

# San Mateo County



## Quick Stats

**6.7%**

Class A Vacancy

**6.4%**

Class B Vacancy

**\$5.29 FS**

Class A Average Asking Rate

**\$4.65 FS**

Class B Average Asking Rate

The office market within San Mateo County continued to flourish during the second quarter of 2019. Average asking rates have hit an all-time high while vacancy rates continue to stay below 10%. The office market for San Mateo County recorded 808,861 square feet of leasing activity while absorption measured a positive occupancy gain of 555,704 square feet.

Over the last three years, the vacancy rate within San Mateo County has stayed relatively flat with an average vacancy rate of 6.6% overall. This quarter, San Mateo County measured a 6.3% vacancy rate for office space, which is only 60 basis points lower than the 6.9% rate from last quarter. Sublease space continues to be prominent along the Peninsula, since it has accounted for 633,361 square feet or 21% of the total vacant office space within San Mateo County.

Average asking rates have not stopped increasing along the Peninsula ending the quarter at historically high levels. The total weighted average asking rate for San Mateo County was \$5.15 per square foot, full service. This rate is 1.6% higher than the \$5.07 rate seen last quarter, 4.5% higher than the \$4.93 rate seen this time last year, and 10.0% higher than the \$4.68 rate from two years ago. The South County, which includes the cities of Belmont, San Carlos, Redwood City and Menlo Park, continues to command the

highest rents on the Peninsula ending the quarter with an average asking rate of \$6.18 per square foot, full service.

The second quarter of 2019 hosted a high number of significant sale transactions within San Mateo County. The two largest purchases occurred within a mile of each other in San Mateo at 400-450 Concar Drive and The Crossroads. Diamond Investment Properties acquired the 304,885 square foot site at 400-450 Concar Drive from Goldman Sachs & Company for \$320.0 million, or \$1,049.58 per square foot. Approximately 0.5 miles away, C-III Capital Partners purchased the entire 406,085 square foot site at The Crossroads from Beacon Capital Partners for \$269.0 million, or \$662.42 per square foot. Another notable transaction occurred at 901 Cherry Avenue in San Bruno where Google finally purchased the 184,000 square foot property, which is currently Youtube's headquarters, from the Gap, Inc. for \$220.5 million, or \$1,198.64 per square foot.

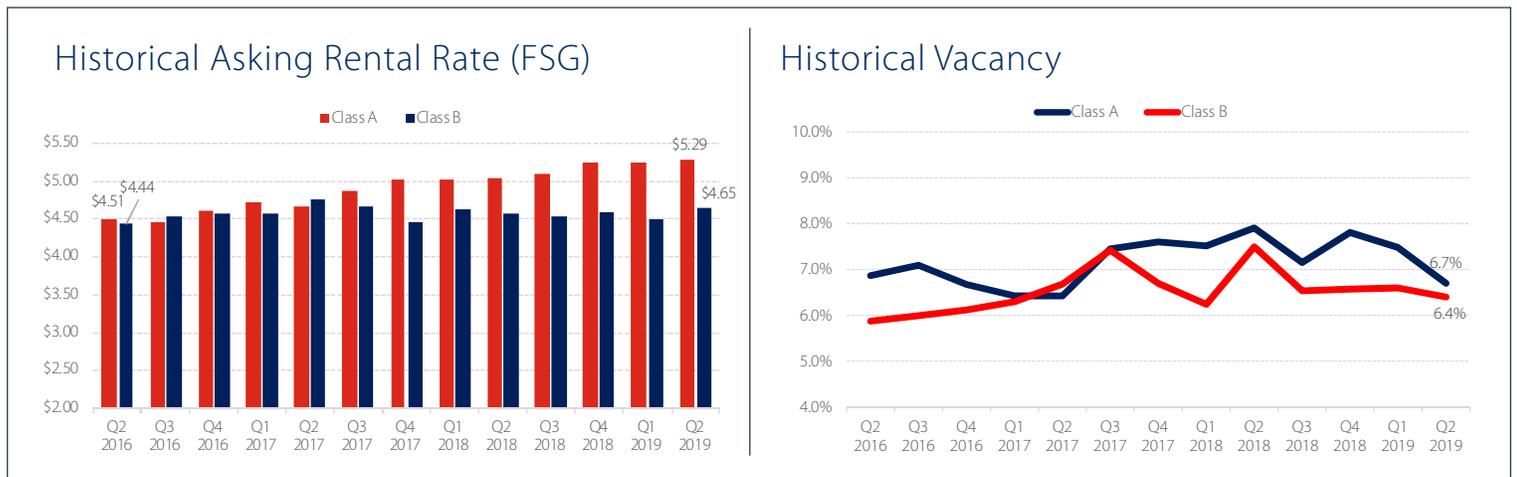
Lastly, the economy within San Mateo County continues to hold the record for the lowest unemployment rate in the state. According to the California Labor Market, San Mateo County measured a 1.7% unemployment rate, which is 180 basis points lower than the 3.5% rate recorded for the state of California and 190 basis points lower than the 3.6% rate for the entire United States.

