

NEWMARK



# San Francisco Bay Area Life Science Market Overview

4Q25



# Market Observations



## Economy

- Recent data indicates a continued slowdown in Bay Area life science employment growth.
- The Federal Reserve enacted one 25-basis-point cut in October and another in December, bringing the benchmark rate to a range of 3.50% to 3.75%. Economists expect only one additional rate cut in 2026.
- The U.S. Consumer Price Index inflation rate registered 2.7% in December, down from 3.0% in September, reinforcing expectations that inflation is moderating as the Federal Reserve weighs its next move on interest rates.



## Leasing Market Fundamentals

- Leasing momentum continued through year-end, as the Bay Area recorded 1.5 MSF of gross absorption, up from 845 KSF in the prior quarter. The market also posted its second consecutive quarter of positive net absorption, closing at 661 KSF.
- Marketwide vacancy declined to 27.7%, down from 29.1% in the previous quarter. While vacancy remains elevated by historical standards, the 140-basis-point decline represents the largest quarterly decrease over the past five years. Sublease vacancy also continued to trend downward, falling to 3.0% from 4.0% last quarter and 4.8% one year ago.
- Active tenant demand totaled 2.6 MSF, down from 3.1 MSF in the prior quarter, as several large leases executed during the quarter contributed to the decline.



## Major Transactions

- UCSF completed the largest deal of the quarter, leasing Building E in Phase II of the Kilroy Oyster Point project in South San Francisco for 280,472 SF.
- Robotics startup 1X Tech completed the second-largest deal of the quarter, leasing 150 Industrial Road in San Carlos for 230,700 SF. The lab and manufacturing facility was previously occupied by Novartis, Nektar Therapeutics and Mylan.
- The most notable sale of the quarter was completed by UCSF Health, which acquired 409 and 499 Illinois Street in San Francisco's Mission Bay area from Alexandria Real Estate for \$767.0 million, or \$1,646/SF.



## Outlook

- Consecutive quarters of positive net absorption suggest the market has maintained momentum and is well positioned to continue its recovery in 2026.
- Breakthroughs in biotechnology, a growing AI and robotics industry and employers' continued enforcement of return-to-office policies remain positive catalysts supporting the market's early recovery.
- Vacancy is expected to continue stabilizing as average asking rates soften and available sublease space levels off.
- Occupier sentiment remains cautiously optimistic, with the region's construction pipeline effectively at zero at quarter-end, as developments remain on hold or in the entitlement process.

