



Alexandria's Advantage



Alexandria Center® for Life Science –
New York City

An Interview with Joel S. Marcus,
Chairman, Chief Executive Officer & Founder, Alexandria Real Estate Equities, Inc.

EDITORS' NOTE Joel Marcus co-founded Alexandria in 1994 as a garage start-up and has led its growth into a publicly traded, investment-grade REIT with an approximately \$11 billion total market capitalization and dominant market presence in leading AAA locations. Marcus founded Alexandria Venture Investments and the Alexandria Summit®. He serves on the boards of Accelerator Corporation, of which he was one of the original architects and co-founders, Atara Biotherapeutics, BIO, CURE, Foundation for the National Institutes of Health (FNIH), Friends of Cancer Research, The Hamner Institutes for Health Sciences, Intra-Cellular Therapies, Multiple Myeloma Research Foundation (MMRF), NYU Schack Institute of Real Estate, and the Partnership for New York City.

Marcus received the Ernst & Young Entrepreneur of the Year Award (Los Angeles – Real Estate). He completed his undergraduate and J.D. degrees at the University of California, Los Angeles.



Joel S. Marcus

COMPANY BRIEF Alexandria Real Estate Equities, Inc. (are.com), is the largest and leading REIT uniquely focused on collaborative science campuses in urban innovation clusters located in key coastal gateway cities. Alexandria pioneered this niche in 1994 and has since established a dominant market presence in AAA locations, including Greater Boston, the San Francisco Bay Area, New York City, San Diego, Seattle, Maryland, and Research Triangle Park. Alexandria has a longstanding and proven track record of developing Class A assets clustered in urban science and technology campuses, which provide its innovative client tenants with highly dynamic and collaborative environments that inspire productivity, efficiency, creativity, and success.

You are known as a pioneer in this industry. Could you have imagined it would expand to the degree it has?

I always say, “we began this company as a true garage start-up.” We put together a business plan and a financial model. We raised around \$19 million but we owned our property and no other assets – all we thought about was doing something nobody had done before, which was to focus on the biotech/pharma niche.

We went public on the NYSE with only 12 people three years after we started the company, which is pretty quick. We raised \$155 million, and I couldn't envision getting to a \$1 billion market cap, let alone the \$11 billion-plus market cap company that we are today.

Early on, our vision was to put together a company that would do this kind of specialized work in an industry that was underserved and underfinanced. In our early stages, creating huge urban campuses inhabited by “the best of the best” in places like Cambridge, San Francisco, and New York City was not something we could have predicted – yet, today, that dream and vision have become a reality.

The best thing I have done for the company is to hire great people because, just like every great organization, our people are an integral part of our foundation and key to our success.

Is the firm's focus broader than biotech today?

Fundamentally, we are a real estate company that creates innovative urban campuses. In New York, we won the RFP against some very large companies, and we built an amazing science park in the city. When we develop our projects, we think carefully about the amenities we provide

and the overall environment we create so as to enhance our client tenants' ability to recruit and retain talent, as well as to inspire productivity and success. Now science and technology companies are fighting over the same irreplaceable urban locations to be in close proximity to research institutions, talent, and capital.

We built Google's first campus in 1998 when they were first formed out of Stanford by Sequoia Capital and Kleiner Perkins – it was our first tech tenant. Since then, tech has become a bigger focus for us because there is similar demand among tech companies to access talent and capital in our core urban markets.

Uber came to us for help in locating a site to build their corporate headquarters. We identified a unique opportunity to develop a great site for them in the heart of our Mission Bay cluster – when it's delivered, it will have an incredible state-of-the-art design.

Are you focused primarily on your current markets?

We are planning to spend most of our time in the existing markets, because they are amazing. We may expand to Texas, but it takes time for an industry to cluster together. We have more demand and can make better use of our capital in our current locations.

Does your design reflect different characteristics in each destination or is it consistent from location to location?

