

The background of the slide features a large, modern glass building with a curved facade and a glass roof, viewed from a low angle looking up. The glass reflects the sky and the surrounding environment.

NEWMARK

South Peninsula R&D Market Overview

4Q25

U.S. Market Observations



Economy

- In the Fourth quarter of 2025, the San Jose–Sunnyvale–Santa Clara MSA unemployment rate increased to 4.4% in August 2025, up 30 basis points year-over-year. Nationally, the unemployment rate mirrored this trend, as it increased 10 basis points compared to the prior year.
- Goldman Sachs projects US real GDP growth of approximately 2.5% in 2026 on a Q4/Q4 basis, roughly 2.8% for the full year, which is above the roughly 2.0% consensus among economists surveyed by Bloomberg.
- Goldman expects the unemployment rate to stabilize around 4.5% and anticipates two 25-basis-point Federal Reserve rate cuts in June and September 2026, as growth stays solid but the labor market cools.



Leasing Market Fundamentals

- The South Peninsula R&D market continued to soften in the fourth quarter, recording -342,225 square feet of negative net absorption. This negative net absorption was primarily caused by 255,792 feet of vacant space being introduced in the Mountain View – Shoreline submarket. This project is known as the “Shoreline Park North Campus” in Mountain View.
- Vacancy increased 4.0 percentage points over the course of 2025, totaling -950,503 square feet of negative absorption for the year.
- The fourth quarter of 2025 closed with 241,559 square feet of gross absorption, a 36.6% decline quarter-over-quarter and a 63.7% drop year-over-year.



Major Transactions

- A key contributor to the quarter's 241,559 square feet of gross absorption was MatX's direct lease at 490 E. Middlefield Road, the largest transaction of the period. The AI firm expanded its footprint in Mountain View with this deal after previously occupying a portion of 444 Castro Street.
- Octave Biosciences, a life science company focused on multiple sclerosis and other neurodegenerative diseases, signed a direct lease in Redwood Shores, relocating from its original base in Menlo Park. The transaction marked the largest life science lease completed in the South Peninsula market during the period.



Outlook

- The R&D construction pipeline remained highly constrained, with no square footage currently under construction. This absence of new supply should help gradually absorb elevated vacancy as market conditions tighten over the next few years. With minimal new product delivering and vacancy remaining persistent, landlords are likely to sustain generous concessions, keeping effective rents under pressure in the near term.
- The submarket's vacancy rate now stands at twice its 10-year historical average, recording a vacancy of 19.5%. Newmark Research is predicting a gradual recovery in the R&D market as Life Science, robotics, and industrial tenants return to the market creating leasing momentum.

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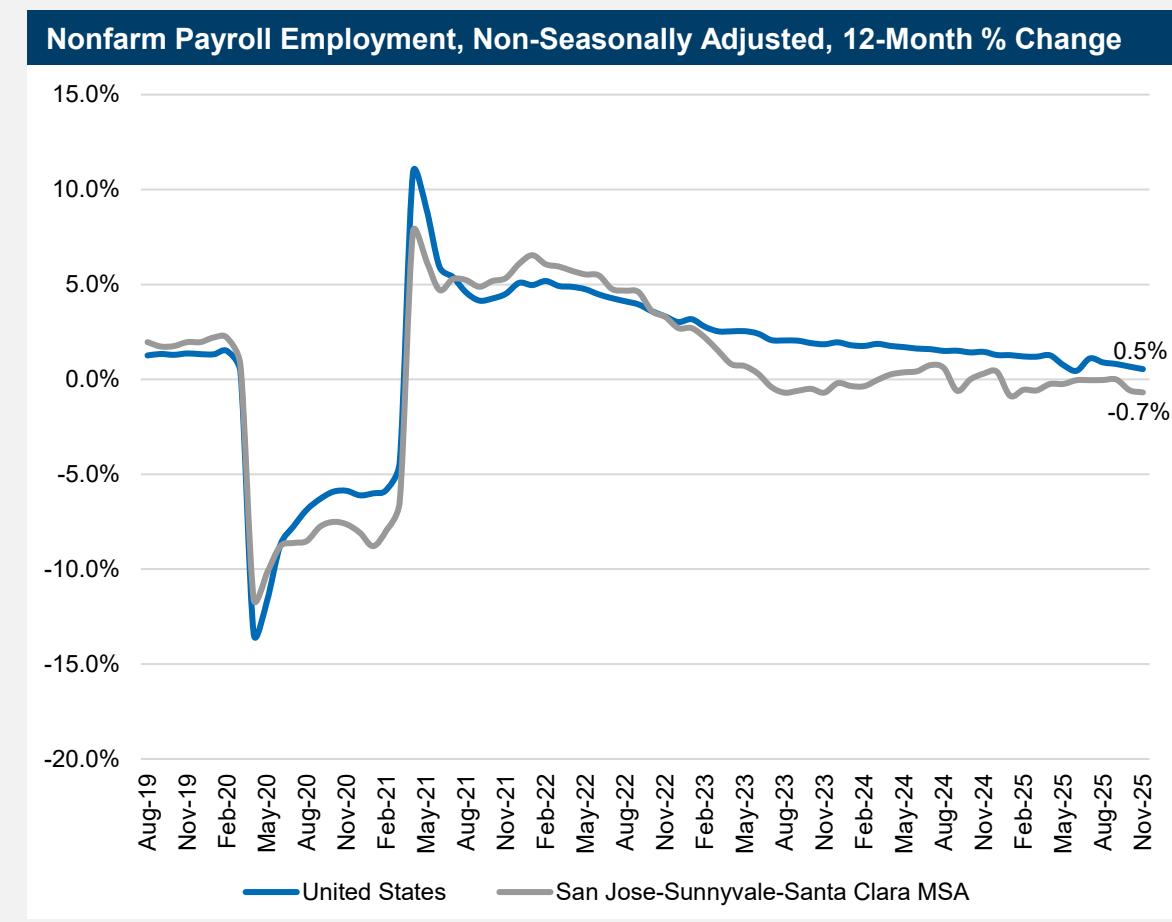
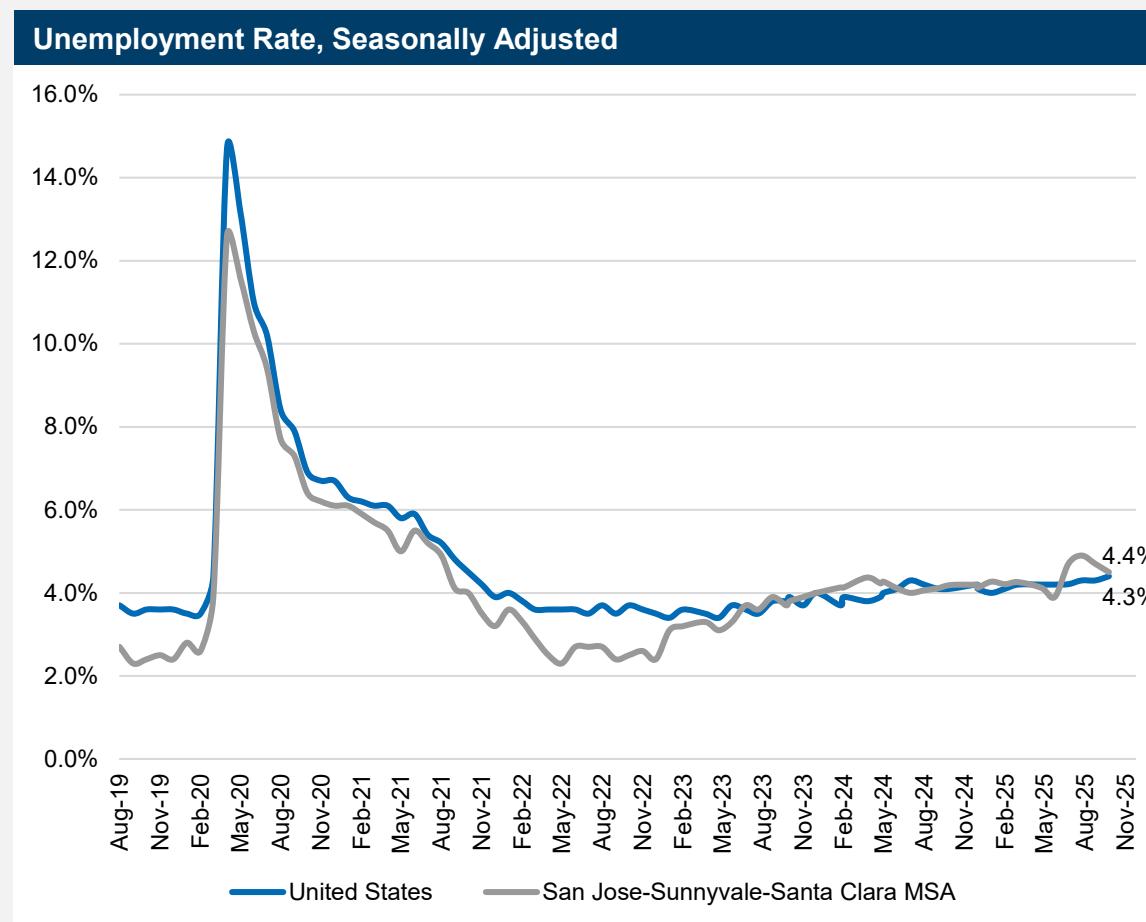
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Economy

