EP.156 - Matt Gardner

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 for *BioTalk.* Today we have a guest that's going to talk about a very important topic that's very influential in the whole life science industry not just in the BioHealth Capital Region but also nationally and internationally. It's really the talent that is needed to support and grow businesses in the BioHealth and life sciences industry. There's an organization that does an annual life sciences talent trends report and that organization is CBRE and we have the head of life sciences for the Americas, Matt Gardner, who is going to talk about this latest trends report for 2024, the results and some of the things we might see emerging nationally as well as what's happening in the BioHealth Capital Region of Maryland, D.C. and Virginia. Matt Gardner, welcome to *BioTalk*.

0:01:11

Matt Gardner: Thank you Rich, it's great to be with you. Like you've I've worked on innovation ecosystems for a long time. Also like you I would say, I don't want to hide my bias here, I worked at what's now called the Tech Council of Maryland in 2002 and 2003 so it's a little bit of homer set of questions for me and I'm a little bit partial to the I-270 Corridor in Northern Virginia as well, so I always love talking about these issues.

Rich Bendis: That's great. We love to interview homers that like the BioHealth Capital Region, Matt. So, that's okay, you can be as prejudiced as you want about our region being one of the best in the world. Normally, I would introduce you from reading your bio but I think for the listeners the best thing that could be done is for you to introduce yourself, Matt, so why don't you go through your little background? You've already given us some. The Tech Council of Maryland back in 2002 and '3 but give us a little more information on your background.

0:02:00

Matt Gardner: Yes, sir. I've worked on a number of our largest ecosystems in the life sciences business and I spent a decade running an organization called BayBio, which no longer exists, out in Northern California. Also, interspersed in the middle of all that I've done a bunch of startups. The first I did was with a UCLA principal Investigator called Meer Kazasky (0:02:22), called the Patent and License Exchange. And I just want to tell you Rich, timing is everything; ours wasn't good. [Laughs] In 1998 the Patent and License Exchange had a concept that wasn't written in law or regulation yet. It became 409A in Sarbanes-Oxley. So if you've ever done a startup on the track to IPO, you have to get an independent asset valuation and tangible asset valuation. We had crafted a mechanism for that using the Black-Scholes Model for baskets of comparables. Except there was no Sarbanes-Oxley! So it was really hard to explain what the value of an independent and tangible asset valuation was.

0:03:01 We went through the typical sort of dot-com process in that era when red herring was at its peak. And like the rest of the dot-com peak, it ended. Rather suddenly. So along came Sarbanes-Oxley and boy, we sure looked smart then [Rich Laughs] but the company was gone already. So, got bit by the start-up bug and really enjoyed that stretch of time. Came through Maryland in, like I said, 2002 and worked with great regional leaders like Steve Treveson and John Holaday—who's now gone—and Ed Rudnick and Ken Carter (0:03:27) and many others and really enjoyed that ecosystem for just a tremendous group of brilliant leaders. I would say some of those exits have been fun and unique to watch. I've stayed in touch with Bill Haseltine and Chuck Fleischmann and a bunch of others who've had their exits and enjoyed it. And really, a great group of people.

Rich Bendis: Well, you're talking about the good ol days and hopefully we have some good ol days in front of us, which you're going to talk about. We definitely have some of the talent to keep those good ol days percolating.

0:04:00 Before we get into your report, a lot of people don't know what CBRE is. Why don't we talk about the history of CBRE and where you are today, Matt?

Matt Gardner: CBRE is the largest commercial real estate service organization in the world. It's an organization that had its birth at the separation of Caldwell

Banker and Caldwell Banker Commercial. That was the initial incarnation of CB. Later a series of acquisitions started that launched us into CB Richard Ellis, which is the CBRE you see today. Many other growth phases have followed. So now we have businesses including investment management, real estate development, and all kinds of financial services to support real estate. When it comes to lab-based real estate, what we look I think at as the core service offering is being a partner in growth to those growth phase companies. We also do outsource facilities management, so many of the industry's leaders engage us to support their own internal operations.

