

4Q24

# North Peninsula Industrial & R&D Market Overview



# Market Observations

## Economy

- The Peninsula’s labor market showed improvement as 2024 came to a close, with the unemployment rate falling to 3.6% in November from 4.1% in August.
- In mid-December 2024, the Federal Reserve lowered interest rates by 25 basis points to a range of 4.25% to 4.50%, marking the third consecutive rate cut of the year. This move aimed to stabilize a steady yet cooling economy.
- Looking ahead, the Federal Reserve is expected to maintain rates at their current range through the first quarter of 2025, with the potential for two additional cuts by year-end as inflation remains persistently high.
- Greater clarity on future rate reductions could help foster a more balanced dealmaking environment.

## Major Transactions

- Clinical-stage biotechnology vaccine company Vaxcyte completed the largest deal of the quarter, renewing its 113,066-SF lease on the first, second, and third floors at 825 Industrial Road, while also expanding into an additional 145,515 SF on floors four, five, and six. The total square footage transacted in this deal was 258,581 SF.
- Genentech completed the second-largest deal of the quarter, renewing its 230,592-SF lease at 751 Gateway Blvd. in South San Francisco.
- The largest acquisition of the quarter was a sale-leaseback by LBA Logistics, which purchased 291 Utah Ave. in South San Francisco from Draeger’s Supermarket and immediately leased it back to the seller. The 50,700-SF property sold for \$16.6 million, equating to \$327/SF.

## Leasing Market Fundamentals

- Market-wide R&D availability increased to 27.5% this quarter, up from 26.7% in the previous quarter. R&D vacancy also rose, reaching 25.3%, compared to 23.4%.
- On the North Peninsula, the industrial market availability rate edged up in the fourth quarter of 2024 to 7.5%, compared to 7.4% in the prior quarter. Market-wide industrial vacancy declined to 5.7%, down from 5.8%. The fourth quarter marked the first quarter since the end of 2023 that the vacancy rate decreased quarter-over-quarter.
- The region’s R&D pipeline includes 3.85 million SF of under-construction product, with 16.0% already preleased. The industrial construction pipeline remains inactive

## Outlook

- Industrial and R&D sales volume in the fourth quarter rose to \$46.3 million, representing a 51.8% quarter-over-quarter and 9.3% year-over-year increase. Lower borrowing costs following late-2024 interest rate cuts supported the rebound in sales volume, while indications of future reductions bolster investor confidence and momentum heading into 2025.
- The Federal Reserve’s dovish stance on interest rates, declining submarket asking rents, and increasing concessions offered by landlords are expected to further drive leasing activity and strengthen market fundamentals moving forward.

