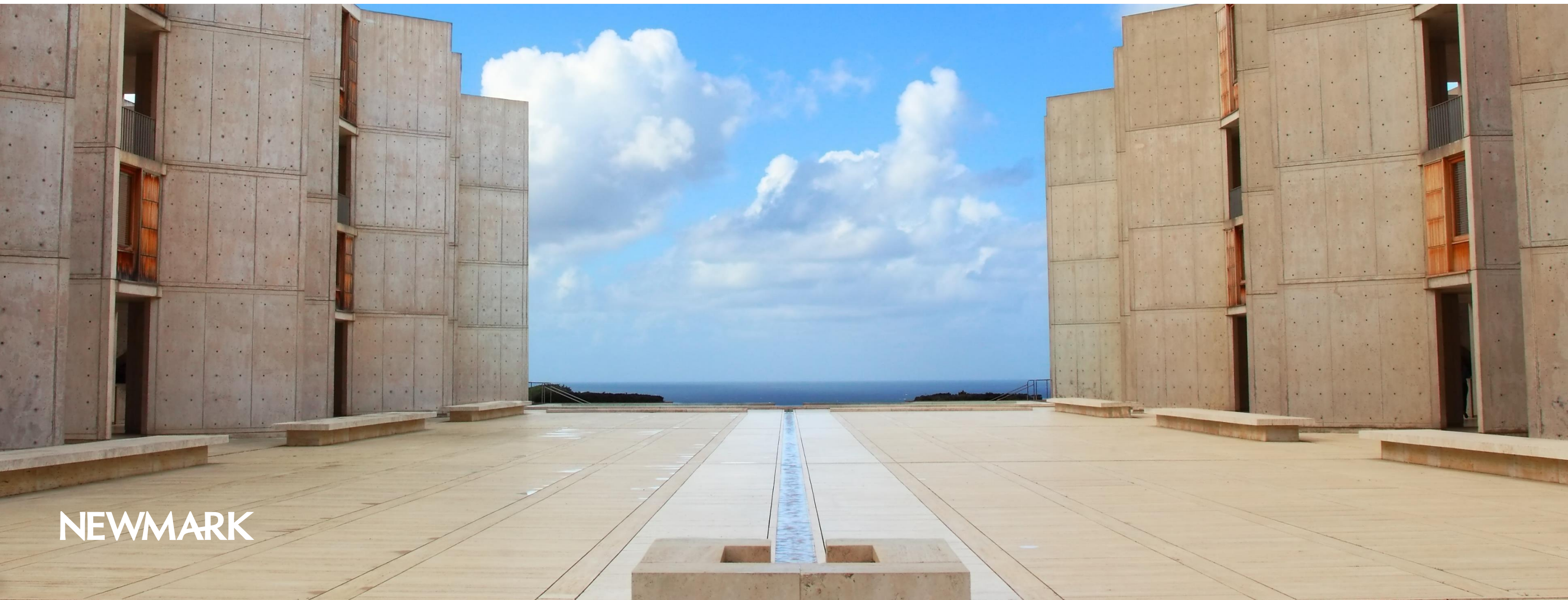


2Q25

# San Diego Life Science Market Overview



NEWMARK

# Market Observations

## Economy

- The region’s unemployment rate was 4.0% in May 2025, up 40 basis points over the past year. The region has added 16,200 jobs over the past year, although the number of office-using jobs fell by 4,500.
- Life science jobs have outperformed job growth in office-using industries over the past five years but have declined by 10.3% from the all-time high reached in 2023.
- Venture capital funding totaled \$455.6 million and public offerings grossed \$481.3 million during the second quarter, rebounding from a slowdown in the first quarter.
- Two large mergers and acquisitions totaling \$3.8 billion closed during the second quarter.

## Major Transactions

- Avidity Biosciences exercised its option to lease the 80,000-SF second building at Callan Ridge, bringing its total premises at the project to 185,000 SF.
- Invivoscribe extended its 52,477-SF lease at Nuveen’s 10222 Barnes Canyon Road project in Sorrento Mesa for 11 years.
- The research non profit JCVI signed the first life science lease at IQHQ’s Downtown project RaDD, leasing 42,726 SF for its new headquarters.
- AbbVie closed the largest acquisition of the quarter, acquiring Capstan Therapeutics for \$2.1 billion.

## Leasing Market Fundamentals

- Asking rents in the core submarkets declined to \$5.48/SF NNN, down 5.9% over the past year.
- Net absorption was negative, posting 307,827 SF in losses for the quarter, bringing absorption losses for the last 12 months to 422,391 SF.
- Total vacancy climbed to 25.8%, an all-time high, up from 16.1% a year ago. 915,963 SF of new deliveries during the second quarter, combined with absorption losses, contributed to the high level of vacancy.
- Sublease availability remained elevated at 1.6 MSF.
- 427,000 SF of construction is currently underway in the core submarkets after the pipeline dramatically reduced over the past two years.

## Outlook

- The record amount of new space delivered into the market will take a while to absorb, particularly as leasing demand has slowed. Asking rents are likely to continue to fall until vacancy stabilizes.
- Sales activity is expected to remain low and underperforming projects will continue to sell off for conversion to other uses.
- Uncertainty about federal policy for research funding and potential tariffs for pharmaceuticals, many of which are manufactured overseas by U.S.-based firms, will cause many companies to adopt a wait-and-see approach to real estate decisions.

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



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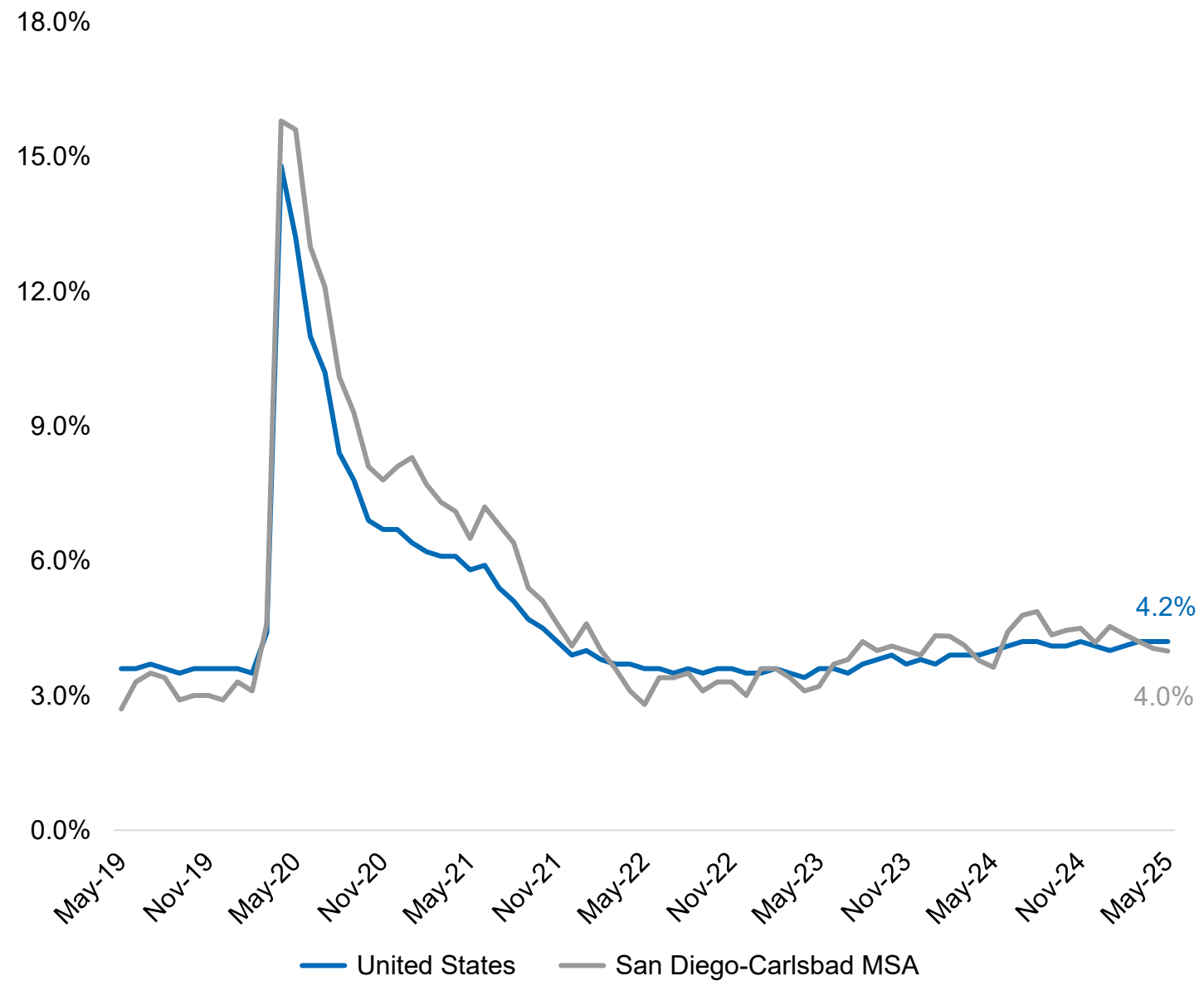
# Economy



