

Houston's life sciences and healthcare infrastructure continue to evolve.

MARKET HIGHLIGHTS

Investment in U.S. life sciences real estate has grown by 111% since 2018, and another 10% increase is forecast for 2022, with much of that new investment funding from-scratch development. Recent headwinds in the life sciences industry have led to a bit of a slowdown from institutional investors, though most view this correction as simply a readjustment back to normal, sustainable growth numbers.

The life sciences industry includes several segments within the medical sector and in CRE terms can utilize a mix of office properties, lab spaces, or light industrial properties. These properties that were not originally designed for life science use can be converted into lab space.

Health care and life sciences are major industry sectors in Houston driven by world-class institutions and professional talent. Houston is home to the largest medical complex in the world, the Texas Medical Center, which provides clinical health care, research, and education at its 61 institutions. TMC's presence is a major force in the larger region's prosperous life sciences sector. The Greater Houston Partnership reports Houston has more than 1,760 life sciences companies, hospitals, health facilities, and research institutions with a workforce of more than 320,000 people.

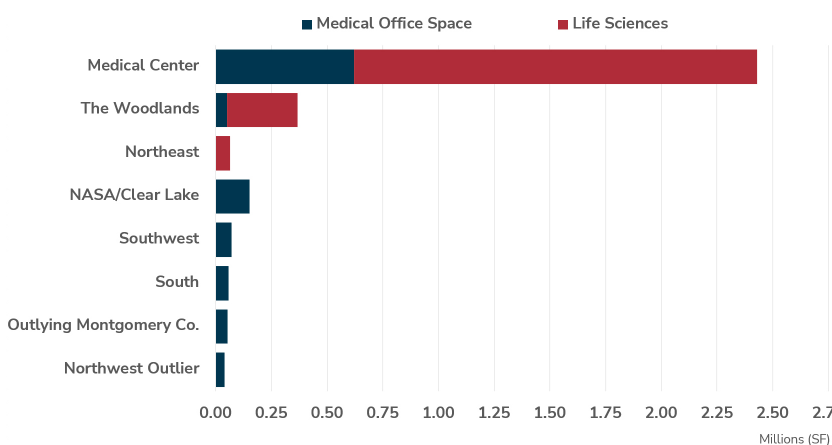
Currently, there are numerous notable major life science projects either under construction or planned in Houston. These include:

TMC3: Texas Medical Center is scheduled to deliver the first phase of its 37-acre TMC3 collaborative research campus in 2023. The 350,000-sq.-ft. collaborative building will include a large-scale research lab, office space, and a 7,000-sq.-ft. atrium. Six additional industry and research buildings are included in the project's master plan. TMC is working in collaboration with other institutions, such as the University of Texas MD Anderson Cancer Center, Texas A&M University Health Sciences Center, and the University of Texas Health Science Center at Houston, to create a world-class life science campus.

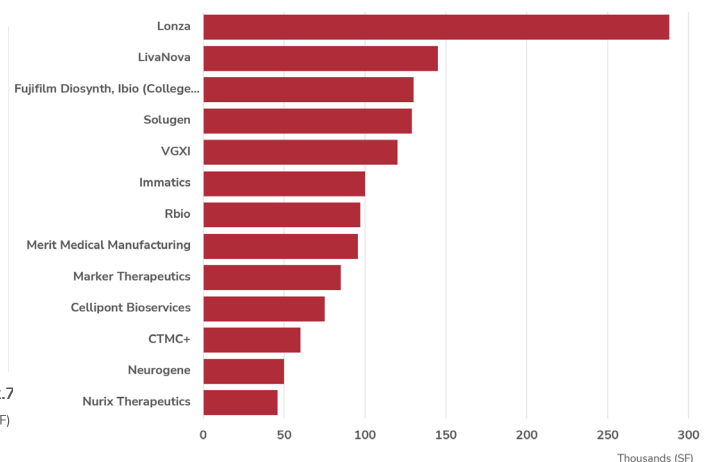
Levit Green: Hines is slated to complete the first phase of its 53-acre Levit Green life sciences campus this year. The initial five-story building will create 294,000 sq. ft. of space overlooking a plaza and a manmade lake. In time, Hines and its project partners 2ML Real Estate and Harrison Street hope to create roughly 4 million sq. ft. of development on the site located between Hermann Park and Texas 288.

Horizon Tower: Horizon Tower, a 17-story life sciences building offering 485,000 sq. ft. of life sciences and medical space, is currently under construction and scheduled for completion in Q1 2023.

DEVELOPMENT



LARGE LIFE SCIENCE TENANTS



MANUFACTURING PICKING UP STEAM

BIOLOGICS:

The greater Houston area now has a presence among many major contract manufacturers for specialty drugs including Lonza (288,000 sf), VGXI (120,000 SF), Cellipont Bioservices (76,000 SF), CTMC (60,000 SF), Catalent (40,000 SF), and KBI Biopharma (15,000 SF). Contract manufacturers can more effectively serve their clients operating on both the East and West Coast of the United States while enjoying substantial savings in rent and buildout costs in addition to cost of living for their employees.

Additionally, following industry trends towards insourcing manufacturing, companies such as Immatic (100,000 SF), Marker Therapeutics (50,000 SF), Neurogene (50,000 SF), Kiromic Biopharma (30,000 SF) and Fibrobiologics (10,000 SF) are building or have completed their own facilities to better control their manufacturing processes.

College Station has developed a manufacturing cluster as well with a large presence from Fujifilm Diosynth, Ibio (130,000 SF), and contract manufacturer Matica Biotechnology (45,000 SF).

MEDICAL DEVICES:

As a growing hub of medical device innovation thanks to investments by the Texas Medical Center and Johnson & Johnson, several large medical device manufacturing facilities are now operating in the Houston area including LivaNova (145,000 SF), Merit Medical Manufacturing (95,500 SF), CSI Cardiovascular (46,000 SF), Trilliant Surgical (45,000 SF) and ANSH Labs (41,000 SF).

SYNTHETIC BIOLOGY:

A pioneering new field of industrial biology, synthetic biology has applications across multiple industries harnessing the ability to engineer organisms. Notable Houston synthetic biology companies include Solugen (129,000 SF), rBio (97,000 SF), and Cemvita Factory (10,000 SF).

GROWING SUBURBAN CLUSTERS:

The Woodlands, Pearland, Webster, and Fort Bend County are quickly becoming the top suburban destinations for R&D focused groups and manufacturing facilities alike. Economic incentives from suburban counties and cities, lower land pricing, and more affordable housing for employees are driving the trend.

THIRD PARTY SERVICES:

Third Party Service Providers including Contract Research Organizations and testing labs are carving out a niche within the Houston life Sciences ecosystem. Groups include Johnson & Johnson's JLABS (34,000 SF), TMC X, and K2 Biolabs (30,000 SF). Being able to provide smaller companies with their own lab space on a more flexible basis is a huge boost for the infrastructure of the growing life sciences ecosystem.

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