



NEWMARK

San Diego: Life Science Market Overview

4Q25

San Diego Life Science Market Observations



Economy

- Local unemployment was 4.9% in September, higher than the national average of 4.4%. The federal government shutdown delayed the release of more recent employment data.
- Life science jobs have outperformed job growth in office-using industries over the past five years but have declined 11.7% from the all-time high set in 2023.
- Venture capital funding totaled \$2.5 billion and post-IPO proceeds totaled \$2.4 billion for 2025, down 34.4% and 59.8% respectively compared to 2024's totals.
- Two giant corporate acquisitions, Novartis's \$12.0 billion purchase of Avidity Biosciences and Merck's \$9.2 billion purchase of Cidara Therapeutics, propelled 2025 to the highest level of mergers and acquisition volume in history.



Leasing Market Fundamentals

- Asking rents in the core submarkets fell to \$5.34/SF, down 7.0% over the past year.
- Net absorption logged 349,571 SF of gains for the quarter thanks to the delivery of a new 427,000-SF project fully leased to Bristol Myers Squibb. Annual net absorption for 2025 came to negative 132,770 SF.
- Total vacancy fell slightly to 26.1%, although it is up sharply from 16.5% at the end of 2024 after 2.4 MSF of new, mostly vacant, projects delivered throughout 2025.
- There is no active construction, and only one 467,000-SF proposed project in the works.
- Sublease availability fell to 1.6 MSF, although this is considerably elevated compared to the period from 2015 to 2021, when sublease availability averaged less than 500,000 SF.



Major Transactions

- Redoxblox, a thermal battery company, leased a 35,462-SF converted lab building in Sorrento Mesa from Montana Avenue Capital Partners.
- Viking Therapeutics expanded into a 25,063-SF space in AEW Capital Management's 99Twenty project in Sorrento Mesa.
- Kilroy Realty Corporation purchased a four-building project in Torrey Pines from Alexandria Real Estate for \$192.0M, or \$891/SF.
- King Street Properties purchased 4767 Nexus Centre Drive in UTC from Alexandria Real Estate for \$50.0M. King Street had previously acquired the three adjacent properties from Alexandria for \$120.0M at the end of 2024 with an agreement to eventually acquire the fourth building.



Outlook

- NIH funding was down 3.1% annually in 2025, and further reductions in research funding will limit the growth of new startups.
- Speculative developments have ceased, which will give the market time to gradually absorb all the new vacancy that has delivered over the past several years.
- Rent growth will stall or remain slightly negative until vacancy rates materially improve.
- It remains a tenant's market, with ample options for brand new space and landlords offering favorable terms on rent abatement and other leasing incentives.
- Mid-market operators who have recently acquired underperforming, value-add properties from larger institutional investors will offer more affordable space in pursuit of occupancy.

Access the Expanded 4Q25 San Diego Life Science Market Overview



To access, please reach out
to brent.don@nmrk.com
or your Newmark contact.

The expanded version of this report includes:

- **Biotech Industry Employment:** Insightful analysis on local employment in the life science sector and historical trends.
- **VC Funding and M&A Activity:** Details on venture capital funding, post-IPO capital investment and notable mergers and acquisitions in San Diego's biotech space.
- **Detailed Submarket Statistics:** A breakdown of rents, vacancy, absorption and construction in all of San Diego's core and emerging life science submarkets.
- **Vivarium Facilities:** Mapping the third-party operators who run vivarium facilities in San Diego's research core.

Extensive content across 24 slides—a detailed presentation packed with useful life science information and in-depth analysis.

