,500	155,200	169,300	1.4%	0.9%	0.9%	-0.4%	2.9%	-0.1%
Wholesale Trade	533,500	645,000	667,300	4.1%	3.9%	3.7%	0.6%	1.1%	0.7%
Retail Trade	1,436,400	1,510,700	1,609,500	11.1%	9.1%	8.8%	0.2%	2.1%	0.3%
Transportation, Warehousing, & Utilities	429,100	735,100	830,200	3.3%	4.4%	4.6%	1.8%	4.1%	2.0%
Information	393,600	540,500	559,000	3.1%	3.3%	3.1%	1.1%	1.1%	1.1%
Financial Activities	822,000	816,400	814,300	6.4%	4.9%	4.5%	0.0%	-0.1%	0.0%
Professional & Business Services	1,515,700	2,603,400	2,775,400	11.7%	15.7%	15.2%	1.8%	2.2%	1.8%
Educational & Health Services	1,163,000	2,738,400	3,100,000	9.0%	16.5%	17.0%	2.9%	4.2%	3.0%
Leisure & Hospitality	1,106,800	1,481,800	2,010,600	8.6%	8.9%	11.0%	1.0%	10.7%	1.8%
Other Services	415,600	477,700	587,900	3.2%	2.9%	3.2%	0.5%	7.2%	1.1%
Government	2,074,800	2,493,300	2,603,700	16.1%	15.0%	14.3%	0.6%	1.5%	0.7%

Sources: Employment Development Department, Labor Market Information, State of California, Industry Employment & Labor Force - by Annual Average, March 2023 Benchmark, July 11, 2024; and ALH Urban & Regional Economics.

(1) CAGR is an acronym for Compound Annual Growth Rate.

(2) (2) Comprises major industry sectors, each of which has numerous sub-sectors. The sub-sectors are not included herein.

(3) This sub-sector is included because it is relevant to the historic agricultural orientation of San Joaquin County.

Other significant sectoral differences between San Joaquin County and the State of California include the state’s much lower share of total employment in the Transportation, Warehousing, & Utilities sector (4.6%) and its much higher shares of employment in the Professional & Business Services (15.2%), Educational & Health Services (17.0%), and Leisure & Hospitality (11.0%) sectors.

Overall, employment grew 1.1% on an annual average basis throughout California from 1990-2023. This rate is below San Joaquin County’s 1.6% annual average growth rate. Therefore, growth in San Joaquin County over this period outpaced the California state average, demonstrating the comparative strength of San Joaquin County’s overall economy, which benefits a project such as Pacific Gateway.

TRANSPORTATION AND WAREHOUSING SECTOR STRENGTH

National and Regional Context

The relative strength of San Joaquin County’s Transportation and Warehousing sector is well-researched and identified in an April 2019 paper prepared by The Center for Business and Policy Research, University of Pacific. This paper, titled “Warehousing, E-Commerce, and Evolving Trade Patterns in San Joaquin County” was prepared for The San Joaquin Council of Governments (hereafter referred to as “SJCOG Study”). The SJCOG Study analyzes and identifies many aspects of the goods movement system in San Joaquin County, including the shares of total employment in the sector compared to the shares in other U.S. and Northern California locations.

The SJCOG Study’s findings are based on data through 2017. This period is not as current as the data presented above, which reflect employment trends through 2023. Yet even with the SJCOG Study’s data reflecting a nominally truncated period, the analysis demonstrates the importance of the Transportation and Warehousing sector to the County’s economy.² A discussion of San Joaquin County’s employment location quotient (“LQ”) in this industry sector is one of several important economic indicators presented in the SJCOG Study. The LQ is a standard economic indicator used in the study of regional economics

² In this discussion the industry sector reflects only Transportation and Warehousing employment, and not the additional Utilities employment discussed earlier. As will be demonstrated later, Utilities employment comprises a relatively small portion of the larger sector.

to convey the relative strength of a sector, both to the local economy under study as well as across geographic locations. As defined by the U.S. Bureau of Economic Analysis:

A location quotient (LQ) is an analytical statistic that measures a region's industrial specialization relative to a larger geographic unit (usually the nation). An LQ is computed as an industry's share of a regional total for some economic statistic (earnings, GDP by metropolitan area, employment, etc.) divided by the industry's share of the national total for the same statistic. For example, an LQ of 1.0 in mining means that the region and the nation are equally specialized in mining; while an LQ of 1.8 means that the region has a higher concentration in mining than the nation.³

As cited in the SJCOG Study, San Joaquin County's LQ stayed stable at about 1.12 times the national share of employment prior to 1995. After then, the County's relative concentration in transportation and warehousing employment grew dramatically, "reaching 1.71 times the national concentration in 2005, 2.33 times in 2015, and 2.65 times in 2017," the last year reflected in the SJCOG Study.⁴ The SJCOG Study proceeds to indicate that the County's strong growth in this sector led to San Joaquin County having the nation's second highest concentration of transportation and warehousing jobs, second only to the logistics hub in Laredo, Texas, on the U.S.-Mexico border. Other metro areas in the top five logistics hubs included Memphis, TN; Houma-Thibodaux, LA; and Chambersburg-Waynesboro, PA. It is important to note that these rankings are based on the share of total employment in the transportation and warehousing sector, and not the absolute number of jobs in the sector.

Given that San Joaquin County's employment in the Transportation, Warehousing, & Utilities sector has grown since 2017, ALH Economics anticipates that the County continues to maintain its national status as a highly concentrated logistics hub. As a point of comparison, based upon the data presented in Tables 1 and 2, and compared to the State of California, San Joaquin County had a LQ in the Transportation, Warehousing, & Utilities sector of 1.08 in 1990 and 3.56 in 2023.⁵ For perspective, the County's LQ for Total Farm employment relative to the state was 3.27 in 1990, declining to 2.19 in 2023. This further demonstrates the importance of the Farm sector to San Joaquin County, albeit to a lesser extent at present than the Transportation, Warehousing, & Utilities sector.

The SJCOG Study also presented data on the share of Transportation and Warehousing jobs in San Joaquin County in 2013 and 2017 compared to other Northern California locations. These findings indicated that the County had more than twice the share of jobs in this sector than the next highest locations, which were nearby Merced and Stanislaus counties. Other areas reflected in this analysis included Solano, Sacramento, Napa, Santa Clara, Sonoma, and Monterey counties as well as the San Francisco-Oakland-Hayward Metropolitan Statistical Area. San Joaquin County also experienced the greatest percentage job growth over this period, measured at 53.2%, although it was nearly matched by the percentage growth that occurred in the much smaller hubs of Santa Clara County and Solano County. All other regional locations had less than 30% growth over this time period, with many less than 20%.

³ See <https://www.bea.gov/help/faq/478>.

⁴ "Warehousing, E-Commerce, and Evolving Trade Patterns in San Joaquin County," The Center for Business and Policy Research, University of Pacific, April 2019, page 3.

⁵ The LQ is calculated by dividing the Table 1 "Percent of All Employment" in the sector for San Joaquin County by the Table 5 "Percent of All Employment" in the sector for the State of California for the cited time period.

County Rise in Prominence and Sectoral Composition

The data presented in Table 3 more fully demonstrate San Joaquin County's growth in just the Transportation and Warehousing sector. This compares to the earlier findings in Table 1 that also included Utilities employment in the sector, which some data sources bundle together with transportation and warehousing. These data show the more incremental stages of sectoral growth by decade from 1990 to 2023. As shown, the biggest period of growth was between 2010 and 2020, when Transportation and Warehousing employment grew from 6.1% to 14.5% total County employment. However, nearly 8,000 jobs were added between 2020 and 2023, for a very strong period of growth.

Table 3
San Joaquin County Transportation and Warehousing Employment Trend, 1990-2023

Employment Characteristic	1990	2000	2010	2020	2023	CAGR (1) 1990-2023
All Industry Employment	169,400	203,900	208,300	257,700	288,900	1.6%
Transportation and Warehousing Employment						
Amount	5,100	10,700	12,700	37,300	45,100	6.8%
Share of All Industry Employment	3.0%	5.2%	6.1%	14.5%	15.6%	NA

Sources: Exhibit 2; and ALH Urban & Regional Economics.

(1) CAGR is an acronym for Compound Annual Growth Rate.

The annual average growth rate in the sector absent the influence of jobs in Utilities was 6.8%. The comparative figure with Utilities presented in Table 1 was 6.4%. This difference highlights the relative stagnancy in the Utility sub-sector, with the growth concentrated in Transportation and Warehousing employment.

COMPETITIVE MARKET AREA

Given the Project's location about one mile from the Tracy city limits, ALH Economics believes that Pacific Gateway will compete mostly with the Tracy industrial market. Tracy is the first city encountered by those travelling east over the Altamont Pass from the Bay Area, and is accessed via two freeways - Interstate 580 and Interstate 205. Thus, this city has a strong locational advantage in San Joaquin County's market. Lathrop, located northeast of Tracy at the intersection of Interstate 5 and State Route 120, is also considered a competitive market, primarily due to its supply of newer, modern, warehouse buildings (there is also some older product in Lathrop as well). Stockton, north of Lathrop with access to both Interstate 5 and State Route 99, is secondarily competitive mainly due to distance and its older industrial base. Finally, brokers interviewed by ALH Economics indicate that Patterson in western Stanislaus County, about 18 miles southeast of the Project, should be considered a secondary competitive location at minimum. This is a very small submarket that functions mainly as a release valve for the more established San Joaquin County market.

SAN JOAQUIN COUNTY INDUSTRIAL MARKET OVERVIEW

San Joaquin County Third Quarter 2024 Statistics

The San Joaquin County Industrial market includes the cities of Tracy, Lathrop, and Stockton, as well as additional smaller cities of Manteca, Lodi, and Ripon, which are not considered competitive.⁶ Exhibit 3 presents a snapshot of the overall industrial market and the warehouse market subset as of the third quarter 2024, prepared by Colliers. As shown, warehouse product dominates the market, with 77% of the inventory, or 106.4 million square feet out of the total industrial inventory of 138.4 million square feet. Stockton has the largest inventory of space, comprising 49.8 million square feet of warehouse space and a total industrial base of 64.2 million square feet, or about 46% of the County's market for both warehouse and industrial space. Tracy is the second largest market area, with 30.4 million square feet of warehouse space (28.6% of the County's market) and 35.7 million square feet of total industrial space. Lathrop is the smallest of the three with about 16.5 million square feet of warehouse space and 19.2 million square feet of overall industrial space.⁷

Warehouse space is the dominant product type in Tracy and Lathrop, with over 85% of each city's inventory comprising warehouse space. Stockton, which is an older market area, has a slightly more diverse product base, with warehouse comprising 78% of the market. In terms of new construction, all the product under construction as tracked by Colliers is in the warehouse market subset, totaling about 900,000 square feet in Stockton. Warehouse space also dominates year-to-date net absorption (through third quarter 2024), which measures the net change in occupied square footage.

In terms of rents, Tracy commands a rent premium compared to other San Joaquin County cities, with an average asking rent of \$0.76 per square foot per month, triple net for warehouse space; the average asking rent for all industrial space is slightly higher at \$0.78 per square foot per month, triple net. Both Lathrop and Stockton have lower average asking rents at \$0.73 per square foot per month, triple net for both warehouse space and overall industrial space (except Stockton's rate for all industrial space is one penny lower at \$0.72 per square foot per month. The County's average asking rent is \$0.74 per square foot per month triple net for warehouse space and overall industrial.

Historic Industrial Market Trends

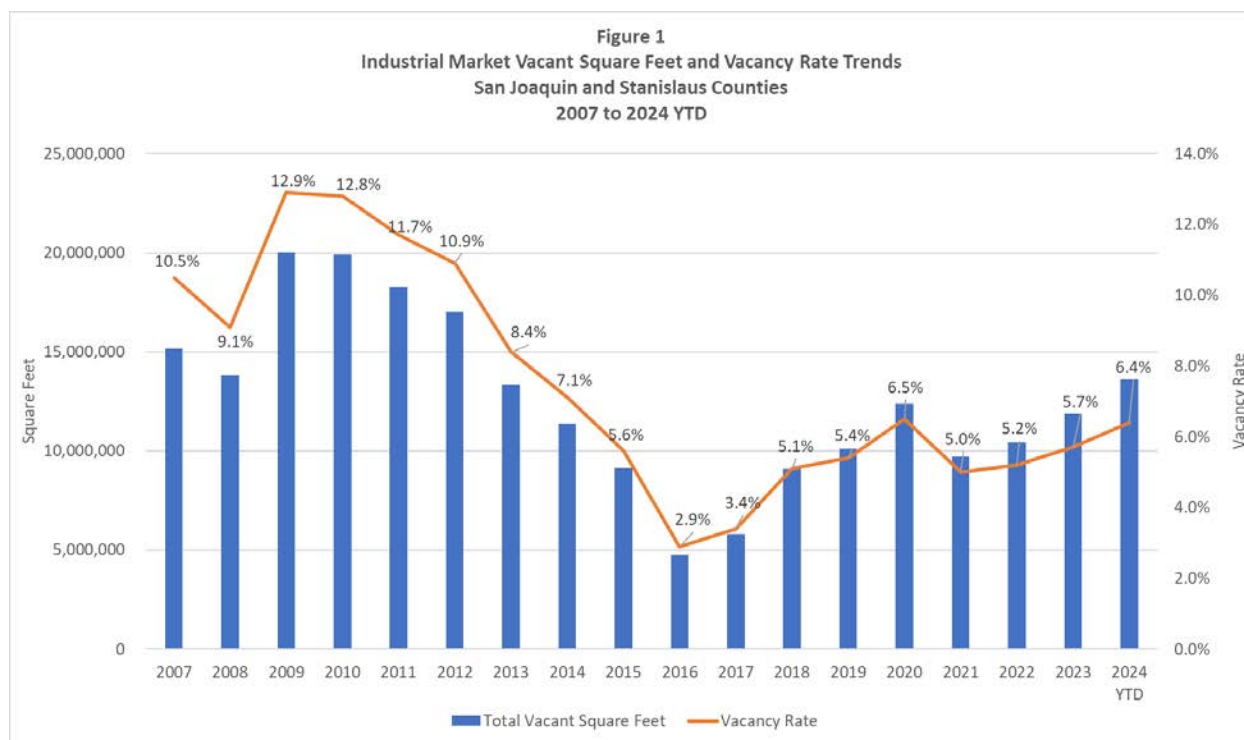
Information provided by CoStar, one of the nation's largest commercial real estate information and analytics providers, reflects industrial market trend data from 2007 through September 2024. The geographic area covered by CoStar includes both San Joaquin and Stanislaus counties. As brokerage data indicate that San Joaquin County comprises about 75% of the two-county building base, this County drives much of the data presented. The space tracked includes all industrial building types, including warehouses.

During the 17.75-year period covered, the industrial inventory grew from 144 million square feet to 211.5 million square feet at the end of September 2024. The amount of vacant space has been as low as 4.7 million square feet in 2016 and as high as 20 million square feet in 2009, during the Great

⁶ Some brokerages combine Stanislaus County with San Joaquin County in their statistics; however, over 75% of the region's inventory is in San Joaquin County, with activity driven by close proximity to key trucking routes into the greater Bay Area.

⁷ By contrast, Cushman & Wakefield data indicate that the industrial space inventory in Patterson totals about 6.2 million square feet.

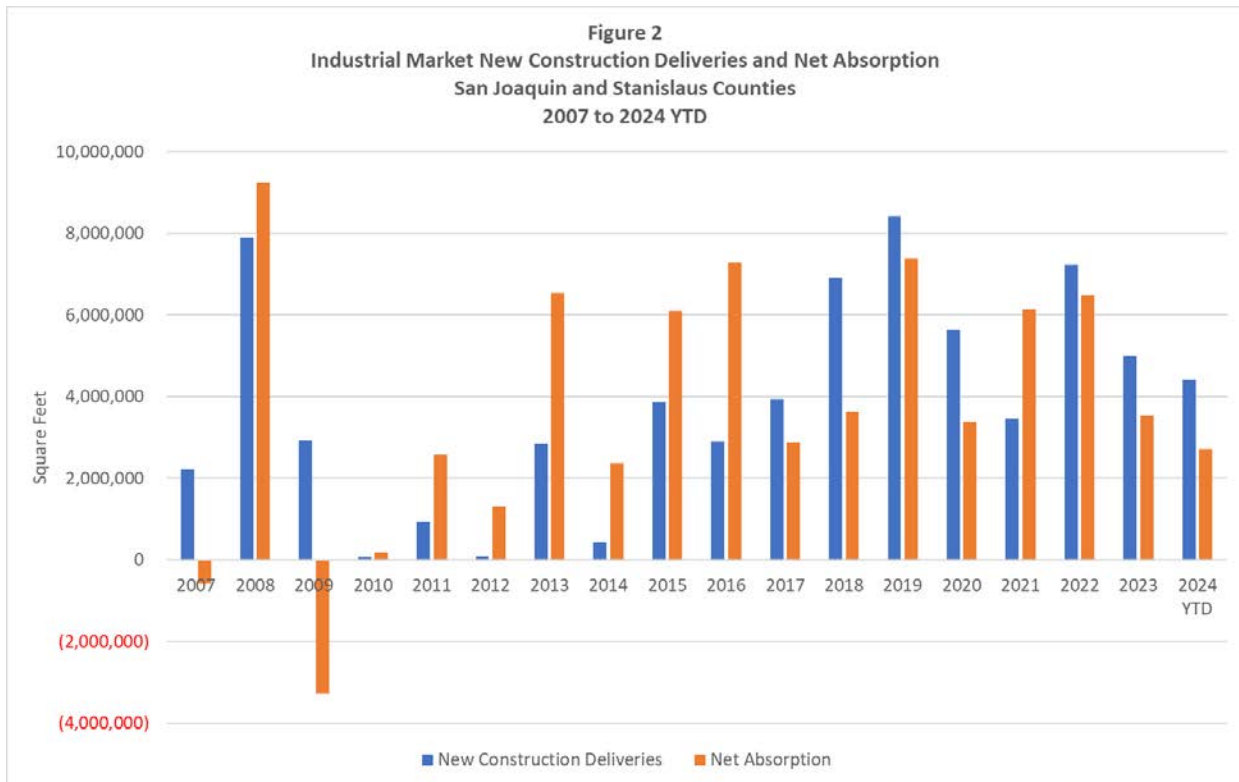
Recession. At the end of September 2024, about 13.6 million square feet are vacant, as tracked by CoStar. Figure 1 below presents period trends in vacant square feet and vacancy rates.



