



Marin Office Market

Asking rents hold steady despite vacancy increase

Rental Rates and Vacancy

Overall vacancy increased by 170 basis points to 19.0%, a 490-basis-point year-over-year change. Class A vacancy increased by 150 basis points to 21.7%, a 530-basis-point year-over-year change. The increase in available space was due to a new block of 41K square feet added at Hamilton Landing, and 25K square feet added at Belvedere Place. Additionally, PFI added several small spaces throughout the market this quarter. As a result, net absorption was negative 140,178 square feet; the greatest amount of negative absorption in a single quarter since the beginning of the pandemic. Availability increased 190 basis points to 19.5%. The amount of sublease space on the market remained relatively unchanged, and it dropped by fewer than 4,000 square feet.

The increase in available space came with a modest decrease in overall asking rents, which ended the quarter at \$3.55/SF, an increase of 3.5% from last quarter and nearly consistent with the rate one year ago. At \$3.82/SF, Class A rents dropped 1.5% over the last quarter but increased 1.2% over the year. Class B rates have increased 1.8% quarter-over-quarter and 4.6% year-over-year to \$2.85/SF.

Office Leasing Activity

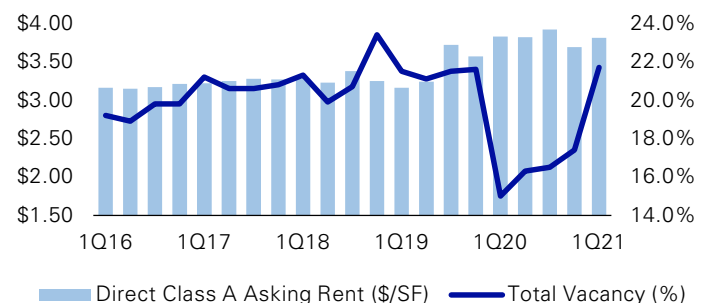
Leasing volume in the first quarter was 64,609 square feet. The largest lease of the quarter was Marin Health's lease extension for 18,215 square feet at 3950 Civic Center Drive. Also, this quarter, Wells Fargo Clearing Services signed a 7,129-square-foot new lease at Corte Madera Town Center with an option to expand to 9,191 square feet. Touring activity grew steadily over the quarter and is anticipated to grow stronger as more people are vaccinated.

Market Summary				
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.5M	7.3M	7.3M	↔
Vacancy Rate	19.0%	17.4%	15.0%	↑
Qtr Net Abs (SF)	-140K	-30K	-74K	↑
Avg FS Ask Rent/SF	\$3.55	\$3.43	\$3.56	↔
Under Const (SF)	0	0	20,000	↔

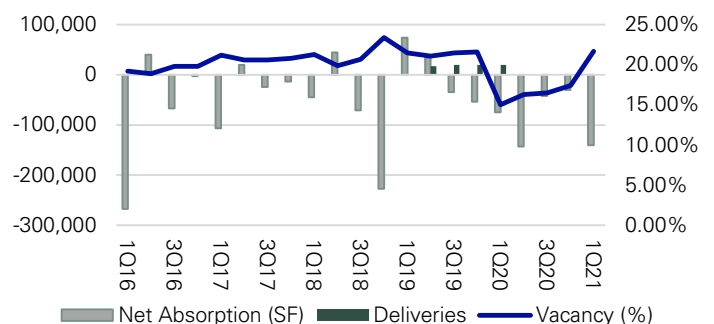
Note: Building set revised in 2021

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, NEW CONSTRUCTION & VACANCY RATE



