



Office Q3 2023

YoY
Chg 12-Mo.
Forecast**7.6%**

Vacancy Rate

**70K**

Net Absorption, SF

**\$2.49**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q3 2023YoY
Chg 12-Mo.
Forecast**355.5K**Central Coast
Employment**4.8%**Santa Cruz County
Unemployment Rate**4.7%**Monterey County
Unemployment Rate**3.7%**U.S.
Unemployment RateSource: BLS, Moody's Analytics
2023 Q3 data are based on latest available data

ECONOMY: Employment Slowing

Although there have still been job gains in the Central Coast counties of Santa Cruz and Monterey, employment has slowed in 2023. There have been just 3,700 non-farm positions added year-over-year (YOY). And though lower than its recent high in 2020, the unemployment rate has been on the rise since the beginning of the year. The quarterly figure for Santa Cruz County is now at 4.8% and Monterey County is 4.7%. The U.S. unemployment rate is at 3.7% and projected to increase further in 2024.

COASTAL MARKET: Vacancy Decreases Slightly

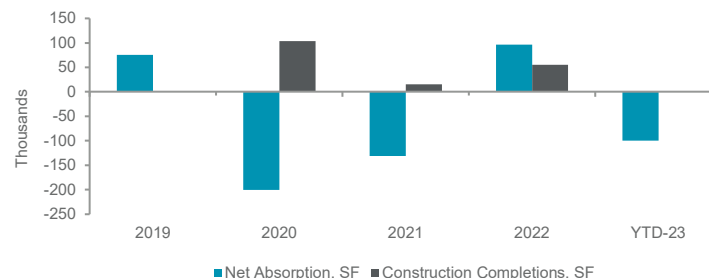
The supply of available space in the Central Coast office market has decreased slightly in the third quarter of 2023, with availabilities totaling 1.3 million square feet (msf). With a decrease in availability, vacancy decreased to 7.6%, compared to 8.0% in the prior quarter. The average asking rate also decreased in the third quarter to \$2.49 per square foot on a monthly full-service basis (psf). This is 24.5% higher than the \$2.00 psf recorded one year ago.

SANTA CRUZ COUNTY / MONTEREY COUNTY:

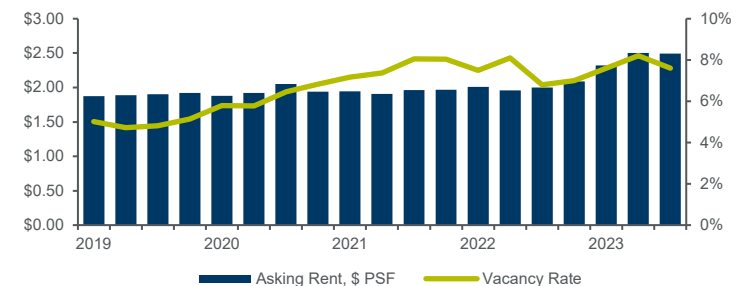
The vacancy rate in Santa Cruz County increased to 9.7% in the third quarter, up from 9.5% recorded the prior quarter. There remains a wide variance in the vacancy rates across the submarkets of Santa Cruz County with the highest in Scotts Valley at 24.8% and the lowest in Watsonville at 3.5%. Santa Cruz County had leasing activity of just 29,000 square feet (sf) for the third quarter, a decrease from 50,000 sf in the second quarter. Average asking rates decreased to \$2.60 psf in the third quarter with Mid County recording the highest asking rent at \$3.15 psf.

Monterey County's vacancy rate decreased in the third quarter at 5.3%. The submarkets of Monterey and Carmel/Pacific Grove carry the majority of the vacancy with 8.7% and 9.5%, respectively. The average asking rate for Monterey County increased slightly ending the third quarter at \$2.28 psf from \$2.08 psf in the last quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CENTRAL COAST

Office Q3 2023



CUSHMAN & WAKEFIELD

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	2,126,150	82,980	443,284	24.8%	4,001	-118,276	0	\$2.83
Santa Cruz	203	3,875,210	4,311	233,269	6.1%	-24,497	-63,308	0	\$2.12
Watsonville	96	2,180,879	0	77,114	3.5%	2,648	-21,912	0	\$2.20
Mid-County	73	904,543	735	39,046	4.4%	-3,178	-6,040	0	\$3.15
Santa Cruz County	441	9,086,782	88,026	792,713	9.7%	-21,026	-209,536	0	\$2.60
Carmel / Pacific Grove	47	681,203	0	64,462	9.5%	570	6,671	0	\$2.21
Monterey	192	3,728,886	52,804	270,037	8.7%	70,634	109,594	0	\$2.33
Sand City / Del Rey Oaks / Seaside / Marina	41	540,127	0	9,381	1.7%	7,945	6,713	0	\$1.50
Salinas / Castroville	198	3,573,751	18,616	40,621	1.7%	11,667	-13,191	0	\$2.18
Monterey County	478	8,523,967	71,420	384,501	5.3%	90,816	109,787	0	\$2.28
TOTAL	919	17,610,749	159,446	1,177,214	7.6%	69,790	-99,749	0	\$2.49

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
20 Ryan Ranch Rd	Monterey	Excelligence Learning Corp.	24,057	Renewal
1 Lower Ragsdale Dr	Monterey	Apria Healthcare	7,981	Renewal
950 Blanco Rd.	Salinas	Moss Adams LP	5,609	New Lease
450 Lincoln Ave	Salinas	North American Metal Health Serv.	4,052	New Lease
2 Harris Ct	Monterey	Tetac, Inc.	3,942	New Lease

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
550 Water St	Santa Cruz	Marietti-Campbell Revocable Trust / GMD VDS, LLC	10,207	\$1.0M / \$98
569 Lighthouse Ave	Pacific Grove	JP Morgan Chase / Ostrich Inc.	9,964	\$2.2M / \$220
2400 Garden Rd	Monterey	Mark Eden / Lostrom & Company, Inc.	7,875	\$850K / \$108

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