

FIGURES | SAN FRANCISCO PENINSULA | Q4 2022

San Francisco Peninsula Industrial Figures

▼ 2.0%

Vacancy Rate

▲ 118K

SF Net Absorption

► 0M

SF Under Construction

▼ \$1.66

NNN / Lease Rate
Existing Properties

▲ 86K

Industrial Using Employment
San Mateo County

Note: Arrows indicate change from previous quarter.

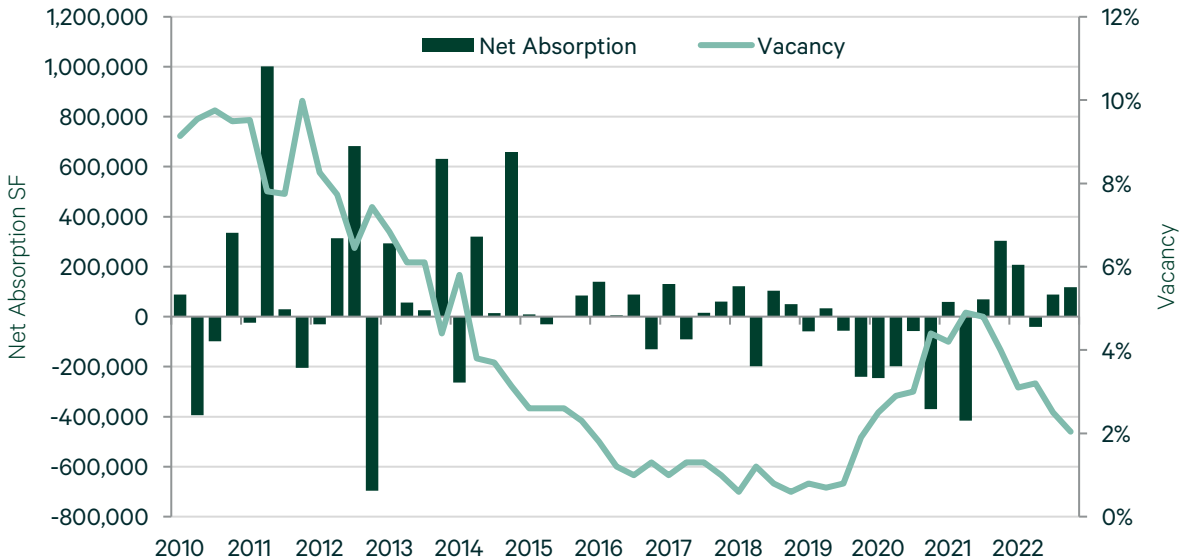
EMPLOYMENT

The San Francisco Peninsula is primarily comprised of San Mateo County and is home to 744,400 residents with a labor force of 455,400. At the close of Q4 2022, the total resident employment was 444,900, up by 4.79% from Q4 2021. The net difference between resident and total county-wide employment is 15,800. The unemployment rate for San Francisco Peninsula residents remained flat at 2.3% in Q4 2022. This is a 99 basis-point (bps) reduction from a year ago in Q4 2021. Industrial sector jobs inclusive of in-market employment grew by 4,900 jobs year-over-year reaching 85,600 in Q4 2022.

INDUSTRIAL OVERVIEW

The San Francisco Peninsula industrial market remained active in 2022. The year ended with a total of 373,022 sq. ft. of net absorption. Net absorption in Q4 2022 contributed 118,051 sq. ft. This corresponded to a further decline of the average vacancy rate to 2.0%, dropping 47 bps from the previous quarter. The lack of functional space along the Peninsula persisted throughout 2022 and continues to limit and suppress growth options for tenants. The limited industrial availability and exclusivity of space has continued to give the Peninsula an advantage in leasing activity even through the economic uncertainty and 2023 recession risk.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

INDUSTRIAL OVERVIEW (continued)

The already low market-wide availability continued to plummet further from the previous quarter to 3.3% at the end of Q4 2022. The total industrial inventory along the Peninsula has continued to erode year-over-year. The net rentable area dropped by approximately 350,000 sq. ft. from Q4 2021, with a year-over-year decrease of 1%. As there were no construction deliveries in 2022 nor any project on the horizon, the Peninsula is likely to have a continued erosion of industrial supply.

