



TRANSWESTERN

SAN FRANCISCO BAY AREA LIFE SCIENCE MARKET

Q2 2024



MARKET DYNAMICS CONTINUE TO BE CHALLENGED

▲ **21.5%**
VACANCY RATE

▼ **-262K**
NET ABSORPTION

▼ **5.5 MSF**
UNDER CONSTRUCTION

▲ **\$5.95 PSF**
RENTS (NNN)

Note: Arrows indicate change from previous quarter.

LIFE SCIENCE MARKET OVERVIEW

New Inventory Outpaces Demand, Inflating Vacancy

The life sciences market within the San Francisco Area have proven to be stable despite ongoing industry headwinds. The most noteworthy shift quarter-to-quarter is the vacancy rate increase, which has long been expected given the robust construction pipeline. Despite this new supply impacting the market statistics, the new inventory had been fielding pre-leasing efforts, keeping the market dynamics unchanged.

The local market experienced a negative net absorption of -262,300 SF in Q2 2024. Which was a decrease over the previous quarter of -689,700 SF. Asking rates remained somewhat flat over the last three quarters. The PSF asking rate dipped slightly in Q2, \$5.95. The market sentiment on asking rates remains positive, supported by new inventory with the latest capabilities and infrastructure. The obsolete lab inventory continues to be challenged, given the numerous options users have on first generation direct and sub-lease markets.

WORKFORCE

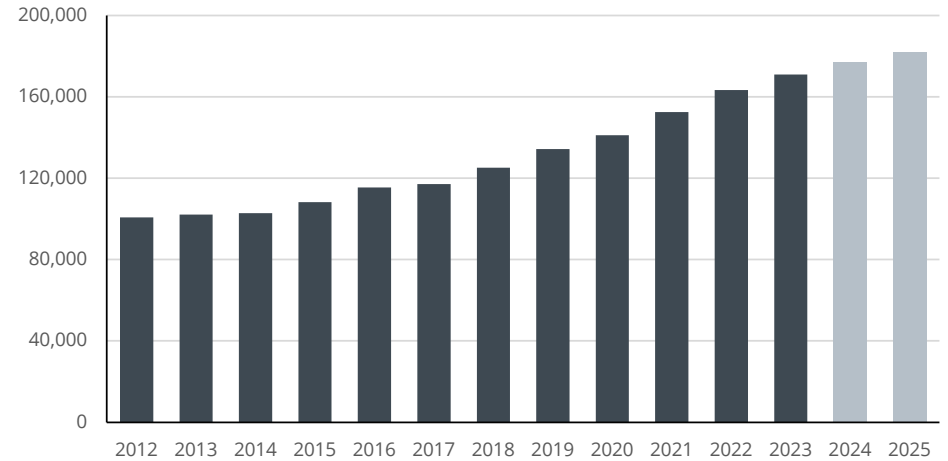
Workforce Dynamics Remain Stable

Academic prowess serves as a cornerstone for the life sciences sector, fueling scientific research and innovation. Globally recognized for its educational leadership, the Bay Area ranks as one of the top life science markets in the nation, benefiting from proximity to major research institutions and a robust talent pool vital for the growth of companies.

Despite the overall employment growth in the Bay Area tapering to 1.7% TTM, the life sciences industry has continued its expansion at a rate of 3.6% during the same period, now employing 177,100 workers locally.

Although the demand for lab space has decreased from the high levels seen during the pandemic, growth in life sciences jobs is expected to consistently exceed national averages. While media coverage has focused on layoffs and consolidation within the sector, it's important to note that the industry continues to experience growth in certain areas. Despite the challenges, the life sciences sector managed to add nearly 2,000 jobs in Q2 2024. This demonstrates that, even in the face of significant headwinds, there are pockets of resilience and opportunity within the industry.

