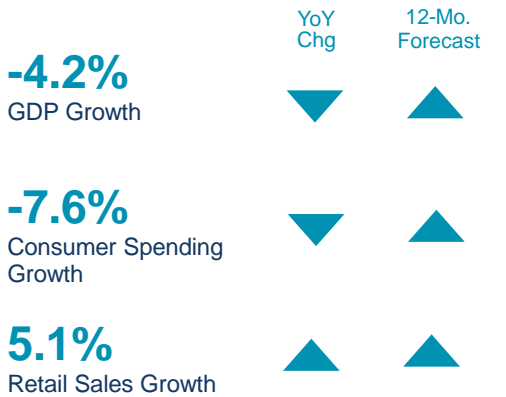


U.S. ECONOMIC INDICATORS Q3 2020



Source: BLS, BOC, Moody's Analytics  
2020Q3 data are based on latest available data.  
Growth rates are year-over-year.

**ECONOMY: Unemployment Rate Hikes**

The unemployment rate in North Bay (Marin, Napa, Sonoma and Solano counties) has improved from 16.1% in the second quarter to 10.3% in the third quarter of 2020. This figure, however, has increased from 2.8% one year ago. Meanwhile, the unemployment rates in San Francisco and San Mateo counties, at the end of the quarter, were 9.1% and 8.1%, respectively. The median household income in the region was up 4.1% year-over-year (YOY) to \$104,500, while population grew 0.3% YOY.

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

**SUPPLY & DEMAND: Vacancy Rate Increases**

Shopping center vacancy throughout the region was recorded at 6.3% in the third quarter of 2020, up 60 basis points (bps) from 5.7% last quarter and 70 bps from 5.6% one year ago. All the counties in the region experienced the increase of vacancy rates due to COVID-19 as well as ragging wildfires in the region. Napa County continued to have the lowest vacancy rate at 2.1%, followed by Marin County at 4.1%, Sonoma County at 5.1% and San Mateo County at 6.5%. Meanwhile, Solano and San Francisco counties recorded high vacancy rates of 7.9% and 15.3%, respectively.

Net absorption totaled negative 204,500 square feet (sf) in the third quarter, bringing the year-to-date (YTD) total to negative 394,900 sf. San Mateo County contributed the most to the downside at negative 131,600 sf.

Not all retail categories have been impacted by coronavirus pandemic in the same way. Categories deemed "essential" generally fared better and were still active in leasing spaces. Some significant lease transactions in the third quarter of 2020 were Grocery Outlet at 75 Bellam Boulevard in San Rafael and Dollar Tree in Stony Point Plaza in Santa Rosa.

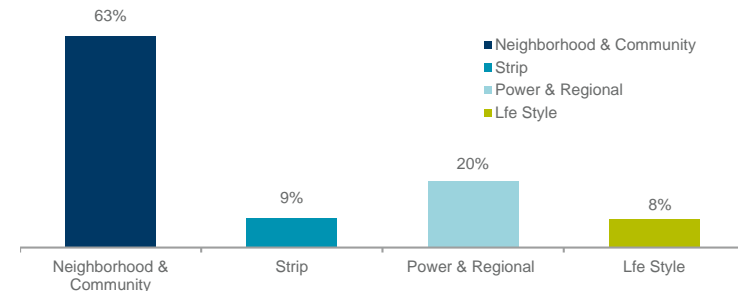
**PRICING: Asking Rents Down**

The average asking rent in the region as of the third quarter of 2020 was \$26.26 per square foot (psf) on an annual triple net basis, down 3.1% YOY from \$27.09 psf. Given the current economic backdrop, we expect rents to continue to decline along with an increase in vacancies, at least for the short term.

**RENT / VACANCY RATE**



**AVAILABILITY BY PRODUCT TYPE**



MARKET STATISTICS

| SUBMARKET                          | INVENTORY (SF)    | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (NNN)* |
|------------------------------------|-------------------|--------------------|--------------------|----------------------|------------------------------------|---------------------------------|------------------|--------------------------------|
| Marin County                       | 5,784,725         | 47,722             | 187,866            | 4.1%                 | 7,443                              | 27,141                          | 0                | \$32.32                        |
| Napa County                        | 2,850,409         | 0                  | 60,944             | 2.1%                 | -841                               | 15,734                          | 0                | \$33.31                        |
| Sonoma County                      | 10,898,913        | 45,484             | 514,950            | 5.1%                 | -31,263                            | -40,421                         | 3,500            | \$18.63                        |
| Solano County                      | 8,025,770         | 20,728             | 616,903            | 7.9%                 | -15,566                            | -54,908                         | 0                | \$17.89                        |
| San Francisco County               | 2,322,940         | 3,998              | 351,469            | 15.3%                | -32,747                            | -58,987                         | 263,640          | \$16.62                        |
| San Mateo County                   | 10,402,318        | 7,635              | 670,014            | 6.5%                 | -131,572                           | -283,417                        | 0                | \$38.84                        |
| <b>SF / NORTH BAY METRO TOTALS</b> | <b>40,285,075</b> | <b>125,567</b>     | <b>2,402,146</b>   | <b>6.3%</b>          | <b>-204,546</b>                    | <b>-394,858</b>                 | <b>267,140</b>   | <b>\$26.26</b>                 |

\*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q3 2020

| PROPERTY                                      | SUBMARKET   | TENANT               | RSF    | TYPE      |
|-----------------------------------------------|-------------|----------------------|--------|-----------|
| 75 Bellam Boulevard                           | San Rafael  | Grocery Outlet       | 19,500 | New Lease |
| 2001-2055 Sebastopol Road (Stony Point Plaza) | Santa Rosa  | Dollar Tree          | 16,100 | New Lease |
| 601-655 Elmira Road (Regency Park Plaza)      | Vacaville   | Shop Heroic          | 15,200 | New Lease |
| 200 Nut Tree Parkway                          | Vacaville   | Cajun Crackin'       | 8,100  | New Lease |
| 270 Miller Avenue                             | Mill Valley | Guidepost Montessori | 4,800  | New Lease |

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2020

| PROPERTY                                 | SUBMARKET     | SELLER / BUYER                                                                 | SF      | PRICE/\$ PSF    |
|------------------------------------------|---------------|--------------------------------------------------------------------------------|---------|-----------------|
| 945 Market Street (6x6)                  | San Francisco | Alexandria JV TMG Partners / Ingka Group                                       | 250,000 | N/A             |
| 312 Soscol Avenue                        | Napa          | Pacific Props Group JV Hutensky Cap Partners / Agree Realty Corp               | 46,500  | \$20.4M / \$439 |
| 107 Peabody Road                         | Vacaville     | Vacaville Social Services Corp; Vacaville Solano Services Corp / Gupta Sandeep | 18,600  | \$3.0M / \$162  |
| 1495 Gateway Boulevard (AAA Auto Repair) | Fairfield     | Seritage Growth Props / Four Corners Property Trust                            | 13,750  | \$5.7M / \$415  |
| 2 W Spain Street (Sonoma Cheese Factory) | Sonoma        | Maria A Viviani / Riley 1994 Trust                                             | 11,400  | \$1.9M / \$166  |

KEY CONSTRUCTION COMPLETIONS YTD 2020

| PROPERTY                                                         | SUBMARKET    | MAJOR TENANT | SF     | OWNER / DEVELOPER              |
|------------------------------------------------------------------|--------------|--------------|--------|--------------------------------|
| 1750 Redwood Highway (RH Gallery at The Village at Corte Madera) | Corte Madera | RH Marin     | 40,000 | The Macerich Company & CalPERS |

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