

ECONOMY

The North Bay, comprising Marin and Sonoma counties, recorded an unemployment rate of 4.1%, a decline of 30 basis points (bps) year-over-year (YOY). Nonfarm jobs increased by 0.4%, or 1,300 positions, bringing the total to 316,800. Venture capital funding for start-ups headquartered in the North Bay was \$45.1 million (M) across 10 deals, a 68.0% decrease from the revised \$141.1M in 18 deals in the second quarter of 2026. The largest deals of the quarter were to two Mill Valley-based companies: Foundational Industries (advanced manufacturing) in a seed round of \$25.0M, and Ludwig Computing (computer hardware) in a seed round of \$11.6M.

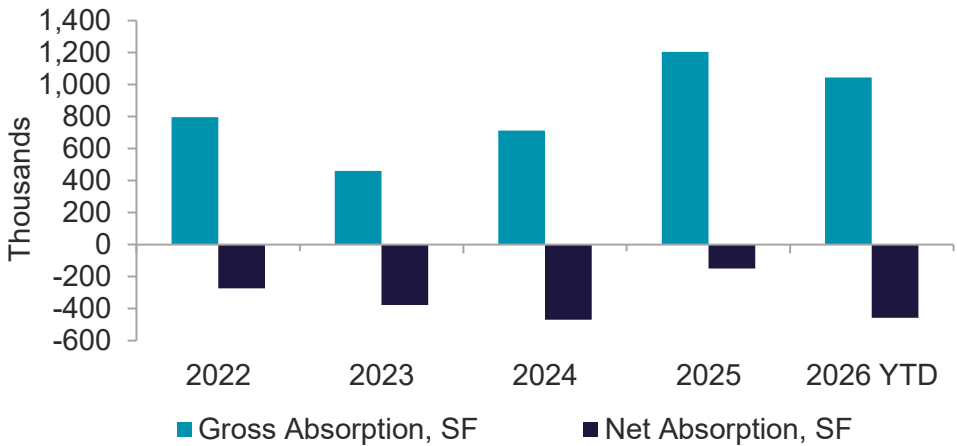
SUPPLY: Vacancy Levels Climb

The North Bay industrial market closed the third quarter with an overall vacancy rate of 9.0%, representing approximately 2.8 million square feet (msf) of space. Vacancy climbed 50 basis points (bps) quarter-over-quarter (QOQ) and 130 bps year-over-year (YOY). Marin County’s vacancy rate was 3.1%, up 10 bps QOQ and flat YOY. Central San Rafael, conveniently located near the main highways and bridges, had the most available space in the county at 102,622 square feet (sf), spanning a wide range of sizes. In Sonoma County, vacancy closed the quarter at 10.5%, up 70 bps QOQ and 160 bps YOY. Petaluma and Santa Rosa recorded the most available space in the county, totaling just over 1.0 msf and 871,687 sf, respectively.

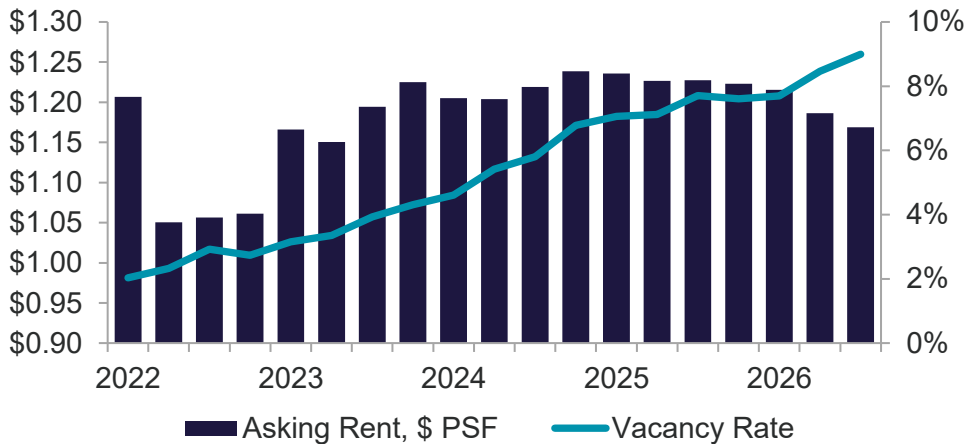
PRICING: Asking Rates Edge Lower

The overall industrial asking rate in the North Bay closed the third quarter at \$1.17 per square foot (psf) on a monthly triple-net basis, down \$0.02 psf QOQ and \$0.06 psf YOY. Marin County’s asking rate of \$1.65 psf was 46.0% higher than Sonoma County’s, where the rate fell \$0.02 psf QOQ to \$1.13 psf. Within Sonoma County, Petaluma commanded the highest asking rate at \$1.19 psf, followed by Rohnert Park at \$1.11 psf, while the city of Sonoma offered the most affordable rate at \$1.00 psf.

