



Bay Area Life Science Report

Q4 2024

**AVISON
YOUNG**

The Bay Area Life Science Market

Amidst the growing global life science industry, Bay Area's life science hubs stand out—from the innovation-rich Peninsula to the vibrant East Bay, the entrepreneurial spirit of Silicon Valley, and the scientific tapestry of San Francisco.

The **Peninsula**, situated between San Francisco and Silicon Valley, is a nexus of innovation in the life science sector. Cities like South San Francisco, often referred to as the "Birthplace of Biotechnology," host a concentration of biotech companies and research facilities. The region benefits from its proximity to major airports, leading universities, and a network of industry leaders, making it a strategic location for life science research, development, and collaboration.

The **East Bay** life science market encompasses clusters in Berkeley, Emeryville, Pleasanton, Alameda, Richmond, and Hayward. Major players pharmaceutical manufacturers and a mosaic of startups contribute to innovation and growth, while UC Berkeley serves as a talent powerhouse. Challenges include space limitations and housing shortages, yet the region's waterfront settings, collaborative communities, and strategic locations contribute to its attractiveness for research, development, and industry collaboration. East Bay plays a vital role in the broader Bay Area's global prominence in the life science landscape.

Silicon Valley plays a significant role in the Bay Area's life science sector, boasting a convergence of technology and biopharmaceutical innovation. Renowned for its entrepreneurial spirit, Silicon Valley hosts a multitude of life science startups and established companies working at the intersection of technology and healthcare. The region's access to venture capital, cutting-edge research facilities, and a collaborative ecosystem contribute to its status as a crucial player in life sciences.

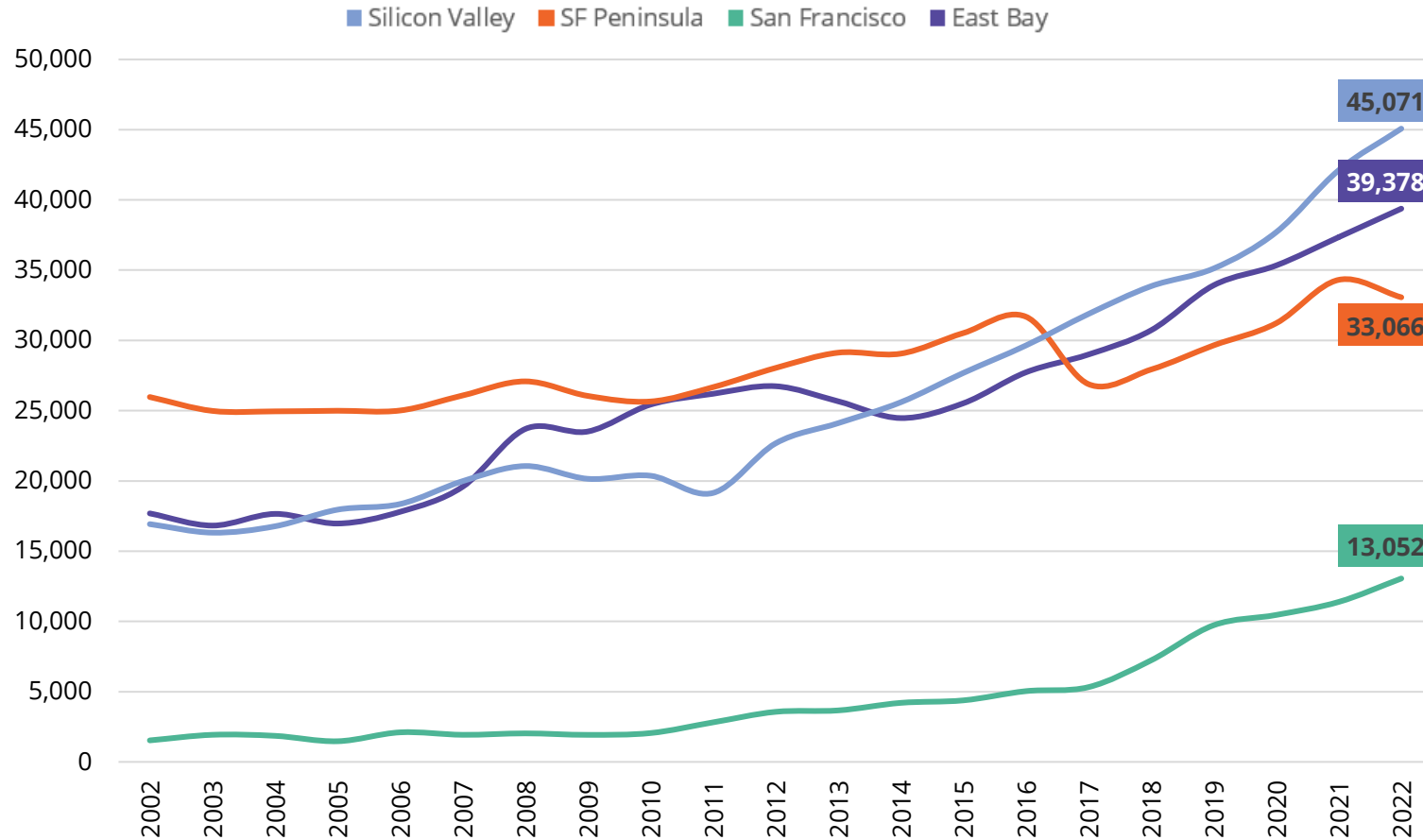
San Francisco stands as a major hub for life science advancements, housing a diverse range of biotech, pharmaceutical, and medical research companies. The city's proximity to leading research institutions, such as UCSF, fosters a rich environment for scientific collaboration. San Francisco is home to numerous biotech startups and established firms, contributing to the city's vibrant life science ecosystem.

