

2Q25

San Francisco Bay Area Life Science Market Overview



NEWMARK

Market Observations

Economy

- While the Bay Area life science industry remains robust, recent data shows a moderated slowdown in employment growth compared to previous years.
- The U.S. Consumer Price Index (CPI) inflation rate in June registered at 2.4%—the lowest level since 2020.
- The national unemployment rate held steady at 4.2% at the close of Q2, defying forecasts of a rise to 4.3% and signaling that the U.S. economy remains resilient amid shifting trade policy and geopolitical uncertainty.
- Looking ahead, the market anticipates two to three Federal Reserve rate cuts by the end of 2025. However, the Federal Reserve is expected to remain deliberate in its decision-making, as the direction of tariff-induced inflation continues to evolve.

Major Transactions

- Precision oncology company Guardant Health completed the largest deal of the quarter, extending their 162,755 SF lease at the Seaport Centre–MetLife Campus in Redwood City.
- The Regents of the University of California (UCSF) completed the second-largest deal of the quarter, extending their lease for fifteen years on the third, fourth, and fifth floors at 499 Illinois Street in San Francisco.
- The largest sale of the quarter was made by Beach Reach Partners, which acquired 155 Jefferson Drive in Menlo Park from Deerfield Realty Corporation for \$11.0 million, or \$338/SF.

Leasing Market Fundamentals

- Market-wide vacancy rose to 29.5% this quarter, up from 28.0% last quarter. The total availability rate increased to 32.1%, up from 30.7% in the previous quarter. Sublease availability rose to 5.7%, up from 5.2% last quarter but down from 6.9% one year ago.
- Deal activity in the Bay Area market remained steady in the second quarter of 2025, continuing the strong momentum carried over from the close of 2024. Total gross absorption reached 913,000 SF during the quarter—a modest dip from 1.0 million SF in the previous quarter.
- Occupiers remained active across the region, executing a healthy mix of renewals and subleases, which together accounted for more than 70% of all deals executed.
- The region’s 1.7 million SF construction pipeline continued contracting during the second quarter of 2025, with 12.7% of ground-up development preleased.

Outlook

- Looking ahead, expect occupiers to continue focusing on ready-to-go spaces, whether newly built or subleased from downsized companies, to minimize capital expenditures.
- Average asking rents are expected to remain flat, with landlord concessions staying elevated as the market continues to absorb the oversupply of lab space and demand imbalance.
- More than 40.0% of 2025’s leasing activity came from renewals, a trend unlikely to shift in the short term, as landlords are expected to continue incentivizing tenants to maintain occupancy in their buildings.

1. Economy
2. Leasing Market Fundamentals
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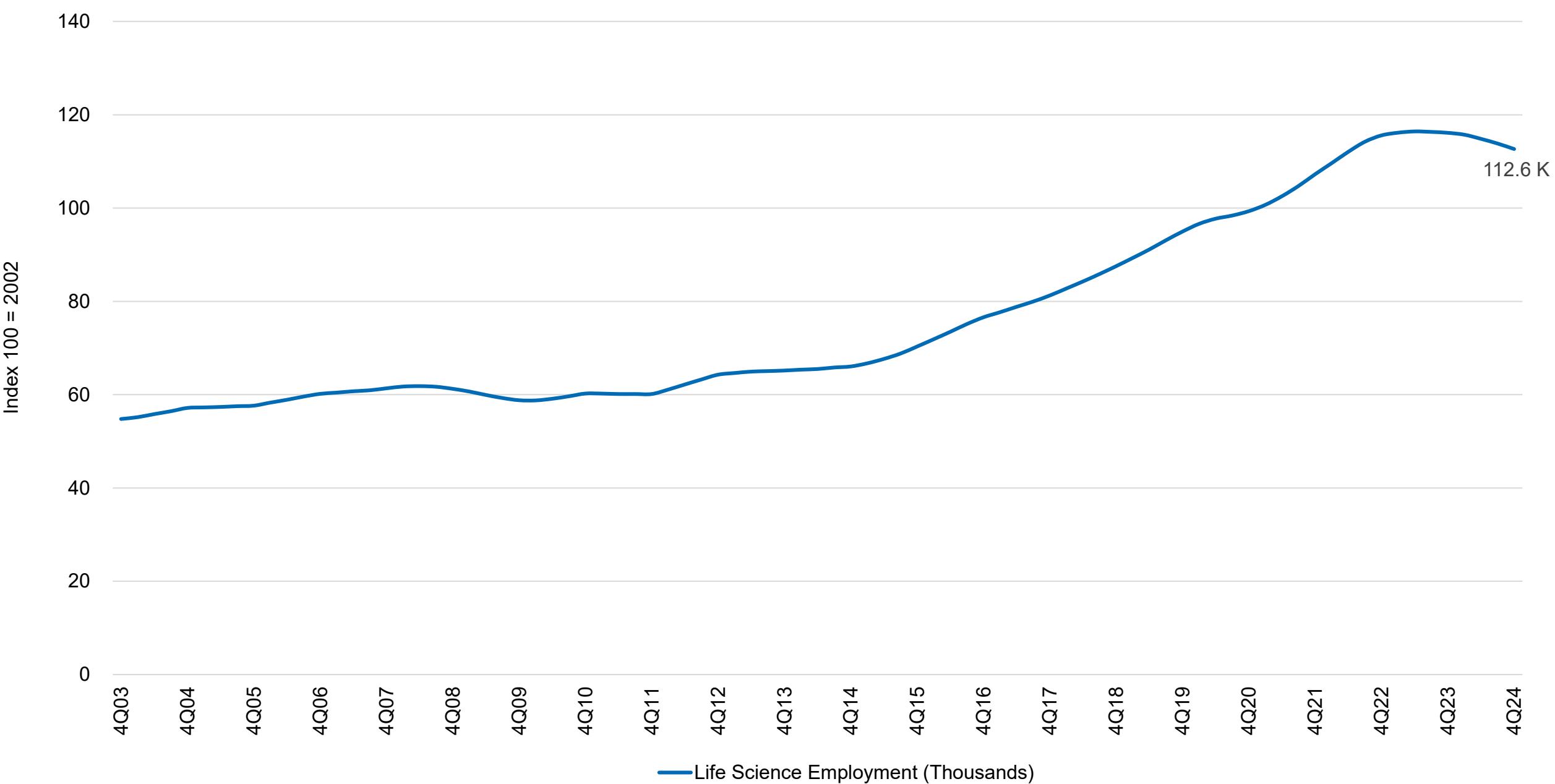
Economy



