

# San Mateo County



## Market Facts

**3.7%**

Overall Vacancy

**\$3.07 FS**

Average Monthly Asking Rate

**-5,382 SF**

Q4 2019 Net Absorption

**2,502,525 SF**

Under Construction

San Mateo County is turning into the main biotech sector within the Bay Area. For the past couple of quarters, the North County, consisting of Brisbane, South San Francisco, and Burlingame, has commanded the most activity; however, Alexandria Real Estate Equities has already started building a new research and development (R&D) campus within San Carlos, which they hope will attract more tenants to the South County.

### Vacancy

The amount of vacant R&D space has remained relatively the same quarter-over-quarter. San Mateo County measured 584,689 square feet of available R&D space, which translates to a 3.7% vacancy rate. Even though there is just under 3 million square feet of development currently underway, most of that space will not hit the market as available due to the high number of preleased projects. At the end of 2019, roughly 67% of the R&D space currently under construction already has a tenant.

### Asking Rates

R&D asking rates in San Mateo County appear to have plateaued. At the end of 2019, San Mateo County recorded an asking rate of \$3.07 per square foot (psf), full service, which is a 6% decrease from the \$3.26 psf, full service asking rate from this time last year. Menlo Park continues to command the highest rents ending the quarter at \$4.52 psf, full service.

### Demand

The R&D market definitely slowed down in activity during the fourth quarter of 2019. The entire market only noted 244,763 square feet of leasing activity and an occupancy loss of 5,382 square feet. Over all of 2019, San Mateo County measured a total of 1,386,985 square feet of leasing activity, which is almost half of the activity recorded during 2018. While the low amount of activity may seem alarming, it is important to remember that these numbers simply prove that all of these biotech companies are here to stay.



### Investment Activity

San Mateo County did not see that much activity this quarter, besides from one large 229,640 square foot deal occurring at 150 Industrial Road in San Carlos for \$99M.

### Trends to Watch



#### San Carlos

Biotech developers have been driving San Carlos to be the next life science hub along the Peninsula.



#### Biotech vs. Tech

Tech companies are attracted to newer biotech developments, taking space away from biotech tenants.



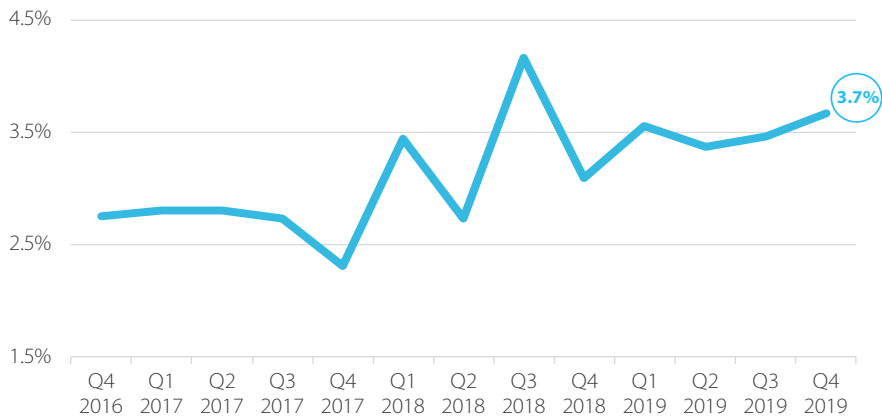
#### Housing

Despite new residential developments, the demand for housing is much higher than the available supply.

## 2.3 MILLION SQUARE FEET

of R&D space to be delivered in 2020 with 87% preleased

### Historical Vacancy



### Construction

Biotech towers are a recent trend within the R&D sector with the latest occurring within the Gateway of Pacific development in South San Francisco. BioMed Realty has already begun construction on two phases of the development which will include two nine-story R&D buildings, much taller than the typical one-two story R&D buildings that were constructed years ago. BioMed Realty has also announced that Amgen will be the second tenant, to secure biotech space within their new development. Amgen plans to move 600 employees into 240,000 square feet by late 2022.



### Deliveries

2020 will be a big year for San Mateo County as long as the current construction stays on schedule. There are four big R&D projects in South San Francisco and Brisbane with estimated completion dates this year that will add 2,268,397 square feet of biotech space to the current inventory. While this seems like a large amount of biotech space coming to the market, 87% of that space has already been preleased.

