

Life Sciences Observations

Suburban Maryland

Q1 2023



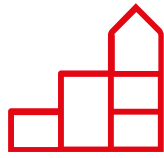
Clinical Pipeline & Funding

Q1 2023 Key Takeaways



VC funding cools as economic uncertainty grows

Quarterly Life Sciences venture capital funding in Maryland has dropped to its lowest level since Q4 2016, an effect of investor uncertainty.



Development pipeline remains steady

Unlike suburban Maryland office, lab conversions and purpose-built product deliveries remain consistent, with 130k s.f. coming online this quarter.



Lab sales blank for a second quarter

Zero lab properties have traded since July 2022. The lack of tenant demand coupled with worries over collapsing financial institutions has stunted lab sales.



Lab vacancies rise, still preferred to office

With more converted lab space delivering without significant preleasing, vacancy rates continue to rise; but still a ways off from office rates.

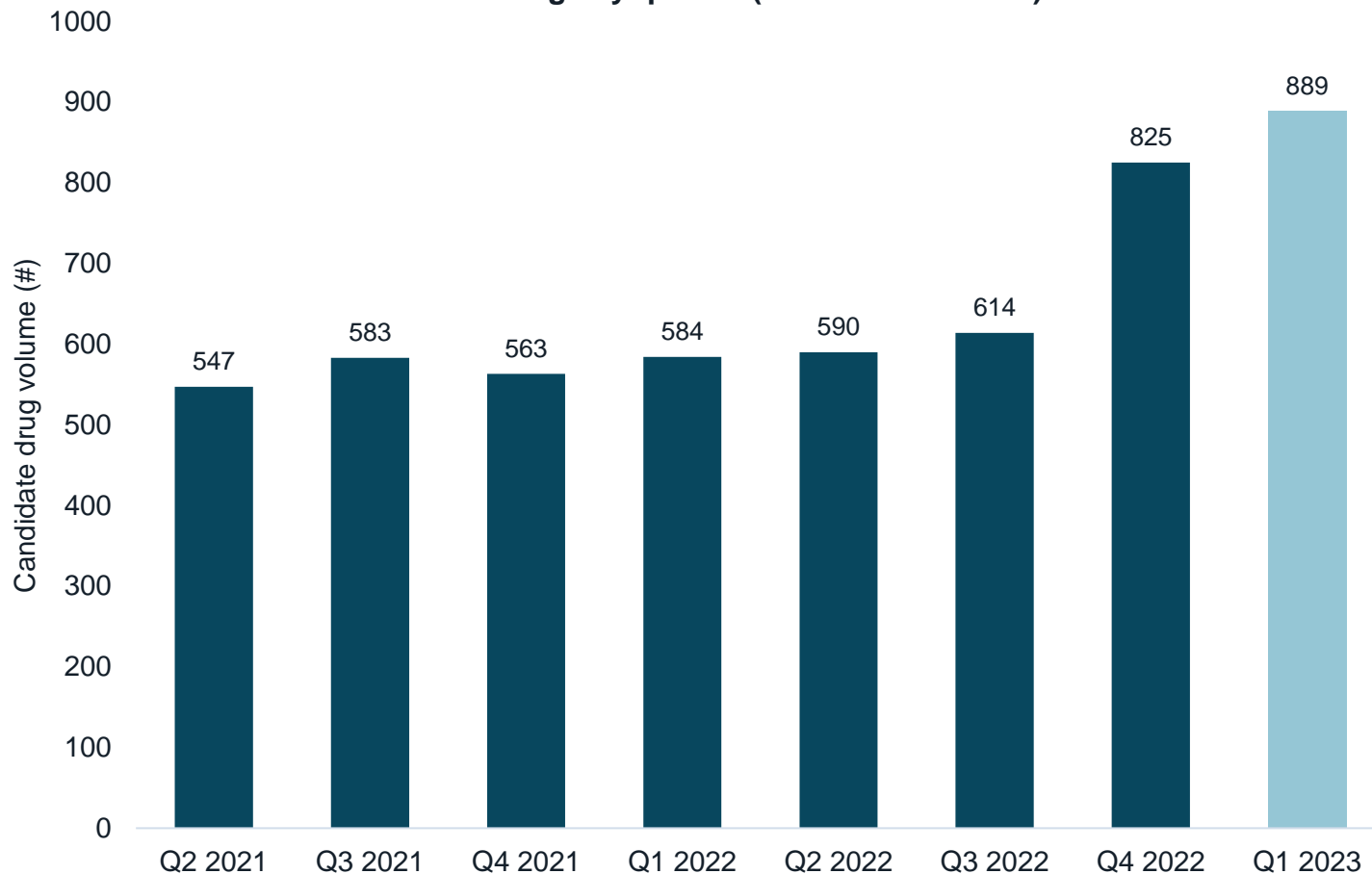


Leasing volume slows in Q1

After a record-setting year for leasing in 2021, 2022 clocked in at about half the volume as the previous year, and Q1 2023 continues that trend.

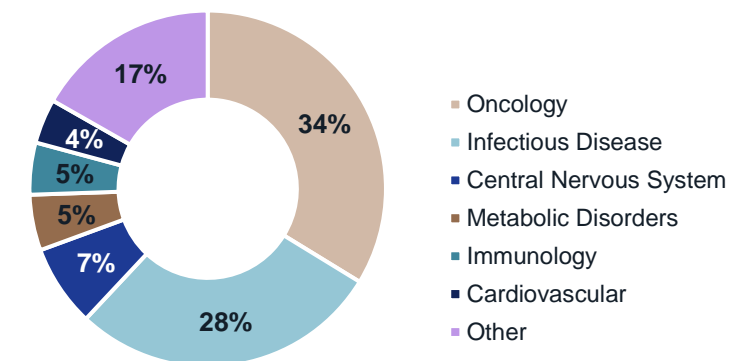
The clinical pipeline in Maryland has grown 45% since Q3 2022, driven by an influx of drugs in the pre-clinical stage

Candidate drugs by quarter (Q2 2021 – Q1 2023)