0:05:02 It's a complicated business, but only insofar as you worry about the one degree off that any refrigerator can be when critical cold chain is involved. So that's the complexity of the business. It really boils down to servicing facilities for multinationals and growth stage biotech companies as their growth partner and we really love the business and obviously it's a great way to support what we all get to do in BioTech every day. We're not just making widgets around here so we love seeing the amazing products that the industry makes.

Rich Bendis: Then you mentioned that you also have offices nationally. Talk a little bit about the scope of your operations.

Matt Gardner: We have offices around the world. I think in the BioHealth Capital Region, it's important to keep in mind the presence that we have is everywhere. So we have a Tyson's office—a big D.C. regional capital office. We have a Bethesda office, a Baltimore office. Actually some of our big multinational account teams support is in Baltimore as well. So a significant presence for us in that area and we've been I would say a part of the BioHealth Capital for its entire duration.

0:06:04 Long enough to know what the original meaning of the company Life Technologies was as Bethesda Research Labs and all the things that went with that. So, we're older than we look, Rich.

Rich Bendis: You're going to resonate with a number of old-timers that may be listening to the podcast, Matt. One of my team members, Albine Martin, used to be with Life Technologies. That's one of the things she talks

about. And of course, you talk about Ken Carter, Ken Carter was one of the original board members for BioHealth Innovation and on to doing bigger things internationally now, as a lot of the people have.

Matt Gardner: I've known Albine a long time, so happy to hear that.

Rich Bendis: Great. Well, she'll enjoy listening to you, Matt. Now let's get down to really what the major topic is of the day and that's really talking about talent. You guys have been doing this talent trends report. You're going to talk about the length of time you've been doing the report. And you just released last month the 2024 talent trends report—looks at different regions of the United States in different categories.

0:07:03 Share some of the key findings of this report with us right now. Probably on a national level at first—we'll drill down into the BioHealth Capital Region later—what we have going on in the life science industry today and what are some of the trends we see you're projecting for the future.

Matt Gardner: Yeah, let me set the context for this year's report, Rich, because I think that's always important to keep in mind. The industry had its longest bull run ever from 2015 through the end of 2021 and really started to, I would say, slow down—didn't really observe the data as a pause until the middle of 2022. Still the longest bull run the industry has ever experienced, the most sustained amount of new investment. And that took every form conceivable. So, the amount of venture capital flowing into the industry, the number of IPOs that capitalized the industry, the M&A and partnering activity—all at all-time highs over a long sustained period. That's really the scene that was set down for why the pause in those capital markets in the middle of 2022 has really caused some concern I think around the industry about how we'll get through this and what sort of disruption we expect in the science.

0:08:17 So if we keep our eyes on the science as being the most important fundamental, how do we track it and what does it look like? So here we are now, going on past 18 months through this capital markets pause and we've started to see as of the beginning of this year a little bit of trickle of IPO and lots of secondary offerings. At the same time now that we can look back in hindsight a little bit, we can say that Q3 of 2023, going on a

year ago now, we saw early stage investment tick up. So that's the context. The reason I wanted to set all that up is here's the top finding from this year's talent report, the 2024 edition: the total headcount in R&D in the industry and overall is I think the most important top-line bullet point in the talent report.

0:09:01 And it follows very closely with that bull run that began in 2015. Continuous new records set for employment in the industry, particularly most importantly tracking R&D employment. And if you look at what's happened to that number, it's never actually contracted, Rich, in the history of the industry. So what we've seen since the capital markets pause is a headcount pause, but not in the net a contraction. So then you compare that to R&D spending among the industry's leaders and all the sort of traceable figures you can gather on public companies and what they publish about R&D spending. That has remained up as well. I think what we see as the key finding here is: although capital markets have been difficult, the capital-raising environment has been a challenge, valuations are down with the noted optimism that comes from the uptick in early stage venture from about a year ago—the net is we see this headcount growth sustaining about where it was when the market paused and R&D spending sustaining.

