

Dan Grimes and Ian Anderson

Narrator: You're listening to *BioTalk* with Rich Bendis, the only podcast focused on the BioHealth Capital Region. Each episode, we'll talk to leaders in the industry to break down the biggest topics happening today in BioHealth.

Rich Bendis: Hi, this is Rich Bendis, your host of *BioTalk*. We've got a two-fer for you today. That means we have *two* leaders from the BioHealth Capital Region who are going to talk about the BioHealth Capital Region being ranked in the top three in talent. As most of our listeners know, we set out a goal about six or seven years ago to be top three by 2023. This just happens to be 2023, and it's nice to see that this region is recognized in the top three, in the CBRE report, which we're going to go into detail today. I have with me Dan Grimes, Senior Vice President, Life Sciences, for CBRE; and Ian Anderson, who is the Senior Director, primarily focused on Research, for CBRE.

0:01:08 For those who don't know CBRE, it's the largest commercial real estate and investment firm *in the world*. Wow, that's a big thing. We're going to hear more about that from Dan and Ian, and we're privileged to have these leaders, and we're going to talk a lot about the industry that we're in, life sciences and biohealth. Dan and Ian, welcome to *BioTalk*.

Dan Grimes: Thank you for having us. Excited to be here, Rich.

Ian Anderson: Thank you, Rich.

Rich Bendis: Thank you. Basically, what we do, rather than me reading your bios, we think it's much more educational for the listener to do a self-introduction, because you'll get into the relevant things about each of you. So, I'm going to start with Dan, who is the Senior VP of Life Sciences for CBRE, Dan Grimes. Dan, why don't you please introduce yourself to our listeners?

Dan Grimes: Sure. First and foremost, I'm a native to the region, born and raised in Montgomery County, so a lot of our life science product, as everyone knows, is on the I-270 corridor, so it's really exciting to see what's happening in the area that I grew up.

0:02:11 I helped lead our Life Sciences practice here in the Mid-Atlantic. Our

team's focus is on real estate, so we help provide real estate solutions that ultimately in our mind is helping the ecosystem here grow. We've got a multidiscipline business, but if you were to simplify it, I'd really put it under two buckets, and that's we advise users, and we advise real estate developers. On the user side, we work with pharma and biotech companies, and to put it simply, we find them find space, whether that's lab, production, GMP facilities, repositories, cold storage, you name it. Then on the real estate developer side, our mission is really to ensure that when these users need space, we're delivering the type of environments and quality space that allows them to execute on their mission.

0:03:01

That last part I think is really key, and I'm really excited to be here joined with my colleague Ian Anderson, because his talent report that we're going to talk about today, and a lot of the research that he has done over the last several years, has really been integral in bringing new real estate development on the life sciences side to our region.

Rich Bendis:

Thank you for that intro, Dan. Now we're going to flip it to Ian Anderson, Senior Director, Market Research, of CBRE. Ian, a little introduction, please.

Ian Anderson:

Sure. I am a commercial real estate researcher and commercial real estate economist for CBRE. As the Senior Director of Research, one of my roles is overseeing our research in the life sciences space. There's really two main things I do. One, I work with a team of researchers that are all around the country and many of our professionals—leasing or sales professional around the country—and we compile commercial real estate data on the life sciences space, usually in the largest metropolitan markets around the United States.

0:04:04

We obtain that data, we scrub that data, we analyze that data, to make sure that our clients are best prepared to transact in the marketplace. So that's investors and developers, whether they should build and how much. It's large and small pharmaceutical and biotech companies that we guide through the marketplace as to where they may want to locate, or how they should transact, et cetera. So we use all that data; I help oversee that. Then the other part of my role is thought leadership into

the life sciences industry, so the bigger picture trends, what's driving the industry, the funding, innovation trends. Part of that is focusing on trends in talent and employment around the country, which brings us to this report.

Rich Bendis: Thank you for that. By the way, I didn't ask either one of you, but how did you end up getting into this business, Ian?

Ian Anderson: I have a master's in city planning from Penn, so I have a general interest in the built environment and commercial real estate trends or even residential trends.

