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MARKET REPORT

CORE CLUSTER VACANCY	CLASS A ASKING RENT	Q2 2026 VC ACTIVITY	Q2 2026 M&A ACTIVITY
26.6%	**$5.75/SF**	**$624.7M**	**$3.2B+**
First demand-driven decline of the cycle	Flat after 15 quarters of decline	10 rounds · 79% in top three deals	Disclosed · nine SD transactions

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Contents

Market Intelligence Report

EXECUTIVE BRIEF — Q2 2026

The Inflection Arrives: Vacancy Falls on Broad Demand, Concessions Still Hold

The Tenant Opportunity

Three years of oversupply have produced market conditions that favor tenants, and Q2 delivered the first evidence that the window has a clock on it. Core cluster vacancy posted its first demand-driven decline of the cycle, falling to 26.6% on the first quarter of broad-based positive absorption. The only prior dip, in late 2025, was the mechanical effect of a single delivery and reversed within a quarter. Concessions have not moved yet: landlords are still delivering fully built-out, lab-ready space at or near their all-in cost, and free rent packages on multi-year deals still represent 10 to 20% of total lease value.

The submarket picture sharpened this quarter. Torrey Pines is tightening fastest, with vacancy down to 12.2%, and Sorrento Mesa posted its first meaningful absorption of the cycle. Sorrento Valley, the bright spot in Q1, softened. Where you sign matters as much as what you negotiate, and the leverage map is shifting quarter to quarter now.

The window for extraordinary tenant economics remains open through 2026 in most submarkets, and longer in the Sorrento corridor. But Q2 is what the turn looks like: absorption positive, vacancy compressing, rents flat instead of falling. Markets move faster than most tenants expect once they inflect. This one just did.

CLASS A ASKING RENT
$5.75/SF
Flat in Q2 after 15 consecutive quarters of decline

CORE CLUSTER VACANCY
26.6%
First demand-driven decline of the cycle

CORE CLUSTER AVAILABILITY
31.6%
Effectively flat at cycle highs · supply no longer growing

SUBLET AVAILABILITY
1.23M SF
1,226,976 SF · up modestly from Q1 2026

What This Means For Your Next Lease Decision

If you have a lease expiring in the next 18 months, a funding event behind you, or a footprint decision in front of you, this is the market to move in. Q2 was the first quarter of the turn: vacancy is compressing but concessions have not repriced yet. That gap between market conditions and deal terms is where you win, and it narrows from here. We are active across all four submarkets with current deal intelligence, comp data, and submarket-specific positioning.

The Structural Shift

Q2 confirmed the exit environment is functioning again. Nine disclosed San Diego M&A transactions totaled $3.2B+, led by UCB's acquisition of Candid (up to $2.2B) and Biogen's acquisition of RayThera (up to $1.0B). Days after the quarter closed, Vertex agreed to acquire San Diego's Crinetics Pharmaceuticals for roughly $10 billion in cash, a post-quarter deal larger than all of Q2's disclosed total combined.

Public markets are reopening selectively for larger, late-stage names, and reverse mergers with concurrent PIPEs are serving as an alternative path to public capital for earlier companies. Every exit recycles founder, employee, and investor capital back into the ecosystem. That capital funds the next vintage of companies, and those companies lease lab space on a 12 to 24 month lag.

San Diego's Structural Advantages Remain Intact

San Diego directly employed 61,866 life science employees contributing $54.1B in economic output in 2025, with nearly 2,000 companies in the ecosystem and growing. Q2's $624.7M in venture funding across 10 disclosed rounds was concentrated in three leaders: Campfield Therapeutics ($180M), Element Biosciences ($175M), and Sidewinder Therapeutics ($137M). Capital is flowing, selectively, toward de-risked platforms.

With Novartis' 466,592 SF Campus Point project in UTC as the only active construction, new supply is effectively capped through 2027. San Diego will tighten faster than Boston, which still carries roughly 2.7M SF under construction, and than the Bay Area, which sits on the highest vacancy of the three major markets. Q2 was the first quarter where that math showed up in the numbers.

Q2 2026 SAN DIEGO M&A ACTIVITY

$3.2B+ Disclosed · Nine SD Transactions

UCB/Candid (up to $2.2B) and Biogen/RayThera (up to $1.0B) led the quarter, alongside two reverse-merger exits carrying $230M and $215M concurrent PIPEs. Strategic pharma continued paying premiums for San Diego immunology and T-cell engager platforms. With public markets reopening selectively for larger, late-stage names, reverse mergers served as an alternative path to public capital. Post-quarter (Jul 6): Vertex to acquire San Diego's Crinetics for ~$10B all-cash.

