

Q3 2024



UK Life Sciences & Innovation Insight Report

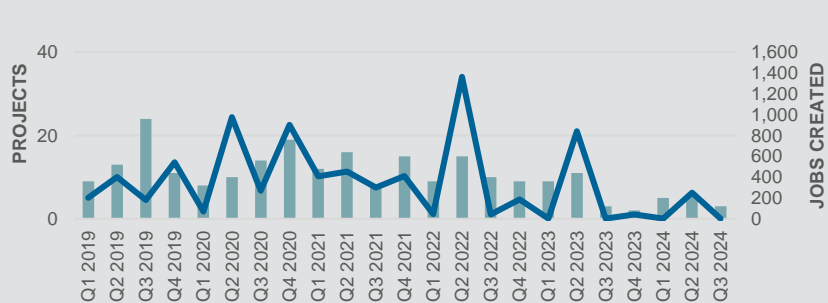
Sector performance

Q3 2024



FDI: Eli Lilly commits to significant investment as government boosts support

UK INBOUND FDI PHARMA AND HEALTHCARE



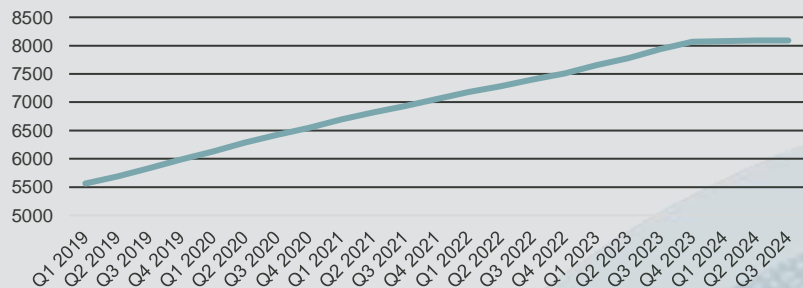
Q3 saw limited UK pharma and healthcare FDI, with three announcements. However, as the new quarter began Eli Lilly announced plans to invest £279m in the UK.

To boost investment, the government is expanding the Office for Investment to provide better support for investors. Poppy Gustafsson, the former CEO of Darktrace will head up the department.

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

Active companies: Modest but consistent growth

NUMBER OF ACTIVE UK LIFE SCIENCES COMPANIES

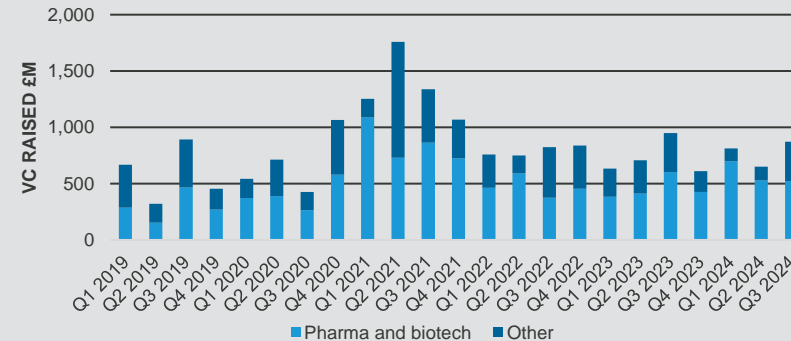


By the end of Q3 2024, the number of active UK life sciences companies reached 8,092, reflecting an increase of 156 from the previous year. This indicates a steady upward trend, though growth has slowed this year.

Source: Beauhurst and Knight Frank Research.

