

MARKET TRENDS | **PENINSULA**

# OFFICE

**4TH QUARTER  
2020**

▼ **ABSORPTION** | ▲ **VACANCY** | ◀▶ **RENTAL RATE** | ▼ **CONSTRUCTION DELIVERIES**

Year-over-year change

**LEASING ACTIVITY** declined 65% YOY to 1.38 million s.f. by the end of 2020. Total Class A lease activity reached 530,000 s.f., with sublease activity standing at 122,000 s.f. by year-end.

at Burlingame Point (803,000 s.f.). Looking into 2021, Stockbridge's Stations 1 & 5 are anticipated to arrive in San Mateo, adding 433,000 s.f. to this submarket.

**MARKET DRIVERS**

**OFFICE AVAILABILITY** on the Peninsula rose 61% YOY, reporting a rate of 19.1% for all class sizes. In particular, sublease availability increased to 4.2% by the end of 2020; up from 2.7% a year prior. However, the Peninsula has not seen nearly the same increase in sublease space as other Bay Area markets, such as San Francisco.

**DESPITE A SLOW-DOWN OF OFFICE COMPLETIONS** due to COVID-19, close to 137,000 s.f. of prime office space was delivered in San Mateo County during 2020. The largest was Lane Partners' Broadway Station in Redwood City, adding 102,000 s.f. of Class A space to this submarket. This project was fully pre-leased to the Chan Zuckerberg Initiative.

**ECONOMIC REVIEW**

COVID-19 caused business closures and company layoffs in 2020. Remote working became the new normal in San Mateo County for several industries. By the end of 2020, California unemployment stood at 7.9%, with San Mateo County reporting 5.1%.

**DIRECT ASKING LEASE RATES** have remained fairly steady in 2020. Most tenants on the Peninsula seek shorter term leases as they search for flexible options in this market.

**THE SAN MATEO COUNTY OFFICE PIPELINE** remains strong, with just over four million s.f. of office space currently under construction. The largest projects include Facebook's redevelopment at Menlo Park (962,000 s.f.) and Facebook's occupation

**NEAR-TERM OUTLOOK**

Landlords have not significantly reduced asking rates, as they anticipate an increase in tenant demand once the COVID-19 vaccine has become widely distributed.

## Market Breakdown

	2020	2019	2018	Annual % Change
Direct Vacancy Rate	10.2%	8.0%	7.9%	<b>27.50%</b>
Availability Rate	19.1%	11.8%	12.2%	<b>61.86%</b>
Asking Lease Rate	\$6.08	\$6.13	\$5.05	<b>0.69%</b>
Leased SF	1,377,630	3,958,576	4,366,905	<b>-65.20%</b>
Sold SF	814,420	3,312,178	2,872,233	<b>-75.41%</b>
Net Absorption	(1,028,944)	437,628	294,939	<b>N/A</b>

## PENINSULA SUBMARKET STATISTICS

Submarket	Total Inventory	SF Under Construction	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q Total Net Absorption	2020 Total Net Absorption	4Q Leasing Activity	2020 Total Leasing Activity	Avg Direct Rental Rate
Daly City	833,833	0	8.6%	8.8%	9.7%	0	26,188	894	35,987	\$3.78
Brisbane	568,069	0	8.4%	14.4%	20.5%	2,084	19,169	0	28,590	\$3.91
South San Francisco	1,738,591	0	17.5%	18.3%	20.6%	17,248	(86,720)	28,104	77,903	\$3.67
San Bruno/Millbrae	1,583,740	151,000	12.5%	12.6%	12.8%	(3,717)	(15,673)	0	10,757	\$5.25
Burlingame	2,846,172	828,583	11.8%	13.9%	18.6%	(5,133)	(119,591)	47,370	153,815	\$4.78
<b>North County Totals</b>	<b>7,812,197</b>	<b>979,583</b>	<b>12.3%</b>	<b>13.7%</b>	<b>16.1%</b>	<b>10,482</b>	<b>(176,627)</b>	<b>76,368</b>	<b>307,052</b>	<b>\$4.31</b>
San Mateo	8,132,018	637,122	10.9%	14.2%	25.4%	(103,527)	(350,744)	42,005	356,337	\$5.14
Foster City	2,232,277	0	16.0%	17.1%	20.8%	(6,430)	52,675	9,927	52,213	\$5.31
Redwood Shores	3,522,632	220,000	17.2%	19.0%	24.3%	1,532	(131,775)	0	184,408	\$5.51
<b>Central County Totals</b>	<b>13,848,749</b>	<b>857,122</b>	<b>13.4%</b>	<b>16.0%</b>	<b>24.5%</b>	<b>(108,425)</b>	<b>(429,844)</b>	<b>51,932</b>	<b>592,958</b>	<b>\$5.28</b>
Belmont/San Carlos	1,671,392	0	4.8%	14.6%	32.4%	(95,044)	-69,065	840	258,555	\$4.56
Redwood City	5,282,501	280,746	4.8%	7.7%	12.2%	(158,032)	-61,248	4,872	96,723	\$6.43
Menlo Park	6,513,705	2,026,958	6.4%	9.0%	12.3%	(65,741)	(292,160)	37,727	122,342	\$10.00
<b>South County Totals</b>	<b>13,467,598</b>	<b>2,307,704</b>	<b>5.5%</b>	<b>9.2%</b>	<b>14.8%</b>	<b>(318,817)</b>	<b>(422,473)</b>	<b>43,439</b>	<b>477,620</b>	<b>\$7.93</b>
<b>Total</b>	<b>35,128,544</b>	<b>4,144,409</b>	<b>10.2%</b>	<b>12.9%</b>	<b>19.1%</b>	<b>(416,760)</b>	<b>(1,028,944)</b>	<b>171,739</b>	<b>1,377,630</b>	<b>\$6.08</b>
Class A	14,655,344	4,144,409	10.6%	13.4%	23.5%	(210,890)	(129,661)	74,805	530,185	\$6.12
Class B	14,989,105	0	11.7%	14.9%	19.4%	(160,265)	(761,759)	68,754	771,818	\$5.10
Class C	5,213,768	0	4.7%	5.9%	6.1%	(45,605)	(137,524)	28,180	75,627	\$4.15

