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The Life Science Tenant

National Life Sciences State of the Venture Capital Market & 2023 Outlook

Powered by Savills Research and Data Services

The U.S. life sciences sector has felt the impact of global macroeconomic headwinds and saw venture capital funding in 2022 drop 28.2% as a result. The industry is better prepared to withstand upcoming volatility as there is still elevated interest in life sciences and dry powder sitting on the sidelines.

National Venture Capital Funding

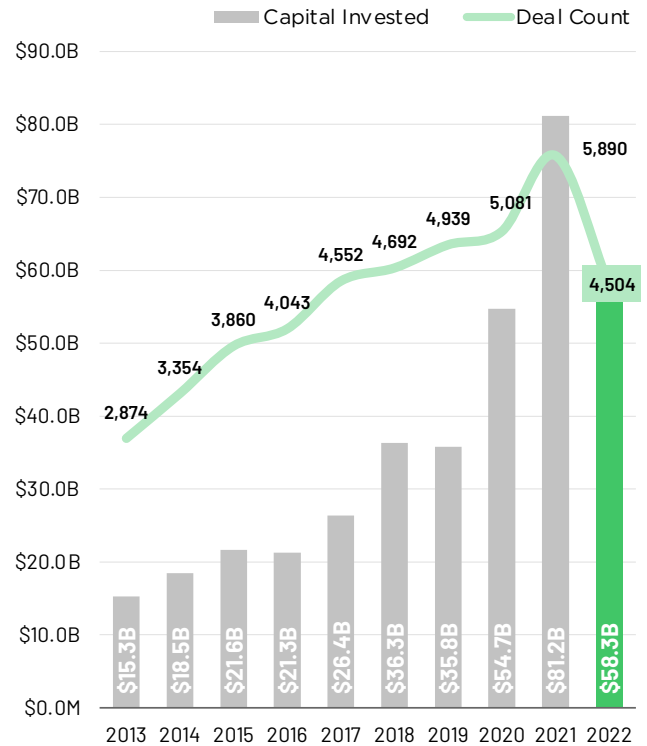
Life Science Related VC Funding – Capital Raised & Deal Count

Key Shifts

2020 COVID-19 creates uncertainty in the economy, but it brings life sciences into the spotlight and investment jumps as a result.

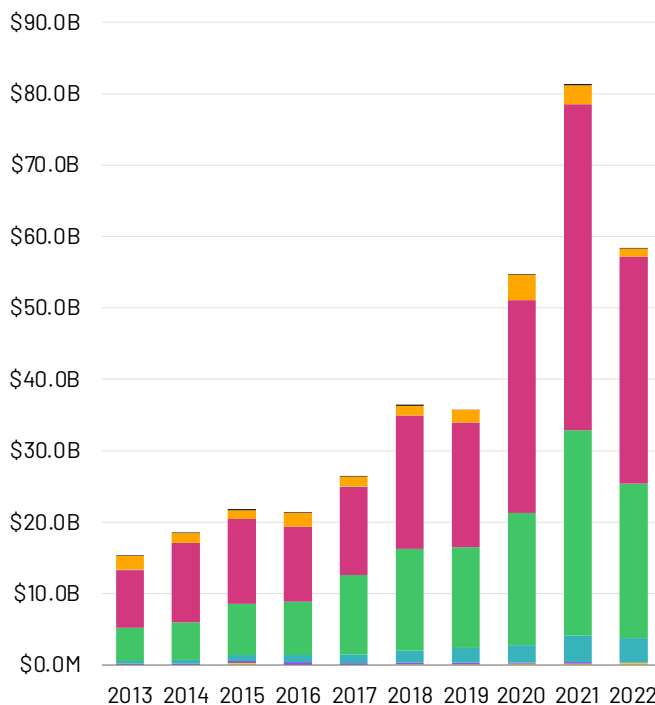
2021 A record-breaking year in all aspects, including VC funding, valuations, number of deals closed, IPOs, and available capital to invest. Over \$81 billion dollars in VC funding was dedicated to life sciences.

2022 In the first half of the year, venture capital investors invested in numerous large deals. Despite experiencing a decline in the second half of the year, venture funds raised over \$58 billion dollars in life sciences, finishing 2022 as the second largest fundraising year.



