

How a New York private equity giant became Boston's biggest commercial landlord and biotech investor

By [Jon Chesto](#) Globe Staff, Updated May 25, 2021, 7:18 p.m.



Blackstone recently put local executive Nick Galakatos, who runs Blackstone Life Sciences out of Cambridge, on BioMed's board of directors. DAVID L. RYAN/GLOBE STAFF

The biggest private-equity firm in the world has been pouring money into Boston by the billions, buying up prime real estate and investing in promising biotechs.

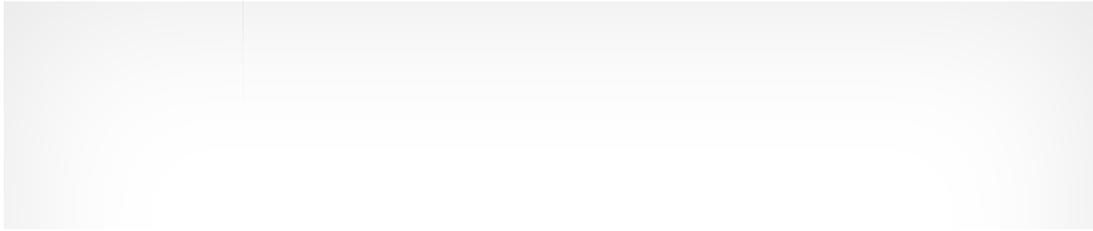
Blackstone Group said it now owns more than \$12 billion worth of real estate in the area, making it the largest commercial landlord in the region by its own estimate. The New York-based firm also has chosen Cambridge as home for its \$4.6 billion life sciences investment fund, the biggest of its kind.

This huge bet on Boston underscores the explosive growth underway in the life sciences sector — and reflects the fact that Boston and Cambridge together represent the industry’s most important global hub.

Blackstone’s local empire seemingly grows by the month. In March, the company completed a \$3.4 billion acquisition of a portfolio of lab buildings primarily in Cambridge. It acquired nine acres for a massive lab and office complex near Assembly Row in Somerville in January. And it has emerged as a key player in the office-to-lab conversions taking place around Boston, by acquiring the former John Hancock headquarters in the Seaport and a state office tower across from the Whole Foods Market in the South End. It’s also among the bidders for a key state-owned parcel on the border of Chinatown, left over from the Big Dig.

“As this industry evolves, the infrastructure needs are evolving and growing,” said Robert Coughlin, a life sciences real estate specialist with brokerage JLL. “That’s why the Blackstones and many others are making investments here.”

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The company's interest in Boston biotech doesn't end with real estate. Blackstone Life Sciences helped spin out local firm Anthos Therapeutics (which develops therapies for cardiovascular patients) from Novartis in 2019, and it was behind the IPO of Cambridge-based Praxis Precision Medicines, which develops therapies for central nervous system disorders, last year. Blackstone also inked a [\\$2 billion deal](#) with Cambridge-based Alnylam Pharmaceuticals in 2020 to help accelerate the biotech's drug development efforts.

Blackstone president Jon Gray has been gradually shifting the investment firm's emphasis toward high-growth sectors and away from the mature operations that are the typical realm of private equity. Life sciences investments are topping Gray's shopping list and, as a result, Blackstone has invested billions in the Boston-area economy.

While life sciences represents a small fraction of Blackstone's \$600 billion-plus portfolio, Gray is determined to make the firm a major player in the sector. Blackstone locally works in large part through its [lab landlord business BioMed Realty](#), and by investing directly in promising drug developers through Blackstone Life Sciences.

Blackstone recently put local executive Nick Galakatos, who runs Blackstone Life Sciences out of Cambridge, on BioMed's board of directors to better coordinate the two subsidiaries and share expertise. Gray calls it a "building to beaker to bedside" strategy, an unusually comprehensive approach to investing in advanced lab research.

"Everything we're seeking to aspire to do is happening in the Boston-Cambridge market," Gray said. "Boston-Cambridge is a big winner as we move toward the knowledge economy, where the greatest growth is today."

