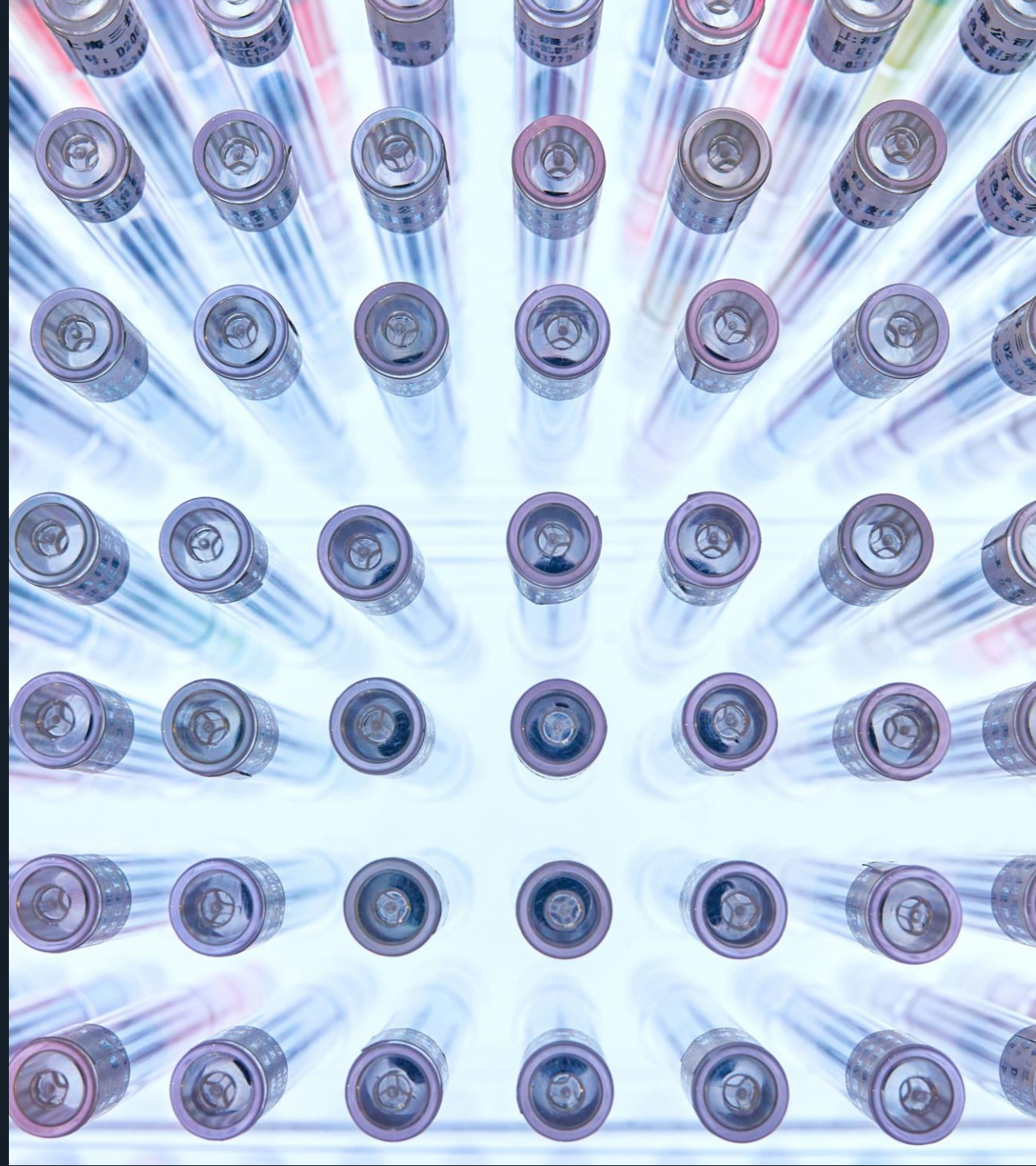


Puget Sound Lab Overview

Q4 2023



Agenda

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Why Seattle?

Demographics



Household income for Seattle is **\$106,000**
(Seattle MSA median HH income)



4.1M Seattle metro population



\$2,202 Average rent in Seattle



38.7
The median age in Seattle (*Seattle MSA*)



Washington ranks

- #2** in country by concentration of software specialists
- #7** best cities for Gen Z to live

Seattle ranks



The fastest growing big city in 2022

Talent pool



The Seattle MSA ranks #9 by innovation talent concentration among major global markets



Seattle holds 3.2% of the nation's tech talent, the 4th largest of any metro and tied with San Francisco



67% of Seattle residents hold a bachelors degree or higher



Washington ranks

University of Washington was ranked #1 in the country in the annual ranking of primary care programs

Seattle ranks

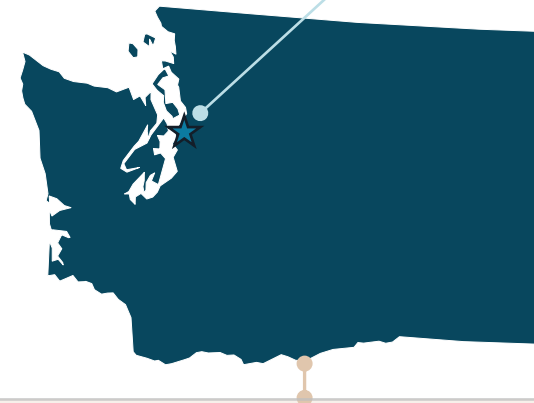
#5 Healthiest city in America



At \$422B in annual GDP, the Seattle area economy ranks 9th among major metros



The Puget Sound base of life science companies headquartered in the region has grown 59.6% since 2010



The Greater Seattle area is home to 10 Fortune 500 companies



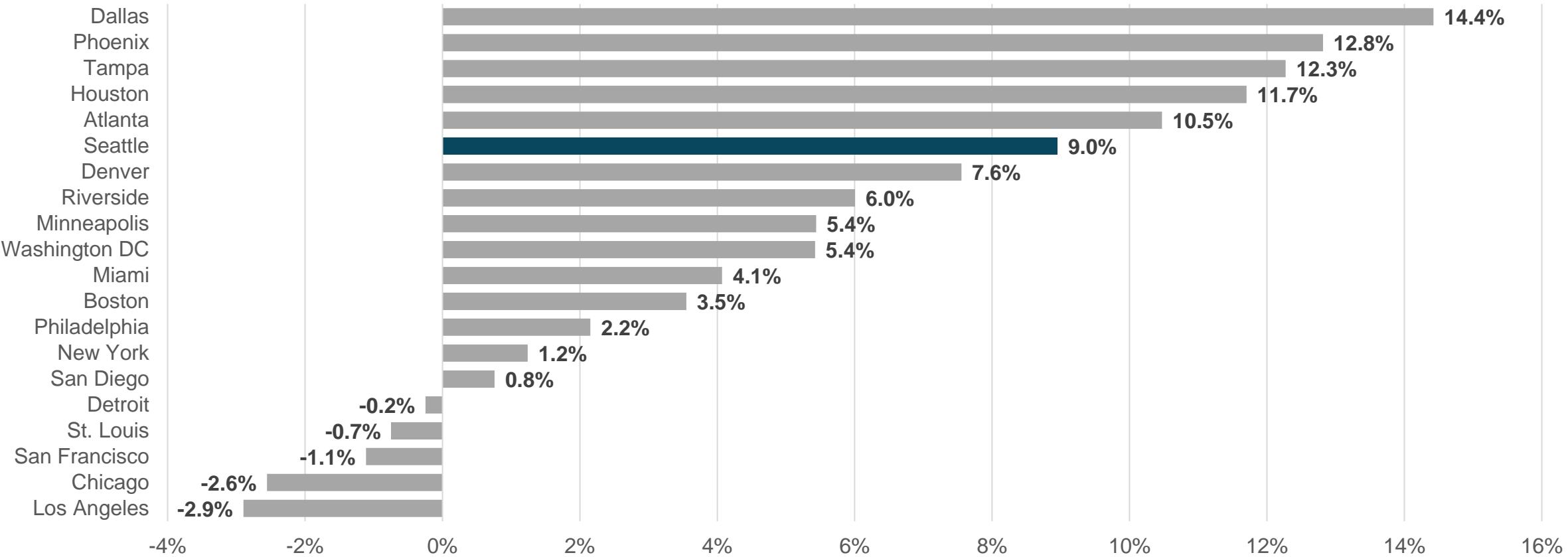
Washington has no state income tax

Source: JLL Research, Oxford Economics Esri, U.S. Census Bureau Commercial Cafe, Niche

Demographic Overview

As sunbelt population growth accelerated, Seattle remained a top market and leads the West Coast, maintaining the mid-2010s growth

2015 to 2023 Population Growth (%)

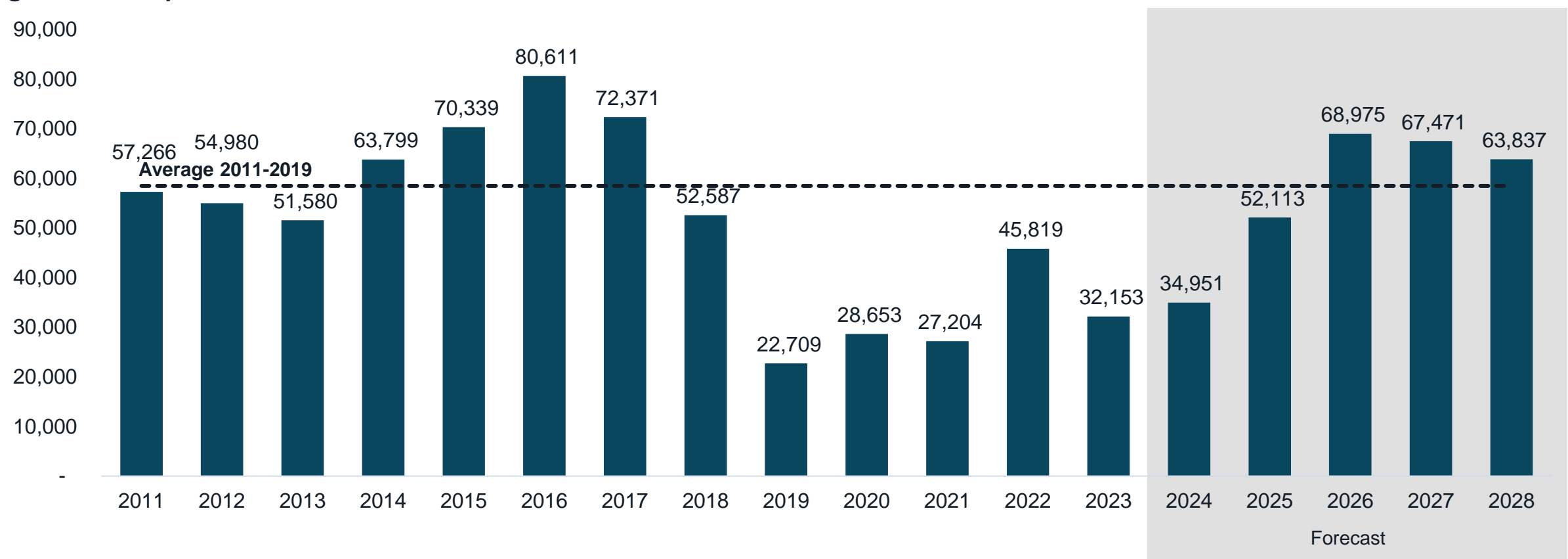


Source: U.S. Census Bureau



Puget Sound population growth closed 2023 with the second highest growth since 2019

Puget Sound Population Growth

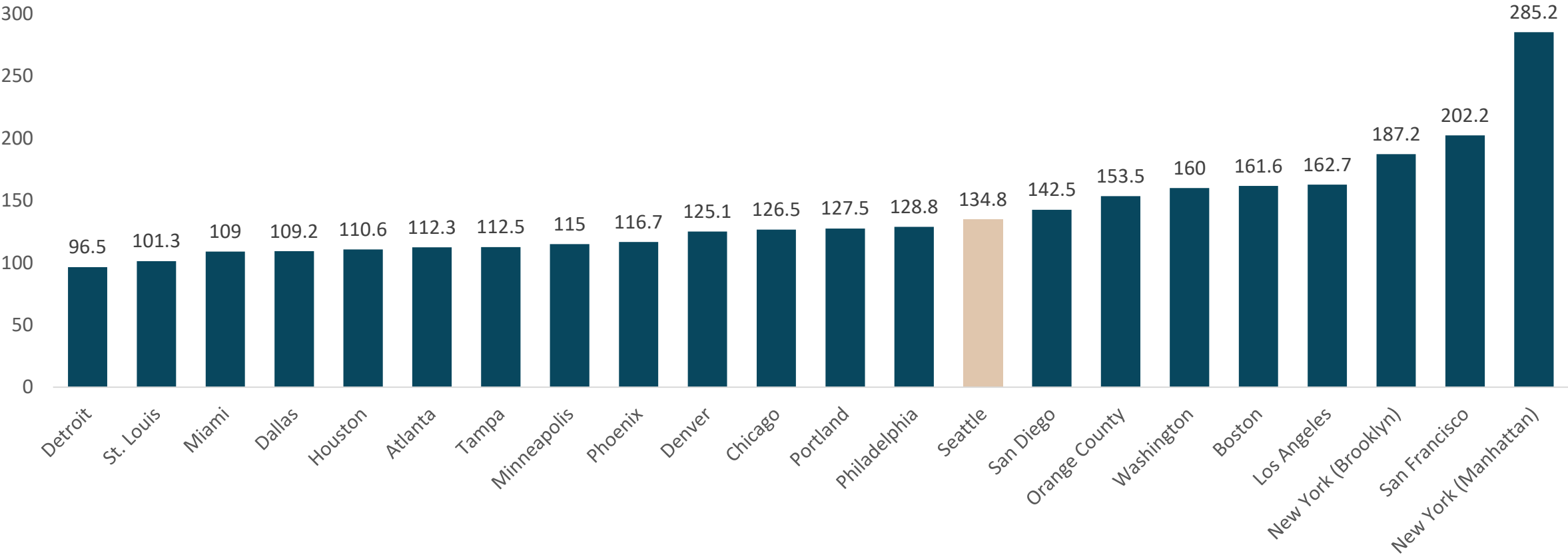


Source: Puget Sound Economic Forecaster



While Seattle area cost of living increased over the past 10 years, it remains more affordable than many major lab markets

