

3Q23

# Marin County Office Market Overview

NEWMARK

# Market Observations

## Economy

- Office-using employment continues to experience negative growth, largely due to hybrid work and downsizing of companies.
- Marin County's unemployment rate increased from May to August by 70 basis points to 3.7%, but it remains 90 basis points below the State of California.
- The Leisure and Hospitality sector experienced the largest year-over-year increase in employment, a 15.6% growth since August of 2022.

## Major Transactions

- The largest lease signed in the third quarter of 2023 was at Hamilton Landing in Novato, where WX Brands leased 11,583 RSF.
- Also in Novato, North Marin Water District extended their 10,289 RSF lease at 100 Wood Hollow Drive.
- In Central Marin, Fidelity National Title downsized and signed a new 2,351 RSF lease at 770 Tamalpais Drive in Corte Madera.
- Also in Central Marin, Prima Medical Foundation renewed 3,868 RSF at 1351 S Eliseo Drive.

## Leasing Market Fundamentals

- The Marin County office vacancy rate increased by 10 basis points to 19.2% in the second quarter of 2023, in part due to the removal of two buildings from the office inventory, 2401 Kerner Blvd and 3301 Kerner Blvd, which are slated to be redeveloped into alternative commercial uses.
- Asking rates across Marin County have remained constant over the course of 2023 and are not expected to change.
- Tenants are expected to continue being drawn to well improved high-end buildings, with the Class A vacancy rate decreasing by 20 basis points to 21.8% in the third quarter of 2023.
- Hybrid work trends continue to inspire downsizing into quality buildings, allowing employers to better incentivize workers to return to the office.

## Outlook

- The Marin County office market is fairing well when compared to nearby urban metros such as San Francisco, which posted an office vacancy rate of 27.3% in the third quarter of 2023
- Companies exiting and downsizing out of larger metro areas is expected to result in a decrease in vacancy across Marin County throughout 2023.
- With a number of Marin County office buildings scheduled to be converted to housing as well as new housing developments, it is expected in years to come that there will be a lack of supply for the demand of office space. The Association of Bay Area Governments is mandating 14,000 new units of housing in Marin County over the course of the next 8 years, which will contribute to demand for office space.

