

San Mateo County



Market Facts

3.7%

Overall Vacancy

\$1.62 NNN

Average Monthly Asking Rate

34,813,950 SF

Building Base

-589,928 SF

2019 Total Net Absorption

The outlook for the industrial market within San Mateo County remains positive. Despite the high rents and limited supply, there is enough activity within the sector to prove that the demand for industrial space along the Peninsula is still strong. The job market has also proven its strength with San Mateo County measuring the lowest unemployment rate in the entire state of California at just 1.8%, as of November 2019.

Vacancy

San Mateo County's industrial market noted a significant increase to its available space this quarter, likely due to the quarter-million square foot (sf) project at 530-540 Forbes Boulevard in South San Francisco coming to the market. This quarter, the industrial sector recorded 1,285,555 sf of available industrial space, translating to a 3.7% vacancy rate. Although this rate is 120 basis points higher than the 2.5% vacancy rate noted last quarter, we should expect vacancy to decrease below 3% in the near future.

Asking Rates

Industrial asking rates within San Mateo County remain at record high prices. The industrial market recorded an average asking rate of \$1.62 per square foot (psf), NNN, which is a 8.4% increase from the \$1.50 rate recorded during the fourth quarter of last year. Menlo Park continues to record the highest rent in the county ending the quarter with an asking rate of \$2.98 psf, NNN.

Demand

The industrial market has performed well, despite the below average volume of leasing activity documented this quarter. San Mateo County recorded only 232,840 sf of leasing activity during the fourth quarter, which is roughly half of the total measured from Q3. However, over all of 2019, San Mateo County recorded a total of 1,487,511 sf of leasing activity which is only an 8% decrease from 2018. With no new inventory in sight and record-high asking rents, tenants are pushed to look for opportunities elsewhere.



Investment Activity

Industrial investment activity within San Mateo County slowed during Q4 2019. The total sales volume measured was just \$18.2M, down 84% from the \$114.7M measured last quarter.

Trends to Watch



Relocation

With no new inventory in sight, tenants are reconsidering if they want to remain on the Peninsula or move outside the Bay Area.



Lifestyle

Increasing traffic, low housing availability, and the escalated cost of living are making it hard for companies to retain employees.



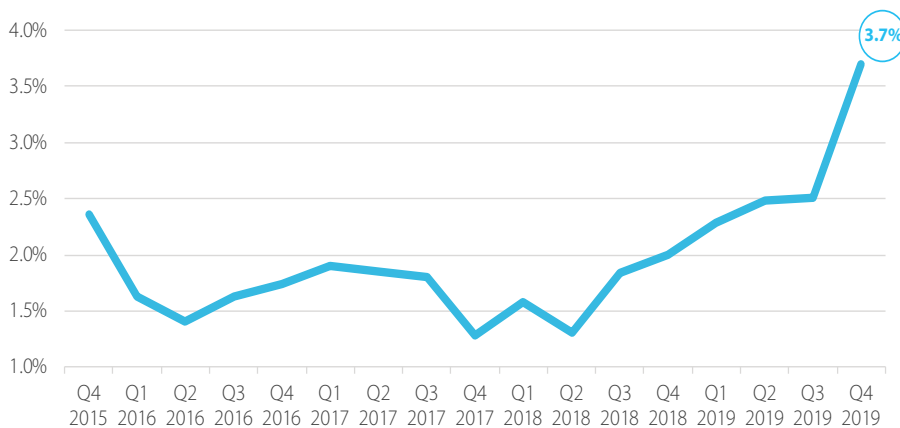
Automation

E-commerce continues to advance within the industry, forcing companies to turn to robotics to help with the high demand.

1.3 MILLION SQUARE FEET

demolished over the past 5 years for Office/R&D developments

Historical Vacancy



South San Francisco

The city of South San Francisco saw an increase in available industrial space this quarter with the arrival of 240,660 sf of space coming to the market at 530-540 Forbes Boulevard. Due to the astonishingly low amount of supply available, this one project has drastically affected the vacancy rate measured this quarter. However, it is to be expected that this large space will not stay on the market for too long, bringing the vacancy rate back down to about 3%.



