MARKETBEAT

SAN MATEO COUNTY

OFFICE & R&D Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.1% Vacancy Rate	▼	▼
673K YTD Net Absorption, SF	▲	▲
$5.69 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
417K San Mateo County Employment*	▲	▲
3.7% San Mateo County Unemployment Rate*	▼	▼
4.2% U.S. Unemployment Rate	—	▲

Source:BLS

**Q2 2026 figures are latest available data*

ECONOMY: SAN MATEO ON THE COMEBACK

San Mateo County nonfarm employment climbed year-over-year (YOY) to 416,800 jobs, an increase of 4,000 jobs (1.0%) while the unemployment rate fell 20 basis points (bps) to 3.7%. Venture capital funding declined from the first quarter but remained historically strong at $3.9 billion across 106 deals.

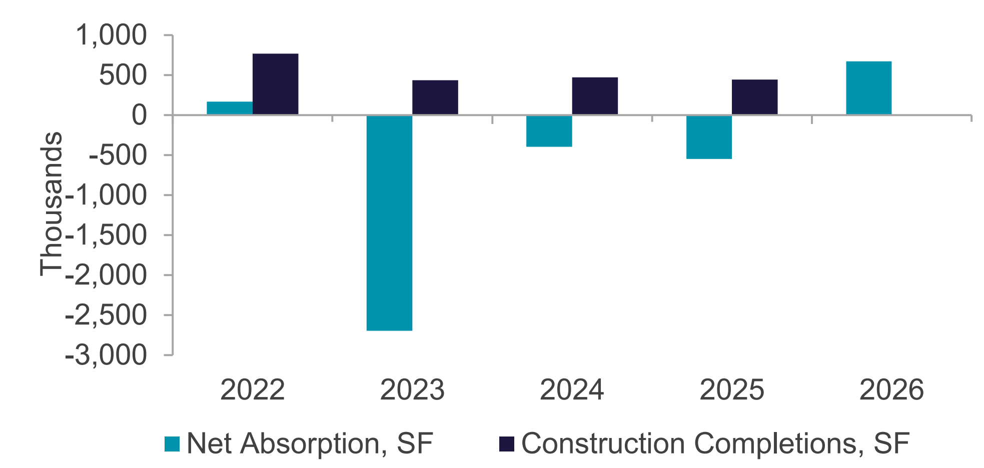
SUPPLY: VACANCY TRENDS DOWN

San Mateo County's combined office and R&D vacancy rate declined significantly in the second quarter, falling 120 basis points (bps) quarter-over-quarter to 21.1%. North San Mateo County was the exception, with vacancy rising 40 bps to 18.4%, while Central County and South County posted declines of 100 bps and 230 bps, to 21.7% and 21.8%, respectively. Vacancy across these submarkets has fallen over the past year, driven by sizable move-ins tied to increased leasing activity and the withdrawal of several large blocks of available space from the market. R&D vacancy, which represents just 4.2% of total vacancy, dropped 200 bps quarter-over-quarter to 6.7%, with nearly all of the decline attributable to direct space in South San Mateo County.

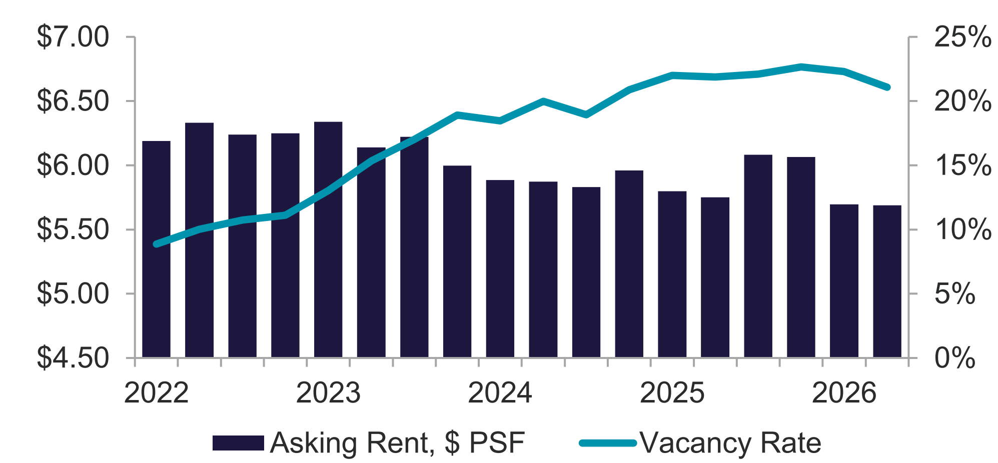
PRICING: STEADY RENTS

The San Mateo County overall asking rent held steady at $5.69 per square foot (psf) on a monthly, full-service basis, from $5.70 psf the previous quarter though $0.65 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 asking rent was $6.04 psf, down $0.01 from the prior quarter and $0.14 YOY. With limited new construction in sight, rents in suburban markets will remain competitive, led by leasing demand from AI and other tech verticals.

