



## Vacancy Rate Eased Lower

- > Office Inventory: 5,055,655 SF
- > Current Vacancy: 15.1%
- > Net Absorption: +12,013 SF

The office market vacancy rate for Solano and Napa counties eased lower in the first quarter of 2017 from 15.4 percent to 15.1 percent. This marks the eighth time in nine quarters that the rate has declined, though the declines have generally been gradual. Net absorption in the quarter was positive 12,013 square feet. The combined average asking rate across all classes of office in the first quarter remained flat at \$1.79 per square foot per month full service (FS) while the average asking rate for Class A office product decreased minimally in the first quarter from \$2.21 to \$2.20 per square foot FS.

### Market Indicators

Unemployment Rate

10-Year Nominal

Interest Rate

Consumer Confidence



Solano County



Napa County



### Market Trends

Relative to prior period

Q1 2017

Q2 2017\*

Vacancy



Rental Rate



Net Absorption



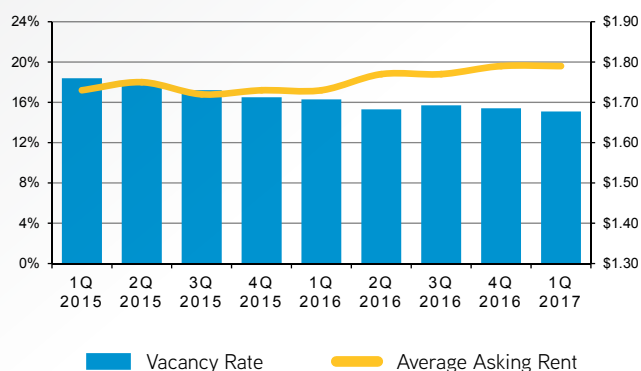
Construction



\*Projected

### Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | All Classes



Vacancy rates continued their gradual decline and rental rates continued their gradual increase.

### Summary Statistics

Q1 2017 Solano & Napa Counties Office Market

Previous Quarter

Current Quarter

Overall Vacancy Rate	15.4%	15.1%
Net Absorption	14,801	12,013
Construction Completed	0	0
Under Construction	101,000	101,000
Overall Asking Rents*	\$1.79	\$1.79
Class A Asking Rents	\$2.21	\$2.20
Class B Asking Rents	\$1.82	\$1.84
Class C/Flex Asking Rents	\$1.23	\$1.31

\*Asking Rents Reported Monthly



## Fairfield

Fairfield was the most active city in the region covered in this report in the first quarter as three of the five largest leases took place in Fairfield. The vacancy rate declined by 0.5 percentage points to 21.2 percent. Construction is underway on Partnership Health Plan's 101,000 square foot Class A office building on Business Center Drive. Upon completion, it will be the largest new office building constructed in more than ten years in the region covered in this report.

## Napa

Napa's vacancy rate experienced a small uptick from 9.7 percent to 11.0 percent in a relatively quiet quarter. The largest lease in the quarter was Busch Firm's lease of 6,270 square feet of Class B office space at 860 Napa Valley Corporate Way in the Napa Valley Commons business park. In the only significant sale in the quarter, John Anthony Investments purchased the 7,600 square foot Class B office at 1005 Jefferson Street in an owner-user transaction. The sale price was \$2,575,000, or \$338.82 per square foot.

## Summary

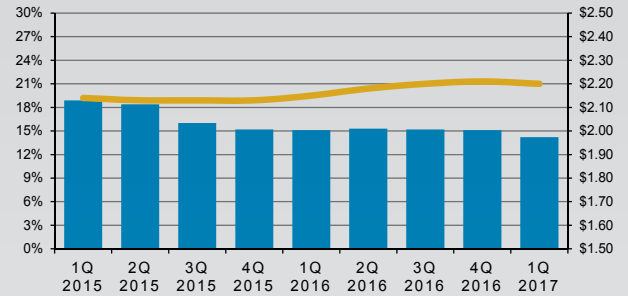
A gradually improving job market and migration from the sky-high leasing rates in the core Bay Area to the more affordable Solano and Napa counties have been the primary drivers for the continuing decline in vacancy rates. The unemployment rate in Solano County declined from 5.8 percent to 5.4 percent in the past year and the unemployment rate in Napa County declined from 4.7 percent to 4.2 percent in the past year. As compared to the core Bay Area counties; the regional outlook here is optimistic as Solano County's strength lies in its relative low cost of living and business expenses, while Napa County's strengths lie in the wine industry and desirable lifestyle. These strengths are expected to attract both residential growth and new and expanding companies in the coming years.



