

San Francisco Bay Area Life Science Market Overview



Market Observations

Economy

- Recent data indicates a slowdown in employment growth and signs of near-term plateauing in the Bay Area life science market.
- The U.S. Consumer Price Index (CPI) inflation rate reached 2.9% in August, up from 2.4% in June.
- The national unemployment rate rose to 4.3% at the end of August, consistent with prior quarter forecasts, suggesting that while the U.S. economy remains stable, the job market is showing signs of stagnation.
- Looking ahead, the market anticipates a median estimate of two Federal Reserve rate cuts by the end of 2025; however, inflation readings remain persistent and above the Fed's 2.0% target.

Major Transactions

- Elon Musk–owned Neuralink completed the largest deal of the quarter, leasing 499 Forbes Blvd. in South San Francisco, totaling 145,852 SF.
- Clinical-stage precision oncology firm Revolution Medicines completed the second-largest deal of the quarter, expanding its footprint within the Seaport Centre Project in Redwood City for a total of 60,841 SF transacted.
- The most notable sale of the quarter was completed by New Mountain Capital, which acquired 3240 Whipple Road in Union City from Tarlton Properties for \$54.0 million, or \$593 PSF. The building was fully leased to Zoetis at the time of sale.

Leasing Market Fundamentals

- The Bay Area experienced its typical summer slowdown in the third quarter, with gross absorption totaling 845,000 SF, down from 913,000 SF in the previous quarter. Despite the slowdown, net absorption edged into positive territory, registering 33,000 SF.
- Market-wide vacancy declined slightly to 29.1%, down from 29.5% in the prior quarter. The total availability rate rose marginally to 32.9%, compared with 32.1% the previous quarter. Sublease availability continued to trend downward, decreasing to 5.5%, from 5.7% last quarter and 6.6% one year ago.
- The region's 610,000-SF construction pipeline continued to contract during the third quarter of 2025, with 37.0% of ground-up development preleased.
- Despite economic headwinds, active tenant demand increased notably during the third quarter, reaching 3.1 million SF, up from 2.0 million SF in the previous quarter.

Outlook

- The Bay Area life sciences talent pool remains regionally strong, supported by top-tier universities and major innovation hubs. However, proposed NIH funding restraints in 2026, tied to broader policy shifts and market conditions, could soften demand for life science space.
- Construction of new Bay Area lab space is expected to continue slowing after millions of square feet were added to the market over the past decade.
- Tenants are expected to continue taking advantage of current market conditions, securing high-quality space with favorable concessions and lease terms.

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2. Leasing Market Fundamentals
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3Q25

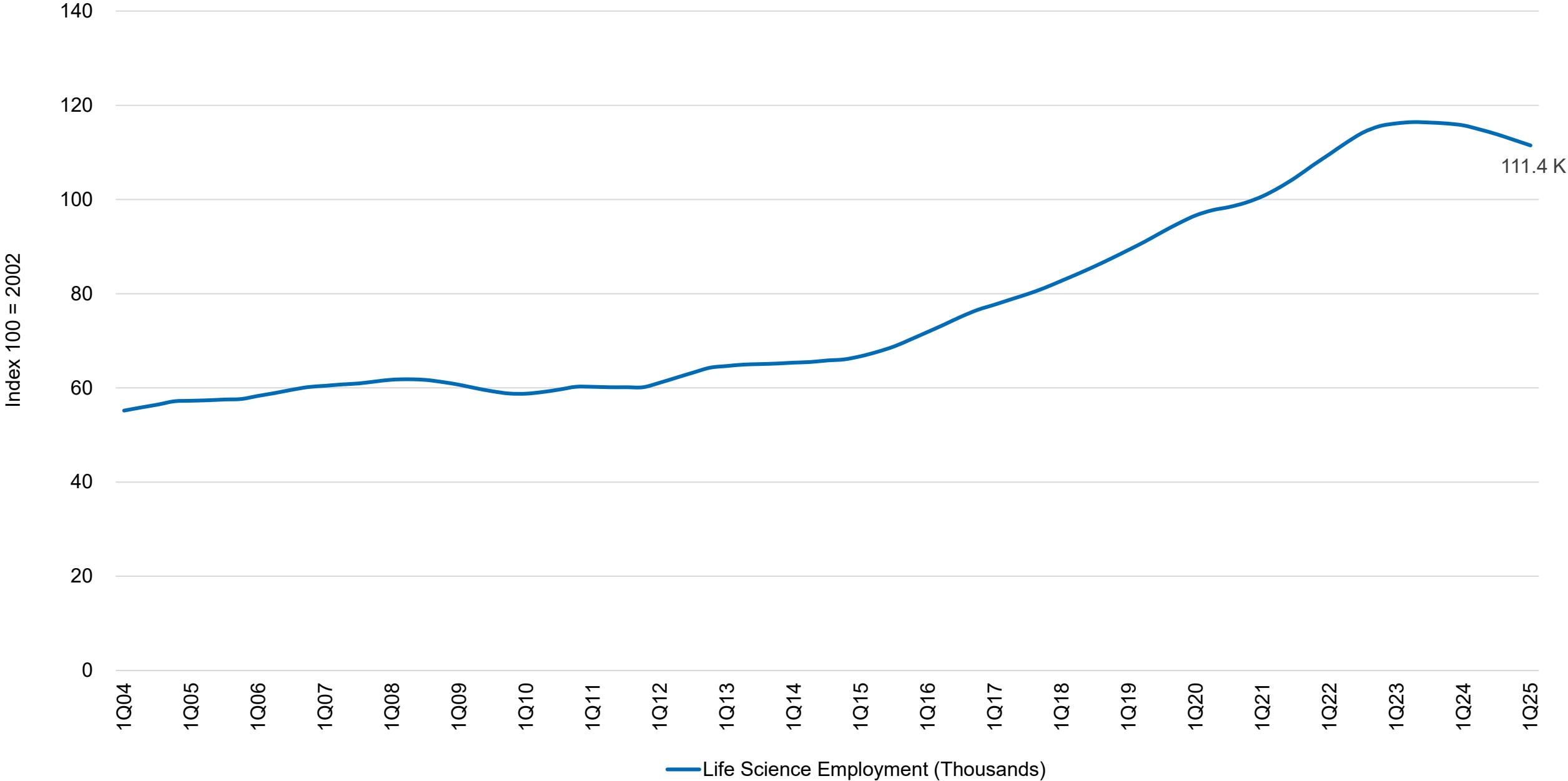
Economy



Life Science Employment Decreased for Seventh Consecutive Quarter

Life science employment in the San Francisco Bay Area declined to 111,474 active employees in the first quarter of 2025, down from 112,444 in the previous quarter and 115,684 one year earlier.

