
4Q24

San Francisco Bay Area Life Science Market Overview



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Market Observations

Economy

- In mid-December 2024, the Federal Reserve reduced interest rates by 25 basis points to a range of 4.25% to 4.50%, marking its third consecutive rate cut of the year. This strategic move aimed to stabilize an economy that is steady yet cooling.
- Looking ahead, the market expects the Federal Reserve to hold rates at their current level through the first quarter of 2025, with the possibility of two additional cuts by year-end as inflation pressures persist.
- Clearer insight into future rate adjustments could help shift dealmaking dynamics toward greater balance.
- Employment growth in the Bay Area life science sector has remained flat for the past two years. However, new leases and recent expansions by life science tenants could drive a rebound in 2025.

Major Transactions

- Clinical-stage biotechnology vaccine company Vaxcyte completed the largest deal of the quarter, renewing their 113,066-SF lease on the first, second, and third floors at 825 Industrial Road and expanding into an additional 145,515 SF on the fourth, fifth, and sixth floors. The total transaction amounted to 258,581 SF.
- Genentech completed the second-largest deal of the quarter, renewing their 230,592-SF lease at 751 Gateway Blvd. in South San Francisco.
- Cell development and manufacturing company Cellares signed the third-largest deal of the quarter, leasing 1100 & 1200 Veterans Blvd. in South San Francisco for 205,135 SF.

Leasing Market Fundamentals

- Market-wide vacancy rose slightly to 27.9% this quarter, up from 27.0% last quarter. Availability also increased, reaching 30.1%, compared to 29.6% in the prior quarter. Sublease availability continued to decline, falling to 6.0%, down from 6.6% last quarter.
- Fourth-quarter leasing volume reached its highest level since the fourth quarter of 2021, rising 86.0% quarter-over-quarter and 276.0% year-over-year. The region's 3.9-million-SF construction pipeline contracted during the fourth quarter of 2024, with 16.0% of ground-up construction preleased.
- Active demand for lab space decreased to 2.1 million SF, down from 2.7 million SF in the prior quarter and 2.6 million SF one year ago.
- No new developments broke ground in 2024, as developers remained cautious due to softening demand and challenges in securing financing.

Outlook

- The Bay Area life science market demonstrated notable improvement over the past year, with market sentiment strengthening in the fourth quarter due to a shift in interest rate policy, pent-up demand, and the deployment of previously sidelined capital.
- Despite historically high vacancy rates, the region remains a top choice for companies, offering unparalleled access to talent and a well-established life science infrastructure.
- Leasing momentum is expected to carry into early 2025, barring any unexpected economic disruptions.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

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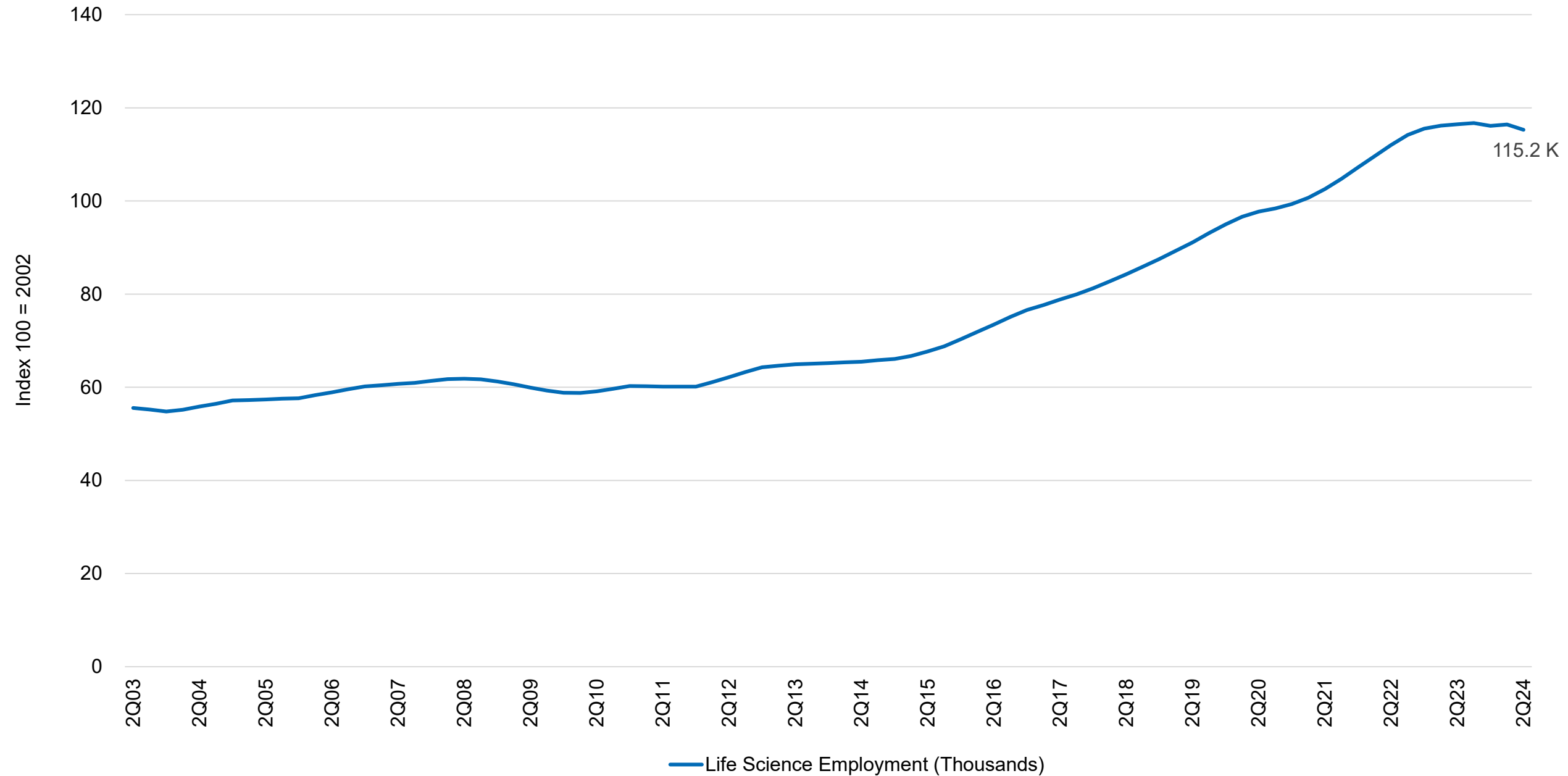
Economy