0:05:10 I've been doing this for probably close to 20 years. I used to work for a large global investment manager, and I'd help focus on their research as to where they'd want to invest or develop around the world. Then I've been with CBRE for about nine years, in several different roles, just studying commercial real estate markets and all the drivers behind that. So it's of interest to me, and I suppose, yeah, my education background is well suited for it, too.

Rich Bendis: I would imagine—we're excited to hear about the knowledge that you put into this report, so we'll get into that a little bit later. But Dan, I didn't ask you, what drove you to get into this business, before we talk about further introducing more details about CBRE?

Dan Grimes: Sure. I've been in commercial real estate for almost ten years now, came by the way of the banking industry. Worked for Bank of America on one of their trading desks in their Charlotte office for a handful of years.

0:06:06 What drove me really into the industry was kind of the intersection of the finance background that I had in the banking world, and seeing projects actually come to life. So it has been really exciting to work on many of the largest developments here in the region, especially in the life science space as our region has continued to grow over the last couple years. We'll talk about some of those developments that are in the works and I think will be great additions to our marketplace. So being able to drive down 270 or drive across the city—and my wife hates it when I do this—but point out the different projects I'm working on, who owns what, who's located where, is really impactful to be able to actually see your

work come to life.

Rich Bendis: So, we heard a little bit about what CBRE does with users and developers, but let's talk a little bit more in depth about CBRE and everything it does nationally and internationally and how it became the largest commercial real estate and investment firm in the world, Dan.

0:07:11 I'll let you do a little more in-depth analysis and the details about CBRE.

Dan Grimes: Sure. I'll give you a couple quick stats, and then I actually want to focus on our Life Science practice within CBRE, but I think it's important to recognize where we sit within the larger company. As, Rich, you indicated, we are the largest commercial real estate firm in the world. We're number 135 on the Fortune 500. We've got 115,000 employees worldwide, and do about \$30 billion of revenue annually. So obviously we're a part of this behemoth, but I think what's really interesting and unique about being within the umbrella of CBRE is the specialty groups within it and the expertise that comes with it. So, within the firm, we've got a national life sciences platform that Ian referenced at the onset of the discussion, the various people that he's working with in the different markets across the U.S.

0:08:06 What we essentially have created is a group of roughly 11 professionals that are specifically dedicated to this expertise and this industry in really all the top science hubs in the U.S. and frankly across the world. Just to give you a sense of the activity within that group, over the last three years we've done about 45 million square feet of leases, and we also manage about 370 million square feet of biopharma facilities. Here, locally, in the Mid-Atlantic, our Life Science team has been fortunate to work with many of the top pharma and biotech companies here in the region. In fact, we've actually worked on about one out of every two deals that were done in the market. Then on the development side, we've been successful in bringing nine new institutional real estate developers to this market who are going to actually deliver literally millions of square feet of lab and manufacturing product over the next several years.

0:09:01 I bring up all those stats not to beat our chest here, but what I think is really important about that is it demonstrates the depth and breadth of

the exposure that you get with working for a company like CBRE. This affords us really unique insights and allows us to advise not only at the local level, but really from a national and global perspective. The report that we're talking about today, the talent report, is a perfect example of that. Here, locally, we've been pounding the table about how this region excels in not only talent but the cost advantages that we have. But having a report like this, that is completely objective—we did not pay Ian off, although some people think we did—that helps validate that with actual data, has been really impactful and effective with us sending that message.

Rich Bendis:

That's great. Then when you look at the different regions around the country, and this is for either one of you, before we get into the report, we have really defined the region—originally it was 270 corridor, but we tried to explain to people, "It's not just about five miles on one stretch of highway." Because really it's a regional ecosystem that has been developed within this region.

0:10:09

I think people are starting to recognize that it's not just this five miles in Montgomery County. So, we educated some other people on that, but we look at Maryland, D.C, and Virginia as what we classify as the BioHealth Capital Region. So, how do you define this region geographically for the area you cover, Dan, and what is included within this region geographically in that report?

Dan Grimes:

The answer is the same, and it's exactly what you described, Rich. The way that we kind of think about the region is almost this triangle with NIH, Fort Detrick, and Johns Hopkins in Baltimore kind of serving as the anchors. But it's really that entirety of the D.C. Metropolitan, and that bleeds into Virginia as well, even down to Richmond.

