



RESEARCH 2Q 2021

South Peninsula R&D Market

Tremendous Improvements in the R&D Sector; Continued Momentum Through 2021

In the second quarter of 2021, the South Peninsula boasts nearly 1.0 million square feet of gross absorption and positive net absorption for only the second time in the last 12 quarters. The rebound from an abysmal start to the year shows the South Peninsula R&D market is beginning to build momentum to rival the robust activity seen on the North Peninsula throughout the pandemic. Demand remains strong with a healthy diversity of tech, life science and automotive tenants seeking approximately 2.0 million square feet of R&D space in the South Peninsula.

Overall vacancy rates also decreased, from an overall of 12.4% in the first quarter down to 11.5% in the second quarter. The most significant change occurred in the Seaport submarket of Redwood City. The 6.0-percentage-point decrease is largely due to one significant transaction: the approximately 80,000-square-foot sublease completed by Adverum Biotherapeutics. The availability rate remains stable at 13.4%, with no change from the previous quarter.

This quarter saw 38 transactions, 23 of which are over 10,000 square feet. The transaction volume is more than double that of the previous quarter. For the second consecutive quarter, Google tops the chart for the largest transaction with its renewal at the Quad in

Current Conditions

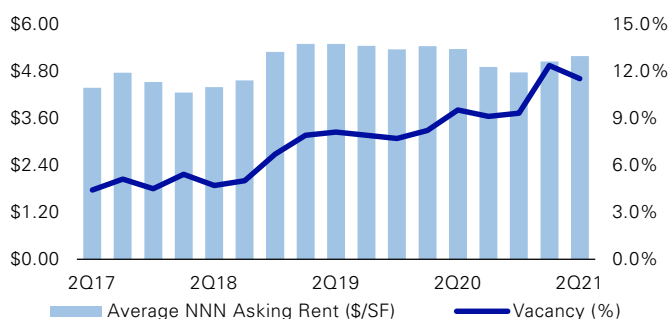
- Google anchors the quarter with massive Mountain View renewal.
- Life Science sector demand shows real promise for remainder of the year.
- Absorption numbers and transaction volume rebound nicely at the halfway mark.

Market Summary

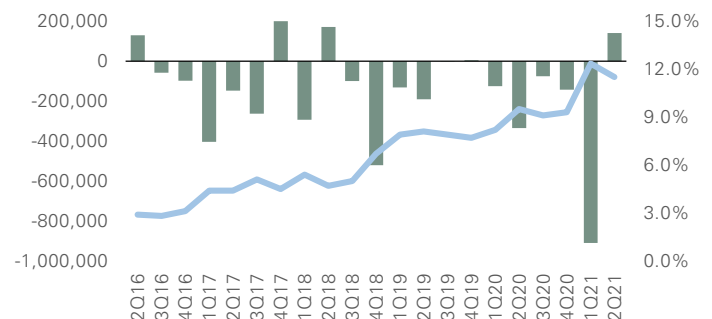
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	26.9M	26.9M	26.6M	→
Vacancy Rate	11.5%	12.4%	9.5%	↓
Qtr Net Abs (SF)	141K	-910K	-336K	↑
Avg NNN Ask Rent/SF	\$5.18/SF	\$5.04/SF	\$5.36/SF	↑
Under Const (SF)	0 SF	0 SF	0 SF	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



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Mountain View's South Middlefield submarket. The transaction was close to totaling 450,000 square feet. In addition to Adverum Biotechnologies's sublease mentioned above, it also renewed in two buildings in the same area for a total of 161,000 square feet. In Palo Alto's Stanford Research Park, Next Insurance signed a 54,000-square-foot direct lease at 975 South California Avenue.

