
UNDERSTANDING ONTARIO'S WET LAB CHALLENGE: DEMAND, SUPPLY, WHERE TO GO FROM HERE

Ontario Wet Lab Coalition

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WHO IS THE WET LAB COALITION?

A growing group of organizations and individuals committed to tackling Ontario's lack of wet lab space to enable accelerated growth of the province's life science industry.

It is made up of 30+ organizations including economic development, commercial real estate, private and non-governmental organizations, including:



***See Appendix E for a full List**

A VIBRANT LIFE SCIENCE ECOSYSTEM REQUIRES LAB INVENTORY FOR ALL COMPANY PHASES:

START-UP

- **Typical Use**
 - Bench/Desk to 2,500 sq. ft.
- **Amount of Inventory**
 - First building in market: portion of single floor
- **Funding**
 - Seed/angel/grants
- **Lease Terms**
 - Month to Month, to 1-Year
 - No additional TI with turnover as spaces are built out in advance
- **Amenities & Services**
 - Shared Equipment
 - Labs support services
 - Access to University Core Labs
 - Turnkey Facilities
 - Conference and Meeting Space (shared)
 - Kitchen (lightly stocked)

STEP-UP

- **Typical Use**
 - 2,500 sq ft to 5,000 sq ft
- **Amount of Inventory**
 - First building in market: portion of single floor
- **Funding**
 - Series A/B
- **Lease Terms**
 - 1 – 3 years
 - No additional TI as spaces are built out in advance
- **Amenities & Services**
 - Shared Equipment
 - Labs Support Services
 - Access to University Core Labs
 - Turnkey Facilities
 - Conferences & Meeting Space (shared)
 - Kitchen (lightly stocked)
 - Programming and Networking Opportunities

SCALE-UP

- **Typical Use**
 - 5,000 to 10,000 sq. ft.
- **Amount of Inventory**
 - First building in the market: portion of single floor
 - Subsequent Building(s): Full Floor of this Product
- **Funding**
 - Series A/B
- **Lease Terms**
 - 3+ Years
 - Modest TI Allowance
- **Amenities & Services**
 - Strong Property Management
 - Connection to University Core Labs
 - Limited Equipment / Lab Services Programming & Networking

COMMERCIAL

- **Typical Use**
 - 10,000+ sq. ft.
- **Amount of Inventory**
 - Depends on Scale of Building. Generally 2+ Floors
- **Funding**
 - Series C/IPO/Commercial revenue
- **Lease Terms**
 - 7+ Years
 - Standard TI Practices, with little required turnover
- **Amenities & Services**
 - Strong Property Management
 - Programming & Networking

GRADUATION SPACE

Source: Wexford Science & Technology

Currently, Ontario's most acute need is at the step-up & scale-up stage

A SUFFICIENT INVENTORY OF WET LAB “GRADUATION” SPACE IS CRITICAL TO GROWING ONTARIO’S LIFE SCIENCES INDUSTRY

“Graduating” Step-up and Scale-up companies:

- Need turn-key space (lease) within months after receiving an investment commitment
- Have minimal capital (and time) for fit-up
- Require wrap-around supports: lab management, shared equipment, shared meeting room space, networking events, supportive business growth programming, etc. to accelerate commercialization

Will move anywhere with available lab space inventory

The Challenge: Ontario has near 0% wet lab vacancy for step-up and scale up companies

- graduating companies must leave to keep their development programs on track - *taking their talent, IP and capital with them.*
- Jurisdictions with lab space will continue to attract Ontario companies until there is a larger inventory of space here to meet their needs

