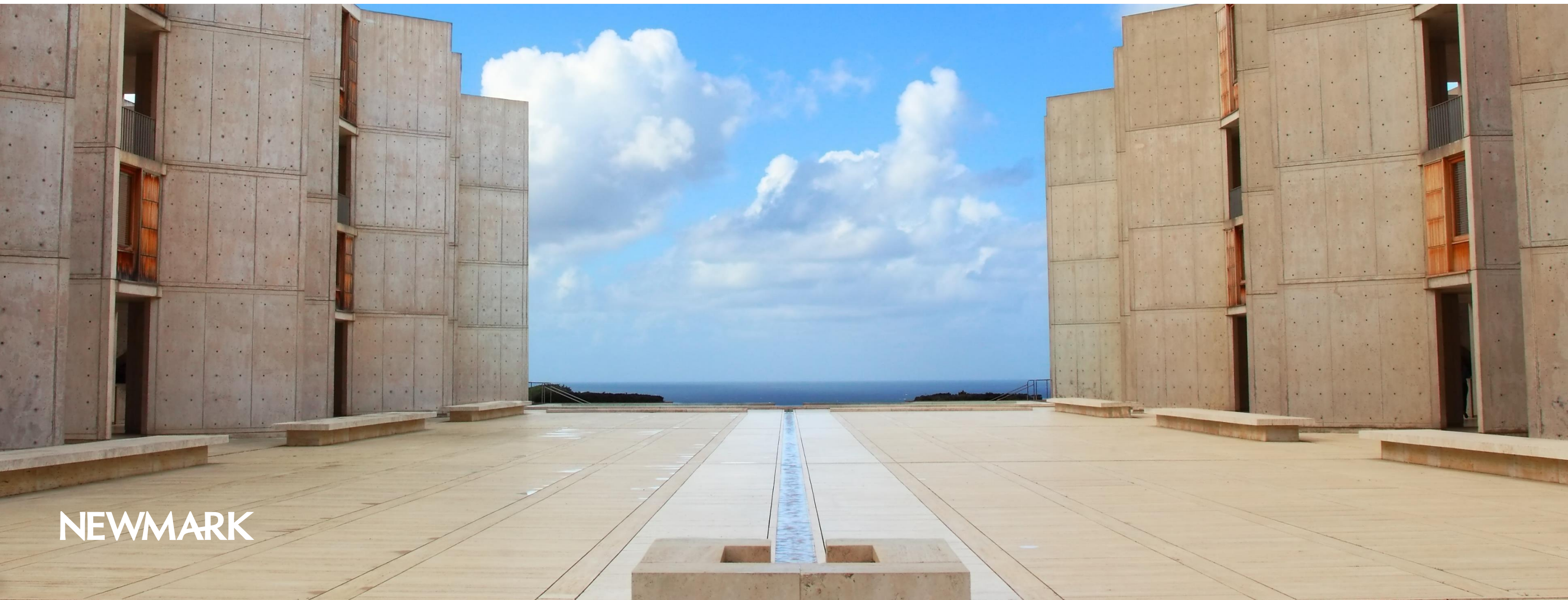


1Q25

San Diego Life Science Market Overview



NEWMARK

Market Observations

Economy

- The region’s unemployment rate was 4.4% as of February 2025, down 10 basis from February 2024. The metro added 9,900 jobs during this period, an increase of 0.6%.
- Life science jobs have declined by 4.4% from the all-time high reached in 2023 but have outperformed job growth in office-using industries over the past five years.
- Venture capital funding totaled \$375.3 million during the first quarter and post-IPO investment totaled \$107.4 million, the lowest level of quarterly funding in five years.
- Mergers and acquisitions slowed during the first quarter, totaling \$579.5 million, a marked decrease from the record-setting \$23.3 billion of deals closed in 2024.

Major Transactions

- BioMed Realty purchased a five-building research campus from Pfizer in Torrey Pines for \$255.0 million.
- Breakthrough Properties purchased the three-building Muse life science project in Torrey Pines from Diversified Healthcare Trust for \$159.0 million.
- Boston Scientific acquired Bolt Medical, which is developing technology for treating coronary and peripheral artery diseases, for \$443.0 million

Leasing Market Fundamentals

- Asking rents in the core submarkets declined 2.7% over the past year to \$5.60/SF. Rising vacancy rates and elevated sublease availability have put downward pressure on landlords over the past year.
- Net absorption was negative, posting 462,634 SF in losses during the first quarter.
- Total vacancy climbed to 21.4%, the highest level in 20 years, driven by negative absorption and new deliveries.
- Sublease availability climbed to 1.7 MSF, representing 7.8% of existing inventory and an all-time high.
- 2.0 MSF of construction is currently underway in the core submarkets after 561,659 SF delivered in the first quarter.

Outlook

- The development pipeline will continue to decline as the 2.0 MSF currently underway gradually delivers over the next 12 months and developers have paused all speculative developments.
- Declining venture capital investment means there will be less activity from early-stage companies in the coming year.
- Uncertainty about cuts in NIH funding and potential tariffs for pharmaceuticals, many of which are manufactured overseas by U.S.-based firms, will put a damper on demand for new life science space.

1. Economy
2. Leasing Market Fundamentals
3. Submarkets and Development

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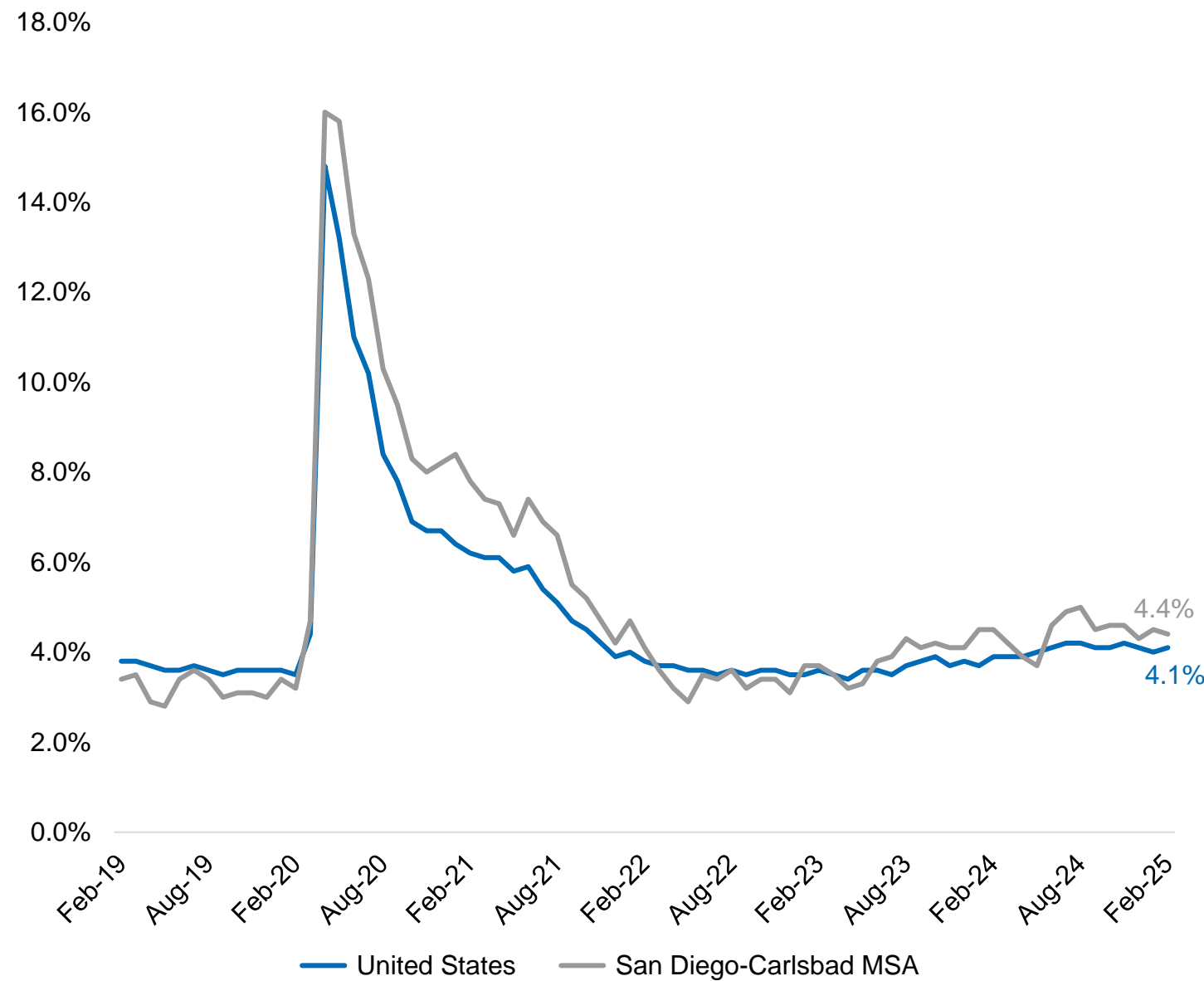
Economy



