MARKETBEAT

NORTH BAY

INDUSTRIAL Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
8.4% Vacancy Rate	▲	▲
-279K YTD Net Absorption, SF	▼	▲
$1.19 Asking Rent, PSF	▼	▬

(Overall, Net Asking Rent)

ECONOMIC INDICATORS

	YOY Chg	Outlook
317.7K North Bay Employment*	▲	▬
4.3% North Bay Unemployment Rate*	▼	▼
4.2% U.S. Unemployment Rate	▬	▲

Source:BLS

**Q2 2026 figures are based on latest available data*

ECONOMY

The North Bay, comprising Marin and Sonoma counties, recorded an unemployment rate of 4.3%, a decline of 10 basis points (bps) year-over-year (YOY). Nonfarm jobs increased by 0.7% or 2,100 positions, bringing the total to 317,700. Venture capital funding for start-ups headquartered in the North Bay was $136.0 million (M) (17 deals), an 11.7% increase from the revised $121.7M (12 deals) in the first quarter of 2026. The largest deal of the quarter was Poppy Bank (FinTech) in a later-stage round of $101.1M followed by Lighthouse Pharma (Life Science-Oncology) in an early-stage round of $15.2M.

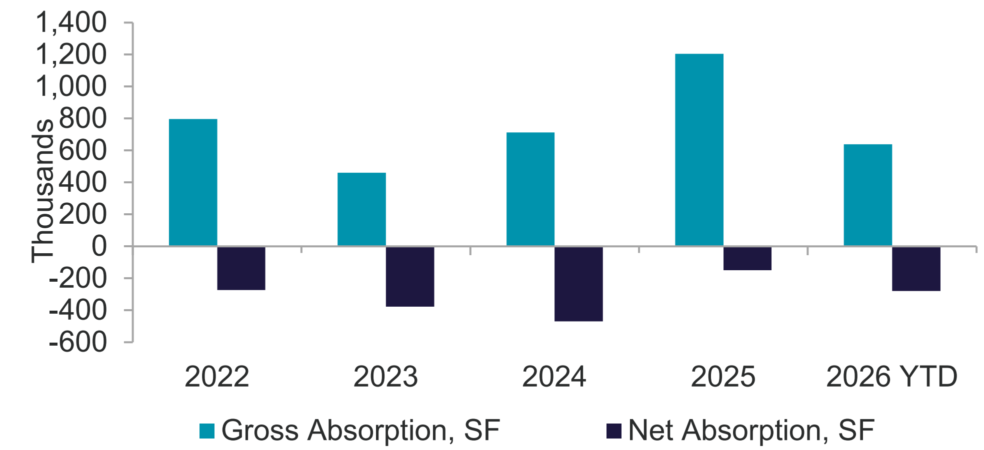
SUPPLY: Vacancy Levels Climb

The North Bay industrial market closed the second quarter with an overall vacancy rate of 8.4%, representing approximately 2.8 million square feet (msf) of space; vacancy climbed by 80 bps quarter-over-quarter (QOQ) and 130 bps YOY. The overall vacancy rate in Marin County was 3.1%, decreasing 10 bps from the previous quarter and up 10 bps YOY. Central San Rafael, conveniently located to the main highways and bridges, had the most space available in Marin County at 96,641 square feet (sf), offering a wide range of sizes. In Sonoma County, the overall vacancy rate closed the second quarter at 9.8%, increasing by 100 bps from the prior quarter and 160 bps YOY. Petaluma and Santa Rosa recorded the highest amount of available space in the county, totaling just over 1.0 msf and 789,964 sf, respectively.

