



## THE GROWTH OF COLORADO'S 2ND GENERATION BIOTECH LAB SPACE

*While biopharmaceutical companies have a presence throughout the Front Range, Northwest Denver has developed into the most defined cluster. In the past 15 months, there have been 447,000 square feet of completed real estate transactions involving biopharmaceutical companies in the Northwest Denver real estate submarket, located along the U.S. 36 corridor and extending north to Longmont.*

Of these transactions, approximately 200,000 square feet was true growth or absorption of new space. While modest when compared to other established biotech markets, this is a meaningful statistic for a state focused on putting itself on the map as an up and coming biotech industry hub.

One of the most positive recent developments stemming from the growth of the biopharmaceutical industry in Colorado has been the increasing supply of second-generation biotech lab space. An available inventory of biotech lab space is critical to stimulate the growth of the industry in our state by providing affordable real estate solutions for young biotech companies.

The supply of second-generation lab space has been concentrated in the Northwest Denver biotech cluster. Of the 200,000 square feet of recent absorption, three of the four transactions – totaling 53,000 square feet – involved

the leasing of second-generation lab space by companies new to Colorado. These include:

- Insmed, which leased 25,000 square feet in the former Baxter Healthcare pilot plant facility in Boulder; Insmed also leased another 16,000 square feet in a second former Baxter Healthcare building in Boulder following FDA approval of IPLEX;
- Atrius Bioscience, which leased 12,000 square feet in the former Proligo facility in Boulder;
- Source Precision Medicine, which leased 7,000 square feet of biotech lab space at 2500 Central Ave. in Boulder.

Second-generation biotech lab facilities with significant existing infrastructure in place are available for biopharmaceutical companies looking for lab space today including:

- Array BioPharma, which wants to sublease 23,000 square feet of office, biology and chemistry lab space in Boulder;
- Sirna Therapeutics, which wants to sublease 30,000 square feet of office and biology lab space Boulder;
- The former Biotrol facility in Louisville has 9,000 square feet of office and biology lab space available.

Second-generation lab facilities are rarely “plug and play” or ready for a company to simply hook up its IT systems and get to work. But the spaces listed above do provide the opportunity to save significant dollars on improvements because of the infrastructure installed and paid for by previous biotech tenants.

The transaction structure for biotech companies leasing space typically mirrors standard lease transactions with the exception of tenant improvements and restoration requirements at the end of the lease term. The majority of the improvement dollars for lab space buildout continues

to be shouldered by the tenant. This is due to a landlord community that is just now starting to recognize the future value of previously installed infrastructure and the potential for higher lease rates for similar users down the line. Approximately 45 percent of the 447,000 square feet of transactions discussed above were completed at rent levels that were 25 to 40 percent higher than market. This trend has led to our ability to successfully remove restoration obligations for several of our biotech clients upon their lease renewal.

As the biopharmaceutical industry continues to grow in Colorado, the opportunity to secure second-generation lab spaces will likely multiply. This is good news for the economic growth of our state.

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