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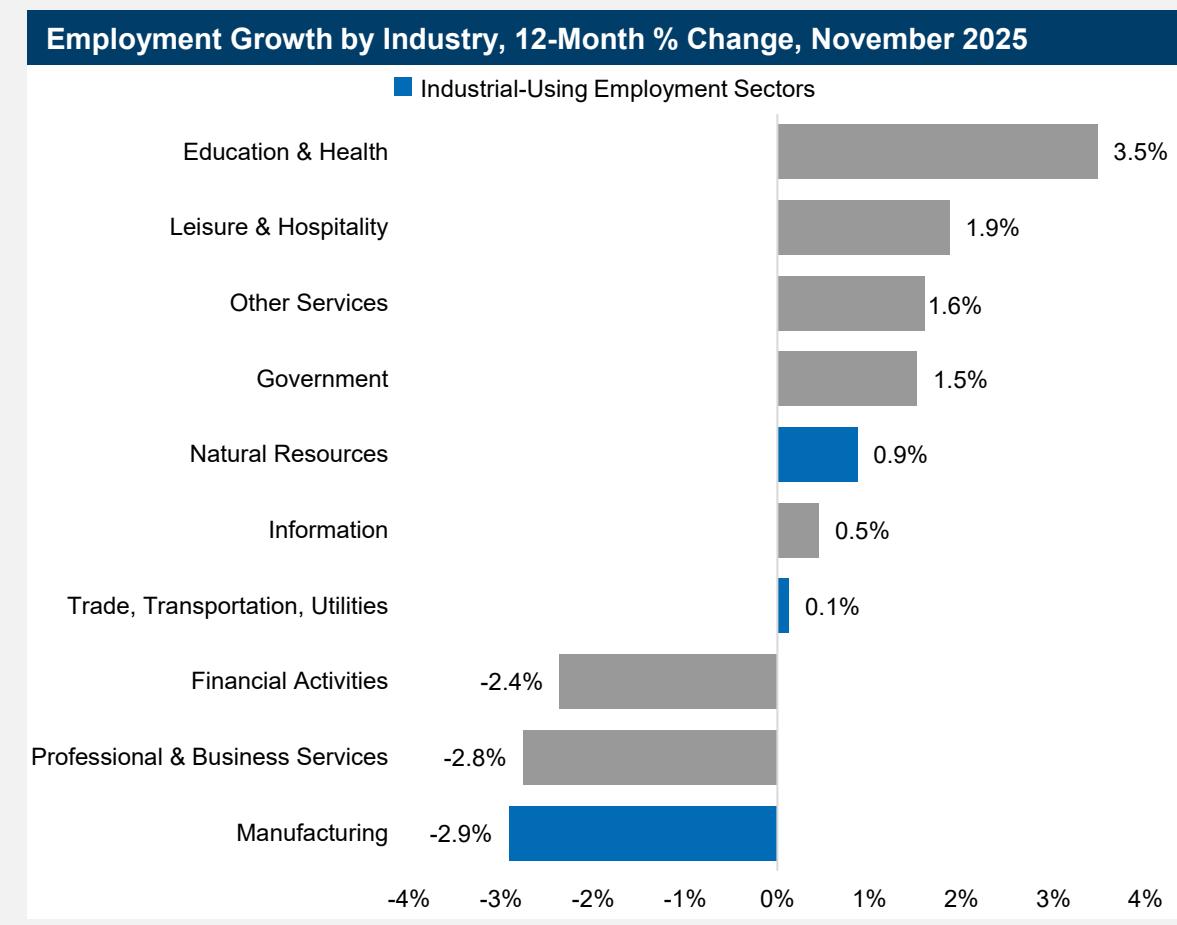
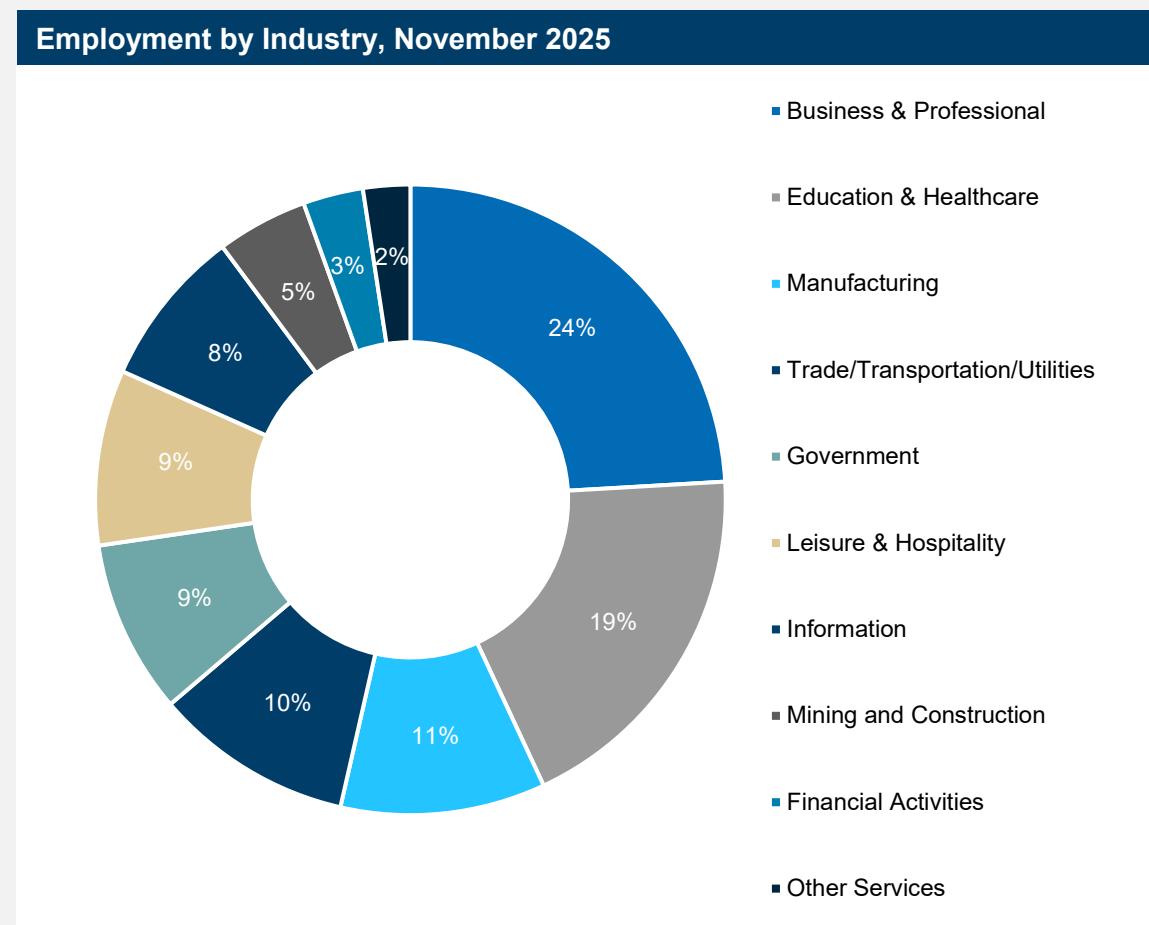
Silicon Valley Labor Market Mirrored National Unemployment Levels