Rich Bendis:

Okay, great. So, there's a great deal of—it's analogous to the way we've been referring to the BioHealth Capital Region, and the way that this report is structured. So that makes that there is some continuity to the data that comes out of this.

0:11:09

Now I'm going to flip it to Ian. Dan did a basic introduction to CBRE. Let's talk a little about the evolution, the need for the report, whose idea was

it, how it evolved, Ian, and sort of bring us up to date as to where we are over the last couple years with this report.

Ian Anderson: There's three main reasons for the evolution of this report, really. The first is that frankly our clients are just demanding this, and more of our investor clients, developers, lenders, companies, just with the explosive growth over the last several years, they just continue to want more data, more analysis into this market. It's interesting, Rich; five or six years ago, there were still so many people I had worked with who either weren't interested or thought this was like some small niche to discuss.

0:12:06 Just the way that has changed over the last, whatever, six, seven years—now I get global calls, calls from all over the world, wanting to know about the U.S. life sciences industry, how to partake. So, the first main reason is that our clients have clamored for it, with the growth of the industry. The second reason for this report particularly is how important talent is to the innovation of this industry. That's obviously different to many other industries. You really need that highly trained, highly educated, innovative workforce, that is not exactly plentiful all around the country, to drive innovation and new technologies and discoveries, et cetera. The talent is *so* key, for this industry in particular. And usually, where that talent is, is going to be where this industry is going to continue to grow. So that's particularly important for companies wanting to grow their workforce, but also again developers, investors, et cetera, where they should position themselves.

0:13:08 The third main reason for this report and why it's really so timely and it resonates with a lot of readers, is that the labor market is so tight. People are having such a tough time trying to *get* talent. So, if we can help any of our clients gain an edge as to where to find this talent, or where they may want to expand operations, or double down in whatever locations they're already in, that's just one extra piece of guidance they can use in this tough labor market.

Rich Bendis: I think that's one of the things that we've identified as well in just tracking the trends within the region, is that really the talent drives the primary decision for why people are going to be relocating or setting up a shop in the U.S. or on a regional basis, and in the past, it was really what kind of

incentives, tax incentives are you offering, how much capital is available, what kind of space is available, particularly now.

0:14:04

But right now, there might be a lot of space, but if you don't have the people to go into the space and do the work that needs to be performed, you're going to have a challenge. So, Ian, I think that your criteria fits exactly what we're seeing within the region, and the greatest need and why potentially we rank as well as we do. Because historically, regardless of who does the report, a lot of them have been more generic than CBRE, which hasn't been as focused just on the talent side of it, which is extremely important. We always rank high in that category. Let's go into a little more detail related to the report. You guys can play off of each other however you want to, but Ian, since you're in charge of the research, we're going to lead with you. There's a number of different things included in this report, and it's the *U.S. Life Sciences Research Talent Report for 2023*, produced by CBRE.

0:15:02

You get into geography, sources, salary trends, demographics, and all of these different areas related to talent. Let's go into that different categories and what's included in the analysis as you break these elements down. Ian?

Ian Anderson:

The first thing probably to clarify is that this report is focused on life sciences *researchers*, as opposed to all people employed in the life sciences industry. These are going to be, generally speaking, your scientists or that support staff that are working in the wet laboratories, working on the innovation, the products for the industry. It's not going to include in our analysis some of the support or affiliated staff, like management, like sales, what have you. These are mainly the people working in the labs, the scientists. So, there's a couple of things we did with the report. One, we wanted to look broadly across the United States at how are these life sciences researchers growing, who are they, where are they growing fastest.

0:16:08

Even in this report we looked at some details we haven't in the past, but we wanted to look at salary trends. Inflation is rising. Is the same thing occurring for life sciences researchers? And, demographically. But one of the bigger takeaways to the report as opposed to just looking at the

trends for life sciences researchers for the U.S. was, we use several criteria, and we rank the largest 74 markets around the United States, metropolitan areas, according to a certain criteria that we felt was best for our clients to determine if they wanted to locate or expand in certain geographies rather than others. Which really brings us to here, which was the Washington Baltimore Region was ranked number three according to that criteria in the report, which is obviously really good for the region.

