

San Mateo County



Market Facts

8.5%**Class A Vacancy****7.1%****Class B Vacancy****\$4.72 FS****Class A
Average Asking Rate****\$4.05 FS****Class B
Average Asking Rate**

Market Overview

The San Mateo County office market was flat during the second quarter of 2017. The second quarter experienced 3,000 sf of occupancy gains during the quarter, ending the first half of the year with a vacancy rate of 7.9%. Asking rates for all classes within the county increased by 1% quarter-over-quarter, ending the first half of the year at \$4.56 psf full service.

Despite an overall decrease in available existing sublease space on the market quarter-over-quarter, the amount of existing sublease square footage on the market was over 1 million sf for the second quarter in a row. While the amount of available sublease space on the market is certainly something to keep an eye on as we move into the second half of the year, we expect the strong demand from growing tenants throughout the peninsula and Silicon Valley to absorb a large portion of this available space.

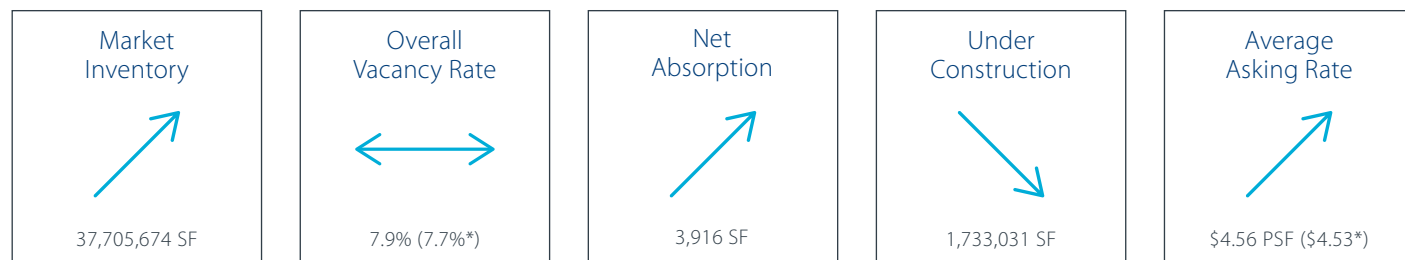
Developers continue to be extremely active on the peninsula, especially in locations near public transportation. Over 1.7 million sf of speculative office development is currently under construction in San Mateo County

with over 400,000 sf of new product already delivered during the first half of 2017. As of Q2 2017, projects within walking distance of Caltrain are 59% leased while the two office projects in suburban markets are 0% leased. However, the first phase of Menlo Gateway on the east side of 101 has a lease pending for the entire 205,000 sf. Downtown markets in San Mateo County recorded an overall vacancy rate of 2.8%, compared to 8.6% in suburban markets at the close of the first half of the year. With a continued lack of supply in the downtown markets within the county, rents in these submarkets will continue to climb throughout the year.

The San Mateo County office market witnessed a healthy amount of investment activity during the second quarter. DivcoWest purchased 101 South Ellsworth Ave in Downtown San Mateo, a fully-leased Class A office building for \$73.5 million or \$840/sf from Glenborough. Also in San Mateo, Strada Investment Group purchased Waters Technology Park for \$45.7 million or \$279/sf.

Market Snapshot

As we move into the second half of 2017 and into 2018, the market will continue to tighten as tenants are forced to move out of their current locations due to owner/users buying multi-tenant buildings.



