


The Newmark logo is displayed in white, uppercase, sans-serif font in the top left corner of the slide. The background of the slide is a photograph of a modern, curved glass office building with horizontal metallic accents, set against a clear blue sky.

NEWMARK

North Peninsula Office Market Overview

1Q26

A wide-angle photograph of a modern office complex with several curved glass buildings situated along a waterfront. The buildings are reflected in the water, and the scene is captured during the golden hour of sunset or sunrise. Bare trees are visible in the foreground.

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Market Observations



Economy

- In January, the San Francisco–San Mateo region posted an unemployment rate of 3.9%, below the national average of 4.3% and the California state average of 5.4%. Current figures show no discernible impact from geopolitical developments in the Middle East on present employment metrics.
- The U.S. Consumer Price Index (CPI) inflation rate rose to 3.3% in March, up from 2.4% in February, driven largely by a 10.9% increase in energy costs resulting from the conflict with Iran.
- Economists maintain projections for one additional interest rate cut in 2026, noting that the Federal Reserve is expected to look beyond the recent energy-driven inflation spike linked to ongoing geopolitical tensions.



Major Transactions

- The quarter's largest transaction belonged to Roblox, which pre-leased 325,192 SF at Stations 6 & 7 at Bay Meadows in San Mateo, growing its already significant presence in the project.
- In the second-largest deal of the quarter, cloud-based development platform Replit completed an extension on the fourth floor at 1001 E. Hillsdale Blvd. in Foster City, while also expanding into floors six, seven, and eight, for a total of 147,219 SF transacted.
- The most significant sale of the quarter was Gateway Commons, a seven-building office and life science campus in South San Francisco, which traded from Alexandria Real Estate and Boston Properties to Healthpeak for \$600.0 million, or \$444/SF.



Leasing Market Fundamentals

- The North Peninsula office market recorded its third consecutive quarter of occupancy gains, posting 703,000 SF of net absorption.
- Gross absorption totaled 1,871,020 SF, a 95.7% increase quarter over quarter. Leasing activity from AI companies increased, accounting for 19.1% of the total new leasing volume, up from 14.4% in the prior quarter and 9.7% one year ago.
- Market-wide vacancy edged lower to 20.0% from 21.2% in the prior quarter. Sublease vacancy declined to 4.0%, compared with 4.2% during the same period. The average asking rate ended the quarter lower at \$6.03/SF full service, down from \$6.11/SF in the prior quarter but up from \$6.02/SF one year ago.



Outlook

- Competition for the highest-quality buildings and move-in, furnished workspaces in the best-connected locations is expected to intensify throughout the year.
- Developers in high-demand markets are already breaking ground on new Class A product to meet growing tenant requirements.
- While right-sizing persists in select sectors, tenant demand is increasingly driven by companies planning for sustained in-office operations and future headcount growth.
- AI companies are expected to continue channeling their recent record levels of fundraising into leasing real estate throughout the North Peninsula.

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Economy

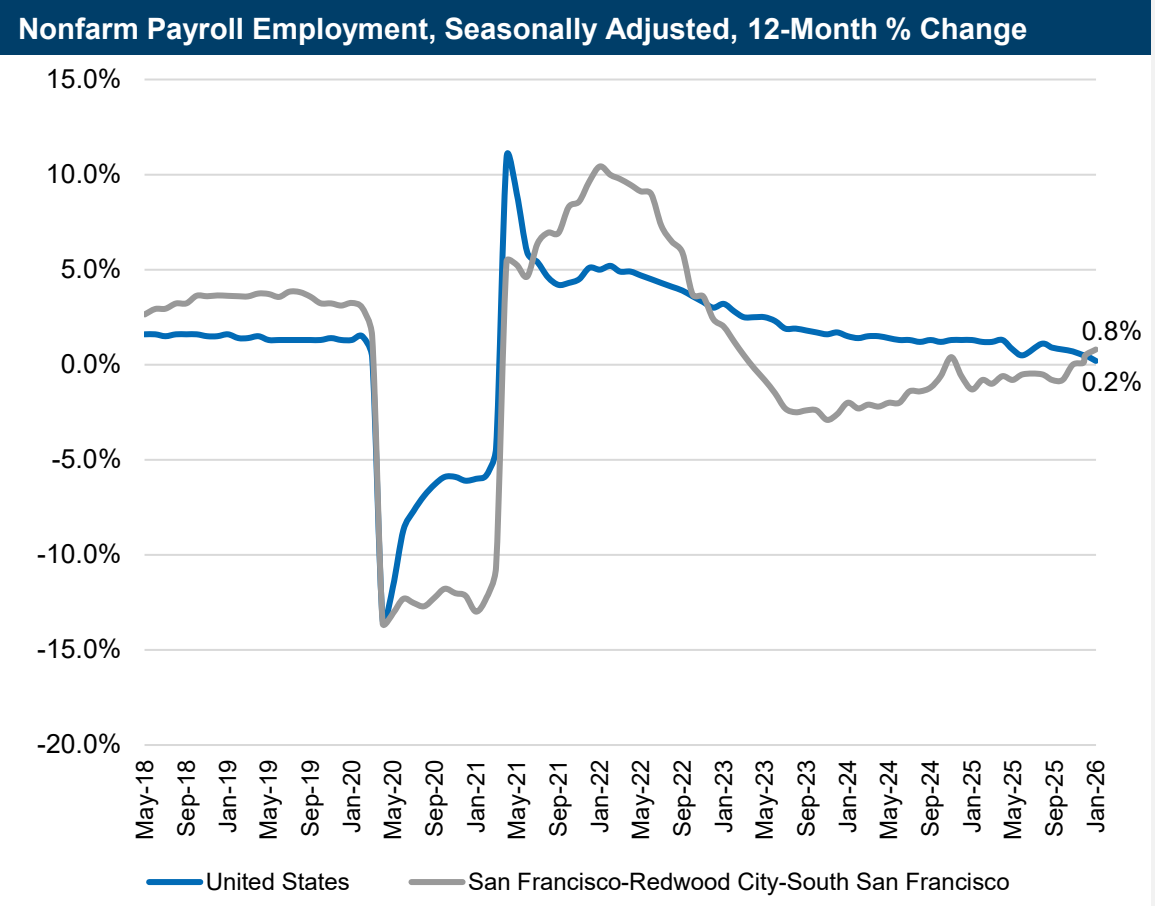
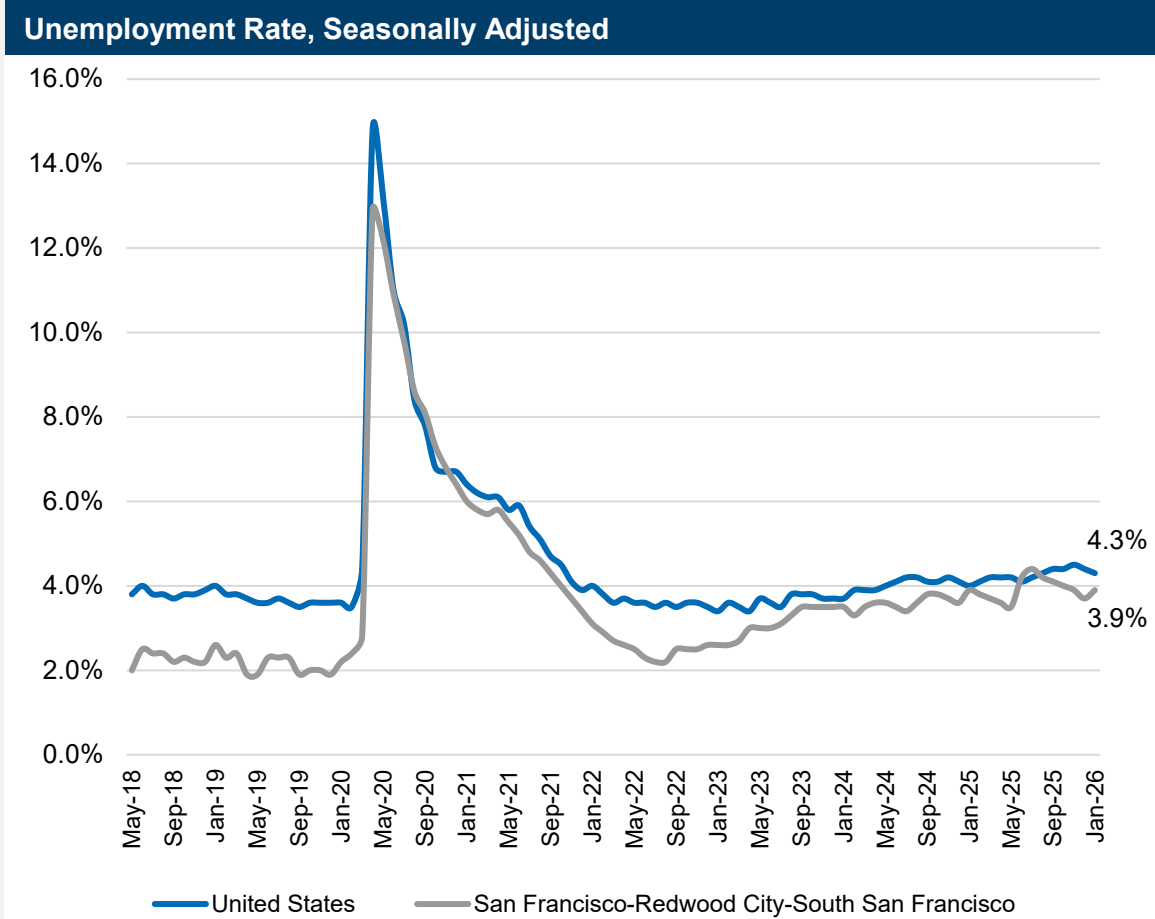
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Regional Unemployment Remains Below National Average

