

New Jersey | Midyear Edition 2018

Life Sciences Spotlight

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Introduction

Welcome to the midyear edition of the Avison Young New Jersey Life Sciences Specialty Practice Group's Newsletter. This newsletter is designed to share information about important events in New Jersey's life sciences industry from both business and real estate perspectives. Our goals are to keep life sciences executives and decision makers apprised of how evolving trends in life sciences are impacting real estate; how the New Jersey real estate market is addressing these trends; and how life sciences tenants can better understand and identify cost saving opportunities in an otherwise expensive state for doing business.

The Perspectives of Daniel J. O'Connor, CEO of OncoSec Medical

We are pleased to include an article about relocating to New Jersey, written by our featured New Jersey Life Sciences Executive, Dan O'Connor:

When I took the helm at San Diego-based OncoSec Medical last November as its new president and chief executive officer, one of my mandates was to identify efficiencies and improve workflow. In this regard, moving the executive offices to New Jersey became a clear imperative as it provided an opportunity to not only improve OncoSec operationally, but strengthen the company, as well.

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Perspectives (Cont.)

In practical terms, relocating our executive operations to New Jersey availed OncoSec to an array of assets that benefit many of the life science companies that call the "Garden State" home. Due to the number of pharmaceutical and biotech companies located around the state and in the region, there is access to a robust employee base from which to find high quality candidates. There is also the potential to establish collaborations and deals among many clinically-focused companies being in such close proximity of each other.

No other state in the country has such a high concentration of drug development companies and experts. Aligning all of these interests and providing a forum for collaboration is BioNJ, one of the most influential biotechnology organizations in the country. BioNJ's charter is to advocate with state and federal agencies to encourage growth and provide incentives to enable New Jersey's biotechnology industry to thrive. Immediately upon relocating to New Jersey, OncoSec became an active participant in BioNJ, and we are already reaping the rewards.

There was also a key financial benefit to OncoSec in moving to New Jersey - the state's Economic Development Authority's Technology Business Tax Certificate Transfer Program. Known in the state as NOL, this program is focused on assisting technology and biotech start-ups by enabling such companies to sell a percentage of net operating losses and R&D tax credits to unrelated profitable corporations in return for working capital. For a biotechnology company like

OncoSec, the additional cash enables us to more rapidly advance our clinical trials and enhance our value potential.

Another, perhaps less conventional consideration for OncoSec in our move was the abundant portfolio of older buildings peppered in smaller towns and villages throughout New Jersey that can be repurposed for executive offices.

For example, our new corporate headquarters sit in an unlikely location...in the heart of the Borough of Pennington. Rather than your standard glass, steel and concrete office building, OncoSec's headquarters are located in a clapboard structure that once served the borough as a town hall and fire station.

Oftentimes, renovation of older industrial-style facilities costs less than new construction and helps to preserve the historic character of the local real estate scene. This also presents excellent opportunities for municipalities to remove the potential blight of rundown buildings from their town landscape and restore ratables to their tax rolls; not to mention the increased commerce that buildings filled with workers can bring to local shops and restaurants.

At some point, we may consider moving our research facilities to New Jersey given the rich resources the state has to offer. But for now, we are focused on advancing our pipeline of potentially groundbreaking cancer immunotherapies.

Newsworthy Events

■ Governor Murphy, the NJEDA and Johnson & Johnson Advance the Hub in New Brunswick¹

- The Hub, to be in New Brunswick, is envisioned as a new center for innovation and research
- The 12-acre site, adjacent to the New Brunswick train station, is owned by the city, will be developed by the New Brunswick Development Corporation ("DevCo") and is approved for up to 4 million square feet of commercial development
- In summary, the Hub has the potential to:
 - » Become a pipeline for life sciences talent
 - » Restore New Jersey's place in the Innovation Economy
 - » Accelerate the growth of New Jersey's life sciences sector
 - » Lead the way toward revitalizing New Jersey's cities by maximizing New Brunswick's potential based on its access to mass transit, its status as the home of Rutgers University and global pharmaceutical and life sciences business
 - » Create construction, research, biotechnology, and corporate jobs
- Johnson and Johnson, headquartered in New Brunswick, is negotiating to become the Hub's first tenant, planning a 35,000 to 40,000 square foot incubator to be operational by 2019

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Newsworthy Events (Cont.)