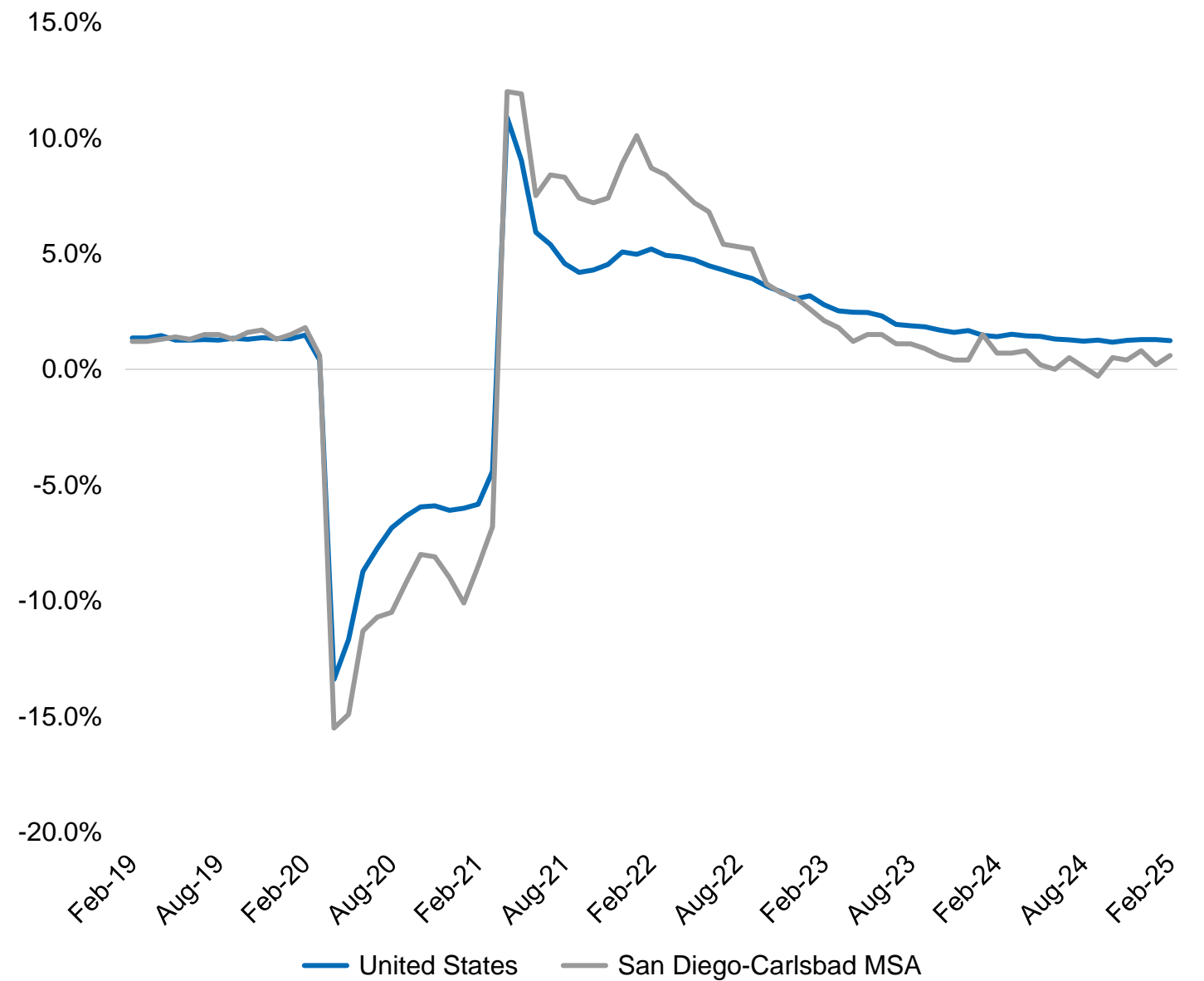
Unemployment Little Changed From Last Year

The local unemployment rate was 4.4% in February 2025, down 10 basis points over the past year. During this time nonfarm employment has continued to post modest but positive gains: employers reported an additional 9,900 jobs over the past year, representing growth of 0.6%, which trailed the national average of 1.2%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, San Diego-Carlsbad MSA

Life Science Job Growth Outpaced Office Over the Past 20 Years



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Life Science Funding Dips in the First Quarter

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Notable Funding Rounds

A low-angle, upward-looking shot of a modern building's interior or exterior structure, featuring a complex network of intersecting steel beams and glass panels. The perspective creates a sense of height and architectural complexity. A solid blue horizontal band is superimposed over the middle of the image, containing white text.

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Life Science Mergers and Acquisitions Off to a Slow Start

There were few life science mergers and acquisitions announced during the first quarter, totaling only \$579.5 million. Boston Scientific announced it was acquiring Bolt Medical, which develops technology to treat coronary and arterial diseases. Tanvex BioPharma merged with Bora Biologics of Taiwan, expanding San-Diego-based Tanvex’s existing manufacturing capabilities in Taiwan.

Notable Deals			
Date	Acquisition	Buyer	Acquisition Price
Jan 2025	Bora Biologics	Tanvex BioPharma	\$136,475,000
Jan 2025	Bolt Medical	Boston Scientific	\$443,000,000
Nov 2024	Poseida Therapeutics	Roche	\$1,500,000,000
Nov 2024	Kate Therapeutics	Novartis	\$1,100,000,000
Oct 2024	Longboard Pharmaceuticals	Lundbeck	\$2.500,000,000
Aug 2024	Vignette Bio	Candid Therapeutics	\$370,000,000
Jul 2024	Nerio Therapeutics	Boehringer Ingelheim	\$1,300,000,000
Jul 2024	Radionetics Oncology	Eli Lilly and Company	\$1,000,000,000
Jun 2024	Elsie Biotechnologies	GlaxoSmithKline	\$50,000,000
May 2024	Inhibrx	Sanofi	\$2,200,000,000
Apr 2024	Escient Pharmaceuticals	Incyte	\$750,000,000