The overall average asking rate for industrial product along the Peninsula had a slight decrease to \$1.66 per sq. ft. NNN on a monthly basis. Total active industrial requirements ended the year at just under 800,000 sq. ft. of demand. The continued scarcity of supply has driven demand and kept rents elevated.

The largest lease signed during Q4 2022 was at 1755 Rollins Rd, in Burlingame. The tenant signed a new lease for the entire 83,674 sq. ft. warehouse. The transportation/distribution/logistics sectors led leasing volume in Q4 2022, taking up 46% of the top 15 deals. While the average deal size this quarter of 29,801 sq. ft. was a decrease from Q3 2022, new deals still accounted for 74% of total leasing along the Peninsula. Even with current economic conditions slowing leasing activity, gross absorption in 2022 was still up by 552,507 sq. ft. from 2021, ending the year at 2,742,057 sq. ft. of gross leasing activity.

Investment sales were noticeably lower in Q4 2022. The Peninsula recorded just two transactions totaling over \$80 million in total consideration. The most notable sale of the quarter was an 84,000 sq. ft warehouse building at 513 Eccles Ave in South San Francisco. This sale and many of the top industrial transactions in 2022 are contributing to the growing shift in repositioning buildings and sites to new Class A life science, technology, and residential developments

The Federal Reserve has increased interest rates by 425 bps since the start of 2022 resulting in an increase in the 10 year treasury bill from 1.52% a year ago to 3.88% (December 30, 2022). The current 4.33% Federal Reserve Funds rate has impacted liquidity in the debt market and caused institutional investors to apply more scrutiny to investment opportunities, especially with larger transactions. Lower trading volume and conservative institutional sales are expected through the first part of 2023 until the debt markets stabilize.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)		Q4 Net Absorption	YTD Net Absorption
				Mfg.	Whs.		
Daly City	1,188,901	0.0%	0.0%	1.50	1.52	0	0
Brisbane	4,467,225	0.0%	0.1%	1.50	1.50	68,000	266,110
South San Francisco	15,477,097	3.0%	5.3%	1.50	1.53	(10,575)	85,333
San Bruno	316,342	0.0%	2.7%	1.68	1.69	0	0
Millbrae	134,682	0.0%	0.0%	1.68	1.77	0	0
Burlingame	4,045,800	2.5%	3.8%	1.85	1.69	75,666	50,671
North County	25,630,047	2.2%	3.8%	1.71	1.54	133,091	402,114
San Mateo	605,606	2.5%	2.8%	1.92	1.80	7,960	(2,070)
Belmont	399,878	1.4%	1.4%	2.05	2.05	0	(2,000)
San Carlos	2,569,821	0.5%	0.8%	2.25	2.05	0	0
Redwood City	3,039,004	2.7%	2.7%	1.85	1.85	(23,000)	(6,248)
Central County	6,614,309	1.8%	1.9%	2.00	1.89	(15,040)	(10,318)
Menlo Park	1,799,398	0.9%	1.6%	2.25	2.03	0	(13,774)
Palo Alto/East PA	1,269,247	2.0%	2.0%	2.90	2.05	0	(5,000)
South County	3,068,645	1.4%	1.8%	2.69	2.03	0	(18,774)
Total Market	35,313,001	2.0%	3.3%	2.00	1.57	118,051	373,022
Manufacturing	5,785,280	3.2%	3.4%	2.00	N/A	(36,000)	(45,543)
Warehouse	29,527,721	1.8%	3.3%	N/A	1.57	154,051	418,565

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	City	SF Leased	Type
Confidential	1755 Rollins Rd, Burlingame	83,674	New Lease
DHL Global Forwarding	99 S Hill Dr, Brisbane	76,375	Renewal
Pacific Gourmet	380 Valley Dr, Brisbane	70,335	Renewal
Pacific Produce	570 586 Eccles Ave, South San Francisco	51,980	Renewal
Hensley Event Resources	440 448 Valley Dr, Brisbane	48,500	New Lease

