

MARKET FUNDAMENTALS

	YOY Chg	Outlook
12.7% Vacancy Rate	▲	▲
-177K YTD Net Absorption, SF	▲	▲
\$2.95 Asking Rent, PSF (Overall, All Property Classes)	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
316.8K North Bay Employment*	▲	▲
4.1% North Bay Unemployment Rate*	▼	▲
4.2% U.S. Unemployment Rate	▼	▲

Source: BLS
*Q3 2026 figures are based on latest available data

ECONOMY

The North Bay, comprising Marin and Sonoma counties, recorded an unemployment rate of 4.1%, a decline of 30 basis points (bps) year-over-year (YOY). Non-farm jobs increased by 0.4%, or 1,300 positions, bringing the total to 316,800. Venture capital funding for start-ups headquartered in the North Bay was \$45.1 million (M) across 10 deals, a 68.0% decrease from the revised \$141.1M in 18 deals in the second quarter of 2026. The largest deal of the quarter was Foundation Industries (Advanced Manufacturing) in a seed round of \$25.0M, followed by Ludwig Computing (Machine Landing) in a seed round of \$11.6M.

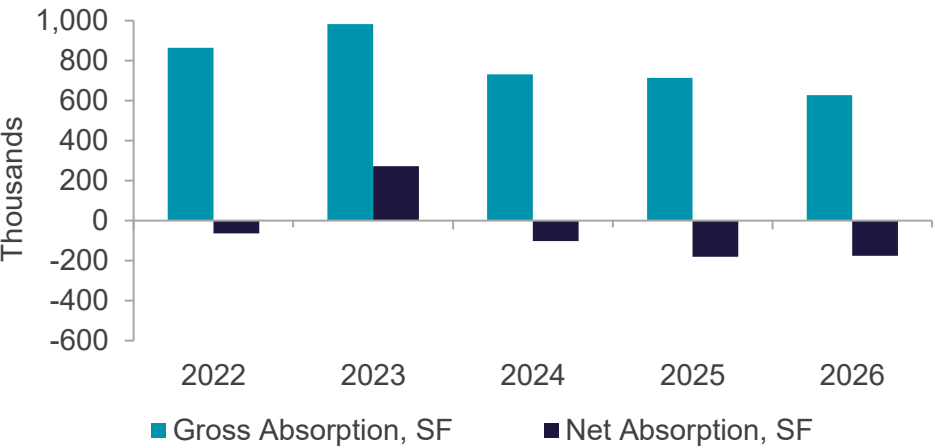
SUPPLY: VACANCY TICKS UP

The North Bay office vacancy rate closed the third quarter of 2026 at 12.7%, a 20-bps increase from the previous quarter and a 110-bps increase YOY. Marin County’s vacancy rate closed the quarter at 14.4%, with 1.4 million square feet (msf) of total available space. Northern Marin, the largest office submarket in Marin County, closed the quarter with a vacancy rate of 14.8%, increasing 10 bps quarter-over-quarter (QOQ). This submarket accounted for 74.6% of Marin County’s total vacancy, with 550,709 sf of vacant space in San Rafael and 482,968 sf in Novato. The overall vacancy rate for Sonoma County ended the quarter at 11.3%, marking a 90-bps increase YOY. Sonoma County accounted for more than 90% of the annual increase in vacant space, led by Class A buildings, where vacancy rose to 14.9% from 12.4% a year earlier. The increase was largely driven by several larger spaces over 10,000 square feet (sf) becoming available in Santa Rosa.

