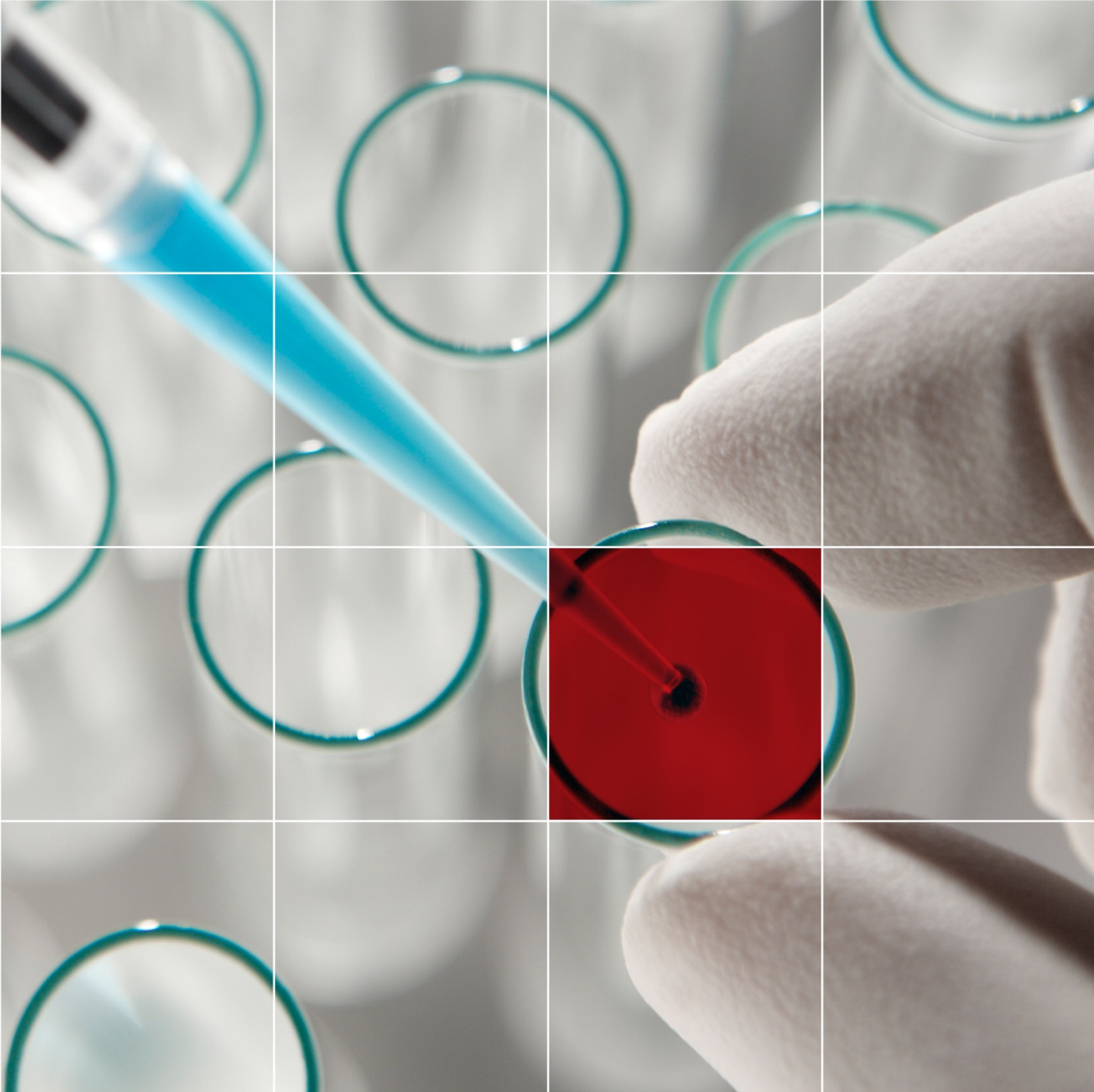


Life Sciences Outlook



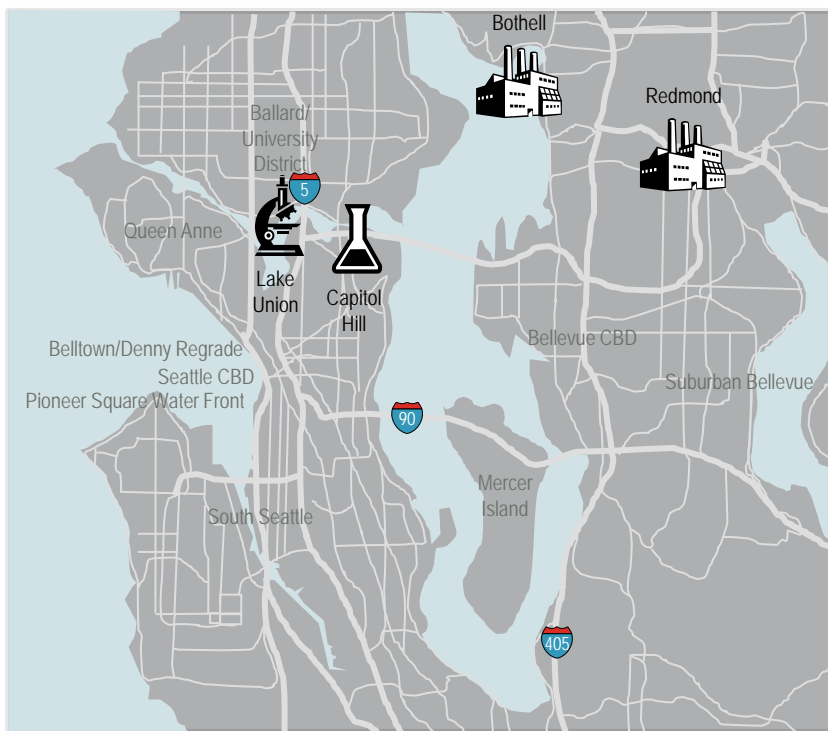
Seattle-Bellevue | 2015



Seattle-Bellevue

Seattle's life sciences industry has exploded over the last few years, with one of the largest increases in employment of all life sciences clusters, at 7.1 percent.

The market continually ranks in the top 10 nationally in VC and NIH funding, as well as in patents issued. Innovation in Seattle is driven by some of the world's largest philanthropic organizations and research institutes.



Major lab supply:
Clusters of established lab stock with long-time industry presence



Emerging lab supply:
Areas with limited lab stock today that are poised for growth



Life Sciences manufacturing supply:
Clusters of manufacturing space devoted to pharmaceutical, biological or medical device & instrument manufacturing

Seattle overview

Seattle is one of the nation's premier life sciences markets, due primarily to its strength in research and development. In fact, 45.0 percent of all life sciences jobs in the area are based in research and development. This can be strongly attributed to the presence of some of the world's largest philanthropic organizations, such as the Bill & Melinda Gates Foundation, which has funded several major grants to Seattle-based research institutes. Additionally, the University