



NEWMARK

*San Diego:*  
Life Science Market Overview

1Q26



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# San Diego Life Science Market Observations



## Economy

- Local unemployment was 4.4% in December 2025, up 20 basis points year-over-year. The release of more recent labor market data was delayed due to a partial federal government shutdown in January.
- Life science jobs have outperformed job growth in office-using industries over the past 20 years but have declined 14.0% from the all-time high set in 2023.
- Venture capital funding totaled \$1.0 billion and post-IPO proceeds totaled \$727.5 million for the first quarter of 2026, the most quarterly investment since 2024.
- The Federal Reserve was expected to enact another 25-basis-point cut in 2026, but the war with Iran has created uncertainty over oil prices and inflation, leaving any potential cuts in doubt.



## Leasing Market Fundamentals

- Asking rents in the core submarkets fell to \$5.30/SF, down 5.2% over the past year.
- Net absorption turned negative for the quarter, posting 141,443 square feet in losses.
- Total vacancy rose slightly to 26.6%, up from 21.0% a year ago. Vacancy has started to stabilize now that no new speculative developments are left under construction.
- There is one active construction project in the life science core, a 466,592-SF building preleased to Novartis in UTC.
- Sublease availability fell to 1.5 MSF, down from last year's high of 1.9 MSF. Sublease availability represents 6.9% of existing inventory, higher than the five-year average of 5.2%.



## Major Transactions

- Neomorph signed the largest lease of the first quarter, leasing 84,000 SF in a two-building project in Sorrento Mesa.
- Iambic Therapeutics leased 45,000 SF at Alexandria Real Estate's Spectrum V project in Torrey Pines.
- In the largest merger of the first quarter, Eli Lilly agreed to acquire Ventyx Biosciences for \$1.2 billion in cash. Ventyx has several candidates for inflammation inhibitory drugs in clinical trials.
- Candid Therapeutics lead the largest venture capital round of the first quarter, raising \$505.0 million via private financing during a reverse merger with Connecticut-based Rallybio. The newly merged company will operate under the Candid Therapeutics name.



## Outlook

- Projects will continue to trade hands as large institutional players rotate out of underperforming properties and mid-level investors look for value-add opportunities.
- Venture capital investment has started to pick up after slowing in 2025 in the face of uncertainty from the Trump administration's policies. Late-stage clinical companies are receiving the most attention as the drug pipeline matures, although they also face the most tariff and regulatory risk.
- Rents will continue to gradually decline as landlords cut asking rates in response to persistent vacancy. The rate of rent decreases has started to slow as new vacant inventory has stopped delivering.
- Active tenant demand has picked up since last year's slump, which should lead to increased leasing activity in 2026 as long as research funding and economic fundamentals remain steady.

# 01

## Economy

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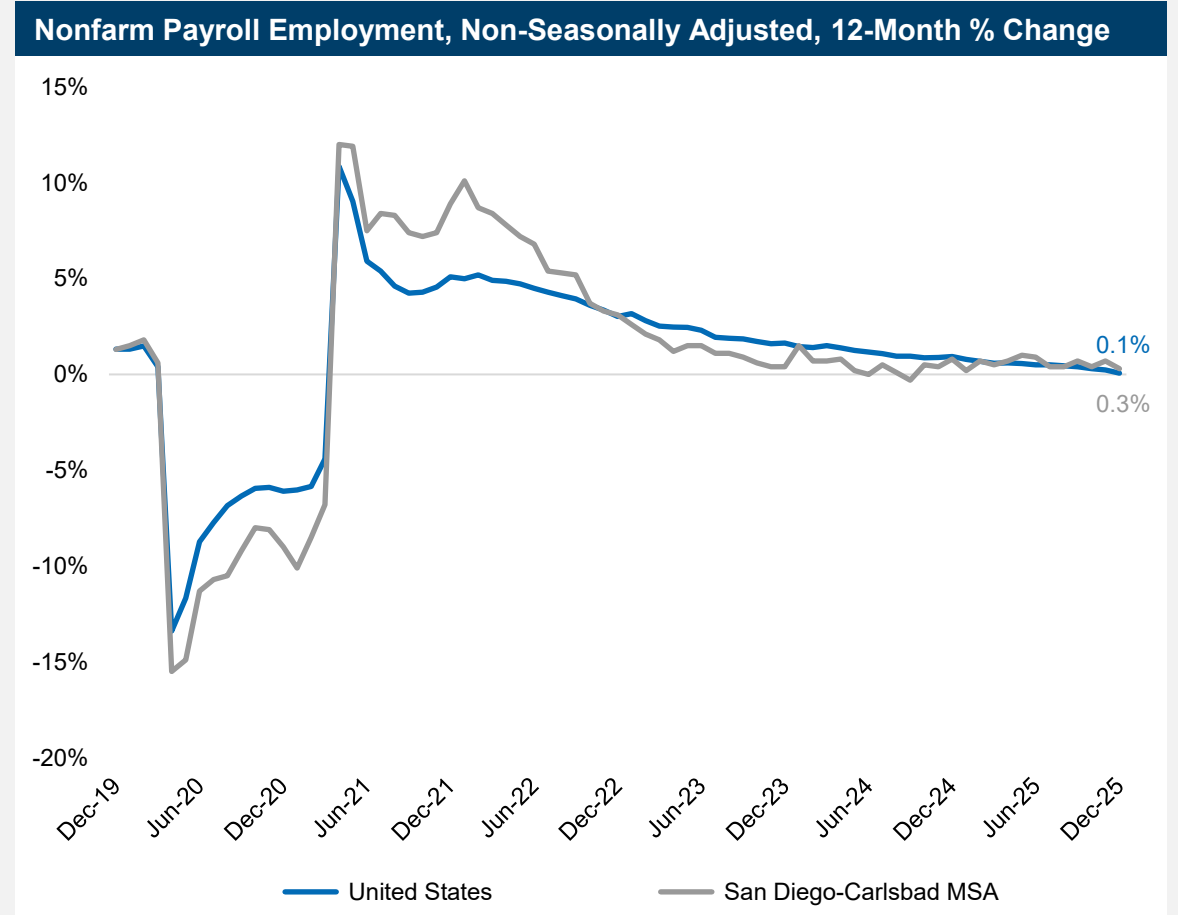
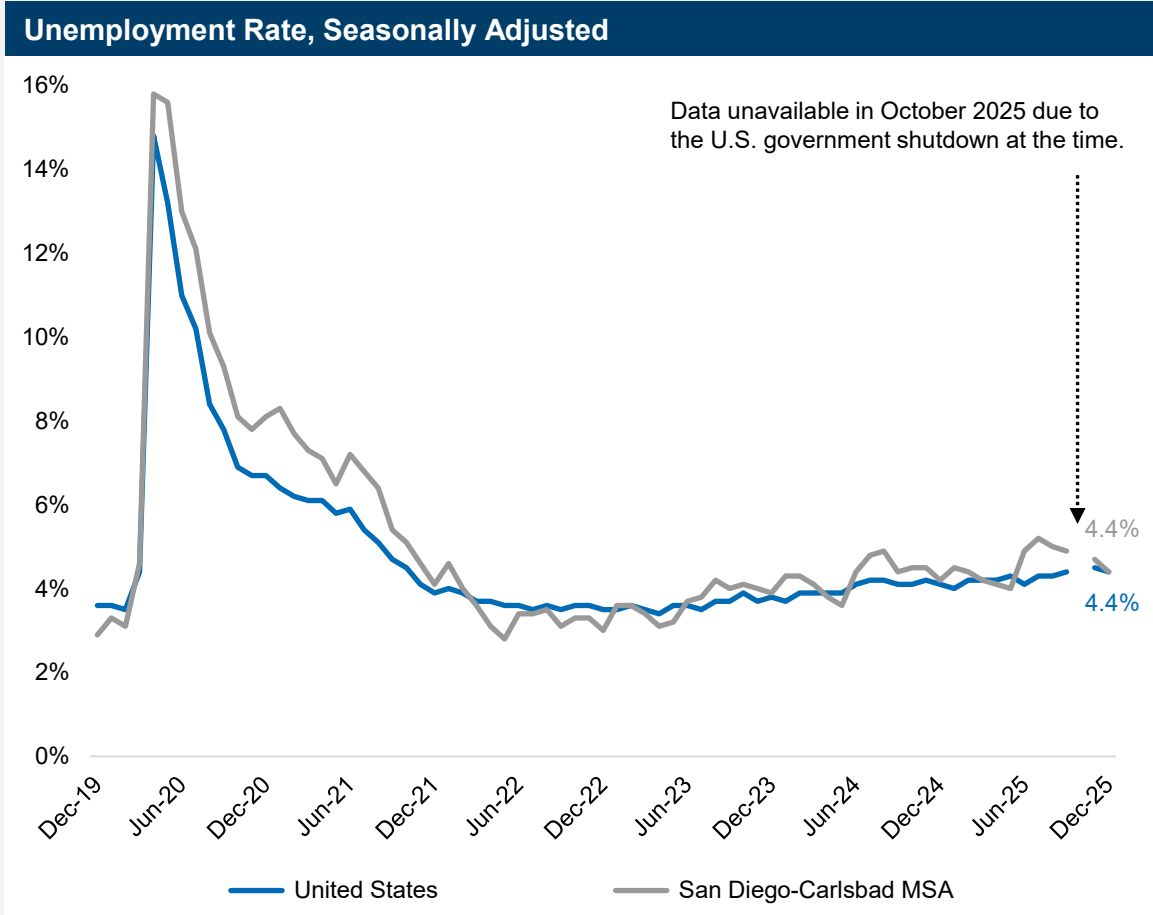
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# Unemployment Trends Higher as Job Growth Has Slowed

