

EDITION

02

March 2022

**FEATURED
TOPIC**

OPPORTUNITIES
FROM PENSION
FUND INVESTMENT
LIMIT CHANGES

**MARKET
SPOTLIGHT
REPORT**

The impact of the UK science
and technology sector

CONTENTS

Foreword	3
Business & Economy Trends	4
Private Equity and Venture Capital Investment Trends	9
UK Science and Technology Sector Property Market Trends – 2021 4th Quarter	15
Opportunities for the Science & Technology Sector Arising from Proposed Changes to Pension Fund Investment Limits	20
Top 10 Report Takeaways	29

FOREWORD

For new ideas to take flight and become new ventures, it's often said that entrepreneurs need to be in the right place and at the right time.

Part of the reason why some of the most renowned hubs for successful start-ups are seen as the right place, like Silicon Valley in California or Kendall Square in Boston, is the concentration of private capital there that's ready to invest in promising businesses.

And so it goes that there's probably never a wrong time for a translatable idea to be so close to a healthy funding ecosystem.

While the UK has vibrant private equity and venture capital communities, their role in the nation's science and technology economy, though having a great year in 2021, is still relatively limited compared to the size of opportunity.

As our featured topic - opportunities for the UK science and technology sector arising from proposed changes to pension fund investment limits - explores in this edition of the Market Spotlight Report, the government is beginning to take notice. Two reforms - one already enacted, the other under consultation - would unlock billions of pounds of new, domestic private equity and VC investment into the country's tech and science industries, according to our research.

There is the potential for a virtuous circle here in which UK pensioners stand to benefit financially from the growth of British entrepreneurs, many of whom will be working on life changing innovations in areas like personalised medicines, new diagnostic tools or low carbon technologies to name just a few.

But if more money flows in, it can't just be along the same rivers of capital that lead into the Golden Triangle today - although inevitably, and rightly, more will. Today's tributaries that spread into the regions across the UK need to become rivers themselves too.

Our research suggests that this will happen and is underway already through long term private investment, but with more targeted public investment into the right places we can accelerate both economic and innovation opportunities.



Kate Lawlor

Chief Executive Officer
Bruntwood SciTech

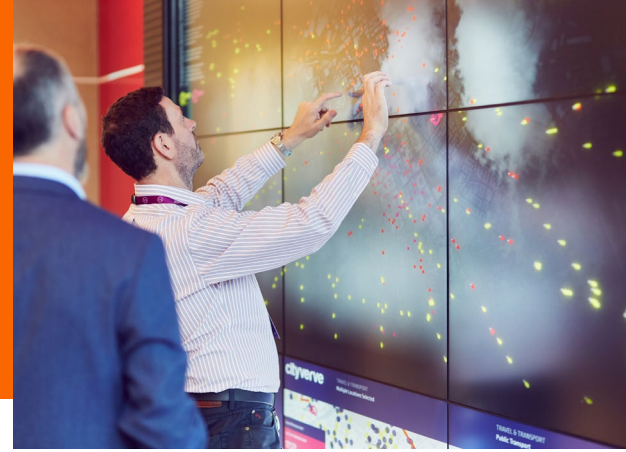
New infrastructure - especially transport and digital - alongside further devolved powers to regions that would allow them to offer new incentives to attract business, will help create potentially transformative waves of private investment and the entrepreneurs it can back.

Fortunately, this too seems to be in the government's thinking. Its Levelling Up Whitepaper contained some positive commitments around rebalancing R&D spending and supporting three new regional Innovation Accelerators in Glasgow, Greater Manchester, and the West Midlands with new investment. The thinking is right, even if we might need to see some more money in time.

When private and public capital and strategies combine, places transform for the better. This has been the bedrock of much of the regeneration we saw in the UK's big regional cities over the last 30 years. And it will be the same for their future and for the many places that have still been left behind.

Innovation led businesses in the science and technology sector not only create significant numbers of jobs themselves but also have a hugely beneficial ripple effect across neighbouring towns and cities and in this report we update on the latest quarterly impact the sector is contributing to the UK.

BUSINESS & ECONOMY TRENDS



AI interactive testing screen at Manchester Science Park

OVERALL SIZE AND VALUE OF THE SECTOR (EMPLOYMENT, BUSINESSES, TURNOVER, GVA)

The UK's science and technology industries are a vital part of the UK economy: the sector generated Gross Value Added worth an estimated £233 billion in 2021, accounting for around 8.5% of the overall value of the UK's non-financial business economy.¹

The UK's science and technology ecosystem consisted of just under 146,000 employers, who together supported direct employment amounting to just over 2.6 million in 2021. These jobs account for approximately 9.7% of the UK's total employee headcount. Although the overall level of direct employment has declined slightly compared to 2020, the sector's share of overall employment has grown slightly, up from 9.3% in 2020.