VC funding: Second best year-to-date

VC FUNDING INTO UK LIFE SCIENCES COMPANIES £M



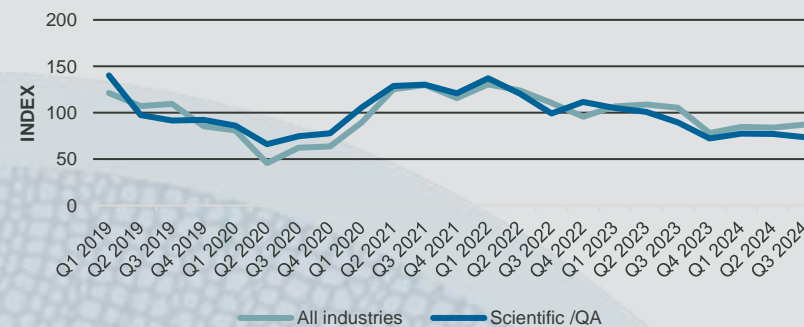
Source: PitchBook and Knight Frank Research. HQ only. Completed deals and full transactions only. Covers: Biopharma, MedTech and Digital health. Data as at 13/10/2024. The data in PitchBook is continuously updated to reflect the most current information. As a result, historical data may change over time.

In Q3 2024, UK life sciences VC funding reached £872.2m, marking a 34% increase from the previous quarter. Year-to-date (YTD), £2.3bn has been raised, making it the second-best YTD on record.

Excluding the pandemic peak, widely seen as an outlier, these gains are even more impressive, making it the best YTD performance on record.

Vacancies: Scientific job openings slide

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



Source: Adzuna and ONS experimental job advert indices.

Online life sciences job openings fell by 4% quarter-on-quarter. Year-on-year, vacancies have fallen by 17%.

London has the highest number of life sciences vacancies with 1,510 advertised roles, followed by the South East (815), East of England (504), and the North West (370).

Occupier prospecting

Q3 2024



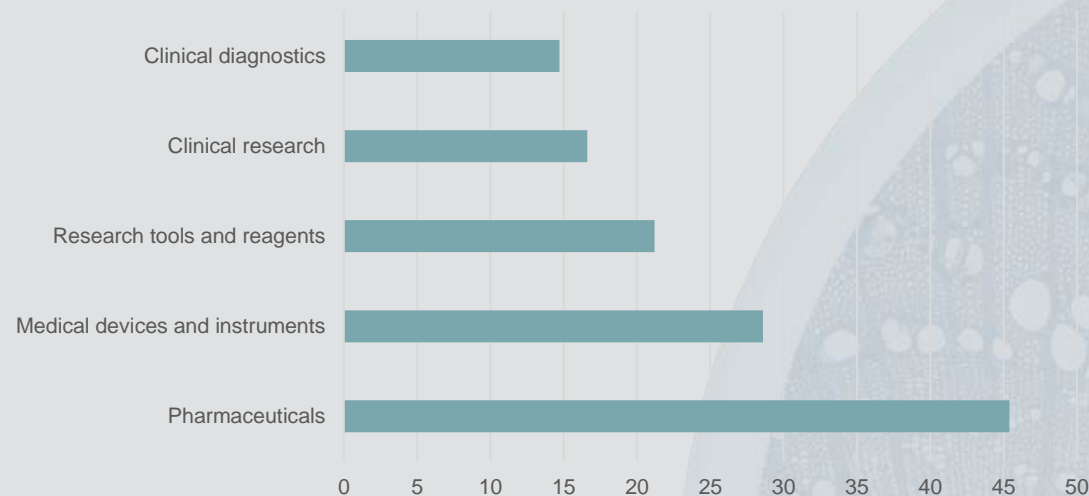
A data-led approach to identify and qualify life sciences prospects

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 report focuses on the UK's 553 life sciences scale-ups. A scale-up is defined as a high-growth company with an annualised growth rate of at least 10% in employees or turnover over three years, starting with 20 or more employees. Most of these scale-ups are concentrated in the South East (103), East of England (96), and London (95). The North West follows with 53 scaleups.

Top five sub-sectors by % of life sciences scale-ups



Example scale-up companies

Sciensus	Exscientia	F2G
Sciensus provides a range of pharmaceutical services including running clinical trials, offering online clinics and providing patient resources. Based in Burton on Trent.	Exscientia uses artificial intelligence to design millions of potential small molecule drugs. It then predicts their potency and effects, providing indications of which molecules are most likely to make successful drugs. Based in Oxford.	F2G develops drugs to treat life threatening fungal diseases. Based in Manchester.

