

San Mateo County

Market Facts

4.1%

Overall Vacancy

\$1.73 NNN

Average Asking Rate

34.2 MSF

Building Base

-145,760 SF

2020 YTD Total
Net Absorption

Industrial Leasing Activity Has Come To A Halt Due To Uncertainty of COVID-19

- Implications of COVID-19 on the commercial real estate market within San Mateo County have begun to surface as the crisis continues to affect the Bay Area economy. Many businesses have continued to operate with very strict restrictions and numerous social distancing protocols. Some companies have chosen to have all employees work remotely for the near future, while other companies have plans in place on how to return to the workplace, safely and efficiently.
- Asking rates for the industrial market in San Mateo County have plateaued at \$1.73 per square foot, triple net. Many tenants remain cautious of the current circumstances and have preferred to put their requirements on hold until the economy returns to more normal levels.
- Industrial tenant demand along the Peninsula was virtually nonexistent during the second quarter of 2020. As a result, San Mateo County measured a slight occupancy loss of 6,865 square feet, while new leasing activity measured 160,092 square feet, a 32% decrease in demand quarter-over-quarter.
- Vacancy levels within San Mateo County have increased from one year ago; however, there was virtually no change quarter-over-quarter. Total available industrial space in San Mateo County measures 1,417,237 square feet. This translates to a modest 4.1% vacancy rate which is a 190 bps increase from one year ago, but a 0 bps change from last quarter. While there is some sublease space available within the market, it only accounts for 0.5% of the total available space in San Mateo County.
- The largest investment transaction of the second quarter was completed by Alexandria Real Estate Equities (ARE). ARE acquired five industrial properties, totaling 117,000 square feet, near Old County Road and Commercial Street in San Carlos. ARE purchased the buildings for a total of \$135.1 million with plans to redevelop the land into an Office/Life Science campus in the near future.

Trends to Watch



Rents

Overall average asking rents have stabilized due to the COVID-19 pandemic. Expect to see modest decreases in the near future until the economy returns to normal.



Redevelopment

Industrial inventory continues to decline as more Office/R&D developers purchase underutilized industrial buildings in up and coming areas.



Demand

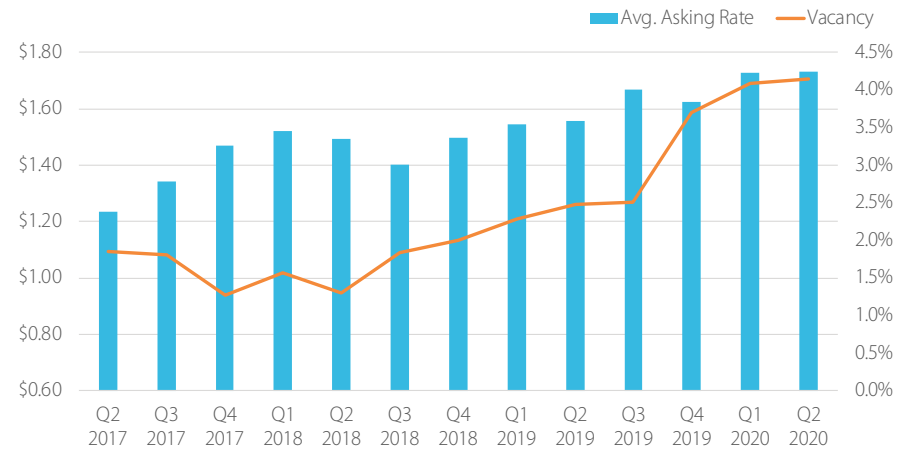
The uncertainty of COVID-19 paired with the limited available space on the Peninsula has forced tenants to pause their requirements for the near future.

The spread of COVID-19 and the containment policies throughout California and the U.S. continue to change rapidly. While information in this report is current as of the date written, the views expressed herein are subject to change and may not reflect the latest opinion of Avison Young. We are committed to you, our clients, and remain available for discussions and advice as your partners and to offer our latest insights.

Looking Forward

The industrial market within San Mateo County has started to slow down due to the current COVID-19 pandemic. However, not all activity has ceased as some landlords have been taking advantage of the current circumstances. In the upcoming quarters, we may see more developers acquiring underutilized industrial properties with the hopes of a possible redevelopment. We may also see a spike in leasing activity of warehouse distributors to keep up with the current high demand of e-commerce.

Historical Asking Rates vs. Vacancy Rates



Notable Lease Transactions

Tenant	Building	Submarket	Square Feet	Type
SF Storage	455 Allan Street	Daly City	42,500	New Lease
Accel Gymnastics	1535 Rollins Road	Burlingame	34,000	Sublease
Corfini Gourmet	299 Lawrence Avenue	South San Francisco	19,247	New Lease
Farmstead	1535 Rollins Road	Burlingame	18,150	Sublease
Dimerco Express USA	1300 Industrial Road	San Carlos	13,720	New Lease

Notable Sale Transactions

Building	Buyer	Submarket	Square Feet	Sale Price	PSF
915/1063 Old County Road & 1015 Commercial Street	Alexandria Real Estate Equities	San Carlos	88,000	\$120,000,000	\$262
987 & 1011 Commercial Street	Alexandria Real Estate Equities	San Carlos	29,000	\$15,120,000	\$521
841-851 Old County Road & Nearby Land on Commercial Street	The Sobrato Organization	San Carlos	20,753	\$13,900,000	\$205
615 Industrial Road	Octopus Holdings LP	San Carlos	15,800	\$5,650,000	\$358
508-514 South Airport Boulevard	Oscartielle Equipment Company	South San Francisco	14,940	\$5,325,000	\$357

