

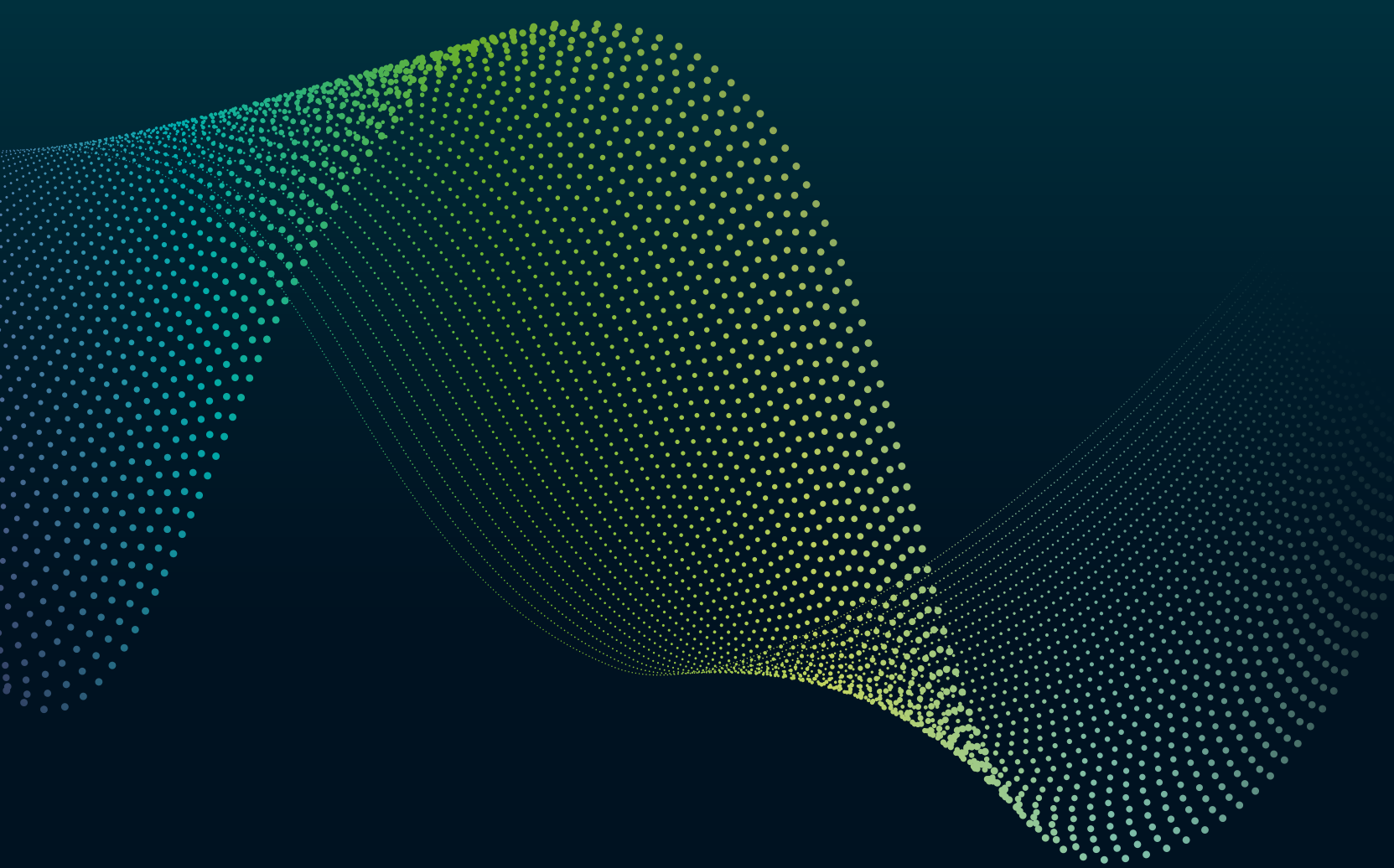
*Insights into the future of the sector and its  
emerging real estate requirements*



