

YoY Chg 12-Mo. Forecast

13.7%
Vacancy Rate



-93K
Net Absorption, SF



\$2.72
Asking Rent, PSF



*(Overall, All Property Classes)
These values are not reflective of the U.S. MarketBeat Tables

**ECONOMIC INDICATORS
Q3 2022**

YoY Chg 12-Mo. Forecast

310.1K
North Bay
Employment



2.5%
North Bay
Unemployment Rate



3.5%
U.S.
Unemployment Rate



*Source: BLS, Moody's Analytics
2022Q3 data are based on latest available data.*

Economic Overview

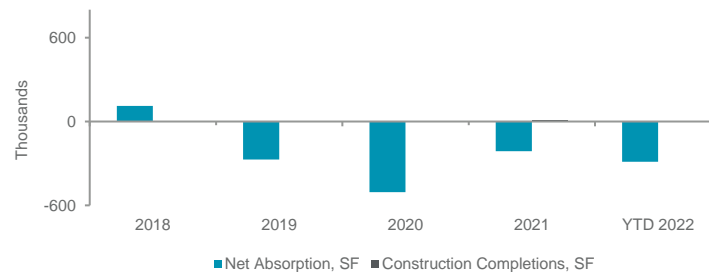
The North Bay, comprised of Marin & Sonoma counties, closed the third quarter with an unemployment rate of 2.5%, down 230 basis points (bps) year-over-year (YOY). This translates to an increase of 7,000 non-farm payroll positions. While a rise in COVID-19 cases late in 2021 threatened the momentum of California's recovery, the second half of 2022 has seen conditions improve substantially. In the North Bay, mask and social distancing mandates were dropped and many employers began planning for a return to work. While these measures had weighed on office occupancy, industrial property markets continued to showcase their resiliency to the economic effects of COVID-19. As health concerns begin to fade, 2022 will be a telling year for how the pandemic altered work patterns in more permanent ways.

Vacancy on the Uptick with a Few Bright Spots

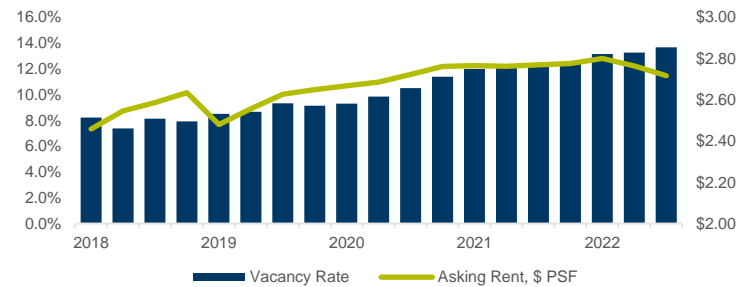
The North Bay vacancy rate closed the third quarter at 13.7%, a quarterly increase of just 50 bps, now at its highest level since the first quarter of 2013. Marin County was the driving force behind slowing the rise, recording over 20,521 square feet (sf) of positive net absorption during the quarter. Northern and Southern Marin recorded positive quarterly absorption, with Northern Marin performing the best at over 17,000 sf. Central Marin had 10,000 sf of negative absorption; however, it continues to have the lowest vacancy rate by far in the County at 11.0%, down 440 bps from its pandemic high. Marin County did not have any major new availabilities added this quarter, allowing leasing activity to catch up to vacancy and result in positive net absorption.

Sonoma County saw vacancy rise 80 bps to 11.7%, the result of nearly 114,000 sf of negative net absorption. Santa Rosa continued to lead the way in the County as it was the only one of the three submarkets to record positive quarterly absorption at nearly 9,000 sf. It also continued to have the lowest vacancy rate in all the North Bay at 8.1% while being the region's largest submarket, which has made it a bright spot throughout the pandemic. Petaluma continued to be a weak spot in Sonoma County as it recorded nearly 93,000 sf of negative absorption, bringing the vacancy up 320 bps to 18.8%. Most notably, a 60,000-sf block of space was added to the market at 1465 North McDowell Boulevard.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North Bay

