



North Peninsula Industrial Market

Leasing Activity Ramps Up in the R&D Market while Industrial Falters

Total vacancy continued to increase from cyclical lows in the North Peninsula Industrial market in the first quarter, ending at 6.9%, up from 6.25% in the previous quarter. The sublease vacancy rate for the industrial market increased to 1.1%, up from 0.9% in the previous quarter. Net absorption for the quarter was recorded at negative 399,798 square feet, making this the 10th consecutive quarter of negative net absorption. Due to the flurry of space saturating the market and ongoing decline in net absorption, the market-wide average asking rate dropped to \$1.60/SF NNN this quarter, down from \$1.64/SF in the previous quarter but down only slightly from \$1.61/SF one year ago. No new industrial developments are underway for the North Peninsula as landlords continue to entertain the emerging trend of converting more traditional industrial and warehouse space to support lab and research.

The North Peninsula R&D market continues to thrive, fueled by the ongoing demand for life science space throughout the Bay Area. While the pandemic has forced a slowdown in the office and industrial sectors, the R&D market continues to exhibit an increase in activity. County-wide vacancy for the quarter was recorded at 6.9%, down from 7.4% in the previous quarter but up

Current Conditions

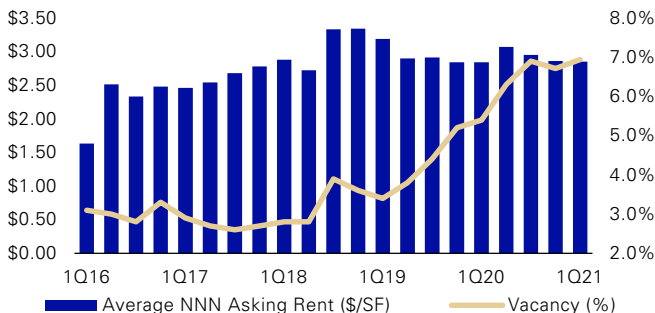
- Industrial average asking rates decreased or remained stagnant in ten out of the 12 major submarkets.
- R&D average asking rates increased or remained stagnant in five out of the 10 major submarkets.
- Two industrial transactions greater than 20,000 square feet executed this quarter compared with five in the previous. Fifteen R&D transactions greater than 20,000 square feet executed this quarter compared with eleven in the previous quarter.

Market Summary

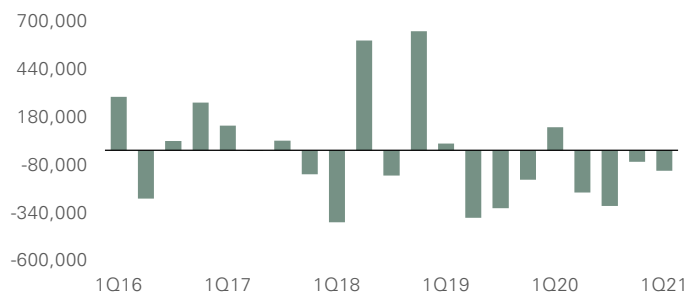
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	62.8M	62.7M SF	61.7M SF	↑
Vacancy Rate	6.9%	6.7%	5.4%	↓
Qtr Net Abs (SF)	-111K	-63K SF	124K SF	↑
Avg NNN Ask Rent/SF	\$2.85/SF	\$2.86/SF	\$2.84/SF	↑
Under Const (SF)	2.4M	2.8M SF	3.4M SF	↑
Deliveries (SF)	1.14M SF	0 SF	0 SF	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH 1Q 2021

from 6.5% one year ago. The county-wide average R&D rate was recorded at \$5.13/SF NNN, which is up from \$4.50/SF in the previous quarter. Currently, the R&D construction pipeline holds approximately 2.4 million square feet awaiting completion, with 1.1 million square feet delivered this quarter. Phase 3 Real Estate's Genesis Marina project located at 3000-3500 Marina Boulevard in Brisbane is currently underway, with an anticipated delivery date in the first quarter of 2023. The project will feature three buildings totaling 570,000 square feet of premium office and lab space. Healthpeak's 149,008-square-foot office and life science campus also broke ground this quarter at 233 East Grand Avenue in South San Francisco and is expected to deliver in second-quarter 2023. On the delivery front, the Alexandria District for Science & Technology project in San Carlos was completed this quarter, delivering 560,000 square feet of Class A office and lab space. In South San Francisco, Alexandria's Class A life science and office project was completed this quarter at 201 Haskins Way, delivering 311,368 square feet of pre-leased space. In Brisbane, Building B and C in Healthpeak's Britannia Sierra Point project were completed this quarter, delivering 270,404

square feet, 86.7% of which is pre-leased. With office demand currently down, landlords continue to entertain the emerging trend of redeveloping office space to traditional lab on spec to meet rising biotech-related tenant requirements, indicating a foreseeable structural change to the North Peninsula tenant mix. The pandemic highlighted the importance of biotech and lab space in the Bay Area in 2020 and will only further real estate demand for R&D space in the coming years.

