



Marin Office Market

Promising Absorption in Q3

Market activity for Marin County showed promise in the third quarter of 2022, with office occupancy having a positive net absorption of 45,137 square feet. Marin County employees returning to office is encouraging, with a year-to-date net absorption of 77,496 square feet. As employees continue to return to the office, vacancy rates have been dropping, most notably in Central Marin.

Vacancy dropped by 10 basis points from the second quarter of 2022, to 18.4%. The vacancy rate is now 2.3 percentage points less than it was in the third quarter of 2021. Class A vacancy went down 70 basis points from the second quarter of 2022, while Class B vacancy increased by 100 basis points. This disparity between Class A and Class B space is indicative of companies seeking quality space with amenities in an effort to incentivize employees to come back to the office. The most profound change in availability in the Marin County office market is in North San Rafael due to Autodesk putting 115,514 square feet on

Current Conditions

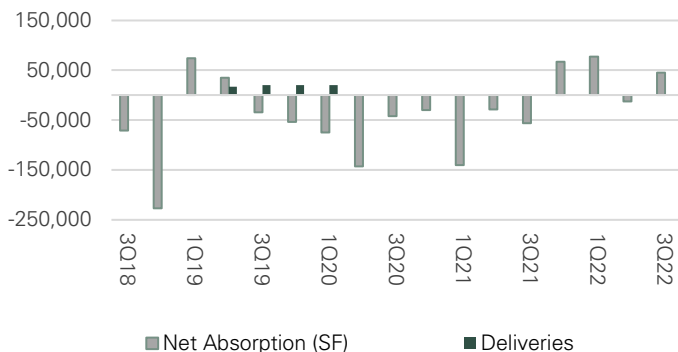
- 45,137 SF of positive absorption
- Overall asking rates increased to \$3.38/SF/month from \$3.36/SF/month
- Class B rates increased by \$0.06/SF/Month
- Marin County's unemployment rate remained low at 2.4%

Market Summary

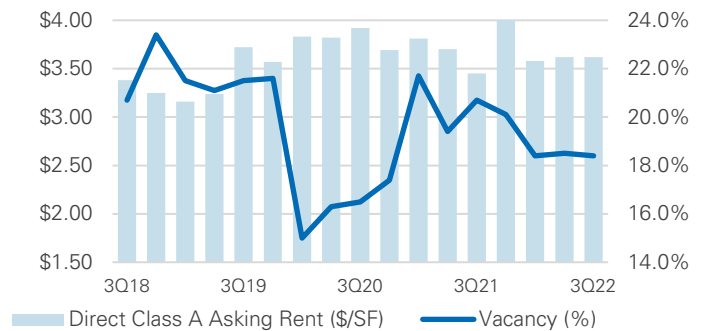
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.5M	7.5M	7.5M	→
Vacancy Rate	18.4%	18.5%	19.4%	↓
Quarterly Net Absorption (SF)	45K	-13K	-29K	↑
Average Asking Rent/SF	\$3.38	\$3.36	\$3.70	→
Under Construction (SF)	0	0	0	→

Market Analysis

NET ABSORPTION AND DELIVERIES



ASKING RENT AND VACANCY RATE



RESEARCH Q3 2022

the market at 111 McInnis Pkwy. Without Autodesk's space, availability would only increase slightly from last quarter.

Leasing Activity

Leasing volume for large spaces was rather low in the third quarter of 2022, with only one lease over 5,000 square feet signed: Bernard Osher Marin Jewish Community Center leased 6,227 square feet at 36 Tiburon Blvd in Southern Marin. There were 47 new leases in Marin County this quarter, ranging from 500 to 5,000 square feet. The demand for smaller spaces is prevalent.

Sales Activity

There were five building sales over \$1.5 million during the third quarter of 2022. The highest priced sale was at 828

Mission Ave. in Central San Rafael, which was sold in August for \$2.3 million, or \$396/SF. 1048 Redwood Hwy. Frontage Rd. was sold in July for \$1.9 million or \$841/SF, which was the most expensive per square foot, out of the select sales transactions.

Economic Outlook

The Marin County unemployment rate has risen slightly in the second quarter of 2022 to 2.4%, still well below the state average of 4.1%. As time goes on, employees are slowly coming back into the office, which is increasing the demand for office space in select areas. Tour activity remains consistent especially in the class A buildings as we continue to see a flight to quality. There is significant lease activity with deals totaling over 50,000 square feet anticipated to close in the 4th quarter of 2022.

Select Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
Bernard Osher Marin Jewish Community Center	Southern Marin	36 Tiburon Blvd	New Lease	6,227
Avila Encore Management	Central Marin	770 Tamalpais Dr	Lease Expansion	4,696
Ethos Veterinary Health, LLC	Central San Rafael	863 E Francisco Blvd	Renewal	3,900

Select Sales Transactions

Building	Market	Sale Price	\$/SF	Square Feet
1058 Redwood Hwy	Mill Valley	\$2,200,000	\$573	3,840
117-121 Paul Dr	San Rafael	\$1,620,000	\$205	7,886
3445 State Route 1	Stinson Beach	\$1,755,000	\$674	2,605
828 Mission Ave	San Rafael	\$2,278,000	\$434	5,254
1048 Redwood Hwy Frontage Rd	Mill Valley	\$1,850,000	\$841	2,200

