

Q3 2019

Office Insight

Market conditions to maintain stable footing going into 2020

- With no new construction in the pipeline, tight market conditions persist in Napa County as vacancy drops 80 basis points to 5.6 percent.
- Leasing activity picked up in Napa County as tenants extend and expand their leases.
- Touring activity remains mostly stable across Napa and Solano Counties; however, activity in Green Valley continues to pick up.

A steady market persists in Napa and Solano Counties, where vacancy rates are down to 9.1 percent from 10.7 percent last quarter. Tight market conditions in Napa County are slowing deal and touring activity, especially among Class A product where vacancy is at 4.6 percent. While no new construction is underway, overall asking rents in Napa-Solano are up 5.7 percent year-over-year, largely in part due to limited Class A availabilities in Downtown Napa and increased demand for Class B office space.

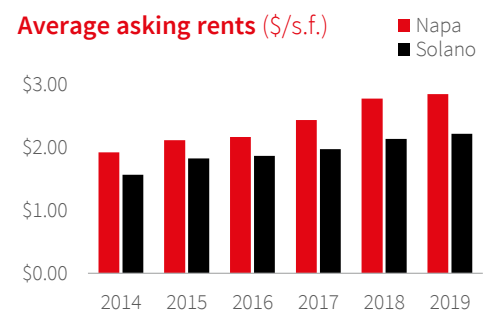
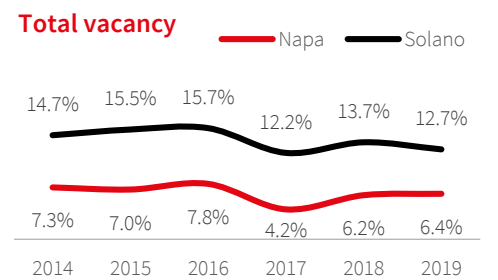
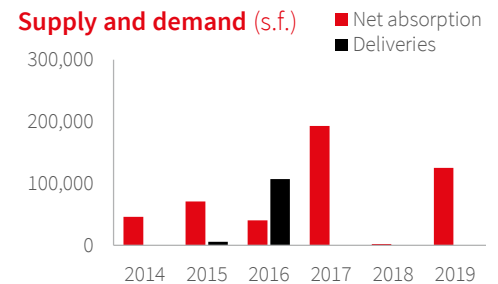
Meanwhile, leasing activity in Napa County was predominantly focused at Vintner Place in South Napa. Free Flow Wine leased 6,500 square feet in September, while a handful of small-sized tenants in the 2,500-4,000 square-foot range renewed and expanded.

In Solano County, activity is focused on Class A assets along Business Center Drive in Green Valley where a diverse mix of tenants are touring space. With strong interest in the area, landlords are commanding rents anywhere from \$2.50 to around \$3.25 fully-serviced for Class A space.

Outlook

Napa and Solano counties remain an attractive alternative to the higher-priced Bay Area markets. Value-add projects will further revitalize Downtown Napa. Developers are utilizing opportunity zone tax incentives to fund projects such as First Street Napa, where the Archer Hotel opened early last year.

Fundamentals	Forecast
YTD net absorption	125,394 s.f. ▲
Under construction	0 s.f. ►
Total vacancy	9.1% ▼
Average asking rent (gross)	\$2.40 p.s.f. ►
Concessions	Stable ►



For more information, contact: Katherine Billingsley | k.billingsley@am.jll.com

Q3 2019

Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
Napa South										
	A	311,321	0	-3,853	-1.2%	1.9%	1.9%	\$2.30	0	0
	B	751,511	7,759	13,496	1.8%	6.1%	6.1%	\$1.89	0	0
	Totals	1,062,832	7,759	9,643	0.9%	4.8%	4.8%	\$1.93	0	0
Napa North										
	A	210,898	6,984	12,320	5.8%	5.6%	7.8%	\$4.19	0	0
	B	514,822	379	-10,646	-2.1%	7.1%	7.1%	\$3.31	0	0
	C	86,878	0	-414	-0.5%	1.1%	1.1%	\$0.00	0	0
	Totals	812,598	7,363	1,260	0.2%	6.0%	6.6%	\$3.46	0	0
Napa County										
	A	522,219	6,984	8,467	1.6%	3.4%	4.3%	\$3.56	0	0
	B	1,266,333	8,138	2,850	0.2%	6.5%	6.5%	\$2.71	0	0
	C	86,878	0	-414	-0.5%	1.1%	1.1%	\$0.00	0	0
	Totals	1,875,430	15,122	10,903	0.6%	5.4%	5.6%	\$2.83	0	0
Cordelia/Fairfield/Suisun										
	A	782,104	11,666	10,177	22.7%	5.7%	6.1%	\$2.60	0	0
	B	1,551,627	16,822	75,516	4.8%	17.6%	19.2%	\$2.11	0	0
	C	290,774	2,576	-3,681	-1.3%	4.0%	4.0%	\$2.07	0	0
	Totals	2,624,505	31,064	82,012	9.5%	12.5%	13.6%	\$2.26	0	0
Vacaville										
	A	419,042	3,545	30,688	7.3%	10.2%	10.2%	\$2.06	0	0
	B	475,502	891	2,196	0.5%	1.3%	1.3%	\$1.98	0	0
	C	278,603	0	-405	-0.1%	1.7%	1.7%	\$1.45	0	0
	Totals	1,173,147	4,436	32,479	2.8%	4.6%	4.6%	\$2.01	0	0
Solano County										
	A	1,201,146	15,211	40,865	3.4%	7.3%	7.5%	\$2.39	0	0
	B	2,027,129	17,713	77,712	3.8%	13.8%	15.0%	\$2.11	0	0
	C	569,377	2,576	-4,086	-0.7%	2.9%	2.9%	\$1.89	0	0
	Totals	3,797,652	35,500	114,491	3.0%	10.1%	10.8%	\$2.23	0	0

*As of Q1 2019 the North Bay office inventory was calibrated in order to reflect updated building asset classes and submarket coverage.