

MARKET FUNDAMENTALS

	YOY Chg	Outlook
27.6% Vacancy Rate	▲	▲
-253K YTD Net Absorption, SF	▼	▲
\$5.52 Asking Rent, PSF (Overall, All Property Classes)	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.6M San Diego Employment	▲	▲
4.5% San Diego Unemployment Rate	▼	▲
4.2% United States Unemployment Rate Source: BLS	▼	▲

ECONOMIC OVERVIEW

San Diego employment increased by 10,900 jobs, or 0.7% year-over-year (YOY), between August 2025 and August 2026, reflecting modest growth.¹ Health care led employment gains, adding 12,300 jobs (+5.0% YOY), supporting the region's broader health care and research ecosystem. San Diego County's life sciences industry remains a cornerstone of the regional economy despite a 2.6% YOY decline in direct employment in 2025.² The sector employed 61,866 workers across 1,919 establishments and generated \$34.0 billion (B) in direct economic output. Biotechnology accounted for the largest share of life sciences employment, with 28,316 employees (-2.0% YOY), while biopharmaceutical employment increased to 11,301 employees (+0.8% YOY), reflecting mixed employment trends across the industry's major subsectors. Average annual wages of \$203,124 underscore the industry's highly specialized workforce and its importance to the regional economy. Federal research funding remains a critical driver of the region's innovation ecosystem. In 2025, San Diego organizations received \$1.1B in combined National Institutes of Health and National Science Foundation funding. The life sciences industry supported a total of 155,621 jobs and generated \$55.2B in total economic output, including direct, indirect and induced impacts.²

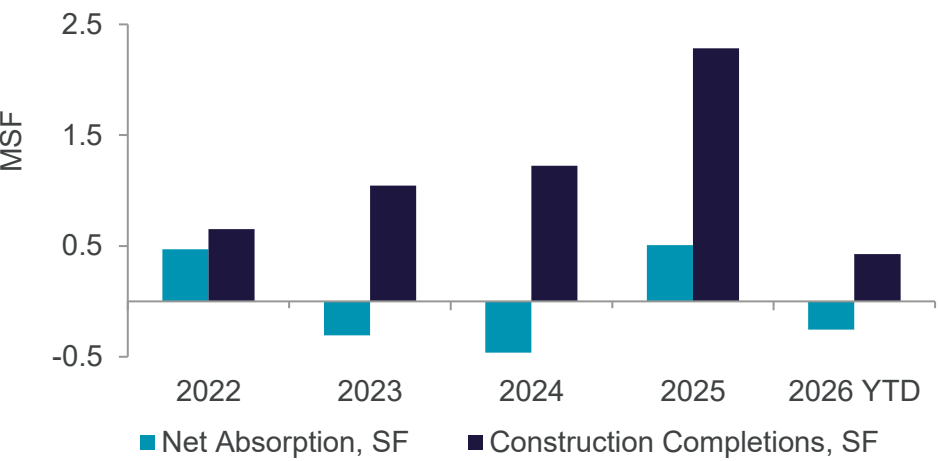
While venture capital investment has become more selective and funding conditions remain volatile, San Diego benefits from federal research funding and an established network of research institutions. Major corporate commitments, including new research facilities and long-term leasing activity, demonstrate continued investment in the region despite headwinds.

San Diego's concentration of world-class research institutions, specialized talent and institutional funding provides a foundation for long-term laboratory demand, although near-term leasing conditions remain sensitive to funding availability and tenant expansion decisions. Looking ahead, total employment is projected to grow by 0.8% in 2026 and 0.2% in 2027, both below the five-year historical average of 1.8%, indicating continued selectivity among life sciences occupiers.³