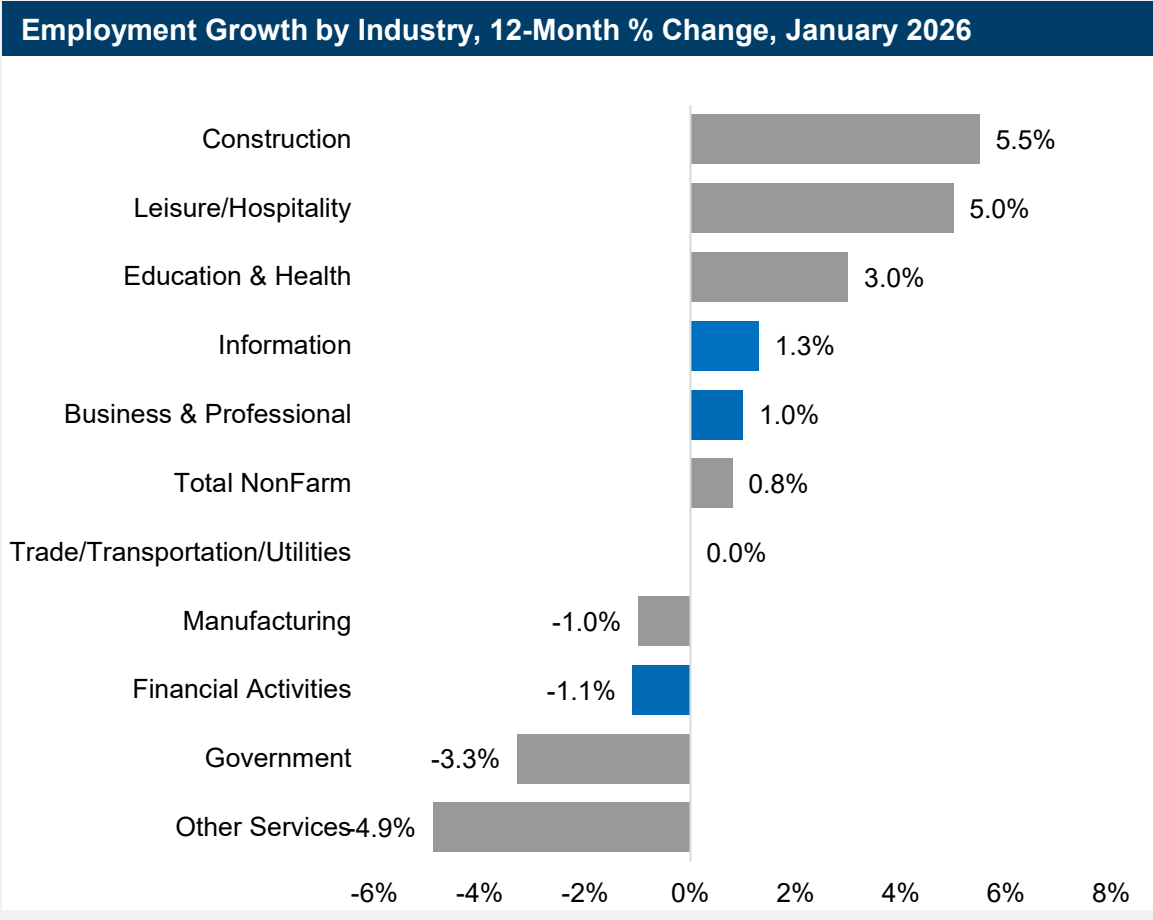
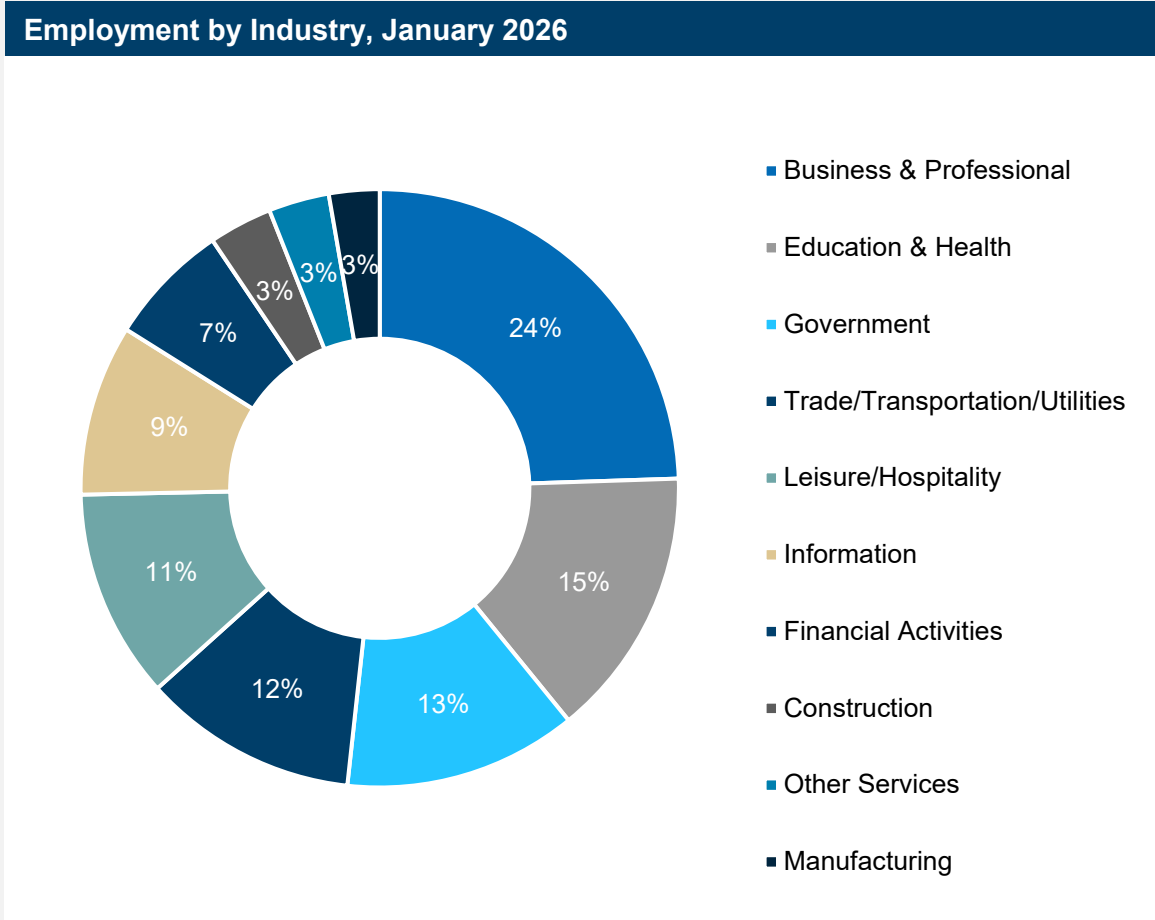
The San Francisco–San Mateo region's unemployment rate declined by 20 basis points between September 2025 and January 2026, while the U.S. rate decreased by 10 basis points during the same period. In January, the region's unemployment rate was 150 basis points below the California average, which stood at 5.4%. Year-over-year Nonfarm employment growth in the region has remained consistently negative over the past three years.