In addition to the 146,000 direct employee jobs, additional jobs throughout the UK economy are also supported by the sector's procurement activity within the UK, and through the expenditure of employees' incomes. Based on multiplier coefficients from UK input-output models, we estimate that the overall level of downstream employment attributable to the science and technology sector amounts to approximately 1.52 million jobs.

The largest contributions to business and employment activity in the science and technology sector come from two industries or sub-sectors:



These two segments together also account for around three-quarters of direct employment occurring within the sector, as well as just over four-fifths of direct GVA generated by the science and technology economy.

Table 1: Summary of the components of the UK's Science and Technology Economy (2021)

Segment	Employers ('000s)	Employment ('000s)	Turnover (£m)	GVA (£m)
Bioscience & MedTech	5.6	205	34,741	17,212
Electrical & electronics	4.6	188	26,787	11,103
Vehicle & transport technology	1.8	303	68,280	14,990
Digital and communications	78.4	1,276	250,062	132,052
Science, R&D, Engineering services	59.6	933	109,209	49,380
UK Totals	151.6	2,906	489,078	224,737

Source: ONS Business Population Estimates, 2021

Another way to look at the composition of the science and technology economy is to distinguish between Manufacturing activities and Service activities. Using this approach, the science and technology economy comprises:

- **Employees:**
21% Manufacturing activity and 79% Services
- **Economic output (GVA):**
17% Manufacturing and 83% Services

The 2021 figures continue to show the growing relative importance of services compared to manufacturing: for example, in 2020 services accounted for 78% of the total employee headcount and 82% of GVA.

¹ Gross Value Added (GVA) is a measure of the contribution that individual companies, industries and sub-national areas make towards the UK's Gross Domestic Product.

ENTREPRENEURIAL DYNAMIC IN THE SCIENCE AND TECHNOLOGY SECTOR

The onset of the Covid-19 pandemic created a difficult environment for entrepreneurship across most UK sectors. Overall, the number of start-ups across the economy during 2020 was around 8% lower than in 2019. Science and technology is no exception to this trend: although around 38,700 new science and technology businesses were established in 2020, this figure is around 12,000 fewer start-ups than occurred in the previous 12 months.

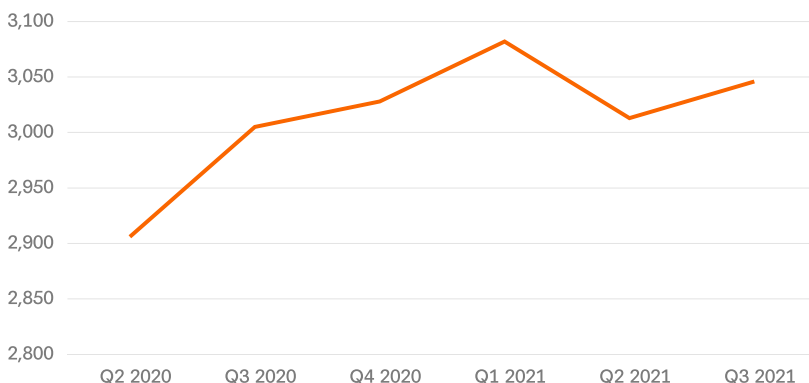
Overall, science and technology accounted for 14.0% of all UK start-ups in 2020. This is slightly lower than the average of around 15% which has occurred over the previous 5-year period. Indeed, science and technology is the second most important source of new business start-ups across the UK economy as a whole, with only the wholesale & retail sector (16.1%) accounting for a higher proportion of the overall total.

Of the science and technology start-ups founded in 2020, around 57% of start-ups were in the digital economy space, with around 38% involved with Science/R&D/Consultancy services activities.

LATEST TRENDS FOR EMPLOYMENT AND BUSINESS COUNTS

As noted, the employee headcount across the science and technology sector in 2021 amounts to a total of 2.604 million employee jobs. However, there are also quarterly estimates of overall employment in the sector (i.e., employees plus the self-employed) that provide an indication of the direction of travel for overall employment over the past 18 months.

Fig 1: Recent trends in science and technology employment, 2020Q2-2021Q3 ('000s)



Sources: ONS Labour Force Survey, 2020Q2-2021Q3



VR innovation and adoption testing day, Manchester Science Park

Overall, the trend for employment has been upwards, with growth of around 176,000 jobs occurring between the middle of 2020 and the first quarter of 2021. Although there was a reversal of this trend between 2021Q1 and 2021Q2, with around 69,000 jobs lost, the most recent quarterly data (Q3) indicates that employment growth has resumed, with around 33,000 jobs added back into the sector between 2021Q2 and 2021Q3.

The overall headcount of direct employment in the sector at the end of 2021Q3 amounted to 3.046 million. The estimated number of additional downstream jobs attributable to supply chain and income expenditure effects amounted to 1.72 million jobs.

