



**The region's biotech sector is creeping back up to normal- especially compared to 2003**

Although Massachusetts is starting to feel some competition from other states in the biotech sector, the state still enjoys the top ranking in many categories of life science and medical-related businesses. The general economic slowdown, Governor Romney's business experience, and the focus of organizations like Mass Development, MAED, and MBC are keeping life science business in the state a top priority.

And overall, it's good news again for the region's biotech industry, at least compared to 2003. The sector is slowly creeping back up to what can be considered a "normal" pace of development.

Here are some highlights:

**Investment**

- » Venture money is starting to flow and financial deals are being made again in the region, though there is still a careful pace by VC's with large rounds. Multiple investors are placing \$20 million or more only in startups with superstar pedigrees.
- » "Big Pharma" and "Big Bio" are currently eyeing deals, including alliances, partnerships, mergers, acquisitions and licensing deals.
- » The IPO market has reopened, although IPO prices have lowered from initial quotes. Caution is the key word in this area presently.

## **Biotech expanding beyond Cambridge: Lexington and Watertown are becoming hot biotech areas**

The lab market is broadening beyond its usual stomping ground, Cambridge. It has spread out to adjacent towns, mainly Lexington and Watertown. It has even reached as far out of Cambridge as [Devens](#), where Bionostics and Pharm-Eco have recently migrated and to Tewksbury, where Watertown's Acusphere will locate its manufacturing operations in the next year in a deal that NAI Hunneman put together. There are many reasons for this expansion, including:

- » better product has been developed there than was available in the past,
- » lower rates than in Cambridge and
- » as the life science companies and their employees mature, some favor suburban locations, especially those still within striking distance of Cambridge and Longwood Medical Area.

What does this mean for Cambridge? It means that the city's lab market terms have flattened to close the gap with the competition. As with the office market, biotech sublets are renting at a discount.

## **Large Deals are Starting to Ignite Region**

There are several large events currently underway in the region, including:

- » Lyme Properties has placed 3.7 million s.f. portfolio, most of which is in East Cambridge and Boston on the market for new equity or partnership. Lyme's goal is to establish significant life science developments near university medical centers nationwide.
- » The Broad Institute, the alliance of MIT, Harvard, and the Whitehead Institute, has chosen the 7 Cambridge Center site for its proposed 250,000-square-foot headquarters, which is now before the City for zoning approval.
- » Schlumberger, a large international oilfield services company is setting up an initial 15,000-square-foot facility at Lyme's 320 Bent Street, and is reportedly planning a 200,000-square-foot research center in Cambridge.

## **Boston Still Looking For Biotech Acceptance**

- » There is still slow acceptance of the BioSquare part of the city by lab tenants. But Phase II of the project is being marketed, and



Boston University won the national competition for the Bio 4 lab facility.

- » Mayor Menino is eager to land some life science companies in the city, and recently started getting the wheels turning toward this goal.
- » The Longwood Medical area, however, has long been the center of hospital and medical activity in the city, and two new projects in the area by Lyme Properties prove it: Blackfan Research Center and Longwood North Research Center, currently in development by the company, will total over one-million square feet.

Demand for biotech space in the state is still spotty. Although there are a few high-profile deals with big rounds of investment on the table, it will be interesting to see if smaller startups increase when the economy strengthens further. It's a safe bet that startups with accelerated tracks to ROI will be funded first.

Although the tense breathing isn't completely over yet for the region, overall, the pickup in biotech activity in the area during 2004 allowed many to exhale.

If you have any questions about real estate services that NAI Hunneman Commercial provides for life science companies, please contact Greg Larsen at (617) 457-3321 or by writing [GLARSEN@NAIHunneman.com](mailto:GLARSEN@NAIHunneman.com).

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