

2Q25

# North Peninsula Industrial & R&D Market Overview





# Market Observations



- The U.S. Consumer Price Index (CPI) inflation rate in June registered at 2.4%—the lowest level since 2020.
- The national unemployment rate held steady at 4.2% in Q2, slightly outperforming economists’ projections of a rise to 4.3%, suggesting the U.S. economy continues to show resilience amid shifting trade policies and ongoing geopolitical volatility.
- The Peninsula’s overall unemployment rate of 3.9% remains below the national average. However, office-using employment has declined by 12.7% since its peak in 2022.
- Looking ahead, the market expects two to three Federal Reserve rate cuts by the end of 2025. Still, the Fed is likely to remain measured in its approach, as the impact of tariff-driven inflation continues to unfold.



- Precision oncology company Guardant Health completed the largest deal of the quarter, extending its 162,755-SF lease at the Seaport Centre–MetLife Campus in Redwood City.
- Biopharmaceutical company Dren Bio secured the second-largest deal of the quarter, leasing 99,557 SF across the third and fourth floors at 835 Industrial Road in San Carlos.
- The quarter’s most notable acquisition came from Genentech, which purchased 383 & 393 E. Grand Ave in South San Francisco from Dome Construction for \$42.5 million, or \$1,243/SF. The two flex properties, totaling 34,187 SF, are located adjacent to the Genentech campus.



- Market-wide R&D availability rose to 31.9% this quarter, up from 29.6% in the previous quarter. R&D vacancy also increased, reaching 29.4%, compared to 28.5% over the same period.
- In contrast, market-wide industrial availability edged up to 7.2% from 7.0%, while industrial vacancy rose to 6.2%, compared to 5.4% in the prior quarter.
- The region’s R&D pipeline currently includes 1.7 million SF of product under construction, with 12.7% preleased. Industrial construction activity remains paused.
- Industrial and R&D posted the highest quarterly sales volume since Q3 2023, totaling \$128.8 million in the second quarter, up significantly from \$19.5 million in the previous quarter. Owner-users were notably active, accounting for just over half of total trades.



- The North Peninsula market is currently undergoing a much-needed correction following a cycle of rapid development.
- The recent uptick in sales volume is a welcome sign for the region, which has faced constrained capital markets over the past two years. Sales activity is expected to remain strong through the second half of 2025, as anticipated easing in monetary policy and pent-up buyer demand target assets that have seen significant price adjustments.
- We remain cautiously optimistic, as the size and duration of impending tariff effects have yet to fully materialize, while record-high vacancy rates point to continued short-term headwinds.

1. Economy
2. Industrial Leasing Market Fundamentals
3. R&D Leasing Market Fundamentals
4. Appendix / Tables

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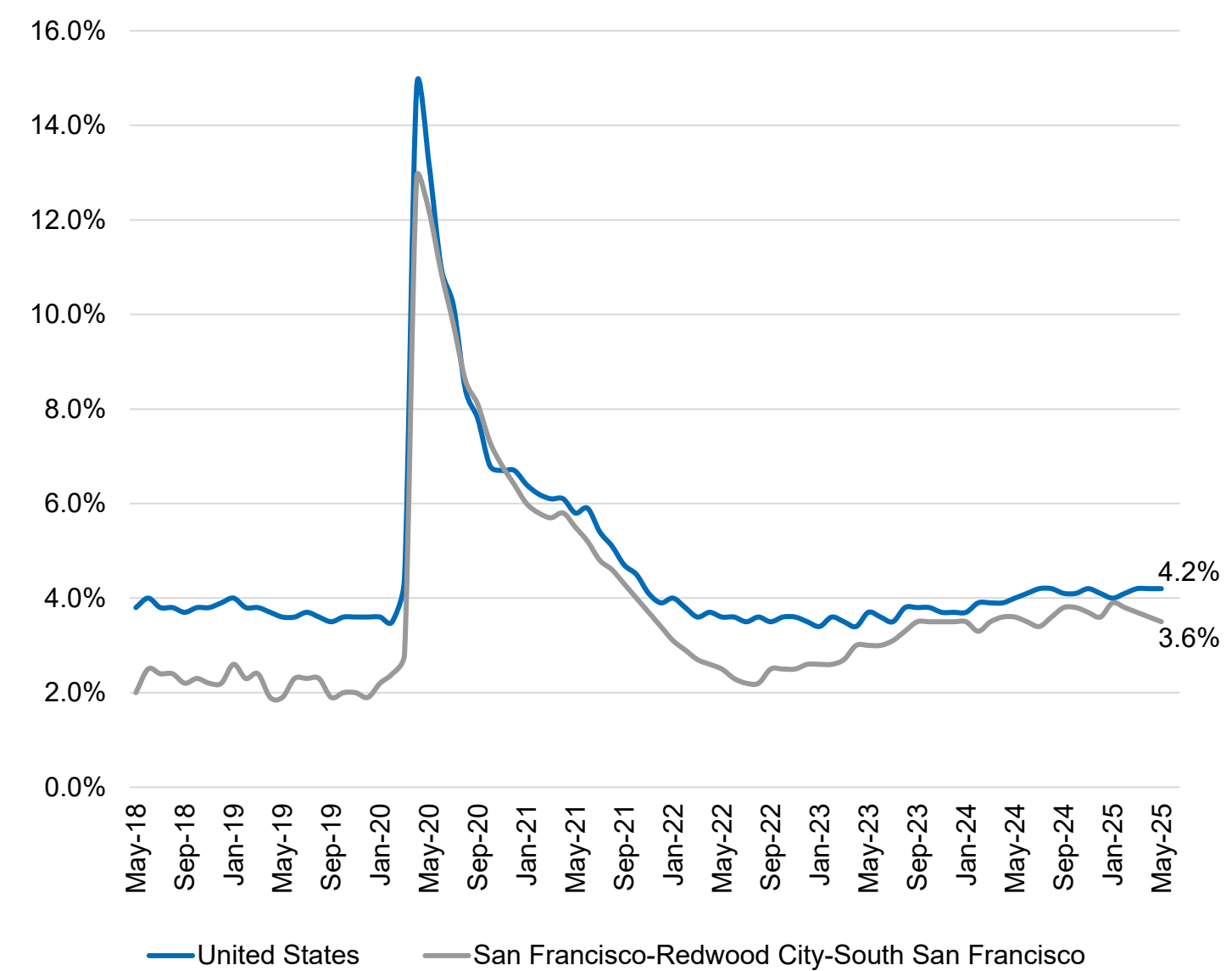
# Economy



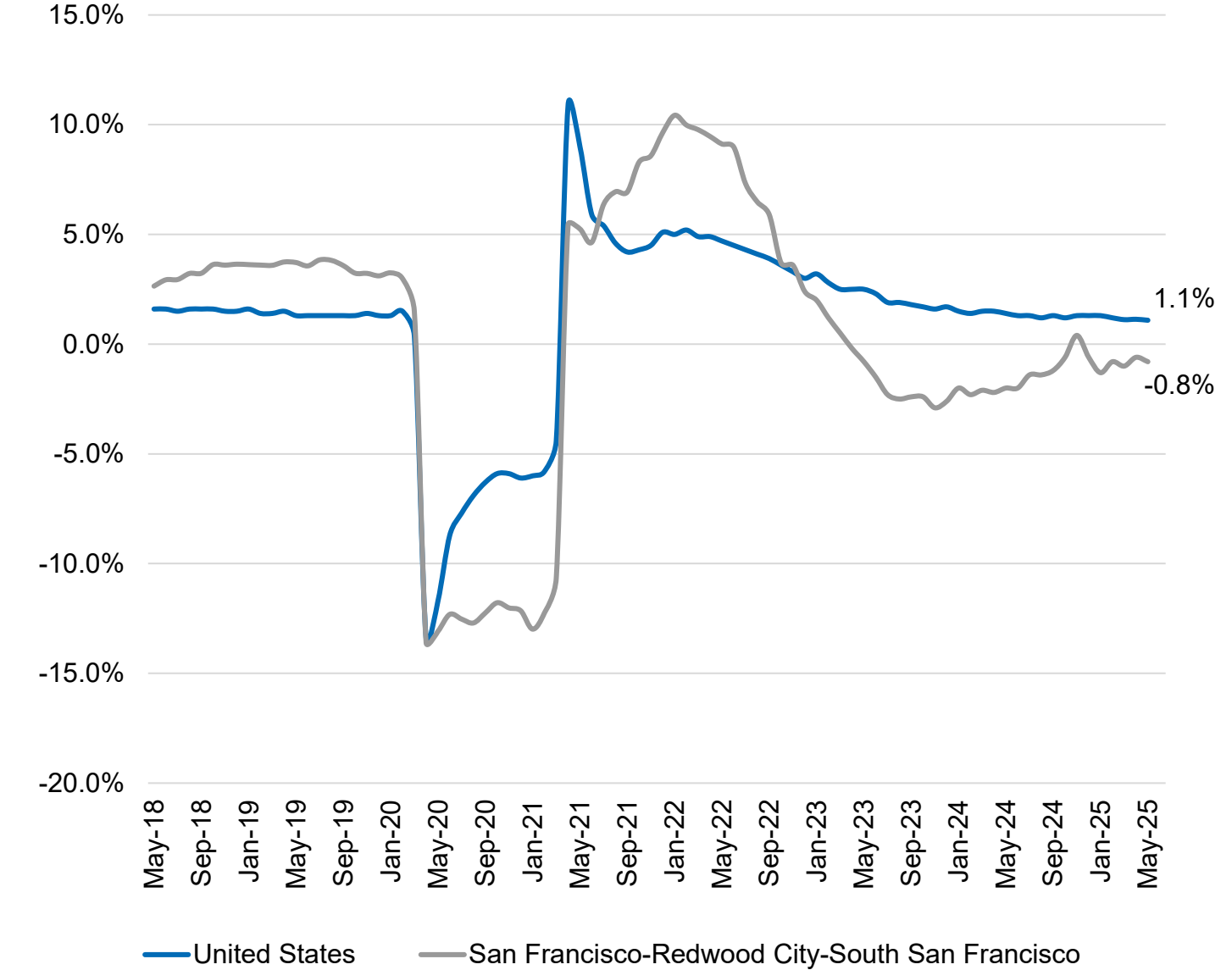
# Regional Unemployment Remains Below National Level