Each cluster has its own unique elements, but each is world-class and within an urban environment. Every one of our campuses needs to include creative and innovative work space, in addition to being well-amenitized and well-designed. We don't create tall, fancy skyscrapers but rather places that are hip and cool.

Also, 10 years from now, millennials will make up 75 percent of the workforce, and companies have to pay attention to what they want as well.

Is your differentiation within the sector well understood by the market or do you have to spend more time getting the word out?

This takes a lot of effort. There is nobody that does exactly what we do, but a lot of companies do similar things. Sometimes, we are compared to the office niche, and there are some great office companies out there. However, we are also part of the healthcare niche to some extent because of our life science offerings. Some people have even considered us a specialty REIT in some sense, although we are definitely more mainstream than that. No one, though, has the focus on innovative, multi-tenant science and technology urban campuses quite like we do.

It takes a long time, but we have been a company for 20 years and we have been public for 17 of those years, so our message has gotten out and our product type has become increasingly well-recognized. We get interested callers all the time. I recently received a call from a large sovereign wealth fund from overseas that wanted to partner with us on a few projects because they love what we are doing. This would not have happened 10 years ago.

Are there opportunities for the company internationally?

We went abroad prior to the collapse of Lehman, and we were sorry we did because investors and analysts in the U.S. would prefer for us to focus on U.S. operations, considering that the U.S. is the best place to invest in on the planet today.

Although there are opportunities overseas, we do not allocate much capital there. The domestic demand is the strongest we have seen over the past 20 years, so there is really no reason to go elsewhere.

For someone who has been in this business for many years, does it surprise you to see how the New York real estate market has changed?

I have always loved New York. Just before 9/11, I was asked by Sandy Weill to join a bioscience task force to determine the essential ingredients to

Alexandria in Boston

**An Interview with Thomas J. Andrews,
Executive Vice President – Regional Market Director (Greater Boston),
Alexandria Real Estate Equities, Inc.**



Thomas J. Andrews

EDITORS' NOTE *Thomas Andrews has served in his current post since January 2011. He previously served as Senior Vice President, Regional Market Director (Greater Boston) and as Vice President, Regional Market Director (Greater Boston). Prior to that, Andrews served first as Assistant Director and later as Executive Director of the Massachusetts Biotechnology Research Park in Worcester, Massachusetts. Andrews received his Master of Science degree from the Center for Real Estate at the Massachusetts Institute of Technology and his Bachelor of Science degree from Cornell University.*

What excited you about the opportunity to join Alexandria Real Estate Equities and what made you feel it was the right fit?

Alexandria was well-capitalized and had a well-defined strategy addressing a market niche with which I was very familiar, since I had spent 11 years developing and managing the Biotech Park in Worcester.

Would you provide an overview of Alexandria's activities in the Greater Boston region and can you talk about where the growth is coming from?

When I started with Alexandria in 1999, the company had a handful of properties totaling about 400,000 square feet in suburban Boston with nothing in Cambridge. Now we have over 4.3 million square feet of operating properties and nearly 900,000 square feet of development and redevelopment projects underway. For the past several years, we have focused our investment on urban campus locations like Alexandria Technology Square® and the Alexandria Center® at Kendall Square in Cambridge. We believe that Boston and Cambridge constitute the most concentrated and dynamic life science cluster in the world. We have all of the ingredients for a successful cluster: basic science pioneered by our leading universities, medical schools, teaching hospitals, and research institutes; experienced entrepreneurs and supporting professionals who create and lead groundbreaking biopharma and tech companies; discerning venture capitalists and other funding sources; and an unparalleled pool of scientific and managerial talent.

For new development, will there be a consistent feel and design or will it be customized to the specific market?

Our newest buildings in Cambridge and Longwood Medical Area do not necessarily look alike from an architectural standpoint. However, we try to consistently provide attractive and interesting ground-floor retail, lobbies, and gathering spaces, often with outdoor seating and other amenities, which ultimately enable our tenants to attract and retain the best talent.

How has your client profile evolved?

