



# Diminishing Industrial Inventory

Mid-Peninsula & San Francisco

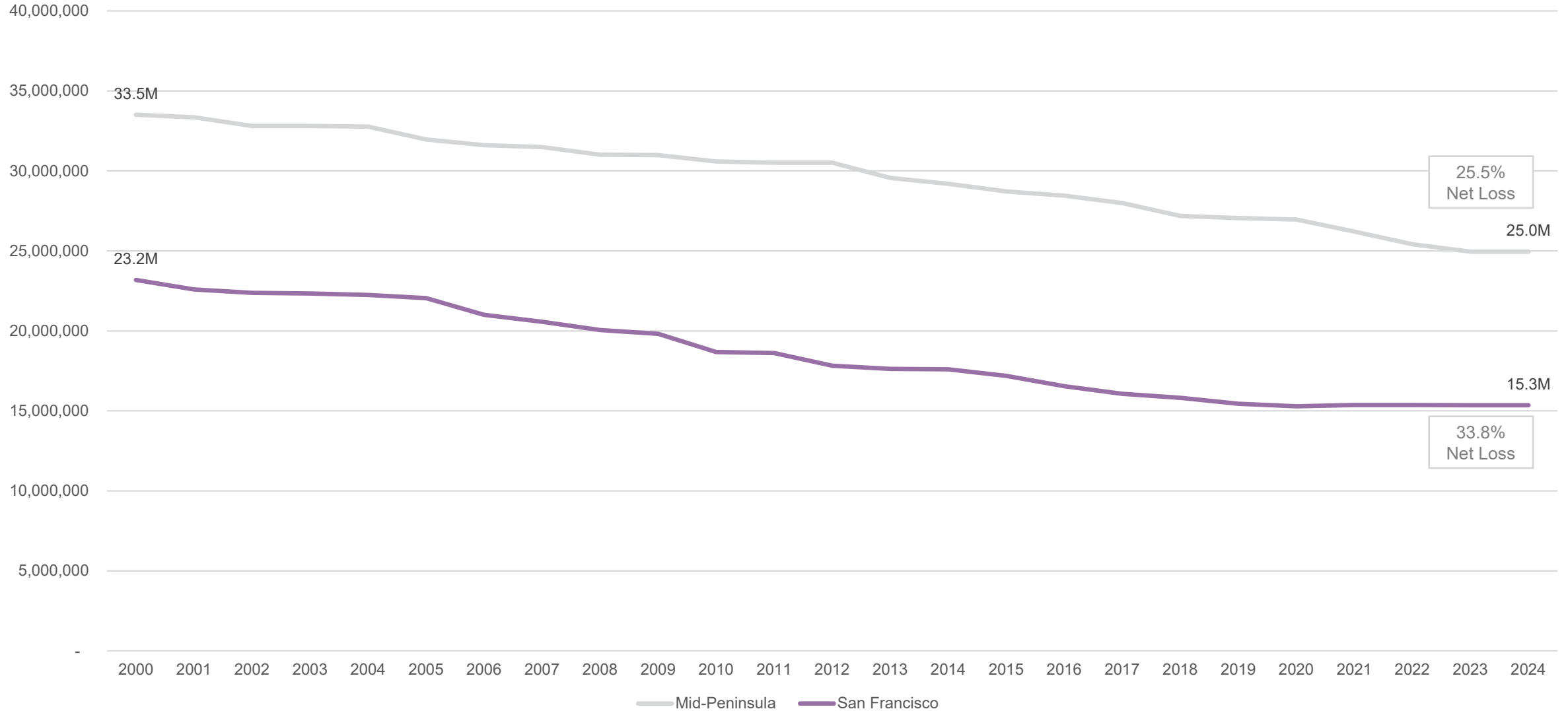
November 2024



# Key Takeaways

- There has been 18.0 s.f. of demolished Industrial inventory since 2000 across San Francisco and the Mid-Peninsula (San Mateo County). Another 1.4M s.f. is slated for demolition.
- 8.6M s.f. (23.2M to 15.3M) of Industrial space has been demolished in San Francisco, a reduction of 33.8% since 2000. The Mid-Peninsula has lost 9.3M s.f. (33.5M to 25.5M) of inventory since 2000, a 25.5% reduction in supply.
- Over the same period of time, the population for San Francisco has grown by 8.5%, peaking at 13.2% pre-pandemic. San Mateo County has grown by 4.8%.
- While the population increases and the industrial base decreases, increasing pressure is put on the remaining supply to service increasing demand for last mile delivery and local industrial services. The market was already supply constrained with 38.2 SF/person in the combined market in 2000. Today, it is 25.4 SF/person. Only Washington D.C. has a more supply constrained industrial market nationally.
- Across the region, 4.8M was demolished for Office redevelopment, 4.2M s.f. for Housing, and 2.5M s.f. for Life Science.
- Since 2000, 49% of demolished space in the Mid-Peninsula has been in South San Francisco and San Bruno, owing to the Life Science development pipeline—notably the Genentech Campus project.
- Historically industrial areas of San Francisco, like SOMA and Mission Bay, have witnessed a surge of redevelopment in the last two decades, where 78% of the demolished inventory is centered.

