

Q4 2022



UK Life Sciences & Innovation Insight Report

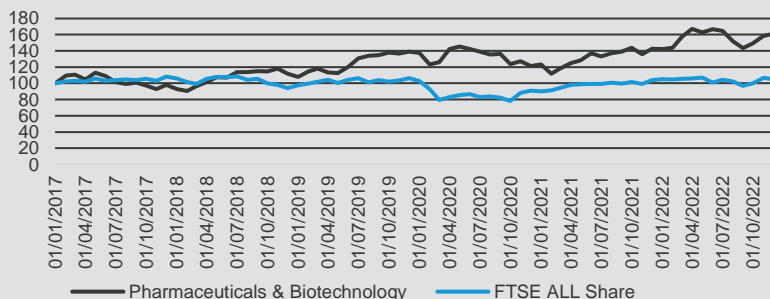
Sector performance



Q4 2022

Share price: Biopharma stocks continue to outperform.

FTSE ALL SHARE, PRICE RETURN INDEX. JAN 2017=100. GBP



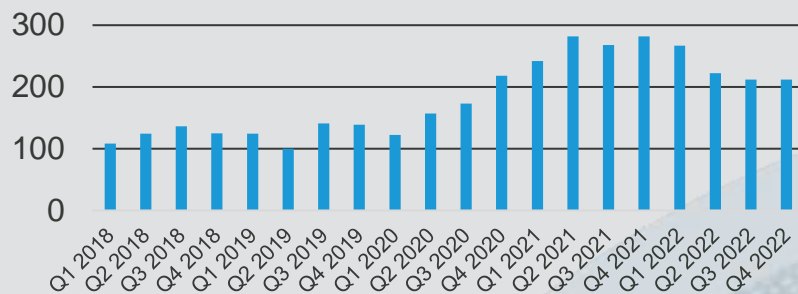
Source: Macrobond

UK pharma and biotech stocks outperformed the FTSE All Share in Q4 2022.

The FTSE All Share pharma & biotech price return index ended the year 16% higher than at the end of the last quarter.

Company creation: Second-highest year on record.

COMPANY INCORPORATIONS



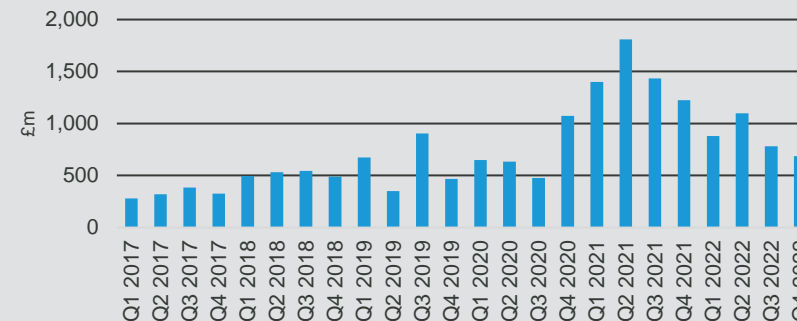
Source: Fame and Knight Frank research. Data includes active companies only. BVD sector: Biotech and life sciences.

The number of life sciences companies incorporated in the UK reached 212 in Q4 2022, bringing the total for 2022 to 913.

This makes 2022 the second-highest year on record for UK life sciences company incorporations.

VC funding: 2022 funding is below the peak of 2021, but more than double annual average pre-pandemic levels.

VC FUNDING INTO UK LIFE SCIENCES COMPANIES £M



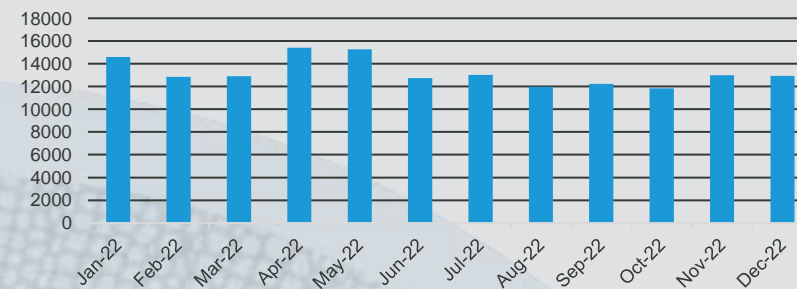
Source: PitchBook and Knight Frank research. HQ location UK, Completed deals only. Covers: Biopharma, MedTech and Digital health.

