

Q4 2023 Lab Market Overview

San Francisco Bay Area





Market Trends

With a focus on conserving cash, many tenants in 2023 remained in a holding pattern with new leasing activity.

In the Bay Area, many tenants subleased their spaces. From Q4 2022 to Q4 2023, sublease vacancy increased from 1.6% to 4.0% with even more subleases being offered as available.

The market delivered 2.2MSF in newly constructed product in 2023 with 6.9MSF still under construction. Many of these projects broke ground while demand was at an all time high and the delivery of the product will contribute to upwards pressure on vacancy and contribute to over supply in the market.

Tenants in the Market



300,000 SF



200,000 SF

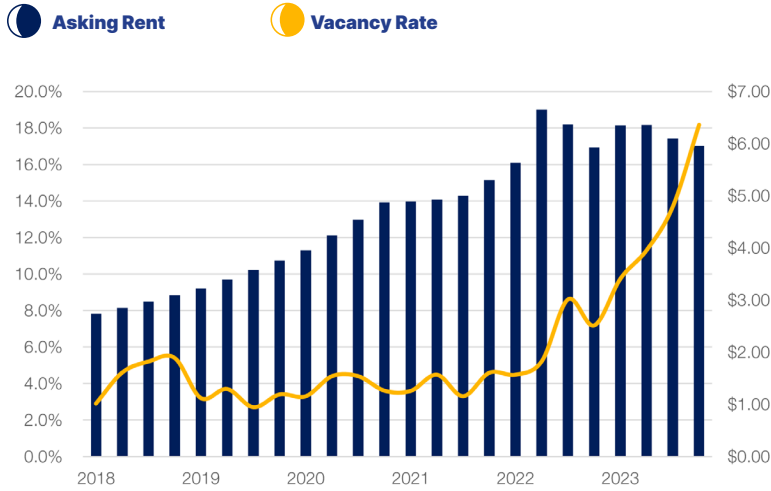


100,000 SF



90,000 SF

Historical Rent & Vacancy



Source: Cresa Research, Costar

Market Movement

Occupier's Perspective Looking Ahead in 2024

1. Due to an increased amount of sublease space and spec labs from eager landlords in 2023, there is an abundance of opportunity for mitigating upfront capex.
2. Given elevated availability levels in the market, both direct and sublandlords are competing to land occupiers. As a result, expect more negotiation leverage and optionality.

Notable Lease Transactions

| Tenant | Address | City | Size | Type |
|-----------------------|--------------------------|---------------------|--------|----------------------------|
| Cargo Therapeutics | 835 Industrial Road | San Carlos | 99,557 | Direct |
| Thermo Fisher | 3301-3521 Leonard Court | Santa Clara | 95,095 | Renewal |
| Altos Labs | Multiple | Redwood City | 72,606 | Renewal |
| Rani Therapeutics | 47703 Fremont Blvd | Fremont | 33,340 | Direct |
| Soleil Labs | 233 Grand Avenue | South San Francisco | 32,113 | Sublease |
| Initial Therapeutics | 285 Grand Avenue | South San Francisco | 32,000 | Sublease Renewal/Expansion |
| JLabs | 329 Oyster Point Blvd | South San Francisco | 29,774 | Renewal |
| Addition Therapeutics | 201 Haskins Way | South San Francisco | 25,831 | Sublease |
| Astellas Pharma | 494 Forbes Blvd | South San Francisco | 23,181 | Direct |
| Link Cell Therapies | 201 Haskins Way | South San Francisco | 15,212 | Sublease |
| Centivax | 1 Tower Place | South San Francisco | 14,209 | Direct |
| Tenaya Therapeutics | 131 Oyster Point Blvd | South San Francisco | 13,264 | Sublease Renewal |
| PinkDx | 2001 Junipero Serra Blvd | Daly City | 8,000 | Direct |

Sale Transaction

| Buyer | Address | City | Size | Price |
|---------------------|------------------------|-------------|--------------|-----------|
| Intuitive Surgical* | 3655 & 3689 Kifer Road | Santa Clara | 325,054 Sqft | \$468/PSF |
| Intuitive Surgical* | 2999 San Ysidro Way | Santa Clara | 15,924 Sqft | \$314/PSF |

* Note: Intuitive Surgical bought the properties as a portfolio transaction.

