CBRE

Lab/R&D Fundamentals Weaken Despite Improving Demand Drivers

▲ 210 MSF
Inventory

▲ 23.8%
Vacancy Rate

▼ $65.95
Avg. Asking Rent NNN

▼ 4.5 MSF
Under Construction

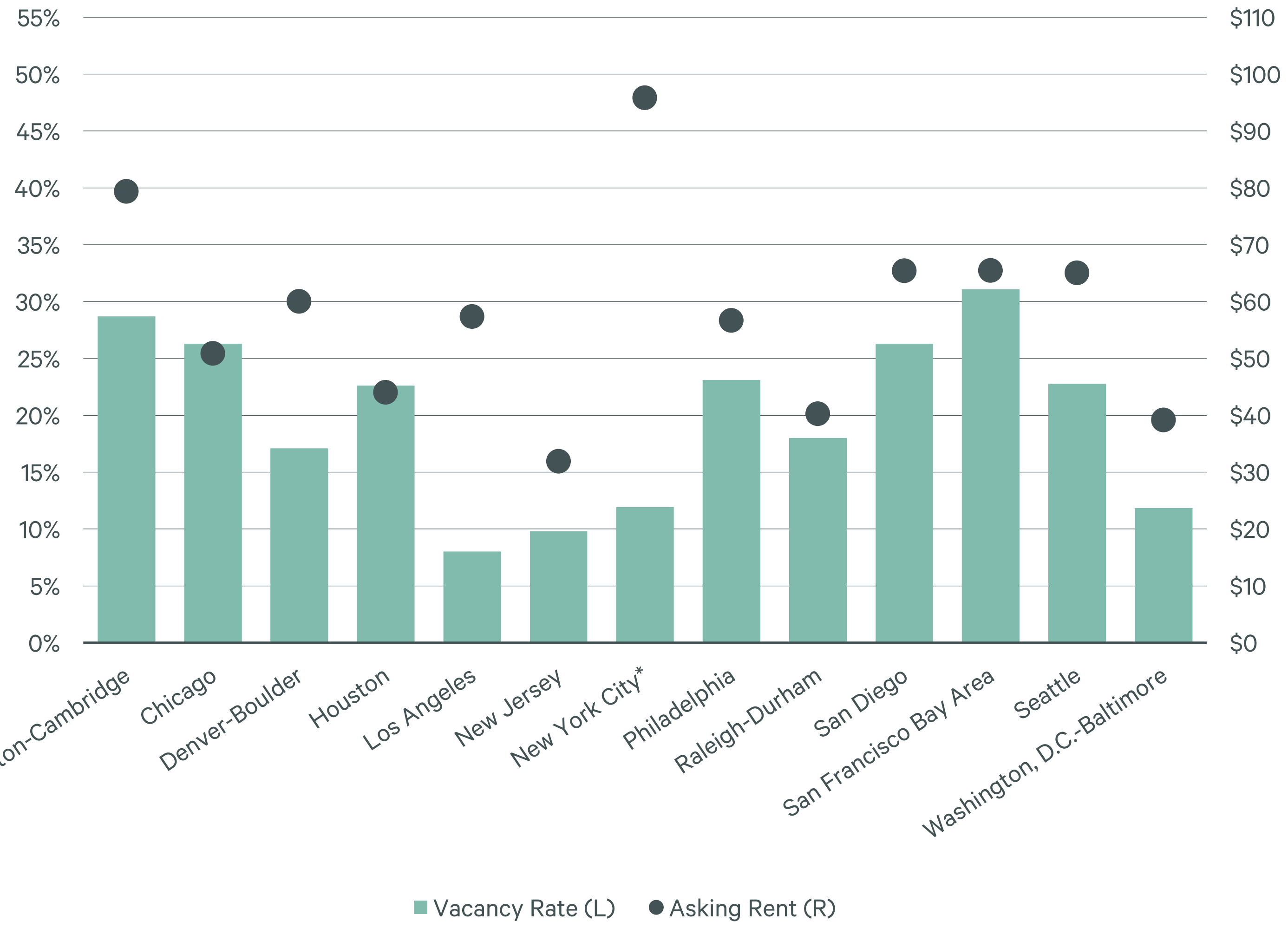
Note: Arrows indicate year-over-year change.

