# Sonoma Office Market

## Office market continues to show signs of improvement

### Market Overview

In the Sonoma market, the office vacancy rate increased slightly by 80 basis points to 14.9% in the third quarter from 14.1% in the second quarter, a 70-basis-point year-over-year change. Net absorption decreased compared to last quarter and a year ago, at negative 108,000 square feet, as a few spaces greater than 10,000 square feet became available in the Santa Rosa Northeast and Petaluma submarkets. At the same time, availability decreased to 15.1% this quarter, bringing the Sonoma Office market to near pre-pandemic levels.

Leases to report include 120 Stony Point Road in Santa Rosa, where a 19,404-square-foot lease was signed by Santa Rosa Community Health. The tenant will operate a medical center starting on January 1, 2022. Hydrofarm LLC, has occupied a new space at Southpoint Business Plaza in Petaluma for over 5,800 square feet. Sonoma Coast Spirits has leased 4,758 square feet at 1372 N McDowell Blvd in Petaluma in the Cornerstone Properties.

There was a slight increase in overall asking rents, which ended the quarter at $1.89/SF. Class A rents remained steady during the quarter to $1.98/SF, while Class B rates decreased at $1.76/SF. Leasing volume in the third quarter was about 79,000 square feet.

### Investment Sales

The most significant sale of the quarter was Accretive Realty Advisors' acquisition of 101 Brookwood Avenue in Santa Rosa. The medical investments company purchased the 13,079-square-foot building to rebuild a new 92,940-square-foot, 4-story medical facility expected to be delivered in the fourth quarter 2023.

### 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 period. Sonoma County's unemployment rate is seeing improvements, falling to 5.3% in August 2021, down from a 5.6% percent in July 2021, and below the year-ago estimate of 8.7%. Leasing volume and overall market fundamentals are expected to improve over the next quarter.
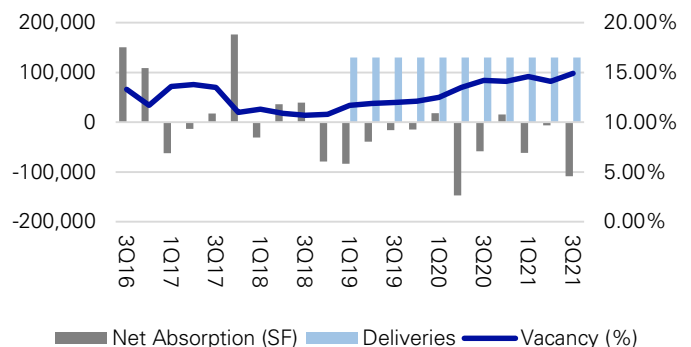
### Market Summary

| | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|---|---|---|---|---|
| Total Inventory (SF) | 7.3M | 7.3M | 7.3M | → |
| Vacancy Rate | 14.9% | 14.1% | 14.2% | ↓ |
| Qtr Net Abs (SF) | -108K | -6K | -58K | ↓ |
| Avg FS Ask Rent/SF | $1.89 | $1.88 | $1.85 | → |
| Under Const (SF) | 130K | 130K | 130K | → |

### Market Analysis

**ASKING RENT AND VACANCY**



Direct Class A Asking Rent ($/SF) — Total Vacancy (%)
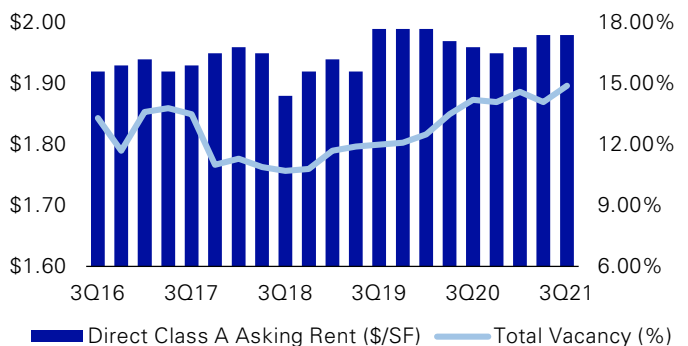
**NET ABSORPTION, NEW CONSTRUCTION & VACANCY RATE**



Net Absorption (SF) — Deliveries — Vacancy (%)

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## 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** | **19.1%** | **432,300** | **19.5%** | **440,131** | **-58,054** | **-126,101** | **$2.06** |
| Class A | 1,422,350 | 26.5% | 376,495 | 26.5% | 376,495 | -64,277 | -130,447 | $2.09 |
| Class B | 836,681 | 6.7% | 55,805 | 7.6% | 63,636 | 6,223 | 4,346 | $1.88 |
| **Rohnert Park** | **908,162** | **13.5%** | **122,581** | **13.5%** | **122,581** | **-** | **-** | **$1.71** |
| Class A | 222,507 | 31.0% | 69,056 | 31.0% | 69,056 | - | - | $1.64 |
| Class B | 685,655 | 7.8% | 53,525 | 7.8% | 53,525 | 9,507 | 93,118 | $1.83 |
| **Santa Rosa** | **4,119,410** | **13.1%** | **531,337** | **13.1%** | **531,337** | **-59,827** | **-53,490** | **$1.89** |
| Class A | 1,984,297 | 13.1% | 238,043 | 13.1% | 238,043 | -17,141 | -15,131 | $2.12 |
| Class B | 2,135,113 | 12.8% | 293,294 | 12.8% | 293,294 | -42,686 | -38,314 | $1.79 |
| **Sonoma County** | **7,286,603** | **14.9%** | **1,086,218** | **15.1%** | **1,102,014** | **-108,374** | **-86,437** | **$1.89** |
| Class A | 3,629,154 | 18.8% | 683,594 | 19.1% | 691,559 | -81,418 | -145,578 | $1.98 |
| Class B | 3,657,449 | 11.0% | 402,624 | 11.2% | 410,455 | -26,956 | 59,141 | $1.76 |

## 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 | 21.9% | 151,688 | 21.9% | 151,688 | -1,711 | -3,152 | $1.78 |
| Northwest Santa Rosa | 391,266 | 2.0% | 7,931 | 2.0% | 7,931 | - | 1,645 | $2.33 |
| Northeast Santa Rosa | 2,178,112 | 10.4% | 227,009 | 10.8% | 234,974 | -47,459 | -51,267 | $1.83 |
| Southwest Santa Rosa | 585,324 | 18.8% | 110,226 | 18.8% | 110,226 | -3,543 | 648 | $1.93 |
| Southeast Santa Rosa | 271,587 | 12.7% | 34,483 | 12.7% | 34,483 | -7,114 | -1,364 | $1.60 |
| **Santa Rosa** | **4,119,410** | **13.1%** | **531,337** | **13.2%** | **539,302** | **-59,827** | **-53,490** | **$1.89** |

## Select Lease and Sales Transactions

| Tenant | Building(s) | Submarket | Type | Square Feet |
|---|---|---|---|---|
| Accretive Realty Advisors | 101 Brookwood Avenue | Santa Rosa | User Sale | 13,079 |
| Santa Rosa Community Health | 120 Stony Point Rd | Santa Rosa | New Lease | 19,404 |
| Hydrofarm, LLC | Southpoint Business Plaza | Petaluma | New Lease | 5,800 |
| Sonoma Coast Spirits, LLC | 1372 N McDowell Blvd | Petaluma | New Lease | 5,000 |

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