Intelligent Investment

2026 U.S. Life Sciences Trends

REPORT

Forces Driving a Recovery

CBRE RESEARCH
MARCH 2026

Forces Driving a Recovery in 2026

1

Construction will drop to decade-low levels amid stable demand

Lab/R&D construction activity will decline by 77% between Q4 2025 and Q4 2026, nearly emptying the future supply pipeline, balancing supply and demand and improving market conditions.

2

Capital markets signal upside for lab/R&D demand

Life sciences equity market indicators and venture capital (VC) funding significantly increased heading into 2026 and are expected to boost demand for lab/R&D space.

3

Life sciences real estate investment activity to grow in 2026

Policy uncertainty lessened and capital market conditions improved in H2 2025, reigniting life sciences real estate investment. In 2026, sales activity is expected to double in four of the top U.S. markets.

4

Historically high facility investments will boost domestic life sciences presence

Life sciences companies are making historically high facility investments to accommodate growth amid surging domestic pharmaceutical and medicine manufacturing.

5

Industry megatrends will influence real estate demand and activity

A historically high patent cliff, the rapid pace of scientific progress and China's emergence as a global life sciences force will impact U.S. lab/R&D real estate in various and different ways.

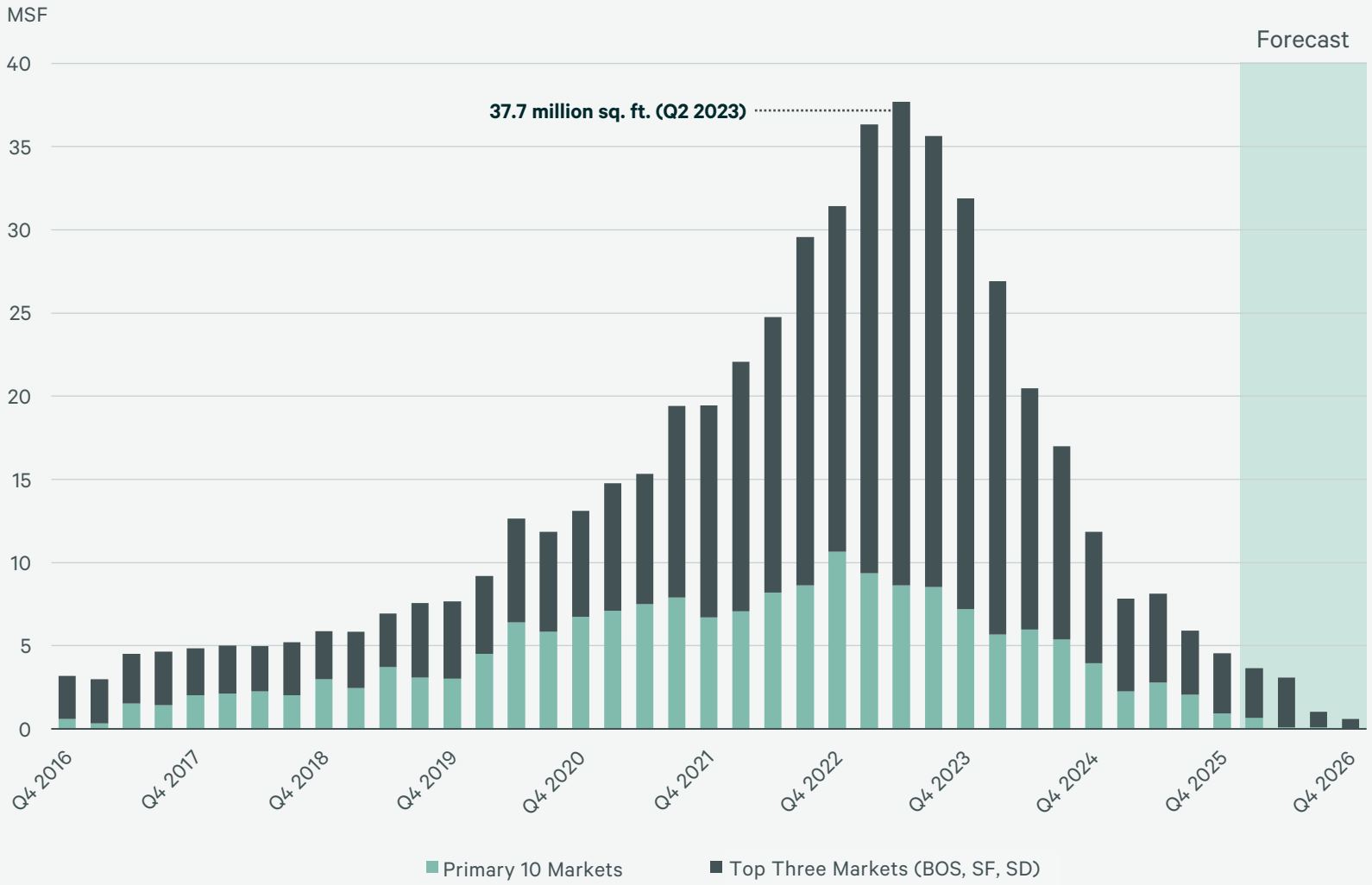
1

Construction will drop to decade-low levels amid stable demand

Construction activity will fall further in 2026

- The life sciences construction pipeline will decline to decade-low levels in 2026.
- Space under construction totaled 4.5 million sq. ft. as of Q4 2025, 56% of which is preleased.
- By the end of 2026, only two properties will remain under construction in the top 13 U.S. markets— both fully preleased, build-to-suit facilities.
- Four million sq. ft. of space under construction will be completed in 2026, the lowest number since 2017. Seventy percent of this space will deliver in Boston-Cambridge.

Life Sciences Lab/R&D Space Under Construction

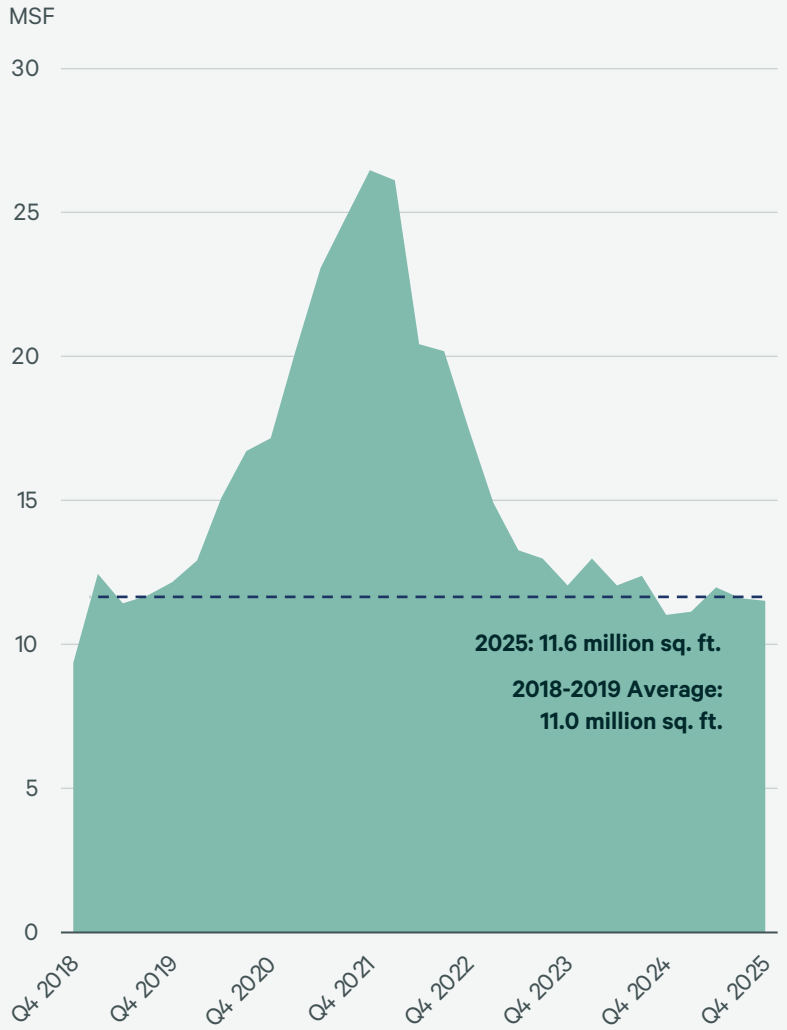


Source: CBRE Research, Q1 2026.

Stable demand will drive leasing activity

- Tenant requirements in the top 13 markets stabilized in 2025 to an average of 11.6 million sq. ft., in line with pre-pandemic average demand of 11 million sq. ft.
- Leasing activity in lab/R&D properties declined in 2025 due to fewer renewals.
- New leases and expansions have increased in the past two years and accounted for 87% of all leasing activity in H2 2025.

Life Sciences Lab/R&D Tenant Requirements



Source: CBRE Research, Q4 2025.

