

Global life science trends



As life science investment continues apace, we explore the global trends that will shape the sector in the future

The scientific world never stands still, whether it is called to action to provide a solution to a global pandemic or developing the next mind-boggling innovation. Just looking to current trends for 2022, the sub-sectors of genomics, mRNA, genetic therapies, quantum simulation and CRISPR appear to be evolving in capability and importance.

The level of capital being raised by life science companies, across the world, continued apace during 2021. The total amount of capital raised totalled US\$803 billion last year, which includes all types of deals (M&A, IPOs, venture capital (VC) and other types of private equity). This was 43% higher than the total for 2020.

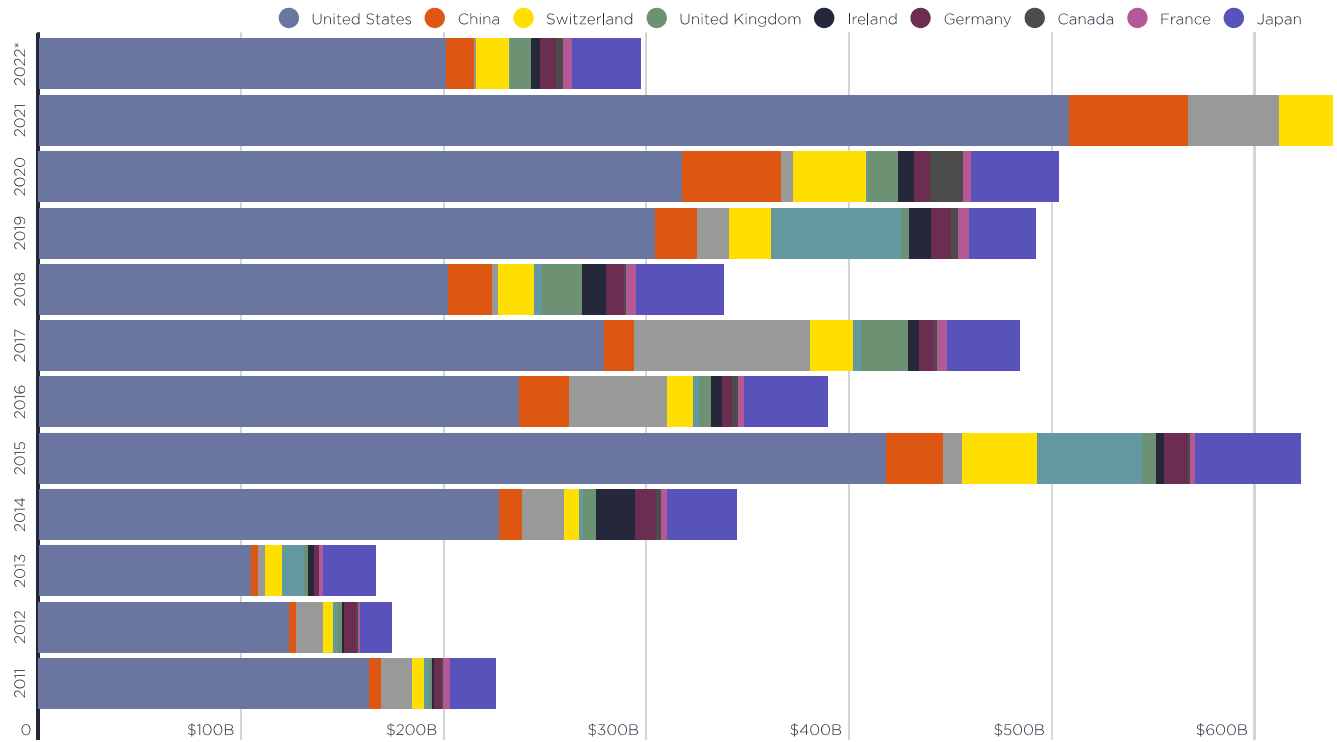
It is expected that the total for this year will be similar, or potentially a little lower. Capital invested into the sector in the first half of 2022 was close to \$300bn, and there will still be a considerable growth of those life science companies that raised capital during the past few years, which will result in real estate decision-making and ultimately higher demand. The first half of 2022 has seen a slightly higher investment volume into companies in 'Rest of the World' countries than at the same point than last year, indicating that while the key locations still thriving, other life science centres may be emerging. The US still dominates the funding data accounting for a 68% share of the total capital raised by companies, in the first half of this year.

