



U.S. life science insights

Lab/R&D

Q4 2023

**AVISON
YOUNG**

U.S. lab/R&D market trends

14.2%

of space is vacant across the United States

There is 24.2 million sf of vacant lab/R&D space across the country, the highest amount on record. A wave of vacant lab/R&D deliveries, coupled with a large injection of new sublease vacancies over the last year, have left occupiers with more options than ever before.

11.5m

square feet of leasing took place in 2023

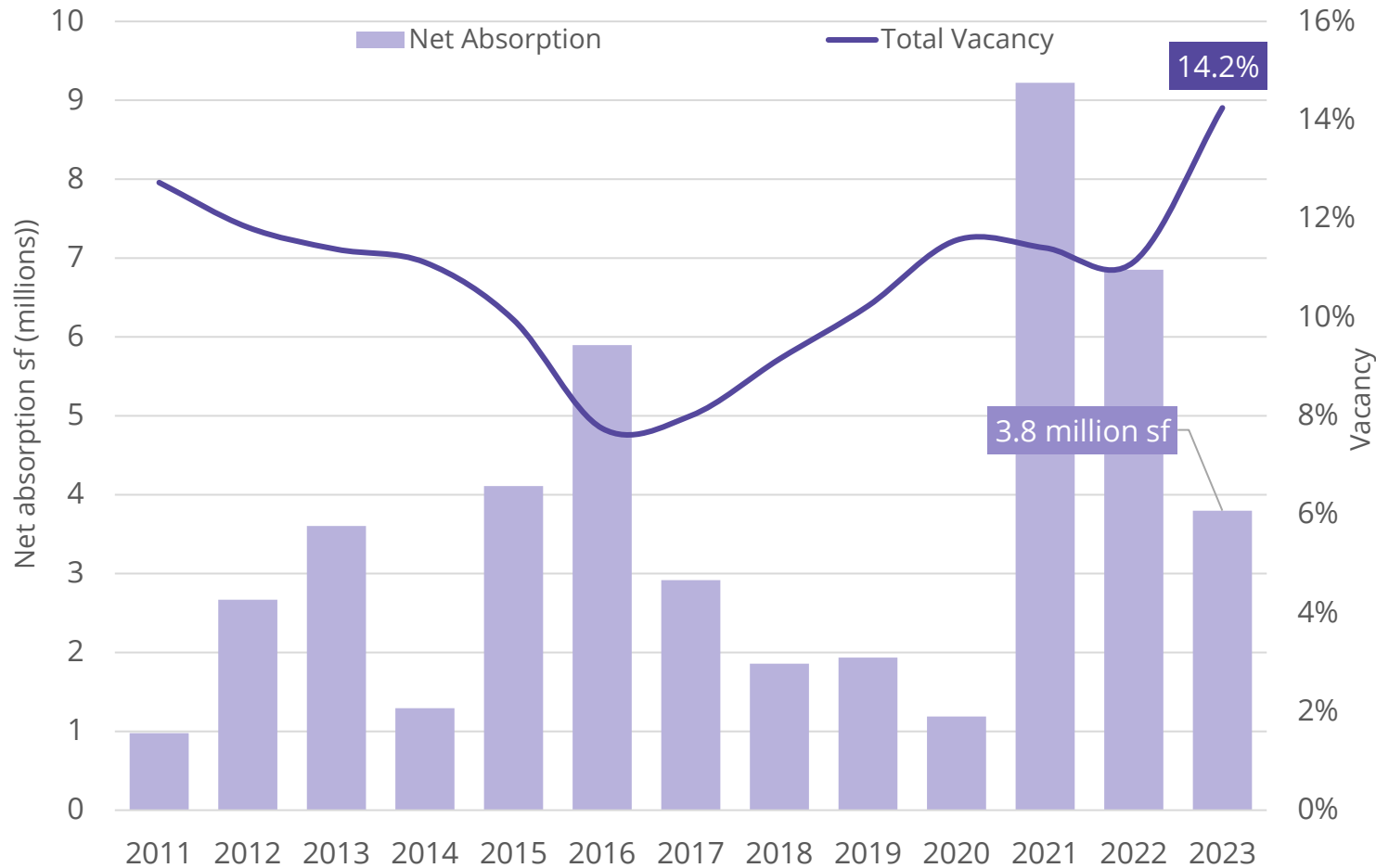
Leasing activity decreased quarter-over-quarter in 2023 which can be attributed towards a slow-down in venture capital funding, particularly among earlier stage companies. Moreover, heightened interest rates have made it increasingly difficult for companies to lengthen their drug-discovery runways due to the higher cost of capital.

76%

of lab/R&D construction is located across three markets

26.6 million square feet of lab/R&D construction is underway across the country, 47% of which is preleased. The Greater Boston area and Bay Area markets account for approximately 70% of construction nationwide, preleased at 58%, and 59%, respectfully.

