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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 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*	Deal Count	Quarterly Change	Annual Change
$587.65 M	**27**	**↑86%**	**↑62%**

*EXCLUDES M&A DEALS

*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*

*EXCLUDES M&A DEALS
SOURCE: PITCHBOOK

COMPANIES TO WATCH

MOONLIGHT BIO | curevo VACCINE | LUMEN BIOSCIENCE | MODULUS THERAPEUTICS | + MORE

Q3 SUMMARY

NIH FUNDING

$9.93 B
Q3 '23 US Total

$433.04 M
Q3 '23 WA TOTAL

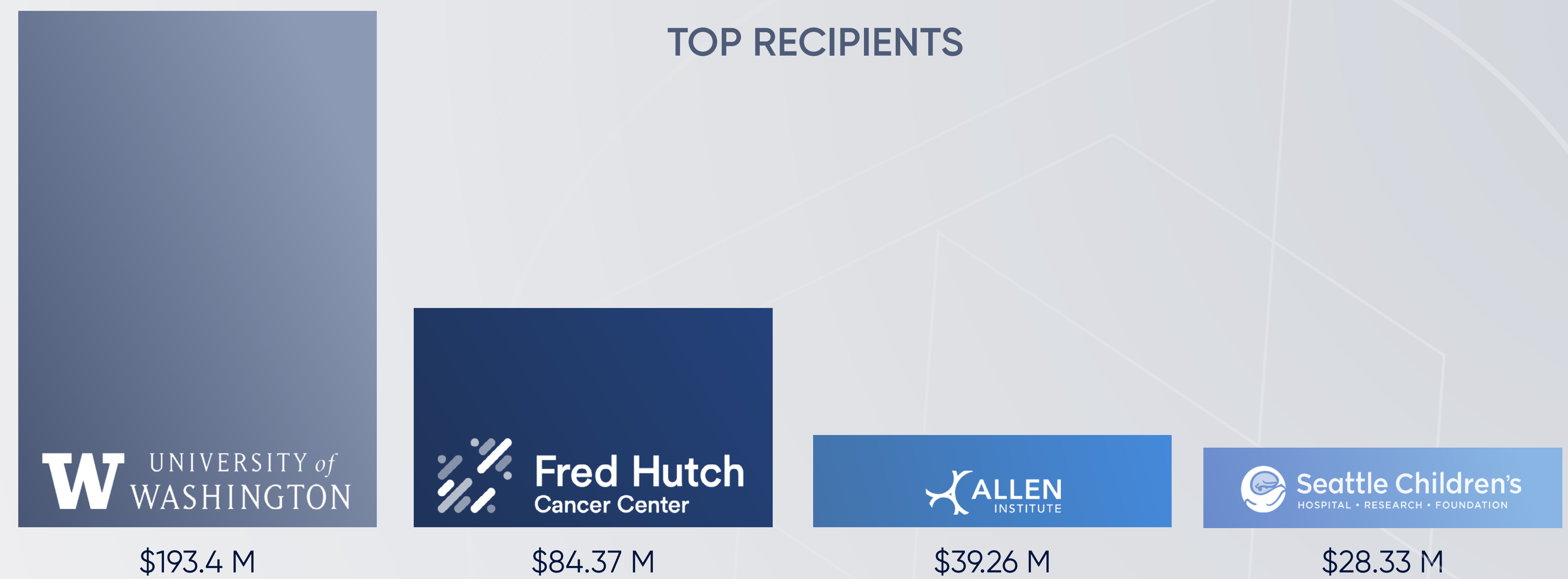
NSF FUNDING

$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

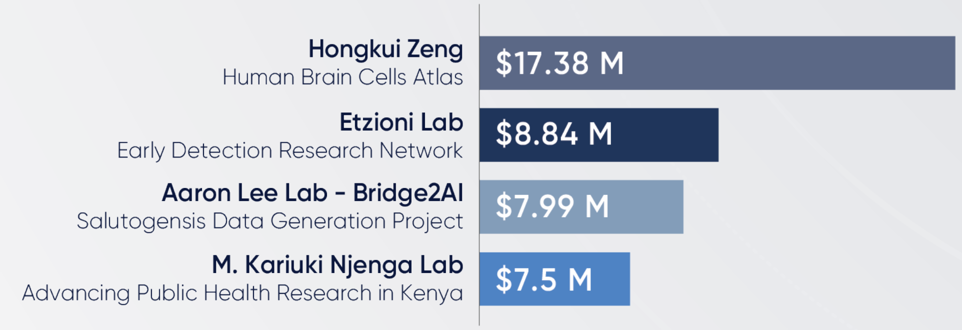
SOURCE: NIH REPORTER

TOP RECIPIENTS

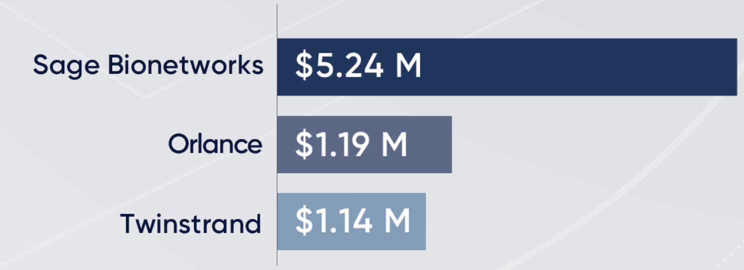


OTHERS SUCH AS WSU & BENAROYA WERE CLOSELY TRAILING

TOP PROJECT AWARDS



NOTABLE AWARDS TO PRIVATE ORGANIZATIONS



SOURCE: NIH REPORTER

HOTBEDS CAREER RESOURCES

Just - Evotec Biologics Awarded Second Contract from U.S. Department of Defense Under Accelerated Antibodies Program

Published: Jul 05, 2023

Just Evotec Biologics — U.S. Department of Defense

HOTBEDS CAREER RESOURCES

Allen Institute for Immunology partners with Lilly to better understand autoimmune disease

Published: Jul 18, 2023

Allen Institute — Lilly

HOTBEDS CAREER RESOURCES

PacBio and GeneDx Launch Research Collaboration with the University of Washington to Study Long-Read Whole Genome Sequencing for Increased Diagnostic Yield in Neonatal Care

University of Washington — PacBio — GeneDx

HOTBEDS CAREER RESOURCES

Ozette Technologies and Bloodworks Northwest Announce New Partnership to Deliver Insights Into Healthy Donor Immune Profiles to Help Advance New Therapeutics

ozette — Bloodworks Northwest

HOTBEDS CAREER RESOURCES

Otsuka collaborates with ShapeTX to develop novel AAV gene therapies for ocular diseases

Published: Sep 07, 2023

ShapeTX — Otsuka

HOTBEDS CAREER RESOURCES

Cellares and Lyell to Evaluate Automated Manufacturing of Lyell's CAR T-Cell Therapy on Cellares' Cell Shuttle Platform

Published: Sep 11, 2023

Lyell — CELLARES

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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.

For the full report, including information on:

- Available laboratory & office spac

- Market statistic

- Recent transaction

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