While remaining 60 basis points below the national average, the regional unemployment rate has hovered just under 4.0% for several months. Year-over-year changes in nonfarm employment across the region have steadily trended negative over the past two years.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



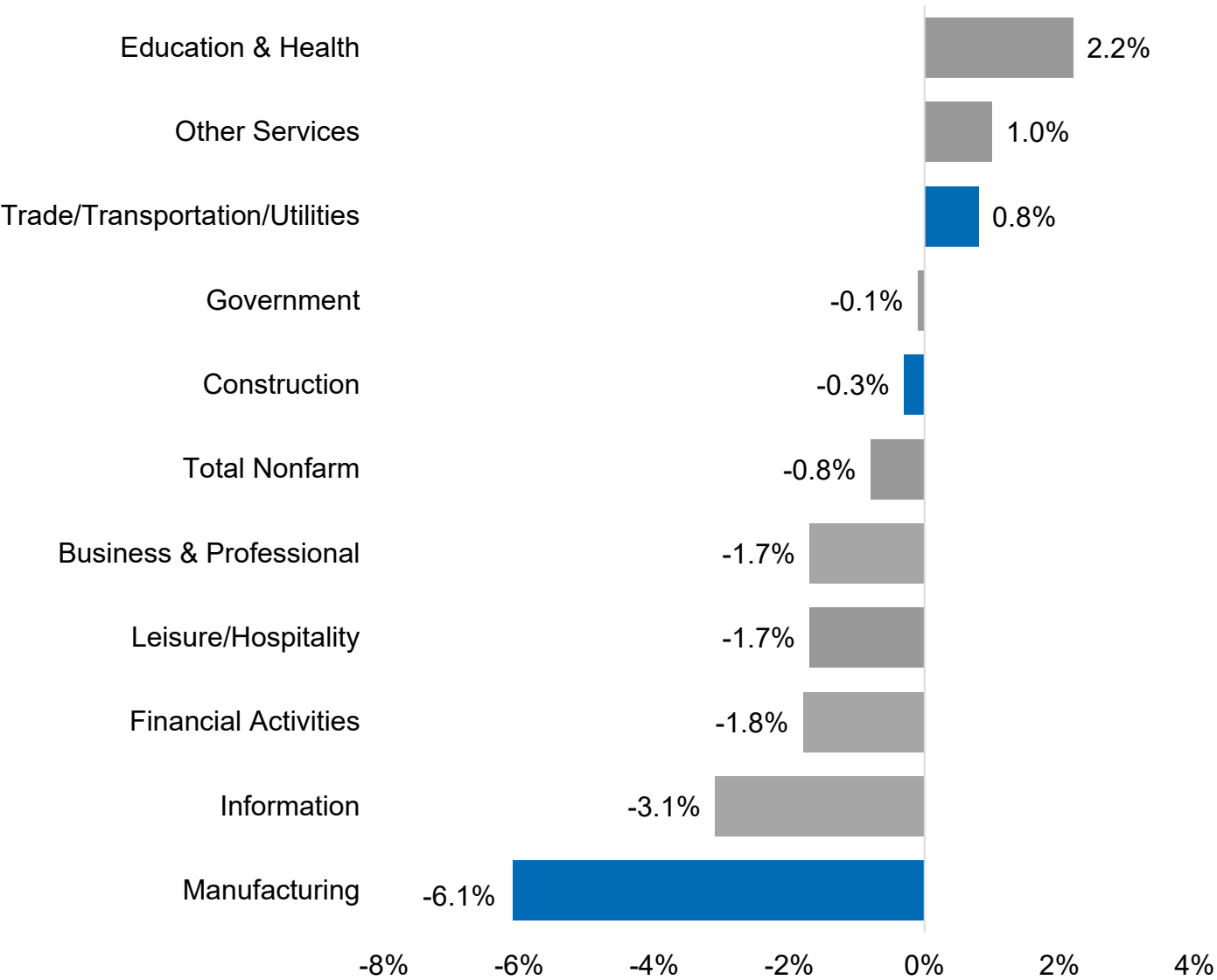
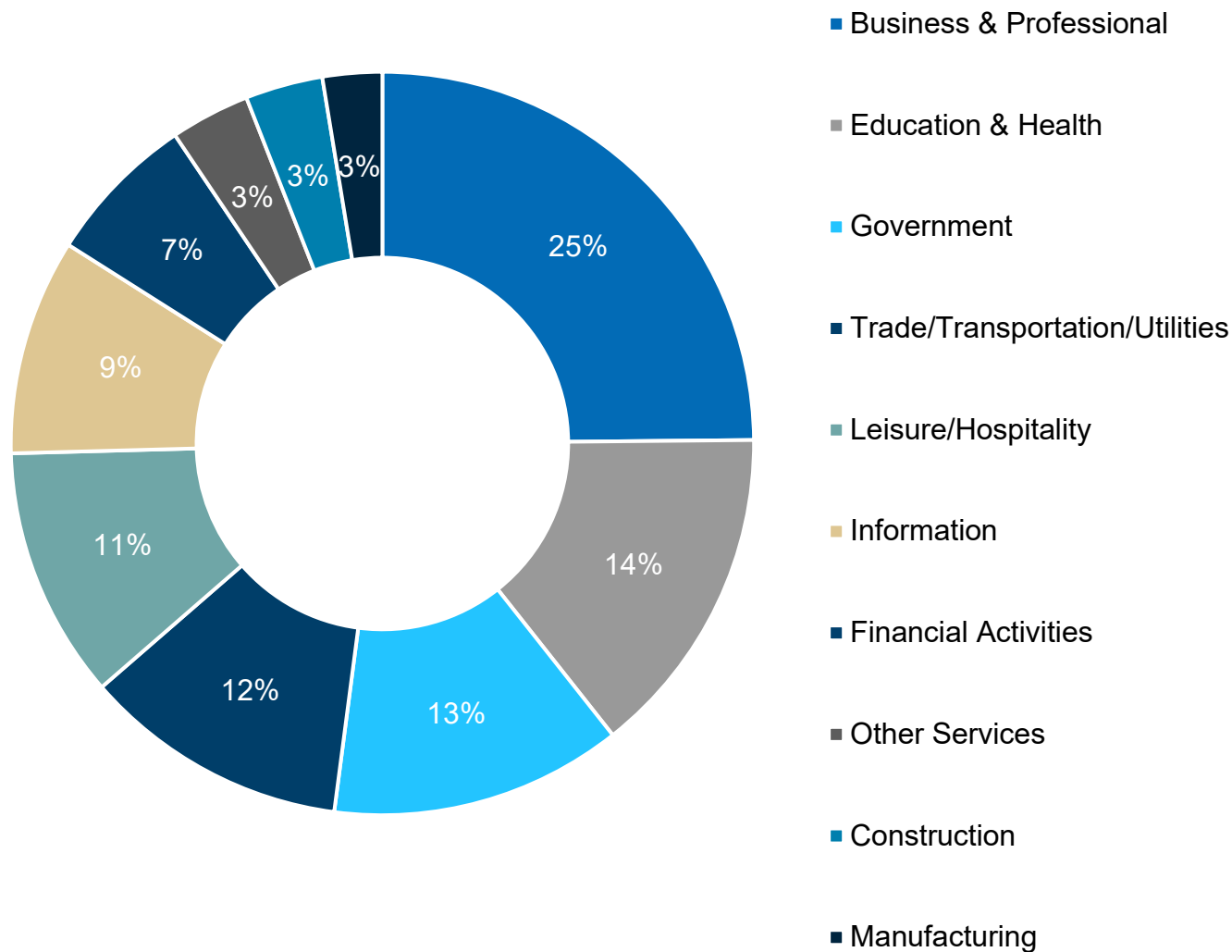
Source: U.S. Bureau of Labor Statistics, San Francisco-Redwood City-South San Francisco

# Industry Growth and Employment

Education and Health Services recorded the largest year-over-year gains in employment. In contrast, the Manufacturing industry saw the largest year-over-year decline.