MOST OPTIMISTIC CASE: 20% OF DEMAND WILL BE ADDRESSED IN TWO YEARS, HUNDREDS OF COMPANIES ARE A FLIGHT RISK

| | # OF COMPANIES | SQUARE FEET | PERCENT | |
|--|-------------------------|------------------------|--|----------------------------|
| Confirmed Demand (see Appendix A) | 94 | 880,500 | 37% | |
| Estimated Demand (see Appendix B) | 397 | 1,488,500 ¹ | 63% | |
| Total Demand (Confirmed + Estimated) | 491 | 2,369,000 | 100% | |
| Confirmed Wet Lab Supply (see Appendix C) | Incubator + Stand alone | 57,000 | <u>6.5%</u> <u>of confirmed</u> <u>demand</u> | 2.4% of total demand |
| Confirmed Wet Lab Under Construction (see Appendix D) | MIP + Wade St. Toronto | 181,000 | <u>20%</u> <u>of confirmed</u> <u>demand</u> | 7.6% of total demand |

Average of the low & high estimates – see Appendix B

THERE ARE PROPOSED PROJECTS – BUT THE EARLIEST OCCUPANCY IS 2026-27, IF THEY EVEN PROCEED PAST THE IDEA STAGE

| PROPOSED DEVELOPMENT | LOCATION | SQFT TARGET | NOTES |
|--|-------------|------------------|--|
| INSTITUTIONAL LED | | | |
| Schwartz-Reisman Innovation Centre Phase 2 | Toronto | 400,000 | Final stages of capitalization. Expected delivery of 2027 with UofT as Anchor Tenant. |
| McMaster Innovation Park | Hamilton | 1,180,000 | First development (OmniaBio) underway, balance is a master plan with no commitments or projects under development as of today. |
| PRIVATE SECTOR LED | | | |
| 700 University (Kingsett) | Toronto | 187,000 | No planning approval received and requires an anchor tenant to kick off construction, 3+ year delivery timeline |
| 720 Bay (Alexandria) | Toronto | 221,950 | Currently leased by Auditor General but is slated for conversion upon Ont. Gov't vacating, 2026/2027 delivery at the earliest |
| Leaside Innovation Centre | Toronto | 75,000 | Amendment to zoning underway, requires an anchor tenant to kick off construction, 2+ year delivery timeline |
| The Core (First Gulf and Spear Street) | Mississauga | 400,000 | Multi-building development that requires an anchor tenant to kick off construction, 2 year delivery timeline |
| Square One District Phase 2 (Oxford) | Mississauga | 235,000 | No planning approval received and requires an anchor tenant to kick off construction, 2+ year delivery timeline |
| TOTAL | | 2,698,950 | |

A VICIOUS CYCLE

Cost of wet lab development is high
3-5x the cost of office development

Developers require strong financial covenants

Given the cost to build, developers need assurances that tenants have the financial capability to commit to long-term leases.



Graduation companies have weak Financial Covenants

- Typically pre-revenue
- Terms of VC funding typically do not allow for capital/build-out expenditures
- Burn rate on VC capital is typically 2-3 years; significantly less than lease requirement

and

Historical lease data and a visible company pipeline: strong evidence that there is demand from companies who can pay market rent and that if one company fails, another will step in to take its space.

or

Pre-Construction Commitment

In the absence of historical lease data and a visible company pipeline, developers typically require 66% lease up before moving into construction. When they finally do break ground, a *minimum 24-month construction timeline is typical.*



Time is Money

Can't afford to wait out lease-up/construction timeframes

The result:

Developers don't build multi-tenant wet lab space

Companies move elsewhere

Can't showcase/realize demand or produce lease data

OTHER JURISDICTIONS HAVE SUCCESSFULLY "PRIMED THE PUMP"