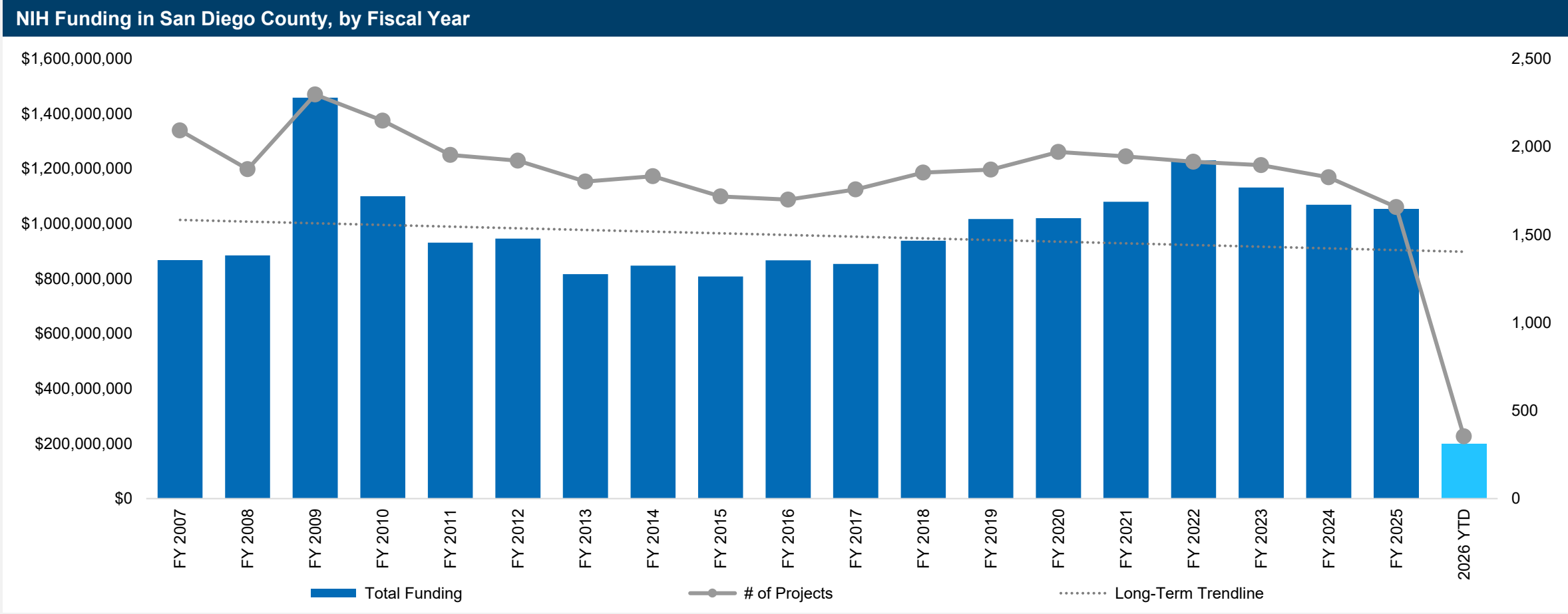
Federal government shutdowns in recent months are affecting the release of timely labor market data. The local unemployment rate was 4.4% in December 2025, up 20 basis points over the past year. The local and national unemployment rates have risen gradually since 2021. During the past year total nonfarm employment posted minimal gains: employers reported an additional 2,400 jobs, representing annual growth of 0.3%.



Source: U.S. Bureau of Labor Statistics, San Diego-Carlsbad MSA  
 Note: Local employment statistics for October 2025 were unavailable due to the federal government shutdown. Early 2026 employment data was unavailable at the time of writing.

