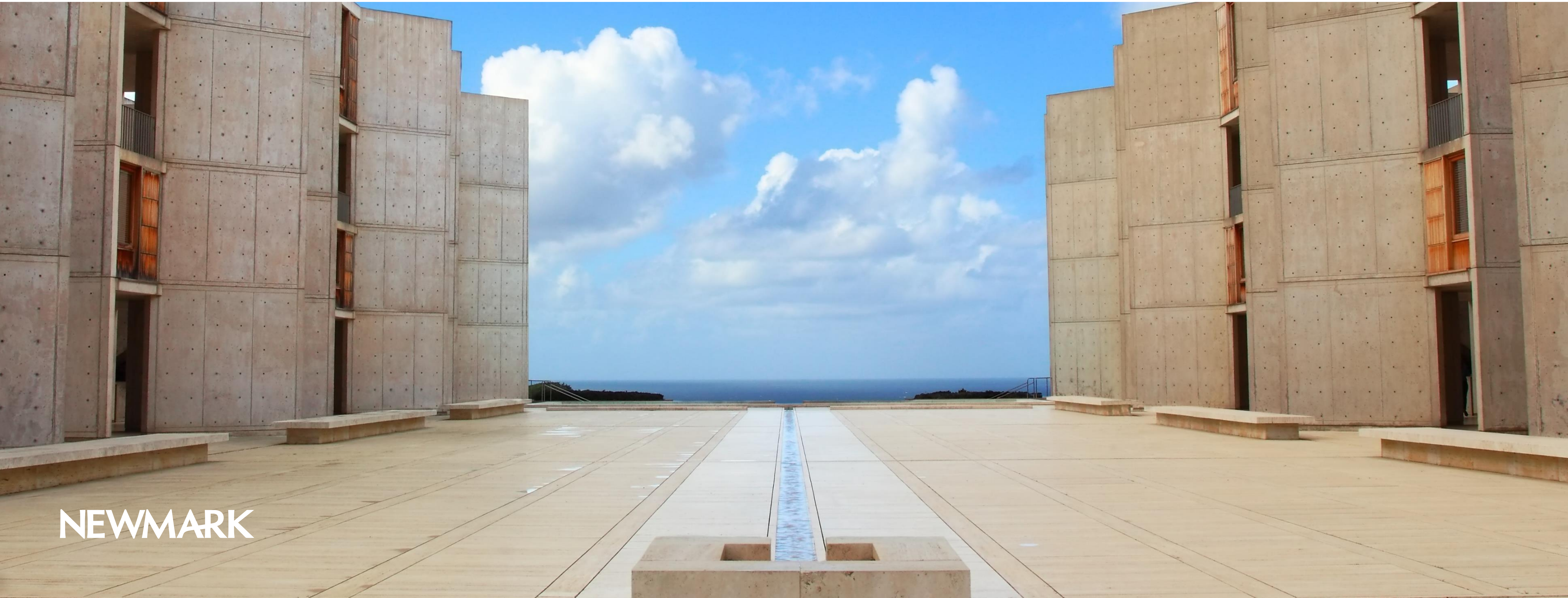
3Q25

San Diego Life Science Market Overview



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Market Observations

Economy

- The region's unemployment rate was 5.0% in August 2025, up 10 basis points over the past year and the highest rate since October 2021.
- Life science jobs have outperformed job growth in office-using industries over the past five years but have declined by 11.7% from the all-time high reached in 2023.
- Venture capital funding totaled $555.3 million and public offerings grossed $1.2 billion during the third quarter,
- There was only one acquisition of note during the quarter; pharmaceutical multinational Fagron acquired San-Diego-based pharmaceutical compounder University Compounding Pharmacy for $41.5M.

Leasing Market Fundamentals

- Asking rents in the core submarkets declined to $5.37/SF NNN, down 6.7% over the past year, as elevated vacancy has put pressure on landlords.
- Net absorption was barely positive, posting 5,310 SF in gains for the quarter. Year-to-date, the market has experienced 497,484 SF in negative net absorption.
- Total vacancy plateaued at 26.4%, still at an all-time high, up from 16.9% a year ago. 2.0 MSF of new deliveries and negative absorption in the first half of the year contributed to the high level of vacancy.
- Sublease availability remained elevated at 1.6 MSF, slightly lower than last year.
- 427,000 SF of construction is currently underway in the core submarkets after the pipeline dramatically reduced over the past two years.

Major Transactions

- Novartis signed a 466,598-SF lease for a build-to-suit project to be constructed by Alexandria Real Estate in Campus Point. The company will use the new building to consolidate its various local offices and acquisitions into one location.
- Phase 3 Real Estate Partners purchased 5505 Morehouse from Alexandria Real Estate for $45.0M. The property is currently occupied by Artiva Biotherapeutics and RayzeBio, which was acquired by Bristol-Myers Squibb in 2023.

Outlook

- The market has finally found equilibrium between new supply and demand. Owners will continue offering aggressive asking rents until vacancy starts to fall and rent growth can resume.
- The market will lean in tenants's favor over the next year, with landlords offering generous free rent and amenities packages to kickstart occupancy at new projects.
- Investors have been biding their time waiting for interest rate relief, and two interest rate cuts the Federal Reserve intends to make by the end of the year should encourage more groups to reengage with the market.

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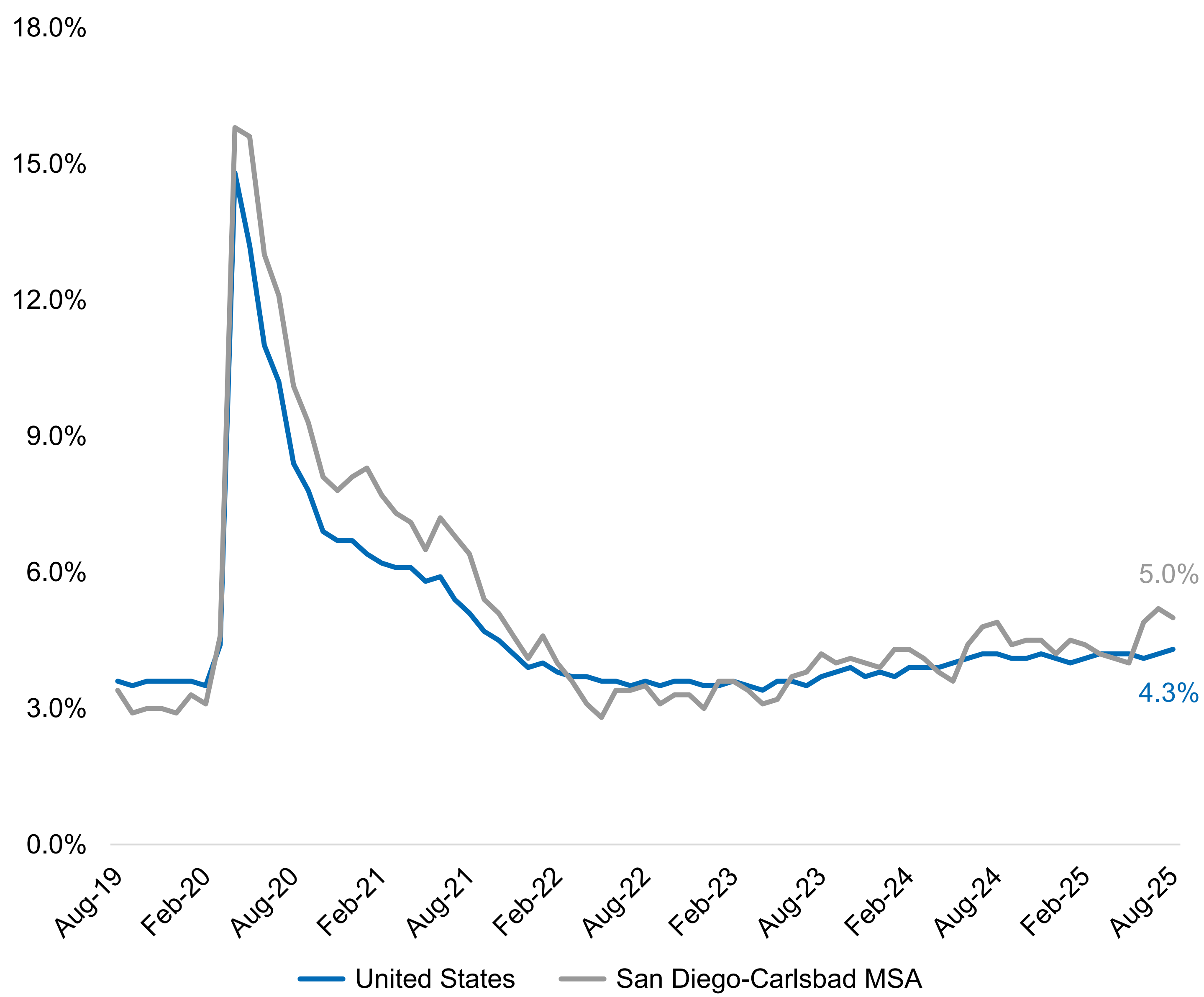
Economy

