

SAN MATEO COUNTY

Industrial Q1 2023

	YoY Chg	12-Mo. Forecast
2.6% Vacancy Rate	▼	▲
52K Net Absorption, SF	▼	▼
\$2.00 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMY: Venture Capital Funding Climbs

For San Mateo County (SMC) in the first quarter, employment across all sectors has trended higher with 17,300 new jobs year-over-year (YOY) for a growth rate of 4.1%. Meanwhile, the unemployment rate has dropped 90 basis points (bps) YOY with the most recent figure at 2.4%. Venture capital (VC) funding to San Mateo County-based companies climbed sharply in Q1 2023 due to one major transaction, a \$6.5 billion (B) late-stage round to financial software company Stripe located in South San Francisco. That pushed total funding to \$7.5B from \$1.9B quarter-over-quarter; deal count declined to 75 from 100 over the same period.

SUPPLY: Quality Space Remains Scarce

San Mateo County's industrial vacancy rate dropped to 2.6% at the end of the first quarter, down from last quarter's reading of 3.0% and a decrease of 60 bps from one year ago. Since reaching a low of 1.6% at first quarter of 2019, vacancy has skewed higher, however it remains relatively low, with minimal premium space available. It is worth noting that warehouse product makes up 85.2% of the current vacancy. Sublease space has remained stable throughout the downturn and currently stands at 0.8%. 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: Leasing Activity Picks Up

The San Mateo industrial market ended the first quarter with 51,978 square feet (sf) of positive overall net absorption, up from the previous quarter when absorption fell nominally into the red. Brisbane/Daly City was responsible for most of the positive absorption this quarter with 269,950 sf of net occupancy gains.

Leasing activity totaled nearly 293,000 sf, propelled by four transactions greater than 20,000 sf. New leases accounted for 94.7% of all signed leases this quarter, pointing to an increase in tenant demand for space. Quality distribution and cold storage facilities are in high demand as tenants continue to compete for limited inventory.

PRICING: Overall Asking Rent Dips

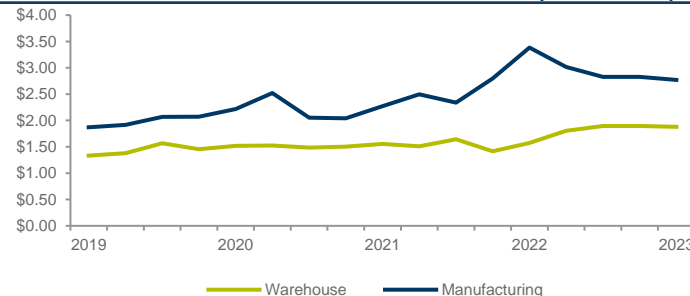
The average asking rate in San Mateo County ended at \$2.00 per square foot (psf), on a monthly basis, triple net, during the first quarter of 2023. The average asking rate decreased 1.0% from the \$2.02 psf in the previous quarter. The average rate for manufacturing and light industrial product dipped to \$2.77 psf from last quarter's \$2.99 psf, while warehouse product finished Q1 at \$1.88 psf.

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
1.2M SF Peninsula Metro Employment	▲	▲
2.5% SF Peninsula Metro Unemployment Rate	▼	▼
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics
2023 Q1 data are based on latest available data

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



OVERALL VACANCY & ASKING RENT



Industrial Q1 2023

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	22,160	0.4%	269,950	269,950	0	0	\$1.35	\$1.55	\$1.55
S. San Francisco/San Bruno	17,370,819	622,850	3.6%	-182,932	-182,932	0	0	\$2.85	\$1.66	\$1.66
Burlingame/Millbrae	4,383,665	221,905	5.1%	-47,953	-47,953	0	0	\$1.25	\$2.29	\$2.29
NORTH COUNTY	27,367,543	866,915	3.2%	39,065	39,065	0	0	N/A	\$1.82	\$1.82
San Mateo/Foster City	1,015,793	21,955	2.2%	-17,105	-17,105	0	0	\$2.10	\$2.25	\$2.24
Belmont/San Carlos	6,892,927	53,794	0.8%	-17,164	-17,164	0	0	\$3.29	\$2.56	\$3.13
Redwood City	3,876,602	106,631	2.8%	63,332	63,332	0	0	\$2.25	\$4.04	\$3.17
Menlo Park	1,898,742	33,410	1.8%	-16,150	-16,150	0	0	\$2.79	\$1.35	\$2.79
TOTAL	41,051,607	1,082,705	2.6%	51,978	51,978	0	0	\$2.77	\$1.88	\$2.00

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
245 Spruce Ave, S.	S. San Francisco	Ample Inc.	90,986	Warehouse
440-448 Valley Dr	Brisbane	AMS Bekins	39,600	Warehouse
573 Forbes Blvd	S. San Francisco	Apex Logistics International	33,600	Warehouse
340 Shaw Rd	S. San Francisco	Chep USA	25,000	Warehouse
237-239 Harbor Wy	S. San Francisco	AA Kitchen Appliance	16,500	Warehouse

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1790 Industrial Way	Redwood City	G.A.M. Company / 1790 RC Partners LLC	15,600	\$5.5M / \$340
892-894 Douglas Ave	Redwood City	MOMI2 LLC / 2610 Bay Road LLC	11,639	\$5.1M / \$434
153 Starlite St	S. South Francisco	Giusto Jack / Flowers Family Trust	6,770	\$3.2M / \$477

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