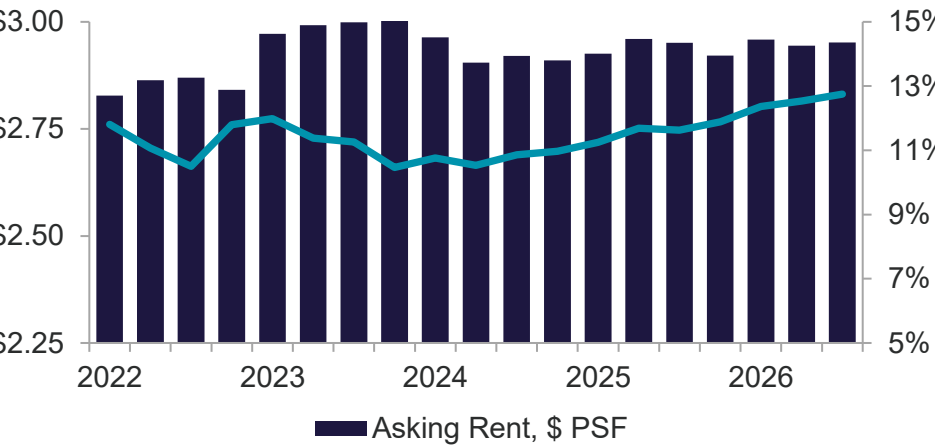
RATES: ASKING RATES HOLD STEADY

The North Bay’s overall average asking rate was \$2.95 psf on a monthly full-service basis in the third quarter, essentially unchanged QOQ despite a \$0.01 psf increase, and flat YOY. Marin County’s average asking rent rose \$0.02 psf QOQ to \$3.66 psf, with Greenbrae/Larkspur recording the county’s highest rate at \$5.69 psf. In Sonoma County, the average asking rate increased \$0.04 YOY to \$1.86 psf. Petaluma posted the county’s highest rate at \$2.06 psf, supported by limited sublease availability and Class A direct pricing of \$2.18 psf.

