

FIGURES | SAN FRANCISCO BAY AREA | Q4 2022

San Francisco Bay Area Life Sciences Figures

▲ 6.3%
Vacancy Rate

▲ -95,448
SF Net Absorption

▲ 9.26M
SF Under Construction
(includes conversions)

▶ \$5.97
NNN / Lease Rate
Existing Properties

▲ 153.2K
Life Science Industry Employment
San Francisco & San Jose MSA

▶ 5.6M
SF Active and Pending
Tenants in the Market

Note: Arrows indicate change from previous quarter.

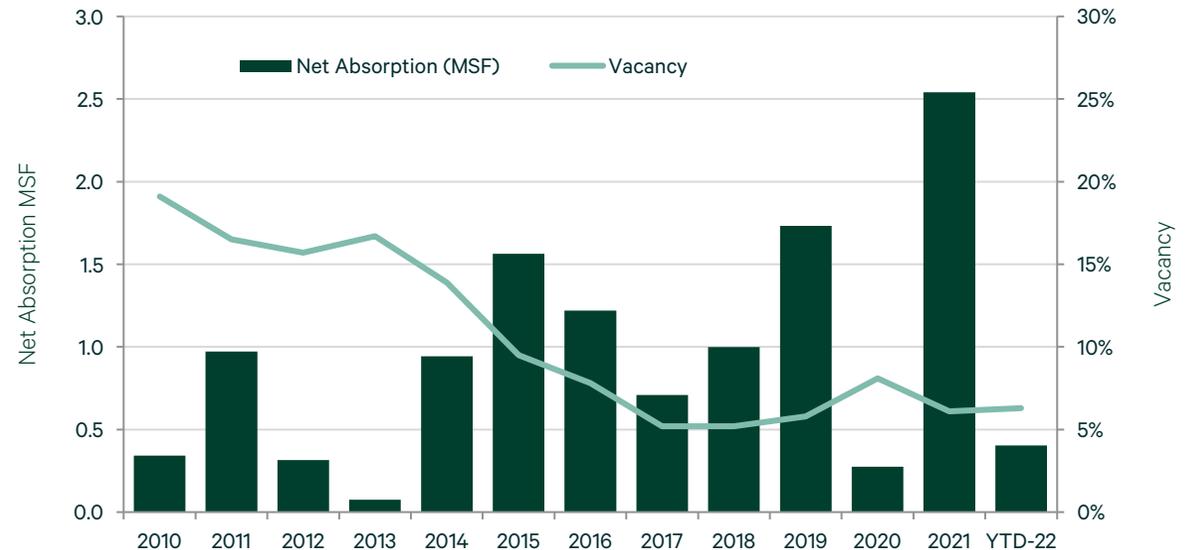
LIFE SCIENCES EMPLOYMENT

The San Francisco Bay Area (Bay Area) life sciences industry draws from a deep labor pool of existing life sciences companies. The combined three industry sectors represented 153,240 total jobs in the core Bay Area market in Q4 2022. Moreover, these sectors have only accelerated during the pandemic, increasing by 20% from their combined level of 127,270 in Q1 2020. The Bay Area is a premier, global life sciences hub and ranks among the top regions in the U.S. for premier life sciences facilities and talent.

LIFE SCIENCES OVERVIEW

The Bay Area life sciences market commenced 2022 with the poise and momentum following a record setting year in 2021, when both gross leasing activity and net absorption set all-time highs, respectively. Through the first half of 2022, the life sciences market sustained momentum but began to shed some space during the latter half of 2022 as both geopolitical and macroeconomic uncertainty became more pronounced. In contrast, life sciences activity has fared better than its peer group (office and tech-R&D) based on the necessity of lab space utilization, emphasized by the role life sciences has played throughout the pandemic and prior, providing research and therapeutics in the prevention and mitigation of diseases. For the year, net absorption totaled 404,404 sq. ft. while the overall vacancy ended Q4 2022 at 6.3%, slightly above Q4 2021.

FIGURE 1: San Francisco Bay Area Vacancy & Net Absorption Trend



Source: CBRE Research

LIFE SCIENCES OVERVIEW (continued)

At the close of 2022, the total inventory of specialized life sciences facilities in the Bay Area stood at 33.8 million sq. ft.. The largest market, San Francisco Peninsula (17.1 million sq. ft.), ended the quarter with vacancy at 5.3%, up 70 bps from the previous quarter, and the highest average market rent in the region at \$7.06 per sq. ft. NNN on a monthly basis. The second largest market, Oakland, ended the quarter with vacancy at 5.5% and an average market rent of \$5.29 NNN.

