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# Life sciences in the spotlight

The pandemic shone a light on the importance of the life sciences sector. But as the industry continues to grow, what does the future hold – and what role will real estate play? We examine three key trends



## 1 THE US, CHINA AND THE UK ARE HOME TO THE LEADING CITIES FOR LIFE SCIENCES

In the world of life science locations, the US and China continue to dominate.

The two countries take 10 of the top 20 places for Savills Science Cities based on important factors for the life sciences sector, such as human capital, investment into health and R&D, and the cost of property in each market.

While the pandemic has demonstrated the importance of the life sciences industry worldwide, the weight of global venture capital is targeted at the innovation and ideas emerging from top US cities such as Boston, San Francisco, Seattle and San Diego, as well as Shanghai, Beijing and Suzhou in China.

What these cities offer is the clustering of leading universities, science parks and

### TOP 20 SAVILLS SCIENCE CITIES

- 1 Boston
- 2 San Francisco, Bay Area
- 3 Seattle
- 4 San Diego
- 5 New York
- 6 Shanghai
- 7 Philadelphia
- 8 Research Triangle, NC
- 9 Oxford
- 10 Cambridge
- 11 Beijing
- 12 Tokyo
- 13 London
- 14 Mainz
- 15 Singapore
- 16 Basel
- 17 Paris
- 18 Sydney
- 19 Dublin
- 20 Suzhou

Source Savills Research

research institutes, coupled with strong hospital infrastructure critical to R&D, as well as pools of skilled professionals either domestically or attracted through in-migration. On top of that, there is a healthy private funding environment through venture capital as well as government support.

Louisa Luo, Head of Industrial and Logistics, Savills China, says, “The Chinese government is investing increasing amounts into research and development in order to build up scientific and technological self-reliance. The home market is large and growing rapidly – a result of the ageing population, increases in lifestyle diseases, rising affluence and a willingness to spend more on health and wellness.”

While cities in the US and China dominate, other locations such as the UK, Japan, Germany, Switzerland, France, Singapore, Australia and Ireland are all major players.

Tom Mellows, Head of Science, Savills, says the UK has seen a leap in Series A funding, a jumping-off point for companies towards bigger space requirements.

“Just in London alone, we’ve seen a 300% rise in the number of companies hitting that more mature funding round or getting beyond it,” he says. “As a result, we’ve seen a real increase in the number of companies wanting those bigger amounts of space and wanting to do R&D.” This includes AstraZeneca increasing its office space at the King’s Cross cluster and GSK in the market with a large requirement for West London.

140,000 square feet

Every \$1 billion of Series A venture capital funding into life sciences equates to approximately 140,000 sq ft of demand for space created

## 2 LIFE SCIENCES VC FUNDING SURGE DRIVES TAKE UP

In 2021, annual total global venture capital funding into life sciences crossed the \$100 billion mark for the first time, with the growing scale of individual raises feeding directly into real estate requirements. According to PitchBook, around 18.4% of the total \$102 billion raised globally was Series A funding, capital that signals the company is ready to scale and take a longer-term view.

“The seed rounds are what used to be your Series A – usually \$20 to \$30 million. Series A funding right now is typically \$60 to \$100 million,” says Austin Barrett, Executive Vice President, Head of Life Sciences, Savills US. “Investors have such ambitious goals in terms of hiring and research. Science is thus translating to more space – 15 people are leasing 40,000 square feet.”

Every \$1 billion of Series A venture capital funding into life sciences equates to approximately 140,000 sq ft of demand for space created. Based on the 2021 totals of \$18.9 billion for Series A capital, the market should anticipate approximately 2.6 million sq ft of new life sciences requirements across the major life sciences hubs globally.

Larger space needs support strategies from companies to condense expensive time-to-market, building in flexibility to grow as well as pivot based on changing science and clinical trials. Demand is also being predominantly driven by lab requirements, which are now 60/40 in favour of labs in terms of proportions of space, up from 40/60.

Real estate investors in the US have responded with major programmes of buying up offices to convert to lab buildings. Boston’s lab rents, at \$103 per sq ft, are at a 50% premium over offices in the city. “They’re underwriting big rents, assuming lab users,” says Barratt. “That is driving the growth in the market and a massive surge in rental price, which in turn

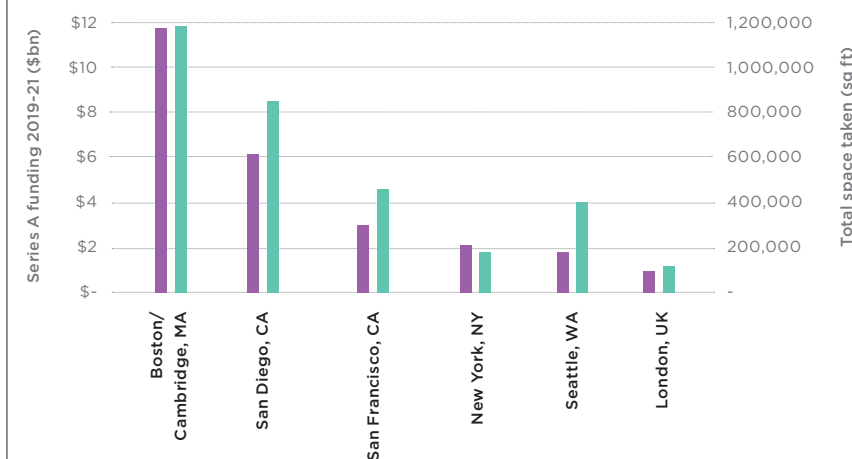
requires companies to raise more money to take on more space than they need.”

This space will be concentrated in the knowledge hubs of Boston, San Diego,

Seattle and San Francisco. However, needs are spreading to emerging locations as the sector grows and expands such as Raleigh-Durham, Houston and Atlanta.

### Series A funding into life science companies fuels take-up in knowledge hubs

Series A funding into life science companies (2019-21) ■  
Approximate sq ft of space occupied following Series A funding ■



Source Savills Research, PitchBook Data, Inc. Data has not been reviewed by PitchBook analysts

## 3 PANDEMIC SPURS RESHORING OF MANUFACTURING

While the focus on health and vaccine development during the pandemic was a boon for life sciences, it was

also a disruptive time that exposed the medical sector’s vulnerabilities.

Demand for medication and critical care equipment coupled with global supply chain issues led to shortages of supplies and pharmaceuticals, even resulting in non-medical industries stepping into manufacturing roles. The experience has renewed the sector’s plans to strengthen the resilience of its supply chains, including reshoring manufacturing facilities.

“One thing that came out in the pandemic was that the UK had all this great science, but it didn’t have the ability to manufacture it,” says Tom Mellows, Head of Science, Savills UK. “This is why Oxford

partnered with AstraZeneca – they had the platform to manufacture.”

Government funding, tax incentives and regulation are expected to play an important role in supporting the transition to bring manufacturing closer to the science, particularly due to the high levels of capital expenditure required.

While reshoring is considered a good way to achieve more resilient supply chains, complexities will slow down the process. In the mid term, demand for manufacturing space from major companies is expected to grow in existing hubs such as the US and UK, and in the long term with growing requirements in emerging markets with skilled and cheaper labour such as Southern and Eastern Europe and locations such as Houston and Atlanta in the US.

Reshoring strategies are also expected to lead to more partnerships including mergers and acquisitions with new office/lab space requirements as a result of consolidation, rationalisation and upgrade of existing facilities.

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