

Q4 2023



# UK Life Sciences & Innovation Insight Report

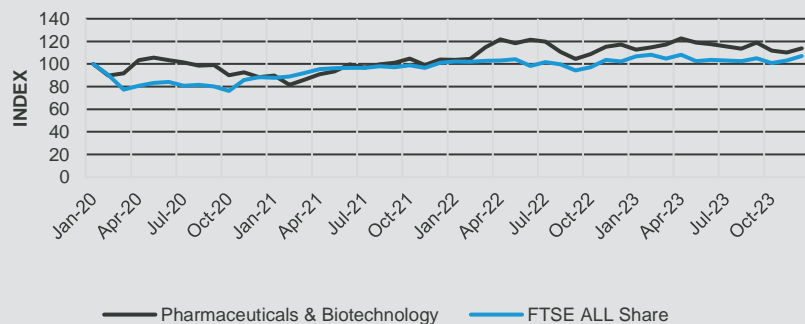
# Sector performance

Q4 2023



## Share price: Pharma and biotech stocks outperform broader market

FTSE ALL SHARE, PRICE RETURN INDEX. JAN 2020=100. GBP



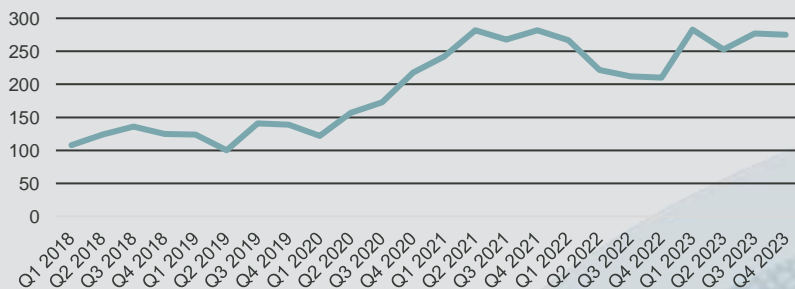
Although the broader market was relatively unchanged over the course of 2023, the FTSE pharmaceutical and biotechnology index finished the year with a 9% increase compared to the beginning of January.

One notable top performer in the FTSE100 was the veterinary pharmaceutical company Dechra Pharmaceuticals. Earlier in 2023, Dechra agreed to an acquisition by the private equity firm EQT.

Source: Macrobond and Knight Frank Research.

## Company creation: UK life sciences launches hit 10-year high in 2023

COMPANY INCORPORATIONS – UK LIFE SCIENCES



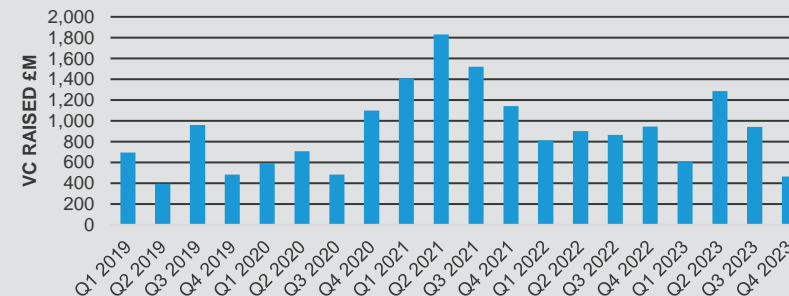
In 2023, 1,088 life sciences companies were launched in the UK - the highest annual total in the past decade.

The formation of new life sciences companies in the UK continues to accelerate, with 275 incorporated in Q4. This was broadly in line with Q3 and a 31% jump compared to the same period in 2022.

Source: Fame and Knight Frank Research. Data includes active companies only. BVD sector: Biotech and life sciences.

