

FIGURES | SAN FRANCISCO PENINSULA INDUSTRIAL | Q1 2024

# Industrial occupiers shift focus to smaller space

▲ 4.6%

Vacancy Rate

▼ (357K)

SF Net Absorption

► 0M

SF Under Construction

▼ \$1.82

NNN / Lease Rate  
Existing Properties

▲ 3.3%

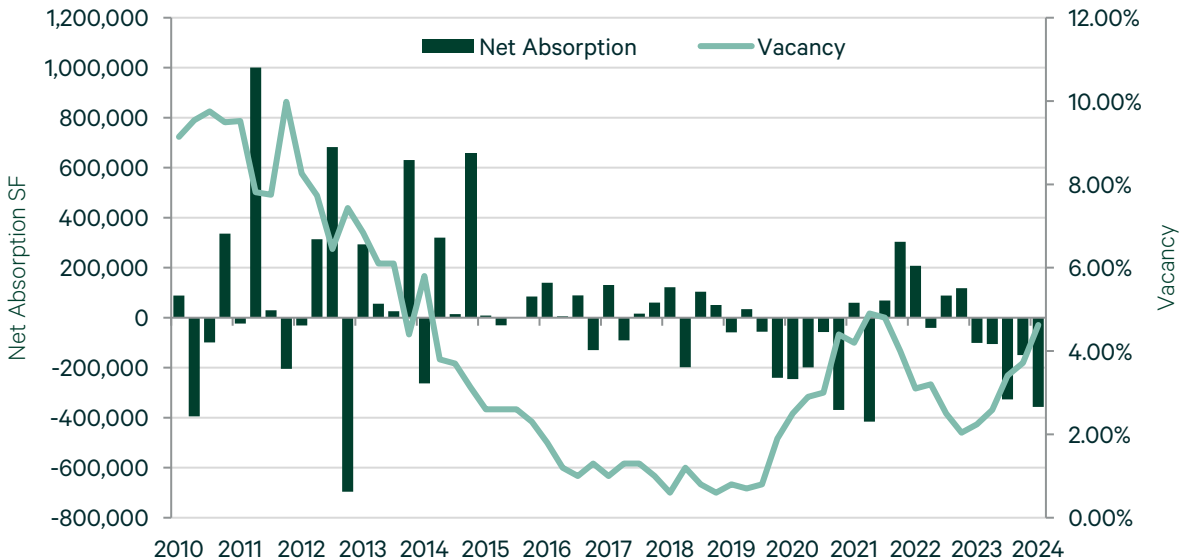
Unemployment Rate  
San Mateo County

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- San Mateo County's labor force stood at 461,000 with 444,000 employed at the close of Q1 2024. The unemployment rate closed the quarter at 3.3%, a 100-basis-point (bps) increase year-over-year (YoY), and a 10 bps increase over Q4 2023.
- The San Francisco Peninsula industrial market ended Q1 2024 with negative 356,631 square feet (sq. ft.) of net absorption.
- The average direct asking rate along the San Francisco Peninsula increased by 8.4% YoY starting 2024 at \$1.82 on a monthly, Net Net Net (NNN), direct basis.
- Industrial tenants in the market closed Q1 2024 with 719,000 sq. ft. of active demand along the Peninsula. Approximately 87.5% of these tenants had requirements under 100,000 sq. ft. with many of those tenants focused on spaces 50,000 sq. ft. or less.
- There have not been any new construction deliveries in over ten years and there are no new industrial projects in the San Francisco Peninsula pipeline. Dated R&D buildings are increasingly being leased for industrial use to accommodate for the lack of space.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2024

INDUSTRIAL OVERVIEW

The San Francisco Peninsula industrial market availability increased by 285 bps from Q1 2023 to 6.3% at the end of Q1 2024. The overall vacancy rate increased by 235 bps from the previous year to 4.6% at the end of the quarter.

Q1 2024 marked the fifth consecutive quarter of occupancy losses. South San Francisco warehouse space contributed the most negative net absorption during the quarter due to multiple Class B spaces becoming vacant. One of these spaces was a 40,000-sq. ft. warehouse at 439 Eccles Ave. where a redevelopment to Life Science was delayed.