0:17:00

Rich Bendis: When we talk about researchers, are we talking industry exclusively, Ian, or do we include the researchers at Johns Hopkins, University of Maryland, NIH? Because we have such a strong presence in researchers that are non-industry but complement industry and partner with industry in our region, which really makes the dynamic in the BioHealth Capital Region a little different.

Ian Anderson: We don't identify them just by whether they work in the life sciences industry; we identify them by occupations. So there's probably a little bit of error there. There *is* a little bit of error there in the data, which we try and account for. But for example, we want to track how many data scientists are in the region, so that's one criteria we use to evaluate how many life sciences-applicable workers there may be. So clearly, not all of those data scientists are working in life sciences, but we know that more and more of them are, and they're integral to the future of the industry.

0:18:01

Otherwise, we focus on occupations like biological scientists, biochemists, biophysicists, no matter whether they work for Johns Hopkins, the federal government, or industry. What we really wanted to do for our clients was say—we wanted to put them in a pool, whether they're in life sciences right now, whether these people could transition easily from government or academia or what have you, into the industry.

Rich Bendis: I think that's a fair way to look at it, from a pool standpoint, because industry doesn't care where they come from as long as they have the expertise that is needed to fulfill the job requirements within that company, for example. They could come from NIH, they could come from a university, they could come from another research facility. So I think

that's a very good assumption that you used within that report, Ian. Let's talk a little bit about some other things related to that. Salaries with COVID I think have gone up in the last couple years.

0:19:00

Talk a little bit about what trends you're seeing in compensation and salaries in the report.

Ian Anderson:

We can tell you, from what our clients have been telling us over the last couple years, that it has probably never been harder to obtain, retain, acquire talent around the country. It's just a difficult vetting process, recruitment process, et cetera. That is reflective of unemployment rates, as they're at their lowest levels in 50 years. One, we know anecdotally from our clients it has been excruciating. Salaries continue to grow higher. The data we uncovered specifically in the report shows that the salaries for these occupations have been growing at an above-average rate, higher than the average rate for most private workers in the United States, and their highest levels in years. More so, we can tell by recent national data that there's not going to be any letup, as far as we can see, for the rest of 2023. They're going to continue to rise and go higher at above-average rates.

0:20:05

So, it's not going to get any easier. But long story short, they're growing, they're going to grow higher in 2023; it's not going to be any easier.

Rich Bendis:

Another thing that you mentioned also was like the data scientists. Maybe Dan can talk a little bit about this. Because really what we're seeing is the evolution of AI, machine learning, quantum, and all of these other technologies impacting the life science industry. We really talk about it as convergence. That's why we came up with the name "BioHealth" rather than "BioTech," because you're converging of that technology; versus pharma, bio, medical service, and then add in the dimension of AI, machine learning and quantum. Dan, what are you seeing as you talk to potential clients or existing clients right now, as the need for the data scientists *in* the life science industry?

Dan Grimes:

You're spot on. There's certainly a significant amount of overlap, and I think that's one of the reasons that this region has scored as highly as it has.

0:21:08 There's really two reasons. One is what you described previously, in terms of just the sheer number of researchers and scientists that we have that sit on the public sector side that maybe fly a little bit under the radar. But there's certainly a huge cohort of groups that are working for NIH or FDA or at Hopkins, as you alluded to, which the private sector is now recognizing that they can tap into when they're looking for markets to grow. Then the second piece, as you were talking about that overlap between technology and AI and data scientists, if you look at our region and our educational system and the number of specialized graduates that we're pumping out on an annual basis, we score really well, really across all specialties, but especially when you look at biotechnology, and that's where the data scientists come in.

0:22:00 With University of Maryland, with Hopkins, with George Mason, Georgetown, GW—you go down the list, and this region pumps out some of the highest numbers of those specialty degrees, which means we have a pipeline of employees that can ultimately fill those roles and help facilitate that crossover between the science and the technology.

Ian Anderson: It's funny, Rich—I'll just chime in there quickly, too—it's interesting in our research too, because we try to be very precise, limited, focused on just life sciences occupations, or people employed in the life sciences industry. But more and more as I dig into the data—and we account for this in our talent report—is that the most vibrant, thriving, research clusters around the United States are continually most highly correlated not with the number of biophysicists, but it's with more general data points, such as the number of PhDs, regardless of what degree you have it in.

