



Vacancy Declines for Fifth Consecutive Quarter

- > Office Inventory: 5,056,025 SF
- > Current Vacancy: 17.4%
- > Net Absorption: +36,365 SF

Solano and Napa counties' office market vacancy rate declined for the fifth consecutive quarter in the first quarter of 2016. The vacancy rate at the end of the first quarter was 17.4 percent, down from 18.2 percent one quarter ago and 19.9 percent one year ago. The decline is largely attributable to job growth in the region, as Solano County added 4,300 non-farm jobs in 2015. Net absorption in the quarter was positive 36,365 square feet. The combined average asking rate across all classes of office in the first quarter remained flat at \$1.65 per square foot per month full service (FS). The average asking rate for Class A office product increased in the first quarter from \$2.13 to \$2.15 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 2016

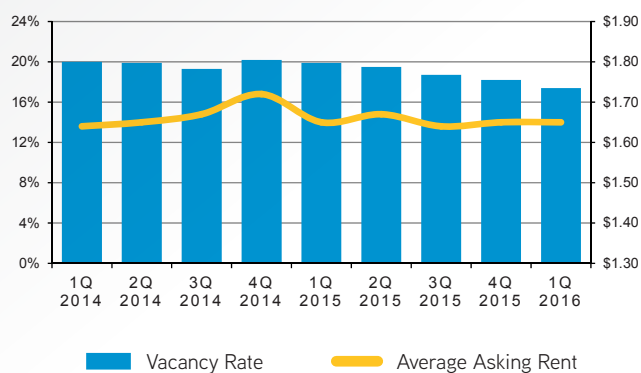
Q2 2016*

Market Trend	Q1 2016	Q2 2016*
Vacancy	↓	↓
Rental Rate	↑	↑
Net Absorption	↑	↑
Construction	↓	↓

*Projected

Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | All Classes



Vacancy rates declined for the fifth consecutive quarter as rental rates flattened.

Summary Statistics

Q1 2016 Solano & Napa Counties Office Market

Previous Quarter

Current Quarter

Summary Statistic	Previous Quarter	Current Quarter
Overall Vacancy Rate	18.2%	17.4%
Net Absorption	30,217	36,365
Construction Completed	0	0
Under Construction	0	0
Overall Asking Rents*	\$1.65	\$1.65
Class A Asking Rents	\$2.13	\$2.15
Class B Asking Rents	\$1.74	\$1.72
Class C/Flex Asking Rents	\$1.22	\$1.22

*Asking Rents Reported Monthly



Fairfield

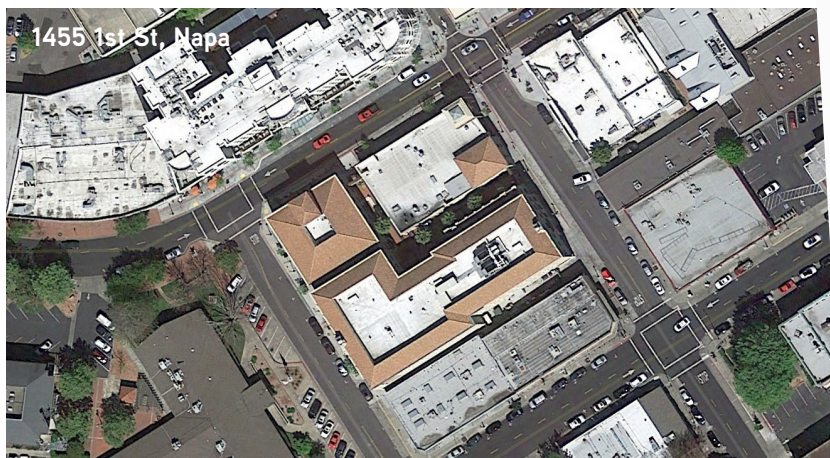
Fairfield's vacancy rate declined fractionally in the first quarter from 22.9 percent to 22.1 percent. The largest lease in the region covered in this report took place in Fairfield where InnerGeysers Asset Management leased 8,967 square feet of space at 2333 Courage Drive, an office/flex building in the Solano Business Park. The largest sale also took place in Fairfield as Merced BAR purchased nine office and office/flex buildings totaling 226,697 square feet in the Fairfield Corporate Commons business park. This was part of a larger nineteen building portfolio sale that included buildings in Concord and Folsom. Andrew Kilpatrick purchased a two-story 34,848 square foot office building at 520 Chadbourne Road in the Busch Campus Park. The sale included the adjacent 3.09 acres of land located at 510 Chadbourne Road for a total of 5.27 acres. The total sale price was \$4,200,000.

