



NEWMARK

# San Francisco Bay Area Life Science Market Overview

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1Q26



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# Market Observations



## Economy

- Life science jobs have outperformed job growth in office-using industries over the past 20 years but have declined 7.6% from the all-time high set in 2023.
- Life science venture capital activity in the Bay Area totaled \$1.7 billion across 79 deals in Q1, a notable decline from \$2.7 billion and 92 deals the previous quarter.
- The U.S. Consumer Price Index (CPI) inflation rate rose to 3.3% in March, up from 2.4% in February, driven largely by a 10.9% increase in energy costs resulting from the conflict with Iran.
- Economists maintain projections for one additional interest rate cut in 2026, noting that the Federal Reserve is expected to look beyond the recent energy-driven inflation spike linked to ongoing geopolitical tensions.



## Leasing Market Fundamentals

- Net absorption turned negative in Q1, with 453,685 SF of occupancy losses recorded for the quarter.
- Marketwide vacancy increased to 29.0%, up from 27.7% in the previous quarter. Sublease vacancy rose to 3.7%, an increase from 3.0% in the prior quarter.
- Active tenant demand totaled 2.5 MSF, down from 2.6 MSF in the prior quarter but up from 2.3 MSF one year ago.
- Speculative development in the construction pipeline remained on hold in Q1 and is expected to stay subdued until existing supply is absorbed.



## Major Transactions

- Biomedical research nonprofit Gladstone signed a 108,082-square-foot lease for floors five through seven at 1450 Owens Street in San Francisco, marking the largest deal of the quarter.
- In the second-largest deal of the quarter, biotechnology company Mammoth Bio completed a blend-and-extend at 1000 Marina Blvd., leasing floors two, three, five, and six for 69,900 square feet.
- The most significant sale of the quarter was Gateway Commons, a seven-building office and life science campus in South San Francisco, which traded from Alexandria Real Estate and Boston Properties to Healthpeak for \$600.0 million, or \$444/SF.



## Outlook

- Asking rents are expected to continue declining gradually as landlords reduce rates in response to persistently elevated vacancy and soft market conditions.
- Vacancy remains elevated above 20 percent in several major markets, with much available space found in recently completed projects that lacked preleasing commitments. This bodes well for well-capitalized tenants that are seeking to upgrade to newer facilities at favorable terms.
- Tenant demand has strengthened moderately since last year's slump, a positive signal for leasing activity through the rest of 2026, contingent on research funding and broader economic fundamentals remaining stable.

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## Economy

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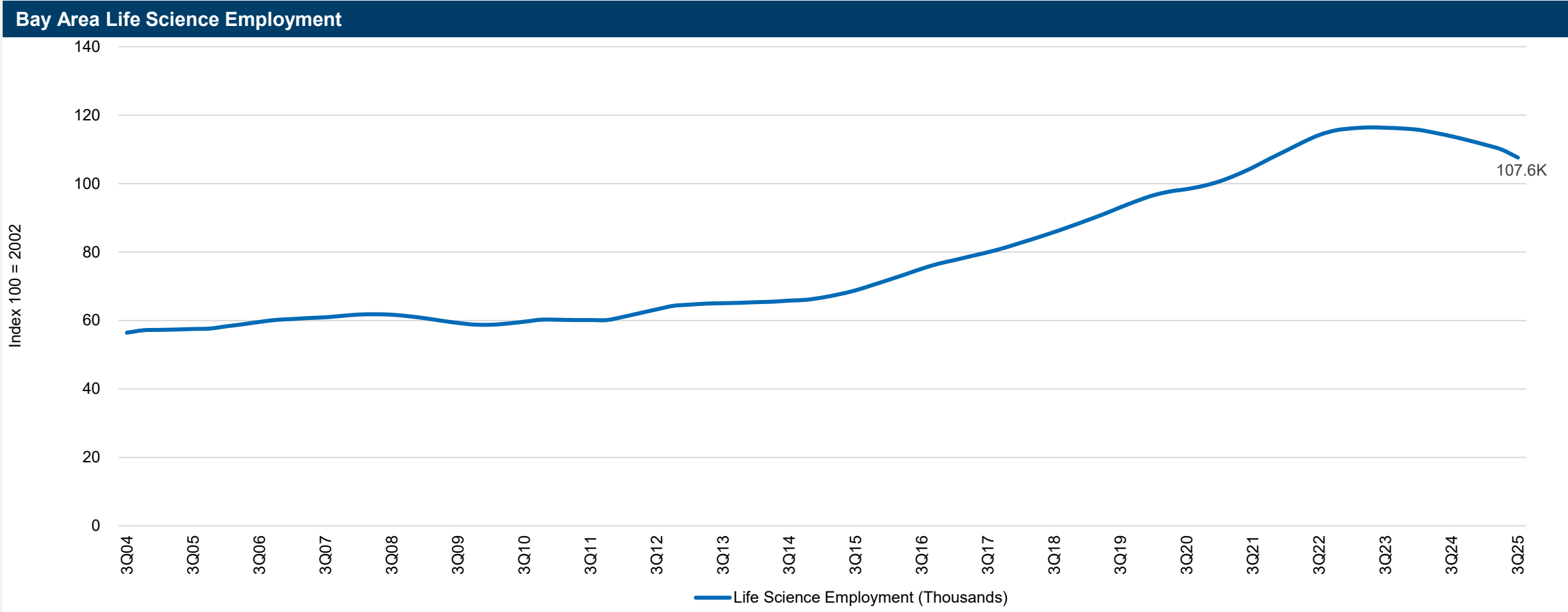
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# Life Science Employment Decreased for Ninth Consecutive Quarter

