

SAN MATEO COUNTY

Industrial Q3 2020

5.8%
Vacancy Rate



-376K
Net Absorption, SF



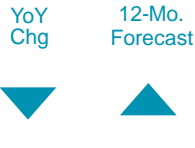
\$1.53
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2020

1.0M
SF Peninsula Metro Employment



9.1%
SF Peninsula Metro Unemployment Rate



8.8%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2020 Q3 data are based on the latest available data

ECONOMY: Improvement, But Still Elevated

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy here. For the San Francisco metropolitan division (San Francisco and San Mateo counties), job growth has picked up though is still down year-over-year (YOY) by 129,000 positions with the unemployment rate reading 9.1%, up from a near record low 2.0% one year ago. For San Mateo County (SMC) alone, YOY jobs remain down by 32,700 to 386,300 while the unemployment rate stands at 7.9%, up from 2.1% over the same time period.

SUPPLY: More Listings, Higher Vacancy

San Mateo County's industrial vacancy increased to 5.8% at the end of the third quarter, a jump of 90 basis points from last quarter's reading of 4.9%. This rate has more than doubled from just one year ago when the metric stood at 2.7%. Even though this is the first time the vacancy rate has been at or above 5.0% since the first quarter of 2014, it is still relatively low, and the market remains tight. It is worth noting that warehouse makes up 85.3% of the current available space. Sublease space has remained relatively stable throughout the downturn and currently only accounts for 12.7% of the available space. There are 68 listings over 10,000 square feet (sf) and 62 of those listings fall between 10,000 sf and 50,000 sf. Construction remains stagnant with nothing currently underway, and no plans to begin any new projects soon. Given the state of the economy, it would not be surprising to see future supply hold steady as owners and users take time before making any significant moves.

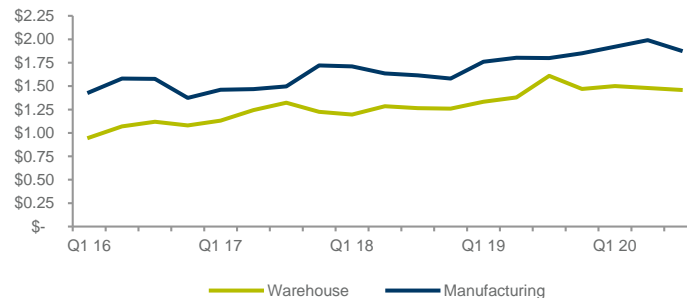
DEMAND: Tenants Holding Off

The San Mateo industrial market recorded the sixth straight quarter of negative net absorption at -376,000 sf. However, this is not as severe as the losses in the first quarter of 2020 at -417,000 sf. The year-to-date 2020 net absorption total now stands at -949,000 sf, which is a significant change from the -226,000 sf through the first three quarters of 2019. Leasing activity has tapered off throughout 2020, with this metric at 198,000 sf for the quarter, which took the total to 606,000 sf for the year. Comparatively, leasing activity was at 1.8 million square feet (msf) through the first three quarters of 2019. This indicates demand has indeed dropped most likely from the shock of recent events.

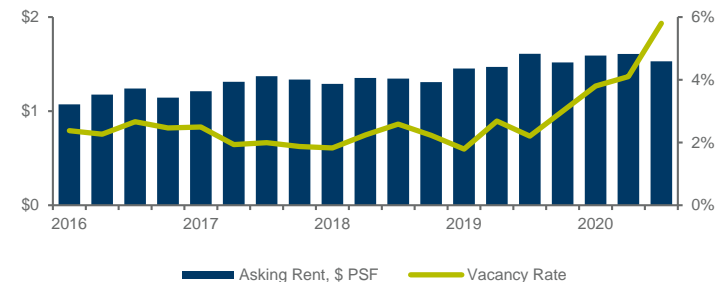
PRICING: Asking Rents Decrease

The average asking rate in San Mateo County hit its recent historical high of \$1.61 per square foot (psf), on a monthly basis, triple net, during the second quarter, but took a step back to \$1.53 psf during the third quarter. The average rate for manufacturing and light industrial product was recorded at \$1.88 psf while warehouse product reached \$1.46 psf. These rates will most likely adjust lower into 2021 with owners and users considering next moves during this economic turmoil.

WAREHOUSE/MANUFACTURING ASKING RENT (\$ PSF, NNN)



OVERALL VACANCY & ASKING RENT



Industrial Q3 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Brisbane/Daly City	5,592,227	354,393	6.3%	-64,286	-129,528	0	0	\$1.35	\$1.39	\$1.39
S. San Francisco/San Bruno	17,555,381	1,289,861	7.3%	-305,306	-491,938	0	0	\$1.25	\$1.34	\$1.34
Burlingame/Millbrae	4,397,583	336,988	7.7%	44,358	-137,240	0	0	\$1.55	\$1.66	\$1.63
NORTH COUNTY	27,545,191	1,981,242	7.2%	-325,234	-758,706	0	0	\$1.55	\$1.39	\$1.40
San Mateo/Foster City	1,296,188	44,590	3.4%	-8,205	-23,085	0	0	\$2.01	\$2.40	\$2.34
Belmont/San Carlos	6,951,422	197,227	2.8%	-18,465	-79,481	0	0	\$1.77	\$2.50	\$2.00
Redwood City	3,864,876	103,161	2.7%	-24,577	-33,541	0	0	\$1.96	\$1.14	\$1.63
Menlo Park	1,888,653	72,631	3.8%	0	-53,750	0	0	\$2.76	\$1.35	\$2.65
TOTAL	41,546,330	2,398,851	5.8%	-376,481	-948,563	0	0	\$1.88	\$1.46	\$1.53

*Rental rates reflect asking \$psf/month converted to Triple Net

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
240 Valley Drive	Brisbane	Trove	79,300	New Lease
60 Park Lane	Brisbane	Undisclosed	40,601	New Lease
405 Eccles Avenue	South San Francisco	Barrango, Inc	11,870	Renewal*
200-218 Shaw Road	South San Francisco	EYC Rental	11,600	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1007-1011 Bransten Road	San Carlos	Greenmar LLC / Grove Construction	25,650	\$7.2M/\$281
179 Starlite Street	South San Francisco	Hynding Properties LLC / Terreno Realty Corporation	22,000	\$6.3M/\$286
950 Charter Street	Redwood City	950 Charter LLC / Undisclosed	18,000	\$9.0M/\$500
62 S Linden Avenue	South San Francisco	Ironside R&M Trust / Washburn Lake LLC	12,000	\$5.6M/\$467

GIOVANNI VINCENZO GIANNOTTA

Senior Research Analyst

+1 408 572 4123 / Giovanni.Giannotta@cushwake.comA CUSHMAN & WAKEFIELD
RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com