

EXPERT ADVICE

How to Choose the Right Headquarters for Your Biotech Startup

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Choosing where to plant your biotech company's roots is a fundamental question driven by access to capital, talent, and infrastructure. But the pandemic is accelerating a decentralization movement, changing the way companies think about headquarters.

Regions like the Bay Area and Boston in the US, or the UK's golden triangle remain huge draws for biotech companies because they have self-contained ecosystems with all the ingredients that founders need for success. Hubs like these have already built critical mass, spawning a virtuous cycle: these magnet cities draw academic founders with an entrepreneurial spirit to launch their careers because they are places that draw other entrepreneurial academics.

"People come to the area before they have a job," Adam Sciambi says of the Bay Area. Sciambi is a co-founder of South San Francisco-based Mission Bio, which markets single-cell analysis technology.

Once they're in, it's hard to consider leaving the area in search of a better place to launch a company. Sciambi came to the Bay Area for his PhD work at Stanford University, then did his postdoc in the lab of Adam Abate at University of California San Francisco, where Mission Bio was born.

"We were working off of lab money with a research grant, then spun out into an incubator in San Francisco," Sciambi told me. Like many biotech hubs, San Francisco's spinout scene is buttressed by incubators like MBC BioLabs, where Mission Bio started until it outgrew the space.

Having the local resources and guidance to develop the company stepwise was impactful, but there are other meaningful — if less tangible — benefits of being in a biotech startup ecosystem. *"Grabbing coffee with someone else starting a company is also very valuable."*

And although the company eventually drew on a broader pool of investors, Sciambi says the initial access to Bay Area VCs was important in Mission Bio's early days.

Access to private capital also pushed cancer immunotherapy company Immutep to move to Sydney from Melbourne, where its management lived, says CEO Marc Voigt. *"We felt it would suit the company better, from an investor point of view. Sydney was the place to be at the time."*

In 2014, the Australian parent company acquired the original Immutep, founded by French academic Frédéric Triebel and headquartered outside Paris. Voigt says that as the company grew, it was eager to be a global player and wanted to establish European headquarters. But Australia offers a 43.5% refundable R&D tax incentive, and is an easy country to launch clinical trials. Ultimately, the company kept its headquarters in Australia, but its largest office is now in Berlin, which offers logistical advantages in terms of access to manufacturing, partnerships, public funding, and talent.

The question of where to launch a biotech company may still loom large for founders, but the concept is changing. *“What does ‘headquarters’ mean?”* asked Voigt. *“Is it where the CEO sits, where the company is registered? At the end of the day, it’s just an administrative act.”*

Despite the importance of the US market and the draw of hubs like Boston and San Francisco, Voigt told me Immutep has not considered relocating there. *“Some of the costs in the major US hubs are pretty prohibitive to find and rent the right space.”* Voigt didn’t rule out building a US presence in the future, but for the time being he says the company has had no trouble hiring qualified staff — even US citizens — or addressing the US market.

For Mission Bio, it’s clear the costs are justified, Sciambi says. *“It’s the price you pay to be in an area where people are drawn. And I wonder if the talent would be as good elsewhere.”*

Costs aren’t the only intimidating element about headquartering in big hubs: the success of the biotech industry in these regions is a catch-22, says Harpreet Singh, CEO of German cell therapy company Immatics. *“Boston and the Bay Area are great biotech clusters but extremely competitive. Access to talent has become increasingly difficult. For certain areas like cellular manufacturing, the talent pool has been diminishing on the West and East coasts.”*

Immatics spun out of University of Tübingen, and its headquarters and largest site remain nearby. But the company incorporated in the Netherlands before listing on the Nasdaq in 2020. The company has a substantial presence in Houston and Munich, with senior and mid-level leadership spread out at these sites as well as in New York.

Houston isn’t the largest biotech ecosystem in the US, but Singh said it had several selling points, including access to GMP manufacturing

facilities and expertise for developing the company's cell therapies. It also houses strong academic partners in MD Anderson Cancer Center and University of Texas Health. Additionally, the company received a grant from the state of Texas.

Even before the pandemic, many biotech companies recognized that top-down models no longer made sense, which has given them greater latitude in decisions around locating headquarters. *“The actual meaning of ‘headquarters’ in the old sense no longer applies in a modern world. Decision-making is done at these management levels across all sites,”* says Singh.

Voigt agrees. *“The relative importance of centralized headquarters, based on our experience, has been going down, relative to the technical capabilities and infrastructure.”*

Post-pandemic, the overall calculus may change even more for some companies, relegating the notion of headquarters to more of a paperwork technicality. While bench scientists still need to spend time at the bench, that's no longer true for every position at a company. Sciambi, who is Senior Director of Technology & Systems at Mission Bio, says he works from home three days a week, but still sees value in the impromptu conversations and brainstorming that comes easier in the physical office.

Companies founded during the pandemic offer hints of what the biotech headquarters landscape may look like even once it's safe for full-time returns to offices. An example is Flare Therapeutics, a startup based in Cambridge, US, that was founded in 2020 to target hard-to-hit transcription factors. The headquarters decision was driven largely by proximity to Boston-based Third Rock Ventures, which was a major investor, says Flare's Chief Scientific Officer, Robert Sims.

But that wasn't the only factor. *“There's a lot to like, obviously. It's the world's epicenter as it relates to talent,”* Sims told me. The academic ecosystem, led by top-flight institutions like the Massachusetts Institute of Technology, the Broad Institute, and Harvard University, means a level of connectivity with top emerging science as well, he says.

Still, the pandemic changed the landscape, Sims says. Small, young companies may be especially suited to leverage external resources and access talent anywhere. *“We have folks that are virtual, and don't live in Massachusetts — someone is in Canada. You can tap into world-class expertise without having to build internally.”*