The overall footprint of employment attributable to the sector therefore amounted to around 4.77 million at the end of the third quarter of 2021.

REGIONAL PICTURE

The regional breakdown of activity in the science and technology sector can be illustrated by the distribution of workplace-based employment. Use of this measure accounts for the headcount of employees in establishments in various locations that may be operated by the same employer.

As presented in the table below, the largest single share of employment contributed by the science and technology industry is located in London with 597,000 jobs (19.6% of the total). However, it is worth highlighting that science and technology businesses also account for 430,000 jobs across the North of England.

Table 2: Regional distribution of the UK’s science and technology employment, 2021Q3

Country or region	Estimated jobs 2021Q3 ('000s)	% of total UK science and technology jobs	% of area’s total employment (i.e., % of all jobs)
East Midlands	190	6.2%	8.2%
East of England	296	9.7%	9.5%
London	597	19.6%	12.6%
North East	95	3.1%	8.0%
North West	257	8.4%	7.5%
South East	520	17.1%	11.4%
South West	268	8.8%	9.6%
West Midlands	260	8.6%	7.0%
Yorkshire & Humber	178	5.9%	9.7%
Total England	2,661	87.4%	9.7%
Wales	107	3.5%	7.2%
Scotland	211	6.9%	7.9%
Northern Ireland	67	2.2%	7.9%
UK Totals	151.6	2,906	489,078

Sources: Development Economics analysis based on ONS Business Population Estimates, 2020; ONS Labour Force Survey, 2021Q3

The final column in the table above provides a measure of the relative importance of the science and technology sector as a source of direct employment in the economy of each of the UK regions. The average density of science and technology employment (i.e., the proportion of overall direct employment that is accounted for by the sector’s employers) is 9.4% across the UK. However, in several regions this proportion is noticeably greater, in particular:

- **London** - where science and technology accounts for 12.6% of all employment
- **South East England** - 11.4%
- **Yorkshire & the Humber** - 9.7%
- **South West England** - 9.6%.



Despite the number of jobs found in the North of England, the data presented in Table 2 confirms that, generally, science and technology employment is overly concentrated in London and the regions adjacent to the capital (i.e., the South East and the East of England).

This data reinforces the need for the support of the Government in addressing the regional spatial inequalities around the UK. This support, highlighted in the Levelling Up the UK White Paper, seeks to boost opportunities and future levels of entrepreneurship, employment, and productivity across the UK.

Although the Government’s strategy for levelling up is still ‘work in progress’, initiatives contained in the White Paper that have potential to foster improved levels of investment in science and technology outside the ‘Greater South East’ (GSE) include:

- Setting a target for at least 55% of Government’s own R&D spending (from BEIS) occurring outside of the GSE area by 2024/25
- Targeting of £100 million of investment in three Innovation Accelerators located in Greater Manchester, the West Midlands, and the Glasgow city-region
- Commitments to upgrade digital and transportation infrastructure serving the regions
- Commitments to retarget investment in education and to support workforce training.

TYPES OF JOBS IN DEMAND

Workforce demand in Science and Technology is dominated by both expansion and replacement demand for workers. For example, average annual growth in the headcount of the Science and Technology sector between 2013 and 2021 has averaged just under 5% per annum, amounting to overall expansion of well over 800,000 workers over this period.

There is also an ongoing need to recruit a greater proportion of the workforce with degree level qualifications or higher. By the third quarter of 2021, the proportion of the UK’s Science and Technology workforce with degree level qualifications or higher had reached to 60.9% (compared to an economy wide average of 40.3%), up from 60.1% in the previous quarter (2021Q2).

The occupational profile of the sector is aligned with the qualifications profile. Based on the standard occupational classifications used by the ONS, 77.6% of workers in the science and technology economy are categorised in the following three groups, compared to 49.9% across the UK economy as a whole:

- **Managers/Directors/Senior Officials:** 13.2% of the overall science and technology workforce (compared to 10.4% of the UK economy as a whole)
- **Professional occupations:** 45.5% (compared to an economy-wide average of 24.9%)
- **Associate Professionals:** 18.8% (compared to a UK-wide average of 14.6%).

Highly skilled lab work carried out at Mereside campus, Alderley Park



SUMMARY – BUSINESS AND ECONOMY

- Gross Value Added generated by the sector now amounts to £233 billion per annum, and accounts for nearly 9% of the total value of the UK economy.
- The UK's Science and Technology sector added 33,000 jobs in the third quarter of 2021, with the sector's workforce now amounting to 3.046 million.
- In addition, a further 1.72 million jobs elsewhere in the UK economy are attributable to Science and Technology activities, either through UK supply chains or the spending power of the Science and Technology workforce.
- Approximately one out of every seven UK start-ups is in the Science and Technology economy.
- Of these start-ups, 57% are involved with software, computer services and other digital economy activities.
- Although nearly 10% of all UK employee jobs are contributed by Science and Technology businesses, the regional distribution remains uneven. For example, in London 12.6% of employee jobs are directly contributed by Science and Technology businesses, whereas in areas such as Wales and the West Midlands the proportion is only around 7%.
- Nevertheless, there is a significant science and technology economy located in the regions, with 430,000 jobs located in the North of England alone.
- Initiatives recently announced in the UK Government's Levelling Up the UK White Paper have the potential to provide a significant boost to science and technology activity and employment outside London and the Greater South East. For example, greater regional public sector R&D investment (and the private sector match funding that would follow) has the potential to significantly boost public and private sector R&D activity occurring in the regions, with substantial downstream potential for increased levels of science and technology business start-ups and expansions.