Collectively, these areas form a comprehensive and interconnected network within the broader Bay Area, each contributing to the region's prominence in the global life science landscape.



Employment

Total Life Science Employment in the Bay Area



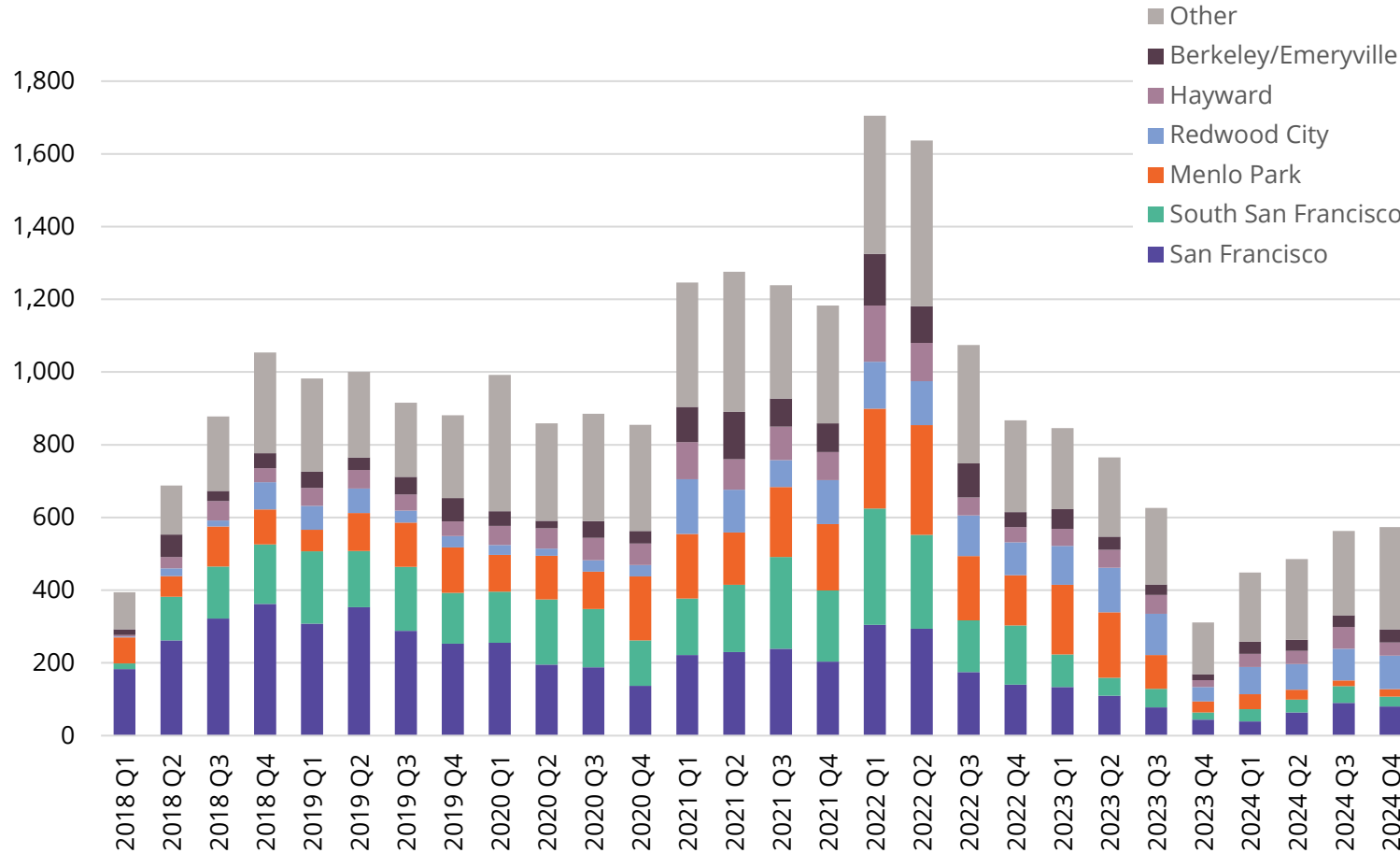
Source: Bureau of Labor Statistics

Total life science employment has grown steadily over the past 20 years.

In recent years, employment in the life science sector has surged across the San Francisco Bay Area, with Silicon Valley leading the pack, followed by the East Bay, SF Peninsula, and San Francisco proper. This region-wide