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# Economy

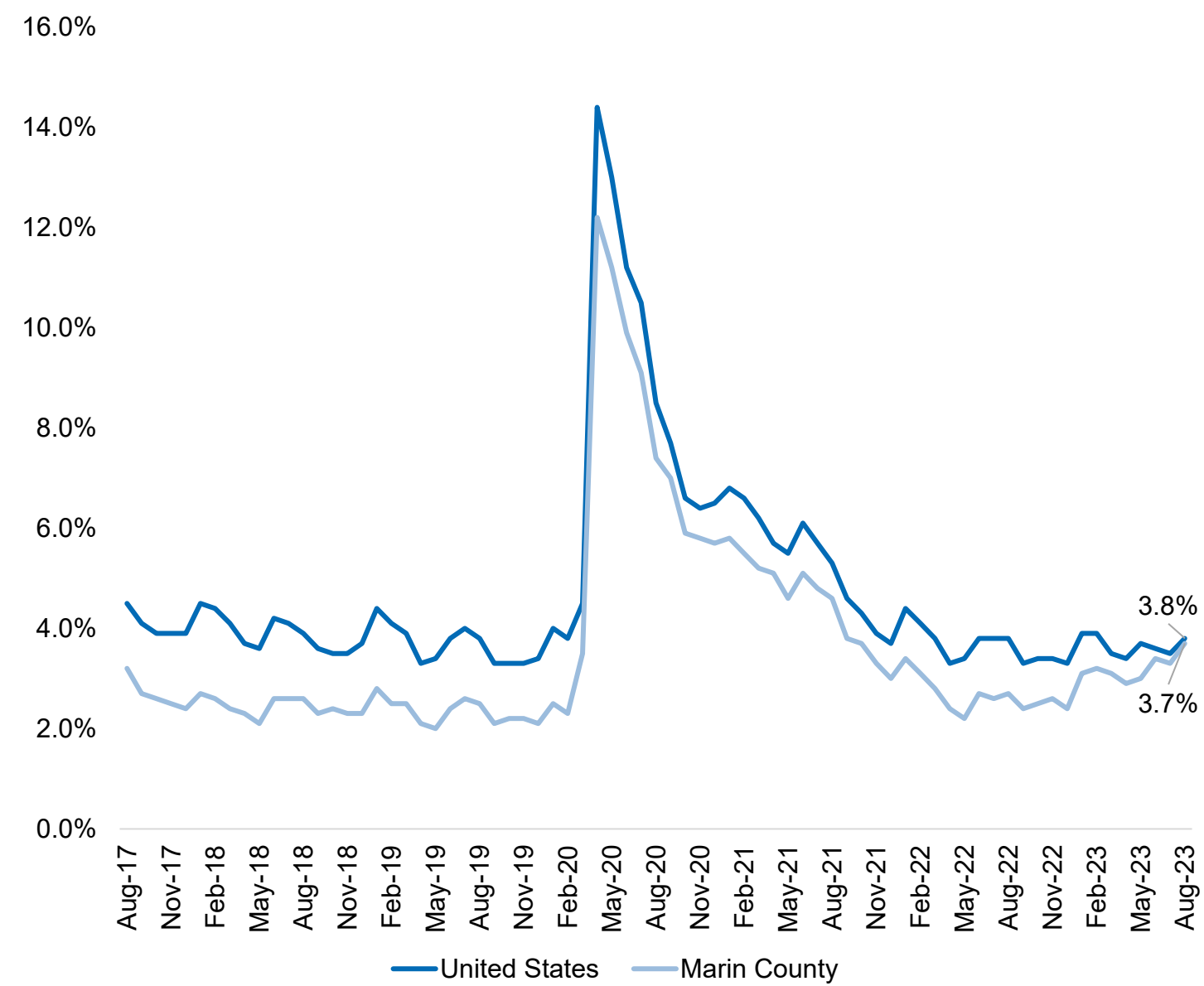




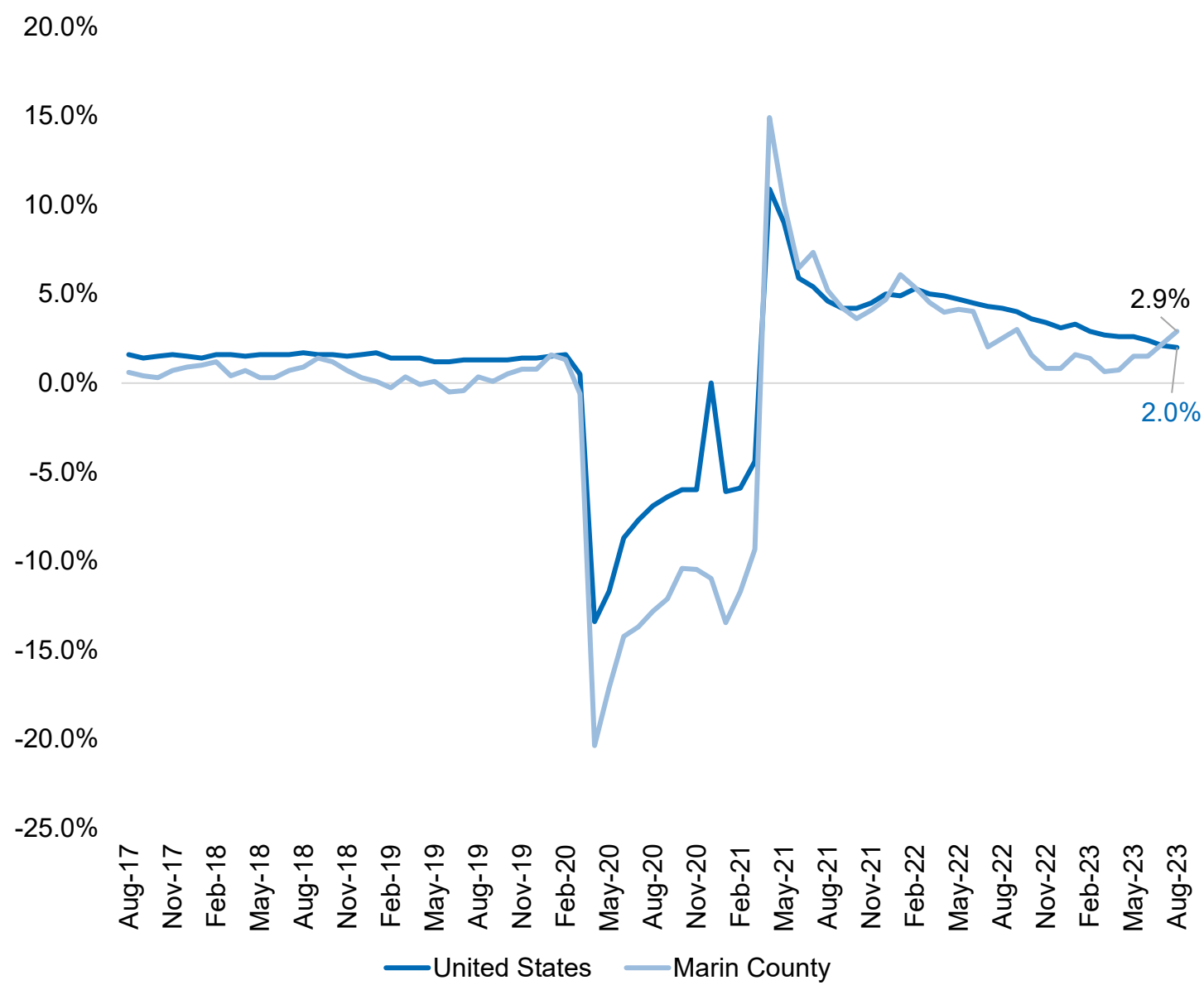
# Metro Employment Increase

Marin County’s unemployment rate has slightly increased over the course of the third quarter of 2023. Marin County’s unemployment rate is 100 basis points higher than it was in August of 2022. At 3.7%, the unemployment rate in Marin County is 10 basis points below the National rate.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

