

| | YoY Chg | 12-Mo. Forecast |
|-----------------------------------|---------|-----------------|
| 14.2% Vacancy Rate | ▲ | ▲ |
| -82K Net Absorption, SF | ▲ | ▲ |
| \$2.70 Asking Rent, PSF | ▼ | ▼ |

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

**ECONOMIC INDICATORS
Q2 2023**

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 320.2K North Bay Employment | ▲ | ▲ |
| 3.0% North Bay Unemployment Rate | ▲ | ▼ |
| 3.6% U.S. Unemployment Rate | ▬ | ▲ |

Source: BLS, Moody's Analytics
2023Q2 data are based on latest available data.

Economic Overview

The North Bay, comprised of Marin and Sonoma counties, closed the second quarter with an unemployment rate of 3.0%, up 30 basis points (bps) year-over-year (YOY). This translates to an increase of 6,117 non-farm payroll positions. The trend towards hybrid work and flexible office arrangements is likely to continue as companies seek to optimize their operations and meet the evolving needs of their workforce. Venture capital (VC) funding to North Bay-based companies fell in Q2 2023 to \$45.1 million (M) from \$194.8M in Q1 2023. The reason for the substantial drop had more to do with one large funding round in Q1 - \$75M to organic beverage maker Guayaki out of Sebastopol. The deal count for Q2 and Q1 held at 17. The largest deal for Q2 was Dickinson Corporation out of Novato, a manufacturer of protective shields, for \$8.7M.

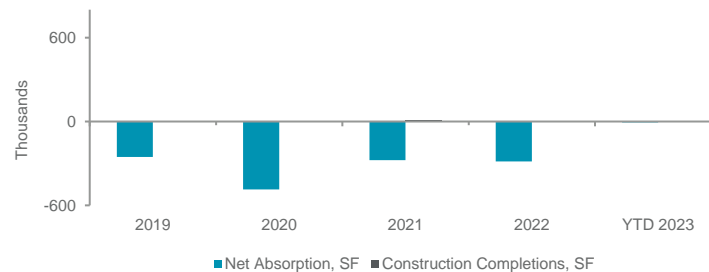
Small Rise in Vacancy Results in Negative Absorption

The North Bay vacancy rate closed the second quarter at 14.2%, a quarterly increase of 40 bps. Sonoma County was the driving force behind the increasing rate, recording 53,674 square feet (sf) of negative net absorption during the quarter. San Rafael was responsible for most of the negative net absorption in Marin County due to diminishing leasing activity that cannot outpace new spaces hitting the market. Many of these new availabilities sit in Class A buildings, which are primarily occupied by large companies and are the slowest to mandate employees back to the office.

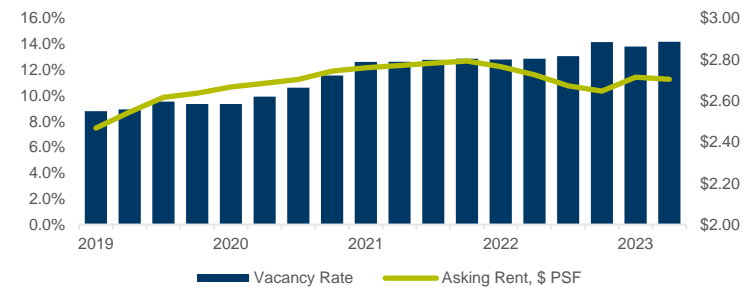
Northern Marin had the highest vacancy rate at 17.2%, up 20 bps from the first quarter of 2023. Central Marin saw the smallest rise in vacant space, recording 4,779 sf of positive net absorption and continued to have the lowest vacancy rate in the County at 9.0%. Southern Marin recorded 15,833 sf of negative net absorption, largely due to new direct space in Sausalito, and a vacancy rate at 15.4%, up 120 bps from Q1 2023.