SPACE DEMAND / LEASE ACTIVITY



OVERALL VACANCY & ASKING RENT



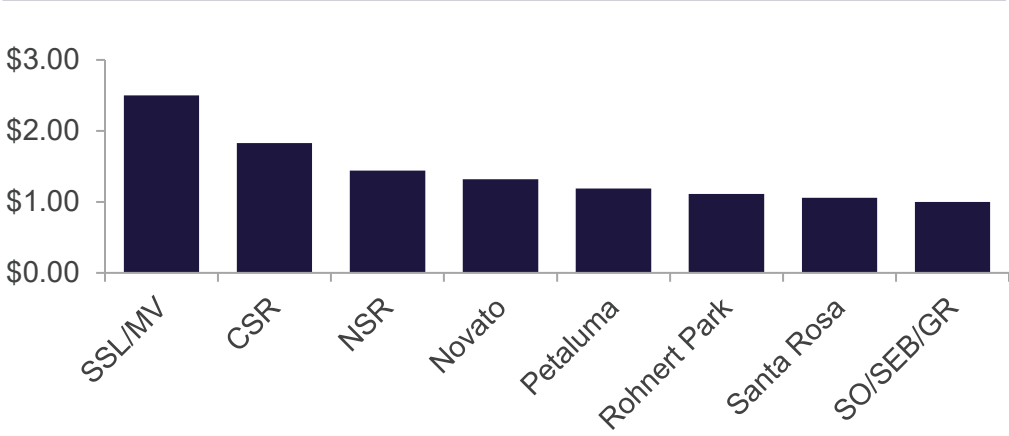
MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.0% Vacancy Rate	▲	▲
-457K YTD Net Absorption, SF	▼	▲
\$1.17 Asking Rent, PSF (Overall, Net Asking Rent)	▼	▼

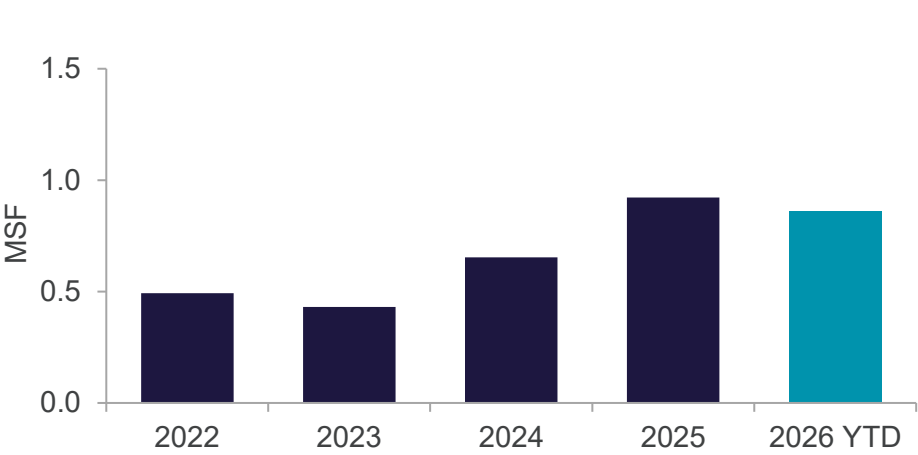
ECONOMIC INDICATORS

	YOY Chg	Outlook
316.8K North Bay Employment*	▲	▲
4.1% North Bay Unemployment Rate*	▼	▲
4.2% U.S. Unemployment Rate Source: BLS	▼	▲