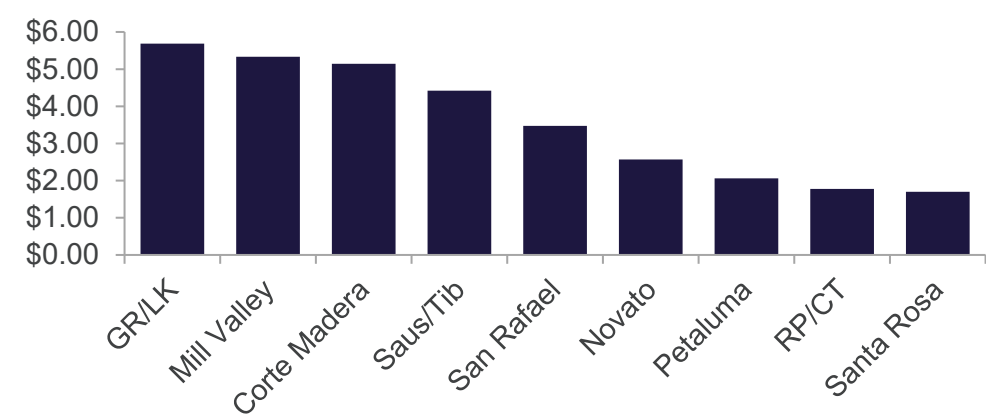
SPACE DEMAND / LEASING ACTIVITY



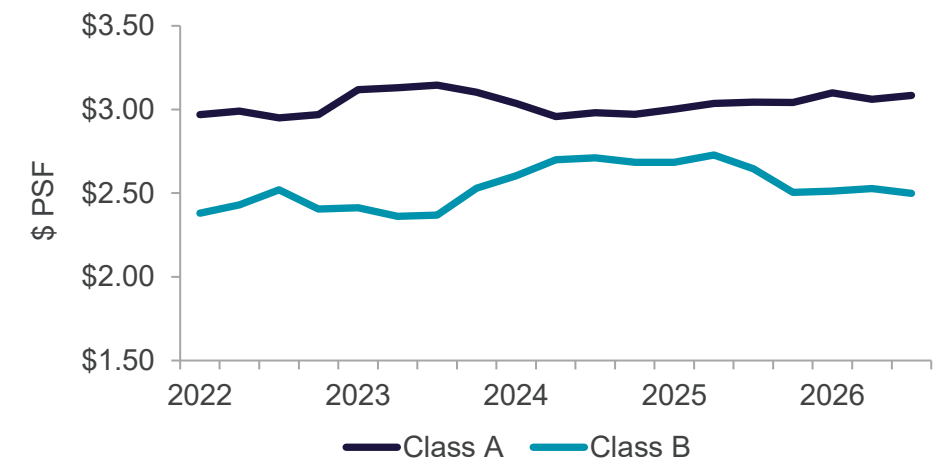
OVERALL VACANCY & ASKING RENT



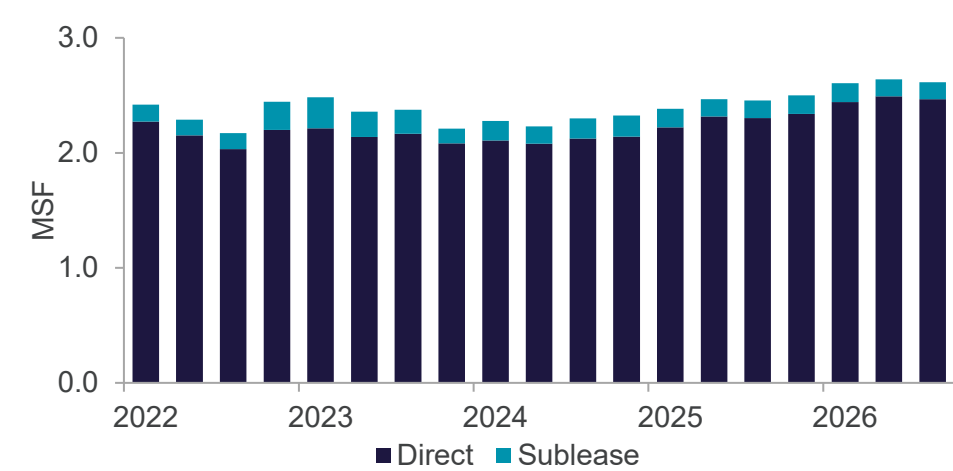
SUBMARKET ASKING RATE



ASKING RENT COMPARISON



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



DEMAND: MEDICAL USERS DRIVE LEASING ACTIVITY

North Bay leasing activity totaled 239,575 sf in the third quarter, up 37.1% YOY and the highest quarterly volume since the third quarter of 2023, when leasing activity reached 258,800 sf. San Rafael led all submarkets with 68,475 sf of leasing activity, highlighted by Marin Community Clinics’ 47,653-sf new lease at 3900 Civic Center Drive, the largest transaction of the quarter. The second-largest transaction of the quarter was Sutter Health’s 25,869-sf new lease at 1383 N. McDowell Blvd. in Petaluma, underscoring sustained demand from medical users across the North Bay.

Marin County recorded 129,355 sf of leasing volume, up 39.4% QOQ, driven primarily by four leases of more than 10,000 sf signed during the quarter. Sonoma County recorded 110,220 sf, a 4.0% increase QOQ and a 26.5% increase YOY. Gross absorption has been rising since late last year as earlier touring activity converted into signed deals. New leases accounted for 94.2% of all deals, while leases under 5,000 sf made up 78.0%.

Net absorption in the North Bay was negative 44,255 sf, a decline from negative 35,042 sf in the second quarter. Marin County recorded negative 9,694 sf of net absorption, down from positive 14,159 sf in the previous quarter, as spaces of more than 10,000 sf were newly added to the market in San Rafael and Novato. Sonoma County’s net absorption was negative 34,561 sf, an improvement from negative 49,204 sf in the previous quarter.

SALES: INVESTOR-LED MOMENTUM CONTINUES

The North Bay for-sale market now has roughly 120 active listings, more than double the 2019 level. The total space available in those listings climbed to a 10-year high of approximately 1.4 million square feet. Sales activity has also strengthened, with year-to-date transaction volume across office and condo properties totaling approximately \$190 million, up 73% from the same period in 2025.

