



CBRE
GLOBAL RESEARCH AND CONSULTING

SPECIAL REPORT

Global Health Organizations

A White Paper for Global Health Facilities

April 2012



CBRE

Global Health Organizations are non-profit organizations and academic institutions aimed at addressing disparities in health around the world through scientific innovation and the development and delivery of indiscriminate life-saving technologies.

INTRODUCTION

The rapid scale up of the Bill and Melinda Gates Foundation over the past decade has catalyzed a rich network of global health and international development organizations. During the five-year window from 2003 to 2007, for example, the annual flow of funds from public and private institutions for global health grew by nearly US \$11 billion. The rise in resources has affected not only the institutional landscape in global health, but also the methods through which global health organizations (GHOs) increase cooperation across sectors and partner at scale.

Central to the growth of this industry is the continued collaboration among its many research institutions and public and private scientific enterprises. GHO leaders from Singapore to London are increasingly interested in solutions which address the inequitable burden of disease by facilitating closer scientific association.

With particular emphasis on Seattle, Washington - where leaders are touting the industry as a centerpiece for future economic growth on par with software and aerospace - this white paper showcases the momentum behind this arena by addressing one smaller piece of the puzzle, namely what can be done from a real estate perspective to encourage increased collaboration and innovation among GHOs. By reflecting on real-world examples from various global health hubs, we will suggest ways for GHOs to control costs and think about the important role that space plays in advancing business.

By partnering together, I believe we will soon celebrate life-saving breakthroughs in global health.

Ken Stuart, PhD., President
Seattle Biomedical Research Institute

The Infectious Disease Research Institute (IDRI) is a founding partner of the Lilly TB Drug Discovery Initiative, a public-private partnership whose mission is to accelerate early-stage TB drug discovery. Founded with Eli Lilly and Company and the US National Institutes of Health, the Initiative includes representatives of government agencies, philanthropic organizations, pharmaceutical companies, universities and other research institutions.



Photo courtesy of PATH/Mike Wang

BENEFITS OF PROXIMITY

Whether in Beijing, Kampala, Washington, D.C., Geneva, or some other global health “hot spot,” GHOs tend to cluster their headquarters and administrative offices in relatively small geographic areas. In each of these GHO clusters, we continue to hear from clients eager to explore the potential advantages of increased proximity and, in some cases, shared facilities solutions that would facilitate closer partnership and productivity. This stems from the common sentiment among GHO leaders that better results will come from aggressive collaboration, not competition.

WHAT IS A GLOBAL HEALTH CENTER?

Generally, a global health center envisions a facility shared among several common GHOs, where the individual organizations have their own office space and distinctive brand identity but where expensive technical



Photo courtesy of Ralph Munro, Seattle Rotary

infrastructure is utilized collaboratively. In this context, a global health center could reside in a single building or in multiple facilities within reasonable walking distance or public transit access of one another, allowing for independent operations while providing access to sometimes prohibitively expensive laboratory or production facilities. With a core group of innovators, a global health center could enhance the coordination process required to take a vaccine from discovery to testing to delivery. Moreover, some GHOs utilize only a



Photo courtesy of MaRS Centre

The MaRS Centre

Situated in Toronto's Discovery District, the MaRS Centre is a prime example of an independent, collaborative facilities enterprise that fosters innovation and cross-fertilization among players from industry, life sciences and other tech start-ups, government and capital providers. Phase I of the MaRS Centre is a 700,000 square foot mixed-use project with flexible lab facilities, state-of-the-art office space, a full conference center and shared meeting places for its tenants. Since it opened in 2005, the MaRS Centre has generated significant revenues to support a range of core mission-driven activities aimed at building the next generation of Canadian technology companies. These activities include offering business advice and mentorship, providing market intelligence, entrepreneurship education, seed capital and access to critical talent, customer and partner networks.

portion of their laboratory space. When combined in a shared facility, however, improved utilization rates lead to improved density rates and cost-per-employee figures.

A successful global health center is a contingent of three essential ingredients: a surplus of talent, an ingrained cooperative spirit, and a coalition-building organization focused on raising capital. Fortunately for Seattle, two of three ingredients are prevalent: talent and a cooperative spirit. But to move from concept to

The MaRS Centre in Toronto, Canada



a bona fide global health center, there needs to be capital behind the innovation.