0:10:08 What does that tell us? I'm going to borrow from our friend Ted Love who is the current chairman of Bio. Ted put it this way at JP Morgan this year: he said, "Really what this signifies is that the investment that the industry's made has produced windfalls of new science." All of this innovation—I'll pick a few topics out of this—but including all the CRISPR gene therapies that are on their way through the pipeline, all the applications of large language models to clinical development and all the other things that we're seeing simultaneously have an impact—that has sustained. So as difficult as it is to raise new capital in this environment, the significance of that bull run basically was hundreds of new products in the pipeline. And the industry is having a hard time obviously carrying that collective pipeline forward—it's expensive to carry—but we've been able to maintain that investment in new science.

0:11:02 And that's remarkable given all that we went through between 2015 and 2022. So, pretty amazing top line.

Rich Bendis: Yeah, I don't think anything you're saying is surprising, especially to some of our early-stage entrepreneurs out there who are finding it a little more difficult because the VCs, private equity, family offices might be going more toward clinical-stage investments. They are looking for returns, because returns haven't been there because of the challenge we had and the bubble for the last couple years. But I'm glad to hear you say you're seeing an increase in some of the start-up or early-stage funding, which might not be obvious to a lot of people out there that are struggling, but on a national perspective it's a very good indicator that we're not totally turned around yet, but we might be going in the right direction.

Matt Gardner: I think that's right. There's a great MBA textbook called *Who Moved My Cheese*, and it's about sometimes that conditions change. You're not going to get the valuations that you were getting in December of 2021.

0:12:02 They're gone. It's over. I think the good news is—to quote a James Bond movie—a hell of a chunk of dough sitting around there on the sidelines and it *has* to move. There's been—according to [0:12:11]—somewhere around 110 billion dollars in new venture funds raised, it has to go to work. And so even if the valuations are softer, the capital wants to find things to invest in. And so I think that's the good news.

Rich Bendis: That's why we're trying to let people know that we have the talent and the quality and the BioHealth Capital Region is a good place to make an investment, which we'll get to. Now CBRE is not only involved in just life sciences or the BioHealth industry. You service basically all industries. One of the things people have been observing is what's happening in the commercial office space versus the wet lab or the life science space nationally. Talk a little bit on the contrast in those two trends for us, Matt, please.

Matt Gardner: That goes back to part of the legacy of this life sciences trends annual report. Our sister practice in tech produced the first one that CBRE produced.

0:13:05 And of course in big markets like Boston, the BioHealth Capital, and Southern California and the Bay Area, Seattle and a few others, that tech community has really laid a lot of groundwork for the growth of large

caps and their real estate demand driving investment for the whole industry. Well, we're of course pretty closely aligned to those growth stories and so I would say if you lump those together as science and technology on the whole, you'd see what we've supported in the last decade is a pretty consistent story. And the contrast with the general office market is that especially for life sciences—there's some data out from some of the Wright Observers—that says that life sciences is in a state of outperform to the overall market and here's what that looks like. Basically at five- and ten-year intervals you can see life sciences consistently outperforming the entire basket of real estate.

0:14:02 Obviously, I'm partial here but it's a great story, and so that's outstanding. I think at this moment when the market is relatively weaker, what we're seeing is that there's higher vacancy than we would all like. What that translates into is a vacancy rate—for example if you pick the Bay Area as a microcosm of these things—the Bay Area's kind of peak science and technology right? It's disproportionately high in both tech and life sciences. The vacancy rate in the office market there is about ten points higher than the vacancy rate in life sciences. That's, I think, the contrast that we see that a number of things are coming together. First of all, COVID led to a comfort level with distributed work that I don't think anybody really had anticipated. And so we saw a mass migration that resulted from COVID that I think people are still trying to navigate. Return to office has been a really interesting overall process to watch.