Executive Summary

- Lab/R&D net absorption was negative for the second consecutive quarter at -1.2 million sq. ft., driven by occupancy declines in West Coast markets.
- The lab/R&D vacancy rate reached a new high of 23.8%.
- Average triple-net asking rent fell by 8.1% year-over-year to $65.95 per sq. ft., the sixth consecutive quarterly drop.
- Biotech R&D employment growth rose at its fastest pace since mid-2023, while annual venture capital funding reached its highest level since Q3 2022.
- Tenant requirements for lab/R&D space increased for the first time in a year by nearly 500,000 sq. ft.

Figure 1
Lab/R&D vacancy rates & asking rents, top 13 markets

- The vacancy rate for the top 13 life sciences markets increased by 80 basis points (bps) quarter-over-quarter in Q2 to a record high of 23.8%.
- Vacancy rates increased quarter-over-quarter in eight of the top 13 markets.
- Average triple-net asking rent declined by 8.1% year-over-year in Q2 to $65.95 per sq. ft., the sixth consecutive quarterly drop.
- Asking rents declined quarter-over-quarter in nine of the top 13 markets.



*Vacancy rate for New York City is an "occupancy-ready, built availability rate" (lab exclusive space that is currently within 12 months of tenant fit out only). Lab exclusive availability rate for New York City is 27.8%.
Source: CBRE Research, Q2 2026.

