Bioscience Real Estate Insights™

July/August 2010
Vol. 5, No. 3

Published bimonthly by
Wolf Marketing & Media

Market Intelligence for Bioscience Real Estate Developers, Lenders, Investors, Brokers, Designers, Contractors and Executives™

Project Pipeline

TINTON FALLS, N.J. – To paraphrase a line spoken by **Dorothy** in the **"The Wizard of Oz"** movie: "Toto, I've a feeling we're not in Kansas anymore – but maybe we should move our biotech start-up there." **Kansas**, along with **Texas**, jumped several notches in Tinton Falls-based *Business Facilities* magazine's annual rankings of Biotechnology Strength, which were released in July. Kansas jumped to fifth on the list from eight last year and tied for 10th in 2008. Texas moved up to second place from sixth place. Predictably, the new rankings generated a flurry of news releases from economic development officials who perceived their states' moves up the rankings to be feathers in their caps. "I couldn't be prouder of how far we have come in just a few years. Bioscience researchers and businesses in Kansas are achieving amazing outcomes, and it's creating a strong magnetic effect nationally in our state's focused areas of bioscience success," **Kansas Bioscience Authority President Tom Thornton** said. "Texas surged from sixth place to second place in the Biotechnology Strength ranking, firmly establishing the Lone Star State as a major national hub for bioscience-related industries," noted a new message on the home

(See "Project Pipeline" on Page 27)

Alexandria is sweet on San Diego

NEWS+ANALYSIS ■ Bio REIT agrees to buy three buildings and a piece of local bio real estate company, Veralliance

Alexandria Real Estate Equities recently closed on the acquisition of the first of three San Diego properties: the 66,244 square foot Carroll Tech Center.
Photo courtesy of Veralliance Properties Inc.

By John Mugford

When a basketball player dribbles from one end of the court to the other and scores, it's known as going "coast to coast."

Pasadena, Calif.-based Alexandria Real Estate Equities Inc. (NYSE: ARE) certainly understands the importance of going coast to coast with its bioscience real estate holdings, as it has a strong presence in the largest bio markets on both the East and West coasts.

On the heels of receiving the go ahead for its massive 1.753 million square foot Binney Street Project in Cambridge, Mass., Alexandria recently bolstered its presence in the West, specifically in the San Diego bio market, which was ranked as the eighth largest in the country in 2009 by the Milken Institute.

There, the country's largest publicly traded bio real estate investment trust (REIT) has now agreed to acquire three properties with a total of 158,947

(Please see "San Diego" on Page 26)

Sanofi snaps up space

TRANSACTIONS ■ Firm to move into MIT-owned building. 3

Germans invade South Florida – in a good way

ECONOMIC DEVELOPMENT ■ Max Planck site breaks ground. 7

Oregon doesn't duck new bio center project

UNIVERSITIES ■ Design work starts for $160M complex. 9

Q2 was disappointing

REIT REPORT ■ But bio REITs still outperformed stocks. 11

Adapt to win, Burrill says

SPECIAL REPORT ■ Embrace change, he tells BIO group. 17

Big Pharma on campus at University of Illinois

CASE STUDY ■ Abbott enrolls at Urbana-Champaign. 21

It's back-to-school time for bioscience developers

PUBLISHER'S LETTER ■ Universities are getting more focus as other opportunities remain few

Dear Reader:

When we put together each edition of Bioscience Real Estate **Insights**™, part of the process involves sorting the story ideas into different categories – or "departments," as we publishing folks like to call them. Our regular departments include Project Pipeline, Transactions, Projects, Economic Development, Universities, REIT Report and Companies+People.

The types of articles that appear in each department are self-explanatory. But, after we've sorted all the story ideas, there are always some items remaining. Those stories usually wind up in the Projects department.

Historically, that has usually meant stories about build-to-suit developments for specific for-profit bio companies, or speculative multi-tenant projects. Recently, however, we have noticed that those kinds of purely commercial projects have been rare. In this uncertain economy, fewer projects are getting financed or developed without the benefit of economic development incentives, university affiliations or REIT involvement – sometimes all of the above.

"University endowments have lost billions, perhaps making them more receptive to the use of third-party capital."

Murray W. Wolf, Publisher
Bioscience Real Estate **Insights**™

Of course, even when times were flush, some bio real estate developers long recognized that projects involving universities can present profitable opportunities. It has been 27 years since Forest City Enterprises Inc. (NYSE: FCE.A and FCE.B) started developing University Park at MIT. And there were probably other developers before them who worked with universities. Wexford Science + Technology is another bio developer that has a long history of working with colleges and universities. So the concept is far from new.

But it seems like even more focus is being placed on university related projects these days. One reason is that university endowments lost billions of dollars in value during the financial crisis, making administrators perhaps more receptive to the use of third-party capital for facilities financing, development and investment.

So, in addition to fee development opportunities, commercial real estate firms might now be seeing more opportunities to develop and own on-campus facilities built on sites ground-leased from universities, and leased all or part by university affiliated tenants.

None other than the nation's largest REIT dedicated to bio, Alexandria Real Estate Equities Inc. (NYSE: ARE), makes no bones about the fact that it is placing greater emphasis on the university sector these days.

"Clearly, the strategic relationships with these kinds of institutions will accelerate increased leasing of space, and we are likely to make an announcement over the coming quarters of the first project in this

(See "Publisher's Letter on Page 16)

Bioscience Real Estate **Insights**™

Publisher: Murray W. Wolf
Editorial: John B. Mugford
Administration: Elizabeth J. Atkinson

Bioscience Real Estate **Insights**™ is published bimonthly by
WOLF MARKETING & MEDIA LLC
P.O. Box 1467
Minnetonka, MN 55345-0467
Phone: (952) 960-1423
Fax: (952) 960-1426
Email: info@BREInsights.com
Web: www.BREInsights.com

Toll-Free Subscription Hotline:
1-800-613-8731

Subscription Information:
U.S.: $399 per year
Canada: $449 (U.S.) per year

BioViews

Quotable quotes from industry leaders

"Given the continued need for pharmaceutical companies to fill their pipeline gaps, further merger and acquisition activity can be expected over the months ahead."

Colliers Meredith & Grew
Summer 2010 "Life Sciences REview"

Sanofi leases 112,000 s.f. from MIT in Cambridge

TRANSACTIONS ■ Paris-based drugmaker plans to invest $65 million in 640 Memorial Dr., a historic facility that will be the co-headquarters for its new Global Oncology Division

By Murray W. Wolf

It appears that the Paris-based pharmaceuticals company Sanofi-Aventis SA (NYSE: SNY) will be the next bioscience firm to occupy 640 Memorial Dr., a Cambridge, Mass., office and lab facility with a long history of bio tenants.

A document filed this summer with the Middlesex (Mass.) County Registry of Deeds reveals that Sanofi-Aventis U.S. Inc. agreed to lease 112,000 rentable square feet from MIT 640 Memorial Leasehold LLC. It is an 11-year lease with an option for two five-year extensions.

The landmark 640 Memorial Dr. facility – a former Ford Motor Co. (NYSE: F) Model T assembly plant, built in the 1910s and renovated for bio tenants in the 1990s – is just beyond the far southwest tip of the 168-acre, roughly triangular Massachusetts Institute of Technology (MIT) campus in Cambridge, overlooking Memorial Drive and the Charles River beyond.

The landlord is an affiliate of MIT Investment Management Co., which oversees the university's real estate and other investments.

Sanofi's 640 Memorial Dr. lease presumably came as welcome news to MIT officials. The five-story, 180,373 square foot facility on 5.3 acres has been largely vacant since Millennium Pharmaceuticals Inc. moved out several years ago.

According to a recent listing from the commercial real estate information services provider LoopNet Inc., the building is 100 percent vacant and had an asking lease rate of $60 per square foot (PSF) – although what Sanofi will actually pay has not been disclosed. The listing broker was Greg Lucas, a principal with the Boston office of Los Angeles-based CB Richard Ellis (CBRE) Group Inc. (NYSE: CBG).

Sanofi-Aventis has signed an 11-year lease for 112,000 square feet at 640 Memorial Dr., which is part of the investment portfolio of the Massachusetts Institute of Technology (MIT) in Cambridge, Mass.

Photo courtesy of LoopNet Inc.

Sanofi's new space is part of the launch of its Global Oncology Division, which will have co-headquarters in Cambridge and Vitry, France. The firm already has a sizable presence in Massachusetts with about 400 employees and in about 30,000 square feet of sub-leased space at another Cambridge building, as well as in Canton, Mass.

The long-term lease by Sanofi promises to bring some stability to the 640 Memorial Dr. property, which has had a somewhat tumultuous tenant history in recent years.

Historians say that the building was one of multiple plants built by Ford Motor Co. in the 1910s to house Model T automobile assembly. But, by 1926, the factory was already deemed to small and Ford's operations were shifted elsewhere. MIT acquired the building in 1956, and it was leased to the photography and consumer electronics firm Polaroid Corp. until 1984.

In the early 1990s, MIT renovated the historic building specifically for bioscience tenants with the help of the Boston-based architectural firm Tsoi/Kobus and Associates Inc. (TK&A). By 1994, the multi-tenant facility was 93 percent leased by medical technology and biotech firms, including Millennium Pharmaceuticals, then a rising star in the biopharma business.

In 1993, the same year it was founded, Millennium signed an initial lease with MIT for 640 Memorial Dr. The fast-growing firm amended the lease several times in the subsequent years. U.S. Securities and Exchange Commission (SEC) filings indicate that

(Continued on next page)

(Continued from previous page)
the firm exercised its option for two five-year lease extensions, extending the lease through 2008.

By Dec. 31, 2007, the Millennium had committed to leasing more than 1 million square feet in more than a half-dozen facilities in Cambridge, according to the firm's 2007 annual report. That included 35 and 40 Landsdowne St., a pair of build-to-suit towers that opened in 2002 and 2003, and which were constructed exclusively for Millennium in the University Park at MIT development by Forest City Enterprises Inc. (NYSE: FCE.A and FCE.B).

But by the end of 2007, Millennium had gone through multiple rounds of layoffs, restructurings and consolidations after several mergers and acquisitions, and had abandoned some of those leased facilities. At that point, the firm was using less than half of its Cambridge space: 461,906 square feet, according to its annual report. At that time, 427,986 square feet had already been sub-let, and the firm was seeking to sub-lease another 147,468 square feet.

One of those sub-lease deals involved another once high-flying local biopharma firm, Altus Pharmaceuticals. Altus signed a short-term lease for 72,935 square feet at 640 Memorial Dr. in April 2007.

But by late 2007, Altus had set its sites on more affordable suburban space. It signed 10-year leases for 83,405 square feet at 333 Wyman St. and 63,880 square feet at 610 Lincoln St., in Waltham, Mass. Altus left behind about 125,000 square feet at four leased sites in Cambridge, including 640 Memorial Dr.

(As it turns out, Altus also left a trail of vacant space in the suburbs as the business unraveled during the recession. The firm vacated the 33 Wyman St. building and cut back on its space at 610 Lincoln St. in mid-2009. But it was too late. Altus declared bankruptcy and San Diego-based Althea Technologies Inc. acquired its assets and product portfolio this spring.)

As for Millennium, Takeda Pharmaceutical Co. Ltd. of Osaka, Japan, announced in April 2008 that it planned to acquire the firm for about $8.8 billion. The deal closed in May 2008 and Millennium is now a wholly owned subsidiary of Takeda.

As of March 31, 2008, Millennium had about $74.7 million in capital lease obligations, according the last Form 10-Q it filed before being de-listed from the Nasdaq stock exchange when it was acquired by Takeda.

Now known as Millennium, The Takeda Oncology Company, the firm still leases its headquarters at the 40 Landsdowne St. building in Cambridge, as well as other properties. But it is believed that the final extension of the lease for 640 Memorial Dr. expired in mid-2008.

With Altus also long gone, MIT Investment Management Co. was left with an empty building. MIT officials then began to pursue approval for a renovation and a 50,000 square foot expansion of 640 Memorial Dr. The plans were approved, but MIT officials held off on the project because they were waiting to see how they might need to customize the space for a new tenant.

Now, Sanofi-Aventis plans to invest $65 million in the property and will create 300 jobs, according to a tax credit application submitted to the Massachusetts Life Science Center (MLSC).

The French drugmaker applied for $2.45 million in state tax credits and plans to request another $6.5 million in aid during the next four years, according to the center. The MLSC is a quasi-public agency created by the Massachusetts legislature in June 2006 to promote the life sciences within the state through investments in research and economic development.

Onyx Pharmaceuticals leases 126,493 s.f. at Alexandria's East Grand

SOUTH SAN FRANCISCO, Calif. – Onyx Pharmaceuticals Inc. (Nasdaq: ONXX) has leased all of 249 E. Grand Ave. in South San Francisco.

According to a recent report by the commercial real estate information service CoStar Group Inc. (Nasdaq: CSGP), the biopharma firm will relocate its headquarters from 2011 Powell St. in Emeryville, Calif.

Onyx will be taking 126,493 square feet. That includes 68,738 square feet sub-leased from Exelixis Inc. (Nasdaq: EXEL), with the balance of the space being leased directly from the owner, Alexandria Real Estate Equities Inc. (NYSE: ARE).

