



RESEARCH 3Q 2021

South Peninsula R&D Market

R&D Sector with Continued Momentum Through 2021 with Another Quarter of Robust Leasing Activity

In the third quarter of 2021, the South Peninsula boasted over 1.1 million square feet of gross absorption for only the third time in the last 12 quarters. With approximately 86,000 square feet of net absorption, this is the second consecutive quarter of positive net absorption. Building on the momentum of the second quarter, the South Peninsula continues to rival the robust leasing activity seen on the North Peninsula, bolstered by strong demand for new construction deliveries in South San Francisco. Additionally, demand on the South Peninsula remains strong due in large part to healthy tenant diversity. Tech, life science and automotive tenants are seeking over 2.0 million square feet of R&D space in the South Peninsula.

Vacancy rates decreased for the third straight quarter, from an overall of 11.5% in the second quarter down to 11.1% this quarter. The most significant change occurred in the Redwood Shores submarket. The decrease is largely due to one significant transaction: the approximately 230,000-square-foot lease completed by Altos Labs at Redwood Life (formerly Bayshore Tech). Although not a positive net contributor, another notable

Current Conditions

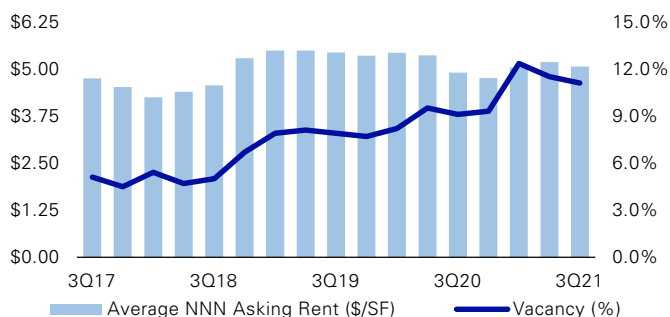
- Newcomer Altos Labs anchors the quarter with a massive Redwood Shores lease.
- Life science sector considering South Peninsula as a viable alternative to South San Francisco hub.
- Strong leasing activity leads to a second straight quarter of positive net absorption.

Market Summary

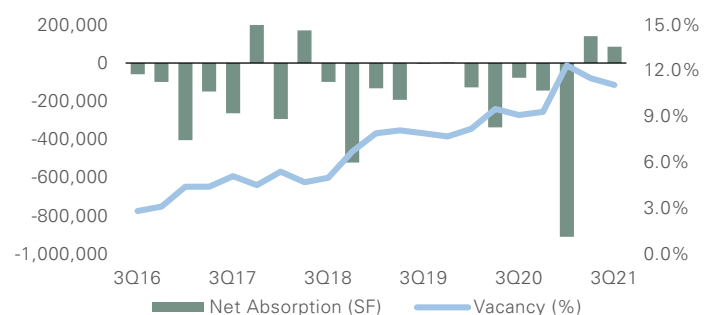
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	27.0M	26.9M	26.7M	→
Vacancy Rate	11.1%	11.5%	9.1%	↓
Qtr Net Abs (SF)	86K	141K	-77K	↑
Avg NNN Ask Rent/SF	\$5.06/SF	\$5.18/SF	\$4.90/SF	↑
Under Const (SF)	0 SF	0 SF	0 SF	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



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transaction in the same submarket was the Impossible Foods lease at 1500 Seaport Boulevard, totaling approximately 165,000 square feet.

This quarter saw 38 transactions, up from 13 just a year ago; 25 of which are over 10,000 square feet. The transaction volume is more than double that of the first quarter of this year and equal to second-quarter 2021's number. In addition to the strong activity in Redwood Shores, Palo Alto's Stanford Research Park and the Middlefield Corridor in Mountain View showed tremendous positive activity, with 9 of the 13 leases above 20,000 square feet in this quarter.