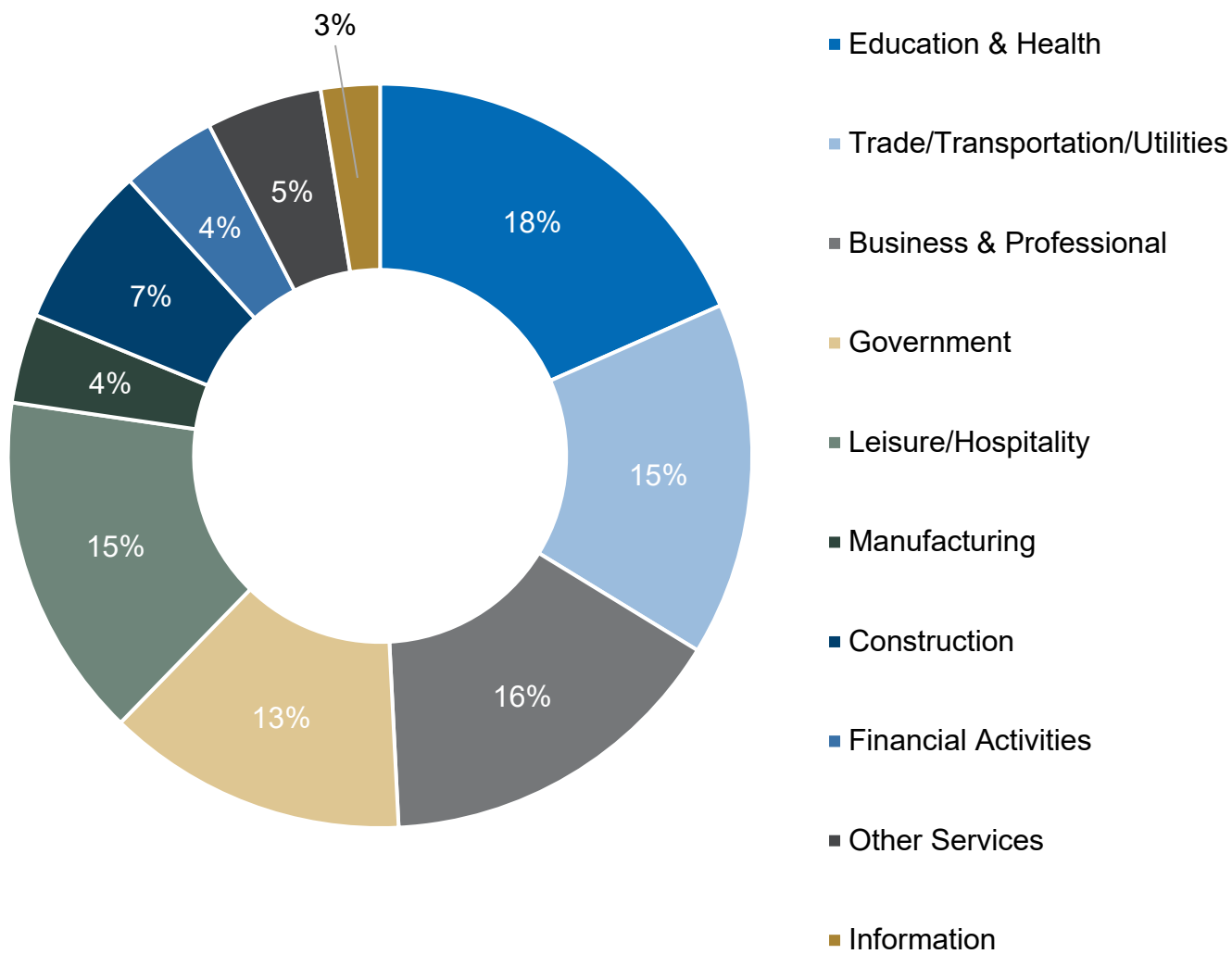


Source: U.S. Bureau of Labor Statistics, San Rafael (comprised of Marin County)