InnerGeyser Asset Management leased 15,623 square feet at the office/flex building situated at 2333 Courage Drive, Napa.

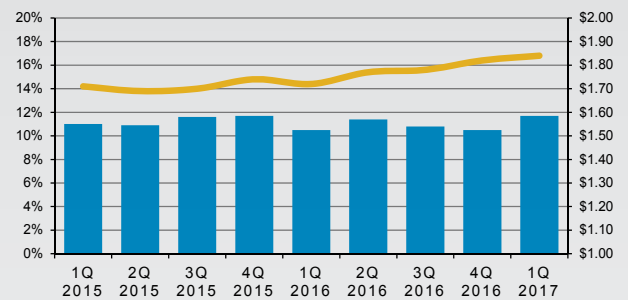
### Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | Class A



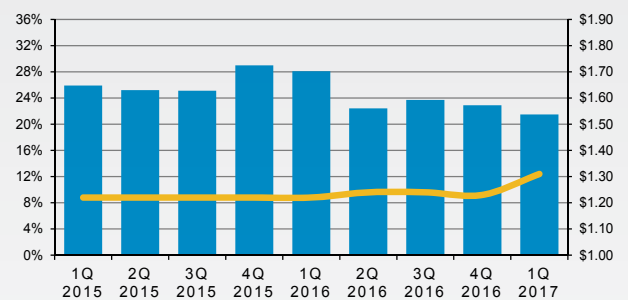
### Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | Class B



### Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | Office/Flex





## Significant Sale Activity

### John Anthony Investments

1005 Jefferson Street, Napa  
 2/2017  
 7,600 SF - Class B Office

## Significant Lease Activity

### Busch Firm

860 Napa Valley Corporate Way, Napa  
 1/2017  
 6,270 SF - Class B Office

### Pitcairn

578 Gateway Drive, Napa  
 3/2017  
 2,085 SF - Class B Office

### InnerGeysers Asset Management

2333 Courage Drive, Fairfield  
 3/2017  
 15,623 SF - Office/Flex

### Crossfit Solano

424 Executive Court, Fairfield  
 3/2017  
 3,584 SF - Class B Office

### Breneman

228 Lopes Road, Fairfield  
 1/2017  
 1,339 SF - Office/Flex

## Market Comparisons – Fairfield

### OFFICE MARKET

EXISTING PROPERTIES										ABSORPTION		CONSTRUCTION		RENTS
CLASS	BLDGS	TOTAL INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	SUBLEASE VACANCY RATE	TOTAL VACANT SF	VACANCY RATE CURRENT QUARTER	VACANCY RATE PRIOR QUARTER	NET ABSORPTION CURRENT QTR SF	NET ABSORPTION YTD SF	COMPLETIONS CURRENT QTR SF	UNDER CONSTRUCTION SF	AVG ASKING RATE
<b>BENICIA</b>														
A	1	30,000	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$-
B	6	85,403	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$-
Total	7	115,403	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$-
<b>FAIRFIELD</b>														
A	25	917,921	160,183	17.5%	-	0.0%	160,183	17.5%	18.6%	10,738	10,738	-	101,000	\$2.32
B	28	637,692	96,025	15.1%	-	0.0%	96,025	15.1%	14.2%	(6,056)	(6,056)	-	-	\$1.72
Flex	10	487,419	176,348	36.2%	-	0.0%	176,348	36.2%	37.5%	6,656	6,656	-	-	\$1.35
Total	63	2,040,915	432,556	21.2%	-	0.0%	432,556	21.2%	21.7%	11,338	11,338	-	101,000	\$1.79
<b>NAPA</b>														
A	16	648,670	41,330	6.4%	-	0.0%	41,330	6.4%	7.5%	7,635	7,635	-	-	\$2.25
B	30	637,692	75,157	11.8%	23,261	3.6%	98,418	15.4%	11.5%	(25,248)	(25,248)	-	-	\$2.07
Flex	14	408,187	46,608	11.4%	-	0.0%	46,608	11.4%	10.4%	(4,074)	(4,074)	-	-	\$1.40
Total	60	1,694,549	163,095	9.6%	23,261	1.4%	186,356	11.0%	9.7%	(21,687)	(21,687)	-	-	\$1.92
<b>VACAVILLE</b>														
A	9	335,636	65,631	19.6%	-	0.0%	65,631	19.6%	20.6%	3,659	3,659	-	-	\$1.87
B	12	205,986	9,595	4.7%	-	0.0%	9,595	4.7%	4.8%	361	361	-	-	\$1.75
Flex	1	52,491	19,552	37.2%	-	0.0%	19,552	37.2%	37.2%	-	-	-	-	\$1.20
Total	22	594,113	94,778	16.0%	-	0.0%	94,778	16.0%	16.6%	4,020	4,020	-	-	\$1.72
<b>VALLEJO</b>														
A	2	70,286	18,108	25.8%	-	0.0%	18,108	25.8%	18.7%	(4,964)	(4,964)	-	-	\$2.35
B	7	244,085	8,342	3.4%	-	0.0%	8,342	3.4%	6.9%	8,586	8,586	-	-	\$1.28
Flex	9	296,304	25,280	8.5%	-	0.0%	25,280	8.5%	13.5%	14,720	14,720	-	-	\$0.99
Total	18	610,675	51,730	8.5%	-	0.0%	51,730	8.5%	11.5%	18,342	18,342	-	-	\$1.51
<b>MARKET TOTAL</b>														
A	53	2,002,513	285,252	14.2%	-	0.0%	285,252	14.2%	15.1%	17,068	17,068	-	101,000	\$2.20
B	83	1,808,741	189,119	10.5%	23,261	1.3%	212,380	11.7%	10.5%	(22,357)	(22,357)	-	-	\$1.84
Flex	34	1,244,401	267,788	21.5%	-	0.0%	267,788	21.5%	22.9%	17,302	17,302	-	-	\$1.31
Market Total	170	5,055,655	742,159	14.7%	23,261	0.5%	765,420	15.1%	15.4%	12,013	12,013	-	101,000	\$1.79
<b>QUARTERLY COMPARISON AND TOTALS</b>														
Q1-17	170	5,055,655	742,159	14.7%	23,261	0.5%	765,420	15.1%	15.4%	12,013	12,013	-	101,000	\$1.79
Q4-16	170	5,055,655	777,433	15.4%	-	0.0%	777,433	15.4%	15.7%	14,801	54,496	-	101,000	\$1.79
Q3-16	170	5,055,655	792,234	15.7%	-	0.0%	792,234	15.7%	15.3%	(17,696)	39,695	-	101,000	\$1.77
Q2-16	170	5,055,655	774,538	15.3%	-	0.0%	774,538	15.3%	16.3%	51,635	57,391	-	-	\$1.77
Q1-16	170	5,055,655	826,173	16.3%	-	0.0%	826,173	16.3%	16.5%	5,756	5,756	-	-	\$1.73

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**396** offices in  
**68** countries on  
**6** continents

United States: **153**  
Canada: **29**  
Latin America: **24**  
Asia Pacific: **79**  
EMEA: **111**

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**\$2.6**  
billion in  
annual revenue\*

**2.0**  
billion square feet  
under management

**15,000**  
professionals  
and staff

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\*All statistics are for 2017 and include affiliates



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