Development activity persisted in Q4 2022 but with fewer new projects breaking ground during the quarter given the rapidly rising interest rates and ongoing supply chain issues, which have presented barriers to entry for ground up development. Many life sciences developers have turned to the repositioning of functionally obsolete office buildings to meet the growing demand of this sector. At the close of Q4 2022, there was a total of 26 life sciences buildings under construction in the Bay Area amounting to 6.74 million sq. ft. of net rentable area. Additionally, 19 conversion projects were underway totaling 2.52 million sq. ft.. Preleasing activity of new construction was 16 of the total while preleasing in conversion buildings hit 16% at the close of Q4 2022.

Leasing activity showed an improvement in the final quarter of 2022 at 818,830 sq. ft. but was still 39% less than the same period a year ago when it totaled 1.3 million sq. ft.. In total, there were six leases signed during Q4 2022 above 50,000 sq. ft. and two above 100,000 sq. ft.. The top lease of the quarter was signed by Insitro who renewed and expanded into 143,188 sq. ft. at 279 East Grand Ave. in South San Francisco.

Even amid growing concerns of a looming economic recession that could hit as early as 2023, the Bay Area life sciences market is more resilient to these headwinds given its legacy as the birthplace of life sciences and home to world-renowned companies in the sector. Moreover, elevated (in the historical context) NIH, venture capital, and private equity funding will continue to be the economic accelerant of further growth and prosperity throughout the sector and region.

Source: CBRE Research

FIGURE 2: San Francisco Bay Area Submarket Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Direct Vacant (Sq. Ft.)	Sublease Vacant (Sq. Ft.)	Total Vacancy (%)	Total Availability (%)	Average Rent Class A	Average Rent Overall	Qrtly. Net Abs.	YTD Net Abs.
North 880 Corridor	5,729,179	113,777	123,384	4.1%	5.55%	\$6.58	\$5.91	90,522	437,410
Central 880 Corridor	2,094,737	91,648	97,689	9.0%	14.81%	\$4.25	\$4.89	-41,175	77,515
Oakland	7,823,916	205,425	221,073	5.5%	8.1%	\$5.29	\$5.35	49,347	514,925
I-680 Corridor	1,407,718	84,626	37,383	8.7%	9.8%	\$3.25	\$3.00	9,925	9,097
South 880 Corridor	2,828,075	115,244	72,500	6.6%	9.2%	\$4.50	\$4.25	-5,580	-178,850
Central Silicon Valley	2,328,773	70,120	0	3.0%	4.3%	N/A	\$4.00	31,969	51,035
Northern Silicon Valley	1,238,403	232,143	50,456	22.8%	28.5%	N/A	\$4.00	0	-9,596
Silicon Valley	6,395,251	417,507	122,956	8.5%	11.1%	N/A	\$4.25	26,389	-137,411
Northern Peninsula	10,078,673	336,012	147,328	4.8%	9.1%	\$7.50	\$7.00	-49,150	274,574
Central Peninsula	4,364,426	72,456	136,670	4.8%	10.5%	\$7.41	\$6.95	-106,142	-127,565
Southern Peninsula	2,632,848	188,677	21,707	8.0%	14.0%	\$7.50	\$7.25	-18,718	-69,214
San Francisco Peninsula	17,075,947	597,145	305,705	5.3%	10.5%	\$7.47	\$7.06	-174,010	77,795
San Francisco	1,050,186	78,828	60,030	13.2%	18.6%	\$8.00	\$6.50	-7,099	-60,002
Total Bay Area Market	33,753,018	1,383,531	747,147	6.3%	10.3%	\$7.10	\$5.97	-95,448	404,404

FIGURE 3: San Francisco Bay Area Notable Projects Under Construction



Kilroy Oyster Point Ph. II
 Developer: Kilroy Realty
 Size: 900,000 SF
 Preleased: 0%
 Delivery: 2024-2025



Genesis Marina
 Developer: Phase 3
 Size: 575,000 SF
 Preleased: 58%
 Delivery: 2023



ARE Millbrae - 201 Adrian
 Developer: ARE
 Size: 557,000 SF
 Preleased: 51%
 Delivery: 2024-2025