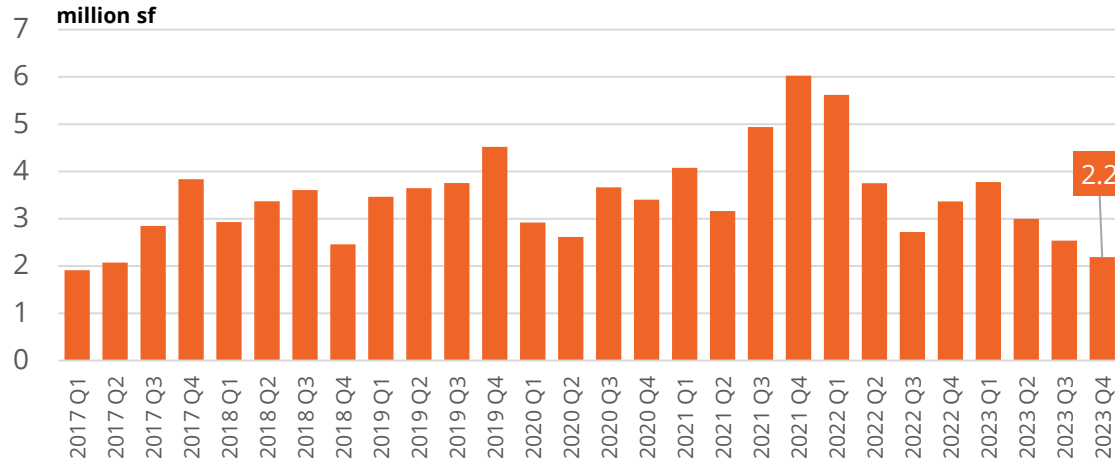
Net absorption decelerates



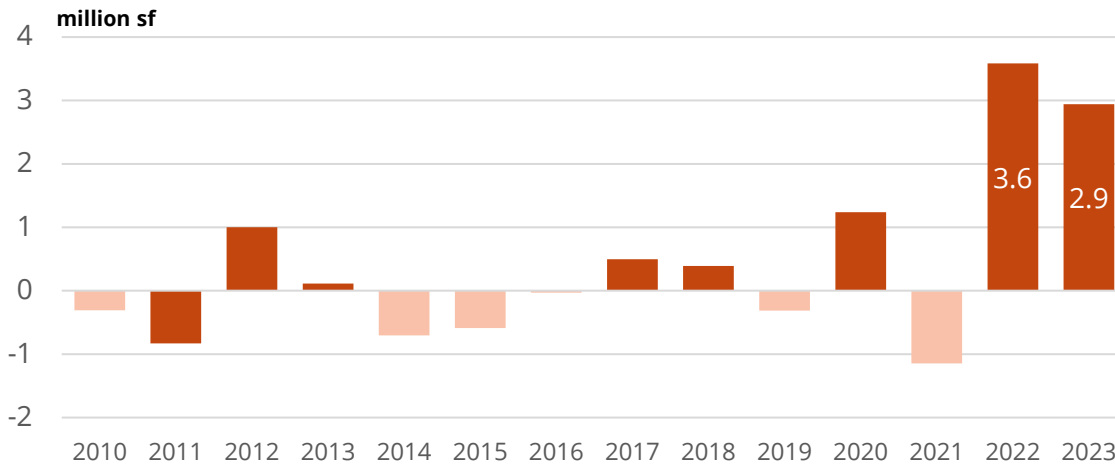
A slowdown in net absorption, coupled with a wave of vacant lab deliveries and new sublease availabilities, drove lab/R&D vacancy up to the highest on record in 2023.

Leasing slows, sublease options increase

2023 Q4 marked the lowest amount of leasing activity since Q2 2017



The change in available lab/R&D sublease space has increased significantly the last two years.

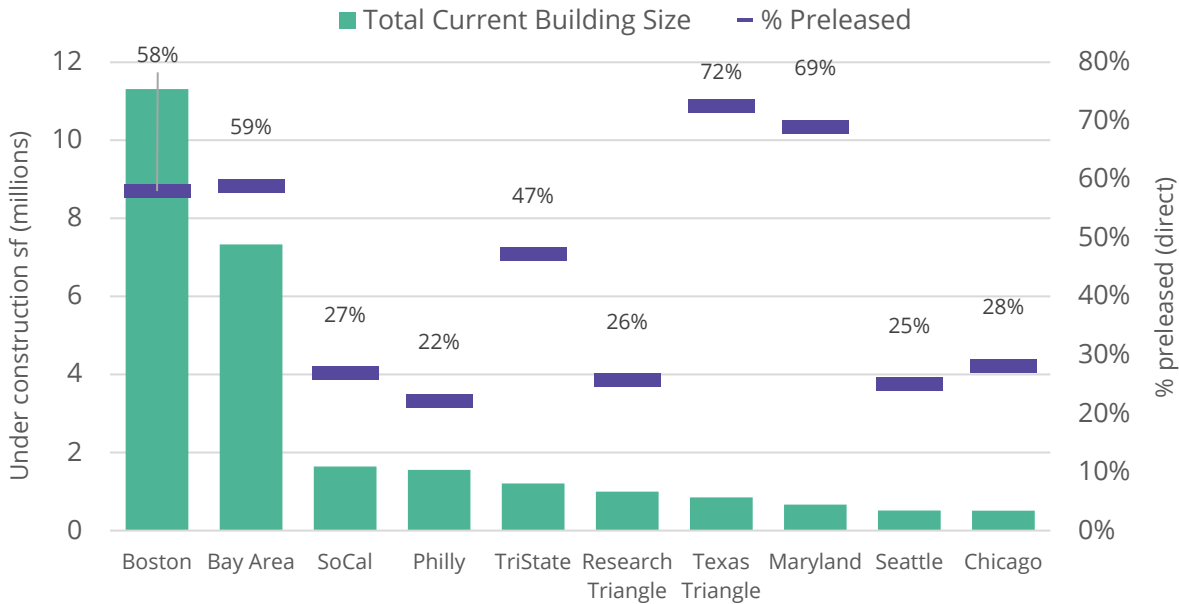


Lab/R&D leasing activity decreased significantly in 2023, down 63% from a national high in Q4 2021. Increasing sublease availability saw a slight deceleration in 2023.

U.S. lab/R&D market is flush with new supply across top-tier life science markets, preleasing lags historical levels.

47%

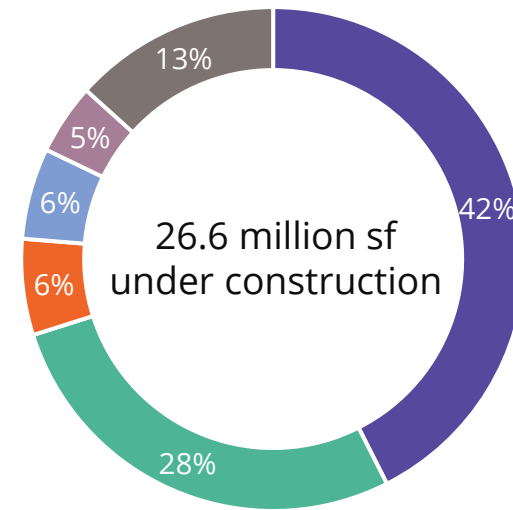
Almost half of the lab/R&D construction pipeline is preleased across the United States.