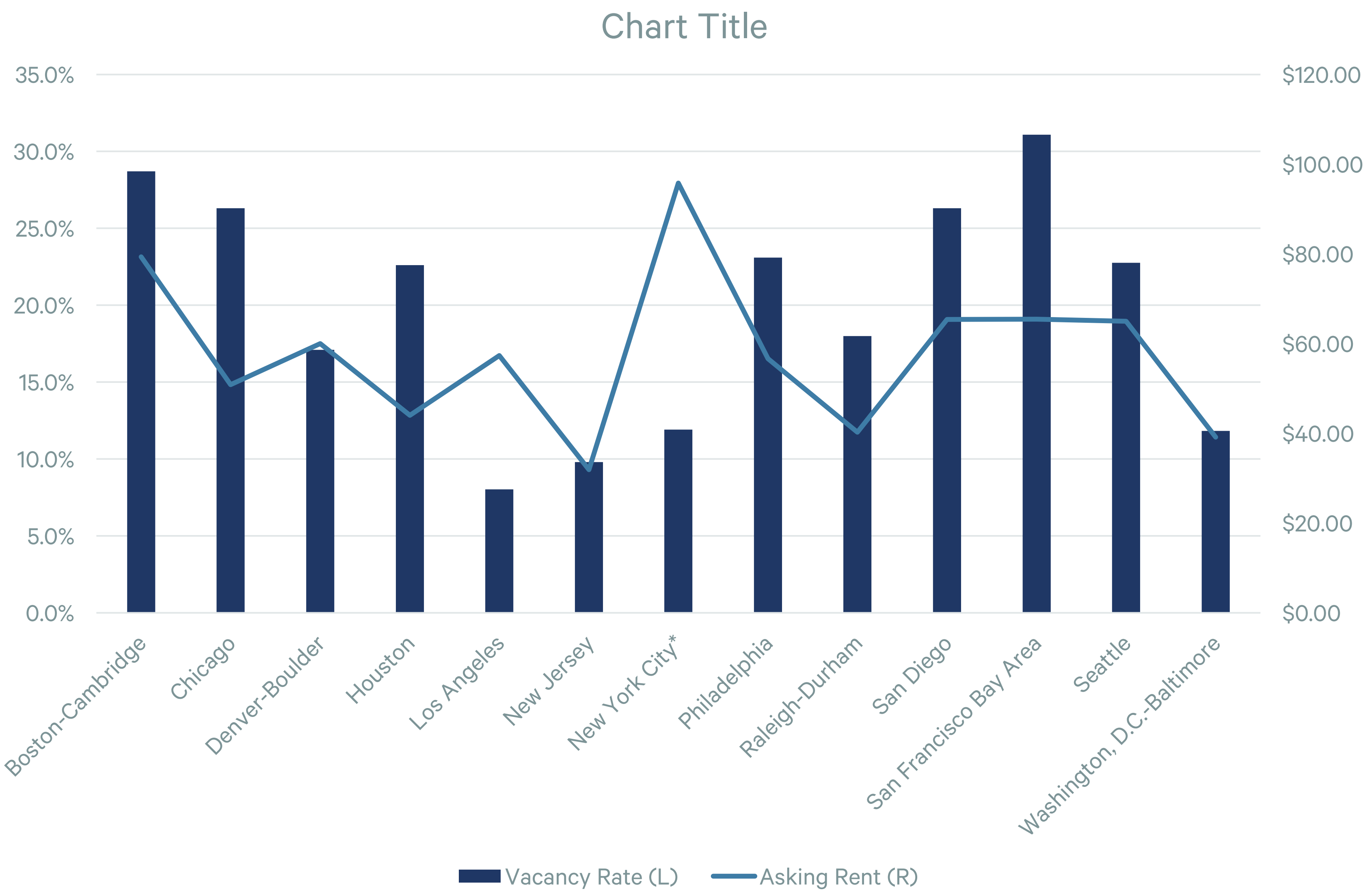


Chart Title
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30.0%
25.0%
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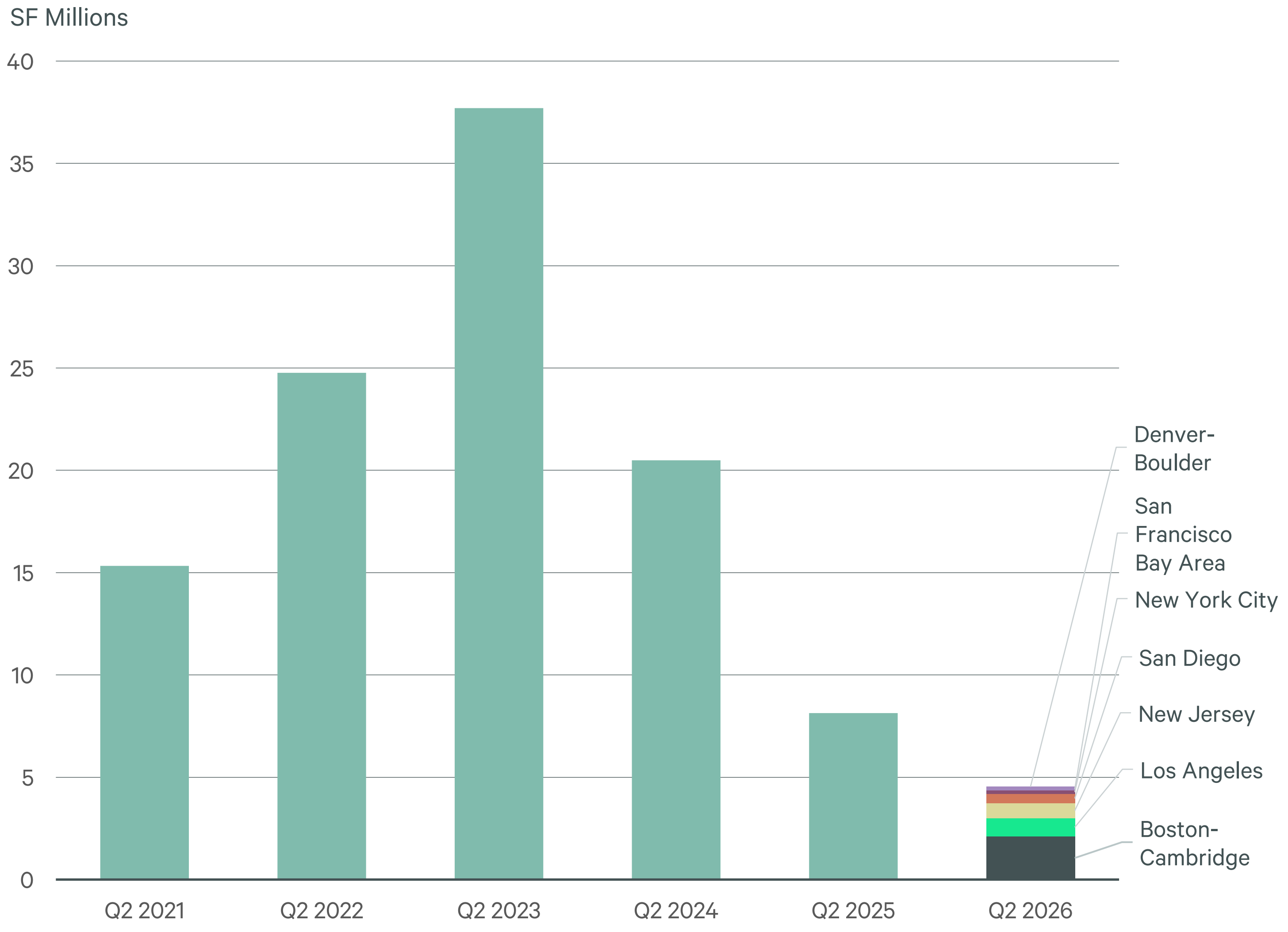
Boston-Cambridge
Chicago
Denver-Boulder
Houston
Los Angeles
New Jersey
New York City*
Philadelphia
Raleigh-Durham
San Diego
San Francisco Bay Area
Seattle
Washington, D.C.-Baltimore
Vacancy Rate (L)
Asking Rent (R)

