

16.2%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

-319K

Net Absorption, SF



\$5.87

Asking Rent, PSF



Net Absorption is Q4 2023 only.

ECONOMIC INDICATORS
Q4 2023

4.1M

Bay Area
EmploymentYoY
Chg12-Mo.
Forecast

3.7%

Bay Area
Unemployment Rate

3.7%

U.S.
Unemployment RateSource: BLS, Moody's Analytics
2023Q4 data are based on latest available data.

ECONOMY AND VENTURE CAPITAL

Life sciences employment across the Bay Area ended the fourth quarter of 2023 at 88,300 positions, with some of the largest employers in the region being Genentech, Amgen, and Gilead Sciences. Though not as significant as the technology layoffs reported since late last year, the industry faced just over 700 job cuts in the fourth quarter. Life sciences in the Bay Area partially thrives from universities funded by National Institutes of Health (NIH), and in the fourth quarter, Stanford ranked 11th while UCSF took the third spot, based on dollars awarded.

Venture capital funding into Bay Area life sciences companies in the fourth quarter came in at \$1.7 billion. Deal count remains relatively low at 41 in the fourth quarter of 2023, down from a record 131 in third quarter of 2021, and the least since the 36 in the fourth quarter of 2011. In the fourth quarter, Bay Area-headquartered companies received 31.2% of the funding and made up 12.7% of the deals in the U.S; the largest of these went to Fremont-based Neuralink and San Francisco-based Aiolos Bio at \$323.2 million and \$245.0 million, respectively.

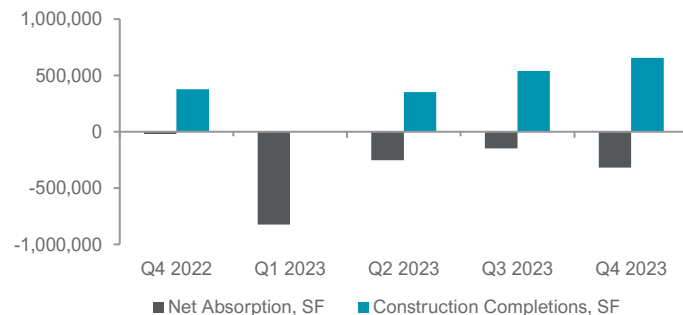
SUPPLY

The overall vacancy rate at the end of the fourth quarter of 2023 reached 16.2%, up 200 bps from 14.2% in the third quarter and up 750 bps from 8.7% one year ago. Direct vacancy climbed to a new high at 5.5 million square feet (msf), up from 4.5 msf in the third quarter. Sublease vacancy remained steady at 2.0 msf, though that figure is a dramatic increase from 1.0 msf one year ago. New construction deliveries, layoffs, and further economic instability will continue to place upward pressure on vacancy.

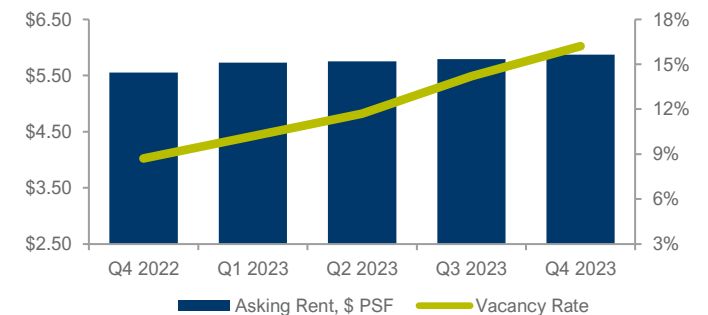
PRICING

The overall average asking rent for Bay Area life sciences space closed out the fourth quarter at \$5.87 per square foot (psf) on a monthly triple net basis, up 1.4% from the third quarter, and up 5.8% from one year ago. For the first time ever, the county with the highest overall asking rent was San Francisco at \$6.72 psf. This is mostly due to large new block spaces including 1500 Owens Street, 455 Mission Bay Boulevard, and 499 Illinois Street. Though San Francisco was the top county, Stanford Research Park in Palo Alto was the one single project to command the highest asking rent at \$7.98 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CONSTRUCTION

The fourth quarter of 2023 brought three ground-up completions: Gateway of the Pacific Phase 5 (325,000 sf) in South San Francisco, 300 Kansas (152,000 sf) in San Francisco, and 777 Industrial (147,000 sf) in San Carlos, all of which delivered vacant. A total of 6.2 msf is under construction with deliveries expected through 2025, and all projects are speculative. The largest ground-up developments include Kilroy Oyster Point Phase II (856,152 sf) in South San Francisco, Genesis Marina in Brisbane (570,000 sf), and Berkeley Commons (540,000 sf) in West Berkeley.

Conversions are highly active in the Bay Area with roughly 1.1 msf in the pipeline. Notable projects under renovation are 550 Terry A Francois Boulevard (315,000 sf) in San Francisco, Genesis Skyway (268,000 sf) in San Carlos, and San Mateo Science Center (262,000 sf) in San Mateo.

San Mateo County is the most active market for both construction and conversions in the Bay Area, accounting for 73.5% of the total pipeline. Lane Partners, Kilroy Realty, and IQHQ are the most active developers by square feet, with their projects totaling 2.6 msf of all activity.

