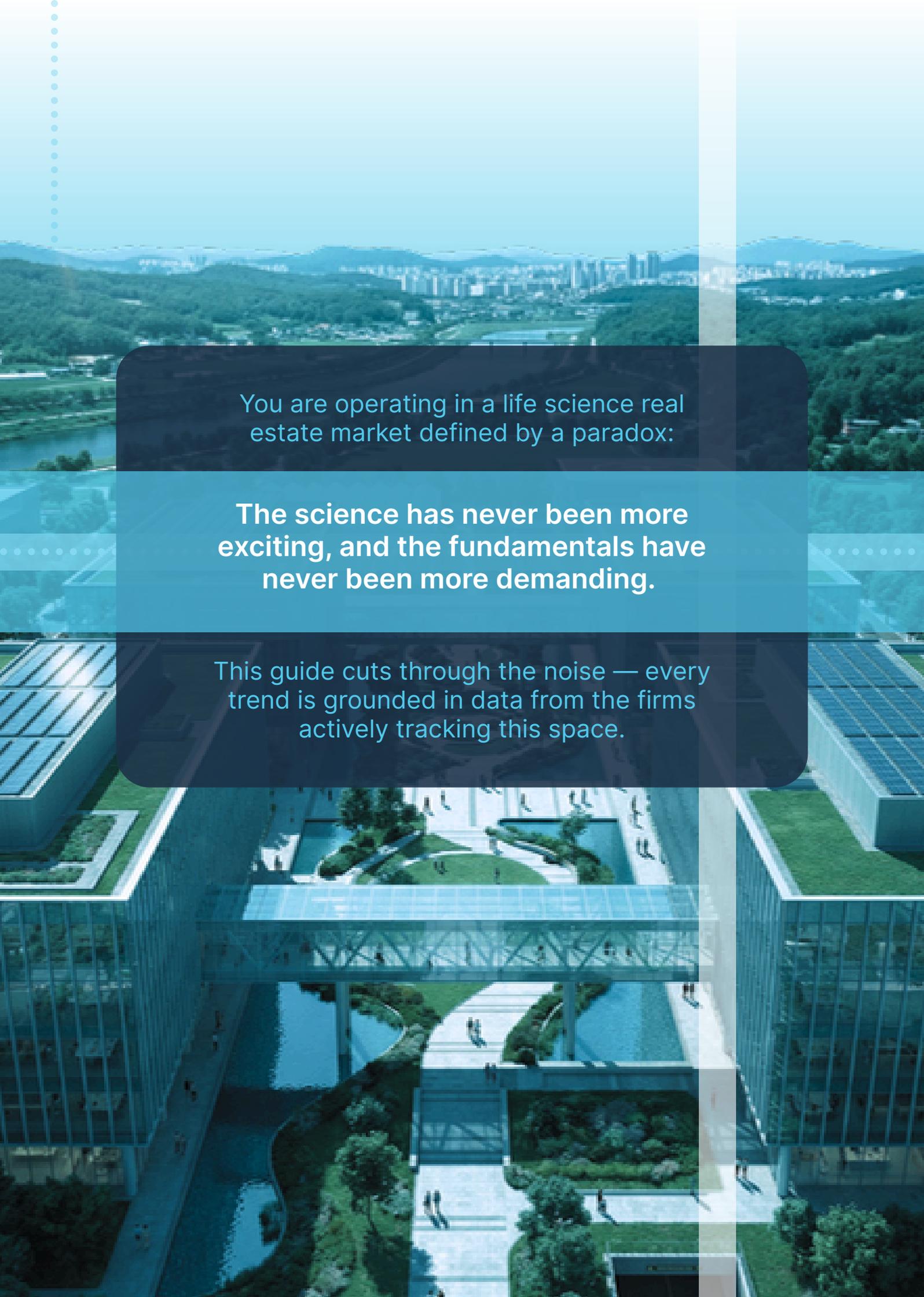




**U.S. Life Science Real Estate:
Operator Opportunity Report**





You are operating in a life science real estate market defined by a paradox:

The science has never been more exciting, and the fundamentals have never been more demanding.