Office Q3 2022



Rates Dip and Leasing Lags

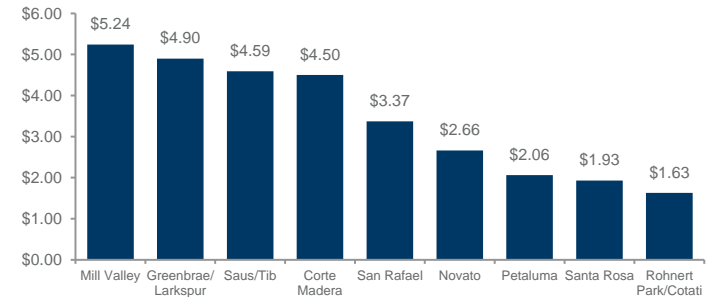
The overall average asking rate decreased \$0.04 to \$2.72 per square foot (psf) on a monthly full-service basis. The drop can be dually attributed to positive absorption in Marin County, the region's more expensive market, and the flight to quality lessening the disproportion of vacancy in Class A properties. Marin County's average asking rent was \$3.48 psf, a decrease of just \$0.02 over the previous quarter. Central Marin contributed the most to the County's rent bump as it saw a quarterly increase of \$0.18 to \$4.77 psf. Corte Madera recorded the largest rate jump in the North Bay of \$0.44 while Mill Valley remained the most expensive submarket in the region at \$5.24 psf, down from the previous quarters highest rate on record. The average asking rate in Sonoma County ticked up just \$0.01 to \$1.92 psf, virtually unchanged for seven consecutive quarters. Petaluma remains the County's priciest market at \$2.06 psf, with several significant Class A availabilities. The disproportionate Class A vacancy remains despite a seemingly contradictory flight to quality, where most of the leases have been signed for the market's best spaces. Unfortunately, demand has not been able to outpace spaces returning to the market and the large floor plate availabilities that move vacancy are typically found in Class A buildings. Landlords with the highest quality, market-ready spaces have been the most successful in capturing new tenants.

New leasing totaled 151,476 sf during the third quarter in the North Bay, marking the slowest leasing quarter since the third quarter of 2020. This brings the year-to-date (YTD) total to 671,427 sf, which is 14.1% behind last year's pace. Marin County's YTD total is outpacing 2021 by 10.8%, led by San Rafael's nearly 128,000 sf leased. Two of the largest leases of the quarter occurred in that submarket, Damon Motors Corporation's 18,110-sf deal and Ekso Bionics 17,267-sf at 101 Glacier Point. Sonoma County's YTD total is 29.8% behind last year's pace and is led by over 238,000 sf leased in Santa Rosa. City of Rohnert Park signed the region's largest lease of the third quarter, taking 130,000-sf at 6430 Station Avenue in Rohnert Park; however, this building is not counted in the MarketBeat. While mandates and masks have faded, employers are still struggling to bring employees back into the office, complicating their real estate decisions. The inability to accurately predict their space needs has would-be occupiers dragging their feet. A bright spot in new demand continues to be the implementation of decentralized offices, with occupiers opening new locations in suburban markets.

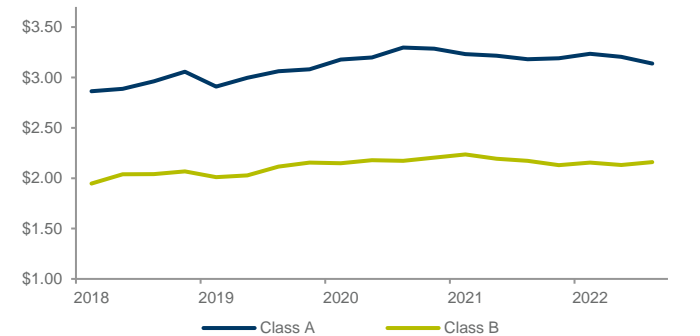
Outlook

- Vacancy is expected to rise in the coming quarters, as employers continue to reevaluate their need for space and leasing remains subdued.
- Average asking rates may decline modestly as a flight to quality take the highest cost spaces off the market.

