

MARKETBEAT

Central Coast

Industrial Q2 2018



CENTRAL COAST INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Central Coast Employment	375K	367K	▼
Central Coast Unemployment	5.4%	5.6%	▲
U.S. Unemployment	4.3%	3.8%	■

*Q2 data based on the average of April and May values.

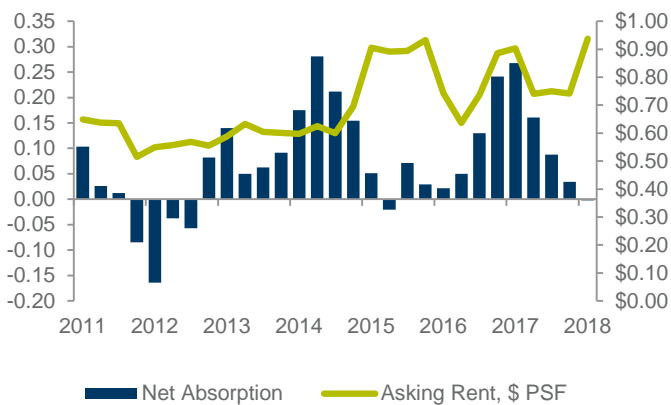
Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	2.8%	2.0%	▲
Net Absorption (sf)	-218K	88K	▼
Under Construction (sf)	0K	7K	▼
Average Asking Rent*	\$0.90	\$0.93	▼

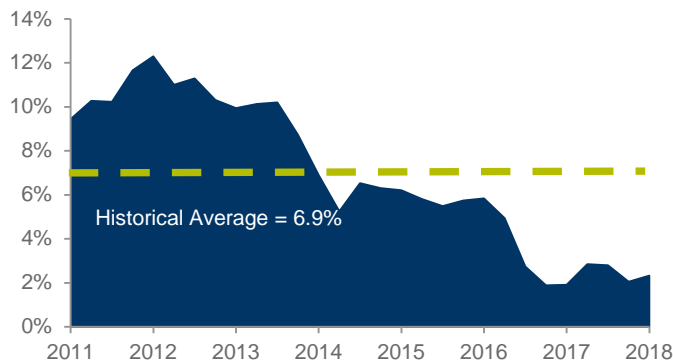
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Industrial Market Remains Tight

The Central Coast is unlike any other economy in the Greater Bay Area primarily due to its significant agricultural base. The second quarter of 2018 was reflective of the volatile shifts throughout the year that particular industry can cause, as the statistics for the Central Coast showed signs of slowing down. The unemployment rate dropped 250 basis points (bps) to 5.6% in the second quarter from 8.1% in the first quarter of 2018, while the labor force pulled up from 357,000 to 369,000.

The supply of available space in the Central Coast industrial market declined slightly in the second quarter though just minimally. The vacancy rate ended the second quarter at 2.0% which is 30 bps lower than the 2.3% in the first quarter of 2018. With limited space, the average asking rate was relatively unchanged, closing the quarter at \$0.93 per square foot on a monthly triple net basis (psf) up slightly from the \$0.94 psf recorded in the first quarter of 2018.

Santa Cruz County

The vacancy rate in Santa Cruz County decreased considerably to close the second quarter at 1.4%, down from 2.2% in the first quarter. The Scotts Valley submarket saw the largest decrease in vacancy rates in the quarter, finishing up at 0.0% from 3.8% in the first quarter. Net absorption in the county stood at 63,369 sf at the end of the second quarter, compared with -20,000 sf in the first quarter. The average asking rate in Santa Cruz County has remained fairly stable over the past twelve months, but closed the second quarter at \$0.73 psf, which is the lowest since the first quarter of 2013.

Monterey County

Monterey County's vacancy rate declined minimally to 2.3% in the second quarter from 2.4% in the first quarter. The entire county has experienced flat or declining vacancy over the past 12 months with all submarkets posting rates of less than 3.0%.

Leasing activity in Monterey County rose in the second quarter to 140,000 sf compared to 45,000 sf in the first quarter. Net absorption trended upwards coming in at 24,135 sf in the second quarter compared to -45,000 sf in the first quarter. The decreased vacancy coupled with positive net absorption slightly increased average asking rates in Monterey County in the second quarter to \$1.00 psf from \$0.99 psf in the first quarter. The Monterey submarket recorded the top average asking rents at \$1.39 psf.

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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL WEIGHTED AVERAGE ASKING RENT*
Scotts Valley	522,757	0	0	0.0%	20,000	7,964	0	\$0.00
Santa Cruz	2,682,904	0	10,340	0.4%	42,609	32,555	0	\$1.08
Watsonville	4,881,696	0	105,621	2.2%	-2,470	700	0	\$0.66
Mid-County	292,744	0	3,230	1.1%	3,230	2,238	0	\$1.79
Santa Cruz County	8,380,101	0	119,191	1.4%	63,369	43,457	0	\$0.73
Sand City / Seaside / Marina	866,462	0	9,000	1.0%	0	0	0	\$0.00
Monterey	642,553	0	6,742	1.0%	5,832	7,092	0	\$1.39
Salinas / Castroville	13,440,313	0	320,773	2.4%	18,303	-28,232	237,129	\$1.02
Monterey County	14,949,328	0	336,515	2.3%	24,135	-21,140	237,129	\$1.00
TOTAL	23,329,429	0	455,706	2.0%	87,504	22,317	237,129	\$0.93

*Rental rates reflect asking \$psf/month

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
10838 Ocean Mist Pky	72,584	PODS	New Lease	Castroville
107 W. Rossi St	23,520	Socksmith Design, Inc.	New Lease	Santa Cruz
115 Post St	5,054	Prior Tire	New Lease	Santa Cruz

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1005-1047 17 th Ave	98,386	John Bruzzone / Appenrodt Commercial Properties	\$10,050,000 / \$102	Santa Cruz
3050 Hilltop Rd	43,224	Jack R. Clifton / Bristol Group, Inc.	\$3,950,000 / \$91	Salinas
420 Kennedy Dr	12,227	Rosalee Buller / Adolfo Garcia-Naba	\$2,312,5000 / \$189	Capitola

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