This guide cuts through the noise — every trend is grounded in data from the firms actively tracking this space.

Five Global Forces Reshaping Your Market

23.1%

*U.S. life sciences
vacancy rate,
Q4 2025*

\$66

*Avg. asking rent per
SF — still ~40%
above office*

+28%

*YoY rise in global
R&D investment
sales to \$13.5B*

1. The Post-Pandemic Supply Hangover

The pandemic drove unprecedented construction activity. The national pipeline peaked at 63 million square feet in Q2 2023 — almost entirely speculative, built on assumptions that pandemic-era demand would hold. It didn't. As venture capital pulled back and startups rationalized their footprints, occupancy fell from 95.5% in mid-2022 to 86.0% by mid-2025.

The good news: as of Q4 2025, the construction pipeline has contracted to just **3% of existing inventory** — the lowest level since 2019 — and more than half of what remains under construction is already preleased. You are operating near the supply peak. The air is starting to clear.

2. Capital Market Recalibration

Cap rates climbed from 4.4% in early 2022 to 6.6% by mid-2025. If you're well-capitalized, this is a reset window — distressed assets are coming to market at corrected pricing. If you're carrying floating-rate debt on a lease-up asset, you already know the pressure. One encouraging signal: global R&D investment sales rebounded to \$13.5 billion in 2025, up 28% year-over-year. The market isn't frozen; it's discriminating.



3. NIH Funding Uncertainty

NIH grant funding has historically anchored early-stage tenant demand in academic cluster markets. The current administration has proposed substantial cutbacks — a direct threat to biotech startup formation in Boston, San Francisco, and San Diego. Tenants with 80%+ revenue dependence on extramural grants carry real renewal risk. This is credit risk analysis, not speculation.

"The current administration has proposed substantial cutbacks to federal funding for the sector and is working to enact pharmaceutical-specific tariffs."

PwC / Urban Land Institute — Emerging Trends in Real Estate 2026

4. Pharmaceutical Tariffs & Onshoring

Tariff pressure on pharmaceutical imports is driving announced domestic manufacturing investment at historic scale. JLL tracked 15 major pharmaceutical companies announcing more than \$270 billion in U.S. biomanufacturing investments through mid-2025 — Novartis alone pledged \$23 billion. This is a structural shift that favors cGMP-capable assets.

5. The China Licensing Factor

Chinese biotechs now account for four times the in-licensing deals with U.S. biopharma compared to 2021. This substitution reduces demand for early-stage U.S. lab space — the small-suite product your incubator portfolio may depend on. Track VC-backed U.S. biotech formation closely; it is a direct leading indicator of your flex-lab occupancy.



Seven Micro Trends from the Last 12 Months

TREND	IMPACT	TIMELINE
Flight to Quality Tenants ignore space requiring costly retrofits. Demand concentrates in purpose-built Class A labs. Secondary assets face sustained pressure.	9/10	NOW
Sublease Inventory Clearing Sublease vacancy held at 3.5% nationally in Q4 2025, beginning to retreat in Boston and Bay Area — slowly and selectively.	8/10	0-1YR
Build-to-Suit Displacing Spec BTS now makes up 53% of the pipeline, up from 34% in 2024. Speculative development without anchor tenants has effectively ceased.	9/10	NOW
Biomanufacturing Demand Surge GMP manufacturing — especially cell & gene therapy — is attracting investment at historic scale. 15 pharma firms pledged \$270B+ in U.S. manufacturing.	9/10	1-3YR
Smaller Deals Dominating Deals under 10,000 SF now account for 76% of closed transactions. Companies are right-sizing and avoiding long-term commitment.	7/10	0-1YR
Boston & Bay Area Reassert Dominance These two clusters captured ~70% of total lab leasing demand in 2025. The flight to established ecosystems is structural, not cyclical.	8/10	NOW
Space Use Rationalization Pharma M&A is generating sublease additions from consolidating entities. JLL estimates 18.7M SF of available space will shift to alternative uses by 2030.	7/10	1-3YR