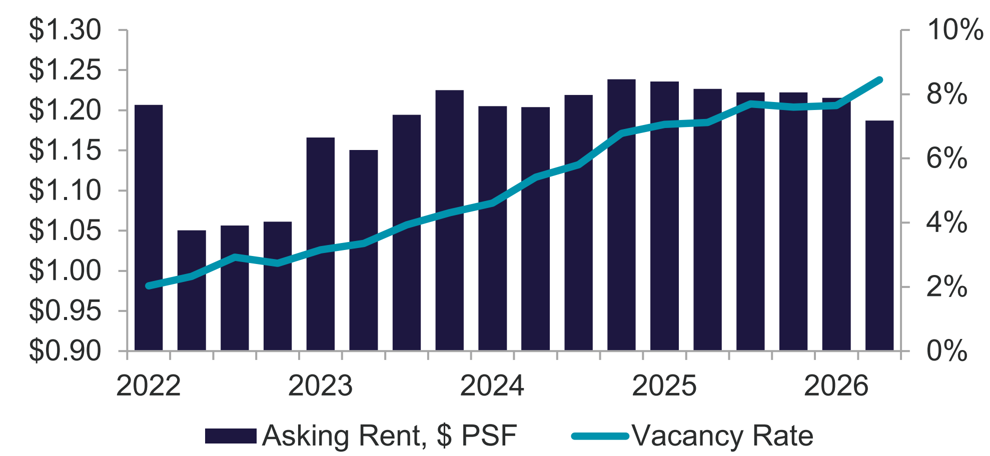
PRICING: Asking Rates Edge Lower

The overall industrial asking rate in the North Bay closed the second quarter at $1.19 per square foot (psf), on a monthly triple net basis, decreasing by $0.03 psf QOQ and $0.04 psf YOY. In Marin County, the asking rate was $1.66 psf, which was 46.9% higher than the asking rate in Sonoma County, which went down $0.01 psf from the previous quarter to $1.13 psf. For Sonoma County, Petaluma and Rohnert Park commanded the highest asking rates at $1.19 psf and $1.17 psf, respectively, while Sonoma offered the most affordable asking rate at $1.02 psf.

SPACE DEMAND / LEASE ACTIVITY



OVERALL VACANCY & ASKING RENT



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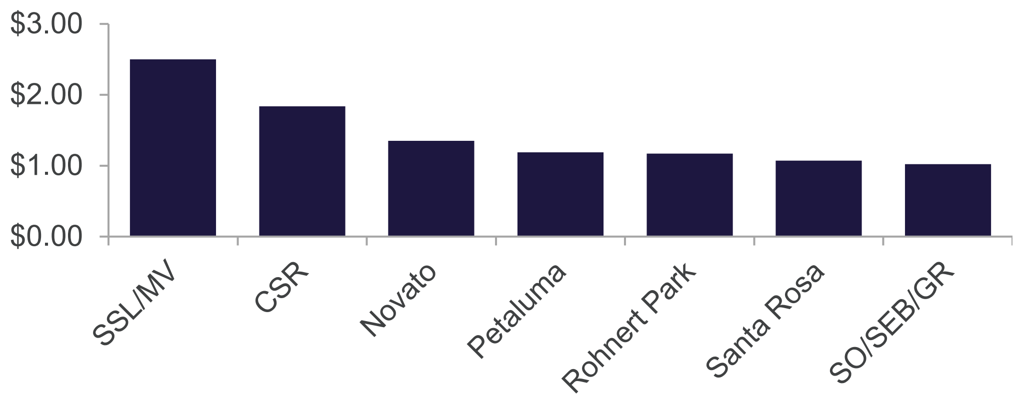
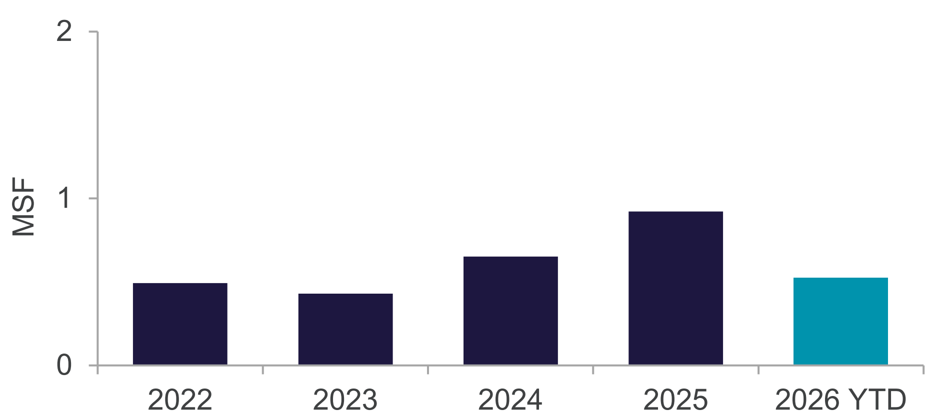
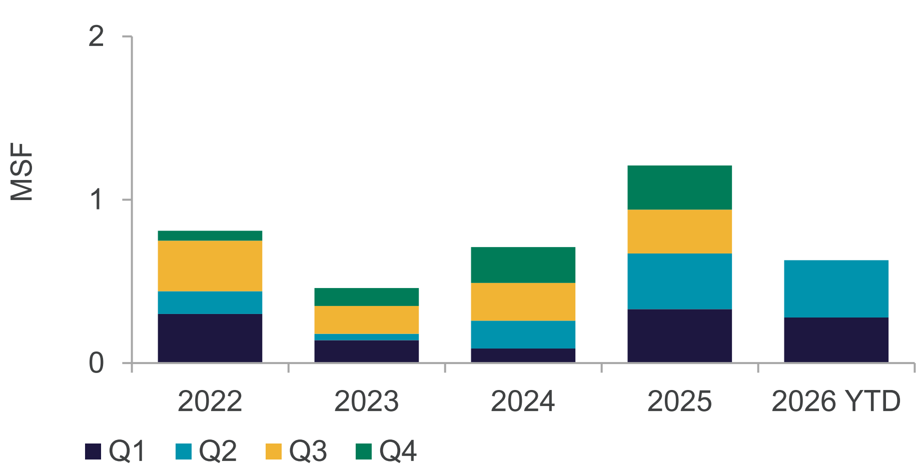
ASKING RATE BY SUBMARKET