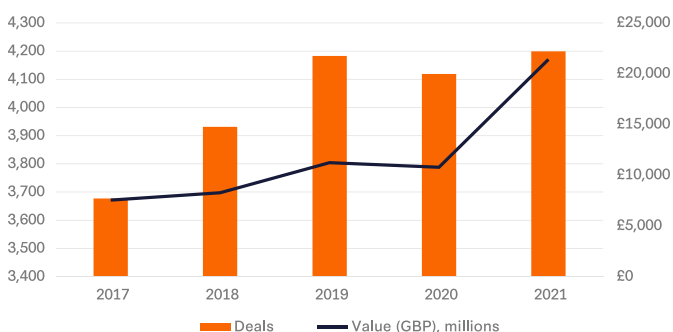
Manchester's innovation district - the Oxford Road Corridor, where 49.6% of the city's life science companies are based

PRIVATE EQUITY AND VENTURE CAPITAL INVESTMENT TRENDS

OVERVIEW

The 2021 calendar year saw a surge of Private Equity (PE) and Venture Capital (VC) investment in the UK’s Science and Technology sector. Overall PE and VC investment into the science and technology sector amounted to £21.4 billion, compared to the £10.78 billion recorded during 2020. Despite the aggregate value of deals nearly doubling over the previous year, the increase in the number of deals was much more modest, growing by just 2% (from around 4,120 to just under 4,200).

Figure 1: Five-year annual trend for all PE & VC Investment in UK Science and Technology

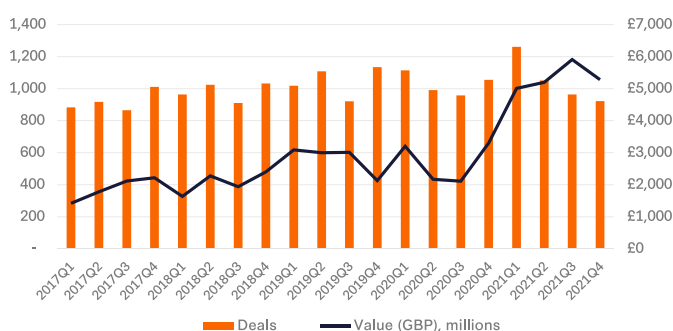


Source: Beauhurst. Data drawn down on 17th January 2022

Overall, the average level of PE and VC investment into UK science and technology enterprises averaged around £5.35 billion per quarter during 2021. By comparison, the average level of investment recorded during the previous four years (2017-2020) amounted to £2.36 billion per annum.

The level of PE and VC investment in the final quarter of 2021 stood at £5.28 billion, the second highest quarterly total ever recorded (and only surpassed by the £5.91 billion recorded in the third quarter). By comparison, the equivalent total recorded in the final quarter of 2020 was £3.30 billion.

Figure 2: Five-year quarterly trend for all PE & VC Investment in UK Science and Technology



Source: Beauhurst. Data drawn down on 17th January 2022

It may be noted from the chart that the average number of deals recorded in the final quarter of 2021 has increased only marginally compared to the deal volume recorded during 2017. However, the average value per deal has increased substantially over the same period (from £2.05m per deal in 2017 to £5.10 million per deal in 2021). However, this surge in average deal size only really started to become observable in the second half of 2020.

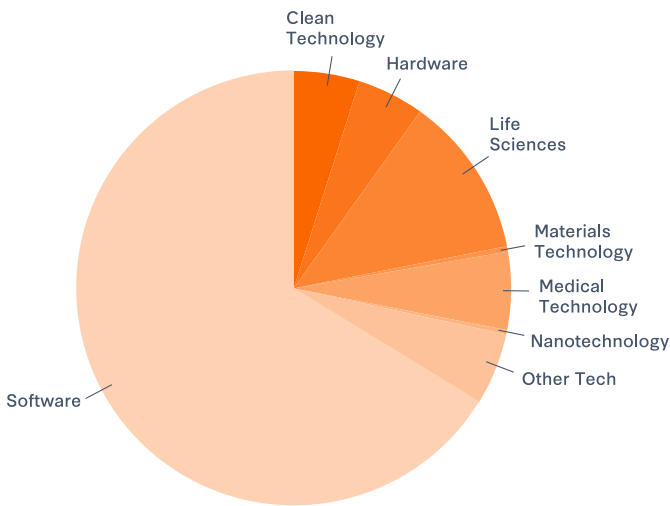
Of course, the UK has long been a popular destination for domestic and international investment in science and technology enterprises. Analysis undertaken by the British Venture Capital Association indicates that over the past 4-5 years the UK has achieved an approximate one-fifth share of global investment into the science and technology sector. This popularity is linked to factors such as:

- The location within the UK of a group of world-leading universities, research institutes and other sources of technological innovation and development
- The availability of an exceptionally well-educated and qualified science and technology workforce
- A regulatory environment that is supportive and welcoming of international investment in science and technology.

INVESTMENT IN SCIENCE AND TECHNOLOGY BY SUB-SECTOR

The principal destination for PE and VC investment in UK science and technology is the computer software sub-sector. According to data generated by Beauhurst, during 2021 this segment accounted for around 61% of all PE and VC investment in the UK's science and technology sector.

Figure 3: PE & VC Investment in UK Science and Technology by Sub-sector: 2021



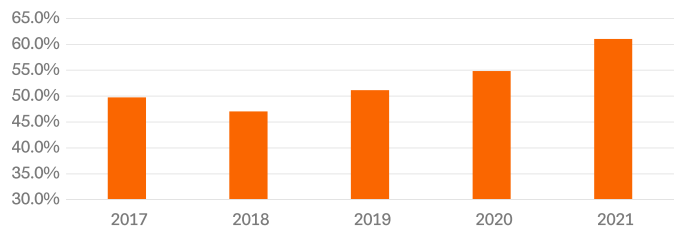
Source: Beauhurst. Data drawn down on 17th January 2022

Other major components of overall investment in 2021 included:

- **Life Sciences:** 11.1% of all science and technology investment
- **Medical Technology:** 5.3%
- **Computer hardware:** 4.6%.

Moreover, the dominance of software as a destination for PE and VC investment has grown in recent years. For example, in 2017 the software sector accounted for just under 50% of all PE and VC investment in UK science and technology, but by 2021 this had increased to just over 61%.

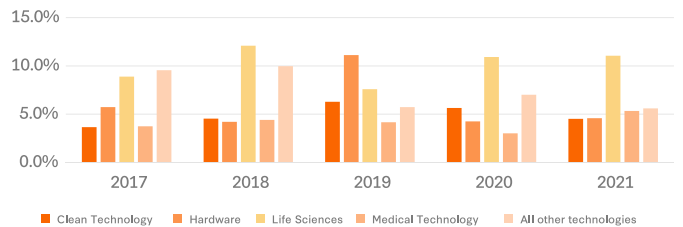
Figure 4: PE & VC Investment in UK Science and Technology accounted for by Software, 2017-2021 (%)



Source: Beauhurst. Data drawn down on 17th January 2022

Trends for other technology sub-sectors are less clear cut, but as may be seen in the chart below, Life sciences has continued to be the second most important sub-sector.

Figure 5: PE & VC Investment in Science and Technology sub-sectors other than Software, 2017-2021



Source: Beauhurst. Data drawn down on 17th January 2022

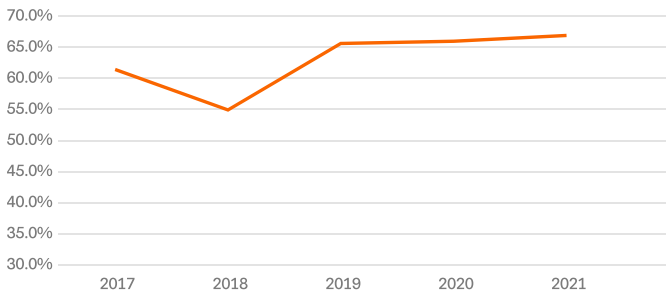
Redefining cell culture, Manchester BioGel based at Alderley Park provide reproducible, chemically defined peptide hydrogels designed for tissue regeneration and drug discovery.



INVESTMENT BY REGION

The principal destination for PE and VC investment in UK science and technology continues to be London. During 2021, London accounted for just over 67% of all UK investment, a proportion that has generally been growing over the past five years.

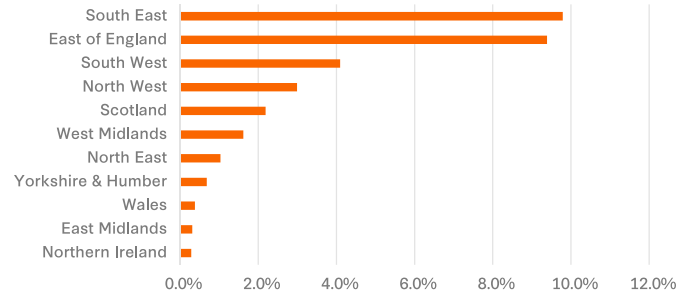
Figure 6: PE & VC Investment in Science and Technology accounted for by London, 2017-2021 (%)



Source: Beahurst. Data drawn down on 17th January 2022

The situation regarding other UK regions is more variable on a year-by-year basis, but the leading regions are the South East and the East of England. The proportionate shares for each UK region - other than London - of overall PE and VC investment in UK science and technology during calendar year 2021 is summarised in the figure below.