| JURISDICTION | PROGRAM | RESULT |
|--|---|--|
| Boston | <p>Creation of Massachusetts Life Science Centre in 2008, a \$1 billion initiative; \$600 million invested in infrastructure</p> <ul style="list-style-type: none"> E.g. Two \$5 million (state) grants to establish Lab Central* | <ul style="list-style-type: none"> + 21.6 million sqft+ of lab space added in the last decade (+117%) + Ample flexible lab and office space with lab operations and support programming to accelerate the path to commercialization |
| New York | <p>New York State + NYC EDC Life Sciences Initiatives: 2016 combined ~\$1.5 billion investment; significant support for the expansion of lab space and research facilities</p> | <ul style="list-style-type: none"> • 1.7 million sqft of lab space added since 2016 • 5.6 million sqft under construction in NY Metro • 26 million sqft total lab space, <i>growing across 10 distinct clusters</i> |
| Pennsylvania: Pittsburgh Philadelphia | <p>Developer incentives - Pittsburgh property tax abatement up to \$250K/yr for 10 years to offset increased assessed value.</p> <p>Investor incentives - Keystone Innovation Zones (KIZ): \$15M tax credit program for companies less than 8 years old located in strategic locations in PA</p> <p>Pennsylvania Biotechnology Centre (PABC): Not-for-Profit, 150K sqft PPP incubator funded in part with state grants in 2006</p> | <ul style="list-style-type: none"> • PABC: ~ 200K sqft expansions in 2022/23 with additional state grants: <ul style="list-style-type: none"> • All expansions fully occupied • 40% from outside Philadelphia region • Developer behind PABC has an additional 4 million square feet of planned life sciences development in the Philadelphia region; 800K+ sqft coming on stream in next 12 months. |

*Lab Central is a not-for-profit network of 225K sqft of shared lab space with operations and programming support for up to 125 companies. Founding sponsors include Eppendorf, Roche, Triumvirate, J&J.

WHAT WE'VE LEARNED FROM OTHER JURISDICTIONS

Key take-aways:

- + Government has a role to play in 'priming the pump'
- + Public-private partnership created to manage tools and programs
- + No one-size-fits-all:
 - + multi-pronged & market responsive approach is best
- + Long-term (10+ year) approach



BEGIN TO PRIME THE PUMP IN ONTARIO

To facilitate
life science
commercialization
and industry growth

Objective

Work with government partners to address barriers and get **multi-tenant wet lab and graduation space to market:**

- + Test demand
- + Develop lease data
- + Showcase successful business models
- + Build confidence of developer community.

Made-for-Ontario Solution Concepts

Reduce Cost to Build

1. Life Science Infrastructure Catalyst Fund/Remedial Action Plan
2. HST Rebate on purpose-built multi-tenant lab facilities or office-to-lab conversions
3. Red Tape Initiative: Zoning Alignment

Strengthen Financial Covenants

4. Biotech Lease Insurance Program *or Biotech Lease Contingency Fund*

CONCLUSIONS

Ontario is facing a **critical shortage** of multi-tenant type graduation lab space

Current construction and proposed construction will only address a **fraction of the demand.**

Without graduation space:

- + We will continue to lose our best, growth-potential, companies to the jurisdictions that are building space
- + Investment attraction efforts will be futile
- + Efforts to enhance capital and talent will only benefit other (U.S.) jurisdictions
- + Canada and Ontario Life Science Strategy objectives will not be fulfilled

PROPOSAL

The Minister's Life Sciences Council should include the "Wet Lab Space Challenge" as a critical issue to be addressed as part of a comprehensive Phase 2 life sciences strategy

Ontario should work with a coalition of industry groups, universities, developers, brokers, research entities to test ways of growing wet lab graduation space much more quickly, providing data and confidence for the growth of larger multi-tenant projects.



