

FIGURES | SAN FRANCISCO PENINSULA INDUSTRIAL | Q3 2024

Occupancy losses continue but demand is on the rise

▲ 5.5%
 Vacancy Rate

▲ (104K)
 SF Net Absorption

► 0M
 SF Under Construction

▲ \$1.85
 NNN / Lease Rate
 Existing Properties

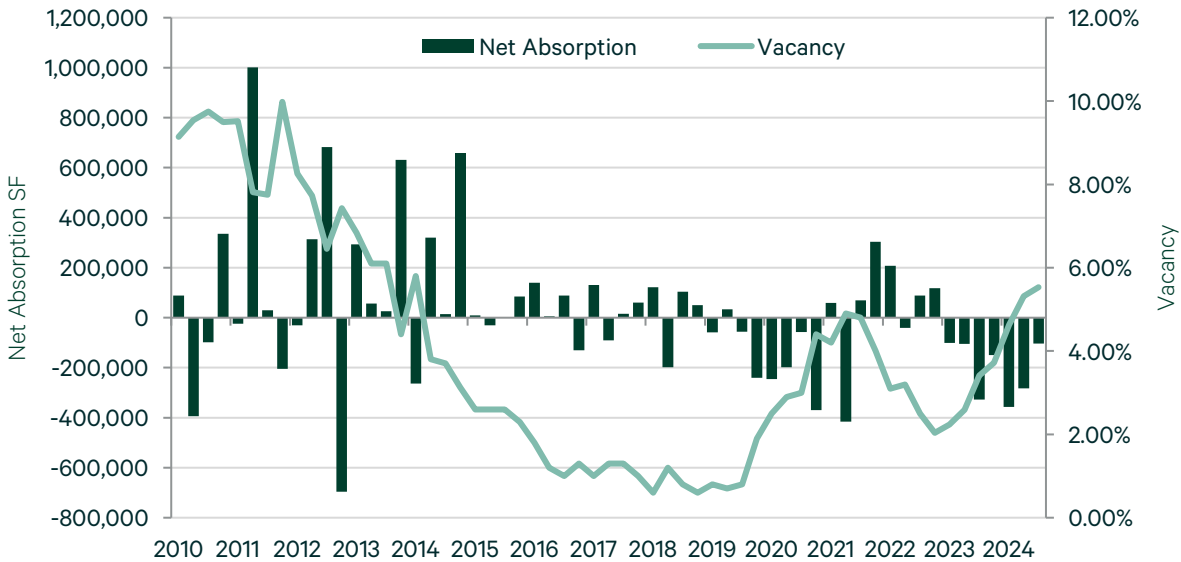
▲ 3.6%
 Unemployment Rate
 San Mateo County

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- San Mateo County’s labor force stood at 445,600 with 433,300 employed at the close of Q3 2024. The unemployment rate closed the quarter at 3.6%, a 40-basis-point (bps) increase year-over-year (YoY), and a 10-bps increase over Q2 2024.
- The San Francisco Peninsula industrial market ended Q3 2024 with negative 103,634 square feet (sq. ft.) of net absorption. The seventh consecutive quarter of occupancy losses.
- The average monthly direct asking rate along the San Francisco Peninsula decreased by \$0.01 YoY and increased quarter-over-quarter (QoQ) by \$0.04 ending Q3 2024 at \$1.85 on a Net Net Net (NNN), direct basis. Warehouse and manufacturing product averaged \$1.82 and \$2.08 respectively.
- Industrial tenant demand closed Q3 2024 with 840,000 sq. ft. of active demand, a 6.9% increase YoY. Approximately 61.1% of these tenants had requirements for 50,000 sq. ft. or less. The transportation distribution logistics industry led demand along the Peninsula contributing to about 31.0% of the active requirements.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q3 2024

INDUSTRIAL OVERVIEW

The San Francisco Peninsula industrial market-wide availability decreased from Q2 2024 by 46 bps to 7.1% in Q3 2024. Overall vacancy increased by 21 bps QoQ to 5.5% at the end of Q3 2024. 175 Sylvester Rd in South San Francisco was the largest vacancy contributor when the previous tenant’s lease expired for the entire 75,000 sq. ft. warehouse building. Menlo Park posted the largest negative net absorption; attributed to multiple vacant manufacturing spaces coming to market.

