MARKETBEAT
NORTH BAY
OFFICE Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
12.9% Vacancy Rate	▲	▲
-139K YTD Net Absorption, SF	▲	▲
$2.95 Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
317.7K North Bay Employment*	▲	▬
4.3% North Bay Unemployment Rate*	▼	▼
4.2% U.S. Unemployment Rate	▬	▲

Source:BLS
**Q2 2026 figures are based on latest available data*

ECONOMY

The North Bay, comprising Marin and Sonoma counties, recorded an unemployment rate of 4.3%, a decline of 10 basis points (bps) year-over-year (YOY). Non-farm jobs increased by 0.7% or 2,100 positions, bringing the total to 317,700. Venture capital funding for start-ups headquartered in the North Bay was $136.0 million (M) in 17 deals, an 11.7% increase from the revised $121.7M in 12 deals in the first quarter of 2026. The largest deal of the quarter was Poppy Bank (FinTech) in a later-stage round of $101.1M followed by Lighthouse Pharma (Life Science-Oncology) in an early-stage round of $15.2M.

SUPPLY: VACANCY TICKS UP

The North Bay office vacancy rate closed the second quarter of 2026 at 12.9%, reflecting a 20-bps increase from the previous quarter and an increase of 90 bps YOY. This rise was largely driven by several larger spaces over 10,000 square feet (sf) becoming available in Sonoma County.

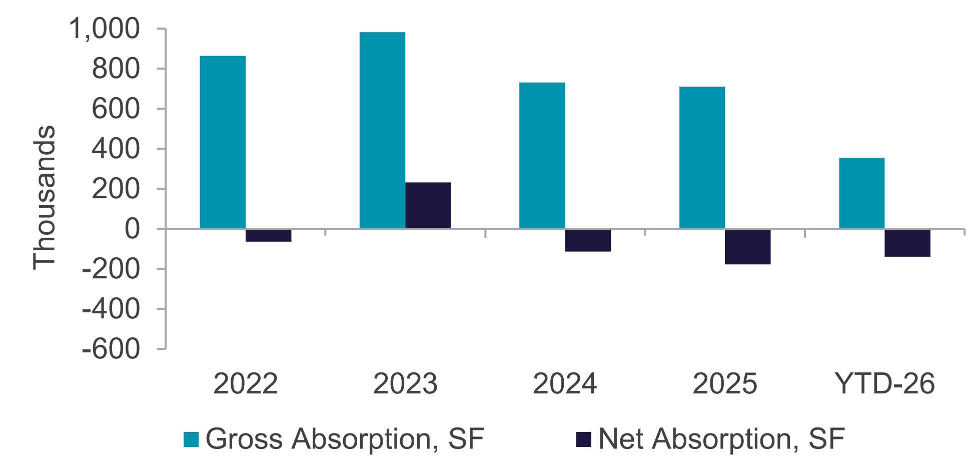
Marin County's vacancy rate closed the quarter at 14.9%, with 1.4 million square feet (msf) of total available space. Northern Marin, the largest office submarket in Marin County, closed the quarter with a vacancy rate of 15.7%, decreasing 20 bps YOY. This submarket accounted for 76.3% of Marin County's total vacancy, with 630,721 msf in San Rafael and 464,606 sf in Novato.

Meanwhile, Sonoma County ended the quarter with a vacancy rate of 11.1%, marking a 170-bps increase YOY. The major contributors included nearly 20,000 sf at 1800 McDowell in Petaluma and approximately 10,000 sf at 475 Aviation Blvd. in Santa Rosa.

