

MARKETBEAT

Central Coast

Office Q1 2019



CENTRAL COAST OFFICE

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 Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	5.9%	5.2%	▼
Net Absorption (sf)	91K	66K	▲
Under Construction (sf)	0K	48K	■
Average Asking Rent*	\$1.75	\$1.87	▼

*Rental rates reflect gross asking \$psf/year

Vacancy Continues To Drop

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.

Over the last 12 months, the supply of available space in the Central Coast office market has decreased from 5.9% to 5.2% in the first quarter of 2019. The average asking rate increased closing the quarter at \$1.87 per square foot on a monthly full service basis (psf) compared to \$1.75 psf recorded one year ago.

Santa Cruz County

For the fifth straight quarter, the vacancy rate in Santa Cruz County remained below 6.0%, decreasing slightly to 4.9% in the first quarter from 5.0% in the fourth quarter of 2018. There remains a wide range in the vacancy rates across the submarkets of Santa Cruz County with the highest in Scotts Valley at 11.4% and the lowest in Watsonville at 1.9%. The vacancy rate in Santa Cruz also decreased down from 4.2% last quarter to 3.4% in the first quarter.

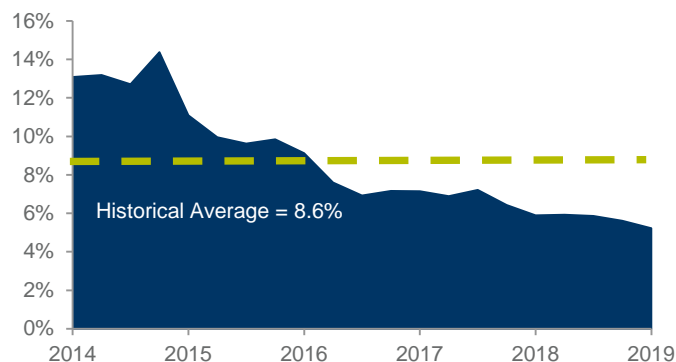
The Santa Cruz County had net absorption of 9,000 square feet (sf) for the quarter with Santa Cruz contributing the most with 27,000 sf. As for the average asking rates, Santa Cruz County decreased slightly this quarter ending at \$1.93 psf from \$1.97 psf in the fourth quarter. The asking rates across all submarkets decreased except for Watsonville which increased from \$1.22 psf to \$1.40 psf in the first quarter.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Monterey County

Monterey County's vacancy rate also decreased slightly ending the quarter at 5.5% compared to 6.2% in the fourth quarter. Most of the submarkets have rather minimal sub-5.0% vacancy rates except for Monterey which shows a steeper figure of 8.9%. The average asking rate for Monterey County decreased slightly ending the first quarter at \$1.78 psf, down from \$1.82 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.

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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	239,350	11.4%	-14,846	-14,846	0	\$2.16
Santa Cruz	187	3,616,323	35,101	87,829	3.4%	27,301	27,301	0	\$1.64
Watsonville	95	2,118,306	0	40,557	1.9%	-4,463	-4,463	0	\$1.40
Mid-County	75	850,674	0	24,727	2.9%	1,127	1,127	0	\$2.08
Santa Cruz County	424	8,687,397	35,101	392,463	4.9%	9,119	9,119	0	\$1.93
Carmel / Pacific Grove	39	591,284	0	26,791	4.5%	-5,165	-5,165	0	\$1.84
Monterey	189	3,703,646	0	329,677	8.9%	48,436	48,436	47,984	\$1.79
Sand City / Del Rey Oaks / Seaside / Marina	43	533,416	0	2,000	0.4%	1,064	1,064	0	\$1.25
Salinas / Castroville	193	3,482,520	0	102,028	2.9%	12,263	12,263	0	\$1.73
Monterey County	464	8,310,866	0	460,496	5.5%	56,598	56,598	47,984	\$1.78
TOTAL	888	16,998,263	35,101	852,959	5.2%	65,717	65,717	47,984	\$1.87

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

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
601 Abrego St	3,314	Carmel Monterey Travel	New Lease	Monterey
155 DuBois St	3,100	DH Investments LLC	New Lease	Santa Cruz

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
420 E. Romie Ln	9,000	Terry Slaughter / Salinas Valley Memorial Healthcare	\$1,573,500 / \$175	Salinas
558 Main St	6,300	Ansr Enterprises LLC / Hansen Family Trust	\$1,090,000 / \$173	Watsonville
36 Aspen Way	4,285	Aspen Way One LLC / Eugenio G. Bedolla	\$1,262,500 / \$295	Watsonville

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