



AI GENESIS

The Role of **Generative AI** in Transforming
Bay Area CRE

Overview

The Bay Leads the Way

Generative artificial intelligence (GenAI) companies have been growing exponentially across the Bay Area, specifically in San Francisco, over the past three years. This report explores the genesis and concentration of GenAI in the Bay Area (the San Francisco and San Jose metropolitan statistical areas) with key statistics that highlight their dominant presence in the market including commercial real estate trends, venture capital, and job growth.

GenAI companies are helping the San Francisco economy recover from its pandemic-based struggles. There has been a huge wave of leasing activity and job creation after so many other tech companies cut back on their space needs (and later their headcount). It hasn't been a full cure but has been a promising start to recovery with other tech and non-tech companies now joining in with additional activity.

Similar to other start-ups in the Bay Area, GenAI companies require a talented workforce, access to capital (especially venture capital), and a collaborative environment. These needs are well met across the region.

And now a word about DeepSeek:

DeepSeek, based in Hangzhou, China, disrupted the AI world in January with its most recent release. Reportedly, it was created for significantly less money than has been spent by many of the large AI companies, shaking up the idea of America's AI supremacy. After the initial shock of the release, however, funding continued into the large American players due to the market potential of AI, an established infrastructure, innovation and competition potential, U.S. government support, and significant technological investments by American-based companies. Finally, there is the belief that because of the emergence of DeepSeek, AI tools could be created at a lower cost which would lead to greater adoption for all.

Generative AI Defined:*

To the layperson, artificial intelligence, or AI, is simply a tool such as Microsoft Copilot or OpenAI's ChatGPT that can be used to look up information or write/re-write text to make our lives easier. The PitchBook definition is, of course, much more in-depth "a field of artificial intelligence that predicts human-like content across various domains using multimodal models trained on diverse inputs such as text, images, video, and speech." It all comes with ethical and proprietary information issues, but AI is here to stay in some way, shape, or form.



Key Takeaways:



825

AI companies headquartered in the Bay Area, with the next highest concentration of 237 in the Greater NYC market



82%

Of global Generative AI venture capital (VC) funding in 2024 was absorbed by Bay Area-based companies



200%

Projected CRE footprint growth over the next 24 months



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GenAI Global Comparison

The Bay Area hosts over three times as many GenAI companies as New York City, its closest competing market.

AI COMPANY HEADQUARTERS - TOP 17 LOCATIONS



Source: PitchBook, markets are metro level

GenAI Bay Area in View



Key Takeaways:

- The top hubs for GenAI companies are San Francisco and Northern Silicon Valley.
- San Francisco has been the base of GenAI with a clustering effect ongoing.
- The locations to the south are primarily concentrated along the Caltrain rail line with convenient access to San Francisco as well as locations near Stanford and Big Tech companies based in Silicon Valley.

MAP KEY

● AI Companies (532 within map extent)

AI Companies Concentration by Zipcode	1 - 5
	6 - 10
	11 - 15
	16 - 20
	21 - 47

TOGGLE VISIBILITY

● AI COMPANY LOCATION

ZIP CODE HEAT MAP

Bay Area: Epicenter of Tech & Talent

The Bay Area is an ideal location for GenAI start-ups, offering a unique combination of a highly skilled and talented workforce, along with an exceptional quality of life. A true genesis of a culture of innovation, this region not only provides access to top-tier talent but also boasts a vibrant community, cutting-edge infrastructure, advanced public transit, and numerous research and innovation centers. The Bay Area's excellent amenities, diverse lifestyle options, and supportive ecosystem make it a perfect environment for GenAI companies to thrive and grow.



GenAI & CRE Space in Demand

Location

Location is a key factor for AI companies, as many maintain an 'office-first' culture, with employees working on-site four to five days per week. Unlike past tech booms, where companies prioritized standalone buildings to establish a distinct 'brick-and-mortar' identity, AI firms are increasingly open to high-rise offices in central business districts (CBDs). However, large and later-stage AI companies continue to favor single-tenant buildings, prioritizing security, brand identity, and control over their workspace.