growth underscores the Bay Area's position as a premier destination for biotechnology and pharmaceutical careers. With each subregion providing a unique contribution to the life science ecosystem, professionals across various fields within the industry find ample opportunities for career advancement and innovation.

Job Postings

Average Monthly Life Science Job Postings in the Bay Area



Source: EMSI

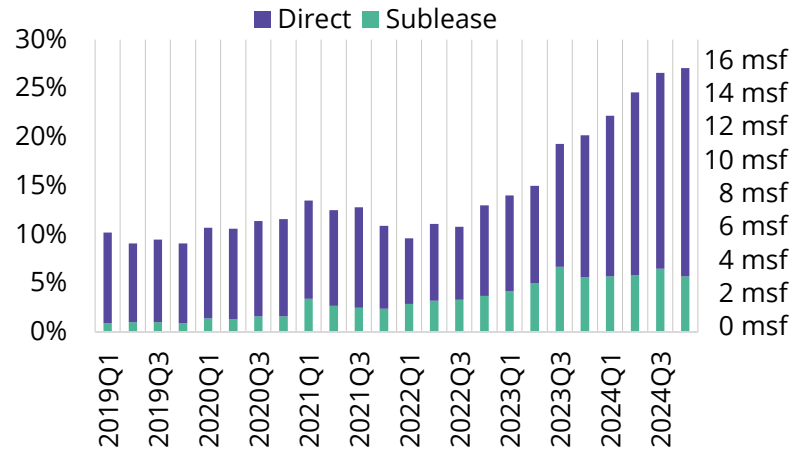
Life science hiring is showing signs of recovery.

Following a sharp decline in funding and investor enthusiasm, many companies in the sector scaled back recruitment efforts.