The San Jose–Sunnyvale–Santa Clara MSA unemployment rate rose to 4.3% in November 2025, up 10 basis points from the previous year. Nationally, the unemployment rate followed a similar path, as it increased 20 basis points over the same period. In contrast, total nonfarm payroll employment in the local market decreased 0.7% year-over-year, diverging from national growth of 0.5%. The gap reflected ongoing adjustments within the tech sector, where restructuring and cautious rehiring have tempered job growth, yet demand in key industries hints at a rebound.



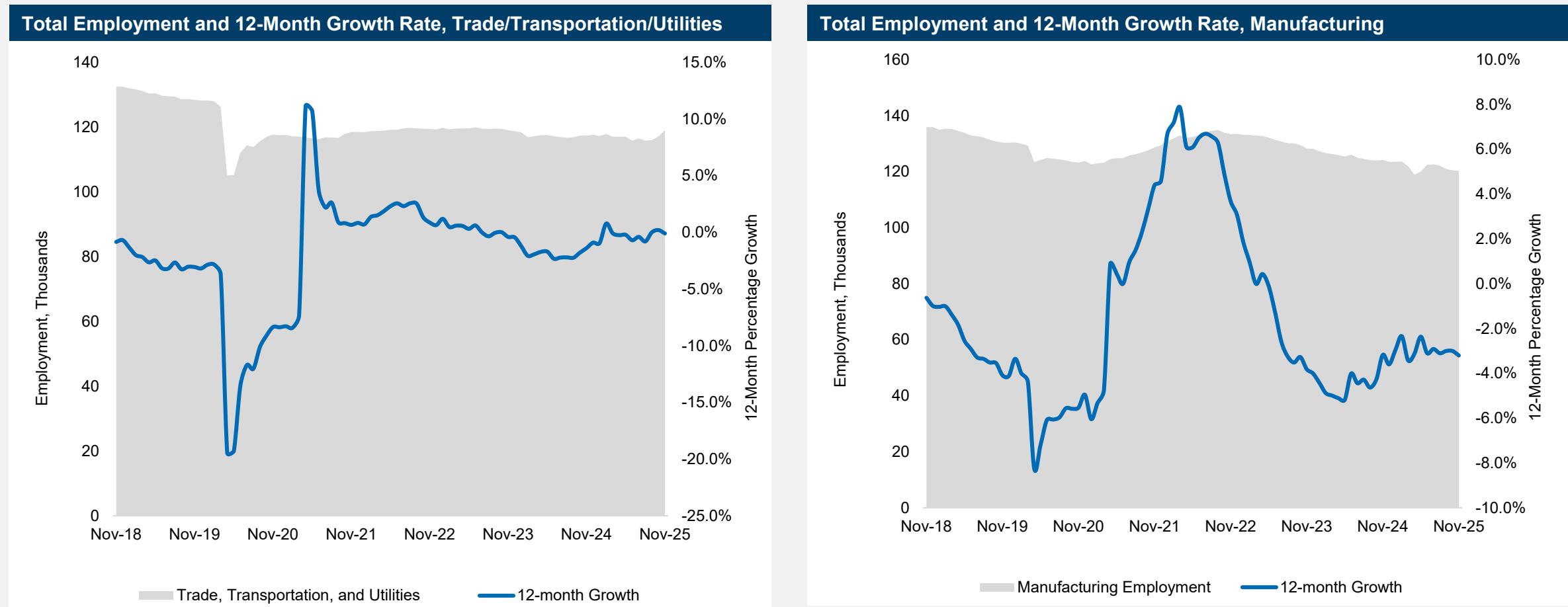
Historical Strength in Specialized Employment Persisted Through 2025