Price

Price plays a crucial role in AI companies' real estate decisions and varies by their stage of development. Seed and early-stage companies tend to be more price-sensitive, as they often lack stable funding or have yet to secure investment. As a result, many opt for sublease spaces to minimize costs. In contrast, later-stage companies, with more established financial backing, prioritize quality and are willing to invest in Class A buildings that offer superior amenities and prime locations.

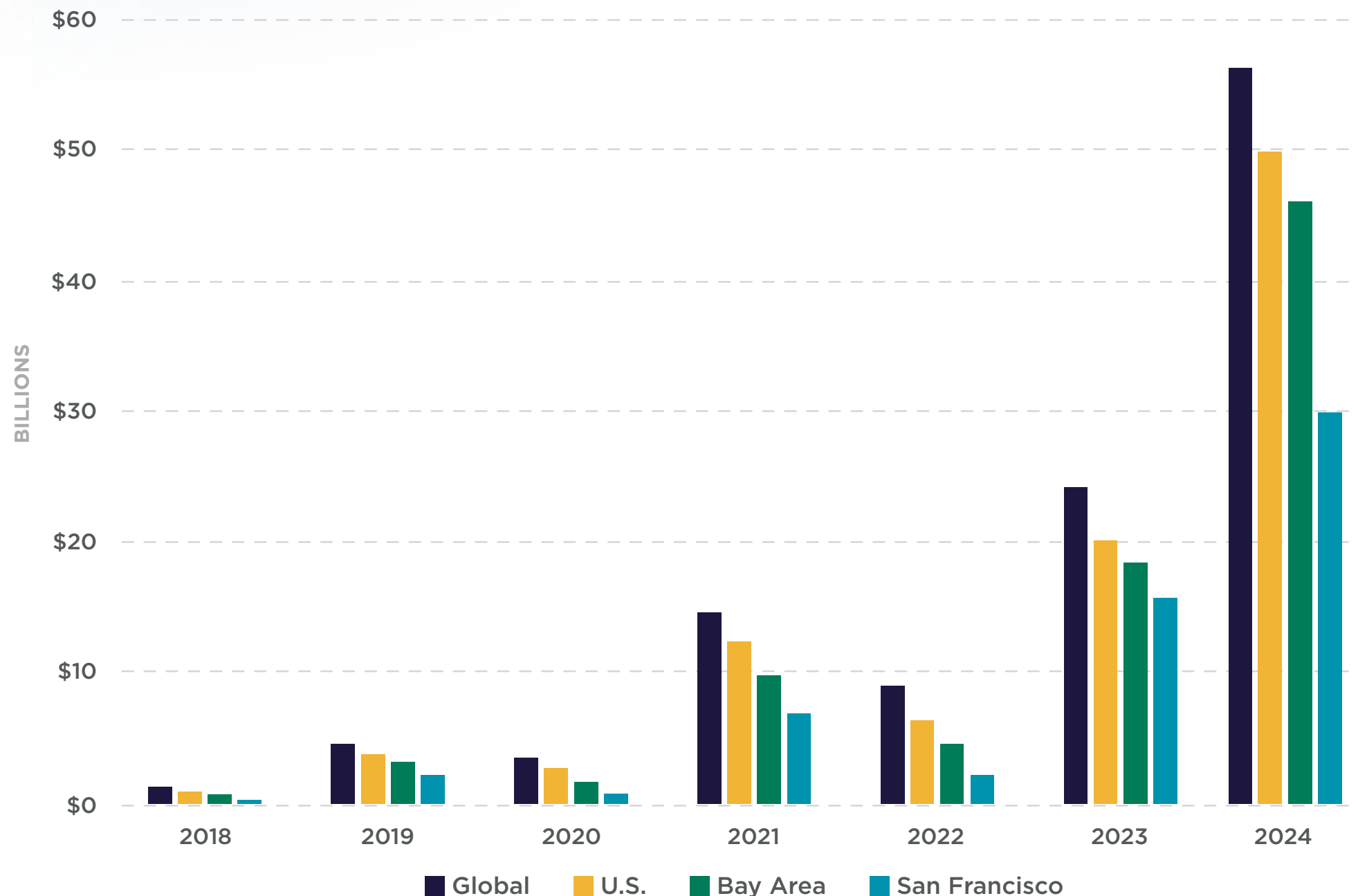
Flexibility

In the fast-paced AI industry, tenants prioritize rapid occupancy and short-term lease agreements to accommodate their dynamic growth. The need for flexibility drives demand for plug-and-play spaces, allowing companies to move in quickly and scale operations without delay. As a result, most lease agreements emphasize turnkey solutions that minimize downtime and maximize operational efficiency. Larger and later-stage AI companies seek phased occupancy options, allowing them to make real estate decisions now while accommodating future headcount growth with greater flexibility.