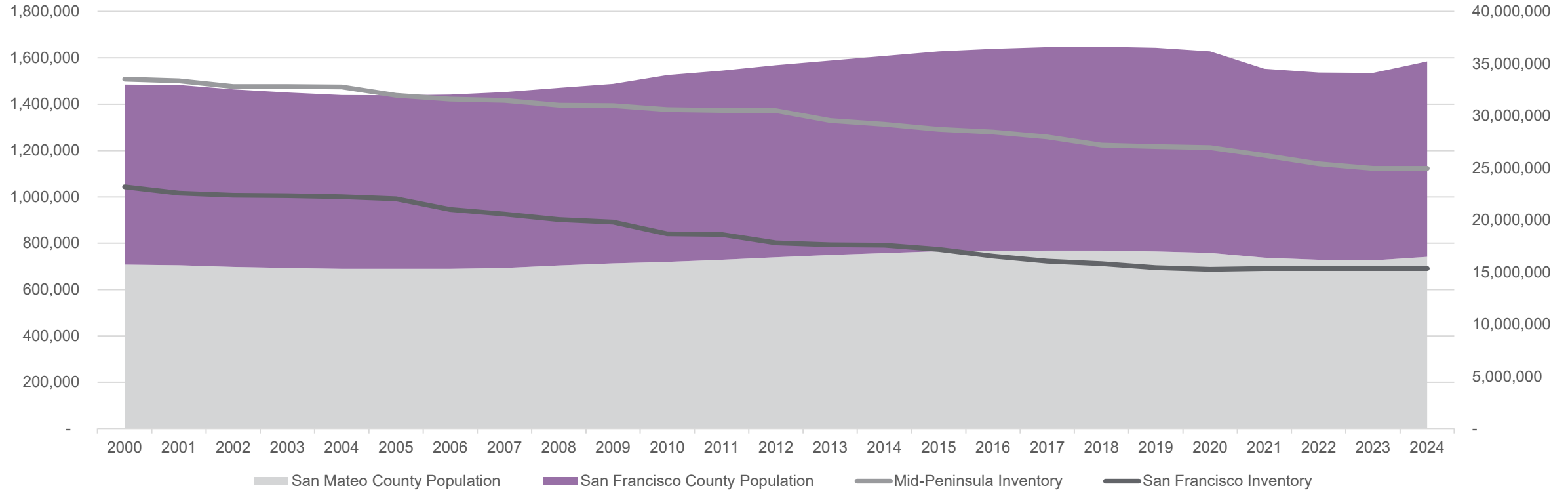
# Change in Inventory since 2000



# Population Growth since 2000



San Francisco			San Mateo County (Mid-Peninsula)		
Population Growth since 2000	Max Population Growth from since 2000	Inventory Change	Population Growth since 2000	Max Population Growth from since 2000	Inventory Change
<b>8.5%</b>	<b>13.2%</b>	<b>-25.5%</b>	<b>4.8%</b>	<b>8.6%</b>	<b>-33.8%</b>

