

Will biotech industry grow like the dot-com craze?

By Bill Schatzman For the Sun-News
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The crash of the dot-com office market has caused vacancies across the country to enter double digits for the first time since the early 1990s. Landlords and government leaders are now looking for the next expansion market that could help fill these vacant office spaces and help support the tax base of local communities. The next growth market that everyone seems to be counting on is biotech.

Is this a real growth sector or hype?

There is no question that with the rapid advancement in technology, medical advancement is also progressing at an equally-rapid rate. The other positive sign is that this industry already has a solid foundation of established companies that have been around for many years, unlike the dot-com industry where few had a track record.

The dot-com and biotech industries are similar in that both are based on unknown possibilities and are in need of large amounts of venture capital. The dot-com industry also required access to large amounts of office space to handle unknown expansion if they were to succeed; biotech has similar space requirements. The other major similarity is that the founders of both dot-com and biotech businesses tend to be some of our country's most intelligent citizens. The dot-com business founders came armed with master's degrees from the country's finest business schools. The biotech founders are coming into the industry as scientists and doctors from the country's most prestigious medical and research institutions. For the most part, however, both lack the experience to deal with the realities of a highly-competitive business climate.

Already, we are seeing emerging biotech firms spending the majority of their time raising money with less focus on their core business structure. This includes current space requirements and strategies for future growth. Another important aspect to note is that biotech is a relatively new industry with few "tested" managers and a shortage of experienced decision-makers to successfully carry out those business plans.

The other major similarity between dot-coms and biotech is that major cities have not addressed zoning issues regarding biotech. For example, in the early days of the dot-com revolution, many metropolitan cities were faced with limitations on growth of office space due to the passage of an anti-growth measure years before. To address this unknown dot-com market, special zoning classifications were created to handle this market's growth needs. Today, representatives of these regions are excited about wanting to be a biotech capital, but have yet to create a zoning classification to address

what biotech is. Is it office space, industrial space etc.? If a biotech firm wanted to seek a building permit today, they would find that the city building department does not know how to address the permit request.

Another major drawback is that no one firm seems to want to be the "first" to go through the process. With limited time available, new biotech firms do not have the leisure of waiting for cities to figure out how to handle their needs. Landlords hoping to convert dot-com space to biotech are finding lukewarm receptions from City Halls that are faced with political pressures to avoid changing the integrity of existing neighborhoods.

Normally, biotech firms need to be located close to research institutes. Consequently, the winner will be the county or state that creates the easiest and fastest approach to facilitating the establishment of these biotech firms, and that also deals with issues such as parking, expansion and accessibility to services including mass transportation, convenient access to restaurants and other support services.

It is important that city leaders see the need to move quickly and take advantage of the opportunity to create a "biotech capital."

We are fortunate in Las Cruces to have New Mexico State University. I consider NMSU to be a progressive, mission- and vision-driven organization.

Evidence of this is the Arrowhead Research Park on the campus of NMSU. Under the current leadership of NMSU, I believe the future is bright for research clusters to form within the Arrowhead Research Park.

Biotech could well be one of the real bright spots in this challenging commercial real estate market.

While there are indeed many similarities to the dot-com phenomenon, if approached cautiously and with the right degree of scrutiny and security, the biotech boom could be far more lasting in or national and, hopefully, our local economy.

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