

# CENTRAL COAST

Office Q4 2020

	YoY Chg	12-Mo. Forecast
<b>6.6%</b> Vacancy Rate	▲	▲
<b>-64K</b> Net Absorption, SF	▼	▲
<b>\$2.07</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▼

**ECONOMIC INDICATORS Q3 2020**

	YoY Chg	12-Mo. Forecast
<b>318K</b> Central Coast Employment	▼	▲
<b>7.7%</b> Santa Cruz County Unemployment Rate	▲	▼
<b>9.4%</b> Monterey County Unemployment Rate	▲	▼
<b>6.7%</b> U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics  
2020Q4 data are based on latest available data

**ECONOMY: Unemployment Inching Downward**

Beginning in March 2020, U.S. job losses reached levels unseen since the Great Depression. In May and June, as lockdowns begun to ease, signs of economic life reappeared. However, in late December as COVID-9 cases spiked, the Central Coast area went back into lockdown. Employment had started to recover however it remains down on a year-over-year (YOY) basis by 44,700 jobs. The unemployment rate has declined from its high earlier this year, with the quarterly figure now at 7.7% for Santa Cruz County and 9.4% for Monterey County. This compares to the current US unemployment rate of 6.7%. As the vaccine is distributed in the community and businesses open, the employment numbers are expected to improve further.

**COASTAL MARKET: Vacancy On The Rise**

For the third quarter in a row, the supply of available space in the Central Coast office market increased in the fourth quarter, coming in at 6.6% compared to 6.2% in the third quarter. The average asking rate decreased closing the quarter at \$2.07 per square foot on a monthly full service basis (psf). This compares to \$2.00 psf recorded one year ago.

**SANTA CRUZ COUNTY / MONTEREY COUNTY:**

The vacancy rate in Santa Cruz County decreased to 6.9% in the fourth quarter, down from 7.2% recorded last quarter. There remains a wide range in the vacancy rates across the submarkets of Santa Cruz County with the highest in Scotts Valley at 12.2% and the lowest in Santa Cruz proper at 4.6%. The vacancy rate in Watsonville increased to 6.2% in the fourth quarter, from 1.0% one year ago.

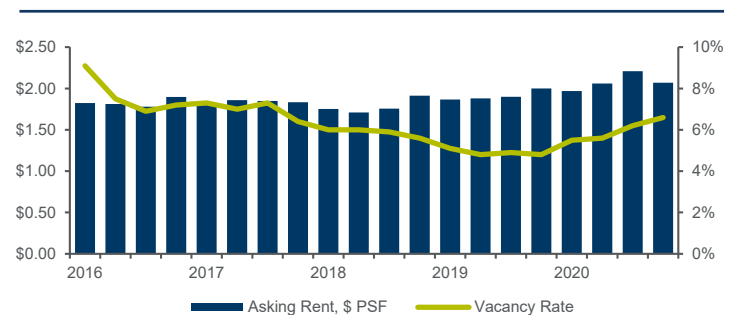
Santa Cruz County recorded gross absorption of 50,000 square feet (sf) for the fourth quarter, a slight increase from the 43,000 sf last quarter. As for the average asking rates, Santa Cruz County ended the fourth quarter at \$2.02 which is a decrease from the \$2.12 psf recorded one year ago. The highest asking rent is Mid County at \$2.61 psf.

Monterey County's vacancy rate finished the quarter at 6.2% compared to 5.2% last quarter. Most of the submarkets have rather minimal sub-5.0% vacancy rates except for Monterey itself which recorded a steeper figure of 10.2%. The average asking rate for Monterey County was flat ending the fourth quarter at \$2.02 psf. 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**



## 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	2,100,170	0	255,389	12.2%	43,751	-15,924	0	\$2.19
Santa Cruz	195	3,685,759	18,436	152,351	4.6%	-24,896	-11,559	0	\$2.09
Watsonville	94	2,003,465	2,509	122,068	6.2%	-3,477	-104,305	0	\$1.36
Mid-County	74	833,683	1,162	47,359	5.8%	2,576	-10,200	0	\$2.61
<b>Santa Cruz County</b>	<b>431</b>	<b>8,623,077</b>	<b>22,107</b>	<b>577,167</b>	<b>6.9%</b>	<b>17,954</b>	<b>-141,988</b>	<b>0</b>	<b>\$2.02</b>
Carmel / Pacific Grove	40	601,532	0	31,603	5.3%	-3,850	-7,889	0	\$3.70
Monterey	190	3,685,993	52,959	322,737	10.2%	-68,402	-90,755	0	\$1.94
Sand City / Del Rey Oaks / Seaside / Marina	42	546,721	0	14,236	2.6%	430	-5,495	0	\$1.27
Salinas / Castroville	193	3,494,035	0	93,418	2.7%	-9,814	-21,510	0	\$1.90
<b>Monterey County</b>	<b>465</b>	<b>8,328,281</b>	<b>52,959</b>	<b>461,994</b>	<b>6.2%</b>	<b>-81,636</b>	<b>-125,649</b>	<b>0</b>	<b>\$2.02</b>
<b>TOTAL</b>	<b>896</b>	<b>16,951,358</b>	<b>75,066</b>	<b>1,039,161</b>	<b>6.6%</b>	<b>-63,682</b>	<b>-267,637</b>	<b>0</b>	<b>\$2.07</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
511 Forest Lodge Rd	Pacific Grove	California American Water Co.	18,847	Renewal
6 Quail Run Circle	Salinas	Salinas Valley Memorial Healthcare	8,175	New Lease
128 Sun St	Salinas	GEO Reentry Services, LLC	6,884	New Lease
11 Quail Run Circle	Salinas	YWCA Monterey County	6,315	New Lease

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2300 Garden Rd	Monterey	Capital Insurance Group / Kenneth & Bradley Slama Trust	49,920	\$7.8M / \$155
787 Munras Ave	Monterey	Sagin Family Trust / Merritt Associates	29,157	\$8.1M / \$278
915 Hilby Ave	Seaside	William K. Khieu / RJV Investments LLC	13,886	\$2.0M / \$140

**JULIE LEIKER**

Market Director, Silicon Valley

Tel: +1 408 615 3400

[Julie.leiker@cushwake.com](mailto:Julie.leiker@cushwake.com)

**CUSHMAN & WAKEFIELD**

Doud Arcade Building, Suite 202  
South Ocean Avenue  
Carmel-by-the-Sea, CA 93921

328-B Main Street  
Salinas, CA 93901

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