76%

Greater Boston, the Bay Area, and SoCal account for nearly a quarter of lab/R&D construction nation wide.

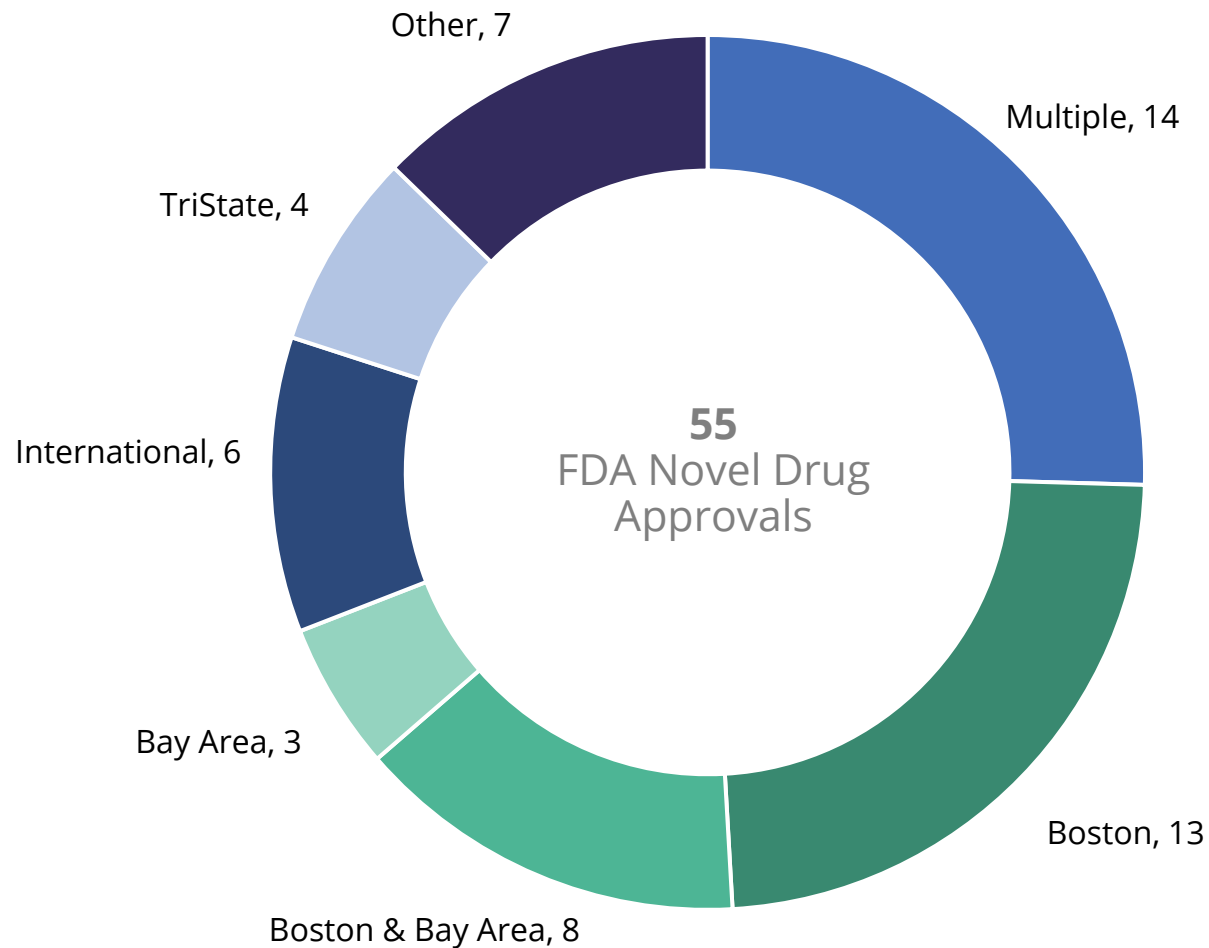
■ Boston ■ Bay Area ■ SoCal ■ Philly ■ TriState ■ Other



Localized lab/R&D demand drivers



2023 drug approvals, primary R&D location



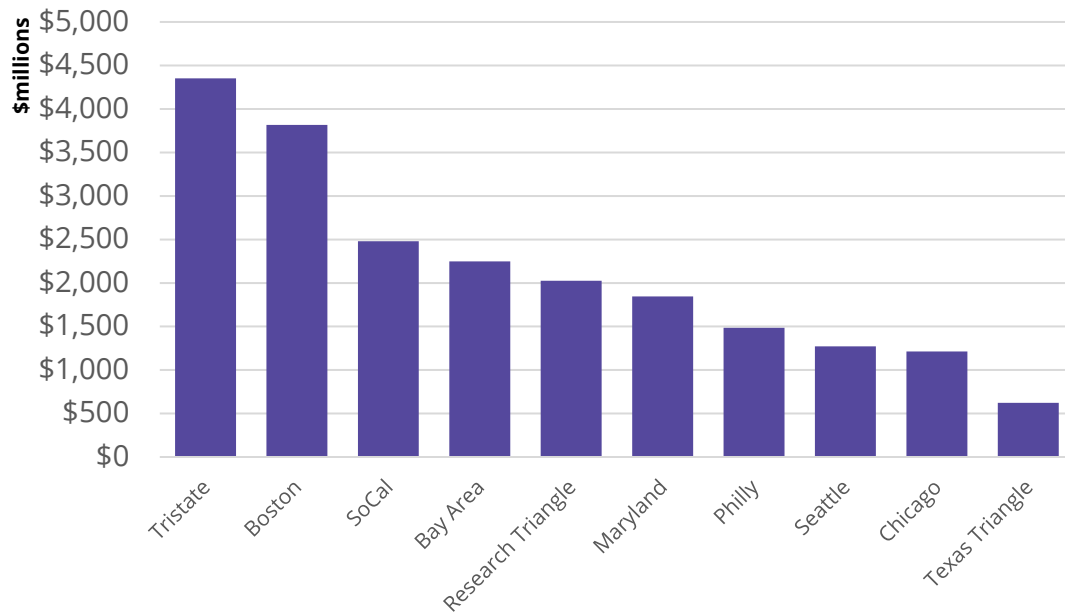
Of the 55 novel drug approvals in 2023, 44% were granted to companies with primary R&D locations in the Greater Boston Area, Bay Area, or both. 2023 saw the largest number of approvals since 2018.

