

4Q23

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 slightly increased by 10 basis points over the course of the 4th quarter of 2023 but is still well below California's unemployment rate of 4.9%.
- The Leisure and Hospitality sector experienced the largest year-over-year increase in employment, with a 19.3% growth since November of 2022. However, Information is the only office using sector that has experienced year over year growth.

Major Transactions

- The largest lease signed in the fourth quarter of 2023 was a renewal at 7200 Redwood Boulevard in Novato, where Kaiser Foundation Health Plan Inc. leased 11,912 RSF.
- In Central San Rafael, Spahr Center signed a new 8,665 RSF lease at 1575 E Francisco Boulevard.
- Also in Central San Rafael, Radiant Logic, Inc. signed a new 6,620 RSF lease at 818 Fifth Avenue.
- In Northern San Rafael, Raymond James & Associates renewed 5,924 RSF at 4000 Civic Center Drive.

Leasing Market Fundamentals

- Net absorption has been positive 45,836 for the year of 2023, showing a returning need for office space.
- 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.
- 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 28.8% in the fourth 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.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

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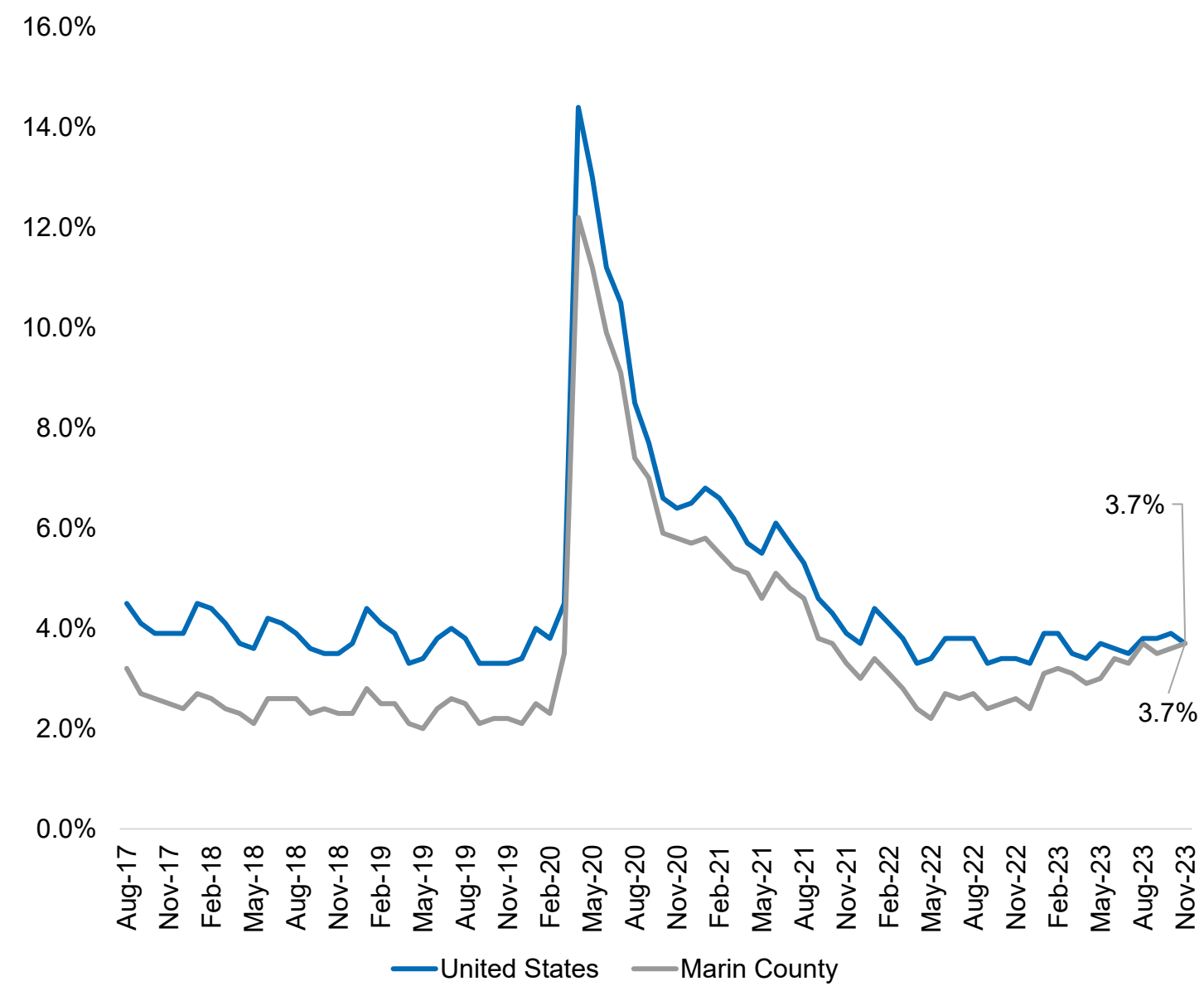
Economy