The sub-lease term reportedly begins in September, with an expiration date of November 2015. The 10-year term of the direct lease commences upon the earliest of the completion date of tenant improvements (TI) next April. The monthly rate for both the lease and sub-lease totals about $276,000 in the first year, according to CoStar.

Mark Pearson, co-founder and managing partner of CresaPartners in Palo Alto, Calif., represented Onyx. David Black, a senior VP with the San Francisco office of CB Richard Ellis (CBRE) Group Inc. (NYSE: CBG) represented Alexandria. Exelixis was represented by Jay Leslie, a VP with the San Mateo, Calif., office of Cornish & Carey Commercial Newmark Knight Frank's Life Science Group, as well as Randy Scott, an executive VP and partner in the firm's Palo Alto office.

In collaboration with the German firm Bayer AG, Onyx developed Nexavar, an approved treatment for advanced kidney cancer and liver cancer. Alexandria CEO Joel S. Marcus referred to Onyx as a "biotech oncology jewel" during the firm's second quarter (Q2) earnings conference call July 29.

Biology institute leases 140,000 s.f. from Vulcan in Seattle's South Lake Union

SEATTLE – The Institute for Systems Biology (ISB) has leased all of the 140,000 square foot 401 Terry Avenue N. building in Seattle's South Lake Union neighborhood. The facility will become the new headquarters for the research institute, which is dedicated to the integration of technology, computation, biology and medicine.

ISB will move in next spring, says the landlord, Vulcan Real Estate. ISB's current headquarters is at 1441 N. 34th St. in Seattle's Fremont neighborhood.

"The Terry Avenue North building more than doubles our current space, permits us to consolidate employees under one roof and provides easy access to some of the most effective research institutions in Washington state," Dr. Lee Hood, president and co-founder of ISB, said in a news release.

The institute has more than 300 employees, with plans to grow that to nearly 500 within 10 years.

In other South Lake Union bio real estate news, it was recently reported that the 1100 Eastlake building is for sale. The five-story, 183,574 square foot bio facility at 1100 Eastlake Ave. E. is vacant, save a small space occupied by the developer, The Blume Co.

Blume Co. executives say that the effort to sell the building was prompted to inquiries from potential buyers. The asking price has not been disclosed.

Meanwhile, the local office Los-Angeles-based CB Richard Ellis (CBRE) Group Inc. (NYSE: CBG) will reportedly continue to try to lease space at 1100 Eastlake. The published lease rate is $27 PSF, according to the listing posted on the CBRE website.

Blume Co. is one of the largest developers in the South Lake Union area with 16 buildings.

University of Miami leases 80,000 square feet from Wexford at new biopark

MIAMI – The University of Miami (UM) has leased 80,000 square feet at the first building of the planned UM Life Science & Technology Park (LSTP).

The office and lab space is being leased from the park's developer, Wexford Miami, LLC, an affiliate of Wexford Science + Technology LLC.

Plans for the UM LSTP include five buildings totaling 1.6 million square feet on 8.8 acres in the city's burgeoning Health District, home to the UM Miller School of Medicine and six hospitals.

Construction of the initial 252,000 square foot facility is under way, with completion scheduled for summer 2011. It will house wet and dry labs, offices and lab-ready development suites – all intended to help research teams advance their work through collaboration with university faculty and one another.

Supporters of the park say will be a catalyst for the transformation of Miami's Health District into a global center for medical, life science and technology research.

The park has been pre-certified as a Leadership in Energy and Environmental Design (LEED) Gold by the U.S. Green Building Council. It is being leased by the local office of Jones Lang LaSalle Inc. (NYSE: JLL).

Shire closes on $201M acquisition of Lexington Technology Park

LEXINGTON, Mass. – A unit of U.K.-based Shire plc (Nasdaq: SHPGY) has closed on the $201 million acquisition of the 95.6-acre Lexington Technology Park at the intersection of Route 128 and Route 2 in suburban Boston.

The pending deal was reported in the May/June edition of Bioscience Real Estate **Insights**™. (Please see "Shire plans $200 million+ tech park acquisition" on Page 3 of that edition.)

The sale of the four-building, 435,000 square foot, master-planned campus was announced July 1 by Cushman & Wakefield of Massachusetts Inc. on behalf of Patriot Partners Lexington LLC, a joint venture including O'Connor Capital Partners, Mohawk Partners and Atlantic Management.

Cushman & Wakefield's Capital Markets Group of Robert E. Griffin Jr. and Edward C. Maher Jr., along with Mark J. Winters, represented the seller. Robert Richards of Richard Barry Joyce & Partners represented Shire.

The acquisition includes three existing buildings at 125 Spring St. and 300 and 500 Patriot Way, totaling 278,889 square feet of office/lab space, as well as a 156,390 square foot build-to-suit facility now under construction for Shire at 200 Patriot Way.

The $201 million sale price is based on $165 million allocated for existing improvements, plus the cost of the building under construction.

Shire selected the park as the new global center for its Human Genetic Therapies business in 2007 and currently leases 92 percent of the space, according to the brokerage firm. It also owns 400 Patriot Way, a "state-of-the-art," 212,980 square foot manufacturing facility on 17.46 acres, which was recently completed.

In addition to the existing buildings, Patriot Partners obtained approval last fall for proposed future construction totaling 380,000 square feet.

The campus served as the headquarters for Raytheon Co. (NYSE: RTN) for more than four decades until it was purchased by the sellers in 2002 and redeveloped as a biopark.

(Continued on next page)

(Continued from previous page)

More Transactions News

■ **Corning Life Sciences Inc.** recently moved into **160 Research Dr.** in Jenkins Township, Pa., a 396,800 square foot warehouse and distribution center in the **CenterPoint Commerce & Trade Park**. The lab equipment supplier conducted a two-year search in several Northeast states before deciding on the Pennsylvania site, according to the developer of the park, Wilkes-Barre, Pa.-based **Mericle Commercial Real Estate Services**. **Michael Bartolacci**, a senior VP with **The Garibaldi Group**, represented Corning in the transaction.

■ **EndoChoice Inc.** recently leased 30,000 square feet at **11810 Wills Rd.** in Alpharetta, Ga., as its new headquarters. The new space is triple the size of the firm's previous facility, and features a gastrointestinal (GI) anatomic pathology lab. EndoChoice designs, manufactures and markets GI endoscopy devices and supplies.

■ The **City of Chandler**, Ariz., signed an 11-year lease for 38,146 square feet at **San Tan Tech Center** for **Innovations**, its biotech incubator. Lease terms were not available, but the listed lease rate is $11 PSF. The one-story, 129,187 square foot office/flex building is on 11.5 acres at **145 S. 79th St. Luke Walker, David Carder** and **Nick DiPaolo** of **CB Richard Ellis** represented the landlord**, Capital Commercial Investments Inc.**, according to CoStar. **Mark Detmer and Bo Mills** of **Cushman & Wakefield** represented the city.

■ **Minnetronix Inc.**, a St. Paul, Minn. Based medical device design and manufacturing firm, announced July 8 that it will lease an additional 11,800 square feet in a building adjacent to its 45,500 square foot headquarters facility at **1635 Energy Park Dr.** in St. Paul. The expansion will bring the firm's total administrative, design, manufacturing and lab space to 57,300 square feet. ❑

Bio Real Estate Market Reports

Here is a sampling of bio real estate conditions from across the United States.

■ **Greater Boston.** The vacancy rate for the almost 15.8 million square feet of lab space in Greater Boston was 13.3 percent as of the end of the first quarter (Q1), according to the semi-annual **Richards Barry Joyce & Partners LLC** (RBJ) "bioSTATus" report. That included a 16.4 percent vacancy rate in **Cambridge**, 2.8 percent in **Boston** and 14.9 percent in **the suburbs**. Cambridge remains the dominant market with more than half of the metro area's total lab space – more than 8.1 million square feet. The vacancy rate in Cambridge jumped 5.1 percent during the six months that ended March 31 – not because of new space coming on line, but because 311,000 square feet was emptied, RBJ reported. Yet the Cambridge lab market seems tight, RBJ says, because most established Class A facilities are near capacity. The big holes are in new facilities being leased for the first time (64.4 percent vacant), as well as older Class B and pre-World War II facilities. Most recent data from the **Colliers Meredith & McGrew** "Life Science "REview" indicates that the Greater Boston lab market of almost 17.8 million square feet had a total vacancy rate of 11.3 percent at the end of June, unchanged since Dec. 31. Although Colliers parses the data somewhat differently, it also found that Cambridge had the area's highest lab vacancy rate at 15.4 percent as of the end of June.

■ **San Francisco Bay Area.** It is difficult to find market data for the Bay Area that deals specifically with bio real estate. However, within the R&D/flex category of industrial space, there are certain sub-markets – most notable **South San Francisco** – where bio is clearly the dominant use. On that basis, it can be useful to look at the property performance in those sub-markets. In its Q2 "MarketView" report for the **San Francisco Peninsula** industrial sector, **CB Richard Ellis (CBRE) Group Inc.** (NYSE: CBG) reported that the vacancy rate climbed to 9.5 percent. "While the drop in occupancy this quarter was significant, one project was responsible for nearly all of the negative absorption. **Roche** vacated the entire R&D/flex campus located at **3431 Hillview Ave.** in Palo Alto, accounting for nearly 900,000 square feet of negative absorption," the CBRE report pointed out. "If not for this increase in vacancy, the market would have experienced a positive second quarter." Bio firms were also the ones doing any building during the first half of the year, CBRE said. The only new flex project under way was the 84,000 square foot **200 Oyster Point Blvd.**, a build-to-suit being developed for **Elan Pharmaceuticals Inc.** by Pleasanton, Calif.-based **Chamberlain Associates** in its **Science Center at Oyster Point**. And the only new office construction was pre-construction for the foundation of **1455 Third St.**, a 200,000 square foot bio building in San Francisco's **Mission Bay** sub-market. But completion of that **Alexandria Real Estate Equities Inc.** (NYSE: ARE) project will not take place until a tenant is secured, CBRE said.

■ **San Diego.** Bio real estate performance was "lackluster" at the end of June, according to the second quarter (Q2) "Pulse" report from the San Diego office of **Jones Lang LaSalle Inc.** (NYSE: JLL). "The amount of leasing activity remained relatively stagnant" during Q2, the report found, with gross absorption "extremely modest" in the four main bio sub-markets of **Torrey Pines**, **University Towne Center** (UTC), **Sorrento Mesa** and **Sorrento Valley**, leaving the mid-year vacancy rate at 13.9 percent. That was an improvement from mid-2009, when the bio real estate vacancy rate was 15.7 percent, but was no improvement from the Q1 results. ❑

Florida has bio on the brain as project gets started

ECONOMIC DEVELOPMENT ■ The state and county have provided $181 million in incentives to lure the Max Planck neuroscience institute to the campus of Florida Atlantic University

By John Mugford

Just a few years ago, there were only a smattering of life science firms in and around Jupiter, Fla., located in Palm Beach County. Local business people and economic development leaders say the area's life science sector was not really a sector at all – and certainly not a bio cluster.

But Florida's bio sector is taking off in a prime an example of what can be accomplished with plenty of sunshine, lots of government incentives, and momentum from attracting and building a facility for one of the world's best-known research firms, San Diego-based Scripps Research Institute.

This summer, ground was broken just a few steps from the 350,000 square foot Scripps Florida facility for a new research building that will be home to another one of the world's best-known research institutions, Germany-based Max Planck Society.

The future 100,000 square foot Max Planck Florida Institute is under construction on a 6-acre site on Florida Atlantic University's (FAU) John D. MacArthur Campus, which is home to the college's medical school and quite a few of its research departments.

Scientists at Max Planck Florida focus on research in the areas of neuroscience and integrative biology, trying to determine how the brain functions and is impacted by diseases. Eventually, after the facility is slated for an opening in 2012, the Florida research institute says it will have at least 135 employees on site.

Plans calls for a three-story facility with more than half the space – about 58,000 square feet– dedicated to research and laboratories, including wet and dry bench research,

South Florida recently took the next step toward adding to its burgeoning bio cluster as the Max Planck Florida Institute broke ground for a new 100,000 square foot brain research facility.
Rendering courtesy of Max Planck Florida Institute

instrumentation labs, computational research, core imaging facilities and microscope suites, information technology services, and offices for researchers and support staff.

The facility's blueprint is organized into three research wings, including six guest labs to facilitate collaborative research with scientists from other firms and institutions. It would also contain several conference rooms, a 100-seat auditorium, lounges and administration offices, and an a60-foot tall atrium tying it all together. Pedestrian pathways will connect the institute to nearby buildings on the FAU campus, including Scripps.

As noted, luring Max Planck to Jupiter did not come cheaply. In fact, when all is said and done, the state and county will have invested about $181 million into attracting the research organization, which is making its first venture onto North American soil.

The incentives have included $94.1 million from the state's Office of Tourism, Trade and Economic Development, $86.9 million from Palm Beach County, and the equivalent of about $6.8 million from FAU, which is providing the 6-acre site rent free for 50 years. The incentive package includes $60 million of which is dedicated to the construction of the new research facility.

