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Q2 2023

# Life Science Market Report



SUMMARY

The second quarter of 2023 showed a positive uptick in activity relative to the start of the year. M&A activity and early stage venture deals hit the region with force after a quiet first quarter. Transaction volume in the facility environment remained tempered as pressure of capital conservation continued to scrutinize expansion.

From a venture lens, the second quarter of '23 brought an over 40% increase in sector investment quarter over quarter (excluding Chinook & CTI M&A deals). This was a positive step toward market stability as continued hesitancy, speculation, and uncertainty run rampant. Data has effectively become a currency in its own right as the macroeconomic conditions continue to draw selectivity to venture capital placement – companies that are successful in articulating their value, backed by exciting and promising data, are still seeing real interest from venture at the early stage. Public sector funding had yet another a dominant quarter, overpowering venture capital flow into the industry, exclusive of M&A deals. Washington climbed up three places amongst the national NIH funding ranks, concluding Q2 with \$361 M – 8th in the US. Typical recipients, UW, Fred Hutch, Children's and Allen Institute, led the charge. Institutional commercialization reported on from prior quarters saw notable traction, with several

term sheets between key funds and academic entrepreneurs reaching the finish line, sure to bring newco's & local market absorption forward.

Several major BD deals, strategic partnerships, and a flurry of M&A transactions hit the headlines this quarter. In May, long time Seattle company, CTI Biopharma reached an aquisition agreement with Swedish Orphan Biovitrum (SOBI) for \$1.7 B. On the heels of CTI, local clinical-stage biotech focused on kidney disease, Chinook Therapeutics, struck a massive \$3.5 B acquisition deal with Novartis. UW Medicine spin-out, Alpenglow Biosciences, inked a milestone agreement with Mayo Clinic. More on this collaboration and others on page 5 of this report.

Facility dynamics improved in Q2. While supply continued to increase in the region through more second generation space hitting the market, demand too increased. Total market inventory for built out laboratory space, available or soon to be, reached 750,000 sq. ft., an unprecedented figure in Seattle's history. As predicted, developers paused spec construction plans further, with some projects slowing or even stopping mid-construction.

In leasing, Tune Therapeutics executed an expansion in Boren Labs, taking the sixth floor – just over 15,000 sq. ft. Novo Nordisk relocated their digital therapeutics arm, pure office-based personnel, landing at 818 Stewart. The transaction concludes Novo's long legacy of maintaining a strong lab-based Seattle presence at the Vue Research Center, in the heart of South Lake Union. In Bothell, Seagen renewed leases on two buildings in Alexandria's portfolio totaling nearly 100,000 sq. ft.

In development, most notably, Eleven50 landed its final lease to conclude preleasing prior to delivery later this year. This was an impressive milestone for the market and Alexandria – fully preleasing the city's largest multi-tenant laboratory development prior to completing shell & core construction. Unison Elliott chugged along with building renovations and spec suites, and announced a target delivery of early '24. Vulcan announced milestone updates for several of its laboratory sites, including Phase 3.3 adjacent to the UW Research South Lake Union Campus. The 11-story building passed design review approval – however, as anticipated, will not break ground on a "spec" basis. For more information on recent transactions or developments, please inquire.

MARKET TRENDS

- **Wave of biotch M&A** activity hits WA
- **Developers pause** spec laboratory projects
- **More second-gen space** comes to market
- **Pharma lease transactions loom** in Seattle
- **Uptick in leasing** activity from Q1

RECENT ACTIVITY

- **Eleven50** completes leasing prior to delivery
- **Seagen/Pfizer renews 99K SF** in Bothell
- **Chinook Therapeutics acquired** by Novartis
- **Tune Therapeutics expands** in Boren Labs
- **BioRad vacating** Redmond facility

