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PENDING 2005 DEAL ACTIVITY BRIGHTENS MARKET OUTLOOK

North Bay U.S. 101 corridor commercial real estate vacancy in the third quarter fluctuated just 0.2-1.1 points from 12 months ago in both counties, according to estimates by **Orion Partners**, **BT Commercial**, and **Meridian Commercial**. By mid 2005, experts predict the market outlook will be brighter based on large deals in the offing.

The amount of direct office space available decreased 13% (about 100,000sf) in Marin, but the sublease space inventory increased by 200,000sf (13%), says Orion president and CEO **Bill McCubbin**. In Sonoma County during that period, direct-space availability decreased 21%, or 65,000sf, and sublease space fell 13%.

Health-care-related tenants have been driving activity, according to Mr. McCubbin, who cites **Sutter Health's** lease of 75,000sf in north San Rafael as a prime example. **Kaiser Permanente** is rumored to be interested in the 145,000sf **Fireman's Fund** is leasing at its Novato campus.

In Sonoma County, flex space vacancy decreased nearly 81,000sf to 15.9% in the third quarter from a year prior, according to Orion, with much of the available space near Sonoma County Airport. Several deals there, totaling more than 150,000sf, are set to close in the next nine months, according to **Keegan & Coppin** and Orion.

Also strong is downtown Santa Rosa, according to Orion agent **Paul Schwartz**. The departure of **Moss Adams** in mid 2005 to north Santa Rosa will enable law firm **Perry Johnson Anderson Miller & Moskowitz** to expand into that space. An undisclosed local law firm is vying for Perry's space at 703-707 Second Street.

Keegan & Coppin vice-president **Jim Keegan** projects the activity brewing in downtown Santa Rosa will intensify in the coming five years, once a new parking garage and one of two proposed large office buildings are built.

Locating in a business park was a "counterintuitive" option for **PRBO Conservation Science**, which is set to move from Point Reyes to Petaluma next fall (see "Bird research firm moves to Petaluma," October 11, p.1), according to **Meridian Commercial's Mark Levin**. Mr. Levin brokered PRBO's agreement to purchase 14,400sf in an office condominium project set to come out of the ground shortly in **Oakmead Northbay Industrial Park**. He convinced PRBO that resale value would be greater without a restricted land-use designation.