0:15:00 Here's one thing, Rich, that I think we find—and not being an office guy I generally see this in how we support our most national clients. But life sciences are different though. You can look at this conversation with big life sciences owners and operators and see that the lab itself is something of an amenity. Here's what I mean by that. We've seen office move to quality. And so office users want to find a place where their knowledge workers want to come to work. They want a quality of life around them. They want restaurants and entertainment and those kinds of things. So if you look at submarkets—I'll give you a great example—Fulton Market in Chicago has been a tremendous success story. Google has built two towers there and on it's gone, because they already had the sort of outdoor casual dining environment, a really peak entertainment district

that was already built into Fulton Market. It's a great story. So when you put that together with what has happened to both science and technology employers and their race to attract and compel that knowledge worker, they're after the same things.

0:16:08 Highly amenitized locations, lots of quality of life surrounding those locations. So the same issues are true in the flight to quality in office. So class A ceiling glass office space—also class double A, so the sort of highest and best—is where we've seen quality move. If you ask a multinational lab user, A: they've gone to some of the same locations following each other, places like RTP in North Carolina, highly compelling location. Suburban Maryland, highly compelling location. Northern Virginia's been on the map for a long time. It has obviously done very well, especially in tech and telecom. They've all followed each other to go to those locations and try and appeal to the knowledge worker. The lab *itself* has drawn people in as an amenity because it's an anchor of activity and the generation of ideas that come from the lab have produced that same sense from around those companies. There's a buzz of activity around the lab that makes life sciences a very unique asset.

0:17:03 And so when you compare this to the traction that we've seen in the flight to quality for office, the flight to amenitize locations in lab doesn't necessarily depend on the same sort of urban density that create quality of life. The lab itself is a motive for a lot of people to go to work. People who work in biotech oftentimes are taking it somewhat personally. If you've had a family member pass from cancer, as I have, you take it personally, and you go to work for cause. That's something that's inextricable to the industry. There's both a personal motivation that comes from it and a sense of hope that comes from it. And you get that reminder all the time if you're around patients at all or you've seen products go to work or you've seen the oil-eating enzyme save the environment. There are lots of reasons to go to work in BioTech, and these are just a couple of them.

Rich Bendis: Thank you for that, I think life sciences does give a different perspective than most of the other industries in the United States and people can be more empathetic towards the life science industry. Before we drill down into the BioHealth Capital Region, last thing on national trends.

0:18:04 As you look at the different categories you do your rankings in, were there any shifts in any regions of the country in life sciences where you saw either people increase their ranking or decrease their ranking from last year?

Matt Gardner: First, Rich, I want to compliment our research team for going much, much deeper this year than in prior editions. I'll tell you specifically what I mean by that. We went much further into analyzing 100 metros in this year's edition, so the analysis is richer and has a more complex sort of weave to it. Also, the team compiled much deeper data on two additional segments of the industry: biomanufacturing which has become a little more ubiquitous and certainly well known to the I-270 Corridor, and then medtech where there's a different set of regions that jump out as leaders. There are some places where there's significant overlap and I would say Maryland is one of those.

0:19:02 For example, there's a tremendous diagnostic space that goes from Rockville to Columbia and beyond. So I think we've been able to take an expanded view of what sort of feeds the industry's sustained growth by adding other segments of the industry beyond just the conventional therapeutic lab base of the business. That speaks well to not only Maryland but also a bigger national picture beyond, for example, the stereotypical thinking about how are Boston and the Bay Area doing? It's more than that. There's a lot more to it than that. So, what jumps off? Well, when you look at those top 100, I would argue life sciences is almost everywhere. If you look at the report there are success stories that pop up all over the country and this is one of the most exciting things about this. Life sciences is in more places than people think. Too, if you look at some of the places that have had a disproportionate growth you'd find places like Pittsburgh, Salt Lake City, Tampa, and some others, surprising I think industry observers in general.

