

## MARKET TRENDS | BAY AREA

# LIFE SCIENCE

2ND QUARTER  
2022

▲ ABSORPTION | ▼ VACANCY | ◀▶ RENTAL RATE

Market Forecast

The Life Science market in the Bay Area in Q2 2022 produced gross absorption totaling 1,130,449 SF with 841,043 SF of positive net absorption.

The year-to-date figure for gross absorption is 1,895,360 SF and 1,092,605 SF of positive net absorption. The first quarter of 2022 had a “slower” start than we have seen in recent years, but leasing activity dramatically increased in the second quarter. Lab space in the Bay Area has a vacancy rate of only 3.23% making it much more difficult for tenants to find available space. The vacancy rate has slightly ticked up by 5 basis points (bps) from 3.18% quarter-over-quarter even with significant new developments being heavily preleased.

In the second quarter, San Mateo County led the entire Bay Area with 709,726 SF of gross absorption followed by Alameda County with 293,323 SF. New life science development remains active in the Bay Area, with over 5.3 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 5.2 million SF of tenant requirements currently being tracked by Kidder Mathews. Due to ongoing inflation and supply chain issues the cost of construction and lead-times for materials has accelerated, further delaying development projects. Available spaces that need specific buildouts are quoting a 9-12 month turnaround. On the other hand, market-ready, available lab space is being leased up quickly.

Venture capital funding took a step back due to rising interest rates and concerns of a potential recession. Q2 2022 reported only \$5.96 billion

in life science venture capital funding compared to \$9.6 billion in Q1 2022. 80 different life science companies in the Bay Area received funding last quarter, this quarter only 51 life science companies received funding.

**SAN FRANCISCO COUNTY**

San Francisco County reported no Life Science leasing activity throughout Q2 2022. There is currently limited available space in the county and occupancy is nearing capacity with vacancy at 4.59%. Tenants are currently finding more favorable availabilities in San Mateo, Alameda, and Santa Clara counties. Inventory will however grow by 300,000 SF when Tishman completes the construction of Mission Rock, Building B in San Francisco which is slated for delivery in Q3 2022. Alexandria Real Estate has also commenced construction their new development at 1450 Owens St which will bring 180,000 SF of new life science space to the market in 2024. Divco West is also underway with the conversion of 550 Terry Francois Boulevard. This 315,000 SF project is situated on a prime waterfront location within Mission Bay and will be available for occupancy in 2023.

**SAN MATEO COUNTY**

San Mateo County reported 709,726 SF of gross absorption, the highest in all the Bay Area. Much of the



The Bay Area life science industry remains strong, despite the slow down in venture capital funding

county's leasing activity came from Eikon Therapeutics' lease of 285,000 SF at 30 Rollins Rd, Alexandria Real Estate's 570,000 SF development project. Another large transaction was Intervenn Bioscience's lease of 142,810 SF at 499 Forbes in South San Francisco. NewLimit also sub-leased 80,000 SF of space at 901 Gateway in South San Francisco from Theravance. San Mateo County had a vacancy rate of 2.25%.

### SANTA CLARA COUNTY

Santa Clara County had 127,400 of gross absorption in the second quarter. This was driven by Omnicell, Nodexus Inc., and Asieris Pharmaceuticals. Omnicell took 34,942 SF of space at 2626-2685 Augustine Dr, Santa Clara. Nodexus Inc. leased 26,090 SF of space at 2130 Gold St, San Jose. Asieris Pharmaceuticals leased 14,950 SF at 2438-2478 Embarcadero Way, Palo Alto. So far in 2022, Santa Clara County is reporting a vacancy rate of 4.56%, 14 basis points (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 293,323 SF of gross absorption and 268,607 SF of positive

net absorption. The largest transaction in the county was BillionToOne's 89,969 SF lease of 3180-3200 Whipple St, Union City. Eikon Therapeutics also expanded further out into the East Bay with their lease of 24590 Clawiter Road in Hayward which consisted of 50,000 SF. Sound Agriculture leased 33,532 SF at Beacon Capital Partner's 6401 Hollis St, Emeryville. The county has a vacancy rate of 4.22%, 35 bps higher than the last quarter.

