

FIGURES | SAN FRANCISCO PENINSULA INDUSTRIAL | Q1 2025

# Tenant demand picks up and occupancy gains continues

▼ 5.4%

Vacancy Rate

▼ 10K

SF Net Absorption

► 0M

SF Under Construction

▲ \$1.89

NNN / Lease Rate  
Existing Properties

▲ 3.8%

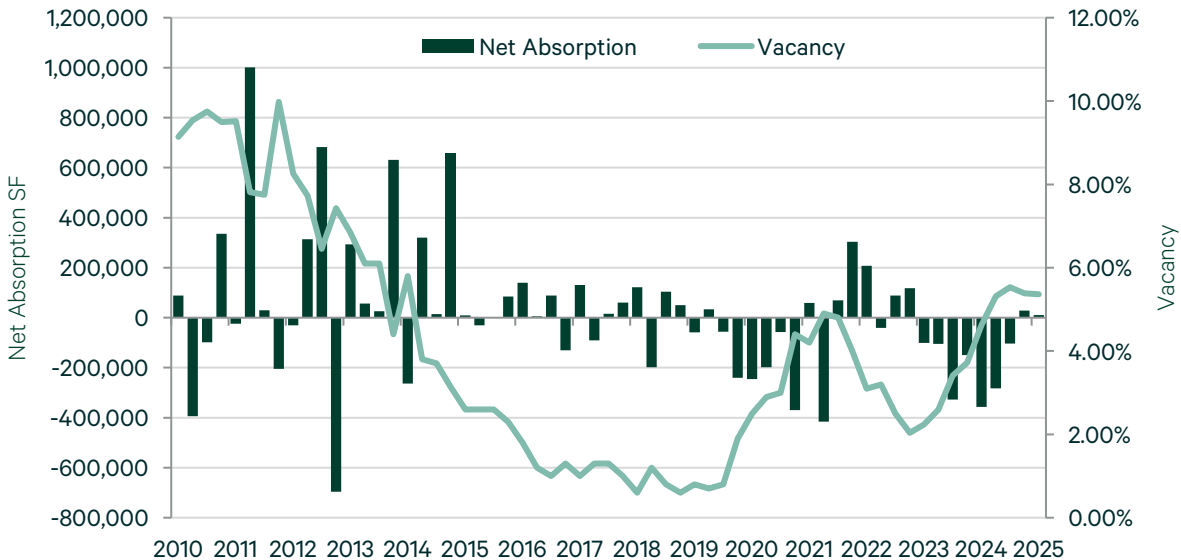
Unemployment Rate  
San Mateo County

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- San Mateo County's labor force increased to 447,700 with 430,900 employed residents at the close of Q1 2025. The unemployment rate closed the quarter at 3.8%, a 27-basis-point (bps) increase year-over-year (YoY), and a 4-bps increase since Q4 2024.
- The San Francisco Peninsula industrial market started the year with 10,494 square feet (sq. ft.) of net absorption. The second consecutive quarter of occupancy gains after seven consecutive quarters of increasing vacancy.
- The average monthly direct asking rate along the San Francisco Peninsula increased by 3.5% YoY starting 2025 at \$1.89 on a Net Net Net (NNN), direct basis. Warehouse and manufacturing product averaged \$1.87 and \$2.03 respectively.
- There was 1.3 million sq. ft. of active industrial tenant demand at the end of Q1 2025. A monumental 83.9% increase YoY and the first quarter since 2021 to have over a million sq. ft. of demand. Approximately 81.8% of these tenants had requirements for 50,000 sq. ft. or less. The transportation distribution logistics industry contributed to about 23.4% of demand.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2025

INDUSTRIAL OVERVIEW

The San Francisco Peninsula industrial availability increased by 114 bps YoY to 7.5% and vacancy increased by 77 bps YoY to 5.4%. Both vacancy and availability are at an over 10-year historic high but remain relatively low compared to other markets in Northern California.