# NIH Funding

Since 2007 San Diego County has averaged \$995.8 million in annual NIH funding, and every fiscal year since 2019 has exceeded this average, although total funding has declined slightly each year since 2022. Fiscal year 2025 saw a 1.5% decrease from fiscal year 2024’s funding. Year to date, 2026 has seen 354 projects receive \$200.3 million in funding.



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

# 02

## Market Fundamentals

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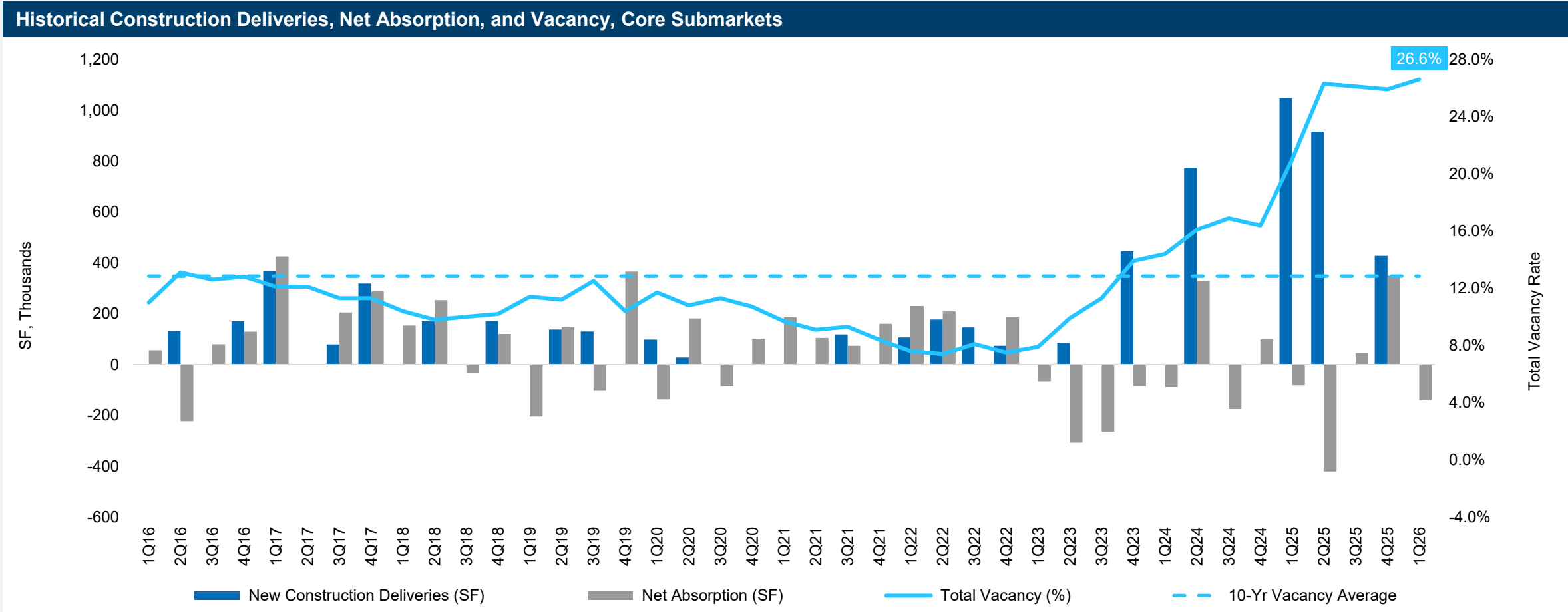
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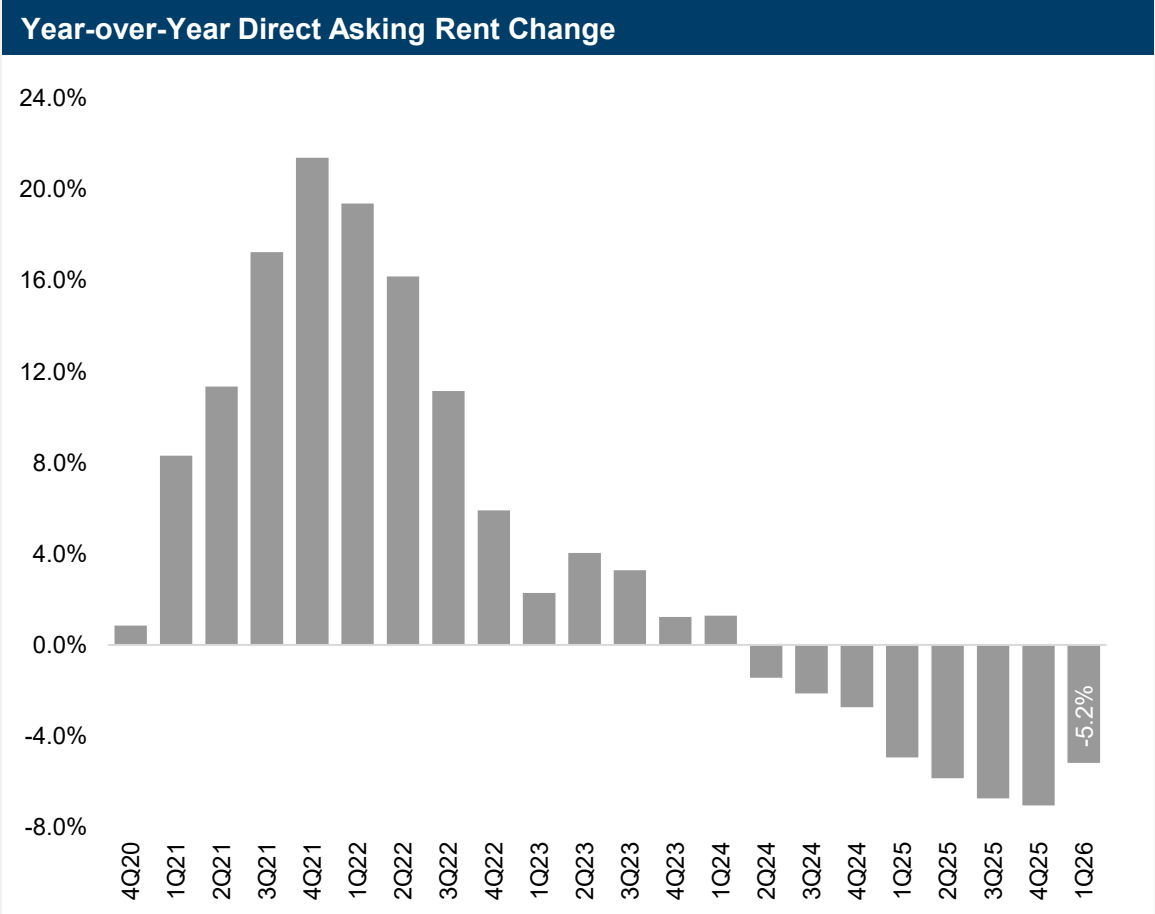
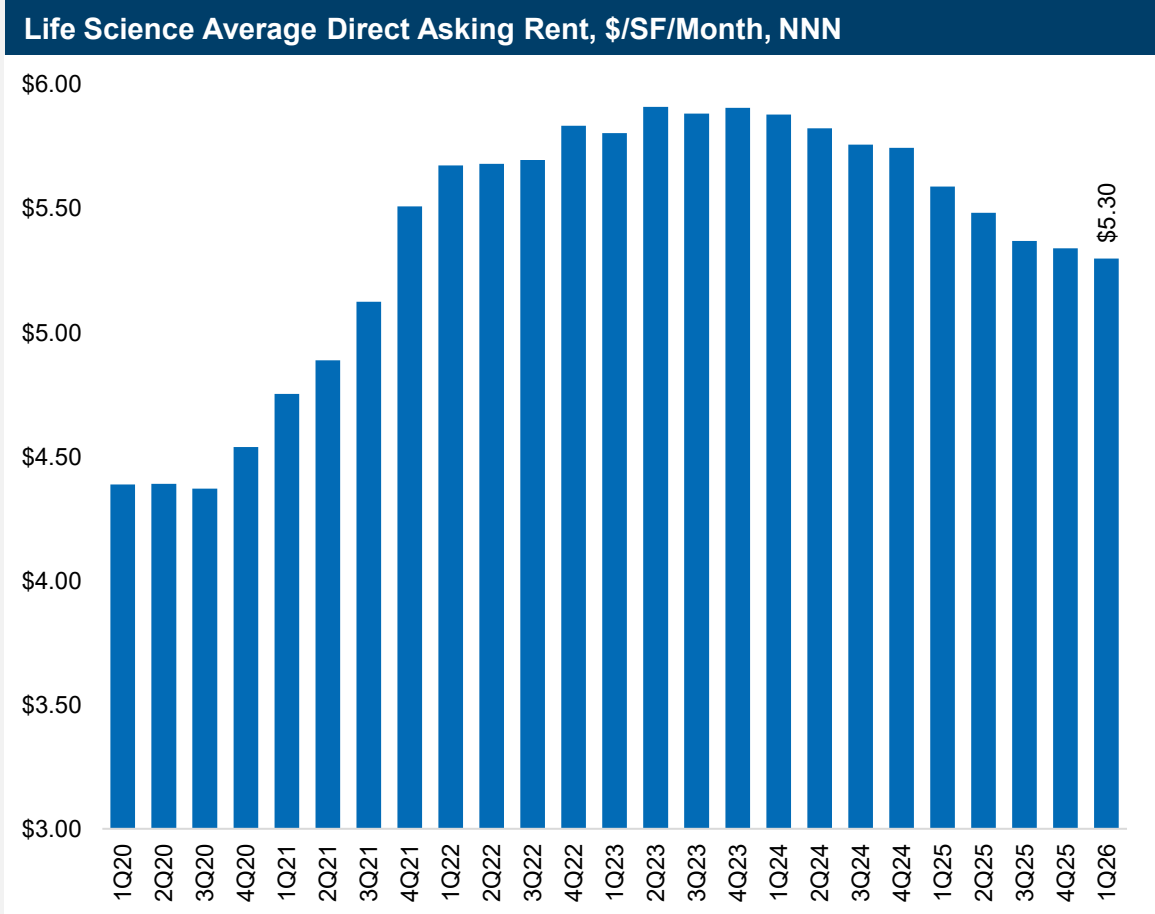
# New Deliveries Cause Vacancy to Rise