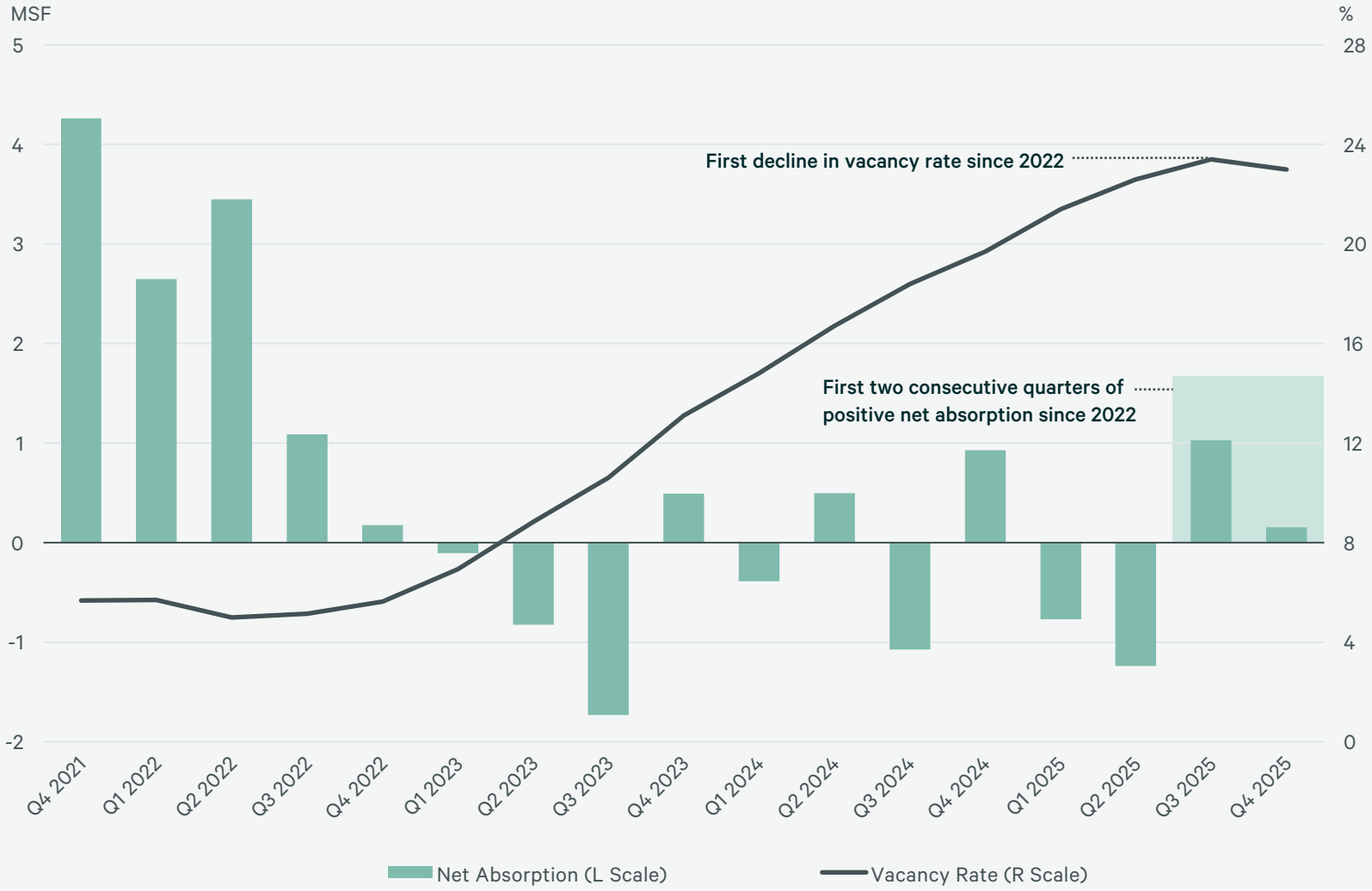
Life Sciences Lab/R&D Leasing Trends

Source: CBRE Research, Q4 2025.

Supply and demand rebalances

- The vacancy rate for lab/R&D properties in the top 13 markets declined in Q4 2025, the first time since 2022.
- Seven of the top 13 markets had positive net absorption in Q4 2025, as new space completions fell to 280,000 sq. ft. in Q4 from 2.4 million sq. ft. in Q3.
- H2 2025 was the first time net absorption increased for two consecutive quarters since 2022.

Life Sciences Lab/R&D Net Absorption and Vacancy

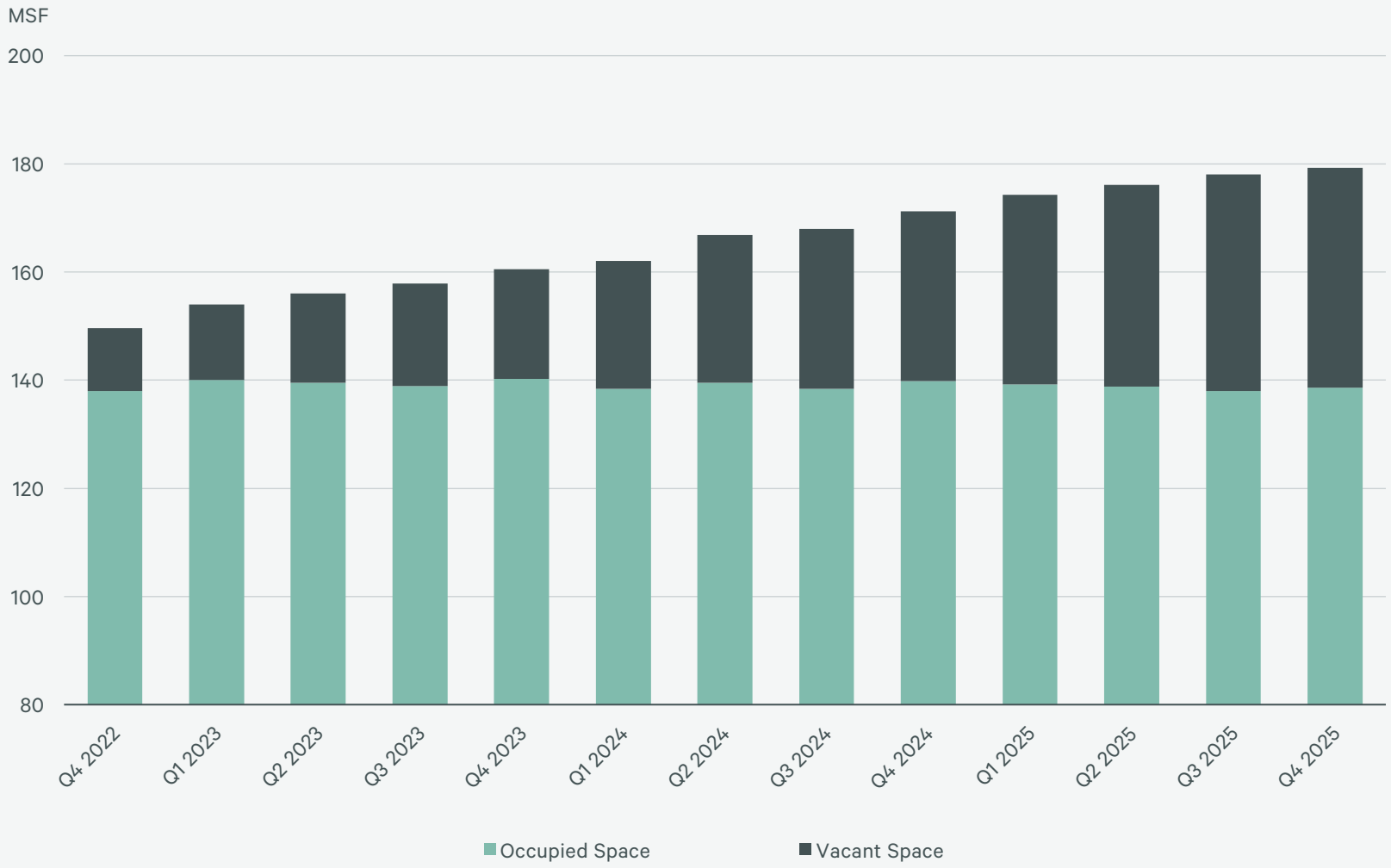


Source: CBRE Research, Q4 2025.

Premier submarkets outperform despite supply overhang

- Vacant lab/R&D space surged by more than 250% in the past three years due to historic supply and uneven demand.
- Lab/R&D occupancy levels have remained stable, highlighting the industry's resilience obscured by oversupply.
- Premier submarkets have outperformed despite the high level of completions. For example, lab/R&D occupancy in Boston's Kendall Square has remained more stable than the broader Boston-Cambridge market.
- Half of the vacant lab/R&D space in Boston-Cambridge and the San Francisco Bay Area is concentrated in just 26 and 33 properties, respectively.

Life Sciences Lab/R&D Space by Occupancy

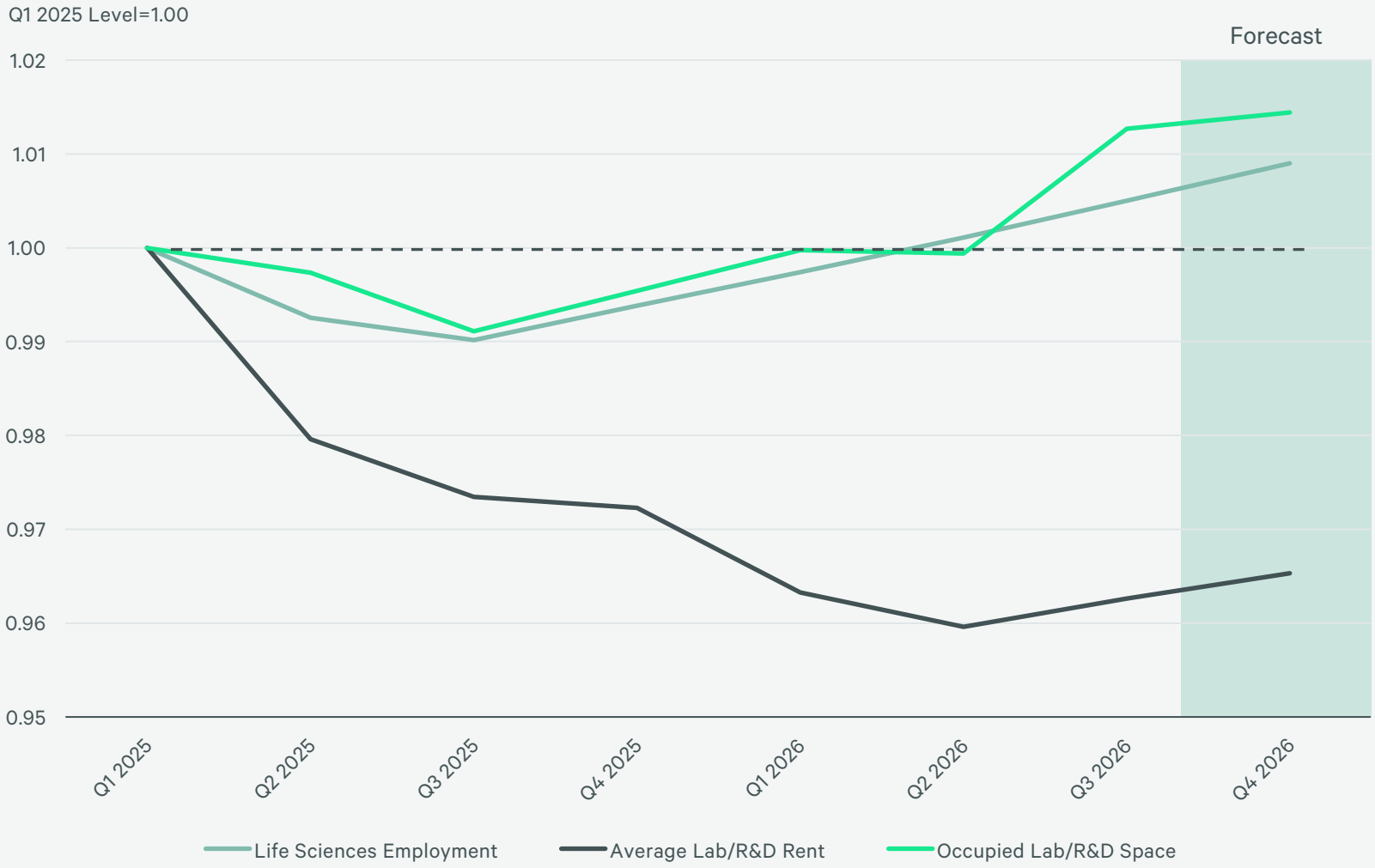


Source: CBRE Econometric Advisors, Q4 2025.

