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Q3 2023

Life Science Market Report

SUMMARY

Glimmers of exciting activity across life science industry propelled the region’s third quarter forward. While macroeconomic conditions continued to apply pressure to the sector, facility transactions pressed on, venture funding picked up, key grants fueled both promising academic projects and private organizations, M&A’s hit headlines, and strategic partnerships were announced.

In venture, Washington saw a substantial increase in overall sector investment (excludes M&A deals), a positive resurgence of activity amidst a challenging macroenvironment. Much of the activity remains in the early stages, with key new companies announced in the region, fresh with modest Seed or A rounds relative to the prior inflated cycle. Later stage deals continued their slow and selective cadence due to a number of factors from overall risk tolerance and interest rates, to vertical/sector crowding and misalignment of valuation expectations. This placed increased pressure on existing biotechs to cut costs, leading to continued layoffs and subleasing activity. Public sector funding increased yet again quarter over quarter, with total funding across the US landing just under \$10 billion for the quarter (sorted by NIH award notice date). Washington settled in as the 9th top recipient by state for NIH and suborganization funding, with established institutions continuing to lead the charge as beneficiaries. Of note, Allen Institute saw a significant increase as a result of a large award dedicated to the Human

Brain Cell Atlas project. In commercialization, several companies out of various research institutions received financing, kicking off demand for more small and early stage/flexible lab.

There was no shortage of business development deals, strategic partnerships, research collaborations, or M&A’s in the third quarter. Notably, Just.Evotec landed another sizable contract with the Department of Defense, valued up to \$74 million. Local biotech, Shape Therapeutics continued to hit headlines and announced a partnership with Otsuka, a Tokyo-based pharma, to target ocular diseases. Neoleukin closed up shop in Seattle and announced a full M&A with New York-based Neurogene, resulting in more facility subleasing activity.

The laboratory facility market remained active over the third quarter. Dynamics continued to soften for developers as vacancy and availability continued to trend and the spotlight begins to turn toward uncertainty around key anchor / large block tenants’ future needs and presence in the region. The pendulum continued its swing toward tenant-favorable conditions, as supply of built out lab space in the region surpassed 800,000 sq. ft. Unsurprisingly, cumulative net laboratory demand continued to fall despite an increase in overall quantity of requirements (i.e. companies seeking space). Thus, as suspected, in alignment with the capital environment, the average requirement size continued to shrink.

Several laboratory requirements remained on pause pending financing, and additional larger transactions remained in a holding due diligence pattern, leaving the market’s true active net demand just under 200,000 sq. ft.

Leasing activity saw its share of activity, largely led by early-stage companies. In Seattle, stealth company Zeno Power, committed to a short-term lease/licensing agreement with Alexandria Real Estate. Pluristyx signed a lease for 6,800 sq. ft. in BioMed Realty’s 201 Elliott. Recently acquired by Novartis, Chinook Therapeutics finalized a lease at 400 Fairview. Cytek Biosciences renewed their lease in Martin Selig’s portfolio. Curevo expanded to over 13,000 sq. ft.

Existing development activity progressed through the cycle, with key laboratory projects nearing completion. As expected, new development activity thwarted due to existing over-supply of new development, built out, and sublease product, as well as normalized demand behavior. LPC West project, 222 Fifth, and Trammel Crow’s 1916 Boren both made considerable headway toward delivery, each planning for “spec suites” to deliver built-out lab space for prospective tenants of various sizes.

For additional information on transactions, developments, or perspective, please inquire.

MARKET TRENDS

- **Newcos & early stage biotechs** comprise majority of active laboratory space requirements for Q3
- **Net active total demand (by sq. ft.) declines** and average size of requirements tempers
- **The gap widens** between sublease and direct rates
- **Vacancy & availability remains high**, providing opportunity for tenants seeking space

RECENT ACTIVITY

- **Cuervo** relocates in Canyon Park
- **Pluristyx** inks lease at 201 Elliott
- **More Seattle anchor tenants** officially market large lab footprints for sublease
- **Several Newcos emerge** from stealth mode
- **Exact Biosciences acquires local biotech**, Resolution, based in Kirkland.

