



Phase I: Market Demand Analysis  
Somerset County, New Jersey  
Life Sciences Business Development Center

Presented by:  
Biggins Lacy Shapiro & Co.



March 30, 2007

# Today's Agenda

<b>Background</b>	<b>1</b>
<b>Sleep Disorder Institute Description</b>	<b>2</b>
<b>Scope of Work</b>	<b>3</b>
<b>Contributors</b>	<b>4</b>
<b>Available Supply of Space</b>	<b>6</b>
<b>Characteristics of Demand</b>	<b>16</b>
<b>Perceptions of Somerset County</b>	<b>25</b>
<b>Synthesis and Recommendations</b>	<b>28</b>
<b>Next Steps</b>	<b>32</b>

A key objective of this study is to continue providing *market-based guidance* for the further development of a *Life Sciences Business Development Center* concept in Somerset County.

In our previous analysis for the Somerset County Business Partnership (SCBP) Biggins Lacy Shapiro & Company (formerly Stadtmauer Bailkin Biggins) surveyed Somerset County's life sciences industry leadership for their reflections on the County's assets (including the continuing growth and vitality of the Biopharma sector) and challenges – including those that have arisen as the inevitable by-product of past successes.

Among our recommendations was the concept of a Life Sciences incubator/accelerator facility targeting new and incubator “graduate companies” and other, emerging life sciences firms. Such a project would encompass significantly more than just labs and office space and would include a variety of synergistic networking and workforce development initiatives, which collectively

would offer both superior opportunities for financial success and produce a broader range of benefits for the life sciences community in Somerset County.

In 2007 this concept was further advanced by the signing of a Memorandum of Agreement between the SCBP and the Somerset Medical Center to anchor the prospective business development center with a *Sleep Disorders Institute*.

A business plan for this Sleep Disorder Institute has yet to be fully formed. However, major components will likely include:

- A clinical sleep center providing patient management, not merely testing
- A physician training and credentialing program based on a process being developed (and patented) by Dr. Carol Ash.
- A central repository of all data collected in the Somerset Medical Center's *Sleep for Life* clinics. This data "warehouse" will represent individuals who have given their assent to participate in various drug company sleep studies. Data will be monitored and checked for compliance.
- Data will be made available to firms developing new drug therapies and new devices in the sleep disorder field on a to be determined fee for access basis.
- A public awareness campaign center on the ramifications of sleep disorders

The Institute's backers foresee synergies with:

- Local pharma companies (Merck, J&J and Aventis are on the Board)
- Colleges with active Psychology programs that lack access to clinical sleep center
- Local corporations looking to drive down the cost of health care (via occupational health initiatives)
- The transportation industry (trucking and airlines in particular)
- Independent hospitals where sleep medicine is struggling

## BLS & Co's initial scope of work involves

- A market demand analysis for a life sciences business development center on a site to be identified later in Somerset County.
- This analysis is to take into consideration the potential impacts on market demand resulting from the presence of a *Sleep Disorder Institute* anchor tenant.
- If such a development is deemed feasible, this engagement will move into planning and financing phases as described below.

If appropriate, in Phase II we will help develop a preliminary space program for the life sciences business development center on a site to be identified by the partnership

In Phase III BLS & Co. will develop a funding availability analysis for the propose life sciences center

## Public Sector/Incubator Managers who were interviewed for this project include:

- Jerry Creighton, Director – NJIT Enterprise Center, Newark
- Debbie Hart & Bill O'Donnell – Biotechnology Council of NJ, Trenton
- Frank Keith, Director – Waterfront Technology Center, Camden
- Peter Golikov, Director, Ventures & Licensing, UMDNJ, New Brunswick
- Michelle Paterno, President – NJ Business Incubator Council, Newark
- Dr. Sherrie Preische, Outgoing Exec. Director – NJ Comm on Science & Technology, Trenton
- John Ritter, Director – Office of Technology Licensing, Princeton University
- Don Shatinsky, Program Manager – Technology Center of NJ, North Brunswick
- Will Steffens, Area Development Manager – PSE&G Area Development, Newark

## Real Estate Community members interviewed were:

- Milt Charbonneau, VP – Colliers Houston & Company, Somerset
- John Cunningham, Executive VP, GVA Williams, Parsippany
- Larry Diamond, Sr. VP – Alexandria Real Estate Equities, Gaithersburg, MD
- Paul Giannone, Executive VP - Jones Lang LaSalle, Woodbridge
- William Hunter, Director – Biomed Realty Trust, Berwyn, PA
- Harold Kent, President – Kent Management, Monmouth Junction
- Douglas Petrozzini, Senior VP – Grubb & Ellis Company, Edison
- Sab Russo, Executive Managing Director – Mercer Oaks Realty, Princeton
- Bruce Simon, President – Eastern Properties, Cranbury

Discussions also were held with the following officials at NJ emerging life science companies:

- David Hahn, Sr. Operations Manager, Phyton Biotech, Inc., East Windsor
- John Harrison, Director – Redpoint Bio Corporation, Cranbury
- Harvey Homan, CEO – Urovalve, Inc., Newark
- Christian Kopfli, CEO – Chromocell, Inc., North Brunswick
- Ira Sanders, MD, CEO – Liguaflex, Inc., North Bergen
- Alan Shaw, Ph.D., CEO – VaxInnate, Inc., Cranbury, NJ
- Michael Trachenberg, CEO – Carbozyme, Inc., Monmouth Junction

Sleep Disorder industry representatives included:

- Dr. Carol Ash – Sleep for Life, Somerville
- Ira Sanders, CEO – Liguaflex, North Bergen

Any real estate market analysis must take into account the supply of competing space on the market. Existing incubator tenants and early-stage companies could elect to lease space in one of the technology incubators in New Jersey, supported by the Commission on Science & Technology. However, only a few target life science companies and there is little, if any, available space.