Source: U.S. Bureau of Labor Statistics, San Francisco-Redwood City-South San Francisco

Office-Using Employment Posts Modest Year-Over-Year Gains

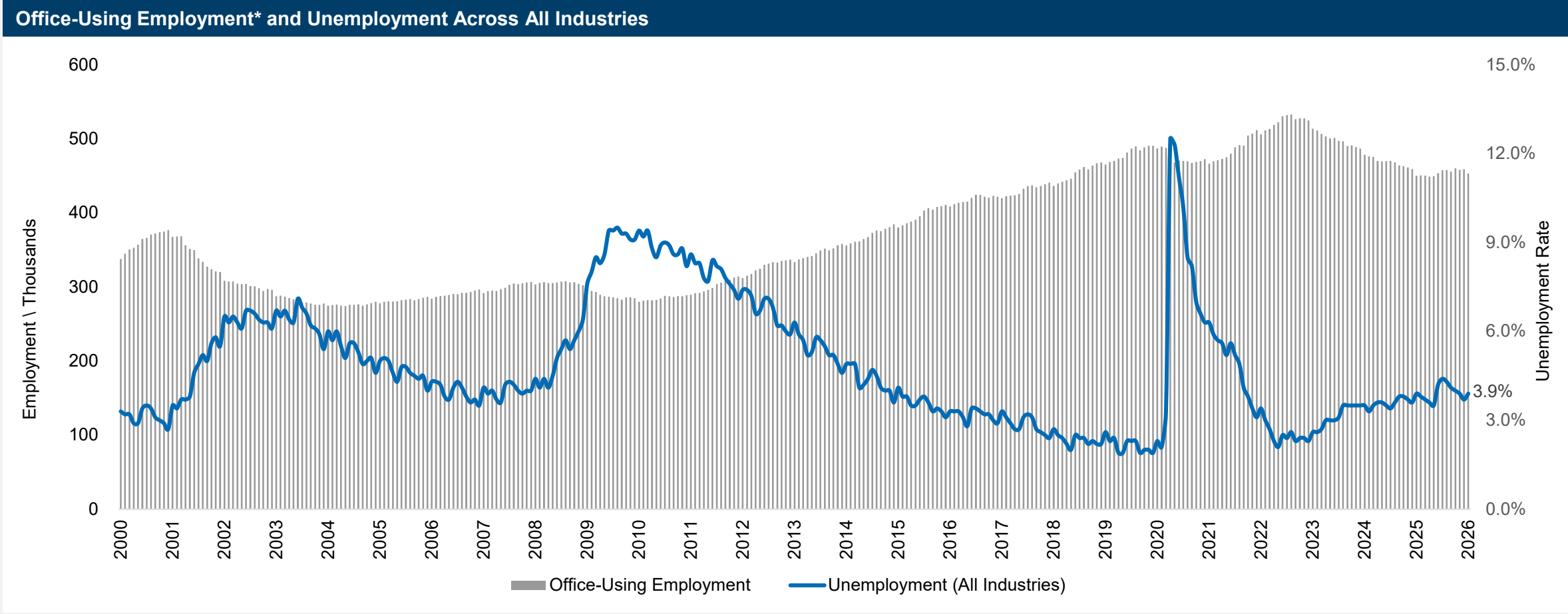
The San Francisco–San Mateo region recorded positive year-over-year growth in office-using employment, though down quarter-over-quarter. This improvement was largely driven by robust tech and AI leasing activity, which helped reinvigorate the market. Office-using employment is poised to grow, but automation is expected to temper the pace below long-run historical trends.



Source: U.S. Bureau of Labor Statistics, San Francisco-Redwood City-South San Francisco. Data is preliminary.

Dip in Office-Using Employment Quarter over Quarter Amid Tech Sector Adjustments

Office-using employment continued its decline into 1Q26, extending a contraction that began after the early 2023 peak. Tech-sector cost-cutting and restructuring have been the primary drivers. Still, early signs suggest the market may be nearing a turning point: improving macroeconomic conditions and steady hiring in high-growth sectors such as artificial intelligence and clean energy point to potential stabilization in the quarters ahead.



