

FIGURES | SAN FRANCISCO PENINSULA INDUSTRIAL | Q2 2025

# Large vacancies drive net absorption as demand for smaller space increases

▲ 6.1%

Vacancy Rate

▼ (324K)

Sq. Ft. Net Absorption

► 0M

Sq. Ft. Under Construction

▼ \$1.86

NNN / Lease Rate  
Existing Properties

► 3.8%

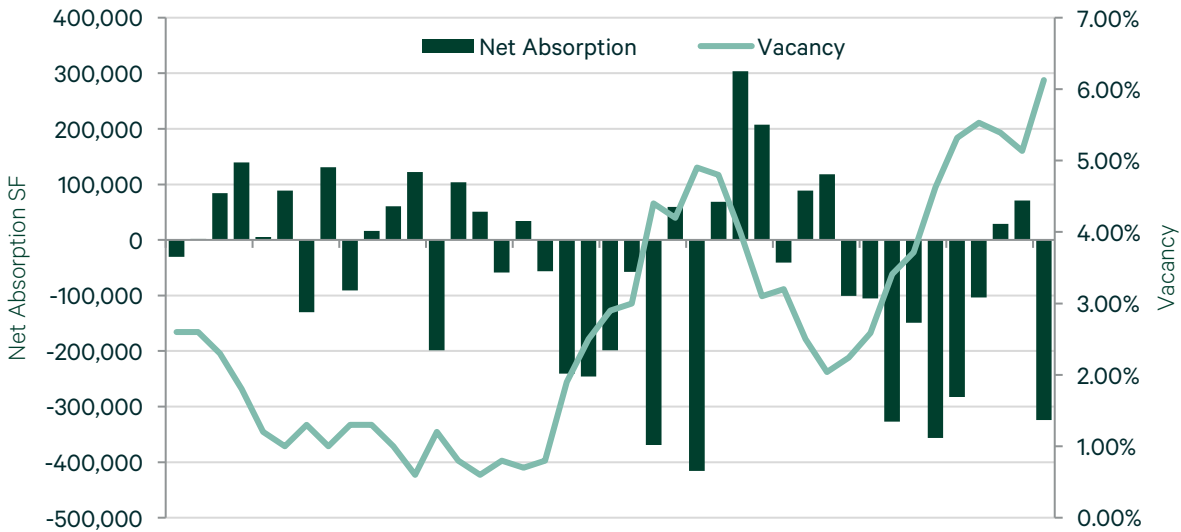
Unemployment Rate  
San Mateo County

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- San Mateo County’s labor force increased to 447,800 with 430,900 employed residents at the close of Q2 2025. The unemployment rate ended the quarter at 3.8%, a 20-basis-point (bps) increase year-over-year (YoY), and a 1-bps increase since Q1 2025.
- The San Francisco Peninsula industrial market ended Q2 2025 with negative 324,250 square feet (sq. ft.) of net absorption. The first quarter of occupancy losses in 2025.
- The average monthly direct asking rate along the San Francisco Peninsula decreased from Q1 2025 to \$1.86 on a weighted monthly Net Net Net (NNN), direct basis. Warehouse and manufacturing space averaged \$1.84 and \$1.99 respectively.
- Active Industrial tenant demand exceeded 1.0 million sq. ft. at the end of Q2 2025 – only the second time since 2021 this threshold has been surpassed. Approximately 69.2% of requirements were for 50,000 sq. ft. or less, and about 28.5% of demand came from the automotive industry.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q2 2025

INDUSTRIAL OVERVIEW

Market-wide availability on the San Francisco Peninsula rose 162 bps YoY to 7.9% in Q2 2025. The overall vacancy rate increased as well by 153 bps YoY to 6.1%. Both metrics reached their highest levels in over a decade, though they remain relatively low compared to other Northern California markets.

Multiple vacancies contributed to the decrease and negative net absorption in Q2 2025. South San Francisco was the largest contributing submarket, with the Eccles Ave Industrial Complex accounting for the single largest vacancy; 137,730 sq. ft of warehouse space was vacated and listed on a direct basis. Both net absorption and leasing activity declined from the previous quarter but still showed YoY growth.

Leasing activity totaled just under 260,000 sq. ft. with most deals concentrated in North San Mateo County. Warehouse leasing dominated, accounting for 81.2% of the total space leased. Smaller deals became more prevalent quarter-over-quarter, with 78.1% of transactions involving 10,000 sq. ft. or less.

