Market shifts cause Bay Area life sciences tenants to re-evaluate footprints

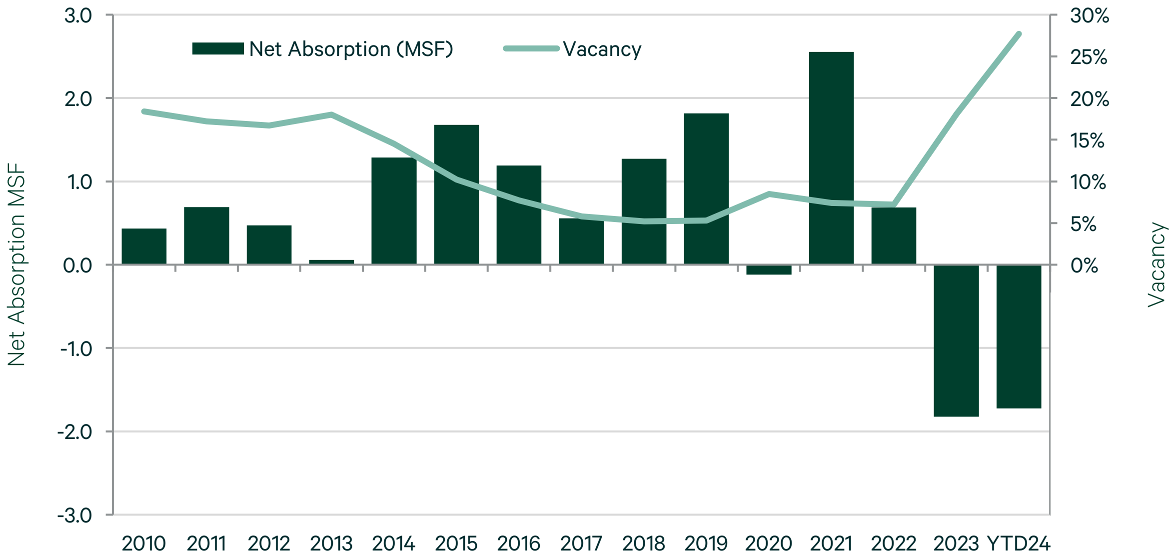
27.7%	(768K)	3.8M	$6.29	147.5K	1.8M
▲ Vacancy Rate	▲ SF Net Absorption	▼ SF Under Construction (includes conversions)	▲ Average Direct Lease Rate NNN / Sq. Ft., monthly	▲ Life Science Industry Employment San Francisco & San Jose MSA	▼ SF Tenants in the Market

Note: Arrows indicate change from previous quarter.

MARKET HIGHLIGHTS

- At the close of Q3 2024, the total labor force in the San Francisco Bay Area (Bay Area) stood at 3.61 million with 3.45 million employed. The unemployment rate ended at 4.4%, up 20 basis points (bps) from the previous quarter. Life sciences companies continued to add headcount during the quarter, growing by 731 jobs, bringing the overall employment for the sector to 146,462 at the close of Q3 2024.
- The overall net absorption for Bay Area life sciences ended Q3 2024 at negative 768,505 sq. ft. as the market continues to battle occupancy losses.
- Bay Area life sciences lab tenants in the market fell to 38 unique requirements, totaling 1.8 million sq. ft. in Q3 2024. Further injections of venture capital and NIH funding should support greater deal volume throughout the rest of 2024 and into the beginning of the new year.
- Construction activity across the Bay Area has sustained momentum as developers move forward with new construction projects, along with office to life science conversions. In total, 19 projects were in development (ground-up construction and building conversions) at the end of Q3 2024, totaling 3.8 million sq. ft. Additionally, 9 projects delivered over the course of the quarter, adding just under 836,000 sq. ft. of new inventory.

