

# North Peninsula Industrial Market

## Demand Continues to Outweigh Supply in the Industrial Sector While Asking Rates in the R&D Sector Surge

### R&D Market

Elevated interest in R&D, manufacturing and life science product continued to increase in the third quarter of 2022 across the Bay Area region as investors continued to pay top dollar for space, despite economic weakness and rising interest rates. The market-wide average R&D rate continued to increase in the third quarter of 2022, closing at \$6.45/SF triple-net, representing a 4.5% increase from the previous quarter. R&D leasing activity this quarter was recorded at 809,108 square feet, compared with 817,994 square feet in the previous quarter.

Groundbreakings continued to quicken in the third quarter of 2022, recording 1.4 million square feet of new inventory now under construction, bringing the pipeline total up to a record high of 5.3 million square feet of inventory, compared with 4.0 million in the previous quarter. Of the notable ground-up construction in the North Peninsula region, 26.3% is already spoken for or currently in negotiations to be leased. Demand for available space remains robust as developers continue to seek out suitable land options for wherever development deems suitable. Phase I of Lane Partner's Southline Project in South San Francisco broke

### Current Conditions

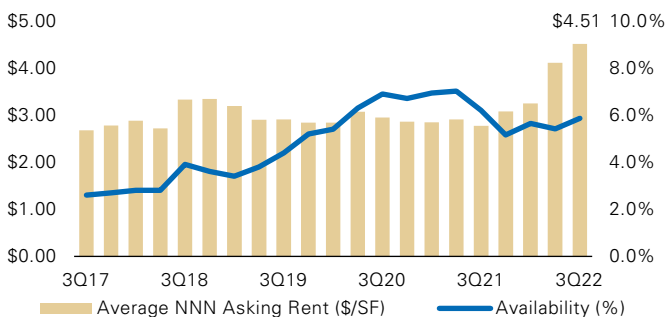
- R&D market recorded 175,324 square feet of absorption.
- Industrial market recorded 224,099 square feet of absorption.
- Ten R&D transactions greater than 20,000 square feet executed this quarter compared with eight in the previous quarter. Ten industrial transactions greater than 20,000 square feet executed this quarter compared to five in the previous quarter.

### Market Summary

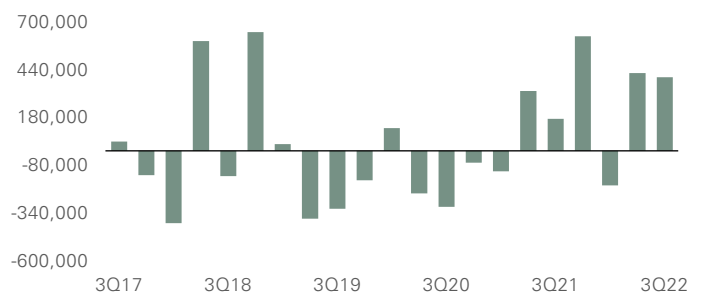
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	64.7M	64.1M	63.1M	↑
Availability Rate	5.9%	5.4%	6.2%	↓
Qtr Net Abs (SF)	399K	423K	175K	↑
Avg NNN Ask Rent/SF	\$4.51	\$4.11	\$2.77	↑
Under Const (SF)	5.3M	4.0M	2.4M	↑
Deliveries (SF)	0	0	791K	↑

### Market Analysis

#### ASKING RENT AND AVAILABILITY RATE



#### NET ABSORPTION



## RESEARCH Q3 2022

ground this quarter and will feature two mixed-use life sciences lab and office buildings totaling 670,000 square feet, with occupancy scheduled for mid-2024.

### Industrial Market

The North Peninsula industrial market strengthened for another consecutive quarter as industrial demand continued to outpace supply. The economic impact of record-high inflation and elevated interest rates so far is not having a substantial impact on the underlying demand for space as tight vacancy continues to aid rent growth throughout the Peninsula. Net absorption throughout the Peninsula has been elevated since mid-2021, driving the region's vacancy rate down to 2.5% in the third quarter of 2022, down from 3.2% in the previous quarter. The construction pipeline continues to be nonexistent due to steep land values, rising construction costs and limited land availability, which in turn

will only heighten tenant competition for space, pushing asking rates higher. These tight market conditions continued to push industrial rates higher across nine out of the 12 major submarkets this quarter with the average county rate increasing to \$1.72/SF triple-net, which is up from \$1.68/SF in the previous quarter and up from \$1.57/SF one year ago.

### Notable Lease and Sale Activity

Amazon completed the largest deal of the quarter, leasing a total of 345,270 square feet at 3745 and 3785 Bayshore Blvd. in Brisbane. The sale highlight of the quarter was made by GI Partners, which acquired three fully leased life science properties located at 7000 Shoreline Ct. and 341-343 Oyster Point Blvd. in South San Francisco, in addition to 75-125 Shoreway Rd. in San Carlos from Alexandria Real Estate. The three properties, totaling 402,574 square feet, sold for \$388.0 million.