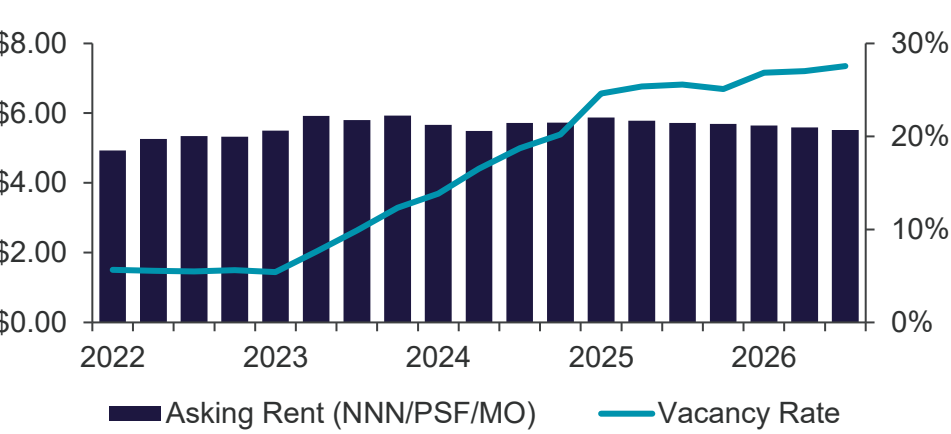
SUPPLY AND DEMAND

At the close of Q3 2026, overall vacancy rose to 27.6%, up from 27.0% last quarter and 25.6% a year ago, marking a new cycle high. Sublease vacancy declined to