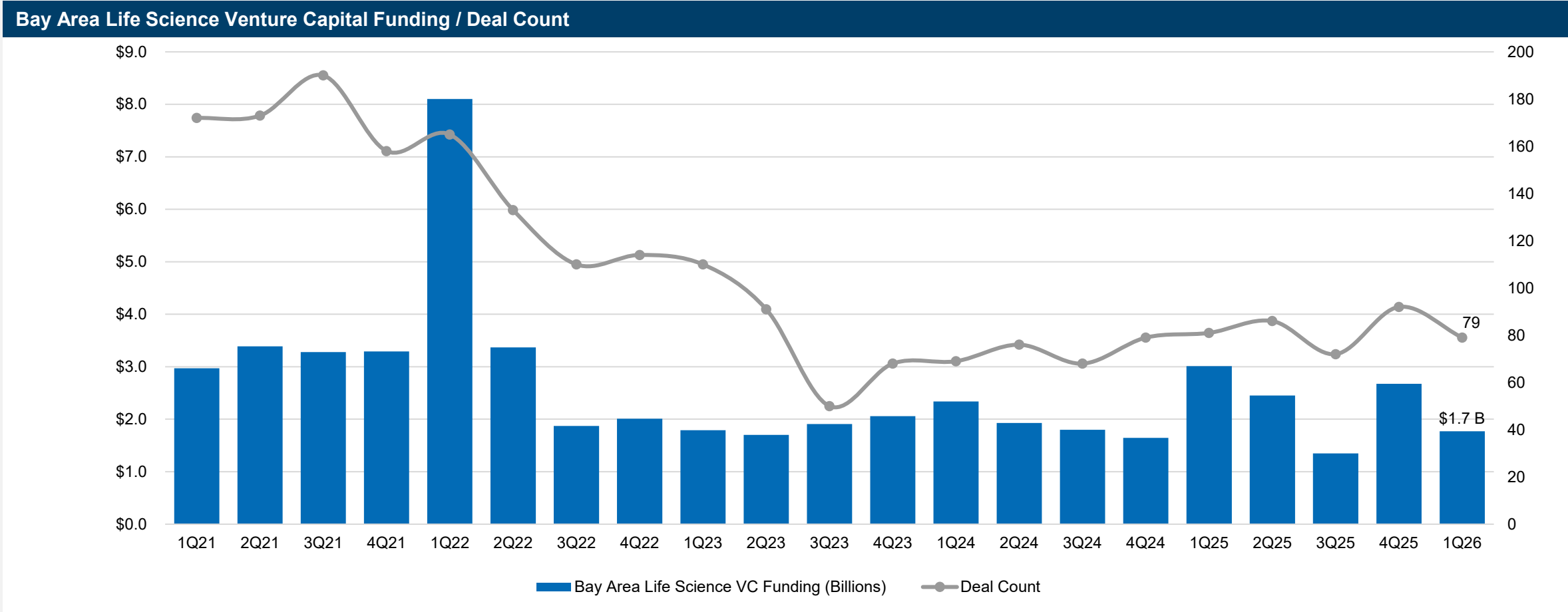
Life science employment in the San Francisco Bay Area fell to 107,610 active workers in the third quarter of 2025, a 2.1% decrease from 109,983 in Q2 and a 5.4% decline from 113,830 in the same quarter of 2024.



Source: JobsEQ. Data lags by 6 months.