UK life sciences venture capital funding reached £686m in Q4 2022, a 12% decline quarter-on-quarter and £3.4bn for the full year 2022, a 41% decline year-on-year.

Nonetheless 2022 venture funding was well above pre-pandemic levels

Vacancies: Early signs of softening.

SCIENTIFIC & QA JOB VACANCIES



Source: Adzuna

There was a total of 37,783 scientific & QA job vacancies in Q4 2022.

This represented a marginal 1% increase on last quarter but a decrease of 6% from Q1 2022.

Occupier prospecting

Q4 2022



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

We 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

Each quarter we will look at a different metric. This quarter we are looking at venture capital funding.

Top 5 funding rounds Q4 2022

COMPANY	LOCATION	DEAL SIZE £M	SUB-SECTOR
Pulmocide	London	124.19	Biopharma – inhaled medicines
Osler Diagnostics	Oxford	71.05	Diagnostics
Nucleome Therapeutics	Oxford	37.50	Genomics/precision medicine
STORM Therapeutics	Cambridge	27.85	Biopharma – novel therapies
Ochre Bio	Oxford	26.72	Biopharma – RNA medicines for liver disease

Top 5 locations for venture capital funding Q4 2022



Source: PitchBook. Full and completed transactions only. Deals only relate to those where a UK Headquartered company is the target.

Sectors: Healthcare Devices and Supplies; Laboratory Services; Healthcare Technology Systems Pharmaceuticals and Biotechnology; Verticals: Digital Health; FemTech; HealthTech; Life Sciences; Oncology; Emerging Spaces: Mental Health Tech; Fertility Tech; Medical Robotics; Gene Therapies; Neurotechnology; Anti-Aging; Assistive Tech; Nanomedicine; Medical Exoskeletons and Prosthetics; CRISPR Diagnostics; Psychedelics; AI-powered Drug Discovery; VR Health; Search Industries OR Verticals OR Emerging Spaces. HQ location only.

