

Life Science Real Estate - A new asset class on the rise?

The health sector is one of the fastest changing branches due to increasing global challenges, which are exemplified in the context of advancing demographic change or prevailing civilisation diseases. This inevitably leads to dynamic developments within the industry, which has been made clear for several months by the trend acceleration in the research focus "Life Sciences" in the context of the Covid-19 vaccine development and production. The life science industry describes the knowledge-intensive sub-disciplines of biotechnology, pharmacy, chemistry, and medicine, which are increasingly concerned with working on living organisms, which places high demands on staff, but also on building structures such as laboratory or production areas. As a result, the market for life science objects has increasingly moved into the focus of real estate investors, as an increasing demand for laboratory space can also be expected in the future. An exact delimitation by definition is still difficult, however, since real estate typologies such as corporate real estate, light industrial or health campuses can also be grouped here. A backing with market figures often has an "estimate character", since a totality of the market does not exist.

DEFINITION

The term life sciences include various sub-disciplines in the fields of biology, pharmacy, chemistry, and medicine. Characteristic of this research field is the interdisciplinary cooperation between the various departments, with biotechnology, medical technology and the pharmaceutical sector representing the main pillars of the life science sector. Regarding life science real estate, a distinction can be made between properties with a focus on pharmaceutical logistics, research and development areas (including laboratories), company locations (office areas) and production areas.

FIG.1: LIFE SCIENCE AND REAL ESTATE

| Life Science Real Estate | Examples |
|--------------------------------|--|
| Pharma logistics | Warehouses, Pharmacies (Stationary, online) |
| Research and Development (R&D) | Laboratories Universities/Colleges Campus space |
| Office spaces | Offices (administration) Mixed Used (office/laboratory) |
| Production spaces | Light Industrial (Pharma, Medicine, Biotech) |

Source: Catella Research 2021

What drives the Life Science Market?

Globally synchronous trends increase the need for laboratory, research, and development space also in the long term. The demographic change is probably the most relevant aspect here. With an aging population, the demands on the health care system increase, which for companies enables new growth opportunities for the life science industry through innovations and target group-oriented offers.

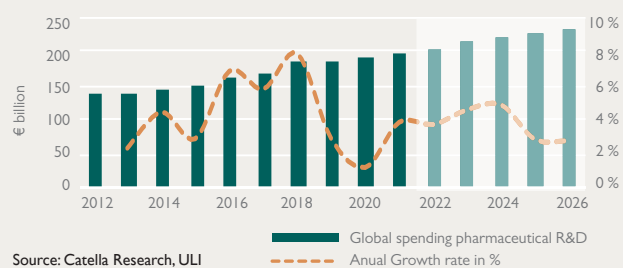
Other drivers can be identified in the increasing importance of digital health (digitisation of health technologies), the occurrence of various civilisation diseases (e.g., high blood pressure, diabetes), or exogenous shocks such as the outbreak of the global Covid-19 pandemic.

Increasing demand can be seen in the market

The increasing interest on the part of investors and developers is already visible when looking at various market data.

FIG.2: GLOBAL SPENDING ON RESEARCH AND DEVELOPMENT

Total Pharmaceutical Research and Development Spending (Global)



Total pharmaceutical research and development spending on a global scale has increased steadily in recent years. In 2021, total expenditures of almost 200 billion euros are expected in this sector. Continued growth in pharmaceutical research and development is also forecast in the future (2026: approx. €230 billion). The European market seems to have moved into the focus of various investors. The reasons for this development are good infrastructural and legal conditions and, compared to the USA, relatively low wage costs for employees in the life science sector.

FIG.3: SELECTED LIFE SCIENCE TRANSACTIONS AROUND EUROPE

| Status | Name | Country in qm | Date in € Mio. | Space | Price | Buyer | Seller |
|------------------|--------------------------------|---------------|----------------|---------|-------|--|---------------------|
| Planned Develop. | Lab and office space Cambridge | UK | Announ. Aug-21 | 74,300 | 994.6 | BioMed Realty (Developer) | |
| Sale | Oxford Science Park | UK | Sep-21 | 36,000 | 401.9 | GIC | Magdalen College |
| Sale | Princeton 1 | Sweden | Feb-20 | 22,500 | 244.0 | KLP Eiendom | Hemso JV SveaNor |
| Sale | fmr Bayer Faktor-VIII Property | Germany | May-21 | 28,600 | 150.0 | Bayer Corp | WuXi Biologics |
| Sale | Knowledge Factory | UK | Dec-19 | 104,100 | 125.6 | Harrison Street RE Cap | Angelo Gordon & Co. |
| Sale | Westeinde 62 | Netherlands | Mar-21 | 89,000 | 99.7 | ICG | Syngenta Seeds |
| Sale | Sigma Technopark Augsburg | Germany | Jan-21 | 112,600 | 80.0 | Sirius Real Estate, AXA IM - Real Assets | Corestate Capital |

Source: Catella Research, RCA 2021

* Venture capital financing from European Life Sciences companies could cross the 10 billion euro mark for the first time in 2021

