

SAN MATEO COUNTY

Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
3.3% Vacancy Rate	▲	▲
-44K Net Absorption, SF	▼	▼
\$1.89 Asking Rent, PSF	▼	▼

Overall, Net Asking Rent

ECONOMY: VC Funding Continues as a Prime Driver

Employment in the San Francisco metro division expanded by almost 9,700 new jobs year-over-year (YOY) for a growth rate of 0.8%. Office jobs, despite numerous announced layoffs this year, remain above the pre-pandemic peak by 6.1% at 522,900 positions for the San Francisco metro division. Meanwhile, the unemployment rate rose 70 basis points (bps) YOY with the most recent figure at 3.1%. Venture capital (VC) funding into start-ups is a significant driver of the Bay Area economy. This capital invested into San Mateo County based companies closed slightly lower in 2023 at \$13.3 billion (B), down from \$13.5B in 2022 and the record \$20.1B in 2021; it was, however, substantially higher than the five “pre-pandemic” years of 2015-2019. The most important driver in VC funding continued to be the generative AI vertical, with the Bay Area absorbing 78% of the global funding in 2023.

SUPPLY: Quality Space Remains Scarce

San Mateo county’s industrial vacancy rate climbed to 3.3% at the end of the fourth quarter, up from last quarter’s reading of 3.2% and an increase of 50 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 91.5% of the current vacancy. Sublease space has remained stable throughout the downturn and currently stands at 0.3%.

DEMAND: Leasing Activity Picks Up

The San Mateo industrial market ended the fourth quarter with 43,959 square feet (sf) of negative overall net absorption, an improvement from the previous quarter at 299,469 sf of negative absorption. South San Francisco was responsible for most of the negative absorption this quarter with 30,090 sf of net occupancy losses.

Leasing activity totaled 253,390 sf, an uptick from last quarter at 178,803 sf and less than half of the fourth quarter of 2022 figure at 545,030 sf. The low velocity in new leases is expected to continue due to limited expansion or relocation options in a tight market that lacks any new development.

PRICING: Overall Asking Rent Dips

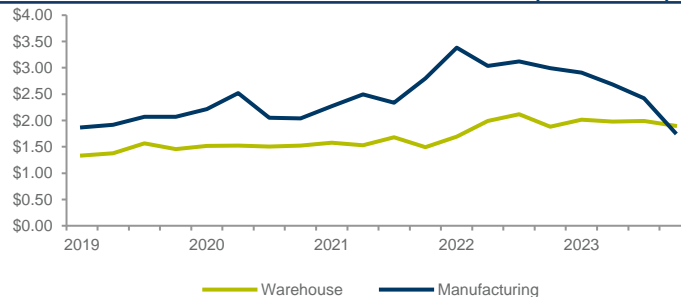
The average asking rate in San Mateo County closed the fourth quarter of 2023 at \$1.89 per square foot (psf), on a monthly basis, triple net; down 6.6% quarter-over-quarter (QOQ). The average rate for manufacturing and light industrial product dropped 26.7% QOQ to \$1.77 psf, along with warehouse product down 4.6% QOQ to \$1.90 psf.

ECONOMIC INDICATORS Q4 2023

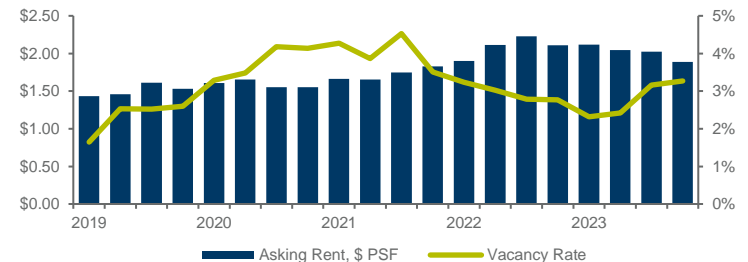
	YoY Chg	12-Mo. Forecast
1.2M SF Peninsula Metro Employment	▲	▲
3.1% SF Peninsula Metro Unemployment Rate	▲	▼
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics
2023 Q4 data are based on latest available data

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 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	5,613,281	256,604	4.6%	0	35,506	0	0	\$1.35	\$1.89	\$1.89
S. San Francisco/San Bruno	17,146,790	779,473	4.5%	-30,090	-323,055	0	0	\$2.85	\$1.72	\$1.72
Burlingame/Millbrae	4,102,677	123,181	3.0%	-11,137	50,771	0	0	\$1.25	\$2.17	\$2.17
NORTH COUNTY	26,862,748	1,159,258	4.3%	-41,227	-236,778	0	0	\$2.85	\$1.81	\$1.81
San Mateo/Foster City	1,015,793	14,195	1.4%	13,185	-9,345	0	0	\$2.10	\$2.25	\$2.25
Belmont/San Carlos	6,591,225	66,323	1.0%	200	-29,693	0	0	\$2.10	\$2.74	\$2.46
Redwood City	3,810,426	71,072	1.9%	-23,639	57,404	0	0	\$1.51	\$1.95	\$1.53
Menlo Park	1,823,555	2,500	0.1%	7,522	14,760	0	0	\$2.00	\$1.35	\$1.00
TOTAL	40,103,747	1,313,348	3.3%	-43,959	-203,652	0	0	\$1.77	\$1.90	\$1.89

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
220 Shaw Rd	South San Francisco	SIXT Rent a Car	70,328	New Lease
137 Utah Ave	South San Francisco	CableCom	40,000	Renewal
272 Maple Ave, S.	South San Francisco	Complete Linen Services	29,021	Renewal
179 Starlite St	South San Francisco	Raison D'etre Bakery	22,500	Renewal
320 Beach Rd	Burlingame	Design & Customize	21,872	Renewal

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
333 Point San Bruno Blvd	South San Francisco	R L & M Samuelson Trust / Roche	42,012	\$25.0M / \$595
1335 Rollins Rd	Burlingame	R & J Johnston / Richard Freschet	10,026	\$5.7M / \$578
1000 American St	San Carlos	State Plumbing & Heating Supplies / 1000 American LLC	10,000	\$3.9M / \$390

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