SD Q2 2026
2026

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SECOND QUARTER 2026 MARKET REPORT

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SAN DIEGO CORE CLUSTER AVAILABLE LAB SPACES: DIRECT VS. SUBLEASE

SORRENTO MESA

DIRECT:	3,264,836 SF	38.4%
SUBLEASE:	596,600 SF	7.0%

SORRENTO VALLEY

DIRECT:	533,217 SF	29.1%
SUBLEASE:	172,578 SF	9.4%

TORREY PINES

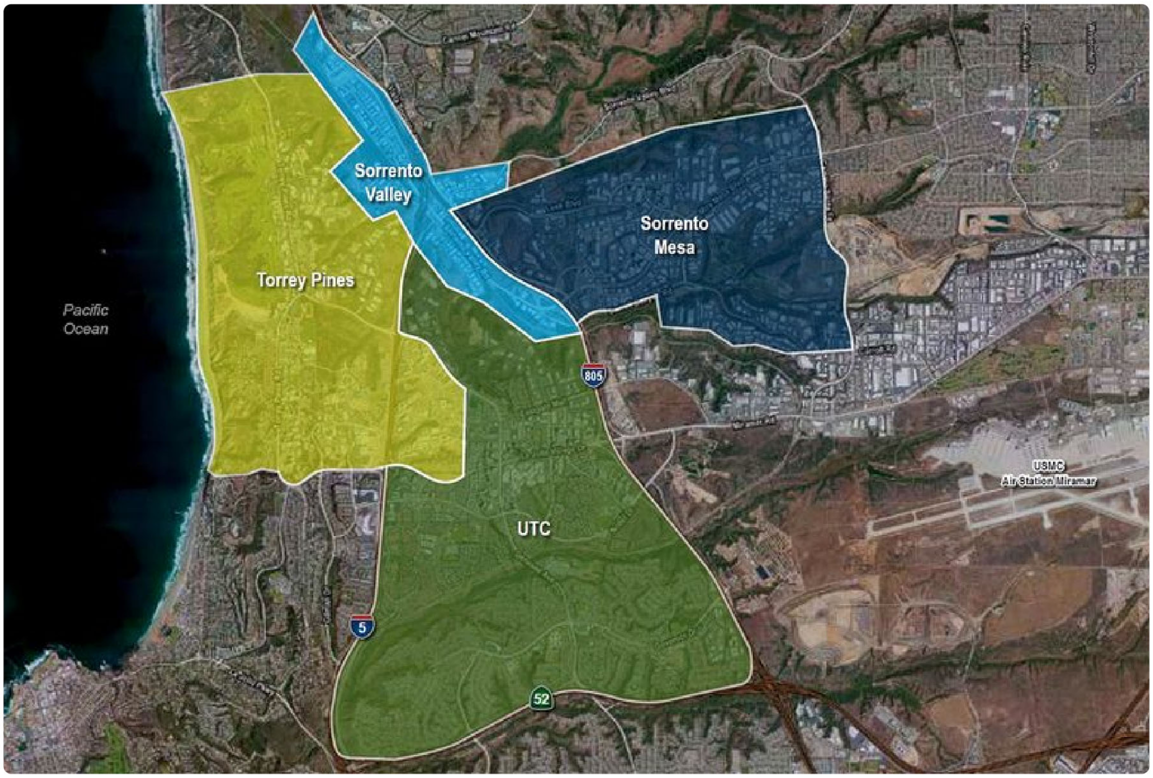
DIRECT:	935,332 SF	15.1%
SUBLEASE:	439,368 SF	7.1%