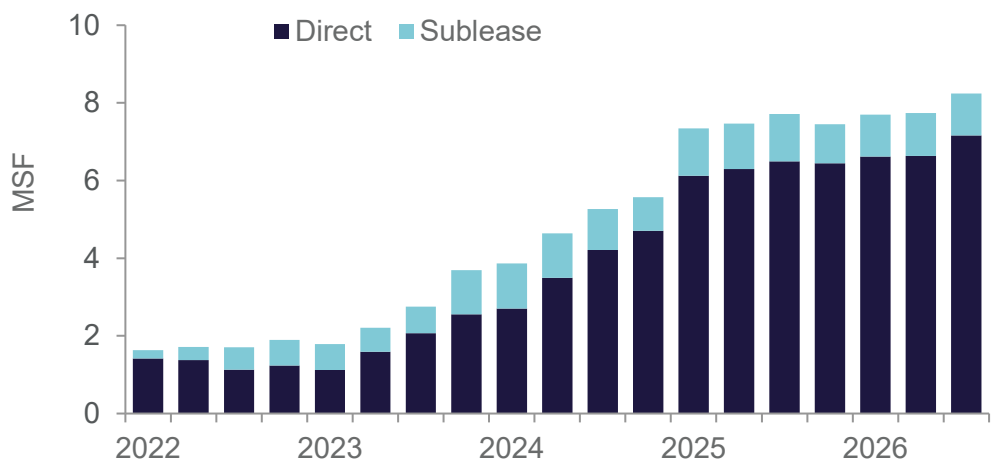
SPACE DEMAND / DELIVERIES



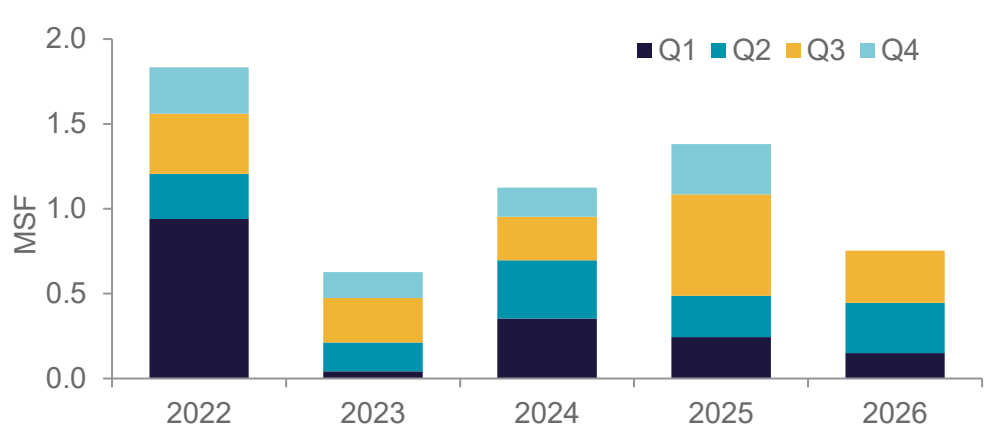
OVERALL VACANCY / ASKING RENT



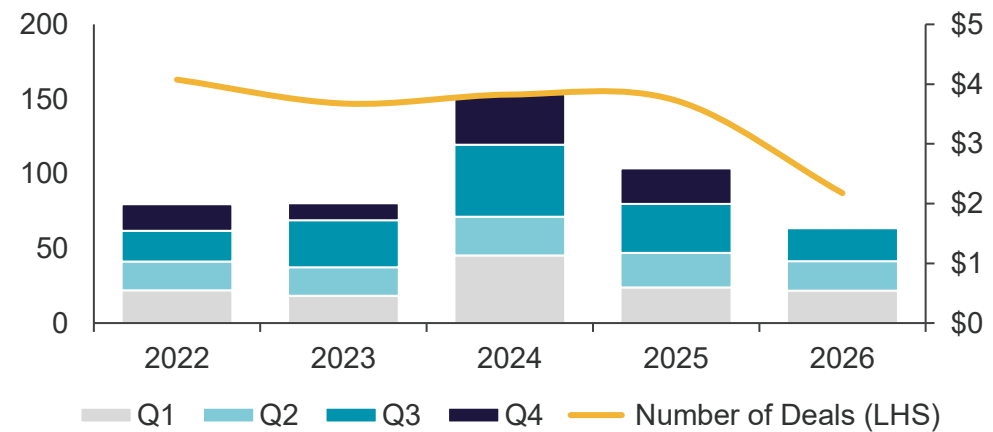
DIRECT VS. SUBLEASE AVAILABLE SPACE



NEW LEASING ACTIVITY



LIFE SCIENCES VENTURE CAPITAL INVESTMENT (\$B)



Source: Pitchbook

565,000 square feet (sf), down 10 basis points (bps) quarter-over-quarter (QOQ) and 40 bps YOY. Sublease space remains concentrated in Sorrento Mesa, Torrey Pines and Sorrento Valley. Direct vacancy totaled 6.8 million square feet (msf), up 70 bps QOQ and 230 bps YOY. Total availability increased to 8.2 msf, comprising 7.2 msf of direct availability and 1.1 msf of sublease availability. New leasing activity totaled 307,000 sf in Q3 2026, up 4% QOQ but down 49% YOY.

Direct availability across core submarkets increased to 5.4 msf in Q3 2026. Sorrento Mesa recorded the highest direct availability rate at 39.4%, driven by new speculative (SPEC) deliveries, while accounting for 25% of new leasing activity during the quarter. Sorrento Valley followed at 32.8%, where several larger projects have pushed availability higher within a relatively small inventory base. In contrast, direct availability in Torrey Pines and UTC remained lower at 19.1% and 22.6%, respectively, with both submarkets continuing to attract tenant interest.

Countywide, the direct availability rate rose to 26.8% (7.2 msf) at quarter-end, up from 24.9% (6.5 msf) one year earlier. Sublease availability declined 10 bps QOQ and 60 bps YOY to 4.1% (1.1 msf), with Sorrento Valley recording the highest sublease availability rate at 8.2%.

PRICING

Average asking rent was \$5.52 per square foot (psf) per month on a triple net basis, down 1.3% QOQ and 3.4% YOY. Elevated sublease availability continues to exert downward pressure on asking rents, as discounted, move-in-ready space competes directly with landlord-controlled inventory. Newly delivered SPEC developments continue to command the market's highest asking rents, reflecting tenant preferences for modern, purpose-built laboratory facilities. However, landlords are increasingly offering concessions and adjusting pricing to attract tenants with strong growth prospects and established management teams.