Industrial sectors performance was mixed throughout 2025. While the Manufacturing sector contracted by 2.9% year-over-year, the Natural Resources and the Trade, Transportation and Utilities industries both recorded expansions over the same period. Nonetheless, specialized employment in the San Jose-Santa Clara-Sunnyvale MSA continued to demonstrate historical resilience, typically proving more durable than broader economic segments during periods of market fluctuation.



Manufacturing Employment Declines Amid Softer Global Tech Demand

Employment in Trade, Transportation, and Utilities remained stable in Q4, with a slight 0.1% year-over-year decrease. Conversely, the Manufacturing recorded a more pronounced 3.2% contraction over the same period, a reflection of softened global demand for technology products. While Manufacturing has historically been a key employer in the region, it has become increasingly capital-intensive and more sensitive to shifts in global tech demand and trade policies.



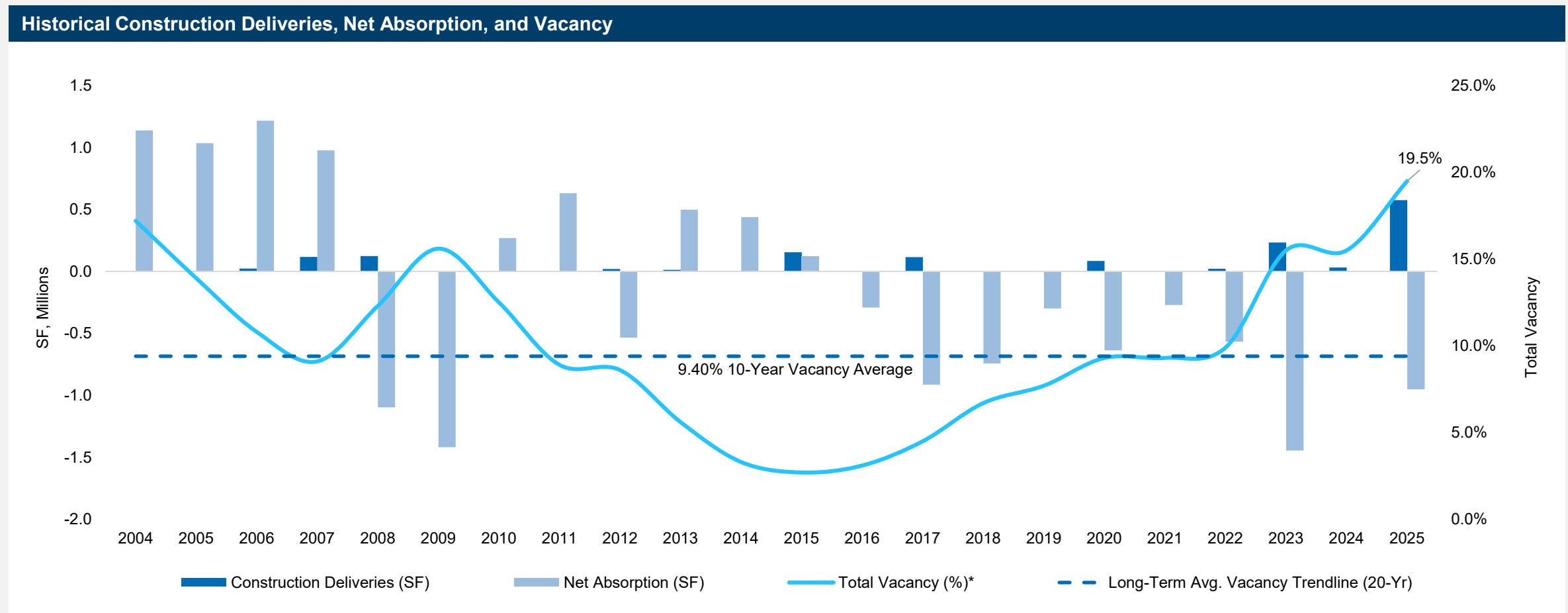
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Leasing Market Fundamentals

