



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
26.0% Vacancy Rate	▲	▲
-1.13M Net Absorption, SF	▼	▼
\$6.08 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.1M Bay Area Employment	▲	▲
5.6% Bay Area Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate <i>Source: BLS</i>	▲	▲

ECONOMY:

Life sciences employment across the Bay Area ended the third quarter of 2024 at 117,814 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 recorded almost 2,000 job losses in the third quarter. Life sciences in the Bay Area partially thrives from funding to universities from the National Institutes of Health (NIH), and in the third quarter, Stanford ranked eighth while UCSF took the fourth spot, based on dollars awarded.

Venture capital funding into Bay Area life sciences companies in the third quarter came in at \$1.4 billion. During that period, Bay-Area headquartered companies received 19.1% of the funding and made up 15.5% of the deals in the U.S; the largest went to South San Francisco-based ArsenalBio at \$325.0 million and Imperative Care in Campbell at \$150.0 million.

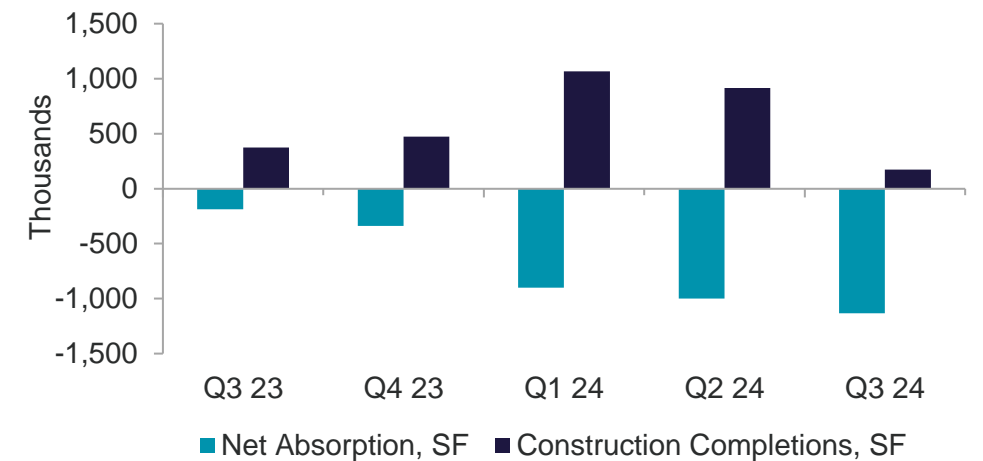
SUPPLY:

The overall vacancy rate at the end of the third quarter of 2024 reached 26.0%, up 250 basis points (bps) from 23.5% in the second quarter of 2024 and up 1,200 bps from 14.0% one year ago. Direct vacancy climbed to a new high of 12.6 million square feet (msf), up from 11.3 msf in the second quarter. Sublease vacancy continues to climb as well at 3.3 msf, a sharp increase from 2.0 msf one year ago. New construction deliveries, additional layoffs, and further economic instability will elevate vacancy further through the rest of the year and into 2025.

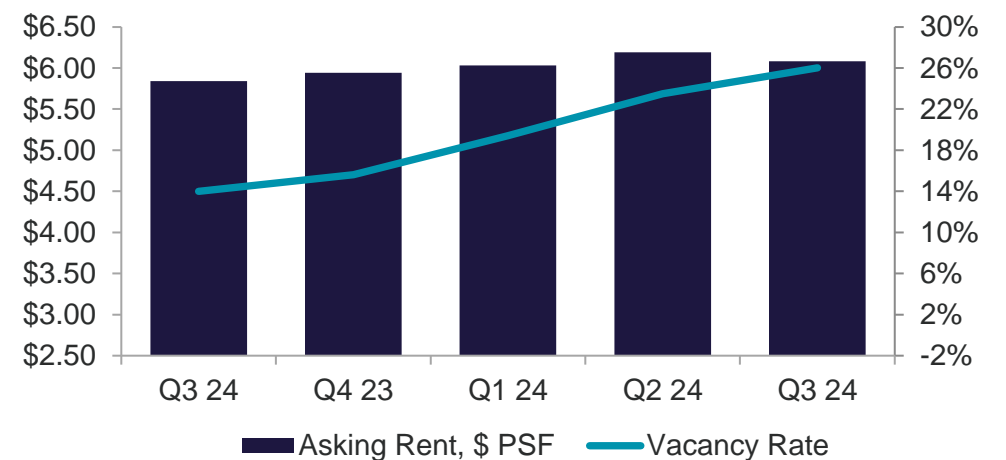
PRICING:

The overall average asking rent for Bay Area life sciences space closed out the third quarter at \$6.08 per square foot (psf) on a monthly triple net basis, down 1.8% from the second quarter, and up 4.1% one year ago.

