



Sonoma Office Market

Market Slows Down Entering 2023

The Sonoma County office market continued to experience negative absorption in the fourth quarter of 2022, with vacancy increasing 80 basis points to 16.5%. The availability rate was 18.5% at the end of the fourth quarter of 2022, an increase of 60 basis points from the third quarter of 2022. Office occupancy decreased in the fourth quarter of 2022, with a net absorption of negative 60,734 square-feet. Santa Rosa had the most negative absorption, with 11,595 square feet becoming vacant at 133 Aviation Blvd.

Investment Sales

Sales activity was abundant in the fourth quarter, with 10 office buildings selling for over \$1.0 million. Of note, 1151 Broadway, 10 Maple St, 645-651 Broadway, and 635 Broadway in Sonoma sold in a five-property portfolio for \$12.75 million.

Leasing Activity

Although net absorption was negative in the fourth quarter of 2022, there were 48 leases signed in Sonoma County above 500 square feet. Of note, Meritage Medical signed an 18,490-square-foot lease in Petaluma. There were 14 leases signed in the fourth quarter of 2022 over 2,000 square-feet and 34 leases signed between 500 and 1,999 square feet.

Economic Outlook

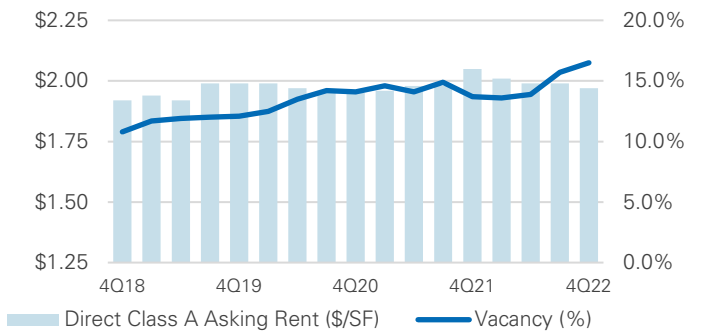
Sonoma County's unemployment rate was 2.9% in November of 2022, which has increased by 0.3% from September. This is still well below the state average of 4.1%. Sonoma County, like the rest of the country, had a turbulent fourth quarter of 2022, but it is expected that absorption will be positive in 2023.

Market Summary

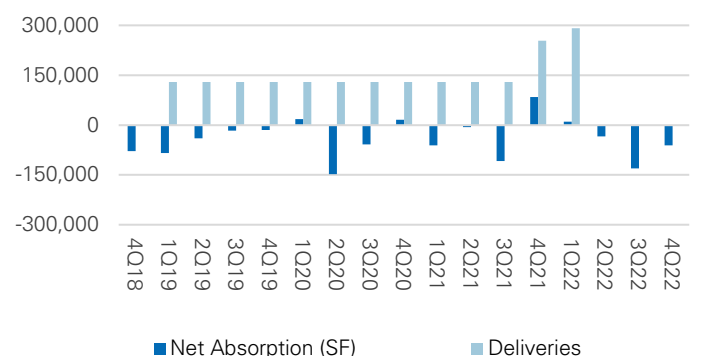
| | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF) | 7.3M | 7.3M | 7.3M | ↔ |
| Vacancy Rate | 16.5% | 15.7% | 13.7% | ↓ |
| Quarterly Net Absorption (SF) | -60K | -130K | 85K | ↑ |
| Average Asking Rent/SF | \$1.89 | \$1.90 | \$1.90 | ↑ |
| Under Constr. (SF) | - | - | 130K | ↔ |

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION AND DELIVERIES



RESEARCH Q4 2022

| 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 | 2,261,471 | 20.8% | 471,293 | 24.9% | 563,803 | -4,315 | -65,151 | \$2.04 |
| Class A | 1,424,790 | 30.2% | 430,958 | 34.4% | 490,430 | -2,610 | -68,587 | \$2.06 |
| Class B | 836,681 | 4.8% | 40,335 | 8.8% | 73,373 | -1,705 | 3,436 | \$1.87 |
| Rohnert Park | 908,162 | 25.1% | 227,864 | 28.7% | 260,845 | -15,543 | -94,864 | \$1.64 |
| Class A | 222,507 | 61.6% | 137,166 | 65.2% | 145,147 | -24,150 | -58,223 | \$1.66 |
| Class B | 685,655 | 13.2% | 90,698 | 16.9% | 115,698 | 8,607 | -36,641 | \$1.63 |
| Santa Rosa | 4,119,410 | 12.3% | 504,772 | 12.7% | 523,599 | -40,876 | -33,667 | \$1.86 |
| Class A | 1,984,297 | 13.8% | 274,099 | 14.1% | 279,475 | -22,058 | -37,819 | \$2.04 |
| Class B | 2,135,113 | 10.8% | 230,673 | 11.4% | 244,124 | -18,818 | 4,152 | \$1.71 |
| Sonoma County | 7,289,043 | 16.5% | 1,203,929 | 18.5% | 1,348,247 | -60,734 | -193,682 | \$1.89 |
| Class A | 3,631,594 | 23.2% | 842,223 | 25.2% | 915,052 | -48,818 | -164,629 | \$1.97 |
| Class B | 3,657,449 | 9.9% | 361,706 | 11.8% | 433,195 | -11,916 | -29,053 | \$1.74 |

| 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 | 23.1% | 160,068 | 23.9% | 165,323 | -181 | -11,241 | \$1.80 |
| Northwest Santa Rosa | 391,266 | 1.8% | 7,071 | 1.8% | 7,071 | -3,423 | -2,502 | \$2.14 |
| Northeast Santa Rosa | 2,178,112 | 9.7% | 232,200 | 11.5% | 250,981 | -20,757 | -7,109 | \$1.90 |
| Southwest Santa Rosa | 585,324 | 12.6% | 73,618 | 12.6% | 73,618 | 102 | 3,690 | \$1.87 |
| Southeast Santa Rosa | 271,587 | 11.7% | 31,815 | 9.8% | 26,606 | -16,617 | -16,505 | \$1.96 |
| Santa Rosa | 4,119,410 | 12.3% | 504,772 | 12.7% | 523,599 | -40,876 | -33,667 | \$1.86 |

| Select Lease Transactions | | | | |
|---------------------------|---------------------------|----------|-----------|-------------|
| Tenant | Building(s) | Market | Type | Square Feet |
| Meritage Medical | 2000-2100 S McDowell Blvd | Petaluma | New Lease | 18,490 |

| Select Sale Transactions | | | | |
|--------------------------|-------------|--------|-------|-------------|
| Building(s) | Sale Price | Market | \$/SF | Square Feet |
| 1151 Broadway | \$5,144,888 | Sonoma | \$642 | 8,011 |
| !0 Maple St | \$3,567,627 | Sonoma | \$357 | 9,982 |
| 645-651 Broadway | \$1,461,008 | Sonoma | \$309 | 4,734 |
| 635 Broadway | \$1,307,557 | Sonoma | \$297 | 4,410 |

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