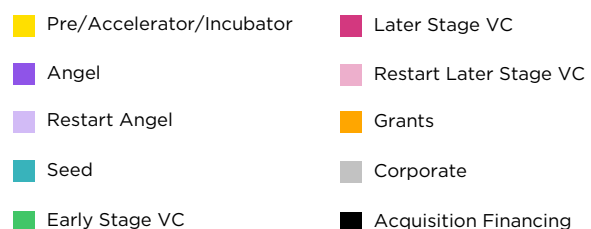
U.S. Funding by Deal Type

Life Science Related VC Funding



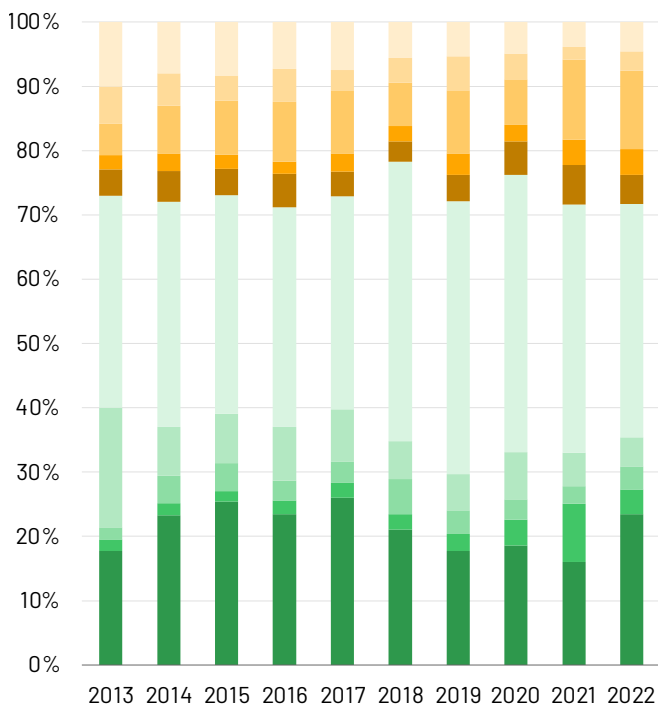
Key Shifts

Funding remains available for exciting science and unmet needs as represented by the similar total in seed financing from 2021 to 2022. The largest decreases year-over-year are seen in the Series A funding through crossover rounds as the public market is increasingly skeptical of pre-commercial life sciences companies. Following the turn in public market sentiment, venture funds are waiting for their portfolio companies to deliver meaningful data readouts before investing in further rounds.



U.S. Funding by Top 10 Industries (%)

Life Science Related VC Funding



Drug Discovery & Biotech Lead

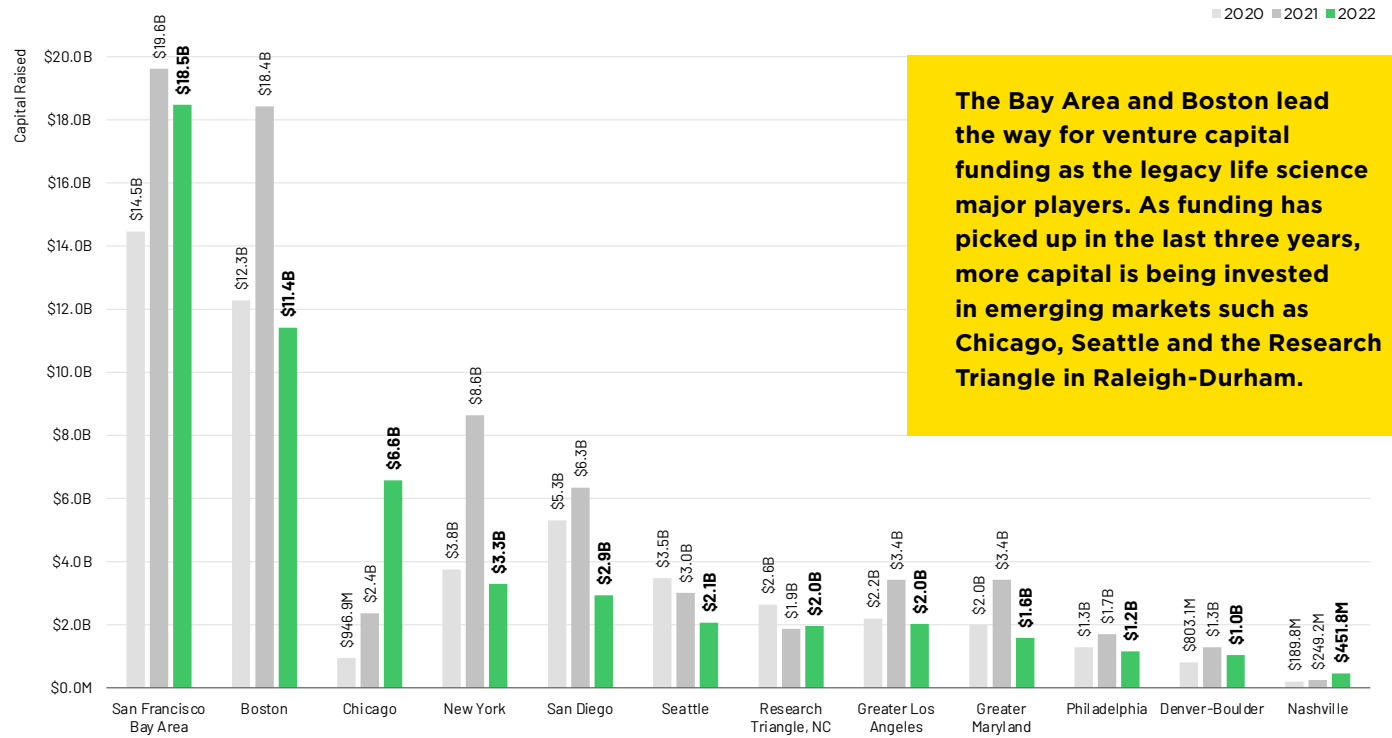
NIH funding contribution paired with the increase in new FDA drug approvals, drug discovery and biotech have a subsequent rebound in earnings, making these industries more attractive to fund.

