

	YoY Chg	12-Mo. Forecast
<b>7.3%</b> Vacancy Rate	▲	▲
<b>-193K</b> Net Absorption, SF	▼	▼
<b>\$1.21</b> Asking Rent, PSF	▲	▲

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

### ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
<b>322.3K</b> North Bay Employment	▼	▲
<b>4.2%</b> North Bay Unemployment Rate	▲	▼
<b>3.8%</b> U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics  
2024 Q1 data are based on the latest available data

### Economy: Job Count Rises

The North Bay, comprising the two counties of Marin and Sonoma, ended the first quarter of 2024 with an unemployment rate of 4.2%, up from 3.2% one year ago. Employment growth still recorded an increase of 6,200 nonfarm positions, bringing the total to 322,300 by the close of the quarter. Venture capital (VC) funding to start-ups headquartered in the North Bay in the first quarter was \$132.8 million (M), down 3.0% from the fourth quarter of 2023. There were 12 deals, down from 20 in the fourth quarter. The largest deal of the quarter was to San Rafael-based Overmoon (vacation home rentals) in an early-stage round of \$80.0M, followed by Mill Valley-based NewRetirement (retirement planning platform) in a late-stage round of \$20.8M.

### Vacancy Ticks Up

The North Bay industrial market closed the first quarter with an overall vacancy rate of 7.3%, up 80 basis points (bps) quarter-over-quarter (QOQ) and up 150 bps year-over-year (YOY). Vacancy in Marin County was 2.9%, increasing 30 bps from the fourth quarter and up 120 bps YOY. The number of availabilities in Marin County have increased 11.0% QOQ and 39.0% YOY. This increase comprises five spaces over 10,000 square feet (sf) and 27 spaces under 10,000 sf. Central San Rafael, centrally located to the main highways and bridges, has the most space in Marin County at 117,444 sf, offering a mix of sizes.

In Sonoma County, the overall vacancy rate closed the first quarter at 8.5%, up 100 bps from the prior quarter and up 160 bps YOY. This bump translated to 173,248 sf of negative net absorption, with the largest markets, Santa Rosa and Petaluma, having 61,457 sf of positive absorption and 190,386 sf of negative absorption, respectively. The secondary markets of Sonoma and Rohnert Park experienced 2,925 sf and 36,868 sf of negative absorption, respectively.

### Rates And Leasing Activity Improves

The overall asking rate in the North Bay increased \$0.09 from the fourth quarter, finishing the first quarter at \$1.21 per square foot (psf) on a monthly triple-net basis. In Marin, the asking rate was at \$1.48 psf, which is \$0.29 higher than the asking rate in Sonoma County at \$1.19 psf.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



The overall asking rate in Sonoma County increased \$0.10 from the fourth quarter to \$1.19 psf. New construction and quality large blocks of space were the main contributors to the increase in average rent. Rohnert Park commanded the highest asking rate at \$1.25 psf while Sebastopol/Graton offered the most affordable asking rate at \$0.87 psf. Petaluma, the southernmost submarket in Sonoma County and generally offering larger blocks of space than Marin County, closed the quarter at \$1.20 psf.

New leasing in the first quarter for the North Bay totaled 120,891 sf, compared to 337,475 sf in the fourth quarter of 2023. All the deals were well under 35,000 sf, which is lower than the previous quarter. Sonoma County captured nearly all new leasing, with the largest deal being a 33,803-sf lease at 3000 Dutton Ave in Santa Rosa and a 26,332-sf new lease at 201 Business Park Dr. in Rohnert Park. Marin County leasing was muted and can partially be attributed to the lack of inventory.

The industrial property market had a handful of food company departures from Sonoma County, notably La Tortilla Factory, Sonoma Brinery, and Miyoko's Creamery. The reasons behind their departures vary, yet the overarching concern appeared to revolve around operational costs. However, these exits open the door for new opportunities. The vacancies left behind by these companies offer a chance for fresh ventures to capitalize on the significant investments made by their predecessors.

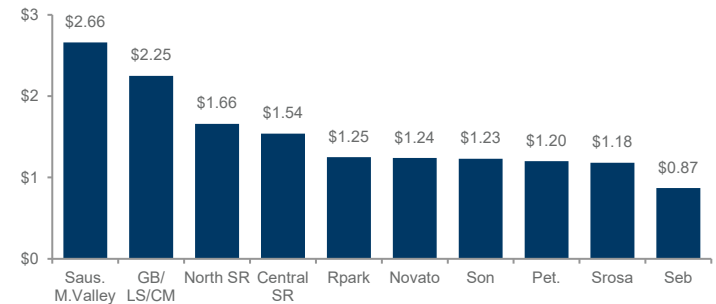
### Market Looks to Grow

The construction pipeline was on the rise in Q1 2024, with one new warehouse delivered — 1760 Copperhill Parkway, a 70,312-sf addition in Santa Rosa and part of the Carneros Business Park. There are five buildings totaling 303,938 sf under construction in Sonoma County, all of which are expected to deliver this year. Rental growth and limited vacancy have created a favorable environment for new construction, and the scarcity of developable land ensures that the market is unlikely to become overbuilt. Major developers like Thompson Builders Corporation, Billa Management, and Panattoni Development have entered the market in recent years and have broken ground on new construction, hoping to capitalize on the region's strong fundamentals.