The largest lease of the quarter was signed at 274 Wattis Way in South San Francisco. Dimerco Express leased the entire 50,350 sq. ft. warehouse on a direct basis. The transportation and distribution logistics industry led leasing activity, contributing to 27.4% of the top 15 deals.

Despite a modest \$0.04 YoY increase, the overall average asking rate has remained relatively stable due to strong and limited supply. Central San Mateo County posted the highest average asking rates of \$2.18 for warehouse and \$2.13 for manufacturing space.

The most notable sale in Q2 2025 was for 815-831 Warrington Ave. in Redwood City. A private seller sold the 20,754 sq. ft. Class B warehouse to Storage Corner Group for \$6.3 million, a significant discount from the \$7.5 million asking price. The buyer plans to renovate and rebrand the property as Redwood City Business Park. There has been an uptick in capital market activity with both institutional investors and owner-users actively pursuing opportunities.

The 10-year treasury yield ended Q2 2025 at 4.2% (June 30, 2025) and the Federal Reserve held interest rates steady at its Q1 2025 benchmark of 4.25%-4.50%. Ongoing economic and political uncertainty has clouded expectations for interest rate cuts in 2025. The Federal Open Market Committee’s decisions will continue to be closely watched by the commercial real estate markets sector.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)		Q2 Net Absorption	YTD Net Absorption
				Mfg.	Whs.		
Daly City	1,188,901	0.0%	0.0%	1.55	1.57	0	0
Brisbane	4,497,708	3.2%	5.0%	1.55	1.71	(2,950)	189,398
South San Francisco	15,501,262	7.6%	9.8%	1.25	1.76	(237,835)	(273,955)
San Bruno	316,342	0.0%	0.0%	0.00	1.90	0	0
Millbrae	110,582	19.6%	19.6%	1.88	1.90	0	0
Burlingame	3,983,171	8.2%	10.7%	1.83	1.85	(8,660)	(111,599)
North County	25,597,966	6.5%	8.6%	1.25	1.79	(249,445)	(196,156)
San Mateo	618,880	7.5%	7.5%	2.18	2.03	(1,898)	52
Foster City	21,600	90.7%	90.7%	2.05	2.05	0	0
Belmont	574,730	0.6%	0.6%	2.18	2.15	7,515	6,243
San Carlos	2,712,063	4.5%	4.5%	2.17	2.10	(13,538)	(41,218)
Redwood City	3,014,829	4.8%	7.9%	2.04	2.21	(5,661)	18,924
Central County	6,942,102	4.8%	6.2%	2.13	2.18	(13,582)	(15,999)
Menlo Park	1,761,021	7.3%	8.6%	2.16	2.18	(56,223)	(44,723)
Palo Alto/East PA	1,323,265	3.3%	3.8%	1.54	2.20	(5,000)	3,580
South County	3,084,286	5.6%	6.6%	2.01	2.17	(61,223)	(41,143)
Total Market	35,624,354	6.1%	7.9%	\$1.86		(324,250)	(253,298)
Manufacturing	5,869,848	4.6%	5.7%	1.99	N/A	(68,888)	(57,760)
Warehouse	29,754,506	6.4%	8.4%	N/A	1.84	(255,362)	(195,538)

Source: CBRE Research, Q2 2025

FIGURE 3: Notable Lease Transactions Q2 2025

Tenant	Address	SF Leased	Type
Dimerco Express	274 Wattis Way, Brisbane	50,000	New Lease
U. S. Drug Enfoncement Administration	1070 San Mateo Ave, South San Francisco	34,860	Renewal
Gate Gourmet	860 880 Stanton Rd, Brisbane	23,192	New Lease
Keller Industries	800 Cherry Ln, Brisbane	22,870	New Lease
Nova Boulder	818 824 Mitten Rd, South San Francisco	11,778	New Lease

