

## MARKET TRENDS

# BAY AREA

## LIFE SCIENCE

↔ VACANCY

↑ ABSORPTION

↔ RENTAL RATES

↑ CONSTRUCTION DELIVERIES

Market Forecast

*The Bay Area Life Science market produced 959,769 SF of gross absorption and 222,682 SF of positive net absorption in Q4 2022.*

Annually, 2022 totaled 3.7 million SF of gross absorption and 1.5 million SF of net absorption. The Life Science market had much less leasing activity than 2021 (5.5 million SF of gross absorption). Despite the year-end slowdown, 2022 was a very strong year overall with a low vacancy rate of 3.8%, falling 40 basis points (bps) quarter-over-quarter.

In the fourth quarter, San Mateo County led the entire Bay Area with 482,730 SF of gross absorption followed by Alameda County with 313,724 SF. New Life Science development continues to thrive in the Bay Area, with 7.9 million SF under construction with majority of the region's construction activity within San Mateo County. The trend of conversions from office, industrial, and tech buildings into Life Science remains strong and will continue to help satiate the demand and drive market growth by providing additional spaces for lease. However, many planned development projects will continue to be delayed due to inflation and ongoing supply chain issues. Despite recession concerns, there is still strong demand for lab space with 3.4 million SF of tenant requirements currently being tracked by Kidder Mathews.

### SAN FRANCISCO COUNTY

San Francisco County reported minimal Life Science leasing activity through 4Q 2022 with two transactions totaling 33,366 SF of gross absorption. The county is reporting a low vacancy rate of 3.5%, a decrease of 110 bps quarter-over-quarter and remains to have a limited supply of Life Science properties. The inventory will grow by 300,000 SF once Mission Rock, Building B is delivered. The project is slated for delivery mid-2023. 300 Kansas St, another Life Science development which is set to be delivered in mid-2023 totals 151,777 SF. The county has 630,000 SF of Life Science space under construction, which will make the area more accessible for prospective tenants.

### SAN MATEO COUNTY

San Mateo County reported 482,730 SF of gross absorption, the highest of all Bay Area markets. Much of the county's leasing activity came from Insitro's lease renewal/expansion at 279 E Grand, South San Francisco. The transaction totaled 144,000 SF. Arsenal Bio leased 55,602 SF of space at 329 Oyster Point Blvd, South San Francisco. San Mateo county accounts for almost 80% of the Bay Area's Life Science construction activity—with roughly 6.2 million SF of lab space under development. Much of the construction activity in the county comes from a few large projects such as Alexandria's 570,000 SF development in Millbrae and Kilroy Oyster Point Phase 2 in South San Francisco which spans 865,000 SF.

continued on page 3

*The Bay Area Life Science market remains highly competitive, reporting a low vacancy rate of 3.8% throughout the region.*