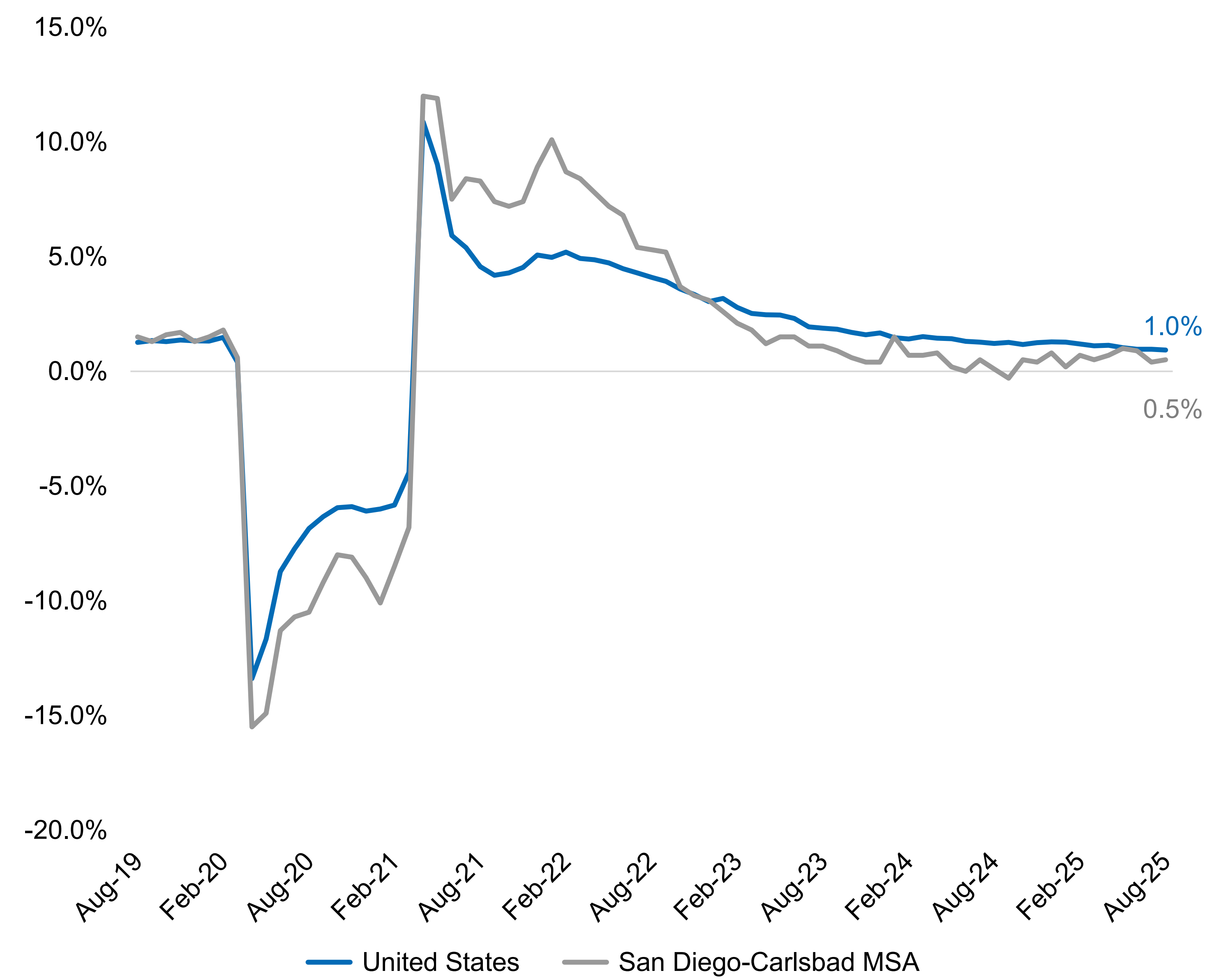
Unemployment Ticks Up as Job Growth Slows

The local unemployment rate was 5.0% in August 2025, up 10 basis points over the past year and the highest since 2021. During this time total nonfarm employment posted minimal gains: employers reported an additional 7,700 jobs over the past year, representing growth of 0.5%, which lagged the national average.

Unemployment Rate, Seasonally Adjusted



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



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

Life Science Job Growth Outpaced Office Over the Past 20 Years

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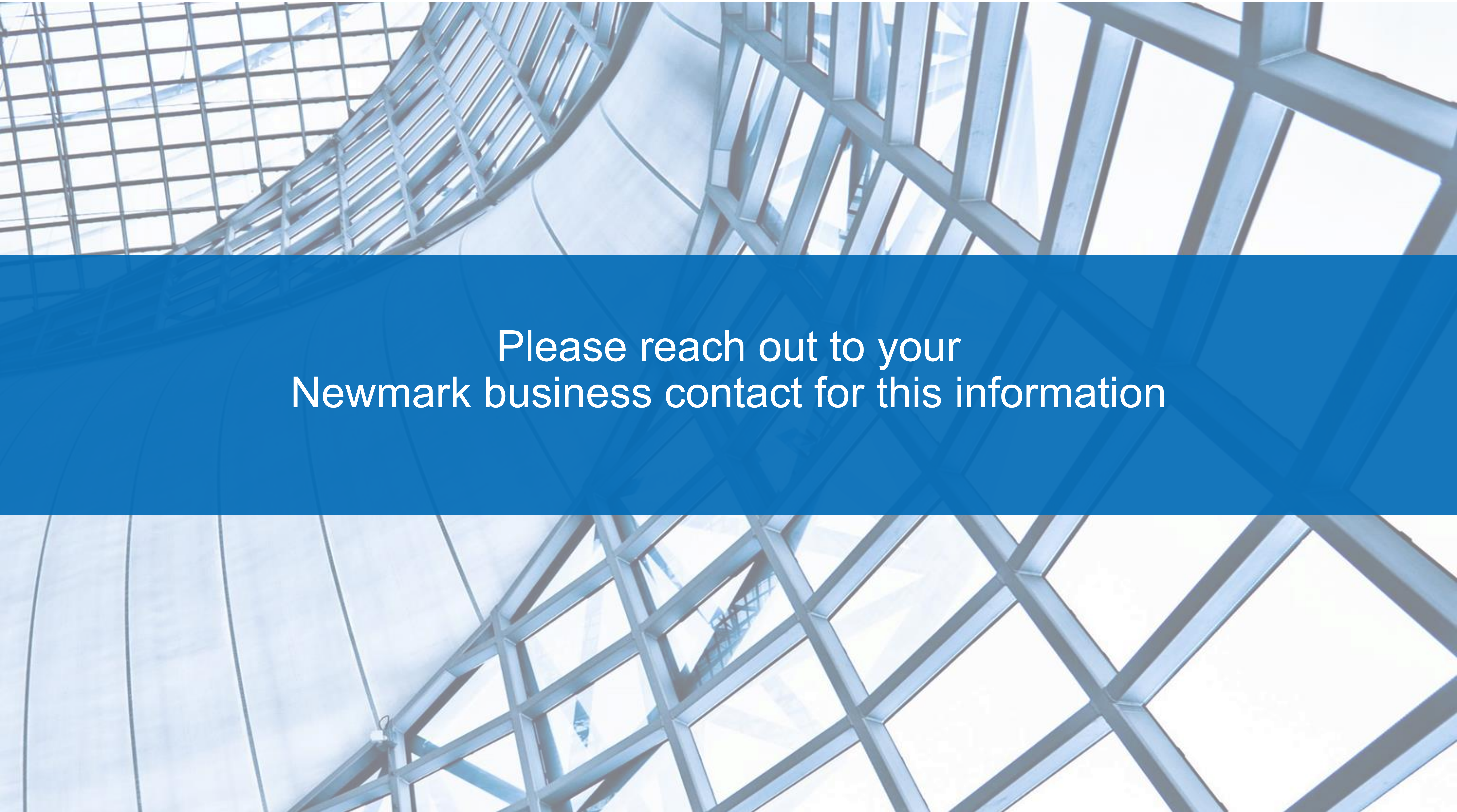
Life Science Funding Recovers From Slow Start to the Year



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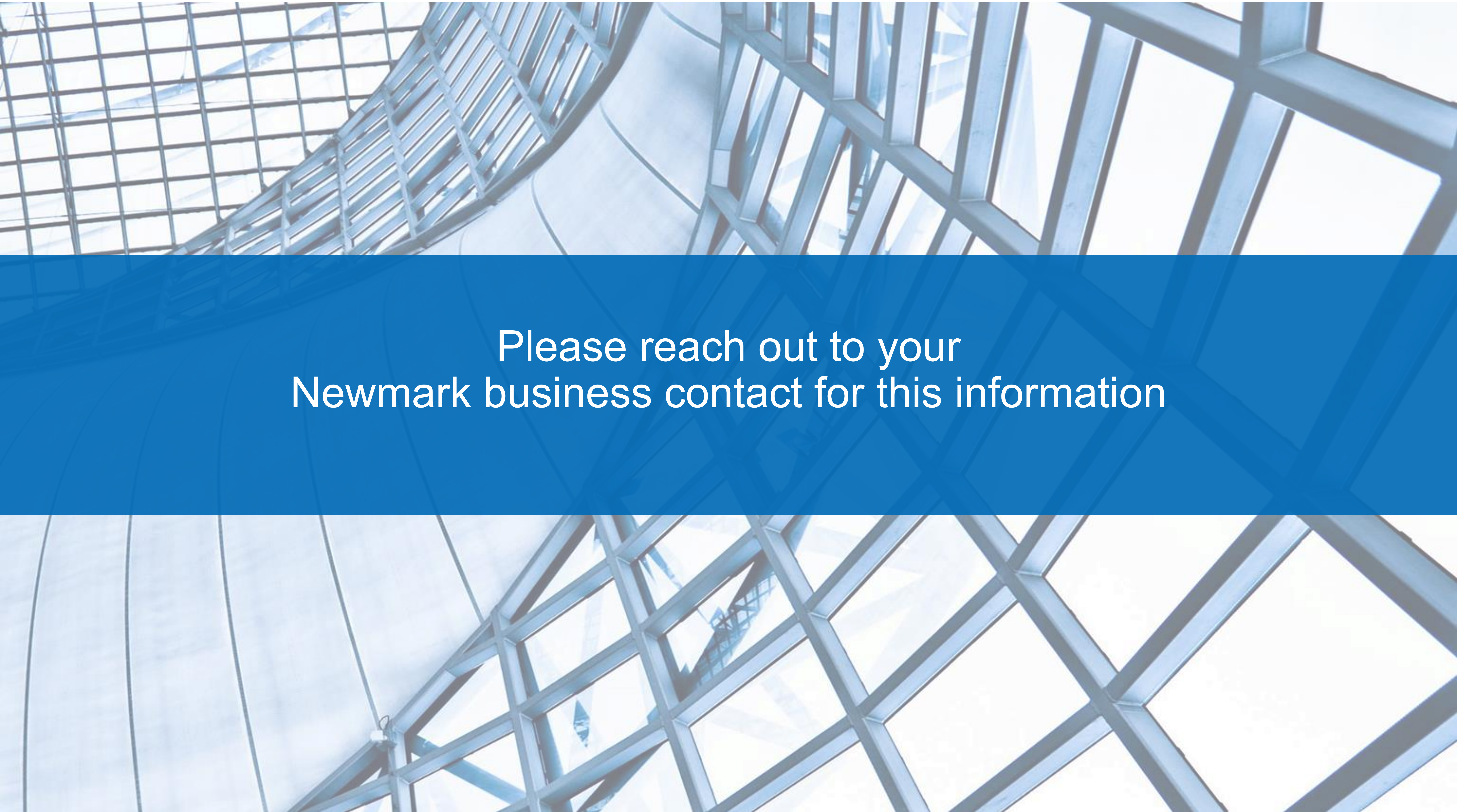
Notable Funding Rounds



Life Science Mergers and Acquisitions Stall in Third Quarter

After a busy first half of the year, acquisition activity slowed considerably during the third quarter, with only one deal of note. In September pharmaceutical multinational Fagron announced it was acquiring San-Diego-based University Compounding Pharmacy, a pharmaceutical compounder to expand its U.S. presence, particularly in California.