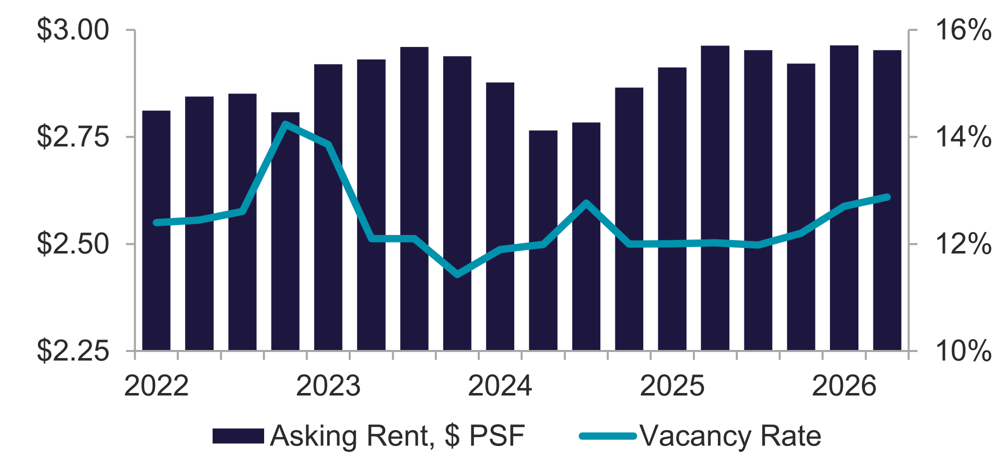
DEMAND: SMALL TENANTS LEAD ACTIVITY

North Bay leasing activity remained steady in the second quarter, totaling 177,951 sf. Petaluma led market activity, accounting for 68,475 sf, driven by QT Imaging's 21,942 sf new lease and Computerized Vehicle Registration's 16,233 sf renewal. By county, leasing quarter-over-quarter (QOQ) was relatively flat with Marin at 80,090 sf and Sonoma at 97,861 sf. New leases accounted for 85.1% of the deals and leases under 5,000 sf made up 76.6% the deals.

SPACE DEMAND / LEASING ACTIVITY



OVERALL VACANCY & ASKING RENT



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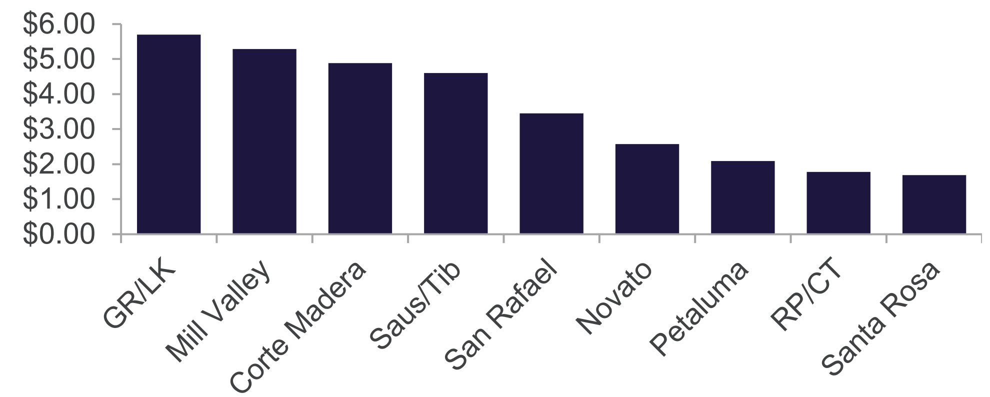
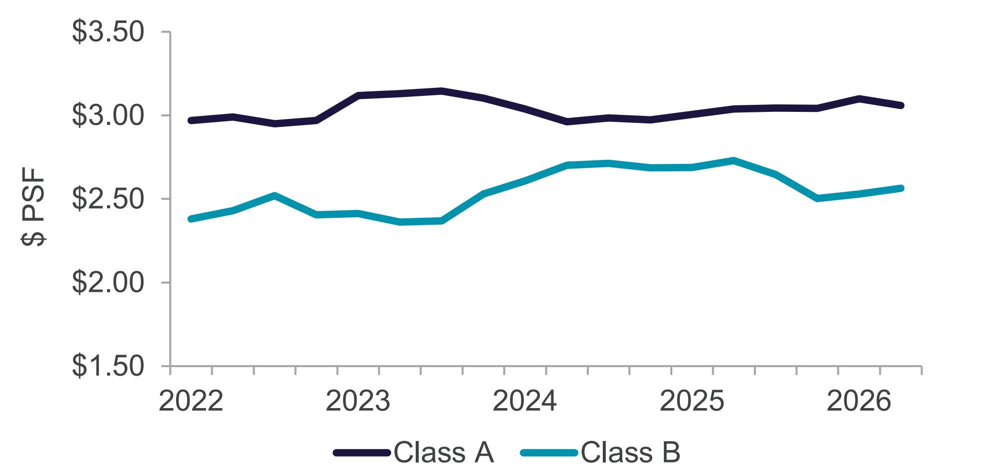
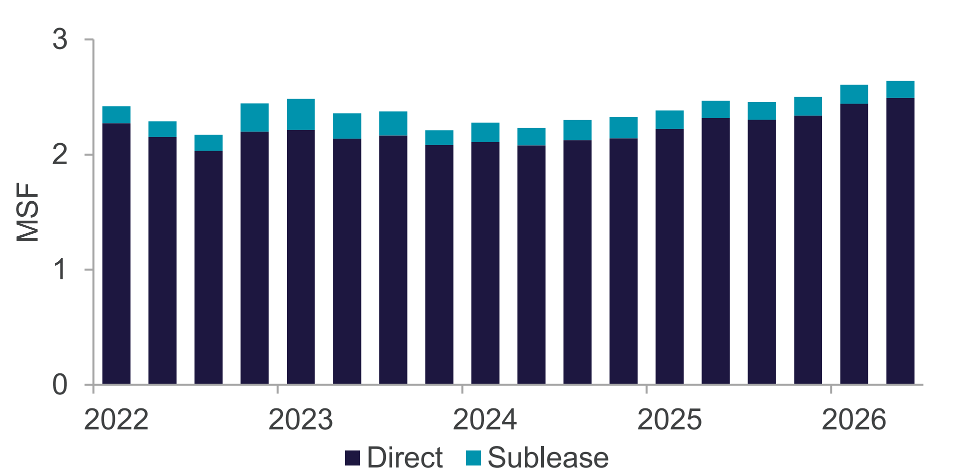
SUBMARKET ASKING RATE



