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Overview

The City of Novato contracted with the Marin Economic Forum for research, collection of data, economic research and analysis for the purpose of this report. The City of Novato, like other cities and towns in Marin County, is slowly emerging from the “Great Recession”. This report looks at four parts of Novato’s economy, and also shows comparisons to the rest of Marin County and California when appropriate. Some highlights include:

• The Census 2010 data suggests that Novato has become older and more ethnically diverse. Over 23% of the population is over 55 years old and over 20% of the population is Hispanic. Further, there was a loss of 4.8% of Novato's population between the ages of 22 and 55 since 2000; Marin County lost over 16% of its population in the same age range. Novato's population grew by 9% since 2000, or by approximately 4,270 people. As noted in the report, Novato has a median age of 42 years versus the rest of Marin County at 48 years.

• Novato gained 9%, or approximately 2,160, in housing units, primarily at Hamilton Field. Rental occupancy increased more than did owner occupancy, a likely combination of rising supply and demand in rentals, and lower demand in home ownership due to the recent recession that was led by a real estate contraction. Novato has very low vacancy rate at 4.2% compared to the rest of the County (7.9%) and the State (8.1%). Novato also has a high owner occupancy rate at 67% when compared to the rest of Marin County (62%) and the rest of the State (55%).

• Novato generates approximately 20% of Marin County's economic value, and saw job gains over the last decade and in a broad array of sectors. Health care, private education and professional/scientific services lead the way.

• Specifically, Sutter significantly expanded its presence in Novato and purchased two, 100,000 square foot commercial buildings adjacent to its hospital in order to accommodate its need to expand medical office building space. Biotechnology is thriving in Novato. BioMarin has spawned startups with former executives launching Raptor Pharmaceuticals and most recently Ultragenyx; MarinBiologic also launched in Novato. Expansion in these sectors reflects job growth in well paying skilled jobs offsetting losses in the retail and insurance categories.

• Retail, construction, manufacturing and finance have seen some contraction; these industries are still in recovery after the recent recession, but business growth has been seen generally across Novato's economy. Further, Novato has seen a growth of approximately 3,600 jobs since 2002, while Marin County overall has lost over 9,000 jobs.

• Forecasts of employment, unemployment and taxable sales all assume a slow, but recovering economy over the next three years. A continuing labor market recovery is
paramount to the forecasts for taxable sales; if new and expanding businesses continue to hire, their effects on retail will be widespread and generate more hiring in local retail stores.

- Commercial and residential real estate markets are also showing signs of recovery, especially in Class B space in Novato versus the remainder of Marin County. Median home prices are rising versus 2009 and 2010, but that increase has slowed in the first two quarters of 2011. Novato is likely to remain a place where both residents and business seek property due to relatively low prices.

This report shows some key indicators for Novato through the first quarter of 2011. In summary, Novato is following the general rebound in the national and state economies. Similar caveats apply to Novato as to the state and North Bay economies overall. Job and business growth is essential to a sustainable economy; Marin Economic Forum provides information, guidance and networks for such growth throughout Marin County.

**Marin Economic Bulletin: Novato**

Like most other municipalities, Novato has been hit by a confluence of real estate, labor market, and consumer contractions that remain since the last quarter of 2008. There are signs of recovery throughout Marin County, most driven by recovery in California overall and the broader U.S. economy. Novato’s business and residential demography provide some insights as to its ability to be both exposed to and insulated from economic downturns; Novato’s economy represents a crossroads between Sonoma County's mix of agriculture, technology and professional services and Marin County’s mix of retail, personal services and health care businesses. Anecdotal evidence from the commercial real estate industry suggests that biotechnology firms are growing as an industry within Novato more than other parts of Marin County.

Because it is the first of its kind, the report will attempt to provide a benchmark of sorts. The research performed for this Bulletin establishes an initial database for future use in analyzing the changes and situation for Novato's economy, but also as a way to understand how local economics are linked to larger areas. Because Novato’s economic data is not updated with the frequency of regional, state and national information, we can use patterns from the past to estimate and understand where Novato is headed as a city utilizing the latest information otherwise. The timing of this baseline report is serendipitous because the release of the Census 2010 data is coming from the Census Bureau as this report is finalized.

