

# San Mateo County



## Market Facts

**4.1%**

Overall Vacancy

**\$1.73 NNN**

Average Monthly Asking Rate

**34,490,166 SF**

Building Base

**-191,985 SF**

Q1 2020 Total Net Absorption

As the first quarter of 2020 came to a close, uncertainty of the implications of COVID-19 on the economy and commercial real estate markets loomed over the Peninsula. For the first time in history, the nine Bay Area counties issued a shelter-in-place order limiting the number of businesses that could continue normal operations and restricting the movement and activities of more than 6 million residents. As a result, more than 2.1 million California residents filed for unemployment benefits, and estimates imply the unemployment rate could reach double digits by May in San Mateo County, the February rate was 2.1% for comparison.

### Vacancy

The total available industrial space within San Mateo County measured 1.4 million square feet at the end of the first quarter, translating to a vacancy rate of 4.1%. Due to the limited number of available spaces on the market, tenants are required to look in neighboring markets to fill their space needs.

### Asking Rates

San Mateo County's industrial market continued to see rising asking rates. At the end of the first quarter of 2020, the overall market measured an asking rate of \$1.73 per square foot (psf), full service which is a 6.2% increase over the \$1.63 psf, full service rate measured last quarter. Menlo Park commanded the highest asking rate ending the quarter at \$2.93 psf, full service.

### Demand

The industrial market within San Mateo County performed less than average during the first quarter of 2020. With only 180,014 square feet (sf) of leasing activity, this is a 53% decrease from the amount recorded last quarter. San Mateo County measured an occupancy loss of -191,985 sf, a trend that may continue if demand continues to dwindle for industrial space on the Peninsula.



### Investment Activity

San Mateo County saw a decent amount of industrial investment activity this quarter. Total investment volume measured \$118 million over nine transactions.

### Trends to Watch



#### Housing

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



#### Employment

The shelter-in-place has contributed to the economic downturn, which is then the cause of lost revenue and companies unable to keep employees.



#### Automation

E-commerce keeps going steady as more robotics are involved to help with the high demands during this economic slowdown.



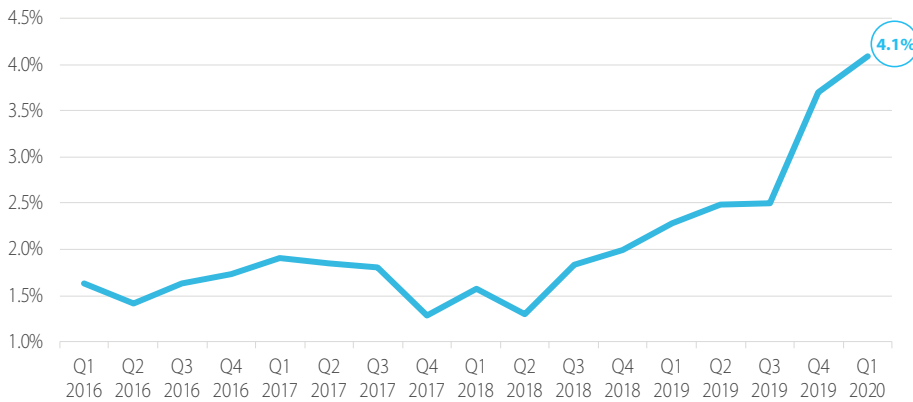
### South San Francisco

The city of South San Francisco continues to be the main industrial hub along the Peninsula. The city houses just over 15 million square feet of rentable building area with 758,828 square feet of available vacant space, making up 54% of the total available industrial space within San Mateo County. Because of this healthy amount of available space, the city has maintained an average asking rate of \$1.64 psf, full service.

## 3.7 MILLION SQUARE FEET

demolished over the past 10 years for Office/R&D developments

### Historical Vacancy



### Development Pipeline

San Mateo County continues to see no new industrial projects within the development pipeline due to the shortage of labor and the high construction fees. Despite the demanding need for new space by current industrial tenants throughout the Peninsula, developers cannot justify building a new warehouse center over the increasingly popular biotech campuses. Unfortunately for current tenants, the amount of vacant industrial space continues to dwindle with no end in sight.

