

Q3 2022 **Lab Market Overview**

San Francisco Bay Area



Lab Market Overview



ABSORPTION

726,673 SF



SUPPLY

35,701,232 SF



VACANCY

8.6%



AVERAGE RENT

\$6.84/SF NNN

Market Trends

Sublease supply continues to increase

Subleases and second-generation lab space continue to hit the market as companies look to stretch their burn rate.

Rents remain stable

Despite headwinds, lab rents remain high though slightly tapering off. However, there are no signs of major rent decreases in the short-term.

Leasing requirements slow/being put on hold

Activity in the market slowing while tenants are pushing out expansion plans further down the line.

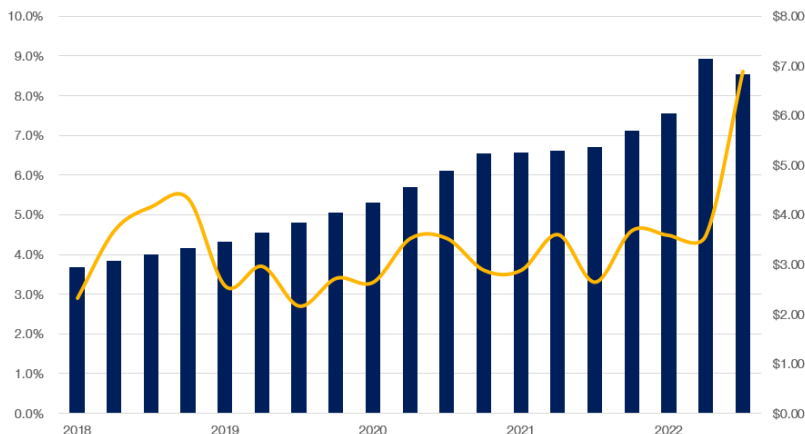
Tenants in the Market



Historical Rent & Vacancy

Asking Rent

Vacancy Rate



Market Movement

Lab Market Predictions

1. Expect increase in sublease supply in all Bay Area submarkets. As a result expect more built-out lab product with shorter terms to become available.
2. Startups will need to build stronger cases to achieve board approvals and/or receive additional funding from their investors.

Notable Lease Transactions

Tenant	Address	City	Size (SF)	Type
Astellas	494 Forbes Boulevard	South San Francisco	154,000	New Lease
NGM Biopharmaceuticals	333 Oyster Point Boulevard	South San Francisco	121,706	Renewal
Arsenal Bio	329 Oyster Point Boulevard	South San Francisco	55,602	Sublease
Alumis	280 E Grand Avenue	South San Francisco	50,195	New Lease
AmplifyBio	2 Corporate Drive	South San Francisco	46,280	Assignment
Cepheid	632 E Caribbean Drive	Sunnyvale	43,500	Renewal
Moderna	700 Gateway Boulevard	South San Francisco	35,532	New Lease
Confidential	804 Heinz Avenue	Berkeley	35,512	New Lease
BigHat Biosciences	1900 Alameda de las Pulgas	San Mateo	33,008	Expansion
Confidential	2001 Junipero Serra Boulevard	Daly City	26,461	New Lease
Prolific Machines	6400 Hollis Street	Emeryville	18,054	New Lease
IGM Biosciences	440 E. Middlefield Road	Mountain View	17,740	New Lease
Mycoworks	820 Heinz Avenue	Berkeley	8,200	New Lease
Rondo Therapeutics	25801 Industrial Boulevard	Hayward	6,100	New Lease

Notable Sale Transactions

Buyer	Address	City	Size (SF)	Price/SF
Presidio Bay Ventures	642 Quarry Road	San Carlos	4.7 Acres	\$34,000,000
GI Partners*	7000 Shoreline Court & 75 Shoreway Road	South San Francisco	173,189 Sqft	\$1,379/PSF
GI Partners*	371-383 Oyster Point Boulevard	San Carlos	108,228 Sqft	\$1,379/PSF
Diversified Healthcare Trust	47071 Bayside Parkway	Fremont	88,508 Sqft	\$926/PSF
Angelo Gordon & Co. JV Lincoln Property Co.	150 N Hill Drive	Brisbane	73,966 Sqft	\$673/PSF

