

Q2 2024



UK Life Sciences & Innovation Insight Report

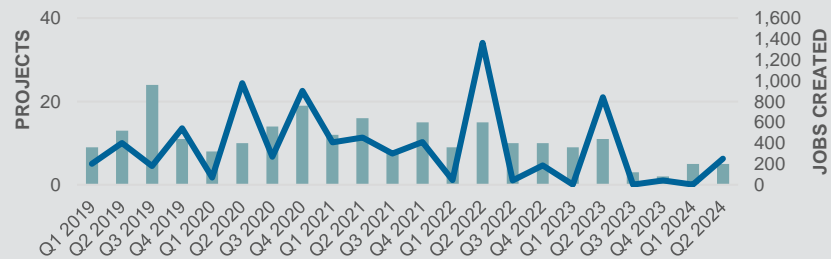
Sector performance

Q2 2024



FDI: H1 reality check: UK life sciences FDI hits speed bump

UK INBOUND FDI PHARMA AND HEALTHCARE



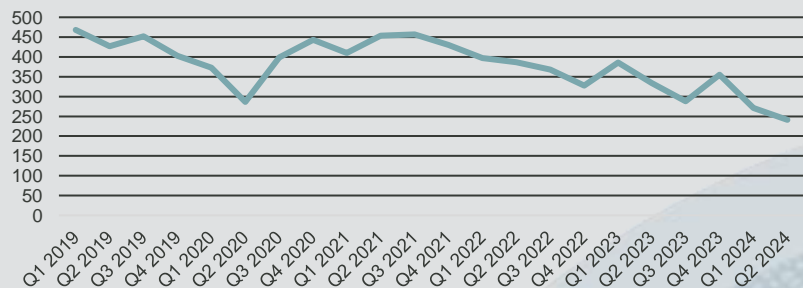
H1 UK foreign direct investment in pharma and healthcare hit a five-year low with only ten investments, including five in Q2. Top motivations for investments were access to customers, technology, innovation, and talent.

The new Labour government have highlighted public investment's role in unlocking private investment, as well as leveraging the country's global diplomatic network.

Source: GlobalData and Knight Frank Research. Parent company only.

Clinical trials: UK clinical trials decline and Labour's plan to revitalise

NUMBER OF CLINICAL TRIAL STUDIES STARTED IN THE UNITED KINGDOM



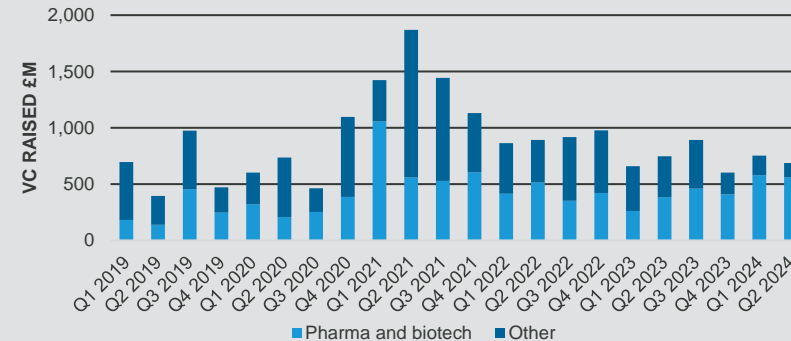
In Q2 2024, the UK commenced 241 clinical trial studies, an 11% decrease from the previous quarter and a 28% year-on-year decline.

The new Labour government have pledged to make the UK clinical trials space more competitive, efficient and accessible, reducing trial set-up times by standardising the process and minimising required contracts and agreements.

Source: Clinicaltrials.gov. Based on study start date.

VC funding: UK life sciences VC funding drops, but pharma and biotech shows gains

VC FUNDING INTO UK LIFE SCIENCES COMPANIES £M



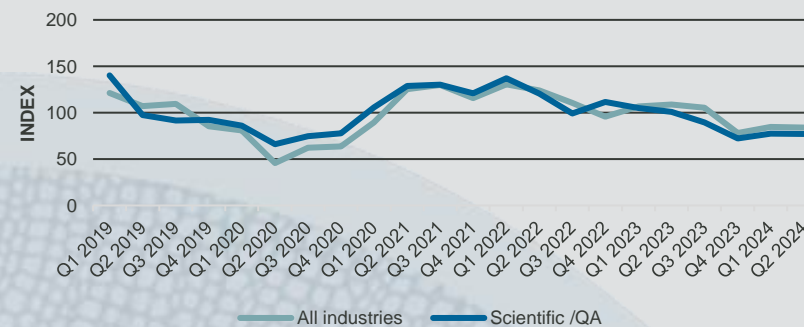
Source: PitchBook and Knight Frank Research. HQ only. Completed deals and full transactions only. Covers: Biopharma, MedTech and Digital health. Data as at 04/07/2024. The data in PitchBook is continuously updated to reflect the most current information. As a result, historical data may change over time.

