

San Mateo County



Quick Stats

7.5%

Class A Vacancy

6.6%

Class B Vacancy

\$5.25 FS

Class A Average Asking Rate

\$4.50 FS

Class B Average Asking Rate

San Mateo County's office market hasn't changed much within the past couple of quarters. Vacancy rates have stayed relatively the same, average asking rates have only slightly increased, while leasing activity and absorption have shown relative movement between tenants along the Peninsula.

Overall vacancy in San Mateo County has hovered around 7.0% during the past two years with the first quarter of 2019 being no exception. The office market measured a 6.9% vacancy rate, dipping slightly from the 7.1% rate noted at the end of 2018. Only two submarkets, Daly City and San Mateo, had a vacancy rate above 10.0% while four submarkets had vacancy rates lower than 4.0%, proving just how competitive the office market is within San Mateo County.

Average asking rates continue to climb in San Mateo County but now only at moderate escalations. The first quarter of 2019 had an asking rate of \$5.07 per square foot full service, down just 1.0% from the end of last year, and up only 2.4% from the same period of 2018. Redwood City and Menlo Park continue to command the highest rents in San Mateo County, especially with their Class A products which measured \$7.59 and \$7.26 per square foot full service, respectively.

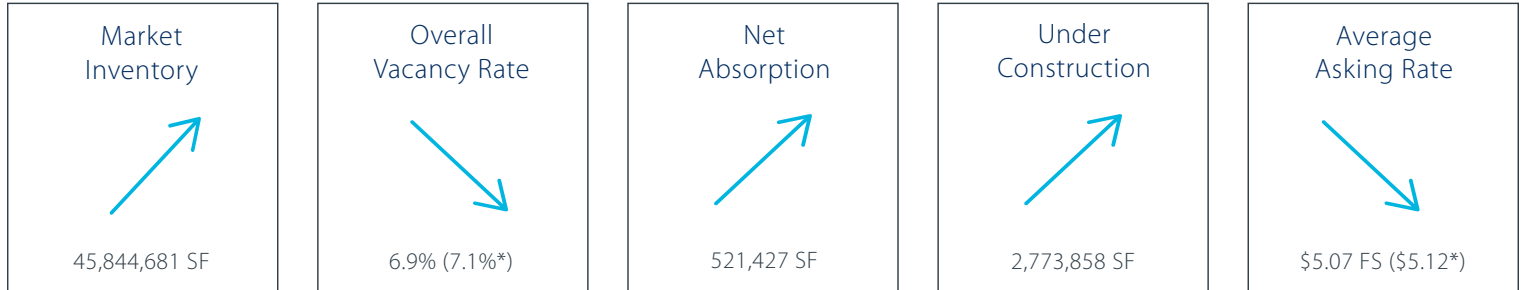
Total leasing activity measured in San Mateo County totaled just over 830,000 square feet during the first quarter which is down a fair amount from the 1.5 million square feet recorded last quarter. However, the office market showed a strong amount of movement this quarter recording an occupancy gain of 521,427 square feet which marks the second highest absorption measured within San Mateo County in the past three years.

San Mateo County's economy has remained strong with the lowest unemployment rate in the state for the last couple of years. According to the California Labor Market, San Mateo County recently measured a 2.3% unemployment rate compared to 2.7% in Santa Clara County and 4.4% for the state of California.

