

# SAN MATEO COUNTY

## Industrial Q4 2022

	YoY Chg	12-Mo. Forecast
<b>3.0%</b> Vacancy Rate	▼	▲
<b>-3K</b> Net Absorption, SF	▼	▼
<b>\$2.02</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMY: Venture Capital Deploying More Capital into More Companies

For San Francisco Peninsula in the fourth quarter, employment across all sectors has trended higher in the San Francisco metro division with 60,200 new jobs year-over-year (YOY) for a growth rate of 5.3%. Meanwhile, the unemployment rate has dropped 170 basis points (bps) YOY with the most recent figure at 2.1%. The Bay Bridge and San Mateo Bridge are at 89% and 78% of their pre-pandemic levels, respectively, and will likely change as companies start to make crucial workplace decisions. Venture capital (VC) funding to San Mateo County-based companies increased 22.2% quarter-over-quarter to approximately \$2.4 billion with the deal count up to 75 from 70 over the same period. Year-over-year (YOY), funding fell 21.0% to approximately \$15.2 billion with deal count down to 328 from 425. The largest VC deal in the fourth quarter was B2B company Atlantic Holding Parent at \$485 million

### SUPPLY: Quality Space Remains Scarce

San Mateo County's industrial vacancy stabilized at 3.0% at the end of the fourth quarter, unchanged from last quarter's reading of 3.0% and a decrease of 60 bps from 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 87.6% of the current vacancy. Sublease space has remained stable throughout the downturn and currently stands at 0.4%. 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.

### ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
<b>1.2M</b> SF Peninsula Metro Employment	▲	▲
<b>2.1%</b> SF Peninsula Metro Unemployment Rate	▼	▲
<b>3.7%</b> U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics  
2022 Q4 data are based on latest available data

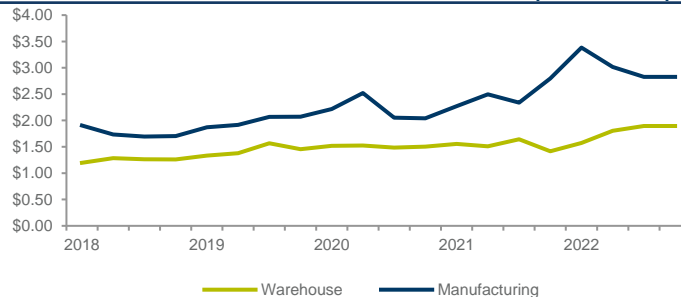
### DEMAND: Leasing Activity Picks Up

The San Mateo industrial market ended the fourth quarter with a negative net absorption of 2,687 square feet (sf). This is lower than last quarter at positive 33,691 sf. The 2022 year-to-date (YTD) quarterly average was positive 236,858 sf, a 14.4% increase from the 2021 quarterly average of positive 207,082 sf. Leasing activity YTD was nearly 2.5 million square feet (msf), major contributors were eight tenants over 50,000 sf. In 2022, four large tenants renewed totaling 312,000 sf, a sign of their commitment to the county and utilizing their strategic locations. Quality distribution and cold storage facilities are in high demand as tenants continue to compete for limited inventory.

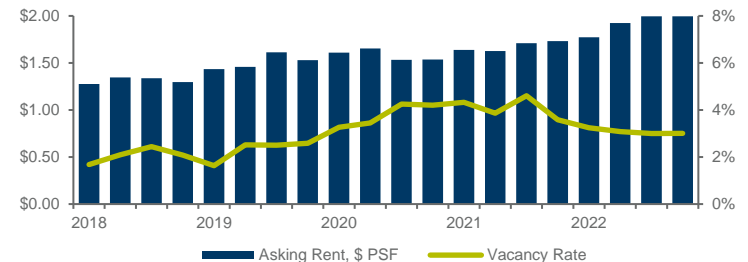
### PRICING: Overall Asking Rent on the Rise

The record setting average asking rate in San Mateo County topped at \$2.02 per square foot (psf), on a monthly basis, triple net, during the fourth quarter of 2022. The average rate for manufacturing and light industrial product dipped to \$2.99 psf from last quarter's \$3.12 psf, while warehouse product is at \$1.82 psf.

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



### OVERALL VACANCY & ASKING RENT



## Industrial Q4 2022

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	OVERALL 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	292,110	5.2%	17,840	-10,840	0	0	N/A	\$1.58	\$1.58
S. San Francisco/San Bruno	17,370,819	535,227	3.1%	17,283	407,641	0	0	N/A	\$1.40	\$1.40
Burlingame/Millbrae	4,383,665	185,718	4.2%	2,700	-82,866	0	0	N/A	\$2.28	\$2.28
<b>NORTH COUNTY</b>	<b>27,367,543</b>	<b>1,013,055</b>	<b>3.7%</b>	<b>37,823</b>	<b>313,935</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>\$1.61</b>	<b>\$1.61</b>
San Mateo/Foster City	1,296,188	4,850	0.4%	5,000	5,722	0	0	\$1.65	\$2.25	\$2.25
Belmont/San Carlos	6,892,927	38,630	0.6%	-20,910	-16,866	0	0	\$3.09	\$2.50	\$3.00
Redwood City	3,876,602	169,963	4.4%	-24,600	-98,923	0	0	\$2.73	\$4.04	\$3.23
Menlo Park	1,898,742	17,260	0.9%	0	32,990	0	0	\$5.35	\$1.35	\$5.35
<b>TOTAL</b>	<b>41,332,002</b>	<b>1,243,758</b>	<b>3.0%</b>	<b>-2,687</b>	<b>236,858</b>	<b>0</b>	<b>0</b>	<b>\$2.99</b>	<b>\$1.82</b>	<b>\$2.02</b>

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

MF = Manufacturing W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1755-1777 Rollins Rd	Burlingame	Aeronet Worldwide	83,674	Warehouse
99 S. Hill Dr	Brisbane	DHL	76,375	Warehouse
380 Valley Dr	Brisbane	Pacific Gourmet	70,335	Warehouse
582-584 Eccles Ave	S. San Francisco	Pacific Produce	54,229	Warehouse
440 Valley Dr	Brisbane	Hensley	49,500	Warehouse

## KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
513 Eccles Ave	S. San Francisco	Varnhagen Family Trust / BioMed Realty	80,000	\$80.0M / \$1,000
439 Eccles Ave	S. San Francisco	Allen & Henry Inc / Vigilant Holdings	41,000	\$41.4M / \$1,010

## JASON KARBELK

Research Manager

Tel: +1 415 485 3742

[jason.karbelk@cushwake.com](mailto:jason.karbelk@cushwake.com)

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