Momentum in 2026 will spur an inflection point in the cycle

- Multiple data points support an inflection point in the cycle, including the changing trajectory of U.S. lab/R&D vacancy rates and two consecutive quarters of positive net absorption in H2 2025.
- U.S. life sciences employment is projected to grow in 2026, as employers added more jobs in the final two months of 2025 than any other two-month period since spring 2023.
- Lab/R&D occupancy levels are forecast to increase in 2026, while average rents are projected to stabilize.

Life Sciences Indicators Forecast



Source: CBRE Econometric Advisors, Q1 2026.

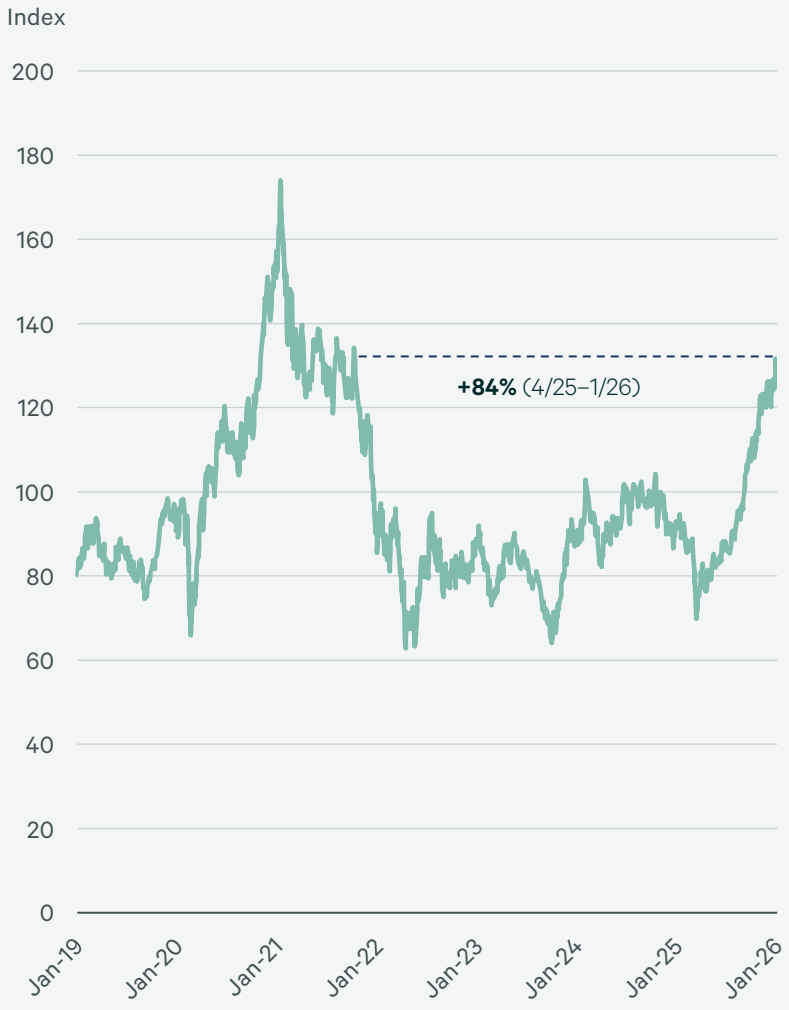
2

Capital markets signal upside for lab/R&D demand

Equity markets and VC funding significantly increase

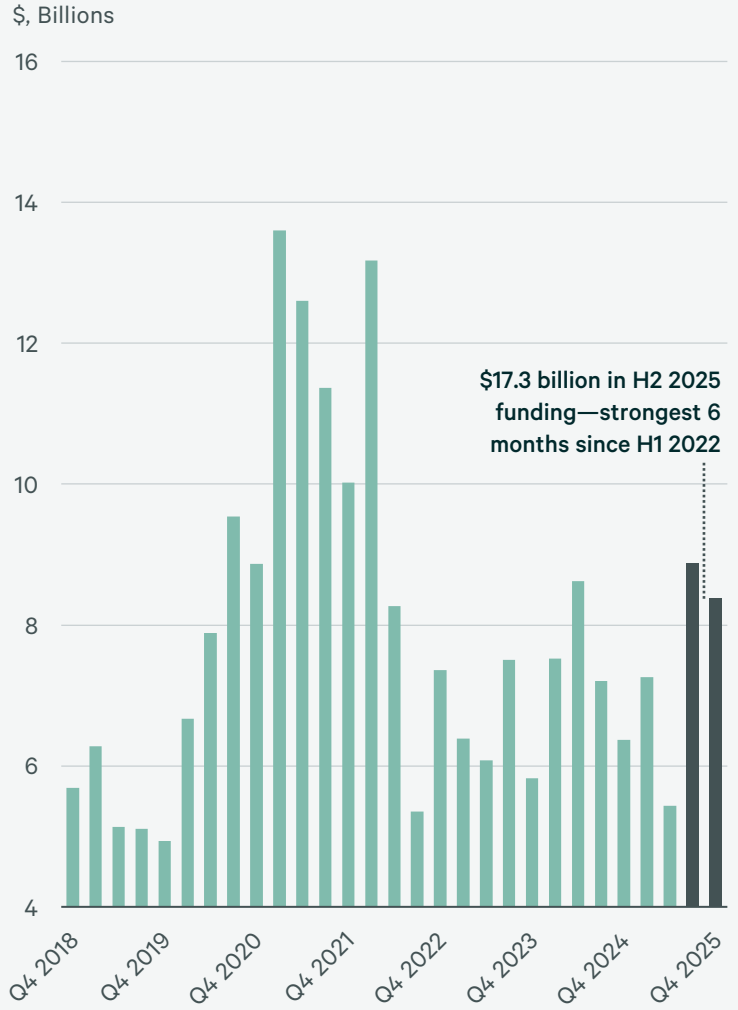
- A favorable capital markets environment benefits life sciences companies that have longer timelines to product commercialization compared with other industries.
- The State Street SPDR S&P Biotech ETF (XBI) is a leading barometer of valuations for significant U.S. biotechnology companies. XBI surged by 84% between April 2025 and January 2026, one of its most intense rallies in the past decade.
- H2 2025 marked the most active six months of private VC investments into life sciences companies since early 2022.

State Street SPDR S&P Biotech ETF (XBI)



Source: NASDAQ, CBRE Research, Q1 2026.

Life Sciences Venture Capital Funding

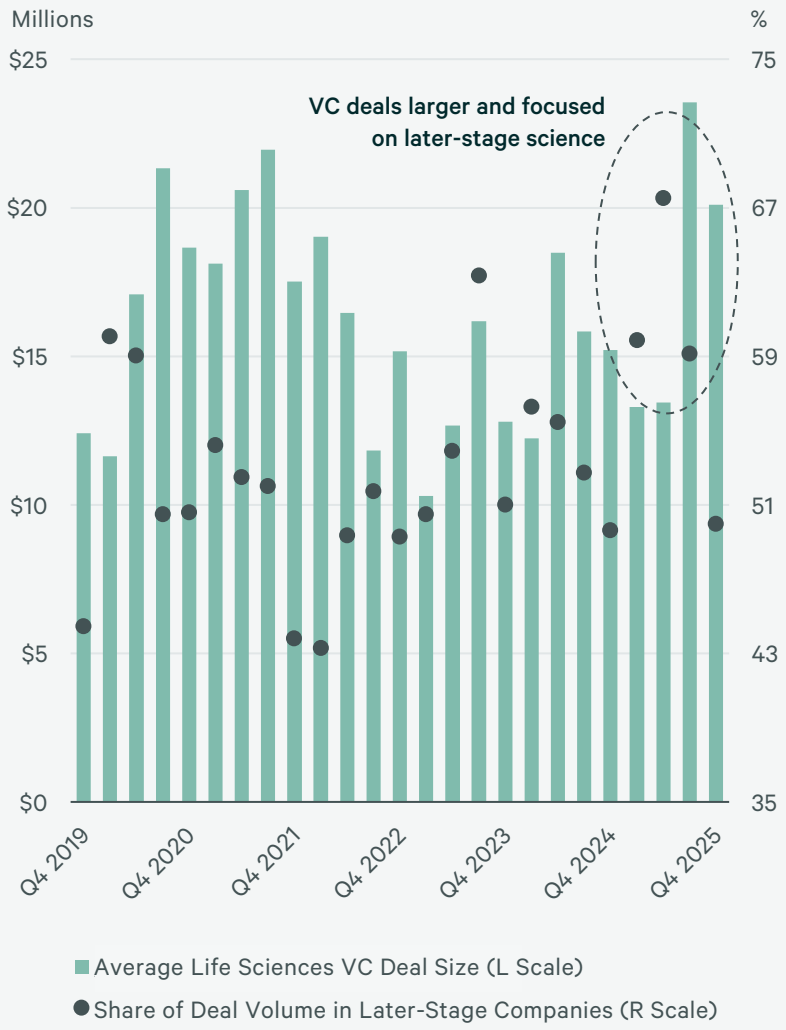


Source: Pitchbook, CBRE Research, Q4 2025.

Certain VC trends return to pandemic boom levels

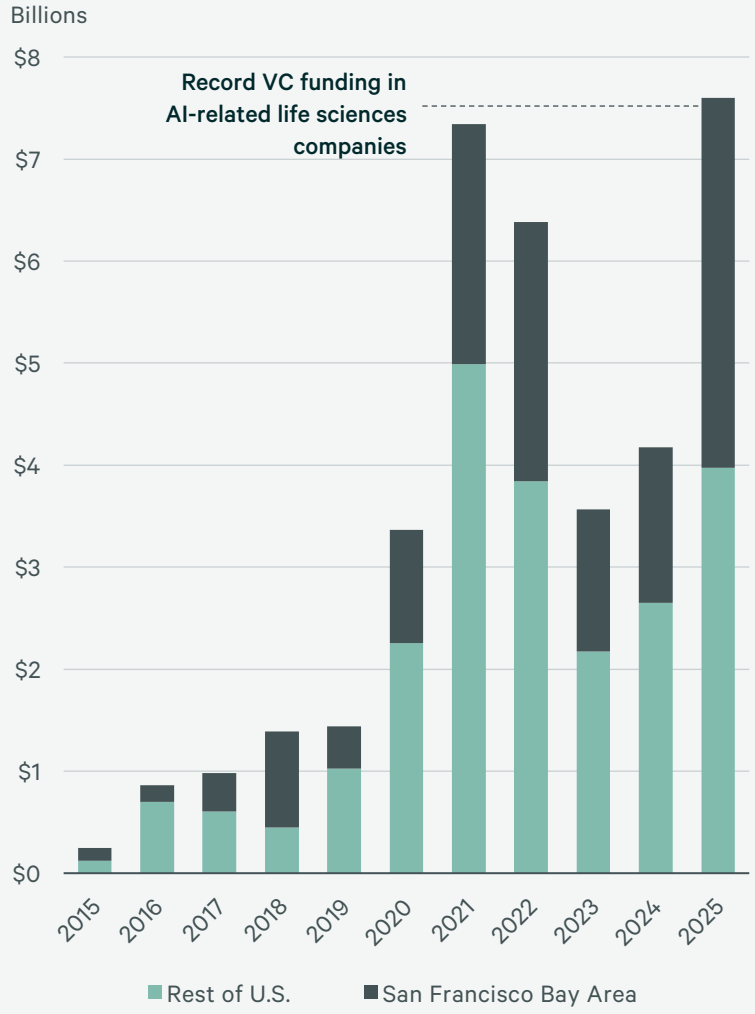
- Average deal sizes for life sciences VC investments jumped to over $20 million in H2 2025, a return to pandemic boom levels.
- The share of life sciences VC investment into later-stage companies has trended higher in the past few years, despite a pullback in Q4 2025.
- VC investment in life sciences companies with AI as a key strategy jumped to more than $7.6 billion in 2025.
- AI-related life sciences VC investments increased to a record-high 400 in 2025.
- The San Francisco Bay Area accounts for the majority of AI-related life sciences investment by deal value and number.