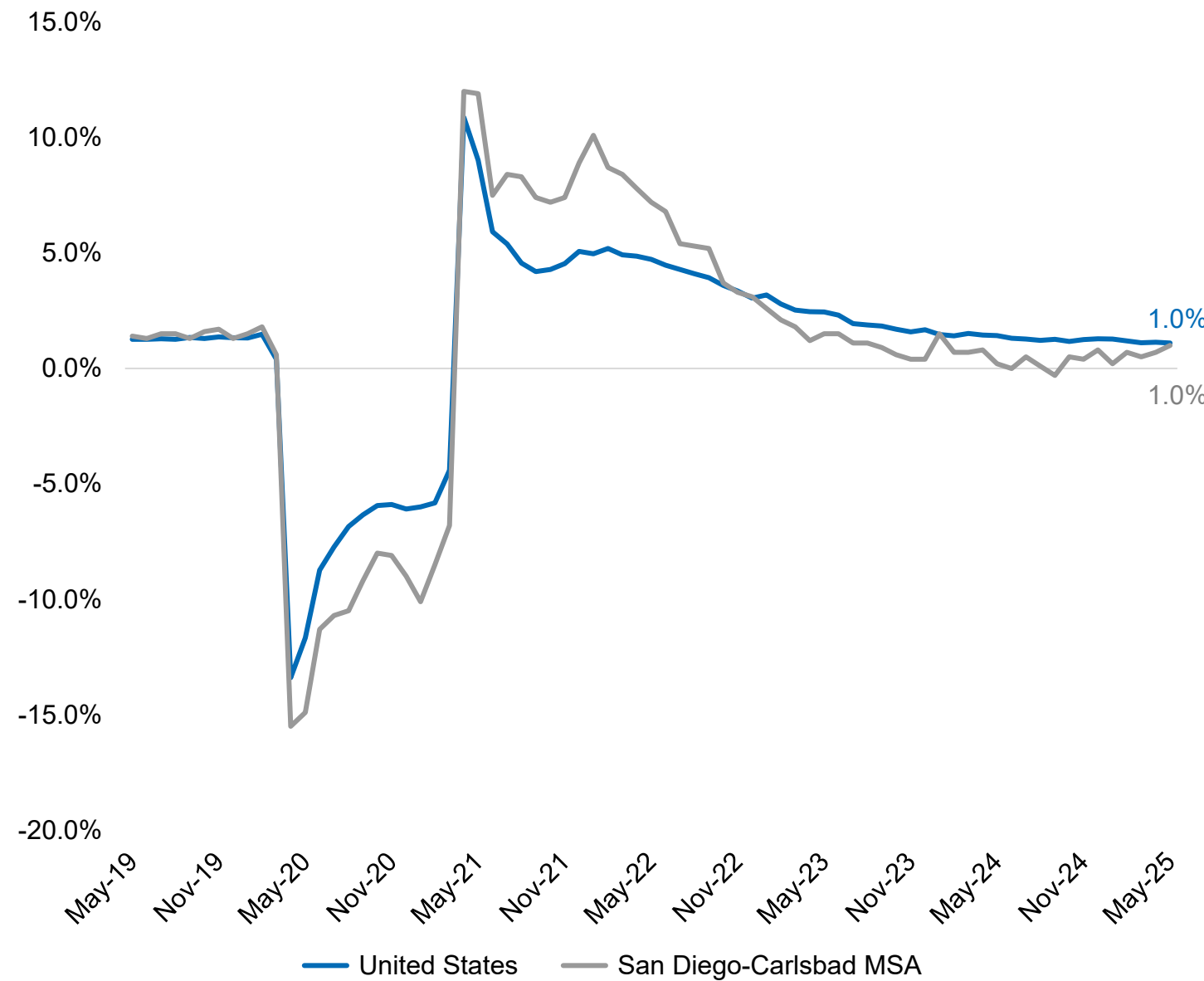
# Unemployment Remains Low as Job Growth Slows

The local unemployment rate was 4.0% in May 2025, up 40 basis points over the past year. During this time nonfarm employment continued to post modest but positive gains: employers reported an additional 16,200 jobs over the past year, representing growth of 1.0%, which matched the national average after trailing it for several years.

Unemployment Rate, Seasonally Adjusted



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



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



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## Life Science Job Growth Outpaced Office Over the Past 20 Years



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# Life Science Funding Recovers From Dip 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 Pick Up the Pace

Several large deals boosted M&A activity during the second quarter. AbbVie acquired the clinical-stage Capstan Therapeutics, which is developing in-vivo cell engineering for the treatment of autoimmune diseases, for \$2.1B. Novartis completed its acquisition of Regulus Therapeutics and has announced plans to develop a \$1.1B research hub in San Diego.

Notable Deals			
Date	Acquisition	Buyer	Acquisition Price
Jun 2025	Capstan Therapeutics	AbbVie	\$2,100,000,000
Apr 2025	Regulus Therapeutics	Novartis	\$1,700,000,000
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

