

YoY Chg 12-Mo. Forecast

5.8%
Vacancy Rate



10K
Net Absorption, SF



\$1.18
Asking Rent, PSF



Overall, Net Asking Rent
*These values are not reflective of the U.S. MarketBeat Tables

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

300.3K
North Bay Employment



5.7%
North Bay Unemployment Rate



6.7%
U.S. Unemployment Rate



Source: BLS

Economic Overview

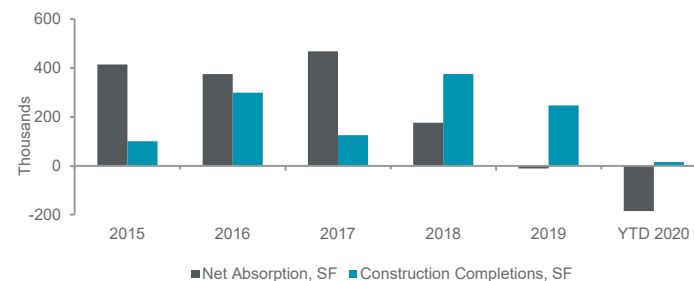
The North Bay, comprised of Marin and Sonoma counties, closed the fourth quarter with an unemployment rate of 5.7%, up 320 basis points (bps) year-over-year (YOY). This translates to a loss of 29,000 non-farm payroll positions. While the unemployment rate has declined from 12.8% at the close of the second quarter, it will take time to return to the scant 2.5% recorded in late 2019. Industrial continues to be a bright spot among commercial property sectors, proving more resilient to the economic effects of COVID-19. This is particularly true in the North Bay, where state and local government have imposed restrictions on retail and mandated work-from-home for most office tenants, while placing fewer restrictions on industrial users. The industrial sector has also benefited from a sustained surge in e-commerce that has driven demand for space in markets adjacent to major metros. These factors combined in the North Bay to hold vacancy level while pushing asking rates to an all-time high.

Vacancy Diverges by County

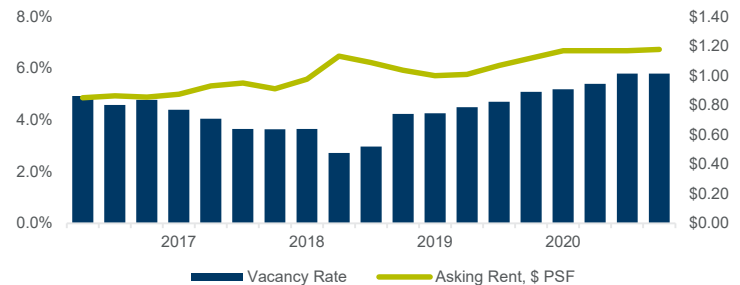
The North Bay industrial market closed the fourth quarter with an overall vacancy rate of 5.8%, unchanged from the previous quarter. The total market recorded 9,631 square feet (sf) of positive net absorption, however this was not evenly distributed between Marin and Sonoma counties. Vacancy in Marin rose 50 basis points (bps) from the third quarter, closing 2020 at 6.2%, the result of 37,246 sf of negative net absorption. As in the previous quarter, this was largely the result of a single new, large-block availability. Marin is primarily a small tenant market with over 70% of availabilities below 5,000 sf, meaning that even a single large space can create a significant swing in vacancy.

Sonoma County saw vacancy decline 20 bps in the fourth quarter, resulting in a vacancy rate of 5.7%. Driving this decline in vacancy was the submarket of Petaluma, which absorbed 66,528 sf. Petaluma experienced strong leasing activity in both the second and third quarters, which translated to a 100-bps decline in vacancy this quarter as those tenants occupied their space. The submarket of Sonoma was also in the black for the fourth quarter, bringing year-to-date net absorption in that market to over 300,000 sf, an 800-bps decline in vacancy. The rest of the market saw modest increases in vacancy, with vacancy in the largest submarket of Santa Rosa ticking up 30 bps, closing the fourth quarter at 4.3%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Rental Rates Rise

The overall asking rent in the North Bay rose \$0.01, finishing the fourth quarter at \$1.18 per square foot (psf) on a monthly triple-net basis. Despite falling \$0.05 psf, Marin County continued to command the higher asking rate, closing the quarter with an overall asking rate of \$1.26 psf. Marin has seen its asking rate steadily decline over the course of the year, the result of several large, aggressively priced availabilities. These spaces are seeking to draw tenants south from Sonoma County, which historically has catered to larger occupiers. As these properties place downward pressure on Marin, Sonoma continues to achieve record rates and the delta in pricing between the two markets is shrinking.

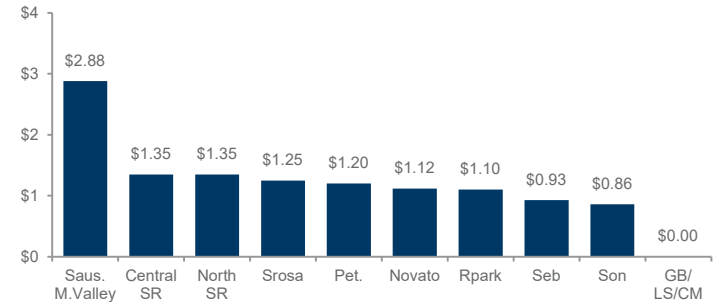
The overall asking rate in Sonoma County held flat at a market high of \$1.12 psf. These recent gains in rent have been almost entirely driven by the submarkets of Petaluma and Santa Rosa. Petaluma continues to benefit from its geography and desirable product, the combination of which have pushed the overall asking rate to a record \$1.20 psf. Santa Rosa has also experienced a natural rise in asking rate but its overall average of \$1.25 psf is partly buoyed by properties seeking cannabis tenants, with asking rates nearly double those of traditional space. These rates are anticipated to hold as spaces continue to transact at or above \$1.15 psf.