Q2 & 1H SUMMARY

Q2 Total Investment\*  
**\$315.24 M**

\*EXCLUDES

Deal Count  
**32**

Quarterly Change  
**↑41%**

Annual Change  
**↓74%**

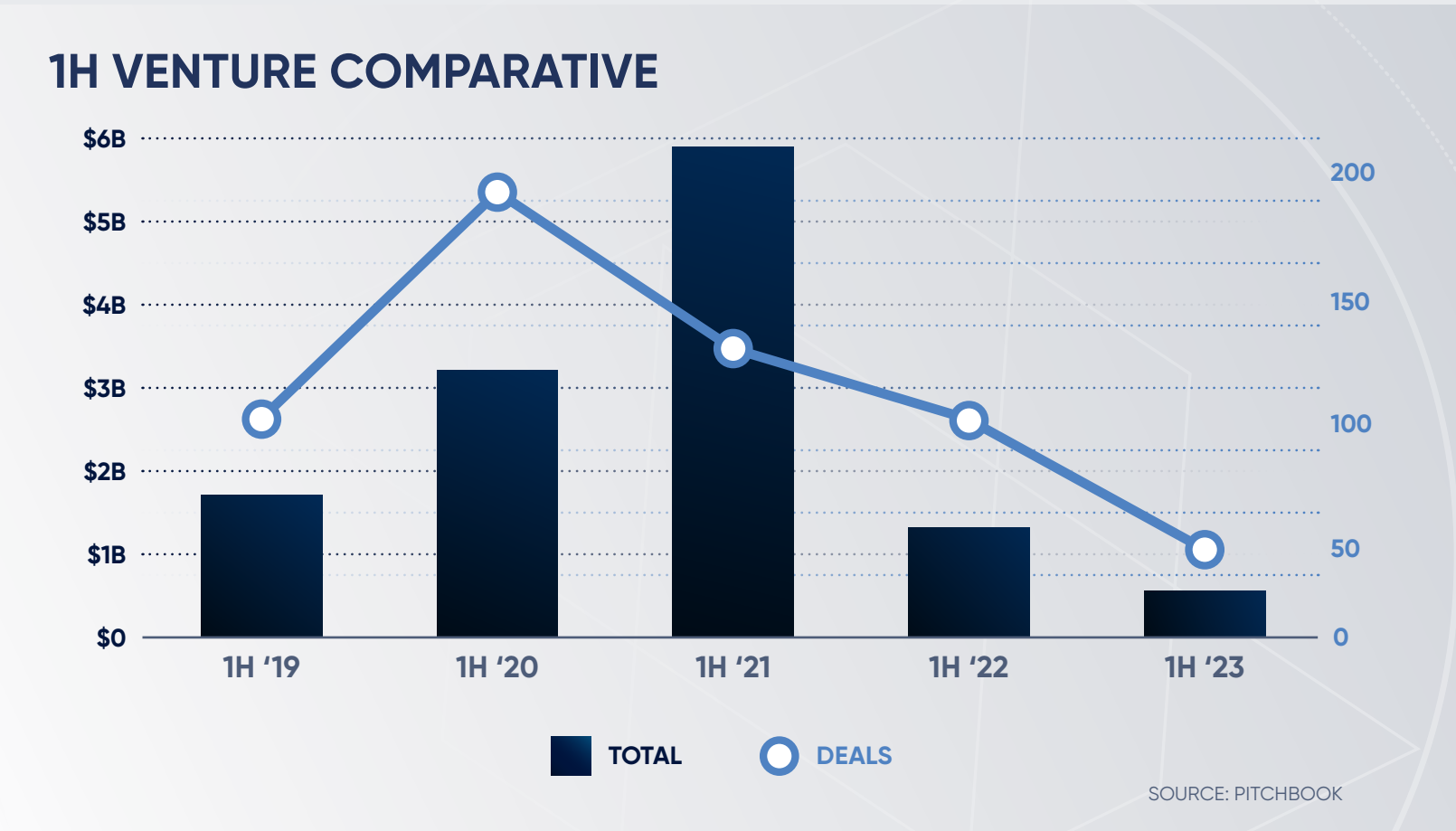
\*Q2 '22 1.237 M RELATIVE TO Q2 '23  
SOURCE: PITCHBOOK

TOP DEALS

	AMOUNT	TYPE	DATE
	\$1.7 B	M&A	MAY '23
	\$22 M	SEED	MAY '23
	\$80 M	A	MAY '23
	\$52.9 M	B	JUN '23
	\$3.5 B	M&A	JUN '23
	\$125 M	PIPE	JUN '23