Max Planck's Florida neighbor, Scripps, also received plenty of incentives to open its new satellite research institution in Jupiter, as it agreed to hire 545 people in exchange for $579 million in state and local money.

Max Planck arrived in Jupiter in 2008 and since then has been using a 40,000 square foot temporary space in a building on the FAU campus.

More than 30 researchers have joined Max Planck since it established a presence in Jupiter. Included among them is Dr. Bert Sakmann, the 1991 Nobel Laureate in Medicine who is leading the digital nueroanatomy group. The program is creating a three-dimensional map of the normal brain.

The molecular neurobiology group, which is being led by Dr. Samuel M. Young Jr., is studying brain synapses,

(Continued on next page)

(Continued from previous page)
which are the contact points where neurons pass electrical and chemical signals to one another.

Washington, D.C.-based Zimmer Gunsul Frasca Architects LLP was chosen to design the biomedical research facility. Washington-based Jones Lang LaSalle Americas Inc. is serving as the program manager to oversee development and construction of the project.

Incentives help Florida attract big bio user, but local firm wants help, too

COLLIER COUNTY, Fla. — All the hard work – and money – has paid off for officials with Collier County, along the Gulf Coast. For months, the Collier County Economic Development Council has been hard at work luring Bar Harbor, Maine-based Jackson Laboratory to the county to a planned biomedical village on about 700 acres in the county.

Its efforts have certainly paid off, as Jackson Laboratory recently announced that it indeed plans to open a new research facility in the future bio village. Jackson, in fact, has formed a partnership with the University of South Florida in Tampa and Edison State College in Fort Myers to do so.

Collier County offered $130 million in incentives and the state kicked in another $130 million over three years toward the building of a genetics research facility on 50 acres in the bio village. According to a news release from Jackson, the company itself plans to invest about $300 million on the Collier County project.

Jackson and USF plan to collaborate on research intended to "lead the nation toward personalized medicine, in which disease prevention and treatment are based on a person's unique genetic makeup," officials said in the news release.

County officials are hoping that landing Jackson will open the floodgates for other research and biomedical firms, as well as commercial users, to locate in the park. The hope is to attract academic and research institutions, pharmaceutical firms, biotechnology and medical supply companies, a teaching hospital and specialized clinics. There could also be a mathematics-focused high school and a variety of supporting, commercial businesses.

The landowner, the Barron Collier Cos., is donating the 50-acre site for the future Jackson Laboratory facility – it owns the remainder of the land and has hired the life sciences group of CB Richard Ellis (NYSE: CRE) to help identify potential partners in the overall biomedical village. Reports also indicate that a California-based venture capital firm, Menlo Park-based Sequoia Capital, has expressed interest in working with start-up companies interested in locating in the development.

However, not everyone is happy about the big taxpayer incentives that were offered to lure Jackson Laboratory. In fact, some local businesses and residents are concerned that the county is risking too much in order to attract Jackson.

Boosters, however, point to a report by Coral Gables, Fla.-based Washington Economics Group Inc. that determined that bringing Jackson Laboratory to Collier County would inject $463 million annually into the local economy. The study also predicted that the Jackson project would directly or indirectly support an average of 5,900 jobs through 2032.

One of the most vocal critics, however, has been the owner and founder of a local medical device manufacturer, Arhrex Inc., which makes about 5,000 products for arthroscopic and minimally-invasive orthopedic surgery.

The company says it is in need of a new $50 million medical device manufacturing plant.

However, officials say the plant might be built outside of Collier County, or Florida for that matter, if the company does not receive an incentive package from its home county or state. The company is, in the meantime, entertaining incentive offers from economic development groups in Arkansas, Kentucky, Michigan, Texas, and North and South Carolina. The new plant, according to the company, could create up to 300 jobs.

So far, Collier County has not offered an incentive package to Arthrex for the new plant, according to Reinhold Schmieding, the founder and president of Arthrex. In local news reports, Mr. Schmieding said his company, which has been in the area since 1991, is not getting the support it deserves from local government.

Mr. Schmieding has also said that the county would be risking local taxpayer money by luring Jackson, which he called an "unproven venture." He added that Jackson Laboratory might not even be the type of company that would attract other biomedical firms to the community.

Arthrex, on the other, hand has been committed to growing its business in Collier County for nearly two decades, he told local news outlets. The company expects to make a decision by the end of the year on where to potentially build the new plant.

Arthrex currently occupies about 300,000 square feet of manufacturing space in four facilities near the company's headquarters. Several years ago, Arthrex had planned to build a new plant on 12 acres near Ave Maria, Fla. At that time, the county offered to waive $1 million in impact fees.

The company abandoned those plans when a large manufacturing firm left Naples, freeing up a 120,000 square foot space. ❑

Oregon gives green light to $160 million bio center

UNIVERSITIES ■ The Board of Higher Education votes to proceed with planning for the 263,000 s.f. Life Sciences Collaborative Complex, moving the project to the design phase

By Murray W. Wolf

The Oregon State Board of Higher Education voted in July to proceed with planning for the proposed Life Sciences Collaborative Complex, which is to be built on the Schnitzer Campus of the Oregon Health and Science University (OHSU) in Portland. Plans for the $160 million, 263,000 square foot facility along the Willamette River now proceed to the design phase.

The planned $160 million, 263,000 square foot Life Sciences Collaborative Complex would be developed at Oregon Health and Science University.
Rendering courtesy of Oregon Health and Science University

The complex is envisioned as an inter-institutional facility for bioscience, medical and pharmacy research. Plans call for the building to house academic and research facilities for several universities, including the Portland State University (PSU) biology and chemistry departments; OHSU's medicine, dentistry, nursing and physician assistant schools; and Oregon State University's pharmacy school – plus retail spaces for private companies.

The facility is also slated to include a lecture auditorium, classrooms, class simulation rooms, instructional wet labs, research labs, a vivarium and faculty offices.

Efforts are also under way to locate a $25 million venture capital-backed business incubator in the building. A private partner is being sought to spearhead that part of the project.

The financing plan for the project includes $60 million in Oregon University System bonds, $50 million state bonds, $40 million in gifts to OHSU and $10 million from TriMet, the local mass transit agency, which plans to build a station at the site.

Although that plan calls for a total of $160 million, the Oregon governor's recommended budget for 2009-11 allocated $250 million for the project, and Portland State officials have said previously that the actual cost will probably be from $170 million to $200 million.

The design phase is projected to take from eight to 12 months, with a ground breaking anticipated in late 2011. The facility is scheduled to open in fall 2013.

$109 million bio building for U. of Alaska Fairbanks survives budget cuts

FAIRBANKS, Alaska – Plans for a $109 million life sciences building at the University of Alaska Fairbanks (UAF) survived a round of budget cutting earlier this summer.

Alaska Gov. Sean Parnell used his veto pen to slash about $300 million, or about 10 percent, from the state's budget for the 2011 fiscal year, but he signed a massive spending plan that included his approval to sell $88 million in general obligation bonds for the planned UAF life science center. The rest of the cost would come from bond financing through UAF.

"Advancement of science in this state is vital to the economic engine of the future," Gov. Parnell said late last year, when he came out in favor of the project. "With the increased academic rigor at the high school level as a result of the Governor's Performance Scholarship program, we will see more students excel in post-secondary education and training in math and science, which will help them be successful when competing for high-paying jobs in Alaska." Voters are expected to vote on the state bond issue November.

Plans call for a building of about 98,000 square feet, evenly divided between academic and research space.

UCLA dedicates 175,000 square foot bio building

UNIVERSITIES ■ The Terasaki Life Sciences Building is named for the retired professor and organ transplantation expert who pledged $50 million to support the 175,000 s.f. project

By Murray W. Wolf

The University of California Los Angeles (UCLA) recently dedicated the new 175,000 square foot Terasaki Life Sciences Building at its Westwood campus.

Built at a budgeted cost of $155.4 million, the replacement life sciences facility was named for retired UCLA professor Paul I. Terasaki and his wife, Hisako.

Dr. Terasaki, who spent three years in a World War II internment camp for Japanese-Americans, earned his bachelor's degree, master's degree and PhD from UCLA and later became a world-renowned expert in organ transplantation. He has pledged $50 million to help fund the building and an endowed chair in surgery.

Dr. Terasaki, who is 80 years old and lives in Brentwood, Calif., was described in local media coverage of the dedication as "humble" and was quoted as saying that he owes much of his academic and business success to UCLA and wants to repay the school.

The new facility, which is slated to open in October, will house the UCLA Department of Molecular, Cell and Developmental Biology; the Department of Physiological Science; and the Department of Organismic Biology, Ecology and Evolution. It includes 33 labs, where hundreds of scientists will conduct research integrating such fields as cell biology, neuroscience, genomics and stem cell research.

The architect for the project was Bohlin Cywinski Jackson of Wilkes Barre, Pa., with Syska Hennessy Group Inc. of Los Angeles providing engineering, architectural and lighting services.

The five-story, 175,000 square foot Terasaki Life Sciences Building is slated to open in October on the southern section of UCLA's Westwood campus, near the Geffen School of Medicine.

Rendering courtesy of UCLA

PCL Construction Services Inc. of Los Angeles was the general contractor.

$33 million research and administration building completed for Harvard

QUINCY, Mass. – Lee Kennedy Co. Inc. recently completed the new $33 million Weld Hill Research & Administration Building for the Arnold Arboretum of Harvard University.

The Quincy-based contractor provided extensive pre-construction and construction services to Harvard Real Estate Services for the 42,000 square foot building, located on 14 acres adjacent to the arboretum.

The facility – which is currently under consideration for LEED Gold certification – includes botanical science research labs and offices for researchers and staff.

It houses a cold room, growth chambers, dark rooms, transgenic rooms with double air lock doors, lab skylights to enhance natural light and 12 greenhouses. The facility is heated and cooled by a geothermal system, for which Lee Kennedy Co. installed 88 geothermal wells on site.

Because the new building is located in a dense, wooded area, Lee Kennedy Co. officials say they took great care to disturb only the land that needed to be cleared for construction and implemented tree protection, on-site soil management and erosion control techniques to minimize the impact to the site.

"Our team has constructed a world-class research facility that not only provides the highest quality lab and research capabilities, but is also respectful of the environment and the surrounding neighborhood," CEO Lee Michael Kennedy said in a news release. "We are proud to have been part of such a socially responsible project." ❑

Bio REITs endure rocky quarter as values decline

REIT REPORT ■ But real estate investment trusts that specialize in life science properties continue to outperform the broader stock market indices and remain up for the year

By Murray W. Wolf

After back-to-back quarters of strong results, the second quarter (Q2) was a bit of a disappointment for real estate investment trusts (REITs) that specialize in bioscience properties. All of the REITs we follow in the Bioscience Real Estate **Insights**™ REIT Index lost value.

If it's any consolation, the same can be said for the U.S. REIT sector as a whole. After solid results in Q4 2009 and Q1 of this year, The FTSE NAREIT Equity REIT Index reported 3.05 percent loss during Q2. Securities analysts blame the REITs' weak performance on broader stock-market worries fueled by the European debt crisis, which prompted an early summer sell-off.

Indeed, despite the tepid performance of the REITs, they still beat the Dow Jones Industrial Average, which lost 10.6 percent, and the S&P 500 Index, which took a 12.5 percent hit.

Although the downturn in the commercial real estate industry continues to be a drag on the performance of many REITs, they have generally outperformed the broader stock market indices since last year because many investors believe that the industry will finally shift into recovery mode next year. The real estate downturn has been especially punishing for REITs with exposure to the beleaguered office market, but those that concentrate on bio and healthcare properties have generally fared better.

REITs have also outperformed stocks this year because they tend to be well capitalized. As a whole, publicly traded REITs raised nearly $38 billion via the public markets last year. For clients with difficulty accessing capital, REITs can finance and own their new facilities, or acquire non-core real estate assets.

Among the REITs we follow, there was little in change in the key metric called funds from operations (FFO). FFO is the primary way that most securities analysts evaluate the strength and performance of publicly traded REITs.

The projected FFOs for this year was largely unchanged for the REITs we follow, with one major exception: Alexandria Real Estate Equities Inc. (ARE). The nation's largest bio REIT slashed its 2010 FFO estimate by 18.5 percent, to $3.61 per share from $4.43 per share during the month of June. That was primarily due to a $19.1 million, or 7.6 percent, decline in revenues for the first six months of this year compared with the same period last year, as well as a one-time $41.5 million charge related to the early retirement of debt. Alexandria's projected FFO for next year held steady, as did the projected FFOs for most of the REITs on our list.

