

FIGURES | SAN FRANCISCO BAY AREA LIFE SCIENCES | Q3 2023

Limited funding sources impedes life sciences growth

▲ 14.2%

Vacancy Rate

▼ (753K)

SF Net Absorption

▼ 8.3M

SF Under Construction
(includes conversions)

▼ \$5.93

Average Direct Lease Rate
NNN / Sq. Ft., monthly

▲ 153.2K

Life Science Industry Employment
San Francisco & San Jose MSA

▼ 2.1M

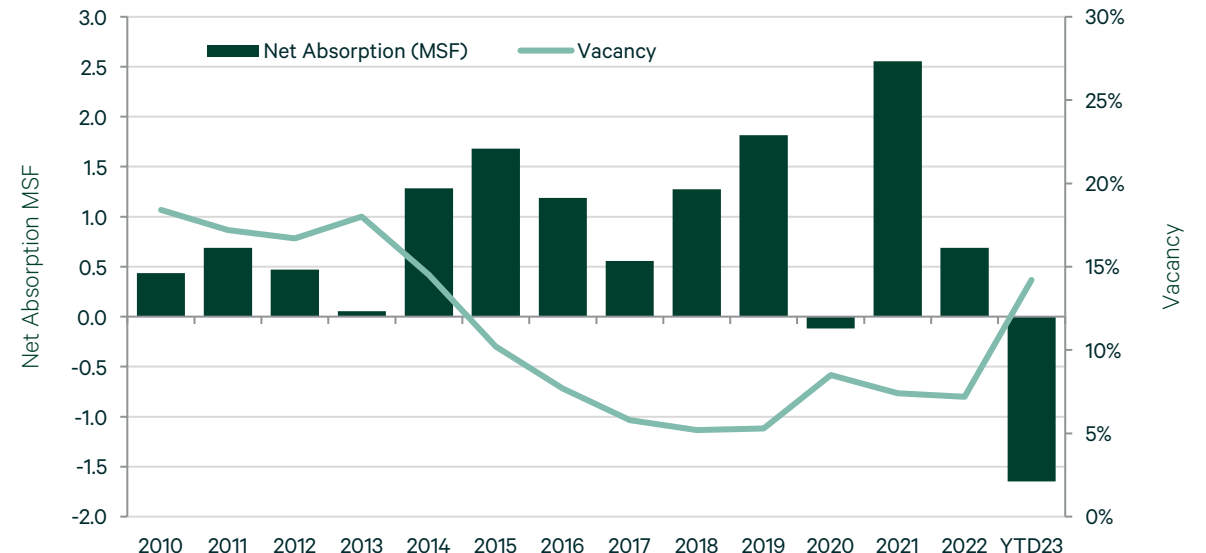
SF Active and Pending
Tenants in the Market

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- At the close of Q3 2023, the total labor force in the San Francisco Bay Area (Bay Area) stood at 3.61 million with 3.49 million employed. The unemployment rate ended at 3.2%, virtually unchanged from the previous quarter. Life sciences companies continued to add headcount during the quarter, albeit at a lower level of 200 jobs, bringing the overall employment for the sector to 153,174.
- The overall net absorption for Bay Area life sciences ended Q3 2023 at negative 753,000 sq. ft. due to the persistent slowdown of venture capital funding, triggered by quantitative measures taken by the Fed to tamp-down inflation over the past 18 months.
- Bay Area life sciences tenants in the market declined to 2.1 million sq. ft. in Q3 2023, as a significant number of requirements have moved to “on hold” status given the current venture capital funding and debt markets.
- Despite the widely felt slowdown across the Bay Area, developers continue to make progress on new projects as well as repurposing existing office to life science. In total, 48 projects were underway (construction and conversion) at the end of Q3 2023, totaling 8.3 million sq. ft.

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



Source: CBRE Research, Q3 2023

MARKET OVERVIEW

At the close of Q3 2023, the total inventory of life sciences facilities in the Bay Area stood at 37.0 million sq. ft. with an overall average asking rate of \$5.93 per sq. ft. on a monthly, NNN basis (NNN). The largest submarket, San Francisco Peninsula (17.4 million sq. ft.), ended the quarter with vacancy at 15.0%, up 365 bps from the previous quarter. It also registered the second highest average direct rate in the region at \$6.98 NNN.