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## Economy

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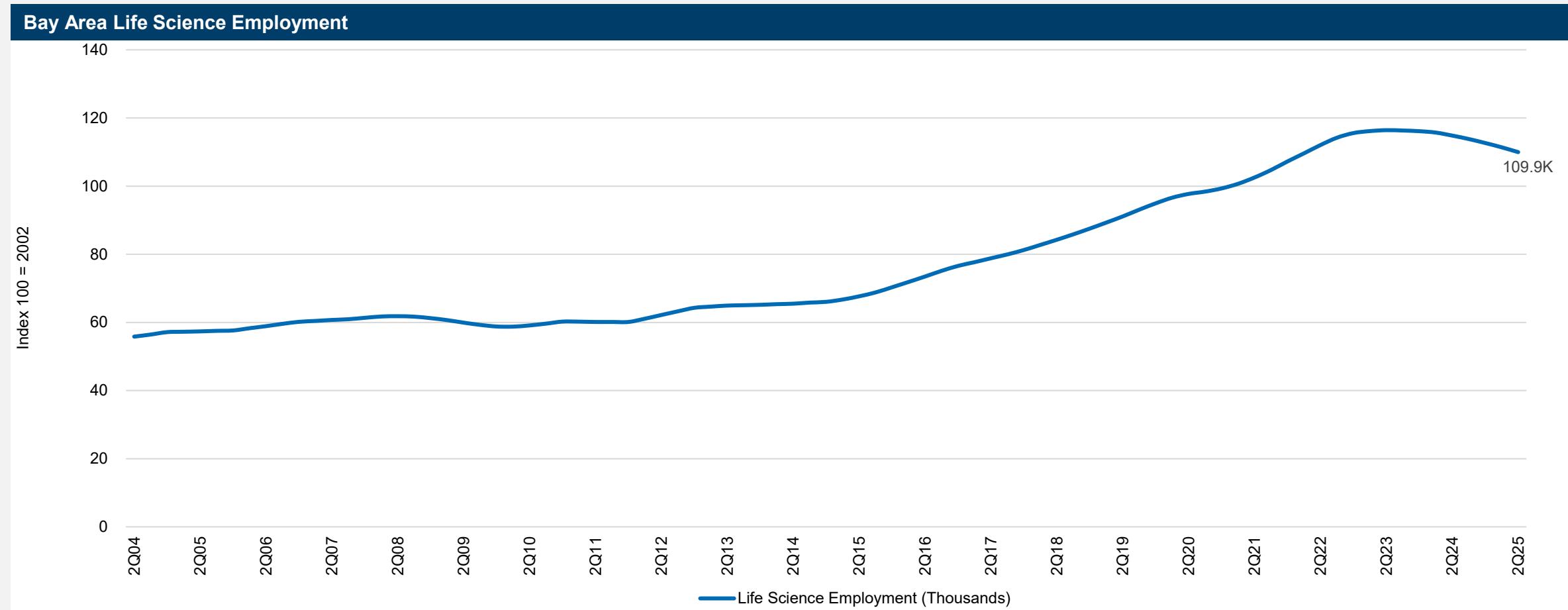
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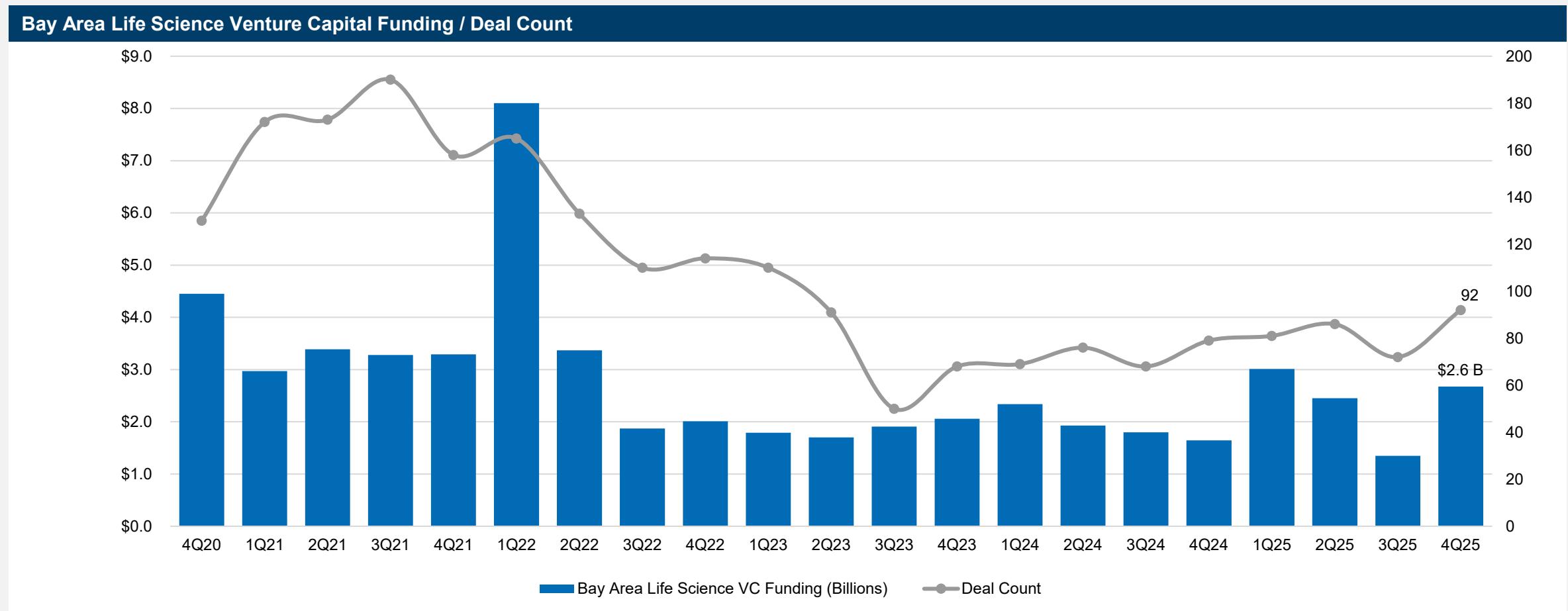
# Life Science Employment Decreased For Eighth Consecutive Quarter

Life science employment in the San Francisco Bay Area declined to 109,983 active employees in the second quarter of 2025, down 1.2% from 111,393 in the prior quarter and 2.7% from 113,134 one year earlier.