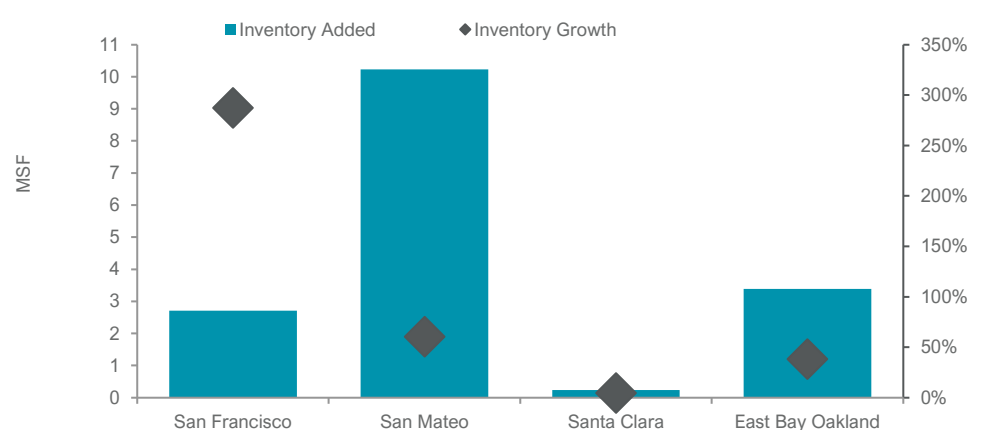
SPACE DEMAND / DELIVERIES



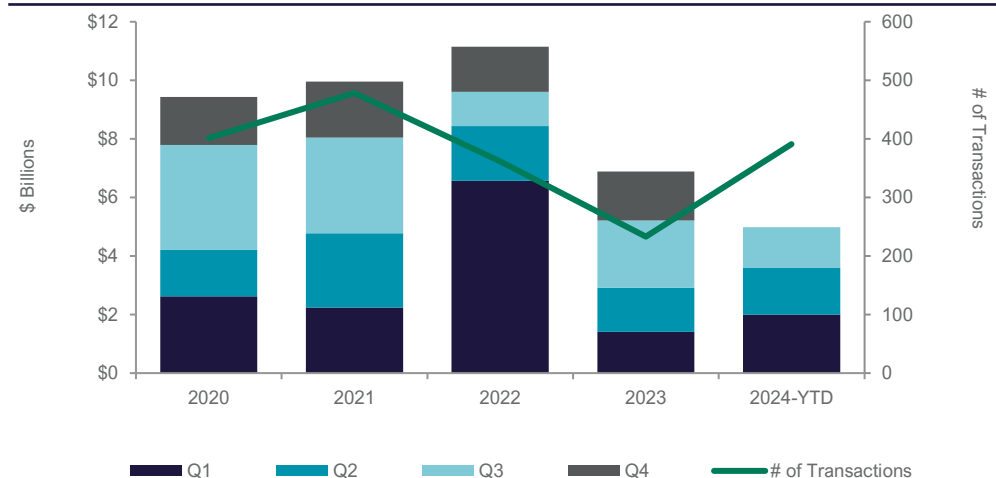
OVERALL VACANCY & ASKING RENT



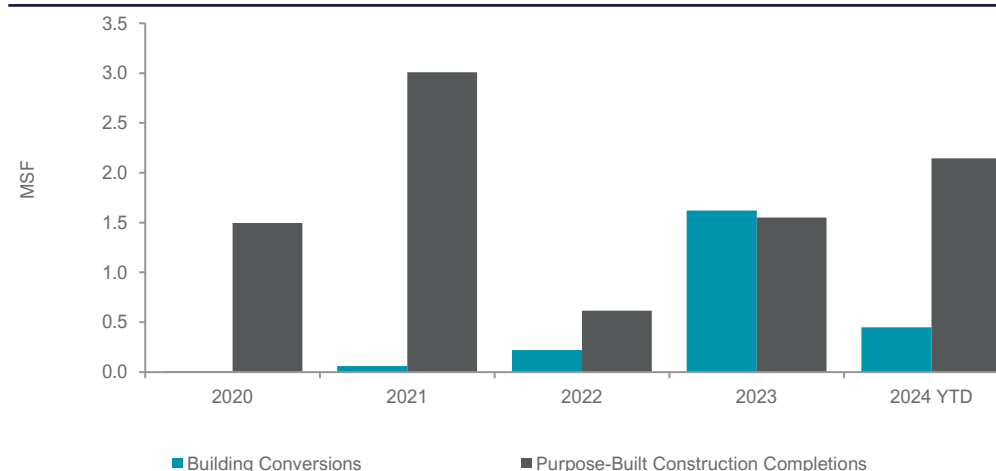
INVENTORY GROWTH SINCE 2015 (MSF)