Cost of Living Index
US Average = 100



Source: ESRI

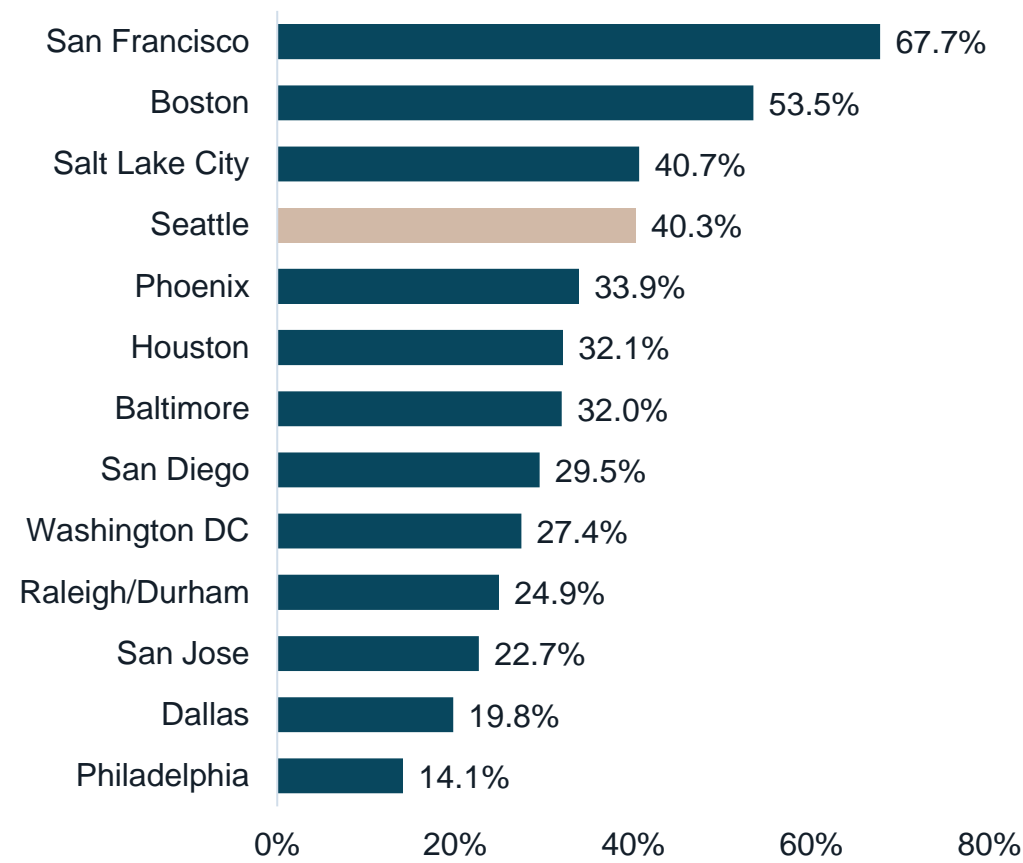


Employment

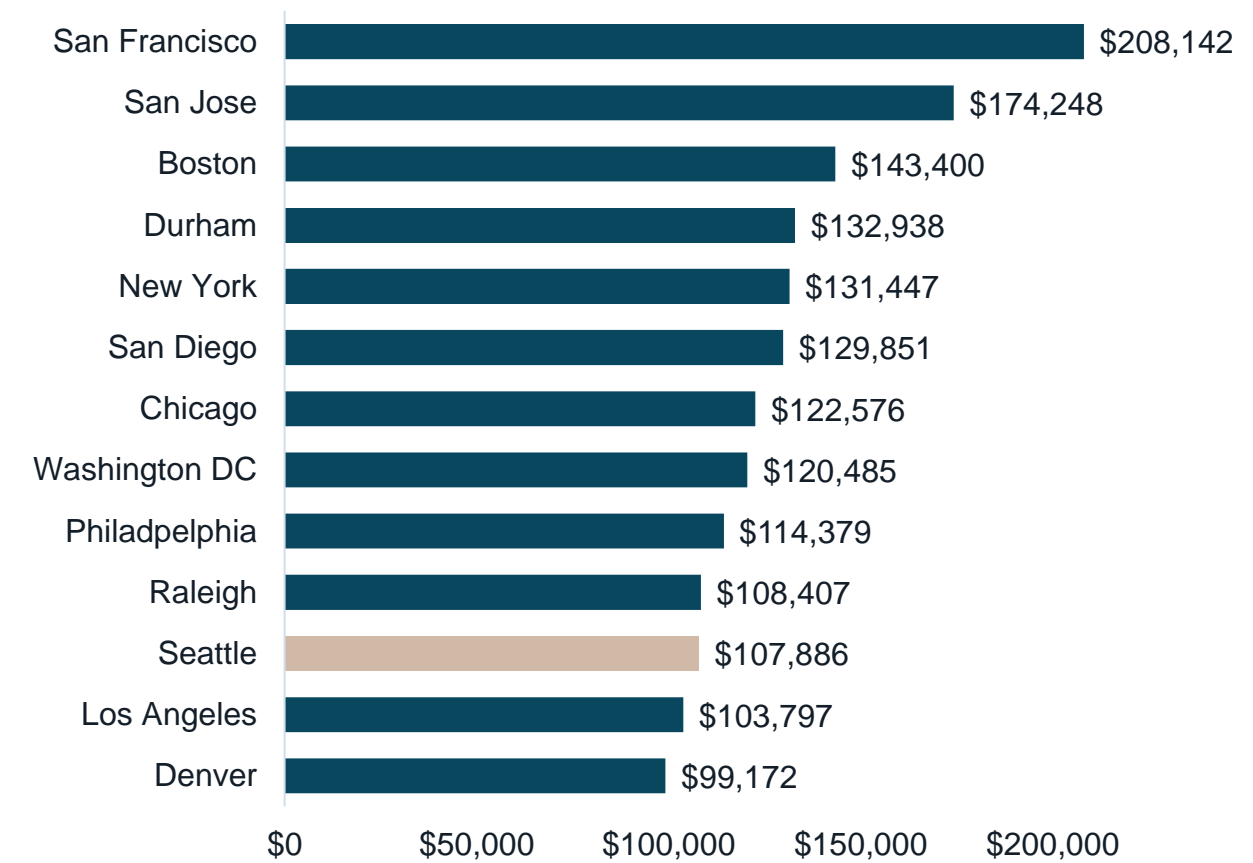


The Puget Sound life science workforce ranks among the fastest growing and most affordable

Life Science Employment Growth
2015-2023



Average Life Science Salaries
2022

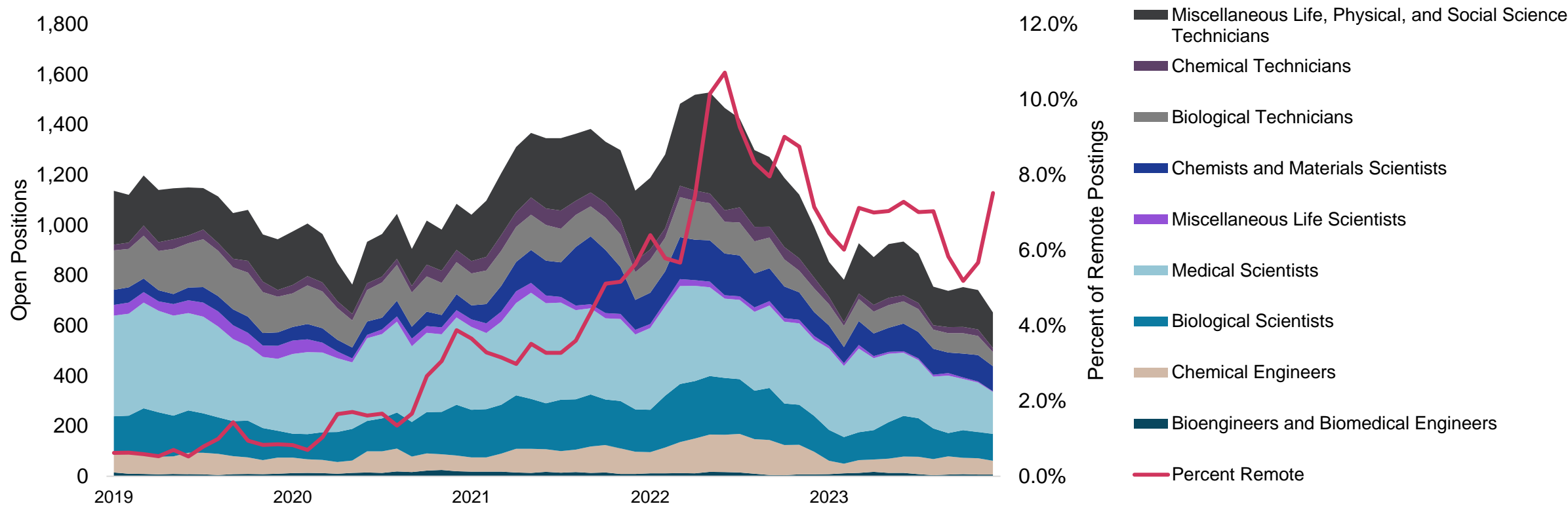


Source: U.S. Census Bureau



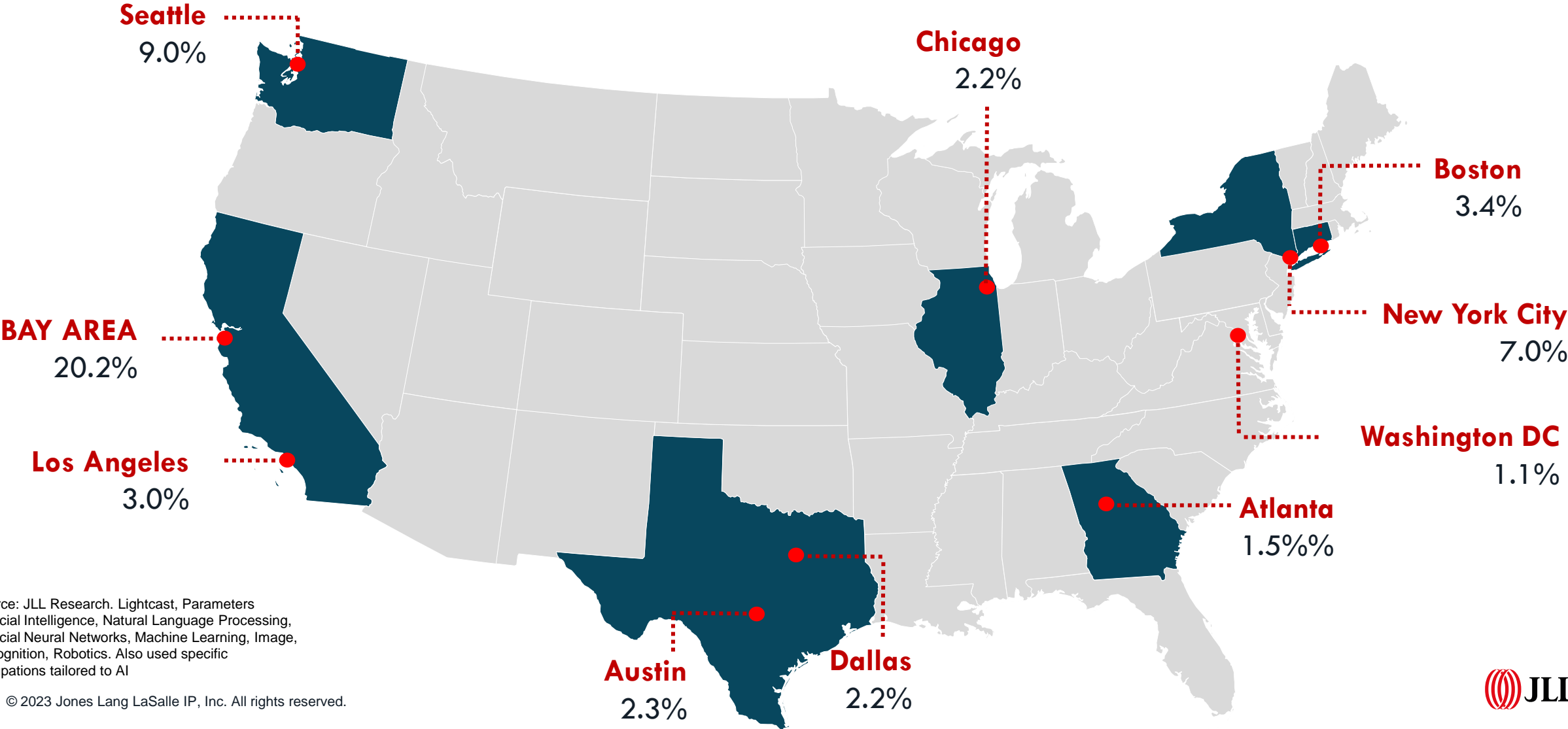
Open positions continued to fall as remote postings rallied amidst a continued capital crunch

