



# Marin Office Market

## New Year; New Deals

Market activity continued to stay on the positive side during the first quarter of this year, with over 123,529 square feet of leasing. Market-wide, net absorption was over 55,000 square feet in the first quarter of 2022, which marked the second quarter of positive net absorption (last quarter was 67,000 SF) since the second quarter of 2019. Marin County businesses are showing signs of getting back to normal as many mandated Covid restrictions have been lifted by the state.

Submarkets such as Southern Marin, Central San Rafael and Novato all registered positive net absorption in the first quarter, ranging from 13,000 to 44,000 square feet. As a result, overall vacancy decreased by 110 basis points since last quarter, to 18.9%; however, this reflects only a 10-basis-point year-over-year change from 19.0% from Q1 2021. Class A vacancy decreased by 70 basis points from last quarter to 21.9%, while Class B vacancy decreased by 170 basis point from last quarter to 12.9%. The decrease in available space came with a moderate increase in rates in overall asking rents, which ended the quarter at \$3.39/SF. Class A rents increased this quarter, ending at \$3.58/SF, up from \$3.45/SF last quarter. Also, Class B rates increased from the last quarter by \$0.07/SF, to \$2.77/SF. The most dramatic increases in the North Bay area have occurred in Southern Marin with \$0.51/SF rate increase and Central San Rafael class A office rent gained \$0.20/SF increases. These increases from last quarter signal a more stable office environment.

Several notable leases in the first quarter occurred in Southern Marin. At the Shoreline Office Center in Mill Valley, Jedi Labs, LLC has leased over 18,000 SF. Club Evexia, Inc. has also expanded their footprint in the property, which has now created a "wellness campus" at the property. Helix, LLC a genomic research company, leased 14,989 SF at 161 Mitchell Boulevard in San Rafael. In addition to new leases, numerous tenants have renewed their leases for longer terms, confirming stability in the area.

### Market Summary

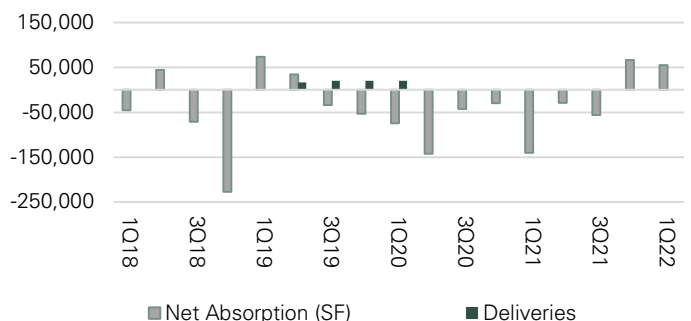
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.5M	7.5M	7.5M	→
Vacancy Rate	18.9%	20.0%	19.0%	↓
Quarterly Net Absorption (SF)	55K	67K	-140K	↑
Average Asking Rent/SF	\$3.39	\$3.34	\$3.55	→
Under Construction (SF)	0	0	0	→

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION AND DELIVERIES



## RESEARCH Q1 2022

### Sales Activity

Marin County Office sales remained stable, with increasing user sales activities. 101 Nelle Avenue in Corte Madera was purchased for \$7,000,000 by the same owner who sold 11 Professional Drive in San Rafael.

Marin County is actively working on creating more affordable housing, with the intent of attracting and retaining a diversified population in the area. Recent deals might help in resolving some of this issue, and several new sites have been approved for redevelopment into affordable single-family homes and multifamily dwellings. 1380 Lincoln Avenue is an example of user sale with the intent to redevelop into a 9 units apartments for future sales. Additionally, new apartment construction has started along the US 101 corridor in North San Rafael and Novato area.

### Outlook

The Marin County office market at the start of 2022 has several strong fundamentals that show the office market is rebounding, including:

- Asking rate increases in conjunction with positive absorption.
- The renewal and expansion of existing tenants.
- New leases from tenants looking to re-enter and establish an office workplace environment.
- An increase of owner/user sales by occupiers who are seeking the advantages of ownership.