UTC

DIRECT:	783,002 SF	17.5%
SUBLEASE:	18,430 SF	0.4%

TOTAL AVAILABLE SF

DIRECT:	5,516,387 SF	26.3%
SUBLEASE:	1,226,976 SF	5.8%



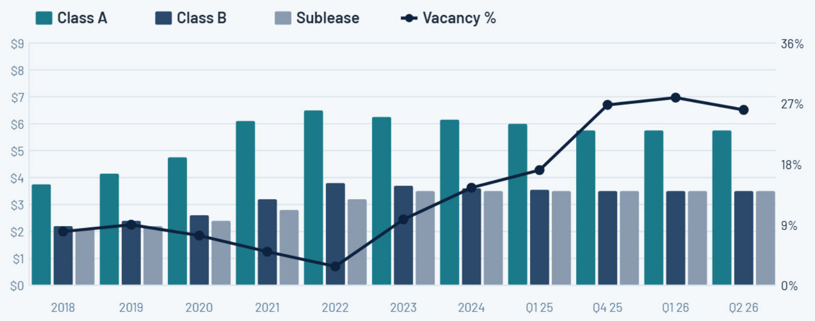
SUBMARKET OVERVIEW

SUBMARKET	INVENTORY (SF)	# BLDGS	Q2 2026 NET ABSORB.	2026 YTD NET ABSORB.	DIRECT VACANCY	TOTAL VACANCY	TOTAL AVAIL.	ASKING RENT ($/SF/Mo NNN)	2026 COMPLETIONS	UNDER CONSTR.
Sorrento Mesa	8,492,840	161	73,346	4,725	33.6%	38.8%	44.4%	$5.00 – $6.50	–	–
Sorrento Valley	1,833,197	68	(1,373)	16,607	30.0%	36.6%	38.0%	$4.25 – $5.75	–	–
Torrey Pines	6,203,207	75	41,694	(5,592)	10.3%	12.2%	22.2%	$5.25 – $6.50	–	–
UTC	3,995,392	35	5,971	699	18.6%	18.6%	18.0%	$5.00 – $5.85	–	466,592
Core Cluster	**20,519,979**	**338**	**119,638**	**16,439**	**23.3%**	**26.6%**	**31.6%**	**–**	**–**	**466,592**

FUNDAMENTALS

METRIC	VALUE	FCST
Total Vacancy %	**26.6%**	—
Class A Avg Direct Ask Rent	**$5.75**	↓
Class B Avg Direct Ask Rent	**$3.50**	↓
Sublease Avg Asking Rent	**$3.50**	↓
Under Construction (UC)	**466,592 SF**	—

CORE CLUSTER VACANCY & NNN (A-B) RENT TRENDS



Source: CoStar

MARKET SEGMENTATION BY BUILDING SIZE

Building Size	< 1k SF	1 - 5k SF	5 - 10k SF	10 - 20k SF	20 - 50k SF	50k+ SF
No. Properties	4	33	48	69	86	37
No. Available Spaces	**36**	**69**	**71**	**114**	**176**	**110**

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SECOND QUARTER 2026 MARKET REPORT

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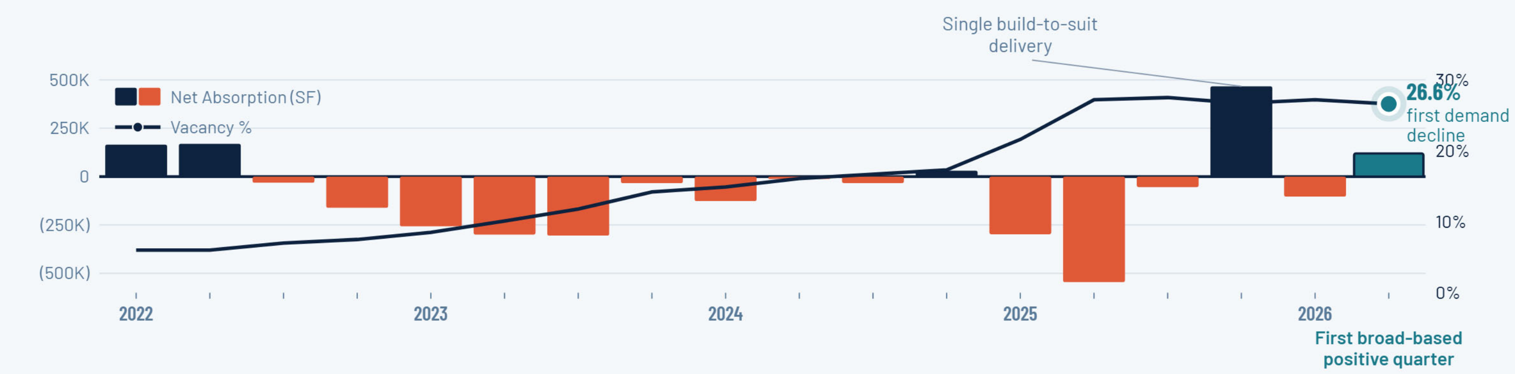
WHAT CHANGED THIS QUARTER

Q2 2026 was the inflection quarter.

The first demand-driven vacancy decline of the cycle, on the first broad-based positive net absorption **(+119,638 SF)**. Vacancy has risen in 14 of the past 16 quarters; the only prior dip was a single delivery that reversed.