The total vacancy rate rose slightly to 26.6% in the first quarter, the highest level in 20 years, up from 21.0% in the first quarter of 2025 and 14.4% in the first quarter of 2024. This increase was fueled an influx of new speculative projects, which totaled 2.4 MSF in 2025 and increased existing inventory by 10.8%, the largest amount of new life science deliveries in San Diego's history.



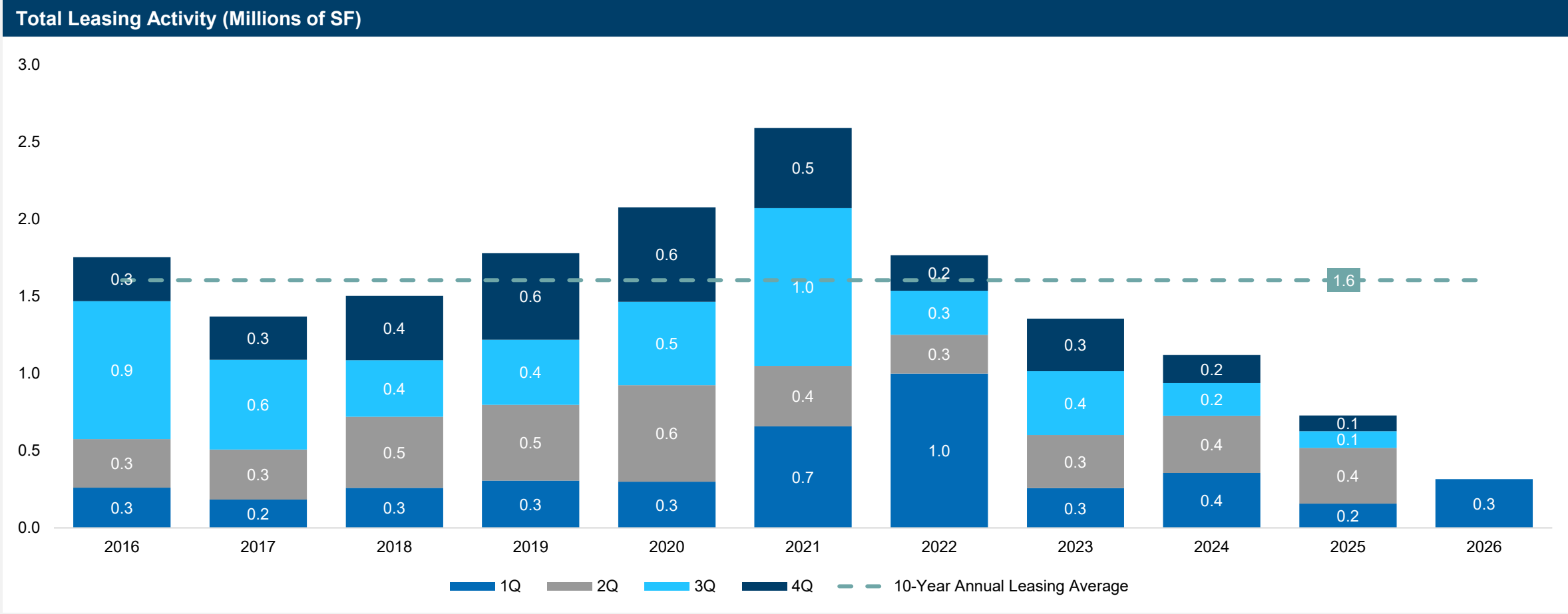
# Asking Rents Have Fallen for Two Years But Reductions Start to Slow

Rents increased rapidly from 2020 to 2022, but rising vacancy caused by sizeable new deliveries have put strong downward pressure on rents. Asking rates have now declined year-over-year for eight consecutive quarters, reaching \$5.30/SF NNN in the first quarter of 2026, a 5.2% annual decline. Effective rates have trended even lower after increasingly generous concessions are factored in. Rent growth is unlikely to resume until leasing activity starts to catch up with the historic amount of newly delivered speculative space.



