

MARKET FUNDAMENTALS

	YOY Chg	Outlook
20.6% Vacancy Rate	▼	▼
821K YTD Net Absorption, SF	▲	▲
\$5.87 Asking Rent, PSF (Overall, All Property Classes)	▼	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
419K San Mateo County Employment*	▲	▲
3.6% San Mateo County Unemployment Rate*	▼	▲
4.2% U.S. Unemployment Rate	▼	▲

Source: BLS
*Q3 2026 figures are latest available data

ECONOMY: SAN MATEO EMBRACING TECH AND AI DEMAND

San Mateo County office-sector employment rose slightly year-over-year (YOY) to 418,500 jobs. Total nonfarm employment increased by 5,900 jobs (1.4%) while the unemployment rate fell 40 basis points (bps) to 3.6%. Venture capital funding declined from the second quarter but was still a healthy \$3.4 billion (B) across 101 deals. Deals for the year totaled \$11.8B, already surpassing 2025 at \$10.4B and only trails the 2021 record high of \$20B.

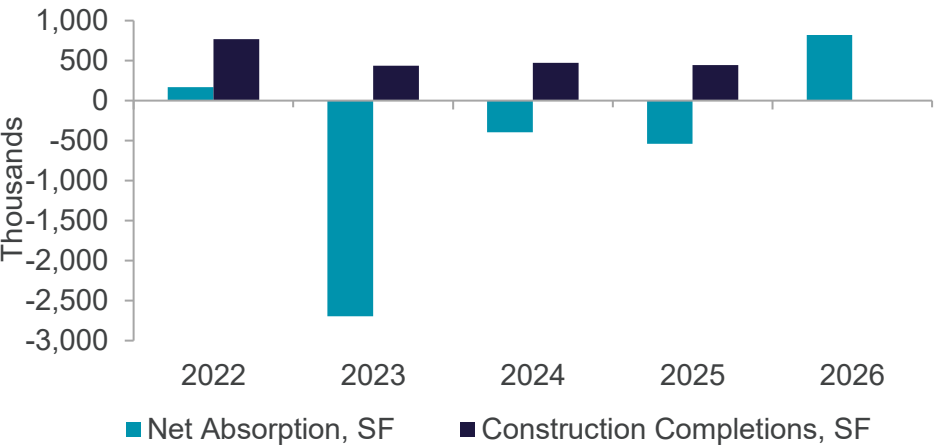
SUPPLY: FUTURE MOVE-INS POINT TO LOWER VACANCY

San Mateo County's combined office and R&D vacancy rate declined in the third quarter, falling 40 basis points (bps) quarter-over-quarter to 20.6%. South San Mateo County was the exception, with vacancy rising 60 bps to 22.2%, while North County and Central County posted declines of 260 bps to 15.7% and 30 bps to 21.5%, respectively. Vacancy across these submarkets has fallen over the past year, driven by sizable move-ins tied to increased leasing activity. Over 1.5 million square feet (msf) of scheduled move-ins over the next year made up of over 70% of technology and life sciences tenants would decrease the County's vacancy to 16.8%, a positive outlook in lockstep with the strong demand for office and R&D space. R&D vacancy closed the quarter at 7.5%, an increase of 80 bps quarter-over-quarter. The county has a limited supply of R&D buildings that fit the requirements for the robotics and AI industry; nearly all buildings are leased that offer a mix of office, R&D, power, docks and parking.

