

Bioscience Brokerage

by A. Kenneth Housley, SIOR

The bioscience industry is just coming off of its all-time best financial position. More than \$33 billion was raised in 2000 and again in 2001. Each of these years exceeds the combined new capital invested during the prior five years. Diminishing returns from other high-tech arenas has fueled this fire.

However, dark clouds are starting to form for the bioscience industry. It seems that anything experiencing such a rapid rise seems destined to encounter a down side. Nevertheless, bioscience is still universally considered to be the bright star for the 21st century.

What is Biotechnology?

Thanks to Dr. Don Rix, founder of Metro Labs, and Dr. Steven Pelech, professor at the University of British Columbia, we offer this definition of biotechnology, a combination of the terms biology and technology. Biotechnology uses living organisms to create new products that improve the quality of our health, food, and environment. Genetic engineering is a precise tool used by bioscientists to create new products for health care, food, agriculture, and industrial processes at the molecular level. Genetic engineering is also used to introduce new traits and improvements into plants and animals with increased efficiency.

Broker Commitment to the Bioscience Industry

Hand-in-glove with this exciting evolution is the need for brokers willing to devote the time, energy, and probable decrease in earnings during the business start-up phase for downstream rewards. The potential earnings are extremely high due to the large size, cost, and long-term commitments by the biotech users. Just as rewarding is the considerable psychological income to those brokers who help make new facilities possible. To see your client working on cures for the illnesses that plague mankind is another whole payday.

As the Industry Matures...

Not every market will put up big biotech numbers; but as the industry continues to mature, secondary markets will take center stage due to the high cost of doing business in the original employment zones. Future biotech zones may likely be oriented toward pharmaceutical production rather than original research and pilot production operations.

The existing largest zones all have traits in common. The high cost of housing notwithstanding, just think how easy it must have been to recruit Ph.D.s to the San Francisco Bay Area, Boston, North Jersey, North San Diego County, Washington/Baltimore, and The Research Triangle of North Carolina.

As pharmaceutical cost containment continues to grow in importance, more and more functions will move to Mid-America—especially to those areas with academic resources such as Denver-Boulder-Fort Collins. These newer production areas won't require the high percentage of Ph.D.s, since locally trained technicians will be adequate.

Biotech's Real Estate Requirements

Gary Winkelman, Colliers International managing director of professional development, offers these observations on the most common biotech real estate requirements:

- Central or strategic location—close to a hospital or academic institution and near reasonably priced accommodations;
- Accommodation for rapid growth;
- Laboratory facilities with sufficient power, animal and hazardous material handling capability, good venting, and loading;
- High speed Internet access;
- Tight building security;
- Sufficient parking, access to public transit and commercial services (convenient eating establishments and hotels are valued);
- Safe access for employees to and from the facilities;
- Ability to keep the real estate and the business independent of one another;
- Nearby like facilities so that, in the long-term, companies can grow and stay close to the common resources;
- Sites locations close to complementary businesses to allow for collaboration;
- Landlord specializing in biotech thus reducing likelihood of changes in ownership; and
- Proximity to university incubator facilities—important for the nurturing stage (a deficiency of suitable facilities exists for small- to mid-stage biotech companies).

How to Incorporate Biotech Brokerage into Your Business

If you decide to make biotech brokerage your life's work, or want to incorporate it into your existing areas of specialization, what is the best way to get started? I offer you these pointers:

- Read everything you can on the subject from "Good Manufacturing Practices" to industry publications.
- Join local industry associations and become a fixture at their meetings. Volunteer for committee assignments and soon you will be making the after-lunch presentation on the area's real estate conditions.
- Start a file on every biotech company in your region. Identify the CEO, CFO, Boards of Directors, and Facilities Managers and be sure they all get your newsletter.
- Get to know every venture capitalist investing in your area. Offer your market knowledge. Become their "go-to guy." Handle the smallest start-up with care and the major deals will follow.
- Tenant rep is the best starting strategy for a biotech career. Once you are a proven deal maker, the listings for major projects will follow.
- Acquire a brokerage partner with a similar work ethic. The larger rep assignments and even more so for larger listings, are trending toward teams. And finally,
- Convince your company or network to roll out your concept with major funding for advertising brochures, and conferences.

Biotech's Bottom Line

If all the above effort is just not going to be feasible for any number of reasons (usually revolving around the fact that you need to make house or college tuition payments right now), then working biotech prospecting into broader R&D or industrial brokerage may be the answer. However, be prepared a longer breaking-in process.

The common wisdom is that this field is insular. Firms are founded by scientists and medical doctors who are often short of practical business experience. Brokers prospecting without strong biotech industry credentials and personal recommendations, or simply failing to be conversant with the latest in fume hood technology or some other such arcane field, are often cataloged with the local used car salesman. It can be a humbling but maturing process; but if you do your homework, it can be a highly rewarding part of your business. ❖

A. Kenneth Housley, SIOR, Colliers International, San Mateo, California, has been in the commercial real estate business for 30 years. He specializes in buyer and tenant advisory services.

