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Biotech Players Lead a Boom in Cambridge

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CAMBRIDGE, Mass. — Anyone who knows the history of this town would be surprised to find a fashionable coffee shop on Third Street, with dozens of people walking by. The lattes and chai teas are being sold on a Kendall Square site that had been empty for most of the last 40 years — since factories with names like American Rubber and the Badger Company were razed for a NASA facility that was never built.

Instead, the land lay fallow for decades, even as spinoff companies from the adjacent Massachusetts Institute of Technology transformed the neighborhood into a major research hub.

But now, this corner of Cambridge is at the center of a real estate boom.

"You sit here and you'd never know there's a recession going on anywhere else in the country," Travis McCready, executive director of the Kendall Square Association, said over chai tea recently at Voltage Coffee & Art.

Cranes are busy on eight separate construction sites in this area, and roughly two million square feet of space is being built or renovated or is under city review here. An additional 1.4 million new square feet is committed, and more is expected elsewhere in this city of 106,000, located directly across the Charles River from the city of Boston. If it all gets built, the new investment in Cambridge will come close to $2 billion.

"It's one of the hottest submarkets in the country," said Steven Purpura, managing partner of Richards Barry Joyce & Partners, a commercial real estate firm based in Boston. "Top two or three for sure."

Most of that growth is connected to the biotechnology and pharmaceutical industries, including new buildings for Pfizer and Novartis. Amazon just revealed plans to rent 100,000 square feet here; Google is expanding its footprint by 40,000 square feet; and Microsoft, I.B.M. and Nokia are nearby.

Pharmaceutical companies traditionally preferred suburban enclaves where they could protect their intellectual property in more secluded settings and meet their employees' needs.

But in recent years, as the costs of drug development have soared and R.& D. pipelines slowed, pharmaceutical companies have looked elsewhere for innovation. Much of that novelty is now coming from biotechnology firms and major research universities like M.I.T. and Harvard, just two subway stops away.

"People are putting their pride away and working with who they need to work with," said George A. Scangos, chief executive of Biogen Idec.

Mr. Scangos's company illustrates the trend. When he took the helm at Biogen in 2010, his predecessor had just relocated the company's headquarters to the suburban town of Weston, leaving its scientists behind in Cambridge, a half-hour's drive away.

Mr. Scangos thought the separation was bad for the company, but rather than move the scientists, he decided to bring the company back to town. Biogen is now the anchor tenant of a $500 million, 1.7-million-square-foot development being built by Alexandria Real Estate Equities, on the former urban renewal site. The rest of its 3,500 local employees will occupy a second building nearby also expected to be completed by late 2013 by Boston Properties.

"It's an amazing place to be," Mr. Scangos said. "The intellectual firepower that is in Cambridge, between Harvard and M.I.T. and the number of companies, is quite remarkable."

Pfizer also chose Cambridge when it was looking to consolidate some of its research operations. In 2011, the pharmaceutical giant announced it would move 400 research jobs to a new building on M.I.T.-owned land in Cambridge, even as it was closing facilities in Groton, Conn., and elsewhere. That $300 million, 180,000-square-foot building is expected to be completed later this year.

Novartis, one of the first giant pharmaceutical companies to set up major operations in Cambridge, is adding two buildings to its campus on Massachusetts Avenue. They will occupy a combined 550,000 square feet at a cost of $600 million when they open in 2015.

And a fourth pharmaceutical company, Millennium: The Takeda Oncology Company, hopes to double its Cambridge footprint,

occupying a 250,000-square-foot building proposed in Central Square, just down Massachusetts Avenue from M.I.T.

Trends in philanthropy are helping Cambridge, as well. Large donations from private philanthropies helped build the $200 million David H. Koch Institute for Integrative Cancer Research, completed last year on the M.I.T. campus, in addition to a second, 250,000-square-foot building for the Broad Institute, a genetics research institute spun off from Harvard and M.I.T. The Ragon Institute, a collaborative venture of M.I.T., Harvard and Massachusetts General Hospital to support AIDS vaccine research, will move into a nearby building now being renovated.

Another boost is coming from area hospitals. Five Harvard-affiliated hospitals and Harvard Medical School are clustered in Boston's Longwood Medical Area. While that area is nearly built out, Kendall Square is one stop on the rail line from Mass General, the other Harvard-affiliated flagship hospital, providing easy collaboration.

Mr. Scangos said he liked to look out his office window and see all his competitors. When he goes downstairs to lunch, he has choices now, beyond the food trucks and cafeterias that were the only options a few years ago.

Although the closest drugstore and market are still a 20-minute walk away, that may change soon, too. Over the last seven years, 1,000 housing units have opened up in Kendall Square, adding to demand for such stores, Mr. McCready said. And last month, M.I.T. formally filed a rezoning petition with the city to turn 26 acres near its red line subway stop into a "gateway" for the campus, along with nearly 1 million square feet of office space and 240,000 square feet for housing units.

"All in all, it's a pretty exciting time," said Robert Healy, Cambridge's city manager for more than three decades. "This is not the best of economic times. Yet there's still the faith being shown in Cambridge by virtue of what's in the ground and going up now."