



RESEARCH 2Q 2021

Sonoma Office Market

Sonoma Office Market Improved

Market Overview

After fifteen months of pandemic and instability, California has fully reopened. Now that we can operate without any restrictions, companies are cautiously finding a new normal with either gradually bringing workers back to the office, adopting a work-from-home scenario or a hybrid of both.

In the Sonoma market, the office vacancy rate decreased slightly by 50 basis points to 14.1% in the second quarter from 14.6% in the first quarter, a 240-basis-point year-over-year change. A few leases to report are: 3333 Mendocino Ave, Santa Rosa, for 8,515 square feet, Fountaingrove Executive Center, for over 3,800 square feet. As a result, net absorption improved compared to the last quarter and a year ago, at a relatively stable negative 5,791 square feet. Availability decreased to 14.3% this quarter, bringing the Sonoma Office market to near pre-pandemic levels. There was an increase in overall asking rents, which ended the quarter at \$1.88/SF, one penny higher from the last quarter and slightly lower than the rate one year ago at \$1.91/SF. Class A rents increased during the quarter to \$1.98/SF, while Class B rates remains at \$1.79/SF. Leasing volume in the second quarter was about 53,359 square feet.

Investment Sales

There were several owner-user sales of units within large office buildings. A few to mention includes United Cerebral Palsy, which acquired medical office space in Petaluma at 3835 Cypress Drive. PHILLIPS D & J, acquired office space unit at 1100 Sonoma Avenue in downtown Santa Rosa. Fidelity National Title company acquired a 14,881-square-foot building at 140 Keller Avenue for \$2.6M, with the intention to rent a portion as shared office space.

Economic Outlook

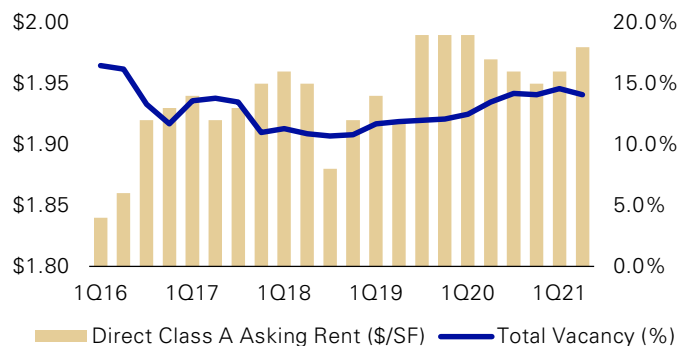
Sonoma County, a region of tourism, wine industry and other business activities, is an example of a market on the rebound after a very stressful fifteen months of pandemic events. We expect to see market activity increasing over the next year, as companies begin to make and implement future workplace plans.

Market Summary

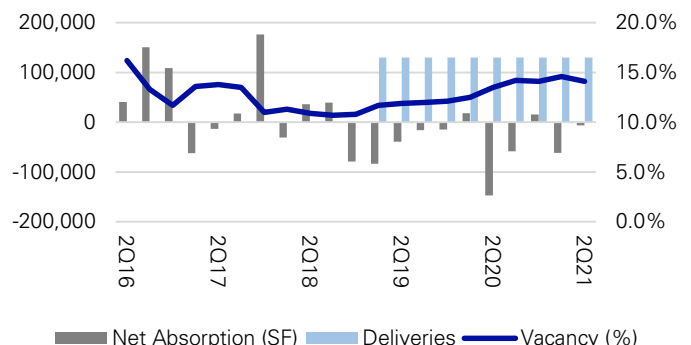
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.3M	7.3M	7.3M	→
Vacancy Rate	14.1%	14.6%	13.5%	↓
Qtr Net Abs (SF)	-5.8K	-61.3K	-147K	↓
Avg FS Ask Rent/SF	\$1.88	\$1.87	\$1.91	→
Under Const (SF)	130K	130K	130K	→

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, NEW CONSTRUCTION & VACANCY RATE



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	14.8%	334,718	15.0%	337,893	-11,268	-28,519	\$2.05
Class A	1,422,350	19.2%	272,690	19.2%	272,690	-6,646	-26,642	\$2.13
Class B	836,681	7.4%	62,028	7.8%	65,203	-4,622	-1,877	\$1.87
Rohnert Park	908,162	23.8%	215,699	23.8%	215,699	-	-	\$1.78
Class A	222,507	31%	69,056	31%	69,056	-	-	\$1.64
Class B	685,655	21.4%	146,643	21.4%	146,643	-	-	\$1.85
Santa Rosa	4,119,410	12.0%	471,510	12.2%	490,015	5,477	6,373	\$1.90
Class A	1,984,297	12.6%	220,902	12.9%	233,402	5,477	2,010	\$2.13
Class B	2,135,113	10.6%	250,608	10.7%	256,613	-	4,363	\$1.79
Sonoma County	7,286,603	14.0%	1,021,927	14.3%	1,043,607	-5,791	-22,146	\$1.88
Class A	3,629,154	15.5%	562,648	15.8%	575,148	-1,169	-24,632	\$1.98
Class B	3,657,449	12.6%	459,279	12.8%	468,459	-4,622	2,486	\$1.79

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	21.6%	149,977	21.6%	149,977	1,672	-1,441	\$1.76
Northwest Santa Rosa	391,266	2.0%	7,931	2.0%	7,931	-	1,645	\$2.33
Northeast Santa Rosa	2,178,112	8.2%	179,550	9.1%	198,055	3,805	-3,808	\$1.91
Southwest Santa Rosa	585,324	18.2%	106,683	18.2%	106,683	-	4,227	\$1.94
Southeast Santa Rosa	271,587	10.1%	27,369	10.1%	27,369	-	5,750	\$1.57
Santa Rosa	4,119,410	12.0%	471,510	12.2%	490,015	5,477	6,373	\$1.90

Select Lease and Sales /User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
140 Keller Street, LLC	132-140 Keller Street	Petaluma	Investment Sale	14,881
Keller Williams	3333 Mendocino Avenue	Santa Rosa	New Lease	8,516
Enlow & Associates	Fountaingrove Executive Center	Santa Rosa	New Lease	3,805
Undisclosed	Marina Business Center	Petaluma	New Lease	3,789
Fidelity National Title Company	800 Edgewood Place	Windsor	Lease Expansion	3,391

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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 ngkf.com/research.

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