Employment by Industry, May 2025

Employment Growth by Industry, 12-Month % Change, May 2025



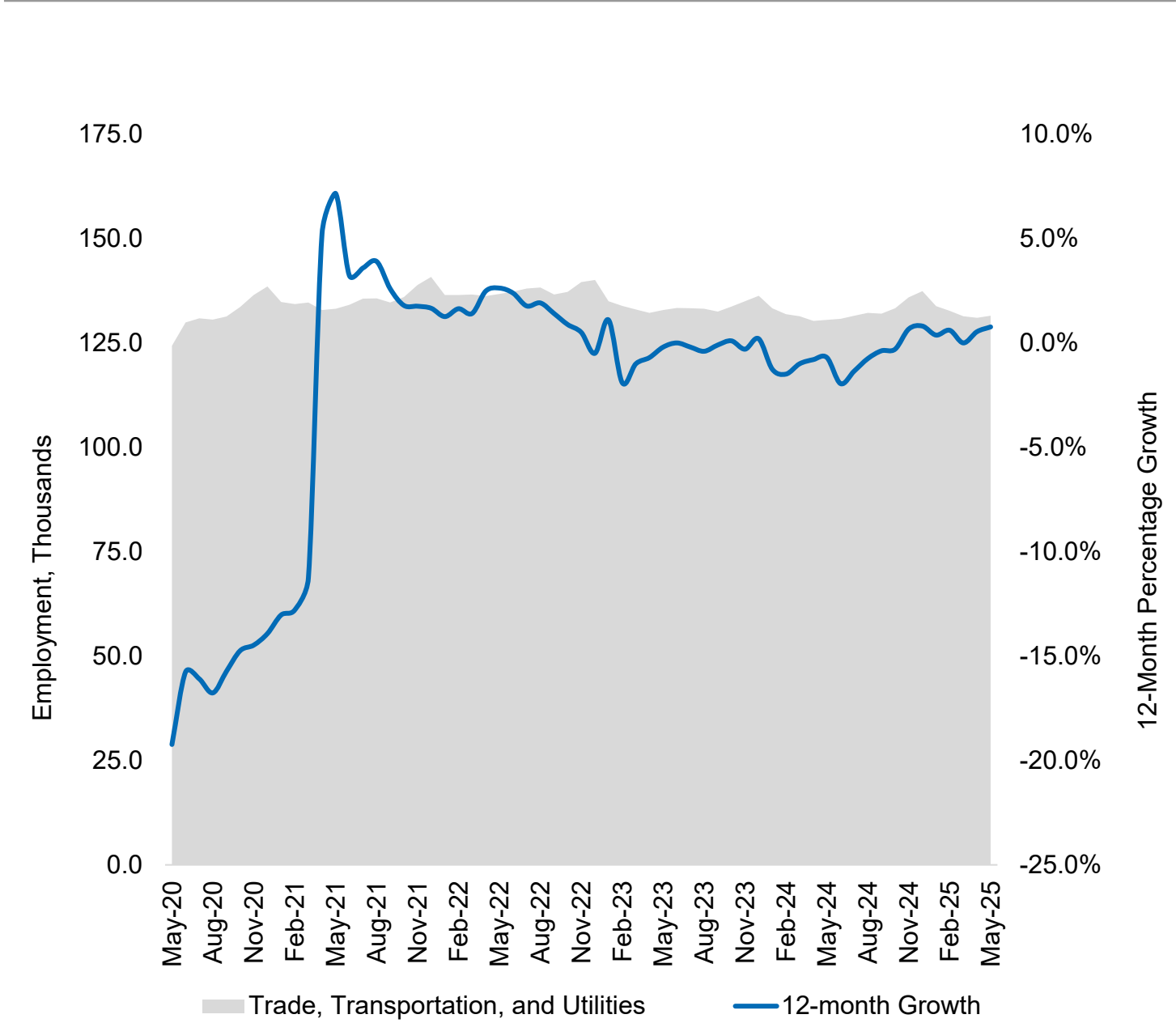
Source: U.S. Bureau of Labor Statistics



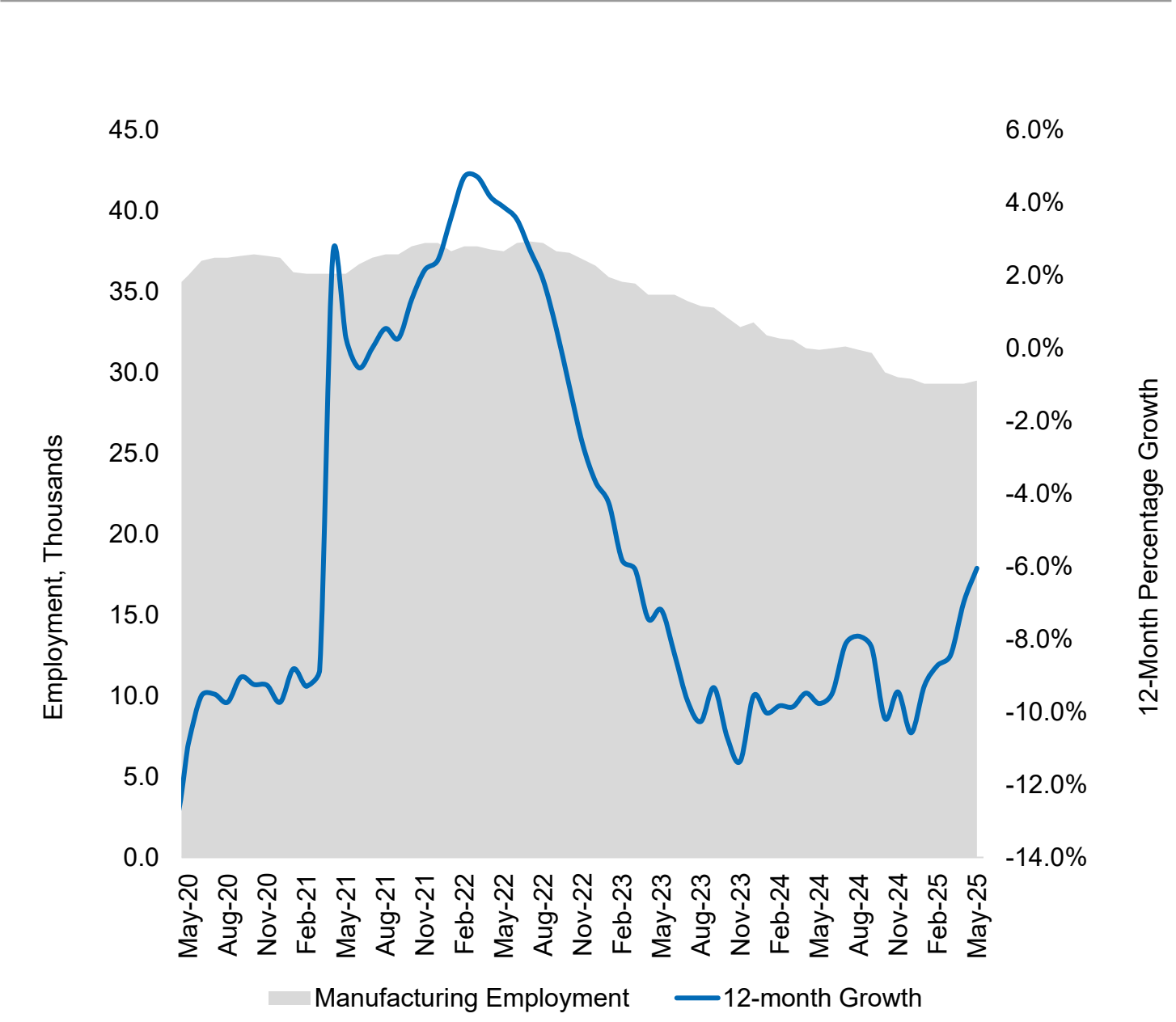
# Employment in Industrial Sectors

Jobs in the Trade, Transportation, and Utilities sector have remained steady, while the Manufacturing sector continues to lose ground after peaking at the end of 2019.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, San Francisco-San Mateo-Redwood City, CA Metropolitan Division, CA MSA

