**MARKET TRENDS | BAY AREA**

LIFE SCIENCE

**1ST QUARTER
2022**▼ **ABSORPTION** | ▼ **VACANCY** | ▲ **RENTAL RATE**

Market Forecast

The Life Science market in the Bay Area in Q1 2022 produced gross absorption totaling 764,911 SF with 251,562 SF of positive net absorption.

So far in 2022 the Bay Area Life Science market is having a slow start compared to previous quarters, although it is not due to the lack of demand. Lab space in the Bay Area has a vacancy rate of only 3.2% making it much more difficult for tenants to find available space. The vacancy rate has dropped by 30 basis points (bps) from 3.5% quarter-over-quarter even with significant new developments being delivered as the spaces are heavily preleased.

In the first quarter, San Mateo County led the entire Bay Area with 456,013 SF of gross absorption followed by Alameda County with 183,645 SF. New life science development remains active in the Bay Area, with over 6 million SF under construction. In addition, an increasing number of new conversions of office, industrial, and tech buildings to life science use are under way or planned. Demand continues to be very active, with 6 million SF of tenant requirements currently being tracked by Kidder Mathews. Additionally, venture capital funding remains strong with \$9.6 billion in Q1 2022.

SAN FRANCISCO COUNTY

San Francisco County reported no Life Sciences leasing activity in the first quarter. There is currently no available space in the county

and occupancy is at capacity with vacancy at 0%. Tenants are finding more favorable availabilities in San Mateo, Alameda, and Santa Clara counties. Inventory will grow by 300,000 SF when Tishman completes the construction of Mission Rock, Building B in San Francisco. Alexandria Real Estate also began their new development at 1450 Owens St which will bring 180,000 SF of new life science space to the market in 2024.

SAN MATEO COUNTY

San Mateo County reported 456,013 SF of gross absorption, the highest in all the Bay Area. Much of the county's leasing activity came from Genentech's renewal of 155,585 SF at 500 Forbes in South San Francisco. Another large transaction was The Every Company's lease of 48,497 SF at 2001 Junipero Serra Blvd in Daly City. TenSixteen Bio also leased 20,663 SF of 700 Gateway Blvd in South San Francisco. San Mateo County had a vacancy rate of 2.63%. Gateway of Pacific Phase II has delivered, expanding the inventory by 440,000 SF. Kilroy's Oyster Point phase 1 also delivered this quarter for an additional 755,564 SF of life science inventory.

The life science industry continues to remain strong and highly competitive in the Bay Area. Vacancy rates continue to decline while demand for space grows.

SANTA CLARA COUNTY

Santa Clara County had 125,253 SF of gross absorption in the first quarter. This was driven almost entirely by Gener8's 84,169 SF lease of 2560 Junction in San Jose. In Palo Alto, Cellanome took 15,151 SF of space at 1810 Embarcadero Rd. Down the street, Rarebase leased 5,984 SF of space at 1804 Embarcadero Rd. So far in 2022, Santa Clara has the highest vacancy rate within the Bay Area at 4.7%, 33 bps lower than last quarter. A few spaces became available this quarter, but the vacancy rate is not expected to stay this high for long as tenants that are unable to find space in neighboring counties will look to Santa Clara County.

ALAMEDA COUNTY

Alameda County reported 183,645 SF of gross absorption and 83,730 SF of net absorption. The largest transaction in the county was Azzur's 76,714 SF lease of Stockbridge's The Loop at Harbor Bay. Another Alameda lease was signed by IQ Biosciences for 12,235 SF at 1640 South Loop Road. Conception Bio leased 13,500 SF at the currently under construction TheLAB in Berkeley. Neuralink leased 20,970 SF of space at 6453 Kaiser Dr in Fremont. The county has a vacancy rate of 3.87%.

CONTRA COSTA COUNTY

Contra Costa County had no life science activity in the first quarter. There are minimal life science availabilities in the county and less drivers for company formation and growth. Tenants will often look for space in neighboring counties.

CONSTRUCTION ACTIVITY

BioMed Realty's 750 Gateway at the Gateway of Pacific campus in South San Francisco is completed. Kilroy's Oyster Point Phase 1 delivered as well, which was preleased to Cytokinetics and Stripe. Kilroy's Oyster Point phase II broke ground this quarter, which consists of 3 buildings totaling 900,000 SF. This increased the inventory of San Mateo County by roughly 1.1 million SF with over half of the delivered space preleased.