VC funding for pharma and biotech companies decreased 3% quarter-on-quarter but increased 46% year-on-year in deal value. Comparing H1 2024 to H1 2023, funding in this sub-sector is up 77%.

UK life sciences VC funding dropped 9% quarter-on-quarter and 8% year-on-year, totalling £686m.

Vacancies: London leads as sector stabilises

SCIENTIFIC & QA WEEKLY JOB ADVERTS: INDEX 100: AVERAGE FEBRUARY 2020



Source: Adzuna and ONS experimental job advert indices.

Online life sciences job openings remained stable quarter-on-quarter, with a minimal 0.4% decline. Year-on-year, vacancies have fallen by 27%.

London has the highest number of life sciences vacancies with 1,349 advertised roles, followed by the South East (836), East of England (500), and the North West (400).

Occupier prospecting

Q2 2024



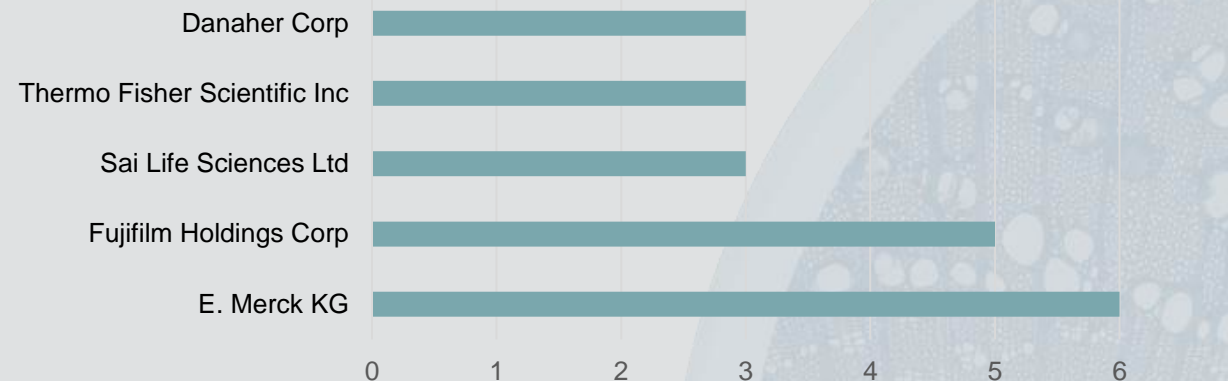
A data-led approach to identify and qualify life sciences prospects

Knight Frank are actively tracking the following metrics in order to maintain a watch list of the most promising UK life sciences occupiers:

- Venture capital funding
- Private equity financing
- Changes in employment
- Changes in financial performance
- Corporate announcements (such as restructuring or expansion plans)
- University spin-outs
- Clinical trials activity
- Patents
- New company registrations
- M&A activity
- IPO listings
- Public funding
- Other sources of research funding, such as via charities and industry

This quarter's analysis focuses on inbound foreign direct investment (FDI) to the UK. Despite an overall decline, there have been some major investments, with outsourced providers leading the way. Nearly 8,000 jobs have been created by FDI from the pharma and healthcare sector over the past five years.

Top companies by number of projects over the past five-years



Select investments year to date

Biogen	Azenta	Asymchem Laboratories
Opened its new UK and Ireland headquarters in Maidenhead. Its new location will support its international operations as well as its work in the UK and Ireland where it employs 250 people.	The US-based provider of life sciences services opened a new genomics laboratory in Oxford in response to rising demand.	The Chinese contract development and manufacturing organisation (CDMO) established its first European R&D and manufacturing base in Sandwich. The site is expected to employ approximately 100 individuals by the end of 2024.

