

San Mateo County



Market Facts

6.6%

Class A Vacancy

6.8%

Class B Vacancy

\$5.15 FS

Class A

Average Monthly Asking Rate

\$4.87 FS

Class B

Average Monthly Asking Rate

San Mateo County's office market continues to remain active at the end of the fourth quarter. New Class A construction has forced asking rents to remain at high rates, while the lack of available supply might start becoming a problem for tenants who are looking for expansion opportunities. The local economy, however, continues to thrive with San Mateo County recording the lowest unemployment rate in the entire state of California at just 1.8%, as of November 2019.

Vacancy

Despite the high number of developments completed in recent years, the amount of available office space within San Mateo County has remained the same. For the past four years, the office vacancy rate has hovered between 6% and 7%. At the end of this quarter, San Mateo County recorded 3,087,788 square feet of available office space, which translates to a 6.5% vacancy rate with the majority of this available supply classified as premium Class A office space.

Asking Rates

San Mateo County's asking rates for the office market have finally peaked. At the end of the fourth quarter, the office market measured an overall asking rate of \$5.08 per square foot (psf), fully serviced, which is a 1.0% decrease from the \$5.12 psf, full service rate noted this time last year. This quarter, Redwood City commanded the highest rents within a submarket of San Mateo County, recording a \$7.17 psf, full service asking rate.

Demand

Despite the minimal change in vacancy rate over the past couple of years, there is still a lot of activity occurring within the San Mateo County office market. At the end of 2019, San Mateo County recorded a positive occupancy gain of 510,000 square feet and a solid amount of leasing activity totaling 623,873 square feet. Throughout all of 2019, San Mateo County measured an occupancy gain of 1,744,246 square feet while tenants scooped up a total of 3,461,801 square feet.



Investment Activity

San Mateo County had a solid year during 2019 with regards to sales activity. The office market recorded over \$2.3B in 2019, which is 51% higher than the total volume measured in 2018.

Trends to Watch



Preleases

Tech companies continue to seize all possible expansion opportunities by preleasing entire campuses.



Sustainability

Landlords have kept sustainability in mind by creating more energy efficient buildings and amenities.



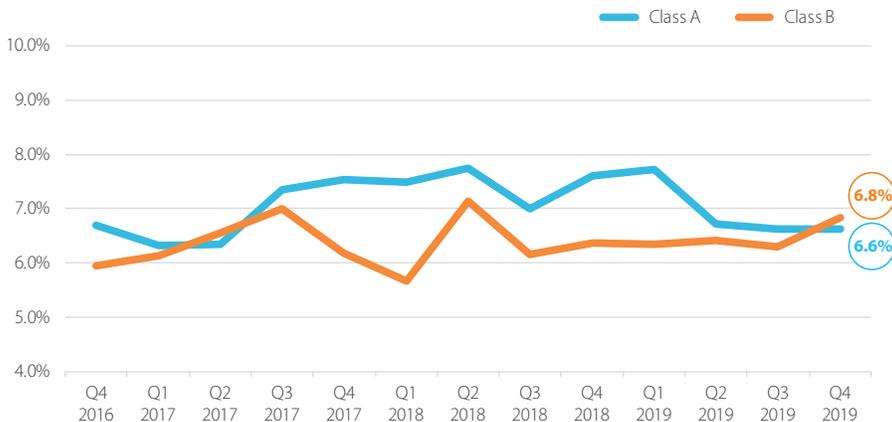
Placemaking

The demand for placemaking has been influencing Bay Area developers to build more elaborate developments.

2.0 MILLION SQUARE FEET

to be delivered in 2020, with 87% already preleased

Historical Vacancy



Sublease Space



San Mateo County saw a decrease in sublease space in the past quarter. The total amount of sublease space measured was 606,663 square feet, translating to 12.8% of the total available office market. The city of San Mateo recorded the highest submarket amount of 213,448 square feet.



Construction

This quarter, Republic Urban Properties announced their partnership with Principal Real Estate Investors on the transit-oriented megaproject in Millbrae. The Gateway at Millbrae Station development is located near the Millbrae BART and Caltrain stations and will include roughly 157,000 square feet of office space, 320 market-rate apartments, 80 affordable housing units, and 44,000 square feet of ground floor retail space. The 17-acre mixed-use project is currently under construction and will be completed in phases with the last phase completion date in late 2022.



