

YoY Chg      12-Mo. Forecast

**5.0%**  
Vacancy Rate



**-236K**  
Net Absorption, SF



**\$1.16**  
Asking Rent, PSF

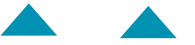


*Overall, Net Asking Rent  
\*These values are not reflective of the U.S. MarketBeat Tables*

## ECONOMIC INDICATORS Q2 2022

YoY Chg      12-Mo. Forecast

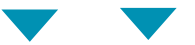
**309.2K**  
North Bay Employment



**2.9%**  
North Bay Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Source: BLS

## Economic Overview

The North Bay, comprised of Marin & Sonoma counties, closed the second quarter with an unemployment rate of 2.9%, down 260 basis points (bps) year-over-year (YOY). This translates to an increase of 10,000 non-farm payroll positions. While a rise in COVID-19 cases late in 2021 threatened the momentum of California's recovery, the first half of 2022 has seen conditions improve substantially. In the North Bay, mask and social distancing mandates were dropped and many employers began planning for a return to work. While these measures had weighed on office occupancy, industrial property markets continued to showcase their resiliency to the economic effects of COVID-19. As health concerns begin to fade, 2022 will be a telling year for how the pandemic altered work patterns in more permanent ways.

## Vacancy Jumps

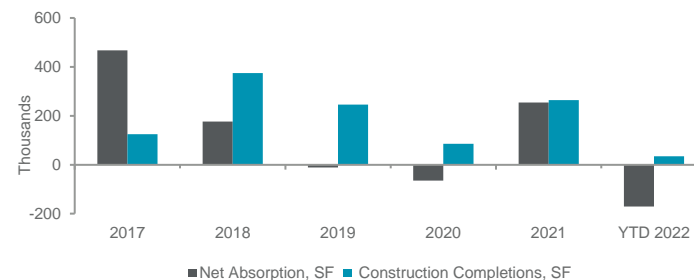
The North Bay industrial market closed the second quarter with an overall vacancy rate of 5.0%, up 70 bps from the prior quarter and down 50 bps from the same period in 2021. Vacancy in Marin County was 4.1%, up 10 bps from the first quarter and down 100 bps YOY. The number of availabilities in Marin has declined by 50% in the past year, as tenants have competed for limited inventory. The majority of the vacancy in the county is located in a single availability of over 144,000 square feet (sf) at 8171 Redwood Boulevard in Novato.

In Sonoma County, vacancy closed the second quarter at 5.3%, an increase of 100 bps from the prior quarter. This bump translated to 232,877 sf of negative net absorption. Net absorption was negative in every submarket except Sonoma and was mostly driven by new availabilities in Petaluma and Santa Rosa. Petaluma, one of the region's most active markets, recorded its highest vacancy since 2017 with notable spaces entering the market at 2240 South McDowell, 2220 Pine View, and 3900 Cypress. Santa Rosa saw the highest level of negative quarterly absorption with notable new availabilities at 3660 Copperhill, 3005 Wiljan, 1580 Hampton, and 8 West 9<sup>th</sup>.

## Rates Hold While Leasing Lags

The overall asking rate in the North Bay inched up \$0.01 from the first quarter, finishing the second quarter at \$1.16 per square foot (psf) on a monthly triple-net basis. In Marin, the asking rate remained stable at \$1.36 psf, which is \$0.24 higher than the asking rate in Sonoma County.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



The overall asking rate in Sonoma County increased \$0.03 from the first quarter to \$1.12 psf, down just \$0.06 from the market high of \$1.18 psf recorded in the first quarter of 2021. This decline is not due to any softening of rents, but rather, vacancy has been consistently declining in the region's best product. Petaluma continued to command the highest rates, with a second quarter asking rate of \$1.20 psf. As the southernmost submarket in Sonoma County, Petaluma provides the easiest access to the surrounding metros and labor pools, while still offering larger blocks of space than Marin County.

Leasing activity slowed significantly in the second quarter, as the quarterly leasing total was 67.4% lower than the average of the previous four quarters. Marin County saw virtually no leasing during the quarter which can partially be attributed to the lack of inventory. Sonoma County saw an uncharacteristically low volume of quarterly leasing as well, with the largest deal being a 43,000-sf lease at 930 Shiloh Road in Windsor. Sales activity was healthy with numerous transactions occurring over 10,000 sf. The largest sale of the quarter was 1740 Copperhill Parkway in Santa Rosa, a 70,312-sf warehouse that sold for \$259 psf. Also of note was the sale of 830 Denbeste Court, a 63,000-sf warehouse in Windsor, for \$240 psf as well as Pacific Gas and Electric Company's purchase of the 48,725-sf warehouse at 3580 Westwind Boulevard in Santa Rosa for \$291 psf.