Market Review

San Francisco

San Francisco recorded very little activity with just 57,000 square feet of negative absorption. A few labs on the smaller side were vacated in the Mission Bay area.

The most notable activity in the San Francisco submarket was construction deliveries. DIVCO finished their infrastructure redevelopment at 550 Terry A Francois Boulevard which added 306,000 square feet of lab shell to the market. Additionally, Alexandria has completed 215,000 square feet at their 1450 Owens project. Given the lack of demand and non-existent pre-leasing at the projects, the collective deliveries added an additional 11.9% of vacancy to the submarket. Total vacancy rose to 34.7% in San Francisco.

No life science lease or sale transactions were recorded for the quarter.

Peninsula Market

The Peninsula submarket recorded just 87,000 square feet of positive absorption. Despite construction deliveries and more subleases coming to market, the additional space added to market was offset by 368,000 square feet of leasing activity along the Peninsula. Vacancy in South San Francisco jumped from 13.5% to 15.7% QoQ, largely due to new construction. Most notably, Cargo Therapeutics leased 99,500 square feet at 835 Industrial Road in San Carlos. Atreca terminated while Cargo leased directly with Alexandria. Altos Labs renewed 73,000 square feet across multiple facilities in their Redwood LIFE portfolio.

Of the submarkets with the most leasing activity, South San Francisco dominated in Q4 2023. South City alone accounted for 53.3% of the total number of deals and 37.3% of total rentable area leased. Soleil Labs (32,100 square feet, sublease), Initial Therapeutics (32,000 square feet, sublease renewal/expansion), JLABs (29,700 square feet, renewal), Addition Therapeutics (25,800 square feet, sublease/direct extension) and Astellas Pharma (23,200 square feet, direct) to name a few.

On the construction front, the Peninsula recorded 325,000 square feet of new deliveries. BioMed Realty delivered 471 & 475 Eccles Avenue (162,500 square feet each) to South San Francisco. Tarlton Properties broke ground on their project at 1350 Adams Court in Menlo Park. The project will be called Menlo Park Labs and is expected to deliver nearly 270,000 square feet. Of the 6.9M square feet in the development pipeline, 5.8M square feet is currently under construction on the Peninsula with 2.4M square feet of that product under construction in South San Francisco specifically.

There were no recorded life science sale transactions for the quarter.

East Bay

After hovering between 9.0% and 10.0% vacancy over the last several years, the East Bay recorded a significant jump up to 15.3% in the quarter. This is largely attributed to a few large vacancies coming online, specifically at Longfellow's Atrium project (192,200 square feet) and BioMed Realty's first phase of Emery Yards (285,000 square feet) which have both recently been delivered. Additionally, a few smaller 20,000-50,000 square foot labs were put onto the direct market which contributed to 115,600 square feet of negative net absorption in the quarter. After signing a monster deal for 285,000 square feet at 5300 Chiron Way in Emeryville, headwinds for Zymergen have caused them to terminate the lease, bringing back the space on a direct basis to the East Bay submarket.

In terms of development pipeline, the East Bay contains just 968,800 square feet of under construction product of the 6.9M square feet, or 14.1%. That figure is made up of Berkeley Commons, theLAB, Bay Center, and the Jelly Bean Square redevelopment.

Leasing activity in the East Bay was light in Q4 2023. The only notable transaction came from Rani Therapeutics who leased 33,300 square feet on a direct basis at 47703 Fremont Boulevard in Fremont. The company is doubling their original footprint.

No life science sale transactions were recorded in the East Bay during the quarter.

Santa Clara

Santa Clara's vacancy remained relatively unchanged at 12.3%. Few spaces came online with few leasing transactions. The jump in the total Bay Area market vacancy is attributable to the large jumps in the other submarkets in the Bay.

Most notably, Thermo Fisher renewed 95,100 square feet at their facility in Santa Clara at 3301-3521 Leonard Court. The only other transaction recorded was a small 1,800 square foot lease by Quantal Technology who leased a new facility on a direct basis at 297 Bernardo Avenue in Mountain View.

In terms of construction, Sobrato's Pear Village at 1300 La Avenida Street in Mountain View delivered 233,500 square feet in the Santa Clara submarket. There is currently no other product in the development pipeline in Santa Clara following the completion of Pear Village.