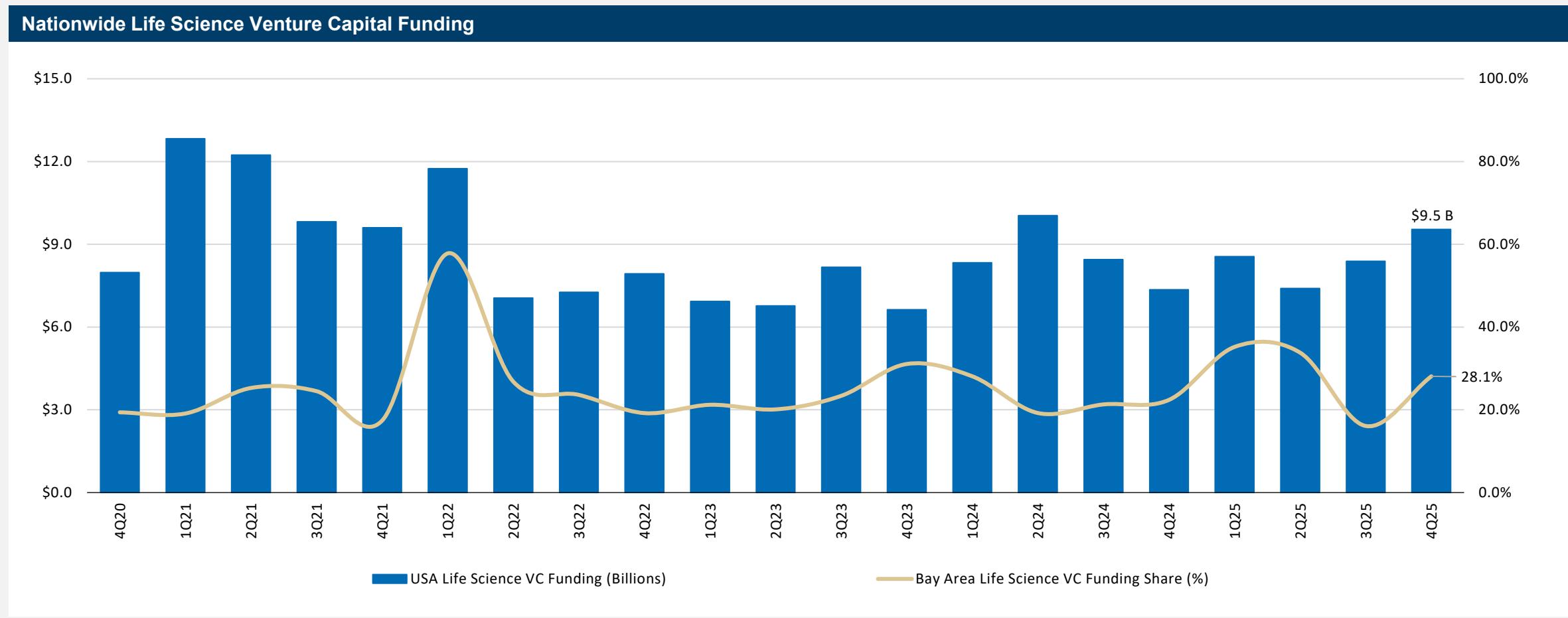
# Bay Area VC Deal Count & Capital Raised Increased In Q4

Across the Bay Area, a total of 92 life science venture capital deals were completed, up from 72 in the previous quarter and up from 79 one year earlier. Biotech venture capital funding continued to increased in the fourth quarter, with \$2.6 billion raised compared to \$1.3 billion in the prior quarter. Year-to-date, total capital raised reached \$9.5 billion, notably higher than the \$7.7 billion recorded during the same period last year, marking 2025 the Bay Area's strongest year since 2022.



