

COMMERCIAL OBSERVER

In Life Sciences Real Estate, Times Are Tough. That Spells Opportunity for Some.

Conversions aren't on the table, though, despite the vacancy rate nationwide still hovering near 30 percent



The life sciences market has been sailing into a perfect storm since the pandemic, when lab space was flying off the shelves and investors began staking a claim in the asset class as a hedge against vacancies in office and retail.

Now, the pandemic is long over and there is more space than tenants. That has led to a unique set of dynamics where occupiers aren't just spoiled for choice, they're building their own facilities. Meanwhile investors are doing what they do and snapping up properties at a discount and waiting for the latest cycle of the life sciences market to run its natural course. At the same time, no one's talking about converting empty life sciences space.

In what has been perceived as a stagnant market, there still continues to be a ton of activity, too, and separating the myths created by the anecdotal experiences of some firms making the most noise shows a much more nuanced story.

The renewed interest from investors in life sciences comes at a time when tenants could be seizing on a 27 percent vacancy rate across the country as research and development property investment hit \$13.5 billion in 2025, up 28 percent on a year-over-year basis, according to a report from Cushman & Wakefield.

Venture capital investment in the life sciences sector overall in the second half of 2025 was also the strongest since 2022, according to a CBRE report. But as artificial intelligence and robotics seem to dominate the broader research and development world, it's unclear if much of the empty space will be filled with petri dishes again.

With the properties requiring complicated HVAC systems, vibration-resistant floors and backup power, however, managing these kinds of assets takes specialized knowledge, something Blackstone is able to provide through subsidiaries like BioMed Realty. It has seen plenty of success signing new deals at its campuses in Boulder, Colo., and Somerville, Mass.

Then you have Blackstone itself investing not necessarily into properties, but into the companies occupying space.

In March, another subsidiary, Blackstone Life Sciences, announced it had closed a \$6.3 billion funding round to invest in lab space properties. It was the largest in the subsidiary's eight-year history and 40 percent larger than the investment vehicle that came before it for a major incursion into the sector.

As of the fourth quarter of 2025, Blackstone Life Sciences had \$12 billion in assets under management, mainly composed of funding agreements with bioscience firms developing treatments for different forms of cancer, ulcerative colitis, Crohn's disease and RNA interference medicines.

Despite Alexandria Real Estate Equities, the largest U.S. life sciences owner, selling assets and calling out the Trump administration for slashing financial support for the biopharmaceutical industry, there seem to be an abundance of indications that the life sciences industry is faring well with the right amount of private sector investment.

U.S. markets that have traditionally done well for life sciences, such as Greater Boston, have seen some distress and a new wave of investors seizing on the opportunity. That includes battery maker A123 Systems acquiring a 115,000-square-foot lab space at 10 Corporate Drive in Burlington, Mass., in February for just under \$20 million, about 50 less

than what the Gutierrez Company bought it for in 2021.

In the Denver-Boulder market, vacancies rose to 27.3 percent in the first quarter of 2026, an exactly 2 percentage point increase year-over-year. In the Seattle market, the story was the same — a year-over-year increase from 15.4 percent vacancy to 17.9 percent in the first quarter, according to data from Savills.

Meanwhile, owner-occupiers are building space, another trend helping spin the latest cycle. Johnson & Johnson is planning a new \$2 billion, 500,000-square-foot manufacturing facility in Wilson, N.C., in the Raleigh-Durham market, and Swiss pharmaceutical firm Novartis is building a 466,000-square-foot research center in San Diego.

For new construction from owners, it's all a waiting game. But they're sticking with life sciences as a use for planned developments — and conversions for now are not on the books.

“It's way too time consuming, and, most importantly, costly, to convert life science space for a different use. We're not really seeing conversions,” Brianna Friedman, a researcher with Savills, told Commercial Observer. “What we are seeing with developments that are planned for life sciences, they're being abandoned or deferred until they're able to win an anchor tenant, so they can continue with construction.”

But, if investors are going to deploy funds, a down market is certainly the time to do it.

“The market isn't going to stay like this forever,” Friedman said. “Investors have a really amazing opportunity to get into markets, have Class A lab space that's available at a discounted price that is not going to be discounted for much longer. The industry continues to evolve with breakthroughs through mRNA therapeutics, gene editing, AI, etc. It's only going to keep going up.”