Figure 2
Lab space under construction

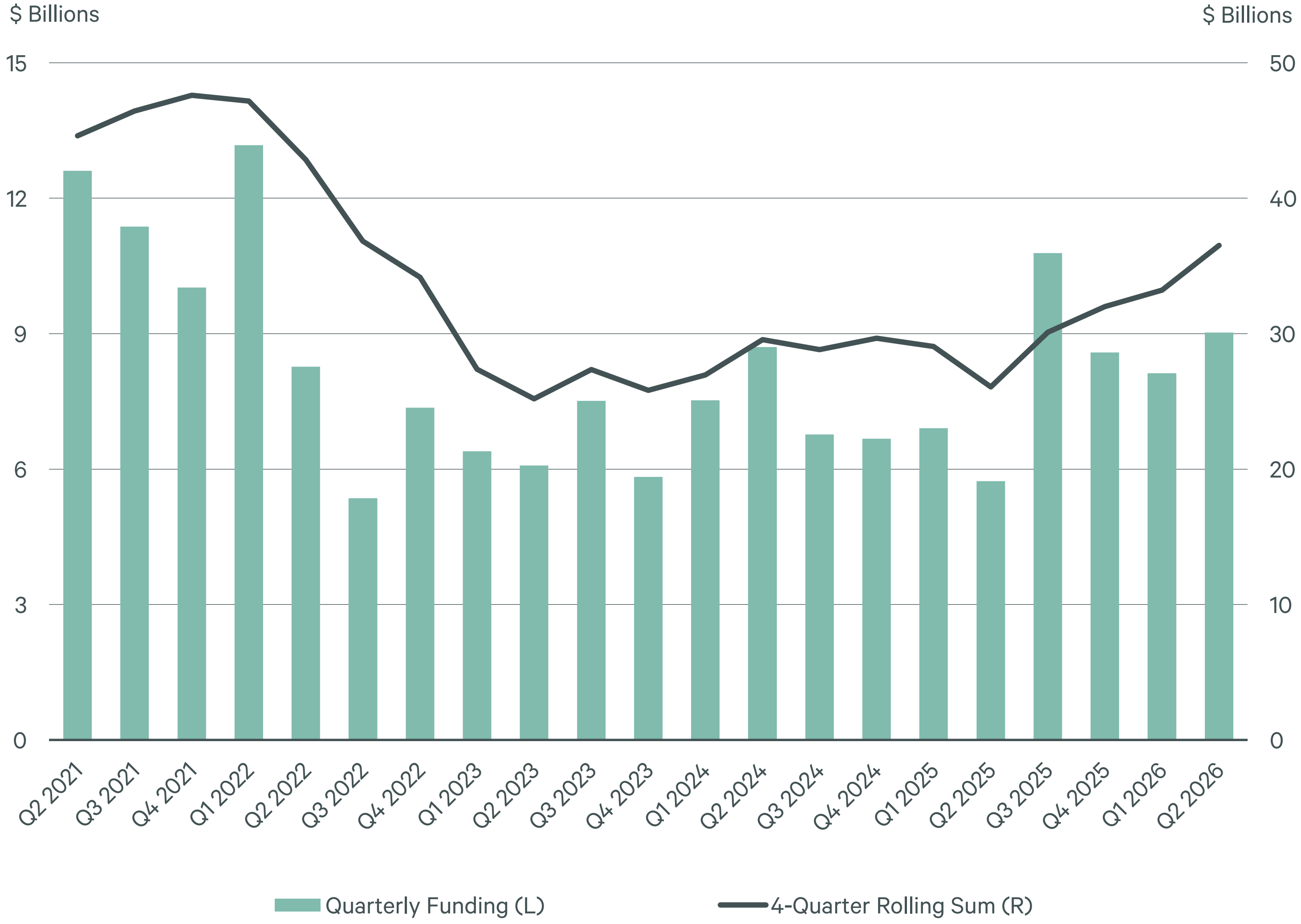
- Space under construction fell by 44% year-over-year to 4.5 million sq. ft. in Q2, the lowest level since 2017.
- Nearly 77% of space under construction has been preleased, the highest rate on record.
- Only one lab/R&D building was completed in Q2—a 608,588-sq.-ft. facility in Boston-Cambridge, where all other projects under construction are fully preleased.



