



Sonoma Office Market

Market Stabilizing

The office vacancy rate in the Sonoma market decreased to 13.6% in the first quarter of 2022, a 10-basis-point drop from the fourth quarter of 2021 and a 100-basis-point year-over-year change. Net absorption remained on the positive side of flat at 10,198 square feet; the second quarter of positive absorption since the beginning of the pandemic.

The largest lease of the quarter was North Coast’s renewal of over 35,000 square feet at 5550 Skyline Boulevard in Santa Rosa. Additionally, Allen Group expanded its space at 100-120 Stony Point Road in Santa Rosa, taking over 10,000 square feet in total. First quarter new leases included Alternative Family Services’ lease for 5,593 square feet for four years at 131 Stony Circle, and a 3,500-square-foot lease at 5330 Old Redwood Highway in Petaluma signed by Daniel T. Dumas, a medical service firm.

Overall asking rents slightly decreased, ending the quarter at \$1.88/SF. Class A rents decreased during the first quarter to \$2.00/SF. Class B rates decreased to \$1.71/SF. Leasing volume in the first quarter of 2022 was over 66,540 square feet.

Investment Sales

Pinnacle Capital Management Services LLC and Harrison Street Capital sold medical office buildings to JV partners TIAA and Healthcare Realty Trust, Inc. for over \$13.0 million. The bulk portfolio included 3536 Mendocino Avenue in Santa Rosa. The tenant rosters included large health systems, such as Sutter Heath, Common Spirit Health and Kaiser Permanente.

Economic Outlook

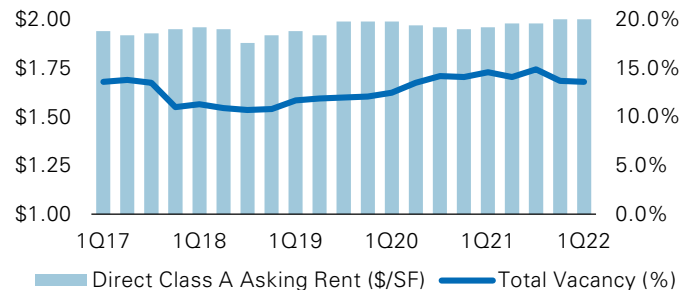
There are signs that Sonoma County has shifted to a more stable environment, as the notable events in the first quarter included positive absorption and notable renewals and expansions. Sonoma County’s unemployment rate is at 4.0%, compared to 3.5% last month and 7.1% last year, and favorable to the long-term average of 5.38%.

Market Summary

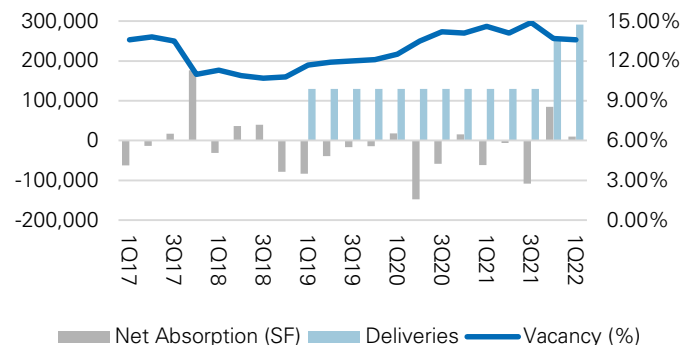
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.3M	7.3M	7.3M	↑
Vacancy Rate	13.6%	13.7%	14.6%	↓
Quarterly Net Absorption (SF)	10K	85K	-61.3K	↑
Average Asking Rent/SF	\$1.88	\$1.90	\$1.87	↑
Under Constr. (SF)	291K	254K	130K	↔

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION AND DELIVERIES



City Statistics

	Total Inventory (SF)	Total Vacancy Rate	Total Vacancy (SF)	Total Availability Rate	Total Availability (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Petaluma	2,259,031	14.7%	331,164	21.7%	489,527	66,140	66,140	\$2.04
Class A	1,422,350	20.3%	288,814	29.3%	416,916	64,719	64,719	\$2.10
Class B	836,681	5.1%	42,350	8.7%	72,611	1,421	1,421	\$1.83
Rohnert Park	908,162	18.6%	169,113	17.1%	155,138	-36,113	-36,113	\$1.61
Class A	222,507	49.0%	109,095	38.6%	85,856	-30,152	-30,152	\$1.60
Class B	685,655	8.8%	60,018	10.1%	69,282	-5,961	-5,961	\$1.61
Santa Rosa	4,119,410	11.6%	490,934	12.0%	525,831	-19,829	-19,829	\$1.91
Class A	1,984,297	15.4%	256,790	15.8%	294,782	-22,012	-22,012	\$2.05
Class B	2,135,113	10.8%	234,144	10.8%	231,049	2,183	2,183	\$1.80
Sonoma County	7,286,603	13.6%	991,211	16.1%	1,170,496	10,198	10,198	\$1.88
Class A	3,629,154	18.1%	656,201	21.5%	781,264	12,555	12,555	\$2.00
Class B	3,657,449	9.2%	335,010	10.6%	389,232	-2,357	-2,357	\$1.71

Santa Rosa Submarket Statistics

	Total Inventory (SF)	Total Vacancy Rate	Total Vacancy (SF)	Total Availability Rate	Total Availability (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Downtown Santa Rosa	693,121	25.2%	174,542	26.7%	184,867	-25,715	-25,715	\$1.78
Northwest Santa Rosa	391,266	2.0%	7,826	2.0%	7,826	3,257	3,257	\$2.26
Northeast Santa Rosa	2,178,112	9.7%	211,091	10.6%	229,984	14,000	14,000	\$1.88
Southwest Santa Rosa	585,324	13.0%	75,817	15.0%	87,975	1,491	1,491	\$1.91
Southeast Santa Rosa	271,587	8.0%	21,658	5.6%	15,179	-6,348	6,348	\$1.72
Santa Rosa	4,119,410	11.6%	490,934	12.0%	525,831	-19,829	-19,829	\$1.91

Select Lease Transactions

Tenant	Building(s)	Market	Type	Square Feet
North Coast	5550 Skylane Blvd	Santa Rosa	Renewal	35,607
Allen Group	100-120 Stony Point Rd	Santa Rosa	Lease Expansion	10,651
Alternative Family Services Inc.	131 Stony Cir	Santa Rosa	New Lease	5,593
Daniel T Dumas	5330 Old Redwood Hwy	Petaluma	New Lease	3,500

Select Sale Transactions

Building(s)	Sale Price	Market	\$/SF	Square Feet
Portfolio 3536 Mendocino Ave	\$13,110,000	Santa Rosa	\$563.50	42,148
1460 Grove St	\$3,750,000	Healdsburg	\$335.84	11,166
2544 Cleveland Ave	3,595,000	Santa Rosa	\$265.80	13,525

For more information:

Newmark

1101 Fifth Street, Suite 230
San Rafael, CA 94901
t 415.526.7676
Corporate CA RE #: 00832933

Paolo Polese

Research Coordinator
paolo.polese@nrmk.com

nrmk.com



Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nrmk.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.