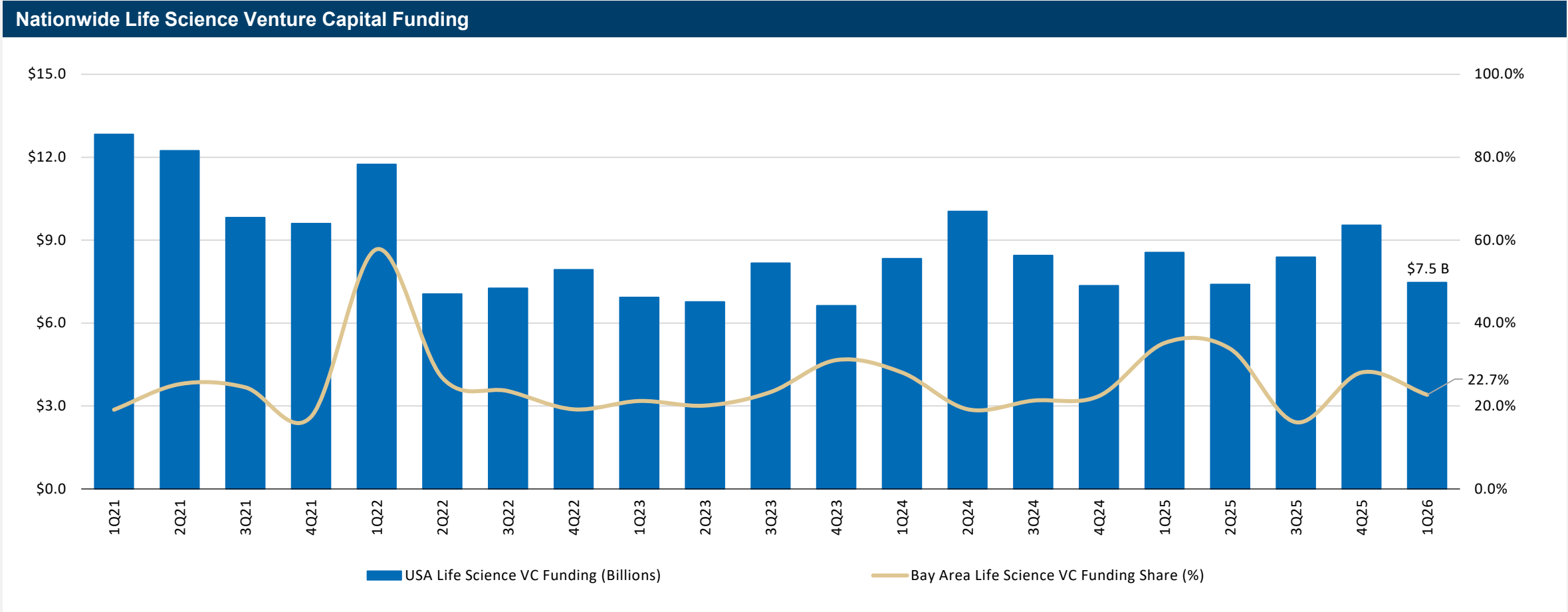
# VC Deal Activity and Capital Decline Across the Bay Area in Q1

Life science venture capital activity in the Bay Area totaled \$1.7 billion across 79 deals in Q1, a notable decline from \$2.7 billion and 92 deals the previous quarter. Despite quarter-over-quarter declines in deal volume and value, cautious optimism is returning as the market absorbs the macro backdrop and could drive a meaningful pickup in activity in the back half of the year.



# Nationwide Life Science VC Funding Pulled Back in Q1

Nationally, life science venture capital investment totaled \$7.5 billion in Q1, down from \$9.5 billion in the prior quarter and \$8.6 billion a year ago. The Bay Area accounted for 22.7% of total life science funding raised nationwide this quarter, down from 28.1% in the previous quarter.



