

# San Mateo County

## Quick Stats

**7.4%**

Class A Vacancy

**9.4%**

Class B Vacancy

**\$5.30 fs**

Class A  
Average Asking Rate

**\$4.83 fs**

Class B  
Average Asking Rate

*Menlo Park continues to command the highest submarket rents ending the quarter at \$6.88 full service, per square foot, a 32% premium over the overall asking rate for San Mateo County.*

## Asking Rates Have Finally Peaked Due To Increased Availability Among The Peninsula

- San Mateo County has not fully recovered from the early effects of the COVID-19 pandemic. This time one year ago, San Mateo County had the lowest unemployment rate in the state of California with a 2.2% rate. As of August 2020, the Labor Market noted an unemployment rate of 7.5% in San Mateo County, which is slightly better than the state of California's 11.6% rate and the 10.3% rate measured last quarter.
- Vacancy levels continued to increase over the third quarter within San Mateo County. The office market noted just over 3.6 million square feet (msf) of available space with roughly 1.4 msf of sublease space. This translates to an 8.0% vacancy rate which is a 230 basis point increase year-over-year.
- Due to the increase in vacant space, average asking rates have finally peaked noting a \$5.23 full service per square foot (psf) rate at the end of the third quarter. While this is only a 1.2 decrease from last quarter's asking rate of \$5.29 full service psf, it's a good sign that rates might actually be attainable for tenants looking to renew or secure more space.
- The largest investment sale of the third quarter in San Mateo County occurred within Daly City. AHMC Healthcare acquired a portfolio of five properties, totaling 378,094 square feet, and three plots of land, totaling 16.84 acres, from Verity Health System as an investment purchase.
- Office leasing activity within San Mateo is nonexistent. Tenants have decided to halt all leasing until there is more certainty around the COVID-19 pandemic. New leasing within the office sector only measured 81,550 sf, a 63% decrease from the activity recorded last quarter and an 88% decrease year-over-year.
- With many tenants deciding to keep their employees working remote for the near future, everyone is wondering what will happen to the future of office space? It is very apparent just how social humans are and how tenants are itching to go back into the office. Because of this, landlords and developers may be able to persuade companies back by providing updated outdoor amenities, patios/balconies, and large open space.

## Trends to Watch

### Leasing



Office transactions have slowed down over the past few months; however, leasing activity may start to increase as tenants begin to return to the office.

### Rents



Average rents have been constantly increasing over the past few years, which is proving to be unsustainable. Expect rents to decrease soon.

### Construction

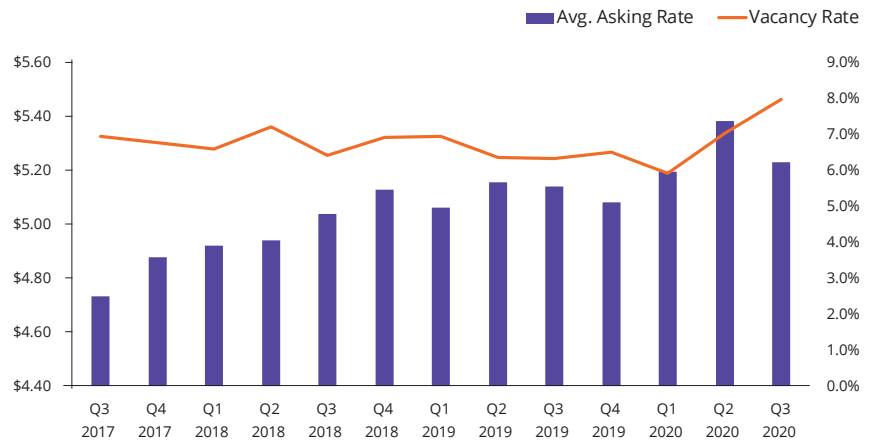


Developments continue to progress during the COVID-19 pandemic, albeit with some delayed delivery dates, bringing new opportunities to the office market.