### Select Lease Transactions

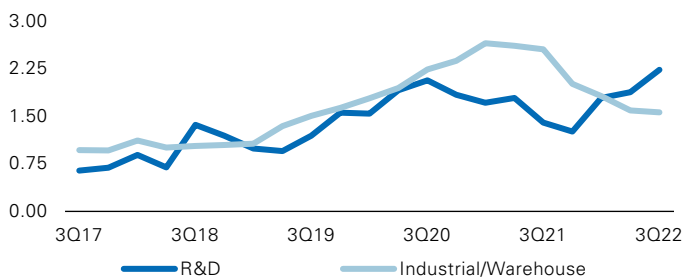
Tenant	Building(s)	Submarket	Type	Square Feet
Amazon	3745 & 3785 Bayshore Blvd	Brisbane	Direct Lease	345,270
Astellas Pharma	480 Forbes Blvd	South San Francisco	Direct Lease	154,000
NGM Biopharmaceuticals	333 Oyster Pt Blvd	South San Francisco	Lease Renewal	121,706
Altos Labs	Redwood LIFE	Redwood Shores	Renewal/Expansion	91,645
Kintetsu World Express USA	251 Lawrence Ave	South San Francisco	Lease Renewal	68,400

### Select Investment Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
7000 Shoreline Court, 341-343 Oyster Pt, 75-125 Shoreway Rd	South San Francisco & San Carlos	\$388,000,000	\$1,059 - \$1,213	402,574
642 Quarry Rd	San Carlos	\$30,909,000	\$515	60,000
3575 Haven Ave	Menlo Park	\$24,787,070	\$628	39,478
1691-1695 Bayport Ave	San Carlos	\$19,445,500	\$837	23,220
4055 Bohannon Dr	Menlo Park	\$16,000,000	\$523	30,600

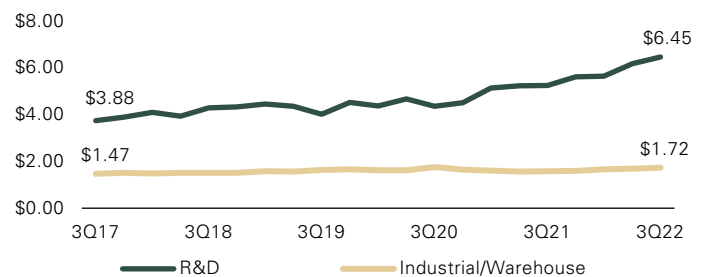
### Availability Breakdown

#### SQUARE FEET, MILLIONS



### Average Asking Rents

#### WEIGHTED, NNN, MONTHLY



**RESEARCH Q3 2022**

<b>Submarket Statistics</b>								
	<b>Total Inventory (SF)</b>	<b>Under Construction (SF)</b>	<b>Total Vacancy Rate</b>	<b>Total Availability Rate</b>	<b>Qtr Gross Absorption (SF)</b>	<b>Qtr Net Absorption (SF)</b>	<b>YTD Net Absorption (SF)</b>	<b>Total NNN Asking Rent (Price/SF)</b>
<b>North Peninsula R&amp;D</b>	<b>27,386,900</b>	<b>5,335,457</b>	<b>5.08%</b>	<b>8.15%</b>	<b>809,108</b>	<b>175,324</b>	<b>53,705</b>	<b>\$6.45</b>
Belmont	317,524	0	9.63%	10.53%	0	0	(30,588)	\$4.82
Brisbane	1,477,252	570,000	8.95%	18.82%	0	(21,856)	(60,555)	\$6.95
Burlingame	594,752	0	3.35%	5.17%	0	0	(6,577)	\$6.25
Daly City	383,123	0	3.66%	47.91%	0	0	60,947	\$6.50
Foster City	2,554,283	0	0.40%	0.57%	0	0	4,472	\$7.75
Menlo Park	3,536,803	0	2.52%	3.71%	44,702	(33,478)	(1,926)	\$4.44
Millbrae	336,550	997,000	2.97%	2.97%	0	0	290,000	\$6.50
Redwood City	2,504,085	623,370	4.55%	5.52%	1,850	(28,678)	(37,221)	\$4.90
Redwood Shores	1,011,533	0	16.33%	17.79%	132,696	(52,432)	(37,591)	\$7.13
San Carlos	1,718,497	416,932	18.70%	18.70%	12,808	5,562	(258,648)	\$5.27
San Mateo	113,285	0	0.00%	0.00%	33,008	0	0	\$6.75
South San Francisco	12,839,213	2,728,155	3.78%	7.09%	584,044	306,206	131,392	\$7.15
<b>North Peninsula IND</b>	<b>37,317,578</b>	<b>0</b>	<b>2.52%</b>	<b>4.18%</b>	<b>780,390</b>	<b>224,099</b>	<b>582,254</b>	<b>\$1.72</b>
Belmont	1,456,116	0	0.70%	0.83%	8,432	(6,715)	(5,335)	\$1.97
Brisbane	4,314,386	0	2.56%	2.90%	375,389	266,110	233,010	\$1.58
Burlingame	4,577,807	0	4.28%	4.56%	60,000	(80,596)	(103,699)	\$1.79
Daly City	1,104,755	0	0.41%	0.41%	0	0	(4,500)	-
Foster City	453,866	0	2.04%	2.04%	13,961	4,300	4,300	\$1.95
Menlo Park	1,951,184	0	1.24%	1.24%	0	(1,000)	9,002	\$2.25
Millbrae	181,451	0	0.00%	0.00%	0	0	0	-
Redwood City	3,681,052	0	2.95%	3.38%	54,706	24,977	90,144	\$2.32
San Bruno	583,012	0	2.42%	2.42%	0	0	(7,305)	\$1.96
San Carlos	3,169,684	0	0.42%	0.49%	26,697	2,150	20,412	\$2.34
San Mateo	1,128,470	0	3.17%	3.17%	16,850	(4,848)	(130)	\$2.00
South San Francisco	14,715,795	0	2.82%	6.71%	224,355	24,221	346,335	\$1.62
<b>NORTH PENINSULA TOTAL</b>	<b>64,704,478</b>	<b>5,335,457</b>	<b>3.60%</b>	<b>5.86%</b>	<b>1,589,498</b>	<b>399,423</b>	<b>635,959</b>	<b>\$4.51</b>