Open Life Science Positions



Source: Lightcast

Seattle's established AI talent base stands to accelerate life science innovation as the two grow increasingly intertwined

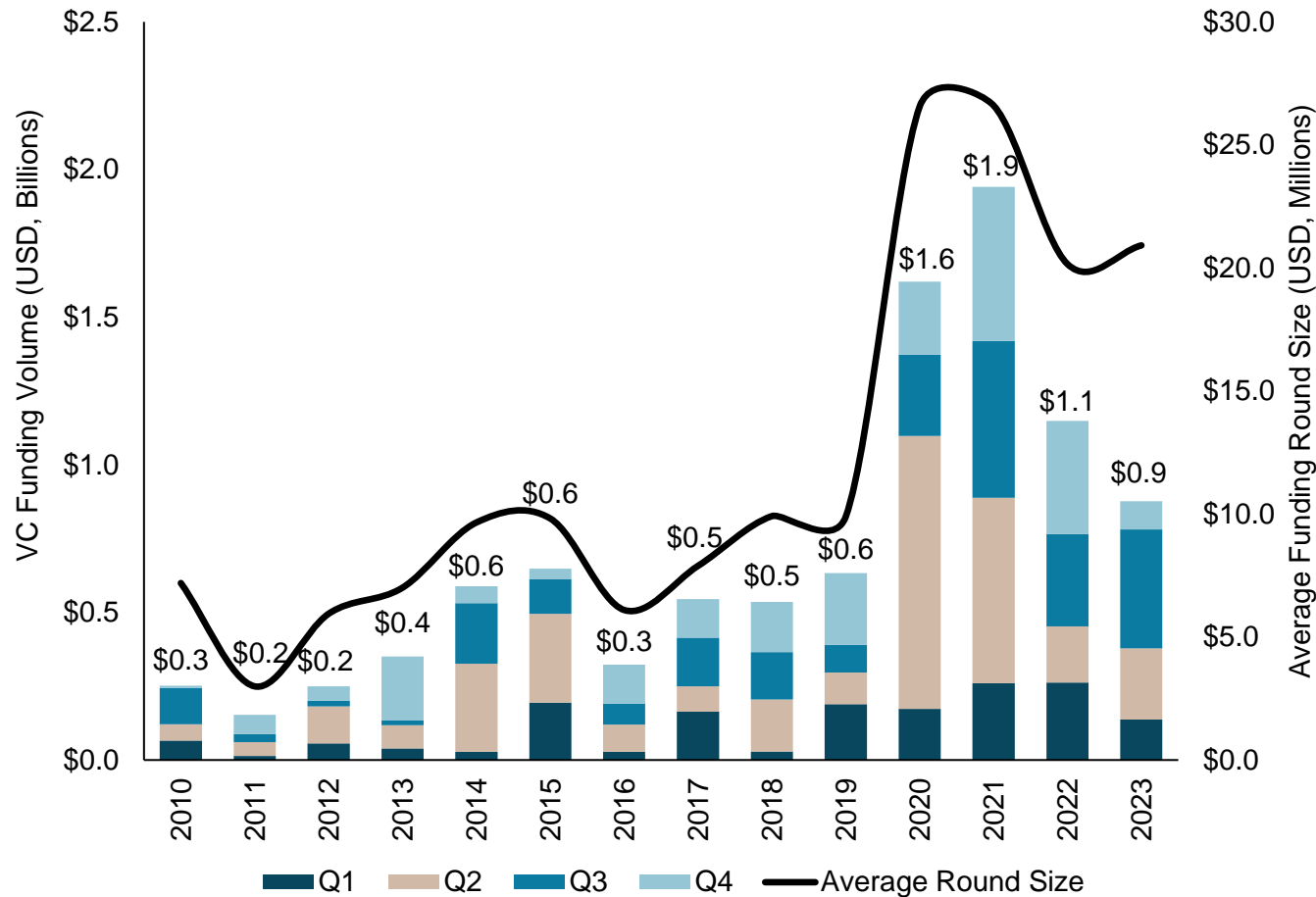


Source: JLL Research. Lightcast, Parameters Artificial Intelligence, Natural Language Processing, Artificial Neural Networks, Machine Learning, Image, Recognition, Robotics. Also used specific occupations tailored to AI

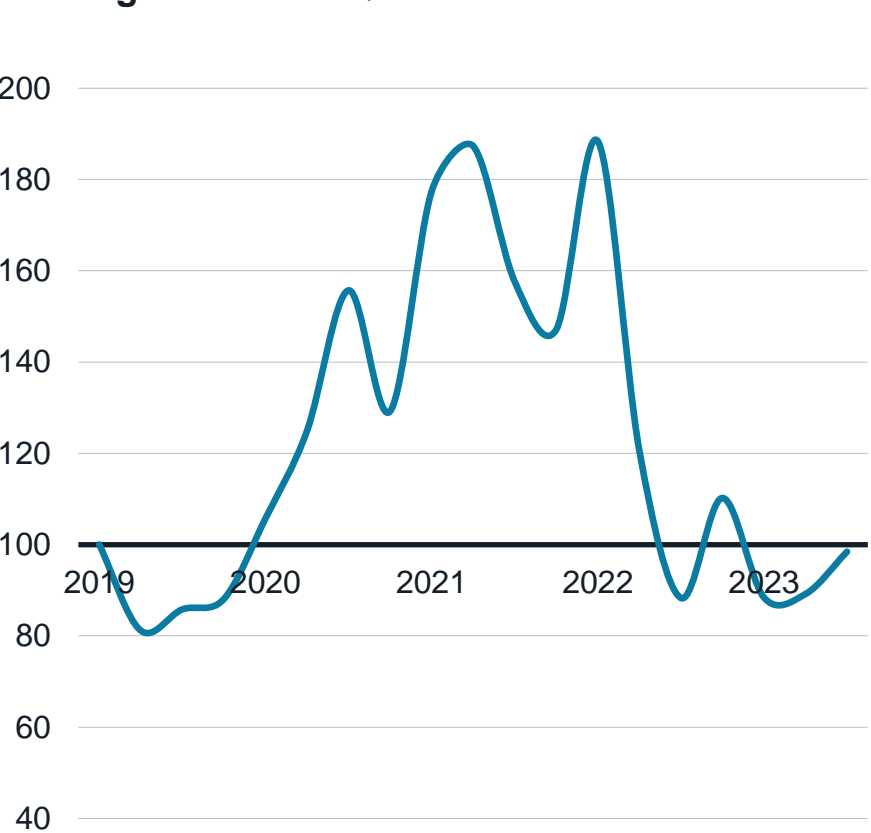
Funding Overview

VC funding rebounded through H2, surpassing pre-2020 years while the broader U.S. inched towards 2019 levels

Puget Sound Life Science Venture Capital Funding



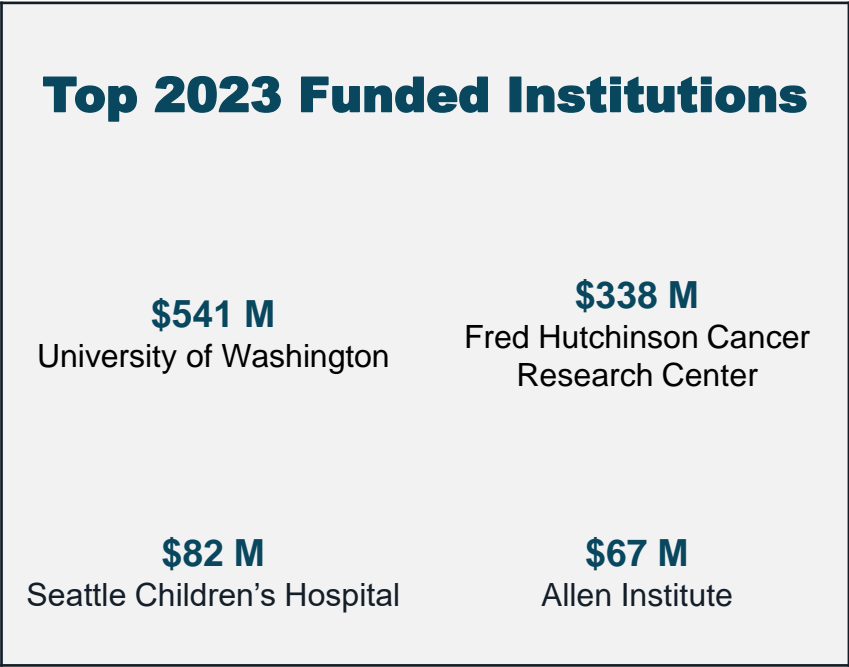
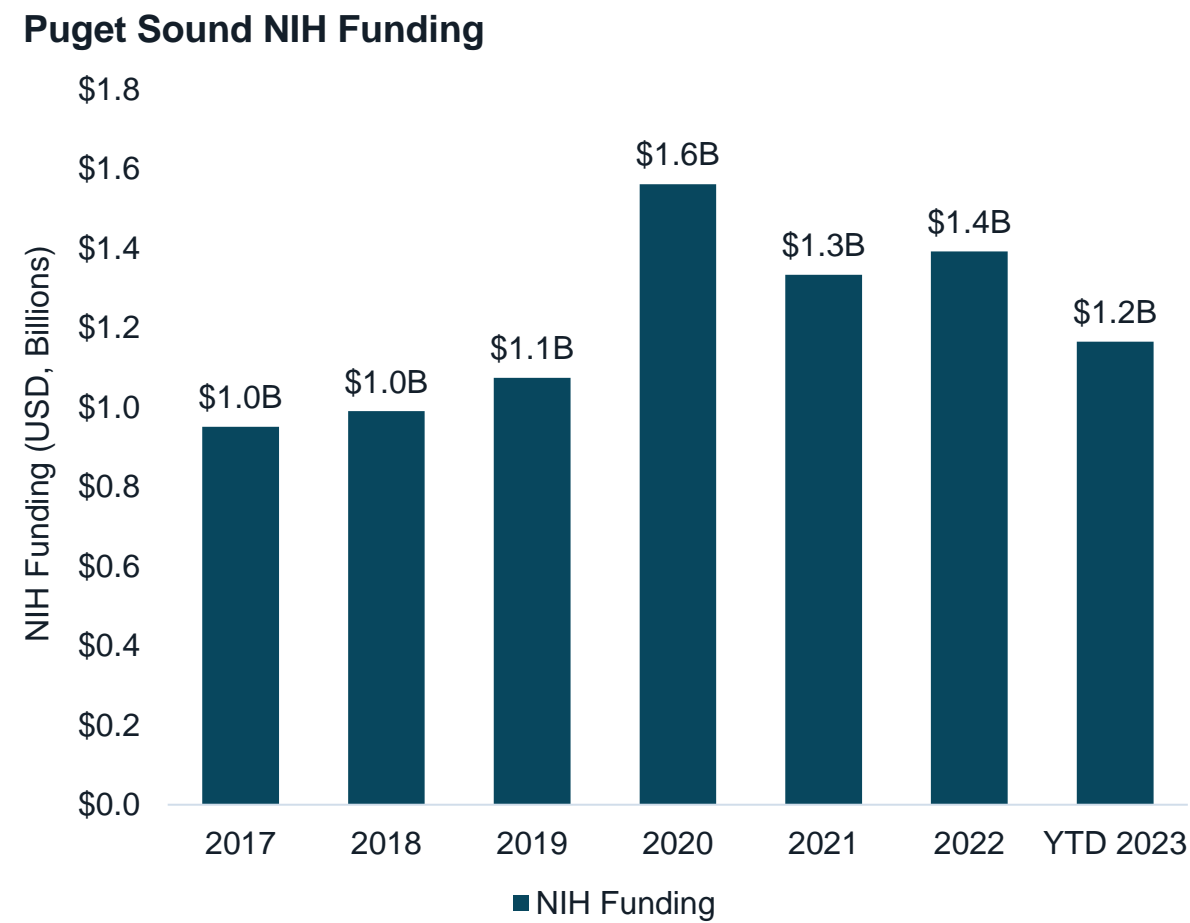
National biotech and pharma venture capital funding indexed to Q1 2019