0:20:06 It really does help to go a little deeper and look at a longer list like this top 100 that our team has compressed. Not to bother you too much with the sausage-making process but the other thing that we've taken a look at is how the training factories are working. So, for instance, Maryland—you know this already—but the combination of the UM system and groups like Collins Jones at Montgomery College, *tremendous* inputs to

the industry over the long haul. That's one of the reasons why the biomanufacturing space has performed so well. They're growing all the way out to Frederick and creating some density in the ecosystem on I-270. The BioHealth Capital really is one of the just small number of handful of leaders in biomanufacturing and it's largely based on the established training in the industry. Now, I would say you can draw a link that's permanent in Sharpie to academic anchors when you look at where the industry has grown the most and how it works.

0:21:02 If you look at how we characterize Salt Lake City and the Michigan Complex and what has happened in Minnesota, there's always a connection back to where the academic anchors are. There's no exception to that. None.

Rich Bendis: And we're very fortunate to have Johns Hopkins, University System of Maryland, plus all of the D.C. and Virginia Universities. We really have a strong academic base to build upon here. We're talking to Matt Gardner, head of life sciences for CBRE and talking about the 2024 U.S. Life Sciences Talent Trends Report. We've just gone over some of the national trends and now we're going to drill down a little bit, Matt, on Maryland, D.C. and Virginia. Just give us your overall perspective on the BioHealth Capital Region, how it fares within this report and—since you're a long timer who's been monitoring activities in this region, as you say, you're a homer, that's okay—you can give us some of your homer perspectives on the BioHealth Capital Region now.

0:22:00

Matt Gardner: You're playing with a handful of aces here in the region. BioHealth Capital has had a number of natural advantages for a very long time. This actually goes back to the roots of the industry cluster there. I would say the reason Bethesda Research Labs created the strength that it did in the 1970s and beyond is because the amount of federal investment in R&D was drawing private-sector investment to go with it. As a lab supplier, BRL became a dominant force locally, created a great legacy in the region. That was part of the reason that companies like QIAGEN invested in the area the way that they have. We've certainly seen a tremendous long-run story in the BioHealth Capital that has been sustained. Now, if

you actually lift the camera up to 10,000 feet, you'd find that story repeated, I'm going to argue, in six other regions in the US. At the same time—this is not a coincidence—beginning in the 1970s Seattle, the Bay Area, Southern California, Boston—I'm going to argue there's no real border affecting the industry in Pennsylvania and New Jersey—so Philadelphia—and then the BioHealth Capital and RTP.

0:23:10 RTP's launch was made possible by Burroughs Wellcome moving headquarters into the Triangle around that same time. They're all based on roughly the same timing in the 1970s, seeing the birth of the first few prime movers in biotech in their regions. If you start from that point you'd find five decades of unbroken growth in general. Now there are hiccups, there are always cycles, and the biotech economic cycle does not follow the general economic cycle, largely because the product development timelines are very painful in the industry. You may face 10 to 20 years of product development before you get a product through—over the goal line, so to speak. Our economic cycle doesn't look like the general economic cycle and we're disobedient that way or full of mavericks that way just because of how difficult the industry is. But if you look at that unbroken growth it's very interesting.

0:24:00 I've got a couple of data points for you, Rich, I think on the BioHealth Capital that are fascinating. The R&D employment base—when I was there in 2002—was about 20% of total employment base in Montgomery County. It has now grown—a little bit—to 23% in Montgomery County. If you look at total life sciences employment—now this would include everyone that's got administrative functions, G&A, sales teams, all those sorts of things—the acquisition of MedImmune by AstraZeneca has produced a large complex there for AstraZeneca on the whole. That's great. The acquisition of Human Genome Sciences by GSK led to a large regional headquarters. So the total employment ratio—the sort of proportionality of the life sciences head count there—has grown from about 20% again to close to about 27% in 20 years. As an observer to that continued success story, it is a tremendous, very positive sign that globally you found—even after multinationals have acquired there—that they've kept the base of operations there.

