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Small Firms, Big Impact

April 1, 2008
 By null

The extraordinarily fast pace of growth in the life sciences industry means that startups' space needs often grow by leaps and bounds. A successful clinical trial or acquisition by a big company can provide an infusion of capital that might double a firm's 40,000-square-foot space requirements overnight. The typical mix of space tends to be 60 percent lab to 40 percent office. Once the client's needs increase to between 70,000 and 100,000 square feet, the ratio changes to about 50/50 to account for additional administrative space, Mercer explained. Tenant improvements typically cost \$75 to \$100 per square foot.

The needs of life sciences firms are as technically specialized as they are fast changing. Lab space often demands sophisticated air-handling and ventilation systems, fire-suppression equipment and emergency eye-washing stations. There may also be more unique demands. "When they are negotiating a lease, they want to have a place that is designed specifically for them," explained David Thurmon, vice president of property management for Lutz Real Estate Investments.

All that said, it is fairly easy to adapt existing lab space for other lab users, keeping TI costs and rents affordable. This also suits the need for new firms to watch every dollar. "They like to keep their costs as low as possible in the early stages of the company," noted David Townsend, a director for Cushman & Wakefield Inc.'s life sciences team. Townsend has periodically represented a space in Cambridge that has seen a bewildering variety of firms come and go since the early 1990s. As fledgling companies expanded or were acquired by larger firms, they repeatedly subleased space to other biotechnology startups. Another plus for startups: Such rapid turnover can allow for greater flexibility to expand or contract space as neighboring firms move in or out.

Though biotechnology startups account for much of the growth in leasing, the youth of these promising firms can also present challenges for landlords. More often than not, rookie companies are too new and financially insecure to qualify as credit tenants. But landlords can address that issue by closely studying a fledgling firm's financial backers, the nature of its research and whether more-established life sciences names are partnering with it, noted Forest City Science + Technology Group president Frank Wuest.

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