NET ABSORPTION AND VACANCY, QUARTERLY 2022 TO Q2 2026



Source: CoStar

WHY THIS QUARTER IS DIFFERENT

San Diego has recorded positive quarters during this downturn, but their composition matters. Late 2025's positive print reflected a single build-to-suit delivery, one occupier's long-planned move-in that accounted for essentially the entire quarter. Excluding that transaction, the market was flat. Q2's +119,638 SF is structurally different: it was produced by 16 leases distributed across the core cluster, with three of four submarkets posting positive absorption independently. Excluding the quarter's largest lease, absorption remains positive by more than 65,000 SF. That breadth distinguishes a market signal from a one-time event. A single delivery reflects a commitment made years earlier. Sixteen transactions across multiple submarkets reflect current demand, negotiated at current terms, from companies actively selecting San Diego lab space today.

WHY THE TURN LIKELY HOLDS

Three conditions suggest Q2 represents a durable turn rather than an isolated quarter. First, supply is effectively capped. The Novartis Campus Point project remains the only active construction in the core cluster, and no new space can deliver before 2027. Pricing is consistent with a market finding its floor: Class A asking rents held at $5.75 after 15 consecutive quarters of decline, and rents historically flatten before they recover. Third, the capital cycle has restarted. Venture funding reached $624.7M in Q2, up from $573.5M in Q1, while $3.2B+ in M&A exits is recycling capital toward founders who historically lease space within 12 to 24 months. The setup has inverted. A multi-year oversupply is now clearing against returning demand, and with no new construction underway, today's available space cannot be replaced once absorbed.

THE COMPOSITION TEST

Q4 2025

+466,521 SF

one delivery of 466,592 SF, market otherwise flat

Q2 2026

+119,638 SF

16 leases, still +65,264 SF excluding the largest

The same test applies to vacancy: Q4 2025's dip reversed in one quarter. Q2 2026's decline came with breadth.

BENEATH THE HEADLINE

METRIC	Q1 2026	Q2 2026
Direct Vacancy	24.3%	23.3%
Availability	31.4%	31.6%
Class A Asking Rent	$5.75	$5.75
Sublet Availability	1.18M SF	1.23M SF

SUBMARKET DIVERGENCE

TORREY PINES	SORRENTO MESA	SORRENTO VALLEY	UTC
Tightening ▲	**Absorbing ▲**	**Softening ▼**	**Steady —**
Fastest · vac 12.2%	First of the cycle	Was Q1 bright spot	Holding

THE TENANT TAKEAWAY

The turn has started, but concessions have not repriced yet. Landlords are still delivering turnkey buildouts and 2 to 3 months of free rent per lease year against a market that just posted its first demand-driven quarter of compression. That gap between market conditions and deal terms is your opportunity, and it narrows from here. If your lease expires before 2028, you are negotiating against today's 26.6% vacancy, not against the market that follows several more quarters like this one. The strongest positions will be secured before the repricing, not after it.

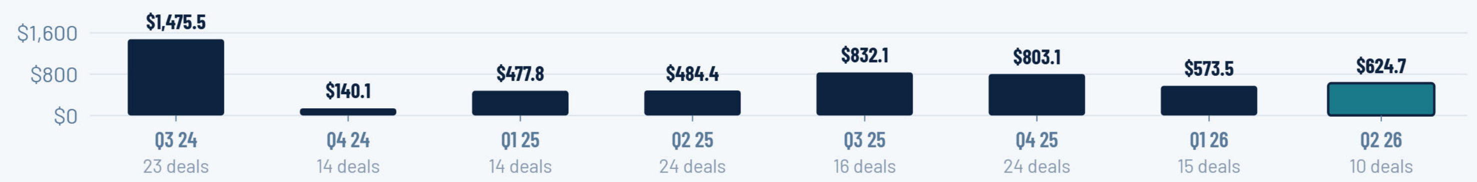
CAPITAL MARKETS

CAPITAL IS STEADY, BUT CONCENTRATING

San Diego life science venture funding reached **$624.7M in Q2 across 10 rounds**, in line with recent quarters but with a composition that matters more than the total. Nearly **79% of the capital went to three rounds**: Campfield Therapeutics ($180M), Element Biosciences ($175M), and Sidewinder Therapeutics ($137M). Growth and late-stage companies captured 69% of dollars, while seed rounds accounted for roughly 1%. The deal count of 10 was the lowest in two years. The pattern is consistent across capital markets this quarter: exits functioned, with $3.2B+ in disclosed M&A and public markets reopening selectively for larger, late-stage names, but access has not broadened. Capital is available for de-risked platforms with clear regulatory paths and scarce for everything earlier. Each of these exits recycles founder, employee, and investor capital into the ecosystem, funding the next vintage of companies, and those companies lease lab space on a 12 to 24 month lag.