Life Science Employment Decreased for Sixth Consecutive Quarter

Life science employment in the San Francisco Bay Area declined to 112,655 active employees in the fourth quarter of 2024, down from 113,835 in the first quarter and from 116,133 one year ago.

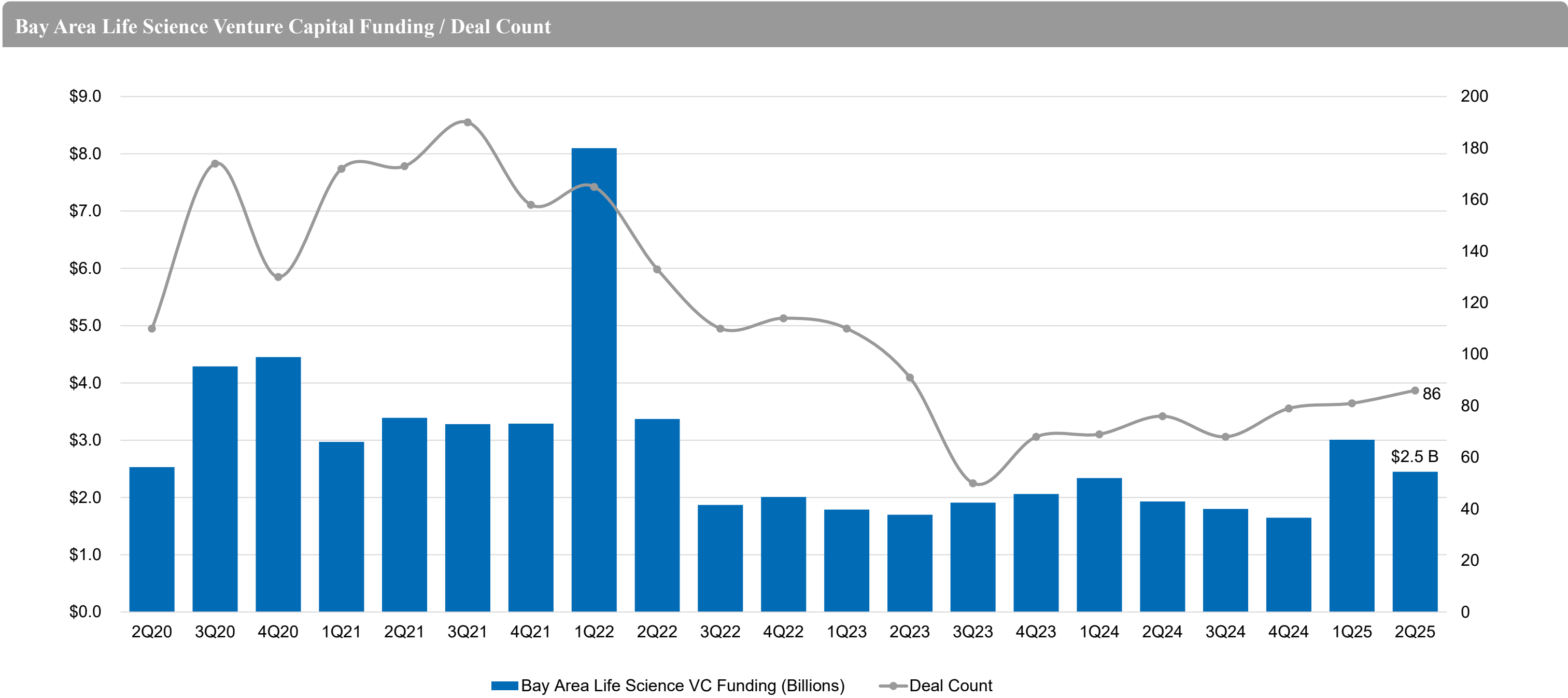
Bay Area Life Science Employment



Source: JobsEQ. Data lags by 6 months.