FUTURE INVENTORY

Approximately 845,000 sf remains under construction, with 55.2% preleased. Build-to-suit projects account for 55% of the construction pipeline, while SPEC development represents the remaining 45%. UTC accounts for the largest share of active construction (55%), followed by Downtown (45%). However, elevated vacancy, workforce reductions at major life sciences firms and slower venture capital deployment continue to constrain new development, with no new SPEC projects anticipated to break ground in the near term. As a result, landowners who acquired development sites at peak valuations are reassessing their strategies, prioritizing existing asset stabilization and value creation over ground-up development.

OUTLOOK

- Venture capital investment in the San Diego life sciences sector totaled \$549 million (M) in Q3 2026. The largest funding round was a \$130M investment in Crystalys Therapeutics, followed by a \$66M investment in Iambic. While overall funding remains selective, these investments may generate future space requirements as companies advance through clinical development milestones.⁴
- San Diego also remains a focus of pharmaceutical mergers and acquisitions, including Vertex Pharmaceuticals' \$10.0B acquisition of Crinetics Pharmaceuticals and Biogen's \$1.0B acquisition of RayThera. Large pharmaceutical companies continue to pursue acquisitions of innovative therapies and development-stage companies to expand their drug pipelines.
- Leasing activity is beginning to improve among high-quality properties in premier submarkets, particularly Torrey Pines, where tenant interest is gradually returning. Vacancy in these locations may stabilize ahead of the broader market as demand recovers.
- Premium assets in the region's most desirable submarkets are expected to capture a disproportionate share of leasing demand, while move-in-ready SPEC suites under 25,000 sf remain well positioned to attract emerging and growth-oriented life sciences tenants.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL ABSORPTION (SF)	YTD CONSTR COMPLETIONS (SF)	UNDER CNSTR (SF)	UNDER RENO (SF)
Sorrento Mesa	7,174,527	260,095	2,783,696	42.4%	-64,511	-156,396	0	0	0
Sorrento Valley	1,488,922	56,200	439,203	33.3%	66,686	67,872	0	0	0
Torrey Pines	6,063,872	158,432	1,048,644	19.9%	-471,667	-506,145	0	0	0
UTC**	4,013,364	0	891,651	22.2%	392,124	200,003	426,927	466,598	0
CORE TOTALS	18,740,685	474,727	5,163,194	30.1%	-77,368	-394,666	426,927	466,598	0
SECONDARY TOTALS	7,963,244	89,851	1,632,215	21.6%	245,959	141,335	0	377,977	0
SAN DIEGO TOTALS	26,703,929	564,578	6,795,409	27.6%	168,591	-253,331	426,927	844,575	0

*Rental rates reflect weighted triple net asking \$psf/month. **UTC includes UTC, Eastgate, Governor and Campus Point Submarkets.