Real estate activity

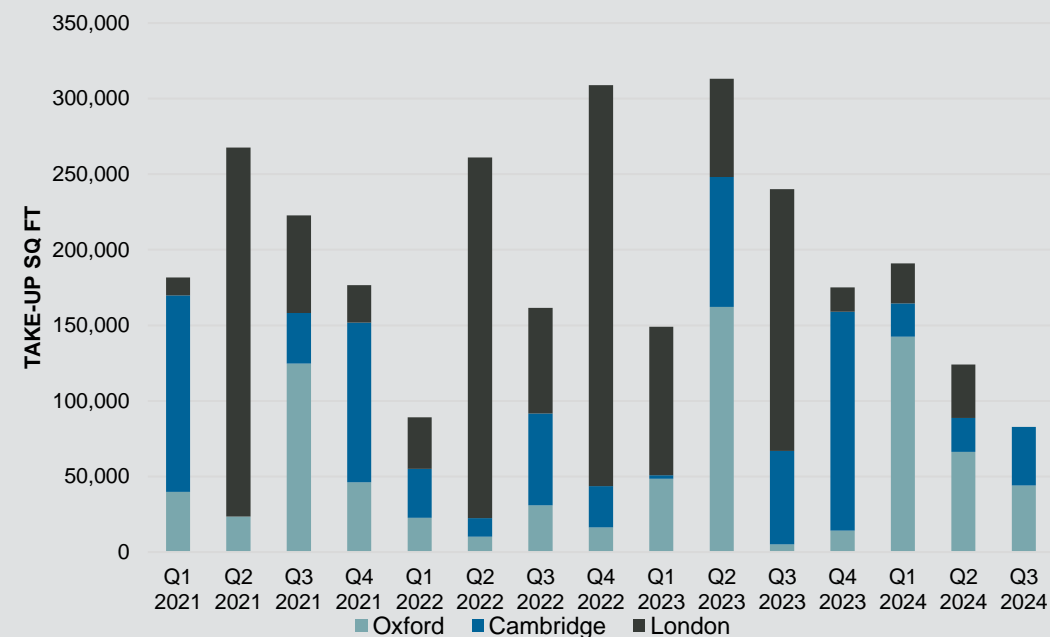
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Select leasing deals Q3 2024

OCCUPIER	PROPERTY TYPE	BUILDING	CITY	SIZE (SQ FT)	RENT IF AVAILABLE (£ PSF)
Nucleome Therapeutics	Fully Fitted Lab	Inventa (Ground Floor)	Oxford	24,380	£ 75.00
Oxford Nanopore	Fully Fitted Lab	Sherard Building (1st & 2nd)	Oxford	11,435	£ 82.50
SpaMedica	Pure Office	Carlyle House	Cambridge	10,628	£ 37.50
Syngenta UK	Pure Office	Building 2, Granta Park	Cambridge	9,942	£ 37.00
Biocrucible	Lab Enabled Office	Emmanuel Building (ground Floor)	Cambridge	9,757	£ 42.50
YellowStone Biosciences	Fully Fitted Lab	4100 Arc Oxford (Entire Demise)	Oxford	8,152	£ 78.50

Life sciences leasing volumes, Golden Triangle



	Q3 2024 TOTAL	Q2 2024 TOTAL	2023 TOTAL
Golden Triangle	82,853 SQ FT	124,148 SQ FT	877,472 SQ FT
Cambridge	38,886 SQ FT	22,503 SQ FT	295,272 SQ FT
London	0 SQ FT	35,423 SQ FT	352,412 SQ FT
Oxford	43,967 SQ FT	66,222 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



