December 2023

Knight Frank

UK Life Sciences Forecasts 2024

The Forecasts

1 OMICS', AI & QUANTUM COMPUTING CHANGES THE GAME

New technologies like artificial intelligence and "omics" backed by major public and private investment, will transform the sector's real estate requirements, and create new and different forms of occupational demand in 2024. Quantum computing remains in early developmental phase, but we anticipate further expansion and maturation in the coming years.

2 VC FUNDING POWERS BACK

Investor confidence and capital allocation into UK life sciences companies will trend upwards in 2024, given the significant levels of dry powder and a bullish focus on backing transformational life sciences companies. Year-to-date UK life sciences VC funding data shows signs of this revival.

3 THE UK CITIES SCIENCE NETWORK CONTINUES TO GROW AND SPECIALISE

The UK's expanding network of specialised regional life sciences clusters, supercharged by government investment zones, further devolution, funding, and unifying policies, will further grow and integrate in 2024 creating an increasingly complementary and interconnected ecosystem.

4 US EDUCATIONAL INSTITUTIONS TAKE ROOT IN THE UK

The magnetism and global significance of UK's knowledge and innovation clusters will prove popular with US universities, and we predict that at least three prominent US institutions will establish campuses in the UK over the next year.

The Forecasts

5 LONDON'S LAB PIPELINE BRINGS FURTHER CREDENCE TO LONDON'S LIFE SCIENCES SECTOR

Burgeoning life sciences demand in London, evidenced by £1.8 billion in venture capital investment and a 61% increase in company launches during 2023, will be met by over 650,000 sq ft of new lab space delivery in 2024.

6 BEYOND RESEARCH TO COMMERCIALISATION AND MANUFACTURING

A swelling pipeline of cell and gene therapy research advancing towards commercialisation and manufacturing will drive demand in 2024 for specialised bioproduction facilities from big pharma acquirers and CDMOs/CMOs seeking small-scale, highly controlled environments in proximity to key markets

7 PROLIFERATION AND GROWTH OF DIAGNOSTIC CENTRES

To reduce treatment costs and burden, the NHS will ramp up preventative diagnostic testing capabilities in 2024 and beyond by expanding robotic and AI-powered labs modelled after COVID-era facilities that can operate 24/7 to enable early illness detection through blood tests and other intervention methods.

‘OMICS’, AI & QUANTUM COMPUTING CHANGES THE GAME

New technologies, processes, and modalities will transform the sector's real estate requirements and create new and different forms of occupational demand in 2024 and beyond.

The UK’s artificial intelligence expertise is already world-leading - boasting one the highest densities of AI unicorns in the world. The Autumn Statement saw a number of growth initiatives, namely half a billion pounds of funding over the next two years to establish two more compute innovation centres and a mission to have accessible, UK-based quantum computers capable of running 1tn operations by 2035.

Rapid growth for “omics” companies* numbering 630 nation-wide is fuelled by falling costs, technological advancements, world leading datasets via major healthcare research programmes like Our Future Health and a push towards personalised medicine and early diagnostics.

