

## Biotech Firm Leases Full Office Campus Under Construction in San Diego

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Neurocrine Biosciences leased more than 630,000 square feet in a five-building office campus under construction in San Diego, with plans to nearly double its local footprint in one of the region's largest biotech leases of the past year.

The San Diego-based biopharmaceutical company plans to set up its new headquarters at Aperture Del Mar, a campus being built by developers Gemdale USA and LPC West, a division of Lincoln Property Co., off Carmel Valley Road in the city's Del Mar Heights neighborhood.

The company entered into a lease agreement with developers to take four buildings under construction at Aperture Del Mar for an undisclosed price, according to a company filing this month with the U.S. Securities and Exchange Commission. The agreement also gives Neurocrine a six-year option to lease a planned fifth building that it would occupy at a future date as well as an option to purchase the entire campus, which will contain both offices and laboratories.

Neurocrine plans to move its headquarters from its current leased facilities off El Camino Real, also in Del Mar Heights, by year's end. "The company expects to begin subleasing its existing leased facilities beginning in 2023," the SEC filing states.

The 30-year-old company develops treatments and therapies for several types of neurological, neuroendocrine and neuropsychiatric disorders. According to the regulatory filing and CoStar data, the company leases approximately 346,000 square feet in five buildings in Del Mar Heights and nearby Sorrento Mesa in northern San Diego.

Joshua Ohl, director of market analytics for CoStar Group in San Diego, said the Neurocrine lease is an extension of rising biotech interest in Del Mar Heights, where since mid-2021 alone large leases were signed by DermTech, Tandem Diabetes, BD Biosciences and Janux Therapeutics, among others.

The region's biotech growth has been heading to the east and north as space has run out amid soaring demand in San Diego's original life science hub in the coastal neighborhood of Torrey Pines in La Jolla. Developers and tenants over the past decade have increasingly set up new biotech-focused operations in city neighborhoods such as University Town Center, Sorrento Mesa and now Del Mar Heights.

The suburban area of Del Mar Heights and surrounding Carmel Valley where Interstate 5 meets state Route 56 primarily has low- and mid-rise office campuses and has traditionally been home to law and financial services tenants. It has also been among the region's most expensive office markets. The area has in the past few years also become attractive to the generally high-earning workers employed in life sciences and technology.

"The area forms a natural extension from the Sorrento Mesa and UC San Diego areas where tenants can find high-end lab and office space located amid a well-educated, densely populated corridor filled with good schools, single-family homes, shopping, dining and outdoor activities," Ohl said.

Investors traded nearly \$2.5 billion in biotech-oriented office and lab properties in San Diego during 2021, more than doubling the \$1 billion in investment seen in 2020, according to CoStar data. San Diego is the nation's third-largest hub for biotech real estate after the Boston and San Francisco regions.

According to a report from brokerage JLL, San Diego life science asking rents rose 34% in 2021 over the prior year, as biotech landlords recorded a 51% increase in lease transactions, to 139, and 80% growth in square footage leased over 2020, topping 4 million square feet.

Much of this is driven by rising nationwide venture investment into the biotech industry, which even before the pandemic was fueling growth by companies involved in research and development of medical treatments and therapies. San Diego in 2021 saw a record high of \$9.6 billion in venture capital investment into life science and tech companies, according to venture data firm PitchBook and entrepreneurial research group Connect San Diego.

Ohl said the Neurocrine lease will likely be encouraging to other office developers with large projects in various stages of planning and development in the Del Mar Heights area but with tenants not yet announced, including Kilroy Realty, Sea Breeze Properties and Breakthrough Properties.

Representatives for Neurocrine and Aperture Del Mar's developers and leasing brokers at JLL did not immediately respond to CoStar News' requests for comment.