Life Sciences Industry Insight

Bay Area, CA

Market gains momentum as tenant demand starts to accelerate

VC funding is ramping up, surpassing $2B for the first time in three quarters

VC funding reached $2.5B in Q3, indicating that VC is starting to rebound. The majority of investment was allocated towards early-stage companies. Of the top five deals across the U.S., the Bay Area was home to three of the largest VC rounds. In fact, the largest VC round in this quarter was Neuralink in Fremont which raised $280M. In addition to VC, economic fundamentals such as employment and job postings are starting to increase, showing initial signs of recovery which will eventually translate into leasing volume.

Recent funding recipients in the market

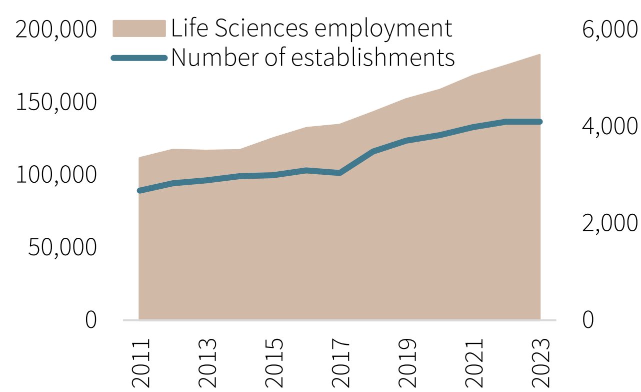
$280 M
Neuralink (Series D)

$255 M
Cellares (Series C)

$215 M
MAPS Public Benefit (Series A)

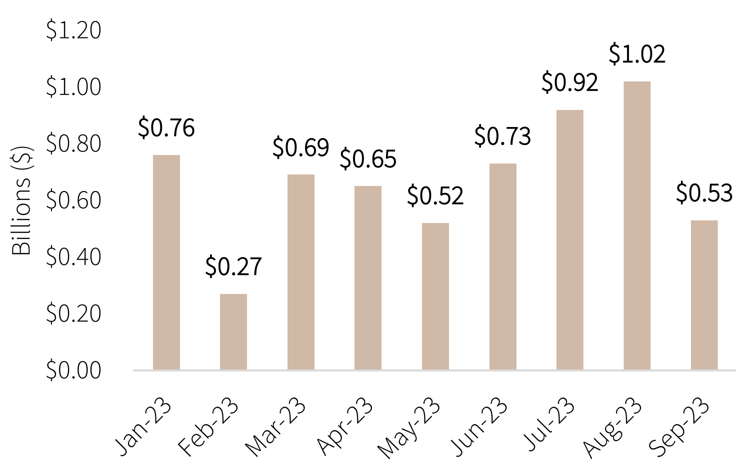
$200 M
Genesis Therapeutics (Series B)

Life sciences employment and establishments



Source: EMSI

Life sciences venture capital investment activity



Source: Crunchbase

Leasing volume remains steady with 76.2% of deals being under 30,000 s.f.

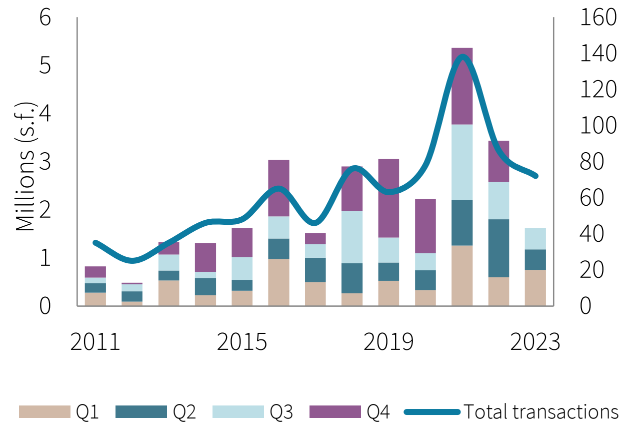
Leasing volume closed the quarter at 441,00 s.f.