Life Science Funding Consolidated; Activity Increased

Across the Bay Area, a total of 86 life science venture capital deals were completed, up from 81 in the previous quarter and 76 one year ago. Biotech venture capital funding declined in the second quarter, with \$2.5 billion raised compared to \$3.0 billion in the previous quarter. While overall funding has eased since its 2020–2022 peak, the San Francisco Bay Area continued to capture the largest share of VC investment, reinforcing its position as one of the nation’s three leading biotech hubs.

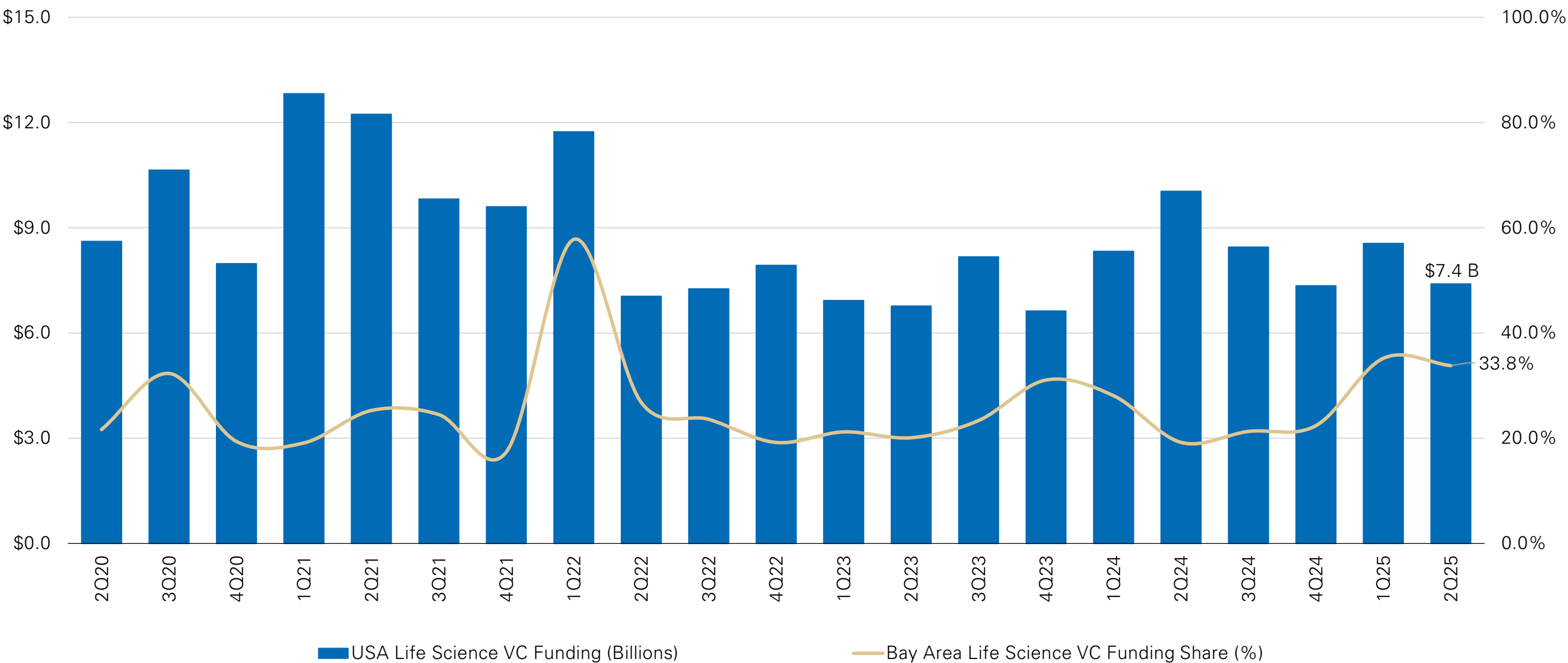


Source: Pitchbook

Life Science VC Funding Steady in Q2

Across the country, the life science sector recorded \$7.4 billion in venture capital investment, down from \$8.5 billion in the previous quarter, yet still slightly above the 5-year historic average of \$7.3 billion. Widely recognized as one of the three leading biotech hubs in the United States, the Bay Area captured 33.8% of total life science funding raised nationwide this quarter.