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Economy

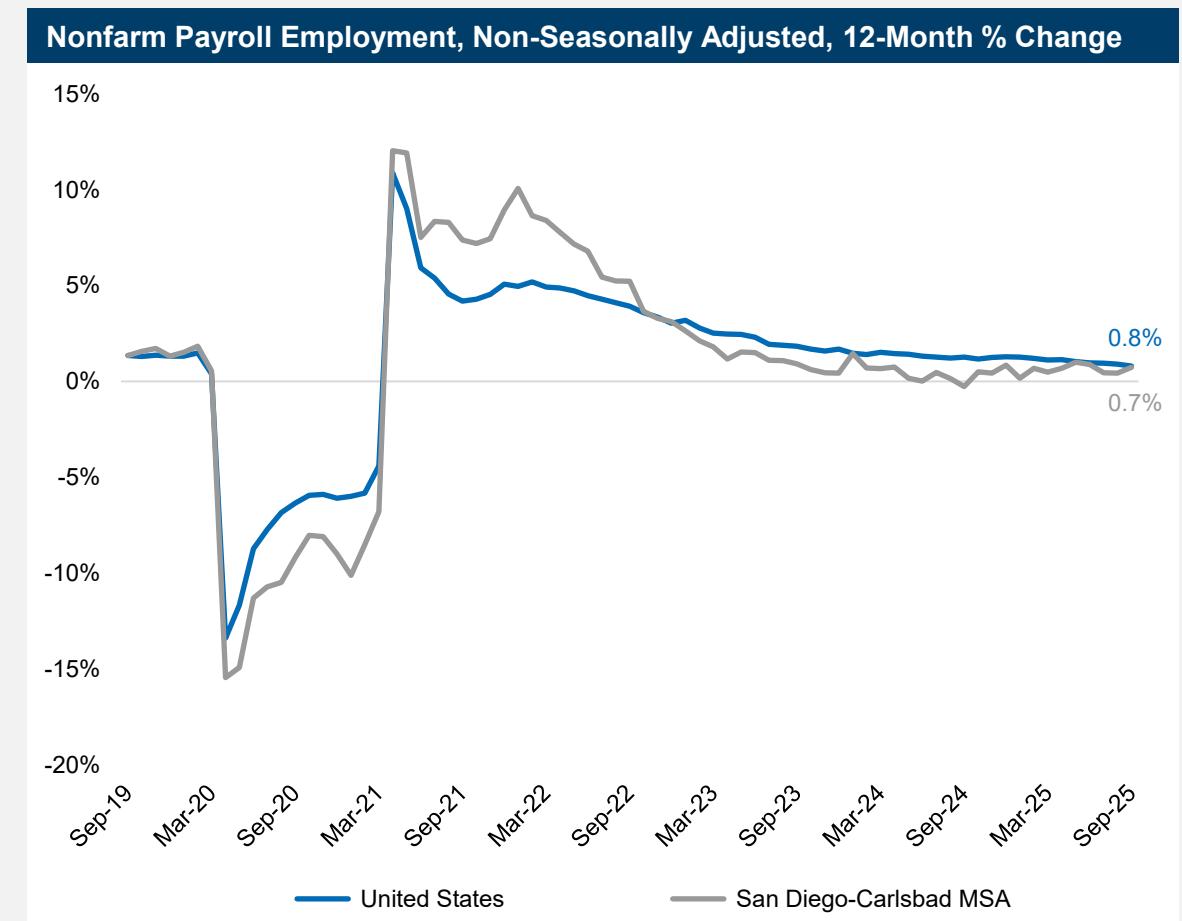
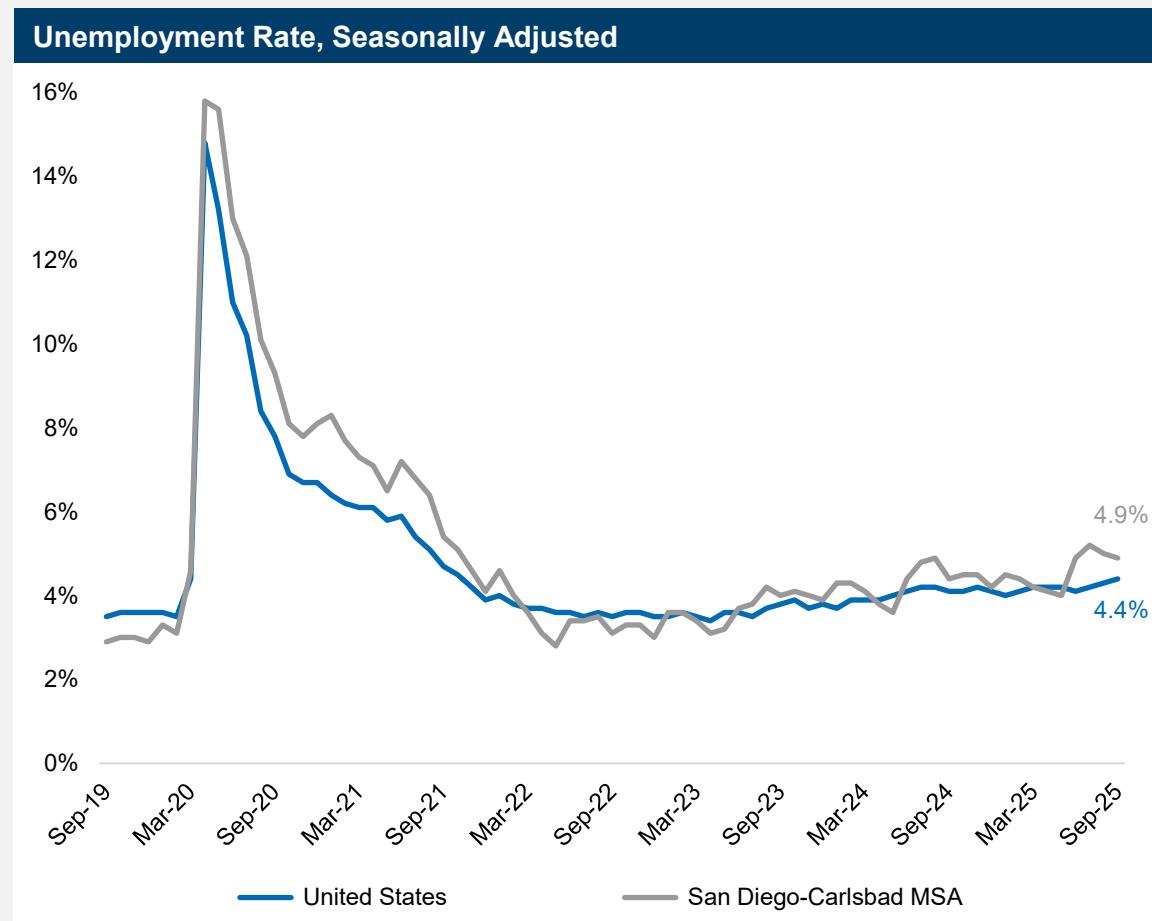
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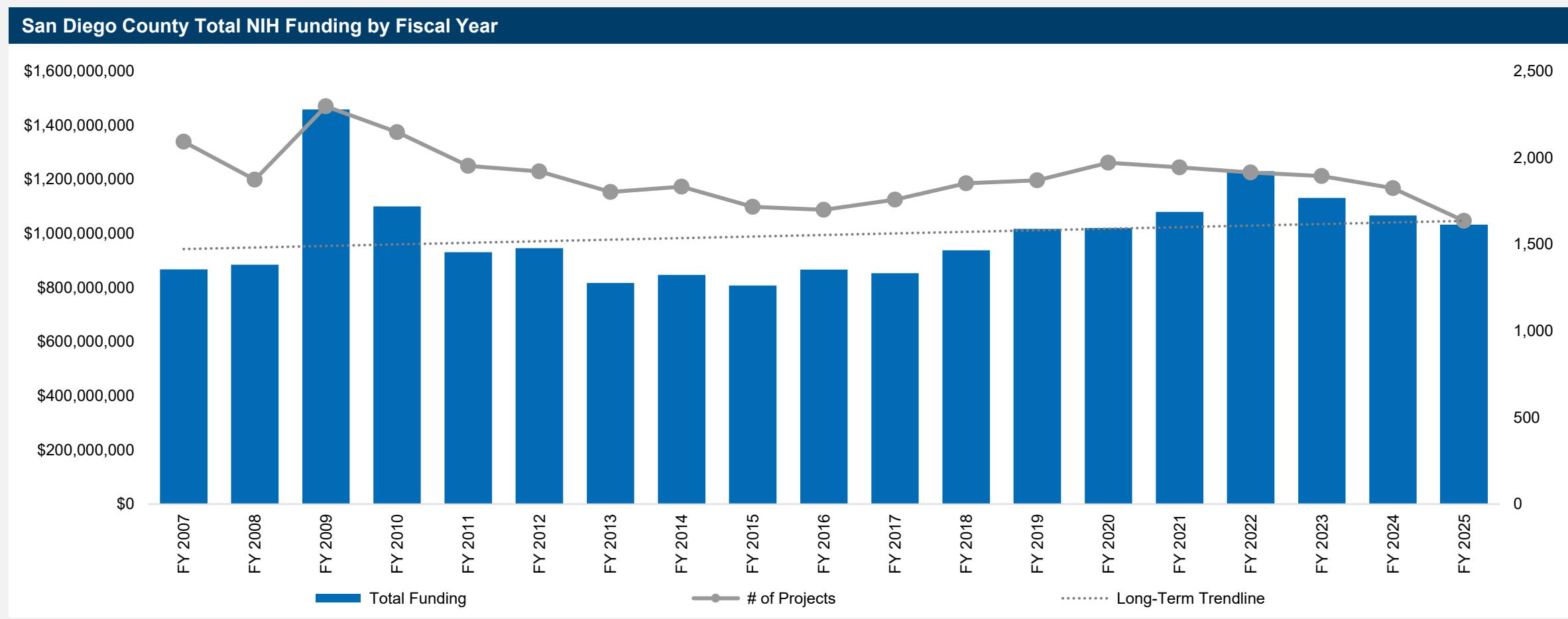
Unemployment Elevated as Job Growth Slows