The following NJ incubators have a significant life sciences tenant base:

- **NJIT Enterprise Development Center, Newark**
  - Three buildings totaling 130,000 sf; approximately 70 tenants (16 in life sciences)
  - EDC I (50,000 sf) tenanted solely by life science firms is scheduled to close in July 2007 with undetermined relocation plan for these tenants as of today
  - 12 wetlabs
  - Labs can rent for \$9,000 in year one; escalates to \$10,200 by year four (full service)
  - Office space rents for \$13.50 – 16.50/sf; escalates to \$21 - \$26/sf by year four (full service)
  - Waiting List: 6 months
- **The Technology Centre of New Jersey, North Brunswick**
  - 160,000+ sf (20,000 sf is incubator space, the remainder has been developed almost like a build-to-suit project for established companies such as Cambrex)
  - 5 year lease terms
  - 3,000 - 6,000 sf units
  - 800 sf labs
  - \$35/sf (includes amortization of approximately \$100/sf tenant fit-out allowance)
  - Waiting List: 6 months

## The following NJ incubators have a significant life sciences tenant base (Cont.):

- **Rutgers Business Incubator, Camden**
  - New 40,000 sf facility; 20,000 sf of life sciences space coming online at the end of 2007
  - 42 tenants now (5 in life sciences)
  - 19 wet lab suites to be offered at 800 sf apiece
  - \$40/sf (includes amortization of approximately \$100/sf tenant fit-out allowance)
  - 5 – 7 year terms
- **Burlington County College High Technology Incubator, Mt. Laurel**
  - 20,000 sf mixed use incubator
  - 27 tenants (2 in life sciences)
- **The Business Development Incubator at Jersey City University, Jersey City**
  - 10 tenants
  - 1 life science company

Other incubators in the Commission on Science & Technology network include

- **The ACIN Camden Center for Entrepreneurship in Technology, Camden**
  - Focus on defense-related technologies
- **The Picatinny Innovation Center, Picatinny Arsenal**
  - 38,000 sf
  - Focus on defense-related R&D and manufacturing
- **Rowan University Center for Innovation and Entrepreneurship**

According to Frank Keith at the Rutgers Camden incubator, there is little or no available incubator space for additional tenants in Philadelphia or its suburbs

- In Philadelphia the University City Science Center is said to be building additional lab space for incubator graduates

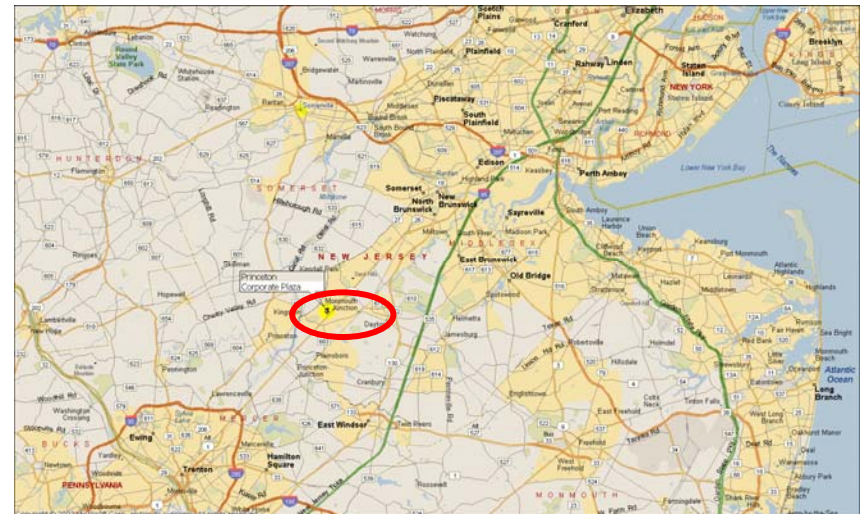
In conversations with BLS, others have noted that the lack of incubator space in NYC coupled with high operating costs is driving graduates to New Jersey

With few places to go within the public incubator/accelerator network, tenant companies seek space in the private real estate market. However there are limited, attractive opportunities.

- Lower “quality” graduates and similar companies will frequently turn to 2<sup>nd</sup> or 3<sup>rd</sup> generation space being vacated by former mid-sized pharma companies.
  - Arabindo (a creditworthy tenant) recently moved into former Sandoz Lab and warehouse on Route 130 (Exit 8A submarket)
- Some will opt for conversion of other types of space or shell fit-outs.

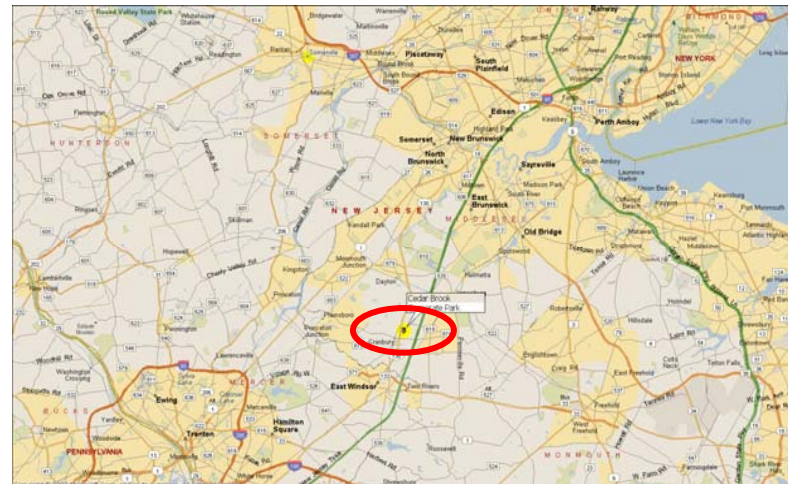
At Princeton Corporate Plaza, along Route One in South Brunswick, Kent Management (Harold Kent) has built a thriving, 250,000 sf project comprising 2<sup>nd</sup> generation lab space that caters to this demographic

- Targets 500 sf to 5,000 sf users – will do any size deal, but better for small tenants and emerging companies than Eastern Properties' projects in Cranbury
- Averages about 10% vacancy (25,000 sf) at any time
  - 60 to 80 tenants at any one time
- 60,000 sf shell building under construction (temporarily stayed)
- Rent reported to be \$25/sf net (\$32/sf total, plus utilities); management sometimes takes equity



Eastern Properties targets more creditworthy, and larger tenants at its Cedar Brook Corporate Park and East Park projects in the Exit 8A submarket along Route 130

- Approximately 750,000 sf of built-out lab space
- Said to have vacancy exceeding 30% overall
- Considered to be the leading life science park in NJ (55% are life sciences tenants)
- Finances 75% of tenant improvement for good credit tenant
- Accommodates lab users as small as 2,400 sf to 4,000 sf, but generally marketed to larger tenants (average can be 10,000 sf – 20,000 sf).
- Reported \$18.75 per sf with \$100/sf tenant work letter (\$32/sf - \$35/sf amortized)
- Typical term is 10 years