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# Industrial Leasing Market Fundamentals

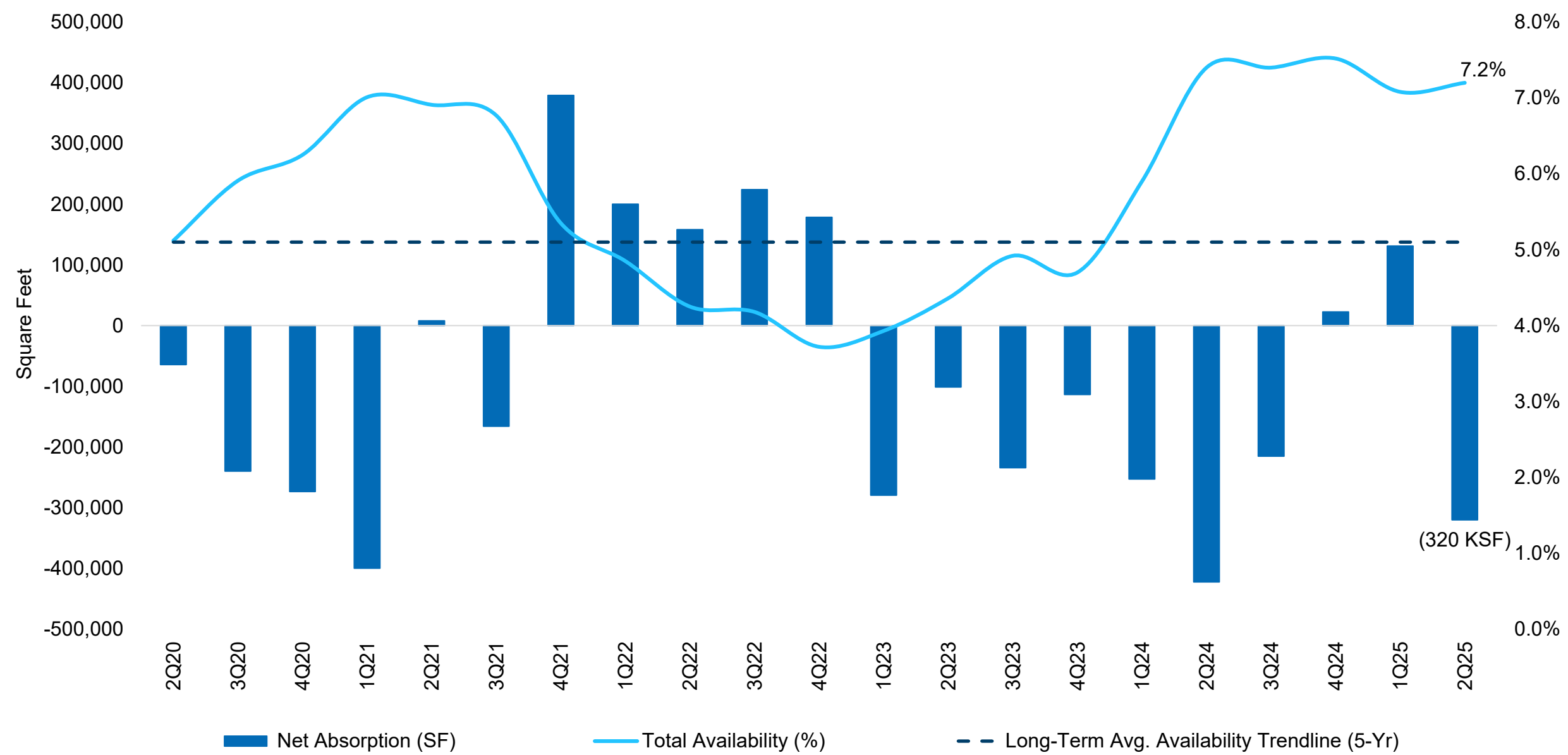




# Industrial Market Posted Negative Net Absorption

After two consecutive quarters of positive net absorption, the North Peninsula industrial market took a step back, closing at negative 320,000 SF. Market-wide industrial availability edged up to 7.2% this quarter, compared to 7.1% in the previous quarter and 7.4% a year earlier.

Historical Net Absorption, and Availability



Source: Newmark Research, CoStar



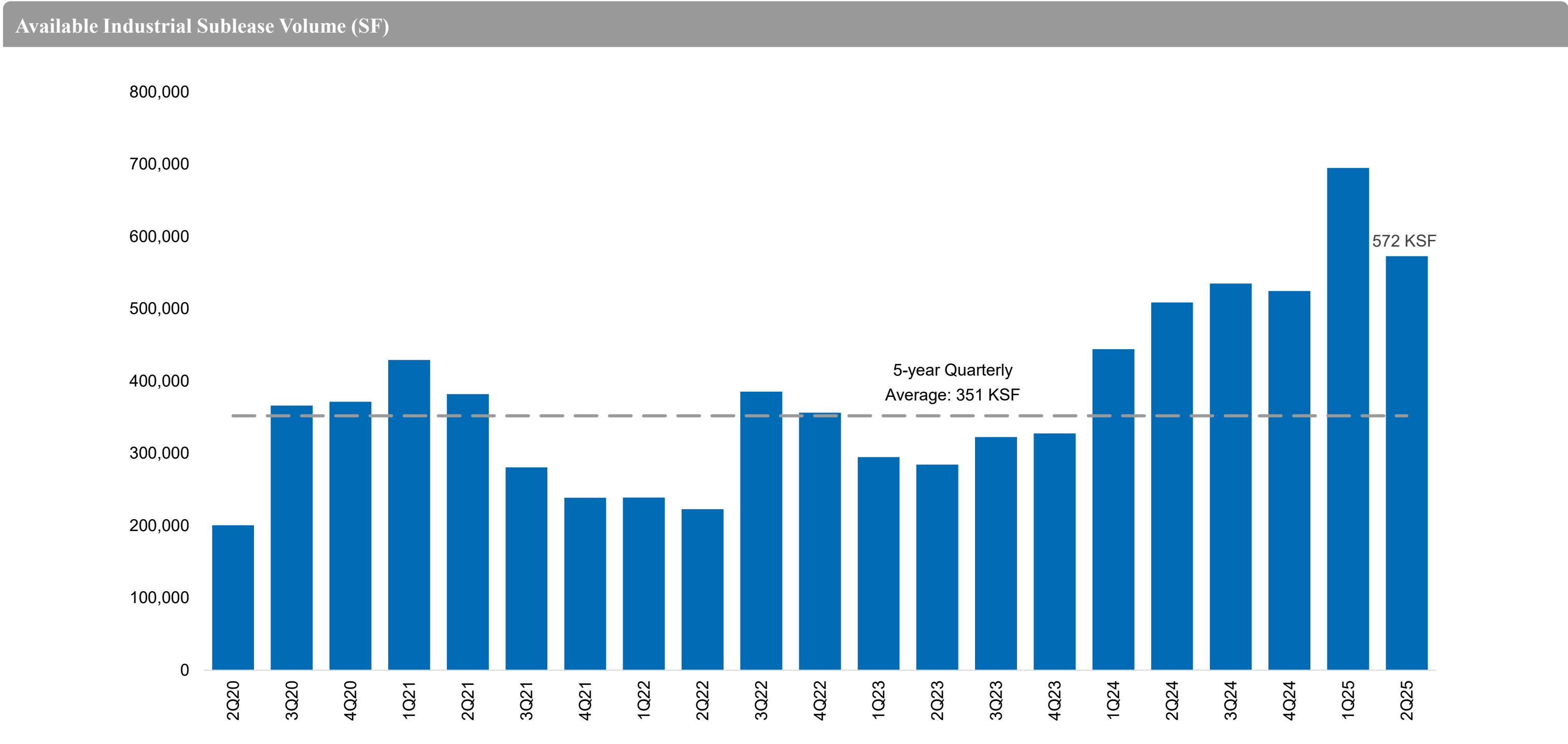


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# Industrial Sublease Availability Declined; Still Above Five-Year Average

Industrial sublease availability declined to 572,000 SF in the second quarter of 2025, down from the previous historic high of 694,000 SF, yet still well above the five-year average of 351,000 SF.