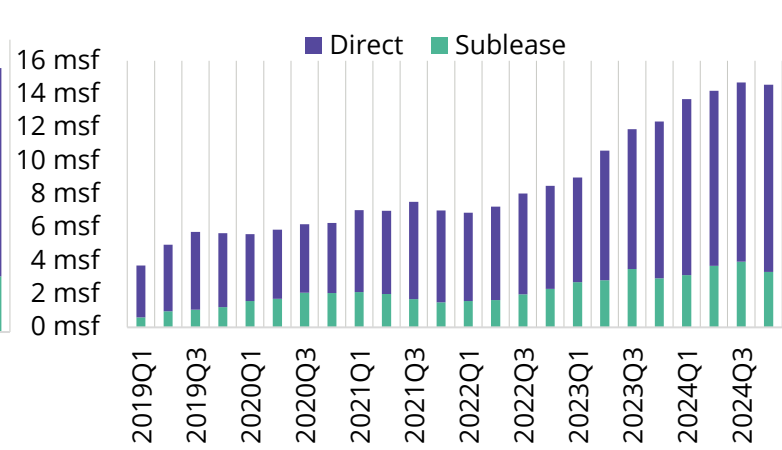
The hiring surge of early 2022 slowed significantly throughout 2023, culminating in a multi-year low by Q4. However, 2024 has brought a notable rebound in job postings, signaling renewed optimism and potential growth within the industry.

Bay Area Market Stats

Vacancy



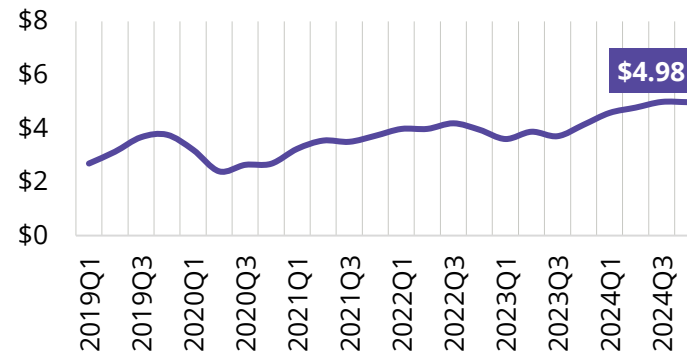
Availability



Absorption



Pricing (Direct NNN)



The life science market has slowed down.

As we transition from the COVID-19 pandemic to a period marked by higher interest rates and economic uncertainty, the fervor that once propelled the life science market has subsided. Initially buoyed by the urgent search for treatments, vaccines, and diagnostics, this industry experienced a surge, amplified by low interest rates and heightened risk appetite among investors during the pandemic—a perfect storm for life sciences.