FIGURE 1: San Francisco Bay Area Vacancy & Net Absorption Trend



Source: CBRE Research, Q3 2024

MARKET OVERVIEW

At the close of Q3 2024, the total inventory of life sciences facilities in the Bay Area stood at 42.5 million sq. ft. with an overall average asking rate of $6.29 per sq. ft. on a monthly, triple-net basis (NNN). The largest submarket, San Francisco Peninsula (21.8 million sq. ft.), ended the quarter with vacancy at 34.0%, up 470 bps from the previous quarter. The Peninsula posted the second-highest average direct asking rate in the region at $7.02 NNN.

Leasing activity fell slightly through Q3 2024 with 704,000 sq. ft. across the entire region. While slightly lower than the previous quarter, it remains 31% below the 10-year, quarterly average. Occupancy erosion remained a factor through Q3 2024, with net absorption totaling negative 768,505 sq. ft., or roughly 2% of inventory. Life Sciences employment has maintained a growth trajectory, however, which could help mitigate further occupancy losses throughout the remainder of the year.

Total projects under construction through Q3 2024 stood at 3.0 million sq. ft. for ground up construction and 762,000 sq. ft of full building conversions to life sciences. A total of 9 projects (ground-up construction and conversion) delivered in Q3 2024, adding just under 836,000 sq. ft. to the Bay Area's existing life science inventory. The largest ground-up delivery of the quarter was Helios's 300,000 sq. ft. "The Landing" project in Burlingame, which delivered fully vacant. The largest conversion delivery was DivcoWest's 92,000 sq. ft. 5000 Shoreline project in Brisbane. The project delivered 28% pre-leased and 52,000 sq. ft. remains under conversion.

The Bay Area life sciences market's intrinsic value, rooted in being birthplace of the life sciences sector, has made it home to scores of industry-leading companies. These companies benefit from a deep talent pool, replenished by leading universities specializing in the biology and biomedical fields. Access to capital has improved steadily throughout 2024 and this trend should continue into the new year as companies further drive innovation. The sector's inevitable expansion will be met by an abundance of premier lab space, which has seen exponential growth in recent years.

Source: CBRE Research, Q3 2024

FIGURE 2: San Francisco Bay Area Submarket Statistics

Submarket	Net Rentable Area (Sq. Ft.)	Direct Vacant (Sq. Ft.)	Sublease Vacant (Sq. Ft.)	Total Vacancy (%)	Total Availability (%)	Average Direct Lease Rate	Qrtly. Net Abs.	YTD Net Abs.
North 880 Corridor	6,719,374	1,282,533	275,526	23.2%	25.1%	$6.09	-120,055	-388,701
Central 880 Corridor	2,355,266	498,090	150,946	27.6%	27.6%	$4.05	-8,308	-149,510
Oakland	**9,074,640**	**1,780,623**	**426,472**	**24.3%**	**25.8%**	**$5.53**	**-128,363**	**-538,211**
I-680 Corridor	**2,421,588**	**144,074**	**102,805**	**10.2%**	**12.6%**	**$2.39**	**14,225**	**-87,450**
South 880 Corridor	3,908,961	522,299	256,625	19.9%	24.6%	$3.41	-125,741	-185,090
Central Silicon Valley	2,813,226	40,801	72,886	4.0%	8.7%	$2.39	-17,423	-35,401
Northern Silicon Valley	1,161,200	147,433	111,524	22.3%	25.2%	$3.87	35,849	38,695
Silicon Valley	**7,883,387**	**710,533**	**441,035**	**14.6%**	**19.0%**	**$3.41**	**-107,315**	**-181,796**
Northern Peninsula	13,725,473	4,111,004	1,063,991	37.7%	40.2%	$7.02	-522,563	-721,942
Central Peninsula	5,257,192	1,467,722	210,904	31.9%	35.7%	$7.01	100,051	-51,209
Southern Peninsula	2,803,971	476,342	79,692	19.8%	20.9%	$7.03	-124,540	-141,141
San Francisco Peninsula	**21,786,636**	**6,055,068**	**1,354,587**	**34.0%**	**36.6%**	**$7.02**	**-547,052**	**-914,292**
San Francisco	**1,383,978**	**417,457**	**361,285**	**56.3%**	**56.4%**	**$7.74**	**0**	**-671**
Total Bay Area Market	**42,550,229**	**9,107,755**	**2,686,184**	**27.7%**	**30.3%**	**$6.29**	**-768,505**	**-1,722,420**

