U.S. Life Sciences report

Lab/R&D

H1 2024

AVISON YOUNG

U.S. lab/R&D market trends

20 msf

of lab/R&D supply is under construction

After the delivery of 3.3 million square feet (msf) during H1 2024 and project pauses totaling 1.3 msf, active construction now sits at 20.3 msf. With the pipeline 40% leased and an ample availability concentrated across recent building deliveries, the market will have some time to absorb this newer product. Construction starts totaled only 512,000 sf during H1 2024, spread across two buildings.

26.4%

of lab/R&D space is available on a direct basis

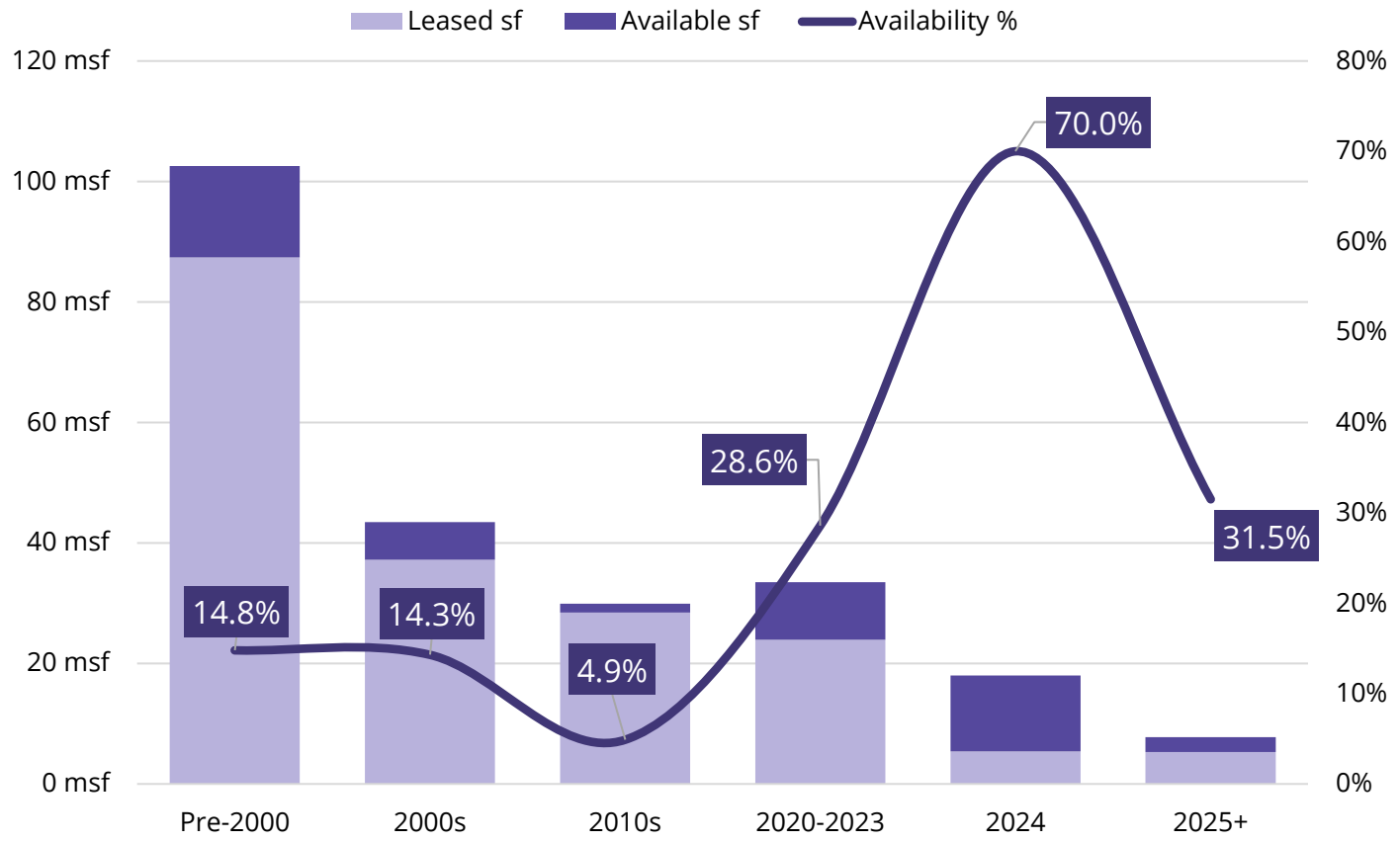
Driven by a speculative construction projects, sublease market activity, and limited leasing velocity in H1 2024, the total availability rose to an all-time high of 26.4%, which represents 47.5 msf. Looking ahead, leasing activity is expected to accelerate due to increased capital investment into life sciences, coupled with the prospect of more favorable economic conditions influenced by federal monetary policy.

-836 ksf

in net absorption occurred during H1 2024

After 10 consecutive years of positive net absorption, the lab/R&D market is on track to break the streak in 2024. While some markets like Boston registered positive absorption in H1 2024 due to leased building deliveries, a decrease in occupancy due to sublease vacancies occurred in other major markets like the Bay Area and Raleigh/Durham, which influenced a negative occupancy performance.

Availability concentrated in newer buildings



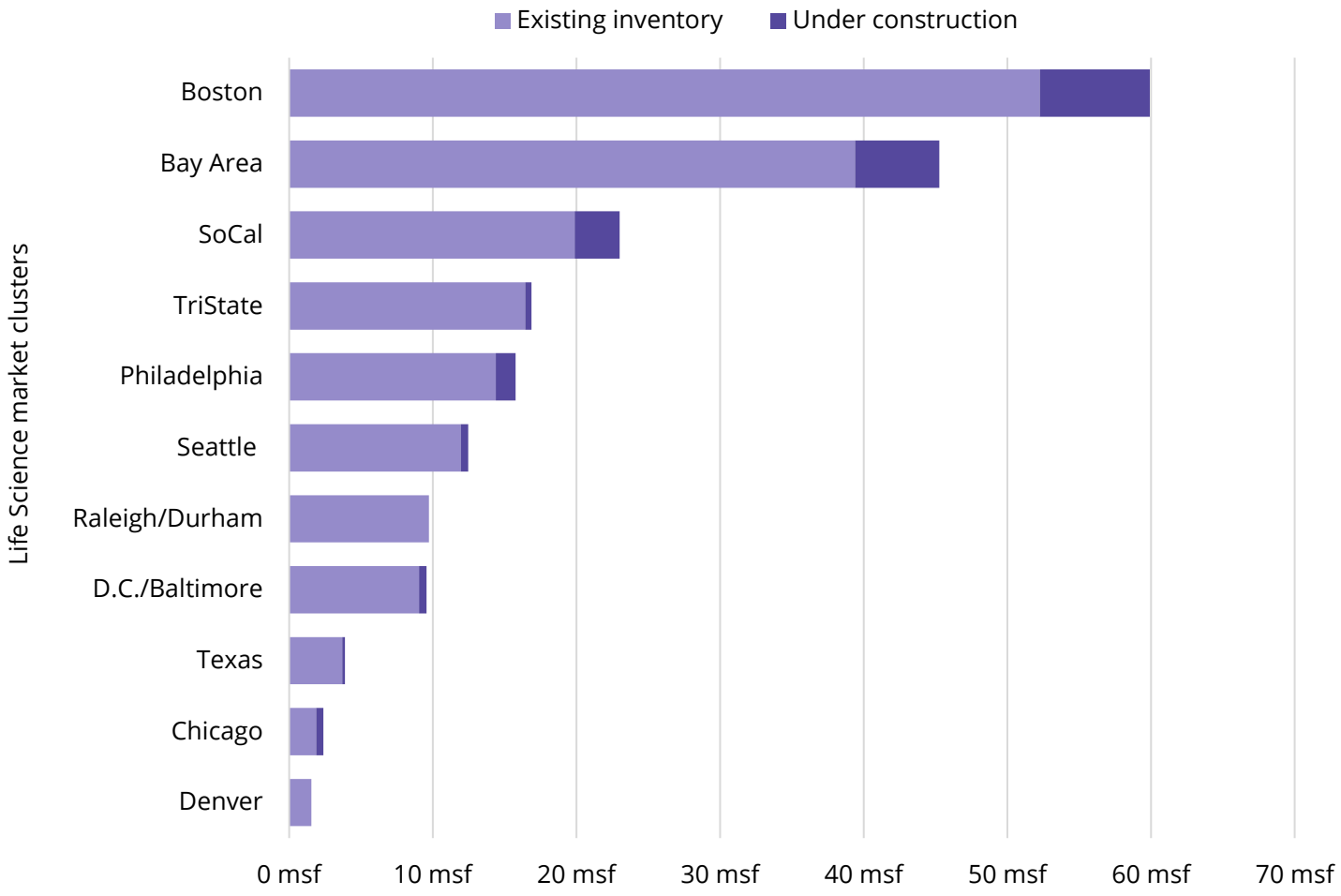
52% of the 47.5 msf of available lab space is concentrated within buildings delivered since 2020 and buildings currently under construction.