4Q25

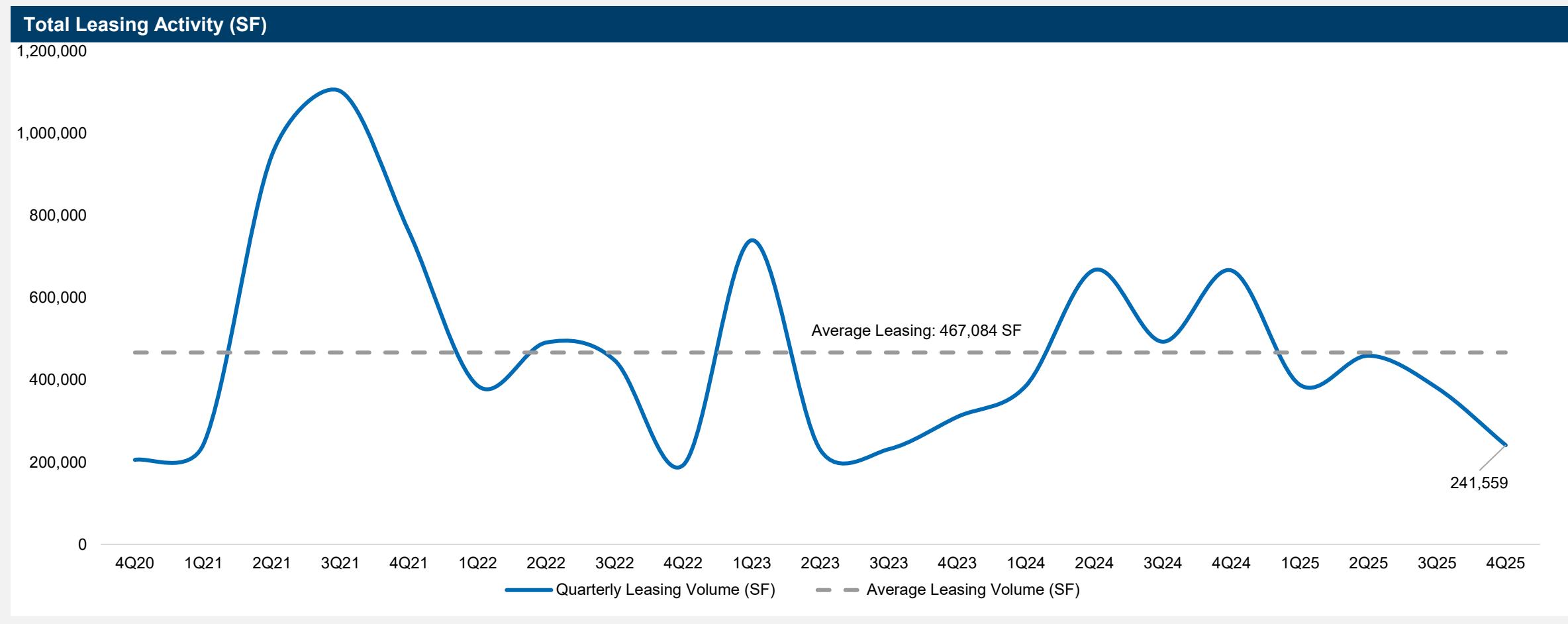
Negative Absorption Persisted as Market Neared Cycle Trough

The South Peninsula R&D market continued to soften in the fourth quarter, recording 342,225 square feet of negative net absorption. Vacancy increased 4.0 percentage points over the course of 2025, totaling 950,503 square feet of negative absorption for the year. This negative net absorption was mainly caused by 255,792 feet of vacant space being introduced in the Mountain View – Shoreline submarket. The submarket's vacancy rate now stands at twice its 10-year historical average, suggesting the market may be approaching the trough of its current cycle.



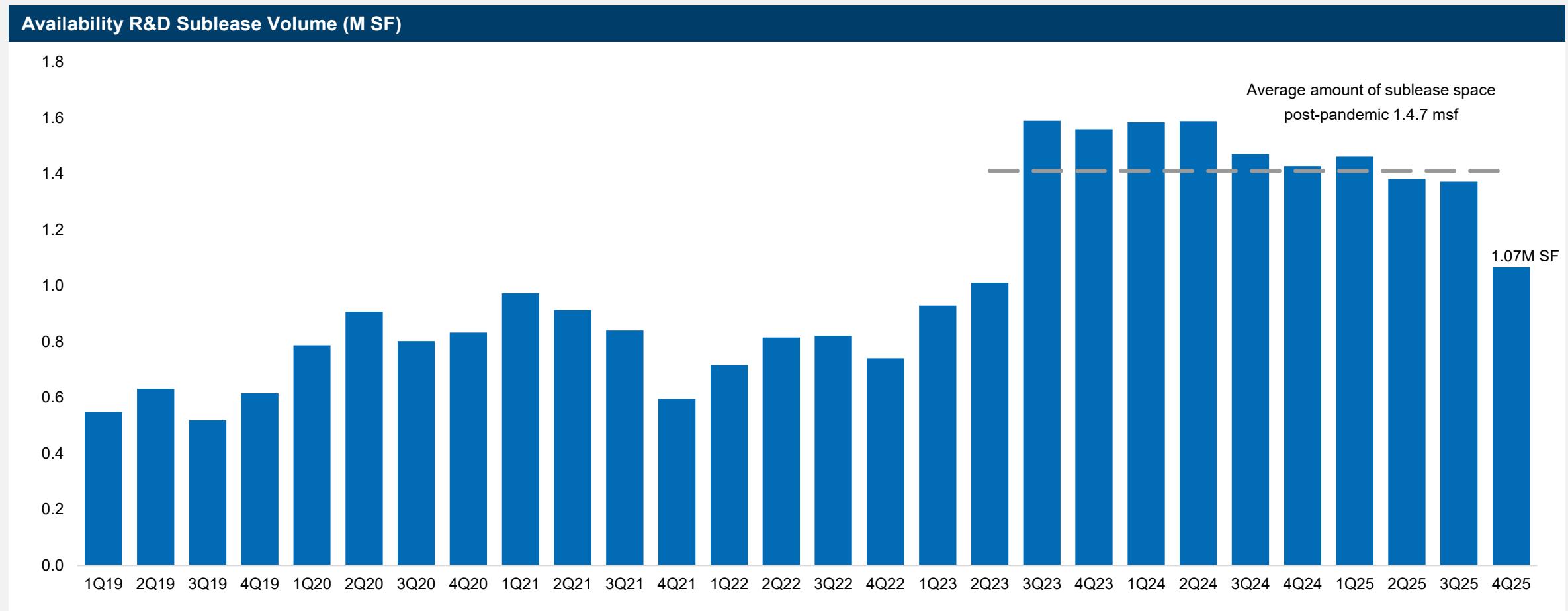
4Q25 Gross Absorption Sharply Dropped 64.7% Year-over-Year

The fourth quarter of 2025 closed with 241,559 square feet of gross absorption, a 36.6% decline quarter-over-quarter and a 63.7% drop year-over-year. Total leasing volume also fell 48.3% below the five-year quarterly average. The slowdown was primarily driven by fewer life science transactions, which have historically accounted for a substantial share of the R&D market.