Projects owned by Alexandria REIT and Bio-Med Realty also are considered good options for credit tenants

– Alexandria REIT:

- Typically \$30/sf base rent (depending on tenant improvements provided)
- Three- to ten-year terms depending on lease size
- Tenant Improvements = \$30/sf on relet space; \$80-\$100 on new shell fit-out
- Own property occupied by Phyton Biotech in East Windsor
- Relatively inactive in NJ market compared to other ARE concentrated markets

– Bio-Med Realty:

- Up to \$19/sf base rent (NNN)
- 10 year term for new lease (5 – 10 years for relet)
- Tenant Improvements = \$40/sf (amortize the rest, bringing avg rent to \$30+ psf NNN)
- One Research Way is 100% vacant now (50,000 sf) and expandable by another 20,000 sf.
- Approximately 40,000 sf also available at 7 Graphics Drive (72,000 sf total)

Further south along Route 130, Eli Mordechai plans to build the Genesis Park Biotechnology Campus which, if fully realized, could create a new standard for life sciences space in New Jersey

- Route 130 in Hamilton Twp (Mercer County)
- Planned 400,000 sf of space; also amenities
  - Day care
  - Fitness center
  - Attractive grounds
- Nothing has been built yet, but a 120,000 sf R&D building and a 20,000 sf amenities building are said to be getting underway in Summer '07
  - Humigen (genetic immunology) expected to occupy 40,000 sf in 2009
- The developer is said to have strong financing and is considered very capable, but some doubt that he will be able to complete his full building program.

As described earlier, the proposed Sleep Disorder Institute will encompass more than a clinical sleep center and patient care facility. However, as this would be the only purpose-built space for the new anchor tenant, some quantification of competing operations in the same market area is warranted.

Data from the American Academy of Sleep Medicine (AASM) appears to indicate that New Jersey is close to saturation by sleep centers (1.3 per 500,000 compared to 1.0 per 500,000 for the Mid Atlantic in general).

*Caveat: Approximately one-third of all sleep centers are accredited by the AASM.*

Area	No. Centers	No. States	No. Centers Per State	No. Centers per 500,000
South	230	13	17.7	1.5
Midwest	174	11	15.8	1.5
West	106	11	9.6	0.9
Southwest	31	4	7.8	0.5
New England	35	6	5.8	1.2
Mid Atlantic	93	6	15.5	1
→ New Jersey	22	1	22	1.3

However, there are none in Somerset County other than the Sleep for Life in Hillsborough. The closest competitors are:


- Robert Wood Johnson University Hospital, New Brunswick
- John F. Kennedy Medical Center, Edison
- Sleep Disorders Center of NJ, Scotch Plains
- Raritan Bay Medical Center, Old Bridge
- The Snoring and Sleep Apnea Center of Mercer County, Trenton
- Capital Health System, Trenton
- St. Francis Hospital, Trenton
- Staten Island University Hospital, NY
- Morristown Memorial Hospital, Morristown

To summarize the status of available space for new and emerging life sciences companies in New Jersey (particularly Central NJ):

- Available blocks of smaller lab and office space in the state's incubator network is almost nil
  - There is an average 6 months wait list at the incubators
  - The NJIT incubator in Newark is taking Building I (50,000 sf) offline and has no plans to relocated its predominately life sciences tenants
  - 20,000 sf of new, life sciences incubator space is coming online at the Rutgers Camden incubator but this is expected to be quickly occupied around the end of this year
  - There appears to be little available incubator space in NY or Philadelphia as well
  
- Lower quality companies (with challenged balance sheets) often turn to 2<sup>nd</sup> or 3<sup>rd</sup> generation lab space. This can be found in scattered buildings and is difficult to quantify, though not considered a significant supply, except for Harold Kent's Princeton Corporate Plaza which generally has about 25,000 sf available at \$25/sf (net) and is planning a new 60,000 sf building, (though construction has been stayed for at least a year)
- Creditworthy tenants will aim for the two big Eastern Properties projects at Exit 8A which is said to have approximately 200,000 sf of vacant space, though non-life science tenants will vie for this space as well. Rents will be \$8/sf to \$10/sf higher than at the Kent project
- Other developers catering to higher quality tenants include Alexandria REIT and Bio-Med Realty which is said to have approximately 90,000 sf of vacant space in the Princeton area
- There does appear to be close to sufficient space for Sleep Disorder Centers in New Jersey, though Somerset County may not yet be saturated. The space needed for office, training and data warehousing requirements can be found in the larger office market and is not confined to purpose built, life sciences space.

According to Debbie Hart and Bill O'Donnell of the NJ Biotechnology Council, NJ added 140 biotechnology companies between 1998 and 2005 (160% growth rate, or about 18 new companies per year).

- This growth has been the result of relocations to NJ from other states and countries and, often, from the base of big pharma companies already located here.
- Research by the *Association of University Technology Managers* reveals that very little of this growth has been the result of work done at academic and research institutions in NJ. For example, in 2005 the state ranked well below the leaders and its peers in research expenditures, licensing, patents and startups.

State:	Licensing FTE	Research Expenditures	Licenses/Options Executed	Cumulative Active Licenses	Startups	US Patents Issued	New Patent Applications	License Income
New York	57.1	\$2,564,532,160	292	1,635	25	181	655	\$272,269,529
Massachusetts	107.2	\$4,305,874,487	534	3,486	50	384	980	\$239,447,906
California	91.2	\$4,087,808,219	431	2,121	36	512	1246	\$184,132,864
North Carolina	20.6	\$1,265,285,571	162	1,318	14	125	178	\$56,005,676
Michigan	19	\$1,379,464,728	169	770	13	129	279	\$44,295,654
Washington	28.4	\$1,249,689,011	149	948	6	59	116	\$33,086,417
Pennsylvania	30.8	\$2,459,635,349	253	1,145	29	154	761	\$25,144,524
Maryland	24.8	\$2,447,021,348	167	1,094	15	112	479	\$13,671,591
 New Jersey	12	\$374,282,301	59	237	4	30	162	\$6,920,211
Virginia	12.3	\$681,585,256	116	677	15	39	374	\$142,001