Although that is a positive sign, not every analyst is convinced that REITs – even bio REITs – will lead the recovery. At least one stock-picker recently suggested shorting Alexandria

(Continued on next page)

BREI™ REIT Index	Price Per Share			Price/FFO Multiples (Estimates)		FFO Per Share (Estimates)		FFO Growth (%)		
Name (Ticker Symbol)	June 30, 2010	52-Wk. High	52-Wk. Low	2010	2011	2010	2011	2010-11	Dividend Yield (%)	Dividend Spread (%)
Alexandria Real Estate Equities Inc. (ARE)	63.37	75.18	30.33	17.92	13.65	3.61	4.74	31.30	2.21	-0.76
BioMed Realty Inc. (BMR)	16.09	19.50	9.16	13.63	12.97	1.17	1.23	5.13	3.73	0.76
Boston Properties Inc. (BXP)	71.34	83.42	42.62	17.62	16.61	4.13	4.38	6.05	2.80	-0.17
Mack-Cali Realty Corp. (CLI)	29.73	38.74	21.13	10.41	10.45	2.81	2.80	-0.36	6.05	3.08
HCP Inc. (HCP)	32.25	34.50	19.79	15.35	14.66	2.14	2.24	4.67	5.77	2.80
Health Care REIT Inc. (HCN)	42.12	46.79	32.64	13.40	12.68	3.18	3.36	5.66	6.46	3.49
Senior Housing Properties Trust (SNH)	20.11	23.36	15.01	11.96	11.43	1.72	1.80	4.65	7.16	4.19

Source: National Association of Real Estate Investment Trusts (NAREIT)

(Continued from previous page)
and another REIT on our list, Mack-Cali Realty Corp. (CLI). He says that the commercial real estate market will get worse before it gets better.

For detailed results of some of the public REITs that have significant investments in bio real estate, please see the chart on the preceding page.

Health Care REIT says Forest City JV going well, $1 billion-plus in pipeline

TOLEDO, Ohio – Health Care REIT Inc. (NYSE: HCN) reported that it closed during Q2 on the seventh building of its joint venture (JV) with Forest City Enterprises Inc. (NYSE: FCE.A and FCE.B), and now has $352 million invested. HCN had in February announced a $668 million JV with Forest City involving the University Park at MIT portfolio in Cambridge.

During HCN's Aug. 5 Q2 earnings conference call, John Thomas, HCN's executive VP - medical facilities, gave a few more details about the JV.

"We are working through a pipeline of more than 1 billion in new acquisitions and development opportunities with Forest City – many off market – and anticipate growing our investments within that joint venture," he said. "Capitalization of these opportunities will be determined on a case-by-case basis, but we anticipate no less than equal participation in the ownership and governance of these assets.

"Life Sciences, research and lab space is clearly a priority with our academic medical center clients," Mr. Thomas continued, "and we believe the partnership with Forest City provides us a strategic advantage to meet those needs and is a natural extension of our medical facilities business efforts... We are very optimistic about the future of this partnership and adding to our medical facilities and life science platform – and perhaps generating additional senior housing opportunities as well."

Speaking of Forest City, the firm's Q2 revenues sank by about 9.6 percent to $281.7 million compared with the same quarter last year. But sharing the revenues from the properties now included in new JVs with HCN and others was primarily responsible for that decline, the firm said, whereas the cash infusion provided by the JVs and recent assets sales added needed liquidity to the Forest City balance sheet.

(For more on the Health Care REIT-Forest City joint venture, please see "HCN places $668 million bet on biopark" on Page 1 of the March/April edition of Bioscience Real Estate **Insights**™).

More Bio REIT News

■ **BioMed Realty Trust Inc.** (NYSE: BMR) reported a 28.6 plunge in Q2 FFO to $31.4 million, compared with $44 million for the same quarter last year. The decline was in part due to the $18 million repurchase of debt, the firm said. Revenues, however, were up 7.9 percent to $92.9 million compared with a year ago. In other quarterly highlights, BioMed acquired five bio buildings totaling about 218,000 square feet in Rockville, Md., that are 100 percent leased to the **J. Craig Venter Institute**, as well as building of about 57,000 square feet in Gaithersburg, Md., 100 percent leased to **Ocimum Biosolutions Inc.** The REIT also began construction of 176,000 square foot build-to-suit facility for **Isis Pharmaceuticals Inc.** (Nasdaq: ISIS) in its home market of San Diego. (For more on BioMed's recent acquisitions, please see "BioMed pays $53 million for Venter Institute's five-building campus" on Page 4 of the May/June edition of BREI™. For more on the Isis project, please see "Busy BioMed buys buildings and land, signs tenants" on Page 3 of the March/April edition.)

■ **Boston Properties Inc.** (NYSE: BXP) reported FFO of $156.9 million for Q2, down 5.9 percent for the same quarter last year. During its Q1 earnings call, the firm had encouragingly reported that several prospective tenants were actively seeking space in the Greater Boston market, including **Shire plc** (Nasdaq: SHPGY) and a number of non-bioscience firms. This quarter, the firm reported that it had landed leases totaling 203,000 square feet from two of those tenants: **Microsoft Corp.** (Nasdaq: MSFT) and **A123 Systems Inc.** (Nasdaq: AONE), a maker of rechargeable battery systems. In the bio sector, Boston Properties delivered its 356,000 square foot **Weston Corporate Center** in Weston, Mass., "a month earlier than expected and also with significant cost savings," according to **Michael E. LaBelle**, the firm's senior VP and CFO, who made those comments during the firm's July 28 earnings call. "We expect Weston Corporate Center to deliver an unleveraged NOI (net operating income) return of over 11 percent, exceeding our original budget by nearly 200 basis points." The property is fully leased as the headquarters by **Biogen Idec Inc.** (Nasdaq: BIIB). The only downside is that Biogen vacated about 80,000 square feet at Boston Properties' 199,131 square foot **Four Cambridge Center** when it relocated.

■ **HCP Inc**. (NYSE: HCP) reported that it closed July 26 on the $29 million acquisition of a life sciences asset at the **University of Utah**. The facility is 100 percent leased by **Myriad Genetics Inc.** (Nasdaq: MYGN), a Salt Lake City-based maker of molecular diagnostic tests. The cap rate on the acquisition was 8.5 percent, according to **Paul Gallagher**, the REIT's EVP and chief investment officer, who made that disclosure during the firm's Aug. 3 earnings call. Specific details regarding the acquisition were not provided. But, as of June 30, HCP owned nine properties in Utah totaling 584,000 square feet, and Myriad was its ninth largest bio tenant with 225,000 square feet. ❑

Jones Lang LaSalle selected for U. of Miami park

COMPANIES ■ Local office of Chicago-based commercial real estate services firm will lead the leasing and marketing effort for Wexford's office and lab building at the campus

Staff Reports

Jones Lang LaSalle Inc. (NYSE: JLL) announced Aug. 4 that it has been named as the exclusive leasing agent for phase one of the University of Miami (UM) Life Science & Technology Park (LSTP).

Once completed in mid-2011, the 252,000 square foot phase one building will house wet and dry labs, offices, lab-ready development suites and retail space – all intended to help life science and technology research teams advance and commercialize their work via collaborations between university faculty and industry.

JLL's Miami-based team of Richard Schuchts, Catarina Jimenez and Gavin Macphail will oversee leasing and help with marketing of the building.

The announcement was made by Joe Reagan of Wexford Science + Technology, the developer engaged by UM to build and finance R&D Building One of the UM LSTP project.

JLL says that news of the announcement "marks the start of an aggressive marketing effort targeting prospective UM LSTP tenants," including in-market and new-to-market knowledge-based companies and organizations seeking to bridge the academic and private industry sectors with the goal of advancing the development of valuable life science and technology products, services, and treatments.

In June 2010, the UM LSTP announced the completion of its first major tenant lease: the University of Miami's decision to occupy 80,000 square feet of space in the first building.

(For more information about that transaction and the UM LSTP project, please see "University of Miami leases 80,000 square feet from Wexford at new biopark" on Page 5 of this edition of Bioscience Real Estate **Insights**™.)

CresaPartners hires bio real estate veteran, launches new service

SAN FRANCISCO – Boston-based CresaPartners, a commercial real estate advisory firm that specializes in tenant representation, has hired a bio real estate industry veteran to head its strategic services group in the San Francisco Bay Area.

Jeff Gagnon joined CresaPartners in June as senior VP of its new strategic services group.

Mr. Gagnon was previously a principal at Oakland, Calif.-based Pacific BioFacilities, a facilities planning firm, where he served as account services manager for one of the world's largest biotech firm's, Genentech Inc.

Prior to that, he was a consultant to other major bio companies, including Amgen Inc. (Nasdaq: AMGN), Gilead Sciences Inc. (Nasdaq: GILD) and MedImmune.

Mr. Gagnon "specializes in meeting the needs of high-growth companies that have technologically complex real estate portfolios regarding R&D, manufacturing and office space," according to CresaPartners.

He will work with existing and new clients to develop "comprehensive real estate strategies," including on-site occupancy planning and space management services.

More and more companies are turning to strategic planning professionals as a way to align their real estate portfolios with their business objectives, to cut portfolio costs, and to respond to cultural and technological changes at the workplace, according to CresaPartners.

The strategic planning includes needs assessment, options development and long-range capital planning on the front end, followed by brokerage and project management to implement the strategy on the back end.

Voit Real Estate Services gets listing for 44-acre campus is Fullerton, Calif.

FULLERTON, Calif. – Anaheim, Calif.-based Voit Real Estate Services has been selected to market the 44-acre former Beckman Coulter Inc. (NYSE: BEC) corporate headquarters in Fullerton.

Beckman Coulter, which makes diagnostic testing systems and supplies for hospitals and research labs, consolidated its operations in Brea, Calif., last year after more than five decades at the Fullerton location.

The eight-building, 600,800 square foot campus includes industrial, office and lab space, according to Mike Hefner, executive VP of Voit's Anaheim office.

The property could be used as a corporate campus or could be developed as a mixed-use project with retail, office, residential and industrial components, he said.

In addition to Mr. Hefner, Voit's team for the project includes Mitch Zehner and Seth Davenport, also of Voit's Anaheim office, and Al Pekarcik and Dan Vittone of the firm's Irvine, Calif., office.

(Continued on next page)

(Continued from previous page)

Colliers International announces formation of Tri-State Science team

PRINCETON, N.J. – Boston-based Colliers International Property Consultants Inc. announced in early June that it has launched a Tri-State Science Practice Group to handle leasing, investment sales and dispositions in the bio sector throughout New York, New Jersey and Connecticut.

The group is led by John Cunningham, a Princeton-based executive managing director and a member of the steering committee for Colliers International's national Life Science Practice Group. Andrew Tarvin, a Parsippany, N.J.-based director with the firm, concentrates on the Northern New Jersey and New York markets.

Recent deals arranged by the Tri-State Life Science Practice Group include a long-term lease for ARMGO Pharma Inc. at 777 Old Saw Mill River Rd., part of the The Landmark at Eastview campus, in Tarrytown, N.Y., and a long-term, 31,800 square foot lease on behalf of a unspecified client at 89 Twin Rivers Road in East Windsor, N.J.

Nationally, the firm's bio clients include the National Institutes of Health (NIH), Johns Hopkins University, New York-Presbyterian Hospital, the University Hospitals of Columbia and Cornell, Abbott Laboratories (NYSE: ABT), Pfizer Inc. (NYSE: PFE), Amgen Inc. (Nasdaq: AMGN), Novartis AG (NYSE: NVS), Genzyme Corp. (Nasdaq: GENZ), and PerkinElmer Inc. (NYSE: PKI).

In January, Colliers International announced plans to combine its operations with FirstService Real Estate Advisors, creating the world's third largest real estate services firm in the world, behind CB Richard Ellis (CBRE) Group Inc. (NYSE: CBG) and Jones Lang LaSalle.

Richards Barry Joyce brokered five of the top deals in Cambridge

BOSTON – Earlier this year, the Boston-based real estate services firm Richards Barry Joyce & Partners LLC (RBJ) announced that it brokered five of the top six leases in the city of Cambridge, Mass., during 2009 – transactions totaling 624,963 square feet of laboratory and office space.

During a down year for mainstream commercial real estate, lab leasing ruled last year in Cambridge, one of the best-known bio clusters. Of the top six leases in Cambridge, five were for lab space and the sixth was for office space, an 84,373 square foot lease renewal and expansion for ITA Software Inc., which was also brokered by RBJ. Of the city's top 10 leases, eight were completed by biotechnology companies.

"Cambridge was without a doubt the most stable submarket in an otherwise very tumultuous year for Greater Boston commercial real estate," said Steven Purpura, a partner at RBJ and head of the firm's Cambridge advisory group.

RBJ's top 2009 Cambridge lab leases included:

■ Vertex Pharmaceuticals Inc. (Nasdaq: VRTX) signed a 292,000 square foot lease renewal at 40 Erie St. and 200 Sidney St., for lab and office space. RBJ represented the landlord, BioMed Realty Trust Inc. (NYSE: BMR). Vertex was represented by CBRE. Vertex is a global biotech company specializing in the discovery and development of breakthrough small molecule drugs for serious diseases.

■ Alnylam Pharmaceuticals Inc. (Nasdaq: ALNY) signed a lease extension and expansion at 300 Third St. The company expanded its presence by 33,022 square feet and now occupies 95,410 square feet at the location. Alnylam, a biopharma firm developing therapeutics based on RNA interference, or RNAi, was represented by RBJ. The landlord, Alexandria Real Estate Equities Inc. (NYSE: ARE), was represented in-house.