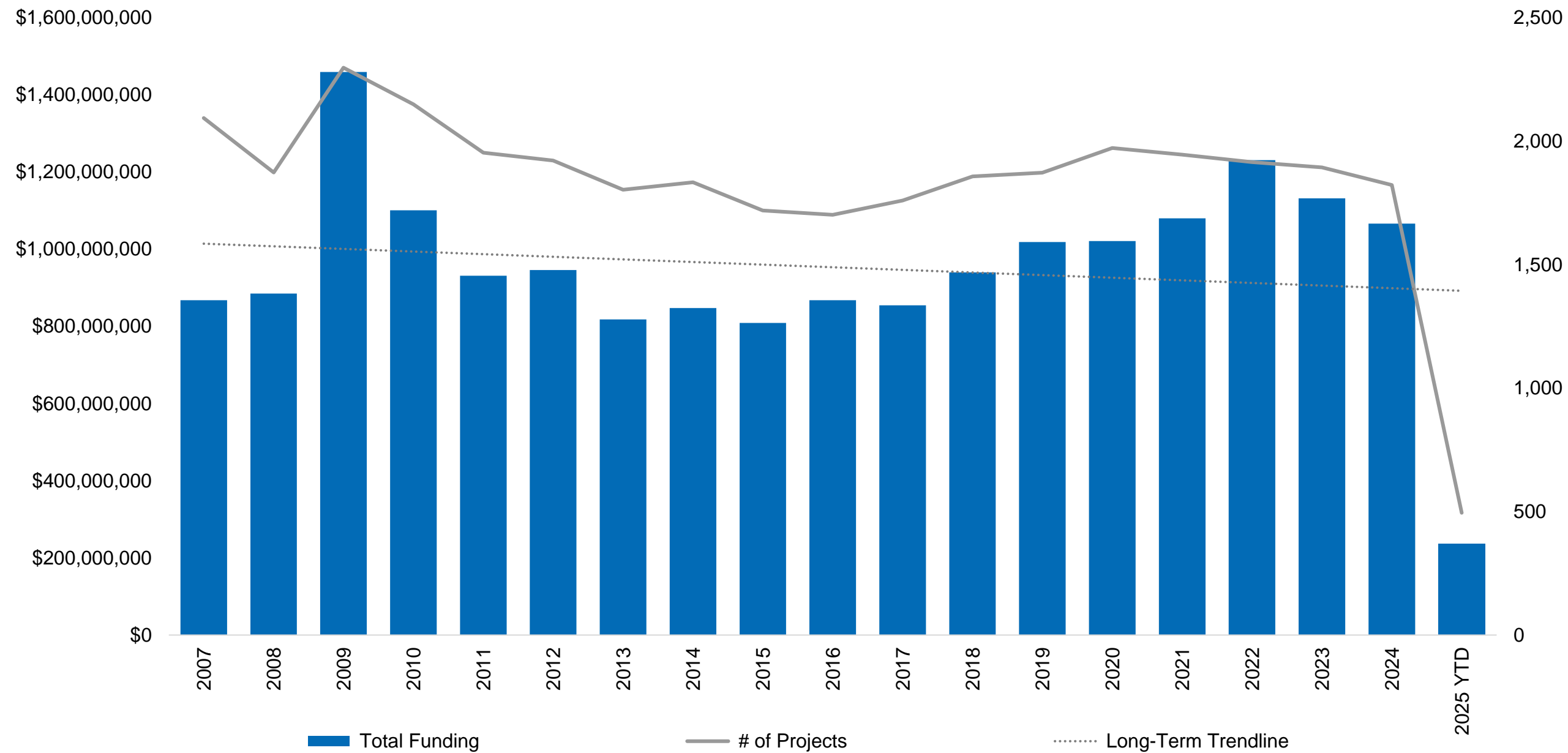
Historical M&A Volume	
Year	Total Volume
2025	\$579,475,000
2024	\$23,320,000,000
2023	\$15,606,850,000
2022	\$7,813,700,000
2021	\$18,703,700,000
2020	\$3,561,331,890
2019	\$541,500,000
2018	\$4,546,300,000
2017	\$2,075,000,000
2016	\$528,900,000
2015	\$16,042,700,000

Source: Newmark Research, Crunchbase, Pitchbook

NIH Funding

Since 2007 San Diego County has averaged \$992.5 million in annual NIH funding, and every fiscal year since 2019 has exceeded this average. Fiscal year 2024 saw a total of \$1.1 billion awarded to 1,721 projects. The first quarter of 2025 saw \$236.0 million in funding, 22.1% of 2024’s annual total.

San Diego Congressional Districts Total NIH Funding by Fiscal Year



Source: Newmark Research, U.S. National Institutes of Health

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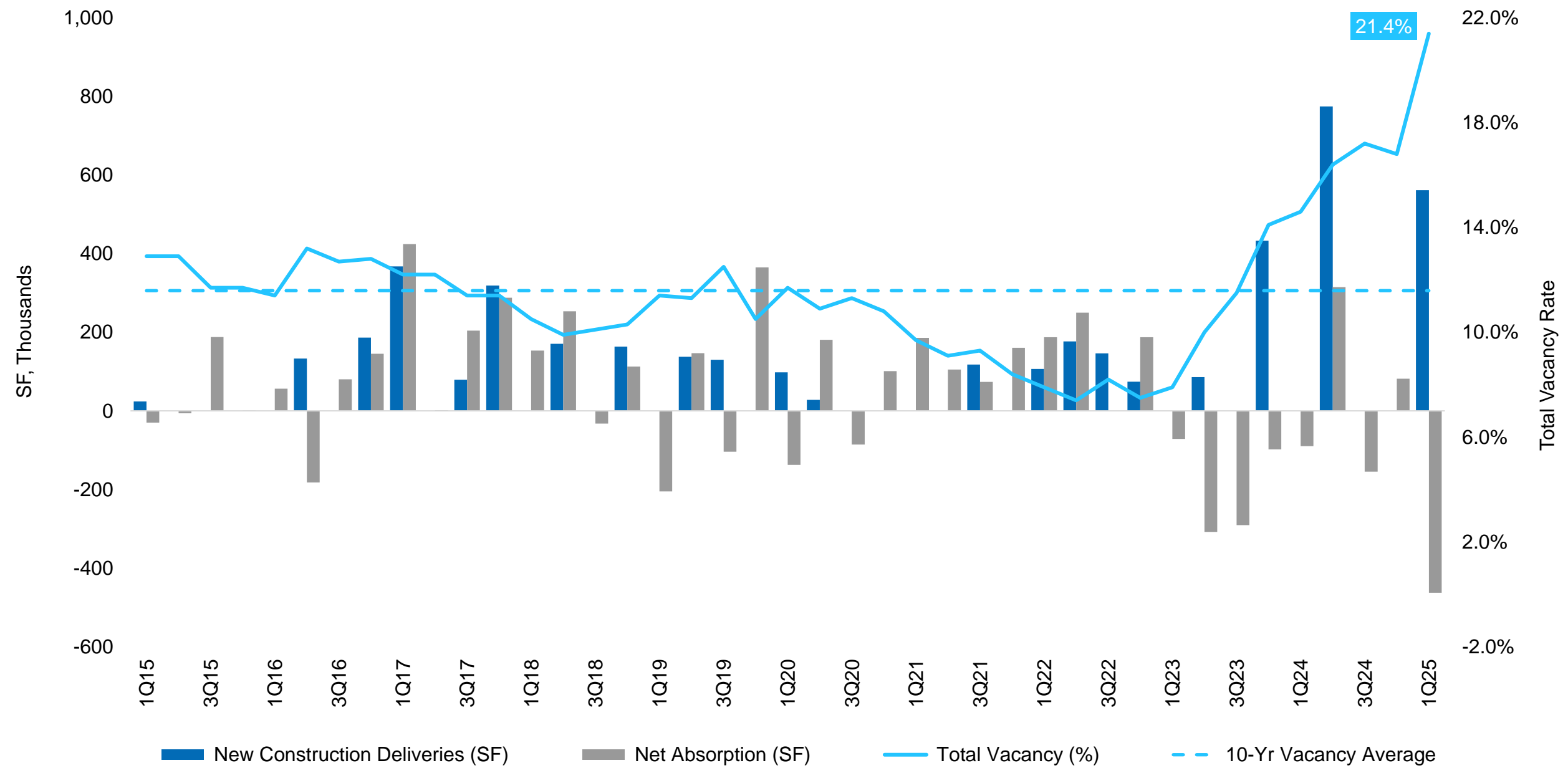
Leasing Market Fundamentals



New Deliveries Cause Vacancy to Rise

The total vacancy rate climbed to 21.4% in the first quarter, up from 14.6% at the start of 2024 and the highest level in 20 years. This increase was fueled by negative absorption, which totaled 462,634 SF in losses in the first quarter, and the delivery of 561,659 SF of new projects.

