

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

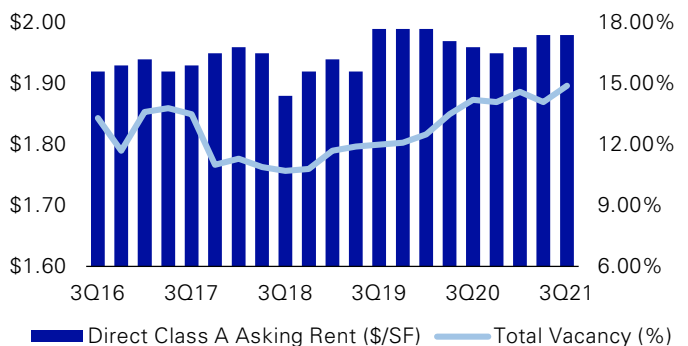
Sonoma County, a region of tourism, wine industry and other business activities, is an example of a market on the rebound after a very stressful period. Sonoma County's unemployment rate is seeing improvements, falling to 5.3% in August 2021, down from a 5.6% percent in July 2021, and below the year-ago estimate of 8.7%. Leasing volume and overall market fundamentals are expected to improve over the next quarter.

Market Summary

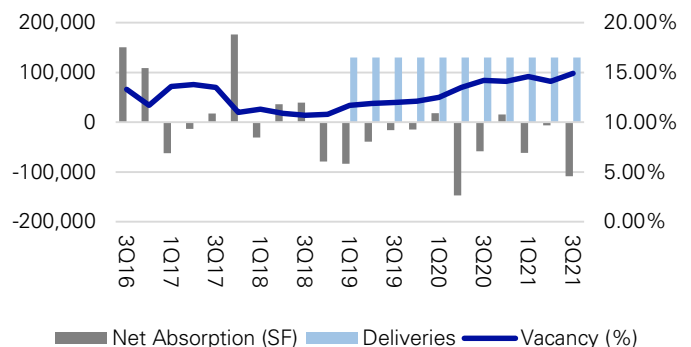
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.3M	7.3M	7.3M	→
Vacancy Rate	14.9%	14.1%	14.2%	↓
Qtr Net Abs (SF)	-108K	-6K	-58K	↓
Avg FS Ask Rent/SF	\$1.89	\$1.88	\$1.85	→
Under Const (SF)	130K	130K	130K	→

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, NEW CONSTRUCTION & VACANCY RATE



RESEARCH 3Q 2021

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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