Leasing activity decreased by approximately 61.8% since Q1 2023, ending Q1 2024 at almost 130,000 sq. ft. The average lease has decreased in size YoY by about 44.0% to 8,610 sq. ft. in Q1 2024. This quarter, 60.0% of deals signed were for 10,000 sq. ft. or less. Renewals accounted for roughly 42.0% of the total leasing during the quarter. The lack of new leases has left spaces on the market for extended periods of time. The average new lease in Q1 2024 was on the market for 309 days before closing.

The largest lease signed in Q1 2024 was done at 111 S Maple Avenue in South San Francisco. Ebb Carbon signed a new lease for the entire 27,000-sq. ft. warehouse. The technology industry led leasing volume in 2024, representing 25.1% of the top 15 deals in the first quarter.

The overall average asking rate for industrial product along the Peninsula in Q1 2024 was \$1.82 NNN on a monthly, direct basis. Warehouse and manufacturing product averaged \$1.78 and \$2.13 respectively. Landlords began to offer leasing incentives and more pricing flexibility due to the increasing amount of availability.

The Peninsula had a noticeable slowdown in capital market transactions with two notable sales recorded so far in 2024. The most prominent transaction was an owner-user purchase at 352-362 E Grand Avenue in South San Francisco. Acme Bread Co. was occupying the 23,000-sq. ft. warehouse for a decade before purchasing the building.

The Federal Reserve has left interest rates unchanged since Q3 2023, ending Q1 2024 at 5.3%. The hold on interest rates has boosted investor moral with hope for increased transaction volume to come in 2024. However, the market is still recovering from the interest rate hikes over the past couple of years that have changed buyer analysis on property purchases and real estate investments.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)		Q1 Net Absorption	YTD Net Absorption
				Mfg.	Whs.		
Daly City	1,188,901	0.0%	0.0%	1.55	1.57	0	0
Brisbane	4,467,225	7.9%	9.9%	1.55	1.76	(100,656)	(100,656)
South San Francisco	15,478,407	4.8%	7.1%	1.70	1.71	(168,110)	(168,110)
San Bruno	316,342	0.0%	0.0%	1.88	1.90	800	800
Millbrae	110,582	19.6%	19.6%	1.88	1.90	0	0
Burlingame	3,953,950	5.1%	6.4%	1.88	1.91	(60,183)	(60,183)
North County	25,515,407	5.2%	7.1%	1.70	1.77	(328,149)	(328,149)
San Mateo	618,880	5.5%	5.8%	1.92	1.88	0	0
Foster City	21,600	0.0%	90.7%	2.05	2.05	0	0
Belmont	564,448	0.9%	0.9%	2.05	2.05	0	0
San Carlos	2,669,549	1.6%	2.6%	2.20	2.15	(13,126)	(13,126)
Redwood City	3,007,404	4.5%	5.5%	2.05	2.11	(16,856)	(16,856)
Central County	6,881,881	3.2%	4.3%	2.08	1.89	(29,982)	(29,982)
Menlo Park	1,744,598	0.2%	2.4%	2.25	2.18	1,500	1,500
Palo Alto/East PA	1,318,677	6.6%	6.6%	2.35	2.05	0	0
South County	3,063,275	3.0%	4.2%	2.31	2.08	1,500	1,500
Total Market	35,460,563	4.6%	6.3%	\$1.82		(356,631)	(356,631)
Manufacturing	5,835,820	2.9%	4.4%	2.13	N/A	(15,077)	(15,077)
Warehouse	29,624,743	4.9%	6.7%	N/A	1.78	(341,554)	(341,554)

Source: CBRE Research, Q1 2024

FIGURE 3: Notable Lease Transactions Q1 2024

Tenant	City	SF Leased	Type
Ebb Carbon	111 S Maple Ave, South San Francisco	27,355	New Lease
Steven Engineering	224 Ryan Way, South San Francisco	21,682	Renewal
Team Worldwide	391 405 Eccles Ave, South San Francisco	18,075	Renewal
Academy of Volleyball	1465 N Carolan Ave, Burlingame	13,585	New Lease
K Line Logistics	40 Broderick Rd, Burlingame	11,766	Renewal