The MaRS Centre in Toronto, Canada stands as an example of what can happen when the three legs of the enterprise work together to support the project. The MaRS Centre recognized the level of scientific talent in the Toronto region, asked what could be done to encourage and capitalize on that talent, and raised the funds required to build a project which reinvests in and supports the city's scientific community.

Whereas the MaRS project involves multiple players, the same concept can be applied to just two organizations. For instance, the World Health Organization partnered with the United Nations Joint Program on HIV/AIDS. They needed larger office spaces, and by working together, they were able to share a conference room with translator booths, meeting rooms, and a cafeteria with seating for 200. By sharing these amenities, they were able to manage costs and interact more smoothly.



Photo courtesy of MaRS Centre



Photo courtesy of Charles Spierer/CBRE

WHO/UNAIDS

Based in Geneva, Switzerland, the UNAIDS has grown constantly since its inception. In the early years of the new Millennium, UNAIDS urgently required new and larger office premises. In coordination with the WHO, UNAIDS conceived a project to provide 480 work places and offices for both the WHO and the UNAIDS. With guidance from CBRE, the two partners coordinated an international competition that resulted in the 149,000 SF building, completed in October 2006.



Photo courtesy of Aeras Global TB Vaccine Foundation

Aeras Global TB Vaccine Foundation

Aeras Global TB Vaccine Foundation is working with partners in Africa and Asia to develop safer, more effective, and affordable new vaccines to prevent and ultimately eliminate tuberculosis. Aeras decided to install its own manufacturing facility on-site rather than rely on external contract manufacturers. Although this entailed a complex design and construction process, this capacity now gives Aeras greater flexibility and control over cost, which is integral to their mission.

