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Which Markets Are Leading the Life Sciences Race?

Boston and neighboring Cambridge, Mass., offer almost 14 million square feet of total life sciences laboratory and office space. And the state's inventory could grow a lot bigger, both in Greater Boston and elsewhere, if Gov. Deval Patrick has anything to say about it. He is attempting to win the state legislature's blessing for a $1 billion, 10-year package to spur Massachusetts' life sciences-research industry, already a global powerhouse. Half the money would flow into capital projects.

The incentive proposal reaches into one of the biggest questions about life sciences real estate around the country: Which of the many locales seeking the affections of life sciences firms have the right stuff to reign among the world-class hubs of the future?

"Not everyone is going to (reach that level) because there are not enough scientists (to go around)," noted Patricia Ardigo, director of CB Richard Ellis Inc.'s life sciences group. Those that fail will not do so for lack of trying. State and municipal governments are vying to establish their locales as the nation's major life sciences centers in pursuit of the industry's potential to create high-paying jobs. And now is the time to jump in, as the industry is still maturing.

Clearly, these stakeholders have good reason to view life sciences as a long-term investment. According to the Biotechnology Industry Organization, more than 400 medicines are currently undergoing clinical trials in the United States, and untold hundreds of basic projects that may someday yield new medicines are also in the works. All this science requires lab space for basic research and clinical trials, as well as office space for administration. States like Massachusetts are evaluating their incentive programs at a time when federal funding for basic research has remained flat. The White House budget proposal for the 2008 fiscal year calls for a $29 billion allocation, an increase of one-half of 1 percent above the previous year.

No two life sciences clusters are exactly alike, but most of the major centers share common characteristics, the indispensable one being the presence of several major research universities in the same area. The San Francisco Bay Area, for example, became a world-class cluster with a 19.7 million-square-foot inventory of life sciences space, thanks largely to the discoveries and the trained scientists originating from institutions like Stanford University and the University of California's Berkeley and San Francisco campuses. Leading clusters also incorporate hospitals where scientists can carry out clinical studies of new therapies. A market's attractive quality of life always helps win the competition. San Diego, for example, has benefited not only from the presences of the Salk Institute for Biological Studies, the University of California at San Diego and several other top research institutions but also from its California climate.

High Hopes

These established pacesetters in the life sciences race, however, now hear footsteps pounding the pavement behind them as the industry traverses a time of upheaval (see "Big Changes for 'Big Pharma'" below).

Secondary life sciences markets are pursuing strategies to catapult themselves into the top tier. Illustrating the widespread interest in life sciences, aspiring markets like Denver, Indianapolis, Houston and the states of Minnesota and Florida range from coast to coast.

Florida's ambitions have borne the biggest fruit in the headquarters for The Scripps Research

Institute in Jupiter. In 2003, the state provided a $310 million incentive package for the facility, an offer sweetened by an additional $200 million from Palm Beach County to cover construction costs. Though the governments wooed the project intensely, they still had to overcome some early bumps. Concerns registered by environmental groups caused Scripps Research to scrap its original plans to locate the complex near the Everglades, and the institute moved to a site at Florida Atlantic University's Jupiter campus. Scientists are already at work in temporary buildings, and by early 2009, Scripps expects to complete three buildings that will provide 350,000 square feet of lab and office space.

When large parcels of land become available for redevelopment, life sciences usually makes the short list of new uses. In one big example, the 578-acre former site of the Fitzsimons Army Medical Center in Aurora, Colo., east of Denver, is taking on new life as the Fitzsimons Life Science District. The Fitzsimons Redevelopment Authority, a joint effort of the city of Aurora and the University of Colorado, bills the project as the largest-ever medical- and life sciences-related redevelopment in the United States. The authority anticipates $4.3 billion in investment during a 20-year, 16 million-square-foot buildout. Forest City Science + Technology Group's 6 million-square-foot, 160-acre Colorado Bioscience Park Aurora will serve as a centerpiece of the project. Of six buildings planned for the first phase, two totaling 85,000 square feet have opened.

Not to be outdone, New York City is making a bid for a spot on the life sciences lineup. East River Science Park, a $700 million project, is rising along Manhattan's East River. Scheduled for completion next year, the first phase is set to include 735,000 square feet of lab and office space, plus retail space. The second phase would add 442,000 square feet of lab and office space. Developer Alexandria Real Estate Equities Inc. and city officials are banking that clients will flock to the location because of its proximity to research institutions like New York University, Weill Cornell Medical Center, Mount Sinai Hospital and The Rockefeller University. A Manhattan facility could also build on the stature of neighboring New Jersey as a major life sciences hub.

Clusters tend to emerge in stages, and some markets are flying under the national radar, compared with Manhattan or Denver. In January, for instance, the Donald Danforth Plant Science Center revealed plans for a St. Louis research park geared toward startups. Wexford Science+Technology plans to start construction on a $36 million, 118,000-square-foot lab-and-office building, the first of three.

Not every market will become the next San Francisco or San Diego, but it seems likely that many have the potential to become at least thriving secondary clusters. Achieving this, however, will require commitment on the part of elected officials, business leaders and real estate professionals. Noted Ardigo: "Most clusters around the country are 25-plus years in the making."

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