The persistent slowdown in venture capital funding continued to loom over the life sciences market in Q3 2023. Historically, this instrument, along with NIH funding, has been the economic engine given the vast numbers of growing life sciences companies headquartered in the Bay Area. During the quarter, gross leasing activity ended at 523,000 sq. ft. for the entire region, slightly higher than the previous quarter yet 55% the 10-year, quarterly average. The current economic headwinds also led to sizable space givebacks during the quarter, resulting in negative 752,000 sq. ft. of net absorption.

Total projects under construction in Q3 2023 stood at 6.7 million sq. ft. for ground up new construction and 1.6 million sq. ft. of full building conversions to life sciences. Both have declined in terms of project commencements given the current headwinds impacting the life sciences market. No projects delivered by way of new construction this quarter, however, there was one partial building conversion, Genesis Towers – South, as well as other phases of new life sciences build-outs, adding roughly 580,000 sq. ft. to the inventory in Q3 2023.

The Bay Area life sciences market has historically withstood economic uncertainty and headwinds better than other asset classes in the region and its market peers. Its intrinsic value serving as the birthplace of life science has made it home to many world-renowned companies with a deep talent pool replenished by leading universities in the biology and biomedical fields of study. As access to capital begins to thaw out in the coming quarters, growth in this sector will be met with ample supply of premier lab space, which has been scarce until now.

Source: CBRE Research, Q3 2023

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 Direct Lease Rate	Qrtly. Net Abs.	YTD Net Abs.
North 880 Corridor	6,367,844	391,144	257,785	10.2%	14.2%	\$6.01	50,303	-47,669
Central 880 Corridor	2,148,302	278,432	100,689	17.6%	19.7%	\$4.02	-41,201	-115,868
Oakland	8,516,146	669,576	358,474	12.1%	15.6%	\$5.23	9,102	-163,537
I-680 Corridor	2,379,887	107,491	105,733	9.0%	12.2%	\$2.48	-113,038	-106,641
South 880 Corridor	3,880,152	467,078	126,756	15.3%	17.8%	\$4.68	21,664	-154,525
Central Silicon Valley	2,605,372	59,006	20,000	3.0%	5.7%	\$2.51	80,712	95,824
Northern Silicon Valley	1,206,281	224,407	111,524	27.8%	29.8%	\$4.38	-59,898	-127,512
Silicon Valley	7,691,805	750,491	258,280	13.1%	15.6%	\$4.68	42,478	-186,213
Northern Peninsula	10,510,328	1,145,321	376,569	14.5%	18.6%	\$7.13	-226,960	-528,723
Central Peninsula	4,558,330	762,254	62,571	18.1%	21.2%	\$6.70	-90,543	-221,710
Southern Peninsula	2,334,663	183,728	74,585	11.1%	11.7%	\$7.09	3,242	-89,472
San Francisco Peninsula	17,403,321	2,091,303	513,725	15.0%	18.4%	\$6.98	-314,261	-839,905
San Francisco	985,330	0	411,860	41.8%	52.3%	\$8.35	-375,819	-351,830
Total Bay Area Market	36,976,489	3,618,861	1,648,072	14.2%	17.7%	\$5.93	-751,538	-1,648,126