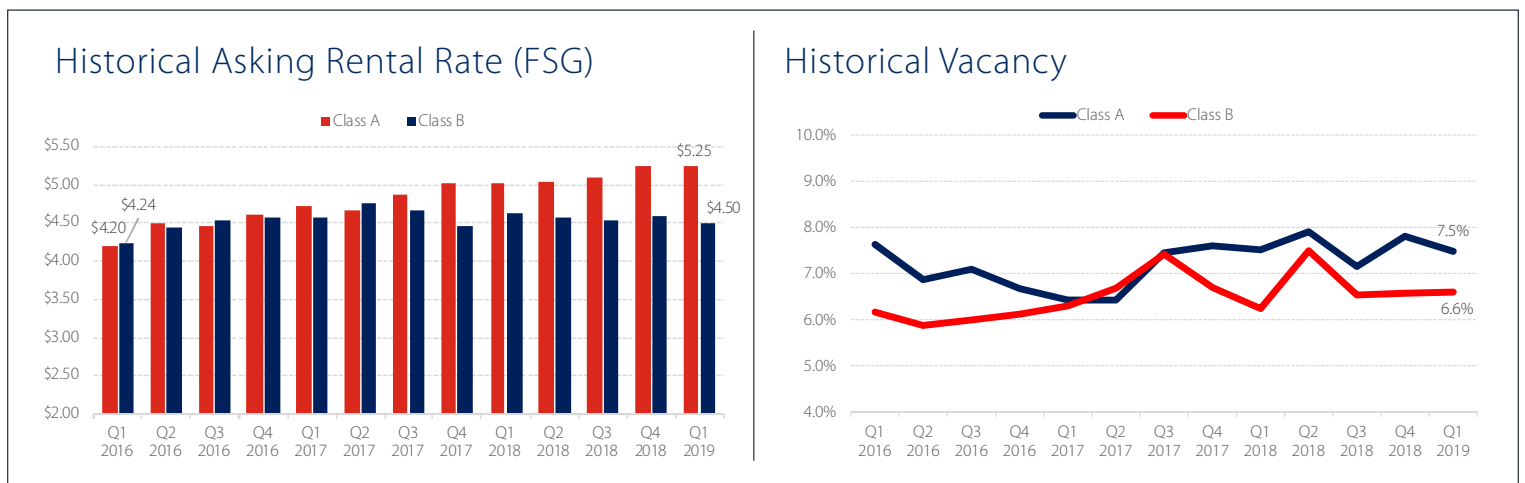
San Mateo County only had one notable transaction this quarter occurring within the Central County. Longfellow Real Estate Partners, a developer from Boston, decided to purchase a 49.9% stake in the entire Bayshore Technology Park in Redwood Shores. The site totals 995,757 square feet and was purchased for \$650 million, which is almost triple the transaction price PGIM, Inc. paid for it in 2005. PGIM, Inc. will remain the other partner with a 50.1% stake in the site.

Office Market Snapshot

Lately, large developers have been looking for new opportunities within San Mateo County to bring even more technology and life-science tenants to the area. Longfellow Real Estate Partners had that same goal in mind marking the largest transaction occurring in the first quarter of 2019. They recently acquired a 49.9% partial ownership stake in the 20-building site at Bayshore Technology Park in Redwood Shores with future redevelopment plans to improve the area.