Historical Construction Deliveries, Net Absorption, and Vacancy, Core Submarkets

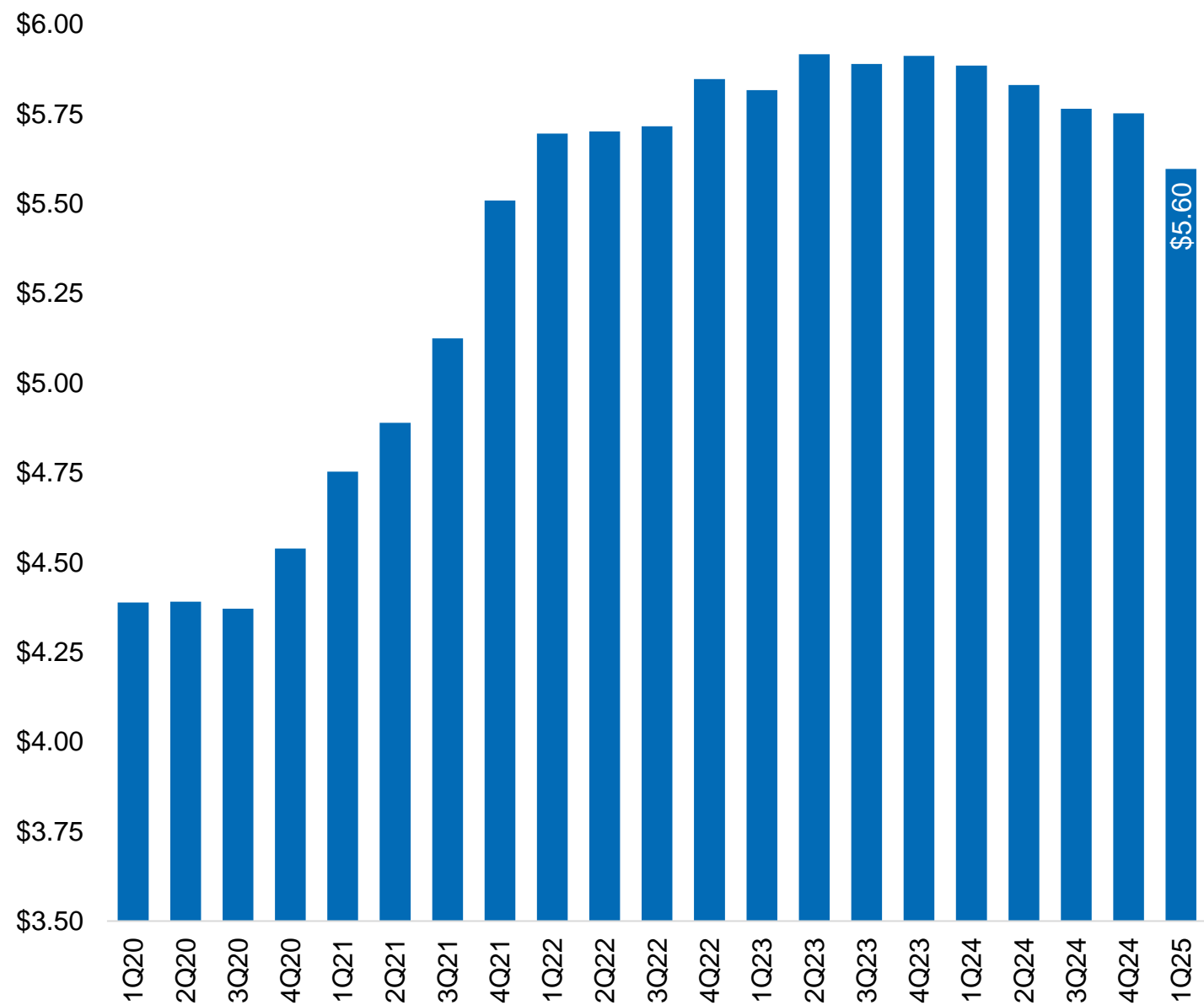


Source: Newmark Research

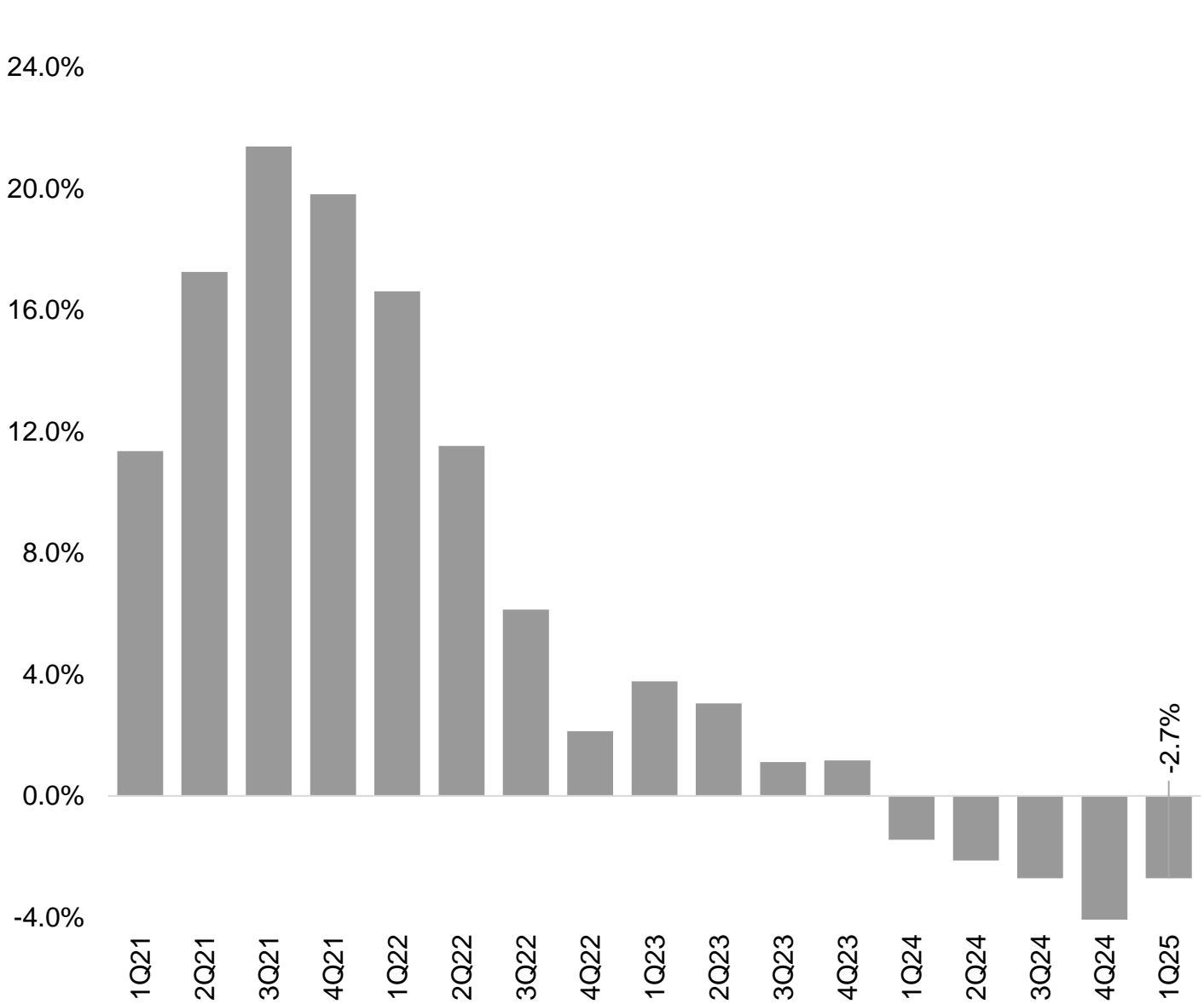
Asking Rents Decline, But Rate of Decrease Decelerates from Last Quarter

Rents increased rapidly during 2021 and 2022, but rising vacancy caused by reduced leasing activity and new deliveries have put strong downward pressure on rents. Asking rates have now declined year-over-year for the past five quarters. Rent growth is unlikely to return until vacancy stabilizes.