## Office Market Snapshot

The San Mateo County office market continues to be a place for growth, investments, and new opportunities. Four of the five top sale transactions this quarter were priced over \$200 million, with two reaching over \$1,000 on a per square foot basis, which indicates that there is no shortage of money or interest amongst investors, developers and owner-users along the Peninsula.



\*Compared to previous quarter

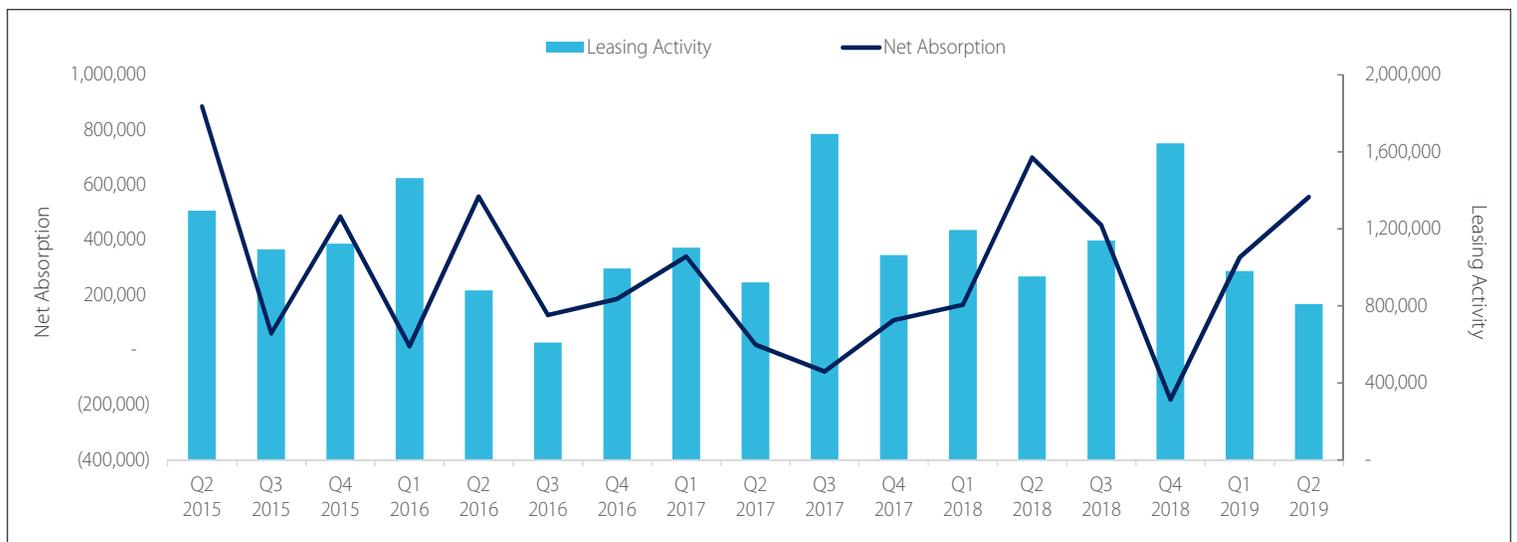


## Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Total	Vacancy Rate		Net Absorp. (SF)	Net Absorp. YTD (SF)	Under Construction	Average Asking Rent (F5)		
					Class A	Class B				Total	Class A	Class B
Daly City	797,174	55,179	1,592	7.1%	10.2%	1.9%	23,137	-42,642	0	\$4.05	\$4.59	\$2.23
Brisbane	1,083,182	7,495	75,165	7.6%	8.5%	3.8%	-1,193	-14,483	0	\$4.49	\$4.50	\$4.34
South San Francisco	7,114,607	161,018	33,175	2.7%	3.5%	0.5%	301,465	535,057	160,000	\$3.80	\$3.87	\$2.49
San Bruno/Millbrae	1,853,454	11,901	2,021	0.8%	0.1%	2.3%	37,184	17,509	0	\$3.77	\$3.89	\$3.02
Burlingame	2,554,117	216,053	36,955	9.9%	21.3%	5.3%	-5,398	20,628	803,088	\$5.55	\$5.73	\$2.93