Source: Crunchbase



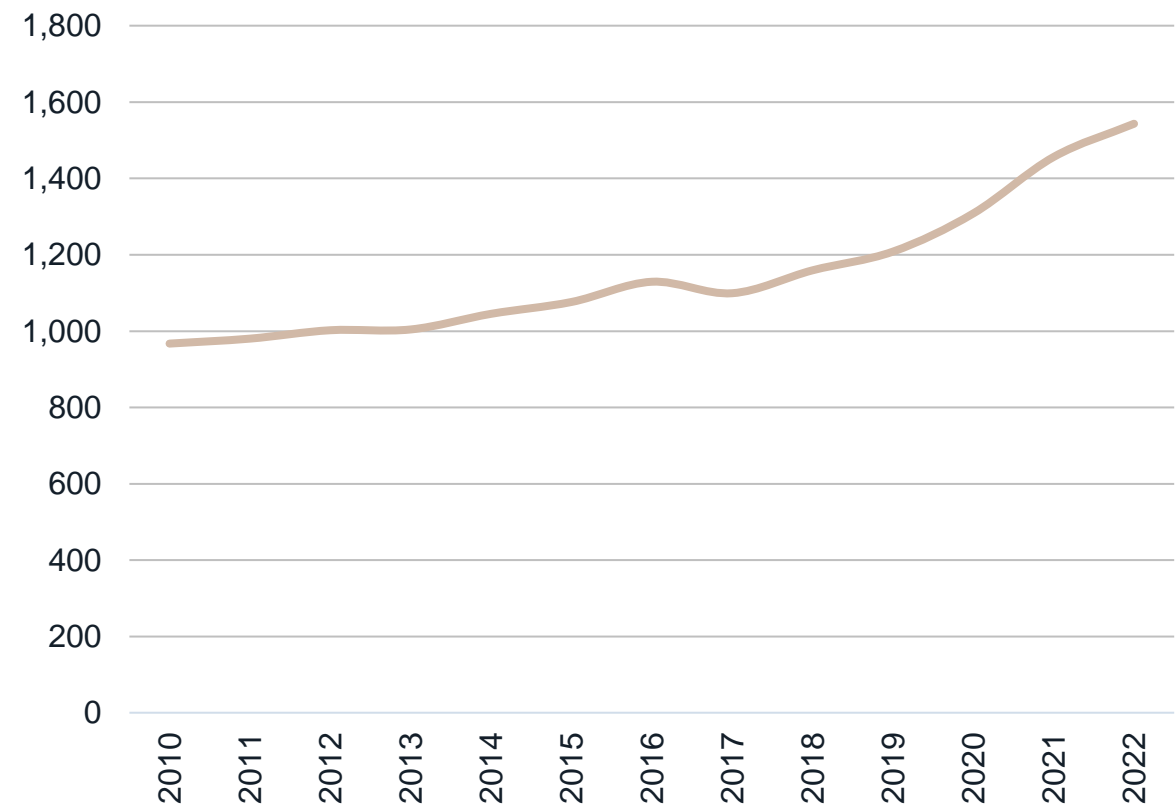
Puget Sound NIH funding again surpassed \$1B in 2023 as UW and Fred Hutch accounted for 75.5% of dollars received in the region



Source: U.S. Department of Health and Human Services

New life science company formations steadily increased since 2010, up 59.6%

Seattle MSA Life Science Establishments



Source: JLL Research

Tenant	Year Founded	Funding Received	Leased s.f.
Cajal Neurosciences	2020	\$96 million	52,180
Umoja Biopharma	2019	\$263 million	99,271
AltPep	2018	\$68 million	31,270
Variant Bio	2018	\$130 million	31,270
Notch Therapeutics	2018	\$86 million	31,270

Of the top 10 largest 2023 life science acquisitions in the U.S., Puget Sound companies accounted for 3

ACQUIRER	COMPANY ACQUIRED	DATE OF DEAL	TOTAL CONSIDERATION ▼	PRICE PER SHARE	PREMIUM*
➤ Pfizer	Seagen	3/13/23	\$43,000M	\$229.00	33%
➤ Merck & Co.	Prometheus Biosciences	4/16/23	\$10,800M	\$200.00	75%
➤ Biogen	Reata Pharmaceuticals	7/28/23	\$7,300M	\$172.50	59%
➤ Astellas Pharma	Iveric Bio	4/30/23	\$5,900M	\$40.00	22%
➤ Bristol Myers Squibb	Mirati Therapeutics	10/8/23	\$4,800M	\$58.00	-4%
➤ Novartis	Chinook Therapeutics	6/12/23	\$3,200M	\$40.00	67%
➤ Sanofi	Provention Bio	3/13/23	\$2,900M	\$25.00	273%
➤ Eli Lilly	Dice Therapeutics	6/20/23	\$2,400M	\$48.00	42%
➤ GSK	Bellus Health	4/18/23	\$2,000M	\$14.75	103%
➤ Sobi	CTI Biopharma	5/10/23	\$1,700M	\$9.10	89%

Source: BioPharma as of 10/20/23

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Lab Market Overview



Puget Sound by the numbers

The Puget Sound lab market softened through 2023 as lingering capital constraints undercut activity and flattened the market's near-term growth trajectory. But despite minimal leases closing, inertia built for future growth. VC funding closed the year at \$876M, surpassing all pre-2020 years as early venture dollars fed into the newest cohort of life science startups. And as young companies continued to attract funding, the region's stalwart research institutions again surpassed \$1.2B in NIH funding.

While the lab market will remain in stasis as long as capital constraints are in place, long-term demand drivers continued to strengthen. As the market heats back up, the Puget Sound's unique blend of expanding, top-tier life science and technology workforces will place it on the cutting edge as the lines continue to blur between the two industries.

4.8M

Leasable Inventory



2.5M

Owner-User Inventory



1.1M

Total Existing Availability
(22.5%)



119K

Total 2023 Absorption



380K

YTD Leasing Activity
(-41.9% YoY)



\$71.59

Direct Asking Rents
(-4.1% YoY)



Puget Sound Lab

Q4 2023 Stats

	<u>Seattle</u>	<u>Eastside/Northend</u>
Total leasable inventory	3.7 million s.f.	1.1 million s.f.
Under development	1.1 million s.f.	270,000 s.f.
Average asking rates (NNN)	\$77.99	\$27.37
Average OpEx	\$25.00	\$12.00
Total vacancy	17.2%	24.1%
Total existing availability	21.9%	24.6%

Source: JLL Research



Top Market Movers

Top Lease Transactions					
Company	Address or Property	Submarket	Size (s.f.)	Date signed	Type
Bristol-Myers Squibb Company	400 Dexter Ave N	Lake Union	241,750	3/1/2023	Renewal
Seagen	21823 30th Dr SE	Bothell	63,900	8/8/2023	Renewal
Bonum Therapeutics, Inc.	1150 Eastlake Ave E	Lake Union	31,270	6/23/2023	New Lease
Immunome	18804 N Creek Pkwy	Bothell	23,346	10/18/2023	New Lease

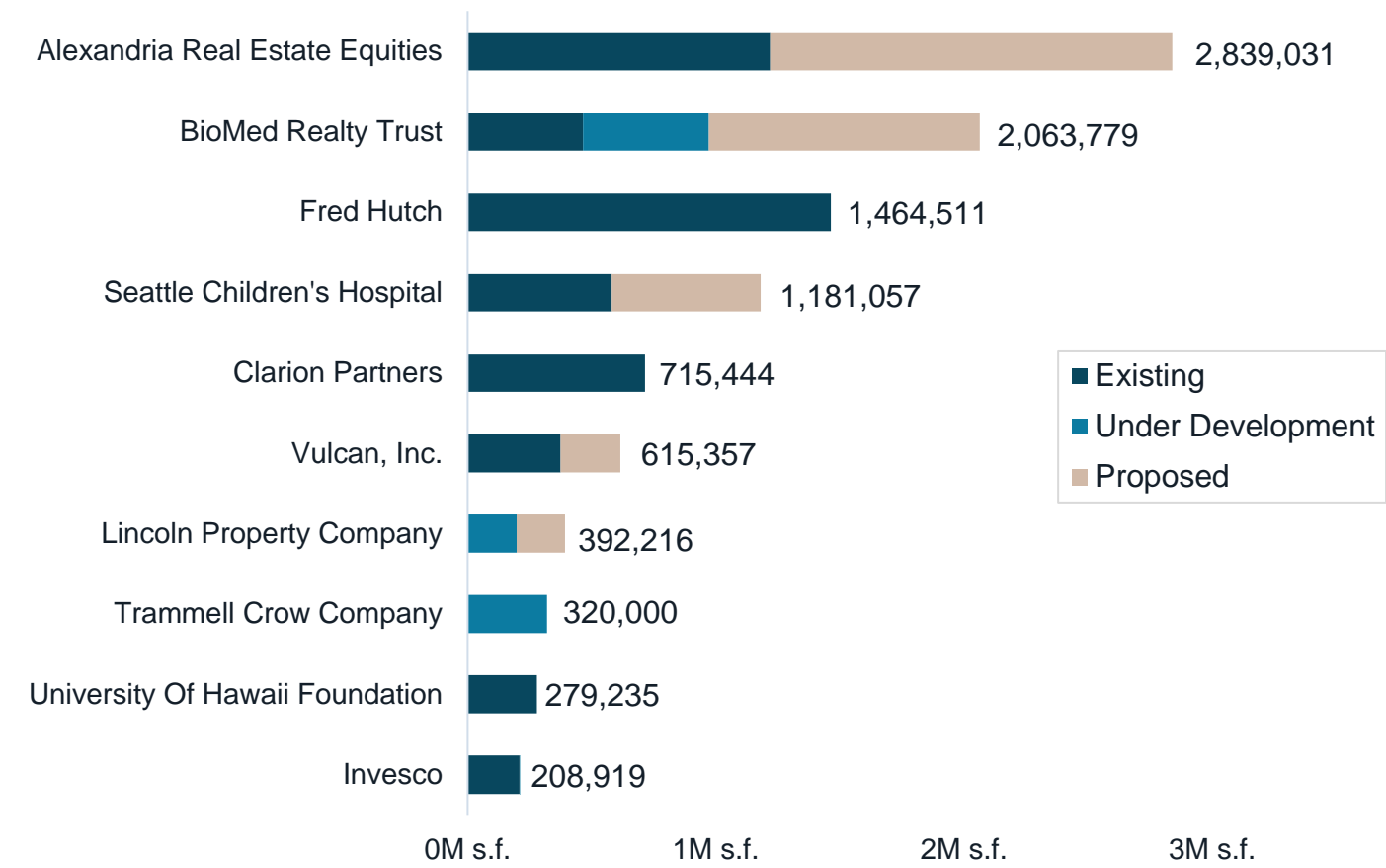
New Developments						
Building Name	Submarket	Size (s.f.)	Availability (s.f.)	Owner	Broke Ground	Completion
1916 Boren	Lake Union	320,298	158,034	Trammell Crow Company	Q4 2022	Q4 2024
SeaGen Biomanufacturing Facility	Everett	270,000	0	Dermody Properties	Q2 2022	Q2 2024
222 Fifth	Queen Anne/Interbay	197,216	190,755	Lincoln Property Company	Q2 2022	Q3 2024
Chapter II	Ballard/U District	155,200	155,200	Touchstone, Portman Holdings	Q4 2022	Q2 2024

Top Sales Transactions						
Date	Buyer	Seller	Address	Price	Size (s.f.)	
1/31/2022	LSMD Fund REIT	Diversified Healthcare Trust	21823 30 th Dr SE, Bothell	\$16M	63,900	

