U.S. Life Sciences Property Report

6 trends highlighting current lab market dynamics

SEE A BRIGHTER WAY

Research

United States

June 2025

jll.com/lifesciences

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The path forward

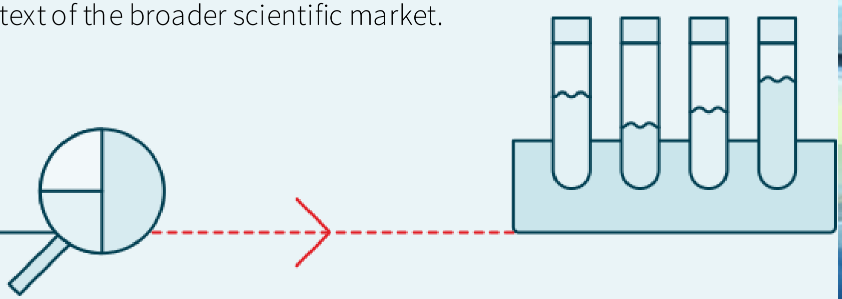
After a year that saw sustained, albeit slow, gains in demand and leasing activity across the U.S. lab property market, the start to 2025 has been disquieting. Business, political, regulatory and funding uncertainties contributed to a sharp drop-off in demand in Q1 amid oversupply that has slightly increased year-over-year. The 200+ million s.f. U.S. lab market would need some combination of 20-25 million s.f. of net absorption and/or supply reductions to return to market equilibrium. For reference, that would reflect three times the uptake seen per year during the peak of the last cycle.

Barring an unforeseen and substantial growth spurt of demand, the likeliest outcome of this period of oversupply is that well-built and well-located buildings will gain market share, while buildings without those aspects will face increased odds of distress in the next 12-24 months. There are also high-potential labs in need of fresh operators and/or working capital, presenting vast opportunities for investors to play the long game in the space.

We anticipate there will be a supply shake-up, as building owners cannot wait in perpetuity for markets to recover, especially knowing the supply-to-demand ratio in major markets has ticked up to 9-to-1 in recent months.

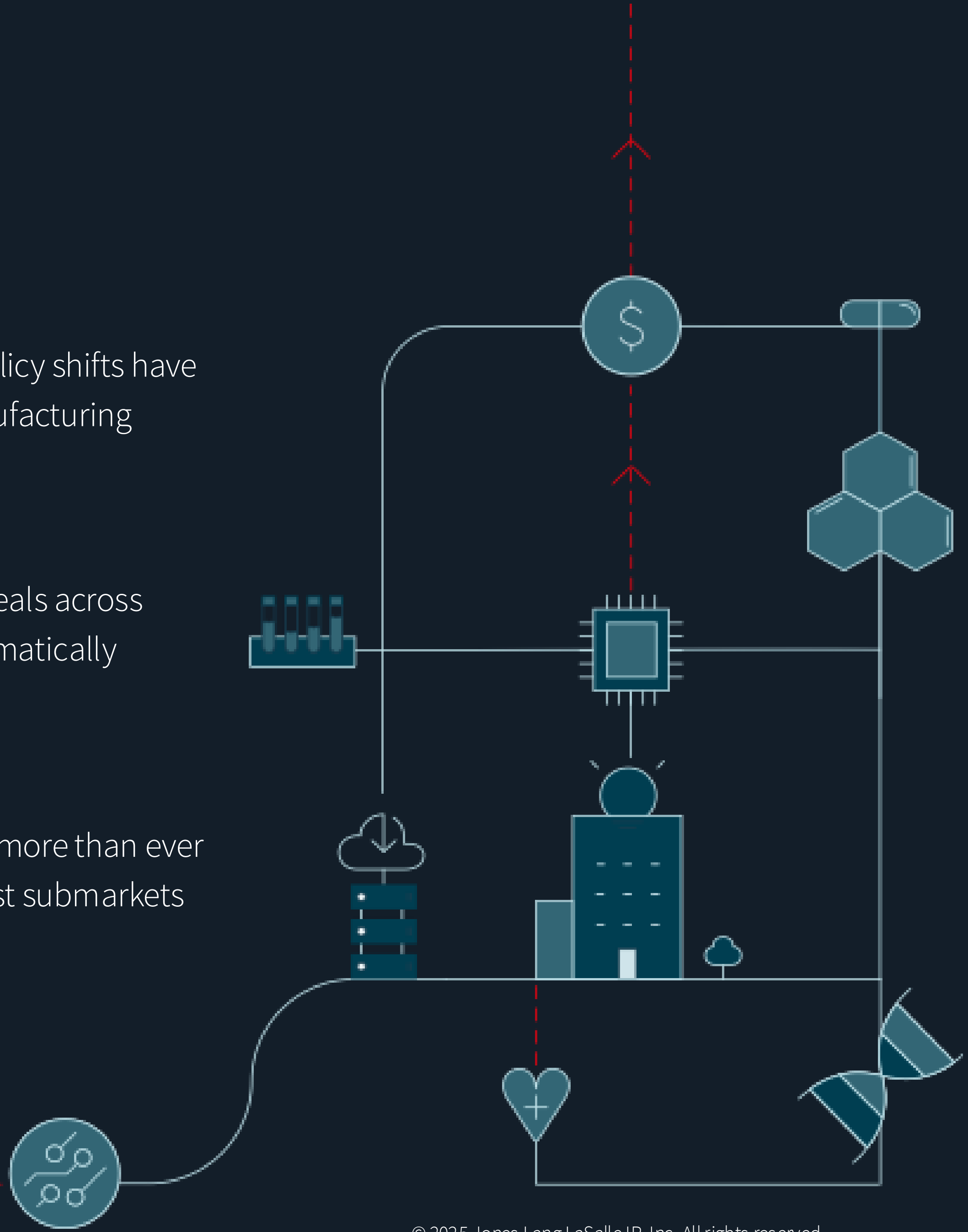
Landlords with scale and experience in the space are out-leasing the competition. Established submarkets still see leasing volumes, owing to the scale of their tenant bases. The top-tier segment of buildings is seeing a net inflow of occupancy. It is a question of when, and not if, the biopharma sector recovers and starts needing more space again. Whenever the next growth cycle starts, the landlords that remain will be well positioned to ride the next wave of innovation.