Sources: CoStar; and ALH Urban & Regional Economics.

Vacancy Trends. Figure 1 illustrates the market cycle from just before the Great Recession, the impact of the Great Recession in 2009 and 2010, followed by gradual recovery to a vacancy low in 2016. Since then, there has been strong construction activity that has increased the vacancy rate. The 2024 YTD vacancy rate through September 2024, reported at 6.4%, is lower than the third quarter 2024 vacancy rate reported by Colliers at 7.8%. While higher than the 2016 market low of 2.9%, the vacancy rates in the 5.0% to 6.5% range since 2021 are nonetheless considered healthy vacancy rates. Over the 17.75 years covered, the two-county vacancy rate has averaged 7.5%.

New Construction. Since 2007, 69.25 million square feet of new industrial space has been completed in San Joaquin and Stanislaus counties, or about 3.9 million square feet per year. This represents nearly one-third of the market inventory. Measuring from Great Recession recovery (i.e., 2014 on), 52.2 million square feet of new industrial space has been completed in the two-county area, for a higher average of 4.9 million square feet per year. The pace of new construction accelerated over the past 5.75 years (2019 to 3rd quarter 2024), with 34.2 million square feet completed – nearly half of the new space since 2007. This averages 5.95 million square feet added per year from 2019 to third quarter 2024. Figure 2 below illustrates annual new construction deliveries and net absorption for the period covered.



Sources: CoStar; and ALH Urban & Regional Economics.

Net Space Absorption. As shown in Figure 2, at the onset of the Great Recession in 2008, the market still absorbed a significant amount of space, i.e., 9.25 million square feet, which exceeded new construction of 7.9 million square feet. However, net absorption was significantly negative in 2009, and just barely positive in 2010. From 2011 through 2014, new building deliveries were minimal, consistent with a recovering economy, so the market could stabilize. New construction deliveries started outpacing net absorption in 2017. In 2020, the COVID-19 pandemic resulted in slower market absorption, which was again dwarfed by new building completions. In 2021, the reopened and rebounding economy resulted in increased net absorption compared to construction completions, followed by another strong year of net absorption in 2022.

Over the past 10.75 years from 2014 through September 2024, net absorption totaled 51.97 million square feet, or 4.8 million square feet per year. Looking at the past 5.75 years, net absorption totaled 29.7 million square feet, or 5.16 million square feet per year. Net absorption thus far for 2024 is off that pace at 2.7 million square feet, reflecting uncertainty due to high interest rates and geopolitical concerns, as well as likely a pause in demand after two very strong years in 2021 and 2022. Typically, the market will respond to less favorable conditions by slowing down future construction activity to allow absorption to catch up with new completions.

Change in Average Building Size. CoStar data also illustrate the change in the industrial building inventory over the years. Table 4 below presents snapshots of the building inventory and new construction deliveries between 2007 and September (YTD) 2024.

Table 4
Industrial Building Inventory Sizes
San Joaquin and Stanislaus Counties
2007 to 2024 YTD (1)

Category Year/Time Period	No. of Buildings	Total Building Size (SF)	Average Size (SF)
Total Inventory Snapshot			
2007	3,476	143,979,840	41,421
2024 YTD	3,786	211,503,178	55,865
New Construction Deliveries			
2007 to 2024 YTD	393	69,249,678	176,208
2014 to 2024 YTD	176	52,233,768	296,783
2019 to 2024 YTD	118	34,189,696	289,743

Sources: CoStar; and ALH Urban & Regional Economics.

(1) YTD reflects through 3rd quarter 2024.

As shown in Table 4, the average building size in the inventory has increased 35% from 41,421 square feet in 2007 to 55,865 square feet as of YTD 2024. This is due to the comparatively larger buildings being constructed since 2007. The average size of new buildings constructed over the past 17.75 years is 176,208 square feet – more than triple the current inventory average building size. However, in looking at construction over the past 10.75 years, since 2014, the average building size of new buildings has increased to 296,783 square feet. This reflects the completion of several buildings in the 1,000,000-square-foot range for tenants such as Amazon, Medline, Michaels, Wayfair, and others.

This increasing building size reflects the evolution of warehouses to include subsets such as logistics and fulfillment centers, driven by the growth in eCommerce. According to an October 2020 report published by the National Association of Office and Industrial Parks (NAIOP), “e-commerce supply chains require more than three times the distribution space required by traditional retail supply chains centered on brick-and-mortar distribution.”⁸ Not only have warehouse buildings become larger (often exceeding 1,000,000 square feet), ceiling heights (called “clear ceiling heights” or “clear heights”) have become higher, and buildings now have more power, more extensive heating/ventilation/air conditioning systems, more loading doors, and reinforced concrete floors able to withstand heavier loads. Additionally, occupants of these facilities often make extensive investments in interior improvements and equipment. Because of these changes, newer industrial buildings are vastly different from product built in the 20th Century, as well as those built in the early 2000s.

Tenants in the Market

Information provided by Cushman & Wakefield regarding tenants in the market for industrial space indicates that 48 tenants requiring up to 18.1 million square feet have made brokerage inquiries in recent months. These inquiries cover a broad geographical area, such as a few indicated as searching the Central Valley, Sacramento, and/or parts of the Bay Area or “looking in Utah, Nevada, California, and Arizona.” Thus, the tenant may select a different market, or state, altogether. Additionally, as these requirements pertain to tenants inquiring about the market, they may not necessarily result in actual transactions. For example, despite inquiring about space in the competitive cities, a tenant may choose to remain in its current location. Many times, the actual tenant is undisclosed or confidential.

⁸ Weikal, Steve and Scott, James Robert, “The Evolution of the Warehouse: Trends in Technology, Design, Development and Delivery,” NAIOP Research Foundation, October 2020, Page 3.

Table 5 summarizes the tenant requirements associated with these inquiries by size category - number of tenants in each category, minimum and maximum size range, and average requirement. If a size requirement bridges two different size categories, the tenant is placed in the category that matches its maximum search parameter.

Table 5
Tenant Requirements in Market - 50,000 Square Feet and Greater

Size Category	No. of Tenants	Total Space Size Range		Average Requirement	
		Minimum	Maximum	Minimum	Maximum
		Tenants by Size Category			
50,000 to 100,000 SF	8	650,000	1,100,000	81,250	137,500
100,000 to 250,000 SF	24	3,075,000	4,765,000	128,125	198,542
250,000 to 500,000 SF	9	3,050,000	4,625,000	338,889	513,889
500,000 SF to 1.0 MSF	5	3,900,000	4,650,000	780,000	930,000
1.0 MSF and Larger	2	2,950,000	2,950,000	1,475,000	1,475,000
Totals/Averages	48	13,625,000	18,090,000	283,854	376,875

Sources: Cushman & Wakefield; and ALH Urban & Regional Economics.

Of the 48 tenants inquiring about the market, 7 of their requirements are for spaces 500,000 square feet and larger, and another 9 are in the 250,000- to 500,000-square-foot category. The total for the 500,000 square feet and up categories is 7.6 million square feet (see the maximum size range) – an average of just over 1.0 million square feet per tenant requirement. Most of the tenants are looking for distribution space, while a few are looking for manufacturing space or combined distribution and manufacturing space. These data regarding tenants in the market point to the continued demand for industrial space and the trend towards larger space requirements.

BUSINESS PARK USE CONSIDERATIONS

In addition to the 24,675,000 square feet of industrial space, the Project is also planned to include 93,000 square feet of Business Park space (I-P Zoning). Per the Project Description, the purpose of this space is to provide a business park environment consisting of smaller buildings to be used for combined office/warehouse uses including research and development, light impact manufacturing (such as assembly), HVAC contractors, electricians, plumbing contractors and window installation and other service-related businesses, such as janitorial service and supply vendors. User spaces will typically include limited warehouse area mostly serviced by grade level doors for delivery.⁹

The 93,000 square feet of Business Park space comprises one of the smallest components of the Project. Given that this space will include smaller buildings intended for multiple tenants, each individual tenant space will be relatively small. ALH Economics believes that user demand for these small tenant spaces is likely to comprise start-up or established businesses with local area ownership or targeted to serve the Project's 24,675,000 square feet of industrial users. Such uses are unlikely to be competitive with the light industrial stock in Tracy or beyond, all of which are about 7 or more miles distant from the Project. Furthermore, the existing light industrial stock in Tracy, the geographically closest established market, is well-occupied with a 4.9% vacancy rate and about 735,000 square feet of inventory.¹⁰ Because of this lack of competitiveness, this use is not evaluated in the context of potential urban decay, as vacancy impacts on existing stock are likely to be very limited.

⁹ Pacific Gateway Project Description, November 8, 2024.

¹⁰ Colliers San Joaquin County Industrial Market Report for 3Q2024.

IV. MARKET AREA INDUSTRIAL DEMAND

APPROACH TO PROJECTING DEMAND

The degree to which absorption of the Project's industrial buildings will impact the existing competitive market will be dependent upon growth in demand for industrial space in San Joaquin County as well as Patterson in Stanislaus County. This section presents employment projections in relevant employment sectors and assumptions regarding per employee square footage requirements. These estimates are compared with net absorption based on market trends for reasonableness. These estimates provide a context for absorption of the Project as well as additional planned developments addressed later in the cumulative project analysis.

FORECASTED INDUSTRIAL EMPLOYMENT

Forecast Methodology

The earlier San Joaquin County overview and economic base analysis indicated that the Transportation and Warehousing industry sector is most associated with logistics employment and building occupation. Accordingly, ALH Economics developed current year 2024 estimates of employment in this sector, and then forecasted employment out to the year 2060. The year 2060 is four years after the projected 2056 completion of the Project.

These estimates and forecasts were prepared for San Joaquin County and Stanislaus County. For both counties, the base year 2024 estimate was prepared by starting with the State of California Employment Development Department (EDD) year 2020 estimate and then growing it out to 2024. The 2020 estimate for San Joaquin County is presented in Exhibit 2 and the 2020 estimate for Stanislaus County is presented in Exhibit 4.

The 2020 estimates were grown out to baseline 2024 estimates, which in turn were grown out to the year 2060. The future employment per county was estimated using 2020-2030 EDD projections, with the 10-year CAGR extended into the future up to the year 2060 to encompass full Project buildout. This is a study assumption that the 10-year rate will apply equally to the subsequent decades, as EDD does not project beyond the 2030 timeframe.¹¹

The Project Description for the Pacific Gateway Project indicates that the majority of the Project will be zoned Limited Industrial, which is intended to provide for warehouse, distribution, fulfillment center, e-commerce, advanced manufacturing, light manufacturing and assembly, and other such industrial

¹¹ The EDD projection methodology is the same as the U.S. Bureau of Labor Statistics methodology, with projections of industry and occupational employment developed in a series of six interrelated steps, each of which is based on a different procedure or model and assumptions: labor force, aggregate economy, final demand (GDP) by consuming sector and product, industry output, industry employment, and employment and openings by occupation. The results produced by each step are key inputs to following steps, and the sequence may be repeated multiple times to allow feedback and to ensure consistency. Some of the following steps include incorporation of final demand matrices comprising approximately 132 demand categories and 192 commodity groups or rows, as well as input-output accounts. Detail on this approach can be found here: https://www.bls.gov/emp/documentation/projections-methods.htm#occupational_employment.

uses.¹² This description continues to be best exemplified by the Transportation and Warehousing industry sector, especially as the EDD employment projections provide only general estimates and projections for light manufacturing and industrial uses, and thus do not lend themselves to supporting the preparation of detailed industry-specific space demand projections. For these types of activities, the data source provides only very general manufacturing employment projections (e.g., EDD’s categories of Durable Goods Manufacturing, Nondurable Goods Manufacturing, and Food Manufacturing). Thus, the more conservative approach is to base the space projections methodology on a narrower sector with the greatest applicability to the Project.

Forecasted Employment

The employment forecasts are summarized in Table 6, which includes the 2020 baseline employment estimate, the CAGR deduced by ALH Economics, and projected employment for the year 2024 and each subsequent year up to 2060 in ten-year intervals. Total forecasted growth between 2024 and 2060 is also presented.

Table 6
Transportation and Warehousing Employment Projections, 2024-2060
San Joaquin and Stanislaus Counties

County	2020 (1)	CAGR (2)	Projected Employment					Growth 2024-2060
			2024	2030	2040	2050	2060	
San Joaquin County	37,300	3.04%	42,039	50,300	67,831	91,472	123,352	81,313
Stanislaus County	8,748	2.48%	9,649	11,178	14,283	18,251	23,320	13,671

Sources: Exhibit 5; Exhibit 6; and ALH Urban & Regional Economics.

(1) The 2020 figures are estimates prepared by the State of California Employment Development Department (EDD).

(2) CAGR is an acronym for Compound Annual Growth Rate.

The results in Table 6 indicate that San Joaquin County’s Transportation and Warehousing sector is projected to grow by 81,313 to 123,352 new jobs between 2024 and 2060. These figures represent on average a 293% increase over the existing 2024 sectoral employment base.

The projected average rate of growth in Stanislaus County is slightly lower than the average in San Joaquin County. Additionally, Stanislaus County has a much smaller sectoral employment base than San Joaquin County. Stanislaus County’s projected 2024 to 2060 growth in Transportation and Warehousing employment is 13,671. While these figures comprise more than a doubling of the existing base, the 2024 employment base in Stanislaus County is 23% of that of San Joaquin County and is projected to decline slightly to 19% by 2060.

Given the long-term nature of the projections, the forecasts are somewhat speculative. However, there are many drivers of demand for jobs in warehousing and logistics, specifically impacting jobs in the transportation and warehousing sector. These drivers include the continuing growth of ecommerce, which was expanding strongly before the COVID-19 pandemic and accelerated during the pandemic, further fueling demand. During the early months of the pandemic, when stay-at-home orders were in effect, many stores were closed and those that were open operated with strict occupancy restrictions. In addition, consumers were apprehensive about being near other people. Thus, on-line shopping boomed in the early part of the pandemic. Even after the economy re-opened, a portion of the increased shift to on-line shopping is considered permanent.

¹² Pacific Gateway Project Description, November 8, 2024.

Another pandemic-driven demand driver for warehouse space is the realization of the fragile nature of “just-in-time delivery” systems. With disrupted supply chains, particularly those that rely on cargo ships, many companies realized they should plan for additional domestic storage of products, parts, and materials. Some people call this new inventory management strategy “just-in-case” inventory management. Finally, yet another pandemic-related demand driver for the overall industrial sector, not just warehousing, is the realization that more manufacturing should be domestic, again due to the aforementioned supply-chain issues. This final demand driver is anticipated to be accentuated as the threat of tariffs on imported products looms. As a result, many companies are seeking to expand domestic manufacturing capacity.

ESTIMATED EMPLOYMENT DENSITY

To convert the forecasted employment growth to space demand, ALH Economics used the employment density factor of 1,650 square feet per employee. This is based on analysis of data collected by Fehr & Peers for warehouse buildings located in San Joaquin County in 2021. This building warehouse survey was a component of other Project-related analysis conducted by Fehr & Peers, pertaining to traffic analysis assumptions and projections. Most of the buildings included in this analysis are located in the Project’s market area spanning Stockton, Tracy, and Lathrop, with a few additional properties in other San Joaquin County locations (e.g., Manteca and Lodi).¹³ An additional factor included in the analysis is a stabilized building occupancy rate of 93%, based on historic CoStar occupancy rates and market data provided by Cushman & Wakefield.

FORECASTED INDUSTRIAL DEMAND

Pairing the Transportation and Warehousing sector San Joaquin County and Stanislaus County projections with the square feet per employee and occupancy rate assumptions results in estimated long-term demand for industrial space. The demand forecasts are presented in Exhibit 5 for San Joaquin County and Exhibit 6 in Stanislaus County. These exhibits present the employment estimates, incremental demand by time period, and cumulative demand, culminating in total new demand between 2024 and 2060. The demand findings for each county are also summarized in the following tables, with Table 7 presenting summary findings for San Joaquin County and Table 8 presenting summary findings for Stanislaus County.

Table 7
San Joaquin County, 2024-2060
Transportation and Warehousing, Employment Projections
& Net New Space Demand

Demand Characteristic	2024-2040	2040-2060	Total
Employment Increase	25,792	55,521	81,313
Projected Demand	45,759,680	98,504,921	144,264,602
Annual Average Demand per Year	2,859,980	4,925,246	3,899,043

Sources: Exhibit 5; and ALH Urban & Regional Economics.

¹³ This survey included 27 buildings with both square footage and employment data. The average size of the buildings for which employment data were available was 740,000 square feet. The data were collected by Fehr & Peers for the purpose of preparing a “Local Transportation Analysis for Pacific Gateway,” as well as additional warehouse-related analysis.

San Joaquin County

The findings summarized in Table 7 indicate that San Joaquin County’s net new space demand for the Transportation and Warehousing sector is projected to total 144.3 million square feet through 2060. Based on the summary presentation depicting two interim time periods, from 2024-2040 and 2040-2060, the average projected net new absorption totals 2.86 million square feet per year from 2024-2040 and 4.9 million square feet per year from 2040-2060.

As previously shown in Exhibit 3, San Joaquin County has an existing inventory of 138.4 million square feet of industrial space in 2024 at a 7.8% vacancy, (i.e., about 127.6 million square feet of occupied space). Thus, if realized and housed in industrial properties, the new demand equates to a 104% increase in San Joaquin County’s existing inventory.

Stanislaus County

Patterson, one of the identified competitive industrial market cities, is located in Stanislaus County. This is the only area in Stanislaus County deemed competitive with the Pacific Gateway industrial market. However, according to Cushman & Wakefield, Patterson’s industrial real estate base totals only 6.3 million square feet, or only 15% of the total County inventory. Thus, only a portion of the projected Stanislaus County demand for Transportation and Warehousing space, summarized in Table 8, may be relevant to Patterson.

Table 8
Stanislaus County, 2024-2060
Transportation and Warehousing, Employment Projections
& Net New Space Demand

Demand Characteristic	2024-2040	2040-2060	Total
Employment Increase	4,634	9,037	13,671
Projected Demand	8,221,274	16,033,535	24,254,809
Annual Average Demand per Year	513,830	801,677	655,535

Sources: Exhibit 6; and ALH Urban & Regional Economics.

