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Choosing Life Science Building Is Not a Time to Experiment

By Robert B. Richards

On face value, real estate appears to be a simple process. For example, a life sciences company needs to find office/R&D/laboratory space and decides to look in Cambridge.



After reviewing a few possibilities, the company chooses a suitable facility, moves in and establishes a new corporate location.

And particularly in what's being described as a tenant's market, the process should be even simpler, with more options for companies. Recent reports show that, for example, the vacancy rate for lab space in Cambridge stands at 11.23 percent (source: "RBJ 2003 Mid-Year Review & Forecast"). Technology and access to more real estate information would also seem to make the process easier.

However, in the face of all this obvious information, identifying the optimal laboratory space solution has in fact never been more complex. There are many issues that life sciences companies need to understand, whether they are a public company looking for 150,000 square feet or a start-up looking for 1,500 square feet, when determining which space will best satisfy corporate goals, objectives and needs. Following are a few of these issues.

Can the facility support your science? Throughout the current downturn in the real estate market, laboratory space has consistently fared better than office space, thanks to higher tenant demand. This has led to an increase in landlords "repositioning" office space into laboratory space. Companies must be aware, however, that oftentimes this repositioning is little more than re-marketing. Referring to a building as suitable for life sciences does not necessarily make the building fit for laboratory use.

Rigors of Science

Laboratory facilities have much more stringent requirements and demands than regular office space. The rooms often require greater

floor to ceiling heights to fit building mechanical systems, as well as laboratory equipment. The facility generally must be of heavier construction in order to support the heavier floor loads.

Laboratory buildings also have greater HVAC and watts per square foot of electrical needs. Climate control is of utmost importance when conducting certain types of tests or creating a safe environment for laboratory animals.

The appropriate systems must either be available or, if they will be added, the building must physically be able to handle the systems. Many of these systems will be located on the building's roof, which must therefore be properly constructed.

Inattention to detail can prove quite harmful to life sciences real estate decision making. There are numerous examples of inadequate due diligence, resulting in costly scientific delays. Peter Markarian, president of The Richmond Group, a firm that specializes in planning and construction management for the biotechnology industry, has been involved in several of these situations. In one case, his firm was called to perform repair work for a biotechnology company that was getting contamination in their test results. As it turned out, the walls had mold spores, which were affecting the tests. Wood should not have been used in the construction of the walls, if the building was intended for that type of work. In another project, The Richmond Group was working on a clean room and found trash on the inside of the walls. The orange peels and soda cans were apparently left over from the building's construction. Not a major issue for an office building, but in a clean room environment, it could be quite damaging.

As previously mentioned, there is an increasing amount of laboratory space available. Many life sciences companies have relocated to larger facilities, making their previous locations available. Many companies specifically target space that has recently been occupied, which can be

less expensive and available much sooner than to-be-constructed space.

However, just because a building has been used as lab space, does not mean the space will be ready to move in. Depending on the type of testing and work being done in the laboratory, the company will need to ensure that the appropriate licenses have been attained.

Additionally, a proper cleaning of the facility is always advisable. Vents and ducts particularly must be scrubbed to ensure there is no mold or other contaminants that might affect the quality of future scientific endeavors in the space.

While existing facilities hold much appeal oftentimes, companies are best-served by designing and constructing customized laboratories in a well-conceived shell space. Premier laboratory developers such as Lyme Properties, MIT, Alexandria Real Estate, HRPT and Equity Office Properties are currently offering top quality developments that have expertly designed systems to accommodate the most robust scientific needs.

These issues are not intended to create fear, uncertainty and doubt for life sciences companies looking for new space but rather educate them on the various issues. A real estate search will always involve prioritizing preferences among these and other issues.

Finding the right life sciences space is a sophisticated process. There are many factors for today's dynamic life sciences companies to take into consideration as they look to develop a strategic real estate plan. Issues such as term, expansion, security deposit and complete occupancy costs, including operating expenses and utilities, must be thoroughly analyzed in order to deliver facilities that will help a company succeed in today's challenging environment.

Life sciences companies should be sure they assemble an experienced, cohesive team of brokerage advisors, architects and contractors to help them navigate today's complex new real estate era. ■