Sonoma County vacancy rose 40 bps to 12.8%, the result of nearly 54,000 sf of negative net absorption. The center of this negative absorption was nearly a 47% decrease in leasing activity from the previous quarter. Santa Rosa struggled to lead the way in Sonoma County as it recorded negative quarterly absorption at over 69,000 sf, a result of several large direct blocks hitting the market. However, it continued to have the lowest vacancy rate in Sonoma County at 10.5% while being the region's largest submarket, which has made it a bright spot throughout the pandemic. Rohnert Park/Cotati led Sonoma County as it recorded over 16,000 sf of positive absorption, bringing the vacancy down 80 bps to 13.4%.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North Bay

Office Q2 2023



Rates Remain Steady and Leasing Declines

The overall average asking rate in the North Bay decreased \$0.01 to \$2.70 per square foot (psf) on a monthly full-service basis, almost unchanged from the start of the year. Marin County's average asking rent was \$3.52 psf, an increase of \$0.01 over the previous quarter and \$0.06 from Q2 2022. Greenbrae/Larkspur contributed the most to the County's quarter-over-quarter (QOQ) rise in asking rates of \$0.06 to \$5.06, making the market comparable to the rates of those in Mill Valley and Corte Madera. Central Marin has seen a \$0.41 increase in rents YOY, a reflection of rents holding or even increasing in desirable Class A vacancies. The average asking rate in Sonoma County remained steady at \$1.90 psf, virtually unchanged for seven consecutive quarters. Petaluma remains the County's priciest market at \$2.10 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.

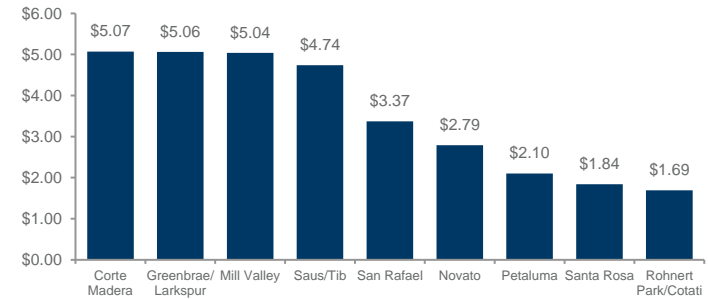
New leasing totaled 197,391 sf during the second quarter in the North Bay, a 52% decrease QOQ. Marin County fell 42% YOY for a total of 84,929 sf. Greenbrae/Larkspur topped Marin County in leasing activity, securing nearly 39,212 sf of leased space through an equal mix of new leases and renewals. Sonoma County's year-to-date total was 29% ahead of last year's pace and was led by over 150,000 sf leased in Petaluma.

Employers are still facing challenges when it comes to bringing their employees back to the office. This complexity is further affecting their decision-making regarding real estate. While certain office users are reducing their space or even abandoning it entirely, others still perceive it as crucial for their operations. However, amidst these circumstances, there is a promising trend emerging: the rise of decentralized offices. Occupiers are increasingly establishing new locations in suburban markets, contributing to the growing demand in these areas.

Outlook

- Flight to quality will continue as tenants looking to relocate or return to the market want high-quality spaces, forcing rents to remain stable in top-tier buildings
- The uncertainty of the economy may bring pressure and challenges to both owners and occupiers alike
- As companies look to reevaluate their office arrangements, those downsizing and smaller users will continue to drive the demand for space

