

FIGURES | SAN FRANCISCO PENINSULA | Q4 2022

San Francisco Peninsula R&D Figures

▲ 7.2%
Vacancy Rate

▲ -432K
SF Net Absorption

▲ 5.0M
SF Under Construction

▲ \$7.30
NNN / Lease Rate
Existing Properties

▼ 175K
Office / R&D Using Employment
San Mateo County

Note: Arrows indicate change from previous quarter.

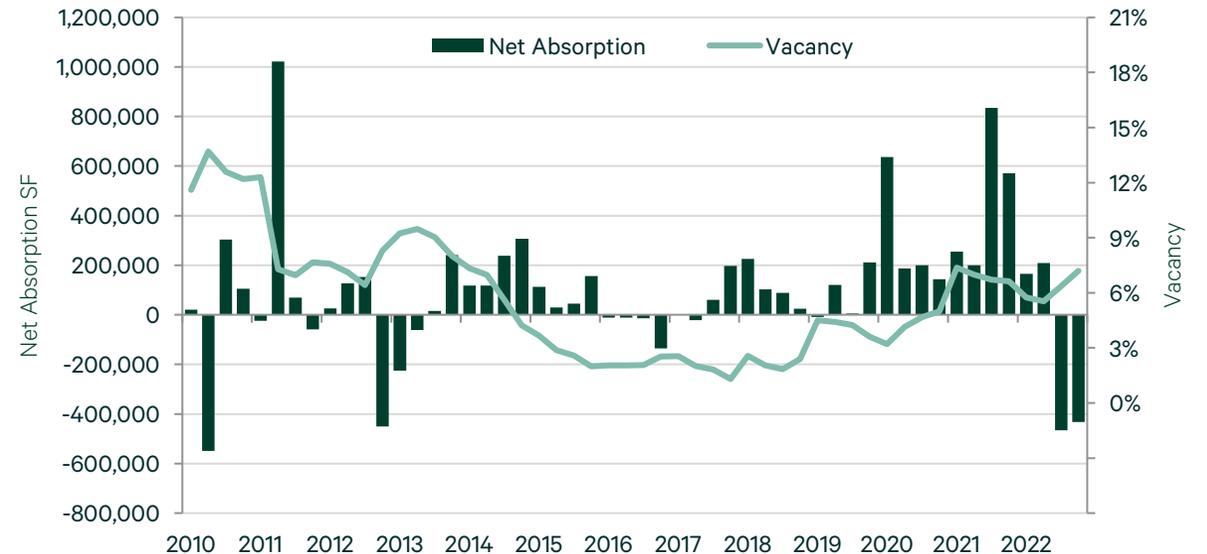
EMPLOYMENT

The San Francisco Peninsula is primarily comprised of San Mateo County and is home to 744,400 residents with a labor force of 455,400. At the close of Q4 2022, the total resident employment count was 444,900, up 20,400 jobs year-over-year. 15,800 San Francisco Peninsula employed residents commute out of the county, decreasing the employment base total to 429,100. The unemployment rate for the San Francisco Peninsula resident population in Q4 2022 remained stagnant at 2.3%. Q4 2022 Office/R&D sector jobs in San Mateo County, inclusive of in-market employment, hit 175,200 jobs. Office/R&D sector jobs are forecasted to fall by 2,000 jobs year-over-year and close out Q4 2023 with 173,200 employees.

R&D OVERVIEW

The performance of the San Francisco Peninsula R&D Market remained relatively level closing out the year, ending Q4 2022 with 432,076 sq. ft. of negative net absorption. Demand for R&D/Life Science space along the Peninsula contracted slightly through Q4 2022 with 777,442 sq. ft. of gross leasing activity, while both market wide vacancy and availability observed notable upticks. Tenant demand for R&D/Life Science product on the San Francisco Peninsula ticked up to 3.0 million sq. ft. in active requirements through Q4 2022, shedding some hopeful light for the future of the market heading into the new year.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

R&D OVERVIEW (continued)

Market-wide vacancy along the San Francisco Peninsula increased 80 basis points (bps) quarter-over-quarter to 7.2% in Q4 2022, while availability rose 110 bps to 10.1% in Q4 2022. Despite increases in both vacancy and availability in Q4, tenant demand for R&D/Life Science product observed yet another noteworthy increase, ending Q4 2022 with 3.0 million sq. ft. in active requirements, an increase of about 300,000 sq. ft. from Q3 2022.