South Peninsula asking rates remain flat over the previous quarter for an overall average of \$5.06/SF, up from approximately

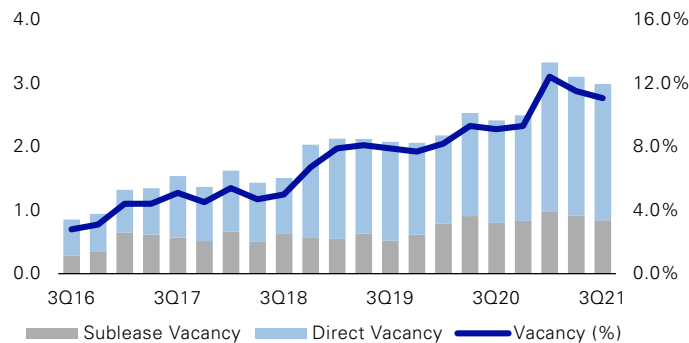
\$4.90/SF in third-quarter 2020. As historically high average asking rents continue to remain stable with only minimal changes quarter over quarter, the trend continues to be increased concessions in the forms of rent abatement and higher tenant improvement allowances.

Outlook Remains the Same

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.

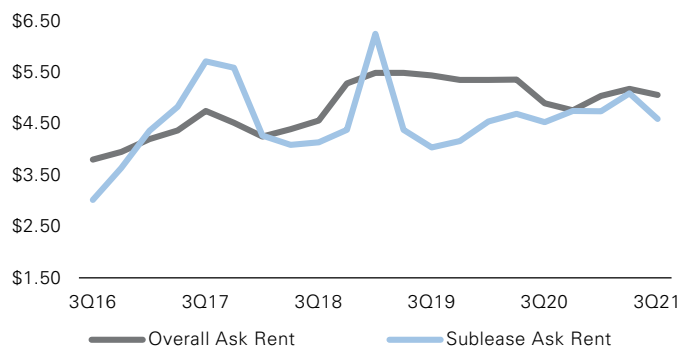
Vacancy Breakdown

SQUARE FEET, MILLIONS



Average Asking Rents

WEIGHTED, NNN, MONTHLY



Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Altos Labs	Redwood LIFE	Redwood Shores	Direct Lease	233,500
Impossible Foods	1500 Seaport Blvd.	Redwood City - Seaport	Direct Lease	164,732
Arastradero Research Institute	3160 & 3181 Porter Dr.	Palo Alto - Stanford Research Park	Sublease/Direct	127,867
Heartflow	331 Evelyn Ave.	Mountain View - South Middlefield	Direct Lease	61,496
Coupang	605 Fairchild Dr.	Mountain View - South Middlefield	Renewal	53,361
Waymo	490 Middlefield Rd.	Mountain View - South Middlefield	Sublease	43,463
ReCode Therapeutics	1140 O'Brien Dr.	Menlo Park - Hwy 101 Industrial	Direct Lease	31,254
Lunar Design	755 Ravendale Dr.	Mountain View - South Middlefield	Direct Lease	30,443
Aeva	515 Ellis St.	Mountain View - South Middlefield	Direct Lease	29,842
Archer Aviation, Inc.	440 Bernardo Ave.	Mountain View - South Middlefield	Direct Lease	27,790

