



Yardi® Matrix

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Life Science Slows but Remains Attractive

- A slowdown in venture capital funding has hit the life sciences sector in 2023, driven by rising interest rates, the collapse of Silicon Valley Bank and general economic uncertainty. Yet life science properties trade at a premium, the supply pipeline is robust and the long-term outlook remains positive.
- Sales activity has cooled across the board in 2023, the life science sector included. After totaling more than \$6 billion in 2022, there were just \$386.6 million in lab space sales this year through the end of July. However, the properties that have sold have traded at an average of \$770 per square foot, nearly four times higher than the \$196-per-foot national average for all office buildings.
- In the previous decade, life science comprised less than 5% of all office construction. In the last two years, it has accounted for more than a quarter of starts, with over 23 million square feet of lab space beginning construction since 2022. The life science development boom was in full swing even before that. Since the start of 2021, 16.3 million square feet of new life science facilities have delivered. By comparison, between 2010 and 2020, 23.9 million square feet were completed.
- In the near term, a supply glut may be on the horizon. On top of the space delivered in the last few years, more than 33.5 million square feet of new life science space are under construction, including owner-occupied properties, according to Yardi Matrix. Yet any risk of oversupply would be concentrated in just a few markets, as the life science sector remains clustered in select cities, foremost among them Boston, where 12.4 million square feet are under construction. San Francisco (5.6 million) and San Diego (4.5 million) are also established life science markets seeing large amounts of new supply underway. The next largest pipelines are in emerging markets Philadelphia (2.2 million), Houston (1.4 million) and Seattle (1.1 million).
- We expect the life science sector to continue expansion in the future, albeit not at the blistering pace seen in the last few years. Recent breakthroughs in mRNA and CRISPR will drive billions of dollars in investment from both private and public sources. A recent report from Pitchbook and the National Venture Capital Association showed that while the first half of 2023 saw the lowest amount of VC funding since 2019, investment this year will surpass any year before 2018.