Real estate activity

Q4 leasing market

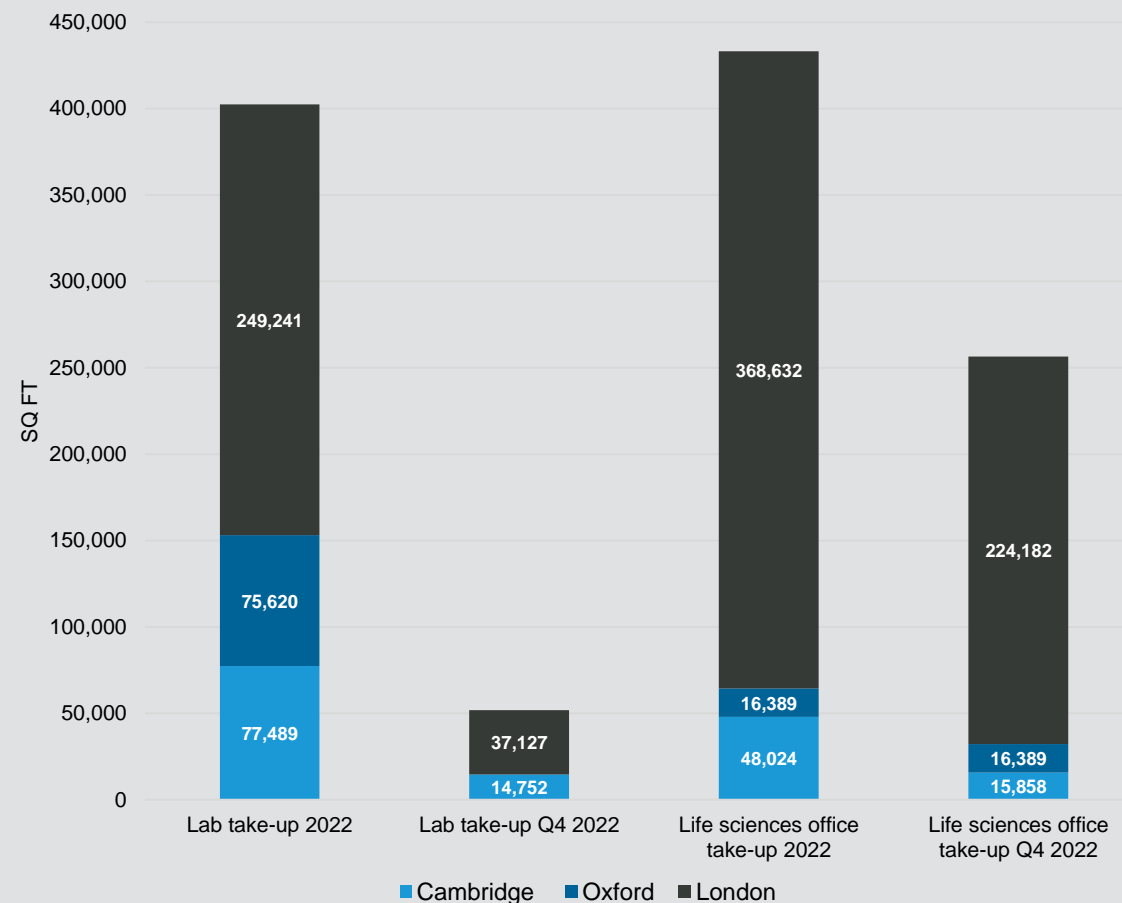


Select leasing deals Q4 2022

OCCUPIER	PROPERTY TYPE	ADDRESS	CITY	SQ FT	RENT IF AVAILABLE (PSF)
Pfizer	Labs, pilot plant and manufacturing	Discovery Park	Sandwich	335,000	Lease renewal
GSK	Offices	The Earnshaw, 77-91 New Oxford Street	London	140,044	£95.00
GSK (Haleon)	Labs	The Heights Business Park	Weybridge	115,000	Confidential
New York University	Education (Life sciences element)	265 Strand	London	72,922	£70.71
Kadans Science Partner	Offices for conversion	20 Water Street, Wood Wharf	London	38,715	£60.00
London BioScience Innovation Centre	Labs	Tribeca, 2-6 St Pancras Way	London	37,127	£65.00 (shell & core)
General Pharmaceutical Council	Offices	1 Cabot Square	London	21,056	£35.00

Source: Knight Frank research

Life sciences take-up in the Golden Triangle 2022



Source: Knight Frank research

Real estate activity

Q4 2022 – Investment market

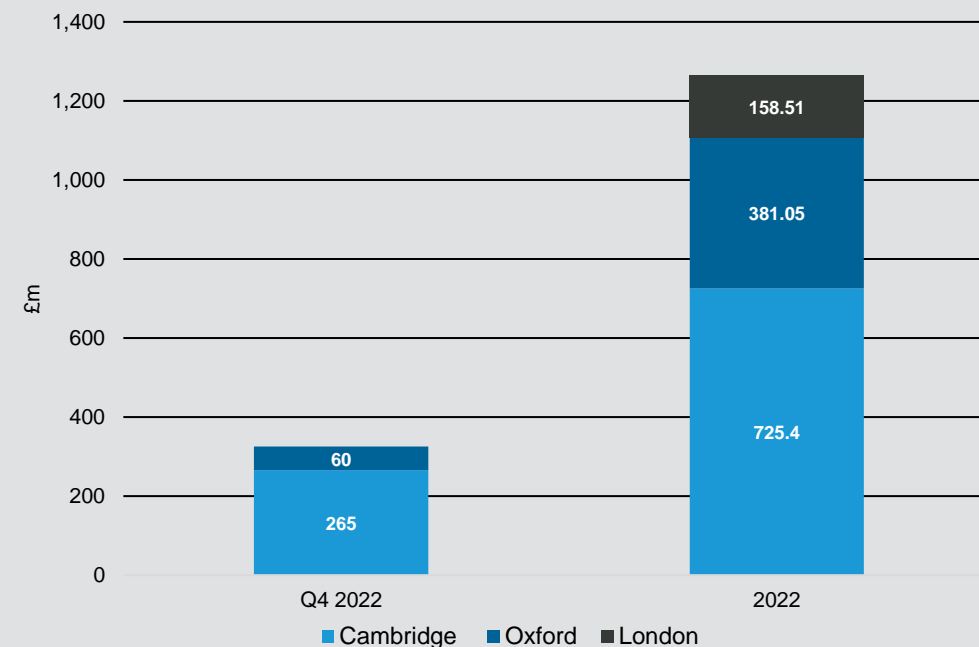


Select investment transactions Q4 2022

(Source: Knight Frank research)