KEY LEASE TRANSACTIONS Q3 2026

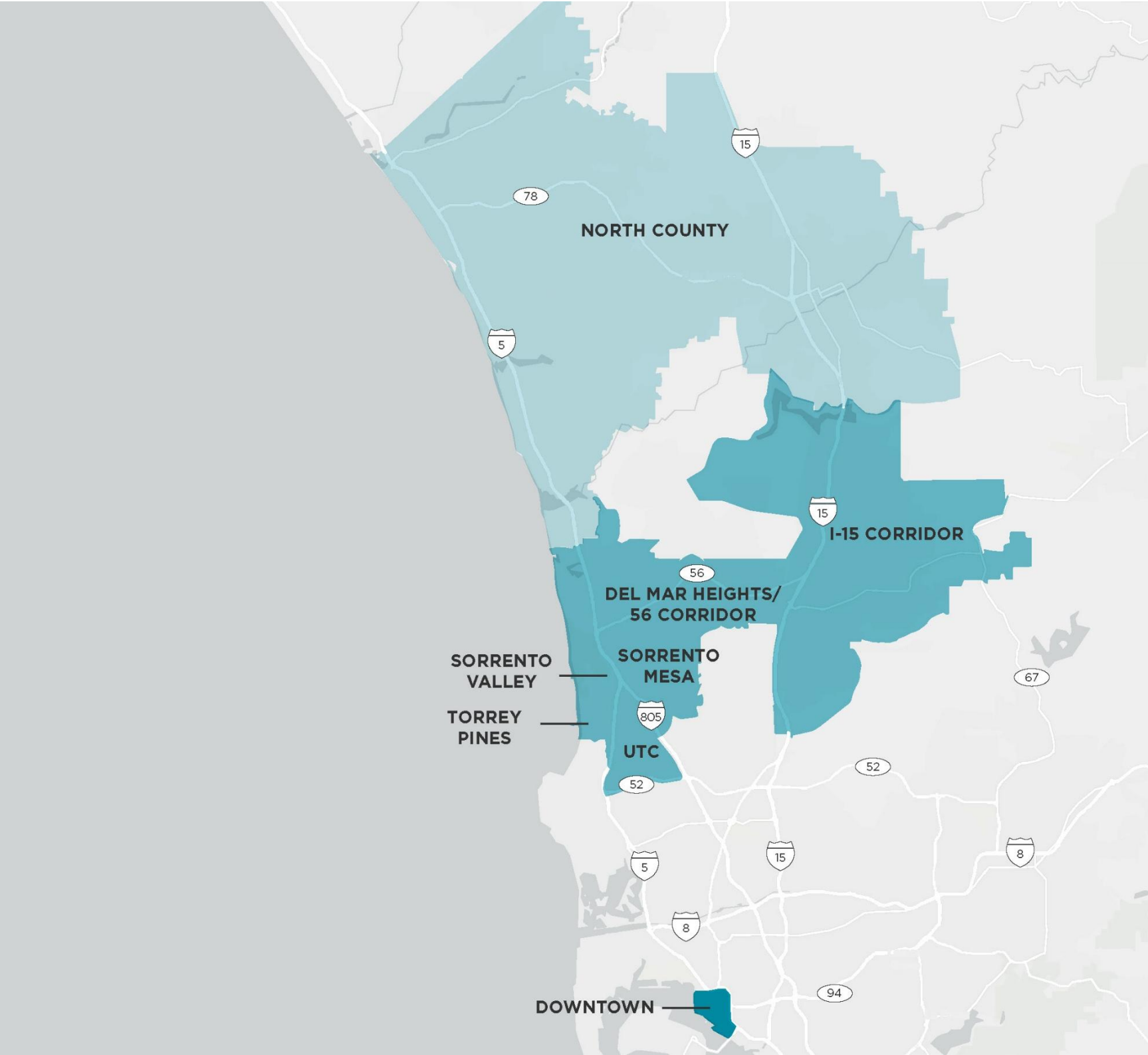
PROPERTY	SUBMARKET	TENANT	SF	TYPE
4939 Directors Pl.	Sorrento Mesa	Department of Veterans Affairs	52,800	New
3545 Cray Ct.	Torrey Pines	Iambic Therapeutics	51,073	Expansion
11149 N. Torrey Pines Rd.	Torrey Pines	Aspen Neuroscience	48,696	New
10220 Sorrento Valley Rd.	Sorrento Valley	Nitto BioPharma	22,272	New
10578 Science Center Dr.	Torrey Pines	Sirius Therapeutics	19,361	New

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
CP7	UTC	Novartis	466,598	Alexandria Real Estate Equities
The Campus at Horton	Downtown	N/A	377,977	AllianceBernstein

Source: ¹ [www.EDD.gov](#) San Diego-Chula Vista-Carlsbad, CA MSA. ² Biocom's 2026 Life Science Economic Impact Report. Data as of 2025. ³Lightcast forecast for San Diego-Chula Vista-Carlsbad, CA MSA as of October 2026. ⁴Pitchbook.

LIFE SCIENCES SUBMARKETS



JUSTIN BALAGTAS
Senior Research Analyst
Tel: +1 858 626 5245
justin.balagtas@cushwake.com

JOLANTA CAMPION
Senior Research Director, Southern California
Tel: +1 858 625 5235
jolanta.campion@cushwake.com

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