Bay Area Life Science Employment Showing Signs of Temporarily Plateauing

Life science employment in the San Francisco Bay Area declined to 115,256 active employees in the second quarter of 2024, down from 116,407 in the first quarter and 116,116 one year prior.

Bay Area Life Science Employment

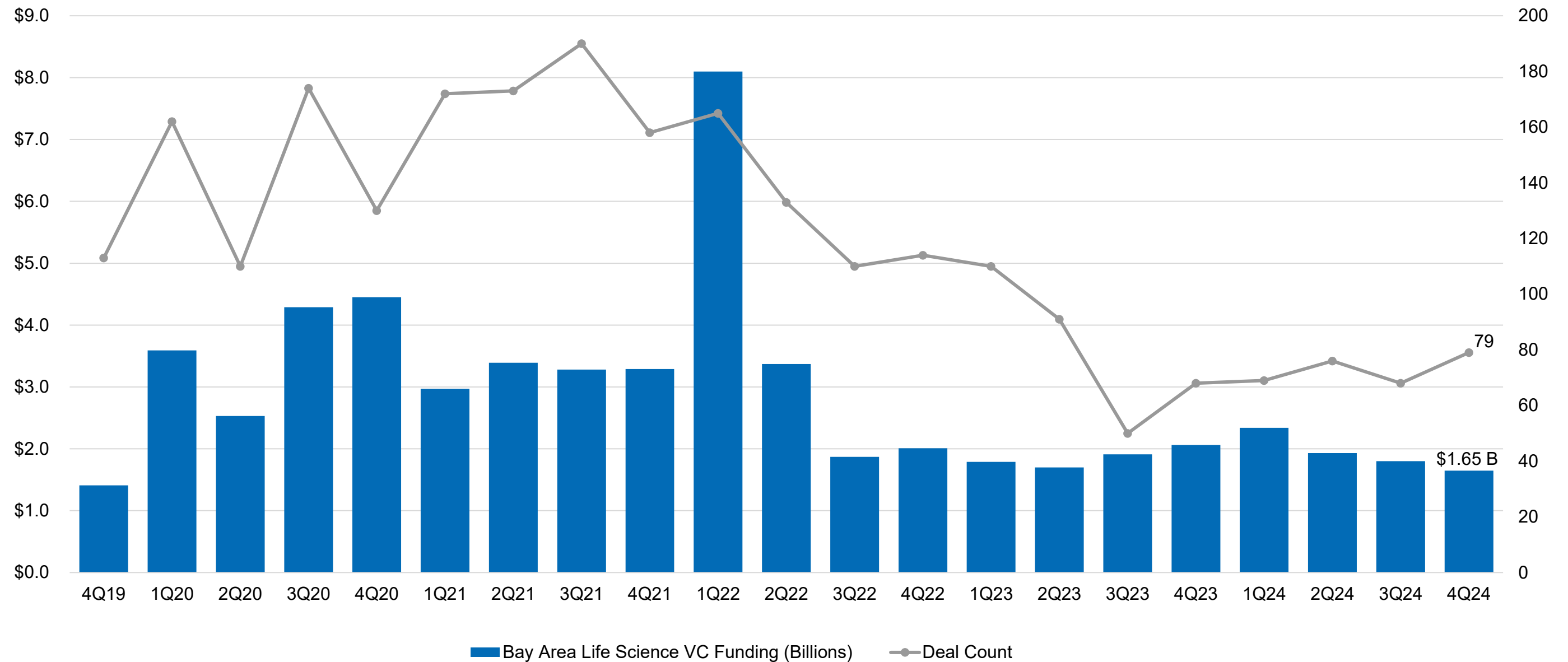


Source: JobsEQ

Bay Area Life Science Funding Down Slightly While VC Deals Increase

Across the Bay Area, 79 life science VC deals were completed, up from 68 in the prior quarter and 68 one year ago. Biotech venture capital funding in the Bay Area decreased in the fourth quarter of 2024, with \$1.65 billion raised compared to \$1.80 billion in the previous quarter. Year-to-date life science funding increased slightly to \$7.7 billion, up from \$7.5 billion during the same period last year.