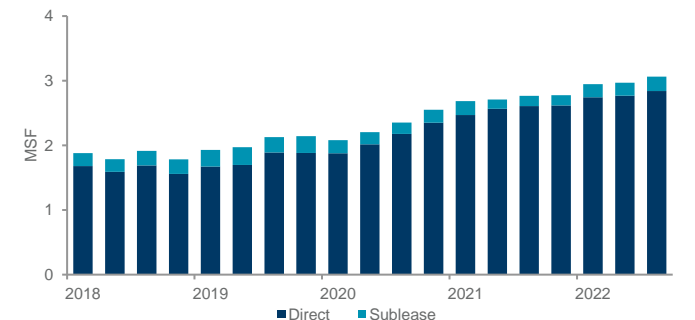
SUBMARKET ASKING RENT



ASKING RENT COMPARISON



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Sausalito/Tiburon	866,941	0	114,559	13.2%	796	-6,889	14,141	0	\$4.59	\$5.07
Mill Valley	442,641	12,460	77,542	20.3%	12,726	25,583	37,250	0	\$5.24	\$5.34
Southern Marin County	1,309,582	12,460	192,101	15.6%	13,522	18,694	51,391	0	\$4.87	\$5.20
Corte Madera	459,161	11,220	37,824	10.7%	-5,786	-1,231	14,418	0	\$4.50	\$6.88
Greenbrae/Larkspur	890,945	9,615	89,839	11.2%	-4,774	-6,994	52,827	0	\$4.90	\$5.02
Central Marin County	1,350,106	20,835	127,663	11.0%	-10,560	-8,225	67,245	0	\$4.77	\$5.20
San Rafael	4,415,303	98,829	622,661	16.3%	42,318	-49,994	127,933	0	\$3.37	\$3.62
Novato	2,631,893	8,635	484,903	18.8%	-24,759	10,172	88,831	0	\$2.66	\$2.71
Northern Marin County	7,047,196	107,464	1,107,564	17.2%	17,559	-39,822	216,764	0	\$3.08	\$3.18
MARIN COUNTY TOTAL	9,706,884	140,759	1,427,328	16.2%	20,521	-29,353	335,400	0	\$3.48	\$3.60
Petaluma	2,945,452	73,139	480,123	18.8%	-92,749	-163,964	62,488	0	\$2.06	\$2.18
Rohnert Park/Cotati	1,958,264	0	306,577	15.7%	-29,470	-100,266	35,437	0	\$1.63	\$0.00
Santa Rosa	7,823,287	8,928	625,952	8.1%	8,625	5,872	238,102	0	\$1.93	\$2.18
SONOMA COUNTY TOTAL	12,727,003	82,067	1,412,652	11.7%	-113,594	-258,358	336,027	0	\$1.92	\$2.18
Class Breakdown										
Class A	7,876,099	202,977	1,442,384	20.9%	11,006	-4,926	N/A	0	\$3.14	\$3.14
Class B	12,554,015	19,849	1,314,834	10.6%	-113,211	-284,156	N/A	0	\$2.16	N/A
NORTH BAY TOTAL	22,433,887	222,826	2,839,980	13.7%	-93,073	-287,711	671,427	0	\$2.72	\$3.14

*Rental rates reflect full service asking \$psf/month

*These values are not reflective of the U.S. MarketBeat Tables

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
101 Glacier Point	San Rafael	Damon Motors Corporation	18,110	New Lease
101 Glacier Point	San Rafael	Ekso Bionics	17,267	New Lease
1600 Los Gamos	San Rafael	Marin Wildfire Prevention	4,880	New Lease

KEY SALE TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$PSF
1251 South Eliseo Drive	Larkspur	SerenEthos LLC / 1251 S Eliseo LLC	25,650	\$11M / \$429

North Bay

Office Q3 2022



OFFICE SUBMARKETS



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