

9th Annual BioHealth Capital Forum 2023

September 19, 2023



BHCR Observations



BHCR Ranks #3 Among Life Science Clusters

Mary Ann Liebert, Inc. publishers

Rank	Cluster	NIH	VC Funding	Patents	Lab Space	Jobs
1	San Francisco Bay Area	\$4.038 B	\$13.75 B	27,472	47.1 M SF	158,449
2	Boston / Cambridge	\$5.421 B	\$12.16 B	18,769	55.9 M SF	106,704
3	BioHealth Capital Region	\$4.245 B	\$1.45 B	52,899	31.69 M	128,886
4	New York / New Jersey	\$5.38 B	\$2.49 B	9,793	23.1 M	144,500
5	Los Angeles / Orange County	\$2.25 B	\$4.63 B	5,676	11.4 M	134,739
6	San Diego	\$1.965 B	\$3.44 B	12,705	24.4 M	77,770
7	Greater Philadelphia	\$2.343 B	\$880.27 M	14,969	22.8 M	71,286
8	North Carolina	\$3.482 B	\$1.57 B	4,552	17.6 M	75,000
9	Seattle	\$2.206 B	\$1.58 B	4,125	9.26 M	43,500
10	Chicago	\$1.91 B	\$1.31 B	4,452	1.98 M	90,941

#1

BHCR region leads the nation in the number of biotechnology patents

#3

BHCR is third in total NIH grant funding

#3

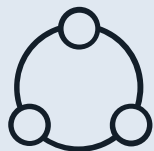
BHCR is the third largest life science cluster

Source: Genetic Engineering & Biotechnology News, 2023



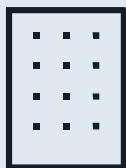
National Overview

Key industry trends to watch at mid-year 2023



CRE fundamentals point to market correction

Markets with the strongest real estate development reactions to the pandemic-fueled life sciences boom are the markets experiencing the strongest 'corrections'



Tenants return to core clusters

Tenants will favor assets within the best ecosystems, while universities will continue to drive development activity.



Small deals dominate leasing

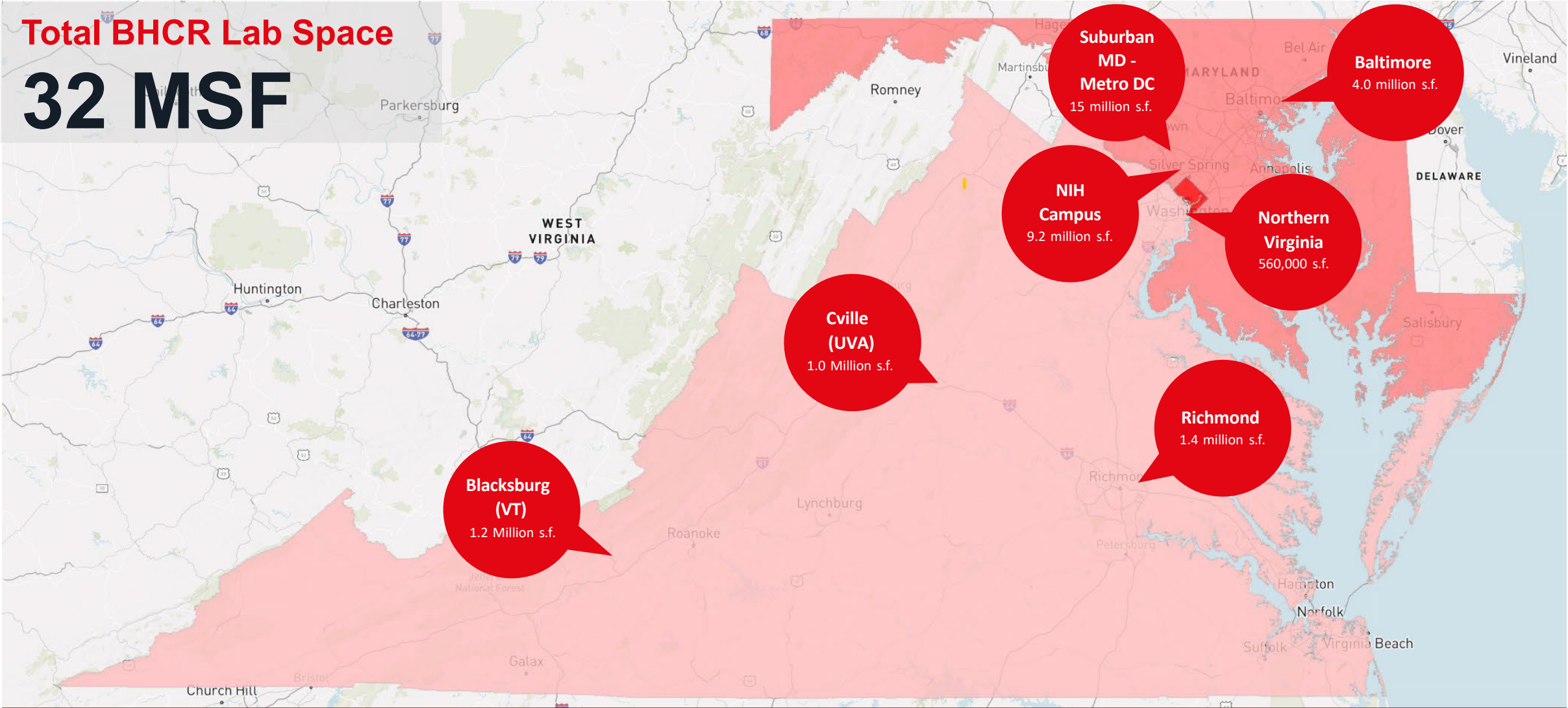
Small tenant deals (less than 30,000 s.f.) dominate the demand cycle, hindering shovel-ready developments from moving forward.



