

FIGURES | PUGET SOUND LIFE SCIENCES | Q4 2023

Lack of funding dampens optimism



Note: Arrows indicate change from previous quarter or year.

ECONOMIC DRIVERS

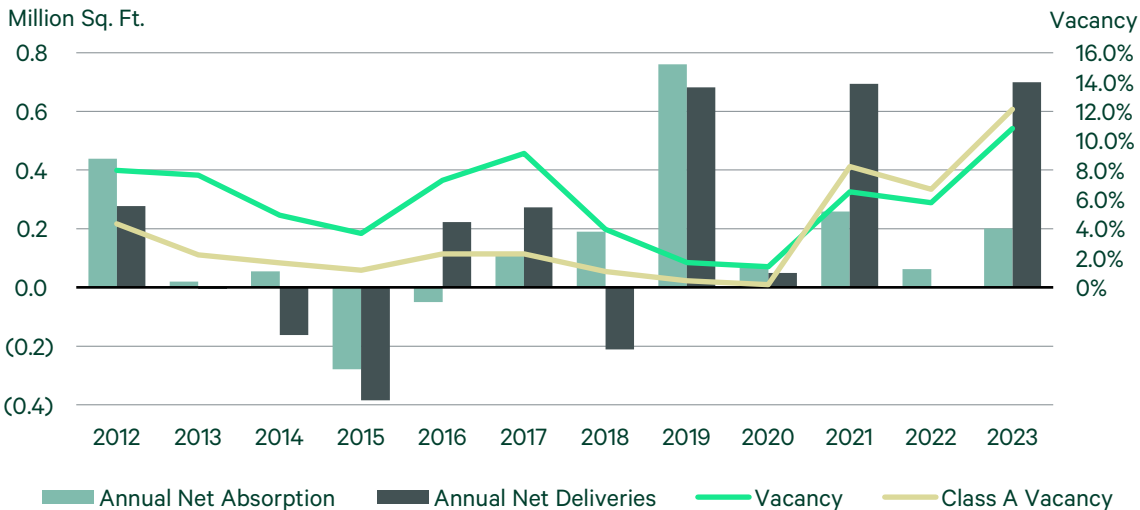
Venture capital (VC) funding, along with government funding from the National Institutes of Health, has played a significant role in the growth of the biotechnology hub in the Puget Sound region. The lack of available VC funding has had a noticeable impact on the Seattle life science community, which primarily consists of start-ups and early-stage companies.

Distributions of venture capital in the region's life sciences sector have slowed since the pandemic-induced boom from 2020 to 2022. In 2020, \$250 million was invested, followed by \$983 million in 2021 and \$835 million in 2022. In 2023, a total of \$534 million was invested, representing a 36% decrease compared to the previous year.

Despite economic challenges, CBRE [reported in October 2023](#) that life science VC funding across the country was primarily being allocated to early-stage start-ups, while there was an increase in initial public offerings for late-stage enterprises. This spending trend could indicate a higher future demand for lab and research and development space.



FIGURE 1: Vacancy vs Absorption and Deliveries



Source: CBRE Research, Q4 2023.

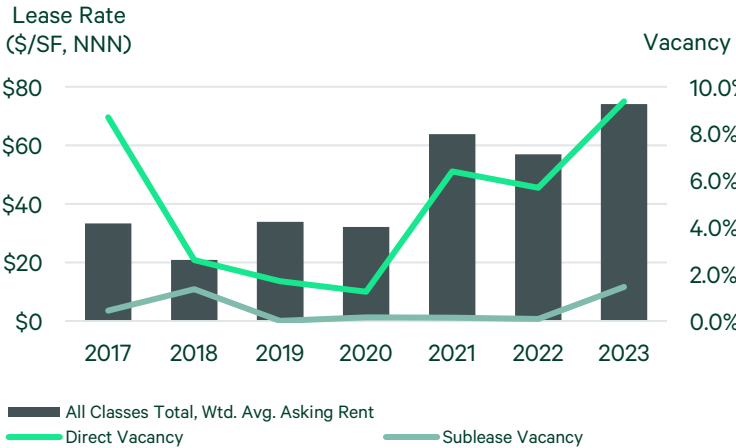
ACTIVITY

Recent deal trends show that tenants preferred lease renewals over new leases. In 2022, there was a total of over 1.1 million sq. ft. of leasing, with only 7% being renewals. In contrast, in 2023, there was 665,000 sq. ft. of leasing with nearly 500,000 sq. ft. of renewals, accounting for 75% of the activity.