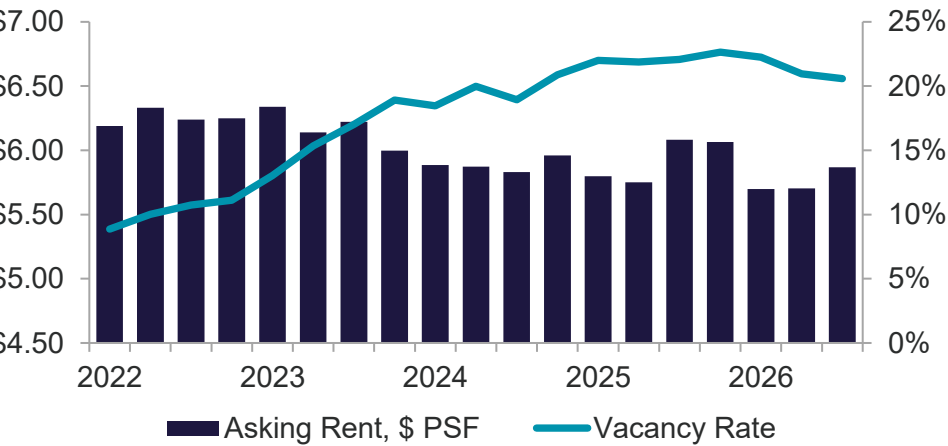
PRICING: CLASS A RENTS INCREASE IN SELECT MARKETS

The San Mateo County overall asking rent jumped up to \$5.87 per square foot (psf) on a monthly, full-service basis, from \$5.70 psf the previous quarter though \$0.47 below the peak of \$6.34 psf in the first quarter of 2023. Premium space has elevated rents in Class A and downtown markets. The Class A overall and direct asking rent was \$6.35 psf and \$6.53 psf, respectfully, with Redwood City and Menlo Park recording the highest figures. With limited new construction in sight, rents in suburban markets will remain competitive, led by leasing demand from AI and other tech verticals.