*Portfolio Transaction

Market Review

San Francisco

San Francisco remains stagnant in terms of activity as inventory is limited. Net absorption recorded a mere 13,145 square feet. Vacancy jumped to 15.0% as Icona Labs at 1800 Owens officially rebrands to target biotech companies at the hands of KKR and Longfellow. A new project has hit the horizon for San Francisco at 350 Parnassus which will be delivering spec suites near the UCSF campus in Cole Valley.

With such tight inventory in the city, expect future activity to continue to be derived from new and upcoming developments from projects currently under construction/proposed. Spec labs are coming to Market Street by Rubicon Point Partners. They will be providing up to 79,000 square feet of lab space delivering Q3 2022 at 1128 Market Street. 300 Kansas Street, currently under renovation, is expected to deliver 150,000 SF of lab space by Q2 2023 under new PDR determinations. Alexandria's 1450 Owens Street, slated for Q1 2024 completion, will deliver 200,000 SF of lab-capable product to market. Lastly, after Alexandria announced that they would try to offload 88 Bluxome Street which was supposed to deliver lab-ready shell space Q3 2024, legal action has delayed the sale of the building.

Peninsula Market

The Peninsula was particularly the strongest submarket in the Bay Area this quarter for life sciences. 65.5% of all new construction/redevelopment projects sit on the Peninsula. South San Francisco and San Mateo recorded the lowest vacancy in the Bay with 6.0% and 7.5% vacancy, respectively. Despite recording the lowest vacancies, large subleases have contributed to an overall increase in vacancy on the Peninsula. 8 of the top 15 notable transactions for the quarter were recorded on the Peninsula. Most notably, Astellas preleased 154,000 SF at 494 Forbes Boulevard in South San Francisco while NGM Biopharmaceuticals renewed 121,706 SF at 333 Oyster Point Boulevard.

Kilroy's Oyster Point project delivered Phase I at 370 Oyster Point Boulevard in the quarter for 220,872 SF but was leased in its entirety to Stripe. As waterfront biotech facilities riddled with amenities flood the Peninsula; these projects are also attracting tech companies as a cheaper alternative to San Francisco. Phase II is under construction with 900,000 SF expected to deliver in 2023. Alexandria and Prologis received approval to break ground on a 559,000 SF life science campus in South San Francisco at 100 E Grand Avenue. Lastly, Johnson & Johnson opened up their new facility in Brisbane which will house approximately 300 employees in nearly 200,000 SF.

Sale and investment activity recorded a healthy quarter with 4 transactions. Presidio Bay Ventures purchased 4.7 acres at 642 Quarry Road to expand their life science portfolio. The plan is to develop a 410,000 SF life science facility. GI Partners purchased a portfolio of 3 buildings from Alexandria in South San Francisco and San Carlos. The portfolio was 100.0% leased at the time of sale.

