

# San Mateo County

## Quick Stats

**7.9%**

Class A Vacancy

**10.7%**

Class B Vacancy

**\$5.15 fs**

Class A  
Average Asking Rate

**\$4.87 fs**

Class B  
Average Asking Rate

Menlo Park continues to command the highest submarket within San Mateo County. At the end of the year, Menlo Park noted a \$7.01 full service psf asking rate, a 26% premium over the overall asking rate for office product in San Mateo County.

## San Mateo County's economy starts to bounce back despite continued caution around new leases

- San Mateo's economy is bouncing back to almost normal levels despite the current COVID-19 pandemic. One year ago, San Mateo County held the lowest unemployment rate in the state of California with a 2.1% rate. As of November 2020, the Labor Market recorded an unemployment rate of 5.1% in San Mateo County. This is significantly better than the state of California's 8.2% rate and the 7.0% rate measured last quarter.
- The investment sector of San Mateo County slowed down during the end of the year with the most notable sale occurring within South San Francisco. Floyd Brown acquired 160 Country Club Drive for \$12.4 million, or \$1,147 psf.
- Office leasing activity within San Mateo started to pick up during the fourth quarter of 2020. The most notable transaction was a renewal at Paragon Point at 3 Lagoon Drive in Redwood Shores for 33,000 square feet. While the county remains in a shelter-in-place due to the current pandemic, we can expect tenants to continue to remain cautious about leasing new spaces until there is a more definitive timeframe as to when we can all return to the office safely.
- The amount of vacant space within San Mateo County continues to increase. The office market noted just over 4.0 million square feet of available space with roughly 1.6 msf of sublease space. This translates to an 8.8% vacancy rate which is an astounding 320 basis point increase from last year.
- San Mateo County's office developments continue to move forward. The most notable projects include Facebook's expansions at 301-309 Constitution and Willow Village within Menlo Park. Recently, Facebook had to adjust their plans to Willow Village to decrease the amount of office space and incorporate more housing and inclusive amenity areas.
- Due to the incremental increases in vacant space, average asking rates have started to decrease slightly with the San Mateo County office market recording a \$5.18 full service per square foot (psf) asking rate at the end of 2020. This is roughly a 1.0% decrease from last quarter but a 2.6% increase from this time last year.

## Trends to Watch

### Leasing



Tenants continue to pause new office leasing as the shelter-in-place orders keep getting extended; however, tenants are eager to return to the office place.

### Rents



Average asking rents have finally hit their peak and begun to decrease due to the continued increases in availability in both direct and sublease spaces.

### Construction

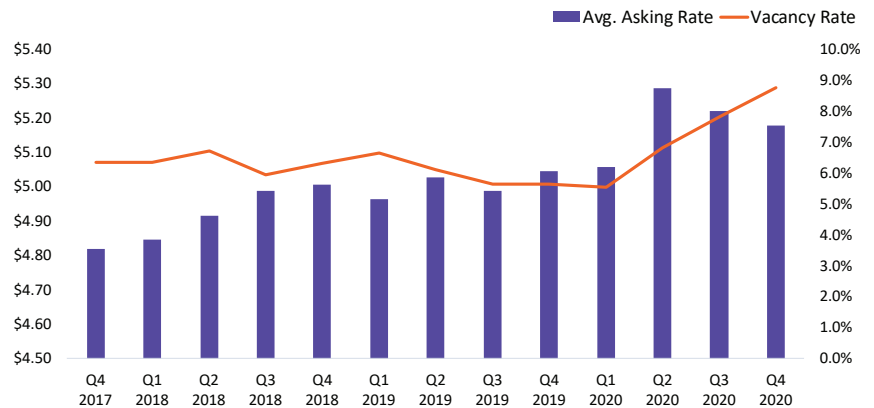


Developments have not stopped progress despite the current pandemic so we should expect more larger blocks of space coming to the market in the upcoming quarters.