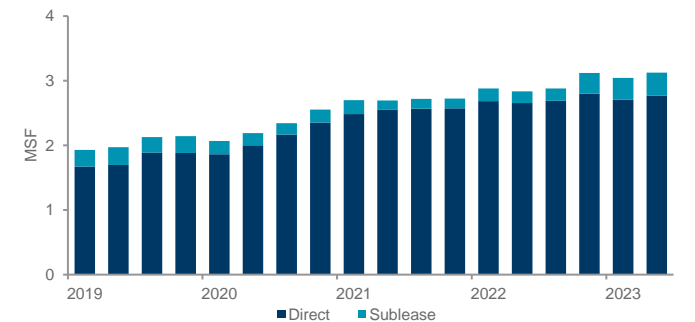
SUBMARKET ASKING RENT



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 | 856,491 | 22,792 | 104,212 | 14.8% | -17,599 | -34,239 | 21,131 | 0 | \$4.74 | \$4.97 |
| Mill Valley | 442,641 | 4,944 | 67,844 | 16.4% | 1,766 | -717 | 5,867 | 0 | \$5.04 | \$5.31 |
| Southern Marin County | 1,299,132 | 27,736 | 172,056 | 15.4% | -15,833 | -34,956 | 26,998 | 0 | \$4.85 | \$5.10 |
| Corte Madera | 459,161 | 0 | 32,218 | 7.0% | -3,087 | 2,429 | 8,976 | 0 | \$5.07 | \$7.08 |
| Greenbrae/Larkspur | 890,945 | 11,683 | 77,965 | 10.1% | 7,866 | -3,274 | 98,612 | 0 | \$5.06 | \$5.21 |
| Central Marin County | 1,350,106 | 11,683 | 110,183 | 9.0% | 4,779 | -845 | 107,588 | 0 | \$5.06 | \$5.50 |
| San Rafael | 4,434,593 | 179,171 | 578,295 | 17.1% | -21,030 | -45,415 | 94,158 | 0 | \$3.37 | \$3.50 |
| Novato | 2,635,728 | 8,524 | 452,660 | 17.5% | 3,840 | 44,191 | 51,957 | 0 | \$2.79 | \$2.83 |
| Northern Marin County | 7,070,321 | 187,695 | 1,030,955 | 17.2% | -17,190 | -1,224 | 146,115 | 0 | \$3.15 | \$3.21 |
| MARIN COUNTY TOTAL | 9,719,559 | 227,114 | 1,313,194 | 15.8% | -28,244 | -37,025 | 280,701 | 0 | \$3.52 | \$3.60 |
| Petaluma | 2,975,003 | 94,292 | 451,443 | 18.3% | -846 | 35,338 | 155,759 | 0 | \$2.10 | \$2.24 |
| Rohnert Park/Cotati | 1,956,505 | 4,255 | 257,047 | 13.4% | 16,905 | 84,519 | 98,133 | 0 | \$1.69 | \$0.00 |
| Santa Rosa | 7,422,945 | 28,676 | 749,839 | 10.5% | -69,733 | -89,017 | 72,686 | 0 | \$1.84 | \$2.00 |
| SONOMA COUNTY TOTAL | 12,354,453 | 127,223 | 1,458,329 | 12.8% | -53,674 | 30,840 | 326,578 | 0 | \$1.90 | \$2.11 |
| Class Breakdown | | | | | | | | | | |
| Class A | 7,969,733 | 291,920 | 1,562,421 | 23.3% | -27,294 | -75,191 | | 0 | \$3.08 | \$3.08 |
| Class B | 12,598,698 | 62,417 | 1,136,919 | 9.5% | -44,958 | 82,446 | | 0 | \$2.10 | |
| NORTH BAY TOTAL | 22,074,012 | 354,337 | 2,771,523 | 14.2% | -81,918 | (6,185) | 607,279 | 0 | \$2.70 | |

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

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

KEY LEASE TRANSACTIONS Q2 2023

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|-------------------------|------------|---------------------------------------|--------|-----------|
| 7 Hamilton Landing | Novato | Vionic Group | 19,448 | New Lease |
| 1435 N McDowell Blvd | Petaluma | Calix, Inc. | 15,030 | Renewal |
| 2250 Northpoint Pky | Santa Rosa | Community Action Partnership | 9,740 | New Lease |
| 1690-1736 Corporate Cir | Petaluma | Vista Outdoor, Inc. | 6,665 | Renewal |
| 3 Harbor Dr | Sausalito | Atkinson, Andelson, Loya, Ruud & Romo | 6,445 | New Lease |

KEY SALE TRANSACTIONS Q2 2023

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$PSF |
|------------------|------------|--------------------------------|--------|----------------|
| 3301 Kerner Blvd | San Rafael | County of Marin / Eden Housing | 25,018 | \$7.1M / \$296 |
| 790 Sonoma Ave | Santa Rosa | Concepts Foundation / Daac Inc | 10,971 | \$1.6M / \$146 |

North Bay

Office Q2 2023



OFFICE SUBMARKETS



Anna Brehm

Analyst, Research

Tel: +1 415 451 2427

anna.brehm@cushwake.com

Jason Karbelk

Research Manager

Tel: +1 415 485 3742

Jason.Karbelk@cushwake.com

CUSHMAN & WAKEFIELD

900 Larkspur Landing Circle

Suite 295

Larkspur, CA 94939

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.