

YoY Chg      12-Mo. Forecast

**13.0%**

Vacancy Rate



**141K**

Net Absorption, SF



**\$2.73**

Asking Rent, PSF



(Overall, All Property Classes)

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

**ECONOMIC INDICATORS  
Q2 2024**

YoY Chg      12-Mo. Forecast

**323.0K**

North Bay Employment



**4.1%**

North Bay Unemployment Rate



**4.1%**

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

2024Q2 data are based on latest available data.

**Economy**

The North Bay, comprising the two counties of Marin and Sonoma, ended the second quarter of 2024 with an unemployment rate of 4.1%, up from 3.3% one year ago. Jobs still recorded an increase of 5,300 non-farm positions, bringing the total to 323,000 by the close of the quarter. Venture capital (VC) funding for start-ups headquartered in the North Bay in the second quarter of 2024 was \$68.5 million (M), a 56.5% decrease from the revised \$157.5M in the first quarter of 2024. There were 16 deals, down from 18 in the previous quarter. The largest deals of the quarter were to Petaluma-based Strauss Family Creamery (food products) in a later-stage round of \$23.0M, followed by San Rafael-based Particle.News (AI/information services) in an early-stage round of \$10.9M.

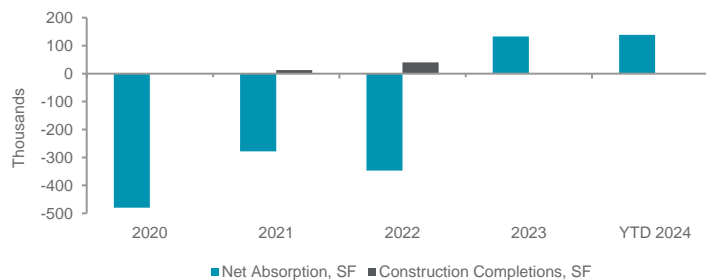
**Supply: Vacancy Declined**

The North Bay vacancy rate closed the second quarter at 13.0%, marking a decrease from the previous four quarters where it held steady at 13.7%. Marin County vacancy increased 20 basis points (bps) to 16.1% quarter-over-quarter (QOQ) with 1.5 million square feet (msf) of total available space. Northern Marin, the county's largest office market, closed the quarter at 17.8% vacant, up 50 bps year-over-year (YOY). This market's 1.3 msf of available space represents 80.7% of Marin County, with 739,824 square feet (sf) in San Rafael and 523,205 sf in Novato. There are currently two large direct blocks in San Rafael adding to this vacancy, 124,000 sf at 200 Smith Rd and 118,000 sf at 111 McInnis Pkwy. The Sonoma County vacancy rate closed the quarter at 10.8%, marking a decrease of 140 bps YOY, primarily attributed to strong leasing activity and fewer new spaces entering the market. The current largest block in Sonoma County is Medtronic's 127,440 sf space at 3850-3880 Brickway Blvd in Santa Rosa. While the vacancy rate in the North Bay has not rebounded to pre-pandemic levels, it remains significantly below the levels observed in the downtown San Francisco market.

**Demand: Leasing Activity Declined**

North Bay leasing activity totaled 149,129 sf during the second quarter of 2024, with Marin County closing the quarter at 92,798 sf, a 25.0% decrease YOY. San Rafael led leasing activity in Marin County with 39,157 sf, driven by the largest lease at 4000 Civic Center Drive by Golden Gate Regional Center, an expansion and renewal totaling approximately 25,000 sf. Sonoma County recorded 56,331 sf of leasing activity for the quarter, marking a 49.2% decrease YOY.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



# North Bay

Office Q2 2024



Net absorption in the North Bay rose to a positive 140,542 sf in the second quarter of 2024. However, Marin County recorded 14,486 sf of negative net absorption during the quarter, primarily due to additional vacancy in Sausalito and Mill Valley. Meanwhile, Sonoma County recorded positive net absorption at 155,028 sf, primarily due to a decrease in overall available space in Santa Rosa.

