

San Mateo County



Market Facts

6.6%

Class A Vacancy

6.3%

Class B Vacancy

\$5.21 FS

Class A

Average Monthly Asking Rate

\$4.81 FS

Class B

Average Monthly Asking Rate

The office market within San Mateo County continued to thrive during the third quarter of 2019. In recent quarters, we have seen some of the larger tech companies expanding their businesses further north onto the Peninsula, keeping the overall office market competitive. The job market has also remained steady, with San Mateo County recording the lowest unemployment rate in the entire state of California at just 2.1%.

Vacancy

Total available office space within San Mateo County measured just under 3.0 million square feet at the close of the third quarter, translating to a 6.3% overall vacancy rate. Since the beginning of the year, the total amount of available space has decreased by 6.7%, while Class A space has reduced the most by 11.7%. Despite the roughly 2.0 msf of new construction delivered over the past two years, the office market has remained stable due to the high amount of preleased space within the latest developments.

Asking Rates

Overall asking rates in San Mateo County have increased 16% over the past three years ending the quarter with a \$5.14 per square foot (psf), full service asking rate. The South County continues to command the highest rents at \$6.18 psf, full service while Redwood City and Menlo Park are the most expensive submarkets ending the quarter at \$7.13 and \$6.43 psf, full service, respectively.

Demand

Although San Mateo County's total leasing activity decreased by 30% since last quarter, the need for office space is still high. At the close of this quarter, the office market measured a positive net absorption of 423,384 square feet. Year to date, San Mateo County recorded an occupancy gain of 1.3 million square feet while the total leasing activity measured was 2.9 million square feet. With many new developments in the pipeline about to break ground, tenants are looking forward to future opportunities.



Investment Activity

San Mateo County's office market did not see many sale transactions this quarter ending with a total sales volume of \$200M compared to the record sales volume of \$1.4B noted last quarter.

Trends to Watch



Opportunities

Preleased developments are leaving little room for other tenants to expand.



Traffic

Traffic is getting worse, so companies are leasing locations close to Caltrain stations to help the commute.



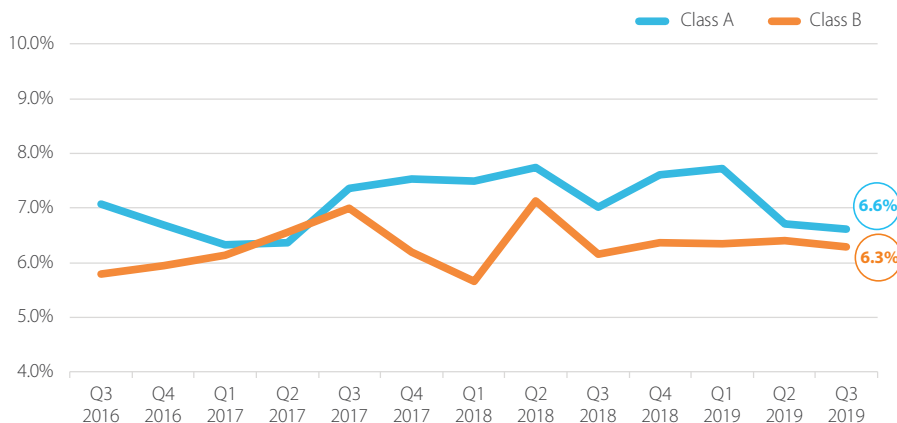
Housing

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

2.1 MILLION SQUARE FEET

to be delivered in 2020, with 63% preleased to Facebook

Historical Vacancy



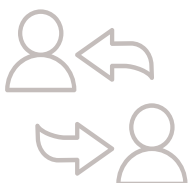
Construction

A developer, Lowe, recently submitted plans to redevelop Redwood City's Sequoia Station, which will include one 17-story office building, three 10-story buildings, two 8-story buildings, and one 7-story building totaling 1,635,000 square feet. However, the project currently exceeds the development caps and building heights within Redwood City, so Lowe must seek the city's approval to consider an amendment to the general plan. If approved, the 17-story building would be the tallest building within Redwood City.



Deliveries

Two of the most significant developments scheduled for delivery next year are already slated to Facebook. Menlo Gateway is a 520,988 sf project in Menlo Park that will give Facebook more room for expansion just down the street from their current headquarters, while Burlingame Point, an 803,088 sf site along Airport Boulevard in Burlingame is expected to help ease the traffic of current workers commuting from San Francisco, North Bay, and the East Bay.