Figure 7: PE & VC Investment in Science and Technology in other UK regions, 2021 (%)



Source: Beahurst. Data drawn down on 17th January 2022

Glasshouse at Alderley Park is one of the key hubs for tech based businesses in the North West, several of whom have seen new investment opportunities arise in the past 12 months



INVESTMENT BY STAGE

The analysis in this section uses the following definitions of investment stages:

- **Seed:** funding provided before the investee company has started mass production. Seed finance is usually provided to complete R&D, product definition, product design and/or establishment of intellectual property rights.
- **Venture:** Funding provided to start mass production, distribution and/or marketing
- **Growth:** Financing provided in relatively established companies to provide capital for expansion or improvement in operations or to enter new markets
- **Established:** Financing provided for a variety of purposes, including management buy-outs, replacement capital or rescue/turnaround.

Data indicates that there has been substantial growth in all types of investment in UK science and technology businesses since 2017, but that the strongest proportionate (and absolute) increase has been experienced by the Growth investment category.

Table 1: Increase in science and technology financing by type, 2017-2021

Time period	Seed	Venture	Growth	Established	Overall
5 years (2017-2021)	70%	119%	276%	209%	184%
1 year (2020-2021)	45%	68%	128%	33%	82%

Source: Beauhurst. Data drawn down on 17th January 2022

For example, overall investment in Growth stage science and technology companies has increased by 276% over the period 2017-2021, compared to an overall increase of 184%. However, of this increase, 128% is accounted for by the increase in investment occurring in 2021 alone.

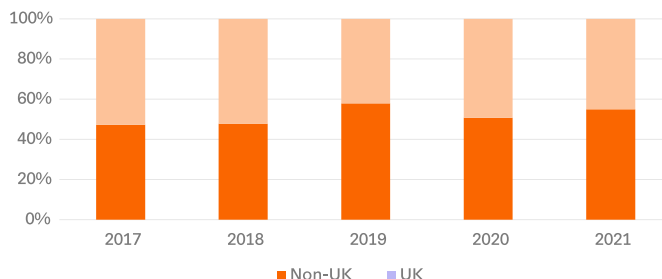
The investment stage that has experienced the smallest growth is Seed finance: funding for this stage has increased by 70% over 5 years, with 45% of this occurring in 2021 alone.

SOURCES OF PE AND VC FINANCE FOR SCIENCE AND TECHNOLOGY INVESTMENT

A further topic to consider is the source of the investment in UK science and technology companies.

Overall, the trend has been for a gradual increase in the proportion of investment originating from non-UK sources. However, the trend is not a smooth one, as can be seen in the figure below.

Figure 8: Sources of PE & VC Investment in Science and Technology in the UK, 2017-2021 (%)



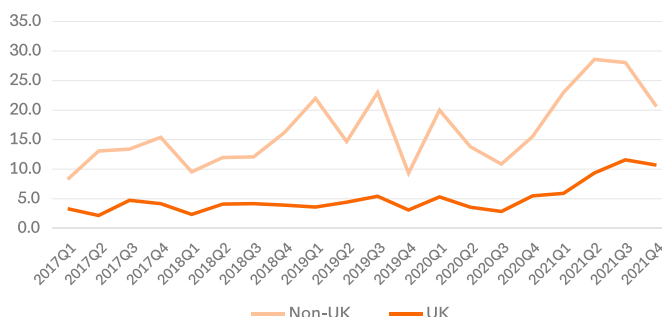
Source: Beauhurst. Data drawn down on 17th January 2022

Overall, the annual investment into science and technology companies originating from UK sources has increased by an average of 35% per annum over the 2017-2021 period. However, investment from non-UK sources has increased even faster over the same period, at around 45% p.a.

The data for 2021 suggests that the appetite for international investment in UK science and technology has not been diminished by the departure of the UK from the EU.

A notable difference between investments by source is the average value per deal. Whilst the average size of deal has increased for both UK and non-UK sources, the average size of the non-UK deals has been consistently larger. However, there is evidence that the scale of the difference is shrinking, as can be seen in the figure below. For example, in 2017 the average size of deal funded by non-UK sources was 3.8 times the average deal funded from UK sources. However, by 2021 this ratio had decreased to 2.8 times.