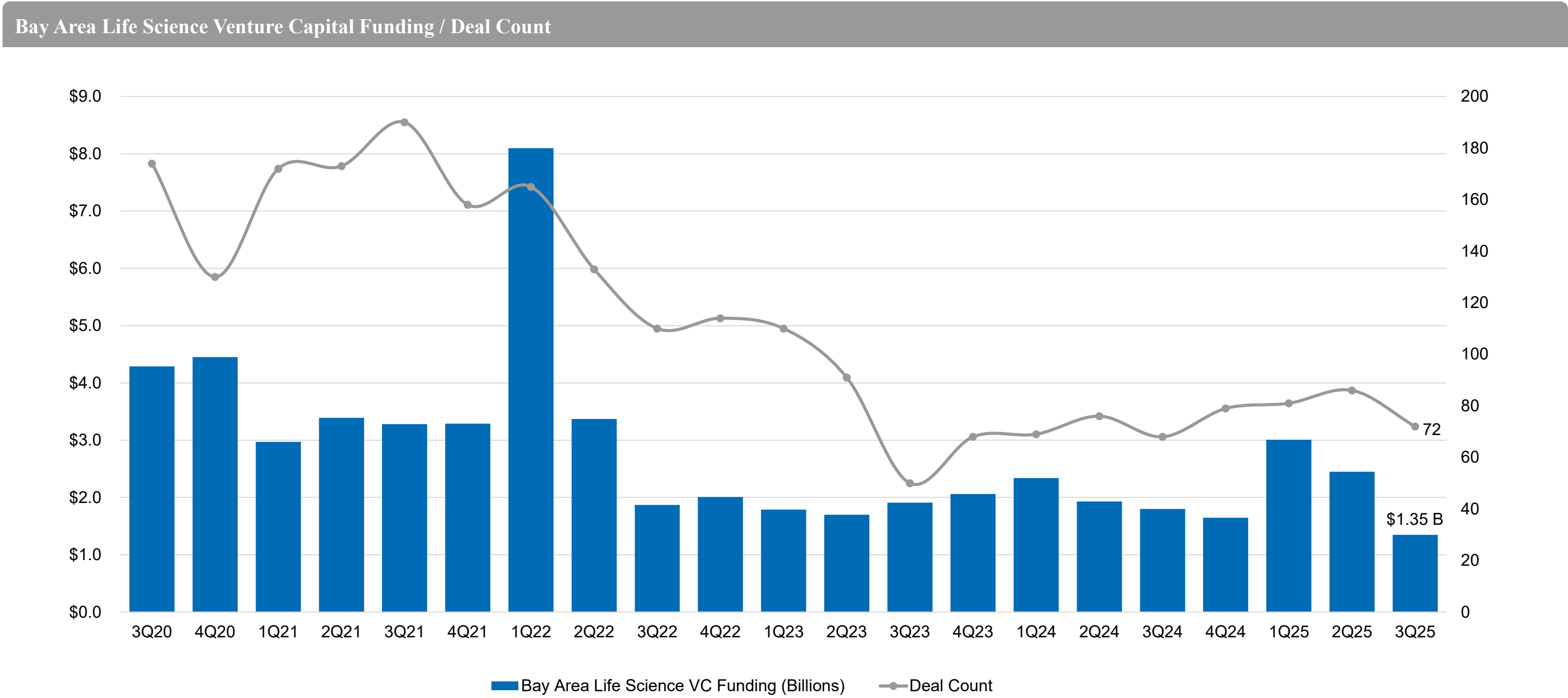
Bay Area Life Science Employment



Source: JobsEQ. Data lags by 6 months.

Bay Area Life Science Funding Drops to 5-Year Low

Across the Bay Area, a total of 72 life science venture capital deals were completed, down from 86 in the previous quarter but up from 68 one year earlier. Biotech venture capital funding continued to decline in the third quarter, with \$1.3 billion raised compared to \$2.5 billion in the prior quarter. Year-to-date, total capital raised reached \$6.8 billion, modestly higher than the \$6.1 billion recorded during the same period last year.

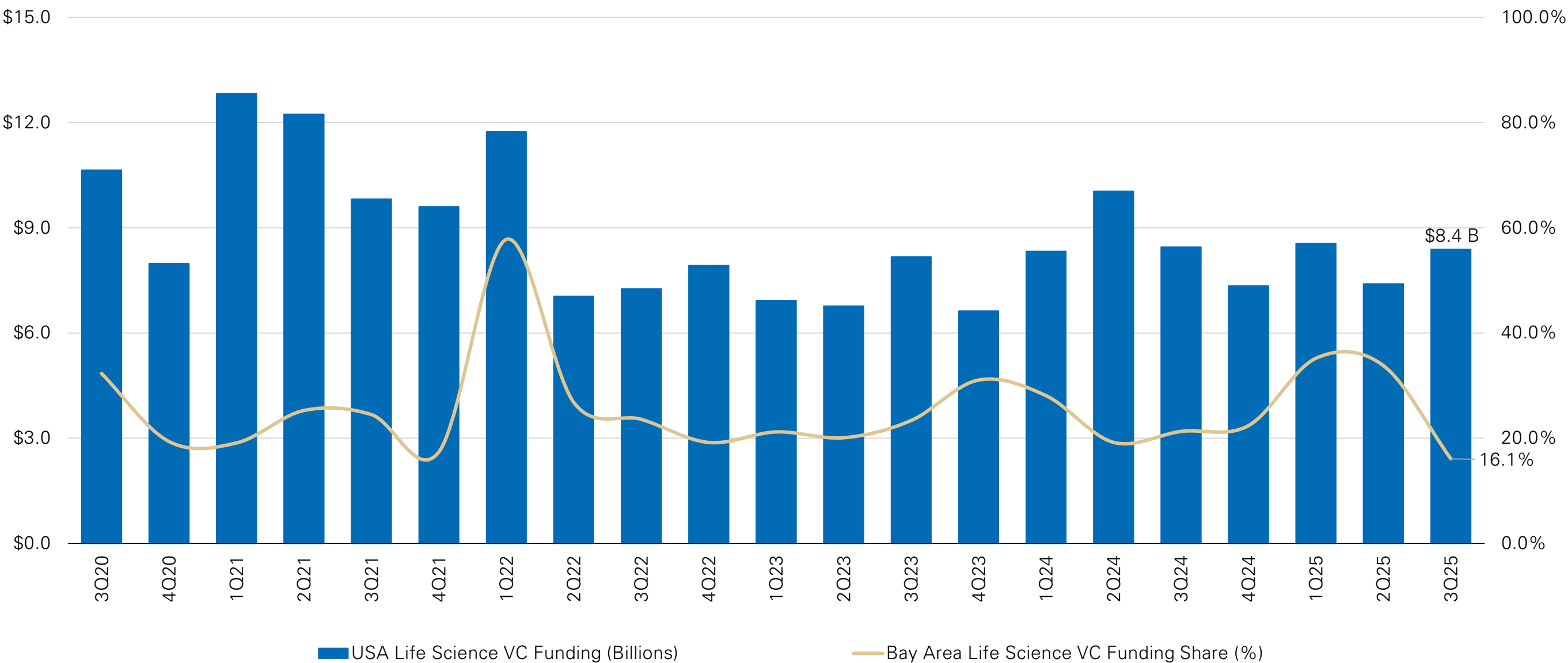


Source: Pitchbook

Nationwide Life Science VC Funding Increases in Q3

Across the country, the life science sector recorded \$8.4 billion in venture capital investment, up from \$7.4 billion in the previous quarter and matching the \$8.4 billion recorded one year ago. Widely regarded as one of the three leading biotech hubs in the United States, the Bay Area accounted for 16.1% of total life science funding raised nationwide this quarter.