ADDRESS	CITY	SIZE	PRICE £M	AGREED NIY	VENDOR	PURCHASER
Oxford Biomedica HQ	Oxford	74,576 sq ft	£60m	5.4%	Oxford Biomedica (UK) Ltd	Kadans Science Partner
194, 196 and 198 Cambridge Science Park	Cambridge	109,281 sq ft	£85m	4.0%	Legal & General Assurance (Pensions Management) Ltd	Cadillac Fairview Stanhope Plc
1,2 & 26 Cambridge Science Park	Cambridge	278,011 sq ft	£180m	4.7%	Tuspark Holdings (UK) Ltd	Brockton Everlast Inc. Limited

Life sciences real estate investment in the Golden triangle £m



Source: Knight Frank Research

Real estate activity

Q4 2022 – Other Real Estate Activity



Funding, operating models and partnerships in Q4 2022

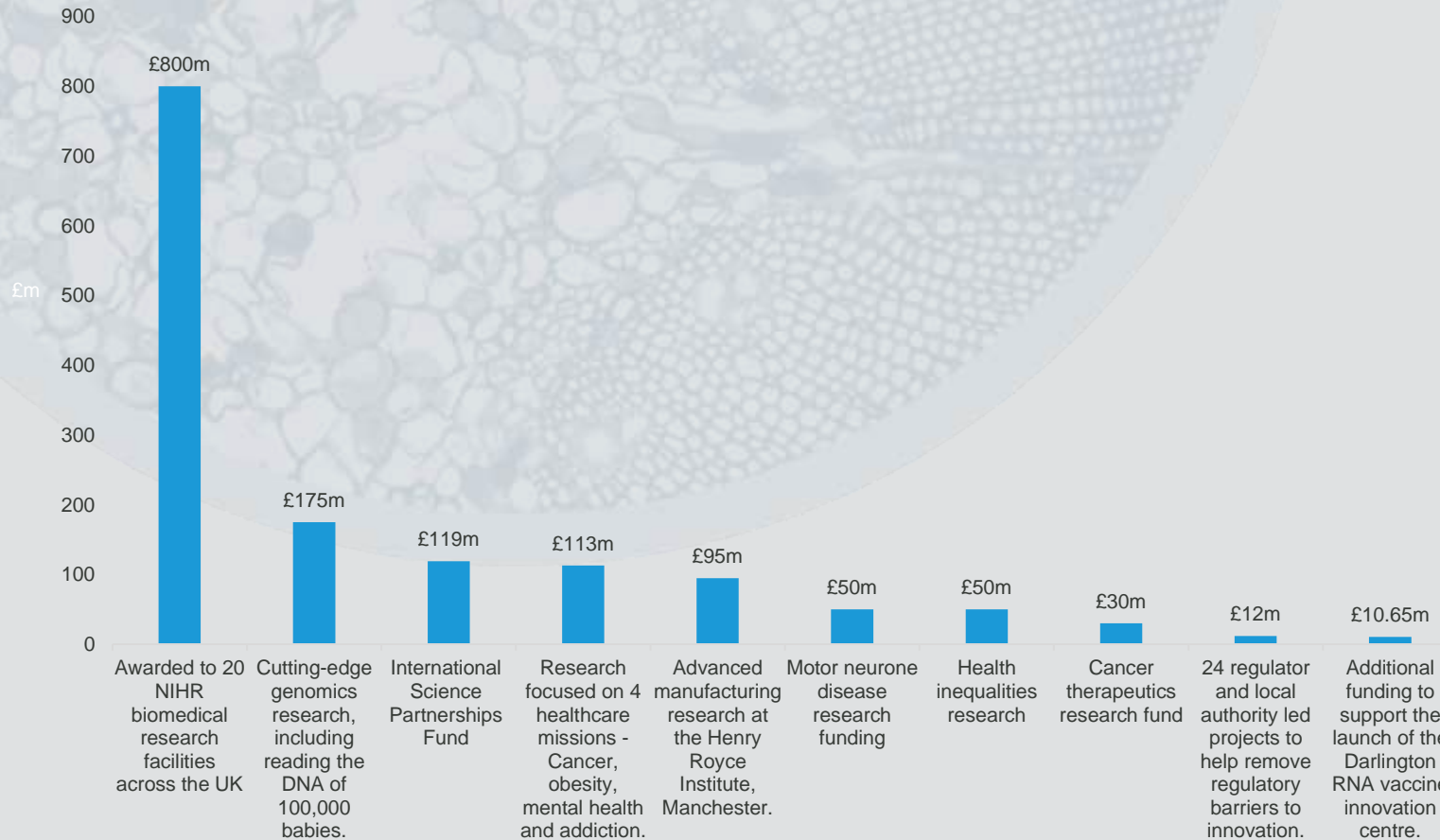
Company / entity / location	Activity
Longfellow Real Estate Partners, Norges Bank Investment Management of Norway and PSP Investment of Canada.	The parties are targeting a £1.5bn venture focused on investing in life sciences real estate across the UK, with a particular focus on the Golden Triangle and following their acquisition of Capital Park Cambridge.
Cadillac Fairview and Stanhope.	Cadillac Fairview acquired a 25% stake in Stanhope. The partners are already working together on three UK life sciences projects.
BioMed Realty and Babraham Research Campus Ltd.	Both parties have formed a joint venture to build a new facility at Babraham Research Campus, Cambridge. This is now under construction.
Partners Group	The Swiss private equity firm is looking to make its first investment in the UK life sciences real estate sector.
Life Science REIT	Applied to move listing to premium segment of the London Main Market from AIM. It hopes the change will give it access to a larger pool of capital from a wider range of investors.