Development Pipeline

The map below highlights select developments in the Peninsula

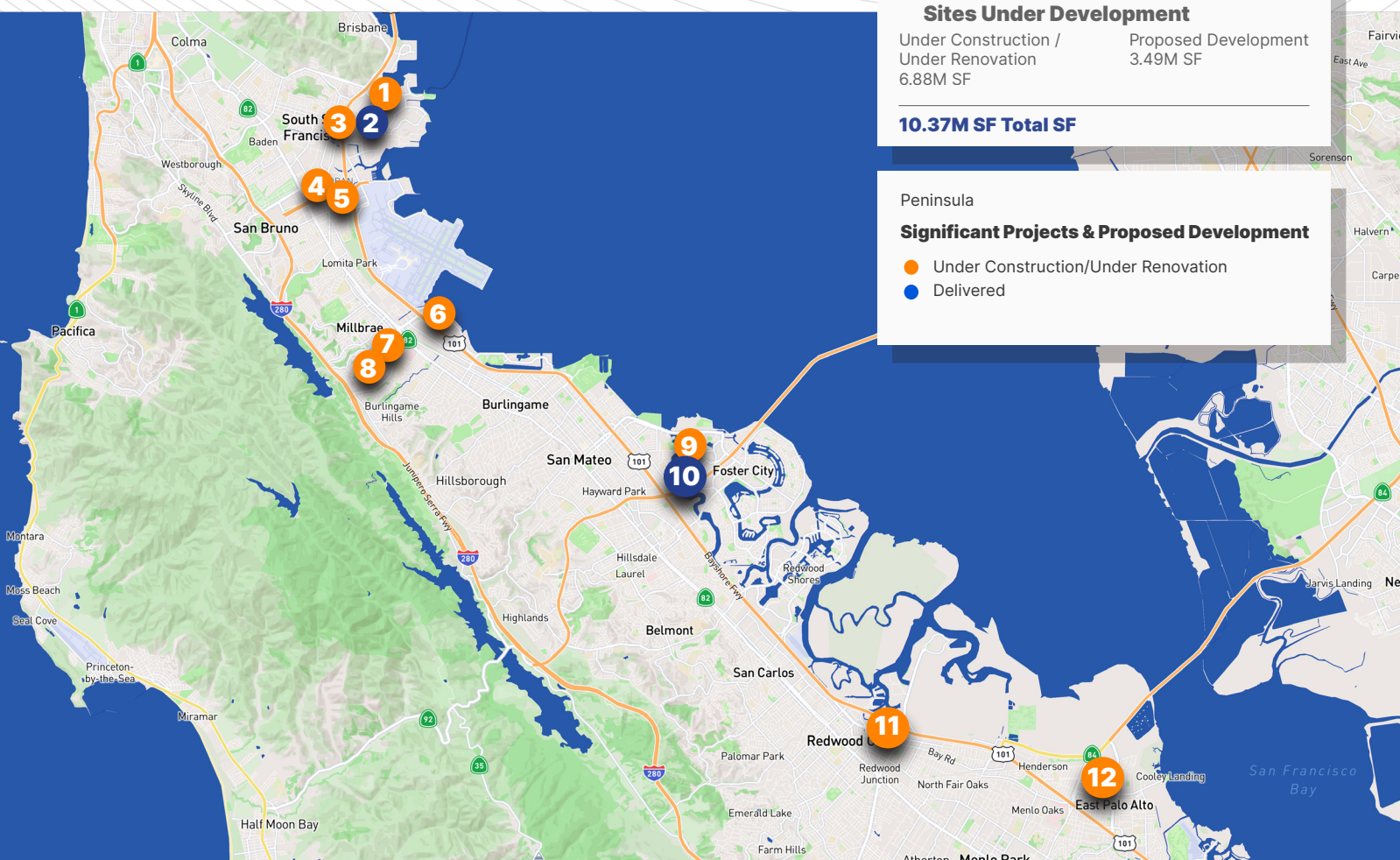
Sites Under Development

| | |
|---|----------------------------------|
| Under Construction / Under Renovation 6.88M SF | Proposed Development 3.49M SF |
| 10.37M SF Total SF | |

