

THE POLETTI PERSPECTIVE

Northern San Mateo County Industrial Lease Market

The current rental market for warehouse space in Northern San Mateo County is reasonably strong. Rental rates have been consistently rising over the past few years and continued to rise through the first quarter of 2008. There has recently been some deterioration in the market, due to current economic conditions. The state of the economy has caused a significant amount of business uncertainty for tenants and affected their real estate leasing decisions. The vacancy rate is in the mid single digits, which historically evidences a healthy market. However, in the 1st quarter of 2008 the vacancy rate increased by more than 100 basis points to approximately 7.2%. Karl Hansen with Poletti Realty expects the vacancy rate to continue to increase over the next couple quarters. Rental rates, which are a lagging indicator have remained steady, but will probably soften slightly later in the year. The increase in vacancy was partially caused by the availability of an approximately 550,000 sq ft warehouse facility that is new to the market after previously being owned and occupied by GSA (United States Government) for decades. Despite the new product coming to market the increase in vacancy marks a stark contrast from the previous 5-year trend of recovery from the dot-com bust. The previous few years had been marked by consistent decreases in the vacancy rate and increases in rental rates. The long term trend for the local warehouse market remains fundamentally strong due to decreasing supply of warehouse space and consistent demand. However, the short term trend is less certain and will depend on national and local economic conditions.

Northern San Mateo County Industrial Sale Market

Quality, reasonably priced warehouse properties in Northern San Mateo County typically sell quickly at favorable terms to the sellers. The supply of available warehouse buildings for sale, larger than 8,000 square feet is extremely limited and the number of buyers looking to purchase local warehouse buildings greatly outstrips the supply of these properties. This dynamic is driven by market fundamentals, notably a marked decrease in the supply, but a consistent demand. This decrease in supply is fueled mainly by a constant redevelopment of warehouse properties to “higher and better uses” (retail, residential, office and life sciences/biotech). The difficulty of locating suitable properties to buy has caused some local companies to consider alternative markets, such as the industrial areas of the East Bay.

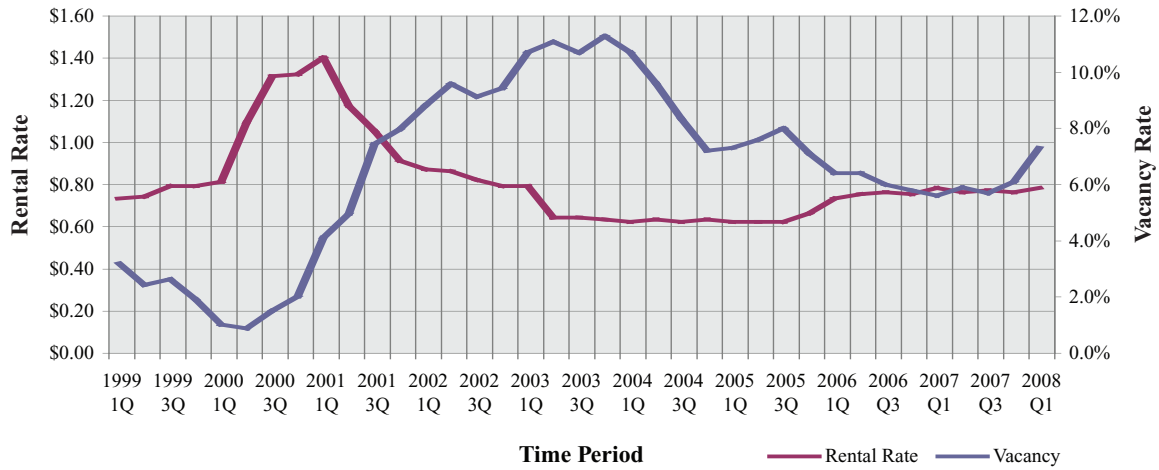
The turbulence in the credit markets has not significantly affected the local warehouse sales market. The vast majority of warehouse sales involve companies currently leasing warehouse space, with the desire to be owner/users. Lending institutions generally remain willing to lend to companies purchasing buildings, which will be occupied by their business. This is partially a result of The Federal Government’s Small Business Association loan program, which allows qualified owner/users to purchase properties with only a 10% down payment. Banks are motivated to lend to businesses that purchase property, with the goal achieving a long-term business relationship for additional services with these buyers. In the rare cases when a warehouse investment property comes available for sale there are typically multiple, well-funded buyers who pursue the opportunity. Despite supply/demand characteristics favoring sellers there are cases when warehouse properties listed for sale languish on the market. This is typically caused by an unreasonably high asking price, sometimes coupled with significant defects to the property.

Karl Hansen and Poletti Realty

Karl Hansen specializes in the sale and leasing of office and warehouse buildings in San Mateo County. From 2004 through 2007 Karl closed over 200 commercial real estate transactions worth over seventy million dollars in total consideration. As one of the top 20 industrial real estate agents in San Mateo County he was named a “Power Broker” in 2006 and 2007 by Costar Group, an independent commercial real estate research firm. Karl works closely with Richard Poletti, Ray Zapletal and Lou Poletti at Poletti Realty to form a dynamic team with over 100 years of commercial real estate experience.

Poletti Realty has been locally owned and operated in South San Francisco since 1956. As local real estate specialists, Poletti Realty focuses on the leasing, sale and property management of R&D, industrial, office and retail properties. Poletti Realty currently exclusively represents numerous landlords and tenants in Northern San Mateo County. Furthermore, we are in contact with dozens of landlords and tenants with upcoming real estate needs. Please contact Poletti Realty to discuss how we can help you best fulfill all future real estate requirements, for detailed information on current market condition or a free property analysis and valuation.

Historical Vacancy and Rental Rate



For Lease: 519 Mayfair Ave., SSF
 ±12,000 SF Warehouse & ±1,000 SF Office
 1 Dock Door, 1 Grade Door, Heavy Power
 New Roof & Paint \$0.85/sf Gross



For Lease: 1 S. Linden Ave., SSF
 ±9,600 SF Office & ±3,828 SF Warehouse
 1 Grade Door, 40+ Parking Spaces
 Divisible to ±7,118 & ±6,310 SF



For Lease: 275-277 Wattis Way, SSF
 ±16,394 SF Warehouse & ±1,837 SF Office
 3 Drive in Doors, Fenced/Paved Yard Area
 Divisible, Additional Mezzanine Storage



For Sale: 430 N. Canal Street #17, SSF
 ±2,000 SF Warehouse & ±550 SF Office
 1 Grade Door, 4 Parking Spaces, \$725,000



For Sale: 80 Tanforan Ave. #10, SSF
 ±1,785 SF Warehouse & ±1,450 SF Office
 Front Corner Unit, 1 Grade Door



For Sale: 127 W. Harris, SSF
 ±64,033 SF Vacant Parcel of Raw Land
 Zoned for Hotel, Adjacent to Gateway Blvd.

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