

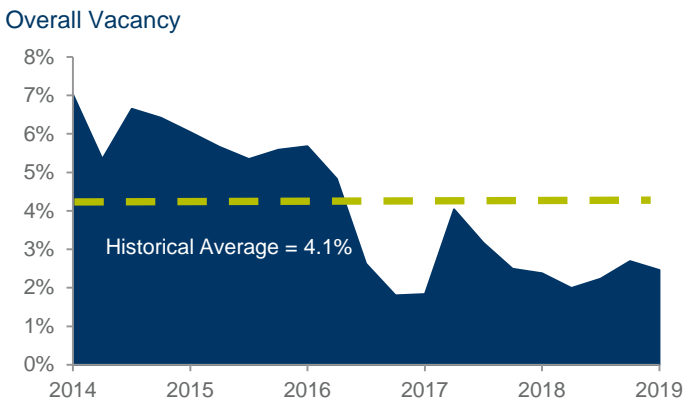
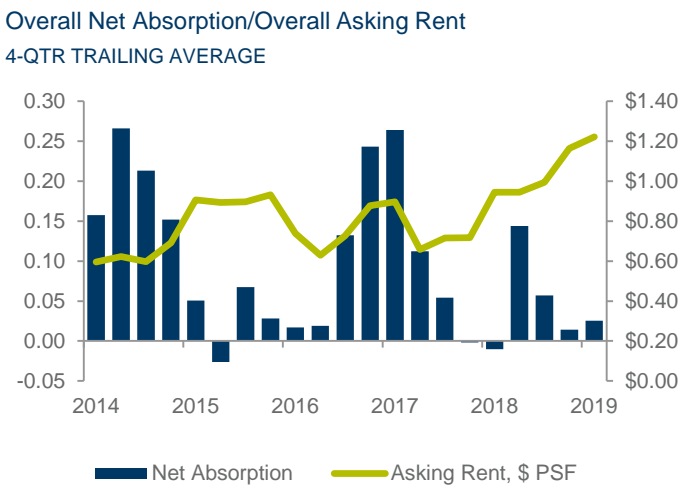
CENTRAL COAST INDUSTRIAL

Economic Indicators	Q1 18	Q1 19	12-Month Forecast
Central Coast Employment	329K	330K	▲
Central Coast Unemployment	8.1%	8.7%	▼
U.S. Unemployment	4.1%	3.8%	▼

*Q1 2019 data based on the average of January and February values.

Market Indicators (Overall, All Property Types)	Q1 18	Q1 19	12-Month Forecast
Vacancy	2.4%	2.5%	▲
Net Absorption (sf)	27K	73K	▲
Under Construction (sf)	0K	0K	■
Average Asking Rent*	\$0.95	\$1.22	▲

*Rental rates reflect net asking \$psf/year



Industrial Market Decreases Slightly

The Central Coast is unlike any other economy in the Greater Bay Area primarily due to its significant agricultural base. The first quarter of 2019 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 190 basis points (bps) to 8.7% in the first quarter of 2019 from 6.8% last quarter, while the employment also increased slightly from 329,000 to 330,000.

The supply of available space in the Central Coast industrial market decreased slightly in the first quarter ending at 2.5% which is only 20 bps lower than the 2.7% in the fourth quarter of 2018. With limited space, the average asking rate also increased, closing the quarter at \$1.22 per square foot on a monthly triple net basis (psf), a slight increase from the \$1.16 psf recorded in the fourth quarter of 2018.

Leasing activity in Central Coast increased in the first quarter to 122,000 sf compared to 47,000 sf in the fourth quarter. Net absorption also increased coming in at 72,000 sf in the first quarter compared to -10,000 sf in the fourth quarter. The majority of the gross absorption occurred in the Salinas/Castroville market.

Santa Cruz County

The vacancy rate in Santa Cruz County increased in the first quarter finishing at 2.5%, up from 2.2% in the fourth quarter. Net absorption in the county stood at -18,000 sf at the end of the first quarter, compared with -108,000 sf in the fourth quarter. The average asking rate in Santa Cruz County increased again in the first quarter, finishing at \$1.10 psf, up from the \$0.86 psf recorded in the fourth quarter.

Monterey County

Monterey County's vacancy rate decreased in the first quarter, finishing at 2.5% down from 2.9% in the fourth quarter. The Salinas/Castroville submarket decreased in the first quarter coming in at 2.5% down from 3.1% in the fourth quarter. The average asking rent in Monterey County stayed flat in the first quarter, finishing at \$1.29 psf.

MARKETBEAT
Central Coast
Industrial Q1 2019



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	24,500	4.7%	-2,312	-2,312	0	\$1.15
Santa Cruz	134	2,695,427	0	106,464	3.9%	-6,295	-6,295	0	\$1.22
Watsonville	179	4,904,976	24,000	33,358	1.2%	9,000	9,000	0	\$0.63
Mid-County	28	309,959	0	18,475	6.0%	-18,475	-18,475	0	\$1.79
Santa Cruz County	367	8,433,289	24,000	182,797	2.5%	-18,082	-18,082	0	\$1.10
Sand City / Seaside / Marina	26	857,659	0	12,780	1.5%	-3,591	-3,591	0	\$1.22
Monterey	134	662,453	0	14,664	2.2%	-9,454	-9,454	0	\$1.26
Salinas / Castroville	28	14,080,037	10,000	347,207	2.5%	103,645	103,645	0	\$1.29
Monterey County	188	15,600,149	10,000	374,651	2.5%	90,600	90,600	0	\$1.29
TOTAL	555	24,033,438	34,000	557,448	2.5%	72,518	72,518	0	\$1.22

*Rental rates reflect asking \$psf/month

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
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Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
238 Walker St	48,586	M&L Financial Company / M&L Southern Highlands LLC	\$4,700,000 / \$97	Watsonville
Merritt & Speegle St	23,863	Terrence Trapp / C&J Collision Parts & Glass	\$1,750,000 / \$73	Castroville
4 San Juan Rd	6,454	Marvin E. Rodgers / Praxair, Inc.	\$1,425,000 / \$220	Watsonville

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