Largest Available Spaces

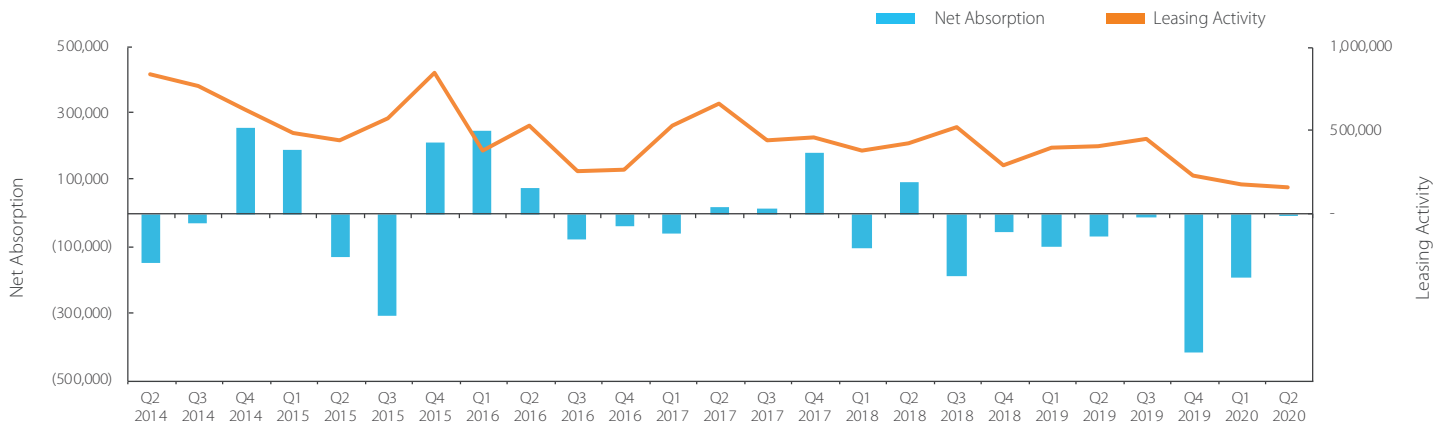
Building	Landlord	Submarket	Square Feet	Type
530-540 Forbes Boulevard	Genentech, Inc.	South San Francisco	240,660	Direct Lease
405 Victory Avenue	EverWest Real Estate Investors LLC	South San Francisco	94,624	Direct/Sublease
1655 Rollins Road	Devincenzi R C Living Trust	Burlingame	93,000	Direct Lease
* 572-576 Eccles Avenue	Prologis	South San Francisco	88,989	Direct Lease
2600 Geneva Avenue	State of California	Daly City	82,000	Direct Lease
240-246 Valley Drive	Prologis	Brisbane	79,400	Direct Lease
960-980 Industrial Road	Alexandria Real Estate Equities	San Carlos	62,000	Sublease
233 East Harris Avenue	Irwin Eskanos	South San Francisco	60,000	Direct Lease

*Denotes Avison Young Involvement

Market By The Numbers

Submarket	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Q1'20	Vacancy Rate Q2'20	Net Absorp (SF)	Net Absorp YTD (SF)	Avg. Asking Rent (NNN) Q1'20	Avg. Asking Rent (NNN) Q2'20
Daly City / Brisbane	5,283,450	214,485	-	3.6%	4.1%	-24,620	-24,620	\$1.50	\$1.37
South San Francisco / San Bruno	15,037,869	656,538	98,476	5.0%	5.0%	3,814	6,109	\$1.64	\$1.66
Burlingame/Millbrae	3,677,811	132,546	-	4.8%	3.6%	44,860	-35,070	\$1.60	\$1.53
North County	23,999,130	1,003,569	98,476	4.7%	4.6%	24,054	-53,581	\$1.61	\$1.59
San Mateo / Foster City	822,198	13,750	-	0.6%	1.7%	-9,085	24,669	\$2.26	\$2.25
Belmont / San Carlos	3,978,601	69,132	62,000	4.0%	3.3%	28,517	-13,750	\$2.04	\$1.88
Redwood City	3,182,211	75,773	-	1.7%	2.4%	-22,938	-27,796	\$1.70	\$1.79
Menlo Park	2,203,844	94,537	-	3.0%	4.3%	-27,413	-75,302	\$2.93	\$3.07
South County	10,186,854	239,442	62,000	2.8%	3.1%	-30,919	-92,179	\$2.19	\$2.23
San Mateo County Total	34,185,984	1,243,011	160,476	4.1%	4.1%	-6,865	-145,760	\$1.73	\$1.73

Historical Leasing vs Net Absorption



avisonyoung.com



For more information, please contact:

Randy Keller
Principal & Managing Director
650.425.6425
randy.keller@avisonyoung.com

Ava Jensen
Senior Research Analyst
408.913.6911
ava.jensen@avisonyoung.com

Metro Center
950 Tower Lane, Suite 120
Foster City, CA 94404
650.425.6413