DEMAND FOR LIFE SCIENCE SPACE



10,000 - 49,999 SF



50,000 - 99,999 SF

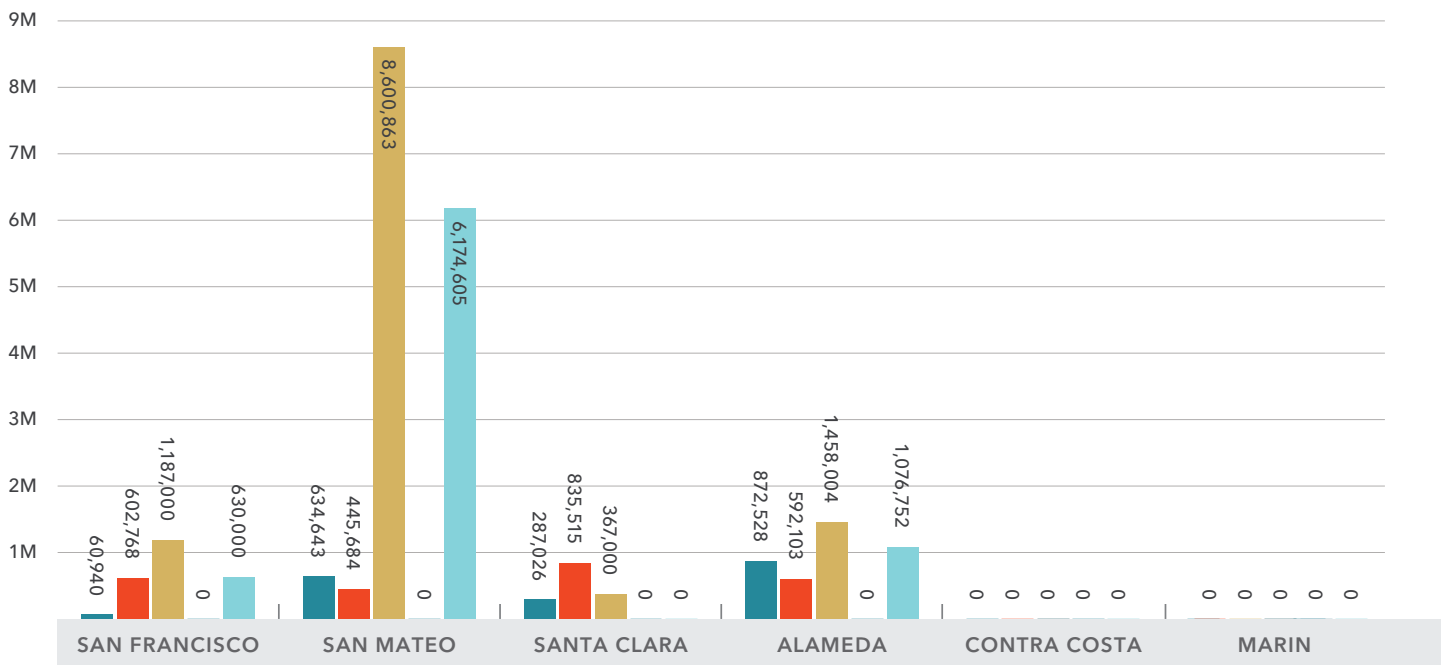


100,000 - 400,000 SF

3,415,000 SF

TOTAL SQUARE FOOTAGE IN DEMAND

AREA REVIEW



- Wet Labs (SF)
- Life Science & Cleantech Shells (SF)
- Life Science & Cleantech (Planned, SF)
- Clean Rooms (SF)
- Life Science & Cleantech (Under Construction, SF)

Vacancy rates declined to 2.7%, down from 3.1% in the third quarter. Asking rates stand between \$6.00 NNN and \$7.75 NNN PSF/month.

### SANTA CLARA COUNTY

Santa Clara County reported two leases throughout the fourth quarter resulting in an uptick in leasing activity quarter-over-quarter with 129,949 SF of gross absorption and positive 18,023 SF of net absorption. The largest transaction was Bio Techne's renewal of 97,980 SF at 3001 Orchard Parkway, San Jose. The county currently has a vacancy rate of 2.6 %, down from 3.9% last quarter. The region has several conversion projects underway and some smaller availabilities which are perfect for emerging Life Science companies. Asking rates ranged between \$5.25 NNN and \$8.50 NNN PSF/month.

### ALAMEDA COUNTY

Alameda County ended the year strong, reporting 313,724 SF of gross absorption and 164,184 SF of positive net absorption in the fourth quarter. Metagenomi subleased 75,622 SF of space from Zymergen at 5959 Horton St, Emeryville. Emergex Vaccines leases 55,588 SF at 34790 Ardentech Ct, Fremont.

There is currently just over 1 million SF of Life Science product currently under construction, the largest of which is Beacon Capital Partner's Berkeley Commons. This two-building project located at 600 Addison St, Berkeley will bring an additional 539,000 SF of Life Science space to the market in 3Q 2024.