Real estate activity

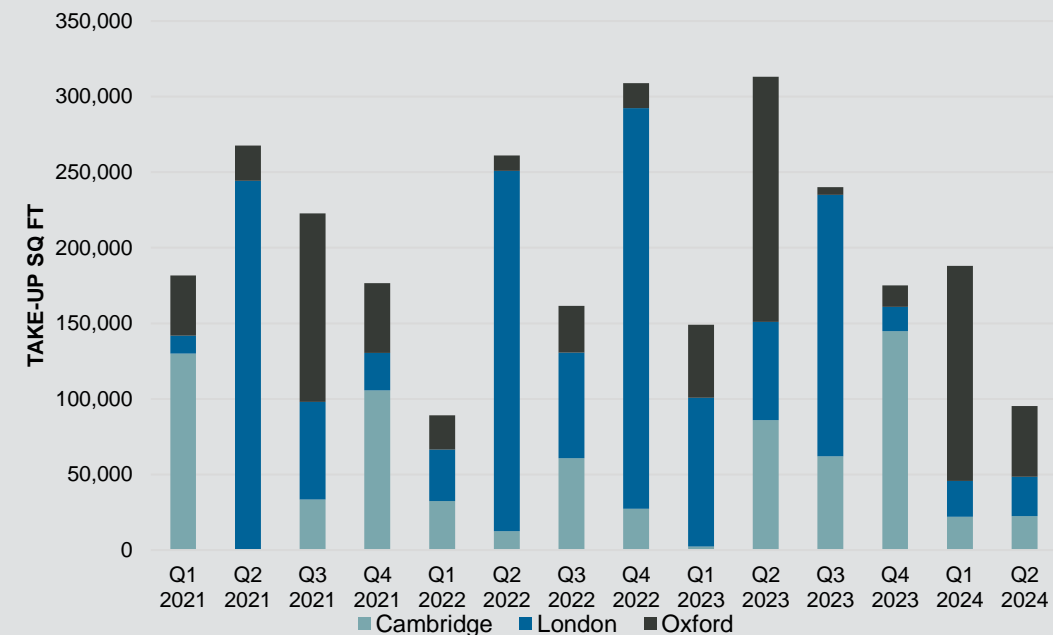
Q2 2024



Select leasing deals Q2 2024

OCCUPIER	PROPERTY TYPE	BUILDING	CITY	SIZE (SQ FT)	RENT IF AVAILABLE (£ PSF)
Oxford Health NHS Foundation	Pure Office	Murray House	Oxford	15,300	£27.00
Costello Medical Consulting	Pure Office	TIDE Bankside, 4-8 Emerson Street, SE1	London	13,907	£75.50
ViaNautis Bio	Lab Enabled Office	Cadence, Unity Campus	Cambridge	10,925	£52.00
Ellison Institute of Technology	Fully Fitted Lab	Winchester House, Oxford Science Park	Oxford	8,411	£75.00
CS Genetics	Fully Fitted Lab	137-138 Cambridge Science Park	Cambridge	6,700	N/A
Oxford Nanopore Technology	Pure Office	Genesis Building, Harwell Science and Innovation Campus	Didcot	4,887	£35.00

Life sciences leasing volumes, Golden Triangle



	Q2 2024 TOTAL	Q1 2024 TOTAL	2023 TOTAL
Golden Triangle	95,259 SQ FT	188,108 SQ FT	877,472 SQ FT
Cambridge	22,503 SQ FT	22,065 SQ FT	295,272 SQ FT
London	25,923 SQ FT	23,585 SQ FT	352,412 SQ FT
Oxford	46,833 SQ FT	142,458 SQ FT	229,788 SQ FT

Source: Knight Frank Research. Take-up includes both offices and lab space. In London, take up includes life sciences, office and lab take-up + healthcare + academic space, if there is a life sciences component. It also covers tech companies with a life sciences focus.