North County	<b>13,402,534</b>	<b>451,646</b>	<b>148,908</b>	<b>4.5%</b>	<b>5.6%</b>	<b>2.0%</b>	<b>355,195</b>	<b>516,069</b>	<b>963,088</b>	<b>\$4.66</b>	<b>\$4.73</b>	<b>\$2.98</b>
San Mateo	8,382,094	721,474	253,525	11.6%	11.5%	12.7%	111,008	218,381	504,443	\$4.79	\$5.28	\$4.48
Foster City	3,821,054	335,943	9,351	9.0%	9.8%	6.3%	10,370	78,655	0	\$5.50	\$5.56	\$4.71
Redwood Shores	8,243,091	460,436	97,462	6.8%	8.1%	3.1%	-1,842	149,403	0	\$5.23	\$5.36	\$4.37
Central County	<b>20,446,239</b>	<b>1,517,853</b>	<b>360,338</b>	<b>9.2%</b>	<b>9.5%</b>	<b>9.3%</b>	<b>119,536</b>	<b>446,439</b>	<b>504,443</b>	<b>\$5.05</b>	<b>\$5.38</b>	<b>\$4.48</b>
Belmont/San Carlos	1,772,461	124,179	32,336	8.8%	14.7%	6.3%	-11,836	61,124	560,000	\$4.66	\$4.60	\$4.90
Redwood City*	3,585,589	108,736	53,740	4.5%	0.0%	7.9%	-52,647	-47,401	278,963	\$7.17	\$8.66	\$6.18
Menlo Park	7,407,801	120,926	38,039	2.1%	2.1%	2.6%	145,456	100,900	792,807	\$6.65	\$7.12	\$5.46
South County	<b>12,765,851</b>	<b>353,841</b>	<b>124,115</b>	<b>3.7%</b>	<b>2.8%</b>	<b>5.5%</b>	<b>80,973</b>	<b>114,623</b>	<b>1,631,770</b>	<b>\$6.18</b>	<b>\$6.04</b>	<b>\$5.68</b>
San Mateo County Total	<b>46,614,624</b>	<b>2,323,340</b>	<b>633,361</b>	<b>6.3%</b>	<b>6.7%</b>	<b>6.4%</b>	<b>555,704</b>	<b>1,077,131</b>	<b>3,099,301</b>	<b>\$5.15</b>	<b>\$5.29</b>	<b>\$4.65</b>

