

Life Science Market Matures As Outward Growth Continues

September 25, 2006

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Life science firms in the suburbs are growing up. The growth began in parallel with incubator firms moving from university labs to suburban locations, and with large, established firms creating suburban campuses. Since this trend began several years ago, many initially small firms have grown significantly, so now there is a thriving mix of small, medium and large firms expanding in the suburbs.

This shift to the suburbs happened with no adverse effects on access to capital, either intellectual or financial for the life sciences firms. Further, many of the more well-established companies specifically chose suburban campus settings to better focus and consolidate research efforts and prepare for product manufacturing.

The first quarter 2006 bioSTATus report from Richards Barry Joyce and Partners underscores the proactive move to suburbia, stating, "Tenants driven by both a lack of available space in Cambridge and Boston, as well as the desire to provide workers and executives with a suburban work setting, are both moving to and choosing to locate their regional presence in the suburbs."

As noted, many life sciences firms selected suburban locations in part due to economics, but also because the quality of life for employees was perceived to be better. Additionally, suburban developments experienced a noticeable growth surge on the heels of the dot com slowdown, which found both companies and investors focusing on reducing overhead as a percentage of the company's budget.

The cost of bringing a drug to market purportedly requires investing a tremendous amount of capital into research. With suburban space less expensive, more money can be spent on the science, reinforcing the desirability of locating in suburban parks. According to the bioSTATus report, "The suburban cluster of biotechnology focused real estate is expected to grow around an existing ecosystem of venture capital sources and continued demand for space."

The Technology Highway

The life sciences community is maturing in and along Route 128, which has long been known as the Massachusetts Technology Highway. The types of companies located along Route 128 and its environs have changed from the original computer and software companies to the dot coms and the telecommunications companies to the life sciences boom of today. Thanks, in part, to the high tech innovators along Route 128 that paved the way by developing powerful desktop computers and software, life science researchers have access to a wealth of computer applications that have helped change the face of the lab environment.

A great example of that transformation has taken place at 12 Gill St. in Woburn, a first-class office and technology center developed by Cummings Properties. The same facility that once housed a division of Interliant Inc., a pioneer in the application service provider industry and provider of managed infrastructure services, is now home to two leading life science firms, BioTrove and U.S. Genomics. BioTrove's stated mission is to advance life science and drug discovery research by leveraging micro- and nanotechnology. According to U.S. Genomics, it is pioneering single molecule biology technologies for life science and biodefense applications. Both firms reportedly rely heavily on computing technology for their work.

Following the high-tech model, the suburbs continue to gain by the growth in the life sciences community as locations for both national and international headquarters, as well as for satellite locations where multiple research centers are needed in various parts of the country.

For example, BioVex, a U.K.-based clinical stage life sciences company focused on the development and future commercialization of targeted treatments for cancer and prevention of infectious disease, recently relocated to 31,000 square feet in Woburn from its previous location in Cambridge.

Headquartered in Waltham, Thermo Electron Corp. presents another good example. A world leader in analytical instruments since 1956, the firm has suburban facilities in Beverly, Billerica, Boston, Franklin, Milford and Woburn. Many other ex-

amples such as Agilent, Abbot Labs and Millipore also follow this model.

The X Factors

What are some of the other influences affecting the life sciences suburban presence? Is the cachet of a Cambridge address worth it? To some, no doubt it is, but with the amount of available lab space in Cambridge dwindling to single digits, more firms are exploring the suburbs.

Hand in hand with shrinking availability are costs that, according to the July 17, 2006, article in Banker & Tradesman ("Cambridge's Office, Lab Markets Appear Headed for More Success"), are driving rents above \$50 per square foot, up more than 20 percent over the last year or two. It must be pointed out that Cambridge lab leases are traditionally written on a triple net basis, which could add an extra \$12 to \$18 per square foot. What's more, with city parking at a premium, companies should factor in another \$6 to \$8 per square foot to cover this often underestimated cost. All told, Cambridge lab rent can exceed \$75 per square foot, before utility or other occupying expenses.

The lack of space coupled with rent savings, which can be anywhere from 50 percent to 75 percent in a suburban location, has for some time now caused many companies, especially start ups, to locate outside of Cambridge or Boston.

The cost of construction is also an important factor. Costs are typically lower in the suburbs since access is easier, labor can be less and permitting can be faster. With a buildout's complicated requirements for clean rooms, lab bench set ups, specialized ventilation systems, high ceilings, fume hoods, water treatment systems, chemical storage, hazardous waste storage and so forth, "emerging technology centers," such as those created by Cummings Properties, are ideal for young companies. The emerging technology centers typically provide a simple lab space connected to a small office.

Most emerging firms have to put a great deal of their seed capital toward research and development and the forming of the business, and often can't afford expensive space. With the emerging technology center concept, they can move quickly into what is essentially a turnkey facility and focus on their business right away and not

on the real estate.

You're Hired

Another major consideration is the expansion possibilities afforded in a suburban location, often cost-prohibitive and unwieldy, if not unavailable, in an urban setting. The ability and convenience of having all major functions under one roof, on one level, cannot be overlooked. Something as seemingly simple as a delivery can become complex in a city like Cambridge with its access and parking issues. Whether a start up with the hope of growing, or a larger company frustrated by the logistics of cobbling together a multi-story entity, chances are the suburbs can fill the space requirements more readily, typically with more flexibility.

As far as recruiting is concerned, the distinction of being across the street from MIT can still be important, but does not seem to be as big a factor as once anticipated. As small life sciences firms form their own clusters, the lack of an urban address is not as daunting. In this case, familiarity breeds, period. The visibility of biotech neighbors gives an added air of legitimacy to customers and investors alike.

For the maturing life sciences firms, a suburban address can actually aid in recruitment and employee retention. Housing costs are lower and commutes are shorter. Parking is plentiful and free. Also, just in case a car is not at hand, it is certainly possible to locate in the suburbs and still be near public transportation.

Life sciences have steadily become a major growth engine in Massachusetts and a key part of suburban real estate. In the Sept. 4, 2006, Boston Globe, the "Life Sciences 25" list showed that 16 out of the 25 companies listed were located outside of Cambridge and Boston. This did not just happen overnight. In fact, for example, with more than 100 life sciences companies occupying more than 1.5 million square feet of space, Cummings Properties has worked with both incubator and larger research and manufacturing tenants for more than a decade.

This gradual but sure trend of life sciences firms gravitating to suburban locations has taken hold and bodes well as we continue to witness the transformation of the high tech highway.