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	3,506,803	93,661	41,604	2.67%	2.84%	96,899	26,441	-24,752	\$3.34
Middlefield Road	257,981	15,000	0	5.81%	5.81%	1,410	0	-3,122	\$3.25
Highway 101	3,248,822	78,661	41,604	2.42%	2.61%	95,489	26,441	-21,630	\$3.36
Mountain View	10,752,446	1,061,888	301,582	9.88%	10.03%	336,162	-98,632	-234,502	\$4.41
Central Expressway	1,772,555	253,178	36,080	14.28%	15.22%	64,631	-45,449	-152,045	\$4.45
Shoreline	4,371,110	25,875	0	0.59%	0.59%	0	-6,175	-6,175	\$4.25
South Middlefield	4,608,781	782,835	265,502	16.99%	16.99%	271,531	-47,008	-76,282	\$4.40
Palo Alto	9,371,483	1,633,982	472,126	17.44%	17.75%	241,180	17,727	-534,223	\$5.49
Bayshore	2,047,779	143,038	33,621	6.99%	8.44%	44,458	-4,021	-17,384	\$3.57
California Avenue	377,171	82,742	24,507	21.94%	21.94%	27,443	27,443	15,851	\$8.14
Stanford Research Park	6,946,533	1,408,202	413,998	20.27%	20.27%	169,279	-5,695	-532,690	\$5.61
Redwood City	2,403,560	40,218	0	1.67%	1.67%	180,125	0	49,047	\$4.34
Downtown	61,192	3,500	0	5.72%	5.72%	0	0	0	\$2.25
Seaport	1,433,571	16,115	0	1.12%	1.12%	180,125	0	54,160	\$5.15
Southern Area	908,797	20,603	0	2.27%	2.27%	0	0	-5,113	\$4.07
Redwood Shores	1,004,354	160,555	25,194	15.99%	15.99%	248,646	140,403	61,483	\$6.50
SOUTH PENINSULA	27,038,646	2,990,304	840,506	11.06%	11.25%	1,103,012	85,939	-682,947	\$5.06

Historical Vacancy Rates								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
South Peninsula	7.73%	8.17%	9.33%	9.05%	9.28%	12.35%	11.52%	11.06%
Menlo Park	2.79%	2.40%	5.79%	3.85%	3.03%	4.54%	4.48%	2.67%
Mountain View	5.37%	6.22%	6.87%	8.28%	7.77%	8.79%	8.57%	9.88%
Palo Alto	10.26%	11.56%	13.87%	11.88%	13.17%	18.66%	18.03%	17.44%
Redwood City	3.97%	3.97%	2.20%	1.79%	3.54%	6.04%	1.67%	1.67%
Redwood Shores	31.86%	26.60%	20.68%	25.02%	24.24%	32.99%	29.97%	15.99%
Historical NNN Asking Rents								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
South Peninsula	\$5.35	\$5.43	\$5.36	\$4.90	\$4.76	\$5.04	\$5.18	\$5.06
Menlo Park	\$4.25	\$3.80	\$3.09	\$3.26	\$3.11	\$3.39	\$3.40	\$3.34
Mountain View	\$4.16	\$4.57	\$4.67	\$4.34	\$4.41	\$4.41	\$4.62	\$4.41
Palo Alto	\$6.62	\$6.36	\$6.31	\$5.76	\$5.28	\$5.52	\$5.49	\$5.49
Redwood City	\$3.00	\$3.78	\$2.50	-	\$2.25	\$4.72	\$4.83	\$4.34
Redwood Shores	\$3.92	\$3.96	\$4.11	\$4.27	\$4.88	\$5.76	\$6.35	\$6.50
Historical Net Absorption								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
South Peninsula	29,583	-126,308	-335,883	-76,557	-143,595	-909,844	140,958	85,939
Menlo Park	14,100	12,253	-15,107	-37,000	15,445	-53,349	2,156	26,441
Mountain View	25,160	-104,918	-121,099	-211,460	2,382	-150,114	14,244	-98,632
Palo Alto	45,861	-125,512	-221,991	163,400	-125,111	-557,794	5,844	17,727
Redwood City	11,388	0	8,676	6,607	-44,092	-44,065	93,112	0
Redwood Shores	-66,926	91,869	13,638	1,896	7,781	-104,522	25,602	140,403
Historical Gross Absorption								
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
South Peninsula	700,834	307,612	314,171	436,326	205,871	451,652	948,475	1,103,012
Menlo Park	106,135	16,477	81,619	0	125,557	2,538	23,700	96,899
Mountain View	74,738	73,878	13,650	63,940	30,362	114,755	587,034	336,162
Palo Alto	269,841	100,797	196,588	294,055	3,088	296,859	132,502	241,180
Redwood City	192,048	24,591	8,676	71,646	39,083	0	179,637	180,125
Redwood Shores	58,072	91,869	13,638	6,685	7,781	37,500	25,602	248,646