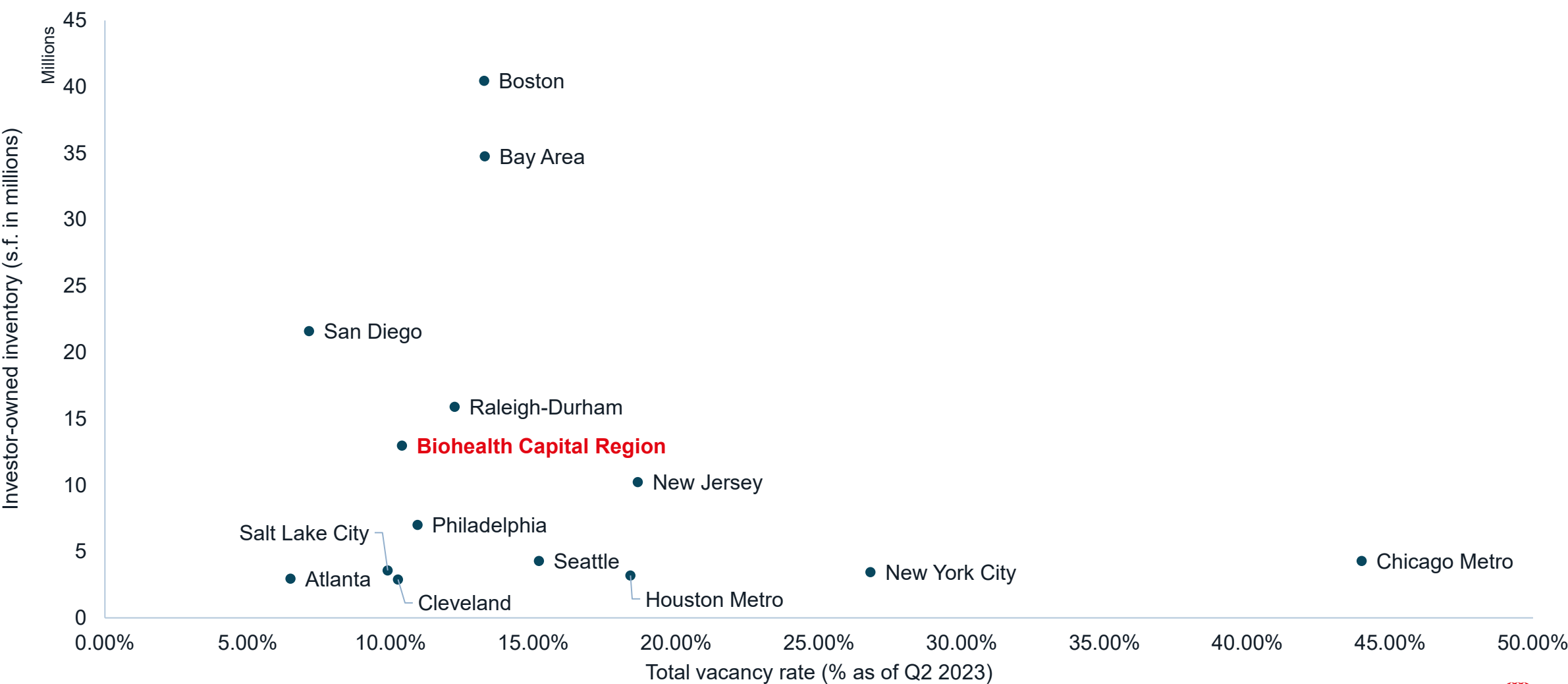
VC activity cools and is more targeted

Substantially less deal volume, smaller rounds, and a higher share to companies closer to generating revenues; investors signal a return to pre-pandemic attitudes