The federal government shutdown impacted the collection of jobs data, cancelling data collection for October and delaying November's release. The local unemployment rate was 4.9% in September 2025, up 50 basis points over the past year. The local and national unemployment rates were both higher than any year since 2021. During the past year total nonfarm employment posted minimal gains: employers reported an additional 11,300 jobs, representing growth of 0.7%, which slightly lagged the national average.



NIH Funding

Over the past 10 years San Diego County's congressional districts have averaged \$1.0 billion 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 1,635 projects, down 3.1% from fiscal year 2024.



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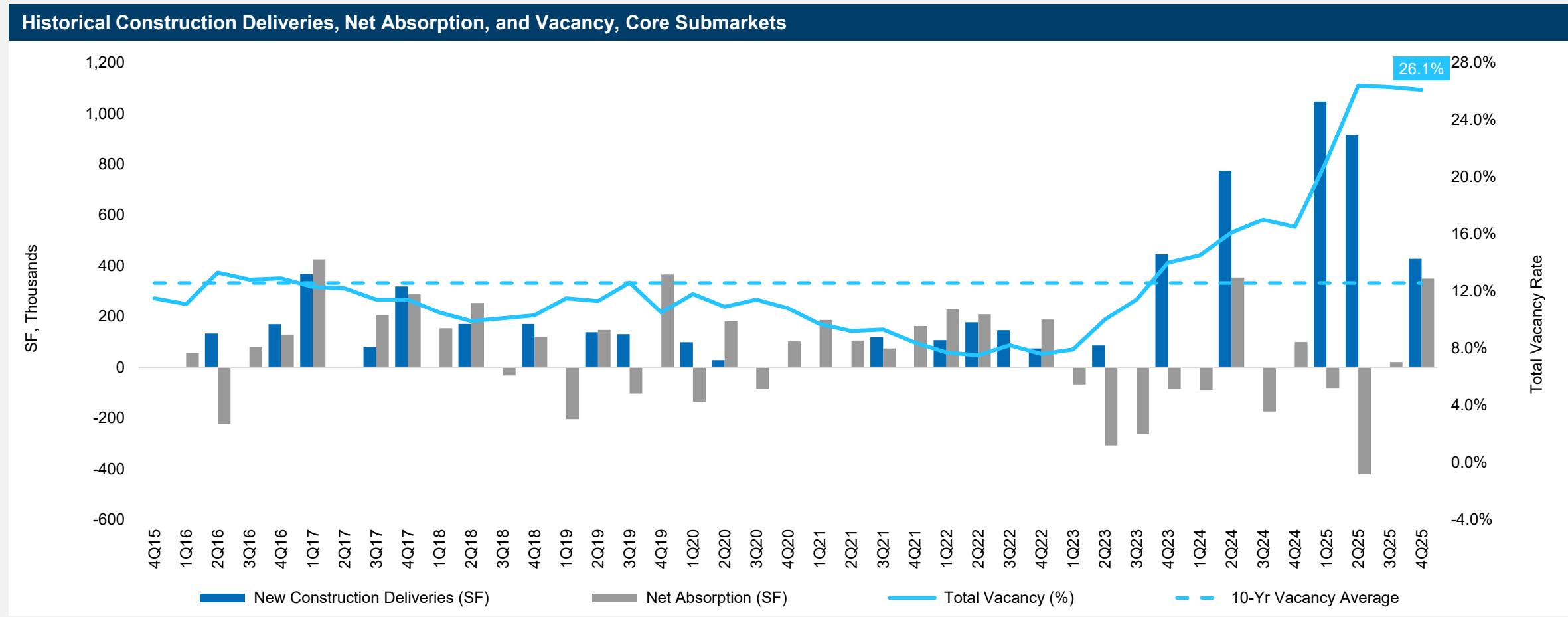
Market Fundamentals