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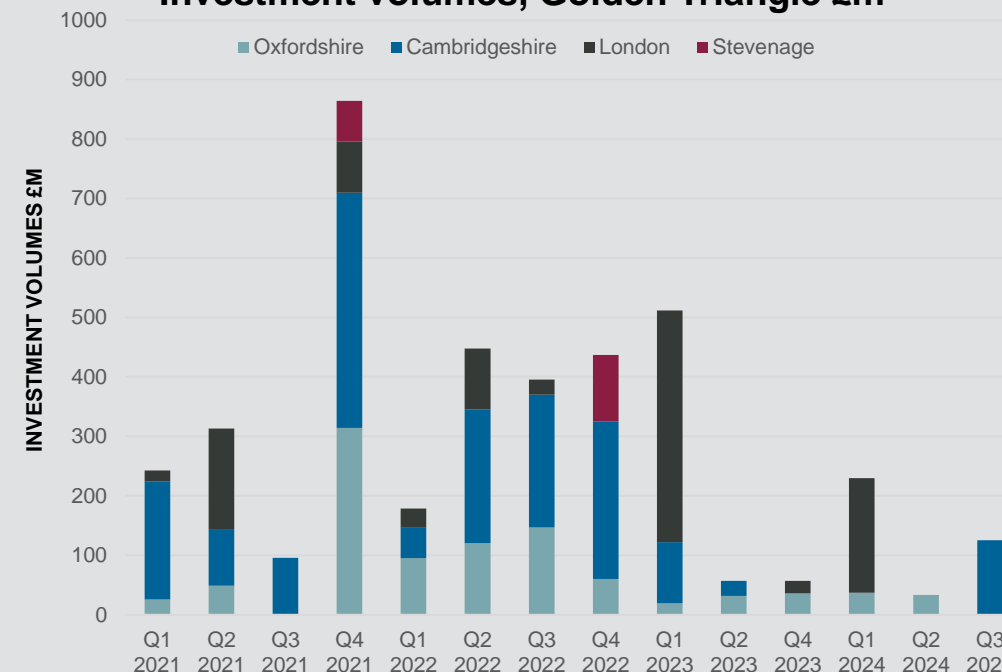
Select investment transactions Q3 2024

ADDRESS	CITY	SIZE (SQ FT)	PRICE £M	AGREED NIY %	VENDOR	PURCHASER
Discovery Drive, Cambridge Biomedical Campus	Cambridge	105,000	125	4.60	Tesco Pension Fund	Danaher (who own Abcam, the current tenant)

One notable deal outside the Golden Triangle was the sale of the Jealott's Hill International Research & Development Centre in Bracknell by M&G to MUFG (Mitsubishi UFJ Financial Group) for £70m, reflecting a 7% net initial yield. The campus is currently occupied by Syngenta, a global agrichemical services group, with approximately 16 years remaining on their lease.

Looking ahead, several upcoming transactions are expected to drive investment volumes in the next quarters. These include the sale of Clarendon Quarter in Oxford, a 2-acre freehold site with a consented redevelopment scheme featuring lab space, a 50% interest in Chesterford Research Park, and Alchemy in Fowlmere, South Cambridge, a development site with planning consent for an R&D campus. Outside of the Golden Triangle, LondonMetric has put York Biotech Campus up for sale.

Investment volumes, Golden Triangle £m



Q3 2024 TOTAL	Q2 2024 TOTAL	2023 TOTAL
£125M	£33M	£0.62BN

Source: Knight Frank Research. Completed deals only.