ASKING RENT COMPARISON



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



North Bay office gross absorption has declined when comparing the post-pandemic and pre-pandemic periods, averaging 202,000 sf of quarterly gross absorption from 2022 to 2026, down 43% from the quarterly average of 354,000 sf, recorded between 2015 and 2019. The decline underscores a shift in space utilization, as tenants have adopted hybrid work models and reduced office footprints, resulting in fewer large-block transactions and activity driven more by smaller deals.

Net absorption for the North Bay was negative 35,797 sf, improving from negative 103,632 sf in the first quarter. Marin County recorded positive 15,653 sf of net absorption, rebounding from negative 32,713 sf in the previous quarter, primarily driven by large move-ins such as Divine Electric's 12,347 sf occupancy in San Rafael. Sonoma County recorded negative 51,450 sf of net absorption, an improvement from negative 70,919 sf in the previous quarter. The largest move in was QT Imaging's 21,942 sf in Petaluma.

RATES: ASKING RATES RECORDED MINIMAL CHANGE

The overall average asking rate for the North Bay in the second quarter was $2.95 psf on a monthly full-service basis, reflecting a slight $0.10 psf decrease both QOQ and YOY. Marin County's average asking rent was $3.61 psf, increasing $0.01 psf QOQ. Greenbrae/Larkspur has the highest rate in Marin County at $5.71 psf. The average asking rate in Sonoma County increased by $0.03 QOQ to $1.88 psf. Petaluma recorded the highest in Sonoma County at $2.09 psf thanks to limited sublease availability and direct pricing of Class A space at $2.17 psf.

SALES: SALES ACTIVITY ON THE RISE

The North Bay for-sale market has continued to evolve with the most recent trend being a rebound in transactions. Volume peaked at nearly $200M in 2016, then declined steadily through the early 2020s. More recently, deal volume has begun to recover alongside a significant pool of listings. Although the number of office properties for sale has pulled back from its recent high, decreasing to 87 in Q2 2026 from 103 in Q2 2025, listings remain well above the 2019 level.