0:25:03 This is why I say you're holding a handful of aces. This is on *top* of the

natural draw that comes from institutions like Hopkins. I'll confess, I sat on a Hopkins board for many, many years with a CEO of one of the institutes there called Leslie Mancuso. Leslie's a spectacular global leader in public health. And so, even long after I left Maryland I stayed involved with Leslie and her institute. It's that kind of place. Maryland has this effect on people. The same effect that Northern Virginia has had in telecom and the segments of the industry that have followed now up to today—if you include cybersecurity and data centers, disproportionate share of success in Northern Virginia for those segments of business. Maryland has been *that* focus for life sciences, and it's a global epicenter of the industry. So it has I think enjoyed that position for a very long time and there's no sign of it fading.

Rich Bendis: We talked a little bit about the CBRE services within the BioHealth Capital Region.

0:26:02 We talked a little bit about your presence and your offices. Talk about the typical things you do for companies within Maryland, DC and Virginia.

Matt Gardner: This is especially true with life sciences users—I'll talk a little bit about what life sciences investors are doing as well. But on the side of the growth stage average user, often what we're trying to do is help them grow but grow smartly. And so you typically would see this when—the trend in the biotech industry has been to overgrow a little bit by design. That's a little less true today because of the tight nature of capital markets, but here's what I mean by this. We've had a 20-year run of—think of them as midcaps—providing shelter for small caps and the next generation of employers. Here's how that looks on the ground. If you were John Holaday and Neil Campbell at EntreMed, you overcommitted to space in order to create a capacity for some new ideas to take shape.

0:27:03 I think if you were to ask Doug Doerfler today he would echo this. MaxCyte was partly born out of EntreMed. You end up with a midcap taking more space than it needs to nurture another generation of leaders and potentially startups. It's very common in the business. It's also true in the Bay Area, also true in San Diego, also true in Boston. As the stereotype of this—the story of FibroGen building an initial facility in Mission Bay where UCSF was building a new campus in San Francisco. It

took more space than it needed. Although it wasn't structured as an incubator, it created an incubator to support more startups than the space that they needed themselves so that they could take in a cohort of companies every three to five years and help them come along. That's the kind of overcommitment we've typically seen over the paradigm in the industry. The market is a little tighter right now and so what we tend to see at the moment is a proliferation of wet lab incubators that are dedicated spaces.

0:28:02 And so I think this is a healthy process to go through, just sort of thinking about how we're going to nurture startups. That's one thing that CB is excellent at is helping identify those kinds of spaces for growth stage companies. I think beyond that, when investors are thinking about which markets they should go to next, we're often in this position of helping capital identify the right places to go. And obviously, it's been a truism to say that I-270 is a growth market and continues to create opportunity for investors to develop lab-based real estate.

Rich Bendis: I think that's an important one Matt, because for years we said we didn't have enough incubator space, wet lab for startups. Then what happened post-COVID and during COVID, some of the commercial office space, we saw conversions for incubators. Some of it I would say temporary but not permanent, and then some permanent that has evolved, which we didn't have before. And you're starting to see more of that evolve up in Frederick, down in Baltimore and other areas other than just Montgomery County.

0:29:05 I think the mix is better today but I just hope that we didn't go overboard. I'll let you get your comments on that.

Matt Gardner: I hope so too. I think how much of this sustains, especially on the incubator end of the market, is always a question mark. You look in Baltimore at something called Emerging Technology Center—ETC—it has been a fantastic story of contributing to the ecosystem there because they were very smart about doing more than just designing the amount of office space for tech startups and a little bit of wet lab space for biotech startups that they could support. They created a hot-desking system for startups around them that didn't want to move in

permanently as well. So they really did create a hive around ETC that I think has been very, very clever, very smart. And as you say, now we've got a significant number of private players coming into this system and creating alternatives rather than waiting for Montgomery County to open its next wet-lab incubator.