of Washington consistently ranks in the top five of institutions receiving NIH funding. Seattle's major research institutes include the Allen Institute for Brain Science, Benaroya Research Institute, Seattle Biomedical Research Institute, the Infectious Disease Research Institute and the Institute for Systems Biology, which focuses on global health and third world infectious diseases.

Suburbs overview

The suburban market to the northeast of downtown Seattle offers quality low cost alternatives to the more expensive Lake Union and Capitol Hill submarkets. This area is unique in that while it is extremely close to the Bellevue CBD, its buildings, tenants and overall feel are quite different. Its office parks and low rise office buildings are embedded amongst evergreen trees, wetlands and parks, which make this submarket feel like a detachment from the bustling metropolitan lifestyle just minutes away in the CBD. This allows companies to attract talent with access to nearby amenities, at a significantly discounted cost of living.

Economic scorecard

Cluster score:
40.1

Workforce	Total life sciences	% life sciences to private employment	Year-over-year growth
Employment	23,922	1.9%	7.1%
Establishments	887	0.9%	1.4%

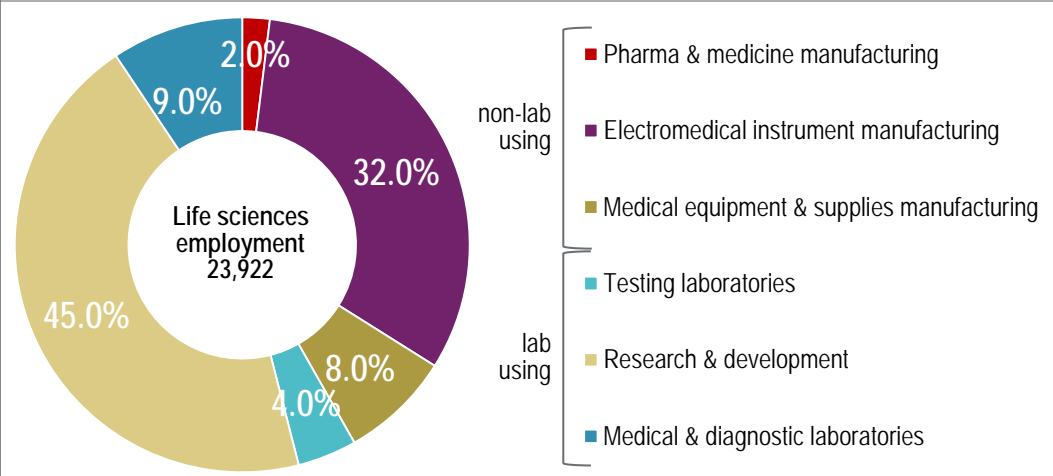
Funding	Total life sciences	% to total U.S.
VC funding	\$333.5M	2.4%
NIH funding	\$176.9M	0.8%

