

YoY Chg      12-Mo. Forecast

**7.6%**

Vacancy Rate



**-49K**

Net Absorption, SF



**\$1.16**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2024

YoY Chg      12-Mo. Forecast

**323K**

North Bay Employment



**4.1%**

North Bay Unemployment Rate



**4.1%**

U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2024 Q2 data are based on the latest available data

### Economic Overview

The North Bay, comprising the two counties of Marin and Sonoma, ended the second quarter of 2024 with an unemployment rate of 4.1%, up from 3.3% one year ago. Jobs still recorded an increase of 5,300 non-farm positions, bringing the total to 323,000 by the close of the quarter. Venture capital (VC) funding for start-ups headquartered in the North Bay in the second quarter of 2024 was \$68.5 million (M), a 56.5% decrease from the revised \$157.5M in the first quarter of 2024. There were 16 deals, down from 18 in the previous quarter. The largest deals of the quarter were to Petaluma-based Strauss Family Creamery (food products) in a later-stage round of \$23.0M, followed by San Rafael-based Particle.News (AI/information services) in an early-stage round of \$10.9M.

### Vacancy on the Rise

The North Bay industrial market closed the second quarter with an overall vacancy rate of 7.6%, up 30 basis points (bps) quarter-over-quarter (QOQ) and up 160 bps year-over-year (YOY). Vacancy in Marin County was 2.7%, decreasing 10 bps from the first quarter of 2024 and up 120 bps YOY. The number of availabilities in Marin County have decreased 12.5% QOQ and 33.3% YOY. This decrease comprises five spaces over 10,000 square feet (sf) and 23 spaces under 10,000 sf. Central San Rafael, centrally located to the main highways and bridges, has the most space available in Marin County at 99,933 sf, offering a mix of sizes.

In Sonoma County, the overall vacancy rate closed the second quarter at 8.8%, up 40 bps from the prior quarter and up 170 bps YOY. This bump translated to 93,948 square feet of negative net absorption, with the markets of Santa Rosa and Petaluma experiencing 10,596 sf and 37,881 sf of negative absorption, respectively. The secondary markets of Sonoma and Rohnert Park yielded 18,661 square feet of negative absorption and 7,565 sf of positive absorption, respectively.

### Rates Decline While Leasing Improves

The overall asking rate in the North Bay decreased \$0.05 from the first quarter of 2024, finishing the second quarter at \$1.16 per square foot (psf) on a monthly triple-net basis. In Marin, the asking rate was at \$1.51 psf, which was 33.6% higher than the asking rate in Sonoma County at \$1.13 psf.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



The overall asking rate in Sonoma County decreased \$0.05 from the previous quarter to \$1.13 psf. An increase of over 50,000 sf of available space in Sonoma and Sebastopol/Graton, the county's more affordable markets, contributed to the decrease in average rent. Petaluma commanded the highest asking rate at \$1.26 psf while Sonoma offered the most affordable asking rate at \$0.77 psf.

New leasing in the second quarter for the North Bay totaled 126,924 sf, compared to 36,264 sf in the first quarter of 2024. The increase in leasing activity was driven by three deals over 25,000 sf. Sonoma County captured nearly all new leasing, with the largest deals being a 49,544-sf lease at 1200 Valley House Dr. in Rohnert Park and a 33,803 -sf new lease at 3000 Dutton Ave in Santa Rosa. Marin County leasing was muted which can partially be attributed to the lack of inventory.

This year, the industrial property market in Sonoma County has witnessed multiple companies announcing their exits, downsizing operations, or closing altogether. Notably, several food companies chose to leave earlier in the year. Their decisions were motivated by a mix of factors, primarily escalating operational costs and uncertainty in the economic and political landscape. The vacancies they've left present an opportunity for new ventures to capitalize on the significant investments made by their former occupants.

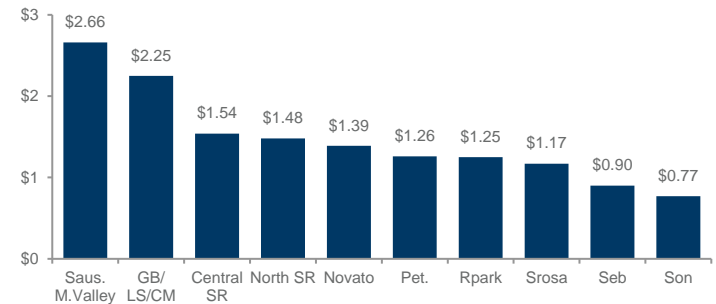
### Market Looks to Grow

The construction pipeline surged in the second quarter of 2024, delivering three new warehouses: 5400 Hannah Ranch Rd in Novato, and 5000 Dowdell Ave (Buildings A & B) in Rohnert Park. There are two buildings totaling 86,856 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. The region has significant plans for residential development in the coming years that could significantly bolster its economic strength.