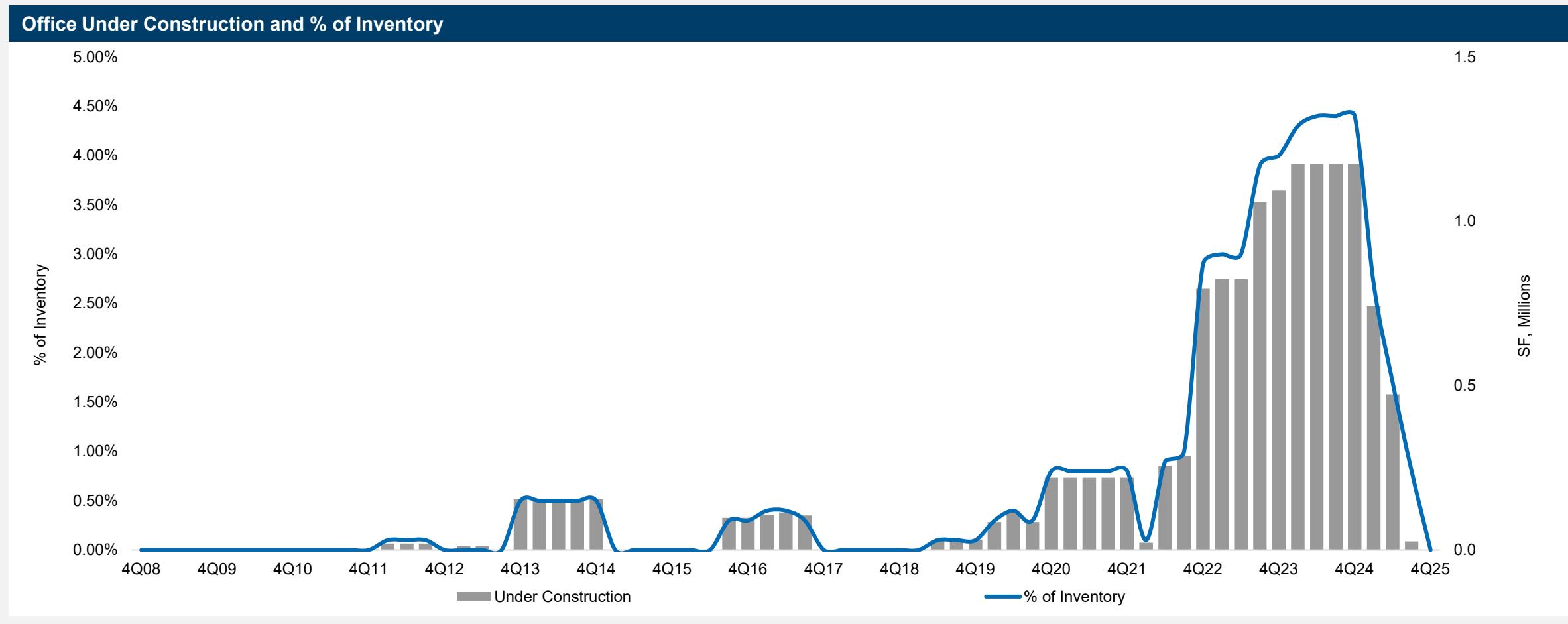
Expired Long-Term Subleases Drove Sharp Decline in Supply

Sublease inventory declined sharply in the fourth quarter, as many long-term, COVID-era subleases reached expiration. Total sublease availability in the South Peninsula fell 22.3% to 1,065,628 square feet. Much of the