Various Class A warehouse vacancies contributed the most negative net absorption. The largest contributing submarket to occupancy losses was Burlingame, and the single largest contributor was 1755 Rollins Rd. in Burlingame. Aeronet Worldwide listed the entire 83,674 sq. ft. warehouse for sublease.

Deal activity concluded with 338,000 sq. ft. of deals inked in Q1 2025. The largest lease signed during the quarter was at 421 Valley Dr. in Brisbane. Mytra leased 101,350 sq. ft. of warehouse. The robotics company contributed to the 34.1% of technology leasing volume. Approximately 63.6% of leases signed in Q1 2025 were 10,000 sq. ft. or smaller. The average deal size was about 15,000 sq. ft., a 78.7% increase in size from Q1 2024. New leases accounted for roughly 84.9% of transactions signed during the quarter and were listed on the market for an average of 270 days before closing. Leasing activity velocity was down from the previous quarter; however, gross leasing YoY increased.

The overall increase in average asking rate for industrial product along the Peninsula is due to fluctuations in weighted availability rather than changes in published rates. The increase over the past 12 months is relatively minor compared to the Consumer Price Index core inflation increase of 3.1%. Leasing activity remains muted, and landlords are generally more flexible in providing leasing concessions in order to complete transactions.

The most notable sale transaction in Q1 2025 was for 179 Starlite St. in South San Francisco. Longpoint Realty Partners purchased the 22,275-sq. ft. Class B warehouse in an off-market deal for \$8.0 million or \$349.15 per square foot from Terreno Realty. Capital markets started the year with strong momentum however economic uncertainty and a change in the political climate has created instability in the investment environment.

The 10-year treasury yield ended Q1 2025 at 4.3% (March 31, 2025) and the Federal Reserve held interest rates steady at its Q1 2025 benchmark of 4.25%-4.50%. While interest rates cuts were paused, the Federal Open Market Committee still projects a couple rate cuts in 2025. However, the recent tariff news has added significant uncertainty to the Fed's direction.

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	3.9%	4.9%	1.55	1.78	157,790	157,790
South San Francisco	15,490,991	6.3%	9.3%	1.25	1.76	(61,120)	(61,120)
San Bruno	316,342	0.0%	0.0%	0.00	1.90	0	0
Millbrae	110,582	19.6%	19.6%	1.88	1.92	0	0
Burlingame	3,972,950	7.9%	10.4%	1.83	1.87	(102,939)	(102,939)
North County	25,546,991	5.8%	8.2%	1.25	1.79	(6,269)	(6,269)
San Mateo	618,880	7.2%	7.2%	2.18	2.03	1,950	1,950
Foster City	21,600	90.7%	90.7%	2.05	2.05	0	0
Belmont	574,730	2.0%	2.0%	2.18	2.15	(1,272)	(1,272)
San Carlos	2,712,547	3.6%	3.6%	2.17	2.10	(30,180)	(30,180)
Redwood City	3,010,575	4.4%	7.3%	2.04	2.32	24,585	24,585
Central County	6,938,332	4.4%	5.7%	2.16	2.24	(4,917)	(4,917)
Menlo Park	1,746,598	4.2%	6.3%	2.12	2.18	11,500	11,500
Palo Alto/East PA	1,321,265	2.8%	3.2%	1.95	2.20	10,180	10,180
South County	3,067,863	3.6%	5.0%	2.07	2.17	21,680	21,680
Total Market	35,553,186	5.4%	7.5%	\$1.89		10,494	10,494
Manufacturing	5,853,425	3.4%	4.7%	2.03	N/A	12,728	12,728
Warehouse	29,699,761	5.7%	8.0%	N/A	1.87	(2,234)	(2,234)

Source: CBRE Research, Q1 2025

FIGURE 3: Notable Lease Transactions Q1 2025

Tenant	Address	SF Leased	Type
Mytra	421 427 Valley Dr, Brisbane	101,350	New Lease
Short Story	100 E Grand Ave, South San Francisco	50,000	New Lease
Unilode Aviation Solutions	99 S Hill Dr, Brisbane	45,000	New Lease
Vieux Vins Group	280 Valley Dr, Brisbane	31,745	Renewal
Fulfillment Hub USA	1332 San Mateo Ave, South San Francisco	17,115	New Lease