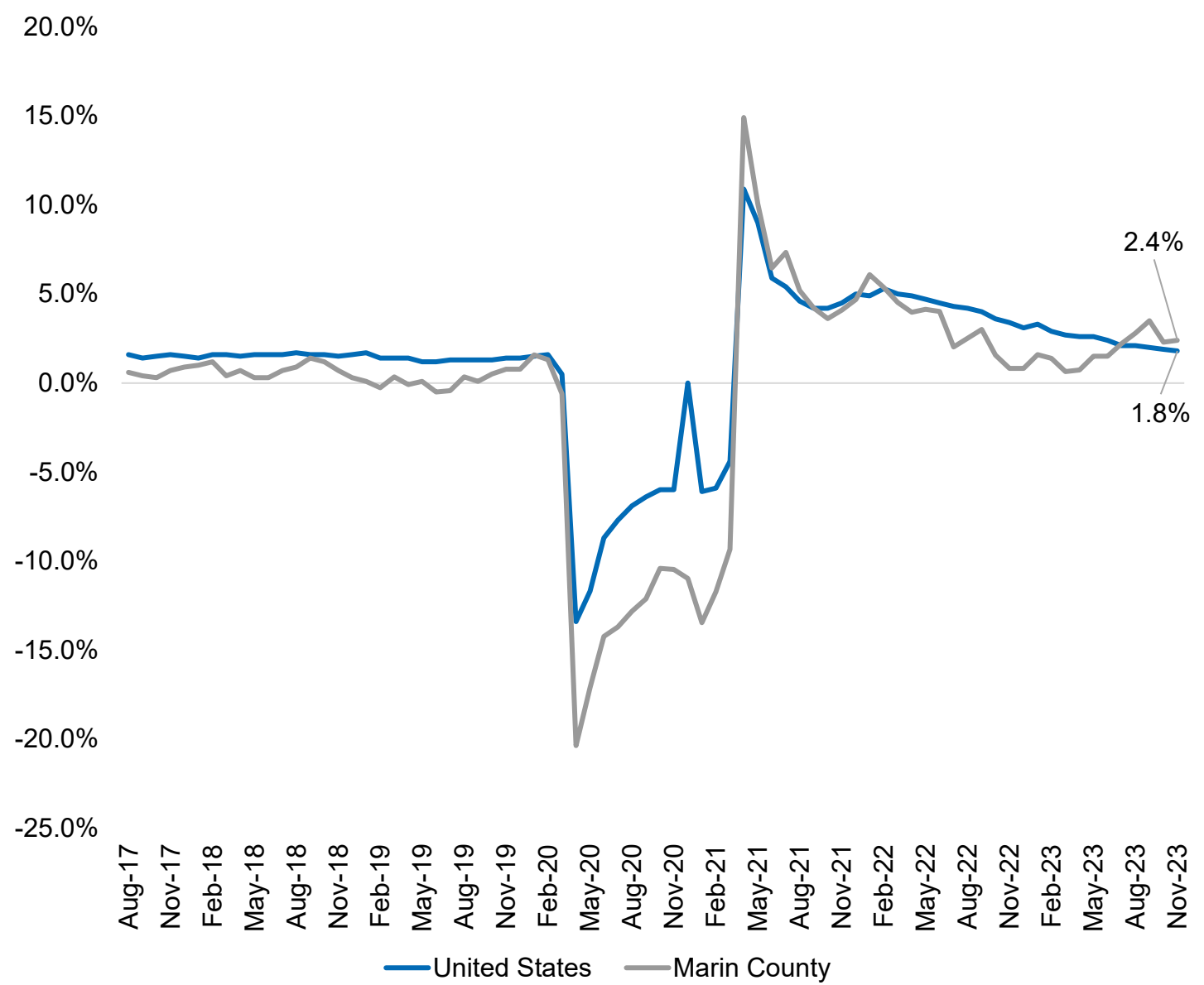
Metro Employment Increase

Marin County’s unemployment rate slightly increased over the course of the fourth quarter of 2023. As of the end of November, Marin County’s unemployment rate was 110 basis points higher than it was in November of 2022. At 3.7%, the unemployment rate in Marin County was equal to the National rate.