Transaction volume among office and condo properties has grown meaningfully in the first half of 2026. Owner-user activity increased from around $9.6M in the first half of 2025 to $22.9M in the first half of 2026, more than doubling in dollar volume. Investment volume grew at an even sharper pace, rising from almost $20.0M to $84.9M, more than quadrupling YOY. Average deal size for owner-user transactions has trended smaller, pointing to a broader base of smaller buyers entering the market, while investment activity has been driven by fewer, but larger transactions.

OUTLOOK

- Elevated vacancy is expected as more space returns to the market. Smaller tenants and local businesses will remain the primary drivers of leasing activity.
- Office sales activity is expected to gain momentum as increased listings attract owner-users and investors. Stabilizing interest rates, rising owner-user demand, and a broader pool of available properties could support transaction volume and create opportunities for buyers seeking smaller office assets.

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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	91,140	12.2%	-2,344	-4,718	36,127	0	$4.60	$4.96
Mill Valley	442,641	0	66,554	15.0%	2,863	-30	4,456	0	$5.29	$5.45
Southern Marin County	1,299,132	13,743	157,694	13.2%	519	-4,748	40,583	0	$4.86	$5.16
Corte Madera	435,161	2,974	39,743	9.8%	-6,373	-9,347	11,898	0	$4.89	$6.30
Greenbrae/Larkspur	897,635	2,272	122,541	13.9%	2,181	-5,878	38,518	0	$5.70	$5.86
Central Marin County	1,332,796	5,246	162,284	12.6%	-4,192	-15,225	50,416	0	$5.43	$5.96
San Rafael	4,381,004	21,235	609,486	14.4%	11,780	759	51,399	0	$3.45	$3.65
Novato	2,614,556	1,000	463,606	17.8%	7,546	2,154	19,621	0	$2.57	$2.59
Northern Marin County	6,995,560	22,235	1,073,092	15.7%	19,326	2,913	71,020	0	$3.09	$3.17
MARTIN COUNTY TOTAL	9,627,488	41,224	1,393,070	14.9%	15,653	-17,060	162,019	0	$3.61	$3.69
Petaluma	2,926,545	64,981	438,717	17.2%	-4,065	-22,517	94,465	0	$2.09	$2.12
Rohnert Park/Cotati	900,682	0	154,451	17.1%	-22,658	-41,511	24,363	0	$1.78	$1.74
Santa Rosa	6,467,131	42,715	501,341	8.4%	-24,727	-58,341	74,769	0	$1.69	$1.64
Sonoma County Other	578,085	0	3,617	0.6%	0	0	0	0	$2.30	$2.50
SONOMA COUNTY TOTAL	10,872,443	107,696	1,098,126	11.1%	-51,450	-122,369	193,597	0	$1.88	$1.92
TOTALS	**20,499,931**	**148,920**	**2,491,196**	**12.9%**	**-35,797**	**-139,429**	**355,616**	**0**	**$2.95**	**$3.06**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1341-1353 Redwood Wy	Petaluma	QT Imaging	21,942	New Lease
1135 McDowell Blvd	Petaluma	Computerized Vehicle Registration	16,233	Renewal
One Harbor Dr	Sausalito	Regus	13,206	Renewal
101 Glacier Point	San Rafael	Divine Electric	12,347	New Lease
770 Tamalpais Dr	Corte Modera	Wells Fargo	9,666	Renewal

KEY SALES TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $PSF
5900 State Farm Dr	Rohnert Park	Nazareth Medical Building LLC / El Dorado Associates, LLC	68,304	23.0M / $350
200 Gate Five Rd	Sausalito	NCP Commercial LLC / Morgan Properties	27,103	9.6M / $364
350 Ignacio Blvd	Novato	NCP Commercial LLC / County of Marin	16,792	3.0M / $178

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