Source: CBRE Research, Q3 2024

FIGURE 3: San Francisco Bay Area Notable Projects Under Construction

Berkeley Commons
Berkeley
Developer: Lane Partners
Size: 538,826 sq. ft.
Preleased: 0%
Delivery: Q4 2024

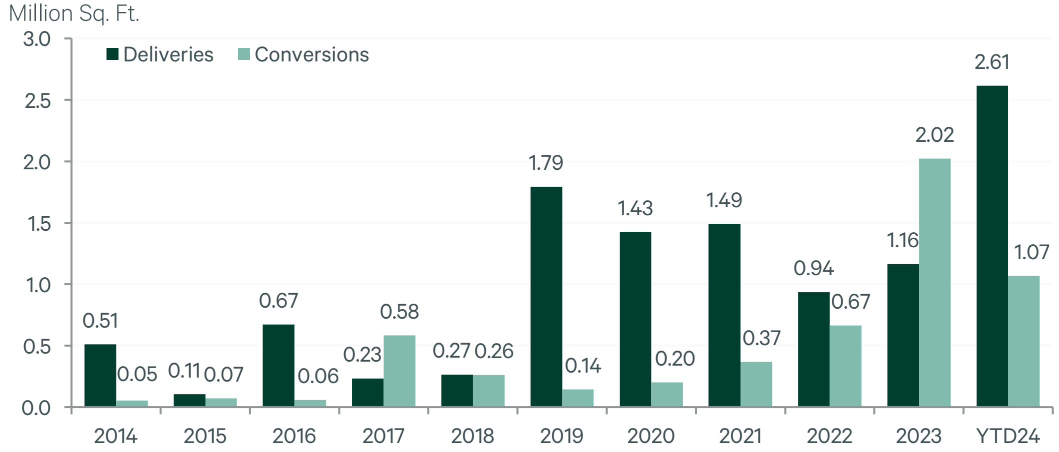
Elco Yards
Redwood City
Developer: IQHQ
Size: 464,000 sq. ft.
Preleased: 23%
Delivery: Q2 2025

SPUR – 580 Dubuque
South San Francisco
Developer: IQHQ
Size: 355,000 sq. ft.
Preleased: 0%
Delivery: Q2 2025

210 Adrian
Millbrae
Developer: Longfellow
Size: 315,000 sq. ft.
Preleased: 0%
Delivery: Q1 2025

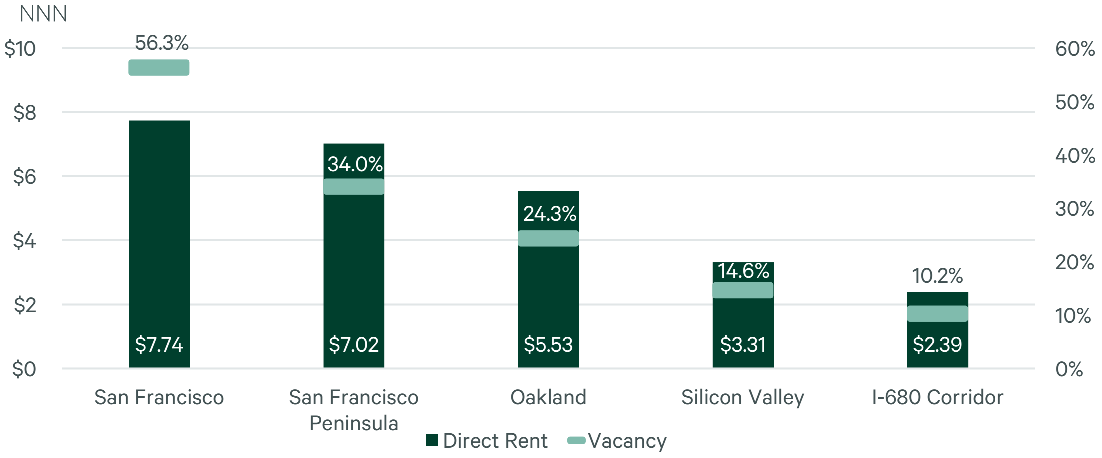
The Landing – Building 2
Millbrae
Developer: King Street/Helios
Size: 203,500 sq. ft.
Preleased: 0%
Delivery: Q4 2024

