

Market for Leasing Tasting Rooms

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Leasing Tasting Rooms

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Benefits of Leasing Tasting Rooms

- 1) Higher margins via direct consumer sales.
- 2) Wine Club development platform.
- 3) Tourism & event participation.
- 4) Positive visit experience connect customers and creates loyalty.
- 5) Less expensive than building a winery.

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Types of Locations:

- 1) In-Town Commercial Retail (Sonoma, Healdsburg, Napa, St Helena)
- 2) Wine Trails (Hwy 29; Hwy 12)
- 3) Gateway (Carneros Hwy)
- 4) Discovery Winery (Rural Production Facility)

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Considerations for Commercial Retail Centers:

-  Commercial Retail Zoning with Use Permit.
-  May require Health Department certification.
-  Will require ADA compliance.
-  Rates derived from market comparables.

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■ Sonoma/Napa Commercial Retail Space

- 1) Overall, Sonoma County ended 2009 with an overall commercial retail vacancy of 13.1% which is up 7.8% over year end 2008.*
- 2) Overall, Napa County ended 2009 with an overall commercial retail vacancy of 3.9 % which is down .10% over year end 2008.*

**Source: Terranomics 2009 Retail Report*

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Wine Trail and Gateway:

- 📁🔑 May be Commercial or Ag Zoning.
- 📄🔑 Can be winery w/permit including; sales & events.
- 📄🔑 Permit entitlement affects lease rate.
- 📄🔑 Rates may come from comparables or asset value of property.

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Discovery Winery:

- 📁 Winery needs to have a suitable permit for public sales and tasting.
- 📄 Lease rates negotiated and based on asset-value.
- 📄 Asset value includes: winery site, permit, location & improvements.
- 📄 Asset value usually needs to be abstracted.

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Commercial Center Lease Rates*:

- 📁🔑 City of Sonoma; \$1.75 - \$4.00 psf
- 📁🔑 City of Healdsburg; \$2.00 - \$4.00 psf **
- 📁🔑 City of Napa; \$1.50 - \$3.50 psf
- 📁🔑 City of Santa Rosa; \$1.25 - \$3.00 psf
- 📁🔑 Up-Valley, Napa \$2.00 - \$4.00 psf

* *Rents shown are on a gross basis*

** *Restrictions on stand alone tasting rooms*

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Wine Trail/Gateway/Discovery Locations:

- 📁 Commercial \$1.50 - \$3.00 psf
- 📄🕒 Winery Asset Rate 4 - 8%
- 📄🕒 Asset rate = net income as a percentage of asset value (capitalization) $I/V=R$
- 📄🕒 Asset value needs to be abstracted.

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Market Conditions:

- 📁 Increasing vacancy for commercial retail space.
- 📅 Limited inventory for Wine Trail and Gateway commercial space; Wine Trail availability expected to increase.
- 📅 Limited number of suitable Discovery Winery properties; market expectation toward greater availability.

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Conclusion:

- 📁🔑 Space availability trends are currently favoring lessee.
- 📄🔑 Lease rates likely to soften.
- 📄🔑 Probable greater availability of wine industry production facilities with tasting room sales/events permits.

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A copy of this presentation can be found at:

www.vineyardadvisors.com