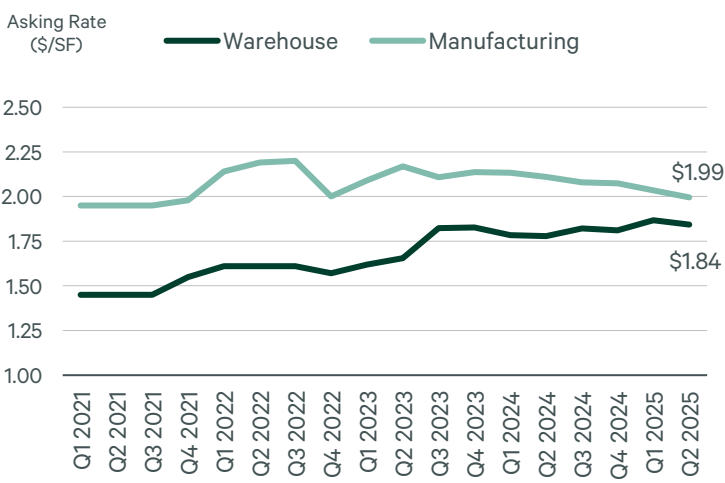
Source: CBRE Research, Q2 2025

FIGURE 4: Notable Sale Transactions Q2 2025

Buyer	Address	Bldg. SF	Sale Price/\$ PSF
Storage Corner Group	815-831 Warrington Ave, Redwood City	20,754	\$6.3M \$305
Private LLC	1030-1050 O'Brien Dr, Menlo Park	18,000	\$6.8M \$377
Private Individual	937 Bransten Rd, San Carlos	14,024	\$5.0M \$356
Private Individual	133 Starlite St, South San Francisco	13,462	\$4.2M \$311
Terawatt Infrastructure	229 Harbor Way, South San Francisco	12,600	\$4.5M \$357