As shown in Table 8, Stanislaus County’s net new space demand for the Transportation and Warehousing sector is projected to total 24.3 million square feet. For the time period 2024-2040, demand is estimated to average 513,830 square feet per year, increasing to an annual average of 801,677 square feet from 2040-2060. Patterson has an existing inventory of 6.3 million square feet of industrial space. If 15% of the County’s industrial stock continues to be located in Patterson, this would suggest average total demand in Patterson from 2024-2060 for 3.6 million square feet (i.e., 24.3 million * 15%), or a 58% increase in the existing inventory. This would correspond to annual average demand of 77,074 square feet from 2024-2040 and 120,252 square feet from 2040-2060. ALH Economics believes the potential exists for Patterson to absorb more than its proportional share of current demand, as this node has the capacity to rise in prominence relative to other, older industrial nodes in Stanislaus County, such as in Modesto.

The combined annual average demand for San Joaquin and Stanislaus counties is 4.0 million square feet for the total period of 2024 to 2060. This annual average demand is within the range of historical net absorption per year in the two-county area as reported by CoStar, which has been 3.8 million square feet annually, on average, for the 17.75 years from 2007 through September 2024. For just the past 10.75 years from 2014 to YTD 2024, annual average absorption is even higher at 4.8 million square

feet. Thus, comparison with historic net absorption indicates that the long-term projections are reasonable.

Limitations of Forecasted Demand

The preceding demand projections are intended to give a general sense of the projected industrial demand in San Joaquin and Stanislaus counties. The figures are not precise estimates, and actual results achieved during the projection period will likely vary from the demand projections. Changes would occur if employment growth varied from the levels deduced from currently available economic data and other relevant information. Key economic data central to the demand projections include the employment growth rates derived from EDD economic forecasts, as well as employment density parameters. ALH Economics does not warrant the accuracy of these growth rates and employment growth could vary from the levels associated with these forecasts, which in turn would alter the demand forecasts. Some of the variations may be material to the conclusions of the analysis. However, the demand projections comprise an indicator useful to the urban decay analysis and generally indicate a likely trend toward future growth and associated industrial demand.

V. PROJECT AND CUMULATIVE PROJECT IMPACTS

PROJECT IMPACT ON EXISTING INDUSTRIAL BASE

The Project's industrial component totals 24,675,000 square feet of new industrial space. This amount of space comprises a 17.8% addition to the existing 138.4 million square feet industrial inventory in San Joaquin County (as of the third quarter of 2024). As just forecasted, the San Joaquin County economy as a whole is projected to experience demand for industrial space in the near- and long-term future. For example, the demand projected from 2024 to 2040 totals 45.8 million square feet. During this period, the Project's Pacific Gateway East development area with 11,124,274 square feet is anticipated to be constructed, along with a portion of the Pacific Gateway Central development area, with 6,856,474 square feet, which is pro-rated at 22%, or 1,523,661 square feet. This Project total of 12,647,935 square feet represents about 28% of the forecast San Joaquin demand from 2024 to 2040.

Considering the longer-term projection, the balance of the Project's Pacific Gateway Central development area (5,332,813 square feet), plus the Pacific Gateway West and Gateway Center development areas (6,168,882 square feet and 525,370 square feet, respectively) are anticipated to be delivered in the 2040 to 2060 period (e.g., by 2056). Projected demand during this time totals 98.5 million square feet, or 4.9 million square feet per year. For this time period from 2040 to 2060, the Project's space represents about 12% of the forecast demand in San Joaquin County. Overall, the Project represents less than one-fifth of the County's demand for the 2024 to 2060 period.

For the Project's industrial space to potentially have a negative impact on the market, it would need to draw tenants away from existing buildings without the potential for that space to be re-tenanted, thus increasing the vacancy rate to an unhealthy level. There are three major factors that suggest these circumstances are unlikely to happen:

1. As described above, there is ample projected demand compared to the Project's expected supply. Although in the period up to 2040 the Project's anticipated phases represent 28% of projected demand, this ratio falls to 12% over the next 20 years from 2040 to 2060, when Project buildout is estimated.
2. The vacancy rate of 7.8% as reported by Colliers for San Joaquin County indicates the market is relatively healthy. Looking at CoStar statistics for the two-county market area of San Joaquin and Stanislaus counties is at a 6.4% vacancy rate, well below that experienced during the height of the Great Recession – nearly 13% in 2009 and 2010. Although net absorption has slowed in relation to construction deliveries since 2021, developers have responded by postponing breaking ground on new buildings.
3. Development of the Project will be driven by market conditions and tenant demand. To the extent that demand for the Project's industrial buildings is less robust than expected, then construction will slow to better align with demand. This may mean that development timing of later phases could be pushed further out into the future.
4. Finally, as previously discussed, warehouse buildings have evolved over the past 10 to 15 years and, as a result, older product is not competitive with modern warehouses. New buildings are often larger and have higher ceiling heights than older buildings. Additionally, modern warehouses often have more power, more extensive heating/ventilation/air conditioning systems, and are built to withstand heavier loads.

Because of these factors, the Project is not expected to negatively impact the existing industrial base in San Joaquin County or in Patterson in Stanislaus County.

CUMULATIVE INDUSTRIAL PROJECTS ANALYSIS

Planned Future Supply of Industrial Space

It is imperative that urban decay analysis for environmental review purposes take into consideration development of cumulative projects in addition to the project under study. To identify potential future projects for the cumulative analysis, ALH Economics prepared a cumulative supply list based on information from San Joaquin County and the cities of Lathrop, Stockton, and Tracy, as well as Patterson in Stanislaus County. The future supply list is presented in Exhibit 7, which includes 35 projects (150,000 square feet or larger) that are under construction, approved, under review, or are future phases of established industrial parks. Table 9 below summarizes the potential future supply by status and location.

Table 9
Industrial Space Future Supply
Summary by Location and Status, November 2024

Development Status	Tracy	Lathrop	Stockton	Uninc. San Joaquin County	Patterson	Total
Under Construction	0	0	1,422,961	0	820,000	2,242,961
Approved	859,238	4,891,376	3,471,726	1,435,855	2,100,820	12,759,015
Under Review	9,826,233	0	10,349,827	5,360,000	0	25,536,060
Future Phases	7,036,891	272,496	0	1,822,117	9,840,411	18,971,915
Totals						
Square Feet	17,722,362	5,163,872	15,244,514	8,617,972	12,761,231	59,509,951
Percent of Total	30%	9%	26%	14%	21%	100%

Sources: Exhibit 7; and ALH Urban & Regional Economics.

As indicated in Table 9, Tracy has the greatest amount of potential future supply at 17.7 million square feet (30% of total), followed by Stockton at 15.2 million square feet (26% of total). Patterson has 12.8 million square feet, followed by Unincorporated San Joaquin County at 8.6 million square feet. Lathrop has the smallest potential future supply, comprising 5.2 million square feet, or 9% of the total. Stockton has the most space currently under construction, while Lathrop has the most space approved. Stockton has the most space under review and Patterson has the most space in the future phases of master-planned industrial parks, closely followed by Tracy.

As shown in Exhibit 7, there are two projects under construction, with a total of 2.2 million square feet of space: a new Walmart fulfillment center totaling 1,422,961 square feet in Stockton and an 820,000-square-foot building in Patterson that is slated to be 50% occupied by its owner, Safavieh, Inc. The likely timing of completion of these projects is in 2025-2026.

The approved projects category totals 12.8 million square feet, about 21% of the total, in 13 buildings/projects. Five of the projects are in Lathrop, including buildings at TriPoint Logistics Center and Lathrop Gateway, as well as the Ashley Furniture distribution center totaling 1.4 million square feet. The remaining areas each have two approved projects. The largest approved project is in Stockton, a three-building development totaling 2.27 million square feet by Arnaiz Development.

There are 15 projects under review totaling 25.5 million square feet, or 43% of the total. Most of these under review projects are in Tracy, including three buildings at the International Park of Commerce, plus two Costco developments. The largest project under review is South Stockton Commerce Center in Stockton with 6.1 million square feet. Another large project under review is in unincorporated San Joaquin County in the Tracy SOI, Prologis is pursuing entitlements for Phase 2 of its International Park of Commerce, with 5.36 million square feet in five buildings.

The future phases of master-planned industrial parks category totals 18.97 million square feet, 84% of which is in two projects: 7.0 million square feet representing future phases at IPC in Tracy; and 8.9 million square feet of future phases at I-5 Trade Center in Patterson. Other future phases include approximately 1.8 million square feet at North Tracy Commerce Center, 272,500 square feet at TriPoint Logistics Center, and the estimated unbuilt balance of 970,800 million square feet at Keystone Pacific Business Park in Patterson.

Limitations of Identified Potential Future Supply

There is an important caveat regarding the potential future supply of industrial space. The market area defined by the competitive cities and surrounding unincorporated areas includes vast swaths of generally level, vacant land. While much of this land is in agricultural use, some of the uses are more productive than others. Some tracts are protected by the Williamson Act and other agricultural easements, but others may not be. With the severe drought conditions in 2020 to 2022, exacerbated by climate change, some agricultural landowners may pursue development instead of continuing to cope with dwindling production and water availability. Therefore, it is possible that other landowners are considering or have started the process of pursuing a change in land use, but have not reached the application stage. Because the development timeframe for Pacific Gateway is likely decades, there is a high probability that other competitive developments that are not currently known may arise in the future.

Cumulative Industrial Projects Impacts Conclusion

Approach. The purpose of an urban decay analysis is not to conduct a market study to determine the degree to which demand for a planned project does or does not exist, but rather to assess what impact the planned project could have on the existing real estate base **assuming** it is built. The same applies to analysis under the cumulative projects scenario. Sometimes demand analysis is a component of the urban decay analysis, to assess the degree to which future demand may provide overall market support and thus offset any negative impacts that might be attributable to the project and cumulative projects under study. Such is the case in this analysis, where this section examines the relationship between projected cumulative project supply, including the Project, and the identified industrial demand.

San Joaquin County and Patterson Supply and Demand Projection. As depicted in Table 10, projected demand in San Joaquin County plus Patterson totals 47.4 million square feet during the 2024-2040 timeframe, and another 102.5 million square feet during the subsequent 2040-2060 timeframe. These total 149.9 million square feet over the next 36 years. The planned supply among all the projects identified in the industrial market area totals approximately 59.5 million square feet, which is about 40% of the projected demand. Including the Project, the planned future supply totals 84.2 million square feet. Thus, potential supply including the Project represents about 56% of projected demand. An implicit analytical assumption is that all planned projects materialize, which may or may not be the case for every planned future development, especially for projects seeking entitlements.

Table 10
Summary of Industrial Supply and Demand
San Joaquin County and Patterson, 2024-2060

Supply/Demand Characteristic	San Joaquin County			Patterson (1)			Grand Total
	2024-2040	2040-2060	Total	2024-2040	2040-2060	Total	
Period Demand	45,759,680	98,504,921	144,264,602	1,644,255	4,008,384	5,652,639	149,917,240
Planned Supply (2)	21,212,660	25,536,060	46,748,720	2,920,820	9,840,411	12,761,231	59,509,951
Cumulative Remaining Demand/(Excess Supply) (3)	24,547,020	97,515,882	97,515,882	(1,276,565)	(7,108,592)	(7,108,592)	90,407,289

Sources: Table 7; Table 8; Table 9; and ALH Urban & Regional Economics.

(1) Patterson's current inventory is 15% of the total Stanislaus County inventory. Given Patterson's market evolution this analysis assumes Patterson has the potential to capture 20% of demand from 2024-2040, increasing to 25% of demand from 2040-2060. Therefore, the presented period demand figures comprise these percentages of average Stanislaus County demand (See Table 8) during the cited time periods.

(2) See Table 9 Pipeline Summary. To facilitate the analysis, all identified space under construction and approved, plus future phases of Tracy, Lathrop, and Unincorporated San Joaquin County projects are entered in the first time period, from 2024-2040. For the 2040 to 2060 time period, Planned Supply comprises all under review projects plus all future phases of Patterson projects.

(3) Positive figures comprise remaining demand, while negative figures in parentheses represent excess supply. Any remaining demand or excess supply figures are carried over into the next period to present cumulative demand and supply findings.

As shown in Table 10 above, there is a projected surplus of demand in San Joaquin County, while Patterson has about 7.1 million square feet of potential excess supply. As previously noted, Patterson is a small component of the overall Stanislaus County market, with only a portion of the Stanislaus County forecasted demand directed to properties in Patterson. Currently, Patterson's industrial inventory comprises 15% of the total Stanislaus County inventory. Given the pattern of new development in Patterson, and its emergence as a small logistics node, the ALH Economics analysis summarized in Table 10 assumes Patterson's share of future demand will increase over time. Therefore, the study assumes Patterson will capture 20% of demand during the 2024-2040 timeframe and an even higher 25% during the 2040-2060 timeframe. These assumptions result in estimated Patterson industrial space demand totaling 5.65 million square feet through 2060. The future supply analysis indicated that 12.76 million square feet are currently planned in Patterson, which is greater than all the demand allocated to Patterson to the year 2060.

Table 10 further indicates that the collective grand total of demand in San Joaquin County and Patterson is almost 150 million square feet of demand between 2024 and 2060. This contrasts with a collective grand total planned supply (including the Project) of 84 million square feet. This amount of planned supply would satisfy approximately 56% of the grand total demand if fully absorbed (i.e., 84 million square feet/150 million square feet).

For the planned space in Patterson to be absorbed without any resulting excess supply, three potential occurrences could happen. First, Patterson could divert demand away from other markets, such as the San Joaquin County industrial market. If this happened, then there could be less remaining demand available in San Joaquin County after absorption of the planned supply. Second, Patterson could capture a higher share of Stanislaus County demand than assumed in the analysis. However, as shown in Table 8, 100% of the average estimate of demand through 2060 totals 24.3 million square feet, with 8.2 million square feet to the year 2040 and another 16.0 million square feet thereafter to the year 2060. Hence, unless the third potential occurrence happens, with future demand varying significantly from the forecast, which is possible given the potential changing economic and employment trends, Patterson would need to capture at more than 50% of Stanislaus County's demand for the current planned supply to experience successful absorption.

The land available in Patterson's industrial parks is being marketed as ready to develop; however, these projects will not likely move forward until there is a committed tenant. This land will likely remain vacant until it attracts companies willing to trade a longer distance for lower occupancy costs.

Cumulative Projects Impacts Conclusion. The identified planned supply of industrial space in the competitive cities and surrounding areas have the potential to absorb about 40% of the combined projected demand in San Joaquin County and Patterson in Stanislaus County (i.e., the cumulative projects would take up 40% of demand if fully absorbed). Once building delivery begins, Pacific Gateway with its 24.675 million square feet will compete with much of the planned supply as well as the existing inventory. However, based on the supply and demand projections, there appears to be a favorable market balance indicating that the introduction of Pacific Gateway into the market would not lead to excessive vacancies in the market area. In contrast, it appears that remaining demand would continue to be available for additional planned projects likely to emerge over time, as well as to fill vacancies among the existing market area building inventory.

VI. HOTEL COMPONENT URBAN DECAY ANALYSIS

CONTEXT FOR PACIFIC GATEWAY PLANNED HOTEL

The Pacific Gateway plan includes a 60,000-square-foot, 100-room hotel in the Gateway Center development area. The Pacific Gateway site is distant from most existing commercial development, with the closest hotel competition located about 10.5 miles away in Tracy. Therefore, ALH Economics defined the competitive market for the Pacific Gateway hotel as the City of Tracy. There are eight existing hotels in Tracy, with a total of 608 rooms. The Project's hotel would increase the existing rooms supply by 16%.

ALH Economics conducted an analysis of hotel demand relevant to the Project's planned hotel, which is based upon growing out the existing met demand at Tracy's hotels pursuant to derived growth projections. Because an urban decay analysis must also look at cumulative impacts, there is additional analysis comparing the projected demand for hotel rooms in Tracy to the supply of the Project's hotel and other planned hotels. This study chapter closes with an assessment of the potential impact of the Project and the cumulative hotel supply on existing hotels and hence the existing physical hotel stock.

EXISTING SUPPLY OF TRACY HOTELS

The Tracy hotel supply was identified through internet research and review of a list of hotels maintained by Smith Travel Research (STR), a company that tracks supply and demand data for the hotel industry and provides market share analysis. ALH Economics reviewed a list of hotels in Tracy that participate in Smith Travel Research's trend analysis, which includes operating trends such as rooms, average daily room rate, demand, supply (measured by rooms available per period), and revenue, among other characteristics. ALH Economics then researched room rates for the listed hotels.

The existing Tracy hotels represent three classes of hotel, including economy, midscale, and upper midscale. There are no upscale or upper upscale hotels in the market. Overall, there are 608 rooms distributed among the eight hotels, as shown on Exhibit 9. All of the hotels are located between 10.5 and 12.8 miles from the Project. This is a substantial distance, indicating that the Project hotel will be uniquely situated with no proximate competition. The hotels range in size from 57 rooms at the Best Western Luxury Inn (Midscale Class) to 102 rooms at the Holiday Inn Express & Suites Tracy (Upper Midscale Class). Over half of the inventory are properties constructed before 2000. Only one hotel is relatively new – the 94-room Home2 Suites by Hilton, which was completed in 2021. This property has the highest room rate of the group.

ALH Economics conducted field reconnaissance to examine the physical condition of the existing hotels. All of the existing hotels were found to be in good general repair, with attractive physical conditions and no signs of deterioration or urban decay, such as litter, graffiti, weeds, or rubbish.

HISTORIC AND CURRENT HOTEL PERFORMANCE

STR provided a summary report of the performance of the eight Tracy hotels from 2016 through October 2024. These data are presented in Exhibits 10 and 11. The STR data include a supply estimate, which reflects the summation of the number of rooms available per month times the number of days in the period. This is effectively a measure of the number of room nights available among the competitive supply throughout the year. As of October 2024, there were a total of 18,848 room nights available

among the eight hotels. STR also measures demand, which is based on occupancy reported by the participating hotels. As the data in Exhibit 11 indicate, annual demand has fluctuated over the period covered, with a low during the 2020 pandemic and a high in 2021 as the economy reopened. Demand has been decreasing since 2021. This is illustrated by the market-wide occupancy rate in Exhibit 10, which peaked at 81.9% in 2021, but has since declined to 67.0% in 2023; the average occupancy rate through October 2024 is 69.0%. Over the 2016-2024 period, the average full-year occupancy rate is 75.4%.

The average daily room rate increased from \$103.81 in 2016 to \$144.92 in 2022. The average daily room rate declined by 5.3% in 2023 to \$137.24. Through October 2024, the average daily room rate of \$127.87 is about 8.3% lower than that for the same period in 2023. The slide in the average daily room rate is reflective of the decrease in occupancy levels since 2021.