GenAI Venture Capital Funding

Bay Area-based companies absorbed 81.9% of global GenAI VC funding (including San Francisco) in 2024.

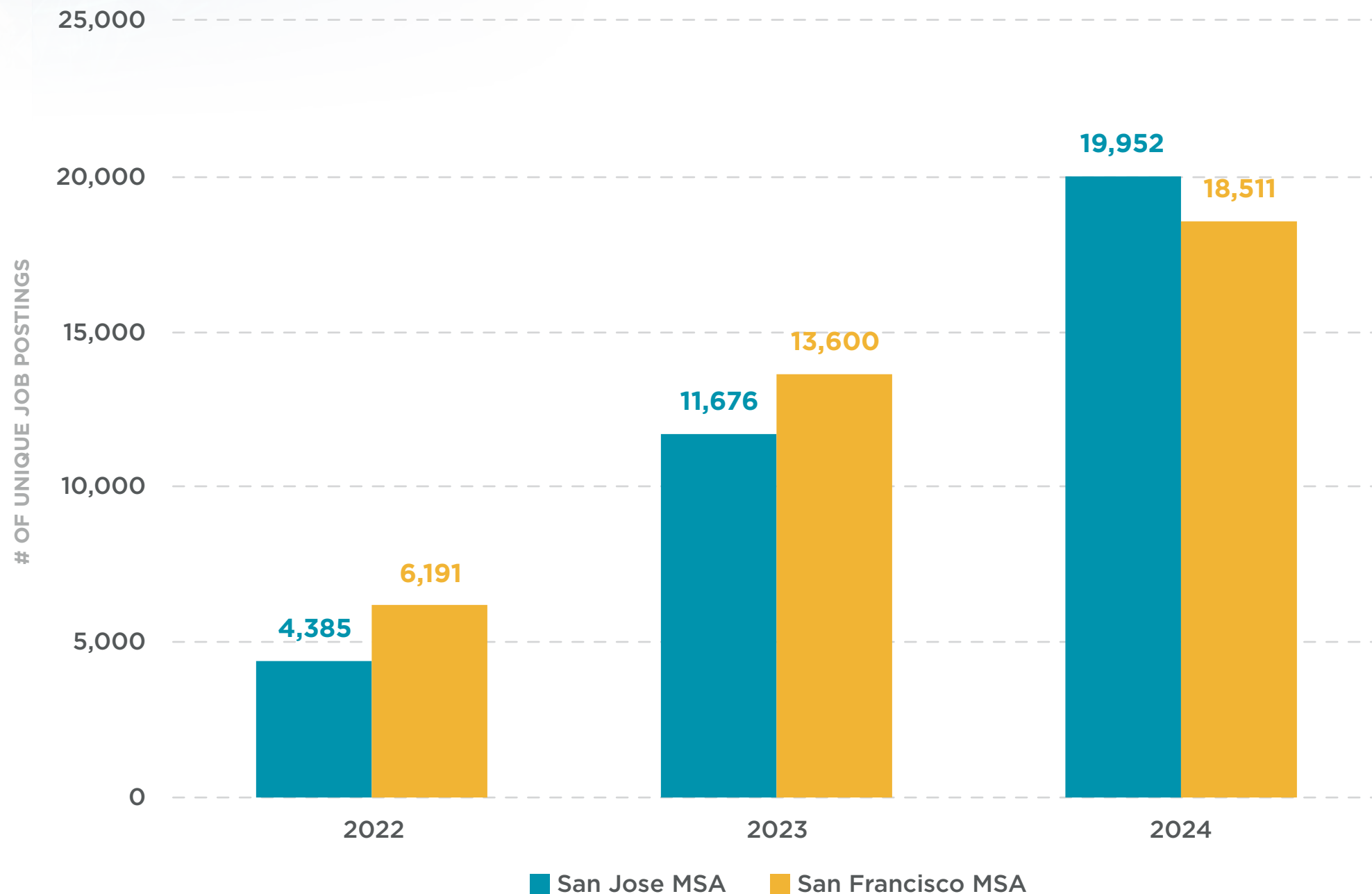


Key Takeaways:

- San Francisco remains the center of the AI revolution, with 53.2% of global GenAI VC funding going into companies based in the city in 2024.
- In 2024, 30 of the top 50 deals globally were to Bay Area-based companies with 15 of those in San Francisco proper.
- Databricks (San Francisco) took in the most in a single round in 2024 at \$10.0B. That was followed by OpenAI (San Francisco) at \$6.6B, two rounds to xAI (Palo Alto) at \$6.0B each, two rounds to Anthropic (San Francisco) at \$4.0B each followed by another to Anthropic at \$1.2B.
- The largest non-Bay Area deal in 2024 was to Moonshot AI (Beijing) at \$1.0B.

Bay Area Unique Job Postings

Artificial Intelligence



Source: Lightcast - Category of Artificial Intelligence
San Francisco MSA consists of San Francisco, San Mateo, Alameda, Contra Costa and Marin counties; San Jose MSA consists of Santa Clara and San Benito counties



Key Takeaways:

- AI unique job postings skewed a bit higher in the San Jose MSA in 2024. That could likely be due to the proliferation of large AI divisions within Big Tech.
- Monthly totals in January 2025 (latest data available) reached their highest level yet for both markets with 2,731 for the San Jose MSA and 2,250 for the San Francisco MSA.
- Reported remote postings have remained low with the percentage of the total at 7.1% for the San Jose MSA and 14.5% for the San Francisco MSA with San Francisco hitting the lowest figure since the run-up of the sector at the beginning of 2022.

GenAI San Francisco

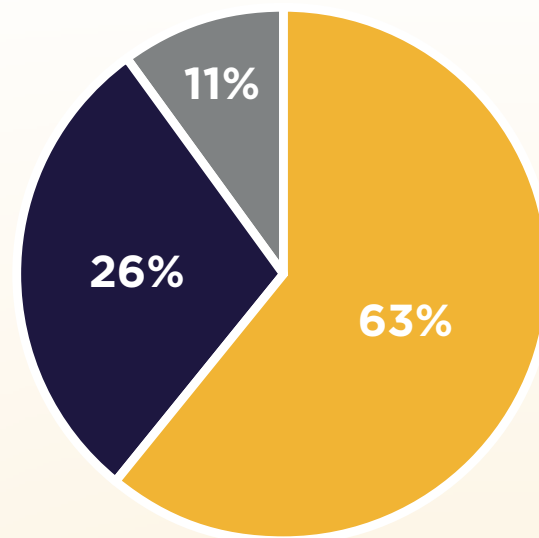


466 companies in the GenAI vertical are based in San Francisco, making it the largest hub in the world.

2024 Leasing Snapshot

LEASING TERM

- <3 Years
- 3-5 Years
- 5+ Years



TRANSACTION TYPE

27%
subleases

68%
new direct leases

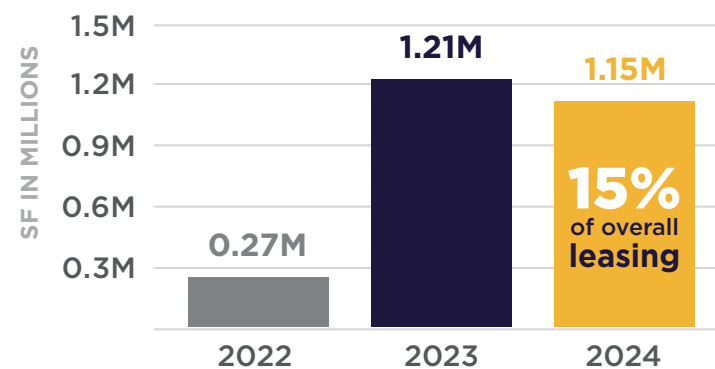
5%
renewals

VC-Backed GenAI Companies Top 5 Funding Raised

1. OpenAI - \$23.9B
2. Anthropic - \$17.3B
3. Databricks - \$14.3B
4. Scale AI - \$1.6B
5. Perplexity - \$913.7M



Office Leasing Activity Summary



Venture Capital Funding Breakdown

VC Stage	Average Sq Ft	Average Head Count	Average Total Raised
Seed	3,090	12	\$8.9M
Early	12,719	85	\$119.9M
Later	15,189	374	\$278.8M
Big Five	315,429	3,479	\$11.2B