Identifying the global growth markets for flex space

We have selected 19 major global office markets and analysed the key factors that are likely to drive flex demand in the coming years. We focused on factors that determine how innovative and attractive to talent they are, such as VC investment, education and attitude towards flexible working. We also compared their office market characteristics such as demand and supply dynamics, traditional lease lengths and future service sector growth projections. Whilst we expect the trend to be positive across the cities of our index, the top cities are the ones that are likely to witness the highest demand for flex in the coming years.

For identifying opportunity in the real estate markets, there are many measures available to help to understand the strength of key locations across the globe. Tracking the flows of capital invested into life science companies is the best starting point for this. However, to understand the growing ecosystems, it is important to understand the characteristics and strengths of the 'Big 5' science nations in terms of academic excellence. These top five locations include the US, China, Germany, UK and Japan.

The US continues to dominate life science capital raised volumes (this includes M&A, IPO, venture capital and private equity deals (US\$bn).



Source: PitchBook Data, Inc.
 (Data has not been reviewed by Pitchbook analytics)
 *As at mid-year

These countries will have access to the biggest budgets, the best facilities and a long history of scientific excellence. However, what has emerged more strongly during the pandemic, is the interaction between the scientific community. These five countries are the linchpins of global life science research, but they are supported by international collaborations. Driven by strengthening academic reputations across the globe, recognising those countries, and specifically, the institutions, who are collaborating with the ‘Big 5’ provides a valuable insight for the next tier markets. For future real estate opportunities, for investors and developers, identifying those leading collaborating countries outside of the ‘Big 5’ is critical. Such countries include South Korea, Canada, France, Netherlands and Italy – all strong global economies, but also growing significantly in terms of research and development (R&D) excellence in the life sciences.

A trend that Savills has seen during the past 12 months is the stronger real estate investor appetite at the production stage of the scientific supply chain for human health. Steve Lang, head of life science research at Savills, comments: “The R&D phases have driven real estate demand levels, particularly in the laboratory sector, but there is a realisation that the production and manufacture stage is as important and that the real estate required provides an opportunity for investors/developers”. Biomanufacturing, embracing Good Manufacturing Practice (GMP), has come to the fore in the real estate sector, and we will watch with interest on how this emerges during the next few years. Hi-tech industrial buildings through to more advanced manufacturing facilities are part of this R&D/testing/manufacture supply chain.

Regional Highlights

Israel
Israel leads the way globally in terms of the level of R&D collaboration between university and industry, according to data from the Global Innovation Index. Although Israel is comparatively smaller by population, it spends almost 5% of annual GDP on R&D expenditure.