Cluster location as a central factor

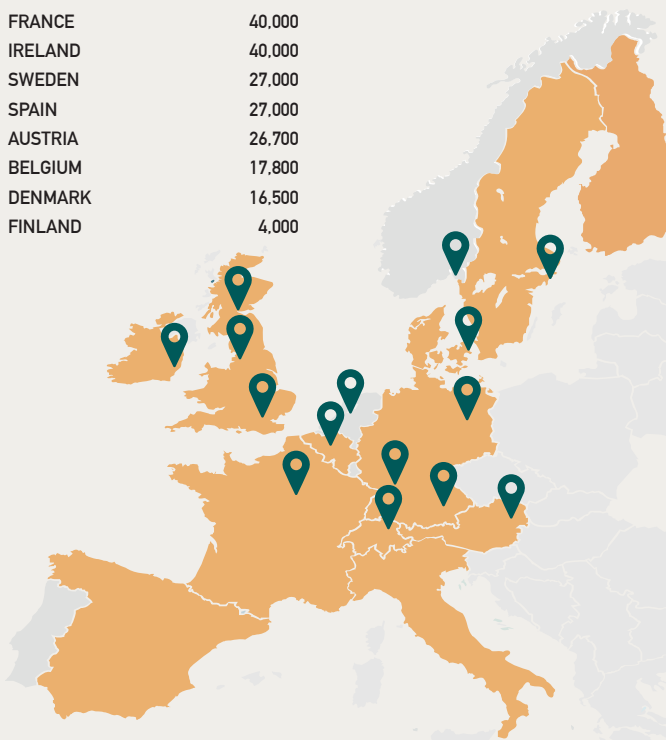
The synergy effects between the individual disciplines represent a decisive factor for the knowledge and exchange-intensive life sciences sector. For this reason, settling in clusters is of existential importance for companies and employees from this sector. This also includes the proximity to research locations such as universities or colleges and, above all, their talents. The map shows the most important life science clusters in Europe and which cities are included in them.

CONCLUSION

The indicators in the European life science sector show a clear trend in the direction of sustained dynamic developments, be it investments, project developments or sales figures. In addition to the life science markets that are already established in the USA and the UK, the industry on mainland Europe seems to be gaining increasing relevance, not least due to the boost from the Covid-19 pandemic. Above all, locations that are already located in a cluster structure represent a relevant investment and development environment. Basically, the life science industry includes many different property types, each of which is subject to special requirements.

FIG.4 LIFE SCIENCE CLUSTERS AROUND EUROPA -
TOP 11 COUNTRIES ACCORDING TO EMPLOYEES IN THE MEDICAL-TECHNICAL FIELD

| | |
|---------|---------|
| GERMANY | 210,000 |
| UK | 102,800 |
| ITALY | 94,000 |
| FRANCE | 40,000 |
| IRELAND | 40,000 |
| SWEDEN | 27,000 |
| SPAIN | 27,000 |
| AUSTRIA | 26,700 |
| BELGIUM | 17,800 |
| DENMARK | 16,500 |
| FINLAND | 4,000 |



Source: Catella Research, medtecheurope, Sanofi, ULI, Colliers, fDi Markets

| COUNTRY | REGION | CITIES/REGIONS IN CLUSTER |
|-----------------------|-------------------------------|--|
| GERMANY | Cluster Gesundheitswirtschaft | Berlin – Brandenburg |
| | BioRN/Rhein-Main-Neckar | Frankfurt, Mainz, Wiesbaden, Darmstadt, Heidelberg, Mannheim, Ludwigshafen, Karlsruhe, Stuttgart |
| | BioM | Munich/Bavaria |
| UK & IRELAND | Golden Triangle | London, Cambridge, Oxford |
| | North-West England | Liverpool, Manchester |
| | Scotland | Edinburgh, Glasgow, Perth |
| | Biotech Cluster Ireland | Dublin, Cork, Limerick, Waterford, Galway |
| AUSTRIA & SWITZERLAND | LISAvienna | Vienna |
| | Life Science Cluster Zurich | Zurich |
| FRANCE | Medicen Paris Region | Paris/Île-de-France |
| | Grenoble Alpes Bio Network | Lyon, Grenoble, Geneva |
| BELGIUM & NETHERLANDS | Ghent Bio-Energy Valley | Brussels, Antwerp, Geneva, Mechelen |
| | Life Sciences Hub | Leiden, Rotterdam, The Hague |
| NORDICS | Uppsala BIO | Uppsala, Stockholm |
| | Medicon Valley | Copenhagen |
| | The Life Science Cluster | Oslo |
| INTERNATIONAL | Bio-Valley | Strasbourg, Freiburg, Basel |

About Catella

Catella is a leading specialist in property investments and fund management with operations in 13 countries. The group has assets under management amounted to approximately EUR 11 billion at the end of the second quarter of 2021. Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

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Contact:

Prof. Dr. Thomas Beyerle
thomas.beyerle@catella.de
+49 30 310 193-220

Janosh Zalewski
janosh.zalewski@catella.de
+49 30 310 193-275