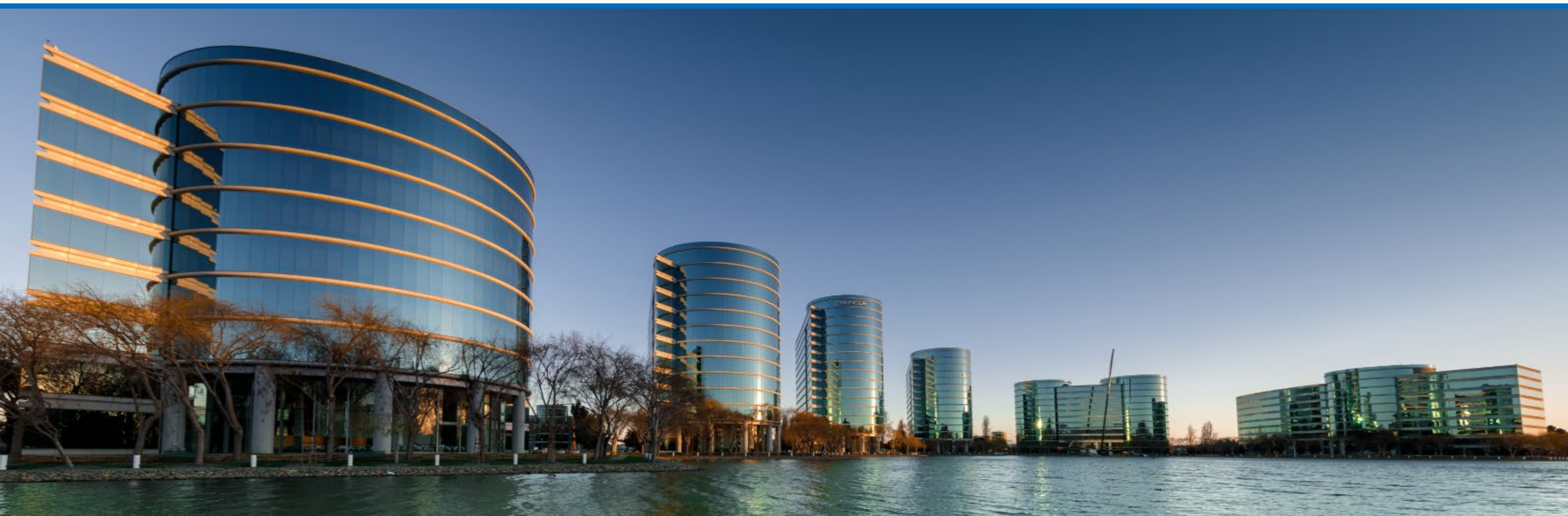


4Q24

# North Peninsula Office Market Overview



# Market Observations

## Economy

- The Peninsula’s labor market showed improvement to close out 2024, with the unemployment rate dropping to 3.6% in November from 4.1% in August.
- In mid-December 2024, the Federal Reserve reduced interest rates by 25 basis points to the 4.25%-4.50% range, marking the third consecutive rate cut of the year. This move aimed to stabilize a steady but cooling economy.
- Looking ahead, the market anticipates that the Federal Reserve will hold steady on rates at their current range through the first quarter of 2025 and potentially cut twice more by year-end, as inflation remains persistently high.
- Greater clarity on future rate reductions could help shift dealmaking dynamics toward a more balanced state.

## Major Transactions

- Snowflake signed the largest deal of the quarter, subleasing 772,983 SF from Meta at the Menlo Gateway campus in Menlo Park.
- Volkswagen Group of America completed the second-largest transaction, renewing its 158,896-SF lease at 600 Clipper Drive in Belmont.
- The quarter’s most notable property sale involved Norges Bank Investment Management, which acquired a 97.7% interest in the Sand Hill Commons project in Menlo Park for \$222.0 million. The purchase was completed in partnership with DivcoWest, which acquired the remaining 2.3% stake. The project consists of two office buildings totaling 133,449 SF on Sand Hill Road.

## Leasing Market Fundamentals

- After positive absorption in the previous quarter, the region recorded negative absorption of 153,600 SF in the fourth quarter of 2024, primarily due to 582,000 SF from three Pacific Shores Center buildings in Redwood City hitting the market. Excluding these availabilities, the quarter would have posted 428,000 SF of positive absorption.
- Leasing activity rebounded strongly, increasing 67.0% quarter-over-quarter and 129.0% year-over-year.
- Market-wide vacancy rose slightly to 18.5%, up from 18.3% in the previous quarter, while sublease vacancy declined to 3.8% from 5.5%. Overall availability edged up to 21.1%, compared to 20.4% last quarter, while sublease availability fell to 4.2% from 6.0%.

## Outlook

- After finishing 2024 as one of the strongest years since the Federal Reserve began raising interest rates in March 2022, the North Peninsula office market is poised to continue its rebound into early 2025, barring unforeseen economic setbacks.
- The AI sector has been a key driver of growth, securing 196,000 SF of space in 2024 compared to 108,000 SF in 2023. This momentum is expected to accelerate in 2025 as new AI tenants enter the market and established companies expand.
- Improved return-to-office metrics, stabilizing vacancy and asking rents, and post-election clarity for tenants and investors are expected to further strengthen market fundamentals heading into 2025.