Source: U.S. Bureau of Labor Statistics, San Francisco-Redwood City-South San Francisco
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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Market Fundamentals

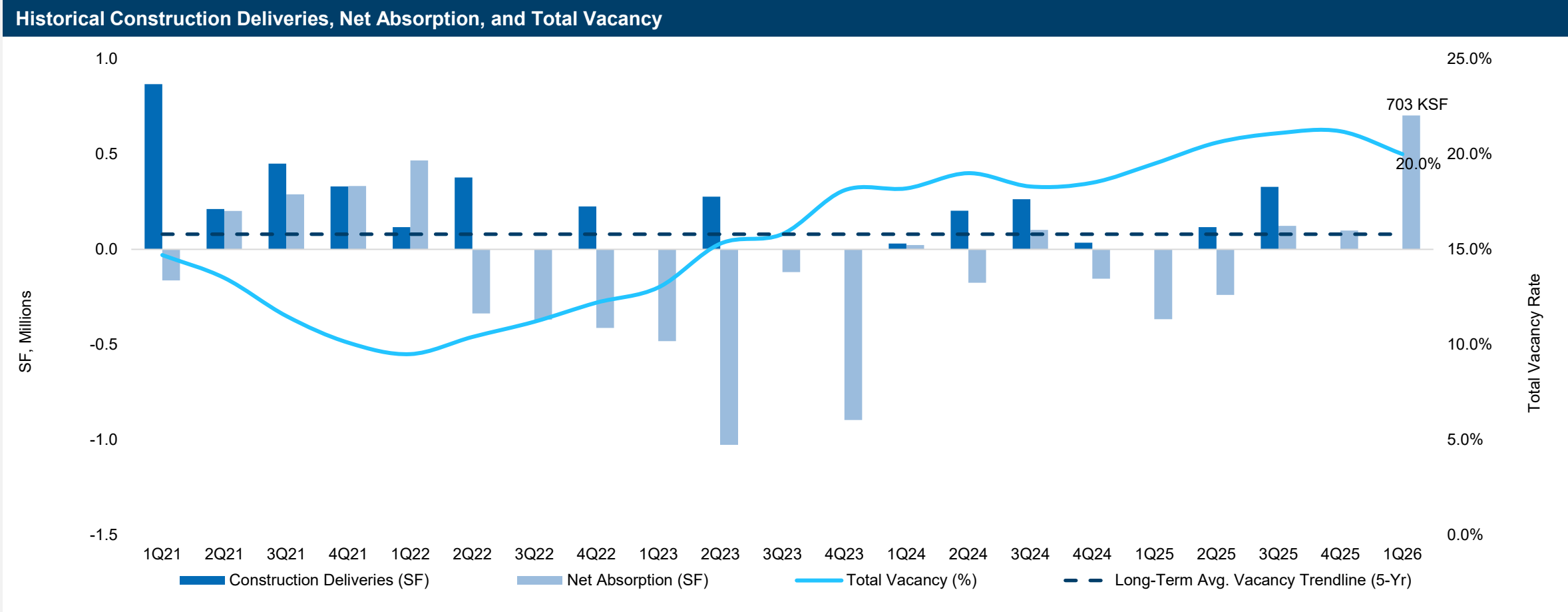
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Occupancy Gains Extend to Third Straight Quarter

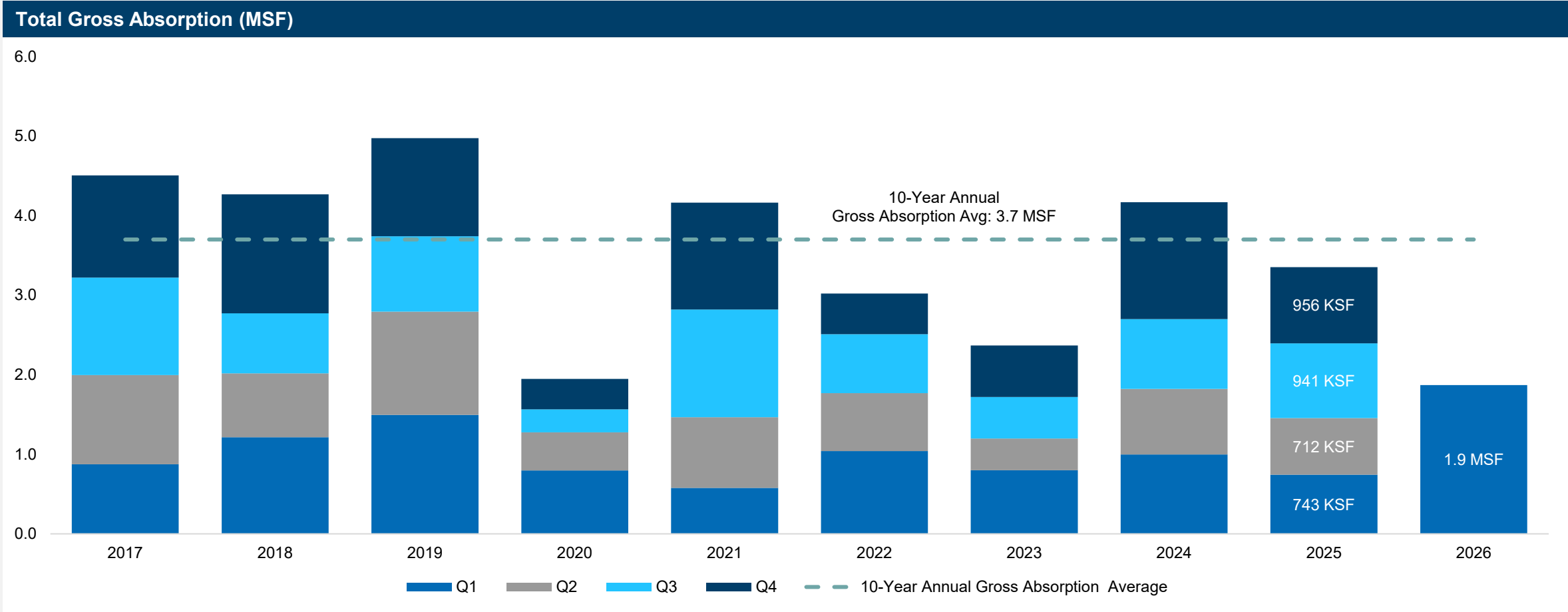
The North Peninsula recorded 703,000 SF of net absorption, its third consecutive quarter of occupancy gains and the longest such streak since 1Q22. Vacancy fell to 20.0% from 21.2% at year-end 2025.



Source: Newmark Research
 *Absorption includes owner-user sales and owner-user constructed deliveries.

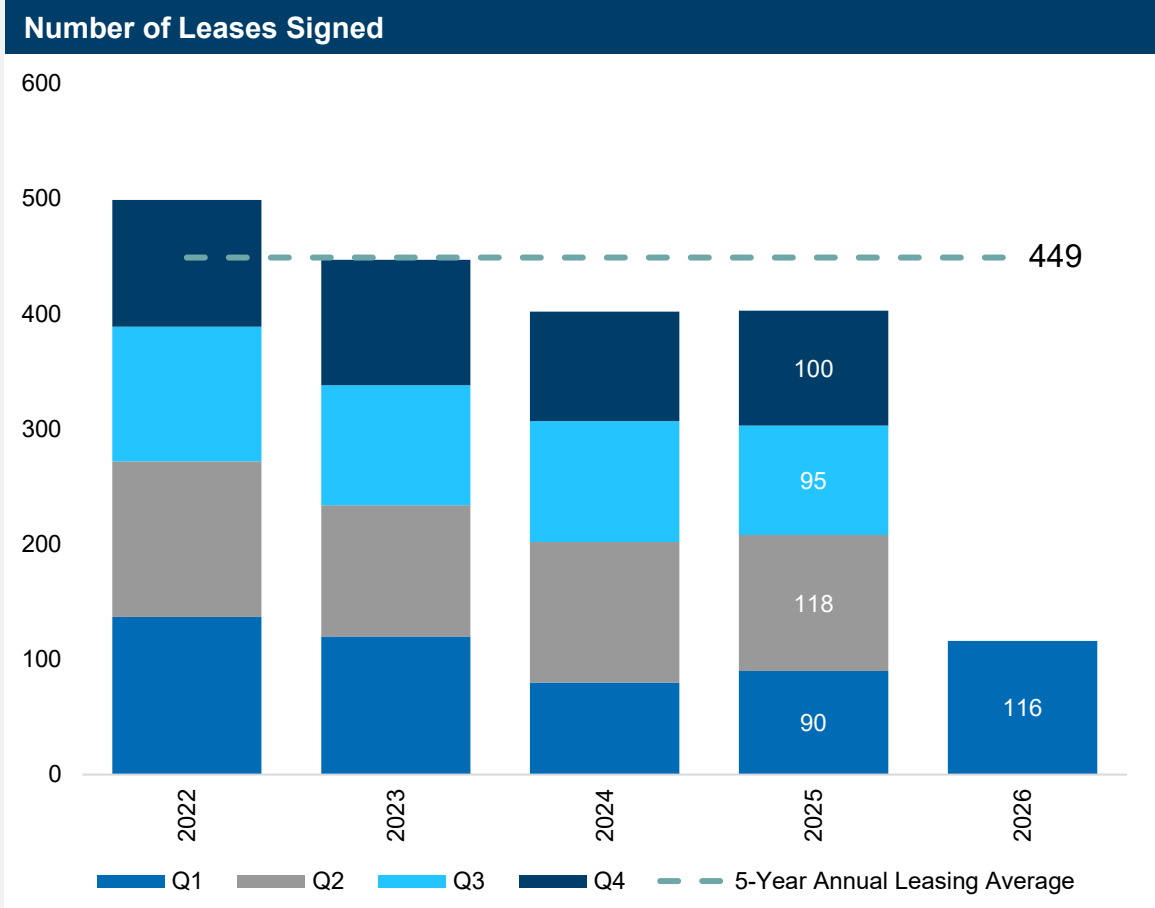
Uptick in Gross Absorption Quarter-Over-Quarter, Headlined by Large Block Leases