The National Institute of Health (NIH) deployed \$49 billion in program grants in 2023, a 6.5% increase from 2022.

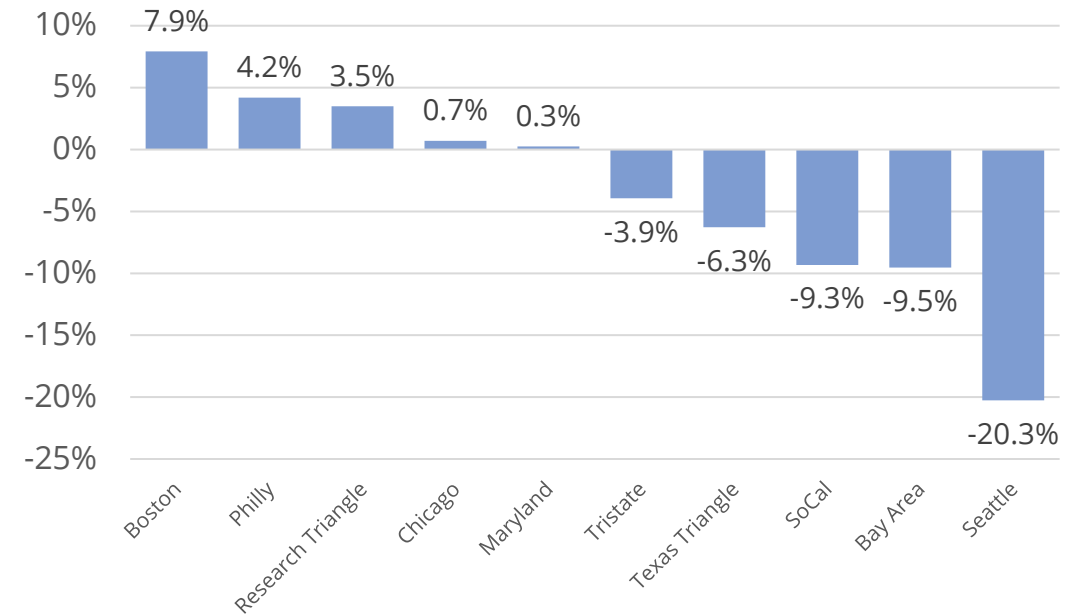
\$4.4 billion

7.9%

The TriState area received the largest amount of NIH funding in 2023 compared to other life science markets.

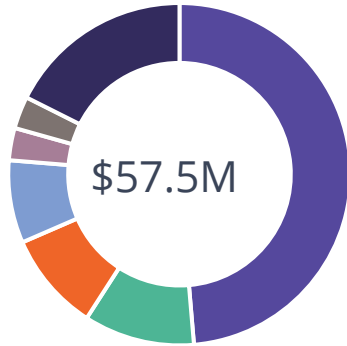


Boston saw a notable increase in funding from 2022 to 2023. West Coast markets saw a large drop-off.



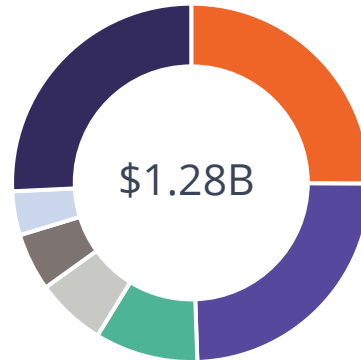
Localizing 2023 VC funding by stage

Accelerator/Incubation



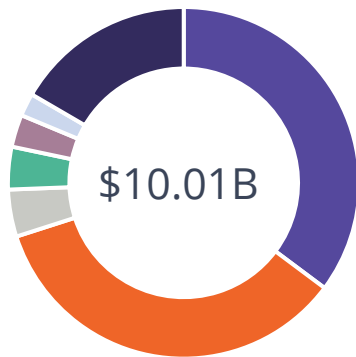
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Angel/Seed



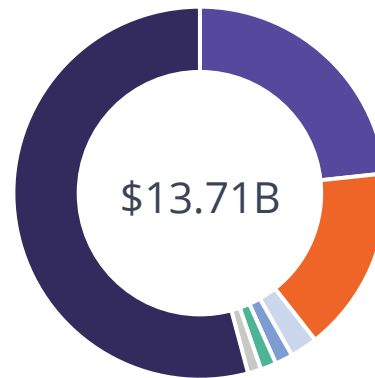
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Early Stage