Capital markets real estate activity

Q2 2024

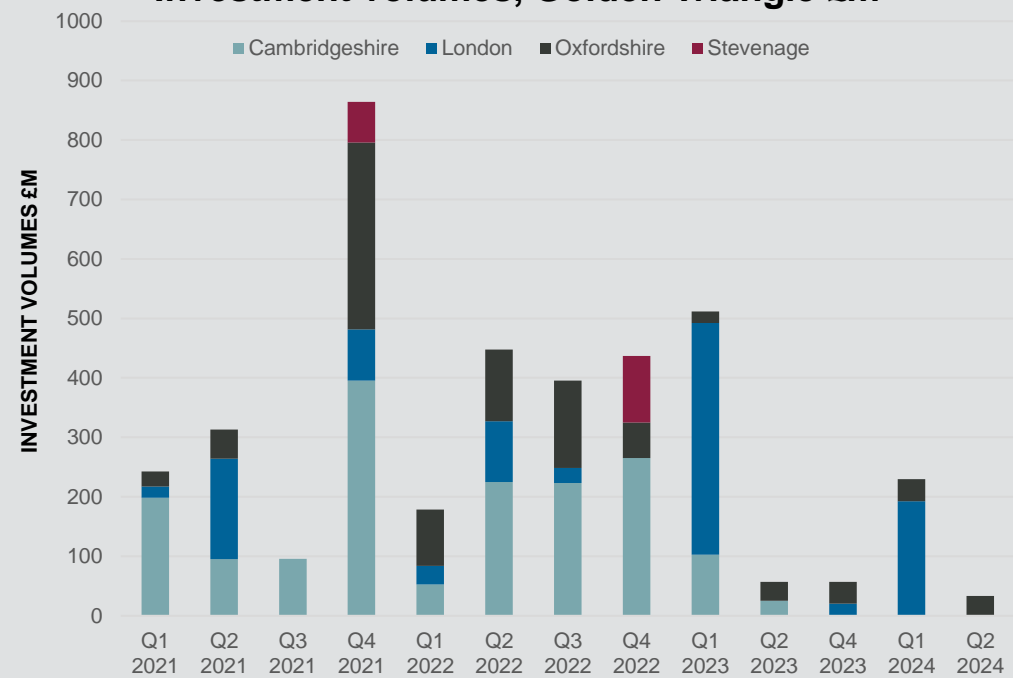


Select investment transactions Q2 2024

ADDRESS	CITY	SIZE (SQ FT)	PRICE £M	AGREED NIY %	VENDOR	PURCHASER
Debenhams, 1 Magdalen Street, OX1	Oxford	126,005	£33.00	N/A	DTZ Investors	The Crown Estate / Pioneer Group

The site of the former Debenhams in Oxford will be repurposed into a c.100,000 sq ft life sciences, technology and innovation space. Subject to planning permission, the lab space is due to be fully operational by 2027/2028.

Investment volumes, Golden Triangle £m



Q2 2024 TOTAL	Q1 2024 TOTAL	2023 TOTAL
£33.00M	£229.60M	£0.62BN

Source: Knight Frank Research. Completed deals only.