Total gross absorption for the quarter reached 1,871,020 SF, representing a 95.7% increase quarter-over-quarter. Class A properties accounted for 73.0% of total SF transacted, with Class B at 21.0% and Class C at 6.0%. In the prior quarter, Class A comprised 85.0% of gross absorption, compared with 12.0% for Class B and 3.0% for Class C. Large block leasing continued to rise in 1Q26, with tenants transacting on multiple spaces north of 100 KSF, which was a missing segment during the North Peninsula’s early recovery.



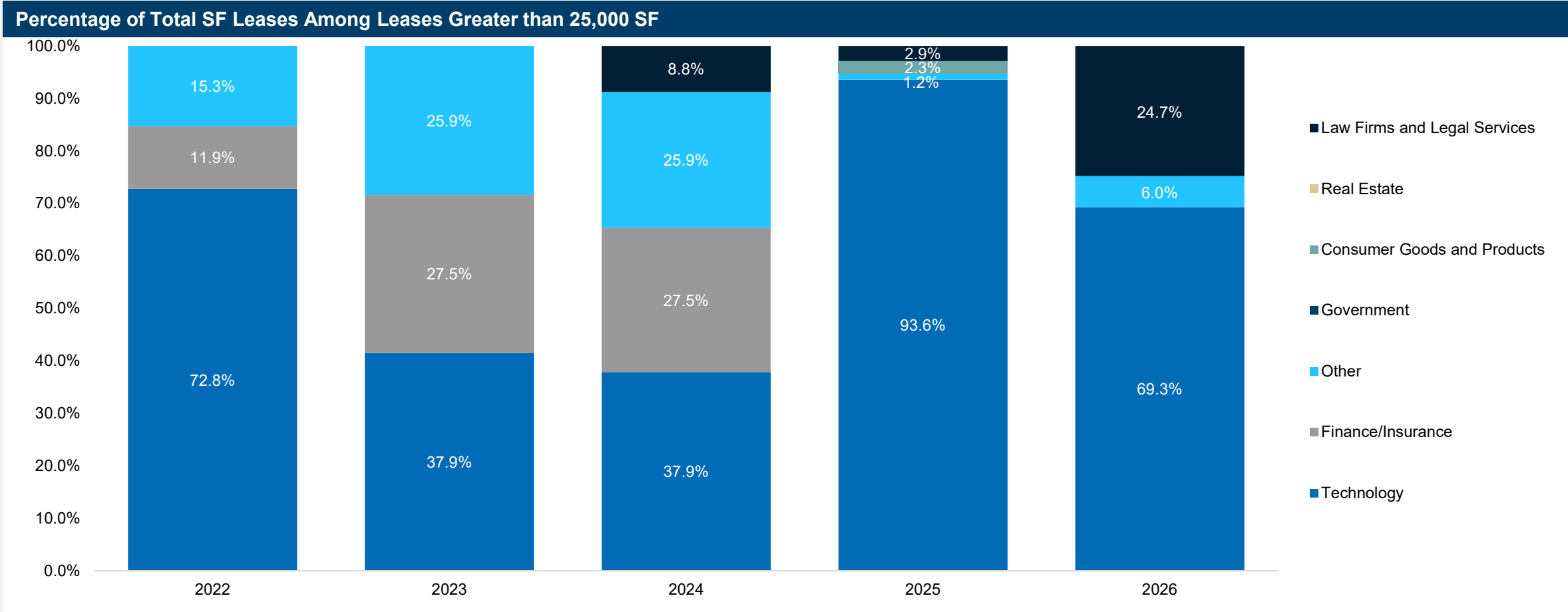
Average Lease Size Continued to Trend Higher Above 5-Year Average

There were 116 leases executed in the first quarter of 2026, up from 100 in the prior quarter and 90 one year ago. The average lease in the first quarter of 2026 totaled 12,287 SF, representing a 58.0% increase above the five-year historical average of 7,775 SF. This also reflects a 100.6% increase compared with the average lease size at the trough in 2022.



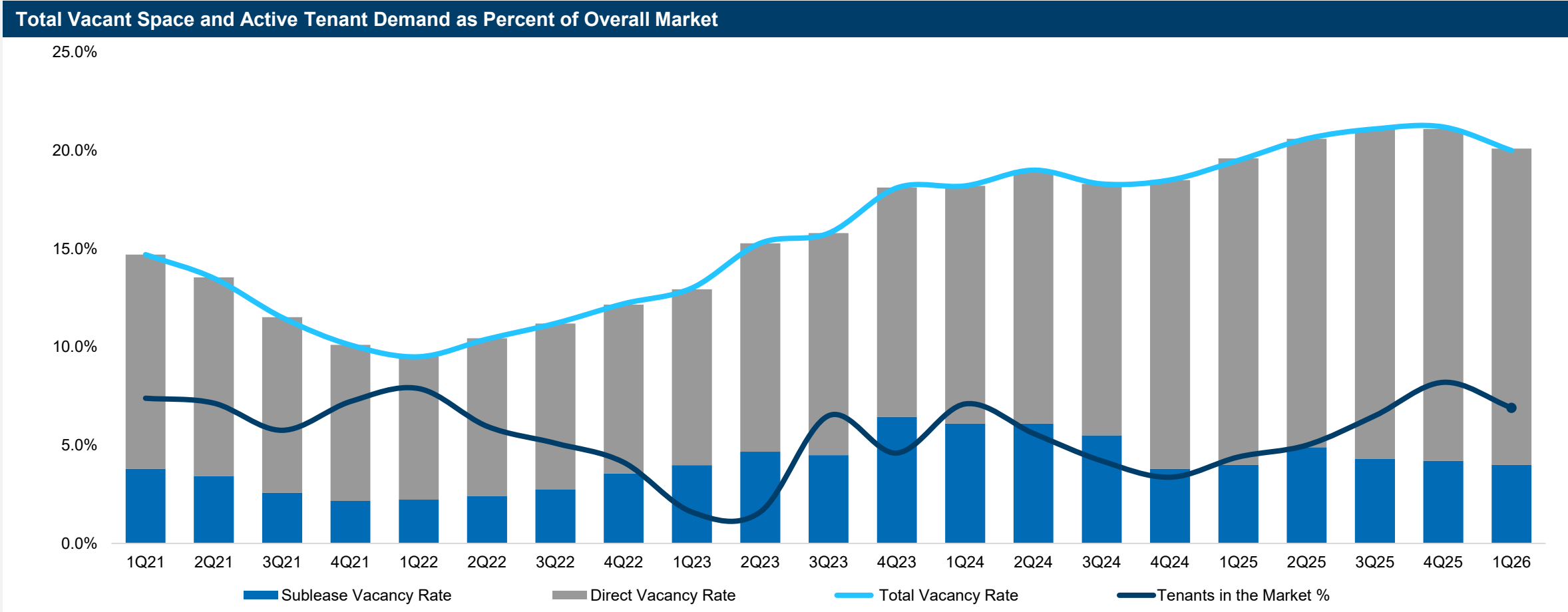
Major Leases Anchored by Tech and Legal Tenants