Blackstone has had a presence in Boston for decades, primarily as an office landlord. But its move to become one of the biggest life sciences investors in the region was spurred by two related deals in recent years.

The first was its acquisition of BioMed in January 2016 for \$8 billion. BioMed, now the largest privately held owner of lab buildings in the United States, is based in San Diego. But about two-thirds of its portfolio is concentrated in Boston and Cambridge. While lab properties are a hot commodity now, they weren't in 2015, when Blackstone first started planning a concerted push into the space, said Kathleen McCarthy, co-head of Blackstone's real estate business.

Blackstone executives took stock of the revolution happening in medicine, she said, and they realized that owning life sciences properties would be one way to capitalize on that. (Their rivals for local lab deals include Alexandria Real Estate Equities, Related Beal, and Boston Properties, as well as IQHQ, which is led by BioMed founder Alan Gold.)

"Researchers want to be in places where they can find clusters of others that are doing what they're doing," McCarthy said. "That's the big appeal of Boston and Cambridge for us."

Blackstone found a perfect entry point in BioMed, a well-established Kendall Square player. "BioMed has been a leader in showing the others the way, in making the business case [for owning labs]," said C.A. Webb, president of the Kendall Square Association. "They've done a very good job of playing the ground game, of being locally invested."

Next came Blackstone's 2018 [acquisition](#) of Clarus, a Cambridge-based life sciences investment firm that Galakatos had led for more than a decade. Galakatos said the Clarus management team traded in its independence for the scale that could be achieved under Blackstone's watch. Through what's now called Blackstone Life

Sciences, they manage the world's largest private life sciences fund, totaling nearly \$4.6 billion from public pension plans and other institutional clients. Blackstone has committed more than \$2.5 billion of that money so far, with two-thirds of it going to Massachusetts firms.

"We're thrilled because now we can do a whole bunch of things that we couldn't do before," Galakatos said.

Among those big deals: that \$2 billion investment with Alnylam. Chief executive John Maraganore said Alnylam plans to be profitable within the next four years. Blackstone paid \$1 billion for half of the company's royalties on a cholesterol drug; the rest of the \$2 billion came through a secured loan, a research financing arrangement tied to the development of two treatments for cardiovascular disease, and an investment in the company's stock.

Blackstone's numerous business lines and capabilities made it an attractive partner, and BioMed is Alnylam's landlord. Maraganore also had a personal connection: He worked alongside Galakatos at Millennium Pharmaceuticals (now part of Takeda).

"It would have been hard to find another financial investor that could offer so much," Maraganore said. "It was pretty exceptional to be able to find a single financial institution like Blackstone that could really provide a one-stop shop approach."

Blackstone's local presence isn't just limited to life sciences. The company is a major investor in software firms UKG (formerly Kronos), in Lowell, and Ascend Learning, in Burlington. UKG chief executive Aron Ain said Blackstone's long-term outlook has allowed it to be patient with UKG as it reinvented its core human resources software several years ago, and the company's network of roughly 90 private-equity portfolio CEOs offers an important sounding board.

At least in the near term, though, Blackstone's biggest impact in Boston will likely be

seen with how it expands its real estate empire. BioMed chief executive Tim Schoen said the firm’s development portfolio has the potential to add at least 2 million square feet to its holdings in the region. He expects the old John Hancock headquarters at 601 Congress St. and a newly constructed 321 Harrison Ave. tower in the South End to reopen as labs sometime next year.

The Boston biotech cluster benefits from its proximity to research institutions, investors, and tech companies that focus on data storage, automation, and artificial intelligence — integral elements to nearly any life sciences company. For that reason, Schoen and others expect investment in the region to only deepen with time.

“It’s got the researchers, the research institutions, then it’s got the business climate and the experience around advancing medicine, and then it’s got the capital providers,” Schoen said. “Each of those groups speak their own language, but when they come together, that’s a really strong ecosystem.”

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