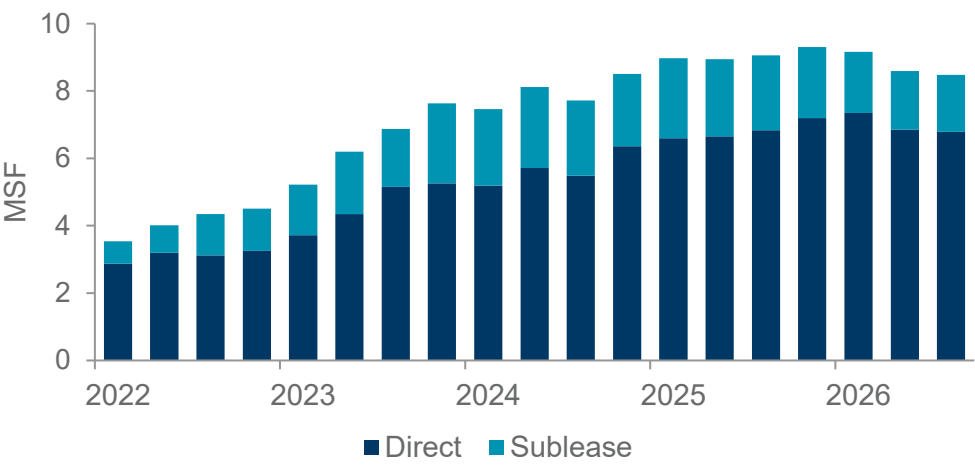
SPACE DEMAND / DELIVERIES



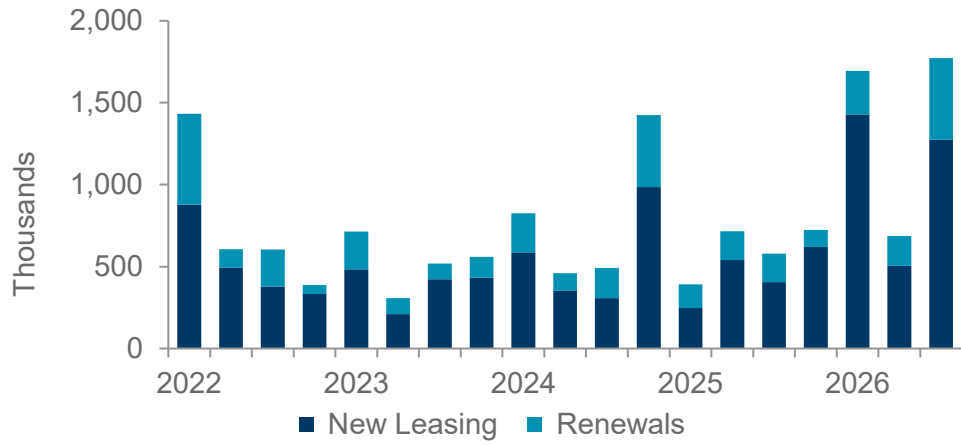
OVERALL VACANCY & ASKING RENT



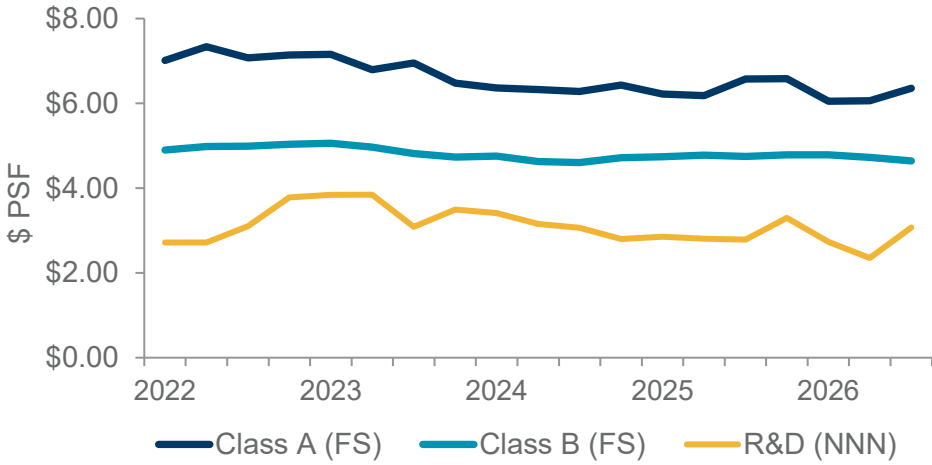
DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



LEASING ACTIVITY



OVERALL ASKING RENT COMPARISON



DEMAND: LEASING HIGHEST SINCE THE FIRST QUARTER OF 2019

Leasing activity finished the third quarter at 1.8 msf, the highest since the first quarter of 2019 or 29 quarters ago. North, Central and South San Mateo captured total leasing at 10%, 21% and 69%, respectively. The third quarter had 13 transactions over 20,000 sf, accounting for 80.2% of total leasing by square footage. The technology sector commanded leasing at over 900,000 sf or 51% of total leasing, with 33% of those being AI companies. Activity was led by Revolution Medicines taking four buildings totaling 660,000 sf at Pacific Shores Center in Redwood City that Google owns and previously occupied. Box renewed for over 240,000 sf at 900 Jefferson in downtown Redwood City and Skydio signed a short-term renewal at Clearview Business Park in San Mateo before a scheduled residential redevelopment. The AI and robotics sectors totaled nearly 200,000 sf and averaged 16,400 sf; the top five deals were Skydio, Sunday AI, DataologyAI, Diffusion AI, and Skild AI.

AI sector demand for space through the three quarters of 2026 totaled over 1.1 msf averaging 24,800 sf with all being new leases. Typical deals have involved small to mid-size startups or maturing companies expanding within the market. Since 2024, there have been over 125 deals surpassing 1.9 msf. Additional demand is on the horizon, with 3.9 msf of tenant requirements in search of space throughout the market.

Overall net absorption was positive 109,074 sf for the quarter, down from 494,515 sf in the second quarter[RS1.1]. North San Mateo County accounted for the bulk of absorption at 201,329 sf, followed by Central San Mateo County at 42,931; both regions benefitted from large tenant move-ins and strong leasing over the past three quarters. R&D net absorption was negative 63,824 sf, with move-outs concentrated primarily in Redwood City.

SALES: SEASONED OWNERS SCOOP UP QUALITY OFFICES

Office investment sales remained active during the third quarter, led by Shorenstein Properties' \$84.1 million acquisition of 550 Allerton Street, or approximately \$1,097 psf, through a debt assumption and sale, and Invesco Advisers' \$62.2 million purchase of 1400 Veterans Boulevard, or approximately \$995 psf. The County of San Mateo acquired 1065 Hillsdale Boulevard, E. in San Mateo for \$28.9 million or \$250 psf to be an owner-user. Activity remains highly selective, with buyers favoring strong locations, quality, and leasing potential, while value-add buyers continue to target assets available at discounted pricing.