Unemployment Rate, Non-Seasonally Adjusted



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



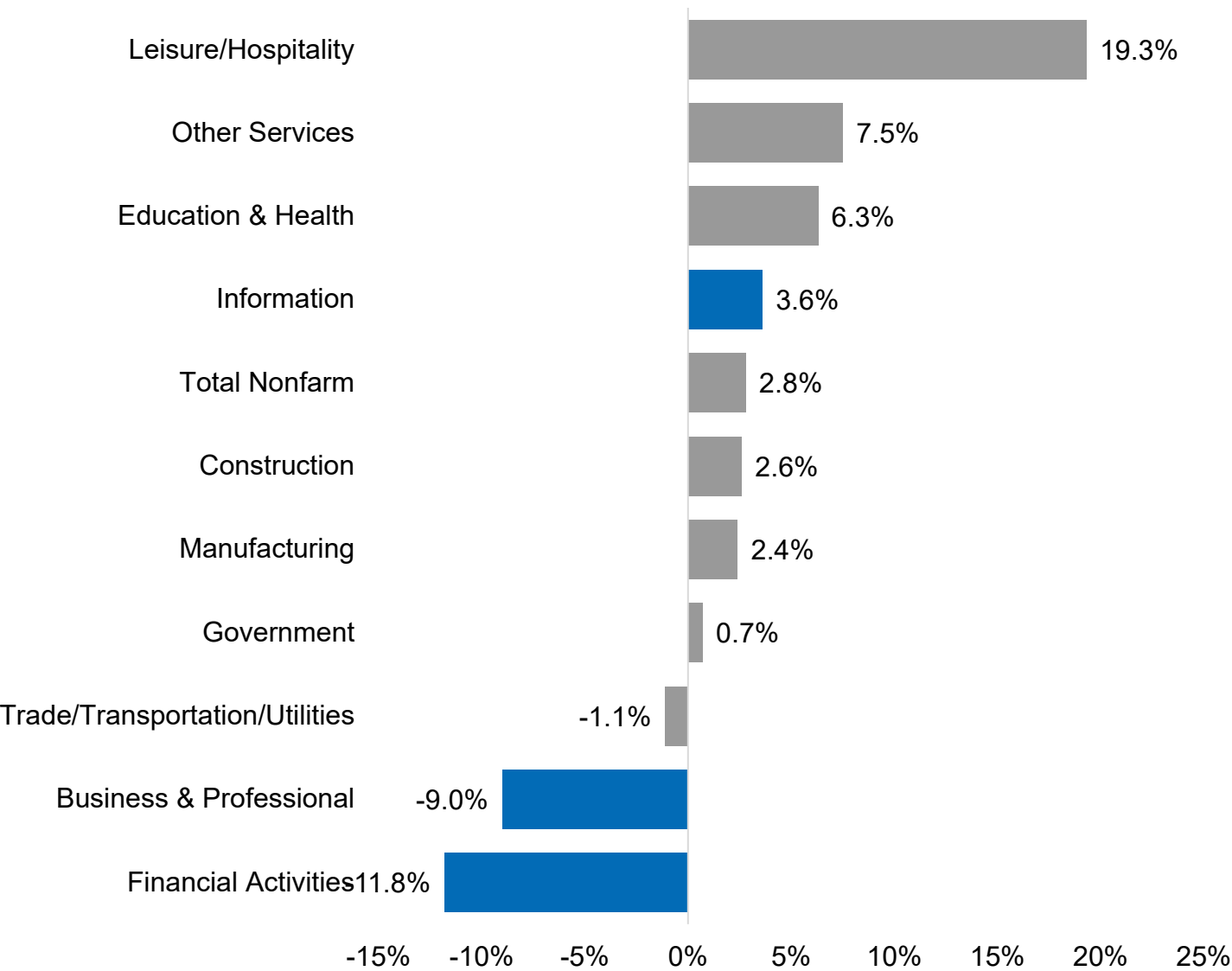
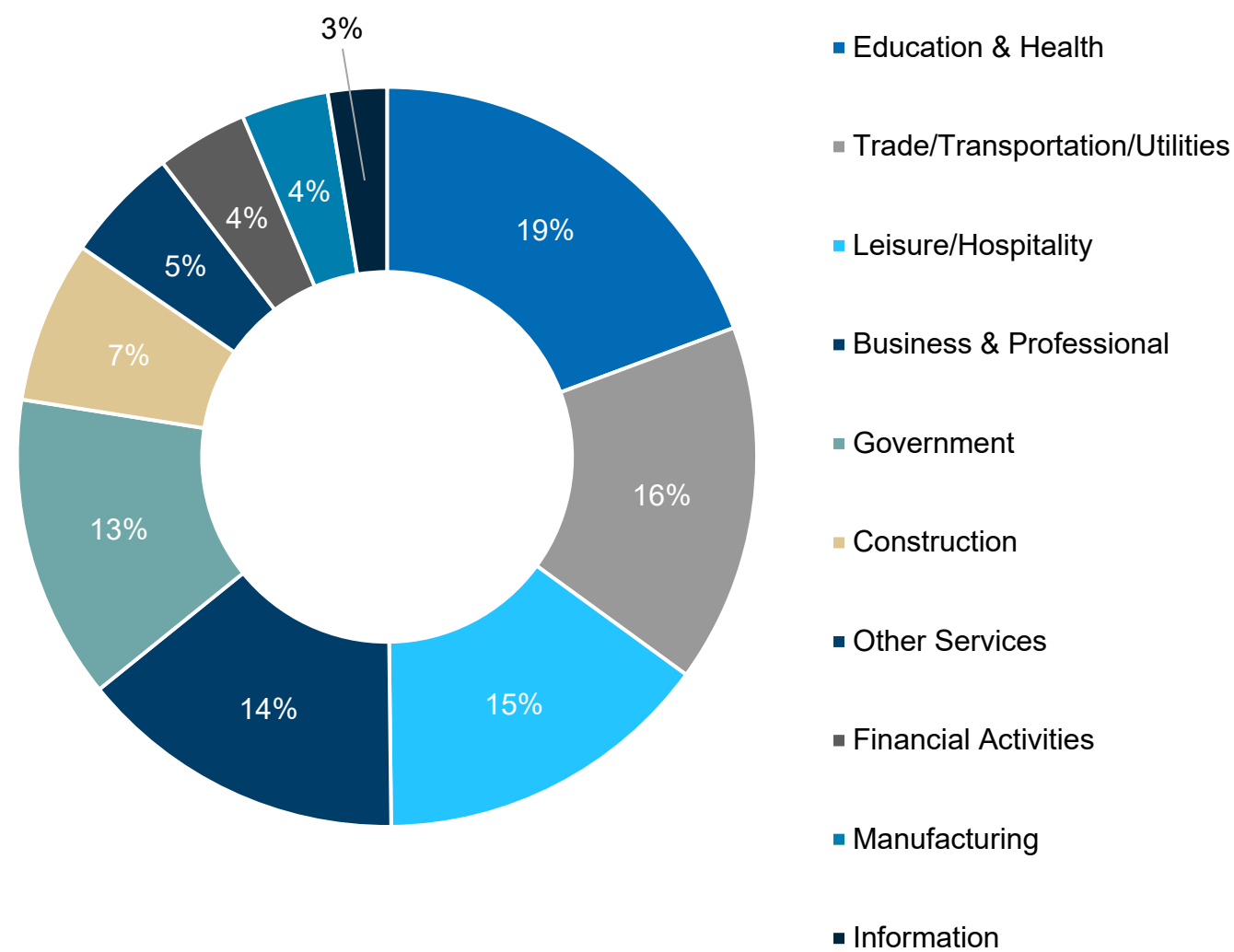
Source: U.S. Bureau of Labor Statistics, San Rafael (comprised of Marin County)