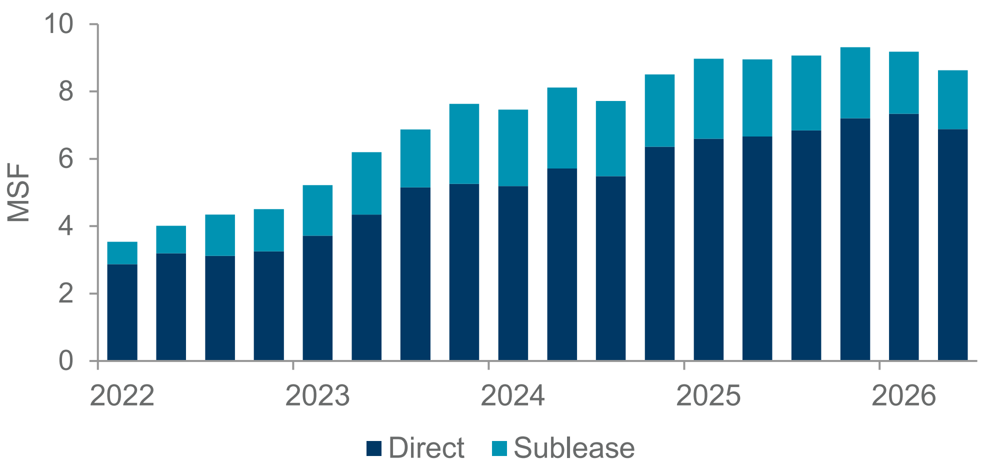
SPACE DEMAND / DELIVERIES



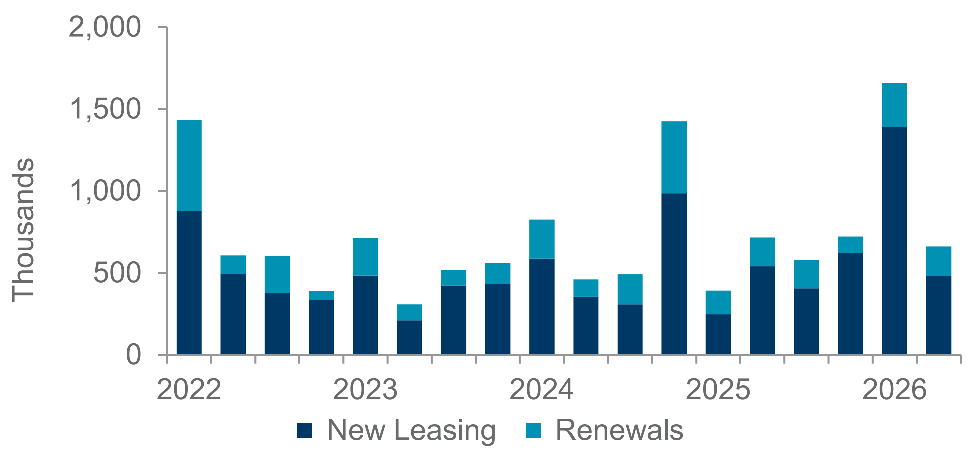
OVERALL VACANCY & ASKING RENT



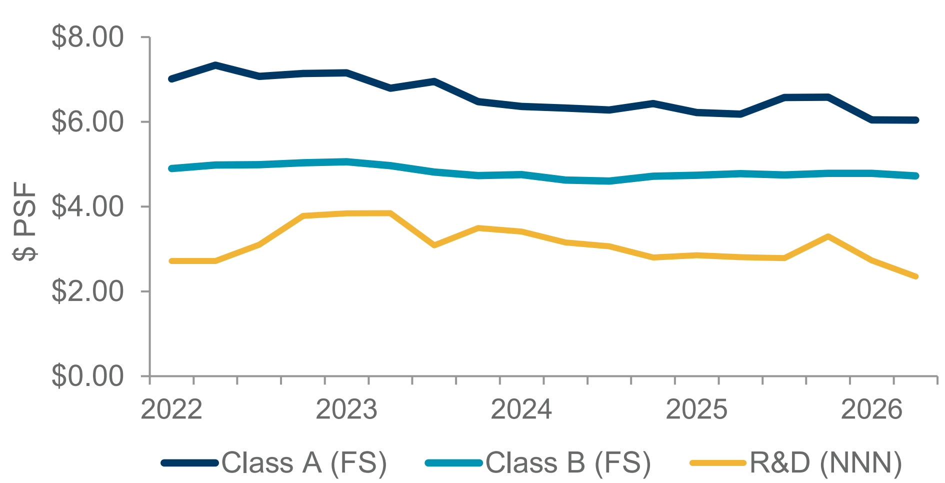
DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