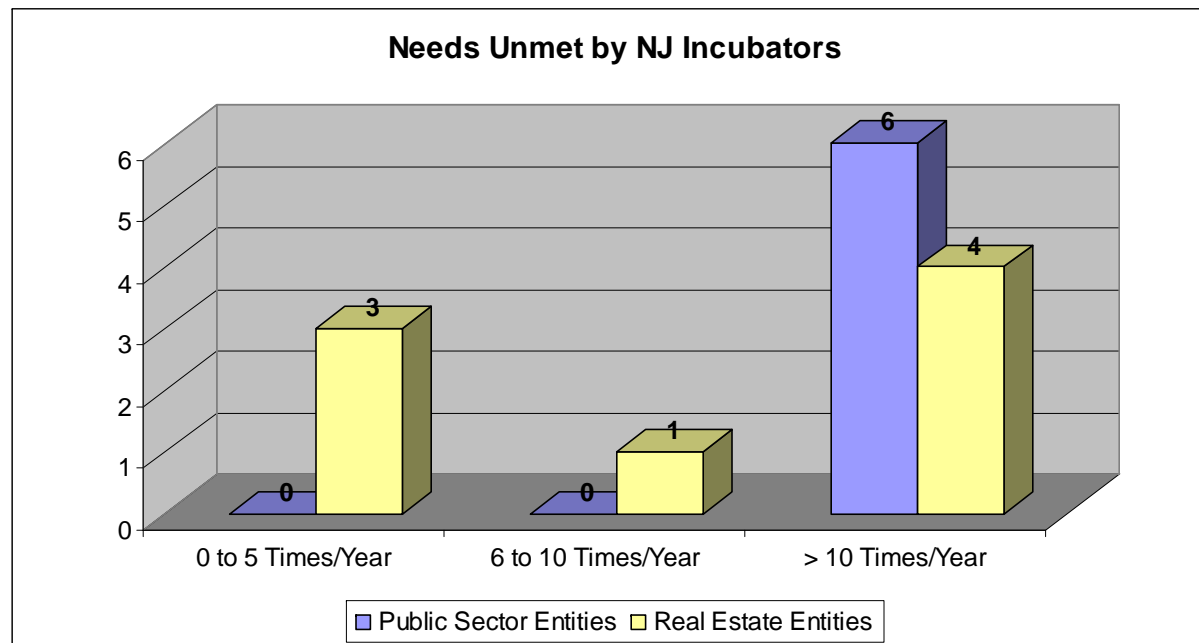
- The respected Milken Institute has ranked NJ's research universities (Princeton, Rutgers and UMDNJ) in the bottom third of university biotechnology publications and patents.

Thus, demand for space for new and emerging life sciences companies in New Jersey will largely be generated from within the private sector.

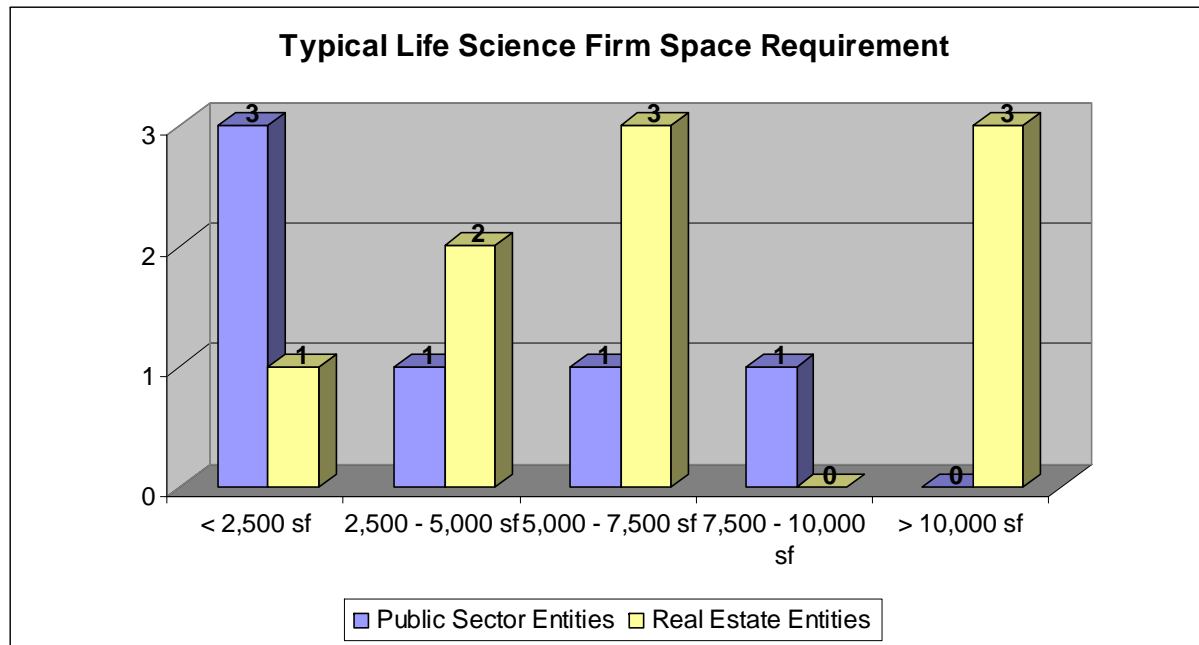
- A portion of this, which is difficult to quantify, will result from spin-offs and spin-outs from big pharma. A good example would be Barrier Therapeutics, whose executives all came from existing industry and have recently leased 20,000 sf of space near Princeton.
- Additional demand will come from companies that will relocate to New Jersey to tap the supply of life sciences talent and to be closer to this important industry cluster. Good examples from our earlier study include:
  - Biovail: Moved from NC in 2003. Projected 30% growth over two years
  - Chugai: Moved from San Diego in 2005. Projected to double in size in three years
  - Chromocell: Moved from NYC in 2003. Will double in three years
  - Lifecell: moved from Texas in 2000. Projecting 20% growth over several years
- Another segment of demand is created by companies that have grown up in New Jersey's incubator network and are now in need of more space. BLS estimates that between thirty and forty life sciences companies now inhabit New Jersey's incubators.
- BLS further estimates that the number of annual incubator graduates will range between six and eight per year, based on the following:
  - The NJ Commission on Science & Technology reported 24 graduates since 2004
  - Incubator managers generally graduated life science tenant after 5 years

Many observers reported that ten times a year, or more, they have encountered life sciences companies who have been unable to find suitable lab and office space in New Jersey's incubator network.

- At the Technology Centre of NJ the EDA routinely turns away prospective tenants for lack of space
- Jerry Creighton (NJIT incubator manager) reports a six-month waiting list for labs
- Current life science tenants are typically allowed 5 years tenure before they have to vacate (the NJ Commission on Science and Technology policy is to graduate non-life science tenants in 3 years).