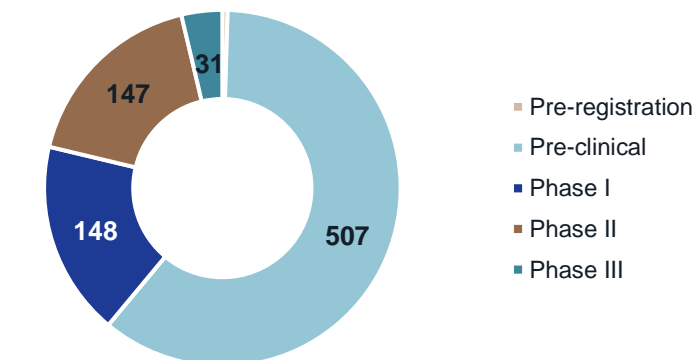
Candidate drugs by therapy area

Candidate drugs within oncology and infectious disease therapy areas dominate the clinical pipeline



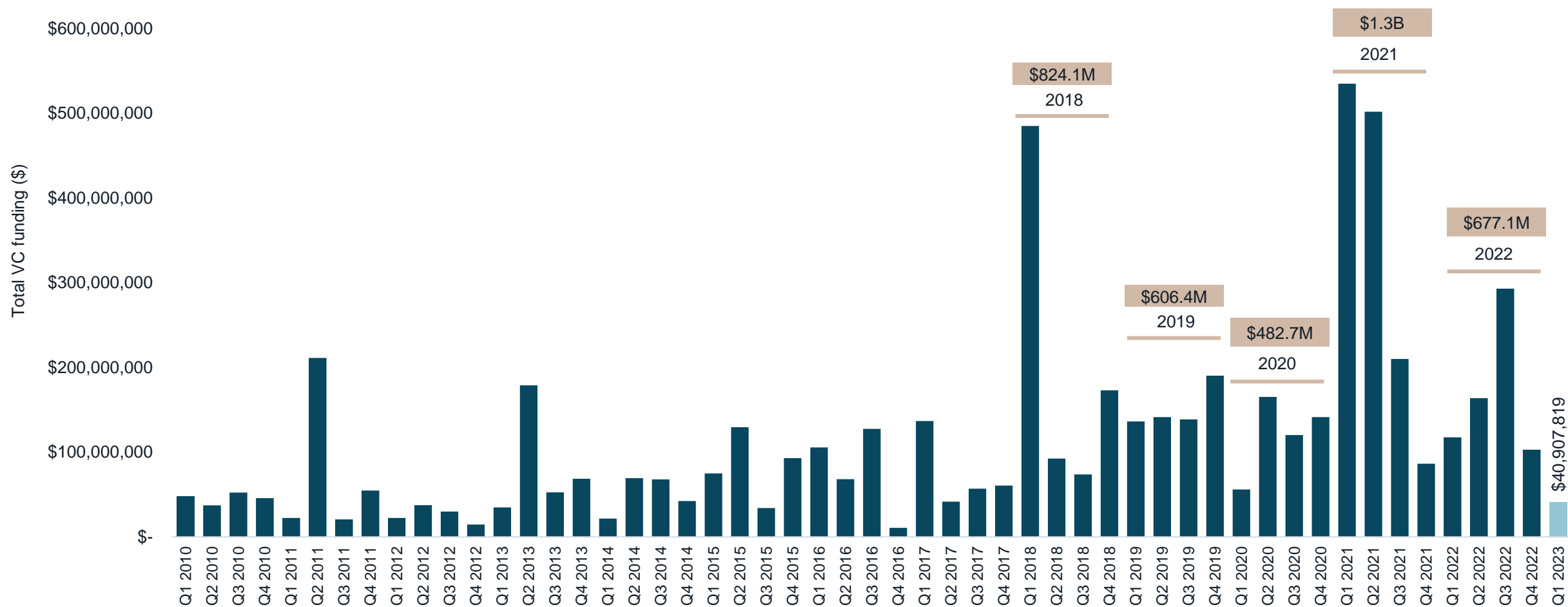
Candidate drugs by development stage

Of the 889 drugs in the clinical pipeline, 57% of drugs are in the pre-clinical trials stage