With construction starts essentially coming to a halt in Q2 2024, availability is expected to tighten, provided the injection of sublease availability slows in the second half of the year.

Source: AVANT by Avison Young, CoStar
Note: only includes buildings that are existing or currently under construction

AVANT by AVISON YOUNG

Boston and Bay Area dominate lab inventory

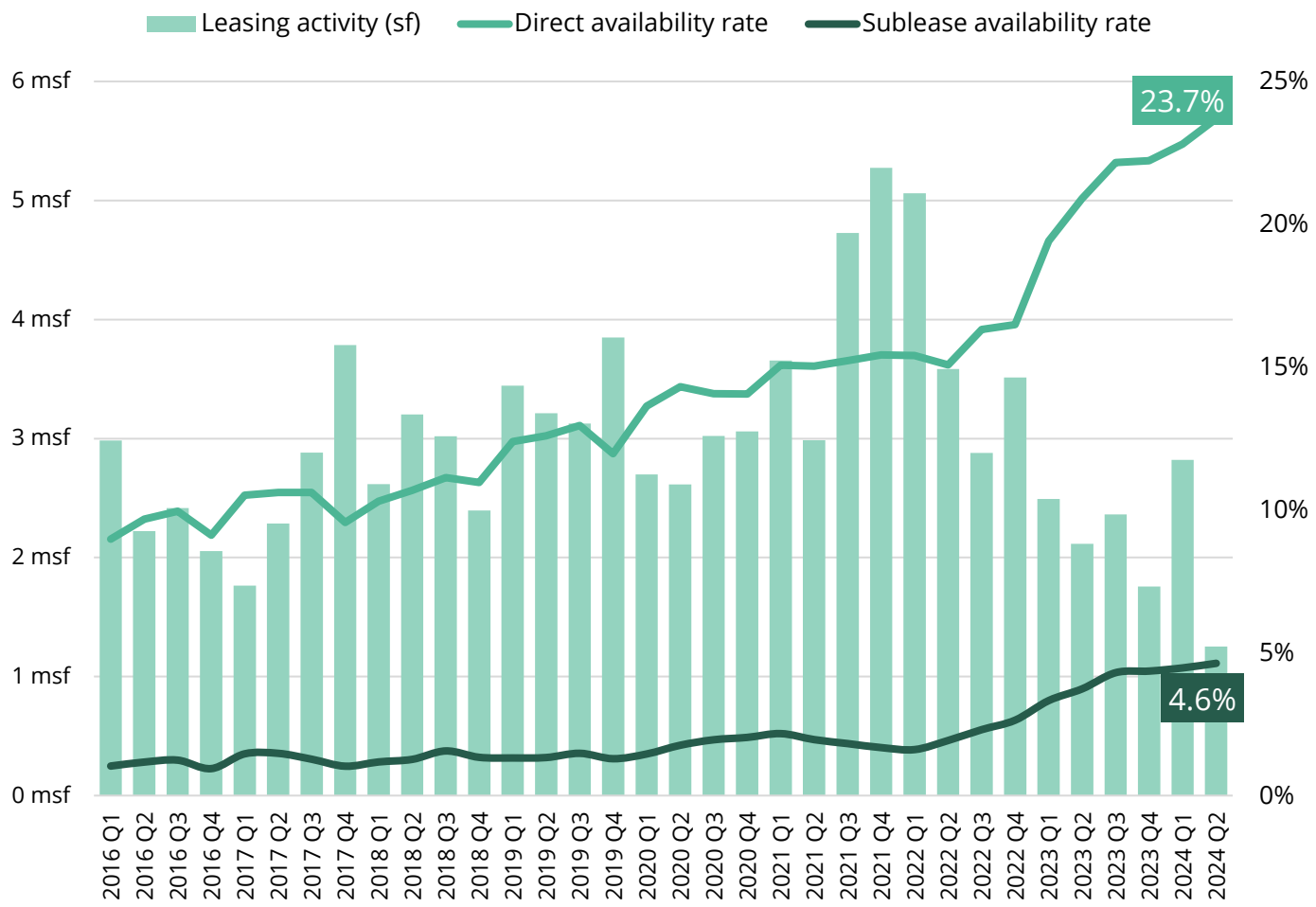


Out of the 11 primary commercial lab/R&D clusters across the U.S., Boston and the Bay Area account for approximately 50% of the total existing inventory, and 62% of the product under construction.

Source: AVANT by Avison Young, CoStar
Note: only includes buildings that are existing or currently under construction

AVANT by AVISON YOUNG

Availability rises amid slow-down in leasing

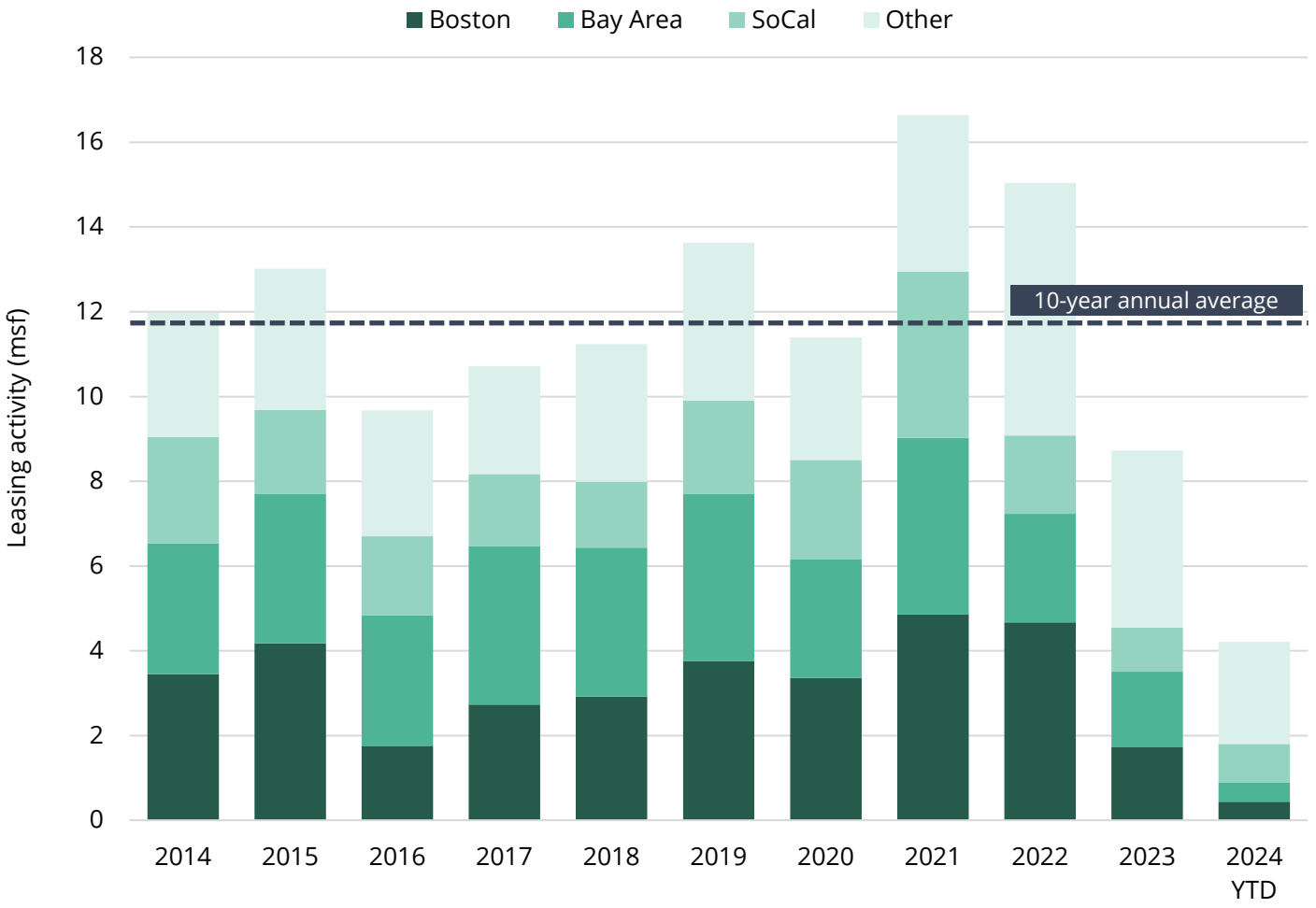


The availability rate for lab/R&D product reached an all-time high this quarter accompanied by a notable decrease in leasing activity, after a strong start to the year in Q1 2024.