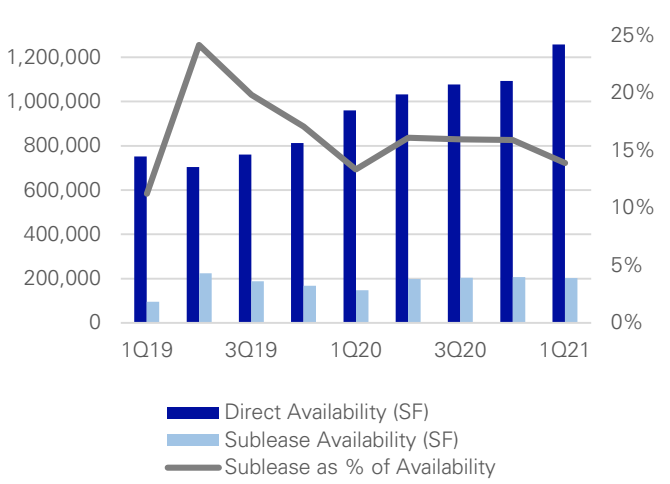
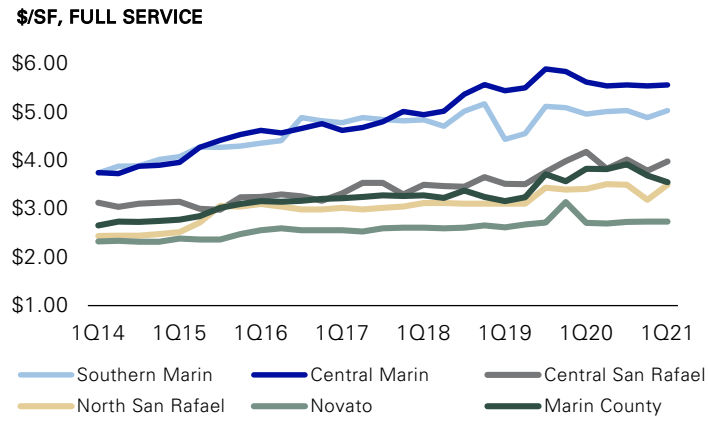
Investment Sales

In Novato 777 San Marin Drive, the former Fireman’s Fund Insurance campus, was sold for redevelopment in February for \$28.0 million to Bay West Development, a San Francisco-based development firm, and Forum Investment Group, a Colorado-based real estate investment and development firm. The 3-building campus on 63 acres had been vacant for a few years, and the new owners intend to redevelop the location into a multi-use complex including housing, neighborhood retail and other amenities.

Economic Outlook

Marin County’s unemployment rate dropped to 5.0% in February, a healthy decrease from the peak 12.1% rate in April 2020. The current rate compares favorably to the statewide rate of 8.4% and the national rate of 6.6% for the same period. As more businesses and activities are permitted to reopen, it is possible the unemployment rate will continue to drop.

Direct Class A Asking Rents by Submarket | Sublease V. Direct Availability (SF)



Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Marin Health	3950 Civic Center Drive	San Rafael	Extension	18,215
Wells Fargo Clearing Services, LLC	Corte Madera Town Center	Southern Marin	New Lease	7,129
Marin Health	Drake Landing Office Park	Central Marin	Extension	6,445
Gil Martin Group	Wood Island Office Complex	Central Marin	New Lease	5,504

RESEARCH 1Q 2021

Submarket Statistics – All Classes

	Total Inventory (SF)	Total Vacancy Rate	Total Vacancy (SF)	Total Availability Rate	Total Availability (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Southern Marin	978,697	21.2%	207,673	21.7%	212,673	-29,889	-29,889	\$4.85
Central Marin	1,148,563	14.9%	171,354	14.9%	171,354	-16,289	-16,289	\$5.01
Central San Rafael	1,356,465	13.0%	175,766	13.0%	175,766	-10,825	-10,825	\$3.41
North San Rafael	2,111,379	17.8%	375,949	18.0%	380,949	-10,478	-10,478	\$3.31
Novato	1,892,576	26.0%	491,457	27.4%	519,113	-72,697	-72,697	\$2.60
Marin County	7,487,680	19.0%	1,422,199	19.5%	1,459,855	-140,178	-140,178	\$3.55

Submarket Statistics – Class A

	Total Inventory (SF)	Total Vacancy Rate	Total Vacancy (SF)	Total Availability Rate	Total Availability (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Southern Marin	661,562	28.0%	185,468	28.8%	190,468	-33,369	-33,369	\$5.04
Central Marin	759,826	14.2%	107,886	24.2%	107,886	18,732	18,732	\$5.56
Central San Rafael	828,393	8.2%	68,216	8.2%	68,216	-2,604	-2,604	\$3.99
North San Rafael	1,530,785	20.2%	309,320	20.5%	314,320	-1,624	-1,624	\$3.51
Novato	1,195,409	34.1%	407,634	36.4%	435,290	-69,328	-69,328	\$2.74
Marin County	4,975,975	21.7%	1,078,524	22.4%	1,116,180	-88,193	-88,193	\$3.81

Submarket Statistics – Class B

	Total Inventory (SF)	Total Vacancy Rate	Total Vacancy (SF)	Total Availability Rate	Total Availability (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total FS Asking Rent (Price/SF)
Southern Marin	317,135	7.0%	22,205	7.0%	22,205	3,480	3,480	\$3.51
Central Marin	388,737	16.3%	63,468	16.3%	63,468	-35,021	-35,021	\$3.91
Central San Rafael	528,072	20.4%	107,550	20.4%	107,550	-8,221	-8,221	\$3.03
North San Rafael	580,594	11.5%	66,629	11.5%	66,629	-8,854	-8,854	\$2.42
Novato	697,167	12.0%	83,823	12.0%	83,823	-3,369	-3,369	\$2.08
Marin County	2,511,705	13.7%	343,675	13.7%	343,675	-51,985	-51,985	\$2.85