VENTURE CAPITAL FUNDING (\$ BILLIONS)



CONVERSIONS / DELIVERIES



San Francisco continued to lead the Bay Area with the highest rents at \$7.13 psf. This was mostly due to large new blocks of vacancy including 200 Kansas Street, 1800 Owens Street, and 1450 Owens Street. Though San Francisco was the top county, Stanford Research Park in Palo Alto was the submarket that commanded the highest rent at \$7.75 psf.

CONSTRUCTION:

There was one ground-up development completed in the third quarter of 2024: 1091 Industrial Rd (172,715 sf) in San Carlos - where 26,062 sf was pre-leased to Attovia Therapeutics. A total of 3.7 msf is under construction with deliveries expected through 2025, with all projects being speculative. The largest ground-up developments include SPUR Phase I in South San Francisco (350,000 sf), and Avia Labs in Millbrae (315,000 sf).

Conversions were less active in the Bay Area in the third quarter with roughly 443,035 sf in the pipeline. Notable projects under renovation are GENESIS - Skyway (244,561 sf) in San Carlos, 2400-270 Charleston Road (108,474 sf) in Mountain View, and Island Parkway (90,000 sf) in Redwood Shores.

DEMAND:

There was 652,468 sf of total leasing activity (new leases and renewals) for the third quarter, down from 674,925 sf in the second quarter of 2024, and up by 8,325 sf from the same period last year. New leases made up 42.0% or 274,174 sf, while renewals made up 37.2% or 242,698 sf of total activity. The county with the highest gross absorption was Belmont-San Carlos at 200,262 sf, making up a dramatic 30.6% of total activity in the Bay Area.

TENANTS IN THE MARKET:

There were 99 life sciences tenants in the market throughout the Bay Area at the close of the third quarter of 2024, totaling 3.4 million sf with an average requirement size of 34,422 sf. San Mateo County counted the most tenant requirements at 66 while Santa Clara County had the highest average requirement size at just over 113,000 sf.

OUTLOOK

- New construction and conversion deliveries in 2024 are expected to raise the overall asking rent, though also increase vacancy.
- Life sciences building sales will likely be muted in 2024 due to high interest rates and market volatility.
- Sublease availability is expected to increase over the next few quarters as life sciences companies give back space in an attempt to conserve cash in this challenging funding environment.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL TYPES)*
San Francisco County	3,649,326	325,522	425,636	20.6%	38,967	-76,261	30,107	0	\$7.13
San Mateo County	27,116,012	2,047,021	4,893,202	25.6%	-769,521	-1,872,491	1,269,561	3,710,572	\$6.49
Santa Clara County	5,401,505	161,502	672,555	15.4%	-118,610	-370,885	172,959	0	\$5.04
East Bay Oakland	12,245,747	734,989	3,333,513	33.2%	-283,089	-711,726	367,953	0	\$5.20
BAY AREA TOTALS	48,412,590	3,269,034	9,324,906	26.0%	-1,132,253	-3,031,363	1,840,580	3,710,572	\$6.08

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
201 Industrial Rd	San Carlos	Natera	136,000	Renewal
400 Saginaw Dr	Redwood City	Impossible Foods	60,841	Renewal
169 Harbor Way	South San Francisco	Circle Pharma	52,174	New Lease
500 Saginaw Dr	Redwood City	Revolution Medicines	40,049	Sublease
835 Industrial Rd	San Carlos	Vaxcyte	38,200	Sublease

