

Q4 2022 Lab Market Overview

San Francisco Bay Area





Market Trends

Headwinds as a result of macro pressures

Investors are recommending their portfolio groups to be conservative in terms of growth over the next 12 months. Tenants are being advised to be cautious taking more space or making financial commitments than what is absolutely necessary.

Rental rates remain strong

Direct landlords have remained and will continue to remain confident in rental rates. Additional lease value will be found in the form of concessions rather than reduced rental rates.

More options for tenants

Influx of sublease supply has pushed up inventory, giving tenants leverage with more options than previously available. Direct landlords will have to compete with sublease supply as subleases provide potentially discounted rental rates, flexible lease terms, speed to occupancy, and minimal capital costs for buildouts.

Tenants in the Market

GRAIL

250,000 SF

Mitra Chem

150,000 SF

UCSF

150,000 SF

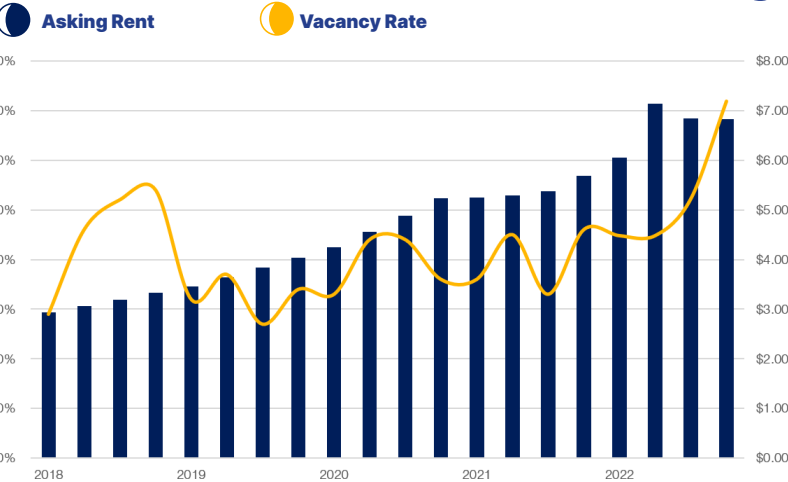
23andMe

125,000 SF

twelve

100,000 SF

Historical Rent & Vacancy



Market Movement

Lab Market Predictions

- 1. Sublease space will continue to come available and create opportunities for high-value/low capex solutions.
- 2. Lenders are becoming more conservative. Expect more scrutiny of tenant financials and landlords pushing for larger security deposits.

Notable Lease Transactions

Tenant	Address	City	Size (SF)	Type
Insitro	279 E Grand Avenue	South San Francisco	144,000	Renewal/Expansion
Exelixis	1410 Harbor Bay Parkway	Alameda	100,000	Expansion
Metagenomi	5959 Horton Street	Emeryville	75,622	Sublease
Vivani Medical	1350 S Loop Road	Alameda	43,645	Direct
Galvanize Therapeutics	3200 Bridge Parkway	Redwood City	39,793	Sublease
Prothena Biosciences	1800 Sierra Point Parkway	Brisbane	31,157	Sublease
Element Science	301 Chesapeake Drive	Redwood City	30,528	Sublease
Ambagon Therapeutics	2001 Junipero Serra Boulevard	Daly City	26,439	Direct
Kezar Life Sciences	4000 Shoreline Court	South San Francisco	24,357	Expansion
Cartography Biosciences	220 E Grand Avenue	South San Francisco	22,980	Sublease
Ashvattha Therapeutics	1235 Radio Road	Redwood City	22,875	Renewal/Expansion
Arcadia Biosciences	3100 San Pablo Avenue	Berkeley	22,213	Direct
Foundry Innovations	350 Parnassus Avenue	San Francisco	14,000	Direct
Asher Biotherapeutics	600 Gateway Boulevard	South San Francisco	13,875	Expansion

Notable Sale Transactions

Buyer	Address	City	Size (SF)	Price/SF
BioMed Realty	513 Eccles Avenue	South San Francisco	87,991	\$909/PSF
Gemini Rosemont	1828 El Camino Real	Burlingame	65,804	\$902/PSF

Market Review

San Francisco

San Francisco continues to remain stagnant in terms of activity. Net absorption recorded a negligible 23,711 square feet. Vacancy recorded 13.7%, largely due to 406K SF of inventory at Iona Labs at 1800 Owens. 350 Parnassus remains under renovation with spec suites delivering in Q3 of 2023. Notably, Foundry Innovation has leased 14,000 square feet at the project, sponsored by Rubicon Point Partners.