SOURCE: PITCHBOOK

1H VENTURE COMPARATIVE



COMPANIES TO WATCH



**+ MORE**

Q2 SUMMARY

NIH FUNDING

NSF FUNDING

\$10.7 B  
Q2 '23 US Total

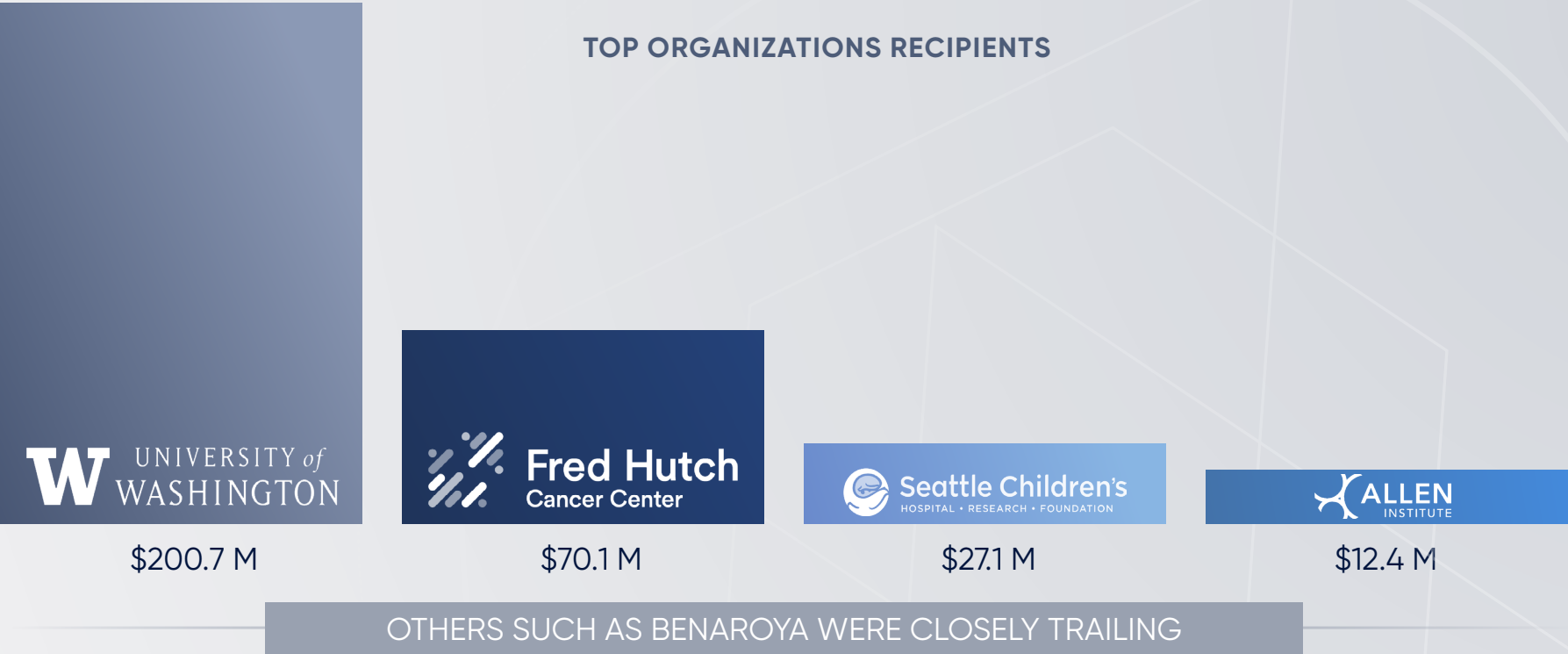
\$361.3 M  
Q2 '23 WA TOTAL

\$29.19 M  
WA TOTAL

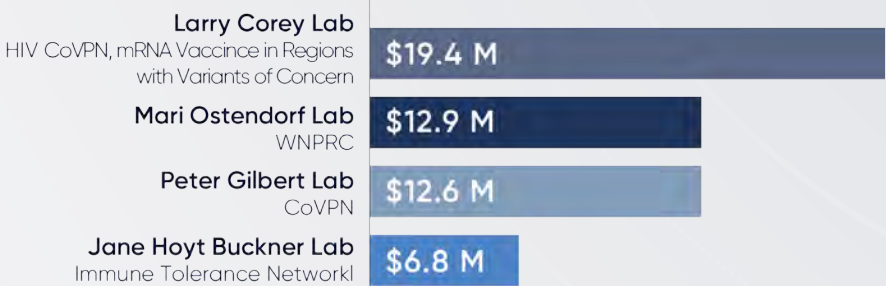
RANK	STATE	PROJECTS	FUNDING
1	CA	2,787	\$1,628,227,647
2	NY	2,007	\$1,070,748,728
3	MA	1,751	\$1,030,795,467
4	PA	1,340	\$672,734,654
5	TX	1,163	\$578,832,913
6	NC	801	\$464,575,050
7	MD	756	\$442,269,939
8	WA	552	\$360,418,468
9	IL	741	\$358,904,203
10	OH	600	\$321,664,408
11	MI	629	\$286,283,320
12	MO	461	\$263,308,081
13	FL	525	\$254,782,351
14	GA	488	\$247,429,810
15	CT	466	\$244,350,531