0:23:03 So that's one thing we did. We correlated all these markets with the number of PhDs in the region. We looked at the percentage of the labor force that's just in general, professional, scientific and technical services. Just those two indicators are about as well-correlated with thriving life sciences ecosystems in the United States as any indicator we can find that's just particularly life sciences. So, I think that's telling about what the industry needs, how smart people like to cluster with other smart people, and that some of the more precise life sciences needs to be enhanced with some of these data scientists or just general PhDs and so on and so forth.

Rich Bendis: Let me talk a little bit—it might be off topic a little bit, but it's very important to our region—the region has been known as a basic research region for a long time, but it has become much more commercial, which means that people are actually producing things and selling things in the region now that have been researched.

0:24:06 One of the challenges I've heard, and maybe you can expound on this a little bit, Dan or Ian, is that from a manufacturing perspective, you might not need as many pure researchers, but you need manufacturing talent to go in, to man the manufacturing facilities, that are a result of what the research has produced. How do you look at the analysis related to the manufacturing dynamic, Dan and Ian, and how we grow the workforce and needs for manufacturers since we've become more of a commercial region than just a research region?

Dan Grimes: The report that we've been talking about, as Ian mentioned, is specific to the research side of the equation. I will tell you that we have run similar labor analytics analysis, not quite to the extent of the national level that Ian and his team had put together, for our region, just to see how we stack up against some of the other key life science clusters that are also running into frankly the same issues, now that the science is advancing to a point of commercialization, and there's certainly a greater emphasis on having that close to where the actual science is being done, or starting to see where that product can be developed.

0:25:20 The net of that is the D.C. Capital BioHealth Region scores very well in that regard, in terms of having the demographics and existing workforce to support that type of job and commercialization. Where we don't score as well is the reality of actually having that physical real estate to support it, which is something, as I mentioned at the onset of the call, that we're working to help fill the void. The other piece is, in comparison to some other markets—you can think of RTP as the prime example—we don't have as robust of a training system for those type of employees as you're seeing in some of other clusters around the country.

0:26:04 I think that's one area—well, I know for a fact, and in conversations with the state and local counties—is an area that we are trying to address, but that's where we have some work still to do.

Rich Bendis: I'm a member of the Life Sciences Advisory Board that Dr. Jay Perman, the Chancellor of University of Maryland, chairs, and over the last couple years, that has been an area of focus. When we talk about the talent, we also see the need both in manufacturing facilities as well as manufacturing employees, that we need to have that training, whether at the community college level or at the higher ed level, working more closely with industry to understand what their needs are for the future. I guess were on point, on that, Dan. Ian, let's go back a little bit and talk about—you mentioned the largest 74 markets. Everybody sort of looks at the top 25, top 10.

0:27:00 You've been doing this report now, this is the second year, correct? It's not a long period of time to do comparative analysis, but are you seeing any shifts of people who are upcoming, coming up the ladder relatively quickly, or anybody that are losing a little bit? I'm not just talking about one slot, going from eight to nine, or nine to ten or something, but are you seeing emerging markets really rapidly growing, or are some markets in decline?

Ian Anderson: We don't see those huge shifts, maybe that you want to see, like somebody dropping from like four to eleven, or something like that. We don't see any of that. The data is a little too lumpy, and as you can imagine, these occupations don't change that much, or the graduates we're tracking in biological and biomedical sciences don't change that much year by year. Having said that, when I see a shift of like two places over the last year, I'm impressed, and they occurred in our report in places you might think. One is Philadelphia. Philadelphia has a lot of momentum, and so the number of occupations that have increased in that region, the amount of graduates that continue to increase coming out of there, that was one.

0:28:09 Sacramento is another one, benefiting from the overflow and UC Davis, the Sacramento region. One that's a little surprising to me that shows up not great but it shows momentum, and it has got a lot more graduates than I thought there would be, is the Miami Fort Lauderdale region. Then you've got some really kind of smaller ones that are up and coming. We continue to watch a place like Phoenix. But closer to home—Richmond is another market that we highlight with good momentum. It's not in our

top 25 but it has got good momentum. Also, though it's not in our report, but I think it's important for the BioHealth Capital Region, is Charlottesville is percolating, too. So what I've said to some of my colleagues, too, is that it's interesting to see in the Mid-Atlantic region, we could be in these early stages of what I'm continually seeing in New England too, with Boston.