Development pipeline

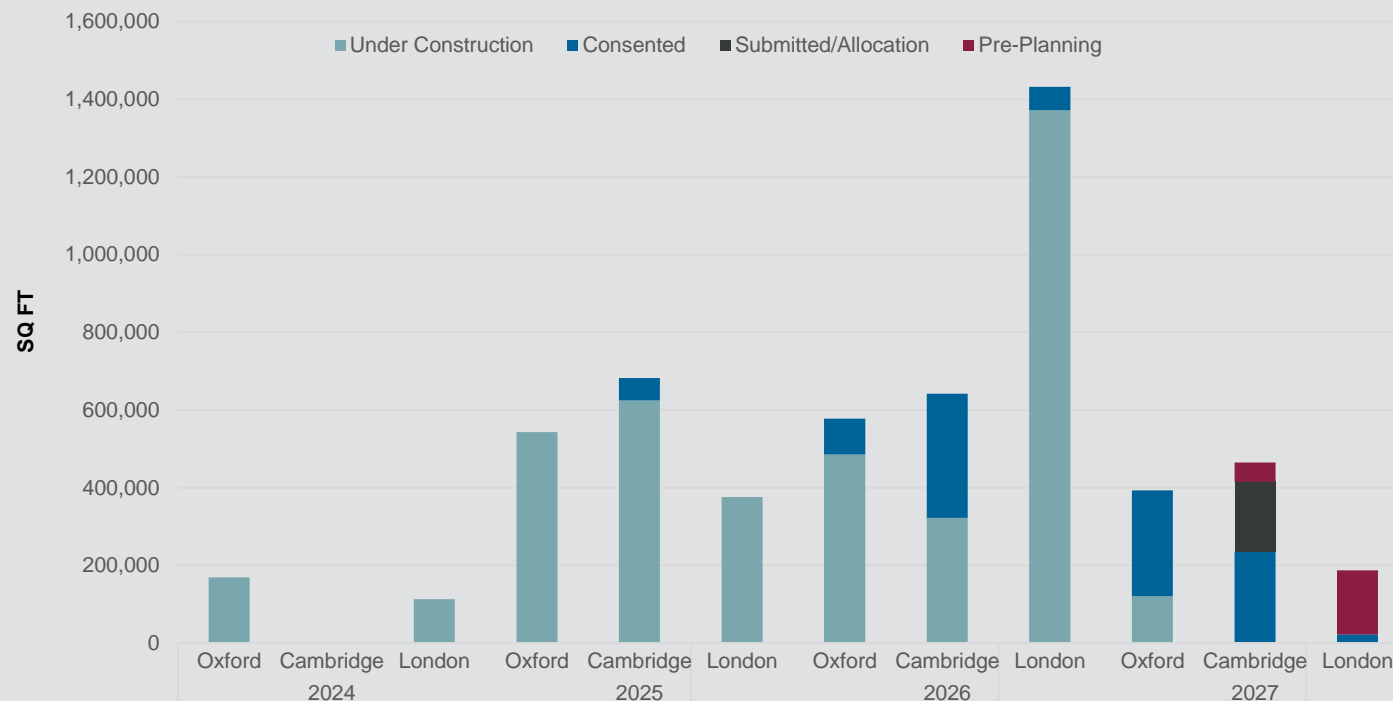
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Schemes under construction ranked by upcoming completion date

SCHEME	CITY	SIZE (SQ FT)	COMPLETION DATE	DEVELOPERS
Apex, Tribeca	London	112,526	Q4 2024	Reef Estates / GIC
Oxford Tech Park (7,8,9)	Oxford	168,887	Q4 2024	Life Science REIT
The Press (Phase 2)	Cambridge	64,400	Q1 2025	Mission Street
Peterhouse Technology Park (The Optic)	Cambridge	95,000	Q1 2025	British Land
Manbre Wharf (The Refinery)	London	149,000	Q1 2025	Brookfield (ARC West London)
Victoria House (Phase 1)	London	200,000	Q1 2025	Oxford Properties/ Pioneer Group