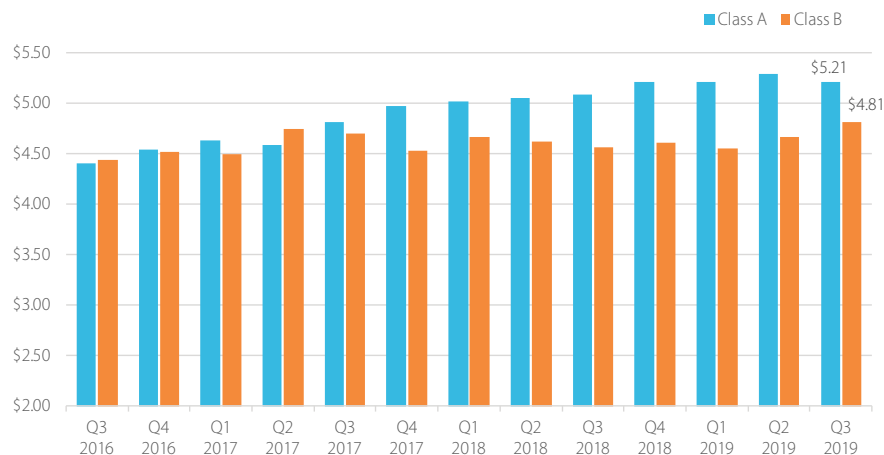
Sublease Space

Lately, tenants along the Peninsula have been overestimating the amount of space they need, leaving a significant amount of sublease space on the market. This quarter, sublease space accounted for 19.7% of the total amount of available space within the San Mateo County office market.

Looking Forward

San Mateo County's office market is expected to remain active as the limited availability pushes asking rates into record-high prices. Despite all of the new construction slated for delivery within the next couple of years, we should expect vacancy rates to remain below 10% due to the high number of preleased projects. Office construction caps will be something to keep an eye on in the near future as more developers are pushing the city's limits on what they are allowed to build.

Historical Asking Rates



Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Softbank	500 El Camino Real	Menlo Park	154,000	Direct Lease
ChemoCentryx, Inc	835 Industrial Road	San Carlos	96,463	Direct Lease
Verkada, Inc	405 E 4th Avenue	San Mateo	62,338	Sublease
WeWork	1840 Gateway Drive	San Mateo	37,390	Direct Lease
Gunderson Dettmer	550 Allerton Street	Redwood City	29,772	Direct Lease
Sequoia Real Estate	2882 Sand Hill Road	Menlo Park	24,384	Sublease
Take-Two Interactive Software	951 Mariners Island Boulevard	San Mateo	19,155	Direct Lease

Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
San Mateo Gateway	Kennedy Wilson Properties	San Mateo	223,561	\$87,500,000	\$391
1350 Bayshore Highway	Woodstock Development & Iron Point	Burlingame	196,000	\$75,300,000	\$384
3201-3301 Junipero Serra Boulevard	City Ventures	Daly City	44,780	\$16,787,000	\$375
345 Convention Way	Pan Asia Venture Capital Corporation	Redwood City	17,808	\$4,400,000	\$247
200-214 Airport Boulevard	Fairfield Residential	South San Francisco	14,194	\$5,058,000	\$357
208 Miller Avenue	Sares-Regis Group	South San Francisco	13,226	\$6,000,000	\$454
558 Brewster Avenue	The Feirman Corporation	Redwood City	5,580	\$6,100,000	\$1,098

