

1Q25

San Francisco Bay Area Life Science Market Overview



NEWMARK

Market Observations

Economy

- Bay Area life science employment remains robust; however, layoffs persist, and growth expectations are likely to remain tempered through much of the year.
- The most recent U.S. Consumer Price Index (CPI) inflation rate came in at 2.4%, the lowest level recorded since 2020.
- A volatile start to 2025 has introduced fresh uncertainty to the broader economy, driven by tariff-related tensions, persistent inflation and a newly seated administration. In the commercial real estate sector, this uncertainty is prompting tenants to prioritize renewals over expansions.
- Looking ahead, the market anticipates the Federal Reserve will hold interest rates steady through mid-2025 to mitigate tariff-driven inflation risks, with a potential 50-basis-point rate cut expected by year-end.

Major Transactions

- Genomics company PacBio completed the largest deal of the quarter, renewing their 180,231-SF lease at 1305 O'Brien in Menlo Park.
- Clinical stage biopharmaceutical company Nurix completed the second-largest deal of the quarter, subleasing 159,959 SF from Johnson & Johnson at 1600 Sierra Point Parkway in Brisbane.
- The largest sale of the quarter was made by Sutter Health, which acquired the Emery Yards life science development campus in Emeryville from BioMed Realty for \$450.0 million. Sutter Health intends to transform the 12-acre site into a \$1.0 billion, 1.3 million SF flagship campus and medical facility.

Leasing Market Fundamentals

- Market-wide vacancy rose to 28.0% this quarter, up from 27.9% last quarter. The total availability rate increased to 30.7%, up slightly from 30.1% in the previous quarter. Sublease availability declined to 5.2%, down from 6.6% last quarter and 6.5% one year ago.
- Gross absorption decreased quarter-over-quarter by 36.3% but rose 109.5% year-over-year. Active demand for lab space edged up to 2.3 million SF, compared to 2.2 million SF in the prior quarter, though still below the 2.8 million SF recorded one year ago.
- The region's 2.0-million-SF construction pipeline contracted during the first quarter of 2025, with 11.0% of ground-up development preleased.

Outlook

- It is still too early to predict the effect the new presidential administration will have on demand for life science real estate. However, a pullback in NIH funding could negatively impact clinical trials and ultimately reduce the demand for lab space across the region.
- The remainder of 2025 will serve as an early indicator of how the market may perform over the next several years, as major healthcare and economic policies are expected to take shape.
- New ground-up construction remains minimal, currently at a seven-year low and 63.7% below last year's pace. Of the 2.0 million SF in the pipeline, 822,000 SF is expected to deliver later this year. The limited amount of speculative development provides some long-term breathing room for the market in an already oversupplied environment.