■ Governor Murphy, the NJEDA and Johnson & Johnson Advance the Hub in New Brunswick¹ (cont.)

- The NJEDA and DevCo are now preparing a preliminary assessment and strategy, reviewing existing operating models and best practices, establishing financial models and developing high-level value propositions and partnership arrangements

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A successful innovation economy requires strong public-private partnerships and a focus on talent, capital, and real estate. Through today's actions, the EDA is helping to advance this vision to reclaim New Jersey's leadership in innovation.

”

**NJEDA Chief Executive Officer
Tim Sullivan**

“

“For too long, New Jersey has been left out of the growing national innovation economy. By creating a site where high-growth industry can thrive, New Jersey will begin to foster new ideas and take advantage of the once-in-a-generation chance to remake the state as an engine of economic opportunity.”

”

Governor Phil Murphy

■ Princeton Innovation Center Biolabs Opens²

- In partnership with Massachusetts-based BioLabs, the Princeton Innovation Center BioLabs opened on May 17th
- This more than 30,000-square-foot facility, located at 303 College Road East in Princeton, can house approximately 25 startups for up to 200 people
- So far, eight companies have been admitted into the Princeton incubator
- To date Biolabs has started eight incubators, helping to launch more than 200 companies and creating hundreds of jobs in the life sciences and biotechnology fields.

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Supporting these people is important because these are the inventions of the future. A long time ago, we said ‘well we’ve invented the car in the Model-T and there is nothing else to do.’ Now we have sent people to the Moon and eventually to Mars, so there’s always that next step of what is coming next. It is so exciting to see these future technologies developing, the possibilities of them. All of them won’t be successful, but some of them will be and some of them will change the world.

”

**Executive director of the Princeton Entrepreneurship Council,
Anne-Marie Maman**

“

When it comes to the economic development side ... this is one area in New Jersey that we have felt for a long time that is lacking. So to ramp up our offerings and our company creation will just make us an even stronger ecosystem.

”

**President and CEO of BioNJ,
Debbie Hart**



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Newsworthy Events (Cont.)

■ New Jersey Develops Database to Provide Information About New Jersey's Research Assets³

- New Jersey has embarked on an initiative to further its standing as a focal point for innovation, drawing on the research and development happening across five of its large universities, "Research with New Jersey"
- Utilizing Elsevier's research information management expertise and bibliometric data, Research with New Jersey will provide a comprehensive window into the state's research assets, giving potential businesses, funders, existing industry bodies, and the public a comprehensive overview of the research expertise and capabilities available in the region
- Working together, the New Jersey Office of the Secretary of Higher Education (OSHE) and the New Jersey Economic Development Authority (EDA) created the Research Asset Database (RAD)
- A Board was established, including industry representatives from the New Jersey Business & Industry Association, Choose New Jersey, BioNJ, the Healthcare Institute of New Jersey, the Research and Development Council of New Jersey, and the New Jersey Tech Council
- OSHE and EDA will serve as staff to the Board, as well as representatives from the five pilot universities: Princeton; Rutgers, The State University of New Jersey; the New Jersey Institute of Technology; Rowan University; and the Stevens Institute of Technology
- The database is powerful, flexible and implemented at each university, allowing for integration at the campus level with other systems, along with university level curation and control of data
- At launch, Research with New Jersey will showcase the state's leading research experts and facilities, enhancing the visibility of research output, and increasing opportunities for collaboration

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Our motivation is really to stimulate an innovation ecosystem here in New Jersey for our STEM industries. You have Silicon Valley, the research triangle – these places are known for their culture of entrepreneurship. We want to make people aware that we have so much here in the state of New Jersey that businesses don't know about. We want them to think, 'Hey, why are we moving out to Silicon Valley when we have – for example – great biotech researchers in the state.”