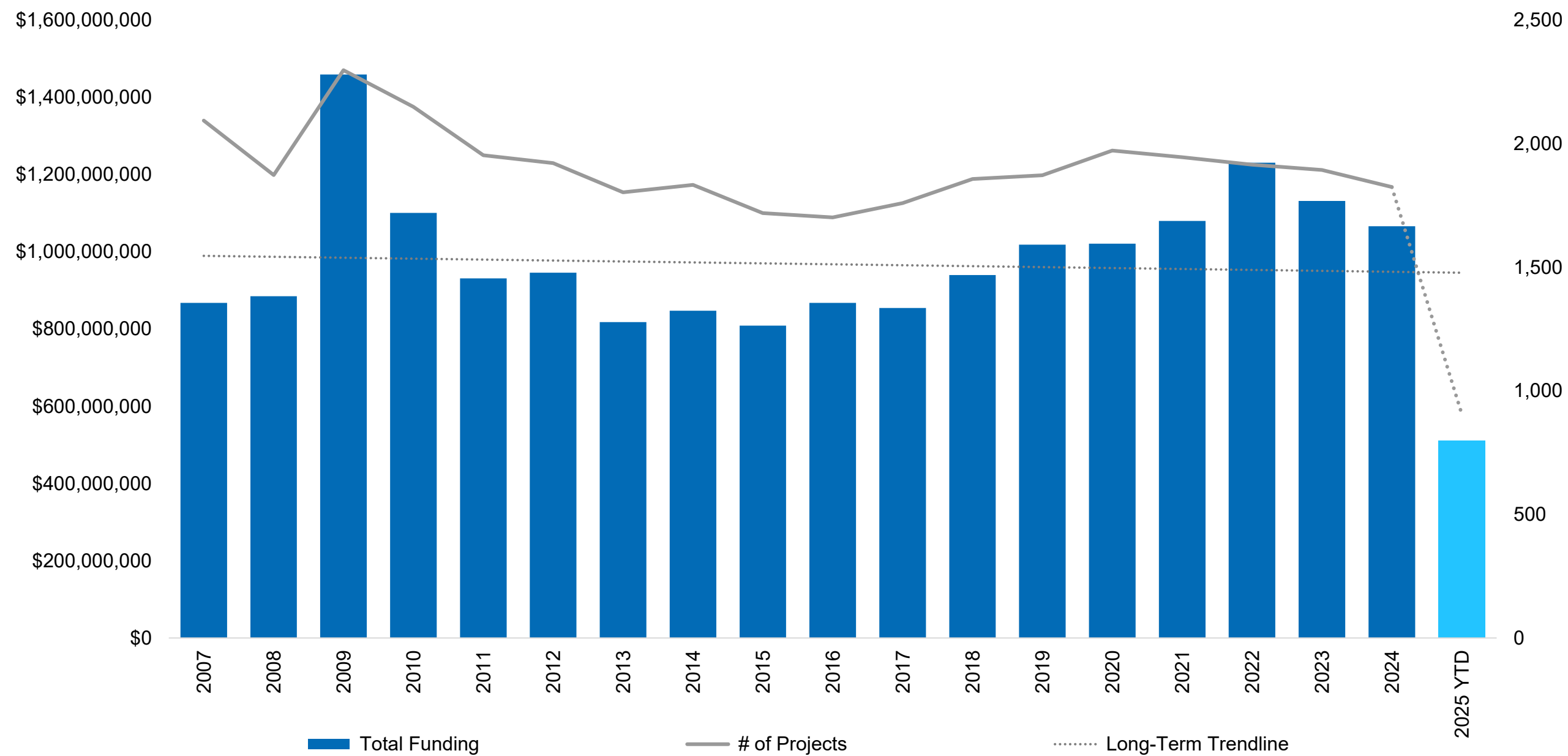
Historical M&A Volume	
Year	Total Volume
2025	\$4,379,475,000
2024	\$23,320,000,000
2023	\$15,606,850,000
2022	\$7,813,700,000
2021	\$18,703,700,000
2020	\$3,561,331,890
2019	\$541,500,000
2018	\$4,546,300,000
2017	\$2,075,000,000
2016	\$528,900,000
2015	\$16,042,700,000

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 1,824 projects. The first half of 2025 saw \$511.0 million in funding, 48.0% 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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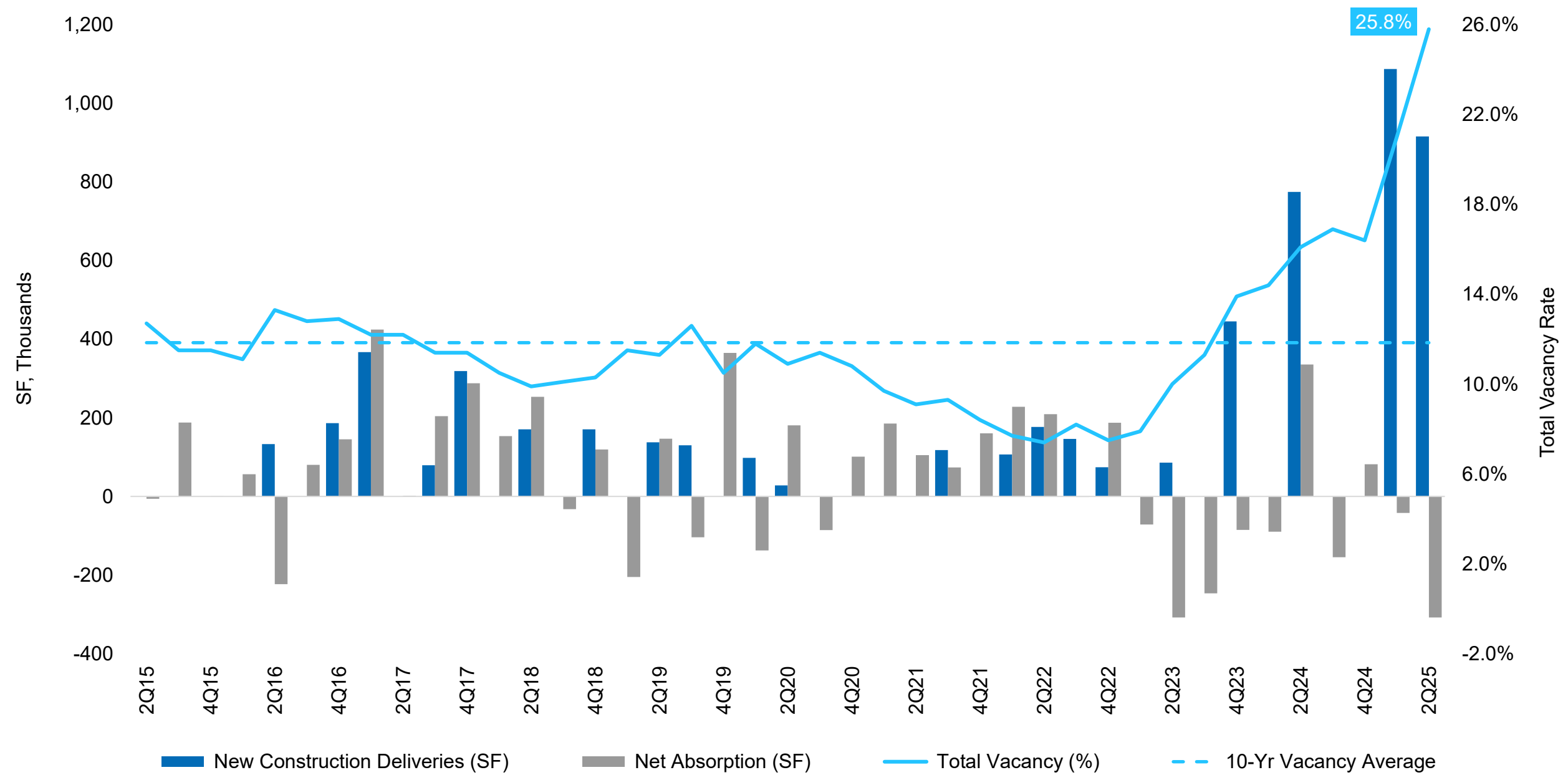
# Leasing Market Fundamentals



# New Deliveries Cause Vacancy to Rise

The total vacancy rate climbed to 25.8% in the second quarter, up from 16.1% during the second quarter of 2024 and the highest level in 20 years. This increase was fueled by negative absorption, which totaled 307,827 SF in losses in the second quarter, and the delivery of 915,963 SF of new projects.