*Compared to previous quarter

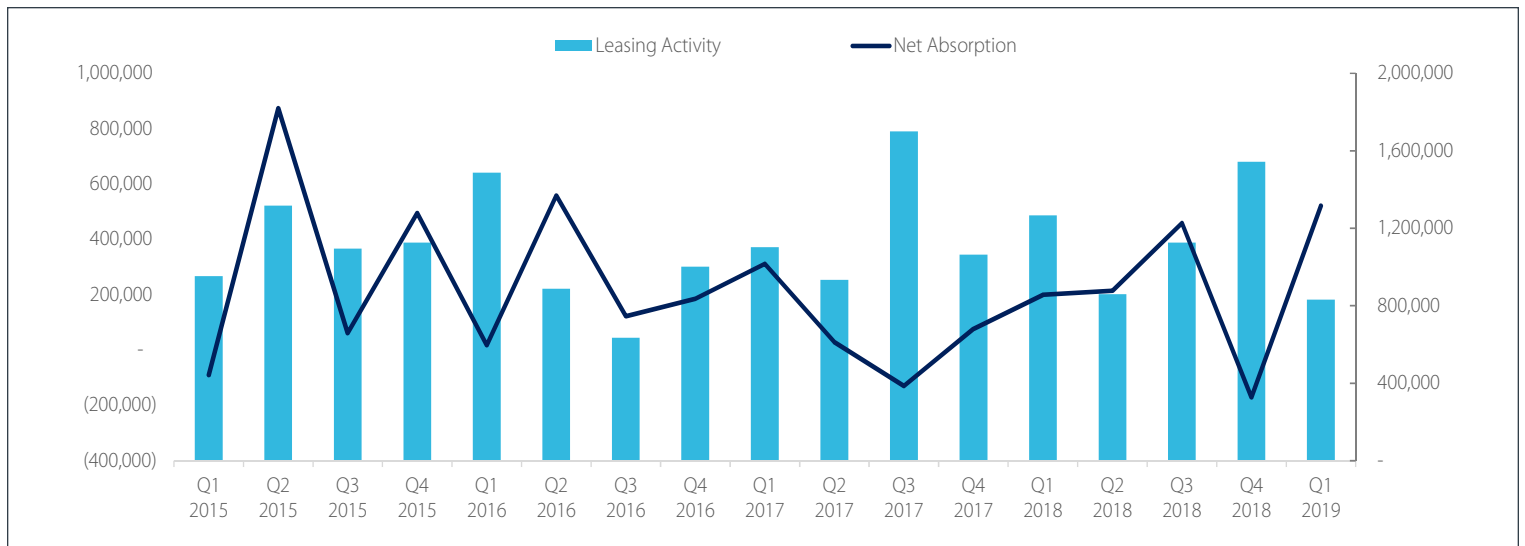


Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Total	Vacancy Rate		Net Absorp. (SF)	Net Absorp. YTD (SF)	Under Construction	Average Asking Rent (F5)		
					Class A	Class B				Total	Class A	Class B
Daly City	797,174	79,908	0	10.0%	14.1%	3.1%	-65,779	-65,779	0	\$3.89	\$4.48	\$2.43
Brisbane	1,056,635	6,302	75,165	7.7%	8.7%	3.2%	-13,290	-13,290	0	\$4.24	\$4.24	\$4.10
South San Francisco	6,954,896	187,628	7,100	2.8%	3.9%	0.5%	233,592	233,592	460,930	\$3.45	\$3.51	\$2.43
San Bruno/Millbrae	1,854,454	49,106	2,000	2.8%	3.1%	1.9%	-19,675	-19,675	0	\$3.66	\$3.76	\$2.99
Burlingame	2,517,436	215,997	31,613	9.8%	24.1%	6.4%	26,026	26,026	829,669	\$5.51	\$5.79	\$3.72
North County	13,180,595	538,941	115,878	5.0%	6.5%	2.3%	160,874	160,874	1,290,599	\$4.40	\$4.41	\$3.41
San Mateo	8,409,586	755,140	383,926	13.5%	12.2%	16.0%	107,373	107,373	493,277	\$4.89	\$5.33	\$4.47
Foster City	3,830,701	339,574	16,090	9.3%	10.3%	5.8%	68,285	68,285	0	\$5.46	\$5.51	\$4.71
Redwood Shores	8,058,430	477,263	66,487	6.7%	8.0%	3.3%	151,245	151,245	0	\$5.24	\$5.36	\$4.54
Central County	20,298,717	1,571,977	466,503	10.0%	9.8%	11.3%	326,903	326,903	493,277	\$5.08	\$5.39	\$4.49
Belmont/San Carlos	1,737,951	116,671	6,457	7.1%	16.5%	2.3%	72,960	72,960	21,551	\$4.41	\$4.11	\$5.16
Redwood City*	3,747,589	62,821	44,093	2.9%	1.1%	2.9%	5,246	5,246	209,859	\$6.80	\$7.59	\$6.03
Menlo Park	6,879,829	166,105	57,867	3.3%	3.5%	3.6%	-44,556	-44,556	758,572	\$6.44	\$7.26	\$4.97
South County	12,365,369	345,597	108,417	3.7%	4.2%	3.0%	33,650	33,650	989,982	\$5.97	\$6.19	\$5.40
San Mateo County Total	45,844,681	2,456,515	690,798	6.9%	7.5%	6.6%	521,427	521,427	2,773,858	\$5.07	\$5.25	\$4.50