Bay Area Life Science Venture Capital Funding / Deal Count

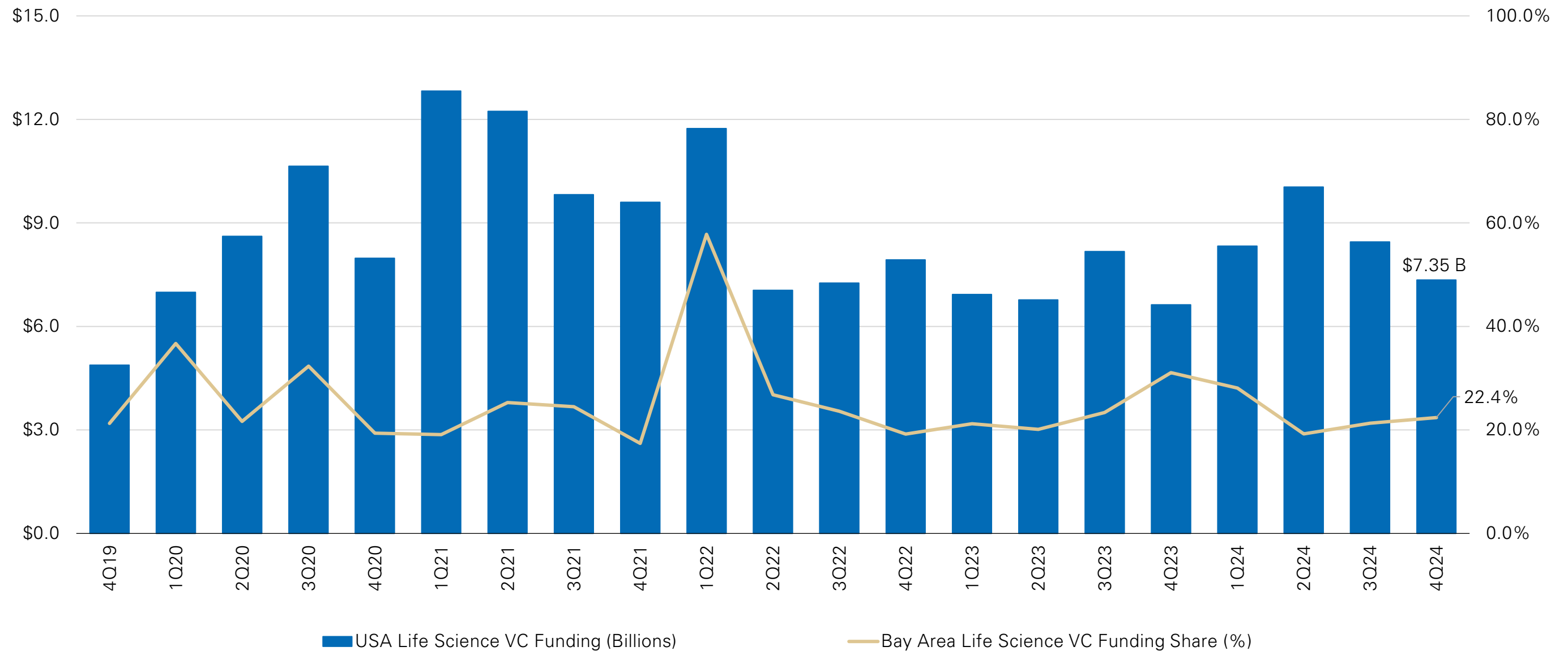


Source: Pitchbook

Lower Life Science VC Funding Nationwide

Nationally, the life science sector recorded \$7.35 billion in venture capital investment, down from \$8.5 billion in the prior quarter but up from \$6.6 billion one year ago. Year-to-date, life science venture capital funding rose to \$34.1 billion, compared to \$28.5 billion during the same period last year. While venture capital funding has not diminished entirely, it has shifted focus toward more mature, established companies rather than startups.