Macroeconomics is made up of three major markets: financial, labor and goods markets. The wealth of residents is somewhat transient, so economists like to look at commercial and residential real estate as a way to understand the “wealth” or financial status of a specific area. This report will provide many perspectives on the local real estate markets and their progression as the economy continues its emergence from the “Great Recession”. This report is made up of the following sections, where the “Summary” section provides a forecast for Novato.
1. Residential Demography

The evolution of both local business and residential demographics provides local businesses with a way to look at customers and internal markets. This may also help real estate professionals, as well as health care and financial services, to recognize trends throughout the Novato economy in comparison with both Marin County as a whole and the state of California. In each of the tables of this section, these comparisons provide information to shape the summary below.

Census 2010 data has recently been released for Novato, and there is more to come over summer 2011 that can be compiled and synthesized by MEF to provide additional insights in a future report. Tables 1a through 1c provide a summary of the currently released data.
Table 1a: Census 2000 and 2010 data, Age, Gender, and Household Size

<table>
<thead>
<tr>
<th>Geography</th>
<th>Raw Data, Census 2010</th>
<th>Percentage Change since Census 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>California</td>
<td>Marin County</td>
</tr>
<tr>
<td>Total population</td>
<td>37,253,956</td>
<td>252,409</td>
</tr>
<tr>
<td>Male</td>
<td>18,517,830</td>
<td>124,072</td>
</tr>
<tr>
<td>Female</td>
<td>18,736,126</td>
<td>128,337</td>
</tr>
<tr>
<td>Persons Under 5 years</td>
<td>2,531,333</td>
<td>13,932</td>
</tr>
<tr>
<td>Persons 5 - 17 years</td>
<td>6,763,707</td>
<td>38,282</td>
</tr>
<tr>
<td>Persons 18 - 21 years</td>
<td>1,730,644</td>
<td>6,154</td>
</tr>
<tr>
<td>Persons 22 - 55 years</td>
<td>17,945,265</td>
<td>111,761</td>
</tr>
<tr>
<td>Persons over 55</td>
<td>8,283,007</td>
<td>82,280</td>
</tr>
<tr>
<td>Percent Population Female</td>
<td>50%</td>
<td>51%</td>
</tr>
<tr>
<td>Percent Population Less than 18</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Median age (years)</td>
<td>35.2</td>
<td>44.5</td>
</tr>
<tr>
<td>Average Household size</td>
<td>2.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Average Family size</td>
<td>3.5</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Sources: Census Bureau (2011) and Marin Economic Forum (MEF)

Table 1a compares Novato to California and the rest of Marin County. The population growth of Novato residents exceeds that of Marin otherwise by a large margin (9% versus 0.4%), and is growing more slowly than California overall. Housing prices are a likely reason why Novato is attractive to those coming to Marin County; relatively high prices versus the North Bay overall and California are likely a reason why Novato has grown more slowly than California overall. Also, the relatively larger population growth in Novato versus Marin County may drive more retail sales toward Novato over time than other parts of Marin County.

The gender differences in growth may imply Novato has an opportunity in terms of any retail opportunities focusing more on female customers. Marin County otherwise grew in female population, but lost male population versus Novato; Novato grew in a similar way to California in terms of gender balance. The main implication here is in retail options and opportunity, but it is important to analyze the nature of the growth in female population closely. Conventional wisdom is that a growing female population correlates with potential economic opportunities in childcare services and retail to support families. However, the Novato household size and family size numbers do not support that idea; growth in Novato’s female population does not show growth in number of children for Novato or Marin County. There are a number of potential explanations for this; it may be that Novato’s female population growth is concentrated in those without children or...
with adult children that do not necessarily migrate with the mothers. The release of the remaining Census 2010 data will help shed more light on this issue.