1. Economy
2. Leasing Market Fundamentals
3. Appendix



4Q24

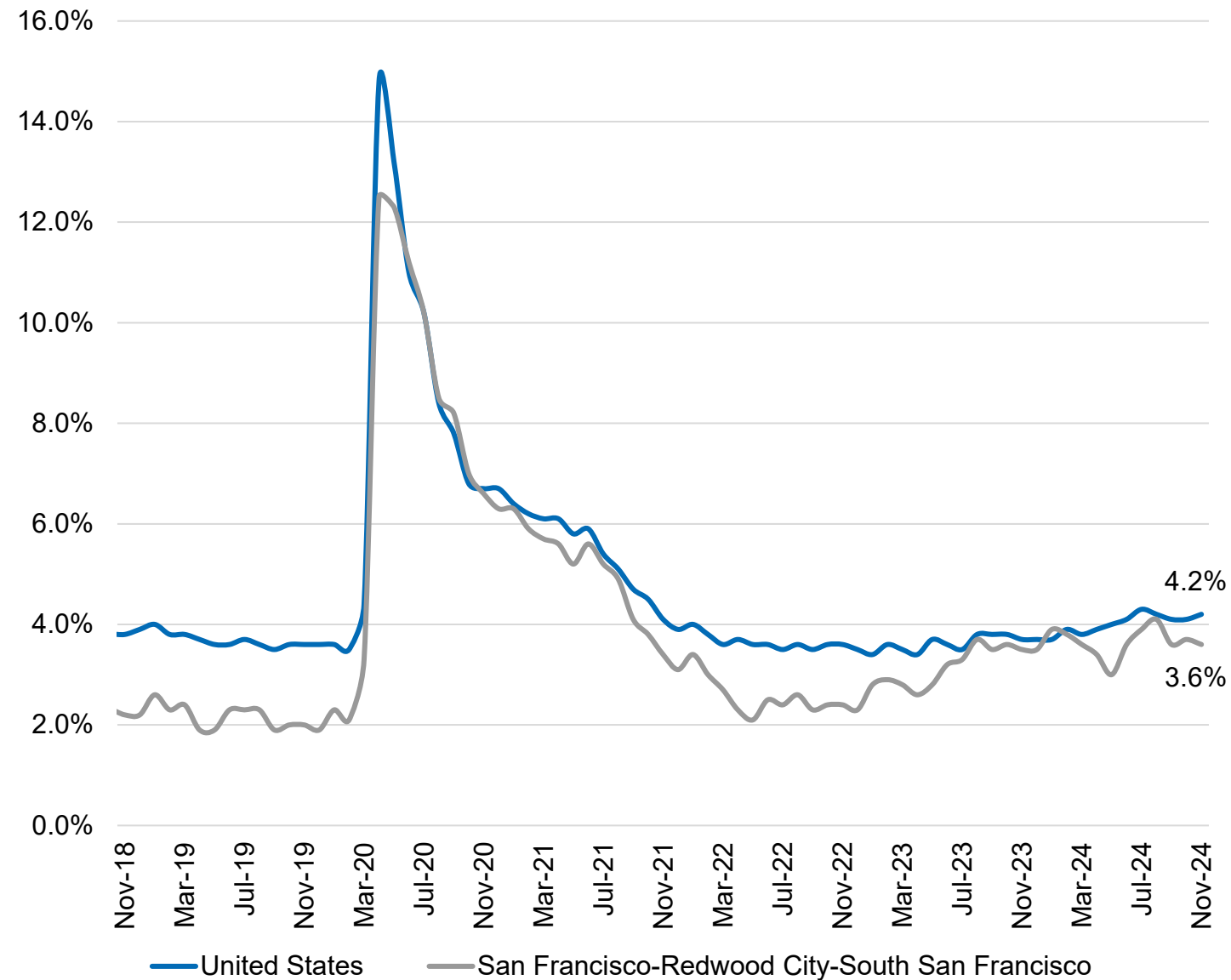
# Economy



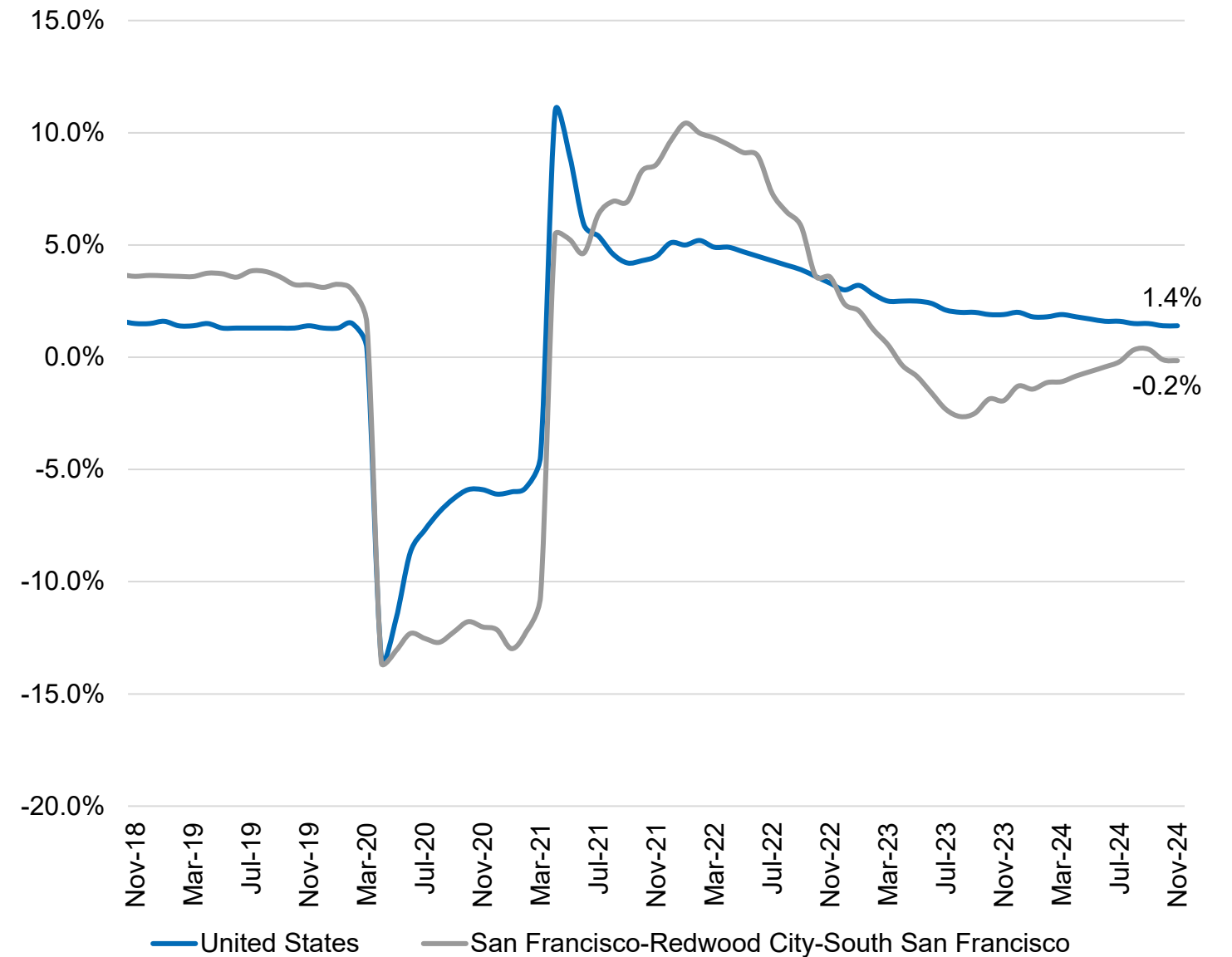
# Regional Unemployment Remains Below National Level

The region's unemployment rate declined to 3.6%, a 50-basis-point drop since August. Nonfarm employment in the area saw a slight decline, while national growth