Life Sciences Venture Capital Trends



Source: Pitchbook, CBRE Research, Q4 2025.

Life Sciences VC Investments with AI Strategies

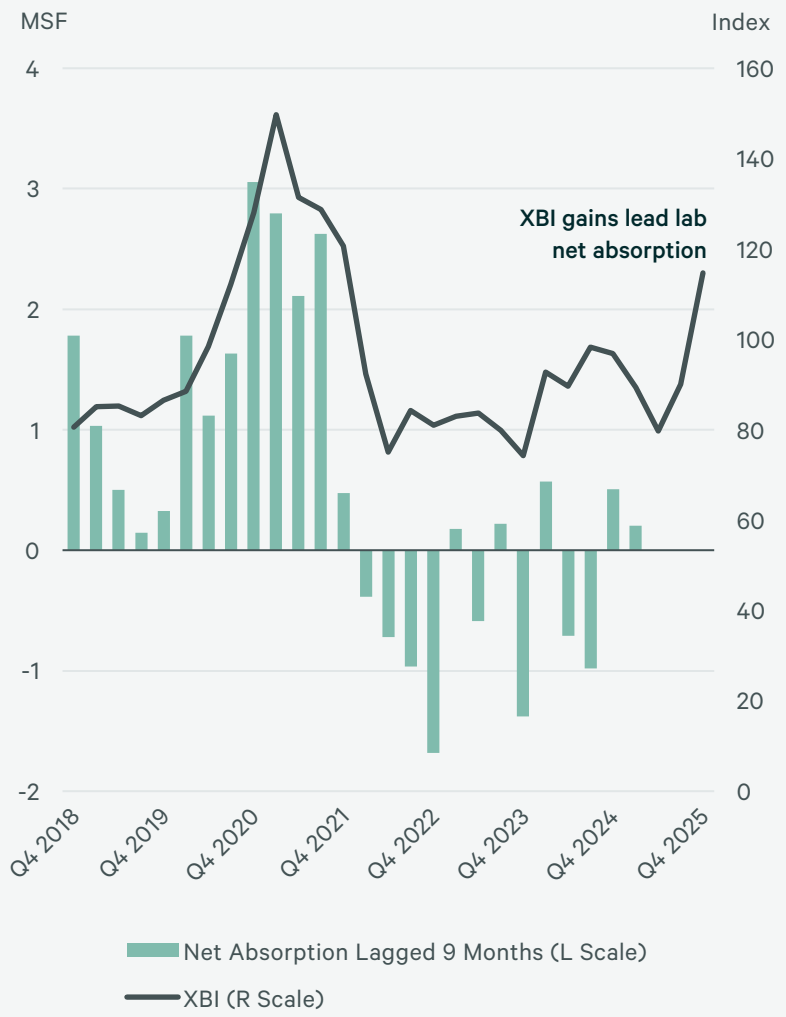


Source: Pitchbook, CBRE Research, Q4 2025.

Historical data suggests a benefit in roughly nine months

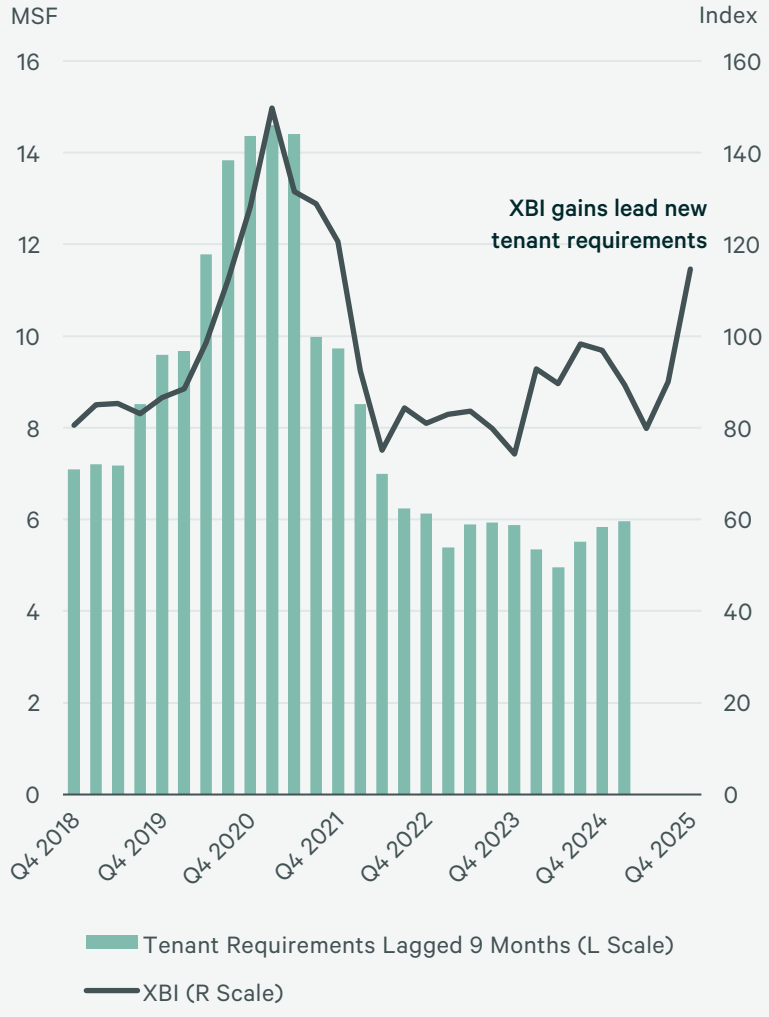
- There is an approximate nine-month lag in which lab/R&D real estate begins to benefit from a more favorable capital markets environment, based on the historical relationship between upswings in the XBI, life sciences VC investment and lab/R&D indicators.
- Lab/R&D net absorption and the number of tenants seeking space historically rise following increases in the XBI after roughly nine months.

XBI Leading Lab/R&D Net Absorption



Source: CBRE Research, NASDAQ, Q4 2025.

XBI Leading Tenant Space Requirements



Source: CBRE Research, NASDAQ, Q4 2025.

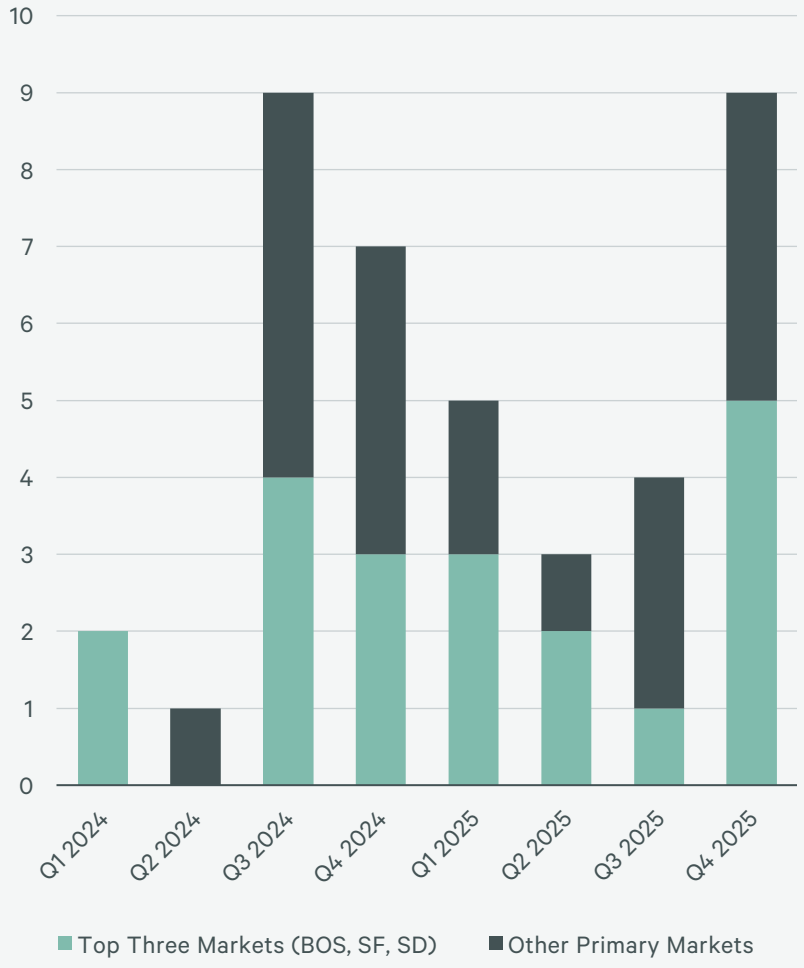
3

Life sciences real estate investment activity to grow in 2026

Life sciences sales volume will continue rising in 2026

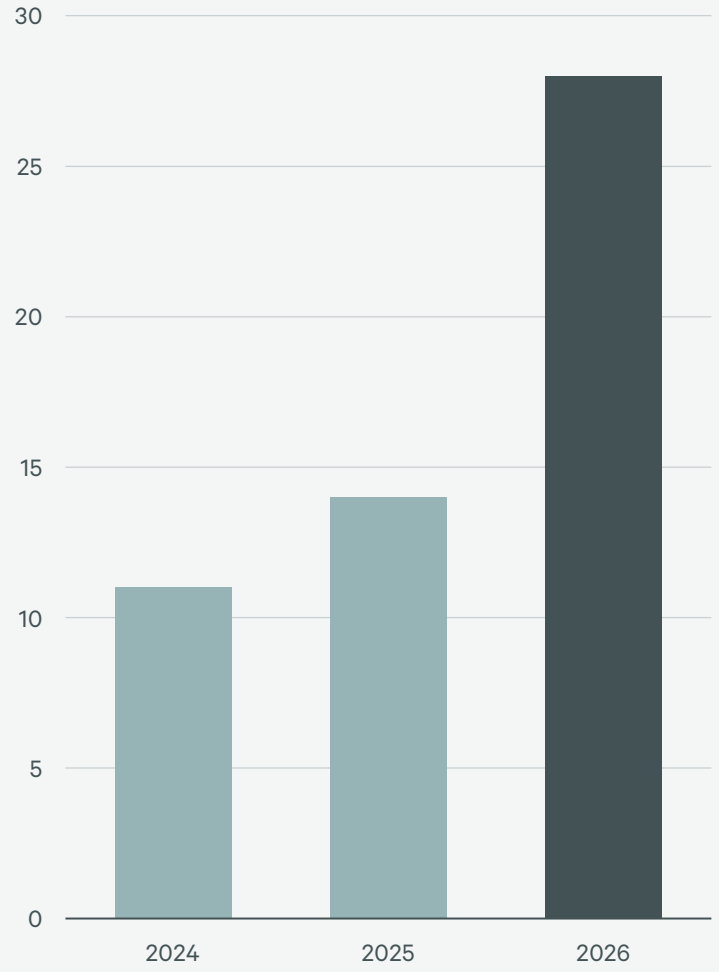
- Life sciences property sales in the top 13 U.S. markets increased in H2 2024 amid improved capital markets and lab/R&D space demand, but policy uncertainty derailed that momentum in H1 2025.
- Property sales improved again in H2 2025, as policy uncertainty lessened and capital markets trends became more favorable.
- In 2026, CBRE expects the number of property sales to double in four of the top U.S. markets (Boston-Cambridge, San Francisco Bay Area, San Diego, and Washington, D.C.-Baltimore).