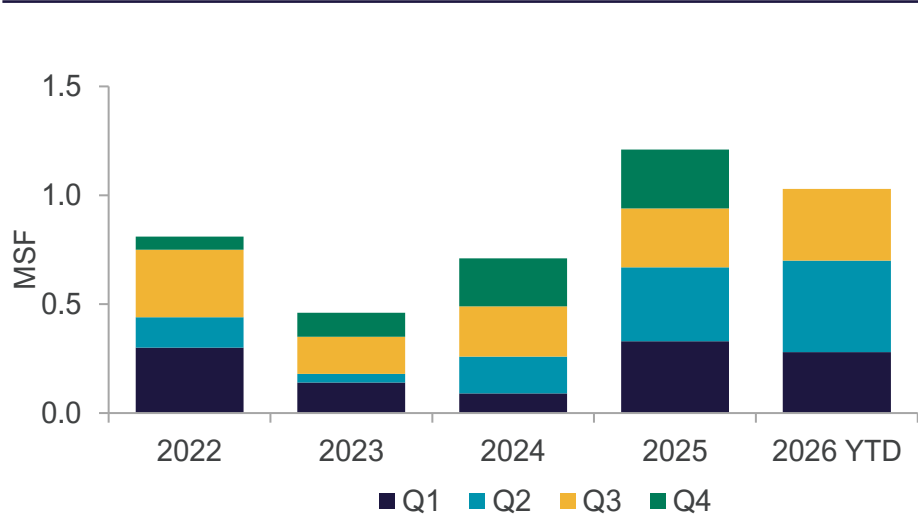
ASKING RATE BY SUBMARKET



NEW LEASING ACTIVITY – EXCLUDING RENEWALS



LEASING ACTIVITY BY QUARTER



DEMAND: Leasing Activity Falls

Leasing activity in the North Bay totaled 331,141 sf in the third quarter, a 21.8% decrease from the prior quarter’s 423,472 sf. The market has recorded several larger new lease deals over the past 12 months, along with a large number of renewals, but activity slowed in the third quarter. Sonoma County captured 94.9% of the activity, or 314,198 sf, while Marin County saw minimal leasing due to limited inventory and the lack of new projects in the pipeline. Just over half of the North Bay’s leasing deals took place in the Rohnert Park and Santa Rosa submarkets. The quarter’s largest transaction was a new 86,807-sf lease from Corning & Company Distillers at 3000 Dutton Ave., followed by a new 70,000-sf lease from the Northern California Volleyball Association (NCVA) at 1200 Valley House Dr.

North Bay net absorption totaled negative 174,106 sf in the third quarter, compared with negative 70,862 sf a year earlier. The deeper negative absorption was primarily driven by several large blocks of space returning to the market in Sonoma County.

LOOKING AHEAD

Vacancy in the North Bay industrial market is likely to remain elevated in the near term as large blocks of space in Sonoma County return to the market, with recent closures in the wine industry potentially adding to that supply. Even so, interest from tenants who have been on the sidelines suggests leasing of vacant space should gain traction.

Demand continues to come from owner-users and small businesses rather than national logistics players, with a growing appetite among users to buy. Though owner-user activity has returned, it remains below historic norms. The quarter’s largest building to transact was 2220 Pineview Way in Petaluma, where an owner-user purchased the building for \$4.8 million, or \$184 per square foot (psf). Higher interest rates have raised costs for buyers and are expected to temper investor returns, which could slow the pace of sales.

With no new development in the pipeline, supply pressure will be limited while move-in-ready buildings draw strong interest. Absorbing the larger vacant blocks will take time, with owner-user sales and small-tenant leasing remaining the primary drivers of activity.

OUTLOOK

- Availability should remain elevated into the foreseeable future as sizable blocks of Sonoma County space return to the market.
- Competition among landlords is likely to intensify, placing modest downward pressure on asking rates as owners compete to attract tenants.
- Local users are expected to remain the foundation of the market, with owner-users and small businesses continuing to drive leasing and purchase activity. Higher borrowing costs may cause some buyers to hold off on purchases.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT
Sausalito/Mill Valley	422,880	0	6,795	1.6%	0	1,585	0	\$2.50
Greenbrae/Corte Madera/Larkspur	292,133	0	0	0.0%	0	0	0	N/A
Central San Rafael	3,253,605	13,600	89,022	3.2%	-9,007	10,759	0	\$1.83
North San Rafael	504,864	0	10,050	2.0%	-1,894	-6,594	0	\$1.44
Novato	2,128,727	0	86,873	4.1%	5,785	-11,109	0	\$1.32
MARIN COUNTY TOTAL	6,602,209	13,600	192,740	3.1%	-5,116	-5,359	0	\$1.65
Petaluma	5,839,993	132,480	905,995	17.8%	2,503	-142,257	0	\$1.19
Rohnert Park	2,456,632	0	247,432	10.1%	0	-33,809	0	\$1.11
Santa Rosa	11,237,362	10,000	861,687	7.8%	-81,723	-193,083	0	\$1.06
Sonoma/Sebastopol/Graton	6,744,021	0	593,725	8.8%	-89,770	-82,872	0	\$1.00
SONOMA COUNTY TOTAL	26,278,008	142,480	2,608,839	10.5%	-168,990	-452,021	0	\$1.11
TOTALS	32,880,217	156,080	2,801,579	9.0%	-174,106	-457,380	0	\$1.17