- Biotechnology
- Enterprise Systems (Healthcare)
- Clinics/Outpatient Services
- Other Healthcare Services
- Decision/Risk Analysis
- Other Healthcare Tech Systems
- Diagnostic Equipment
- Pharmaceuticals
- Drug Discovery
- Therapeutic Devices



VC Funding in Top U.S. Life Science Hubs

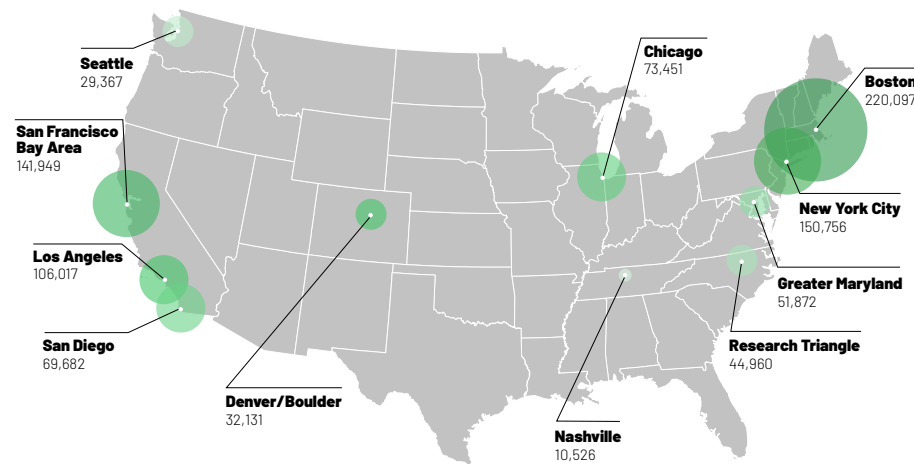
Life Science Related VC Funding



The Bay Area and Boston lead the way for venture capital funding as the legacy life science major players. As funding has picked up in the last three years, more capital is being invested in emerging markets such as Chicago, Seattle and the Research Triangle in Raleigh-Durham.

Life Science Talent in Major Hubs Across the U.S.

Life Science Jobs



In addition to funding, existing talent is a key component for a strong life science ecosystem. Markets like Chicago provide a strong supply of graduates with STEM degrees but have lacked the supply of jobs to keep them in the market compared to established hubs like the Bay Area and Boston. As Chicago has seen increased investment in the sector, it could see substantial growth. Greater Maryland, made up of the suburbs of Washington, D.C., and Baltimore, has benefited from its proximity to headquarters of the National Institute of Health (NIH), the Food and

Drug Administration (FDA) and National Institute of Standards and Technology (NIST), and was heating up even before the pandemic. The Research Triangle in North Carolina has been at the forefront of rapidly emerging life science clusters in the U.S. It is home to the country's most prominent research park, Research Triangle Park (RTP), known for its high-tech facilities and upper echelon of life science tenants. Seattle and Denver-Boulder markets are growing and benefit from the presence of tech and innovational ecosystems already underway. Nashville is a budding market with an uptick in life sciences related to talent and funding, and its business-friendly environment makes it an attractive market for companies to enter.