Source: AVANT by Avison Young, CoStar
Note: only includes the 11 markets clusters shown on page 4

AVANT by AVISON YOUNG

Secondary clusters drive leasing in H1 2024

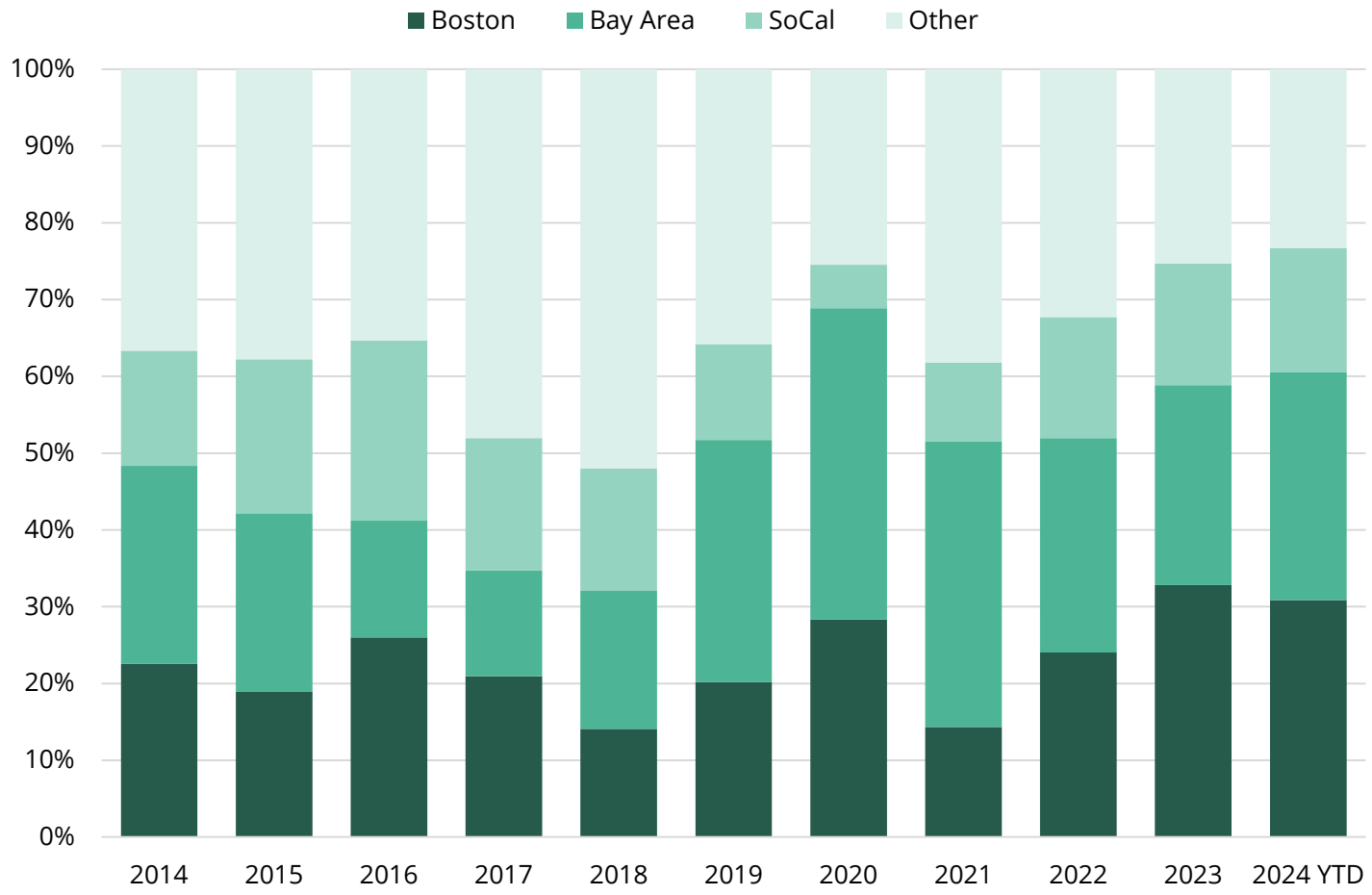


Historically, primary lab/R&D clusters such as Boston, the Bay Area, and SoCal have driven leasing velocity. However, secondary life sciences clusters such as the TriState, Seattle, D.C./Baltimore, and Denver have driven leasing activity so far in 2024.

Source: AVANT by Avison Young, CoStar
Note: only includes the 11 markets clusters shown on page 4

AVANT by AVISON YOUNG

Sublease availability focused in two clusters



Sublease availability continues to climb across the nation's lab/R&D inventory, registering at 4.6% across 3.5 msf.

61% of the sublease space is now concentrated within the Boston and Bay Area lab/R&D clusters.

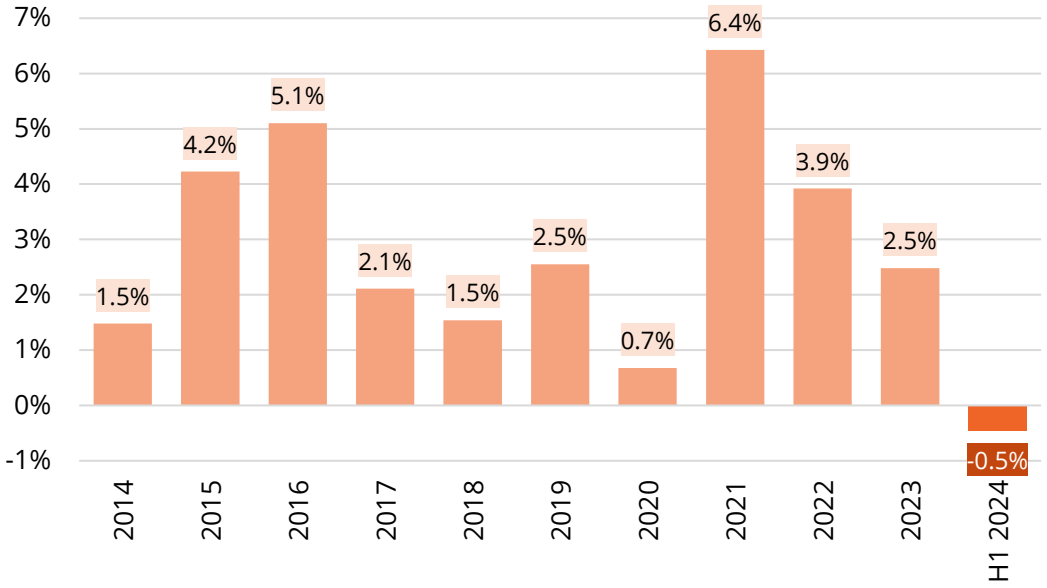
Source: AVANT by Avison Young, CoStar
Note: only includes the 11 markets clusters shown on page 4

AVANT by AVISON YOUNG

After 10 consecutive years of positive net absorption, the lab/R&D market registered a negative change in occupancy during H1 2024.

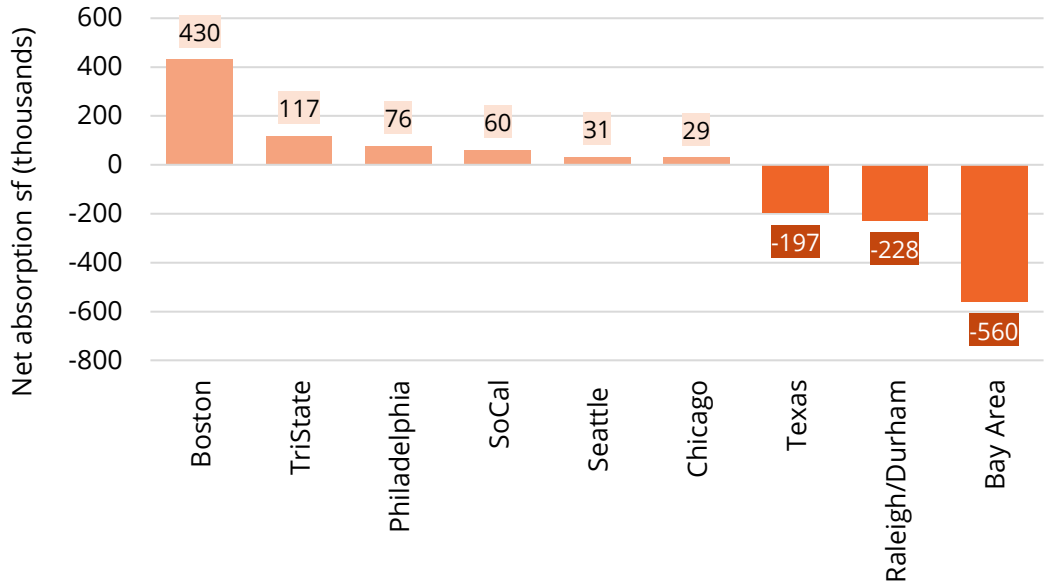
-0.5%

in net absorption as a percentage of inventory has occurred in H1 2024, equating to -836,192 sf.



430,379 sf

Boston has registered the highest net absorption in H1 2024, driven by leased building deliveries.