It is no surprise that the little activity is derived from new and upcoming development projects that are currently under construction as vacancy in existing lab remains extremely tight in San Francisco. Rubicon Point Partners also continues to build out their spec project at 1128 Market Street. The project is slated to deliver up to 79,000 square feet of lab space in Q3 2022. 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. Notably, Alexandria offloaded 20 percent of interest in the project at 1450 Owens Street as the sector cools.

Peninsula Market

The Peninsula continues to be the most dominant submarket in comparison to the rest of the Bay Area, recording 728,996 square feet of positive absorption. South San Francisco and San Mateo recorded a decrease in vacancy QoQ down to 2.4% and 5.3% of vacancy, respectively. The lowest in the Bay.

Of the notable transactions in the quarter, the Peninsula submarket accounted for 9 of the 14 (64.3%). Most notably, Insitro executed a renewal/expansion for a total of 144,000 square feet at 279 E Grand Avenue. 70,000 square feet of which was attributed to the renewal while expanding into the 4th and 5th floors. Other notable deals include Galvanize Therapeutics who subleased 39,793 square feet from Inflammatrix at Redwood LIFE, Prothena BioSciences who subleased 31,157 square feet from Arcus Biosciences at The Shore at Sierra Point, and Element Science who subleased 30,528 square feet from Genomic Health at 301 Chesapeake Drive in Redwood City.

Alexandria's project at 3160 Porter Drive in Palo Alto delivered in the quarter for a total of 92,147 square feet. Alexandria will house their new incubator, LaunchLabs, to help facilitate growth in early and growth stage life science companies. Kilroy's Oyster Point project has its sights set on Phase II of the project now at 384 Oyster Point Boulevard which will deliver 3 buildings known as N2 Gravitare. Phase II will deliver a total of 864,000 square feet in Q4 of 2023. Pear Village at 1300 La Avenida Street in Mountain View is also expected to deliver in Q4 of 2023 for an additional 233,545 square feet of lab space. The project is sponsored by Sobrato. 777 Airport Boulevard, a joint venture between Dune Real Estate and Lincoln Property, received approval in the quarter to demolish the existing office space and construct 400,000 square feet of lab space in Burlingame. Please refer to pg. 5 for additional under construction projects.

There were two sale transactions in the quarter, both of which occurred on the Peninsula. BioMed Realty purchased a 6-acre site at 513 Eccles Avenue. While there are no near-term plans to redevelop the site which currently operates as an Avis Rent-A-Car facility, the subject sits conveniently adjacent to the fifth phase of BioMed's final phase of their Gateway of Pacific project (a 2.2M SF life science development). Secondly, Gemini Rosemont purchased the 65,804-square foot Peninsula Life Science Center in Burlingame which sits at 1828 El Camino Real. The property is currently leased and anchored by three life science tenants.

East Bay

The East Bay recorded 83.6K SF of positive absorption in the quarter. Despite large vacancies coming online, like new vacant subleases from Berkeley Lights and Nutcracker Therapeutics at 5980 Horton Street in Emeryville, large new transactions helped offset these vacancies. Notably, Exelixis renewed and expanded for a total of 100,000 square feet at 1410 Harbor Bay Parkway in Alameda, just a few steps from their newly constructed HQ. Metagenomi sub-subleased two floors for a total of 75,622 square feet from Dynavax where Zymergen is the master tenant. Vivani Medical leased 43,645 square feet at The Loop in Alameda. Lastly, Arcadia Biosciences was among one of the first to lease space (22,213 square feet) at the new Foundry31 project in Berkeley at 3100 San Pablo Avenue. This project was delivered in shell condition last quarter.

Notable projects that remain under construction in the East Bay include Berkeley Commons, a two-building development by Lane Partners that will add 540,000 square feet of lab product to the Berkeley area. This project is expected to deliver mid-2024. SteelWave continues to build out their theLAB project after seeing an abundance of preleasing success in their Berkeley location. theLAB – Emeryville is set to deliver 75,240 square feet of lab product to the Emeryville area in 2023. BioMed Realty continues to make progress on their project at 5300 Chiron Way. Currently, Buildings 1 and 4 are under construction with Building 4 being close to finished. Both buildings are approximately 285,000 square feet each. After the Zymergen acquisition from Ginkgo Bioworks, this space has been listed for sublease without having been occupied.