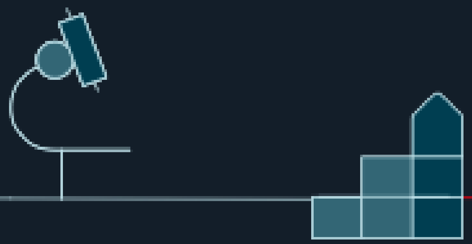
The data and analysis in this report examines how life sciences real estate assets and markets are performing across the U.S. Real estate, however, represents just one of many variables in the life sciences market's overall behavior. We welcome you to connect with our specialized life sciences team to discuss these real estate insights within the context of the broader scientific market.



Key findings

1. After growing throughout 2024, lab leasing declines significantly in Q1 2025
2. The downward pressure on rents is most apparent in markets with the most supply
3. The lab market is shrinking already, with much more to go
4. Post-pandemic federal policy shifts have begun to reshore biomanufacturing
5. The composition of lab deals across the U.S. has changed dramatically
6. Tenants are choosy, and more than ever they want to be in the best submarkets or the best buildings





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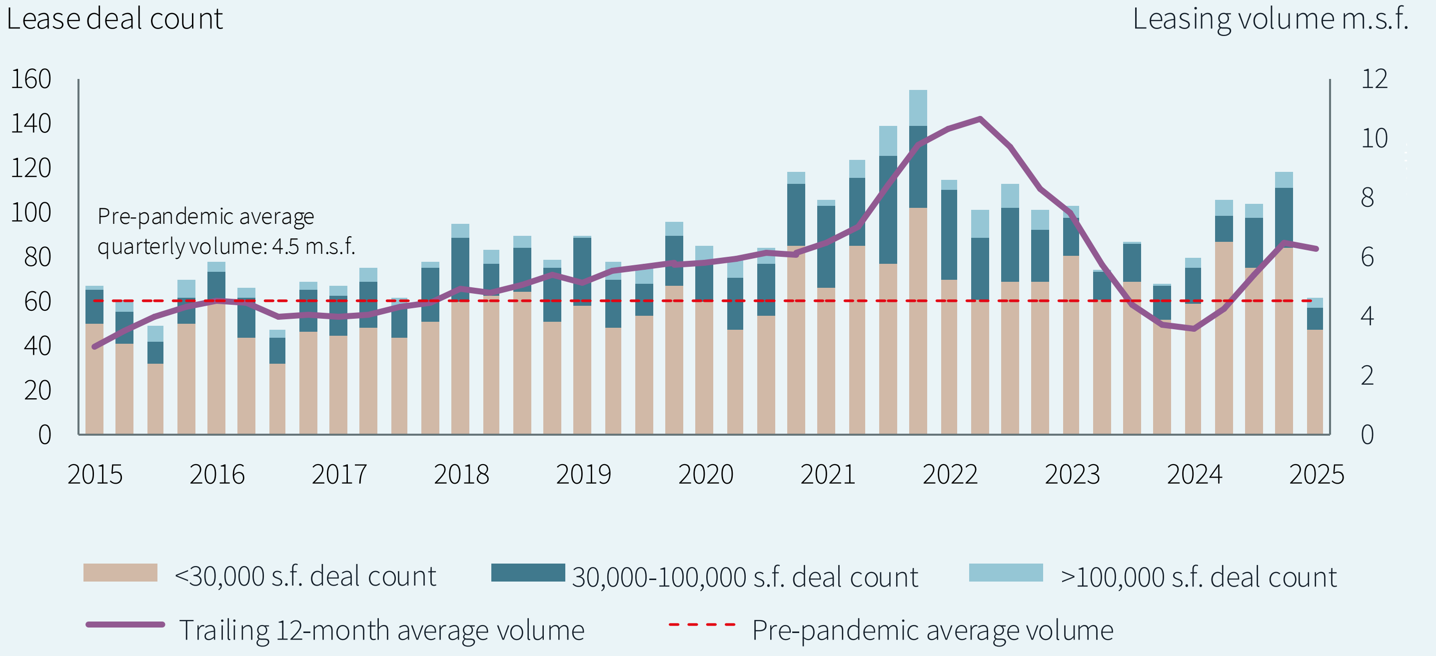
