

# NAR Commercial Real Estate Metro Market Report | 2021.Q2

## Santa Rosa, CA

Core-Based Statistical Area Code: 42220

The Santa Rosa, CA commercial real estate market is weaker compared to the overall U.S. market.  
NAR Commercial Real Estate Market Conditions Index\* 48.8

Overall economic conditions are stronger than nationally.  
The apartment property market is about the same than nationally.  
The office property market is weaker than nationally.  
The industrial property market is stronger than nationally.  
The retail property market is about the same than nationally.  
The hotel/lodging property market is stronger than nationally.

The commercial real estate market is slowly getting back on track although the rise of Delta variant cases is casting a shadow on the path of the recovery. The multifamily, industrial, and retail property markets will continue to recover more quickly than the office property market where vacancy rates will likely remain elevated in 2021-2022 compared to the pre-pandemic level.

### I. Economic and Demographic

Economic	Santa Rosa, CA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Total non-farm employment ('000)	195	186	185	146,603	143,315	138,501	
Y/Y chg.in nonfarm payroll employment ('000)	10	(21)	(24)	8,102	(6,637)	(13,215)	
Y/Y % chg. in nonfarm payroll employment	5.4%	-10.3%	-11.5%	5.8%	-4.4%	-8.7%	Job creation is weaker than nationally
Unemployment rate (%)	5.7%	6.1%	11.2%	5.9%	6.0%	11.1%	Unemployment rate is lower than nationally
Average weekly wages	\$1,073	\$1,027	\$1,004	\$1,059	\$1,046	\$1,016	
Wage growth, year-over-year (data are as of last month of the quarter)	6.9%	5.1%	2.4%	4.3%	6.7%	5.6%	Wages are rising faster than nationally
	2019	2018	2017	2019	2018	2017	
GDP growth (%)	2.6%	3.7%	3.0%	2.3%	2.9%	2.3%	
Median household income	\$87,828	\$81,395	\$80,409	\$87,470	\$84,423	\$81,284	
	2020	2019	2018	2020	2019	2018	
Net domestic migration ('000)	(2.1)	(5.1)	(5.4)	0	0	0	Area is experiencing net domestic out-migration
Population ('000)	490	492	497	329,484	328,330	326,838	
Population growth (%)	-0.51%	-0.99%	-0.99%	0.35%	0.46%	0.53%	Population growth is slower than nationally

### II. Multifamily

Demand indicators	Santa Rosa, CA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	3.6%	4.2%	6.2%	4.2%	4.7%	5.5%	The area has a lower vacancy rate than nationally
Absorption of units over the quarter	140	310	3	226,871	169,053	78,282	The area has a faster pace of absorption than nationally
Absorption of units in past 12 months	775	638	60	603,925	455,336	255,168	
Market asking rent per unit	\$1,973	\$1,898	\$1,865	\$1,004	\$978	\$953	
Market asking rent per unit, y/y % chg	5.8%	2.1%	-0.6%	6.1%	3.9%	1.8%	Rents are rising more slowly than nationally
Effective rent per unit	\$1,964	\$1,880	\$1,853	\$1,000	\$972	\$945	
Effective rent per unit, y/y % chg	6.0%	1.9%	-0.1%	6.4%	3.7%	2.3%	The rent to income ratio is higher than nationally
Rent as a percent of 2-person annual wage income	21.1%	21.1%	21.2%	10.9%	10.7%	10.7%	
	2020	2019	2018	2020	2019	2018	
Inventory	21,796	21,796	21,580	17,259,876	17,168,283	16,881,961	
Net delivered units in past 12 months	216	216	332	377,954	387,779	389,240	Relatively fewer units are being delivered than nationally
Net delivered units, as % of inventory	1.0%	1.0%	1.5%	2.2%	2.3%	2.3%	
Units under construction	102	102	241	578,162	609,682	681,731	
Units under construction, as % of inventory	0.5%	0.5%	1.1%	3.3%	3.6%	4.0%	Construction activity is slower than nationally
12-month total: 5+ unit building permits	321	184	143	463,443	435,217	452,345	
12-month total: all building permits	1,434	1,327	1,692	1,642,586	1,574,266	1,361,395	Building permits are not rising as fast as nationally
Ratio of jobs created to permits	6.9	(16.1)	(14.2)	4.9	(4.2)	(9.7)	
	2020	2019	2018	2020	2019	2018	
Total investment acquisitions (in million \$)	\$11.5	\$122.1	\$0.0	\$41,291.4	\$28,735.4	\$13,346.3	
Transaction sales price per unit	\$230,000	\$317,195	\$0	\$100,508	\$98,594	\$80,364	
Cap rate	5.0%	4.8%	4.8%	6.4%	6.6%	6.6%	Cap rates are lower than nationally