Nationwide Life Science Venture Capital Funding



Source: Pitchbook

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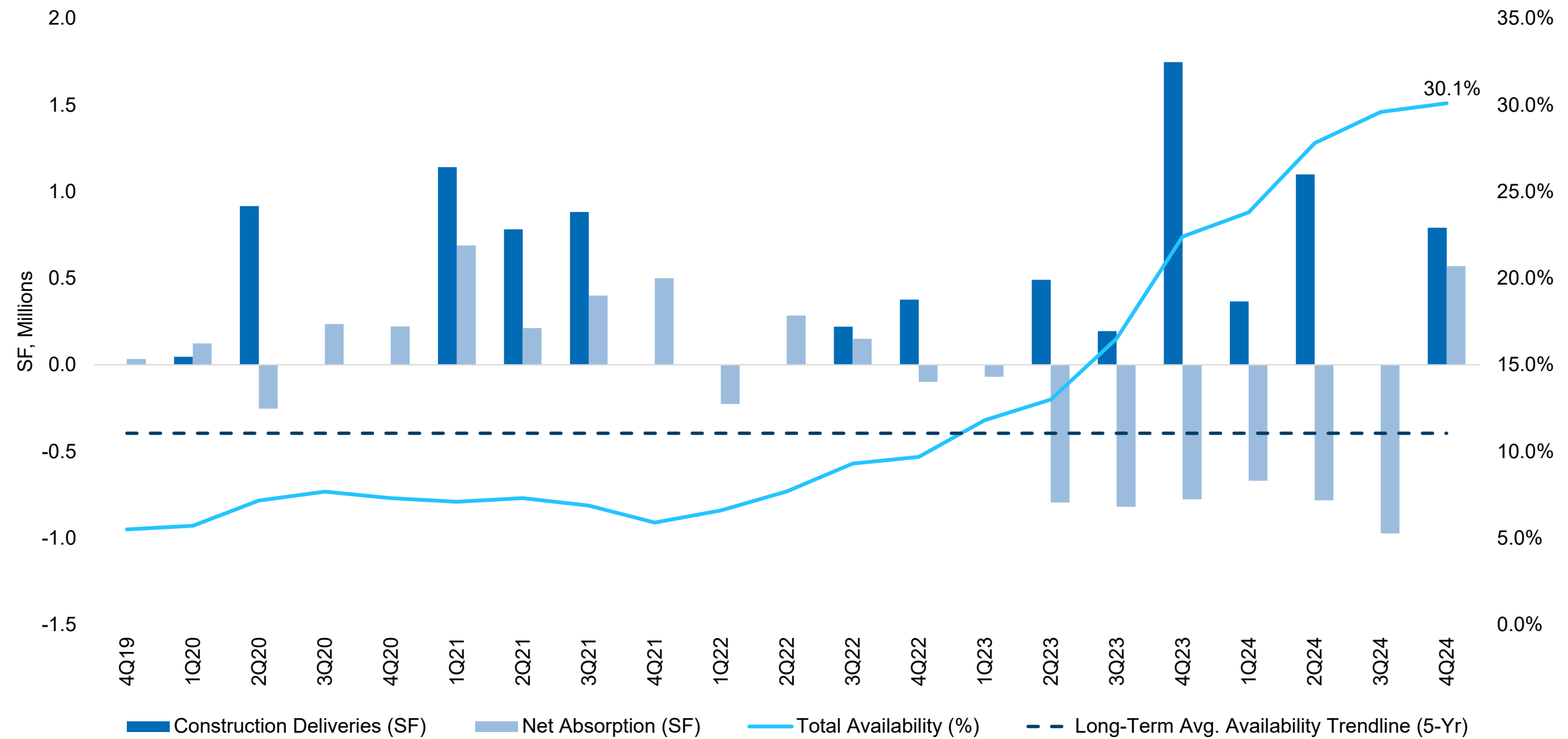
Leasing Market Fundamentals



Bay Area Region Records Positive Net Absorption

After eight consecutive quarters of negative net absorption, the Bay Area recorded 570,000 SF of positive net absorption in the fourth quarter of 2024, a significant improvement from negative 973,000 SF in the prior quarter. Life science availability reached a new record high, closing the fourth quarter of 2024 at 30.1%, up slightly from 29.6% last quarter and 22.4% one year ago.