Most of the activity in Marin County stems from smaller employers, who are utilizing office spaces more frequently than larger corporations. This leasing activity is fueled by a demand for enhanced return-to-office experiences and a stronger emphasis on quality spaces. Tenants prioritize proximity to amenities, high-quality finishes, and active environments when choosing locations.

## Rates Decline

The overall average asking rate in the North Bay decreased by \$0.12 QOQ to \$2.73 per square foot (psf) on a monthly full-service basis. Marin County's average asking rent was \$3.46 psf, holding steady from the previous quarter, and a \$0.06 decrease YOY. Mill Valley and Greenbrae/Larkspur are the markets commanding premium rents, each exceeding \$5.00 psf. The average asking rate in Sonoma County decreased by \$0.03 to \$1.85 psf and saw a decrease of \$0.02 YOY. Petaluma has the county's highest average asking rate at \$1.98 psf, with a limited supply of sublease space and direct Class A pricing at \$2.05 psf. Rohnert Park/Cotati and Santa Rosa have the lowest average asking rates at \$1.70 psf and \$1.79 psf, respectively, due to their limited Class A inventory.

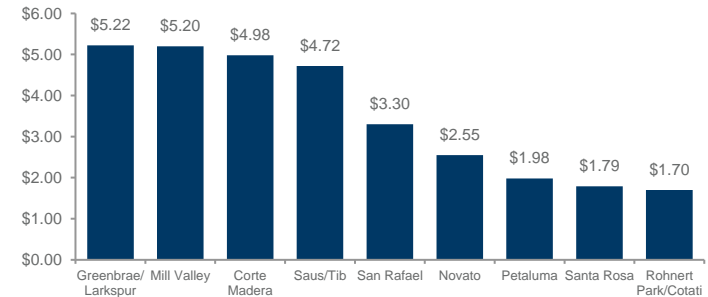
## Looking Ahead

Predictions of a decrease in the Federal funds rate and an extended period of lower volumes lead to expectations of increased sales activity in the second half of the year. Occupier demand has struggled to keep pace with the increasing availability of space returning to the market. With the lack of larger employers looking for space, we expect vacancy rates to continue to trickle upwards throughout the year. In the current market environment, owners are offering flexible lease durations and incentives to attract tenants. Landlords providing high-quality, market-ready spaces near desirable amenities are positioned to achieve the highest success in attracting new tenants, and we expect these properties to continue to rebound most successfully.

## Outlook

- Continued upward trend in vacancy rates is expected as occupier demand struggles to match the increasing availability of space on the market.
- Sales activity is expected to increase in the second half of the year, driven by reduced volumes and ongoing softening market fundamentals.