The age profile corroborates this. While there was growth in residents under 17 years of age in both Novato and the rest of Marin, the numbers are relatively small. Only 495 new children were born or entered Novato since 2000; for Marin County otherwise, it is only 998 more residents under 17 years of age since Census 2000. For residents over 55 years of age, the numbers are 4,502 and 16,482 respectively for Novato and Marin County. Novato now has 23.6% of its population over 55 years of age, where Marin County outside of Novato has over 25% of residents over 55 years of age.

This implies more health care services, personal services and financial services demand as Marin County continues to age and potentially have fewer labor force participants. It is critical to find ways for Novato’s aging population to have entrepreneurial opportunities in either business ideas or career change to support the broad business base described below.

Table 1b: Ethnicity Breakdown, Census 2000 and Census 2010 Comparisons

<table>
<thead>
<tr>
<th>Geography</th>
<th>Raw Data, Census 2010</th>
<th>Percentage Change since Census 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>California</td>
<td>Marin County</td>
</tr>
<tr>
<td>Total Population</td>
<td>37,253,956</td>
<td>252,409</td>
</tr>
<tr>
<td>White</td>
<td>15,572,971</td>
<td>190,560</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>14,013,719</td>
<td>39,069</td>
</tr>
<tr>
<td>Asian</td>
<td>4,861,007</td>
<td>13,761</td>
</tr>
<tr>
<td>Black or African American</td>
<td>2,299,072</td>
<td>6,987</td>
</tr>
<tr>
<td>Native American Indian</td>
<td>362,801</td>
<td>1,523</td>
</tr>
<tr>
<td>Native Hawaiian and Other Pacific Islander</td>
<td>144,386</td>
<td>509</td>
</tr>
</tbody>
</table>

Sources: Census Bureau (2011) and MEF

The ethnicity proportions in Table 1b show that Novato has become more diverse since 2000. The Caucasian population barely changed; the Hispanic and Asian proportions grew quickly since 2000. Novato’s African-American population grew while Marin County overall saw an outmigration of African Americans overall.

The Census Bureau will be providing further data about the economic situation of the different ethnicities in Novato and all of Marin County later in 2011. The key economic opportunities here include diversity in retail with ethnicity-specific stores and businesses to serve a more diverse population. This is true more for Novato than in Marin otherwise. Table 1c provides some insights for housing use in Novato and Marin County otherwise. The average household sizes remain relatively low versus California; however, household sizes in Novato are slightly larger in
rentals than owners and the rest of Marin County have smaller households in occupied housing otherwise.

The growth of vacancy rates for Novato and Marin County are large; Novato has seen growth in its vacant housing units due more to the recent recession than a mass exodus from Novato. As the population of Novato has grown since 2000, the number of housing units outpaced that growth, which coupled with a drop in household size implies more housing vacancy. There was net growth in occupied housing for Novato since 2000.

### Table 1c: Housing and Occupancy Status, Rental versus Owner

<table>
<thead>
<tr>
<th>Geography</th>
<th>California</th>
<th>Marin County</th>
<th>Novato</th>
<th>Rest of Marin</th>
<th>California</th>
<th>Marin County</th>
<th>Novato</th>
<th>Rest of Marin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total housing units</td>
<td>13,680,081</td>
<td>111,214</td>
<td>21,158</td>
<td>90,056</td>
<td>12.0%</td>
<td>5.9%</td>
<td>11.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Occupied housing units</td>
<td>12,577,498</td>
<td>103,210</td>
<td>20,279</td>
<td>82,931</td>
<td>9.3%</td>
<td>2.5%</td>
<td>9.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Vacant housing units</td>
<td>1,102,583</td>
<td>8,004</td>
<td>879</td>
<td>7,125</td>
<td>54.9%</td>
<td>84.4%</td>
<td>87.0%</td>
<td>84.1%</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>8.1%</td>
<td>7.2%</td>
<td>4.2%</td>
<td>7.9%</td>
<td>39.7%</td>
<td>75.6%</td>
<td>68.0%</td>
<td>75.8%</td>
</tr>
<tr>
<td>Occupied housing units</td>
<td>12,577,498</td>
<td>103,210</td>
<td>20,279</td>
<td>82,931</td>
<td>9.3%</td>
<td>2.5%</td>
<td>9.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Owner-occupied housing units</td>
<td>7,035,371</td>
<td>64,637</td>
<td>13,591</td>
<td>51,046</td>
<td>7.5%</td>
<td>1.0%</td>
<td>8.6%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Renter-occupied housing units</td>
<td>5,542,127</td>
<td>38,573</td>
<td>6,688</td>
<td>31,885</td>
<td>11.8%</td>
<td>5.3%</td>
<td>11.3%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Percent Ownership</td>
<td>55.90%</td>
<td>62.60%</td>
<td>67.00%</td>
<td>62%</td>
<td>-1.8%</td>
<td>-1.6%</td>
<td>-0.9%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Avg household size, owner-occupied</td>
<td>2.95</td>
<td>2.41</td>
<td>2.45</td>
<td>2.36</td>
<td>0.7%</td>
<td>-0.4%</td>
<td>-2.0%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Avg household size, renter-occupied</td>
<td>2.83</td>
<td>2.27</td>
<td>2.7</td>
<td>2.07</td>
<td>1.4%</td>
<td>2.7%</td>
<td>5.5%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