1 After growing throughout 2024, lab leasing declines significantly in Q1 2025

Lab leasing volume experienced a notable slowdown in early 2025, dropping from its promising growth trajectory seen in 2024. The current market conditions reflect a cautious approach by life sciences companies in their real estate decisions, influenced by macroeconomic, policy, and funding uncertainties. Today, smaller deals are driving market activity, making up 76% of deals closed in Q1. Nonetheless, total deal volume continues to be above the pre-pandemic average. The reductions in tenant demand in early 2025 across the U.S. suggest muted leasing volume growth for the rest of the year as the sector grapples with a rocky decision-making environment.

Leasing activity



Source: JLL Research—Bay Area, Boston, Boulder, Greater DC, New Jersey, Philadelphia, Raleigh-Durham, San Diego, Seattle, Los Angeles, Houston

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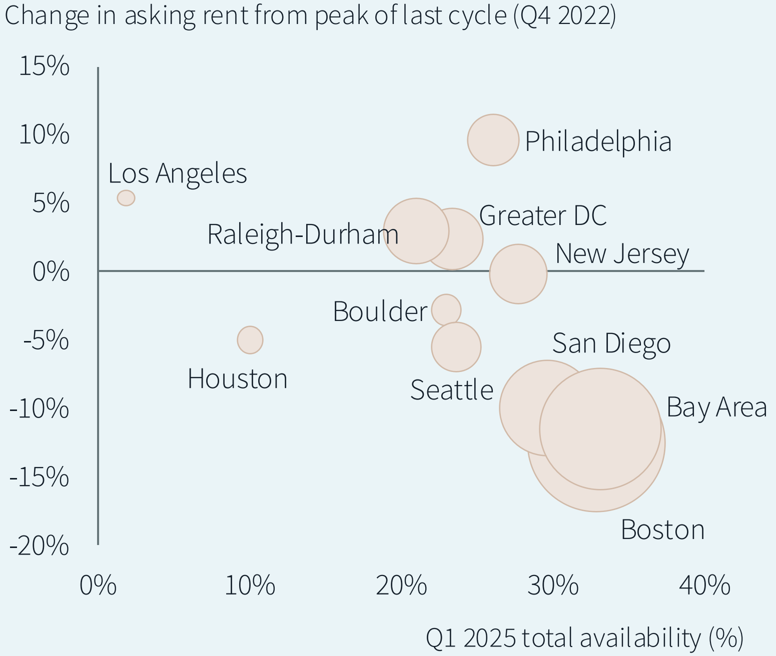
2 The downward pressure on rents is most apparent in markets with the most supply