## TOP SALE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
2700-2770 & 3000 Sand Hill Rd	Menlo Park	305,203	\$610,000,000	\$1,998.67	Divco West Real Estate Services, Inc.	Ford Land Co
68 Willow Rd	Menlo Park	23,400	\$31,000,000	\$1,324.79	Premia Capital	Willow Place Investments, LLC

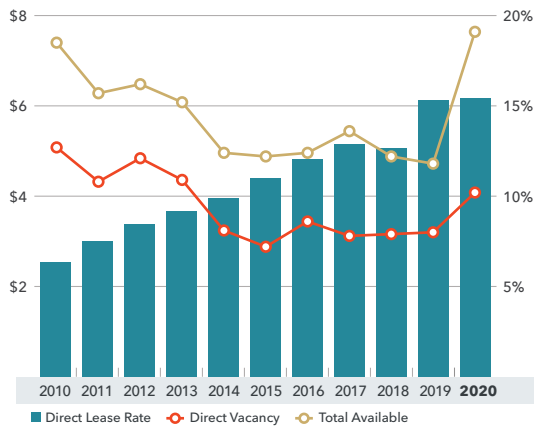
## TOP LEASE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Date	Landlord	Tenant
1180-1190 Main St	Redwood City	118,136	Q1 2020	Premia Capital	Chan Zuckerberg Initiative
20 Davis Dr	Belmont/San Carlos	84,148	Q3 2020	The Raiser Organization	RingCentral (Renewal)
500 Arguello St	Redwood City	49,973	Q1 2020	Hunter Properties	Fish & Richardson P.C.

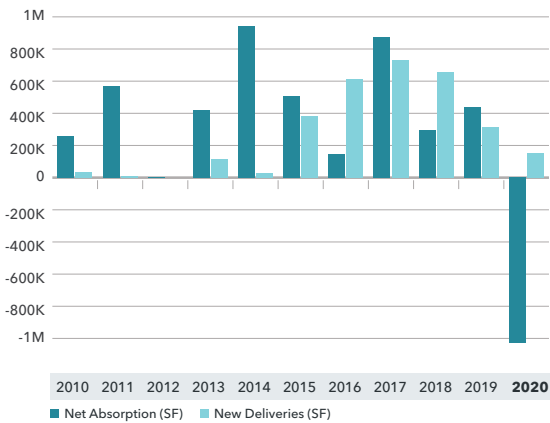
## TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
Facebook Redevelopment	301-309 Constitution Dr	Menlo Park	962,400	Facebook, Inc.	Q2 2022
Burlingame Point	300 Airport Blvd	Burlingame	803,853	Kylli, Inc.	Q1 2021
Menlo Gateway-Phase II	125 & 135 Constitution Dr	Menlo Park	494,672	Alexandria Real Estate Equities, Inc.	Q1 2021

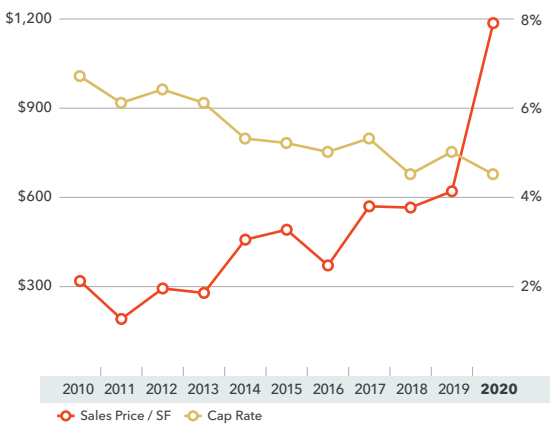
### LEASE RATE, VACANCY & AVAILABILITY



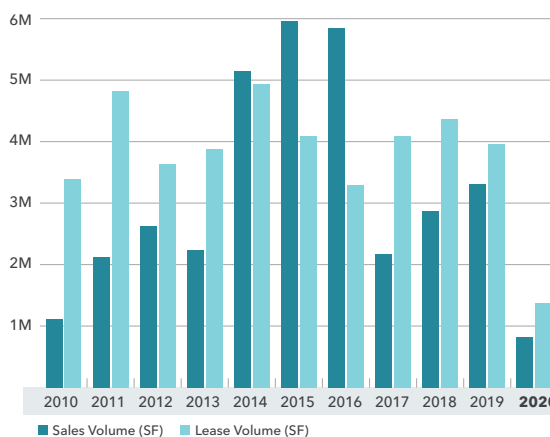
### NET ABSORPTION & NEW DELIVERIES



### AVERAGE SALE PRICE & CAP RATES



### SALES VOLUME VS. LEASE VOLUME



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### COMMERCIAL BROKERAGE

**23M**  
ANNUAL SALES SF

**42M**  
ANNUAL LEASING SF

**470+**  
NO. OF BROKERS

**\$8B**  
ANNUAL TRANSACTION VOLUME

### VALUATION ADVISORY

**1,800+**  
APPRAISALS ANNUALLY

**39/20**  
TOTAL NO. APPRAISERS/MAI'S

### PROPERTY MANAGEMENT

**70M+**  
MANAGEMENT PORTFOLIO SF

**\$12B+**  
IN ASSETS UNDER MANAGEMENT

The information in this report was composed by the Kidder Mathews Research Group.

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