

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.3% Vacancy Rate	▲	▼
-464K YTD Net Absorption, SF	▼	▲
\$5.78 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.1M San Francisco Metro Employment	▼	▲
3.9% San Francisco Metro Unemployment Rate	▲	▼
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: VERKADA LEADS VENTURE CAPITAL FUNDING

Non-farm employment in the San Francisco metro division (MD) eased year-over-year (YOY), closing at 1.1 million (M) jobs. In conjunction, unemployment ticked up YOY with the most recent figure at 3.9%. Venture capital (VC) funding into companies headquartered in San Mateo County kicked-off the year with capital investment totaling \$1.7 billion (B), sharply down from \$8.0B in the prior quarter which was driven by a \$6.0B round to xAI. San Mateo County-based companies captured 2.9% and 1.9% of the total funding to Bay Area and U.S. companies, respectively. Capital investment market share was significantly lower due to San Francisco-based OpenAI's later stage round at \$40B. Deal count totaled 75 for the quarter, falling short of the four-quarter average of 79. Verkada was the county's largest VC deal with a later stage round of \$200M.

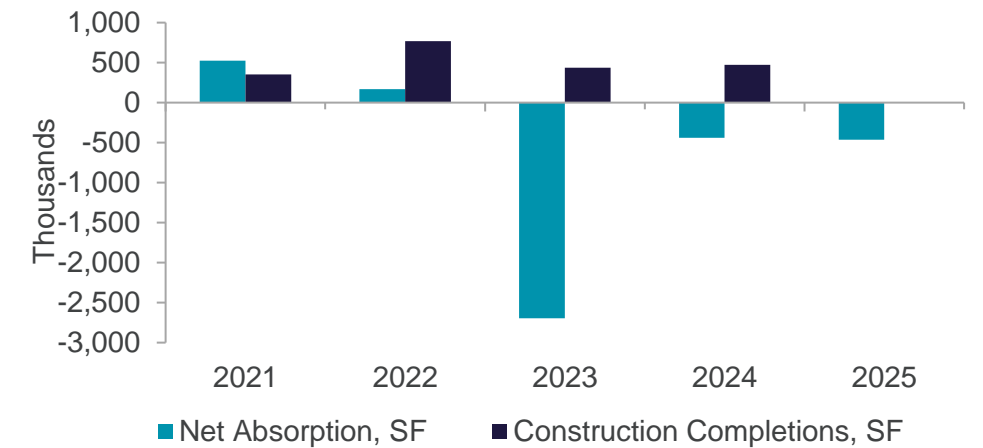
SUPPLY: LARGE BLOCKS ADD TO CLIMBING VACANCY

The San Mateo County combined office and R&D vacancy rate jumped 110 basis points (bps) in the first quarter to 22.4%. The continuing trend of record high vacancy was largely due to four large blocks of space over 50,000 square-feet (sf). The largest sublease block is from Snowflake as they added 210,000 sf and will relocate from San Mateo to Menlo Park to grow into nearly 800,000 sf. The largest direct block to hit the market was 110,000 sf at 101 Lincoln Center Dr in Foster City, formerly occupied by Gilead Sciences. R&D vacancy which accounts for only 3.1% of total vacancy, decreased 30 bps from the previous quarter to 278,364 sf with much of that being direct space in Southern San Mateo County.

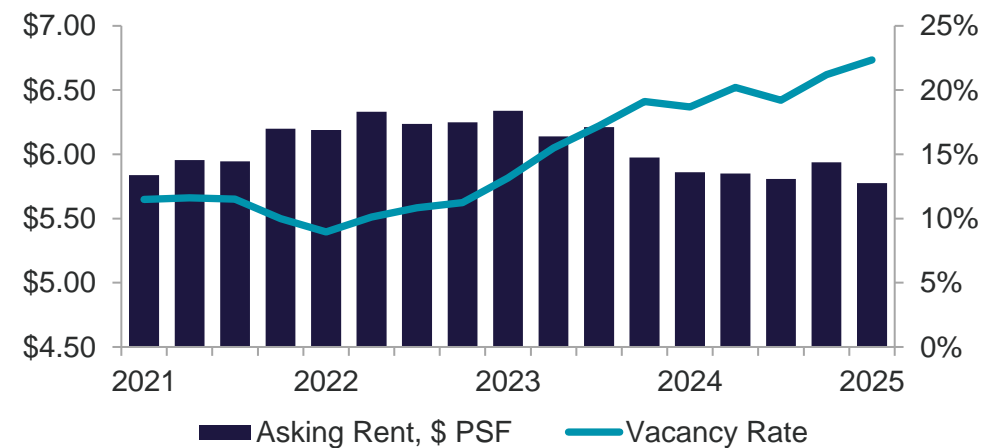
PRICING: RENTS TREND DOWN FROM RECENT PEAKS

The San Mateo County overall asking rent dropped to \$5.78 per square foot (psf) on a monthly, full-service basis, from \$5.94 psf the previous quarter and \$0.56 below the peak \$6.34 psf in the first quarter of 2023. Menlo Park retained the top spot at \$7.71 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 \$6.39 psf with the Menlo Park Class A direct asking rent reigning supreme at \$9.32 psf, though that has been trending down from its peak of \$11.60 psf in the fourth quarter of 2023.