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



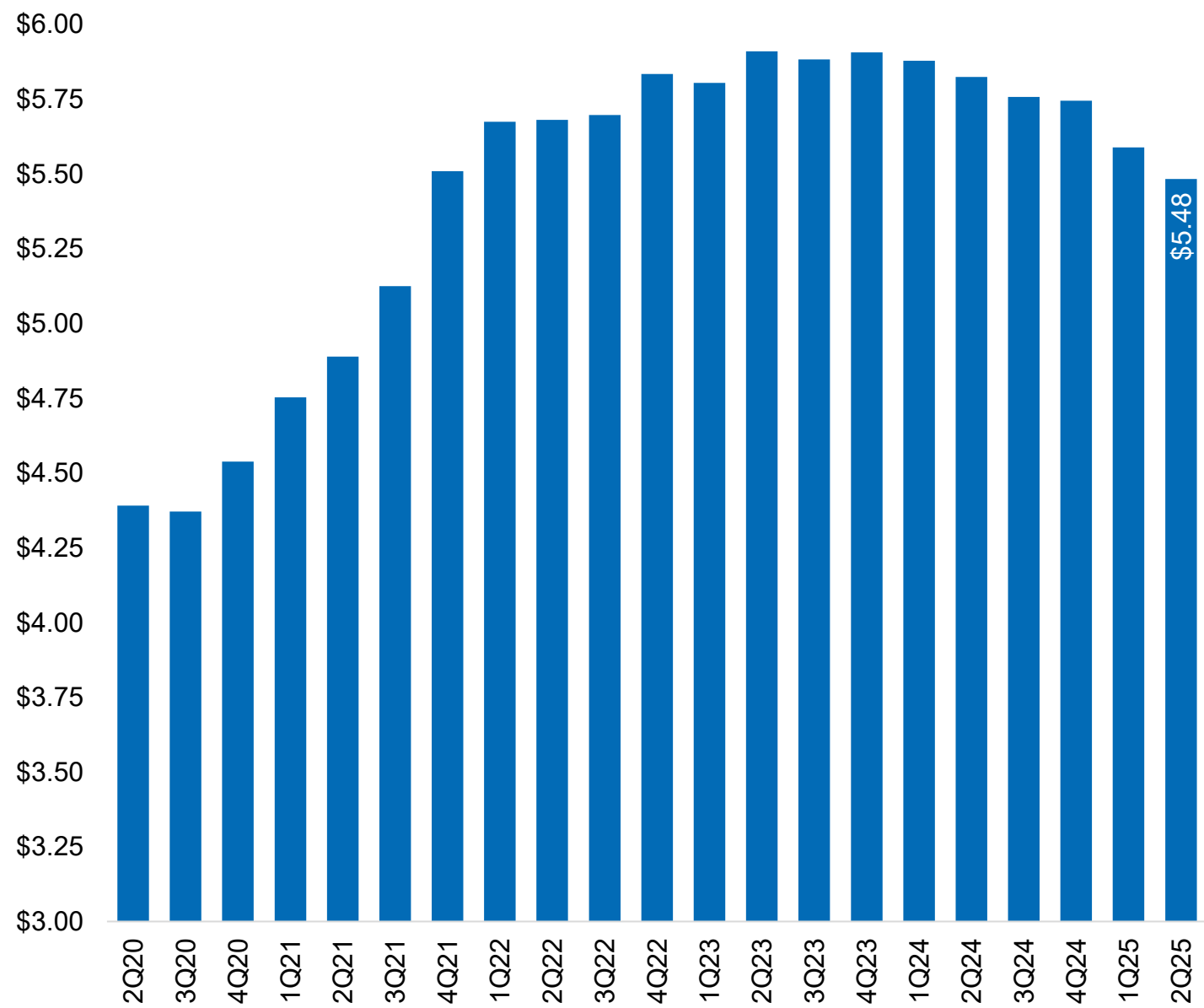
Source: Newmark Research



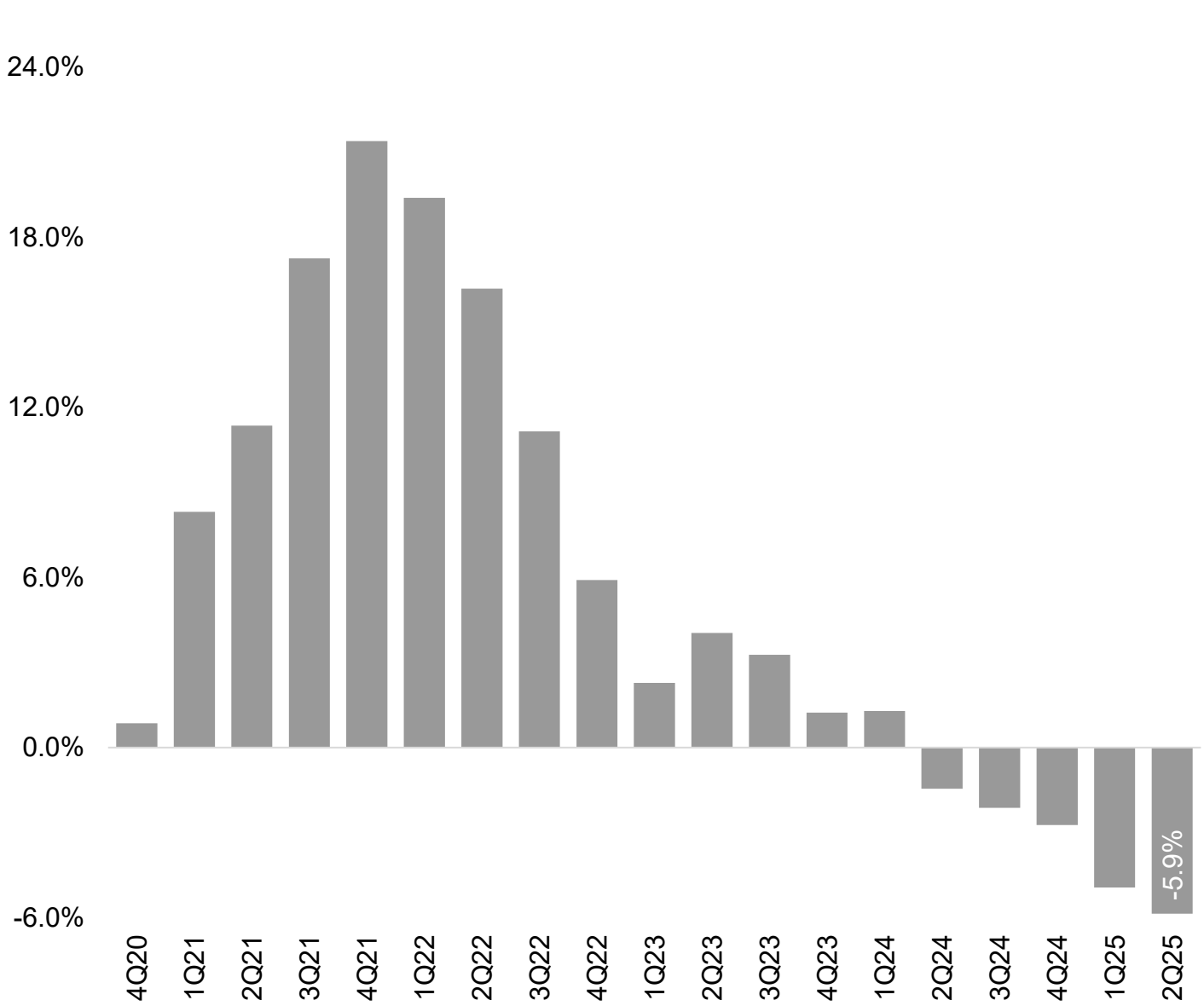
# Asking Rents Decline, But Rate of Decrease Decelerates from Last Quarter