Q3 SUMMARY

Q3 Total Investment*

\$587.65 M

*EXCLUDES M&A DEALS

Deal Count

27

Quarterly Change

↑ 86%

Annual Change

↑ 62%

*Q3 '22 362 M RELATIVE TO Q3 '23
SOURCE: PITCHBOOK

TOP DEALS

	AMOUNT	TYPE	DATE
 neoleukin™ THERAPEUTICS	\$68.5 M	M&A	JUL '23
 A-ALPHA BIO	\$22.4 M	A2	JUL '23
 VIOME LIFE SCIENCES	\$86.5 M	C	AUG '23
 Selkirk	\$24.1 M	S4	SEP '23
 avalyn pharma	\$175 M	C	SEP '23
Lila Biologics	\$9.5 M	SEED	SEP '23 SOURCE: PITCHBOOK

Q3 VENTURE COMPARATIVE*



COMPANIES TO WATCH



Q3 SUMMARY

NIH FUNDING

NSF FUNDING

\$9.93 B
Q3 '23 US Total

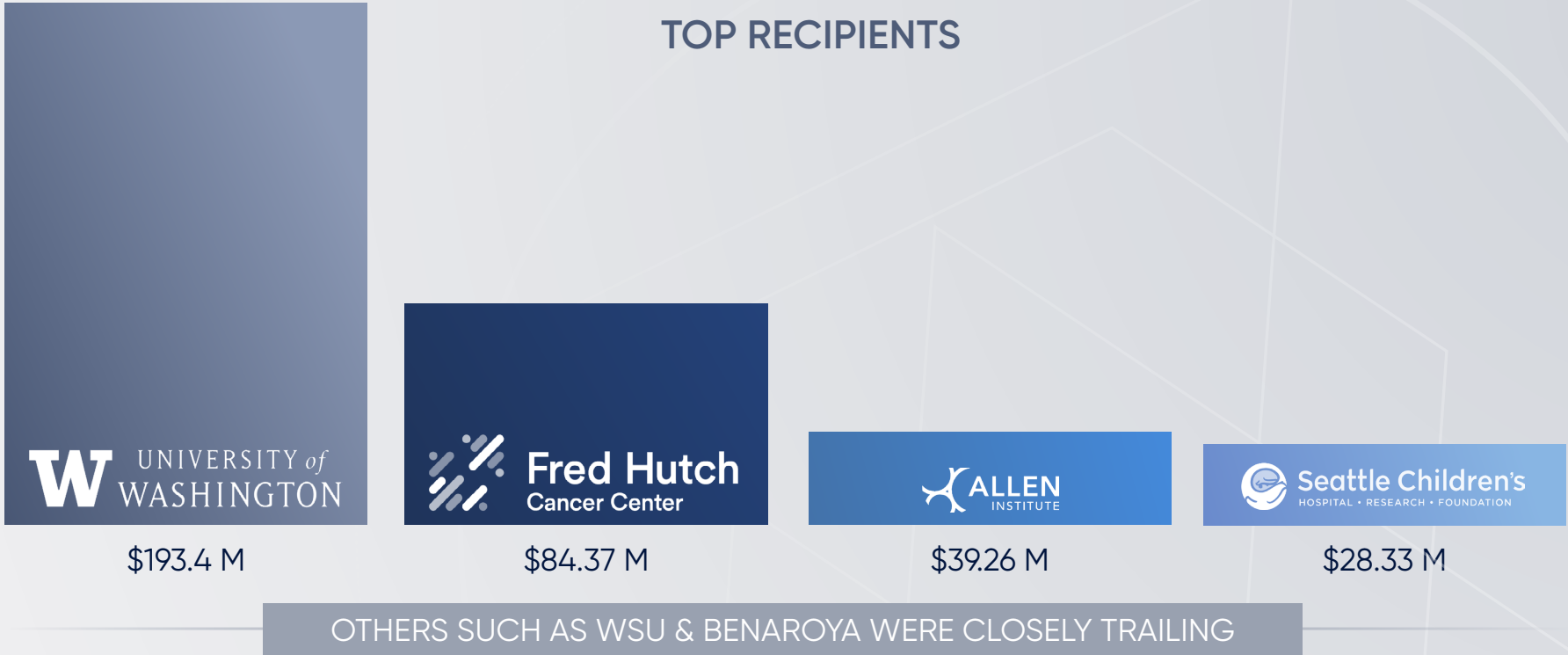
\$433.04 M
Q3 '23 WA TOTAL

\$71.54 M
WA TOTAL

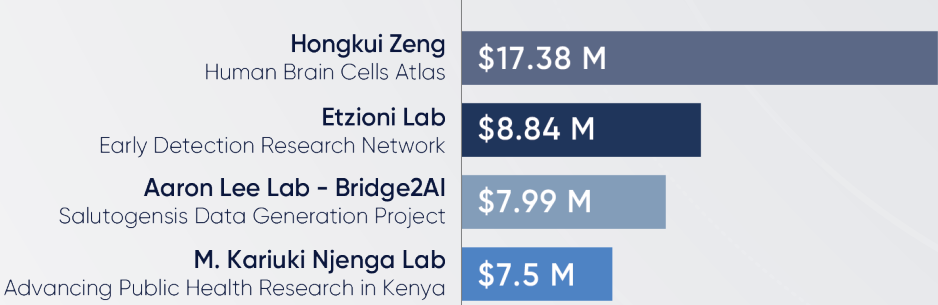
RANK	STATE	PROJECTS	FUNDING
1	CA	3,516	\$2,126,620,063
2	MA	2,198	\$1,393,567,625
3	NY	2,483	\$1,388,213,219
4	PA	1,624	\$898,941,468
5	TX	1,395	\$765,081,632
6	NC	1,127	\$734,516,725
7	MD	902	\$583,310,054
8	IL	961	\$545,620,880
9	WA	717	\$433,044,980
10	MI	758	\$400,337,656
11	OH	786	\$390,207,541
12	FL	654	\$364,399,553
13	MO	601	\$302,409,657
14	MN	544	\$302,285,378
15	CT	552	\$244,350,531