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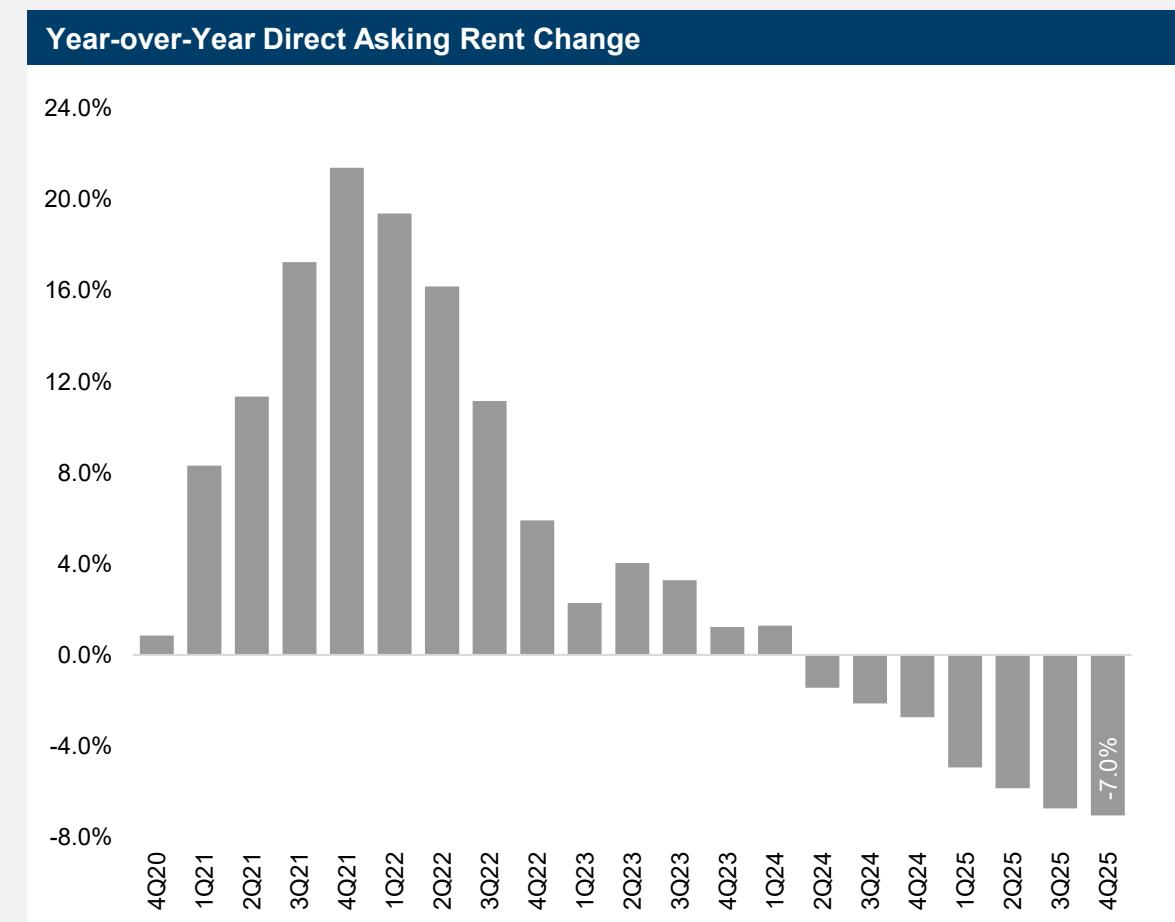
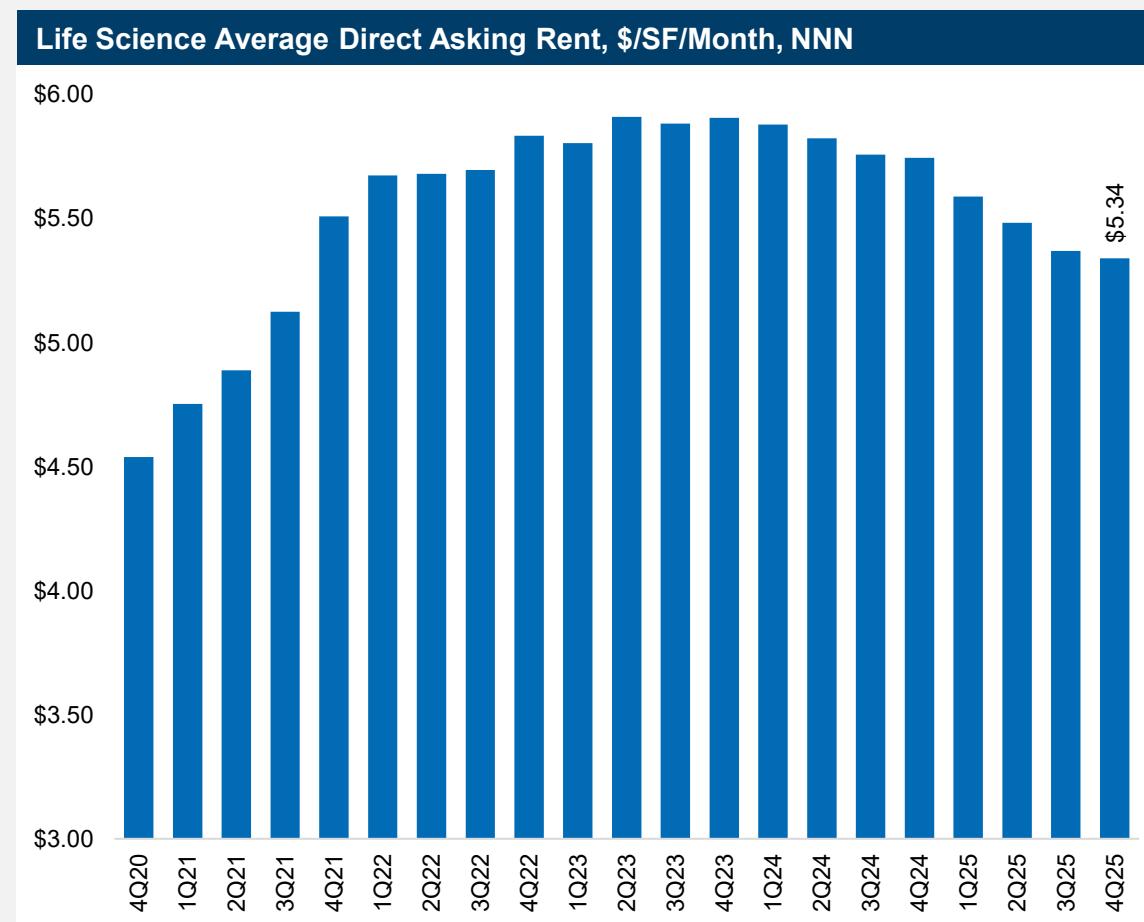
New Deliveries Cause Vacancy to Rise