Source: Newmark Research, CoStar



A low-angle, upward-looking shot of a modern building's interior or exterior structure. The image features a complex network of steel beams and girders forming a grid-like pattern. Large glass panels are visible, reflecting the sky and other parts of the structure. The perspective creates a sense of height and architectural scale. A solid blue horizontal band is superimposed over the middle of the image, containing white text.

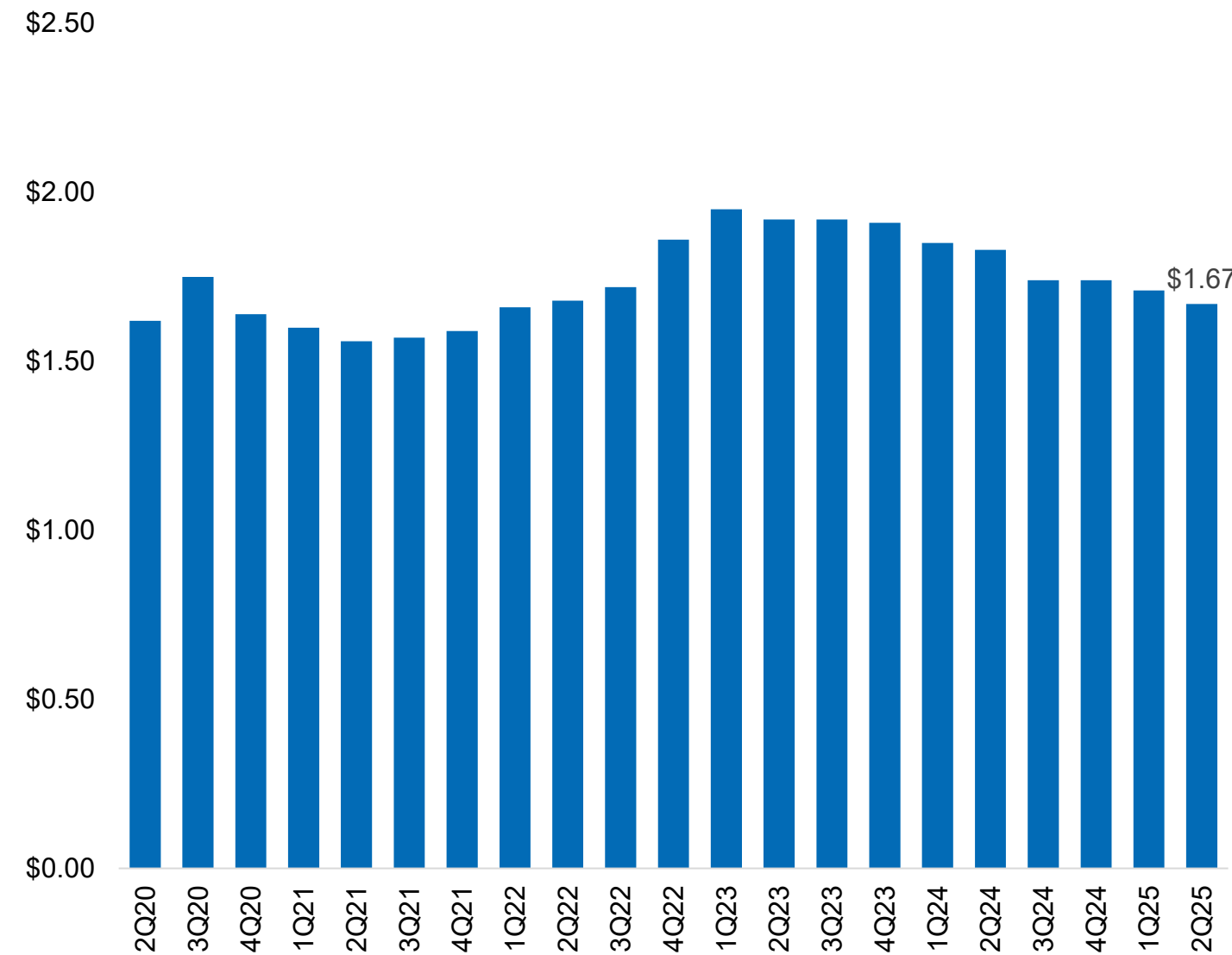
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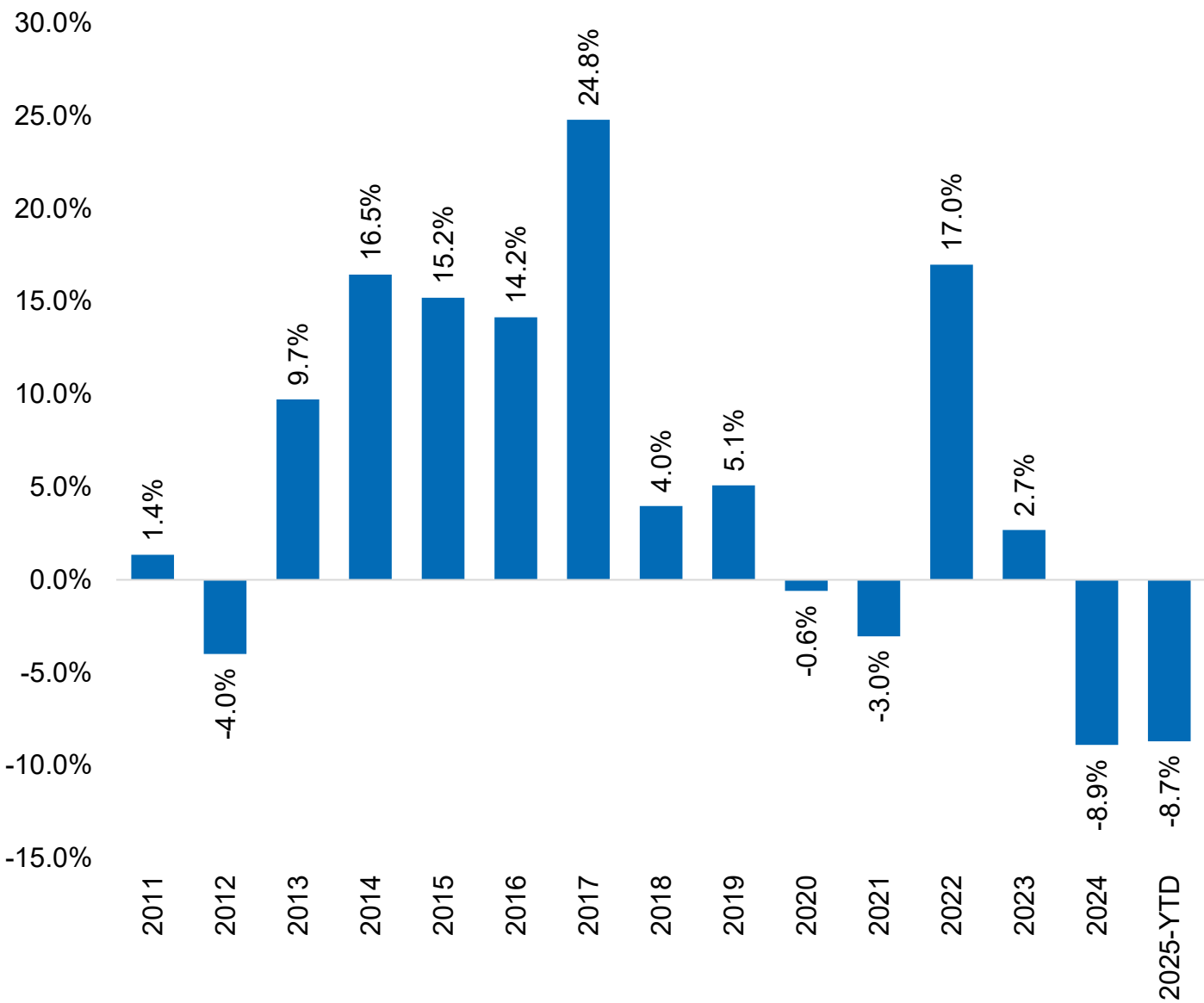
# Industrial Average Asking Rent Continued Decline in Q2

After peaking at \$1.95/SF NNN in the first quarter of 2023, the overall industrial average rent has gradually declined, closing at \$1.67/SF in the second quarter of 2025. The average rate has decreased 8.7% year-over-year, as landlords continued to adjust pricing to align with tempered demand.