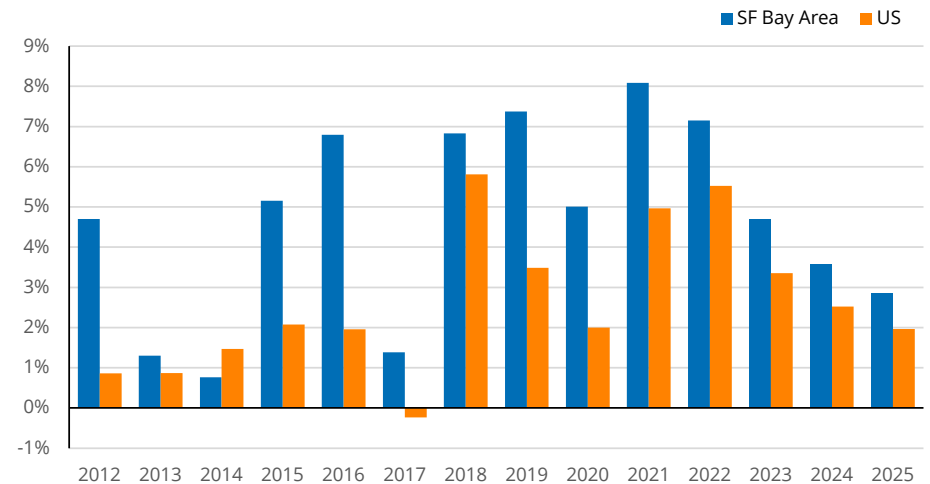
BAY AREA LIFE SCIENCES TOTAL EMPLOYMENT



Source: EMSI, Transwestern

LIFE SCIENCES YOY EMPLOYMENT CHANGE

San Francisco Bay Area



Source: EMSI, Transwestern



SUPPLY AND DEMAND

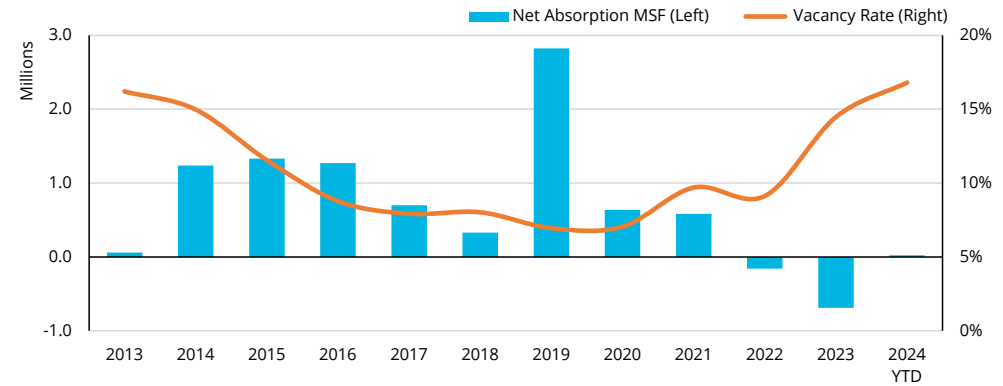
Vacancy Rates Are Pushed Higher, Boosted By New Inventory Deliveries

The vacancy rate for the Bay Area rose from 17.1% in Q1 to 21.5% in Q2. The sharp rise in vacancy rates is driven by a deep development pipeline that is starting to deliver fresh inventory. Market dynamics are generally unchanged, as these developments have been actively pre-leasing.

As of Q2 2024, the total inventory of life science space in the Bay Area stood at 46.2 MSF, a growth rate of 16.7% from one year ago and 21.5% since the start of the pandemic. Coupled with a high interest rate environment, users have remained cautious and fiscally conservative.