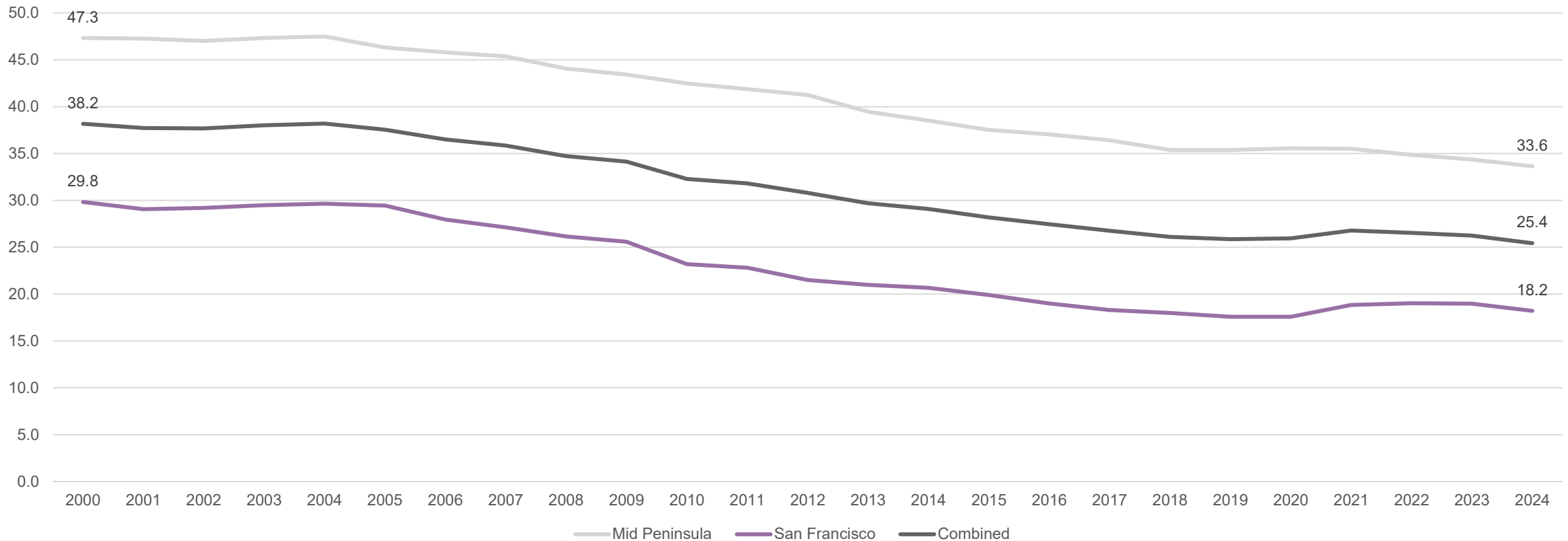


# Diminishing Supply adds Pressure to Tight Market

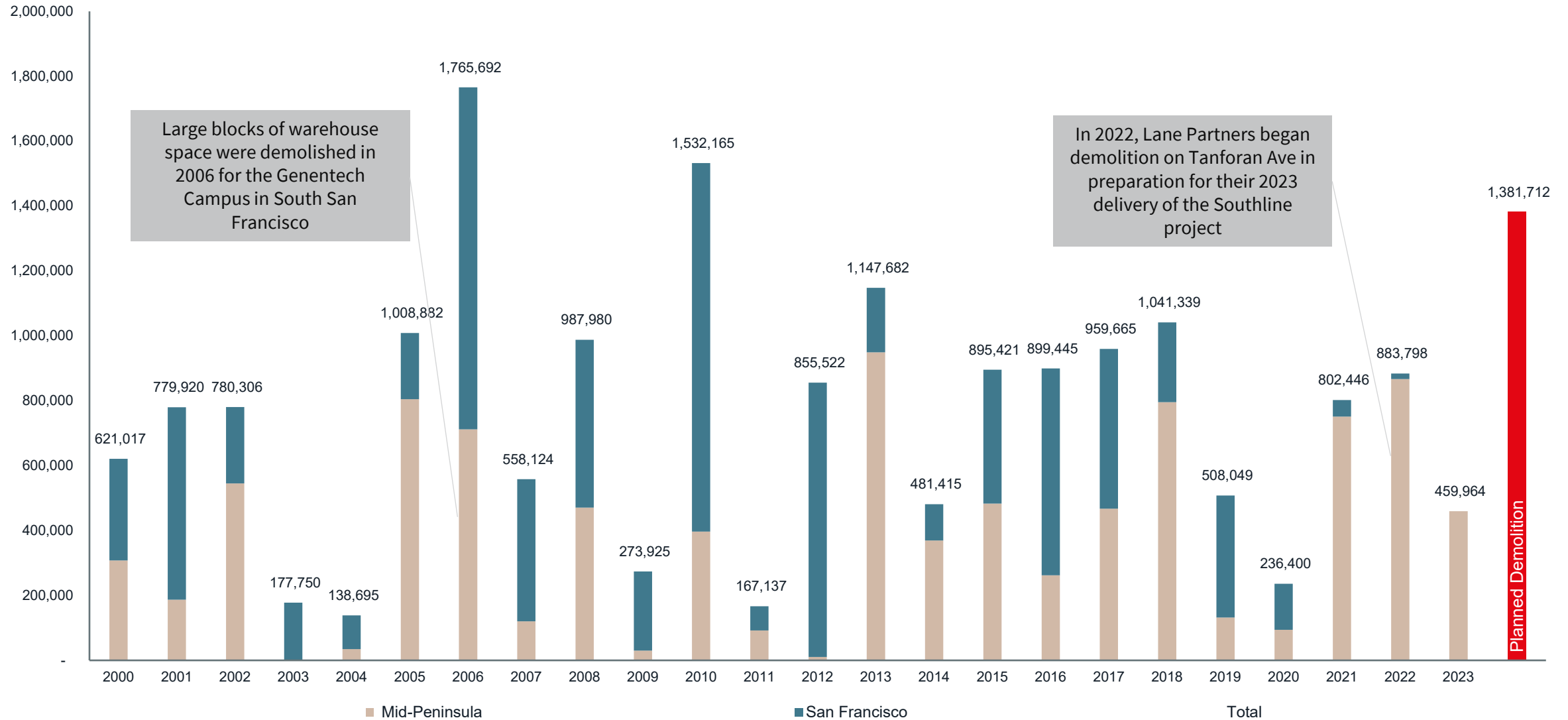


While the population of the markets increase as the industrial supply decreases, there is increasing pressure on the existing inventory to service the last mile and industrial services needs of the local communities. In 2000 there use to be 38.2 square feet of space per person, today it is 25.4 square feet, a reduction of 33%. The San Francisco Peninsula is one of the most supply constrained markets in the US, with only Washington DC having a lower ratio.

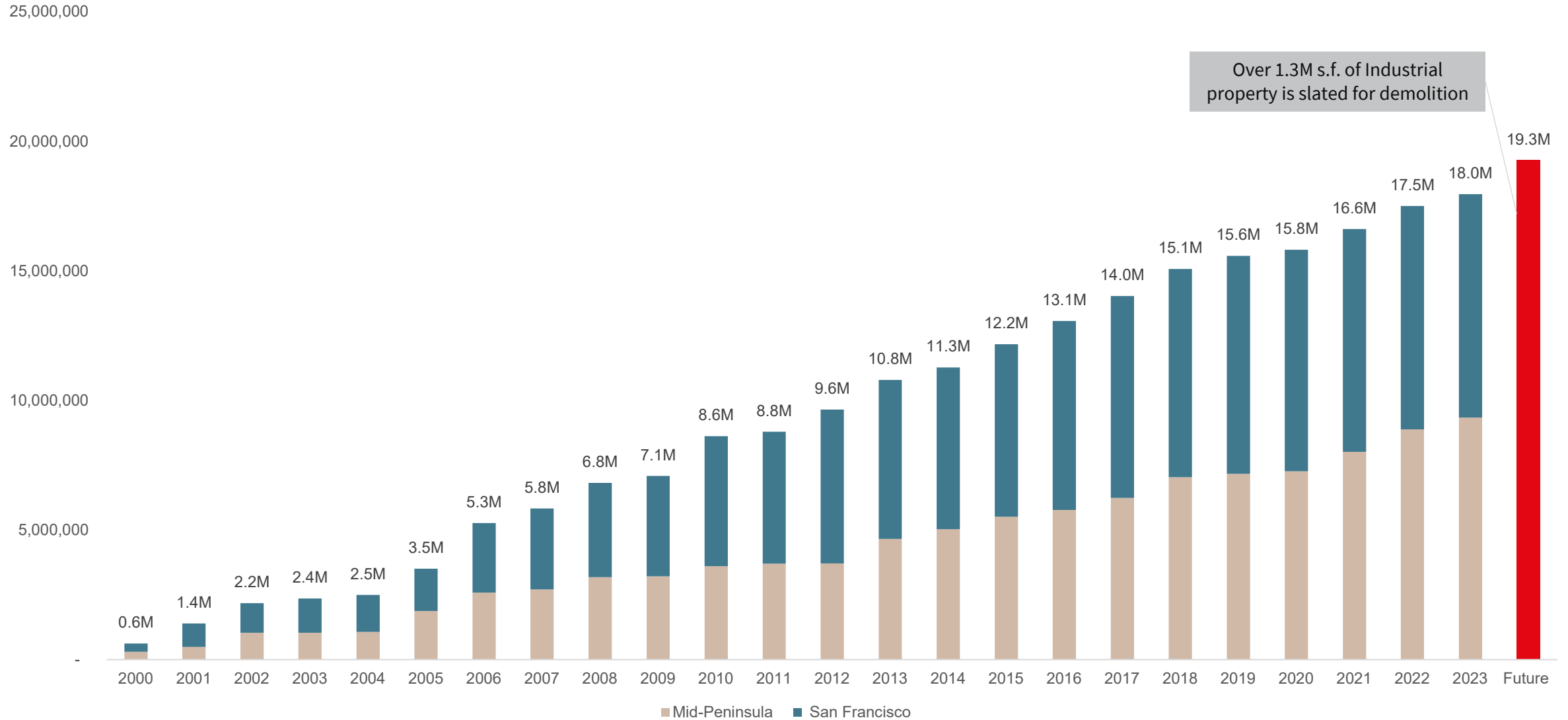
Square Feet of Industrial Space per Person



