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National Office Report

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Life Sciences Demand Grows

- Life sciences is the one subsector of office that has not struggled in the last 18 months. On the contrary, the life sciences industry has grown more rapidly during the pandemic than it had beforehand.
- The groundbreaking implementation of mRNA technology in COVID-19 vaccines has opened the door to treatments for a wide range of ailments, from HIV to cancer to heart disease. This has led to a wave of capital, both public and private equity, looking to invest in life sciences firms. A recent report from Cushman & Wakefield estimated that \$70 billion was invested in life sciences companies in 2020, a 93% increase over the previous high, set in 2018, and it projected that record will be exceeded again in 2021.
- Life sciences firms are highly concentrated in a handful of markets: Boston, San Francisco, the Bay Area and San Diego host nearly half of all lab space based on square footage nationwide. Boston alone accounts for a quarter of national lab space, thanks to the presence of universities like the Massachusetts Institute of Technology and Harvard University that provide not only opportunities for research partnerships but a large pool of qualified graduates annually. Developers are rushing to add space in the market, with 7.2 million square feet of new lab space under construction and an additional 11.6 million square feet in the planning or prospective stages. These figures don't include planned conversions such as 401 Park, a property purchased for \$1.2 billion earlier this year by Alexandria Real Estate Equities, which announced plans to build out the property as a life sciences hub.
- The rapid rise in demand for these properties is spurring development in markets not thought of as life sciences hubs. The markets with the majority of lab space also have some of the highest office rents and costs of living, and as the industry continues to grow, firms may look to move into highly educated secondary markets in search of qualified employees and cheaper leases. Some markets are already moving to develop life sciences hubs around campuses and medical facilities. In Pittsburgh, a Ford Motor plant built in 1915 will be repurposed as a life sciences facility called The Assembly; Wexford Science & Technology is working closely with the University of Pittsburgh on the \$330 million project. The Texas Medical Center in Houston is looking to launch the world's largest life sciences campus, with the 950,000-square-foot first phase recently beginning construction in what is planned to be more than 6 million square feet of mixed-use development.