Two notable leases in Q4 include Immunome leasing 30,000 sq. ft. at Alloy Innovation Center at North Creek - Building 4 and Cocrystal Pharma expanding by 6,000 sq. ft. at Northcreek Tech Center - Building 3.

Despite the high quality of Seattle's real estate, activity in the upcoming year is expected to be subdued.

FIGURE 2: Asking Lease Rate and Vacancy




Source: CBRE Research, Q4 2023.

FIGURE 3: Puget Sound Submarket Statistics


Submarkets	Net Rentable Area (SF)	Direct Vacancy (%)	Total Vacancy (%)	Total Availability (%)	Q4 2023 Net Absorption (SF)	Last Four Quarters Net Absorption (SF)	Under Construction or Renovation (SF)	Wtd. Average Asking Rent, NNN (\$/SF/Yr)	Class A Wtd. Average Asking Rent, NNN (\$/SF/Yr)
Seattle Close-In	6,478,708	11.3%	13.3%	14.1%	205,203	211,719	909,897	\$79.50	\$83.59
Investor Owned	3,185,804	23.0%	27.1%	28.7%					
User Owned	3,292,904	0.0%	0.0%	0.0%					
Bothell	2,155,378	5.3%	5.3%	5.5%	0	434	78,000	\$38.00	-
Investor Owned	1,140,674	10.1%	10.1%	10.4%					
User Owned	1,014,704	0.0%	0.0%	0.0%					
Other Eastside	236,256	0.0%	0.0%	0.0%	0	0	0	-	-
Northend	87,386	0.0%	0.0%	0.0%	0	0	272,000	-	-
Southend	30,000	0.0%	0.0%	0.0%	0	0	0	-	-
Tacoma	20,008	0.0%	0.0%	0.0%	0	0	0	-	-
Puget Sound	9,007,736	9.4%	10.9%	11.5%	205,203	212,153	1,259,897	\$74.78	\$83.59

Source: CBRE Research, Q4 2023.


FIGURE 4: Puget Sound Notable Projects Under Construction




Northlake Commons
Developer: HessCallahanGrey Group, Spear Street Capital
Lab Space: 73,660 SF
Pre-Leased: 0%
Estimated Delivery: Q1 2024




Chapter II Building
Developer: Touchstone, Portman Holdings
Lab Space: 157,944 SF
Pre-Leased: 0%
Estimated Delivery: Q2 2024



222 Fifth
Developer: LPC West, Intercontinental Real Estate Corp.
Lab Space: 197,000 SF
Pre-Leased: 0%
Estimated Delivery: Q3 2024



1916 Boren
Developer: Trammell Crow
Lab Space: 282,716 SF
Pre-Leased: 46%
Estimated Delivery: Q4 2024



701 Dexter
Developer: Alexandria Real Estate Equities
Lab Space: 227,000 SF
Pre-Leased: 0%
Estimated Delivery: Q3 2025

Source: CBRE Research, Q4 2023.