Boston, the Bay Area and San Diego are exhibiting comparable market conditions in the face of prolonged oversupply and weak demand. Availability rates have remained elevated, leading to significant downward pressure on rents. Midsize markets such as Greater DC, New Jersey and Raleigh-Durham occupy a more stable middle ground, displaying decent availability levels and relatively moderate rent changes. The geographically fragmented Los Angeles market is a clear outlier. Its single-digit availability rate has been a catalyst for rent growth as tenants struggle to find growth space.

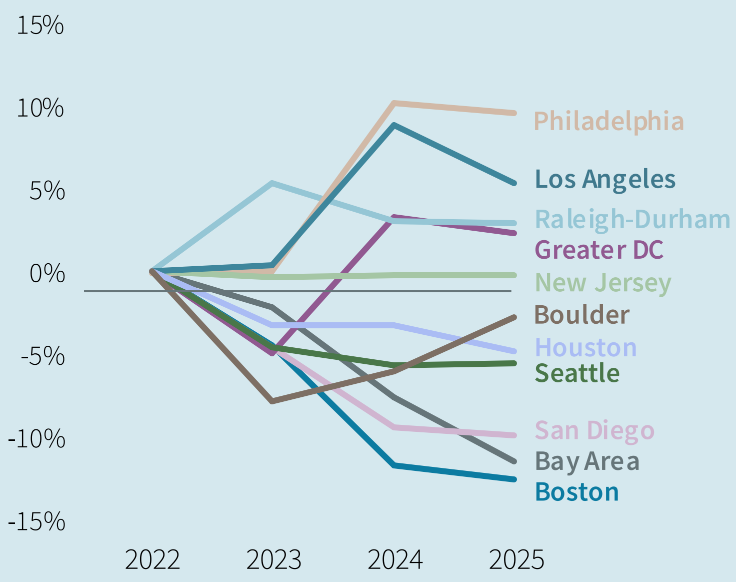
Source: JLL Research

Life sciences market dynamics: Rent change vs. total availability



Size of bubble represents available s.f.

Average asking rents compared to peak of last cycle (Q4 2022)



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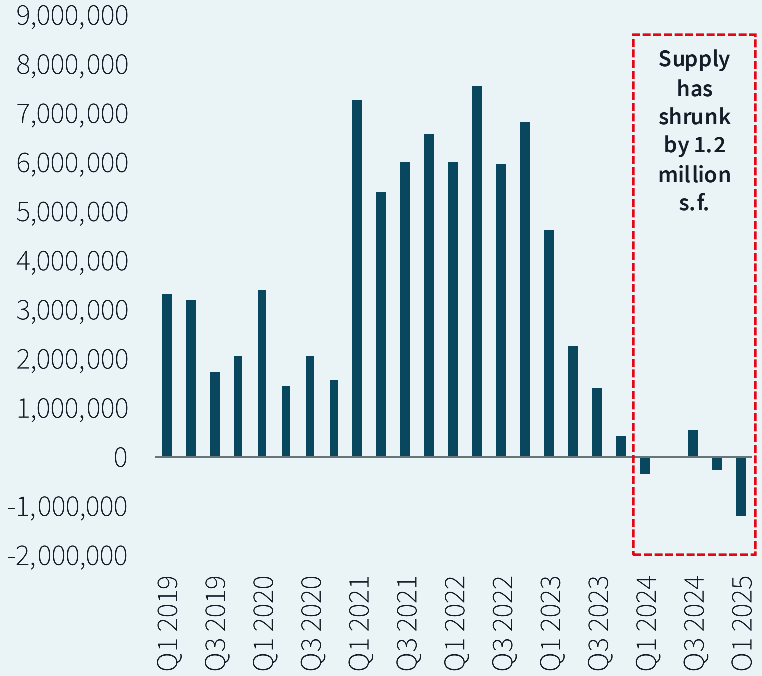
3 The lab market is shrinking already, with much more to go

A sustained period of oversupply across the U.S. lab sector has weighed on owners experiencing elevated vacancy levels. Faced with a difficult demand environment, many struggling buildings are starting to change uses.