Source: Emsi Labor Market Analytics, and Savills Research. Includes research and development in the physical, engineering, and life science. Includes testing, medical and diagnostic laboratories. Includes manufacturing of pharmaceutical, medicine, medical equipment and supplies, other basic organic chemical manufacturing, and all other chemical product and preparation manufacturing. Includes medical, dental, and hospital equipment wholesalers.

New VC Funds in Life Science

Since 2020

700+ New VC Funds Entering the Sector

FUND NAME	HEADQUARTERS	YEAR FOUNDED	DRY POWDER	TOTAL INVESTMENTS	TOTAL EXITS	TOTAL ACTIVE PORTFOLIO
SoftBank Latin America Fund	Miami, FL	2019	\$2,923,750,000	92	12	55
Addition	New York, NY	2019	\$2,503,090,000	139	6	87
Seven Seven Six	Palm Beach Gardens, FL	2020	\$1,382,440,000	89	1	72
Colchuck	Leavenworth, WA	2015	\$1,162,010,000	23	—	23
Anthos Capital	Santa Monica, CA	2007	\$1,128,210,000	70	9	52
March Capital	Santa Monica, CA	2014	\$1,109,069,000	126	33	46
Acrew Capital	San Francisco, CA	2019	\$544,940,000	159	20	98
Walden Catalyst	San Francisco, CA	2021	\$424,450,000	13	—	10
Defy Partners Management	Woodside, CA	2016	\$422,840,000	100	16	56
TCG Crossover Management	Palo Alto, CA	2020	\$399,640,000	18	3	12
White Star Capital	New York, NY	2007	\$361,190,000	152	31	66
Munich Re Ventures	San Francisco, CA	2015	\$353,120,000	77	14	38
PowerPlant Partners	Hermosa Beach, CA	2015	\$350,640,000	45	6	23
BITKRAFT Ventures	Denver, CO	2015	\$329,580,000	158	9	111
SoftBank Latin America Fund	Miami, FL	2019	\$329,000,000	92	12	55

Source: PitchBook Data, Inc. and Savills Research. Life sciences related VC funding

The pandemic brought the world's attention to research and the power of innovation in the sector when well funded. In turn, this lured new investors to enter the life science sector and flooded VC funds with capital to invest in the sector.



2023 Outlook

Venture capital firms have an ample amount of cash reserves sitting on the sidelines going into 2023 and the life sciences vertical will likely continue to receive a large share of dry powder.

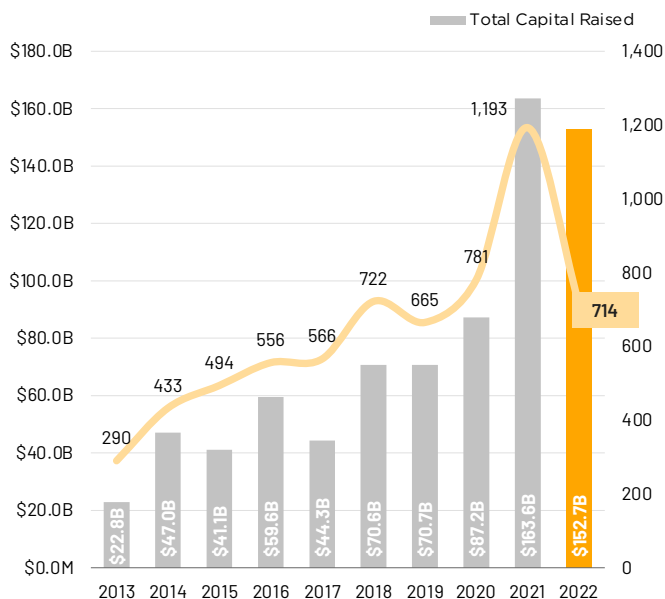
National VC Funding Dry Powder

Capital Available to Invest - Total Capital Raised and Fund Count

Investors may be more selective in how they spend their capital compared to the record-breaking investment seen in 2021, and many investors that were new to the life sciences vertical have stepped back after entering the playing field amid the height of the pandemic.

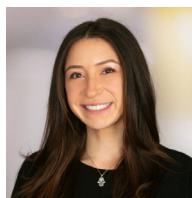
Funding may continue to slow compared to the anomaly of 2021. This change is providing investors more time to value potential opportunities and avoid over-valuation that was rampant during 2021.

Life science companies are shifting their expectations regarding how long fundraising may take in 2023, what valuation expectations will look like, and which investors are sitting on available capital and are ready to deploy it. Overall, companies are trying to do more with less.



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