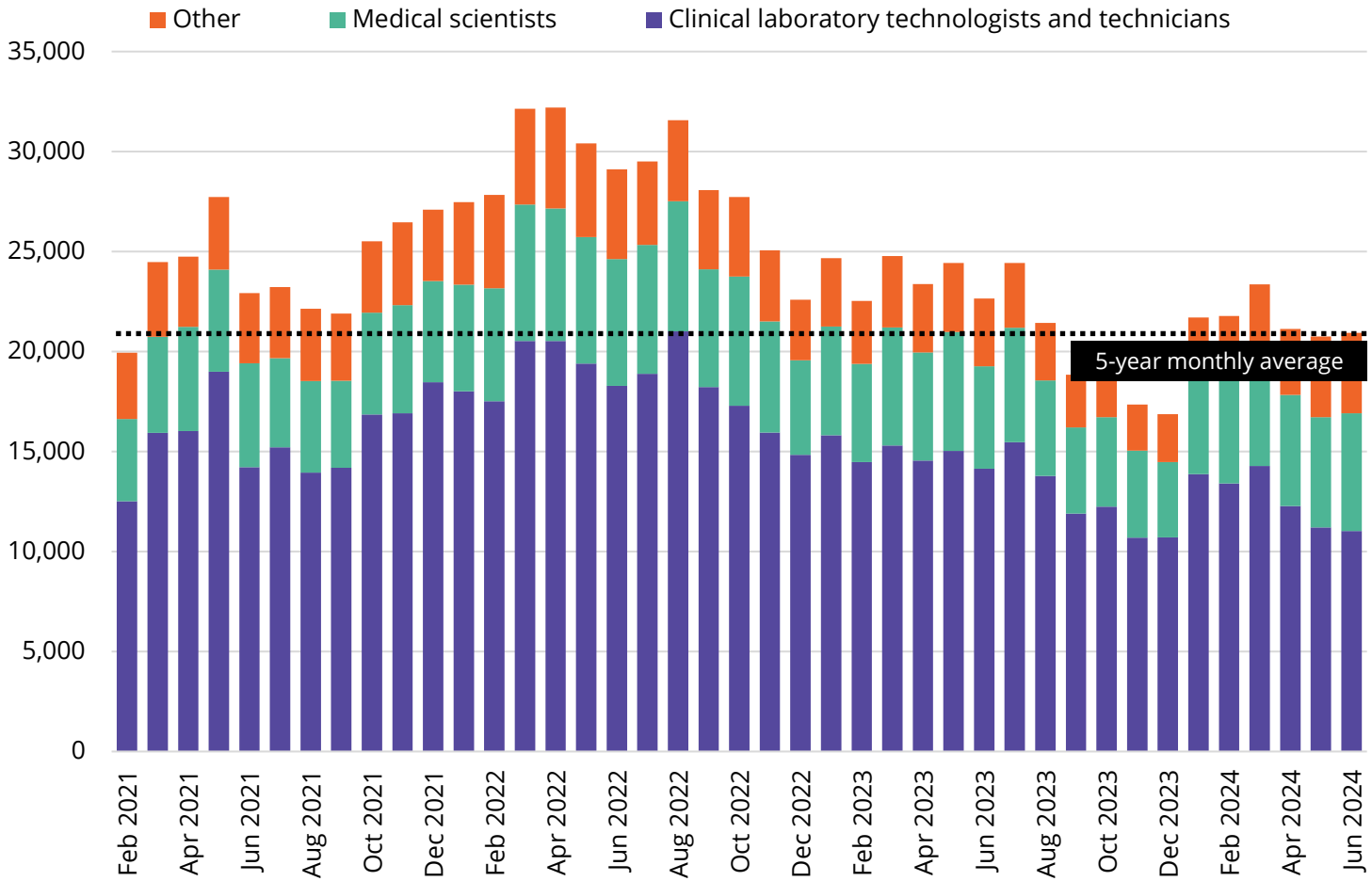
Source: AVANT by Avison Young, CoStar
Note: only shows net absorption for clusters that registered above 25,000 sf or below -25,000 sf in negative absorption YTD

AVANT by AVISON YOUNG

Life Sciences labor trends

Job postings
Employment

Monthly job postings start to level in 2024



Source: AVANT by Avison Young, Lightcast
Note: Other job posting include: Bioengineers and Biomedical Engineers, Biological Scientists, Biological Technicians

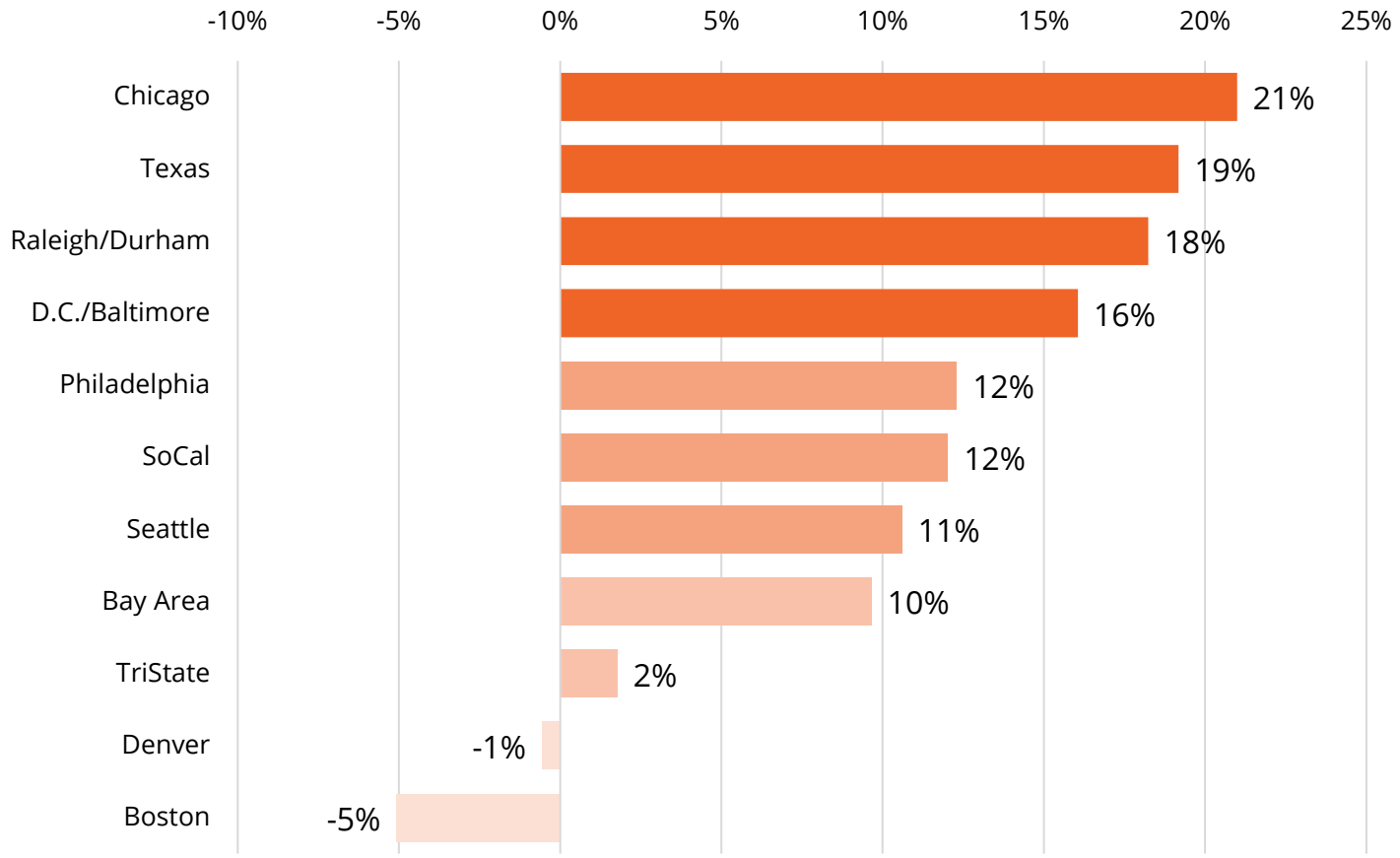
Job posting volumes for key life sciences occupations across the U.S. have stabilized in the first half of the year.

With a significant number of layoffs taking pace within the industry since mid-2022, the ease of hiring is expected to soften, allowing companies to expand or backfill their workforce at a faster pace.

