

Monterey County's commercial real estate markets have generally been flat over the last five years, and the slow pace of development is expected to continue in the foreseeable future. There have been some modest improvements in the industrial and hotel markets in recent months, but a significant supply of existing vacancy space, low rents, and a significant sublease market in most commercial markets suggest that the pace of new construction will continue to be slow in the coming years. Demand for new, multi-tenant speculative commercial buildings in particular is not expected for the next five to 10 years.

The existing supply of office space in the market in and around Fort Ord is likely to accommodate most of the increased demand associated with knowledge-based employment growth for the coming decade. As discussed in Chapter III, Monterey County has lost employment in traditional office-based employment sectors (i.e., information, financial services, and professional services) since 2000. Longterm employment projections forecast that future job growth in the county will be concentrated in the leisure and hospitality, education and health care, retail, and agriculture industries, which typically do not generate significant demand for office space. Expectations that CSUMB or the University of California Monterey Bay Education, Science, and Technology Center (UC MBEST) would generate demand for new research facilities requiring office or flex/light industrial space have not come to fruition, and the institutions have scaled back their growth projections over time. Given the large amount of vacant office space on the market, any spinoff associated with UC MBEST, CSUMB, or other institutions (such as medical offices associated with the Veteran's Clinic) in the next five to ten years will likely be absorbed by existing buildings. However, if various economic development efforts are successful, this trend could change over the longer term.

While vacancy rates for industrial space have declined in recent years, rents remain too low to support new, speculative industrial development. The only light industrial development that is expected to locate on or near Fort Ord in the next five to ten years will be tied to niche or specialized users with outside funding, such as UC MBEST or the motor sports facility that is planned adjacent to the Ryan Ranch Business Park. Other build-to-suit facilities may be developed in the future, but are difficult to predict based on current growth projections.

Some hotel development may occur on Fort Ord in the near term, reflecting local and regional growth in the tourism industry. As discussed in Chapter III, leisure and hospitality is one of the industries that have driven job growth in Monterey County in recent years. Hotels and other visitorserving accommodations remain a strong and improving sector in the Peninsula economy, and two hotel projects are in the approvals process on the

former Fort Ord. These hotel projects are expected to augment the area's identity as a destination from which to explore the Monterey Peninsula, and will meet an underserved niche for college graduations and events.

While demand for regional-serving retail centers appears to be saturated, it may be possible to attract a small grocery store, restaurants, or other convenience-oriented shops serving the area near CSUMB, East Garrison, and The Dunes. Between The Dunes Retail Center and the Sand City Retail Center, the North Peninsula trade area appears to be saturated with existing supply of regionalserving, big box retail. However, dining and food and beverage establishments on Fort Ord land are under supplied and offer one area for near-term retail growth. The Dunes Phase 2 is targeting the pent-up demand for restaurants, but there may be additional demand for this type of retail space, especially as the number of residents and workers on the base increases over time. Demand for dining and food and beverage uses is likely to be strongest in the area closest to CSUMB, East Garrison, and The Dunes, where there is a critical mass of population and employment and an existing concentration of retail activity.