Tech and legal tenants drove Q1 leasing, while larger-sized deals accelerated with 12 transactions over 25,000 SF, on track to outpace last year's full-year total of 28. The quarter was also marked by notable legal tenant relocations and longer-term lease commitments, cementing the legal sector as a major driver of office leasing demand on the North Peninsula and reinforcing the premium on quality space.



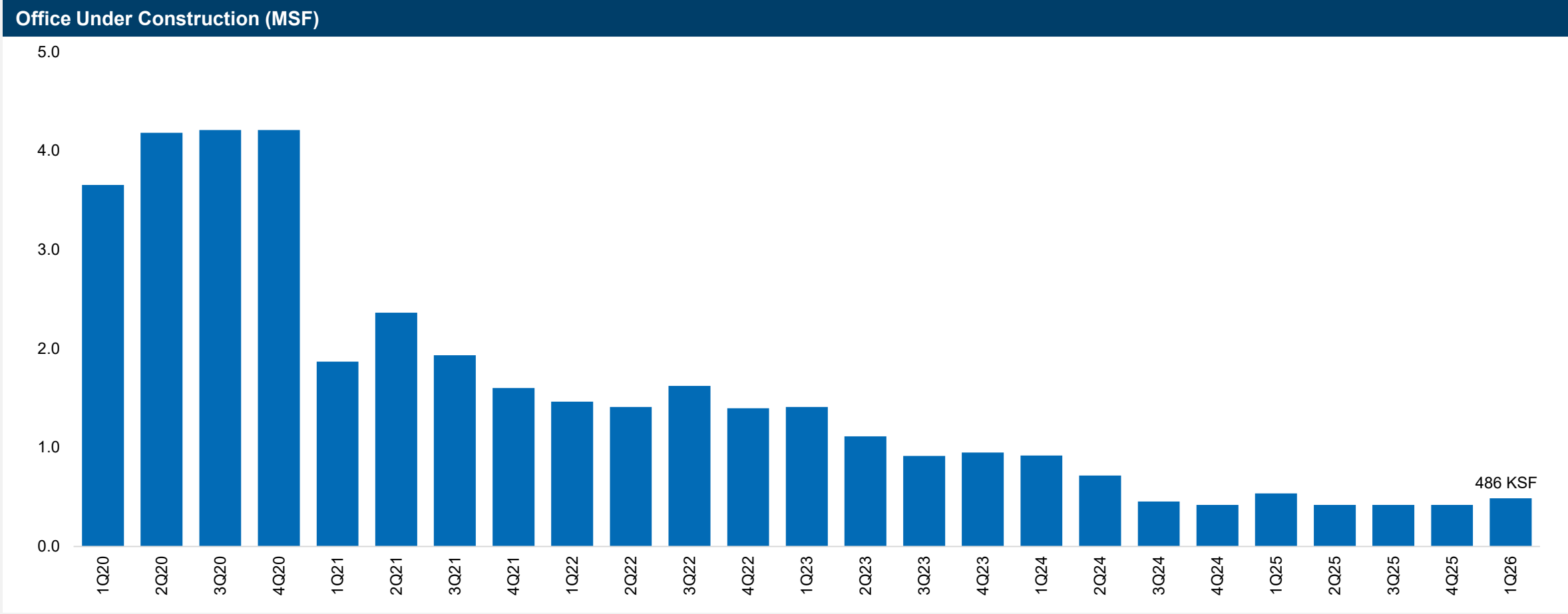
Tenant Demand Stabilizes Amid Declining Sublease Vacancy

Active tenant demand decreased to 2.7 million SF this quarter from 3.2 million SF in the previous quarter, as several sizeable requirements were absorbed through lease executions. Sublease vacancy fell to 1.5 million SF from 1.6 million SF last quarter, as expiring subleases and direct absorption continued to reduce available inventory.