AVANT by AVISON YOUNG

Hiring efforts bounce back in H1 2024

Unique job postings (Q4 2023 – Q2 2024)

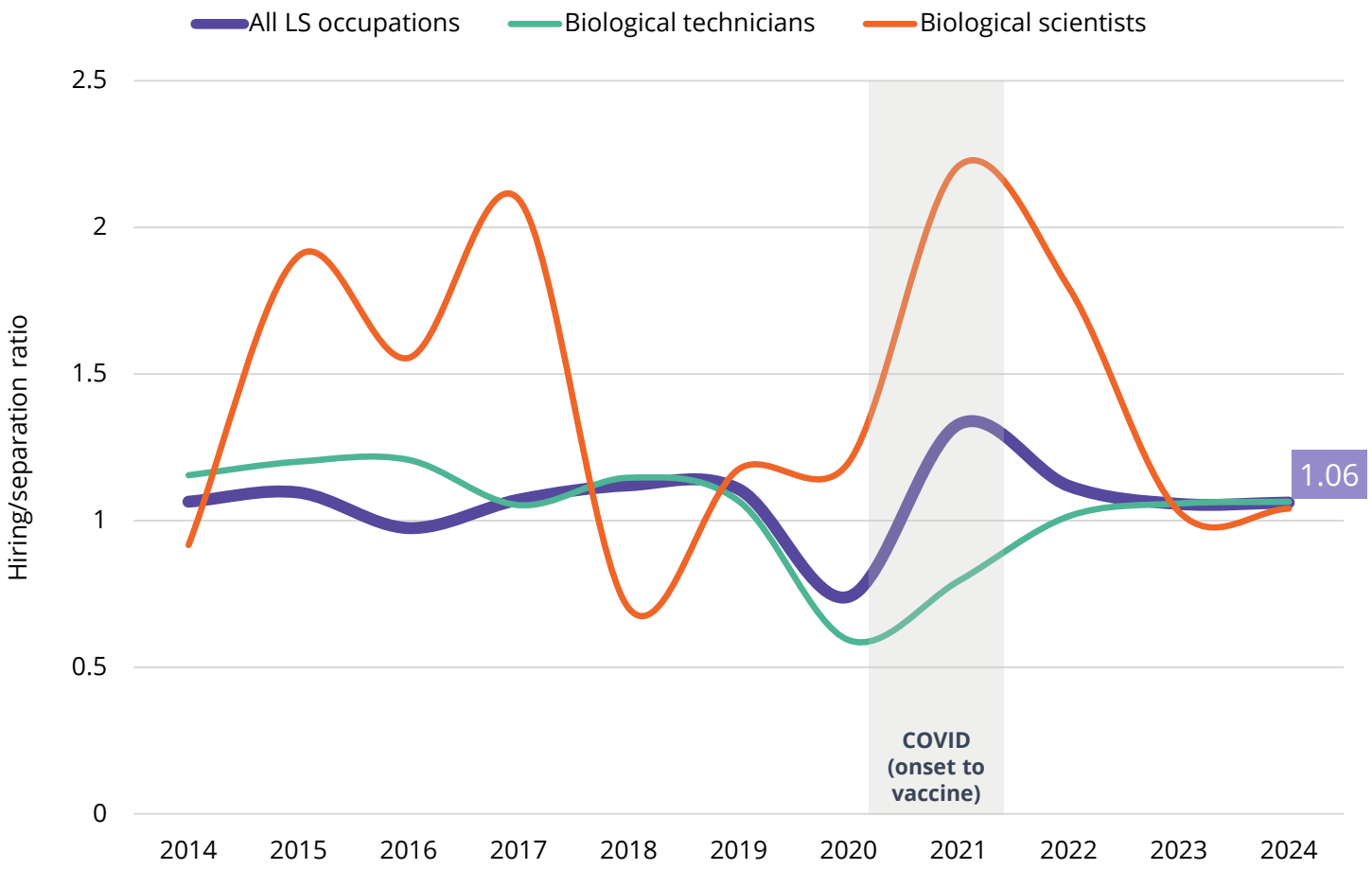


Source: AVANT by Avison Young, Lightcast
Note: job occupations include: Bioengineers and Biomedical Engineers, Biochemists and Biophysicists, Microbiologists, Biological Scientists, All Other, Epidemiologists, Medical Scientists, Except Epidemiologists, Physicists, Biological Technicians, Clinical Laboratory Technologists and Technicians.

With the exception of Boston and Denver, job posting levels for key life sciences occupations have bounced back compared to the end of 2023. Most notably, Chicago and Texas saw hiring efforts increase close to 20%.

AVANT by AVISON YOUNG

Hiring market remains in employee favor



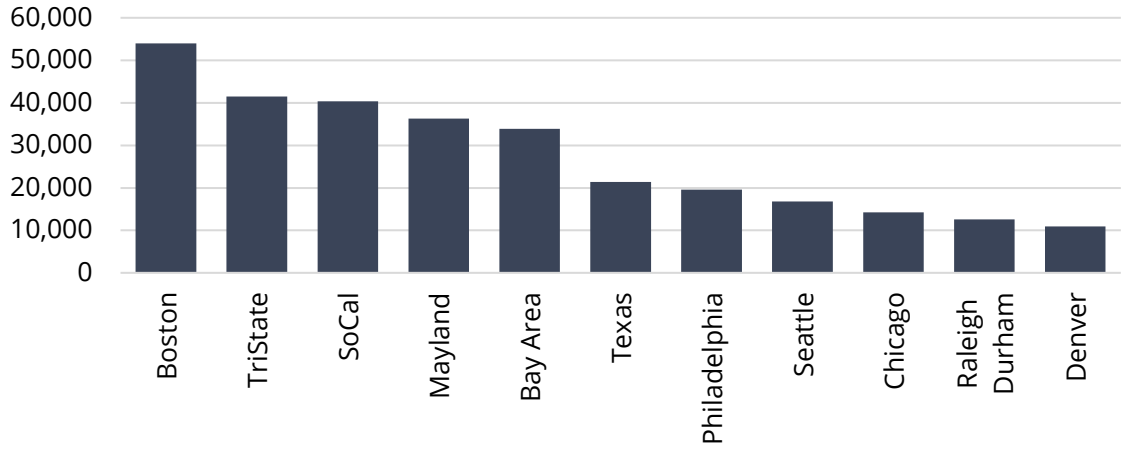
Source: AVANT by Avison Young, Lightcast
Note: job occupations include: Bioengineers and Biomedical Engineers, Biochemists and Biophysicists, Microbiologists, Biological Scientists, All Other, Epidemiologists, Medical Scientists, Except Epidemiologists, Physicists, Biological Technicians, Clinical Laboratory Technologists and Technicians.

After the onset of the pandemic, hiring efforts rose sharply for all key life sciences occupations in connection with a sharp increase in compensation levels. Since then, employment separations have increased substantially, and compensation levels have begun to deaccelerate.

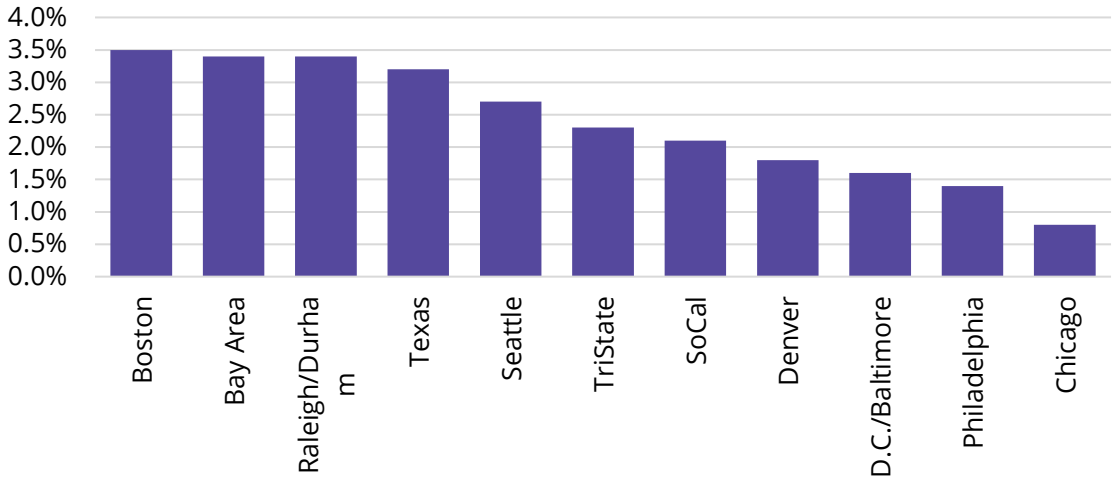
AVANT by AVISON YOUNG

Life science jobs increase despite layoffs

H1 2024 jobs



Job change
(YE 2023-H1 2024)



Source: AVANT by Avison Young, Lightcast
Note: job occupations include: Bioengineers and Biomedical Engineers, Biochemists and Biophysicists, Microbiologists, Biological Scientists, All Other, Epidemiologists, Medical Scientists, Except Epidemiologists, Physicists, Biological Technicians, Clinical Laboratory Technologists and Technicians.

Despite a slowdown in hiring activity over the last 24 months and a frenzy of layoffs within the sector, employment levels for the life sciences remain strong with job gains realized during the first half of 2024 across all major clusters.

AVANT by AVISON YOUNG

Life Sciences funding trends

Venture capital
Mergers and acquisitions
Public offerings
NIH awards

Capital investment into the life sciences begins to rebound

Funding into the life sciences sector is on track to surpass 2023 levels when looking at venture capital (VC), mergers and acquisitions (M&A), public investment (IPOs & 2POs), and government spending activity (NIH).

67%

of **VC funding** has fed into later-stage companies, bucking a trend in favor of earlier stage companies.

$280M

is highest capital investment median on record for **M&A activity** in the first half of the year.