Vacancy rates grew by roughly 60 bps quarter-over-quarter to 7.7% with asking rates ranging between \$3.95 NNN to \$7.00 NNN PSF/month.

### CONTRA COSTA COUNTY

Contra Costa County had no Life Science activity in the fourth quarter. The region has minimal Life Science availabilities in the county and less drivers for company formation and growth. Prospective tenants will often look for space in neighboring counties.

### CONSTRUCTION ACTIVITY

Currently, there is 7.9M SF of Life Science space under construction throughout the bay area. Alexandria's project at 751 Gateway was delivered and was 100% preleased to Genentech. Throughout the year, over 1 million SF of Life Science space was delivered in the Bay Area.

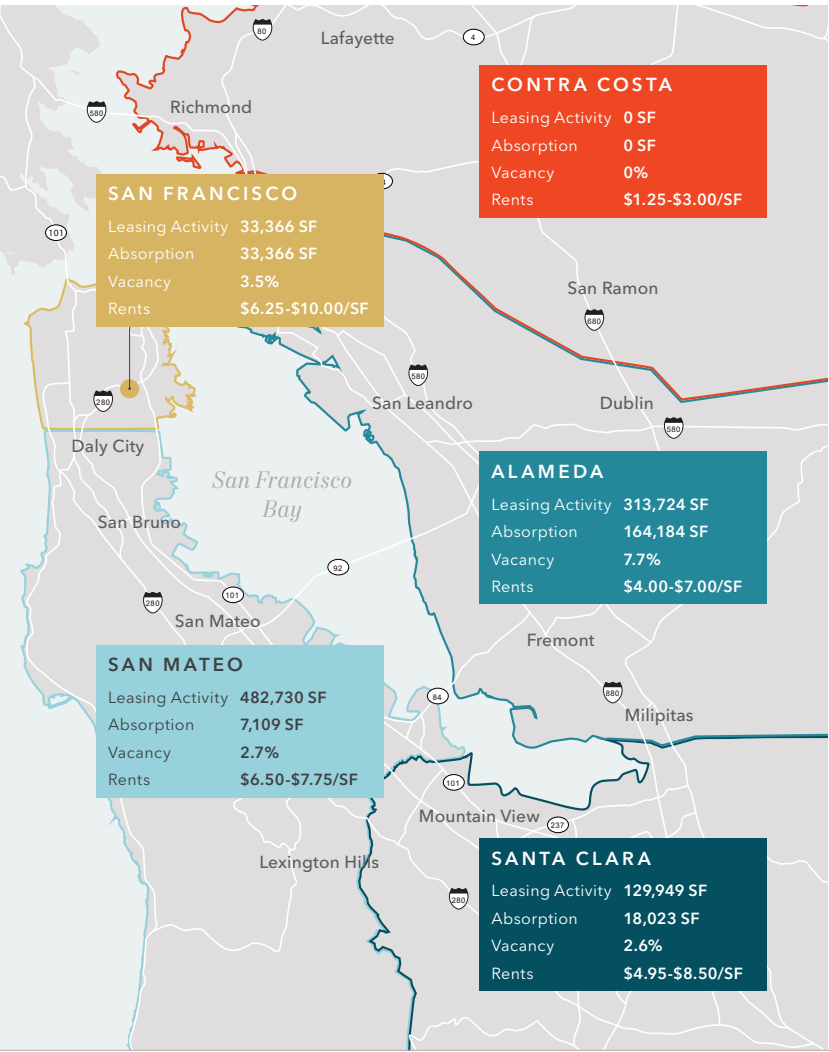
San Francisco County has 630,000 SF currently under construction primarily in the Mission Bay and SOMA submarkets. Alexandria Real Estate's 1450 Owens St broke ground earlier this year and will bring 180,000 SF of Life Science space to the market by late 2023. Tishman's development at 1051 3rd St is slated for a mid-2023 delivery and will bring upwards of 300,000 SF to the city.