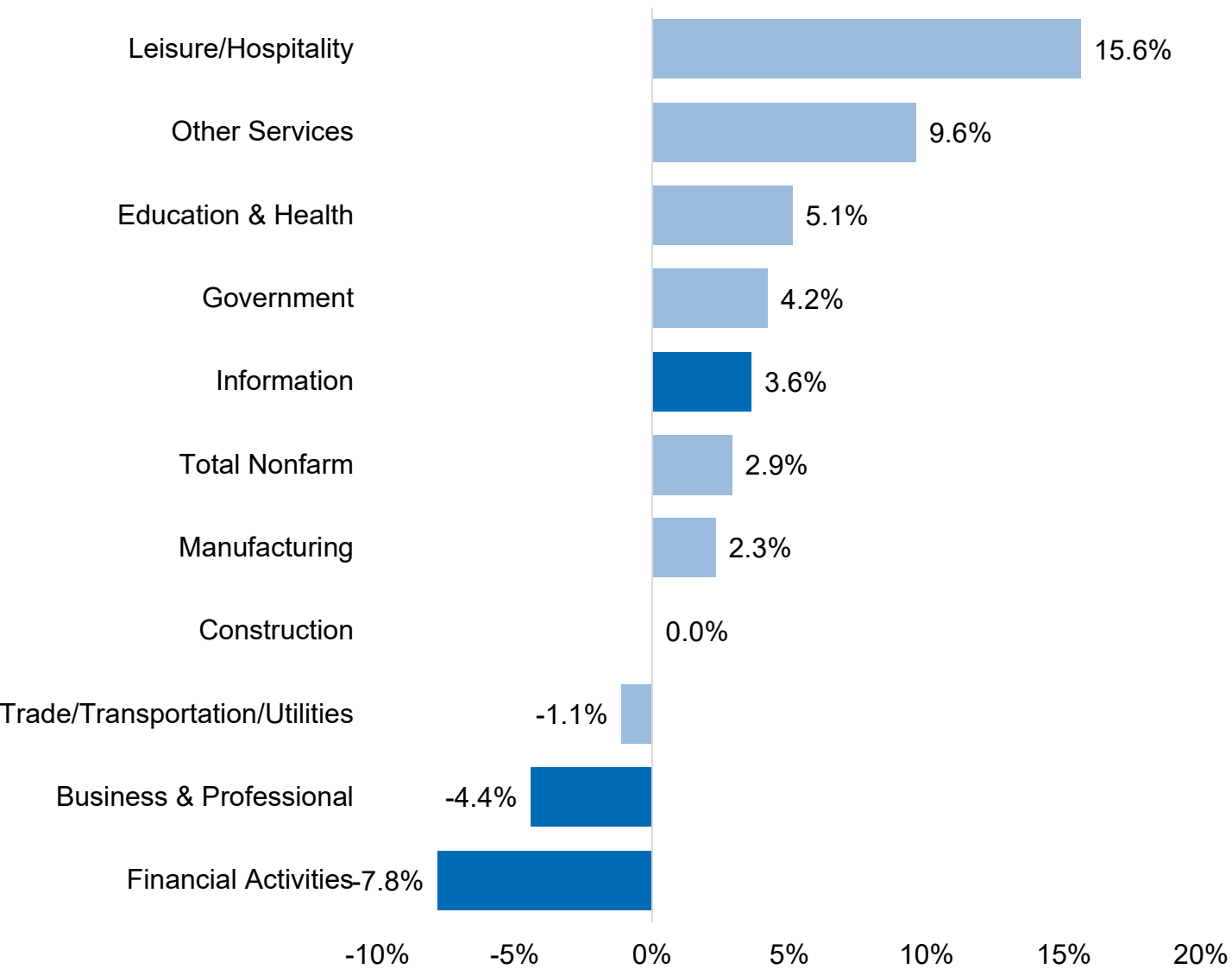
# Office-Using Employment Down

The education and health sector has the most employees in Marin County, followed by business and professional Services and trade/transportation/utilities. Information is the only office using employment that has experienced year over year growth.