Notable Deals

Date	Acquisition	Buyer	Acquisition Price
Sep 2025	University Compound Pharmacy	Fagron	$41,500,000
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

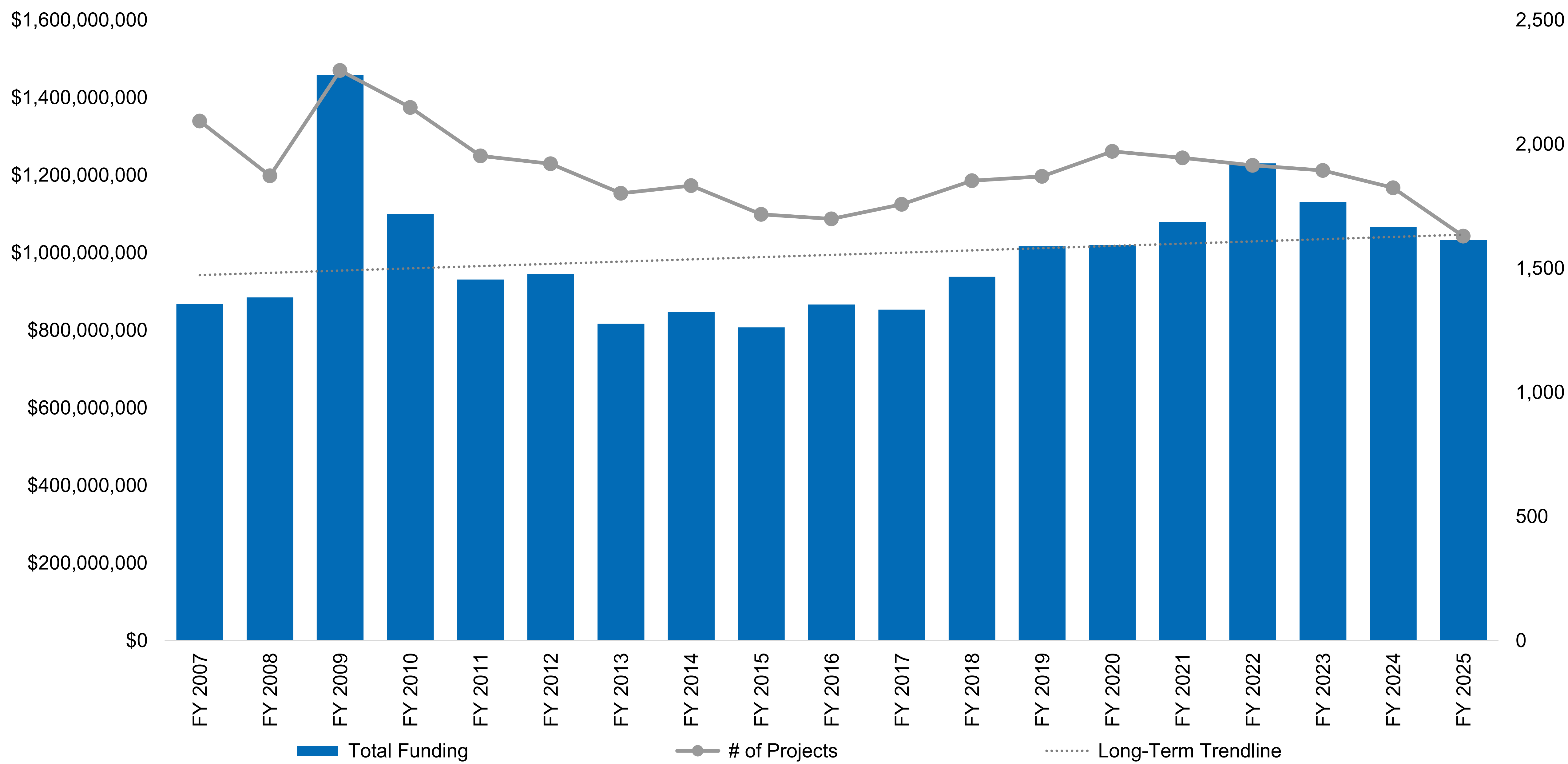
Year	Total Volume
2025	$4,284,500,000
2024	$23,320,000,000
2023	$15,606,850,000
2022	$7,813,700,000
2021	$18,703,700,000
2020	$3,561,331,890
2019	$541,500,000
2018	$4,546,300,000
2017	$2,075,000,000
2016	$528,900,000
2015	$16,042,700,000

Source: Newmark Research, Crunchbase, Pitchbook

NIH Funding

Since 2007 San Diego County has averaged $992.4 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, which ended in September, saw $1.0 billion in funding for 1,629 projects, 96.8% of fiscal year 2024's annual dollar total.

San Diego County Total NIH Funding by Fiscal Year



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

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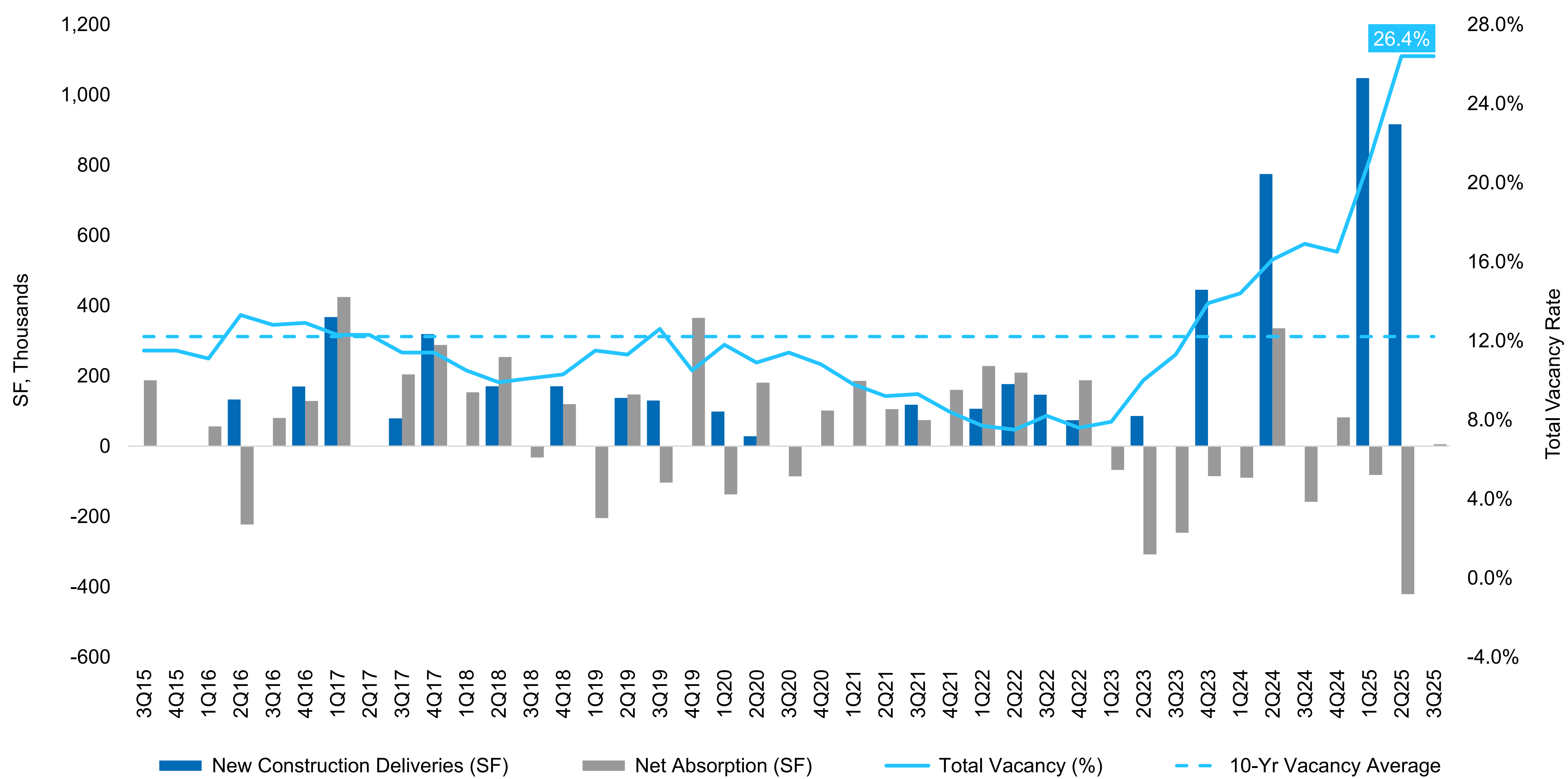
Leasing Market Fundamentals

New Deliveries Cause Vacancy to Rise

The total vacancy rate held steady at 26.4% in the third quarter, although this is up from 16.9% during the third quarter of 2024 and the highest level in 20 years. This increase was fueled by negative absorption, which totaled 497,484 SF in losses year to date, and the delivery of new projects, which have totaled 2.0 million SF year to date.