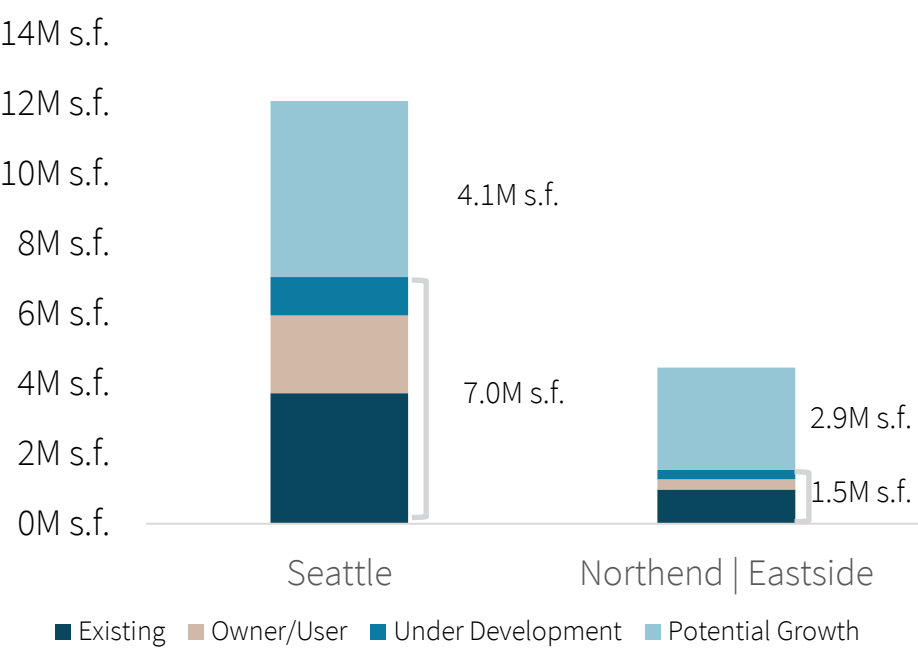
Source: JLL Research

Momentum behind conversions slowed considerably as leasing dwindled

Top Owners

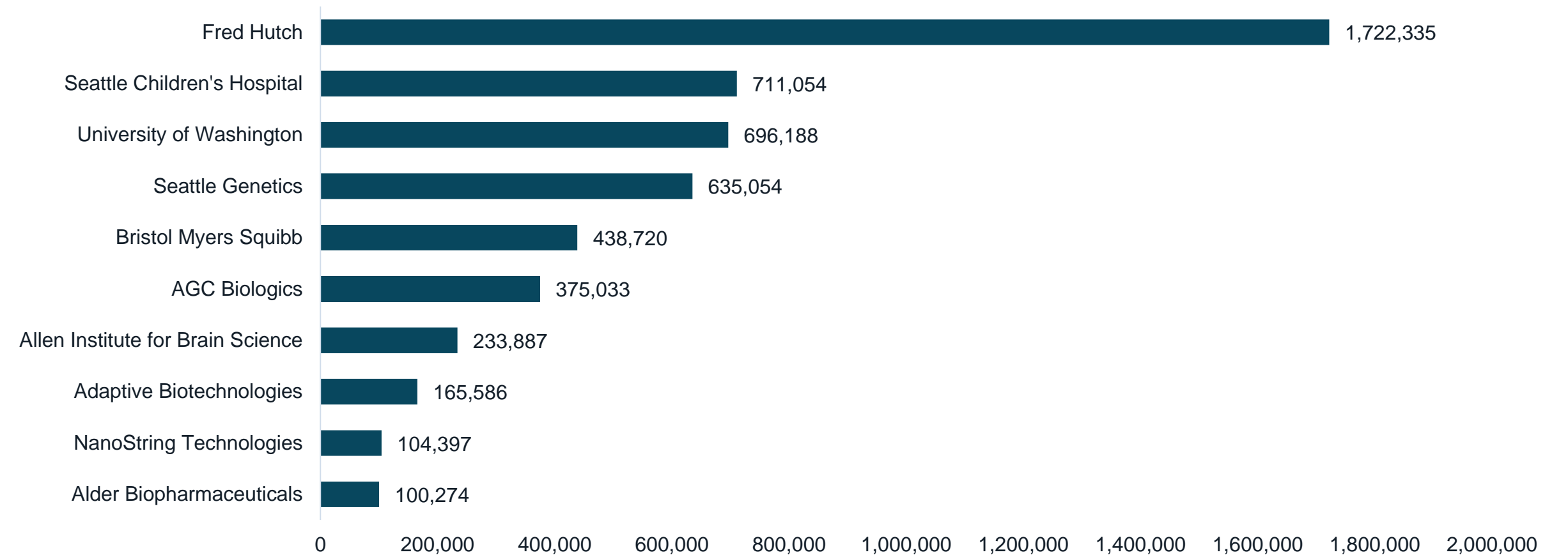


Lab Inventory



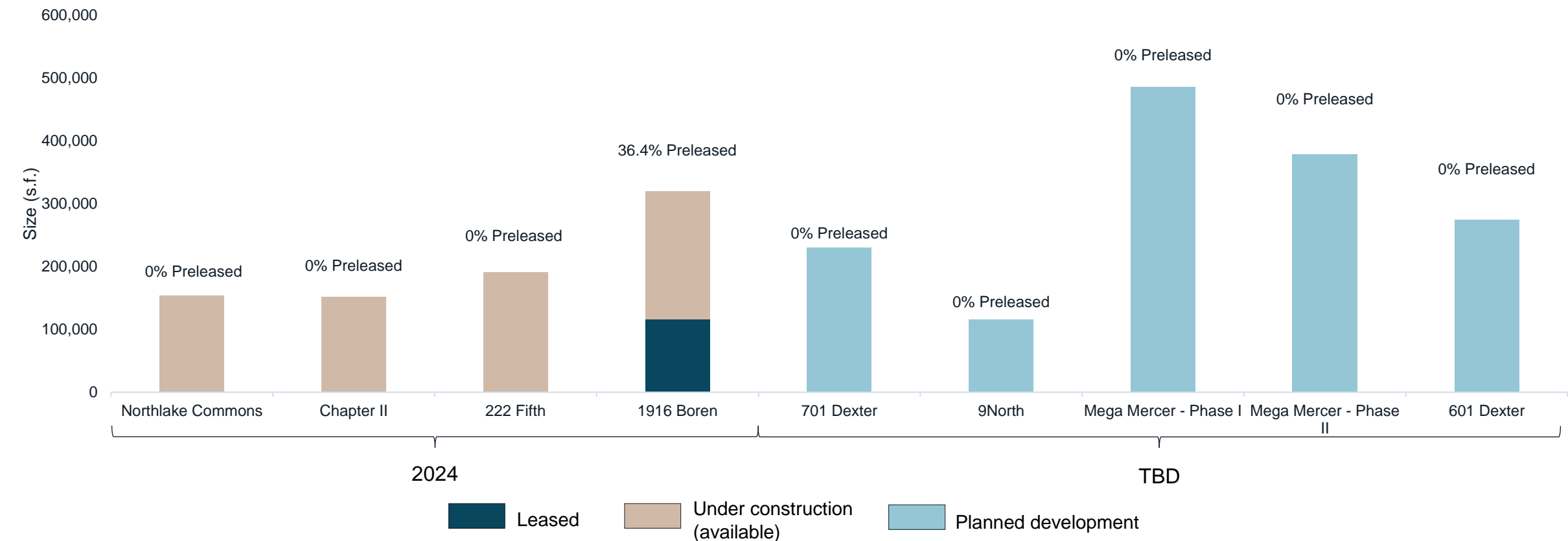
The region's foundational institutions are far and away the largest occupiers, with the top three holding 48.1% of all lab space

Top Occupiers



All active developments are scheduled to deliver by year-end 2024 and no new ground breakings are expected in that time

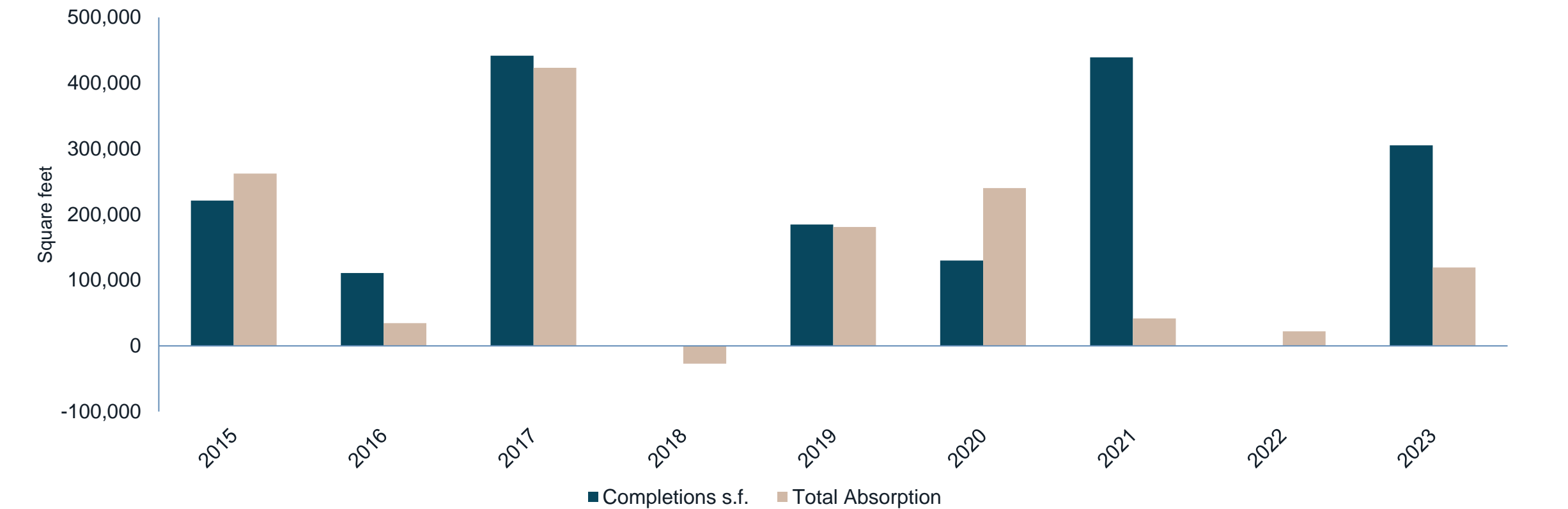
Downtown Seattle development Pipeline



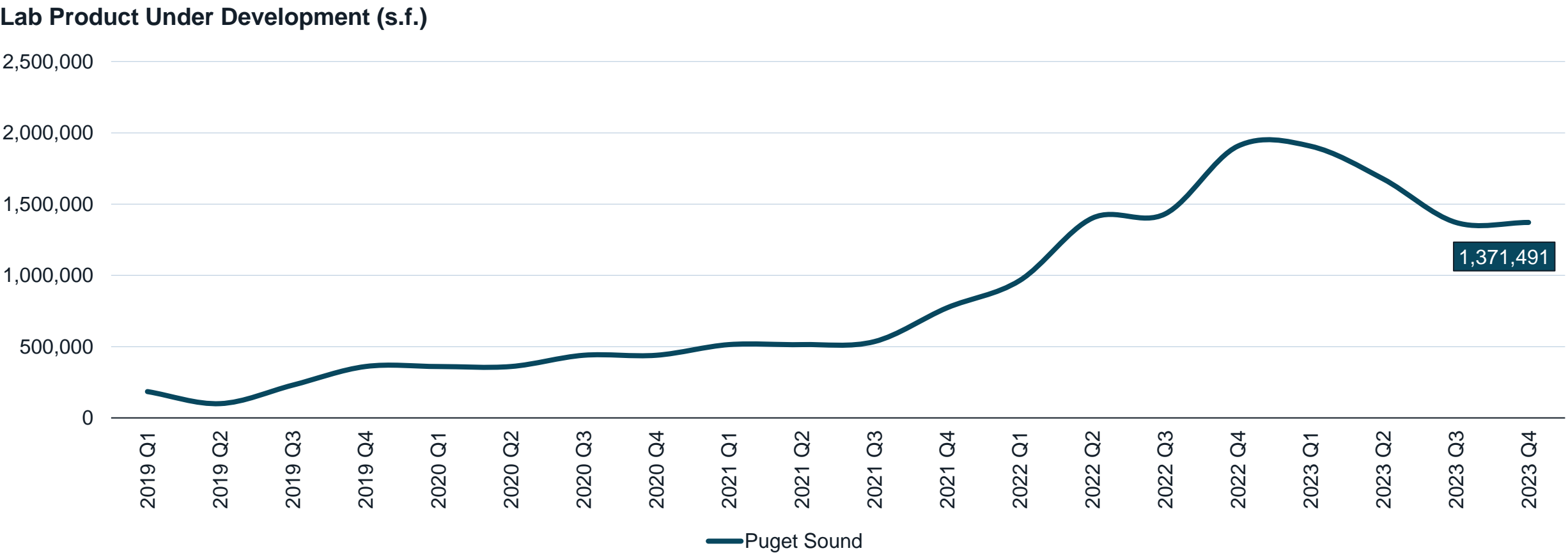
Following several Q3 move-ins at Eleven50, occupancy gains slowed at year-end

Leasing activity was limited in Q4 as Immunome’s 23K s.f. new lease at North Creek Parkway Center was the most notable of the quarter

Supply & Demand



While development remained elevated in Q4 by historical standards, it will fall quickly as 854K s.f. is expected to deliver in H1 2024

