

# MARKETBEAT

## Napa & Solano Counties

### Office Q3 2018



#### NAPA & SOLANO COUNTIES OFFICE

##### Economics Indicators\*

	Q3 17	Q3 18	12-Month Forecast
Napa & Solano Employment	211K	212K	▲
Napa & Solano Unemployment	4.1%	3.6%	▼
U.S. Unemployment	4.4%	3.9%	▼

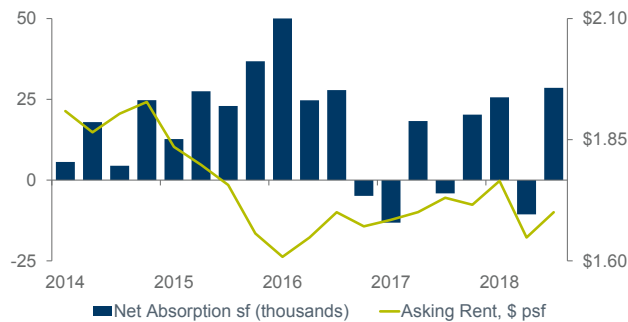
\*Q3 18 data based on the average of July and August values

##### Market Indicators

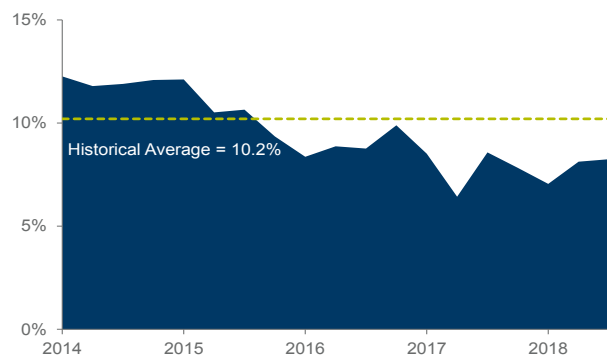
	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	8.6%	8.2%	▼
Overall Net Absorption (SF)	-83K	72K	▲
Under Construction (SF)	0	13K	■
Average Asking Rent*	\$1.73	\$2.01	■

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

##### Overall Net Absorption/Asking Rent (Full Service) 4-QTR TRAILING AVERAGE



##### Overall Vacancy



#### Constant Activity of Small Deals

- The combined MSAs of Napa and Solano counties added just under 1,000 nonfarm payroll positions year-over-year (YoY). Unemployment in this region now stands at a mere 3.6%, slightly below the national figure of 3.9%. Going forward, we expect positions related to the wine industry to increase in the coming months.
- Overall vacancy in the Napa Solano office market closed at a rate of 8.2%, a +10 basis point (bps) increase from the second quarter. A minimal amount of space became available while leasing moved at a sluggish pace. A new building at 4605 Business Center Drive in Fairfield was completed in August, however its 86,016 square feet (sf) was a build-to-suit by Partnership HealthPlan of California, therefore it did not move the vacancy needle.
- Net absorption totaled positive 72,737 sf in the third quarter, with Fairfield contributing most of that figure. In fact, all other submarkets contributed negative absorption except for Fairfield and Vallejo. This market skews towards smaller office leases, with all 38 lease transactions under 5,000 sf. This is most likely due to the fact that any wine companies, a prevalent business in the area, already have office space built out in their warehouse or winery. Historically, Napa Solano office market has recorded lower activity compared to neighboring markets.
- Asking rents averaged \$2.01 per square foot on a monthly full-service basis (psf), a 12.3% increase from \$1.79 psf in the second quarter. This increase is mainly due to spaces that came on the market at \$4.00 psf in Benicia. Vallejo again emerged with the lowest average asking rate at \$1.45 psf.
- The number of new deals that occurred in the third quarter was moderate, with the majority of them under 2,000 sf. The third quarter saw a period of constant leasing, however, as mentioned above, each space was under 5,000 sf. The largest deals, were renewals, at 435 and 431 Executive Court in Fairfield by the County of Solano for 19,680 sf and 12,888 sf, respectively.
- Investment transactions in the Region proved to be minimal as well. Few buildings changed hands in the third quarter. The two most significant were Thakur Inc purchasing 27,000 sf at 479 Mason Street in Vacaville from 479 Mason LLC for \$99 psf totaling \$2,675,000 while Watermark LLC purchasing 16,000 sf at 1325 Travis Boulevard in Fairfield from Parkside Complex LLC for \$190 psf totaling \$3,050,000.

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### Office Q3 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	1,174,906	0	82,876	7.1%	-4,505	-2,035	0	\$1.72	N/A
Benicia	254,641	0	14,600	5.7%	-5,793	-12,600	0	\$4.00	N/A
Fairfield	1,946,433	0	239,756	12.3%	82,667	92,995	0	\$1.87	\$2.50
Vacaville	862,492	0	71,218	8.3%	-530	-660	0	\$1.88	N/A
Vallejo	999,063	0	23,424	2.3%	898	-1,988	0	\$1.45	N/A
<b>Class Breakdown</b>									
Class A	712,500	0	74,244	10.4%	8,621	643	0		
Class B	4,525,035	0	357,630	7.9%	64,116	75,069	0		
<b>TOTAL</b>	<b>5,237,535</b>	<b>0</b>	<b>431,874</b>	<b>8.2%</b>	<b>72,737</b>	<b>75,712</b>	<b>0</b>	<b>\$2.01</b>	<b>\$2.50</b>

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

### Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
431-435 Executive Ct	32,568	County of Solano	Merced Bar, LLC	Renewal	Fairfield
211 W Gateway Rd	3,621	Undisclosed	Ronald Elvidge	New Lease	Napa

### Key Sale Transactions Q3 2018

PROPERTY	SF	BUYER	SELLER	SALE PRICE / \$PSF	SUBMARKET
479 Mason St	27,000	Thakur Inc.	479 Mason LLC	\$2,675,000 / \$99	Vacaville
1325 Travis Blvd	16,000	Watermark LLC	Parkside Complex LLC	\$3,050,000 / \$190	Fairfield

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