# Nationwide Life Science VC Funding Increases In Q4

Across the country, the life science sector recorded \$9.5 billion in venture capital investment, up from \$8.4 billion in the prior quarter and \$7.3 billion one year earlier. Widely regarded as one of the three leading biotech hubs in the United States, the Bay Area accounted for 28.1% of total life science funding raised nationwide this quarter, up from 16.1% in the previous quarter.



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## Market Fundamentals

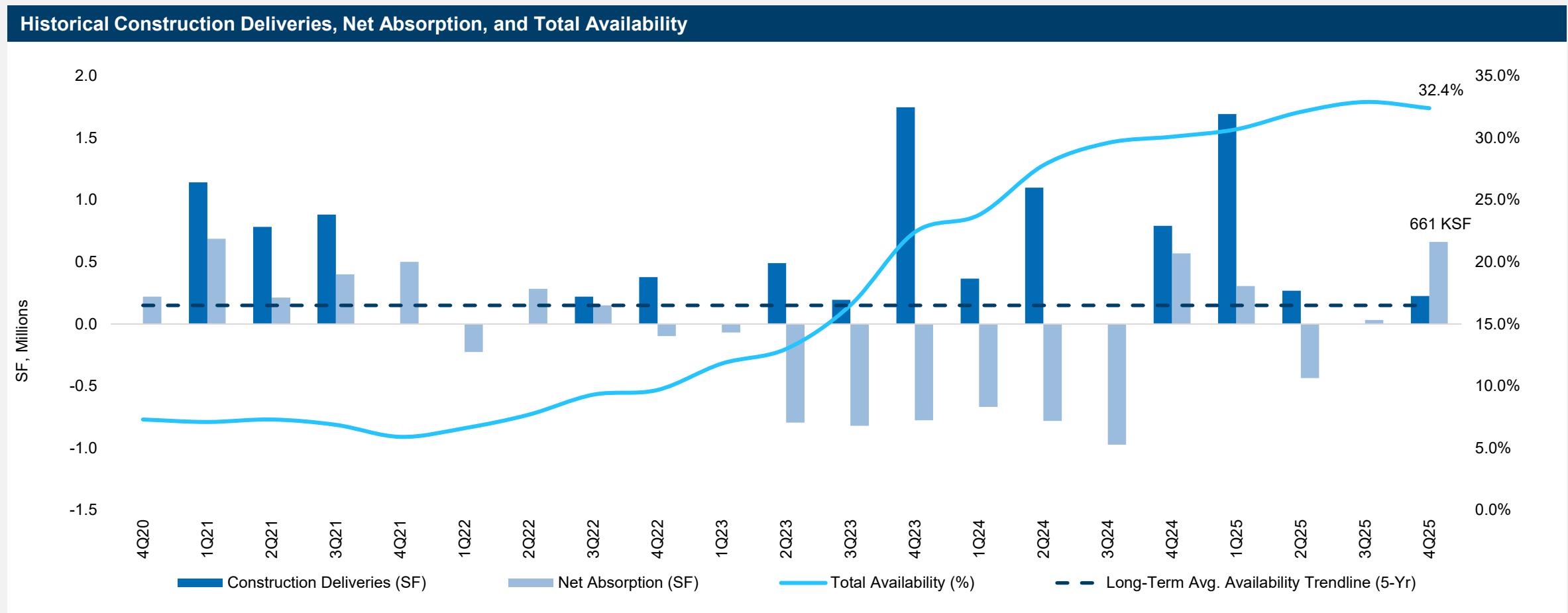
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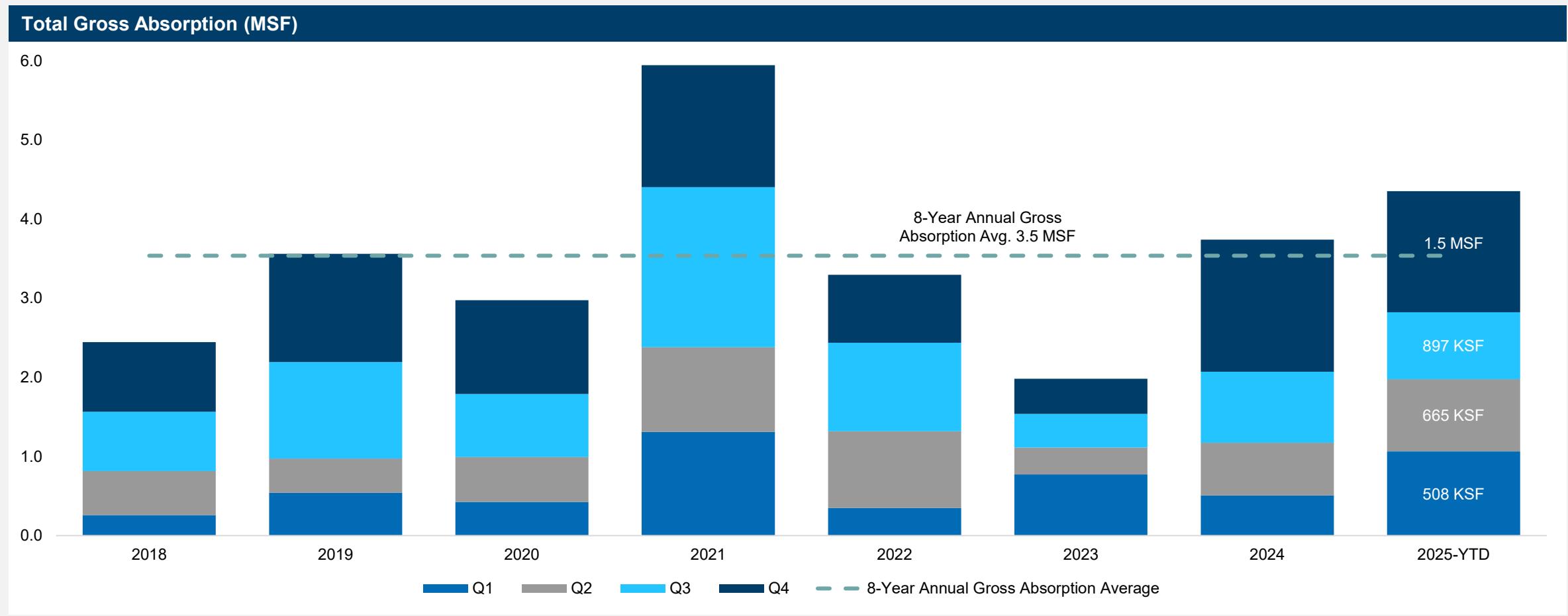
## Second Consecutive Quarter of Positive Net Absorption