Employment by Industry, August 2023



Employment Growth by Industry, 12-Month % Change, August 2023

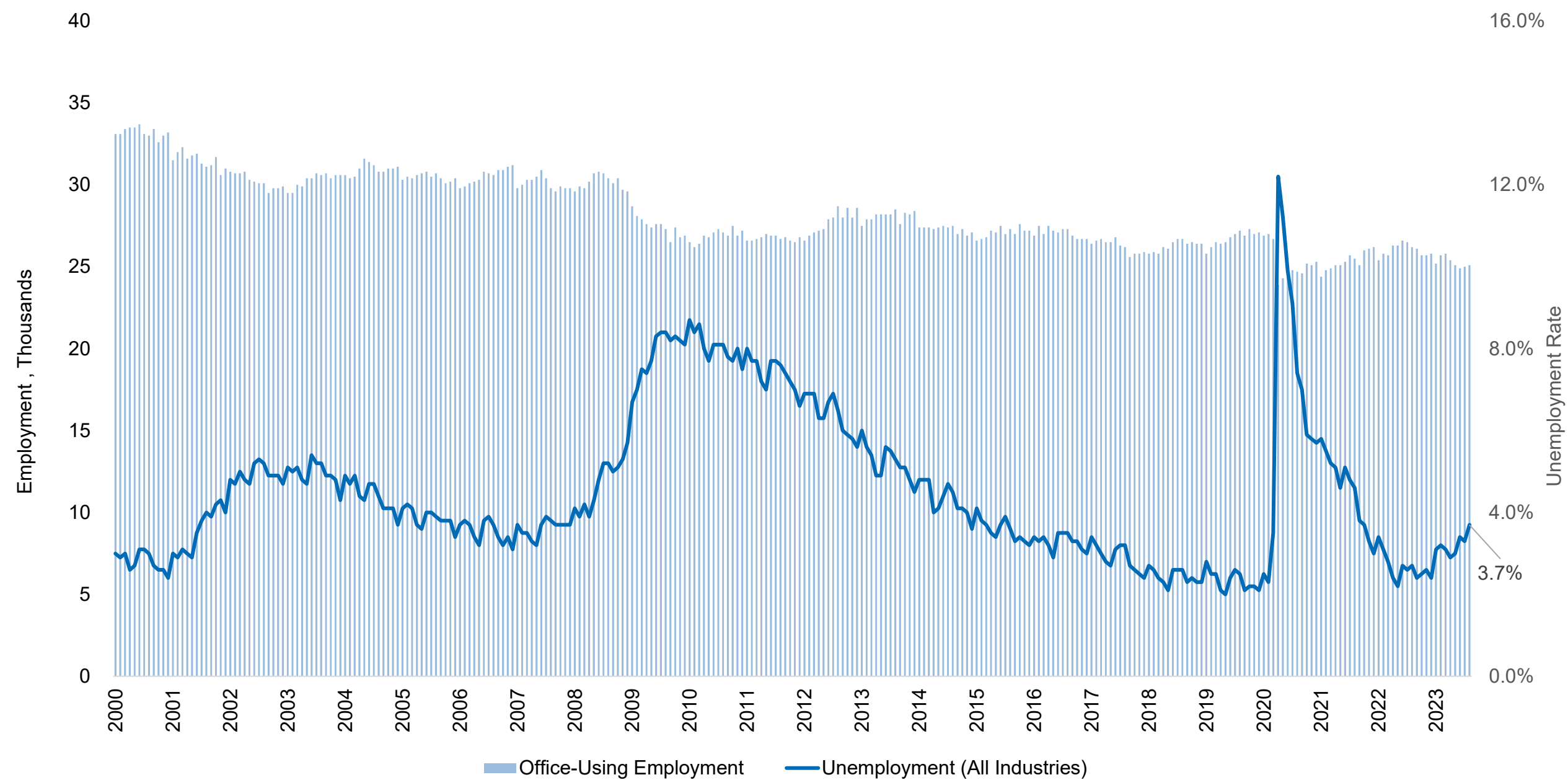


Source: U.S. Bureau of Labor Statistics, San Rafael (comprised of Marin County)

# Office-Using Employment Remains Under Pre-Pandemic Totals

The number of office jobs in Marin County is trending up, yet still has not reached pre-pandemic levels. The unemployment rate has declined drastically since the pandemic but has increased 70 basis points over the third quarter of 2023.

Office-Using Employment\* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, San Rafael (comprised of Marin County). Note: May 2023 data is preliminary.  
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.



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# Leasing Market Fundamentals

