

Industrial Q1 2022

3.6%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

209K

Net Absorption, SF

\$1.76

Asking Rent, PSF

Overall, Net Asking Rent

ECONOMIC INDICATORS
Q1 2022

1.15M

SF Peninsula Metro
Employment

3.6%

SF Peninsula Metro
Unemployment Rate

3.6%

U.S.
Unemployment RateYoY
Chg12-Mo.
ForecastSource: BLS, Moody's Analytics
2022 Q1 data are based on latest available data

ECONOMY: Boost in Jobs to Kick-Off 2022

Over 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 92,200 jobs on a year-over-year (YOY) basis. The unemployment rate has declined from its high in 2020, with the quarterly figure now at 3.7%, well below the 5.8% recorded one year ago. This is just 10 basis points (bps) above the U.S. unemployment rate of 3.6%. For San Mateo County (SMC) alone, YOY jobs increased by 24,200 while the unemployment rate stands at 3.5%, down from 5.5% one year ago. After a potential delay due to the COVID-19 variant, these employment numbers are expected to improve further.

SUPPLY: Quality Remains Scarce

San Mateo County's industrial vacancy decreased to 3.6% at the end of the first quarter, a fall of 10 bps from last quarter's reading of 3.7% and a decrease of 30 bps from the 3.9% recorded one year ago. Since the low of 1.6% in the first quarter of 2019, vacancy has skewed higher, however it remains relatively low, with minimal premium space available. It is worth noting that warehouse makes up 93% of the current vacancy. Sublease space has remained stable throughout the downturn and currently only accounts for 13.1% of all the vacancy. There is no new supply slated to hit the market, as construction remains stagnant with no projects currently underway nor expected to break ground in the near-term.

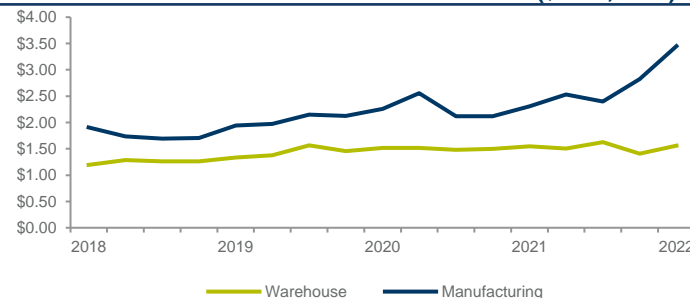
DEMAND: Sluggish Leasing Activity

The San Mateo industrial market ended the first quarter with a positive net absorption of 43,300 square feet (sf). This is lower than last quarter at positive 402,000 sf. The 2021 quarterly average was positive 42,500 sf, a sharp change from the 2020 quarterly average of negative 187,300 sf. Leasing activity was lower, recording 208,900 sf, half of the 2021 quarterly average of 400,000 sf. The market has remained sluggish due to the lack of quality space.

PRICING: Manufacturing and Light Industrial Rents Set Record

The record setting average asking rate in San Mateo County increased slightly to \$1.76 per square foot (psf), on a monthly basis, triple net, during the first quarter of 2022. The average rate for manufacturing and light industrial product set a quarterly record of \$3.45 psf while warehouse product reached \$1.56 psf. Though warehouse has generally performed well during the pandemic (due to the rise of e-commerce), tenant demand competes with other parts of the Bay Area offering modern space attributes and affordable prices.

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



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	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	5,613,059	343,478	6.1%		23,000	23,000	0	0	\$1.35	\$1.52	\$1.52
S. San Francisco/San Bruno	17,365,494	900,236	5.2%		93,777	93,777	0	0	\$1.25	\$1.47	\$1.47
Burlingame/Millbrae	4,383,665	94,169	2.1%		30,000	30,000	0	0	\$1.25	\$1.66	\$1.66
NORTH COUNTY	27,362,218	1,337,883	4.9%		146,777	146,777	0	0	\$1.25	\$1.50	\$1.50
San Mateo/Foster City	1,296,188	13,372	1.0%		1,763	1,763	0	0	\$1.66	\$1.60	\$1.66
Belmont/San Carlos	6,914,622	16,958	0.2%		3,926	3,926	0	0	\$2.95	\$2.85	\$2.93
Redwood City	3,864,677	74,210	1.9%		17,284	17,284	0	0	\$4.11	\$2.00	\$2.94
Menlo Park	1,898,653	42,150	2.2%		39,150	39,150	0	0	\$5.35	\$1.35	\$5.35
TOTAL	41,336,358	1,484,573	3.6%		208,900	208,900	0	0	\$3.45	\$1.56	\$1.76

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	RSF	TYPE
1205 Chrysler Dr	Menlo Park	39,150	Manufacturing
278-284 Harbor Wy	S. San Francisco	30,000	Warehouse
1845-1855 Rollins Rd	Burlingame	25,000	Warehouse
490-500 Carlton Ct	S. San Francisco	24,277	Warehouse
134-148 Beacon St	S. San Francisco	23,000	Warehouse

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