Lab development pipeline, Golden Triangle



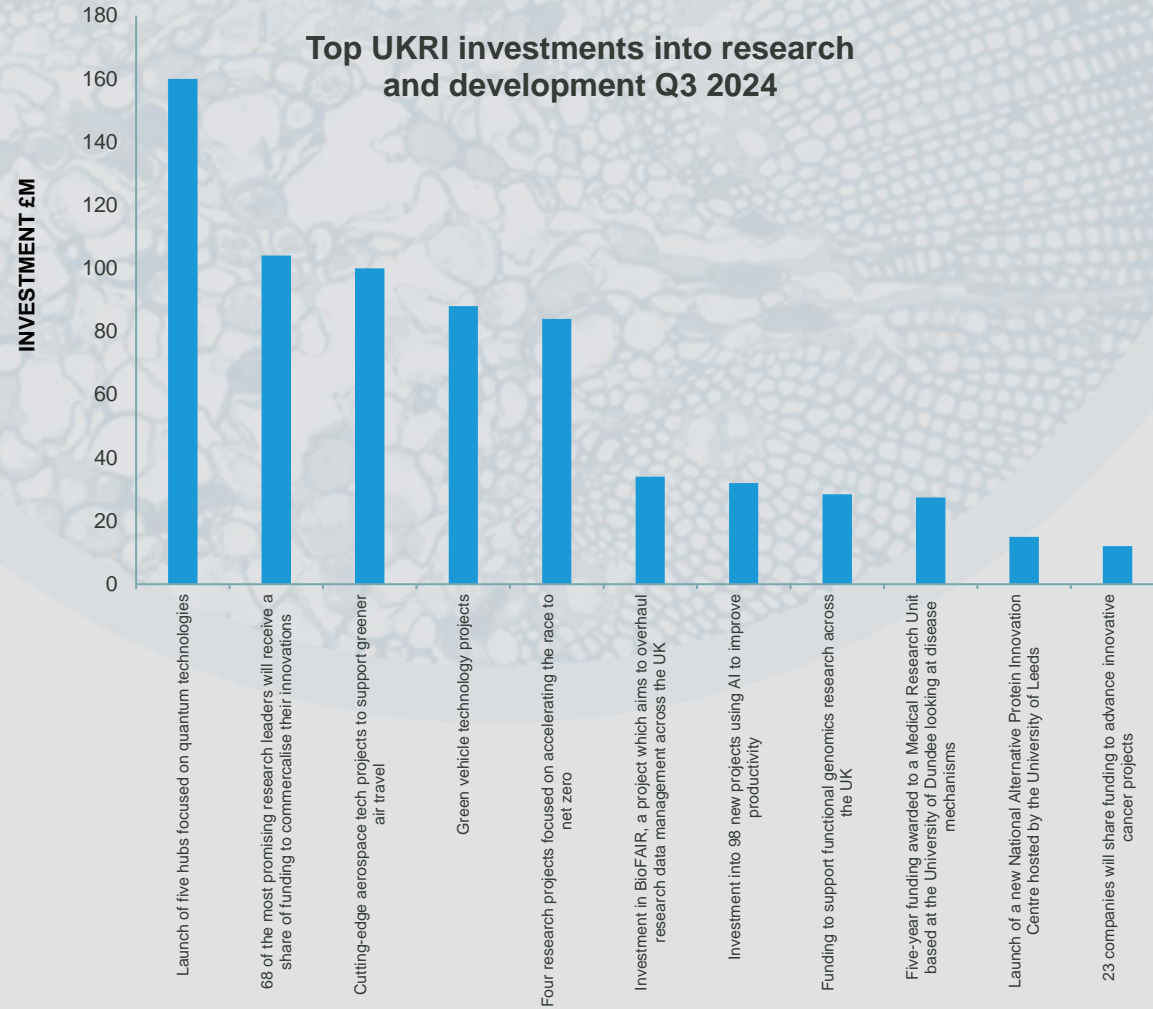
Source: Knight Frank Research.

TOTAL UNDER CONSTRUCTION OUT TO 2027	
GOLDEN TRIANGLE	4.12M SQ FT
LONDON	1.86M SQ FT
OXFORD	1.32M SQ FT
CAMBRIDGE	946,324 SQ FT

Government investment tracker



Q3 2024



Other significant government announcements:

The UK budget has sparked positive feedback from the life sciences sector, particularly due to its commitment to protect R&D funding. While these measures boost growth potential, some concerns linger, especially the potential impact of National Insurance (NIC) hikes on the university sector when many universities are already financially strained. Charities, significant contributors to UK medical research, could also be impacted. The increase in National Insurance contributions will also add a financial burden for companies. Small businesses do receive some relief through concessions aimed at lessening the impact, but hiring intentions may still be affected. For investors and founders, the changes in capital gains tax were more modest than expected, which should hopefully help sustain investment momentum. Similarly, tax increases for private equity managers on profits from successful deals were less severe than forecast, reducing concerns about discouraging deal-making. There has also been a call for clarity on the full R&D budget allocation within the Department for Science, Innovation, and Technology (DSIT),

Key Announcements for Life Sciences included:

- Protecting record levels of government R&D.
- Continuation of the innovation accelerator programme.
- Support for commercialising university research with at least £40m over 5 years for spin-outs, proof-of-concept funding, and improvements to the support for researchers spinning out the UK's cutting-edge research.
- Up to £520m for a new Life Sciences Innovative Manufacturing Fund.

