

	YoY Chg	12-Mo. Forecast
5.1% Vacancy Rate	▼	▼
261K Net Absorption, SF	▲	▲
\$5.68 Asking Rent, PSF	▲	▲

(Direct, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
1.5M San Diego Employment	▲	▲
3.7% San Diego Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMIC OVERVIEW

The total nonfarm employment in San Diego grew by 83,900 or +5.9% year-over-year (YOY) between May 2021 through May 2022. During the same time, the monthly unemployment rate decreased from 6.6% last year to 2.7% and is currently 100 basis points (bps) below the quarterly average of 3.7%.¹ The annual unemployment rate is forecasted to decrease from 6.6% in 2021 to 3.8% in 2022 and 3.1% in 2023. San Diego's economy of \$252.3 billion as measured by 2021 gross regional product is forecasted to grow 5.2% in 2022 and 3.3% in 2023, above its 10-year average of 3.1%.² The life sciences industry sector accounts for over 72,000 direct employment in San Diego County. Average annual earnings equal nearly \$127,000. Research and manufacturing represent 45% of life sciences direct employment, with biotechnology following at about 18% of direct employment. Medical devices and equipment represent 17% and biopharmaceuticals represent almost 14% of life sciences direct employment, with scientific research/tools making up 6% and food and agriculture making up about 0.1%. Considering all ripple and multiplier effects, life sciences in San Diego County generate \$27.7 billion in GRP and \$47.8 billion in total business sales. Additionally, including all multipliers, the life sciences industry was responsible for almost 178,000 jobs with total earnings of \$16 billion.³

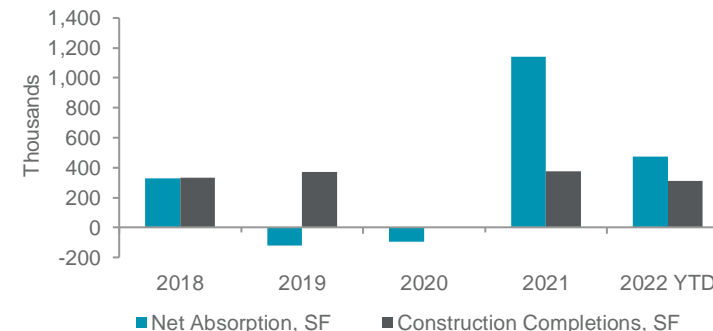
SUPPLY AND DEMAND

At the end of Q2 2022, San Diego's direct life sciences vacancy was 5.1%, a decrease of 40 bps from the previous quarter and 280 bps from a year ago. Tenants absorbed 261,000 square feet (sf) in Q2 2022, recording the sixth consecutive quarter of occupancy gains. Sorrento Mesa recorded the most occupancy gains in Q2 2022 (+229,099 sf), followed by Sorrento Valley (+35,593 sf) and UTC (+18,455 sf). Element Biosciences contributed the largest amount of absorption, occupying three floors of their build-to-suit (BTS) at Alexandria Tech Center. Other large occupancies include Encodia at the Labs at Oberlin in Sorrento Mesa, Biolinq at Creekside in Sorrento Valley and Aspen Neuroscience at Torrey Pines Science Park.

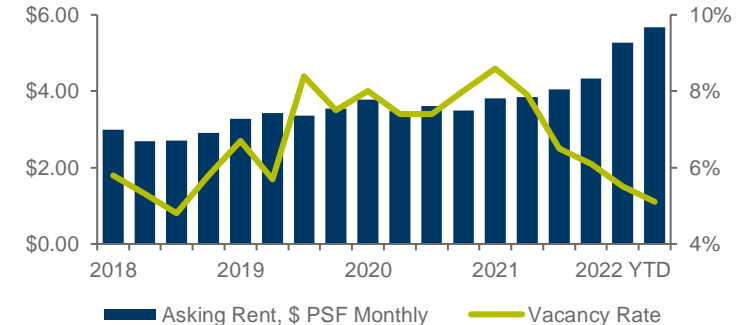
TENANT TRENDS

Direct space availability in traditional life sciences submarkets is down to record levels, with 3.9% availability in Torrey Pines and 1.0% available in UTC. As a result, tenants have pushed east to Sorrento Mesa (9.9% availability) and Sorrento Valley (7.9% availability). Vacancy and availability are anticipated to drop further in 2022 once several tenants who have signed or are in active lease negotiations occupy their new facilities. The most notable leasing activity occurred in non-traditional life sciences markets.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY / ASKING RENT