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

1Q25

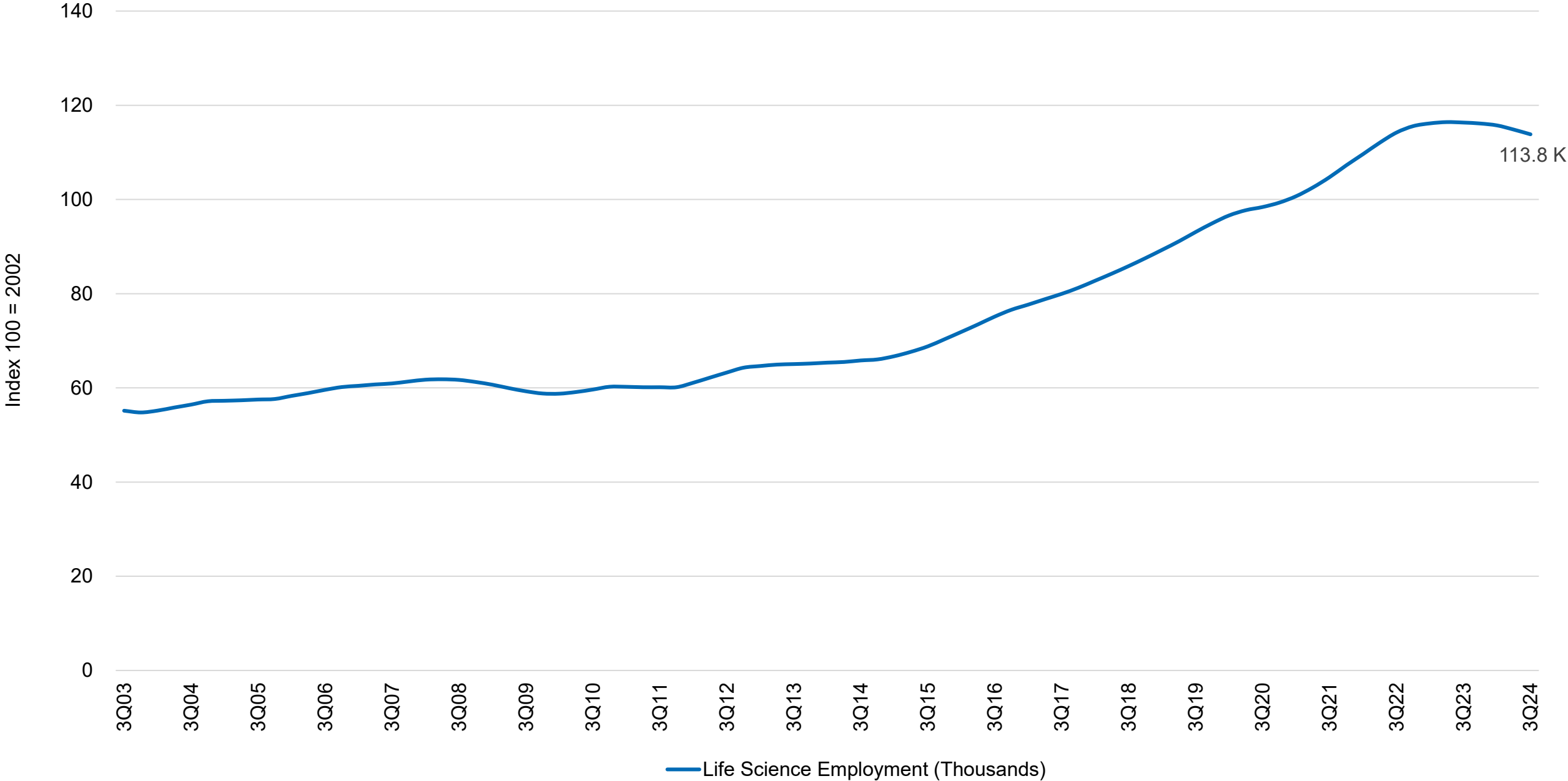
Economy



Bay Area Life Science Employment Continues to Show Signs of Stabilization

Life science employment in the San Francisco Bay Area decreased to 113,830 active employees in the third quarter of 2024, down from 114,833 in the second quarter and from 130,154 one year ago.

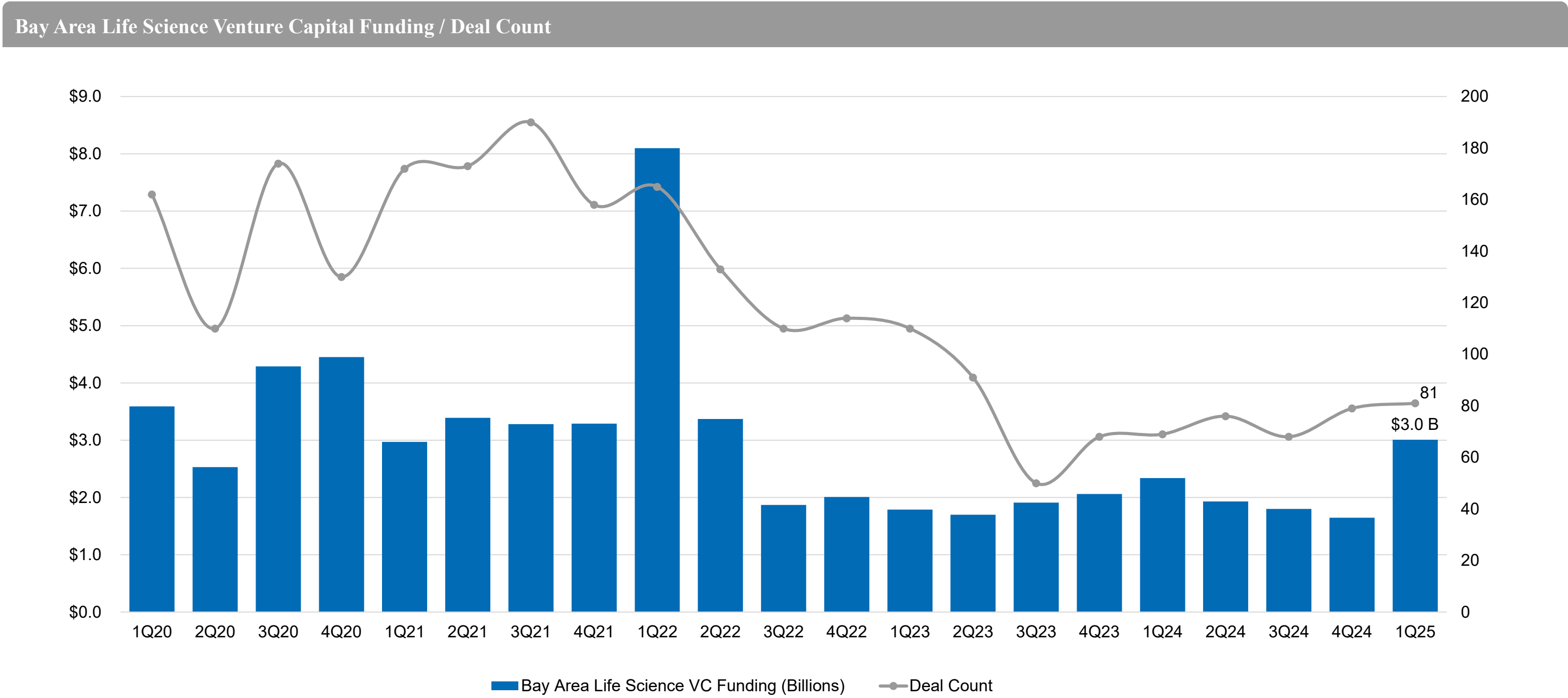
Bay Area Life Science Employment



Source: JobsEQ;. Data lags by 6 months.

