

MARKETBEAT

Central Coast

Industrial Q4 2018



CENTRAL COAST INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Central Coast Employment	347K	354K	▼
Central Coast Unemployment	7.3%	4.3%	▲
U.S. Unemployment	4.1%	3.7%	▼

*Q4 data based on the average of October and November values.

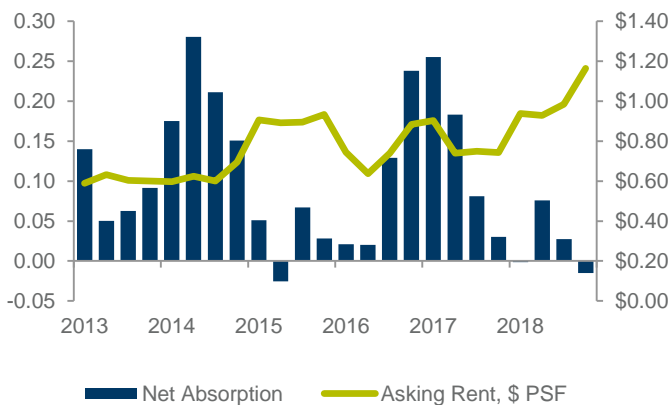
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	2.1%	2.8%	▲
Net Absorption (sf)	174K	5K	▼
Under Construction (sf)	0K	0K	▼
Average Asking Rent*	\$0.74	\$1.16	▼

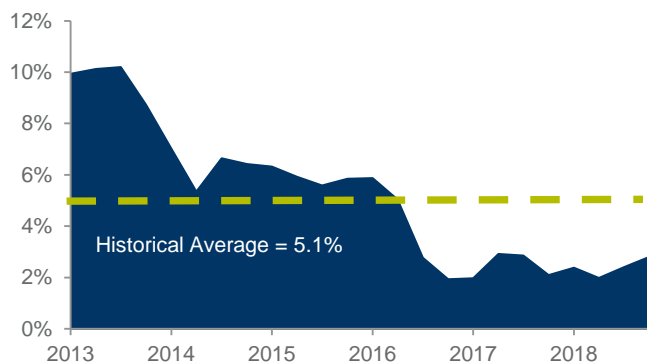
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Industrial Market Remains Flat

The Central Coast is unlike any other economy in the Greater Bay Area primarily due to its significant agricultural base. The fourth 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. The unemployment rate jumped 60 basis points (bps) to 4.3% in the fourth quarter from 3.7% in the third quarter of 2018, while the employment dropped from 360,000 to 354,000.

The supply of available space in the Central Coast industrial market increased slightly in the fourth quarter ending at 2.8% which is 40 bps higher than the 2.4% in the third quarter of 2018. With limited space, the average asking rate also increased, closing the quarter at \$1.16 per square foot on a monthly triple net basis (psf), a moderate increase from the \$0.98 psf recorded in the third quarter of 2018.

Santa Cruz County

The vacancy rate in Santa Cruz County increased in the fourth quarter finishing at 2.3%, up from 1.1% in the third quarter. Net absorption in the county stood at -93,000 sf at the end of the fourth quarter, compared with 20,000 sf in the third quarter. The average asking rate in Santa Cruz County increased again in the fourth quarter, finishing at \$0.86 psf, up from the \$0.75 psf recorded in the third quarter.

Monterey County

Monterey County's vacancy rate stayed flat in the fourth quarter, finishing at 3.1%. The entire county has experienced flat or declining vacancy over the past 12 months with most submarkets posting rates of less than 2.0%. The Salinas/Castroville submarket vacancy also stayed flat at 3.4% in the fourth quarter, no change from the third quarter. The average asking rent in Monterey County also increased in the fourth quarter, finishing at \$1.29 psf up from the \$1.04 psf in the third quarter.

Leasing activity in Central Coast decreased in the fourth quarter to 62,000 sf compared to 119,000 sf in the third quarter. However, net absorption increased coming in at 5,000 sf in the fourth quarter compared to -91,000 sf in the third quarter. The central coast average asking rates increased slightly in the fourth quarter to \$1.16 psf from \$0.98 psf in the third quarter.

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SUBMARKET	TOTAL BLDGS	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	26	522,927	0	22,188	4.2%	-22,188	-14,224	0	\$0.00
Santa Cruz	133	2,681,877	0	100,169	3.7%	-92,069	-57,274	0	\$1.20
Watsonville	178	4,865,392	24,000	42,358	1.4%	18,377	39,963	0	\$0.64
Mid-County	27	292,744	0	0	0.0%	3,230	5,468	0	\$1.79
Santa Cruz County	364	8,362,940	24,000	164,715	2.3%	-92,650	-26,067	0	\$0.86
Sand City / Seaside / Marina	26	866,462	0	9,189	1.1%	0	-189	0	\$1.25
Monterey	133	662,453	0	5,210	0.8%	-4,392	9,624	0	\$1.30
Salinas / Castroville	27	13,081,994	10,000	432,852	3.4%	101,939	-43,582	0	\$1.29
Monterey County	186	14,610,909	10,000	447,251	3.1%	97,547	-34,147	0	\$1.29
TOTAL	550	22,973,849	34,000	611,966	2.8%	4,897	-60,214	0	\$1.16

*Rental rates reflect asking \$psf/month

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
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Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
303 Salinas Rd	114,405	Marinovich Cold Storage / Sal Alvarez	\$5,250,000 / \$45	Watsonville
1120 & 1130 Madison Ln	97,305	Waste Management / Republic Services, Inc.	\$9,500,000 / \$97	Salinas
12332 Christensen Rd	17,000	Richard J. Maddy / Carl R. & Jill Pacheco	\$1,900,000 / \$111	Salinas

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