

YoY Chg      12-Mo. Forecast

**5.2%**  
Vacancy Rate



**65K**  
Net Absorption, SF



**\$1.19**  
Asking Rent, PSF



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

### ECONOMIC INDICATORS Q4 2021

YoY Chg      12-Mo. Forecast

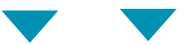
**307.1K**  
North Bay Employment



**4.8%**  
North Bay Unemployment Rate



**4.2%**  
U.S. Unemployment Rate



Source: BLS

### Economic Overview

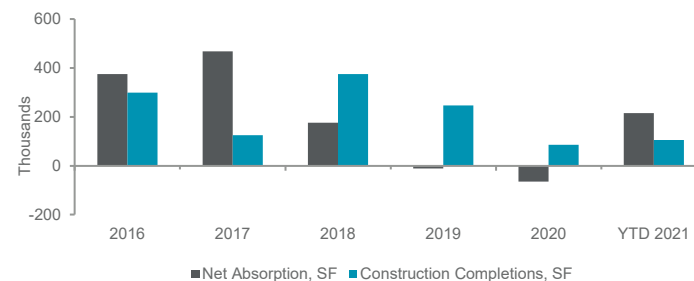
The North Bay, comprised of Marin & Sonoma counties, closed the fourth quarter with an unemployment rate of 4.8%, down 150 basis points (bps) year-over-year (YOY). This translates to an increase of 17,300 non-farm payroll positions. While Marin County successfully qualified to remove its mask mandate, the Omicron variant has led officials to reintroduce it as well as other social distancing policies across the Bay Area. Therefore, as Covid surges at the beginning of 2022, return to office policies are being pushed out. Access the most recent research on CRE and the state of economy [here](#).

### Sonoma County Surpasses 1.0 MSF in Leasing

The North Bay industrial market closed the fourth quarter with an overall vacancy rate of 5.2%, an increase of 50 bps from the third quarter. And even though vacancy climbed, this marks the fifth consecutive quarter of positive net absorption. Total leasing activity for the year totaled over 1.2 million square feet (msf) between Marin and Sonoma counties. Warehousing made up the largest portion of leased space at 785,000 sf— accounting for almost 65% of total industrial leasing in the North Bay. Sublease vacancy, which climbed during the pandemic, has eased YOY thanks to leasing activity as well as term expiring and space leased directly. . Marin County finished the year with an overall vacancy rate of 4.2%. This is a 100-bps drop in vacancy from the third quarter. Overall vacancy dropped below 5.0% for the first time since the beginning of the pandemic; this marks a complete recovery from a vacancy standpoint. Marin County leasing activity totaled to 150,000 sf this year while net absorption rose to 61,515 sf for the quarter, marking positive net absorption for the year.

Sonoma County recorded an overall vacancy of 5.4%, a 20-bps decline YOY. Vacancy has stayed around the 5.0-6.0% level since the end of 2019 and this appears to be the equilibrium in post-pandemic Sonoma County. Total leasing for 2021 barely surpassed the 1.0 msf mark. Santa Rosa accounts for 48% of Sonoma County’s inventory and it recorded 76,050 sf of positive net absorption in the fourth quarter. Sonoma County saw large leases at 3810 Cypress Dr. in Petaluma for 35,000 sf and at 655 Park Ct. in Rohnert Park for 20,000 sf as well as the delivery of a vacant 144,000-sf warehouse project at Billa Landing in Santa Rosa.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## Warehouse Asking Rents Push Higher

The overall asking rent in the North Bay rose \$0.03, finishing the fourth quarter at \$1.19 per square foot (psf) on a monthly triple-net basis. YOY, the overall average asking rent in the North Bay saw no change. Warehousing, the majority of North Bay industrial property, has recorded a \$0.10 psf rise in the average asking rent over the past year. Pairing this with the fact that vacancy has stayed flat for warehouse product in the North Bay, it appears that landlords are comfortable with posting higher asking rents in a pandemic economy where industrial valuations have already augmented considerably.

Marin County posted a fourth quarter overall asking rent of \$1.40 psf, a YOY increase from \$1.35 psf. Marin county makes up about one-quarter of the North Bay industrial inventory and it has seen a steady reduction of vacancy since 2019 and this quarter it reached pre-pandemic vacancy levels. The low vacancy and rising rents indicate that as Marin industrial tenants vacate, landlords feel confident in posting higher asking rates for their space.

Sonoma County overall average asking rent fell several pennies in the third quarter then popped back up to \$1.14 psf in the fourth quarter for no YOY change. Santa Rosa and Petaluma, Sonoma County's two key submarkets, saw mixed changes in overall average asking rent. Petaluma recorded a 34% increase in availability by square-footage in the fourth quarter with a major availability hitting the market at 2250 S McDowell Blvd for 136,867 sf at an above-market asking rate. Santa Rosa has seen low vacancy and diminishing average asking rents which indicate that as industrial product is leased up, higher quality facilities with higher rents are disappearing from the market and leaving lower quality product with lower asking rents.