### Sublease Space

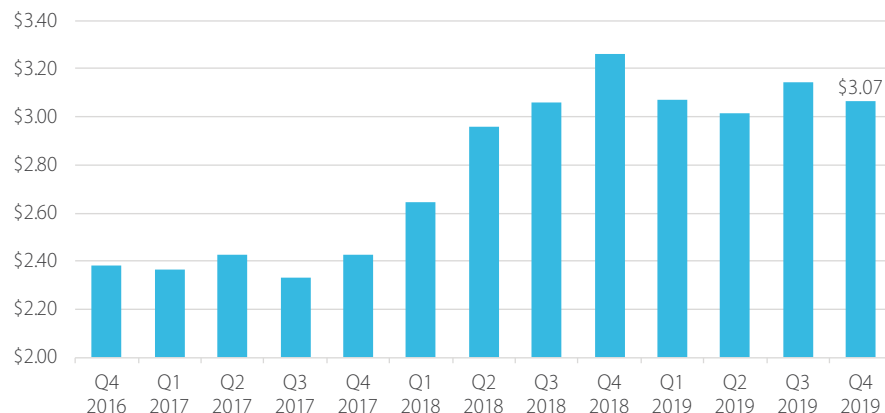


Tenants continue leasing up any available R&D space along the Peninsula, leaving a virtually nonexistent sublease market. At the end of the year, the total amount of sublease space available within San Mateo County was just 59,826 square feet, translating to a 0.4% sublease vacancy rate.

## Looking Forward

The R&D sector within San Mateo County will keep moving forward. The need for new biotech construction is so high that developers are struggling to keep up with the demand. Because of this high demand, tenants are eager to pounce on any available space months before the projects' completion dates, despite the high asking rates. Since most of these companies are already large firms that are expanding, this leaves very little space for smaller biotech companies to relocate or expand, leaving behind many frustrated tenants.

## Historical Asking Rates



## Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Amgen	750 Gateway Boulevard	South San Francisco	240,000	Prelease
Genomic Health	Seaport Centre	Redwood City	180,660	Renewal/Expansion
Evalve	3885 Bohannon Drive	Menlo Park	84,643	Renewal
Intersect ENT, Inc.	1555 Adams Drive	Menlo Park	50,373	Renewal
Q Bio, Inc.	1409-1411 Industrial Road	San Carlos	29,811	Direct Lease
Confidential Tenant	2 Tower Place	South San Francisco	19,817	Direct Lease

## Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
120-150 Industrial Road	Graymark Capital & Nuveen	San Carlos	229,640	\$99,000,000	\$431
925 Terminal Way	Britannia Cal Pacific	San Carlos	4,500	\$2,600,000	\$578

## Construction Pipeline

Building	Developer	Submarket	Square Feet	% Leased	Delivery
Kilroy Oyster Point, Phase I	Kilroy Realty Corporation	South San Francisco	655,764	100%	Q2 2020
Gateway of Pacific, Phase I	BioMed Realty L.P.	South San Francisco	512,000	94%	Q1 2020
Gateway of Pacific, Phase II	BioMed Realty L.P.	South San Francisco	440,000	0%	Q4 2020
Gateway of Pacific, Phase III	BioMed Realty L.P.	South San Francisco	350,000	0%	Q1 2021
201 Haskins Way	Alexandria Real Estate Equities, Inc.	South San Francisco	315,000	0%	Q1 2021
The Shore at Sierra Point, Phase II	HCP, Inc.	Brisbane	270,404	0%	Q4 2020
The Shore at Sierra Point, Phase I	HCP, Inc.	Brisbane	226,079	100%	Q2 2020
The Cove at Oyster Point, Bldg 5	HCP, Inc.	South San Francisco	164,150	100%	Q1 2020