# Demolished Inventory by Year since 2000



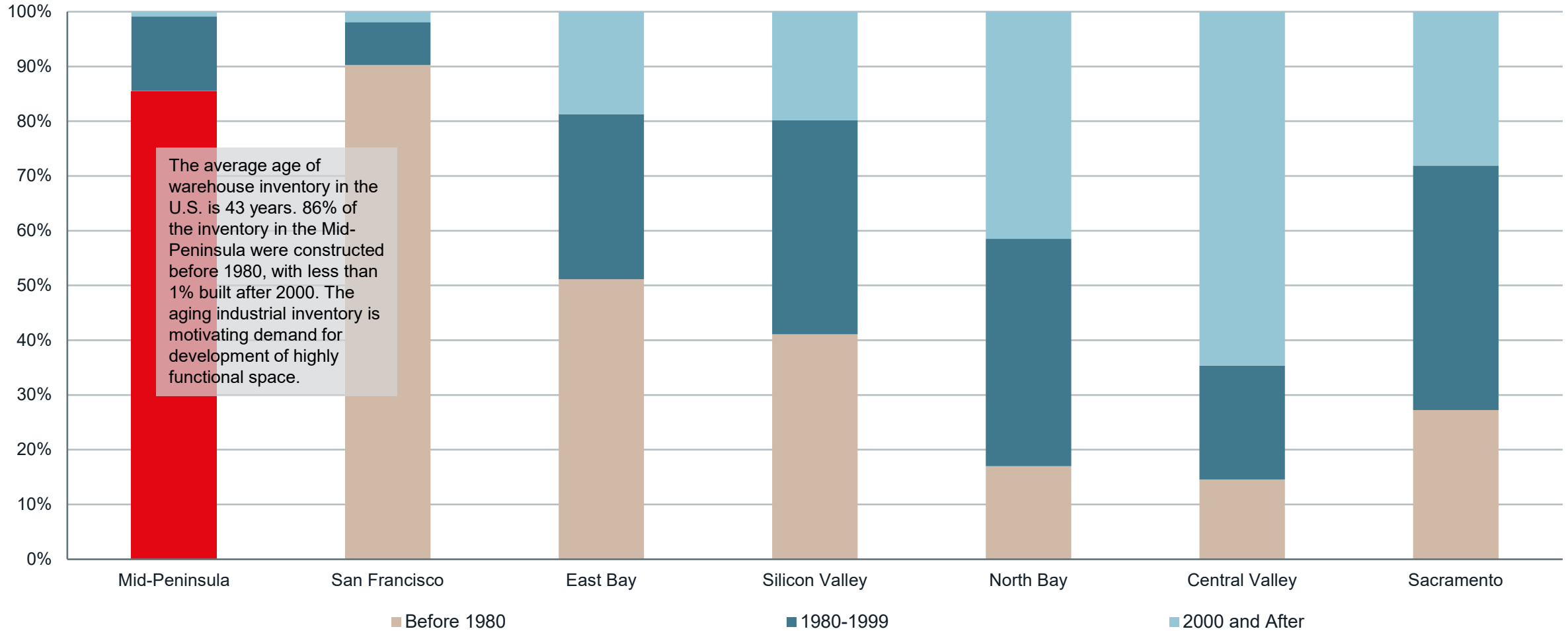
# Total Demolished Inventory since 2000



# Age of Industrial Inventory Across the Bay Area



Compared to neighboring markets, the Mid-Peninsula and San Francisco has the most functionally obsolete inventory, with the majority as a share of total inventory constructed before the 1980s.