## VC funding: Slows in Q4 but remains near decade highs

VC FUNDING INTO UK LIFE SCIENCES COMPANIES £M



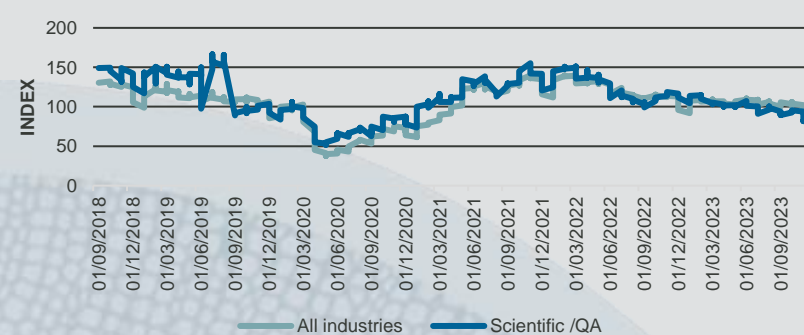
Q4 venture capital funding for UK life sciences companies totalled £462m, a 51% decrease from the prior quarter and Q4 2022.

In 2023, UK life sciences companies raised £3.3bn, ranking as the third-highest amount over the past ten years. On a year-over-year basis, sector funding declined 7% compared to 2022.

Source: PitchBook and Knight Frank Research. HQ only. Completed deals and full transactions only. Covers: Biopharma, MedTech and Digital health. Data as at 06/01/2024. The data in PitchBook is continuously updated to reflect the most current information. As a result, historical data may change over time.

## Vacancies: Number of scientific/QA online job adverts declines in Q4

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



Vacancies for scientific and quality assurance roles were down 22% since the beginning of October. This compares to a 24% fall across all industries over the same period.

The majority of open positions remain located in the Golden Triangle. Other regions with sizable numbers of scientific and QA job openings include the North West, Yorkshire and the Humber, and the Midlands.

Source: Adzuna and ONS experimental job advert indices.

# Occupier prospecting

Q4 2023



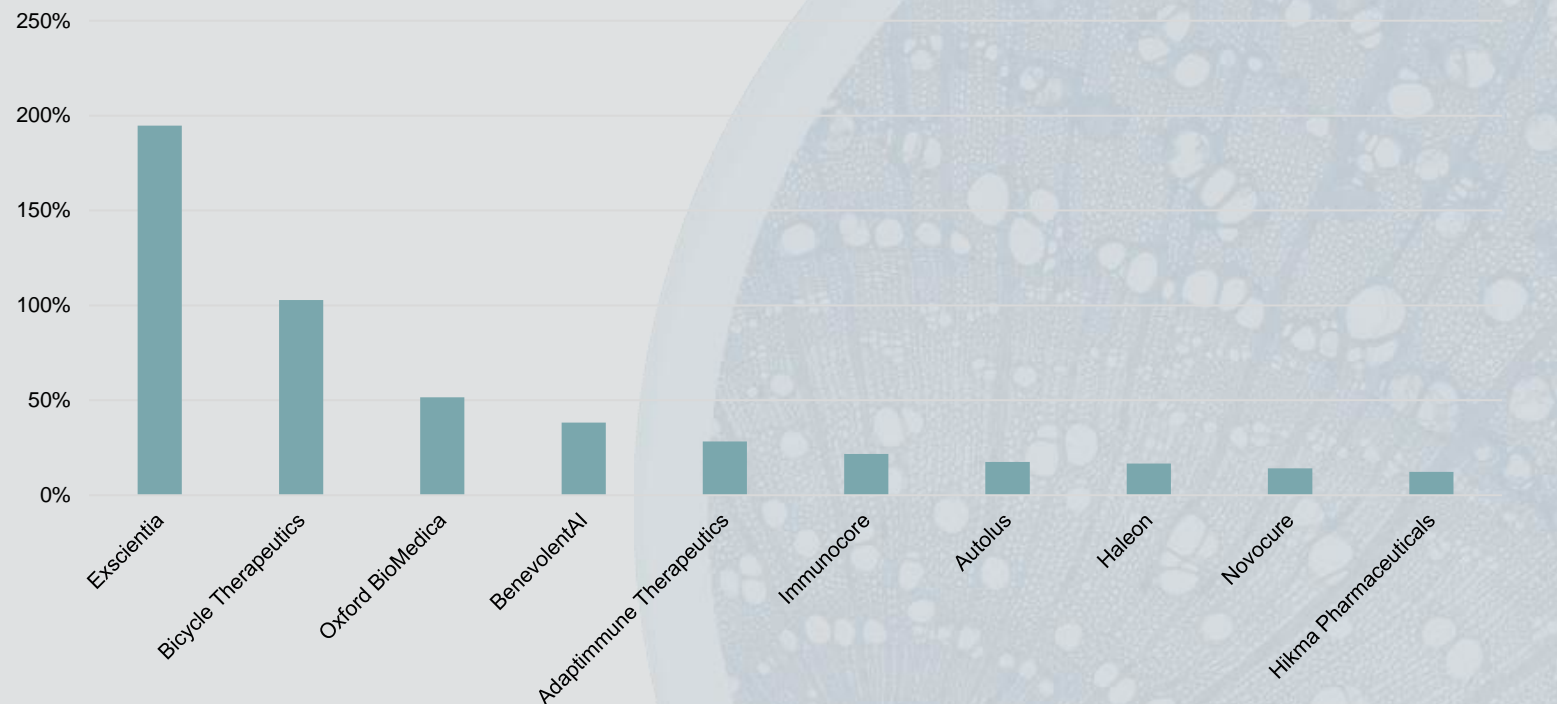
## A data-led approach, to identify and qualify life sciences prospects