Investor activity remained a key driver of the market’s recovery, with year-to-date investment volume more than tripling to \$153.8 million. In the third quarter alone, investors accounted for 92% of the \$75.1 million in total transaction volume, up from approximately 40% a year earlier. Meanwhile, year-to-date owner-user volume fell to \$28.6 million from \$54.1 million in the same period of 2025, as the average owner-user transaction dropped below \$1 million. The remaining volume was not classified by sale type. The largest sale of the third quarter was 899 & 1050 Northgate Dr. in San Rafael, which sold for \$17.7 million, or approximately \$157 psf, followed by 45-55 Mitchell Blvd. in San Rafael, which sold for \$14.9 million, or approximately \$196 psf.

OUTLOOK

- Leasing activity is expected to remain elevated after reaching its highest quarterly level in nearly three years, supported by demand from medical users and smaller tenants.
- Investor demand is expected to remain a key driver of North Bay sales activity, supported by increased listing levels and investment volume that continues to outpace prior year levels.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET 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	13,743	102,377	13.6%	-11,237	-15,955	62,600	0	\$4.42	\$4.71
Mill Valley	442,641	0	67,608	15.3%	-1,054	-1,084	16,031	0	\$5.33	\$5.49
Southern Marin County	1,299,132	13,743	169,985	14.1%	-12,291	-17,039	78,631	0	\$4.76	\$5.02
Corte Madera	435,161	0	49,452	11.4%	19	-6,354	11,898	0	\$5.14	\$6.30
Greenbrae/Larkspur	897,635	2,272	116,107	13.2%	5,445	556	65,377	0	\$5.69	\$5.77
Central Marin County	1,332,796	2,272	165,559	12.6%	5,464	-5,798	77,275	0	\$5.47	\$5.95
San Rafael	4,381,004	21,235	529,474	12.6%	24,096	24,855	119,422	0	\$3.47	\$3.65
Novato	2,614,556	1,000	481,968	18.5%	-26,963	-27,292	40,109	0	\$2.57	\$2.61
Northern Marin County	6,995,560	22,235	1,011,442	14.8%	-2,867	-2,437	159,531	0	\$3.07	\$3.16
MARTIN COUNTY TOTAL	9,627,488	38,250	1,346,986	14.4%	-9,694	-25,274	315,437	0	\$3.66	\$3.75
Petaluma	2,926,545	66,146	402,753	16.0%	18,435	-11,098	145,576	0	\$2.06	\$2.12
Rohnert Park/Cotati	900,682	0	155,233	17.2%	-782	-42,293	24,363	0	\$1.78	\$1.74
Santa Rosa	6,467,131	42,715	560,235	9.3%	-54,569	-100,326	139,697	0	\$1.70	\$1.66
Sonoma County Other	578,085	0	1,262	0.2%	2,355	2,355	2,355	0	\$2.50	\$2.50
SONOMA COUNTY TOTAL	10,872,443	108,861	1,119,483	11.3%	-34,561	-151,362	311,931	0	\$1.86	\$1.91
TOTALS	20,499,931	147,111	2,466,469	12.7%	-44,255	-176,636	627,368	0	\$2.95	\$3.08

