



KEEGAN & COPPIN COMPANY, INC.

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2008 NAPA COUNTY MARKET OVERVIEW

Building on momentum from last year, the 2008 outlook for Napa County remains positive. With relatively low vacancy rates and increased interest in the downtown area, limited available land for building in the business parks and continued demand by businesses to locate in the area, developers continue to build.

For example, the new Montalcino Resort project just north of the Gateway Business Park is due to begin this spring. Work is almost complete on the new Napa Junction mixed use development and super Wal-Mart store in American Canyon and plans are being made for Phase III. Panattoni Development Company is finishing construction on the second of two 150,000 square foot industrial buildings near the airport and planning to start Napa Airport Centre, a 50 acre business park with up to 750,000 square feet of buildings. Construction is also underway for Napa Valley Gateway Plaza, a 100 room business hotel with 77,000 square feet of retail and restaurants with 45,000 square feet of office space. Also under construction are Strasvinsky Developments 307,000 and 411,000 square feet warehouses in American Canyon. Additional industrial projects planned for 2008 include Headwater Development/RREEF's 218 acre business park north of American Canyon with up to 2 million square feet of warehouse space and Scannell Properties 650,000 square foot wine warehouse in the Green Island industrial area north of American Canyon.

While the wine industry continues to dominate the Napa market, new businesses moving into the South County area over the last few years have included pharmaceutical, biotech and software firms. With an industrial base of over 11.3 million square feet, vacancy rates are currently around 6 %. Fully improved industrial land ranges from \$6.00 per square foot in the American Canyon area to \$9.00 - \$12.00 per square foot in the Business Parks north of Green Island Road. Asking rates for leased warehouse space are in the \$0.50 to \$0.60 per square foot NNN range with rents for light industrial space in the \$0.65 to \$0.85 per square foot range.

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Ranging from newer Class “A” office space in the Business Parks to older smaller buildings in the downtown areas, there is approximately 2.3 million square feet of office space in Napa and the South County area. With vacancy in the 11% range, asking rental rates for office space in the Business Park areas range from \$1.60 to \$2.25 per square foot for Class “A” space to \$1.25 to \$1.45 per square foot NNN for Class “B” office buildings.

After several years of inactivity and prompted in large part by the Napa River Flood Control project and the new American Center for Wine, Food and the Arts (COPIA) building, downtown Napa has experienced a renaissance of its own. The downtown core is being revitalized with mixed use development with an estimated one million square feet of new construction planned for the next decade. Having added more than 70,000 square feet of retail space over the last five years, the downtown retail vacancy rate is below 5%, with both retail and office space rents in the \$2.25 to \$3.25 NNN per square foot range.

Current projects in the downtown area include the 40,000 square foot Oxbow Public Market located next to COPIA; the Westin Verasa, a 160 room condo-hotel owned by Intrawest; the Riverfront, a mixed use project which includes 30,000 square feet of office space, 44,000 square feet of retail space and 50 residential units; The Zeller Building, a 12,000 two-story square foot retail office building; The Inn at Town Square, a five story, 142 room hotel and Napa Square, a 60,000 square foot office building.

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