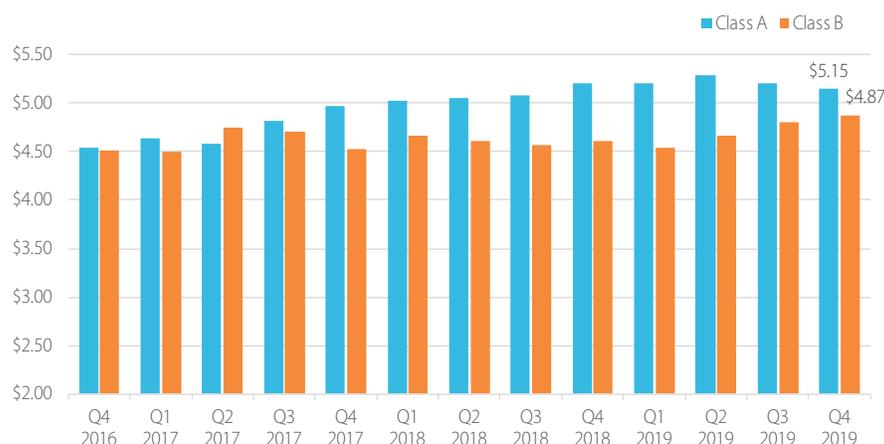
Deliveries

Tenants continue to show interest in developments that are close to transit stops and located in amenity-rich areas. Middle Plaza, located at 500 El Camino Real, in Menlo Park is one of the latest projects to become 100% preleased months before its' estimated completion date in 2021. The megainvestor Softbank Group just preleased the entire 142,840 square foot office portion from Stanford University.

Looking Forward

The office market within San Mateo County is expected to keep performing well in 2020. The large demand for placemaking should keep asking rates high while the lack of available supply will keep vacancy rates low. Despite the high number of projects under construction, the office market should see only a marginal increase in available supply, due to the high number of preleased developments, which will force tenants to consider lower cost alternatives elsewhere in the Bay Area.

Historical Asking Rates



Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Stripe, Inc.	Kilroy Realty Oyster Point	South San Francisco	421,000	Prelease
Genomic Health	Seaport Centre	Redwood City	180,660	Renewal/Expansion
Course Hero	2000 Seaport Boulevard	Redwood City	79,084	Renewal/Expansion
Dexterity	1205 Veterans Boulevard	Redwood City	31,256	Direct Lease
CareDx	1 Tower Place	South San Francisco	28,968	Sublease
Auris Health	333 Twin Dolphin Drive	Redwood City	27,416	Direct Lease
Incorta, Inc.	2855 Campus Drive	San Mateo	24,633	Direct Lease

Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
2000 Alameda De Las Pulgas	Peninsula Land and Capital	San Mateo	167,984	\$70,500,000	\$420
1300 S El Camino Real	Meridian Property Company	San Mateo	99,995	\$61,900,000	\$619
1500-1510 Fashion Island Boulevard	The Related Companies	San Mateo	130,879	\$51,200,000	\$391
1900 Alameda De Las Pulgas	Phase 3 Real Estate Partners, Inc.	San Mateo	120,189	\$35,500,000	\$295
720 South B Street	Malex Holdings	San Mateo	6,786	\$3,400,000	\$501
163 West Harris Avenue	Eric M. Mabery	South San Francisco	4,400	\$2,500,000	\$568
1150 White Oak Way	Bay Area Buildings LLC	San Carlos	1,218	\$1,450,000	\$1,190