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

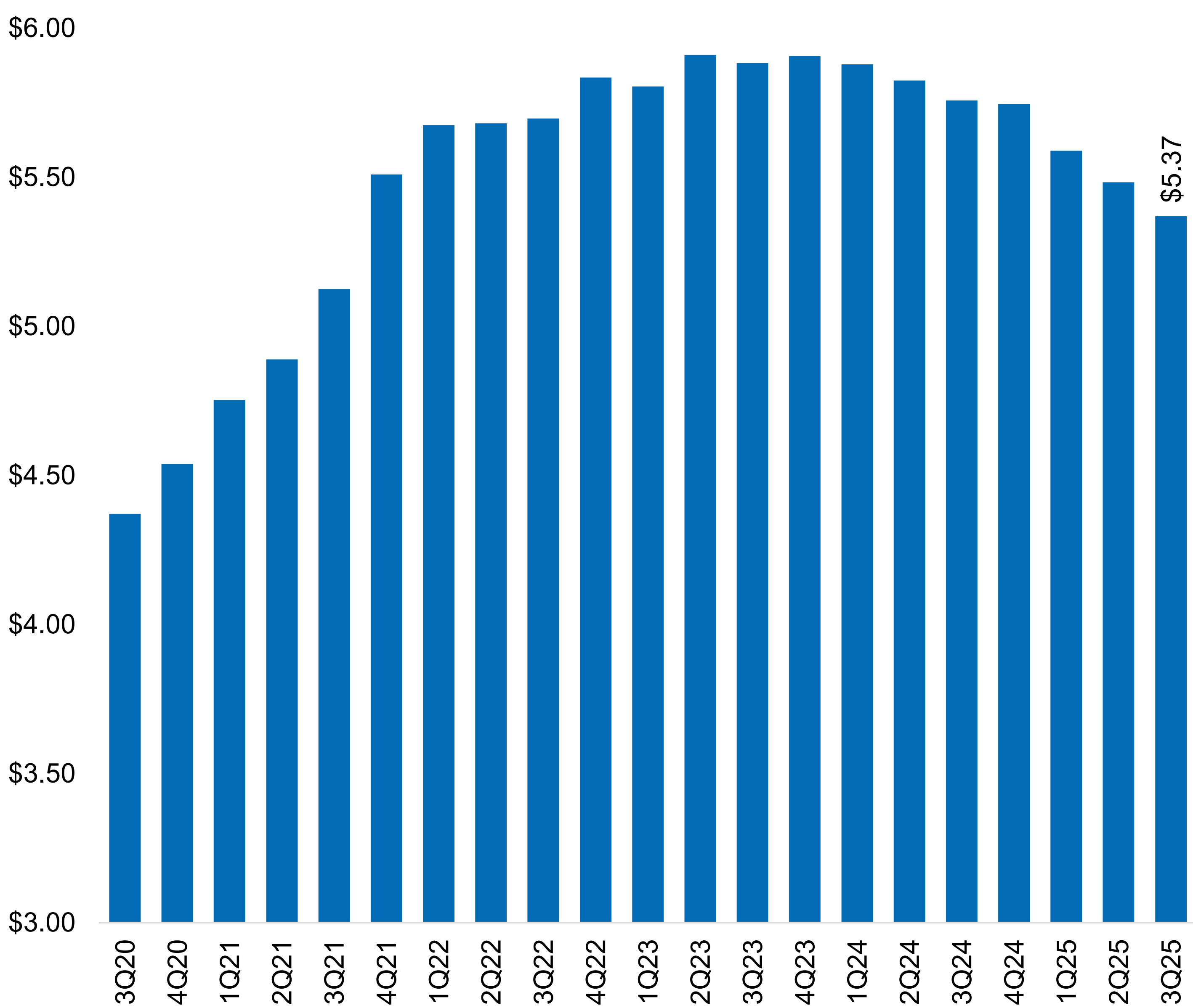


Source: Newmark Research

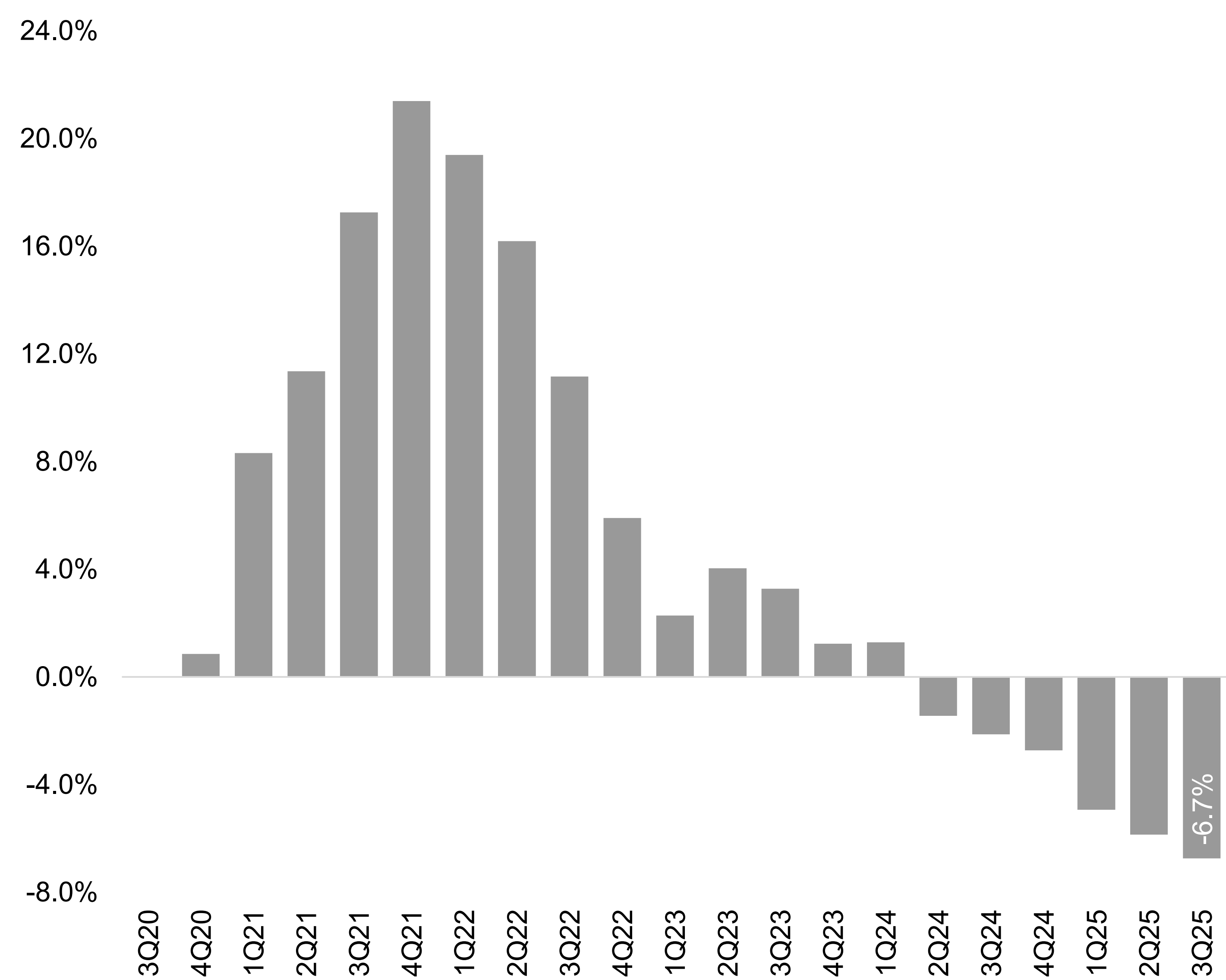
Asking Rents Have Declined for Six Quarters

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 six quarters, reaching $5.37/SF NNN in the third quarter of 2025. 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

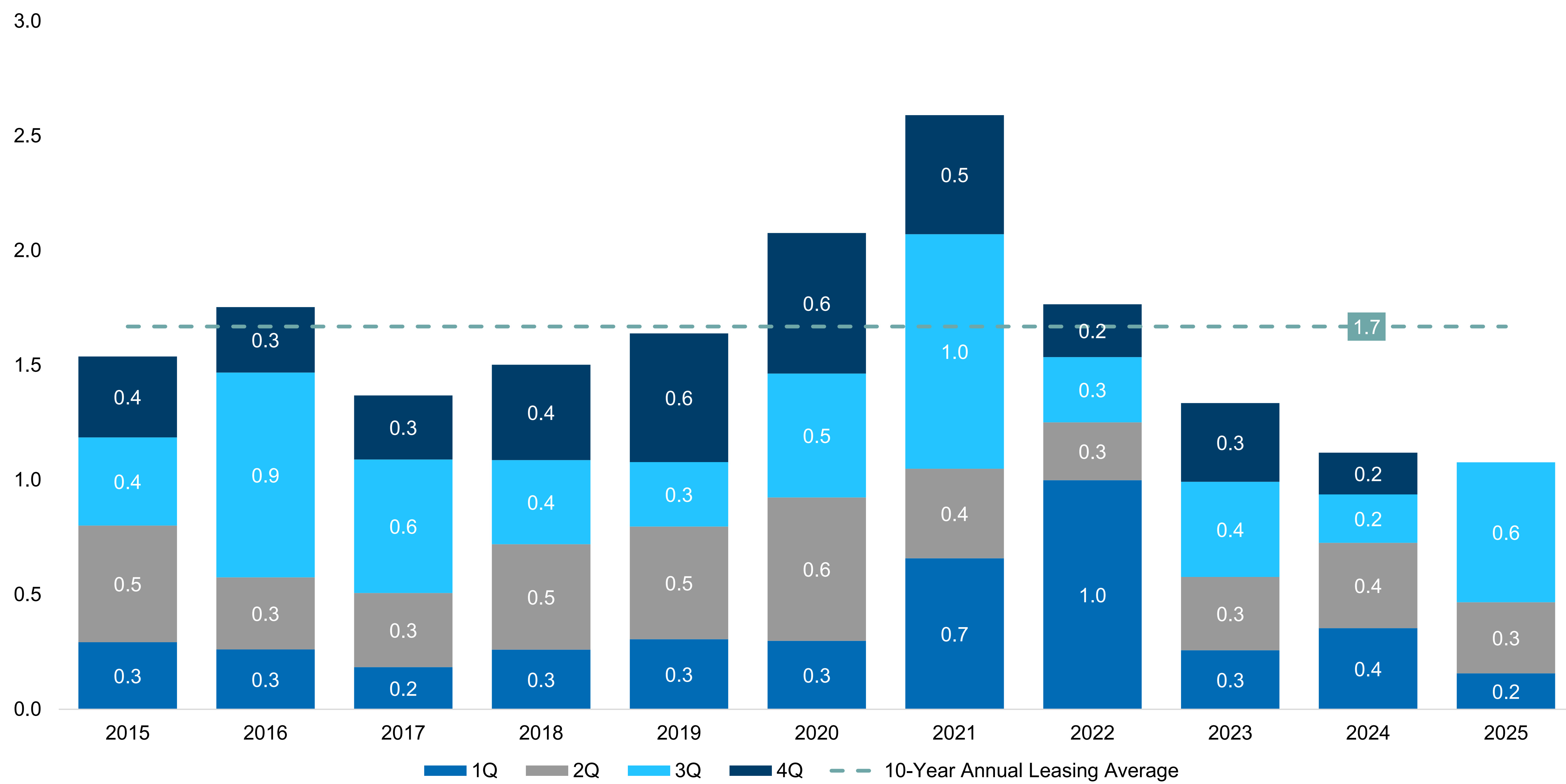


Source: Newmark Research, CoStar

Leasing Activity Gets a Shot in the Arm From Large Build-to-Suit Deal

Leasing activity has slowed over the past three years after the record-setting years of 2020 and 2021. In the third quarter of 2025 Novartis signed a build-to-suit lease for 466,598 SF with Alexandria Real Estate, giving the market a large boost after a slow first half of the year. The flight to quality projects and new construction has been pronounced in recent leasing deals.

