

# MARKETBEAT

## Napa & Solano Counties

Office Q1 2018



### NAPA & SOLANO COUNTIES OFFICE

#### Economics Indicators\*

	Q1 17	Q1 18	12-Month Forecast
Napa & Solano Employment	209K	211K	▲
Napa & Solano Unemployment	4.5%	3.7%	▼
U.S. Unemployment	4.7%	4.1%	▼

\*Q1 18 data based on the average of January and February values

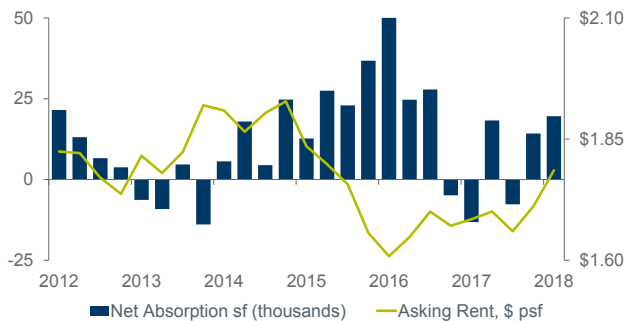
#### Market Indicators

	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	8.0%	7.2%	▼
Overall Net Absorption (SF)	115K	55K	▲
Under Construction (SF)	0	19,000	■
Average Asking Rent*	\$1.73	\$1.79	▲

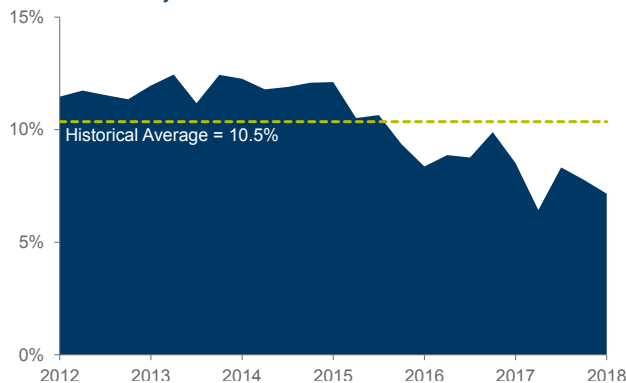
\*Rental rates reflect full service asking \$PSF/month

#### Overall Net Absorption/Asking Rent (Full Service)

4-QTR TRAILING AVERAGE



#### Overall Vacancy



### 2018 Begins With Uptick in Rental Rates

- The combined counties of Napa and Solano (Region) recorded positive job growth, with 2,000 positions added, or a +0.9% increase year-over-year (YoY), bringing employment to over 211,000. As a bustling center for the wine and related manufacturing industries, new positions are being added in the Region as demand and business steadily grows. We expect that the job market will continue to expand over the next few quarters.
- The Region recorded an office vacancy rate of 7.2% in the first quarter, down -70 basis points from 7.9% in the fourth quarter of 2017. The dip in vacancy correlates with job growth, as companies expand or seek new office locations.
- Net absorption totaled +55,374 square feet (sf) in the first quarter, with positive net absorption recorded in all submarkets excluding Vacaville and Vallejo. The amount of space given back to the market paled in comparison to the amount leased, with the market expanding at a steady pace.
- The average asking rent was reported at \$1.79 per square foot (psf) per month in the first quarter, a substantial uptick from \$1.68 psf in the fourth quarter of 2017. The Napa submarket had the highest asking rate of \$2.63 psf, due to its newer and more desirable office buildings, while Vallejo had the lowest asking rate of \$1.41 psf with its smaller inventory size and older product.
- Delivering in the second quarter of 2018 will be a 19,518 sf building located at 1300 Main Street in Napa. It consists of 4,819 sf of retail on the ground floor which was pre-leased in November 2017. It currently has 14,699 sf of office for lease, which is expected to be taken up quickly in the coming months due to healthy demand for such product.
- Leasing activity in the first quarter consisted of numerous small deals under 10,000 sf. An 8,400 sf new lease was signed by Morgan Stanley at 700 Main Street in Napa while Placer Title Company's inked a lease at 801 Alamo Drive in Vacaville for 3,720 sf. Leasing is expected to ramp up as the year progresses due to active tenant demand.
- The Region recorded two significant sales transactions in the first quarter. Silver Key Holdings sold 5140 Business Center Drive (32,421 sf) in Fairfield to The Wiseman Company for \$191 psf totaling \$6,200,000 and Imrie Family Trust sold 1584 Clay Street (3,899 sf) in Napa to Blue Oak School for \$949 psf totaling \$3,700,000. These larger deals signal to investors and tenants alike that the economic expansion is expected to continue well into the future.

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## Napa & Solano

### Office Q1 2018



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT* (ALL CLASSES)	OVERALL AVERAGE ASKING RENT* (CLASS A)
Napa	1,204,884	0	55,796	4.6%	5,045	5,045	0	\$2.63	N/A
Benicia	254,641	0	1,400	0.5%	600	600	0	\$2.03	N/A
Fairfield	1,837,658	0	218,550	11.9%	40,640	40,640	0	\$1.59	\$2.50
Vacaville	861,486	0	70,688	8.2%	-130	-130	0	\$1.88	N/A
Vallejo	1,070,563	0	27,787	2.6%	-6,531	-6,351	0	\$1.41	N/A
<b>Class Breakdown</b>									
Class A	626,661	0	10,391	1.7%	-1,429	-1,429	0		
Class B	4,602,571	0	363,830	7.9%	41,233	41,233	0		
<b>TOTAL</b>	<b>5,229,232</b>	<b>0</b>	<b>374,221</b>	<b>7.2%</b>	<b>39,804</b>	<b>39,804</b>	<b>0</b>	<b>\$1.79</b>	<b>\$2.50</b>

\*Rental rates reflect full service asking \$PSF/month

### Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
700 Main St	8,400	Morgan Stanley	Napa Riverfront LLC	New Lease	Napa
801 Alamo Dr	3,720	Placer Title Company	Gerald & Janice Swank	New Lease	Vacaville

### Key Sale Transactions Q1 2018

PROPERTY	SF	BUYER	SELLER	SALE PRICE / \$PSF	SUBMARKET
5140 Business Center Dr	32,421	The Wiseman Company	Silver Key Holdings	\$6,200,000 / \$191	Fairfield
1584 Clay St	3,899	Blue Oak School	Imrie Family Trust	\$3,700,000 / \$949	Napa

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