

	YoY Chg	12-Mo. Forecast
8.0% Vacancy Rate	▲	▲
-3K Net Absorption, SF	▼	▲
\$2.06 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMY: Employment Ratcheting Up

About two years ago, U.S. job losses reached levels unseen since the Great Depression. As the COVID-19 vaccine was rolled out earlier this year and the economy began to open, improvement was initially slow. There have been gains in the Central Coast metropolitan statistical area (MSA), with an increase of 5,400 jobs on a year-over-year (YOY) basis. The unemployment rate has declined from its high in 2020, with the quarterly figure now at 5.7%, a decrease from 8.6% one year ago. This breaks down to 5.2% unemployment for Santa Cruz County and 6% for Monterey County. As businesses fully reopen, these employment numbers are expected to improve further.

COASTAL MARKET: Vacancy On The Rise

For the ninth quarter in a row, the supply of available space in the Central Coast office market increased in the fourth quarter, with availabilities totaling 1.387 million square feet (msf) compared to 1.384 msf in the prior quarter. With more availability, vacancy had a slight increase coming in at 8.0%, compared to 7.9% in the third quarter. The average asking rate increased in the fourth quarter to \$2.06 per square foot on a monthly full service basis (psf). This is in line with the \$2.07 psf recorded one year ago.

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
235K Central Coast Employment	▲	▲
5.2% Santa Cruz County Unemployment Rate	▼	▼
6.0% Monterey County Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

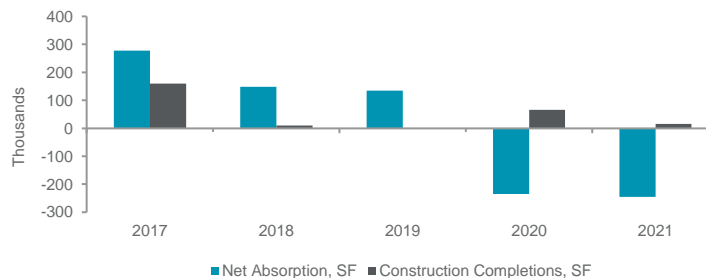
SANTA CRUZ COUNTY / MONTEREY COUNTY:

The vacancy rate in Santa Cruz County decreased slightly to 7.8% in the fourth quarter, down from 8.1% recorded last quarter. There remains a wide variance in the vacancy rates across the submarkets of Santa Cruz County with the highest in Scotts Valley at 12.6% and the lowest in Mid County at 3.9%.

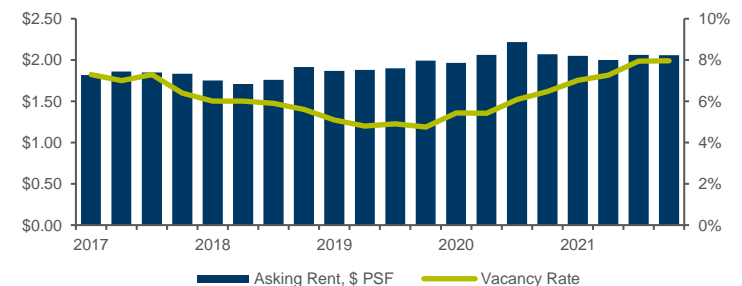
Santa Cruz County had leasing activity of 75,854 square feet (sf) for the fourth quarter, a decrease from 97,334 sf last quarter. Average asking rates stayed the same from last quarter at \$2.02 psf with Mid County having the highest asking rent at \$2.46 psf.

Monterey County's vacancy rate increased to 8.1% from 7.8% last quarter. The submarkets have minimal vacancy rates (1.4% - 3.5%) except for Monterey itself which recorded a steeper figure of 15.3%, an increase from the 14.1% in the third quarter. The average asking rate for Monterey County decreased ending the fourth quarter at \$1.98 psf from \$2.03 psf in the third quarter. With no new construction projects in the pipeline the Central Coast market is expected to remain tight for some time to come.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: BLS, Moody's Analytics
2021Q4 data are based on latest available data

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	69	2,094,474	8,210	256,072	12.6%	11,429	-8,893	0	\$2.16
Santa Cruz	195	3,889,671	8,028	221,385	5.9%	24,924	-58,626	55,345	\$2.26
Watsonville	96	2,142,730	0	172,071	8.0%	-13,483	-23,908	0	\$1.39
Mid-County	74	833,683	1,162	31,408	3.9%	4,942	15,951	0	\$2.46
Santa Cruz County	434	8,960,558	17,400	680,936	7.8%	27,812	-75,476	55,345	\$2.02
Carmel / Pacific Grove	41	615,484	0	21,356	3.5%	198	9,835	0	\$3.02
Monterey	193	3,790,427	123,530	457,482	15.3%	-45,823	-201,516	0	\$1.94
Sand City / Del Rey Oaks / Seaside / Marina	42	546,721	0	7,865	1.4%	15,235	6,371	0	\$1.61
Salinas / Castroville	194	3,516,940	0	78,183	2.2%	65	15,235	0	\$2.02
Monterey County	470	8,469,572	123,530	564,886	8.1%	-30,325	-170,075	0	\$1.98
TOTAL	904	17,430,130	140,930	1,245,822	8.0%	-2,513	-245,551	55,345	\$2.06

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
945 South Main St	Salinas	Court Appointed Special Advocates of Monterey County, Inc.	3,806	New Lease
108 Whispering Pines Dr	Scotts Valley	Scotts Valley Unified School District	3,600	New Lease

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
108 Whispering Pines Dr	Scotts Valley	Lori Giuliani / Freedom Associates	20,986	\$4M / \$189
24591 Silver Cloud Ct	Monterey	Archer Trust / PGA Fresno LLC	18,036	\$6.8M / \$375
180 Westridge Dr	Watsonville	Granum Family Trust / Westridge 180 LLC	13,776	\$4M / \$292
5523 Scotts Valley Dr	Scotts Valley	Cava Business Center / Berg Revocable Trust	7,665	\$1.4M / \$183

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