■ Broad Institute signed a new lease for 79,863 square feet of lab space at 301 Binney St. RBJ represented the building's landlord, BioMed Realty Trust Inc. (NYSE: BMR) and CBRE represented the Broad Institute.

■ The Forsyth Institute signed a new headquarters lease at 245 First St. The lease totals 73,317 square feet of lab space. RBJ represented the building's landlord, Equity Office Properties. Forsyth, an independent organization dedicated to scientific research and education in oral health and related biomedical sciences, was represented by Cushman & Wakefield Inc.

The Cambridge sub-market had slightly more than 8 million square feet of lab space (14.7 percent vacancy) and slightly more than 12.8 million square feet of office space (9.3 percent vacancy) as of Dec. 31, according to RBJ's research.

RBJ' Cambridge advisory group includes Mr. Purpura, Robert Richards, Jonathan Varholak and Eric Smith.

Investment Realty Co. in San Antonio rolls out new health and bio division

SAN ANTONIO – Investment Realty Co. of San Antonio has launched a new division to tap into the area's growing healthcare and bioscience sectors.

Recent projects in the Alamo City include the $2 billion redevelopment of Fort Sam Houston, which includes plans to transform it into a major military medical center, and a decision by medical device maker Medtronic Inc. (NYSE: MDT) to expand its diabetes division in San Antonio, a

project that is expected to create about 1,400 jobs within the next few years.

IRC has taken note of those and other developments, and sees an opportunity to grow its business into those sectors, IRC President Steve Raub recently told the *San Antonio Business Journal*. IRC Healthcare will represent healthcare and bio organizations seeking to lease, purchase or sell facilities and land for development.

Marcelino Garcia and Joanne Vollmer Mirelez head the new healthcare unit.

Maryland Gov. O'Malley named BIO's 2010 Governor of the Year

CHICAGO – Maryland Gov. Martin O'Malley received the BIO Governor of the Year Award at the 2010 BIO International Convention, which was held May 3-6 in Chicago.

The award was presented by Biotechnology Industry Organization (BIO) CEO Jim Greenwood and Maryland Life Sciences Advisory Board (LSAB) Chairman H. Thomas Watkins during the convention's keynote luncheon on May 5.

Gov. O'Malley was "recognized for his outstanding leadership in growing and promoting Maryland's biotechnology industry," according to BIO.

Since taking office, Gov. O'Malley has spearheaded a number of strategic investments in Maryland's bioscience industry. In 2007, he created the Maryland Life Sciences Advisory Board, which was tasked with developing a comprehensive, long-term plan to maximize Maryland's R&D assets, and grow Maryland's bio industry.

As a result of the board's work, the governor last year launched BioMaryland 2020, 10-year, $1.3 billion strategy for moving Maryland's bioscience industry forward. During the past two years, roughly $100 million has been invested, or approved for investment, on BioMaryland initiatives – not including $70 million in science and technology related infrastructure at the state's universities and community colleges.

Maryland's bio industry grew by nearly 15 percent from 2001 to 2006, adding 3,200 jobs to more than 25,000 bio jobs in the state. In addition, from 2002 to 2007, Maryland's university bio research soared, growing 44 percent from $877,000 to $1.3 billion.

Today, Maryland ranks first among the states in federal R&D obligations, according to National Science Foundation data, and second in federal obligations for research and development with $12.5 billion.

More Bio Real Estate Company and People News

■ **Drexel University** has selected **Turner Construction Co.** to head construction of the $49.7 million, 138,000 square foot **Constantine Papadakis Integrated Sciences Building** on its main campus in Philadelphia. When completed in June 2011, the facility will house 39 research and teaching labs for biomedical engineering, biology and chemistry and a fossil preparation lab. Drexel plans to pursue **Leadership in Energy and Environmental Design** (LEED) Silver certification from the **U.S. Green Building Council** (USGBC) for the building, which will feature a five-story atrium and a "biowall" – a natural air filter that removes volatile organic compounds (VOCs) and carbon dioxide from the air – said to be a first for a U.S. university.

■ Three other organizations recently snagged LEED certification for bio projects. The four-story, 100,000 square foot **Building I** at the **BioResearch & Development Growth Park** (BRDG) at the **Danforth Plant Science Center** in Creve Coeur, Mo., received LEED Gold certification – one of few labs available for lease to emerging bio companies to earn that designation. It was designed by **Gaudreau Inc.** of Baltimore and built by **Tarlton Corp.** of St. Louis. In Houston, Toronto-based **Metrontario Group** has been awarded LEED Gold certification for the 14-story **Life Science Plaza** at **2130 W. Holcombe Blvd.** in the **Texas Medical Center** campus. The 715,500 square foot Life Science Plaza is the largest LEED Gold-CS (core and shell) certified building in the medical center sub-market, and the first medical office building in Houston to receive LEED Gold-CS certification. The new building earned the certification from the USGBC under the Core and Shell Pilot standard. **Jones Lang LaSalle** provided project and building management services and coordinated with **Kirksey Architects** to earn the certification. Other players included **BDMI MEP Engineers**, **Haynes Whaley Structural Engineers** and **Pepper-Lawson Construction Co.** And in Kingston, R.I., the **University of Rhode Island**'s $54 million **Center for Biotechnology and Life Sciences** has earned the university's first LEED Gold certification for any building. **Payette Associates** was the project architect, **Lerner Ladds + Bartels** was the associate architect and **Gilbane Building Co.** was the construction manager.

■ **University Mechanical & Engineering Contractors Inc.** (UMEC), a subsidiary of **EMCOR Group Inc.**, Norwalk, Conn., recently won a maintenance contract for Phoenix biotech facility. **Caris Life Sciences Inc.** recently selected UMEC to install the mechanical systems at its build-out of 30,000 square feet, including a lab, lab support area, office space area and a 5,000 square foot mechanical mezzanine. Caris Life Sciences is a provider of diagnostic and pharmaceutical services encompassing anatomic pathology and molecular testing.

(Continued on next page)

(Continued from previous page)

■ **FirstService Williams' Life Science Practice Group** recently arranged a long-term, 7,888 square foot lease for **ARMGO Pharma Inc.** at 777 **Old Saw Mill River Rd.** in **The Landmark at Eastview** campus in Tarrytown, N.Y. The Landmark at Eastview is a 1.1 million square foot R&D campus. The firm is relocating to Westchester County from New York City. ARMGO is a biopharmaceutical firm that develops small-molecule therapeutics to treat debilitating cardiac, muscular and neurological disorders. Other tenants at The Landmark at Eastview include **Regeneron Pharmaceuticals Inc.** (Nasdaq: REGN), **Progenics Pharmaceuticals Inc.** (Nasdaq: PGNX) and **Profectus Biosciences Inc. Andrew Tarvin**, director at FirstService William, represented the tenant with **John Cunningham**, who leads the firm's Life Science Practice Group. The building's owner, **BioMed Realty Trust**, was represented in-house by **Kevin Reap**.

■ First Service Williams also recently promoted four sales professionals to executive positions as a part of its transition into **Colliers International**. They included **Jason Imperial**, who was named director. Mr. Imperial represents bio clients in the acquisition and disposition of office and industrial properties.

■ Two U.S. pharma manufacturing facilities were among five category winners in the sixth annual **Facility of the Year Awards** (FOYA) program sponsored by **the International Society for Pharmaceutical Engineering** (ISPE); **INTERPHEX**, a pharma events and information company; and *Pharmaceutical Processing* magazine. **MannKind Corp.** (Nasdaq: MNKD) was a double winner, collecting Facility of the Year Awards for both Equipment Innovation and Process Innovation for its $163 million renovation and expansion of its facility in Danbury, Conn. **Biogen Idec Inc**. (Nasdaq: BIIB), winner of the Facility of the Year Award for Operational Excellence for its facility in Research Triangle Park, N.C. The overseas winner were Genentech Inc., a subsidiary of Roche Holding Ltd., for a facility in Singapore; and Pfizer Biotechnology Ireland and Pfizer Ireland Pharmaceuticals, both subsidiaries of Pfizer Inc. (NYSE: PFE) and both for facilities in Ireland. The Facility of the Year Awards program "recognizes state-of-the-art pharmaceutical manufacturing projects that utilize new and innovative technologies to enhance the delivery of a quality project, as well as reduce the cost of producing high-quality medicines."

■ The future **K-State Olathe Innovation Campus** hasn't even been built, but it has already been honored as a winner of the *Kansas City Business Journal*'s **Capstone Awards**. The future 90-acre K-State Olathe Innovation Campus won in the Infrastructure category. It is being developed as a bio and business park by **Kansas State University** and the **Kansas Bioscience Authority**. Ground was broken last fall for the first building on the planned campus, the $28 million, 108,000 square foot **National Institute for Animal Health and Food Safety**, which is scheduled for completion by early 2011. The Capstone Awards recognize the area's top commercial real estate projects from the preceding year. "The judges considered everything from visual aesthetics to new technological concepts to the projects' relevance in the community. They looked beyond project specs and considered how these developments are affecting our lives," according to the *Business Journal*. ❑

Does your company have news to share? Bioscience Real Estate **Insights**™ wants to know. Please email news of new clients and projects, organizational changes, new services, personnel moves, etc. to editor@breinsights.com.

Publisher's Letter
(Continued from Page 2)

regard," Alexandria CEO Joel S. Marcus said earlier this year, during one of the REIT's earnings calls.

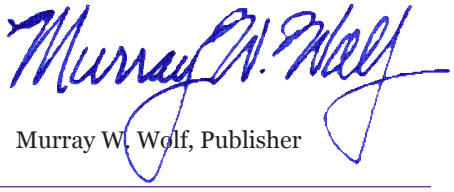
"On the university side... we view this also as a first step," Mr. Marcus said later in the call. "We view partnering with a number of universities across the country – and maybe throughout the world – as an important part of the future growth of this company and certainly the industry. And given endowment challenges that they've had," he added, university administrators have even more reason to consider using their land for more than just traditional academic buildings.

"So partnering up can be awfully enticing to both parties," he concluded.

In subsequent earnings conference calls, Alexandria officials said that the ideal scenario for their "university initiative" is "credit tenant, pre-leased, build-to-suits." Typically, they said, the REIT would develop, finance and own the new facilities, which would be built on land leased from the universities. The facilities would be built on-campus or "immediately off-campus."

Alexandria has not announced any specific university related projects, but Mr. Marcus recently hinted that the first one would be a three-story "gateway building" of about 90,000 square feet on "a very large campus."

No doubt, the economy and the commercial real estate market will recover. Occupancy rates will rise and stories of privately financed bio real estate projects will again fill our Projects department. But, until then, it's not surprising if some developers are going "back to school."



Murray W. Wolf, Publisher

Adaptation will be critical for bio firms, Burrill says

SPECIAL REPORT ■ Pundit's annual presentation at the BIO 2010 convention plowed familiar ground: the importance of capital, the promise of innovation and the need for change

By Murray W. Wolf

Editor's note: *In this, our second report from the BIO 2010 International Convention in Chicago, we provide highlights of the heavily attended "State of the Biotech Industry" report from G. Steven Burrill, a well-known figure in the bio business.*

In his "State of the Biotech Industry" presentation, G. Steven Burrill told the Bio 2010 International Convention that adapting to change will be essential.
Photo courtesy of BIO

When baseball great Yogi Berra watched New York Yankees teammates Mickey Mantle and Roger Maris repeatedly hit back-to-back home runs during the 1960s, he reportedly said, "It's déjà vu all over again." Those who attended the annual "State of the Biotech Industry" presentation at the BIO International Convention both this year and last probably walked away with a similar impression.

Last year when the BIO conference was in Atlanta, biotech pundit G. Steven Burrill's well-attended annual presentation emphasized that the bio business is changing dramatically and industry participants must adapt to succeed.

The theme of this year's annual "State of the Biotech Industry" presentation in Chicago was "Adapting for Success" – also the title of Mr. Burrill's latest 400-plus-page annual book assessing the state of biotech business.

Bio is still 'fabulous'

Mr. Burrill is the CEO of Burrill & Co., a San Francisco-based firm active in venture capital (VC), private equity, merchant banking and media, all focused on the bio industry.

Historically, Mr. Burrill has packed a staggering amount of data into his annual 90-minute BIO presentations, and this year was no exception.

He zipped through no less than 189 PowerPoint slides in 90 minutes during his yearly stint at the podium.

"It's been a really fascinating year from where we were a year ago ... and so the message for today is how the different the world is as we're going forward and how we as an industry are rapidly adapting to the changes that are necessary," he began.

When Mr. Burrill spoke at last year's BIO convention in May 2009, he recalled, we were in the midst of "an incredible economic downturn" and the atmosphere was rather bleak. At that point, the financial markets had rebounded somewhat from a March 9, 2009, low, but were (and still are) still well below the all-time high of Oct.9, 2007. The capital markets were essentially closed. People were worried about a possible H1N1 flu pandemic. President Obama was relatively new on the job and there was a great deal of uncertainty about possible healthcare reform legislation.

Fast forward to this year. Healthcare reform has become law. Financial markets have stabilized and the aggregate market capitalization of biotech firms has grown by 31 percent. Capital is more available and the initial public offering (IPO) market has opened slightly for biotech companies. And, perhaps most surprisingly, U.S. biotechs raised a record $48 billion during some of the worst capital market conditions of all time.