Bay Area wide, leasing volume was at 441,000 s.f., with 47.2% of leasing concentrated in the North County submarket cluster. The largest completed deal was Pliant Therapeutics signing 101,000 s.f. at 331 Oyster Point in South San Francisco. DRA/BRV's Marina Village project in Alameda accounted for nearly a quarter of the region's leasing, led by an expansion by Iota for 54,000 s.f. Other notable transactions include Vaxcyte's 37,000 s.f. lease assignment with Codexis at 825 Industrial Rd in San Carlos. Vaxcyte now will occupy 40.7% of the building. Smaller deals under 30,000 s.f. accounted for 76.2% of leases. The trend towards smaller spaces reflect current requirements with 69.1% of active tenants looking for lab spaces 30,000 s.f. or less. However, the Bay Area is starting to see larger requirements emerging, showing positive signs for future leasing activity.

Vacancy rate rises to 16.2%

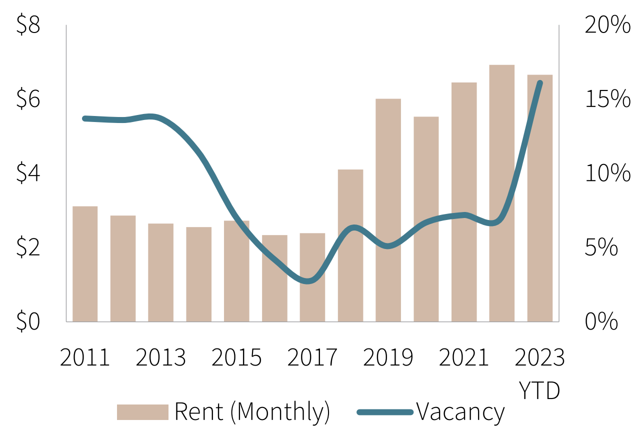
Vacancy grew 270 basis points as 720,000 s.f. delivered vacant. Going into the fourth quarter, 2.0M s.f. of unleased space is expected to deliver. This quarter witnessed -224,000 s.f. of net absorption, where the biggest contributors include Perfect Day's 64,700 s.f. moveout at 740 Heinz St and 52,000 s.f. at 3000 Bridge from Altos Lab's restructuring around Redwood LIFE. The largest move-in was 10x Genomics's new development with 164,000 s.f. at 1701 Springdale Ave in Pleasanton. Despite an upshift in vacancy, total asking rents remained stable quarter-over-quarter. Average asking rents fell 3.8% off their peak in 2022 to $6.66 NNN.

Completed lease transactions and leases signed



Source: JLL

Vacancy and NNN rent trends



Source: JLL

Notable lease transactions

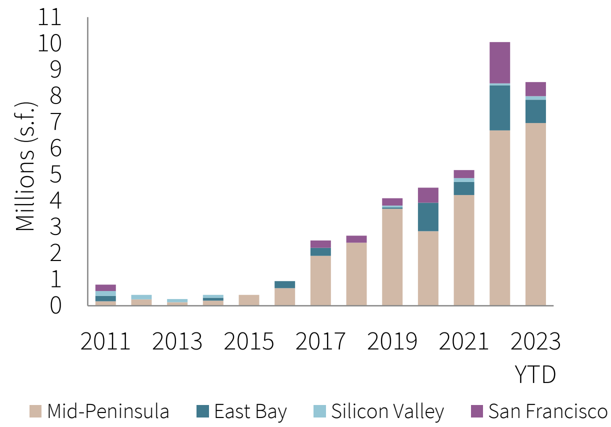
Company	Address or Property	Submarket	Size (s.f.)	Date signed	Type
Pliant Therapeutics	331 Oyster Point	South San Francisco	100,904	9/18/2023	New
Iota Biosciences	400 Wind River Way	Alameda	53,545	9/20/2023	Expansion
Vaxcyte	825 Industrial Rd	San Carlos	36,593	9/1/2023	New
Centrillion Technologies	2500 Faber Pl	Palo Alto	32,820	7/25/2023	Renewal
Walking Fish Therapeutics	450 E Jamie Ct	South San Francisco	29,745	7/1/2023	New

Development activity stabilizes

The quarter witness 894,000 s.f. of deliveries

The total under-development supply narrowed to 8.5M, down from its 10M s.f. peak in Q4 2022. Two projects broke ground this quarter: Beacon Capital & Menlo Equities' 241,000 s.f. at 405 Industrial Rd in San Carlos and Trammell Crow's 220,000 s.f. at 200 Twin Dolphin Dr in Redwood Shores. The largest projects delivered were Tishman Speyer's Mission Rock 300,000 s.f. Building B in San Francisco, Graymark Capital's 230,000 s.f. lab space at 150 Industrial Rd in San Carlos, and 10x Genomic's 163,500 s.f. lab space at 1701 Springdale Ave in Pleasanton. The lab pipeline will lessen as fewer projects are moving forward. Out of the total pipeline, only 14.4% is pre-leased. Rents are likely to experience downward pressure with the amount of new development and sublease spaces coming on the market.