San Mateo County has some of the largest Life Science developments currently under construction throughout the Bay Area—totaling 6.17 million SF. Phase 3's Genesis Marina in Brisbane includes a 3-building campus totaling 570,000 SF, planned for delivery in 3Q 2023. Other large under construction projects in the county include Southline Phase 1 totaling 670,000 SF and Alexandria's Center for Life Science Millbrae consisting of 570,000 SF.

Alameda County has just over 1 million SF of Life Science product under construction which is concentrated in Berkeley and Emeryville. Berkeley Commons is a two-building Life Science development located at 600 Addison St, Berkeley. The project totals roughly 539,000 SF. BioMed Realty's Emery Yard's- phase 1 broke ground earlier this year at 5300 Chiron Way, Emeryville totaling 285,000 SF. Phase 1 is expected to be delivered in 2024 and ready for TI's in late 2023. Phases two and three of Emery Yards have not broken ground yet, but are planned to bring 716,000 SF of Life Science space to the market.

### INVESTMENT SALES

Two Life Science sale transactions took place this quarter. In October, Paceline investors purchased two Life Science properties from Kennedy Wilson in Fremont. The transaction totaled approximately 115k SF for \$36 million (\$312.77/sf) and were occupied at the time of sale by Mercury Systems and Intuity Medical. This is the second time in the last year and a half that these properties have traded hands. In December, Gemini Rosemont Commercial Real Estate purchased 1828 El Camino Real, Burlingame from Sansome Street Advisors for \$59.3 million (\$902/sf). The 65,804 SF building was heavily leased at the time of sale and was Gemini Rosemont's first expansion into the Life Science sector.



**NOTABLE LEASE TRANSACTIONS**

- Insitro**  
279 E Grand, South San Francisco | 144,000 SF\*
- Exelixis**  
1410 Harbor Pkwy, Alameda | 100,335 SF
- Bio Techne (Protein Simple)**  
3001 Orchard Pkwy, San Jose | 97,980 SF\*\*
- Metagenomi**  
5959 Horton, Emeryville | 75,622 SF
- Arsenal Bio**  
329 Oyster Point, South San Francisco | 55,602 SF
- Emergex Vaccines**  
34790 Ardentech Ct, Fremont | 55,588 SF
- Kezar Life Sciences**  
4000 Shoreline Ct, South San Francisco | 48,714 SF\*
- Vivani Medical**  
1350 S Loop Rd, Alameda | 43,645 SF
- Impossible Foods**  
500 Saginaw Dr, Redwood City | 40,049 SF\*\*
- Galvanize Therapeutics**  
3200 Bridge Pkwy, Redwood City | 39,793 SF

\* Renewal / Expansion  
\*\* Renewal



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 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.

**GARY BARAGONA**  
Director of Research  
415.229.8925  
gary.baragona@kidder.com

**DAVID NELSON**  
Regional President, Brokerage  
Northern California & Nevada  
415.229.8888  
david.nelson@kidder.com  
LIC N° 01716942

|                             |   |  |                                       |
|-----------------------------|---|--|---------------------------------------|
| <b>COMMERCIAL BROKERAGE</b> | <i>\$11.9B</i><br>TRANSACTION VOLUME ANNUALLY | <i>24.3M</i><br>ANNUAL SALES SF        | <i>42.7M</i><br>ANNUAL LEASING SF     |
| <b>ASSET SERVICES</b>       | <i>52M</i><br>MANAGEMENT PORTFOLIO SF         | <i>875+</i><br>ASSETS UNDER MANAGEMENT | <i>270+</i><br>ASSET SERVICES CLIENTS |
| <b>VALUATION ADVISORY</b>   | <i>2,600+</i><br>ASSIGNMENTS ANNUALLY         | <i>46</i><br>TOTAL APPRAISERS          | <i>23</i><br>WITH MAI DESIGNATIONS    |

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.