

# SAN MATEO COUNTY

Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
<b>5.9%</b> Vacancy Rate	▲	▼
<b>-63K</b> Net Absorption, SF	▼	▲
<b>\$1.52</b> Asking Rent, PSF	▼	▲

Overall, Net Asking Rent

## ECONOMY: Improvement, But Still Elevated

Beginning in March 2020, U.S. job losses reached levels unseen since the Great Depression. In May and June, lockdowns began to ease and signs of economic life reappeared. However, in late December as COVID-19 cases spiked, San Mateo County went back into lockdown. Employment has started to recover in the San Francisco metropolitan statistical area (San Francisco and San Mateo counties), however, it remains down on a year-over-year (YOY) basis by 110,900 jobs. The unemployment rate has declined from its high earlier this year, with the quarterly figure now at 6.0%, still well above the figure of 2.0% one year ago. For San Mateo County (SMC) alone, YOY jobs remain down by 32,600 while the unemployment rate stands at 8.3%, up from 3.7% one year ago.

## SUPPLY: More Listings, Higher Vacancy

San Mateo County's industrial vacancy increased to 5.9% at the end of the fourth quarter, a jump of 10 basis points from last quarter's reading of 5.8%. This rate has increased significantly from just one year ago when the metric stood at 3.4%. Even though this is the seventh straight quarter that this metric has climbed, it is still relatively low, and the market remains tight. It is worth noting that warehouse makes up 88.1% of the current vacancy. Sublease space has remained relatively stable throughout the downturn and currently only accounts for 14.1% of the all vacancy. There are 72 listings over 10,000 square feet (sf) and 66 of those listings fall between 10,000 sf and 50,000 sf. Construction remains stagnant with no projects currently underway and nothing expected to break ground in the near-term. This is really not unexpected given that highest and best use in this space-constrained market skews much more towards, office, R&D and multi-family.

## ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
<b>1.1M</b> SF Peninsula Metro Employment	▼	▲
<b>6.0%</b> SF Peninsula Metro Unemployment Rate	▲	▼
<b>6.8%</b> U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics  
2020 Q4 data are based on the latest available data

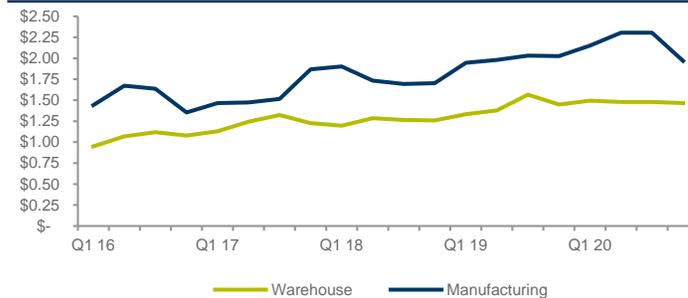
## DEMAND: Tenants Holding Off

The San Mateo industrial market recorded the seventh straight quarter of negative net absorption at 63,000 sf. However, this is the smallest quarterly loss of 2020. The year-to-date 2020 net absorption total ended at negative 1.07 million square feet (msf), which is almost double the negative 562,000 sf during 2019. Leasing activity was also markedly down throughout 2020, with this metric at 133,000 sf for the quarter, which took the total to 879,000 sf for the year. Comparatively, leasing activity was 2.2 msf in 2019, which 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 and third quarters, but took a step back to \$1.52 psf during the fourth quarter. The average rate for manufacturing and light industrial product was recorded at \$1.97 psf while warehouse product reached \$1.47 psf. And though warehouse, in particular, has generally performed well during the pandemic (due to the rise of e-commerce), much of the product available in San Mateo County is not what tenants are searching for today and thus pricing is likely to remain stagnant in 2021.

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



## OVERALL VACANCY & ASKING RENT



## 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	169,647	3.0%	184,746	55,218	0	0	\$1.35	\$1.39	\$1.39
S. San Francisco/San Bruno	17,555,381	1,473,833	8.4%	-189,432	-675,910	0	0	\$1.25	\$1.39	\$1.39
Burlingame/Millbrae	4,397,583	332,564	7.6%	13,758	-187,816	0	0	\$1.25	\$1.64	\$1.64
<b>NORTH COUNTY</b>	<b>27,545,191</b>	<b>1,985,116</b>	<b>7.2%</b>	<b>-384,068</b>	<b>-934,404</b>	<b>0</b>	<b>0</b>	<b>\$1.25</b>	<b>\$1.42</b>	<b>\$1.42</b>
San Mateo/Foster City	1,296,188	45,253	3.5%	-663	-23,748	0	0	\$2.15	\$2.35	\$2.33
Belmont/San Carlos	6,951,422	239,007	3.4%	-36,780	-121,261	0	0	\$1.90	\$1.70	\$1.79
Redwood City	3,864,876	150,111	3.9%	-46,950	-80,491	0	0	\$2.00	\$1.68	\$1.88
Menlo Park	1,888,653	59,831	3.2%	12,800	-40,950	0	0	\$2.25	\$1.35	\$2.12
<b>TOTAL</b>	<b>41,546,330</b>	<b>2,470,246</b>	<b>5.9%</b>	<b>-62,521</b>	<b>-1,074,958</b>	<b>0</b>	<b>0</b>	<b>\$1.97</b>	<b>\$1.47</b>	<b>\$1.52</b>

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

MF = Manufacturing W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
355-369 Adrian Road	Burlingame	Undisclosed	36,550	New Lease
1320 San Mateo Ave	South San Francisco	Undisclosed	20,060	New Lease
121 Beech Street	Redwood City	Undisclosed	14,800	New Lease

\*Renewals not included in leasing statistics

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