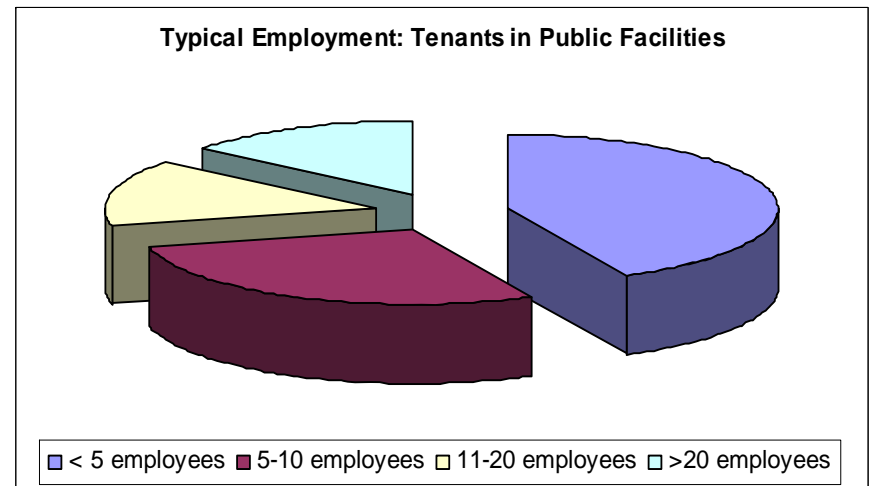
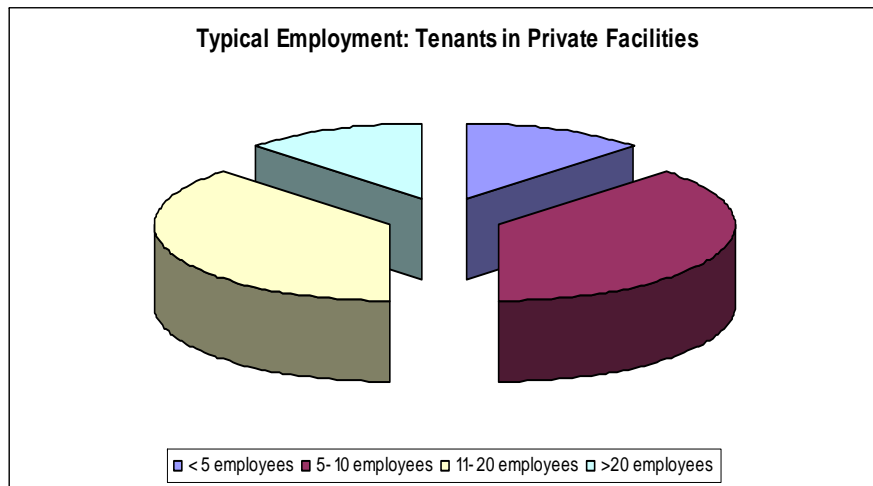


The “typical” space requirement is generally 5,000 sf to 7,500 sf; larger if from a big pharma spinout ( $\pm 10,000$  sf). Our survey revealed that it is rare for incubator graduates needs to exceed 10,000 sf.



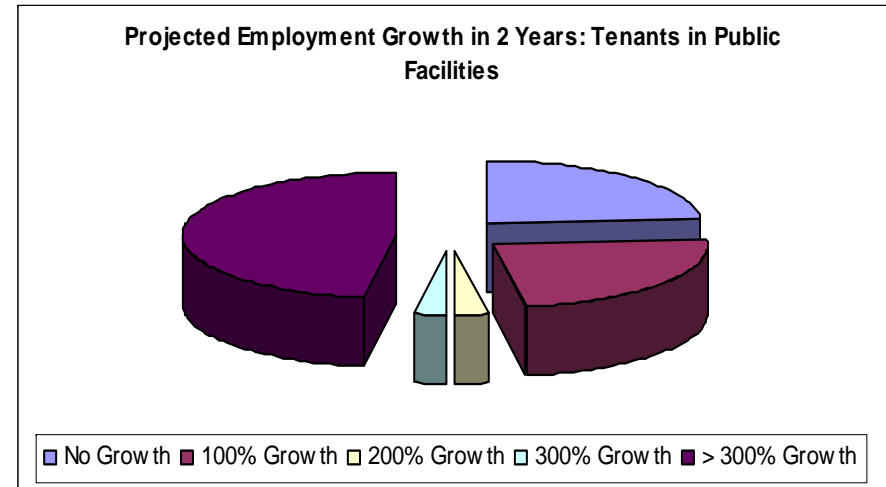
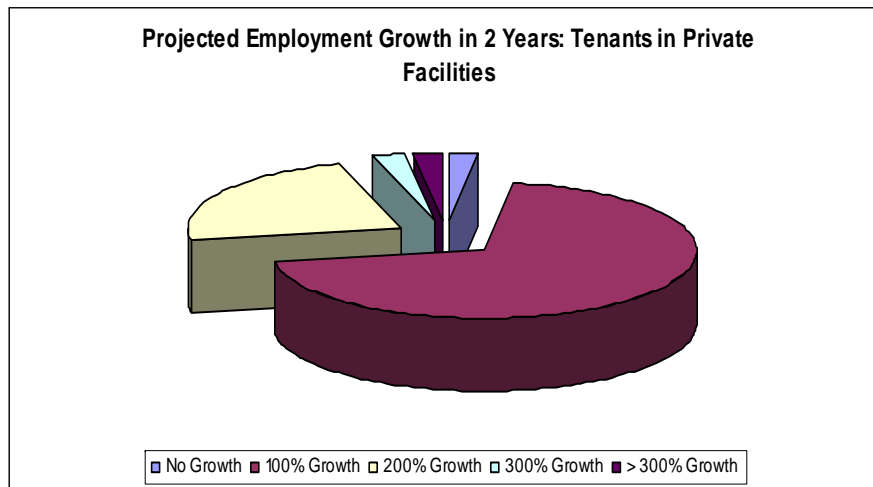
## These are generally small companies

- The smallest presently occupy incubator space or similar. Approximately 40% of incubator officials reported an average tenant size of fewer than 5 employees
- Not surprisingly, less than 15% of private landlords had average tenant of less than 5 employees while 50% reported average employment of greater than 11 employees among tenants