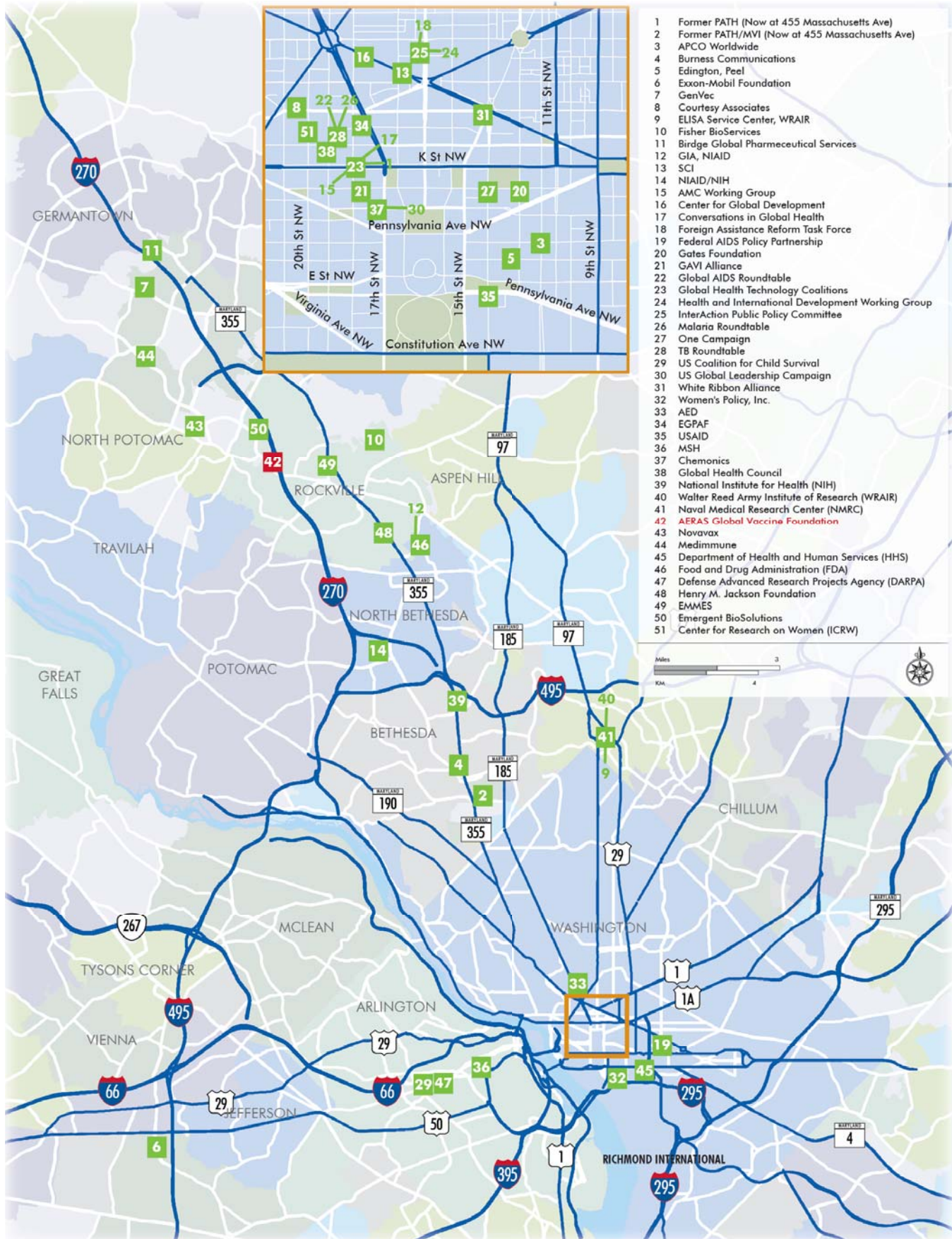
INNOVATING BETTER COST CONTROL MEASURES

To the extent that collaborative facilities accelerate results, improve operations, and lower costs, we wholeheartedly endorse them. However, many GHO leaders find other creative ways to manage costs without compromising their interaction with key partners.

In the Washington D.C./Baltimore global health cluster, there are more than 60 GHOs.

One of these, the Aeras Global TB Vaccine Foundation, is harnessing the latest biomedical breakthroughs to help prevent and ultimately eradicate tuberculosis, a disease that takes almost two million lives each year. Situated in the “tech corridor” near other partners, Aeras elected to develop its own manufacturing facility that enables it to fill 5,000 vaccine vials per day.

Washington, DC Metro Area - Global Health Cluster



- 1 Former PATH (Now at 455 Massachusetts Ave)
- 2 Former PATH/MVI (Now at 455 Massachusetts Ave)
- 3 APCO Worldwide
- 4 Burness Communications
- 5 Edington, Peel
- 6 Exxon-Mobil Foundation
- 7 GenVec
- 8 Courtesy Associates
- 9 ELISA Service Center, WRAIR
- 10 Fisher BioServices
- 11 Birdge Global Pharmaceutical Services
- 12 GIA, NIAID
- 13 SCI
- 14 NIAID/NIH
- 15 AMC Working Group
- 16 Center for Global Development
- 17 Conversations in Global Health
- 18 Foreign Assistance Reform Task Force
- 19 Federal AIDS Policy Partnership
- 20 Gates Foundation
- 21 GAVI Alliance
- 22 Global AIDS Roundtable
- 23 Global Health Technology Coalitions
- 24 Health and International Development Working Group
- 25 InterAction Public Policy Committee
- 26 Malaria Roundtable
- 27 One Campaign
- 28 TB Roundtable
- 29 US Coalition for Child Survival
- 30 US Global Leadership Campaign
- 31 White Ribbon Alliance
- 32 Women's Policy, Inc.
- 33 AED
- 34 EGPAF
- 35 USAID
- 36 MSH
- 37 Chemonics
- 38 Global Health Council
- 39 National Institute for Health (NIH)
- 40 Walter Reed Army Institute of Research (WRAIR)
- 41 Naval Medical Research Center (NAMRC)
- 42 AERAS Global Vaccine Foundation
- 43 Novavax
- 44 Medimmune
- 45 Department of Health and Human Services (HHS)
- 46 Food and Drug Administration (FDA)
- 47 Defense Advanced Research Projects Agency (DARPA)
- 48 Henry M. Jackson Foundation
- 49 EMMES
- 50 Emergent BioSolutions
- 51 Center for Research on Women (ICRW)

INNOVATING COST SAVINGS THROUGH EQUITY PARTICIPATION

“Participation leases,” through which a tenant is granted either a portion of a building’s annual operating profits which can be used to offset occupancy costs, or a share in a building’s long-term appreciation, come in a variety of shapes and sizes. GHOs are well positioned to take advantage of all types: the MaRS-like mission-driven agreements which dedicate funds to the development of the tenant’s core business through mentorship and seed capital, or the strictly financial agreements which allow GHOs to benefit from outright ownership while mitigating the risk associated with development.