continued to slow. Total nonfarm employment in the region has decreased by 2.5% since November 2022.

Unemployment Rate, Seasonally Adjusted



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

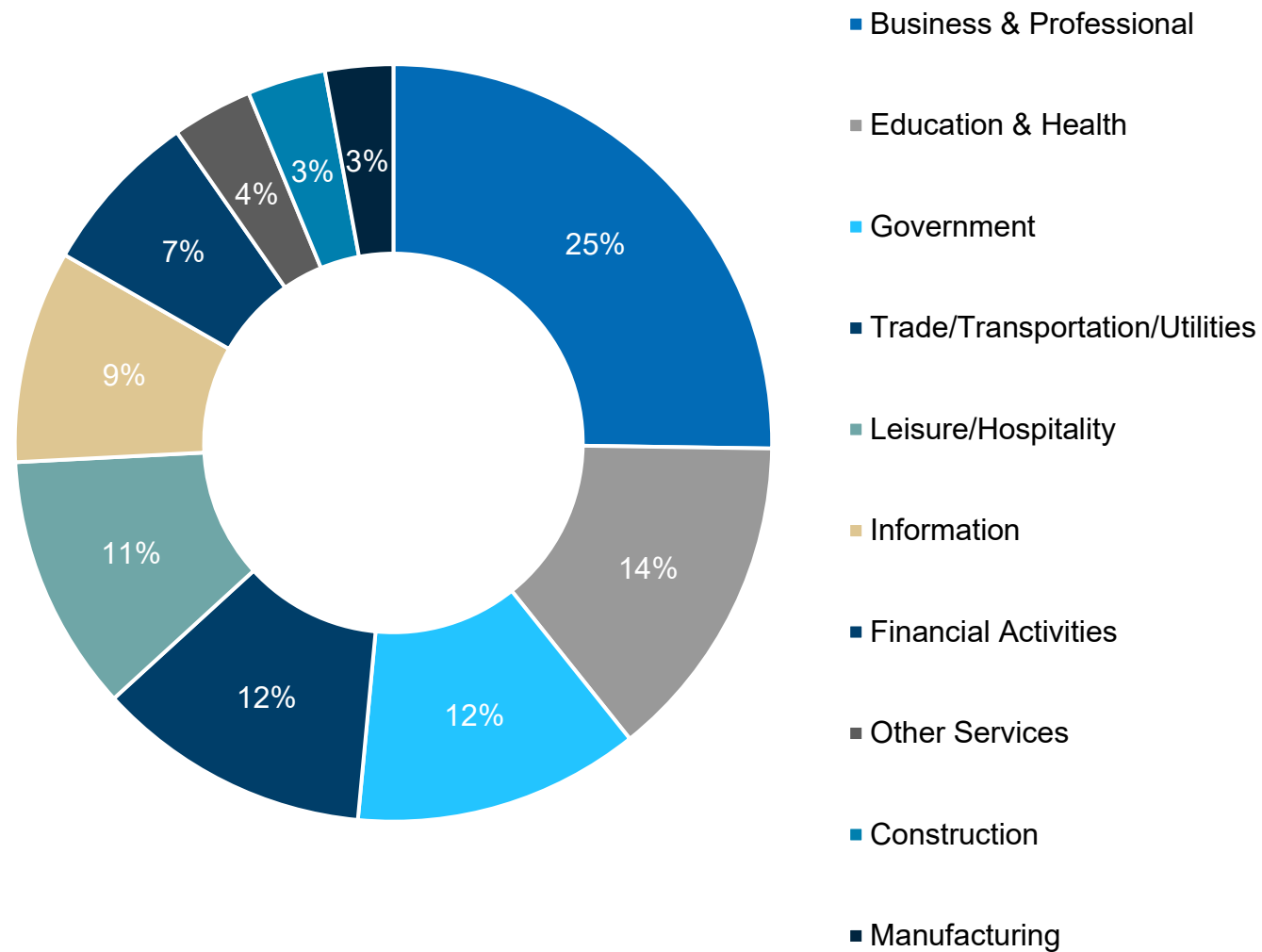


Source: U.S. Bureau of Labor Statistics and St. Louis FRED, San Francisco-Redwood City-South San Francisco, November Data is Preliminary