The budget emphasises the planned use of technology to enhance public services, notably healthcare, which could create demand new products and includes infrastructure investments like the East-West rail link, vital to the success of key life science hubs.

The budget also revisited key initiatives, including the new Office for Investment and National Wealth Fund, pension fund reforms to boost startup investment, ten-year funding plans for major research institutions, NHS reform and the long-term industrial strategy, currently out for consultation.

Other news/trends



GSK moved into its cutting-edge headquarters in London's Knowledge Quarter, returning to the capital after two decades in Brentford. CEO Emma Walmsley highlighted the strategic advantage of being near key scientific partners. The new HQ focuses on collaboration, sustainability, and employee well-being. This move reflects a broader trend in the pharmaceutical industry of locating in urban centres, further demonstrated by Eli Lilly's renewed search for a London base.

Amazon Web Services (AWS) announced an investment of £8m in cloud resources for UK Biobank, matched by £8m government funding, following a £32m public-philanthropic pledge. The investment will enhance data storage, access, and analysis, facilitating global research and healthcare innovations. UK Biobank is the world's most advanced source of health research data. It is a database of in-depth genetic, health and lifestyle information from half a million UK volunteers.

The UK AI market, valued at \$20bn, is projected to reach \$1tn by 2035, offering vast opportunities. Blackstone's £10bn investment in an AI data centre in Northumberland will generate over 4,000 jobs, solidifying the UK's role as a leader in AI growth. Four US-based companies recently announced plans to invest £6.3bn in UK data centres. While the trajectory of AI sector growth is debated, the expansion creates significant opportunities for the real estate sector, as AI firms will increasingly require specialised facilities and office space.

The continued growth of the UK life sciences sector relies on support from the NHS and academia. A number of life sciences CEOs are calling on the government to address NHS challenges, such as streamlining clinical trials and improving patient access to treatments. In response, **the government has launched a £400m programme to fast-track trials and speed up medicine development**. Future NHS reforms are expected to focus on using patient data for R&D and adopting innovative therapies and technologies. Meanwhile, UK universities face a £4.6bn research funding deficit, which could lead to restructuring if not addressed. One solution is for universities to join forces to deliver funding. To this end, UCL, Kings College London and Queen Mary University are discussing establishing a jointly-owned investment vehicle.

Analysing top pharmaceutical company filings highlights positive sentiment and strategic focus areas. Firms are raising earnings guidance, prioritising pipeline expansion, emerging markets, partnerships, operational efficiency, strategic acquisitions, digital transformation, and R&D. Challenges remain, including pricing pressures, supply chain disruptions, and patent expirations. According to Evaluate, global prescription drug sales are projected to grow at a 7.7% CAGR, reaching \$1.7tn by 2030, with oncology at the forefront.

The quarter witnessed continued investment into UK life sciences manufacturing, including Lonza's planned £30m expansion into a 400,000 sq ft facility in Reading, supported by the Life Sciences Innovation Manufacturing Fund. Additionally, FUJIFILM Diosynth Biotechnologies launched a £100m microbial fermentation facility in Billingham. A £520m life sciences innovative manufacturing fund was announced in the Budget. However, the sector faces a shortage of space, particularly in London. A report by MedCity highlighted that 114,680 sq ft of manufacturing space remains unmet.

The convergence of AI and life sciences is rapidly revolutionising drug discovery. This quarter, Exscientia expanded its partnership with AWS and merged with Recursion, while Eli Lilly is collaborating with OpenAI to develop treatments for drug-resistant pathogens. AI-based drug discovery partnerships have surged by 575% since 2015, with London emerging as a global leader in the number of AI-driven life sciences firms.

New investment funds are set to boost investment into UK startups. Phoenix Group and Schroders' Future Growth Capital will initially deploy £1bn, with plans to invest up to £20bn over the next decade in private markets. Legal & General's new Private Markets Access Fund aims to invest up to £1bn by 2025, with up to 40% focused on UK businesses. Schroders has also launched a Long-Term Asset Fund, targeting AI, quantum computing, fintech, and more, to drive innovation in the UK.

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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