

Michigan gains in life sciences venture capital investments

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VC rankings

How Midwest states ranked through the first half of 2008, based on the number of deals, in venture capital investing in life sciences and health care:

STATE	2008 DEALS	2008 VALUE	2007 DEALS	2007 VALUE
Ohio	20	\$84.0 million	26	\$244.3 million
Minnesota	9	\$106.4 million	9	\$126.0 million
Michigan	8	\$73.5 million	3	\$63.4 million
Missouri	6	\$25.8 million	4	\$41.6 million
Western Penn.	6	\$25.1 million	8	\$85.4 million
Wisconsin	5	\$27.0 million	6	\$16.1 million
Illinois	4	\$34.2 million	2	\$42.5 million
Kentucky	3	\$13.4 million	1	\$5.0 million
Indiana	2	\$41.3 million	5	\$117.8 million
Kansas	1	\$8.0 million	NA	NA
Iowa	1	\$4.0 million	NA	NA
Total	65	\$442.6 million	64	\$752.1 million

Source: BioEnterprise quarterly Midwest Health Care Venture Investment Report

Venture investing targeted at life sciences companies in Michigan continues to rise, providing further indication that public and private efforts to grow the industry are paying off.

At midyear, Michigan ranked third among 11 Midwest states in both the number of deals and the amount of venture capital invested in the industry, according to Cleveland-based [BioEnterprise](#).

There were eight deals for Michigan-based startups, collectively totaling \$73.5 million, which compares with three deals for \$63.4 million halfway through 2007 and three for \$5.0 million in 2006, BioEnterprise reported in its quarterly Midwest Health Care Venture Investment Report.



Stephen Rapundalo

All the deals were in the Detroit-Ann Arbor market except a \$12.5 million investment in Kalamazoo.

The overall increase in venture capital directed at Michigan reflects efforts to build the life sciences industry into a major economic sector, BioEnterprise CEO Baiju Shah said. Those efforts, as well as similar pushes into life sciences by surrounding states, are drawing greater attention from major venture investors on the coasts.

"There's such a potential for health care in Michigan. It's got a lot," Shah said, noting the legacy and talent base from the former Upjohn Co. and Pfizer Inc.

Michigan is successfully combing public, private and philanthropic investment to build the life sciences industry, Shah said. "That combination will yield great results."

Michigan could eventually equal Midwest leaders Minnesota and Ohio, the respective homes of the Mayo Clinic and Cleveland Clinic, in life sciences investing, Shah said.

The growth in investment in the sector shows the progress that life sciences is making in Michigan and how investors who put their money here have a good likelihood of success, said [MichBio](#) Executive Director Stephen Rapundalo.

"That is drawing attention and people are sitting up and taking notice because the science and the expertise have always been here," he said.

In Ann Arbor, former Pipex Pharmaceuticals President Charles Bisgaier recently resigned with plans to start a new VC fund dedicated to making investments in life sciences in the state. He said the state's concentration of talent in life sciences was a key reason he decided to start a new fund.

Despite the progress and positive signs, the state and industry players can't ease up and need to continue pushing as hard as ever to promote Michigan as a life sciences destination. The new \$300 million Invest Michigan fund established in August to provide later-stage capital for Michigan-based companies will help further, Rapundalo said.

"We're going down the right track, but it's going to take a few years," he said.

Overall, the Midwest recorded 65 deals in life sciences totaling \$442.6 million during the first half of 2008. That's just one more deal than at the same point in 2007 and substantially less than the record \$742.1 million of a year earlier, yet it well exceeds the pace of 2006: 49 deals for \$286.6 million through June, BioEnterprise reported.

Medical device companies have drawn the most money this year, \$197 million, followed by biopharmaceutical companies, \$169 million, and health care software and service businesses, \$74 million.

Mark Sanchez is a reporter at Business Review West Michigan. Nathan Bomey contributed to this report.

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