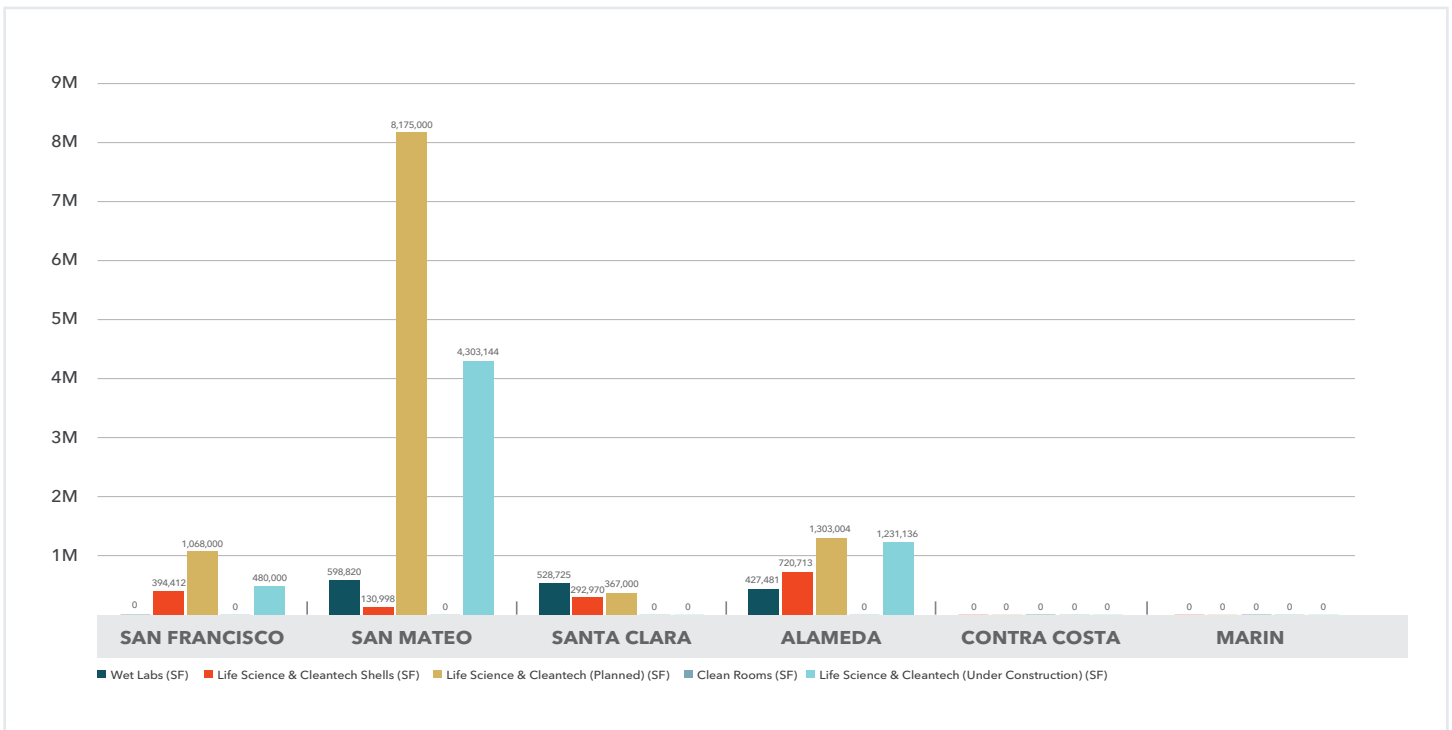
Currently there is roughly 6 million SF of life science space under construction—as several projects have just started. BioMed's Center for Innovation Phase 1 in Emeryville has begun which is planned for 350,500 SF. Lane Partners' The Commons in Berkeley has broken ground as well for development of a 500,000 SF Life Science Campus.

In San Francisco, Alexandria began their development of 1450 Owens St which is planned to be 180,000 SF. Further south, Alexandria has begun their project in Millbrae at 201-231 Adrian Rd and 6-30 Rollins Rd. The Millbrae project will be 570,000 SF. Alexandria also began conversions of the 325,000 SF former office building at 651 Gateway in South San Francisco. Other large developments that have begun in the Peninsula are Healthpeak's Vantage at 494 Forbes Blvd (350,000 SF), Aralon Properties' 140,000 SF at 499 Forbes, and Presidio Bay Ventures 147,000 SF project at 777 Industrial Road in San Carlos.