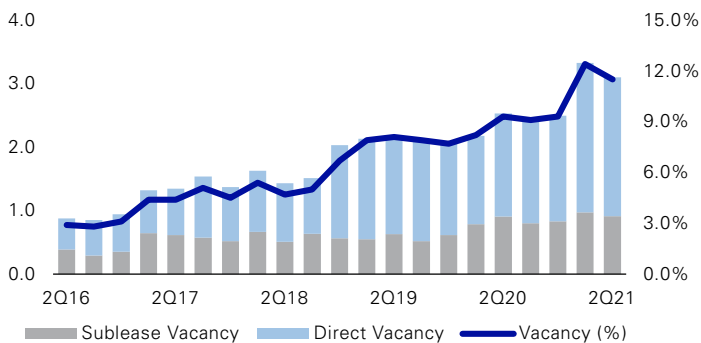
South Peninsula asking rates increased slightly but in line with the recent trend, for an overall average of \$5.18/SF, up from approximately \$5.00/SF in the previous quarter. As historically high average asking rents continue to remain stable or increase

slightly quarter over quarter, tenants are finding other ways to justify signing leases; namely, increased concessions in the forms of rent abatement and higher tenant improvement allowances.

The Bay Area continues to boast the lion's share of venture funding and IPOs, on pace for another record year in 2021. As a result, hiring in the innovation and biotechnology sector will remain strong and even increase in the near term. Expect a resilient South Peninsula R&D market and improvement gains in lease activity and demand for the remainder of 2021 and beyond.

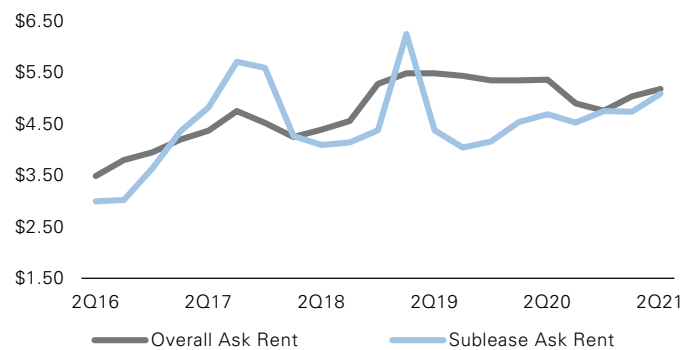
Vacancy Breakdown

SQUARE FEET, MILLIONS



Average Asking Rents

WEIGHTED, NNN, MONTHLY



Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Google	464-468 Ellis St., 369-399 Whisman Rd.	Mountain View – S. Middlefield	Lease Renewal	447,553
Adverum Biotechnologies	100 Cardinal Way, 800 & 900 Saginaw Drive	Redwood City – Seaport	Lease Renewal	161,087
Next Insurance	975 S California Avenue	Palo Alto – Stanford Research Park	Direct Lease	54,229
AliveCor	189 Bernardo Avenue	Mountain View – S. Middlefield	Direct Lease	31,636
Seer, Inc.	3800 Bridge Parkway	Redwood Shores	Lease Expansion	25,602
Toyota InfoTechnology Center	465 Bernardo Avenue	Mountain View – S. Middlefield	Lease Renewal	23,923
SETI Institute	339 Bernardo Avenue	Mountain View – S. Middlefield	Direct Lease	23,754
Delfi Diagnostics, Inc.	1810 Embarcadero Road	Palo Alto – Bayshore	Direct Lease	17,977
Athelas, Inc.	160 Whisman Road	Mountain View – S. Middlefield	Direct Lease	17,750
Rivian	900 Hansen Way	Palo Alto – Stanford Research Park	Direct Lease	17,400

Select Investment Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
515 & 545 N Whisman Road	Mountain View – S. Middlefield	\$100,500,000	\$659	152,444
1050 E Meadow Circle	Palo Alto – Bayshore	\$25,000,000	\$568	44,000
2197 E Bayshore Road	Palo Alto – Bayshore	\$16,900,000	\$736	22,961