The past year saw significant industrial leasing activity across sectors, particularly in Sonoma County. While the rise in e-commerce has made the most headlines, Sonoma's large base of manufacturing tenants proved to be an engine for growth. Leases by Straus Creamery, Almaden Printing, and a fourth quarter expansion by Occidental Leather showcased the strength of the North Bay industrial market. Unlike leasing, industrial sales slowed down dramatically after the first quarter, as investors and owner users alike put purchasing on hold during the early days of COVID-19. However, sales activity regained some momentum at the end of 2020, with the largest sale of the fourth quarter being the \$15.4 million purchase of 9119 Graton by FJM Investments. This 193,040-sf industrial property, designed for wine production, closed in December and signals renewed interest in the North Bay by investors. Amidst strong leasing and rising rents, 2021 is anticipated to bring a resurgence in industrial investment. Access the most recent research on CRE and the state of economy [here](#).

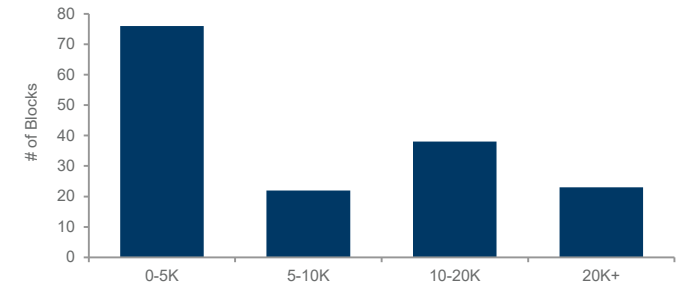
Outlook

- Strong leasing activity this quarter should hold vacancy level going into 2021
- Asking rates will likely hold flat into 2021 as demand keeps them from falling, despite broader economic uncertainty.
- Inventory is expected to increase through 2021, which could place upward pressure on both vacancy and rents

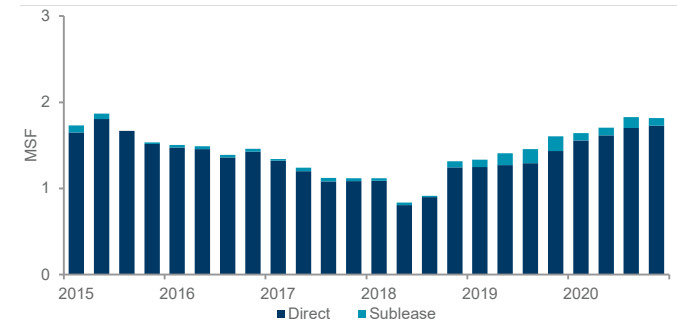
RENT BY MARKET (\$ PSF, NNN)



AVAILABILITIES BY SIZE SEGMENT



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Sausalito/Mill Valley	456,132	10,971	2.4%	-8,082	-10,932	0	0	\$2.88
Greenbrae/CM/Larkspur	297,457	0	0.0%	0	0	0	0	N/A
Central San Rafael	3,218,676	135,864	4.2%	-38,535	-67,536	0	0	\$1.35
North San Rafael	504,864	22,622	4.5%	-1,686	2,217	0	0	\$1.35
Novato	2,108,349	239,886	11.4%	1,289	-39,561	40,080	0	\$1.12
MARIN COUNTY	6,585,478	409,343	6.2%	-37,246	115,851	40,080	0	\$1.26
Petaluma	6,605,149	460,092	7.0%	66,528	-73,839	0	0	\$1.20
Rohnert Park	2,192,928	205,717	9.4%	-6,830	-53,887	69,431	0	\$1.10
Santa Rosa	11,975,406	512,410	4.3%	-30,469	-122,600	140,624	0	\$1.25
Sonoma	2,704,349	73,800	2.7%	28,630	311,458	0	0	\$0.86
Sebastopol/Graton	1,367,460	155,511	11.4%	-10,982	-130,801	0	0	\$0.93
SONOMA COUNTY	24,845,292	1,407,530	5.7%	46,877	-69,669	210,055	0	\$1.12
NORTH BAY TOTALS	31,430,770	1,816,873	5.8%	9,631	-185,520	250,135	0	\$1.18

*Rental rates reflect weighted net asking \$psf/year
 **These values are not reflective of the U.S. Overview

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3500 N. Laughlin Road	Santa Rosa	Occidental Leather	19,175	Expansion
3645 Standish Avenue	Santa Rosa	Baker Distributing Company	13,500	New Lease

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9119 Graton Road	Graton	Purple Wine Company / FJM Investments	193,040	\$15.4M/\$80 PSF
21775 E. 8 th Street	Sonoma	Price Pump Manufacturing / Richard Merlo	27,230	\$5.2M/\$191 PSF

North Bay

Industrial Q4 2020

INDUSTRIAL SUBMARKETS



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