Innovation Clusters


Alexandria Center for Life Science at 450 East 29th Street in New York City

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


Joel S. Marcus

EDITORS' NOTE *Joel Marcus co-founded Alexandria Real Estate Equities, Inc. in 1994 and has served as Chief Executive Officer since 1997 and Chairman of the Board of Directors since 2007. He is also co-founder of Alexandria Venture Investments and the Alexandria Summit. From 1986 to 1994, he was a partner at the law firm of Brobeck, Phleger & Harrison LLP and, from 1984 to 1994, also served as General Counsel and Secretary of Kirin-Amgen, Inc. Marcus was formerly a certified public accountant and tax manager with Arthur Young & Company specializing in the financing and taxation of REITs. He received his undergraduate and Juris Doctor degrees from the University of California, Los Angeles. Marcus serves on the boards of the Accelerator Corporation, of which he was one of the original architects and co-founders; Foundation for the National Institutes of Health (FNIH); Intra-Cellular Therapies, Inc.; Multiple Myeloma Research Foundation (MMRF); and the Partnership for New York City. Marcus received the Ernst & Young 1999 Entrepreneur of the Year Award (Los Angeles – Real Estate).*

COMPANY BRIEF *Alexandria Real Estate Equities, Inc. (are.com), is the largest and leading REIT focused principally on owning, operating, developing, redeveloping, and acquiring high-quality and sustainable real estate for the broad and diverse science and technology industry. Founded in 1994, Alexandria was the first REIT to identify and pursue the laboratory niche and has since had the first-mover advantage in the core life science cluster locations including Greater Boston, the San Francisco Bay Area, San Diego, New York City, Seattle, suburban Washington, D.C., and Research Triangle Park.*

What has led to the consistent level of performance that the company has achieved?

It's about great people and the fact that we're in a great niche. We provide a premium value noncommodity product, and we have a deep understanding of both the life science and real estate industries.

We own, operate, and develop Class A properties, many of which are LEED certified, in Triple A locations.

Our cluster model, which brings together world-class science, talent and capital in centers of urban innovation, sets us apart as an industry leader.

How has Alexandria's cluster model been a differentiator?

Our cluster model underscores the value of collaborative science and technology campuses in centers of urban innovation. Alexandria uniquely brings together industry-leading company tenants, groundbreaking science, entrepreneurial talent, and strategic risk capital in close proximity to the nation's premier academic medical research centers.

Many years ago, we decided to strategically pursue a significant presence in an innovation cluster submarket. We chose Lake Union in Seattle, which has proven to be a home-run decision. We did the same thing in San Francisco where we focused on Mission Bay, and now we're moving more into the city and into the South of Market district. Then, in San Diego, we focused on Torrey Pines as a value target. In New York City, we decided to stay out of the New Jersey and New York suburbs and focus on Manhattan's East Side Medical Corridor. These pursuits have also proven quite remarkable, both in terms of their impact on our bottom line and, more importantly, the contribution our campuses have made to the life science ecosystem in each of these key clusters. In Boston/Cambridge, we developed two large campuses in the heart of the East Cambridge market which, followed closely by San Francisco, is our (and the industry's) strongest market today.

Our occupancy is at an all-time high, which is further proof that companies want to work at our campuses because they can collaborate, recruit, and retain top talent more effectively in these locations.

Are you surprised to see how far New York has come?

No, it was a high-risk daring adventure for us, but we felt we could mitigate the risks. We were selected by the city from a number of bidders even though we didn't have a single employee in Manhattan and we had never developed anything there.

But we undertook the execution of the Alexandria Center because we felt this would be a unique science park in the city, and it would help catalyze and attract many participants to the ecosystem. It would be the only available commercial space for small, medium, and large companies.

We kicked off construction on Valentine's Day 2007 and delivered the East Tower in 2010.

About a year later, we were fully leased, and we started the West Tower, which is now approximately 70 percent leased.

We also recently announced the closing of $51 million in capital commitments for the Accelerator Corporation, a leading investment vehicle for early-stage companies, as it expands from Seattle to its second flagship location at the Alexandria Center in NYC. The Accelerator will infuse strategic venture capital, entrepreneurial leadership, and critical product development capabilities into the New York City life science cluster.

How critical is it to be creative with the amenities you're offering?

Alexandria's creative work/live/play campuses enhance collaboration and productivity, which result in higher tenant occupancy, longer lease terms, increased returns, and greater long-term value.

We developed a beautiful site on the East Side Medical Corridor of New York City, but to bring people in, we had to create a destination. We felt a state-of-the-art digital conference center would be critical. We also built a fully equipped, 24/7 fitness center. We have celebrity chef Tom Colicchio's Riverpark restaurant and 'wichcraft sandwich shop on campus in addition to New York City's largest urban farm. These elements have contributed to a vibrant campus, an exceptional tenant base, and internal expansion requests.

We have created similar ecosystems in Boston/Cambridge, San Diego, and Mission Bay.

How broad is your tenant client base?

Each of our urban innovation clusters merges the science and technology sectors. The high quality and diversity of our tenant base drives stable cash flows and strong property values.

Across our markets, we have tenants ranging from large, multinational biopharmaceutical companies and emerging biotechs to digital health accelerators and pure technology companies. We also have government client tenants – in Maryland, we work with the NIH and just delivered their new translational research center – as well as leading academic institutions, nonprofits, and blue chip venture capital firms. It's important to draw a wide range of scientific and technologically driven entities into our clusters.

So we cater to a broad range of clientele.

What are your key priorities going forward?

Next year, we're likely to exceed $10 billion in total market cap, so we're big and growing. We have more than 200 employees, we're highly efficient, and our margins are among the highest in the industry. We will continue to make sure that our locations are the best, our talent is trained and incentivized, our tenant base is well cultivated, and that our balance sheet is solid. ●