Nationwide Life Science Venture Capital Funding



Source: Pitchbook

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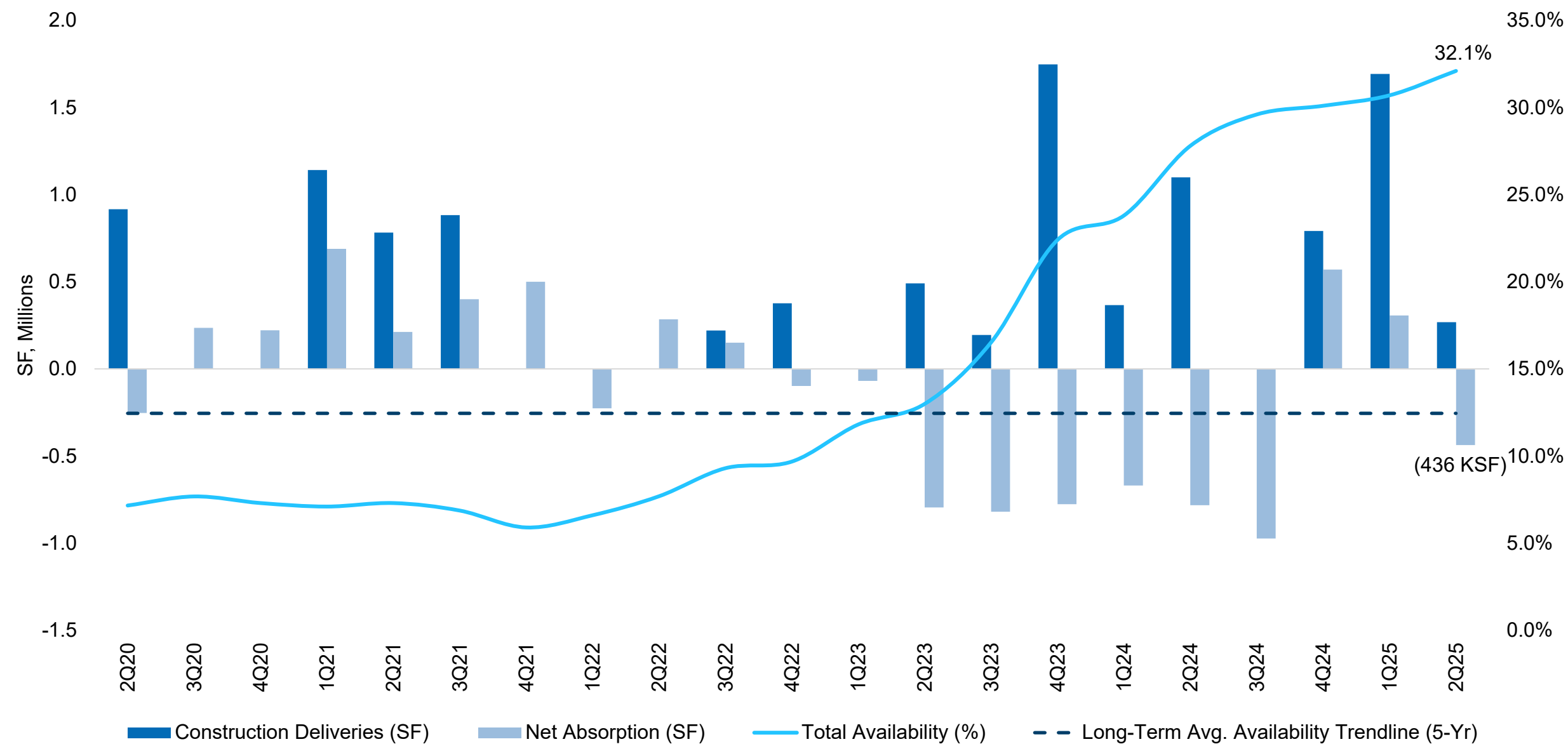
Leasing Market Fundamentals



Bay Area Took a Step Back in Q2

After posting two consecutive quarters of positive net absorption, the Bay Area took a step back in the second quarter of 2025, registering negative 436,000 SF. Total availability reached 32.1%, up from 30.7% in the previous quarter and 27.8% one year ago. Availability is expected to rise in the short term as companies continue to right-size their footprints.