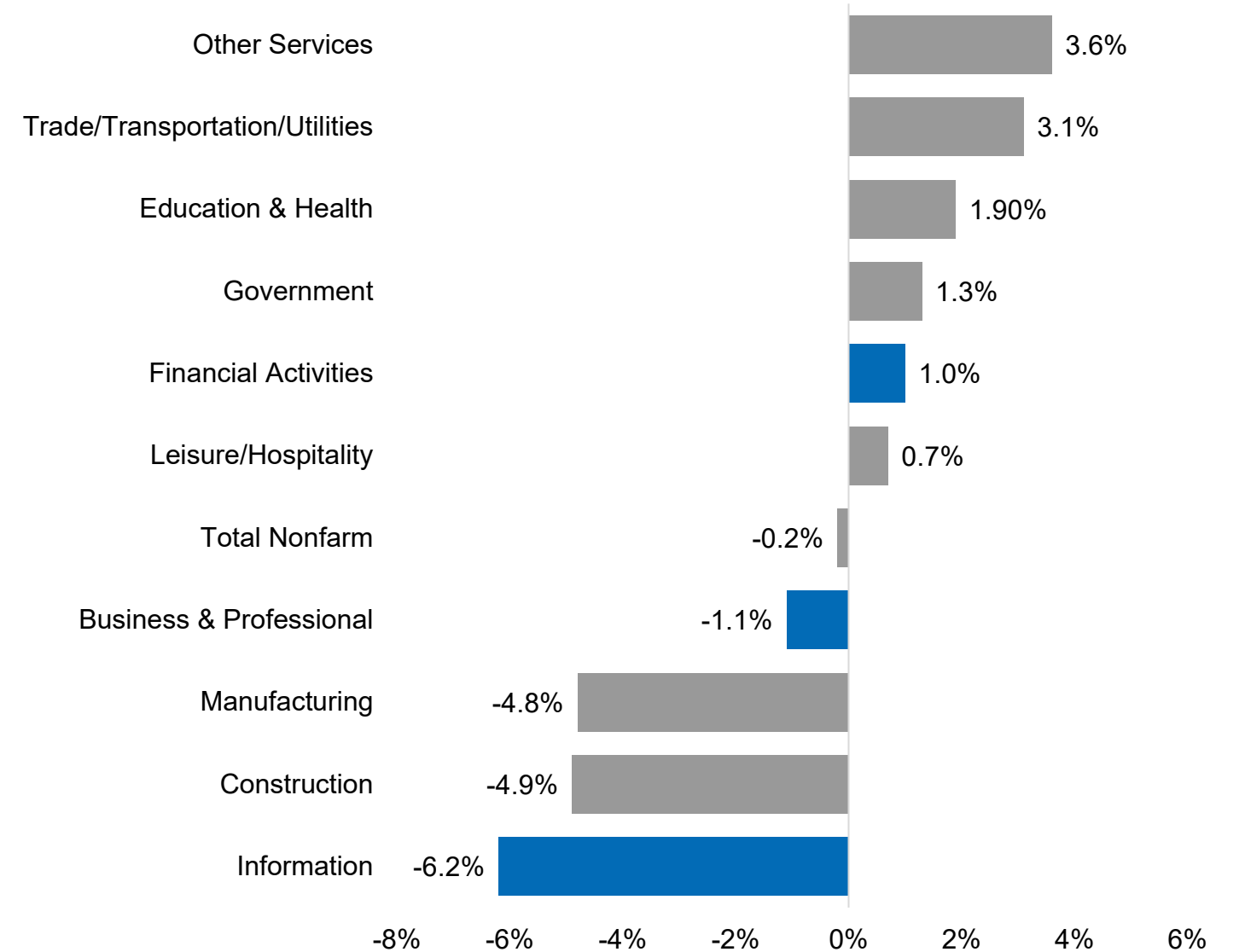
# Employment in Information Industry Down 6.2% Year-Over-Year

Other Services, Trade, Transportation, and Utilities, along with Education and Health, recorded the largest year-over-year employment gains. Financial Activities was the only office-using sector to grow year-over-year, increasing by 1.0%.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