The unemployment rate in the Marin County was 2.8 percent in February 2022, down from a revised 3.1 percent in January 2022, and below the year-ago estimate of 5.6 percent.

Nationally, household income and spending levels remain robust — albeit partly driven by rising inflation — while a strong jobs reading suggests the Federal Reserve will have plenty of wiggle room as it lifts interest rates to battle price pressures.

With the economy evidently on fairly strong footing, we'll be on the lookout for turning points, such as slowing momentum in housing prices, loosening of supply chains and any signs of slowing in the labor market, as the Fed plots its way forward.

### Select Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
Jedi Labs LLC	Southern Marin	Shoreline Office Center	New Lease	18,273
Helix, LLC	Northern San Rafael	161 Mitchell Blvd	New Lease	14,989
North Marin Water District	Novato	Wood Hollow Corporate Center	New Lease	10,289
NRT West, Inc	Northern San Rafael	Northgate Professional Center	Renewal	3,590
Bay Psychiatric Associates	Central Marin	300 Tamal Plaza	New Lease	3,222

### Select Sales Transactions

Building	Market	Sale Price	\$/SF	Square Feet
101 Nellen Ave	Marin Central	\$7,000,000	\$645	10,861
11 Professional Center Pkwy	San Rafael	\$2,800,000	\$362	7,730
1380 Lincoln Ave	San Rafael	\$1,000,000	\$195	5,130

RESEARCH Q1 2022

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	987,767	18.9%	186,477	20.1%	198,320	4,152	4,152	\$4.51
Central Marin	1,149,134	9.7%	111,519	10.9%	125,478	13,537	13,537	\$4.92
Central San Rafael	1,329,452	12.8%	169,604	13.0%	173,378	44,076	44,076	\$3.38
North San Rafael	2,111,379	21.4%	452,516	21.0%	442,527	-30,680	-30,680	\$3.27
Novato	1,892,576	25.8%	488,341	27.2%	514,779	24,051	24,051	\$2.65
<b>Marin County</b>	<b>7,470,308</b>	<b>18.9%</b>	<b>1,408,457</b>	<b>19.5%</b>	<b>1,454,482</b>	<b>55,136</b>	<b>55,136</b>	<b>\$3.39</b>

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	23.7%	156,862	24.9%	164,692	14,432	14,432	\$4.77
Central Marin	759,826	10.1%	76,445	11.7%	89,172	3,571	3,571	\$5.17
Central San Rafael	789,784	12.3%	97,511	11.0%	86,930	11,489	11,489	\$4.16
North San Rafael	1,530,785	24.1%	368,538	24.4%	373,538	-22,567	-22,567	\$3.43
Novato	1,195,409	32.0%	382,857	34.3%	410,279	6,753	6,753	\$2.75
<b>Marin County</b>	<b>4,937,366</b>	<b>21.9%</b>	<b>1,082,213</b>	<b>22.8%</b>	<b>1,124,611</b>	<b>13,678</b>	<b>13,678</b>	<b>\$3.58</b>

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	326,205	9.1%	29,615	10.3%	33,628	-10,280	-10,280	\$3.46
Central Marin	389,308	9.0%	35,074	9.3%	36,306	9,966	9,966	\$3.95
Central San Rafael	539,668	13.4%	72,093	16.0%	86,488	32,587	32,587	\$2.90
North San Rafael	580,594	14.5%	83,978	11.9%	68,989	-8,113	-8,113	\$2.45
Novato	697,167	15.1%	105,484	15.0%	104,500	17,298	17,298	\$2.23
<b>Marin County</b>	<b>2,532,942</b>	<b>12.9%</b>	<b>326,244</b>	<b>13.0%</b>	<b>329,871</b>	<b>41,458</b>	<b>41,458</b>	<b>\$2.77</b>

