

San Mateo County



Market Facts

5.3%

Class A Vacancy

7.2%

Class B Vacancy

\$5.29 FS

Class A

Average Monthly Asking Rate

\$4.92 FS

Class B

Average Monthly Asking Rate

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 office space in San Mateo County measured 2.9 million square feet at the end of the first quarter, translating to a vacancy rate of 5.9%. Vacancy levels within the office market for San Mateo County have remained at historic lows in recent quarters.

Asking Rates

The office market in San Mateo County continued to demand high asking rates. At the end of the first quarter, San Mateo County measured an overall asking rate of \$5.19 per square foot (psf), full service, a 3.4% increase year-over-year. Menlo Park and Redwood City commanded the highest submarket asking rates noting \$6.95 psf, full service and \$6.54 psf, full service.

Demand

San Mateo County recorded an occupancy loss of 27,224 square feet at the end of the first quarter. The office market also saw a decrease in tenant demand due to the dip in leasing activity. San Mateo County measured just 581,553 square feet of activity, a 65% decrease from 1.6 million square feet noted last quarter. The lack of available space among the Peninsula has forced current tenants to look elsewhere in the Bay Area.



Investment Activity

The office market measured mild investment activity during the first quarter. One noteworthy portfolio transaction was DivcoWest's acquisition of 15 properties from Ford Land Company in Menlo Park for a total of \pm \$610M.

Trends to Watch



Sublease

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



(Un)Employment

With many businesses forcing layoffs to save costs, we may see tenant demand lessen in the upcoming quarters.



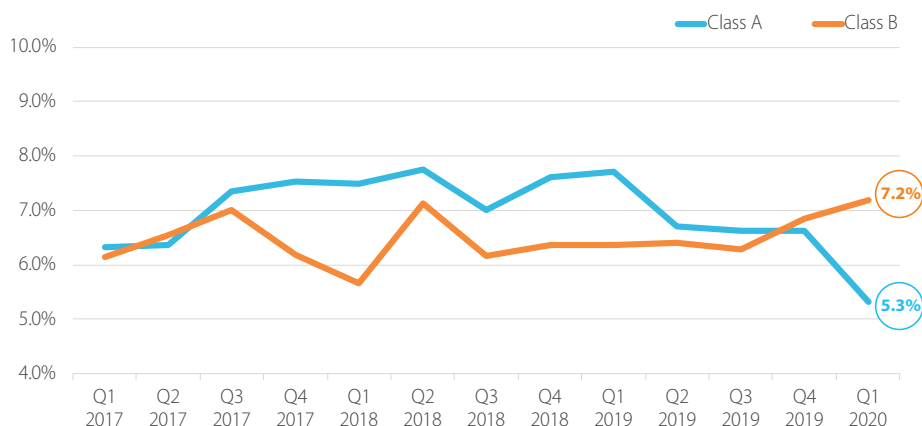
Construction

Office completions may be delayed by at least one quarter due to the labor shortages and construction restrictions.

2.4 MILLION SQUARE FEET

to be delivered in 2020, with 88% already preleased

Historical Vacancy



Construction

Preleasing continues to be a growing trend within the San Mateo County office market. There is currently over 2.4 million square feet of office space under construction with 88% preleased to a tenant. Demand for these projects is by larger tech companies who are looking for expansion opportunities along the Peninsula. While this is great news for developers, it is a bit saddening for other tenants because these larger companies are leaving very little opportunities for the other, smaller tenants to expand.



Deliveries

There were no development deliveries during the first quarter of 2020 within San Mateo County. However, there is a significant amount of construction currently in the works with expected completion dates of later this year. As a result of the shelter-in-place order in San Mateo County, construction has temporarily paused, which will push completion dates out further.



