

FIGURES | SAN FRANCISCO PENINSULA INDUSTRIAL | Q4 2024

Leasing activity picks up with the first occupancy gain in seven quarters

▼ 5.4%

Vacancy Rate

▲ 29K

SF Net Absorption

► 0M

SF Under Construction

▼ \$1.84

NNN / Lease Rate
Existing Properties

▲ 3.7%

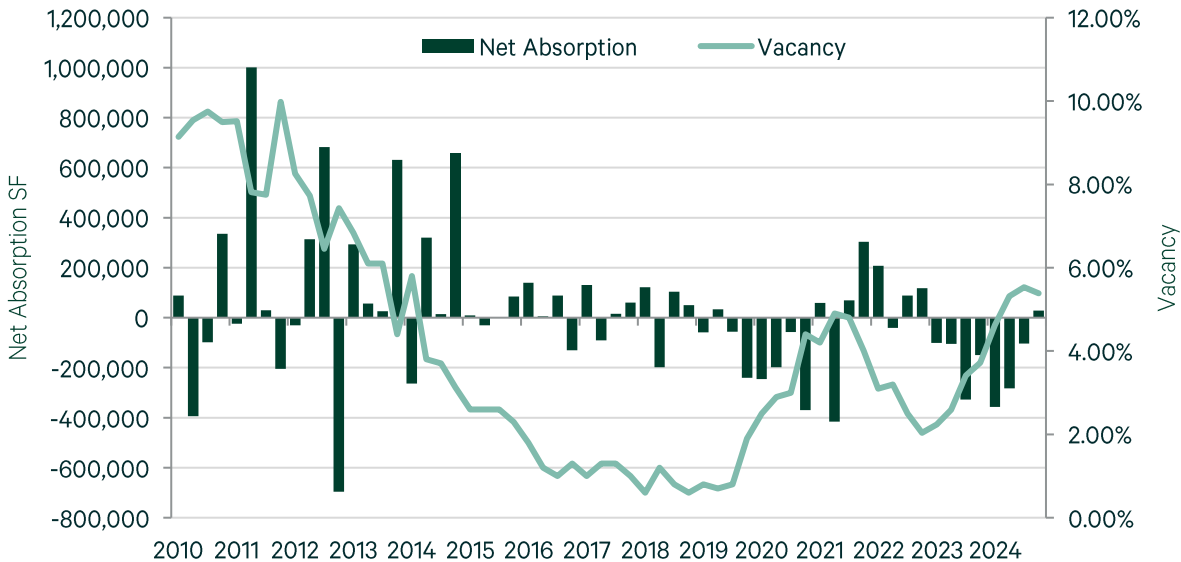
Unemployment Rate
San Mateo County

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- San Mateo County’s labor force stood at 446,400 with 434,500 employed at the close of Q4 2024. The unemployment rate closed the quarter at 3.7%, a 34-basis-point (bps) increase year-over-year (YoY), and a 5-bps increase over Q3 2024.
- The San Francisco Peninsula industrial market ended Q4 2024 with 28,840 square feet (sq. ft.) of net absorption. The year ended with a total of negative 649,698 sq. ft. of net absorption.
- The average monthly direct asking rate along the San Francisco Peninsula decreased by 1.6% YoY ending 2024 at \$1.84 on a Net Net Net (NNN), direct basis. Warehouse and manufacturing product averaged \$1.81 and \$2.07 respectively.
- Active Industrial tenant demand closed Q4 2024 with 852,000 sq. ft. of active demand, a 30.7% increase YoY. Approximately 71.4% 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 36.4% of the active requirements.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q4 2024

INDUSTRIAL OVERVIEW

The San Francisco Peninsula industrial market-wide availability increased by 231 bps from Q4 2023 to 7.3% in Q4 2024. Overall vacancy increased by 167 bps YoY to 5.4% at the end of 2024. Both vacancy and availability are at a 10-year historic high.

Various vacancies attributed to the quarter’s overall negative net absorption however the largest single contributor was 499 Valley Dr. in Brisbane. YRC Worldwide did not renew their lease once it expired for the entire 22,700 sq. ft. warehouse and 4.62 acres of paved yard. In 2024, South San Francisco was the largest contributing submarket of negative net absorption. Multiple vacant warehouse spaces 15,000 sq. ft. and larger came to market.

The largest lease signed during the quarter was at 455 Valley Dr. in Brisbane. Greenleaf Produce renewed their lease for the approximately 112,000-sq. ft. warehouse. The consumer products and service industry led leasing volume, representing 37.3% of the top 15 deals in Q4 2024. Renewals accounted for roughly 58.3% of transactions during the quarter. New leases signed in Q4 2024 were listed on the market for an average of 347 days before closing.