Development Pipeline

The industrial development pipeline within San Mateo County is nonexistent. Despite the high demand for industrial space, the land value along the Peninsula is just too high to justify the costs of a new warehouse or distribution center. In recent years, developers have noticed how much placemaking affects the overall value of a site which is why they've abandoned plans for industrial and focused on more elaborate office and flex developments.



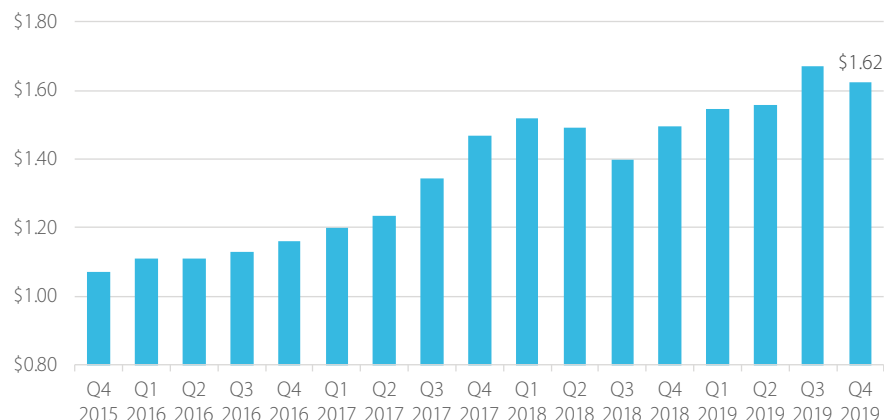
Sublease Space

The industrial market along the Peninsula remains very tight due to the limited supply and increasing tenants' interest. San Mateo County only has 176,968 sf of industrial sublease space with 57% of that space located within South San Francisco.

Looking Forward

The industrial market within San Mateo County is expected to show signs of moderate activity in the new year, despite the slowdown measured in the fourth quarter. Landlords are still receiving high interest from current tenants looking to expand along the Peninsula. This demand, paired with the limited industrial supply, will continue to allow landlords to push rents to levels not previously seen within San Mateo County.

Historical Asking Rates (NNN)



Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
United States Postal Service	1625-1635 Rollins Road	Burlingame	101,491	Direct Lease
Evalve	3885 Bohannon Drive	Menlo Park	84,643	Renewal
Flying Food Group	200-204 Littlefield Avenue	South San Francisco	63,700	Direct Lease
Vieux Vin	280 Valley Drive	Brisbane	31,856	Renewal
Inception	185 Valley Drive	Brisbane	22,708	Direct Lease
* Wayfarer, Inc.	415-425 E. Grand Avenue	South San Francisco	21,552	Direct Lease

Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
219 Shaw Road	Transgroup Global Logistics	South San Francisco	26,186	\$6,888,000	\$263
429 Macarthur Avenue	Affirmed Housing Group, Inc.	Redwood City	1,310	\$6,210,000	\$4,740
2345 Spring Street	Joseph & Nicki Parisi Trust	Redwood City	6,350	\$2,595,000	\$409
360 Swift Avenue, #9	TTM Ventures, LLC	South San Francisco	4,800	\$1,264,000	\$263
1012 Washington Street	William Stronck & Keith Gonsalves	San Carlos	3,000	\$1,200,000	\$400

