

**MARKET FUNDAMENTALS**

	YOY Chg	Outlook
<b>21.4%</b> Vacancy Rate	▲	▬
<b>197K</b> YTD Net Absorption, SF	▲	▲
<b>\$5.96</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▼

**ECONOMIC INDICATORS**

	YOY Chg	Outlook
<b>1.2M</b> San Francisco Metro Employment	▼	▲
<b>3.7%</b> San Francisco Metro Unemployment Rate	▲	▼
<b>4.2%</b> U.S. Unemployment Rate <i>Source: BLS</i>	▲	▲

**ECONOMY: xAI LEADS VENTURE CAPITAL FUNDING**

Non-farm employment in the San Francisco metro division (MD) eased year-over-year (YOY), closing at 1.2 million (M) jobs. In conjunction, the unemployment ticked up YOY with the most recent figure at 3.7%. On the brighter side, venture capital (VC) funding into companies headquartered in San Mateo County skyrocketed in the fourth quarter, with capital investment totaling \$8.0 billion (B), up from \$1.8B in the third quarter due to the blockbuster deal by xAI at \$6.0B. San Mateo County-based companies captured 16.5% and 10.3% of the total funding to Bay Area and U.S. companies, respectively.

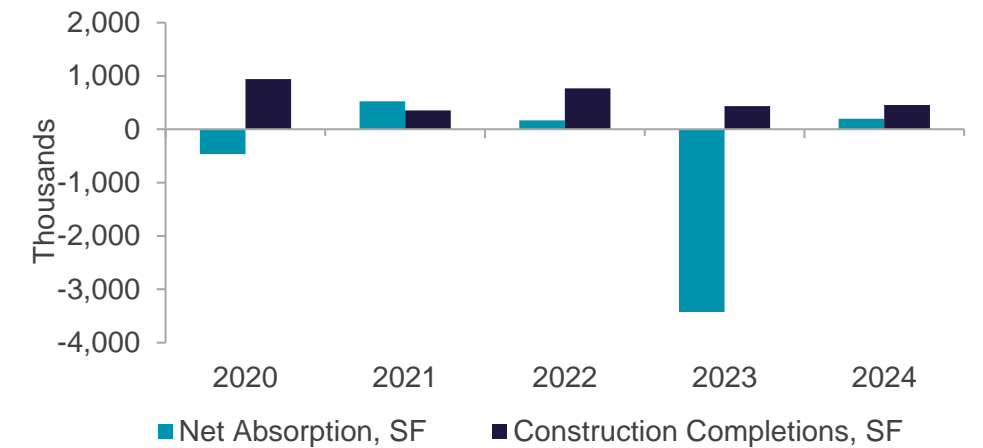
**SUPPLY: VACANCY MOMENTARILY STALLED**

The San Mateo County combined office and R&D vacancy rate stalled in the fourth quarter unchanged quarter-over-quarter (QOQ) at 21.4%. That said, it remained up 50 bps year-over-year (YOY). For office space, which accounts for 96.4% of all available space, the vacancy rate closed the quarter at 23.6%, with 17.3% direct and 6.3% sublease. The largest direct block to hit the market was over 900,000 square feet (sf) at Pacific Shores center in Redwood City, formerly occupied by Google. The sublease market was calmer as the largest block was by Luminary Cloud, adding 33,756 sf at 101 S. Ellsworth Ave in San Mateo. R&D vacancy which accounts for only 6.1% of total vacancy, increased 50 bps from the previous quarter to 312,938 sf with much of that being direct space in Southern San Mateo County.