■ CA ■ MA ■ PA ■ NY ■ CO ■ WA ■ Other

Late Stage

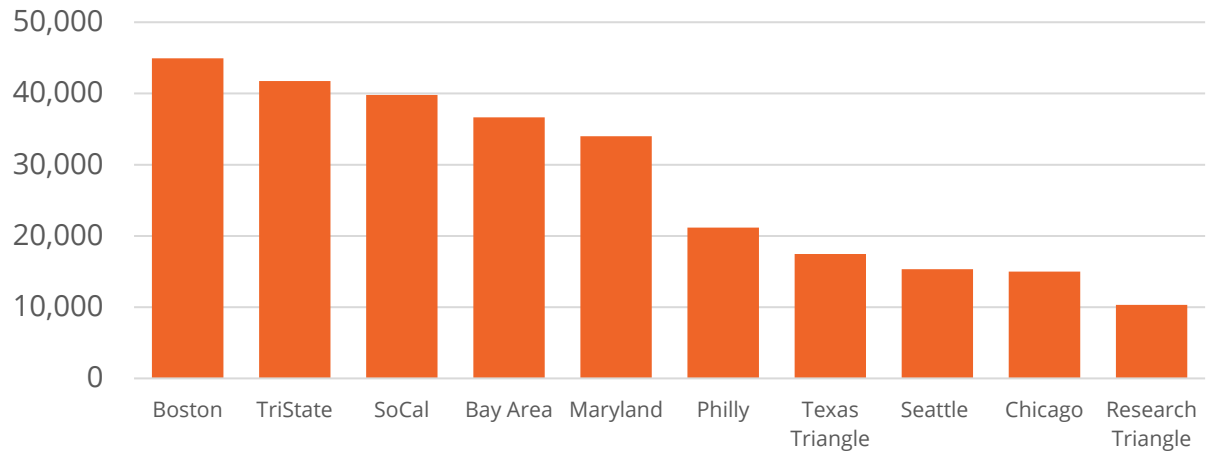


■ CA ■ MA ■ WA ■ TX ■ NY ■ PA ■ Other

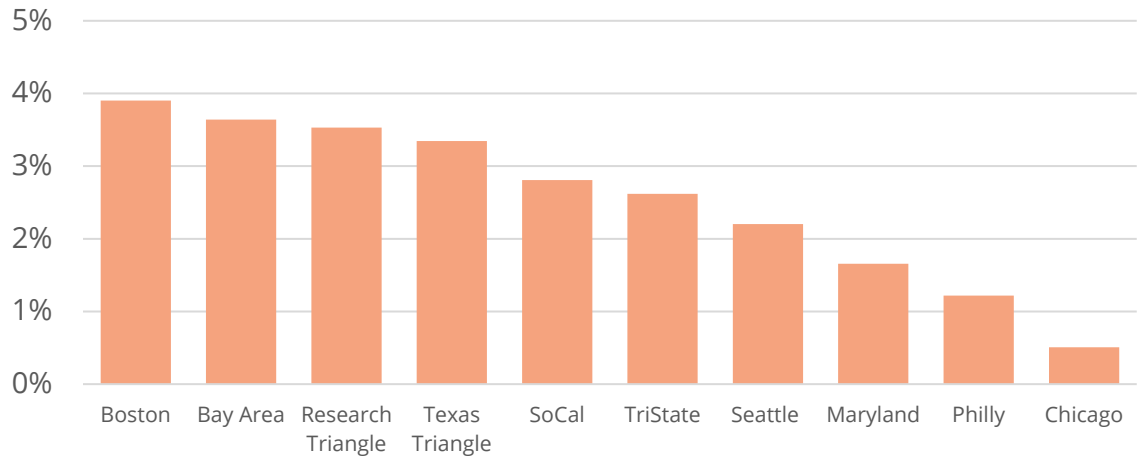
Driven by the Bay Area, San Diego, and Los Angeles, California reeled in the most life science related VC funding. However, Massachusetts companies claimed the most angel/seed funding.

Life science jobs by region

2023 Jobs



Job change (2022-2023)

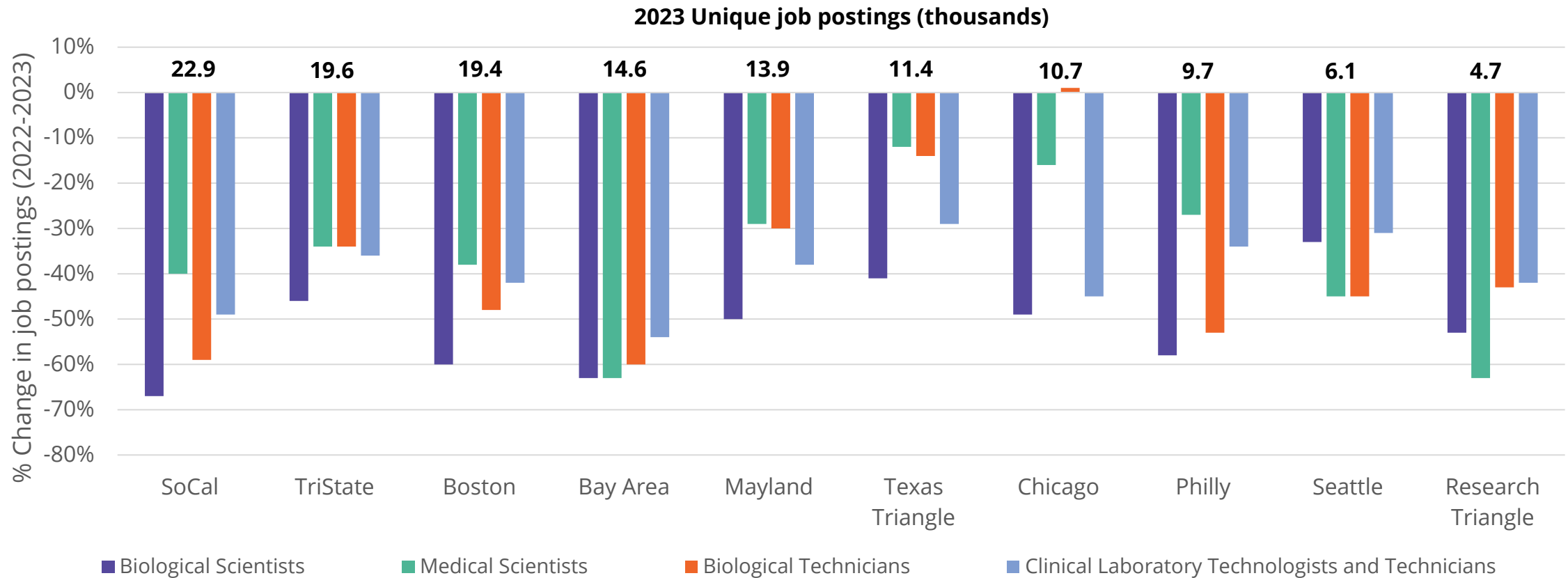


Modest job growth for life science occupations was exhibited across all regions with the Boston area seeing the largest increase.

Life Science job openings decline in 2023

-42%

All major life science markets saw a significant slow-down in hiring efforts throughout 2023 for key occupations.



U.S. lab/R&D capital investment



Capital from a variety of sources continues to flow into the life science sector

With the exception of venture capital funding, the life science sector witnessed a notable uptick in public offerings, mergers and acquisitions (M&A), and government funding in 2023.