Historical Construction Deliveries, Net Absorption, and Availability



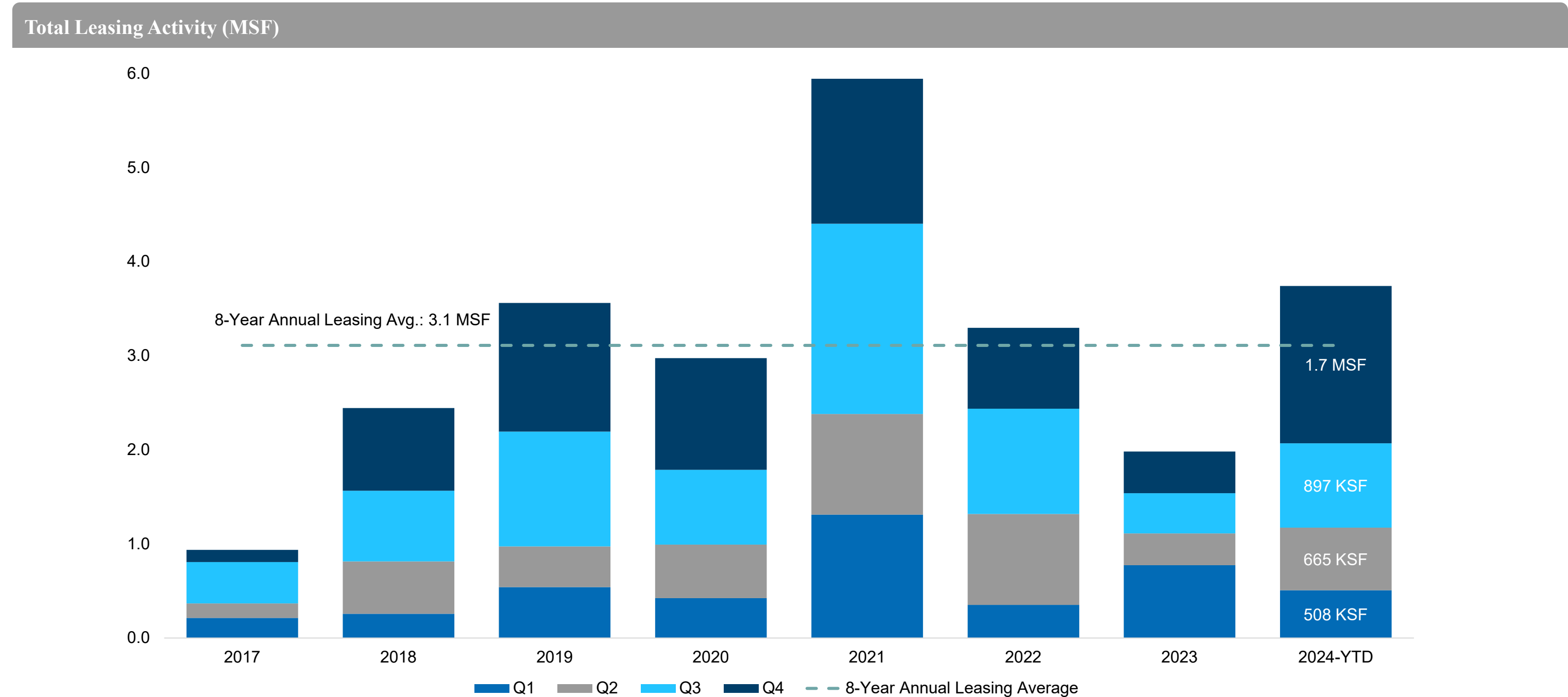
Source: Newmark Research, CoStar



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Leasing Activity Up in Quarter and Year

The Bay Area saw a series of major leases in the fourth quarter of 2024 that significantly contributed to the market's strong recovery. Total leasing activity for the quarter reached 1,671,000 SF, marking an 86.0% increase quarter-over-quarter and a 276.0% increase year-over-year. The average deal size rose to 38,698 SF, up from 23,754 SF in the previous quarter.