LEASING ACTIVITY



OVERALL ASKING RENT COMPARISON



DEMAND: AI START-UPS & PROFESSIONAL SERVICES GROW

Leasing activity finished the second quarter at a modest 660,351 square feet (sf), of which 73% were new deals. North, Central and South San Mateo captured total leasing at 10%, 48% and 42%, respectively. The second quarter had eight transactions over 20,000 sf, accounting for 43% of total leasing. The technology sector commanded leasing at nearly 240,000 sf or 40% of total leasing followed by professional service at over 170,000 sf or 29%. Activity was led by a confidential tenant subleasing 52,642 sf at 1051 Hillsdale Boulevard, East in Foster City. Sunday AI, a robotics company, has grown its footprint by leasing 52,000 sf at 305 Walnut Street in Redwood City. Rounding out the top three, Freshfields renewed and expanded its space at 855 Main Street in Redwood City for 51,300 sf. While total leasing was significantly down from last quarters blockbuster 1.7 million square feet (msf), San Mateo County is on track to record the strongest annual leasing activity since 2019; the average since then has been 2.7 msf.

AI sector demand for space slowed in the second quarter with almost 180,000 sf across 12 deals. Through the first half of 2026, AI leasing totaled over 700,000 sf averaging 23,700 sf with almost 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 93 deals surpassing 1.3 msf. Additional demand is on the horizon, with 1.4 msf of tenant requirements in search of space throughout the market.

Overall net absorption was positive 464,261 sf for the quarter, up from 209,033 sf in the first quarter. South San Mateo County accounted for the bulk of absorption at 391,139 sf, followed by Central San Mateo County at 102,204; both regions benefitted from large tenant move-ins and space withdrawn from the market. R&D net absorption was positive 107,511 sf, with move-ins concentrated primarily in Redwood City.

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.

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%	348	3,349	4,518	0	$3.03	N/A
Brisbane	495,595	20,116	142,866	32.9%	3,802	-13,365	26,300	0	$4.68	$4.68
S. San Francisco	2,028,302	40,362	343,340	18.9%	-3,943	42,053	13,055	0	$4.51	$4.70
San Bruno/Millbrae	1,944,890	17,458	65,492	4.3%	-4,513	-8,675	3,313	0	$5.66	$8.95
Burlingame	3,647,915	556,708	397,109	26.1%	-24,776	-597,342	156,146	0	$4.95	$7.22
NORTH COUNTY TOTALS	8,698,852	634,644	962,708	18.4%	-29,082	-573,980	203,332	0	$4.72	$5.14
San Mateo	7,499,847	410,646	1,083,441	19.9%	51,806	113,678	595,488	39,296	$5.00	$5.40
Foster City	2,607,266	199,566	323,964	20.1%	142,957	214,633	279,383	0	$5.20	$5.23
Redwood Shores	4,804,779	92,226	1,131,727	25.5%	-92,559	-101,276	143,381	0	$4.53	$4.57
CENTRAL COUNTY TOTALS	14,911,892	702,438	2,539,132	21.7%	102,204	227,035	1,018,252	39,296	$4.85	$5.00
Belmont/San Carlos	1,867,739	4,607	388,020	21.0%	15,332	19,841	286,457	0	$5.95	$7.02
Redwood City	6,523,647	65,397	2,026,365	32.1%	243,967	257,682	654,255	0	$6.26	$6.37
Menlo Park	8,985,389	343,291	968,754	14.6%	131,840	742,716	154,488	0	$7.50	$8.40
SOUTH COUNTY TOTALS	17,376,775	413,295	3,383,139	21.8%	391,139	1,020,239	1,095,200	0	$6.68	$7.10
SAN MATEO COUNTY TOTALS	**40,987,519**	**1,750,377**	**6,884,979**	**21.1%**	**464,261**	**673,294**	**2,316,784**	**39,296**	**$5.69**	**$6.04**