FIGURE 4: San Francisco Bay Area Life Sciences Construction Deliveries Trend



Source: CBRE Research, Q3 2024

FIGURE 6: San Francisco Bay Area Life Sciences Rental Rate Trend Q3 2024



Source: CBRE Research, Q3 2024

FIGURE 5: San Francisco Bay Area Notable Life Sciences Lease Transactions Q3 2024

Tenant	Submarket	SF Leased	Type
Natera	San Francisco Peninsula	136,258	Renewal
Confidential	San Francisco Peninsula	60,841	Renewal
Confidential	San Francisco Peninsula	50,977	New Lease
Confidential	San Francisco Peninsula	43,293	Expansion
Confidential	San Francisco Peninsula	40,573	New Lease
Vaxcyte	San Francisco Peninsula	38,200	Sublease
Confidential	San Francisco Peninsula	35,943	New Lease
PTC Therapeutics	Silicon Valley	35,849	New Lease
4D Molecular Therapeutics	Oakland	32,038	Sublease
Attovia Therapeutics	San Francisco Peninsula	27,738	New Lease

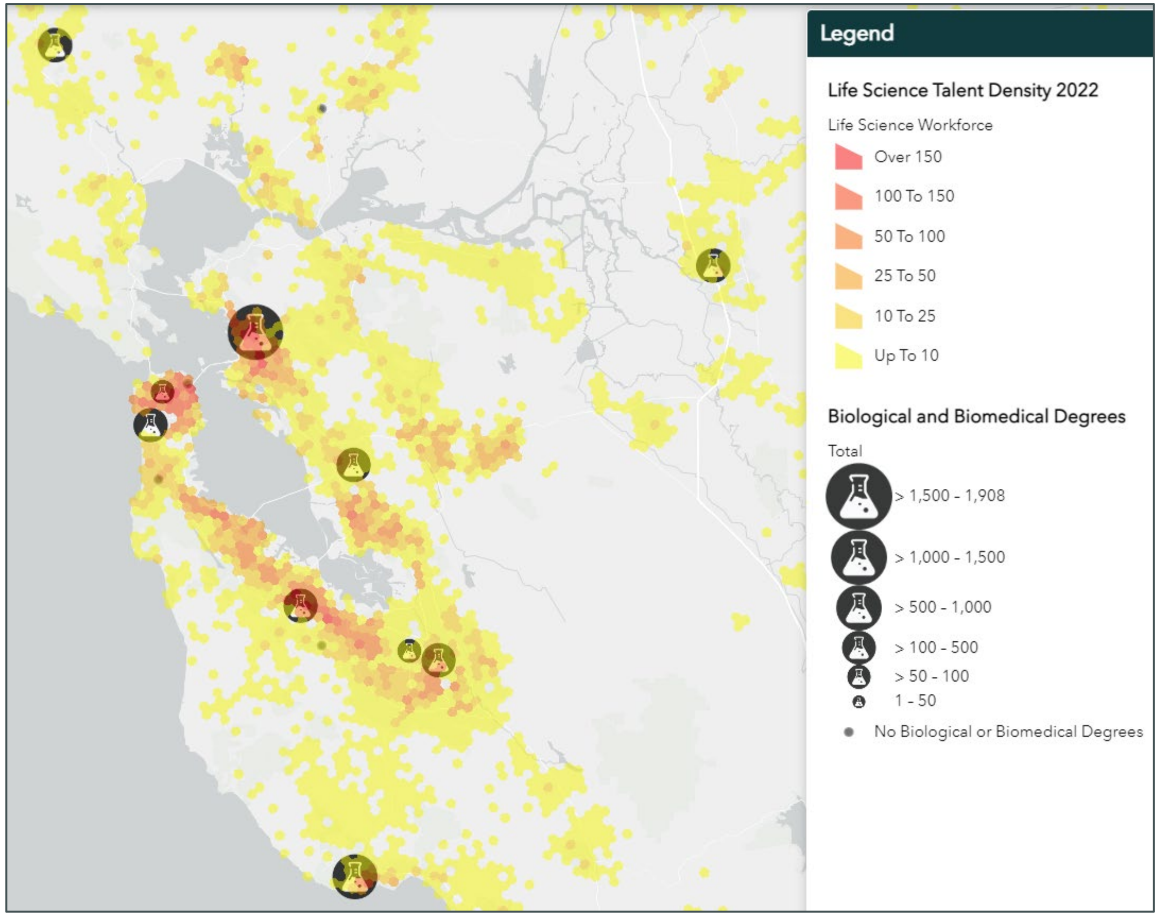
Source: CBRE Research, Q3 2024

FIGURE 7: San Francisco Bay Area Top Life Sciences Occupiers

Company Name	
Genentech, Inc. / Roche	Ginkgo/Zymergen
Abbott Laboratories	Bayer
Gilead Sciences, Inc.	Merck
BioMarin Pharmaceutical, Inc	Freenome
Bristol Myers Squibb	Pacific Biosciences
Amgen Inc.	Mylan
Exelixis	Guardant Health
Verily	Cytokinetics, Inc.
AbbVie	Nektar Therapeutics
Penumbra	Johnson & Johnson

Source: CBRE Research, Q3 2024

Market Map (Bay Area Life Sciences Talent Density & Biological / Biomedical Degrees)



Source: CBRE Research, Location Intelligence, Q4 2023

Definitions

Life Sciences Methodology: highly specialized facilities with exceptional power, plumbing, ventilation, and extensive laboratory buildout, which meets current life sciences user needs.