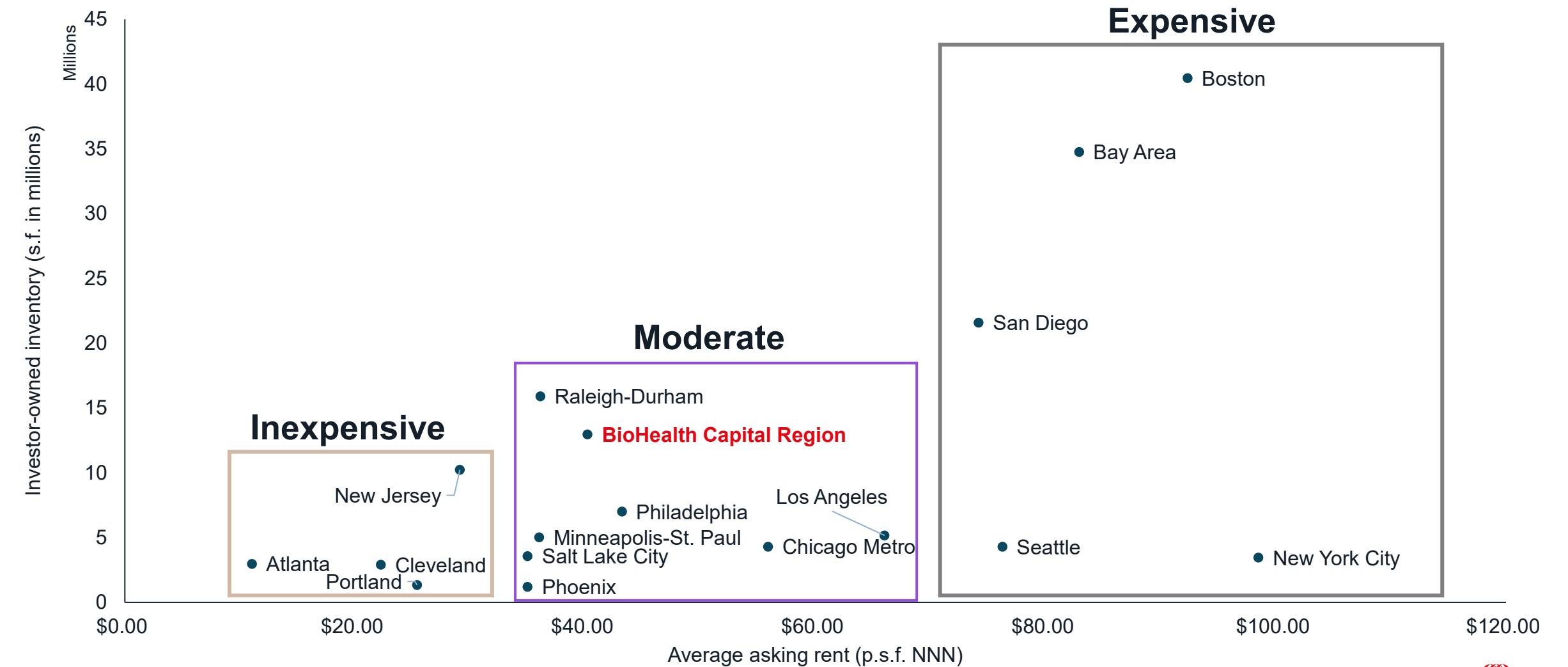
Key market clusters within BHCR



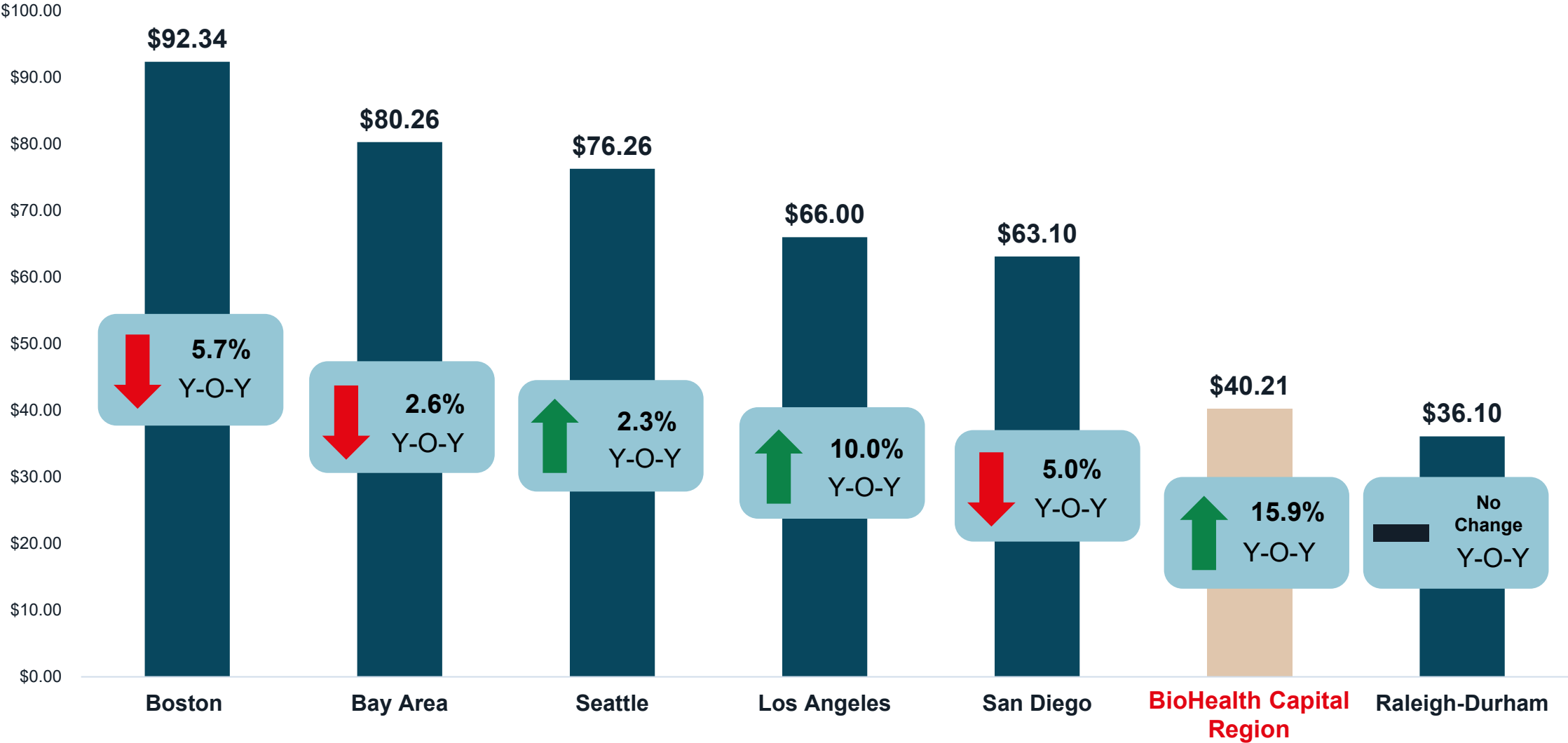
Rapid development and softening demand caused significant vacancy jumps in leading markets, Boston and SF Bay Area; less drastic in BHCR