Source: GlobalData, JLL Research

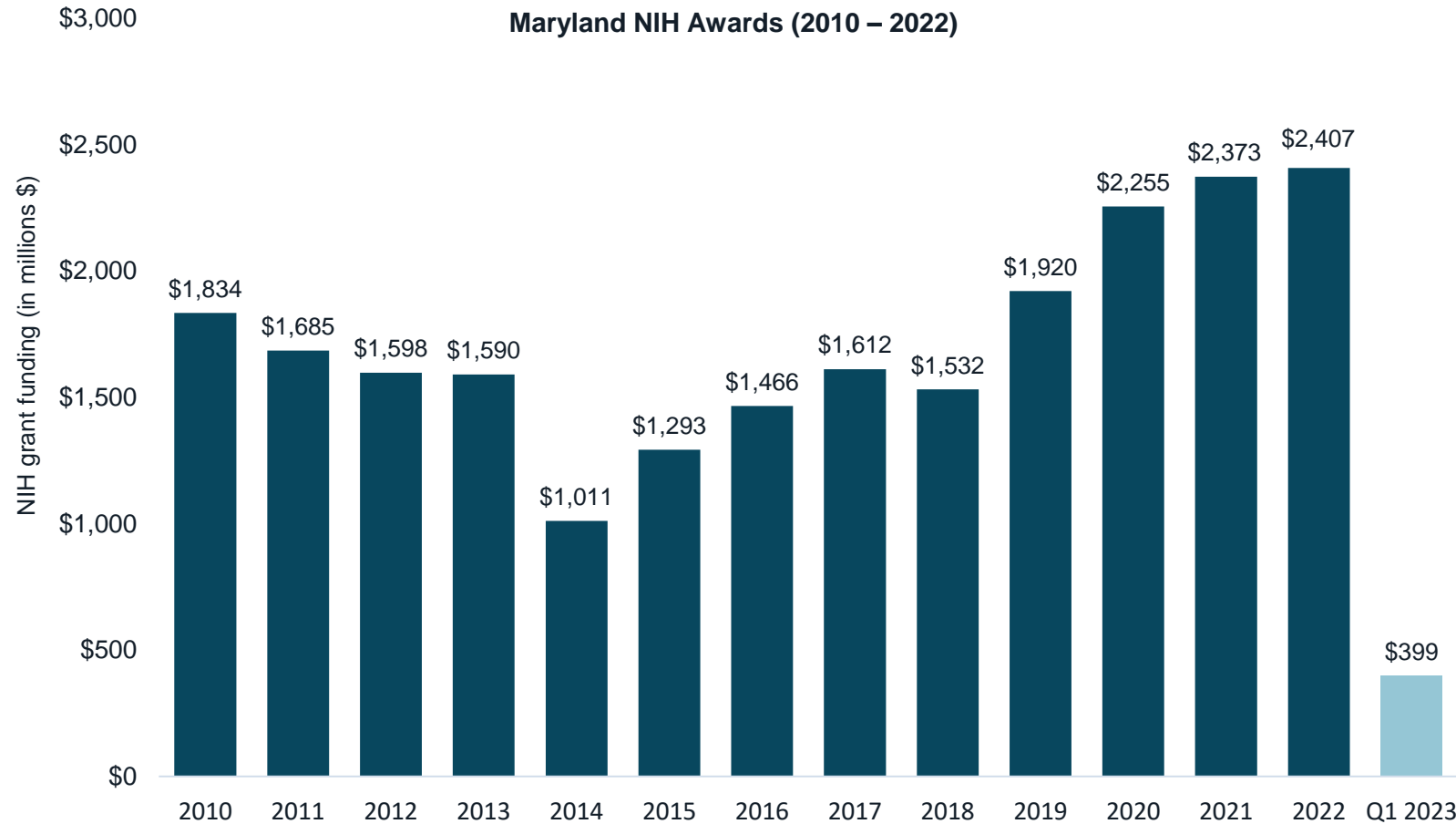
Venture capital flows to biotech and pharma companies in Maryland have slowed considerably in 2023



Source: Crunchbase, JLL Research



After consecutive years of record levels, NIH award volume in Maryland is off to a slow start in 2023



Source: NIH, JLL Research

Suburban MD NIH Highlights:



HENRY M. JACKSON FOUNDATION
FOR THE ADVANCEMENT OF MILITARY MEDICINE

\$18,600,000
21 NIH Awards
Bethesda, MD
2023



\$15,468,000
40 NIH Awards
College Park, MD
2023



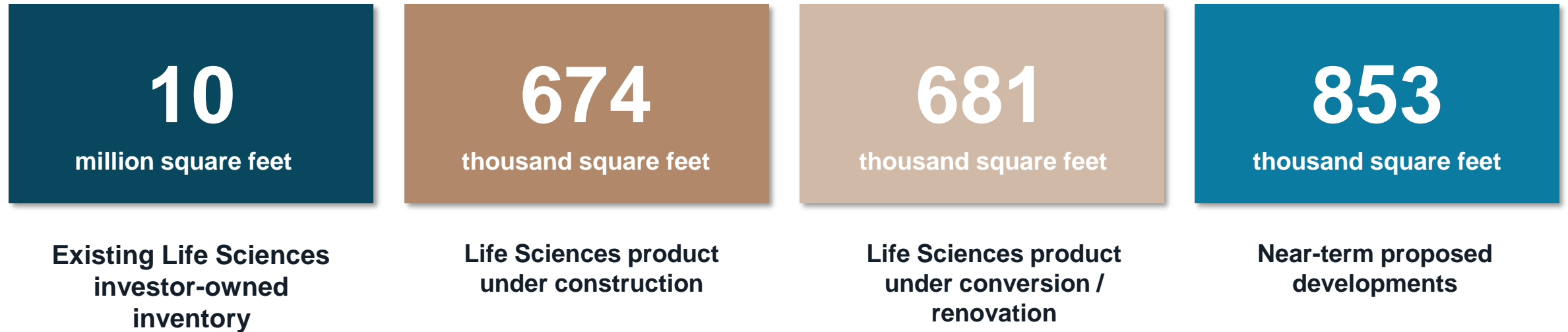
\$5,486,000
14 NIH Awards
Rockville, MD
2023