Overall Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Overall Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



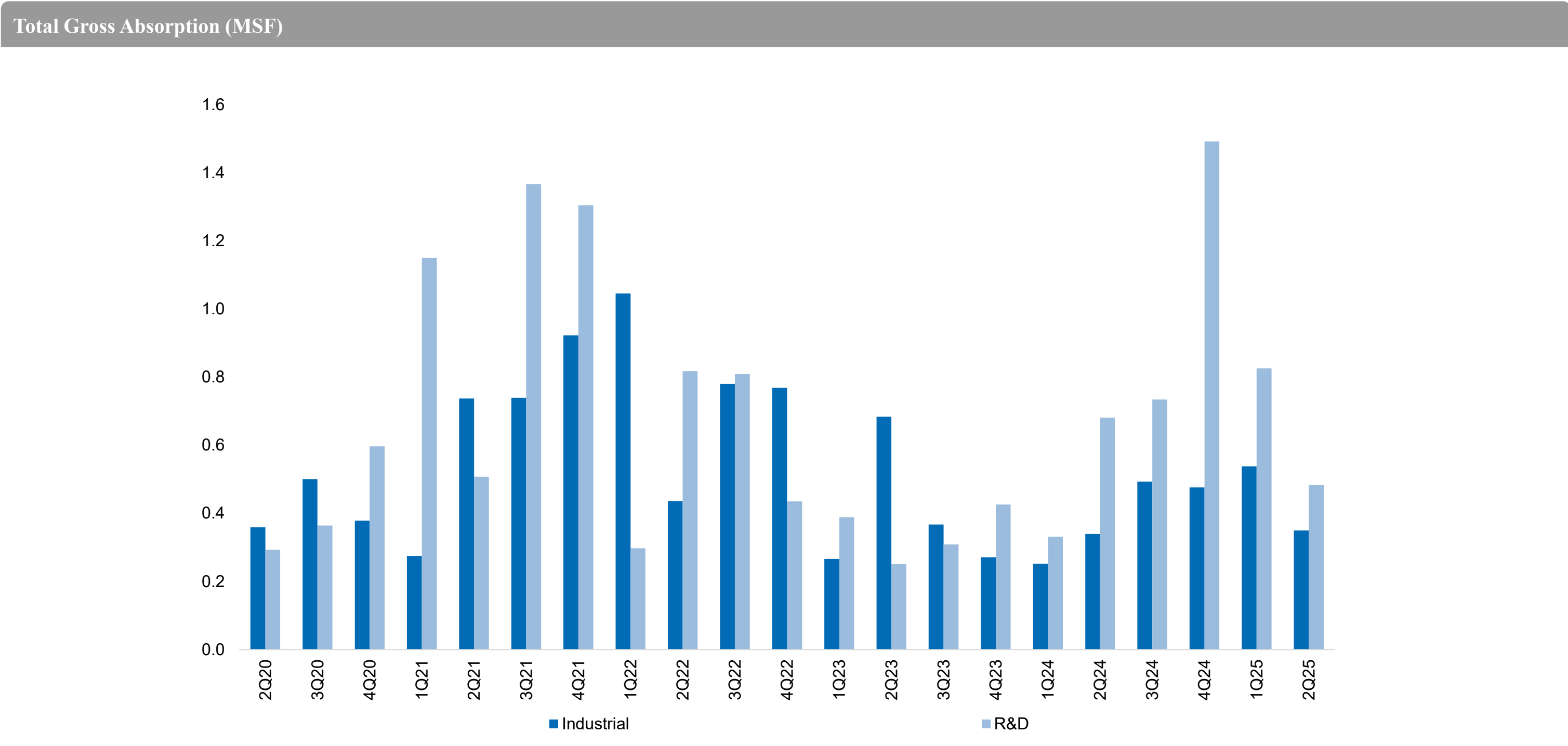


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# Industrial and R&D Leasing Slows

R&D gross absorption declined this quarter to 482,000 SF, down from 826,000 SF in the previous quarter. Industrial gross absorption also decreased, reaching 350,000 SF, down from 538,000 SF in the prior quarter, though slightly above the 339,000 SF recorded a year earlier.



Source: Newmark Research, CoStar

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# R&D Leasing Market Fundamentals

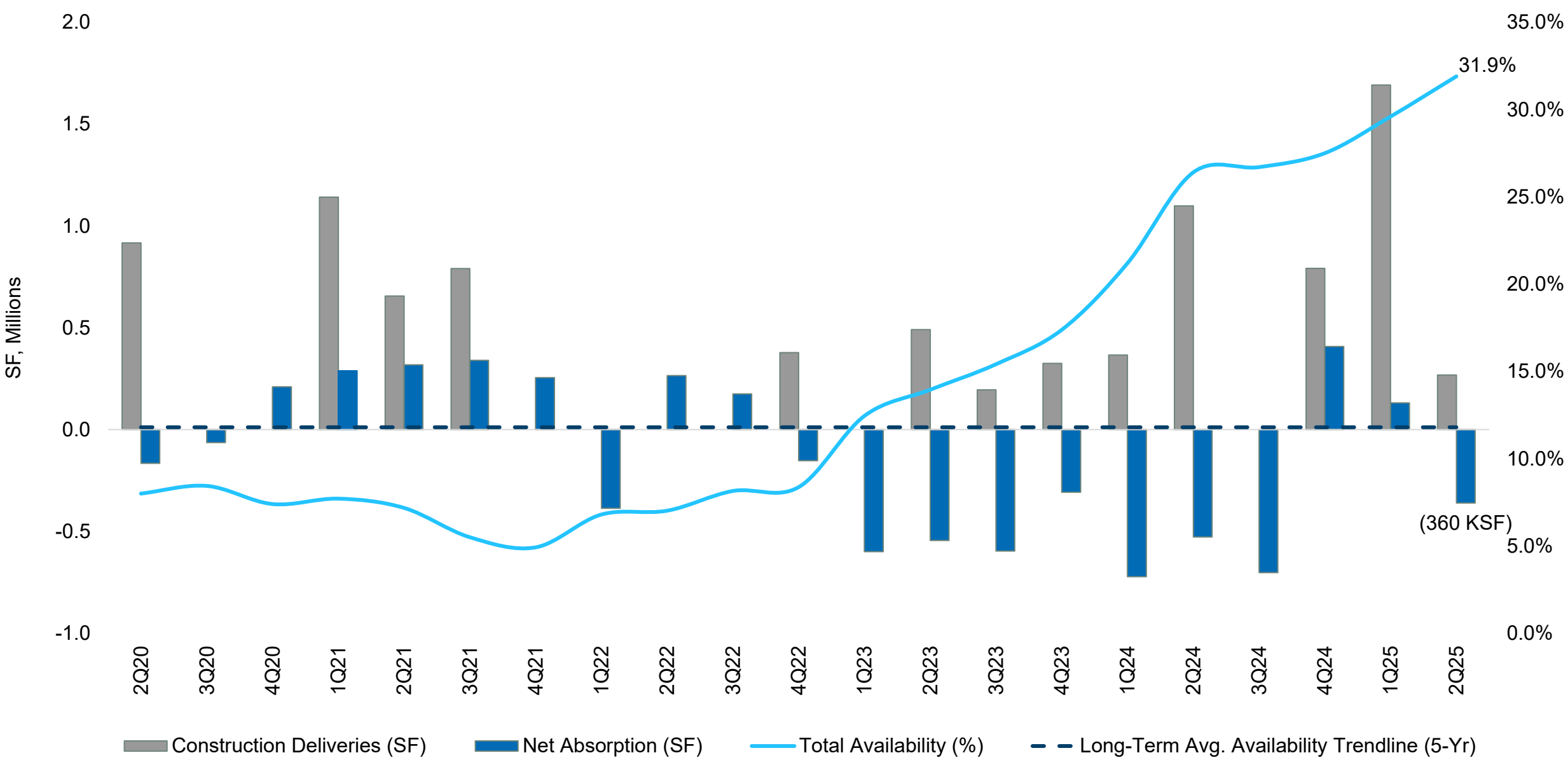




# R&D Market Took a Step Back in Q2

After two consecutive quarters of positive net absorption, the North Peninsula R&D market took a step back in the second quarter of 2025, recording negative 360,000 SF. Total availability rose to 31.9%, up from 29.6% in the previous quarter.