Big Five - Companies occupying more than 100,000 SF

GenAI San Mateo County

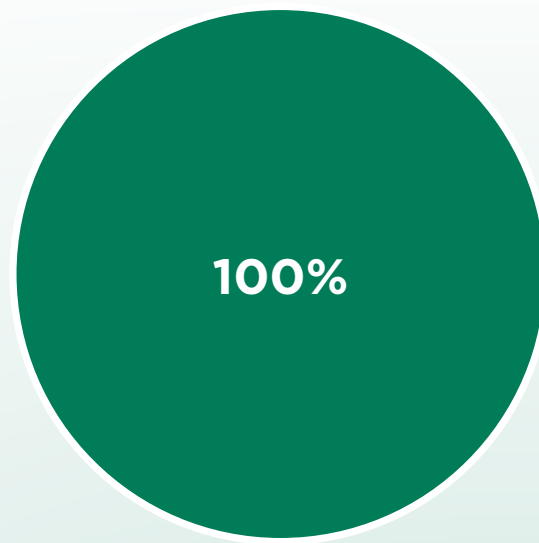


76 companies in the GenAI vertical are based in San Mateo County, driven by affordability and access to CalTrain.

2024 Leasing Snapshot

LEASING TERM

- <3 Years
- 3-5 Years
- 5+ Years



TRANSACTION TYPE

10%
subleases

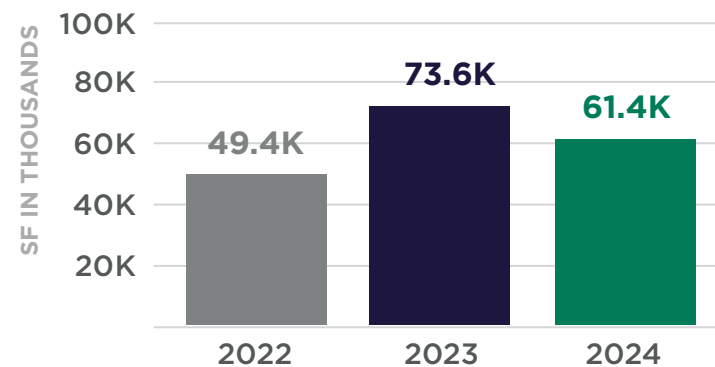
80%
new direct leases

10%
renewals

VC-Backed GenAI Companies Top 5 Funding Raised

1. Observe - \$332.0M
2. Observe.AI - \$213.9M
3. Character.ai - \$193.1M
4. Suki - \$165.0M
5. BigHat Biosciences - \$139.3M

Office Leasing Activity Summary



Venture Capital Funding Breakdown

VC Stage	Average Sq Ft	Average Head Count	Average Total Raised
Seed	-	-	-
Early	6,353	101	\$76.1M
Later	8,493	271	\$219.3M



GenAI Silicon Valley

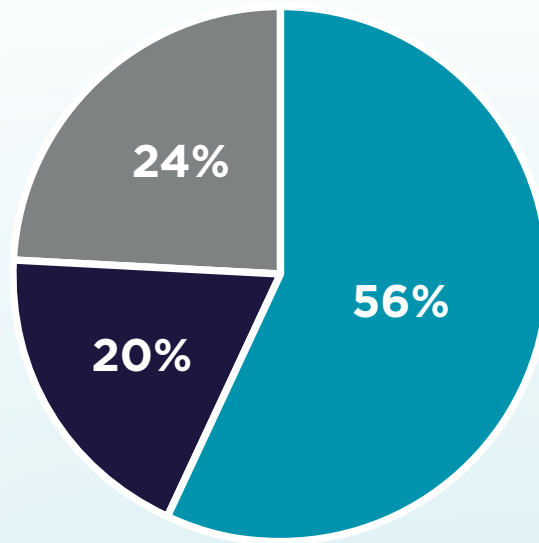


213 companies in the GenAI vertical are located in Silicon Valley, driven by a robust talent pool and access to venture capital.