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 sector that has experienced year over year growth.

Employment by Industry, November 2023

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

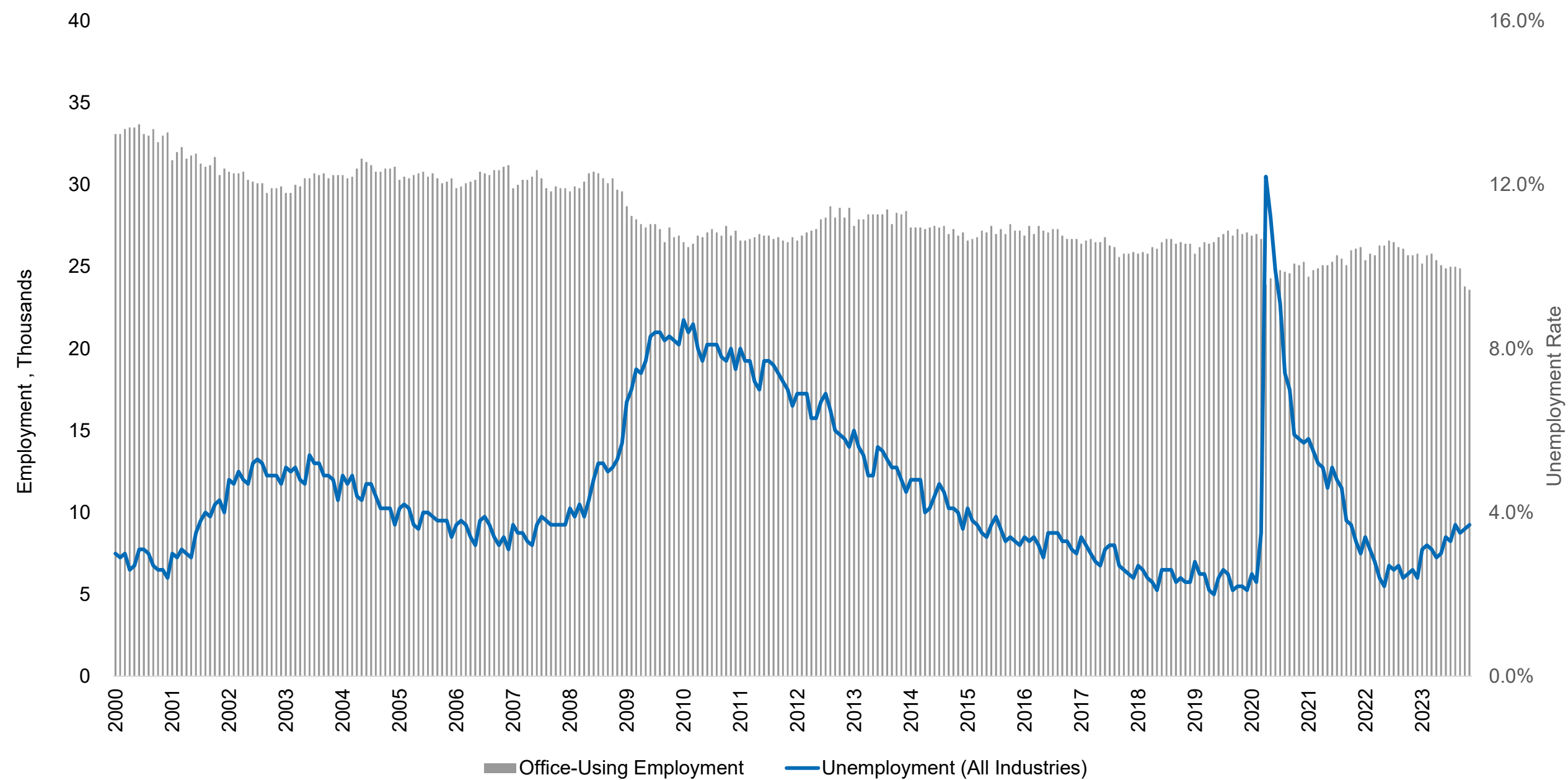


Source: U.S. Bureau of Labor Statistics, San Rafael (comprised of Marin County)