OUTLOOK

- With the uptick in leasing by AI and professional services companies, vacancy is expected to fall in select markets. Tenants will continue to right-size into smaller upgraded space; no new deliveries are currently planned for the year.
- Rents are showing signs of stabilizing due to increased activity, though increases will be focused on premium space due to the ongoing flight to quality.
- Venture capital will remain a positive for the market as this funding has led to growth and increased leasing activity from start-ups.
- Tenant demand hits 5 msf with over half in negotiations; technology and hardware sectors account for 86% of total demand and will continue to be leaders seeking to enter the market or grow within.

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	13,901	2.4%	0	3,349	4,518	0	\$3.03	N/A
Brisbane	495,595	20,116	116,566	27.6%	26,300	12,935	26,300	0	\$4.75	\$4.75
S. San Francisco	2,144,397	8,947	312,023	15.0%	54,748	104,785	169,120	0	\$4.52	\$4.75
San Bruno/Millbrae	1,944,890	17,458	62,179	4.1%	3,313	-5,362	5,796	0	\$5.66	\$8.95
Burlingame	3,647,915	556,708	280,141	22.9%	116,968	-480,374	200,507	0	\$4.72	\$7.23
NORTH COUNTY TOTALS	8,814,947	603,229	784,810	15.7%	201,329	-364,667	406,241	0	\$4.70	\$5.23
San Mateo	7,499,847	418,562	1,045,483	19.5%	34,166	143,720	933,238	39,296	\$4.96	\$5.46
Foster City	2,607,266	199,566	316,760	19.8%	7,204	221,837	282,542	0	\$5.21	\$5.25
Redwood Shores	4,804,779	79,075	1,143,317	25.4%	1,561	-99,715	189,928	0	\$4.59	\$4.64
CENTRAL COUNTY TOTALS	14,911,892	697,203	2,505,560	21.5%	42,931	265,842	1,405,708	39,296	\$4.85	\$5.05
Belmont/San Carlos	1,867,739	4,607	364,436	19.8%	23,584	43,425	397,611	0	\$5.93	\$7.11
Redwood City	6,633,181	40,810	2,114,724	32.5%	-108,621	193,910	1,702,311	0	\$7.33	\$7.77
Menlo Park	8,986,079	343,291	1,021,042	15.2%	-50,149	682,839	239,599	0	\$7.52	\$8.40
SOUTH COUNTY TOTALS	17,486,999	388,708	3,500,202	22.2%	-135,186	920,174	2,339,521	0	\$7.30	\$8.03
SAN MATEO COUNTY TOTALS	41,213,838	1,689,140	6,790,572	20.6%	109,074	821,349	4,151,470	39,296	\$5.87	\$6.35