### Looking Forward

San Mateo County is starting to show signs of strength again. Average asking rents have slowly started their decline, partially due to the number of discounted sublease space on the market. While the pandemic is still forcing shelter-in-place restrictions, we should expect to see more space coming to the market. We are even starting to see more of the exodus of big tech tenants, as Oracle started to move their headquarters over to Texas.

### Historical Asking Rates vs Vacancy Rates



### Notable Lease Transactions

Tenant	Building	Submarket	SF	Type
Seiler	3 Lagoon Dr	Redwood Shores	33,000	Renewal
Aryaka Networks	1850 Gateway Dr	San Mateo	21,737	New Lease
Paxion Capital	2494 Sand Hill Rd	Menlo Park	13,840	New Lease

### Notable Sales Transactions

Building	Buyer	Submarket	SF	Sale Price	PSF
160 Country Club Dr	Floyd Brown	South San Francisco	10,814	\$12,404,000	\$1,147
409 S Spruce Ave	Focus Partners	South San Francisco	8,132	\$4,300,000	\$529
6644 Mission St	Cumberland Presbyterian Chinese Church	Daly City	8,059	\$3,600,000	\$447

### Construction Pipeline

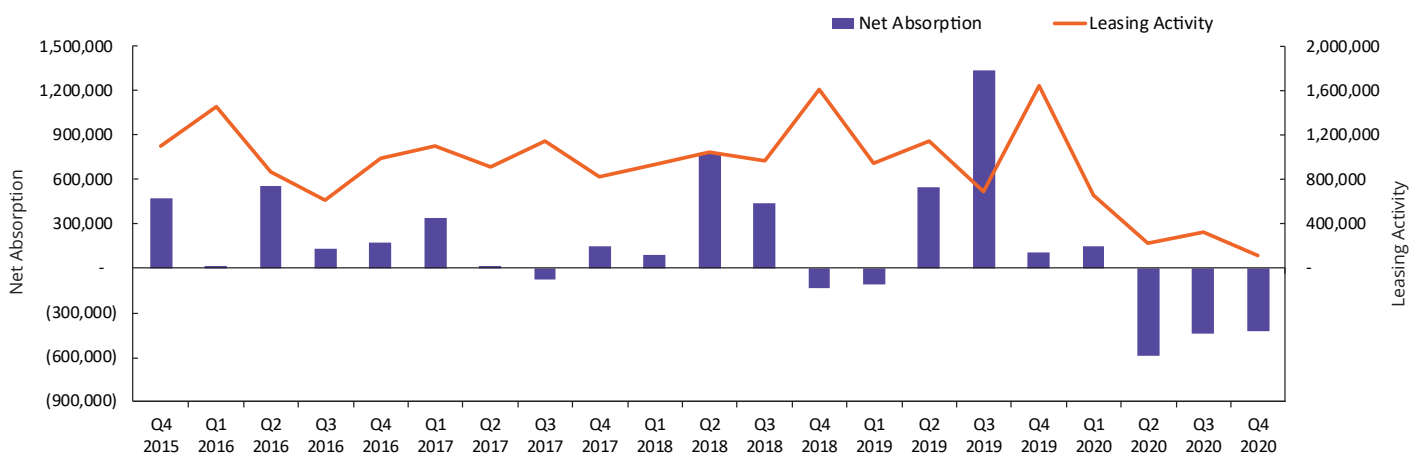
Building	Developer	Submarket	SF	%Leased	Delivery
Burlingame Point	Kylli	Burlingame	803,088	100%	Q1 2021
Alexandria District	Alexandria Real Estate Equities, Inc	San Carlos	526,178	50%	Q3 2021
Menlo Gateway	Bohannon Development Company	Menlo Park	520,988	100%	Q1 2021
Facebook @ Menlo Park	Facebook	Menlo Park	449,500	100%	Q2 2022
Bay Meadows	Wilson Meany	San Mateo	433,000	0%	Q4 2021
Springline	Greenheart Land Company	Menlo Park	222,162	0%	Q1 2021
Middle Plaza	Stanford	Menlo Park	172,840	100%	Q4 2021
Gateway at Millbrae Station	Republic Urban Properties	Millbrae	173,000	0%	Q4 2021
1180-1190 Main Street	Premia Capital	Redwood City	118,136	100%	Q2 2022
855 Main Street	The Acclaim Companies	Redwood City	93,506	0%	Q1 2021
610 Walnut Street	Windy Hill	Redwood City	69,104	0%	Q1 2021
1540 El Camino Real	Four Corners Properties	Menlo Park	47,799	0%	Q1 2021

