

YoY Chg 12-Mo. Forecast

5.8%

Vacancy Rate



-54K

Net Absorption, SF



\$1.11

Asking Rent, PSF



Overall, Net Asking Rent

*These values are not reflective of the U.S. MarketBeat Tables

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

310.9K

North Bay Employment



2.5%

North Bay Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

2022Q4 data are based on the latest available data

Economic Overview

The North Bay, comprised of Marin & Sonoma counties, closed the fourth quarter with an unemployment rate of 2.5%, down 160 basis points (bps) year-over-year (YOY). This translates to an increase of 5,500 non-farm payroll positions. Hybrid and remote working practices have been established as the new normal. Return-to-office (RTO) mandates along with a renewed enthusiasm for in-person working have pushed the market into a moderate recovery, post-pandemic. Venture capital (VC) funding to North Bay-based companies tumbled 82.5% quarter-over-quarter to approximately \$35 million with the deal count matched at 13 over the same period. Annual funding increased 24.3% YOY to approximately \$681.8 million with deal count up to 76 from 73. The largest VC deal occurred in the third quarter by energy company Moxion Power at \$100 million.

Vacancy Ticks Up

The North Bay industrial market closed the fourth quarter with an overall vacancy rate of 5.8%, up 20 bps from the prior quarter and up 140 bps from the same period in 2021. Vacancy in Marin County was 3.9%, remained flat from the third quarter and down 20 bps YOY. The number of availabilities in Marin have minimally decreased YOY as tenants continue to compete for limited inventory.

In Sonoma County, the overall vacancy rate closed the fourth quarter at 6.3%, an increase of 20 bps from the prior quarter and 190 bps YOY. This bump translated to 56,620 sf of negative net absorption, largest markets Petaluma and Santa Rosa had 4,114 sf and 18,451 sf of negative absorption, respectively. The rise in vacancy in Sonoma can mostly be attributed to a single large block at Victory Station; built in 2018 and leased to a prominent e-commerce company, the space was placed back on the market in the third quarter as the tenant struggled to obtain the necessary use permits from the county.

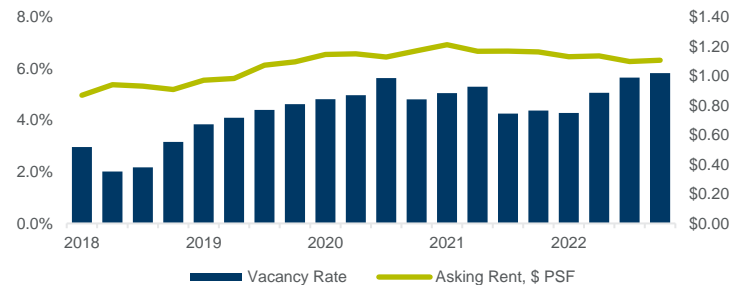
Rates Hold While Leasing Improves

The overall asking rate in the North Bay inched up \$0.01 from the third quarter, finishing the fourth quarter at \$1.11 per square foot (psf) on a monthly triple-net basis. In Marin, the asking rate was at \$1.31 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 \$0.01 from the third quarter to \$1.07 psf, down just \$0.10 from the market high of \$1.17 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 fourth quarter asking rate of \$1.26 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 picked up in the fourth quarter at 169,000 sf, thanks to a handful of medium leases. This brings year-to-date (YTD) total to 714,000 sf, which is 52.5% behind last year's total. Marin County saw virtually no leasing during the quarter which can partially be attributed to the lack of inventory. Sonoma County was on top at 165,000 sf of new leases in the fourth quarter, with the largest deal being a 49,500 sf lease at 3830 Cypress Dr in Petaluma. Sales activity was healthy with numerous transactions occurring over 10,000 sf. The largest sale of the quarter was 2249 S. Mcdowell in Petaluma, a 109,993 sf warehouse that sold for \$227 psf. Brennan Investment Group acquired 790 Shiloh for \$299 psf with plans to demolish and construct a three-property industrial park totaling approximately 476,273 sf.