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 130 basis points since the end of 2022.

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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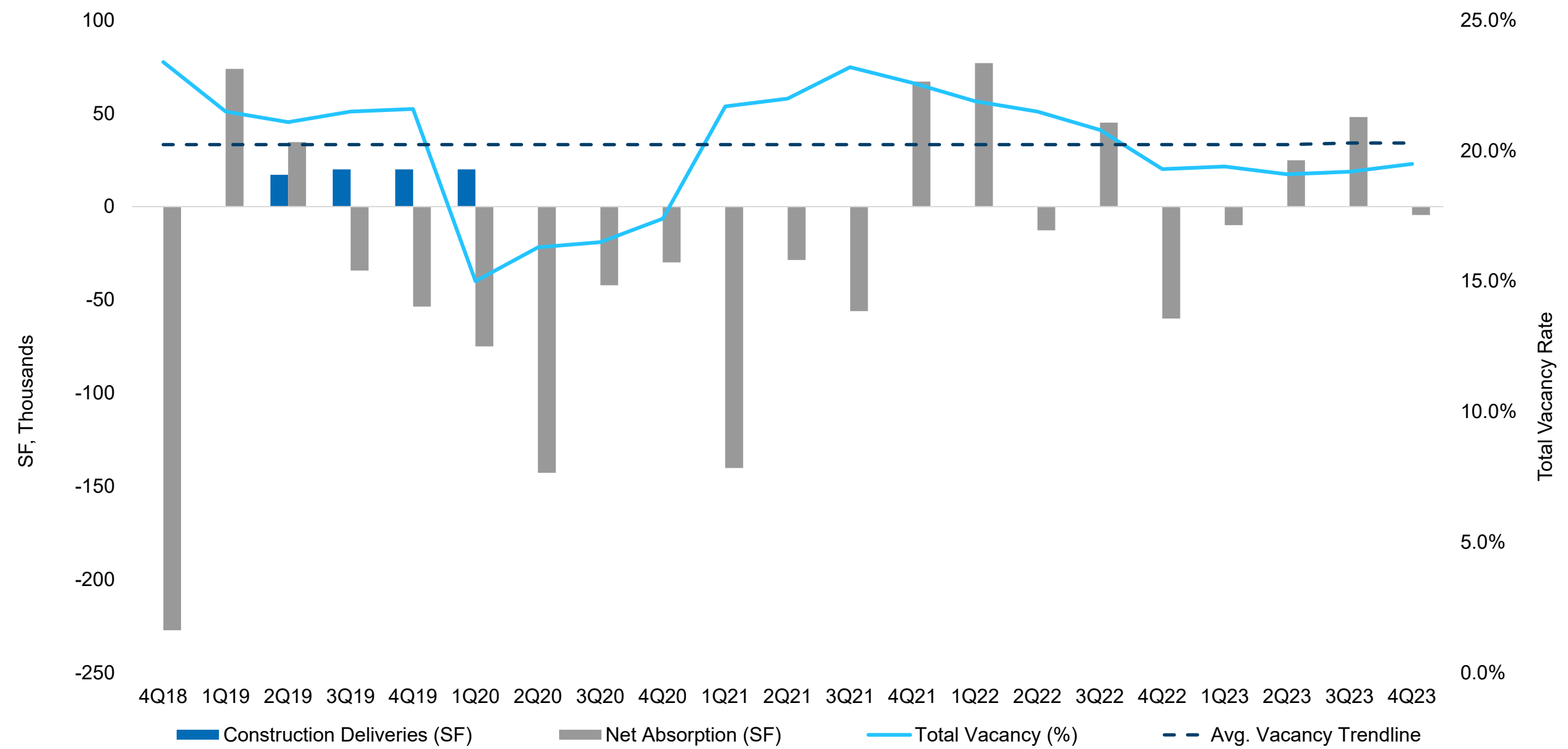
Leasing Market Fundamentals