The Bay Area life science market recorded 661 KSF of positive net absorption in the fourth quarter, a notable improvement from 33 KSF in the previous quarter. Total availability decreased slightly to 32.4%, down from 32.9% in the prior quarter but up from 30.1% one year ago. In 2025, construction deliveries totaled 2.1 MSF, compared with 2.2 MSF in the previous year. This mostly unleased new inventory has caused total availability to climb to all-time historic highs, ranging between 30.0% and 33.0%.



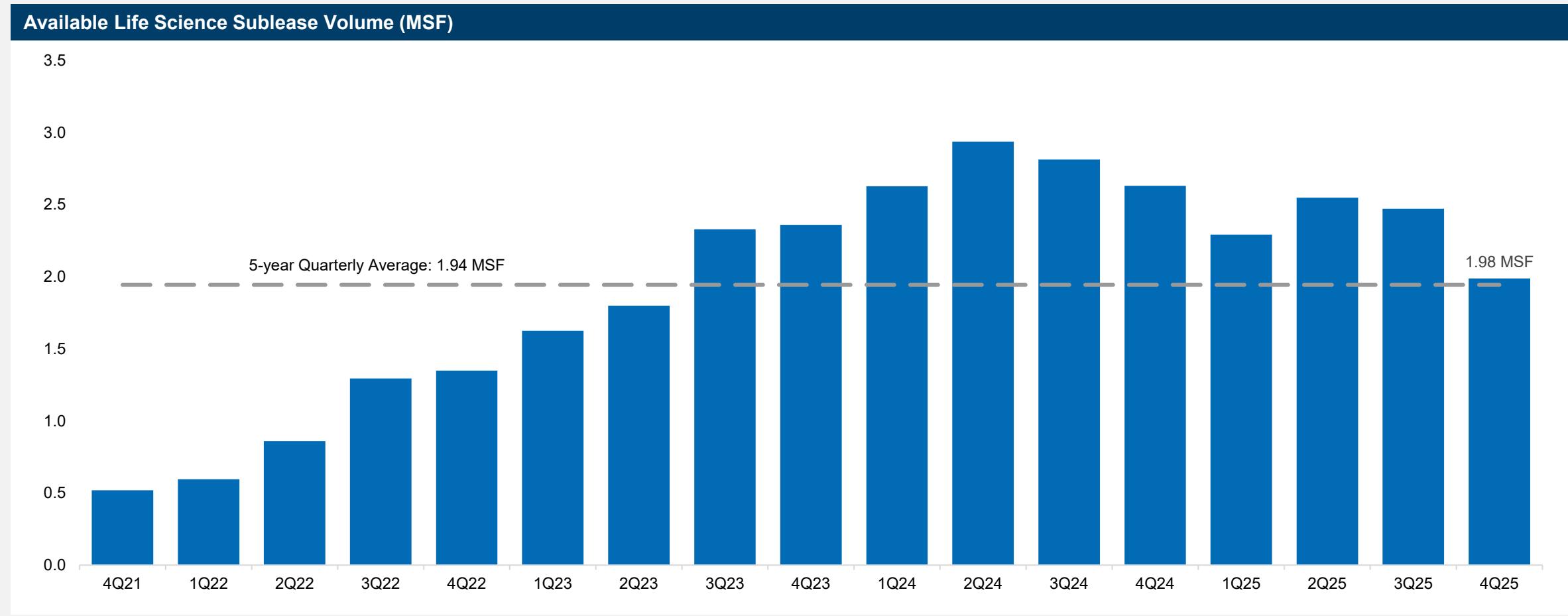