Historical Construction Deliveries, Net Absorption, and Availability



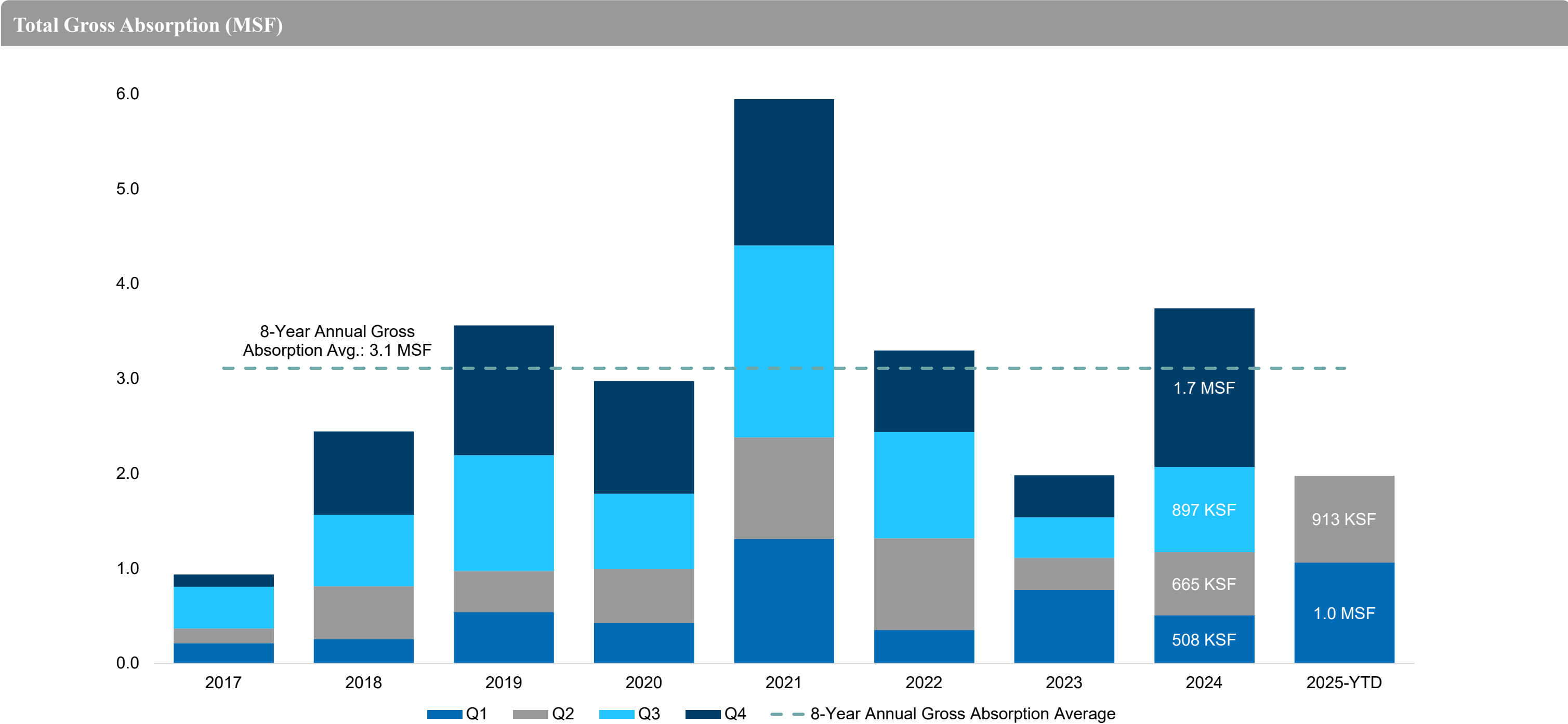
Source: Newmark Research



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Gross Absorption Driven by Renewals, Subleases

Total gross absorption for the quarter was recorded at 913,000 SF, representing a 14% decrease quarter-over-quarter but a 37% increase year-over-year. Transaction activity this quarter continued to be largely driven by renewals and subleases, which together accounted for more than 70% of deals executed.



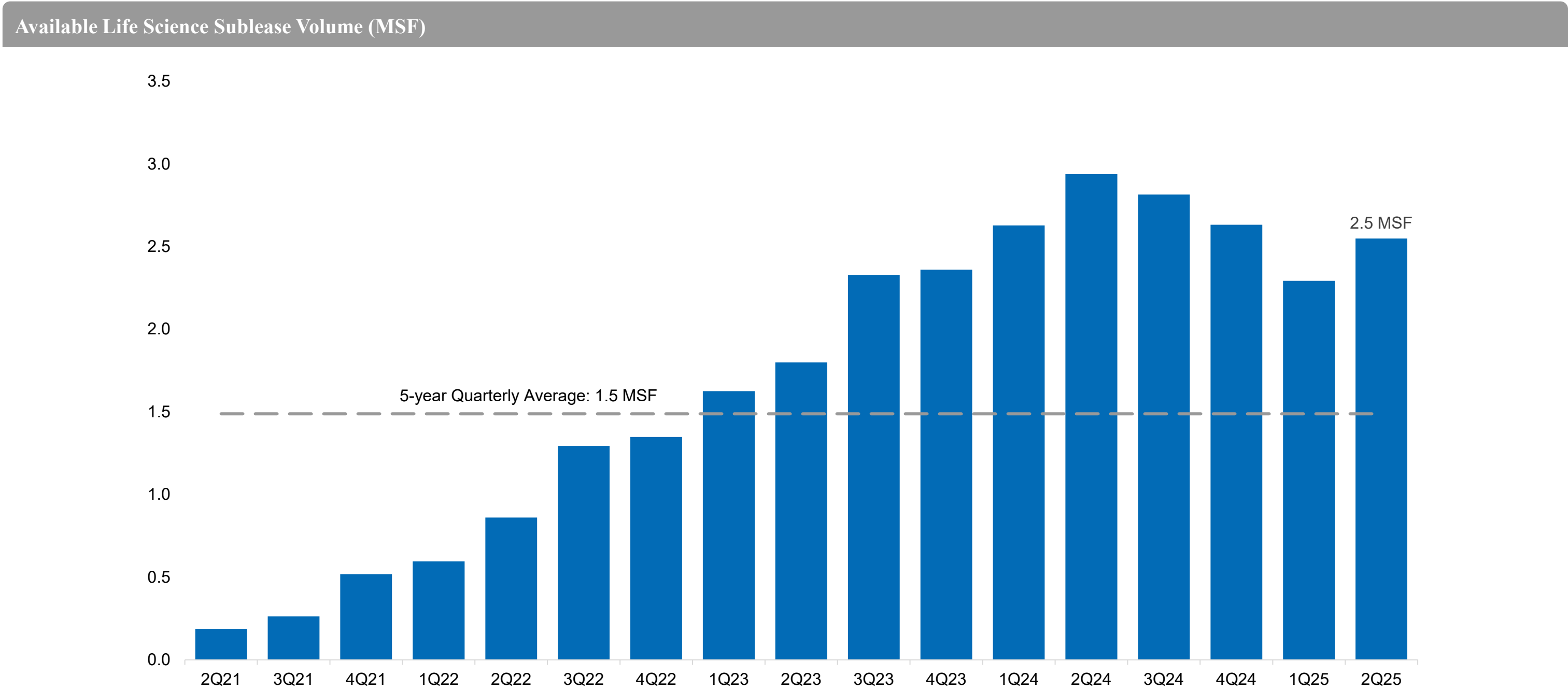
Source: Newmark Research



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Bay Area Sublease Availability Increased in Q2