INVESTMENT SALES

Several investment sales occurred in the first quarter in San Mateo and Alameda counties. The Burlingame based developer, Dewey Land Co. purchased a parking lot in San Carlos that was entitled for a new 96,175 SF lab and office building. Dewey Land Co. paid \$20 million for the site at 1030 Brittan Ave and is rumored to be pursuing a partnership with MBC BioLabs for the development. In Redwood City, Center Capital Partners purchased 3 buildings totaling 148,219 SF for

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roughly \$83 million or \$558/sf. The three buildings were 3 Twin Dolphin Dr, 100 Marine Pkwy., and 1 Twin Dolphin Dr. While Center Capital Partners hasn't announced their plans for the site, it is speculated they will be redeveloped into life science buildings—the same route several of the neighboring buildings have gone in recent years. Boston-based, King Street Properties is looking to expand their footprint of life science space to the West Coast after purchasing two properties in Burlingame. King Street paid \$45.2 million for both 1499 Bayshore Hwy and 801 Mahler Rd consisting of 65,000 SF. They plan to redevelop the property into a life science campus of 300,000 SF.

Alameda County had two notable investment sales to start off 2022. Longfellow Real Estate Partners purchased two Flex properties of 62,898 SF for \$36 million at 6601-6603 Shellmound in Emeryville. It is planned to be converted into life science. 1951 Harbor Bay Pkwy, an ongoing life science development project in Alameda was recently purchased by Stockbridge Capital for roughly \$159 million. The 220,710 SF property is currently under construction and is 100% preleased by Exelixis. The seller was the project's developer, srmERNST.

