

*Alexandria is buyer*

## Veralliance selling 3 biomed office buildings in S.D.

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*The Daily Transcript*

SAN DIEGO — Pasadena-based **Alexandria Real Estate Equities** has announced it is acquiring three San Diego life science buildings from locally-based **Veralliance Properties Inc.**

Two of the properties are the 33,728-square-foot Oberlin Science Center at 5871 Oberlin Drive and the 58,975-square-foot Sorrento Research Facility at 3985 Sorrento Valley Blvd.

The third building, the 66,244-square-foot Carroll Tech Center at 7330 Carroll Road, has already been sold for \$23.3 million (*photo right*).

According to the announcement, Alexandria (Nasdaq: ARE) will bring Veralliance founder and President Daniel Ryan on board, along with "key management and operational personnel... selected operating assets, as well as other interests, together with its broad and deep network."

While the transaction will also include other selected assets and interests of Veralliance, Alexandria was careful not to refer to the transaction as an acquisition or as a merger of the two firms.

Repeated calls to Veralliance and Alexandria officials were not returned Monday or Tuesday, although they did issue a statement.

"This strategic transaction represents a transformative event for our company in the critically important San Diego life science cluster market, which is anchored by a sophisticated talent pool, solid cadre of biopharmaceutical companies, important investment capital base and a deep concentration of leading academic centers, including the University of California, San Diego, the Scripps Research Institute, the Sanford-Burnham Medical Research Institute and the Salk Institute for Biological Studies, among others," said Joel S. Marcus, Alexandria chairman and CEO.

Brian Driscoll, of **Cassidy**

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**Turley BRE Commercial**, added, "It's a strategic move for both companies. The buy is accretive to Alexandria's business plan. Alexandria gets real estate that fits its portfolio and good people. It's really a good match."

Chris Pascale, a **CB Richard Ellis** (NYSE: CBG) senior vice president who has marketed numerous Veralliance properties over the years, said what is happening here is indicative of the consolidation of biotech space firms around the country.

"We have been seeing this for quite some time," Pascale said, adding that he would be surprised if Alexandria was the only biotech real estate interested in Veralliance.

He also added that he expects to see increased biotech REIT acquisitions and mergers in the near future.

The Oberlin Science Center, which was acquired by Veralliance for \$3.58 million in 2002, was originally constructed as an R&D/office building and was reconfigured as a laboratory building the following year.

Tenants include **Phenomix Corp.** and **Organovo Inc.**

Phenomix is a developer of diabetes drugs, while Organovo specializes in the development of tissue repair technology.

In 2001, Veralliance acquired the Sorrento Research Facility, which previously had been home to an **Eastman Kodak Corp.** operation.

Tenants include **PaxVax**, **Caleb Brett** and **Accumetrics, Inc.**

PaxVax specializes in the development of vaccines for various infectious diseases, Caleb Brett is an analytical laboratory and inspection services firm, and Accumetrics is a platelets testing firm.

The Carroll Tech Center was acquired by Veralliance for \$7.6 million in May 2006.

The company renovated the entire building and upgraded the landscaping.

**Pharmatek Laboratories, Inc.**, a pharmaceutical development firm, is the sole tenant.

Veralliance's website said there is about 14,000 square feet of space available in the Carroll Tech Center.

All three properties are expected to be acquired during

2010's third quarter.

Alexandria maintains an asset base approximating 1.7 million square feet as of June 30.

Its portfolio comprises more than 30 life science client tenants including The Scripps Research Institute, Sanford-Burnham Medical Research Institute, **Amylin Pharmaceuticals, Inc.**, **Eli Lilly and Co.**, **Laboratory Corp. of America Holdings**, **Ambrx Inc.**, **Intellikine Inc.**, **Fate Therapeutics Inc.** and **Sapphire Energy Inc.**

Marcus said Alexandria, which has been a life science leader in San Diego for the past 15 years, is very interested in expanding its footprint here.

Veralliance is a corporate real estate company focused on the acquisition, development and management of about 1.4 million square feet of largely life science properties here.

The largest of these is the 450,114-square-foot Campus Pointe development in the University Towne Centre area, which wasn't part of this deal.

Alexandria's client tenants include institutional (universities and independent not-for-profit institutions), pharmaceutical, biotechnology, medical device, biofuels, product, service and translational entities, as well as government agencies.

Alexandria, which has contains 161 biotech properties approximating 12.7 million rentable square feet and five properties of approximately 865,000 rentable square feet under construction.

In addition, Alexandria's existing asset base will enable it to grow to approximately 24.1 million rentable square feet.

Alexandria posted a \$12.22 million loss on \$117.01 million in revenues for the quarter ended June 30 — compared to \$44.11 million in net income for the like period a year earlier.

For the six months ended June 30, Alexandria fared better, with net income of \$6.56 million on \$233.49 million in revenues, but that too was a major decline from \$85.36 million in net income on \$252.59 million in revenues for the like period a year earlier.

Alexandria's stock has traded between \$75.18 and \$45.75 per share during the past 52 weeks.

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