

Office Q1 2022

	YoY Chg	12-Mo. Forecast
<b>7.8%</b> Vacancy Rate	▼	▼
<b>53.8K</b> Net Absorption, SF	▲	▲
<b>\$2.09</b> Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▼

### 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 early last year and the economy began to open, improvement was initially slow. There have been gains in the Central Coast metropolitan statistical area (MSA), despite the decrease of 10,800 jobs on a year-over-year (YOY) basis. The unemployment rate has declined from its high in 2020, with the quarterly figure now at 7.5%, a decrease from 11.2% one year ago. This breaks down to 5.9% unemployment for Santa Cruz County and 8.6% for Monterey County. As businesses fully reopen, these employment numbers are expected to improve further, especially with the second COVID-19 booster vaccine on the horizon.

### COASTAL MARKET: Decreasing Vacancy

The supply of available space in the Central Coast office market decreased in the first quarter of 2022, with availabilities totaling 1.35 million square feet (msf) compared to 1.38 msf in the prior quarter. With less availability, vacancy had a slight decrease coming in at 7.8%, compared to 8% in the prior quarter. The average asking rate increased in the first quarter to \$2.09 per square foot on a monthly full service basis (psf). This is higher than the \$2.05 psf recorded one year ago.

### ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
<b>314K</b> Central Coast Employment	▲	▲
<b>5.9%</b> Santa Cruz County Unemployment Rate	▲	▼
<b>8.6%</b> Monterey County Unemployment Rate	▲	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

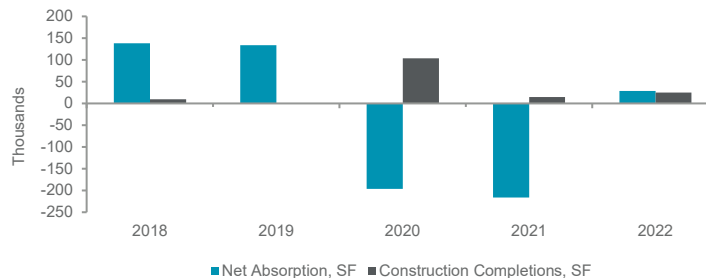
### SANTA CRUZ COUNTY / MONTEREY COUNTY:

The vacancy rate in Santa Cruz County decreased slightly to 7.8% in the first quarter, down from 8% 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 14.5% and the lowest in Mid County at 4.5%.

Santa Cruz County had leasing activity of 55,094 square feet (sf) for the first quarter, a decrease from 75,854 sf last quarter. Average asking rates grew from last quarter to \$2.11 psf with Mid County having the highest asking rent at \$2.96 psf.

Monterey County's vacancy rate decreased to 7.9% from 8.1% last quarter. The submarkets have minimal to average vacancy rates (1.3% -7%) except for Monterey itself which recorded a steeper figure of 14.4%. The average asking rate for Monterey County decreased ending the first quarter at \$1.94 psf from \$1.89 psf in the last quarter. With approximately 30,000 sf in the development pipeline the Central Coast market is expected to see lower vacancy levels for the remainder of the year.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



Source: BLS, Moody's Analytics  
2022Q1 data are based on latest available data

## Office Q1 2022

## 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	295,648	14.5%	-39,576	-39,576	0	\$2.19
Santa Cruz	196	3,729,691	0	214,946	5.8%	38,857	38,857	55,345	\$2.17
Watsonville	96	2,143,600	0	129,649	6.0%	42,422	42,422	0	\$1.59
Mid-County	73	825,167	0	37,085	4.5%	-4,515	-4,515	0	\$2.96
<b>Santa Cruz County</b>	<b>434</b>	<b>8,792,932</b>	<b>8,210</b>	<b>677,328</b>	<b>7.8%</b>	<b>37,188</b>	<b>37,188</b>	<b>55,345</b>	<b>\$2.11</b>
Carmel / Pacific Grove	41	616,866	0	43,455	7.0%	-22,099	-22,099	0	\$2.00
Monterey	192	3,780,660	126,072	417,013	14.4%	32,627	32,627	0	\$1.93
Sand City / Del Rey Oaks / Seaside / Marina	42	546,646	0	7,122	1.3%	743	743	0	\$1.61
Salinas / Castroville	195	3,550,130	0	73,785	2.1%	5,333	5,333	0	\$2.02
<b>Monterey County</b>	<b>470</b>	<b>8,494,302</b>	<b>126,072</b>	<b>541,375</b>	<b>7.9%</b>	<b>16,604</b>	<b>16,604</b>	<b>0</b>	<b>\$1.94</b>
<b>TOTAL</b>	<b>904</b>	<b>17,287,234</b>	<b>134,282</b>	<b>1,218,703</b>	<b>7.8%</b>	<b>28,792</b>	<b>53,792</b>	<b>55,345</b>	<b>\$2.09</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
28 Second St	Watsonville	County of Santa Cruz	10,440	New Lease
1069 Broadway Ave	Seaside	The Village Project	9,925	Expansion
24560 Silver Cloud Ct	Monterey	Hilltop Securities	4,855	New Lease
1418 South Main St	Salinas	Premier Valley Bank	4,683	New Lease

## KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
100 Panetta Ave	Santa Cruz	Rainbow Light Nutritional Systems Inc / 100 Panetta Avenue LLC	15,161	\$5.3M / \$350
55 Penny Ln	Watsonville	Locke-Paddon Family Trust / Balance Holdings LLC	10,464	\$2.65M / \$253
24551 Silver Cloud Ct	Monterey	John and Judy Jessen Community Property Trust / Megastar Holdings Services, LLC	10,200	\$2.85M / \$279
26515 Carmel Rancho Blvd	Carmel	Virginia W Srsen Living Trust / 26385 Carmel Rancho LLC	8,353	\$2.65M / \$317

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