PROJECTED HOTEL DEMAND AND OCCUPANCY

ALH Economics developed a hotel demand projection using the existing supply and performance characteristics as a base, which is then grown out pursuant to projected population and employment growth. Exhibit 12 presents projected population and employment growth in San Joaquin County through 2035 – the Project hotel is projected to be completed in 2032. As shown, the County's population is anticipated to increase at an average annual growth rate of 0.7% between 2024 and 2030, and at an average annual growth rate of 1.1% between 2030 and 2035. The average annual growth rate for County employment is 1.5% over the entire period. These average of the population and employment growth rates is 1.1% between 2024 and 2030 and 1.3% between 2030 and 2035.

Based on the demand projection, and absent any new additions to supply in Tracy, hotel occupancy is projected to increase annually, resulting in high levels relative to industry standards. In general, a hotel occupancy rate of 70% is considered an optimal industry standard occupancy rate. Tracy hotel market occupancy levels are projected to rise to over 75% by 2026 (near the eight-year average), and reaching over 80% by 2032, the year the Project hotel is assumed to be completed. These estimates are summarized in Table 11, which also includes the eight-year market occupancy history.

Table 11. Historic and Projected Tracy Area Hotel Occupancy

Year (1)	Annual Occupancy
2016	79.6%
2017	77.9%
2018	79.6%
2019	75.2%
2020	68.0%
2021	81.9%
2022	74.4%
2023	67.0%
2024	73.8%
2025	74.5%
2026	75.3%
2027	76.2%
2028	77.0%
2029	77.8%
2030	78.6%
2031	79.7%
2032	80.7%

Sources: Exhibit 10 and Exhibit 13.

(1) Figures above the line are historic and figures below the line are projected.

As shown in Table 11, without the addition of new supply, the occupancy rate is assumed to exceed the industry standard optimal occupancy rate. These high occupancy rates are a strong indicator that the market would benefit from the addition of new supply, to avoid periods of total booking for select hotels and thus potential hotel guests seeking lodging in other markets.

PROJECTED IMPACT OF PACIFIC GATEWAY HOTEL

In order to assess the Project’s potential market impact, ALH Economics took the future projection of hotel room supply and demand and then examined the occupancy impacts with the addition of just the Project’s planned hotel rooms. The Project’s 100 rooms are added to the supply in 2033, which is projected to be the first full year of Project operation. The results of this analysis are presented in Exhibit 13, and summarized in Table 12, below.

Table 12. Historic and Projected Tracy Area Hotel Occupancy with Pacific Gateway Hotel

Year (1)	Annual Occupancy
2016	79.6%
2017	77.9%
2018	79.6%
2019	75.2%
2020	68.0%
2021	81.9%
2022	74.4%
2023	67.0%
2024	73.8%
2025	74.5%
2026	75.3%
2027	76.2%
2028	77.0%
2029	77.8%
2030	78.6%
2031	79.7%
2032	80.7%
2033 (2)	70.2%
2034	71.1%
2035	72.1%
2036	73.0%

Sources: Exhibit 10 and Exhibit 13.
 (1) Figures above the line are historic and figures below the line are projected.
 (2) Assumed first full year of Pacific Gateway Hotel operations.

The resulting supply and demand analysis reflecting the addition of just the Project indicates that absent any other additions to new supply, the competitive market is estimated to achieve annual occupancy of 80.7% prior to the first full year of Project hotel operations. Once the Project hotel enters the market, occupancy is projected to drop, as the supply of rooms outpaces demand. The initial occupancy rate is projected to drop by 13%, or to 70.2%, as the Project hotel is anticipated to increase the existing supply by 16% (from 608 to 708 rooms). This is both a large increase in supply and corresponding decline in occupancy. However, the projected occupancy of 70.2% is nonetheless greater than the optimal industry occupancy rate, as well as what the market experienced in 2023 and 2020. Subsequent to 2033, the occupancy rate is forecasted to modestly improve each year, remaining in the low 70% range. Given these projections, therefore, ALH Economics believes the competitive hotel market would likely manage to continue operations, without the closure of any existing competitive hotels. Accordingly, there is no expectation that the Project’s market introduction would cause any existing hotel to experience an occupancy decline so severe as to result in closure and risk the potential for the hotel property to experience physical decline.

As with all projections, the projected hotel demand growth rate is by its nature speculative. It is difficult to predict how demand might increase with the availability of a hotel in a new market location south of Tracy, as well as the future location of the University, which would comprise an additional, unique, source of demand for the hotel. The University will likely generate a steady stream of demand, peaking at key points in time such as initial student move-in, graduation, and end of year move-out. These peaks would generate seasonal peaks in demand, especially at the Project hotel (versus the other more distant hotels). This will be a gradual impact on demand, as the hotel is anticipated to be completed more than a decade before the full buildout of the University.

CUMULATIVE HOTEL IMPACTS

Supply Additions

To conduct a cumulative analysis, ALH Economics researched information about other planned hotel projects in Tracy. The research findings about the planned supply are presented in Exhibit 14. As shown by Exhibit 14, there are eight planned hotel projects totaling 765 rooms. This list includes two hotels under construction, Marriott Hotel (108 rooms) and La Quinta (87 rooms), three approved hotels totaling 303 rooms, and three hotels under review with 267 rooms. Adding the Project's planned hotel rooms into the future supply results in the total addition of 865 hotel rooms to the Tracy market. If built, this number of rooms would result in a 142% increase in the number of competitive hotel rooms in or generally around Tracy.

Projected Hotel Demand and Cumulative Project Impacts

Similar to the analysis for just the Project, ALH Economics prepared a future projection of hotel supply and demand and then examined the occupancy impacts pursuant to the addition of the planned hotel projects. This analysis is presented in Exhibit 15. Also similar to the Project impact analysis, the planned hotels are entered into the hotel rooms inventory the year after expected construction completion, as the following year comprises the first full year of operations. This means the Marriott and La Quinta hotels are anticipated to enter the market inventory in 2026 (first full year of operations). The approved hotels are projected to enter the market in 2028, assuming they commence construction in 2025 and take 18+ months for completion. With respect to the three hotels under review, the timing of completion is speculative, so completion and operation dates are not estimated. As with the Project-only analysis, the Pacific Gateway hotel rooms are also added to the inventory in this analysis, in 2032 (with 2033 expected to be the first full year of operations). Table 13 summarizes the hotel future supply by project, number of rooms, and first full year of occupancy.

Table 13. Summary of Hotel Pipeline, by Project, Number of Rooms, and First Full Year of Occupancy

Project	Planning Status	Number of Net New Rooms	First Full Year of Occupancy (1)							After 2030
			2024	2025	2026	2027	2028	2029	2030	
Marriott Hotel	Under Construction	108			108	108	108	108	108	108
La Quinta	Under Construction	87			87	87	87	87	87	87
Extended Stay America	Approved	124					124	124	124	124
Marriott Courtyard	Approved	101					101	101	101	101
Tru by Hilton	Approved	78					78	78	78	78
Avid Hotel & Candlewood Suites	Under Review	107 (2)								
Hilton Garden Inn	Under Review	70 (2)								
Cambria Hotel and Event Center	Under Review	90 (2)								
Total		765	0	0	195	195	498	498	498	498

Source: Exhibit 14.

(1) The first full year of occupancy is assumed to comprise the year following anticipated completion.

(2) These Under Review hotel projects are too speculative at this time to warrant estimation of completion and operational dates.

Exhibit 15 presents the combination of the projected hotel demand and anticipated new supply additions. The historic and projected occupancy rates with the cumulative supply additions are summarized in Table 14. The results after the 2026 addition of the under construction hotels indicates that hotel occupancy is projected to decline to 57.1%, following a much higher occupancy of 74.5% the year before. The occupancy rate is projected to ratchet up slightly to 57.7%, before the approved hotels are completed, after which the projected occupancy rate drops to 42.3%. Although the occupancy rate experiences modest yearly gains, it declines again to 41.2% in 2033 when the Project’s hotel becomes operational. The projected occupancy rate with all of the cumulative supply remains in the low 40% range through 2036.

Table 14. Historic and Projected Tracy Area Hotel Occupancy with Pacific Gateway Hotel and Cumulative Projects

Year (1)	Annual Occupancy
2016	79.6%
2017	77.9%
2018	79.6%
2019	75.2%
2020	68.0%
2021	81.9%
2022	74.4%
2023	67.0%
2024	73.8%
2025	74.5%
2026	57.1%
2027	57.7%
2028	42.3%
2029	42.8%
2030	43.2%
2031	43.8%
2032	44.4%
2033	41.2%
2034	41.8%
2035	42.3%
2036	42.9%

Sources: Exhibit 10 and Exhibit 15.
 (1) Figures above the line are historic and figures below the line are projected.

As with all projections, the projected hotel demand growth rate is by its nature speculative. For example, if the annual growth rate is tied to just the projected increase in the County’s employment, the market-wide occupancy rate would be higher by about 0.5% in 2026 and 1.3% higher in 2033. It is difficult to predict how demand might increase with the availability of a hotel in a new market location in Tracy, such as the Project’s location south of Tracy and near the University, which is anticipated to represent a new source of demand unique to the Project hotel with seasonal spikes in demand, albeit gradually over the University buildout period, which extends beyond the hotel completion date. If the presence of the Project hotel drives demand higher than projected after its completion, then occupancy would be slightly

higher. For example, if market area demand is 10% higher in 2033, than the anticipated occupancy rate would be 45.4%. Nonetheless, occupancy rates would be forecast to be substantially below the industry standard with the anticipated supply additions. In this situation, it is anticipated that hotel developers may delay construction until market conditions warrant new supply additions.

PACIFIC GATEWAY AND CUMULATIVE HOTEL PROJECTS IMPACT CONCLUSION

The preceding Project hotel analysis indicates that negative occupancy impacts on the existing competitive set of hotels could last for several years after completion of the under construction and approved hotels, as well as the Project. This conclusion is based on the assumption that the Project hotel diverts demand from all hotels equally, which may not be likely due to its distance of over 10 miles from the existing hotels. It is quite possible that the competitive set of hotels could adjust their pricing in order to maintain market share. Additionally, the analysis conservatively did not quantify a demand boost for the Project hotel based on its location near the University, which would most likely be generated for just the Project hotel given its proximity to the University, versus any of the other existing or planned hotels. Finally, there could be other sources of hotel demand that emerge during the projection period that could boost hotel demand.

Alternatively, hotel developers would not be able to attract financing to construct new hotels in a market that appears to have an oversupply. Thus, the developers of the approved hotels might delay commencement of construction until such time as demand warrants new hotel rooms. For these reasons, ALH Economics concludes that existing hotels will likely not be negatively impacted by the Project to the point that one or more hotel closures would ensue.

VII. PROJECT RETAIL COMPONENT SUPPORT

INTRODUCTION

The Project includes retail space as a largely ancillary use. There are two areas with planned retail space, including 49,592 square feet in the Gateway Center and 38,908 square feet in the University Center. Together, these amounts total 88,500 square feet. This is not enough square footage to comprise a shopping center with a critical mass, especially since the retail will not be concentrated in one place, but rather distributed across the Project. Accordingly, there will be two primary purposes of the retail square footage. The primary purpose of the University Center retail space will be to provide convenience shopping and dining opportunities for tenants and visitors of the Project, as well as the University students living on campus. The primary purpose of the Gateway Center space will be to capture drive-by traffic to/from the Bay Area via I-580, I-5, Route 132, and Route 99.

UNIVERSITY CENTER RETAIL SUPPORT

Given the primary purpose of the University Center's 38,908 square feet of retail space, the most likely sources of demand include employee spending, hotel guest spending, and student spending. This report section analyzes each of these sources of demand and reflects on the potential for development of the retail space to cause or contribute to urban decay of existing commercial retail properties.

Employee Retail Spending Potential

For employee daytime retail demand estimates, ALH Economics drew upon findings from the International Council of Shopping Centers (ICSC) regarding office worker retail spending during the workday. The office worker spending patterns were adapted to the range of workers anticipated to work at Pacific Gateway based on income proportionality between San Joaquin County's office-based workers and the relevant Project-based employment sectors.

For the purpose of the underlying analysis, ICSC conducts its office worker retail spending survey on a recurring basis, with the most recent survey findings released in early 2012. This survey includes analysis of office worker spending near their work location, including analysis by type of retail good (e.g., restaurants and fast food, groceries, and all other goods and services), as well as spending patterns in urban and suburban areas, including areas with or without ample retail.¹⁴ These spending estimates include retail sales made during the workday, including near the work location as well as some before and after work as well. For this Project analysis, given the location of Pacific Gateway, the figures are benchmarked to suburban locations without ample retail. The resulting estimate is approximately \$11,076 per year in office worker daytime spending near the work location in 2024 dollars (see Exhibit 16). This figure rounds up to \$11,100 when the main constituent spending categories of restaurants/fast food, groceries, and all other are rounded to the nearest \$100.

Since employees at Pacific Gateway will include workers that are not traditional office employees, ALH Economics adjusted the office worker spending estimate on a pro rata basis in accordance with the differential in annual average wages for office workers in San Joaquin County and select other types of workers anticipated at the Project. The relative wages for office workers and select other types of workers in San Joaquin County are derived from United States Bureau of Labor Statistics employment data and

¹⁴ Ample retail locations would include major shopping centers or significant retail nodes near the office location.

payroll for San Joaquin County for 2023 and inflated to 2024 dollars (see Exhibit 17). Pursuant to the pro rata wage adjustments, the estimated daytime spending estimate is \$10,200 for Pacific Gateway's industrial workers, \$9,400 for University workers, \$8,700 for retail workers, and \$8,100 for hotel workers (see Exhibit 18). As noted on Exhibit 18, ALH Economics believes some of these estimates are conservative, especially for the industrial workers, as average incomes for these workers may be higher than estimated using countywide economic data.

Total annual employee daytime retail spending is estimated based on the maximum anticipated number of on-site employees by land use. These employee counts are presented in Exhibit 18, and include 14,955 industrial workers, 300 University workers, 94 retail workers, and 60 hotel workers. With these employee counts, and the estimated annual retail spending by type of employee, the annual retail spending generated by all employees totals about \$157 million, including \$31 million for Restaurants and Fast Food, \$23 million for Groceries, and \$103 million for All Other. Notably, these are maximum figures, reflecting purchases across several areas, including locations to and from the work location.

Employee Supportable Retail Space

ALH Economics converted the Project employee retail spending estimate to supportable square feet based upon generalized industry standard sales per square foot by type of space. With a vacancy adjustment, the resulting square footage demand estimates by type of good are presented in Exhibit 19. The supportable square feet findings across all employees total approximately 48,400 square feet, of which 17,800 square feet are for Restaurants and Fast Food, 3,500 square feet are for Groceries, or convenience store shopping, and 27,100 square feet are for All Other, which could include yet additional sundries along with other goods.

Pacific Gateway Hotel Guests

Additional retail and restaurant sales are anticipated to be generated by hotel guests of the Project's planned 100-room hotel. Assuming an industry-standard 65% occupancy rate, and 1.5 average guests per room, the Project hotel is estimated to generate 35,590 (rounded) annual average guests (see Exhibit 20). Incorporating a governmental allowance assumption of \$74 per guest on food and incidentals, the hotel guests are estimated to generate \$2.6 million in food and traveler-related incidental sales. This amount of demand translates into a nominal 4,600 square feet of supportable space for restaurants as well as stores selling incidentals. While this is a small amount of space, it is nonetheless an additional increment of space supportable by the uses planned for Pacific Gateway.

Student Retail Spending Potential

The University students will also generate demand for University Center retail. Currently the buildout student population is estimated to total 5,000, with 1,600 student beds available on the campus. Thus, 1,600 students are assumed to live on-campus and the balance of 3,400 students are assumed to live off-campus. Student budget spending patterns will vary somewhat depending upon student living status. ALH Economics obtained student budget information for the University of the Pacific, a university in nearby Stockton, as an illustrative proxy for the annual spending of the Project's University students. This budget information is presented in Exhibit 21 for all major spending categories except tuition and fees. ALH Economics then paired each budget category with an estimated University Center retail capture rate, as the students will be somewhat of a captive population for their non-educational spending needs. These assumed capture rates range from 0% for several non-retail categories such as rent and transportation, to a range of 10% to 20% for off-campus students for personal items, books & supplies,

and food, and 5% to 33% for on-campus students, for food, books & supplies, and personal items. These capture rates are assigned by student living status and budget category in Exhibit 21.

Exhibit 22 translates the estimated student spending into an estimate of supportable University Center retail space. This is based on the number of students, estimated annual retail spending per student captured at the University retail, and a weighted average retail sales per square foot estimate and retail vacancy rate. The weighted average retail sales per square foot figure was derived from the earlier employee spending estimates in Exhibit 19. The results of this analysis suggest the University's student may have the potential to support 18,320 square feet of University Center retail space.

University Center Retail Space Conclusion

The internally generated retail demand estimates from employee, hotel guest, and University student spending suggest the potential to annually support over 70,000 square feet of retail space. This is well in excess of the 38,908 square feet of retail planned for the University Center, strongly suggesting that the retail space is likely to be supportable. There are no identified cumulative retail developments either, which will result in focusing demand at the Project's retail space and limiting the potential for any urban decay to result from development of the University Center retail space.

GATEWAY CENTER RETAIL SUPPORT

The Gateway Center's 49,592 square feet of retail space will be oriented to demand external to Pacific Gateway. This is attributable to its accessibility to drive-by traffic to/from the Bay Area via I-580, I-5, Route 132, and Route 99. Compared to the University Center retail, it is not as easy at this juncture to estimate demand for the Gateway Center retail space given a lack of specificity of the composition of the retail tenants. However, the next nearest highway-related retail nodes are approximately 10 miles northwest and 10 miles southeast of Pacific Gateway. This suggests a gap in the market for highway travelers needing to stop for a break, restock supplies, get a meal or a snack, etc. This distance will limit the potential for negative impacts on these existing nodes, and will heighten demand for Gateway Center retail. Accordingly, it is unlikely that development of the Gateway Center retail space will cause or contribute to urban decay of like properties.