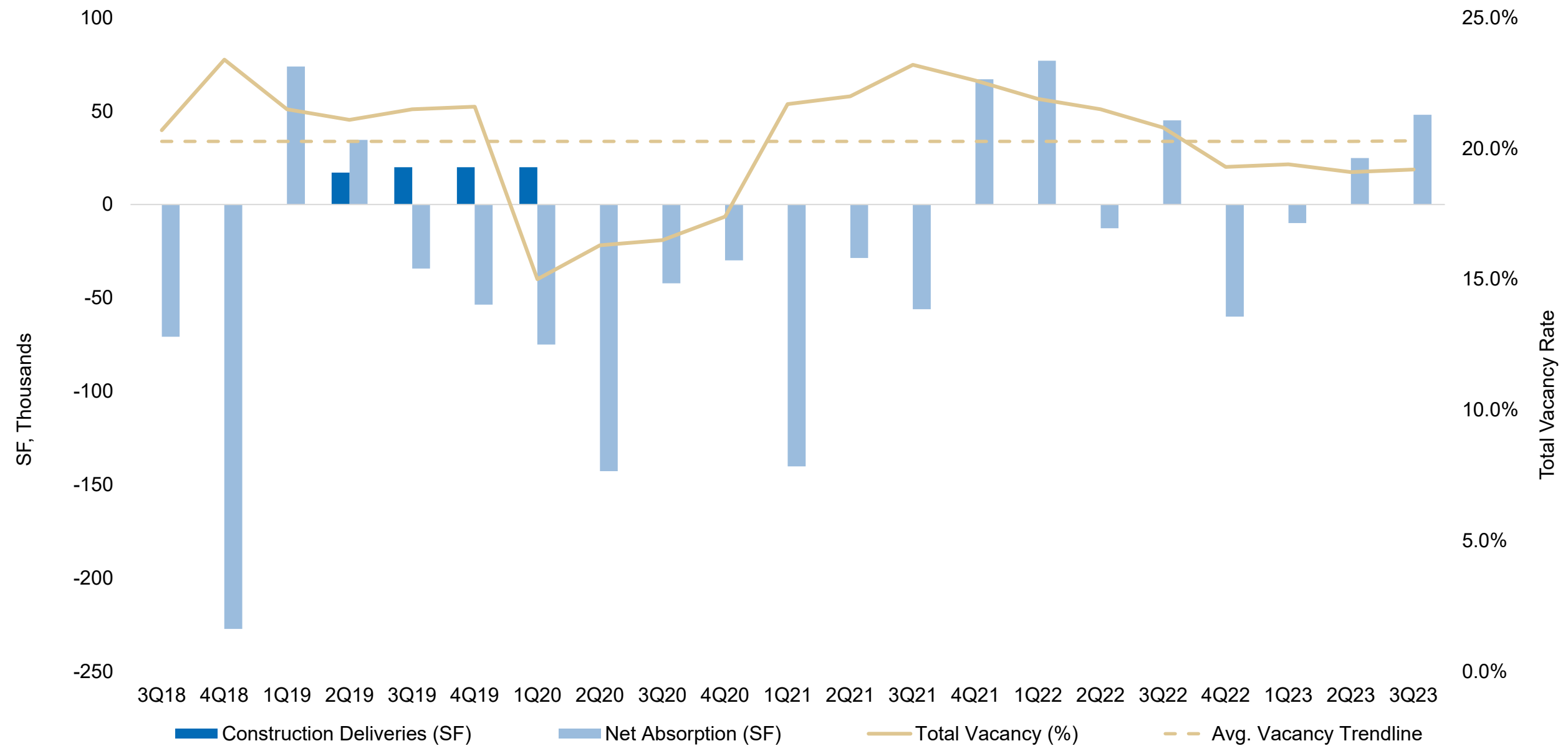




# Office Vacancy Increased in 3Q23

The vacancy rate for office space in Marin County increased by from 19.1% in the second quarter of 2023 to 19.2% in the third quarter. This is partly due to fully leased 2401 and 3301 Kerner Boulevard being removed from the inventory to be converted into other products. However, net absorption was positive 48,107 square feet.