AI Is Changing What Your Tenants Need — and What Your Buildings Must Deliver

27%

Vacancy spike from 6.6% in 2022, partly driven by AI biotech's smaller footprints

1 in 6

Biotech VC deals now going to AI-native companies, up from 1 in 11 in 2023

1/3 less

Space AI biotech tenants lease per employee vs. traditional biotechs

The AI Biotech Tenant Paradox

AI-native biotech companies are among the few tenants receiving enough capital to expand right now. But here's the paradox: they lease roughly one-third less space per employee than a traditional biotech. More deal flow, smaller footprints. Between January 2023 and July 2025, high-tech occupiers actually outnumbered pure-play biotech in deals over 10,000 SF — 562 to 515. Your primary growth demographic has changed. Your assets need to reflect that.



Power & Connectivity — The New Table Stakes

Attracting AI-integrated tenants requires power density, fiber redundancy, and cooling infrastructure that most pre-2015 buildings simply don't have. High-density GPU computing is expensive to retrofit. If you haven't conducted a power and connectivity audit on your assets, that is your first action item. Buildings that cannot accommodate this face accelerated functional obsolescence over the next three to five years.

What This Means for Your Buildings

"Now, every life science space, education space, healthcare space seems to have some component of a data center within it at this point. The infrastructural demand is something that is a dealbreaker in some cases."

— Sally Lee, Principal at HDR Education and Science
Bisnow NY Life Sciences Summit, December 2025

Repurposing Existing Infrastructure

The intelligence is in creative reuse. The NEST Center — the repurposed Merck global headquarters in Kenilworth, New Jersey — repositioned over two million square feet of existing lab and biomanufacturing buildings as a mixed-use campus. This model aligns cost efficiency with sustainability goals, and signals what's possible when you get creative with existing stock rather than defaulting to ground-up development.

The Policy Changes Reshaping Your Operating Environment

FDA Approvals as a Leading Indicator

A record 76 innovative drug approvals were issued in 2025 — a signal of sustained R&D momentum that, with a 12–36 month lag, typically translates into expanded real estate footprints as approved products move into manufacturing scale-up. Your manufacturing-capable assets are positioned to benefit.

NIH Budget Reconciliation

The FY2026 NIH budget process is a direct risk to your tenant base in academic cluster markets. Any material reduction in extramural research grants suppresses startup formation and early-stage expansion demand. Model downside scenarios. Know which tenants carry significant NIH grant dependence — this is credit risk analysis, and it deserves the same rigor as any other underwriting input.

The Biosecure Act & Onshoring Momentum

Potential restrictions on Chinese biotech partnerships are driving U.S. companies to consolidate domestic R&D and manufacturing operations. This favors operators with GMP-capable space and proximity to CRO/CDMO ecosystems. New Jersey, with its density of pharmaceutical and biotech companies, is specifically positioned to benefit from this onshoring tailwind.





How Your Tenants Are Thinking — and What They Now Expect

Tenants Are Holding the Cards

With 61 million square feet of available lab space nationwide — JLL calls it "the most tenant-favorable lab market ever" — your leverage as a landlord is at a cyclical low. Tenants are not leasing space that is "close enough." They are ignoring spaces that aren't quite the right fit or would require significant construction investment to become functional.

"The current environment is creating a rare window where companies can secure premier lab space in Boston with more flexibility and better economics than we've seen in years — and that dynamic is already translating into renewed leasing velocity."

Tucker White, U.S. Life Science Lead — Avison Young, February 2026

What Selectivity Looks Like in Practice:

Tenants are prioritizing functional, ready-to-use lab space with minimal required construction. They want buildings in established cluster cores with access to talent, capital, and institutional partners. And they are choosing operating environments that support retention of top scientific talent — which increasingly means amenities, sustainability credentials, and a sense of community.

Large Pharma Is Back at the Table:

While small deals dominate in volume, the most meaningful leasing velocity is coming from established pharmaceutical companies consolidating or expanding their footprints. Alexandria Real Estate Equities completed more than 527,000 square feet of space in the first half of 2025 — 96% occupied or in lease negotiations. Their pipeline through year-end 2026 is 84% leased or in negotiations. Large pharma is making long-term commitments. Your job is to be the asset they choose.