Nationwide Life Science Venture Capital Funding



Source: Pitchbook

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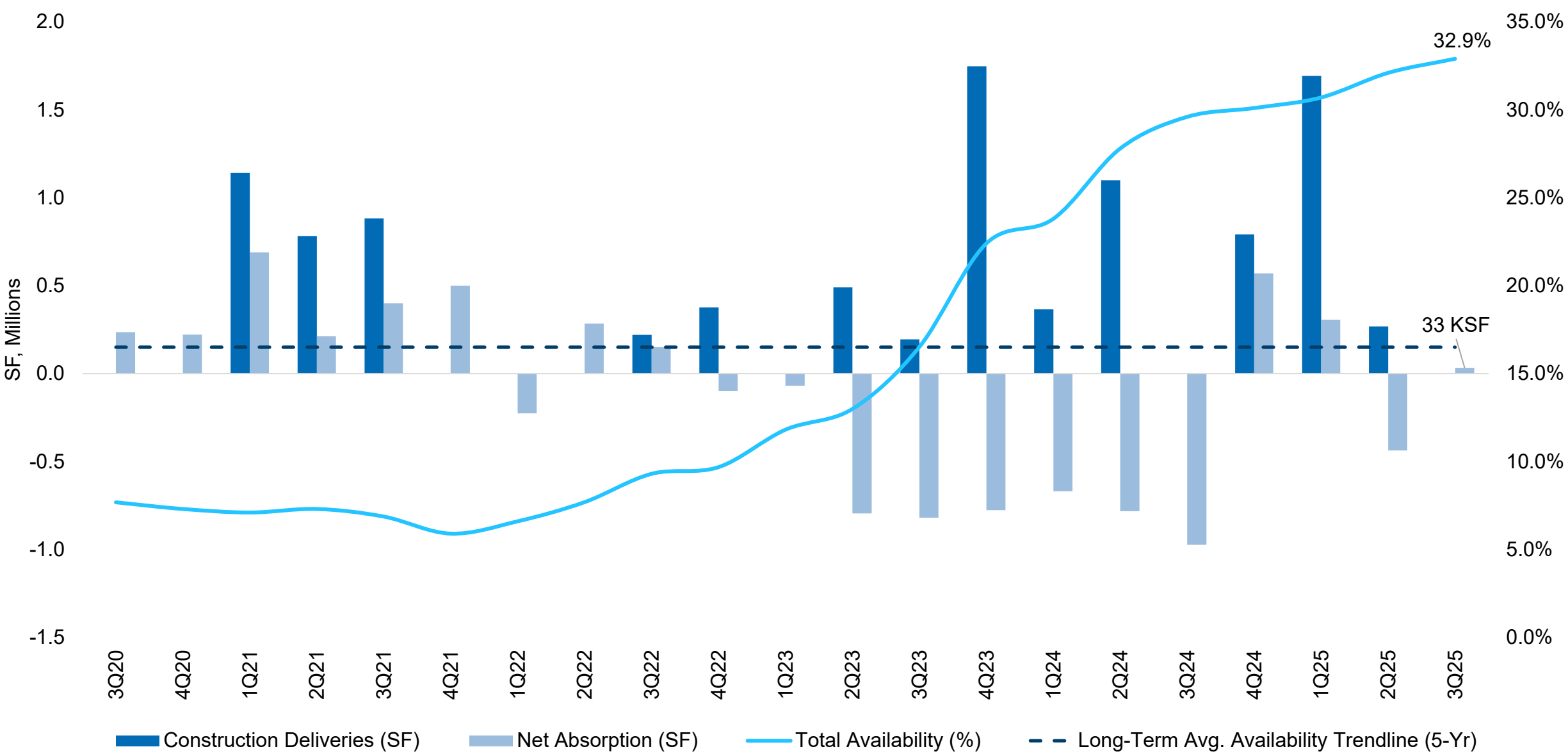
Leasing Market Fundamentals



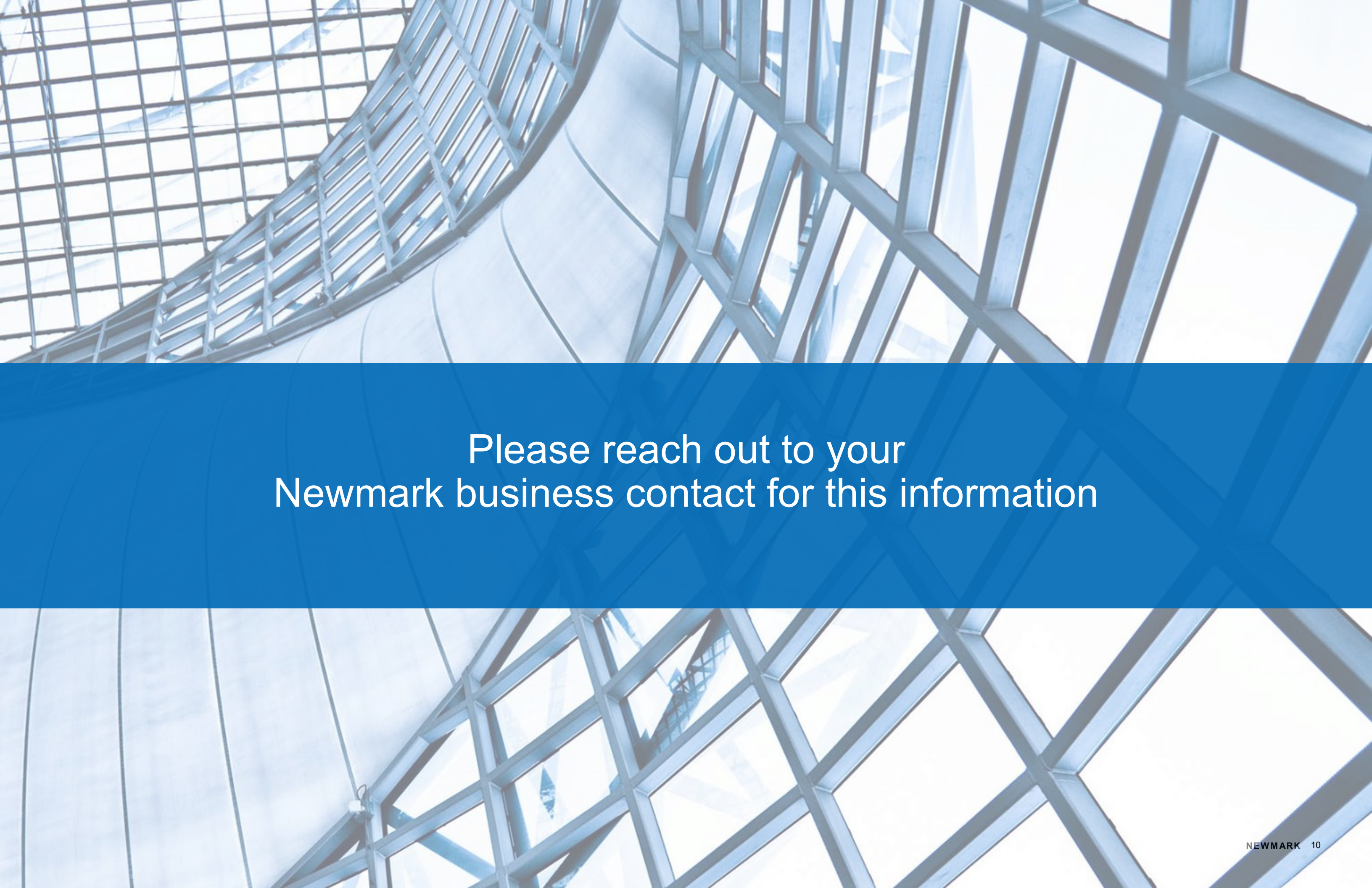
Positive Net Absorption in Q3 While Total Availability Reached New High

The Bay Area life science market recorded 33,000 SF of positive net absorption in the third quarter, a notable improvement from negative 436,000 SF in the previous quarter. Total availability rose slightly to 32.9%, up from 32.1% in the prior quarter and 29.6% one year ago. Availability is expected to increase in the near term as companies continue to face capital constraints and pursue cost-saving strategies such as relocating to lower-cost markets, consolidating footprints, or subleasing space.

