

# San Mateo County



## Market Facts

**10.0%****Class A Vacancy****5.8%****Class B Vacancy****\$5.01 FS****Class A  
Average Asking Rate****\$4.24 FS****Class B  
Average Asking Rate**

## Market Overview

San Mateo County's office market had a slow end to the year. Even though it recorded an occupancy gain totaling 224,208 square feet during the fourth quarter, it's overall leasing activity decreased by 64%. Despite the slowdown, the office market remains stable with a positive net absorption of 1,104,024 square feet for 2018.

For the past six quarters, the overall vacancy rate within San Mateo County has fluctuated around 8.0%. The fourth quarter of 2018 marked an 8.2% vacancy rate which mirrors the rate from the end of 2017, and is slightly up from the 7.7% vacancy rate noted from last quarter. Sublease space continues to have a strong presence within the San Mateo County office market measuring 20% of all vacant space and 27.1% of all available supply.

Average asking rates in San Mateo County remained stable between the third quarter and fourth quarter of 2018 ending the year with a \$4.88 per square foot, full service asking rate. Despite the lull between quarters, the asking rates are expected to continue their upward trend based on the rate's 3.0% increase since the end of 2017 and 5.9% increase since 2016. The South County submarket, including Menlo Park, Redwood City, Belmont and San Carlos, continues

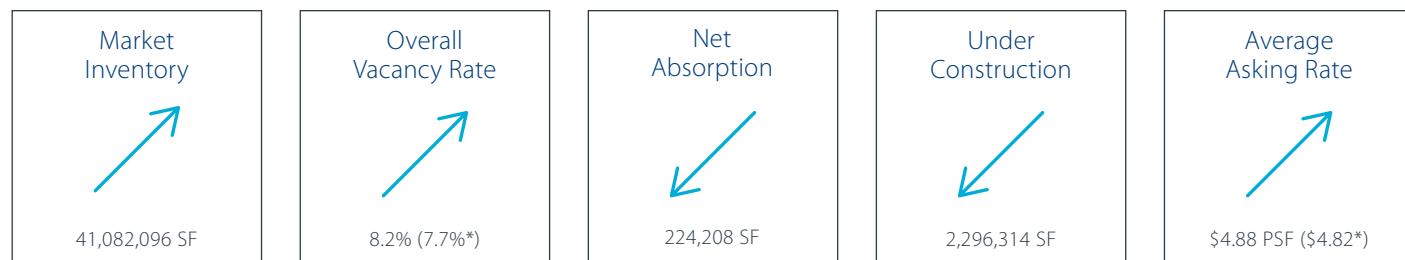
to obtain the highest asking rate throughout the Peninsula ending the year with an average of \$5.79 per square foot, full service.

At the end of 2018, San Mateo County had a little less than 3.0 million square feet of new office construction in the works with roughly 85% of it already pre-leased. Around 35% of the new development pipeline was pre-leased in the fourth quarter in the largest transaction of 2018. Facebook leased the entire Burlingame Point project totaling ±802,837 square feet of Office/R&D space from Kylli Inc. The new development is located at 300-342 Airport Boulevard in Burlingame and has an estimated completion date of late 2020.

The San Mateo County office market remains economically strong with the lowest unemployment rate in the state. According to the Labor Market, San Mateo County measured a 2.1% unemployment rate compared to 4.0% for the state of California. While there is exponential job growth in the region, there is not enough housing or traffic solutions to host everyone. San Mateo County may see changes soon but can still expect some occupancy gains, specifically in Caltrain adjacent regions due to the constant demand from expanding tech companies.

## Market Snapshot

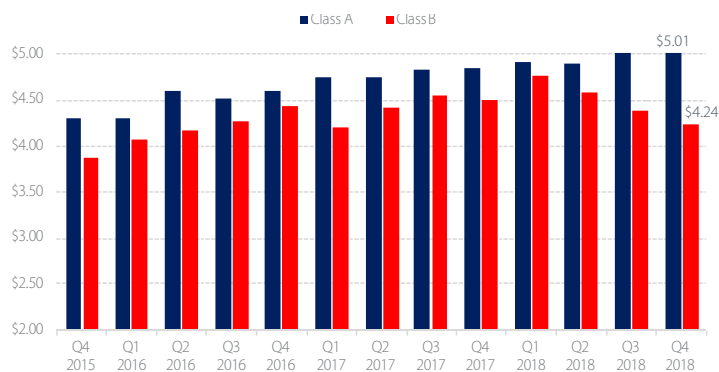
Tech tenants continue expanding within San Mateo County with many large corporations looking towards new developments for larger blocks of space. Nearly 85% of all developments under construction are pre-leased with the largest pre-leased tenants of 2018 being Facebook at Burlingame Point and Menlo Gateway, Chan Zuckerberg Initiative at 2075 Broadway Street in Redwood City, and Guidewire Software at 2850 South Delaware Street in San Mateo.