The San Francisco Peninsula R&D/Life Science Market recorded its second consecutive single-quarter occupancy loss, ending Q4 2022 with 432,076 sq. ft. of negative net absorption. Redwood City solidified itself as the strongest submarket in Q4 2022, closing the quarter with 44,917 sq. ft. of positive net absorption. Palo Alto once again trailed the pack, ending Q4 2022 with 214,574 sq. ft. of negative net absorption.

Insitro inked the largest lease transaction of the quarter, renewing and expanding within their current building at 279 E. Grand Ave. in South San Francisco for a total of 143,188 sq. ft.. The largest R&D sale of Q4 2022 was that of 2850-2860 W Bayshore Rd. in Palo Alto. Bay Area based real estate firm SummerHill Housing Group purchased the 32,639 sq. ft. R&D building for \$27.5 Million.

The market-wide average asking lease rate for the R&D/Life Science market on the San Francisco Peninsula observed a healthy increase to \$7.30 NNN in Q4 2022. With increasing amounts of brand new Class A+ R&D/Life Science product coming online within the coming year, average asking lease rates could continue to fluctuate.

There were no new construction completions in Q4 2022. Construction activity within the San Francisco Peninsula R&D/Life Science market remained healthy and relatively unchanged through Q4 2022, closing the quarter with just under 5.0 million sq. ft. currently under construction. Just over 21% of projects under construction are pre-leased through the end of 2022, providing ample opportunity for life science companies to snatch up rare, Class A+ product.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Lease Rate (\$)	Q4 Net Absorption	YTD Net Absorption
Brisbane	1,445,520	1.9	3.9	6.92	31,157	41,531
South San Francisco	9,585,582	4.7	8.6	6.95	(81,999)	181,508
San Bruno/Millbrae	107,582	13.1	13.1	2.50	0	(7,026)
Burlingame	698,102	5.7	5.7	1.85	2,660	(4,783)
North County	11,837,056	4.5	7.9	6.76	(48,182)	211,230
San Mateo	220,793	1.9	1.9	6.88	0	7,600
Foster City	1,198,850	6.3	10.0	6.50	(60,347)	(54,342)
Belmont	871,110	3.9	3.9	6.30	(2,370)	(29,880)
San Carlos	3,599,865	4.8	11.2	7.11	(108,008)	(70,638)
Redwood City	4,331,620	4.2	4.9	6.79	44,917	24,260
Central County	10,222,238	4.6	7.6	6.93	(125,808)	(123,000)
Menlo Park	2,969,309	3.9	7.6	7.13	(43,512)	(46,755)
Palo Alto	11,180,987	13.3	15.4	7.72	(214,574)	(564,533)
South County	14,150,296	11.4	13.8	7.67	(258,086)	(611,288)
Total Market	36,209,590	7.2	10.1	7.30	(432,076)	(523,058)

Source: CBRE Research

FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	Address	SF Leased	Lease Type
Insitro	279 E Grand Ave., South San Francisco	143,188	Renewal/Expansion
Confidential	230 E Grand Ave., South San Francisco	56,658	New Lease
Kezar Life Sciences	4000 Shoreline Ct., South San Francisco	47,714	Renewal/Expansion
Confidential	3176 Porter Dr., Palo Alto	46,759	New Lease