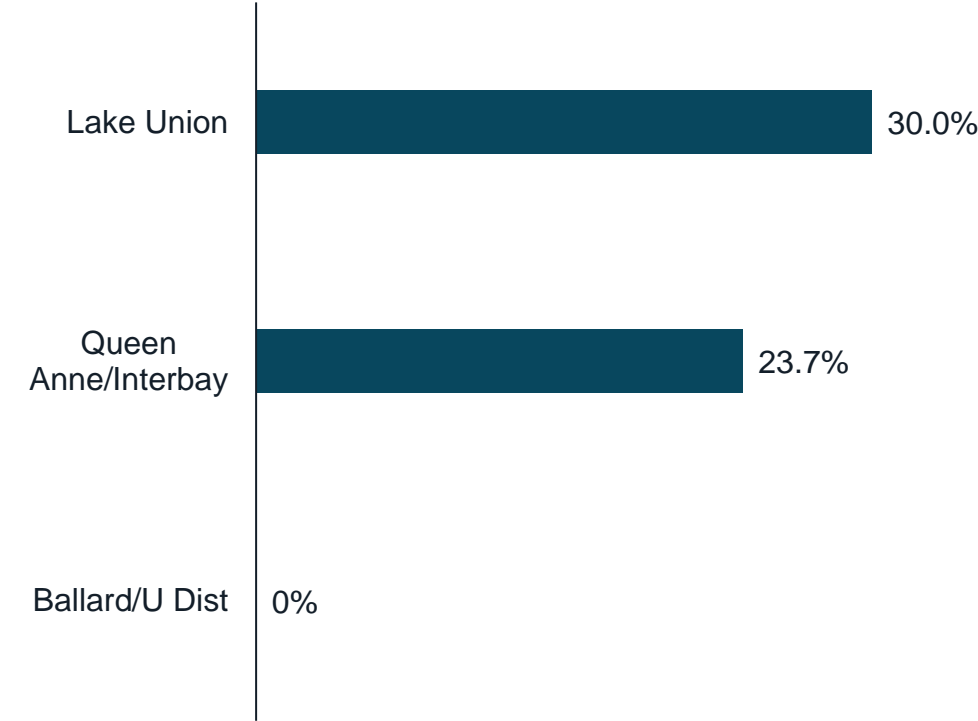


Source: JLL Research

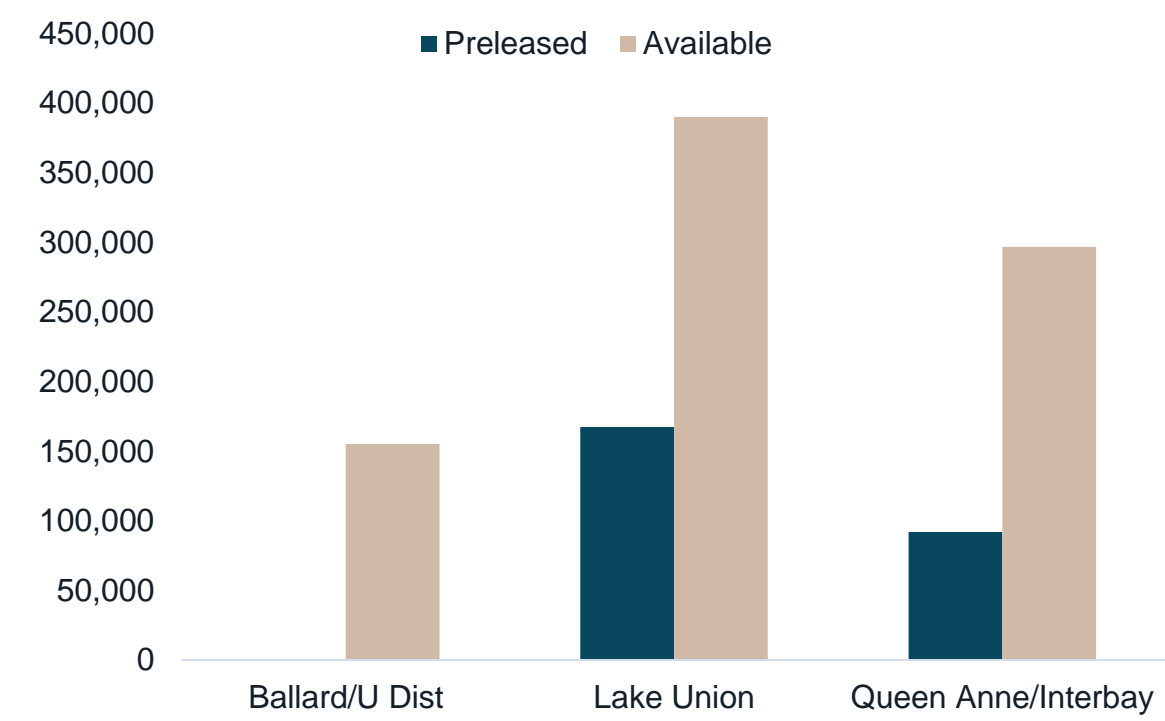


Only two projects underway had secured preleasing as of Q4, with most development in Lake Union

Preleasing by submarket



New Development Availability by submarket



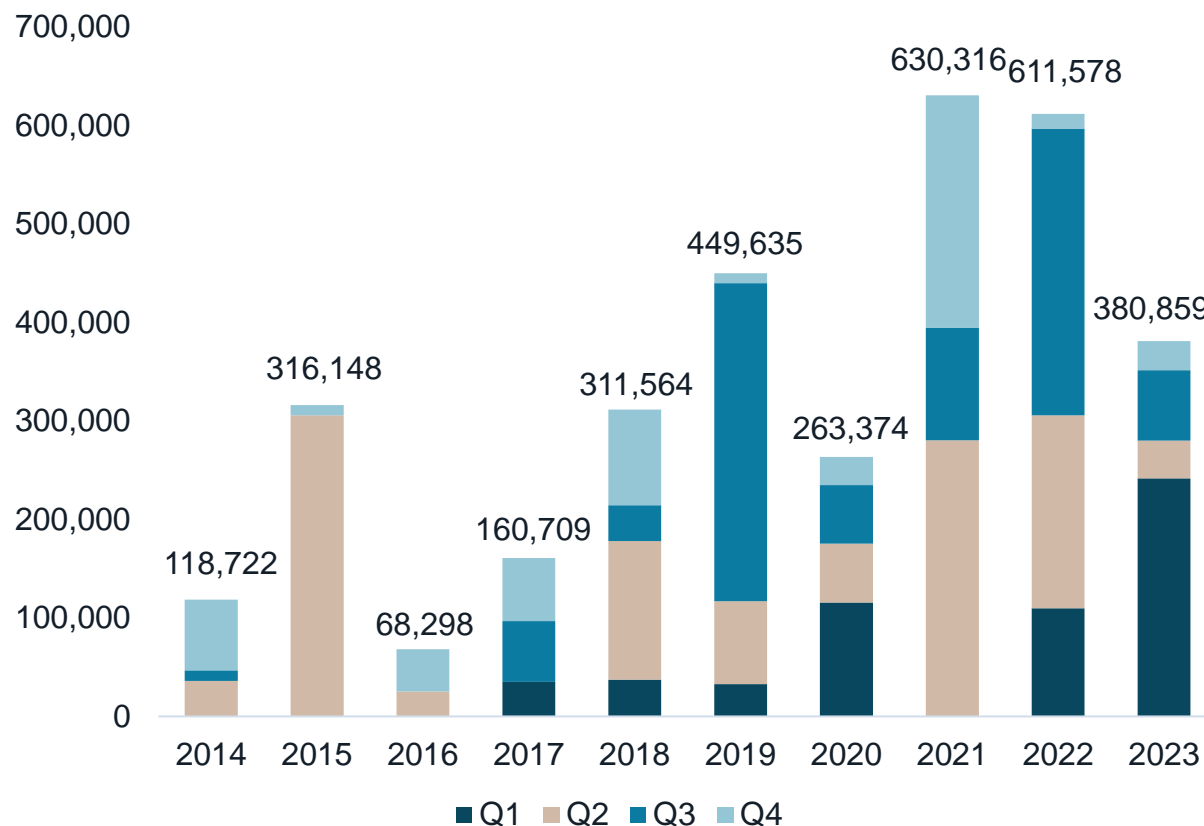
Source: JLL Research



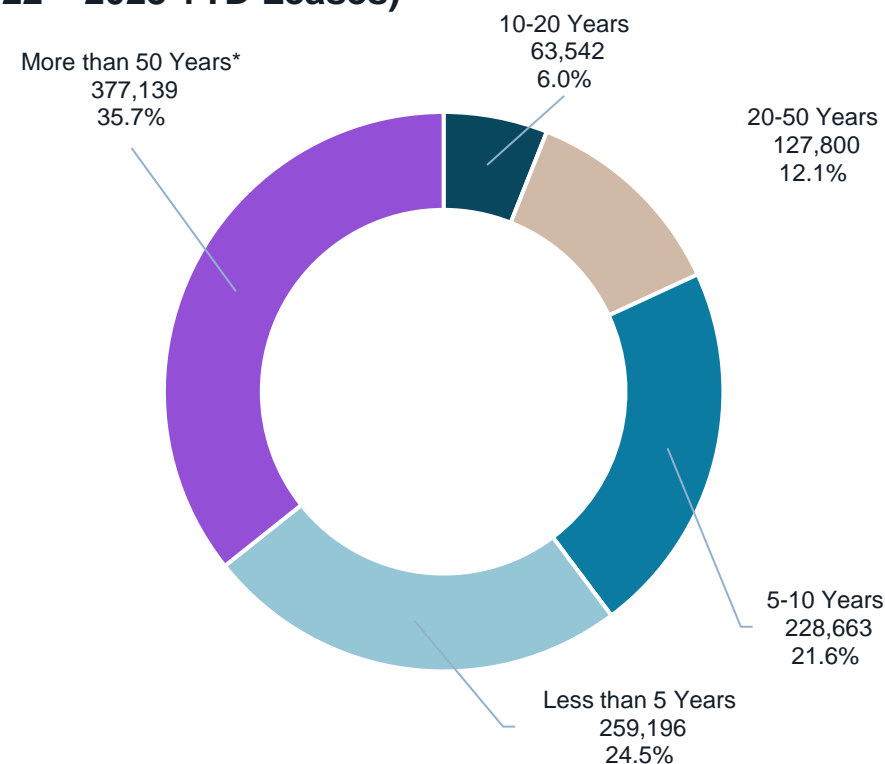
Large renewals accounted for a significant portion of 2023 leasing while few deals were signed

Companies founded within the past 10 years remained the largest source of activity since 2022 with 46.1% of leasing by volume

Regional Leasing Volume (s.f.)



**Regional Leasing by Tenant Company Age
(2022 – 2023 YTD Leases)**



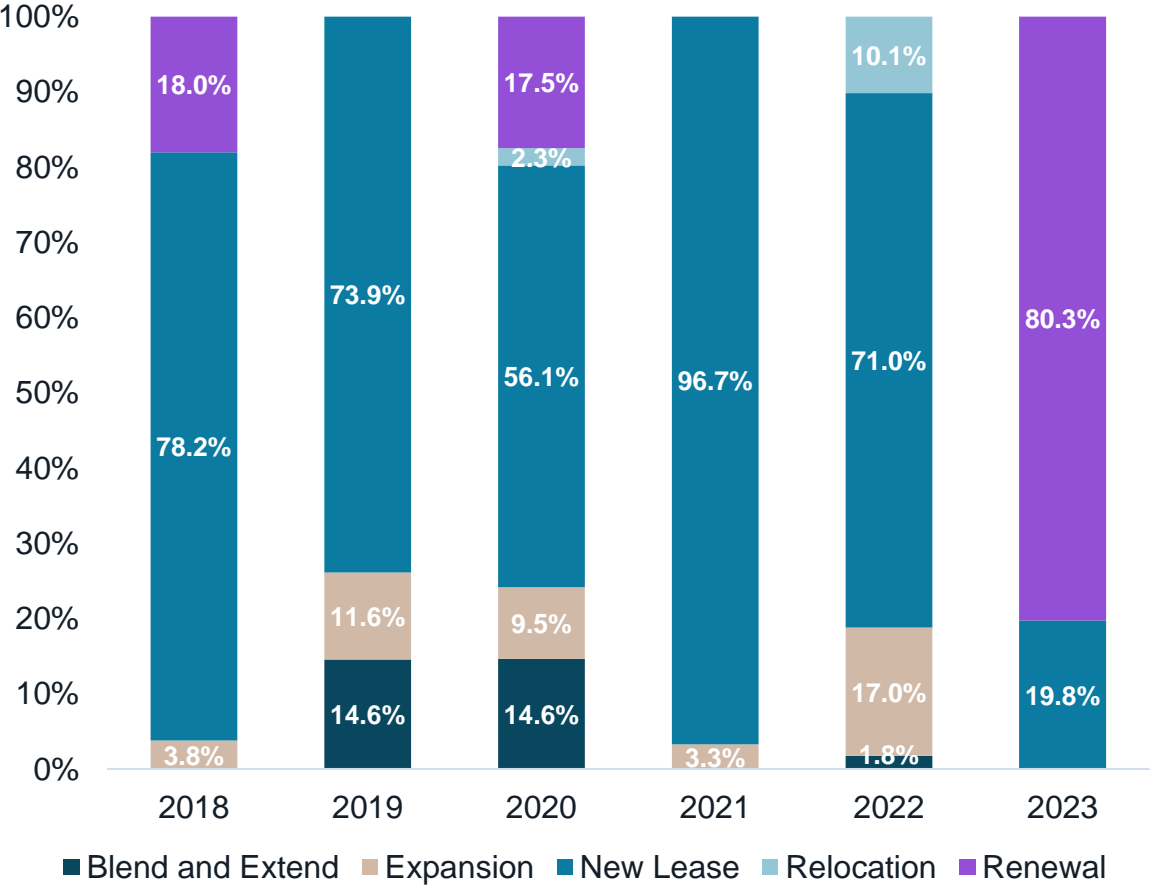
*Includes the former Juno Therapeutics, founded in 2013 but acquired by Bristol-Myers Squibb in 2018