After three consecutive quarters of declining sublease availability, the Bay Area life science market recorded an uptick in the second quarter of 2025, reaching 2.5 million square feet — up from 2.2 million square feet last quarter but down from 2.9 million square feet one year ago. The increase was largely driven by pharmaceutical company Bristol-Myers Squibb offloading 255,650 SF in Redwood City and 92,000 SF in Brisbane to the sublease market.



Source: Newmark Research

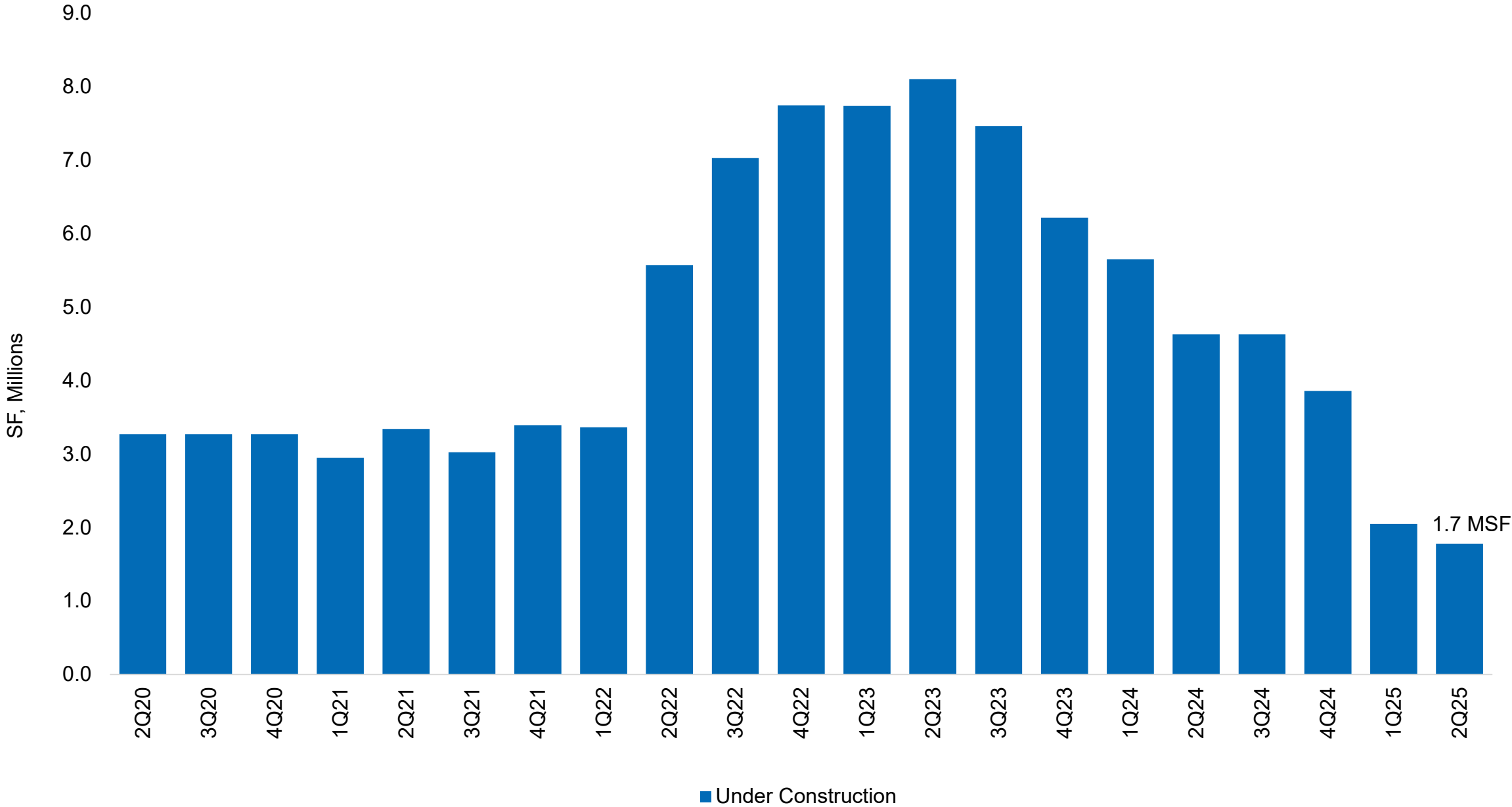


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Construction Pipeline Continued to Level Off

The Bay Area life science construction pipeline continued to decline in the second quarter of 2025, totaling 1.7 million SF, with 12.7% preleased. The most notable delivery this quarter was Tarlton’s Menlo Park Labs development at 1350 Adams Court, totaling 268,000 SF.