\$1,949,000
2 NIH Awards
Rockville, MD
2023

Suburban Maryland Supply

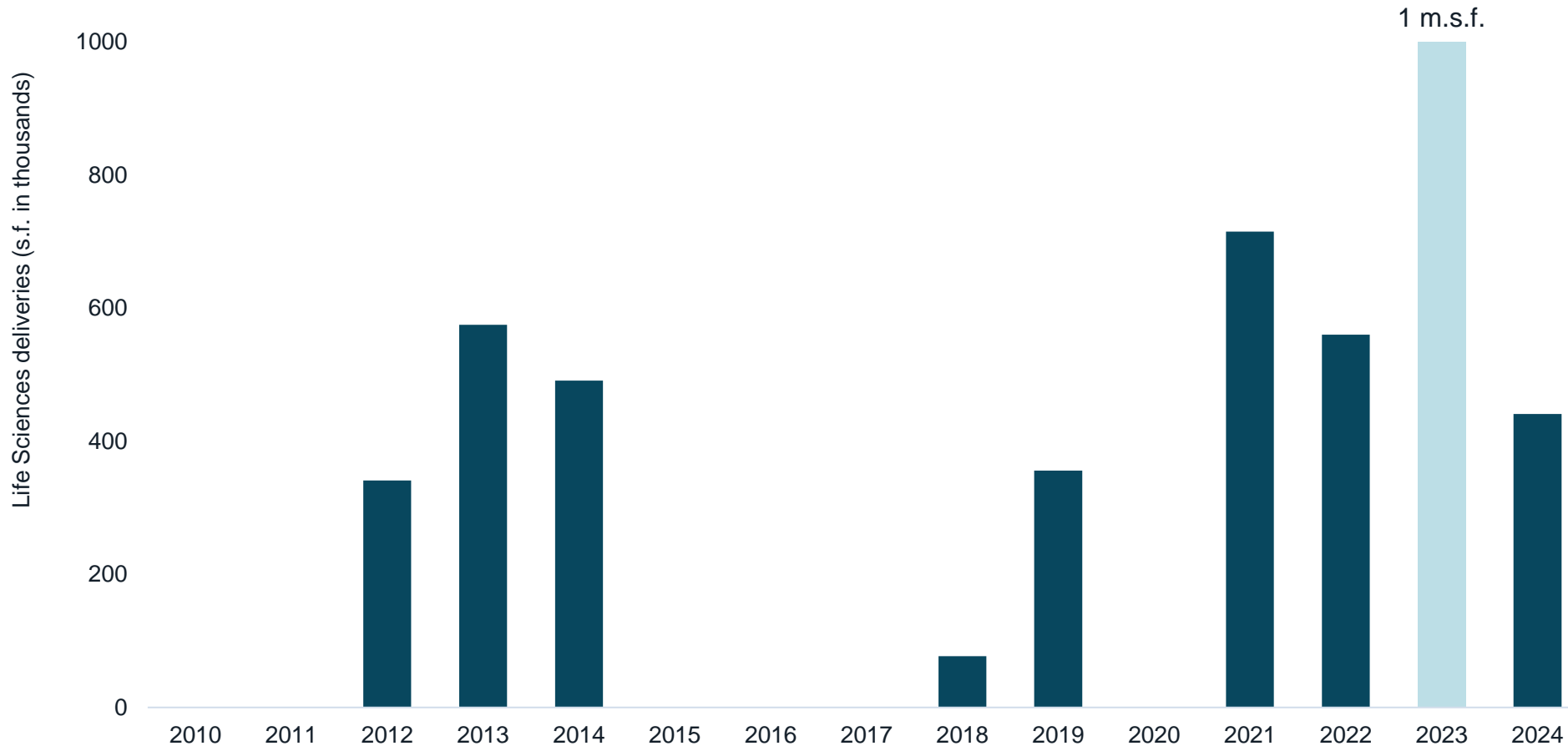
At full buildout, product under construction and conversion represents a 13% increase in the existing Life Sciences supply



Source: JLL Research

130,000 s.f. of conversion projects delivered in Q1; Another 913,000 s.f. is slated to deliver by the end of 2023

Inventory by delivery date



Source: JLL Research

Q1 2023 Deliveries:



Precision Labs
20430 Century Blvd
32,190 s.f.
Germantown



Precision Labs
20440 Century Blvd
55,041 s.f.
Germantown



1450 Research Blvd
42,679 s.f.
Shady Grove

Of the almost 1.36 million s.f. currently under construction, 48% of pipeline is preleased

1.36 m s.f.