1. Economy
2. Industrial Leasing Market Fundamentals
3. R&D Leasing Market Fundamentals
4. Appendix / Tables

---

4Q24

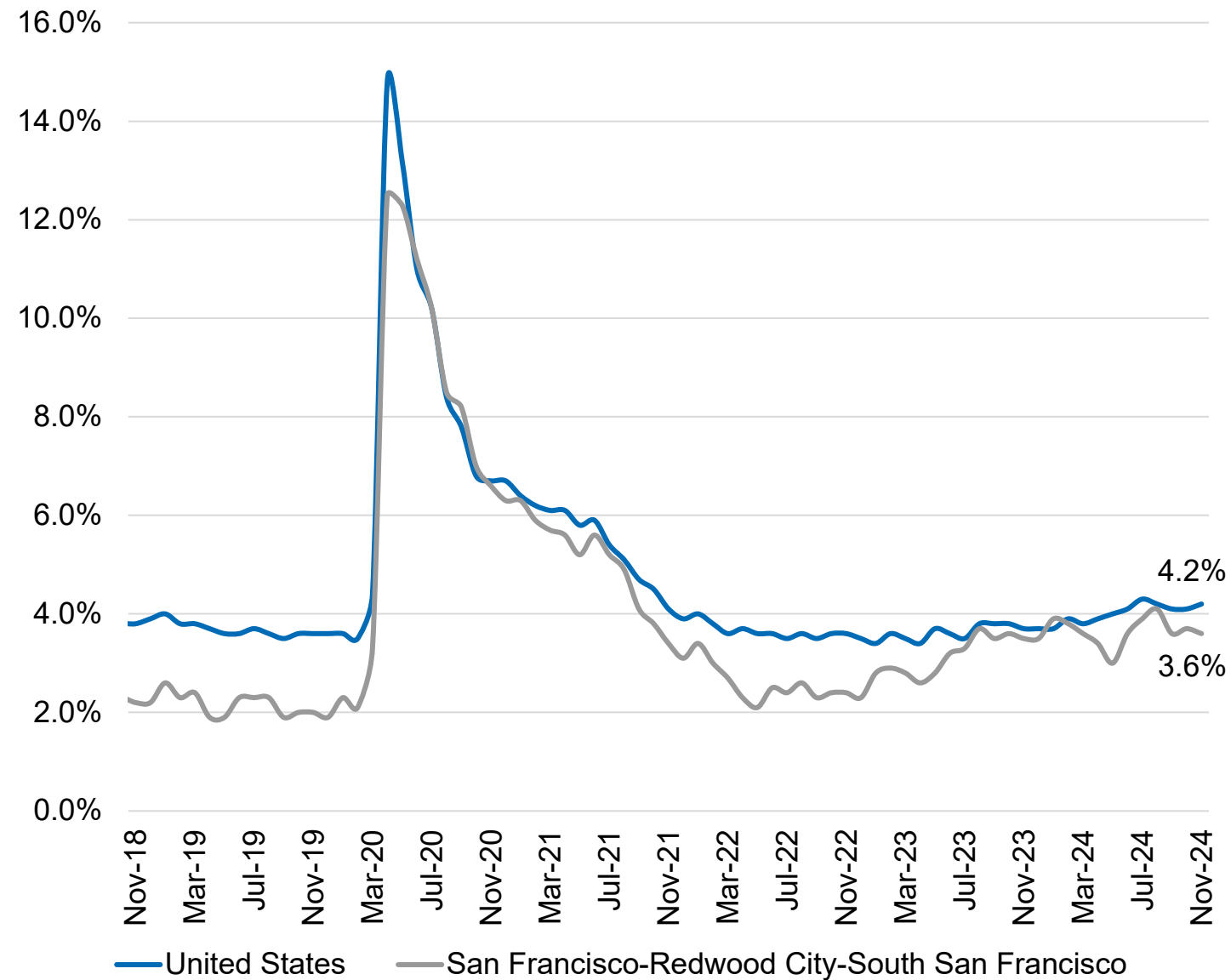
# Economy



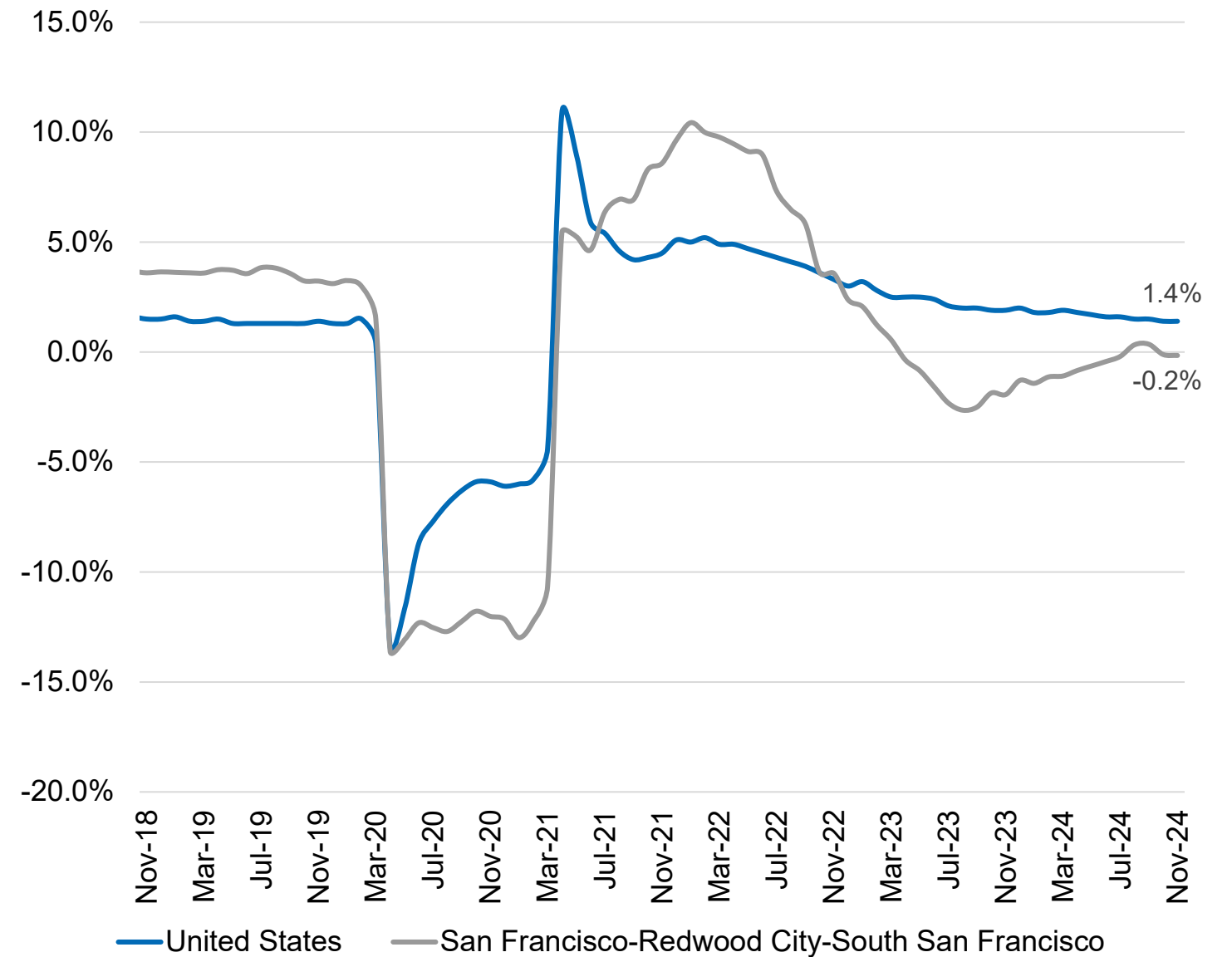
# Regional Unemployment Remained Below National Level

The region's unemployment rate declined to 3.6%, a 50-basis-point drop since August. Nonfarm employment in the area saw a slight decline, while national growth continued to slow. Total nonfarm employment in the region has decreased by 2.5% since November 2022.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

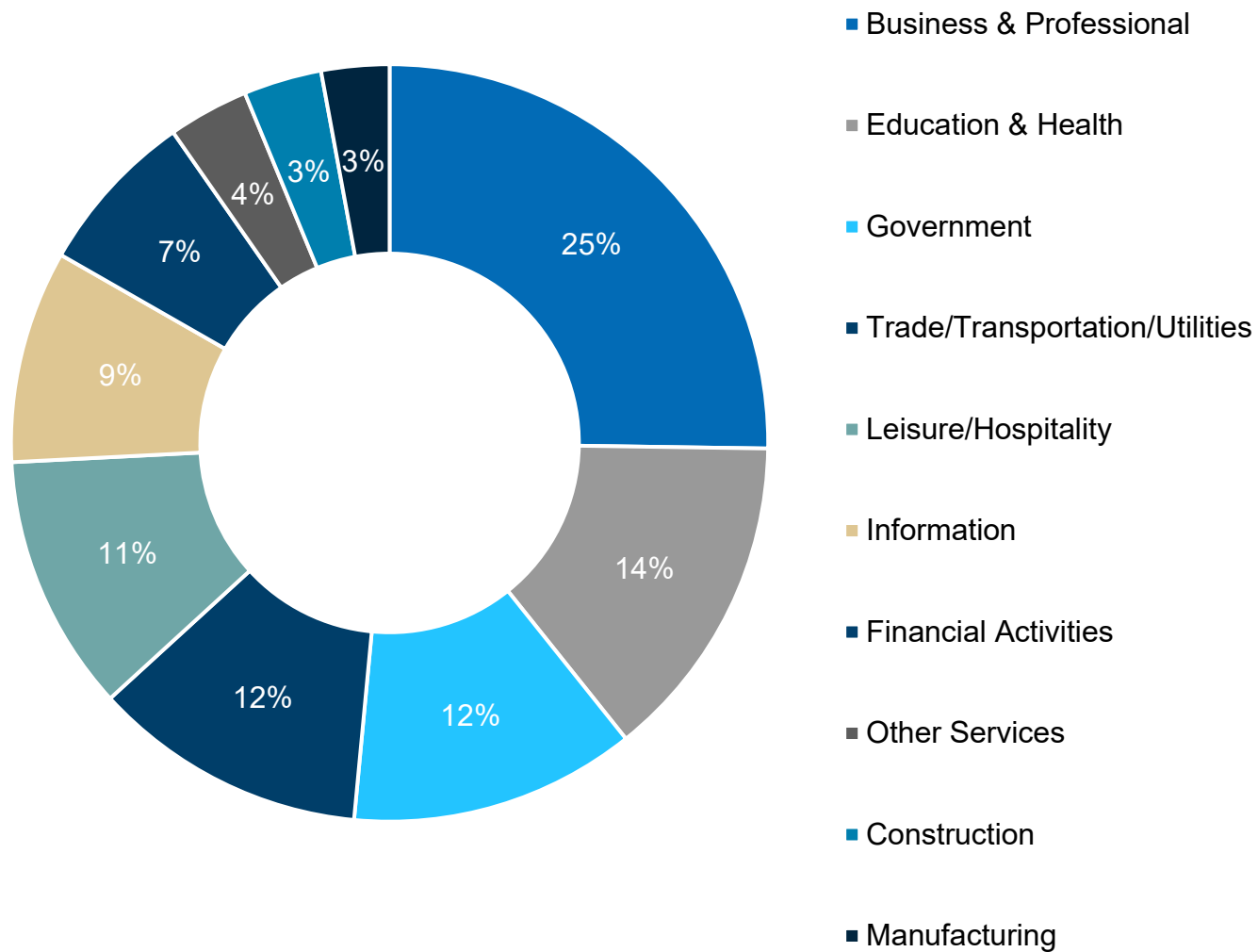


Source: U.S. Bureau of Labor Statistics and St. Louis FRED, San Francisco-Redwood City-South San Francisco, November Data is Preliminary

