

JUNE 2020

COVID-19'S IMPACT ON THE BAY AREA

As outlined below, within the last 30 days, Bay Area commercial real estate projects are starting up again and acquisition activity remains active in the region. Economic relief for the nation has been a priority for the Federal Reserve since COVID-19 began, with the Fed creating numerous relief programs, including monetary stimulus. Additionally, Kidder Mathews has announced the reopening of several offices, a prosperous sign that business is returning with safety guidelines in place.

TECHNOLOGY NEWS

FACEBOOK acquires Giphy, a platform of sharing animated images, for \$400 million. The social media giant plans to integrate Giphy into Instagram and their other apps.

AMAZON makes its first entry into Sonoma County with a 250,000 s.f. warehouse lease. The e-commerce company is expected to use this space for their delivery services. Amazon also has plans to open two delivery stations in San Jose and a fulfillment center in Fremont.

DEVELOPMENT NEWS

DEVELOPER IQHQ acquires a two-acre site in South San Francisco for a planned 213,000 s.f. life science project. The San Diego-based REIT will work to rezone the site to accommodate R&D usage.

SAN FRANCISCO PLANNING COMMISSION approves the Hub District Plan in San Francisco. The Plan involves the rezoning of 84 acres around Market Street and Van Ness Avenue that can lead to 1,640 housing units in the area.

FEDERAL REALTY INVESTMENT TRUST restarts construction on One Santana West, a 375,000 s.f. office property in Santana Row in San Jose. This office building is part of a planned one million s.f. mixed-use development called Santana West and is expected to deliver in July 2021.

TRANSACTION NEWS

CBRE GLOBAL INVESTORS is under contract to purchase 237@First, a 369,000 s.f., two-building office complex in San Jose. The anticipated price is under \$200 million, or close to \$535/s.f. The complex is currently home to Rambus Inc., Bloom Energy, and Spaces.

DERMODY PROPERTIES acquires Goodrick Logistics Center, a two-building distribution facility in Richmond for \$33.6 million, or \$195/s.f. The properties are located in a prime area in Northern California, offering access to the East Bay and North Bay.





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LENDING & ECONOMIC NEWS

NEARLY 97% of San Francisco residential tenants paid rent in May, despite high unemployment figures and layoffs. This percentage can be attributed to the \$1,200 stimulus checks many tenants received, along with California unemployment checks.

SINCE MARCH, the Federal Reserve has been actively maintaining the economy through a variety of actions, such as releasing monetary stimulus and introducing relief programs. As of early May, the economy is beginning to start up again in many parts of the country, with small businesses and retailers reopening their stores with precautionary measures.

SEATTLE NEWS

IN THE FIRST QUARTER ALONE, e-commerce giant Amazon leased more than 1.67 million s.f. of industrial space in the Puget Sound region in Washington. Demand for warehouse and logistics facilities remains strong and is likely to carry the industrial market through this crisis.

LOS ANGELES-BASED KILROY REALTY is pushing forward with their Seattle redevelopment project in the Denny Triangle neighborhood. Kilroy had purchased the five-parcel site in late 2019 and recently submitted plans to redevelop the property into a massive 900,000 s.f. mixed-used project.

KIDDER MATHEWS RESEARCH NEWS

DOWNWARD PRESSURE is expected on market conditions due to COVID-19's impact on the economy. Several key benchmarks, such as capitalization rates and lease rates, are being evaluated by Kidder Mathews to assess changes to the office, industrial, multifamily, and retail real estate markets.

WEST COAST OFFICE MARKETS stayed afloat in the first quarter amidst the COVID-19 crisis affecting the nation. Kidder Mathews reported a rise in subleases in San Francisco; however, an active development pipeline remains in this region.

INDUSTRIAL MARKETS along the West Coast remained steady in the first quarter. According to Kidder Mathews, the Bay Area continues to experience demand for properties, especially with the boom of e-commerce due to the COVID-19 pandemic.

KIDDER MATHEWS remains optimistic on future demand across property types. Building flexibility in business models and supporting tenant re-entry into properties are actions property owners can take as the economy begins to reopen.

BAY AREA KIDDER MATHEWS BROKERS were featured in the San Francisco Business Times' Deal of the Year Awards honoring creative commercial real estate deals in 2019; notably, a 421,000 s.f. lease by Stripe and a 240,000 s.f. lease by Amgen.

Sources: San Francisco Business Times, SF Registry, The San Francisco Chronicle, Puget Sound Registry, Kidder Mathews

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