Bay Area Life Science Funding and Venture Activity Increase

Across the Bay Area, a total of 81 life science venture capital deals were completed, up from 79 in the previous quarter and 69 one year ago. Biotech venture capital funding increased in the first quarter of 2025, with \$3.0 billion raised compared to \$1.6 billion in the previous quarter. VC funding continues to shift away from COVID-related vaccines and treatments that once fueled the surge in real estate demand during the pandemic.

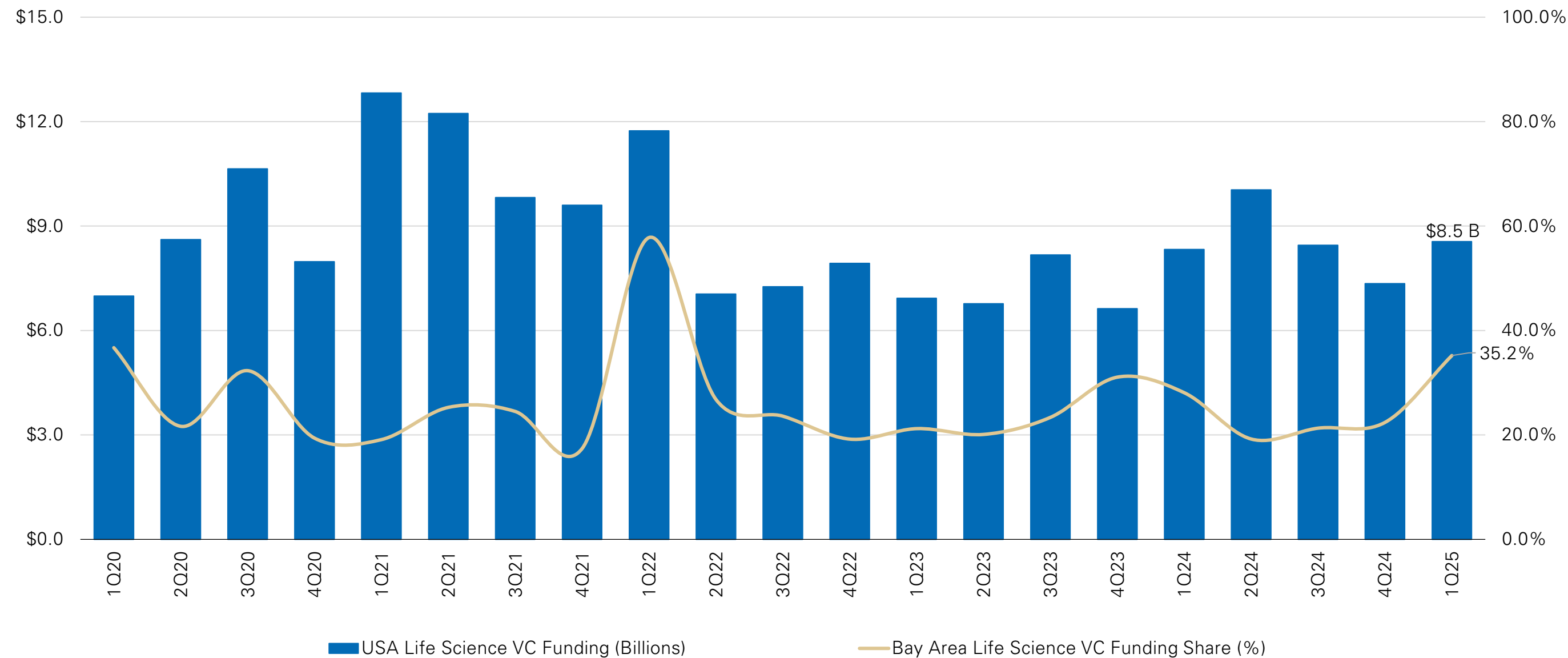


Source: Pitchbook

Life Science VC Funding Sees Continued Growth Nationwide

Across the country, the life science sector recorded \$8.5 billion in venture capital investment, up from \$7.3 billion in the previous quarter and \$8.3 billion one year ago. Venture capital funding has not faded entirely but has shifted toward more mature, established companies rather than startups. Widely recognized as one of the three leading biotech hubs in the United States, the Bay Area captured 35.2% of total life science funding raised nationwide this quarter.