# UK Life Sciences

**Executive Summary**

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## AT A GLANCE

*The UK life sciences sector is on a fast-growth trajectory and will be a mainstay in the UK's economic growth story throughout the 2020s. As the sector grows, so will demand for suitable space*

**133,000**

*Extra skilled scientific jobs required in the UK life sciences sector through to 2030.<sup>1</sup>*

**1,000+**

*Over 1,000 new life sciences companies incorporated in the UK in 2020. 45% more than in 2019.<sup>2</sup>*

## UNDERSTANDING THE CUSTOMER

*Our research supports an understanding of who the customer is*

**THE LIFE SCIENCES SECTOR IS COMPRISED OF FOUR TRANCHES;**

### OVERVIEW OF THE UK LIFE SCIENCES SECTOR\*

#### MEDTECH

Companies developing clinical diagnostics, medical devices and equipment and digital health applications to diagnose and deliver care.

**MEDTRONIC, SIEMENS  
HEALTHINEERS,  
BABYLON**

#### BIOPHARMA

Comprises pharmaceutical companies who create and manufacture medicines from chemicals and biotech companies who create medicines derived from living organisms.

**GSK,  
AUTOLUS,  
NOVARTIS**

#### SERVICES & SUPPLY

The life sciences sector is supported by a growing number of companies who either work across the value chain or specialise in certain functions.

**LONZA,  
IQVIA,  
LABCORP**

#### BROADER ECOSYSTEM

A broad spectrum of institutions that support the functioning, growth and development of the sector.

**MEDCITY,  
THE WELLCOME TRUST,  
UCL**

#### Example companies

\*For the purposes of this report we have focused on human or health life sciences  
Source: Office for Life Sciences – Bioscience and Health Technology Sector Statistics 2018; CB Insights; Thomson Reuters Eikon; Beauhurst.  
<sup>1</sup> Life Sciences 2030 Skills Strategy – Science Industry Partnership <https://www.scienceindustrypartnership.com/sip-resources/publications/>

<sup>2</sup> Fame, Bureau van Dijk.



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EXECUTIVE SUMMARY:

# 5 FORCES OF CHANGE

Our research identifies 5 forces of change that are shaping the sector and will have significant implications for landlords, investors, developers and occupiers



## WHEN TWO WORLDS COLLIDE

- In response to the convergence of technology and life sciences, incumbents are activating restructuring programmes and revising talent requirements.
- Technological advancements are turbo-charging the growth of dynamo sub-sectors, such as digital health.
- Large tech companies are investing heavily into the sector via equity funding, M&A and partnerships.
- Collaboration between tech and life sciences companies is set to accelerate, particularly those with a focus on artificial intelligence.

*Digital health is now the second largest sub-set of the UK tech sector.<sup>3</sup>*



## EXPLORATION CREATES DEMAND

- Paradigm shifts in demographics, technological advancements and increased public/private funding are catalysing growth in the UK life sciences sector.
- The pace of new company formations is accelerating. This is driving demand for suitable space, which is currently in short supply.
- Incumbents are using M&A, divestitures and partnerships as a way to fully capture growing demand and pivot into growth areas.

*Public R&D investment to reach a record £22bn a year by 2024/25.<sup>4</sup>*

<sup>3</sup> Tech Nation Report 2020 <sup>4</sup> UK Research and Development Roadmap.



## A NEW PLACE FOR R&D

- Computational science is set to take-off, resulting in a greater proportion of R&D taking place in more conventional office spaces and shared collaboration zones.
- Data science skills will be in high demand and R&D will be more multi-disciplinary.
- Advances in technology are enabling labs to be more flexible and automated.
- The number of outsourced providers specialising in computational science is growing.
- Scientific advancement is becoming more visible to the public, and with the advent of real-life test beds, more dependent on them too.