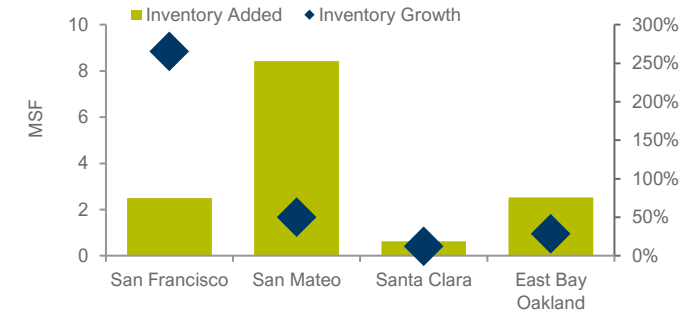
DEMAND

Total leasing activity (new leases and renewals) for the fourth quarter was at a historic low of 356,125 sf, down from 644,143 sf in the third quarter of 2023, and down 61.0% from the same period last year. New leases made up 72.7%, or 258,842 sf, while renewals made up 27.3% or 97,283 sf of total activity. The county with the highest gross absorption was San Mateo at 314,359 sf, making up a dramatic 88.3% of total activity in the Bay Area. All leases in the fourth quarter had an average size of 19,000 sf and an average term of 63 months.

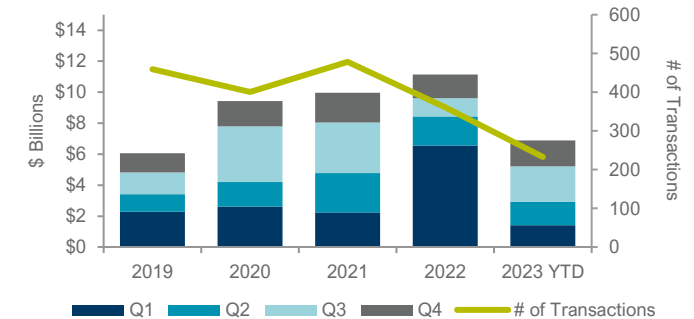
OUTLOOK

- New construction and conversion deliveries in 2024 are expected to raise the overall asking rent, though also increase vacancy.
- There will likely be little to no life sciences building sales in early 2024 due to high interest rates and market volatility.
- Sublease availability is expected to increase over the next few quarters as life sciences companies attempt to conserve cash in this challenging funding environment.

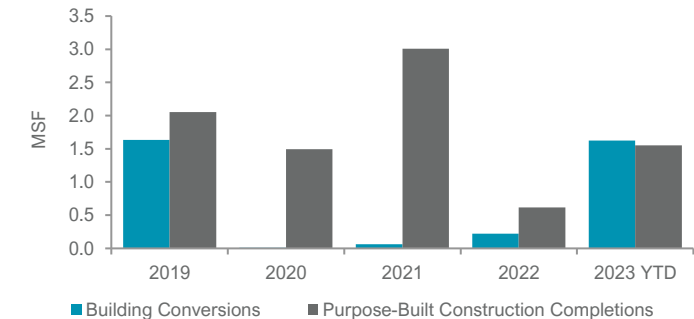
INVENTORY GROWTH SINCE 2015 (MSF)



VENTURE CAPITAL FUNDING (\$ BILLIONS)



CONVERSIONS / DELIVERIES





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL TYPES)*
San Francisco County	3,592,307	374,097	255,508	17.5%	-101,731	-394,421	24,617	528,952	\$6.72
San Mateo County	25,636,457	1,008,775	2,702,774	14.5%	-27,561	-682,874	1,250,304	4,701,724	\$6.40
Santa Clara County	5,741,311	65,188	570,393	11.1%	-5,324	-307,483	303,838	0	\$5.58
East Bay Oakland	11,438,629	548,588	1,994,366	22.2%	-184,468	-240,593	728,556	988,774	\$4.94
BAY AREA TOTALS	46,408,704	1,996,648	5,523,041	16.2%	-319,084	-1,625,371	2,307,315	6,219,450	\$5.87

*Rental rates reflect NNN asking per month

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
835 Industrial Rd	San Carlos	Cargo Therapeutics	99,577	New Lease
233 Grand Ave E	S San Francisco	Soleil Labs	32,113	Sublease
285 Grand Ave E	S San Francisco	Initial Therapeutics	31,328	Sublease
201 Haskins Way	S San Francisco	Addition Therapeutics	25,831	Sublease
494 Forbes Blvd	S San Francisco	Astellas	23,000	New Lease
2720 Zanker Rd	San Jose	AccuraGen	17,879	Renewal
201 Haskins Wy	S San Francisco	Link Cell Therapies	15,212	Sublease
1 Tower Pl	S San Francisco	Centivax	14,209	New Lease
131 Oyster Point Blvd	S San Francisco	Tenaya Therapeutics	13,150	Renewal
7979 Gateway Blvd	Newark	Kaneka	12,020	New Lease

KEY NEW CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Gateway of the Pacific Phase 5	S San Francisco	N/A	325,000	BMR Realty Trust
300 Kansas	San Francisco	N/A	151,777	Spear Street Capital
777 Industrial	San Carlos	N/A	147,000	Presidio Bay/Kinship Capital

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