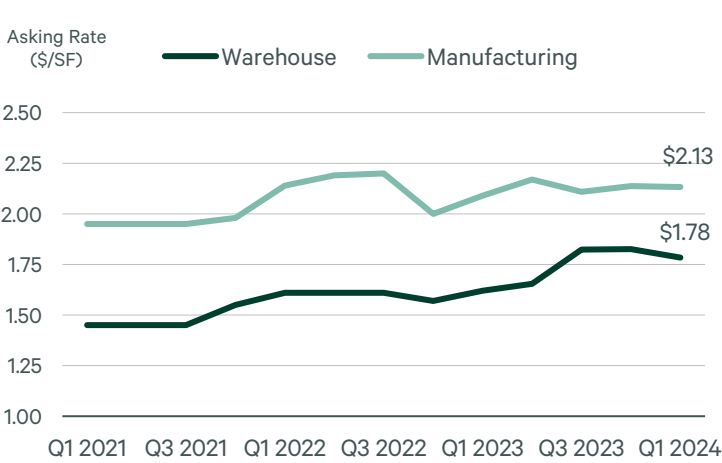
Source: CBRE Research, Q1 2024

FIGURE 4: Notable Sale Transactions Q1 2024

Buyer	City	Bldg. SF	Acres	Sale Price
Acme Bread Co.	352-362 E Grand Ave, South San Francisco	23,000	1.5	\$7.2M
Carpenters LLC	864-868 San Antonio Rd, Palo Alto	6,000	0.4	\$4.4M