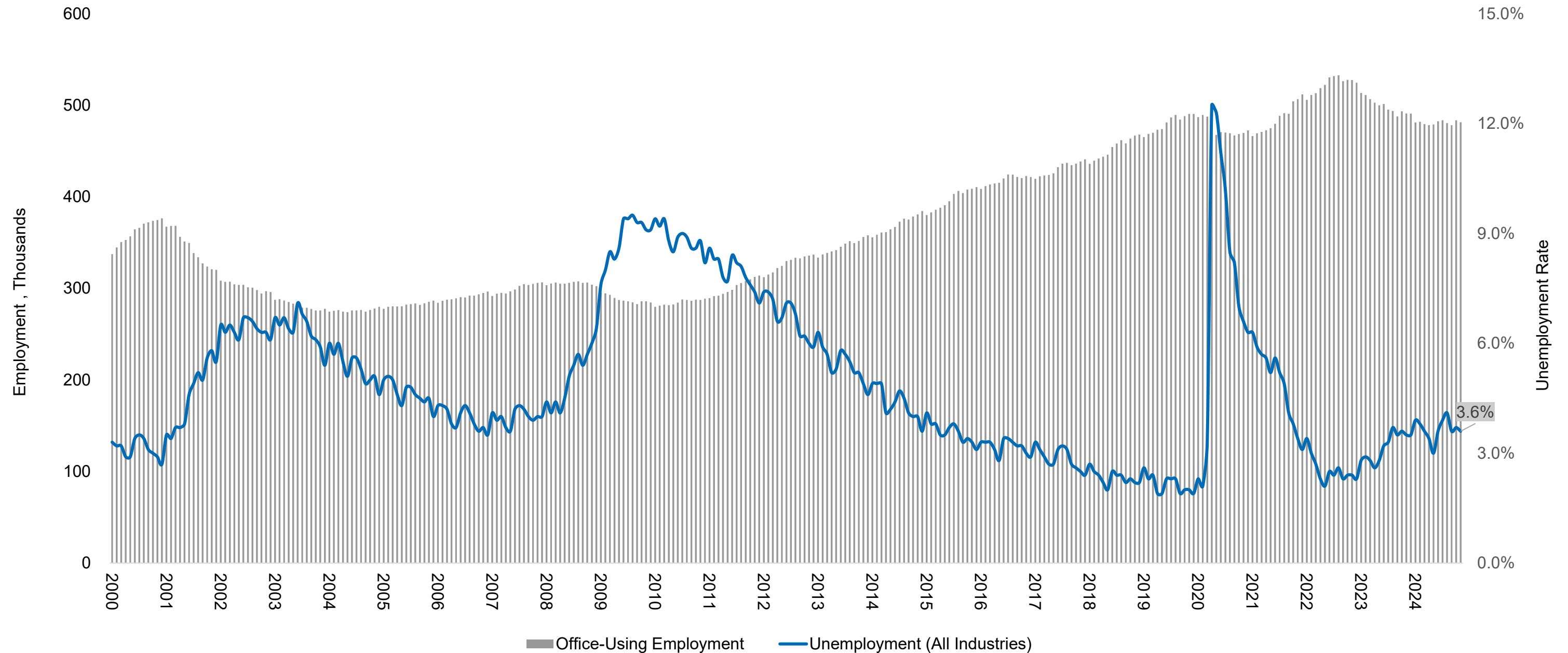


Source: U.S. Bureau of Labor Statistics, San Francisco-Redwood City-South San Francisco November Data is Preliminary

# Local Office-Using Employment Down Nearly 10% Since 2022

The local unemployment rate increased modestly year-over-year from 3.5% to 3.6%, marking a 150-basis-point increase since May 2022. While overall office-using employment is down 1.9% year-over-year and 9.6% below a high in 2022, the total number of office-using employees is still higher now than at any point prior to mid-year 2019.

## Office-Using Employment\* and Unemployment Across All Industries



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.