Where Capital Is Moving — and What It Signals for You

\$49B

Global VC funding held steady in life sciences in 2025, supported by APAC momentum

+63%

Rise in global pharma licensing payments in 2025 — a proxy for pipeline activity

\$475B

Pledged in U.S. manufacturing & R&D investments by global pharma through late 2025

Manufacturing-Oriented Assets Are Outperforming

PwC and ULI's Emerging Trends 2026 are explicit: manufacturing-oriented assets are outperforming in the near term. Areas with user-owned inventory and biotech manufacturing facilities have experienced less occupancy loss than pure R&D markets. If you have GMP-capable space or properties adjacent to manufacturing corridors, you are holding the right asset class for this cycle.

Biotech Equity as a Demand Leading Indicator

CBRE flags the State Street SPDR S&P Biotech ETF (XBI) as a historically reliable leading indicator for life science real estate demand. The XBI surged materially in the second half of 2025. When biotech equity valuations rise, companies access capital more easily, which drives hiring, which drives space demand — typically with a 12–24 month lag. It's pointing toward a more active 2026 leasing environment.

VC Dry Powder Waiting to Deploy

Major venture firms have raised capital at unprecedented rates since January 2023, creating substantial dry powder for future deployment. When that deployment cycle turns, it will trigger a wave of new company formation and space demand. The time to build your flex-lab and incubator product is before that demand arrives, not after it does.

What to Do Right Now — and Over the Next Five Years

Immediate — 0 to 12 Months

- **Audit power, fiber, and floor-load on every asset.** AI biotech demand is here now, and infrastructure inadequacy is already a dealbreaker in tenant conversations. Know where your buildings stand before a prospect does.
- **Stress-test your debt maturities through 2027.** Cap rates have expanded significantly from 2022 lows. Get ahead of your lender before the market forces the conversation.
- **Review every tenant's NIH grant exposure.** Tenants with 80%+ revenue dependence on extramural grants need closer monitoring through the current federal funding debate.
- **Stop speculative development.** Require anchor pre-commitment before breaking ground. The market will not absorb spec space quickly in this cycle.
- **Sharpen your sublease pricing.** With sublease inventory slowly clearing in gateway markets, make sure your direct rents are positioned competitively before the window closes.

Medium Term — 1 to 3 Years

- **Position for biomanufacturing.** The \$270–475B in announced U.S. pharma manufacturing investment is the most durable near-term demand signal in the sector. GMP-capable space commands sustained rent premiums and long-term leases.
- **Build or acquire in established cluster cores.** The flight to core is structural, not cyclical. Boston/Cambridge, South San Francisco, and Torrey Pines are where the most durable demand lives.
- **Develop a flex-lab and incubator platform.** VC dry powder is building. Operators with turnkey flex-lab space already in market will capture the next wave of early-stage company formation.
- **Invest in sustainability credentials.** Over 55% of new U.S. life sciences labs adopted LEED standards in 2023. Large pharma tenants are embedding sustainability requirements directly into lease negotiations.

Long Term — 3 to 5 Years

- **Treat your campus as an ecosystem, not a building.** The most competitive assets of the next decade will be distinguished by the communities and services they host — CRO access, shared instrumentation, VC relationships. Square footage alone is not a value proposition.
- **Plan for 18.7M SF of alternative use conversion.** JLL projects this much current available lab space will shift to alternative uses by 2030. Get ahead of that conversion decision before distress makes it for you.
- **Build AI-lab-capable assets.** Power density, compute-ready infrastructure, and flexible utility distribution are the features that will define the next-generation lab building. Design for it now.

The Bottom Line

The worst of the correction may be behind you. The construction pipeline has contracted dramatically. Investment sales are recovering. The XBI is signaling improving biotech valuations. AI-driven drug discovery is generating real tenant demand. Manufacturing investment is being announced at historic scale.

The operators who emerge strongest from this correction will be the ones who used it to upgrade their assets, sharpen their tenant profiles, and build the infrastructure the next wave of tenants will need.



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