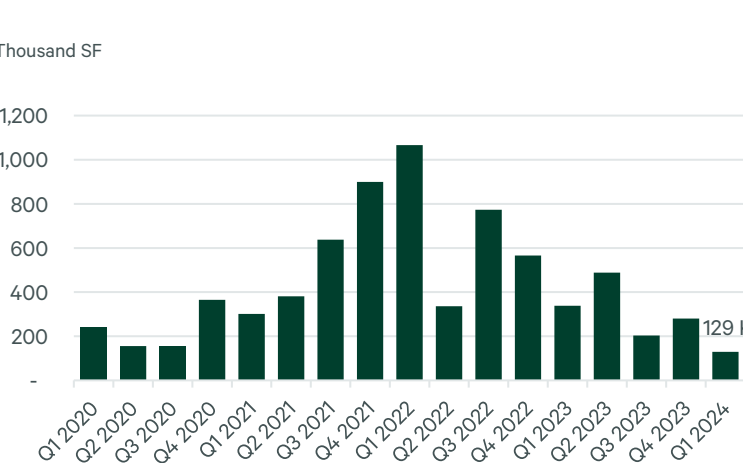
Source: CBRE Research, Q1 2024

FIGURE 5: Lease Rates



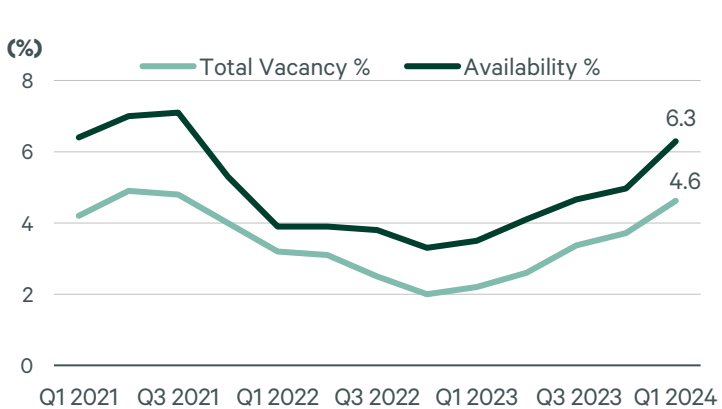
Source: CBRE Research, Q1 2024

FIGURE 7: Gross Absorption



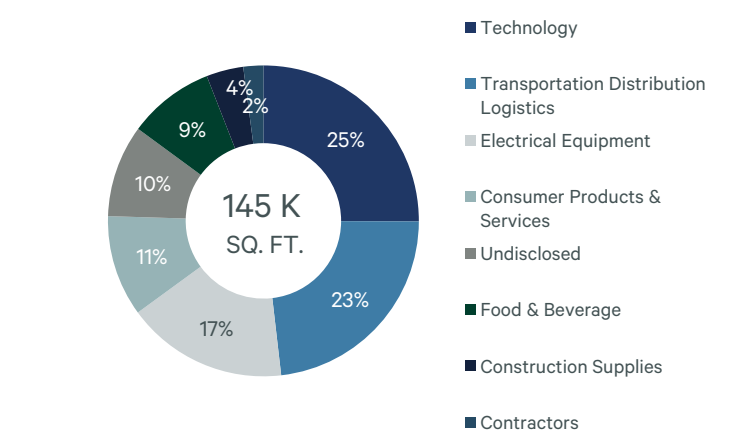
Source: CBRE Research, Q1 2024

FIGURE 6: Vacancy & Availability



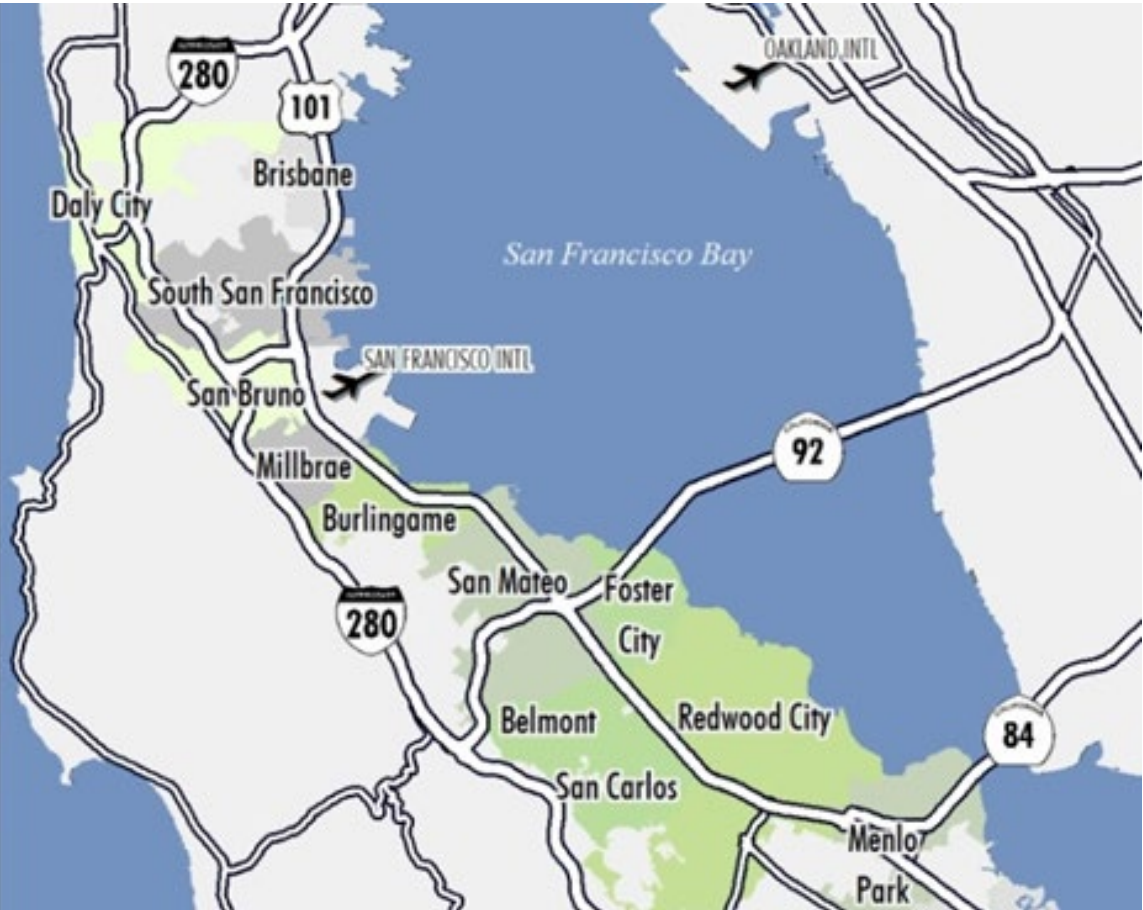
Source: CBRE Research, Q1 2024

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q1 2024

Submarket Map



Source: CBRE Research, Location Intelligence

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Definitions

Average Asking Rate Direct Monthly Lease Rates., Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Contacts

Emiko Akama-Garren  
Field Research Analyst  
+1 650 494 5180  
emiko.akamagarren@cbre.com

Shane Forker  
Senior Field Research Analyst  
+1 415 772 0315  
shane.forker@cbre.com

Giovanni Giannotta  
Research Manager  
+1 408 790 541  
giovanni.giannotta@cbre.com

San Francisco Peninsula Office  
400 Hamilton Ave, 4<sup>th</sup> floor  
Palo Alto, CA 94031