### Sublease Space

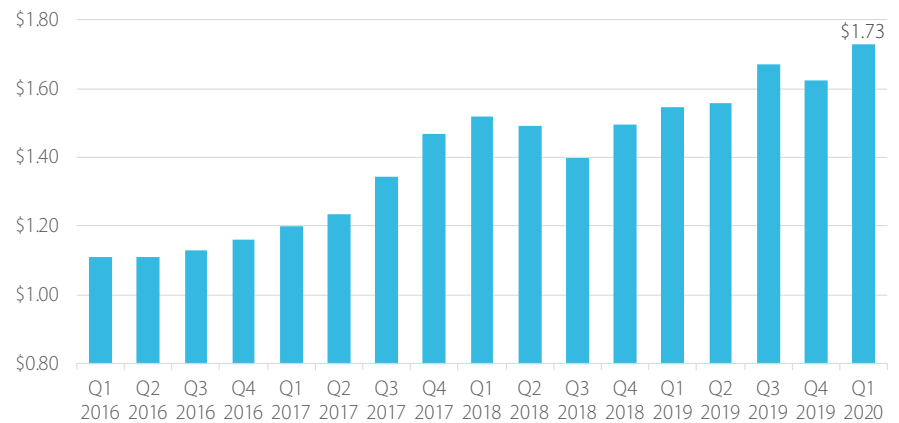


San Mateo County's industrial market has seen a significant influx of sublease space over the past two years. At the end of the first quarter, the market measured 210,955 square feet of sublease space which is notably higher than the 21,810 square foot amount measured from Q1 2018.

## Looking Forward

The industrial market within San Mateo County has been showing signs of a slight slowdown which began during the fourth quarter of 2019. While there is still a lot of interest among industrial tenants, landlords have been noticing that not many tenants are willing to sign the dotted line and complete new transactions during this time. Due to the current COVID-19 situation, we may see a slight pause in tenant activity within the industrial market.

## Historical Asking Rates (NNN)



## Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Nippon Express	550-554 Eccles Avenue	South San Francisco	45,362	Direct Lease
Apex Maritime Co, Inc.	1541 Rollins Road	Burlingame	15,000	Direct Lease
Hydra Ventures, Inc.	1404-1422 San Mateo Avenue	South San Francisco	15,000	Direct Lease
Bay Area News Group	610 Quarry Road	San Carlos	14,400	Direct Lease
Golden Gate Moving	300-332 Littlefield Avenue	South San Francisco	11,515	Direct Lease

## Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
1404-1422 San Mateo Avenue	Prologis, Inc.	South San Francisco	48,000	\$23,744,544	\$495
315-325 South Maple Avenue	Lane Partners	South San Francisco	95,503	\$23,000,000	\$241
815 Old County Road	Carmel Partners	Belmont	21,982	\$19,800,000	\$901
1600 Gilbreth Road	Fox Creek Fund LLC	Burlingame	36,000	\$15,810,000	\$440
425-439 Littlefield Avenue	Ark Row Industrial Partners	South San Francisco	32,800	\$11,900,000	\$363