Office Vacancy Slightly Increased in 4Q23

The vacancy rate for office space in Marin County increased by from 19.2% in the third quarter of 2023 to 19.5% in the fourth quarter.

Historical Construction Deliveries, Net Absorption, and Vacancy

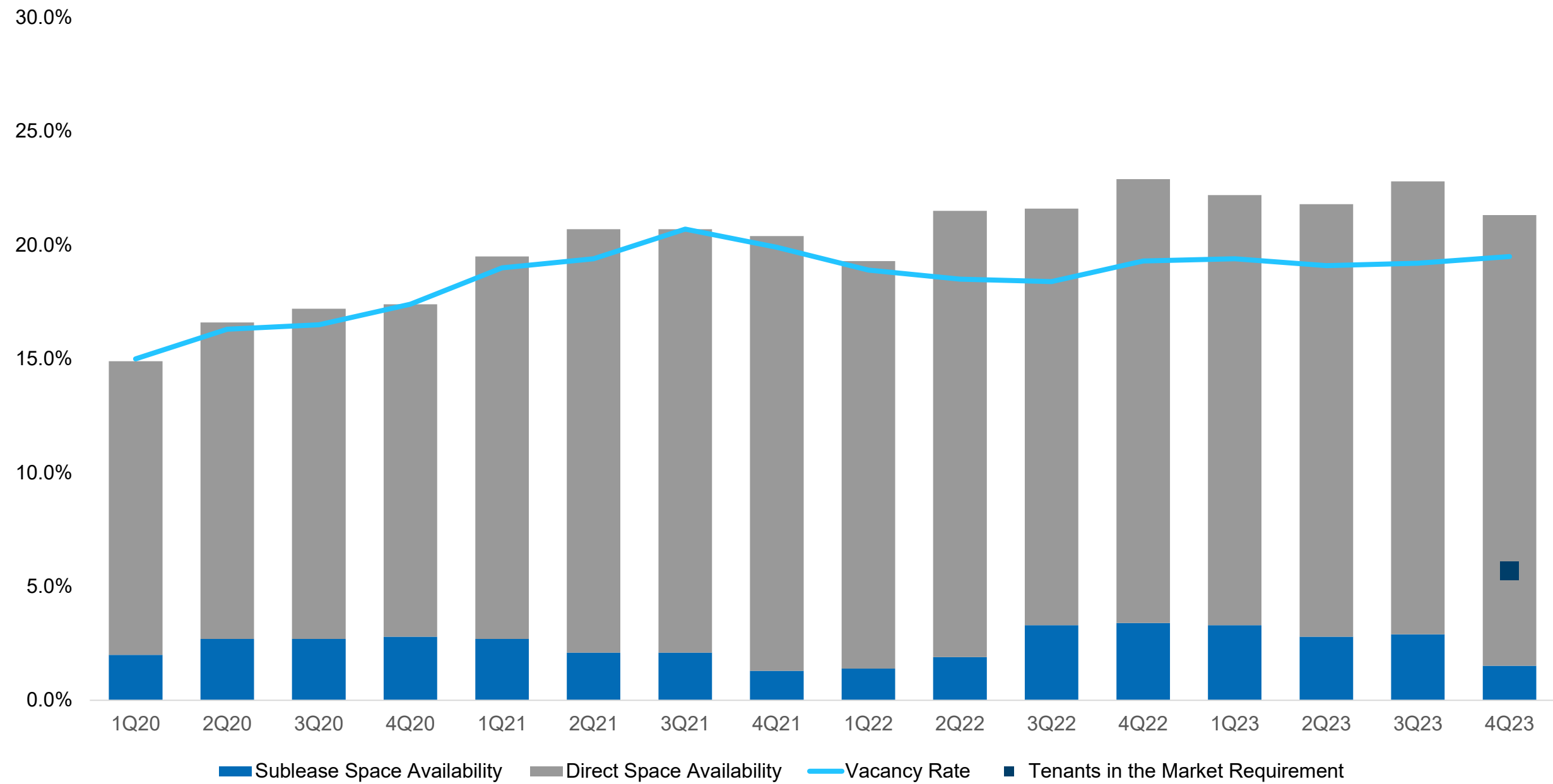


Source: Newmark Research

Tenants in the Market Demand

The fourth quarter demand for tenants in the market is 5.7% of the 7.4-million-SF total office inventory in Marin County. This increased by almost 30 basis points from the third quarter of 2023. 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

