



Marin Office Market

Asking Rents Slightly Lower as Recovery Improves

Vacancy and Rental Rates

Overall vacancy rate stabilized, only increasing by 40 basis points since last quarter, to 19.4%. This reflects a 310-basis-point year-over-year change from 16.3%. The largest new vacancies came in the Novato submarkets, including 12,802 square feet at 7 Hamilton Landing. Additionally, 24,337 square feet is available and will be vacant as of July 1, 2021, at 100 Wood Hollow Road.

Class A vacancy increased just by 30 basis points from last quarter to 22.0%, a 370-basis-point year-over-year change from 18.3%. Net absorption improved since last quarter, resulting in 28,616 square feet negative absorption, compared with 140,178 square feet negative absorption last quarter. Central Marin had 10,462 square feet of positive absorption for this quarter. No submarket had a net absorption change (either positive or negative) of more than 22,000 square feet, signaling a stabilization in the overall market as the worst part of the pandemic draws towards an end. Availability slightly increased to 20.2% from 19.5% in the last quarter. Additionally, the amount of sublease space on the market decreased, dropping by 47,512 square feet, as some spaces were leased and tenants took space back.

The increase in available space came with a modest decrease in overall asking rents; the quarter ended at \$3.48/SF, a decrease of 1.9% from last quarter and nearly 2.5% from the rate one year ago. At \$3.70/SF, Class A rents dropped by 2.9% over the last quarter. Class B rates remains same quarter-over-quarter and increased by 4.2% year-over-year to \$2.84/SF.

Office Leasing Activity

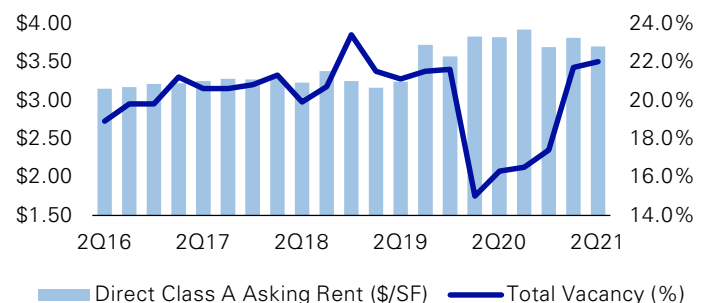
Touring activity grew steadily over the quarter and is anticipated to grow stronger as more people are vaccinated and offices begin reopening. Leasing volume in the second quarter of 2021 was 56,245 square feet. The largest lease of the quarter was Activision Publishing's lease renewal for 23,664 square feet at 4 Hamilton Landing. Renewals are not included in quarterly leasing totals.

Market Summary				
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.5M	7.5M	7.2M	↔
Vacancy Rate	19.4%	19.0%	16.3%	↓
Qtr Net Abs (SF)	-29K	-140K	-143K	↑
Avg FS Ask Rent/SF	\$3.48	\$3.55	\$3.57	↔
Under Const (SF)	0	0	0	↔