SAN DIEGO

Life Sciences Q2 2022



Phase 3 Real Estate's 1155 Island in Downtown leased a full floor to its first tenant, Native Microbials. In Miramar, Catalent and BioLegend both expanded their facilities on Carroll Rd. Other large deals include shared-lab space provider BioLabs leasing 44,000 sf at Biovista in Sorrento Mesa, aTyr Pharma taking the remaining 24,000 sf at Creekside in Sorrento Valley and DermTech expanding by 14,500 sf in Del Mar Heights.

Countywide asking rent across all classes increased by 7.8% from \$5.27 last quarter to \$5.68 per square foot (psf) on a monthly triple net basis in Q2 2022. Sorrento Valley remains a more affordable option for small tenants, while North County provides options for tenants in need of production uses. Rents in Torrey Pines and UTC remain exceptionally high with historically low availability. Though Sorrento Mesa rents fit between these groups, new products and high acquisition costs for developers can drive asking rents higher. Deals for new space are frequently in the upper \$4-range and can break above \$5 and \$6 triple net for new buildings.

FUTURE INVENTORY

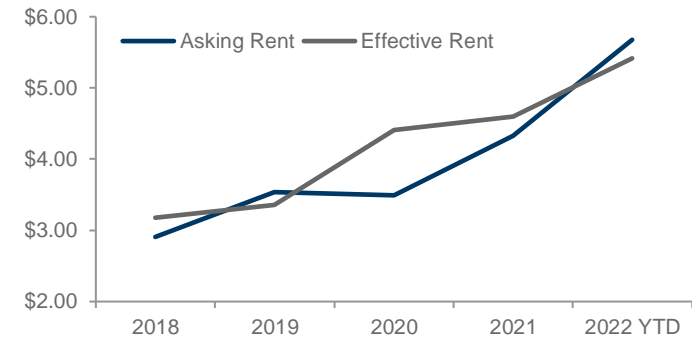
Of the 21 properties, totaling nearly 3.7 million square feet (msf) currently under construction countywide, 31.8% are pre-leased and one building totaling 146,500 sf is expected to be delivered by the end of 2022. The majority or 72% of inventory is speculative, with the remaining 28% BTS. Large tenant activity is expected to fuel life sciences development over the next few years, including the 163,000-sf BTS Sorrento Therapeutics building in Sorrento Mesa and Turning Point Therapeutics' 185,000 sf lease in Torrey Pines. With extremely low availability in Torrey Pines and UTC, tenants and landlords are required to seek opportunities outside of the traditional life sciences nucleus. Though biotech landlords continue to acquire projects in Sorrento Valley and Sorrento Mesa for life sciences conversion or redevelopment, they are also looking in surrounding submarkets such as I-15 Corridor and Downtown.

Life sciences acquisitions, conversions and redevelopment continue to try to meet the high demand in San Diego. In Q2, Breakthrough Properties acquired a 212,000-sf project in Governor and the 92,000-sf Environmental Plaza in Sorrento Valley. A joint-venture between Angelo, Gordo & Co. and 5 Ronin also bought a small building in Governor for life sciences conversion. Alexandria continues to grow its presence in the I-15 Corridor, purchasing a 45,000-sf building adjacent to a building they bought in Q1 2022. Diminishing supply in the core life sciences submarkets is causing life sciences to expand to new frontiers. Demand is expected to outpace new supply over the next 24 months in the mid-cities, which has led to a strong investor and developer appetite to move forward with proposed development sites.