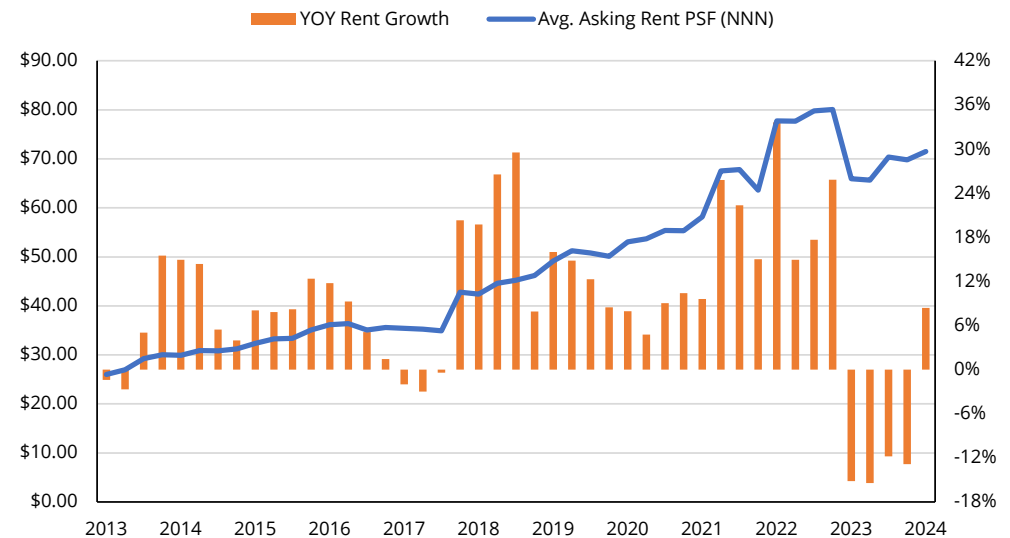
Asking rates have remained stable for the last three quarters. Supply and demand forces haven't begun to affect asking rates, as the glut of new supply is top-tier inventory.

NET ABSORPTION AND VACANCY



Source: CoStar, Transwestern

AVERAGE RENTS Q2 2024



Source: CoStar, Transwestern



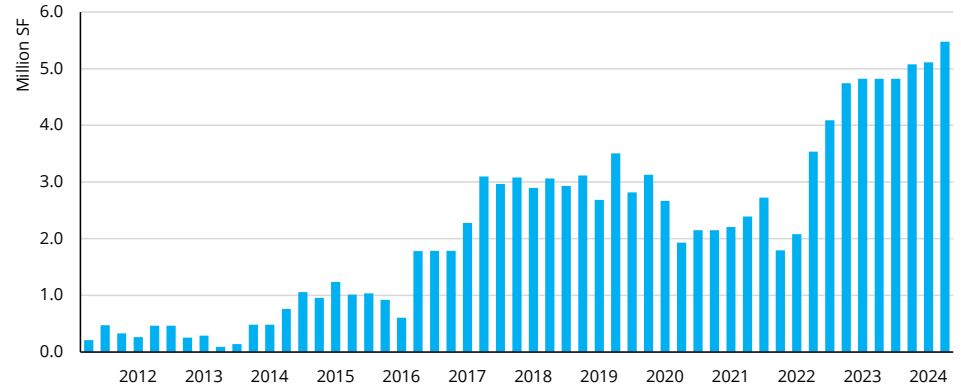
DEVELOPMENT ACTIVITY

Bulk Of The Development Pipeline Set To Deliver In Next 18-Months

The surge in demand in 2020 helped drive the current development pipeline. Both, new construction and lab conversions continue to push construction totals to record highs. As the pipeline proceeds to deliver new inventory, market dynamics are expected to respond.

As of Q2 2024, there was 5.5 million SF of space under construction in the greater region. Much of the development is concentrated in the San Francisco Peninsula and East Bay.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

PROJECTS UNDER CONSTRUCTION, 250K+ SF Q2 2024

PROPERTY	ADDRESS	CITY	RBA	COMPLETION
Kilroy's Oyster Point (Phase II)	379 Oyster Point Blvd	South San Francisco	865,000	2027
Elco Yards	Multiple	Redwood City	625,600	2025
Genesis - Marina	3000-3500 Marina Blvd	Brisbane	552,000	2024
Berkeley Commons	600 Addison St & 601 Bancroft St	Berkeley	539,000	2024
The Landing	1699-1701 Bayshore Hwy	Burlingame	503,500	2025
Southline	50 Tanforan Ave - Bldg 1	South San Francisco	345,000	2025
Gateway Commons	651 Gateway Blvd	South San Francisco	327,000	2024
Gateway of Pacific	475 Eccles Ave	South San Francisco	306,700	2024
Emery Yards	5555 Hollis St - Bldg 1	Emeryville	285,000	2024
210 Adrian Rd	210 Adrian Rd	Millbrae	315,000	2024
1350 Adams Ct	1350 Adams Ct	Menlo Park	255,000	2024
Alexandria Technology Center	751 Gateway Blvd	South San Francisco	231,000	2024
Alexandria Center for Science and Technology	1450 Owens	San Francisco	212,800	2024
Alexandria Center for Life Science	30 Rollins Rd	Millbrae	200,000	2025
Brittan West	1091 Industrial Rd	San Carlos	173,700	2024
San Mateo Bay Center	951 Mariners Island Blvd	San Mateo	124,200	2024