**State Project Director for
the New Jersey Economic Development Authority,
Eli Khazzam**



Grow New Jersey Awards

■ Integra Life Sciences Receives Grow New Jersey Incentive Award⁴

- The New Jersey Economic Development Authority, through its Grow New Jersey program, approved Integra Life Sciences Corporation's application for a Grow New Jersey Award
- Integra was awarded \$17.8 million in tax credits and in return will create 80 new jobs and retain 608 jobs in the state
- Integra will consolidate and relocate to 166,961 square feet at 1100 Campus Road in Plainsboro, a building formerly occupied by Novo Nordisk
- The property will include 8,000 square feet of Research and Development space

■ Teva Pharmaceuticals Awarded \$40 Million in Tax Credits⁵

- The New Jersey Economic Development Authority also awarded Teva Pharmaceuticals \$40 million in tax credits to encourage Teva to relocate its US headquarters from Pennsylvania to Parsippany
- If Teva makes the decision to relocate to Parsippany, it would bring 843 new jobs to New Jersey while saving another 232 jobs

Footnotes:

- 1 State of New Jersey Website, GlobeSt.com (5/14/18), (NJBIZ (3/22/18)
- 2 NJBIZ (4/23/18)
- 3 Elsevier Website, NJEDA Website
- 4 NJEDA Website
- 5 Real Estate New Jersey.com

Key Real Estate Statistics

AYNJ's Life Sciences Specialty Practice Group maintains an ongoing, dynamic database of lab, R&D and manufacturing real estate, either in use by, or suitable for, life sciences industry tenants. Our current inventory consists of 102 properties, with key metrics as follows:

- The inventory totals **9.2 million square feet** of life sciences space
- This includes **3.2 million square feet** of available space for an availability rate of **34.8%**
- The average asking rent for this available space is **\$17.17 NNN** per square foot
- The maximum amount of contiguous space available is **857,572 square feet**

Recent Life Sciences Real Estate Transactions

Tenant	Transaction Type	Square Footage	City
Amneal	Expansion	40,000	Bridgewater
Celgene	Expansion	107,710	Warren
Dermaceutical Labs	Relocation	46,000	Saddle Brook
Genewiz	Expansion	34,000	South Plainfield
Hemispherx Biopharma	Relocation	62,600	New Brunswick
Innovative Science Solutions	Renewal	3,237	Morristown
Integra Life Sciences	Relocation	166,791	Plainsboro
Melinta Therapeutics	Relocation	22,160	Morristown
Nova Rock	Relocation	2,327	Monmouth Junction
Oncobiologics	Expansion	21,274	Cranbury
Oncosec	Relocation	3,000	Pennington
Prosidyan	Relocation	10,055	New Providence
Remetronix	Relocation	9,290	Clifton
Scynexis	Relocation	19,275	Jersey City
Vertice Pharma	Expansion	12,733	Bridgewater

Indicative Life Sciences Construction Cost Ranges

- Because New Jersey is a comparably expensive state in which to do business, we are committed to understanding the many layers of occupancy related costs and finding ways to help our clients operate more cost effectively and maximize the value of their capital investments in real estate
- In doing so, we keep abreast of key construction related costs, including the costs associated with building new R & D facilities, as well as renovating R&D facilities
- Below you will see such cost estimates for 3 types of R&D facilities commonly found in New Jersey:

Type of R&D Facility	New Facility Cost Range Per RSF	Renovated Facility Cost Range Per RSF
Chemistry Research	\$583-\$644	\$415-\$518
Biology Research	\$535-\$572	\$349-\$430
Analytical Chemistry Research	\$445-\$494	\$304-\$355