# Leasing Activity Falls to 10-Year Low

Leasing activity has steadily declined each year since the record-setting year of 2021. The market recorded only 729,000 SF of leasing in 2025, the lowest annual total on record; activity was particularly slow in the second half of 2025. Demand rebounded slightly in the first quarter of 2026, with 316,000 SF of leases signed. The flight to quality projects and new construction in recent leasing deals has been pronounced as older construction and converted projects struggle to compete with a large supply of modern, purpose-built projects.

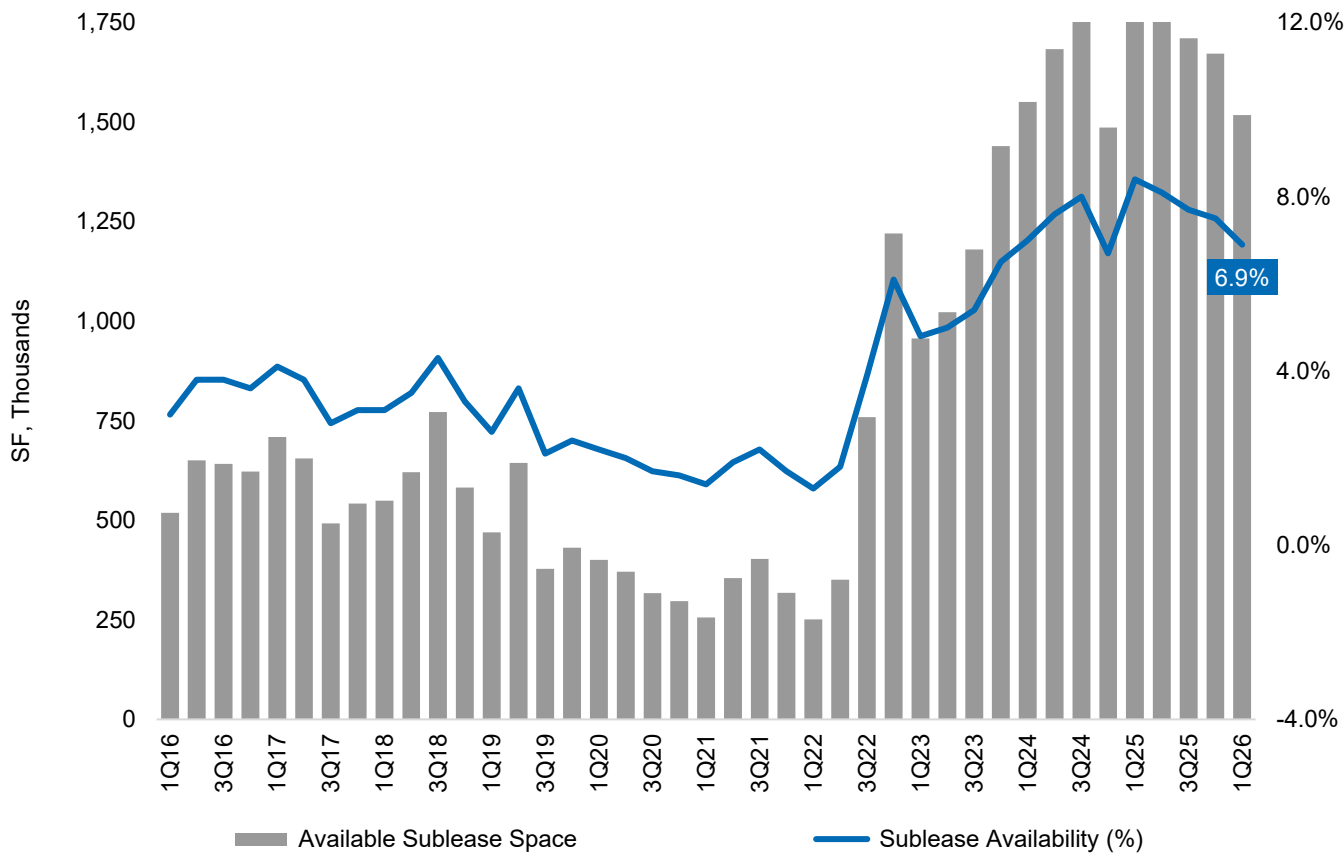


Source: Newmark Research, CoStar

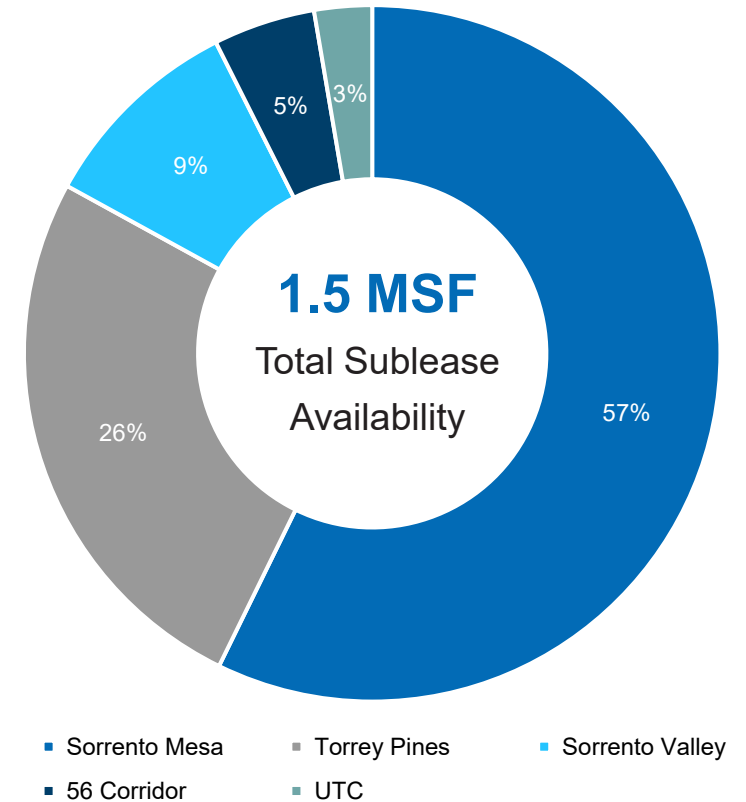
# Sublease Space Remains Near All-Time High