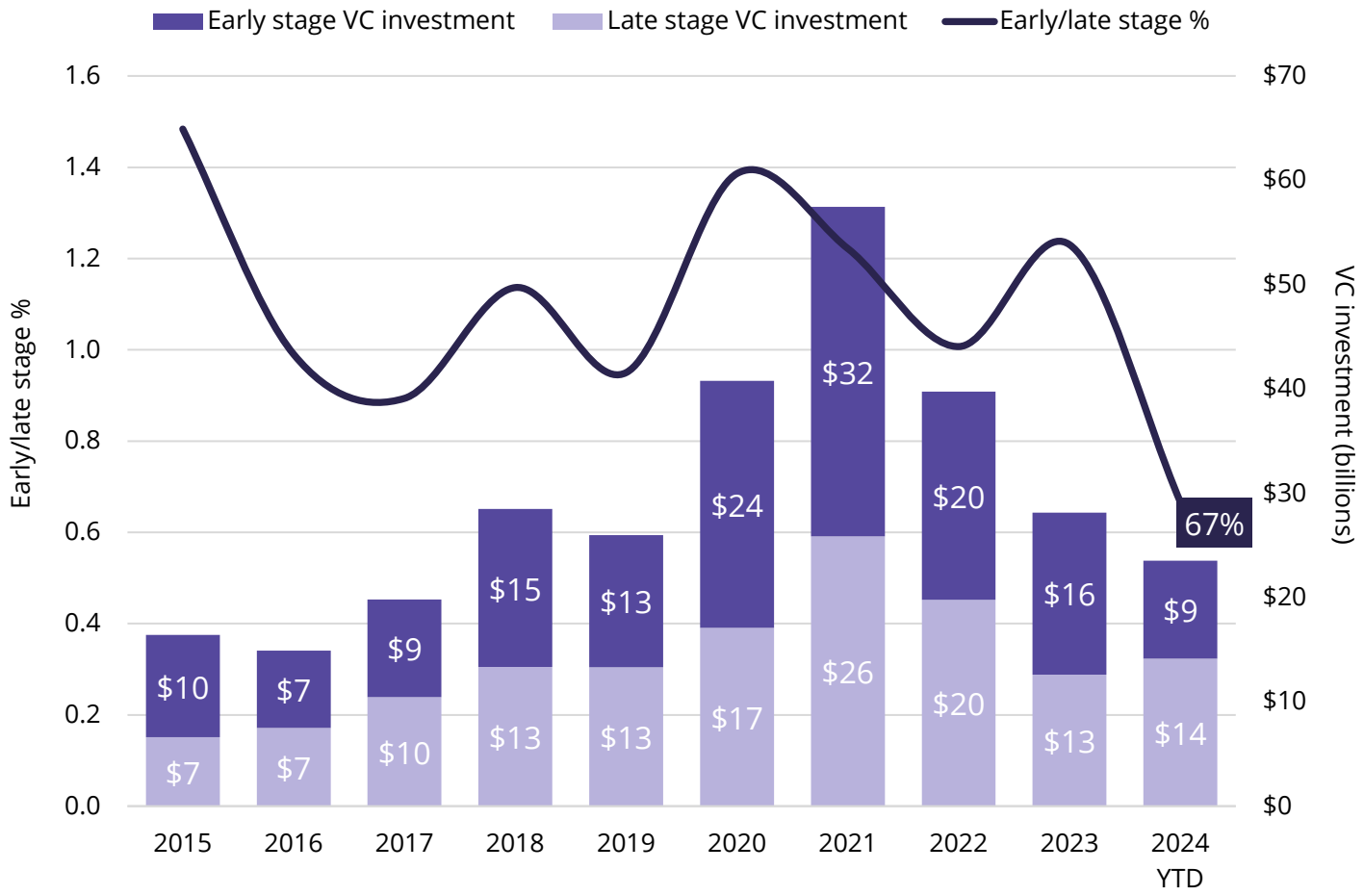
$16B

was raised through secondary offerings accounting for more **public investment** than 2022 and 2023.

21%

of **NIH funding** went to companies that typically lease competitive lab/R&D space.

VC funding on pace to surpass 2023 levels



Historically, VC funding volumes have favored earlier stage companies within the life sciences. With elevated 2024 funding levels in favor of later stage companies, leasing activity is expected to increase in the short term as more established companies capitalize on an "occupier's market."

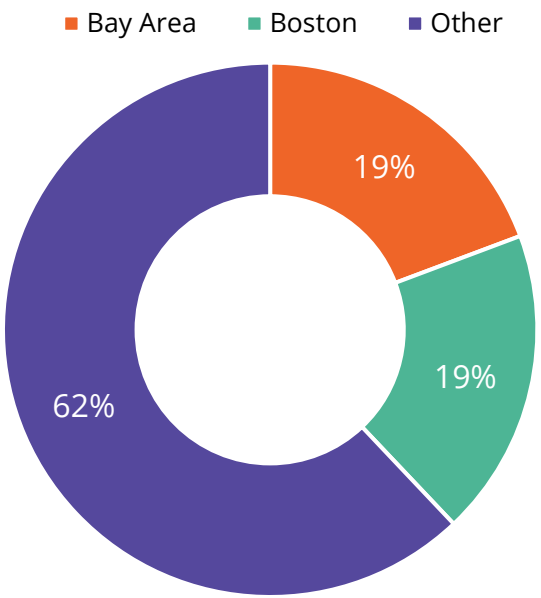
Source: AVANT by Avison Young, Pitchbook
Note: funding info current as of 6/28/24

AVANT by AVISON YOUNG

With a notable uptick in 2024, the Bay Area has now surpassed Boston in life sciences venture capital investment since 2020.

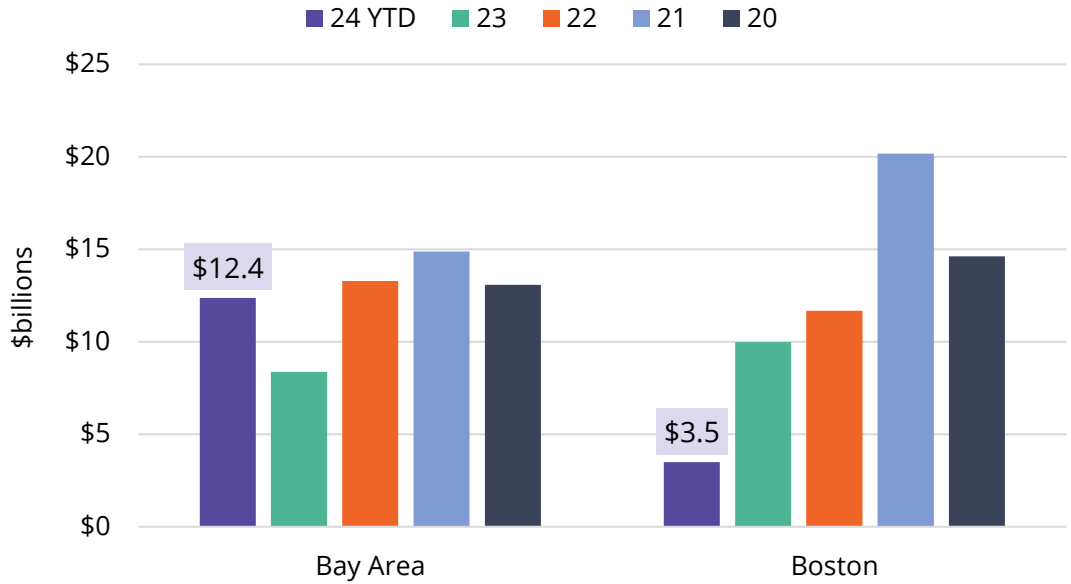
38%

of venture capital (VC) funding into life sciences since 2020 has fed into the Boston and Bay Area.