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	17.4%	172,150	17.4%	171,753	6,714	19,549	\$4.81
Central Marin	1,149,134	8.8%	101,071	10.7%	122,495	14,627	25,529	\$4.99
Central San Rafael	1,330,124	14.7%	195,559	15.8%	210,131	502	16,967	\$3.34
North San Rafael	2,111,379	21.1%	445,916	28.6%	603,364	9,436	-23,671	\$3.23
Novato	1,892,576	24.4%	461,891	26.8%	506,636	13,858	39,122	\$2.54
Marin County	7,470,980	18.4%	1,376,587	21.6%	1,614,379	45,137	77,496	\$3.38

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	21.8%	144,479	21.8%	144,082	5,451	26,815	\$5.09
Central Marin	759,826	8.5%	64,477	11.3%	85,901	5,637	17,083	\$5.44
Central San Rafael	789,784	14.2%	112,432	14.2%	112,432	-1,236	-9,374	\$3.92
North San Rafael	1,530,785	23.6%	361,991	35.0%	536,218	7,776	-16,020	\$3.41
Novato	1,195,409	28.7%	342,587	32.4%	387,001	12,753	43,579	\$2.69
Marin County	4,937,366	20.8%	1,025,966	25.6%	1,265,634	30,381	62,083	\$3.62

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	8.5%	27,671	8.5%	27,671	1,263	-7,266	\$3.35
Central Marin	389,308	9.4%	36,594	9.4%	36,594	8,990	8,446	\$3.94
Central San Rafael	540,340	15.4%	83,127	18.1%	97,699	1,738	26,341	\$2.95
North San Rafael	580,594	14.5%	83,925	11.6%	67,146	1,660	-7,651	\$2.39
Novato	697,167	17.1%	119,304	17.2%	119,635	1,105	-4,457	\$2.01
Marin County	2,533,614	13.8%	350,621	13.8%	348,745	14,756	15,413	\$2.68

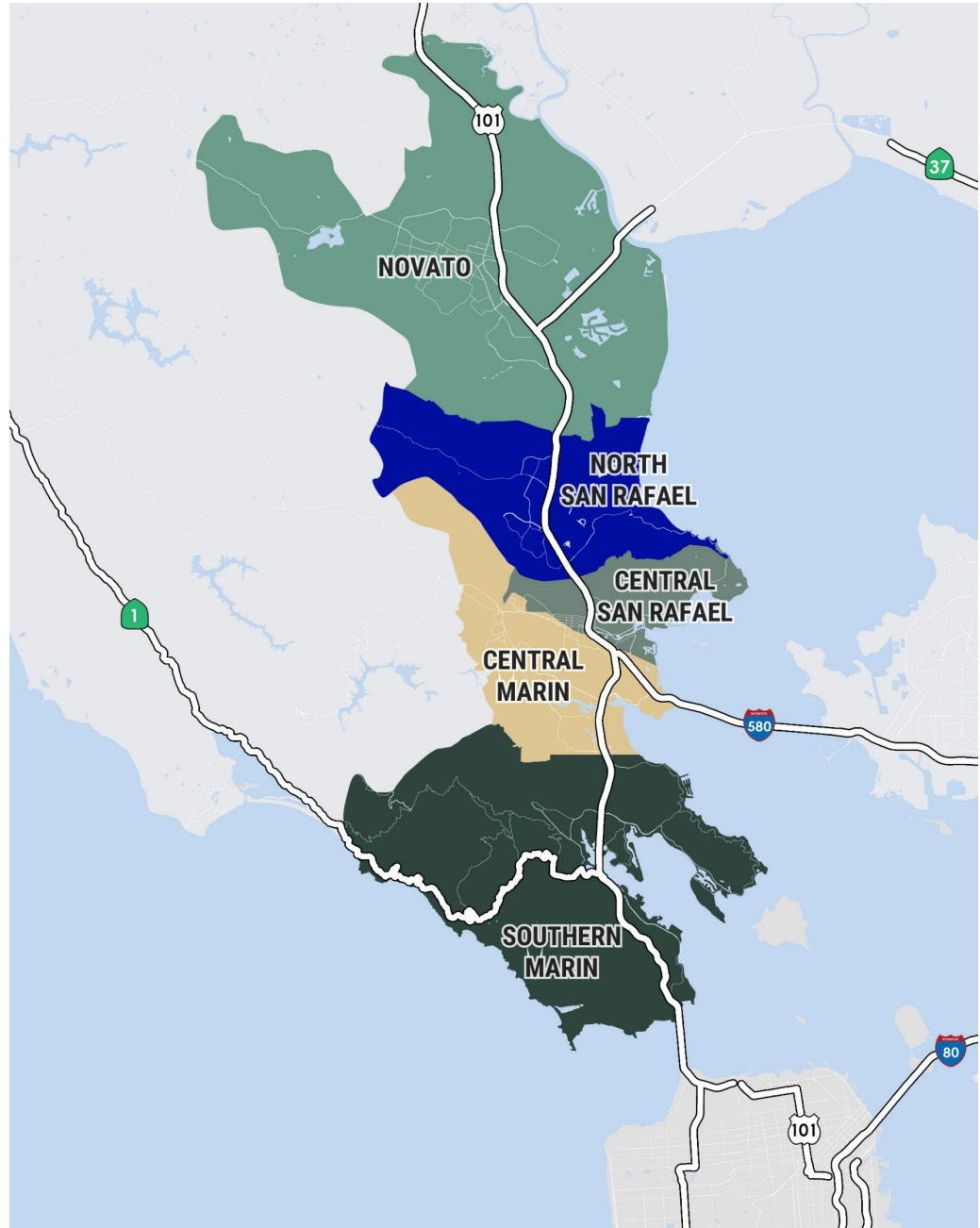
For more information:

Newmark

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

Jack Baughman

Research Analyst
jack.baughman@nmrk.com
nmrk.com



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