

OUR VIEW ON 'LIFE' IN THE GOLDEN TRIANGLE



In a post-Brexit environment, life sciences will have an increasingly important role to play in the economic growth of the UK.

As a world leader in life sciences, the Cambridge-Oxford-London Golden Triangle continues to expand rapidly.

The Autumn Statement also includes a real terms increase of £2bn in government R&D spending for each year of the present administration.

This was one of the key conclusions of a seminar hosted this month in London by Bidwells and Creative Places. The event brought together an audience of scientific companies, developers, investors, academics and local authorities to consider the remarkable expansion of the Golden Triangle life sciences sector.

Set against an aging population, medical advances and the genetic research revolution, forecasts from Deloitte and the Economic Intelligence Unit (EIU) suggest that turnover in the global bio-pharma industry will increase by around 6% per annum in the next three years to reach approximately \$1.4 trillion by the end of this decade. Within this context, the Bidwells seminar heard from Doug Cuff of BioMed

Realty Trust which owns Granta Park; Dr Eulian Roberts from Imperial College's ThinkSpace initiative – which is leading the White City R&D development in London; Jonathan Burroughs of Creative Places and Saul Western from the Investment team at Bidwells.

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THE FACTS

£60.7bn

Total turnover in 2015 in the UK life sciences sector

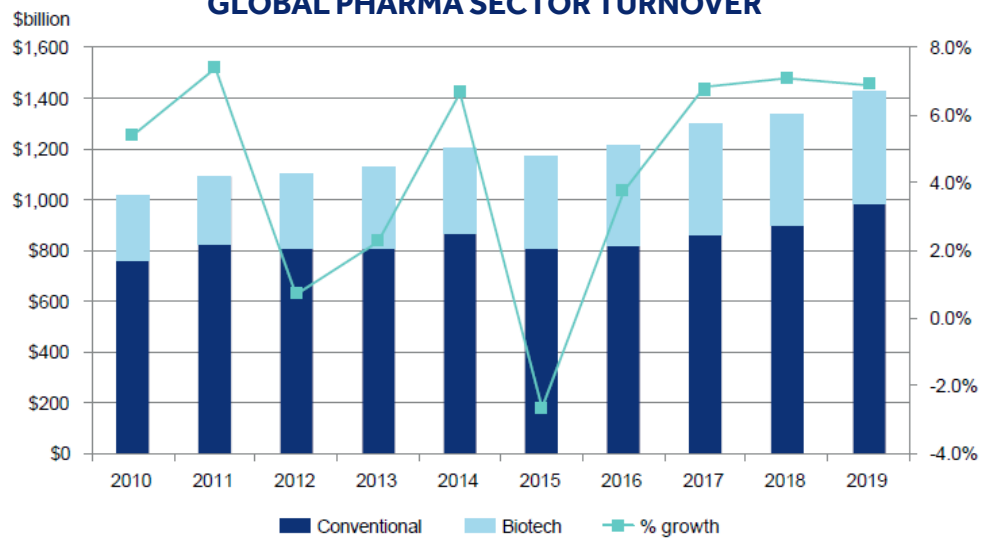
8m sq ft

Total stock of scientific and bio-tech accomodation in both Oxford and Cambridge

4.7%

Availability of lab space in the Oxford and Cambridge markets.

GLOBAL PHARMA SECTOR TURNOVER



Source: DeLoitte & Economic Intelligence Unit

According to EIU data, in 2015, total turnover in the UK life sciences sector reached £60.7bn with the majority of this activity and productivity concentrated in the Golden Triangle. The Bidwells Biopharma Cambridge and Oxford cluster analysis, completed earlier this year, revealed 600 companies operating in these locations. The companies ranged from multinationals to start ups – with a combined market cap of £5.7bn

Excluding space under construction, both Oxford and Cambridge have a total stock of scientific and bio-tech accommodation of 7.5-8.0 million sq ft.

The vacancy rate for laboratory space across the Golden Triangle is presently running at less than 5% and there is strong demand for new accommodation as the life sciences sector continues to grow.

The strength of the Golden Triangle market is reflected in a range of major developments, leading investments and new initiatives.

The well established science and innovation parks around Oxford and Cambridge are continuing to grow apace with AstraZeneca’s development on the Biomedical Campus in Cambridge, presently under construction, set to cement the area’s global standing in life sciences.

At Granta Park to the south east of Cambridge, BioMed Realty – the world’s largest developers, investors and operators of life sciences real estate - have plans to expand employment from its current level of around 2,500 to 4,000, taking the Park to well over 1 million sq ft. The 155,000 sq ft Illumina project, now under construction with a second phase that could take it to 225,000 sq ft, will substantially increase the research and amenity offer of the development. This represents the first and most significant investment for BioMed Realty (who were this year acquired by Blackstone) outside of the US, where they have more than 14 million sq ft of biotech space in a \$6.5bn portfolio.