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
- New company registrations
- M&A activity
- IPO listings
- Public funding
- Other sources of research funding, such as via charities and industry

This quarter we analysed research and development (R&D) spending at life sciences companies with the largest number of employees. As these major corporations ramp up R&D expenditure, they may need additional space to support expanding research operations. Examining how the operational strategies of these large companies could translate into occupier demand provides valuable insight into prospective tenants.

## Top ten UK life sciences companies ranked by % year-on-year increase in R&D spend



Source: PitchBook and Knight Frank Research. Looking at 2022/2021 annual filings. Sectors covered: Life sciences and pharmaceuticals and biotechnology. HQ in the UK only. Public companies only. Looking at companies with the highest headcount globally.

# Real estate activity

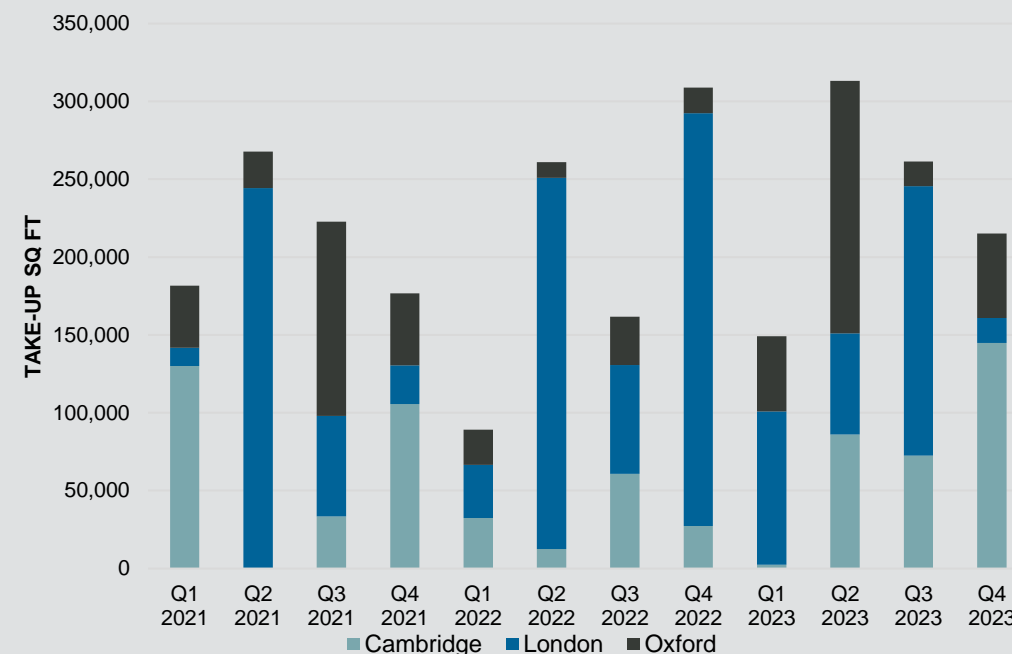
Q4 2023 - Leasing market



## Select leasing deals Q4 2023

OCCUPIER	PROPERTY TYPE	BUILDING	CITY	SIZE (SQ FT)	RENT IF AVAILABLE (£ PSF)
BioNTech	Lab Enabled Office	1000 Discovery Drive	Cambridge	79,995	£65.00
Cambridge University Hospitals NHS Foundation Trust	Lab Enabled Office	1000 Discovery Drive	Cambridge	23,367	£65.00
Sandoz Pharmaceuticals	Lab Enabled Office	Parallax	Cambridge	15,886	£34.00
FL 86 Ltd (Quotient Therapeutics)	Lab Enabled Office	Newnham Building	Cambridge	11,518	£53.00