Nationwide Life Science Venture Capital Funding



Source: Pitchbook

1Q25

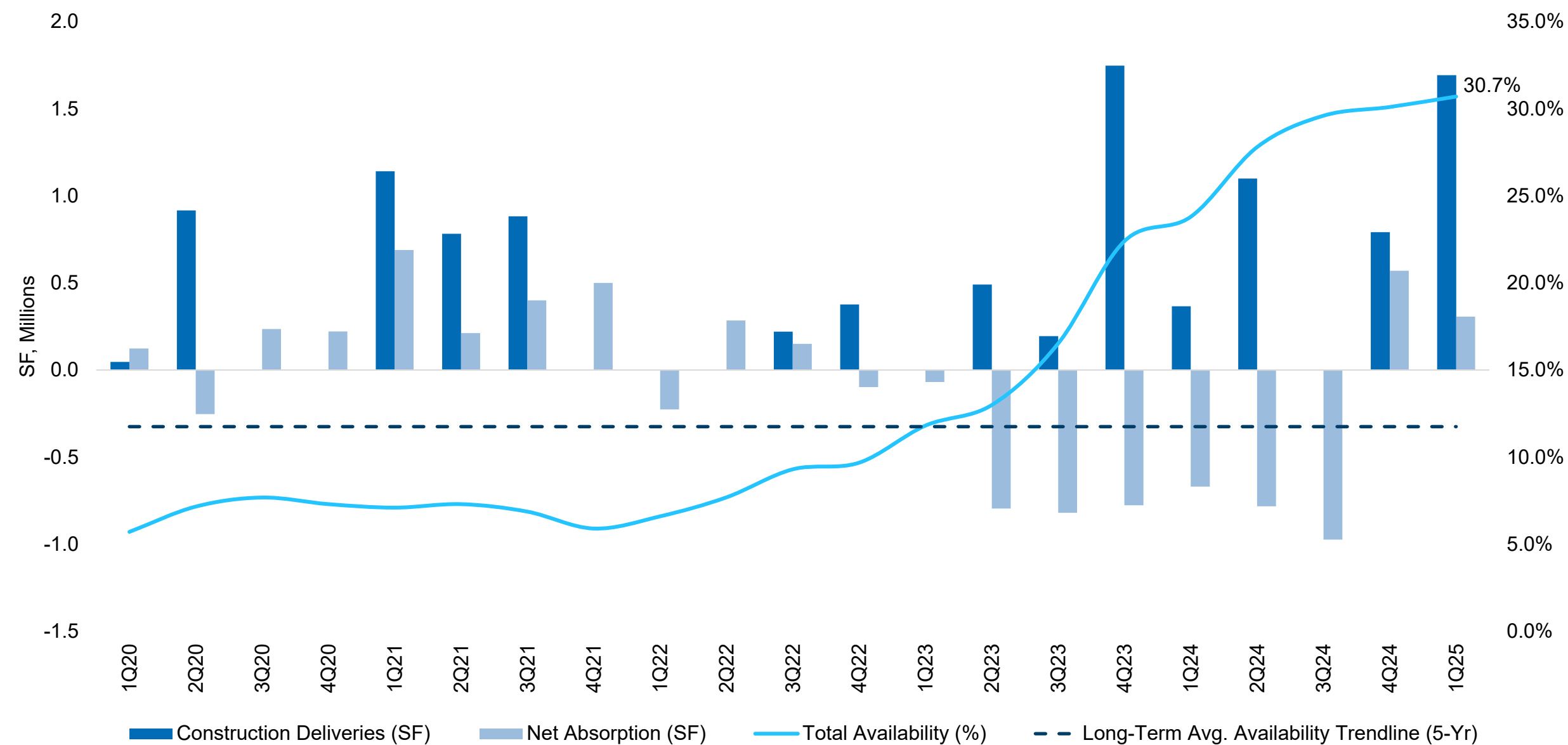
Leasing Market Fundamentals



Bay Area Region Records Second Consecutive Quarter of Positive Net Absorption

The Bay Area recorded its second consecutive quarter of positive net absorption at 305,000 SF, while the total availability rate held steady at 30.7% compared to the previous quarter.