Prudent GHOs should explore the gamut of financial participation leases, from formal joint ventures to special or phantom equity participation leases. The table opposite illustrates the long-term benefits of a hypothetical “special” participation lease in a global health center relative to a standard ten-year leasehold. Over the ten-year life of the lease, a GHO that is a 5 percent special equity lease participant and which successfully avoids an initial equity investment is able to offset a substantial portion of operating costs:

a savings which simply cannot be ignored by global health leaders who act as stewards of donor funds.

In Seattle’s South Lake Union, the nexus itself serves as a kind of global health center, a hub of activity where GHOs can interact with one another and partner on projects with greater ease. There is a palpable buzz in and around South Lake Union, now formally designated a “Global Health Innovation Partnership Zone” - an official federal designation that triggers grant systems for research, development and commercialization of global health technologies. These partner adjacencies promote great collaboration among GHO partners.

More Than \$5 Million Saved

10 YEAR LEASE COSTS (DOLLAR PER SF)

	Standard Lease	Special Equity Participation Lease
Avg Base Rent	\$33.75	\$33.75
Avg OpEx & Parking	\$14.00	\$14.00
Avg Participation Cash Flow	-	\$5.24
Effective Annual OpEx	\$14.00	\$8.76
10 year lease Net Present Value (NPV)	(\$47.1 million)	(\$41.9 million)

Seattle Biomedical Research Institute

Seattle BioMed, an early pioneer in Seattle’s South Lake Union neighborhood, structured its occupancy in a new facility with a joint venture. By teaming with a developer that possessed high credit and understood real estate, Seattle BioMed created for itself a kind of “borrowed” balance sheet, mitigating some of the construction and development risks associated with a new project. Seattle BioMed recovers about 9% in rent paid through its joint venture arrangement.



Photo courtesy of Seattle BioMed

One global health catalyst that is new to the neighborhood, PATH, has taken an added step in managing costs and promoting greater collaboration by managing change in its

internal environment. By using work stations and an open plan rather than private offices, PATH shifted its culture from a closed office environment to an open office one.

Seattle Global Health Nexus





Photo courtesy of Roy Mann/CBRE

PATH

PATH is an international non-profit organization that creates sustainable, culturally relevant solutions, enabling communities worldwide to break longstanding cycles of poor health.

For its global headquarters, PATH evaluated each of its real estate decisions using the “three pillars”: advance PATH’s brand, attract and retain top talent, and remain great stewards of donor resources.

Changes in global financial markets in late 2008 and the termination of a commitment by Microsoft to lease 2201 Westlake, a new 320,000 square-foot, mixed use project still under construction in Seattle, presented a unique and previously unattainable opportunity.

As a result of its careful diligence, PATH secured a lease for 112,500 square feet that commenced in January of 2010, resulting in a durable long term solution that enabled PATH to better manage facilities costs in a sustainable, energy efficient building.

CONCLUSION

GHOs face a conundrum. Millions of dollars and millions of lives are at stake. GHOs, by definition, are outwardly oriented and thus are naturally thrifty, wanting to allocate the greatest amount of resources into the field. But in order to accomplish this, there is an equally important need to be internally oriented and strategic about managing expensive facilities costs more efficiently.

Given the fact that real estate is typically the second largest annual cost for GHOs, it is critical that each GHO, large or small, exercise a measure of innovation with their administrative offices and laboratory facilities - whether shared with partners or independently operated but located in a common geographic area with other partners.

Seizing this opportunity will require nothing short of a worldwide effort in cooperation and coordination, and a pioneering ability to work across boundaries.

Photo courtesy of PATH/Mike Wang



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CBRE GLOBAL RESEARCH AND CONSULTING

CBRE Global Research and Consulting is a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate occupiers and investors around the globe.

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