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COMMERCIAL REAL ESTATE PART 2

ROHNERT PARK/COTATI: Area has booked major deals with potential for more in '08

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BY MIKE FLITNER, KEEGAN & COPPIN CO. INC.
SPECIAL TO THE BUSINESS JOURNAL

ROHNERT PARK/COTATI – The industrial market for Rohnert Park/Cotati had a strong year in 2007 due mainly to absorption of existing office space.

The vacancy rate for office space was 26.4 percent at year end – down from 42.6 percent in 2006. The industrial vacancy was up slightly from 4.4 percent to 8.2 percent but still reflects a tight market for warehouse space. The big drop in the office vacancy rate is also a positive sign, given the economic belt tightening that is forecast for 2008.

The office market saw vacancy rates plunge as significant deals were made at Sonoma Mountain Village, the former Agilent Technologies campus. Major deals were inked with AT&T, 40,000 square feet of office space, and the Sonoma County Vintners Co-Op, 30,000 square feet of warehouse space. The former Motorola/Next Level buildings on State Farm Drive also generated activity that helped pull the office vacancy rates down.

New office tenants in the former Next Level building at 5789 State Farm Drive include software maker Netbooks, which took 10,000 square feet, and the Napa County Office of Education with about 13,700 square feet. In addition, another former Next Level building, 6085 State Farm Drive, absorbed 17,000 square feet of office/warehouse space as Sears-Standard of Excellence moved into new quarters and Golden Pacific Systems relocated into 5,900 square feet in the complex.

On the industrial front, Alvarado Street Bakery completed its relocation to Petaluma and returned the three buildings that were vacated back to the owner. The buildings, totaling approximately 35,000 square feet, have generated substantial interest. In addition, 510 Martin Ave. – 8,460 square feet – was leased to 2 Dye 4 Anodizing Inc., and a lease is pending for its 14,000-square-foot former office/production facility at 500 Martin Ave. The buildings have generated interest from a variety of industrial users in the 5,000 to 15,000 square feet size range.

Other recent developments in the area include Levitz Furniture closing its doors. The 45,000-square-foot retail building is now available for lease. Levitz is one of many firms that have experienced the backlash from the housing downturn, which has affected many businesses that are closely tied to home sales.

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Pacific Theaters recently announced that the Rohnert Park business is included in a bulk sale of 15 theaters in California and Hawaii. Pacific Theaters is selling, reportedly, the business to Reading International, which operates 44 multiplex cinemas in the U.S. and overseas. Sale of the business was scheduled to close on Feb. 22, according to a recent filing.

The market for both office and industrial space remains confined to existing buildings as environmental issues – namely wetlands, California tiger salamander and native plants – impact undeveloped sites. Properties are required to mitigate for these issues and the process is expensive and time consuming. New projects making their way to the marketplace in 2007 slowed to a trickle.

Projects that are currently in the works include the Station Casino project in northwest Rohnert Park and a major retail project at the former Rohnert Park Crushers site as well as redevelopment of Sonoma Mountain Village with a new single- and multi-family development proposed for the former Agilent campus.

The momentum that was generated in the 2007 office market is a positive indicator looking forward to 2008 – the market will be content with absorbing another large office space as the former AT&T building is now available for sale and for lease. The 69,000-square-foot building features large floor plans, and the minimum space size that is available is 4,500 square feet and is divisible up to eight units. How the market deals with this large block of office space will be an indicator of the health of the office market for 2008.

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