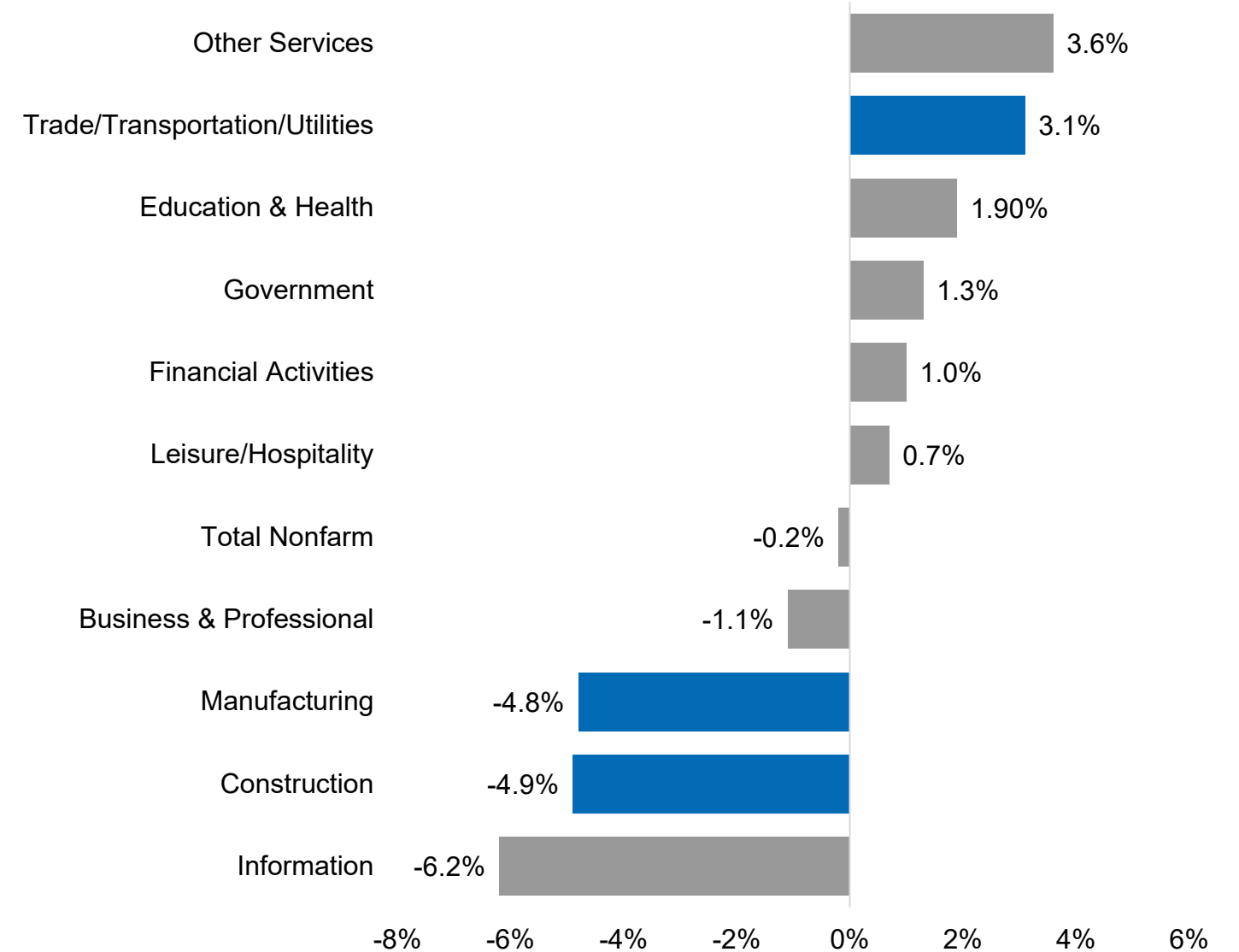
# Employment Up in Trade/Transportation/Utilities

Other Services, Trade, Transportation, and Utilities, along with Education and Health, recorded the largest year-over-year employment gains. While there were job losses in the Manufacturing and Construction sectors, the impact was minimal as these sectors make up just 6.2% of the total market.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024



Source: U.S. Bureau of Labor Statistics, San Francisco-Redwood City-South San Francisco November Data is Preliminary

---

4Q24

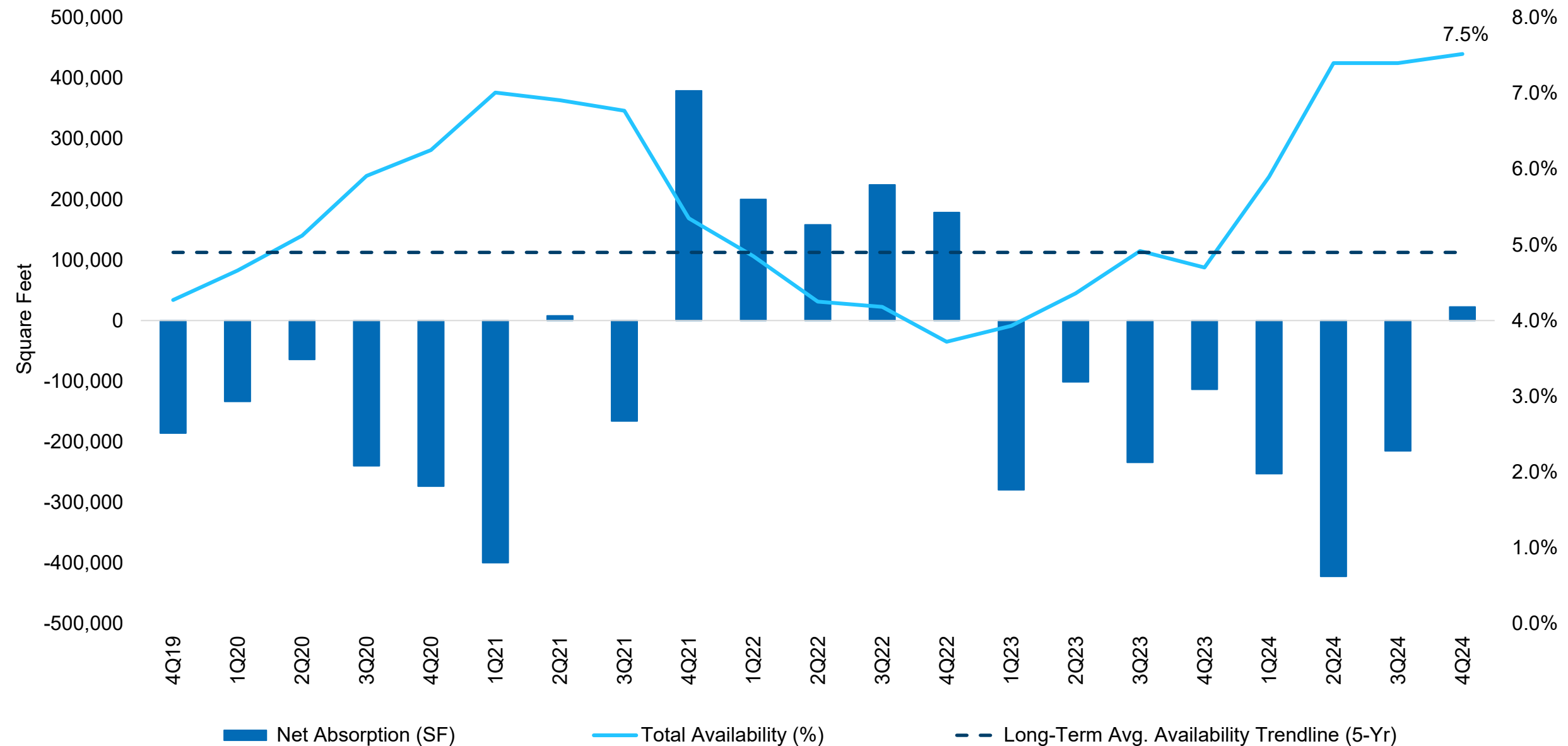
# Industrial Leasing Market Fundamentals



# Industrial Market Recorded Positive Net Absorption

After seven consecutive quarters of negative net absorption, the North Peninsula industrial market posted 22,000 SF of positive net absorption in the fourth quarter of 2024, a notable improvement from negative 215,000 SF in the previous quarter. Market-wide industrial availability edged up to 7.5% this quarter, compared to 7.4% in the prior quarter and 4.7% one year ago.