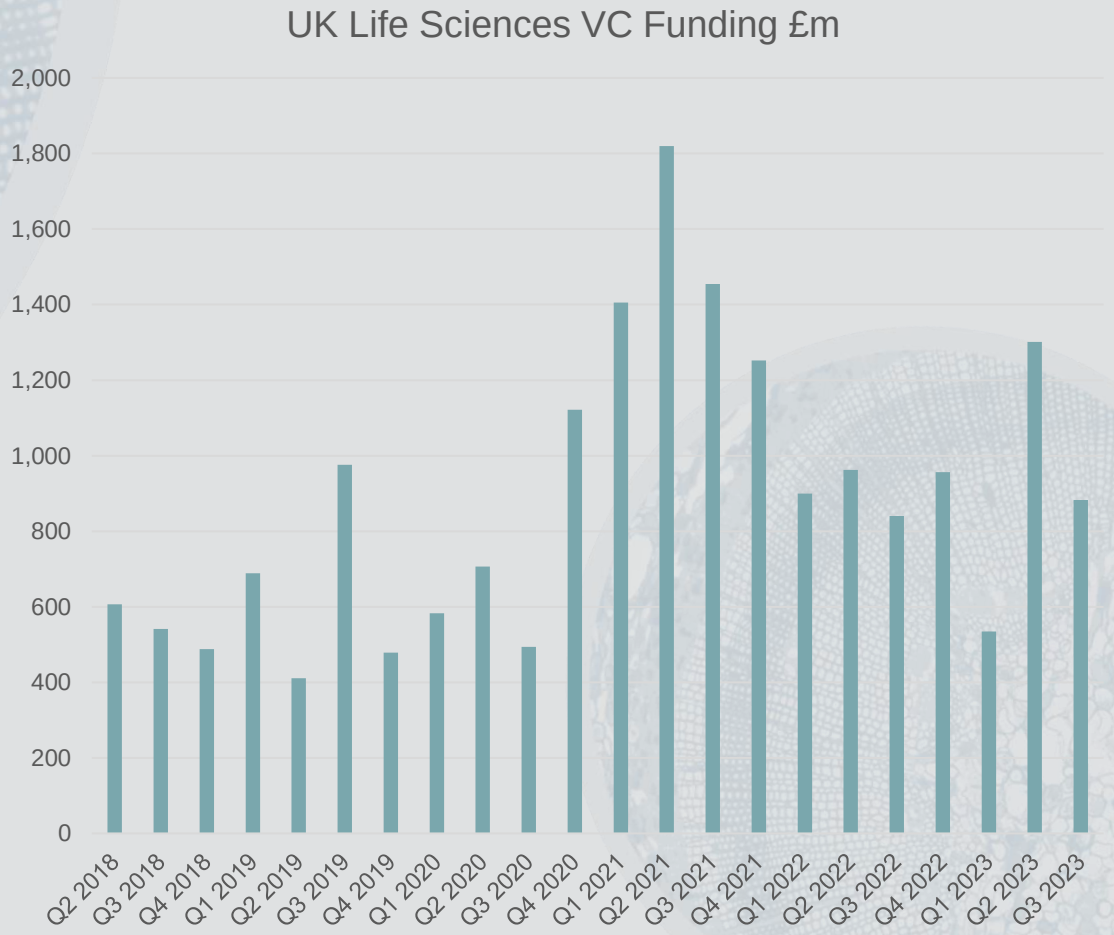
Quantum computing remains in early development phase, but we anticipate further expansion and maturation in the coming years. Specifically, the UK government has earmarked £2.5 billion to command 15% global market share over the next decade.

METRIC	UK AI SECTOR	UK “OMICS” SECTOR	UK QUANTUM SECTOR
Number of companies	3,698	630	560
Total employees	108,500	40,400	112,439
Investment £m	£25bn	£4.4bn	£2.1bn
Growth	9.6%	7.8%	31.6%

VC FUNDING POWERS BACK

Investor confidence and capital allocation will trend upwards in 2024, given the significant levels of dry powder, a bullish focus on backing transformational life sciences companies and anticipated stabilisation of interest rates.

Indeed, there are already signs of a revival with UK life sciences companies attracting £2.7 billion in VC backing between Q1 and Q3 of this year, marking the second highest level over the past decade for the first three quarters. Our view is backed by leading investors speaking at the recent Jeffries London Healthcare conference, who expressed optimism about the year ahead.



Source: PitchBook and Knight Frank Research

THE UK CITIES SCIENCE NETWORK CONTINUES TO GROW AND SPECIALISE

The UK's life sciences sector already extends nationwide, with more than 50% of sector employment found outside the Golden Triangle. The sector's growth across the UK will further accelerate in 2024 as government policy advances. This includes the roll-out of the investment zones programme and further devolution. The recent Autumn statement was telling, establishing new investment zones that collectively are projected to create nearly 70,000 jobs.

