

San Mateo County



Market Facts

4.1%

Overall Vacancy

\$3.02 FS

Average Monthly Asking Rate

-58,291 SF

Q1 2020 Net Absorption

2,526,919 SF

Under Construction

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

At the end of the first quarter, San Mateo County measured 686,416 square feet of available R&D space, a 20% increase year over year with the majority of that influx due to the increasing amount of subleases. It appears that more tenants are realizing they cannot fill their previously occupied space.

Asking Rates

Overall asking rates within San Mateo County's R&D market are fairly consistent quarter-over-quarter. At the end of the first quarter of 2020, San Mateo County recorded an asking rate of \$3.02 per square foot (psf), full service, a 1.8% decrease from the \$3.07 psf, full service asking rate from last quarter. Menlo Park continues to be the only submarket with an asking rate over \$4, ending the quarter at \$4.13 psf, full service.

Demand

San Mateo County's R&D market has appeared to slowdown a bit. At the end of this quarter, the R&D market measured 356,943 square feet (sf) of leasing activity which is roughly half of the amount noted from last quarter. San Mateo County also measured an occupancy loss of 58,291 sf. 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 intend to stay.



Investment Activity

R&D/Biotech investment activity was slow during the first quarter of 2020. San Mateo County's total investment volume of over \$50M occurred between only two transactions.

Trends to Watch



San Carlos

Biotech space within SSF is becoming limited so tenants are looking to San Carlos instead.



Housing

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



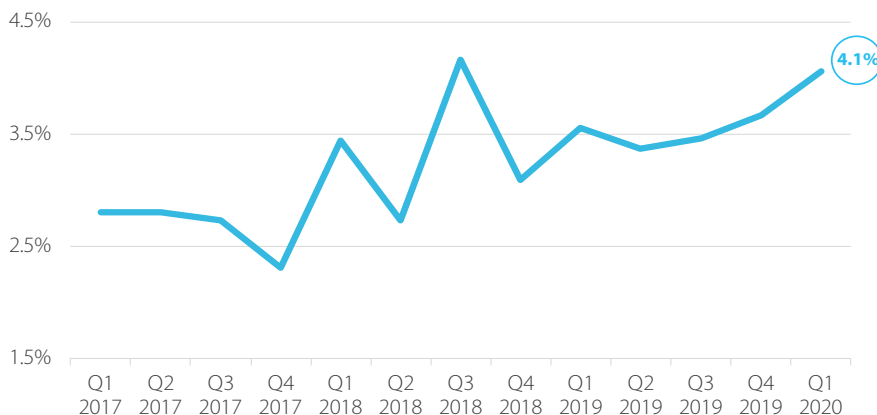
Sublease

Due to the current economic slowdown, tenants may be forced to sublease out some of their previous space.

2.3 MILLION SQUARE FEET

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

Historical Vacancy



Sublease Space



San Mateo County's R&D market has seen a slight increase in sublease space over the past two quarters. At the end of the first quarter of 2020, the market recorded 153,784 square feet of sublease space, which accounts for 22% of all available vacant biotech space along the Peninsula.



Construction

San Mateo County's development pipeline has no shortage of proposed projects. One of the major biotech developers in the area, Alexandria Real Estate Equities, has decided to take matters into their own hands. They continue pushing forward with their 1.5 million square foot campus, being referred to as "The Alexandria District for Science and Technology". This campus will be located in the corridor between El Camino Real, Commercial Street, Industrial Road, and Brittan Avenue within San Carlos. Alexandria already has a development in progress nearby at 825-835 Industrial Road.



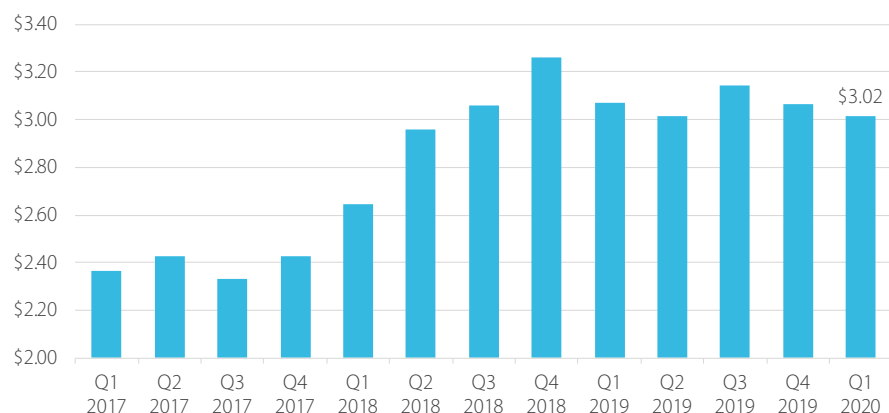
Deliveries

Due to the current COVID-19 pandemic, the majority of commercial construction has been halted. While it is unclear just how much this will affect San Mateo County, we may expect that at least some projects will be completed later than previously expected. 2020 was expected to be a significant year for biotech within San Mateo County with over 2.2 million square feet to be delivered.

Looking Forward

The R&D sector within San Mateo County should keep pushing forward in the next couple of quarters. Due to the current COVID-19 pandemic, healthcare and biotech have become more important than ever. We may see an increase in leasing activity within South San Francisco and San Carlos specifically related to healthcare due to the ease of working together in a biotech cluster along the Peninsula.