Q4 2024 marked the first positive occupancy gain since Q4 2022 corresponding with the YoY increase in gross leasing. Deal activity ended Q4 2024 with around 473,000 sq. ft. Of those transactions, 47.1% were for 10,000 sq. ft. or less and the average deal size was 27,184 sq. ft., a 138.2% increase in size from Q4 2023.

The overall average asking rate for industrial product along the Peninsula has had minor fluctuations over the past 12 months. Historically higher than usual availability and vacancy has led to an overall decrease in weighted direct asking rates in 2024. Landlords continue to be hesitant in decreasing their published asking rates but have compensated with more flexible terms and concession offerings.

The most notable sale transaction along the peninsula in Q4 2024 was for 291 Utah Ave in South San Francisco. LBA Logistics purchased the 50,700 sq. ft. Class B warehouse for \$16.6 million or \$327.42 per square foot from Draeger’s Market as a sale leaseback.

In Q4 2024, the Federal Reserve implemented additional rate cuts. The Federal Fund rate was lowered by 25 bps to 4.55%, while the 10-year treasury yield had a decrease of 30 bps to 3.5% (December 31, 2024). The multiple rate cuts throughout 2024 have reduced borrowing costs to incentivize investors to engage in more capital markets activity.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)		Q4 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	7.4%	10.3%	1.55	1.75	81,386	(78,789)
South San Francisco	15,486,072	5.9%	8.7%	1.50	1.75	(9,102)	(346,397)
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	3,972,950	5.3%	7.8%	1.83	1.87	(17,010)	(52,201)
North County	25,542,072	5.8%	8.4%	1.50	1.77	55,274	(476,587)
San Mateo	618,880	7.5%	8.3%	2.20	2.01	(10,513)	(12,498)
Foster City	21,600	90.7%	90.7%	2.05	2.05	0	0
Belmont	574,730	1.8%	1.8%	2.10	2.13	0	(8,308)
San Carlos	2,712,547	2.5%	2.8%	2.15	2.10	4,041	(38,769)
Redwood City	3,010,575	5.2%	5.2%	2.05	2.11	(19,962)	(42,334)
Central County	6,938,332	4.4%	4.5%	2.15	2.07	(26,434)	(101,909)
Menlo Park	1,746,598	4.8%	4.8%	2.20	2.18	0	(78,752)
Palo Alto/East PA	1,321,265	3.6%	3.6%	1.95	2.20	0	7,550
South County	3,067,863	4.3%	4.3%	2.12	2.17	0	(71,202)
Total Market	35,548,267	5.4%	7.3%	\$1.84		28,840	(649,698)
Manufacturing	5,853,425	3.7%	4.2%	2.07	N/A	(4,300)	(86,289)
Warehouse	29,694,842	5.7%	7.9%	N/A	1.81	33,140	(563,409)

Source: CBRE Research, Q4 2024

FIGURE 3: Notable Lease Transactions Q4 2024

Tenant	Address	SF Leased	Type
Greenleaf Produce	455 Valley Dr, Brisbane	112,326	Renewal
Hensley Event Resources	435 Valley Dr, Brisbane	106,234	New Lease
Hensley Event Resources	440 448 Valley Dr, Brisbane	48,500	Renewal
Nippon Express USA	534 550 Eccles Ave, South San Francisco	45,362	Renewal
Zipline	333 Corey Way, South San Francisco	41,627	Renewal