NEW LEASING ACTIVITY – EXCLUDING RENEWALS



LEASING ACTIVITY BY QUARTER



DEMAND: Net Absorption Falls

Leasing activity in the North Bay during the second quarter totaled 351,463 sf, a 22.7% increase from the prior quarter's 286,542 sf, reflecting improved tenant demand. Sonoma County captured 90.6% of the activity, while Marin County experienced minimal leasing, mainly due to limited inventory and the lack of new projects in the pipeline. Just over half of the quarter's leasing deals for the North Bay took place in the Santa Rosa submarket. This activity was led by the quarter's largest transaction, a new 151,498-sf lease at 3000 Dutton Ave, followed by a new 36,616-sf lease at 975 Corporate Center.

North Bay net absorption totaled negative 263,066 sf in the second quarter, compared to negative 16,347 sf in the previous quarter. The increase in negative absorption was primarily driven by several large blocks of space returning to the market in Sonoma County, including 79,579 sf at 3925 Cypress Dr and 43,439 sf at 2180 S McDowell.

LOOKING AHEAD: Sales Activity Driven By Owner-Users

The North Bay industrial market continues to be supported by a diverse tenant base, with demand primarily coming from local owner-users and small businesses rather than large national logistics users. While activity remains strongest in smaller spaces, several leases over 20,000 square feet were completed this quarter, mostly by companies already operating in the North Bay. Owner-user activity also appears to be increasing as more businesses look to purchase their own facilities. A notable owner-user transaction was the sale of 740 Southpoint Blvd. in Petaluma, which was the largest transaction of the quarter, selling for $7.5 million or $283 psf. A number of larger blocks of space remain available across the market, while demand continues to be concentrated in smaller spaces. Meanwhile, ongoing power constraints and the lack of new industrial construction will limit future supply.

OUTLOOK

- The North Bay industrial market recorded strong leasing activity this quarter, though sustained tenant demand will be needed to meaningfully reduce vacancy given the elevated availability of large blocks.
- Asking rates are expected to soften modestly in the near term as elevated vacancy continues to increase competition among landlords who will use competitive pricing to attract tenants.
- Sales activity from owner-users and small businesses is expected to remain strong as more local businesses choose to purchase facilities rather than lease.

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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%	10,163	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	3,026	93,615	3.0%	11,761	16,740	0	$1.84
North San Rafael	504,864	0	8,156	1.6%	-4,700	-4,700	0	$1.49
Novato	2,128,727	0	92,658	4.4%	-7,556	-16,894	0	$1.35
MARIN COUNTY TOTAL	6,602,209	3,026	201,224	3.1%	9,668	-3,269	0	$1.66
Petaluma	5,839,993	139,145	901,833	17.8%	-152,665	-155,475	0	$1.19
Rohnert Park	2,456,632	0	247,432	10.1%	-17,610	-33,809	0	$1.17
Santa Rosa	11,237,362	10,000	779,964	7.0%	-115,697	-111,360	0	$1.07
Sonoma/Sebastopol/Graton	6,745,296	0	495,053	7.3%	13,238	24,500	0	$1.02
SONOMA COUNTY TOTAL	26,279,283	149,145	2,424,282	9.8%	-272,734	-276,144	0	$1.13
TOTALS	32,881,492	152,171	2,625,506	8.4%	-263,066	-279,413	0	$1.19

Rental rates reflect weighted net asking $psf/year

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3000 Dutton Ave	Santa Rosa	Confidential	151,498	New Lease
975 Corporate Center Pkwy	Santa Rosa	Traditional Medicinals	36,616	New Lease
369 Blodgett St	Cotati	Cambium Carbon	24,472	Renewal
3490 Regional Pkwy	Santa Rosa	Greentech Renewables	24,178	New Lease
981 Airway Ct	Santa Rosa	Santa Rosa Drums & Totes	22,272	New Lease

KEY SALES TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
740 Southpoint Blvd	Petaluma	John Hansen / Erika Moutanos	42,926	$7.5M / $174
200 Gate Five Rd	Sausalito	Hamilton Zanze & Company / Morgan Properties	26,481	$9.6M / $364
111 Fifth St	Santa Rosa	Thomas F Frazer / Santa Rosa Fifth Street Partners LLC	17,024	$2.6M / $152
5810 Commerce Blvd	Rohnert Park	Bds Enterprise LLC / Iglesia Cristiana Shalom-Elohim	9,600	$1.3M / $135

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