*For more information:*

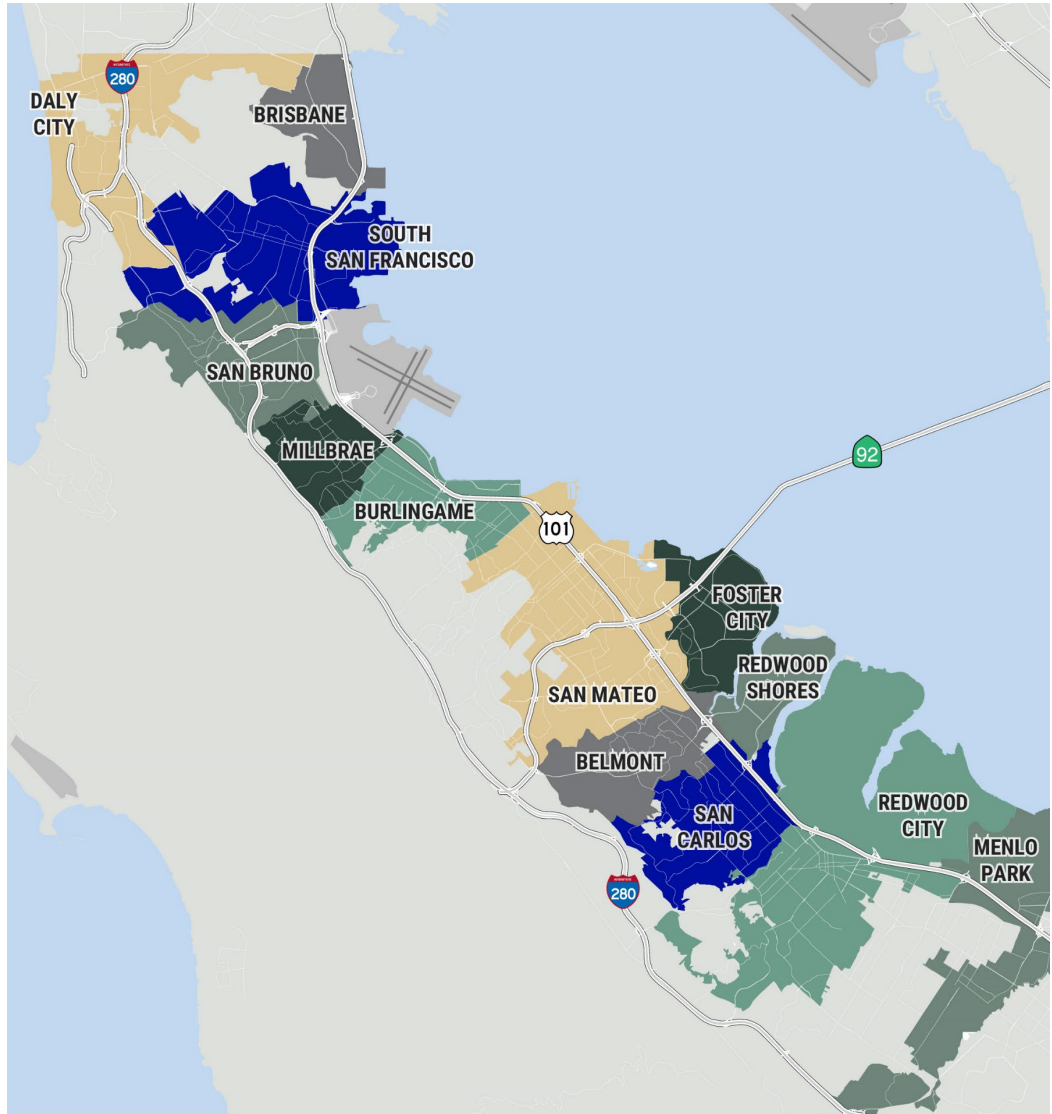
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