Under construction

\$45.22

NNN p.s.f.
Average asking rent for
new deliveries

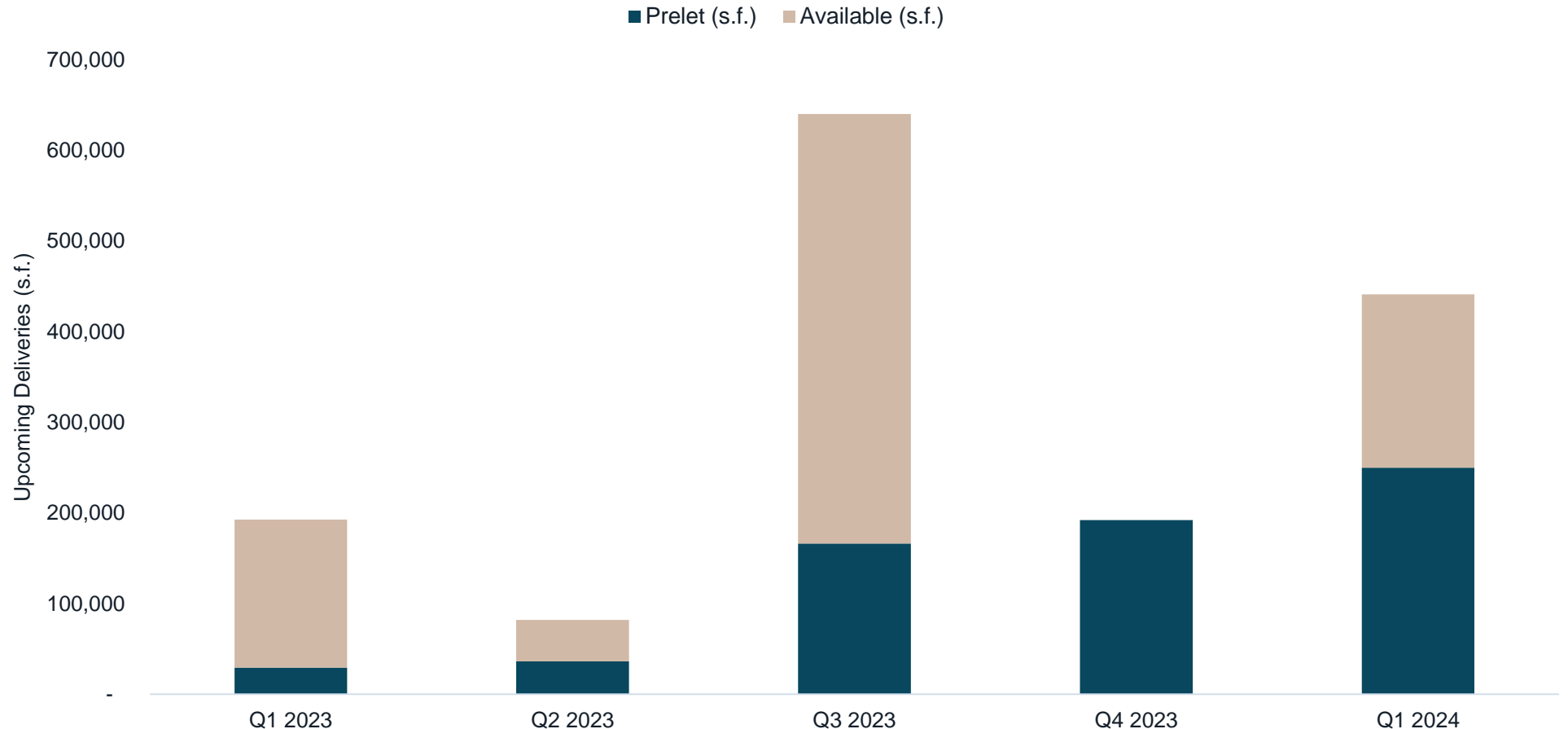
48%

Preleased

710k

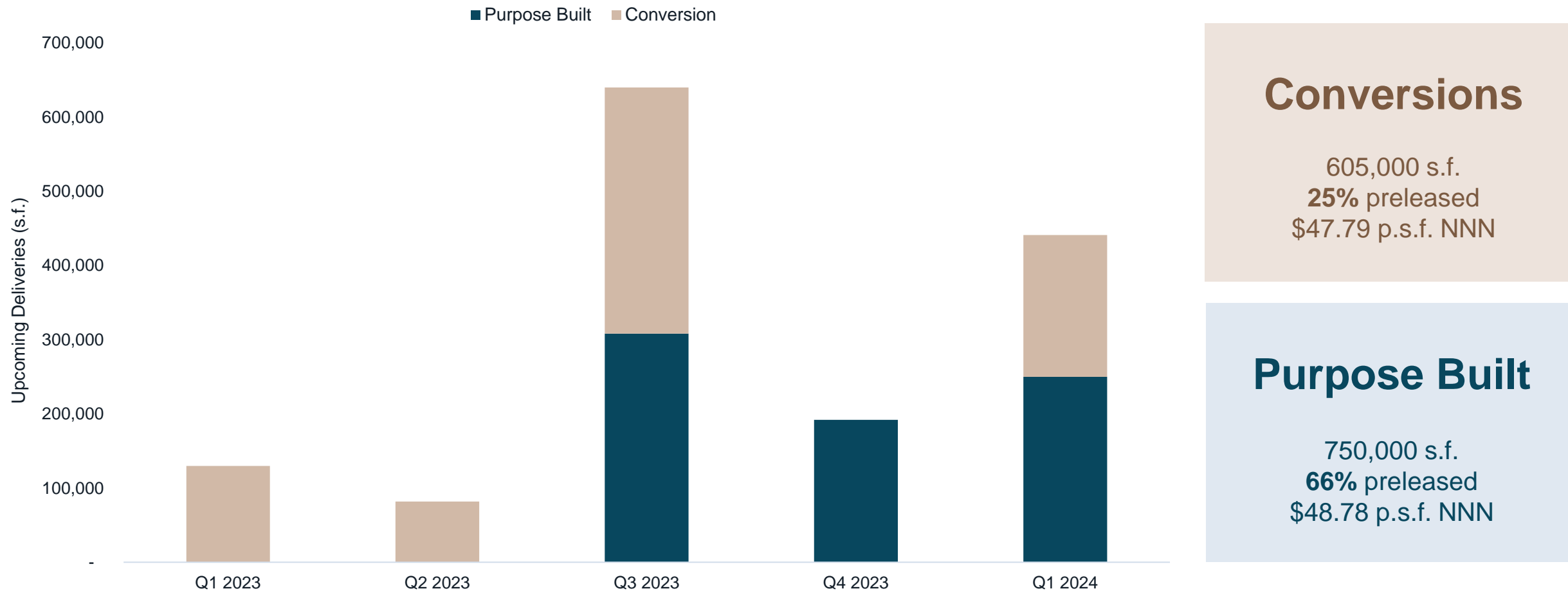
Available for lease in
upcoming deliveries

Preleased and available s.f. in upcoming deliveries



Conversions will drive new deliveries the first half of 2023 as ground-up new development delivers the later half of the year

Construction pipeline by conversions and purpose built



Source: JLL Research

Suburban Maryland purpose-built construction pipeline



	9810 Darnestown Rd	9820 Darnestown Rd	9808 Medical Center Dr	735 Watkins Mill Rd	20521 Seneca Meadows Pkwy
Name	Alexandria Center – Traville Gateway	Alexandria Center – Traville Gateway	9808 Medical Center Drive	Monument Innovation Center	SMCC Building 10
Ownership	ARE	ARE	ARE	Monument / Nuveen	Minkoff Development Corporation
RBA (s.f.)	192,000 s.f.	250,000 s.f.	97,196 s.f.	135,000 s.f.	76,000 s.f.
Submarket	Shady Grove	Shady Grove	Shady Grove	Gaithersburg	Germantown
Space Use	R&D	R&D	R&D	R&D + Manufacturing	R&D + Manufacturing
Preleased (%)	100% Preleased to Horizon Therapeutics	100% Preleased to Millipore Sigma	37% Preleased	0% Preleased	18% Preleased
Asking rent (p.s.f. NNN)	\$44.00 NNN	\$44.00 NNN	\$45.00 NNN	\$55.00 NNN	\$39.00 NNN
Target delivery date	Q4 2023	Q1 2024	Q3 2023	Q3 2023	Q3 2023

Source: JLL Research

Suburban Maryland conversions / renovation construction pipeline



50 W Gude Dr



800 King Farm



1 Preserve Parkway

Ownership	Thor Equities	Banyan Street	Longfellow
RBA (s.f.)	11,924 s.f.	217,103 s.f.	191,093
Preleased (%)	0% Preleased	36% Preleased	0% Preleased
Asking rent (p.s.f. NNN)	\$42.50 NNN	\$45.00 NNN	\$53.00 NNN
Target delivery date	Q1 2023	Q3 2023	Q1 2024