Historical Construction Deliveries, Net Absorption, and Vacancy

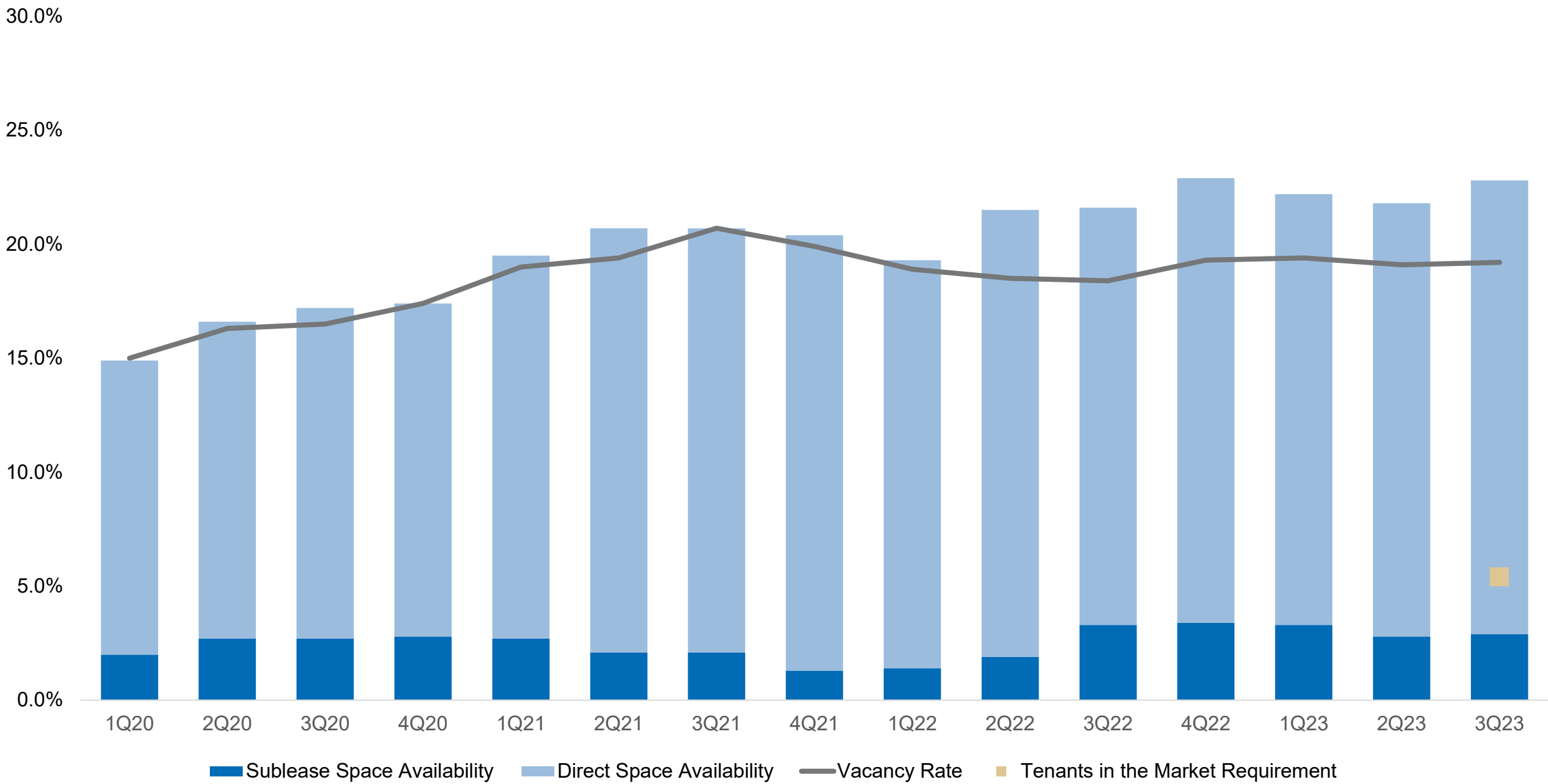


Source: Newmark Research

# Tenants in the Market Demand

The current third quarter demand for tenants in the market is 5.4% of the 7.39-million-SF total office inventory in Marin County. Demand for office space in Marin County is expected to increase as more companies exit larger metropolitan areas.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar



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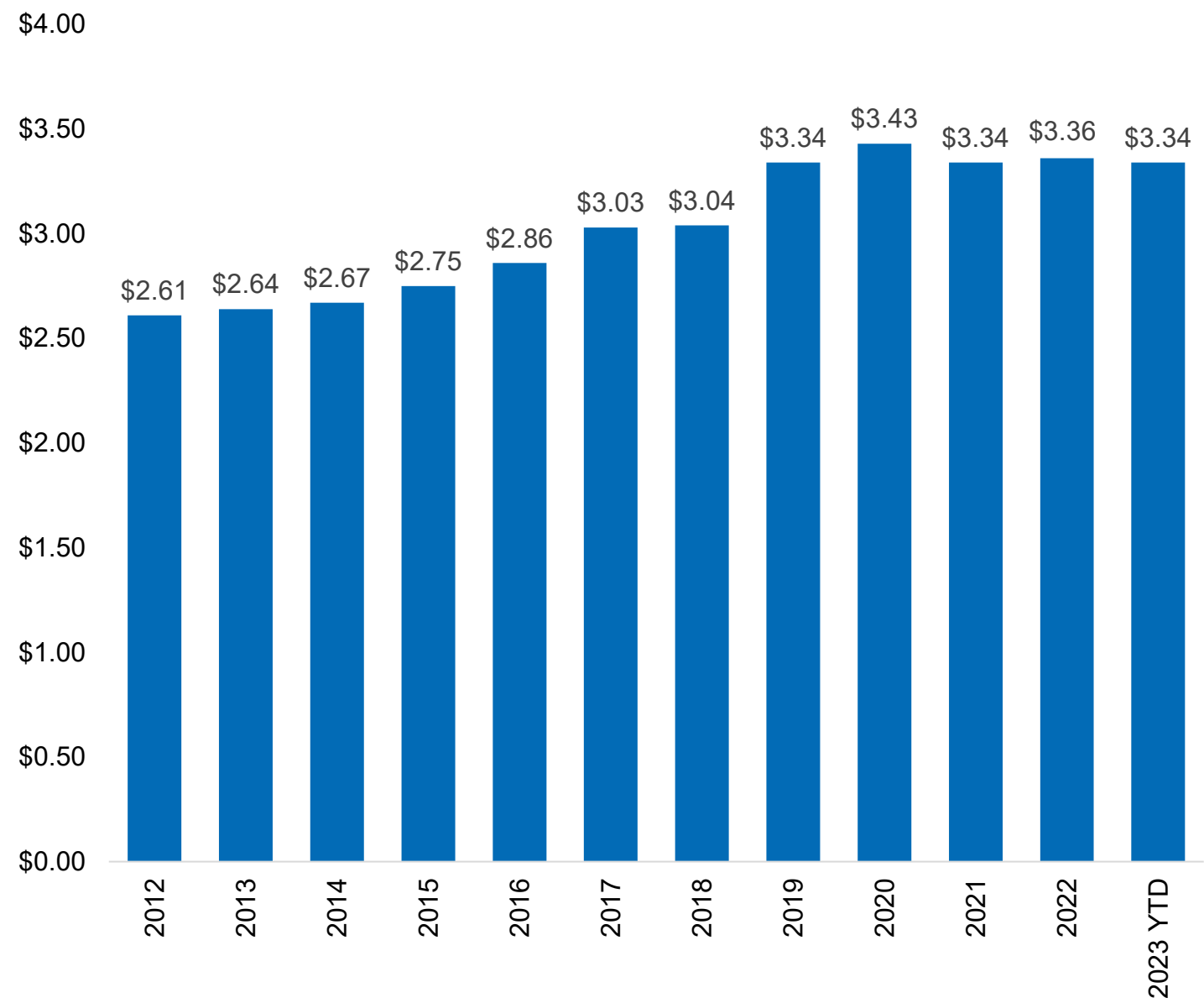
## Office Availability by Submarket