Furthermore, regional universities are joining forces to drive commercial spinout activity and raise funds. The Northern Gritstone Fund provides funding across universities in Manchester, Leeds, and Sheffield. It recently secured a final close of £312m from investors and has already announced investments in 15 companies in the region.

These emerging policies will supercharge key clusters across the UK's interconnected life sciences ecosystem. With strengths spanning specialist spheres like genomics and MedTech, a framework is taking shape to unify these centres of excellence as collaborative partners rather than competitors. 2024 is a key year in this transition.

EDINBURGH
AI, cell and gene therapy, bioinformatics, genomics, health data, regenerative medicine

MANCHESTER
Genomics, precision medicine, bio-manufacturing, diagnostics and screening, digital health, translational research

CARDIFF
Diagnostics, MedTech, precision medicine

NEWCASTLE
AI and healthy ageing, rare diseases, pre-clinical research, diagnostics

ABERDEEN
Biologics, imaging, digital health, advanced therapeutics

BRISTOL
Robotics, synthetic biology, MedTech, assisted living, quantum, AI, engineering and biology, therapeutics, diagnostics, medical devices

LEEDS
Wound care and regenerative medicine, digital health and health tech, diagnostics, personalised medicine, Agri-Tech (York)

SHEFFIELD
Child health, orthopaedic and rehabilitation research , advanced wellbeing, advanced manufacturing

BIRMINGHAM
MedTech, translational medicine. genomics, health data and informatics, digital health, clinical trials, diagnostics, manufacturing

GLASGOW
Precision medicine, MedTech, translational medicine, imaging, medicine manufacturing

US EDUCATIONAL INSTITUTIONS TAKE ROOT IN THE UK

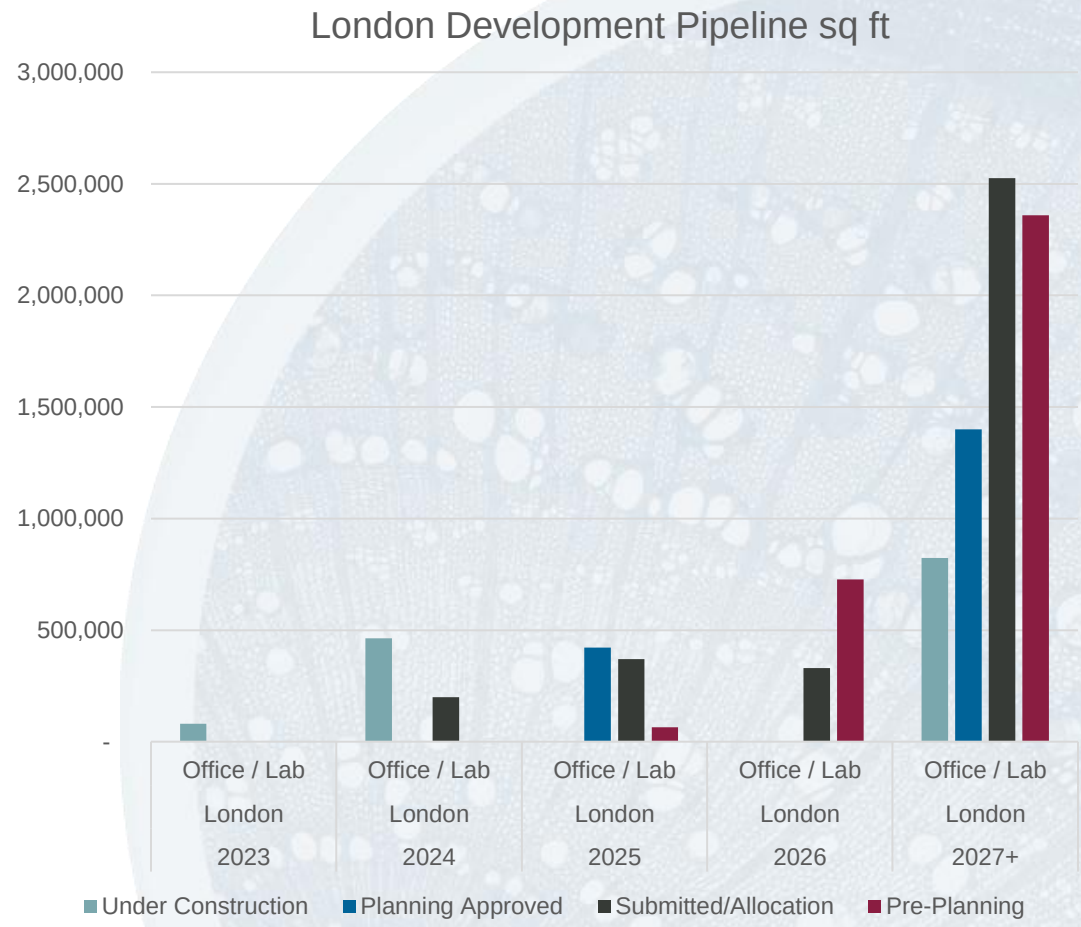
The magnetism and global significance of UK's knowledge and innovation clusters will prove popular with US universities, and we predict that at least three prominent US institutions will establish campuses in the UK over the next year. Drivers of this demand include access to a wider pool of students and business engagement opportunities that support student work placements, research, and industry experience.