2024 Leasing Snapshot

LEASING TERM

- <3 Years
- 3-5 Years
- 5+ Years



TRANSACTION TYPE

18%
subleases

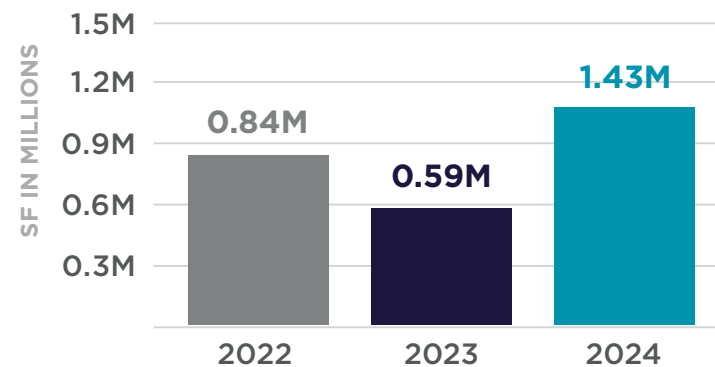
69%
new direct leases

13%
renewals

VC-Backed GenAI Companies Top 5 Funding Raised

1. xAI - \$12.1B
2. Groq - \$2.5B
3. Inflection AI - \$1.6B
4. Lamda - \$1.4B
5. Sambanova Systems - \$1.1B

Office Leasing Activity Summary



Venture Capital Funding Breakdown

VC Stage	Average Sq Ft	Average Head Count	Average Total Raised
Seed	2,832	37	\$19.3M
Early	11,829	88	\$158.1M
Later	15,279	284	\$445.4M



GenAI East Bay/North Bay



70 companies in the GenAI vertical are based in the East Bay (Alameda and Contra Costa counties) and North Bay (Marin and Sonoma counties).

Generally, these are newer and smaller companies in seed and early-stage funding rounds. In addition, the majority are located in incubator or coworking space (or residences) with little insight into actual square footage occupied.

Companies in this region have clustered around the University of California, Berkeley, with 16 of the 70 companies based in Berkeley and another nine located in adjacent Oakland. The University is emerging as a hub for research in the field and provides a pipeline of potential employees from its graduate and undergraduate programs.