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## Market Fundamentals

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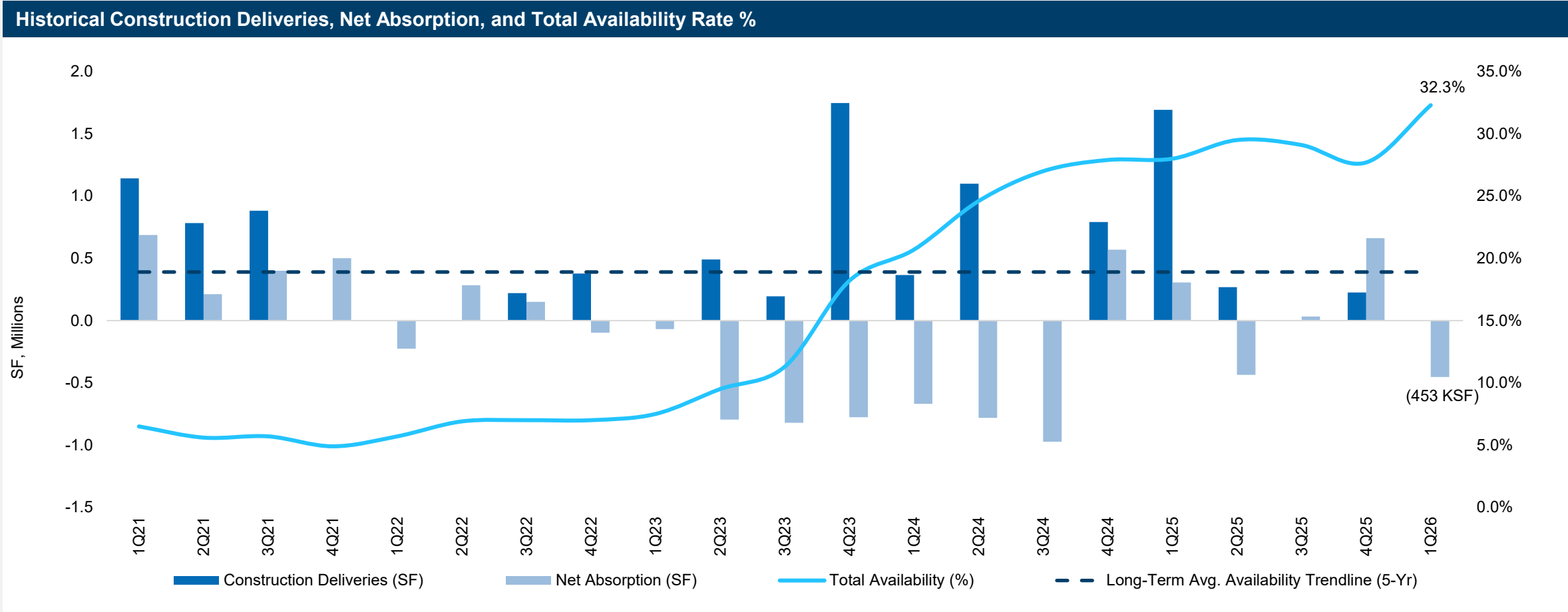
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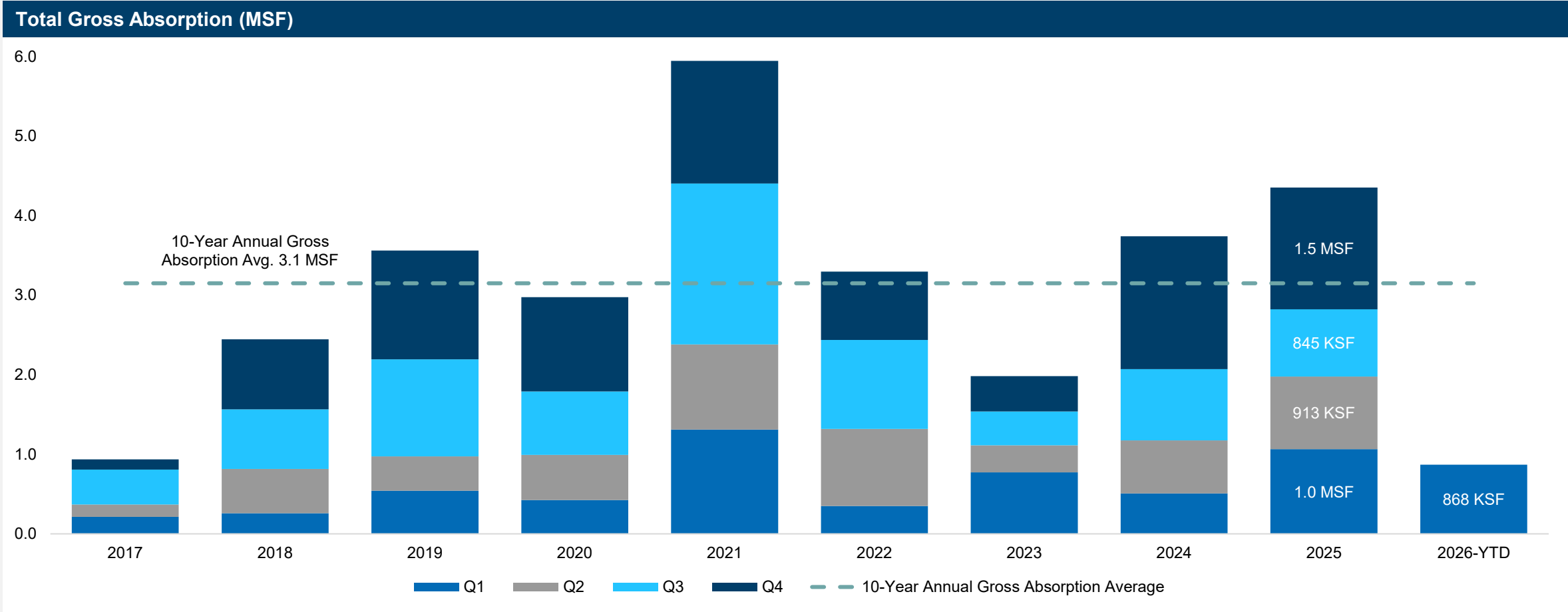
# Newly Converted and Vacated Space Pushes Availability Higher