*Does not include Redwood Shores

Historical Net Absorption & Leasing Activity



Significant Lease Transactions

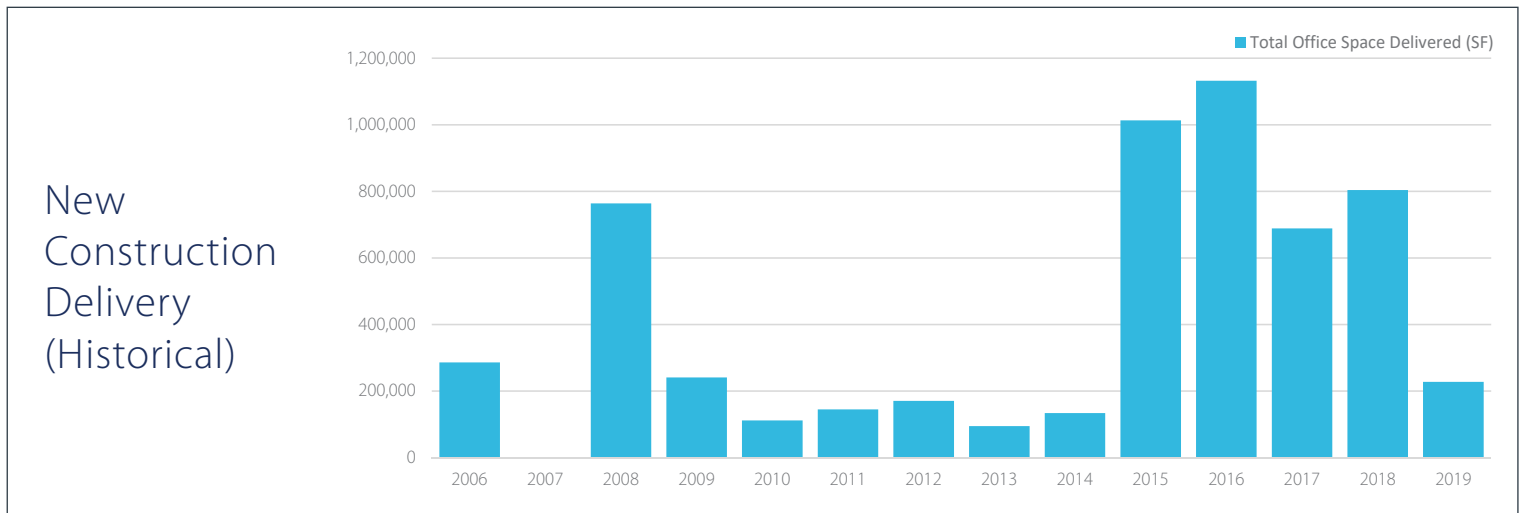
Tenant	Building	Submarket	Square Feet	Type
Snowflake Computing	450 Concar Drive	San Mateo	102,000	New Lease
Zuora	101 Redwood Shores Parkway	Redwood Shores	100,328	New Lease
Zoox	4100 East 3rd Avenue	Foster City	74,241	New Lease
Robinhood Markets	80 Willow Road	Menlo Park	40,065	New Lease
Harpoon Therapeutics	131 Oyster Point Boulevard	South San Francisco	34,988	New Lease

Significant Sale Transactions

Buyer	Building	Submarket	Square Feet	Sale Price
Longfellow Real Estate Partners	Bayshore Technology Park	Redwood Shores	997,680	\$650,000,000
Alexandria Real Estate Equities	Shoreway Business Park	San Carlos	82,816	\$73,200,000
L&B Realty Advisors, LLP	85 Willow Road	Menlo Park	47,983	\$57,700,000
Hetai, Inc.	4025 Bohannon Drive	Menlo Park	13,679	\$10,000,000
Retail Delivery Drivers	1440 Southgate Avenue	Daly City	8,674	\$3,250,000

Under Construction

Developer	Building	Submarket	Square Feet	% Leased	Status
Kylli	Burlingame Point	Burlingame	803,088	100%	Q3/19
Bohannon	Menlo Gateway Phase II	Menlo Park	521,000	100%	Q3/19
Alexandria Real Estate Equities	Merck Campus 213 East Grand Avenue	South San Francisco	300,930	100%	Q2/19
Franklin Templeton Investments	1 Franklin Parkway	San Mateo	241,936	100%	Q1/20
Greenheart Land Company	Station 1300 1300 El Camino Real	Menlo Park	196,505	0%	Q1/20



Platinum member

avisonyoung.com



For more information, please contact:

Randy Keller
Managing Director / Principal
650.425.6425
randy.keller@avisonyoung.com

Ava Jensen
Senior Research Analyst
408.913.6911
ava.jensen@avisonyoung.com

Metro Center
950 Tower Lane, Suite 120
Foster City, CA 94404
650.425.6413