Historical Construction Deliveries, Net Absorption, and Availability



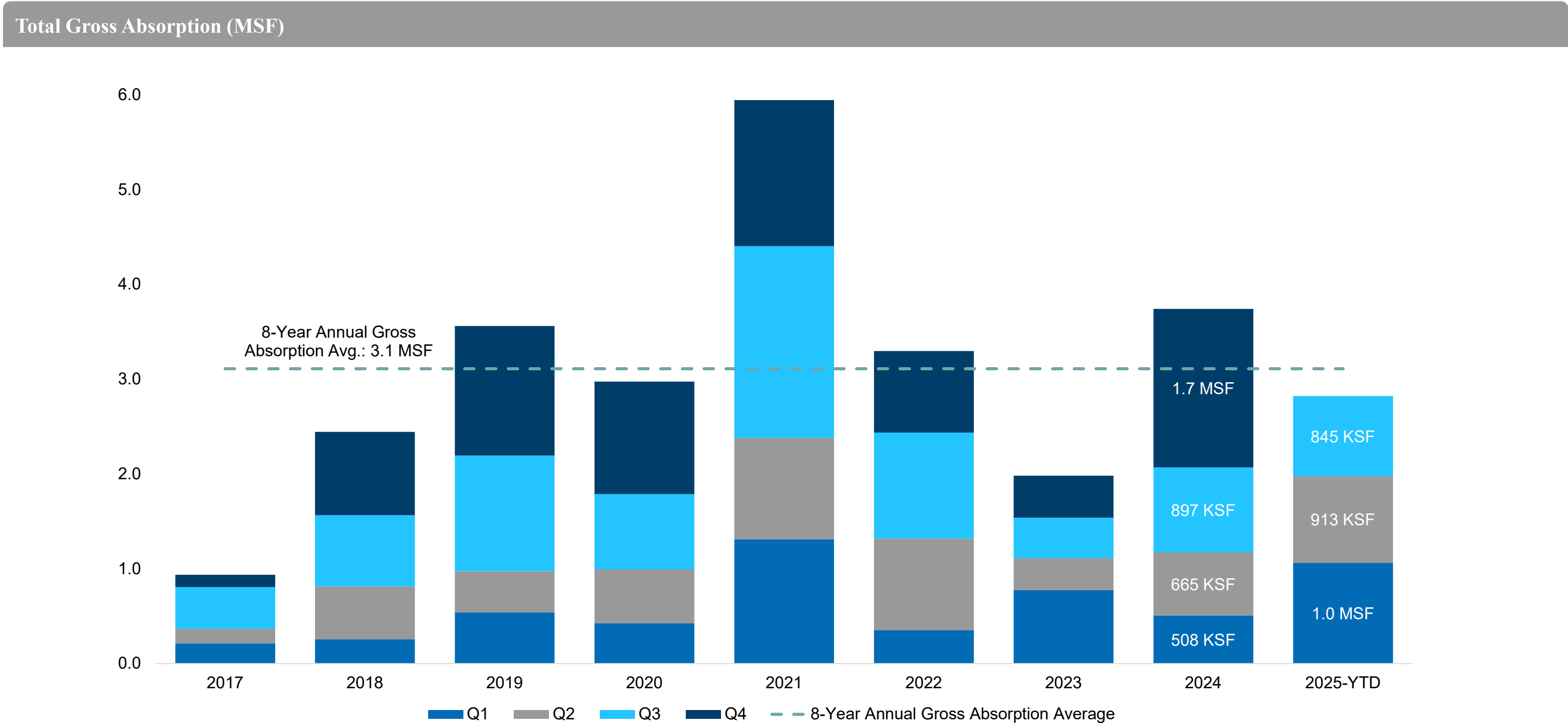
Source: Newmark Research



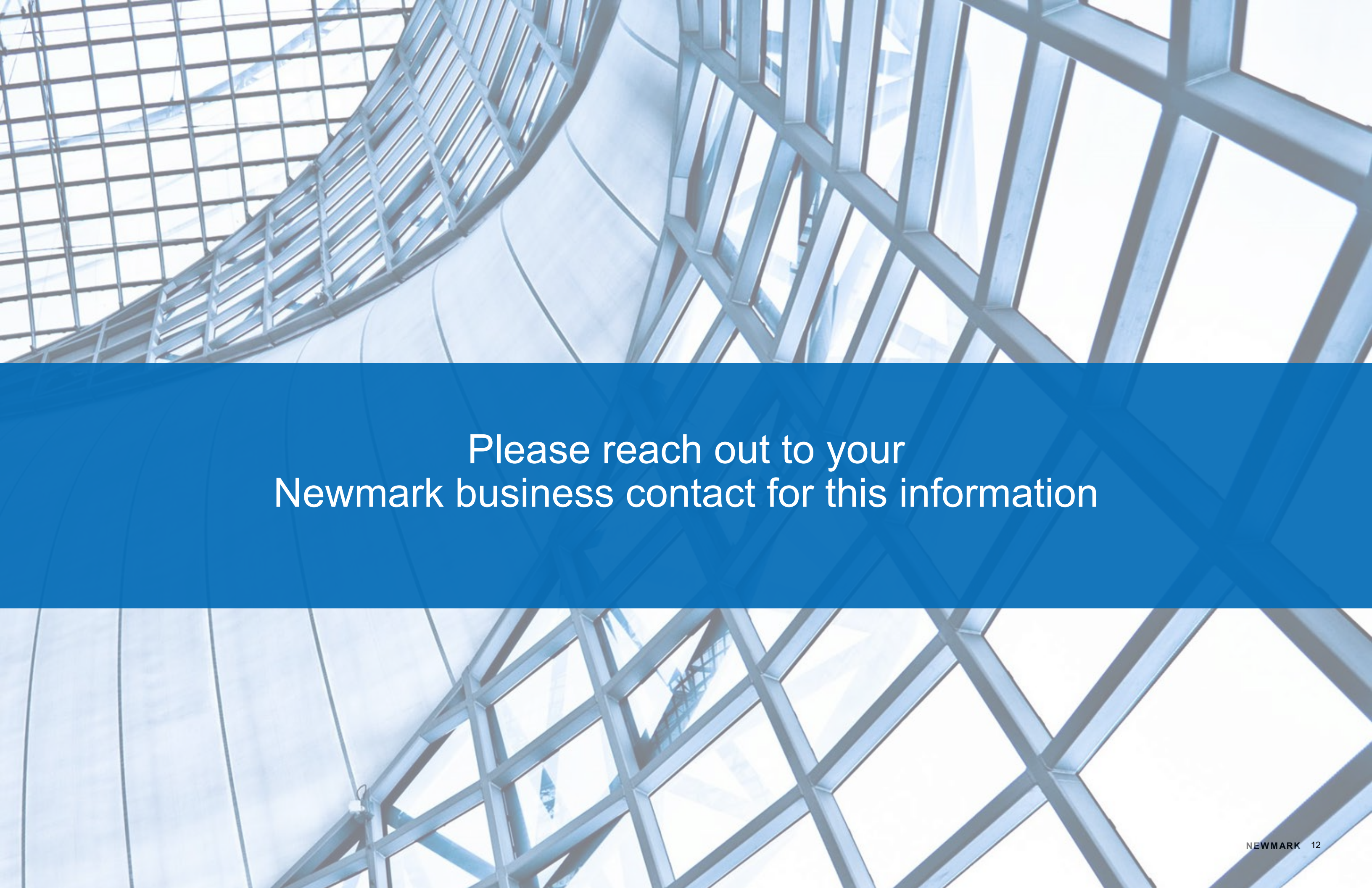
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Gross Absorption Remained Relatively Flat

Total gross absorption for the quarter was recorded at 845,000 SF, representing a 7.4% decrease quarter-over-quarter and a 5.7% decrease year-over-year.