Total Leasing Activity (Millions of SF)

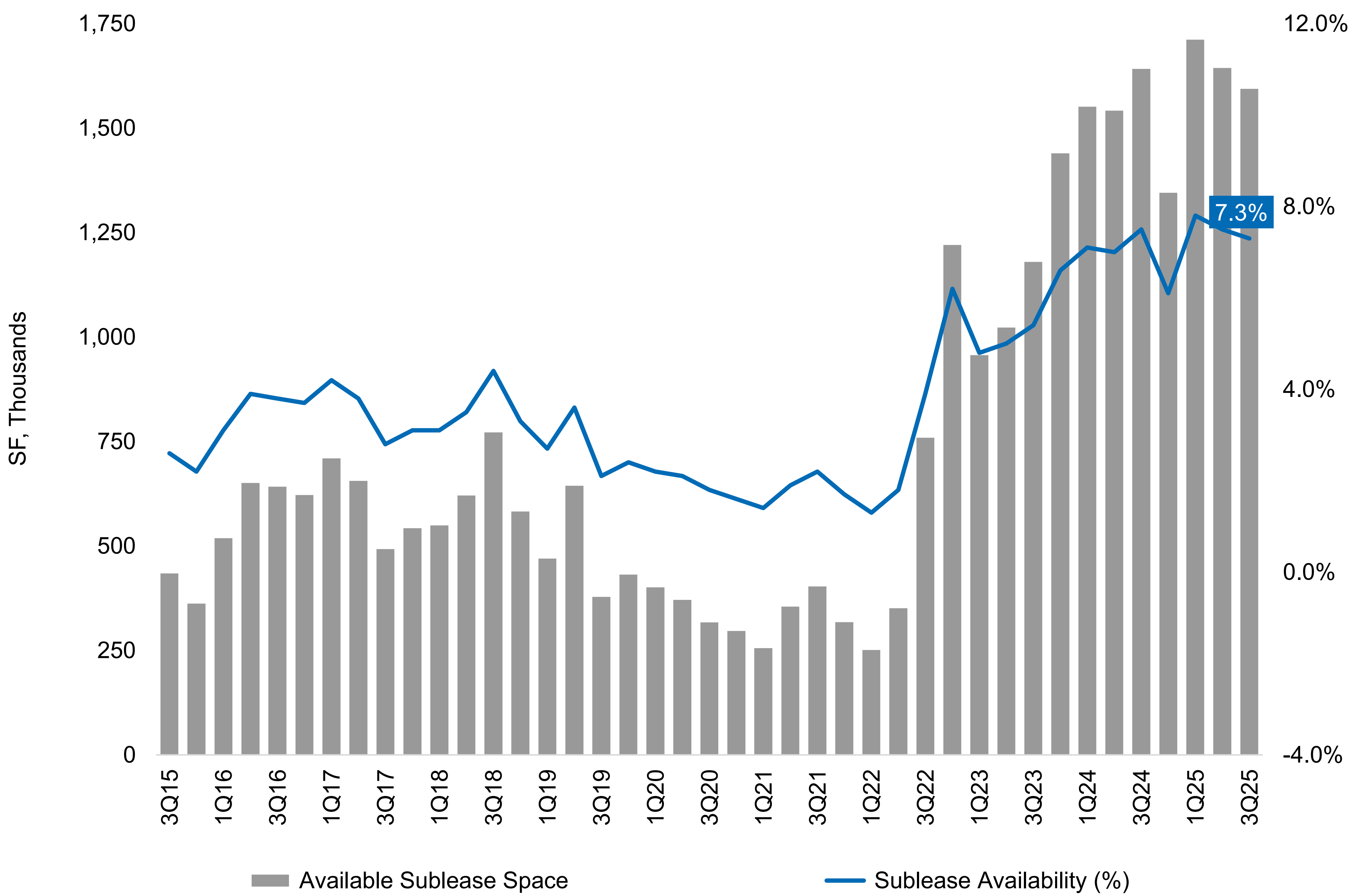


Source: Newmark Research, CoStar

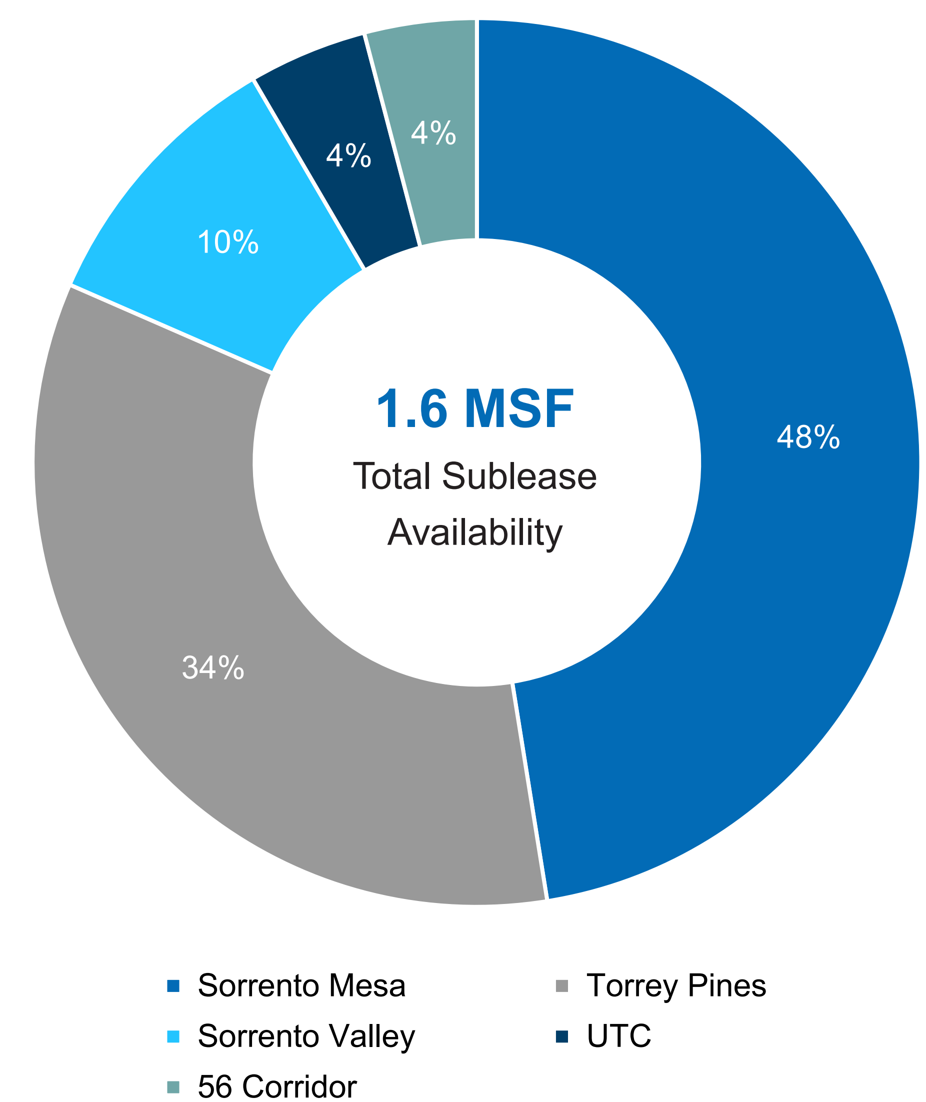
Sublease Space Remains Near All-Time High

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 third quarter, 7.3% of existing inventory, slightly lower than the all-time high set in the first quarter. Sorrento Mesa is home to nearly half of this sublease space and the submarket's sublease availability rate is at 8.6%.

Life Science Projects Sublease Availability



Sublease Availability by Submarket



Source: Newmark Research, CoStar

Notable Lease Transactions

Leasing activity continued to be muted at most existing projects during the third quarter, with the notable of exception of Novartis's 467K-SF prelease for a new central location at Campus Point, one of the largest life science leases in San Diego's history.

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Novartis	10210 Campus Point Dr	UTC	Build-to-Suit	466,598
Swiss multinational pharmaceutical signed a build-to-suit lease with Alexandria Real Estate for a to-be-built project to consolidate various offices into one location.				
Radian Bio	10628 Science Center Dr	Torrey Pines	New Lease	27,505
AI biotechnology discovery incubator leased space at Alexandria's Torrey Ridge Science Center.				
Pleno	6275 Nancy Ridge Dr	Sorrento Mesa	Extension	14,685
Early-stage genomics sequencing biotech signed a one-year lease extension at ARE Portola.				
Arnatar Therapeutics	4930 Directors Pl	Sorrento Mesa	New Lease	9,461
Clinical-stage biotech developing RNA therapeutics leased space at Healthpeak's Directors Science Park.				
Contineum Therapeutics	3565 General Atomics Ct	Torrey Pines	Expansion	5,309
Clinical-stage biopharmaceutical company developing novel oral small molecule therapies expanded at Alexandria's Nautilus project.				