Number of Life Sciences Property Sales ($15 million+)



Sources: CBRE Research, Q4 2025.

Forecast Number of Life Sciences Property Sales in Four Top Markets ($15 million+)

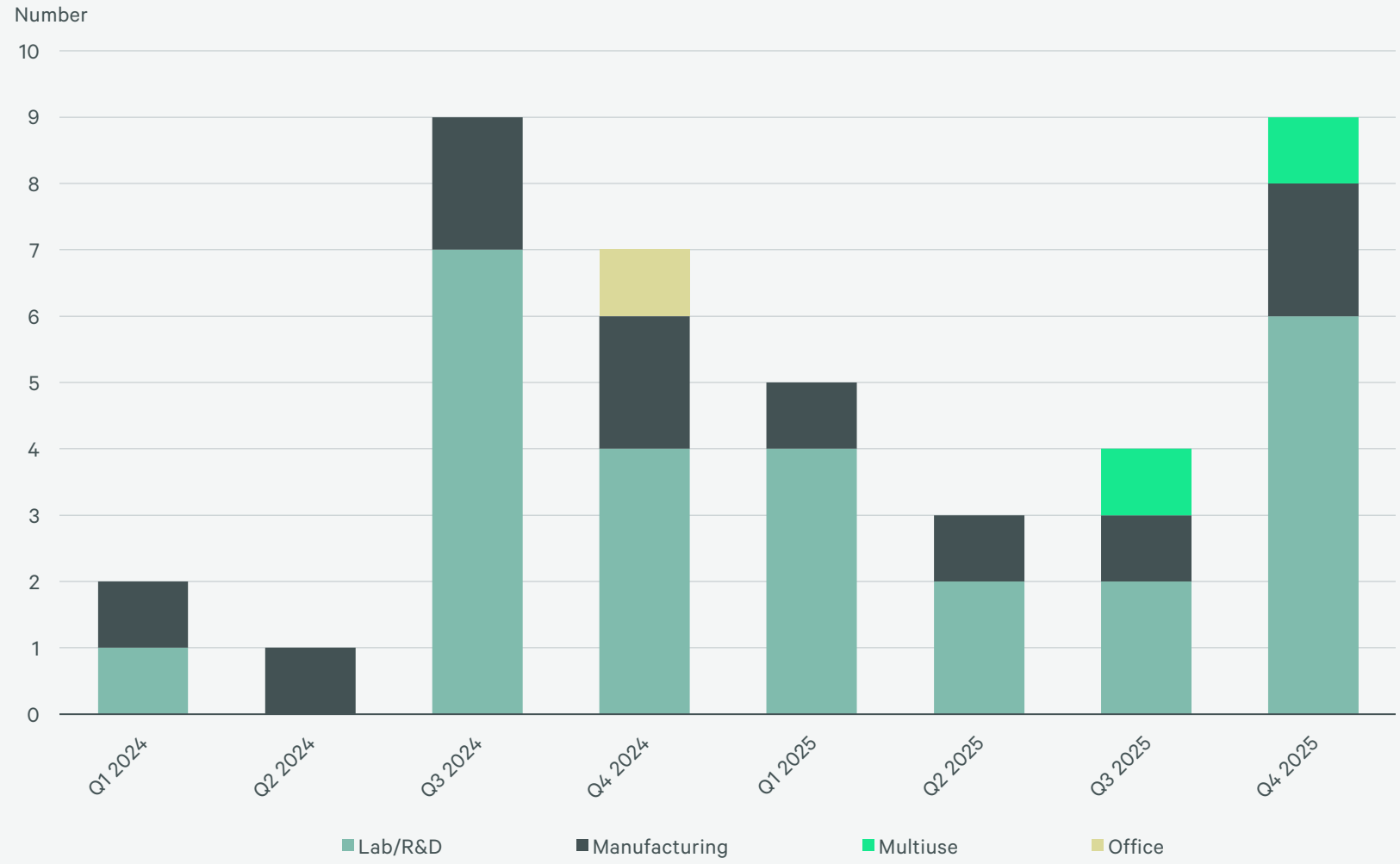


Sources: CBRE Research, Q1 2026.

Lab/R&D properties account for 65% of sales

- Manufacturing properties comprised 28% of life sciences property sales of more than $15 million in 2024 and 2025, while multiuse or conventional office accounted for 8% in that same period.
- An uptick in lender-driven sales of distressed lab/R&D properties is expected in 2026.

Life Sciences Property Types Sold in 2024 and 2025

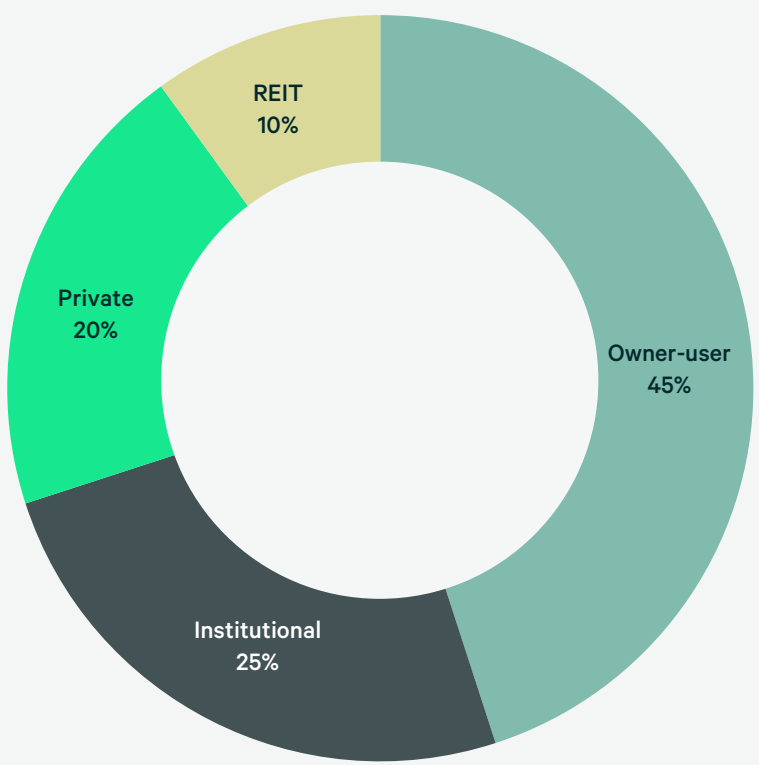


Source: CBRE Research, Q4 2025.

Owner-users drive purchases, while REITs drive sales

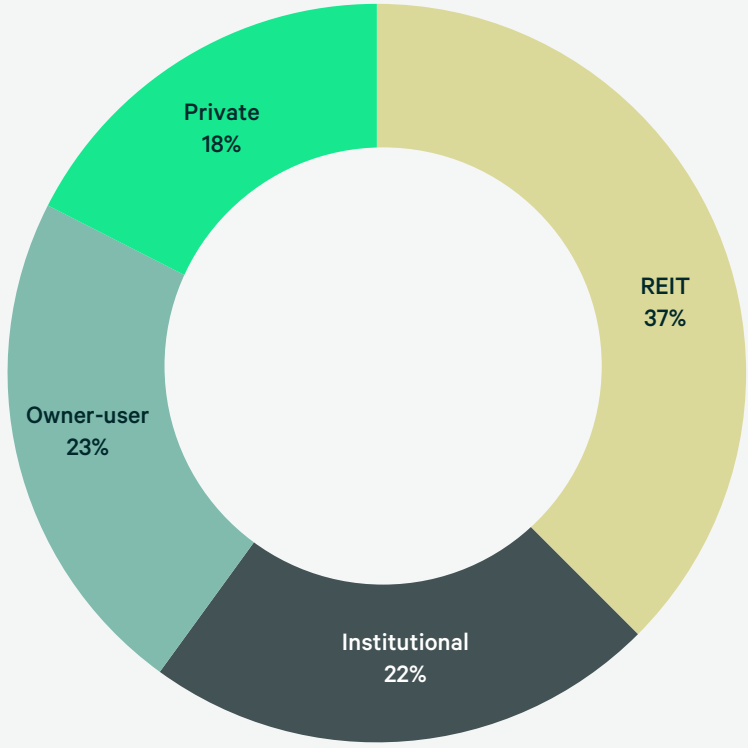
- Owner-users purchased 45% of life sciences properties sold in 2024 and 2025, while REITs purchased only 10%.
- Private investors purchased 11% of life sciences properties sold in 2024 and 29% in 2025.
- REITs sold the most life sciences properties in 2024 and 2025, with all but one sale closing in the second half of either year.

2024-2025 Buyers of Life Sciences Properties



Source: CBRE Research, Q4 2025.

2024-2025 Sellers of Life Sciences Properties



Source: CBRE Research, Q4 2025.