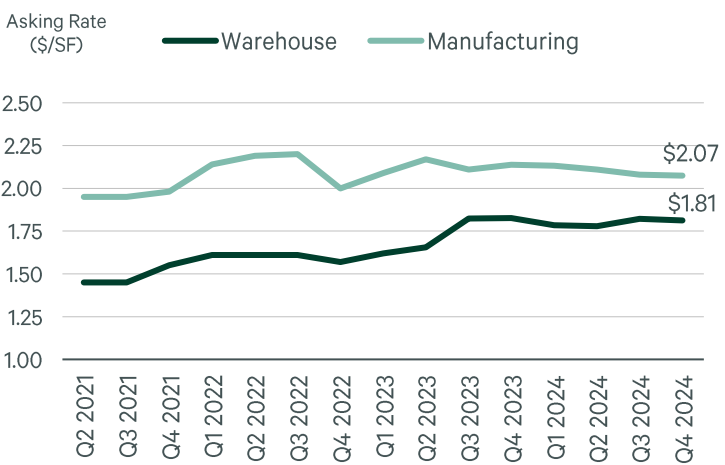
Source: CBRE Research, Q4 2024

FIGURE 4: Notable Sale Transactions Q4 2024

Buyer	Address	Bldg. SF	Sale Price
LBA Logistics	291 Utah Ave, South San Francisco	50,700	\$16.6M
1065 SMA LLC	1065-1069 San Mateo Ave, San Bruno	19,200	\$6.2M
TTM Ventures	1 W Hill Dr, Brisbane	12,600	\$4.6M
Spieker Investments	1180 Obrien Dr, Menlo Park	12,000	\$3.8M
Flexible	63 Encina Ave, Palo Alto	10,588	\$3.7M

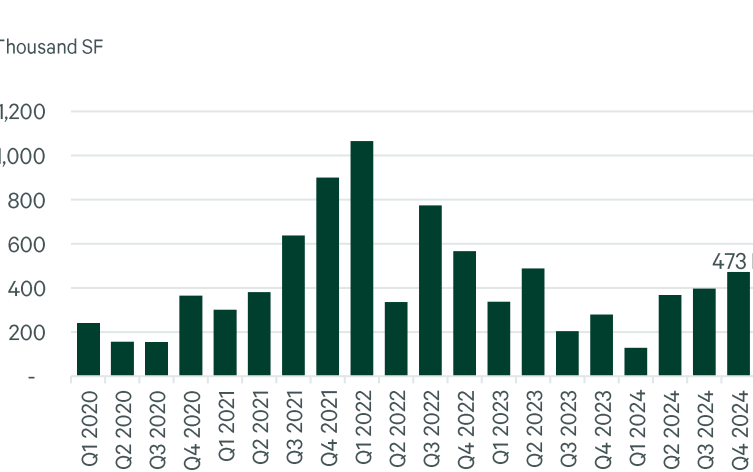
Source: CBRE Research, Q4 2024

FIGURE 5: Lease Rates



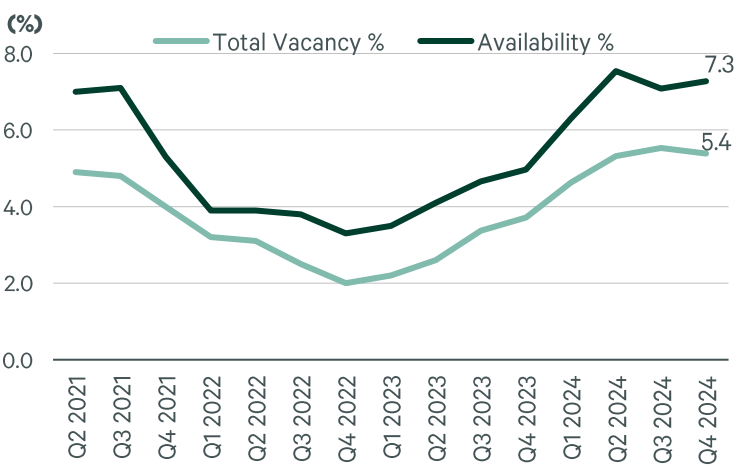
Source: CBRE Research, Q4 2024

FIGURE 7: Gross Absorption



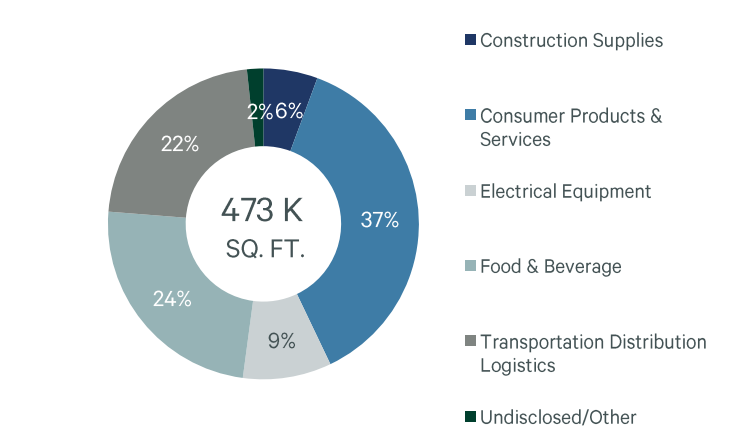
Source: CBRE Research, Q4 2024

FIGURE 6: Vacancy & Availability



Source: CBRE Research, Q4 2024

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research, Q4 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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