## Historical Net Absorption, and Availability



Source: Newmark Research, CoStar



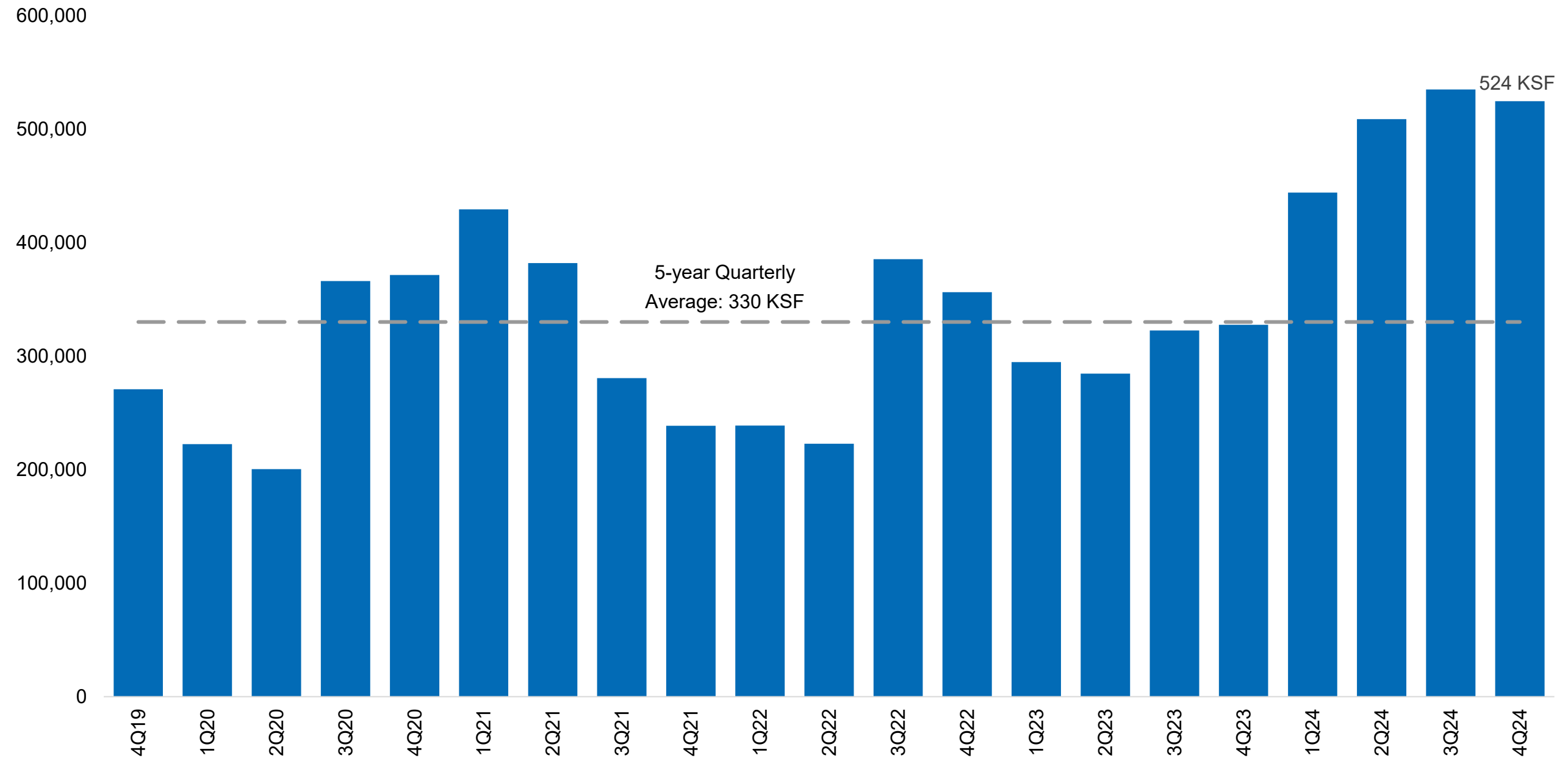


Please reach out to your  
Newmark business contact for this information

# Industrial Sublease Consolidated Near Peak Highs

Industrial sublease availability totaled 524,000 SF in the fourth quarter, a slight decrease from the previous peak of 535,000 SF in the prior quarter. However, sublease availability remained significantly above the five-year average of 330,000 SF.

Available Industrial Sublease Volume (SF)