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



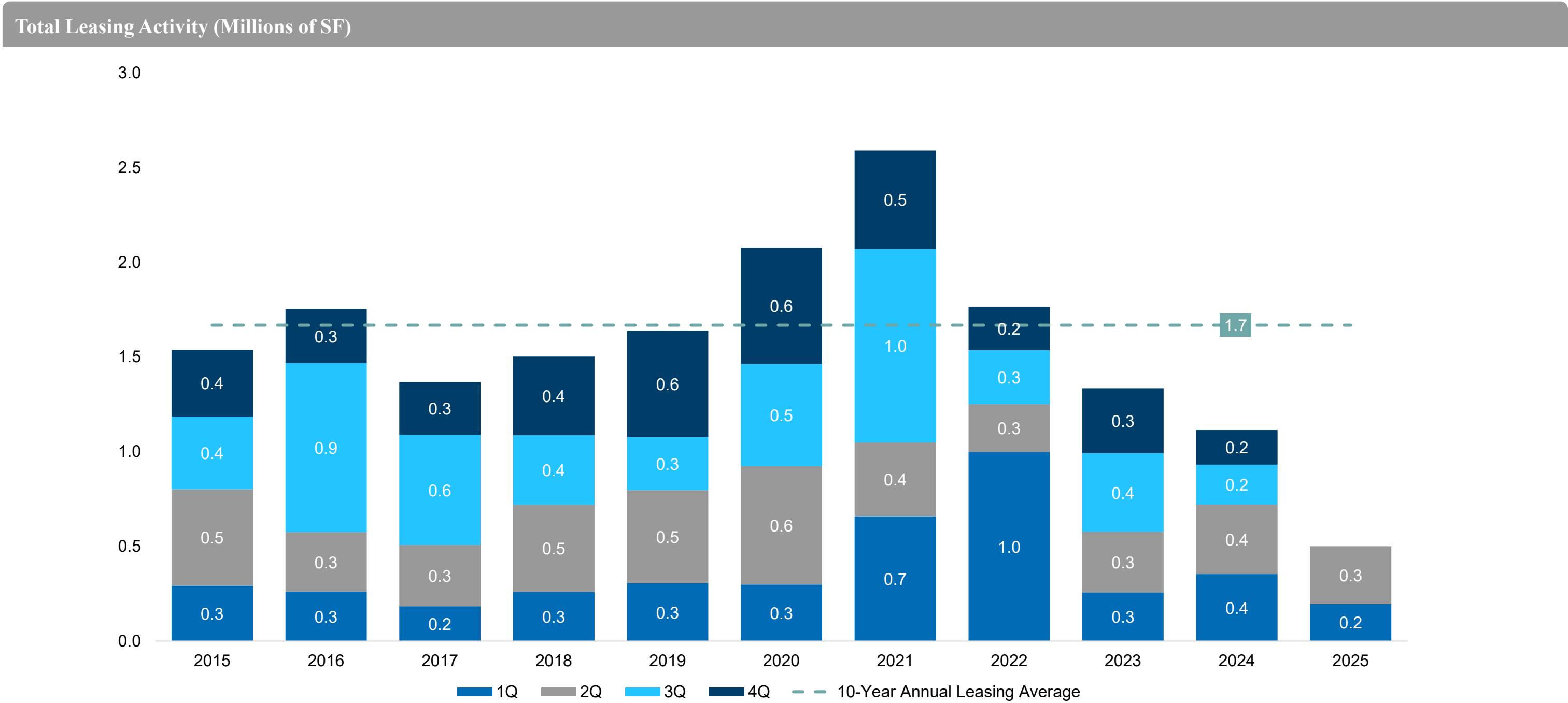
Year-over-Year Direct Asking Rent Change



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 1.2 million square feet in leasing activity, below the 10-year average of 1.7 million square feet, and 2025 has seen only 500,000 square feet of deals year to date. The flight to quality projects and new construction has been pronounced in recent leasing deals.



