

Industrial vacancy showing declines

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Monday, October 28, 2013, 7:07 am

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While Sonoma County's office property market continued to have high vacancy in the third quarter, availability of industrial space countywide dwindled to near single-digit percentages among a wave of leasing and building purchases by businesses in the previous 12 months.

The vacancy rate for industrial space in the county in the third quarter was 10.4 percent, part of a steady trend of tightening availability since a recent peak of 15.0 percent in the first quarter of 2012, according to **Keegan & Coppin/ONCOR International**. Generally, a vacancy rate of 10 percent represents a market in which demand for space and available supply are balanced.

Considerably below that level of availability are the industrial zones north of Santa Rosa, largely the business parks near **Charles M. Schulz—Sonoma County Airport**. The proportion of warehouse and light-industrial space that was available in that area dropped to 6.0 percent in the third quarter from 14.0 percent a year before, according to Keegan & Coppin.

A key indicator for that activity is net absorption of commercial space, how many more square feet are leased or sold than made available. In the third quarter, there was net absorption of a whopping 700,000 square feet of industrial space, led by 478,000 square feet north of Santa Rosa and almost 239,000 square feet in Santa Rosa itself, based on Keegan & Coppin's figures.

One big example of industrial space coming off the market is **Alexander Valley Cellars**, which in spring expanded by 110,000 square feet into the rest of the 282,000-square-foot wine warehouse at 1010 Shiloh Rd. in Windsor. This summer, **Express Wine Delivery** expanded to 70,000 square feet at 7970 Cameron Dr. further to the north in Windsor.

North Sonoma County industrial vacancy will shrink further as **Rack & Riddle Wine Services** of Hopland leased a 67,000-square-foot vacant wine barrel warehouse in Healdsburg. [See ["Rack & Riddle to expand to Healdsburg."](#)]

Meanwhile, the vacancy rate for office space in Sonoma County was 21.0 percent in the third quarter, down from 22.2 percent a year before and 23.3 percent 24 months prior.

Yet the office vacancy figure does mask a lot of office leasing in the previous 12 months. For example, net absorption of office space was 520,000 square feet through the third quarter, led by 230,000 in Rohnert Park and 174,000 in Petaluma, according to Keegan & Coppin. However, the closure of the **State Farm Insurance** claims center in Rohnert Park was largely responsible for a 363,500-square-foot adjustment in the amount of square feet in the submarket, resulting in annual net absorption for the county of only 76,000 square feet, rather than a sizable 520,000 square feet.

Three of the five buildings in the 70,000-square-foot **Parkpoint Office Center** complex at the corner of North Dutton and College Avenue have sold to a San Jose-based investor for \$6.3 million, or about \$144,000 a square foot, according to **Vince Schwab**, a senior vice president of **Marcus & Millichap**.

He started marketing the three buildings, totaling 41,520 square feet on three separate parcels, four months ago for **Deerfield Realty**, a Menlo Park-based real estate investment syndicator that purchased them from a lender in January 2012.

"The group that had bought it in an exchange and wanted to move closer to its roots in Menlo Park," Mr. Schwab said. The sale price equated to a capitalization rate of 8.7 percent and was part of a Section 1031 exchange for the buyer.

These three buildings, sold Oct. 18, are now fully leased to **Providence Funding**, **First Priority Mortgage**, **Concentra Urgent Care**, **St. Joseph Health** and **Leading Edge Salon**.

Bill Allen of Marcus & Millichap's Palo Alto office represented buyer **Ed Rosen**.

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Basin Street returns to Marin with purchase

Oct. 24, 2013

MILL VALLEY — Basin Street Properties, which owns dozens of office, industrial and retail buildings in Sonoma County, returned to the Marin County office market after an eight-year absence with the purchase of a nearly 100,000-square-foot bayside complex. [[read more](#)]

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