Notable Lease and Sale Activity

The industrial market recorded 275,163 square feet of gross absorption this quarter, and the R&D market recorded 1,150,608 square feet of gross absorption this quarter. DNA testing company Natera completed the largest transaction of the quarter, renewing its 136,000-square foot lease at 201 Industrial Road in San Carlos through October 2027. The sale highlight of the quarter was made by IQHQ, which acquired 800-894 Duquesne Avenue in South San Francisco from PSAI Realty Partners for a confidential amount.

Select Lease Transactions

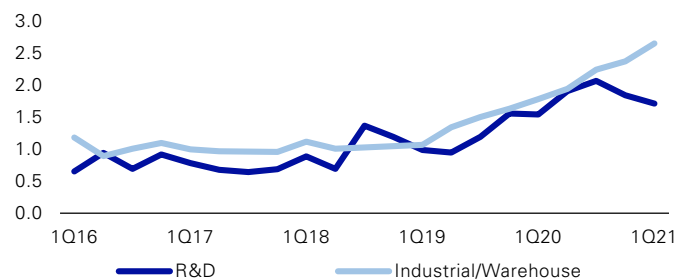
Tenant	Building(s)	Submarket	Type	Square Feet
Natera	201 Industrial Rd	San Carlos	Lease Renewal	136,000
Calico Life Sciences	1130 Veterans Blvd	South San Francisco	Direct Lease	94,927
Confidential Tenant	450 E. Jamie Court	South San Francisco	Direct Lease	84,321
Confidential Tenant	Alexandria District	San Carlos	Direct Lease	77,734
23andMe	349 Oyster Point Blvd	South San Francisco	Lease Renewal	65,340

Select Investment Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
800-894 Duquesne Ave	South San Francisco	Confidential	Confidential	113,500
344-352 Shaw Rd	South San Francisco	\$39,000,000	\$307	127,000
890 Second Ave	Redwood City	\$9,580,000	\$428	22,400
871 Charter St	Redwood City	\$4,593,750	\$382	12,040
820 Sweeney Ave	Redwood City	\$3,500,000	\$402	8,697

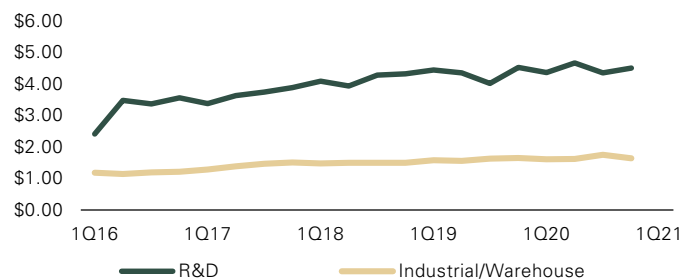
Vacancy Breakdown

SQUARE FEET, MILLIONS



Average Asking Rents

WEIGHTED, NNN, MONTHLY



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Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Total Availability Rate	Qtr Gross Absorption (SF)	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total NNN Asking Rent (Price/SF)
North Peninsula R&D	24,869,762	2,396,764	6.87%	7.71%	1,150,608	288,705	288,705	\$5.13
Belmont	289,294	0	2.07%	2.07%	0	0	0	\$2.75
Brisbane	1,071,587	570,000	3.35%	3.35%	38,699	38,699	38,699	\$3.95
Burlingame	506,388	0	5.05%	5.05%	38,281	9,648	9,648	\$2.50
Foster City	2,544,283	0	4.72%	4.72%	0	-10,196	-10,196	\$3.50
Menlo Park	3,544,939	0	4.54%	4.54%	2,538	-53,349	-53,349	\$3.39
Redwood City	2,362,331	0	6.04%	13.02%	0	-44,065	-44,065	\$4.72
Redwood Shores	1,004,354	0	32.99%	35.50%	37,500	-104,522	-104,522	\$5.76
San Carlos	1,587,167	0	3.71%	3.71%	373,624	246,142	246,142	\$4.10
San Mateo	113,285	0	75.76%	75.76%	27,459	27,459	27,459	\$6.05
South San Francisco	11,846,134	1,826,764	6.26%	6.42%	632,507	178,889	178,889	\$5.77
North Peninsula IND/WHS	37,923,948	0	6.98%	7.01%	275,163	-399,798	-399,798	\$1.60
Belmont	1,486,968	0	2.98%	2.96%	5,535	1,180	1,180	\$1.45
Brisbane	4,299,138	0	3.96%	3.96%	0	-8,400	-8,400	\$1.40
Burlingame	4,542,344	0	11.41%	11.41%	2,520	-118,529	-118,529	\$1.58
Daly City	1,099,777	0	1.22%	1.22%	0	0	0	\$1.33
Foster City	453,866	0	6.07%	6.07%	0	-23,232	-23,232	\$1.35
Menlo Park	1,877,534	0	0.80%	0.80%	0	0	0	\$2.18
Millbrae	171,372	0	0.00%	0.00%	0	0	0	\$0.00
Redwood City	3,817,470	0	6.70%	6.70%	21,344	-77,483	-77,483	\$2.20
San Bruno	567,456	0	3.87%	3.87%	0	-6,825	-6,825	\$1.79
San Carlos	3,382,128	0	2.65%	2.94%	30,307	30,307	30,307	\$2.16
San Mateo	1,150,680	0	5.65%	5.65%	5,000	-9,990	-9,990	\$2.20
South San Francisco	15,075,215	0	9.46%	9.48%	210,457	-186,826	-186,826	\$1.45
NORTH PENINSULA TOTAL	62,793,710	2,396,764	6.94%	7.29%	1,425,771	-111,093	-111,093	\$2.85