0:29:00

Boston is starting to see this little constellation of markets around Boston-Cambridge. It's starting to see more momentum in Worcester, more in Providence. You see it more in Hartford and New Haven. And so it's starting to pop up. And so you can start to see it in the Mid-Atlantic a little bit, too. Outside of Baltimore Washington you see it—small things happening in Charlottesville, Richmond coming around, too. Those are some emerging markets, maybe a little—

Rich Bendis:

Thank you for that perspective. Dan, as we look at competition, we're mostly concerned about, who do we lose to, in the BioHealth Capital Region? Talk a little bit—when you see the competitive analysis, and people are looking for three or four sites, and we're one of those sites—somewhere in Maryland or Virginia, D.C. area—who is it that we mostly compete against? We generally would think about Boston and San Francisco, but what are you seeing? Anything changing that perspective?

Dan Grimes:

Yeah. Boston and San Francisco, San Diego, are I think recognized unequivocally as the top three life sciences markets.

0:30:05

When it comes to competition, we typically don't compete all that often against the West Coast markets, so it's really Boston, and then you start to look at the Philadelphias of the world, the RTPs of the world, as kind of the primary locations that, if you were looking to expand or set up shop, you're kind of looking in those markets that all have great connectivity between each of them, so there's advantages of that as well. So the fact that our market has scored as well it has I think has surprised many. Part of the reason, again, is a lot of our talent is a little bit hidden, in the sense that it is working for the public sector. But as groups are either getting priced out of some of these other top markets, or just having such a difficult time for competing for that pool of talent, our market has certainly become a really attractive option. It's one of only four markets

across the entire country that has at least 30,000 scientists.

0:31:04

So if you're an organization and you're looking at where can I go to scale, this is one of the few that can actually support that in a meaningful way, in a quick manner. The other key component, too, is—we were talking about salaries earlier, and while they certainly are rising across the board, that is across the board, so it's for everybody. I think one of the interesting statistics that came out of this report is, it doesn't really matter where you are located; the average salary is roughly the same. So you could be in D.C., you could be Boston, you could be in San Francisco, you could be in Houston, and for these jobs, you're getting paid roughly the same. So that's where the cost of living really becomes impactful. If you're making the same amount but your dollar goes a lot further in one location versus another, that becomes a key decision tool as these companies are looking at where they should go. Of the top five markets in this report, we have the lowest cost of living, so that's another reason that I think you'll see some activity getting drawn to this region.

0:32:05

Rich Bendis:

I think that's great analogy, because the talent is so important, and it's such a big component of the operating costs for any company, as you're looking at it. A lot of people think it's the space, but generally as you continue to grow in population of your base of employees, that becomes such a much higher percentage of your operating costs than what the lease or your facility cost is. But I would imagine when you put the cost of living with the cost per square foot of rental space or real estate in our region against San Francisco and New York, and Boston as well, it's another dynamic that gives you an advantage when you're selling, Dan. Right?

Dan Grimes:

You're spot on. It's a clear cost advantage versus those markets. When you start to compete it to a Philadelphia or an RTP, it's much more similar. In fact RTP is slightly cheaper both on the rental side and some of the incentives, and taxes, and some other factors that go into your overall operating cost.

0:33:06

But that's when you think need to look at, okay, well what does my

overall talent pool look like? And the fact that we have the size talent pool that we do, with that cost savings over some of those other markets, is the combination that I think will let us win the day in a lot of cases.

Rich Bendis: There has been a little softening in the industry, as we all know, based on capital availability, over the last year. But, you do have some nice projects that are emerging, still, within the region. Can you talk a little bit about some of the major existing projects that you guys have been involved in, and some of the new things that are emerging that it's public information and you could talk to the listeners about?

Dan Grimes: Sure, happy to. We've got some really exciting projects on the real estate side here in the pipeline. As you mentioned, Rich, it's a little bit of a choppy time in the capital markets right now, which will certainly have an impact on the delivery of those.