Source: JLL Research

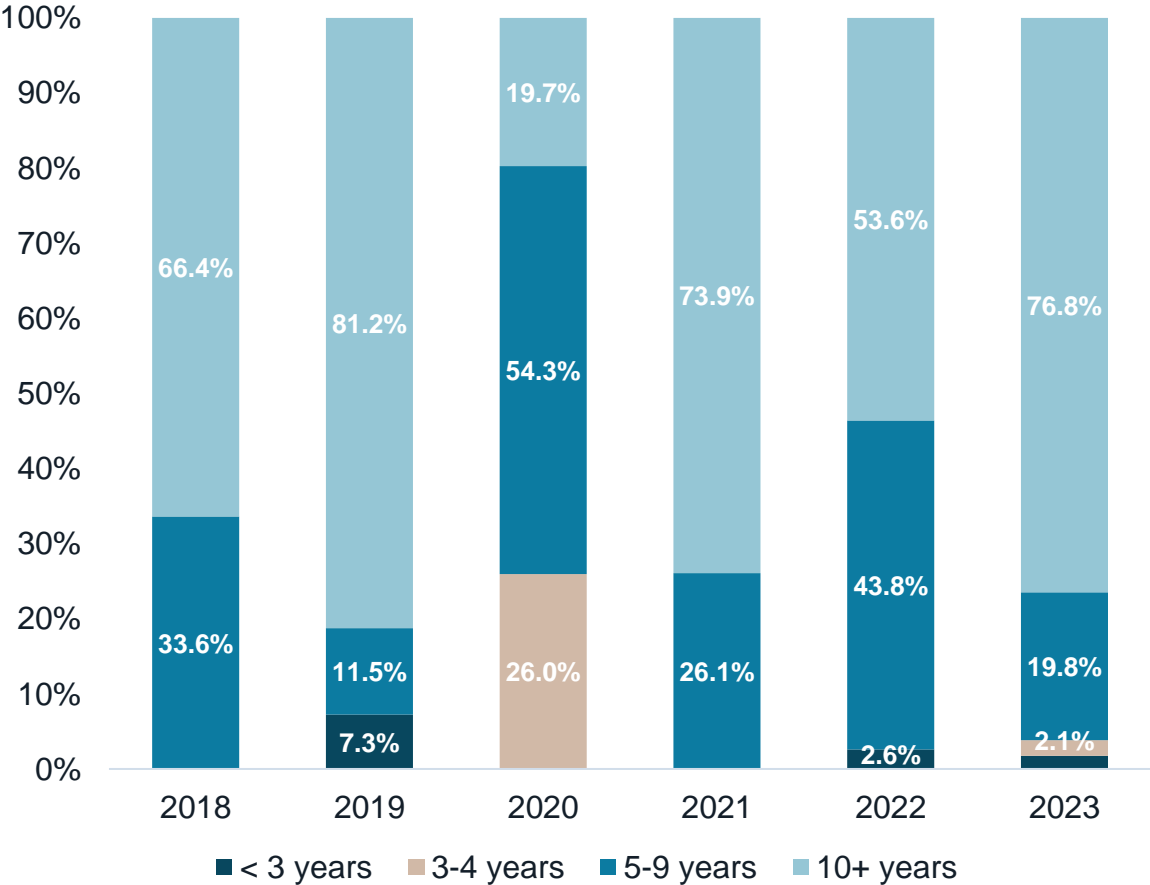
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Renewals drove most 2023 leasing as established tenants locked down long-term space

Puget Sound Leasing by Transaction Type



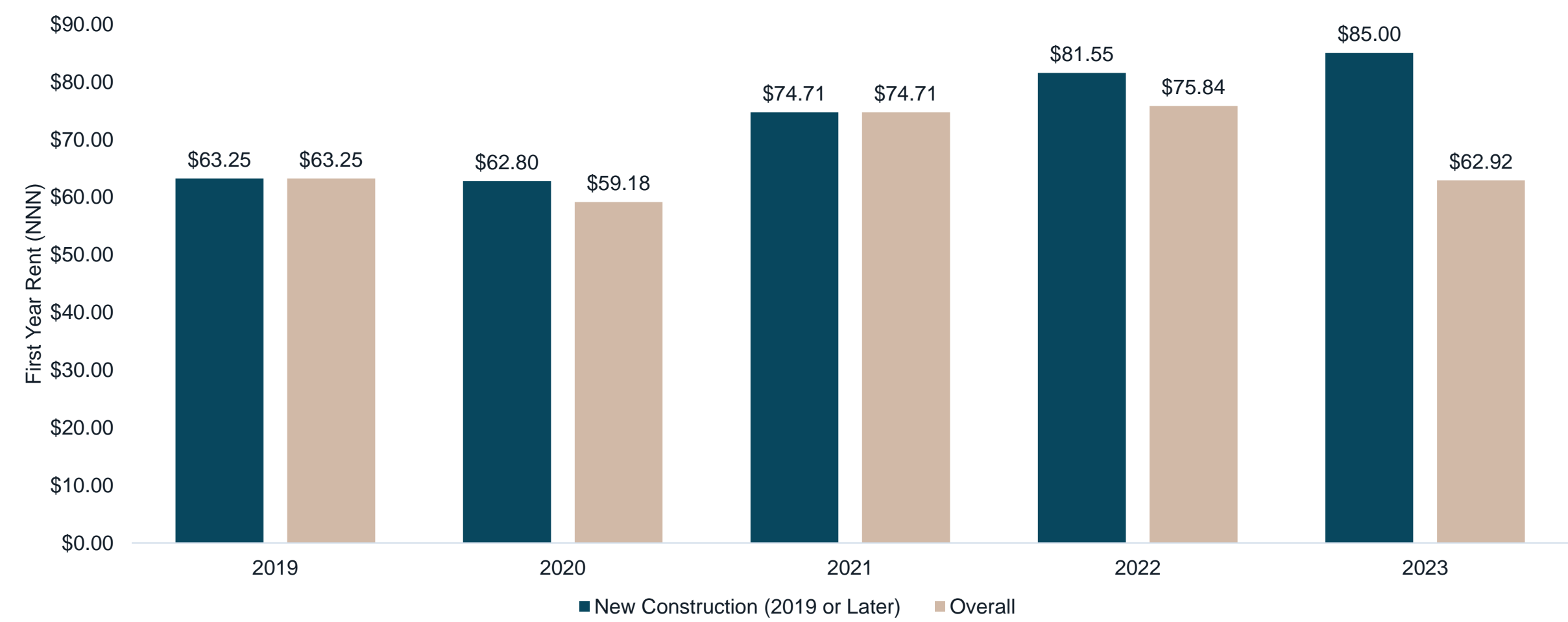
Puget Sound Leasing by Term Length



Source: JLL Research



Downtown Seattle’s premium for projects built in 2019 or later widened through 2023 as availability in older product spiked

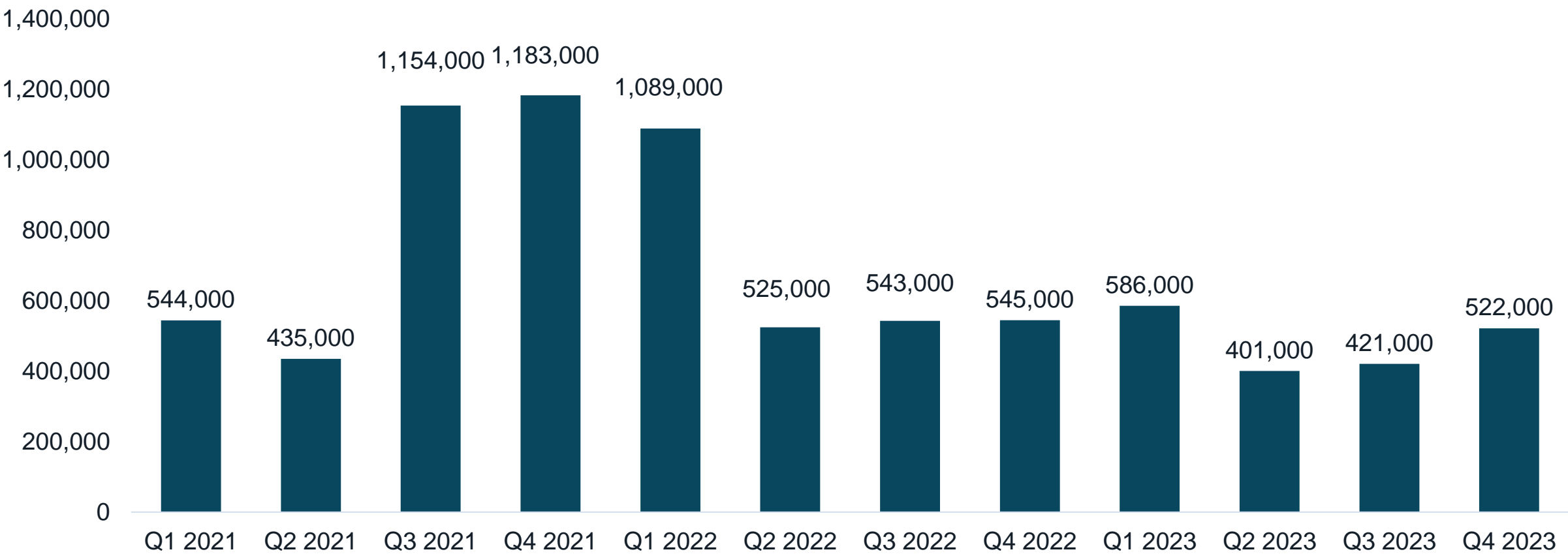


Source: JLL Research



Lab demand rose modestly in Q4 while activity increased among small, younger companies surveying the market

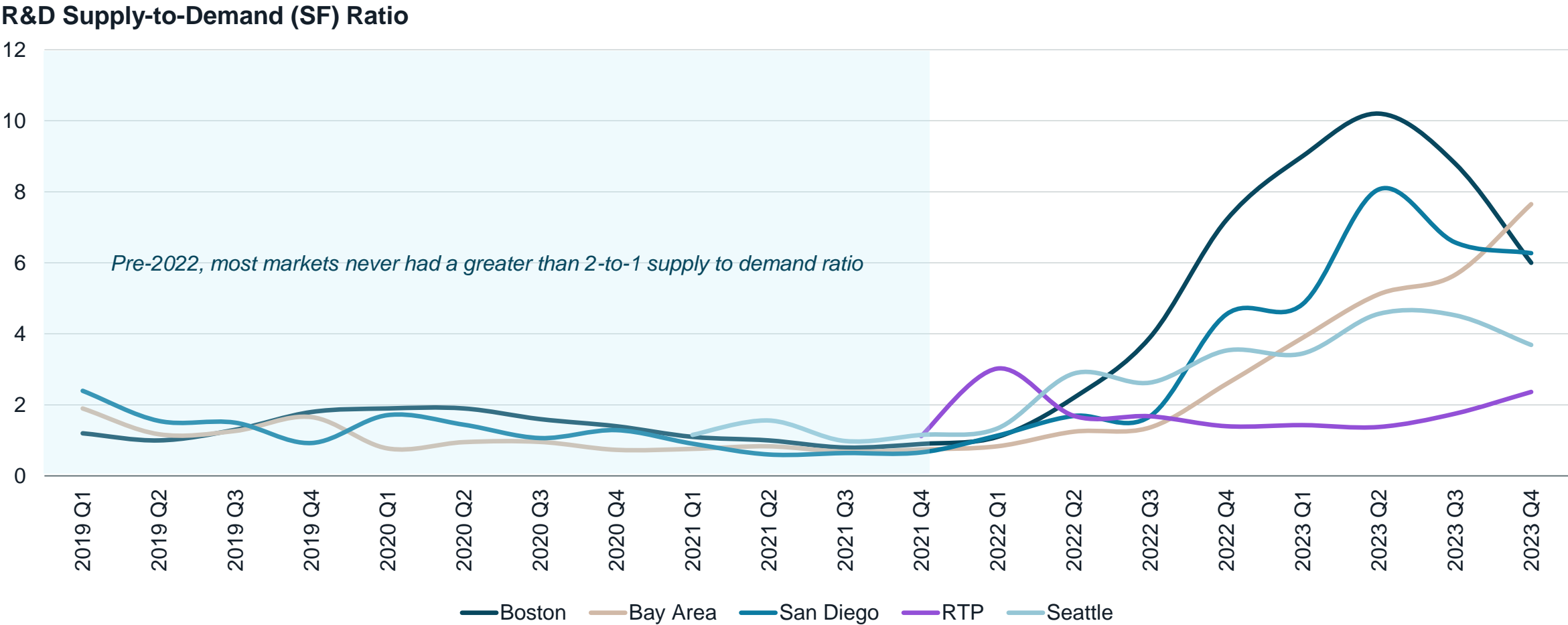
Active Lab Requirements (s.f.)



Source: JLL Research



While Seattle supply outstripped short-term demand in 2023, it had not reached a state of oversupply as dramatic as other large markets

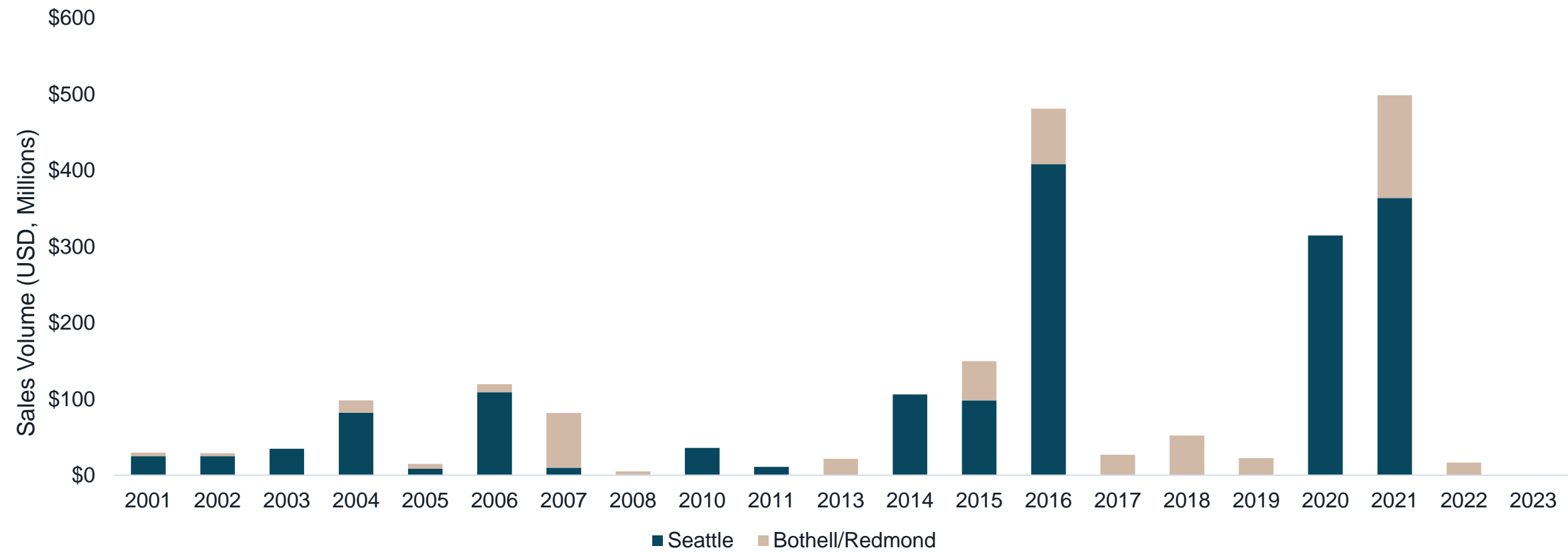


Source: JLL Research



Elevated borrowing costs continued to suppress transactions through 2023 as no properties have traded since early 2022