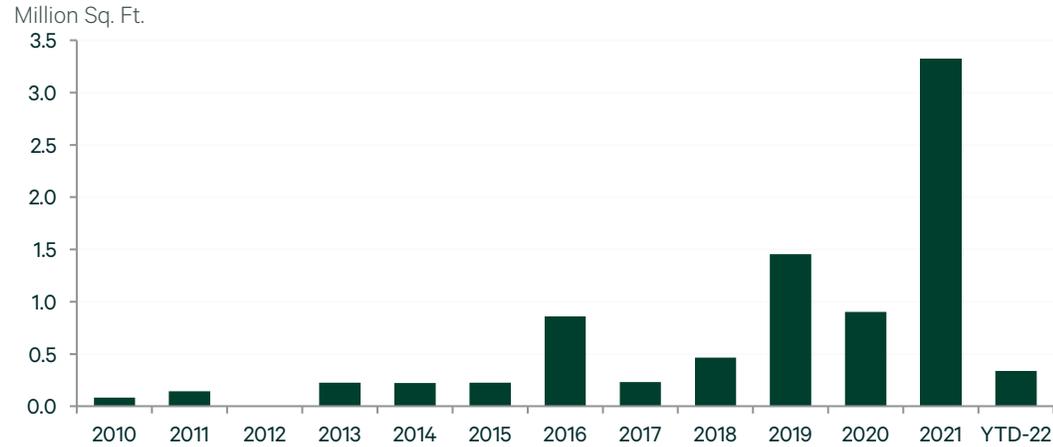


South City Station
 Developer: IQHQ
 Size: 355,000 SF
 Preleased: 0%
 Delivery: 2024



Vantage - 494 Forbes
 Developer: Confidential
 Size: 343,036 SF
 Preleased: 45%
 Delivery: 2023

FIGURE 4: San Francisco Bay Area Life Sciences Construction Deliveries Trend



Source: CBRE Research

FIGURE 5: San Francisco Bay Area Notable Life Sciences Lease Transactions Q4 2022

Tenant	Submarket	SF Leased	Type
Insitro	San Francisco Peninsula	143,188	Renewal /Expansion
Confidential	Oakland	100,335	New Lease
Bio-Techne (ProteinSimple)	Silicon Valley	97,890	Renewal
Metagenomi	Oakland	75,662	Sublease
Confidential	San Francisco Peninsula	56,658	New Lease
Bionova Scientific	Silicon Valley	55,000	New Lease
Kezar Life Sciences	San Francisco Peninsula	48,714	Renewal
Confidential	San Francisco Peninsula	44,819	Expansion
Vivani Medical Inc.	Oakland	43,645	New Lease