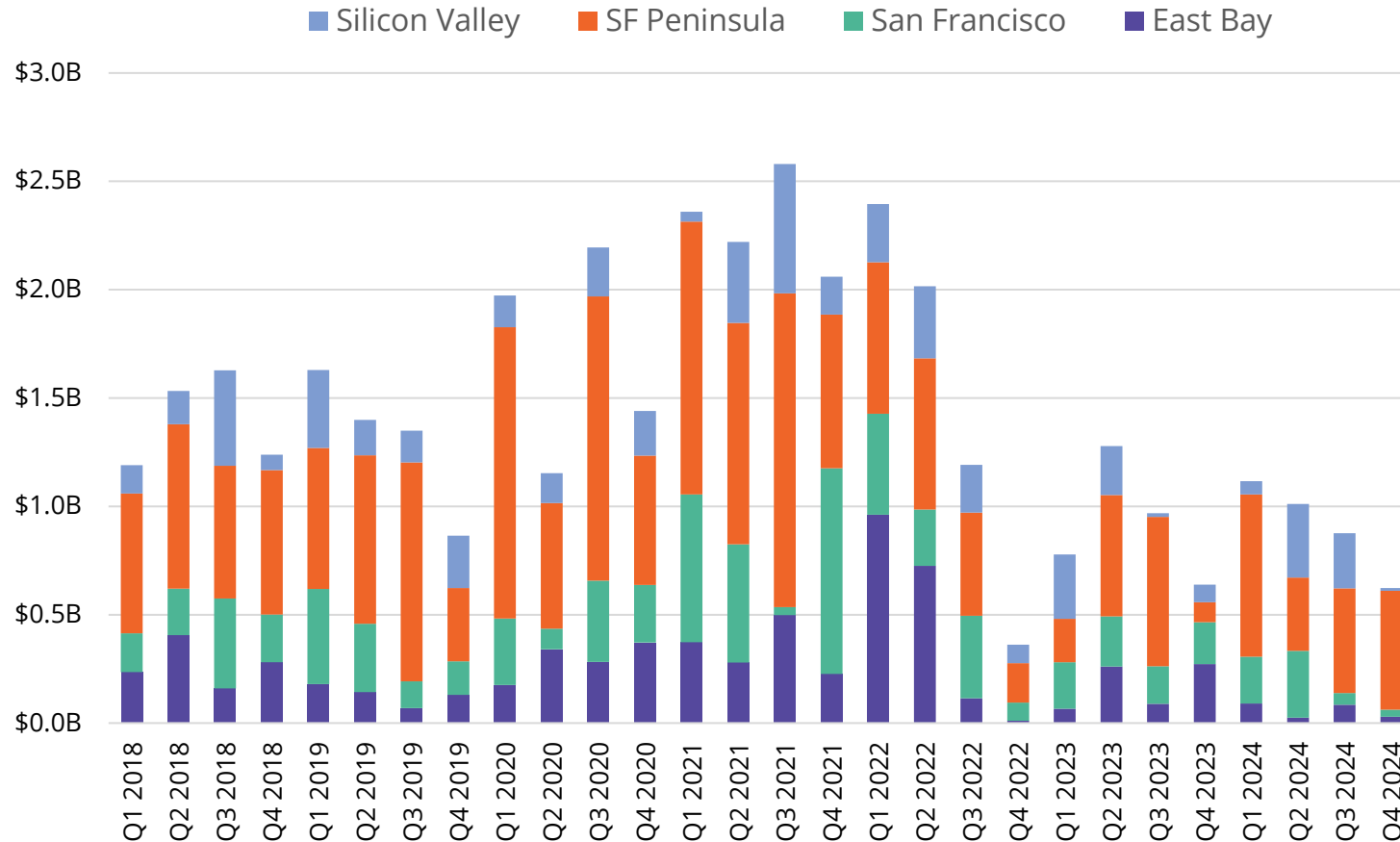
In response, developers swiftly delivered cutting-edge life science developments and repurposed underperforming office spaces. However, the current scenario reflects a stark shift, catching many developers off guard. Leasing activity has decelerated, primarily due to dwindling funding for life science companies, posing a risk of short-term oversupply in the Bay Area life science market. The looming challenge is navigating a market that is grappling with an influx of space set to arrive in the coming years.

Bay Area Market Stats

	Inventory				Availability			Vacancy			Net Absorption		Leasing Activity		Asking Rent
	Existing inventory	2024 Deliveries	Under development	Pre-leased %	Direct	Sublet	Total	Direct	Sublet	Total	QTD	YTD	QTD	YTD	Direct NNN/month
SF Peninsula	24,440,268	2,569,723	2,758,726	22%	6,590,968	1,976,325	8,359,852	22.0%	6.9%	28.8%	-43,876	-631,854	780,343	1,680,103	\$5.84
East Bay	13,979,383	538,825	918,000	100%	3,507,057	815,015	4,322,072	21.4%	3.1%	24.5%	11,231	-328,012	25,846	472,413	\$3.71
Silicon Valley	3,553,114	0	1,211,000	100%	362,779	244,620	607,399	10.2%	4.9%	15.1%	102,319	-138,348	98,626	113,840	\$5.76
San Francisco	2,700,049	0	212,796	0%	869,452	322,710	1,192,162	31.2%	8.8%	39.9%	542,120	544,176	108,073	439,346	-
Bay Area Total	44,672,814	3,108,548	5,100,522	47.4%	11,230,256	3,333,670	14,456,485	21.4%	5.7%	27.1%	611,794	-554,033	1,012,888	2,705,702	\$4.98

Bay Area Venture Capital Funding

Funding for Biotechnology Research and Development



Source: Crunchbase

Venture capitalist interest in life sciences have fallen in recent quarters.