Napa

The vacancy rate in Napa declined slightly from 10.6 percent to 9.3 percent in the first quarter, amongst limited leasing activity. Richard Fernandez Insurance Agency leased 2,038 square feet of Class A office space at 1190 Airport Boulevard at the Napa Valley Gateway Plaza. The largest sale transaction in Napa was JOSS Realty Partners' purchase of the 65,848 square foot Class A office and retail building at Napa Square in downtown Napa for \$39,250,000, or \$596.07 per square foot.

Summary

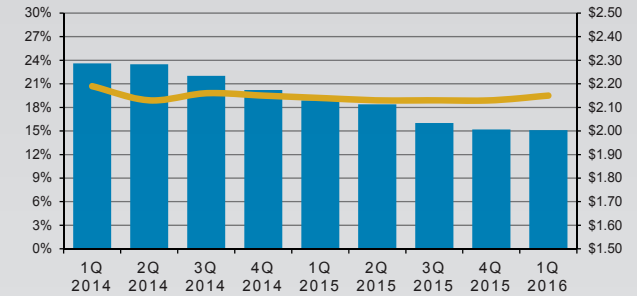
Despite the optimistic news of five consecutive quarters of declining office vacancy rates, leasing velocity has begun to ease in early 2016. While the local economy is expected to continue forging ahead at a solid pace, there is a paradigm shift underway with office users utilizing space more efficiently. Open floor plans and shared workspaces are leading to a decline in the average square feet of office space per worker. Office space in North America is expected to decline to an average of 151 square feet per worker by 2017, down from 225 square feet in 2010, according to CoreNet Global, a real estate data provider. As compared to the core Bay Area counties; the regional outlook here is cautiously 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.



JOSS Realty Partners purchased Napa Square for \$39,250,000

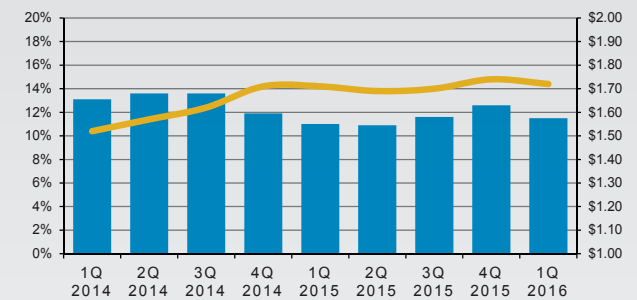
Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | Class A



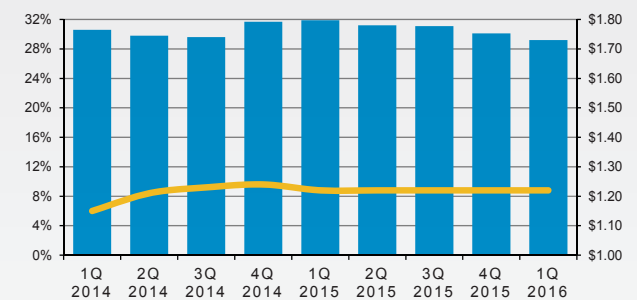
Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | Class B



