

SAN MATEO COUNTY

Industrial Q2 2023

YoY Chg 12-Mo. Forecast

2.0%

Vacancy Rate



89K

Net Absorption, SF



\$2.23

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

1.2M

SF Peninsula Metro Employment



2.7%

SF Peninsula Metro Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2023 Q2 data are based on latest available data

ECONOMY: Stripe Secures Top Spot Globally in Venture Capital Funding

Employment in the San Francisco metro division expanded by 32,000 new jobs year-over-year (YOY) for a growth rate of 2.7%. Office job growth has moved well above the pre-pandemic peak by 8.1% at 532,640 positions for the San Francisco metro division. Meanwhile, the unemployment rate rose 40 basis points (bps) YOY with the most recent figure at 2.7%. Vital to this tech-heavy market is venture capital funding. Funding to San Mateo County-based companies increased \$6.5 billion to \$7.8 billion quarter-over-quarter. Stripe at \$6.9 billion secured the top spot globally, signaling the importance of financial technologies to the local and global economies.

SUPPLY: Quality Space Remains Scarce

San Mateo county's industrial vacancy rate dropped to 2.0% at the end of the second quarter, down from last quarter's reading of 2.2% and a decrease of 100 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 90.5% of the current vacancy. Sublease space has remained stable throughout the downturn and currently stands at 0.7%. 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

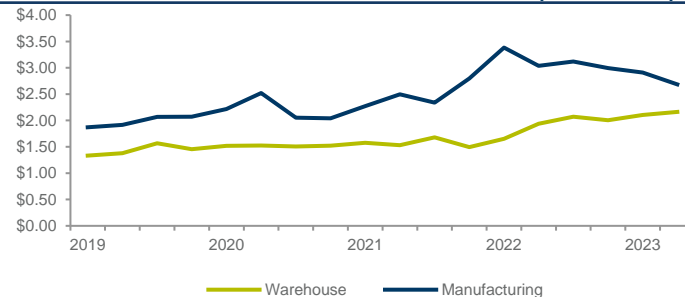
The San Mateo industrial market ended the second quarter with 88,858 square feet (sf) of positive overall net absorption, down from the previous quarter at 180,870 sf. Burlingame/Millbrae was responsible for most of the positive absorption this quarter with 55,700 sf of net occupancy gains.

Leasing activity totaled nearly 317,155 sf, propelled by seven transactions greater than 20,000 sf. Renewals accounted for 58.9% of all signed leases this quarter followed by sublease space for 23.8% and direct space for 17.2%. The low velocity in new leases is expected to continue due limited expansion or relocation options in a tight market and lack of new construction.

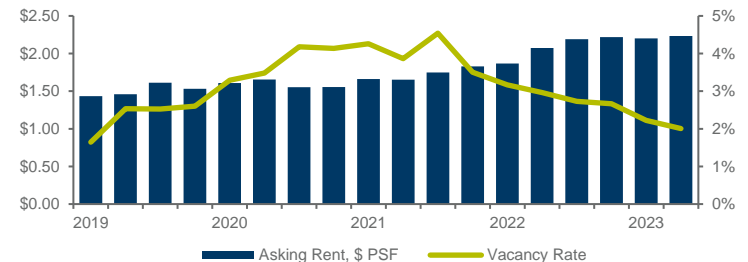
PRICING: Overall Asking Rent Dips

The average asking rate in San Mateo County ended at \$2.23 per square foot (psf), on a monthly basis, triple net, during the second quarter of 2023. The average rate for manufacturing and light industrial product dipped to \$2.69 psf from last quarter's \$2.91 psf, while warehouse product increased to \$2.16 psf from the previous quarter at \$2.10 psf.

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



OVERALL VACANCY & ASKING RENT



Industrial Q2 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	7,520	0.1%	14,640	284,590	0	0	\$1.35	\$1.55	\$1.55
S. San Francisco/San Bruno	17,370,819	596,162	3.4%	14,732	-157,744	0	0	\$2.85	\$1.66	\$1.66
Burlingame/Millbrae	4,383,665	76,948	1.8%	55,700	97,004	0	0	\$1.25	\$2.90	\$2.90
NORTH COUNTY	27,367,543	680,630	2.5%	85,072	223,850	0	0	N/A	\$1.80	\$1.80
San Mateo/Foster City	1,015,793	14,880	1.5%	2,045	-10,030	0	0	\$2.10	\$2.25	\$2.25
Belmont/San Carlos	6,846,654	69,003	1.0%	-15,209	-32,373	0	0	\$3.26	\$2.64	\$2.94
Redwood City	3,835,115	47,433	1.2%	13,950	81,043	0	0	\$2.05	\$4.50	\$3.21
Menlo Park	1,903,742	10,022	0.5%	3,000	7,238	0	0	\$5.35	\$1.35	\$5.35
TOTAL	40,968,847	821,968	2.0%	88,858	269,728	0	0	\$2.69	\$2.16	\$2.23

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
145 Park Ln	Brisbane	Bright Event Rentals	58,000	Warehouse
145 Hill Dr, S.	Brisbane	Chef's Warehouse	51,338	Warehouse
333 Swift Ave	S. San Francisco	WorldPac	24,972	Warehouse
576 Eccles Ave	S. San Francisco	Volley Automation	24,194	Warehouse
312-322 Grand Ave, E.	S. San Francisco	Diamond Foundry	21,350	Warehouse

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1881 Rollins Rd	Burlingame	Amoroso Cos / The Hanover Co	59,998	\$32.4M / \$540
1855 Rollins Rd	Burlingame	A Rosenbaum / The Hanover Co	40,914	\$24.9M / \$609
129 Sylvester Rd	S. South Francisco	S W Sylvester / Trammell Crow Co	22,000	\$18.3M / \$830
1430 San Mateo Ave	S. South Francisco	D Patterson / S W Sylvester	22,095	\$14.8M / \$668
312 Harbor Wy	S. South Francisco	S Strom / DiNapoli Investments	31,478	\$9.3M / \$295

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