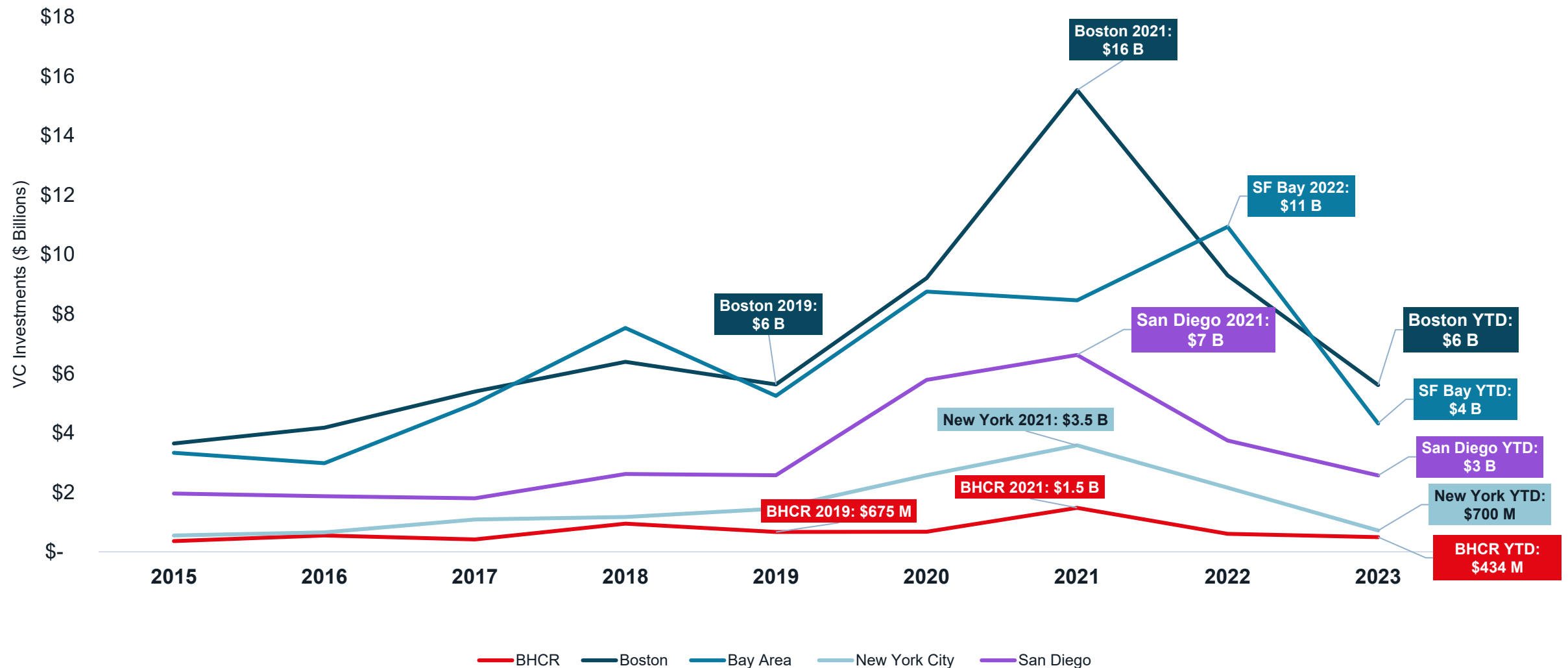
Despite dynamic rent growth, BHCR remains a moderately priced Life Sciences cluster compared to other markets



Rents begin to fall in top tier markets while BHCR shows steady, continued rent growth

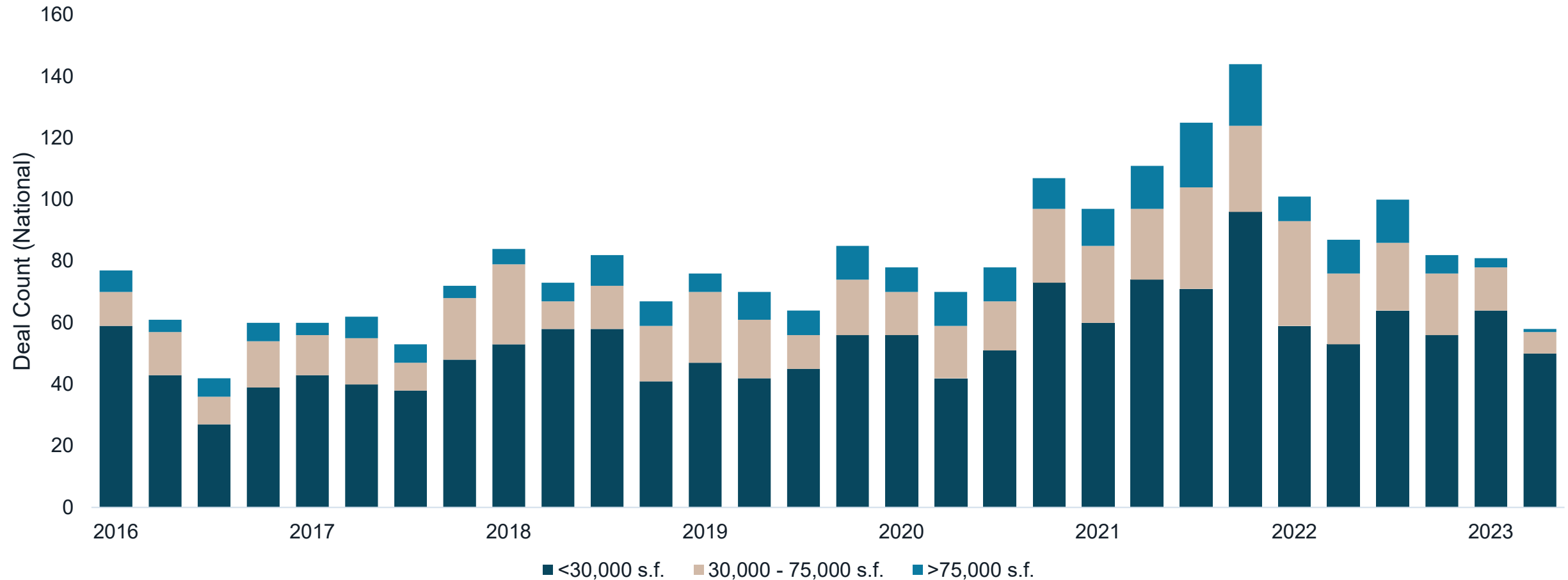


VC investments in Boston and Bay Area markets surged during Covid but have since fallen sharply; companies forced to look elsewhere for capital sources



Large tenant demand falls off in 2023; may slow pace of groundbreakings on projects that require a prelease commitment

Quarterly Leasing Deal Count by Size Tranche (s.f.)