Sublease availability has soared since 2022 as companies shed excess space from overly aggressive preleasing of development projects, closures caused by bankruptcies, and company mergers leading to consolidation. Sublease availability dipped slightly to 1.5 MSF in the first quarter, 6.9% of existing inventory, slightly lower than the all-time high set in the first quarter. Sorrento Mesa is home to more than 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



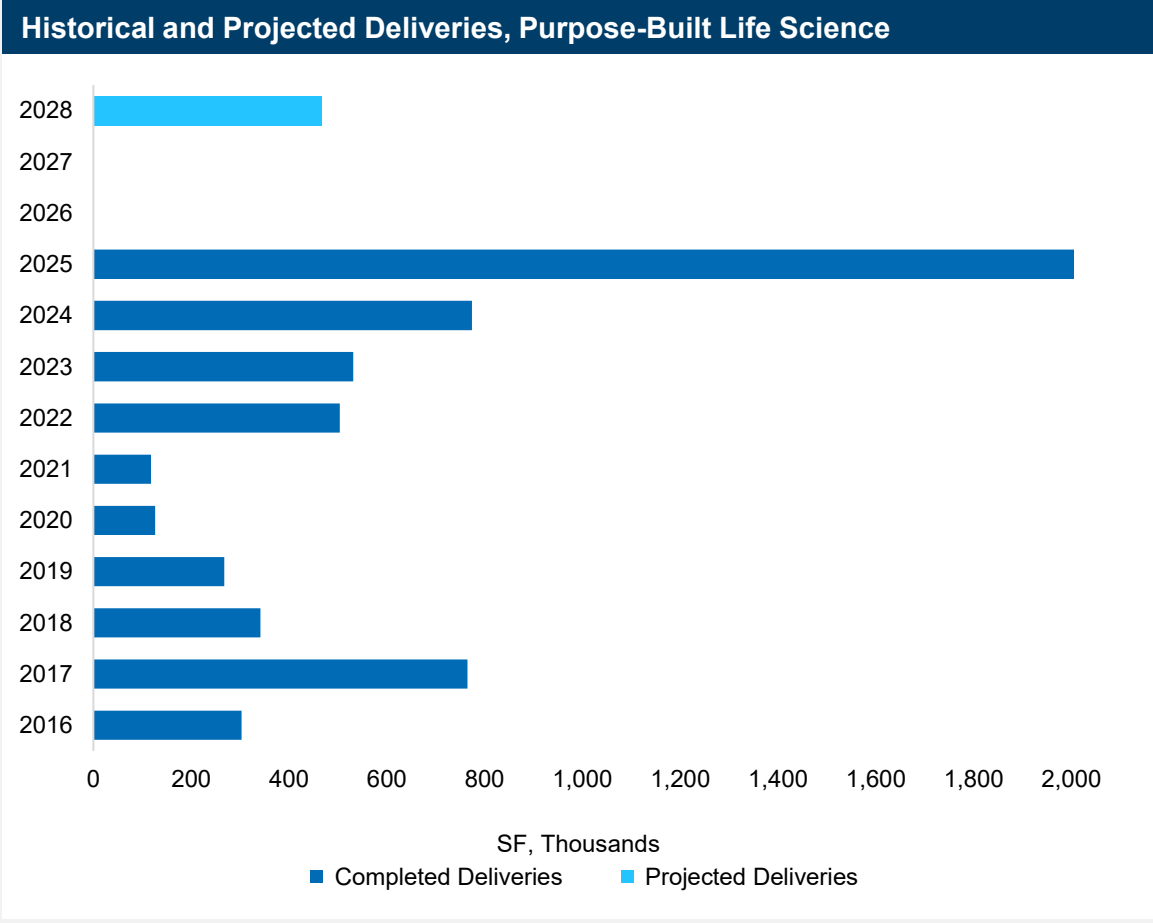
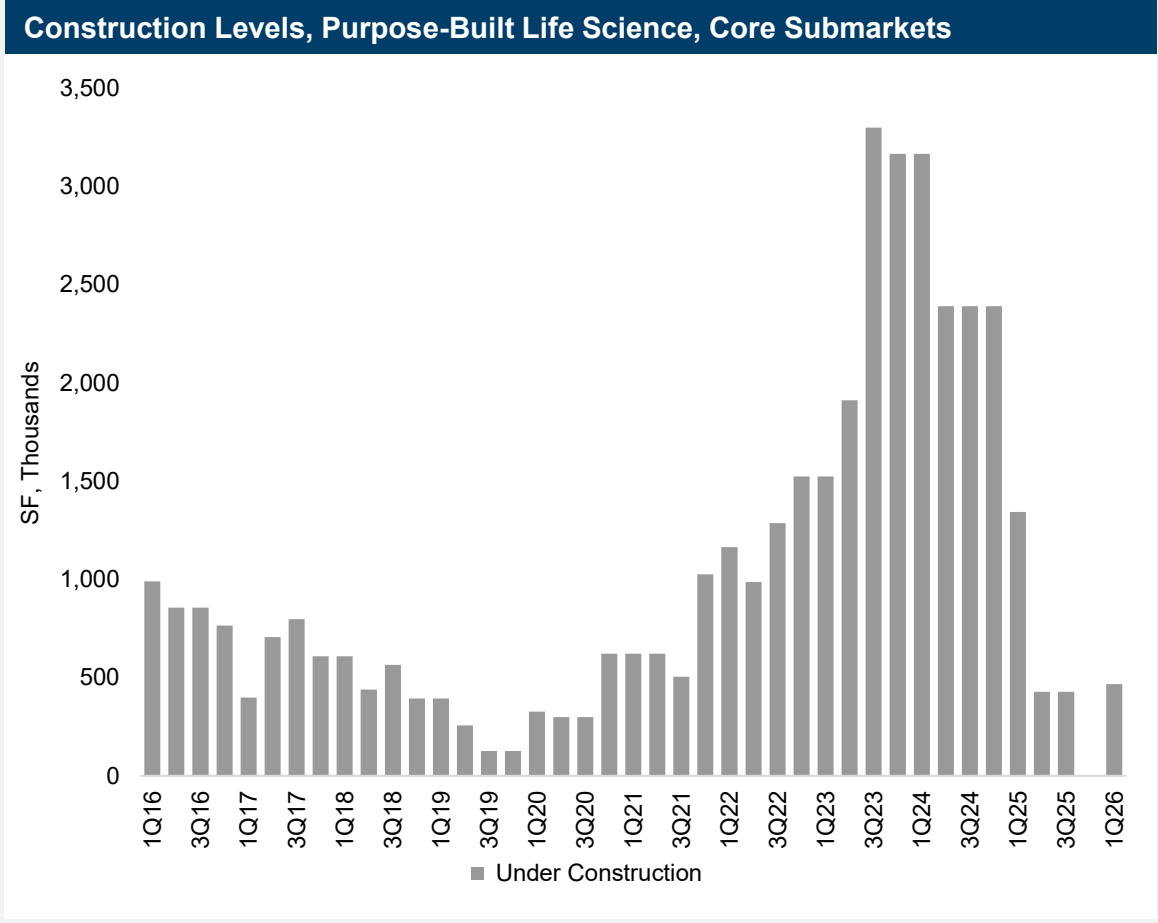
# A Few Large Leases Signed But Many Large Spaces Remain Available