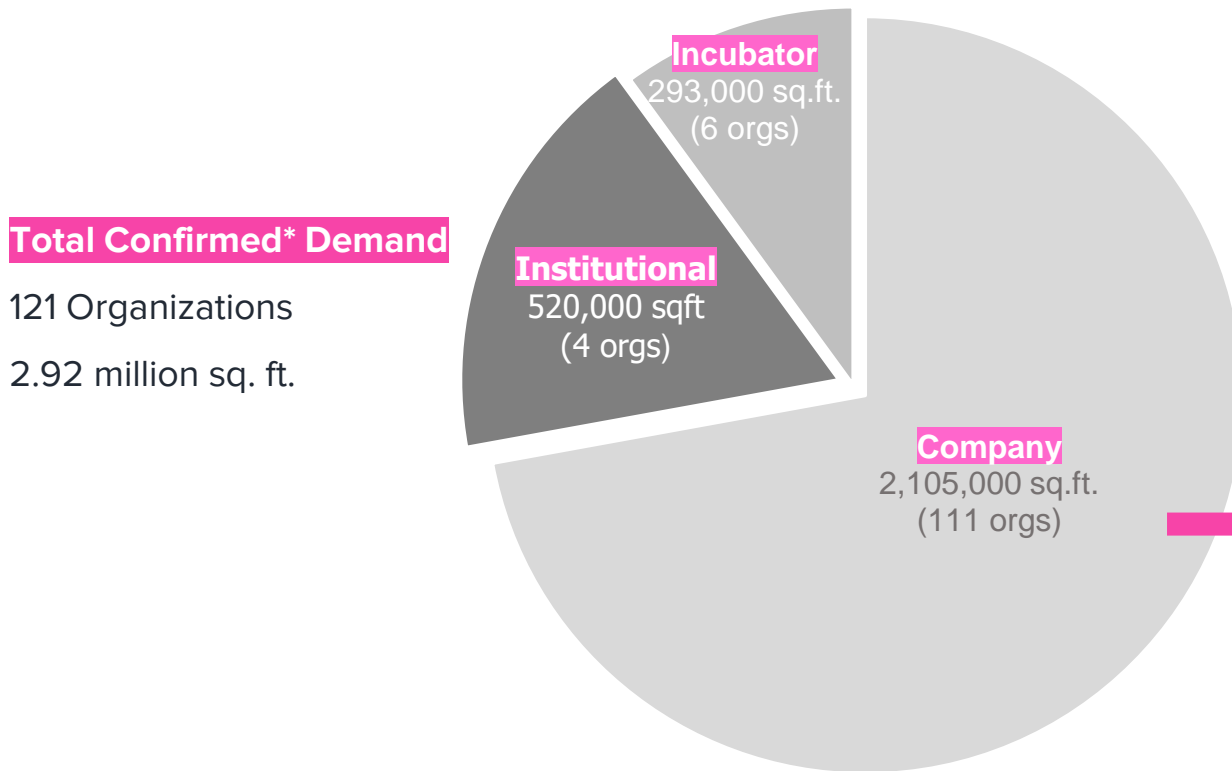
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APPENDICES

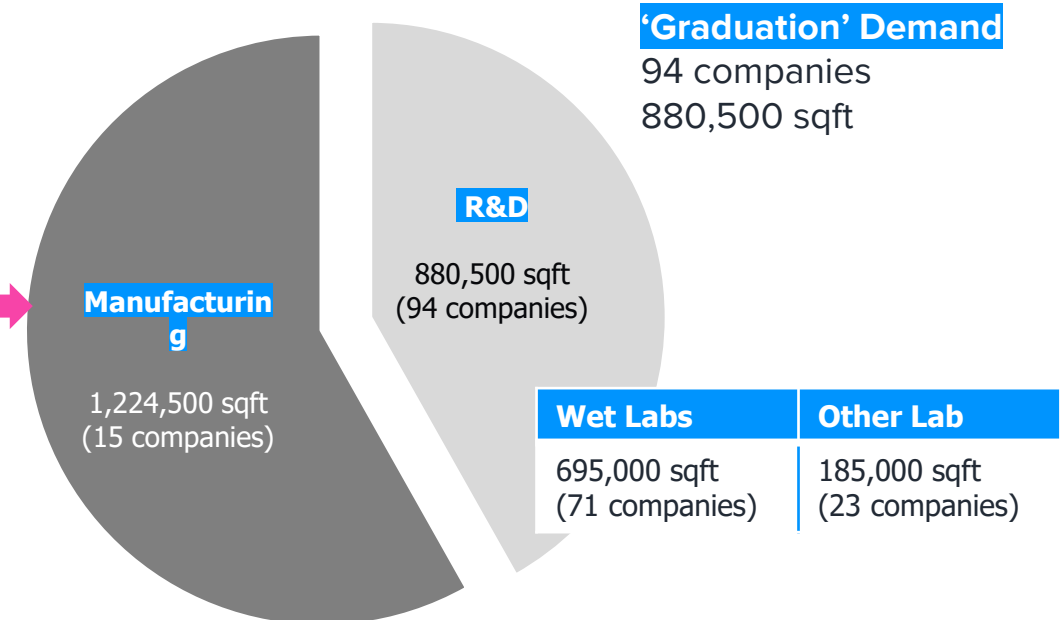
Appendix A

Confirmed Demand (CBRE Tenants in Market Survey)