reduction stemmed from large blocks that either expired without renewal or transitioned to direct leases, further tightening sublease supply in the market.



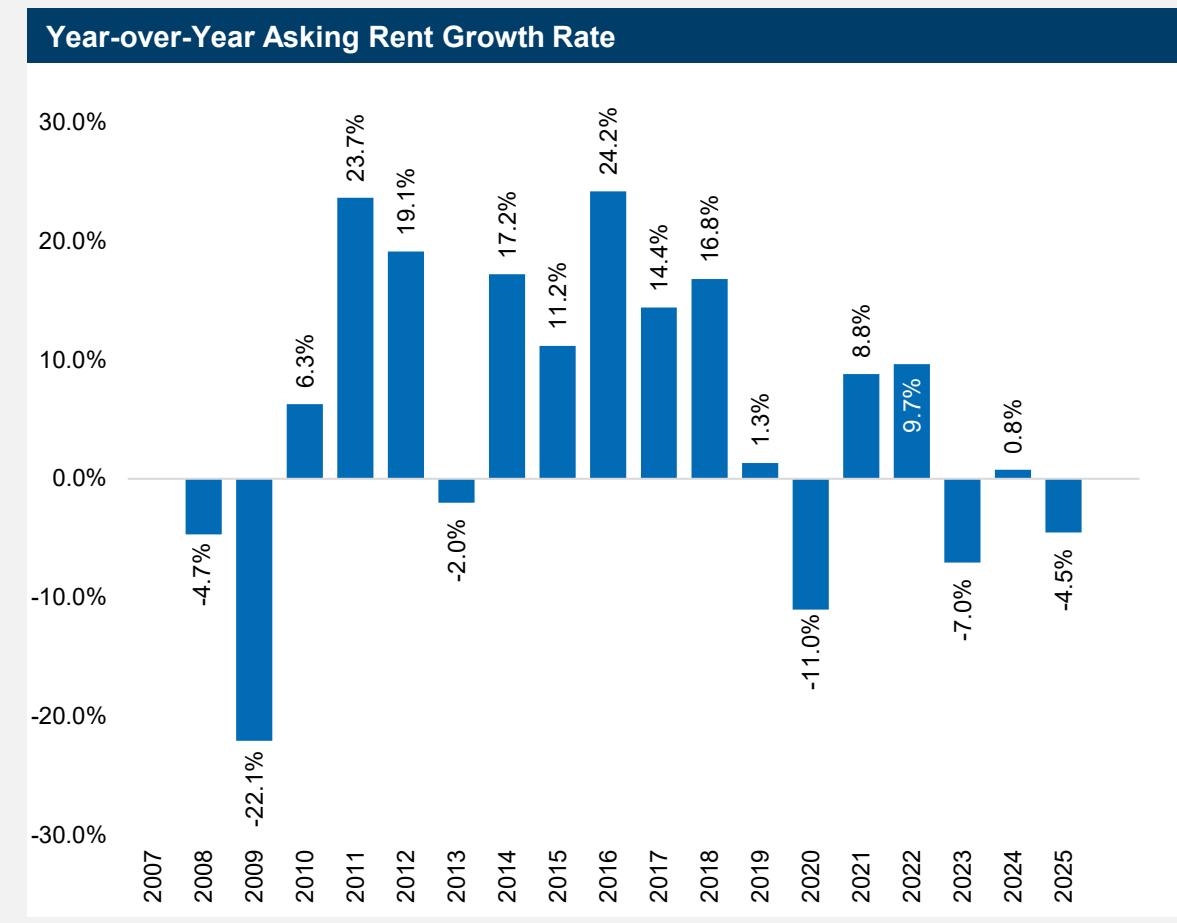
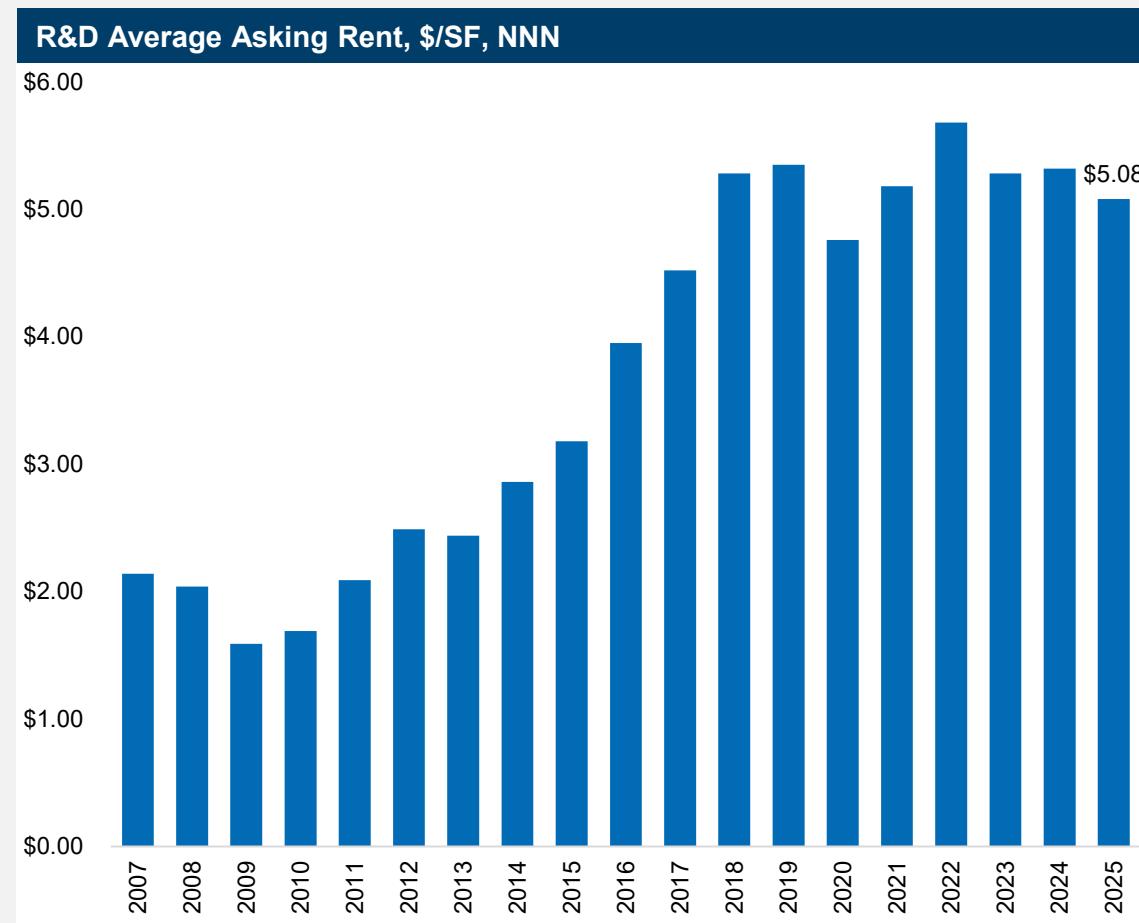
Constrained R&D Pipeline Limited New Supply but Extended Tenant Leverage