*Rental rates reflect full service asking

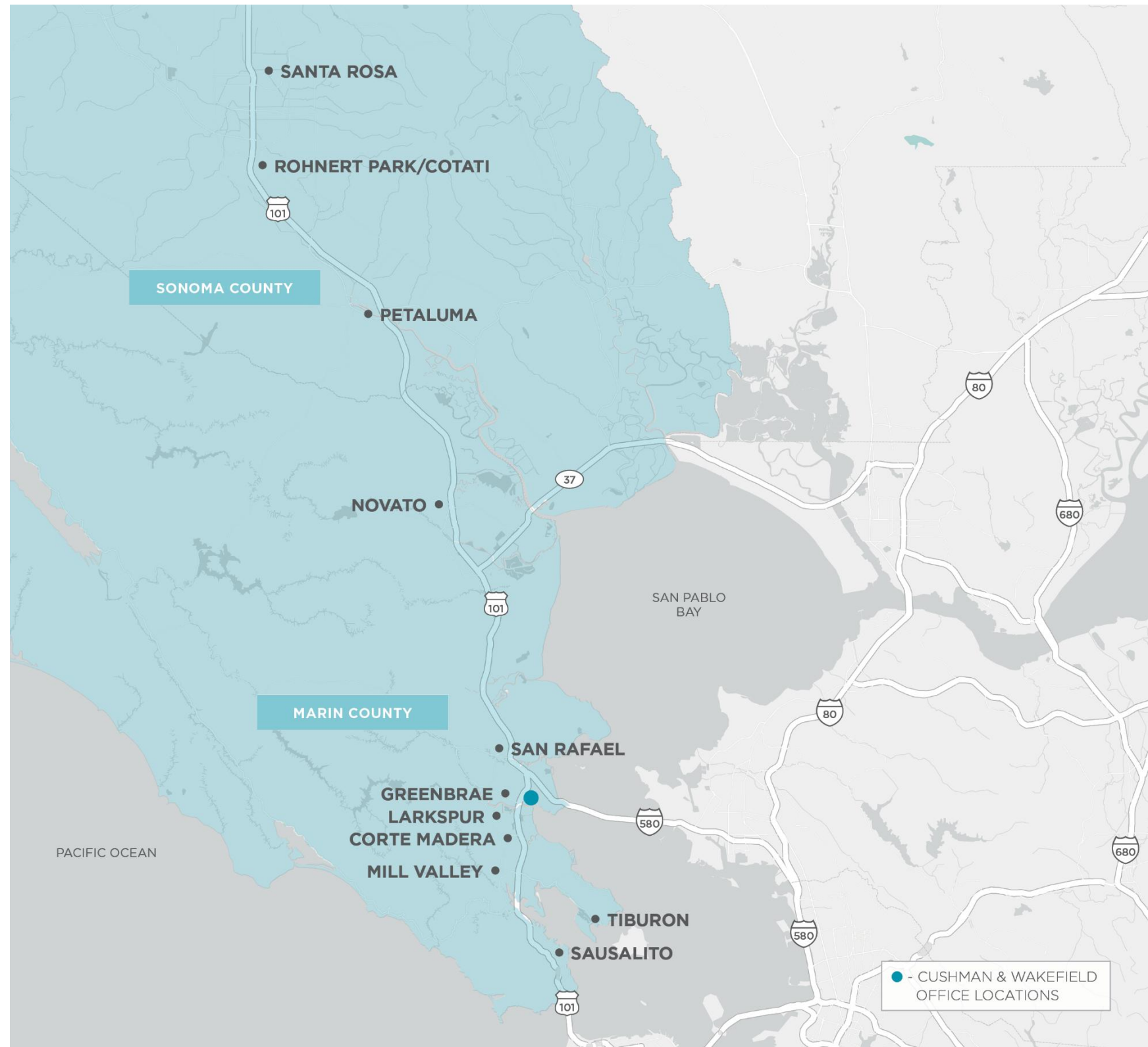
KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3900 Civic Center Dr	San Rafael	Marin Community Clinics	47,653	New Lease
1383 N McDowell Blvd	Petaluma	Sutter Health	25,897	New Lease
700 Larkspur Landing Cir	Greenbrae/Larkspur	Sutter Bay Medical Foundation	15,499	New Lease
2 Belvedere Pl	Mill Valley	Merrill Lynch	11,575	Renewal
88 Rowland Wy	Novato	County of Marin	10,814	Renewal

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$PSF
899 &1050 Northgate Dr	San Rafael	Hamilton Zanze & Company / Nelson Northgate	113,094	\$17.7M / \$157
45-55 Mitchell Blvd	San Rafael	Becam Vesa Living Trust / Stephen B. Jaeger Living Trust	76,414	\$14.9M / \$196
1400 N McDowell Blvd	Petaluma	Basin Street Properties / Sonoma County Library	72,000	\$12.7M / \$178

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