0:30:00 I think this is a great sign. As you say, how many of them are sustainable, I don't think we know yet. But obviously there are so many startup support mechanisms in that community that Maryland really is an outlier here and I'm going to just go back to a number of different things here. First of all, there's a prototype mechanism for supporting early stage, proof of concept stage companies in a couple of different ways. There's a state level seed fund. There is the University of Maryland MIPS Program. As you probably recall, Rich, there is something called the Maryland Health Care Product Development Corporation that was bolted on to the Tech Council for a long time and is related to the Tech Council. So there are just tremendous resources there to support early stage ideation, and that is not normal. One of the things I've found traveling the world talking about ecosystems is the levers that Maryland has pulled to create the Challenge Enterprise Funds and make them evergreen and—

Rich Bendis: Biotechnology Investor Tax Credit Funds and TEDCO Support Programs and SBIR support and all of the other things that have been evolving here.

Matt Gardner: Exactly! The original funding mechanism for MDbio was the lease payments on the Cambrex Facility, you may recall.

0:31:04 That turned into a permanent prototyping fund. All those kinds of things that have been put to work, deployed in the field, have just been, again, playing a handful of aces. It's really unusual in that sense that there have been a lot of support mechanisms put to work there. You might take them for granted because they're in your backyard; they're just not true everywhere. It's pretty spectacular.

Rich Bendis: I agree with you. We do analysis of other markets which are competitive around the United States, and there are some things that are unique to this region that other states or regions just don't have. As much as we talk about Boston and San Francisco with the plethora of venture capital

that they have, they sometimes don't have all of the support mechanisms for early-stage companies that we have in this region because they don't think that they need it. But when you talk to the small companies in those regions as well, they basically feel that they've been left out because they're not getting the support from the state or the cities or the counties similar to the types of support we're giving through some of the government or private-public partnership entities that we have in the BioHealth Capital Region.

0:32:11

Matt Gardner: That's right. The state's willingness to be a partner in this, to take some risk and to try new ideas is also a great credit. I was there—I would say I was in the room—when the Angel Investor Credit was written. We got some scars from trying some things there that were different. But a real credit to Brian and a bunch of the people that authored that.

Rich Bendis: Yeah, Brian Darmody, one of the authors for the TEDCO Legislation, as well. We're talking about some of these old names that are still around. You see, people don't leave the region; they just change desks or booths at the conventions these days. Let's close by talking about the future a little bit. We talked about the last 20 years, the roll we've been on, the ups and downs. Let's talk a little bit about the next five years and what your prognostication is nationally and specifically for what we're seeing in the BioHealth Capital Region.

0:33:01

Matt Gardner: I'm going to take a little departure from our talent report to talk about some other research and what it shows. I think the pause in the capital markets has led to an unfortunate effect in timing, and that is that we're sort of at the bottom of a down cycle in the general economy. That has had an effect on lab-based real estate and here's what that looks like. We started a number of projects around the country at the peak in the summer of 2021, and here we are delivering some of those projects in the big biotech regions around the country right now. The unfortunate effect of that is, we're delivering into a bottom, and so what we see is that's actually pushing vacancy up. In the short-term I think the uptick in

early stage investing has been well-timed. It will take a little bit of a lag from that early stage investing to create the kind of demand to absorb that amount of delivery. Here's why those earlier top-line findings that I talked about are so important. We've never seen an overall contraction in the R&D spend and the lab headcount of the business.

0:34:06 What that says to me and to lots of analysts watching this unusual window in time is that we will recover. It will take a little time to absorb that space but that we'll have a bounce-back effect that comes from the push into new investments. What's that look like right now? Huge investment into large language models and AI effects in preclinical discovery and screening, that's really important right now. If you're founding a new company today in drug discovery you'd want to incorporate whatever you can on AI in your discovery process. It takes a year, maybe two, to get through that absorption process from the startup of new co x—whatever new co x is working on. I think it's going to be a little slower than we would all like but we're already seeing some of that investing activity. In general—I'm going to make generalizations here—we're seeing increased new leasing activity; it's just that those companies are taking smaller spaces.