The Bay Area life science market recorded 453 KSF of negative net absorption in the first quarter, down from 661 KSF in the prior quarter, as several larger spaces undergoing lab conversion came online or were vacated. Total availability marginally decreased to 32.3% from 32.4% last quarter but remains elevated compared with 30.7% one year ago. The total vacancy rate rose to 29.0% compared to 27.7% last quarter and 28.0% one year ago.



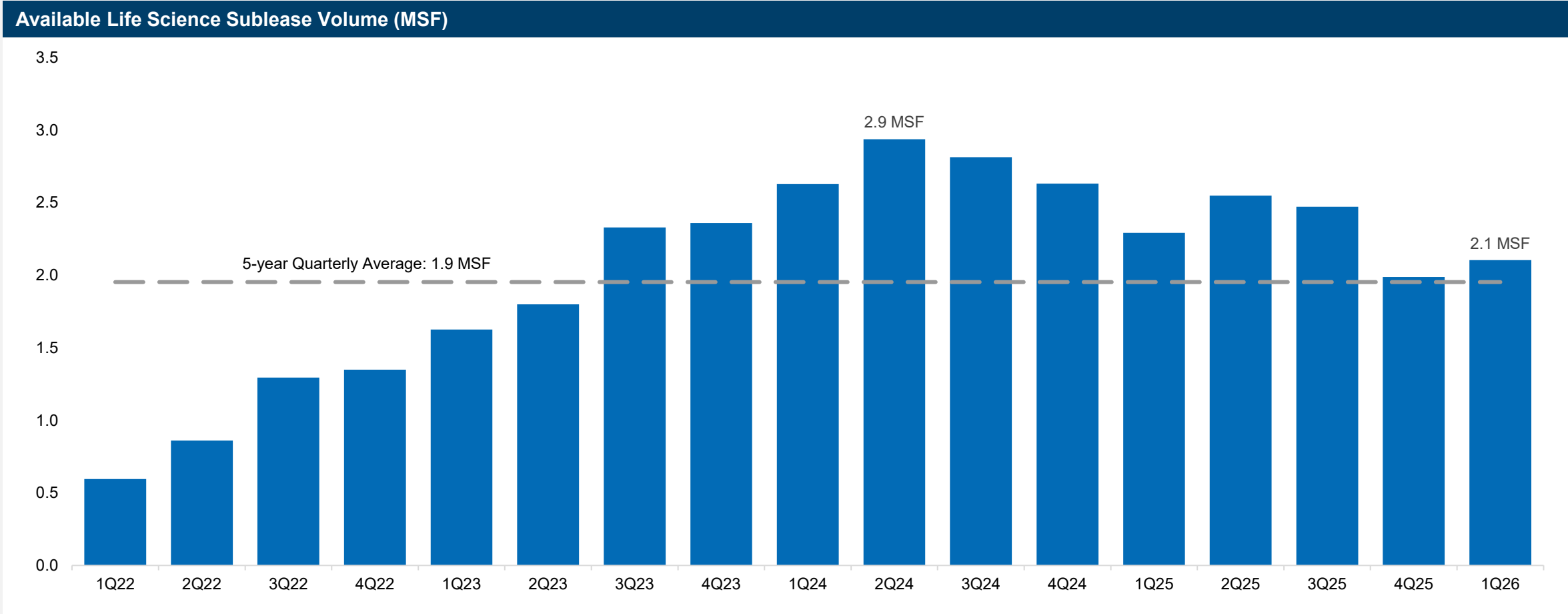
# Leasing Activity Pulls Back in Q1 Following Strong 4Q25 Close

Total gross absorption for the quarter was 868 KSF SF, a 43.0% quarter-over-quarter decrease. The flight to quality continued to be a defining theme, with leasing activity concentrated in premier lab submarkets and new construction projects.