$12.4B

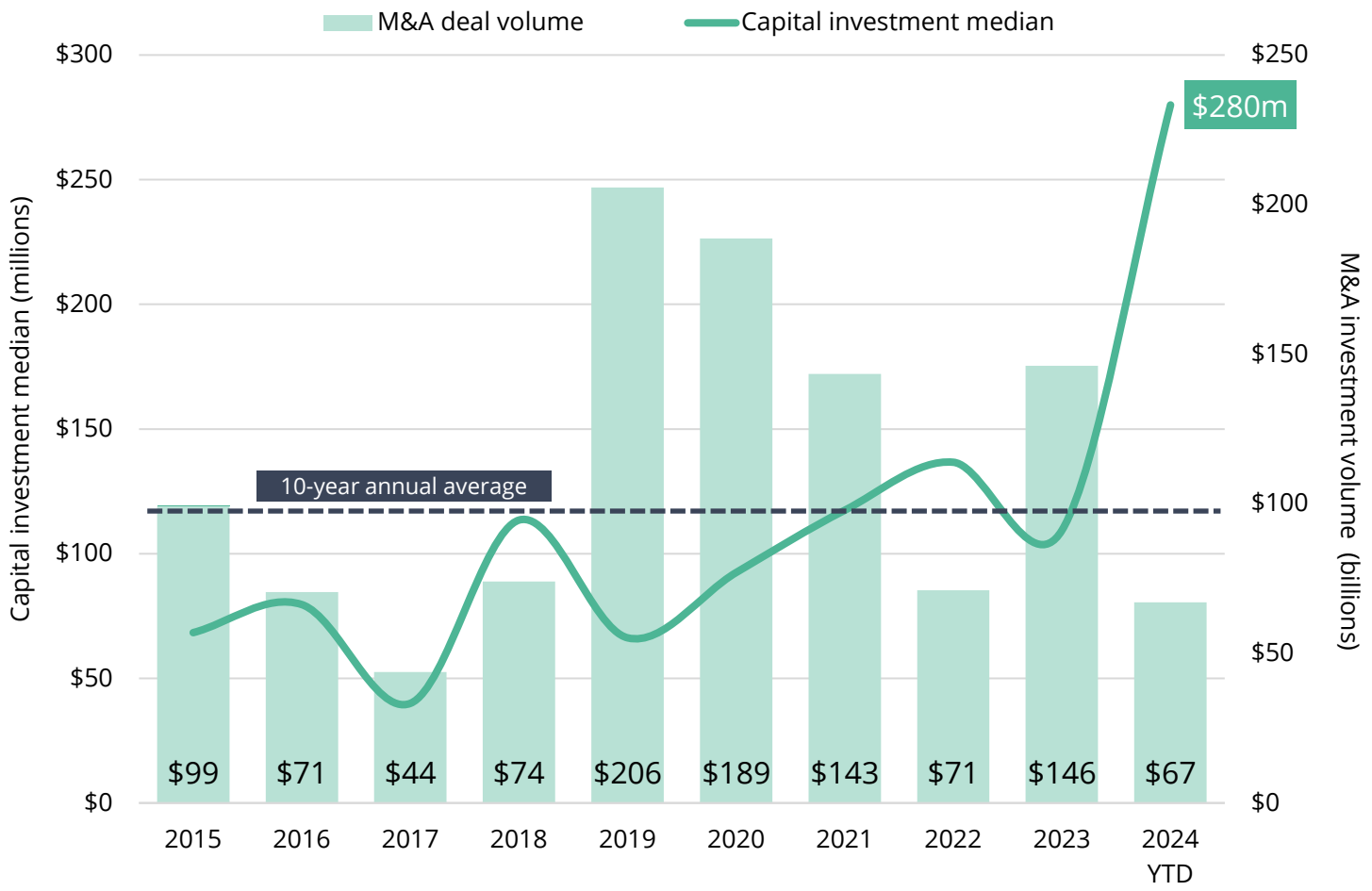
in VC funding has flowed into the Bay Area life sciences, outpacing 2023 by 47% halfway into 2024.



Source: AVANT by Avison Young, Pitchbook
Note: Funding geography is based on CSAs, not real estate markets

AVANT by AVISON YOUNG

M&A activity driven by larger deals



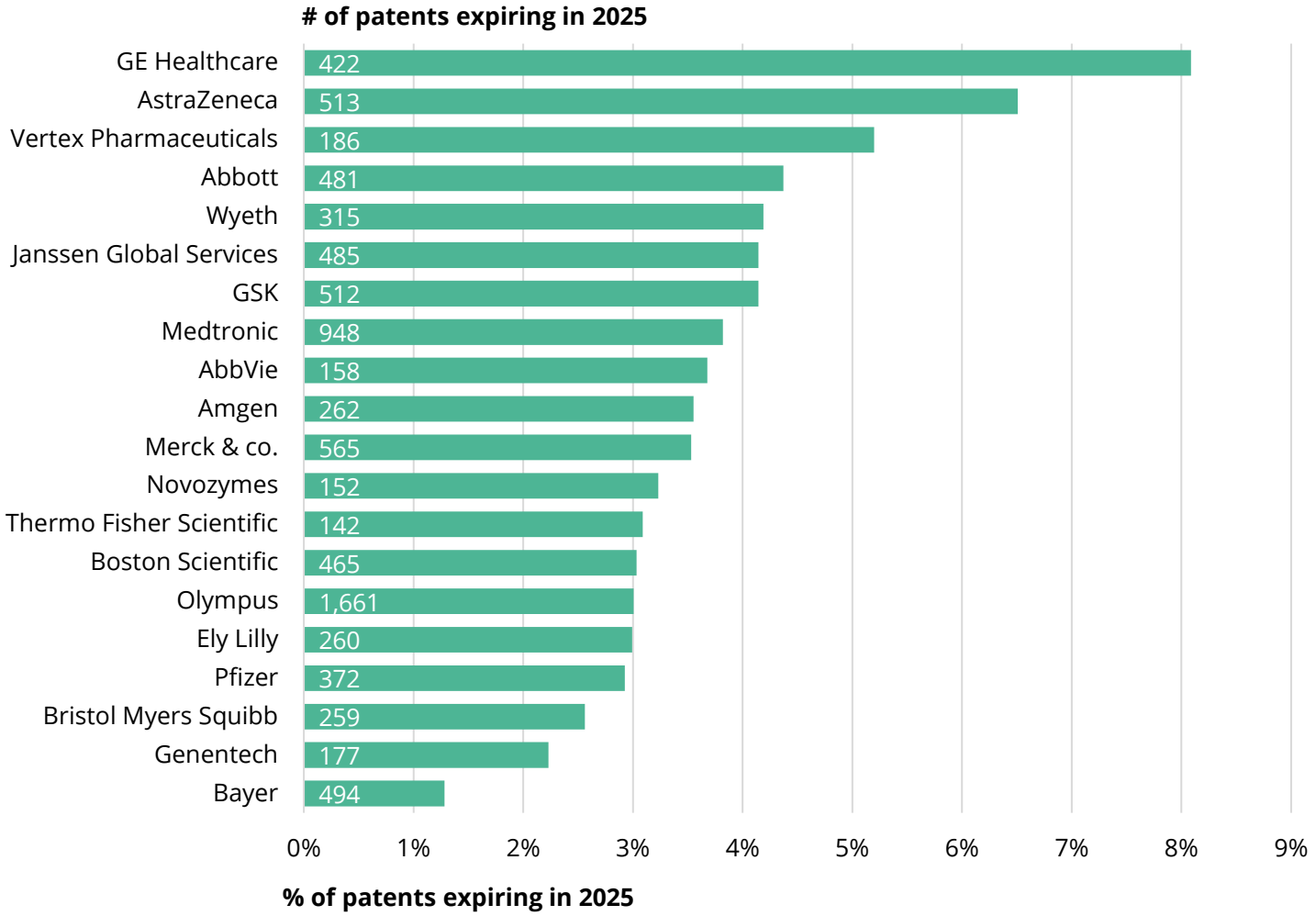
M&D deal volume is on pace to match 2023 levels with $67 billion in M&A activity taking place in the first half of 2024.

Notably, the investment landscape has been driven via larger acquisitions by established pharma and biotech companies in need of enhancing drug pipelines that are exposed to upcoming patent expirations.

Source: AVANT by Avison Young, Pitchbook
Note: funding info current as of 6/28/24