Source: Newmark Research

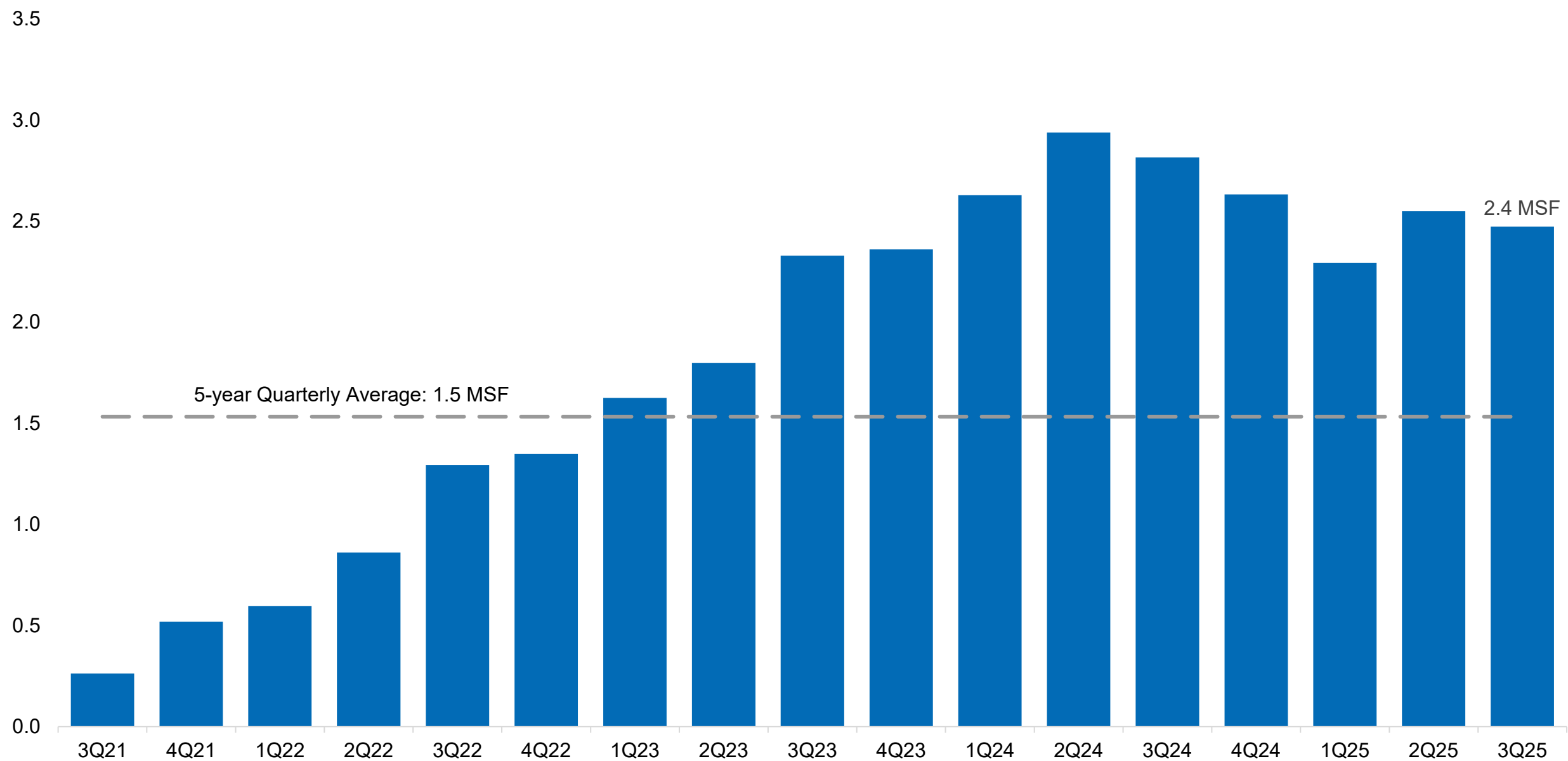


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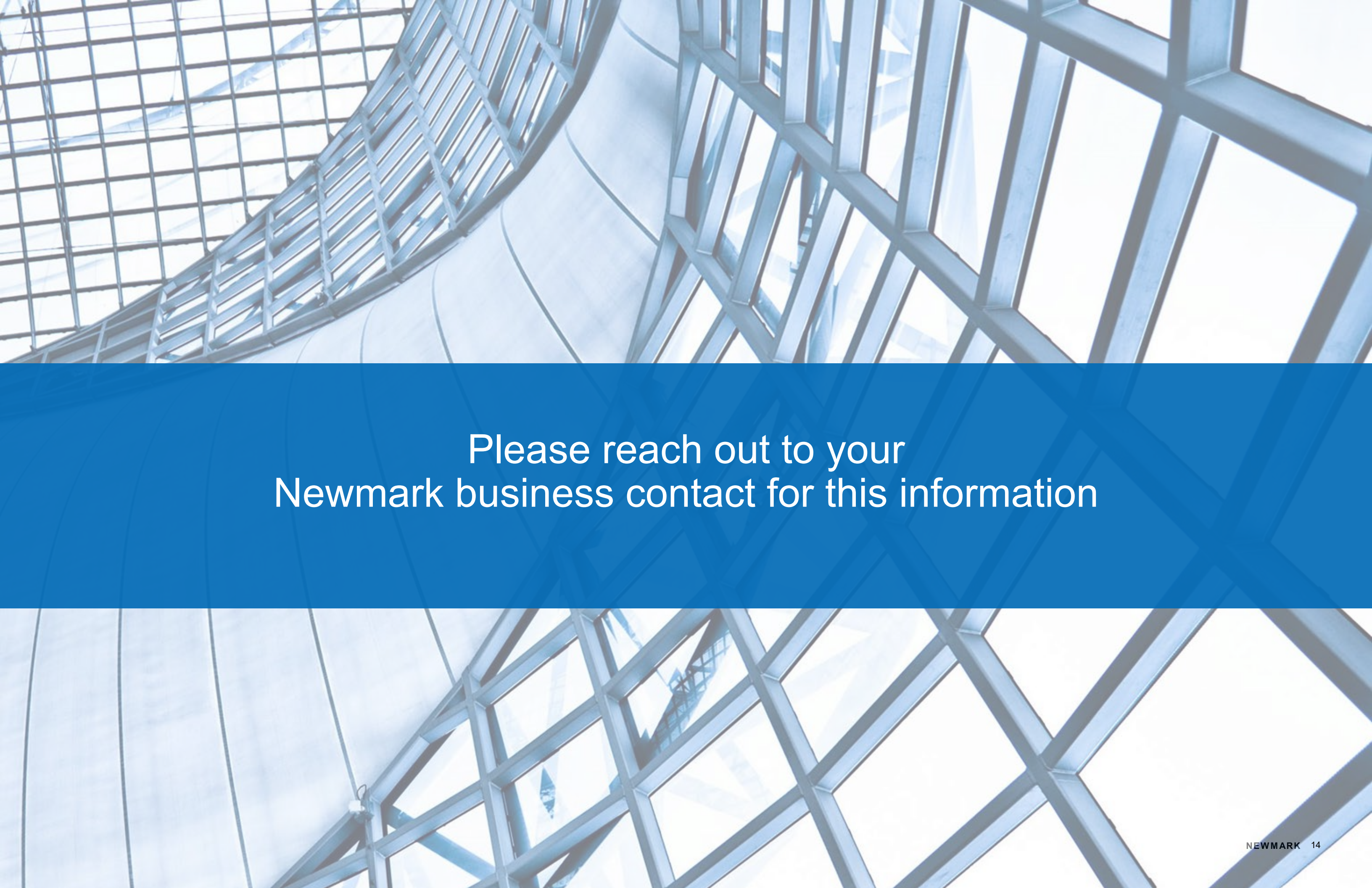
Bay Area Sublease Availability Decreased in Q3

The Bay Area life science market recorded a decline in sublease availability in the third quarter of 2025, reaching 2.4 million SF—down from 2.5 million SF in the previous quarter and 2.8 million SF one year earlier.

Available Life Science Sublease Volume (MSF)