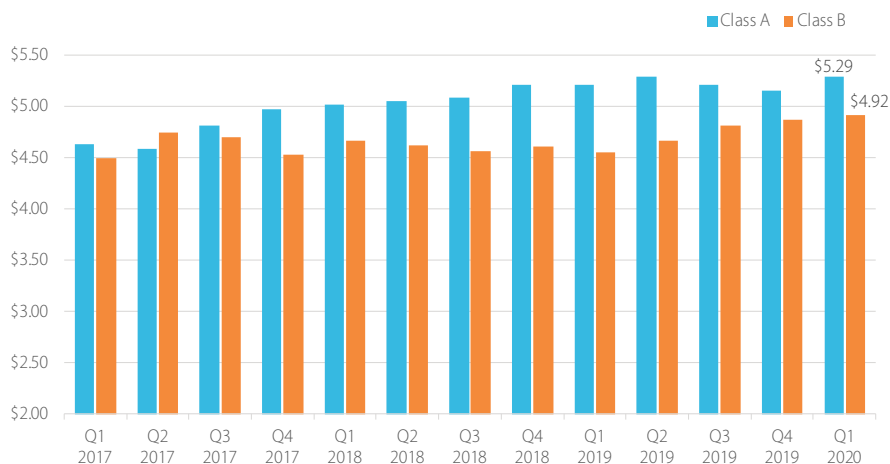
Sublease Space

San Mateo County saw a slight uptick in the total amount of sublease space on the market. At the end of the first quarter, the office market measured a total of 649,841 square feet of sublease space, which translates to a 1.3% vacancy rate.

Looking Forward

Implications of COVID-19 on San Mateo County's office market remain yet to be seen. It can be expected that activity may soften as companies and their employees remain in their homes under the shelter-in-place order. Investors will likely wait on the sidelines until the impacts on commercial real estate become clear. Construction will be delayed as a result of the weeks in which construction sites remained closed.

Historical Asking Rates



Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
Chan Zuckerberg Initiative	1180-1190 Main Street	Redwood City	118,136	Prelease
Ascentis Corporation	1000 Bridge Parkway	Redwood City	50,305	Direct Lease

Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
2700-3000 Sand Hill Road	DivcoWest	Menlo Park	305,230	\$610,025,000	\$1,998
68 Willow Road	Premia Capital	Menlo Park	23,220	\$31,000,000	\$1,335
155 Birch Street	MMCF Investments LLC	Redwood City	3,200	\$2,750,000	\$859
695 Oak Grove Ave #200	Donald Bouey	Menlo Park	1,789	\$2,475,000	\$1,383

Construction Pipeline

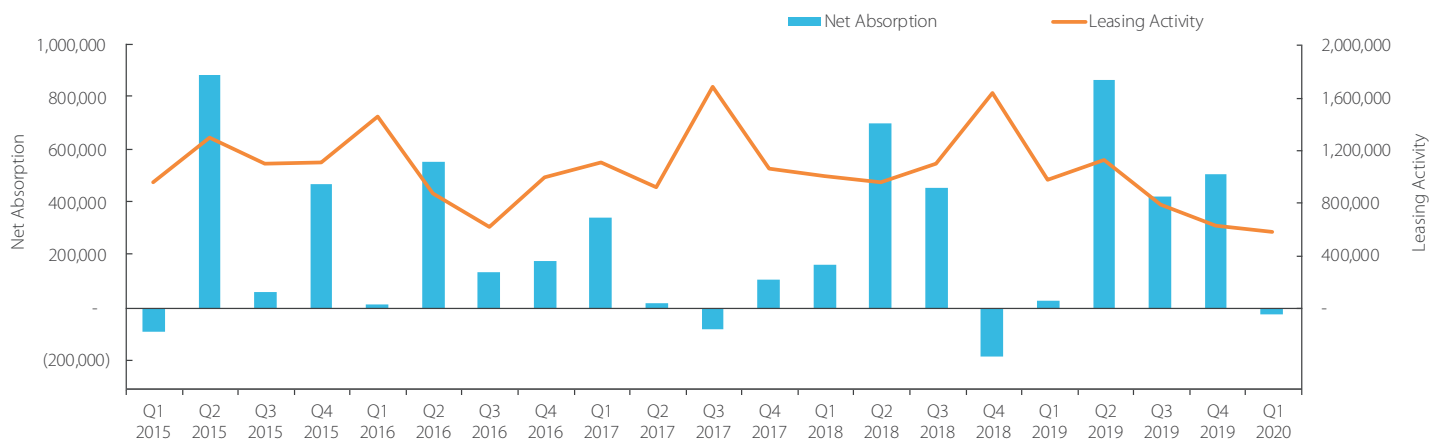
Building	Developer	Submarket	Square Feet	% Leased	Delivery
Burlingame Point	Kylli	Burlingame	803,088	100%	Q2 2020
Alexandria District	Alexandria Real Estate Equities, Inc	San Carlos	526,178	50%	Q2 2021
Menlo Gateway	Bohannon Development Company	Menlo Park	520,988	100%	Q1 2020
Facebook @ Menlo Park	Facebook	Menlo Park	449,500	100%	Q2 2022
Station 1300	Greenheart Land Company	Menlo Park	222,162	0%	Q1 2020
Gateway at Millbrae Station	Republic Urban Properties	Millbrae	173,000	0%	Q4 2021
2075 Broadway Street	Lane Partners	Redwood City	114,859	100%	Q1 2020