Source: CBRE Research, Q3 2023

FIGURE 3: San Francisco Bay Area Notable Projects Under Construction






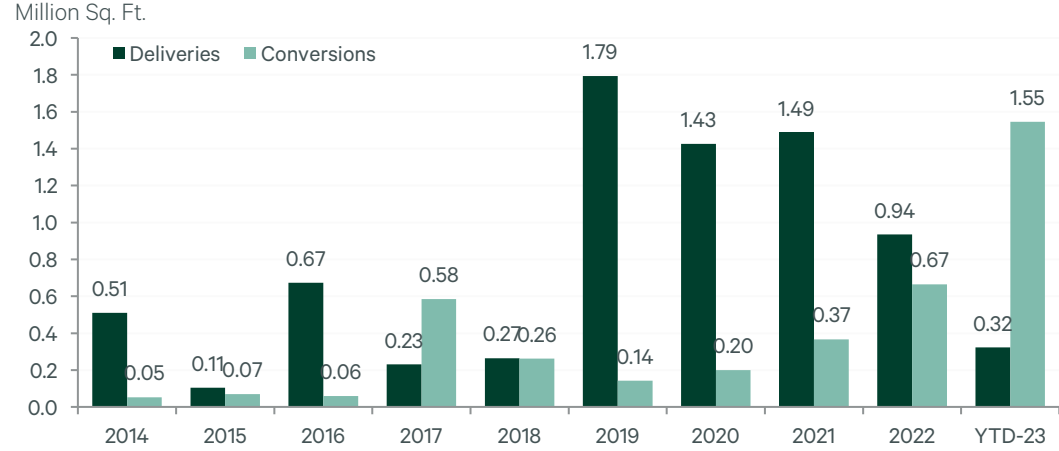
				
Kilroy Oyster Point Ph. II South San Francisco	Genesis Marina Brisbane	Berkeley Commons Berkeley	The Landing Burlingame	Elco Yards Redwood City
Developer: Kilroy Realty	Developer: Phase 3	Developer: Lane Partners	Developer: Helios RE Partners	Developer: IQHQ
Size: 900,000 SF	Size: 594,000 SF	Size: 538,826 SF	Size: 503,500 SF	Size: 464,000 SF
Preleased: 0%	Preleased: 51%	Preleased: 0%	Preleased: 0%	Preleased: 0%
Delivery: 2024-2025	Delivery: Q1 2024	Delivery: 2024	Delivery: Q2 2025	Delivery: Q2 2025

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



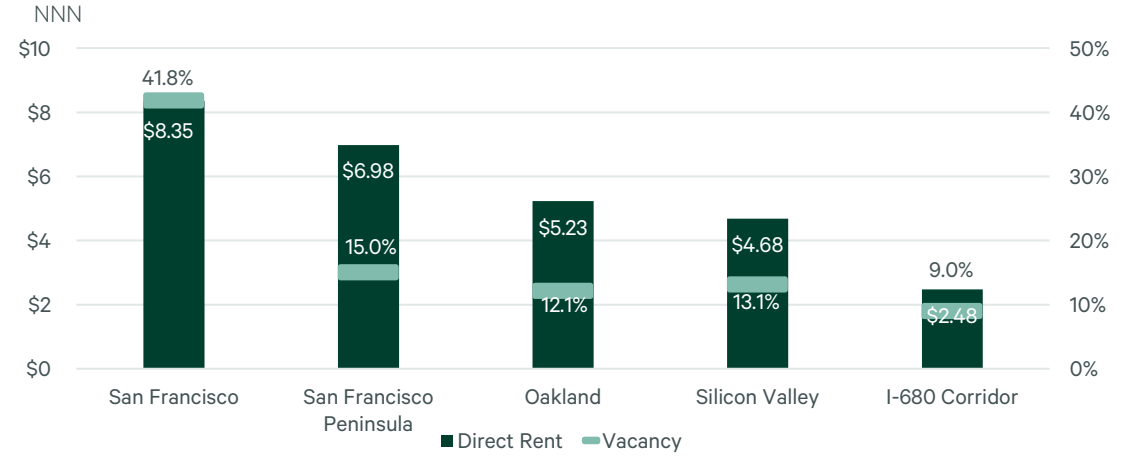
Source: CBRE Research, Q3 2023

FIGURE 5: San Francisco Bay Area Notable Life Sciences Lease Transactions Q3 2023

Tenant	Submarket	SF Leased	Type
Confidential	San Francisco Peninsula	100,678	New Lease
Biomerieux	Silicon Valley	84,516	Renewal Expansion
Iota Biosciences, Inc.	Oakland	53,545	New Lease
Vaxcyte, Inc.	San Francisco Peninsula	36,593	Expansion
Culture Biosciences	San Francisco Peninsula	35,000	Renewal
POW.BIO	Oakland	24,255	New Lease
Acelyrin	San Francisco Peninsula	22,365	New Lease
Assembly Biosciences	San Francisco Peninsula	19,984	New Lease
X-Therma	Oakland	18,644	New Lease
Cepheid (Danaher)	Silicon Valley	17,000	Renewal