## Market by the numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Total	Vacancy Rate 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	798,774	52,046	1,592	6.7%	8.8%	3.4%	894	20,071	-	\$4.01	\$4.32	\$2.48
Brisbane	679,756	10,126	7,135	6.4%	-	8.7%	-	-3,413	-	\$0.99	-	\$0.99
South San Francisco	6,796,810	483,559	17,366	7.4%	8.1%	5.4%	-20	-200,242	420,872	\$3.50	\$3.66	\$2.36
San Bruno/Millbrae	1,926,542	30,586	1,850	1.7%	0.2%	5.8%	815	-9,282	173,000	\$6.93	\$7.16	\$3.32
Burlingame	2,584,166	298,728	59,299	13.9%	21.8%	6.5%	-18,818	-121,065	803,088	\$4.16	\$4.33	\$2.90
<b>North County</b>	<b>12,786,048</b>	<b>875,045</b>	<b>113,748</b>	<b>7.7%</b>	<b>8.0%</b>	<b>5.7%</b>	<b>-17,129</b>	<b>-313,931</b>	<b>1,396,960</b>	<b>\$3.77</b>	<b>\$3.76</b>	<b>\$2.52</b>
San Mateo	8,087,590	845,103	247,714	13.5%	10.6%	17.2%	-37,898	-347,609	432,999	\$5.90	\$6.70	\$4.91
Foster City	3,722,642	309,980	16,282	8.8%	8.7%	9.9%	3,497	-27,621	-	\$5.44	\$5.55	\$5.05
Redwood Shores	6,359,687	677,326	79,560	11.9%	14.5%	7.9%	-102,931	-353,710	-	\$4.98	\$5.01	\$4.87
<b>Central County</b>	<b>18,169,919</b>	<b>1,832,409</b>	<b>343,556</b>	<b>12.0%</b>	<b>11.6%</b>	<b>13.3%</b>	<b>-137,332</b>	<b>-728,940</b>	<b>432,999</b>	<b>\$5.51</b>	<b>\$5.67</b>	<b>\$4.91</b>
Belmont/San Carlos	1,776,549	56,972	152,516	11.8%	21.1%	8.3%	-115,924	-142,046	243,988	\$4.09	\$3.67	\$4.65
Redwood City*	6,001,619	177,882	113,947	4.9%	1.4%	10.3%	-111,301	22,313	187,240	\$6.08	\$6.94	\$6.02
Menlo Park	7,101,345	269,741	80,268	4.9%	3.1%	11.5%	-45,901	-159,831	1,442,697	\$7.01	\$7.36	\$6.09
<b>South County</b>	<b>14,879,513</b>	<b>504,595</b>	<b>346,731</b>	<b>5.7%</b>	<b>3.7%</b>	<b>10.2%</b>	<b>-273,126</b>	<b>-279,564</b>	<b>1,873,925</b>	<b>\$5.97</b>	<b>\$5.92</b>	<b>\$5.78</b>
<b>San Mateo County Total</b>	<b>45,835,480</b>	<b>3,212,049</b>	<b>804,035</b>	<b>8.8%</b>	<b>7.9%</b>	<b>10.7%</b>	<b>-427,587</b>	<b>-1,322,435</b>	<b>3,703,884</b>	<b>\$5.18</b>	<b>\$5.15</b>	<b>\$4.87</b>

\*Not Including Redwood Shores

## Historical Leasing vs Net Absorption



**Get more market information**

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