For more information:

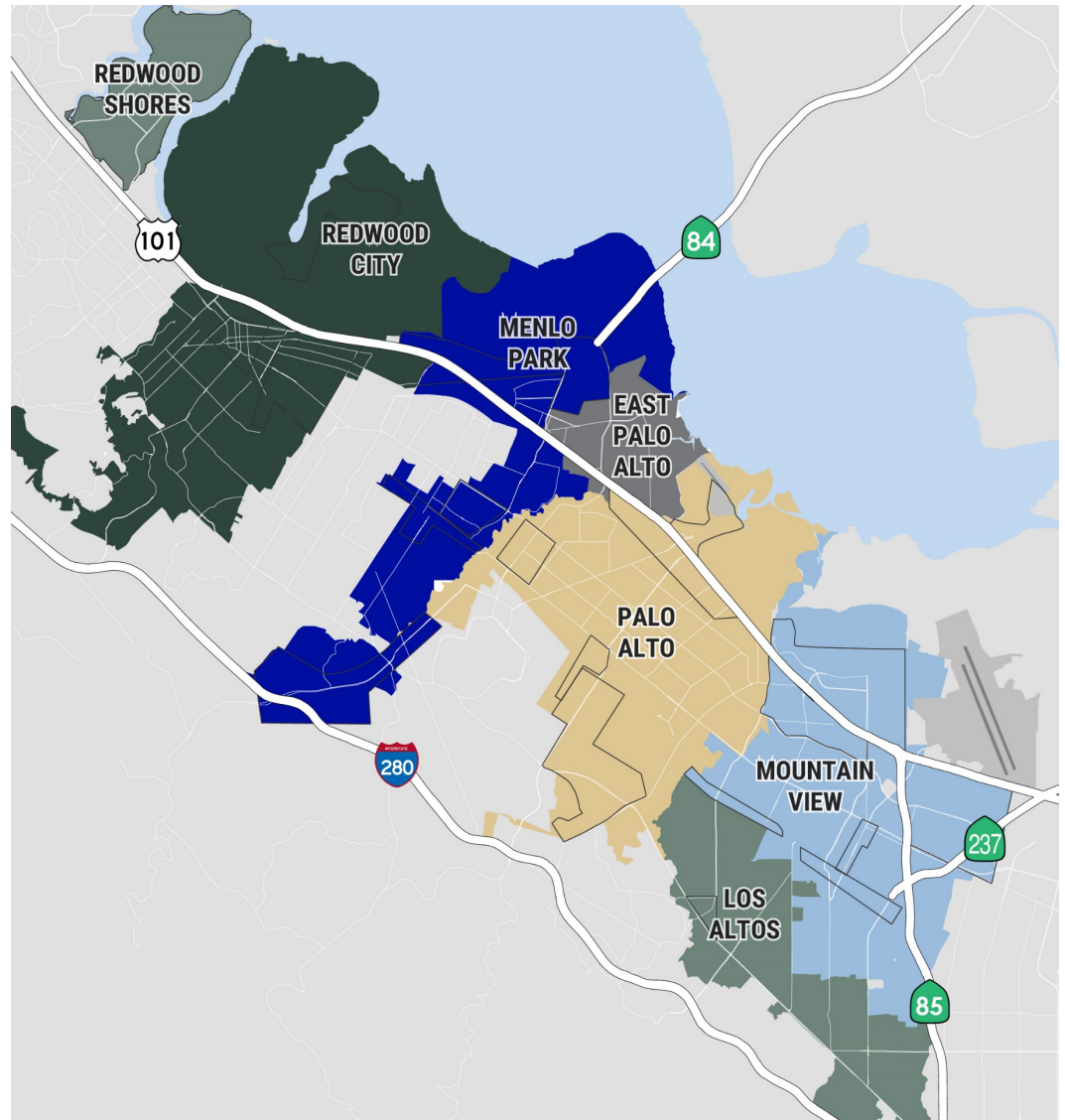
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