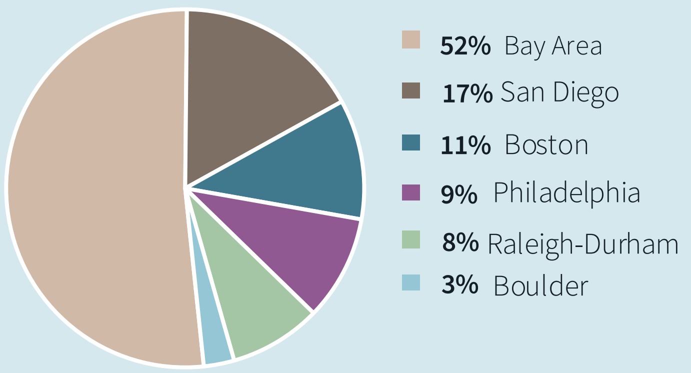
In the past four quarters, JLL has tracked a net reduction in built lab space by 1.2 million s.f. across 13 less "lab" buildings. Much more space leaving the 200+ million s.f. lab market is highly likely. JLL is tracking 3.2 million s.f. in the process of changing uses, half of this is due to a pivot toward (or lease to) a new user type, the other half due to capital challenges. This will alleviate oversupply—slightly.

Source: JLL Research—Bay Area, Boston, Boulder, Greater DC, New Jersey, Philadelphia, Raleigh-Durham, San Diego, Seattle, Los Angeles, Houston

Net quarterly change to U.S. lab supply s.f. (existing and underway)



Market share of tracked inventory contractions



3.2 M s.f. in recent and forthcoming contractions (as of 5/12/25)

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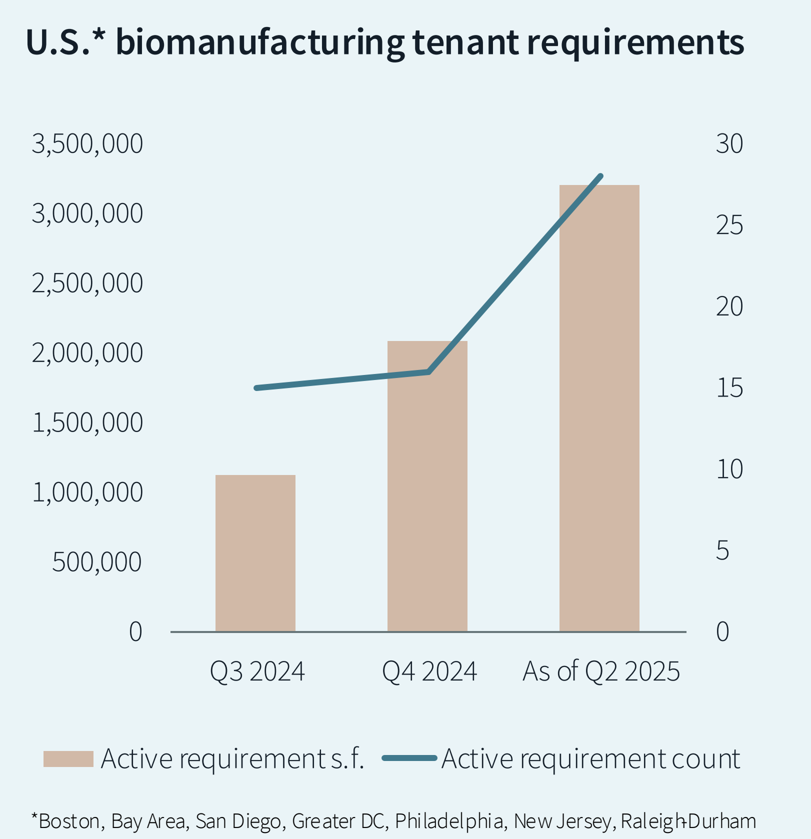
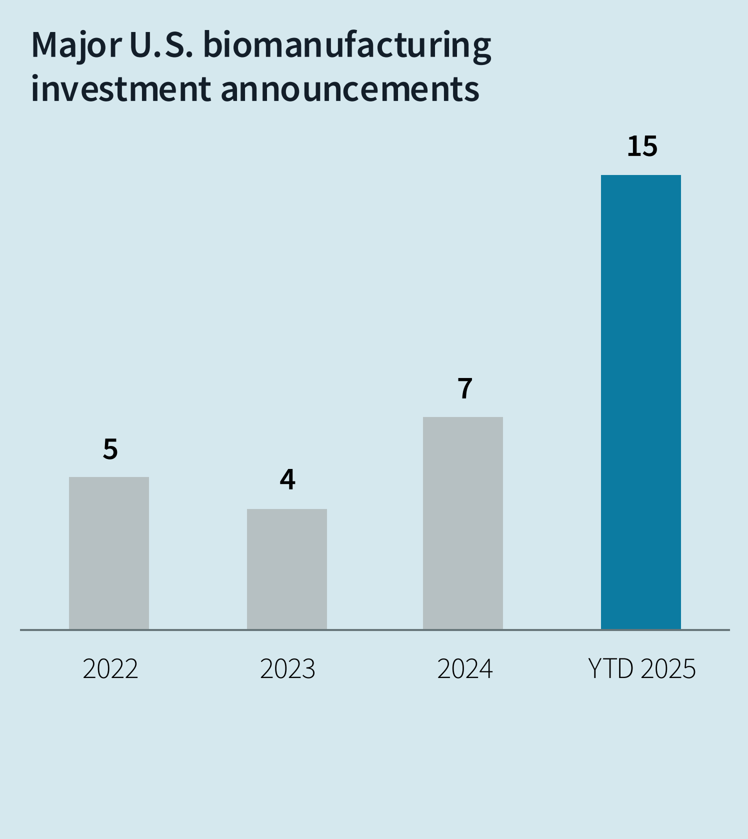
4 Post-pandemic federal policy shifts have begun to reshore biomanufacturing