Source: Newmark Research

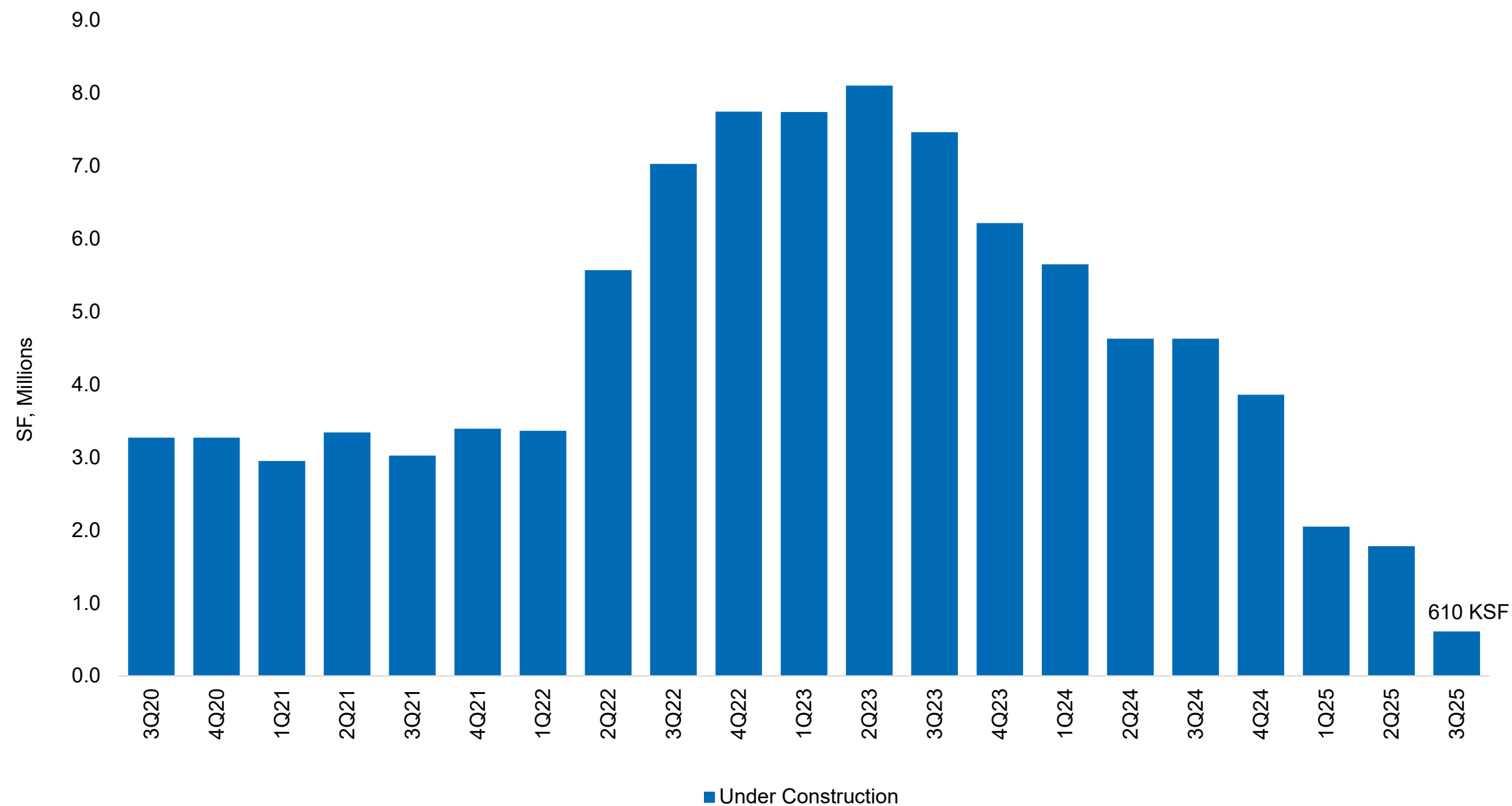


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Construction Pipeline Continued to Level Off

The construction pipeline continued to contract in the third quarter, totaling 610,000 SF, with 37.0% preleased and no reported deliveries. SteelWave’s Discovery Station development in South San Francisco, totaling 840,000 SF, was paused this quarter as the developer seeks to extend its right to continue building the project for an additional 10 years. Many newly completed lab buildings remain vacant, prompting landlords and developers to consider repositioning assets to accommodate non-biotech tenants in an effort to boost occupancy.

Life Science Under Construction (MSF)