SOURCE: NIH REPORTER

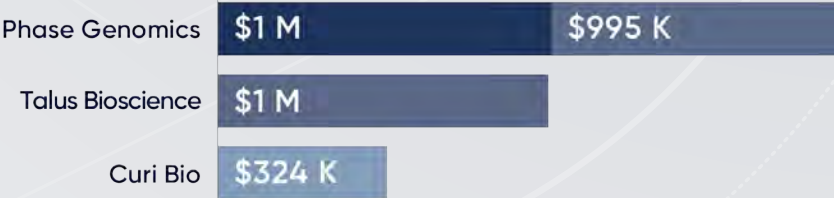
TOP ORGANIZATIONS RECIPIENTS



TOP PROJECT AWARDS



NOTABLE AWARDS TO PRIVATE ORGANIZATIONS



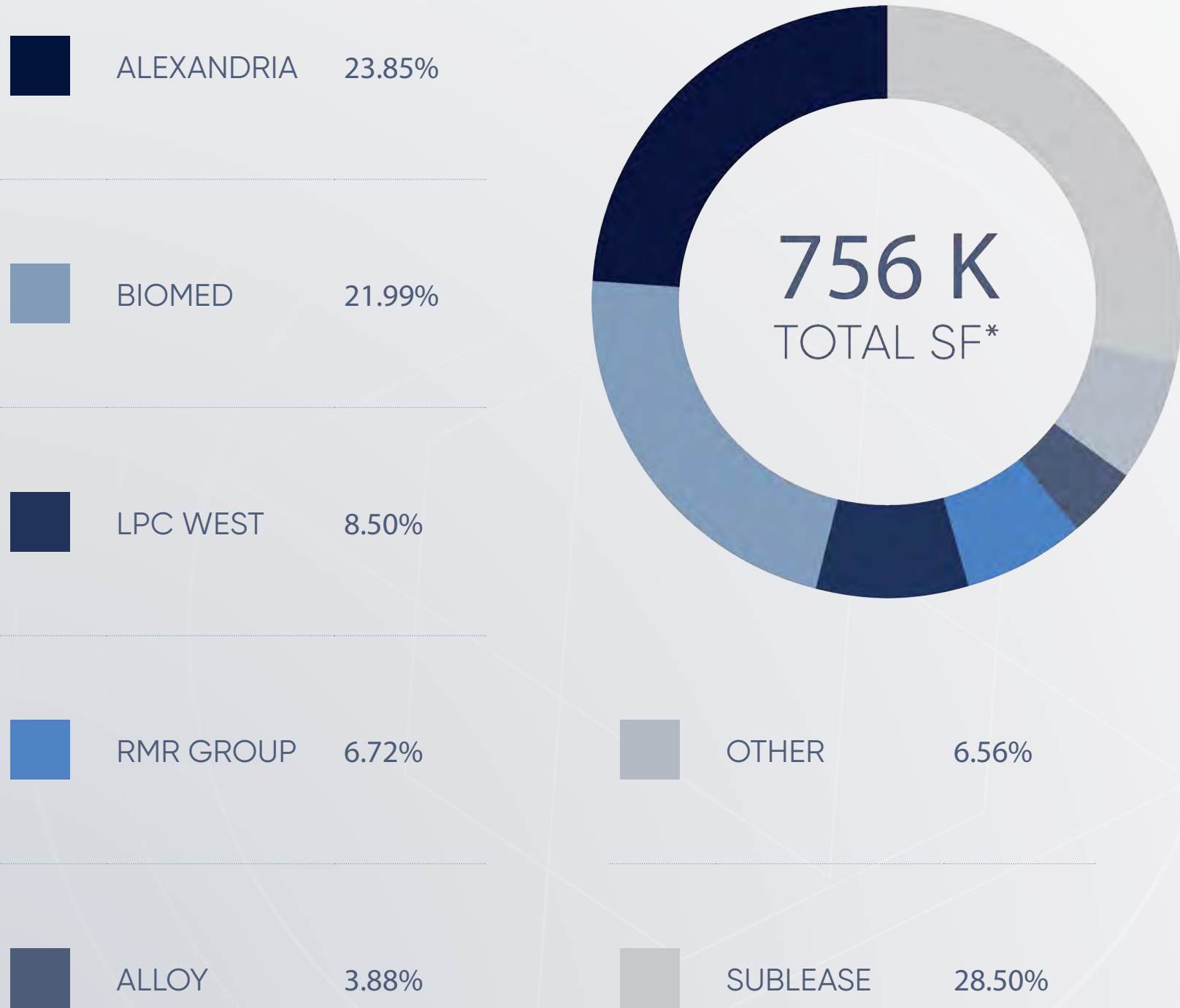
SOURCE: NIH REPORTER



MARKET STATS	SEATTLE	BOTHELL
INVENTORY (ALL)	6.83 M	3.31 M
INVENTORY (INVESTOR OWNED)	3.33 M	2.35 M
VACANCY (DIRECT & SUBLEASE)	23.53%	19.28%
AVAILABILITY (DIRECT & SUBLEASE)	30.16%	19.94%
RENT	HIGH \$60'S TO HIGH \$80'S	MID \$30'S TO LOW \$40'S
TI'S	\$225 – 250	\$100 – 150

\*STATISTICS CALCULATED OFF OF INVESTOR-OWNED INVENTORY













AVAILABLE LAB SPACE



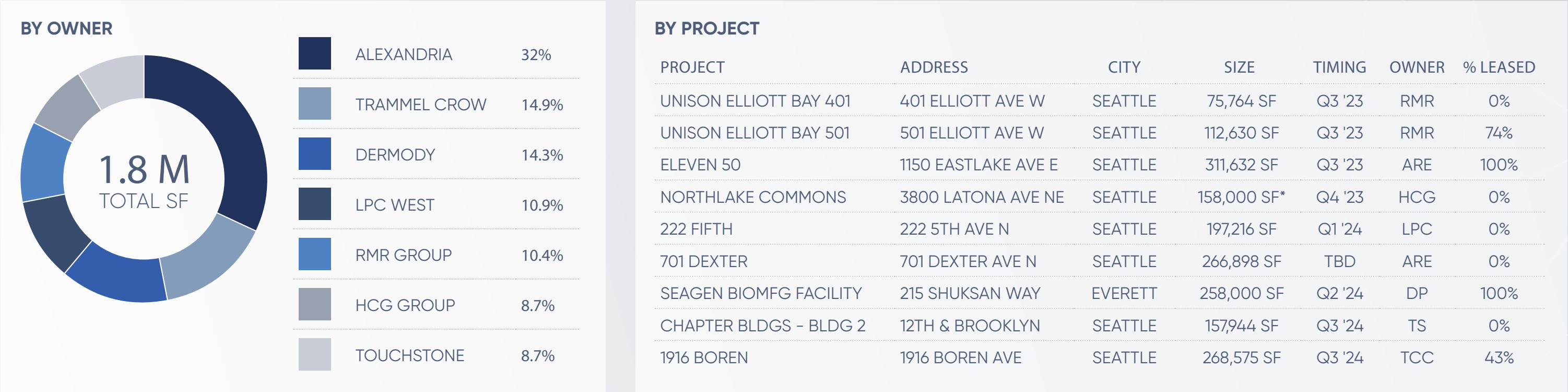
\*FIGURE ONLY INCLUDES BUILT OUT LABORATORY SPACE; CURRENTLY AVAILABLE OR SOON TO BE



RECENT NOTABLE LEASE TRANSACTIONS

	COMPANY	BLDG NAME	OWNER	SIZE	TYPE	DATE
	 Seagen®	ACAT	ALEXANDRIA REAL ESTATE	99,600 SF	RENEWAL	Q2 '23
	 TUNE THERAPEUTICS	BOREN LABS	OXFORD	15,064 SF	EXPANSION	Q2 '23
	 STEALTH NEW COMPANY	CONFIDENTIAL	CONFIDENTIAL	CONFIDENTIAL SF	NEW LEASE	Q2 '23
	 STEALTH NEW COMPANY	CONFIDENTIAL	CONFIDENTIAL	CONFIDENTIAL SF	NEW LEASE	Q2 '23
	 novo nordisk®	818 STEWART	JP MORGAN	6,053 SF	NEW LEASE	Q2 '23
	 BONUM	ELEVEN50	ALEXANDRIA REAL ESTATE	31,270 SF	NEW LEASE	Q2 '23

UNDER CONSTRUCTION



## Our company

Flinn Ferguson Cresa has established itself as Seattle and Bellevue's most active and experienced Tenant Advisory Firm.

Our mission is to listen to the client's core objectives, customize a complimentary real estate strategy, and leverage our shared experience to ensure that the most favorable real estate outcome is achieved.