Source: CoStar, Transwestern



PRIVATE & PUBLIC FUNDING

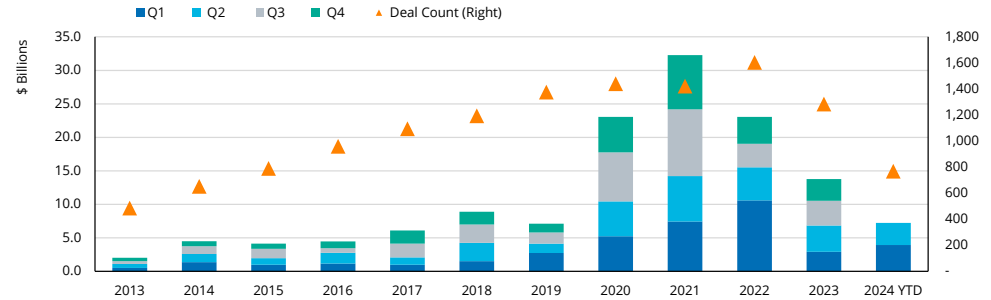
Funding Trends Continue To Tick Upward

Venture capital funding to life sciences in the Bay Area reached \$3.2 billion in Q2, a noteworthy uptick from the \$2.9 billion raised in Q2 of 2023. In total the region's venture funding completed 73 deals, outpacing the 60 from the previous quarter.

Venture Capital funding trends have been positive across the nation, totaling \$9.8 billion. Industry analysts forecast that life science funding is expected to yield between \$34.2 billion and \$38.9 billion; which would be a noticeable increase over the \$29.7 billion raised in 2023.

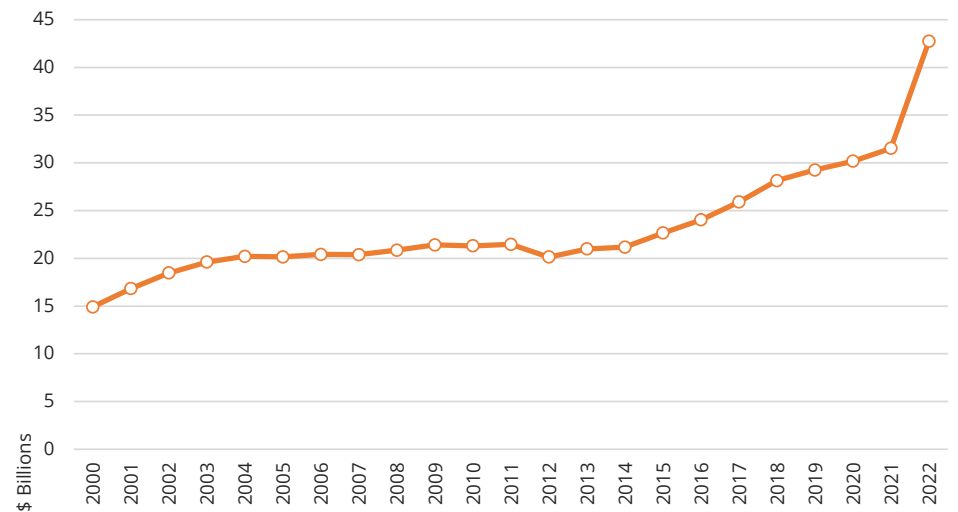
The largest funding mechanism for life sciences is the NIH, which has a 2024 grant budget for \$47.1 billion, which remained relatively unchanged over the 2023 budget. The NIH budget for 2025 is a proposed \$51.7 billion.