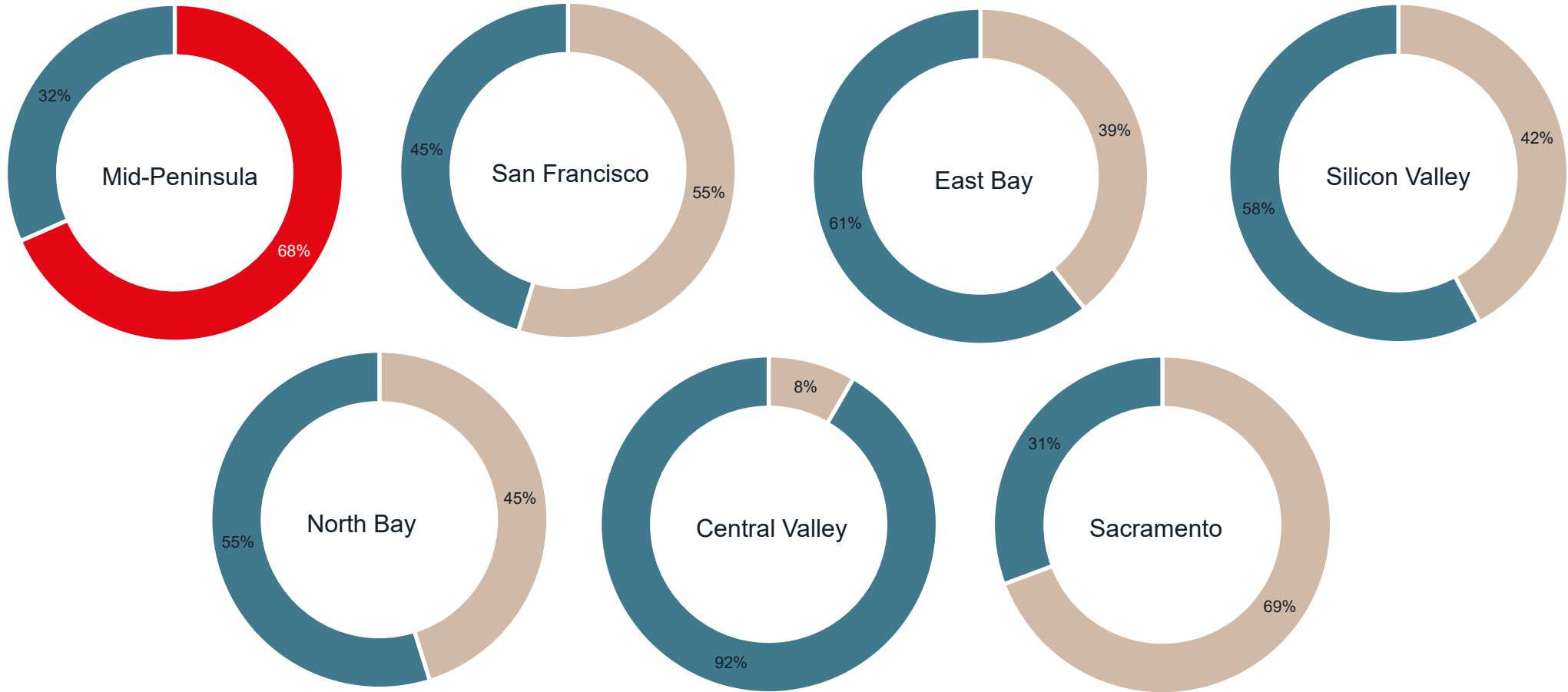




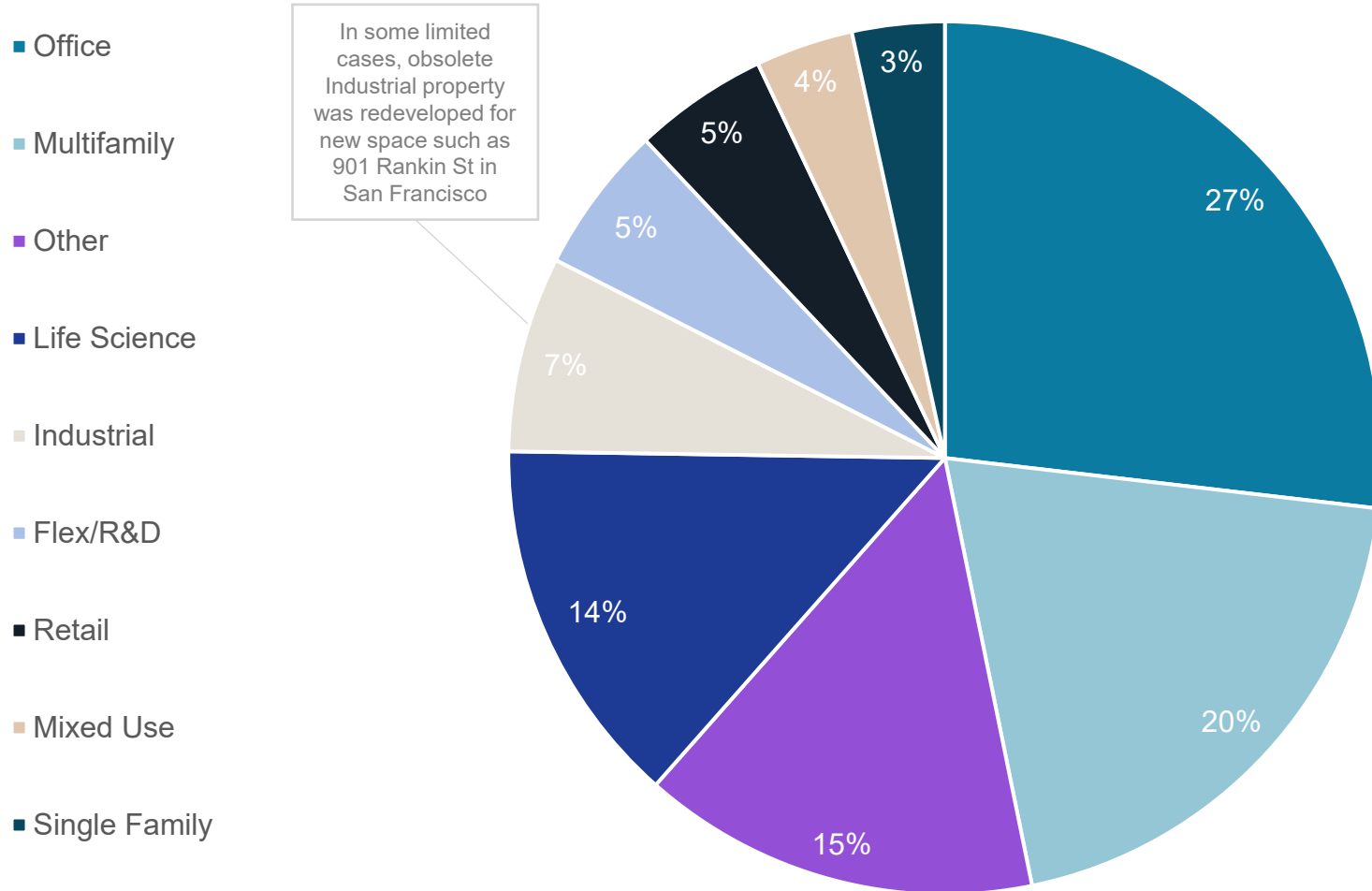
# Less than one third of the buildings (by count) in the Mid-Peninsula have clear heights above 20'



Modern features are critical to site selection with tenants valuing clear heights above 28' when assessing the functionality of a facility