"So an enormous amount has happened in a very short period of time that has transformed the world from the world that we were looking at just a year ago," he said.

Mr. Burrill began last year's presentation by saying that it was a "fabulous time to be alive in the biotech business" because of the industry's potential. This year, he said he still feels that way.

Biotech will be the answer to all of

(Continued on next page)

(Continued from previous page)
world's biggest problems, he asserted, including climate change, clean water, energy and energy sufficiency, food security, food production, healthcare, and the need of world to have more healthcare at a lower cost.

"Biotechnology happens to be at the base of this. This is a fabulous time in this business," he said.

Capital is available, but...

The capital markets are the key to understanding what's happening in the biotech industry, Mr. Burrill said. The industry needs long-term investments, but would-be investors were scared off by the economic crisis.

Historically, venture capitalists (VCs) have been a major capital source for start-up and early stage bio ventures, frequently making a series of small – $5 million to $10 million – investments in fledgling companies at various stages in the hope that they would reap big returns if and when those firms conducted initial public offering (IPOs). But VC investment in U.S. biotech companies was about $4.1 billion last year, the lowest figure since 2005.

VCs have lost some of their appetite for risk, Mr. Burrill explained. Many VCs are now making larger – $25 million to $50 million – investments in later-stage companies, even companies that have already gone public. This reduces the potential upside but also reduces risk. They are looking for proven value more than potential.

"Early stage capital is available," he said, but it is more expensive and the investors have the power. "In the later stages, there's plenty of capital available. There's capital available in all arrays of financing; it's just more expensive."

During the past year, he said, early stage companies have been forced to adapt by looking more broadly for alternative sources of capital, including governments, development authorities, research institutes and disease advocacy/charitable organizations.

Mr. Burrill said that even most of the later-stage biotech companies that are already publicly traded are considered "micro cap" stocks, which are generally defined as companies with market capitalizations of less than $250 million or so. And most investors have lost their appetite for those smaller – often riskier – investments, he said.

Most investment banks, institutional investors and hedge funds are now concentrating on larger, less risky stocks – which is why many biotech stocks have underperformed the Dow Jones Industrial Average and the Nasdaq Composite Index since the financial market rebound began.

"We've essentially been marginalized by Wall Street," he said.

The paradox is that the U.S. biotech industry raised more capital in 2009 than ever before – about $55.8 billion, including about $18.9 billion from capital markets and about $36.9 billion from partnering.

"It was a fabulous year for raising money," Mr. Burrill observed. But how was that possible in the worst year in the history of the capital markets?

"It was actually pretty simple," he said. "We had to." Biotech firms didn't always like the terms, but they needed the capital.

"There is capital available ... I'm not sure that I would say the market's open. But at some level the market's always open and it's just a question of whether you're willing to pay the price to get there," he said.

After almost no biotech IPO financing activity in 2008, there were three biotech IPO financings last year that raised about $1.1 billion – a far cry from the 66 IPOs that raised almost $6.5 billion in 2000, Mr. Burrill said.

Historically, most biotech IPOs have not performed well for investors.

"That's tough when we go to Wall Street with a hot new deal," he said.

"Nobody should leave this room thinking that capital isn't available for good ideas. Yes it is. It's just a little more expensive."

'Dysfunctional system'

Although biotech companies need to adapt to the changing capital markets, that's just one of the adaptations they will need to make, Mr. Burrill said.

Worldwide life expectancy more than doubled to 66 years from 31 years from 1900 to 2000 thanks to healthcare industry discoveries and innovations, he said.

"That's wonderful for all of us, but it's expensive," Mr. Burrill said.

In the United States alone, healthcare expenditures were $2.4 trillion in 2008, accounting for 16.6 percent of our gross domestic product (GDP), and those figures are projected to rise to $4.28 trillion and 19.5 percent of GDP by 2017. Healthcare costs are also rising in the 32 mostly European countries in the Organisation for Economic Co-operation and Development (OECD), he noted.

Healthcare systems around the world differ in the quality of the care they provide, and in how they are funded, he said. In the United States, private insurers pay the lion's share, he said. But he predicted that we will move to a single payer system and that Medicare and Medicaid will pay for almost everything in the future.

"We really don't have a healthcare system in this country. We've got a totally dysfunctional system," Mr.

Burrill said, which is what spurred the drive for healthcare reform. "And what we really did in all the legislation is change how we pay for a totally dysfunctional system. So it was really much more a function of insurance reform... It had nothing really to do with fundamentally getting at the issues.

"But what it did do is put 32 million more Americans into the healthcare system. It didn't add any doctors. It didn't add any hospitals. It didn't add any drugs."

Mr. Burrill continued that "Economics 101" tells us that when you increase demand without increasing supply, costs will go up.

"And so we've actually made the situation worse, not better," he asserted.

The impact of healthcare reform will be "mixed" for the bio business, he said. There will be more demand for biotech products with 32 million more insured citizens, and the law includes "a small tax credit" for biotech firms and some exclusivity in biosimilars. (Biosimilars, or follow-on biologics, are essentially generic biopharmaceuticals.) Some restrictions on stem cell research were removed and funding will increase, he said (although a subsequent court ruling has put that issue in limbo). More money will be pumped into healthcare information technology (IT), as well as biofuels and bioenergy.

On the other hand, taxes will increase for the "rich," he said, which will make it more difficult for biotech companies to raise capital. Regulatory hurdles will increase and it will be more difficult to get intellectual property (IP) protection in some instances.

The fundamental problem, Mr. Burrill said, is that we want to reduce healthcare costs yet healthcare demand continues to grow.

"We have an enormous challenge to fix the system." It's hard to re-engineer 20 percent to 25 percent of the economy, mainly because a lot of people are happy with it, he said.

"Big Pharma is not the place to be. When industries get old, they consolidate. That's what's happening."

G. Steven Burrill
CEO, Burrill & Co.

4 billion cell phones

Next, Mr. Burrill summarized the major issues and innovations that be said will drive change in the bio business.

First, he noted that advanced in healthcare treatment methods and technologies have all but eliminated some diseases, such as polio, and vastly increased the survivability of others, such as childhood leukemia and cardiovascular disease.

"Most of the things that used to kill us don't anymore," he said.

Conversely, many of the biggest healthcare costs in the United States are due to the affects of behavioral issues including obesity, smoking, non-compliance (not taking prescribed medications) and alcohol abuse, he said.

Healthcare costs are unevenly distributed, he added, with about 75 percent of current spending going toward chronic care. About 10 percent of patients account for about 70 percent of total healthcare spending.

Meanwhile, demand for healthcare services is increasing at a time when the incentives are decreasing for students to go into medicine.

"We're going to run out of doctors in a hurry," he said.

As in years past, Mr. Burrill noted that healthcare costs could be slashed if we moved to a more "rational" healthcare system – one that concentrated on wellness rather than sickness. Currently, there are not enough social and economic incentives to promote wellness, he said, but the bio business is at the forefront of that change.

The growth of personalized medicine, especially molecular medicine, will drive the change. Mapping an individual's genome can reveal genetic diseases and lead to personalized treatments, but the cost has been out of reach. However, the cost of mapping an individual's genome is falling "extraordinarily fast" and will soon compare favorably with existing genetic tests, he said. While the first mapping of an individual human genome cost "billions," he noted that the cost will drop to $1,000 or less within the next year.

The next challenge will be to make sense of the enormous amounts of genetic information genome mapping produces. That will spur innovation, he predicted. It's already happening in the form of handheld devices that can do everything from performing genetic tests to turning cell phones into microscopes.

"This isn't science fiction. These are products that are in the market today," he said.

Mr. Burrill noted that there are about 6.7 billion people in the world – and about 4 billion cell phones. Creating new applications for cell phones and other handheld devices could have a huge impact on healthcare and biotech, he said.

(Continued on next page)

(Continued from previous page)
"It's changing the nature of the healthcare equation," he said. Many firms are already working on new technologies for "consumer digital health," including household names like Intel, Cisco, Qualcomm, Google, Microsoft, Verizon, AT&T, Sprint, the Mayo Clinic, Kaiser Permanente, Blue Cross Blue Shield, FedEx, UPS and many more.

The Internet is also transforming healthcare, with many consumers turning to blogs, microblogs, social networking sites, podcasts and other sources of online information. "We're way ahead of the doctors," he said.

The growth of retail clinics will continue, Mr. Burrill added. Growth leveled off during the past couple of years after an initial wave of activity created almost 1,200 retail clinics. The focus will be on profitability rather than expansion for the next couple of years, he said, citing research from the Deloitte Center for Health Solutions. However, he added that there will be a second wave of growth into new markets and services that will push the number of retail clinics to about 3,200 by 2014.

Channeling Charles Darwin

The move to molecular medicine, along with other changes, is forcing major pharmaceutical companies to change, Mr. Burrill said – although it is not clear whether the "big ocean liners" of Big Pharma can change direction fast enough to survive.

During the past decade, Mr. Burrill noted, the aggregate market cap of biotech companies has been increasing while the market cap of Big Pharma companies has sunk by nearly 50 percent.

"Big Pharma is not the place to be," he said.

"When industries get old, they consolidate. That's what's happening," he continued, referring to a slide listing more than two dozen mergers and acquisitions (M&As) from the past year. The largest included the M&As involving Pfizer Inc. (NYSE: PFE) and Wyeth ($68 billion), Roche Holding Ltd. (Swiss: ROG) and Genentech Inc. ($46.8 billion), and Merck KGaA and Schering Plough ($41.1 billion).

"If you look at the organic growth of Big Pharma, there's nothing there. And so the only way Big Pharma's grown at all is inorganically, that is to say, they acquire things," he said. "And when you acquire big companies, you fire a whole bunch of people and you call that profitability."

This is not creating value, Mr. Burrill contended. Growth in Big Pharma revenues is primarily due to acquisitions of and partnerships with biotech companies, as well as expansion into emerging countries, he said.

Speaking of which, he said that other countries are challenging the U.S. lead in healthcare innovation by making major investments in research and development (R&D), as well as giant bioparks like Singapore's Biopolis and Beijing's Z-Park.

Mr. Burrill then summarized his predictions for 2010:
- continued impressive developments in science and technology,
- increased regulatory complexity,
- more manufacturing and quality control issues,
- the growth of generics and biosimilars,
- dramatic changes in pricing and reimbursement for pharmaceuticals,
- continued bio-pharma consolidation,
- increasing importance of global markets,
- new focus on "biogreentech,"
- more pressure from activist investors, and
- improved capital markets.

In conclusion, Mr. Burrill shared a quote from Charles Darwin: "It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change."

"If we do that, we will have a fabulous year," Mr. Burrill said. ❑

Hogging the spotlight at BIO 2010

The 2010 BIO International Convention in Chicago attracted more than 15,000 attendees from 49 states and 65 countries for educational sessions, networking and deal making. It also attracted this genetically engineered pig.

Photo courtesy of BIO

Big Pharma on campus: Why Abbott does R&D at UIUC

PROJECT CASE STUDY ■ AURP BioParks presentation reveals why a firm with a $2.7 billion research budget and 100+ facilities worldwide is leasing a tiny space at the U. of Illinois

By Murray W. Wolf

Editor's note: *In this, our second report from the Association of University Research Parks (AURP) BioParks 2010 conference in Chicago, we summarize a presentation that explained how one university was able to attract a Big Pharma firm to its research park.*

Abbott Labs established a satellite R&D facility at the University of Illinois Urbana-Champaign Research Park to get closer to the latest innovations.
Photo courtesy of UIUC Research Park

Historically, university bioparks have focused on attracting and nurturing start-up and early stage bioscience companies. The rationale has been that emerging bio ventures benefit from locating near a concentration of research talent, while university researchers benefit from having access to for-profit firms through which they might be able to commercialize their discoveries.

But wouldn't large, established firms benefit from that same dynamic?

At least one Big Pharma firm seems to think so. Researchers from Abbott Laboratories (NYSE: ABT), the world's eighth largest pharmaceutical company, are now rubbing shoulders with comparatively tiny bio ventures at the University of Illinois at Urbana-Champaign (UIUC) Research Park.

How that came to pass was the subject of a presentation titled "Attracting Large Bio-Related Companies to Your Park" during the recent BioParks 2010 conference in Chicago. The conference was presented by the Association of University Research Parks (AURP).

Economic development mission

After years of discussion, University of Illinois (UI) officials began moving forward in 1999 with plans for a research park immediately southwest of the university's flagship campus in Urbana-Champaign, Ill. A request for proposals (RFP) was issued to select a for-profit firm to develop, own and lease the buildings, with the university retaining ownership of the underlying land via a long-term ground lease. A university subsidiary, University of Illinois Research Park LLC, was created to oversee operations.

Fox/Atkins Development LLC – a partnership of two local commercial real estate firms, Fox Development Corp. and The Atkins Group – was selected and began construction of the first multi-tenant building in 2000.