## Largest Available Spaces

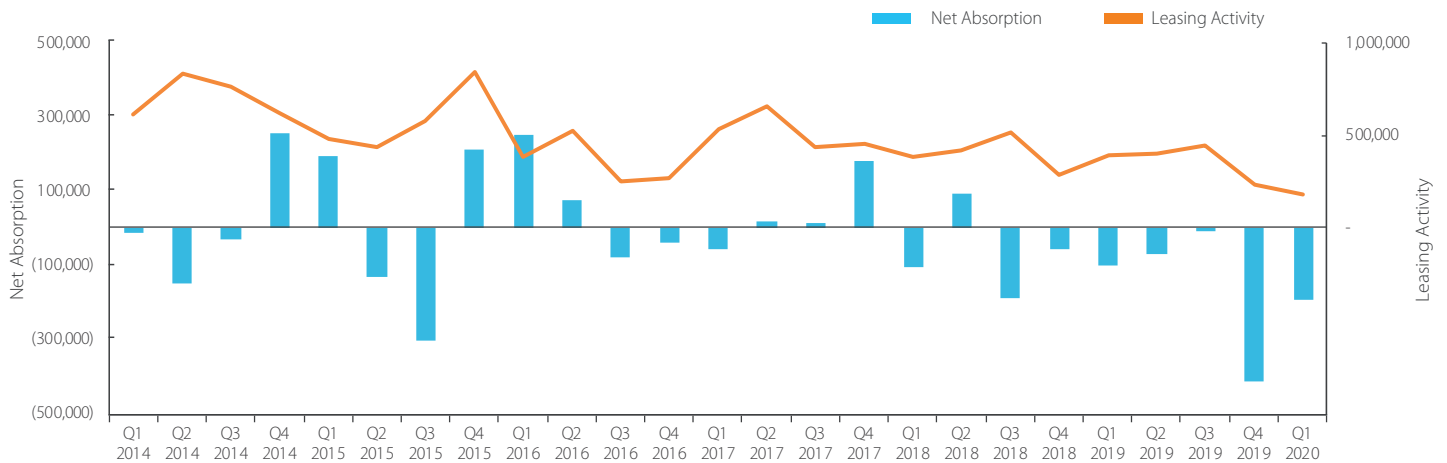
Building	Landlord	Submarket	Square Feet	Type
530-540 Forbes Boulevard	Genentech, Inc.	South San Francisco	240,660	Direct Lease
1655 Rollins Road	Devincenzi R C Living Trust	Burlingame	93,000	Direct Lease
2600 Geneva Avenue	State of California	Daly City	82,000	Direct Lease
240-246 Valley Drive	Prologis, Inc.	Brisbane	79,300	Direct Lease
960-980 Industrial Road	Alexandria Real Estate Equities, Inc.	San Carlos	62,000	Sublease
233 E. Harris Avenue	Irwin Eskanos	South San Francisco	60,225	Direct Lease
810 Malcolm Road	MTI Properties, LLC	Burlingame	55,000	Direct Lease

\*Denotes Avison Young Involvement

## Market By The Numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Q4'19	Vacancy Rate Q1'20	Net Absorp (SF)	Net Absorp YTD (SF)	Avg. Asking Rent (NNN) Q4'19	Avg. Asking Rent (NNN) Q1'20
Daly City / Brisbane	5,285,450	233,775	-	3.6%	4.4%	-43,910	-43,910	\$1.52	\$1.50
South San Francisco / San Bruno	15,038,440	623,933	134,895	5.1%	5.0%	2,295	2,295	\$1.54	\$1.64
Burlingame/Millbrae	3,690,465	125,256	-	1.2%	3.4%	-79,930	-79,930	\$1.58	\$1.60
<b>North County</b>	<b>24,014,355</b>	<b>982,964</b>	<b>134,895</b>	<b>4.1%</b>	<b>4.7%</b>	<b>-121,545</b>	<b>-121,545</b>	<b>\$1.54</b>	<b>\$1.61</b>
San Mateo / Foster City	812,198	4,665	-	0.0%	0.6%	-4,665	-4,665	\$2.26	\$2.26
Belmont / San Carlos	4,276,768	106,829	62,000	3.6%	3.9%	-13,028	-13,028	\$1.97	\$2.05
Redwood City	3,182,651	38,775	14,060	1.5%	1.7%	-4,858	-4,858	\$1.82	\$1.70
Menlo Park	2,204,194	67,124	-	0.9%	3.0%	-47,889	-47,889	\$2.98	\$2.93
<b>South County</b>	<b>10,475,811</b>	<b>212,728</b>	<b>76,060</b>	<b>2.1%</b>	<b>2.8%</b>	<b>-70,440</b>	<b>-70,440</b>	<b>\$2.02</b>	<b>\$2.19</b>
<b>San Mateo County Total</b>	<b>34,490,166</b>	<b>1,195,692</b>	<b>210,955</b>	<b>3.5%</b>	<b>4.1%</b>	<b>-191,985</b>	<b>-191,985</b>	<b>\$1.63</b>	<b>\$1.73</b>

## Historical Leasing vs Net Absorption



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