**Sources:** Census Bureau (2011) and MEF

The economic implications of Table 1c’s data are simply that the amount of housing vacancy will continue to have a depressing effect on housing prices and that housing markets will need to also monitor the rise in rental units occupied versus owner-occupied as a gauge of both real estate sales and incentives for new construction of homes to buy. A further implication is there may be rising demand for multifamily units to be constructed due to increased rental demand. The vacancy rates also show there is room for Novato to grow, in terms of residential population, as housing is available.

As with age shifts toward an older population, Novato’s businesses will see a different type of consumer and worker over time, as these trends are likely to continue. Also, as further census data come out over the summer of 2011, the links to income, occupation, and other economic aspects of Novato’s residents can be analyzed. The next section looks at some data and trends for Novato’s labor force, employment and industries.
2. Novato Labor Force Statistics and Business Demography

The labor force statistics for Novato are best seen as part of Marin County as a whole. Comparing both the industrial mix in Novato to the whole of Marin County allows comparisons to the exposure of Novato to changes in the national and state economies versus the rest of the county, and also how Novato acts as a balancing and driving force. Figure 1 provides a comparison of the number of employees in different industries as reported by the Bureau of Labor Statistics and estimated by MEF.

Figure 1: Comparison of Employment across Sectors, Novato, 2002 and 2011

Number of Employees

Growth in Novato was mainly in health care, educational services (such as training programs, etc.), restaurants, and professional/scientific services; the most significant growth was in health care (generated in the private or non-profit sectors) and educational services (which include both private education and training programs in the private sector, but not public education).

Public sector jobs also grew since 2002, though budget issues into the future may force continued changes in the public sector. Notice also that construction, financial services and retail have
lost jobs, where manufacturing has gained. The gains in manufacturing are likely due to an expansion of biotechnology (e.g. BioMarin) and green tech industries (e.g. SolarCraft) in Novato.

The economics of these changes are on both workforce investment and training as well as commercial real estate markets. As these trends continue, there will be a demand for more health care workers across a broad spectrum of job types (certified nursing, home health aides, registered nurses, medical assistants and administration), as well as scientific and technical workers in biological sciences and green tech. The data show that Novato has gained approximately 3,600 new workers since 2002, where Marin County overall has lost over 9,000 workers overall.

**Commuting Workers**

The Longitudinal Employment and Housing Dynamics (LEHD) database of the Census Bureau provides data on the commute and living patterns of those that work or live in a specific area. For example, Figures 2 to 3 provide a way for Novato to see the number of people that commute daily into Novato, that commute out of Novato and where they originate.

In comparison to Marin County, Novato has more people coming into the city to work from the north than Marin County otherwise; Marin County, south of Novato, draws more from the greater Bay Area for the workforce it imports. The importance of where commuters originate is the identification of a regional economy. Housing prices, retail and lifestyle options otherwise, are providing Marin's workers incentives to live elsewhere.