*The world's first AI-invented drug took 12 months to get to trial, compared to the five years typically associated with the traditional R&D model.<sup>5</sup>*

<sup>5</sup> BBC news. Artificial intelligence-created medicine to be used on humans for first time. January 2020 <https://www.bbc.co.uk/news/technology-51315462>

<sup>6</sup> 2020 GMP Manufacturing Report. <https://ct.catapult.org.uk/resources> <sup>7</sup> Bioscience and health technology sector database.



## MODERNISING MANUFACTURING

- There is an urgent need for more cell and gene manufacturing facilities to meet accelerating demand.
- Demand for future-proof manufacturing facilities is set to grow as the sector transforms. Trends shaping such facilities include 3D printing, sustainability and automation.
- Outsourced manufacturing is on the rise, leading to an uptick in expansionary activities from outsourced providers and a right-sizing of in-house manufacturing functions.

*Between 2017 and 2020 UK cell and gene therapy manufacturing footprint has increased 102%.<sup>6</sup>*



## SPATIAL SCIENCE

- Collaborative behaviour is driving the proliferation of life sciences clusters across the UK.
- R&D is being increasingly urbanised within knowledge and innovation districts in the very heart of modern cities.
- Sustainability and purpose, connectivity, community, technology, education, flexibility and wellbeing are central to future development plans.
- At the heart of life sciences clusters are key collaborative partners such as universities, research institutes and the NHS.

*The top three UK regions by life sciences employment are:  
South East  
East of England  
North West<sup>7</sup>*



EXECUTIVE SUMMARY:

# KEY PROPERTY CONSIDERATIONS



## LANDLORD, INVESTOR AND DEVELOPER

1

Growth and disruption in the sector presents opportunities to attract new customers from:

- Services and supply
- Medtech, in particular digital health
- SMEs, particularly in advanced therapeutics
- Disrupted incumbents
- Tech companies

New facilities should be developed with these customers in mind.

2

Given the current lack of supply, there is a significant opportunity to deliver new real estate solutions to the growing number of life sciences SMEs. These SME's will prize flexibility and crucially the amenities, services and ecosystem that enable them to thrive. Tracking investment activity and spin-out events from universities will enable early identification of potential occupiers.

3

The shift towards computational R&D and broader convergence of technology and life sciences will result in increased occupation of conventional office space in city centre locations. Highly-connected, flexible and innovative workplaces will all be to the fore. Adaptable space is key to ensuring sustainable and future-proof developments.

4

Act early to capture the investment opportunity in advanced therapeutic manufacturing. Future-proof life sciences manufacturing facilities by incorporating sustainability and the latest technologies into the build.

5

Life sciences occupiers will want workplaces that support strategic priorities. Preference will be shown to workplaces that facilitate, portray or support digital transformation, attract, retain and retrain talent and are flexible to changes in business models, M&A and new ways of working.

6

The clustering tendency will amplify. Life sciences developments that cultivate a collaborative ecosystem will command a premium. Understanding future partnership activity will enable this. Existing sites are incorporating connectivity, place-making, community and purpose, wellbeing, the living lab concept and sustainability into future development plans.

*Our research brings all this together to put forward the key property considerations for landlords, investors, developers and occupiers.*



## OCCUPIER

1

Plan ahead to access the right spaces in the right life sciences clusters, particularly given the shortages of quality space within many of them.

2

Maximise the use of real estate as a strategic device to achieve digital transformation by investing in the life sciences workplace.

3

Analyse and locate near to talent hubs in order to recruit and retain specialised talent while investing in spaces to educate that talent flexibly and throughout their working careers. Open up spaces to the public to excite and engage the next generation of scientists.