Robust indicators validate this future trajectory. In London, for example, education occupiers are currently searching for 110,000 sq ft of space and as at Q3 2023 481,819 sq ft was signed for in the last 12 months – this is almost 48% above the long-term trend.

LONDON'S LAB PIPELINE BRINGS FURTHER CREDENCE TO LONDON'S LIFE SCIENCES SECTOR

London is firmly cementing itself as a global leader in life sciences. Named demand for lab space currently stands at 974,500 sq ft – a direct result of the £1.8 billion of venture capital hitting the London life sciences sector during 2023 (the second highest annual total ever recorded) and a 61% y-on-y growth in London life sciences company incorporations.

However, a severe shortage of facilities has served to dampen this momentum, with available lab space limited at 179,295 sq ft – less than a quarter of total demand. This imbalance will be addressed in 2024, with 664,300 sq ft of new lab supply coming online through developments such as 5-10 Brandon Road, Victoria House, and Apex Tribeca. These incoming facilities are pivotal to the further growth and maturity of London's life sciences cluster.



BEYOND RESEARCH TO COMMERCIALISATION AND MANUFACTURING

In many life science sub-sectors there is a bow wave of research that is progressing through research stage and into commercialisation and production. In Cell & Gene Therapies alone, there are 800 businesses at this stage, and although many will not progress beyond research, technology is also speeding up the process and enhancing the prospects for success. These successful business will typically be looking for an exit to a big pharma production company, who will be seeking to commercialise and manufacture within their own facilities or partner with a Contract and Development Manufacturing Organisation (CDMO) or Contract Manufacturing Organisation (CMO.

The nature of these advanced therapeutics is that they typically need to be close to their market but are relatively small scale, highly controlled style environments.

The UK is now represented in 14% of global ongoing ATMP commercial trial activity in all Phases I - III

Source: Cell and Gene Therapy Catapult – Clinical Trials Database 2022

PROLIFERATION AND GROWTH OF DIAGNOSTIC CENTRES

There are also many diagnostic interventions to prevent illness through early identification using blood tests and other methods that are being trialled. This is a key drive for the NHS to reduce demand for its services and so the expectation is that we will see a lot more testing and diagnostics centres, similar to the lighthouse facilities developed throughout Covid. Robotics and AI will play an increasing role in these labs to enable 24-hour operations 365 days a year.

Source: Department of Health and Social Care, Nov 2023

Thank you