Innovation	Total life sciences	% to all patent classes
Patents	500	11.5%

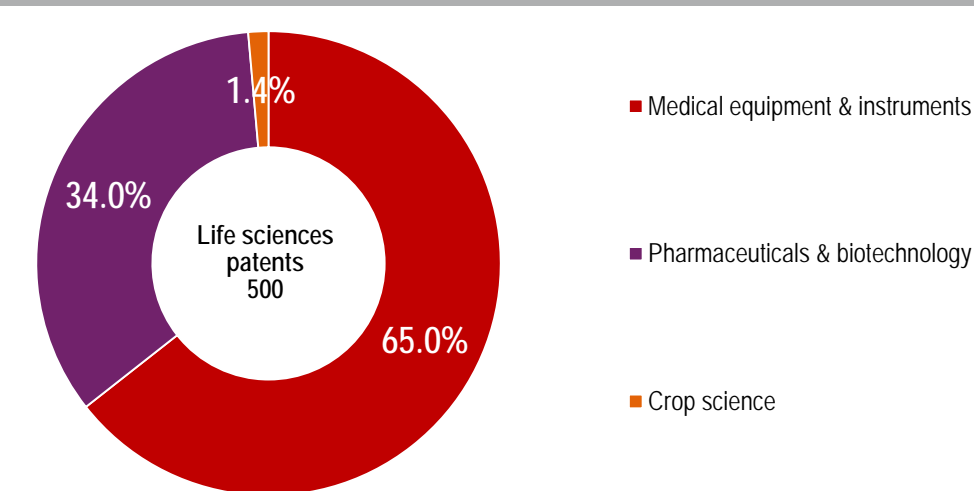
At \$906.2M, Washington was awarded the eighth most NIH funding of any state in the nation- almost \$200M in Seattle. This represents an increase of 17.1 percent year-over-year. Additionally, the \$333.5M in VC funding raised by life sciences companies in Seattle was the seventh highest state total and is an increase of 21.0 percent from last year.

The Seattle metro area had a total of six initial public offerings in 2014, and four of them—Juno Therapeutics, Alder Biopharmaceuticals, Acucela and Immune Design—were life sciences companies. Juno Therapeutics' market cap of \$2.2 billion was the highest of any biotech company on its debut in the past 10 years.

Life sciences employment composition



Life sciences patents by classification



For the second consecutive year at least 500 patents were issued to life sciences companies in the Seattle metro area. This represents an impressive 11.5 percent of all patents in the region and ranks in the top 10 nationally.

Seattle

Lake Union

Limited availability has made growth difficult for tenants

- Vacancy in Lake Union has been steadily declining since it reached a peak of 8.2 percent in the fourth quarter of 2008. The submarket is currently 100.0 percent occupied, with no existing lab product being marketed on a direct or sublease basis.
- The downward pressure on vacancy has escalated lab rents, with recently completed deals achieving as high as \$55.0 per square foot NNN. Rental rates should continue to rise as space demand remains constrained.
- For the second consecutive year, the sale of a life sciences building in Lake Union broke the market record for per-square-foot pricing. This occurred in February when BioMed Realty Trust purchased the SBRI Building from Vulcan and Seattle BioMed for \$89.7 million, or \$772 per square foot
- Juno Therapeutics, the rapidly growing cancer immunotherapy company, which had a massively successful IPO in December, recently announced that it will lease 80,000 square feet, with an option to expand, in a new construction project in South Lake Union.
- There is one speculative project under construction in South Lake Union, but in general landlords have been hesitant to build spec lab space because it is significantly more expensive than traditional office space. Growing life sciences companies will have to plan well in advance for their expansion needs.