Peninsula

Significant Projects & Proposed Development

- Under Construction/Under Renovation
- Delivered



1 Kilroy Osyer Point (Phase II)

RBA: 865,147 SF
Owner: Kilroy
Status: Under Construction

5 Southline (Phase I)

RBA: 375,000 SF
Owner: Lane Partners
Status: Under Construction

9 San Mateo Science Center

RBA: 262,000 SF
Owner: Longfellow
Status: Under Renovation

2 Gateway of Pacific (Phase V)

RBA: 325,000 SF
Owner: BioMed Realty
Status: Delivered

6 The Landing

RBA: 503,500 SF
Owner: King Street JV Helios
Status: Under Construction

10 GENESIS Fashion Island

RBA: 200,000 SF
Owner: Phase3
Status: Delivered

3 580 Dubuque

RBA: 340,000 SF
Owner: IQHQ
Status: Under Construction

7 ARE Center for Life Science

RBA: 490,000 SF
Owner: Alexandria
Status: Under Construction

11 ELCO Yards E1-E4

RBA: 592,000 SF
Owner: IQHQ
Status: Under Construction

4 Terminal 101

RBA: 780,000 SF
Owner: Steelwave
Status: Under Construction

8 Avia Labs

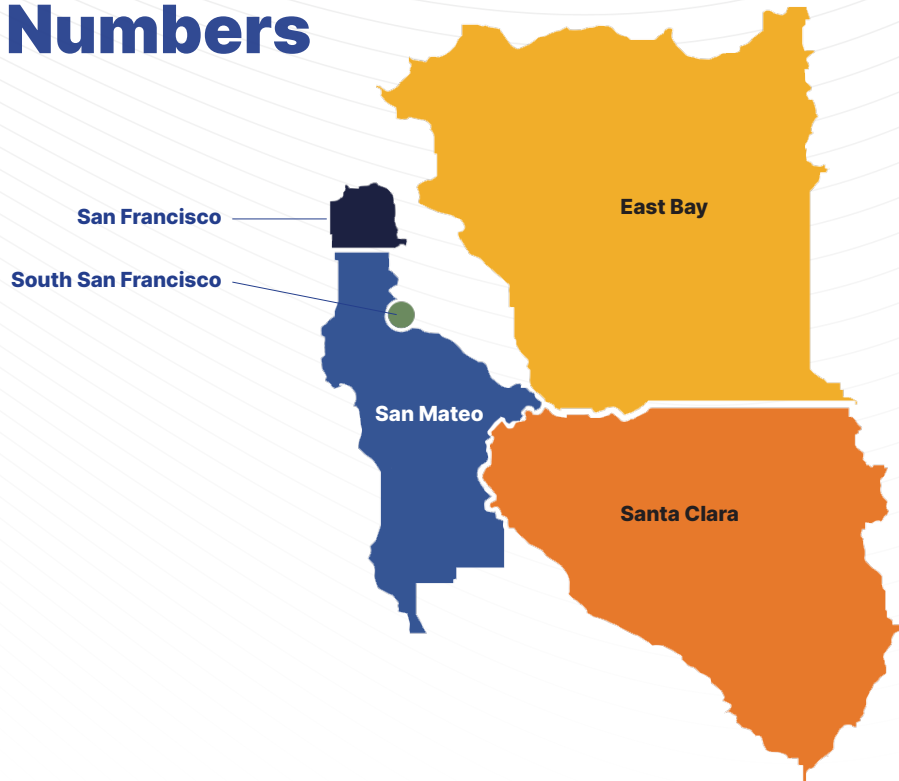
RBA: 315,000 SF
Owner: Longfellow
Status: Under Construction