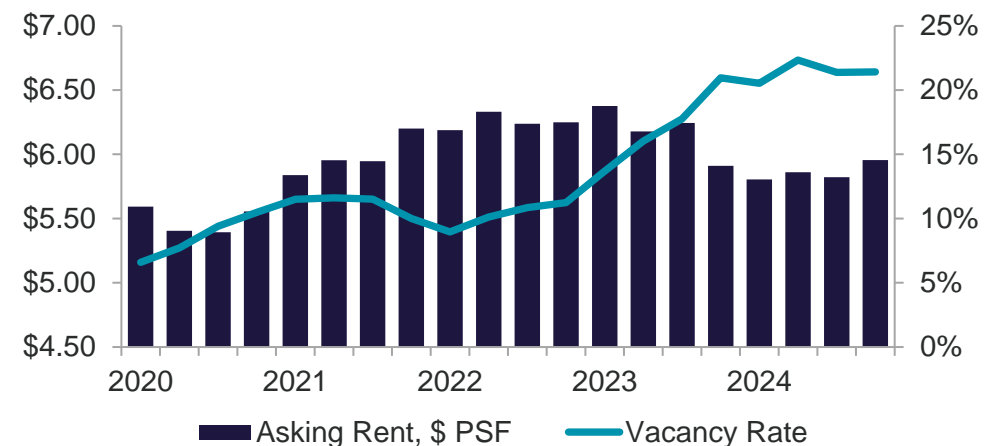
**PRICING: CLASS A RENTS REMAIN ELEVATED**

The San Mateo County overall asking rent swung upward ending the year at \$5.96 per square foot (psf) on a monthly, full-service basis, from \$5.82 psf the previous quarter and \$0.42 below the peak \$6.38 psf in the first quarter of 2023. Menlo Park retained the top spot at \$8.12 psf due to premium direct class A rents in the Sand Hill Road submarket. Class A complexes continued to command elevated direct rents in the market at \$6.61 psf while the Menlo Park Class A direct asking rent reigned supreme at \$9.89 psf.