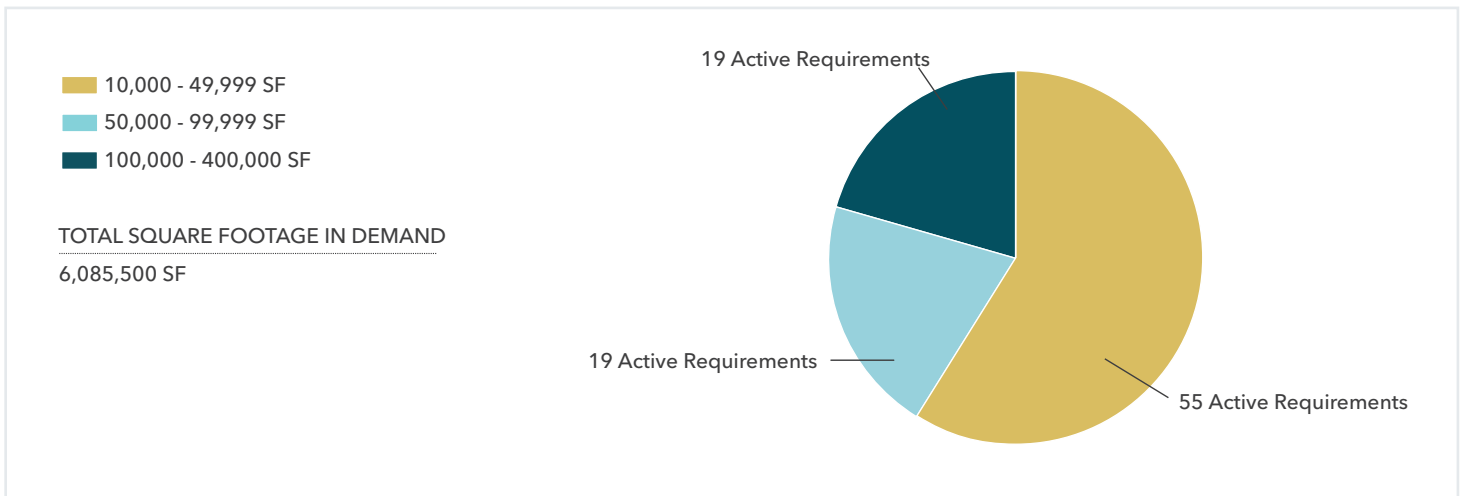
Sources: KM Research, CoStar

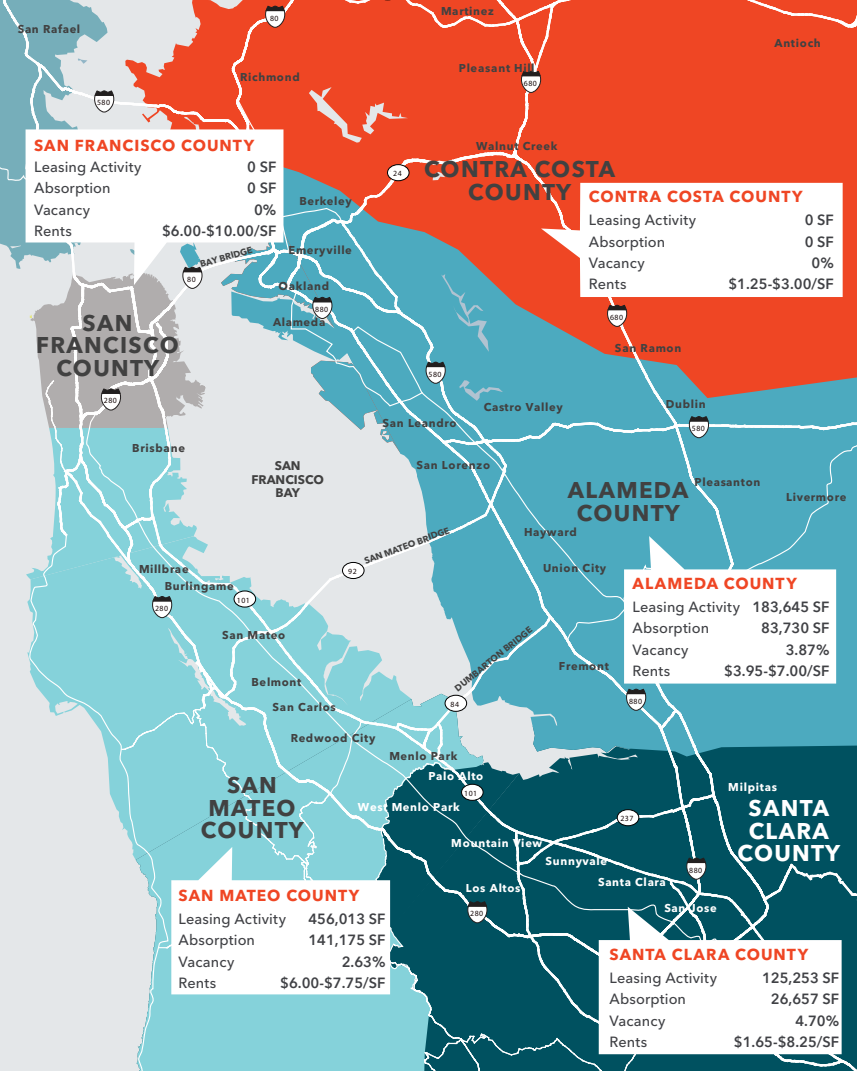
1Q Venture Capital Financing

Series Type	\$Funded
Seed Stage	\$49,160,000
Series A	\$3,495,110,000
Series B	\$1,264,000,000
Series C	\$607,030,000
Series D	\$322,540,000
Series E	\$280,000,000
Series F	\$0
Series G	\$200,000,000
Mezzanine	\$0
Series Undisclosed	\$0
Acquisition	\$3,243,000,000
Debt/Equity Financing	\$0
IPO	\$165,100,000
PIPE	\$0
Private/Share Placement	\$0
Research Grant	\$2,760,000
Corporate Partnership	\$0
Total	\$9,628,700,000

Month Funded	# of Companies
January	28
February	27
March	25
Total	80

Demand for Life Science Space





Notable Lease Transactions

GENER 8 2560 Junction, San Jose
84,169 SF

AZZUR GROUP 1955 & 2065 North Loop Rd
Alameda | 76,714 SF

MYRIAD GENETICS 233 E Grand South San Francisco
63,245 SF

THE EVERY COMPANY 2001 Junipero Serra Blvd
Daly City | 48,497 SF

ERASCA 1000 Gateway, South San Francisco
29,000 SF

SUMMER BIO 181 Constitution, Menlo Park
28,589 SF

AVELLINO LAB USA 4300 Bohannon Dr, Menlo Park
24,130 SF

NEURALINK 6453 Kaiser Dr, Fremont
20,970 SF

TENSIXTEEN BIO 700 Gateway Blvd
South San Francisco | 20,663 SF

LEVITAS BIO 1505 O'Brien Dr, Menlo Park
17,195 SF



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

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COMMERCIAL BROKERAGE

49.7M ANNUAL SALES SF

460+ NO. OF BROKERS

\$10.9B ANNUAL TRANSACTION VOLUME

43.7M ANNUAL LEASING SF

VALUATION ADVISORY

2,600+ APPRAISALS ANNUALLY

46/24 TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M MANAGEMENT PORTFOLIO SF

\$11B IN ASSETS UNDER MANAGEMENT

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