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2026

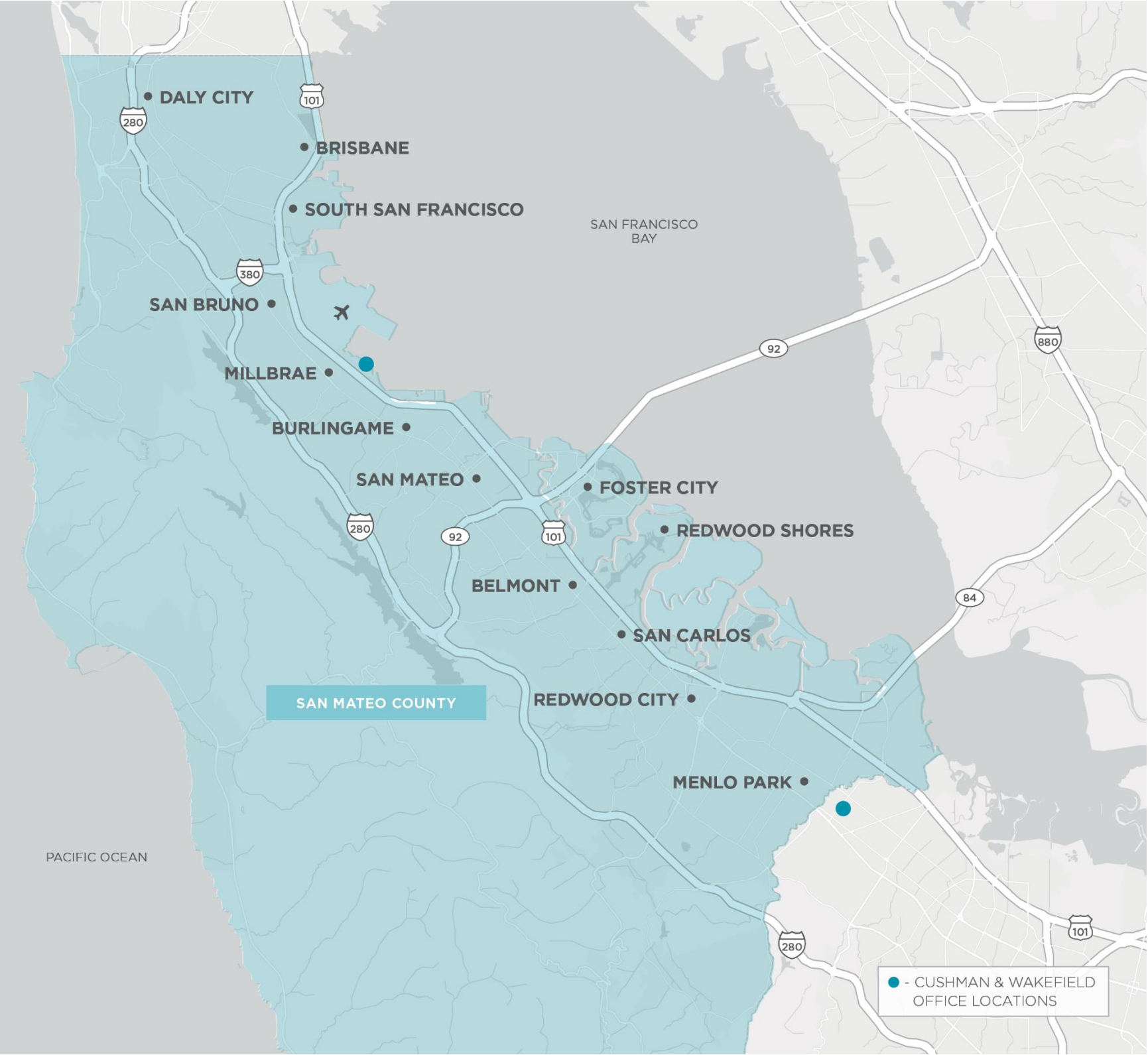
PROPERTY	SUBMARKET	TENANT	SF	TYPE
Pacific Shores Center	Redwood City	Revolution Medicines	665,641	New Lease
900 Jefferson St	Redwood City	Box	242,935	Renewal
Clearview Business Park	San Mateo	Skydio	127,423	Renewal
534 Eccles Ave	South San Francisco	Source Foundry	116,095	New Lease
20 Davis Dr	Belmont	RingCentral	84,148	Renewal
305 Walnut St	Redwood City	Sunday AI	36,411	New Lease
1300 El Camino Real, S.	San Mateo	Shield.ai	34,556	Renewal / Expansion

KEY SALE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
1065 Hillsdale Blvd, E.	Foster City	DivcoWest / County of San Mateo	115,511	\$28.9M / \$250
550 Allerton St*	Redwood City	Premia Capital / Shorenstein Properties	76,649	\$84.1M / \$1,097
100 Redwood Shores Pkwy	Redwood Shores	Office Properties Income Trust / Peninsula Land & Capital	62,721	\$16.5M / \$263
1400 Veterans Blvd	Redwood City	Hunter Properties / Invesco Advisers	62,500	\$62.2M / \$995

*Debt assumption \$56.8M, Sale \$27.3M

OFFICE SUBMARKETS



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