

San Mateo County

Market Facts

3.6%

Overall Vacancy

\$3.07

Average Asking Rate

283,883 SF

Q1 2019 Net Absorption

1,813,536 SF

Under Construction

R&D Market Overview

San Mateo County is slowly becoming the main biotech sector of the Bay Area. In particular, South San Francisco has been developing into the main hub for anything related to life-science, biotech or healthcare along the Peninsula. Over the last year, tenants have leased up just over 2.5 million square feet of space within San Mateo County and close to 2.0 million square feet of that leasing activity occurred within South San Francisco.

Within the past year, over 30 unique R&D companies have found new space within San Mateo County. During this quarter, the Cove at Oyster Point, one of South San Francisco's main biotech sites owned by HCP, was finally leased up after being on the market for at least four years. The Cove is roughly 884,000 square feet comprised of several buildings located on a 20-acre site. It has some of the biggest names within the biotech industry and will definitely be a development to keep an eye out for.

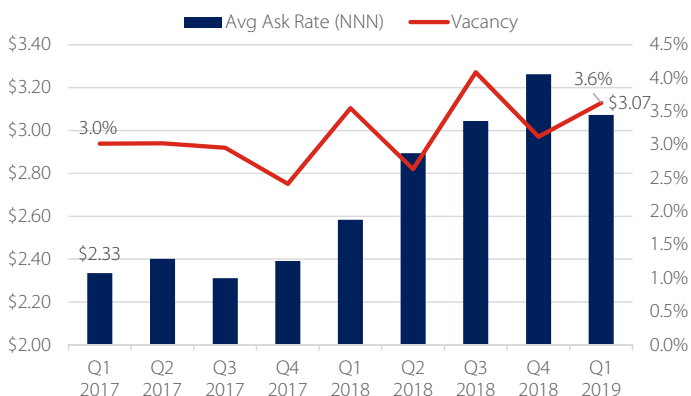
There are a couple more developments located within South San Francisco that are causing a stir within the biotech industry. Last year, Kilroy Realty Corporation acquired the entire "Oyster Point" site along Oyster Point Boulevard and they are finally moving forward with their development plans to incorporate over 700,000 square feet of

new office space across 10 acres. With vacancies as low as 3.6% in San Mateo County and 7.0% in South San Francisco specifically, Kilroy's Oyster Point will be in high demand for new lease prospects, especially from larger life-science tenants looking for expansion opportunities. Alexandria Real Estate Equities has also been taking advantage of the recent biotech boom within South San Francisco since they have several projects approved and currently under construction.

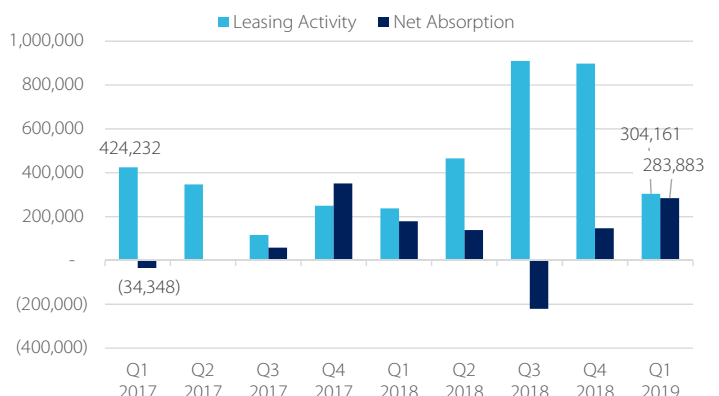
The first quarter of 2019 measured an average asking rate of \$3.07 per square foot, triple net for R&D product within San Mateo County, which is a 5.9% decrease from last quarter but a 19.0% increase from this same period of 2018. Overall, average asking rates have been increasing by a 10-20% range every year which is probably due to the fact that many more life-science tenants see the Peninsula as the perfect place for an expansion or overall relocation.

The economy within San Mateo County, however, has remained strong. San Mateo County continues to hold the lowest unemployment rate within the state of California with a rate of 2.3%, compared to 2.7% unemployment rate in nearby Santa Clara County and a 4.4% unemployment rate for the entire state of California.

Historical Vacancy & Asking Rental Rate (FSG)



Historical Net Absorption & Leasing Activity



Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Q4 2018	Vacancy Rate Q1 2019	Net Absorption (SF)	Net Absorption YTD (SF)	Avg. Asking Rate (NNN)
Brisbane/Daly City	115,882	-	-	-	-	-	-	-
South San Francisco	5,215,013	333,974	32,966	4.5%	7.0%	223,828	223,828	\$3.03
San Bruno/Millbrae	136,825	3,599	-	-	2.6%	-3,599	-3,599	\$1.50
Burlingame	1,058,098	30,150	-	0.9%	2.8%	-21,017	-21,017	\$2.41
North County	6,525,818	367,723	32,966	3.7%	6.1%	199,212	199,212	\$2.97
San Mateo/Foster City	1,662,514	-	-	-	-	-	-	-
Redwood Shores	1,496,430	-	-	3.8%	-	56,805	56,805	-
Central County	3,158,944	-	-	1.8%	-	56,805	56,805	-
Belmont/San Carlos	2,108,535	54,092	1,040	4.0%	2.6%	28,418	28,418	\$3.14
Redwood City*	775,494	60,465	2,550	8.5%	8.1%	2,548	2,548	\$2.93
Menlo Park	2,985,910	45,464	-	1.4%	1.5%	-3,100	-3,100	\$4.10
South County	5,869,939	160,021	3,590	3.3%	2.8%	27,866	27,866	\$3.33
San Mateo County Total	15,554,701	527,744	36,556	3.1%	3.6%	283,883	283,883	\$3.07

Top Leases

Tenant	Building	Submarket	Square Feet	Type
Fluidigm	2 Tower Place	South San Francisco	67,750	New Lease
Unity Biotechnology	285 East Grand Avenue	South San Francisco	62,655	New Lease
Codexis	400 Penobscot Drive	Redwood City	37,856	Extension
Amphivena	2 Tower Place	South San Francisco	19,950	New Lease

Top Sales

Building	Buyer	Submarket	Square Feet	Sale Price
1149 Chess Drive	RREEF Management LLC	Foster City	126,345	\$67,250,000
75 & 125 Shoreway Road	Alexandria Real Estate Equities	San Carlos	83,024	\$73,200,000



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Properties

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