Life Science Average Direct Asking Rent, \$/SF/Month, NNN



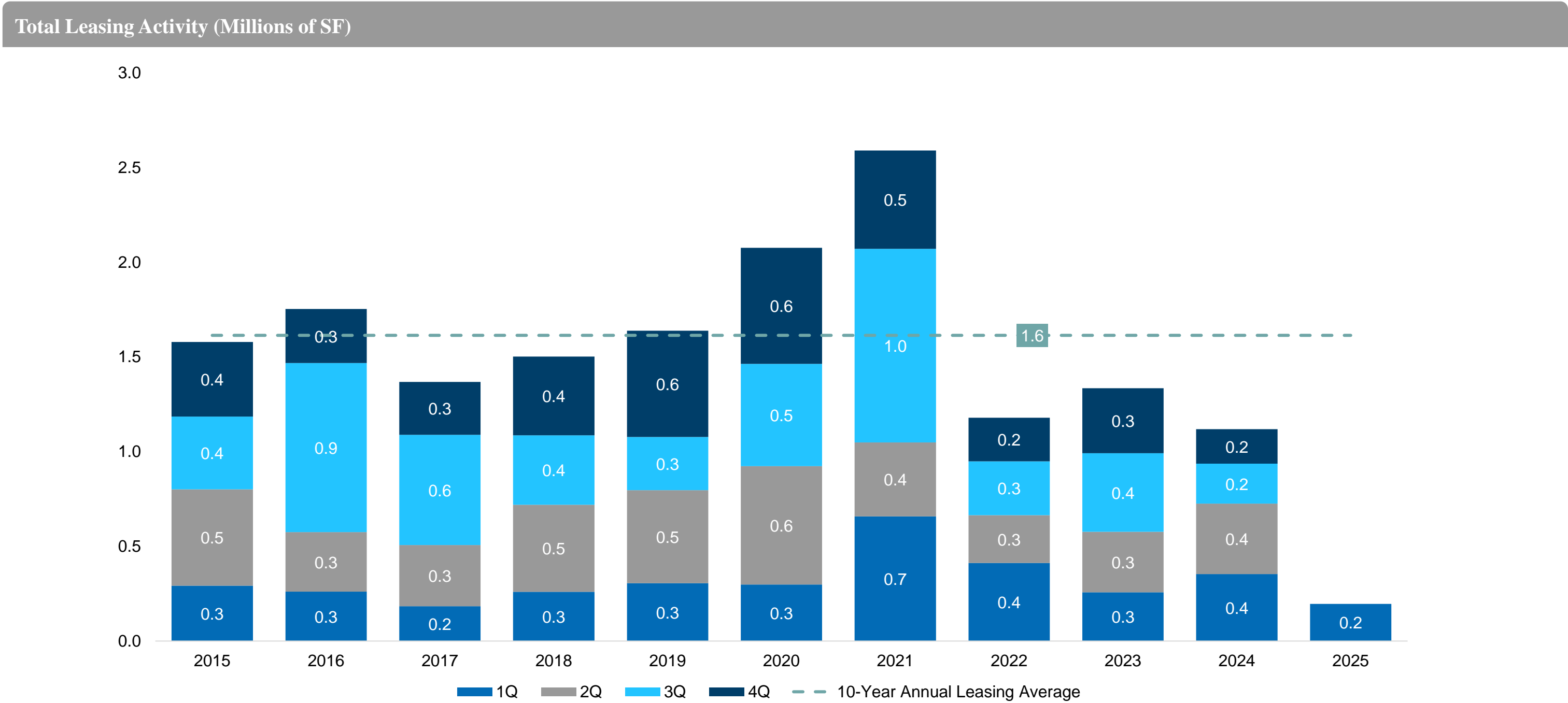
Year-over-Year Direct Asking Rent Change



Source: Newmark Research, CoStar

Leasing Activity Has Been Below Average for Three Years

Leasing activity has slowed over the past three years after the record-setting years of 2020 and 2021. 2024 saw 1.1 million square feet in leasing activity, below the 10-year average of 1.6 million square feet, and the first quarter of 2025 saw 196,526 SF of deals. The flight to quality and new construction has been pronounced in recent leasing deals.