### CONTRA COSTA COUNTY

Contra Costa County had no life science activity in the second 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

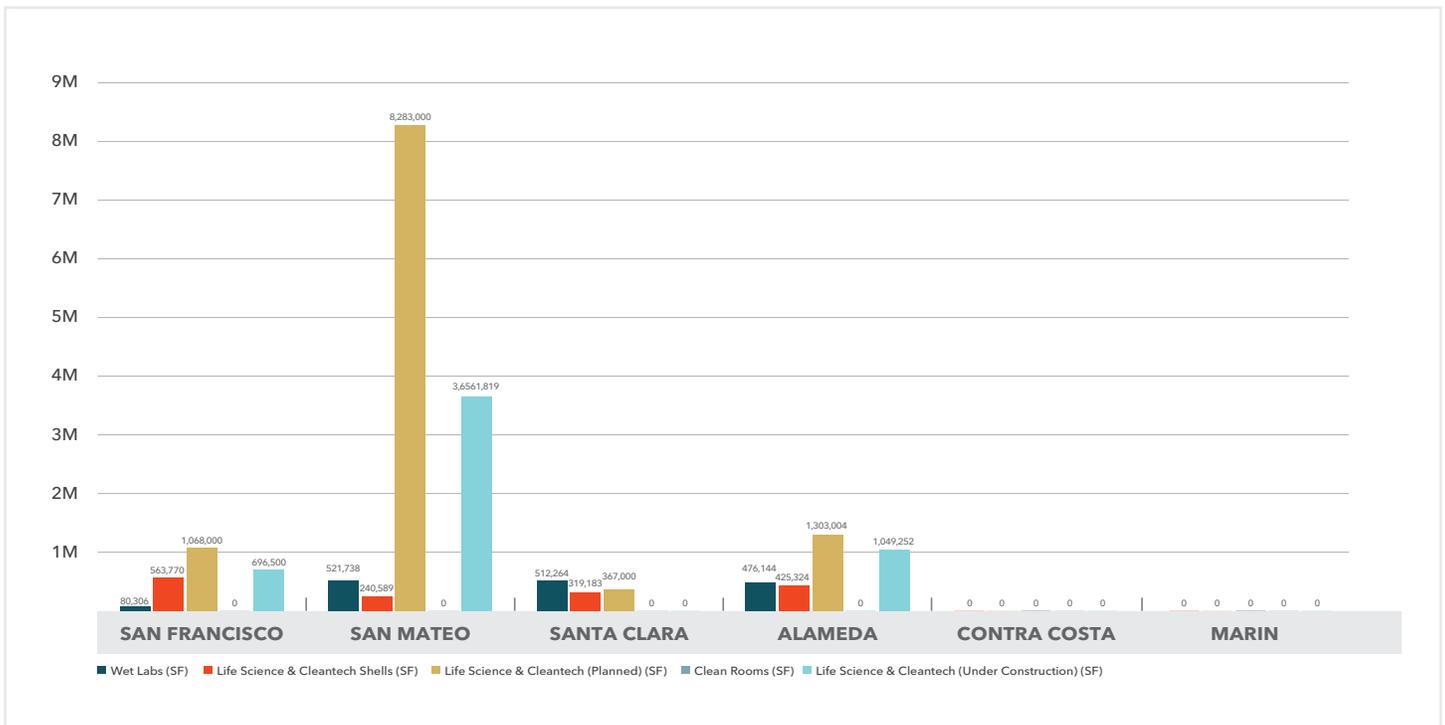
Currently there is over 5.3M SF of life science space under construction and roughly 10.6 M SF of lab space in planning. Recently, Biomed Realty's Gateway of Pacific phases I-III in South San Francisco have been completed with Phase V approved to move forward with construction. Gateway of Pacific Phase IV and V will bring upwards of 510,000 SF of space to the Life Science Market, planned for delivery in Q2 of 2024 and late 2025.

San Francisco County has 696,500 SF currently under construction primarily in the Mission Bay and SOMA submarkets. Alexandria Real Estate's 1450 Owens St broke ground last quarter and will bring 180,000 SF of life science space to the market by late 2023. Swift Real Estate Partners is currently converting 101 Utah St consisting of 66,500 SF in SOMA to accommodate life science tenants for estimate occupancy in Q1 2023.

With only 2.25% vacancy in San Mateo County, many developers are continuing their projects for new life science buildings. The county has 3.6M SF of space currently under construction primarily in current life science hubs in South San Francisco, Brisbane, and San Carlos. Alexandria Real Estate is expanding the life science market into Millbrae with its 570,000 SF development on Adrian and Rollins Rd. This quarter Eikon Therapeutics preleased 285,000 SF of this development for its new headquarters. Another notable ongoing development is Phase 3's Genesis Marina in Brisbane which will offer approximately 570,000 SF of Class A laboratory space. Aralon Properties' 499 Forbes 142,500 SF was recently 100% preleased to InterVenn Biosciences and has an estimated delivery of late Q4 2022.

Alameda County has just over 1 million SF of life science buildings under construction. Steelwave has two developments, one

## Area Review



in Berkeley and one in Emeryville totaling 87,000 SF and 72,926 SF respectively. Berkeley has another project currently under construction at 600 Addison Way, two life science buildings totaling 538,000 SF. This life science campus, Berkeley Commons, is slated for delivery mid- 2024.