**Figure 2: Comparison of In-Bound Commuters to Novato, Originations, 2002 and 2010**

![Figure 2: Comparison of In-Bound Commuters to Novato, Originations, 2002 and 2010](image)

*Sources: LEHD (www.led.lehd.gov) and MEF*
It is important that Novato monitor commuting statistics for two economic reasons. First, commuters that work in Novato but live elsewhere take their wages and potentially spend them outside of Novato. This implies that local businesses must continue marketing efforts to all workers, especially those where convenience may be a factor in both working and shopping locally if living locally is not an option.

Second, the real estate market will be both driven by and react to changes in commuting. If housing prices recover, the incentives to commute will rise; if more workers are attracted to Novato from other parts of Marin County or California as the number of businesses in Novato grows, housing prices will be pressured to rise, which then may trigger more commuters.

**Labor Force Statistics**

The unemployment situation, as with other parts of California, continues to lag behind the national data. Novato’s data are driven by estimates for Marin County, as Figure 4 shows.

It is also important to notice that the seasonally adjusted unemployment rates in California follow a similar pattern to both Marin County and Novato. Novato has remained slightly above the county average in terms of unemployment since 2000.

Employment levels in Novato have a similar look as unemployment. During the 1990s, Novato followed the county trend very closely; since 2000, Novato’s employment level has grown
more slowly than the county on average. Figure 5 shows the connection. Also, it shows how Novato had, on the surface (like Marin County overall), a relatively jobless recovery concerning payroll employment since 1990.

California’s growth in overall jobs, also shown in Figure 5, tells two stories in comparison to Novato. First, the state as a whole has done a better job of retaining payroll employment, most likely by shifting from one sector to another during recession (high tech to finance and banking from the 1990s to 2000s).

According to the Bureau of Labor Statistics, California has increased payroll employment by over 3 million jobs since 1990 while Novato has declined by more than 600 workers. Also, California is not growing as fast out of the recession as is Marin County and Novato in terms of jobs created. In summary, Novato is following regional and state trends in terms of labor force and is a major player in the county labor market overall.

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1 It is important to point out that these data are for payroll employees only, and may not include self-employed business owners.
The labor force is just one component of Novato business. The next section looks at the economic impact of businesses on the community.

Figure 5: Comparison of Employment Levels, 1990-2011, Novato, and Marin County, CA

January 1990 = 100

Business Demography in Novato and Targeted Industries

Figure 6 summarizes changes in the number of businesses for larger industries in Novato from 1998 to 2008 (pre-recession) and 1998 – 2010 (post-recession). Such a comparison provides a way to see how Novato has both slightly recovered from the latest recession and also how it has grown since the late 1990s overall.

One measure of a city economy is called “gross city product”, which is the sum of all wages, salaries, profits, interest payments, rents, and taxes paid by and to Novato residents and businesses. Novato generates approximately $4 billion in gross city product annually as of 2010, or about 20% of Marin County’s economy, based on the Bureau of Economic Analysis and MEF estimates. In contrast, San Rafael generates about $6.4 billion, about 27% of the Marin County economy.
Figure 6 illustrates how Novato has emerged from the great recession of 2008-09 in terms of recovering businesses. The 1998 – 2010 set of data shows the job creation since the late 1990s. The second set of data shows that same data but without the recent recession included. The difference between the two bars for each industry is gain since the recession in net change. For example, finance and insurance have lost businesses (employers) since 2008, but have grown overall since 1998. The same is true for professional services. In contrast, retail services and manufacturing have lost businesses and not gained much since the recent recession ended.

Comparing figures 1 and 6, manufacturing has seen a gain in employees while losing businesses. The economics of that change are that smaller manufacturers went out of business or moved since 1998, but the net change in employees has gone up because larger manufacturers have come in and increased employment.

What Figures 1 and 7 showcase is that Novato has a wide array of industries, that Novato has grown over the last decade as an economy, and that the recession’s impact is starting to fade as we move through 2011. For local government, the increased employees and businesses may potentially generate more retail sales and sales tax revenues.
3. Taxable Sales

The long recession and slow recovery is evident in retail sales data. The figures for this section provide insight as to how the recession affected the retail industry in California, Marin County and in Novato specifically.