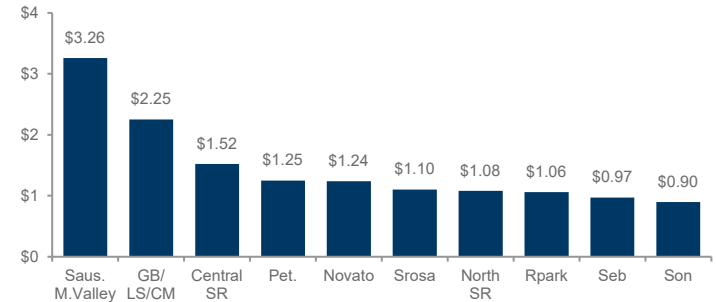
## Sales \$PSF Rises

A considerable sale occurred in Santa Rosa where 1264 Apollo Way sold was sold by Jamie Smitha and Elaine Wong to The Waldman Group for \$23 million or \$226 psf. The average sales price for industrial product in the North Bay is currently \$265 psf -- \$20 psf higher than a year ago which makes for almost a 10% increase in price YOY. The 12-month sales volume is up from \$112 million in 2020 to \$196 million in 2021. This coupled with falling vacancy in key markets points towards a high-temperature seller's market.

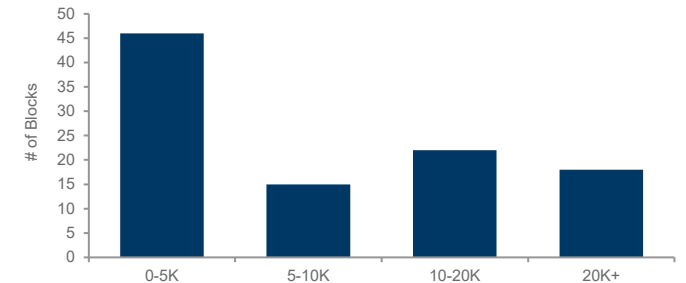
## Outlook

- Leasing activity will remain strong and could likely increase. Vacancy rates have room to push lower with almost 1 million sf of available warehouse product available today in the North Bay.
- In the near-term rents could fall due to less prime space on the market; longer-term a new construction delivers, pricing could climb again.
- The sales market is expected to remain hot as new product hits the market and vacancies fall in key submarkets.

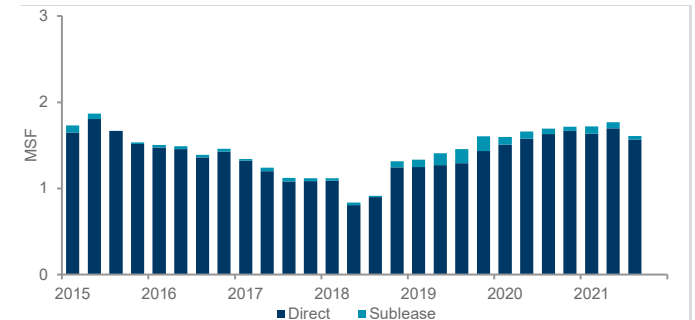
RENT BY MARKET (\$ PSF, NNN)



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	422,880	12,050	2.8%	0	-1,079	0	0	\$3.26
Greenbrae/CM/Larkspur	292,133	16,865	5.8%	-16,865	-16,865	0	0	\$2.25
Central San Rafael	3,218,676	21,444	0.7%	61,127	75,215	0	0	\$1.52
North San Rafael	504,864	11,431	2.3%	0	11,431	0	0	\$1.08
Novato	2,084,199	214,341	10.3%	-2,120	-7,695	0	0	\$1.24
<b>MARIN COUNTY</b>	<b>6,522,752</b>	<b>276,131</b>	<b>4.2%</b>	<b>61,515</b>	<b>-60,767</b>	<b>0</b>	<b>0</b>	<b>\$1.40</b>
Petaluma	6,663,914	472,979	7.1%	-122,271	-21,437	0	0	\$1.25
Rohnert Park	2,261,497	101,758	4.5%	50,276	173,509	0	0	\$1.06
Santa Rosa	11,878,338	547,986	4.6%	76,050	91,503	0	144,000	\$1.10
Sonoma	2,707,516	67,800	2.5%	1,625	37,000	0	0	\$0.90
Sebastopol/Graton	1,096,124	142,410	13%	407	18,217	0	0	\$0.97
<b>SONOMA COUNTY</b>	<b>24,607,389</b>	<b>1,332,933</b>	<b>5.4%</b>	<b>4,462</b>	<b>298,792</b>	<b>0</b>	<b>144,000</b>	<b>\$1.14</b>
<b>NORTH BAY TOTALS</b>	<b>31,130,141</b>	<b>1,609,064</b>	<b>5.2%</b>	<b>65,977</b>	<b>359,559</b>	<b>0</b>	<b>144,000</b>	<b>\$1.19</b>

\*Rental rates reflect weighted net asking \$psf/year

\*\*These values are not reflective of the U.S. Overview

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2064 Gravenstein Hwy, N.	Sebastopol/Graton	California ACE Cider	45,349	Renewal
3810 Cypress Dr	Petaluma	Kurtz Family Corporation	35,576	New Lease
655 Park Ct	Rohnert Park	Sonoma Distilling	19,950	New Lease

## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1264 Apollo Way	Santa Rosa	Jamie Smith & Elaine Wong / Waldman Management Group	101,467	\$23M/\$226
1320 Commerce St	Petaluma	G&S Ventures / Josh Taylor & Ethan Turner	14,424	\$3.03M/\$209

# North Bay

Industrial Q4 2021

## INDUSTRIAL SUBMARKETS



### Anson Call

Research Analyst

Tel: +1 415 526 0754

[Anson.Call@cushwake.com](mailto:Anson.Call@cushwake.com)

### Robert Sammons

Senior Director

Tel: +1 415 773 3514

[Robert.Sammons@cushwake.com](mailto:Robert.Sammons@cushwake.com)

### CUSHMAN & WAKEFIELD

900 Larkspur Landing Circle

Suite 295

Larkspur, CA 94939

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