Leasable Inventory SF: specialized life sciences inventory or lab space that is owned by an investor / developer and leased to a life sciences company, **Direct Vacant SF:** available vacant space marketed by a landlord of a life sciences facility. **Sublease Vacant SF:** available vacant space marketed by a sublessor of a life sciences facility. **Vacancy Rate:** sum of direct and sublease vacant SF divided by leasable inventory SF. **Availability Rate:** total available occupied and vacant space marketed by a landlord or sublessor divided by leasable inventory SF. **Average Direct Lease Rate:** average direct rent for speculative and second and third generation life sciences build-out on a NNN / sq. ft., monthly basis. **Under Construction:** projects currently under development and scheduled for completion beyond reporting quarter. **Deliveries:** projects delivered over a specified timeframe. **Net Absorption:** change in previously occupied space, measured in SF and recorded as a positive value for occupancy growth or negative for reduction. Life science occupations are in pharmaceutical and medicine manufacturing and scientific research and development services. **Life Science Industry Employment:** Pharmaceutical and medicine manufacturing; Scientific research and development services; and navigational, measuring, electromedical, and control instruments manufacturing. **Geographies:** North 880 Corridor (Richmond, Berkeley, Emeryville, and Alameda); Central 880 Corridor (San Leandro, Hayward, and Union City); 680 Corridor (Livermore and Pleasanton); South 880 Corridor (Newark, Fremont, and Milpitas); Central Silicon Valley (San Jose, Santa Clara, Campbell, and Los Gatos); Northern Silicon Valley (Cupertino, Sunnyvale, and Mountain View); Southern Peninsula (Palo Alto and Menlo Park); Central Peninsula (San Mateo, Foster City, Redwood City, Belmont, San Carlos); Northern Peninsula (Brisbane, South San Francisco, and Burlingame); and San Francisco.

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