**As would be expected, the smaller tenant pool in public facilities is projected to grow significantly faster than that in privately-owned buildings**

- Almost 50% of public incubator managers expected greater than 300% staff growth over the next two years among tenants; vs.
- 100% anticipated staff growth in private facilities



**Neither are public tenants as creditworthy as those currently in private facilities**

- **Private Facility Tenants**
  - Typical \$2,000,000 to \$5,000,000 in the bank
  - Largest may have up to \$20,000,000 - \$25,000,000 in reserve
  - A/B rounds of venture financing
- **Public Facility Tenants**
  - Typically less than \$1,000,000 in funding
  - 1 to 2 years of “burn”

Earlier we attempted to quantify the supply of purpose-built space for the proposed Sleep Disorder Institute anchor tenant. It is equally challenging to gauge the demand for such a user

What information we have been able to glean, from The American Journal of Respiratory Critical Care Medicine (2004), appears to indicate a higher demand for clinical sleep studies among Americans, when compared with other developed countries, though the actual waiting time for a patient to enter such studies is relatively low when compared to the other countries, indicating that, in large part, this demand is being met

<b>Country</b>	<b>No. Studies Per 100,000 Per Year</b>	<b>Wait Time (mos)</b>
UK	42.5	7 - 60
Belgium	177.2	2
Australia	282	3 - 16
Canada	370.4	4 - 36
United States	427	2 - 10

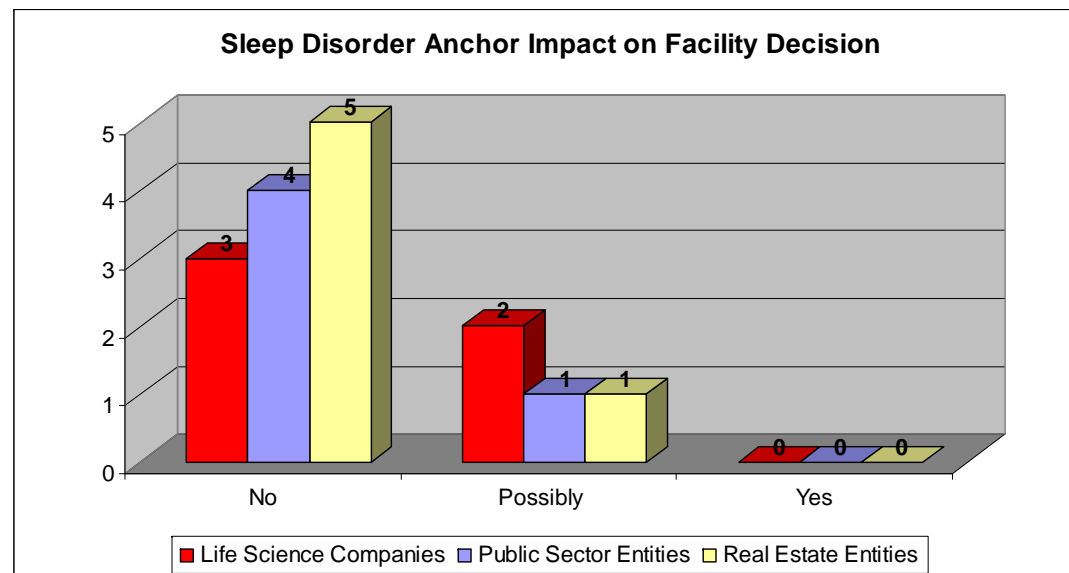
As regards the industry as a whole, observers interviewed by BLS report that it is expected to grow at a 20% annual rate in the US for the foreseeable future

Persons interviewed by BLS for this study were generally skeptical that anchoring a facility with a Sleep Disorder Institute would generate any additional demand from life science companies

Real estate and public sector entities require the most convincing

- Sleep disorders are perceived to be a very narrow market, but not a lot of awareness
- Few see any significant tie-ins with drug development and research occurring in NJ
- Few synergies or association benefits with other tenants (such as shared equipment)
- Perceptions of liability when conducting sleep disorder clinical work in close proximity to multi-tenant lab areas

Life science firms were somewhat more accepting of the concept. One such firm interviewed by BLS (Liguaflex) is presently involved with sleep apnea treatments and expressed an interest in moving (5 employees) to a new Somerset facility.

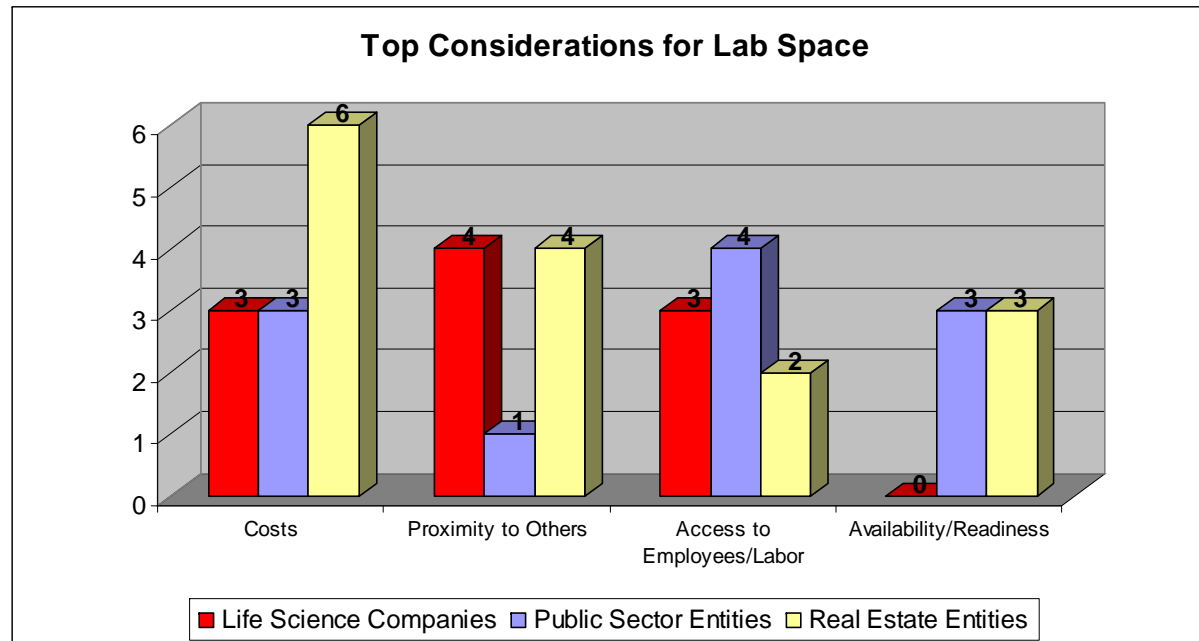


To summarize the potential demand for space by new and emerging life sciences companies in New Jersey:

- New Jersey adds about 18 new biotech companies per year (and graduates about 6 – 8 per year from the incubator system)
- Typical space requirements for these users are:
  - 2,500 sf or less;
  - 2,500 sf to 7,500 sf; and
  - 10,000 sf or more
- If new tenants are divided in thirds, BLS projects approximately 100,000 sf per year of demand.
- Thus there is somewhere between 1 and 3 years of supply on the market now. However, this supply may not be entirely suitable for the demand and thus may need to be discounted somewhat.
- BLS anticipates only marginal additional demand resulting from the presence of a Sleep Disorder Institute anchor tenant (however, the presence of such a tenant would present significant opportunities to kickoff this project via a stable rent stream (this will be discussed in the Recommendations section).

According to persons interviewed by BLS, the leading criteria for choosing lab space were costs, proximity to similar firms, access to employees and skilled labor and the availability/readiness of the space

Interestingly, companies put a greater premium on proximity to other startups and early stage firms than they did costs, which were higher in the minds of landlords and real estate advisors (perhaps because of the perceived risk involved with the fit up and leasing of space to such companies) one expert said up to 80% of the infrastructure stays with the building and is the “heart and soul of the reuse issue.”



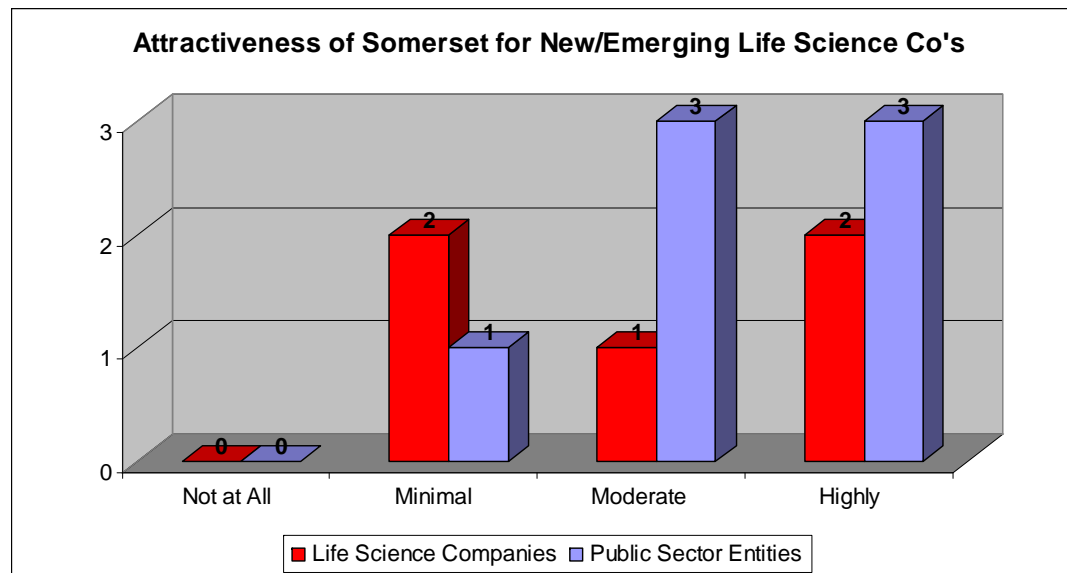
Respondents had generally high regard for Somerset County as a life sciences destination, reflecting the findings of our earlier study. Incubator managers and officials had the highest opinions

- Though Somerset was not in the “hotbed” of activity near Princeton along the Route 1 or Route 130 corridors;
- It was nonetheless perceived to be an attractive destination due to the proximity to big pharma
- And praised for the quality of the Medical Center in Somerville

Company executives valued...

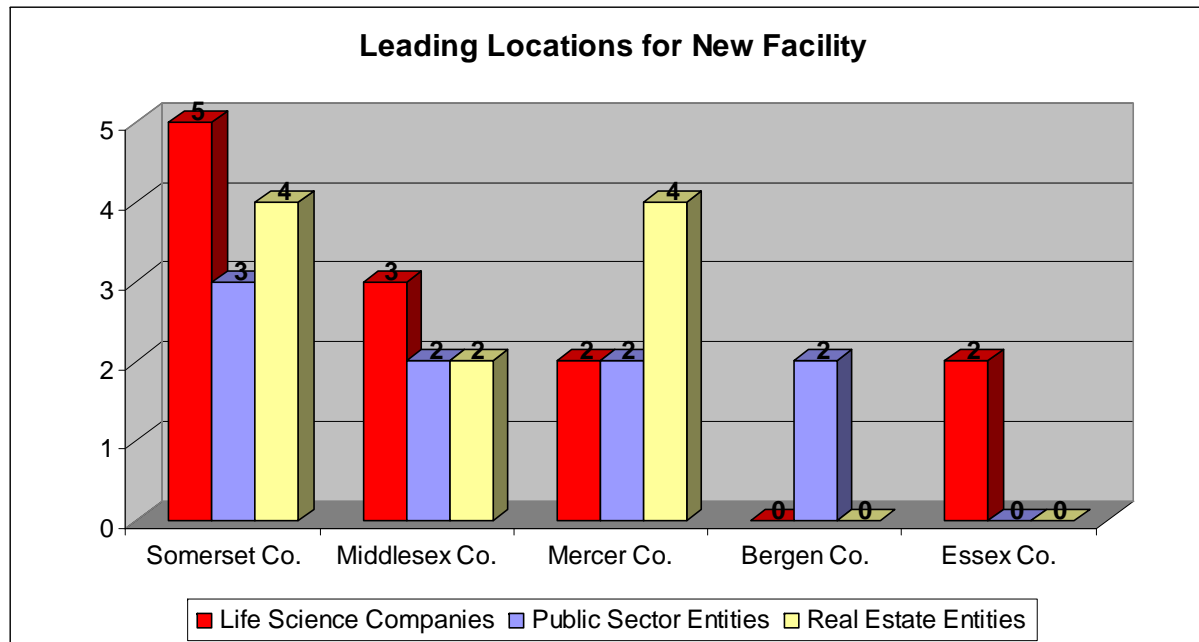
- The proximity of a Somerset facility to residences of many scientists and key managers; and
- The cluster of medical device firms in Somerset (with good potential synergies for a sleep disorder anchor)

...But also indicated concerns for traffic and congestion in Somerset



Given their knowledge of life sciences companies in NJ, and likely sources of demand for new accelerator space, our interview contributors preferred Somerset County over other potential locations for a new facility.