Development pipeline

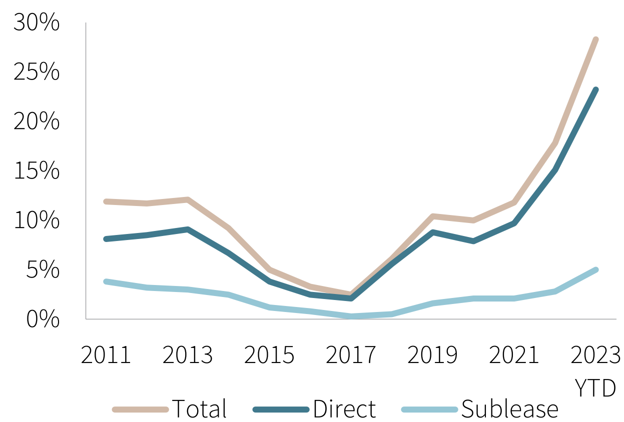


Source: JLL Research

Sublease availability climbs to 5%

570,000 s.f. of subleases hit the market in the third quarter, raising sublease availability 120 basis points quarter-over-quarter to 5% or 2.3M s.f. This is the highest rate observed in the Bay Area in nearly two decades, with 65% of the added sublease available supply coming from Mission Bay. While some companies made available sublease space, others chose to negotiate lease terminations. Atreca who previously put their space for sublease terminated their 100,000 s.f. lease at Alexandria's Center for Life Sciences in San Carlos. To remain competitive, developers are offering more concessions and building out spec suites.

Availability Trends



Source: JLL Research

Top Upcoming Deliveries

Expected Delivery	Name	Address	City	Size (s.f.)	Owner	Type
Q4 2023	Berkeley Commons	600 Addison St 601 Bancroft St	Berkeley	538,826	Lane Partners	Ground-Up
Q4 2023	Vantage	494 Forbes Blvd Bldg A/B	South San Francisco	342,000	Healthpeak	Ground-Up
Q4 2023	651 Gateway	651 Gateway	South San Francisco	325,215	ARE	Conversion
Q4 2023	751 Gateway	751 Gateway	South San Francisco	321,000	ARE	Ground-Up

Q3 2023 Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent ($ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
Bay Area	**Totals**	**35,873,380**	**-223,997**	**-23,605**	**-0.1%**	**11.8%**	**16.2%**	**$6.90**	**3,760,180**	**8,525,930**

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Belmont	Totals	176,000	0	0	0.0%	100.0%	100.0%	$7.25	176,000	0
Foster City	Totals	1,399,787	43,958	43,958	3.1%	0.0%	4.0%	$0.00	0	0
Redwood Shores	Totals	787,789	-59,323	40,511	5.1%	12.9%	12.9%	$6.80	0	51,678
San Carlos	Totals	1,178,862	-4,800	-4,708	-0.4%	20.2%	22.0%	$7.24	230,691	902,139
San Mateo	Totals	181,222	23,729	23,729	13.1%	21.4%	24.4%	$7.15	68,000	680,050
Central County	**Totals**	**3,723,660**	**3,564**	**103,490**	**2.8%**	**14.9%**	**17.1%**	**$7.18**	**474,691**	**1,633,867**
Brisbane	Totals	976,147	-38,877	-65,558	-6.7%	5.7%	14.5%	$6.97	0	566,661
Burlingame/Millbrae	Totals	108,318	0	300	0.3%	7.0%	18.1%	$7.36	0	1,103,939
Daly City	Totals	432,000	26,439	314,074	72.7%	35.5%	35.5%	$6.50	432,000	0
San Bruno	Totals	0	0	0	0.0%	0.0%	0.0%	$0.00	0	0
South San Francisco	Totals	11,463,504	-96,669	-417,978	-3.6%	8.5%	12.9%	$7.10	677,508	2,908,566
North County	**Totals**	**12,979,969**	**-109,107**	**-169,162**	**-1.3%**	**9.2%**	**13.8%**	**$7.12**	**1,109,508**	**4,579,166**
Menlo Park	Totals	970,522	-47,414	-94,544	-9.7%	10.6%	16.3%	$4.41	0	0
Redwood City	Totals	1,552,819	-7,913	-257,948	-16.6%	16.0%	21.6%	$7.04	31,370	755,000
South County	**Totals**	**2,523,341**	**-55,327**	**-352,492**	**-14.0%**	**13.9%**	**19.6%**	**$6.57**	**31,370**	**755,000**
Mid-Peninsula	**Totals**	**19,226,970**	**-160,870**	**-418,164**	**-2.2%**	**10.9%**	**15.2%**	**$7.08**	**1,615,569**	**6,968,033**