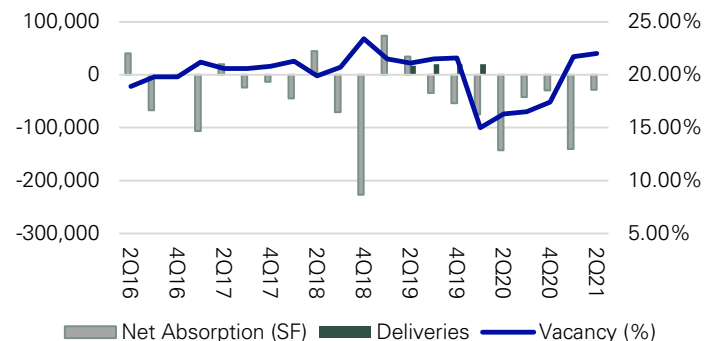
Note: Building set revised in 2021

Market Analysis

ASKING RENT AND VACANCY



NET ABSORPTION, NEW CONSTRUCTION & VACANCY RATE



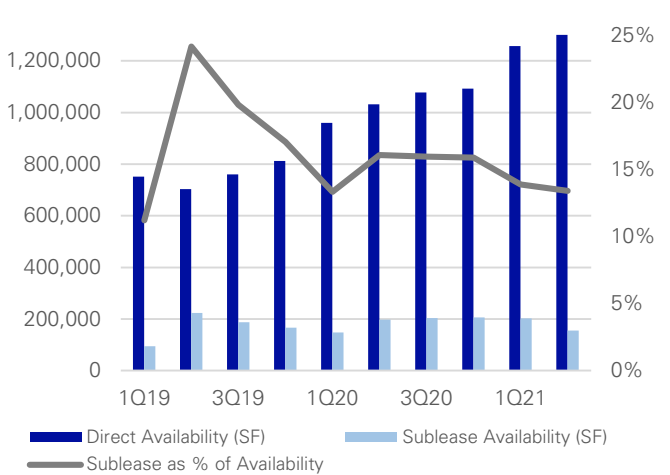
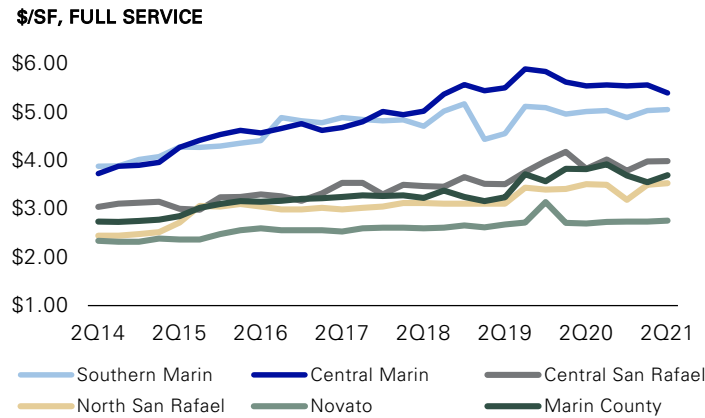
Outlook

Since last quarter, when much of Marin's negative net absorption occurred, the occupancy rates appear to have leveled off.

Asking rents appear to have stabilized; there were also few reductions in asking rates overall. Marin County's unemployment rate dropped to a low of 4.6% in April as more businesses and activities return to normal.

Looking ahead, as office tours are increasing, expect to see increased leasing activity and reoccupation in the second half of 2021. Additionally, Marin County will likely become the object of stronger attention by San Francisco office users due to a healthy inventory of low-rise buildings (which eliminate the need to share elevators), abundant and largely free parking, ample building stock with outdoor amenity spaces and easy automobile and bicycle commutes.

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



Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Activision Publishing, Inc.	4 Hamilton Landing	Novato	Lease Renewal	23,664
Financial Co.	Drakes Landing Office Park	Central Marin	New Lease	8,111
Mind Therapy Clinic	Hunt Plaza - 240 Tamal Vista Blvd	Central Marin	Lease Renewal	5,000
Fulcrum Legal Graphics Inc.	Rafael Town Center	Central San Rafael	New Lease	2,275

RESEARCH 2Q 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	22.6%	221,372	23.1%	226,372	-13,699	-43,588	\$4.87
Central Marin	1,148,563	14.0%	160,892	14.0%	160,892	10,462	-5,827	\$4.85
Central San Rafael	1,356,465	12.9%	175,414	12.9%	175,414	352	-10,473	\$3.41
North San Rafael	2,111,379	18.8%	397,184	19.0%	402,184	-21,235	-31,713	\$3.34
Novato	1,892,576	26.2%	495,953	28.9%	546,208	-4,496	-77,193	\$2.63
Marin County	7,487,680	19.4%	1,450,815	20.2%	1,511,070	-28,616	-168,794	\$3.48

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	30.3%	200,157	31.0%	205,157	-14,689	-48,058	\$5.05
Central Marin	759,826	12.5%	94,933	12.5%	94,933	12,953	31,685	\$5.40
Central San Rafael	828,393	8.1%	67,069	8.1%	67,069	1,147	-1,457	\$3.99
North San Rafael	1,530,785	21.1%	323,306	21.4%	328,306	-13,986	-15,610	\$3.53
Novato	1,195,409	34.2%	408,739	38.4%	458,994	-1,105	-70,433	\$2.7
Marin County	4,975,975	22.0%	1,094,204	23.2%	1,154,459	-15,680	-103,873	\$3.70

