



North Peninsula Industrial Market

Market-Wide Average Rents Continue to Rise to Start the New Year

R&D Market

The market-wide R&D average rate closed yet again at a record high of \$5.63/SF triple net, which is up from \$5.25/SF in the previous quarter and up from \$5.13/SF one year ago. After recording positive absorption in the prior five quarters, the North Peninsula R&D market took a step backwards, closing at negative 386,135 square feet. The swing in absorption is no cause for alarm and is relative to the 229,639-square-foot life science facility at 150 Industrial Rd. in San Carlos and 110,000-square-foot Theravance sublease at 901 Gateway Blvd. in South San Francisco becoming available this quarter. Large blocks of space coming online caused the market-wide vacancy to increase to 4.9%, up from 3.8% in the previous quarter, with availability also increasing to 6.8%, up from 4.9% in the previous quarter.

The North Peninsula R&D construction pipeline currently possesses 2.5 million square feet awaiting completion, with 32.7% already pre-leased or currently in negotiations to be leased and over 18.6 million square feet of potential projects planned for future development, however, not all future developments will ultimately be allocated towards life science.

Current Conditions

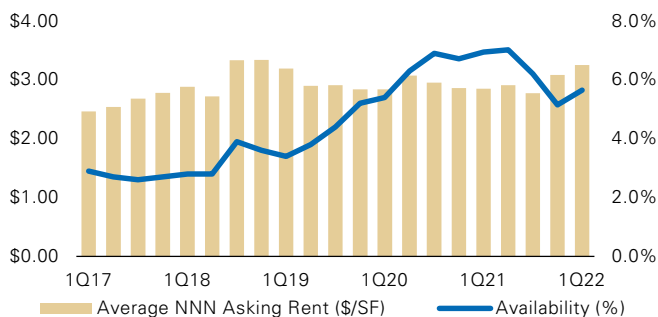
- R&D market recorded negative absorption for the first time in five quarters, closing at negative 386,135 square feet.
- Industrial market recorded 200,062 square feet of absorption.
- Three R&D transactions greater than 20,000 square feet executed this quarter compared with eighteen in the previous quarter. Thirteen industrial transactions greater than 20,000 square feet executed this quarter equal to last's quarter thirteen recorded transactions.

Market Summary

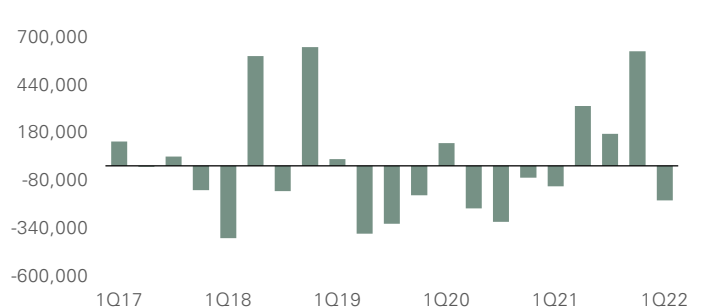
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	63.7M	63.1M	62.8M	↑
Availability Rate	5.6%	5.2%	6.9%	↓
Qtr Net Abs (SF)	(186k)	622k	(111K)	↑
Avg NNN Ask Rent/SF	\$3.25	\$3.08	\$2.85	↑
Under Const (SF)	2.5M	2.4M	2.4M	↑
Deliveries (SF)	0	0	1.14M	↑

Market Analysis

ASKING RENT AND AVAILABILITY RATE



NET ABSORPTION



Industrial Market

The market-wide industrial average rate closed at \$1.66/SF triple net, which is up from \$1.59/SF in the previous quarter and up from \$1.60/SF one year ago. For the second consecutive quarter, more space was leased than made available across the industrial sector, resulting in 200,062 square feet of net absorption. Market-wide vacancy for the North Peninsula industrial market decreased to 3.7% this quarter, down from 4.7% in the previous quarter, while availability also decreased to 4.8%, down from 5.3% in the previous quarter.

Over the last three years, the repositioning of industrial assets for laboratory uses has resulted in a net inventory reduction of approximately 1.0 million square feet throughout the peninsula. Alexandria Real Estate’s purchase of 230 Adrian Rd. in Millbrae was the most significant acquisition this quarter for life science

repurposing. Alexandria acquired the 19,657-square-foot industrial building, in addition to 0.63 acres of land, for \$12.0 million, as a part of an assemblage for its future 578,000-square-foot Class A life science campus. The industrial market continues to benefit from significant investor demand, stabilizing rates, and positive leasing fundamentals that have rebounded from pandemic lows.