Source: Newmark Research, CoStar

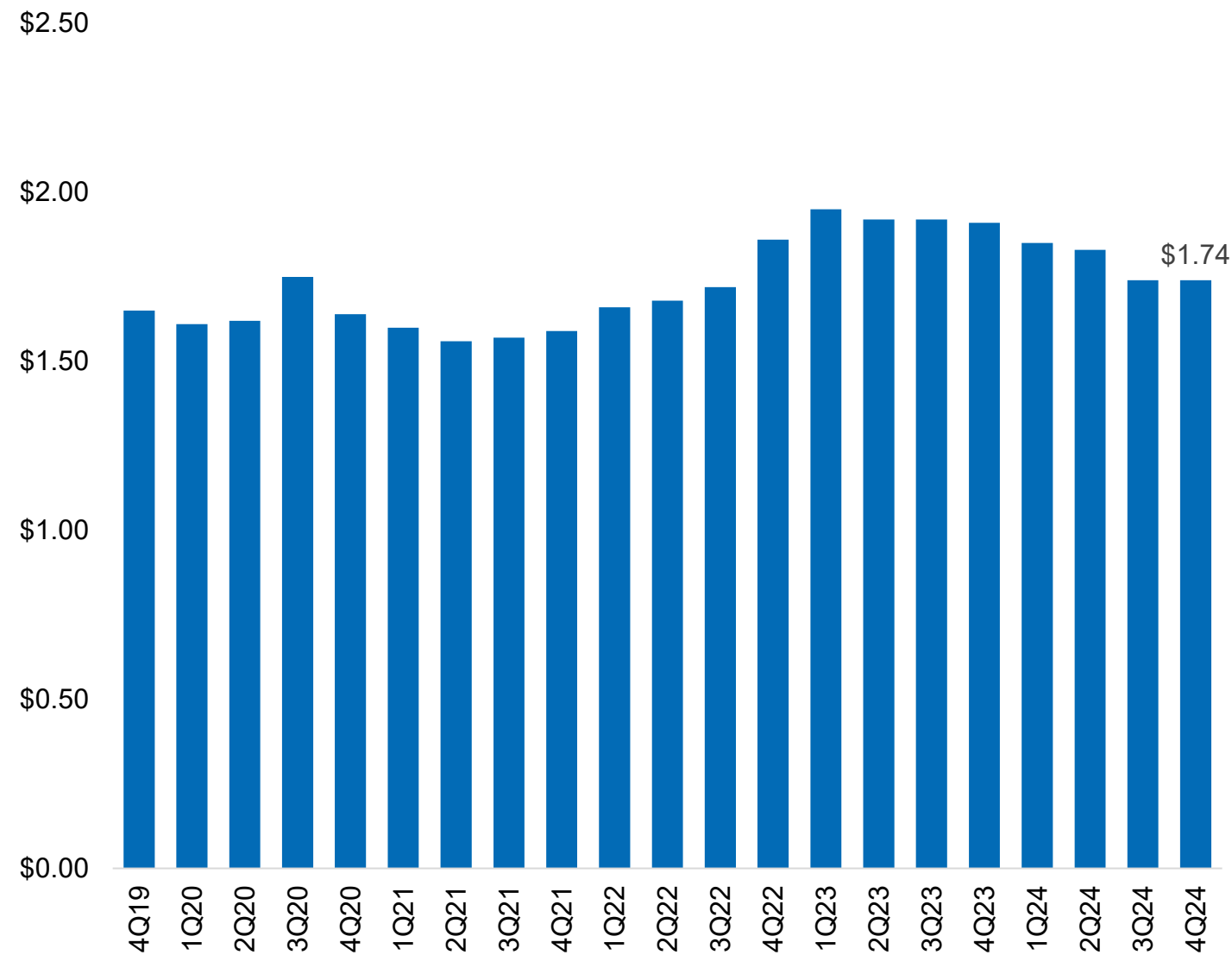


Please reach out to your  
Newmark business contact for this information

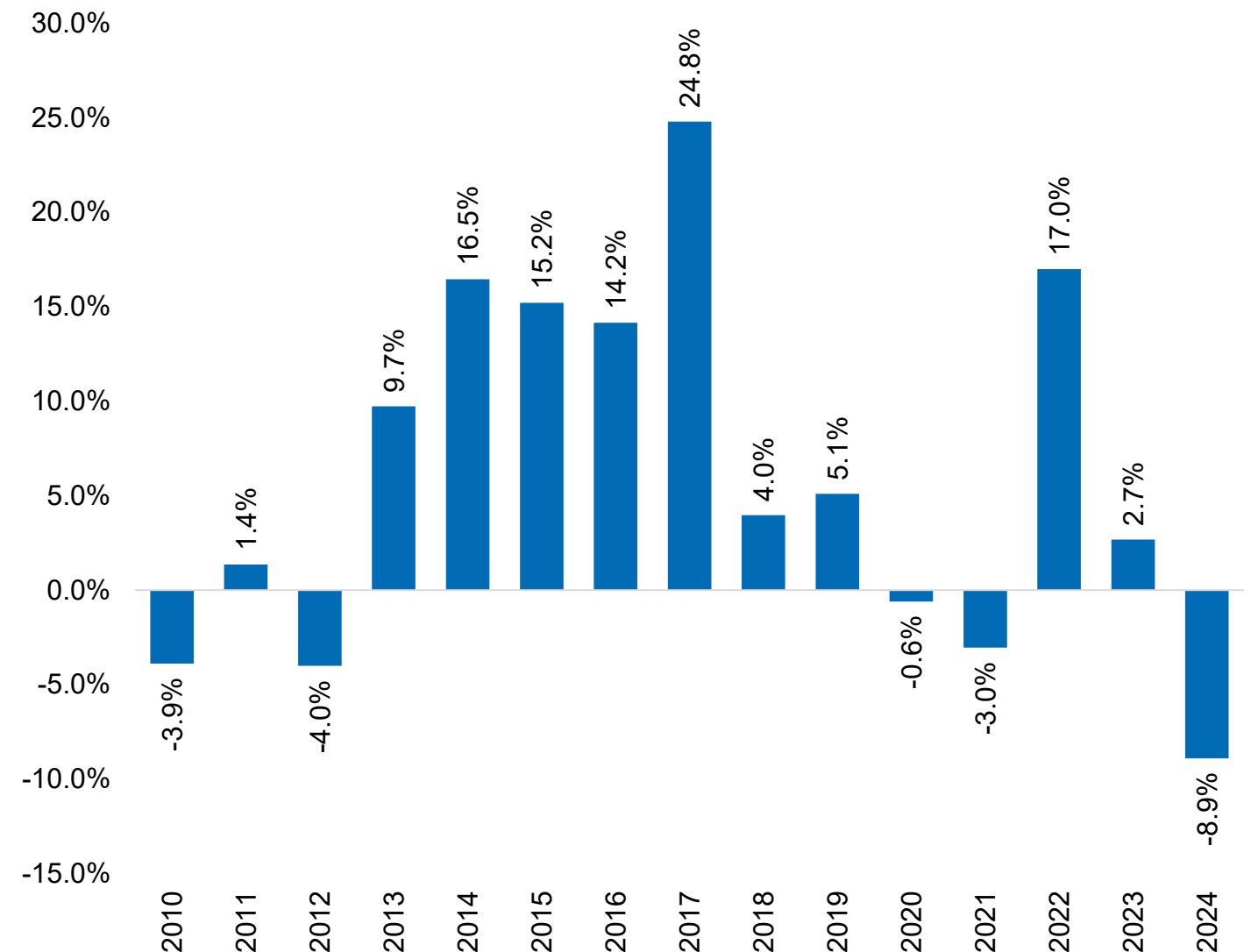
# Industrial Average Rents Unchanged in 4Q24

The overall average asking rate for industrial space on the North Peninsula held steady at \$1.74/SF in the fourth quarter; however, the rate is down 8.9% year-over-year. Softer demand and elevated sublease availability continue to drive the regional decline in average asking rates.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

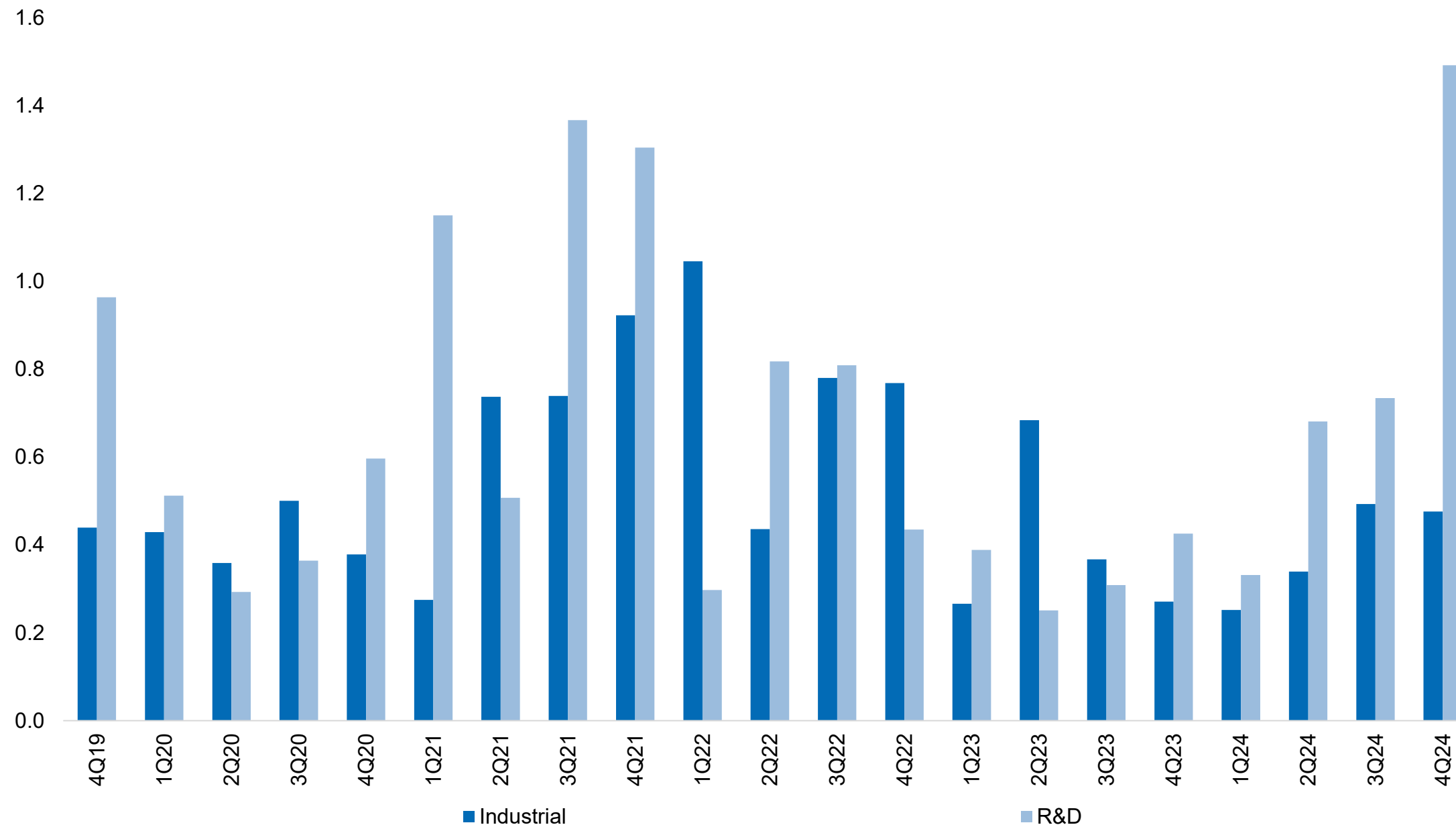


Please reach out to your  
Newmark business contact for this information

# R&D Leasing Surges Upward While Industrial Takes a Slight Step Back

R&D leasing activity surged to 1,492,000 SF this quarter, up from 734,000 SF in the previous quarter and significantly higher than 271,000 SF one year ago. Industrial leasing, meanwhile, declined slightly to 476,000 SF this quarter, down from 493,000 SF in the prior quarter but still up from 271,000 SF one year ago.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