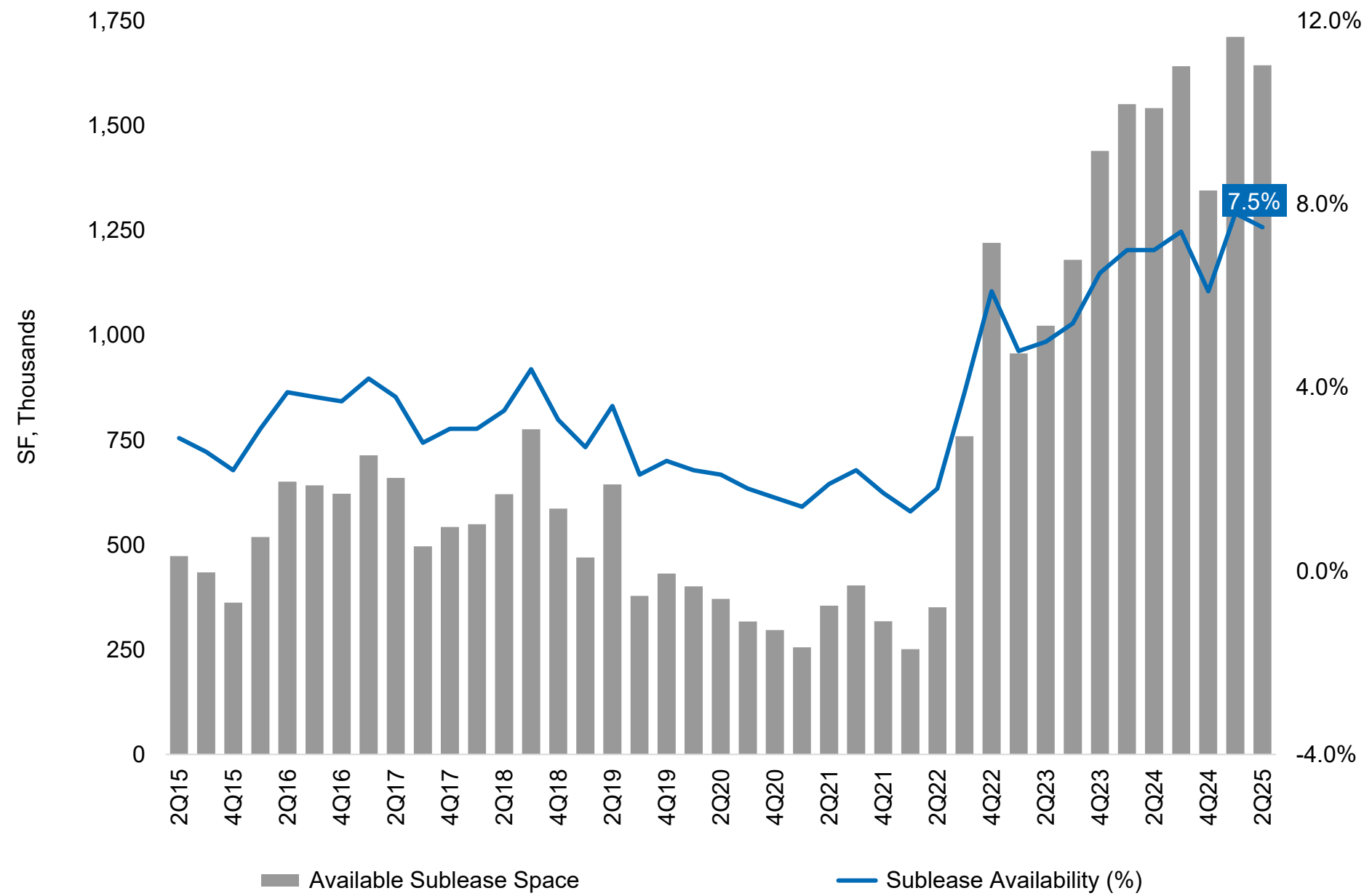
Source: Newmark Research, CoStar



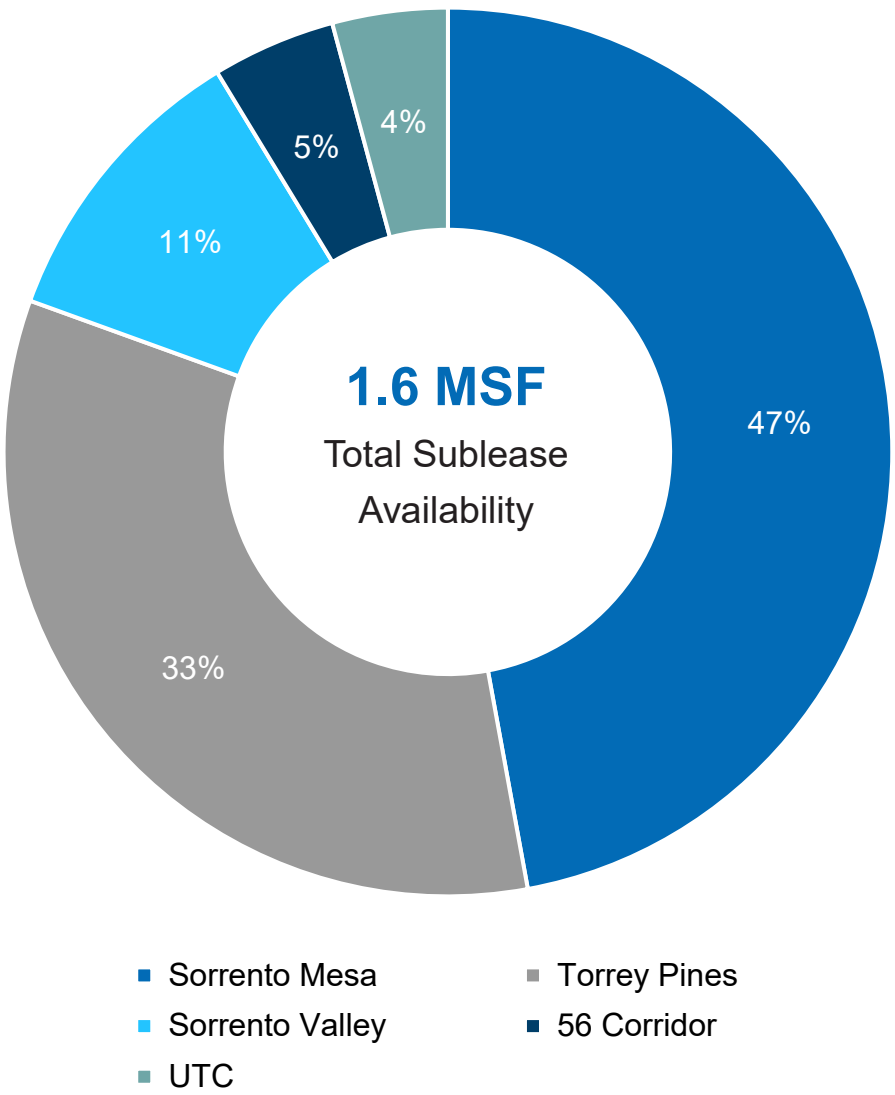
# Sublease Space Remains Near All-Time High

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 dipped slightly to 1.6 MSF in the second quarter, 7.5% of existing inventory, slightly lower than the all-time high set in the previous quarter. Sorrento Mesa is home to nearly half of this sublease space and the submarket’s sublease availability rate is at 8.9%.

Life Science Projects Sublease Availability



Sublease Availability by Submarket



Source: Newmark Research, CoStar

# Notable Lease Transactions

Leasing activity continued to be muted during the second quarter and the three largest lease deals were either extensions or expansions of existing locations. IQHQ’s Downtown RaDD development signed its first life science tenant, securing the relocation of J. Craig Venter’s non-profit research institute.

Notable 2Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Avidity Biosciences	3030 Callan Rd	Torrey Pines	Exercised Option	79,998
Avidity Biosciences exercised its option to lease an adjacent building, adding to the 105,000 SF it leased in 2024.				
Invivoscribe	10222 Barnes Canyon Rd	Sorrento Mesa	Extension	52,477
Oncology diagnostics company signed an extension through 2038 with Nuveen.				
Poseida Therapeutics	9360 Towne Centre Dr	UTC	Expansion	50,780
Gene engineering biopharmaceutical acquired by Roche expanded in BioMed’s UTC Campus.				
J. Craig Venter Institute	950 Waterfront Pl	Downtown	Direct Lease	42,726
Genomics non profit is relocating from La Jolla to Downtown San Diego as the first life science tenant at IQHQ’s RaDD project.				
Clearpoint Neuro	10555 Science Center Dr	Torrey Pines	Direct Lease	30,171
Neurological therapy company leased space at a biotech complex that BioMed Realty purchased from Pfizer earlier in the year.				

Source: Newmark Research



2Q25

# Submarkets and Development





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## Life Science Core Submarkets and High-Level Statistics | 2Q25



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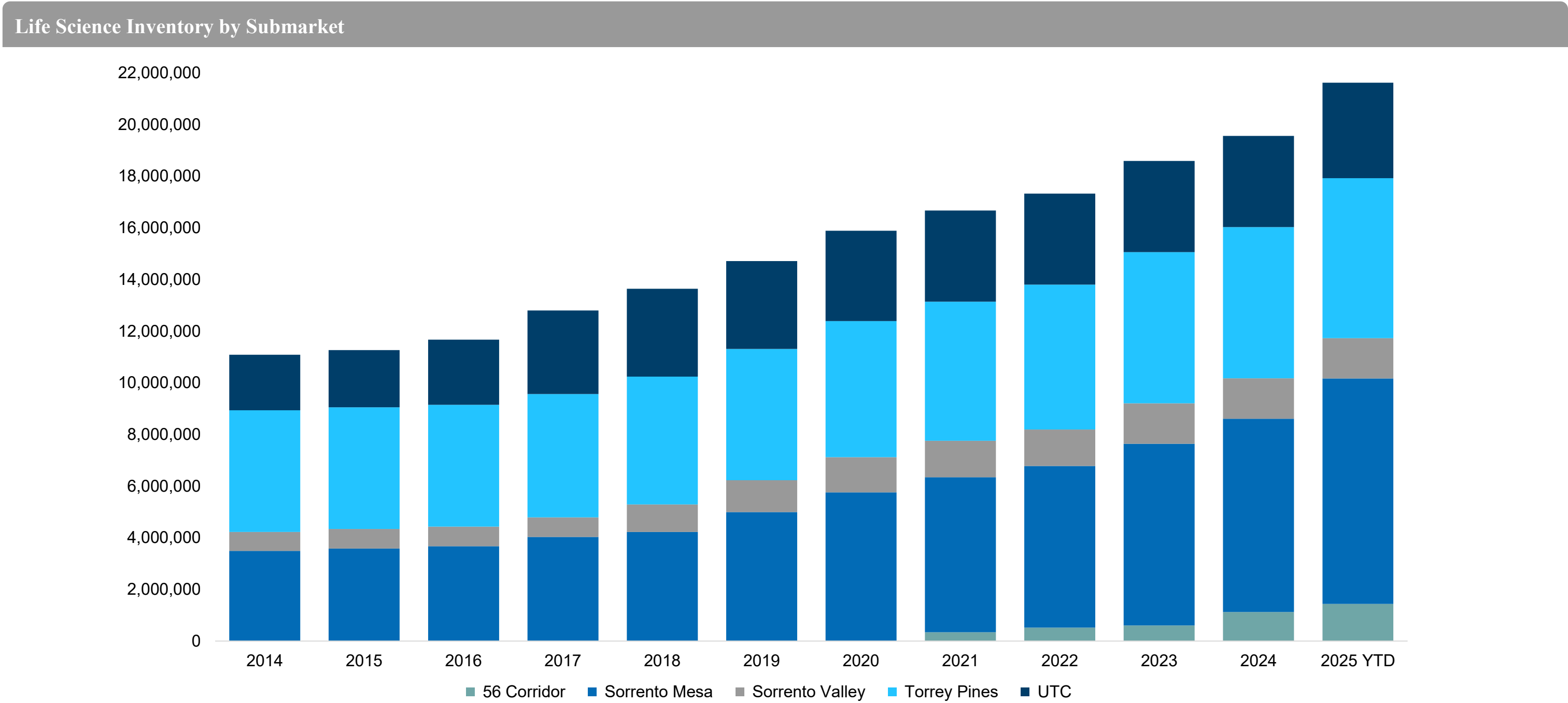
# San Diego Life Science Submarkets



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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 21.6 MSF in 2025. Sorrento Mesa has grown 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 expand north into converted office projects in Del Mar Heights and large new developments are underway in Carmel Valley.