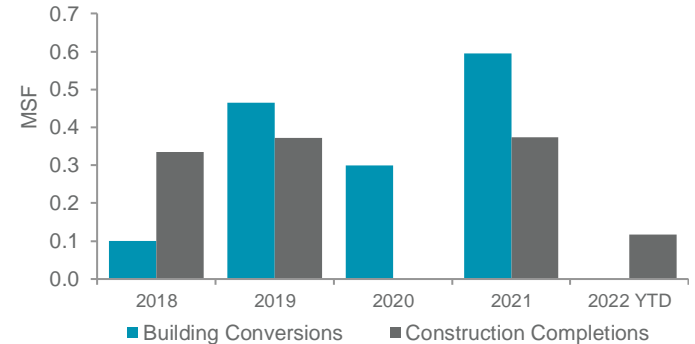
OUTLOOK

- Life sciences venture capital activity increased in Q2 2022 totaling over \$955 million, more than doubling the total raised in Q1 2022.⁴ These companies will continue to grow, fueling leasing activity over the next 18 months.
- Life sciences activity from landlords and tenants will continue to put pressure on other product types as limited inventory forces the development of new product or the conversion of existing space to suit lab uses.
- Expansion into non-traditional life sciences submarkets will be inevitable with landlords in Del Mar Heights, Carlsbad, Scripps and Downtown already seeking to convert or construct new lab buildings.

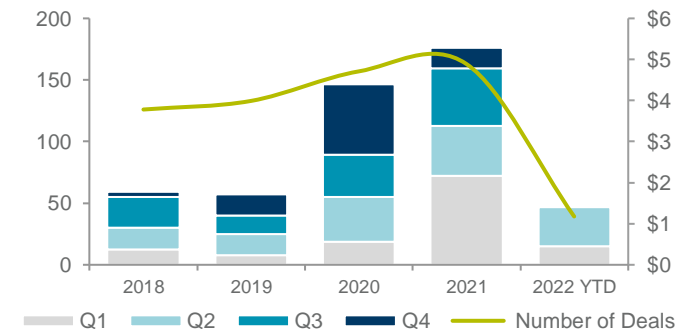
ASKING RENT VS. EFFECTIVE RENT



CONVERSIONS / DELIVERIES



LIFE SCIENCES VENTURE CAPITAL INVESTMENT (\$B)



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD LEASING ACTIVITY** (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)
North County	1,754,359	0	63,900	3.6%	0	27,305	125,249	0	0
Sorrento Mesa	6,272,485	82,484	552,145	8.8%	229,099	265,481	269,544	195,435	163,205
Sorrento Valley	1,731,720	0	75,183	4.3%	35,593	68,885	111,448	0	0
Torrey Pines	5,798,761	40,864	72,110	1.2%	-4,354	113,575	231,395	117,929	331,456
UTC***	3,726,901	13,702	0	0.0%	0	18,455	445,357	0	29,874
All Other Submarkets	1,843,786	0	304,866	16.5%	411	-19,965	858,277	0	3,125,602
SAN DIEGO TOTALS	21,128,012	137,050	1,068,204	5.1%	260,749	473,736	2,041,270	313,364	3,650,137

*Rental rates reflect triple-net asking. **Renewals not included in leasing statistics. ***UTC includes UTC, Eastgate, and Campus Point submarkets.

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7330-7360 Carroll Rd.	Miramar	Catalent	84,442	Renewal** & Expansion
Nautilus	Torrey Pines	ImmunityBio	44,681	Renewal**
7420 Carroll Rd.	Miramar	BioLegend	44,334	New
Biovista	Sorrento Mesa	BioLabs	42,074	New
1155 Island Ave.	Downtown	Native Microbials	27,000	New

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Governor Pointe	Governor	Manulife Investments & UCSD / Breakthrough Properties	212,201	\$145.0M / \$683
Environmental Plaza	Sorrento Valley	Hill Properties & Westport Capital / Breakthrough Properties	91,669	\$48.0M / \$524
10260 Meanley Dr.	Scripps	CVS Health / Alexandria Real Estate Equities	45,306	\$16.3M / \$359
5040 Shoreham Pl.	Governor	Robbins LLP / Angelo Gordon & 5 Ronin	26,000	\$10.7M / 412
5550 Oberlin Dr.	Sorrento Mesa	Multilateral Partners / BioMed Realty	22,319	\$15.0M / \$672