9707 Key West Ave



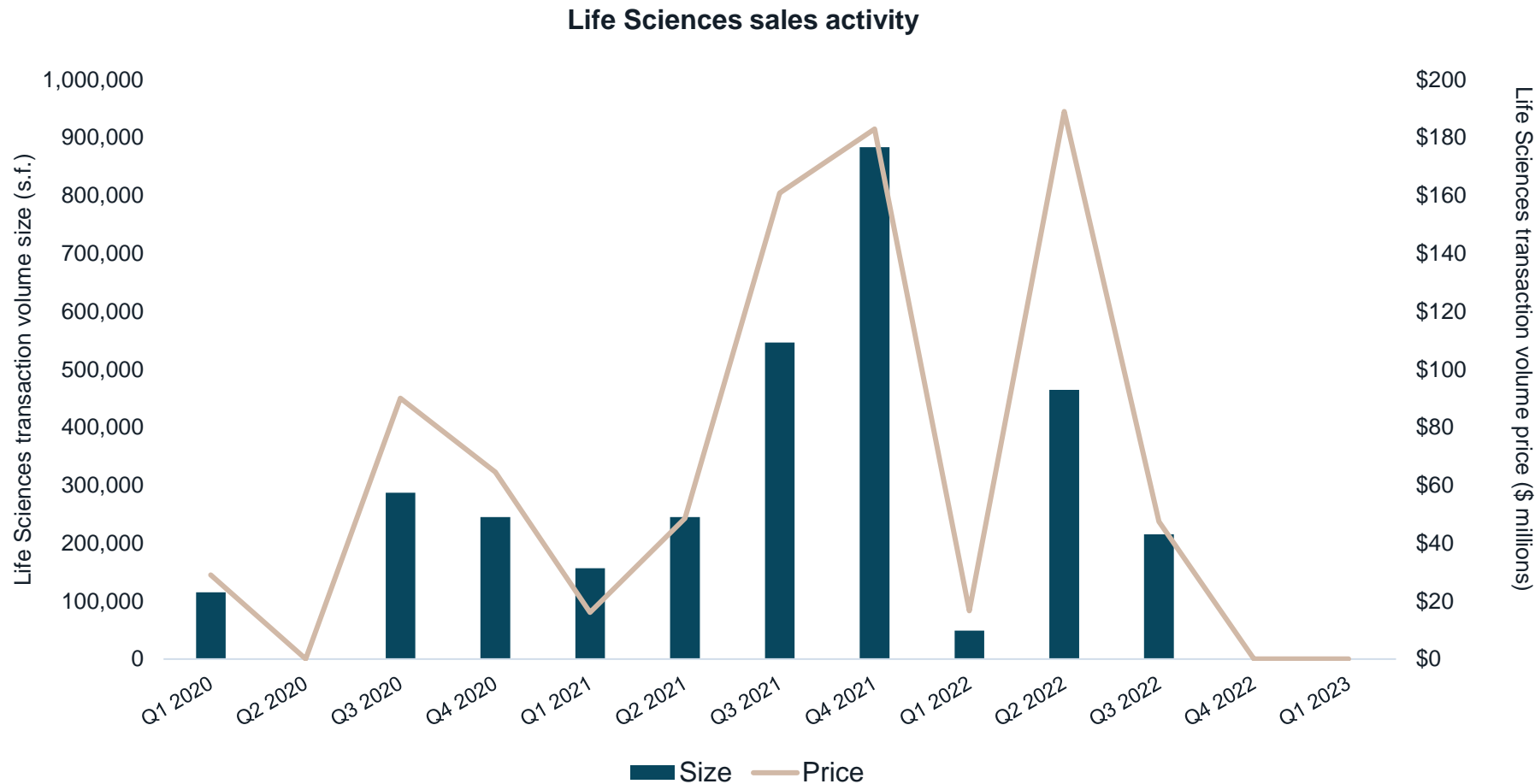
20400 Observation Dr



20 W Gude Dr

Ownership	Rock Creek	Guardian Realty	Thor Equities
RBA (s.f.)	50,769 s.f.	70,000 s.f.	63,918 s.f.
Preleased (%)	0% Preleased	52% Preleased	61% Preleased
Asking rent (p.s.f. NNN)	\$45.00 NNN	\$39.00 NNN	\$43.00 NNN
Target delivery date	Q1 2023	Q2 2023	Q3 2023

While Q1 has been a historically slow quarter for lab sales, volatile capital markets conditions limited new deals coming to market in Q1-23



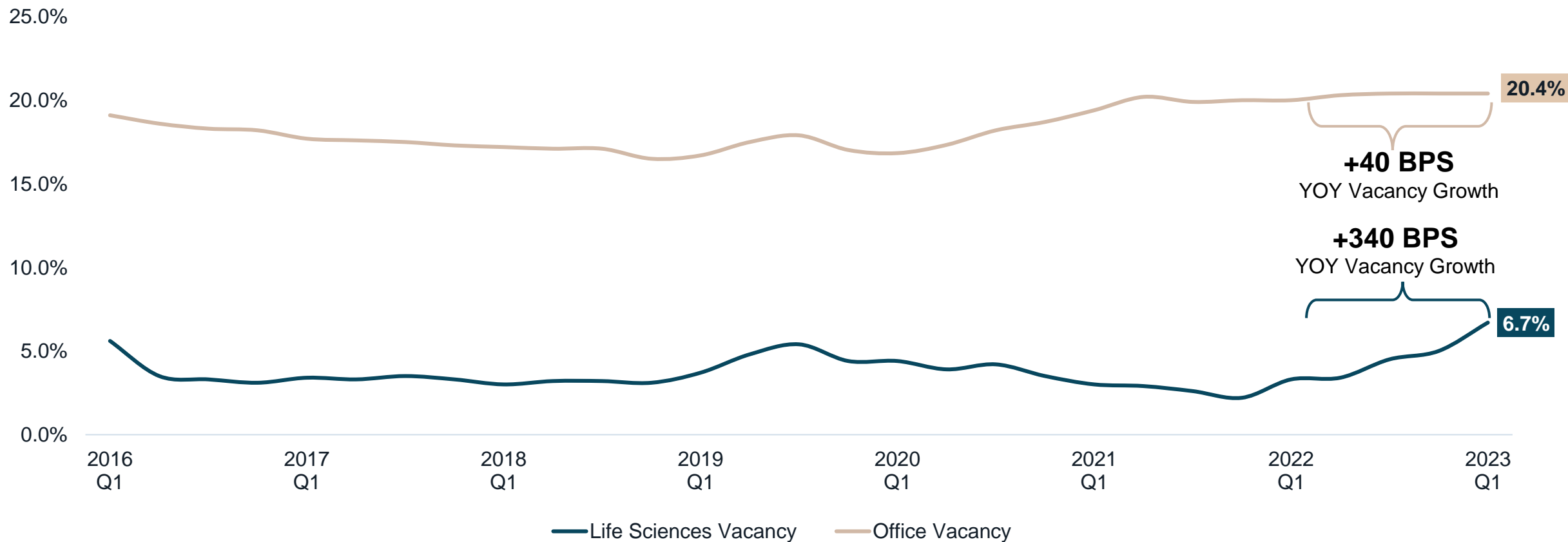
- No sales have closed since Q3-22
- The capital markets environment continues to be challenged, from both a debt and equity perspective
- Anemic leasing demand, questions around the lasting impact of SVB's failure, and the uncertain macroeconomic environment have curtailed investors' desire to put money to work in the life science space
- Bid-ask gaps are pervasive, and several transactions currently in the market will test whether these gaps can be bridged