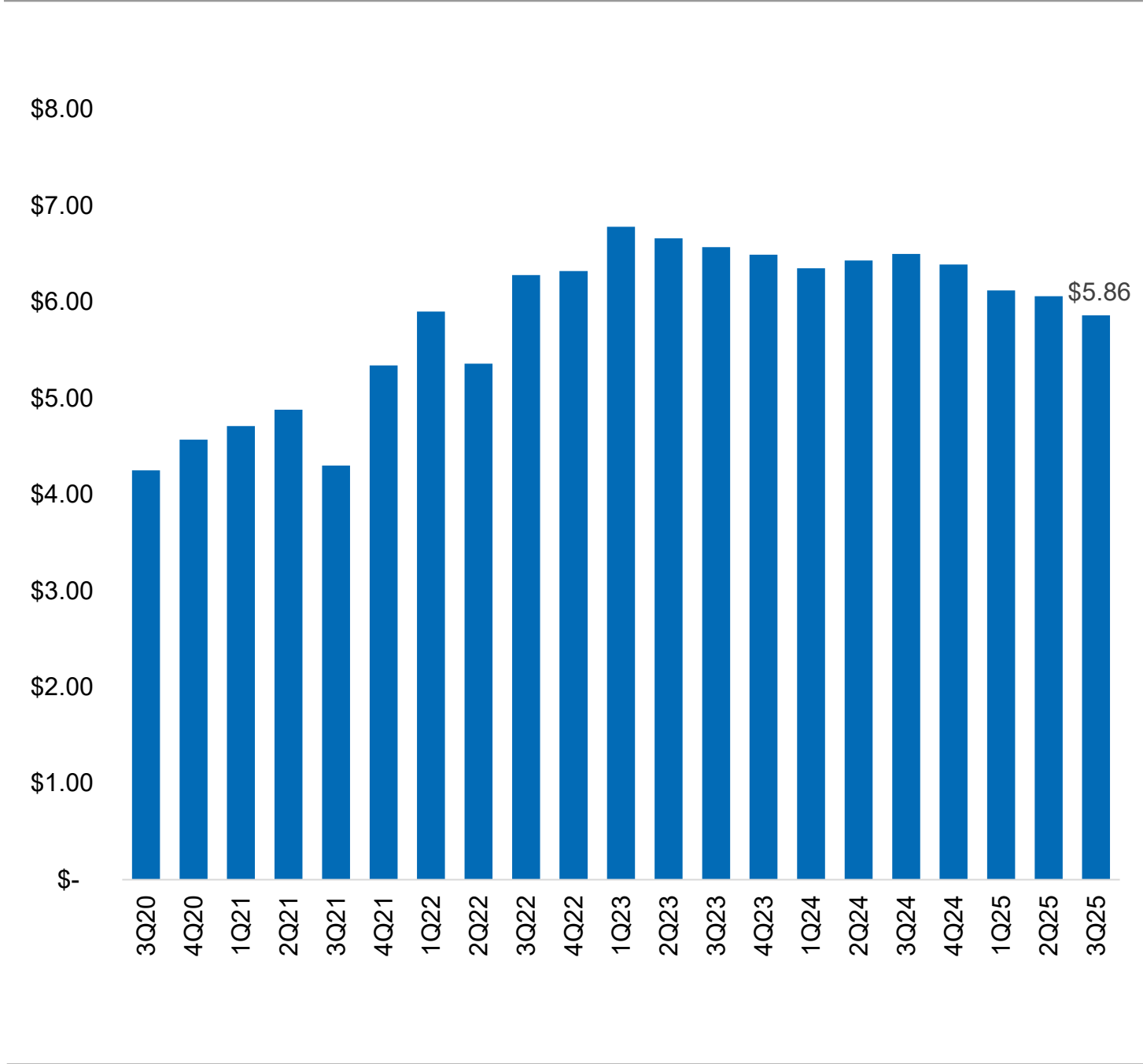


Source: Newmark Research, CoStar

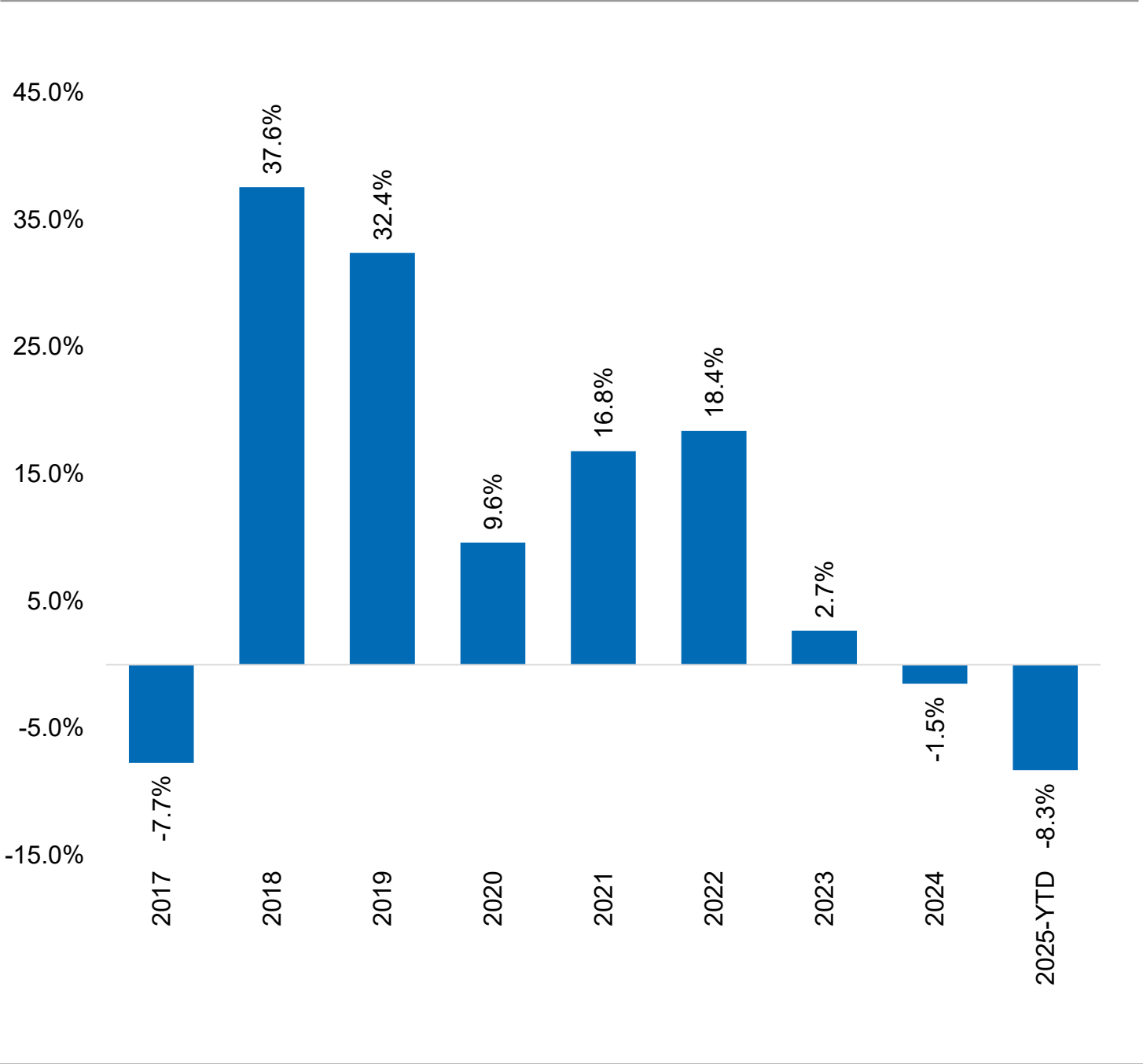
Bay Area Average Asking Rent Decreased for Fourth Consecutive Quarter

The overall average asking rate for life science space in the Bay Area decreased from \$6.06 PSF last quarter to \$5.86 PSF in the third quarter of 2025. Overall rents continue to be influenced by softer demand and elevated sublease availability, as landlords adjust pricing to attract tenants in a slower market.

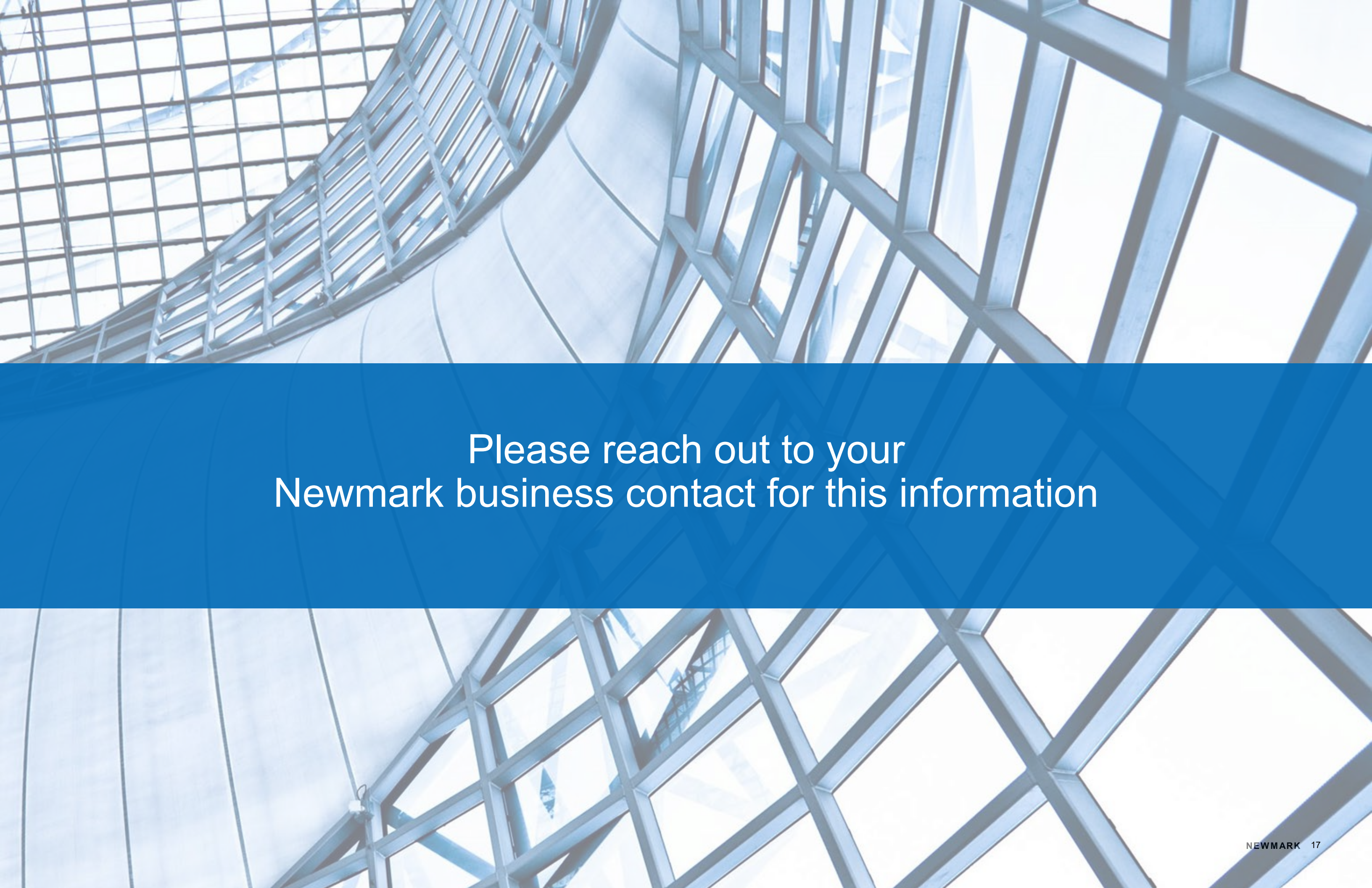
Overall Life Science Average Asking Rent, \$/SF, NNN



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



Source: Newmark Research, CoStar

A low-angle, upward-looking shot of a modern building's interior or exterior structure. The image features a complex network of steel beams and girders forming a grid-like pattern. Large glass panels are visible, reflecting the sky and other parts of the structure. The perspective creates a sense of height and architectural scale. A solid blue horizontal band is superimposed over the middle of the image, containing white text.

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Notable 3Q25 Lease Transactions

A total of nine leases of 20,000 SF or greater were executed this quarter, compared with nine in the previous quarter and 14 one year earlier.