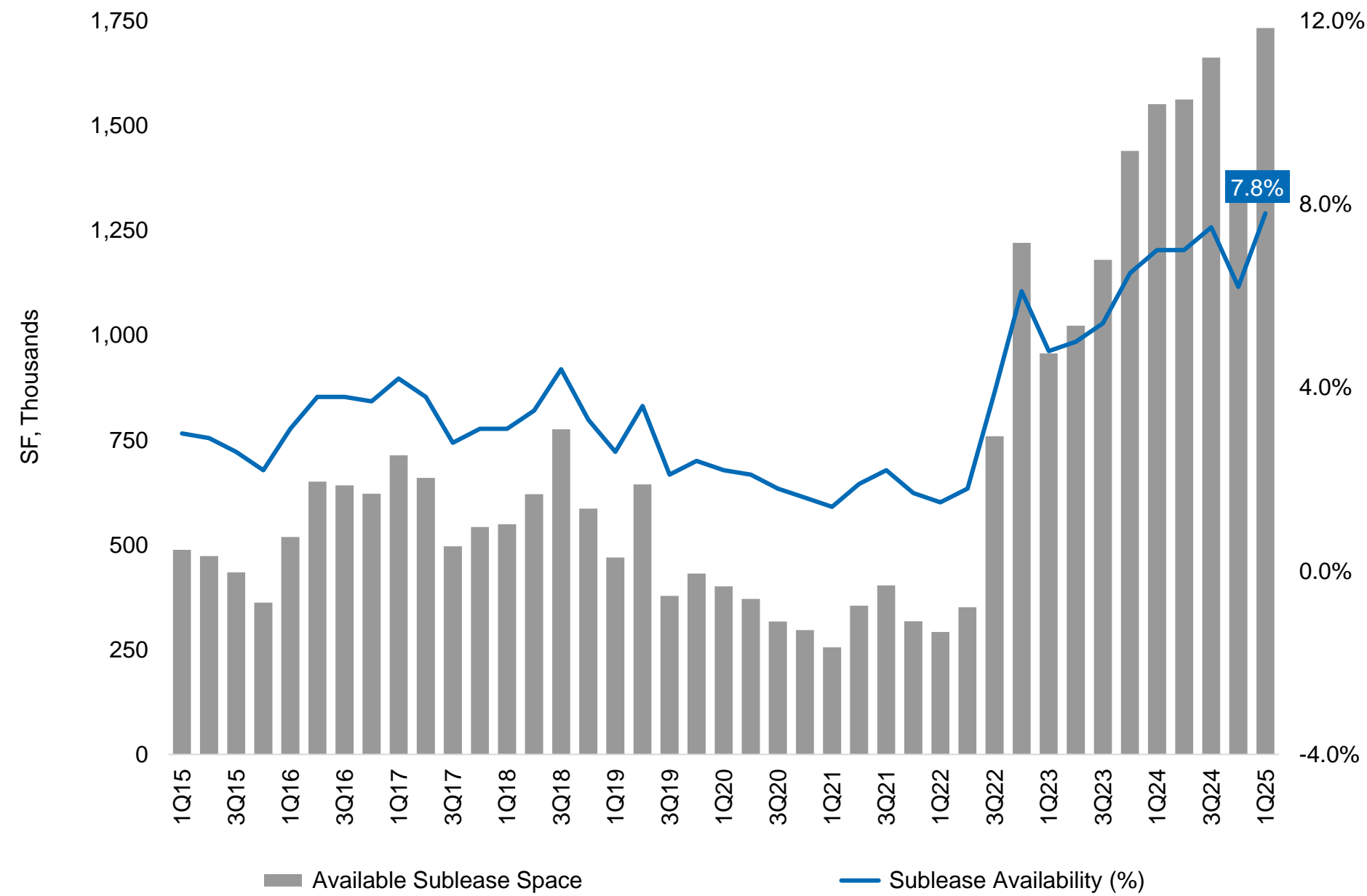


Source: Newmark Research, CoStar

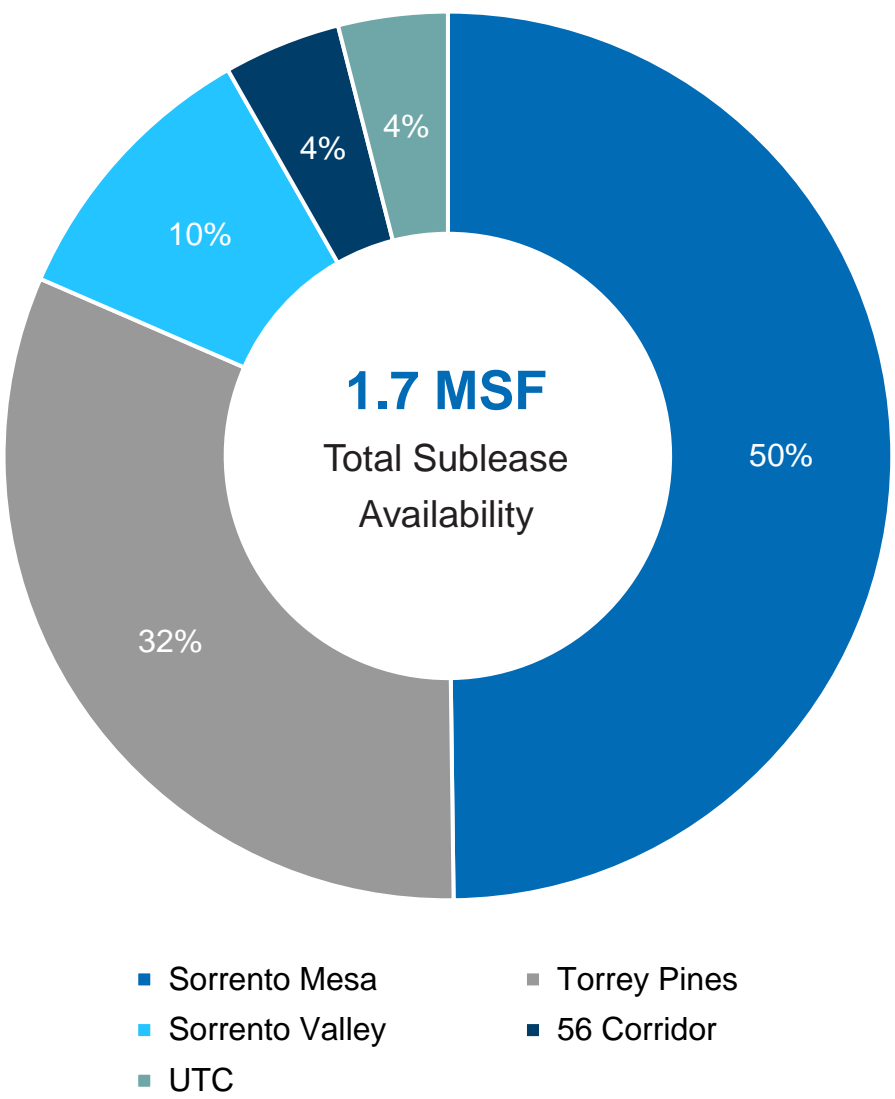
Sublease Space Climbs to a New High

Sublease availability has soared since 2022 as companies shed excess space due to overly aggressive preleasing of development projects, closures caused by bankruptcies, and company mergers leading to consolidation of facilities. Sublease availability climbed to a new high of 1.7 MSF in the first quarter, an all-time high and 7.8% of existing inventory. Sorrento Mesa is home to half of this sublease space and the submarket’s sublease availability rate is at 9.9%.

Life Science Projects Sublease Availability



Sublease Availability by Submarket



Source: Newmark Research, CoStar

Notable Lease Transactions

Leasing activity was muted during the first quarter and the average lease size was notably smaller than average.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Kura Oncology	4930 Directors Pl	Sorrento Mesa	New Lease	32,512
Clinical-stage cancer research company headquartered in San Diego leased the top floor at Healthpeak's Directors Science Park.				
Regulus Therapeutics	4224 Campus Point Ct	Torrey Pines	Lease Renewal	13,438
Clinical-stage kidney research company headquartered in San Diego renewed its lease at Alexandria's Alexandria Point campus.				
BioTheryX	10201 Wateridge Cir	Sorrento Mesa	New Lease	9,100
Clinical-stage company researching protein degraders signed a new lease at Elements, owned by Alloy Properties.				
Neuvogen	11095 Flintkote Ave	Sorrento Valley	Lease Renewal	8,124
Immuno-oncology company developing treatments for tumors renewed its space at BioMed's Coast 9 project.				
CA Medical Innovations Institute	11100 Roselle St	Sorrento Valley	New Lease	7,557
Nonprofit research organization focused on diagnostics and therapeutics leased new space from BioMed at its Coast 9 project.				

Source: Newmark Research

1Q25

Submarkets and Development



Life Science Core Submarkets and High-Level Statistics | 1Q25



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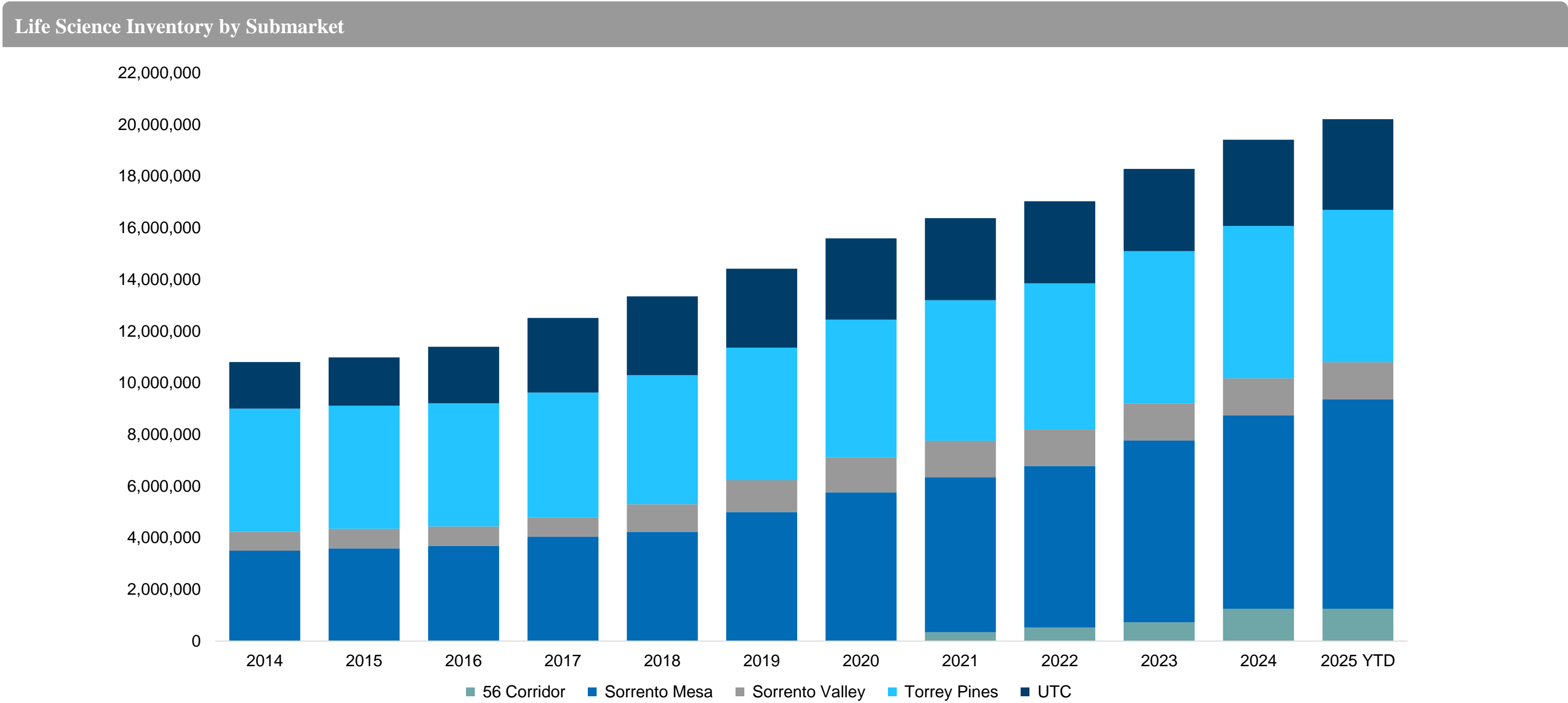
San Diego Life Science Submarkets



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Historical Inventory Growth

Sorrento Mesa and Torrey Pines are the largest submarkets by inventory, as the total life science inventory of the core submarkets has grown from 11.2 MSF in 2014 to 20.2 MSF in 2025. The 56 Corridor is growing quickly as firms expand north into converted office projects in Del Mar Heights and large new developments are underway in Carmel Valley.