> *Post-quarter (Jul 6): Vertex to acquire San Diego's Crinetics for ~$10B all-cash, larger than all of Q2's disclosed M&A combined.*

SD LIFE SCIENCE VENTURE FUNDING BY QUARTER



Source: Connect San Diego

VC EVIDENCE · 10 DEALS · $624.7M

1	Campfield Therapeutics	$180.0M	Series A · Drug Discovery
2	Element Biosciences	$175.0M	Growth · Therapeutics
3	Sidewinder Therapeutics	$137.0M	Growth · Therapeutics
4	ClearNote Health	$52.0M	Growth · Diagnostics
5	VST Bio	$31.9M	Growth · Therapeutics
6	Iambic	$27.8M	Growth · Drug Discovery
7	Rejuvenate Bio	$6.0M	Growth · Therapeutics
8	Antlia Bioscience	$6.0M	Series A · Therapeutics
9	Channel Robotics	$4.7M	Seed · Med Device
10	Acurion Health	$4.3M	Seed · HealthTech

BY STAGE (Q2 2026) 69% | 30%

Growth / Late **$429.7M** · Series A **$186.0M** · Seed · 1% **$9.0M**

Top 3 rounds: **$492M** of $624.7M **(79%)**

M&A EVIDENCE · 9 DEALS · $3.2B+

CLOSED IN Q2			
UCB / Candid Therapeutics	up to $2.2B	closed Jun 17	T-Cell Engagers
J&J / Atraverse Medical	undisclosed	closed May 15	Med Device
OrganaBio / Excellos	undisclosed	closed May	Cell-Therapy CDMO
Hanmi / Aptose Biosciences	~$3.5M going-private	closed Jun 30	Oncology
ANNOUNCED IN Q2			
Biogen / RayThera	up to $1.0B	closing expected Q3	Immunology
Boundless Bio / Serapha	$230M PIPE	reverse merger · Q4	Oncology
Rallybio / Avenzo	$215M PIPE	reverse merger · Q4	Oncology
LEO Pharma / Replay	$50M + milestones	closing undisclosed	Genomic Medicine
InSphero / PhenoVista	undisclosed	closing undisclosed	Assay Services

Q2 pivoted from Q1's record mega-deal closings to a quarter led by new announcements and mid-cap completions. With public markets reopening only selectively, some private biotechs turned to reverse mergers with concurrent PIPEs as an alternative path to public capital.

Sources: company announcements, SEC filings, and BioPharma Dive / FierceBiotech.

WHAT THIS MEANS FOR YOU

Today's exits are funding the tenants of 2027 and 2028. If you are raising, the bar is a de-risked story: capital is flowing to later-stage platforms, not broadly. If you have recently raised or exited, you are the demand wave this report describes, and your real estate decision should anticipate the market's turn rather than react to it.

LEASING ACTIVITY

Q2 2026 LEASE TRANSACTIONS · 16 DEALS

ADDRESS	SUBMARKET	SIGN DATE	SF LEASED	TENANT	LEASE TYPE
9955 Pacific Heights Blvd	Sorrento Mesa	Jun 2026	54,374	Quantum-SI Inc	Direct
9276 Scranton Rd	Sorrento Mesa	Jun 2026	26,024	Sarmal	Direct
10201 Wateridge Cir	Sorrento Mesa	Apr 2026	23,272	n-Lorem Foundation	Direct
5601 Oberlin Dr	Sorrento Mesa	May 2026	11,634	Undisclosed	Sublease
11494 Sorrento Valley Rd	Sorrento Valley	Apr 2026	10,790	Undisclosed	Direct
4930 Directors Pl	Sorrento Valley	May 2026	10,174	Undisclosed	Direct
9310 Athena Cir	Torrey Pines	Jun 2026	9,906	Beyond Therapeutics	Direct
5825 Oberlin Dr	Sorrento Mesa	Apr 2026	8,775	Interfacial Consultants	Direct
6220 Greenwich Dr	UTC	Apr 2026	7,500	Sanguine Biosciences	Direct
6048 Cornerstone Ct W	Sorrento Mesa	May 2026	5,896	Undisclosed	Direct
10945 Vista Sorrento Pky	Sorrento Valley	May 2026	5,472	Undisclosed	Direct
6185 Cornerstone Ct E	Sorrento Mesa	Jun 2026	2,277	Undisclosed	Direct
6185 Cornerstone Ct E	Sorrento Mesa	Jun 2026	1,890	Undisclosed	Direct
6191 Cornerstone Ct E	Sorrento Mesa	Jun 2026	1,830	Undisclosed	Direct
6195 Cornerstone Ct E	Sorrento Mesa	Apr 2026	1,240	Undisclosed	Direct
6181 Cornerstone Ct E	Sorrento Mesa	May 2026	1,220	Undisclosed	Direct

