

# Marin Office Market

## Positive Momentum in the Fourth Quarter

Market activity continued to increase during the fourth quarter of 2021, with over 82,700 square feet of leasing. Market-wide, the fourth quarter saw over 67,000 square feet of positive net absorption, which marked the first quarter of positive net absorption seen since the second quarter of 2019. Marin County is showing signs of a shift towards pandemic recovery, and businesses show signs of adapting and reacting to the new variant. Notably, some companies are still shifting work preferences to a hybrid model and are selecting smaller spaces. With that being said, submarkets such as Southern Marin, Central Marin and Novato have all registered positive net absorption in the fourth quarter ranging from 18,000 to 50,000 square feet.

Overall vacancy decreased by 70 basis points since last quarter, to 20.0%; however, this reflects a 260-basis-point year-over-year change from 17.4%. Class A vacancy decreased by 60 basis points from last quarter to 22.6%, while Class B vacancy decreased by 110 basis point from last quarter to 14.6%. The decrease in available space came with a stable rate in overall asking rents; the quarter ended at \$3.34/SF. Class A rents increased this quarter, ending at \$4.05/SF, up from \$3.45/SF last quarter. At the same time, Class B rates decreased from the last quarter by \$0.19/SF, to \$2.70/SF. Class B asking rents appear to be offered at a bargain rate to spur transactions, but while there were small reductions in asking rates overall, these rates will not last much longer due to the increase in touring activities and reduction of availability.

Marin County office sales remained active during the fourth quarter of 2021, and Marin County continues to be an attractive market to investors. Hamilton Zanze and

### Market Summary

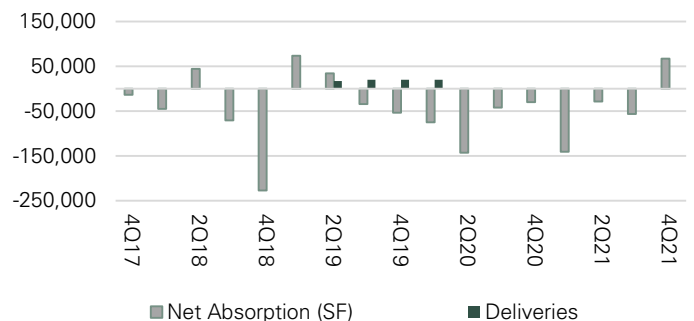
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	7.5M	7.5M	7.5M	→
Vacancy Rate	20.0%	20.7%	17.4%	↓
Quarterly Net Absorption (SF)	67K	-56K	-30K	↑
Average Asking Rent/SF	\$3.34	\$3.35	\$3.43	→
Under Construction (SF)	0	0	0	→

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION AND DELIVERIES



## RESEARCH Q4 2021

Graham Street Realty, two affiliated Bay Area-based national real estate investment firms, and Davidson Kempner Capital Management, a New York-based investment management firm, have closed on the acquisition of a 60-property portfolio spread across Marin and Sonoma Counties. The portfolio comprises more than 1.4 million square feet of commercial and multi-family properties which were acquired for a total purchase price of \$436.5 million. It was transacted through the Federal Bankruptcy Court, where the properties have been held since late 2020. The group was named the winning bidder after the court's open bidding process was held in September.

### Outlook

Momentum is positive, and the office market is on the path to recovery. More than 55 deals under 3,000 square feet were signed during this quarter, as tenants re-enter the workplace and re-establish their real estate footprints.

Given widespread vaccine availability, the development of new therapeutic treatments and leisure travel trending toward pre-COVID-19 levels, optimism is growing for a continued bounce-back for the year 2022.

Many tenants are still figuring out their long-term real estate plans and to what degree they adopt work-from-home strategies. A hybrid mix of in-office and teleworking will likely be the dominant model.

The unemployment rate in Marin County was 2.9% in November 2021, down from a revised 3.4% in October 2021 and below the year-ago estimate of 4.9%. Broader macroeconomic recovery remained robust, with more than 6.0 million national new jobs created over the course of the year. Record consumer spending and major legislation introduced surrounding infrastructure investment have created reasons for future optimism.

### Select Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
Woodruff-Sawyer & Co.	Novato	75 Rowland Way	Renewal	6,527
Undisclosed	Novato	10 Commercial Blvd	New Lease	5,668
Center for Volunteer & Nonprofit Leadership	San Rafael - Northern	1 McInnis Pkwy	New Lease	4,390

### Select Sales Transactions

Building	Market	Sale Price	\$/SF	Square Feet
Bulk/ Properties Portfolio	Multiple	\$436.5M	\$314.19	1.4M
Paradise Point: 5725 Paradise Dr. (part of 6 Multi Property)	Marin Central	\$32M	\$318.33	100,524