0:35:08 What does that mean? It means they're doing more conservative decision-making on how much of their cash flow they want to burn on places. There are three Ps involved, Rich, that are all important for those companies: people, places and products. They have to make smart bets on all three of those Ps. I think what has happened lately is that more often than ever before we're directly engaged in a conversation with the CFO of these companies to think about how to place that bet more smartly. I talked a minute ago about how companies used to overplay real estate in order to incubate another generation of companies. That's less the case right now. If you are a publicly traded small cap BioTech company, you're under a lot of pressure at the moment, and your options are fewer so you've gotta make your own decisions more conservatively and conserve your cash burn for a longer runway. All those things are going to contribute to the recovery process being slower than we'd all like but we are seeing the signals that are telling us, "Good things are coming."

0:36:06 Now let me talk about investor climate. What we're hearing from global investors is that they're already thinking about where to go in 2025 and '26. That to me is the most important indicator that they're looking ahead, assuming the bounce that we see coming. We just couldn't tell you when it is. I think no one can time the market and we'd all like to know when that will occur but investors are going to keep coming and Maryland is going to be one of those places that benefits from that global activity.

Rich Bendis: It's nice we have some positive closing here—talking about investors looking to the future—but I think one of the benefits of this region, Matt, is that sometimes you just don't see the fifty-, hundred-, million-dollar series A investments going to companies in Maryland, DC and Virginia. Whether they're getting five million or ten million or twenty million, they're much more resourceful. They can do more with less here. They've had to learn how to do that.

0:37:00 The space costs less. The talent generally is competitive. The quality of life is really good. And some of the assets that you've mentioned and we know that exist in the BioHealth Capital Region can't be replaced any place else. It means from a sustainability standpoint, while there might not have been that dramatic growth, they have maintained and have not been as vulnerable as some of those people that have been really spending that money like they've been blind because they thought it would be in perpetuity and it just didn't happen. I feel that we're stronger, we're more resilient, we're more conservative in the way we approach the industry than many other locations around the country.

Matt Gardner: That's the bottom line here, Rich, is that the Baltimore and Bethesda and outlying areas, the DC Capital Region, both of them have been long-term stories for the science being there and being on the map, especially with the multinationals and thinking about where their future science is going to come from.

0:38:01 Because of that, I think that just bodes well long term for Maryland continuing to be a part of the story.

Rich Bendis: Matt, this has been very enjoyable. Is there anything that you want to

share with the listeners for *BioTalk* that we haven't covered today?

Matt Gardner: Looking back on my own time there I think, Rich, this could be important for anybody in their own trajectory, but if you have a chance to take a shot at a startup, take it! That's the one thing I would say. Even in a tough economy when it looks harder outside, take the shot. I think the moral of the story on the I-270 Corridor is that resilience comes from people taking chances and giving things their own effort at it. And so if i could go back in a time machine and give myself some advice I would say that the Patent and License Exchange could've been better timed because of Sarbanes-Oxley, but I would still do it today. I would not change a thing. The things that you learn from those experiences can be very special and have lasting legacy in your economy and your trajectory.

0:39:00

Rich Bendis: I like your entrepreneurial attitude, I like the taking the shot, but if they're going to take the shot they need to do the Wayne Gretzky shot where the puck is going to be not where the puck is today. So let's look at what the trends are for the future and do your start-up based on where you think the commercialization is going to be peaking in the future and not where everybody's in CAR-T and cell therapy today and you're just going to be a follower.

Matt Gardner: Always looking ahead.

Rich Bendis: Matt Gardner head of life sciences for the Americas for CBRE, thank you very much for being on *BioTalk* today. I think the listeners are going to enjoy this and of course, one last thing is, how do they get a copy of your US Life Sciences Talent Trends Report for 2024?

Matt Gardner: Easiest thing I would suggest is in your search tab just search "CBRE 2024 Life Sciences Talent" and it will pop right up.

Rich Bendis: Great. Also we'll publish it in our newsletter whenever we do the transcript for this so people can find it very easily. Matt, thank you very much for being on *BioTalk*.

Matt Gardner: Rich, always great to see you. Thank you.

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

0:40:01

End of recording.