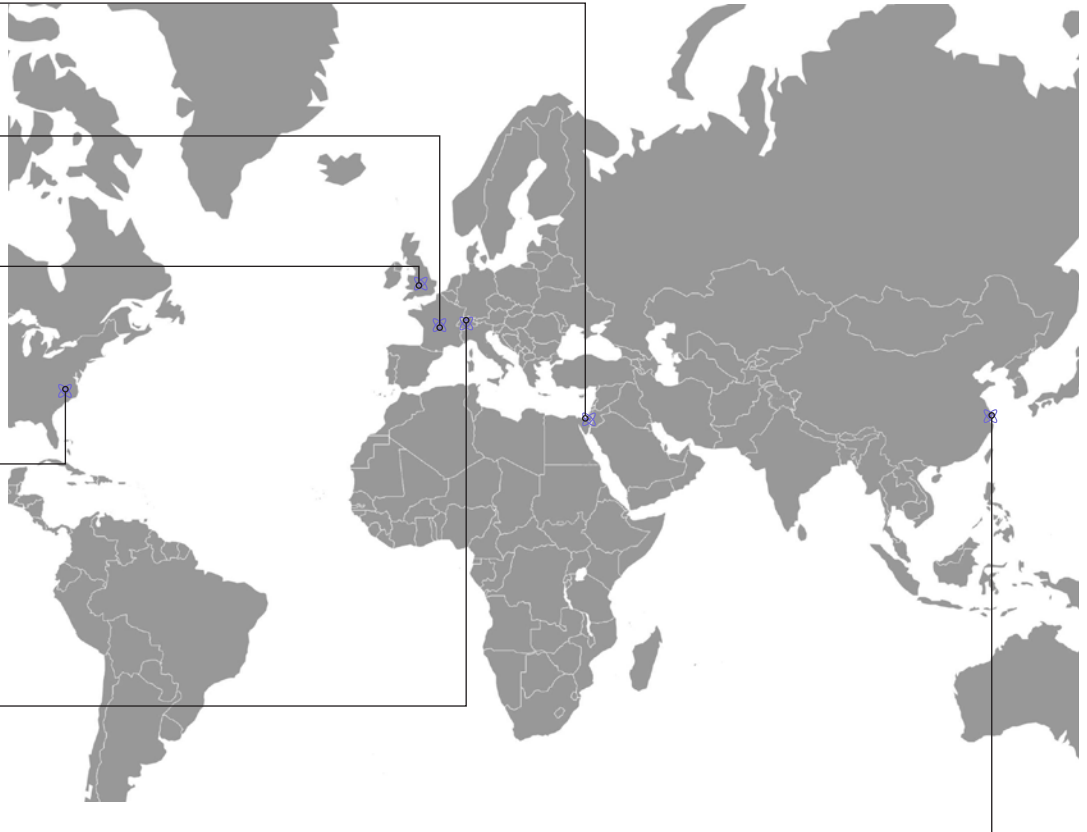
France
France is one of continental Europe's major life science hubs, with a strong 'Triple Helix' and high venture capital funding. In 2021, France recorded \$11.2bn of venture capital investment into life science companies, ranking second in Europe.
Regional Highlights

UK
The UK is a superpower in the global life science sector. Capital investment in life science companies has grown from \$7.2bn in 2010 to \$20.9bn in 2020, a rise of 372%, driven by Oxford, Cambridge and London. These core markets are experiencing severe real estate bottlenecks and constraints. The new government policy to drive a levelling-up agenda in the UK, is expected to grow other parts of the country, and to complement the growth prospects in the South East and Eastern regions.

US - Focus on Raleigh-Durham
In the Raleigh-Durham metro region, VC funding jumped 118% from 2020 to 2021. This metro region's life science industry is made up of 14 sub-sectors, with Drug Discovery, Clinics/ Outpatient Services, Other Agriculture, and Biotechnology among the most funded. VC funding activity remains steady in 2022 with the majority of deals being Later Stage and Early-Stage VC funding. The region has an enhanced draw due to the constant influx of talented graduates coming from three world-class research institutions, North Carolina State University, Duke University and the University of North Carolina at Chapel Hill.

Switzerland
Western Switzerland's life sciences hub - the so-called Health Valley - is one of the most advanced and diversified life sciences hubs in the world. In 2021, it was ranked as the 2nd leading life sciences cluster in Europe, and the 12th worldwide.
Regional Highlights

China - Focus on Shanghai
Shanghai's biopharmaceutical industry alone was valued at \$105 billion in 2021, having expanded 16% over the last year. There has been an increasing awareness of health issues, especially in the context of Covid-19 and a willingness of the government to support R&D expenditure and investment into the sector. The key challenge for real estate investors remains a lack of investment-grade stock (even in leading cities) and rising competition.



Research

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