**Rental rates reflect full service asking*

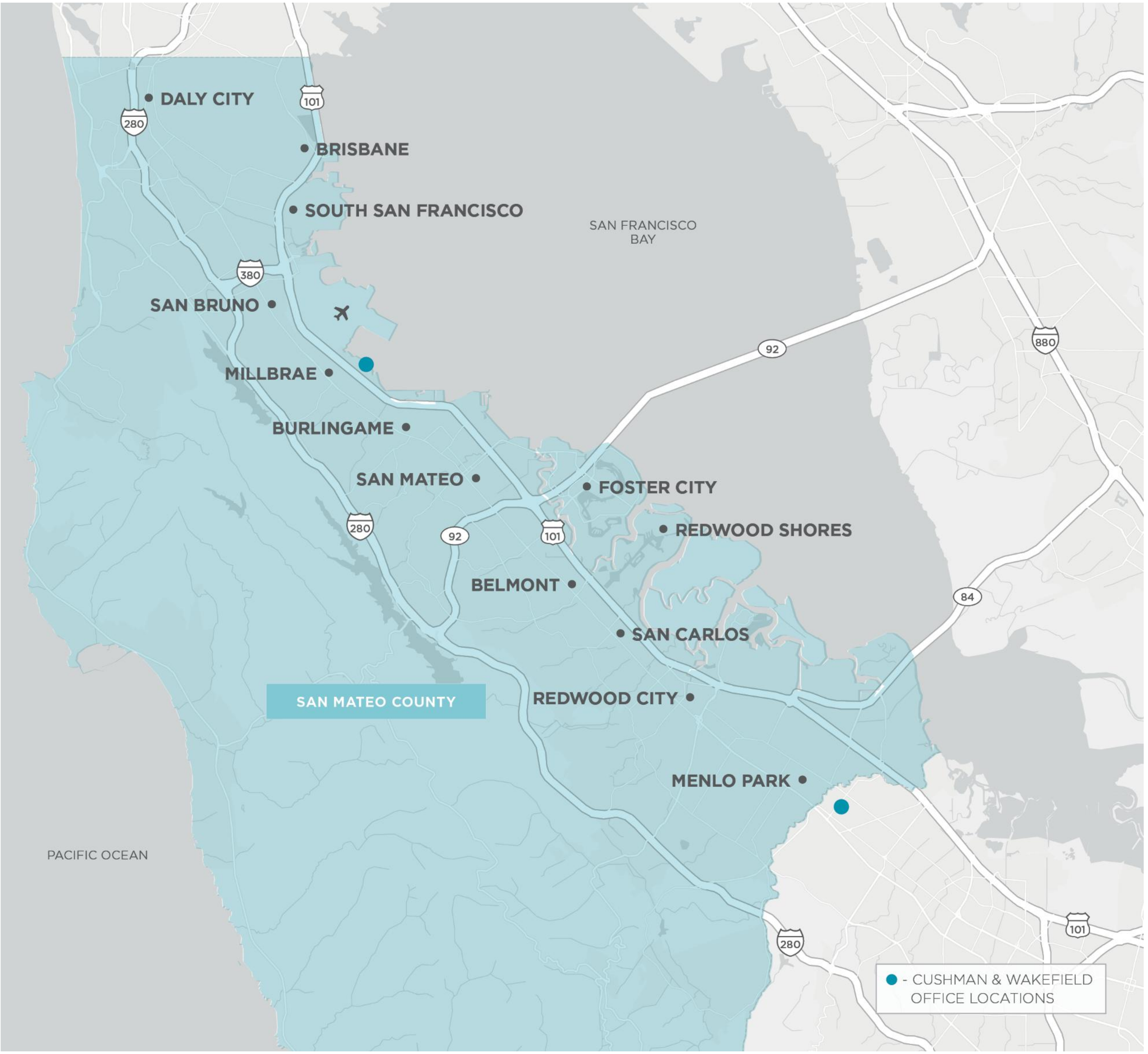
KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1051 Hillsdale Blvd, E.	Foster City	Confidential	52,642	Sublease
305 Walnut St	Redwood City	Sunday AI	52,000	New Lease
855 Main St	Redwood City	Freshfields	51,300	Renewal / Expansion
1020 Marsh Rd	Menlo Park	Matic Robots	34,350	New Lease
601 Marshall St	Redwood City	Luma AI	25,450	Sublease
2855 Campus Dr	San Mateo	GoPro	25,000	New Lease
181 2nd Ave, E.	San Mateo	Generalist AI	21,350	Renewal

KEY SALE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
1100-1300 Seaport Blvd	Redwood City	Google / Farallon Capital Management	300,754	$45.6M / $150
1400 Seaport Blvd	Redwood City	DivcoWest / Farallon Capital Management	283,015	$94.4M / $334
10 Twin Dolphin Dr	Redwood City	IQHQ / Minkoff Group	263,024	$56.0M / $213

OFFICE SUBMARKETS



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