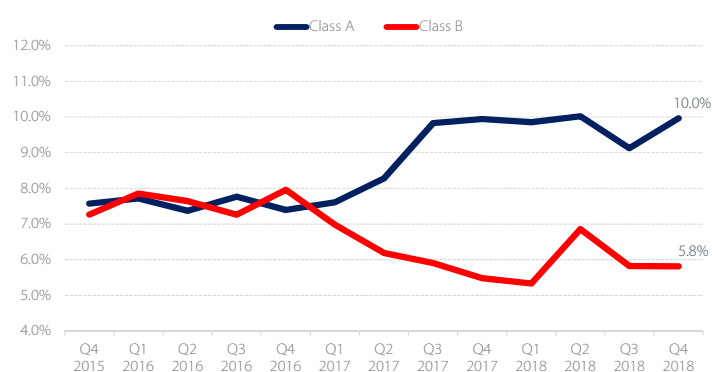
\*Compared to previous quarter



### Historical Asking Rental Rate (FSG)



### Historical Vacancy

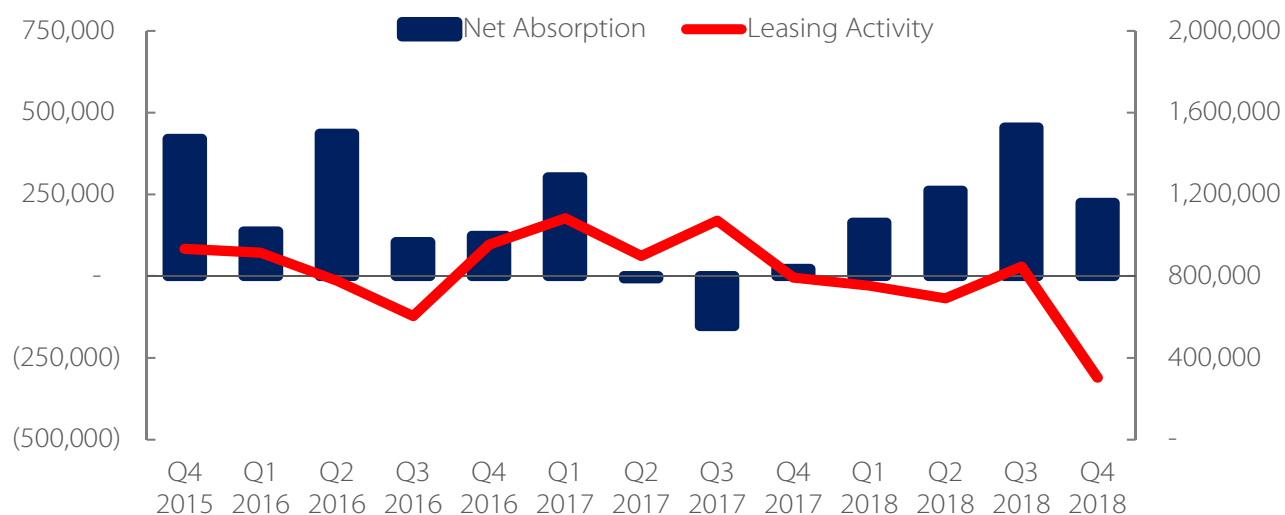


## Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Class A	Class B	Direct Avail Space (SF)	Sublet Avail Space (SF)	Avail Rate Class A	Class B	Net Absorp. (SF)	Under Construction	Average Asking Rent Total	Class A	Class B
Daly City	1,241,878	27,546	0	1.2%	6.8%	132,809	0	14.4%	7.8%	50,979	0	\$3.42	\$4.42	\$1.97
Brisbane	1,056,635	30,635	37,542	8.4%	3.9%	70,396	22,116	12.8%	2.0%	-64,519	0	\$4.59	\$4.62	\$4.10
South San Francisco	1,578,046	167,595	4,128	12.7%	1.9%	194,916	6,000	13.6%	2.0%	256	0	\$3.50	\$3.56	\$2.51
San Bruno/ Millbrae	1,927,320	33,379	2,000	2.1%	0.3%	13,373	27,262	0.0%	4.1%	42,712	0	\$3.55	\$0.00	\$4.27
Burlingame	2,626,784	249,360	70,227	27.7%	5.8%	230,874	29,253	15.1%	8.9%	-64,861	813,043	\$3.85	\$4.10	\$3.42
North County	8,430,663	508,515	113,897	10.8%	3.7%	642,368	84,631	11.0%	6.0%	-35,433	813,043	\$3.80	\$3.81	\$3.20
San Mateo	8,485,952	726,452	421,798	15.5%	10.9%	897,301	556,330	19.8%	9.2%	50,336	493,277	\$4.69	\$4.93	\$4.08
Foster City	3,800,751	596,113	27,298	18.9%	2.4%	664,948	64,610	19.9%	3.1%	-13,417	0	\$5.34	\$5.36	\$4.20
Redwood Shores	7,464,219	526,708	44,480	8.0%	10.7%	543,316	284,684	12.0%	11.1%	109,662	0	\$5.29	\$5.37	\$4.37
Central County	19,750,922	1,849,273	493,576	13.0%	9.7%	2,105,565	905,624	16.5%	8.6%	146,581	493,277	\$5.01	\$5.18	\$4.12
Belmont/San Carlos	1,636,994	113,713	1,850	16.5%	2.1%	81,879	66,986	8.1%	15.1%	-8,994	21,551	\$4.13	\$4.05	\$4.34
Redwood City*	4,323,716	95,955	26,276	0.7%	2.9%	194,421	69,463	4.5%	5.3%	56,646	209,859	\$5.85	\$6.23	\$5.43
Menlo Park	6,939,801	134,779	50,369	2.7%	4.4%	313,027	136,445	5.8%	11.4%	65,408	758,584	\$6.79	\$7.30	\$6.15