# Gross Absorption Closes Out 2025 Strong

Total gross absorption for the quarter totaled 1.5 MSF, representing an 81.0% quarter-over-quarter increase. Gross absorption for 2025 was up 20.0% compared with 2024 and 125.6% compared with 2023. Flight to quality projects and new construction has been pronounced in recent leasing activity, and the current supply of large, high-quality available space bodes well for tenants seeking to expand or establish a footprint in the Bay Area.



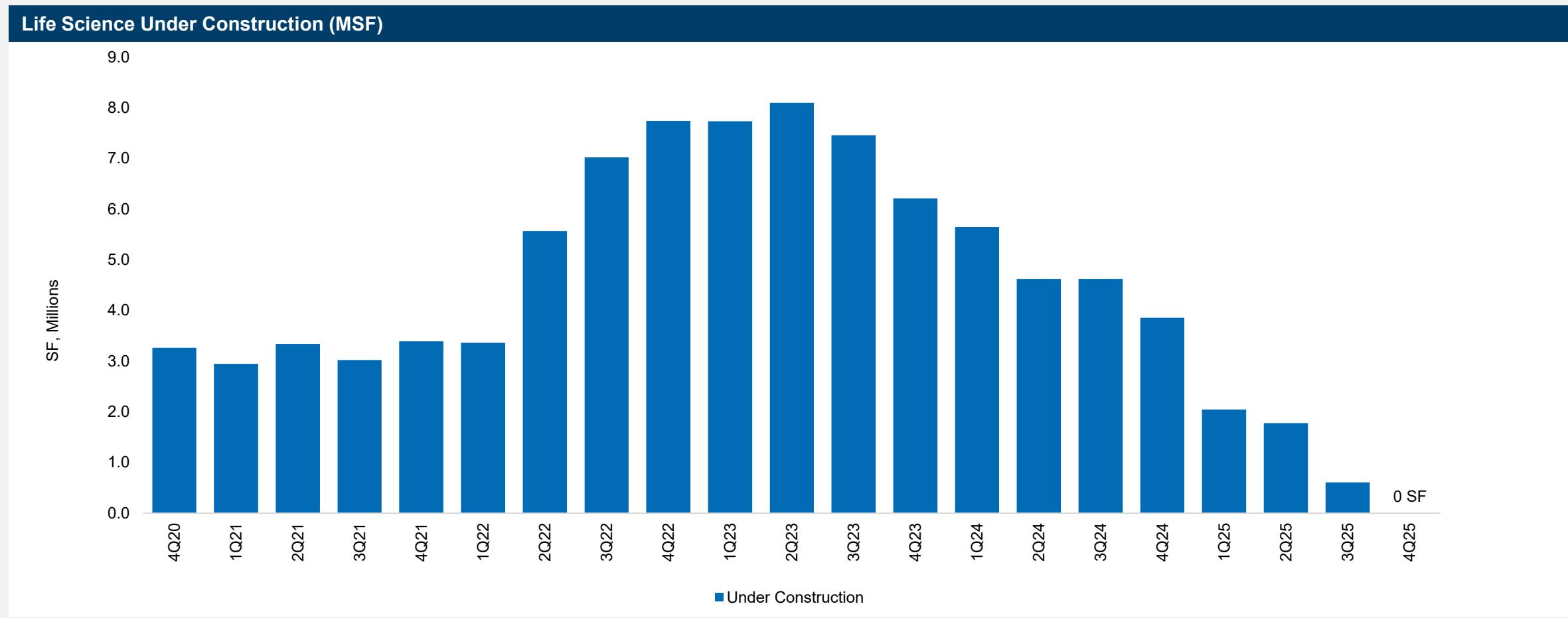
# Bay Area Sublease Availability Decreased for Second Consecutive Quarter