### III. Office

Demand indicators	Santa Rosa, CA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Vacancy rate	7.9%	7.8%	5.9%	6.1%	7.8%	5.9%	The area has a higher vacancy rate than nationally
Absorption in sq.ft. over the quarter	(22,299)	(68,868)	(70,132)	(9,309,111)	(51,131,309)	(13,966,267)	The area has a lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	(335,850)	(383,683)	(154,956)	(140,700,116)	(145,357,270)	19,961,128	
Asking rent per sq.ft.	\$24.1	\$23.9	\$23.9	\$18.9	\$18.9	\$18.8	
Asking rent growth, y/y % chg.	0.7%	0.3%	1.6%	0.3%	0.0%	1.3%	Rents are rising faster than nationally
Leasing activity in sq.ft.	79,021	151,691	80,383	100,568,800	81,175,252	81,276,145	Leasing volume is not rising as fast than nationally
Y/Y chg.in professional/business services jobs ('000) (as of last month of the quarter)	1	(2)	(1)	1,260	(501)	(1,715)	The area has slower office job creation than nationally
	2020	2019	2018	2020	2019	2018	
Inventory in sq. ft.	16,883,863	16,883,863	16,881,463	12,454,676,333	12,428,381,226	12,364,751,288	
Net delivered over 12 months, in sq.ft.	2,400	2,400	-	87,967,591	76,138,970	78,991,496	
Net delivered units, as % of inventory	0.0%	0.0%	0.0%	0.7%	0.6%	0.6%	
Under construction in sq.ft.	164,369	164,369	132,400	177,275,188	186,528,025	209,268,041	
Under construction, as % of inventory	1.0%	1.0%	0.8%	1.4%	1.5%	1.7%	Construction activity is slower than nationally
	2020	2019	2018	2020	2019	2018	
Total investment acquisitions (in million \$)	\$20.6	\$25.1	\$4.5	\$23,909.8	\$21,181.7	\$11,269.3	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$131	\$175	\$204	\$108	\$106	\$105	Prices are not rising as fast than nationally
Cap rate	5.0%	4.8%	4.8%	6.4%	6.6%	6.6%	Cap rates are lower than nationally

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### IV. Industrial

	Santa Rosa, CA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
<b>Demand indicators</b>							
Vacancy rate	4.9%	4.5%	4.7%	4.2%	4.5%	4.7%	The area has higher vacancy rate than nationally
Absorption in sq.ft. over the quarter	(63,581)	8,752	(33,502)	146,182,325	119,411,326	56,883,324	The area has lower pace of absorption than nationally
Absorption in sq.ft. over 12 months	121,693	151,772	(171,481)	437,432,148	348,133,148	231,052,238	
Asking rent per sq.ft.	\$14.4	\$14.2	\$13.8	\$6.5	\$6.4	\$6.1	
Asking rent growth, y/y % chg.	3.9%	3.3%	3.6%	5.2%	3.3%	3.6%	Rent growth is slower than nationally
Leasing activity in sq.ft.	286,038	257,343	414,459	319,474,044	296,163,970	254,024,482	Leasing volume is not rising as fast than nationally
<b>Supply indicators</b>							
Inventory in sq. ft.	34,633,942	34,564,392	34,431,388	26,553,663,022	26,461,805,496	26,166,021,757	
Net delivered over 12 months, in sq.ft.	202,554	133,004	16,200	385,387,457	398,260,005	382,527,483	Relatively more units are being delivered than nationally
Net delivered units, as % of inventory	0.6%	0.4%	0.0%	1.5%	1.5%	1.5%	
Under construction in sq.ft.	331,066	400,616	404,070	567,307,627	521,498,024	452,528,658	
Under construction, as % of inventory	1.0%	1.2%	1.2%	2.1%	2.0%	1.7%	Construction activity is slower than nationally
<b>Sales transactions</b>							
Total investment acquisitions (in million \$)	\$116.1	\$24.1	\$4.8	\$27,261.9	\$21,600.7	\$13,713.9	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$188	\$101	\$93	\$61	\$56	\$54	Prices are rising faster nationally
Cap rate	8.3%	0.0%	0.0%	7.4%	0.0%	0.0%	Cap rates are higher than nationally