Historical Construction Deliveries, Net Absorption, and Availability



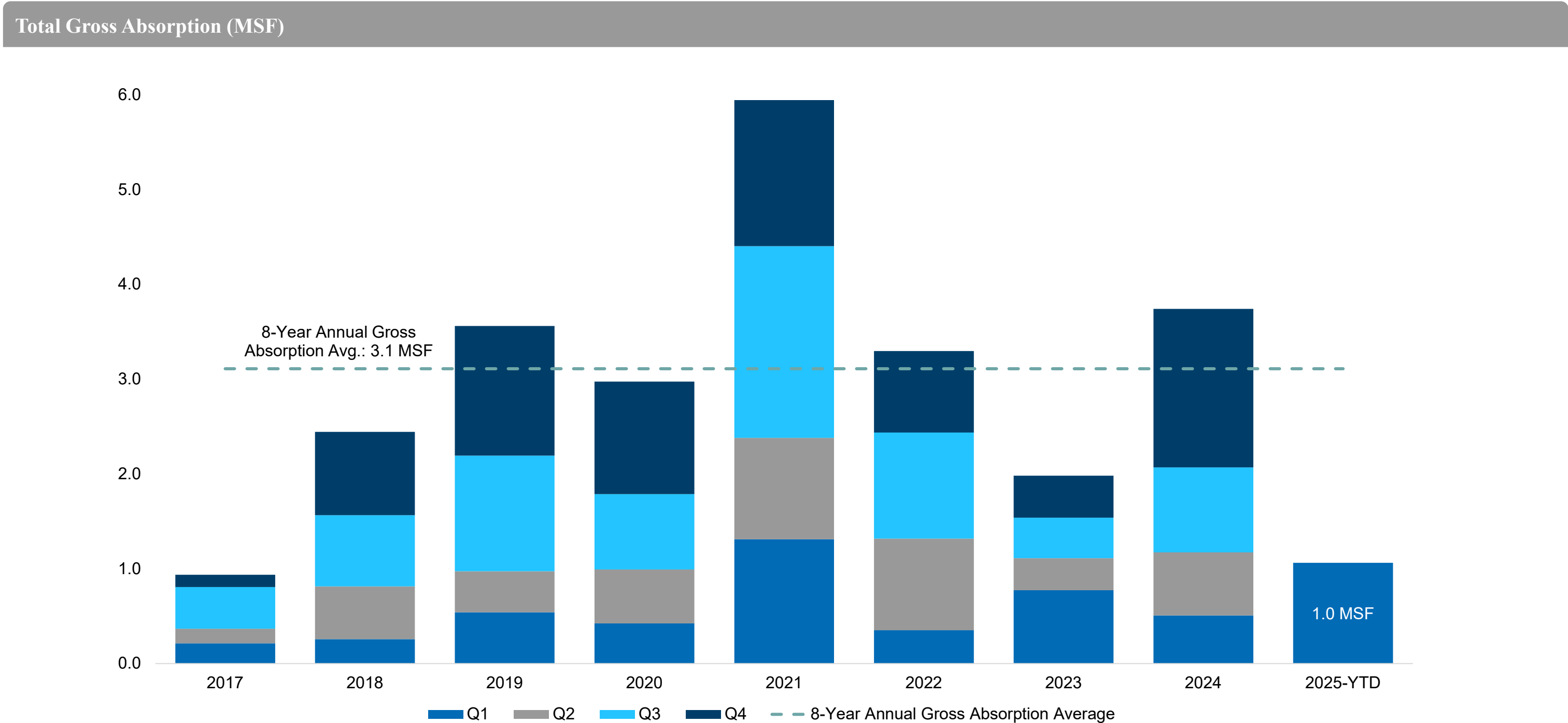
Source: Newmark Research



Please reach out to your
Newmark business contact for this information

Gross Absorption Declines Quarter Over Quarter, Up Year Over Year

Total gross absorption for the quarter reached 1,063,000 SF, representing a 36.3% decrease quarter-over-quarter but a 109.5% increase year-over-year. Transaction activity this quarter was largely driven by renewals and subleases, which accounted for more than half of the deals executed.