The total vacancy rate fell slightly to 26.1% in the fourth quarter, although this is up from 16.5% at the end of 2024 and near the highest level in 20 years. The increase from last year was fueled by the delivery of new projects, which totaled 2.4 MSF in 2025, the highest amount of new life science product delivered in San Diego's history.



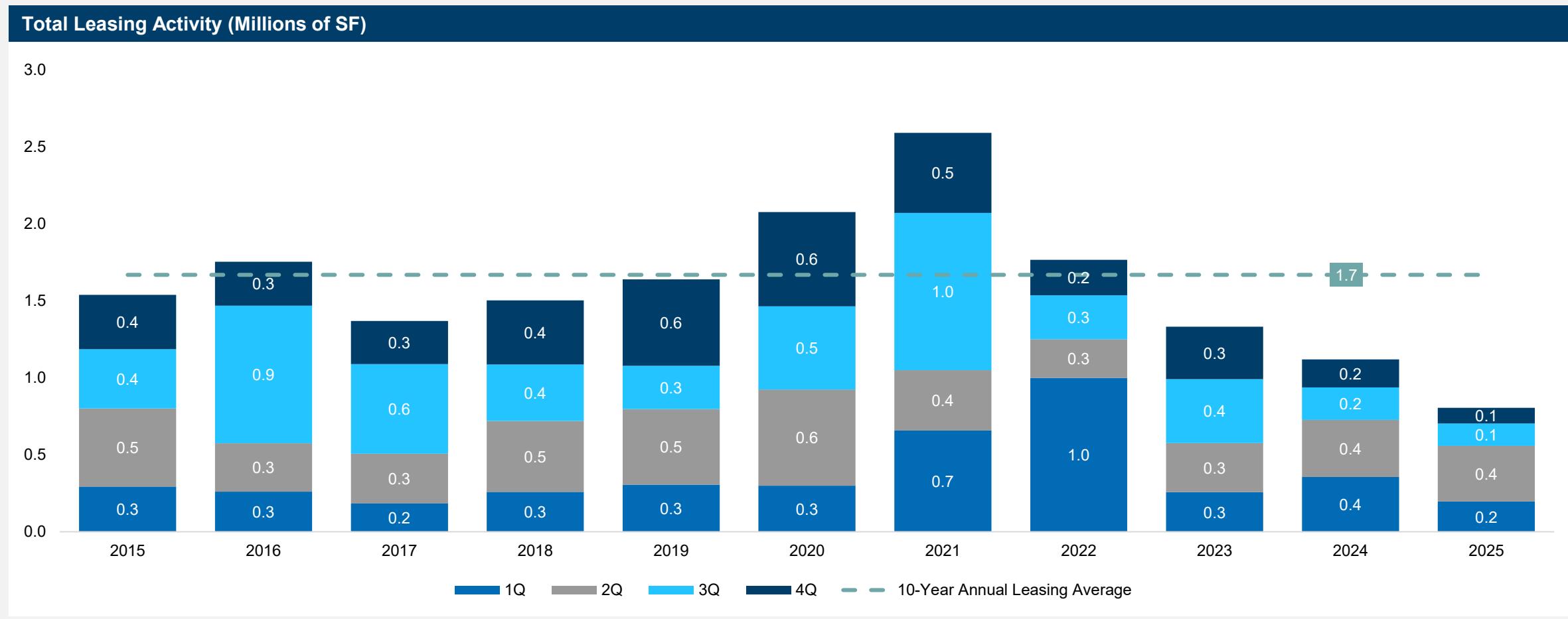
Asking Rents Have Declined for Six Quarters

Rents increased rapidly during 2021 and 2022, but rising vacancy caused by reduced leasing activity and sizeable new deliveries have put strong downward pressure on rents. Asking rates have now declined year-over-year for the past seven quarters, reaching \$5.34/SF NNN in the fourth quarter of 2025, a 7.0% annual decline. Rent growth is unlikely to resume until vacancy subsides.