The largest lease signed during the quarter was at 340 Valley Dr in Brisbane. Wismettac Asian Foods renewed their lease for the approximately 84,000-sq. ft. warehouse building. The transportation distribution logistics industry led leasing volume, representing 32.9% of the top 15 deals in Q3 2024. Renewals accounted for roughly 57.4% of transactions during the quarter. New leases signed in Q3 2024 were listed on the market for an average of 181 days before closing.

Leasing activity was up both on a YoY and QoQ basis. Deal volume ended Q3 2024 at around 398,000 sq. ft., almost double the amount of space leased in Q3 2023. Of those transactions, 52.2% were for 10,000 sq. ft. or less and the average deal size was 17,300 sq. ft.

The overall average asking rate for industrial product along the Peninsula has had minute fluctuations as direct availability with varying operating expenses have come to market. Due to the limited industrial supply and increasing demand, landlords have been hesitant to decrease published asking rates. However, high availability and increasing vacancy has created more flexible negotiations on deal terms and concessions. Direct deal rates on an average NNN monthly basis in Q3 2024 were about 14.4% lower than the average asking rate.

The most notable transaction along the peninsula in Q3 2024 was 2575 E Bayshore Road in Redwood City. San Francisco Baking Institute purchased the 43,300 sq. ft. Class A warehouse for \$19.3 million or \$168.76 per square foot.

In Q3 2024 the Federal Reserve made the first of several expected rate cuts. The Federal Fund rate lowered by 50 bps to 4.8% while the 10-year treasury yield had an even steeper 55 bps decrease to 3.8% (September 30, 2024). The lower interest rates and continued economic growth will support increased real estate investment activity and asset values.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)		Q3 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	9.3%	9.7%	1.55	1.75	22,586	(161,615)
South San Francisco	15,416,072	5.9%	8.4%	1.50	1.76	(66,076)	(337,295)
San Bruno	316,342	0.0%	0.0%	0.00	1.90	0	800
Millbrae	110,582	19.6%	19.6%	1.88	1.92	0	0
Burlingame	3,975,950	5.0%	8.0%	1.88	1.93	9,328	(35,191)
North County	25,475,072	6.0%	8.1%	1.50	1.78	(34,162)	(533,301)
San Mateo	618,880	5.8%	5.8%	2.22	2.05	0	(1,985)
Foster City	21,600	90.7%	90.7%	2.05	2.05	(19,600)	0
Belmont	574,730	1.8%	1.8%	2.10	2.08	(8,308)	(8,308)
San Carlos	2,652,047	2.7%	3.0%	2.22	2.00	16,597	(42,810)
Redwood City	3,010,575	4.6%	5.1%	2.04	2.13	11,791	(22,372)
Central County	6,877,832	4.0%	4.3%	2.18	2.07	480	(75,475)
Menlo Park	1,746,598	4.8%	4.8%	2.20	2.18	(68,252)	(78,752)
Palo Alto/East PA	1,318,677	4.4%	4.4%	1.95	2.55	(1,700)	7,550
South County	3,065,275	4.7%	4.7%	2.12	2.33	(69,952)	(71,202)
Total Market	35,418,179	5.5%	7.1%	\$1.85		(103,634)	(679,978)
Manufacturing	5,853,425	3.6%	4.1%	2.08	N/A	(75,434)	(81,989)
Warehouse	29,564,754	5.9%	7.7%	N/A	1.82	(28,200)	(597,989)