Real estate activity

Q2 2024



Funding, operating models and partnerships in Q2 2024

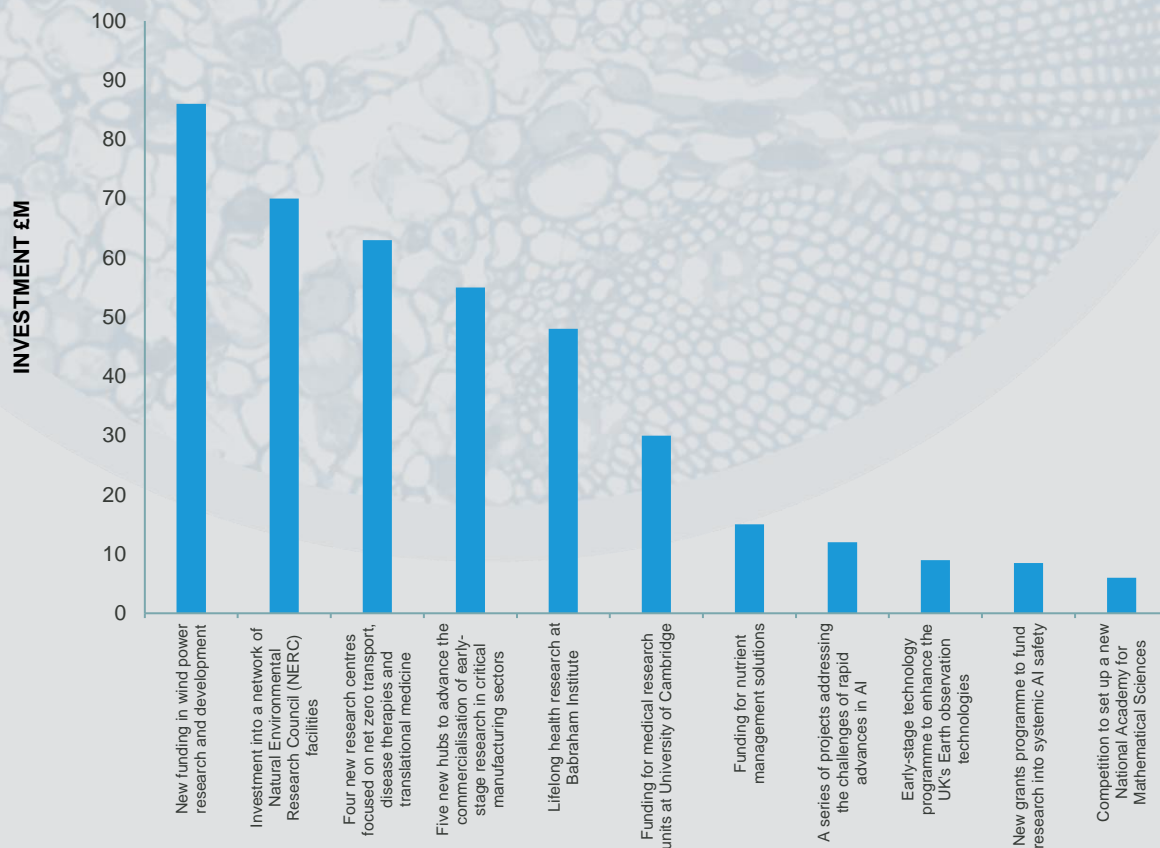
COMPANY / ENTITY / LOCATION	ACTIVITY
Puma Property Finance	Provision of a £21m loan to Greyarc Investments to support the acquisition of Building 27000 at the Oxford Business Park.
Ironstone Asset Management	Increased its stake in Life Science REIT by acquiring 261,248 ordinary shares, bringing its total interest to approximately 1.07m shares, equating to 0.31%.
The Crown Estate, Oxford Science Enterprises and Pioneer Group	The Crown Estate and Oxford Science Enterprises (OSE) have partnered with real estate developer Pioneer Group to build a laboratory facility in Oxford city centre. This project represents an initial investment of approximately £125m by The Crown Estate, marking the beginning of a partnership with long-term ambitions to invest up to £1.5bn to support the UK's science, technology, and innovation sectors.
Lipton Rogers	Lipton Rogers has entered into a joint venture with Galileo Labs. The JV will focus on sites in urban locations near universities, with an initial plan to develop plug-and-play lab facilities of 1,500 to 3,000 sq ft with flexible leasing options. The partners aim to create a £1.5bn life sciences portfolio across the Golden Triangle over the next five years, with Lipton Rogers developing the lab spaces and Galileo Labs operating them.
Liverpool City Region	Funding has been awarded for the first seven schemes out of 21 planned for Liverpool City Region's £160m Life Sciences Investment Zone. The projects include new labs for the Liverpool School of Tropical Medicine-led Infection Innovation Consortium, expansion of Sci-Tech Daresbury, upgrade of TriRx facilities, development of the Microbiome and Infectious Disease Innovation Hub led by the University of Liverpool in partnership with the Centre for Process Innovation, and three life sciences programmes. The Liverpool City Region Combined Authority has approved a combined £26.5m investment towards these seven projects, which have a total cost of £83m.

Government investment tracker

Q2 2024



Top UKRI investments into research and development Q2 2024



Other significant government announcements:

The new Labour government's vision for UK life sciences

Labour's manifesto for life sciences focuses on stability and continuity, building on several Conservative policies, such as full expensing for capital investment, unlocking pension fund investment and delivering the £520m Advanced Manufacturing Plan.

Other initiatives include:

- Leveraging the NHS for clinical trials.
- Establishing a £7.3bn National Wealth Fund.
- Implementing 10-year budgets for key R&D institutions.
- Establishing a new regulatory innovation office.
- Creation of a National Data Library to bring together existing research programmes.
- Broader mandate for the British Business Bank on funding.

Incoming ministers have quickly set their agendas. Sir Patrick Vallance, the new Minister of State for Science, Research and Innovation within DSIT, for example, emphasised the importance of establishing the UK as a dependable partner in the global scientific community. Meanwhile, Peter Kyle, the new Science, Innovation and Technology Secretary, declared that DSIT is now an economic department. New Health Minister, Wes Streeting, wants closer links between the NHS and industry and easier patient access to clinical trials.