\$27B

in venture capital funding was injected in 2023, down 27% compared from 2022.

27

IPOs took place in 2023 for life science companies with a US presence.

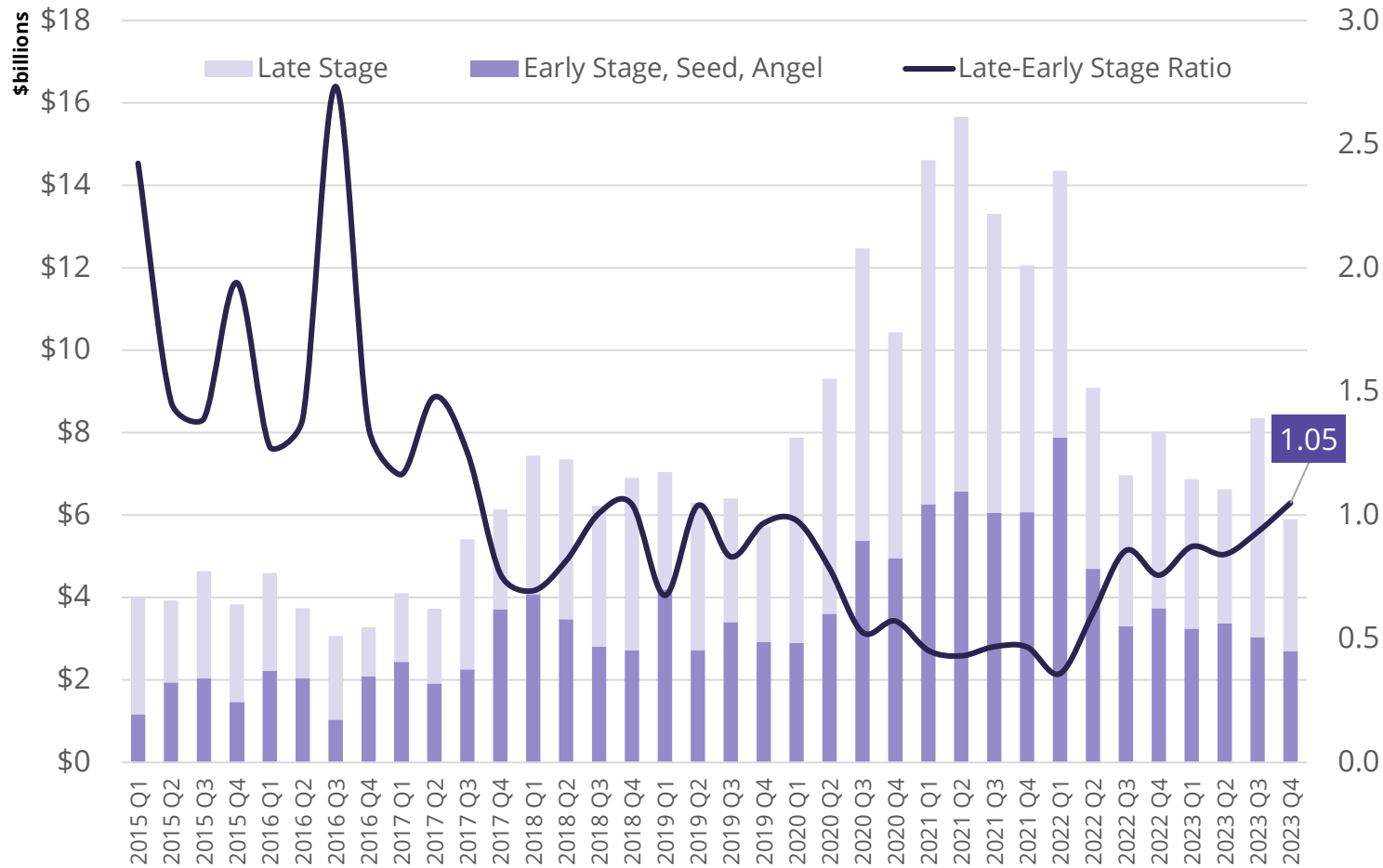
160%

increase in M&A deal volume from 2022 occurred in 2023.

\$49B

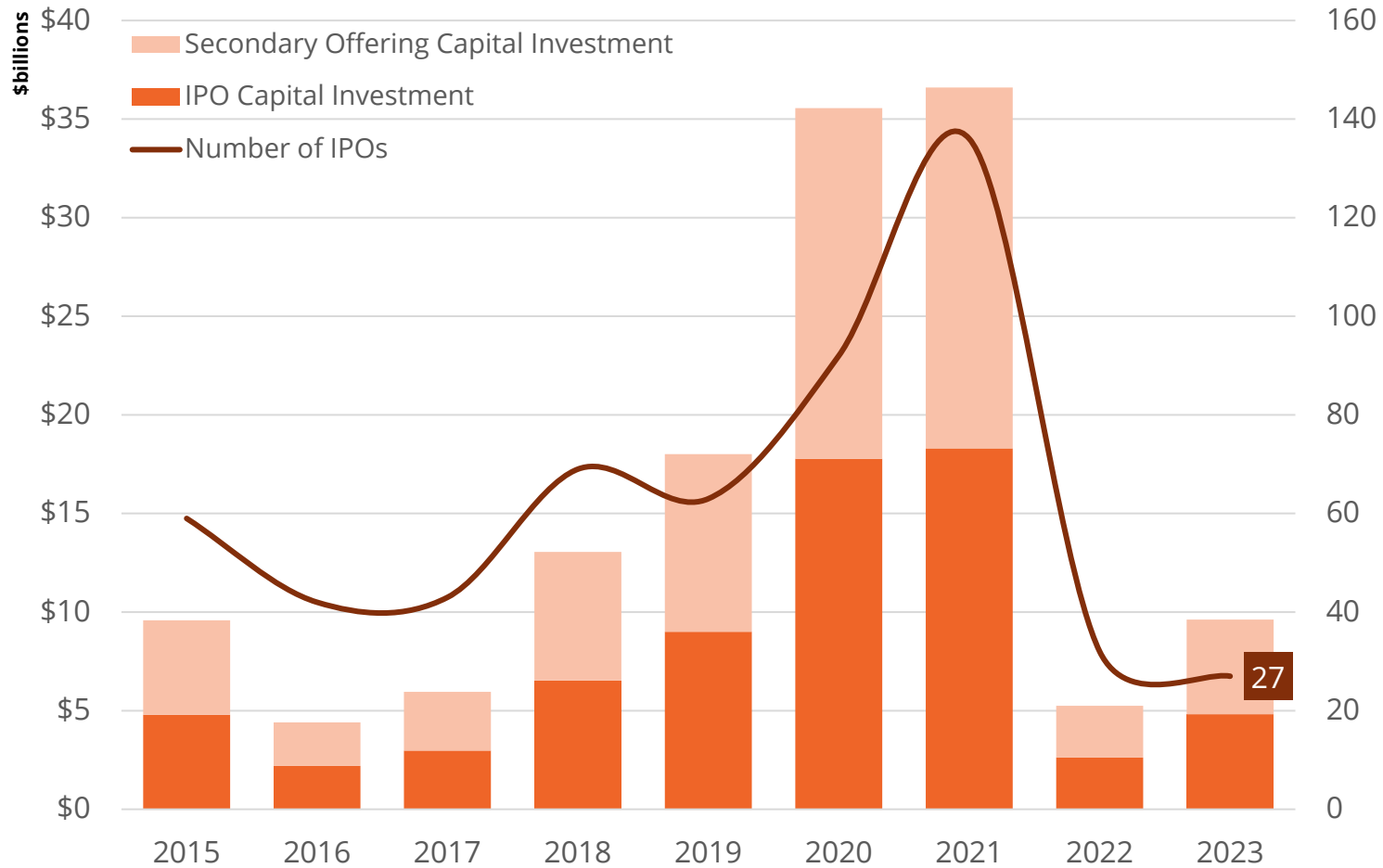
in NIH grants were awarded 2023, up 6.5% from 2022.