Neomorph signed the largest lease of the quarter, leasing 84,000 SF in a two-building project in Sorrento Mesa. Despite widespread availability of large floor plates in new speculative developments, there have been relatively few large leases signed. There are currently 33 spaces of 40K SF or more available in the core submarkets, while only five deals larger than 40K SF have been executed over the past year.

Notable 1Q26 Lease Transactions				
Tenant	Building(s)	Submarket	Lease Type	Square Feet
Neomorph	5810-5820 Nancy Ridge Dr	Sorrento Mesa	New Lease	84,354
<i>Clinical-stage company developing protein degradation drugs leased a two-building project from Alexandria Real Estate in Sorrento Mesa.</i>				
Iambic Therapeutics	3545 Cray Ct	Torrey Pines	New Lease	45,437
<i>Clinical-stage oncology company that uses AI to develop small-molecule drugs leased space at Alexandria Real Estate's Spectrum V.</i>				
Sapient Bioanalytics	10421 Wateridge Cir	Sorrento Mesa	Lease Extension	13,703
<i>Mass spectrometry and computational analytics company extended its lease at BioMed Realty's Wateridge project.</i>				
Satomic	3390 Carmel Mountain Rd	56 Corridor	Expansion	12,149
<i>Early-stage company that uses AI to analyze chemistry for drug discovery expanded its footprint at Longfellow's Reserve Labs.</i>				
PassPort Technologies	11025 N Torrey Pines Rd	Torrey Pines	New Lease	6,744
<i>Company developing transdermal drug delivery systems leased space at Healthpeak's Torrey Pines Science Park project.</i>				

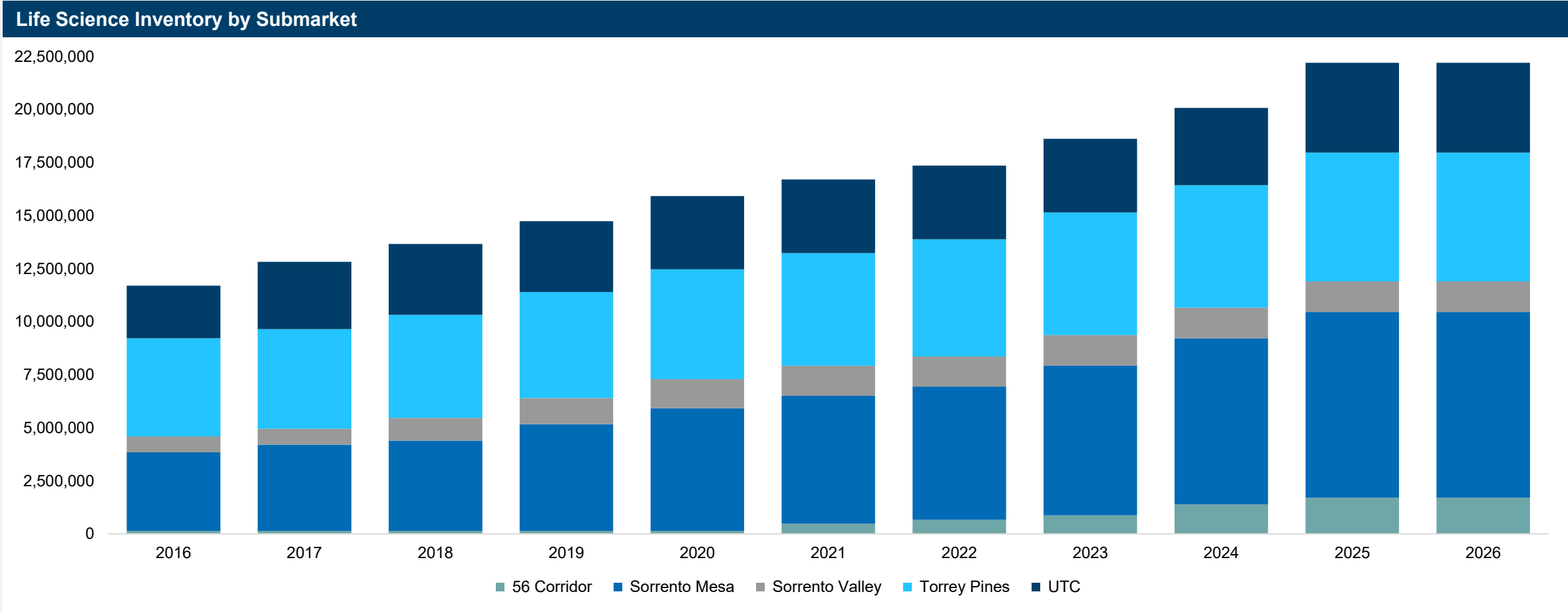
# Purpose-Built Construction

Starting in 2021, life science development increased significantly, reaching a peak of 3.3 MSF in the third quarter of 2023. Construction activity has fallen significantly after 2.4 MSF of new product delivered throughout the course of 2025, an all-time high. In the current market environment, developers are unlikely to break ground on new construction unless they have a lease commitment in place.