There were no sale transactions in the East Bay for the quarter.

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 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 Peninsula Area

Forbes Research Center

494 Forbes Blvd - Bldg A & B

RBA: 342,000 SF

Owner: Healthpeak Properties

Status: Under Construction

Pre Leased%: 45.0%

1



Genesis - Marina

3000 Marina Blvd - Bldg 1, 2, & 3

RBA: 621,000 SF

Owner: Phase3

Status: Under Construction

Pre Leased%: 53.1%

2



Genesis @ 1400 Fashion Island

1400 Fashion Island Blvd

RBA: 212,000 SF

Owner: Phase3

Status: Under Construction

Pre Leased%: 0.0%

3



475 Eccles Ave

475 Eccles Ave - Bldg A & B

RBA: 306,700 SF

Owner: BioMed Realty

Status: Under Construction

Pre Leased%: 0.0%

4



Kilroy Oyster Point - N2 Gravitate

384 Oyster Point - Bldg D, E, & F

RBA: 864,000 SF

Owner: Kilroy

Status: Under Construction

Pre Leased%: 0.0%

5



Nexus on Grand

233 E Grand Ave

RBA: 148,413 SF

Owner: Healthpeak Properties

Status: Under Construction

Pre Leased%: 100.0%

6



777 Airport Blvd

777 Airport Blvd

RBA: 400,000 SF

Owner: Lincoln Property Company

JV Dune Real Estate Partners

Status: Approved

Pre Leased%: 0.0%

7



Sites Under Development

Under Construction /

Under Renovation

5.40M SF

Proposed Development

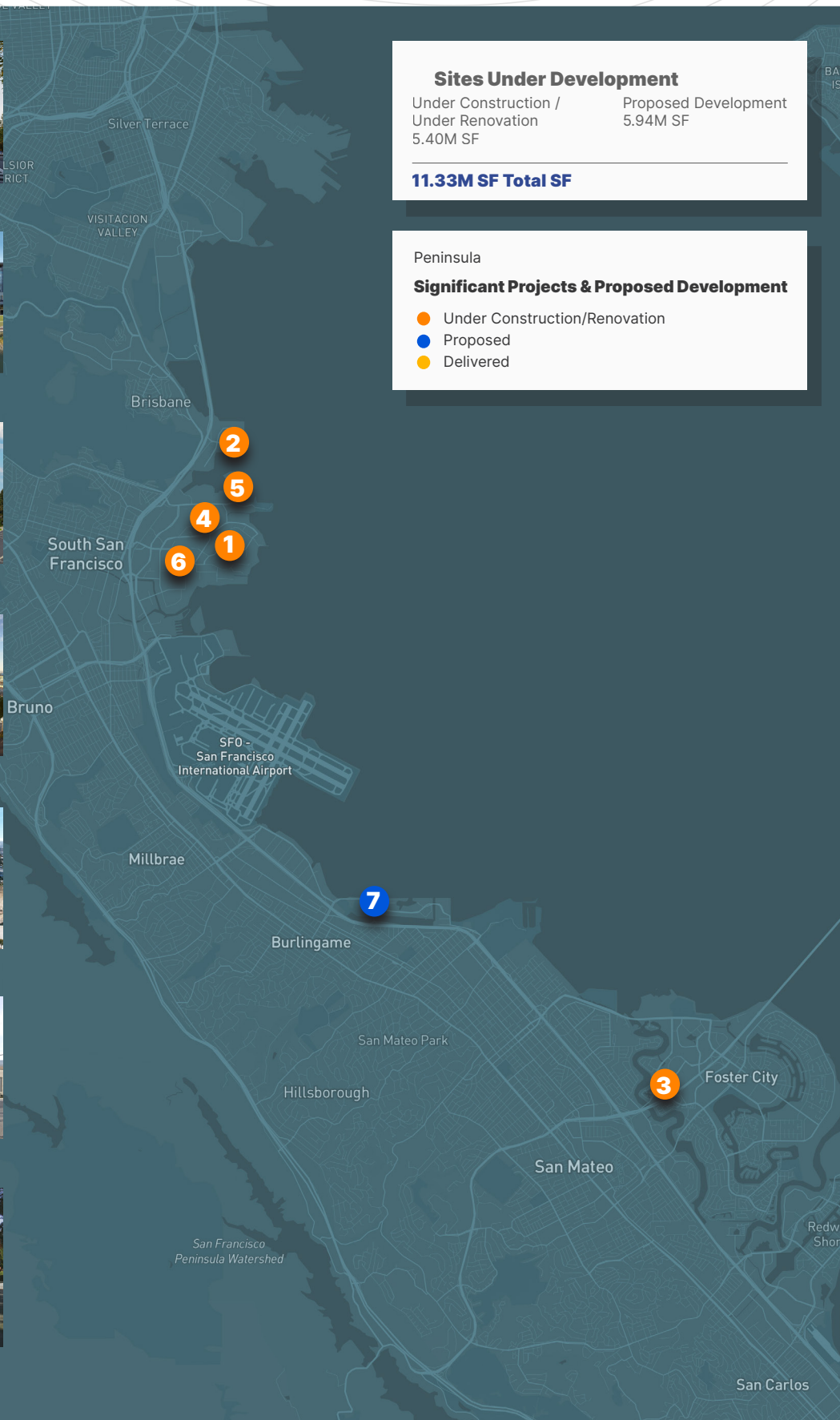
5.94M SF

11.33M SF Total SF

Peninsula

Significant Projects & Proposed Development

- Under Construction/Renovation