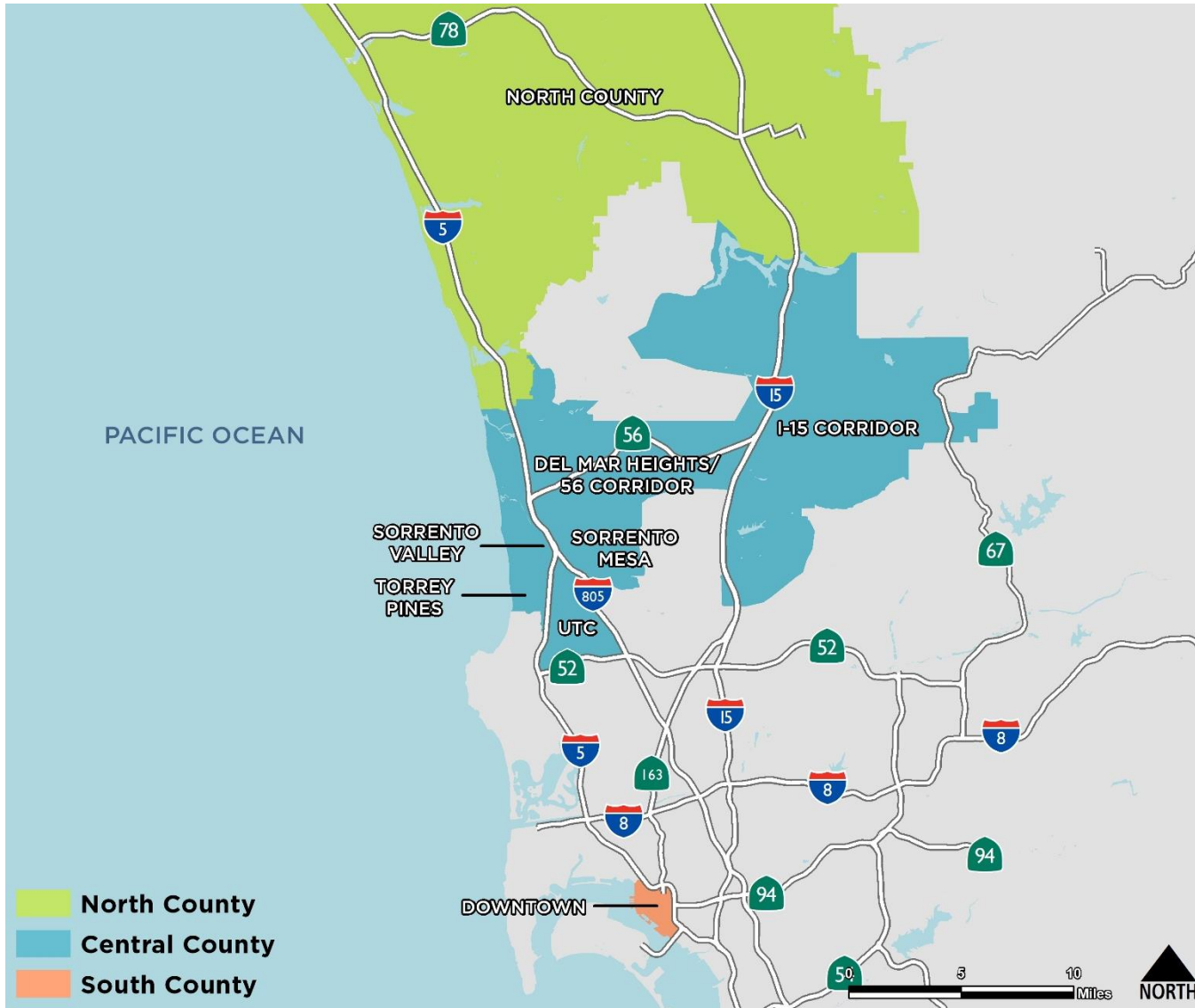
KEY CONSTRUCTION COMPLETIONS 2022 YTD

PROPERTY	SUBMARKET	TENANT	SF	OWNER
Alexandria Tech Center	Sorrento Mesa	Element Biosciences	195,435	Alexandria
The Boardwalk: 10275 & 10285 Bldgs.	Torrey Pines	Zentalis Pharmaceuticals, Arcturus	117,929	Healthpeak Properties

SAN DIEGO

Life Sciences Q2 2022

LIFE SCIENCES SUBMARKETS



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