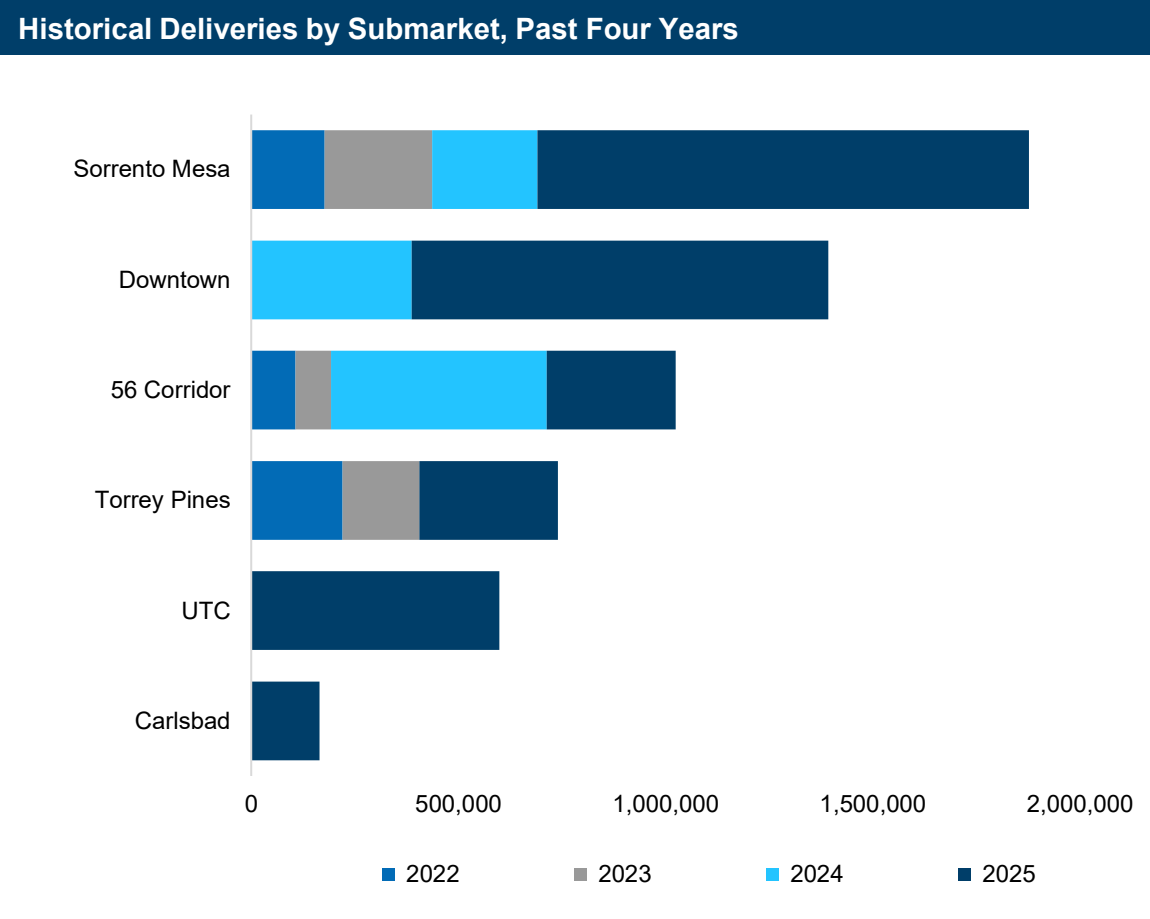
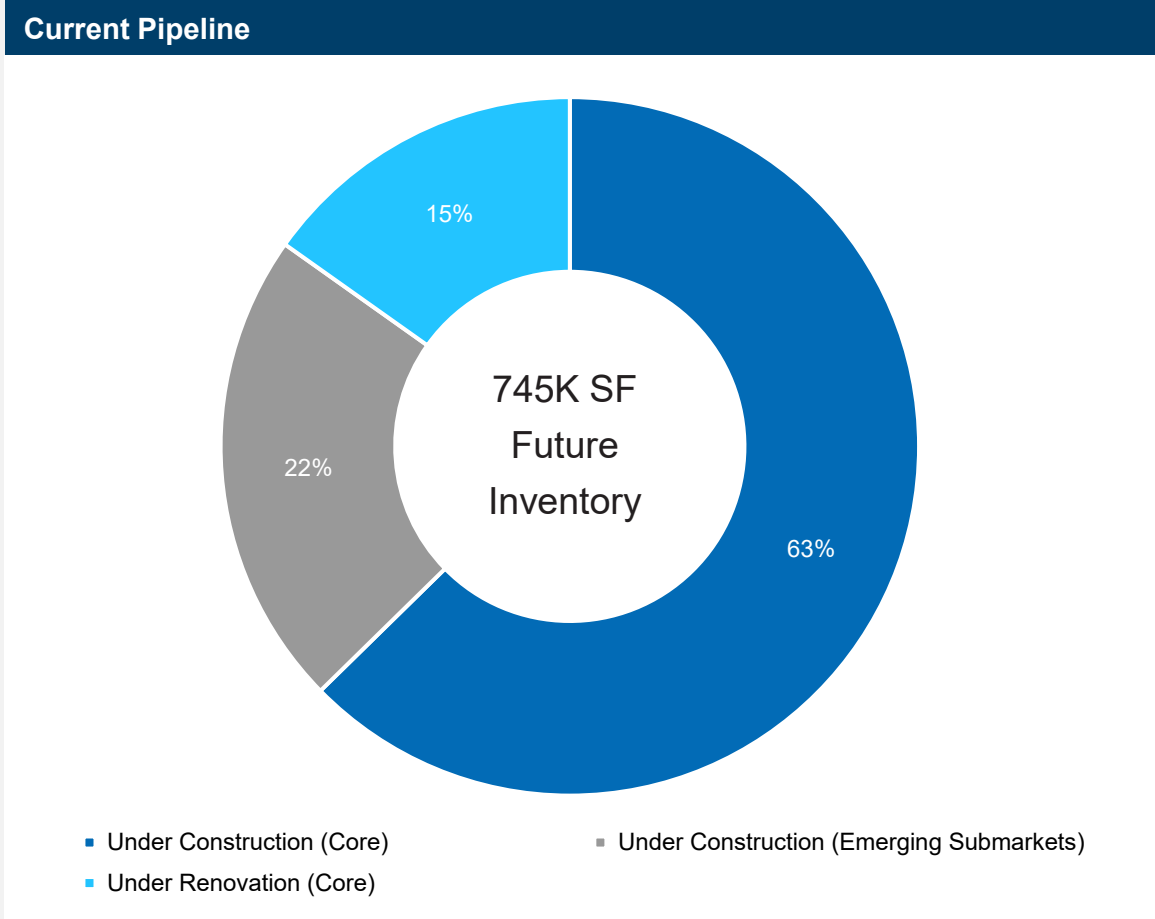
# Historical Inventory Growth

Sorrento Mesa and Torrey Pines are the largest submarkets by inventory, as the total life science inventory of the core submarkets has grown from 11.7 MSF in 2016 to 22.2 MSF in 2026. Sorrento Mesa grew substantially in 2025 with the delivery of several large projects. The 56 Corridor has emerged over the past five years as a new viable submarket as firms have expanded north into converted office projects in Del Mar Heights and large ground-up developments off El Camino Real and the 56 Freeway.



# Current Pipeline Slows as Speculative Developments Cease

The development pipeline has almost completely cleared out after delivering 3.2 MSF in the core and 1.4 MSF in Downtown since 2024. These deliveries have caused vacancy to climb from 14.4% in the first quarter of 2024 to 26.6% in the first quarter of 2026, leading developers to pause further speculative development. The only active construction project in the core is a 467K SF build-to-suit project for Novartis in UTC, scheduled for delivery by 2028.



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