Construction Pipeline

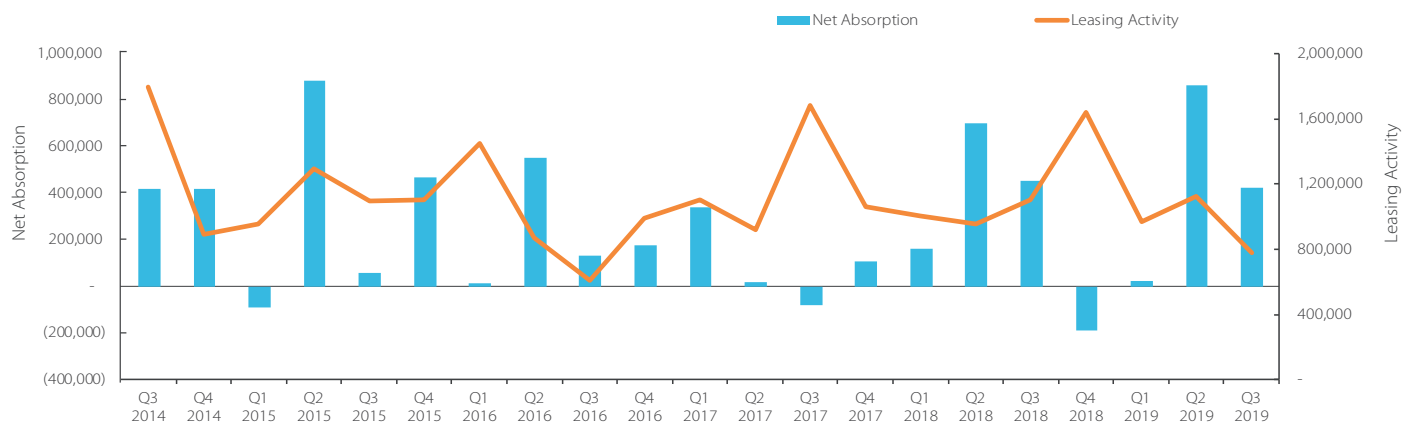
Building	Developer	Submarket	Square Feet	% Leased	Delivery
Burlingame Point	Kylli	Burlingame	803,088	100%	Q2 2020
Alexandria District	Alexandria Real Estate Equities, Inc	San Carlos	556,945	50%	Q1 2020
Menlo Gateway	Bohannon Development Company	Menlo Park	520,988	100%	Q4 2019
Station 1300	Greenheart Land Company	Menlo Park	212,164	0%	Q1 2020
500 E Grand Avenue	Genentech, Inc	South San Francisco	160,000	100%	Q4 2019
2075 Broadway Street	Lane Partners	Redwood City	114,859	100%	Q4 2019
855 Main Street	The Acclaim Companies	Redwood City	95,000	0%	Q2 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 (F\$) Total	Class A	Class B
Daly City	797,174	55,445	1,592	7.2%	9.9%	2.4%	-266	-42,908	-	\$4.31	\$4.58	\$2.53
Brisbane	952,829	11,361	75,165	9.1%	10.8%	2.5%	-3,866	-18,349	-	\$4.20	\$4.21	\$4.03
South San Francisco	7,114,607	256,010	52,841	4.3%	6.1%	0.1%	-114,658	420,399	160,000	\$3.70	\$3.77	\$2.49
San Bruno/Millbrae	1,853,454	17,365	2,000	1.0%	0.4%	2.8%	-5,443	12,066	-	\$3.30	\$3.40	\$3.02
Burlingame	2,556,704	204,958	19,094	8.8%	17.8%	4.0%	28,956	76,165	847,693	\$5.62	\$5.83	\$3.34
North County	13,274,768	545,139	150,692	5.2%	7.0%	1.6%	-95,277	447,373	1,007,693	\$4.42	\$4.41	\$3.18
San Mateo	8,753,709	757,830	167,190	10.6%	8.4%	13.4%	479,415	703,340	62,341	\$4.91	\$5.38	\$4.70
Foster City	3,829,752	333,469	16,025	9.1%	9.8%	6.9%	-4,200	74,455	-	\$5.56	\$5.60	\$5.04
Redwood Shores	8,243,091	369,207	150,725	6.3%	7.8%	2.1%	37,966	69,043	-	\$5.28	\$5.38	\$4.43
Central County	20,826,552	1,460,506	333,940	8.6%	8.4%	9.5%	513,181	846,838	62,341	\$5.14	\$5.44	\$4.71
Belmont/San Carlos	1,772,461	115,932	9,007	7.0%	14.7%	3.2%	31,576	-25,626	556,945	\$4.52	\$4.38	\$5.22
Redwood City*	3,615,589	114,501	54,726	4.7%	1.3%	6.8%	-6,751	-54,152	273,337	\$7.13	\$8.57	\$6.18
Menlo Park	7,392,879	142,030	36,280	2.4%	1.8%	3.9%	-19,345	100,431	812,045	\$6.43	\$7.62	\$5.01
South County	12,780,929	372,463	100,013	3.7%	2.8%	4.8%	5,480	20,653	1,642,327	\$6.18	\$6.28	\$5.66
San Mateo County Total	46,882,249	2,378,108	584,645	6.3%	6.6%	6.3%	423,384	1,314,864	2,712,361	\$5.14	\$5.21	\$4.81

*Does not include Redwood Shores

Historical Leasing vs Net Absorption



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