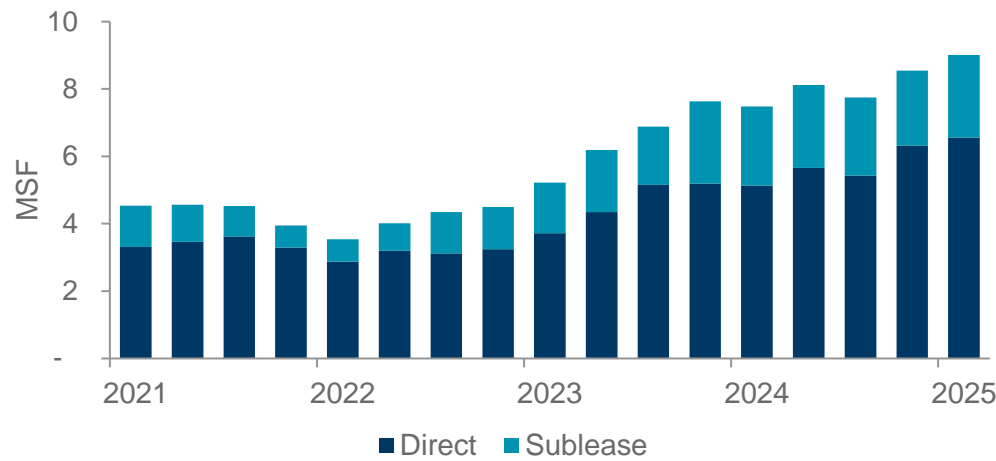
SPACE DEMAND / DELIVERIES



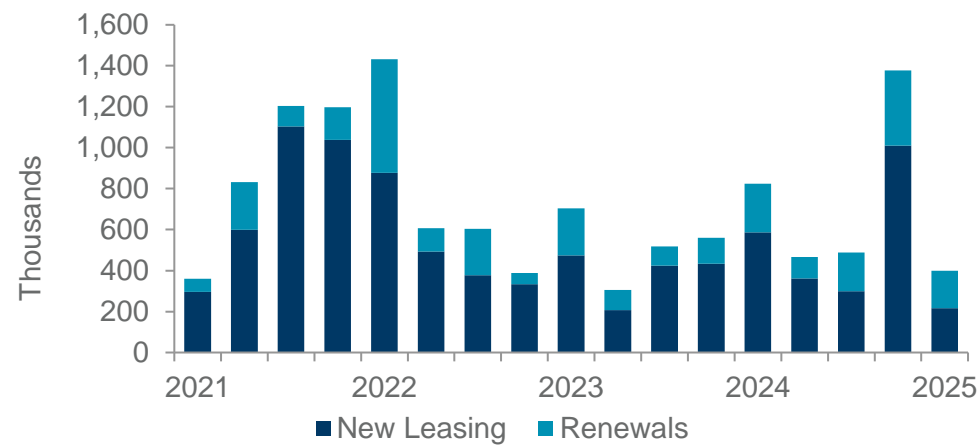
OVERALL VACANCY & ASKING RENT



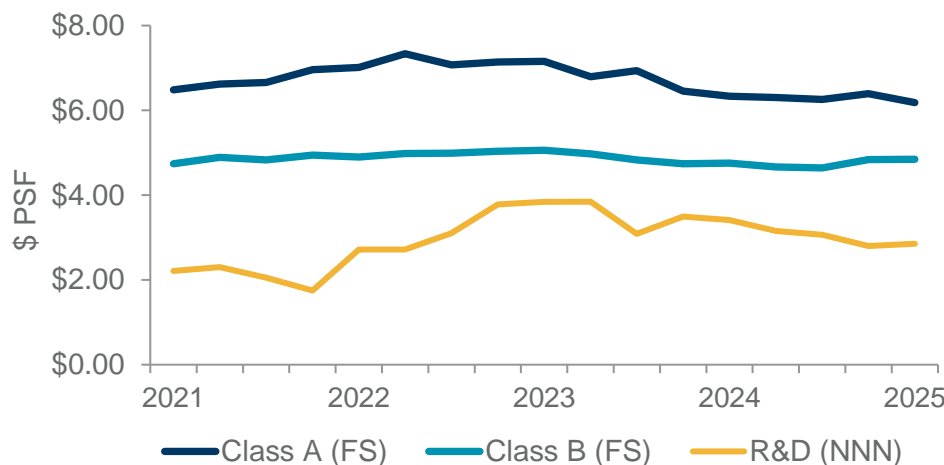
DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