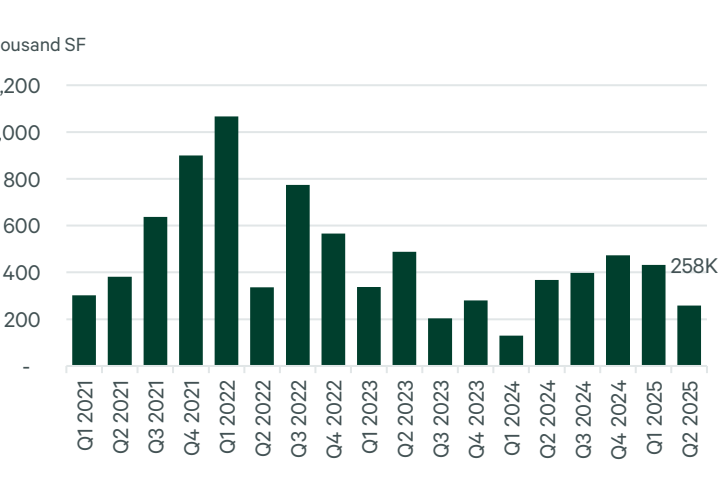
Source: CBRE Research, Q2 2025

FIGURE 5: Lease Rates



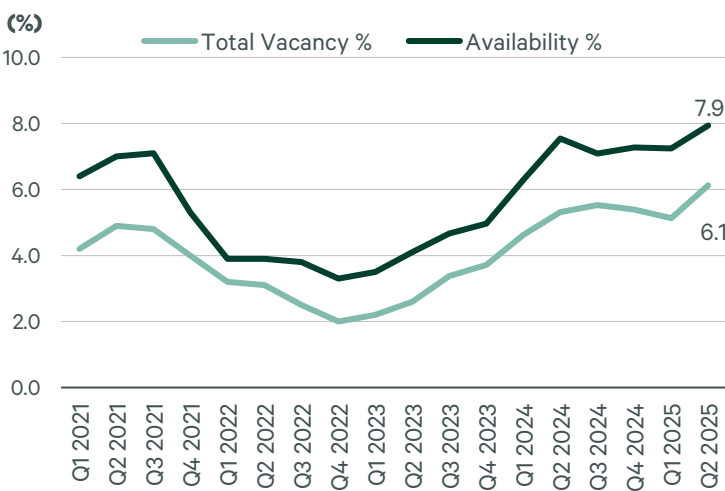
Source: CBRE Research, Q2 2025

FIGURE 7: Gross Absorption



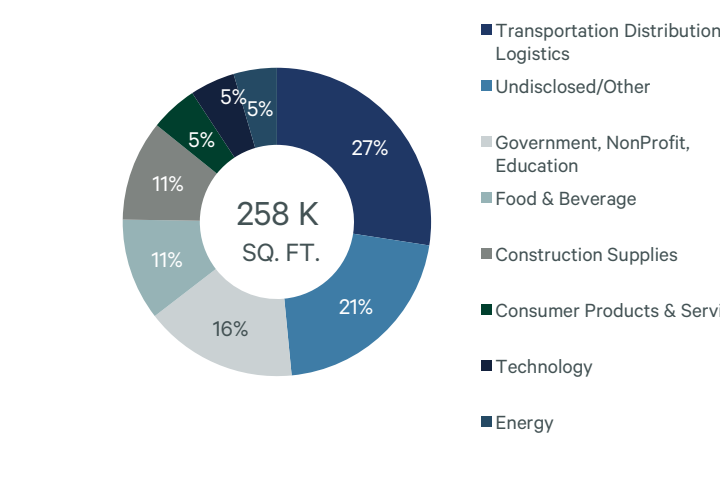
Source: CBRE Research, Q2 2025

FIGURE 6: Vacancy & Availability



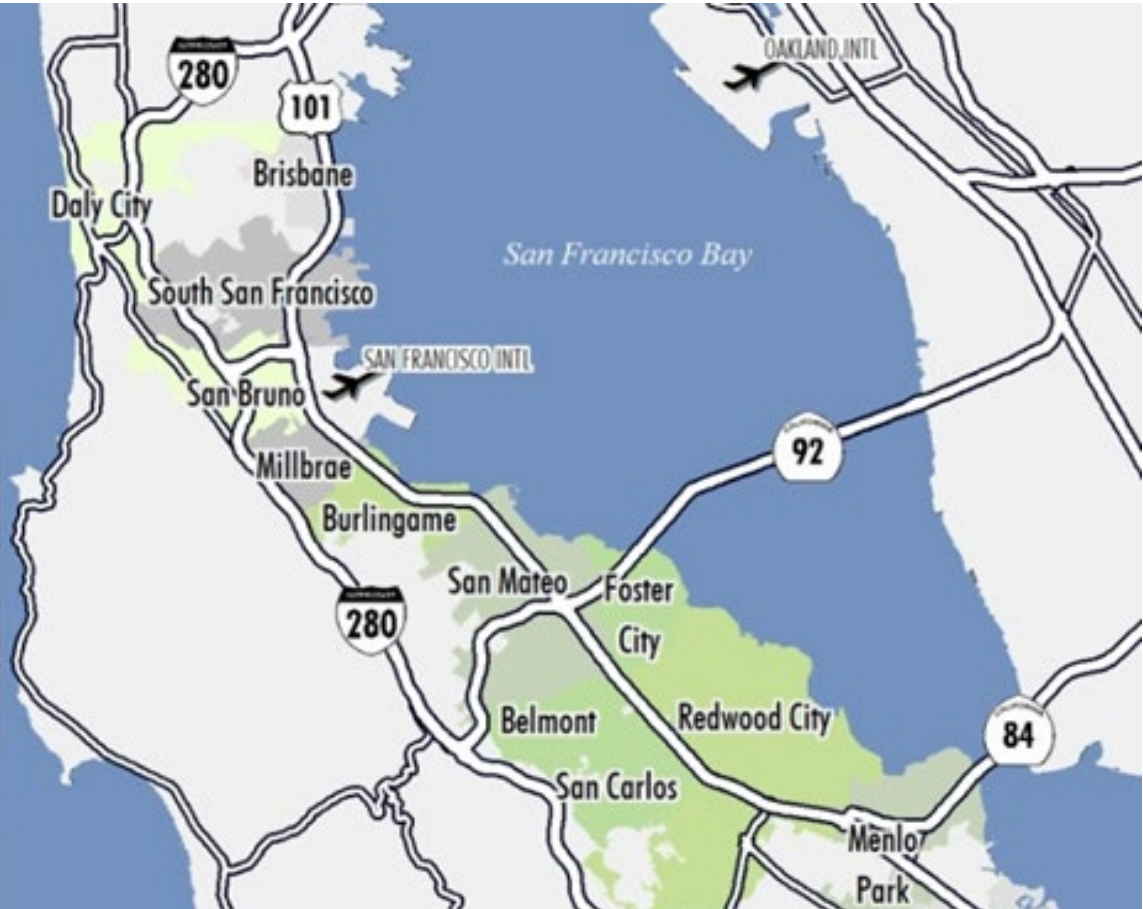
Source: CBRE Research, Q2 2025

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q2 2025

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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