



Courtesy: Rubenstein Partners LP/Vision Real Estate Partners

PTC Therapeutics will occupy 360,000 square feet at 400 and 500 Warren Corporate Center Drive in Warren after a build-out that will include offices, collaboration and conferencing spaces and research laboratories.

GOING RETRO

Experts: Office conversions offer potential for supply-starved lab users, despite challenges

By Joshua Burd

The arrival of PTC Therapeutics will mark another chapter for the sprawling office campus known as Warren Corporate Center, where the fast-growing biopharmaceutical firm will occupy 360,000 square feet for not only its headquarters, but a large laboratory facility.

For the team of Rubenstein Partners LP and Vision Real Estate Partners, the lease is further validation of a property they acquired in 2016, banking on its location and the high-quality infrastructure passed down by the likes of Lucent Technologies and Citigroup.

"It's really built to an extremely high standard," said Sam Morreale, founding and managing partner of Vision Real Estate Partners. "I think we saw that as the joint venture and



Sam Morreale

we knew that we could amenitize this property and make it more interesting for multi-tenancy of any kind — and then have effectively the right real estate there for us to capitalize it and be able to deliver whatever a specific tenant wanted."

PTC will occupy two of the campus' five buildings, using roughly two-thirds of its footprint for lab space. And it's perhaps the highest-profile example to date of a life sciences user that is converting an office building, in a state that has a dearth of high-quality, move-in-ready lab and research facilities, despite strong demand for the last several years.

That trend is poised to continue, experts say, assuming pharmaceutical and biotechnology firms can find office buildings that are viable candidates to be repurposed.

"It's being done more and more, from what we can see in the current environment," said Greg DeMarco, president of Rock Brook, a Monroe-based engineering firm. The practice has seen a 40 to 50 percent uptick in recent years in office-to-lab conversions, which require heavy duty mechanical, electrical and plumbing upgrades, but is still a faster and more cost-effective option than ground-



Greg DeMarco

up development. According to DeMarco, those upgrades include the use of larger and more sophisticated HVAC equipment, given that research facilities cannot use recirculated air like an office building would, along with expansive ductwork to support increased airflow. Older office buildings also need a significant upgrade to their electrical service, he added, given the requirements of lab and manufacturing equipment.

DeMarco estimates that MEP work for such a project could amount to more than 50 percent of the overall costs, versus around 30 percent for a traditional ground-up lab facility. That's not to mention the added focus on structural engineering to support the extra weight of new air handling equipment and other infrastructure.

"All office buildings are not alike, so it is important to take a good look at it," he said, noting that floor-to-ceiling heights are also critical. "You're not going to get away from the mechanical issues because office buildings just don't have the mechanical equipment to support labs."

Rock Brook is spearheading an office-to-lab conversion in Plainsboro, at a former Bristol-Myers Squibb campus on Scudders Mill Road, on behalf of Genmab. That assignment follows a highly acclaimed project in Florham Park, where the firm helped Celularity repurpose a 150,000-square-foot office building as a pharmaceutical manufacturing space, with more likely to come.

That's not to say that every office building is a suitable match, insiders say. They also caution that, at least for now, most conversions in the state are tenant-driven, given the substantial expense of building out high-end lab and R&D space. That's made it tough for New Jersey landlords to justify speculative projects, adding to the supply and demand imbalance in the asset class.

"I would say it's a growing trend in other markets," said Jason Benson, a broker and senior vice president with JLL, adding: "It's now just starting to materialize in New Jersey, due to the increased demand

that we've seen in the last 18 to 36 months, as well as the lack of supply. There really has not been any new speculative life sciences development."



Jason Benson

A team of professionals is now building out PTC's space at Warren Corporate Center, where it will join Everest Reinsurance Co. after the latter's 316,000-square-foot lease

in 2019. Both commitments follow Vision and Rubenstein's sweeping overhaul of the five-building, 820,000-square-foot campus off Interstate 78, which was punctuated by a new ground-up, high-end amenity center that helped augment its Class A office buildings and existing infrastructure such as an on-site electrical substation.

Stephen Card, a principal at Rubenstein, said those efforts helped the property appeal to a larger user like PTC and stand out from a second-generation,

multitenant pharmaceutical campus.



Stephen Card

"There's not a lot of opportunities to have your own mini lab campus, especially in the condition that we were delivering the buildings," Card said. "Obviously, we have to go through the tenant fit-out, but I think it's rare to find that kind of real estate off the shelf." **RENU**



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