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Biotech real estate survey: Alameda hot – for now

East Bay Business Times - by [MichaelFitzhugh](#) Staff reporter

Biotech companies looking for new spaces to build their ventures are finding a good match in Alameda, according to the authors of an annual survey conducted for the [BayBio Institute](#).

Inexpensive lease rates in Alameda, along with vacant lab and industrial space, have helped lure companies such as [Biotime Inc.](#) from Emeryville and [Singulex Inc.](#) from Hayward, and have brought in new companies such as [Aurora BioFuels Inc.](#) and [Bioneer Inc.](#), said the survey authors, Douglas Davis, a principal at [AE3 Partners](#) in Oakland, and Brad Werner, a senior vice president at [CB Richard Ellis](#).

BioTime's new Alameda headquarters, subleased from [Avigen Inc.](#) in the Harbor Bay Business Park, presented "an excellent value," said Judith Segall, vice president and corporate secretary at the company. Because the space was already FDA-certified for sterile manufacturing, moving in didn't require BioTime to build out a lot of lab area, she said.

Several small startups have found space in the East Bay's northern core market – Berkeley, Emeryville and Oakland – to be either too small or too expensive for their needs, Davis said. That has led to greater interest in spaces such as Roche's former Alameda campus, which the company moved out of when it consolidated operations in Pleasanton.

Lease rates in Alameda average \$1.20 to \$1.30 a square foot per month, compared to \$1.65 to \$1.85 in the Oakland, Berkeley and Emeryville area, said Mike Raffetto, a senior vice president in CBRE's Oakland office,

But Alameda's advantage may be transient, Raffetto said. Despite a healthy commercial vacancy rate in Berkeley, Emeryville and Oakland, he has seen signs that commercial lease rates may fall in those cities, with offers of time-limited free rents, shorter lease terms and offers of more tenant improvements. That could create competition for Alameda properties, dampening their advantage, Raffetto said.

According to the survey, eight companies in the East Bay's north market, which includes Oakland, Berkeley, Emeryville and Alameda, have plans for expansion over the next year, with four planning research and development growth and three planning to add office space.

Of the 92 companies surveyed, 55 percent said that office space was their most pressing need – a demand that's reflective of the large number of mid-stage and mature companies in the Bay Area, which need space to accommodate administrative and sales employees, the authors said.

Only two companies surveyed in the East Bay's south market, which includes Fremont, plan to expand head count or facilities in the next year. Lab and office space is plentiful in those markets, lease rates are low and local government officials are helpful in facilitating construction projects, Werner said. But demand for many of the larger spaces available in the city has declined as the companies that once occupied them have either consolidated operations elsewhere, as in the case of [PDL Biopharma Inc.](#)'s move to Redwood City, or simply gone out of business, as in the case of [Genitope Corp.](#)

Yet many Bay Area biotechnology companies remain bullish about their prospects, said the survey's authors. More than three-quarters of the survey's 92 Bay Area respondents said they expected to add employees in 2009, while more than 35 percent expect to increase their head count by more than 20 percent next year. Much of that growth will be accommodated by surplus space that companies now sublease or are not utilizing, the authors inferred, since just 44 percent of the companies surveyed said they are looking to acquire additional space to accommodate their growth.

Outside the East Bay, Werner and Davis found new markets are on the rise, challenging the most popular market with life science companies: the north Peninsula. Now the mid-Peninsula is beginning to attract "spillover" tenants from the pricier north Peninsula and to some extent from the north Silicon Valley market. Many companies gravitate toward the Peninsula due to their strong academic affiliations to [Stanford University](#), the study found. But even in the East Bay's north market, which includes UC-Berkeley, Cal tied Stanford for the number of affiliated companies.

Of the 92 companies surveyed, UC-Berkeley had academic affiliations with about 13 percent, compared to 44 percent of companies with ties to Stanford and 33 percent with ties to UCSF, the study found.

The survey's results were presented at BayBio's Gene Acres conference on Sept. 24.