East Bay

The East Bay did record negative absorption due to large subleases coming online and redevelopment projects moving tenants out in the quarter. Arsenal Bio put up 97,689 SF of lab/manufacturing space at 24600-24680 Industrial Boulevard in Hayward. At 6475 Christie Avenue, Principal Financial Group has vacated 123,042 SF at the project to make room for their life science conversion. Despite negative absorption, some significant transactions occurred in the quarter. Upside Foods leased 35,512 SF at 804 Heinz Avenue in Berkeley. Upside Foods supports the strength of the foodtech industry as a strong subsector within life sciences, a common theme seen in past quarters. Prolific Machines leased 18,054 SF at 6400 Hollis Street in Emeryville. Both Berkeley and Emeryville remain top submarkets for life science activity in the East Bay. The East Bay is the second largest submarket in terms of new inventory under construction/renovation. 1.0M+ SF is currently being built between Berkeley and Emeryville alone. This makes up 18.7% of all new construction in the Bay Area. Oxford Properties project at 3100 San Pablo Avenue delivered 402,700 SF of shell space ready for lease. Additionally, SteelWave's TheLAB – Berkeley delivered 87,159 SF of lab product in the quarter. SteelWave's TheLAB – Emeryville is set to deliver in Q3 2022. The project will be SteelWave's second TheLAB project in the East Bay and will deliver 75,240 square feet to market. Lane Partners' Berkeley Commons project broke ground in the quarter. The project is anticipated to deliver 521,810 square feet to market in Q3 2024. Stockbridge Capital's 220,710 SF project at 1951 Harbor Bay Parkway in Alameda remains under construction which will serve as Exelixis' HQ. Lastly, 6475 Christie Avenue will be undergoing renovations for lab conversions by Principal Financial Group now that the building has been vacated. The project will add 123,042 square feet to market. Lastly, BioMed Realty has broken ground at 5300 Chiron Way in Emeryville.

The only transaction in the quarter was completed by Diversified Healthcare Trust who purchased 47071 Bayside Parkway in Fremont, a property that was recently leased in its entirety to Alamar BioSciences.

Santa Clara

Santa Clara continues to lag in terms of activity comparatively to the other markets in the Bay, although, poised for strong growth potential as conversions and zoning is much more favorable for lab R&D.

The most notable leasing transaction came from IGM Biosciences who leased 440 E. Middlefield Road in Mountain View, totaling 17,740 SF.

The only project currently under construction in the submarket is BioSquare in San Jose. Blue Rise Ventures is looking to complete the 464,000 square foot life science project to add much needed inventory to a market with little supply and activity.

No sale transactions were recorded in the quarter for the Santa Clara submarket.

Development Pipeline

The map below highlights developments in the Emeryville/Berkeley Area

Sites Under Development

Under Construction /
Under Renovation
6.21M SF

Proposed Development
4.82M SF

10.27M SF Total SF

Emerystation Overland

1580 62nd St
RBA: 300,000 SF
Owner: Wareham
Status: Under Renovation
Pre Leased%: N/A



theLAB - Phase 1

2222 5th S
RBA: 87,159 SF
Owner: SteelWave
Status: Under Proposed
Pre Leased%: 75.7%



Foundry31

3100 San Pablo Ave
RBA: 402,700 SF
Owner: Oxford Properties
JV Center
Status: Delivered
Pre Leased%: N/A



theLAB - Emeryville

4383 Horton St
RBA: 75,240 SF
Owner: Steelwave
Status: Delivered
Pre Leased%: N/A



Emeryville Center for Innovation

5300 Chiron Way - B1, B2, B3
RBA: 910,000 SF
Owner: BioMed Realty
Status: Under Construction
Pre Leased%: N/A



Emeryville Center for Innovation

5300 Chiron Way - B4
RBA: 285,000 SF
Owner: BioMed Realty
Status: Under Construction (Phase I)
Pre Leased%: 100%



Public Market Redevelopment

5959 Shellmound Ave
RBA: 400,000 SF
Owner: Oxford Properties
Status: Under Renovation
Pre Leased%: N/A



Berkeley Commons

600 Addison St
RBA: 521,810 SF
Owner: Lane Partners
Status: Proposed
Pre Leased%: N/A



6200 Hollis

6200 Hollis
RBA: 16,600 SF
Owner: Bio Dojo
Status: Under Construction
Pre Leased%: N/A



6475 Christie Ave
RBA: 123,042 SF
Owner: Principal Financial Group
Status: Under Renovation
Pre Leased%: N/A



Parcel B

6200 Shellmound St
RBA: 150,000 SF
Owner: CCRP JV Oxford Properties
Status: Proposed
Pre Leased%: N/A



The Atrium

1650 65th St
RBA: 190,000 SF
Owner: Longfellow
Status: Under Renovation
Pre Leased%: N/A