0:34:00 But what I think is important is, as our region grows, it is only going to grow if we have the product to support it. I think one of the challenges for our region historically has been reactive to new demand, versus having that product ready to go. This is an industry where you want to occupy that space two weeks ago, right? The other piece with that is our market has kind of grown on a one-off basis versus having some really exciting master plan developments like you see in some of the other top clusters around the country. Obviously Kendall Square looks a lot different than the Shady Grove market, but that doesn't mean that that's necessarily going to win the day, all the time. With that as a longwinded preface, we've got some really exciting master plan developments that are coming and I think will drive an ecosystem that's more akin to what you see across the country. Just to name a few, Pike and Rose, which I think most folks are familiar with in terms of a really exciting mixed use environment that already exists today in North Bethesda.

0:35:03 Federal Realty has got plans for about 500,000 square feet of trophy Class A lab development. Their first phase, which is construction documents complete and shovel ready and could be kicked off almost immediately, will feature about 260,000 square feet and it's going to be the first truly urban life science environment that we have here in the region. A couple others—in Shady Grove, which really is the largest concentration of

activity for the whole capital area on the life sciences front, you've got Boston Properties, who is going to develop the Shady Grove Innovation District, which will have 1.1 million square feet at full development. Then you've got Trammell Crow, on the old Belward Farm site, who's going to develop another 1.5 million square feet. And those are going to be true master plan developments, not just one-off lab buildings. They're going to have amenities. They're going to have incubators. They're going to have some housing components that truly create a more mixed-use kind of environment that folks that are in the tech industry or life sciences industry or really any workforce is looking for today. So, really excited to have those type projects coming in the near future.

0:36:10

Rich Bendis:

You mentioned—I think it has been one of the weaknesses—we have been reactive, didn't have a lot of spec space available if somebody was looking. It's nice to see some new names coming into the region, and some nice new spec space that is going to evolve through these projects you're talking about, Dan. Let's talk a little bit about the future. Both of you can look into the crystal ball. Ian, what do you see, as you're an economist and a researcher, what are you seeing in the next two to five years here in the life science industry? And if you can even drill down into—we'll let Dan drill down into our region; you can give more of a global perspective of what you're seeing.

Ian Anderson:

You brought up kind of the soft conditions of the industry, which is important, too, because we don't want to overlook that. I spoke about how wages and salaries are going to continue rising, and it's still going to be a tight labor market, so that might surprise some.

0:37:02

Really quickly on that, a couple things why we continue with that, and this gets back to your question about the future. A couple things. One, we track the monthly numbers from the U.S. jobs report every month, and it's really interesting to see, Rich, that we continue to reach new records in the life sciences industry. Even to this date, which is—now, it has definitely slowed in terms of its pace, but the labor market just continues to be surprisingly resilient across the country but also for this industry. So though there are layoffs, it seems that the amount of people getting

reemployed still seems to be pretty good. Having said that, we think it's going to soften, here, in the near term, along with the greater economy. But another takeaway from our report that makes us a little more optimistic, especially regarding the wet lab, is that when we looked at these life sciences researchers, the people working in the lab, the number of those in the U.S. has not declined in over 20 years through three recessions.

0:38:00 So even during the global financial crisis, not as relevant during COVID, but even after 2001 recession, the number of life sciences researchers has never dropped. So, long story short, I think when we look out to the future, Rich, is that we expect the labor market to soften, things still to be slow, but there's still going to be a surprising amount of tightness in this market. So, it's going to soften a little bit more from here, but beyond that, the next couple years, we're still very optimistic that capital markets will heal, get back on their legs, and we're going to be back up and running shortly here.

Rich Bendis: So from an investment perspective, it's a hold with strategic buys.

Ian Anderson: Wow. Yeah. Couldn't have said it better.

Rich Bendis: Dan, let's talk a little bit more about the BioHealth Capital Region. Ian has given us a perspective more nationally and globally what's happening. What is your prediction in the crystal ball about our region?

Dan Grimes: Our region certainly isn't immune to those dynamics that are occurring at a national level, and some of the funding challenges, not real estate related, related to just continuing to fund the science, are certainly prevalent for companies that sit here locally as well.

