# Alexandria plans to sell some properties as demand for biotech space slows

Stock price drops sharply after life science landlord reports quarterly loss

Despite big recent biotech leases at some of its properties, including Eli Lilly at this San Diego campus, Alexandria Real Estate Equities plans to sell some of its U.S. land and other real estate. (Alexandria Real Estate Equities)

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Shares of Alexandria Real Estate Equities fell sharply after the biotech property owner said it plans to slow its development pipeline and sell some properties because of reduced demand for space, partly stemming from the government shutdown.

Executives of Pasadena, California-based Alexandria, among the nation's largest holders of life science real estate, said the federal work stoppage that began Oct. 1 has halted drug and related approvals handled by the Food and Drug Administration. This has exacerbated hesitance among smaller firms in particular to commit to new space, a trend that has lingered for several months.

"It matters if the government is shut down or not operating efficiently," Alexandria founder and Executive Chairman Joel Marcus told analysts during a quarterly earnings call Tuesday. The shutdown is halting approvals of new medical treatments and also slowing delivery of funding from various parties needed for research to proceed, Marcus said.

Alexandria's share price closed Tuesday down nearly $15, or 19% for the day, after the company reported a net loss of $234.9 million for its third quarter ended Sept. 30, compared with net income of $164.7 million for the year-earlier quarter.

Funds from operations, an industry-accepted gauge of income from changing portfolios held by real estate investment trusts, totaled $377.8 million for the quarter, down from the year-earlier $407.9 million.

Company officials cited a slight drop in total occupancy and rent growth for Alexandria's property portfolio spanning nearly 40 million square feet, including major holdings in the three largest U.S. biotech hubs — Boston, San Francisco and San Diego.

## Focus on build-to-suits

In response to slowing demand, the company in the coming year plans to slow its construction timelines in some regions for projects that have yet to start, though it plans to follow through with current project commitments for the most part, company leaders said.

Alexandria plans to ratchet up its strategy that increasingly favors build-to-suit projects over speculative construction, with an emphasis on mega campuses rather than stand-alone properties. It plans to pare down its overall property portfolio, with a focus on reducing its bank of land holdings that were originally slated for development but will instead be sold off.

The company reported generating $508 million from property sales this year through Oct. 27. It now expects land dispositions to represent 20% to 30% of total dispositions and sales of partial property interests for full-year 2025.

Alexandria CEO Peter Moglia said there is "no shortage of interest" among residential and other types of developers as the company considers land deals. In some areas, Alexandria will consider incorporating more residential elements into its own projects as part of joint ventures, company executives said.

Some recent Alexandria pullbacks stem from its properties that are not purely biotech-focused with estimated current values that have dropped below their carrying costs. Regulatory filings this week showed Alexandria recognized impairment charges totaling $485.6 million during the first nine months of 2025, including $323.9 million in the third quarter.

The company reported a $206.2 million charge to reduce the carrying amount on a "non-core" office property in Long Island City, New York, that is 52% occupied and which Alexandria plans to sell in the next 12 months. There were smaller impairment charges involving a retail center near Boston where it previously planned future new development; and some office buildings in San Diego and the North Carolina Research Triangle that were not part of its mega campus focus.

Subsequent to the close of the third quarter, the company this month sold the Boston-area retail center for $99.3 million, reporting no gain or loss, according to filings.

## Changing demand for space

Alexandria officials said space demand continues to lag among smaller, early-stage biotech firms still being affected by shifting research priorities in the post-pandemic era, along with elevated interest rates and uncertainties now being increased by the government shutdown.

Still, the company said 53% of its portfolio is occupied by large national and global tenants, including 18 of the world's 20 biggest pharmaceutical firms that usually sign long-term leases. Total leasing volume held steady by company standards at around 1.2 million square feet during the third quarter, with total occupancy remaining above 90% at the end of the third quarter.

Leases finalized during the third quarter included the largest in Alexandria's history, a San Diego signing by drugmaker Novartis topping 466,000 square feet.

Analysts have noted that industrywide biotech vacancies remain elevated by historical standards. Alexandria officials said that stems in part from overbuilding by other developers, including many non-biotech companies that sought to capitalize on pre-pandemic conditions by converting older general-office properties into biotech facilities.

There are still recent signs of heightened long-term demand for biotech space. Several global drugmakers have planned significant investments in new U.S. manufacturing plants expected to come online over the next five to 10 years as