

LIFE SCIENCES
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A LIFE SCIENCES LEASE OF LIFE: ADAPTIVE REPURPOSING



UK Life Sciences had a barnstorming 2021 with investment volumes of £2.5bn. A closer look at these figures shows that a sizeable proportion of the, already dwindling, up and built stock has now been traded. This leaves the limited stock opportunities firmly centred around development or repurposing.

Is repurposing a swifter, more sustainable, way to satisfy the life sciences demand problem?

In the life sciences sector, we are now into the creation phase with growing development pipelines in the Oxford, Cambridge and London markets but very few schemes actually having broken ground.

Competition for the life sciences equivalent of Mayfair on the Monopoly board has seen unparalleled land value growth. Prime sites in Oxford and Cambridge have recently hit eye watering levels of £25m per acre for largely unconsented sites.

If the ever-growing investor demand is anything to go by then these levels will be at least sustained in 2022.

Speed of Delivery

The 'fuel' for these land prices is the weight of occupier demand which is continuing to circle impatiently. As we are regularly reminded, the availability of labs in the three key centres is at rock bottom and there is little on the near horizon to solve this from a new build point of view.

For the new schemes coming forward, there are other hurdles to delivery including; supply chain issues, continued inflationary pressures on build costs and, in some cases, time delays in the planning process as the myriad of issues which need to be considered grow. Realistically this could see delivery close to three years out for occupiers. Let's hope they don't lose patience and look to Europe or to the US where there is a plentiful lab supply.

Repurposing is one option to help plug the supply gap and can offer a quicker speed of delivery for these lab-starved occupiers. It can also provide a valuable win from a sustainability perspective as embodied carbon is thrust under the microscope and we all strive to achieve our net zero ambitions. With shorter timescales brings more certainty around cost and less exposure to the risks of the supply chain. And lastly, the planning process should be easier to navigate to enable swifter delivery.

There are examples of planned repurposing of warehouses, retail warehouses, department stores and offices for life sciences use however, there are currently limited finished and leased product to turn to as examples. Going forward, expect to see a more considered approach to these avenues of repurposing in the key R&D focussed areas.

Flexibility And Experience

This option is fine for the seasoned developers and investors but if you are a new entrant, don't kid yourself that this is an extended version of an office refurbishment. You will need to arm yourself with expertise and experience. The bad news is there is no ready-made off the shelf refurbishment solution with each potential repurposing project presenting different challenges and opportunities. With no constant winning formula to follow it is vital to engage experts early and develop a thorough understanding of your target market.

There are plenty of well publicised criteria that need to be met for repurposing but it's not all about vibration and slab-to-slab heights. Other key considerations include the logistics of a building (lifts, servicing, etc) and the high energy requirement with power availability critical when looking to repurpose.

Above all, design flexibility is key, not only for today's users but also for tomorrow's. The design solution may be popular today, but it is crucial to ensure that your product remains competitive for different facets of the science community in the longer term and ready for the day when supply and demand reach equilibrium which will happen... at some point.

Also be prepared for businesses that fail and for those that succeed; both can be a negative for your building as successful ones could swiftly outgrow your facility.

Near Term Supply Fuels Rental Growth

Without a nearer term supply line for the sector, actual evidence of the forecasted higher rents will remain suppressed and rental growth momentum will be harder to maintain. The weight of expectation for rents to spring forward is significant and today's development appraisals are relying on it.

The opportunity is here and now for those controlling product that is suitable to be repurposed. There is the potential to be one step ahead and benefit from enhanced rents from lab hungry occupiers whilst ground up developments grapple with time and cost constraints. Lastly, make sure you are either an expert or closely aligned with one, inexperience can be expensive.

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