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GRANTA PARK

THE FACTS

1,000+

The number of researchers that the Thinkspace innovation hub will house

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4m sq ft

of Biomedical lab space within the Golden Triangle is likely to grow 5-10% a year over the next five years.

It is likely the Golden Triangle life sciences market will become much larger and narrow the gap with its US counterparts.

In London, the recently opened Crick Institute near St Pancras will bring together global expertise in health related research. Imperial College's campus plans at White City in west London will lead to the creation of a wholly new R&D hub based on knowledge transfer within the context of a research based "ecosystem" which brings together academics, innovators, venture capitalists and product development specialists. Extending to more than 180,000 sq ft, the Thinkspace Translation and Innovation Hub opened in September 2016 and houses more than 1,000 researchers. This will be augmented by the Molecular Science Research Hub, due for completion in September 2017 with occupation in early 2018, and the Michael Uren Biomedical Engineering Research Hub due for completion in 2019.

with nearby projects but with schemes around the world.

The Golden Triangle offers significant cost advantages over its US counterparts. Asking rents for lab space in Silicon Valley are currently around £42 per sq ft, whilst those around MIT are around £63. This compares with a Golden Triangle average of around £33 per sq ft.

Rental differentials will benefit the Golden Triangle as it competes for international R&D business, although strong demand, low vacancy rates and Green Belt limited growth suggest that rents across the Golden Triangle will rise in coming years.



**IMPERIAL COLLEGE
THINKSPACE**

The seminar noted that life science professionals, typically millennial employees with new workstyles, have high employment environment requirements. Minimal car transport and ready access to leisure, cultural and family amenities are critical in location decisions. Developments like Granta Park and White City exemplify this trend very well with state-of-the-art R&D property blended with extensive amenity provision and residential accommodation in controlled and managed campus style landscapes.

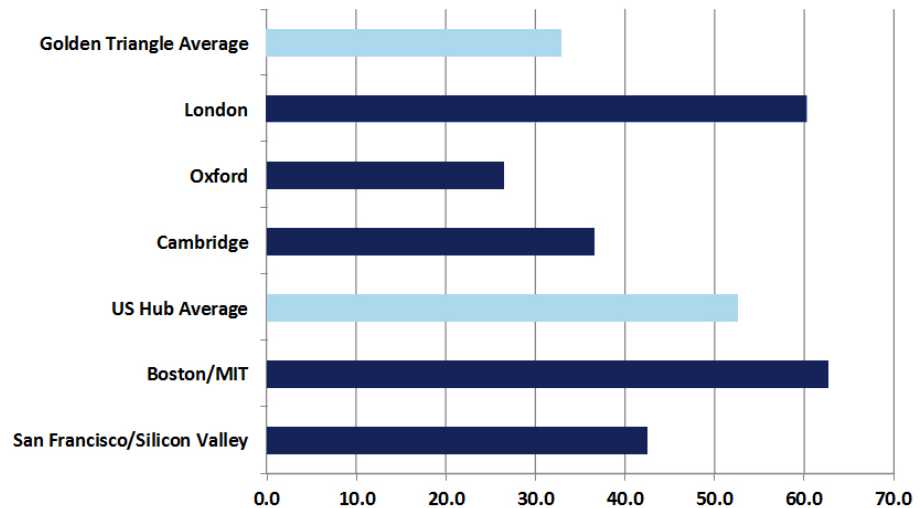
With its origins in the US, the most successful life science property projects of the future will be those that integrate research with lifestyle and family. In an increasingly globalised and cosmopolitan sector, life science companies are less tied to traditional geographies, leaving new developments in competition not just

Bidwells forecast increased investment turnover in life sciences property, rising rents, enhanced capital values and a hardening of investment yields on top grade products within the Golden Triangle.

48% less

Golden Triangle rents are almost half the price of their US counterparts.

ASKING RENTS - LIFE SCIENCES LAB SPACE (Q3 2016 - £/sq ft/pa)



Source: Bidwells

From an investment and development perspective, there are now strong indicators that Life Sciences will be the next "alternative asset class" in real estate. Despite strength of covenant, lease structures and floorspace flexibility issues in scientific based property, the remarkable expansion of the sector within established locations with increasingly deep occupier bases is now attracting substantial development and investment interest. It is highly likely that institutional investment and public/private sector partnerships will continue to proliferate in this sector, especially within the Golden Triangle.

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Bidwells is the UK's number one adviser to the science and technology sector and currently advise on over 15 million square feet of research and development real estate within the Golden Triangle of Oxford, Cambridge, and London.

In future thought pieces, we will be profiling this market in more detail, examining the occupational characteristics of the market and the prospects for further development and investment within the Golden Triangle and its place in the global stage.

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