

	YoY Chg	12-Mo. Forecast
8.4% Vacancy Rate	▲	▲
-96.6K Net Absorption, SF	▼	▲
\$1.97 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 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) and the unemployment rate has declined from its high in 2020. The quarterly figure is at 4.2%, a decrease from 7.6% one year ago, which breaks down to 3.8% unemployment for Santa Cruz County and 4.5% for Monterey County. With businesses fully reopen and the second COVID-19 booster being introduced, employment has improved dramatically. Furthermore, a low unemployment rate is expected to remain for the rest of the year with inflation on the rise.

COASTAL MARKET: Decreasing Vacancy

The supply of available space in the Central Coast office market increased in the second quarter of 2022, with availabilities totaling 1.46 million square feet (msf) compared to 1.37 msf in the prior quarter. With more availability, vacancy had a slight increase coming in at 8.4%, compared to 7.9% in the prior quarter. The average asking rate decreased in the first quarter to \$1.97 per square foot on a monthly full service basis (psf). This is higher than the \$1.90 psf recorded one year ago.

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
343K Central Coast Employment	▲	▲
5.9% Santa Cruz County Unemployment Rate	▼	▼
8.6% Monterey County Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

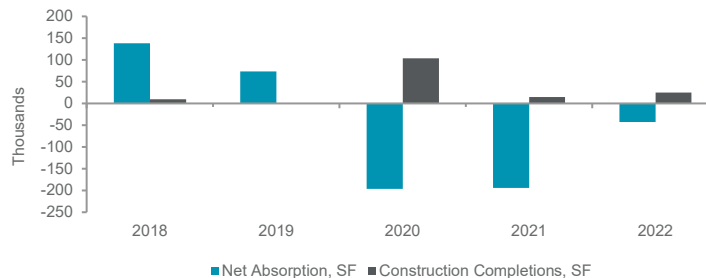
SANTA CRUZ COUNTY / MONTEREY COUNTY:

The vacancy rate in Santa Cruz County increased to 8.8% in the second quarter, up from 7.9% 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 17.2% and the lowest in Mid County at 4.4%.

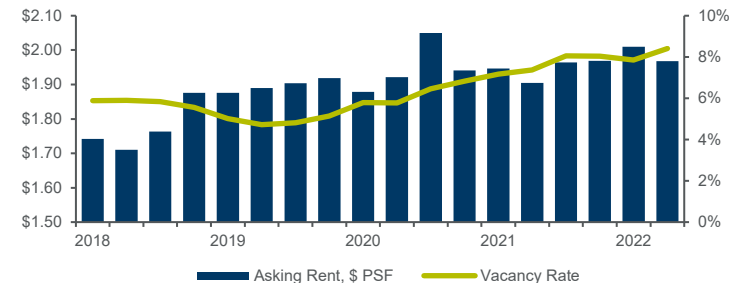
Santa Cruz County had leasing activity of 98,112 square feet (sf) for the second quarter, a decrease from 55,094 sf last quarter. Average asking rates decreased from last quarter to \$1.88 psf with Mid County having the highest asking rent at \$2.64 psf.

Monterey County's vacancy rate increased to 8% from 7.8% last quarter. The submarkets have minimal to average vacancy rates (1.7% -7.8%) except for Monterey itself which recorded a steeper figure of 14.3%. The average asking rate for Monterey County increased by a negligible amount ending the first quarter at \$1.95 psf from \$1.94 psf in the last quarter. With 30,345 sf in the development pipeline the Central Coast market is expected to see higher vacancy levels for the remainder of the year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: BLS, Moody's Analytics
2022Q2 data are based on latest available data

Office Q2 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	2,104,641	8,210	353,004	17.2%	-57,356	-96,932	0	\$2.17
Santa Cruz	197	3,805,634	1,000	247,399	6.5%	-20,440	18,417	30,345	\$1.51
Watsonville	96	2,142,730	0	138,319	6.5%	-8,670	33,752	0	\$1.59
Mid-County	73	825,167	310	35,606	4.4%	1,169	-3,346	0	\$2.64
Santa Cruz County	435	8,878,172	9,520	774,328	8.8%	-85,297	-48,109	30,345	\$1.88
Carmel / Pacific Grove	41	616,866	0	48,394	7.8%	-4,939	-27,038	0	\$2.00
Monterey	193	3,786,290	129,877	412,422	14.3%	786	33,413	0	\$1.94
Sand City / Del Rey Oaks / Seaside / Marina	42	546,646	0	9,554	1.7%	-2,432	-1,689	0	\$1.61
Salinas / Castroville	196	3,558,677	0	78,535	2.2%	-4,750	583	0	\$2.06
Monterey County	472	8,508,479	129,877	548,905	8.0%	-11,335	5,269	0	\$1.95
TOTAL	907	17,386,651	139,397	1,323,233	8.4%	-96,632	-42,840	30,345	\$1.97

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1418 S Main St	Salinas	Scheid Vineyards California	4,365	Renewal
80 Garden Ct	Monterey	SMG - Monterey, LLC	4,225	New Lease
40 Penny Ln	Watsonville	Pinnacle Medical Group	3,285	New Lease

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
126-128 Sun St	Salinas	Paul & Amy Friedrich / Salinas Valley Recycles	26,769	\$4M / \$148
1021-1023 S Main St	Salinas	Taylor Fresh Foods, Inc. / 1992 Anthony & Christine Revocable Trust	13,817	\$4.1M / \$297
480 Calle Principal	Monterey	Peter J Coniglio 2003 Revocable Trust / Hugo 1990 Revocable Trust	10,173	\$2.1M / \$206
245 Washington St	Monterey	Rico Family Trust B / Manal Mansour Revocable Living Trust	5,630	\$2M / \$355

JULIE LEIKER

Market Director, Silicon Valley
Tel: +1 408 615 3400
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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