For more information:

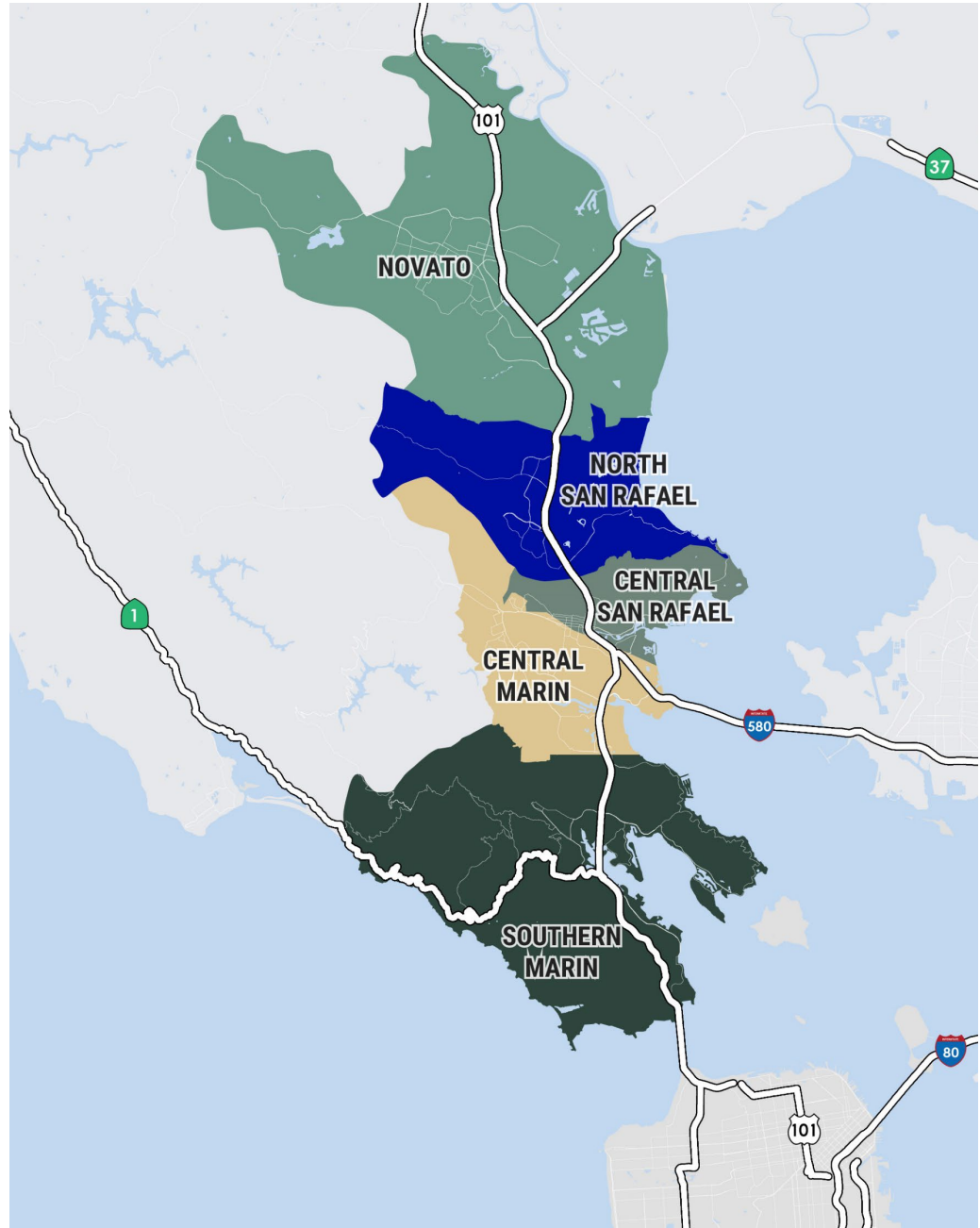
Newmark

1101 Fifth Street, Suite 230
San Rafael, CA 94901
t 415.526.7676
Corporate CA RE #: 00832933

Paolo Polese

Research Coordinator
paolo.polese@ngkf.com

nmrk.com



Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.