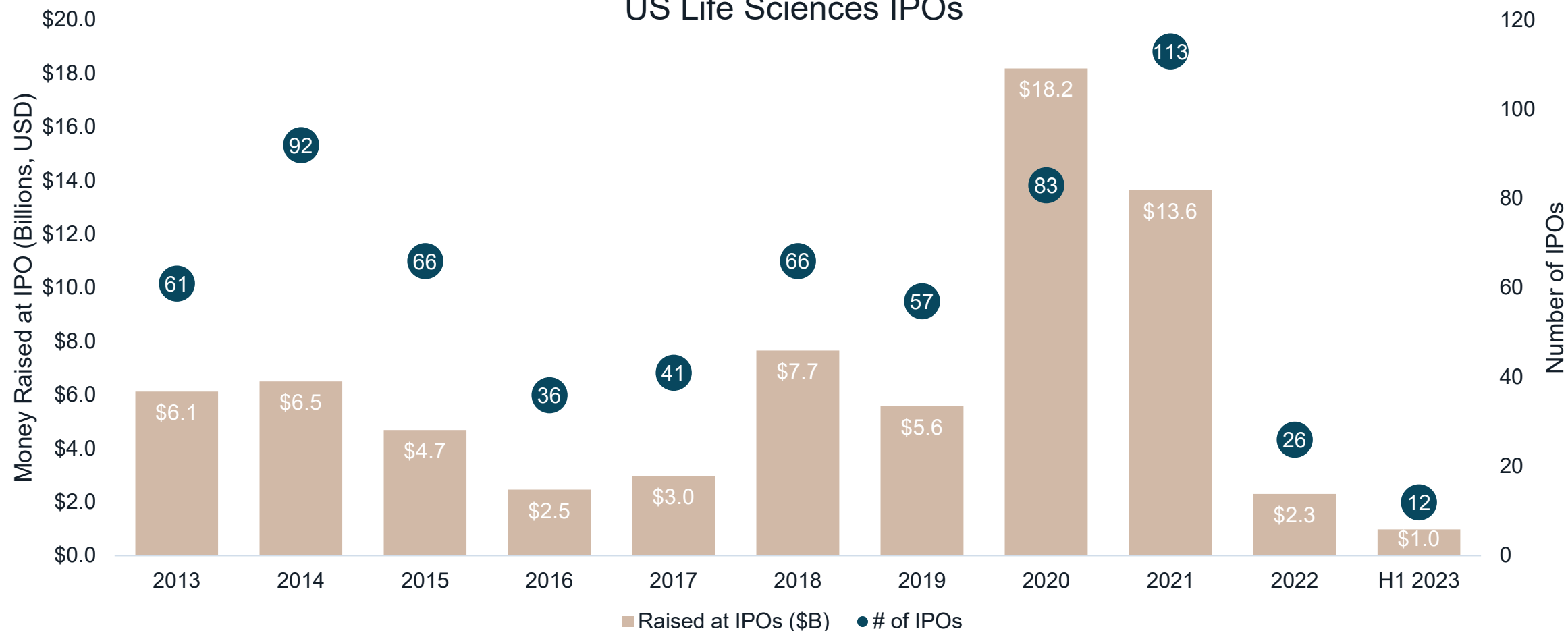
Source: JLL Research; Boston, San Diego, Bay Area, Philadelphia, Greater DC, Seattle, Raleigh-Durham; as of 7/20/23

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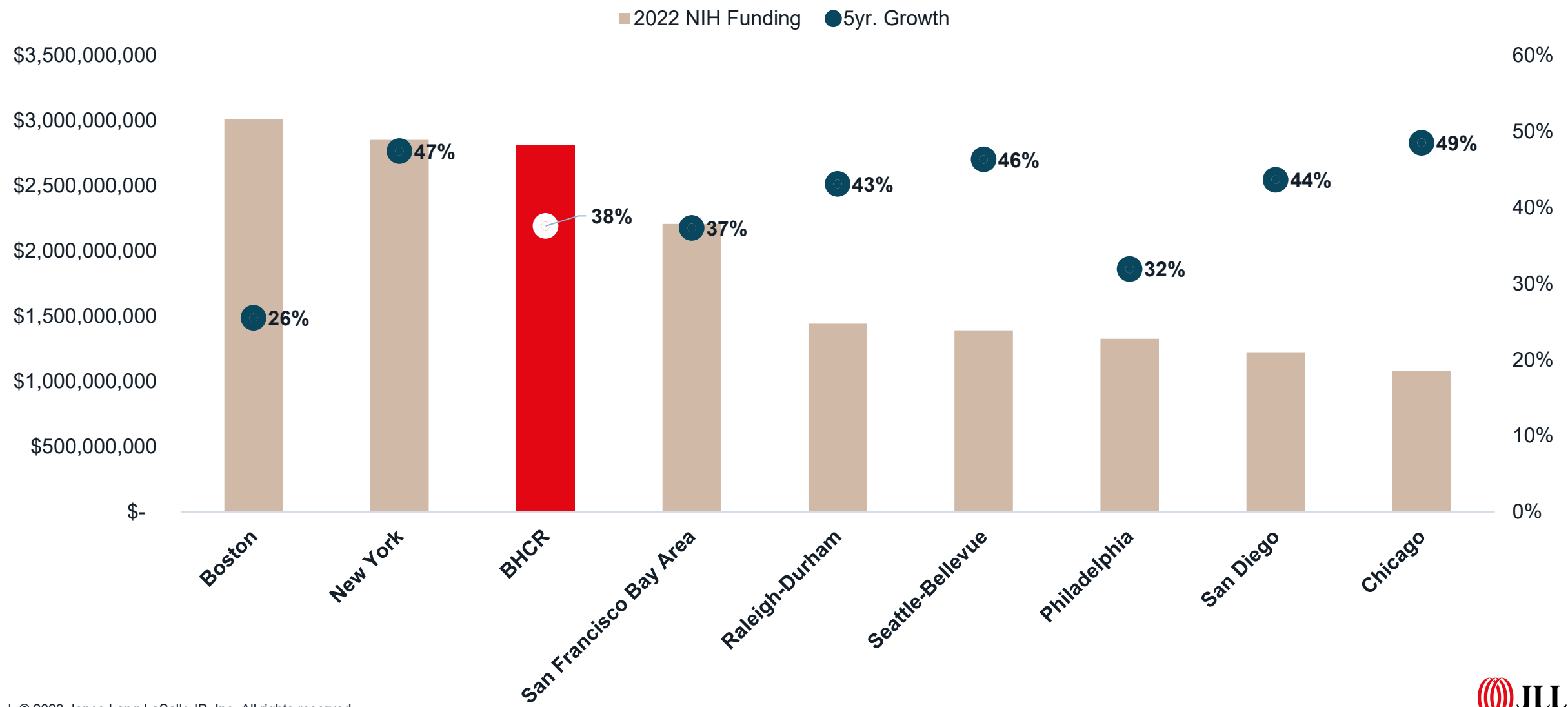