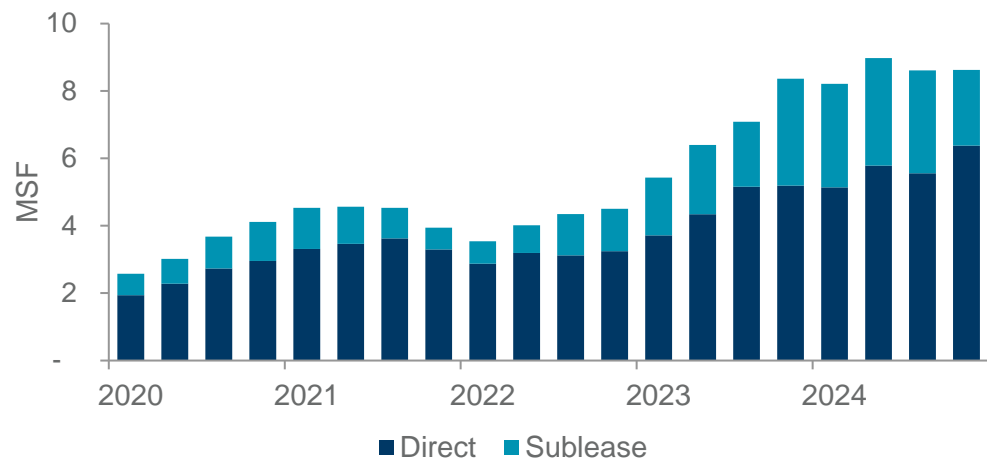
**SPACE DEMAND / DELIVERIES**



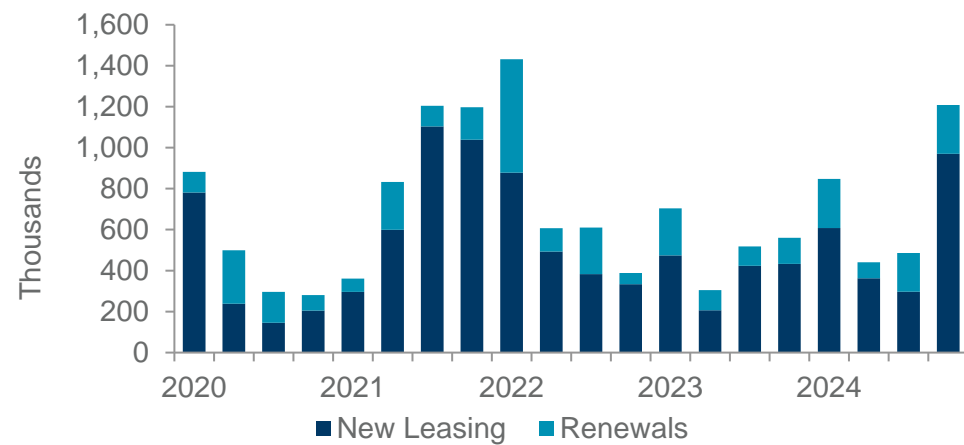
**OVERALL VACANCY & ASKING RENT**



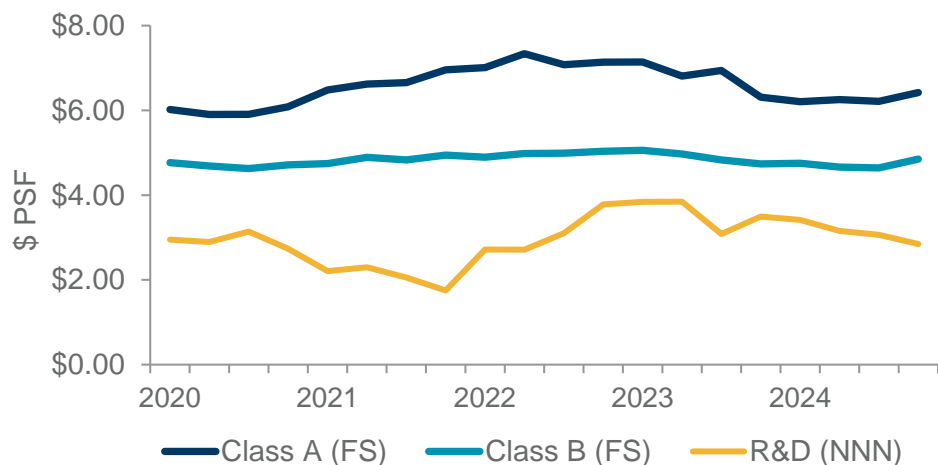
**DIRECT VS. SUBLEASE VACANT SPACE COMPARISON**



**LEASING ACTIVITY**



**OVERALL ASKING RENT COMPARISON**



**CONSTRUCTION: PIPELINE TO DELIVER BY 2025**

Two projects in Redwood City totaling 537,000 sf are currently under construction, with 100% of the total square footage available; both projects are expected to deliver in 2025. The latest major deliveries this year were 220 Park Road, located in the heart of downtown Burlingame, partially leased to Skyknight Capital, and Burlingame Bay Center fully leased to Meta.

**DEMAND: SNOWFLAKE LANDED DEAL OF THE YEAR**

Leasing activity finished the year at 1.2 million-square-feet (msf), with Menlo Park capturing 74% of transactions. New leasing made up 80% of all deals, led by Snowflake subleasing from Meta a total of 772,976 sf at Menlo Gateway in Menlo Park. After one year on the sublease market, Snowflake secured the deal of the year and the largest since 2018. Robinhood was next, with a renewal/expansion of 128,743 sf at 275 Middlefield Rd in Menlo Park. These two important deals have helped guide the market onto the path to recovery by filling large blocks and surpassing the 2023 figure of 2.1 msf to 3.0 msf, though the limited demand for large blocks of space coupled with major tenants offloading space has impacted leasing velocity.

Net absorption flipped from last quarter's positive 601,648 sf to this quarters negative 14,709 sf. The bulk of negative absorption came from Google's move-out at Pacific Shores Center in Redwood City though much of that was canceled out by Snowflake's deal. For the year, San Mateo County was positive at 197,288 sf, a major shift from 2023's record setting negative 3.4 msf of net absorption.

**SALES: TOP DEAL TRADES IN MENLO PARK**

In the fourth quarter of 2024, there were three transactions recorded in San Mateo County, closing for a total of \$242.1 million (M). The top sale was Sand Hill Commons (\$222.2M) a two-building park in Menlo Park, a joint venture between Norges Bank Investment Management (97.7%) and DivcoWest (2.3%). This transaction was sold at a significant increase from its prior sale of \$137M in 2015 and was the top deal of the year by sale price. Recent sales transactions have been in assets with a history of strong leasing, secured pre-leasing or owner/user. As interest rates decline, anticipate a marked increase in investment sales activity or re-financing.