4Q24

# Leasing Market Fundamentals

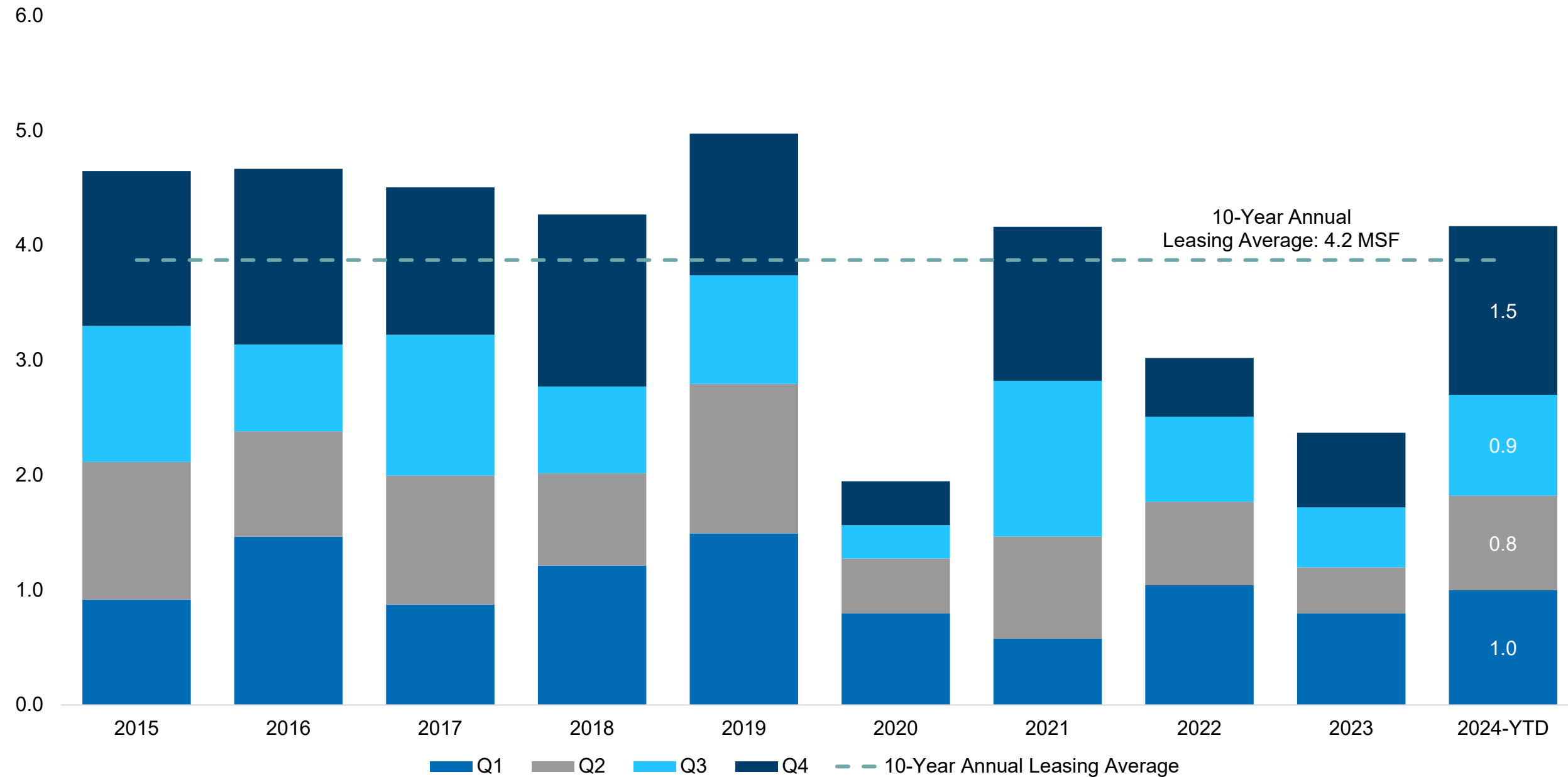




# Annual Leasing Above 10-Year Annual Average

Total leasing activity for the year exceeded the 10-year annual average for the first time since 2021, reaching 1,467,000 SF in the fourth quarter of 2024, a 67.0% quarter-over-quarter increase. Class A leasing dominated, accounting for 91.0% of total square footage transacted, compared to Class B at 7.0% and Class C at 2.0%. This marks a significant shift from the previous quarter, where Class A leasing comprised 77.0%, Class B 17.0%, and Class C 6.0%.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar





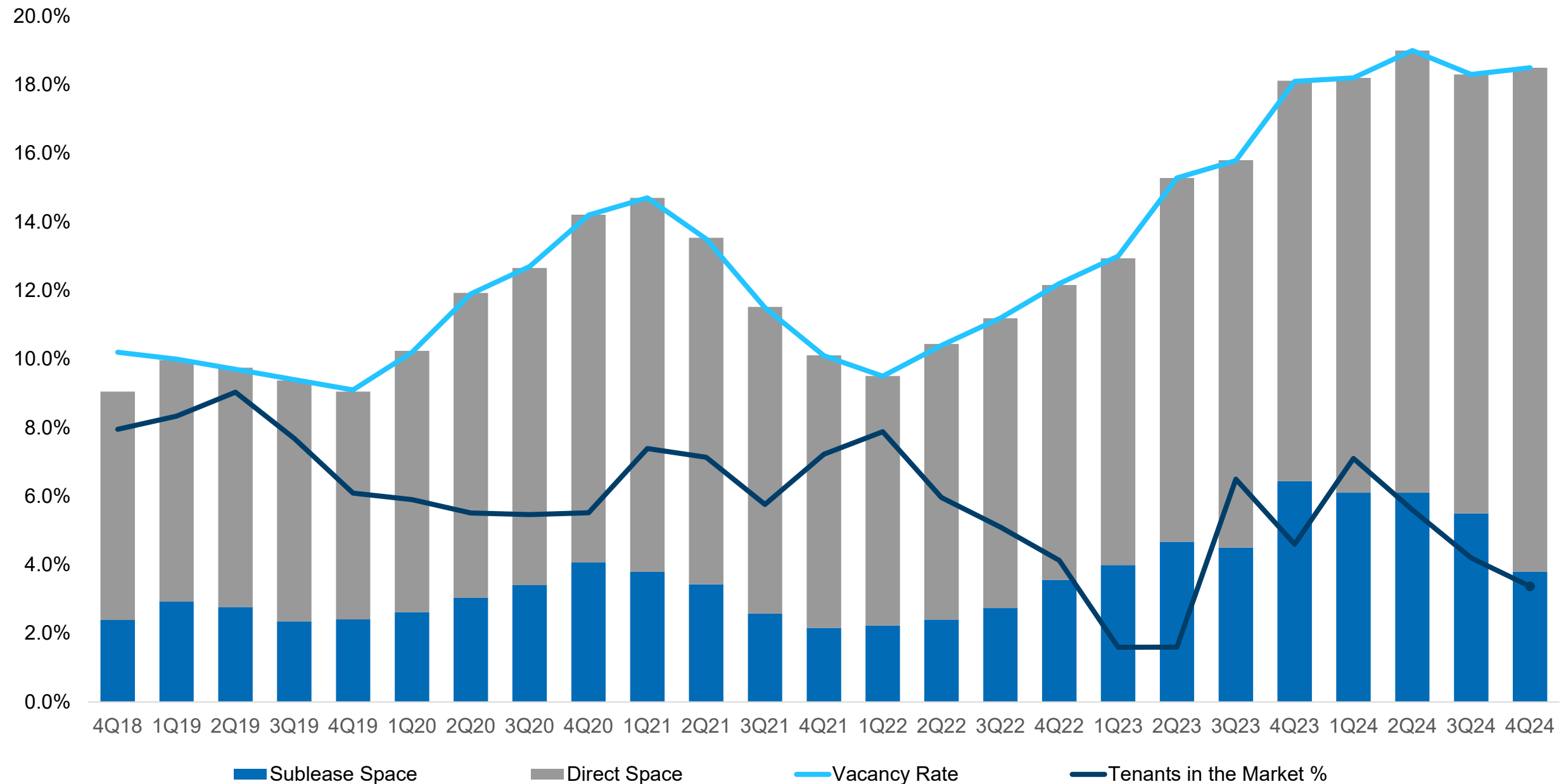
Please reach out to your  
Newmark business contact for this information



# Active Tenant Demand Decreases on Blockbuster Leasing in Q4

Recorded tenant demand decreased to 1.4 million SF this quarter, down from 1.7 million SF in the previous quarter and 1.8 million SF a year ago.