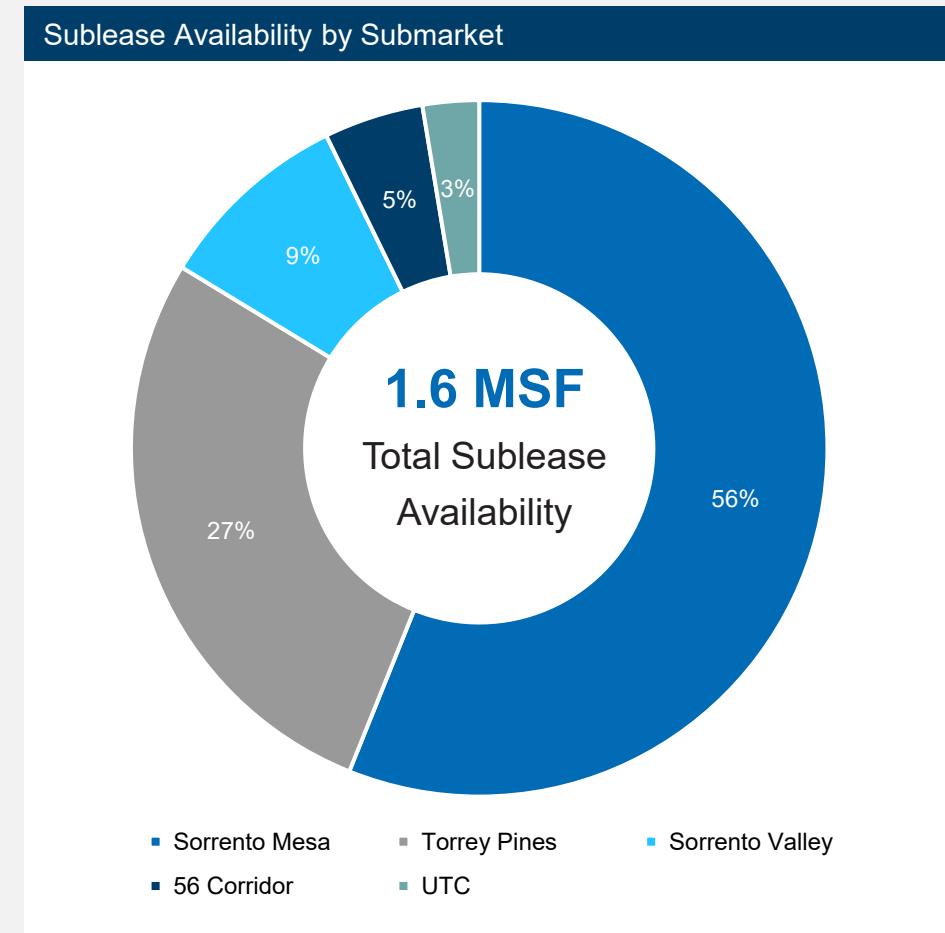
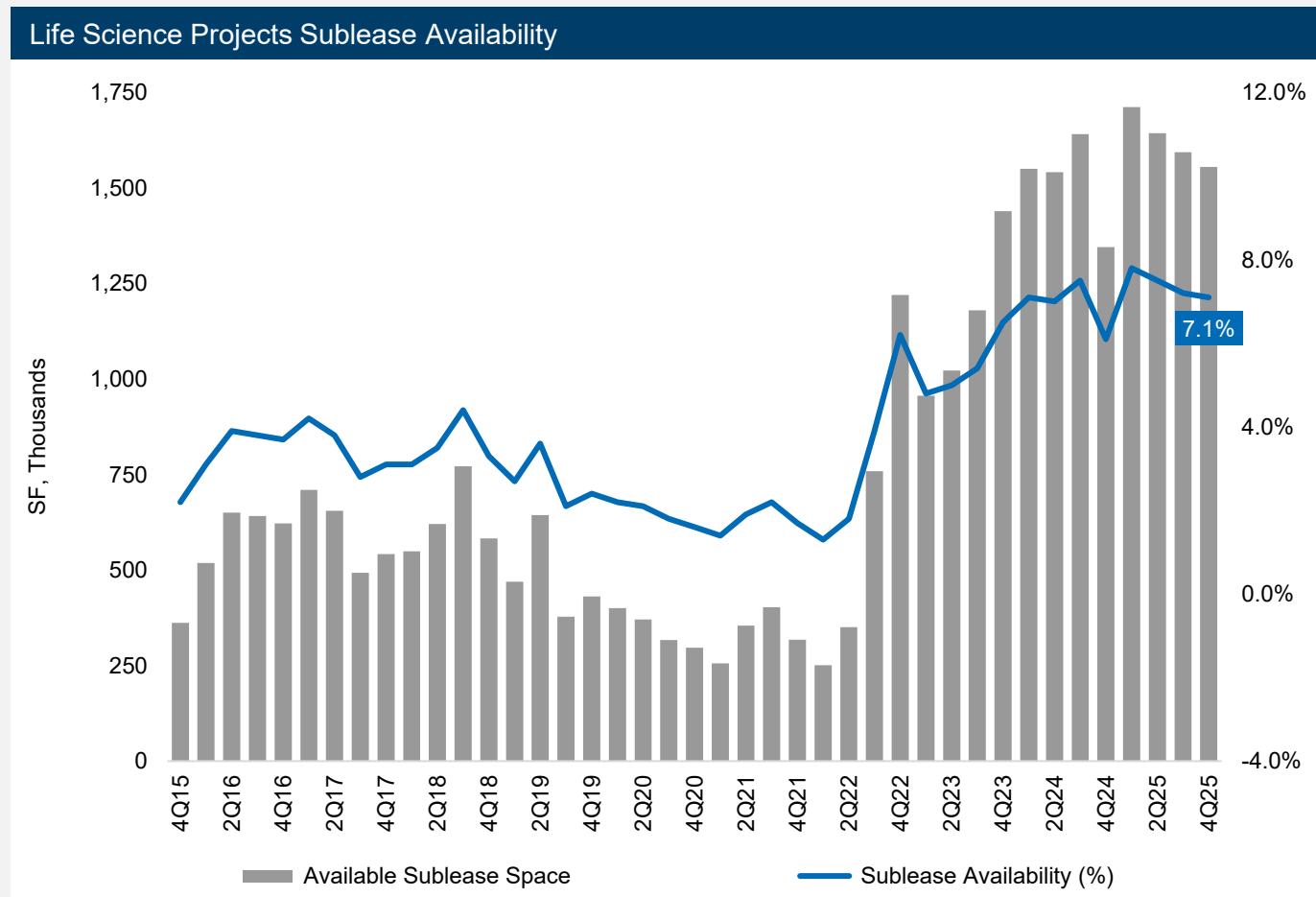
Leasing Activity Falls to 10-Year Low

Leasing activity has slowed over the past three years after the record-setting years of 2020 and 2021. The market recorded only 804,640 SF of leasing activity in 2025, the lowest annual total since 2009. Activity was particularly slow in second half of 2025. The flight to quality projects and new construction in recent leasing deals has been pronounced as older construction and converted projects struggle to compete with a large supply of modern, purpose-built projects.



