



# **Life sciences partnerships and collaborations: How life sciences clusters drive economic value in the United Kingdom**

Real Estate Predictions 2025

## **The driving force behind growth of the life sciences sector**

The UK has a prestigious and highly productive life sciences sector, generating a large share of global scientific and technological innovation. This is due, in part, to the UK's strong academic base, which includes four of the world's top ten universities for science and medicine.<sup>1</sup> The UK also benefits from strong partnerships and collaborations with the many teaching and research hospitals that are part of the National Health Service (NHS). Currently, life sciences organisations employ some 300,000 people across the UK with the expansion of new and existing investment zones projected to create nearly 70,000 additional jobs by 2035.<sup>2</sup> Together these factors position life sciences as a critical vehicle for UK economic growth as well as a key plank in the Government's 'growth' strategy.<sup>3</sup> This matters for UK developers. The UK real estate market has faced economic headwinds. Geopolitical uncertainty and contractor insolvencies have also impacted project viability and costs. These headwinds began to abate somewhat thanks to the Bank of England announcing interest rate cuts towards the end of 2024, but this will take some time to be felt in the plans and pockets of developers. The predicted growth of the life sciences sector should attract significant investment – crucial in building the required research and development (R&D) and manufacturing infrastructure that is needed.



## Drivers for life sciences development

The life sciences industry comprises a wide range of companies operating in the research, development and manufacturing of pharmaceuticals, biotechnology, medical devices, biomedical technologies, and other products that improve lives. The commercial drivers of growth in this sector include:

- **Demand** – life science schemes have been historically undersupplied<sup>4</sup>. Depending on the location, demand for such space varies but there are opportunities to capitalise on this growing sector. The commercial real estate needs of these companies are similarly varied and complex, from small generic laboratories to large customised, quality-controlled spaces.
- **Flexibility** – Life sciences are an alternative occupier market which can offer portfolio diversity. This can be beneficial to target a different and wide range of life sciences organisations.
- **Utility** – supporting life sciences development in turn supports the growth of the economy and resilience of the local communities concerned, consequently the life sciences sector has been identified as among the most valuable and strategically important to the UK economy.

Other drivers of demand include demographic shifts that not only affect the health ecosystem but also the social determinants of health, like the quality of housing and education and employment services – both in terms of who needs these services, where are they needed and who is available to provide them. Specifically:

- **Growing population** - the population of the UK is growing and is projected to reach 70 million by the end of 2026 (up from 67.6 million in 2022).
- **Ageing population** – the UK population is also ageing, with almost 13 million, or 19 per cent, of UK citizens aged 65 or above in 2022. This number is expected to exceed 22 million, or 27 per cent, by 2072, presenting significant future healthcare challenges for the nation.<sup>5</sup>
- **Increasing number of years spent in ill health** - increasing the demand for new and existing medical treatments and technologies.<sup>6</sup>

Older citizens also tend to have more complex healthcare needs, often involving multiple, overlapping conditions. Given the importance of medical research to solving the challenges of living a longer life well, this will be another potent driver of demand for life sciences and healthcare solutions, which in turn will intensify demand for suitable spaces from which to develop the innovations needed to support an ageing population.<sup>7</sup>





## The economic opportunities in meeting this demand

In 2023, life sciences contributed £108 billion to the UK economy<sup>8</sup>. And, as one of eight priority sectors included in the Government's new 10-year national growth strategy<sup>9</sup>, space will be needed for the sector to grow. In Deloitte's Winter 2024 London Office Crane Survey<sup>10</sup>, we recorded new construction starting on almost 1.3million sq. ft. of new premises for use by life sciences firms. This confluence of demand and supply should therefore see life sciences projects representing a significant and increasing share of future commercial real estate development activity in the UK.