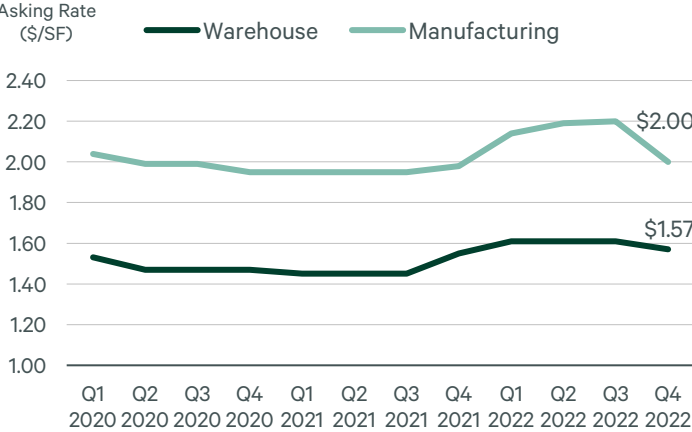
Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q4 2022

Buyer	City	Bldg. SF	Acres	Sale Price
BioMed Realty	513 Eccles Ave, South San Francisco	84,000	4.28	\$80M
Sogas Trust	860 San Mateo Ave, San Bruno	11,100	0.28	\$2.1M