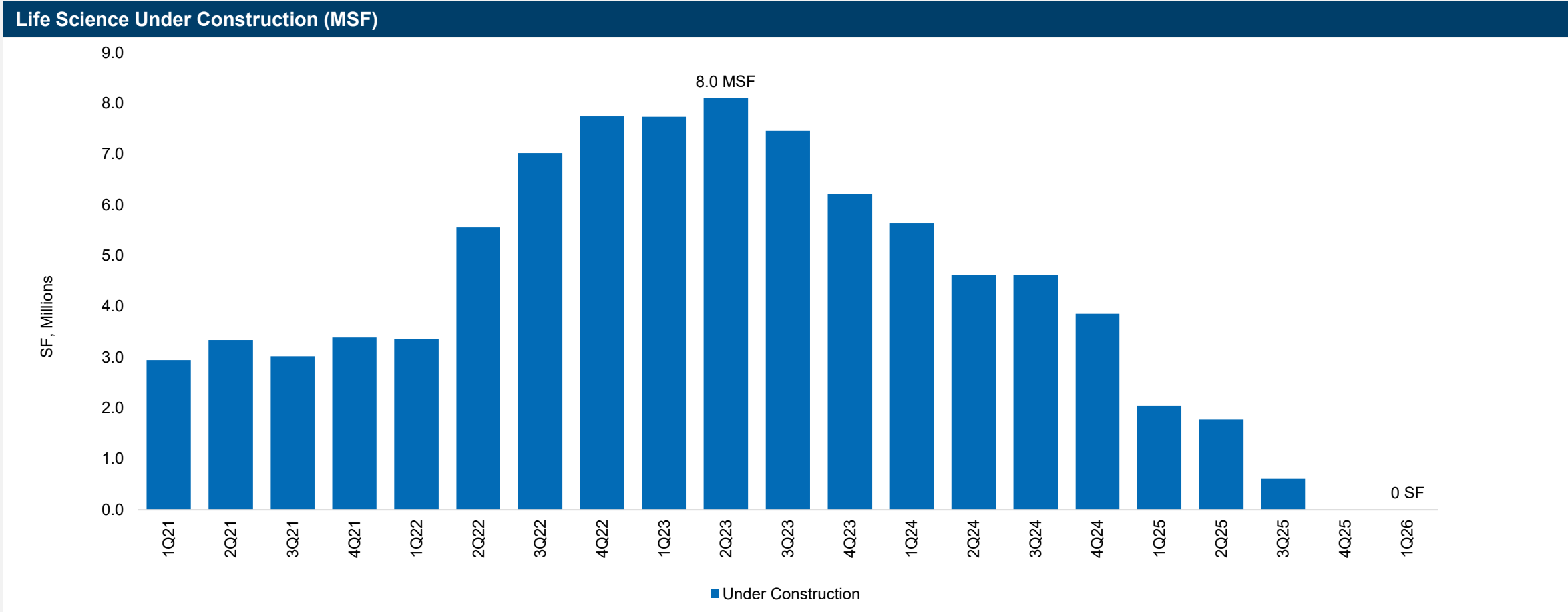
# Bay Area Sublease Availability Rises Above the Five-Year Quarterly Average

Following two consecutive quarters of declining sublease availability, the region recorded an increase to 2.1 MSF, up from 1.9 MSF in the prior quarter. The primary driver was Tenaya Therapeutics listing its 94,046-SF facility at 33498 Central Avenue in Union City. Sublease availability has risen sharply since 2022 as companies shed excess space stemming from aggressive pre-leasing of development projects, business closures and bankruptcies, and consolidation from mergers.