The property needs of life sciences companies are as varied and complex as the sector itself, with demand for everything from small generic laboratories to large, highly customised, quality-controlled spaces. Life sciences landlords are just as diverse, ranging in size from large real estate

investment trusts (REITs) and real estate developers to smaller building owners repurposing their holdings into laboratory space. Nevertheless, while the commercial real estate opportunity presented by life sciences is significant, firms seeking to service the sector will also need to navigate more complex lease arrangements as well as the bespoke needs of clients who can require a blend of research, manufacturing and office space.

Successive UK Governments have described the life sciences sector as among the most valuable and strategically important to the economy, as well as being critical to the country's health, wealth, and resilience.<sup>10</sup> A new £520 million fund for new Life Sciences Innovative Manufacturing in the UK is aimed at securing a promising future for the sector.<sup>12</sup>



## The growing importance of life sciences clusters

A common theme across the most economically developed countries, is the presence of a thriving network of life sciences and healthcare clusters. Life science clusters bring together industry, investors, academia, healthcare providers, universities and life sciences R&D and manufacturing hubs. Together they drive growth and productivity by facilitating networking and collaboration, supporting research, innovation, skills development and training as well as creating space for innovators to undertake 'high-risk' work\* in a relatively low-risk environment.<sup>13</sup>

Such clusters are increasingly recognised for their contribution to GDP growth and improved healthcare outcomes for citizens. Local governments, which are responsible both for infrastructure planning and in attracting and supporting inward investors and development, have a critical role to play in aiding the development of the buildings and infrastructure required to grow the UK's network of life science clusters. These benefit the health and wealth of the communities they serve, through better services, job creation, education and talent development.

\* High-risk work defined as the utilisation of chemicals and other hazardous material as well as compliance with stringent regulatory requirements to prove safety and efficacy. This means that only a small proportion of drugs that enter phase 1 get approved for use in the general public.



## A vibrant and diverse network of life sciences clusters operate across the UK

The UK comprises multiple life science clusters of varying sizes, ranging from small, localised Life Science Opportunity Zones (LSOZ) to growth clusters like those in Manchester, Yorkshire

and Newcastle. The UK also boasts well established and globally competitive 'super clusters', such as those located in the so-called 'golden triangle' of London, Oxford and Cambridge. These three cities are well connected by public transport and provide fertile ground for collaboration, talent and knowledge exchange. They also rank individually as three of the top dozen global life sciences clusters in the world (London #3, Cambridge #10 and Oxford #11).<sup>14</sup>

In London, Canary Wharf's 20 million square feet of office, retail and residential space is home to a growing life sciences community. Organisations such as Genomics England, the Medicines & Healthcare Products Regulatory Agency, the UK Health Security Agency and the General Pharmaceutical Council are all located within walking distance. This will be added to by a single 823,000 square feet "vertical campus" developed by Canary Wharf Group and Kadans, which when completed is expected to be the largest life sciences development in Europe. There are also plans and outline consent for an additional 2.6 million square feet of life sciences buildings.<sup>15</sup>



## Life sciences present a dynamic and compelling case for investment

To provide the quality of real estate space that life sciences require, investment is key. Investor confidence and capital allocations trended upwards in 2024 due to the availability of funding for life sciences companies, the strong show of Government support for future investment, as well as the stabilisation of volatile interest rates. The UK life sciences sector also leads Europe in attracting venture capital funding, receiving £11.7 billion from 2020 to 2023<sup>16</sup>. Moreover, UK life sciences companies attracted £2.7 billion in venture capital backing between Q1 and Q3 of 2024<sup>17</sup>, the second highest level over the past decade.

The future growth trajectory of UK life sciences hinges on the complex interplay of enabling factors and potential barriers. Besides venture capital, firms need to be able to access a skilled workforce, other innovative streams of funding and business models, a supportive regulatory environment and pseudonymised patient data from the NHS, all of which are important elements of this growth story.