Source: Newmark Research

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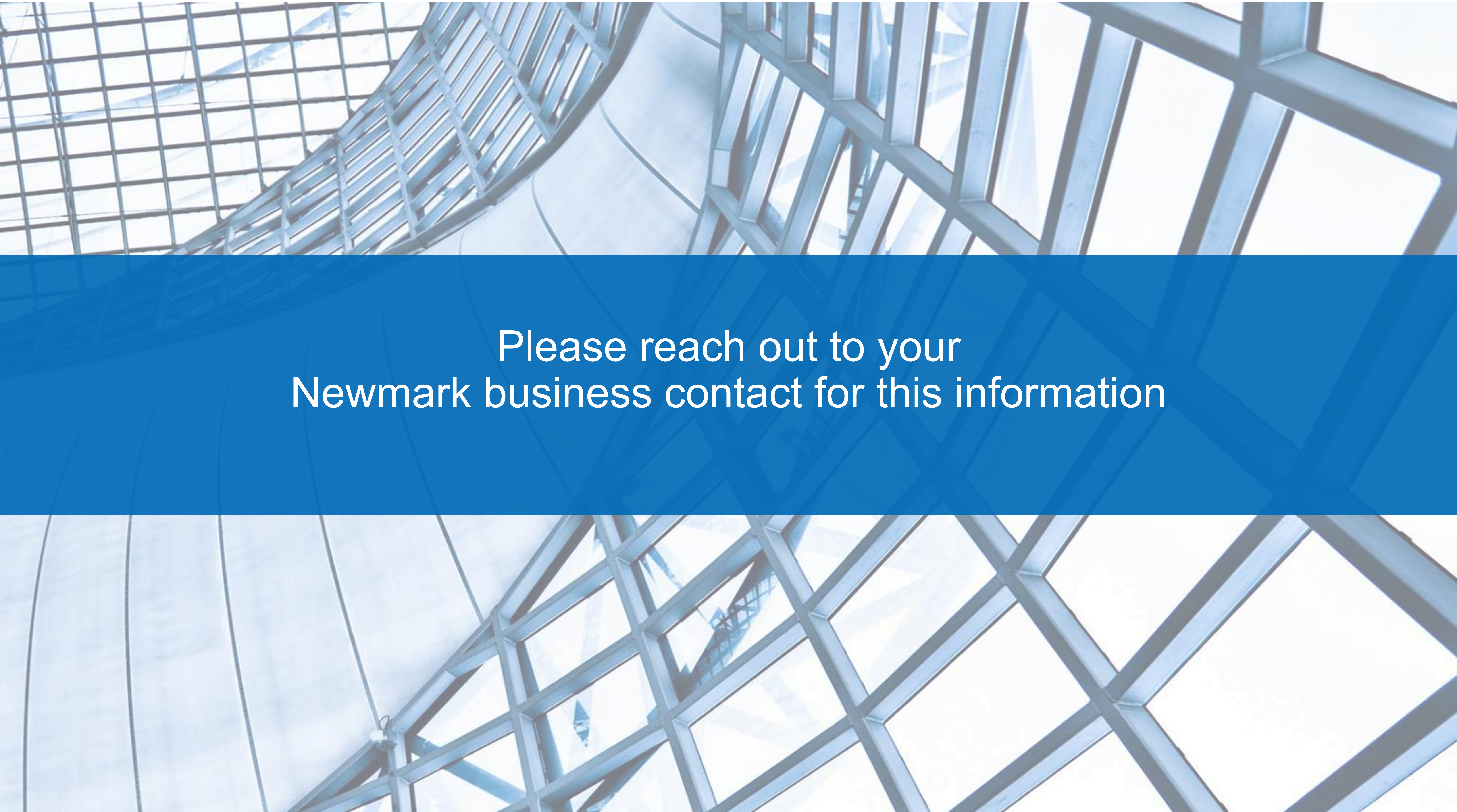
Submarkets and Development

Life Science Core Submarkets and High-Level Statistics | 3Q25



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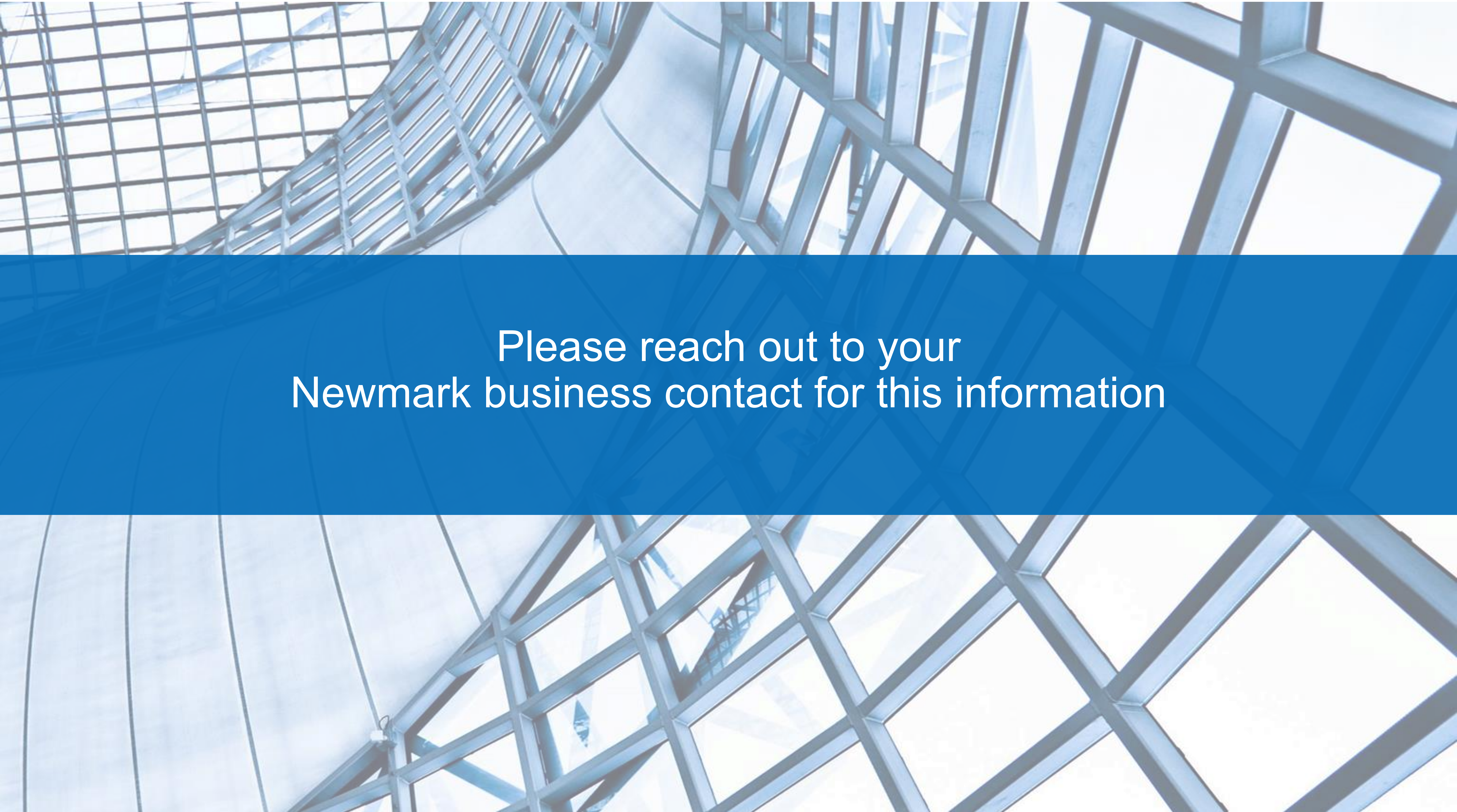
San Diego Life Science Submarkets



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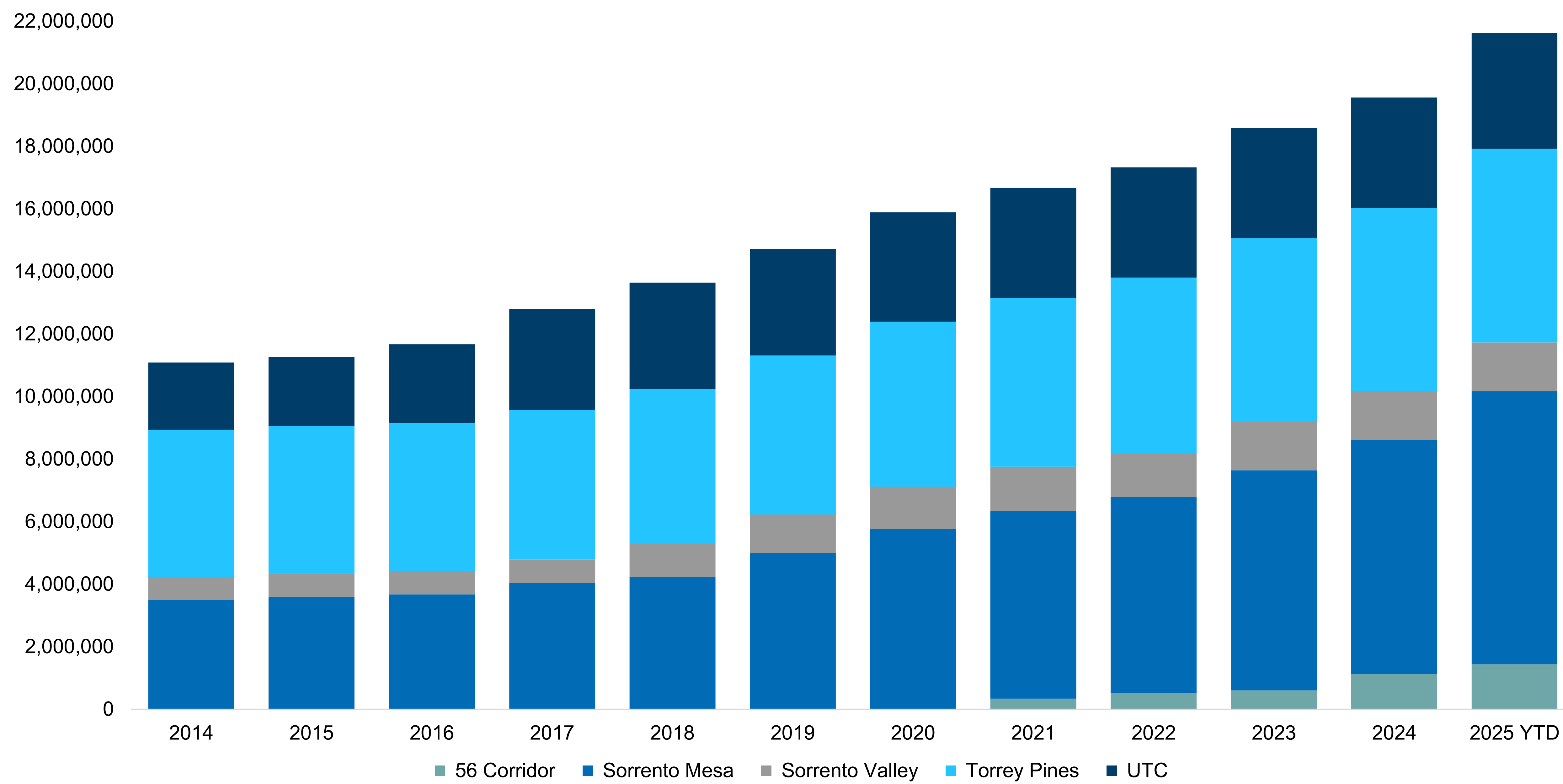
Historical Inventory Growth

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.