VENTURE CAPITAL FUNDING



Source: CoStar, Transwestern

NATIONAL NIH FUNDING



Source: Transwestern, NIH

Q2 MARKET FUNDAMENTALS

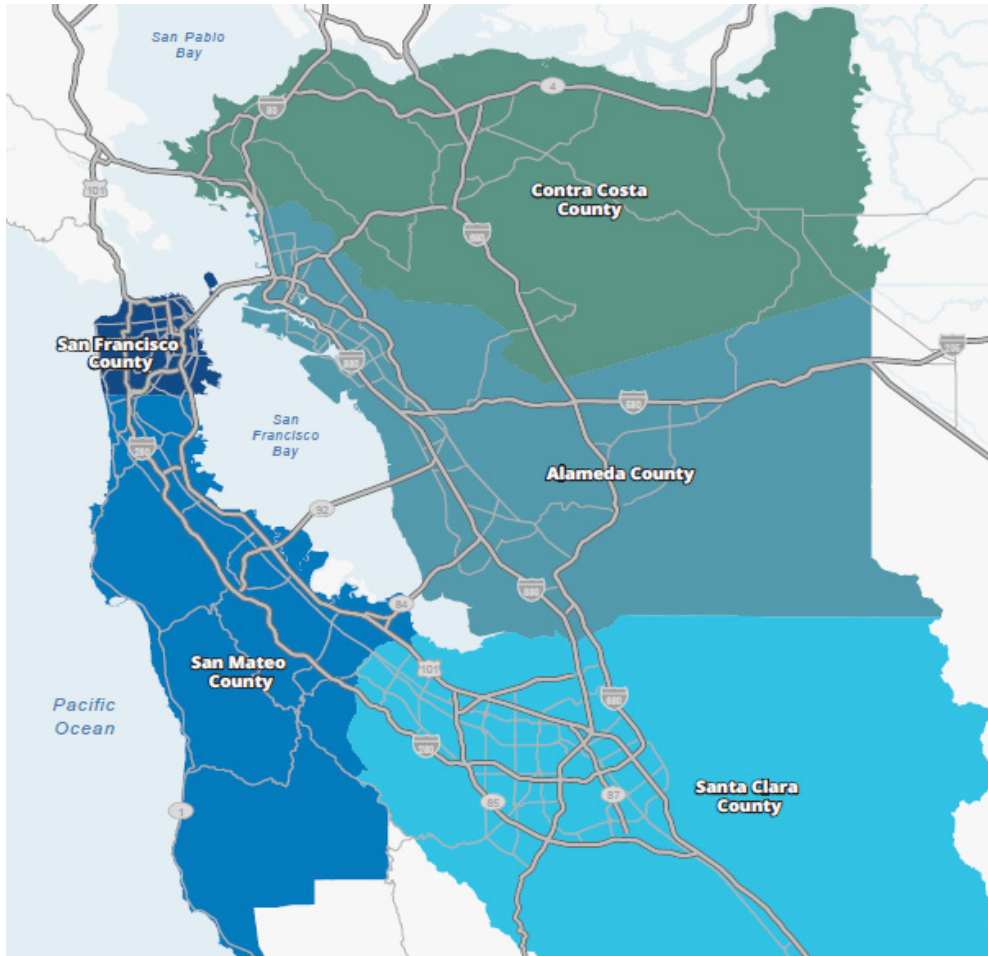
SUBMARKET	INVENTORY SF	UNDER CONSTRUCTION SF	NET ABSORPTION SF	NET ABSORPTION SF ANNUAL	AVERAGE VACANCY RATE
San Francisco Bay Area Total	46,257,620	5,594,229	(262,000)	813,330	19.6%
East Bay	15,565,385	1,350,911	20,125	900,300	10.7%
San Francisco	2,945,949	212,796	2,843	(116,114)	27.8%
San Mateo	23,130,306	4,030,522	(52,820)	(68,094)	17.4%
Santa Clara	4,615,980	0	(1,878)	97,238	19.9%

TOP LEASES

TENANT	ADDRESS	CITY	SF LEASED
Sutter Health	2451 Mission College Blvd	Santa Clara	140,178
Cerebras Systems	1237-1239 East Arques Ave	Sunnyvale	68,608
Corcept Therapeutics	101 Redwood Shores Parkway	Redwood City	50,632
Wayve Technologies	601-607 West California Ave	Sunnyvale	40,327
SambaNova Systems	71-81 Daggett Dr	San Jose	20,420

Source: CoStar, Transwestern

 = Transwestern deal



RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the San Francisco Bay Area. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

FOR MORE INFORMATION



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