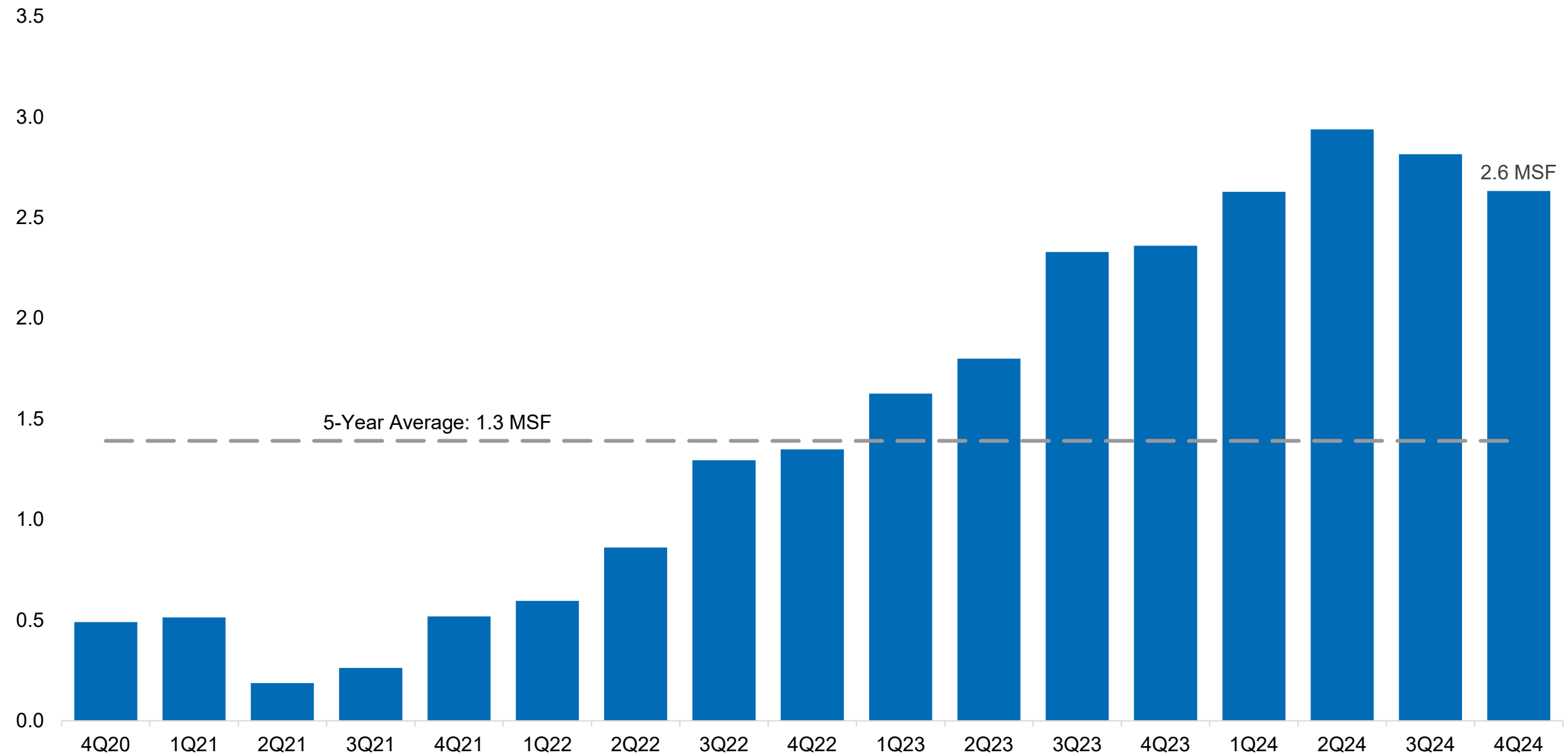


Source: Newmark Research, CoStar

Bay Area Sublease Availability Falls for Second Consecutive Quarter

The Bay Area life science market recorded 2.6 million SF of sublease availability in the fourth quarter, down from 2.8 million SF in the previous quarter. This ongoing decrease in available sublease space provides some relief in a market challenged by record-high availability and softened demand.

Available Life Science Sublease Volume (MSF)



Source: Newmark Research, CoStar

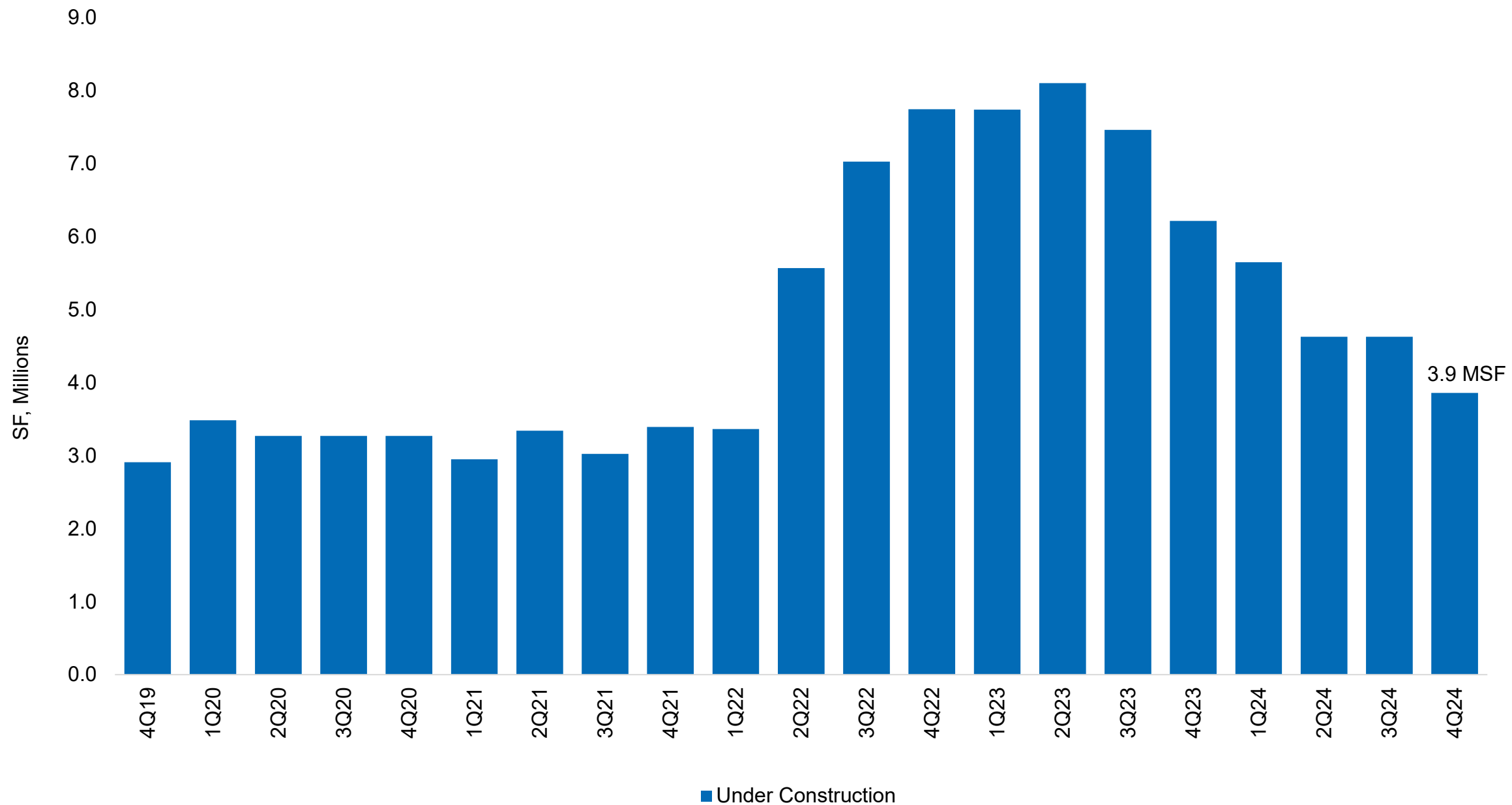


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Life Science Construction Pipeline Levels Off

The Bay Area life science construction pipeline contracted in the fourth quarter of 2024, totaling 3.85 million SF, with 16.0% preleased. The quarter's most significant delivery was The Landing project in Burlingame, comprising 503,500 SF across two buildings.