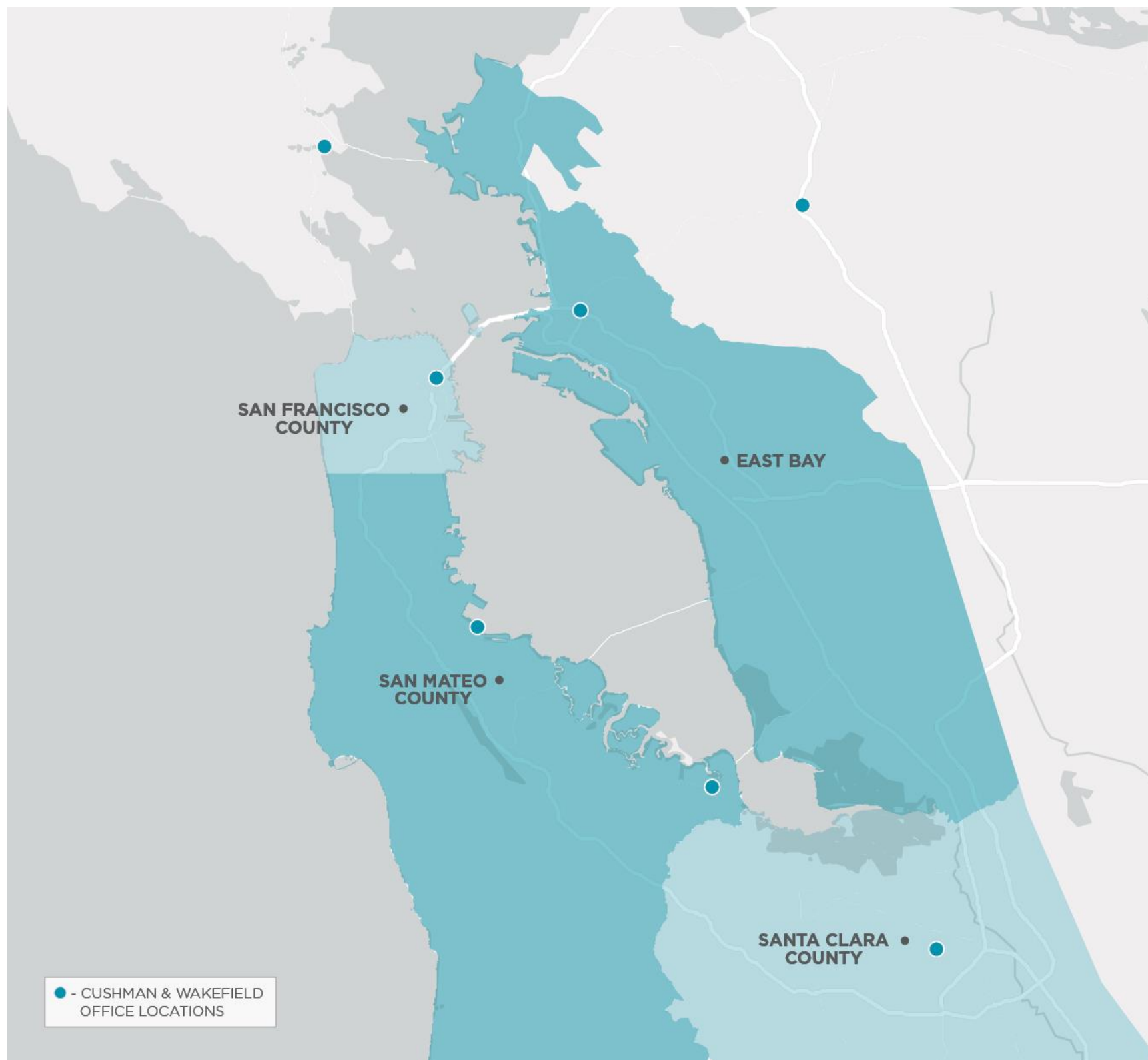
KEY CONVERSION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
901-951 Mariners Island Blvd	San Mateo	Curve Bio	193,500	Longfellow Real Estate Partners
2955 Campus Dr	San Mateo	N/A	140,389	Tarlton Properties
4055 Bohannon Dr	Menlo Park	N/A	37,808	Helios Real Estate Partners

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
20 Tanforan Ave	South San Francisco	N/A	375,000	Lane Partners
600 Addison St	Berkeley	N/A	305,000	Lane Partners/Beacon Capital Partners
5300 Chiron Way	Emeryville	N/A	285,000	BioMed Realty

LIFE SCIENCE SUBMARKETS



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