Vacant Space and Active Tenant Demand as Percent of Overall Market



Source: Newmark Research





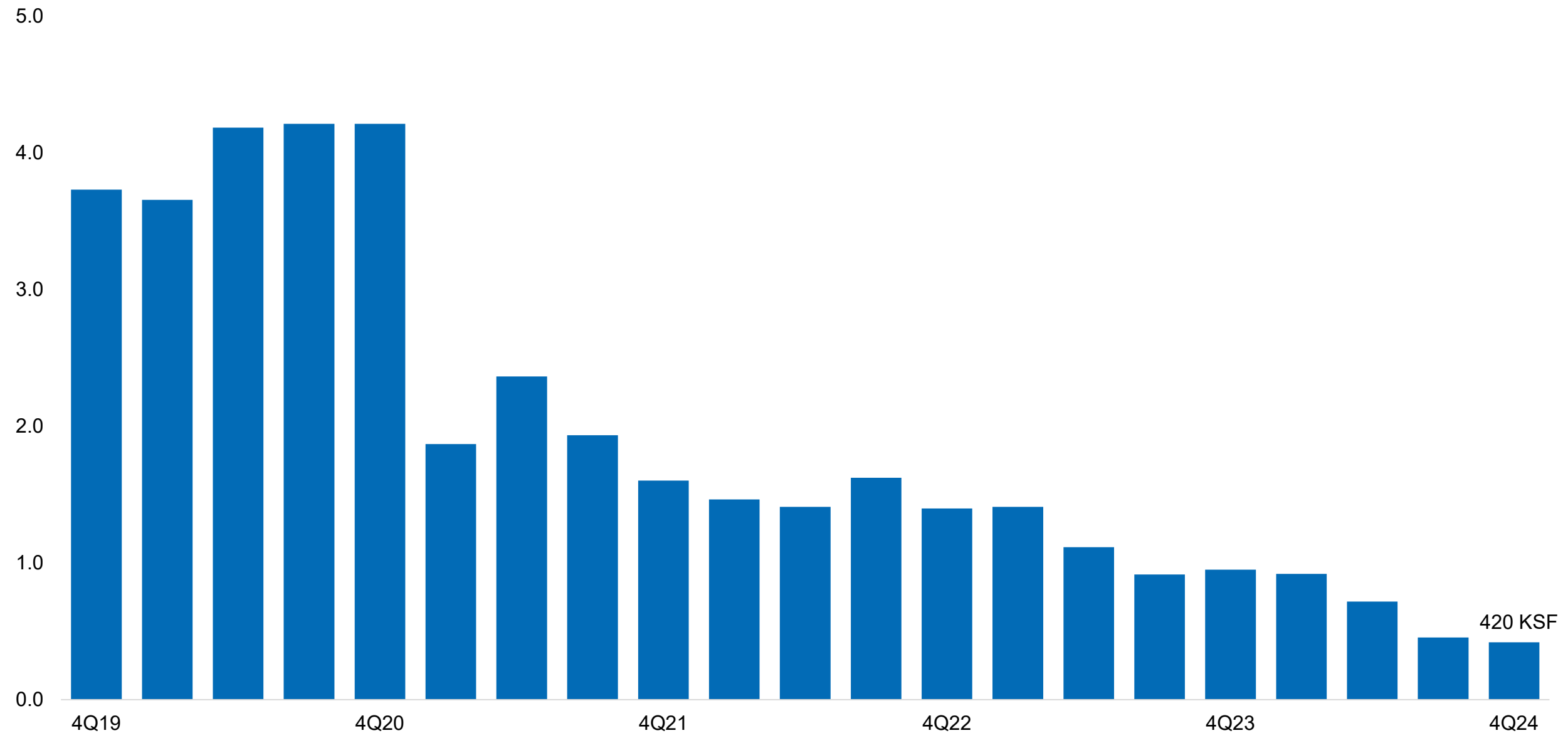
Please reach out to your  
Newmark business contact for this information



# Construction Activity Hits New Historic Low

The total volume of under-construction product in the North Peninsula market continued to decline in the fourth quarter of 2024, reaching 420,000 SF, none of which was preleased. On the completion side, Greystar's Vasara project in Menlo Park delivered 34,499 SF of commercial office space and 326,816 SF of multifamily residential space. Developers remain cautious about initiating new office projects amid historically high vacancy rates, rising construction costs, and subdued demand.

## Office Under Construction (MSF)



Source: Newmark Research





Please reach out to your  
Newmark business contact for this information



# 4Q24 Market Activity

Five transactions of 20,000 SF or more were executed this quarter, matching the totals from both the previous quarter and one year ago.