Q2 leasing was broad and Sorrento Mesa led it, taking eleven of sixteen deals. Three genuine anchors drove the over-20k share: Quantum-SI (54,374 SF), Sarmal (26,024 SF), and n-Lorem (23,272 SF). The rest was a healthy spread of mid-size and small-suite activity across the corridor. *Sources: CoStar and Voit proprietary lease comparable database.*

Q2 2026 DEALS BY SIZE

Under 5k SF	31.3%
5k – 10k SF	31.3%
10k – 20k SF	18.8%
Over 20k SF	18.8%

Total deals: 16 · Avg deal size: 11,393 SF · Median: 8,138 SF

Q2 LEASING BY SUBMARKET

SUBMARKET	DEALS	SF LEASED	SHARE
Sorrento Mesa	11	138,432 SF	76%
Sorrento Valley	3	26,436 SF	15%
Torrey Pines	1	9,906 SF	5%
UTC	1	7,500 SF	4%

RECENTLY REPRESENTED BY VOIT

✦ Singular Genomics	21,120 SF	Sorrento Mesa
✦ NAAG Forensic PC	12,194 SF	Sorrento Mesa
✦ Satomic	12,149 SF	Sorrento Valley

AVAILABLE PROJECTS

Pacific Center	13,000–174,000 SF	$6.25 + OpEx
Vista Sorrento Labs	8,933–115,761 SF	$6.00 + OpEx
Directors Science Park	10,174–83,944 SF	$5.75 + OpEx
TechCenter@TheRidge	4,955–18,924 SF	$3.50 + OpEx
Cornerstone Research Ctr	1,174–7,337 SF	$3.15 + OpEx

TENANT OPPORTUNITY SNAPSHOT

TI ALLOWANCE	Turnkey buildout
FREE RENT	2 – 3 mo / yr term
MARKET STATUS	Strongly Tenant-Favorable

Recent Voit representation resulted in a concession package including a turnkey buildout, 65 month term, roughly 12 months of base rent abatement, and a 20% discount on the asking rate.

WHAT THIS MEANS FOR YOU

Current availability plus tenant-favorable concessions is the window, and it is open now. If you are weighing a move, an expansion, or a renewal, you are negotiating in a market that just turned but has not yet repriced. We have live comps and deal intelligence across all four submarkets, and we represent tenants in exactly these negotiations.

THE FOUNDER PLAYBOOK

The market just posted its first demand-driven quarter of compression, and concessions have not repriced yet. That gap is your leverage, but it has a clock on it. The way to capture it is not accepting a standard 5 to 7 year lease and hoping your timeline cooperates. It is structuring the lease around your funding and regulatory milestones, so the real estate works like non-dilutive financing: favorable market conditions traded for extended runway.

FOUR STRUCTURES TO NEGOTIATE NOW

1 The 18-Month Clean Break

A one-time termination right at month 18 or 24, matched to your funding cycle, so a missed raise does not trap you in space you cannot use. If you expect Series B capital 18 months after a regulatory milestone, set the break to land just after that date, so the option expires only once the risk has.

2 The Rip and Replace Expansion

Replace your current lease with a new one when you expand into adjacent space, resetting your concession package instead of stacking two leases with two expirations. This avoids managing two expiration dates and lets you re-open the entire concession conversation at the moment your leverage is highest.

3 The Rolling Security Deposit

A milestone-based burndown returning 25 to 50 percent of the deposit when you hit a funding raise or on-time payment milestones, freeing trapped cash. A $20M+ raise or 18 months of on-time payments are the standard triggers; the returned cash can also be applied toward expansion rent.

4 Letter of Credit Over Cash

An LC instead of a cash deposit, keeping venture dollars available for R and D while still giving the landlord the security they need. In a tight fundraising environment, months of trapped deposit cash is runway; an LC delivers the same landlord security at a fraction of the cash cost.

