

Life Science to the Rescue

By John Jarvis | Hughes Marino Blog

The Unique Perspective of the Life Science Company During this COVID-19 Crisis

As the leading national advocate for commercial tenants, our team at Hughes Marino is working seven days a week right now to help our clients navigate these unprecedented times. Your company's revenue forecast is suddenly suspect while your expenses are stubbornly fixed. And your real estate cost is one of the big numbers on that damn expense statement.

Interestingly, one group of our customers seems a little less rattled by the current crisis—our biotech clients. They are concerned, to be sure, but these aren't the clients that are coming to us asking us to help them find immediate rent relief. I have some theories as to why this is, and a recommendation.

Theory #1 – Life Science companies are still open for business

Most of our biotechnology clients are still open for business. Counties throughout California have issued Health Orders dictating the mandatory shut down of all but "Essential Businesses." And pharmaceutical and biotechnology companies are deemed Essential Businesses in most of these counties.

These folks are still going to work and conducting, for the most part, business as usual.

Theory #2 – Life Science companies are always tight on cash

It takes a certain person to run a life science company. Brilliant for starters, in science and medicine and business, a rare trifecta. It also requires a certain bravado, or undaunted courage, as most biotechs survive on one or two years' worth of cash at any one time, aka their "Burn Rate." These folks are always on the brink of running out of money. And they (mostly) seem to find the money they need for their next round with follow-on investments, provided they are executing on their business plan and hitting their milestones.



Theory #3 – Life Science is the answer to the problem we all face right now

We are in the midst of a global pandemic. A previously unknown pathogen is spreading rapidly through our global population. What we need right now are diagnostic tests, treatments, vaccines and cures. This is the business of biotech, and we should all be grateful for the brilliant minds currently working the problem. We will get through this, and we will owe a debt of gratitude to the scientific community and biotech companies in particular. Life science isn't suffering, it is in the spotlight.

A Suggestion

And here is the thing. I don't think the biotechnology companies are immune to the financial crisis we are in. I am concerned that those follow-on investments may be harder to secure, and perhaps at lower valuations as the venture capital firms, whose investment portfolios have seen a



massive decline almost overnight, take a hard look at where their money is going and perhaps get a bit stingy with their remaining cash on hand (just like the rest of us).

My suggestion—talk to us about your real estate spending. The life science sector is going to see declines in real estate pricing just like the rest of the market. It may feel like business as usual, but it is not. Hughes Marino was built for this. Talk to us.

Working together, let's extend your burn rate and buy you some time. We need you to keep the lights on in the lab, and we need you to continue working the problem until answers are found.

Our message to the life science community—keep up the good fight. We appreciate you. And we need you now more than ever. □

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