South County	12,900,511	344,447	78,495	3.3%	3.1%	276,300	136,449	5.7%	9.6%	113,060	989,994	\$5.79	\$6.01	\$5.49
San Mateo Co. Total	41,082,096	2,702,235	685,968	10.0%	5.8%	3,024,233	1,126,704	12.6%	8.3%	224,208	2,296,314	\$4.88	\$5.01	\$4.24

\*Excluding Redwood Shores

## Historical Net Absorption &amp; Leasing Activity





## Top Leases

Tenant	Building	Submarket	Square Feet	Type
Facebook	300-342 Airport Boulevard	Burlingame	802,837	New
Checkpoint Software	959 Skyway Road	San Carlos	40,265	Expansion
Truebeck Construction	951 Mariners Island Boulevard	San Mateo	17,565	New
Zoos	1052 Commercial Street	San Carlos	15,455	Expansion

## Top Sales

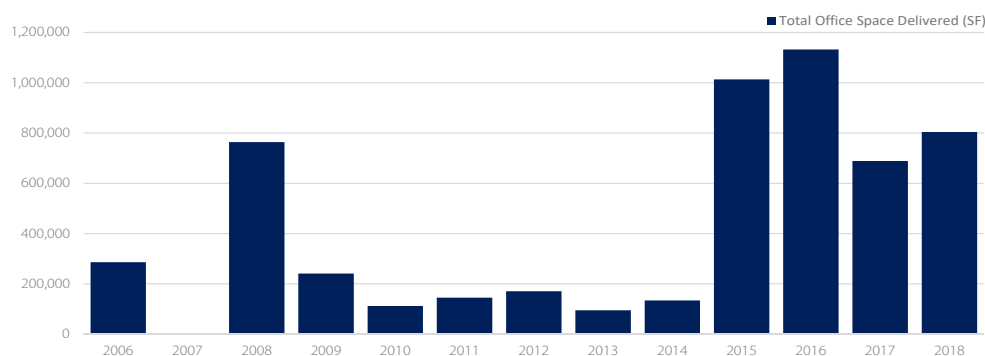
Building	Buyer	Submarket	Square Feet	Sale Price
1850 Gateway Drive	Peninsula Land and Capital	San Mateo	142,911	\$71,500,000
1720 El Camino Real	Lincoln Property Company	Burlingame	104,327	\$39,200,000
800 Airport Boulevard	The Apex Group	Burlingame	42,839	\$19,250,000

## Under Construction

Building	Developer	Submarket	Square Feet	% Leased	Status
Burlingame Point	Kylli	Burlingame	767,000	100%	Q3/19
Menlo Gateway Phase II	Bohannon	Menlo Park	521,000	100%	Q3/19
1 Franklin Parkway	Franklin Templeton Investments	San Mateo	241,936	100%	Q1/20
Bay Meadows - Station 2	Federal Realty	San Mateo	189,103	100%	Q1/19
Broadway Station	Lane Partners	Redwood City	114,859	100%	Q4/19

\*Phase I (252,000 sf complete Q1 2018)

## New Construction Delivery (Historical)



### AY San Mateo Team

#### Office Group

Randy Keller, Managing Director / Principal  
 Lloyd Bakan, Principal  
 Phil Fletcher, Associate  
 Jon Geary, Associate  
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 Todd Campbell, Vice President  
 Cheryl Simpson, Operations Manager  
 Raquel Ledesma, Graphic Designer  
 Erika Kim, Vice President, Marketing  
 Ava Jensen, Senior Research Analyst

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