Notable Lease and Sale Activity

KZ Kitchen Cabinet & Stone completed the largest deal of the quarter, leasing 195,951 square feet at 245 S. Spruce Ave. in South San Francisco. The largest sale recorded this quarter was made by a joint venture between BentallGreenOak and Graymark Capital, which acquired the 230,000-square-foot life sciences building located at 120-150 Industrial Rd. in San Carlos from Nuveen Real Estate for \$190.0 million.

Select Lease Transactions

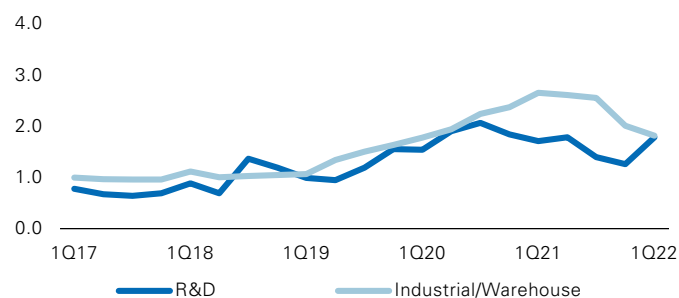
Tenant	Building(s)	Submarket	Type	Square Feet
KZ Kitchen Cabinet & Stone	245 S. Spruce Ave	South San Francisco	Direct Lease	195,951
Confidential Tenant	435 Valley Dr	Brisbane	Direct Lease	106,234
Cruise Automation	175 Sylvester Rd	Brisbane	Lease Renewal	74,562
SSF Imported Auto Parts	437 Rozzi Place	South San Francisco	Direct Lease	60,573
Heirloom	125 Valley Dr	Brisbane	Sublease	55,000

Select Investment Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
120-150 Industrial Rd	San Carlos	\$190,000,000	\$827	229,640
5000 Shoreline Court	South San Francisco	\$164,500,000	\$1,109	148,383
230 Adrian Rd	Millbrae	\$12,000,000	\$610	19,657
111 S. Maple Ave	South San Francisco	\$8,398,000	\$307	27,630
1342 San Mateo Ave	South San Francisco	\$7,300,000	\$270	27,008

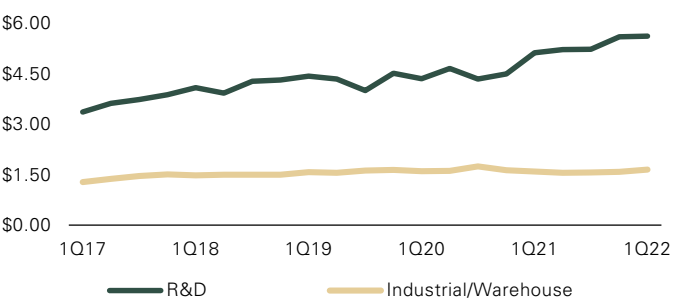
Availability Breakdown

SQUARE FEET, MILLIONS



Average Asking Rents

WEIGHTED, NNN, MONTHLY



RESEARCH Q1 2022

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	26,264,518	2,505,765	4.95%	6.80%	297,258	(386,135)	(386,135)	\$5.63
Belmont	317,524	0	9.63%	10.53%	1,887	(30,588)	(30,588)	\$4.82
Brisbane	1,071,587	570,000	6.69%	6.69%	0	0	0	\$6.05
Burlingame	572,494	0	6.51%	9.99%	18,798	13,338	13,338	\$2.50
Daly City	383,123	0	1.31%	52.46%	48,497	43,497	43,497	\$6.35
Foster City	383,123	0	0.40%	0.40%	4,472	4,472	4,472	\$3.50
Menlo Park	3,506,803	0	1.68%	3.06%	59,998	20,490	20,490	\$4.15
Redwood City	2,504,284	0	4.01%	4.98%	29,121	(20,593)	(20,593)	\$4.67
Redwood Shores	1,007,648	0	11.66%	12.34%	13,886	1,677	1,677	\$7.30
San Carlos	1,699,197	173,757	16.57%	16.57%	17,099	(218,910)	(218,910)	\$3.65
San Mateo	113,285	0	0.00%	0.00%	33,008	0	0	\$6.75
South San Francisco	12,534,290	1,762,008	4.68%	6.17%	103,500	(199,518)	(199,518)	\$6.50
North Peninsula IND	37,485,458	0	3.68%	4.85%	1,045,898	200,062	200,062	\$1.66
Belmont	1,449,650	0	0.50%	0.50%	0	(2,500)	(2,500)	\$2.45
Brisbane	4,314,386	0	8.79%	10.02%	204,032	(35,808)	(35,808)	\$1.56
Burlingame	4,573,070	0	2.34%	5.42%	3,000	(14,831)	(14,831)	\$1.64
Daly City	1,099,777	0	0.00%	0.00%	0	0	0	-
Foster City	453,866	0	6.34%	6.34%	0	(15,245)	(15,245)	\$1.91
Menlo Park	1,982,184	0	1.54%	1.54%	23,311	0	0	\$2.25
Millbrae	199,457	0	0.00%	0.00%	0	0	0	-
Redwood City	3,711,897	0	5.06%	5.27%	100,667	59,758	59,758	\$2.10
San Bruno	583,012	0	1.81%	1.81%	18,929	6,825	6,825	\$1.63
San Carlos	3,227,798	0	0.00%	0.21%	36,282	33,882	33,882	\$2.10
San Mateo	1,135,680	0	3.16%	3.63%	3,883	(282)	(282)	\$1.88
South San Francisco	14,754,681	0	4.01%	5.53%	655,794	168,263	168,263	\$1.56
NORTH PENINSULA TOTAL	63,749,976	2,505,765	4.20%	5.65%	1,343,156	(186,073)	(186,073)	\$3.25