Figure 7: Taxable Sales, Novato, Millions of 2005\$, Seasonally Adjusted and Forecasted, 1997-2013

Sources: Board of Equalization and Marin Economic Forum

Taxable sales in Novato are estimated to slowly rise through 2013 as the economy continues a slow recovery. Marin County overall, as Figure 8 shows, will likely see a more rapid recovery of retail sales due to having more retail options than Novato overall and a recovery in terms of personal income. Also, aging residents implies less travel and more taxable sales locally.

The forecast is for continued growth in retail sales rather than a downturn through 2013. Also notice that this activity level is similar to sales in the late 1990s through 2013 in both Figures 7 and 8.
Much like retail sales, continued recovery in real estate is dependent upon job and business growth that creates business and employment opportunities over the next few years. This is true for recovery in both residential and commercial real estate.

Also, notice the transition in taxable sales after the recession of 2001. Taxable, retail sales in California overall continued to rise as the growth of Marin County taxable sales slowed from before the 2001 recession and remained relatively stable through the 2001-07. California experienced a larger drop than Marin County or Novato, but has also recovered a little more quickly. The forecast shows slow but steady growth through 2013.
4. Real Estate: Residential and Commercial

The real estate markets have been especially hurt and hampered in the recession’s wake. Novato was not immune to the housing market contraction, as Figure 9 shows.

The median home price in Novato follows the median in Marin County, albeit at a slower pace. In many ways, as the comparison data show, the median home price in Novato follows the trends in Sonoma County somewhat more closely that the rest of Marin County. There is nothing unique about the Novato real estate market to assume it will differ from the regional area, beyond more robust business and job attraction in industries that will hire workers that live in Novato.

Figure 10 shows the median home prices in Novato as compared to Marin County overall, Sonoma County, and California.

**Figure 9: Comparison of Median Home Prices, 2002 – 2013 (forecasted)**

Novato, Marin County, Sonoma County, and California

![Comparison of Median Home Prices, 2002 – 2013 (forecasted)](image)

Sources: Marin Association of Realtors and MEF

Figure 10 shows the number of building permits issued by Novato as compared to Marin County overall and California. Figure 10 shows Novato has seen some recovery in building, though it is likely site-specific and is not likely a trend of new development.

Figure 11 shows that foreclosure activity in Marin County and Novato is struggling to move toward trend, while the remainder of California is stabilizing in comparison. Figure 10 has a lot of volatility between 2003 and 2007 due to the high number of permits issued during that time versus
1990 (which is the anchor of the index). The two economic cycles are more evident in the Novato data (1990s growth then downturn, 2000s growth then bust). In general, Marin County issues few building permits; significant changes in Novato’s permitting activity since 2000 is due primarily to the Hamilton Field redevelopment.

Figures 12 and 13 provide a brief overview of commercial real estate activity. These figures show that there is some recovery underway in the commercial markets as well, where rents are beginning to give way to excess supply and demand for Class A and B space is responding. For the most part, vacancies inside of Novato are mainly in Class A and B office space. Relatively high vacancy rates will remain throughout 2011 short of Novato attracting a large employer that would demand such space. Filling this space will only happen if businesses are attracted and retained inside Novato and Marin County.

Figure 10: Building Permits Comparison, Novato, Marin County, California
Index, Jan 2002 = 100

Source: Census Bureau
Figure 11: Foreclosures Comparison, Novato, Marin County, California, Index, Seasonally Adjusted, Jan 2002 = 100

Sources: RAND California and MEF

Commercial Real Estate Summary

About 20% of the available office space is in Novato for Marin County. Asking rents prices, as shown in Figure 12, have been slowly going down as vacancy rates have increased; vacancies are just starting to show signs of relief.

Novato’s vacancy rates falling faster than Marin County overall is likely a function of asking rent prices being lower historically than the remainder of the county, and thus attractive to commercial users.