# Demolished Industrial Inventory by New Property Type since 2000

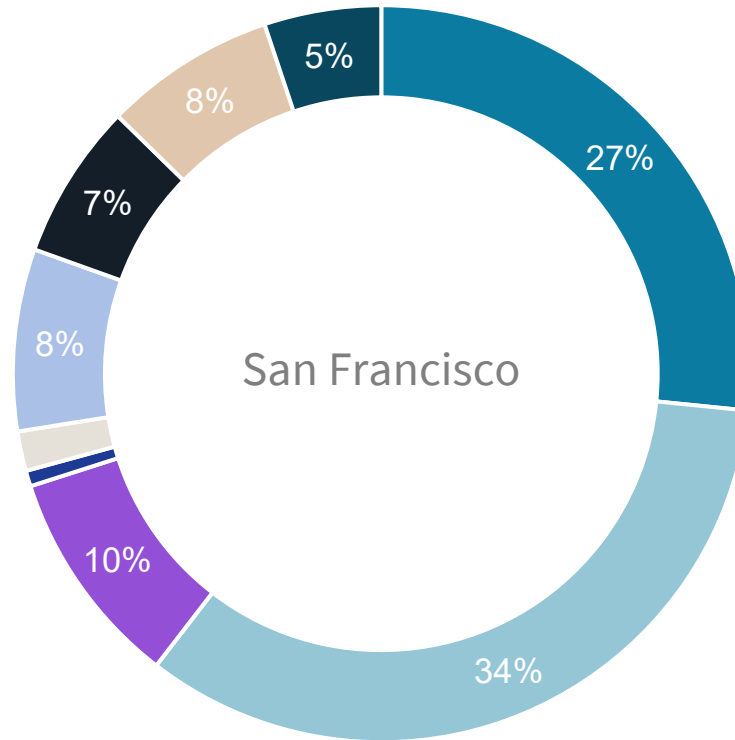
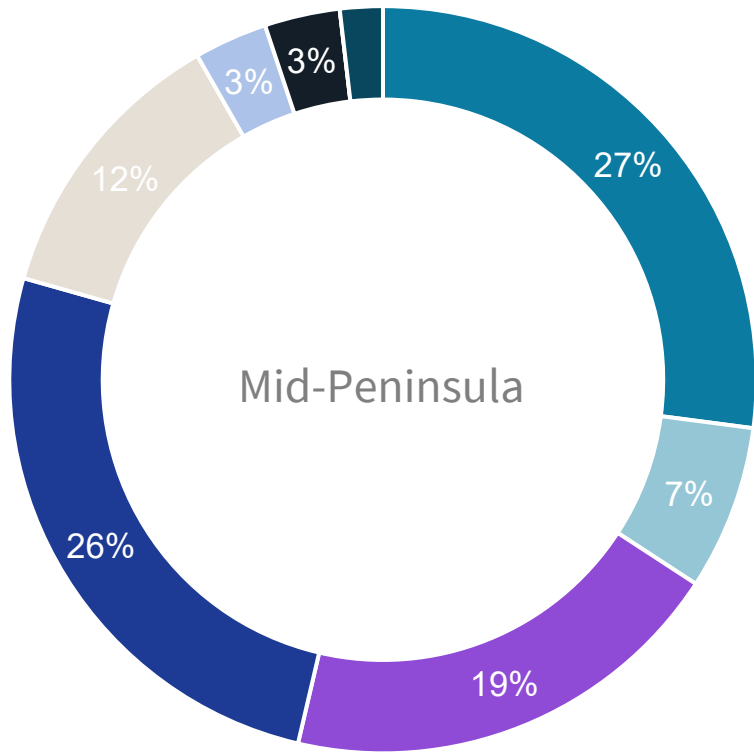


In some limited cases, obsolete Industrial property was redeveloped for new space such as 901 Rankin St in San Francisco

New Status	Demolished Industrial Inventory (s.f.)
Office	4,822,025
Multifamily	3,584,014
Other	2,645,898
Life Science	2,463,716
Industrial	1,302,171
Flex/R&D	984,410
Retail	894,864
Mixed Use	650,317
Single Family	615,324

\*includes Public Infrastructure, Data Center, Hospital, and Vacant Land redevelopment