Largest Available Spaces

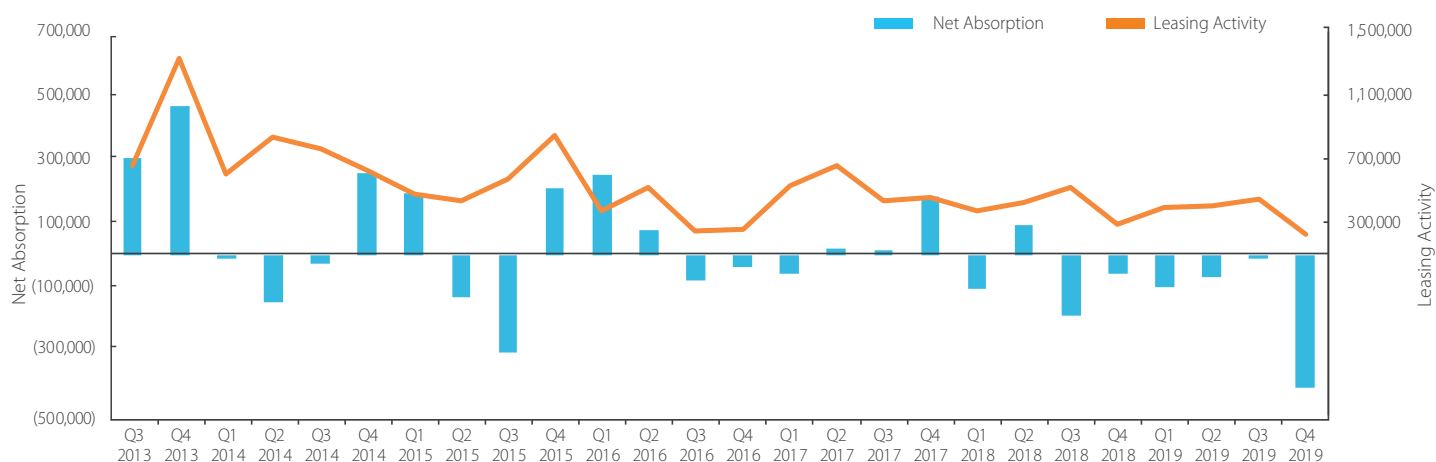
Building	Landlord	Submarket	Square Feet	Type
530-540 Forbes Boulevard	Genentech, Inc.	South San Francisco	240,660	Direct Lease
2600 Geneva Avenue	State of California	Daly City	82,000	Direct Lease
240-246 Valley Drive	Prologis, Inc.	Brisbane	79,300	Direct Lease
960-980 Industrial Road	Alexandria Real Estate Equities, Inc.	San Carlos	62,000	Sublease
233 E. Harris Avenue	Irwin Eskanos	South San Francisco	60,225	Direct Lease
810 Malcolm Road	MTI Properties, LLC	Burlingame	55,000	Direct Lease
1535 Rollins Road	Howard Properties	Burlingame	52,150	Sublease

*Denotes Avison Young Involvement

Market By The Numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Q3'19	Vacancy Rate Q4'19	Net Absorp (SF)	Net Absorp YTD (SF)	Avg. Asking Rent (NNN) Q3'19	Avg. Asking Rent (NNN) Q4'19
Daly City / Brisbane	5,277,319	189,765	-	1.8%	3.6%	-92,507	-63,648	\$1.44	\$1.52
South San Francisco / San Bruno	15,179,890	674,335	100,908	3.2%	5.1%	-294,863	-475,676	\$1.59	\$1.53
Burlingame/Millbrae	3,876,305	81,876	-	2.2%	2.1%	-577	-45,530	\$1.61	\$1.58
North County	24,333,514	945,976	100,908	2.7%	4.3%	-387,947	-584,854	\$1.57	\$1.53
San Mateo / Foster City	816,174	-	-	-	-	-	-10,545	\$2.26	\$2.26
Belmont / San Carlos	4,276,768	93,801	62,000	2.9%	3.6%	-30,622	14,584	\$1.88	\$1.97
Redwood City	3,183,300	49,575	14,060	2.2%	2.0%	6,128	-29,457	\$1.91	\$1.85
Menlo Park	2,204,194	19,235	-	0.8%	0.9%	-2,400	20,344	\$2.97	\$2.98
South County	10,480,436	162,611	76,060	2.0%	2.3%	-26,894	-5,074	\$1.98	\$2.02
San Mateo County Total	34,813,950	1,108,587	176,968	2.5%	3.7%	-414,841	-589,928	\$1.67	\$1.62

Historical Leasing vs Net Absorption


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