

CENTRAL COAST OFFICE

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 Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	6.4%	5.7%	▼
Net Absorption (sf)	133K	18K	▲
Under Construction (sf)	0K	28K	■
Average Asking Rent*	\$1.84	\$1.91	▼

*Rental rates reflect gross asking \$psf/year

Vacancy Drops Slightly

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.

Over the last 12 months, the supply of available space in the Central Coast office market has decreased from 6.4% to 5.7% in the fourth quarter. The average asking rate increased closing the quarter at \$1.91 per square foot on a monthly full service basis (psf) compared to \$1.84 psf recorded one year ago.

Santa Cruz County

For the thirteenth straight quarter, the vacancy rate in Santa Cruz County remained below 7.0%, decreasing to 5.1% in the fourth quarter from 5.6% last quarter. There remains a wide range in the vacancy rates across the submarkets of Santa Cruz County with the highest in Scotts Valley at 10.7% and the lowest in Watsonville at 2.0%. The vacancy rate in Santa Cruz also decreased down from 4.6% last quarter to 4.2% in the fourth quarter. The Santa Cruz County continued the year strong with a net absorption of 39,000 sf for the quarter with Watsonville contributing the most with 24,000 sf. As for the average asking rates, Santa Cruz County increased moderately this quarter ending at \$1.96 psf. The asking rates across all submarkets increased with Scott's Valley ending at \$2.29 psf, Santa Cruz at \$1.65 psf, Mid County at \$2.17 psf, and Watsonville at \$1.22 psf.

Monterey County

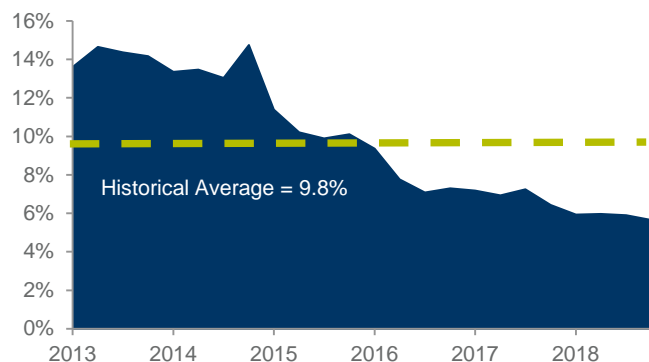
Monterey County's vacancy rate also decreased slightly ending the quarter at 6.2% compared to 6.9% one year ago. Most of the submarkets have rather minimal sub-5.0% vacancy rates except for Monterey which shows a steeper figure of 10.2%. The average asking rate for Monterey County increased slightly ending the fourth quarter of 2018 at \$1.82 psf, up from \$1.76 psf last quarter. With little availability and no new construction projects in the pipeline the Central Coast market is likely to remain tight for some time to come.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



MARKETBEAT

Central Coast

Office Q4 2018



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET	DIRECT	VACANCY	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT (All Classes)
Scotts Valley	67	2,102,094	0	224,504	10.7%	1,209	31,189	0	\$2.29
Santa Cruz	186	3,615,096	56,615	93,616	4.2%	14,342	16,053	0	\$1.65
Watsonville	95	2,118,306	0	42,394	2.0%	23,824	48,607	0	\$1.22
Mid-County	75	850,674	0	25,854	3.0%	-196	-15,364	0	\$2.17
Santa Cruz County	423	8,686,170	56,615	386,368	5.1%	39,179	80,485	0	\$1.96
Carmel / Pacific Grove	38	583,014	0	21,626	3.7%	903	11,289	0	\$1.90
Monterey	189	3,699,846	0	378,113	10.2%	-1,489	-14,232	17,984	\$1.83
Sand City / Del Rey Oaks / Seaside / Marina	41	518,756	880	2,184	0.6%	3,343	2,644	0	\$1.29
Salinas / Castroville	194	3,486,444	0	114,291	3.3%	9,936	60,068	0	\$1.80
Monterey County	462	8,288,060	880	516,214	6.2%	12,693	59,769	17,984	\$1.82
TOTAL	885	16,974,230	57,495	902,582	5.7%	51,872	140,254	17,984	\$1.91

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

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
100 Enterprise Way, Mod B	8,929	Minim Productions	New Lease	Scotts Valley
100 Enterprise Way, Mod C-107,130	7,255	MIS Security, LLC	New Lease	Scotts Valley

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
30 Garden Ct	17,756	Cardio Pulmonary Associates / The Tonkin Family Trust	\$5,200,000 / \$293	Monterey
275 Laurel Dr	10,800	Farrell Family Trust / Modesto Gutierrez	\$1,600,000 / \$148	Salinas
229 Pajaro St	9,400	Plaza Properties / Stuart & Nathalie Wolf, et al.	\$835,000 / \$88	Salinas

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