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 fourth quarter, 7.1% of existing inventory, slightly lower than the all-time high set in the first quarter. Sorrento Mesa is home to more than half of this sublease space and the submarket's sublease availability rate is at 10.0%.



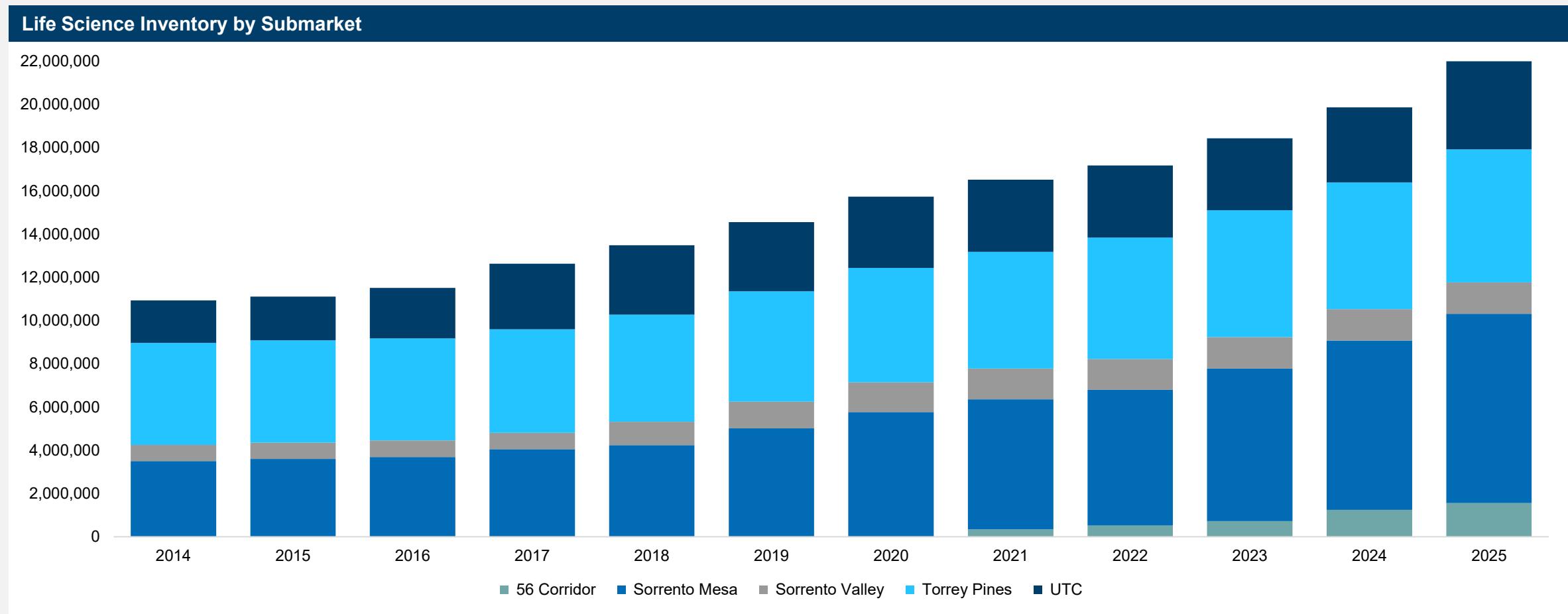
This Quarter's Notable Leases Were Diverse

Sorrento Mesa showed the most activity in the fourth quarter, although the average lease size was relatively small. The market has not seen any large 100K+ SF leases since the beginning of the year as developers paused speculative developments without a pre-lease agreement in place, and large recently delivered speculative developments have so far failed to secure initial tenants.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Lease Type	Square Feet
Redoxblox	6680 Cobra Way	Sorrento Mesa	Direct	35,462
<i>Thermal storage battery manufacturer leased a converted lab building in Sorrento Mesa.</i>				
Viking Therapeutics	9920 Pacific Heights Blvd	Sorrento Mesa	Expansion	25,063
<i>Clinical-stage biopharmaceutical developing endocrine therapeutics expanded to a full floor from existing space in the building.</i>				
PharmLabs	6696 Mesa Ridge Rd	Sorrento Mesa	Direct	12,742
<i>Laboratory services company leased space in Longfellow's Centerpark project.</i>				
Amprion	10355 Science Center Dr	Torrey Pines	Expansion	10,547
<i>Neurodegenerative diagnostics company expanded at Healthpeak's Torrey Pines Science Center project.</i>				
Revelation Biosciences	5555 Oberlin Dr	Sorrento Mesa	Direct	9,580
<i>Clinical-stage biotech developing immunity therapeutics leased space at BioMed Realty's MODA project.</i>				