Source: CBRE Research, Q3 2023

FIGURE 6: San Francisco Bay Area Life Sciences Rental Rate Trend Q3 2023



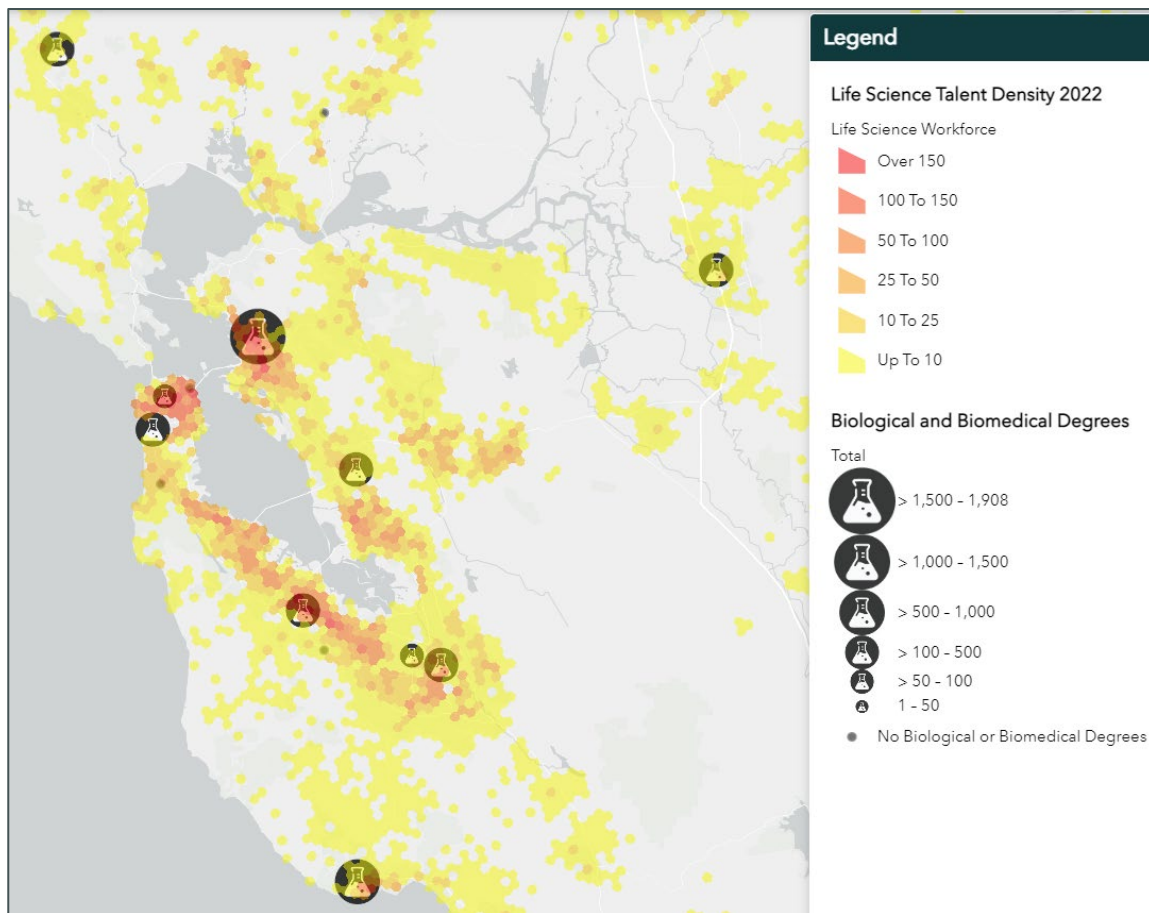
Source: CBRE Research, Q3 2023

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, Q3 2023

Market Map (Bay Area Life Sciences Talent Density & Biological / Biomedical Degrees)



Source: CBRE Research, Location Intelligence, Q3 2023

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. **Average Direct Lease Rate:** average direct rent for speculative and second and third generation life sciences build-out on a NNN / sq. ft., monthly basis. **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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