Government investment tracker

Q4 2022 – Summary of key public investments into life sciences



UKRI investments into life sciences research and development Q4 2022



Other significant public investment announcements:

- The Chancellors Autumn Statement protected the increase of R&D funding to £20bn by 2024-5, pledged a more targeted approach to strengthening clusters and reforms to make it easier for pension funds to invest in start-ups. There were also proposals to change the R&D tax credit system for SMEs, which raised concerns in the life sciences industry. On the flip side large companies are set to benefit from the changes to the tax credit system, with credit rates increasing from 13 to 20%.
- The Government promised to relax planning rules, making it easier to convert industrial space for life sciences use.
- The Government started a process to establish a new regulatory framework for life sciences and its emergent sectors.
- Memorandum of Understanding signed between Greater Manchester Combined Authority, Innovation Greater Manchester and Innovate UK to strengthen research and innovation clusters across Greater Manchester, with a vision of more than 100,000 jobs across the city region.
- The Government signed cooperation agreements relating to science with Switzerland, Ireland and Japan.
- Extended support for UK Horizon Europe applicants.

There were a number of announcements relating to GMP manufacturing:

- The Medicines Manufacturing Innovation Centre in Renfrewshire officially opened. The £88m centre will accelerate solutions to some of the biggest challenges in medicines development and manufacturing. The centre is a collaboration between CPI and 23 partner organisations.
- Charles River Laboratories opened their new 16,000 sq ft plasmid manufacturing facility at Alderley Park, Cheshire.
- Quotient Sciences completed the £6m expansion of its drug substance manufacturing facility in Northumberland.
- Autolus Therapeutics handed over the first of three clean rooms forming the basis of its new commercial manufacturing facility at Marshgate, Stevenage.
- The annual UK Cell and Gene Therapy Catapult review showed a 25% increase in ATMP GMP manufacturing space since 2021.
- Moderna finalised a strategic partnership with the UK government to establish an mRNA R&D and manufacturing facility in the UK.

The Government published their Bioscience and health technology sector statistics for 2021. Headline figures included:

- 282,000 employed in life sciences, an increase of 4% compared to 2020. Employment has risen by 8% since 2019.
- In 2021 there were 6,548 life sciences companies operating in the UK. These companies had a total of 7,599 sites in the UK, an increase of 3% compared to 2020. There are 23% more businesses and 32% more sites operating in 2021 compared to 2009.
- The core MedTech sector, accounted for 40% of life sciences employment in 2021. The biopharma service and supply sector saw the sharpest increase in employment between 2020 and 2021.
- The Golden Triangle continues to be the UK region with the highest share of life sciences industry employment. It is of note that London overtook the North West to become the UK region with the third highest employment in 2021.

Life sciences outside of the Golden Triangle got a boost from further funding:

- Scottish Enterprise approved £120m in grant funding and equity investment for innovation activities in the 2021-22 financial year, with a total of 260 projects supported. This investment has been calculated to deliver a further £502m of investment from the private sector, in addition to £86m from public sector partners.
- Northern Gritstone announced a first close of £210m, with plans to raise £500m overall. Launched in 2021, Northern Gritstone was founded by the Universities of Leeds, Manchester and Sheffield to support the commercialisation of science and IP-rich businesses originating from these three research-led institutions
- The Centre for Cities launched a report on the UK's new economy which encompasses 47 knowledge-intensive sectors. One of the main recommendations is that the Govt should invest £14.5bn to build innovation zones in Birmingham, Glasgow and Manchester.

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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