The commercial real estate market in Novato is somewhat different than that in Marin County overall. Figure 13 shows the vacancy rates in the county versus Novato for Class A and Class B office space. After the first quarter of 2011, the amount of square feet available in these two markets were approximately 419,000 square feet in Novato and 1.918 million square feet in Marin County overall. Class B space is showing more recovery than Class A space.

For firms that are choosing to expand to enter commercial space, pricing has become a factor and thus Class B fits that requirement versus Class A; also, it may be a sign that the firms demanding commercial office space are not worried about the level of services and amenities that
come with Class A space as much as a place to collaborate. Anecdotally, new high tech start-ups in Novato and throughout Marin are leasing Class B for these reasons.

**Figure 12: Asking Rent Prices, 2002 Q1 – 2011 Q1**

![ Asking Rent Prices Chart ]

Sources: Cassidy-Turley BT Commercial and MEF

**Figure 13: Class A and B Commercial Office Space, Vacancy Rates, 2002 Q1 – 2011 Q1**

![ Class A and B Commercial Office Space Vacancy Rates Chart ]

Sources: Cassidy-Turley BT Commercial and MEF
In summary, Novato’s residential and commercial real estate markets are showing small signs of recovery. Both these markets are followers, not drivers, of general economic activity. Business growth and longevity in Novato will feed residential and commercial real estate markets as it has since 1990 throughout Marin County.

**Summary for Novato, CA**

Novato is following the general rebound in the national and state economies. Similar caveats apply to Novato as to the state and North Bay economies overall. Job and business growth is essential to a sustainable economy; Marin Economic Forum provides information, guidance and networks for such growth throughout Marin County. The Census 2010 data suggests that Novato has become older and more ethnically diverse. Novato gained 9%, or approximately 2,160, in housing units. The overall vacancy rate in Novato is 4.2% or 879 housing units (both owner occupied and rental). Novato’s vacancy rate is lower than Marin County otherwise, which is 7.9% outside Novato, with a total of 7,125 vacant units.

The number of jobs in Novato grew since 2002 by over 3,600 jobs while Marin County overall saw jobs fall by over 9,000 workers. A continuing labor market recovery is paramount to the forecasts for taxable sales; if new and expanding businesses continue to hire, their effects on retail will be widespread and generate more hiring in local retail stores. Commercial and residential real estate markets are also showing signs of recovery, especially in Class B space in Novato versus the remainder of Marin County. Novato is likely to remain a place where both residents and business seek property due to relatively low prices. In short, Novato is forecasted to follow state and county trends, and outperform the county in terms of job growth and commercial real estate vacancy.

Marin Economic Forum, a fiscal sponsorship project of Center for Volunteer and Nonprofit Leadership
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* Applications for associate members are accepted on an ongoing basis. To inquire, please email: info@marineconomicforum.org.
Marin Economic Forum (MEF)

The Marin Economic Forum is a public-private partnership that works to enhance Marin’s economic vitality, with a focus on targeted industries, as the key to achieving our local civic, environmental and social goals.

MEF’s successes to date include:

• Produced the first ever Marin-specific Economic Bulletin published in the Fall of 2010; the Spring update to this biennial tracking of critical economic indicators was delivered on May 5, 2011 and can be found on the MEF website.

• Launched working groups focused on Technology and Agri-Tourism, an industry tracking initiative with the Workforce Investment Board around the Health and Green Jobs sectors, and a Government Interaction effort to document permitting and approval processes for cities, the county and special districts in Marin.

• Worked to connect existing and potential companies to resources and information to enable them to grow in Marin. In one example, a growing company in the solar industry that plans to double in size will remain in Marin rather than relocating to San Francisco.

• Growing partnerships with College of Marin and Dominican University of California that endeavor to match educational programs with Marin’s employment needs and accelerate entrepreneurial businesses focused on environmental and sustainable industries.

• Conducted independent analyses contracted by cities and/or chambers, as well as independent project proposers, which measure economic impact in the context of Marin’s overall core values.

• Published the “Sonoma Marin Cheese Trail” map, the first-ever guide to local artisan cheese makers, an increasingly important element of our local agricultural economy

For information, data, networking opportunities, and giving to MEF, please contact:

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