12 Menlo Park Labs*

RBA: 268,486 SF
Owner: Tarlton Properties
Status: Under Construction

*New to Q4 2023

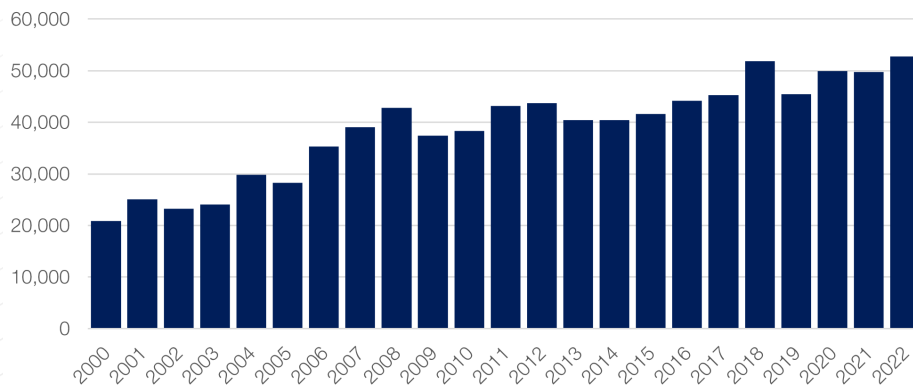
Lab by the Numbers



| Submarket | Market Size | Vacancy Rate | Avg. Asking Rate | New Construction | Net Absorption |
|---------------------|-------------------|--------------|----------------------|------------------|----------------|
| East Bay | 12,691,795 | 15.3% | \$4.00 - \$7.25 NNN | 285,000 | (115,567) |
| San Francisco | 4,275,127 | 34.7% | \$6.25 - \$7.50 NNN | 521,000 | (56,731) |
| South San Francisco | 10,364,928 | 15.7% | \$6.00 - \$7.50 NNN | 325,000 | 43,275 |
| San Mateo | 7,820,986 | 20.8% | \$6.50 - \$7.25 NNN | 200,000 | 87,363 |
| Santa Clara | 5,028,137 | 12.3% | \$4.00 - \$7.75 NNN | 233,543 | 35,229 |
| Total | 40,180,973 | 18.2% | \$5.96/SF NNN | 1,564,543 | (6,431) |

Source: Cresa Research, Costar

Total Employment, Life Sciences



May 2022 stats were published in April of 2023.

Employment in the Bay Area for the life science sector continues to grow. When looking from 2000 to 2022, the compound annual growth rate (CAGR) for employment is 4.3% per year. When looking at 2010-2022, the CAGR for Bay Area life science employment is 2.7%.

Source: BLS

NIH Funding

1,408 Number of Awards Given **\$829,460,710** Total Awarded (\$USD)

These figures represent total NIH funding in Q4 2023.
Source: NIH

VC Spotlight

80 Number of Deals Completed **\$2,333,160,000** Total Raised (\$USD)

These figures represent total Venture Capital funding in Q4 2023.

Largest Funding Rounds of Q4 2023



Rank #1
\$323.24M



Rank #2
\$245.00M



Rank #3
\$175.00M



Rank #4
\$152.00M



Rank #5
\$106.71M



Rank #6
\$100.00M



Rank #7
\$92.18M



Rank #8
\$84.63M

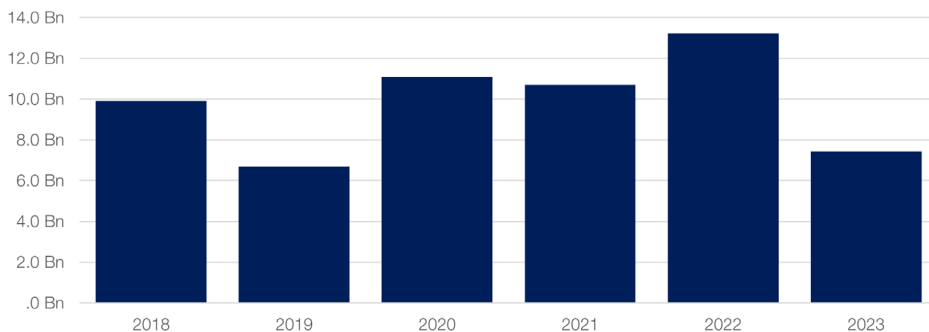


Rank #9
\$84.00M



Rank #10
\$66.00M

Life Science Funding (\$)



Source: Pitchbook

VC funding in 2023 slowly picked up steam with each quarter. In Q1, the venture market recorded \$1.4B of VC volume while by Q4, the market recorded \$2.3B (a 64.3% increase). However, when comparing total annual volume in 2023 to 2022, Bay Area Life Science venture volume only reached 56.2% of last year's total.

Total Funding 2023 VC funding total YTD



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