Life Science Under Construction (MSF)

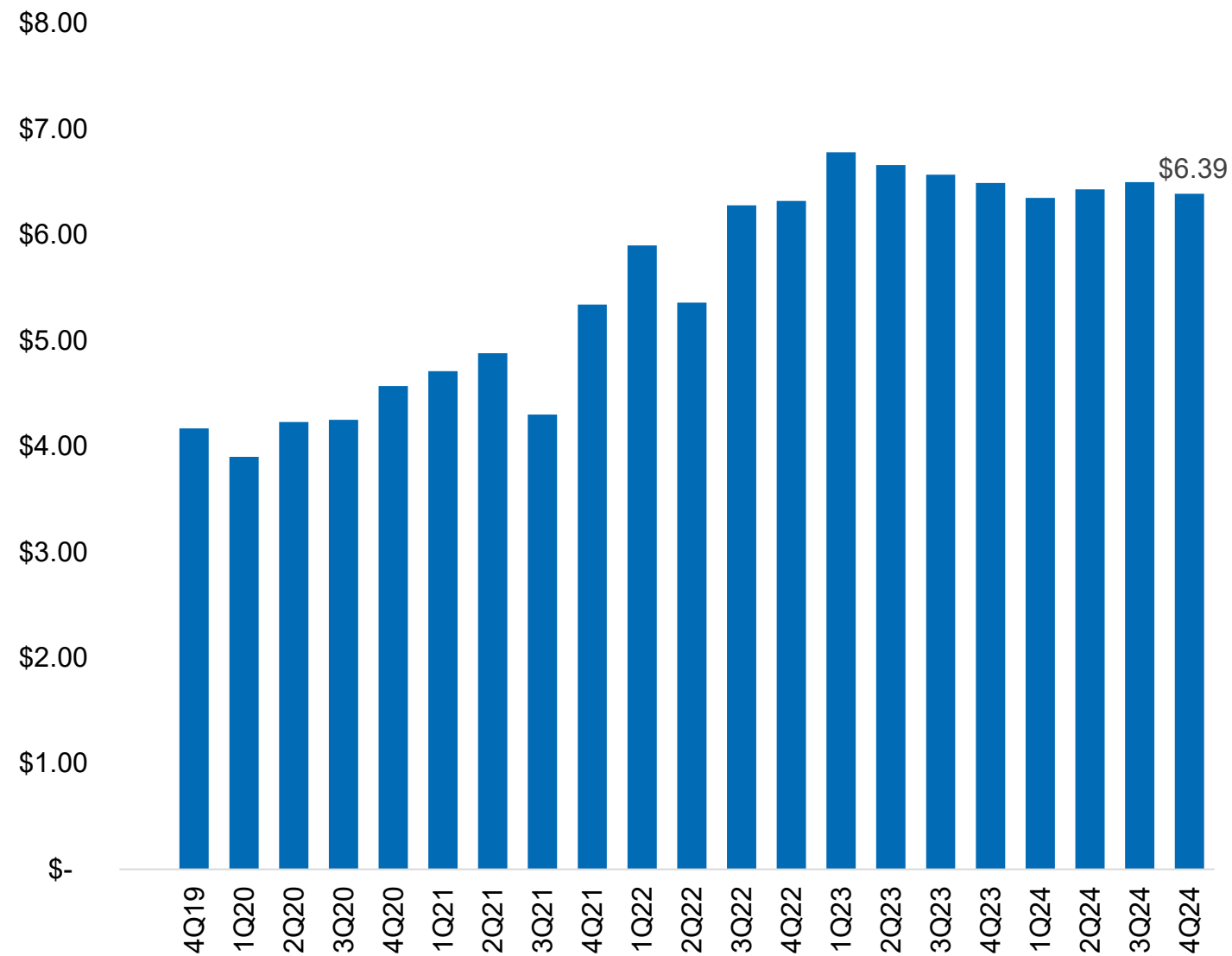


Source: Newmark Research, CoStar

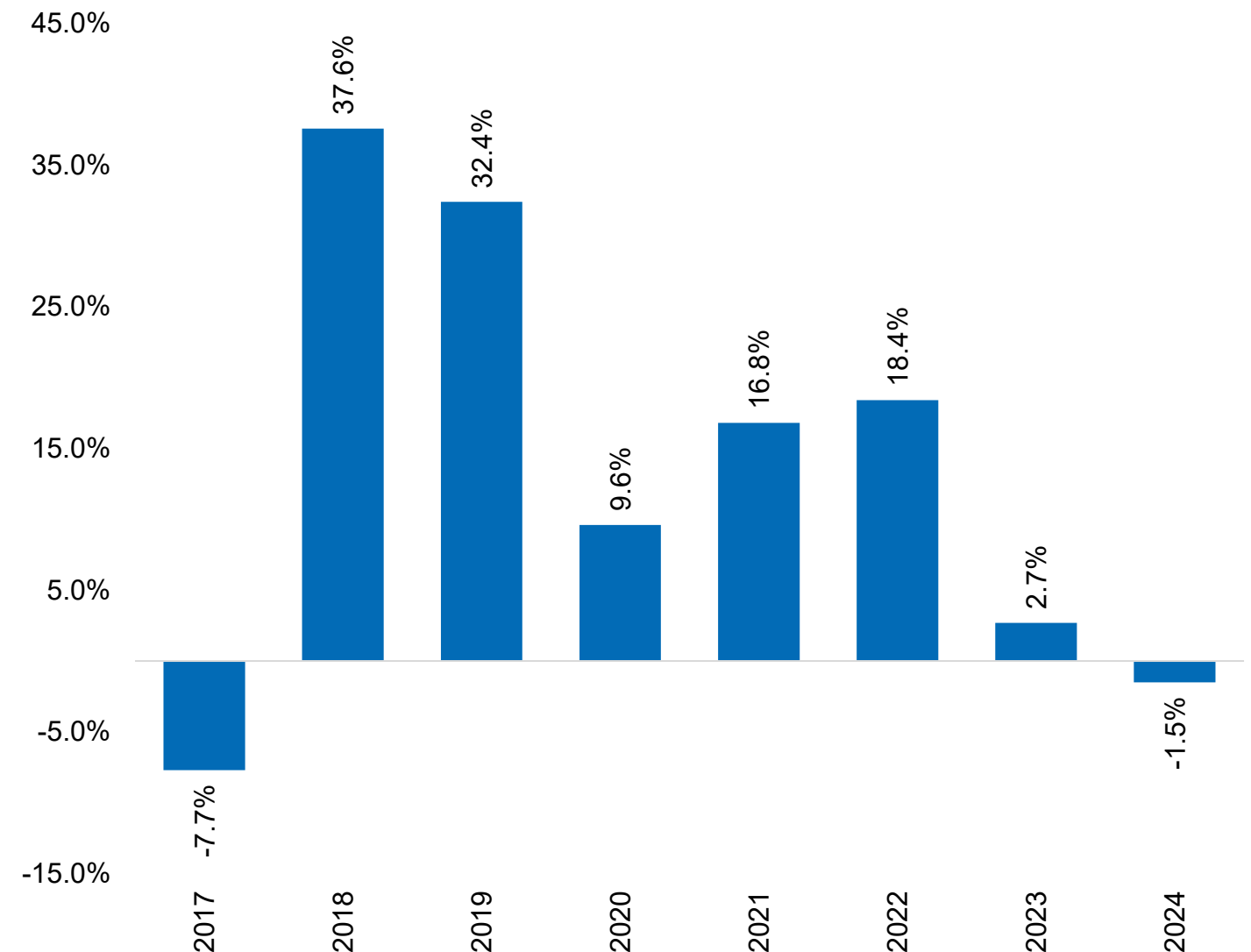
Bay Area Average Asking Rent Decreases

The overall average asking rate for life science space in the Bay Area declined from \$6.50/SF last quarter to \$6.39/SF in the fourth quarter of 2024. Softer demand and elevated sublease availability have contributed to this regional decrease in average asking rates.

Life Science Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



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Notable 4Q24 Lease Transactions

This quarter, 15 leases of 20,000 SF or more were executed, up from 14 in the prior quarter and 8 one year ago.

Select Lease Transactions

Tenant	Building/Project	Submarket	Type	Square Feet
Vaxcyte	Alexandria District for Science & Technology 825 Industrial Rd.	San Carlos	Lease Renewal/Expansion	258,581
<i>Clinical-stage biotechnology vaccine company Vaxcyte renewed its 113,066 SF lease on the 1st-3rd floors while also expanding into an additional 145,515 SF on the 4th-6th floors.</i>				
Genentech	751 Gateway Blvd.	South San Francisco	Lease Renewal	230,592
<i>Genentech completed the second-largest deal of the quarter, renewing their 230,592-square foot lease at 751 Gateway Blvd. in South San Francisco.</i>				
Cellares	Portside at Oyster Point 1100 & 1200 Veterans Blvd.	South San Francisco	Direct Lease	205,135
<i>Cell development and manufacturing company Cellares leased 1100 & 1200 Veterans Blvd. in South San Francisco for 205,135 square feet for the third-largest deal of the quarter.</i>				
Confidential Tenant	1300 Main St. (ELCO Yards - The Shop)	Redwood City	Lease Expansion	109,082
<i>The fourth-largest deal of the quarter was made by a confidential tenant that expanded into an additional 109,082 square feet in the ELCO Yards project in Downtown Redwood City.</i>				
Neurona Therapeutics	170 Harbor Way & Vantage-Building B. (490 Forbes Blvd.)	South San Francisco	Short-term Extension/Direct Lease	108,936
<i>Neurona renewed its 46,394-SF lease on a short-term basis at 170 Harbor Way while also leasing an additional 62,542 SF in Building B at Healthpeak's Vantage project in South San Francisco.</i>				

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Appendix / Tables





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