4Q24

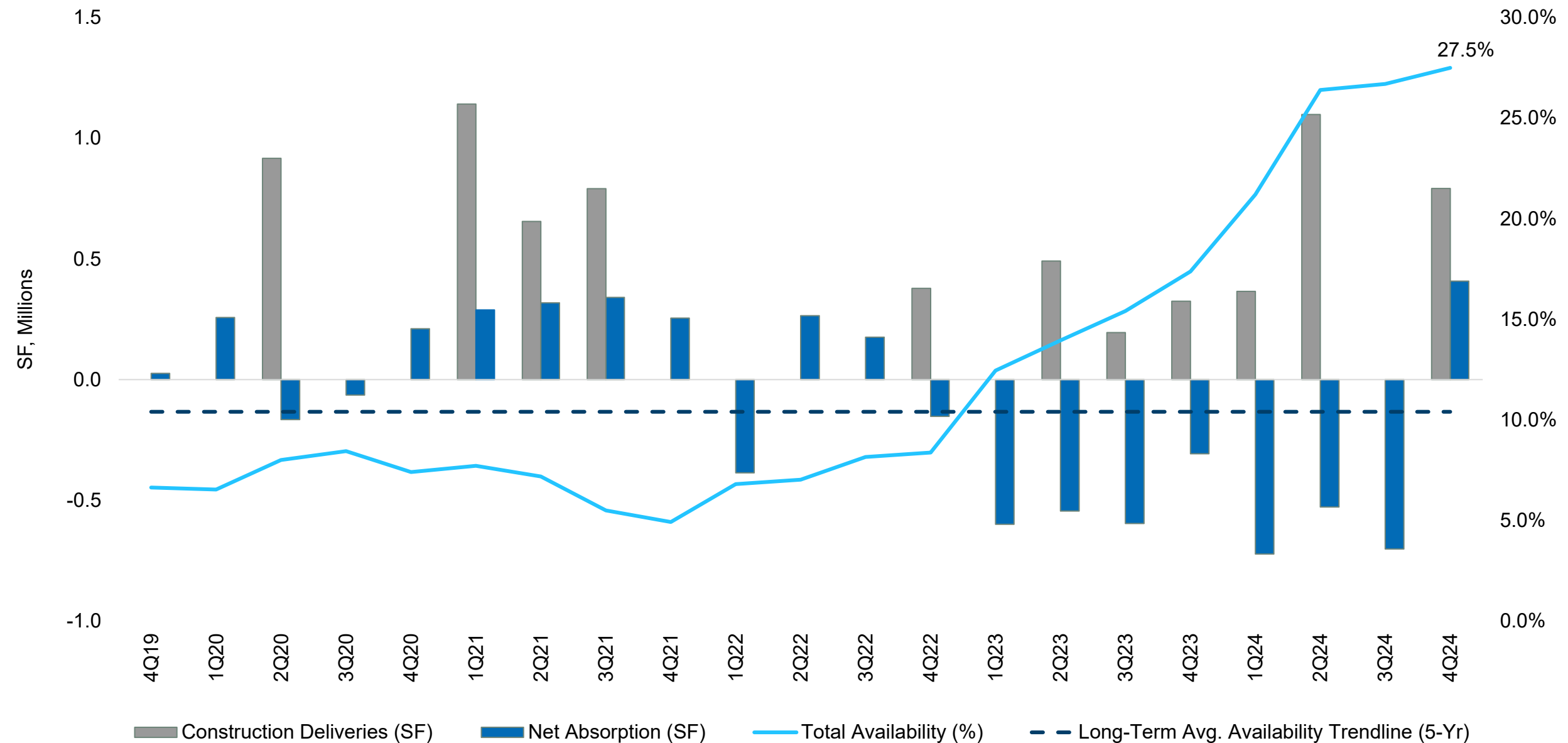
# R&D Leasing Market Fundamentals



# R&D Market Records Positive Net Absorption

After eight consecutive quarters of negative net absorption, the North Peninsula R&D market posted 408,000 SF of positive net absorption in the fourth quarter of 2024, a substantial recovery from negative 701,000 SF in the prior quarter. R&D availability reached a new record high of 27.5%, up slightly from 26.7% last quarter and significantly higher than 17.4% one year ago.

## Historical Construction Deliveries, Net Absorption, and Availability



Source: Newmark Research, CoStar



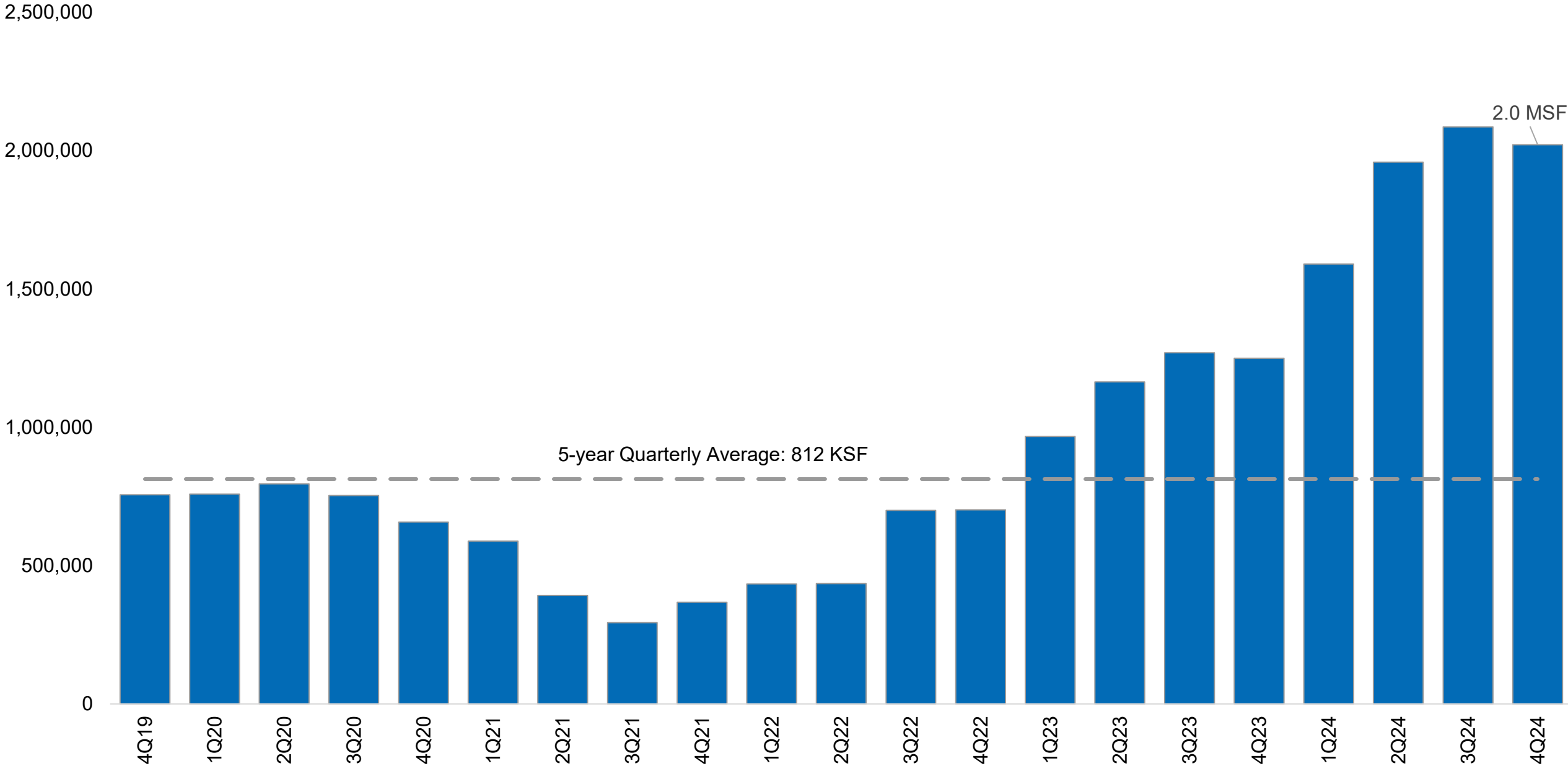


Please reach out to your  
Newmark business contact for this information

# Sublease Availability Stabilizes in the Fourth Quarter

R&D sublease availability decreased to 2.02 million SF in the fourth quarter, down from 2.08 million SF in the prior quarter but up from 1.24 million SF one year ago.