Historical Lab Sales



Source: JLL Research



Lake Union by the numbers

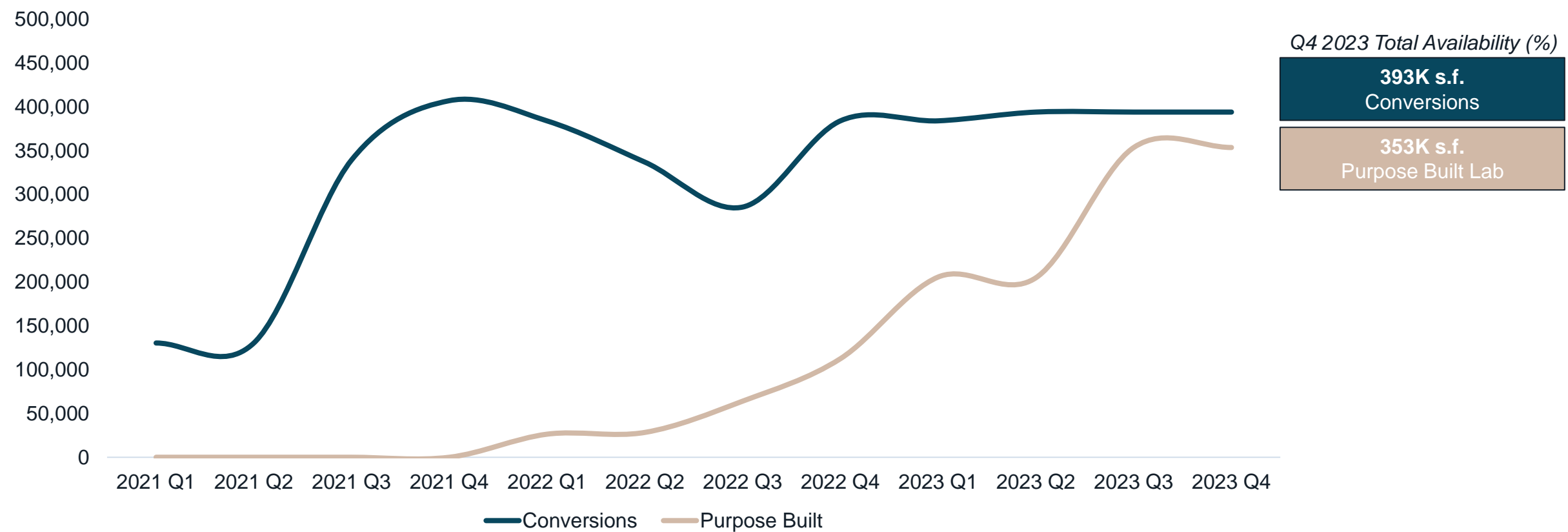


Source: JLL Research

Office-to-lab conversions have struggled to entice tenants as purpose-built lab availability rose over 2023

The largest contributors to rising availability in purpose-built lab came via Novo Nordisk’s and NanoString’s former spaces at Fairview Research Center and Dendreon’s The Earl Davie Building sublease

Lake Union Total Existing Availability (%)*



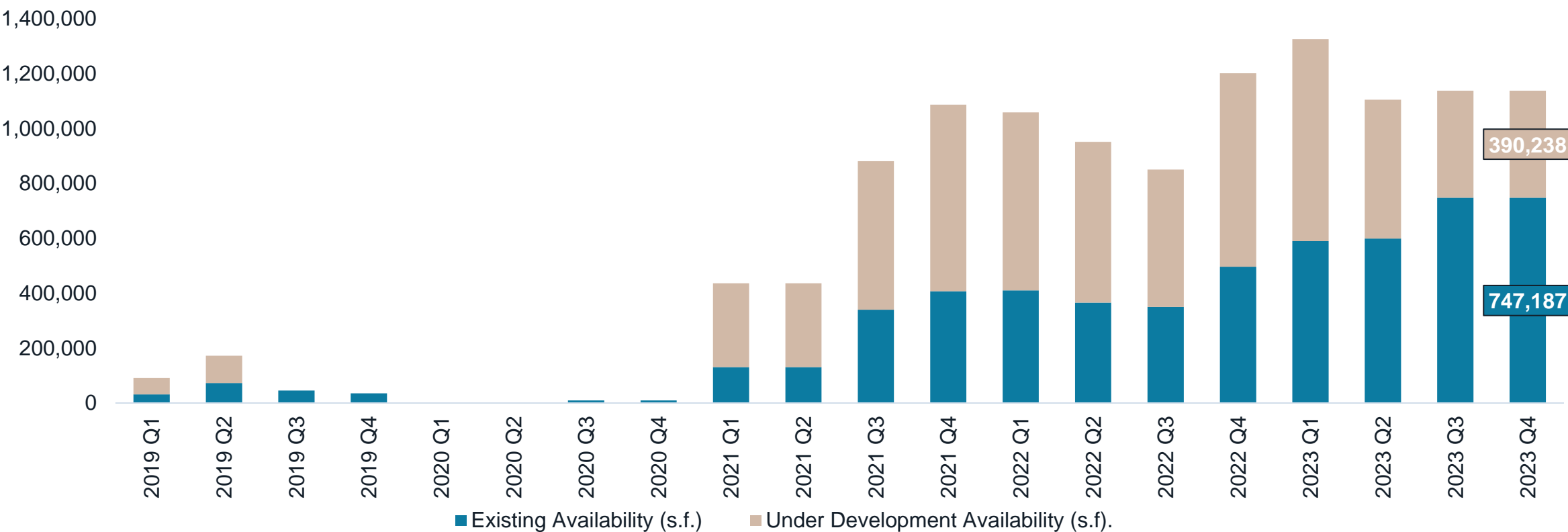
Source: JLL Research



Availability went largely unchanged in Q4 as once-rare existing availability remained on the market

The only likely source of new under development availability in Lake Union will be 701 Dexter when it resumes construction

Lake Union Availability (s.f.)*



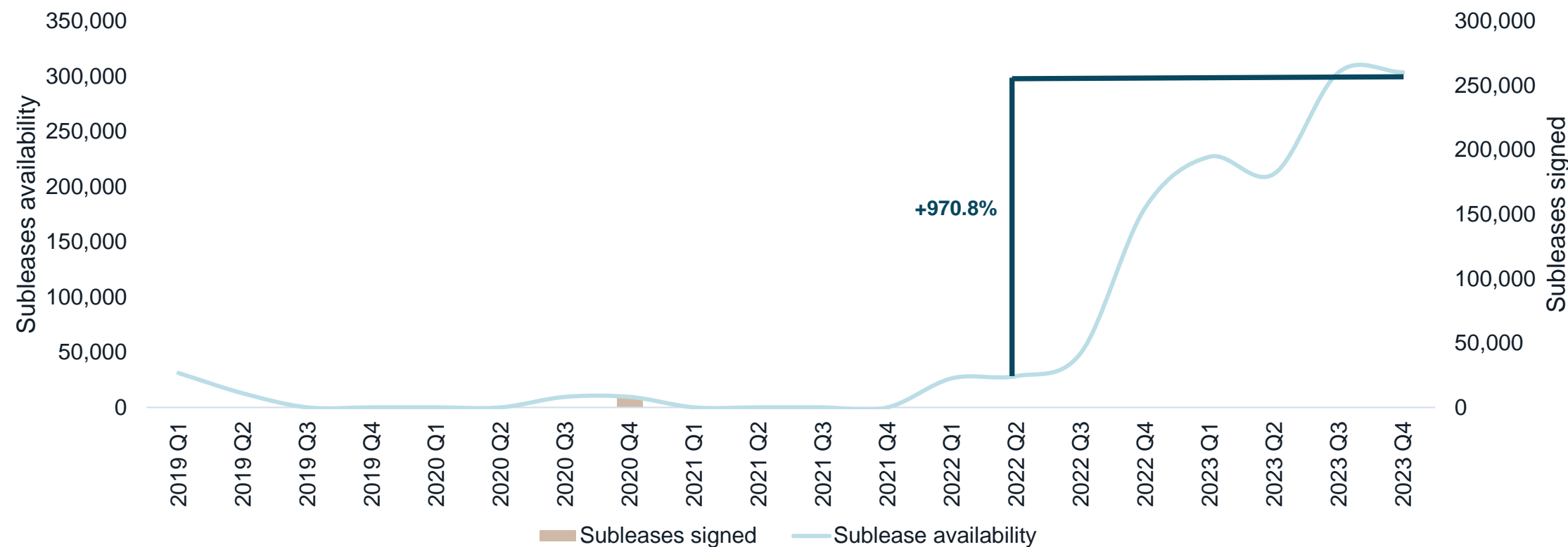
Source: JLL Research



Sublease availability remained historically high in Q4, with most available spaces larger than 20K s.f.

Lake Union held the largest concentration of available subleases, with 81.5% of market-wide sublease space

Subleases Signed and Available (s.f.)



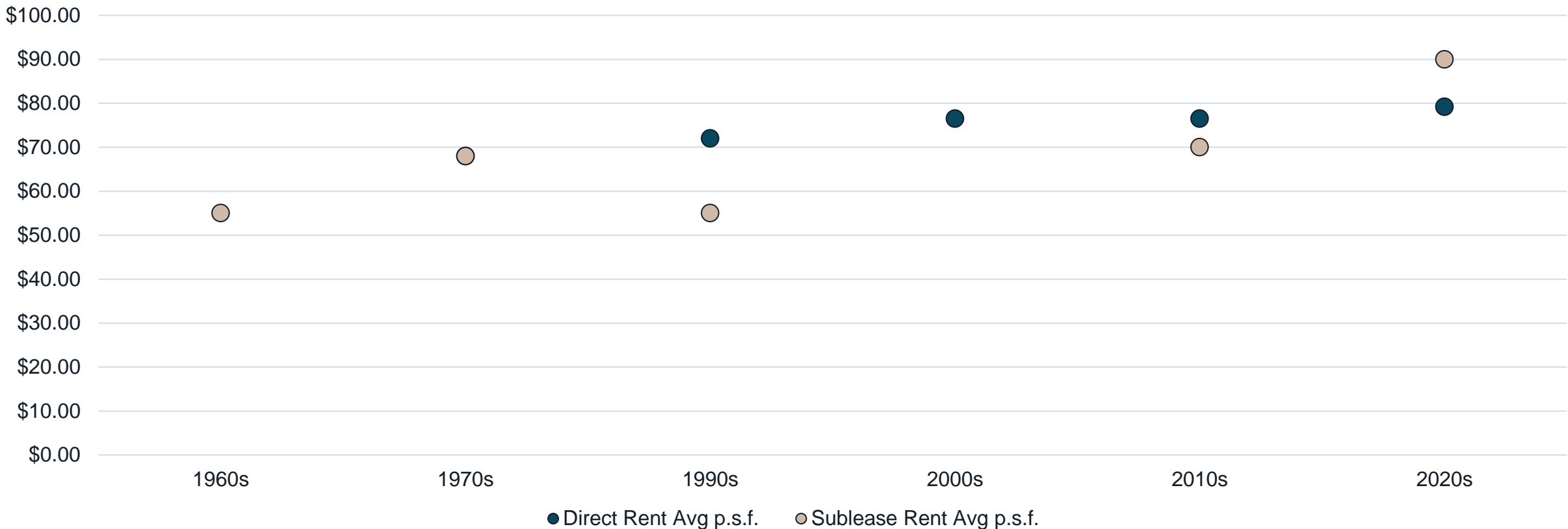
Source: JLL Research



While subleases offer modestly discounted asking rates in older product, new construction rates often meet or exceed direct space

2020s vintage sublease rates have exceeded direct asking rates as a result of sublessors seeking to recoup the significant amount of capital they've put into building out high-end spaces in new buildings

Average direct/sublease asking rents by development decade (FSG)



Source: JLL Research

Active Lab Development

Downtown Seattle Lab Development



	Building Name	Owner	Size (s.f.)	Delivery Year	Percent Preleased
1	1916 Boren	Trammell Crow Company	320,000	2024	36% Preleased
2	222 Fifth	Lincoln Property Company	197,000	2024	0% Preleased
3	Chapter II	Touchstone	155,000	2024	0% Preleased
4	Dexter Yard – South & North	BioMed Realty Trust	507,000	2024	39% Preleased
5	Unison Elliott Bay 401 & 501	Select Income REIT	192,000	2024	44% Preleased

Thank you

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