AVANT by AVISON YOUNG

The “patent cliff” is not a 90-degree angle



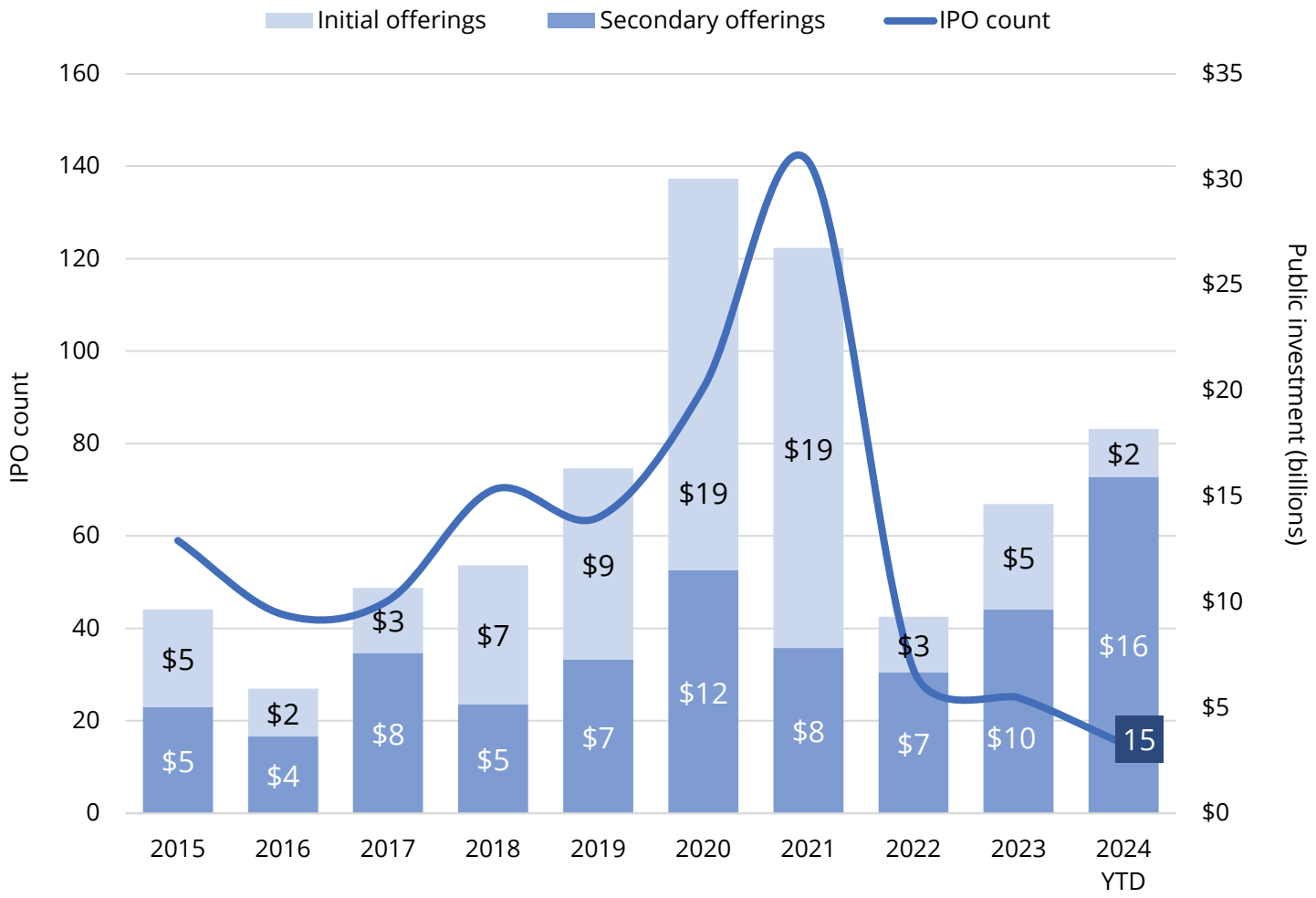
Source: AVANT by Avison Young, USPTO, Pitchbook
Note: only includes buildings that are existing or currently under construction

Patents for drugs, medical devices, and other therapeutics that require FDA approval typically last 20 year once filed. Since the filing and approval process takes place before FDA trials, companies typically have between 7-12 years to capitalize on FDA approval.

Most of the patents expiring over the next 10 years are held mostly by well-capitalized life sciences companies, allowing ample time to backfill revenue lines with strategic mergers, acquisitions, and new innovations.

AVANT by AVISON YOUNG

Public investment driven by secondaries



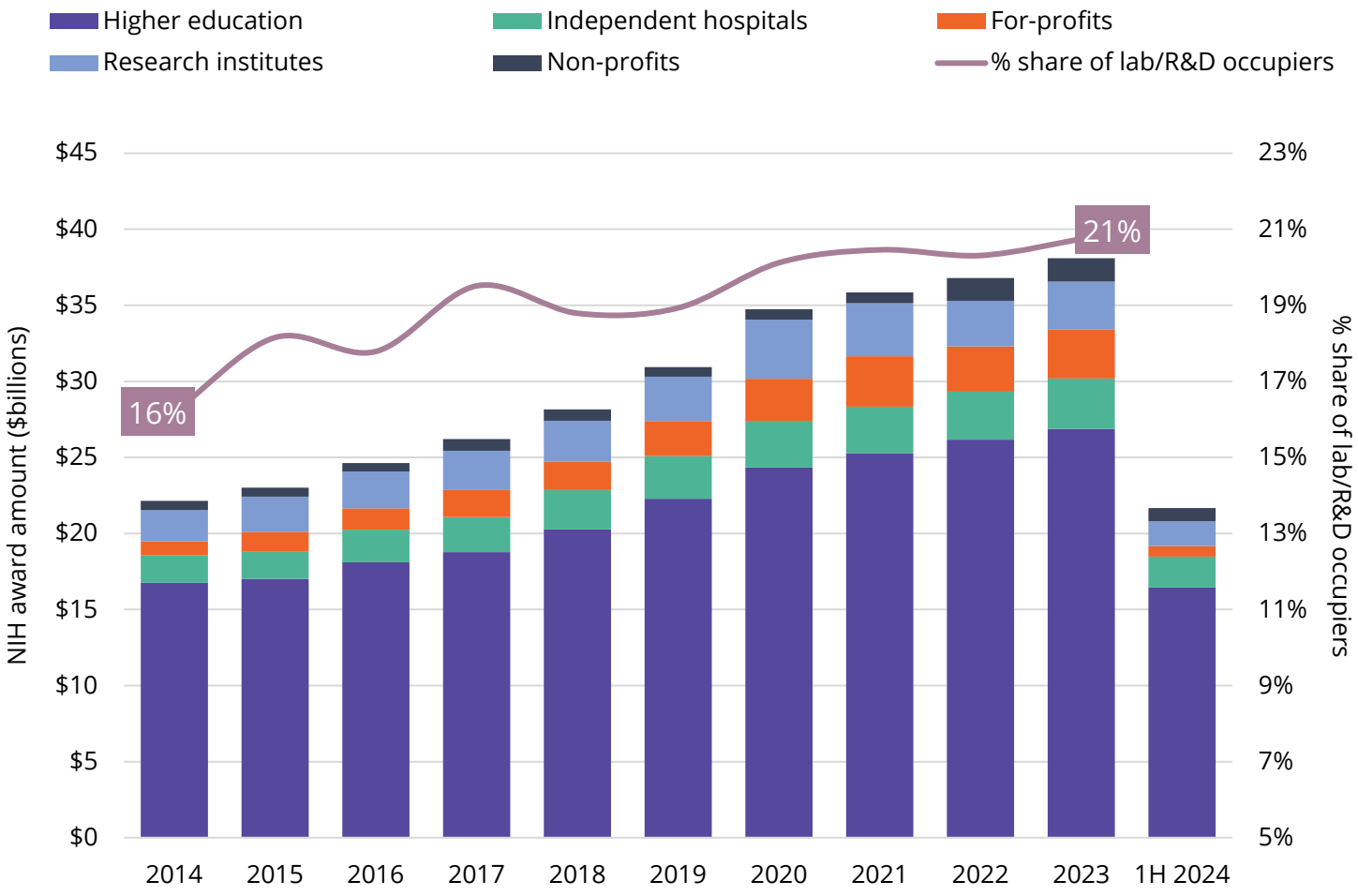
Source: AVANT by Avison Young, Pitchbook
Note: funding info current as of 6/28/24

Public investment into life sciences companies is already up 23% compared to 2023, while IPOs are on track to surpass 2023 and 2022 levels.

Driven by secondary offerings which are already up 63% compared to 2023, companies in need of addition investment have been able to find it in the public markets.

AVANT by AVISON YOUNG

NIH funding into lab/R&D occupiers rises



Capital investment from the National Institute of Health (NIH) is on pace to surpass 2023 levels.

The share of NIH funding that feeds into for-profits, non-profits, and research institutes has gradually increased over the last decade as of YE 2023.

These types of occupiers generally lease competitive lab/R&D space whereas higher education and independent hospital entities tend to own their facility in the long-term, rendering little effect on the performance of the lab/R&D market.

Source: AVANT by Avison Young, Pitchbook
Note: funding info current as of 6/28/24

AVANT by AVISON YOUNG

Appendix

Select lab/R&D cluster market stats

AY life science region	Existing inventory	Under development sf	% preleased	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)
Boston	52,247,280	7,665,997	41%	22.2%	5.9%	28.0%	430,379	0.82%
Bay Area	39,386,234	5,870,820	46%	24.2%	7.3%	31.5%	-559,674	-1.42%
SoCal*	19,880,747	3,134,545	29%	21.2%	6.7%	27.2%	60,203	0.30%
TriState	16,435,652	438,000	91%	17.1%	1.5%	18.6%	116,939	0.71%
Philadelphia	14,388,868	1,379,007	13%	23.0%	3.8%	26.1%	76,127	0.53%
Seattle	11,944,177	512,600	25%	13.6%	3.7%	17.2%	30,905	0.26%
Raleigh/Durham	9,723,123	-	-	17.9%	2.7%	20.5%	-227,612	-2.34%
DC/Baltimore	9,037,578	533,000	67%	10.8%	2.4%	13.2%	2,362	0.03%
Texas**	3,694,089	190,000	0%	32.0%	6.6%	38.6%	-196,828	-5.33%
Chicago	1,883,308	509,360	28%	56.0%	2.7%	58.7%	29,404	1.56%
Denver	1,542,157	-	-	27.3%	3.8%	31.1%	-3,021	-0.20%

*SoCal includes the San Diego and Los Angeles lab/R&D markets, **Texas only includes the Austin and Houston markets

Source: AVANT by Avison Young, CoStar

For more market insights and information visit **avisonyoung.com**

Tucker White

U.S. Life Science Lead, Market Intelligence
Boston & Philadelphia Manager, Market Intelligence
tucker.white@avisonyoung.com

AVISON YOUNG