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Hayward	Totals	1,218,176	-39,478	87,567	7.2%	13.6%	25.3%	$4.27	51,845	0
880 Corridor	**Totals**	**1,218,176**	**-39,478**	**87,567**	**7.2%**	**13.6%**	**25.3%**	**$4.27**	**51,845**	**0**
Alameda-North	Totals	710,523	0	-17,886	-2.5%	7.5%	10.9%	$5.85	0	0
Alameda-South	Totals	1,505,406	37,261	53,879	3.6%	9.8%	9.8%	$5.18	48,850	0
Berkeley	Totals	893,060	-48,635	-99,879	-11.2%	7.3%	18.8%	$7.40	22,043	538,826
Emeryville	Totals	3,114,480	-68,248	220,250	7.1%	13.0%	23.2%	$6.92	624,689	349,698
Richmond	Totals	1,221,752	0	0	0.0%	0.6%	0.6%	$3.00	0	0
Oakland Metro	**Totals**	**7,445,221**	**-79,622**	**156,364**	**2.1%**	**9.1%**	**15.1%**	**$6.91**	**695,582**	**888,524**
Livermore	Totals	389,768	0	0	0.0%	0.0%	0.0%	$0.00	0	0
Pleasanton	Totals	782,329	130,548	112,631	14.4%	7.4%	10.2%	$2.67	163,500	0
San Ramon	Totals	96,535	0	0	0.0%	0.0%	0.0%	$0.00	0	0
South 680 Corridor	Totals	1,268,632	130,548	112,631	8.9%	4.6%	6.3%	$2.67	163,500	0
East Bay	**Totals**	**9,932,029**	**11,448**	**356,562**	**3.6%**	**9.1%**	**15.2%**	**$6.49**	**910,927**	**888,524**

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Fremont	Totals	823,604	0	106,067	12.9%	4.4%	10.2%	$4.25	0	0
Milpitas	Totals	102,189	0	-48,947	-47.9%	56.5%	56.5%	$3.75	0	0
Mountain View	Totals	288,870	0	0	0.0%	23.7%	23.7%	$6.25	68,558	0
Newark	Totals	319,951	0	-31,659	-9.9%	43.6%	43.6%	$5.12	0	0
North San Jose	Totals	469,267	0	41,351	8.8%	3.6%	5.7%	$2.65	68,252	0
Palo Alto	Totals	1,323,539	0	473	0.0%	6.3%	6.7%	$7.86	46,504	138,577
Sunnyvale	Totals	64,788	0	0	0.0%	73.3%	73.3%	$3.90	0	0
Suburban	**Totals**	**3,392,208**	**0**	**67,285**	**2.0%**	**13.3%**	**15.1%**	**$5.81**	**183,314**	**138,577**
Silicon Valley	**Totals**	**3,392,208**	**0**	**67,285**	**2.0%**	**13.3%**	**15.1%**	**$5.81**	**183,314**	**138,577**

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Dogpatch / Pier 70	Totals	0	0	0	0.0%	0.0%	0.0%	$0.00	0	0
Mission Bay/China Basin	Totals	3,151,993	-74,575	-29,288	-0.9%	22.4%	24.8%	$7.14	1,050,370	530,796
Showplace Square	Totals	170,180	0	0	0.0%	39.1%	39.1%	$6.00	0	0
Non-CBD	**Totals**	**3,322,173**	**-74,575**	**-29,288**	**-0.9%**	**23.2%**	**25.5%**	**$7.08**	**1,050,370**	**530,796**
San Francisco	**Totals**	**3,322,173**	**-74,575**	**-29,288**	**-0.9%**	**23.2%**	**25.5%**	**$7.08**	**1,050,370**	**530,796**

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