### Looking Forward

After a few months, we can say that the office market within San Mateo County has not been immune to the COVID-19 pandemic. Vacancy is slightly up while average asking rates have finally gotten the break they needed. As tenants navigate the next few quarters and decide if they will continue to let their employees work remote, we can expect to see some increases in available space while landlords lower their asking prices in hopes to pull tenants back into the office.

### Historical Asking Rates vs Vacancy Rates



### Notable Lease Transactions

Tenant	Building	Submarket	SF	Type
RingCentral	20 Davis Dr	Belmont	84,148	New Lease
Sling Media	1001-1051 East Hillsdale Blvd	Foster City	24,336	Renewal

### Notable Sales Transactions

Building	Buyer	Submarket	SF	Sale Price	PSF
1800-1900 Sullivan Ave, 1500 Southgate Ave, 600 Marine Blvd	AHMC Healthcare	Daly City	378,094	\$40,000,000	\$105.79
1785 San Carlos Ave	MPM Corporation	San Carlos	8,300	\$6,000,000	\$722.89
116 Stambaugh St	Kenneth & Myrna Gabbay	Redwood City	2,009	\$1,936,000	\$963.66

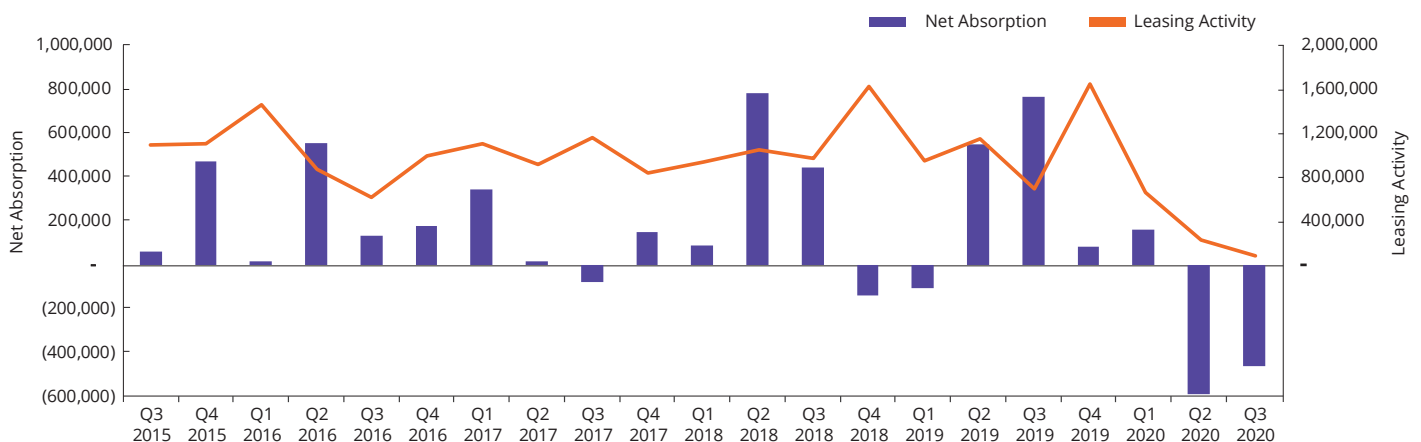
### Construction Pipeline

Building	Developer	Submarket	SF	%Leased	Delivery
Burlingame Point	Kylli	Burlingame	803,088	100%	Q1 2021
Alexandria District	Alexandria Real Estate Equities, Inc	San Carlos	526,178	50%	Q3 2021
Menlo Gateway	Bohannon Development Company	Menlo Park	520,988	100%	Q1 2021
Facebook @ Menlo Park	Facebook	Menlo Park	449,500	100%	Q2 2022
Bay Meadows	Wilson Meany	San Mateo	433,000	0%	Q4 2021
Springline	Greenheart Land Company	Menlo Park	222,162	0%	Q4 2020
Middle Plaza	Stanford	Menlo Park	172,840	100%	Q4 2021
Gateway at Millbrae Station	Republic Urban Properties	Millbrae	173,000	0%	Q4 2021
1180-1190 Main Street	Premia Capital	Redwood City	118,136	100%	Q2 2022
855 Main Street	The Acclaim Companies	Redwood City	93,506	0%	Q1 2021
610 Walnut Street	Windy Hill	Redwood City	69,104	0%	Q1 2021
1540 El Camino Real	Four Corners Properties	Menlo Park	47,799	0%	Q4 2020
Santa Cruz & Merrill Street	Prince Street Partners	Menlo Park	44,636	58%	Q4 2020
250 California Drive	Dewey Land Company	Burlingame	44,605	28%	Q3 2021

