

# BANKER & TRADESMAN

THE REAL ESTATE, BANKING AND COMMERCIAL WEEKLY FOR MASSACHUSETTS

A PUBLICATION OF THE WARREN GROUP

## COMMERCIAL & INDUSTRIAL

BEYOND CAMBRIDGE

### Suburban Life Science Market Heats Up

Region's Lab Vacancies Hit Historic Low

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After contributing nearly 1 million square feet of development in Cambridge last year, the life science industry is turning up the heat on demand for office, lab and manufacturing sites in the suburbs.

Pfizer has put Andover on its short list for a \$200 million expansion of its Burr Road campus. MilliporeSigma recently broke ground on a \$115 million build-to-suit office and lab complex in Burlington as it consolidates 800 employees from Billerica, Waltham and Woburn. Irish pharmaceutical giant Shire, which has 1,300 employees at the region's largest life science campus in Lexington, just leased 177,000 square feet on Hayden Avenue as its Bay State workforce approaches 2,600.

"Demand is outpacing supply four to one in the Cambridge market, driving rents in the \$80 range," said Matthew Powers, co-leader of JLL's New England life science practice. "That is pushing the demand to the suburban markets like it's never been pushed before."

Greater Boston lab vacancies dropped into single digits for the first time in 2015, ending the year at 8 percent, according to Transwestern's bioSTATus report.

Multiple tenants are looking for 100,000 square feet or more of office and lab space along Route 128 from Needham to Woburn, in an uptick of demand from recent years, according to commercial brokers. But like

Cambridge, large contiguous blocks of space are in short supply, increasing the potential for build-to-suit activity.

In the 2.8-million-square-foot Route 128 west lab market, the availability rate was 5.5 percent at year's end, according to Transwestern's bioSTATus report. The largest availability was Griffith Properties' 96,695-square-foot lab complex at 266 Second Ave. in Waltham. Waltham-based Forum Pharmaceuticals last week put part of its 125,000-square-foot headquarters at 225 Second Ave. in Waltham on the market for sublease, spokeswoman Priscilla Harlan confirmed.

There's also one speculative building under construction: King Street Properties' 115 Hartwell Ave. complex in Lexington, which is scheduled for completion in early 2017.

#### Build-To-Suit Climate Improves

Gov. Charlie Baker's administration is supporting the growth of life science manufacturing in the suburbs as a strategy for spreading the industry's economic benefits beyond its booming East Cambridge cluster. Cambridge-based Alnylam Pharmaceuticals recently agreed to build a \$200 million manufacturing plant in Norton. And Bristol-Myers Squibb is nearing completion of a \$250 million expansion of its biologics manufacturing facility at MassDevelopment's 4,400-acre Devens corporate park.

Alnylam will qualify for incentives through

the Massachusetts Life Sciences Center's job creation tax incentive program, which will award \$20 million this year to 40 life science companies that submitted applications.

Alnylam has deep Massachusetts roots but indicated that it was also considering out-of-state and overseas locations with lower costs. Massachusetts' skilled labor pool and the ability to monitor quality control at a plant located 40 miles from their Cambridge headquarters helped tip the scales toward the Norton site, said Travis McCready, president of the MLSC.

"We want these large pharmaceuticals and emerging pharmaceutical companies to view Massachusetts as a potentially fully-enclosed system where you can go from R&D through translation to commercialization and production, all within the state," McCready said.

In Andover, Pfizer is evaluating its 70-acre campus on Burr Road as one of three potential sites for a \$200 million clinical manufacturing facility that could be in operation by January 2019.

The company approached local officials last year about approval of a tax increment financing agreement that would offset the increased property taxes generated by the new buildings and equipment. Details of the agreement are still being negotiated, said Lisa LaGrasse Schwarz, Andover's senior planner. If supported by local officials, the agreement would be subject to a town meeting vote in May.

Pfizer also is considering alternate sites

for expansion in Grange Castle, Ireland and Chesterfield, Missouri, according to a presentation made in January to Andover economic development officials. Its decision will be based upon the labor market, operational synergies, construction and operational costs, ease of permitting and tax incentives, Pfizer said.

The Andover project would add 70 employees and generate \$3.9 million in new property taxes annually, according to documents submitted by Pfizer. The Andover campus currently has 1,300 employees in eight office, lab and manufacturing buildings.

A 15-year, \$3.1 million tax-increment financing deal granted by the town of Burlington cleared the way for Burlington-based developer Gutierrez Cos.' construction of a 280,000-square-foot office, lab and training center at 400 Wheeler Road. Millipore-Sigma, the life science arm of Merck KGaA, will relocate 800 employees from its Billerica, Waltham and Woburn complexes in 2017. Merck acquired Sigma-Aldrich in November for \$17 billion and merged it with EMD Millipore in the U.S. and Canada.

After expanding by 200,000 square feet in Lexington last year, Shire recently leased two of three buildings in the former Cubist Pharmaceutical buildings at 45-55 Hayden Ave. in Lexington to accommodate its burgeoning Bay State workforce.

Shire added 700 employees in Massachusetts last year, increasing its statewide headcount to 2,578 employees at facilities in Lexington, Waltham, Cambridge, North Reading, Belmont and Burlington, spokeswoman Katie Joyce said. Shire eliminated 600 jobs in Chesterbrook, Pennsylvania, triggering \$97.9 million in restructuring costs including termination benefits, as it shifted jobs to Massachusetts. The company is reviewing its corporate, R&D and manufacturing options with an eye toward additional growth in the state, Joyce said.

Demand from life science users shows no sign of waning, with multiple companies looking for 100,000 or more square feet of office and lab space. Life science tenants



Pfizer is seeking a tax-increment financing agreement for a \$200-million proposed expansion of its 70-acre Andover campus to house five new clinical manufacturing sites.



Burlington-based developer Gutierrez Co. has begun construction of a 280,000-square-foot office, lab and training center at 400 Wheeler Road for MilliporeSigma.

with major space requirements in the suburbs include Cambridge-based Alkermes and Tesaro, according to brokers.

Average lab rents in Cambridge were \$56.99 per square foot in Cambridge at year's end, according to Cushman & Wakefield's year-end market report. In the Route 128 central market, R&D space averaged \$17.68 per square foot, topping out at \$30 per foot in Waltham.

"Overall activity is very healthy, with sev-

eral large users percolating over the suburbs for large amounts of lab space," said Michael O'Leary, a senior vice president at Cushman & Wakefield. "That stems from the limited availability in and around Cambridge and doing their due diligence from an economic comparison. The suburbs have been a beneficiary of that on a large scale." ■

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