The Bay Area life science market recorded a decline in sublease availability in the fourth quarter of 2025, reaching 1.9 MSF, down from 2.4 MSF in the previous quarter and 2.6 MSF one year earlier. Available sublease inventory has fallen to just above the five-year quarterly average of 1.94 MSF, largely due to reoccupations and direct absorption.



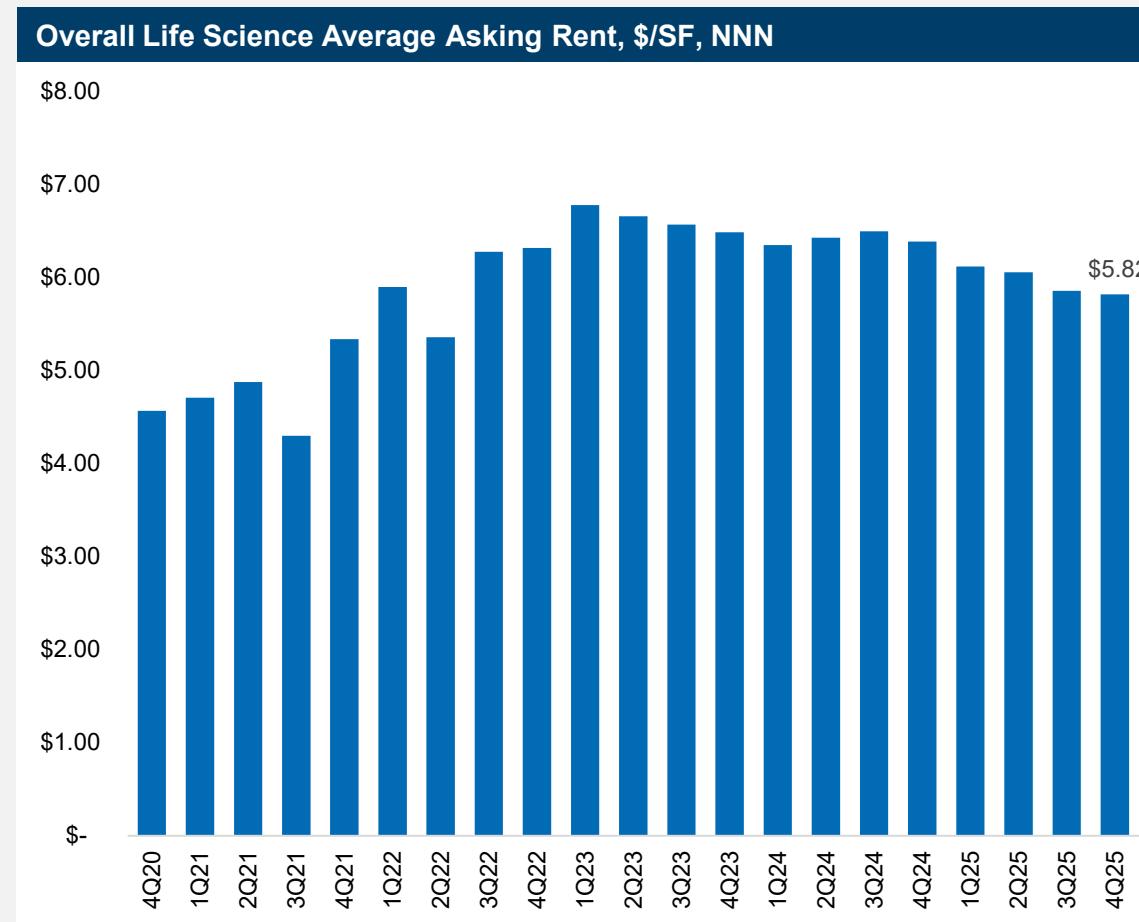
# Current Construction Pipeline Bottoms Out

