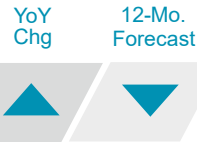


# SAN MATEO COUNTY

Industrial Q2 2021

**6.6%**  
Vacancy Rate



**-110K**  
Net Absorption, SF



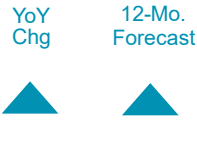
**\$1.70**  
Asking Rent, PSF



Overall, Net Asking Rent

## ECONOMIC INDICATORS Q2 2021

**1.07M**  
SF Peninsula Metro  
Employment



**4.9%**  
SF Peninsula Metro  
Unemployment Rate



**5.9%**  
U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics  
2021 Q2 data are based on the latest available data

## ECONOMY: Improvement, But Still Elevated

One year ago, U.S. job losses reached levels unseen since the Great Depression. As the COVID-19 vaccine was rolled out earlier this year and the economy began to open, improvement was initially slow. However, in the San Francisco metropolitan statistical area (San Francisco and San Mateo counties), there have been strong gains with an increase of 46,000 jobs on a year-over-year (YOY) basis. The unemployment rate has declined from its high in 2020, with the quarterly figure now at 4.9%, well below the 11.9% recorded one year ago. This is significantly lower than the U.S. unemployment rate of 5.9%. For San Mateo County (SMC) alone, YOY jobs remain down by 3,900 while the unemployment rate stands at 4.6%, down from 7.2% one year ago. As businesses fully reopen, these employment numbers are expected to improve further.

## SUPPLY: Steady Increase Continues

San Mateo County's industrial vacancy increased to 6.6% at the end of the second quarter, a jump of 20 basis points (bps) from last quarter's reading of 6.4% and a jump of 180 bps from the 4.8% recorded one year ago. Even though this is the ninth straight quarter that this metric has increased, it remains relatively low, with minimal premium space available. It is worth noting that warehouse makes up 90% of the current vacancy. Sublease space has remained stable throughout the downturn and currently only accounts for 9.3% of all the vacancy. 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/life science and multi-family, this is not surprising.

## DEMAND: Tenants Holding Off

The San Mateo industrial market ended the second quarter with a negative net absorption of 110,000 sf. However, this is improved from negative 155,000 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 118,000 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 along with 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, R&D and life science.

## PRICING: Asking Rents Increase

The average asking rate in San Mateo County hit its recent historical high of \$1.70 per square foot (psf), on a monthly basis, triple net, during the second quarter of 2021, after dropping to \$1.52 psf during the fourth quarter of 2020. Because of the lack of space, it is not surprising to see these small fluctuations for this metric. The average rate for manufacturing and light industrial product was \$2.27 psf while warehouse product reached \$1.63 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 Q2 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	5,617,227	194,647	3.5%	-25,000	0	0	0	\$1.35	\$1.36	\$1.36
S. San Francisco/San Bruno	17,555,381	1,735,306	9.9%	-146,017	-273,421	0	0	\$1.25	\$1.60	\$1.60
Burlingame/Millbrae	4,380,583	411,175	9.4%	-35,078	-78,611	0	0	\$2.50	\$1.68	\$1.69
<b>NORTH COUNTY</b>	<b>27,553,191</b>	<b>2,341,128</b>	<b>8.5%</b>	<b>-206,095</b>	<b>-352,032</b>	<b>0</b>	<b>0</b>	<b>\$2.50</b>	<b>\$1.59</b>	<b>\$1.59</b>
San Mateo/Foster City	1,296,188	18,718	1.4%	21,505	26,535	0	0	\$2.15	\$2.11	\$2.12
Belmont/San Carlos	6,926,622	158,442	2.3%	80,160	66,640	0	0	\$2.48	\$1.96	\$2.29
Redwood City	3,864,876	173,447	4.5%	-5,752	-28,136	0	0	\$2.11	\$2.03	\$2.07
Menlo Park	1,898,653	59,831	3.2%	0	0	0	0	\$2.25	\$1.35	\$2.21
<b>TOTAL</b>	<b>41,539,530</b>	<b>2,751,566</b>	<b>6.6%</b>	<b>-110,182</b>	<b>-286,993</b>	<b>0</b>	<b>0</b>	<b>\$2.27</b>	<b>\$1.62</b>	<b>\$1.70</b>

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

MF = Manufacturing W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	RSF	TYPE
960 Industrial Rd	San Carlos	62,000	Manufacturing
20 Railroad Ave, N.	San Mateo	21,505	Warehouse
525 Railroad Ave	South San Francisco	16,500	Warehouse
1162 Cherry Ave	San Bruno	7,680	Warehouse
930 Commercial St	San Carlos	7,200	Manufacturing

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