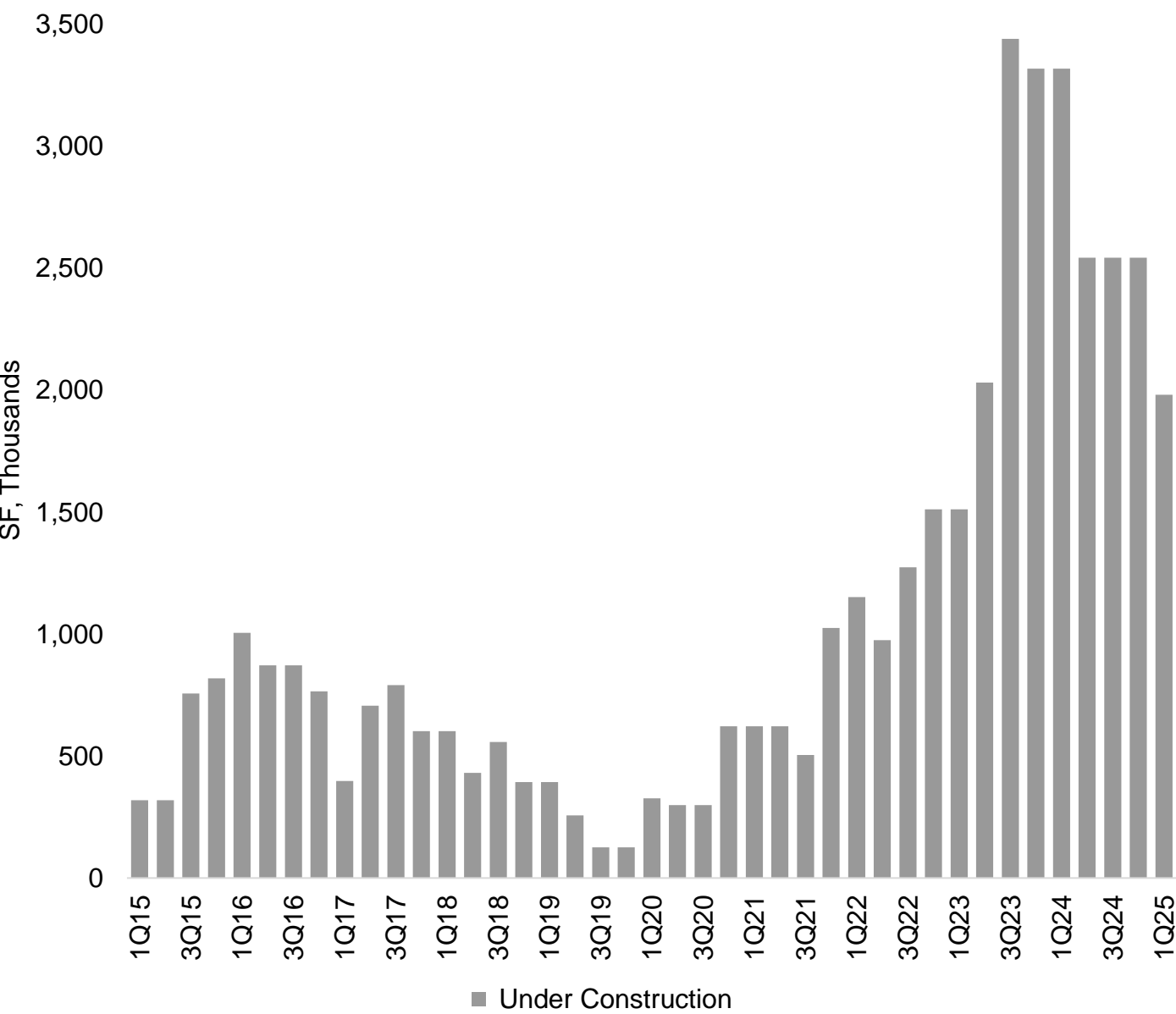


Source: Newmark Research

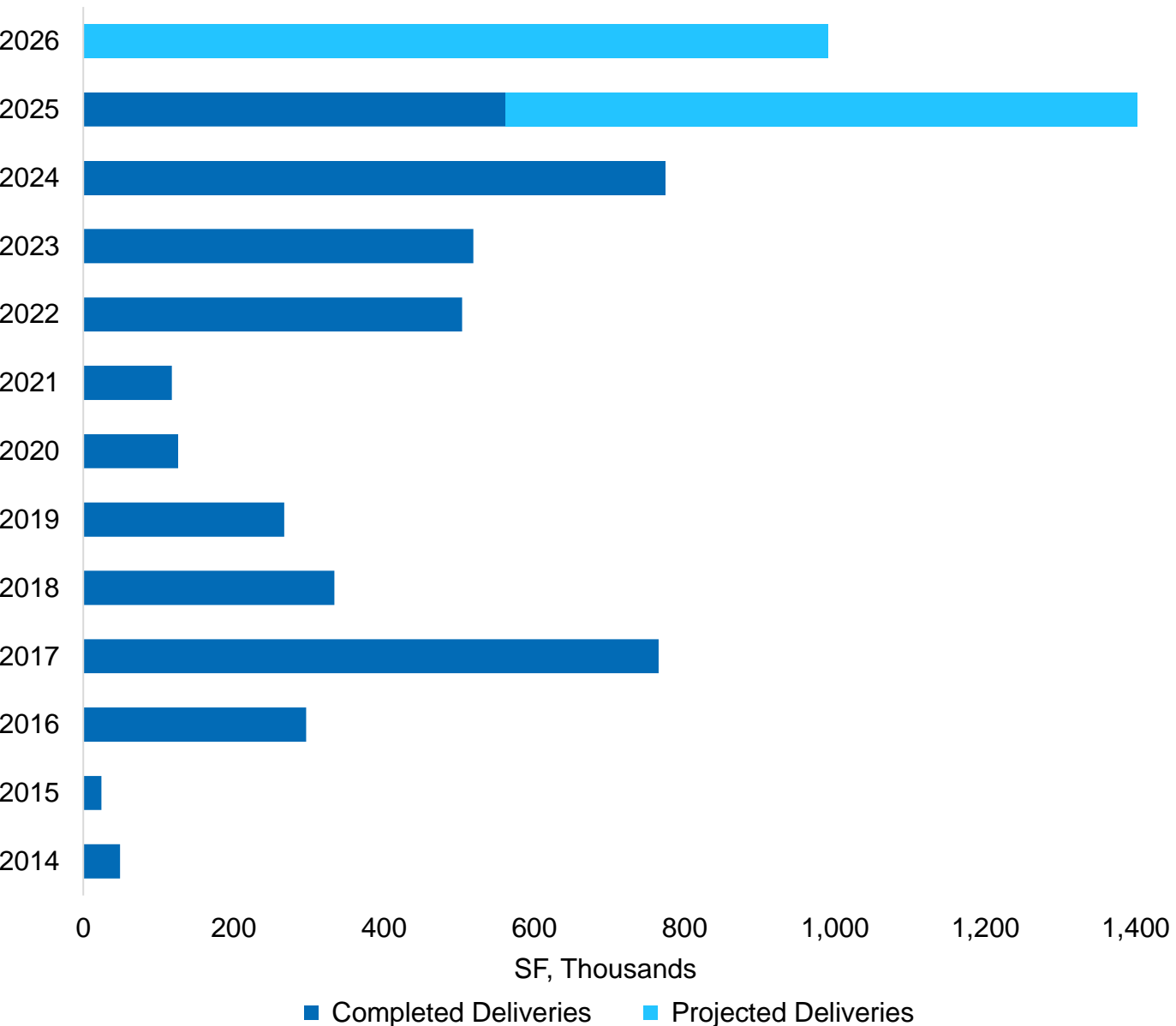
Purpose-Built Construction

Starting in 2020 life science development increased significantly, from less than 2.0% of existing inventory in 2020 to 18.7% in the third quarter of 2023 at the peak of the construction pipeline. Sorrento Mesa has seen the most development over the past five years. Current construction totals 2.0 MSF, 9.8% of existing inventory, after 1.8 MSF of new product delivered over the past two years. In the current environment, developers are unlikely to break ground on any new construction projects unless they have a lease commitment.