Avalere Health	Pure Office	The Featherstone Building, 66 City Road, EC1	London	10,854	£81.00
Viacon Motion systems	Pure Office	Seacourt Tower	Oxford	8,287	£35.00

## Life sciences leasing volumes, Golden Triangle



	Q4 2023 TOTAL	2023 TOTAL	2022 TOTAL
<b>Golden Triangle</b>	215,050 SQ FT	938,724 SQ FT	820,675 SQ FT
<b>Cambridge</b>	144,930 SQ FT	305,772 SQ FT	132,801 SQ FT
<b>London</b>	15,979 SQ FT	352,412 SQ FT	607,812 SQ FT
<b>Oxford</b>	54,141 SQ FT	280,540 SQ FT	80,062 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.

# Real estate activity

Q4 2023 - Investment market

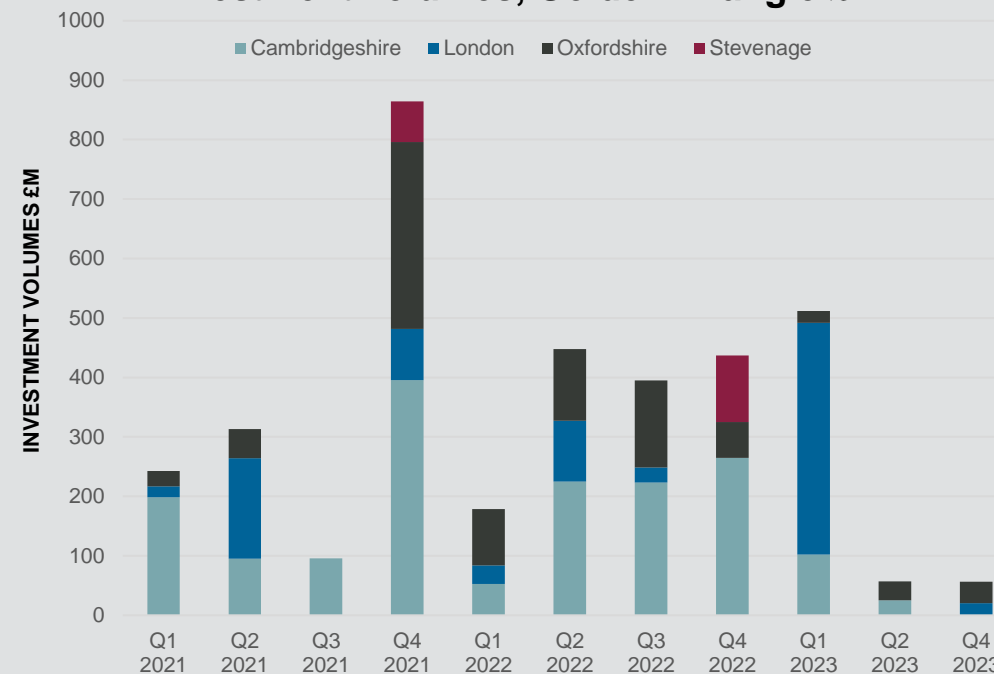


## Select investment transactions Q4 2023

ADDRESS	CITY	SIZE (SQ FT)	PRICE £M	AGREED NIY %	VENDOR	PURCHASER
Oxford Retail Park	Oxford	80,200	£28.50	4.50%	LaSalle IM	Christ Church College
22-23 Tileyard Road	London	80,000	£20.50	Vacant possession	City & Provincial Properties	Kadans Science Partner
Lumen House, Harwell Science and Innovation Campus	Oxford	18,000	£7.65	5.60 %	Life Science REIT	Brookfield

Investment in life sciences commercial real estate across the Golden Triangle declined 57% in 2023 compared to the previous year. Multiple factors dampened activity, including tight inventory, investor wariness of development risk, and more stringent financing conditions. The investor landscape has also condensed – whereas a diverse range of acquirers entered the market during the pandemic’s boom, the current roster of prospective investors is more specialist and experienced.

