

Report: Solano-Napa commercial vacancy falls fastest in years

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FAIRFIELD — The proportion of industrial space in Solano and southern Napa counties waiting to be leased fell in the second quarter at the fastest rate in several years, according to a new report.

The vacancy rate for the 4.05 million square feet of industrial space tracked in the two counties declined to 8.7 percent, according to Colliers International's Fairfield office, which also covers Contra Costa County. The second-quarter rate is 1.7 percentage points below rate for the first quarter and 3.4 percentage points below the rate in mid-2012.

A vacancy rate below 10 percent generally is considered to an indicator of a market with demand balanced with supply.

"The market continues to tighten, and vacancy is dropping," said Phil Garrett, managing partner of Colliers's Fairfield office. "Land and development are coming back into focus as result of the continued lack of inventory."

A key example of that demand and development is Buzz Oates Development's two-building, 791,000-square-foot Solano Logistics Center project on Cordelia Road in Fairfield. Construction started in May on the on the \$16 million first building, a 318,400-square-foot warehouse, and it is set to be completed by year-end.

Wine bottle supplier Encore Glass of Benicia in June signed a lease for the entire building and plans to consolidate its warehouses and offices in Fairfield. Started in 1975, the company now has 60 full-time employees.

The second Solano Logistics Center building, a \$24 million warehouse with 473,000 square feet, is set to come out of the ground this year.

Growth in the wine industry also is the leading driver for the continued low vacancy rate in Napa County, according to Colliers. The vacancy rate for industrial space was just 5.2 percent in the second quarter, but a lack of available space slowing deal-making in the first half of this year, according to the brokerage.

The office market in Solano and Napa counties has plateaued for several years, though activity in some submarkets helped with the biggest quarterly improvement in as much time, according to Colliers.

The overall vacancy rate for office space in the second quarter was 24.2 percent of 4.88 million square feet. That's down 1.3 percentage points from 25.5 percent in the first quarter but back to the same level as a year before.

Napa County's office vacancy rate declined to 5.3 percent of 1.62 million square feet in May from 6.0 percent in April and 7.5 percent the previous May, led by leasing to tourism- and wine-related companies.

"Are we experiencing the first steps of a recovery in the office market?" writes Robert Gerard, Fairfield office research director, in the report. "There are signs of this in the second quarter, including the greatest vacancy rate decline in several years, but one strong quarter does not constitute a recovery."

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