Source: CBRE Research, Q1 2025

FIGURE 4: Notable Sale Transactions Q1 2025

Buyer	Address	Bldg. SF	Sale Price/\$ PSF
Longpoint Realty Partners	179 Starlite St, South San Francisco	22,275	\$8.0M \$360
Private Individual	830-832 Kaynyne St, Redwood City	12,900	\$4.8M \$372

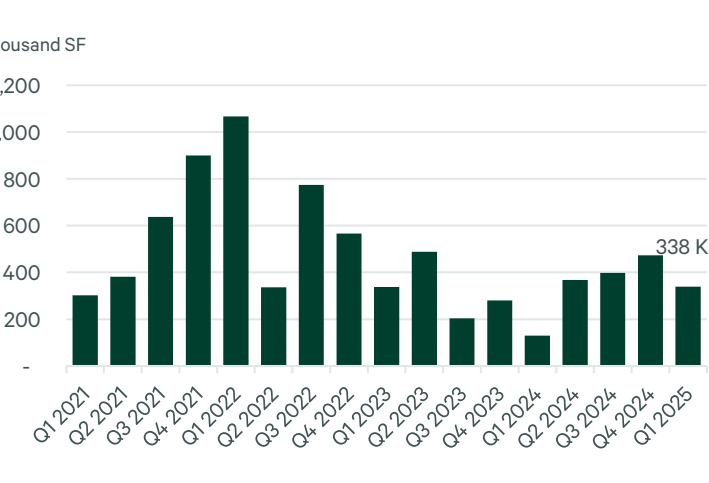
Source: CBRE Research, Q1 2025

FIGURE 5: Lease Rates



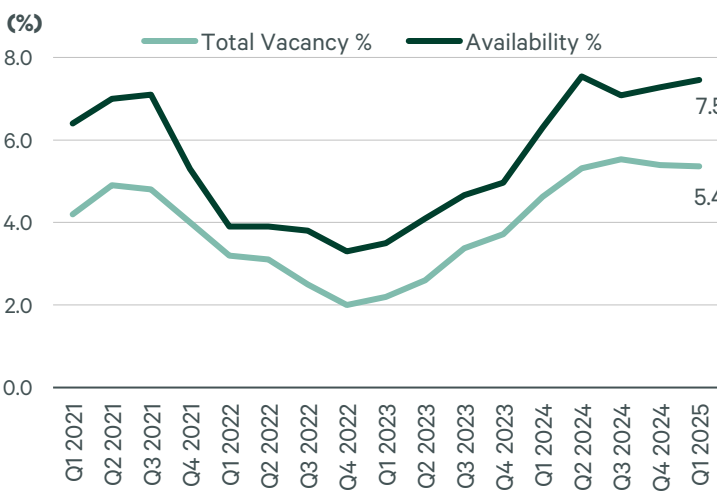
