

***North Bay Business Journal* article**

Napa industrial, retail real estate strengthens

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NAPA — Industrial real estate in southern Napa County is enjoying a resurgence of business activity in wine-related businesses, and retail real estate activity is picking up with major properties under construction or being considered for repositioning or redevelopment.

Of about 10.5 million square feet of industrial space in the southern Napa County business parks, 1.06 million square feet or 10.2 percent, was available for lease at the end of last year, according to estimates by Steve Crocker of commercial real estate brokerage Colliers International. That's up from 9.89 percent the third quarter, but the vacancy rate came down from 11.7 percent at the end of 2010.

"We're seeing some industrial square footage getting absorbed," said Steve Crocker of Colliers.

That's reflected in 252,000 more square feet of space coming off the market than being listed as available, according to Colliers.

Industrial property for lease is becoming less available for large blocks of warehouse space as well as for 15,000- to 25,000-square-foot warehouses with truck docks, according to Chris Neeb of brokerage Cushman & Wakefield.

"If a couple of more deals go through, the vacancy could be down to 6 (percent) to 7 percent, which is close to the peak in 2005–06," he said.

Activity also is picking up for 5,000- to 10,000-square-foot spaces — a segment that had little demand in the past few years — but there are ample options in the under-10,000-square-foot range, he said.

"Some companies are finally acting on (commercial space) requirements and feeling bullish about where the economy is going and capitalizing on good values for space," Mr. Neeb said.

Major deals reflected in this tightening of the industrial market are two large leases in American Canyon's Green Island Industrial Park in September. Boisset Family Estates relocated its wine warehousing from Benicia, leasing 80,000 square feet from ICC/Stravinski in the recently built 307,000-square-foot warehouse at 677 Hanna Dr. [Groskopf Warehouse & Logistics' leased 60,000 square feet](#) at 801 Hanna Dr., which had been vacant for more than a year, and has an option to lease the rest of the 150,000-square-foot building.

In Napa Valley Gateway Business Park in south Napa, Biagi Bros. Transportation & Warehousing late last year doubled its sublease from Constellation Wines U.S. at 80 Technology Ct., the 300,000-square-foot former Hasbro warehouse, to 100,000 square feet.

Just south of that business park at 1560 Airport Blvd., E&P Properties' 107,000-square-foot warehouse project is set for completion next month. A lease is being finalized with a local wine-related company for 35,000 to 40,000 square feet of that building, and E&P affiliate Metropolitan Van & Storage of Benicia could occupy the balance depending on interest from tenants, according to Mr. Neeb, who is part of the team marketing the property.

It's one of the rare industrial projects under construction in south Napa, like Napa-based [Walkenhorst's](#) 30,000-square-foot distribution warehouse at the corner of Technology Court and Technology Way in Napa Valley Gateway.

Other recent expansions have come from the wine and food industry, including WTN Services, WineBid.com, Mezzetta Peppers and Portocork America.

Office real estate the the Napa Valley business parks remains soft, with nearly 316,000 square feet, or 20.8 percent, of the 1.5 million square feet of space in the market available for lease, according to Colliers. Brokerage Keegan & Coppin/ONCOR International estimates fourth-quarter south county office vacancy was 13.4 percent of 2.52 million square feet, or 340,000 square feet, up from 13.1 percent in the third quarter but down significantly from around 14 percent at the beginning of last year.

Inside Napa, retail real estate is active, according to Gary Van Dam, broker of Strong & Hayden. With the foundation for the Cinemark 12-plex theater at the south city Napa Century Center project prepped for the targeted 2012 opening and a deal inked for a 115-room hotel there, property owner Gasser Foundation is in talks with a 40,000-square-foot junior anchor tenant, and prospective shop tenants have signed letters of intent to lease nearly 20,000 of the 60,000 square feet of that planned space in the center.

"There are new tenants who have not looked at Napa before," he said. "Now we have product for them or are planning to have it."

In downtown Napa, Zapolski Real Estate remains in escrow to purchase Napa Town Center from Altamura Enterprises, and Rogal + Associates recently started helping Copia building owner ACA Financial Guaranty Corp. plan new uses for the 70,000-square-foot former wine country museum.