Life Science Under Construction (MSF)

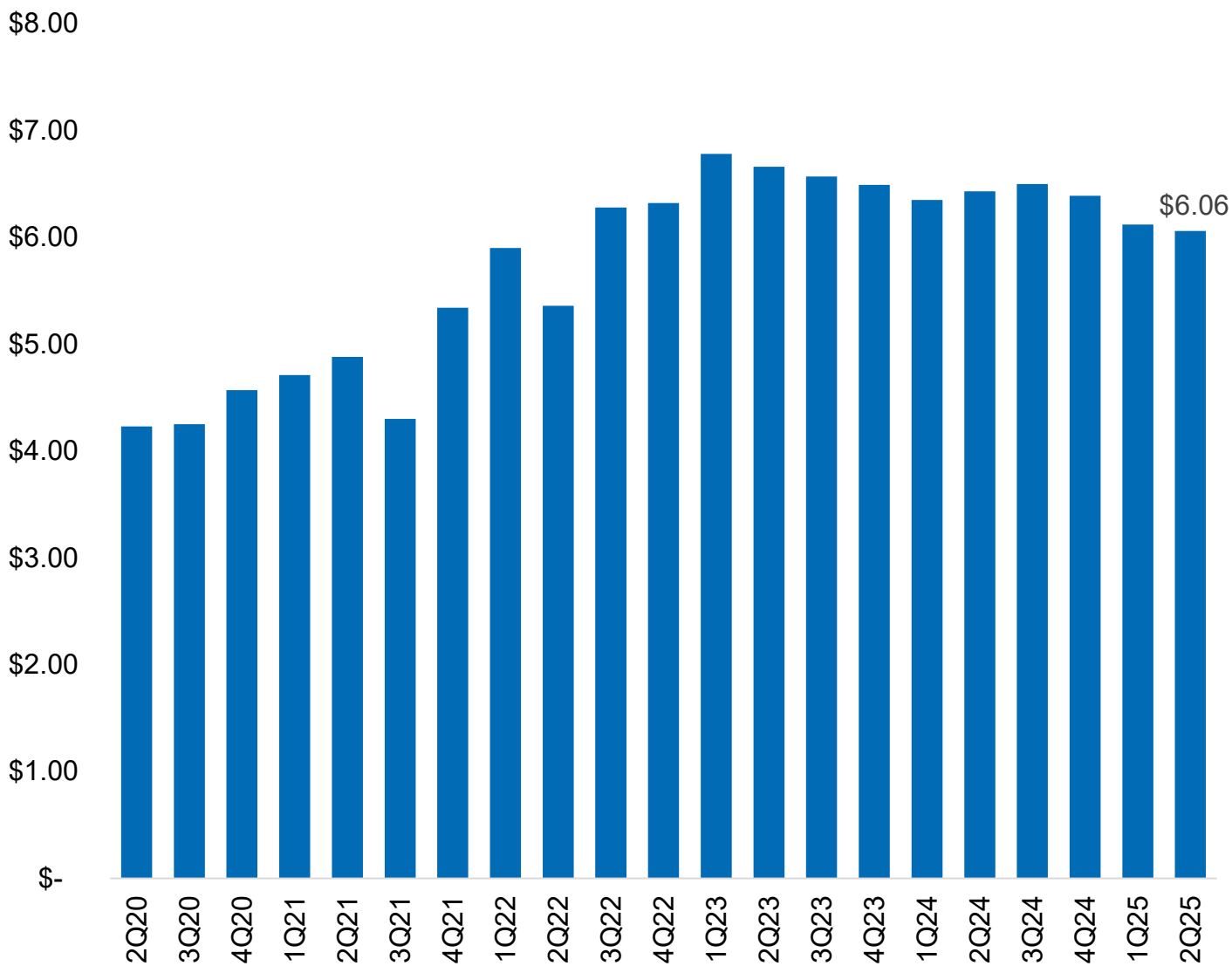


Source: Newmark Research, CoStar

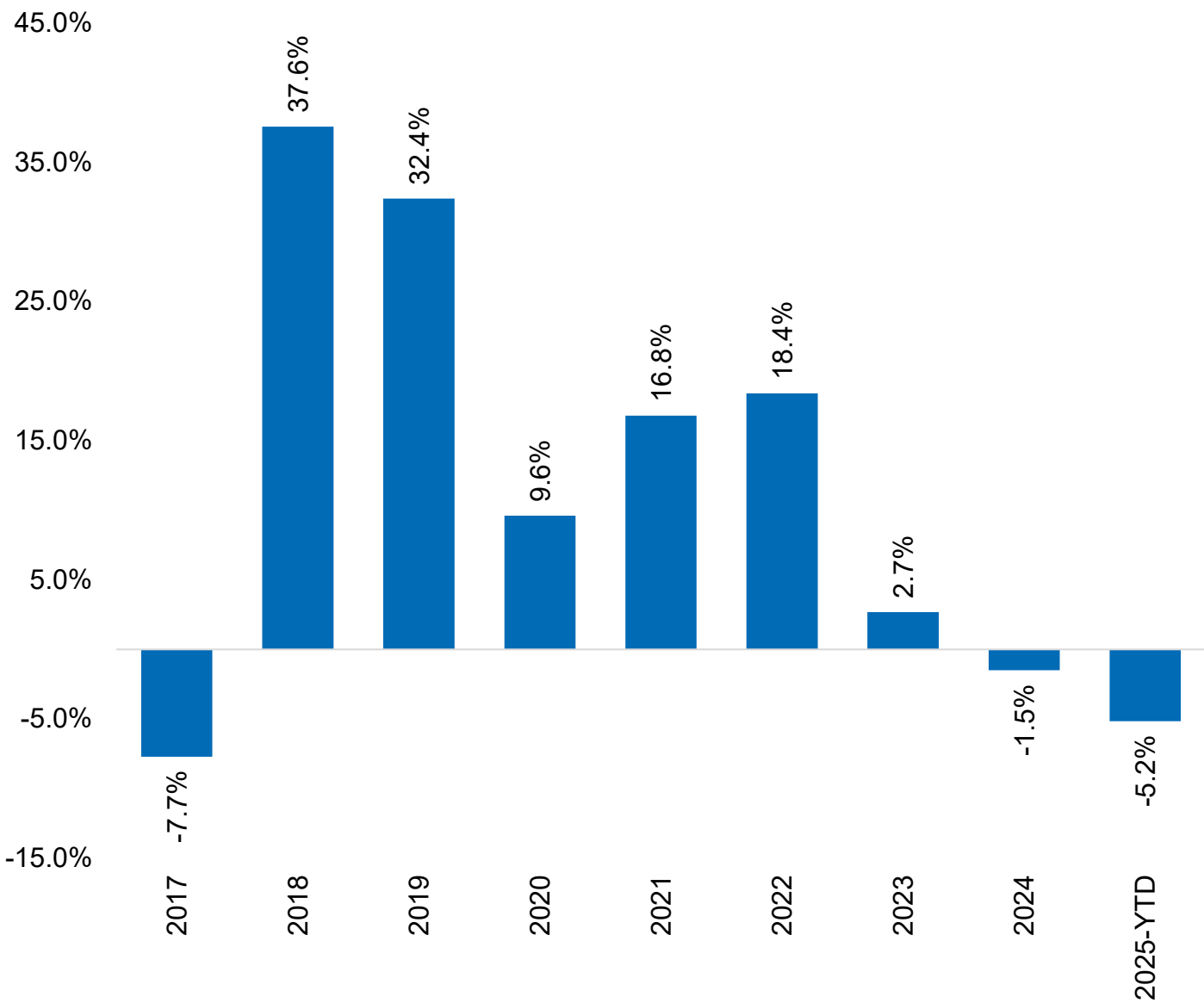
Bay Area Average Asking Rent Decreased for Third Consecutive Quarter

The overall average asking rate for life science space in the Bay Area decreased from \$6.12/SF last quarter to \$6.06/SF in the second quarter of 2025. Continued adjustments by landlords to align with softer demand contributed to the decline in average rents across the region. An uptick in sublease availability, often offered at discounted rates, also added downward pressure on overall submarket rents.

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



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



Source: Newmark Research, CoStar



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Notable 2Q25 Lease Transactions

A total of nine leases of 20,000 SF or greater were executed this quarter, compared with 18 in the previous quarter and 10 one year ago.

Select Lease Transactions

Tenant	Project/Building	Submarket	Type	Square Feet
Guardant Health <i>Precision oncology company Guardant Health completed the largest deal of the quarter, extending their 162,755-square foot lease in the Seaport Centre-MetLife Campus in Redwood City.</i>	Seaport Centre- MetLife	Redwood City	Lease Renewal	162,755