VIII. URBAN DECAY IMPLICATIONS

STUDY DEFINITION OF URBAN DECAY AND CONTRIBUTING CAUSES

Definition of Urban Decay

For the purpose of this analysis, and in accordance with CEQA, urban decay is defined as extended long-term business vacancies, directly or indirectly resulting in physical deterioration to properties or structures that is so prevalent, substantial, and lasting a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. Physical deterioration includes abandoned buildings, boarded doors and windows, parked trucks and long-term unauthorized use of the properties and parking lots, extensive or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees and shrubbery, and uncontrolled weed growth. Typically, pursuant to the Fifth District Court of Appeal in decision in *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1204, urban decay analyses are primarily prepared for retail development, or the retail components of large-scale mixed-use projects. Over time, some environmental impact reports also conservatively extend the urban decay analysis to other land uses, including hotel, office, life science, and industrial land uses. Such is the case for this current analysis of Pacific Gateway, which primarily comprises industrial space; the Project's hotel is also included in this analysis. Although the project also includes a university and small business park and commercial land components, these uses are not part of the study. Due to the location of Pacific Gateway, with very little existing nearby development and its very small commercial component, the commercial space is primarily expected to serve the Project's internal demand, with potential for some external demand.

Contributing Causes of Urban Decay

Before considering how Pacific Gateway might affect the market and environs, it is useful to focus on what constitutes the *environmental* impact known as urban decay. In *Bakersfield Citizens for Local Control v. City of Bakersfield*, the court described the phenomenon as "a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake." The court also discussed prior case law that addressed the potential for large retail projects to cause "physical deterioration of [a] downtown area" or "a general deterioration of [a] downtown area." (Id. at pp. 1206, 1207). The emphasis on retail is pursuant to the focus of the case, which was prospective retail development. When looking at the phenomenon of urban decay, it is also helpful to note economic impacts that do not constitute urban decay. For example, a vacant building is not urban decay, even if the building were to be vacant over a relatively long time. Similarly, in the context of retail development, even a number of empty storefronts would not constitute urban decay. Based on the above description regarding urban decay, therefore, ALH Economics' analysis examined whether there was sufficient market demand to support the Project's planned industrial space and hotel without affecting existing industrial buildings and hotels so severely such as to lead to a downward spiral toward decay of the existing physical environment.

REGULATORY CONTROLS

Owners of industrial properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new tenants. This appears to generally be the case in the market area where the competitive industrial properties are located, as evidenced by the overall positive prevailing physical condition of the market area's existing large-scale industrial vacancies. The

same is the general case with the identified competitive hotels in Tracy. If property owners lag, however, and property maintenance begins to show signs of deferred maintenance or other disrepair, San Joaquin County, as the core portion of the market area, has regulatory controls that can be implemented to avoid the onset of deterioration or decay. This is also the case for the market area cities with the largest amount of existing inventory, as well as competitive hotels, i.e., the cities of Stockton, Tracy, and Lathrop. Some of the key associated regulations by jurisdiction follow.

San Joaquin County Select Regulations

The San Joaquin County Code of Ordinances includes many regulations designed to maintain the physical condition of properties in the Unincorporated County areas. These regulations, therefore, will further serve to keep urban decay conditions at bay. The sections of the Code most applicable to urban decay characteristics include ones addressing graffiti, weeds and rubbish, illegal dumping, and nuisance abatement.

The portion of the Code that directly pertains to graffiti includes **Title 6 – General Welfare, Division 3. – Public Order, Chapter 6. Graffiti Abatement.**¹⁵ This section addresses graffiti vandalism on public and privately-owned structures and real property. The County’s many findings about graffiti (see **6-3600 – Findings**) include finding that it degrades the community, causes an increase in crime, and is inconsistent with the County’s property maintenance goals and aesthetic standards. Accordingly, graffiti is subject to abatement and punishment per the Code. Of most relevance to conditions of urban decay, the Code requires removal of graffiti no longer than ten days after notification by the County (see **6-3604 – Removal of Graffiti**). In **6-3605 – Right of County To Remove** the County Code has provisions for the use of public funds to abate the graffiti if it is viewable from a public or quasi-public place. There are additional provisions for the County to recover the funds spent on graffiti abatement if the graffiti was caused or committed by a minor (see **6-3610 – Recovery of County Funds**), or from the property owner (see **6-3616 – Abatement Procedures**).

Title 4 – Public Safety, Division 1 – Fire Prevention, Chapter 6 – Abatement of Hazardous Weeds and Rubbish of the County Code addresses the abatement of hazardous weeds and rubbish that constitute a public nuisance and fire hazard, with rubbish including items such as printed material, cardboard boxes, and combustible refuse (among others). The Fire Warden has jurisdiction over these concerns, which includes directing County abatement of the conditions if not satisfied by the property owner (see **4-1055 – Abatement**), among other provisions.

In **Title 8 Building Regulations, Division 5 – Housing and Nuisance Abatement Code, Chapter 7 – Securement of Unsafe Condition, 8-5600 – Findings for Securing Unsafe Conditions**, the County Code identifies that unsecured conditions that are unsafe are considered a public nuisance, and will require securement. Sample conditions cited in the Code include unsecured openings, including unboarded windows and doorways, and other conditions deemed hazardous by the County Health Officer or authorized representative. **Section 8-5601 – Unlawful Not To Secure After Notice** then identifies it is unlawful for the unsafe condition to not be secured, generally within a ten-day timeframe of notification (**Section 8-5605 – Securing Unsafe Condition After Ten Day Notice**). The Code further stipulates that the owner of record shall be responsible for all costs associated with securing the unsafe condition (see **8-5608 – Liability For Cost Of Securement**).

¹⁵ See https://library.municode.com/ca/san_joaquin_county/codes/code_of_ordinances for all references to the Ordinance Code of San Joaquin County.

As this limited review of the County's Code of Ordinances indicates, there are existing regulations in place that are designed to address numerous property conditions that could comprise precursors to urban decay. Thus, enforcement of these regulations could shore up market-driven activities designed to maintain existing properties and keep urban decay and deterioration at bay in San Joaquin County's Unincorporated areas.

Cities of Stockton, Tracy, and Lathrop Select Regulations

The following are representative regulations in Stockton, Tracy, and Lathrop, which are the three market area cities that include existing large-scale vacancies.

City of Stockton. The City of Stockton has many components of the City's Municipal Code that are designed to ward off the types of conditions that lead to urban deterioration or decay. For example, **Title 8 Health and Safety, Chapter 8.24 Graffiti, 8.24.040 Graffiti prohibited**, states that it is unlawful for any person to apply graffiti on any public or privately owned property, structure, or surface within the City.¹⁶ Then, if such graffiti occurs and is reported to the City, **Title 16 Development Code, Division 3. Site Planning and General Development Regulations, Chapter 16.32 General Performance Standards** includes **section 16.32.060 Graffiti**, which indicates that all graffiti should be removed within 48 hours after notification by the City of Stockton. Yet additional portions of the City's Municipal Code (**8.24.060 Right of City to remove**) has provisions for the City to abate the graffiti if it not attended to by a responsible person within 48 hours of city notification.

Additional provisions in the Health and Safety portion of the Stockton Municipal Code pertain to the destruction and removal of weeds, rubbish, refuse and dirt. This section, **8.08.040 Notice to destroy weeds and rubbish**, indicates that such items on private property comprise a public nuisance, which must be abated without delay or the City of Stockton will take charge with the associated cost of destruction or removal assessed upon the relevant lots and land as a lien until such time as it is paid.

In Stockton's Municipal Code, unsecured buildings are also deemed a public nuisance, and dangerous to the health and safety of the city's inhabitants. In **Title 15 Buildings and Construction, Chapter 15.28 Abatement of Dangerous Buildings Code, 15.28.060 Existence of unsecured buildings – a public nuisance**, this includes unoccupied structures with free entry through unsecured openings, broken and unboarded windows and doorways. If notified of such a public nuisance by the City, **15.28.070 Unlawful not to secure after notice** stipulates that it must be secured within 10 days, after which time the City may do the work, paid for by the building owner, agent, lessee, or other person. (**15.28.110 Securing by City after ten-day period**).

Perhaps of greatest relevance to concerns about urban decay, is the portion of Stockton's Municipal Code that addresses abandoned and vacant property. Specifically, **Title 15 Buildings and Construction, Chapter 15.32 Maintenance, Security and Rehabilitation of Abandoned and Vacant Property** addresses neglected, vacant, and abandoned properties that can be a source of blight, especially when not maintained and managed in a manner that ensures they do not become a liability to the surrounding community. In **15.32.020 Definitions** the City of Stockton defines evidence of vacancy as conditions such as overgrown and/or dead vegetation; accumulation of newspapers, circulars, flyers, etc.; accumulation of trash, junk and/or debris; and, for residential properties, the absence of window coverings and furnishings or personal items consistent with residential habitation, etc. The city further lays out maintenance requirements for properties in **15.32.040 Maintenance**

¹⁶ See https://library.qcode.us/lib/stockton_ca/pub/municipal_code/search for all references to the City of Stockton Municipal Code.

requirements, including maintaining the property free of graffiti by removal or painting over with paint that matches the color of the structure exterior; keeping the property free of junk, debris, etc.; and rehabilitating a boarded up building for occupancy within 180 days of being boarded, among others. The City's Code further requires the property owner to inspect the abandoned or vacant property on a monthly basis to ensure the property is in compliance with the city's requirements (**15.32.060 Inspection**). The City of Stockton's concerns about abandoned and vacant buildings are emphasized per **15.32.100 Violation – Penalty**, which establishes that violations of this Chapter of the Municipal Code are subject to prosecution and administrative enforcement.

As the above review indicates, the City of Stockton, similar to San Joaquin County, has existing regulations designed to address numerous property conditions that could comprise precursors to urban decay. Thus, enforcement of these regulations could additionally shore up market-driven activities designed to maintain existing properties and ward off urban decay and deterioration if such conditions begin to be observed among Stockton's larger scale industrial properties.

City of Tracy. The City of Tracy also has many components of the City's Municipal Code that are designed to ward off the types of conditions that lead to urban deterioration or decay. One such component is the City's Chapter on Graffiti Control, i.e., **Chapter 3.48 – Graffiti Control**. As stated in the Code, "The purpose of this chapter is to provide a program and enforcement tools, in addition to those already provided by state law, for removal of graffiti from walls and structures on both public and private property and to prevent and control the further spread of graffiti in the City."¹⁷ The provisions of this Chapter include making it unlawful for property owners or others in control of any property to allow graffiti to be placed or remain on a permanent structure, for anyone to apply graffiti, or for anyone to aid, abet, or encourage another to produce graffiti. Such graffiti visible from public property, public right-of-way, or private property open to the public is to be declared a public nuisance, and may be abated through the authorization of City funds, whereas private property owners are required to remove graffiti at their own expense within 10 days of City removal notification. If this private property removal does not occur within the required timeframe the City has the authorization to arrange for the abatement and bill the property owner or place a special assessment against the parcel if not paid within 30 days of invoicing.

The City of Tracy Municipal Code also has numerous provisions prohibiting the accumulation of rubbish and refuse. These include **Section 4.12.265 – Accumulation of rubbish and refuse prohibited**, **Section 5.04.010 – Throwing rubbish on streets unlawful**, and **4.12.260 – Weeds, Rubbish, refuse, and flammable materials public nuisances**. In the case of accumulated rubbish and refuse, the Code requires that the accumulation should not remain on a lot for longer than seven (7) days, with several City methods of enforcement, such as the issuance of infractions or administrative citations.

In **Chapter 9.60 – Boarding of Buildings With Unsecured Openings**, the City of Tracy's Municipal Code declares that vacant buildings with unsecured windows and doors or other openings (e.g., broken or missing) are a public nuisance and contribute to blight within the City, as they can be a nuisance to children, harbor rats, increase fire risk, and depress surrounding property values. The city actually requires such openings to be temporarily boarded up, after receipt of a boarding permit that specifies the number and location of the openings to be boarded. These permits are to be issued for no more than six months, unless renewed upon request and for good cause. The city sets standards for this temporary boarding, including specifying the type of plywood, and also requires that the plywood be

¹⁷ See https://library.municode.com/ca/tracy/codes/code_of_ordinances?nodeId=TIT3PUSA_for all references to the City of Tracy Municipal Code. CH3.48GRCO_3.48.030GRPR, Section 3.48.010.

painted a dark gray or similar earth color or a color compatible with the subject building's exterior. Thus, while evidence of boarded up doors and windows can be an indicator of urban decay, implementation of the City of Tracy's standards converts these signifiers instead to signs of compliance with City regulations, intended, however, to be temporary pending repair, rather than more long-term and thus more likely to be construed as indicators of urban decay.

City of Lathrop. The City of Lathrop's Municipal Code is less extensive than the Codes referenced for the other market area cities, with fewer sections or less well-developed sections addressing some of the topics most associated with concerns about urban decay. This is likely attributable to the Lathrop's incorporation as recently as 1989, compared to 1850 for Stockton and 1910 for Tracy. However, similar to the cities of Stockton and Tracy, the City of Lathrop also has graffiti controls addressed in the Municipal Code, including sections on the prohibition of graffiti (**9.12.040 Graffiti prohibited** and the removal of graffiti within 48 hours of notice by the city (**9.12.050 Removal of graffiti**).¹⁸ These sections are included in **Title 9 Public Peace and Welfare, Chapter 9.12 Graffiti**. Similar to the other municipalities, the city also has the right to remove the graffiti if the responsible party does not comply with the removal requirements (**9.12.060 Right of city to remove**). In addition, penalties are in place for the act of graffiti vandalism (**9.12.070 Penalty provisions – Administrative citations**).

Further, the City of Lathrop Municipal Code has a section that addresses nuisances on nonresidential property (**Title 8 Health and Safety, Chapter 8.24 Property Nuisances and Dust Control, 8.24.050 Unlawful nonresidential property nuisances**), making it unlawful to maintain a nonresidential property with certain conditions visible from the public street for an unreasonable period of time, including the following (among others): accumulation of dirt, litter, or debris; overgrown vegetation; graffiti; vehicle parts or other abandoned personal property; and broken or discarded furnishings. Violations of these provisions are subject to enforcement and penalty, pursuant to **Title 1 General Provisions, Chapter 1.12 Administrative Enforcement Procedures**.

In contrast to the other jurisdictions reviewed above, Lathrop does not appear to have controls in place associated with vacant or abandoned nonresidential property, other than vehicles or nonconforming structures or sites, although such controls do exist for residential property. Nor are there provisions in the Lathrop Municipal Code regulating procedures for boarding up properties with unsecured openings.

Regulatory Summary and Implications

During the study fieldwork conducted in November and December 2024, there were very few signs of litter, weeds, or rubbish associated with existing industrial properties with the potential to be competitive with Pacific Gateway. There were no visible signs of graffiti associated with the relevant industrial stock, and only a few buildings exhibited signs of structural disrepair, of a very minor nature.

Instead, vacant industrial properties were reasonably well-maintained with no significant signs of decay or deterioration. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in San Joaquin County and the cities of Stockton, Tracy, and Lathrop are effective and would serve to preclude the potential for urban decay and deterioration in the event any existing market area industrial properties experience prolonged vacancy following the operations of the Project and any cumulative projects.

¹⁸ See https://library.qcode.us/lib/lathrop_ca/pub/municipal_code/search for all references to the City of Lathrop Municipal Code.

Similarly, inspection of the existing hotels in Tracy indicated that the properties were in good general repair, with attractive physical conditions and no signs of deterioration or urban decay, such as litter, graffiti, weeds, or rubbish. There is no nearby retail space that warranted physical examination for the purpose of assessing regulatory effectiveness to maintain commercial retail properties in good physical condition.

PACIFIC GATEWAY URBAN DECAY DETERMINATION

In developing a conclusion regarding the potential for urban decay, ALH Economics relied on the definition presented earlier in this chapter, which focused on determining whether or not economic and social changes and/or effects resulting from development of the Project as well as other cumulative projects would cause significant adverse physical impacts and result in urban decay.

Industrial

During Project-related field reconnaissance conducted in November and December 2024, ALH Economics found there were no visible signs of litter, graffiti, or rubbish associated with broader market areas. ALH Economics conducted more detailed field reconnaissance of 15 buildings that have been partially or completely vacant for over 14 months.¹⁹ These buildings are presented in Exhibit 8. Eight of the buildings are relatively new, completed in 2021 or later, while the rest ranged in age from 6 to 44 years. Most spaces have been available for about 18 months to 24 months, but two buildings have been available for over 3 years and another one for over 6 years. As indicated in Exhibit 8, all buildings appear to be physically sound and in good to excellent condition.

The conditions of these areas indicate that existing regulatory measures to maintain private industrial properties are effective, and would serve to help preclude the potential for urban decay and deterioration following development of the Project's industrial space and the cumulative projects.

The analysis presented earlier found that it is unlikely for the Project alone or in combination with cumulative industrial projects to cause existing competitive properties in the market area to become vacant. First, the market is at a favorable vacancy rate (less than 10%). Additionally, as noted in the industrial analysis section, there is ample forecasted industrial space demand through 2060 to accommodate the Project and the identified cumulative projects. Finally, developers are anticipated to pace their projects to meet demand. For these reasons, ALH Economics believes that urban deterioration or decay would not result from the identified increase in the industrial inventory. ALH Economics therefore concludes that the industrial component of the Project and cumulative projects are not anticipated to cause adverse physical impacts leading to urban decay.

Based upon the preceding findings, ALH Economics concludes that development of the industrial space at Pacific Gateway and the identified cumulative projects are not anticipated to cause or contribute to urban decay, e.g., the physical deterioration of other properties resulting from economic impacts.

Hotel

Project-related field reconnaissance of the existing hotels indicated that the properties are well-maintained. While three of the hotels were built after 2000, five of them were constructed before 2000,

¹⁹ The threshold for the amount of vacant space was 100,000 square feet. Additionally, 14 months was selected as a threshold as Cushman & Wakefield indicated that developers use a metric of up to 14 months of vacancy in their underwriting.

with one property dating to 1987. As with the industrial product, it appears that the City of Tracy's existing regulatory measures to maintain private hospitality properties are effective, and would serve to help preclude the potential for urban decay and deterioration following development of the Project's hotel and the cumulative projects.

The analysis presented earlier found that it is unlikely for the Project to cause existing competitive properties in the market area to become vacant. When considering the Project in combination with cumulative hotels, occupancy rates are projected to decline to levels below industry thresholds for a healthy market. However, factors such as the Project's distance from existing hotels, proximity to the planned University, potential additional demand, or curtailed supply, could reduce the impacts of the cumulative supply on the existing competitive hotel market.

Retail

The internally generated retail demand estimates from employee, hotel guest, and student spending suggest the potential to annually support over 70,000 square feet of retail space. This is well in excess of the 38,908 square feet of retail planned for the University Center, strongly suggesting that the retail space is likely to be supportable. As there are no identified cumulative retail developments, the identified demand will be focused at the Project's retail space and the potential for any urban decay to result will be limited.