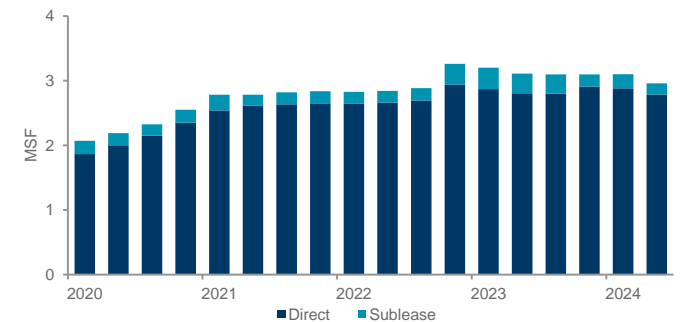
## SUBMARKET ASKING RENT



## 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	4,192	114,360	13.8%	-10,076	2,445	23,351	0	\$4.72	\$5.18
Mill Valley	442,641	2,540	75,134	17.5%	-9,286	-11,182	0	0	\$5.20	\$5.56
Southern Marin County	1,299,132	6,732	189,494	15.1%	-19,362	-8,737	23,351	0	\$4.91	\$5.34
Corte Madera	459,161	0	19,386	4.2%	-321	-4,201	8,115	0	\$4.98	\$6.30
Greenbrae/Larkspur	890,945	15,655	70,570	9.7%	-4,261	-187	35,772	0	\$5.22	\$5.00
Central Marin County	1,350,106	15,655	89,956	7.8%	-4,582	-4,388	43,887	0	\$5.18	\$5.25
San Rafael	4,441,604	31,639	708,185	16.7%	11,040	10,902	48,508	0	\$3.30	\$3.50
Novato	2,636,386	18,466	504,739	19.8%	-1,582	-34,723	49,022	0	\$2.55	\$2.60
Northern Marin County	7,077,990	50,105	1,212,924	17.8%	9,458	-23,821	97,530	0	\$2.99	\$3.10
<b>MARIN COUNTY TOTAL</b>	<b>9,727,228</b>	<b>72,492</b>	<b>1,492,374</b>	<b>16.1%</b>	<b>-14,486</b>	<b>-36,946</b>	<b>164,768</b>	<b>0</b>	<b>\$3.46</b>	<b>\$3.57</b>
Petaluma	2,972,455	79,508	306,603	13.0%	23,649	83,695	34,276	0	\$1.98	\$2.05
Rohnert Park/Cotati	1,810,410	0	235,567	13.0%	5,868	25,576	15,722	0	\$1.70	\$1.72
Santa Rosa	8,182,656	20,948	751,197	9.4%	125,511	66,577	134,620	0	\$1.79	\$1.80
<b>SONOMA COUNTY TOTAL</b>	<b>12,965,521</b>	<b>100,456</b>	<b>1,293,367</b>	<b>10.8%</b>	<b>155,028</b>	<b>175,848</b>	<b>184,618</b>	<b>0</b>	<b>\$1.85</b>	<b>\$1.88</b>
<b>Class Breakdown</b>										
Class A	8,142,768	109,179	1,647,943	21.6%	60,018	98,868		0	\$2.80	\$2.80
Class B	12,565,718	63,769	1,089,180	9.2%	58,589	20,118		0	\$2.48	
<b>NORTH BAY TOTAL</b>	<b>22,692,749</b>	<b>172,948</b>	<b>2,785,741</b>	<b>13.0%</b>	<b>140,542</b>	<b>138,902</b>	<b>349,386</b>	<b>0</b>	<b>\$2.73</b>	

\*Rental rates reflect full service asking \$psf/month  
 \*Not reflective of U.S. MarketBeat tables

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4000 Civic Center Dr	San Rafael	Golden Gate Regional Center	25,274	Renewal
75 Rowland Wy	Novato	Marin Health	13,725	New Lease
720 Fourth St	Santa Rosa	FA Engineering	11,450	New Lease
700 Larkspur Landing Cir	Greenbrae	Pacific Workplaces	9,701	Renewal

KEY SALE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$PSF
475 Gate Five Rd	Sausalito	Holt And Jane Greene 2021 Family Trust / Stg Beaverton	42,873	\$5.3M / \$123
1701 Fourth St	Santa Rosa	Poppy Bank / Santa Rosa Orthopedics	20,530	\$2.7M / \$129
181 Lynch Creek Way	Petaluma	The Wilhelm Company / Retail Petroleum Sales	11,292	\$1.6M / \$141
808 B St	San Rafael	Michelle C Lerman / Regency Real Estate	10,800	\$2.3M / \$217

# North Bay

Office Q2 2024



OFFICE SUBMARKETS



**Anna Brehm**

Senior Research Analyst

Tel: +1 415 451 2427

[anna.brehm@cushwake.com](mailto:anna.brehm@cushwake.com)

**Kate Su**

Research Analyst

Tel: +1 415 268 1380

[Kate.Su@cushwake.com](mailto:Kate.Su@cushwake.com)

**Jason Karbelk**

Research Manager

Tel: +1 415 485 3742

[Jason.Karbelk@cushwake.com](mailto:Jason.Karbelk@cushwake.com)

**CUSHMAN & WAKEFIELD**

900 Larkspur Landing Circle  
Suite 295  
Larkspur, CA 94939

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