4

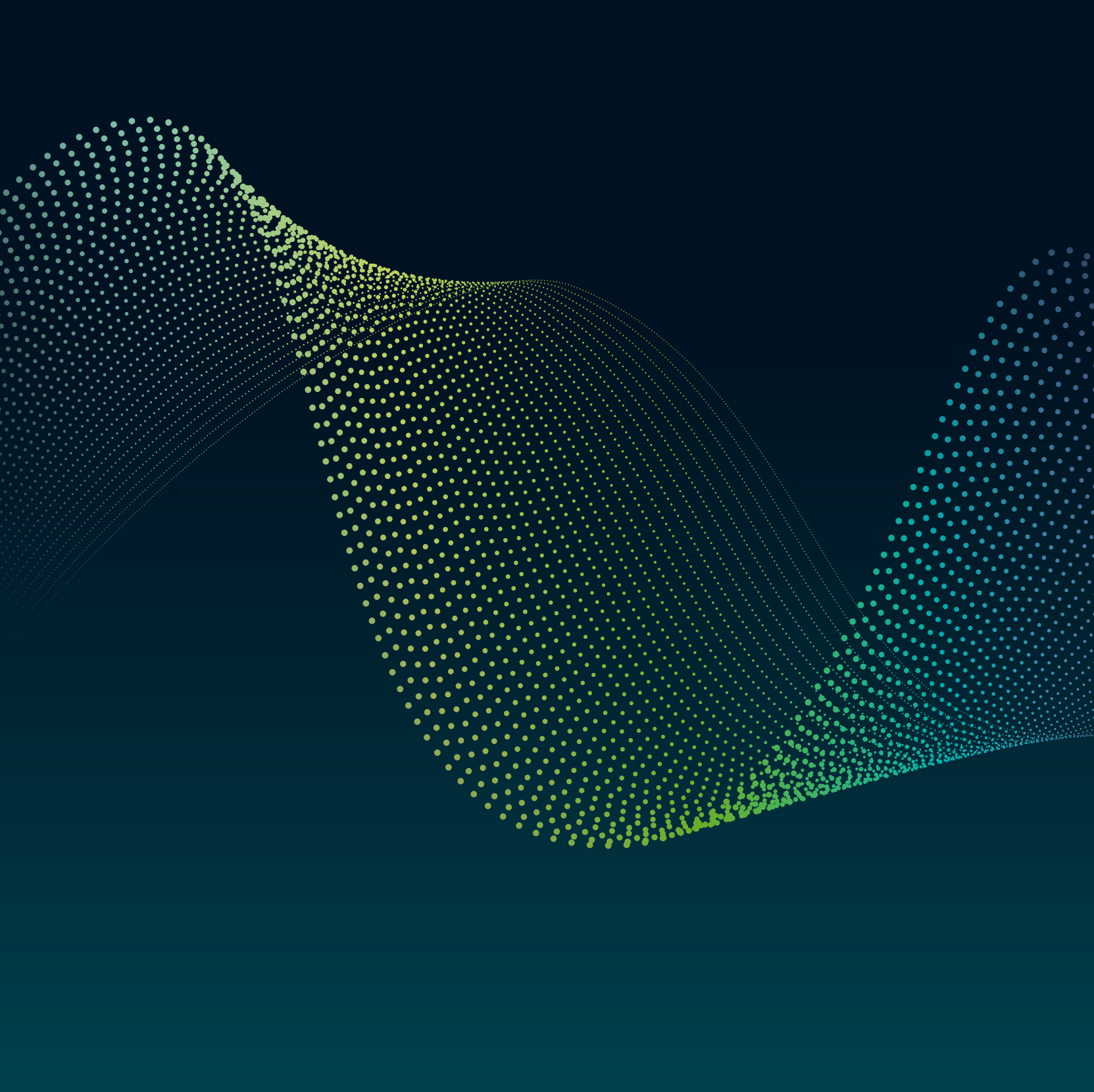
Build flexibility into the CRE portfolio to permit adaptation to changing business models and increased M&A/disposal activity.

5

Optimise R&D and manufacturing real estate portfolios to align with corporate strategy and advances in technology.

6

SMEs should develop a real estate solution for every stage of the business cycle and locate in workplaces that enable them to thrive by offering flexibility and crucial support services.



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