For more information:

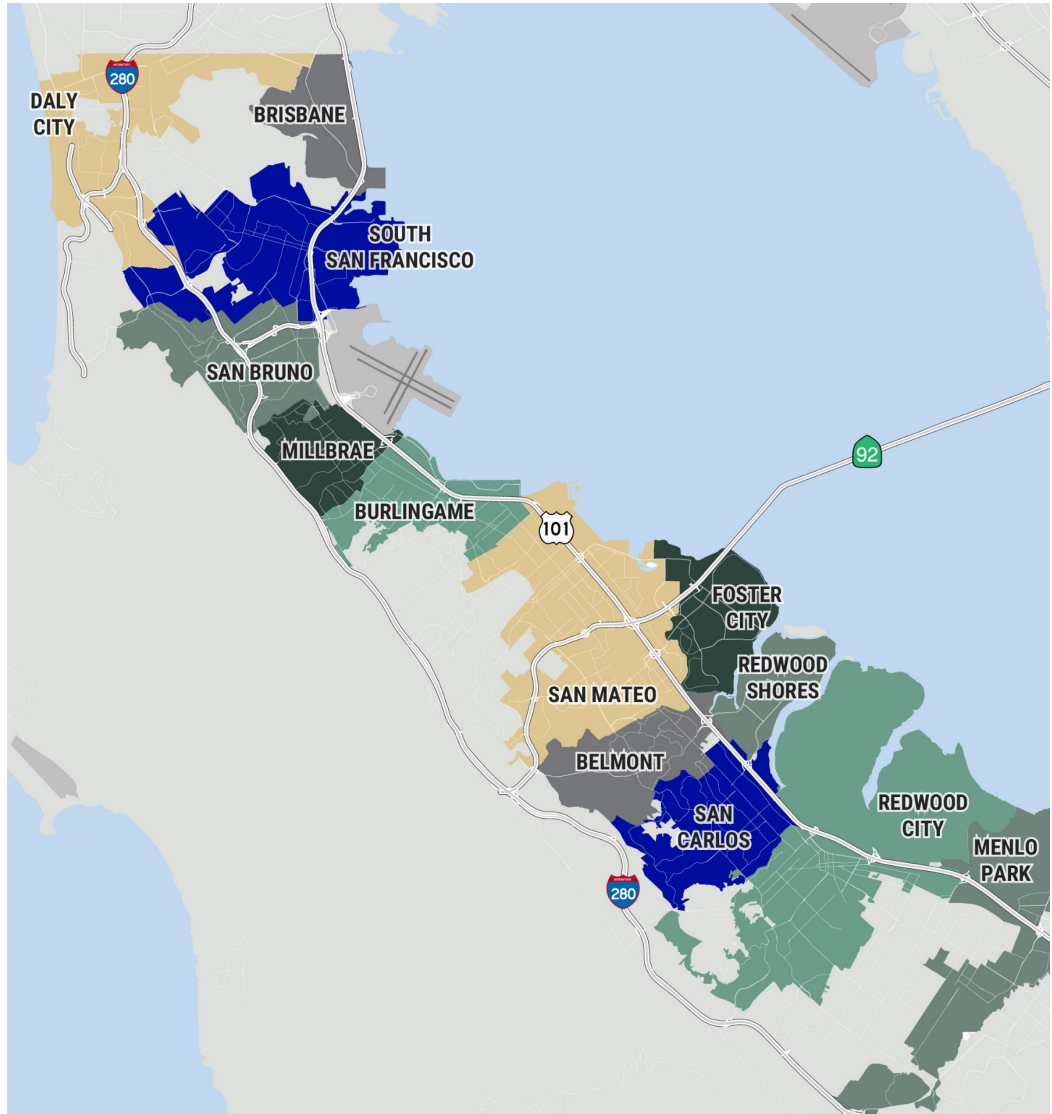
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