### INVESTMENT SALES

Several investment sales occurred in the second quarter in the Bay Area. The Foster City based developer, SteelWave purchased the Park 'N Fly lot at 101 Terminal Court, South San Francisco for \$85 million. The highly visible land site on Highway 101 that was purchased, consisted of 8.68 acres (378,101 SF) which could support a 800,000 SF life science development. SteelWave has not announced any plans for 101 Terminal Ct, but due to the developer's deep experience the life science space, it is speculated that they may move forward with a new life science campus to add to South San Francisco's leading life science cluster.

Alameda County reported one large sale consisting of three Good Manufacturing Practice (GMP) buildings in Fremont. In late June, Barings purchased the portfolio of 34325 Ardenwood Blvd, 45401 Research Ave, and 48668 Milmont Dr totaling 228,116 SF for roughly \$101 million. Barings and Lincoln Property Company purchased these three buildings from Angelo Gordon & Co.

In San Francisco, Divco West Services recently purchased 550 Terry A. Francois Blvd, Old Navy's former headquarters (Gap Inc.). Divco West purchased the 314,826 SF office building for \$356 million (\$1,130 /SF). The buyer plans to convert the property from office to a new life science building due to the proximity to other life science clusters within Mission Bay along with the surging demand for lab space in the city.

San Jose based CPC Scientific Inc., a notable biotech manufacturer, recently expanded outside of the Bay Area into Rocklin, California. CPC Scientific purchased 3880 Atherton Rd, Rocklin a 41,000 SF office building for \$6 million (\$146.34/sf). The seller was Financial Pacific Insurance Company. CPC plans to use this space to build out its domestic manufacturing for the pharmaceutical industry with operations to start at the end of 2023.