WHERE YOUR LEVERAGE IS STRONGEST

MAXIMUM LEVERAGE · WINDOW CLOSING

Sorrento Mesa

Deepest concessions, but it just posted its first absorption of the cycle, so this window now has a clock. Push for the full package: turnkey buildout, stacked abatement, and termination rights. Landlords here are competing on total concession value.

RISING LEVERAGE

Sorrento Valley

Softened in Q2 after being the Q1 bright spot; landlord motivation increasing. Motivation is rising quarter over quarter; anchor negotiations to the submarket's softening, not last quarter's comps.

MODERATE · INSTITUTIONAL

UTC

Steady; for growth-stage tenants wanting institutional proximity. Concessions are more competitive here; trade term length for TI quality rather than chasing abatement.

LEAST LEVERAGE · TIGHTEST

Torrey Pines

Tightening fastest; for Series B plus tenants with clinical or partnership validation who need UCSD and Scripps proximity. Leverage is thinnest; win on speed and credibility rather than price, and secure expansion rights early.

MATCH YOUR STAGE TO A SUBMARKET

Seed / Series A

Capture the deepest economics in Sorrento Mesa and Sorrento Valley.

Growth Stage

Balance cost and institutional proximity in UTC.

Series B Plus

With clinical or partnership validation, anchor in Torrey Pines near UCSD and Scripps.

THE BOTTOM LINE

Structure the lease around your milestones, not the landlord's form. Every one of these four structures is achievable in today's market, and none of them will be once concessions reprice. The leverage is real, but the repricing has started: the strongest deals of this cycle will be signed before it finishes. If your lease expires before 2028, that decision window is now.

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SECOND QUARTER 2026 MARKET REPORT

MARKET SIGNALS

SD LIFE SCIENCE EMPLOYMENT

61,866

Total jobs, down 2.55% in 2025 · 1,919 establishments

Q2 2026 VC FUNDING

$624.7M

10 rounds · concentrated in late-stage

Q2 2026 M&A

$3.2B+

9 SD transactions

AVG LIFE SCIENCE WAGE

$203K avg

Among the highest of any U.S. cluster

Employment, wage, and establishment figures: Biocom (2025 data).

WHERE WE ARE IN THE CYCLE

The setup that was forming last quarter is now inflecting. Vacancy compressed for the first time this cycle on broad-based demand, supply is capped, and the capital cycle has restarted. San Diego has moved off the trough.

HOW WE GOT HERE

2021 – 2022
Boom
Vacancy near 6%, rents peaking around $6.50.

2023 – 2024
Correction
Vacancy climbed past 14% as oversupply and a funding pullback took hold.

2025
Trough
Vacancy reached the mid-20s; absorption stayed negative.

Q2 2026
Inflection
First demand-driven vacancy decline of the cycle.

SAN DIEGO IN CONTEXT - TOP U.S. LIFE SCIENCE CLUSTERS (Q1 2026)

MARKET	TOTAL VACANCY	CLASS A ASKING RENT	NET ABSORPTION	UNDER CONSTRUCTION
San Diego (core cluster)	26.6%	$5.75	(103,199) SF	466,592 SF
Greater Boston	27.9%	$6.78	(117,186) SF	2.7M SF
SF Bay Area	30.7%	$5.60	(455,000) SF	0.9M SF

Q1 2026, the latest quarter published for all three markets. San Diego reflects the core cluster (Voit / CoStar); Boston and the Bay Area are shown market-wide. Total vacancy and net absorption for Boston and the Bay Area are CBRE Q1 2026. Asking rents are per SF per month, NNN: San Diego and Greater Boston are Class A (Boston from Newmark 1Q26); the Bay Area figure is the overall market average (CBRE Q1 2026), since no brokerage publishes a Class A breakout for the Bay Area. Under construction: Greater Boston from CBRE Q1 2026; the Bay Area from JLL's 2026 U.S. Lab Property Report (Q1 2026), which shows limited active life science construction. San Diego's vacancy is its latest Q2 2026 reading, while its net absorption is the Q1 2026 figure for comparability; San Diego net absorption turned positive in Q2 2026 (+119,638 SF), while Q2 figures for Boston and the Bay Area are not yet published. Jobs, establishments, and wage figures: Biocom 2026 Life Science Economic Impact Report (2025 data).

WHAT THE SIGNALS SAY TOGETHER

SUPPLY

New construction is effectively capped. The Novartis Campus Point project is the only active development in the cluster, and nothing else can deliver before 2027. Supply cannot respond to a demand recovery in the near term.