**OUTLOOK**

- Vacancy rates could continue to rise incrementally in select markets with the tech sector continuing to shed space due to additional layoffs and positions remaining remote or hybrid.
- There will be a continued decrease in asking rents in select markets due to additional sublease space at discounted rates and direct spaces sitting longer; premium class A pricing will likely be the exception thanks to the ongoing flight to quality.
- There is currently 2.0 msf of office and R&D tenants in the market, a decrease from the 2.8 msf last quarter. The largest office demand segment is technology at 600k sf. The office and R&D markets will continue to benefit from being associated with life sciences with that sector as the largest demand driver at 1.2 msf.
- Venture capital funding remains a primary driver for the market as this funding leads to growth and increased leasing activity. It is expected to be a key factor in the market's recovery.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Daly City	582,150	0	28,105	4.8%	1,175	919	13,057	0	\$3.26	N/A
Brisbane	495,595	40,232	127,371	33.8%	-38,480	-70,399	102,783	0	\$4.34	\$4.34
S. San Francisco	1,953,395	53,982	292,137	17.7%	-12,807	-49,114	72,690	0	\$4.30	\$4.45
San Bruno/Millbrae	1,944,890	0	211,774	10.9%	0	-4,848	19,458	0	\$4.14	N/A
Burlingame	3,596,582	29,186	342,709	10.3%	126,712	303,617	159,303	0	\$6.91	\$9.13
<b>NORTH COUNTY TOTALS</b>	<b>8,572,612</b>	<b>123,400</b>	<b>1,002,096</b>	<b>13.1%</b>	<b>76,600</b>	<b>180,175</b>	<b>367,291</b>	<b>0</b>	<b>\$5.33</b>	<b>\$6.09</b>
San Mateo	7,890,252	287,318	1,481,939	22.4%	-25,152	178,007	706,366	0	\$5.31	\$5.96
Foster City	2,587,479	128,797	407,495	20.7%	-190,371	-216,323	191,225	0	\$5.75	\$5.82
Redwood Shores	4,802,799	107,671	718,838	17.2%	53,767	145,315	239,800	0	\$5.17	\$5.24
<b>CENTRAL COUNTY TOTALS</b>	<b>15,280,530</b>	<b>523,786</b>	<b>2,608,272</b>	<b>20.5%</b>	<b>-161,756</b>	<b>106,999</b>	<b>1,137,391</b>	<b>0</b>	<b>\$5.34</b>	<b>\$5.69</b>
Belmont/San Carlos	1,660,188	130,960	203,043	20.1%	16,862	-4,432	111,726	0	\$6.02	\$6.33
Redwood City	5,986,861	259,090	1,699,051	32.7%	-587,920	-652,490	212,371	537,000	\$5.81	\$6.21
Menlo Park	8,790,972	1,210,879	865,984	23.6%	641,505	567,036	1,153,355	0	\$8.12	\$8.34
<b>SOUTH COUNTY TOTALS</b>	<b>16,438,021</b>	<b>1,600,929</b>	<b>2,768,078</b>	<b>26.6%</b>	<b>70,447</b>	<b>-89,886</b>	<b>1,477,452</b>	<b>537,000</b>	<b>\$6.81</b>	<b>\$7.25</b>
<b>SAN MATEO COUNTY TOTALS</b>	<b>40,291,163</b>	<b>2,248,115</b>	<b>6,378,446</b>	<b>21.4%</b>	<b>-14,709</b>	<b>197,288</b>	<b>2,982,134</b>	<b>537,000</b>	<b>\$5.96</b>	<b>\$6.42</b>

