

# Sonoma Office Market

## Shelter in place keeps leasing activity light

### Market Overview

There were signs of improvement in the fourth quarter as the Sonoma county office market had positive absorption of 15,677 square feet. The first quarter of 2020 had positive absorption, but the second and third quarters had negative net absorption which resulted in negative 158,260 square feet for all of 2020.

Because of the pandemic many businesses that have been operating with a remote workforce are now reevaluating their office requirements and how much space they actually need. Additionally, the uncertainty of when workers may return to the office is contributing to a delay of many office deals that were in negotiation pre-pandemic.

Sonoma county vacancy decreased slightly to 14.1% from the prior quarter. The vacancy rate now sits 2.0 percentage points higher than it was in the fourth quarter 2019 and 3.5 percentage points higher than the fourth quarter 2018.

Class A asking rents and weighted average asking rates remained relatively flat quarter-over-quarter. Sonoma did not experience the increase of sublease space witnessed in other bay area markets during the quarter.

### Leasing & Investment Activity

Sonoma County leasing activity was light in the fourth quarter as businesses focus more on moving towards reoccupying existing spaces than acquiring more real estate. The largest deal of the quarter was a 7,510 square foot direct lease by Sonoma County at 1450 Neotomas Avenue in Santa Rosa.

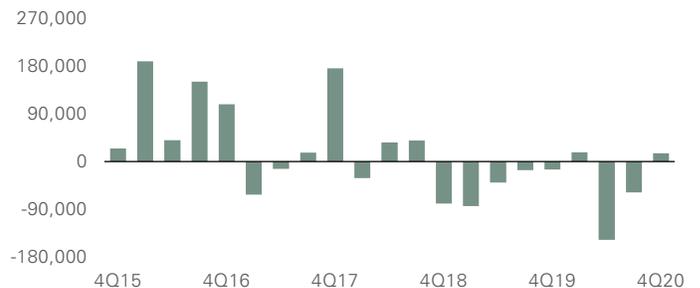
There were no significant investment sales in Sonoma County in the fourth quarter, in part due to ambiguity regarding how the pandemic will end. Uncertainty regarding the direction of pricing and values combined with the difficulties of obtaining financing for office buildings continue to impact the market.

### Market Analysis

#### ASKING RENT AND VACANCY



#### NET ABSORPTION



### Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.3M	7.3M	8.0M	→
Vacancy Rate	14.1%	14.2%	12.1%	↑
Qtr Net Abs (SF)	15.6K	-58K	-15K	↑
Avg FS Ask Rent/SF	\$1.85	\$1.85	\$1.90	→
Under Const (SF)	130K	130K	130K	→

RESEARCH 4Q 2020

City Statistics								
	Total Inventory (SF)	Total Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct FS Asking Rent (Price/SF)	Sublet FS Asking Rent (Price/SF)	Total FS Asking Rent (Price/SF)
<b>Petaluma</b>	<b>2,233,189</b>	<b>14.8%</b>	<b>13,169</b>	<b>-17,274</b>	<b>-89,139</b>	<b>\$2.05</b>	<b>\$1.85</b>	<b>\$1.99</b>
Class A	1,396,508	17.6%	13,169	-	-	\$2.12	\$1.82	\$2.01
Class B	836,681	10.1%	-	-	-	\$1.86	\$2.32	\$1.90
<b>Rohnert Park</b>	<b>908,162</b>	<b>23.8%</b>	<b>0</b>	<b>0</b>	<b>-12,332</b>	<b>\$1.78</b>	<b>-</b>	<b>\$1.69</b>
Class A	222,507	31%	-	-	-	\$1.64	-	\$1.64
Class B	685,655	21.4%	-	-	-	\$1.85	-	\$1.85
<b>Santa Rosa</b>	<b>4,119,410</b>	<b>12.2%</b>	<b>1580</b>	<b>32,951</b>	<b>-56,789</b>	<b>\$1.85</b>	<b>\$1.94</b>	<b>\$1.86</b>
Class A	1,984,297	12.2%	1068	-	-	\$1.98	\$2.14	\$2.00
Class B	2,135,113	11.28%	512	-	-	\$1.75	\$1.45	\$1.74
<b>Sonoma County</b>	<b>7,260,761</b>	<b>14.1%</b>	<b>14,749</b>	<b>15,677</b>	<b>-158,260</b>	<b>\$1.87</b>	<b>\$1.88</b>	<b>\$1.87</b>
Class A	3,603,312	-	14,237	-	-	\$1.95	\$1.89	\$1.95
Class B	3,657,449	-	512	-	-	\$1.80	\$1.80	\$1.80

Santa Rosa Submarket Statistics								
	Total Inventory (SF)	Total Vacancy Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct FS Asking Rent (Price/SF)	Sublet FS Asking Rent (Price/SF)	Total FS Asking Rent (Price/SF)
Downtown Santa Rosa	791,242	19.7%	512	512	-61,765	\$1.74	\$2.45	\$1.74
Northwest Santa Rosa	391,266	2.4%	1068	5,688	-327	\$2.33	-	\$2.33
Northeast Santa Rosa	2,079,991	8.1%	-	35,311	45,284	\$1.87	-	\$1.87
Southwest Santa Rosa	585,324	18.9%	-	0	-33,882	\$1.93	\$1.92	\$1.92
Southeast Santa Rosa	271,587	12.2%	-	-8,560	-6,099	\$1.65	\$1.45	\$1.50
<b>Santa Rosa</b>	<b>4,119,410</b>	<b>12.2%</b>	<b>1580</b>	<b>32,951</b>	<b>-56,789</b>	<b>\$1.90</b>	<b>\$1.94</b>	<b>\$1.87</b>

Select Lease/User Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Sonoma County	1450 Neotomas Avenue	Santa Rosa	Office/Direct	7,510
Welty, Weaver & Curry Law Firm	3554 Round Barn Blvd	Santa Rosa	Office/Direct	6,824
Undisclosed	603-617 2 <sup>nd</sup> Street	Petaluma	Office/Direct	5,000

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