The first two buildings were completed in 2001, and today the research park abutting the southwest corner of the UIUC campus boasts 12 buildings totaling about 607,000 square feet. Those facilities include eight research and development (R&D) and office buildings, a 43,000 square foot EnterpriseWorks incubator facility for start-up companies, a rapid prototyping facility, a daycare and early childhood development center, and a hotel/conference center with a Houlihan's restaurant, plus an amphitheater. The long-term master plan calls for an eventual phased build-out that could total up to 5 million square feet of space on 250 acres.

UIUC Research Park is home to 87 companies and more than 565,000 square feet of office space, according to park officials. The EnterpriseWorks incubator has 35 tenants with a total of 174 employees, and the other 43 tech-related companies in the park employ a total of 807 people.

"So (it's) certainly a wide range of very small companies – from one employee that's just getting going – to these larger corporations that are collaborating with the University of Illinois," Laura Frerichs of the UIUC Research Park explained during the AURP BioParks presentation. Ms. Frerichs is associate director of research park and incubation facilities, and director of the Illini Entrepreneurship Center at the UIUC campus.

(Continued on next page)

(Continued from previous page)
Another 465 people are employed by seven different university units, the hotel/conference center and the restaurant, bringing total employment at the park to 1,446, according to UIUC data. That includes more than 1,000 full- and part-time workers and more than 400 university student interns.

Those employment numbers are closely watched by university and state officials, who see the research park as a driver of jobs and economic activity as well as science. In fact, the university formalized a "technology based economic development" strategy in 2000, with a stated mission "to encourage collaborative research, development and commercialization of the university's intellectual assets, and to foster economic growth."

That focus on economic growth and jobs extends to the UIUC Research Park's vision. That vision calls for not only incubator facilities to encourage start-ups and for facilities to house closely allied university activities, but also for facilities for developing and mature companies.

The UIUC Research Park is not solely a biopark; many of the tenants are involved in other technology based businesses. Major non-bio tenants include Yahoo! Inc. (Nasdaq: YHOO), State Farm Mutual Automobile Insurance Co., Caterpillar Inc. (NYSE: CAT) and SAIC Inc. (NYSE: SAI).

But the park also includes as smattering of bio firms, most notably iCyt Visionary Bioscience Inc., a maker of analysis and sorting technology. iCyt was acquired earlier this year by Tokyo-based Sony Corp. (NYSE: SNE).

iCyt moved into the two-story, 45,045 square foot iCyt Building at 2100 S. Oak St. in 2005 and occupies 17,804 square feet on the ground floor. The second floor is leased to four unrelated tenants, with two more suites still available, according to marketing materials from Fox Development.

Abbott's changing model

As the UIUC Research Park's mission evolved during its first decade, another Illinois-based organization was undergoing some strategic shifts of its own – shifts that would ultimately bring together the two entities. That organization was Abbott Labs, a $30.8 billion (2009 revenues) Big Pharma firm headquartered near Chicago.

"Attracting a large company to your park – or even in some cases, smaller biotech firms – can be a long discussion," Ms. Frerichs told the AURP BioParks conference gathering, "and this one began many years ago as we tried to encourage Abbott to consider coming to the flagship University of Illinois campus to establish an operation in our research park."

Ms. Frerichs had a unique perspective on the process; prior to joining UIUC, she was VP for business development and marketing at Fox Development, and was responsible for marketing the research park and supervising the leasing and marketing staff.

With Abbott, UIUC obviously had a "home state advantage," and John C. Landgraf, Abbott's senior VP, Pharmaceuticals, Manufacturing and Supply, was interested in establishing a presence there, Ms. Frerichs said. But Abbott has multiple divisions, including pharmaceutical products, nutritional products, diagnostic instruments and tests, medical and surgical devices, animal health, and vision technologies. With so many product lines, more than 7,000 researchers worldwide and billions of dollars in annual R&D investment, Abbott executives weren't quite sure where to begin.

As it turns out, UIUC has a sizable Department of Food Science and Human Nutrition. Abbott has also been working with the university for more than two decades, Dr. Robert Miller of Abbott told the BioParks conference audience. Abbott employs about 1,000 UI graduates.

Dr. Robert Miller

Dr. Miller, division VP, Abbott Nutrition Research & Development and Scientific Affairs, said that another thing that smoothed the way for the eventual recruitment of Abbott by UIUC was a gradual change in the firm's site selection criteria for R&D operations.

The conventional wisdom for Big Pharma firms has been to locate R&D and technical operations near manufacturing plants, he said. But that model can isolate researchers from universities and other potential sources of innovation.

"Innovation is the lifeblood of Abbott, and certainly of Abbott Nutrition," Dr. Miller said.

As a result, he said that Abbott is adopting a different model: locating R&D in research parks. Company executives now believe they need to have a presence in university research parks "for knowledge spillover," he contended.

"In the '90s, it was all about, 'Can I acquire, license R&D agreements?' " he said. "In this 21st century ... the focus is more on access to public and private facilities, and the ease of interaction with these organizations."

Laura Frerichs

Abbott gets serious

In 2008, Abbott executives started talking seriously about how to get involved with the UIUC Research Park, Dr. Miller said.

Abbott's strategy was to:
■ continue to strengthen its collaborative relationship with UIUC, including the leveraging of funds to develop the newest technologies for commercialization;
■ gain targeted access to faculty, intellectual property and an entrepreneurial environment; and
■ gain access to a high-caliber talent.

In May 2009, it was announced that Abbott Nutrition had leased a 2,070 square foot suite the second floor of the iCyt building at the UIUC Research Park. Another 4,045 square feet is available for potential expansion.

Lease rates were not disclosed, but Fox Development has adjacent space in the building listed for $16.50 per square foot, triple net (NNN).

"This is exactly the kind of thing we wanted to see in the research park: a major company looks to locate in the research park because they are wanting to form partnerships with the university," Avijit Ghosh, UI's VP of technology and economic development, said at the time of the announcement.

"We do have partnerships with a number of universities around the world but certainly the University of Illinois is a priority for us," added Tracey Noe, spokeswoman with Abbott Nutrition. "Abbott is committed to building a pipeline of future leaders."

The ability to employ graduate research assistants and undergraduate student interns also provides an available, flexible and relatively low-cost workforce, Ms. Frerichs noted.

Abbott Nutrition moved into the satellite R&D facility at UIUC Research Park in summer 2009.

"It took a long time of patience to develop it," Dr. Miller said. "But when we moved, we wanted to move now. And everyone in these organizations – Fox Development, UIUC – was there to make it happen in short time. And that's what we need to have on those types of things."

Abbott's UIUC facility currently has 11 employees: seven researchers, two regulatory affairs personnel and two operations personnel.

Besides the Illinois facility, Abbott Nutrition has pursued its new model with an R&D center of about 30,000 square feet at the $300 million, 2.4 million square foot Biopolis biomedical research campus in Singapore. That facility opened in January 2009.

Although the two R&D facilities are a world apart – both literally and figuratively – they both reflect Abbott's newfound strategy of "being in the mix," Dr. Miller said. By locating R&D facilities in research parks, the company can avoid being isolated and can tap into more local and regional talent, ideas and insights.

A space of barely 2,000 square feet is a drop in the bucket for a firm with annual R&D spending of $2.7 billion (2009) and more than 100 facilities worldwide. Yet initiatives like Abbott's R&D operations at the UIUC Research Park will be critical to the company's ability to continue to innovate, he said.

Abbott Nutrition and other Abbot divisions are looking for additional opportunities to collaborate with universities in a research park setting, he said.

"I'm looking at: where are my next areas to go at? And we're taking a little different even view on that," Dr. Miller concluded. "Before, it was I saw that we should be close to manufacturing plants. I don't know that that's true anymore." ❑

University of Illinois UC Research Park
Champaign, Ill.

STATS
■ Project size: 12 buildings totaling 607,000 square feet (current)
■ Tenants: 87, including operations of nine Fortune 500 companies
■ Future plans: Up to 5 million square feet on 250 acres
■ Development cost: About $82 million (to date) based on a reported $63 million in private investment and about $19 million in investment by UIUC (Source: News-Gazette, Champaign, Ill.)

PLAYERS
■ Developer/building owner: Fox/Atkins Development LLC, a partnership of Fox Development Corp. of Champaign, Ill., and The Atkins Group of Urbana, Ill.
■ Land owner: University of Illinois Research Park LLC, a UI subsidiary

Postcards from Chicago: More from BioParks 2010

SPECIAL REPORT ■ Here are some additional highlights from the Association of University Research Parks' annual conference focusing on university affiliated bio campuses

"We have a fragile economic recovery underway. In the United States we passed the largest healthcare bill in our history just a few months ago. This will radically affect the way we do the business of healthcare in the United States."

Brian Darmody, AURP president and
Associate VP of Research and Economic Development,
University of Maryland

"Over the past 10 years, Illinois' eight technology parks have increasingly become lynchpins in the state's strategy to promote technology transfer. Our parks' collaborative efforts mimic what it takes to succeed in business. And from these efforts, our parks don't just attract any tenants but the right tenants, and tenants that strive and contribute to our economy. Economists estimate up to half of the U.S. economic growth over the past five years is due to advances in technology. And as every $1 million in R&D spending supports 36 direct and indirect jobs, truly our economy simply cannot afford to perpetuate boundaries."

Warren Ribley, Director,
Illinois Department of Commerce and Economic Development

"I try to keep the role of my department simple... Our job is to utilize the tools that we have to retain and attract new businesses to our city... And this certainly aligns with your organization's mission to foster innovation, commercialization and economic growth in a global economy through university, industry and government partnerships. The biotechnology industry is one of the key's to Chicago's future."

Christine A. Raguso, Acting Commissioner,
City of Chicago Department of Community Development

"To me, what makes America great and what makes us so innovative is our freedom. It's not our government granting exclusive rights. It's our ability collaborate, share, talk, brainstorm... There is a lot of free-riding that occurs on American innovation by foreign countries..."

Dr. Daniel B. Ravicher, President and Executive Director,
Public Patent Foundation (PUBPAT), and Associate Director,
Intellectual Property Law Program, Benjamin N. Cardozo School of Law

"2008 was the first time money from institutional sources exceeded money from individual sources. So friends and family, angels, angel networks are incredibly important to... a start-up business. So we are proposing an investment tax credit for individuals who invest in a university spin-off company that's raised less than $5 million in equity."

Dr. Ashley Stevens, Special Assistant to the VP
for Research Technology Development, and
Senior Research Associate, ITEC, Boston University - School of Management

"When you look at the average size of (research) parks in the United States and compare them to some of our competitors, particularly China – ours are puny... It's a scale issue. And it's kind of funny because the whole notion of these research parks was really created here in the States but (is) being perfected abroad. And in the meantime, if we're truthful, the United States just has lacked a national emphasis on accelerating investments in these kinds of critical 21st century infrastructures."

John Fernandez, U.S. Assistant Secretary of Commerce,
Economic Development Administration

"Focus on regions" to be more competitive. Clusters of bioscience companies in a single geographic area provide more opportunities and career mobility for prospective employees. "If they are in an environment where they have a lot of scientific institutes, where always good jobs are offered... If they find this environment, then they will easily go there. They will like to go there... Strengthen these regional activities."

Dr. Klaus Plate, Senior Advisor and former CEO,
Heidelberg Technology Park

San Diego (Continued from Page 1)

square feet from a local real estate firm, Veralliance Properties Inc.

In addition to the three properties, Alexandria is gaining other assets, as well as an interest in Veralliance, whose president and founder, Daniel Ryan, and other key personnel, will join the REIT. The transaction and transitions are expected to close and take place this quarter (Q3).

So far, Alexandria has reportedly closed on the acquisition of one of the buildings, the 66,244 square foot Carroll Tech Center at 7330 Carroll Rd. The price was $23.3 million, or about $352 per square foot (PSF); Veralliance bought the building in May 2006 for $7.6 million and performed an extensive renovation.

According to information from the firm marketing the Carroll Tech Center, the San Diego office of Jones Lang LaSalle Inc. (NYSE: JLL), the facility includes offices, a conference room, wet lab space, a walk-in cold room and fermentation room, as well as other amenities.

The building, JLL says, has 7,119 square feet of space available for lease – meaning the occupancy rate is about 90 percent, with the sole tenant being Pharmatek Laboratories Inc., a pharmaceutical development firm.

Joel S. Marcus, Alexandria's chairman and CEO, was quite bullish on the Carroll Tech purchase.

"We closed on a really nice and accretive off-market, 68,000 square foot life science property in San Diego post-second quarter for about $23 million, where the anchor tenant for about 52,000 feet has a long-term lease through 2022," Mr. Marcus told securities analysts July 29 during the REIT's Q2 earnings conference call.

"That building is about 90 percent stabilized, and we were able to achieve approximately 8 percent cash yield on that transaction."

When the acquisitions are complete, Alexandria will have increased its portfolio in the San Diego market to more than 1.7 million square feet of space.

The $352 PSF was a good deal, Mr. Marcus noted, adding another bio property – a vacant building – recently changed hands in the San Diego market for more than $300 PSF.

"I think we made a very prudent purchase," he said.