Megan Moyer, a real estate attorney at Saul Ewing, sees the newest wave of investment in life sciences space as a play where anything goes. Like Friedman, Moyer said conversion of lab spaces to residential or office would be cost prohibitive considering all the infrastructure built into these properties, but the future of data centers presents an interesting prospect.

Data storage, which has been scaling at breakneck speed with the growth of artificial intelligence, has had some investors wondering if giant boxes that consume energy and

natural resources in vast quantities will even be relevant as technology gets smaller and more efficiently managed.

Lab space, with its advanced HVAC systems and backup energy sources, seems uniquely positioned for this purpose, Moyer said.

“It’s wild how this has emerged as a major use, and the need for space to house data centers is top of mind for everybody,” she said. “There could very well be some sort of AI that needs these types of lab spaces. The fast-moving pace of data centers popping up is unlike anything we’ve ever seen before. ... For the most part, they’re highly sophisticated and innovative spaces.”

The operations of Moyer’s clients are tightly woven into the life sciences sector nationally and in Philadelphia, with a proximity to institutions of higher education being a critical component to advancing their research.

“I don’t think that there’s any surprise that the anticipated boom of the life sciences real estate market pre-COVID and even in the beginning of COVID has shifted, but I really see life sciences as a strong asset class, particularly in places like Philadelphia where you have such a high subset of universities and health care industry types that still find value in these spaces,” Moyer said.

When it comes down to who is investing in and leasing lab space, the question of quality and location is as pertinent as in any asset class.

During the height of the life sciences boom in the wake of COVID, developers were building whether they had tenants lined up or not, according to Moyer.

Big mistake.

“The reality is that they didn’t show up in the ways that we thought they would,” Moyer said. “I think the highest and safest level of life sciences real estate that we see are those that are tied to institutions, and I think those will still be used as lab space. ... They might shift a bit in the originally intended use with new tenants coming in.”

Where conversions might take place are in tertiary markets without strong ties to a larger institution, and this will most likely materialize in space that was office prior to the boom and converted later to labs. There might be transitions to medical offices or educational

centers in those cases, too.

In March, Colliers was anticipating a normalization in the life sciences sector after all the fluctuation in recent years. Investment totaled \$33 billion in all of 2025, representing around 25 percent below where it averaged from 2020 to 2022. Much of the stability expected by Colliers researchers was expected through the development and manufacture of weight-loss therapy drugs such as GLP-1, the active ingredient behind Ozempic and other medications.

Boston will have the furthest to go in terms of leasing absorption with about 16 million square feet of available space at the end of 2025, according to the Colliers report.

As Alexandria Real Estate Equities was mapping out its 2026 trajectory, founder and chairman Joel Marcus was in the real estate investment trust's fourth-quarter earnings call lamenting the saturation in the market as well as headwinds created by the Trump administration.

Ultimately, Alexandria decided it would part ways with \$581.7 million in underperforming assets. While the REIT saw 1.2 million square feet leased during the fourth quarter of 2025, it anticipated an equal number of lease expirations in the Boston, San Francisco and San Diego markets.

Plus, Alexandria has been losing money.

It reported funds from operations of \$368.5 million during the fourth quarter of 2025, compared to \$377.8 million in the previous quarter. Those losses grew into the first quarter and Marcus further blamed Trump's stance toward funding scientific research.

Alexandria declined to comment for this article.

It's not all in Marcus's head, according to Moyer.

"I don't think it's a unique issue to the life sciences industry — in higher education, [funding cuts] are a constant issue that our university clients are facing," Moyer said.

Among the investors Moyer works with, about half are steering clear of the life sciences dangers while others are seeing a long-term play that will outlive the current cycle.

“I think that there is a very strong subset of the market that values these spaces, and in particular it’s not based on the short-term vacancies that we’re seeing,” Moyer said.

“They’re thinking long term about what these spaces offer and how AI is going to change needs and possible uses for these spaces.”

In terms of cycles, Moyer sees a correlation between when her clients are seeing signs of relief and a time when Trump is potentially out of office.

“I think it’s, ‘Let’s look at the next two to three years and what does that mean. Are we going to have a flip or a continuation of the current government?’ ” Moyer said. “The top players in this industry are looking even longer term, they’re looking at a 10-year plan — what does the life science industry look like then and what will our space needs be.”