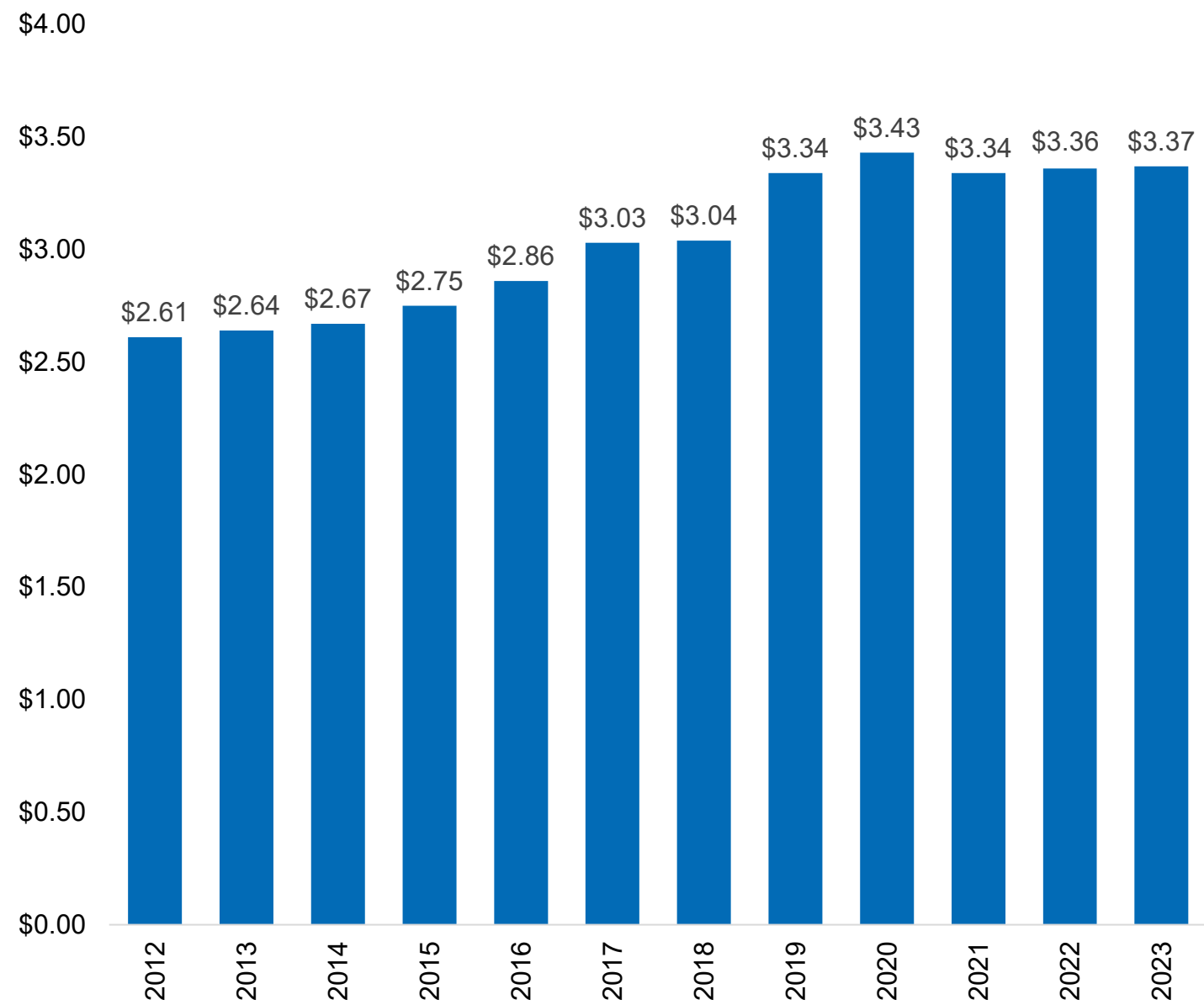


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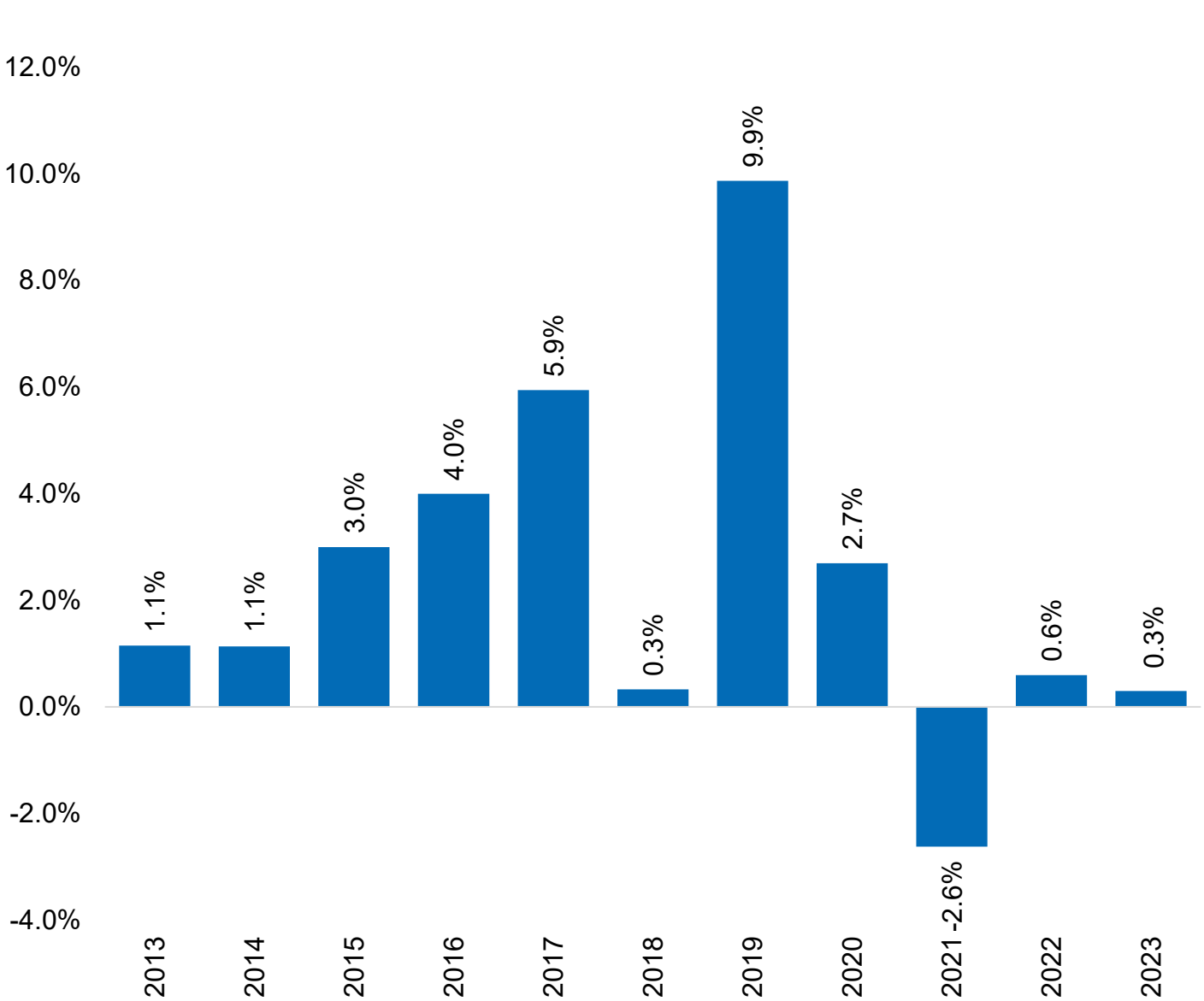
Office Asking Rents Remain Constant

Asking rents in Marin County have remained constant and only increased 10 basis points over the course of 2023. It is expected that asking rents will remain stable 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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4Q23 Lease Transactions

The largest leases in the fourth quarter for Marin County were mostly renewals.

Notable 4Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Kaiser Foundation Health Plan Inc.	7200 Redwood Boulevard	Novato	Renewal	11,912
Spahr Center	1575 E Francisco Boulevard	San Rafael Central	New Lease	8,665
Radiant Logic, Inc.	818 Fifth Avenue	San Rafael Central	New Lease	6,620
Raymond James & Associates	4000 Civic Center Drive	San Rafael Northern	Renewal	5,924
Robert W. Baird & Co. Incorporated	2 Belvedere Place	Marin Southern	Renewal	4,381
Luther Burbank Savings	1016 Irwin Street	San Rafael Central	Renewal	4,202

Source: Newmark Research

Appendix





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