Life Sciences IPO bubble bursts – only 26 companies went public in 2022 after 113 did so in 2021

US Life Sciences IPOs

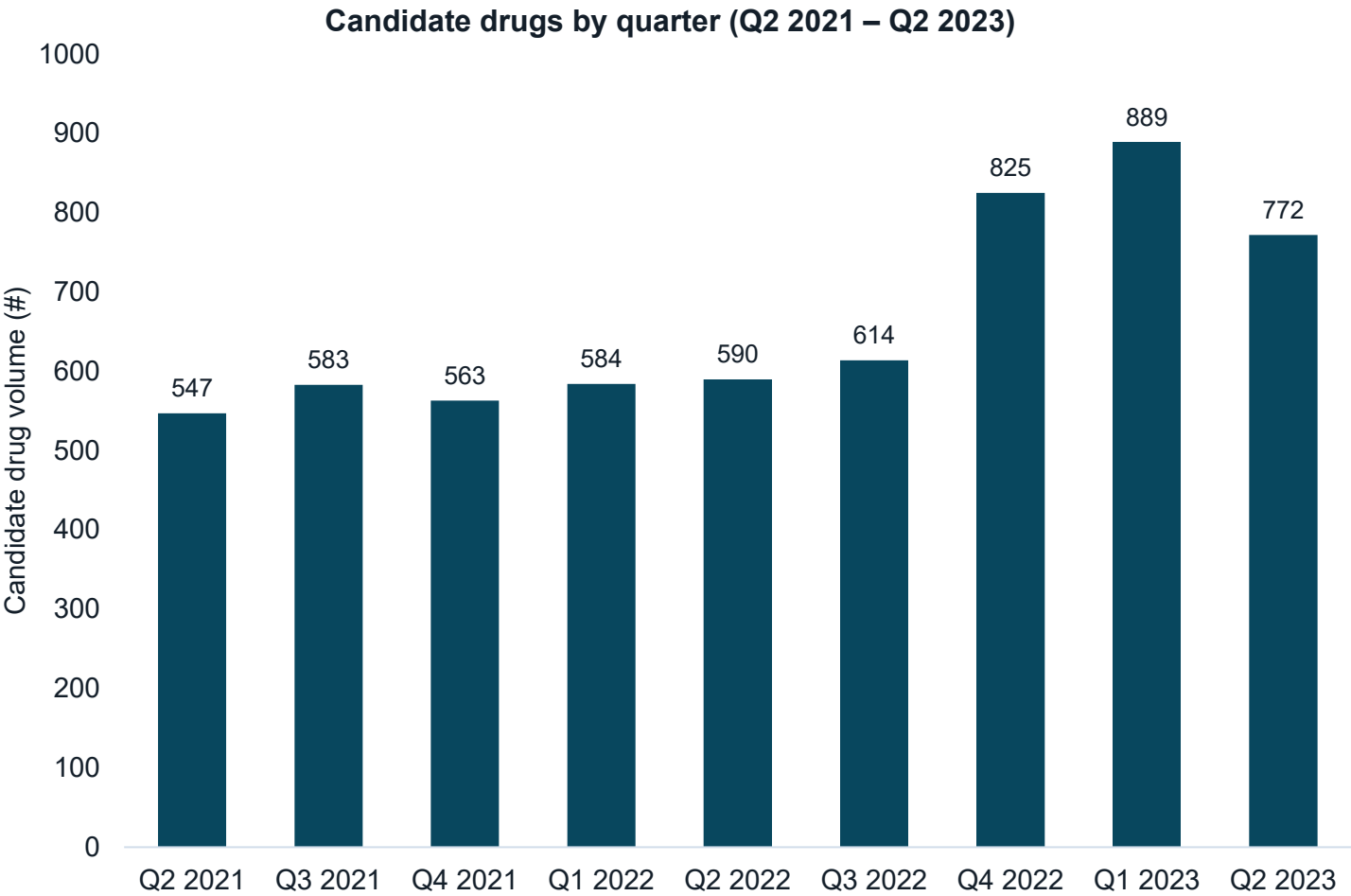


BHCR ranks among top markets for NIH funding, growing 38% in 5-year period, faster than Boston (26%)



BHCR Observations

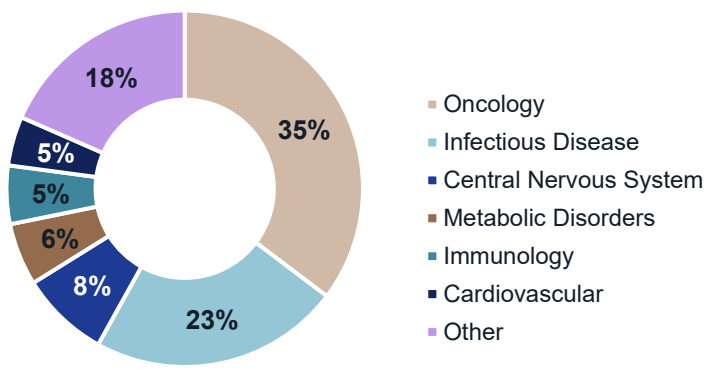
Maryland's clinical pipeline on the rise with Oncology therapies and preclinical phase leading the charge, represents approximately 2% of the nation's pipeline