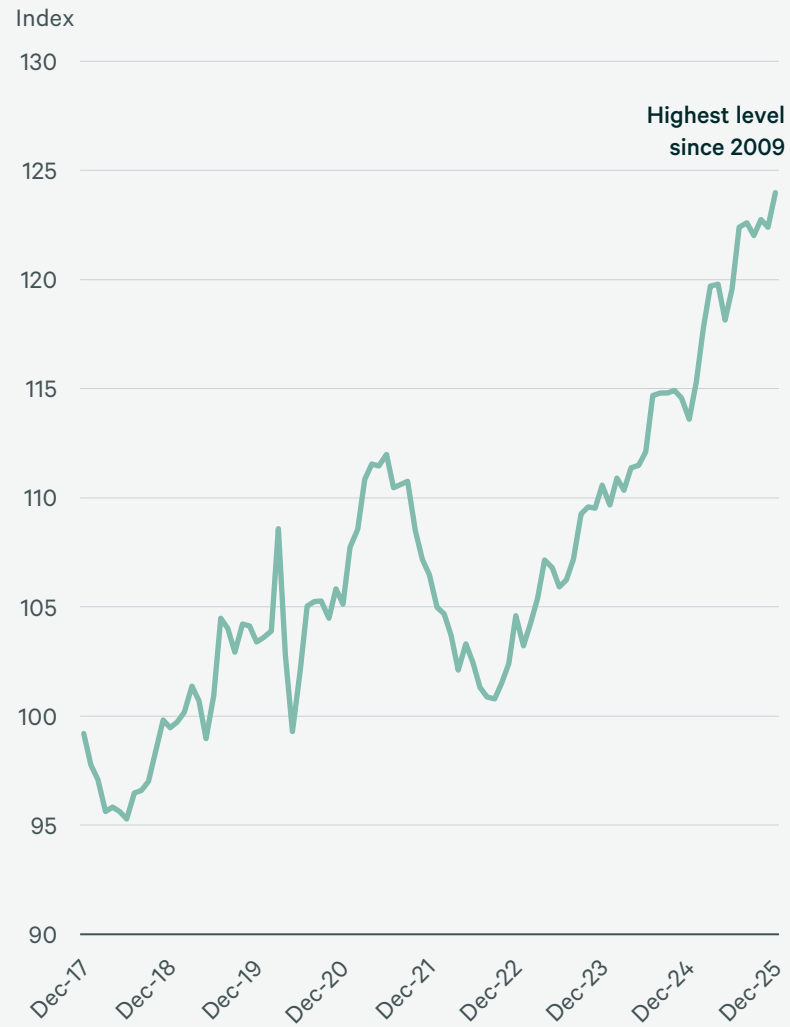
4

Historically high facility investments will boost domestic life sciences presence

U.S. life sciences manufacturing soars

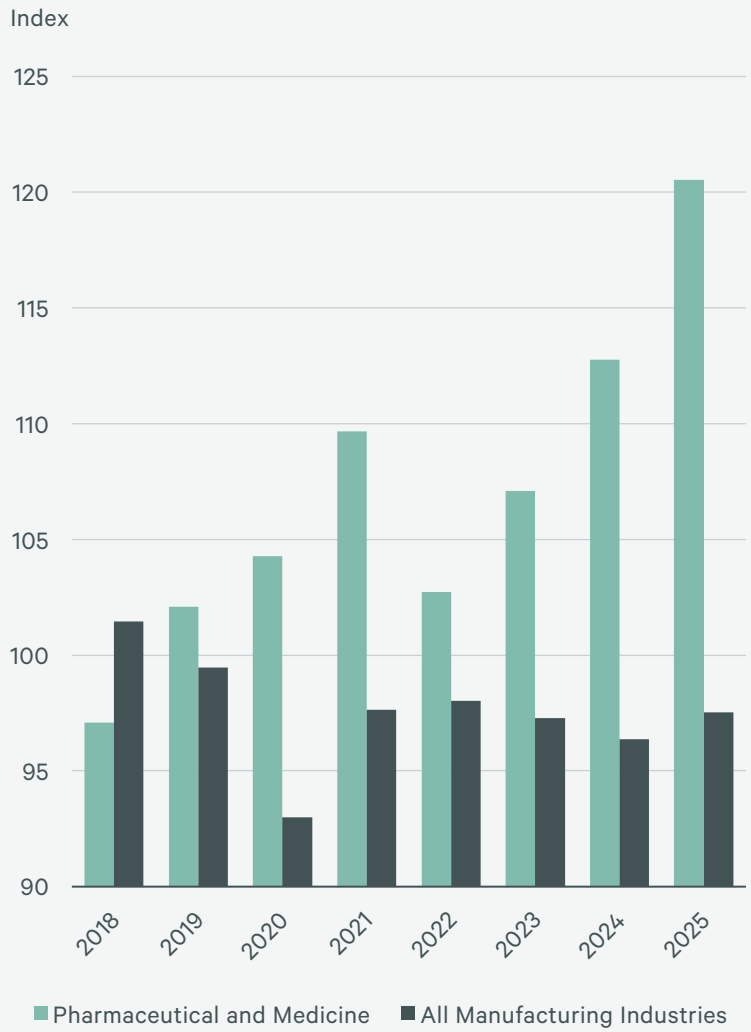
- In December 2025, U.S. pharmaceutical and medicine manufacturing grew at its fastest rate year-over-year in more than four years.
- The U.S. Industrial Production Pharmaceutical and Medicine index reached its highest level in December 2025 since 2009.
- Pharmaceutical and medicine manufacturing has far outpaced the average of all manufacturing industries.

U.S. Industrial Production: Pharmaceutical and Medicine



Sources: Federal Reserve, CBRE Research, Q4 2025.

U.S. Industrial Production by Industry

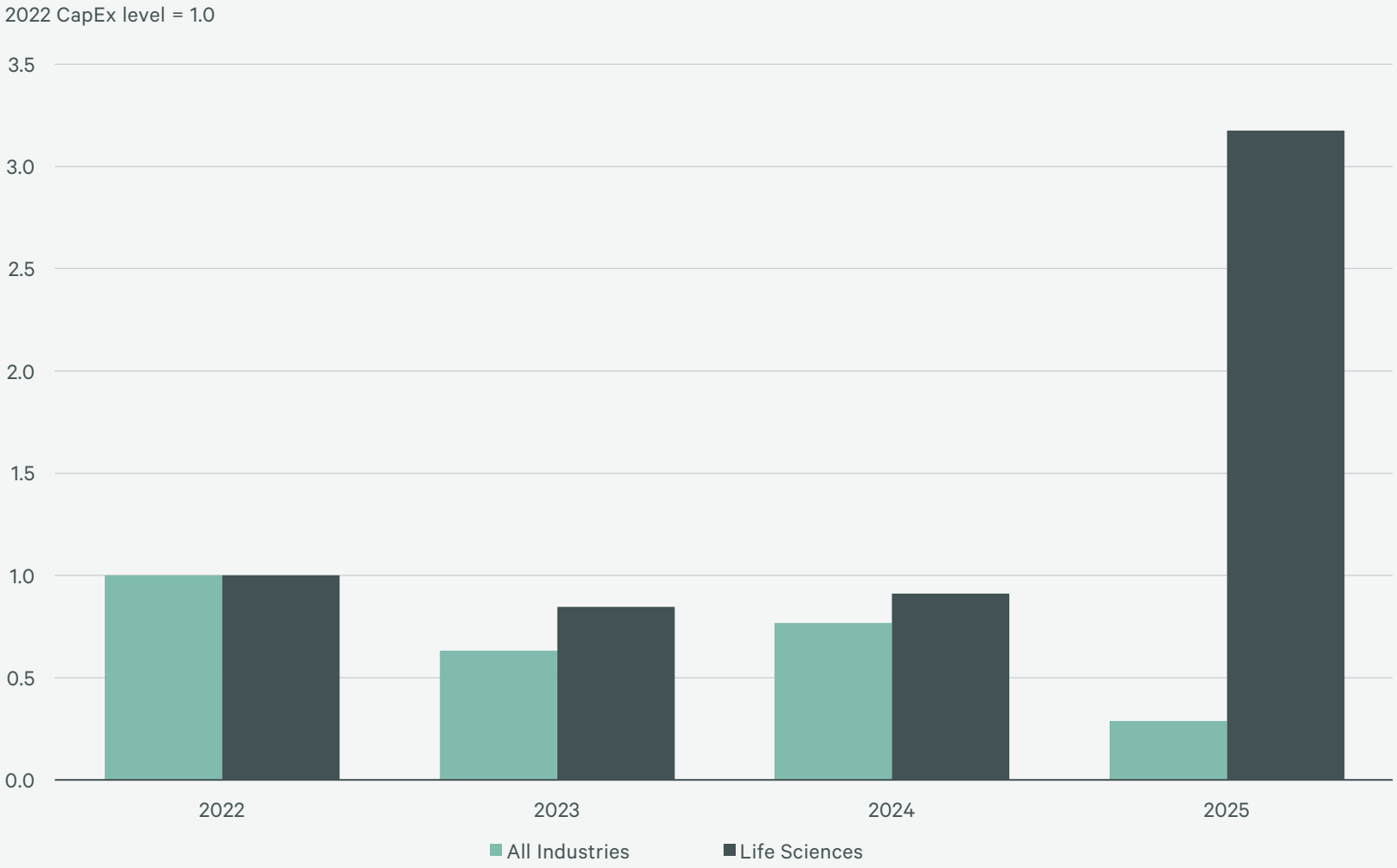


Sources: Federal Reserve, CBRE Research, Q4 2025.

Life sciences companies make historic levels of facility investments

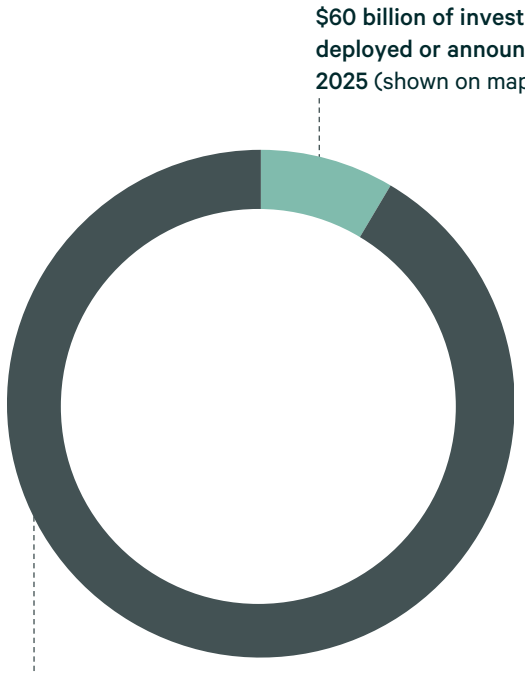
- Life sciences companies are making historic levels of investments in U.S. facilities to expand domestic manufacturing and R&D activities.
- Local economic development incentive data highlights the massive increase in announced capital expenditures in 2025 compared with other industries.
- The average deal size also jumped by nearly 300% in 2025.
- The map on the following page shows the largest projects announced in 2025.