Please reach out to your  
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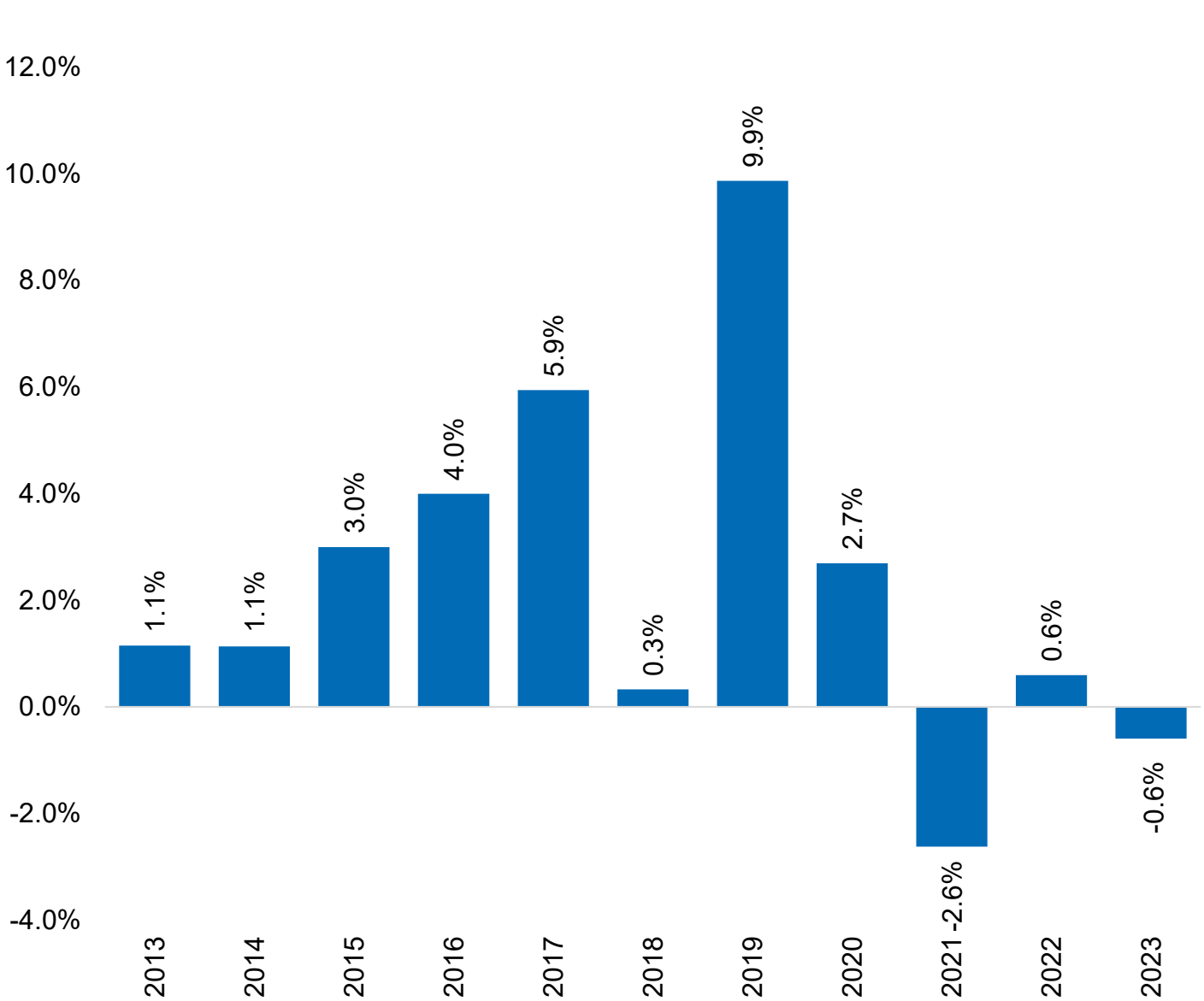
# Office Asking Rents Remain Constant

Asking rents in Marin County have dropped 20 basis points over the course of 2023. It is expected that asking rents remain constant into the foreseeable future.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar



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## Asking Rents by Submarket

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# 3Q23 Lease Transactions

There were 62 office leases over 500 SF in Marin County in the third quarter of 2023.

## Notable 3Q23 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
WX Brands	4 Hamilton Landing	Novato	New Lease	11,583
North Marin Water District	100 Wood Hollow Drive	Novato	Extension	10,289
Prima Medical Foundation	1341 S Eliseo	Marin Central	Renewal	3,868
Glassberg Pollack & Associates	1000 Fourth Street	San Rafael Central	Renewal	2,496
Fidelity National Title Company	770 Tamalpais Drive	Marin Central	New Lease	2,351
Ken Kreger	100 Tamal Plaza	Marin Central	Renewal	2,203
Environmental Commodity Partners	100 Shoreline Highway	Marin Southern	New Lease	2,087

Source: Newmark Research



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# Appendix





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# Marin County Office Market Statistics

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