The Regents of the University of California <i>The Regents of the University of California (UCSF) completed the second-largest deal of the quarter, extending their lease for fifteen years on the third, fourth, and fifth floor at 499 Illinois Street in San Francisco.</i>	Alexandria Center for Science and Technology 499 Illinois Street	San Francisco	Lease Renewal	159,648
Dren Bio <i>Biopharmaceutical company Dren Bio completed the third-largest deal of the quarter, leasing 99,557 square feet on the third and fourth floor at 835 Industrial Road in San Carlos.</i>	Alexandria Center for Life Science 835 Industrial Rd.	San Carlos	Direct Lease	99,557
Confluent Medical <i>MedTech innovation company Confluent Medical extended their 65,136-square foot lease at 47513 Westinghouse Drive in Fremont in the fourth-largest deal of the quarter.</i>	Fremont Research Center 47513 Westinghouse Drive	Fremont	Lease Renewal	65,136
Advanced Cell Diagnostics <i>Advanced Cell Diagnostics completed the fifth-largest deal of the quarter, completing a renewal and expansion totaling 55,907 square feet in Building 5 of the Pacific Research Center in Newark.</i>	Pacific Research Center 7707 Gateway Drive- Bldg. 5	Newark	Renewal/Expansion	55,907

Source: Newmark Research

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Appendix / Tables





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