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	797,174	43,222	1,592	5.6%	8.0%	1.6%	28,895	28,895	-	\$4.36	\$4.57	\$2.71
Brisbane	952,829	25,452	91,711	12.3%	15.0%	1.7%	-36,577	-36,577	-	\$3.99	\$4.00	\$3.50
South San Francisco	7,194,313	308,725	25,249	4.6%	5.5%	3.0%	-34,477	-34,477	420,872	\$3.61	\$3.66	\$2.44
San Bruno/Millbrae	1,858,581	23,994	8,683	1.8%	1.1%	3.3%	-840	-840	173,000	\$6.21	\$6.28	\$2.54
Burlingame	2,580,776	194,215	48,454	9.4%	15.8%	4.5%	-4,967	-4,967	847,693	\$4.82	\$5.12	\$3.01
North County	13,383,673	595,608	175,689	5.8%	6.8%	3.2%	-47,966	-47,966	1,441,565	\$4.20	\$4.19	\$2.66
San Mateo	8,926,109	722,694	179,295	10.1%	9.4%	11.4%	31,129	31,129	-	\$5.16	\$5.50	\$5.06
Foster City	3,829,723	303,778	2,936	8.0%	7.3%	10.1%	23,285	23,285	-	\$5.54	\$5.71	\$5.35
Redwood Shores	8,244,744	281,434	94,768	4.6%	4.1%	5.8%	26,974	26,974	-	\$5.16	\$5.23	\$4.98
Central County	21,000,576	1,307,906	276,999	7.5%	6.5%	9.5%	81,388	81,388	-	\$5.23	\$5.47	\$5.09
Belmont/San Carlos	1,778,515	12,204	73,506	4.8%	4.7%	5.5%	-18,268	-18,268	526,178	\$4.46	\$4.27	\$4.90
Redwood City*	5,602,171	112,903	85,026	3.5%	1.0%	7.1%	4,068	4,068	293,127	\$6.54	\$7.36	\$5.88
Menlo Park	7,660,695	245,082	38,621	3.7%	2.8%	5.6%	-46,446	-46,446	1,284,684	\$6.95	\$8.20	\$4.77
South County	15,041,381	370,189	197,153	3.8%	2.4%	6.2%	-60,646	-60,646	2,103,989	\$6.43	\$7.58	\$5.34
San Mateo County Total	49,425,630	2,273,703	649,841	5.9%	5.3%	7.2%	-27,224	-27,224	3,545,554	\$5.19	\$5.29	\$4.92

*Does not include Redwood Shores

Historical Leasing vs Net Absorption


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