Figure 9: Average size of deal: UK vs non-UK sources, 2017-2021 (£ millions)



Source: Beauhurst. Data drawn down on 17th January 2022

NOTABLE DEALS IN THE FINAL QUARTER OF 2021

Listed below are some brief details of notable deals involving PE and VC funding and UK science and technology enterprises that have been confirmed in the fourth quarter of 2021:

- Fulfilment management software developer **Huboo Technologies** secured a £60 million Series B investment led by Mubadala Capital in October 2021
- **Vertical Aerospace** – a developer of zero emissions aircraft based in Bristol – raised £150 million in additional capital in October 2021
- **Ultraleap** – a Bristol-based developer of touchless computer interface technologies – secured a £60 million Series D investment in November 2021
- **OTA Insight** – a London-based global leader in the development of cloud-based hospitality industry intelligence software – raised £59 million in Series B investment in November 2021
- **Autolus** – a biotechnology spinout from UCL – raised £185 million from Blackstone Life Sciences, and thereby achieved the largest ever private financing of a UK biotech company from a single source.
- **Fresha.com SV** – a London-based developer of online platforms for booking salon and spa appointments – secured a £39 million Series C investment in December 2021.

Ultraleap touchless technology



SUMMARY – PE AND VC INVESTMENT

- Private Equity and Venture Capital investment into the UK's science and technology sector surged during 2021. Investment occurring in the 2021 calendar year amounted to an estimated £21.4 billion, which was nearly double the amount recorded during 2020.
- In the final quarter of 2021 alone, £5.28 billion of investment was recorded, the second highest quarterly total ever recorded.
- The share of overall investment accounted for by investment in Software projects continues to increase, reaching 61% of all PE and VC investment into the sector during 2021.
- Health is another significant destination for investment, with Life Sciences accounting for 11% of all PE and VC investment and Medical Technology a further 5%.
- Although investment has surged across all phases there is a particularly noticeable increase in investment into the Growth stage, with a 128% increase over the past 12 months alone.
- In 2021, 55% of PE and VC investment in UK science and technology projects came from non-UK sources, reflecting international recognition of UK strengths in science and technology R&D and the supportive environment for international investment in this country.
- Deals in the most recent quarter include £185 million raised by Autolus – a biotechnology spinout from UCL – the largest ever private financing of a UK biotech company from a single source.
- Although London receives the largest share of PE and VC investment going into science and technology projects, there have been notable successes for the regions, such as at least two major deals located in Bristol.



UK SCIENCE AND TECHNOLOGY SECTOR PROPERTY MARKET TRENDS - 2021 4TH QUARTER

LETTINGS 2021Q1-2021Q4

Just under 765,000 sq ft of office space was let to science and technology companies across the UK in the final quarter of 2021. This was an increase of over 86,000 sq ft (12%) compared to the equivalent total in the third quarter of 2021, when just over 678,000 sq ft of space was let.

Moreover, the volume of office lettings to science and technology occupiers in the most recent quarter was over 50% greater than in the second quarter, when lettings amounted to just over 500,000 sq ft. The number of deals in the final quarter – 81 – was also greater than in the previous quarter (69).

Table 1: Science and technology office and lettings, 2021Q1 - 2021Q4

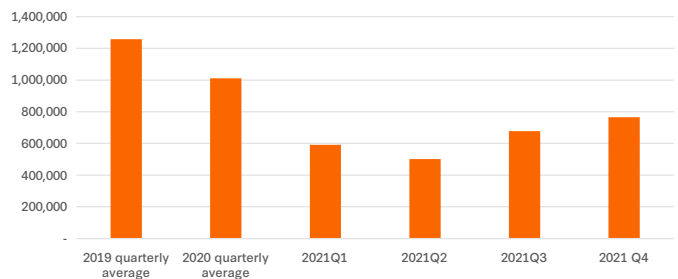
Indicator	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Number of lettings	64	61	69	81
Volume of space (sq ft)	592,066	501,800	678,414	764,889

Source: EG data with analysis undertaken by Development Economics. Data sourced 24 December 2021

Despite the recovery in the final quarter, the volume of lettings is still notably lower compared to levels seen during 2020, when there was an average of just over one million square feet of space let each quarter (1,011,000 sq ft).

Figure 1 clearly illustrates the recent trend for office space letting completions to companies operating in the science and technology sector over the period 2019-2021: the U-shape of the chart indicates a clear recovery trend in demand over the past 6 months.

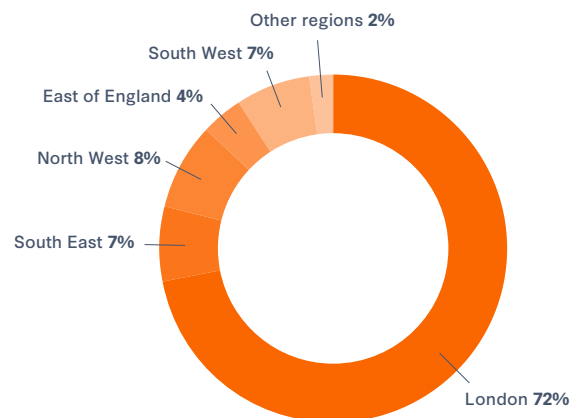
Figure 1: Quarterly volume of offices let to businesses in the science and technology sector (sq ft)



Source: EG data with analysis undertaken by Development Economics.