Today we are seeing a convergence of life science and technology enterprises – for example, use of “big data” statistics to inform clinical trials. We think this convergence is fostered and enhanced when companies are in close proximity to one another. We also find that life science and technology companies share a desire to locate in places where they attract the best talent so our real estate holdings appeal to both life science and tech companies.

What advantages does Boston offer for life science, biotech, and tech industries and is that market still a leader in this space?

In the life science community, especially with regard to the development of new cutting-edge medicines, the Boston region has had a significant head start and retains many advantages over other clusters, not the least of which is the dense geographic concentration of leading institutions and companies in a small section of Cambridge. ●

bring bioscience and life science to New York City. The intention was to put out a white paper and, ultimately, the city was going to undertake a number of initiatives. However, I had no clue the city would end up evolving into the vibrant cluster it is today.

Along the way, we became a part of the RFP process. Without any employees on the ground and never having done a single project in New York, Mayor Bloomberg announced that we won the RFP. We were up against great companies like Boston Properties and Related, family companies that have been in New York for 100 years. We were the only niche specialist and sharpshooter, and we had a dominant position within the life science arena based on what we had created in our other cluster markets, which attracted Mayor Bloomberg to our pitch.

At one of the first public interviews following the announcement, they asked how many people we had on the ground in New York and what we had done, and we said none and that we had never done anything in that market before. I was thinking they would show us the door at that point, but then they asked if they could get testimonials from our tenants and people in the life science industry who knew us. This is how they discovered our sweet spot and what we had that nobody else had. It became clear that if they trusted our financial capability and our ability to execute this project, we would be a great choice.

We were a poster child of sorts for Mayor Bloomberg's efforts to diversify the economy in New York outside of financial services, so for that, I am very proud of what we have accomplished.

How hard has it been to maintain an entrepreneurial culture, and does it get tougher as you grow?

It's something I think about and try to promote every day. I also try to make sure that our senior management team remains aware of it. Most of them have been with the company for 12 to 15 years and have retained that drive. We do not have an organizational chart because that tends to make a company very bureaucratic. It is important to be entrepreneurial, and to make quick and good decisions, but not to be overwhelmed. It is important to motivate people to take the initiative, to step it up.

What do you look for when bringing in talent?

It is sometimes difficult to find the right people, especially the next generation of leaders with a combination of real estate, life science, and technology skills. By having a great management team and bringing in smart people with diverse backgrounds and skill sets, it can be done. It also creates a barrier to entry for others, which is nice.

Is LEED certification an expectation today? Will it be a standard going forward?

LEED development is a standard today – if we don't build LEED today, nobody will come to our properties.

It's tough with buildings like laboratories because they use a lot of power – we need very clean air, clean gases, and clean liquids.

These buildings are inherently more difficult to make LEED certified but we have done a great job. More than half of our annualized base rent now comes from LEED buildings. We only put up new LEED buildings, and over time, we are trying to become more wired. Our New York property received the Platinum Certificate Wired award because it is exceptionally web capable. It was the first building in the U.S. to ever receive this designation.

How critical has it been to provide all of the necessary amenities to offer the value that you do?

Our first tenant in New York, Eli Lilly, put a condition in their lease that they needed a healthy restaurant on campus, so we recruited Tom Colicchio to create his venue Riverpark, which has been a home run. We also created a fitness center and a world-class conference center. It is necessary to provide these amenities to create a campus environment, to attract great tenants, and to enable them to recruit and retain top talent. Virtually every campus is highly amenitized.

As the business has grown, for you personally, has it been tough to relinquish some of the control?

It's pretty easy. I am a fairly good delegator. I can give direction and I am a strategic person, so I operate at 30,000 feet. However, I'm also on the ground tactically, so I spend a lot of time with our regional leaders and even the leaders behind them, our VP corps and below. I am always giving ideas, providing encouragement and support, and helping them think creatively so they can innovate and get things done. I view myself as a mentor, a risk manager, an overall strategist, and a motivational leader. ●