Capitol Hill

Healthcare and retail hub

- Capitol Hill is a densely populated residential neighborhood known primarily for housing several major health care facilities: Harborview Medical Center, Swedish Medical Center and Virginia Mason Medical Center. While its life sciences inventory is just a fraction of the size of Lake Union, Capitol Hill is home to the Benaroya Research Institute, Theraclone Sciences, CellNetix and PharmaIN, among others.
- The vacancy rate in Capitol Hill currently sits at 10.0 percent, which is 10.6 percentage points lower than the same period last year.

Facilities scorecard

Supply	Lake Union Major lab	Capitol Hill Emerging lab
Rentable lab stock (% of total stock)	1.9 m.s.f. 57.3%	0.5 m.s.f. 62.5%
Direct vacancy (Change year-over-year)	0.0% (1.2) ppts	10.0% (10.6) ppts
# of large blocks over 100,000 s.f.	0	0
Under construction (s.f.)	0.6 m.s.f.	0
Demand		
# of requirements	2	0
Total s.f. requirements	0.04 m.s.f.	0
Pricing		
Average asking rent (FS) (Change year-over-year)	\$43.20 p.s.f. 31.4%	\$42.87 p.s.f. 2.5%

JUNO THERAPEUTICS
400 Dexter Avenue N
Lake Union
80,000 s.f.
Term: 7 years

SBRI BUILDING
Lake Union
116,200 s.f.
Class B
\$89.7M / \$780 p.s.f.

ALLEN INSTITUTE FOR BRAIN SCIENCE
Lake Union
272,408 s.f.
Vulcan
Expected delivery: Q3 2015

NANOSTRING TECHNOLOGIES
500 Fairview Avenue N
Lake Union
21,541 s.f.
Term: 10 years

Activity key:

Leasing

Under construction

Sales

Large blocks of space

Suburbs

Bothell

Despite declining vacancy, affordable options remain

- Bothell's vacancy rate sits at 14.1 percent, which represents a decrease of 460 basis points year-over-year.
- With more than 278,000 square feet leased in Bothell, 2014 was the most active year for life sciences leasing activity in more than a decade. There are currently no blocks of available space larger than 100,000 square feet.
- Despite this activity, Bothell still has significantly more available space than Lake Union and Capitol Hill combined, and should continue to see spillover demand in the coming quarters as growing companies look for expansion space.
- Seattle-based Juno Therapeutics recently announced that it is opening a manufacturing facility in Bothell to supply its clinical trials and potentially its first commercial products. This deal illustrates how Seattle and the suburbs are both viable options for fast-growing life sciences companies in the region.
- Adler Biopharmaceuticals, a Bothell-based biotech company, has raised more than \$200 million since its IPO last May, and plans to continue adding to its head count.

Redmond

Ideal suburban location with highly educated workforce

- Redmond has struggled with elevated vacancy for the last five years, as it tends to share life sciences tenant demand with Bothell. However, direct vacancy has dropped 670 basis points year-over-year and currently stands at 16.2 percent.
- The largest life sciences sale this year on the Eastside occurred in March, when Burnstead purchased West Willows Technology Center for \$28.5 million, or \$171 per square foot.
- Redmond is a strong and vibrant market that boasts excellent infrastructure, amenities as well as a highly educated in-place workforce. Companies seeking a suburban atmosphere and substantially discounted cost of business will increasingly consider it.

Facilities scorecard

Supply	Bothell Manufacturing	Redmond Manufacturing
Rentable lab stock (% of total stock)	1.6 m.s.f. 75.0%	0.5 m.s.f. 100%
Direct vacancy (Change year-over-year)	14.1% (4.6) ppts	16.2% (6.7) ppts
# of large blocks over 100,000 s.f.	0	0
Under construction (s.f.)	0	0
Demand		
# of requirements	3	0
Total s.f. requirements	0.06 m.s.f.	0
Pricing		
Average asking rent (NNN) (Change year-over-year)	\$19.00 p.s.f. 0.6%	\$15.20 p.s.f. 2.5%

ONCOGENEX PHARMACEUTICALS
19820 North Creek Parkway
Bothell
11,526 s.f.
Term: 3 years

WEST WILLOWS TECHNOLOGY CENTER
Redmond
166,833 s.f.
Class B
\$28.5M / \$171 p.s.f.

MONTE VILLA FARMS – 3301 BUILDING
Bothell
93,534 s.f.
Class B
Direct

JUNO THERAPEUTICS
1522 217th Place SE
Bothell
67,171 s.f.
Term: 10 years

Activity key:

Leasing

Under construction

Sales

Large blocks of space



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