Overall Submarket Statistics									
	Total Inventory (SF)	Total Vacancy (SF)	Sublease Vacancy (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)
Menlo Park	3,544,939	158,742	39,104	4.48%	4.48%	23,700	2,156	-51,193	\$3.40
Middlefield Road	257,981	15,000	0	5.81%	5.81%	11,011	-3,122	-3,122	\$3.80
Highway 101	3,286,958	143,742	39,104	4.37%	4.37%	12,689	5,278	-48,071	\$3.31
Mountain View	10,566,269	906,023	270,879	8.57%	10.17%	587,034	14,244	-135,870	\$4.62
Central Expressway	1,762,565	207,743	40,214	11.79%	12.73%	8,590	-66,932	-106,596	\$3.89
Shoreline	4,371,110	63,910	44,210	1.46%	1.46%	0	0	0	\$4.65
South Middlefield	4,432,594	634,370	186,455	14.31%	17.75%	578,444	81,176	-29,274	\$4.73
Palo Alto	9,392,083	1,693,438	602,039	18.03%	18.87%	132,502	5,844	-551,950	\$5.49
Bayshore	2,068,379	176,855	24,940	8.55%	11.93%	54,616	-3,151	-13,363	\$3.63
California Avenue	377,171	111,407	39,035	29.54%	29.54%	6,257	-11,592	-11,592	\$7.02
Stanford Research Park	6,946,533	1,405,176	538,064	20.23%	20.35%	71,629	20,587	-526,995	\$5.63
Redwood City	2,403,560	40,218	0	1.67%	8.53%	179,637	93,112	49,047	\$4.83
Downtown	61,192	3,500	0	5.72%	5.72%	0	0	0	\$2.25
Seaport	1,433,571	16,115	0	1.12%	12.62%	161,087	79,675	54,160	\$4.97
Southern Area	908,797	20,603	0	2.27%	2.27%	18,550	13,437	-5,113	\$4.07
Redwood Shores	1,004,354	300,958	0	29.97%	32.47%	25,602	25,602	-78,920	\$6.35
SOUTH PENINSULA	26,911,205	3,099,379	912,022	11.52%	13.14%	948,475	140,958	-768,886	\$5.18

Historical Vacancy Rates								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
South Peninsula	7.73%	8.17%	9.3%	9.3%	9.05%	9.28%	12.35%	11.5%
Menlo Park	2.79%	2.40%	5.79%	5.79%	3.85%	3.03%	4.54%	4.48%
Mountain View	5.37%	6.22%	6.87%	6.87%	8.28%	7.77%	8.79%	8.57%
Palo Alto	10.26%	11.56%	13.9%	13.9%	11.88%	13.17%	18.66%	18.03%
Redwood City	3.97%	3.97%	2.20%	2.20%	1.79%	3.54%	6.04%	1.67%
Redwood Shores	31.86%	26.60%	20.68%	20.68%	25.02%	24.24%	32.99%	29.97%
Historical NNN Asking Rents								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
South Peninsula	\$5.44	\$5.35	\$5.43	\$5.36	\$4.90	\$4.76	\$5.04	\$5.18
Menlo Park	\$3.27	\$4.25	\$3.80	\$3.09	\$3.26	\$3.11	\$3.39	\$3.40
Mountain View	\$4.18	\$4.16	\$4.57	\$4.67	\$4.34	\$4.41	\$4.41	\$4.62
Palo Alto	\$6.87	\$6.62	\$6.36	\$6.31	\$5.76	\$5.28	\$5.52	\$5.49
Redwood City	\$3.51	\$3.00	\$3.78	\$2.50	-	\$2.25	\$4.72	\$4.83
Redwood Shores	\$4.24	\$3.92	\$3.96	\$4.11	\$4.27	\$4.88	\$5.76	\$6.35
Historical Net Absorption								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
South Peninsula	-2,785	4,116	-126,308	-335,883	-76,557	-143,595	-909,844	140,958
Menlo Park	-17,665	14,100	12,253	-15,107	-37,000	15,445	-53,349	2,156
Mountain View	99,018	25,160	-104,918	-121,099	-211,460	2,382	-150,114	14,244
Palo Alto	-39,593	43,861	-125,512	-221,991	163,400	-125,111	-557,794	5,844
Redwood City	-57,173	11,388	0	8,676	6,607	-44,092	-44,065	93,112
Redwood Shores	12,628	-90,393	91,869	13,638	1,896	7,781	-104,522	25,602
Historical Gross Absorption								
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
South Peninsula	443,804	700,834	307,612	314,171	436,326	205,871	451,652	948,475
Menlo Park	29,893	106,135	16,477	81,619	0	125,557	2,538	23,700
Mountain View	235,377	74,738	73,878	13,650	63,940	30,362	114,755	587,034
Palo Alto	165,906	269,841	100,797	196,588	294,055	3,088	296,859	132,502
Redwood City	0	11,388	24,591	8,676	71,646	39,083	0	179,637
Redwood Shores	12,628	58,072	91,869	13,638	6,685	7,781	37,500	25,602