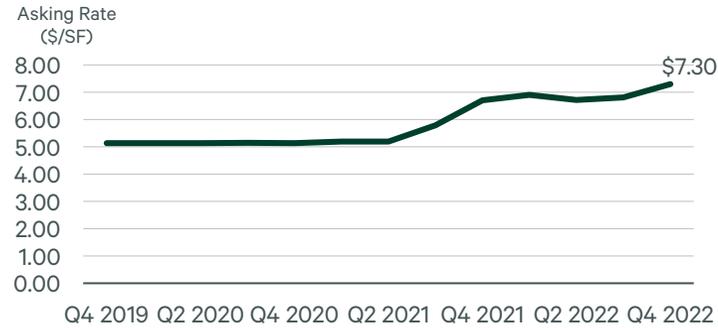
Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q4 2022

Buyer	City	Bldg. SF	Acres	Sale Price
Summerhill Housing Group	2850-2860 W Bayshore Rd., Palo Alto	32,639	2.3	\$27.5M
Robert Williamson	1710 Industrial Rd., San Carlos	19,310	1.0	\$8.5M

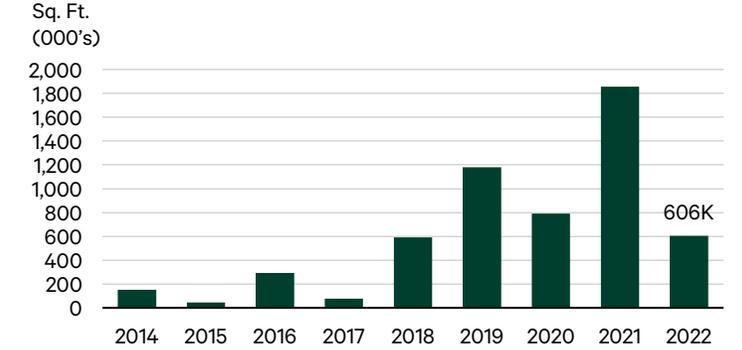
Source: CBRE Research

FIGURE 5: Lease Rates



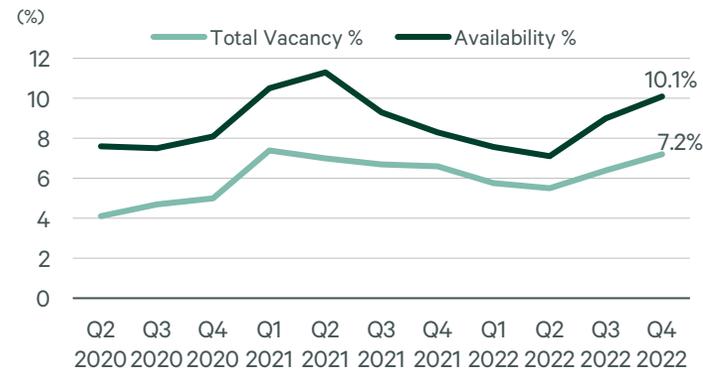
Source: CBRE Research

FIGURE 7: Construction Completions



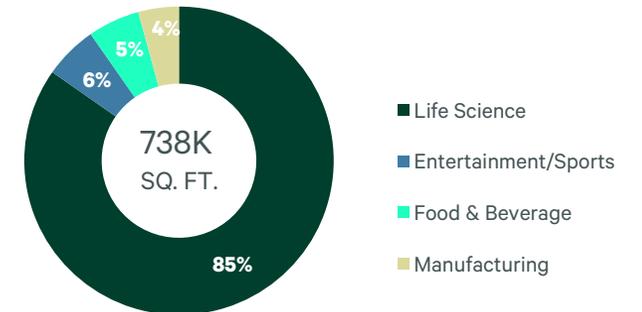
Source: CBRE Research

FIGURE 6: Vacancy & Availability



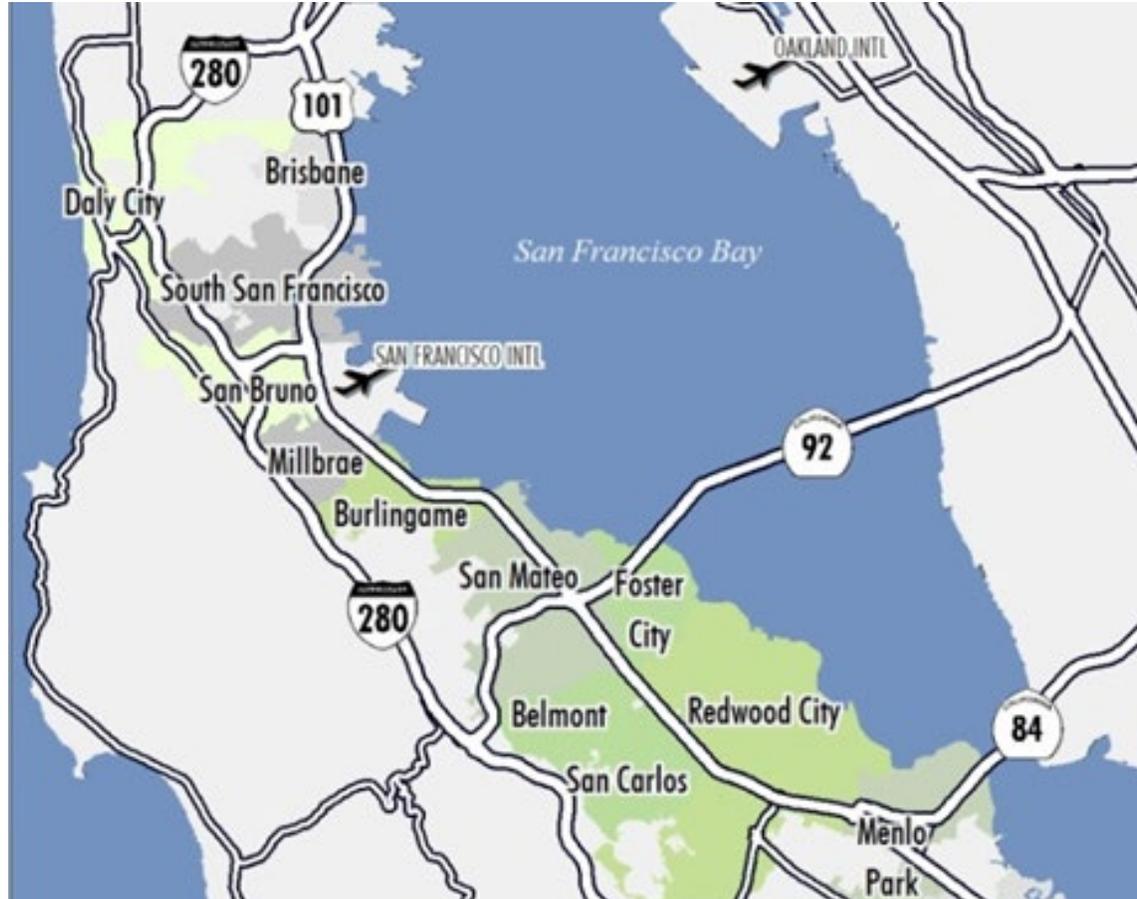
Source: CBRE Research

FIGURE 8: Top 20 Leases of the Quarter by Industry



Source: CBRE Research

Submarket Map



Source: CBRE Research, Location Intelligence

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Definitions

Average Asking Rate Direct Monthly Lease Rates., Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant R&D buildings that total 7,500+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Contacts

Shane Forker

Senior Field Research Analyst
+1 650 494 5156
Shane.Forker@cbre.com

Emiko Akama-Garren

Field Research Analyst
+1 650 494 5180
Emiko.AkamaGarren@cbre.com

Konrad Knutsen

Associate Director, Northern CA
+1 916 446 8292
konrad.knutsen@cbre.com

San Francisco Peninsula Office

400 Hamilton Ave, 4th Floor
Palo Alto, CA 94031