Source: JLL Research

Suburban Maryland Demand

Vacancy rates for life sciences product remains tight despite new deliveries in the market, especially when compared to office vacancy

Life Sciences vs. Office vacancy rates



Deliveries in Frederick and Rockville pike have raised vacancy rates, but the overall vacancy for the market remains competitive

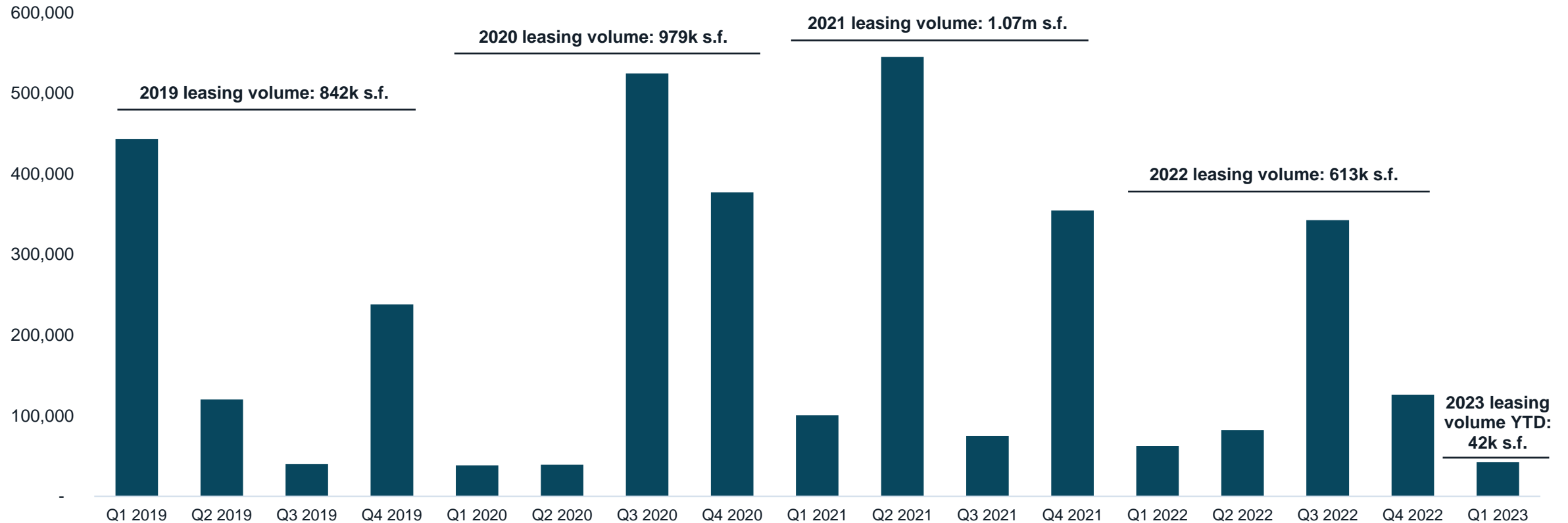
	Overall	Shady Grove	Gaithersburg	Frederick	Germantown	Rockville Pike
Supply (s.f.)	10,042,871	3,850,085	3,123,646	1,451,062	646,122	476,768
Supply Under Development (s.f.)	1,376,826	888,825	135,000	0	161,908	0
Total Availability (%)	16.8%	16.2%	9.4%	24.5%	23.8%	17.2%
Q1 2023 Direct Absorption (s.f.)	-209,528	-125,918	-23,526	-74,218	12,174	1,960
Direct Vacant (s.f.)	672,152	105,254	45,745	342,338	61,377	82,033
Direct Vacant (%)	6.7%	2.7%	1.5%	23.6%	9.5%	17.2%

Source: JLL Research

Suburban Maryland Leasing & Pricing

Leasing volumes cooled in 2022 and that trend has continued into the beginning of 2023

Total Leasing Activity (s.f.)



Source: JLL Research

New construction is driving asking rents to record highs, with 135,000 s.f. available at Monument Innovation Center asking \$55/s.f.

Shady Grove

\$43.96

Average direct asking rent p.s.f.
NNN

2.1%

YOY rent growth

Gaithersburg

\$52.91

Average direct asking rent p.s.f.
NNN

54.9%

YOY rent growth

Germantown

\$39.08

Average direct asking rent p.s.f.
NNN

6.8%

YOY rent growth

Frederick Co.