Life Science Inventory by Submarket

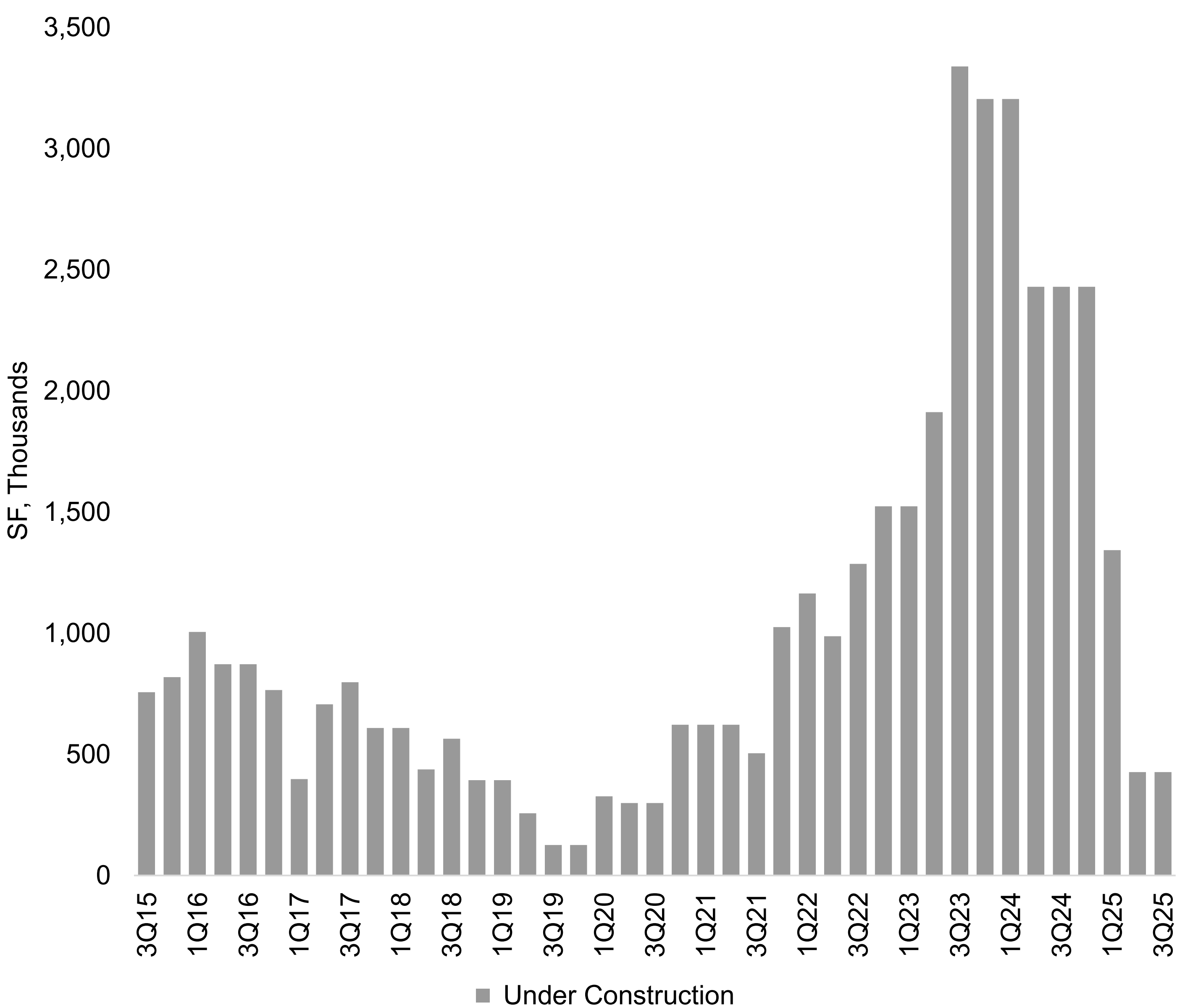


Source: Newmark Research

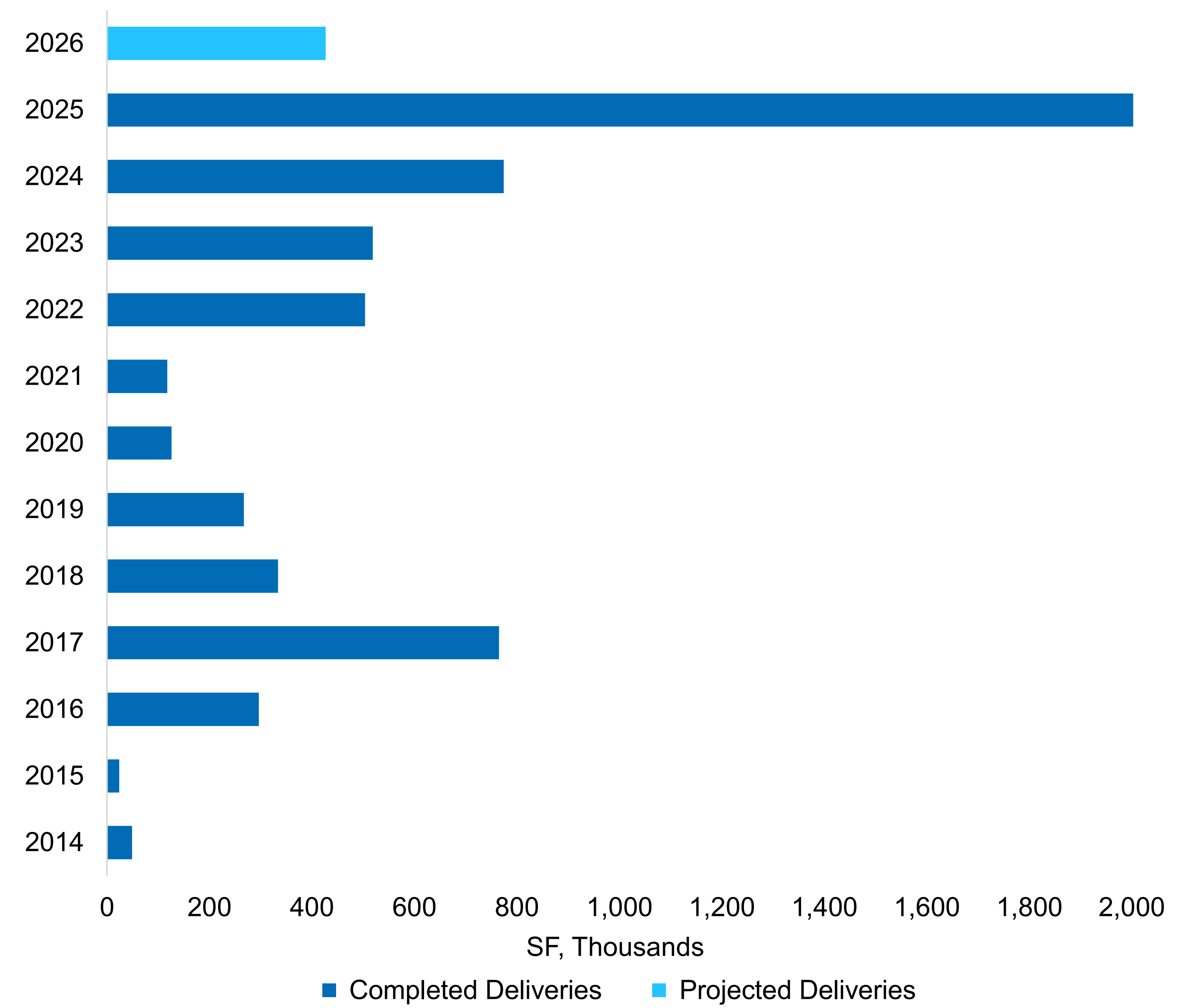
Purpose-Built Construction

Starting in 2020, life science development increased significantly, reaching a peak of 18.7% in the third quarter of 2023. 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 throughout 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