*For more information:*

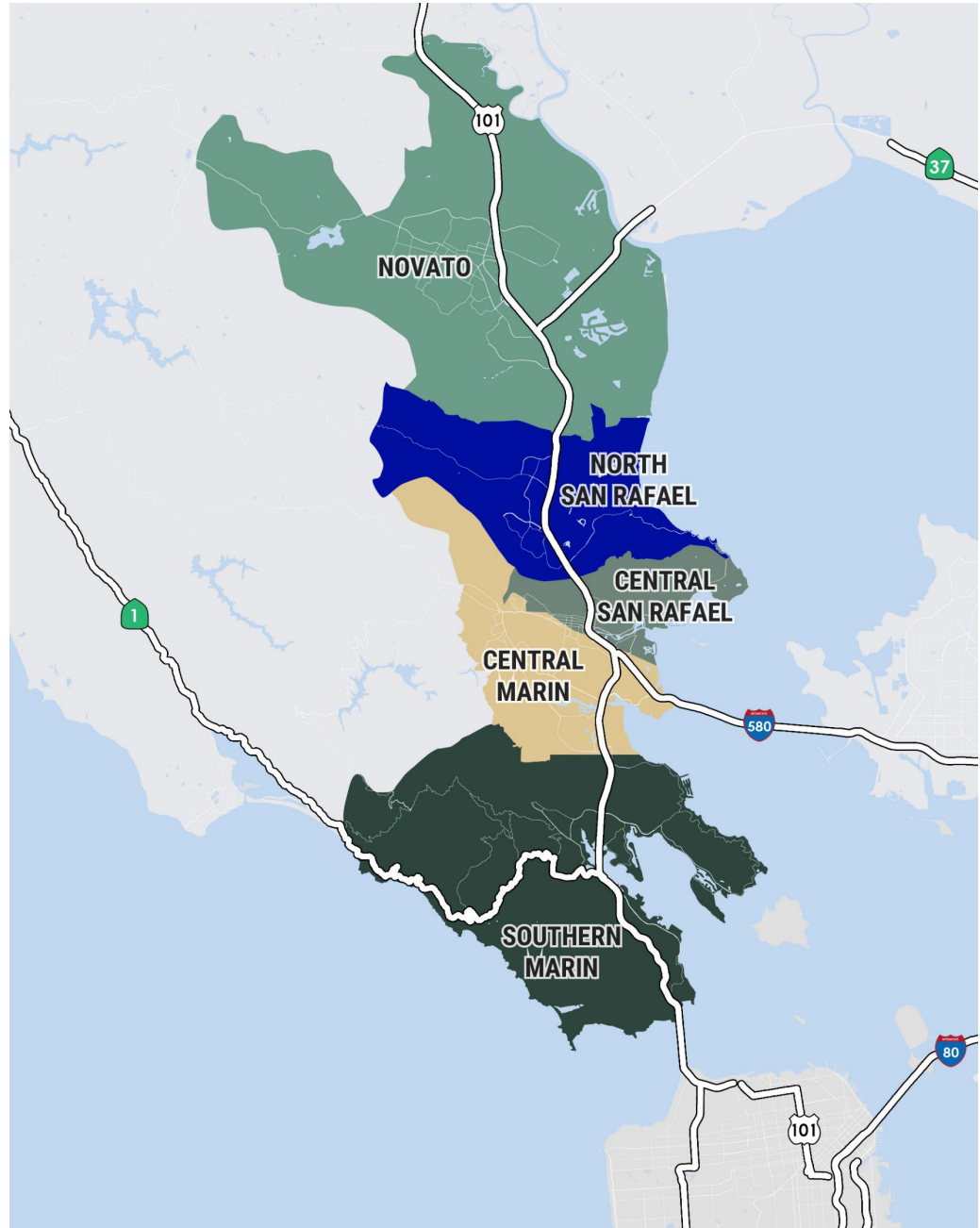
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