Emeryville/Berkeley

Significant Projects & Proposed Development

- Under Construction/Renovation
- Proposed
- Delivered

Lab by Numbers



Submarket	Market Size (SF)	Avg. Vacancy Rate	Avg. Asking Rate	New Deliveries	Net Absorption
East Bay	11,260,628	8.7%	\$5.50 - \$7.00 NNN	489,859	(153,850)
San Francisco	4,017,822	15.0%	\$6.50 - \$8.00 NNN	-	13,145
S. San Francisco	8,898,090	6.0%	\$6.50 - \$7.75 NNN	220,872	490,688
San Mateo	6,741,431	7.5%	\$6.50 - \$8.00 NNN	-	29,433
Santa Clara	4,783,261	9.4%	\$5.50 - \$8.00 NNN	-	347,257
Total	35,701,232	8.6%	\$6.84/SF NNN	710,731	726,673

NIH Funding

1,102 Number of Awards Given **\$681,428,801** Total Awarded (\$USD)

These figures represent total NIH funding in Q3 2022.

VC Spotlight

66 Number of Deals Completed **\$1,979,000,000** Total Raised (\$USD)

These figures represent total Venture Capital funding in Q3 2022.

Largest Funding Rounds of Q3 2022



Rank #1
\$225.00M



Rank #2
\$220.81M



Rank #3
\$160.00M



Rank #4
\$150.00M



Rank #5
\$133.00M



Rank #6
\$100.00M



Rank #7
\$80.00M



Rank #8
\$65.00M

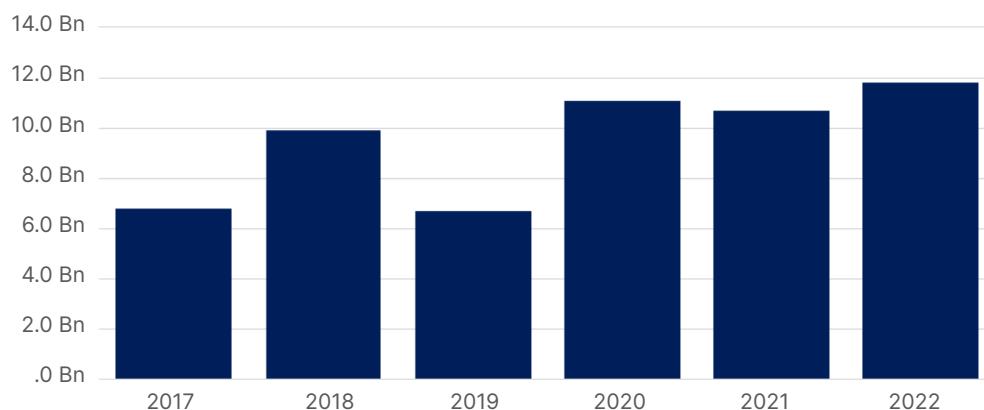


Rank #9
\$57.00M



Rank #10
\$55.00M

Life Science Funding (\$)



VC funding recorded \$3.1B

Despite raising record amounts of capital this year already, a large portion (25.4%) of total VC funding is linked to a single company, Altos Labs. If this outlier was removed, VC funding is at 82.4% of last year's total going into Q4 2022. QoQ funding has dropped by 36.6%.

Total Funding
2022 VC funding total YTD



Andrew McShea

Director, Life Science
Research & Analytics
415.394.1025
amcshea@cresa.com

Matt Elmquist

Managing Principal, Life Science
510.851.2004
melmquist@cresa.com

Stephen Carlson

Managing Principal, Life Science
510.381.9901
scarlson@cresa.com

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