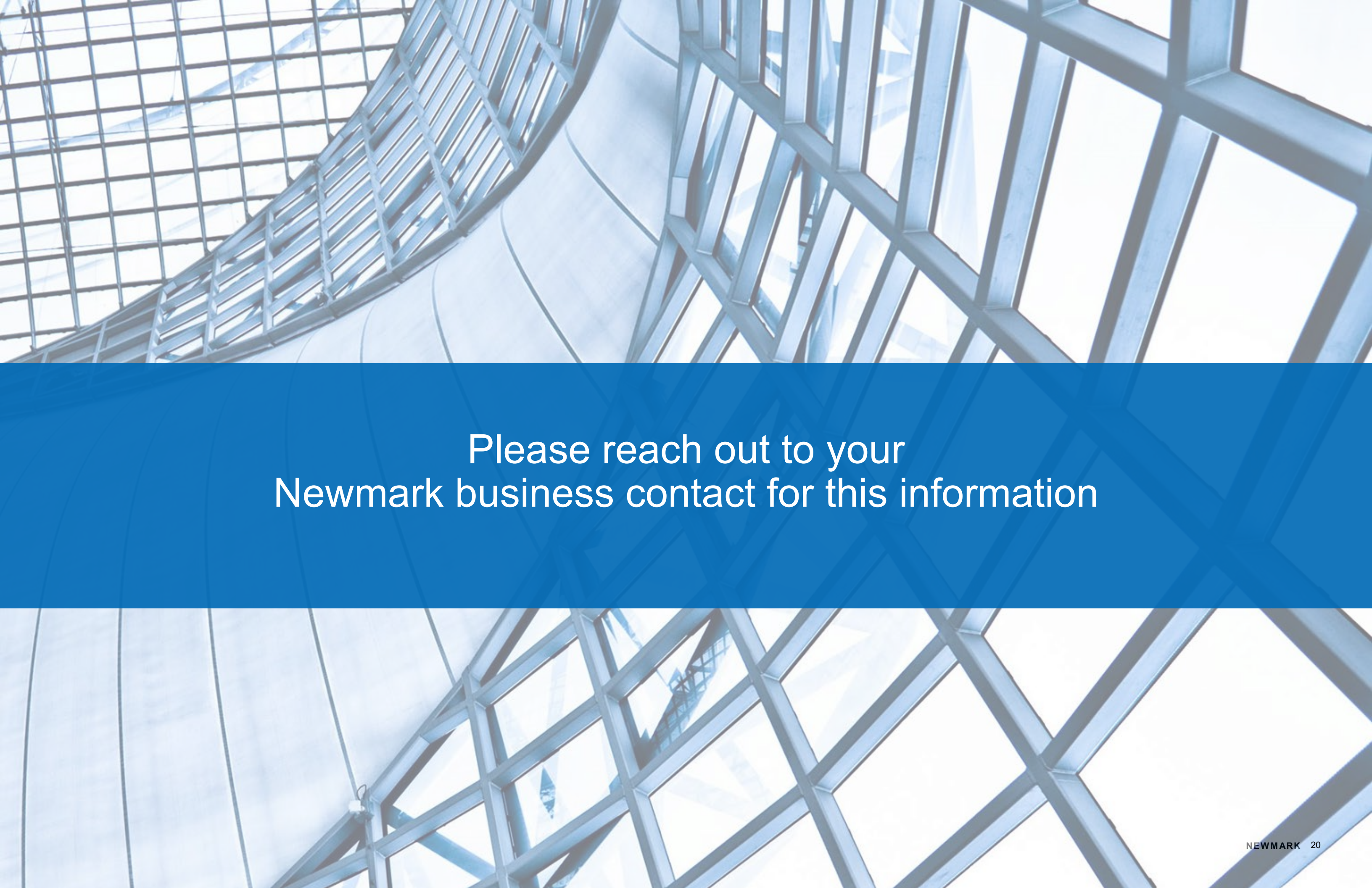
Select Lease Transactions				
Tenant	Project/Building	Submarket	Type	Square Feet
Neuralink	499 Forbes Blvd.	South San Francisco	Direct Lease	145,852
Elon Musk–owned Neuralink completed the largest deal of the quarter, leasing 499 Forbes Blvd. in South San Francisco, totaling 145,852 SF.				
Revolution Medicines	Seaport Centre- Healthpeak Properties 400 Saginaw Drive	Redwood city	Lease Expansion	60,841
Clinical-stage precision oncology firm RevMed completed the second-largest deal of the quarter, expanding its footprint within the Seaport Centre Project in Redwood City for a total of 60,841 SF transacted.				
MBC BioLabs	Kilroy Oyster Point- Phase II 365 Oyster Point Blvd.- Bldg. F	South San Francisco	Direct Lease	44,199
Life science incubator MBC BioLabs completed the third-largest deal, leasing 44,199 SF on the second floor in Building F in Phase II of the Kilroy Oyster Point Project in South San Francisco.				
Impossible Foods	Seaport Centre- Healthpeak Properties 400 Saginaw Drive	Redwood city	Sublease	43,724
The fourth-largest deal of the quarter was done by Impossible Foods, which subleased 43,724 SF from Revolution Medicines at 400 Saginaw Drive in Redwood City.				
Periodic Labs	4055 Bohannon Drive	Menlo Park	Direct Lease	37,808
AI-driven science startup company Periodic Labs leased 4055 Bohannon Drive in Menlo Park for the fifth-largest deal of the quarter.				

Source: Newmark Research

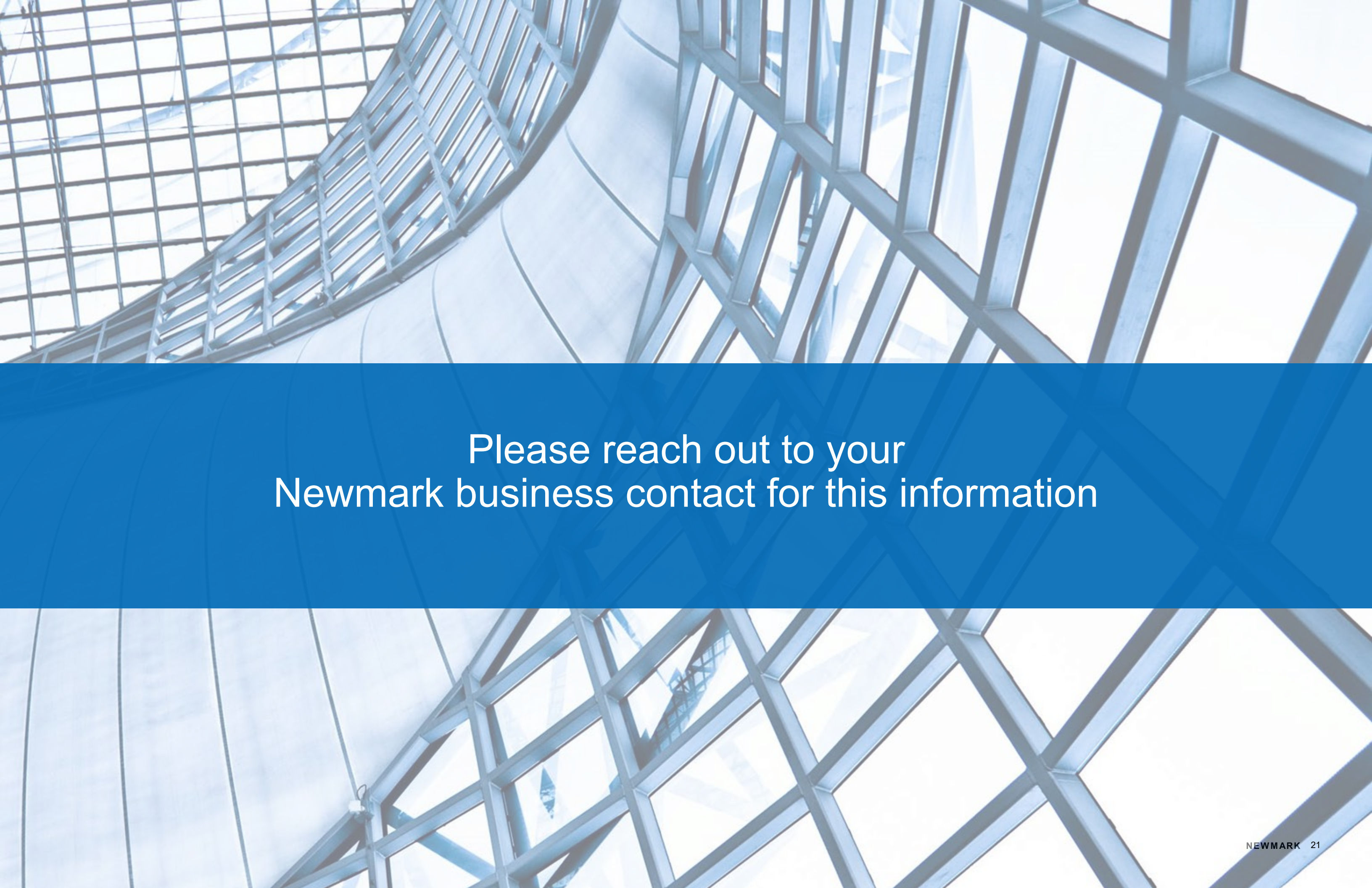
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Appendix / Tables





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