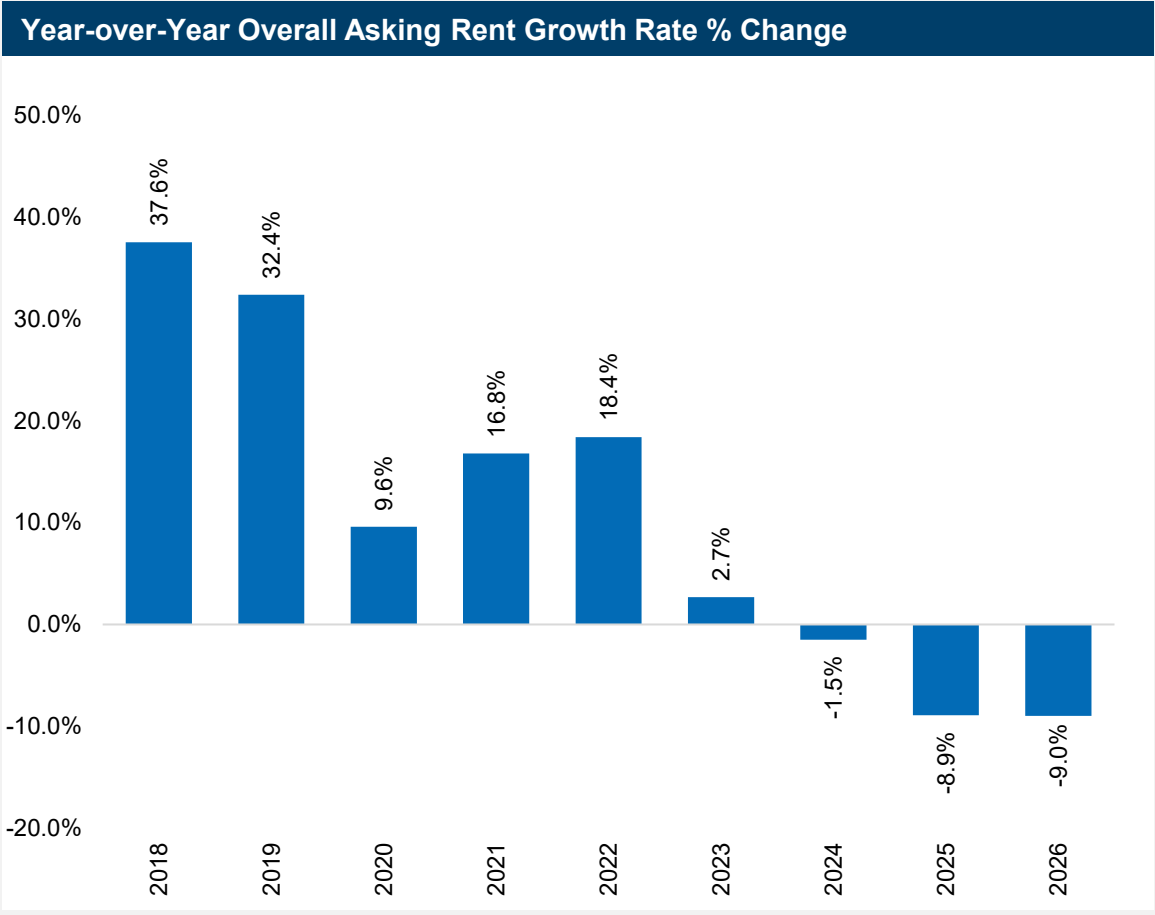
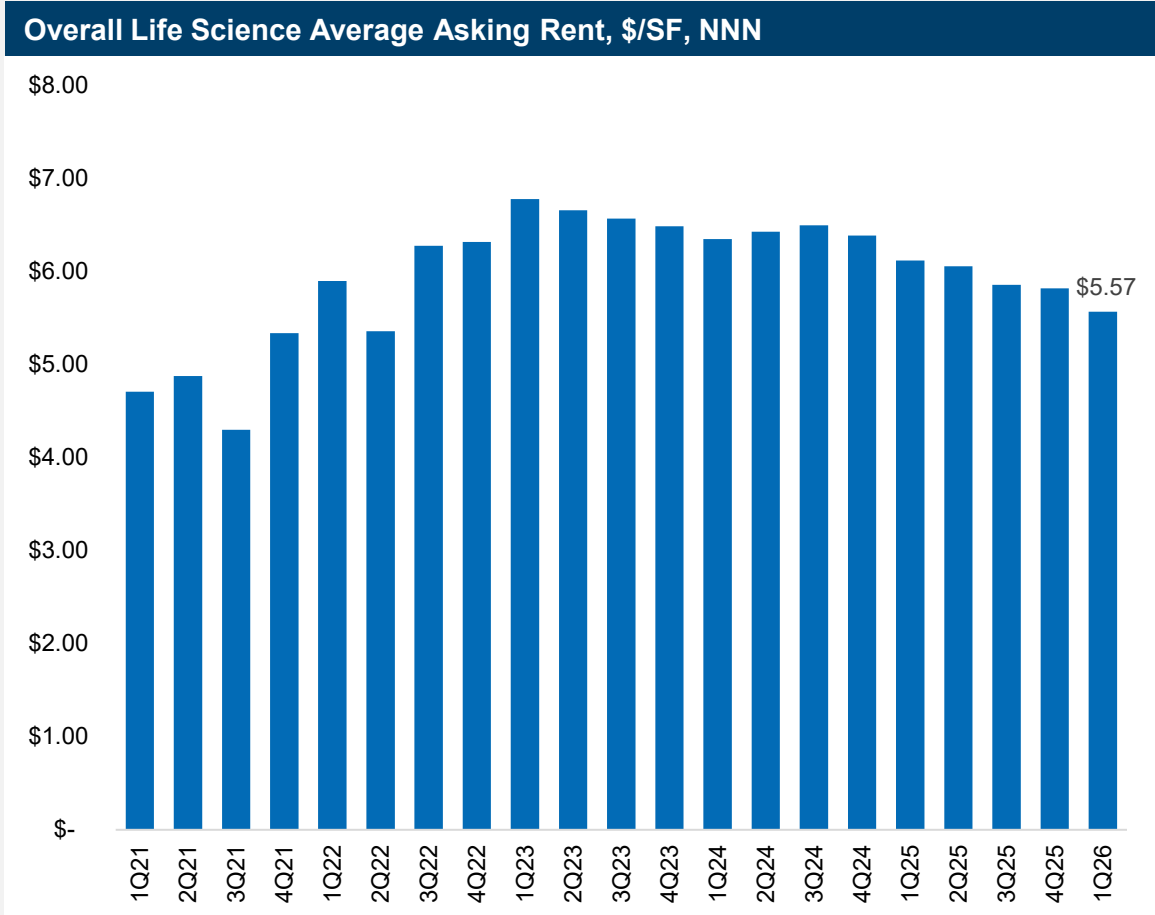
# Construction Pipeline Remained Depleted in Q1