About Avison Young

Founded: **1978**

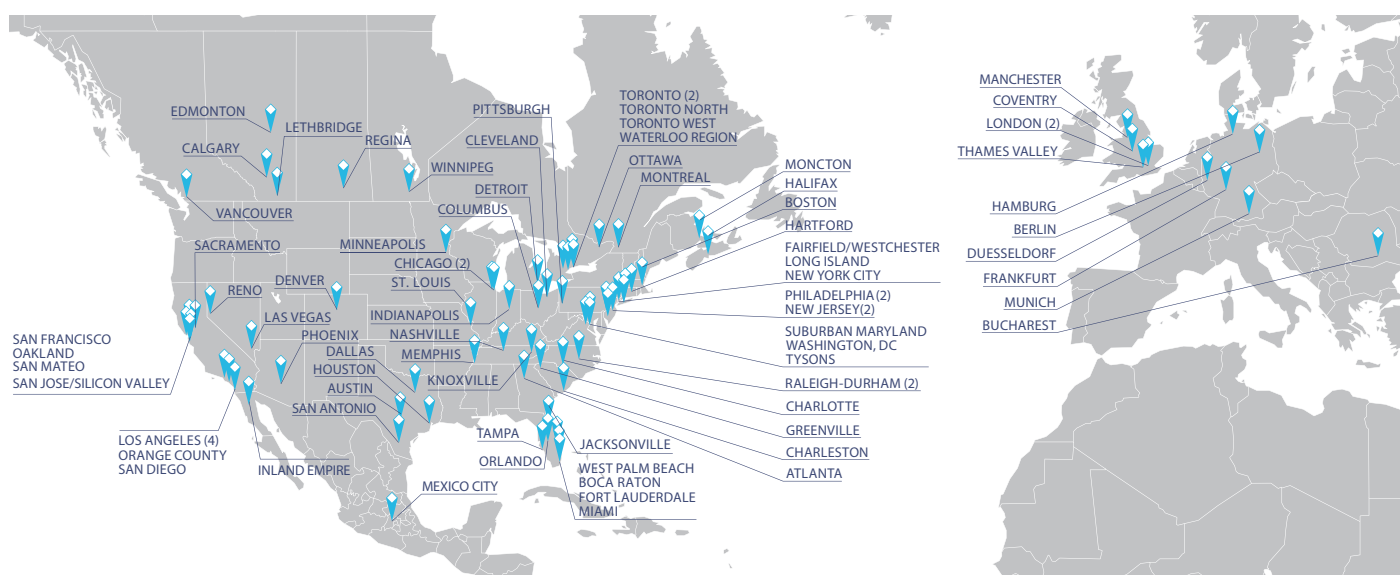
Total Real Estate Professionals: **2,600**

Offices: **84**

Brokerage Professionals: **1,100**

Property Under Management: **110 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,600 real estate professionals in 84 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial, multi-family and hospitality properties.



About Avison Young's Life Sciences Specialty Practice Group

AY's Life Sciences Specialty Practice Group provides multi-disciplined expertise aligning business goals with real estate solutions while addressing complex technical challenges. Real estate requirements for Life Sciences companies are technically complex, capital intense and atypical for real estate service providers whose principal focus is office or warehouse space. Time to market and funding are the crucial factors driving innovation and successful new pharmaceutical product launches, which in turn, require laboratories, vivaria, pilot plants and manufacturing facilities. Avison Young's Life Sciences Specialty Practice Group brings a diversely credentialed team of real estate professionals who understand the pharmaceutical product life cycle as well as the technical complexities that can create significant budgetary and scheduling risk. AY's Life Sciences team members have successfully addressed these risks that surround real estate decision making throughout all phases of the product life cycle and across all technical aspects of planning, designing, engineering and constructing any type of Life Sciences space.

Avison Young's Life Sciences team's unique approach to the strategic and technical challenges clients face when engaging the real estate process is anchored in the team's individual and collective life sciences

experience and broad-based expertise. The centerpiece of this approach is how we integrate our clients' technical and financial requirements into the deal negotiation process, ensuring these requirements are incorporated accurately into the transaction documents. This fully integrated process enables our team to develop innovative strategies with credible budgets and schedules at early transaction stages, encumbering clients with the facts needed to make more fully informed decisions.

As each transaction evolves, our value engineering and budget monitoring capabilities ensure real estate solutions are planned and designed with requisite scalability, and are completed under-budget and on-schedule, thereby optimizing the

clients' real estate assets. This fully transparent, risk averse, "cradle to grave" model creates seamless continuity and allows complete flexibility, maximizing the efficacy of each client's internal resources on either a portfolio or transactional basis.

Services include:

- **Strategic Real Estate Planning**
- **Site Selection**
- **Pre-Lease Budgeting and Scheduling**
- **Lease Negotiation**
- **Site Evaluation Due Diligence Oversight**
- **Consultant Team Selection, Engagement and Oversight**
- **Post-Lease Project Management**
- **Construction Management**



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Intelligent
Real Estate
Solutions

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