With the threat of additional, "non-negotiable" pharma-sector tariffs looming, a great deal of global large-cap pharma companies have announced significant manufacturing reshoring investments thus far in 2025. As of mid-May, 15 companies have publicly announced over $270 billion of biomanufacturing (and sometimes R&D) investments in the U.S. over the next 5-10 years. An undetermined number of those will wind up on pharma-owned campuses. However, we have seen a significant spike in touring activity for built biomanufacturing space in key U.S. markets. In the past six months alone, demand is up 185% as end users and CDMOs look eager to expand operations.

Source: JLL Research





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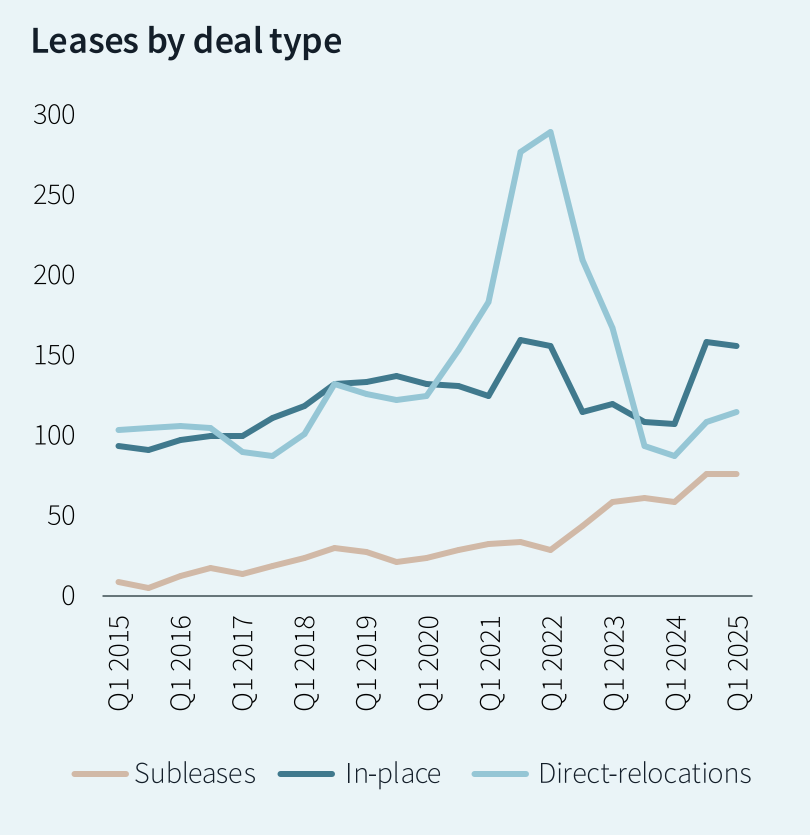
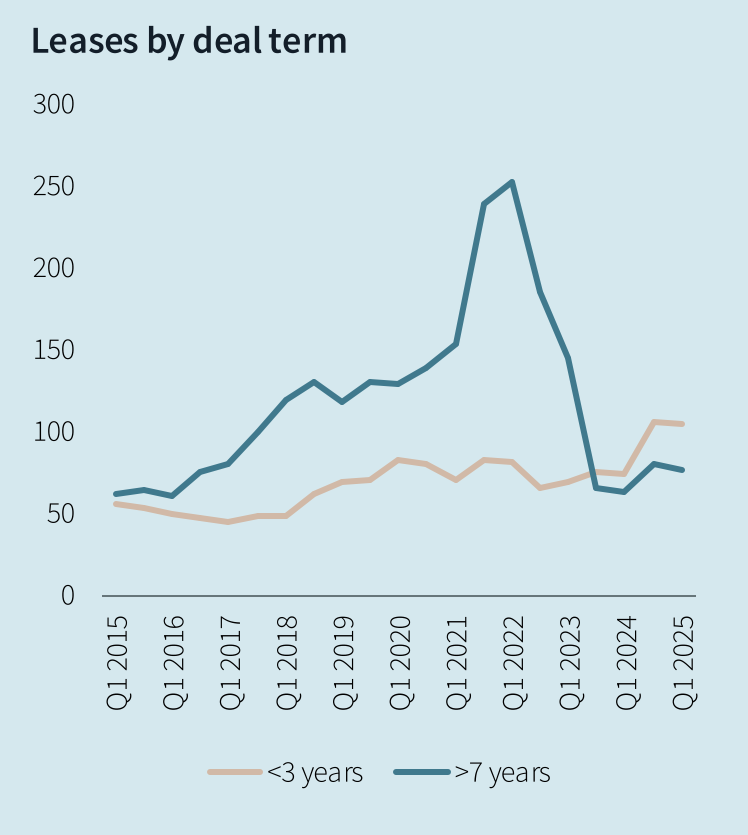
5 The composition of lab deals across the U.S. has changed dramatically