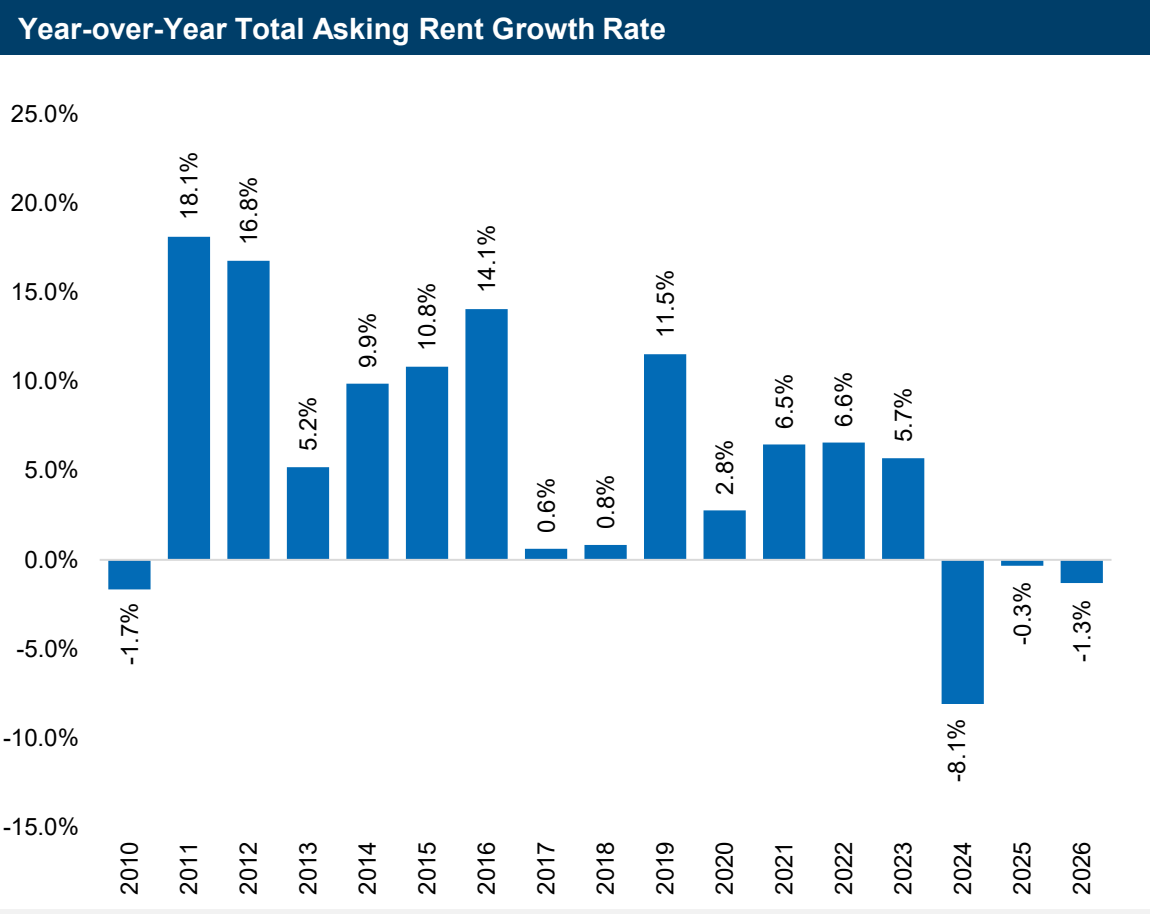
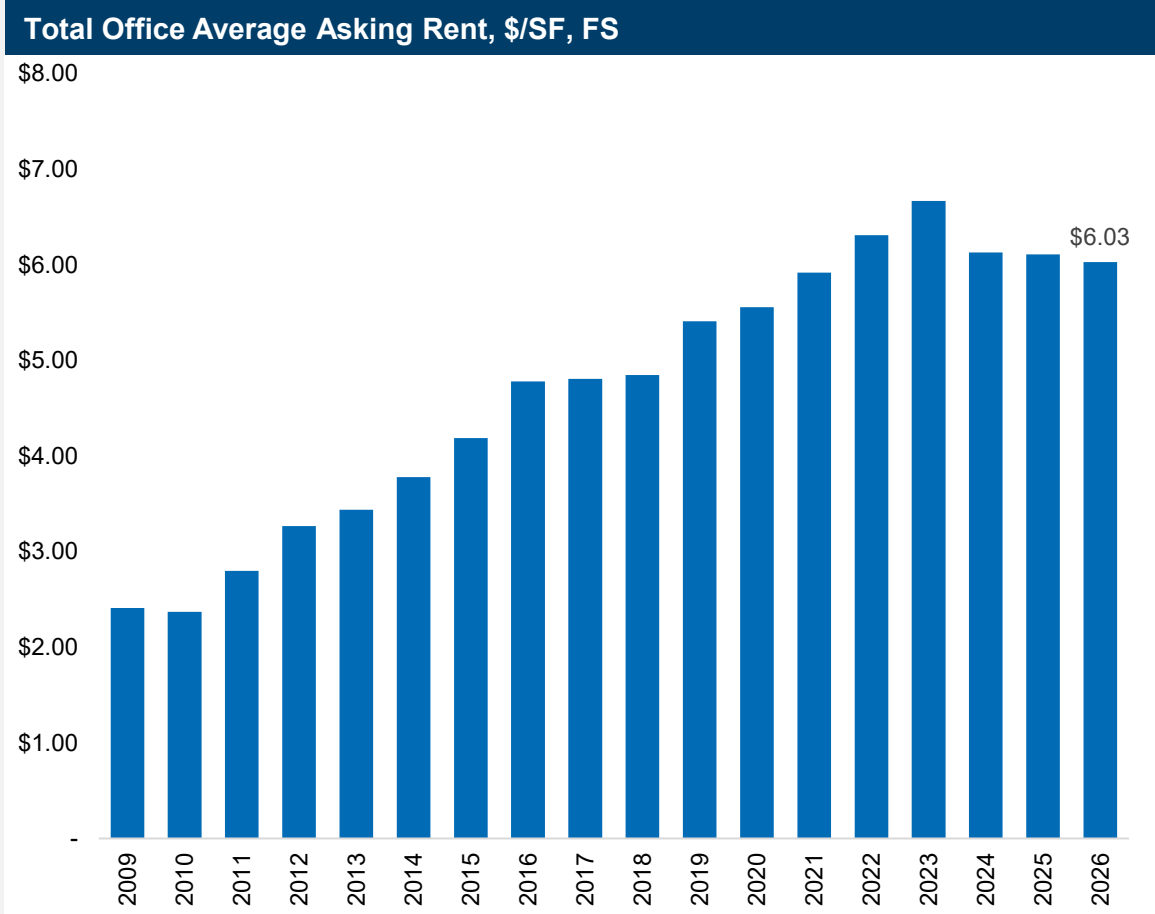
Construction Activity Gains Modest Momentum

The North Peninsula construction pipeline totaled 486,000 SF this quarter, anchored by two new Downtown San Mateo projects. Mecah Ventures' Parallel on Claremont development, a 38,812-SF Class A office building with ground-floor retail, is expected to deliver in the first half of 2027. The Martin Group's Arbello development, a 209,200-SF mixed-use development comprising 120 residential units and 27,970 SF of office space across the first and second floors, is targeting a 1Q27 delivery.