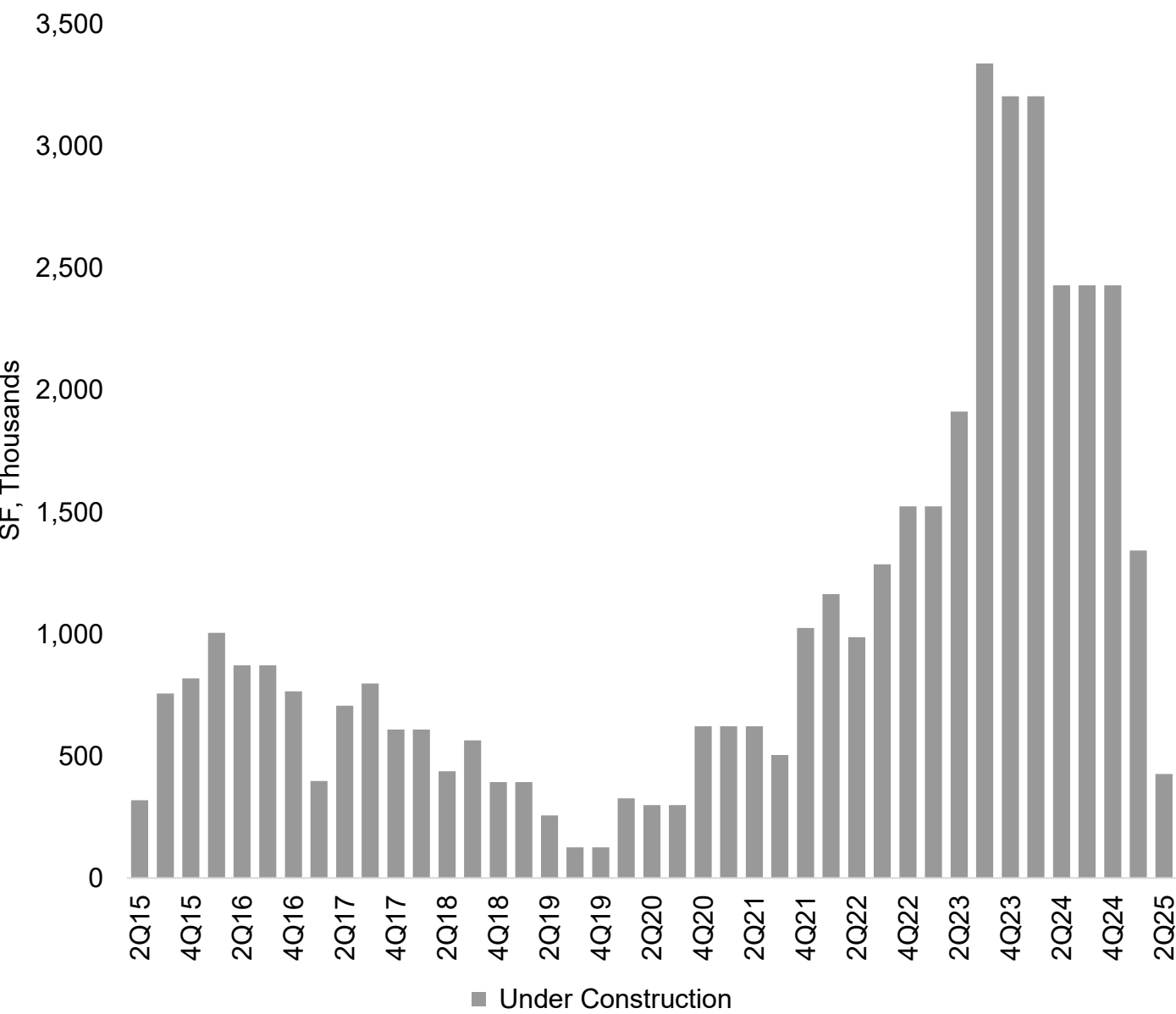
Source: Newmark Research



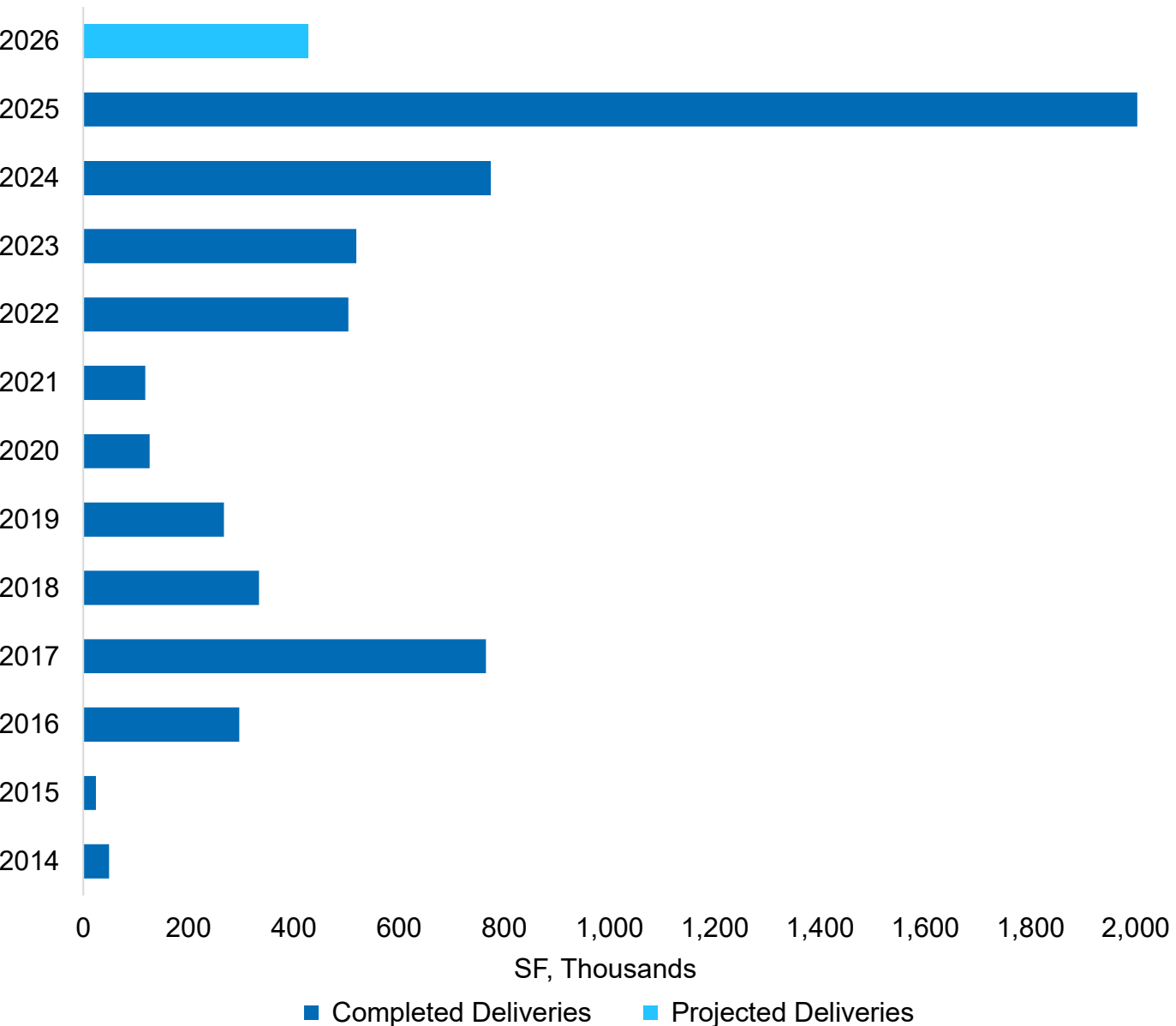
# Purpose-Built Construction

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. Sorrento Mesa has seen the most development over the past five years. Current construction has fallen significantly to 427,000 SF, 2.0% of existing inventory, after 2.0 MSF of new product delivered in the first half of 2025. In the current market 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