SOURCE: NIH REPORTER

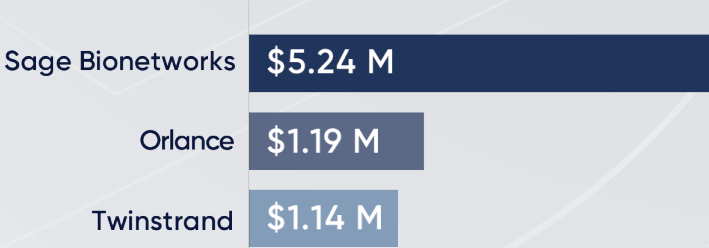
TOP RECIPIENTS



TOP PROJECT AWARDS



NOTABLE AWARDS TO PRIVATE ORGANIZATIONS



SOURCE: NIH REPORTER



MARKET STATS

SEATTLE BOTHELL

INVENTORY
(ALL)

6.83 M 3.17 M

INVENTORY
(INVESTOR OWNED)

3.11 M 2.17 M

VACANCY*
(DIRECT & SUBLEASE)

29.96% 26.89%

AVAILABILITY*
(DIRECT & SUBLEASE)

32.11% 21.50%

RENT

MID \$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

SUBLEASE 41.82%

BIOMED 19.10%

ALEXANDRIA 12.32%

LPC WEST 7.79%

OTHER 6.42%













ALLOY 6.39%

RMR GROUP 6.16%

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








RECENT NOTABLE LEASE TRANSACTIONS

	COMPANY	BLDG NAME	OWNER	SIZE	TYPE	DATE
	 pluristyx <small>Tomorrow's Cell Therapies, Today™</small>	201 ELLIOTT	BIOMED REALTY	6,820 SF	NEW LEASE	Q3 '23
	 PLANT HEALTH CARE	ELLIOTT BAY LABS	BEACON CAPITAL	8,252 SF	RENEWAL	Q3 '23
	 curevo <small>VACCINE</small>	PLAZA NORTH CREEK	MRM CAPITAL	13,642 SF	NEW LEASE	Q3 '23
	 SYSTIMMUNE	RIVERSIDE A	LOCAL OWNERSHIP	13,805 SF	RENEWAL	Q3 '23
	 Universal Cells	ELLIOTT BAY LABS	BEACON CAPITAL	7,504 SF	SUBLEASE	Q3 '23

UNDER CONSTRUCTION

BY OWNER



	ALEXANDRIA	32%
	TRAMMEL CROW	14.9%
	DERMODY	14.3%
	LPC WEST	10.9%
	RMR GROUP	10.4%
	HCG GROUP	8.7%
	TOUCHSTONE	8.7%

BY PROJECT

PROJECT	ADDRESS	CITY	SIZE	TIMING	OWNER	% LEASED
UNISON ELLIOTT BAY 401	401 ELLIOTT AVE W	SEATTLE	75,764 SF	Q4 '23	RMR	0%
UNISON ELLIOTT BAY 501	501 ELLIOTT AVE W	SEATTLE	112,630 SF	Q4 '23	RMR	74%
ELEVEN 50	1150 EASTLAKE AVE E	SEATTLE	311,632 SF	Q4 '23	ARE	100%
NORTHLAKE COMMONS	3800 LATONA AVE NE	SEATTLE	158,000 SF*	Q4 '23	HCG	0%
SEAGEN BIOMFG FACILITY	215 SHUKSAN WAY	EVERETT	258,000 SF	Q2 '24	DP	100%
222 FIFTH	222 5TH AVE N	SEATTLE	197,216 SF	Q3 '24	LPC	0%
CHAPTER BLDGS - BLDG 2	12TH & BROOKLYN	SEATTLE	157,944 SF	Q3 '24	TS	0%
1916 BOREN	1916 BOREN AVE	SEATTLE	268,575 SF	Q4 '24	TCC	43%
701 DEXTER	701 DEXTER AVE N	SEATTLE	266,898 SF	Q3 '25	ARE	0%
TOTAL			1,806,659 SF			

Our company

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