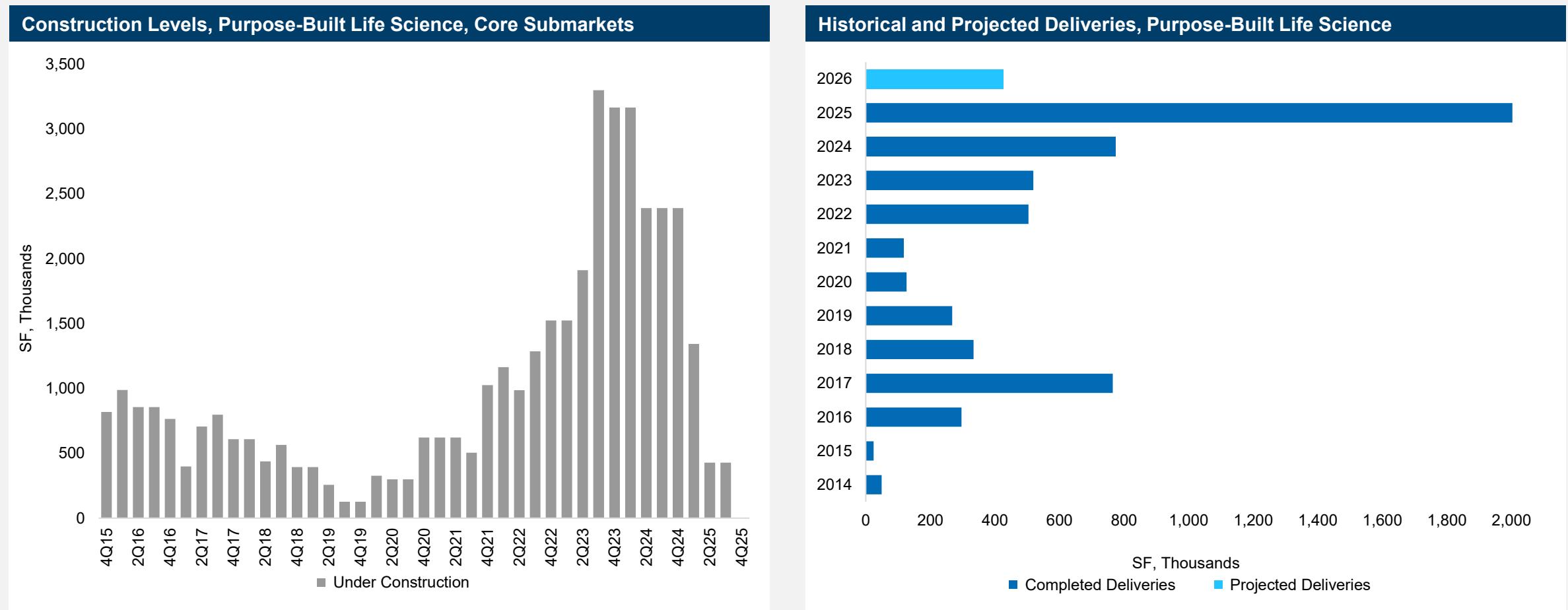
Historical Inventory Growth

Sorrento Mesa and Torrey Pines are the largest submarkets by inventory, as the total life science inventory of the core submarkets has grown from 11.1 MSF in 2015 to 22.0 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 with converted office projects in Del Mar Heights and large new developments in Carmel Valley.



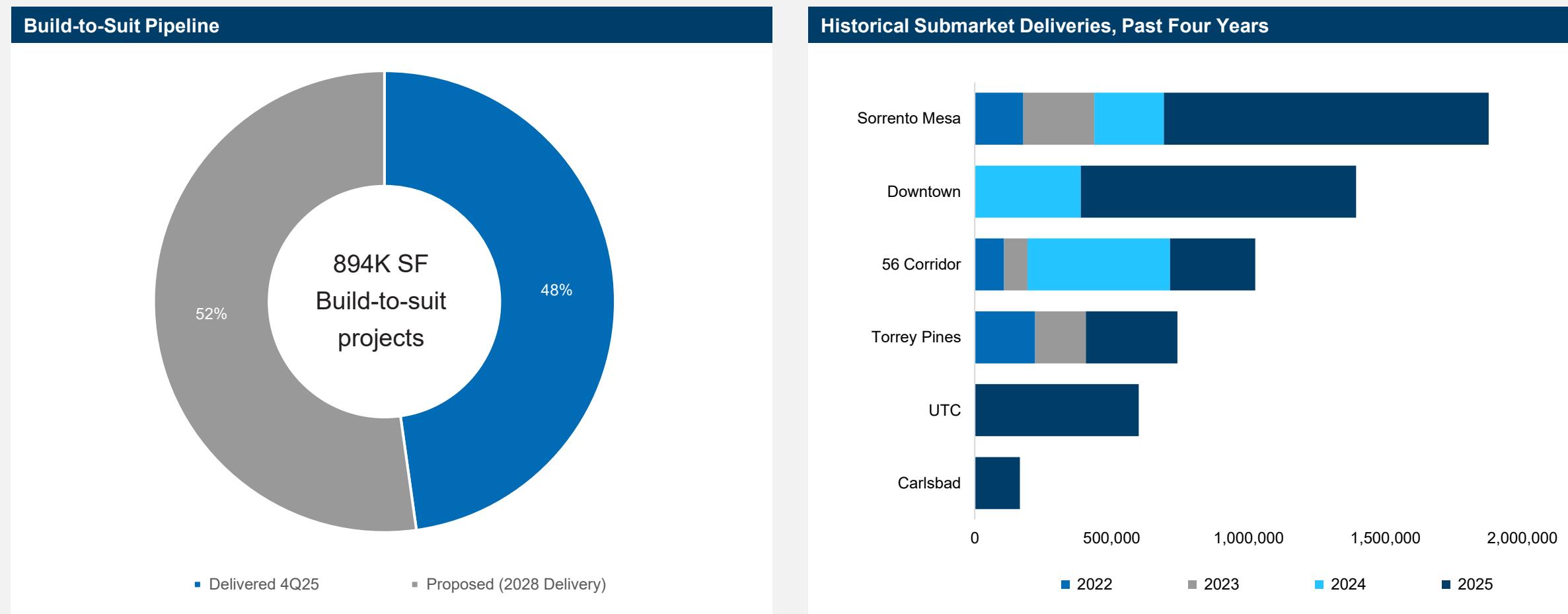
Purpose-Built Construction

Starting in 2020, life science development increased significantly, reaching a peak of 3.3 MSF in the third quarter of 2023. Sorrento Mesa has seen the most development over the past five years. Current construction has now completely ceased after 2.4 MSF of new product delivered throughout 2025. In the current market environment, developers are unlikely to break ground on any new construction unless they have a lease commitment.



Current Pipeline Winding Down

The development pipeline has almost completely cleared out after delivering 4.2 MSF in the core and 1.4 MSF in Downtown over the past two years. The last active construction project in the core, a 427K-SF build-to-suit project, delivered in the fourth quarter. There is currently only one proposed project, a 467K SF build-to-suit project that is moving forward after securing a lease with Novartis, that is expected to break ground in the near-term.



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