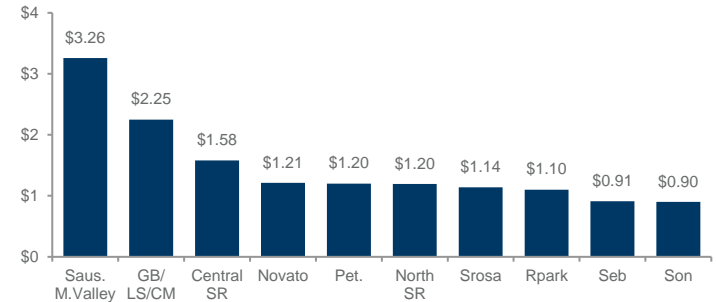
### Market Looks to Grow

No new construction was delivered in the second quarter but the pipeline for upcoming projects is growing. Strong rental growth and limited vacancy have created a favorable environment to develop, and the scarcity of developable land ensures that the market is unlikely to become overbuilt. Major developers like Dermody Properties and Panattoni Development have entered the market in recent years and are preparing to break ground on new construction as they hope to capitalize on the region's strong fundamentals.

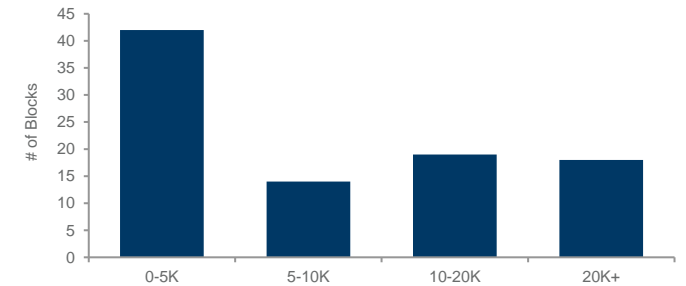
### Outlook

- Leasing activity will likely increase through 2022 with room for vacancy rates to push lower, over 1.5 million sf of available industrial product was available in the North Bay
- In the near-term, rents could fall due to less prime space on the market; longer-term as new construction delivers; pricing could climb again
- The sales market is expected to remain active as new product hits the market and vacancies fall in key submarkets

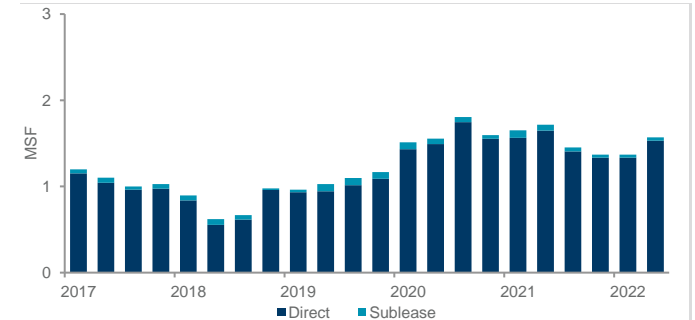
RENT BY MARKET (\$ PSF, NNN)



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	12,628	3.0%	-578	-578	0	0	\$3.26
Greenbrae/CM/Larkspur	292,133	0	0.0%	0	16,865	0	0	\$2.25
Central San Rafael	3,217,376	35,566	1.1%	-10,800	-17,652	0	0	\$1.39
North San Rafael	504,864	2,876	0.6%	8,555	8,555	0	0	\$1.30
Novato	2,084,199	214,341	10.3%	0	0	0	0	\$1.24
<b>MARIN COUNTY</b>	<b>6,521,452</b>	<b>265,411</b>	<b>4.1%</b>	<b>-2,823</b>	<b>7,190</b>	<b>0</b>	<b>0</b>	<b>\$1.36</b>
Petaluma	6,791,278	418,883	6.2%	-60,388	-46,645	0	0	\$1.20
Rohnert Park	2,288,295	249,369	10.9%	-57,934	-143,631	0	0	\$1.10
Santa Rosa	11,844,703	458,663	3.9%	-105,366	-19,677	0	0	\$1.14
Sonoma	2,707,516	67,800	2.5%	0	0	0	0	\$0.90
Sebastopol/Graton	1,029,097	110,117	10.7%	-9,189	32,293	0	0	\$0.91
<b>SONOMA COUNTY</b>	<b>24,660,889</b>	<b>1,304,832</b>	<b>5.3%</b>	<b>-232,877</b>	<b>-177,660</b>	<b>0</b>	<b>0</b>	<b>\$1.12</b>
<b>NORTH BAY TOTALS</b>	<b>31,182,341</b>	<b>1,570,243</b>	<b>5.0%</b>	<b>-235,700</b>	<b>-170,470</b>	<b>0</b>	<b>0</b>	<b>\$1.16</b>

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

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

## KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	RSF	TYPE
930 Shiloh Road	Santa Rosa	43,000	New Lease
3043 Wiljan Court	Santa Rosa	19,617	New Lease
30 Mill Street	Santa Rosa	17,600	New Lease

## KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1740 Copperhill Parkway	Santa Rosa	Billa Enterprises LLC / F Korbel & Bros	70,312	\$18.2M / \$259
830 Denbeste Court	Santa Rosa	Lori & William Denbeste / Sonoma County Vintners Co-Op	63,000	\$15.1M / \$240
3580 Westwind Boulevard	Santa Rosa	Calico Hardwoods Inc / Pacific Gas and Electric Company	48,725	\$14.2M / \$291

# North Bay

Industrial Q2 2022



## INDUSTRIAL SUBMARKETS



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