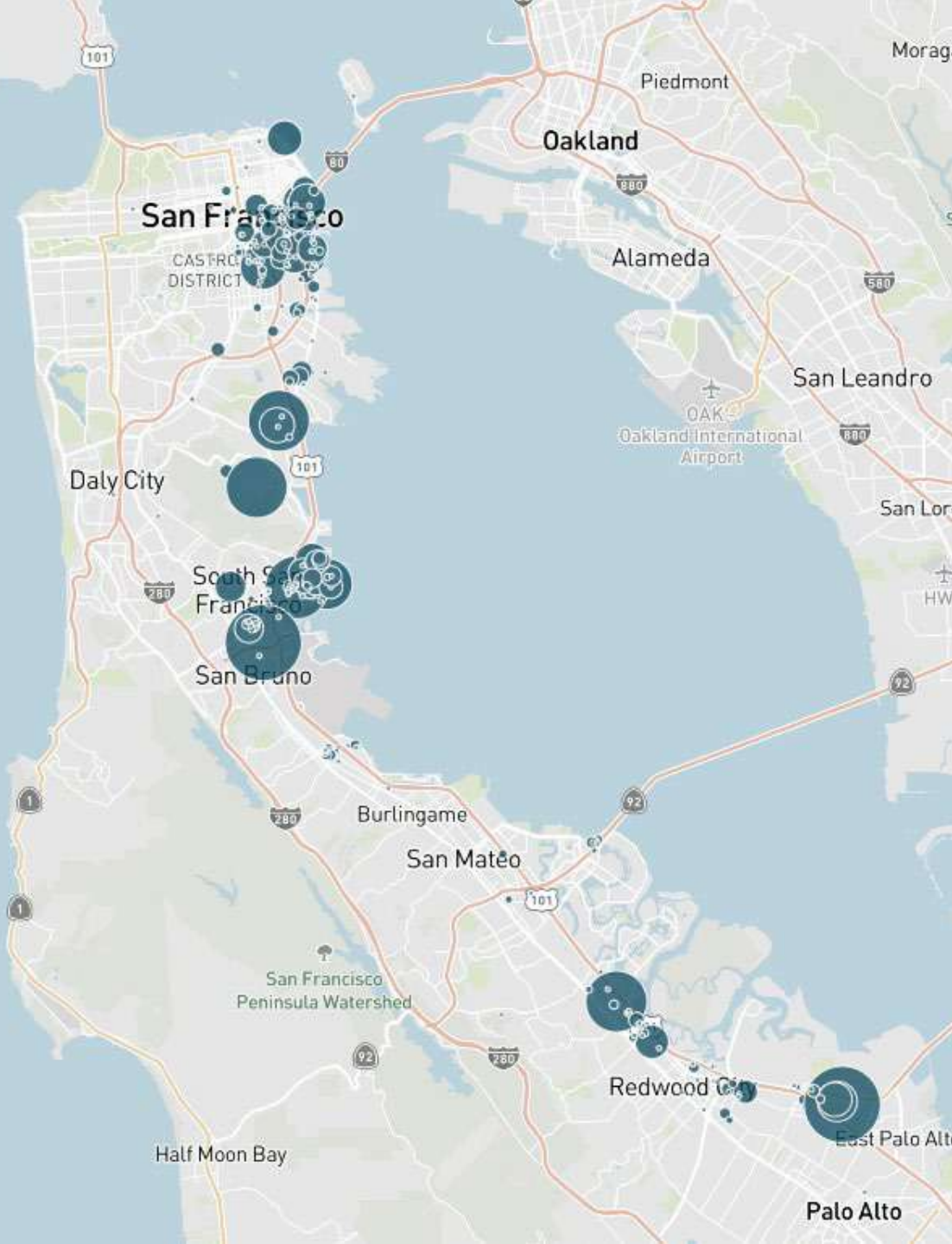
# Life Science, Multi-Family, and Office space have been the leading redevelopments across the region



- Office
- Life Science
- Retail
- Multifamily
- Industrial
- Mixed Use
- Other
- Flex/R&D
- Single Family

New Status	Mid-Pen (s.f.)	SF (s.f.)
Office	2,529,711	2,292,314
Multifamily	666,024	2,917,990
Other	1,817,771	828,127
Life Science	2,404,316	59,400
Industrial	1,152,321	149,850
Flex/R&D	296,124	688,286
Retail	304,773	590,091
Mixed Use	0	650,317
Single Family	173,000	442,324

\*includes Public Infrastructure, Data Center, Hospital, and Vacant Land redevelopment



# Overall



From the 4.8M s.f. demolished in South San Francisco and San Bruno, 2.5M s.f. has been repurposed for Life Science use—with 56% of that attributed to the Genentech Campus.

9.6M s.f. of inventory in San Francisco’s historically industrial districts have been repurposed for predominately housing usage.

Notably, region-wide, 5.2M s.f. has been repurposed for Office use, accounting for 27% of all demolished inventory.