Source: CBRE Research

FIGURE 6: San Francisco Bay Area Life Sciences Rental Rate Trend Q4 2022



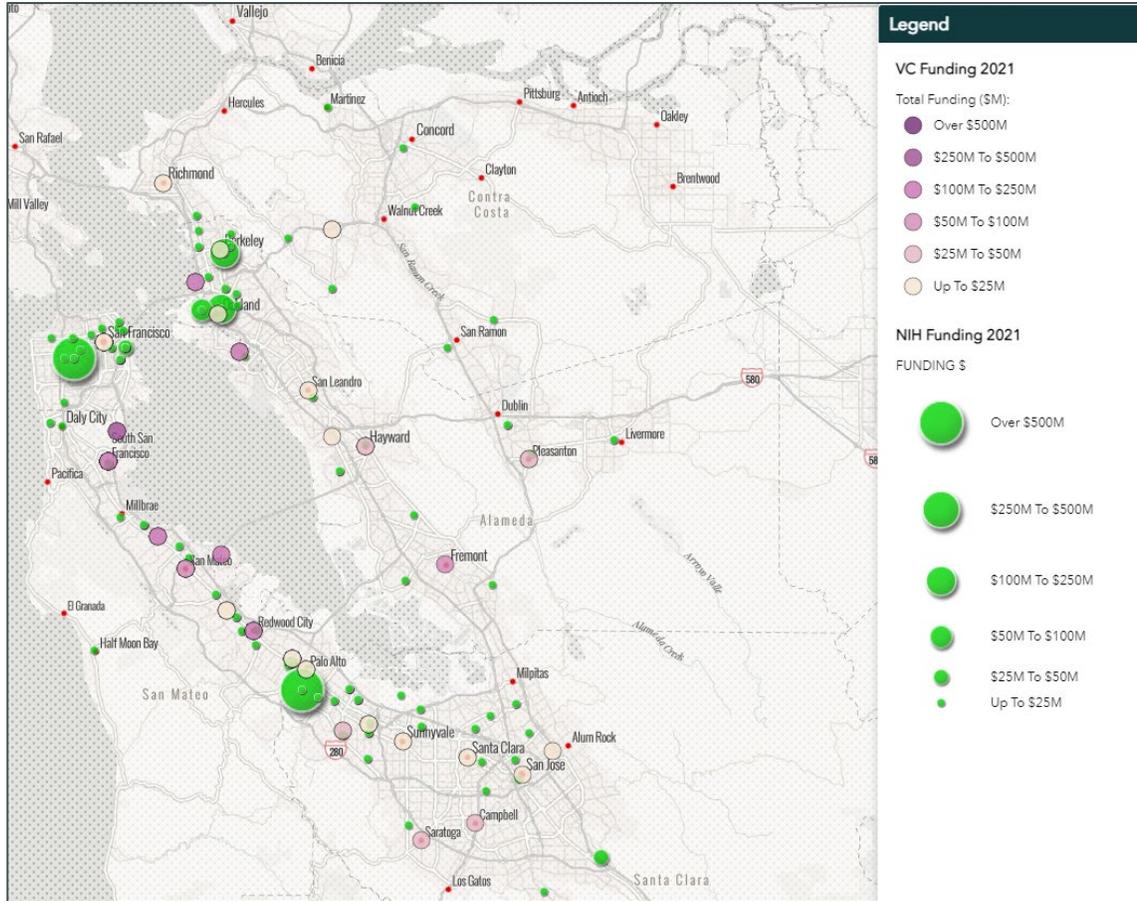
Source: CBRE Research

FIGURE 7: San Francisco Bay Area Top Life Sciences Occupiers

Company Name	
Genentech, Inc. / Roche	Zymergen
Abbott Laboratories	Bayer
Gilead Sciences, Inc.	Merck
BioMarin Pharmaceutical, Inc	Freenome
Bristol Myers Squibb	Pacific Biosciences
Amgen Inc.	Mylan
Exelixis	Guardant Health
Verily	Cytokinetics, Inc.
AbbVie	Nektar Therapeutics
Penumbra	Johnson & Johnson

Source: CBRE Research

Market Map (Bay Area Life Sciences Venture Capital and National Institute of Health Funding)



Source: CBRE Research, Location Intelligence

Definitions

Life Sciences Methodology: highly specialized facilities with exceptional power, plumbing, ventilation, and extensive laboratory buildout, which meets current life sciences user needs.

Leasable Inventory SF: specialized life sciences inventory or lab space that is owned by an investor / developer and leased to a life sciences company, **Direct Vacant SF:** available vacant space marketed by a landlord of a life sciences facility. **Sublease Vacant SF:** available vacant space marketed by a sublessor of a life sciences facility. **Vacancy Rate:** sum of direct and sublease vacant SF divided by leasable inventory SF. **Availability Rate:** total available occupied and vacant space marketed by a landlord or sublessor divided by leasable inventory SF. **Class A Rent NNN:** average prime rent for newly constructed life sciences facilities. **Market Rent NNN:** average rent achieved for second and third generation life sciences facilities. **Under Construction:** projects currently under development and scheduled for completion beyond reporting quarter. **Deliveries:** projects delivered over a specified timeframe. **Net Absorption:** change in previously occupied space, measured in SF and recorded as a positive value for occupancy growth or negative for reduction. Life science occupations are in pharmaceutical and medicine manufacturing and scientific research and development services. **Life Science Industry Employment:** Pharmaceutical and medicine manufacturing; Scientific research and development services; and navigational, measuring, electromedical, and control instruments manufacturing. **Geographies:** North 880 Corridor (Richmond, Berkeley, Emeryville, and Alameda); Central 880 Corridor (San Leandro, Hayward, and Union City); 680 Corridor (Livermore and Pleasanton); South 880 Corridor (Newark, Fremont, and Milpitas); Central Silicon Valley (San Jose, Santa Clara, Campbell, and Los Gatos); Northern Silicon Valley (Cupertino, Sunnyvale, and Mountain View); Southern Peninsula (Palo Alto and Menlo Park); Central Peninsula (San Mateo, Foster City, Redwood City, Belmont, San Carlos); Northern Peninsula (Brisbane, South San Francisco, and Burlingame); and San Francisco.

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