For more information:

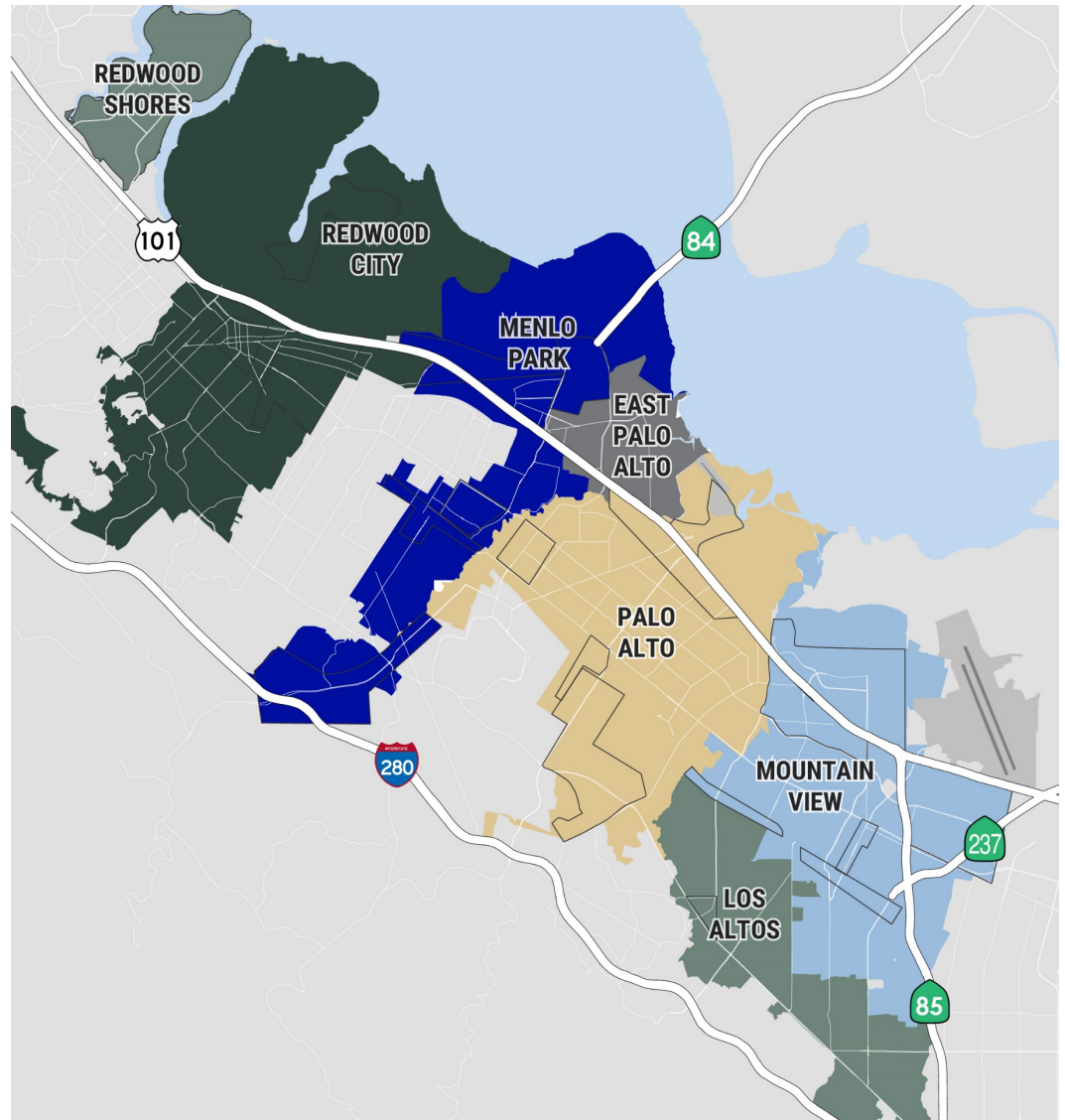
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