Source: Newmark Research

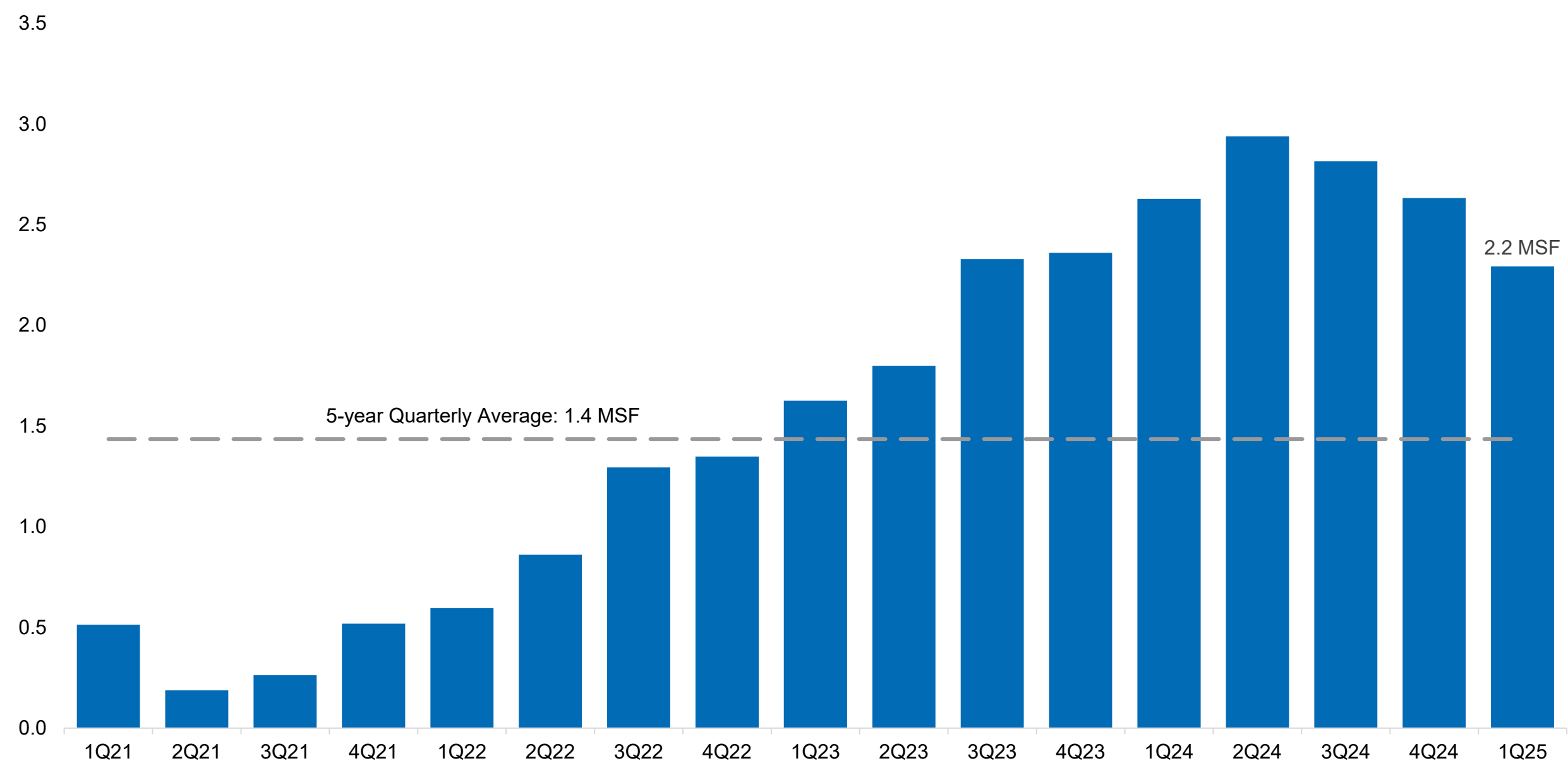


Please reach out to your
Newmark business contact for this information

Bay Area Sublease Availability Declines for Third Straight Quarter

The Bay Area life science market recorded 2.2 million SF of sublease availability in the first quarter, down from 2.6 million SF last quarter. The decline was driven by several listings either being transacted or removed from the market as sublessors reoccupied space. Sublease availability, now less than double the five-year quarterly average, had increased steadily for twelve consecutive quarters prior to this decline.

Available Life Science Sublease Volume (MSF)



Source: Newmark Research

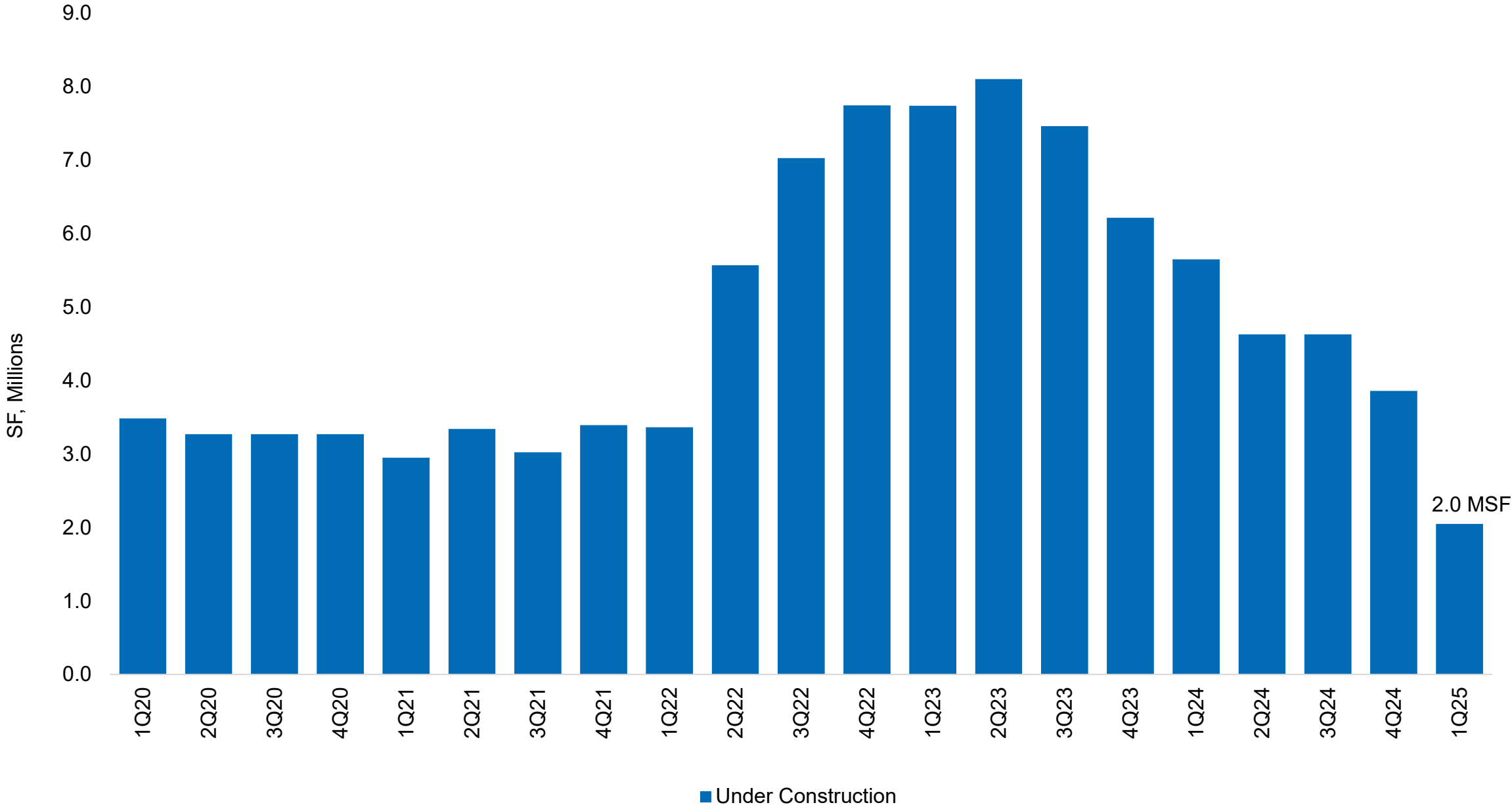


Please reach out to your
Newmark business contact for this information

Construction Pipeline Levels Off Amid New Deliveries

The Bay Area life science construction pipeline continued to decline in the first quarter of 2025, totaling 2.0 million SF, with 11.0% preleased. The most notable delivery this quarter was Phase I of IQHQ’s SPUR development in South San Francisco, totaling 340,000 SF.

