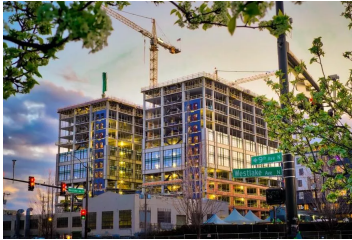


# How Seattle Seeded A Life Sciences Boom

May 23, 2021 | Patrick Sisson, Bisnow Select Leaders (<https://www.bisnow.com/author/patrick-sisson-374019>) (<mailto:patrick.sisson@bisnow.com>)

A little more than a decade ago, Seattle's South Lake Union neighborhood was a low-rise industrial district with a sea of surface parking lots. Fast-forward to today, and the grid of high-rise office towers, nicknamed Amazonia, underscores how the growth of Amazon and its fellow tech giant, Microsoft, has transformed the city's real estate market.

Another booming tech industry, life sciences, is poised to accelerate that growth.



Consider the Dexter Yards development by BioMed Realty a 500K SF project with 150K SF of potential lab space opening in the neighborhood later this year. It's another high-tech workspace in South Lake Union, but what potentially makes it so valuable to tenants are its neighbors.

Within a small stretch of the neighborhood, bounded by Roy and Mercer streets, one can find the Bill & Melinda Gates Foundation, Allen Institute for Brain Science, University of Washington

and the Fred Hutchinson Cancer Research Center, as well as a collection of offices for big tech firms like Google.

With a map of this neighborhood, one could create a flowchart of the innovation, investment and commercialization that has helped Seattle's life sciences market flourish and become one of the nation's fastest-rising destinations for life science investment, per rankings by CBRE and JLL.

More projects will come online in South Lake Union in the next few years as well: Boren Lofts, a \$119M Oxford Properties acquisition, will transform a former office into a dedicated lab space in the highly desirable Denny Triangle. Martin Selig Real Estate's 400 Westlake is set to open next year, and national life sciences leader Alexandria Real Estate Equities is building 701 Dexter, a 217K SF project.

"It's a much more sophisticated market than when I started here 10 years ago," BioMed Realty Vice President Mike Ruhl said. "We're probably going to have 6M SF of lab space in South Lake Union alone by the end of the year."

Oxford Properties' entry was driven in part by its in-house artificial intelligence investment tool, which identified Seattle as an especially lucrative development market for lab space, Oxford Chief Operating Officer Dean Hopkins told *Bisnow* earlier this month.

"When we modeled it, we said, 'Oh, something really special is going on in Seattle, and we can tell exactly where in Seattle and why in Seattle,'" Hopkins said.

There's fierce competition for both built-out lab space and lab-capable development sites, CBRE Senior Vice President Marcus Yamamoto said. New capacity set to deliver in the next three years is already being eyed by new tenants, and the scarcity of built-out, move-in ready space has driven some owners of existing office buildings to construct spec suites to fit more immediate demand. CBRE is tracking 760K SF of lab-capable development under construction in Seattle, and another 2.6M SF of planned lab capable development in the pipeline through 2025.

"Unlike many parts of the country, we still have a lot of cranes in the sky, and there's lots of precise escalation, and I don't really see it slowing down," Ruhl said. "The biggest growth we've seen in the last 10 years of the market has taken place in the last 24 months."

Seattle's life sciences industry, which brought in \$2.7B in funding last year alone, and its corresponding growth in lab and office real estate has come into its own over the last decade for a number of reasons. A coterie of top research institutions, including the Institute of Systems Biology, founded by pioneering researcher Lee Hood, and the University of Washington and Fred Hutchinson Research Center (which combined account for billions of dollars in research funds annually) incubate new ideas, especially around cancer treatments and medical devices. All have been aggressive about commercialization and spinning off new firms, according to Marc Summers, vice president of public policy for Life Sciences Washington.

## BISNOW

The Gates Foundation and Allen Center act as magnets that attract top research talent that helps seed additional innovations. Washington state has also aggressively seeded investment in this sector via numerous grant programs and initiatives, such as the Life Science Discovery Fund, which helped startups between 2005 and 2015, and the Andy Hill Cancer Research Endowment Fund, a state program approved in 2019, which will invest more than \$5M annually in the next few years in local startups.

The parallel rise of the tech industry, especially Microsoft and Amazon, further built up a talent base, one skilled in the types of computer analysis and AI tools increasingly becoming more important to life sciences research.

"We're trying to be the center of a convergence of biotech, life science and digital computing," said Life Sciences Washington's Summers. "Having that pool of talent that has computational capacity to apply that to computational biology, that's one of the big trends in the field these days."

When local firms get acquired by bigger companies, they tend to stay put. Many people *Bisnow* interviewed cited the example of Juno, which was acquired for \$9B by New Jersey-based Celgene in 2018. It stayed local and ended up spinning out multiple startups, including Adaptive Biotechnologies and Sana Biotechnology.

It also helps that Seattle offers the tech talent and West Coast lifestyle many workers crave at a more competitive price; the cost of living is 37.1% lower in Seattle than San Francisco, and lab rent is cheaper, too, per Newmark Knight Frank, \$66 to \$71.40 versus \$55 to \$65. Talent attraction has been a consistent worry for life sciences employers, Summers said.

"There's a cost-effectiveness in Seattle," Ruhl said. "We're competitively priced for the West Coast."

The two big players in the market, Alexandria Real Estate Equities and BioMed, are being joined by many other developers as the market expands, including Trammell Crow. Perhaps the biggest signal of future growth is Alexandria making a \$200M investment earlier this year in nearby suburban Bothell, which has already emerged as a research and manufacturing hub in the region, boasting 30-plus biotech firms, including Athira and Just Therapeutics.

Half of investment sales in Q1 2021 happened in Bothell, per state commerce department data. Other suburban areas, such as Redmond and Kirkland, are also seeing expansion, Washington State Department of Commerce Director Lisa Brown said.

It's a shift some have likened to what has driven the market's top life sciences market: Boston. Concentration and competition in the core downtown market lead to expansion and new regional clusters.

Other future developments include a forthcoming BioMed project at a 1.8-acre site at Sixth Avenue North and John Street and the Mercer Megablock campus development by Alexandria in South Lake Union.

Brown said she believes increased spending and investment is likely this year, especially considering the bipartisan support in D.C. for more federal research dollars. The trends pushing life sciences forward, including a new focus on public health, expanding manufacturing and increased focus on new technologies, put Seattle and the wider region in an ideal position.

"You might think there's going to be a tradeoff between a focus on public health and biotech, but they're mutually reinforcing," she said. "That's a reason the sector is going to grow, not just in the country, but in Washington state in particular."

Contact Patrick Sisson at [patrick.sisson@bisnow.com](mailto:patrick.sisson@bisnow.com) (mailto:patrick.sisson@bisnow.com)