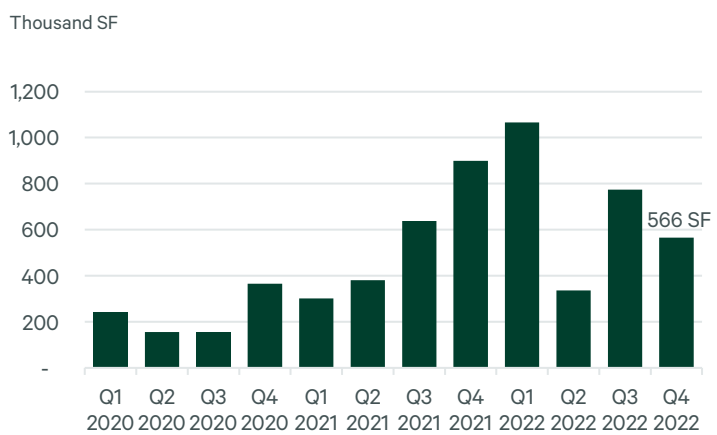
Source: CBRE Research

FIGURE 5: Lease Rates



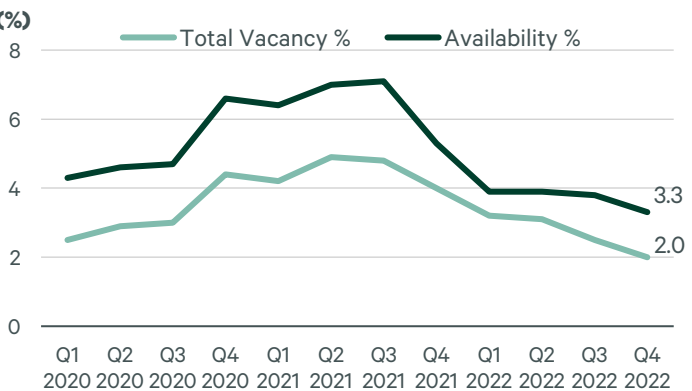
Source: CBRE Research

FIGURE 7: Gross Absorption



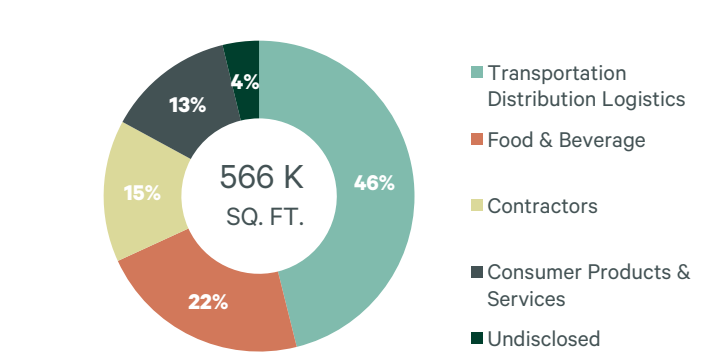
Source: CBRE Research

FIGURE 6: Vacancy & Availability



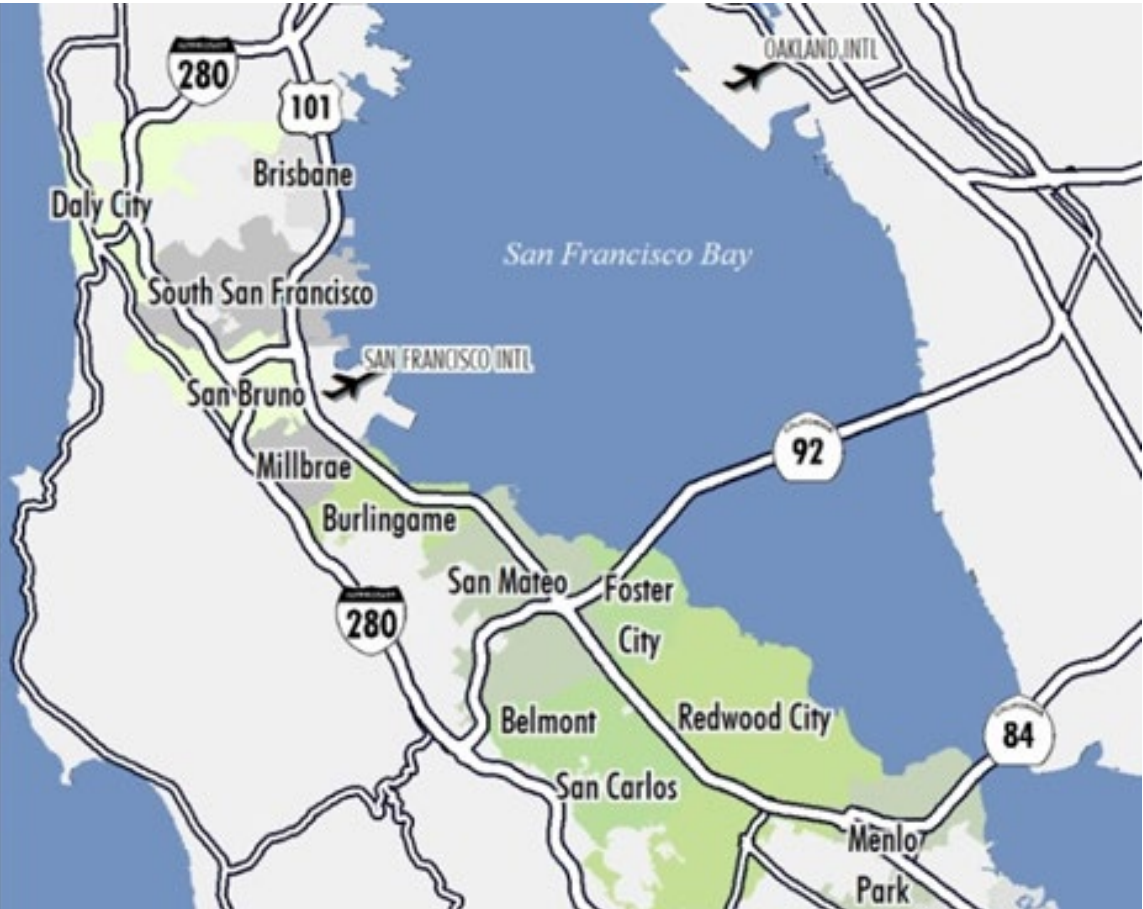
Source: CBRE Research

FIGURE 8: Top 15 Leases of the Quarter by Industry



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

© 2023 CBRE, Inc. All rights reserved. This information has been obtained from sources believed reliable but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy, completeness, or reliability of the information contained herein. You should conduct a careful, independent investigation of the property and verify all information. Any reliance on this information is solely at your own risk. CBRE and the CBRE logo are service marks of CBRE, Inc. All other marks displayed on this document are the property of their respective owners, and the use of such marks does not imply any affiliation with or endorsement of CBRE. Photos herein are the property of their respective owners. Use of these images without the express written consent of the owner is prohibited.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Definitions

Average Asking Rate Direct Monthly Lease Rates, Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Contacts

Emiko Akama-Garren
Field Research Analyst
+1 650 494 5180
emiko.akamagarren@cbre.com

Shane Forker
Senior Field Research Analyst
+1 415 772 0315
shane.forker@cbre.com

Konrad Knutsen
Associate Director, Northern CA
+1 916 446 8292
konrad.knutsen@cbre.com

San Francisco Peninsula Office
400 Hamilton Ave, 4th floor
Palo Alto, CA 94031