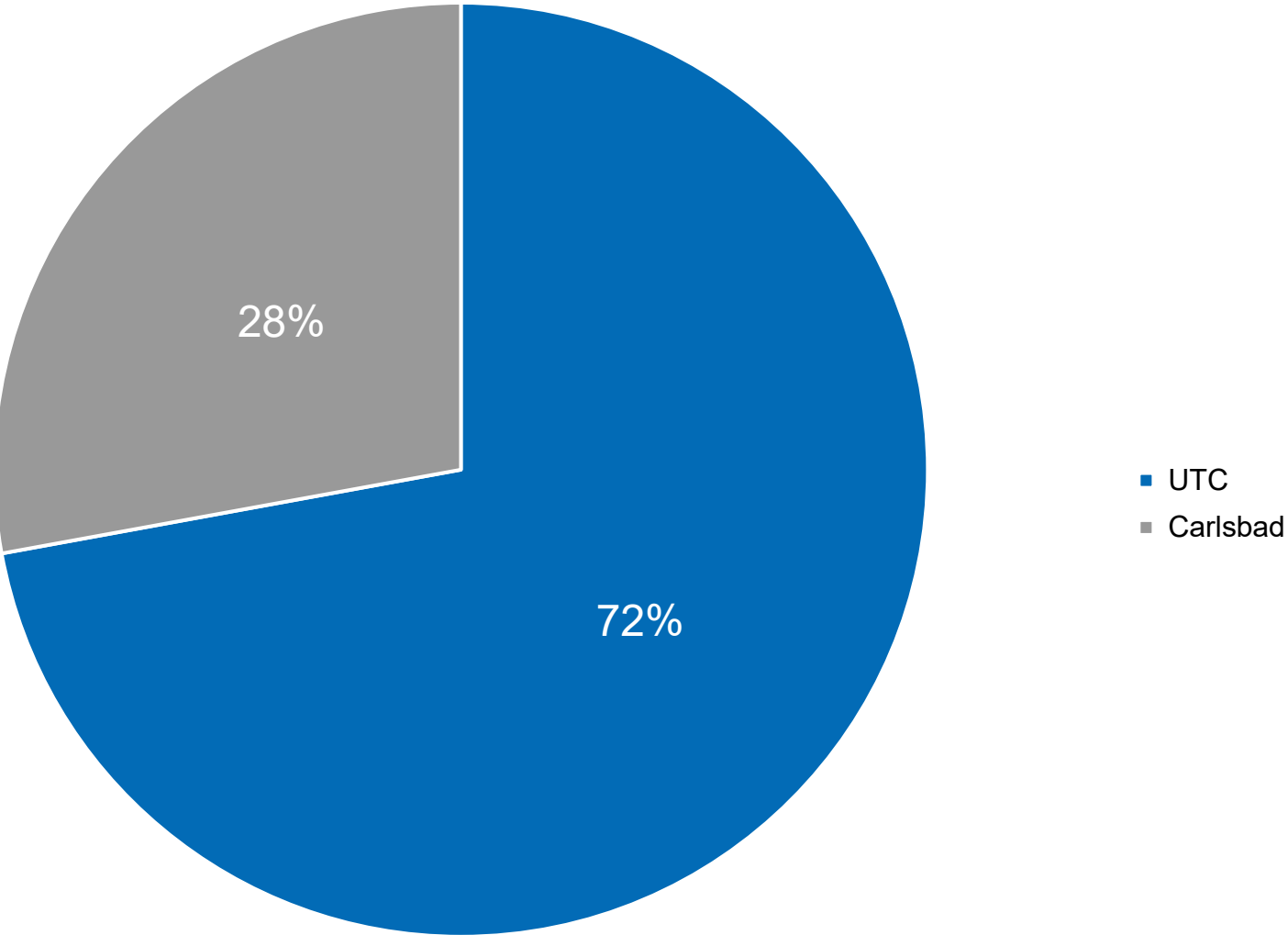


Source: Newmark Research

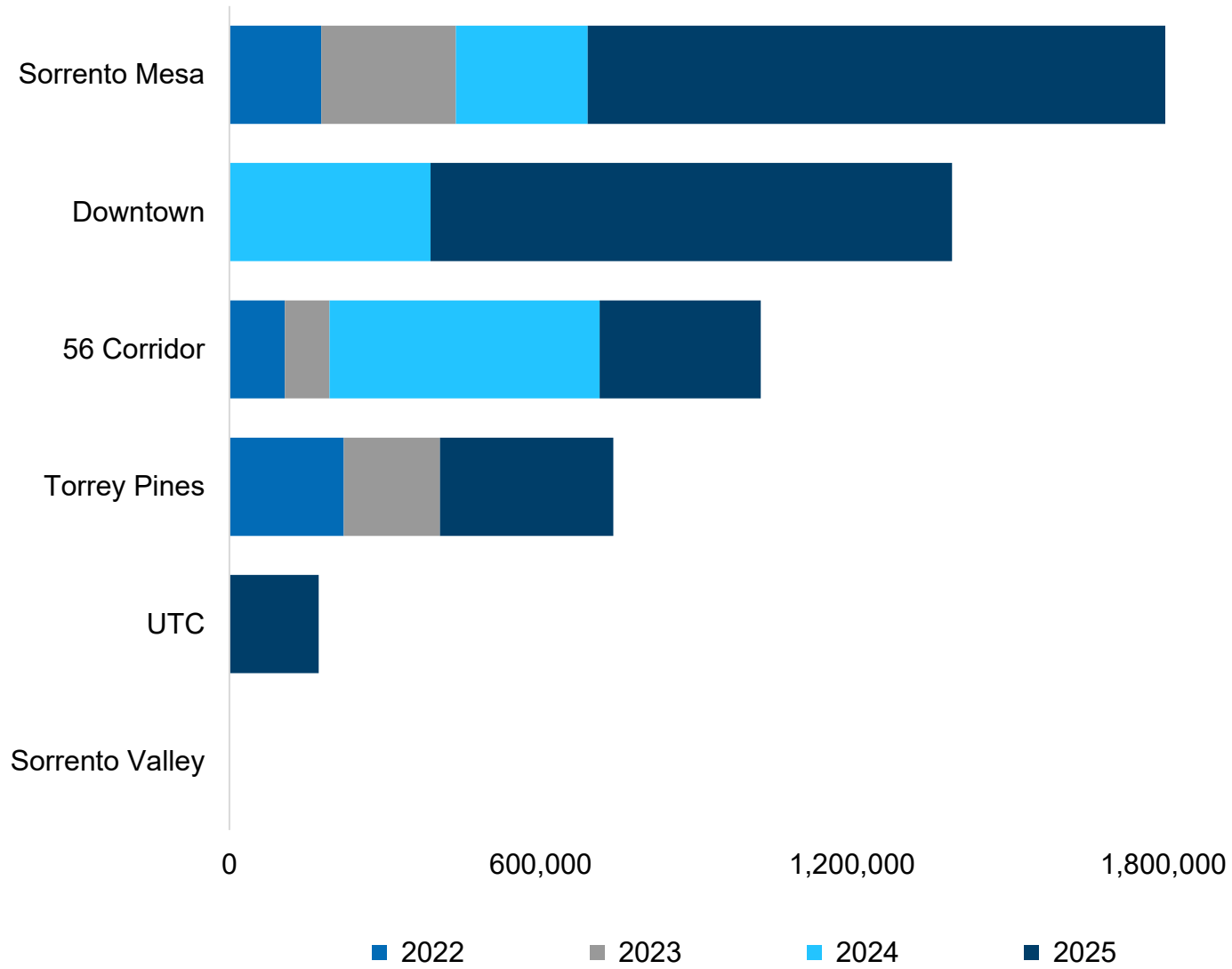
# Current Pipeline Winding Down

The development pipeline has almost completely cleared out after delivering 3.8 MSF in the core and 1.4 MSF in Downtown over the past two years. Only one 427,000-SF project remains under construction in the core. 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



Historical Submarket Deliveries, Past Four Years



Source: Newmark Research, CoStar

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## Third-Party Vivarium Facilities



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