Available R&D Sublease Volume (SF)



Source: Newmark Research, CoStar

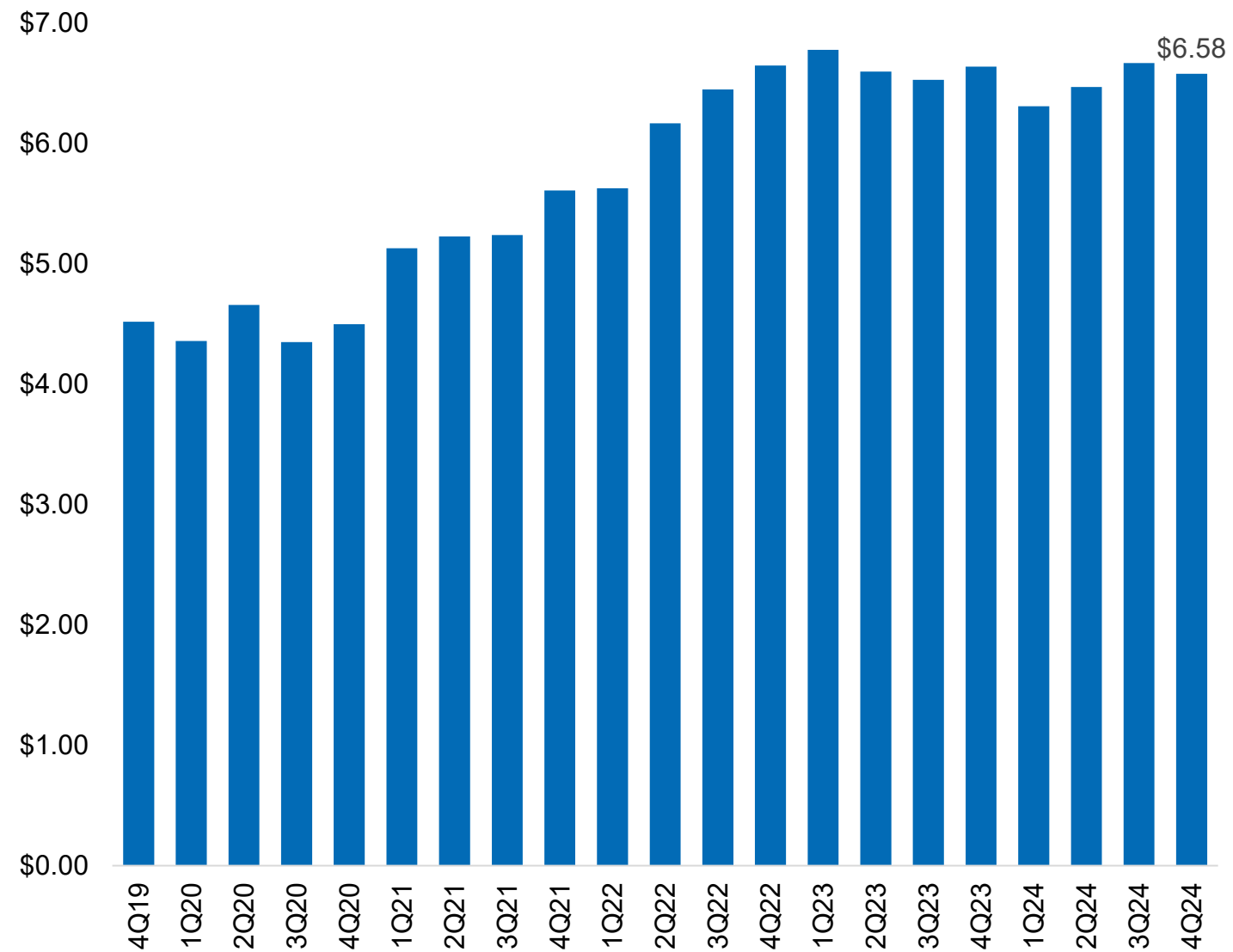


Please reach out to your  
Newmark business contact for this information

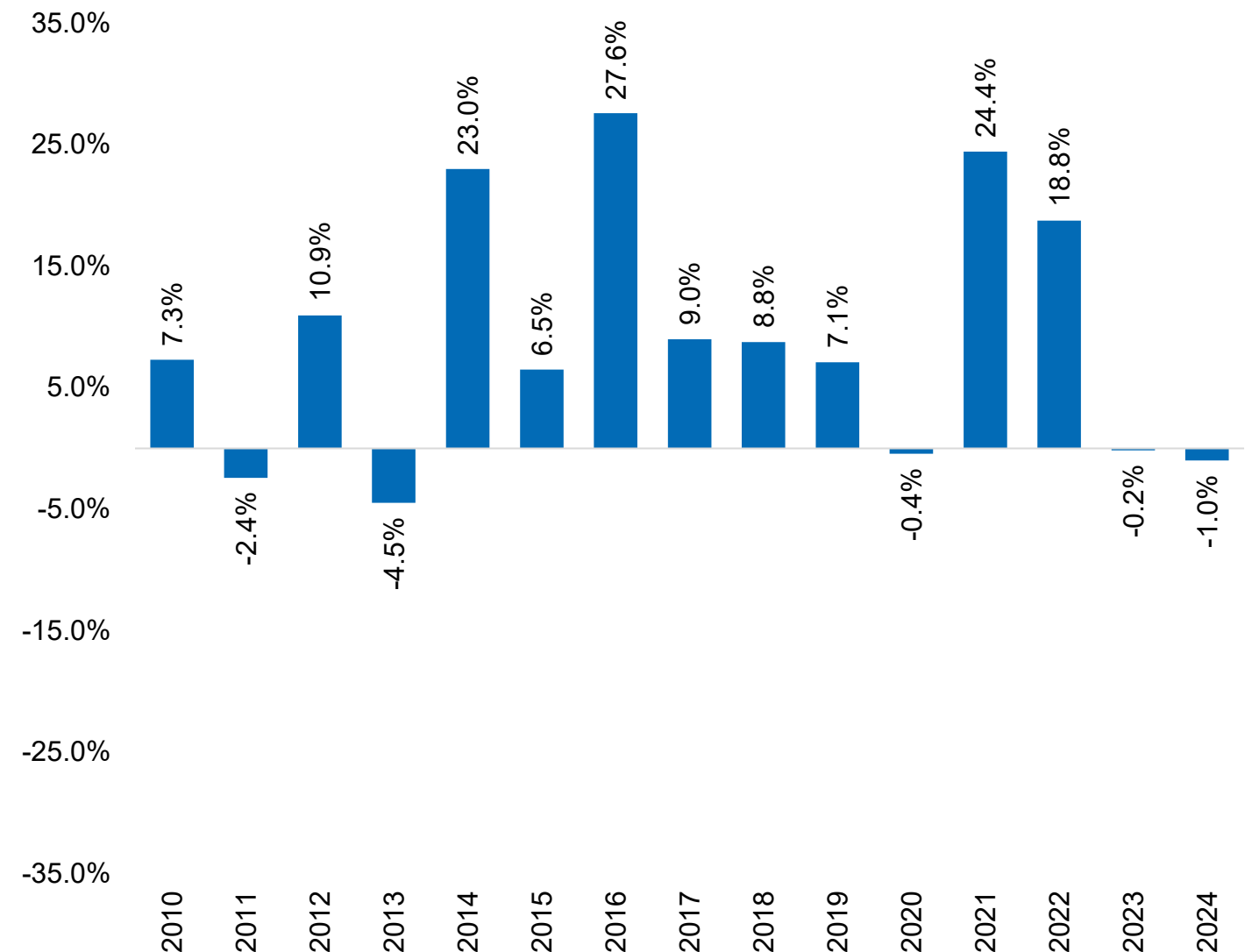
# Overall R&D Asking Rent Decreased

The overall average asking rate for R&D space on the North Peninsula declined to \$6.58/SF in the fourth quarter of 2024, down from \$6.67/SF in the previous quarter. The average rate has decreased by 1.0% year-over-year.

R&D Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

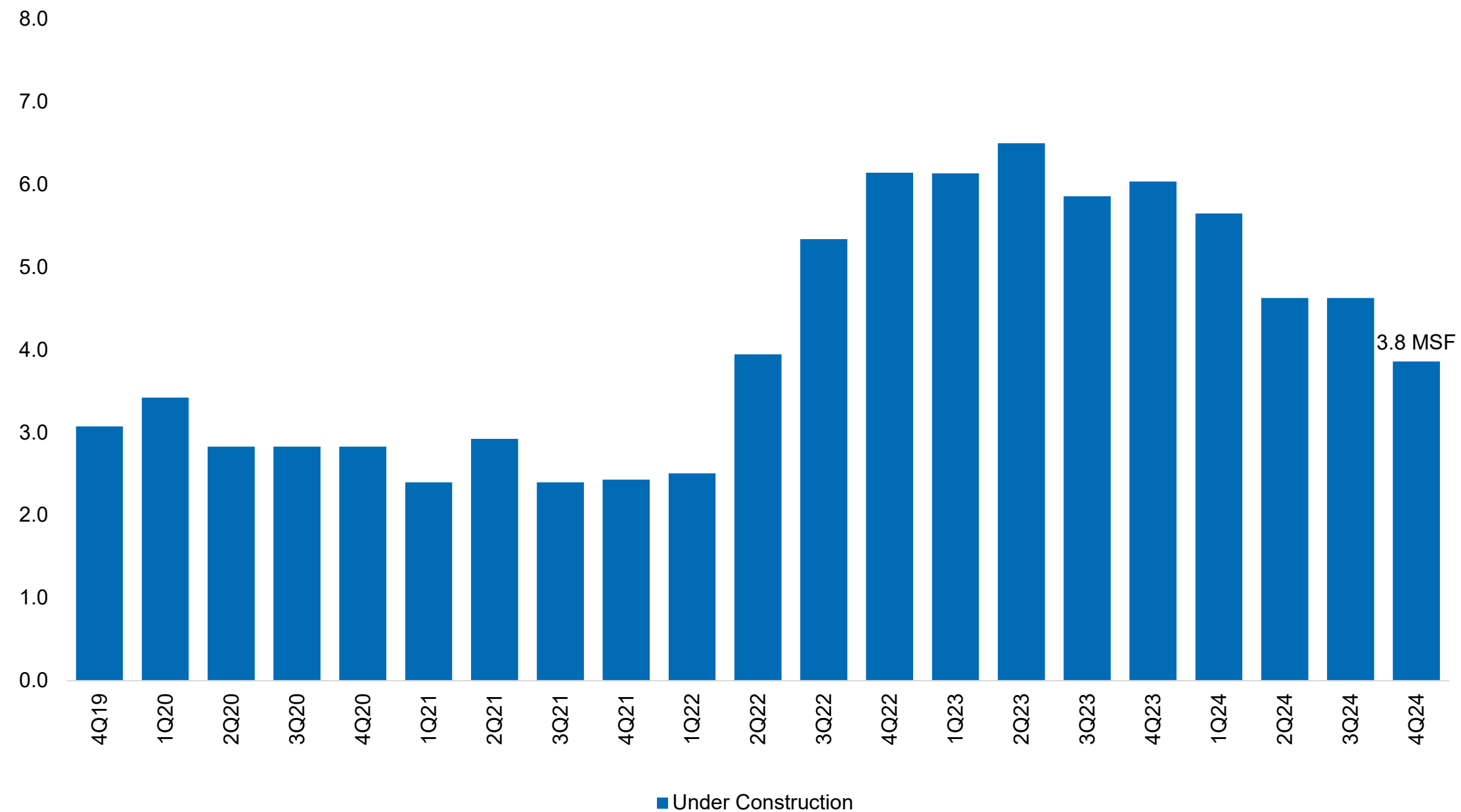


Please reach out to your  
Newmark business contact for this information

# R&D Construction Pipeline Leveled Off

The R&D construction pipeline decreased in the fourth quarter of 2024, totaling 3.85 million SF, with 16.0% preleased. The quarter's most notable delivery was The Landing project in Burlingame, comprising 503,500 SF across two buildings.

## R&D Under Construction (MSF)



Source: Newmark Research, CoStar

# Notable 4Q24 Lease Transactions

This quarter recorded four industrial transactions of 20,000 SF or more, down from seven in the previous quarter. In the R&D sector, 14 transactions of 20,000 SF or more were completed, up from 13 in the prior quarter.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Vaxcyte <i>Clinical-stage biotechnology vaccine company Vaxcyte completed the largest deal of the quarter, renewing their 113,066-square foot lease on the first, second, and third floor at 825 Industrial Road while also expanding into an additional 145,515 square feet on floors four, five, and six. Total square feet transacted from this deal was 258,581 SF.</i>	Alexandria District for Science & Technology 825 Industrial Rd.	San Carlos	Lease Renewal/Expansion	258,581
