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Biotech real estate deals booming on Peninsula

Silicon Valley / San Jose Business Journal - by [Ron Leuty](#)

Mid-Peninsula is capturing biotech companies — from elsewhere in the Bay Area as well as the country — with a good commute, low lease rates and, perhaps, proximity to [Stanford University](#).

The area, including Redwood City, San Mateo and Foster City, led the results of the 2008 Northern California Life Sciences Real Estate Survey. The survey, assembled by [AE3 Partners](#) and [CB Richard Ellis](#), was presented Wednesday at BayBio's annual Gene Acres conference.

Overall, said Doug Davis, a principal at AE3, the survey gave strong marks to the Bay Area and its submarkets. Only 4 percent of the 92 respondents to the survey indicated an interest in locating facilities nationally.

“Companies that are born here like it here and want to stay here,” Davis said.

At the same time, Davis added, one in five companies said they were interested in locating facilities overseas.

According to the survey, lease rates ranged from \$18 to almost \$37 per square foot, triple net:

- \$18 — East Bay South (Hayward, Fremont and Newark);
- \$24.96 — East Bay North (Emeryville, Berkeley, Alameda, Oakland and Richmond);
- \$25.92 — Mid-Peninsula (Redwood City, San Mateo and Foster City);
- \$29.64 — North Silicon Valley (Palo Alto, Menlo Park, Sunnyvale and Mountain View);
- \$31.44 — San Francisco; and
- \$36.36 — North Peninsula (South San Francisco, Brisbane, Millbrae and Burlingame).

Newer biotech space rented at greater than \$42 per square foot, according to the survey, while older space came in at about \$30.

Vacancy rates ranged from 5 percent to 23 percent. Those rates are running higher because of a rush by developers to build space and because some drug trials have failed, causing companies to fail or pull back.

- 5 percent — East Bay North;
- 8 percent — San Francisco;
- 9 percent — North Silicon Valley;
- 13 percent — North Peninsula;
- 18 percent — Mid-Peninsula; and
- 23 percent — East Bay South.

Mid-Peninsula, in particular, is emerging as a strong choice for biotech companies. Davis attributed that to average lease rates and good commuter access via the San Mateo Bridge.

“This area is seeing the highest influx,” Davis said, adding that half of the projects there are coming from outside the Bay Area.

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