The other two San Diego area properties involved in the pending transaction between Alexandria and Veralliance are:

■ Oberlin Science Center, 5871 Oberlin Dr. The 33,728 square foot building was originally constructed as a research and development (R&D) and office building and was reconfigured as a laboratory building the following year. Veralliance purchased the building in 2002 for $3.58 million. Tenants include Phenomix Corp., a developer of diabetes drugs; and Organovo Inc., which specializes in the development of tissue repair technology.

■ Sorrento Research Facility, 3985 Sorrento Valley Blvd. Veralliance acquired the 58,975 square foot former home of an Eastman Kodak Corp. operation in 2001. Tenants include PaxVax, which development of vaccines for various infectious diseases; Caleb Brett, an analytical laboratory and inspection services firm; and Accumenrics Inc., a platelets testing firm.

In a news release from Alexandria, Mr. Marcus called the deal with Veralliance a "transformative event for our company in the critically important San Diego life science cluster market."

The San Diego life science cluster, he said, is "anchored by a sophisticated talent pool, solid cadre of biopharmaceutical companies, important investment capital base and a deep concentration of leading academic centers, including the University of California, San Diego (UCSD), The Scripps Research Institute, the Sanford-Burnham Medical Research Institute and the Salk Institute for Biological Studies, among others."

The deal with Veralliance, he said, will allow Alexandria to expand its footprint in the market.

"As Veralliance is the largest and highest quality private developer of office/laboratory space in the San Diego region, we are very pleased to have the opportunity to enhance our dominant market position by joining forces with their highly experienced management and operational team."

Veralliance has focused on the acquisition, development and management of about 1.4 million square feet of mostly life science properties. The largest in its portfolio is the 450,114 square foot Campus Pointe development in the University Towne Centre area. About a quarter of that development is leased to Eli Lilly & Co. (NYSE: LLY). Campus Pointe and other properties in the Veralliance portfolio were not part of the deal with Alexandria.

When the acquisitions are complete, Alexandria will have increased its portfolio in the San Diego market, where it has more than 1.7 million square feet of space.

It is by far the largest owner of bio space in the market, nearly doubling the amount of space owned there by its main bio REIT rival, San Diego-based BioMed Realty Trust Inc. (NYSE: BMR).

After a quick tally of the properties listed on BioMed's website, Bioscience Real Estate **Insights**™ determined that the company has a portfolio of more than 910,000 square feet in the San Diego market.

BioMed, however, will add to that total by the second half of 2011, when it is due to deliver a 176,000 square foot research facility that will be occupied by Carlsbad, Calif.-based Isis Pharmaceuticals Inc. (Nasdaq: ISIS). The building is under construction in the 414-acre Carlsbad Oaks North Business Park.

As noted earlier, Alexandria's acquisition comes a short time after receiving an approval for a massive life science project in the country's top-rated bio market, Greater Boston.

There, after two years of trying, the REIT finally garnered city approvals for zoning changes that will allow it to move forward on its planned Binney Street Project. According to local media reports, the project could cost about $1 billion.

(For more information on the project, please see "Cambridge mega project gets OK" on Page 1 of the May/June 2010 edition of BREI™.) ❑

Project Pipeline (Continued from Page 1)

page of the **Texas Economic Development and Tourism Division**. **California**, which *Business Facilities* magazine says "boasts the strongest university-based biotech research network," repeated as the top-ranked state in this year's rankings. As noted above, Texas was ranked second, followed by **Pennsylvania**, **Massachusetts**, Kansas, **New Jersey**, **North Carolina**, **Illinois**, **Maryland** and **Ohio**, in that order. The annual biotechnology rankings are based on more than two dozen criteria, according to the magazine, including an assessment of state-funded research and development (R&D) programs, interaction with institutions of higher education, and major projects announced within the past year.

EAST SYRACUSE, N.Y. – Bristol-Myers Squibb Co. (NYSE: BMY) plans to invest "tens of millions" of dollars during the next two years to give its East Syracuse campus a facelift, according to a recent report in the local *Post-Standard* newspaper. The idea is to make the property look more like the biotech research campus it has become and less like the World War II era pharmaceuticals plant it used to be. To accomplish that, the New York-based drugmaker plans to demolish more than half of the 118 buildings on the property. All 60 of the buildings to be razed are considered obsolete. Some date back to the 1940s and many of them have been vacant since the company began phasing out penicillin production at the site in 2004. The doomed buildings – which include about 600,000 square feet of vacant lab, office and manufacturing space – are to be replaced by landscaping and fitness trails. At its peak in the early 1980s, the East Syracuse plant employed more than 2,000 people and is said to have produced up to 70 percent of the penicillin made in the United States. Today, the campus is home to about 570 workers, primarily biochemists, molecular biologists and engineers. The site has become Bristol-Myers' center for the development of manufacturing processes for biologics. Most of the actual biologics manufacturing is being shifted to a $750 million, 89-acre campus completed last year in Devens, Mass.

ST. PAUL, Minn. – University Enterprise Laboratories Inc. (UEL), a not-for-profit research center offering lab and office space to early stage bio companies, is planning a $23 million, 40,800 square foot expansion to its 125,000 square foot building at 1000 Westgate Dr. in St. Paul. UEL officials say the current building is full. UEL's board recently voted to begin a capital campaign to pay for the expansion. The property is managed by **LaSalle Management Group Ltd.** On a related note, two other bio real estate projects are percolating in the Twin Cities area. **The Wall Cos.** of Minneapolis is trying to pre-lease space for an "innovation center" project near the **University of Minnesota** (U of M), and **Nilan Johnson Lewis** (NJL) of Minneapolis is working with private developers on plans for a research park that would be located southeast of the **TCF Bank Stadium** on the U of M campus. **Peter Bianco**, director of life science business development at NJL, says official plans for the project will be unveiled at an **Association of University Research Parks** (AURP) International Conference to be held in Minneapolis Sept. 15-17.

SAN FRANCISCO – Bayer HealthCare's pharmaceutical division recently announced that it will establish a **U.S. Innovation Centre**, taking about 49,000 square feet of lab and administrative space in **Alexandria Real Estate Equities Inc.**'s two-building, five-story, 219,000 square foot **455 Mission Bay Blvd. S.** complex in San Francisco. The announcement was good news for Alexandria (NYSE: ARE) and the Bay Area bioscience real estate market. The 455 facility was the one New York-based **Pfizer Inc.** (NYSE: PFE) said in August 2008 that it would use to

(Continued on next page)

(Continued from previous page)

establish its own **Biotherapeutics and Bioinnovation Center**. Pfizer reportedly signed a 15-year lease for 100,500 square feet and had an option for another 50,000 square feet. But those plans were dropped last summer, a few months after the world's largest drugmaker announced plans to acquire Wyeth for $68 billion and reevaluated its real estate strategies. Bayer officials now say they expect to move 65 researchers into the Mission Bay complex from its current space in Richmond, Calif., by late this year. Earlier this year, local media also reported that 102,283 square feet in the 455 facility was being sub-leased from Pfizer by **Nektar Therapeutics** (Nasdaq: NKTR), a biotech firm that will be moving there from San Carlos, Calif., later this year. Nektar reportedly got a sweet deal: four years of free rent on a 10-year sub-lease and a $15 million tenant improvement (TI) allowance. The 455 building also has 4,624 square feet of ground floor retail/restaurant space fronting Third Street. "Mission Bay is a hotbed of innovation in the U.S. and key to our decision to co-locate our researchers in this life sciences community," **Andreas Busch**, head of Global Drug Discovery for Bayer's pharmaceutical division, said in a prepared statement.

INTERNATIONAL – Speaking of Alexandria Real Estate Equities, back in the go-go days of 2007 and early 2008, it seemed like international markets would be the next frontier for the Pasadena, Calif.-based bio REIT. The firm had projects in the works in Toronto; Edinburgh, Scotland; Bangalore, India; and Macau, China. Of course, that was before the global recession. So what has come of those plans?

■ In Toronto, Alexandria was selected in mid-2007 to developed the 23-story, 900,000 square foot second phase of the **MaRS Centre** in the city's biomedical corridor. Construction began in late 2007 and Alexandria says it invested "tens of millions" of dollars to construct the underground parking and foundation. But the project was put on hold in November 2008 due to the economic meltdown. In recent months, Alexandria has said it had a promising lead on a major tenant and was in talks with an "active lender" that could provide financing to get the MaRS project back on track. But it appears that the project remains on hold for now.

■ In Edinburgh, Alexandria was appointed in May 2007 as the development partner for the 100-acre **Edinburgh BioQuarter** commercial research campus. But when asked about the project during the REIT's April 29 earnings conference call with securities analysts, **Alexandria CEO Joel S. Marcus** said, "In Scotland, we are working on the possible sale of several of the land parcels." REIT officials did not comment on the project during their Q2 earnings call July 29. But an Aug. 8 article in *The Herald* newspaper of Glasgow, Scotland, reported that the sponsoring economic development agency, **Scottish Enterprise**, has purchased 53 acres of additional land in an effort "to resolve problems created by a previous land deal and ensure U.S. developer Alexandria Real Estate Equities' continued involvement in the project." Alexandria pulled out of developing its main bio incubator project due to the recession, the newspaper reported.

■ In India, Alexandria was selected in June 2007 to develop what was then described as a $112 million, 750,000 square foot project in the 106-acre **Bangalore Helix** biopark. The REIT was to be part of a consortium that included **TCG Urban Infrastructure Holdings**, part of **The Chatterjee Group**, a New York-based organization with Indian ties. However, the partners reportedly had parted ways by last year and no further information has been provided about the project. But, in November, it was reported that Alexandria is planning to establish a biotech research and development (R&D) and incubation facility in another location in India: Sanand, in Gujarat, in the western part of the country. Local media reported that Alexandria had applied to the local government for permits to build the infrastructure for the facility on about 25 acres. The facility would be built near the **Tata Motors**' Nano project in Sanand. During Alexandria's July 29 earnings call, Mr. Marcus said: "We're working to look at opportunities in India, but India is a long-term opportunity set that we are interested in – all of Asia actually. But, I'd say at this point nothing material to report."

■ In China, "We have a building in South China that we are getting very close to completing, that will go to market either for lease or for sale probably, this quarter, which is third quarter," Mr. Marcus said during the July 29 earnings call, "and we will probably extricate ourselves from that location. And then we have two buildings that we are working on – probably getting close over the next couple of quarters to finishing shell completion – and we have negotiations ongoing with several tenants to take space in those buildings and that's in northern China. Beyond that I would say, at this point we don't have anything material going on." ❑

In the next edition of
Bioscience Real Estate **Insights**™

- Company Profile: Wexford Science + Technology
- Project Case Study: University Technology Park at IIT
- Special Report: AURP 2010 International Conference
- Special Focus: What's happening with bio leasing?

All topics are subject to possible change.

Bioscience Real Estate Insights™

Exclusive Offer for AURP 2010 International Conference Attendees!

(Please order online at **www.breinsights.com***, or complete and fax or mail this page.)

If it's important to your organization to stay on top of the latest news and trends in life sciences facilities development, financing, investment and economic development, please consider this limited-time offer.

❑ **YES! I accept your offer to get One Full Year of Bioscience Real Estate Insights™** (6 bimonthly editions) to give my organization an edge in the life sciences facilities marketplace at a **25% DISCOUNT!**
(Your rate: $299. Regular rate: $399 per year– SAVE $100!)

MINNESOTA/HENNEPIN COUNTY, MN, RESIDENTS: ADD 7.275% STATE, COUNTY & TRANSIT TAXES FOR A TOTAL OF $320.76.

★★★ OFFER EXTENDED: **ALL ORDERS AT THIS SPECIAL RATE MUST BE RECEIVED BY 9/30/10** ★★★

Name _____

Title _____

Organization _____

Mailing Address _____

City, State & Zip _____

I prefer to receive **Bioscience Real Estate Insights™** in this format (please choose only one):
❑ Mailed Printed Copy ❑ Emailed Link to Online PDF File Email Address: _____
❑ **Both** Mailed Printed Copy **and** Emailed Link to Online PDF File (Additional cost: $100 per year.)

Preferred Payment Method (please select one):
❑ Online (Please go to **www.breinsights.com** and enter this **Promotional Code** when you check out: **AURP10**
❑ Enclosed is my check payable to **Wolf Marketing & Media LLC** ❑ Bill me
Charge to: ❑ Visa ❑ Mastercard ❑ American Express ❑ Discover

Name (must be EXACTLY as it appears on credit card) _____

Credit Card Billing Address (if different) _____

Credit Card # _____ Exp. Date _____

3- or 4-Digit CVV Security Code _____ Signature _____

PLEASE NOTE: CREDIT CARD ORDERS WILL APPEAR ON YOUR CREDIT CARD STATEMENT AS A CHARGE TO: **Wolf Marketing & Media LLC**, MINNETONKA, MN

Thank you for your order! You will begin receiving issues as soon as your payment is processed.

4 EASY WAYS TO ORDER:

ONLINE: www.hreinsights.com*
MAIL: HREI™, P.O. Box 1467, Minnetonka, MN 55345-0467
FAX: (952) 960-1426
PHONE: 1-800-613-8731

*** If you order online, please enter this Promotional Code when you check out: AURP10**
Your discount will be instantly applied.