Source: GlobalData, JLL Research

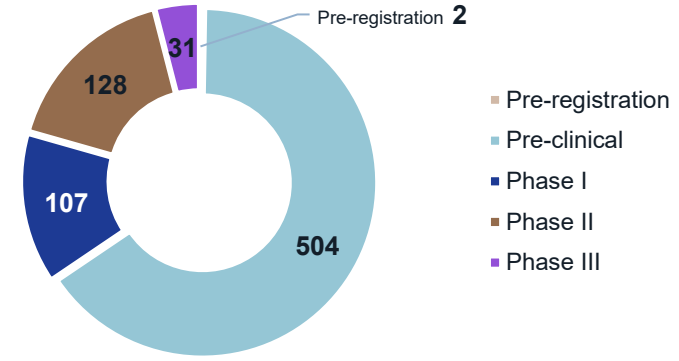
Candidate drugs by therapy area

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

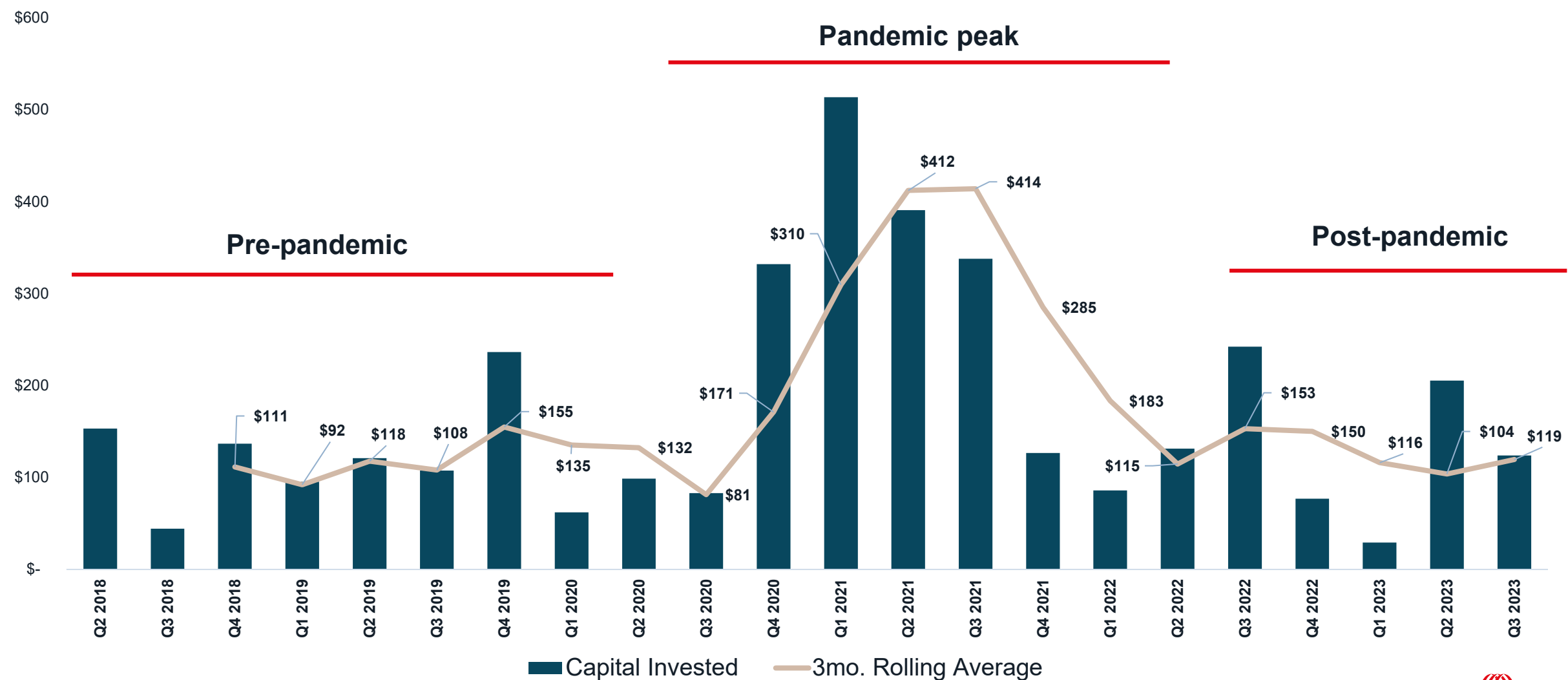


Candidate drugs by development stage

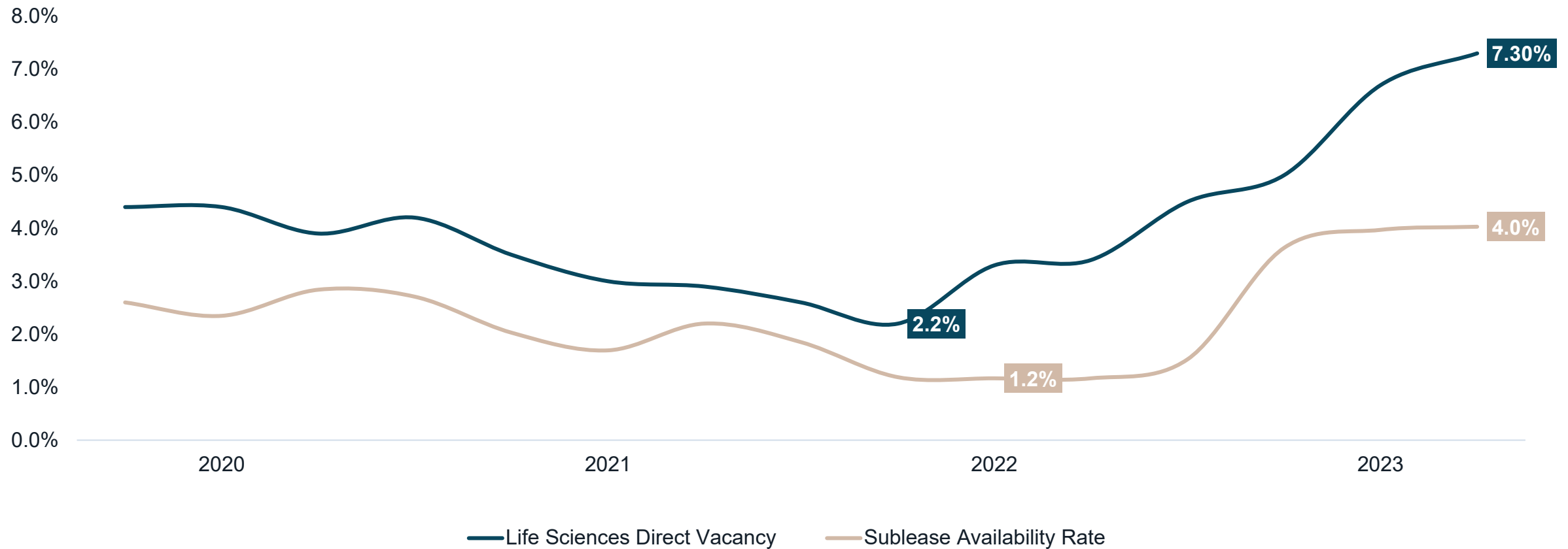
Of the 772 drugs in the clinical pipeline, 65% of drugs are in the pre-clinical trials stage



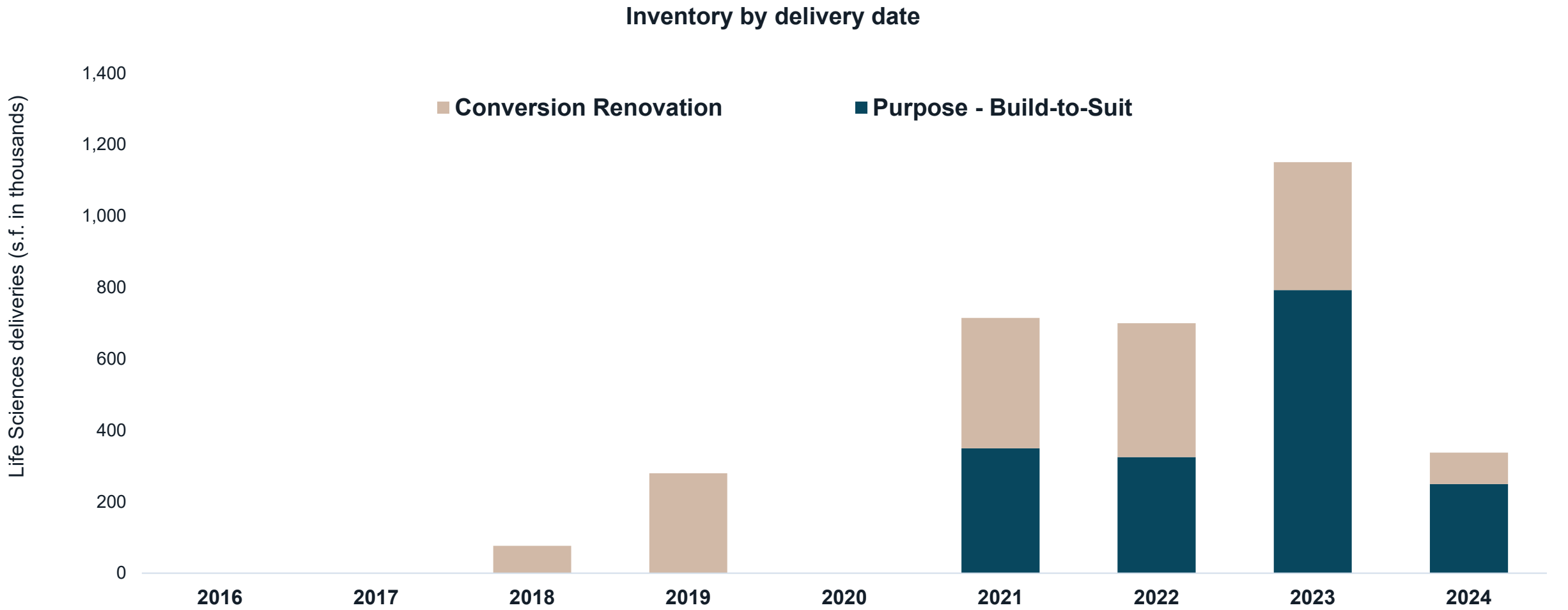
Venture Capital investments in the BHCR settle back to pre-pandemic levels



Lab property fundamentals remain tight in BHCR but hairline cracks are starting to emerge with rising vacancy rates and sublease availability



Nearly 1.5 million s.f. of new product will deliver in 2023 and 2024 of which 58% is still available for lease



Looking Ahead

- Reduction in available funding and investment for startups and early-stage companies. Search for IP will drive companies to acquire promising start-ups.
 - Cash pressured start-ups with strong science will be key targets.
 - Slow down in new development until interest rates stabilize and activity picks up.
 - Rents will stagnate.
 - Big pharma will fuel M&A activity.
 - Investment increases in manufacturing innovation
- Facilities will need to evolve to support increasing use of robotics, automation technology, and small-batch processing.
 - As more administrative roles move to hybrid models, companies will reinvest their CRE spend toward R&D efforts and facilities.
 - Tenants return to core clusters and will favor assets within the best ecosystems, while universities will continue to drive development activity in emerging markets.

Questions?