- Again, the concentration of large pharma companies in Somerset is perceived to be a key demand driver for such space.



The life science facility supply/demand equation in New Jersey supports moving forward with the Life Sciences Business Development center concept in Somerset County

- BLS’ survey and research has identified unmet demand for office and lab space among new and emerging life sciences companies in New Jersey
- We have uncovered a particularly strong demand for “accelerator” space to accommodate the needs of recent incubator graduates
  - Small firms currently have little access in the public or private arenas, to new, purpose-built lab facilities with flexible lease terms
  - The lack of such space has led to lease extensions for incubator tenants beyond the typical 5 year period and had denied newcomers access to the state’s incubator network
  - Lease terms and underwriting requirements of private sector landlords limit options for these firms
- Industry participants and observers find Somerset County an attractive destination for such a facility
  - The area is home to many life science executives
  - Major pharma companies are prevalent (Merck, Johnson & Johnson, sanofi-Aventis, etc.)

The tenant base of this new facility could include a Sleep Disorder Institute as well as a flexible mix of chemistry-based and medical device companies (a good “fit” with the sleep disorder sector)

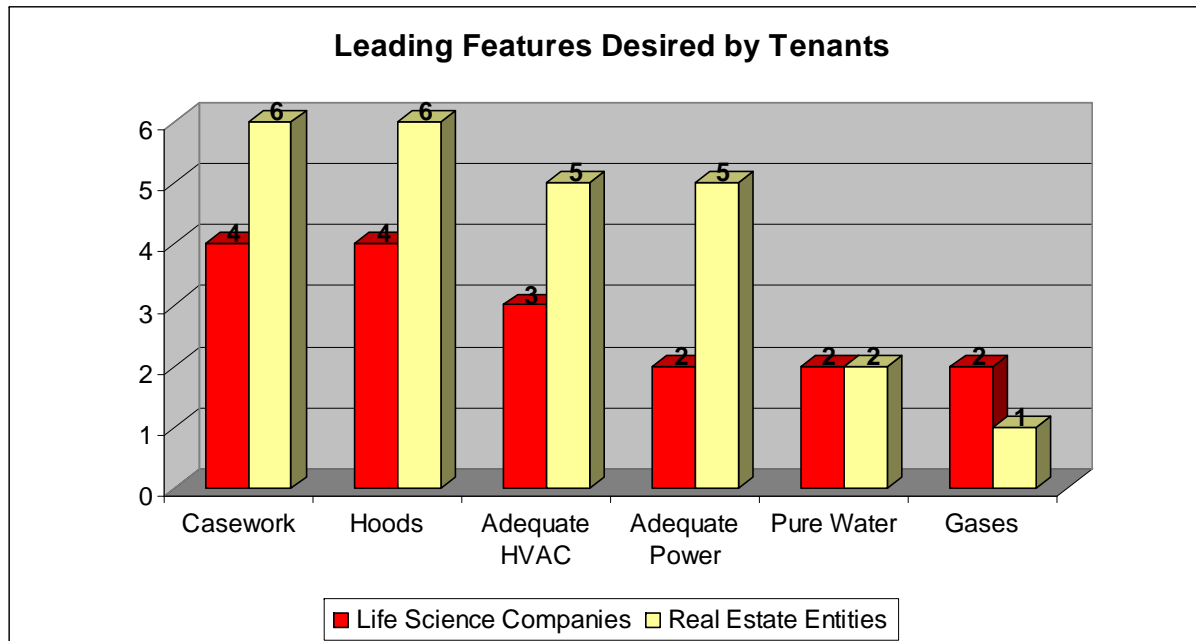
Our interviews and research indicate a reasonable level of support for a Sleep Disorder-type tenant, if not as an anchor

There are several, major benefits to having the Sleep Disorder Institute present in the new facility:

- Depending on the ultimate form of this organization (a business plan was being prepared as this report was produced) it could create the significant initial occupancy required to give this project wings
- Its potentially-stable rental revenue stream will offset those of riskier life science tenants
- The presence of large pharma members on the Board of Directors could quickly advance the Sleep Disorder Institute brand and awareness, thereby leveraging association with the Business Development Center
- Tenant improvement costs would likely be lower in comparison with wetlab fit-out for most other tenants, moderating upfront capitalization costs
- The multi-disciplinary nature of the field anticipates as-yet unknown direct and indirect economic impacts for Somerset County (e.g., addition hotel room-nights associated with physician training and credentialing programs).

A more complete description of an appropriate space program for the Life Sciences Business Development Center will be provided as part of Phase II of this project (if authorized). However, based on our survey results and the research performed for this study and the earlier analysis, the preliminary characteristics of this facility could include (in addition to any purpose-built space for a Sleep Disorder Institute):

- A mix of office and lab space (estimated at 50:50)
  - A gap in the market for suites in the 2,500 sf to 10,000 sf range makes this an attractive segment to include
- Fully fit-out wet lab space with installed casework and fume hoods, adequate HVAC and power



- Common equipment and/or core laboratory facilities (e.g., class 10000 clean room – particularly important for medical device companies - autoclave facilities and fabrication areas)
- Professionally-appointed conference/presentation/training rooms
- Common storage space and specialized waste disposal facilities
- Hoteling/telecommuting space
- SBDC office space and/or space for County or regional economic development entities
- Ancillary access to services such as accounting, IP and regulatory, legal expertise, grant writing and funding networks and resources, life sciences library/information center

We recommend consideration of these preliminary lease characteristics for most life sciences industry tenants at the new facility

- Three to five year lease terms
- Rental rates at \$30 - \$35/sf NNN
- Annual escalations of 5% to 10%
- Tenant fit out beyond delivered lab space is at tenant expense.

Moving this concept forward will require several important follow-on activities:

- Authorization by the SCBP Board of Directors for Phase II of this assignment
- The development of a preliminary space program detailing the types and sizes of the various components of the Life Sciences Business Development Center in Phase II
- A funding availability analysis including a capital budget as part of Phase III