### V. Retail

	Santa Rosa, CA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
<b>Demand indicators</b>							
Vacancy rate	4.2%	4.1%	4.1%	4.3%	4.5%	4.2%	The area has a lower vacancy rate than nationally
Absorption in sq.ft. over the quarter	(26,618)	(85,648)	(97,038)	26,554,046	6,829,628	(12,969,003)	The area has a faster pace of absorption than nationally
Absorption in sq.ft. over 12 months	(126,855)	(197,275)	(186,552)	12,853,280	(26,669,769)	5,842,298	
Asking rent per sq.ft.	\$24.2	\$24.2	\$24.0	\$14.5	\$14.5	\$14.3	
Asking rent growth, y/y % chg.	0.9%	0.8%	1.3%	1.4%	1.0%	1.5%	Rent growth is slower than nationally
Leasing activity in sq.ft.	75,962	43,737	27,479	65,144,289	60,598,011	44,924,273	Leasing volume is rising faster than nationally
Y/Y chg. in retail trade payroll employment ('000) (as of last month of the quarter)	1.00	(2.10)	(0.70)	822.30	(1,100.50)	(245.60)	The area has stronger retail trade job creation than nationally
<b>Supply indicators</b>							
Inventory in sq. ft.	24,643,307	24,639,903	24,752,387	15,772,300,571	15,764,713,778	15,724,204,780	
Net delivered over 12 months, in sq.ft.	(109,080)	(114,821)	2,086	46,178,397	47,102,191	58,535,237	Relatively fewer units are being delivered than nationally
Net delivered units, as % of inventory	-0.4%	-0.5%	0.0%	0.3%	0.3%	0.4%	
Under construction in sq.ft.	10,000	13,404	10,000	55,829,483	58,628,746	71,303,691	
Under construction, as % of inventory	0.0%	0.1%	0.0%	0.4%	0.4%	0.5%	Construction activity is slower than nationally
<b>Sales transactions</b>							
Total investment acquisitions (in million \$)	\$117.8	\$15.1	\$14.4	\$20,811.7	\$15,469.2	\$8,857.2	Sales transactions are rising faster than nationally
Transaction sale price per sq.ft.	\$291	\$232	\$613	\$134	\$136	\$134	Prices are not rising as fast than nationally
Cap rate	5.5%	5.4%	4.9%	6.6%	6.6%	6.7%	Cap rates are lower than nationally

### VI. Hotel/Lodging

	Santa Rosa, CA			U.S.			
	2021 Q2	2021 Q1	2020 Q2	2021 Q2	2021 Q1	2020 Q2	
Leisure and hospitality payroll workers ('000)	21.3	17.0	17.2	15,395.0	13,448.0	12,637.0	
Y/Y change ('000)	4.1	(7.4)	(9.2)	2,758.0	(2,297.0)	(4,590.0)	Job creation in the leisure industry is stronger than nationally
% share to nonfarm payroll employment	11.0%	9.1%	9.3%	10.5%	9.4%	9.1%	The area has a larger share of leisure jobs than nationally

\*An index below 50 means local market conditions are weaker than nationally, above 50 means local market conditions are stronger, and 50 means local market conditions are about the same as nationally. NAR derived the index by assigning 1 point for each indicator where local market conditions are better than the national (US) condition.

The total points for each local market are divided by the number of variables that are available at the local area, with 46 indicators if all the data are available. The fraction is multiplied by 100 to get the index.

Economic data may not be available for all markets. In some submarkets or metropolitan divisions (e.g., Long Island) reported by CoStar®, the economic data that is reported (e.g. employment) is of the metropolitan area (New York-Newark-Jersey City). The 390 markets in this report are based on the CoStar® market areas.

NAR reserves the right to add new variables or drop variables that comprise the index based on its analysis of variables that impact market trends.

Sources of data used: National Association of Realtors®, CoStar®, US Census Bureau, US Bureau of Labor Statistics, and US Bureau of Economic Analysis.

For information about this report, email data@nar.realtor.