VC funding retargets later stage companies



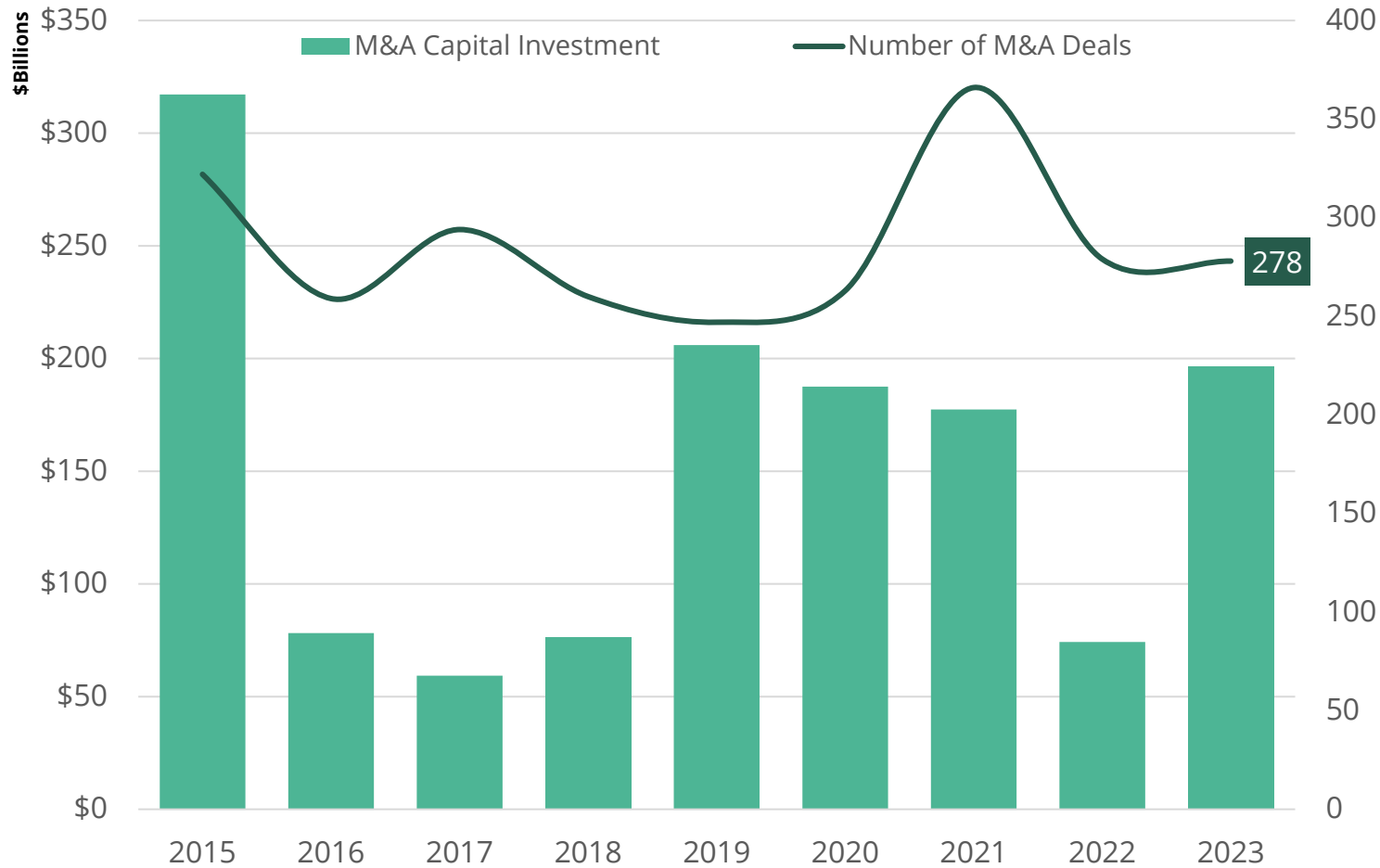
The majority of venture capital funding injected into life science companies has favored earlier stage companies over the last four years. However, as of Q4 2023, later stage companies are starting to get the bulk of funding.

