

MARKETBEAT

Napa & Solano Counties

Office Q4 2018



NAPA & SOLANO COUNTIES OFFICE

Economics Indicators*

	Q4 17	Q4 18	12-Month Forecast
Napa & Solano Employment	211K	213K	▲
Napa & Solano Unemployment	3.8%	3.4%	▼
U.S. Unemployment	4.1%	3.7%	▼

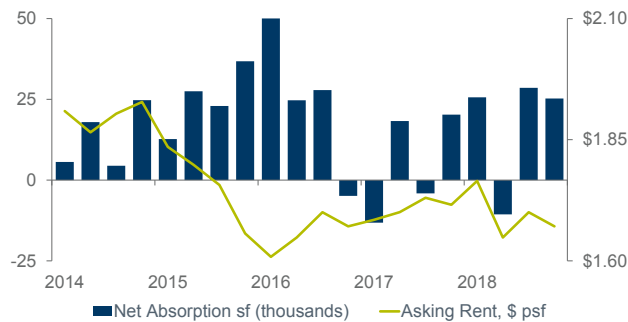
*Q4 18 data based on the average of October and November values

Market Indicators

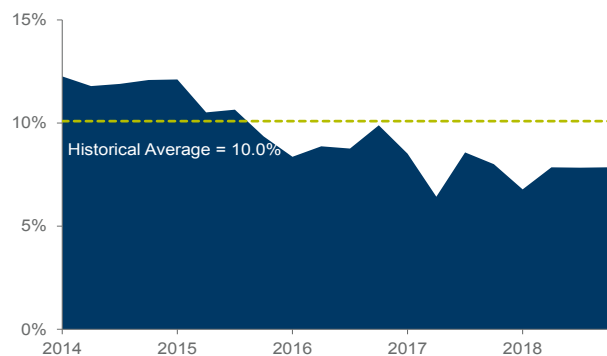
	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	8.0%	7.9%	▼
Overall Net Absorption (SF)	37K	-936	■
Under Construction (SF)	0	12K	■
Average Asking Rent*	\$1.84	\$1.89	■

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

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



Overall Vacancy



Uptick of Investment Activity in the Fourth Quarter

- Situated in the northeast corner of the Bay Area, Napa and Solano counties recorded an uptick in nonfarm payroll positions year-over-year (YOY). As companies expand into these areas, unemployment levels correlate, declining to a low 3.4% moderately below the national figure of 3.7%. Expect positions related to the wine or warehousing industry to increase, as the economy continues its steady pace.
- The Napa Solano office market recorded overall vacancy at the end of the fourth quarter at 7.9%, a 10 basis point (bps) increase from the third quarter figure of 7.8%. Modest leasing activity persisted, with little available space coming online.
- Net absorption totaled negative 936 square feet (sf) in the fourth quarter, with Vallejo as the submarket contributing the most to the downside at negative 27,308 sf. In fact, all other submarkets contributed negative absorption except for Napa and Benicia.
- The average asking rent plummeted from \$2.13 per square foot (psf) on a monthly full-service basis in the third quarter to \$1.89 psf in the fourth quarter. This drop can be attributed to higher priced space in Benicia being leased, leaving available space at an average of \$2.16 psf.
- Leasing activity proved to be standard with the bulk of the 38 deals signed in the fourth quarter under 5,000 sf and all of them below 10,000 sf. The majority of tenants in Napa and Solano counties are small local professional service firms rather than big name corporate operations. Therefore, the market has always recorded less leasing activity compared to other more bustling Bay Area markets. The largest lease signed in the fourth quarter was Specialty Program Group taking 8,523 sf at 222-240 West Gateway Road in Napa, followed by Wilson Daniels' 6,721 sf new lease at the recently constructed 1300 Main Street in Napa.
- On the investment side, the largest deal of the year occurred at 5253 Business Center Drive in Fairfield. The 80% vacant 103,128 sf class B office building, auctioned to Eastbourne Investments from Torchlight Investors for \$69 psf for a total of \$7,087,500. Otherwise, sales were per normal, with the next largest being a 12,299 sf building at 790 Mason Street in Vacaville for \$150 psf totaling \$1,850,000. These investments illustrate that the Napa Solano office market is small yet steady.

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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	60,876	5.2%	21,900	19,865	0	\$1.95	N/A
Benicia	254,641	0	8,904	3.5%	5,696	-6,904	0	\$2.16	N/A
Fairfield	1,908,860	3,290	212,414	11.3%	-374	111,696	0	\$1.85	\$2.04
Vacaville	862,492	0	72,068	8.4%	-850	-1,510	0	\$1.87	N/A
Vallejo	999,063	0	50,732	5.1%	-27,308	-29,296	0	\$1.53	N/A
Class Breakdown									
Class A	722,281	3,290	103,243	14.7%	17,839	40,625	0		
Class B	4,477,681	0	301,851	6.7%	-18,775	53,226	0		
TOTAL	5,199,962	3,290	405,094	7.9%	-936	93,851	0	\$1.89	\$2.04

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

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	LANDLORD	TRANSACTION TYPE	SUBMARKET
222-240 Gateway Rd W	8,523	Specialty Program Group	American Greetings Corporation	New Lease	Napa
1300 Main St	6,721	Wilson Daniels	The Wiseman Company	New Lease	Napa

Key Sale Transactions Q4 2018

PROPERTY	SF	BUYER	SELLER	SALE PRICE / \$PSF	SUBMARKET
5253 Business Center Dr	103,128	Eastbourne Investments	Torchlight Investors	\$7,087,500 / \$69	Fairfield
790 Mason St	12,299	Brian & Gabriela Stumbaugh	Mason Street Centre LLC	\$1,850,000 / \$150	Vacaville

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