## Notable Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Snowflake	Menlo Gateway - 100 & 150 Independence Dr 125 & 135 Constitution Dr	Menlo Park	Sublease	772,983
<i>Snowflake, a leading cloud-based data company, completed the largest deal of the quarter, subleasing 772,983 square feet from Meta at the Menlo Gateway campus in Menlo Park.</i>				
Volkswagen Group of America	600 Clipper Dr	Belmont	Renewal	158,596
<i>Volkswagen completed the second-largest deal of the quarter, renewing their 158,896-square foot lease at 600 Clipper Drive in Belmont.</i>				
Robinhood	155 Linfield Dr & 275 Middlefield Rd	Menlo Park	Renewal/Expansion	128,743
<i>Robinhood completed the third-largest deal of the quarter, completing a renewal and expansion totaling 128,743 square feet at 155 Linfield Drive and 275 Middlefield Road in Menlo Park.</i>				
Indeed	Parkside Towers- 1051 E. Hillsdale Blvd	Foster City	Renewal	37,092
<i>Indeed renewed its 37,092-square foot lease on the eighth floor at 1051 E. Hillsdale Blvd. in Foster City for the fourth-largest deal of the quarter.</i>				
Liftoff	900 Middlefield Rd- Bldg. B	Redwood City	Sublease	27,033
<i>Liftoff subleased 27,033 square feet from Biomea Fusion on the top floor in Building B at 900 Middlefield Road in Downtown Redwood City in the fifth-largest deal of the quarter.</i>				

4Q24

# Appendix



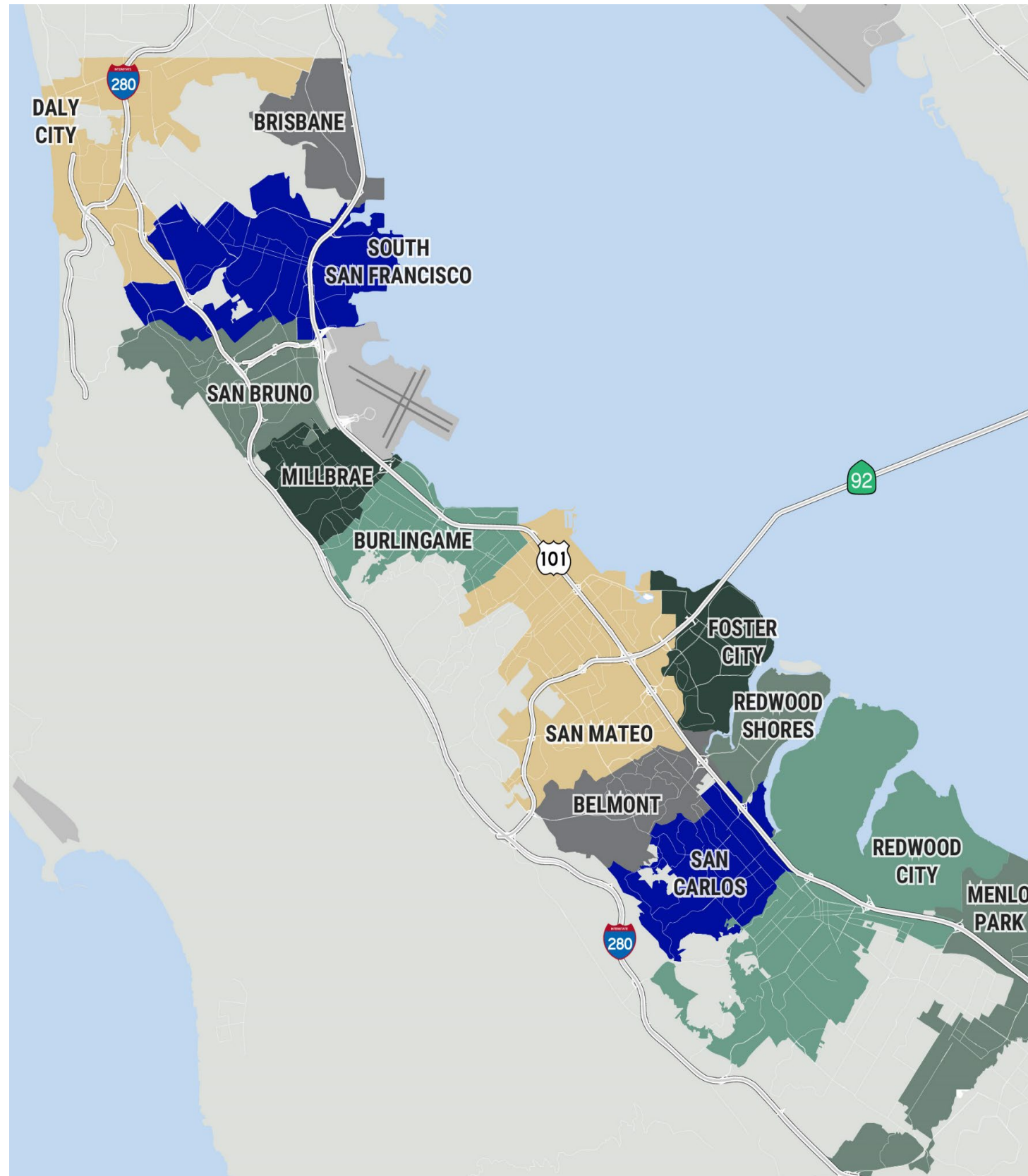




Please reach out to your  
Newmark business contact for this information



# North Peninsula- Submarket Map



---

*For more information:*

**Chris Teranishi**

*Senior Market Analyst*

*North Peninsula Research*

Chris.Teranishi@nmrk.com

**Newmark San Mateo**

2950 South Delaware Street

Suite 125

San Mateo, CA 94403

t 650-341-5800

Corporate CA RE #: 00832933

**[nmrk.com](http://nmrk.com)**

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nmrk.com/insights](http://nmrk.com/insights).

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

**NEWMARK**

**NEWMARK**