The COVID-19 pandemic triggered an intense pursuit for cures, vaccines, and treatments, casting a halo effect over the entire life science industry. This fervor, coupled with historically low interest rates driving investors toward unprecedented risk-taking, set the stage for a potential bubble in the life science market.

As we transitioned out of the pandemic into an era of elevated interest rates amid economic uncertainty, investors have adopted a more cautious, risk-off approach. The appetite for high-risk investments, particularly in biopharmaceuticals, has notably diminished, leading to a significant decline in venture capitalist funding in this sector.

Nevertheless, the first quarter of 2024 shows a rebound in funding compared to the previous quarter, which marked the second-lowest funded quarter since the start of the pandemic. This uptick may signal a resurgence in investor interest in the life science sector.

Under Construction

Developers seized the opportunity presented by the life science boom during the pandemic, initiating substantial state-of-the-art constructions to capitalize on the heightened demand for life science facilities.

Major Constructions in the Bay Area

Location	Developer	Total Square Feet	Current Availability	Description	Delivery Date
Intuitive Surgical Campus 945-955 Kifer Rd, Sunnyvale	Foster + Partners	1,211,000	0%	Two-building campus and garage totaling nearly 1.8 million sf.	Q2 2025
Bayer Campus Expansion 800 Dwight Way, Berkeley	Bayer Healthcare	918,000	0%	The project will demolish nine buildings on Bayer's existing campus to create twelve new buildings for office lab and production.	Q4 2025
Southline Phase 1 - Building 1 & 7 50 Tanforan Ave, South San Francisco	Lane Partners	670,000	100%	Two 6 and 7-story buildings as part of Phase 1 of Southline. The rest of the proposed Southline project will total over 3 million sf.	Q1 2025
The Landing 1699 & 1701 Bayshore Hwy, Burlingame	King Street Properties, Helios Real Estate Partners	503,500	100%	Two 6 to 7-story building accompanied by a 9-story parking garage.	Q4 2025
580 Dubuque Ave, South San Francisco	IQHQ	355,000	100%	8-story building with a four-story underground garage near the new South San Francisco Caltrain station.	Q1 2025
Avia Labs 210 Adrian Rd, Millbrae	Longfellow Real Estate Partners	315,000	100%	6-story building near the Millbrae transit center.	Q4 2025

Trends & Predictions



Short term oversupply

The Bay Area is likely to experience a temporary oversupply of life science space until the latter half of the decade.



Lower rents

As landlords encounter dropping demand and increasing vacancy, rental rates will offer excellent opportunities for life science companies on a budget.



More tenant concession

The current life science market is shifting further and further into the tenant's favor. Landlords are willing to offer more concessions than ever.



Focus shifts to healthcare AI

Following the current headlines of artificial intelligence, healthcare AI is getting increasingly more attention. These tenants typically occupy space like conventional tech companies.



More building acquisitions

Similar to the current office market, the life science market is likely to see more sales and acquisitions as distressed landlords struggle to lease their buildings.



Shorter term deals

Life science companies are likely to leverage the slowing market to sign shorter term leases. As-is sublease deals will contribute to this as well.

Looking Ahead

Despite the current challenges facing the Bay Area's life science market, Avison Young's outlook for the future remains optimistic. The imminent influx of under-construction space, though likely to create a short-term oversupply and a slowdown in tenant activity, is seen as a temporary setback for owners and investors.

Looking ahead, as the economy rebounds in the latter half of the 2020s and investor confidence returns, the substantial growth in state-of-the-art life science inventory within the Bay Area presents a unique opportunity. The slow current activity sets the stage for start-up life science companies to capitalize on lower rents and favorable leasing conditions, providing them with unprecedented access to premium spaces. Investors seeking to optimize their returns will discover that life science real estate presents once-in-a-lifetime bargains.

The enduring fundamentals that make the Bay Area a beacon of innovation and growth have proven resilient even in the face of the toughest crises. With world-class universities set against a backdrop of stunning landscapes featuring beaches and redwood forests, the Bay Area continues to be an irresistible magnet for top talent from around the globe. As we navigate through the present challenges, the region remains poised for a robust resurgence and sustained growth in the life science sector.



For more market insights and
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