## Market by the numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Total	Vacancy Rate Class A	Class B	Net Absorp (SF)	Net Absorp YTD (SF)	Under Construction (SF)	Avg. Asking Rent (FS) Total	Class A	Class B
Daly City	798,774	52,940	1,592	6.8%	9.0%	3.4%	-9,405	19,177	-	\$4.08	\$4.35	\$2.73
Brisbane	679,756	10,126	33,641	6.4%	8.7%	8.7%	-11,925	-3,413	-	\$3.50	\$3.50	\$3.50
South San Francisco	6,796,810	479,361	20,358	7.4%	8.1%	5.4%	-112,600	-200,222	420,872	\$3.64	\$3.73	\$3.72
San Bruno/Millbrae	1,926,542	31,151	10,783	2.2%	0.9%	5.8%	1,193	-10,097	173,000	\$6.94	\$7.19	\$3.28
Burlingame	2,584,166	279,024	60,925	13.2%	21.8%	6.9%	-42,831	-102,247	803,088	\$4.35	\$4.40	\$2.98
<b>North County</b>	<b>12,786,048</b>	<b>852,602</b>	<b>127,299</b>	<b>7.7%</b>	<b>8.3%</b>	<b>5.8%</b>	<b>-175,568</b>	<b>-296,802</b>	<b>1,396,960</b>	<b>\$3.93</b>	<b>\$3.95</b>	<b>\$3.18</b>
San Mateo	8,093,445	827,742	233,341	13.1%	10.0%	16.9%	-143,834	-309,711	432,999	\$5.91	\$6.75	\$4.89
Foster City	3,716,649	317,543	12,216	8.9%	8.9%	9.7%	-48,668	-31,118	-	\$5.47	\$5.55	\$5.16
Redwood Shores	6,359,679	587,344	66,611	10.3%	13.1%	6.0%	2,591	-250,779	-	\$5.07	\$5.12	\$4.95
<b>Central County</b>	<b>18,169,773</b>	<b>1,732,629</b>	<b>312,168</b>	<b>11.3%</b>	<b>10.8%</b>	<b>12.5%</b>	<b>-189,911</b>	<b>-591,608</b>	<b>432,999</b>	<b>\$5.57</b>	<b>\$5.75</b>	<b>\$4.92</b>
Belmont/San Carlos	1,778,515	16,782	76,782	5.3%	4.7%	6.3%	-8,218	-26,122	243,988	\$4.37	\$4.15	\$4.76
Redwood City*	5,446,015	135,419	47,823	3.4%	0.3%	6.7%	-44,646	133,614	202,898	\$6.07	\$7.06	\$5.91
Menlo Park	7,101,465	245,041	59,062	4.3%	3.1%	8.1%	-43,469	-113,930	1,445,405	\$6.88	\$7.58	\$5.83
<b>South County</b>	<b>14,325,995</b>	<b>397,242</b>	<b>183,667</b>	<b>4.1%</b>	<b>2.4%</b>	<b>7.0%</b>	<b>-96,333</b>	<b>-6,438</b>	<b>1,892,291</b>	<b>\$6.22</b>	<b>\$7.08</b>	<b>\$5.64</b>
<b>San Mateo County Total</b>	<b>45,281,816</b>	<b>2,982,473</b>	<b>623,134</b>	<b>8.0%</b>	<b>7.4%</b>	<b>9.4%</b>	<b>-461,812</b>	<b>-894,848</b>	<b>3,722,250</b>	<b>\$5.23</b>	<b>\$5.30</b>	<b>\$4.83</b>

## Historical Leasing vs Net Absorption



**Get more market information**

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