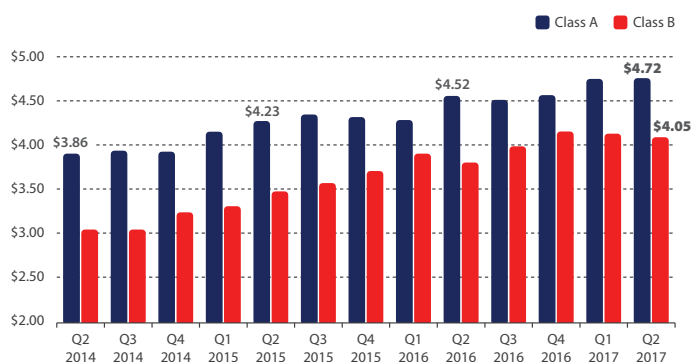
*Compared to previous quarter



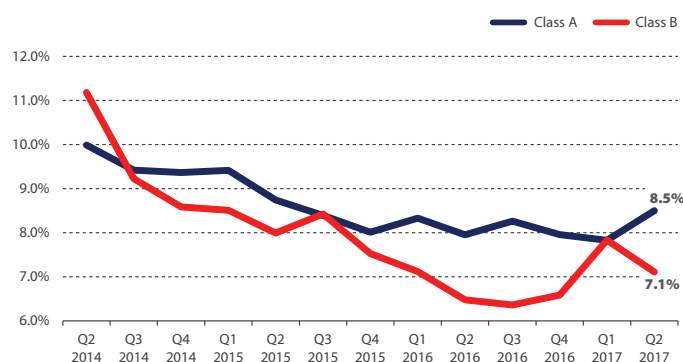
Downtown vs. Suburban Office Markets



Historical Asking Rental Rate (FSG)