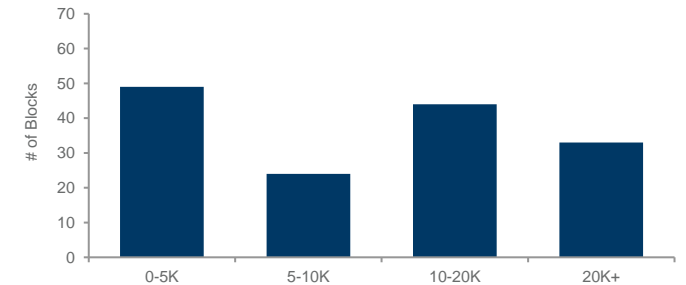
### Outlook

- The average asking rate has shown slight fluctuations in recent quarters, but rental rates may soften further due to increasing pressure on landlords from a growing supply of available space in the market.
- Despite the anticipated increase in vacancy this year, there will continue to be consistent demand for prime space across all sectors.
- The development pipeline remains robust, having already delivered over 120,000 sf in 2024, with an additional anticipated delivery of over 85,000 sf in the second half of the year.

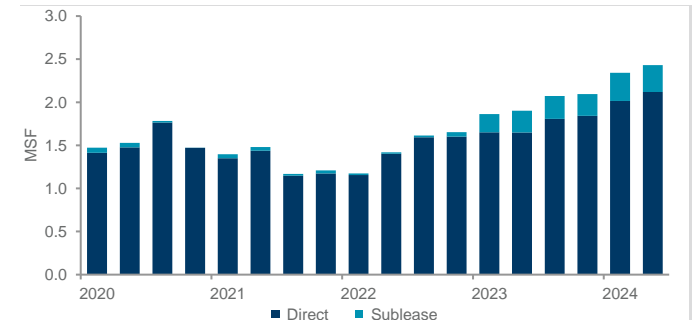
### RENT BY MARKET (\$ PSF, NNN)



### 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	4,922	1.2%	0	1,695	0	0	\$2.66
Greenbrae/CM/Larkspur	292,133	0	0.0%	0	0	0	0	\$2.25
Central San Rafael	3,222,376	99,933	3.1%	17,511	8,814	0	0	\$1.54
North San Rafael	504,864	1,266	0.3%	-1,266	-1,266	0	0	\$1.48
Novato	2,124,578	73,585	3.5%	28,875	17,758	0	40,080	\$1.39
<b>MARIN COUNTY</b>	<b>6,566,831</b>	<b>179,706</b>	<b>2.7%</b>	<b>45,120</b>	<b>27,001</b>	<b>0</b>	<b>40,080</b>	<b>\$1.51</b>
Petaluma	6,875,999	646,822	9.4%	-37,881	-228,267	0	0	\$1.26
Rohnert Park	2,304,635	261,861	11.4%	7,565	-9,086	0	179,792	\$1.25
Santa Rosa	12,361,619	892,854	7.2%	-10,596	45,120	86,856	0	\$1.17
Sonoma	2,679,661	304,000	11.3%	-18,661	-21,586	0	0	\$0.77
Sebastopol/Graton	1,353,822	145,835	10.8%	-34,375	-38,901	0	0	\$0.90
<b>SONOMA COUNTY</b>	<b>25,575,736</b>	<b>2,251,372</b>	<b>8.8%</b>	<b>-93,948</b>	<b>-252,720</b>	<b>86,856</b>	<b>179,792</b>	<b>\$1.13</b>
<b>NORTH BAY TOTALS</b>	<b>32,142,567</b>	<b>2,431,078</b>	<b>7.6%</b>	<b>-48,828</b>	<b>-225,719</b>	<b>86,856</b>	<b>219,872</b>	<b>\$1.16</b>

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

## KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1200 Valley House Dr	Rohnert Park	Resynergi	49,544	New Lease
3000 Dutton Ave	Santa Rosa	Corning & Company Distillers, LLC	33,803	New Lease
201 Business Park Dr	Rohnert Park	Daikin Comfort Technologies Distribution, Inc.	26,332	New Lease
430 Aaron St	Cotati	TEM Performance Machine Shop, LLC	9,739	New Lease
325-375 Tesconi Circle	Santa Rosa	Four Seasons Design Team	6,000	New Lease

## KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
79 Belvedere St	Central San Rafael	Pacific-Marin Associates / Garbarino Investments	19,600	\$4.7M / \$239

## KEY CONSTRUCTION COMPLETIONS Q2 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
5000 Dowdell Ave – Bldg. A & B	Rohnert Park	BradyIFS, Restaurant Depot	179,792	Panattoni Development Company
5400 Hanna Ranch Rd	Novato	Lucas Film	40,080	Thompson Builders Corporation

# North Bay

Industrial Q2 2024



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