The Gateway Center's 49,592 square feet of retail space will be oriented to demand external to Pacific Gateway. Given a lack of specificity of the composition of the retail tenants it is comparatively not as easy at this juncture to estimate demand for the Gateway Center. However, there is a 10-mile gap between the next nearest highway-related retail nodes. This suggests a market gap for highway travelers. This distance will limit the potential for negative impacts on these existing nodes, and will heighten demand for Gateway Center retail. Accordingly, it is unlikely that development of the Gateway Center retail space will cause or contribute to urban decay of like properties.

Overall Conclusion

In conclusion, Pacific Gateway industrial's component, along with the identified cumulative projects, is not anticipated to cause or contribute to urban decay in the Project's market area. For the hotel component, the Project's hotel by itself is not anticipated to cause or contribute to urban decay in the market area. However, with consideration of the identified cumulative supply, it is possible that there could be negative impacts. These impacts are mainly due to the future supply of hotels as opposed to the Project, due to the Project's unique location distant from the existing hotel base and proximity to the planned University. Additionally, it is possible that potential future negative impacts might be offset by higher-than-forecasted demand or curtailed future supply as hotel developers postpone construction until warranted by market conditions. Finally, as there is no competitive retail near the Project, development of the planned retail space is not likely to contribute to urban decay of any existing commercial properties.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state, or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

APPENDIX: EXHIBITS 1-20

Exhibit 1
Pacific Gateway
Project Description

Land Use	Total Square Feet	Net Acres	Years of Construction (1)
Industrial and Commercial Land Uses			
Limited Industrial			
Pacific Gateway East	11,124,274		13
Pacific Gateway Central	6,856,474		9
Pacific Gateway West	6,168,882		9
Gateway Center	525,370		4
Sub-total	24,675,000	1,129.5	30
Business Park	93,000	4.3	6
General Commercial (2)			
Retail (Gateway Center)	49,592		6
Retail (University Center)	38,908		8
Sub-total	88,500	11.5	6-8
Hotel (Gateway Center)	60,000	incl. above	2
Sub-total	24,916,500	1,145.3	2-30
Other Land Uses			
VFW Hall (University Center)	11,500	2.9	2
University (University Center)			
Services	986,950		20
Expansion	115,000		2
Housing	277,200		22
Sub-total	1,379,150	74.4	22
Parks/Facilities/Roads	N/App.	354.2	30
Sub-total	1,390,650	431.5	2-30
Total Development	26,307,150	1,576.7	2-30

Sources: Pacific Gateway Project Description, November 8, 2024; Raney Planning & Management, Inc.; Page Architects; David Babcock + Associates; Ridgeline Property Group; and ALH Urban & Regional Economics.

(1) The entire development horizon is anticipated to total 30 years. Some of the construction periods will occur in a linear fashion while others will overlap. Hence, the number of years should not be added together, but rather considered individually by land use, recognizing the entire development timeline is assumed to total 30 years.

Exhibit 2
Stockton Lodi MSA (San Joaquin County)
Industry Employment & Labor Force - by Annual Average
1990 - 2023
March 2023 Benchmark (1)

Industry	1990	1995	2000	2005	2010	2015	2020	2023
Civilian Labor Force	227,000	240,300	258,700	283,600	312,100	314,400	334,800	346,800
Civilian Employment	204,500	210,800	240,900	261,400	259,300	286,300	296,300	325,100
Civilian Unemployment	22,400	29,500	17,800	22,300	52,800	28,100	38,400	21,600
Civilian Unemployment Rate	9.9%	12.3%	6.9%	7.9%	16.9%	8.9%	11.5%	6.2%
Total, All Industries	169,400	176,800	203,900	224,600	208,300	234,900	257,700	288,900
Total Farm	15,600	15,100	16,700	15,200	15,800	16,700	14,600	14,100
Goods Producing (2)	34,200	29,700	36,800	38,300	25,900	29,700	33,200	37,400
Food Manufacturing (3)	8,000	6,800	7,100	5,700	6,600	6,400	5,600	6,000
Trade, Transportation & Utilities	30,800	36,700	41,600	48,700	47,100	57,000	74,000	86,300
Wholesale Trade	6,700	6,100	6,300	8,800	9,600	10,700	10,600	12,300
Retail Trade	18,000	20,700	23,600	26,900	23,700	26,000	24,600	27,200
Transportation, Warehousing, & Utilities	6,100	9,900	11,700	13,000	13,800	20,300	38,800	46,800
Transportation & Warehousing	5,100	9,200	10,700	11,800	12,700	19,100	37,300	45,100
Truck Transportation	3,400	4,400	5,500	4,900	5,200	7,000	7,400	8,700
Warehousing & Storage	400	3,100	3,500	4,500	6,100	9,400	23,800	28,500
Information	2,700	2,600	3,000	2,600	2,100	1,900	1,200	1,100
Financial Activities (including Finance & Insurance)	9,400	8,200	8,500	9,800	7,700	7,400	7,800	8,000
Professional & Business Services	9,300	12,000	16,900	18,100	15,400	19,400	21,300	23,700
Educational & Health Services	16,900	20,200	23,000	29,000	33,500	36,500	37,300	42,200
Leisure & Hospitality	11,700	13,300	14,400	17,100	16,000	19,600	18,500	24,600
Other Services	4,800	5,300	5,900	6,400	6,500	7,200	6,800	8,200
Government	34,000	33,700	37,000	39,600	38,200	39,600	43,000	43,400
Transportation & Warehousing								
Employment Figures	5,100	9,200	10,700	11,800	12,700	19,100	37,300	45,100
Percent of All Employment	3.0%	5.2%	5.2%	5.3%	6.1%	8.1%	14.5%	15.6%

Sources: Employment Development Department, Labor Market Information, Stockton Lodi MSA (San Joaquin County), Industry Employment & Labor Force - by Annual Average, March 2023 Benchmark, July 11, 2024; and ALH Urban & Regional Economics.

- (1) While benchmarked to March 2023, the 2023 figures comprise full year estimates.
- (2) Includes Mining, Logging, Construction, and Manufacturing.
- (3) This sub-sector is included because it pertains to the historic agricultural orientation of San Joaquin County.

Exhibit 3
Warehouse and Overall Industrial Markets Snapshot
Select Cities and San Joaquin County
Third Quarter 2024

Location (3)	Warehouse Market Subset (1)					Overall Industrial Market (2)				
	Inventory (SF)	Vacancy Rate	YTD Net Absorption (SF)	Under Construction (SF)	Average Asking Rent (NNN)	Inventory (SF)	Vacancy Rate	YTD Net Absorption (SF)	Under Construction (SF)	Average Asking Rent (NNN)
Tracy	30,413,347	5.8%	363,809	0	\$0.76	35,735,557	5.9%	211,188	0	\$0.78
Lathrop	16,516,928	7.7%	238,105	0	\$0.73	19,175,385	6.6%	235,105	0	\$0.73
Stockton	49,775,209	12.0%	2,016,064	900,000	\$0.73	64,180,470	12.3%	1,993,608	900,000	\$0.72
Sub-total	96,705,484	9.3%	2,617,978	900,000	N/App.	119,091,412	9.5%	2,439,901	900,000	N/App.
San Joaquin County	106,362,545	8.6%	2,921,001	900,000	\$0.74	138,374,664	7.8%	2,712,081	900,000	\$0.74
Market Subset Ratios										
City Location to Overall County										
Tracy	28.6%		12.5%	0.0%		25.8%		7.8%	0.0%	
Lathrop	15.5%		8.2%	0.0%		13.9%		8.7%	0.0%	
Stockton	46.8%		69.0%	100.0%		46.4%		73.5%	100.0%	
Total of County	90.9%		89.6%	100.0%		86.1%		90.0%	100.0%	
Warehouse Market Subset to Overall Industrial Market										
Tracy	85%		172%	N/App.						
Lathrop	86%		101%	N/App.						
Stockton	78%		101%	100%						
San Joaquin County	77%		108%	100%						

Sources: San Joaquin County Industrial 24Q3, Colliers; and ALH Urban & Regional Economics.

(1) Warehouse is a general term that includes warehouse, distribution, logistics, and fulfillment buildings.

(2) The Overall Industrial Market includes other industrial uses such as Light Industrial, R&D/Flex, Manufacturing, and Special Purpose buildings, as well as the Warehouse subset.

(3) The cities of Tracy, Lathrop, and Stockton are the three most relevant cities in San Joaquin County for the purposes of the market analysis. Other San Joaquin County cities included in the Colliers report are Manteca, Lodi, and Ripon, all of which are smaller than the reported cities.

Exhibit 4
Modesto MSA (Stanislaus County)
Industry Employment & Labor Force - by Annual Average
1990 - 2023
March 2023 Benchmark (1)

Industry	1990	1995	2000	2005	2010	2015	2020	2023
Civilian Labor Force	180,300	192,300	207,600	226,700	243,800	241,000	242,000	244,900
Civilian Employment	159,000	162,700	191,600	207,600	201,700	218,000	215,500	229,200
Civilian Unemployment	21,300	29,600	16,000	19,000	42,200	23,000	26,500	15,800
Civilian Unemployment Rate	11.8%	15.4%	7.7%	8.4%	17.3%	9.5%	11.0%	6.4%
Total, All Industries	133,100	138,800	161,200	175,800	163,800	181,000	187,700	202,200
Total Farm	14,600	13,700	15,700	13,800	12,900	14,600	14,500	12,700
Goods Producing (2)	30,900	28,600	32,400	36,000	26,600	29,800	31,100	35,100
Trade, Transportation & Utilities	25,200	25,400	29,300	33,700	31,600	35,800	36,800	39,000
Wholesale Trade	4,200	4,100	5,400	6,300	5,900	5,800	5,900	5,400
Retail Trade	17,200	17,500	20,100	22,300	19,500	22,400	21,900	22,800
Transportation, Warehousing & Utilities	3,900	3,900	3,800	5,200	6,200	7,500	9,000	10,800
Information	1,800	1,800	2,000	2,500	1,200	900	800	800
Financial Activities (including Finance & Insurance)	5,200	5,000	5,100	6,200	5,500	5,200	5,100	4,900
Professional & Business Services	9,700	10,800	17,400	14,900	12,500	14,200	15,100	14,600
Educational & Health Services	12,000	14,800	17,700	22,400	27,800	30,900	34,600	37,100
Leisure & Hospitality	9,600	11,000	12,100	14,800	14,600	17,800	15,800	20,900
Other Services	4,200	5,000	5,700	6,100	5,100	5,300	5,100	6,100
Government	19,900	22,600	23,900	25,600	26,200	26,700	28,800	31,200
Transportation, Warehousing & Utilities								
Employment Figures	3,900	3,900	3,800	5,200	6,200	7,500	9,000	10,800
Percent of All Employment	2.9%	2.8%	2.4%	3.0%	3.8%	4.1%	4.8%	5.3%

Sources: Employment Development Department, Labor Market Information, Modesto MSA (Stanislaus County), Industry Employment & Labor Force - by Annual Average, March 2023 Benchmark, July 11, 2024; and ALH Urban & Regional Economics.

(1) While benchmarked to March 2023, the 2023 figures comprise full year estimates.

(2) Includes Mining, Logging, Construction, and Manufacturing.

Exhibit 5
Transportation and Warehousing Industry Sector
Employment Projections and Space Demand
2020-2060
San Joaquin County

Demand Characteristic	CAGR (1)	2020 (2)	2024	2030	2040	2050	2060
CA EDD Projection (3)	3.04%	37,300	42,039	50,300	67,831	91,472	123,352
			2024-2030	2030-2040	2040-2050	2050-2060	Total
Employment Increase (3)			8,261	17,531	23,641	31,880	81,313
Occupied Space Demand (4)			13,630,631	28,925,871	39,007,274	52,602,303	134,166,080
Projected Demand Inclusive of 7% Vacancy Factor (5)			14,656,593	31,103,087	41,943,306	56,561,616	144,264,602
Cumulative Space Demand (6)			13,630,631	42,556,503	81,563,777	134,166,080	134,166,080

Sources: State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force - by annual Average, March 2023 Benchmark, Stockton Lodi MSA (San Joaquin County), July 11, 2024; Employment Development Department, State of California, 2020-2030 Industry Employment Projections, Stockton-Lodi Metropolitan Statistical Area (San Joaquin County); CoStar; Fehr & Peers, "Local Transportation Analysis for Pacific Gateway," September 2023 and supporting data; and ALH Urban & Regional Economics.

(1) CAGR is an acronym for Compound Annual Growth Rate.

(2) For analytic purposes the projections are benchmarked to the State of California, Employment Development Department 2020 annual average estimated industry sector employment for Transportation and Warehousing in San Joaquin County. See Exhibit 2.

(3) This CAGR is based on projections prepared by the Employment Development Department (EDD), State of California, for the Transportation and Warehousing industry sector for 2020 to 2030. The CAGR was estimated by ALH Urban & Regional Economics based on analysis of the EDD projection.

(4) The Occupied Space Demand assumes a square feet per employee estimate of 1,650. This square feet per employee figure is based on data collected by Fehr & Peers for warehouse buildings located in San Joaquin County in 2021. This building warehouse survey was a component of other Project-related analysis conducted by Fehr & Peers, pertaining to traffic analysis assumptions and projections. Most of the buildings included in this analysis are located in the Project's market area spanning Stockton, Tracy, and Lathrop, with a few additional properties in other San Joaquin County locations (e.g., Manteca and Lodi). This survey included 27 buildings with both square footage and employment data. The average size of the buildings for which employment data were available was 740,000 square feet. The data were collected by Fehr & Peers for the purpose of preparing a "Local Transportation Analysis for Pacific Gateway," as well as additional warehouse-related analysis.

(5) Based on CoStar long-term trend data, the historic vacancy rate for San Joaquin and Stanislaus counties has been in the 7.0% range. ALH Urban & Regional Economics rounded this to 7.0% for simplicity purposes.

(6) Comprises the cumulative demand, where the figures for each future time period include the incremental figures for the current period and all prior periods.

Exhibit 7
Industrial Space Future Supply
Larger (150,000 SF+) Buildings
Tracy, Lathrop, Stockton, and Southern San Joaquin County; and Patterson
Compiled November 2024

Status and				
Jurisdiction	Size (SF)	Address/Location	Developer	Industrial Park Name / Comments
<i>Under Construction</i>				
Stockton	1,422,961	5150 E. Mariposa Road	Walmart	Next generation fulfillment center; size is approved by City; completion 2026
Patterson	820,000	722 Haggerty Drive	Safavieh Inc.	Part of Keystone Pacific Business Park; owner/user will occupy 400,000 SF
<i>Subtotal</i>	<i>2,242,961</i>			
<i>Approved</i>				
Lathrop	1,400,000	14101 S. Manthey Road	Hodgdon Group Realty	Ashley Furniture distribution center with retail outlet and office
Lathrop	1,249,842	Highway 120/Yosemite Ave	Crow Holdings, Inc.	TriPoint Logistics Center Building 2
Lathrop	1,197,188	Highway 120/Yosemite Ave	Phelan Development Co.	Lathrop Gateway Business Park Buildings 5 to 10 (Phase III)
Lathrop	594,346	Highway 120/Yosemite Ave	Crow Holdings, Inc.	TriPoint Logistics Center 4 and 8
Lathrop	450,000	1101 D'Arcy Parkway	Richland Developers	Lathrop Crossroads Industrial; option for 3 buildings totaling 386,000 SF
Tracy	524,081	5390 Promontory Pkwy	Prologis LP	IPC Building 28 (Cordes Ranch)
Tracy	335,157	1651 E. Grant Line Road	Seefried Industrial Properties	Seefried LI Building (NEI)
Stockton	2,270,000	501 E. French Camp Road	Arnaiz Development	Three speculative warehouse buildings
Stockton	1,201,726	5298 E. Mariposa Road	IDI Logistics	Site is marketed as Newcastle 9
SJ County	765,880	Arch Airport Road	Catellus	AirPark599 - four future buildings in 6-building park totaling 3,345,756 SF
SJ County	669,975	14800 W. Schulte Road	LBA Logistics	LBA Logistics Center III; 3 buildings Tracy SOI; former biomass facility
Patterson	900,820	Keystone Pacific Boulevard	Caligrows	3 campus cannabis cultivation, storage, and distribution facility
Patterson	1,200,000	2553 Sperry Avenue	Buzz Oates	Patterson Logistic Center - 1 to 3 building build-to-suit, 82 acres
<i>Subtotal</i>	<i>12,759,015</i>			

Continued on the next page

Exhibit 7, continued
Industrial Space Future Supply
Larger (150,000 SF+) Buildings
Tracy, Lathrop, Stockton, and Southern San Joaquin County; and Patterson
Compiled November 2024

Status and				
Jurisdiction	Size (SF)	Address/Location	Developer	Industrial Park Name / Comments
<i>Under Review</i>				
Tracy	1,812,279	16000 W. Schulte Road	Hom	Costco annexation; 2 industrial buildings
Tracy	1,811,259	6103, 6301, 6599 Grant Line Road	Tracy Land Partners Holdco	Tracy Alliance/Tracy Northeast Business Park
Tracy	1,690,000	29592 S. Corral Hollow Rd	Sandhu/Takar/Ridgeline	Tracy Hills Commerce Center
Tracy	1,319,092	5070 Promontory Pkwy	Prologis LP	IPC Building 18 (Cordes Ranch)
Tracy	1,300,256	Hopkins Road/Bud Lyons Way	Prologis LP	IPC Building 20 (Cordes Ranch)
Tracy	718,165	3601 Pescadero	Ridge Tracy Land Partners	Paradise Pointe Business Park
Tracy	557,488	26301 S. Hansen Road	Costco Wholesale Corp.	Costco Cold Distribution Center
Tracy	246,470	Paradise Road/Grant Line Road	Prologis LP/HPA, Inc.	NEI Building 21
Tracy	217,466	16286 W. Schulte Road	Pombo/PDC Sacramento	Schulte Warehouse/Annexation
Tracy	153,758	6050 Promontory Pkwy	Prologis LP	IPC Building 13 (Cordes Ranch)
Stockton	6,091,551	S. Airport Way/Stockton Airport	Lazerres Companies	Per Draft EIR, 298 acres at estimated 0.47 FAR (maximum development)
Stockton	3,202,910	5700 E. Mariposa Road	Greenlaw	Mariposa Industrial Park, Phases I (1,423,520 SF) and II (1,779,390 SF)
Stockton	871,200	9011 S. Airport Way	Van Groningen	Seeking annexation and zoning of 50 acres; size estimated at 0.4 FAR
Stockton	184,166	6505 S. McKinley Avenue	GoIndustrial	Single industrial building
SJ County	5,360,000	W. Schulte Road/Pavillion Pkwy	Prologis LP	International Park of Commerce Phase 2; five industrial buildings
<i>Subtotal</i>	<i>25,536,060</i>			
<i>Future Phases of Master-Planned Industrial Parks Not Included in Government Major Projects Lists</i>				
Tracy	7,036,891	Not Available	Prologis LP	IPC Future Phases, 13 buildings
Lathrop	272,496	Highway 120/Yosemite Ave	Crow Holdings, Inc.	TriPoint Logistics Center Buildings 9 and 10
SJ County	1,822,117	Holly Drive/Sugar Road	Phelan Development Co.	North Tracy Commerce Center, balance of Phase II plus Phase III
Patterson	8,869,574	Rogers Road/Avenue A	New Ownership & LBA	I-5 Trade Center - 11 buildings on 571 ac.; LBA Logistics - 56.5 ac & 1,006,834 SF
Patterson	970,837	Keystone Pacific Boulevard	Keystone Corporation	Estimated balance of Keystone Pacific Business Park
<i>Subtotal</i>	<i>18,971,915</i>			
Total Space	59,509,951			

Sources: City of Tracy New Construction Industrial & Commercial Development Pipeline Report, Status as of September 2024; City of Lathrop Commercial- Industrial Development Pipeline Report Status As of July 30, 2024; City of Stockton Community Development Department; San Joaquin County Planning Department; City of Patterson Planning Department; Colliers; Cushman & Wakefield; developer websites; and ALH Urban & Regional Economics.