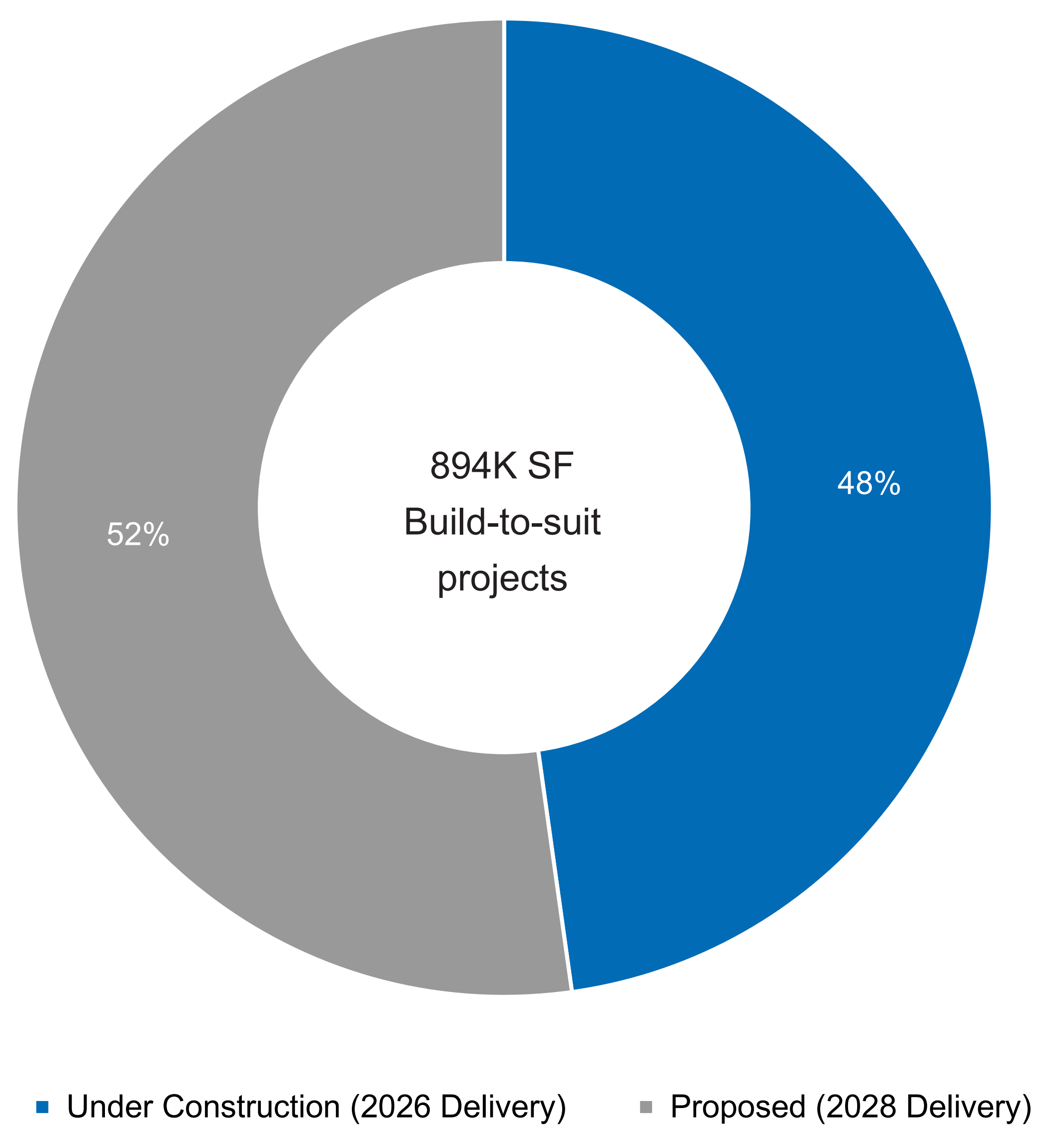


Source: Newmark Research

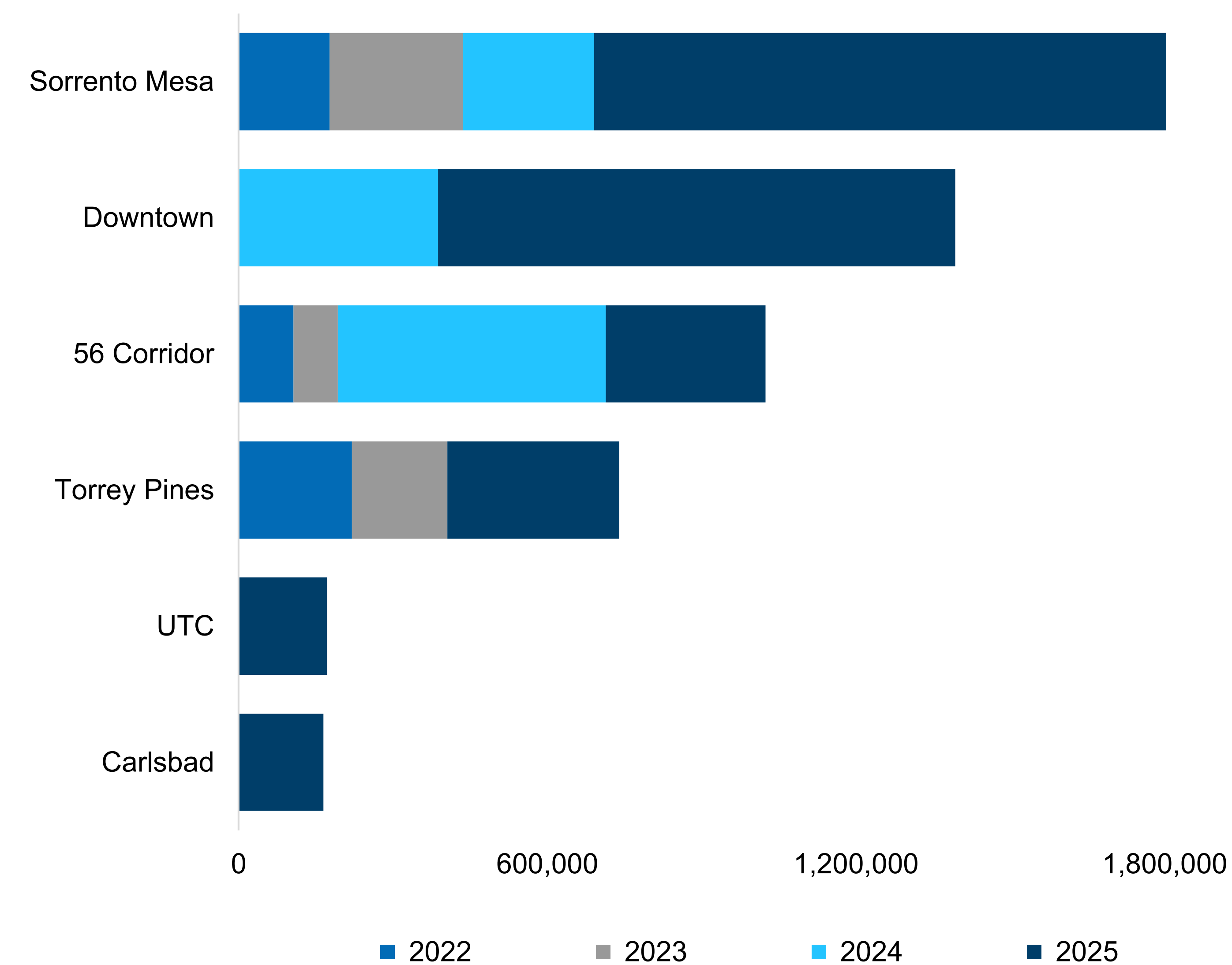
Current Pipeline Winding Down

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 427K-SF build-to-suite project remains under construction in the core, and an additional 467K SF build-to-suit project has been confirmed after securing a lease. 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.

Build-to-Suit Pipeline

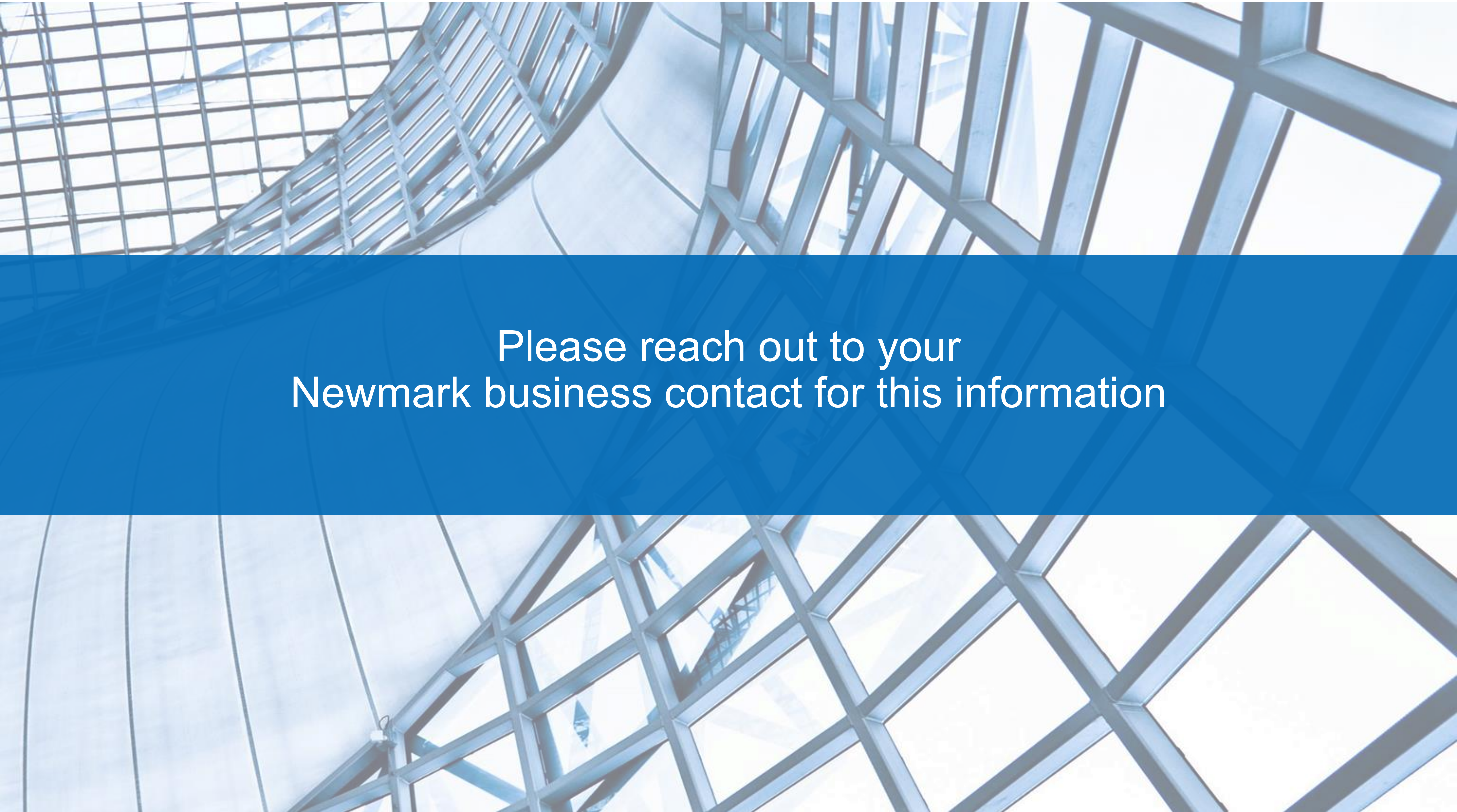


Historical Submarket Deliveries, Past Four Years



Source: Newmark Research, CoStar

Third-Party Vivarium Facilities



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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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