Note: Includes new development, conversions, speculative and build-to-suit projects.
Source: CBRE Research, Q2 2026.

Figure 3
Life sciences venture capital funding

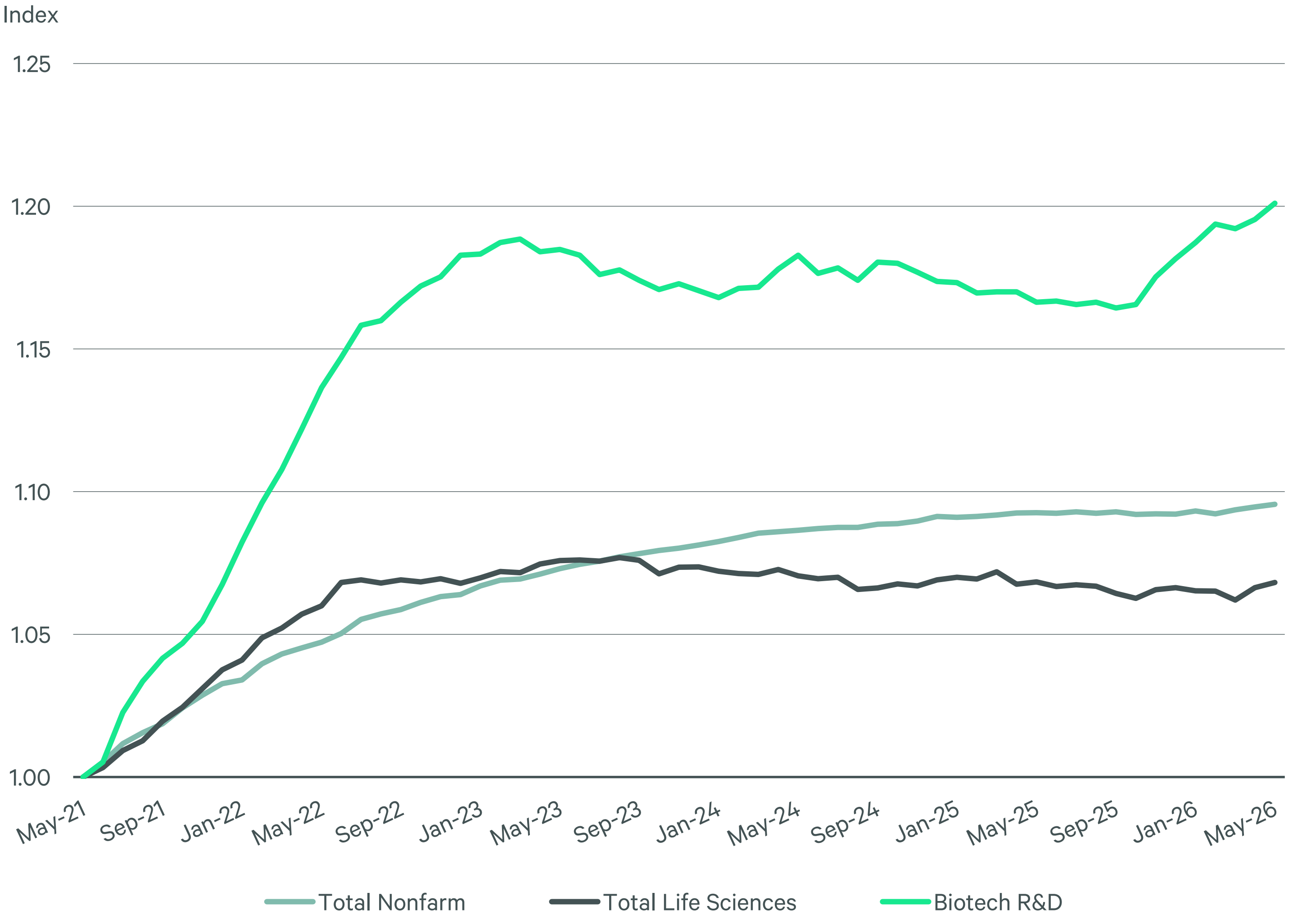
- Life sciences venture capital funding increased by 11.1% quarter-over-quarter in Q2 to $9 billion.
- More than $36.5 billion of venture capital has been invested in life sciences companies over the past four quarters, the largest annual amount since Q3 2022.



