

# Biotech Industry Continues to Grow

By Martin C. Daks

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New Jersey's biotechnology industry has grown at an impressive pace despite the twin threats of a generally slow economy and a global credit crunch, according to a June industry report. But a pullback in early-stage funding, the high costs of operating in New Jersey and other issues could knock some of the wind out of the industry.

The New Jersey Biotechnology Industry Survey was issued by BioNJ, a Trenton-based industry organization, and by accounting firm **Ernst & Young**. It presents a snapshot of the state's biotechnology industry.

The study, which focused on publicly held companies, primarily compares 2007 and 2005 results, since a different accounting firm conducted the 2006 report.

"Generally speaking, New Jersey biotech executives are optimistic," says **Debbie Hart**, president of BioNJ. "There are concerns about whether the budget deficit will affect state assistance to biotechs, and across the industry there is some worry over developments like the virtual disappearance of initial public offerings [as an exit strategy for venture capitalists]. But overall, we believe that biotechs have a growing future in New Jersey."

Biotech companies have become hot properties as pharmaceutical companies, which are seeing their patents expiring, search for new investments that may yield blockbuster drugs.

Currently, there are 238 biotech companies in New Jersey, up from 226 in 2006, according to BioNJ.

As the number of biotechs increases, the number of people working at the publicly held companies has grown to 6,115 in 2007, up from 5,824 employees in 2005, according to the report. Each biotech is also expected to hire an average of 20 new employees during the next 12 months.

State biotechs are bringing in more money compared with previous years. According to the report, 32 public companies generated a total of more than \$3.2 billion in revenue in 2007, a 14 percent jump from 2005, when

they took in about \$2.8 billion. Spending also rose during the period, with companies spending a total of about \$1.2 billion on research and development efforts in 2007, up from \$737 million in 2005.

Much of their R&D efforts are directed toward oncology, with 41 percent reporting it as a primary focus. That is followed by infectious diseases, with 22 percent saying it is a primary focus, and autoimmune diseases, which are a primary focus of 15 percent of respondents. New Jersey biotechs are also exploring such areas as neurological and cardiovascular conditions, gene-cell therapy and medical devices.

“Despite disruptions in the credit markets and corresponding volatility in the equity markets, New Jersey’s biotechnology industry is increasing significantly and could be one of the biggest drivers of employment and economic growth in the state going forward,” says **Michael D. Becker**, chairman of BioNJ, and chief executive officer of **VioQuest Pharmaceuticals**, a Basking Ridge-based biotechnology company. “Life sciences in general, and New Jersey’s firms in particular, continue to be a hotbed for investment along with merger and acquisition activity—after all, disease is relentless in both good economic times and bad.”

But there are some clouds on the horizon.

In New Jersey and across the nation, early-stage companies are finding it tougher to attract funding for research, notes the BioNJ report. On an industry-wide basis, biotechs are also facing a slower and more demanding approval process.

Further, in a presidential election year, the industry is worried about possible legislation that would allow drug companies to sell biosimilars, or lower-cost, generic versions of biotech drugs. Currently, drug companies can only sell generic versions of chemical-based drugs.

There are local challenges, too, including fears that companies with high-paying drug and biotech jobs may bypass New Jersey for other states that offer lower operating costs, more state incentives, or both.

Last month, for example, Nutley-based **Hoffman-LaRoche Inc.** announced it will move its headquarters and facilities to California, home of **Genentech Inc.**, following a planned acquisition of the outstanding shares of Genentech it does not already own.

As part of the move, Roche says it will close its New Jersey manufacturing facilities, which employ 374 workers, although the company says it will beef up its R&D facilities here.

Roche is hardly the only company to seek greener pastures. Some startup biotechs shun New Jersey because of the state's relatively high taxes and land costs, says **John Boyd**, president of **The Boyd Co.**, a Princeton-based consulting firm that advises startups and expanding companies on site selection.

“When companies [that are setting up new facilities] look at New Jersey, they see high costs for land and high property taxes,” says Boyd. “One biotech firm I recently worked with was considering New Jersey, but decided to go to Research Triangle Park in North Carolina, where costs are much lower. The competition will only get stiffer as the impact of New Jersey's high operating costs becomes more and more important to companies' site selection decisions.”

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