Since the broader biotech sector's downshift at the start of winter 2021, there has been a seismic change in the composition of U.S. lab deals. On an annualized basis, direct relocations are down -61% as many users elect to remain in place. Similarly, tenants are electing to sign shorter leases as they hold significant leverage in most markets. To wit, seven-year-plus leases are down -69% from the mid-2022 peak.

The groups that are signing leases are far more likely to renew as in-place deals are at an all-time high. Subleases are also as plentiful as they've been in at least a decade. With no immediate signs of changing market dynamics, expect this trend to hold.

Source: JLL Research—Bay Area, Boston, Boulder, Greater DC, New Jersey, Philadelphia, Raleigh-Durham, San Diego, Seattle, Trailing 12-months





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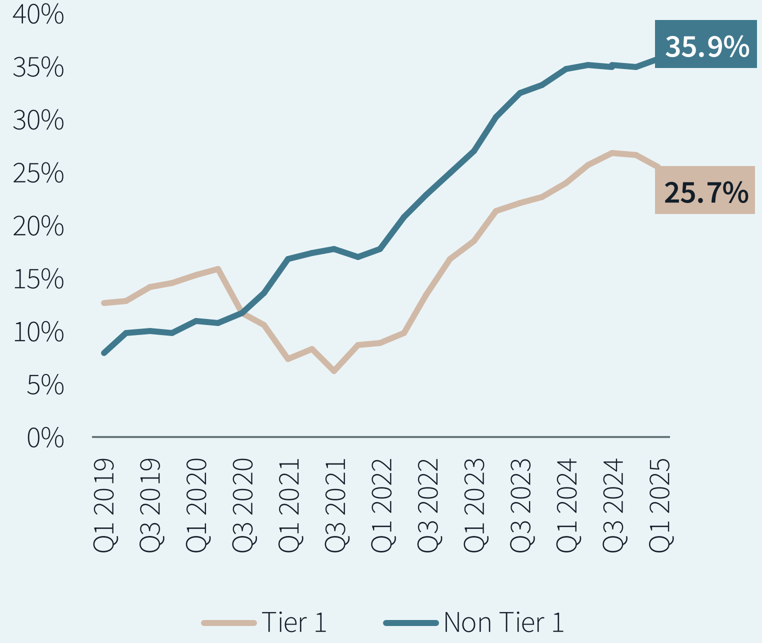
6 Tenants are choosy, and more than ever they want to be in the best submarkets or the best buildings