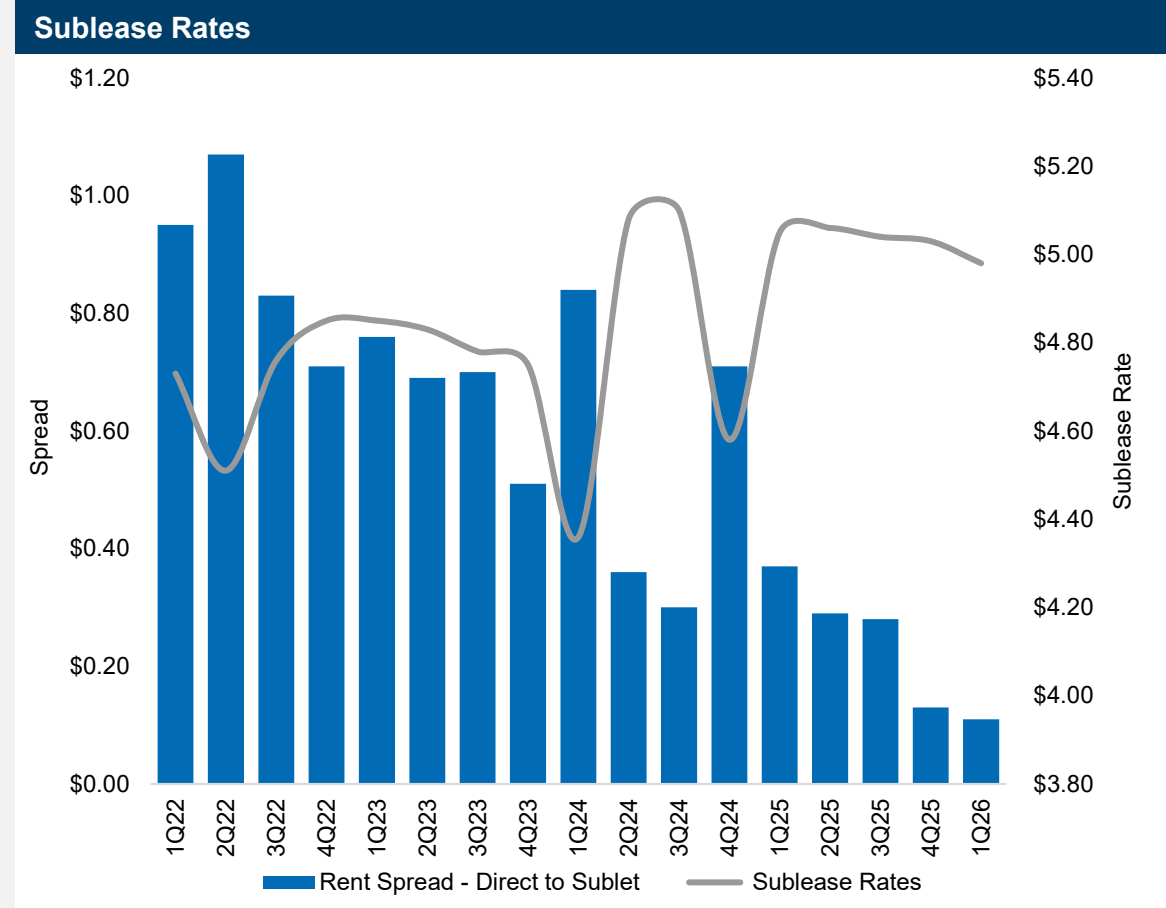
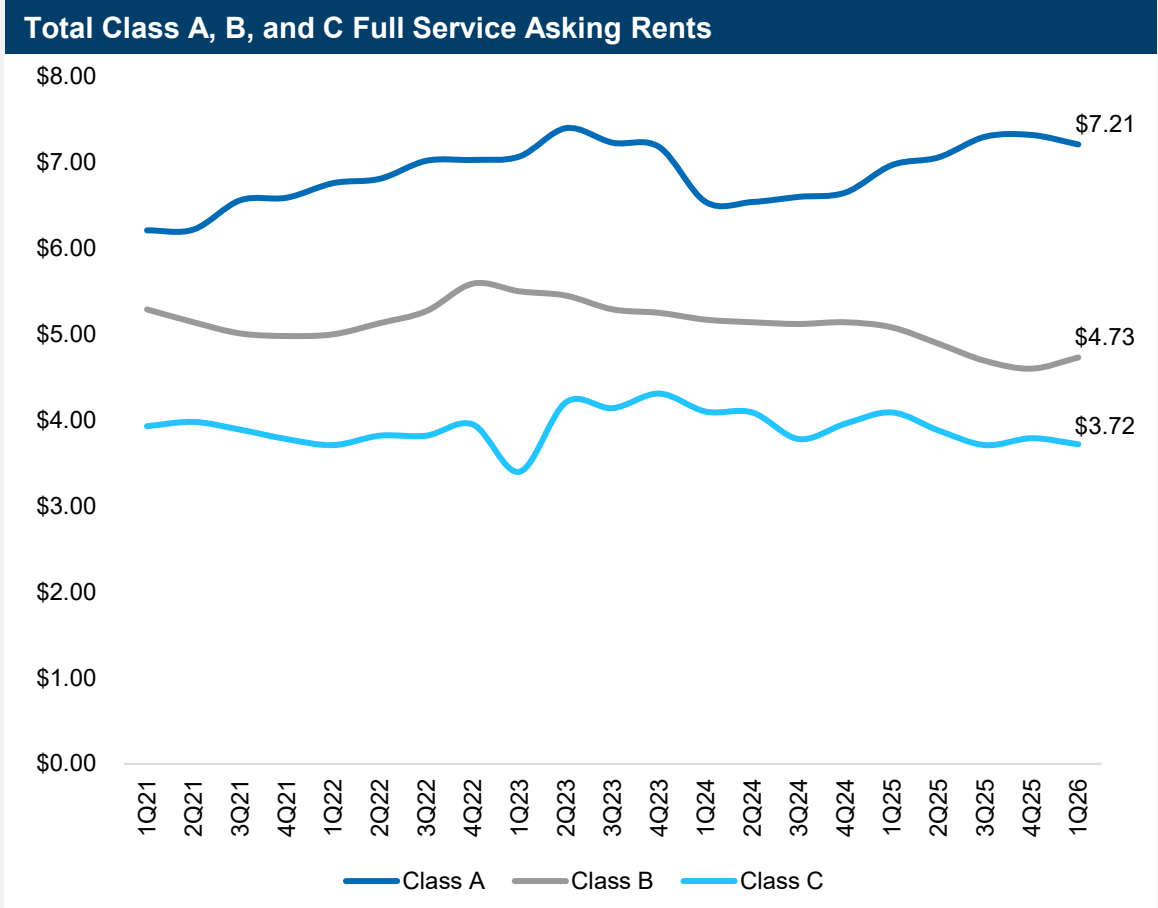
Average Asking Rents Dip Quarter-Over-Quarter

Asking rents edged down to \$6.03/SF full service in the first quarter from \$6.11/SF in prior quarter, while remaining essentially flat year-over-year at \$6.02/SF. Despite softening rent growth and ongoing tenant downsizing, near-term stabilization is expected to take hold, especially at the upper end of the market.



Average Rents Stabilize

This quarter’s average asking rents were \$7.21/SF for Class A properties, \$4.73/SF for Class B and \$3.72/SF for Class C. This marks a shift from the prior quarter, when Class A rents averaged \$7.32/SF, Class B \$4.60/SF and Class C \$3.79/SF. High-quality assets remain in strong demand, commanding rents approximately 70% higher than the average for Class B and Class C properties. The North Peninsula continues to experience a pronounced flight to quality, a trend that has created a bifurcated market where highly amenitized Class A buildings in prime locations maintain stronger occupancy rates while also commanding premium asking rents.



Source: Newmark Research, CoStar

1Q26 Market Activity

Twelve transactions of 20,000 SF or more were completed this quarter, down from fifteen in the prior quarter but up from eight in the same period last year.

Notable Lease Transactions

Tenant	Project/Building(s)	Submarket	Type	Square Feet
Roblox	Bay Meadows Stations 6 & 7 2855 & 2955 S. Delaware St.	San Mateo	Pre-lease / Expansion	325,192
<i>Roblox signed the quarter's largest deal, pre-leasing 325,192 SF across Stations 6 and 7 at Bay Meadows in San Mateo, further expanding its footprint within the project.</i>				
Replit	Parkside Towers 1001 E. Hillsdale Blvd.	Foster City	Renewal / Expansion	147,219
<i>In the second-largest deal of the quarter, cloud-based development platform Replit completed an extension on the fourth floor at 1001 E. Hillsdale Blvd. in Foster City, while also expanding into floors six, seven, and eight, for a total of 147,219 SF transacted.</i>				
Confidential Tenant	1900 Broadway	Downtown Redwood City	Pre-lease	144,799
<i>A confidential tenant completed the third-largest deal of the quarter, preleasing 144,799 SF at the 1900 Broadway development in Downtown Redwood City.</i>				
Solace Health	Redwood Central 610 Walnut St.	Downtown Redwood City	Direct Lease	71,330
<i>AI-powered healthcare company Solace Health signed the quarter's fourth-largest deal, leasing 71,330 SF across floors three through six at 610 Walnut Street in Downtown Redwood City.</i>				
AppLovin	TwoTwentyPark 220 Park Rd.	Downtown Burlingame	Direct Lease/Expansion	70,359
<i>Mobile technology company AppLovin completed the fifth-largest deal of the quarter, leasing a total of 70,359 SF on floors two and four at 220 Park Rd. in Downtown Burlingame.</i>				

03

Submarkets

1Q26

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