Exhibit 8
Industrial Buildings With 100,000 SF+ Vacant for 14 Months or More
Tracy, Lathrop, Stockton, and Southern San Joaquin County; and Patterson
Compiled October-November 2024

Address City	Year Built	Date Available	Building Size (SF)	Available Space (SF)	Project Name	Physical Condition/Inspection Comments (1)
1269 E. Grant Line Road Tracy	2023	12/1/2022	606,343	606,343	Tracy 205 Logistics Center	Building appears physically sound and in good condition (neighboring building has a plywood-covered window panel)
6868 Arch Road Stockton	2018	9/1/2018	506,844	506,844	Arch Logistics Center	Building appears physically sound and in good condition
6389 Hopkins Road Tracy	2016	6/1/2023	403,560	403,560	International Park of Commerce	Building appears physically sound and in good condition
18700 Business Park Court Lathrop	2023	4/1/2023	390,443	390,443	Lathrop Gateway Business Park	Building appears physically sound and in good condition
18755 Business Park Court Lathrop	2021	5/3/2023	609,349	306,349	Lathrop Gateway Business Park	Building appears physically sound and in good condition
5070 Yosemite Avenue Lathrop	2021	8/1/2021	266,309	266,309	Tri Point Logistics Center	Building appears physically sound and in good condition
2216 S Sinclair Ave Stockton	2022	10/1/2022	265,496	265,496	Duck Creek Business Park	All the buildings in this business park appear physically sound and in good condition
8527 S Airport Way Stockton	2023	12/1/2022	223,262	223,262	Tidewater Industrial	Building appears physically sound and in good condition
8497 S. Airport Way Stockton	2023	12/1/2022	171,900	171,900	Tidewater Industrial	Building appears physically sound and in good condition
1150 E. Arbor Avenue Tracy	2017	8/1/2022	795,000	152,000	Northeast Industrial Area	Building appears physically sound and in good condition
11900 S Harlan Road - Bldg. B Lathrop	2005	12/1/2022	262,400	131,200	California Logistics Centre	Building appears physically sound and in good condition
4810 Fite Court Stockton	2023	7/1/2021	122,146	122,146	Arch Road Business Park	Building appears physically sound and in good condition
1605-1625 Tillie Lewis Dr Stockton	1980	7/1/2022	180,000	120,000	Stockton Industrial Park	Building appears physically sound and in good condition, some minor exterior staining
1780 Industrial Dr Stockton	2008	6/27/2023	111,160	111,160	Massie Industrial Park	Building appears physically sound and in good condition
17600 Shideler Parkway Lathrop	2002	11/10/2022	322,560	100,800	Lathrop Industrial Park	Building appears physically sound and in good condition
Totals			5,236,772	3,877,812		

Sources: Cushman & Wakefield; and ALH Urban & Regional Economics.

(1) Physically observed in November or December 2024.

Exhibit 9
Existing Hotel Market Area Competitive Supply (1)
November 2024

Hotel Name	Hotel Type (2)	Miles from Pacific Gateway Project Site (3)	Address	City	Average Room Rate (4)	Open Date (5)	Affiliation Date (5)(6)	Room Count (5)
Best Western Luxury Inn	Midscale Class	10.5	811 W Clover Rd	Tracy	\$113	Dec 1993	Dec 1993	57
Microtel Inn & Suites by Wyndham Tracy	Economy Class	10.5	861 W Clover Rd	Tracy	\$112 (6)	Aug 2006	Aug 2006	69
Home2 Suites by Hilton Tracy	Upper Midscale Class	10.9	2025 W Grant Line Rd	Tracy	\$195 (7)	Mar 2021	Mar 2021	94
Holiday Inn Express & Suites Tracy	Upper Midscale Class	11.0	3751 N. Tracy Blvd	Tracy	\$146	Aug 1999	Aug 1999	102
Quality Inn Tracy I-205	Midscale Class	11.0	3511 N Tracy Blvd	Tracy	\$89	Jun 1987	Jan 2024	59
Extended Stay America Stockton - Tracy	Midscale Class	12.7	2526 Pavilion Pkwy	Tracy	\$95 (6)	Jun 2003	Jun 2003	101
Hampton Inn Tracy	Upper Midscale Class	12.8	2400 Naglee Rd	Tracy	\$144	Apr 1999	Apr 1999	62
Fairfield Inn Tracy	Upper Midscale Class	12.8	2410 Naglee Road	Tracy	\$129	Jul 1999	Jul 1999	64
Grand Total:								608

Sources: STR, Inc., Hotel Trend Report, Tracy, CA Selected Properties, January 2016 Through October 2024; Hotel websites; Google Maps; and ALH Urban & Regional Economics.

(1) The competitive hotel market area is defined as the City of Tracy. This inventory includes Economy Class, Midscale Class, and Upper Midscale Class hotels in operation in October 2024. STR, Inc., which is the source of the information, also categorizes hotels as Upscale Class, but there are no hotels in the Tracy market classified as such.

(2) Hotel classifications per STR, Inc.

(3) The site location assumed for distance mapping purpose is the approximate intersection of State Route 132 (CA-132) and S. Chrisman Road.

(4) Room rate per hotel/motel for a single room with a king-sized bed for 2 adults, free cancellation, lowest price available with no special pricing applied and no special features, such as mini fridge (if extra cost applies), except as noted. Internet-based room queries, approximately 1 week prior to reservation date. Free cancellation 1 day prior to stay. Wednesday rates, cited on

(5) Data provided by STR, Inc.

(6) Affiliation date reflects the date the identified hotel became affiliated with the named hotel flag.

(7) Only Queen beds available.

(8) Rooms with King beds are King Suites.

Exhibit 10
Historic Hotel Market Performance Indicators (1)
Select Competitive Tracy Hotels
2016 - October 2024

Occupancy (%)													Total	
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year	Oct YTD
2016	70.1	77.9	74.7	81.5	83.6	87.6	81.2	86.1	84.1	86.1	80.0	62.5	79.6	81.3
2017	62.1	69.9	77.2	73.8	86.3	87.6	82.6	86.1	87.0	82.3	73.2	66.7	77.9	79.5
2018	67.6	78.2	80.1	82.5	82.2	86.1	84.4	86.3	87.2	85.2	71.3	64.6	79.6	82.0
2019	65.0	68.2	78.3	77.0	80.7	82.9	77.5	76.8	76.1	79.5	74.3	65.5	75.2	76.3
2020	69.4	75.1	58.1	50.4	57.2	65.9	72.6	83.6	81.7	79.6	65.8	57.1	68.0	69.3
2021	76.4	81.7	78.1	75.3	84.8	92.1	86.6	84.3	85.7	86.0	78.4	72.2	81.9	83.2
2022	67.5	72.9	78.9	84.8	80.7	81.8	77.9	77.5	74.0	75.4	66.9	54.9	74.4	77.1
2023	57.0	62.4	65.1	61.0	67.4	73.5	68.0	72.3	72.0	75.6	68.5	61.6	67.0	67.5
2024	56.4	66.1	67.6	71.6	70.1	75.1	73.7	71.3	67.5	70.1			69.0	69.0
Avg	65.4	72.2	73.1	73.1	76.9	81.3	78.2	80.2	79.1	79.7	72.2	63.1	75.4	76.0

ADR (\$) (2)													Total	
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year	Oct YTD
2016	97.00	100.93	97.21	98.90	101.65	107.33	104.21	108.68	107.18	109.67	107.83	102.36	103.81	103.54
2017	95.88	98.99	100.96	102.29	109.75	110.20	109.40	116.21	112.36	110.06	106.61	98.00	106.54	107.26
2018	100.39	106.93	109.20	118.42	116.70	120.45	119.22	119.33	118.06	119.19	114.44	105.89	114.53	115.24
2019	110.66	112.29	117.75	113.79	116.89	118.35	118.04	119.97	126.85	132.26	128.07	114.94	119.40	118.96
2020	117.12	120.17	111.45	92.59	92.16	99.59	102.55	109.18	118.26	106.94	104.41	100.40	107.04	107.85
2021	102.14	108.84	116.08	120.41	124.42	129.01	134.71	137.95	141.97	146.73	141.59	137.74	129.45	127.53
2022	128.96	137.93	139.54	140.41	142.67	149.89	147.80	151.86	151.05	151.37	151.58	144.93	144.92	144.35
2023	139.36	146.13	145.91	137.50	140.63	136.16	136.57	136.00	137.41	140.17	130.32	121.04	137.24	139.43
2024	128.04	121.86	122.94	126.64	134.91	126.09	128.76	131.37	129.84	127.32			137.24	127.87
Avg	113.51	117.40	118.56	118.43	121.27	123.04	123.31	126.12	127.38	127.84	124.15	116.81	121.17	121.99

RevPAR (\$) (3)													Total	
Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year	Oct YTD
2016	68.01	78.66	72.62	80.56	84.93	94.07	84.66	93.57	90.15	94.48	86.25	63.93	82.63	84.18
2017	59.52	69.23	77.97	75.45	94.67	96.54	90.40	100.02	97.71	90.62	78.07	65.38	83.04	85.33
2018	67.81	83.60	87.44	97.69	95.94	103.65	100.64	102.97	102.90	101.54	81.60	68.40	91.19	94.46
2019	71.93	76.61	92.25	87.62	94.31	98.06	91.52	92.15	96.49	105.15	95.13	75.29	89.77	90.72
2020	81.26	90.25	64.79	46.67	52.69	65.61	74.45	91.24	96.58	85.13	68.67	57.36	72.79	74.77
2021	78.07	88.92	90.67	90.65	105.55	118.78	116.67	116.31	121.67	126.14	111.01	99.43	105.97	106.14
2022	87.05	100.50	110.06	119.04	115.09	122.65	115.18	117.68	111.75	114.12	101.35	79.60	107.83	111.35
2023	79.47	91.13	94.98	83.82	94.77	100.09	92.88	98.27	98.93	106.02	89.23	74.51	92.00	94.06
2024	72.22	80.56	83.14	90.68	94.55	94.74	94.93	93.63	87.62	89.23			92.00	88.18
Avg	74.25	84.75	86.64	86.57	93.25	100.08	96.39	101.09	100.77	101.94	89.66	73.73	91.32	92.67

continued on the next page

Exhibit 11
Historic Hotel Market Performance Indicators (1)
Select Competitive Tracy Hotels
2016 - October 2024

Supply (4)

Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total Year	Oct YTD
2016	15,996	14,448	15,996	15,480	15,996	15,480	15,996	15,934	15,420	15,934	15,420	15,934	188,034	156,680
2017	15,934	14,392	15,934	15,420	15,934	15,420	15,934	15,934	15,420	15,934	15,420	15,934	187,610	156,256
2018	15,934	14,392	15,934	15,420	15,934	15,420	15,934	15,934	15,420	15,934	15,420	15,934	187,610	156,256
2019	15,934	14,392	15,934	15,420	15,934	15,420	15,934	15,934	15,420	15,934	15,420	15,934	187,610	156,256
2020	15,934	14,392	15,934	15,420	15,934	15,420	15,934	15,934	15,420	15,934	15,420	15,934	187,610	156,256
2021	15,934	14,392	18,848	18,240	18,848	18,240	18,848	18,848	18,240	18,848	18,240	18,848	216,374	179,286
2022	18,848	17,024	18,848	18,240	18,848	18,240	18,848	18,848	18,240	18,848	18,240	18,848	221,920	184,832
2023	18,848	17,024	18,848	18,240	18,848	18,240	18,848	18,848	18,240	18,848	18,240	18,848	221,920	184,832
2024	18,848	17,024	18,848	18,240	18,848	18,240	18,848	18,848	18,240	18,848				184,832
Avg	16,912	15,276	17,236	16,680	17,236	16,680	17,236	17,229	16,673	17,229	16,478	17,027	199,836	168,387

Demand (5)

Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total Year	Oct YTD
2016	11,215	11,261	11,950	12,610	13,365	13,567	12,995	13,720	12,970	13,727	12,334	9,952	149,666	127,380
2017	9,891	10,065	12,306	11,374	13,745	13,509	13,167	13,715	13,409	13,119	11,292	10,631	146,223	124,300
2018	10,764	11,252	12,759	12,721	13,099	13,270	13,450	13,750	13,440	13,574	10,995	10,292	149,366	128,079
2019	10,358	9,819	12,483	11,874	12,856	12,777	12,354	12,239	11,730	12,668	11,454	10,437	141,049	119,158
2020	11,056	10,809	9,263	7,773	9,110	10,159	11,568	13,315	12,593	12,684	10,142	9,103	127,575	108,330
2021	12,179	11,757	14,723	13,732	15,989	16,793	16,324	15,892	15,632	16,204	14,301	13,605	177,131	149,225
2022	12,722	12,404	14,865	15,464	15,204	14,925	14,688	14,606	13,494	14,209	12,196	10,352	165,129	142,581
2023	10,748	10,616	12,269	11,119	12,701	13,408	12,818	13,619	13,132	14,256	12,488	11,602	148,776	124,686
2024	10,631	11,255	12,746	13,060	13,209	13,705	13,896	13,433	12,309	13,209				127,453
Avg	11,063	11,026	12,596	12,192	13,253	13,568	13,473	13,810	13,190	13,739	11,900	10,747	150,614	127,910

Revenue (\$) - in Millions

Year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total Year	Oct YTD
2016	1,087,860	1,136,537	1,161,609	1,247,138	1,358,546	1,456,207	1,354,176	1,491,022	1,390,111	1,505,391	1,329,952	1,018,652	15,537,201	13,188,597
2017	948,388	996,372	1,242,428	1,163,466	1,508,541	1,488,714	1,440,428	1,593,779	1,506,657	1,443,911	1,203,849	1,041,813	15,578,346	13,332,684
2018	1,080,553	1,203,136	1,393,245	1,506,381	1,528,630	1,598,357	1,603,551	1,640,768	1,586,717	1,617,893	1,258,234	1,089,809	17,107,274	14,759,231
2019	1,146,192	1,102,572	1,469,846	1,351,131	1,502,792	1,512,159	1,458,325	1,468,309	1,487,949	1,675,499	1,466,940	1,199,652	16,841,366	14,174,774
2020	1,294,854	1,298,938	1,032,405	719,674	839,545	1,011,718	1,186,352	1,453,788	1,489,308	1,356,426	1,058,954	913,917	13,655,879	11,683,008
2021	1,243,931	1,279,668	1,708,989	1,653,469	1,989,327	2,166,467	2,199,002	2,192,291	2,219,332	2,377,577	2,024,881	1,873,967	22,928,901	19,030,053
2022	1,640,674	1,710,908	2,074,332	2,171,318	2,169,133	2,237,101	2,170,823	2,218,020	2,038,240	2,150,874	1,848,633	1,500,356	23,930,412	20,581,423
2023	1,497,822	1,551,336	1,790,167	1,528,831	1,786,173	1,825,581	1,750,596	1,852,220	1,804,425	1,998,327	1,627,492	1,404,351	20,417,321	17,385,478
2024	1,361,143	1,371,481	1,567,031	1,653,980	1,782,082	1,728,064	1,789,218	1,764,735	1,598,257	1,681,737				16,297,728
Avg	1,255,713	1,294,550	1,493,339	1,443,932	1,607,197	1,669,374	1,661,386	1,741,659	1,680,111	1,756,404	1,477,367	1,255,315	18,249,588	15,603,664

Sources: STR, Inc., Hotel Trend Report, Tracy, CA Selected Properties, January 2016 Through October 2024; and ALH Urban & Regional Economics.

- (1) Data pertain only to hotels that participate in the STR, Inc. survey, and only the hotels noted in Exhibit 9. This includes 6 hotels with 608 rooms as of October 2024.
- (2) ADR is an abbreviation for "average daily room rate."
- (3) RevPAR is an abbreviation for "revenue per available room." This metric is used in the hospitality industry to measure hotel performance. The measurement is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate. RevPAR is also calculated by dividing a hotel's total room revenue by the total number of available rooms in the period being measured.
- (4) Supply measures the room nights available across all survey hotels per cited time period.
- (5) Demand measures room nights of demand across all survey hotels per cited time period.

Exhibit 12
San Joaquin County
Population and Employment Projections
2024 - 2035

Demographic Group	Year			Average Annual Growth Rate	
	2024	2030	2035	2024-2030	2030-2035
San Joaquin County Population	787,365	818,999	866,575	0.7%	1.1%
San Joaquin County Employment	289,532 (1)	316,400	340,685 (1)	1.5%	1.5%
Average (1)				1.1%	1.3%

Sources: State of California Department of Finance, P-2 : County Population Projections (2020-2070), P-2A Total Population for California and Counties, Report P-2A: Total Estimated and Projected Population for California and Counties: July 1, 2020 to 2070, downloaded December 5, 2024; Employment Development Department, State of California, 2020-2030 Industry Employment Projections, Stockton-Lodi Metropolitan Statistical Area (San Joaquin County); and ALH Urban & Regional Economics.

