

CENTRAL COAST OFFICE

Economic Indicators

	Q3 18	Q3 19*	12-Month Forecast
Central Coast Employment	360K	362K	▲
Central Coast Unemployment	3.7%	4.3%	▲
U.S. Unemployment	3.8%	3.7%	▲

*Q3 19 data based on the latest data

Source: BLS, Moody's Analytics, Cushman & Wakefield Research

Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	5.9%	5.1%	▼
Net Absorption (sf)	13K	-23K	▲
Under Construction (sf)	0K	18K	■
Average Asking Rent*	\$1.76	\$1.88	▼

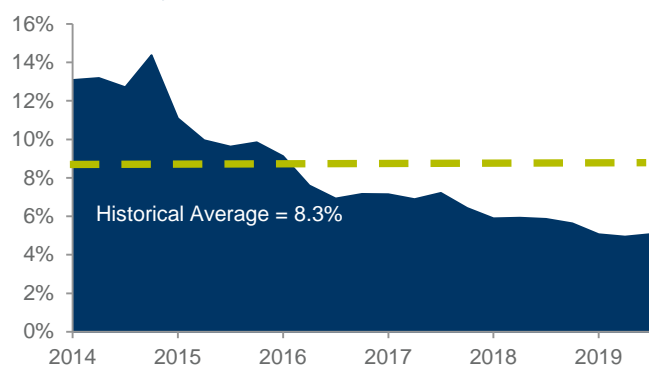
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



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 labor force can swing wildly throughout the year. During the third quarter, the unemployment rate decreased to 4.3% from 4.5% last quarter, while the employment increased slightly to 362,000 from 361,000.

Over the last 12 months, the supply of available space in the Central Coast office market decreased from 5.9% to 5.1% in the third quarter of 2019. The average asking rate stayed consistent closing the quarter at \$1.88 per square foot on a monthly full service basis (psf). This compares to \$1.76 psf recorded one year ago.

Santa Cruz County

For the seventh straight quarter, the vacancy rate in Santa Cruz County remained below 6.0% though it did increase slightly to 5.0% in the third quarter from 4.7% in the second quarter. There remains a wide range in the vacancy rates across the submarkets of Santa Cruz County with the highest in Scotts Valley at 11.3% and the lowest in Watsonville at 1.9%. The vacancy rate in Santa Cruz proper also increased from 3.1% last quarter to 3.4% in the third quarter.

Santa Cruz County recorded net absorption of negative 30,000 square feet (sf) for the third quarter, a decrease from the positive 21,000 sf in the second quarter. As for the average asking rates, Santa Cruz County ended the second quarter at \$1.95 which is an increase from the \$1.74 psf recorded one year ago. The highest asking rent is in Scotts Valley at \$2.11 psf.

Monterey County

Monterey County's vacancy rate finished the quarter at 5.5% compared to 6.1% one year ago. Most of the submarkets have rather minimal sub-5.0% vacancy rates except for Monterey itself which recorded a steeper figure of 8.8%. The average asking rate for Monterey County increased slightly ending the third quarter at \$1.80 psf up from \$1.78 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.

MARKETBEAT

Central Coast

Office Q3 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET	DIRECT	VACANCY	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT (All Classes)*
Scotts Valley	68	2,090,925	0	237,273	11.3%	-12,620	-12,769	0	\$2.11
Santa Cruz	188	3,622,928	52,383	72,013	3.4%	-10,957	25,835	0	\$1.76
Watsonville	94	2,076,216	640	38,154	1.9%	1,780	-2,700	0	\$1.48
Mid-County	76	854,216	3,608	32,364	4.2%	-7,990	-10,118	0	\$2.11
Santa Cruz County	426	8,644,285	56,631	379,804	5.0%	-29,787	248	0	\$1.95
Carmel / Pacific Grove	38	583,658	0	26,714	4.6%	801	-5,088	0	\$1.97
Monterey	190	3,693,625	7,565	302,486	8.4%	-14,791	68,062	17,984	\$1.77
Sand City / Del Rey Oaks / Seaside / Marina	45	565,386	0	8,841	1.6%	0	-5,277	0	\$1.37
Salinas / Castroville	193	3,506,203	0	80,981	2.3%	21,048	36,310	0	\$1.76
Monterey County	466	8,348,872	7,565	419,022	5.1%	7,058	94,007	17,984	\$1.77
TOTAL	892	16,993,157	64,196	798,826	5.1%	-22,729	94,255	17,984	\$1.88

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

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
100 Enterprise Way, D310	4,913	CU Direct	Extension	Scotts Valley
2 Harris Ct, #B-1	4,062	Sierra Instruments, Inc.	New Lease	Monterey
100 Enterprise Way, C130	3,984	MIS Security	Extension	Scotts Valley

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2801 Salinas Hwy	26,279	Keller Family Trust / Monterey Peninsula Airport District	\$5,400,000 / \$205	Monterey
212 San Jose St	20,239	Lotus Group / Salinas Valley Memorial Healthcare Systems	\$7,000,000 / \$345	Salinas
9057 Soquel Dr	19,099	Santacroce Family Trust / Kalukoe LLC	\$3,700,000 / \$194	Aptos

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