Source: CBRE Research, Q3 2024

FIGURE 3: Notable Lease Transactions Q3 2024

Tenant	City	SF Leased	Type
Wismettac Asian Foods	340 350 Valley Dr, Brisbane	83,981	Renewal
MV Transportation	200 214 Shaw Rd, South San Francisco	58,885	New Lease
Uniparts	420 426 Valley Dr, Brisbane	49,435	Renewal
Proterra	1815 Rollins Rd, Burlingame	34,400	Renewal
Freeman Audio Visual Inc.	2690 Middlefield Rd, Redwood City	27,201	Renewal

Source: CBRE Research, Q3 2024

FIGURE 4: Notable Sale Transactions Q3 2024

Buyer	City	Bldg. SF	Land Acres	Sale Price
San Francisco Baking Institute	2575 E Bayshore Rd, Redwood City	43,250	2.17	\$19.3M
Turo Partners	111 Pine Ave, South San Francisco	14,889	0.32	\$4.5M

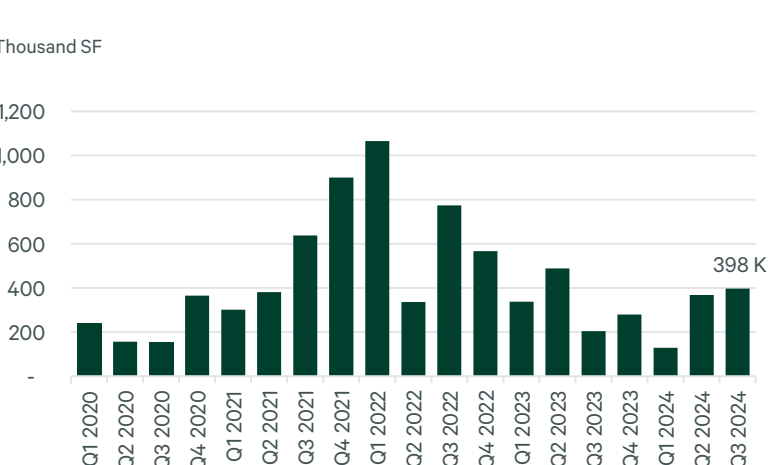
Source: CBRE Research, Q3 2024

FIGURE 5: Lease Rates



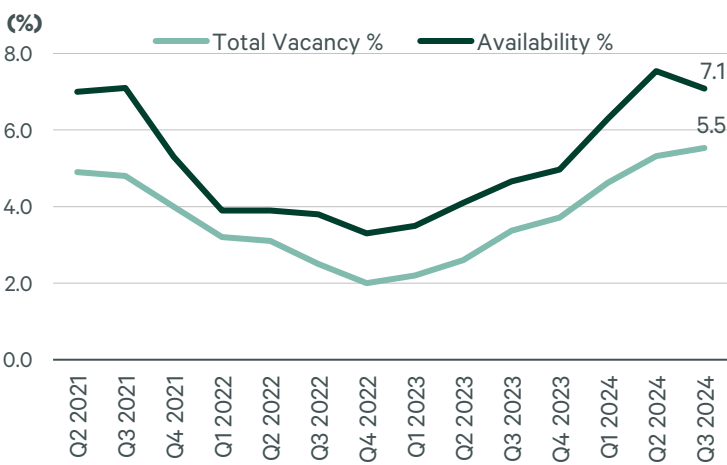
Source: CBRE Research, Q3 2024

FIGURE 7: Gross Absorption



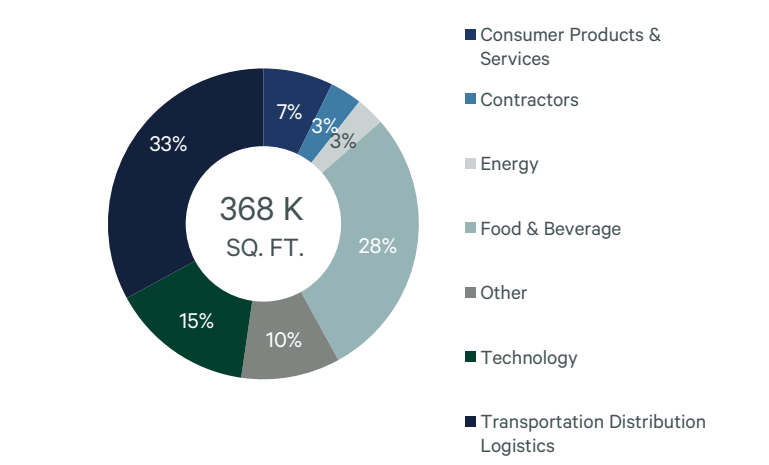
Source: CBRE Research, Q3 2024

FIGURE 6: Vacancy & Availability



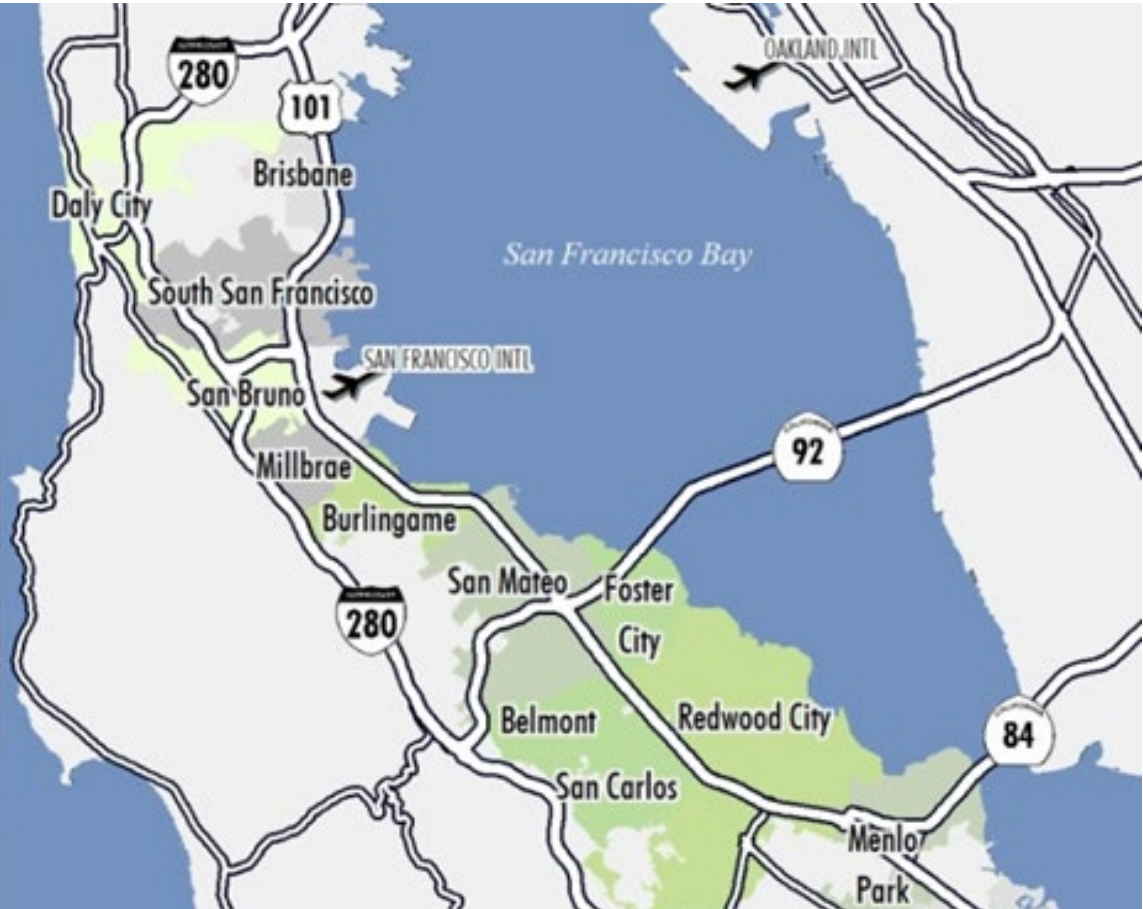
Source: CBRE Research, Q3 2024

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q3 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.

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