Construction Levels, Purpose-Built Life Science, Core Submarkets



Historical and Projected Deliveries, Purpose-Built Life Science, Core Submarkets

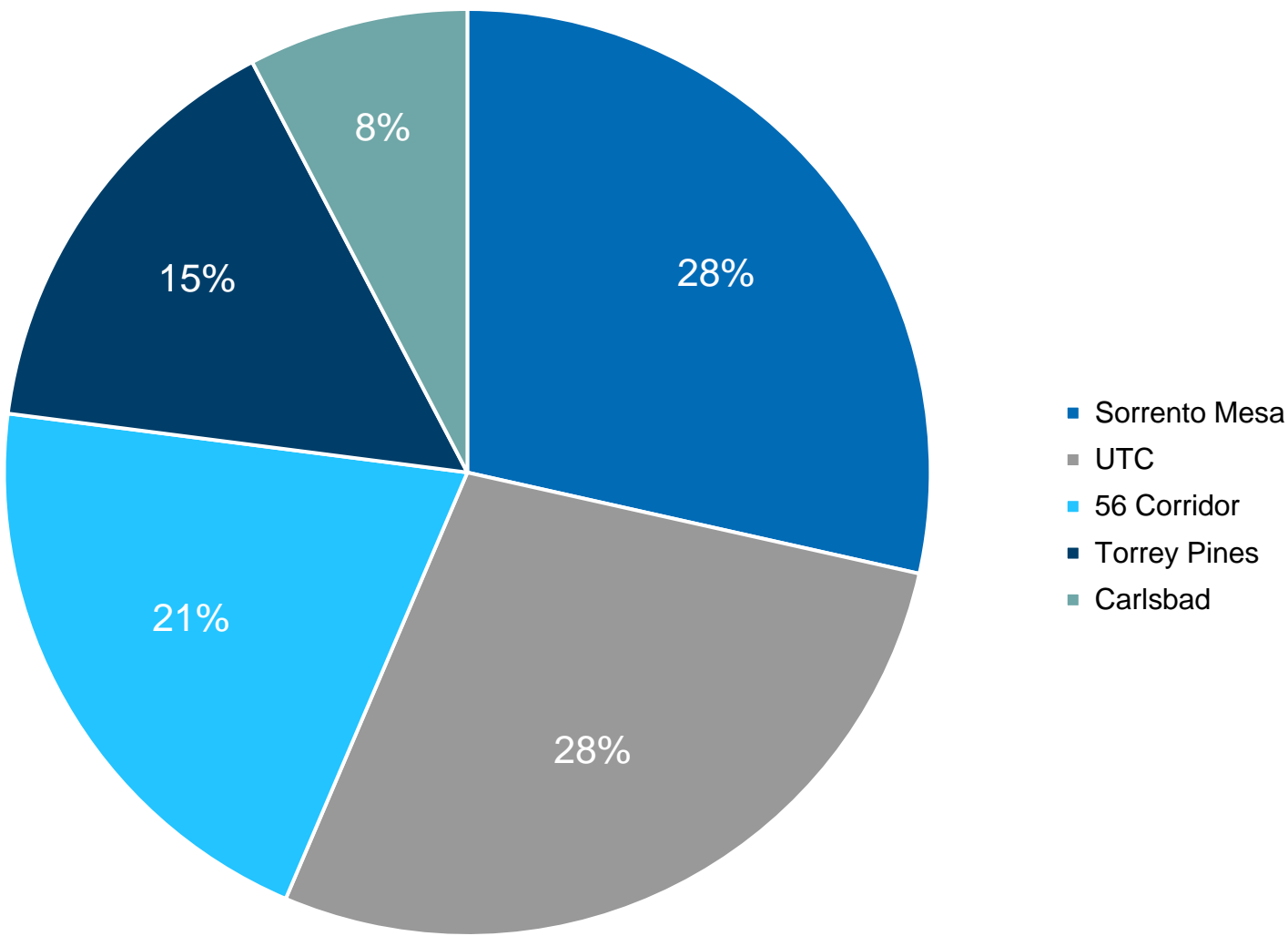


Source: Newmark Research

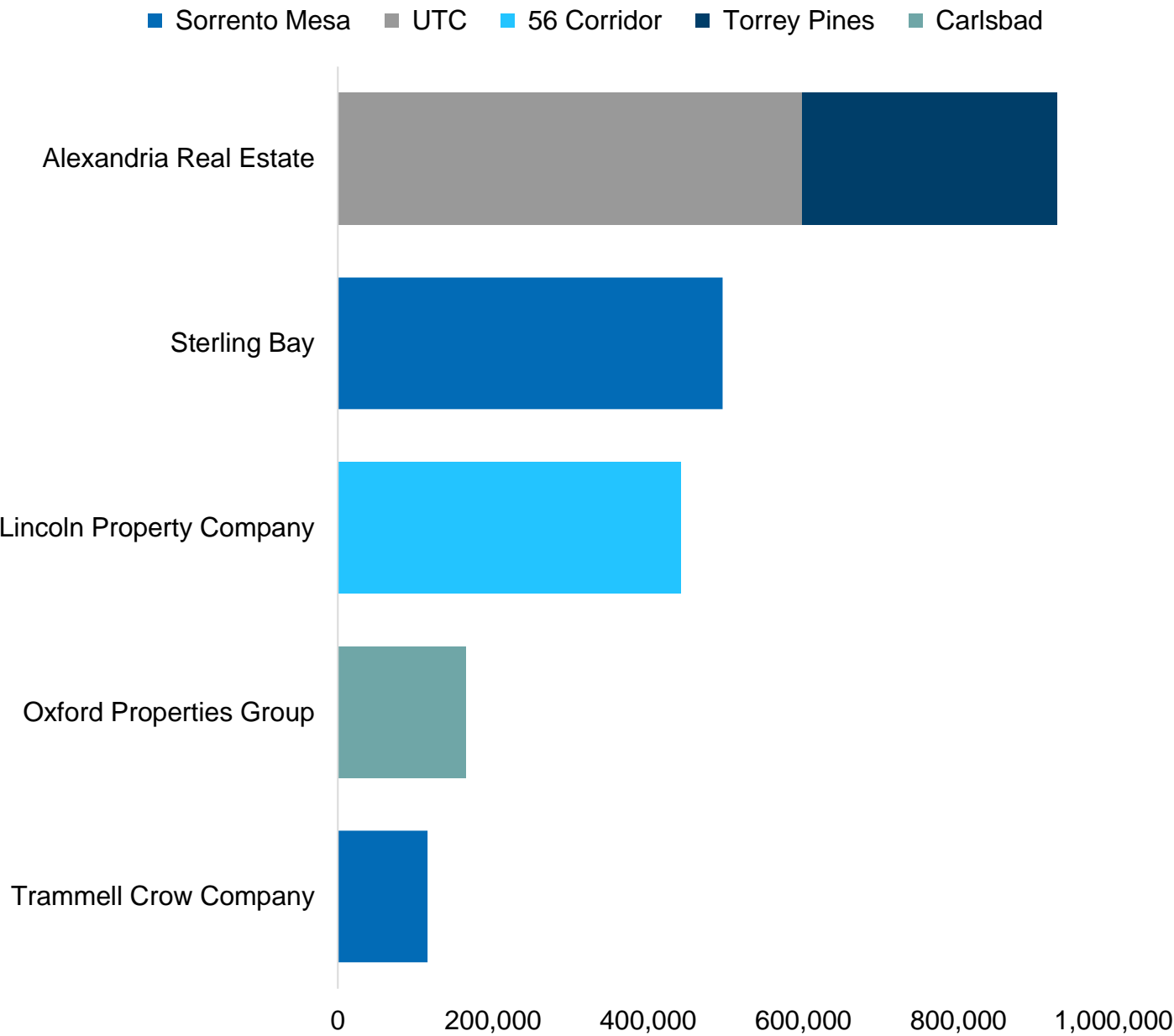
Current Pipeline Winding Down

Alexandria has the largest pipeline, with 927,000 SF of projects currently under construction. Most proposed projects are now on hold as developers wait for signed leases before commencing construction, at least until the market has had time to absorb all the recently delivered space and vacancy starts to subside.

Current Construction by Submarket



Ground-Up Construction Projects by Developer



Source: Newmark Research, CoStar

Third-Party Vivarium Facilities



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