Historical Construction Deliveries, Net Absorption, and Availability



Source: Newmark Research, CoStar



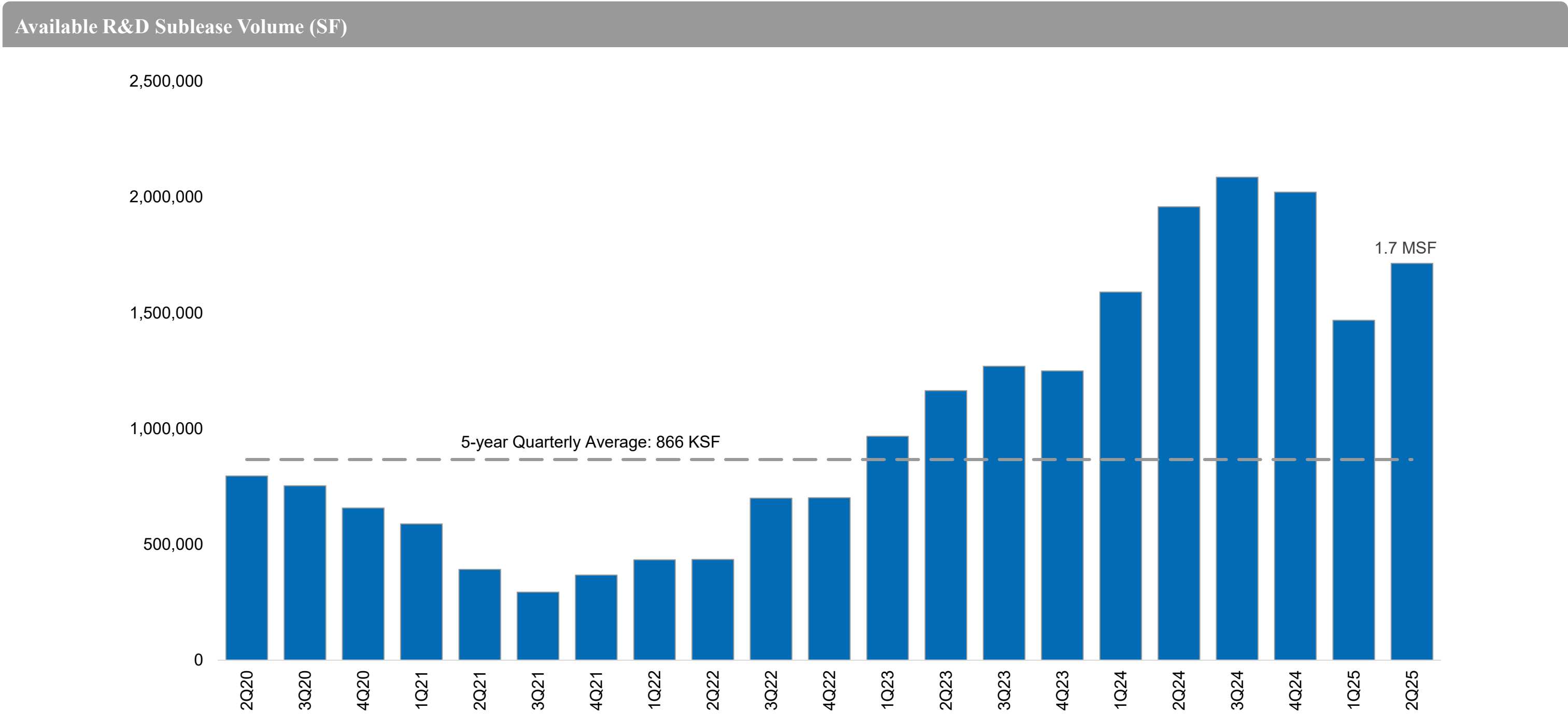


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# R&D Sublease Availability Increased in Q2

After two consecutive quarters of declining sublease availability, the R&D market saw an uptick in the second quarter of 2025, rising to 1.7 million SF, up from 1.4 million SF last quarter, though down from 1.9 million SF one year ago. The increase was largely driven by pharmaceutical company Bristol-Myers Squibb bringing 255,650 SF in Redwood City and 92,000 SF in Brisbane to the sublease market.



Source: Newmark Research, CoStar





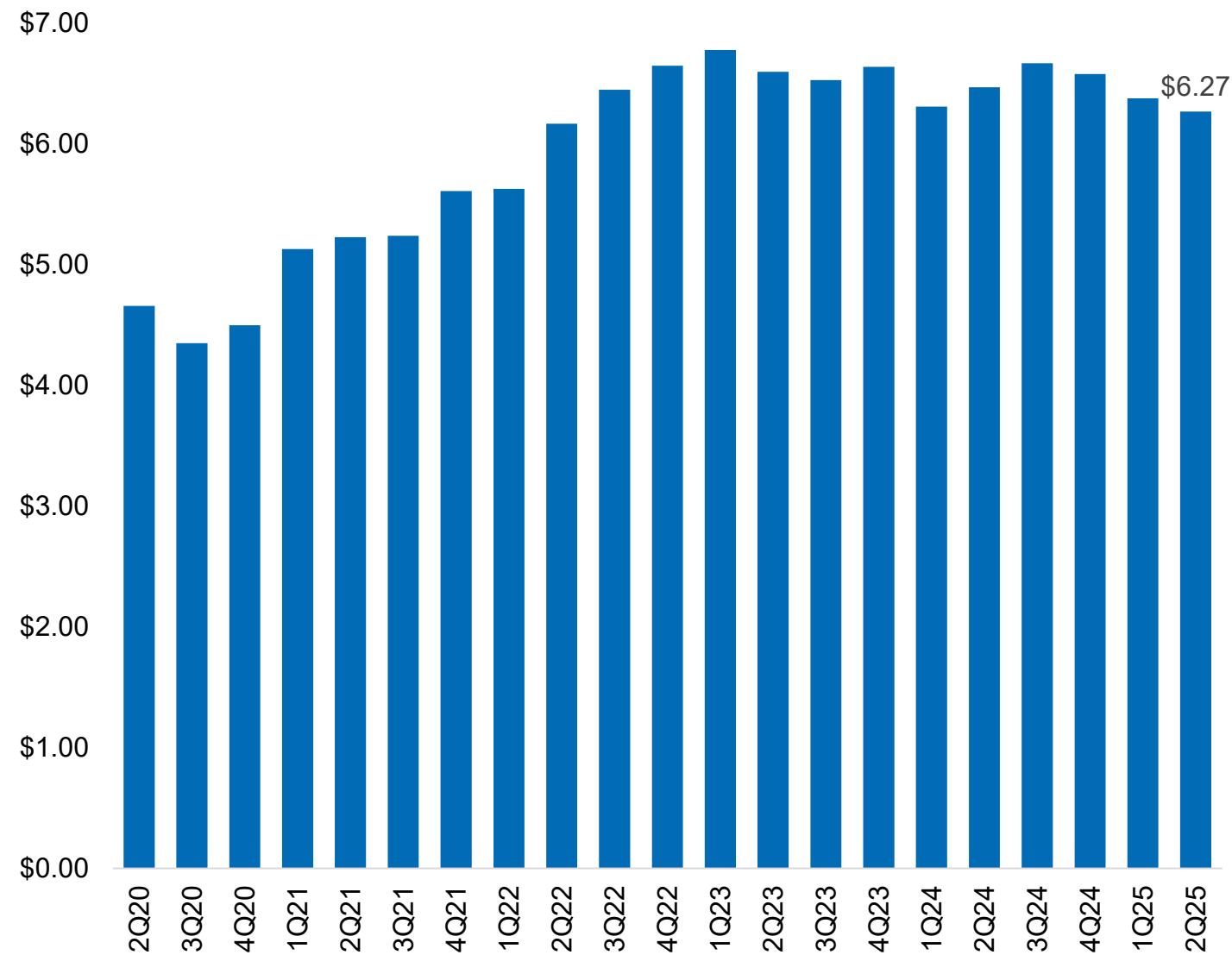
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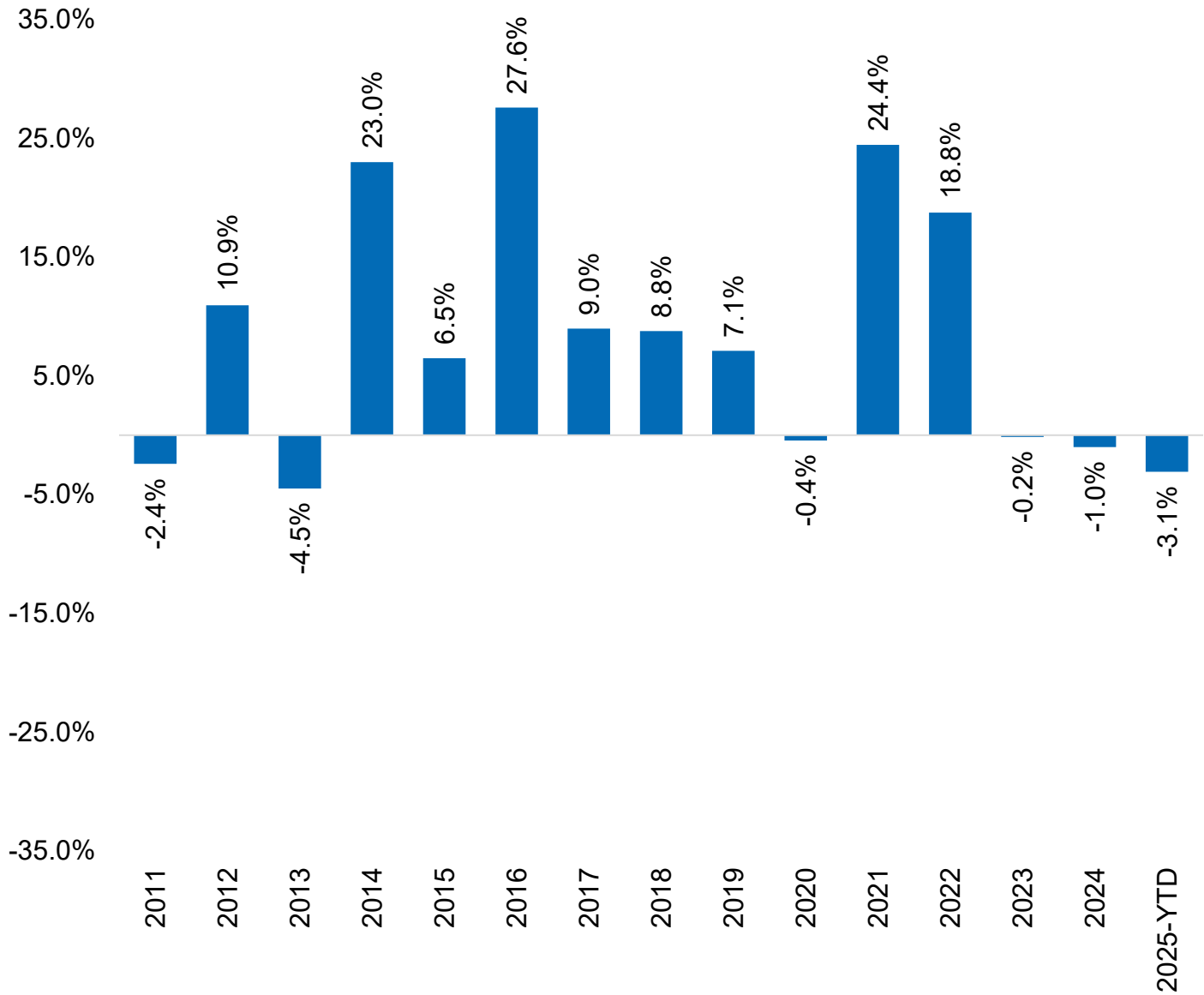
# R&D Average Asking Rent Decreased for Third Consecutive Quarter