## So, why is London currently the most sought-after life sciences cluster in the UK?

London has more than ten world renowned research hospitals and research centres, together with outstanding access to a large and diverse population to support robust clinical trials, with 46 per cent of its residents identifying as ethnically Black, Asian, Mixed, or 'Other'.<sup>18</sup> As a result, London's life sciences industry has been boosted by a wave of significant investment and plans to develop more than 6.2 million square feet of new laboratory space by 2032.

Specific examples include:

- **the Francis Crick Institute**, which brings together 1,500 scientists under one roof
- **Imperial West**, which co-locates researchers and businesses across its 25-acre site
- **UCL East**, a cross-disciplinary enterprise and innovation centre focused on health and biological technologies, built on the site of the Queen Elizabeth Olympic Park.
- **the Institute of Cancer Research**, which is creating the world's second largest cancer research campus in south London.<sup>19</sup>
- **Mitsui Fudosan** has recently announced its participation in the redevelopment of the British Library. This will be the global real estate companies first foray into a life sciences scheme and has positioned investments into alternative asset classes as a key strategy for 2025.<sup>20</sup>

Altogether, these developments are helping to make London one of the world's most sought-after locations for life sciences businesses.

London's status as a global life sciences "super cluster" was confirmed in a recent report<sup>21</sup> that benchmarked life sciences activity in cities around the globe in five key dimensions: research innovation, health research environment, talent ecosystem, investment environment, and business environment. The report ranked London third out of 20 cities, with Boston and New York ranked first and second respectively, making it the highest ranked European city, with a top five ranking across all five metrics. It was noted that London excels in the areas of health research and investor concentration; and second overall in Europe for the number of clinical trials conducted. The report called out 'London's thriving ecosystem of over 2,400 life sciences companies, and its ability to attract talent with its excellent international connectivity, commitment to sustainability, low operational risk, and highquality talent pool at competitive labour costs'.<sup>22</sup>

Looking forward, London is receiving a further boost from the growth in AI-based drug discovery and is home to more life sciences AI and data companies than anywhere else in the world. Together, these firms have raised more than £2.1 billion in venture capital investment in 2024<sup>23</sup>, supported by leading research centres such as the Alan Turing Institute and Google's DeepMind. Additionally, the UK's largest biopharma company, GSK has committed to London with a new headquarters location which opened in 2024 that focuses on collaboration, sustainability and employee wellbeing.<sup>24</sup>



## What's next?

While there are challenges to this growth story – including the need to increase pace and scale of adoption of innovation in the NHS, the need to develop homegrown academic and technology skills to address the demand for talent, as well as the problems of conducting trials at a time of budgetary pressure – we feel there is significant cause for optimism. The current strength of the UK life sciences ecosystem, the positioning of London as a key destination for innovation, talent and investment as well as the UK Government's decision to include life sciences as a strategic growth area for the nation all bode well for the future development of the sector. Likewise, they also give further credence to the positive findings outlined in the Winter Crane Survey, which highlighted life sciences as a significant opportunity for UK developers.<sup>25</sup>

Life sciences innovations are vital for a nation's wellbeing and economic security. And, driven by shifts in technology, health policy and investment, the sector finds itself at a pivotal moment, with efforts focused on accelerating innovation, enhancing healthcare resilience, strengthening pharmaceutical supply chains and investing in advanced technologies all beginning to bear fruit. Trusted partnerships between industry, academia and healthcare providers are an essential feature of the UK's health and wealth strategy. Looking to the future, with levels of investment, skill building and job creation all in the ascendent, we predict the UK life sciences sector will become an increasingly popular choice for real estate developers in the clusters identified, offering significant opportunities for firms to diversify their portfolios and contribute to a national success story.

## End notes

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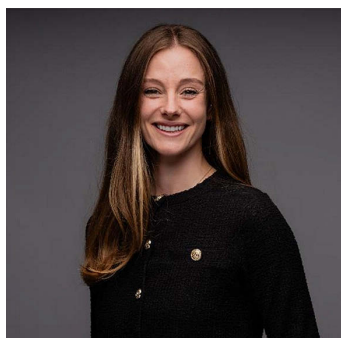


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