DEMAND

Q2 delivered the first broad-based positive absorption of the cycle and the first demand-driven vacancy decline. The turn is early but real, led by Torrey Pines and Sorrento Mesa rather than a single deal.

CAPITAL

Venture funding held steady at $624.7M and $3.2B+ in M&A exits are recycling capital into the next vintage of companies. Those companies convert to lab demand on a 12 to 24 month lag, which points the demand curve upward into 2027.

WHAT THIS MEANS FOR YOU

San Diego has moved off the trough. Vacancy is compressing, capital is recycling, and the only real risk is a federal funding picture largely outside this market's control. If you are making a footprint decision, you are deciding at the turn, not before it and not after it. The conditions still favor you, but every quarter from here narrows that advantage.

KEY MARKET TRENDS

1 Big Pharma Keeps Paying Premium

TREND

Strategic buyers keep paying full valuations for differentiated San Diego platforms. Vertex agreed post-quarter, in July 2026, to acquire Crinetics for $10 billion at a 102 percent premium, one of five San Diego acquisitions announced in 2026.

DRIVER

A looming patent cliff is forcing large pharma to replenish pipelines through acquisition, and San Diego's density of validated, clinical-stage assets makes it a preferred hunting ground.

IMPLICATION

The premium is selective, not broad. Companies with de-risked science and clear regulatory paths command full value, and each exit recycles capital and talent back into the local ecosystem.

2 Flight to Quality Is Now Measurable

TREND

The market has split by submarket quality, and Q2 quantified the gap. Torrey Pines vacancy fell to 12.2 percent while Sorrento Mesa sits near 38.8 percent, a spread of more than 26 points.

DRIVER

Tenants concentrate demand in the best buildings and locations, prioritizing proximity to UCSD and Scripps, move-in-ready lab space, and institutional credibility over headline rent savings.

IMPLICATION

Premier submarkets will tighten first and fastest. Tenants who need quality space should expect it to get scarcer, while oversupplied submarkets still offer a closing window of aggressive economics.

3 The Recovery's One Real Risk

TREND

Federal research funding is the single factor that could slow the recovery. Congress and the courts eased the worst-case cuts, but grant execution deteriorated, with San Diego NIH awards falling from 665 to 531 year over year.

DRIVER

Risk shifted from budget cuts to grant-flow disruption. San Diego NIH awards fell year over year, and federal sources fund 61 percent of UC San Diego's research budget, so the region's anchor institution is heavily exposed to prolonged funding uncertainty.

IMPLICATION

The disruption is already removing planned supply. UC San Diego froze hiring and indefinitely delayed a new life sciences building, so prolonged funding uncertainty constrains both institutional demand and the future development pipeline.

4 The Demand Wave Is Being Built Now

TREND

Today's funding and exits are building tomorrow's leasing demand. San Diego venture funding and $3.2 billion-plus in Q2 M&A are seeding the companies that will need lab space as they scale.

DRIVER

Capital converts to space on a lag. JLL estimates every $1 million raised historically generates about 224 square feet of leasing demand, and CBRE expects improved valuations and venture access to drive lab demand through 2026.

IMPLICATION

With supply capped through 2027, the demand now forming will meet a constrained market. Tenants and investors who position ahead of that conversion capture today's economics before the wave arrives.

THE THROUGH-LINE

These four forces point the same direction. Big pharma is validating San Diego science through record acquisitions, demand is concentrating in quality space, and today's funding is seeding the tenants of 2027 and 2028, while federal research uncertainty remains the one genuine risk to watch. For a founder or an investor, the signal is timing: the capital forming now becomes the space demand of the next two years, and it will meet a market with supply capped through 2027. The tenants who position ahead of that conversion capture today's economics. The ones who wait will negotiate against a tighter market. If a lease, an expansion, or a headquarters decision is on your horizon, this is the quarter to move.

Sources: Voice of San Diego (NIH awards); Higher Ed Dive (hiring freeze and delayed construction); NSF NCSES HERD, FY2024 (federal funding share).

SAN DIEGO'S

Life Science Contacts

If you have a lease expiring in the next 18 to 24 months, a raise behind you, or a footprint decision on the horizon, this is the market to move in. The window is real, but it is not permanent: the market just turned, and concessions have not caught up yet. We work only in San Diego life science, across all four core submarkets, with live comps and current deal terms. **Let's talk before the repricing, not after it.**

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