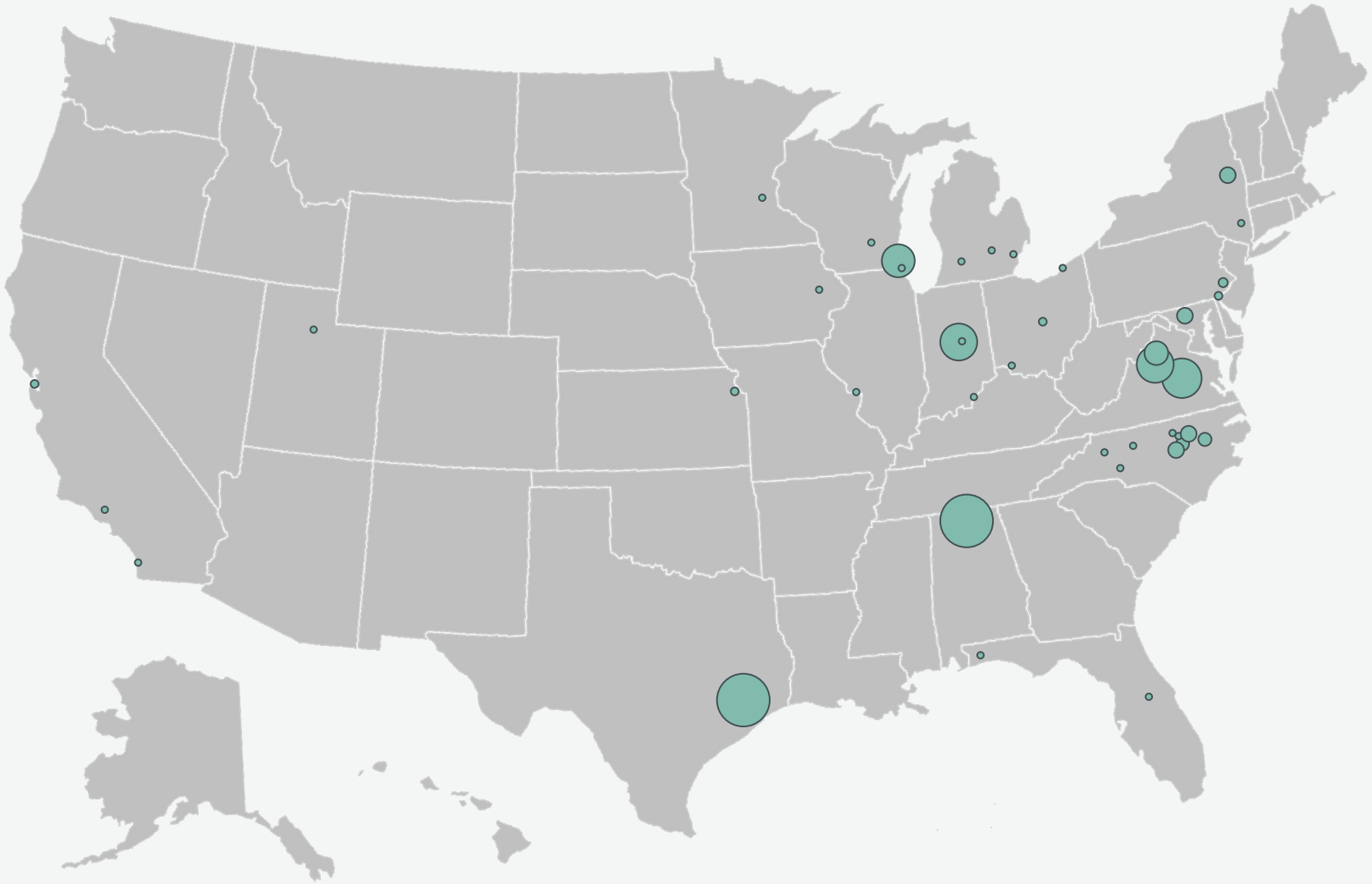
Facility Capital Expenditures Using Local Economic Development Incentives



Sources: FDI, CBRE Research, Q4 2025.

2025 Announced Life Sciences Facility Investments by Location





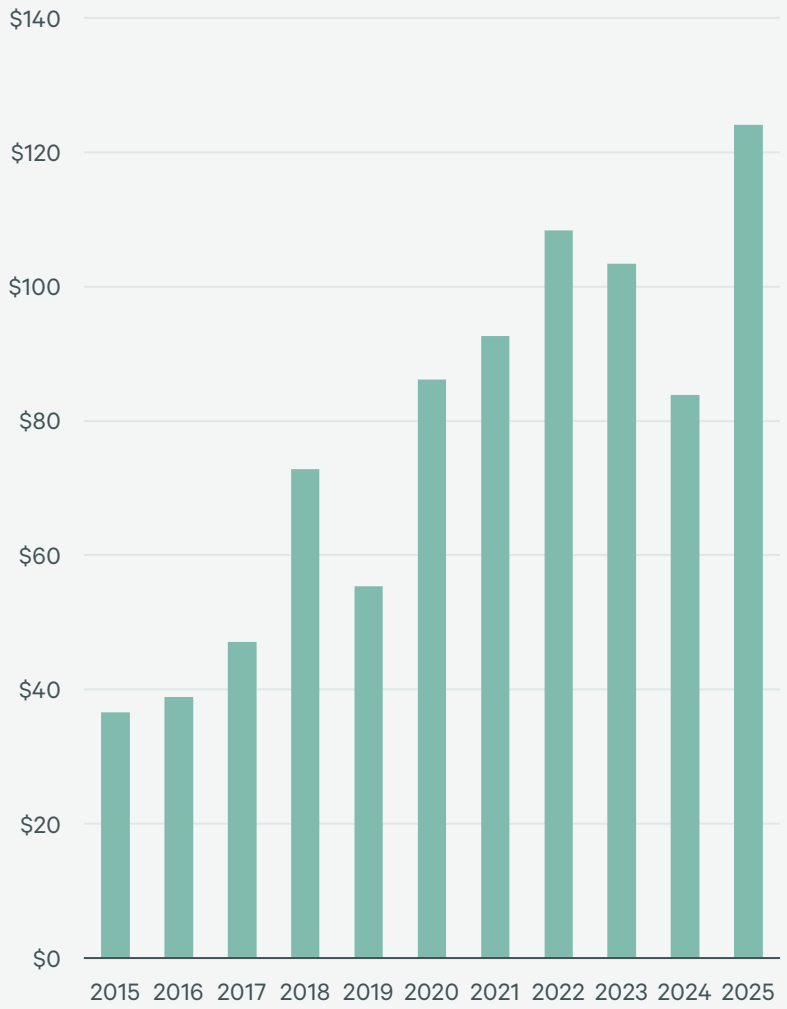
Source: CBRE Research, Q4 2025.

Industry megatrends will influence real estate demand and activity

Historically high patent cliff should spark real estate leasing velocity

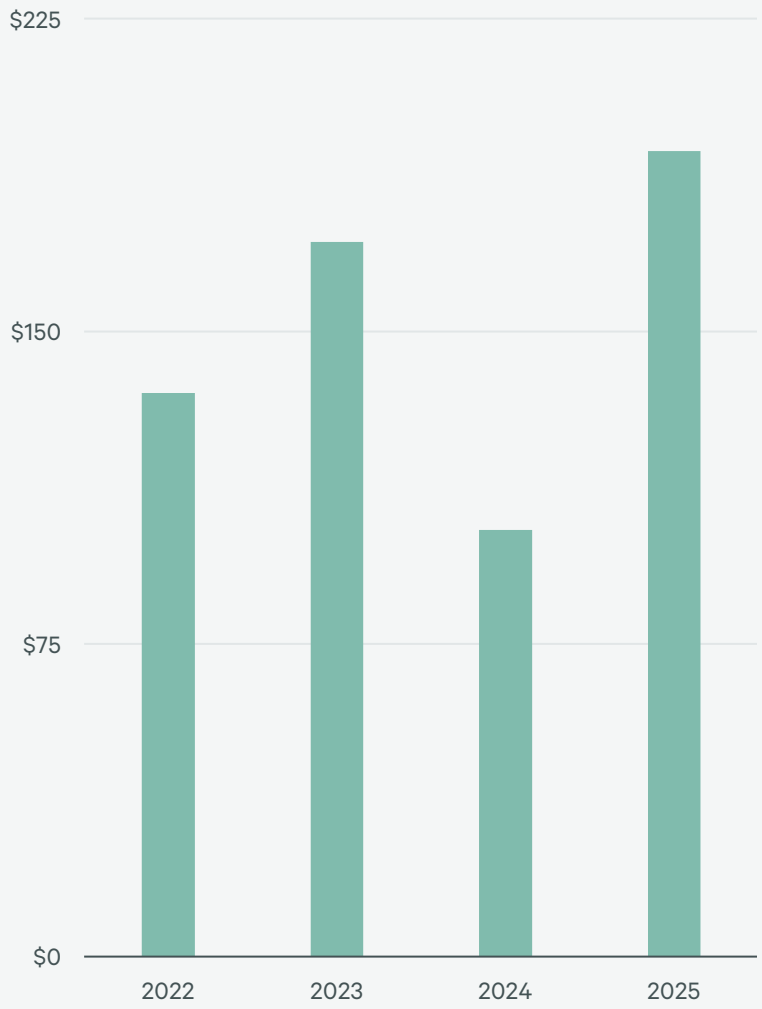
- The industry's looming patent cliff—when life sciences companies lose sales exclusivity as patents expire—is expected to be the largest on record with billions of dollars in annual revenue at risk through 2030.
- Life sciences companies' development and licensing agreements and M&A deal activity reached historic levels in 2025 amid a rush to offset potential revenue losses.
- As a result, real estate leasing velocity is expected to increase, while the impact on net occupied space is uncertain.
- Biosimilar manufacturing may surge given the patent cliff's unusual concentration of biologics.

U.S. Life Sciences Development and Commercialization License Deal Volume (Billions)



Source: BioCentury, CBRE Research, Q4 2025.