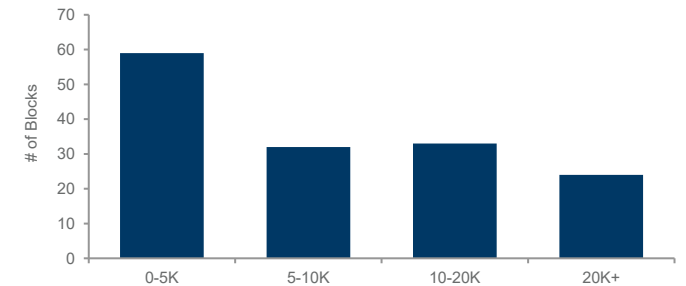
### Outlook

- Despite an expected rise in vacancy this year, there will continue to be consistent demand across all sectors and likely lead to an increase in 2024 leasing activity.
- With less differentiated product on the market, the average asking rent is expected to change marginally. However, as new construction delivers, pricing is expected to trend upwards, reflecting the increased quality of available space.
- The development pipeline remains active, with 70,312 sf delivered in first quarter and more than 300,000 sf anticipated to deliver in 2024.

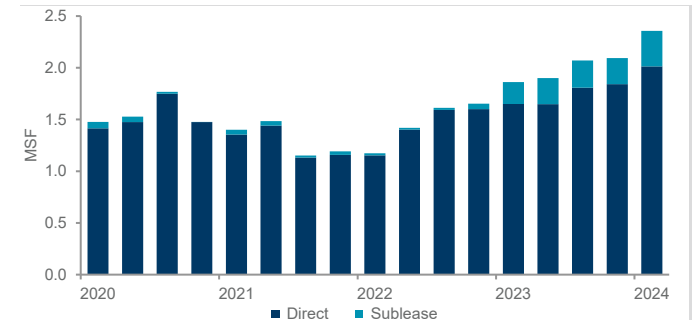
### RENT BY MARKET (\$ PSF, NNN)



### 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	6,617	1.6%	0	0	0	0	\$2.66
Greenbrae/CM/Larkspur	292,133	0	0.0%	0	0	0	0	\$2.25
Central San Rafael	3,217,376	117,444	3.5%	-8,697	-8,697	0	0	\$1.54
North San Rafael	504,864	0	0.0%	0	0	0	0	\$1.66
Novato	2,084,199	62,380	3.0%	-11,117	-11,117	40,080	0	\$1.24
<b>MARIN COUNTY</b>	<b>6,526,751</b>	<b>186,441</b>	<b>2.9%</b>	<b>-19,814</b>	<b>-19,814</b>	<b>40,080</b>	<b>0</b>	<b>\$1.48</b>
Petaluma	6,895,999	608,941	8.8%	-190,386	-190,386	0	0	\$1.20
Rohnert Park	2,304,635	289,643	12.6%	-36,868	-36,868	179,792	0	\$1.25
Santa Rosa	12,281,126	875,517	7.1%	61,457	61,457	84,066	70,312	\$1.18
Sonoma	2,791,407	285,339	10.2%	-2,925	-2,925	0	0	\$1.23
Sebastopol/Graton	1,334,836	111,460	8.4%	-4,526	-4,526	0	0	\$0.87
<b>SONOMA COUNTY</b>	<b>25,608,003</b>	<b>2,170,900</b>	<b>8.5%</b>	<b>-173,248</b>	<b>-173,248</b>	<b>263,858</b>	<b>70,312</b>	<b>\$1.19</b>
<b>NORTH BAY TOTALS</b>	<b>32,134,754</b>	<b>2,357,341</b>	<b>7.3%</b>	<b>-193,062</b>	<b>-193,062</b>	<b>303,938</b>	<b>70,312</b>	<b>\$1.21</b>

\*Rental rates reflect weighted net asking \$psf/year  
 \*\*Some statistics will not reflect the US Marketbeat tables

**KEY LEASE TRANSACTIONS Q1 2024**

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3000 Dutton Ave	Santa Rosa	Corning & Company Distillers, LLC	33,803	New Lease
201 Business Park Dr	Santa Rosa	Daikin Comfort Technologies Distribution	26,332	New Lease
368 Blodgett St	Cotati	Nor Cal Oaks	10,200	New Lease
3510 Airway Dr	Santa Rosa	WineWorks Equipment & Supply	7,635	New Lease
887 Sebastopol Rd	Santa Rosa	Merciari Construction Design	6,000	Renewal

**KEY SALES TRANSACTIONS Q1 2024**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$ PSF
110 Sandholm Ln	Cloverdale	Lilly Asset LLC / Sanholm Lane LLC	30,749	\$2.4M/ \$78
1911 Airport Blvd	Santa Rosa	Flyby LLC / AA Holdings LLC	27,565	\$5.3M/ \$192
3610 Copperhill Lane	Santa Rosa	Orin Burgess / Woodburn	21,559	\$4.2M/ \$195
1340 Commerce St	Petaluma	Bud And Diane Toly / Woodside Holdings LP	14,432	\$3.0M/ \$207
470 E Todd Rd	Santa Rosa	Farmer Brothers / HBA International	11,456	\$3.3M/ \$288



# North Bay

Industrial Q1 2024



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