Source: CBRE Research, Q1 2025

FIGURE 7: Gross Absorption



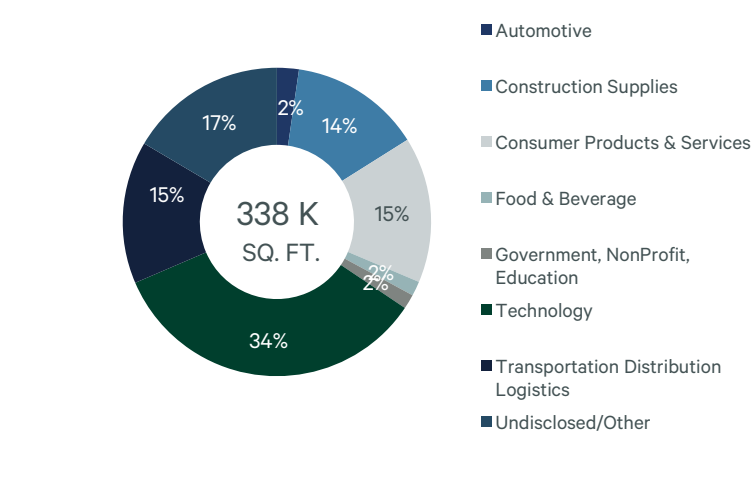
Source: CBRE Research, Q1 2025

FIGURE 6: Vacancy & Availability



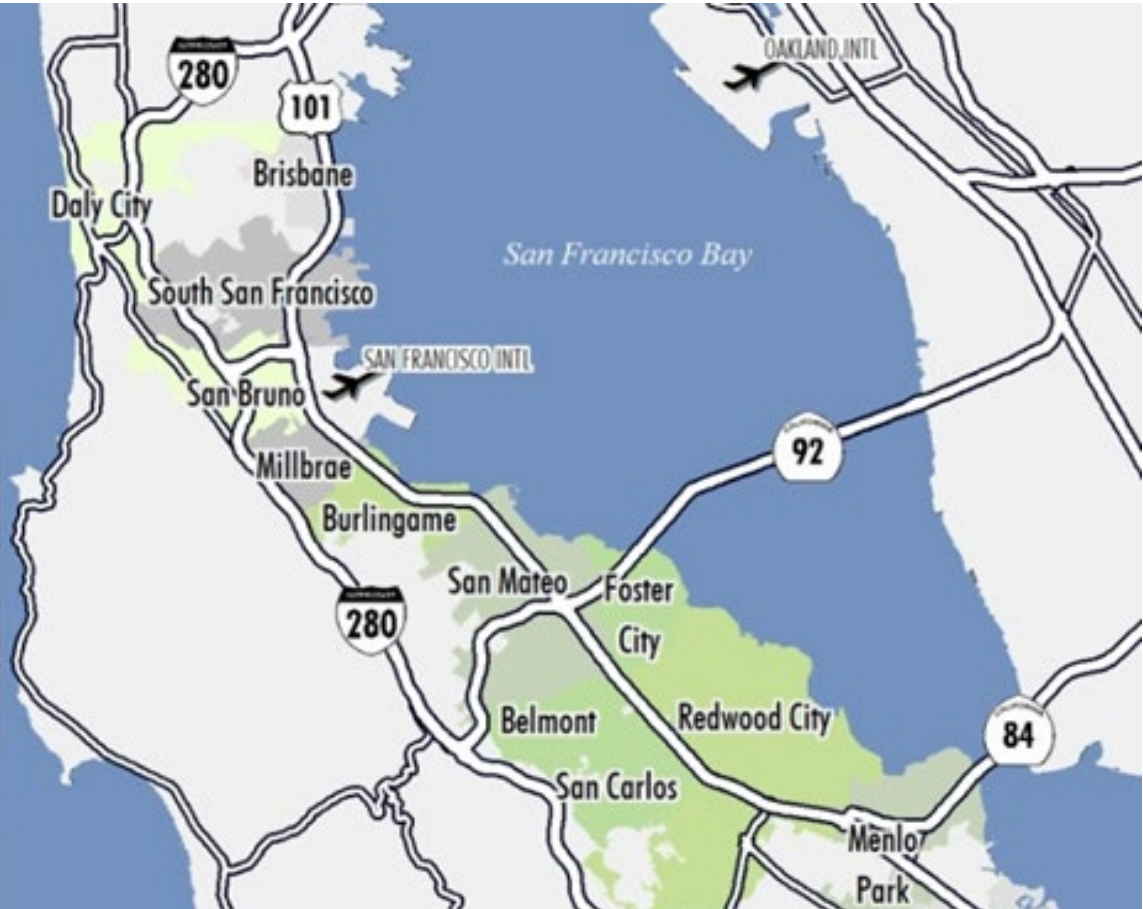
Source: CBRE Research, Q1 2025

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q1 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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