\*Does not include Redwood Shores

## Historical Net Absorption & Leasing Activity



## Significant Lease Transactions

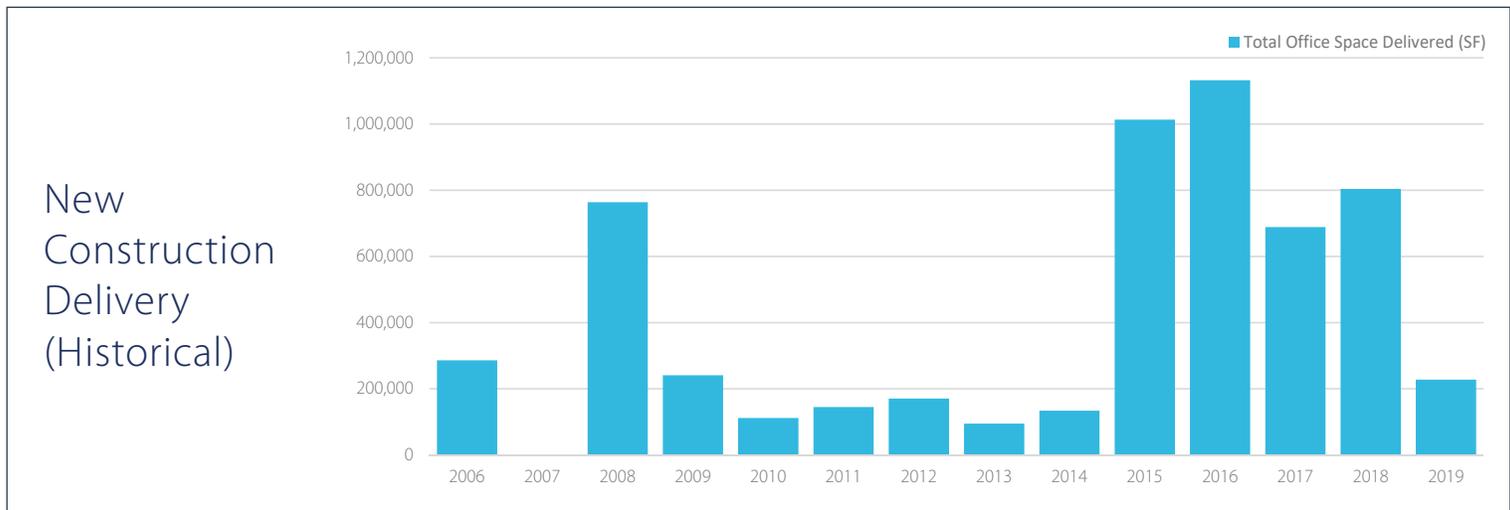
Tenant	Building	Submarket	Square Feet	Type
E-Trade	4500 Bohannon Drive	Menlo Park	69,543	Renewal
Ascendis Pharma	1200 Bridge Parkway	Redwood Shores	37,500	New Lease
Auris Health	303 Twin Dolphin Drive	Redwood Shores	36,532	New Lease
Applied Underwriters	950 Tower Lane	Foster City	23,244	Renewal
Bonneville International Corporation	2001 Junipero Serra Boulevard	Daly City	22,008	New Lease

## Significant Sale Transactions

Buyer	Building	Submarket	Square Feet	Sale Price
Diamond Investment Properties	400-450 Concar Drive	San Mateo	304,885	\$320,000,000
C-III Capital Partners	The Crossroads	San Mateo	406,085	\$269,000,000
HCP, Inc	800 Marina Blvd & 2000 Sierra Point Pky	Brisbane	427,284	\$245,000,000
Google, LLC	901 Cherry Avenue	San Bruno	184,000	\$220,550,000
Woodstock Development & Investments	1350 Bayshore Highway	Burlingame	196,000	\$75,300,000

## Under Construction

Developer	Building	Submarket	Square Feet	% Leased	Status
Kylli	Burlingame Point	Burlingame	803,088	100%	Q3/19
Alexandria Real Estate Equities, Inc	The Alexandria District	San Carlos	560,000	0%	Q2/20
Bohannon	Menlo Gateway Phase II	Menlo Park	521,000	100%	Q3/19
Franklin Templeton Investments	1 Franklin Parkway	San Mateo	241,936	100%	Q1/20
Greenheart Land Company	Station 1300   1300 El Camino Real	Menlo Park	196,505	0%	Q1/20



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