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	6.7%	21,215	6.7%	21,215	990	4,470	\$3.51
Central Marin	388,737	17.0%	65,959	17.0%	65,959	-2,491	-37,512	\$3.91
Central San Rafael	528,072	20.5%	108,345	20.5%	108,345	-795	-9,016	\$3.03
North San Rafael	580,594	12.7%	73,878	12.7%	73,878	-7,249	-16,103	\$2.42
Novato	697,167	12.5%	87,214	12.5%	87,214	-3,391	-6,760	\$2.09
Marin County	2,511,705	14.2%	356,611	14.2%	356,611	-12,936	-64,921	\$2.84

For more information:

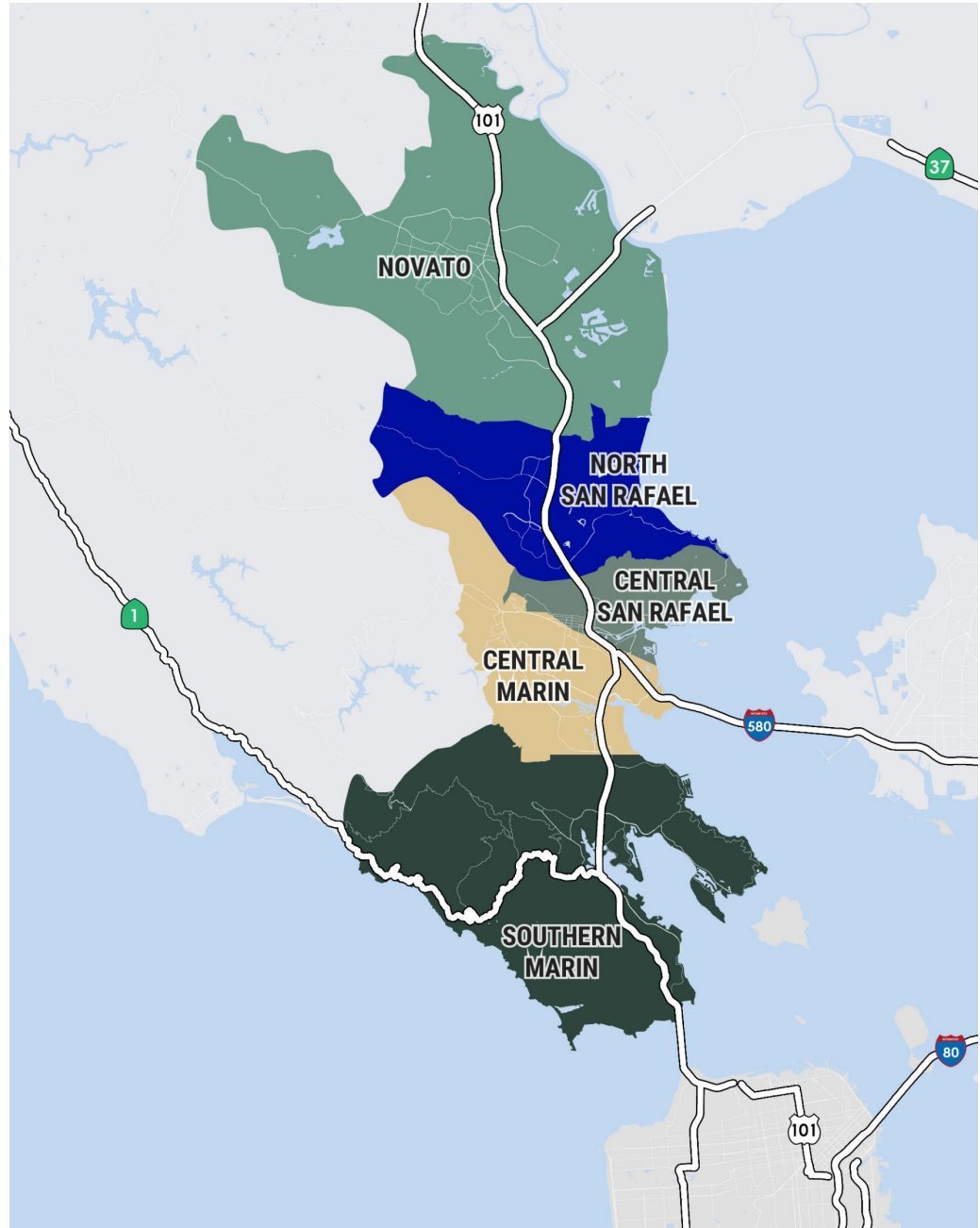
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective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

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