RESEARCH Q4 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	19.5%	190,629	20.7%	202,472	18,605	-4,356	\$4.00
Central Marin	1,148,563	10.9%	125,056	11.3%	129,647	51,604	34,209	\$5.08
Central San Rafael	1,329,452	16.1%	213,680	17.5%	232,590	-25,687	-48,739	\$3.21
North San Rafael	2,111,379	20.0%	421,836	20.1%	424,902	-13,509	-56,365	\$2.87
Novato	1,892,576	28.1%	531,498	29.6%	561,039	36,061	-112,738	\$2.35
<b>Marin County</b>	<b>7,460,667</b>	<b>19.9%</b>	<b>1,482,699</b>	<b>20.8%</b>	<b>1,550,650</b>	<b>67,074</b>	<b>-187,989</b>	<b>\$3.34</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	25.9%	171,294	27.1%	179,124	3,552	-19,195	\$4.46
Central Marin	759,826	10.5%	80,016	11.1%	84,607	24,560	50,802	\$5.68
Central San Rafael	789,784	13.8%	109,000	13.8%	108,678	-36,322	-43,388	\$3.96
North San Rafael	1,530,785	22.6%	345,971	22.8%	349,037	-3,403	-38,275	\$3.44
Novato	1,195,409	34.2%	408,716	37.3%	445,401	52,385	-70,410	\$2.68
<b>Marin County</b>	<b>4,937,366</b>	<b>22.6%</b>	<b>1,114,997</b>	<b>23.6%</b>	<b>1,166,847</b>	<b>40,772</b>	<b>-120,466</b>	<b>\$4.05</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	317,135	6.1%	19,335	7.4%	23,348	15,053	14,839	\$3.31
Central Marin	388,737	11.6%	45,040	11.6%	45,040	27,044	-16,593	\$3.87
Central San Rafael	528,072	19.4%	102,500	23.1%	121,732	12,815	-3,171	\$2.90
North San Rafael	580,594	13.1%	75,865	13.1%	75,865	-10,106	-18,090	\$2.45
Novato	697,167	17.6%	122,782	16.6%	115,638	-16,324	-42,328	\$2.09
<b>Marin County</b>	<b>2,511,705</b>	<b>14.6%</b>	<b>365,522</b>	<b>15.2%</b>	<b>381,623</b>	<b>28,482</b>	<b>-65,343</b>	<b>\$2.70</b>

*For more information:*

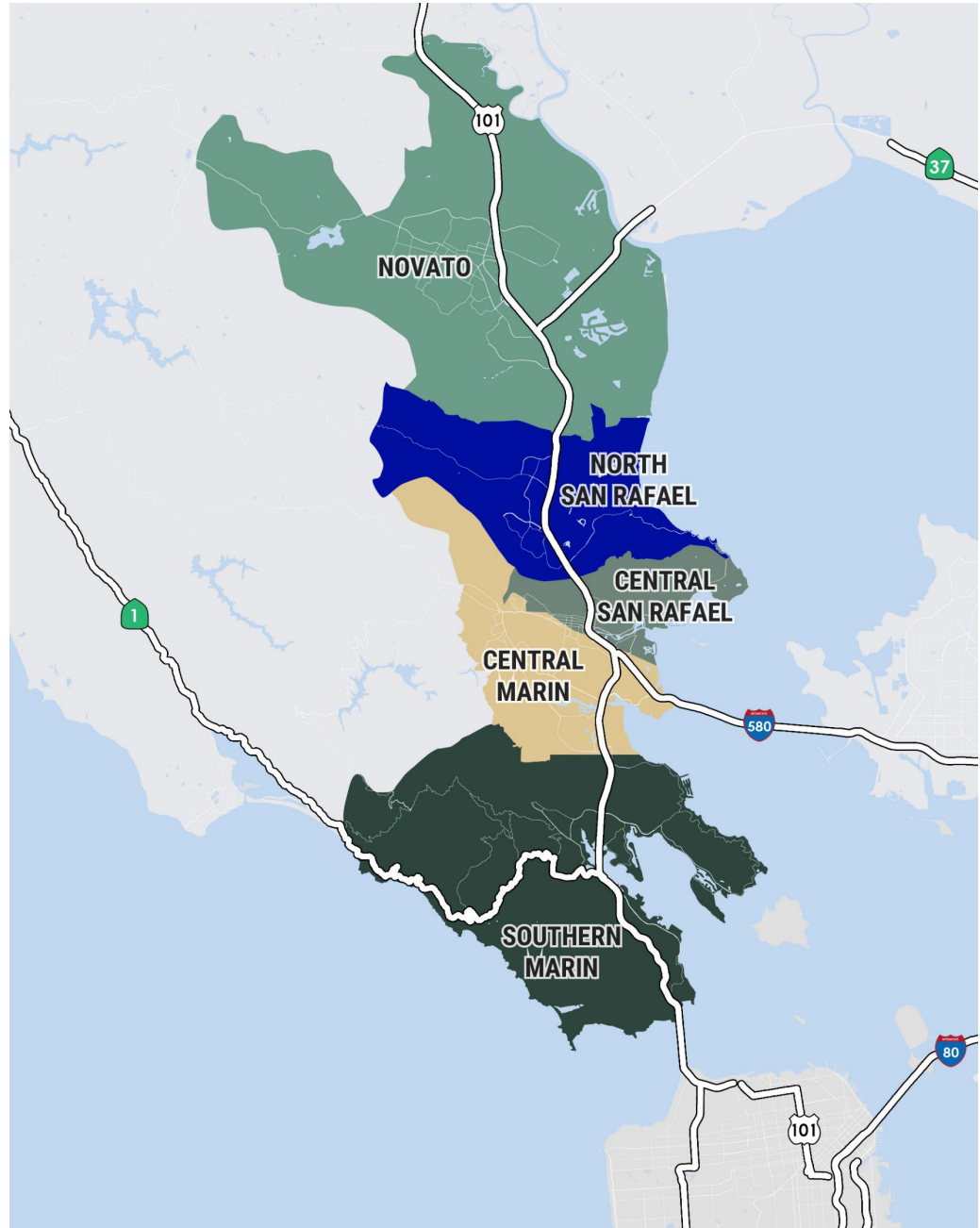
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