For more information:

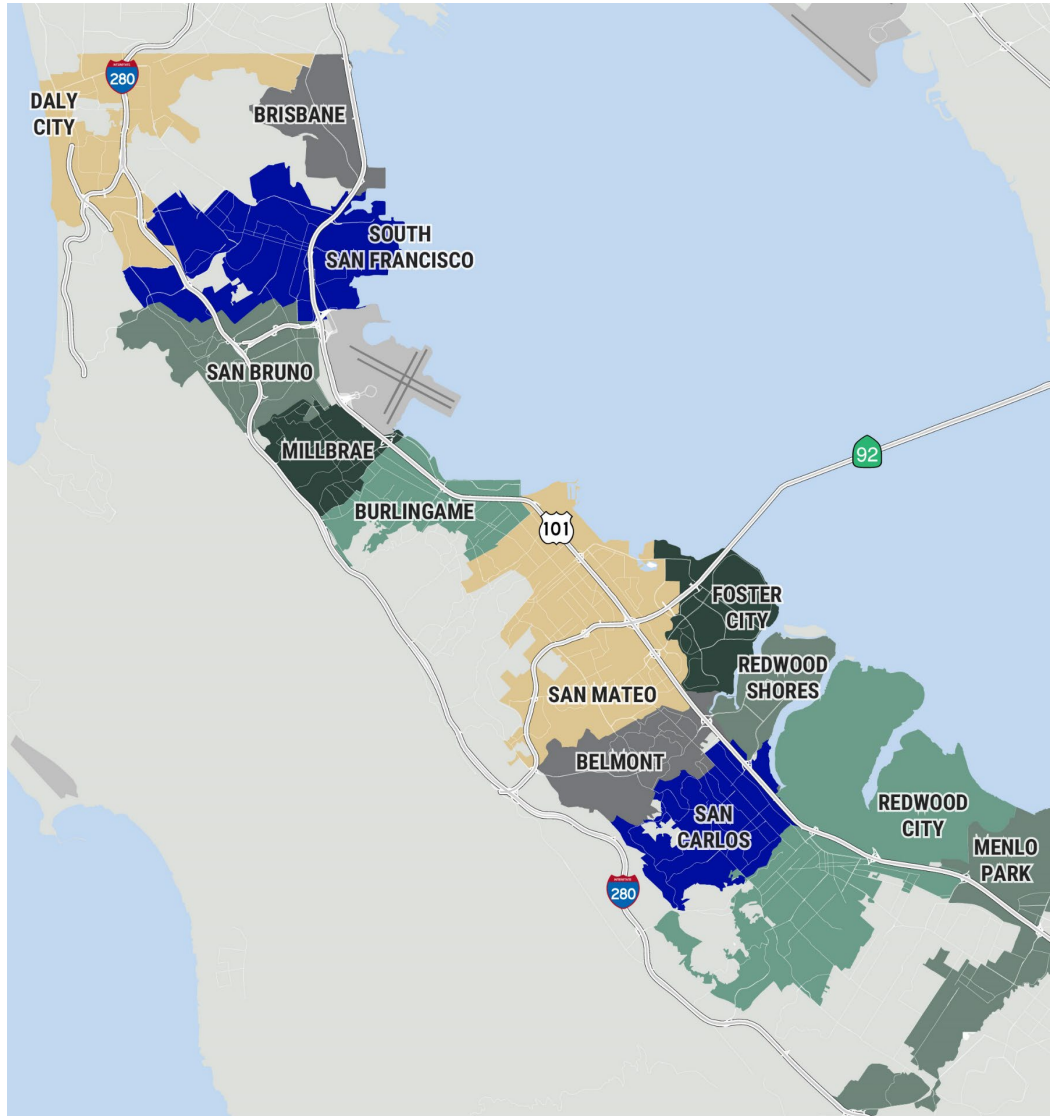
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nrmk.com/research.

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