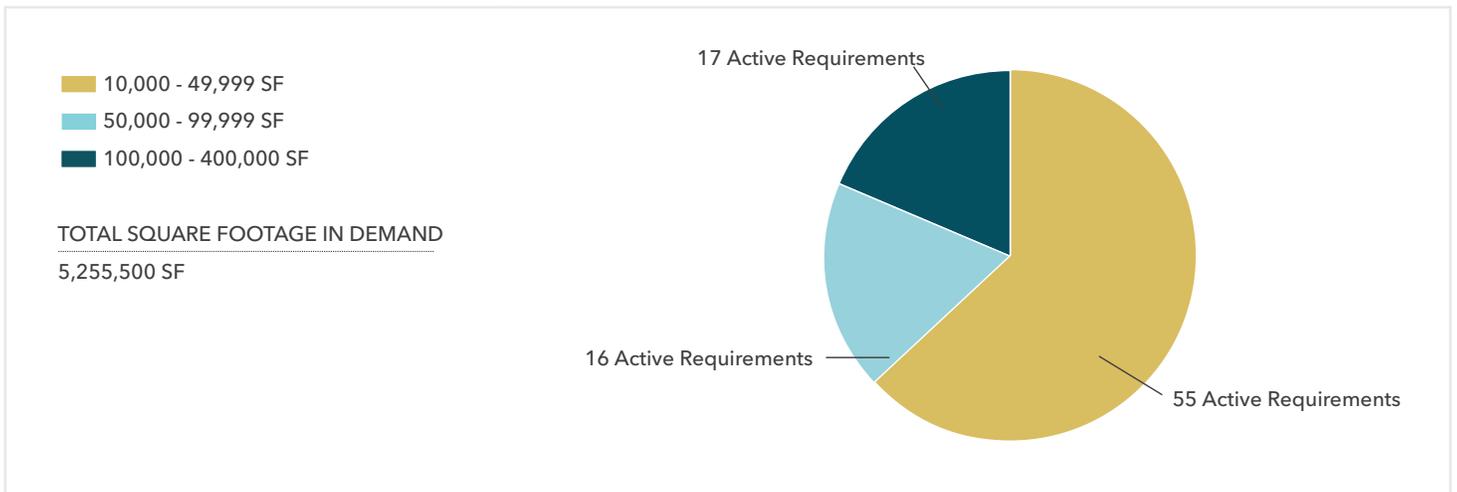
Sources: KM Research, CoStar

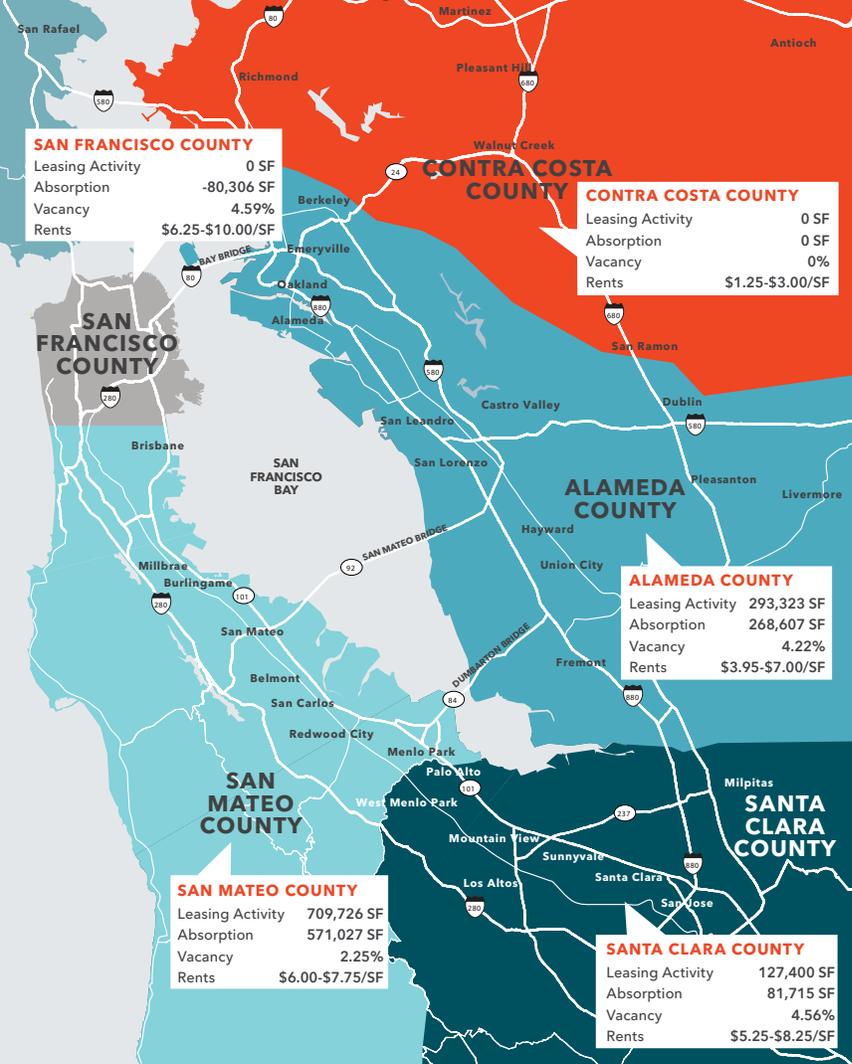
## 2Q Venture Capital Financing

Series Type	\$Funded
Seed Stage	\$138,220,000
Series A	\$413,250,000
Series B	\$566,260,000
Series C	\$407,540,000
Series D	\$118,310,000
Series E	\$600,000,000
Series F	\$0
Series G	\$0
Mezzanine	\$0
Series Undisclosed	\$0
Acquisition	\$3,470,200,000
Debt/Equity Financing	\$0
IPO	\$230,000,000
PIPE	\$15,000,000
Private/Share Placement	\$0
Research Grant	\$0
Corporate Partnership	\$0
<b>Total</b>	<b>\$5,958,780,000</b>

Month Funded	# of Companies
April	18
May	16
June	17
<b>Total</b>	<b>51</b>

## Demand for Life Science Space





## Notable Lease Transactions

**EIKON THERAPEUTICS** 30 Rollins Rd, Millbrae  
285,000 SF

**INTERVENN BIOSCIENCES** 499 Forbes  
South San Francisco | 142,810 SF

**BILLIONTOONE** 3180-3200 Whipple, Union City  
89,969 SF

**NEW LIMIT** 901 Gateway Blvd, South San Francisco  
80,000 SF

**ARCELLX** 800 Bridge Pkwy, Redwood City  
51,822 SF

**EIKON THERAPEUTICS** 24590 Clawiter Rd, Hayward  
50,000 SF

**OMNICELL** 2625-2685 Augustine Dr, Santa Clara  
34,942 SF

**SOUND AGRICULTURE** 6401 Hollis St, Emeryville  
33,352 SF

**DNA SCRIPT** 2001 Junipero Serra Blvd, Daly City  
26,461 SF

**NODEXUS INC.** 2130 Gold St, San Jose  
26,090 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

**470+** NO. OF BROKERS

**\$10.9B** ANNUAL TRANSACTION VOLUME

**43.7M** ANNUAL LEASING SF

### VALUATION ADVISORY

**2,600+** APPRAISALS ANNUALLY

**50/25** TOTAL NO. APPRAISERS/MAI'S

### ASSET SERVICES

**62M** MANAGEMENT PORTFOLIO SF

**\$11B** IN ASSETS UNDER MANAGEMENT

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