Venture Capital Funding Breakdown

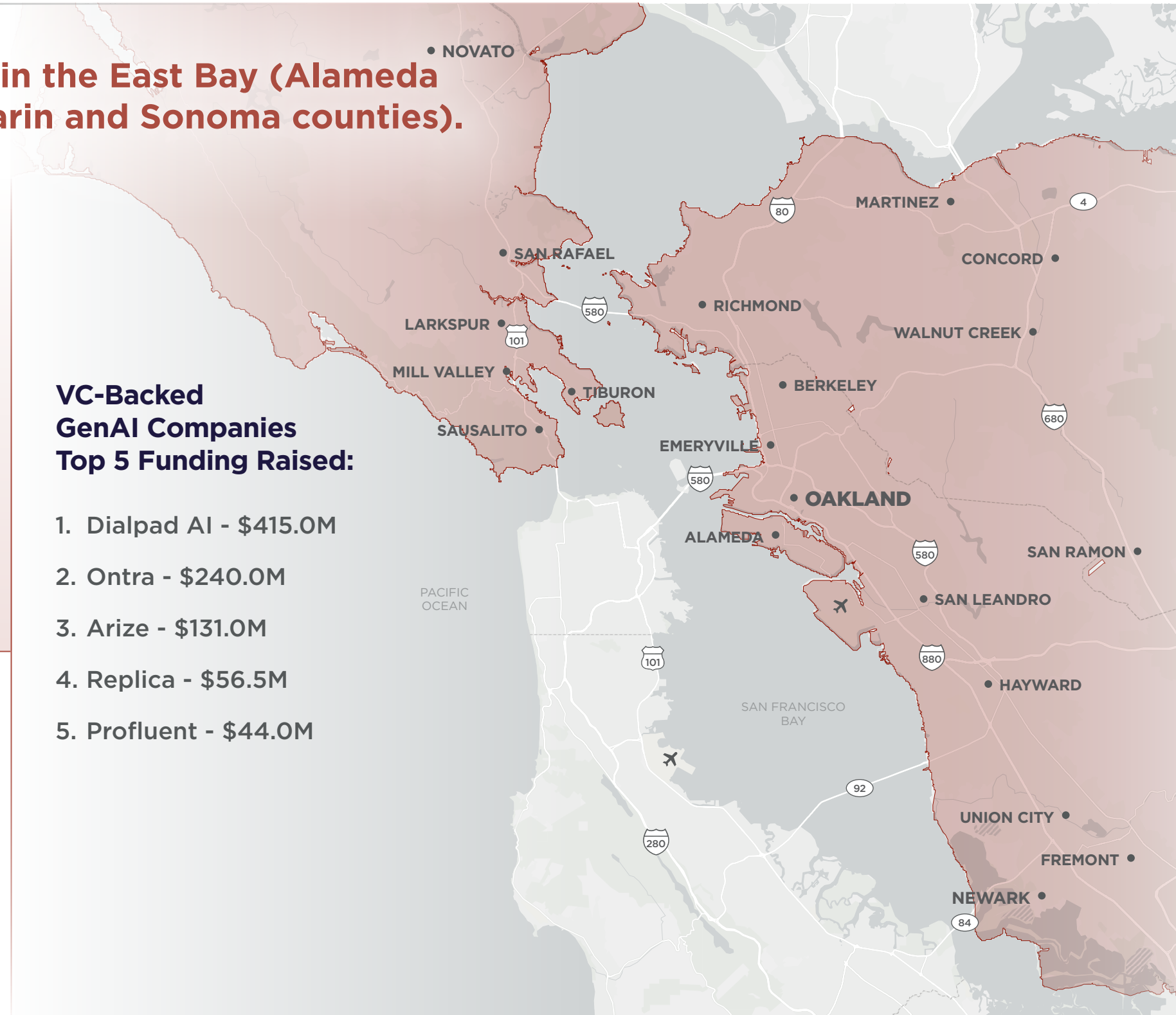
VC Stage	Average Sq Ft	Average Head Count	Average Total Raised
Seed	*	11	\$4.3M
Early	*	34	\$17.0M
Later	*	**395	\$139.4M

* Many of the East Bay Gen AI companies are located in incubator or co-working space with little data on actual square footage occupied

** One company, Dialpad AI of San Ramon, skews this number much higher

VC-Backed GenAI Companies Top 5 Funding Raised:

1. Dialpad AI - \$415.0M
2. Ontra - \$240.0M
3. Arize - \$131.0M
4. Replica - \$56.5M
5. Profluent - \$44.0M



GenAI Tailwinds & Headwinds for CRE

Tailwinds



The rise of GenAI companies is driving job creation, attracting startups, venture capital, and top-tier talent, fueling regional economic expansion.



AI companies favor in-office roles, sustaining strong demand for commercial real estate and reinforcing an “office-first” workplace culture.



The industry’s fast-paced innovation is accelerating job growth and real estate demand, solidifying the region as a leading AI hub.

Headwinds



Many smaller players are occupying “plug-and-play” spaces, but their long-term presence is uncertain. Some may scale and grow, while others could be acquired or relocate to more affordable markets.



As with past Bay Area tech booms, not all AI startups will succeed, as funding challenges, intense competition, and market shifts drive inevitable consolidation.



While AI fuels job creation, automation may disrupt traditional roles, requiring strategic workforce development efforts.



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*Definitions:

Company Count (Source: PitchBook)

Companies that are headquartered in the noted markets and are included within the Generative AI vertical.

Head Count (Source: PitchBook)

Total global head count

Seed, Early- and Late-Stage Funding (Source: PitchBook)

Seed - an investor provides the initial financing to a company in the earliest stages of development

Early Stage - A Series A or Series B round that occurred within five years of a company's founding date or if no series is associated with the deal and it's within five years of the founding date.

Late Stage - A Series C or Series D round, or a round that occurs more than five years after the company's founding date.

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