In a lab market experiencing plentiful supply amid low demand, there are two segments of the market clearly desired by most user groups. In the three largest markets (Boston, the Bay Area, San Diego) newer, purpose-built assets are seeing the lion's share of leasing. In the past two quarters the availability rate in this segment has dropped 130 basis points, while other assets continue to have net new space added. For tenants relocating premises across the U.S., location matters. Core, long-established submarkets are seeing an increasing share of deal volume. This might read like "Real Estate 101," but building quality and location matter more than ever.

Source: JLL Research—Bay Area, Boston, Boulder, Greater DC, New Jersey, Philadelphia, Raleigh-Durham, San Diego, Seattle, Los Angeles, Houston; trailing 6 months

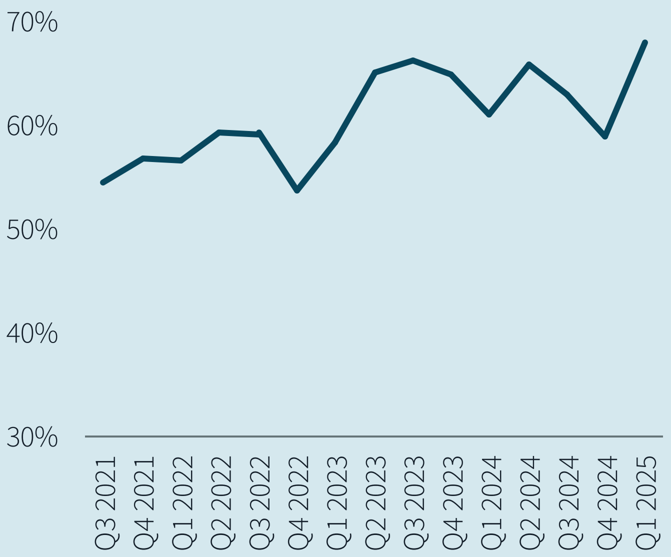
Big 3 markets by building quality

Total availability rate



U.S. by submarket quality

Share of direct relocation leases in premier submarkets



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Research

United States

Lab | Q1 2025

	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent ($ p.s.f.)	YTD completions (s.f.)	Under development (s.f.)
Boston	51,754,517	-500,394	-500,394	1.0%	26.4%	32.1%	$83.77	0	2,603,800
Bay Area	41,332,583	463,664	463,664	1.1%	26.3%	31.1%	$75.85	1,588,439	1,517,666
San Diego	26,817,369	-165,792	-165,792	0.6%	22.3%	26.6%	$68.73	1,114,841	1,804,327
Raleigh-Durham	18,433,470	1,158,107	1,158,107	6.3%	18.0%	19.7%	$37.80	1,158,993	180,000
Greater DC	14,352,917	6,287	6,287	0.0%	12.7%	16.2%	$42.67	0	0
Los Angeles	11,756,970	15,651	15,651	0.1%	1.3%	2.0%	$50.76	0	83,864
New Jersey	10,780,184	3,631	3,631	0.0%	24.4%	28.0%	$29.48	0	574,000
Seattle	8,602,634	9,582	9,582	0.1%	18.3%	21.1%	$70.25	0	511,220
Philadelphia	7,811,191	25,760	25,760	0.3%	20.0%	22.4%	$47.12	450,000	1,242,647
Houston	6,003,974	21,740	21,740	0.4%	14.2%	14.7%	$55.62	0	0
Boulder	3,358,927	66,898	66,898	2.0%	15.1%	20.4%	$46.53	0	25,758
Total	**201,004,736**	**1,105,134**	**1,105,134**	**0.5%**	**21.4%**	**25.4%**	**$69.17**	**4,312,273**	**8,543,282**

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