Historical Vacancy

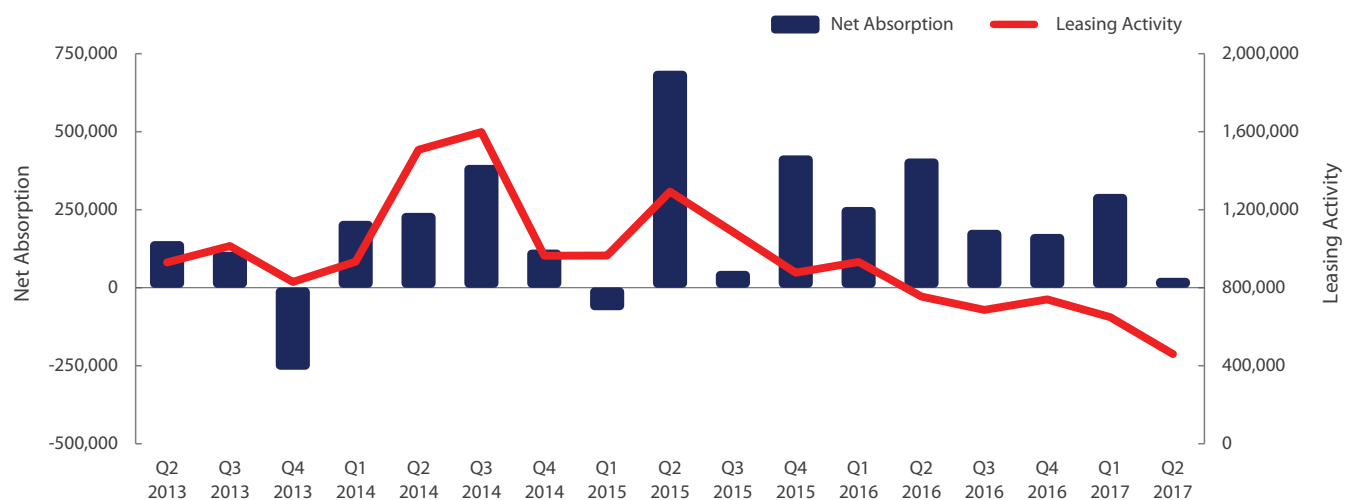


Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Vacant Space (SF)	Sublet Vacant Space (SF)	Vacancy Rate Class A	Class B	Direct Avail Space (SF)	Sublet Avail Space (SF)	Avail Rate Class A	Class B	Net Absorp. (SF)	Under Construction	Average Asking Rent Total	Class A	Class B
Daly City	1,091,715	125,536	6,392	15.8%	9.2%	127,896	6,392	15.8%	10.2%	6,854	0	\$3.63	\$3.90	\$2.82
Brisbane	763,593	185,478	20,116	24.5%	30.3%	265,942	54,855	49.3%	32.1%	1,289	0	\$3.62	\$3.63	\$3.62
South San Francisco	2,313,789	304,494	13,522	18.5%	1.9%	365,367	29,779	20.9%	8.7%	12,993	0	\$3.37	\$3.48	\$3.08
San Bruno/ Millbrae	1,779,246	23,246	0	0.5%	0.4%	25,246	27,262	0.5%	8.5%	-18,409	0	\$3.19	\$3.93	\$2.66
Burlingame	2,375,575	197,386	7,441	14.9%	8.6%	225,196	11,175	18.5%	9.5%	-23,738	730,000	\$3.16	\$3.47	\$3.21
North County	8,323,918	836,140	47,471	13.6%	8.9%	1,009,647	129,463	17.3%	12.2%	-21,011	730,000	\$3.41	\$3.59	\$3.34
San Mateo	8,035,079	738,185	80,362	12.3%	7.7%	801,657	371,002	16.1%	13.0%	268,868	494,025	\$4.66	\$5.06	\$4.07
Foster City	3,305,973	370,035	0	11.6%	7.5%	571,652	75,553	21.0%	7.7%	-95,310	0	\$5.12	\$5.14	\$4.63
Redwood Shores	5,531,176	306,459	25,701	5.6%	4.5%	495,634	97,650	10.3%	11.1%	-64,639	0	\$4.72	\$4.72	\$4.57
Central County	16,872,228	1,414,679	106,063	9.3%	7.5%	1,868,943	544,205	14.8%	12.4%	108,919	494,025	\$4.79	\$5.00	\$4.14
Belmont/San Carlos	1,452,546	41,726	129,568	18.1%	9.0%	41,726	164,976	24.2%	5.0%	-102,091	0	\$3.52	\$3.66	\$3.42
Redwood City*	4,414,369	104,564	1,139	0.3%	4.8%	209,733	194,790	4.7%	10.8%	44,769	278,361	\$4.86	\$4.64	\$5.24
Menlo Park	6,642,613	254,449	55,113	4.1%	3.7%	323,177	121,167	4.6%	6.4%	-27,390	230,645	\$7.17	\$7.17	\$5.99
South County	12,509,528	400,739	185,820	4.1%	5.3%	251,459	359,766	8.8%	8.3%	-84,712	509,006	\$5.69	\$5.88	\$4.75
San Mateo Co. Total	37,705,674	2,651,558	339,354	8.5%	7.1%	3,130,049	1,033,434	13.4%	11.0%	3,196	1,733,031	\$4.56	\$4.72	\$4.05

*Excluding Redwood Shores

Historical Net Absorption & Leasing Activity



Top Leases

Tenant	Building	Submarket	Square Feet	Type
Coupa Software	1855 S Grant St	San Mateo	69,220	Renewal/Expansion
IXL Learning	777 Mariners Island Blvd	San Mateo	66,544	Renewal/Expansion
AB Sciex	1201 Radio Rd	Redwood Shores	47,990	Renewal
Course Hero	2000 Seaport Blvd	Redwood City	40,209	New
Regus	221 El Camino Real	San Mateo	28,787	New

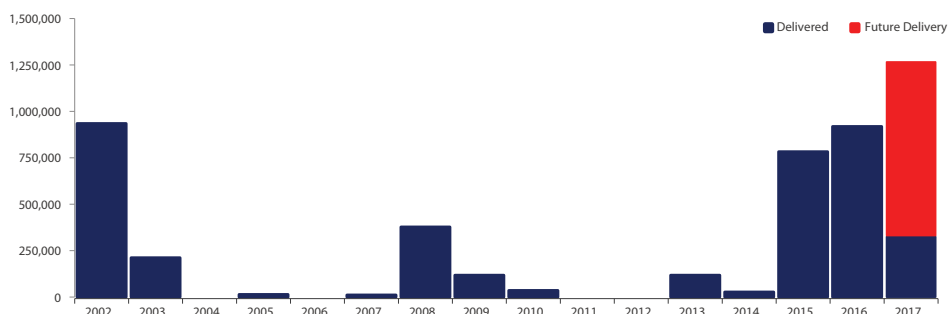
Top Sales

Building	Buyer	Submarket	Square Feet	Sale Price
DivcoWest	101 S. Ellsworth Ave	San Mateo	87,504	\$73,500,000
Rees Properties	1450 Veterans Blvd	Redwood City	53,000	\$32,248,000
Strada Investment Group	1 & 2 Waters Park Dr	San Mateo	101,358	\$29,000,000
Strada Investment Group	3 Waters Park Dr	San Mateo	62,451	\$16,700,000
Robert Wheatley Properties	855 Oak Grove Ave	Menlo Park	13,500	\$15,500,000

Under Construction

Building	Developer	Submarket	Square Feet	% Leased	Status
Kylli	Burlingame Point	Burlingame	767,000	0%	Q2/18
Bohannon	Menlo Gateway Building 3	Menlo Park	205,226	0%	Q4/17
Wilson Meany	Bay Meadows Station 3	San Mateo	173,866	70%	Q3/17
DoStart	601 Marshall St	Redwood City	133,100	75%	Q4/17
Premia Capital	550 Allerton St	Redwood City	76,647	61%	Q3/17

New Construction Delivery (Historical)



AY San Mateo Team

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