## Investment volumes, Golden Triangle £m



2023 TOTAL	2022 TOTAL	2021 TOTAL
£0.62BN	£1.46BN	£1.52BN

Source: Knight Frank Research. Completed deals only.

# Real estate activity

Q4 2023 – Other real estate activity



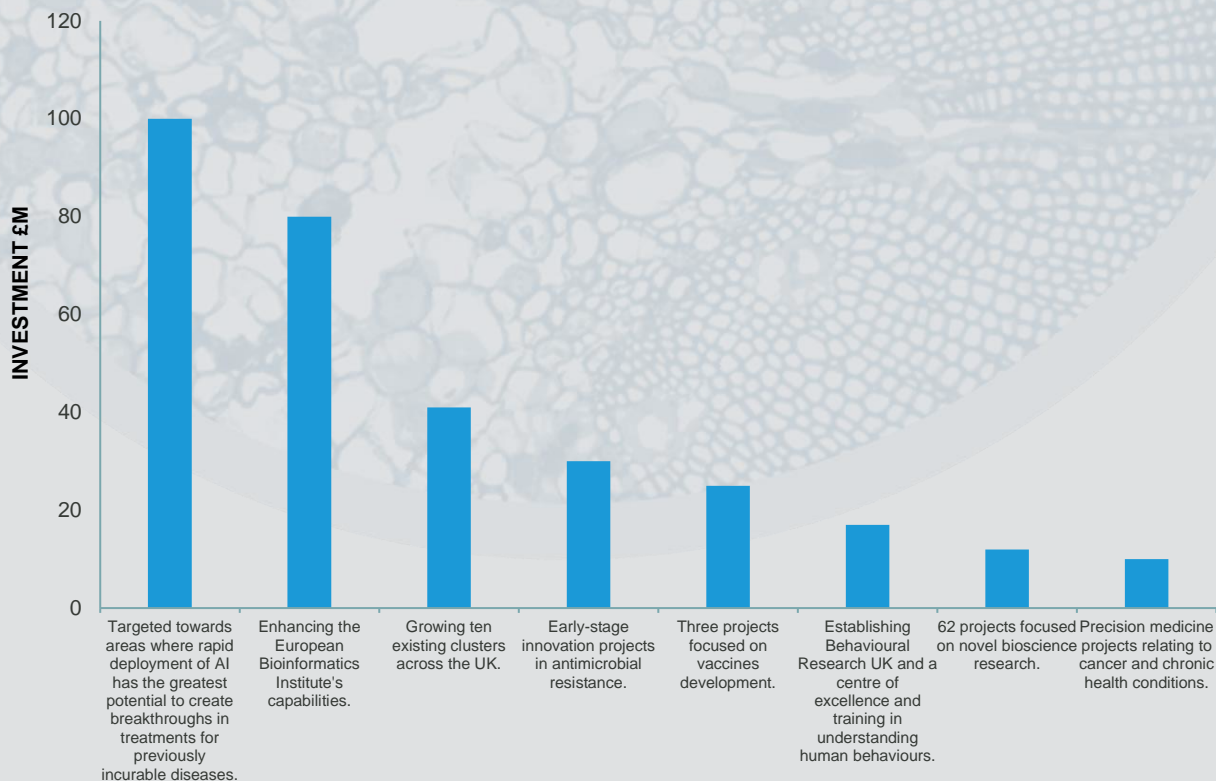
## Funding, operating models and partnerships in Q4 2023

COMPANY / ENTITY / LOCATION	ACTIVITY
<b>Bruntwood SciTech</b>	Secured £500m of funding for its life sciences property platform and added the Greater Manchester Pension Fund to the L&G/Bruntwood partnership. Bruntwood SciTech will use the new capital to expand and redevelop existing life sciences campuses and hubs across the UK.

