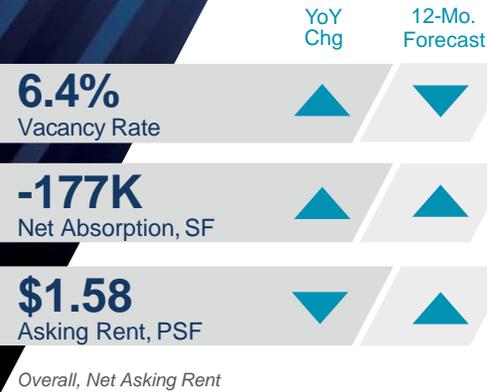


SAN MATEO COUNTY

Industrial Q1 2021



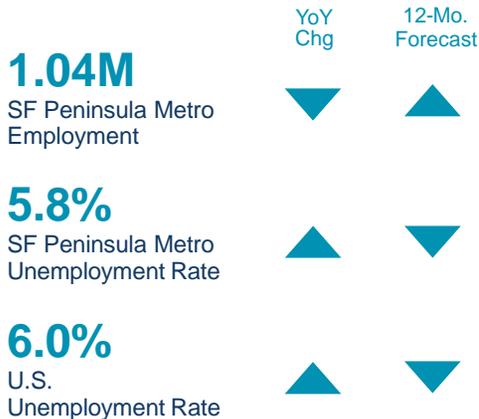
ECONOMY: Improvement, But Still Elevated

Beginning in March 2020, U.S. job losses reached levels unseen since the Great Depression. In May and June 2020, lockdowns began to ease and signs of economic life reappeared. However, in late December 2020 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 153,900 jobs. The unemployment rate has declined from its high earlier in 2020, with the quarterly figure now at 5.8%, still well above the 2.3% one year ago. For San Mateo County (SMC) alone, YOY jobs remain down by 16,300 while the unemployment rate stands at 6.2%, up from 5.5% one year ago.

SUPPLY: Steady Increase Continues

San Mateo County's industrial vacancy increased to 6.4% at the end of the first quarter, a jump of 50 basis points (bps) from last quarter's reading of 5.9% and a jump of 150 bps from the 4.4% recorded one year ago. Even though this is the eighth straight quarter that this metric has increased, it remains relatively low, with minimal premium space available. It is worth noting that warehouse makes up 88% of the current vacancy. Sublease space has remained relatively stable throughout the downturn and currently only accounts for 13.3% of the all vacancy. There are 73 listings over 10,000 square feet (sf) and 66 of those fall between 10,000 sf and 50,000 sf. There is no new supply slated to hit the market, as construction remains stagnant with no projects currently underway and nothing expected to break ground in the near-term. Given that highest and best use in this space-constrained market skews much more towards, office, R&D and multi-family, this is not surprising.

ECONOMIC INDICATORS Q1 2021



Source: BLS, Moody's Analytics
2021 Q1 data are based on the latest available data

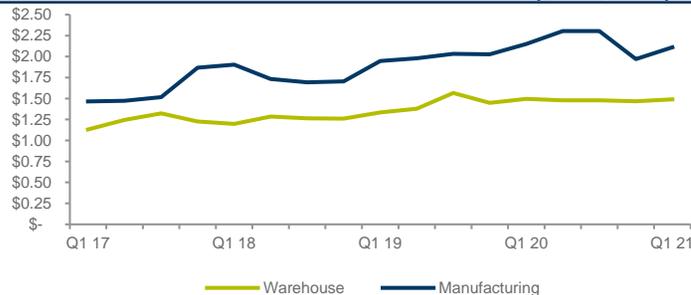
DEMAND: Tenants Holding Off

The San Mateo industrial market ended the first quarter with a negative net absorption of 177,000 sf. However, this is improved from negative 417,000 sf just one year ago. It is also an improvement from the 2020 quarterly average of negative 270,000 sf. Leasing activity was also markedly down to roughly 119,000 sf. This metric is below the 2020 quarterly average of 244,000 sf. This market remains slow due to the lack of quality space as well as tenants looking to adjacent lower-priced areas. In addition, San Mateo County has continued to attract tenants for various other product types such as office and R&D.

PRICING: Asking Rents Increase Slightly

The average asking rate in San Mateo County hit its recent historical high of \$1.62 per square foot (psf), on a monthly basis, triple net, during the second quarter of 2020, and dropped to \$1.52 psf during the fourth quarter of 2020, but is now up to \$1.58 psf to end the first quarter of 2021. The market is so relatively tight that it is not surprising to see these small fluctuations for this metric. The average rate for manufacturing and light industrial product was \$2.11 psf while warehouse product reached \$1.49 psf. Though warehouse 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



Industrial Q1 2021

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%	0	0	0	0	\$1.35	\$1.39	\$1.39
S. San Francisco/San Bruno	17,555,381	1,589,289	9.1%	-127,404	-127,404	0	0	\$1.25	\$1.43	\$1.43
Burlingame/Millbrae	4,380,583	376,097	8.6%	-43,533	-43,533	0	0	\$2.50	\$1.56	\$1.56
NORTH COUNTY	27,528,191	2,135,033	7.8%	-170,937	-170,937	0	0	\$2.50	\$1.45	\$1.45
San Mateo/Foster City	1,296,188	40,223	3.1%	5,030	5,030	0	0	\$2.15	\$2.35	\$2.33
Belmont/San Carlos	6,951,422	238,602	3.4%	11,480	11,480	0	0	\$2.06	\$1.73	\$1.90
Redwood City	3,864,876	167,695	4.3%	-22,384	-22,384	0	0	\$2.08	\$1.66	\$1.92
Menlo Park	1,888,653	59,831	3.2%	0	0	0	0	\$2.25	\$1.35	\$2.21
TOTAL	41,529,330	2,641,384	6.4%	-176,811	-176,811	0	0	\$2.11	\$1.49	\$1.58

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	RSF	TYPE
400 Grandview Drive	South San Francisco	40,000	New Lease
320 Corey Way	South San Francisco	26,688	New Lease
275 S. maple Avenue	South San Francisco	26,500	New Lease
345-367 Swift Avenue	South San Francisco	13,900	Sublease
642 Quarry Avenue	San Carlos	11,000	New Lease

*Renewals not included in leasing statistics

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