Labour aims to boost investment and growth in the sector while offering businesses stability. If implemented successfully measures like unlocking pension fund investment could significantly increase funding over time, while planning reforms could alleviate lab shortages in key markets. Economic and political stability, combined with limited public sector investment, might be enough to attract greater foreign direct investment. However, the growth of successful life sciences ecosystems hinges on multiple factors. It requires, among other things, access to skilled talent, significant funding flows, routes to commercialisation, affordable housing, manufacturing and logistics capacity, and robust technical infrastructure. All these factors must progress in tandem for success to be achieved.

Other news/trends



- Life sciences companies are increasingly focusing on Scope 3 emissions, which account for about 90% of a pharmaceutical company's carbon footprint. Major firms like AstraZeneca, Pfizer, and Sanofi are targeting their supply chains, implementing eco-design strategies, and setting expectations for suppliers. For instance, AstraZeneca aims for 95% of its suppliers to have science-based emissions reduction targets by 2025, while Sanofi plans to eco-design all new products by 2025. Simultaneously, there's a growing recognition of the need to address the 'S' in ESG, particularly in relation to diversity and inclusivity. A report from the Bioindustry Association found that in UK biotech, women account for only 32% of C-suite roles and 26% of CEO positions.
- We are observing a trend of companies seeking alternative capital sources, particularly through industry partnerships. This is leading to increased collaboration between large and small companies, as well as more licensing agreements. Concurrently, there's a growing movement to direct more pension fund money into UK high-growth companies as well as improving the UK listing environment. A notable example of this trend is Legal & General's recent launch of a Private Markets Access Fund, which could potentially invest up to £400m in UK businesses by the end of 2025. This aligns with Labour's stated intention to ensure greater investment of pension funds into UK firms. There remains a crucial need to reconnect the financial community with the life sciences sector. The ultimate goal is to build and retain more mid-tier and large companies in the UK, rather than losing them to the US market.
- The life sciences sector is showing signs of renewed optimism. A recent GlobalData Pharma survey of over 120 global professionals reveals that 73% of respondents are optimistic about growth in the coming year, up 13% from six months ago and 13% from 2023. This optimism is further reinforced by Manpower's quarterly UK employment outlook report, which indicates that healthcare and life sciences businesses have the strongest hiring outlook among all sectors tracked. Key sector opportunities over the next 18 months include real-world evidence, precision medicine, advanced therapies, and artificial intelligence. Key challenges ahead include supply-chain issues, reimbursement constraints, geopolitical conflicts, patent expiries, and access to funding.
- The life sciences sector is increasingly investing in generative AI, particularly for drug discovery. Knight Frank analysis reveals that 25 AI companies with over 50 employees have received funding since 2023 to expand in the UK, while 156 UK-based AI companies are experiencing rapid growth. These companies are primarily concentrated in London, Manchester, Cambridge, and Edinburgh. A prime example is London-based LabGenius, an AI-driven antibody drug discovery specialist, which recently closed a £35m Series B financing round. Major pharma and tech companies are forming strategic partnerships and making investments in AI-driven drug discovery. This trend is exemplified by Eli Lilly's collaboration with OpenAI this quarter. Additionally, tech giants Amazon, Google, Microsoft, and Nvidia directed 16% of their AI equity deals towards life sciences and healthcare AI firms in 2023. The UK is well-positioned to capitalise on this trend, ranking third globally in venture capital funding for AI-powered drug discovery over the past five-years.
- The UK's academic excellence continues to shine. Imperial College London has risen to second place globally in the QS 2025 World University Rankings, with four out of ten UK universities in the top ten. Spinout creation also remains strong, with Imperial College London showing the most year-on-year growth with a 14.8% increase to 124 spinouts. Pharma remain the top sector for spinouts with 331 companies, while AI is the leading emerging sector.

Knight Frank Life Sciences & Innovation team contacts



Our UK network of offices is aligned to the Life Sciences and Innovation sector, operating across London, the Golden Triangle and the UK Cities markets where innovation and research ecosystems thrive. These teams connect with our wider global platform. Whatever your requirements, our team of market experts, supported by deep research capabilities, can help meet your real estate demands within the Life Sciences and Innovation sector.

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