The R&D construction pipeline remained nonexistent with 0 SF of under construction. This lack of new R&D space may help alleviate the growing vacancy rate as the market tightens over the next few years. With little new product delivering and vacancy still elevated, landlords are expected to maintain generous concessions, weighing on effective rents in the near term.



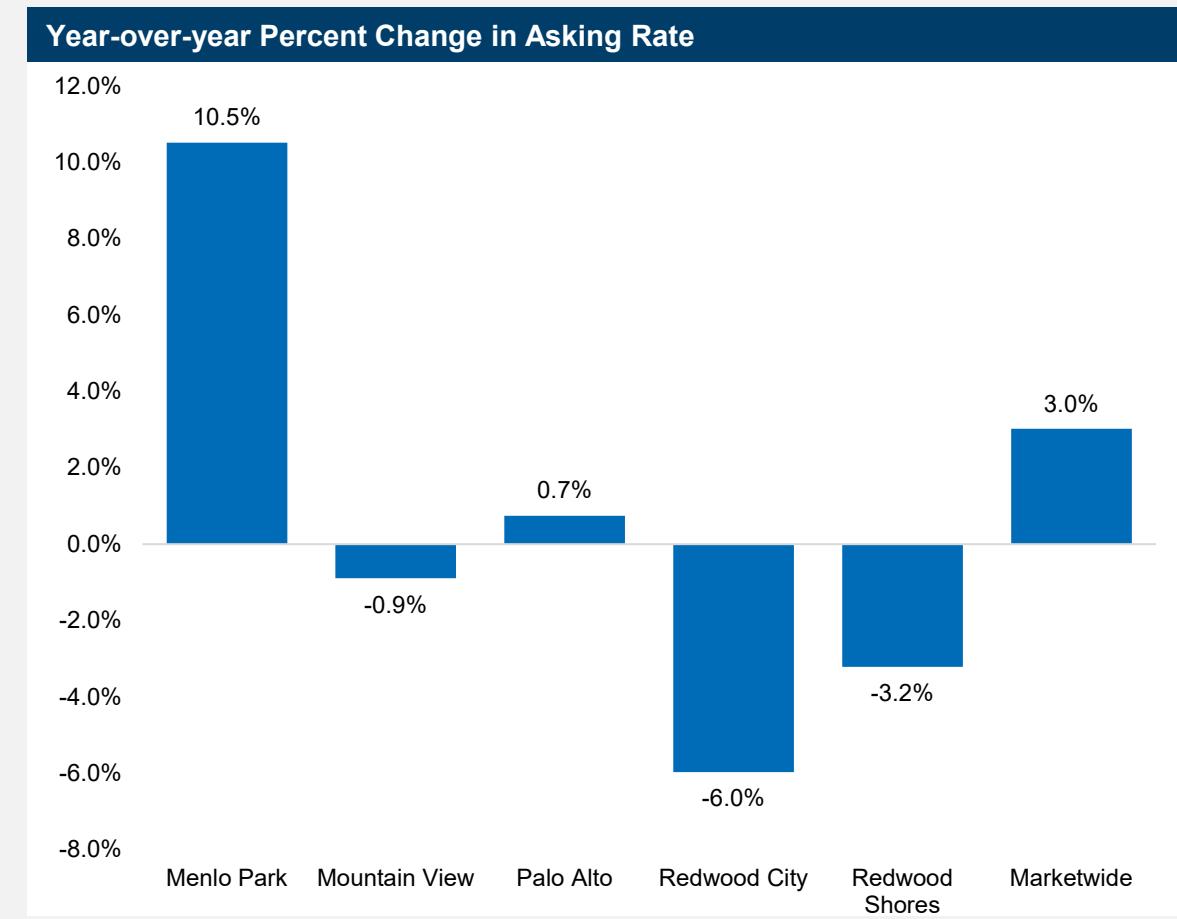
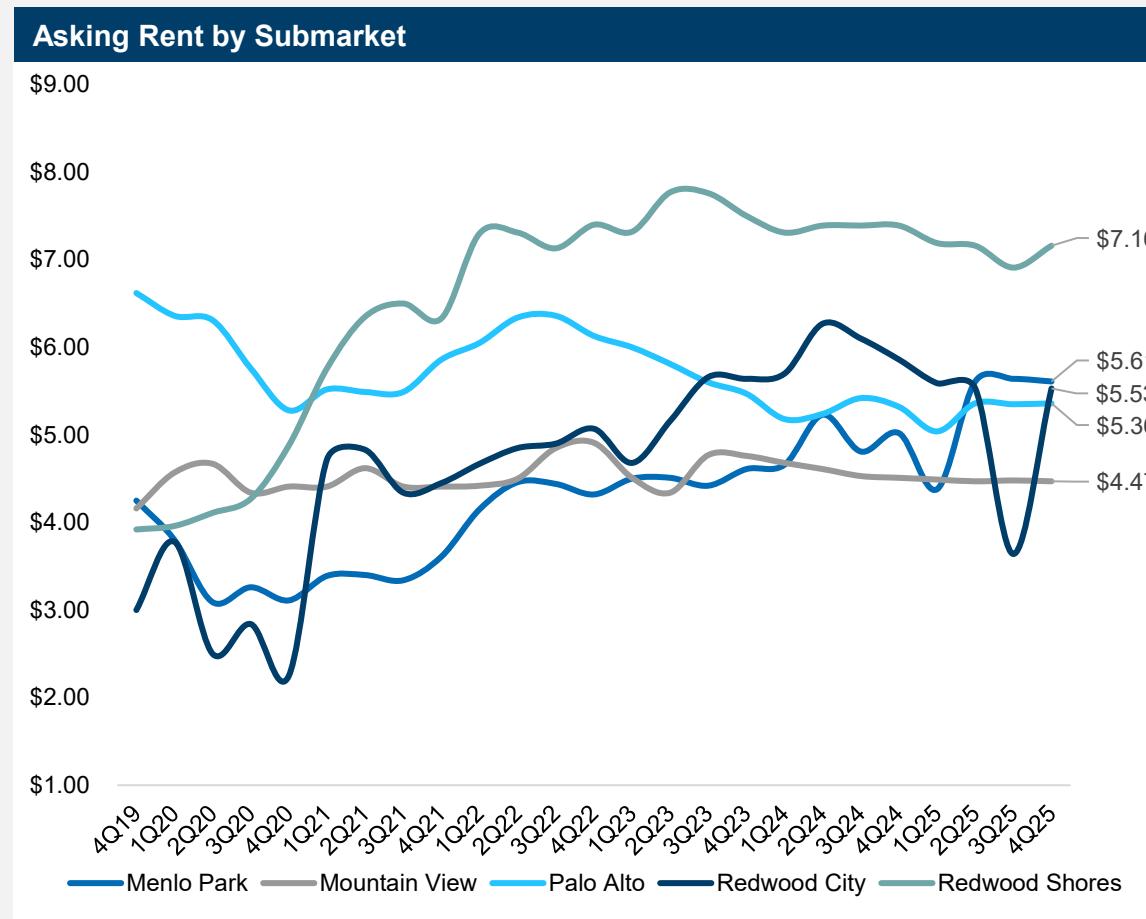
Increased Vacancy Led to Further Modest Rent Softening

R&D rental rates continued their downward trajectory into late 2025, declining 4.5% year-over-year. The pullback reflects a measured price adjustment following an extended period of sustained growth, rather than a sharp correction. With the construction pipeline remaining thin and tenants cautious about committing to larger blocks of space, rents are expected to remain flat or experience further modest declines.



Premium New Development Drove Year-Over-Year Asking Rent Gains

Asking rents in the South Peninsula R&D market increased approximately 3.0% year-over-year, supported by ongoing flight-to-quality demand. Year-over-year rent growth has also been bolstered by the delivery of new best-in-class product, including 1350 Adams Court in Menlo Park, which commands a premium rental rate as a newly delivered, high-quality development.



Large R&D Deals Supported 4Q25 Gross Absorption in South Peninsula

South Peninsula's R&D sector recorded 241,559 square feet of gross absorption in the final quarter of 2025, supported by several large transactions, including MatX's 43,466 square foot lease in Mountain View's South Middlefield submarket. Life science leasing activity slowed during the quarter, as many tenants concentrated their requirements in primary life science hubs such as South San Francisco.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
MatX Inc.	490 E. Middlefield Road	Mountain View – South Middlefield	Direct Lease	43,466
<i>MatX, an AI hardware company, signed a direct lease in the South Middlefield submarket.</i>				
Intuit	2550 Garcia Avenue	Mountain View – Shoreline	Lease Renewal	42,632
<i>Intuit, the fintech accounting company, signed a lease renewal extending their occupation within the Mountain View submarket.</i>				
Octave	3000 Bridge Parkway	Redwood Shores	Direct Lease	39,055
<i>Octave Biosciences, a life science company battling multiple sclerosis signed a direct lease in Redwood Shores leaving Menlo Park where they were originally founded.</i>				
Hillspire LLC	312 Chestnut Street	Redwood City – Southern	Direct Lease	20,593
<i>Hillspire LLC, a family office belonging to the Schmidt family (former CEO of Google), signed a lease in Redwood City.</i>				
Confidential	950 Page Mill Road	Palo Alto – Stanford Research Park	Direct Lease	10,624
<i>A confidential client leased 10,624 square feet within 950 Page Mill Road.</i>				

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Appendix

4Q25

Access the Extended 4Q25 South Peninsula R&D Report

The extended version of this report includes:

- **Data on leasing trends**
 - Deal count and average lease size
 - Leasing by submarket
- **Further insight into tenant demand**
- **Availability and rent data by submarket**
- **Market statistics for the overall market and Class A**

To access, please reach out
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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.

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