\*Denotes Avison Young Involvement

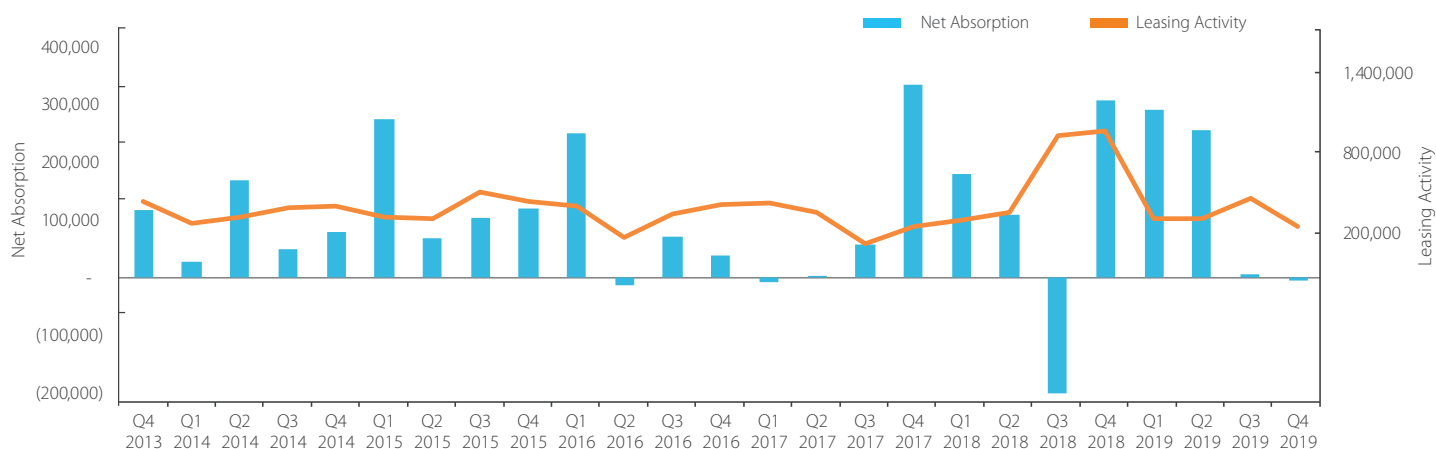


## Market By The Numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Q3'19	Vacancy Rate Q4'19	Net Absorp (SF)	Net Absorp YTD (SF)	Under Construction (SF)	Avg. Asking Rent (FS) Q3'19	Avg. Asking Rent (FS) Q4'19
Daly City / Brisbane	229,882	1,680	-	-	0.7%	-1,680	-1,680	496,483	\$2.10	\$2.00
South San Francisco	5,648,076	317,373	20,668	5.7%	6.0%	-13,809	502,592	2,006,042	\$3.30	\$3.32
San Bruno / Millbrae	136,825	9,045	-	7.6%	6.6%	1,379	-9,045	-	\$1.50	\$1.69
Burlingame	1,058,545	10,527	9,588	2.0%	1.9%	1,200	-10,982	-	\$2.21	\$2.20
<b>North County</b>	<b>7,073,328</b>	<b>338,625</b>	<b>30,256</b>	<b>5.0%</b>	<b>5.2%</b>	<b>-12,910</b>	<b>480,885</b>	<b>2,502,525</b>	<b>\$3.18</b>	<b>\$3.20</b>
San Mateo / Foster City	1,634,645	-	-	-	-	-	-	-	-	-
Redwood Shores	1,486,054	17,158	17,163	1.9%	2.3%	17,133	46,364	-	\$3.15	\$1.63
<b>Central County</b>	<b>3,120,699</b>	<b>17,158</b>	<b>17,163</b>	<b>0.9%</b>	<b>1.1%</b>	<b>17,133</b>	<b>46,364</b>	<b>-</b>	<b>\$3.15</b>	<b>\$1.63</b>
Belmont/San Carlos	2,009,113	68,432	-	4.3%	3.4%	17,543	15,118	-	\$2.59	\$2.57
Redwood City*	838,064	76,985	12,407	7.3%	10.7%	-28,418	9,181	-	\$3.03	\$3.05
Menlo Park	2,918,330	23,663	-	0.9%	0.8%	1,270	18,701	-	\$4.72	\$4.52
<b>South County</b>	<b>5,765,507</b>	<b>169,080</b>	<b>12,407</b>	<b>3.0%</b>	<b>3.1%</b>	<b>-9,605</b>	<b>43,000</b>	<b>-</b>	<b>\$3.06</b>	<b>\$3.06</b>
<b>San Mateo County Total</b>	<b>15,959,534</b>	<b>524,863</b>	<b>59,826</b>	<b>3.5%</b>	<b>3.7%</b>	<b>-5,382</b>	<b>570,249</b>	<b>2,502,525</b>	<b>\$3.14</b>	<b>\$3.07</b>

\*Does not include Redwood Shores

## Historical Leasing vs Net Absorption


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