LEASING ACTIVITY



OVERALL ASKING RENT COMPARISON



CONSTRUCTION: PIPELINE TO DELIVER BY 2H 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 the second half of 2025. The latest major deliveries last 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: ZOOX AND AI START-UPS GROWS WITHIN THE COUNTY

Leasing activity had a slow start to the year at 398,776 sf with Central San Mateo County capturing 59% of transactions. New leasing made up 54% of all deals, led by the City of Burlingame leasing 26,522 sf at 1440 Chapin Ave in Burlingame. Though counted in life science figures, Zoox subleased 200,000 sf from Illumina in Foster City for pure office space. Deal volume of artificial intelligence (AI) companies has picked up with five leases totaling 26,514 sf. AI companies are attracted to the markets affordability and shorter terms which can accommodate early growth.

Net absorption remained in the red at negative 463,878 sf. The bulk of negative absorption was in Foster City, San Mateo and Menlo Park recording figures of -182,553 sf, -181,307 sf and -101,233 sf respectively. The bright spot was North San Mateo County at positive 63,485 sf, led by South San Francisco and Brisbane with 49,635 sf and 21,424 sf, respectively.

San Mateo County had 90 active tenant requirements totaling 2.5 msf, with the tech sector accounting for 33.3%, followed by professional service at 24.4% and R&D at 18.9%.

SALES: OWNER-USER IN REDWOOD CITY TAKES TOP SPOT

In the first quarter of 2025, there were two transactions recorded in San Mateo County, closing for a total of \$17.6M. The top sale was 350 Marine Parkway (\$12.9M) in Redwood City, with the buyer being an owner-user. Recent sales transactions have been in assets with a history of strong leasing, secured pre-leasing or owner/user. Similar transactions are expected to close in the coming months, signaling long-term faith in the market.

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 2.5 msf of office and R&D tenants in the market, an increase from the 2.0 msf last quarter. The largest office demand segment is technology at 839k 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 1.1 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	30,482	5.2%	-2,377	-2,377	0	0	\$3.23	N/A
Brisbane	495,595	20,116	126,063	29.5%	21,424	21,424	20,116	0	\$4.34	\$4.34
S. San Francisco	1,953,395	29,470	267,014	15.2%	49,635	49,635	47,234	0	\$4.38	\$4.50
San Bruno/Millbrae	1,944,890	0	222,860	11.5%	-11,086	-11,086	0	0	\$4.09	N/A
Burlingame	3,633,040	24,989	344,815	10.2%	5,889	5,889	44,886	0	\$6.85	\$8.95
NORTH COUNTY TOTALS	8,609,070	74,575	991,234	12.4%	63,485	63,485	112,236	0	\$5.35	\$6.15
San Mateo	7,890,252	488,587	1,457,285	24.7%	-181,307	-181,307	128,954	0	\$5.21	\$5.69
Foster City	2,589,391	186,531	532,314	27.8%	-182,553	-182,553	44,907	0	\$5.33	\$5.46
Redwood Shores	4,802,799	99,296	708,002	16.8%	5,201	5,201	60,472	0	\$5.03	\$5.10
CENTRAL COUNTY TOTALS	15,282,442	774,414	2,697,601	22.7%	-358,659	-358,659	234,333	0	\$5.19	\$5.47
Belmont/San Carlos	1,660,548	123,702	214,058	20.3%	-3,757	-3,757	5,612	0	\$5.83	\$6.33
Redwood City	5,991,091	287,966	1,711,486	33.4%	-63,714	-63,714	25,119	537,000	\$5.76	\$6.11
Menlo Park	8,789,575	1,192,422	945,842	24.3%	-101,233	-101,233	21,476	0	\$7.71	\$7.92
SOUTH COUNTY TOTALS	16,441,214	1,604,090	2,871,386	27.2%	-168,704	-168,704	52,207	537,000	\$6.60	\$7.00
SAN MATEO COUNTY TOTALS	40,332,726	2,453,079	6,560,221	22.3%	-463,878	-463,878	398,776	537,000	\$5.78	\$6.18