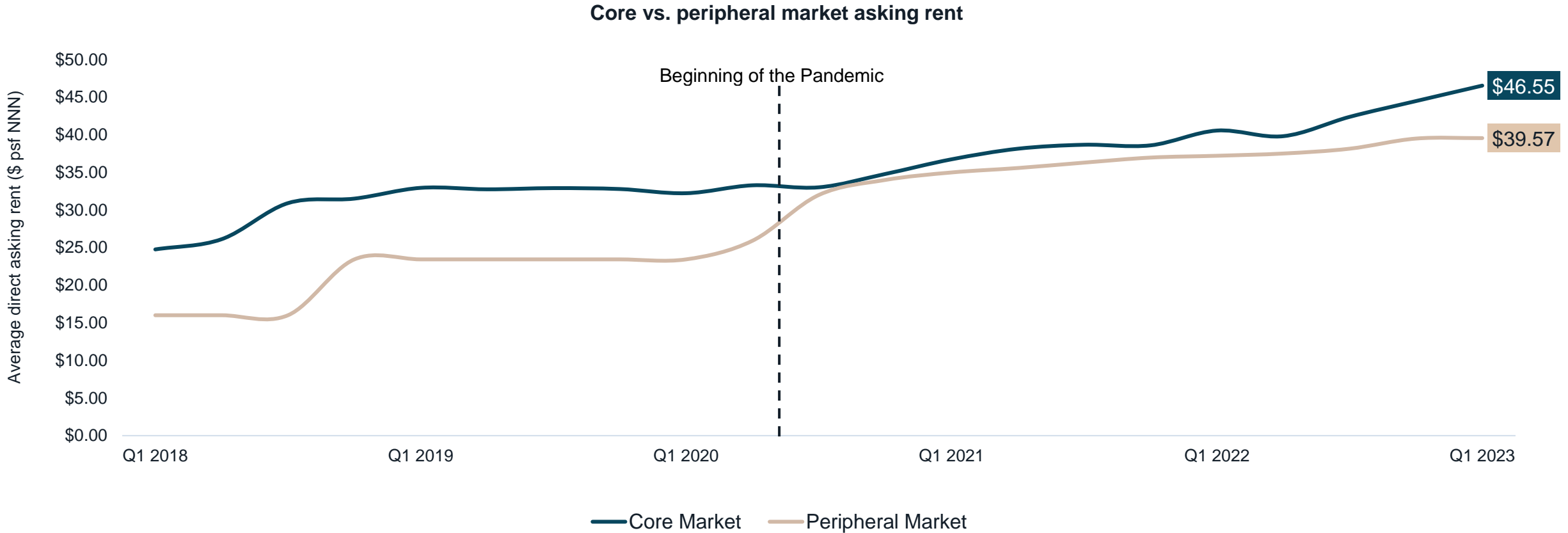
\$29.44

Average direct asking rent p.s.f.
NNN

-6.0%

YOY rent growth

Core market direct asking rents commands a 17.6% higher rate over peripheral markets



Montgomery County only. Core Markets include Shady Grove & Gaithersburg – Peripheral Markets include the Rockville Pike and Germantown submarkets.

Market Statistics

Suburban Maryland submarket overview (Q1 2023)

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
Beltsville/Calverton	Totals	259,033	0	0	0.0%	0.0%	\$0.00	0	0
Frederick County	Totals	1,451,062	-74,218	-74,218	23.6%	23.6%	\$29.44	0	0
Gaithersburg	Totals	3,123,646	-25,635	-25,635	1.5%	1.5%	\$52.91	0	135,000
Germantown	Totals	646,122	12,174	12,174	9.5%	9.5%	\$39.08	87,231	76,000
Landover/Largo/Captl Hts	Totals	52,763	0	0	0.0%	0.0%	\$0.00	0	0
North Rockville	Totals	144,412	0	0	24.5%	24.5%	\$19.00	0	0
Northern Prince George's County	Totals	38,980	0	0	0.0%	0.0%	\$0.00	0	0
Park Potomac/Tower Oaks	Totals	0	0	0	0.0%	0.0%	\$53.00	0	191,093
Rockville Pike	Totals	476,768	1,960	1,960	17.2%	17.2%	\$41.00	0	0
Shady Grove	Totals	3,850,085	-132,781	-132,781	2.7%	7.5%	\$43.96	42,679	539,196
Suburban Maryland	Totals	10,042,871	-218,500	-218,500	6.7%	8.5%	\$41.40	129,910	750,196
Frederick County	A	677,868	-74,218	-74,218	43.3%	43.3%	\$28.89	0	0
Gaithersburg	A	1,650,365	0	0	0.0%	0.0%	\$55.00	0	135,000
Germantown	A	326,129	12,174	12,174	18.8%	18.8%	\$39.12	87,231	76,000
Park Potomac/Tower Oaks	A	0	0	0	0.0%	0.0%	\$53.00	0	191,093
Rockville Pike	A	153,385	0	0	0.0%	0.0%	\$0.00	0	0
Shady Grove	A	2,415,922	-136,480	-136,480	2.4%	8.0%	\$44.84	0	539,196
Suburban Maryland	A	5,223,669	-198,524	-198,524	7.9%	10.5%	\$42.29	87,231	750,196
Beltsville/Calverton	B / C	259,033	0	0	0.0%	0.0%	\$0.00	0	0
Frederick County	B / C	773,194	0	0	6.6%	6.6%	\$33.63	0	0
Gaithersburg	B / C	1,473,281	-25,635	-25,635	3.1%	3.2%	\$37.50	0	0
Germantown	B / C	319,993	0	-62,659	0.0%	0.0%	\$39.00	0	0
Landover/Largo/Captl Hts	B / C	52,763	0	0	0.0%	0.0%	\$0.00	0	0
North Rockville	B / C	144,412	0	0	24.5%	24.5%	\$19.00	0	0
Northern Prince George's County	B / C	38,980	0	0	0.0%	0.0%	\$0.00	0	0
Rockville Pike	B / C	323,383	1,960	1,960	25.4%	25.4%	\$41.00	0	0
Shady Grove	B / C	1,434,163	3,699	3,699	3.4%	6.7%	\$39.55	42,679	0
Suburban Maryland	B / C	4,819,202	-19,976	-19,976	5.4%	6.4%	\$37.38	42,679	0

Source: JLL Research

Thank you