

YoY Chg 12-Mo. Forecast

14.4%

Vacancy Rate



-281K

Net Absorption, SF



\$2.67

Asking Rent, PSF



(Overall, All Property Classes)

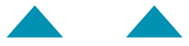
**These values are not reflective of the U.S. MarketBeat Tables*

**ECONOMIC INDICATORS
Q4 2022**

YoY Chg 12-Mo. Forecast

310.9K

North Bay Employment



2.5%

North Bay Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2022Q4 data are based on latest available data.

Economic Overview

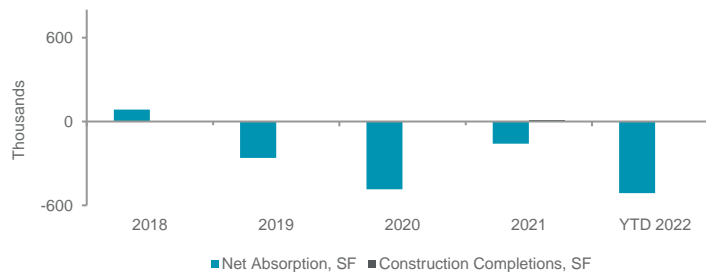
The North Bay, comprised of Marin & Sonoma counties, closed the fourth quarter with an unemployment rate of 2.5%, down 160 basis points (bps) year-over-year (YOY). This translates to an increase of 5,500 non-farm payroll positions. Hybrid and remote working practices have been established as the new normal. Return-to-office (RTO) mandates along with a renewed enthusiasm for in-person working have pushed the market into a moderate recovery, post-pandemic. Venture capital (VC) funding to North Bay-based companies tumbled 82.5% quarter-over-quarter to approximately \$35 million with the deal count matched at 13 over the same period. Annual funding increased 24.3% YOY to approximately \$681.8 million with deal count up to 76 from 73. The largest VC deal occurred in the third quarter by energy company Moxion Power at \$100 million.

Vacancy on the Uptick with a Few Bright Spots

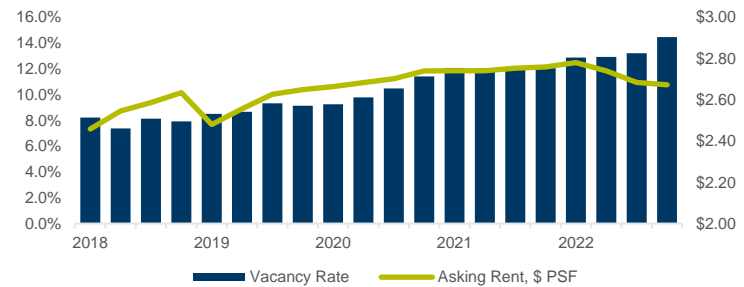
The North Bay vacancy rate closed the fourth quarter at 14.4%, a quarterly increase of 120 bps, now at its highest level since the fourth quarter of 2012. Marin County was the driving force behind increasing the rise, recording 165,232 square feet (sf) of negative net absorption during the quarter. Northern Marin was responsible for nearly all negative net absorption in Marin County due to AutoDesk's HQ in San Rafael coming to market at 130,000 sf. AutoDesk adopted the hybrid model and will continue to operate out of San Francisco at the Landmark at One Market Street. Northern Marin now has the highest vacancy rate at 18.5%, up 230 bps from the third quarter. Central Marin had 702 sf of positive absorption; however, it continues to have the lowest vacancy rate by far in the County at 9.9%, down 540 bps from its pandemic high. Southern Marin recorded 3,195 sf of negative net absorption and vacancy rate at 13.5%, up 20 bps from the previous quarter.

Sonoma County saw vacancy rise 90 bps to 12.7%, the result of nearly 116,000 sf of negative net absorption. Santa Rosa struggled to lead the way in the County as it recorded negative quarterly absorption at over 55,000 sf. It also continued to have the lowest vacancy rate in all the North Bay at 8.9% 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 over 21,000 sf of negative absorption, bringing the vacancy up 70 bps to 19.5%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North Bay

Office Q4 2022



Rates Dip and Leasing Lags

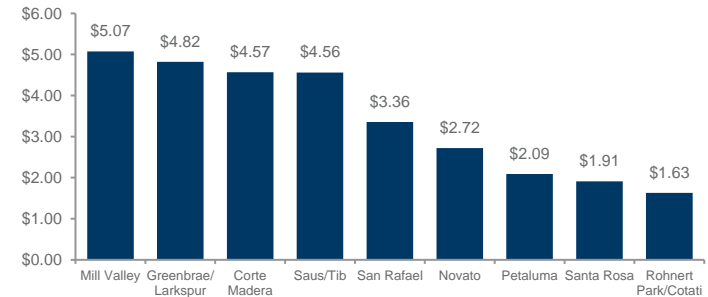
The overall average asking rate decreased \$0.01 to \$2.67 per square foot (psf) on a monthly full-service basis. The drop can be attributed to negative absorption in Marin County, the region's more expensive market, and the flight to quality lessening the disproportion of vacancy in Class A properties. Marin County's average asking rent was \$3.43 psf, a decrease of just \$0.04 over the previous quarter. Southern Marin contributed the most to the County's rent dip as it saw a quarterly decrease of \$0.11 to \$4.79 psf. Corte Madera recorded the largest rate jump in the North Bay of \$0.11 to \$4.57 while Mill Valley remained the most expensive submarket in the region at \$5.07 psf, however rates have declined from a high of \$5.33 in the second quarter. The average asking rate in Sonoma County dipped down just \$0.01 to \$1.91 psf, virtually unchanged for seven consecutive quarters. Petaluma remains the County's priciest market at \$2.09 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 185,086 sf during the fourth 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 937,066 sf, which is 14.7% behind last year's total. Marin County's YTD total is outpacing 2021 by 12.8%, led by San Rafael's nearly 175,000 sf leased. Two of the largest leases of the year 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 30.3% behind last year's pace and is led by over 335,000 sf leased in Santa Rosa. Meritage Medical Network signed the region's largest lease of the fourth quarter, taking 18,490-sf at 2000 S. McDowell Blvd in Petaluma. 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.