The overall average asking rate for R&D space on the North Peninsula declined to \$6.27/SF in the second quarter of 2025, down from \$6.38/SF in the previous quarter. The average rate has decreased 3.1% year-over-year, as landlords continue to adjust pricing to align with softer demand. An increase in sublease availability, often offered at discounted rates, has also contributed to downward pressure on average submarket rents.

Overall R&D Average Asking Rent, \$/SF, NNN



Year-over-Year Overall Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



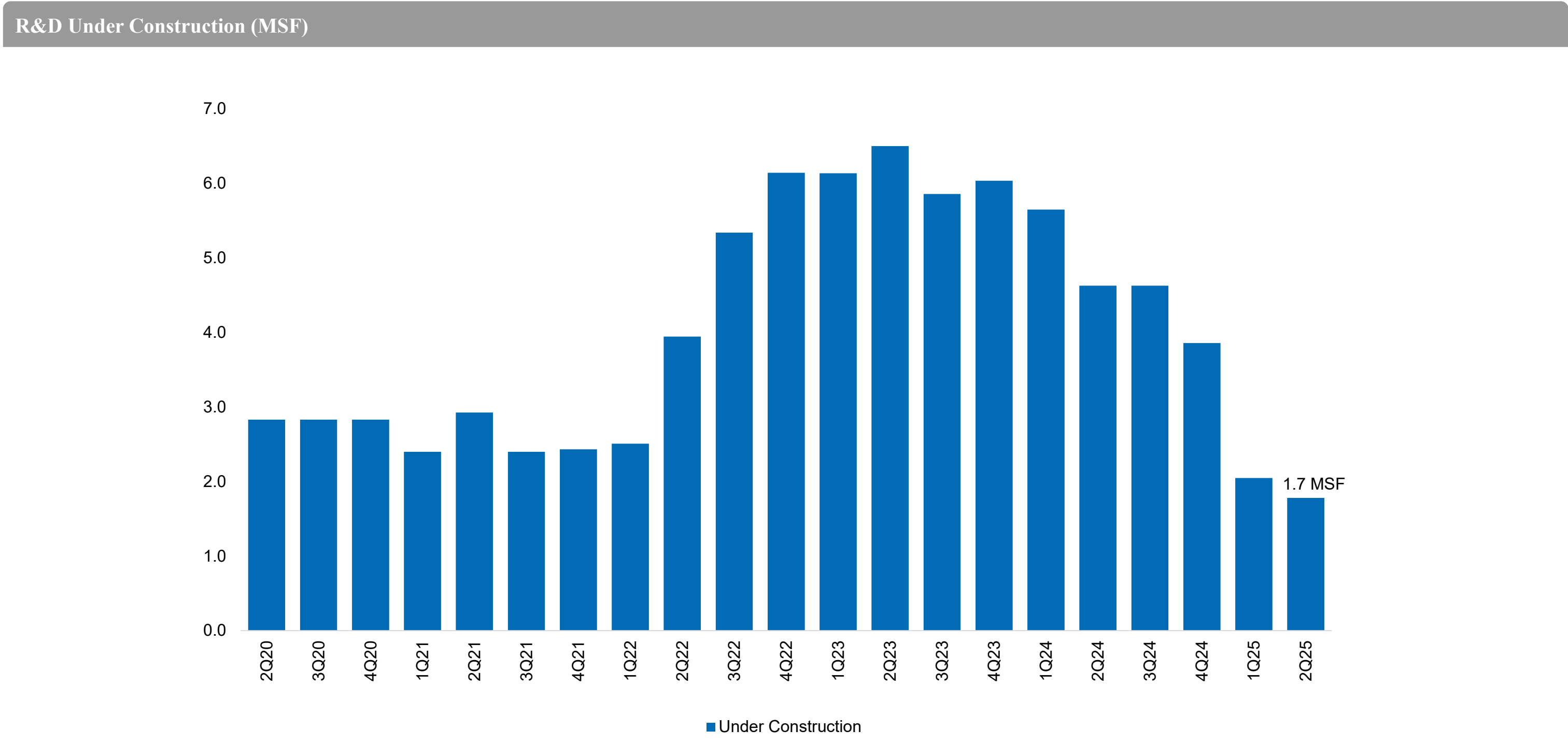


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# Construction Pipeline Continued to Level Off

The R&D construction pipeline continued to decline in the second quarter of 2025, totaling 1.7 million SF, with 12.7% preleased. The most notable delivery this quarter was Tarlton’s Menlo Park Labs development at 1350 Adams Court, totaling 268,000 SF.



Source: Newmark Research, CoStar

# Notable 2Q25 Lease Transactions

This quarter saw two industrial transactions of 20,000 SF or more, down from seven in the previous quarter. In the R&D sector, four transactions of 20,000 SF or more were completed, compared to 13 in the prior quarter.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Guardant Health	Seaport Centre- MetLife	Redwood City	Lease Renewal	162,755
Precision oncology company Guardant Health completed the largest deal of the quarter, extending their 162,755-square foot lease in the Seaport Centre-MetLife Campus in Redwood City.				
Dren Bio	Alexandria Center for Life Science 835 Industrial Rd.	San Carlos	Direct Lease	99,557
Biopharmaceutical company Dren Bio completed the third-largest deal of the quarter, leasing 99,557 square feet on the third and fourth floor at 835 Industrial Road in San Carlos.				
Dimerco Express Corp	274 Wattis Way	South San Francisco	Direct Lease	46,650
Dimerco Express completed the third-largest deal of the quarter, leasing 46,650 square feet at 274 Wattis Way in South San Francisco.				
European Collision Center	200 Shaw Rd.	South San Francisco	Direct Lease	41,334
The European Collision Center leased 41,334 square feet at 200 Shaw Road in South San Francisco in the fourth-largest deal of the quarter.				
Nurix Therapeutics	The Shore at Sierra Point 1400 Sierra Point Pkwy.	Brisbane	Sublease Expansion	35,928
Clinical stage biopharmaceutical company Nurix completed the fifth-largest deal of the quarter, expanding their footprint at the Shore at Sierra Point project in Brisbane by subleasing an additional 35,928 square feet from Johnson and Johnson on the fourth floor at 1400 Sierra Point Parkway.				

Source: Newmark Research



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## Appendix / Tables







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