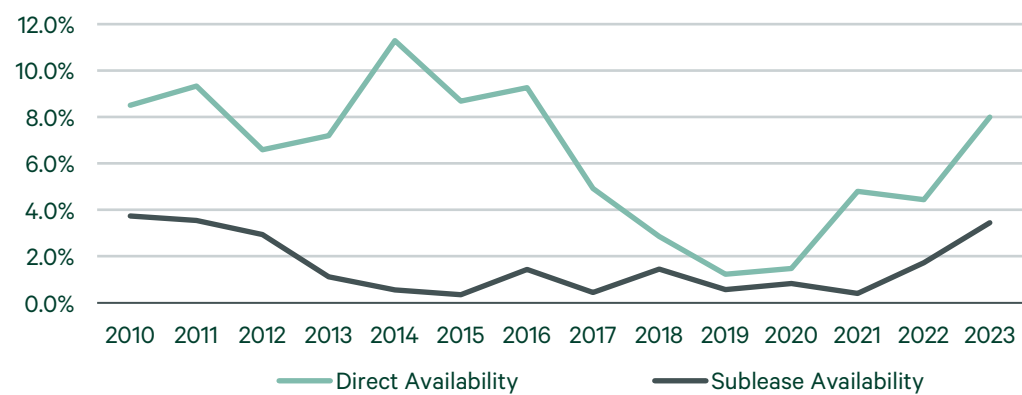
DEVELOPMENT

In 2023, the supply of first-generation properties in the Seattle Close-In market increased by 710,000 sq. ft., with 501,627 sq. ft. of that added in Q4. The introduction of new space resulted in a rise in vacancy to 27.1% for investor-owned buildings, compared to 14.7% the previous year. When including owner-occupied space, the vacancy rate decreased to 13.3%. This figure, however, still remains high in relation to historical standards.

In the fourth quarter, three new buildings were completed. The largest was Eleven50 Eastlake, a 311,552 sq. ft. project developed by Alexandria Real Estate Equities, that was fully leased upon delivery. Tenants that have relocated to this project include Umoja Biopharma, Cajal Neuroscience, Notch Therapeutics, Variant Bio, AltPep Corporation, and Bonum Therapeutics. Additionally, Unison delivered two renovated office buildings totaling 190,075 sq. ft. at 401 and 501 Elliott Ave W, of which Sonoma Biotherapeutics leased 44%.

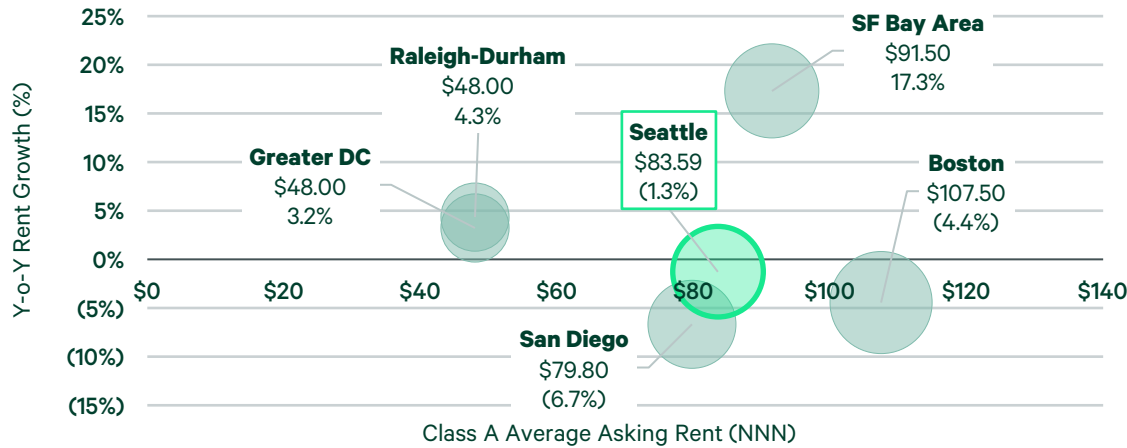
The pace of construction is expected to continue throughout 2024 and 2025. Of the 1.2 million sq. ft. currently under construction, 900,000 sq. ft. is located in the Seattle Close-In market, with only 14% of it being pre-leased.