Source: PitchBook, CBRE Research, Q2 2026.

Figure 4
U.S. & life sciences employment growth

- Biotech R&D employment rose to 3% year-over-year, its strongest growth rate in three years.
- More than 9,000 biotech R&D jobs have been created since the September 2025 employment trough.
- Total U.S. life sciences employment was unchanged year-over-year in May 2026 after two consecutive months of growth.



Note: Indexed to 1.0 in May 2021.
Source: CBRE Research, U.S. Bureau of Labor Statistics, Q2 2026.

Figure 5
Q2 2026 market indicators

Market	Inventory (SF)	Vacancy	Avg. Asking Rent (NNN)	Q2 2026 Net Absorption	2026 Total Net Absorption	Q2 2026 Leasing Activity	2026 Total Leasing Activity	Tenants Seeking Space	Total Demand (SF)	Lab/R&D Space Under Construction (SF)	Preleased (% of Under Construction)	Q2 2026 Construction Deliveries (SF)
Boston-Cambridge	55,997,406	28.7%	$79.34	4,141	(113,045)	849,942	1,925,608	79	2,450,000	2,109,000	100.0%	608,588
Chicago	2,040,494	26.3%	$50.89	-	-	-	178,955	55	950,000	-	N/A	-
Denver-Boulder	2,951,229	17.1%	$60.00	-	-	-	84,502	12	294,500	41,063	100.0%	-
Houston	3,499,684	22.6%	$44.01	11,196	(5,529)	17,445	81,180	-	-	-	N/A	-
Los Angeles	5,712,870	8.0%	$57.34	(4,773)	(16,287)	90,944	92,962	18	450,000	891,927	89.5%	-
New Jersey	19,296,120	9.8%	$31.91	21,258	234,269	3,435	3,435	9	1,050,000	729,321	13.7%	-
New York City	2,932,044	11.9%	$95.80	(8,427)	(13,498)	53,397	80,008	9	399,000	155,000	100.0%	-
Philadelphia	12,267,480	23.1%	$56.68	(27,925)	(316,827)	155,621	523,621	17	543,000	-	N/A	-
Raleigh-Durham	9,642,547	18.0%	$40.26	7,037	(27,159)	200,403	268,682	9	225,200	-	N/A	-
San Diego	28,538,939	26.3%	$65.40	(441,789)	(873,832)	271,866	441,423	19	1,203,500	466,598	100.0%	-
San Francisco Bay Area	42,748,781	31.1%	$65.46	(679,175)	(1,094,623)	619,712	1,389,370	49	2,435,000	138,500	0.0%	-
Seattle	10,079,263	22.8%	$65.01	(98,219)	(110,499)	64,824	168,863	4	127,500	-	N/A	-
Washington, D.C.-Baltimore	14,331,487	11.8%	$39.16	52,508	55,158	108,498	176,055	12	350,000	-	N/A	-
TOTAL	**210,038,344**	**23.8%**	**$65.95**	**(1,164,168)**	**(2,281,872)**	**2,436,087**	**5,414,664**	**292**	`	**4,531,409**	**76.6%**	**608,588**

Note: Vacancy rate for New York City is an "occupancy-ready, built availability rate" (lab exclusive space that is currently within 12 months of tenant fit out only). Lab exclusive availability rate for New York City is 27.8%.
Source: CBRE Research, Q2 2026.

Contacts

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