

Biotech real estate needs in Seattle area remain high despite pandemic

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Chinook Therapeutics CEO Eric Dobmeier finds himself evaluating his company's office needs even as the pandemic keeps workers at home.

The company, which went public through a reverse merger in August, has quickly outgrown its Seattle offices. It expanded from 20 to 80 employees last year and expects to add another 60 to 70 this year across its three locations: Seattle; Vancouver, B.C.; and Berkeley, California.

Dobmeier told the Business Journal he expects his employees will continue to work from home this year, but will be back in the office when it's safe to return. He's on the hunt for new space in Seattle to accommodate the company's rapid growth.

He's not alone.

Seattle-area biotech companies will continue to need life science real estate this year, particularly laboratories.

"You can't do your experiments from home," said William Canestaro, Washington Research Foundation and WRF Capital managing director.

Nationally, tenant demand remains strong for lab space, even

as rents climb, according to CBRE's 2020 U.S. life sciences report. And Seattle is no different, with a life science vacancy rate of less than 1%.

"What's always been at a premium is lab space," Canestaro said.

With social distancing rules in place, Canestaro believes that there may even be a greater need for lab space this year than before. Biotech companies have continued to work, taking shifts to space out employees, he said.

"Work in the lab hasn't slowed down as much as you think," he said.

As new companies incorporate, the need for lab space has grown, accommodated by new development from companies like Alexandria Real Estate, which has been on a building tear in Seattle.

Alexandria has a number of near-term projects in Seattle's South Lake Union, where it has long developed properties for the life sciences. Those include a 260,000-square-foot project at 1150 Eastlake Ave. E., a 100,000-square-foot office and lab building at 1165 Eastlake Ave. E., a 217,000-square-foot project at 701 Dexter Ave. N., and the 800,000-square-foot Mercer Mega Block project. It's also planning a 13-story building at 219 Terry Ave. N. and, south of downtown, a 600,000-square-foot project at 830 and 1010 Fourth Ave. S.



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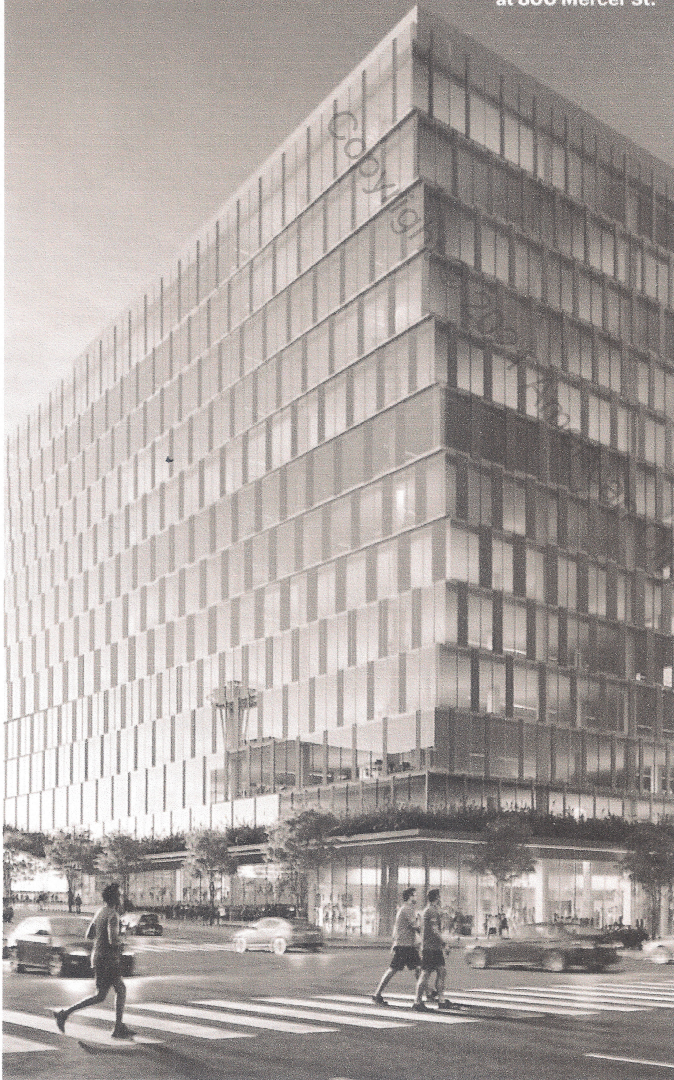
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A conceptual rendering of the commercial buildings that Alexandria Real Estate could build at 800 Mercer St.



ALEXANDRIA REAL ESTATE



“You can’t do your experiments from home.”

WILLIAM CANESTARO, Washington Research Foundation and WRF Capital managing director

The CBRE report said the Puget Sound life science real estate market thrived amid a challenging first half of 2020, demonstrating “resiliency with continued transaction activity, lower vacancy and increased investor interest.”

It continued: “Seattle has become a hub of life sciences innovation, with a unique convergence of world-class scientific research and premier technology talent. This synergy offers the opportunity to capture top talent at the forefront of the life science and technology industries in one place. The nexus of this rich ecosystem lies at the heart of Seattle’s South Lake Union submarket.”

Alexandria has projects in Massachusetts, San Francisco, New York, San Diego, Maryland and North Carolina, according to the annual report it filed with the U.S. Securities and Exchange Commission in October.

Nationwide, lab inventory continues to grow, but there is still a serious need for more in the Puget Sound area, the CBRE report said.

In 2020, the U.S. saw 11.9% growth in inventory, to 95 million square feet, in the top five hubs of Boston-Cambridge, San Francisco Bay Area, San Diego, Washington, D.C.-Baltimore and Raleigh-

Durham, North Carolina.

At the end of last year, CBRE promoted Seattle to its list of “top” life science clusters, ranking it ninth nationally, just behind New York City. What helped bump up Seattle’s status was all of its development in the pipeline, with roughly 2.4 million square feet of “lab capable” space set to be delivered over the next four years.

CBRE noted that two speculative projects from Alexandria were fully pre-leased: its building at 1165 Eastlake Ave. E. and its 194,000-square-foot Atrium project at 188 E. Blaine St., built in 2019. Those signings brought Seattle’s Class A vacancy rate to less than 1%, according to the report.

Despite its undersupply of life science lab space, Seattle sits in the middle of the pack when it comes to asking rent rates, which are around \$25 per square foot, CBRE said. But it has the highest 18-month charge rate among top life science hubs, at \$90 per square foot.

In the second quarter of 2020, Seattle had 5.6 million square feet of inventory with a vacancy rate of 0.6%, while Bothell had an inventory of 2.4 million square feet with a vacancy rate of 6.2%. Combined, the region’s vacancy rate is about 2%.



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