Investment via public offerings increases



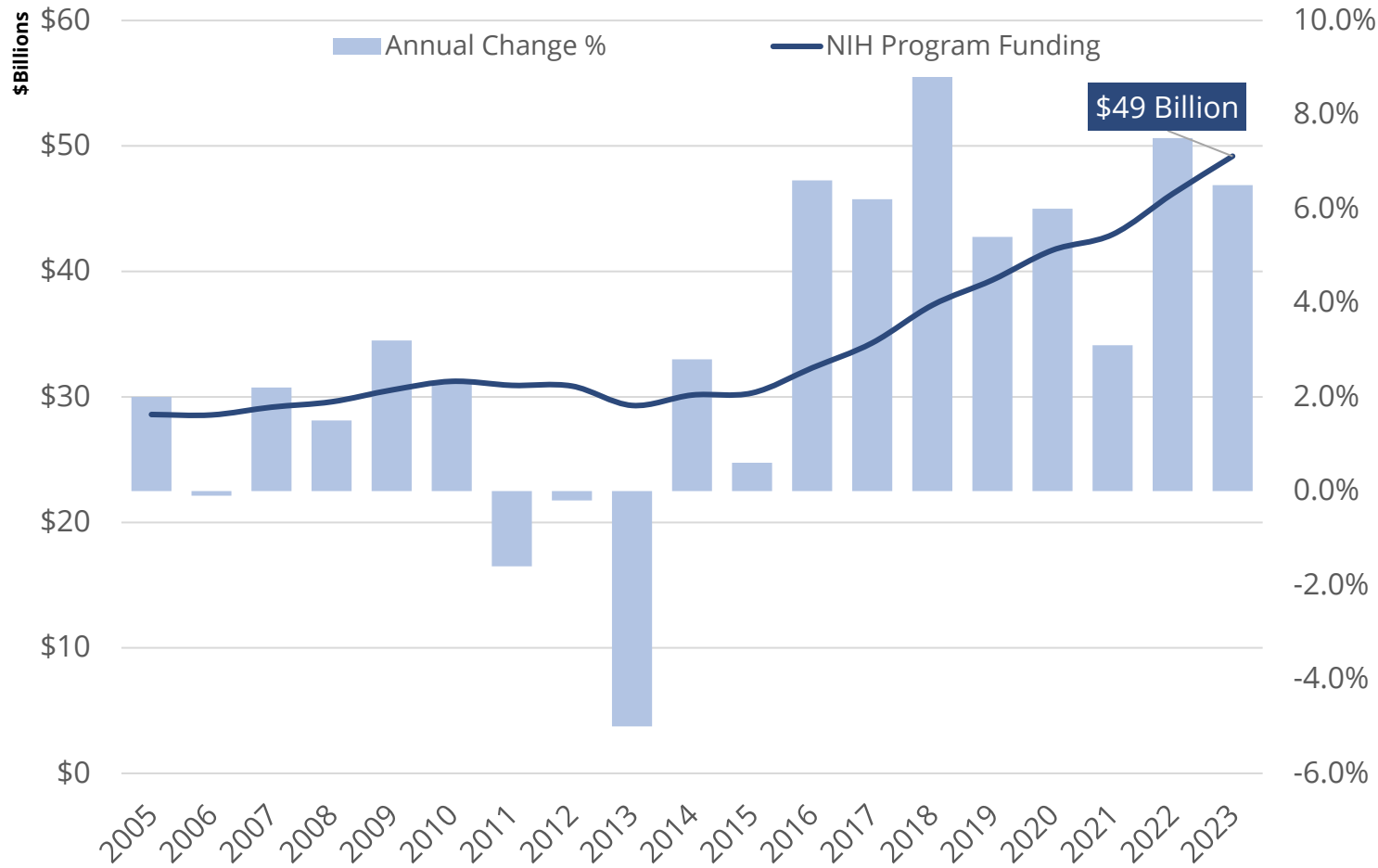
Despite a decrease in the amount of life science related IPOs in 2023, capital investment into the sector through public offering increased 83% compared to year-end 2022.

M&A activity picks up after a slow 2022



The number of M&A deals in 2023 was static compared to 2022. However, the overall deal volume increased 160% with the median deal size increasing from approximately \$3 million in 2022 to \$5 million 2023.

NIH funding continues upward trajectory



The National Institute of Health (NIH) deployed approximately \$49 billion into the healthcare and life science sectors in 2023, a 68% increase from 10 years ago.

Appendix



Select U.S. lab/R&D 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	48,746,296	11,311,383	58%	21.4%	5.6%	27.0%	2,329,361	4.78%
Bay Area	40,877,166	7,333,050	59%	25.8%	7.4%	33.1%	-959,444	-2.35%
SoCal**	18,407,343	1,640,129	27%	19.2%	7.8%	26.9%	-292,138	-1.59%
TriState	16,293,557	1,208,000	47%	20.7%	1.0%	21.7%	638,679	3.92%
Research Triangle***	14,791,588	1,000,072	26%	18.0%	4.0%	22.0%	-182,230	-1.23%
Philly	14,388,868	1,556,600	22%	21.9%	3.9%	25.7%	713,596	4.96%
Seattle	11,944,177	512,600	25%	13.2%	3.4%	16.5%	-137,020	-1.15%
Maryland	8,859,730	668,000	69%	10.0%	2.4%	12.4%	99,614	1.12%
Texas Triangle*	5,088,479	849,286	72%	34.0%	0.9%	34.9%	88,933	1.75%
Chicago	1,883,308	509,360	28%	53.0%	1.3%	54.7%	8,717	0.46%

*Texas Triangle excludes the Dallas market in stats, **SoCal includes the San Diego and Los Angeles lab/R&D markets, ***Research Triangle includes biomanufacturing inventory

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Tucker White

U.S. Life Science Lead
Market Intelligence
+ 1 617 758 8506
tucker.white@avisonyoung.com

Matthew Posniak

Analyst
Market Intelligence
+ 1 212 858 9215
matthew.posniak@avisonyoung.com

Howard Huang

Analyst
Market Intelligence
+ 1 510 500 7387
howard.huang@avisonyoung.com