# Government investment tracker



## Top UKRI investments into life sciences research and development Q4 2023



### Other significant government announcements:

- Life sciences was a prominent feature in the Autumn Statement. Key announcements included new investment zones, which are expected to help catalyse over £3.4bn of private investment and c.65k jobs, a £520m funding package for life sciences manufacturing and changes to R&D tax credits.
- The UK formally solidified its participation in the Horizon and Copernicus programmes.
- Nearly £30bn in investment commitments were made at November's UK Global Investment Summit, including BioNTech's expansion plans for Cambridge and London and Microsoft's pledge to invest £2.5bn in UK AI infrastructure.
- The government signed a memorandum of understanding with life sciences bio platform company Flagship Pioneering that included exploring potential locations in the UK to host manufacturing sites for Flagship's life sciences companies. Companies under Flagship's umbrella include Moderna and Quotient Therapeutics.
- An agreement was reached on a successor to VPAS (2019 Voluntary Scheme for Branded Medicines Pricing and Access). The scheme is now termed VPAG.
- £300m investment granted for AI supercomputing. It will support a Bristol-based computing facility and a new Cambridge-based supercomputer. Separately Edinburgh was named as the preferred choice to host the government-funded exascale next-gen supercomputer.
- The government launched a £2bn vision for Engineering Biology as well as further measures to build on the existing £2.5bn quantum strategy. According to The Data City there are 1,725 engineering biology companies in the UK.

# Other news



- The UK achieved two significant firsts in Q4. First, the UK Biobank released the world's largest single set of sequencing data, and second, the Medicines and Healthcare Products Regulatory Agency (MHRA) became the first health authority globally to approve a CRISPR gene editing therapy. Only two labs worldwide can make this treatment, with one facility located in the UK. These advances solidify the UK's leadership in unlocking the potential of genomics and next-generation therapies to improve human health.
- The UK genomics sector was in the spotlight with several milestones reached and actions for further growth. A new functional genomics laboratory has been established via a partnership between the Medical Research Council, AstraZeneca and the Milner Therapeutics Institute. The facility, which is expected to become operational in early 2024, will be located on the Cambridge Biomedical Campus. The UK Biobank received donations of \$10m each from former Google CEO Eric Schmidt and billionaire investor Ken Griffin, which were matched by the government. Also, Oxford Nanopore and Genomics England announced plans to sequence up to 7,500 samples from people with genetic or suspected genetic disorders.
- A recent PitchBook survey of 72 venture capital investors revealed a spike in optimism about the biotech sector. Compared to the first half of 2023, nearly twice as many respondents said biotech would see the most innovation over the next 12 months. 42% view biotech as an underinvested area ripe for further funding. In the UK, venture capital funding should see a boost from the government's Venture Capital Investment Compact which was signed in Q4. LocalGlobe, Amadeus Capital and Balderton Capital are among 20 signatories of the compact, which aims to channel more pension funds into private startups. The 20 venture capital and growth equity firms represent more than £25bn in assets under management in over 1,800 companies.
- The growth of life sciences hubs beyond the Golden Triangle continued, with several new initiatives launched. Innovation Cambridge partnered with ID Manchester to map connections between the Cambridge and Manchester ecosystems and strengthen existing ties. Bristol-based deep tech incubator Science Creates raised funds to open a third facility in the city and Northern Gritstone, an investment firm focused on university spinouts and IP-rich businesses in the north of England, secured £312m in final fundraising.
- The UK's regional cities also garnered recognition in recent science and technology rankings. Edinburgh, Bristol and Manchester placed in the top 100 global cities for science research output, measured by contributions to high-impact academic journals. Additionally, the Times Higher Education life sciences subject ranking placed Edinburgh, Manchester, Bristol, Sheffield and Glasgow universities in the top 100 globally.
- Further details emerged from the Labour party conference regarding the party's policies on life sciences. Plans include a National Wealth Fund to invest in industry and infrastructure. Reform of the healthcare system was also front and centre, with prevention and AI integration a large part of that plan. Newly appointed Shadow Science Secretary Peter Kyle called for a 10-year funding settlement for R&D and a new "founder track" to allow university spinouts to keep a higher stake of their equity.



# 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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