- Proposed
- Delivered



Lab by the Numbers



Submarket	Market Size (SF)	Avg. Vacancy Rate	Avg. Asking Rate	New Deliveries	Net Absorption
East Bay	11,993,940	9.5%	\$5.50 - \$7.00 NNN	16,600	83,647
San Francisco	4,017,822	13.7%	\$6.50 - \$8.00 NNN	-	23,711
S. San Francisco	9,013,725	2.4%	\$6.50 - \$7.75 NNN	-	448,731
San Mateo	6,404,301	5.3%	\$6.50 - \$8.00 NNN	92,147	280,265
Santa Clara	4,816,950	7.5%	\$5.50 - \$8.00 NNN	-	(34,689)
Total	36,246,738	7.2%	\$6.82/SF NNN	108,747	801,665

NIH Funding

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

These figures represent total NIH funding in Q4 2022.

VC Spotlight

67 Number of Deals Completed **\$1,406,000,000** Total Raised (\$USD)

These figures represent total Venture Capital funding in Q4 2022.

Largest Funding Rounds of Q3 2022



Rank #1
\$149.00M



Rank #2
\$120.00M



Rank #3
\$100.00M



Rank #4
\$83.00M



Rank #5
\$78.00M



Rank #6
\$72.00M



Rank #7
\$70.65M



Rank #8
\$70.00M

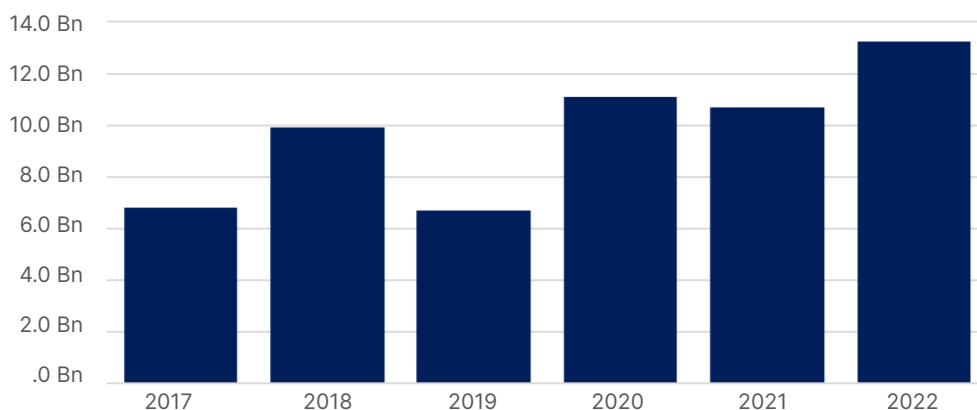


Rank #9
\$67.00M



Rank #10
\$47.34M

Life Science Funding (\$)



VC funding recorded \$3.1B

While funding in the Bay Area surpassed last year's total, 22.5% of 2022's total funding is linked to a \$3Bn round from Altos Labs. If you remove the outlier, funding in the Bay matched 2021's total which is a positive sign for the sector as a whole.

Total Funding
2022 VC funding total YTD



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