0:39:12 What keeps me optimistic, though, is the science keeps advancing. I think you see that with the job numbers that Ian alluded to. There's a reason that researchers has never declined despite the fact that we've gone through a handful of recessions during that time period. So, that means that there's going to be continued advancements. Good science is going to continue to get funded. Groups are getting creative on how to do that in near term, but as we come out of this and things stabilize, I think you're going to start to see a much more traditional path of growth for a

lot of these companies. Then at the end of the day, it goes back to a lot of the things that we've talked about during this conversation. As funding is tight, you're going to look to figure out ways to reduce your operating costs. So you're always going to need talent, but if there's an opportunity to reduce operating costs, you're going to take that.

0:40:03

I think our region offers a really compelling way to do that, which will be super beneficial in the near term, and then as we get additional growth and companies to the market, you'll see them continue to grow as the industry kind of stabilizes and continues its path forward.

Rich Bendis:

Thank you. We've been speaking with Dan Grimes, Senior Vice President, Life Sciences, for CBRE; and Ian Anderson, Senior Director for Research for CBRE as well. I'm going to give you guys last words. Is there anything that I didn't ask or we didn't discuss that either of you feel that the listeners would be interested in hearing from either of you?

Ian Anderson:

One final thing about the report here, and I think it's important for the region too, and/or policymakers, or maybe some of your audience—I think the one important thing for them to hear is that it's a pretty pivotal moment for the region to think about its future here. We've obviously got a lot of sluggishness regarding the federal government, its outsized effect on the region.

0:41:02

What our report shows, what some of the data are showing, is that this region has the number three ranked talent in the country to grow this industry locally. It has got a huge anchor here. It is now time to really take a hard look and make sure we don't lose that anchor, or we do everything we can to make sure that this industry, which has a very long-term bright outlook, to make sure it stays here and flourishes here. Because this is not something you want to lose. It's also something that every metropolitan area in the United States is chasing after very aggressively. And it's happening all over the region. Universities want to get—so listen, we've got a gift here; the data shows it. It's time to take advantage of that edge we have.

Rich Bendis:

Right. Basically, don't take it for credit. Basically at this particular point in time, try to protect it and grow it, because we've got a base that other

people will never, ever have, really. With NIH and FDA, there's only going to be one NIH and one FDA in the United States, and they just happen to be both in our region.

0:42:08

Dan, anything that you have for last words for our audience?

Dan Grimes:

I don't think there's anything I can add to that. That's a message I've been, like I said, pounding the tables on, trying to tell, but coming from somebody that sits in Philadelphia, like Ian, our competition, he runs a national report, like I can't say it better than that. So, completely agree with everything that was just said.

Rich Bendis:

Super. Lastly, for the listeners, when we release this podcast, we'll also have a transcription to link them to that report. But if they have an interest in getting access to that report before this gets public, Ian, how can they get access to your *U.S. Life Science Research and Talent Report for 2023*?

Ian Anderson:

I think if you just Google, actually, "2023 CBRE Life Sciences Talent Report," they can download that. If that doesn't work, Rich, you know what? You can give them my email and I'd be happy to help them and send it to them.

0:43:00

Rich Bendis:

If you'd like to give it to them, you can tell them now.

Ian Anderson:

Oh, all right! It's Ian.Anderson2@CBRE.com. So, I-A-N-dot-Anderson-number two, CBRE.com.

Rich Bendis:

And that's Anderson with an "o"; very good. Dan, anything for the listeners before we close here?

Dan Grimes:

Feel free to reach out to me as well. Happy to help with anything I can. My email is Dan.Grimes—G-R-I-M-E-S—at CBRE.com.

Rich Bendis:

Great. Thank you very much. I want to thank Dan Grimes, Ian Anderson, both with CBRE, for enlightening our listeners about the top talent we have in the BioHealth Capital Region. And one of the statistics that I wasn't aware of, which we're going to promote more, is that we're one of four regions in the United States that has over 30,000 research scientists

in the life science industry. There's only four, guys, and we are ranked number three. So, keep up the good work, thank you for your reporting, and we'll continue to follow your analysis. Ian and Dan, thank you.

Ian Anderson: Thank you.

Dan Grimes: Thanks, Rich.

Narrator: Thanks for listening to *BioTalk*, with Rich Bendis.

End of recording