Historical Asking Rates



Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Lyell	201 Haskins Way	South San Francisco	115,000	Direct Lease
Janssen BioPharma, Inc.	1600 Sierra Point Parkway	Brisbane	105,562	Prelease
Allakos	825 Industrial Road	San Carlos	93,332	Prelease
Smartlabs	2 Tower Place	South San Francisco	78,065	Direct Lease
Integrated DNA Tech	1100 Island Drive	Redwood City	20,000	Direct Lease

Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
30 Ingold Road	Summer Hill Housing	Burlingame	139,200	\$35,000,000	\$251
888 Hinckley Road	Chang Chow Chan	Burlingame	36,000	\$15,810,000	\$439

Construction Pipeline

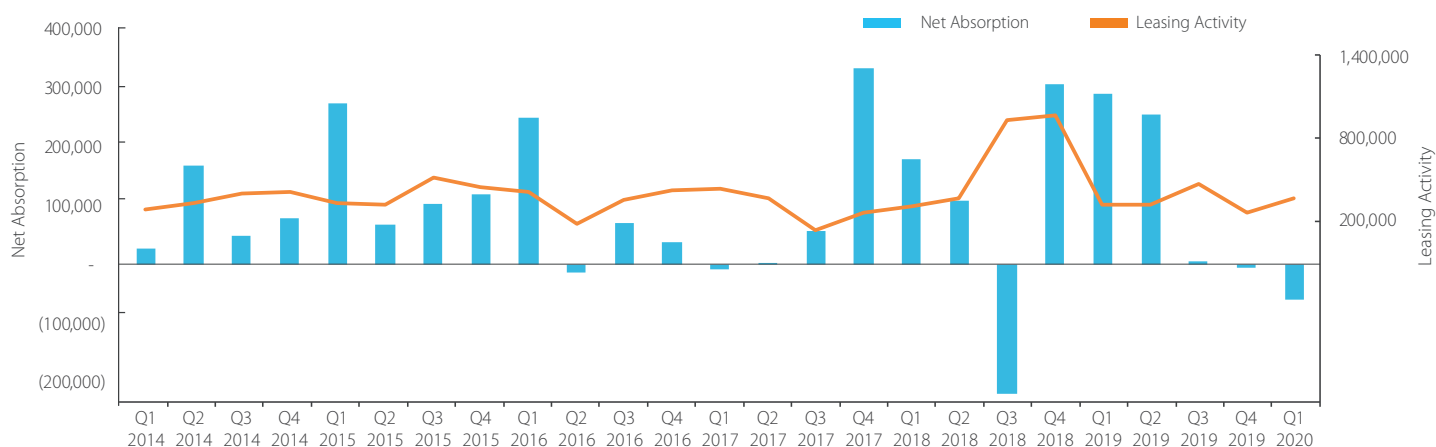
Building	Developer	Submarket	Square Feet	% Leased	Delivery
Kilroy Oyster Point, Phase I	Kilroy Realty Corporation	South San Francisco	655,764	100%	Q2 2020
Gateway of Pacific, Phase I	BioMed Realty L.P.	South San Francisco	512,000	94%	Q2 2020
Gateway of Pacific, Phase II	BioMed Realty L.P.	South San Francisco	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	37%	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%	Q2 2020

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)	Under Construction (SF)	Avg. Asking Rent (FS) Q4'19	Avg. Asking Rent (FS) Q1'20
Daly City / Brisbane	229,882	9,875	-	-	4.3%	-8,195	-8,195	510,877	\$2.10	\$3.30
South San Francisco	5,627,981	188,494	131,130	5.7%	5.7%	84,259	84,259	2,016,042	\$3.26	\$3.48
San Bruno / Millbrae	136,825	2,220	3,940	7.6%	4.5%	665	665	-	\$1.50	\$1.69
Burlingame	925,777	104,248	-	2.3%	11.3%	-84,133	-84,133	-	\$2.13	\$2.18
North County	6,920,465	304,837	135,070	5.1%	6.4%	-7,404	-7,404	2,526,919	\$3.14	\$3.14
San Mateo / Foster City	1,634,645	-	-	-	-	-	-	-	-	-
Redwood Shores	1,491,082	17,158	-	1.1%	1.2%	-	-	-	\$3.15	\$3.00
Central County	3,125,727	17,158	-	0.5%	0.5%	-	-	-	\$3.15	\$3.00
Belmont/San Carlos	2,008,551	99,602	-	4.3%	5.0%	-36,201	-36,201	-	\$2.61	\$2.73
Redwood City*	2,104,114	86,643	12,407	3.7%	4.7%	2,225	2,225	-	\$3.07	\$2.63
Menlo Park	2,744,339	24,392	6,307	0.9%	1.1%	-16,911	-16,911	-	\$4.72	\$4.13
South County	6,857,004	210,637	18,714	2.7%	3.3%	-50,887	-50,887	-	\$3.08	\$2.87
San Mateo County Total	16,903,196	532,632	153,784	3.3%	4.1%	-58,291	-58,291	2,526,919	\$3.07	\$3.02

*Does not include Redwood Shores

Historical Leasing vs Net Absorption


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