



Sonoma Office Market

Activity Continues to be Slow in Sonoma County

The Sonoma County office market experienced negative absorption again in the first quarter of 2023, with net absorption of negative 13,630 square feet; however, vacancy only increased by 10 basis points to 16.6%. In Sonoma County, the office vacancy rate has increased by 300 basis points since the first quarter of 2022. With no Class A office space being constructed, the vacancy rate for Class A is not expected to increase drastically over the course of 2023. The availability rate was 18.6% at the end of the first quarter of 2023, an increase of just 10 basis points from the fourth quarter of 2022. Petaluma’s vacancy increased the most of Sonoma County, increasing by 50 basis points to 21.3%.

Sales

Sales activity was slow in the first quarter of 2023, with only five office buildings being sold in Sonoma County for over \$700,000. In February, Newmark brokered the sale of 6085 State Farm Dr. for \$8.75 million for the largest sale in Sonoma County.

Leasing Activity

Although net absorption was negative in the first quarter of 2023, there were 53 office leases signed in Sonoma County above 500 square feet. Of note, Corning, Inc. signed a 3,011-square-foot new lease in Santa Rosa. There were 11 leases signed in the first quarter of 2023 over 2,000 square-feet.

Economic Outlook

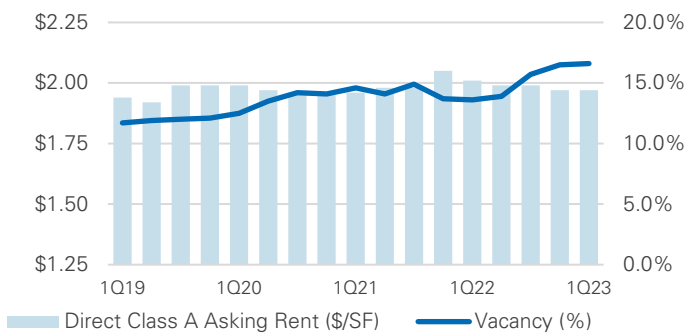
Sonoma County’s unemployment rate was 3.6% to end the first quarter of 2023, which has increased by 0.7% from November. Although this is a decent increase in unemployment, the rate is still well below California’s 4.8% rate. Like much of the Bay Area, Sonoma County’s office market is still facing some residual effects from the pandemic, including downsizing from remote employees.

Market Summary

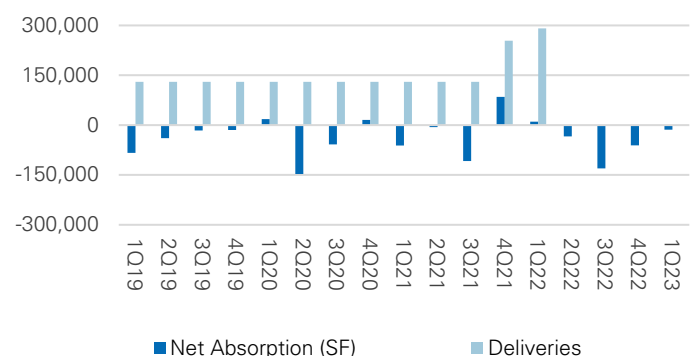
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.3M	7.3M	7.3M	↔
Vacancy Rate	16.6%	16.5%	13.7%	↓
Quarterly Net Absorption (SF)	-14K	-60K	85K	↑
Average Asking Rent/SF	\$1.89	\$1.89	\$1.90	↑
Under Constr. (SF)	5K	-	130K	↔

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION AND DELIVERIES



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	21.3%	481,392	26.2%	593,487	-19,300	-19,300	\$2.02
Class A	1,424,790	30.6%	435,907	36.1%	514,964	-14,150	-14,150	\$2.00
Class B	836,681	5.4%	45,485	9.4%	78,523	-5,150	-5,150	\$1.87
Rohnert Park	908,162	26.7%	242,727	25.2%	228,483	-14,863	-14,863	\$1.64
Class A	222,507	66.8%	148,616	49.8%	110,792	-11,550	-11,550	\$1.66
Class B	685,655	13.7%	94,011	17.2%	117,691	-3,313	-3,313	\$1.63
Santa Rosa	4,119,410	11.8%	484,239	13.0%	534,362	20,533	20,533	\$1.85
Class A	1,984,297	12.8%	253,280	14.8%	294,552	20,018	20,018	\$2.00
Class B	2,135,113	10.8%	230,673	11.2%	239,810	-286	-286	\$1.70
Sonoma County	7,289,043	16.6%	1,208,358	18.6%	1,356,332	-13,630	-13,630	\$1.89
Class A	3,631,594	23.1%	837,903	25.3%	920,308	-4,881	-4,881	\$1.97
Class B	3,657,449	10.1%	370,455	11.9%	436,024	-8,749	-8,749	\$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	22.4%	155,026	23.5%	162,913	5,042	5,042	\$1.76
Northwest Santa Rosa	391,266	1.8%	7,071	5.6%	21,750	0	0	\$1.88
Northeast Santa Rosa	2,178,112	10.2%	221,918	11.2%	243,956	10,282	10,282	\$1.90
Southwest Santa Rosa	585,324	12.6%	73,618	13.5%	79,137	0	0	\$1.87
Southeast Santa Rosa	271,587	9.8%	26,606	9.8%	26,606	5,209	5,209	\$1.96
Santa Rosa	4,119,410	11.8%	484,239	13.0%	534,362	20,533	20,533	\$1.85

Select Lease Transactions

Tenant	Building(s)	Market	Type	Square Feet
Corning, Inc	131 Stony Cir	Santa Rosa	New Lease	3,011
Tom Ortega	5350 Commerce Blvd	Rohnert Park	New Lease	1,075

Select Sale Transactions

Building(s)	Sale Price	Market	\$/SF	Square Feet
6085 State Farm	\$8,750,000	Rohnert Park	\$134	65,500
1265 N Dutton Ave	\$1,075,000	Santa Rosa	\$229	4,960
414 W Napa St	\$825,000	Sonoma	\$549	6,008
1325 College Ave	\$800,000	Santa Rosa	\$187	4,280
2321 Bethards Dr	\$744,000	Santa Rosa	\$168	4,439

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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 nmrk.com/research.

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