FIGURE 5: Puget Sound Availability



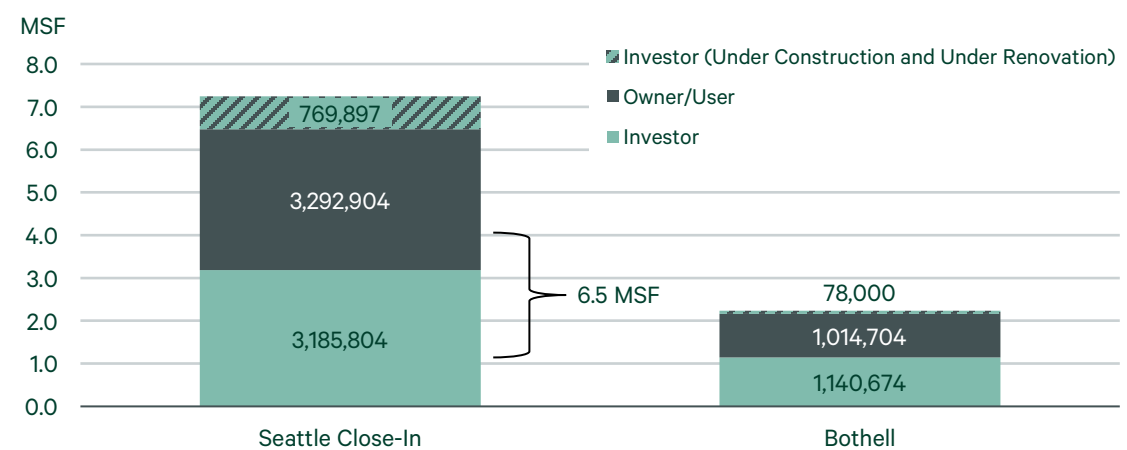
Source: CBRE Research, Q4 2023.

FIGURE 6: Market Comparison of Asking Rent and Year-over-Year Rent Growth



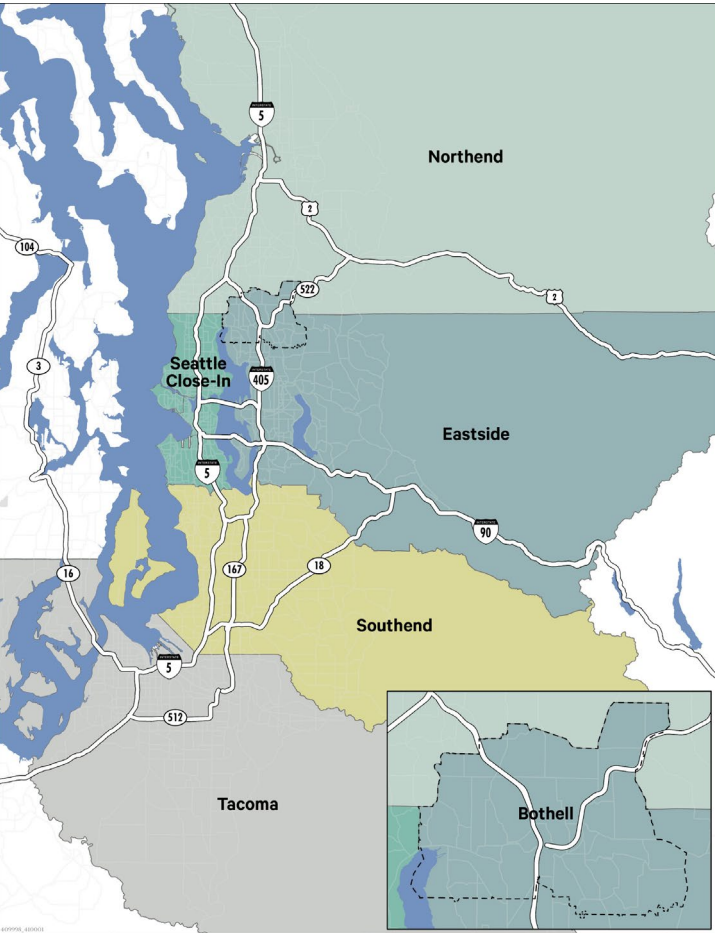
Source: U.S. Life Sciences Figures, CBRE Research, Q4 2022 and Q4 2023.

FIGURE 7: Inventory by Ownership Type



Source: CBRE Research, Q4 2023.

Market Area Overview



Definitions

- Net Absorption:** The change in occupied square feet from one period to the next with occupancy recognized at the move-in date or delivery of new construction, not lease signing date.
- Vacancy:** Space that is physically vacant where a move-out has occurred or first-generation space in an existing building.
- Available:** Space that is marketed that may or may not be vacant, in an existing building.
- Triple Net Rent:** Tenant pays real estate taxes, insurance, and maintenance expenses (operating expenses) separately from the base rent.
- Average Asking Rent Rate:** A calculated average of the asking rent, adjusting full service or triple net rents by the operating expenses in order to be equivalent, weighted by the available square footage.

Survey Criteria

Survey includes competitive life science buildings over 10,000 sq. ft. utilized for research of life sciences or lab manufacturing.

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