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

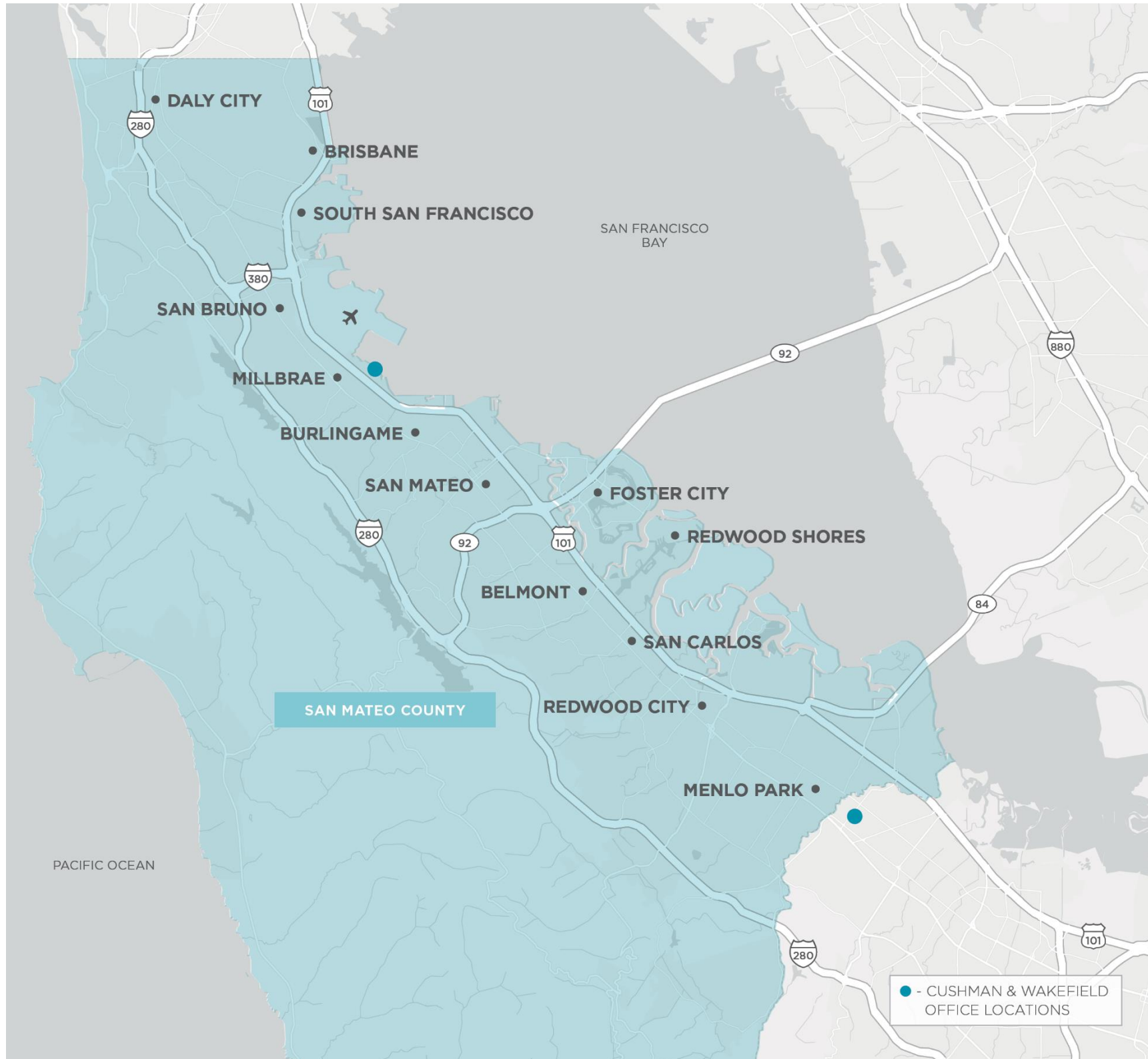
PROPERTY	SUBMARKET	TENANT	SF	TYPE
600 Clipper Dr	Redwood Shores	Volkswagen of America	41,239	Renewal
1100 Park Place	San Mateo	Essex Property Trust	37,871	Renewal
1440 Chapin Ave	Burlingame	City of Burlingame	26,522	New Lease
101 Ellsworth Ave, S.	San Mateo	Notable Labs	23,979	New Lease
200 Sierra Point Pkwy	Brisbane	Pacira Biosciences	20,116	New Lease
1850 Gateway Dr	San Mateo	Sequoia Benefits and Insurance Services	20,011	Renewal
611 Gateway Blvd	South San Francisco	Rigel Pharmaceuticals	13,670	Renewal
950 Tower Ln	Foster City	Scale Venture Partners	12,472	Renewal

*Zoox subleased 200,000 sf office space at Illumina Campus, reported in life science statistics

KEY SALE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
350 Marine Pkwy	Redwood City	The Pollock Financial Group / IDIS Americas Inc	35,324	\$12.9M / \$366
1150 Chrysler Dr	Menlo Park	Carmar Investments / Thejo Kote	13,100	\$4.7M / \$359

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