Genentech <i>Genentech completed the second-largest deal of the quarter, renewing their 230,592-square foot lease at 751 Gateway Blvd. in South San Francisco.</i>	751 Gateway Blvd.	South San Francisco	Lease Renewal	230,592
Cellares <i>Cell development and manufacturing company Cellares leased 1100 &amp; 1200 Veterans Blvd. in South San Francisco for 205,135 square feet for the third-largest deal of the quarter.</i>	Portside at Oyster Point 1100 & 1200 Veterans Blvd.	South San Francisco	Direct Lease	205,135
GreenLeaf Produce Company <i>Food distribution company GreenLeaf completed the fourth-largest deal of the quarter, renewing their 112,326-square foot lease at 453 Valley Drive in Brisbane.</i>	453 Valley Dr.	Brisbane	Lease Renewal	112,326
Confidential Tenant <i>The fifth-largest deal of the quarter was made by a confidential tenant that expanded into an additional 109,082 square feet in the ELCO Yards project in Downtown Redwood City.</i>	1300 Main St. (ELCO Yards- The Shop)	Redwood City	Lease Expansion	109,082

---

4Q24

## Appendix / Tables







Please reach out to your  
Newmark business contact for this information



Please reach out to your  
Newmark business contact for this information

---

*For more information:*

**Chris Teranishi**

*Senior Market Analyst*

*North Peninsula Research*

Chris.Teranishi@nmrk.com

**Newmark San Mateo**

2950 South Delaware Street

Suite 125

San Mateo, CA 94403

t 650-341-5800

Corporate CA RE #: 00832933

**[nmrk.com](http://nmrk.com)**

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nmrk.com/insights](http://nmrk.com/insights).

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

**NEWMARK**

**NEWMARK**