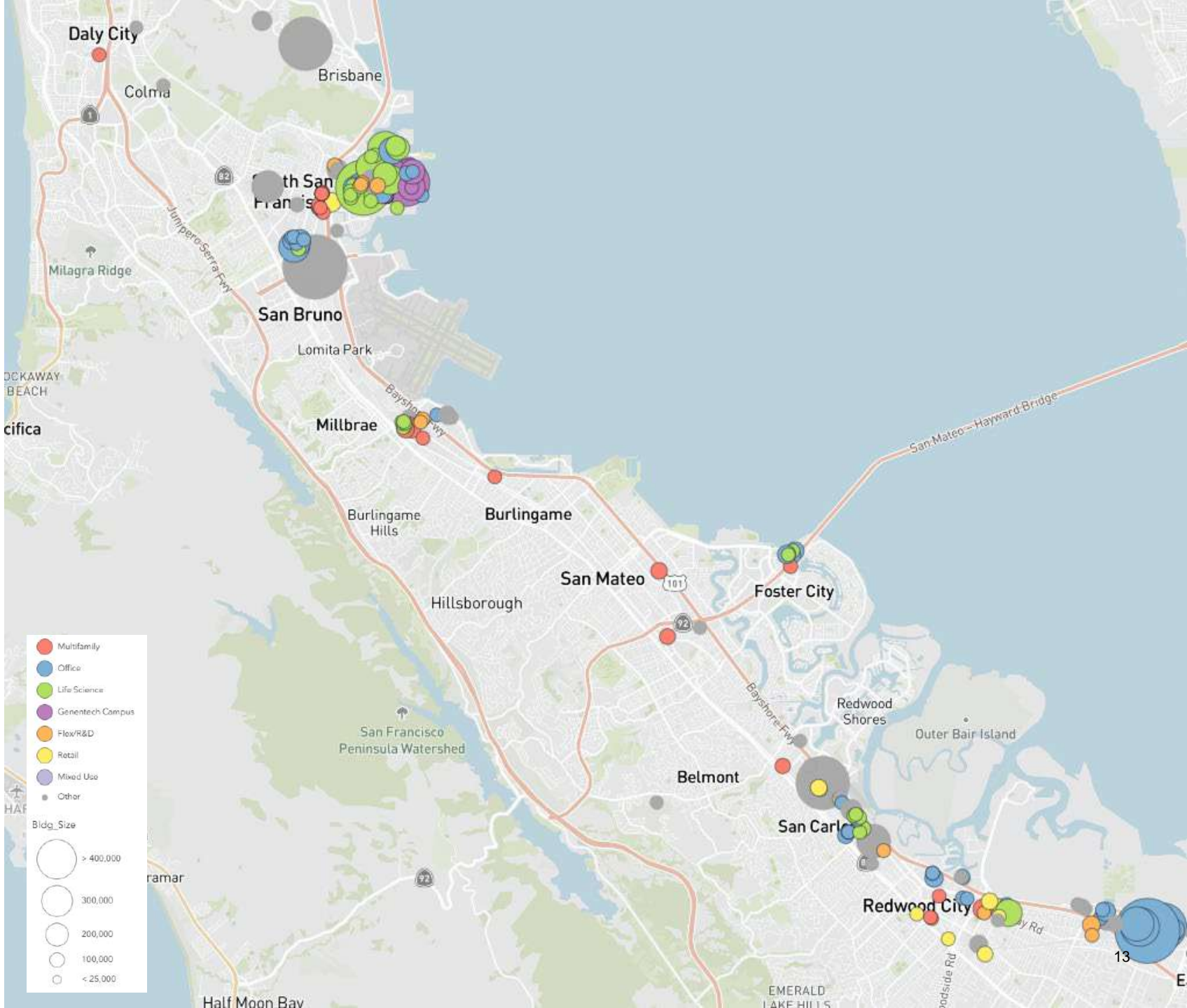
# Mid-Peninsula

Despite the diminishing inventory, demand for industrial space across the Mid-Peninsula remains.

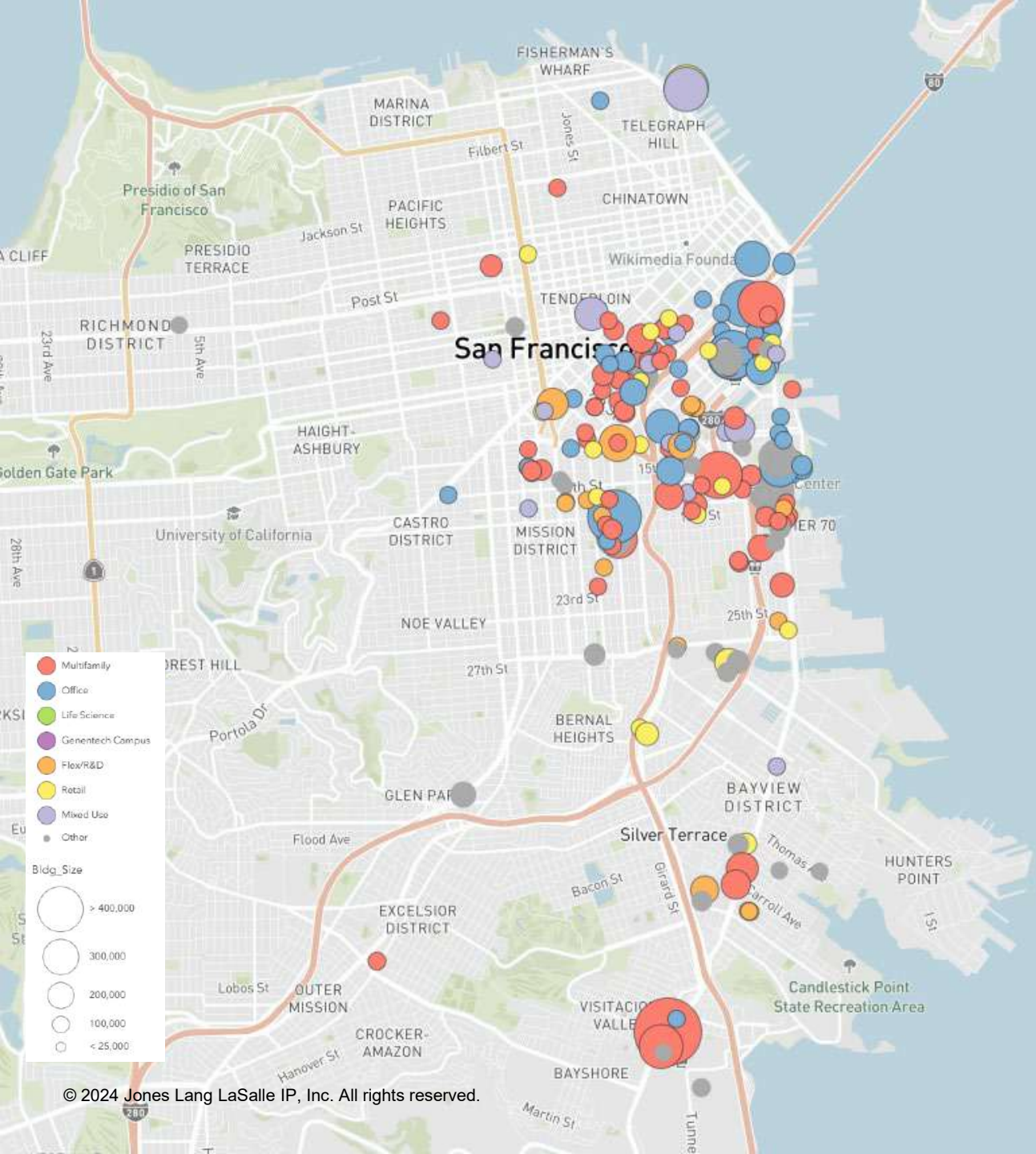
The Life Science development pipeline is robust with 11.6MSF of additional industrial product slated for entitled, planned, and proposed life science projects.

Although life science demand is moderating, almost 200,000 square feet of industrial space was demolished in 2023 for life sciences. More recently, conversions to multifamily housing has in favor with 266,000 square feet of industrial demolished in 2023 for multifamily.

While life sciences dominate the pending demolitions pipeline of 1.16MSF, another 222,000 square feet is expected to be converted to multifamily.



# San Francisco



San Francisco has had the second largest loss of inventory in the region since 2000, with approximately 9.5M s.f. demolished, heavily contributing to negative absorption throughout the years.

While not a core NorCal market, demand for industrial, and specifically PDR, space still exists throughout San Francisco.

41% of redevelopment is Multi-family and Mixed-Use Residential in San Francisco. Housing remains in short supply in San Francisco, and although demand moderated in the aftermath of the pandemic, it is likely to come back. There are over 70,000 planned units across the city.





**Thank you**

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