Vacancy vs. Asking Full Service Rental Rates

Solano & Napa Counties | Office/Flex



Significant Lease Activity

InnerGeyser Asset Management

2333 Courage Drive, Fairfield
 3/2016
 8,967 SF - Office/Flex

Crossfit Solano

424 Executive Court, Fairfield
 3/2016
 3,584 SF - Class B Office

Richard Fernandez Insurance Agency

1190 Airport Boulevard, Napa
 1/2016
 2,038 SF - Class A Office

Significant Sale Activity

Merced BAR

Fairfield Corporate Commons, Fairfield
 2/2016
 228,133 SF - Class A & B Office

JOSS Realty Partners

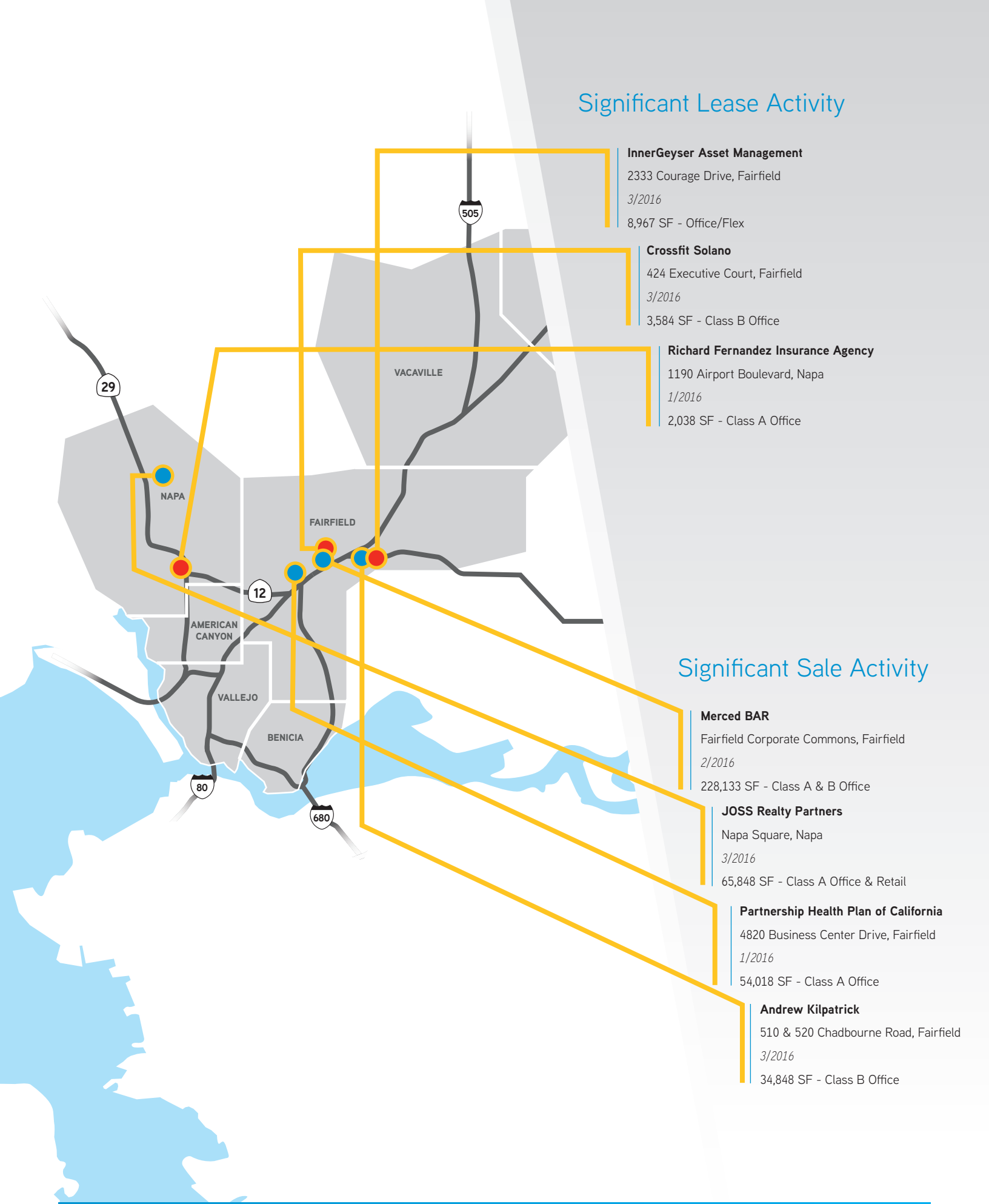
Napa Square, Napa
 3/2016
 65,848 SF - Class A Office & Retail