Construction Pipeline

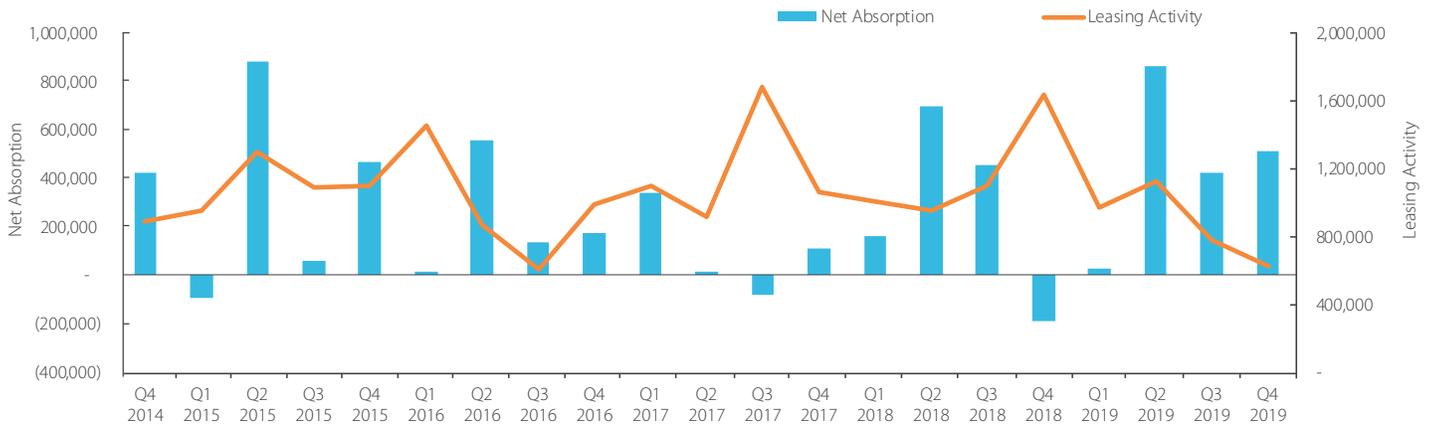
Building	Developer	Submarket	Square Feet	% Leased	Delivery
Burlingame Point	Kylli	Burlingame	803,088	100%	Q2 2020
Alexandria District	Alexandria Real Estate Equities, Inc	San Carlos	526,178	50%	Q2 2021
Menlo Gateway	Bohannon Development Company	Menlo Park	520,988	100%	Q1 2020
Station 1300	Greenheart Land Company	Menlo Park	222,162	0%	Q1 2020
2075 Broadway Street	Lane Partners	Redwood City	114,859	100%	Q1 2020
855 Main Street	The Acclaim Companies	Redwood City	95,000	0%	Q2 2021
610 Walnut Street	Windy Hill Property Ventures	Redwood City	63,478	0%	Q2 2021

Market By The Numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Total	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	797,174	81,128	1,592	10.4%	15.1%	2.2%	-25,683	-68,591	-	\$4.31	\$4.58	\$2.55
Brisbane	952,829	29,952	70,750	10.6%	12.3%	3.7%	-14,176	-32,525	-	\$4.12	\$4.20	\$2.47
South San Francisco	7,270,207	260,631	52,841	4.3%	6.0%	0.1%	155,379	575,778	420,872	\$3.69	\$3.77	\$2.39
San Bruno/Millbrae	1,853,454	19,365	8,683	1.5%	0.9%	3.1%	-8,683	3,383	-	\$3.47	\$4.11	\$2.55
Burlingame	2,572,633	226,872	22,317	9.7%	19.1%	5.4%	-25,137	51,028	847,693	\$4.81	\$5.28	\$3.22
North County	13,446,297	617,948	156,183	5.8%	7.6%	2.0%	81,700	529,073	1,268,565	\$4.16	\$4.30	\$2.90
San Mateo	8,917,765	794,017	213,448	11.3%	9.9%	13.4%	366,947	1,068,688	-	\$4.93	\$5.26	\$4.83
Foster City	3,829,752	333,469	7,736	8.9%	9.6%	6.9%	8,289	82,744	-	\$5.58	\$5.66	\$5.16
Redwood Shores	8,243,091	348,518	104,768	5.5%	6.6%	2.4%	66,869	135,912	-	\$5.27	\$5.37	\$4.38
Central County	20,990,608	1,476,004	325,952	8.6%	8.3%	9.7%	442,105	1,287,344	-	\$5.14	\$5.41	\$4.82
Belmont/San Carlos	1,775,002	79,172	36,874	6.5%	13.0%	3.3%	8,893	-16,733	556,945	\$4.43	\$4.35	\$5.08
Redwood City*	3,615,589	113,481	62,774	4.9%	1.8%	7.7%	-7,028	-61,180	273,337	\$7.17	\$8.38	\$6.30
Menlo Park	7,730,058	194,520	24,880	2.8%	1.8%	6.3%	-15,670	5,742	812,045	\$6.49	\$7.77	\$4.95
South County	13,120,649	387,173	124,528	3.9%	2.7%	6.1%	-13,805	-72,171	1,642,327	\$6.26	\$6.50	\$5.60
San Mateo County Total	47,557,554	2,481,125	606,663	6.5%	6.6%	6.8%	510,000	1,744,246	2,910,892	\$5.08	\$5.15	\$4.87

*Does not include Redwood Shores

Historical Leasing vs Net Absorption



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