- (1) Projected based on trend data for 2020 and 2030. The 2020 estimate is 272,900.
(2) Straight average of the two growth rates for illustrative purposes.

Exhibit 13
Tracy Area Existing and Projected Hotel Demand (1)
For Identified Competitive Hotels
Including Pacific Gateway Hotel
2024 - 2036

Year	Existing Base of Rooms (2)	New Supply Added (3)	Total Rooms Supply	Annual Supply (4)	Demand per Annual Growth Rate (5)	Occupancy per Annual Growth Rate in Demand (6)
2024	608	0	608	221,920	163,679	73.8%
2025	608	0	608	221,920	165,437	74.5%
2026	608	0	608	221,920	167,214	75.3%
2027	608	0	608	221,920	169,011	76.2%
2028	608	0	608	221,920	170,827	77.0%
2029	608	0	608	221,920	172,662	77.8%
2030	608	0	608	221,920	174,517	78.6%
2031	608	0	608	221,920	176,808	79.7%
2032	608	0	608	221,920	179,129	80.7%
2033	608	100 (7)	708	258,420	181,481	70.2%
2034	608	0	708	258,420	183,864	71.1%
2035	608	0	708	258,420	186,278	72.1%
2036	608	0	708	258,420	188,723	73.0%

Sources: STR, Inc., Hotel Trend Report, Tracy, CA Selected Properties, January 2016 Through October 2024; and ALH Urban & Regional Economics.

(1) Includes existing competitive hotels listed in Exhibit 9.

(2) See Exhibit 9 for the existing hotel room count.

(3) New Supply Added reflects the assumed first full year of new hotel operations.

(4) Comprises number of rooms multiplied by 365 days in a year.

(5) Forecasted based on the average annual growth trend in population and employment in San Joaquin County from 2024 to 2030 and 2030 to 2035 as shown in Exhibit 12. The rate of 1.1% is applied for the 2024 - 2030 time period and the rate of 1.3% is applied for the 2030-2036 period. For analytic purposes, this average growth trend is considered a proxy for growth in hotel rooms demand.

(6) Annual occupancy comprises annual demand divided by annual supply. Note the existing 2024 baseline occupancy rate is consistent with the recent market trend from 2021 - 2023 as reported in Exhibit 10.

(7) Reflects the addition of the Pacific Gateway Hotel Rooms. The number of hotel rooms totals 100. The hotel is assumed to open in 2032, so the following year is anticipated to be the first full year of operations.

Exhibit 14
 Future Supply Hotels
 Tracy, California
 Compiled November 2024

Development Status and Project Name	Number of Rooms	Size (SF)	Market Assumptions (1)		Address/Location	Developer or Applicant	Comments
			Year Open	First Full Year of Operations			
<i>Under Construction</i>							
Marriott Hotel	108	58,800	2025	2026	3550 N. MacAurthur Drive	Kabul/Iyer	Site is 2.69 acres
La Quinta	87	48,845	2025	2026	565 Clover Road	Skyline Hospitality/Sidhu	Site is 1.91 acres
	195						
<i>Approved</i>							
Extended Stay America	124	54,902	2027	2028	N. Side Joe Pombo Pkwy, North of Grant Line Road	Tracy Orchard Plaza LP/Quoi	Site is 3.91 acres; four-story building
Marriott Courtyard	101	60,074	2027	2028	International Parkway/I-205	Robert Tuttle Architects	Site is 3.37 acres; located in Cordes Ranch
Tru by Hilton	78	40,190	2027	2028	2605 N. Corral Hollow Road	Hemkunt Group LLP/Kotecha	Site is 1.96 acres; four-story building
	303						
<i>Under Review</i>							
Avid Hotel & Candlewood Suites and Hilton Garden Inn	107 70	110,512	Speculative		3095 N. Corral Hollow Road	Manteca Hospitality Inc./Iyer	Two hotels on one 3.17-acre site
Cambria Hotel and Event Center	90	N/Av.	Speculative		747 W. Larch Road	Grewal	Site is 1.77 acres
	267						
Total Rooms	765						

Sources: City of Tracy New Construction Industrial & Commercial Development Pipeline Report, Status as of September 2024; and ALH Urban & Regional Economics.

(1) These are assumptions developed by ALH Urban & Regional Economics.

Exhibit 15
Tracy Area Existing and Projected Hotel Demand (1)
For Identified Competitive Hotels
Including Pacific Gateway Hotel
2024 - 2036

Year	Existing Base of Rooms (2)	New Supply Added (3)	Total Rooms Supply	Annual Supply (4)	Demand per Annual Growth Rate (5)	Occupancy per Annual Growth Rate in Demand (6)
2024	608		608	221,920	163,679	73.8%
2025	608		608	221,920	165,437	74.5%
2026	608	195 (7)	803	293,095	167,214	57.1%
2027	608		803	293,095	169,011	57.7%
2028	608	303 (8)	1,106	403,690	170,827	42.3%
2029	608		1,106	403,690	172,662	42.8%
2030	608		1,106	403,690	174,517	43.2%
2031	608		1,106	403,690	176,808	43.8%
2032	608		1,106	403,690	179,129	44.4%
2033	608 (6)	100 (9)	1,206	440,190	181,481	41.2%
2034	608		1,206	440,190	183,864	41.8%
2035	608		1,206	440,190	186,278	42.3%
2036	608		1,206	440,190	188,723	42.9%

Sources: STR, Inc., Hotel Trend Report, Merced, CA Selected Properties, January 2013 Through December 2021; and ALH Urban & Regional Economics.

(1) Includes existing competitive hotels listed in Exhibit 9.

(2) See Exhibit 9 for the existing hotel room count.

(3) New Supply Added reflects the assumed first full year of new hotel operations.

(4) Comprises number of room multiplied by 365 days in a year.

(5) See Exhibit 13 for the annual demand estimates.

(6) Annual occupancy comprises annual demand divided by annual supply. Note the existing 2024 baseline occupancy rate is consistent with the recent market trend from 2021 - 2023 as reported in Exhibit 10.

(7) This count corresponds with the Under Construction hotels identified in Exhibit 14.

(8) This count corresponds with the Approved hotels identified in Exhibit 14.

(9) Reflects the addition of the Pacific Gateway Hotel Rooms. The number of hotel rooms totals 100. The hotel is assumed to open in 2032, so the following year is anticipated to be the first full year of operations.

Exhibit 16
Average Annual Estimated Daytime Retail Spending
Office Workers in Suburban Locations
In 2024 Dollars (1)

Category of Spending (2)	Weekly Spending		Percent Distribution	Annual Spending	
	Suburban Locations	Suburban Ample Locations (3)		Suburban Locations	Suburban Ample Locations (3)
Full-Service Restaurants and Fast Food	\$41.95	\$73.36	19.7%	\$2,182	\$3,815
Goods and Services					
Groceries	\$31.37	\$54.86	14.7%	\$1,631	\$2,852
All Other (4)	\$139.67	\$244.23	65.6%	\$7,263	\$12,700
Total	\$212.99	\$372.44	100.0%	\$11,076	\$19,367
Taxable (5)					
Total	\$191.03	\$334.05	NA	\$9,934	\$17,370
Percent	90%	90%	NA	90%	90%

Sources: International Council of Shopping Centers "Office-Worker Retail Spending in a Digital Age"; United States Bureau of Labor Statistics, CPI for Urban West; and ALH Urban & Regional Economics.

(1) The data were reported for 2011. ALH Urban & Regional Economics inflated the figures to mid-2024 (e.g., July 2024) by using the Urban West CPI Index, with adjustments from October 2011 to July 2024, resulting in a 1.45% (rounded) adjustment.

(2) Excludes spending on transportation and online purchases.

(3) Reflects an increase in spending by office workers in location with more ample retail, restaurant, and services offerings in the vicinity of the office building, such as major shopping centers. This adjustment is based upon analysis reflected in the cited International Council of Shopping Centers source document. In suburban locations the increment was approximately 75% more.

(4) All other includes a range of retail purchases, such as personal care shops, office supplies, department stores, drug stores, electronics, jewelry stores, entertainment, clothing, and other goods.

(5) Sales for Groceries have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

Exhibit 17
Annual Average Salaries for Select Industries, Private Employers
San Joaquin County
2023
In 2024 Dollars (Mid-year)

Industry Code (1)	Industry Code Description (2)	Number of Employees	Total Annual Wages	Avg. Salary (2023)	Avg. Salary (2024) (3)
Select Industrial					
1021	Trade, transportation, and utilities	85,866	\$4,993,444,308	\$58,154	\$59,641
493	Warehousing and storage	28,841	\$1,776,478,167	\$61,596	\$63,171
484	Truck transportation	8,565	\$558,273,011	\$65,181	\$66,848
	Combined - Total	123,272	\$7,328,195,486	\$59,447	\$60,968
Office-Using Sectors					
1022	Information	1,099	\$81,046,552	\$73,746	\$75,632
1023	Financial activities	7,871	\$560,496,267	\$71,210	\$73,032
1024	Professional and business services	22,740	\$1,349,629,642	\$59,350	\$60,868
52	Finance and insurance	4,153	\$336,792,460	\$81,096	\$83,170
53	Real estate and rental and leasing	3,718	\$223,703,807	\$60,168	\$61,707
	Combined - Total	39,581	\$2,551,668,728	\$64,467	\$66,116
Other Sectors					
61	Educational services	4,301	\$185,272,426	\$43,077	\$44,178
44-45	Retail trade	27,082	\$1,111,577,043	\$41,045	\$42,095
1026	Leisure and hospitality	24,527	\$651,335,283	\$26,556	\$27,235

Sources: United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), San Joaquin County 2023; U.S. Department of Labor, Consumer Price Index, West Urban through July 2024; and ALH Urban & Regional Economics.

(1) Industry Code comprises a QCEW Code.

(2) Not all sectors are represented. Only sectors generally relevant to the bulk of anticipated industrial employment at Pacific Gateway.

(3) Inflated to Mid-2024 based upon CPI for July 2023 and July 2024. The inflation factor is 1.02558.

Exhibit 18
Pacific Gateway
Daytime Retail Demand Generated by Project Employees
In 2024 Dollars

Parameter and Spending Category	Employee Annual Earnings and Retail Spending (1)					Total All Workers
	Office-Using Sectors	Industrial Workers (1)	University Workers	Retail Workers	Hotel Workers	
Average Earnings						
Annual Average Earnings (2)	\$66,000	\$61,000	\$44,000	\$42,095	\$27,235	NA
Wage Benchmarked to Office Salary (3)	100%	92%	67%	64%	41%	NA
Average Annual Spending (4)						
Restaurants/Fast Food	\$2,200	\$2,000	\$1,800	\$1,700	\$1,600	NA
Groceries	\$1,600	\$1,500	\$1,400	\$1,300	\$1,200	NA
All Other	\$7,300	\$6,700	\$6,200	\$5,700	\$5,300	NA
Total Spending	\$11,100	\$10,200	\$9,400	\$8,700	\$8,100	NA
Maximum Number of Employees	NA	14,955 (5)	300 (6)	94 (7)	60 (8)	15,409
Aggregate Demand						
Restaurants/Fast Food	NA	\$29,909,091	\$540,000	\$159,800	\$96,000	\$30,704,891
Groceries	NA	\$22,431,818	\$420,000	\$122,200	\$72,000	\$23,046,018
All Other	NA	\$100,195,455	\$1,860,000	\$535,800	\$318,000	\$102,909,255
Total Spending	NA	\$152,536,364	\$2,820,000	\$817,800	\$486,000	\$156,660,164

Sources: United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), San Joaquin County 2023; Pacific Gateway Project Description, November 8, 2024; and ALH Urban & Regional Economics.

(1) Employment at Pacific Gateway is anticipated to comprise a majority of workers in several sectors, primarily a range of industrial sectors, but also including University, retail, and hotel workers. The purpose of this analysis is to benchmark the non-office workers earnings to the office workers wages, as annual spending is based on office worker spending assumptions.

(2) See Exhibit 17. Figures rounded to the nearest \$1,000. Some of these income estimates are likely to be conservative relative to Pacific Gateway's ultimate tenants, as they are derived from generalized information.

(3) Earnings are benchmarked relative to office earnings, since workers are assumed to make retail purchases in a pattern similar to office workers, but in proportion to their earnings relative to office worker earnings.

(4) See Exhibit 16. As noted in Exhibit 16, spending estimates vary depending upon the retail characterization of the surrounding area, i.e., ample or not-ample. For this analysis, given the nature of the location of Pacific Gateway, the figures are benchmarked to suburban locations without ample retail. Figures are rounded to the nearest \$100.

(5) This employment estimate is based upon the estimated maximum capacity of Pacific Gateway's industrial space as identified in Exhibit 1 (not taking into account potential vacancy) and an average employment density figure of 1,650, from the industrial demand estimates.

(6) Employment estimate for the University provided by Pacific Gateway Project Description, November 8, 2024.

(7) This employment estimate is based upon the estimated maximum capacity of Pacific Gateway's retail space as identified in Exhibit 1 (not taking into account potential vacancy) and an average employment density figure of 500, a standard retail employment density assumption.

(8) This employment estimate is based upon the estimated employment of Pacific Gateway's hotel space as identified in Exhibit 1 and an average employment density figure of 1,000, a standard mid-range hotel employment density assumption.

Exhibit 19
Pacific Gateway Employees Supportable Daytime Retail Demand
In 2024 Dollars

Type of Retail	Annual Total	Assumed Pacific Gateway Capture Rate (2)	Sales per Sq. Ft. (3)	Supportable Sq. Ft.	
	Employee Daytime Spending (1)			Total (4)	Vacancy Adjusted (5)
Restaurants	\$30,704,891	33.0%	\$600	16,888	17,800
Grocery	\$23,046,018	10.0%	\$700	3,292	3,500
All Other	\$102,909,255	10.0%	\$400	25,727	27,100
Total	\$156,660,164			45,907	48,400

Sources: "California Retail Analytics: Expanding Retailers and Retail Stores Sales Estimate," page 4, HdL ECON Solutions, 2019; emarketer.com (2018 retail sales per square foot); and ALH Urban & Regional Economics.

(1) See Exhibit 18.

(2) These capture rates are ALH Urban & Regional Economics assumptions, reflecting anticipated on-site retail capture rates of daytime industrial worker spending by type of retail. As noted previously, the "All Other" category includes a wide range of goods, many of which are likely not supportable at the site because of the low area density and store sales requirements. In similar fashion, the site is not suitable for the development of a grocery store, but some grocery type merchandise is sold at convenience stores, which are reflected in this category's assumed capture rate.

(3) These estimates reflect industry standard assumptions, based upon ALH Urban & Regional Economics examination of industry publications, such as national averages reported in the HdL ECON Solutions publication "Expanding Retailers and Retail Stores Sales Estimate". Additional considerations include historic data reported by emarketer.com

(4) Reflects the "Annual Total Employee Daytime Spending" multiplied by "Assumed Pacific Gateway Capture Rate", divided by "Sales per Sq. Ft."

(5) Includes a 5% vacancy allowance for all categories of retail space. Figures are rounded to the nearest 100.

Exhibit 20
Pacific Gateway
Estimated Hotel Guest Retail Spending
2024 Dollars

Hotel and Guest Characteristic	Value
Number of Rooms (1)	100
Estimated Average Occupancy (2)	65%
Room Nights/Year	23,725
Average Number Guests/Room (3)	1.5
Average Annual Number of Guests	35,588
Average Guest Spending on Food and Incidentals/Day (4)	\$74
Annual Guest Spending on Food and Incidentals	\$2,633,475
Sales per Square Foot (5)	\$600
Retail vacancy rate (6)	5%
Supportable Square Feet (7)	4,600

Sources: U.S. General Services Administration, 2023 Per Diem Rates for San Mateo/Foster City/Belmont; and ALH Urban & Regional Economics.

(1) See Exhibit 13.

(2) Industry standard minimum occupancy rate.

(3) Hotel guest assumption prepared by ALH Urban & Regional Economics.

(4) This figure is the daily U.S. General Services Administration allowance for Meals and Incidental Expense (ME&IE) rate for 2024 for San Joaquin County.

(5) See Exhibit 19.

(6) Industry standard retail vacancy assumption.

(7) Includes a 5% retail vacancy allowance. Figure is rounded to the nearest 100.

Exhibit 21
Pacific Gateway University Center Retail
Illustrative Annual Spending per University Student (1)
2024 Dollars

Student Living Status	Budget Categories (Excluding Tuition and Fees)						Total
	Rent	Food	Books & Supplies	Personal	Transportation	Indirect Costs (2)	
Off-Campus							
Budget	\$9,740	\$7,450	\$1,062	\$2,700	\$1,500	\$22,452	\$44,904
Project Capture Rate (3)	0%	20%	10%	10%	0%	0%	
On-Campus							
Budget	\$9,740	\$7,450	\$1,062	\$2,700	\$1,500	\$5,262	\$27,714
Project Capture Rate (3)	0%	5%	10%	33%	0%	0%	

Sources: University of the Pacific, Cost of Attendance Breakdown, <https://www.pacific.edu/financial-aid/cost-of-attendance/undergraduate-students> ; and ALH Urban & Regional Economics.

(1) The student budget for University of the Pacific in Stockton was selected for illustrative purposes to identify prospective student spending patterns for students of the proposed University at Pacific Gateway.

(2) As identified by University of the Pacific, indirect costs are additional educational expenses a student should expect to incur.

(3) These capture rates for Pacific Gateway's University Center retail space were developed by ALH Urban & Regional Economics.

Due to proximity, the capture rates are higher for students living on-campus, as they will likely have less mobility and shopping opportunities than students living off-campus.

Exhibit 22
Pacific Gateway University Center Retail
Estimated Student Supportable University Center Retail Space
2024 Dollars

Student Living Status	Number of Students (1)	Annual Student Project Retail Spending (2)	Total Annual Spending	Supportable Square Feet (3)
Off Campus	3,400	\$1,900	\$6,460,000	13,600
On Campus	1,600	\$1,400	\$2,240,000	4,720
Total	5,000		\$8,700,000	18,320

Sources: Ridgeline Property Group; and ALH Urban & Regional Economics.

(1) Prospective student counts provided by Ridgeline Property Group.

(2) These annual estimates are derived from the budget and capture rate estimates in Exhibit 21.

(3) Reflects the Total Annual Spending column divided by a weighted average retail sales per square foot figure, adjusted by a vacancy allowance of 5%. Figures are rounded to the nearest 10. The weighted average retail sales per square foot figure is \$500, derived from Exhibit 19, and rounded to the nearest \$10.