*Rental rates reflect weighted net asking \$psf/month

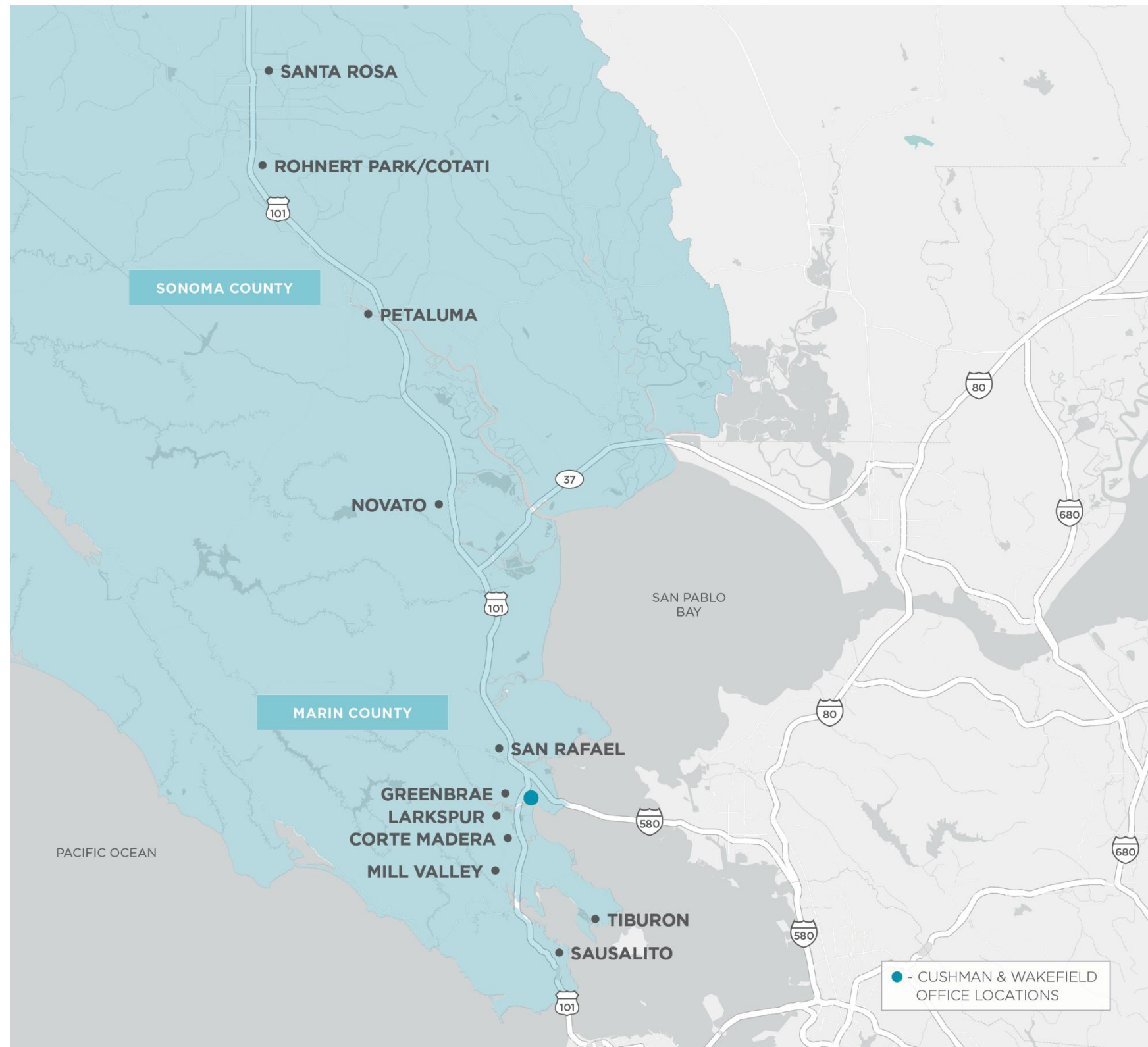
KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3000 Dutton Ave	Santa Rosa	Corning & Company Distillers	86,807	New Lease / Expansion
1200 Valley House Dr	Rohnert Park	The Northern California Volleyball Association	70,000	New Lease
201 Business Park Dr	Rohnert Park	Ferguson Enterprises	26,305	Renewal
5505 Redwood Dr	Rohnert Park	Straight Moving, LLC	15,117	New Lease

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
2220 Pineview Wy	Petaluma	M.T. Investments / Brian R. Davis	25,795	\$4.8M / \$184
517 Jacoby St	San Rafael	Drl Investments / House Properties	22,096	\$5.4M / \$242
3321 Industrial Dr	Santa Rosa	Turkington Family Revocable Trust / Dadson Laundry	15,000	\$2.8M / \$183
1042 Hopper Ave	Santa Rosa	MKD Investments / Douglas & Fredericka Hansen Trust	11,175	\$2.4M / \$217

INDUSTRIAL SUBMARKETS



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