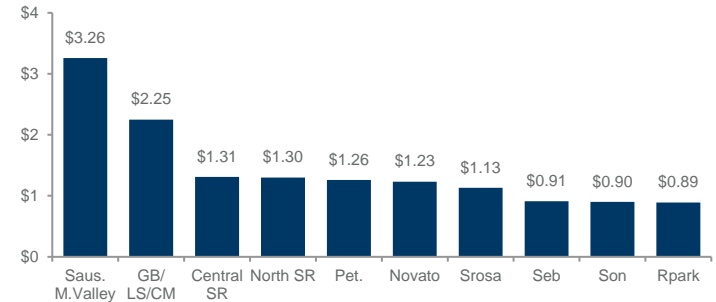
Market Looks to Grow

No new construction was delivered in the fourth 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.

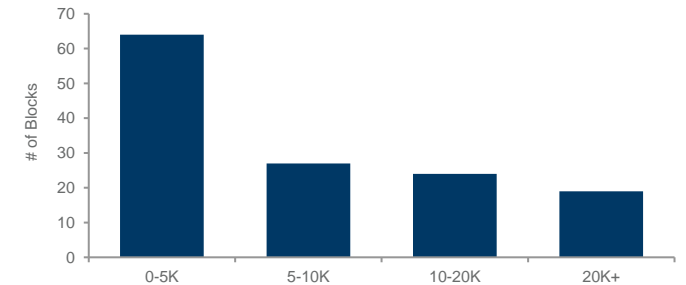
Outlook

- Leasing activity will likely increase in 2023 with room for vacancy rates to push lower. Over 1.8 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

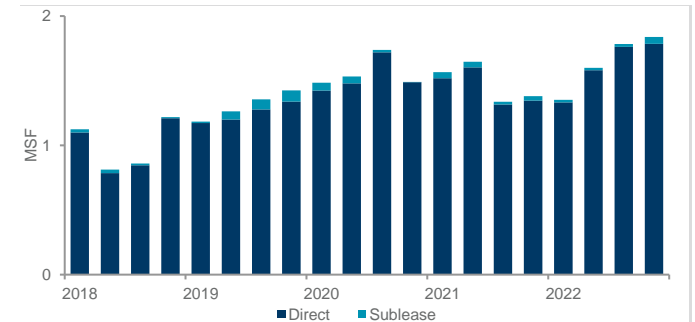
RENT BY MARKET (\$ PSF, NNN)



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	8,876	2.1%	2,374	3,174	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	24,701	0.8%	0	-6,787	0	0	\$1.31
North San Rafael	504,864	2,876	0.6%	0	8,555	0	0	\$1.30
Novato	2,084,199	215,034	10.3%	0	-4,323	40,080	0	\$1.23
MARIN COUNTY	6,521,452	251,487	3.9%	2,374	17,484	0	0	\$1.31
Petaluma	6,769,332	305,153	4.5%	-4,114	-18,304	0	0	\$1.28
Rohnert Park	2,287,332	274,253	12.0%	-28,973	-168,515	0	0	\$0.89
Santa Rosa	12,064,256	610,912	5.1%	-18,451	-27,926	0	0	\$1.16
Sonoma	2,642,545	278,704	10.5%	0	-249,904	0	0	\$0.90
Sebastopol/Graton	1,326,106	118,334	8.9%	-5,082	24,076	0	0	\$0.93
SONOMA COUNTY	25,089,571	1,587,356	6.3%	-56,620	-440,573	0	0	\$1.07
NORTH BAY TOTALS	31,611,023	1,838,843	5.8%	-54,246	-423,089	40,080	0	\$1.11

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

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3830 Cypress Dr	Petaluma	Robb & Messer Moving and Storage	49,500	New Lease
6005 Gravenstein	Rohnert Park	Auric Blends	17,400	New Lease
480 Gate Five Rd	Sausalito	She Got Wings	2,374	New Lease

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2249 S McDowell Blvd	Petaluma	Scannell Properties / DRA Advisors	109,993	\$25,000,000 / \$227
790 Shiloh Rd	Santa Rosa	Standard Industrial East, LLC / Brennan Investment Group	46,020	\$13,750,000 / \$299
45 Leveroni Ct	Novato	Alan Cornwell / BioMarin Pharmaceutical, Inc.	29,658	\$8,126,000 / \$274

North Bay

Industrial Q4 2022

INDUSTRIAL SUBMARKETS



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