\*Rental rates reflect full service asking

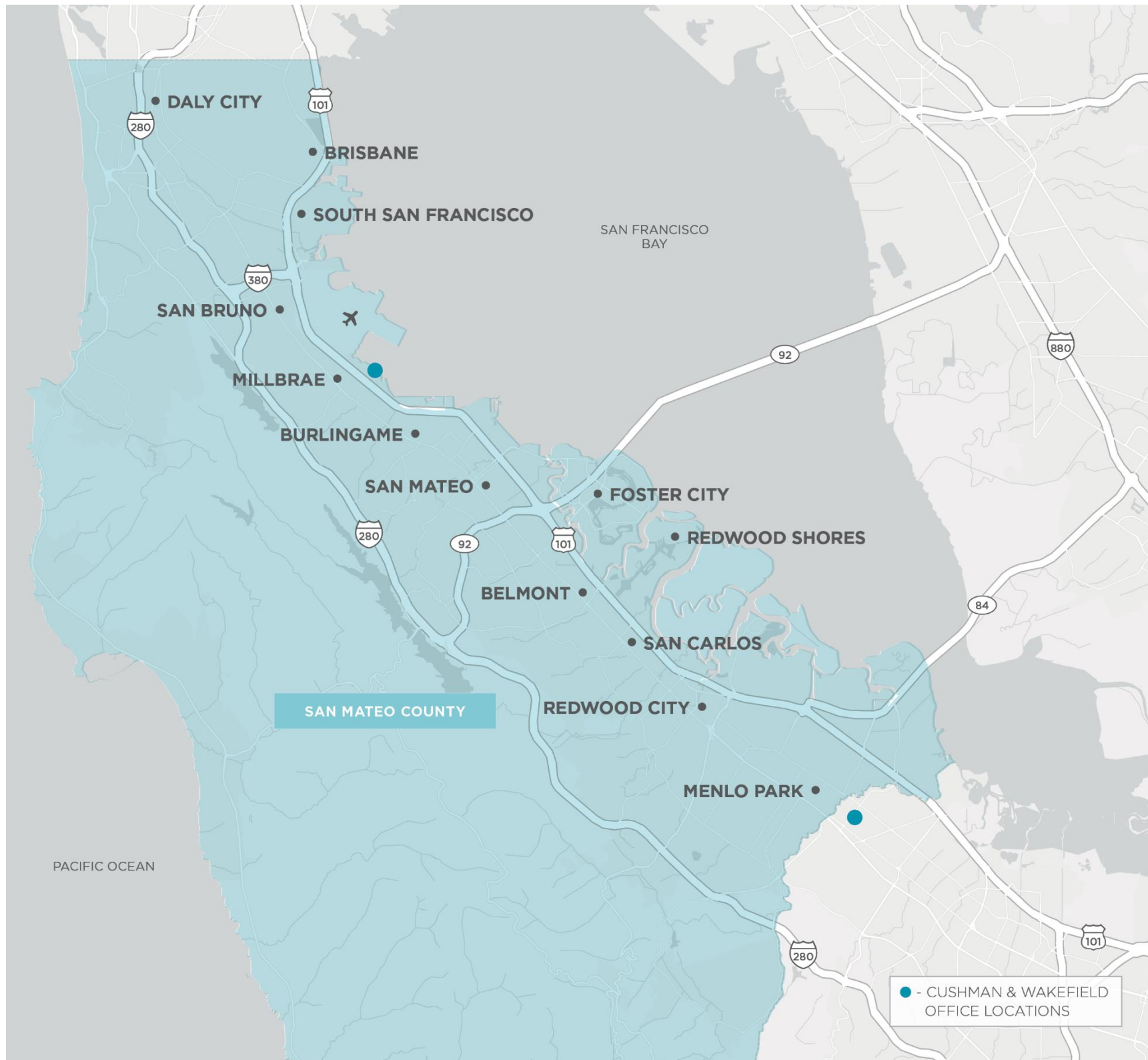
KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Menlo Gateway	Menlo Park	Snowflake	772,976	New Lease
275 Middlefield Rd	Menlo Park	Robinhood	128,743	Renewal / Expansion
260-298 Harbor Blvd	Belmont	Alcon	41,439	Renewal / Expansion
1051 Hillsdale Blvd, E	Foster City	Indeed	37,092	Renewal
900 Middlefield Rd	Redwood City	Liftoff	27,003	Renewal
312 Chestnut St	Redwood City	Hillspire	20,593	New Lease
975 Industrial Rd	San Carlos	Noah Medical Corporation	14,199	Renewal
4600 Bohannon Dr	Menlo Park	Sprinter Health	10,985	Renewal

KEY SALE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Sand Hill Commons	Menlo Park	JV Clarion Partners & Invesco Real Estate / JV Norges Bank Investment Management & DivcoWest	133,449	\$222.2M / \$1,665
350 Marine Pkwy	Redwood City	The Pollock Financial Group / IDIS Americas	35,324	\$12.9M / \$366
2555 Flores St	Showplace Square	Movassate Family Trust / Mok Accountancy Corporation	26,000	\$7.0M / \$269

OFFICE SUBMARKETS



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