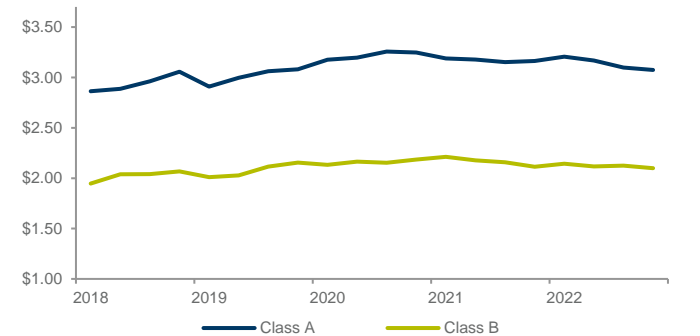
Outlook

- 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.

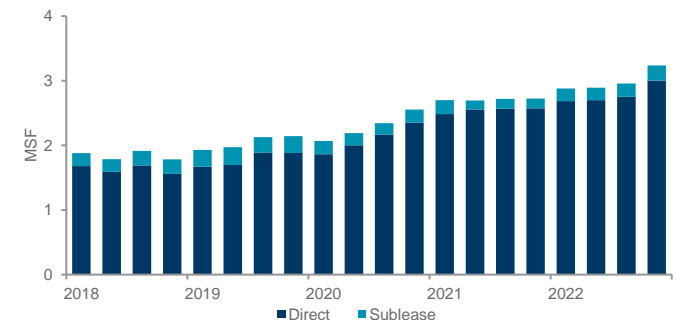
SUBMARKET ASKING RENT



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	97,055	11.2%	-2,890	-4,875	21,563	0	\$4.56	\$5.14
Mill Valley	442,641	2,540	77,847	18.2%	-305	28,058	43,982	0	\$5.07	\$5.32
Southern Marin County	1,309,582	2,540	174,902	13.5%	-3,195	23,183	65,545	0	\$4.79	\$5.23
Corte Madera	459,161	3,422	35,835	8.5%	-956	5,611	15,062	0	\$4.57	\$7.08
Greenbrae/Larkspur	890,945	12,125	82,164	10.6%	1,658	-1,829	76,268	0	\$4.82	\$4.98
Central Marin County	1,350,106	15,547	117,999	9.9%	702	3,782	91,330	0	\$4.75	\$5.22
San Rafael	4,429,789	98,829	695,137	17.9%	-114,979	-140,859	175,094	0	\$3.36	\$3.55
Novato	2,631,893	14,722	499,651	19.5%	-47,760	-27,339	115,774	0	\$2.72	\$2.76
Northern Marin County	7,061,682	113,551	1,194,788	18.5%	-162,739	-168,198	290,868	0	\$3.11	\$3.19
MARIN COUNTY TOTAL	9,721,370	131,638	1,487,689	16.7%	-165,232	-141,233	447,743	0	\$3.43	\$3.51
Petaluma	2,975,003	74,278	506,795	19.5%	-21,127	-181,917	103,162	0	\$2.09	\$2.18
Rohnert Park/Cotati	1,956,505	4,255	341,966	17.7%	-39,644	-139,910	51,296	0	\$1.63	N/A
Santa Rosa	7,759,092	26,744	663,741	8.9%	-55,082	-49,733	334,865	0	\$1.91	\$2.16
SONOMA COUNTY TOTAL	12,690,600	105,277	1,512,502	12.7%	-115,853	-371,560	489,323	0	\$1.91	\$2.17
Class Breakdown										
Class A	7,964,929	205,375	1,624,191	23.0%	-226,416	-214,568		0	\$3.07	\$3.07
Class B	12,593,572	31,540	1,295,465	10.5%	-46,980	-294,837		0	\$2.10	
NORTH BAY TOTAL	22,411,970	236,915	3,000,191	14.4%	-281,085	-512,793	937,066	0	\$2.67	\$3.07

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

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KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2000 S. McDowell Blvd	Petaluma	Meritage Medical Network	18,490	New Lease
2200 Larkspur Landing Circle	Larkspur	Mezzetta	5,447	Renewal
630 Las Gallinas Ave	San Rafael	Cal Land Title	4,848	New Lease
504 Redwood Blvd	Novato	CSW/Stuber-Stroeh Engineering Group	4,169	New Lease
2240 Northpoint Pkwy	Santa Rosa	Kleinfelder	3,774	Renewal

KEY SALE TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$PSF
2401 Kerner Blvd	San Rafael	Phoenix American Inc / Swickard Auto Group	60,910	\$13.8M / \$226
10 Maple St & 1151 Broadway	Sonoma	Hamilton Zanze & Co JV Graham Street Realty JV Davidson Kempner / Kenneth Mattson	30,994	\$12.8M / \$411

North Bay

Office Q4 2022



OFFICE SUBMARKETS



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