Life Science Under Construction (MSF)

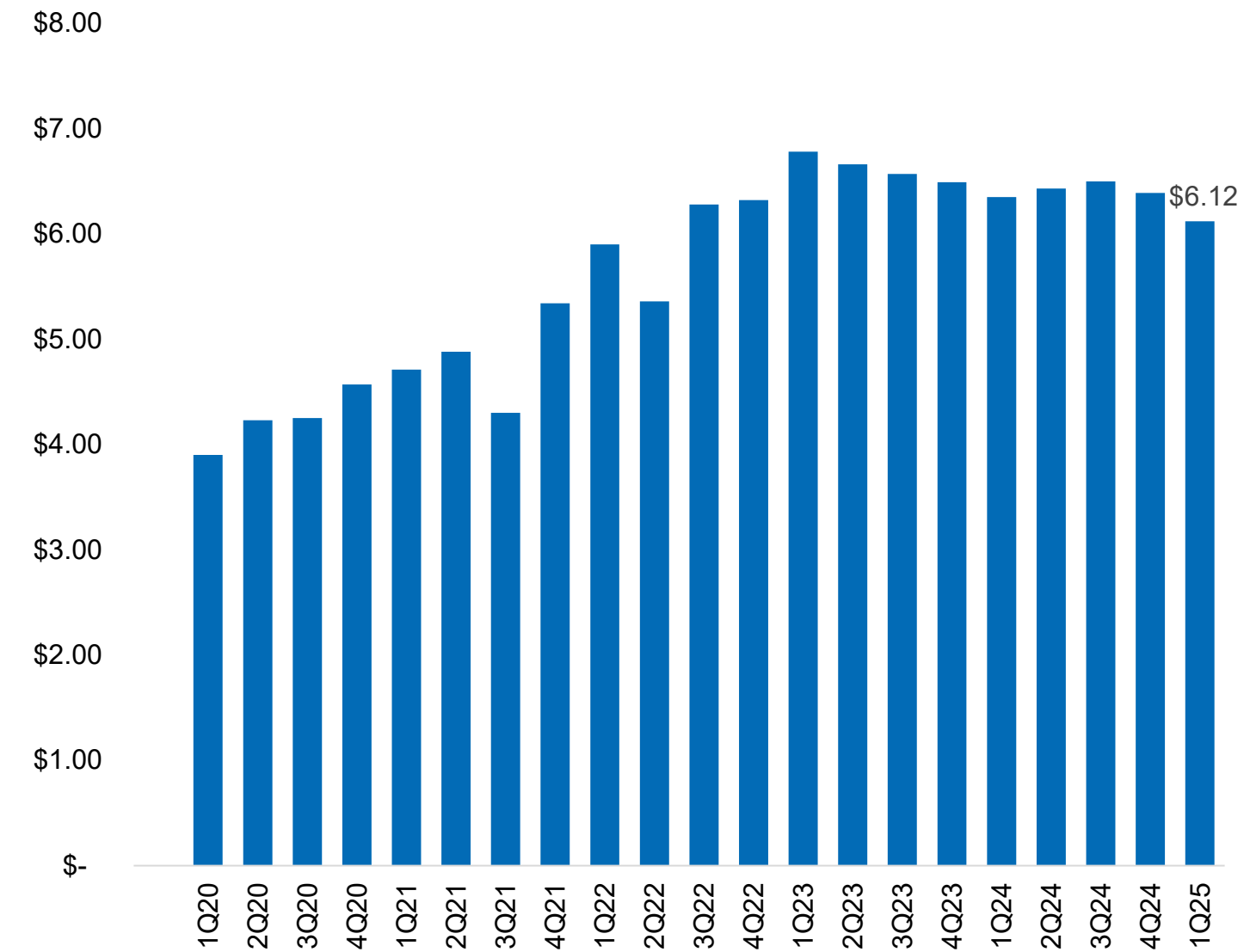


Source: Newmark Research, CoStar

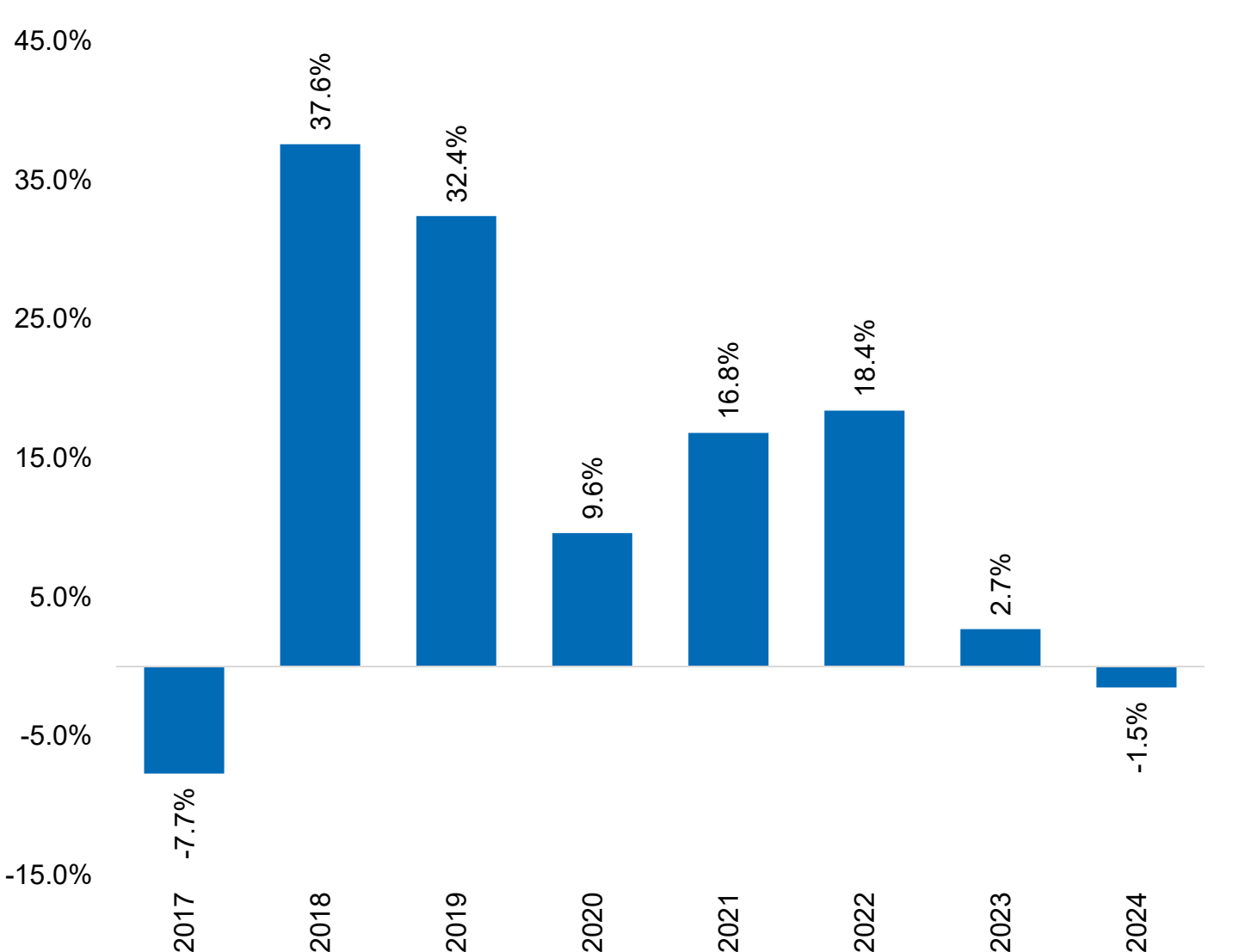
Bay Area Average Asking Rent Decreases

The overall average asking rate for life science space in the Bay Area decreased from \$6.39/SF last quarter to \$6.12/SF in the first quarter of 2025. Softer demand, elevated levels of sublease space and asking rate adjustments have contributed to lower average asking rents across the region.

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



Year-over-Year Overall Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar



Please reach out to your
Newmark business contact for this information

Notable 1Q25 Lease Transactions

A total of 18 leases of 20,000 SF or greater were executed this quarter, compared with 15 in the previous quarter and 7 one year ago.

Select Lease Transactions

Tenant	Building/Project	Submarket	Type	Square Feet
Pacific Biosciences <i>Genomics company PacBio completed the largest deal of the quarter, renewing their 180,231-square foot lease at 1305 O'Brien in Menlo Park.</i>	Menlo Park Labs 1305 O'Brien Dr.	Menlo Park	Lease Renewal	180,231
Nurix Therapeutics <i>Clinical stage biopharmaceutical company Nurix completed the second-largest deal of the quarter, subleasing 159,959 square feet from Johnson & Johnson at 1600 Sierra Point Parkway in Brisbane.</i>	The Shore at Sierra Point 1600 Sierra Point Pkwy.	Brisbane	Lease Renewal	159,959
BeiGene <i>Oncology company BeiGene completed the third-largest deal of the quarter, subleasing 96,463 square feet from Amgen on the fifth and sixth floor at 835 Industrial Road in San Carlos.</i>	Alexandria District for Science & Technology 835 Industrial Rd.	San Carlos	Sublease	96,463
Confidential Tenant <i>A confidential tenant completed the fourth-largest deal of the quarter, renewing their 91,124-square foot lease at 3240 Whipple Road in Union City.</i>	Union City Labs 3240 Whipple Rd	Union City	Lease Renewal	91,124
Veracyte <i>Genomics diagnostics company Veracyte completed the fifth-largest deal of the quarter, renewing its existing 57,627-square foot lease on the first, second, and third floors at 6000 Shoreline Court, while also expanding into an additional 8,075 SF on the ground floor.</i>	6000 Shoreline Court	South San Francisco	Renewal/Expansion	65,702

1Q25

Appendix / Tables





Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

For more information:

Chris Teranishi
Senior Market Analyst
Chris.Teranishi@nmrk.com

Newmark San Mateo
2950 South Delaware Street
Suite 125
San Mateo, CA 94403
t 650-341-5800
Corporate CA RE #: 00832933

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at www.nmrk.com.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK

NEWMARK