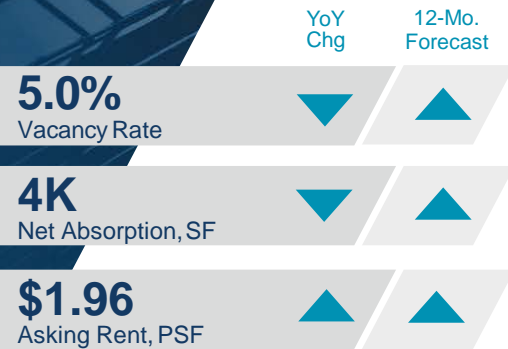
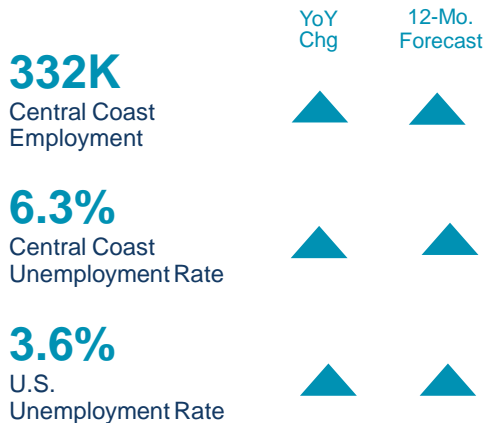


Office Q4 2019



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019



Source: BLS, Moody's Analytics
2019Q4 data are based on latest available data

ECONOMY:

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 fourth quarter, the unemployment rate for the Central Coast increased to 6.3% from 3.3% last quarter, while the employment decreased slightly to 332,000 from 362,000. This breaks down to 4.9% unemployment for Santa Cruz County and 7.2% for Monterey County.

SUPPLY: Vacancy remains flat

Over the last 12 months, the supply of available space in the Central Coast office market decreased from 5.6% to 5.0% in the fourth quarter of 2019. The average asking rate increased closing the quarter at \$1.96 per square foot on a monthly full service basis (psf). This compares to \$1.91 psf recorded one year ago.

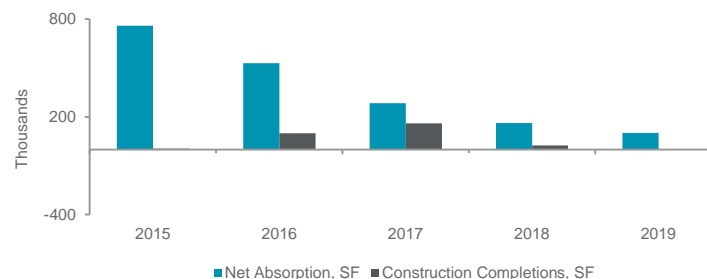
SANTA CRUZ COUNTY / MONTEREY COUNTY:

For the eighth straight quarter, the vacancy rate in Santa Cruz County remained below 6.0%, staying consistent with last quarter and recording 5.0% in the fourth quarter. There remains a wide range in the vacancy rates across the submarkets of Santa Cruz County with the highest in Scotts Valley at 11.5% and the lowest in Watsonville at 1.0%. The vacancy rate in Santa Cruz proper increased from 3.4% last quarter to 3.6% in the fourth quarter.

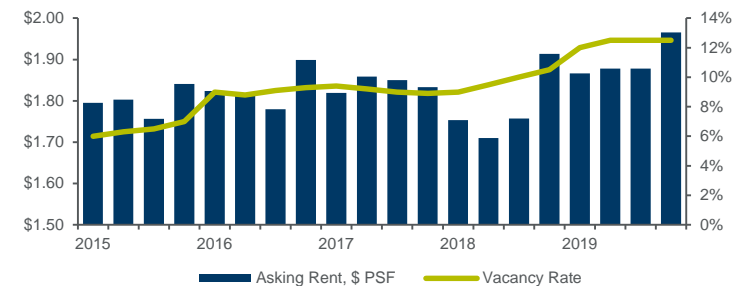
Santa Cruz County recorded net absorption of positive 5,000 square feet (sf) for the fourth quarter, a increase from the positive 30,000 sf in the third quarter. As for the average asking rates, Santa Cruz County ended the fourth quarter at \$2.09 which is an increase from the \$1.97 psf recorded one year ago. The highest asking rent is in the Mid County at \$2.24 psf.

Monterey County's vacancy rate finished the quarter at 5.0% 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 8.6%. The average asking rate for Monterey County increased slightly ending the fourth quarter at \$1.83 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.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q4 2019

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	UNDER CONST	OVERALL AVERAGE ASKING RENT
Scotts Valley	68	2,090,925	0	239,465	11.5%	-2,192	-14,961	0	\$2.15
Santa Cruz	188	3,640,788	52,383	78,655	3.6%	-7,152	19,193	0	\$2.03
Watsonville	94	2,059,931	0	20,272	1.0%	18,522	15,822	0	\$1.44
Mid-County	75	843,641	2,142	37,579	4.7%	-3,749	-13,867	0	\$2.24
Santa Cruz County	425	8,635,285	54,525	375,971	5.0%	5,429	6,187	0	\$2.09
Carmel / Pacific Grove	39	589,860	0	24,042	4.1%	2,672	-2,416	0	\$2.02
Monterey	190	3,665,179	7,565	307,070	8.6%	-6,628	55,192	17,984	\$1.82
Sand City / Del Rey Oaks / Seaside / Marina	45	565,386	0	8,741	1.5%	100	-5,177	0	\$1.37
Salinas / Castroville	193	3,516,119	0	71,908	2.0%	2,458	45,383	0	\$1.84
Monterey County	467	8,336,544	7,565	411,761	5.0%	-1,398	92,982	17,984	\$1.83
TOTAL	892	16,971,829	62,090	787,732	5.0%	4,031	99,169	17,984	\$1.96

*Rental rates reflect full service asking

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KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
100 Enterprise Way	Scotts Valley	CU Direct	4,913	Renewal
710 La Guardia St	Salinas	Titan Frozen Fruit, LLC	4,624	New Lease

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
130 Hangar Way	Watsonville	Robert C. Fox / Joseph Appenrodt	85,000	\$9.7M / \$115
55 Plaza Circle	Salinas	DeSerpa Investments / Clinica de Salud	18,000	\$2.5M / \$137
225-231 Technology Cir	Scotts Valley	Charles & Esther Wilson Trust / Christopher Amos	16,111	\$3.3M / \$201
100 Westridge Dr	Watsonville	Granum Patners / Vicente R. & Martina Solbes	12,400	\$4M / \$322