BY ORGANIZATION TYPE



COMPANIES BY USE



*Total confirmed demand includes active (1.7 million square feet) and on-hold (1.2 million square feet) requests as verified by CBRE in Spring 2023; see appendix for additional break-down

APPENDIX B

ESTIMATED DEMAND (PITCHBOOK)

Pitchbook Search Criteria:

- + Any location in Canada
- + Healthcare Industry – Pharma + Biotech
- + All VC stages
- + Founded in last 15 years
- + Received funding in last 5 years

Square Footage:

- (based on interviews and market-sounding events)
- + 2500 – 5000 square feet per company

| | # Pitchbook Companies | # CBRE Confirmed TIM list duplicates | Potential Demand | | |
|----------------|-----------------------|--------------------------------------|------------------|-----------------------|-----------------------|
| | | | # Companies | Low: 2500 sqft | High: 5000 sqft |
| Canada | 861 | 28 | 833 | 2,082,500 sqft | 4,165,000 sqft |
| Ontario | 419 | 22 | 397 | 992,500 sqft | 1,985,000 sqft |
| Rest of Canada | 442 | 6 | 436 | 1,090,000 sqft | 2,180,000 sqft |

Note:

International demand is excluded from these estimates but represents a significant demand source considering the global issue of the wet lab shortage. Institutional demand is also excluded.

APPENDIX C

COMPLETED LAB SPACE IN ONTARIO (ACCOMMODATES 6.5% OF CONFIRMED DEMAND*)

| AVAILABLE TODAY | | | |
|------------------------------|-------------|------------------|---|
| Development | Location | Sq.ft. Available | Notes |
| Incubator Space | | | |
| SpinUp @ UTM | Mississauga | 5000 | Part of new science building. Wet lab space is primarily available for U of T start-ups. Support programming available. |
| MaRS-AdMare Tx Accelerator | Toronto | 2500 | Targeted to early-stage companies that have raised less than \$3 million. |
| FlexLabs (MIP) | Hamilton | 2500 | Primarily available for McMaster spin-out companies |
| Stand-alone Lab Space | | | |
| 196 Citation Drive | Vaughan | 25,000 | Currently suitable for 1 tenant (manufacturing) |
| 2488 Dunwinn | Mississauga | 22,000 | Old Pfizer building, currently suitable for 1 tenant (wet lab) |
| TOTAL | | 57,000 | |

*Confirmed Demand = 880,500 sqft based on broker survey

APPENDIX D

LAB SPACE UNDER CONSTRUCTION COULD ACCOMMODATE UP TO AN ADDITIONAL 20% OF CONFIRMED DEMAND*

| LAB SPACE UNDER CONSTRUCTION | | | | |
|-------------------------------------|-----------------|-----------------------|-------------------------------|--|
| Development | Location | Sqft Available | Status (Completion) | Notes |
| 190 Longwood (MIP/OmniaBio) | Hamilton | 26,500 | Under Construction (Q3 2023) | Building is ~117,000 sqft, with ~90,000 sqft purpose-built for OmniaBio (mftg) |
| 77 Wade St. | Toronto | 155,000 | Under Construction (Q4 2024+) | Completion date is optimistic; broke ground Spring 2023 |
| TOTAL | | 181,500 | | |

*Confirmed Demand = 880,500 sq.ft.

APPENDIX E

WET LAB COALITION MEMBERSHIP



GEORGINA



KINGSTON

← Ontario, Canada →