The Bay Area life science development pipeline fully cleared in the fourth quarter after delivering 4.3 MSF over the past two years to the region. The most notable delivery this quarter was The Shop at IQHQ's ELCO Yards project in Downtown Redwood City, totaling 225 KSF. After several years of oversupply, construction levels will continue to remain tempered until existing product is absorbed.



# Bay Area Average Asking Rent Decreased For Fifth Consecutive Quarter

The overall average asking rate for life science space in the Bay Area decreased from \$5.86/SF last quarter to \$5.82/SF in the fourth quarter of 2025. The overall average asking rate increased rapidly during 2021 and 2022, but historically high vacancy driven by new deliveries and tempered leasing activity over the past several years has placed downward pressure on rents. The recent uptick in leasing activity and decline in vacancy serve as positive catalysts for future asking rent stabilization.



# Notable 4Q25 Lease Transactions

A total of 15 leases of 20,000 SF or greater were executed this quarter, compared with nine in the previous quarter and 15 one year earlier.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
UCSF Health	Kilroy Oyster Point- Phase II 369 Oyster Point Blvd.- Bldg. E	South San Francisco	Direct Lease	280,472
<i>UCSF completed the largest deal of the quarter, leasing Building E in Phase II of the Kilroy Oyster Point project in South San Francisco for 280,472 SF.</i>				
1X.Techologies	San Carlos Research Center 150 Industrial Rd.	San Carlos	Direct Lease	230,700
<i>Robotics startup 1X Tech completed the second-largest deal of the quarter, leasing 150 Industrial Road in San Carlos for 230,700 SF. The lab and manufacturing facility was previously occupied by Novartis, Nektar Therapeutics and Mylan.</i>				
Lilly Gateway Labs	259 E. Grand Ave	South San Francisco	Direct Lease	179,466
<i>Lilly completed the third-largest deal of the quarter, leasing the entire 179,466-square foot building at 259 E. Grand Ave in South San Francisco.</i>				
Labcorp Genetics	1400 16h St.	San Francisco	Lease Renewal	103,213
<i>Labcorp Genetics, formerly known as Invitae, completed the fourth-largest deal of the quarter, renewing for 103,213 square feet at 1400 16<sup>th</sup> Street in San Francisco.</i>				
Twist Bioscience	Gateway Commons 681 Gateway Blvd.	South San Francisco	Lease Renewal/Expansion	93,971
<i>Synthetic biology company Twist Bio completed the fifth-largest deal of the quarter, renewing their existing lease on the second and third floor at 681 Gateway Blvd. while expanding into the first floor for a total 93,971 square feet transacted.</i>				

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## Submarkets

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# Access the Extended 4Q25 Bay Area Life Science Report

The extended version of this report includes:

- **Data on leasing trends**
  - Deal count and average lease size
  - Leasing by submarket
- **Availability by submarket**
- **Overall market statistics**

To access, please reach out  
to your Newmark contact.

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