U.S. Life Sciences M&A Deal Volume (Billions)

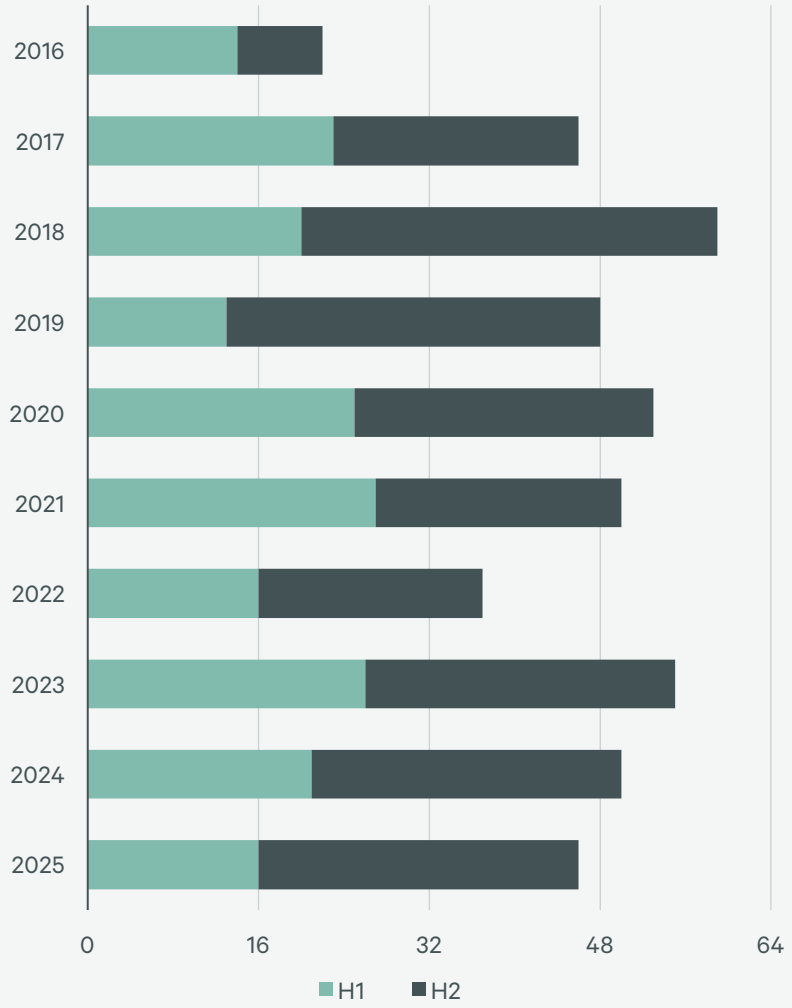


Source: BioCentury, CBRE Research, Q4 2025.

Record pace of scientific innovation persists amid a rebound in funding

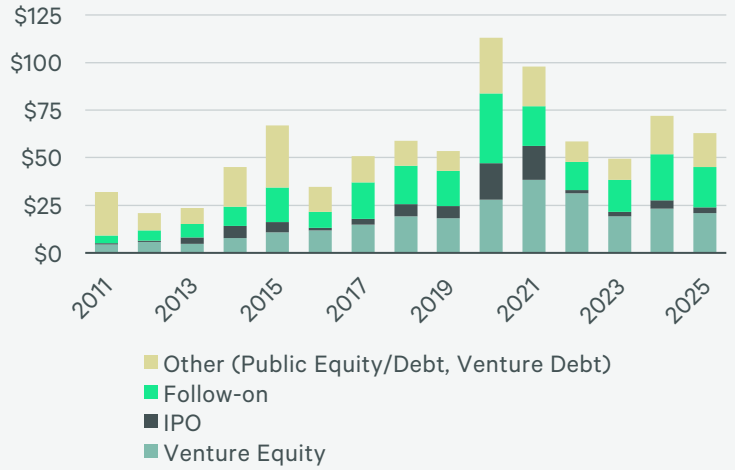
- The FDA approved 46 novel drugs in 2025, in line with the historic 2016–2025 annual average, which was 59% higher than the prior 10-year period.
- The FDA approved novel drugs faster in the second half of 2025, as policy uncertainty stabilized.
- At the same time, industry funding sources rebounded. Equity share follow-on and public equity and debt issuances were strong in 2025, while IPOs remained sluggish.
- The proposed NIH funding cuts in 2025 that rattled many life sciences occupiers and investors were recently reversed for the fiscal year 2026.
- Persistent scientific progress and increased funding is expected to improve life sciences real estate demand in 2026.

FDA Novel Drug Approvals

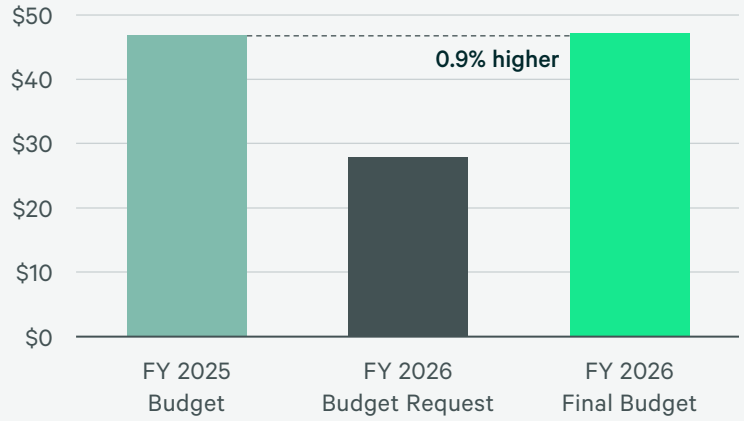


Source: FDA, CBRE Research, Q4 2025.

Life Sciences Capital Raised by Year (Billions)



NIH Funding (Billions)

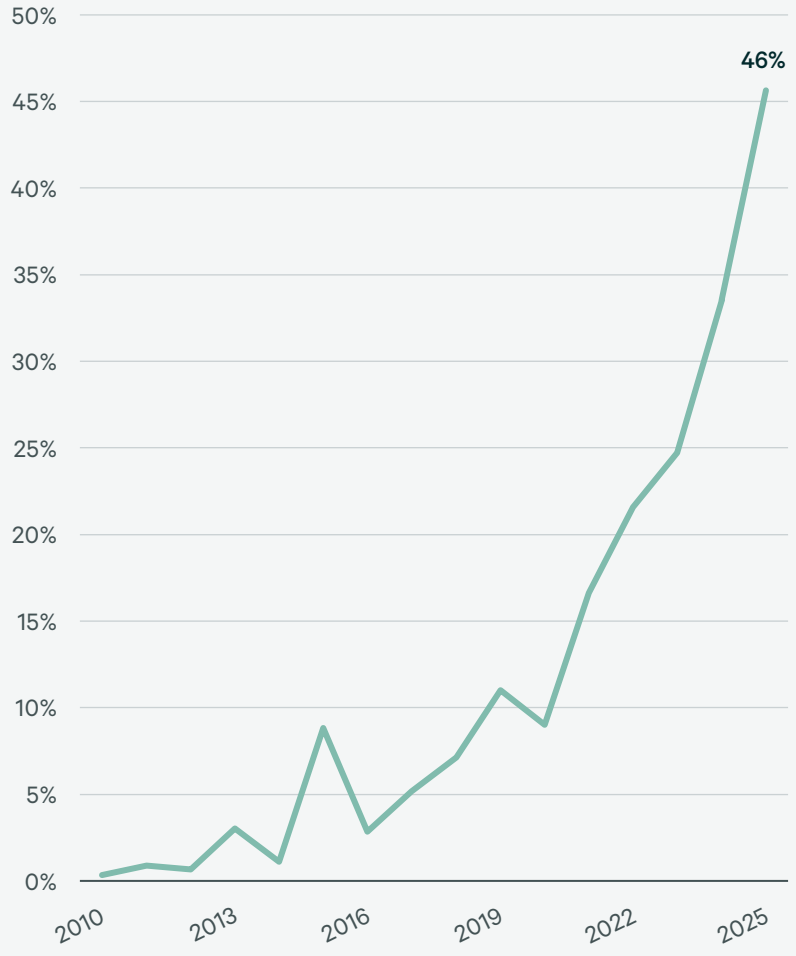


Sources: BioCentury, AAAS, CBRE Research, Q1 2026.

China emerges as a formidable life sciences competitor

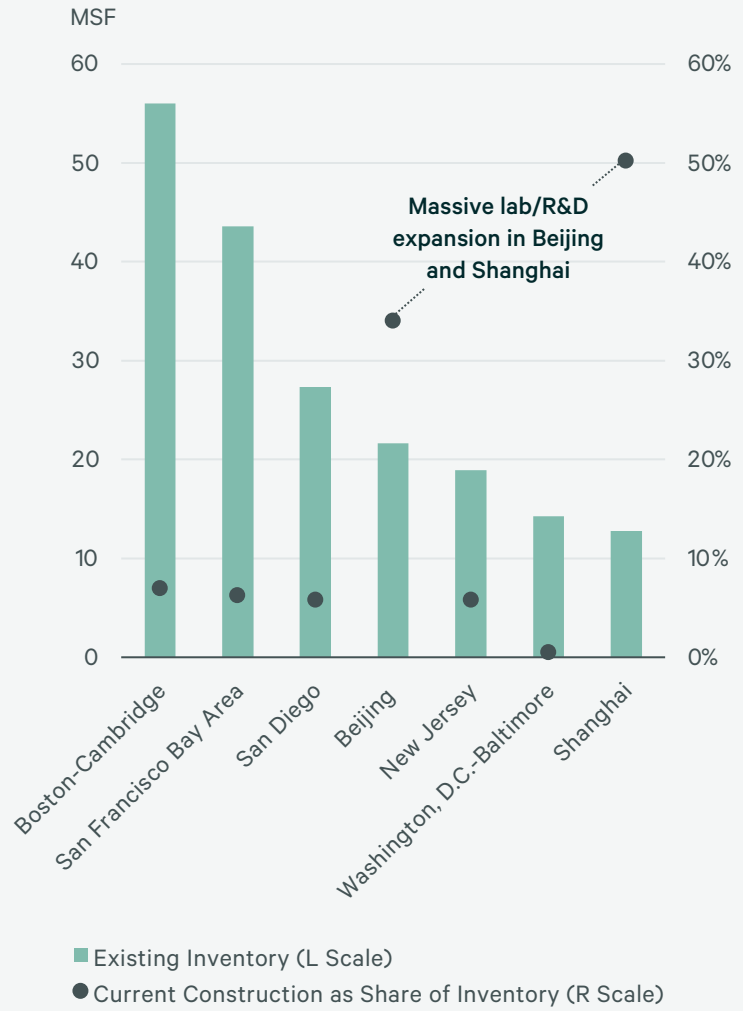
- China has rapidly emerged as a formidable global competitor to the U.S. life sciences sector.
- Chinese life sciences companies' speed and efficiency attracted a record share of global development and commercialization licenses in 2025.
- In 2025, Beijing and Shanghai became the fourth- and seventh-largest life sciences lab/R&D markets by inventory in the world.
- China's emergence is expected to have an uneven effect on U.S. life sciences real estate in the near term. While there will be new opportunities for U.S.-based companies to grow faster, some R&D activity may shift to China.

China's Share of Global Life Sciences Development and Commercialization License Deal Volume



Source: CBRE Research, Q4 2025.

Largest Global Life Sciences Lab/R&D Markets



Source: BioCentury, CBRE Research, Q2 2025.

Contacts

Henry Chin, Ph.D.
Global Head of Research
henry.chin@cbre.com

Dennis Schoenmaker, Ph.D.
Global Head of Forecasting and Strategic Insights
dennis.schoenmaker@cbre.com

Julie Whelan
Global Head of U.S. Occupier Research
julie.whelan@cbre.com

Darin Mellott
Head of U.S. Investor Research
darin.mellott@cbre.com

Ian Anderson
Senior Director of Research, Americas Life Sciences
ian.anderson2@cbre.com

Matt Gardner
Americas Life Sciences Leader
matt.gardner@cbre.com