Partnership Health Plan of California

4820 Business Center Drive, Fairfield
 1/2016
 54,018 SF - Class A Office

Andrew Kilpatrick

510 & 520 Chadbourne Road, Fairfield
 3/2016
 34,848 SF - Class B Office



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
BENICIA														
A	1	30,000	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$-
B	6	85,403	400	0.5%	-	0.0%	400	0.5%	0.0%	(400)	(400)	-	-	\$-
Total	7	115,403	400	0.3%	-	0.0%	400	0.3%	0.0%	(400)	(400)	-	-	\$-
FAIRFIELD														
A	25	917,921	159,939	17.4%	-	0.0%	159,939	17.4%	18.3%	8,052	8,052	-	-	\$2.31
B	28	636,604	124,626	19.6%	-	0.0%	124,626	19.6%	21.1%	9,399	9,399	-	-	\$1.72
Flex	10	487,419	165,913	34.0%	-	0.0%	165,913	34.0%	34.0%	-	-	-	-	\$1.35
Total	63	2,041,944	450,478	22.1%	-	0.0%	450,478	22.1%	22.9%	17,451	17,451	-	-	\$1.79
NAPA														
A	15	609,376	50,541	8.3%	-	0.0%	50,541	8.3%	8.3%	(145)	(145)	-	-	\$2.13
B	29	613,692	28,935	4.7%	-	0.0%	28,935	4.7%	6.7%	12,130	12,130	-	-	\$2.02
Flex	16	470,822	77,996	16.6%	-	0.0%	77,996	16.6%	18.8%	10,612	10,612	-	-	\$1.40
Total	60	1,693,890	157,472	9.3%	-	0.0%	157,472	9.3%	10.6%	22,597	22,597	-	-	\$1.75
VACAVILLE														
A	9	335,636	71,956	21.4%	-	0.0%	71,956	21.4%	20.2%	(4,240)	(4,240)	-	-	\$1.82
B	12	205,986	27,595	13.4%	-	0.0%	27,595	13.4%	13.0%	(773)	(773)	-	-	\$1.70
Flex	1	52,491	19,552	37.2%	-	0.0%	19,552	37.2%	40.5%	1,730	1,730	-	-	\$1.10
Total	22	594,113	119,103	20.0%	-	0.0%	119,103	20.0%	19.5%	(3,283)	(3,283)	-	-	\$1.67
VALLEJO														
A	2	70,286	13,144	18.7%	-	0.0%	13,144	18.7%	18.7%	-	-	-	-	\$-
B	7	244,085	23,005	9.4%	-	0.0%	23,005	9.4%	9.4%	-	-	-	-	\$1.36
Flex	9	296,304	117,780	39.7%	-	0.0%	117,780	39.7%	39.7%	-	-	-	-	\$0.95
Total	18	610,675	153,929	25.2%	-	0.0%	153,929	25.2%	25.2%	-	-	-	-	\$0.93
MARKET TOTAL														
A	52	1,963,219	295,580	15.1%	-	0.0%	295,580	15.1%	15.2%	3,667	3,667	-	-	\$2.15
B	82	1,785,770	204,561	11.5%	-	0.0%	204,561	11.5%	12.6%	20,356	20,356	-	-	\$1.72
Flex	36	1,307,036	381,241	29.2%	-	0.0%	381,241	29.2%	30.1%	12,342	12,342	-	-	\$1.22
Market Total	170	5,056,025	881,382	17.4%	-	0.0%	881,382	17.4%	18.2%	36,365	36,365	-	-	\$1.65
QUARTERLY COMPARISON AND TOTALS														
Q1-16	170	5,056,025	881,382	17.4%	-	0.0%	881,382	17.4%	18.2%	36,365	36,365	-	-	\$1.65
Q4-15	170	5,056,025	917,747	18.2%	-	0.0%	917,747	18.2%	18.7%	30,217	106,032	-	-	\$1.65
Q3-15	170	5,056,025	947,964	18.7%	-	0.0%	947,964	18.7%	19.5%	36,560	75,815	-	-	\$1.64
Q2-15	170	5,056,025	984,524	19.5%	-	0.0%	984,524	19.5%	19.9%	21,341	39,255	-	-	\$1.67
Q1-15	170	5,056,025	1,005,865	19.9%	-	0.0%	1,005,865	19.9%	20.2%	17,914	17,914	-	-	\$1.65

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability.

As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

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554 offices in
66 countries on
6 continents

Asia: **39**
ANZ: **192**
Canada: **34**
EMEA: **112**
Latin America: **24**
United States: **153**

\$2.5

billion in
annual revenue

2

billion square feet
under management

16,000

professionals
and staff