Life science development in the Bay Area continued to be at a complete standstill in Q1, with no projects under construction or expected to break ground in the near term. A surplus of existing and recently delivered inventory, coupled with elevated land and construction costs, continues to keep new development on hold.



# Bay Area Average Asking Rent Decreased for Sixth Consecutive Quarter

The overall average asking rate for life science space in the Bay Area decreased from \$5.82/SF last quarter to \$5.57/SF in the first quarter of 2026. While historically high vacancy continued to pressure market conditions, it is also cultivating the long-term life science infrastructure needed to support future real estate demand.



# Notable 1Q26 Lease Transactions

Fifteen leases of 20,000 SF or greater were signed in Q1, on par with the prior quarter but down from 18 a year ago.

Notable Lease Transactions				
Tenant	Project/Building(s)	Submarket	Type	Square Feet
Gladstone Institutes	ARE Center for Science & Technology 1450 Owens St.	San Francisco – Mission Bay	Direct Lease	108,082
<i>Biomedical research nonprofit Gladstone signed a 108,082-SF for floors five through seven at 1450 Owens Street in San Francisco, marking the largest deal of the quarter.</i>				
Mammoth Bio	1000 Marina Blvd.	Brisbane	Blend/Extend	69,900
<i>In the second-largest deal of the quarter, biotechnology company Mammoth Bio completed a blend-and-extend at 1000 Marina Blvd., leasing floors two, three, five, and six for 69,900 square feet.</i>				
Natera	Brittan West 1091 Industrial Rd.	San Carlos	Direct Lease	62,969
<i>Clinical genetic testing company Natera leased the second floor of the Brittan West project in San Carlos, totaling 62,969 square feet in the third-largest deal of the quarter.</i>				
Kyverna Therapeutics	EmeryStation North 5980 Horton St.	Emeryville	Lease Extension	44,789
<i>In the fourth-largest deal of the quarter, clinical-stage biopharmaceutical company Kyverna renewed their 44,789-SF lease at 5980 Horton Street in Emeryville.</i>				
Loxo Oncology	ACLS South San Francisco 201 Haskins Way	South San Francisco	Direct Lease / Extension	40,683
<i>In the fifth-largest deal of the quarter, Loxo leased 25,471 SF on the third floor at 201 Haskins Way and extended its 15,212-SF lease on the second floor for a total of 40,683 SF transacted.</i>				

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## Submarkets

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# Access the Extended 1Q26 Bay Area Life Science Report

The extended version of this report includes:

- **Data on leasing trends**
  - Deal count and average lease size
  - Leasing by submarket
- **Availability by submarket**
- **Overall market statistics**

To access, please reach out  
to your Newmark contact.

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