

SAN MATEO COUNTY

Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
4.4% Vacancy Rate	▲	▲
-349K Net Absorption, SF	▼	▼
\$1.85 Asking Rent, PSF	▼	▼

Overall, Net Asking Rent

ECONOMY: xAI Leads Venture Capital Funding

Total non farm employment in the San Francisco metro division (MD) decreased by 0.5%, or 6,300 jobs year-over-year (YOY), while office jobs have fallen 2.5% below the pre-pandemic peak, largely because of a series of tech layoffs announced since the beginning of 2023. Subsequently, the unemployment rate has climbed 90 basis points (bps) YOY with the most recent figure at 3.8%. Venture capital (VC) funding into start-up companies headquartered in San Mateo County remained at a healthy level in the second quarter, with capital investment totaling \$7.8 billion (B), down from \$8.7B in the first quarter. San Mateo County-based companies captured 13.8% of the total funding to U.S. companies in the second quarter, with Burlingame-based artificial intelligence company xAI at \$6.0B being the top deal in the Bay Area and second largest in the U.S.

SUPPLY: Industrial Vacancy on the Rise

San Mateo County's industrial vacancy rate climbed to 4.4% at the end of the second quarter, up from last quarter's reading of 3.5% and an increase of 200 bps from one year ago. Since reaching a low of 1.6% in the first quarter of 2019, vacancy has skewed higher, however it remains relatively low with no large new developments in the pipeline. South San Francisco, the largest submarket by inventory, ended the quarter at 4.7%; it contains six large blocks over 50,000 square feet (sf) with 59.5% of all availabilities in the county.

DEMAND: Leasing Activity Above Historic Low

The San Mateo industrial market ended the second quarter with 349,203 square feet (sf) of negative overall net absorption, continuing the trend from the previous quarter at negative 34,770 sf. South San Francisco was responsible for most of the issue this quarter with 241,941 sf of net occupancy losses due to new multiple blocks of space. Leasing activity totaled 214,295 sf, just above the historic low of 200,036 sf at the end of the first quarter of 2020. New leasing made up 58.7% of the total figure, led by AGS occupying 36,542 sf at 268 Lawrence Avenue in South San Francisco. The low velocity in new leasing activity is expected to continue due to limited expansion or relocation options in a tight market that lacks significant new development.

PRICING: Overall Asking Rate Ticks Down

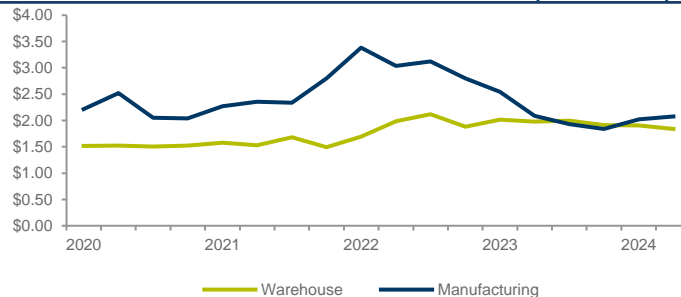
The average asking rate in San Mateo County closed the second quarter of 2024 at \$1.85 per square foot (psf), on a monthly triple net basis, down \$0.07 quarter-over-quarter and down \$0.13 YOY. The average rate for manufacturing and light industrial product was unchanged YOY at \$2.08 psf, with warehouse product down \$0.17 YOY to \$1.84 psf.

ECONOMIC INDICATORS Q2 2024

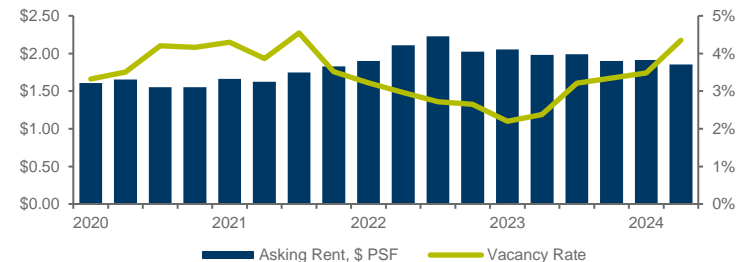
	YoY Chg	12-Mo. Forecast
1.2M SF Peninsula Metro Employment	▲	▲
3.8% SF Peninsula Metro Unemployment Rate	▲	▼
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics
2024 Q2 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	261,926	4.7%	-3,877	-5,322	0	0	\$1.35	\$1.90	\$1.90
S. San Francisco/San Bruno	17,091,919	1,034,933	6.1%	-241,941	-237,440	0	0	\$1.80	\$1.63	\$1.63
Burlingame/Millbrae	4,092,388	320,932	7.8%	-129,162	-156,921	0	0	\$1.25	\$2.02	\$2.02
NORTH COUNTY	26,797,588	1,617,791	6.0%	-374,980	-399,683	0	0	\$1.80	\$1.76	\$1.75
San Mateo/Foster City	1,015,793	22,875	2.3%	-8,041	-8,680	0	0	\$2.10	\$2.21	\$2.20
Belmont/San Carlos	6,571,544	58,050	0.9%	7,386	5,793	0	0	\$2.04	\$2.40	\$2.16
Redwood City	3,730,888	41,382	1.1%	23,932	16,097	0	0	\$2.19	\$2.02	\$2.11
Menlo Park	1,836,587	0	0.0%	2,500	2,500	0	0	\$1.75	\$1.35	\$1.75
TOTAL	39,952,400	1,740,098	4.4%	-349,203	-383,973	0	0	\$2.08	\$1.84	\$1.85

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

MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
437 Rozzi Pl	South San Francisco	SSF Imported Auto Parts	60,573	Renewal
268-270 Lawrence Ave	South San Francisco	AGS	36,542	Sublease
4065 Campbell Ave	Menlo Park Other	Resonetics, LLC	28,032	Renewal
1201 Main St	Redwood City Downtown	Devcon Construction	17,685	New Lease
850 Mitten Rd	Burlingame	TransPak	15,597	New Lease

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1200-1210 San Mateo Ave	South San Francisco	Blackstone / Terreno Realty	55,655	\$21.5M / \$387
1220 San Mateo Ave	South San Francisco	Blackstone / Terreno Realty	29,656	\$11.5M / \$387

Anna Brehm

Senior Research Analyst

Tel: +1 415 451 2427

anna.brehm@cushwake.com

Jason Karbelk

Research Manager

Tel: +1 415 485 3742

jason.karbelk@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.