The regional distribution of office lettings in the fourth quarter of 2021 is weighted towards deals in London, with the capital region accounting for 72% of the national total of space let. Other regions that recorded significant volumes of lettings were the North West (8%), South East (7%), South West (also 7%) and the East of England (4%). All other regions together accounted for just over 2%.

Figure 2: Regional distribution of office lettings science and technology businesses (2021Q4) (sq ft)



Source: EG data with analysis undertaken by Development Economics.

Lettings of factories, workshops, and general industrial premises to science and technology businesses during the fourth quarter of 2021 amounted to approximately 187,000 sq ft, with an average rent of £7.92 per sq ft. This performance was somewhat lower than the 300,000 sq ft of industrial space let during the third quarter of 2021.

CURRENT AVAILABLE SPACE

Data suggests that ostensibly there is currently around 24.6 million sq ft of commercial office space that is potentially available to let to companies operating in the science and technology sphere. This represents an increase of around 1.35 million sq ft compared to the third quarter of 2021. The great majority of this space (c. 97%) is pure office space, with only a small element also providing other facilities such as laboratories.

Around 64% of the currently available space is located in the regions, with the largest share of this located in the South East with just over 3 million sq ft available (nearly 13% of the national total). Another region with a significant quantum of available space is the North West, with around 2.2 million sq ft available (nearly 9% of the total).

Table 2: Science and technology office availability, December 2021

Region	Available space (millions of sq ft)	% of total	Average asking rent per sq ft
North East	0.64	2.6%	£15.72
North West	2.19	8.9%	£19.14
Yorkshire & Humber	1.33	5.4%	£18.08
East Midlands	0.62	2.5%	£15.10
West Midlands	1.71	7.0%	£17.80
East of England	1.59	6.5%	£21.83
London	8.91	36.3%	£56.10
South East	3.08	12.6%	£21.10
South West	1.22	5.0%	£19.61
Wales	1.08	4.4%	£15.55
Scotland	1.58	6.4%	£17.90
Northern Ireland	0.59	2.4%	£15.64
Total	24.55	100.00%	£32.87

Source: EG data with analysis undertaken by Development Economics. Data sourced 24 December 2021

The overall average asking rent for the available space is £32.87 per sq ft. However, this figure is heavily influenced by London, where asking rent is significantly higher, at just over £56 per sq ft.

Of the 1.35 million sq ft increase in available office space that has occurred since 2021 Q3, the largest share (39%) is located in London, with a further 16% located in the South East.

The only region experiencing a declining amount of available office floorspace since the third quarter of 2021 is the North West, with a fall of circa 40,000 sq ft in the overall volume of available office space. This relatively minor decline (equivalent

to around 3% of the total available stock as of the third quarter of 2021) is understood to be linked to a surge of lettings occurring in the final quarter of 2021, including deals at Bruntwood SciTech’s Circle Square scheme in Manchester, which included:

- Global streaming giant Roku
- Uber-owned software firm Autocab
- Octopus Energy Group.

Moreover, in the case of the North West, the recent growth in lettings appears to have outpaced the return of suitable space back into the market and/or the arrival of additional supply of suitable premises from the pipeline of new developments.

Of course, the increase in volume of suitable floorspace is not necessarily due to a decline in science and technology office floorspace need. Another factor is a decline in space requirements of other business sectors – i.e., occupiers operating in other sectors vacating space that is suitable to meet the needs of science and technology occupiers. Although some sub-sectors of the science and technology economy – such as pharma, biotech, and advanced materials technology – will often have more specialised requirements, others such as software businesses are usually able to use non-specialised office space that is also relevant to other industries (such as Professional and Financial services etc.).

In addition, as was noted in the previous edition, much of the theoretically available office floorspace is likely to be viewed by would-be science and technology occupiers as poor quality and possibly obsolete. Hence the importance of the pipeline of new purpose-built sector specialist developments tailored to the needs of science and technology occupiers discussed in the next section.

Melbourn Science Park in Cambridge is undergoing a new ambitious masterplan for the 16.4 acre site; creating a long term vision for the future growth of the science park as a leading science and technology cluster in Cambridge.



NEW DEVELOPMENT PIPELINE

Continued growth and development of the science and technology sector drives the need for additional floorspace to accommodate the growing workforce. In response, a range of ambitious new developments have been proposed or approved over the past year or so, and in some cases elements of these schemes are now coming out of the ground.

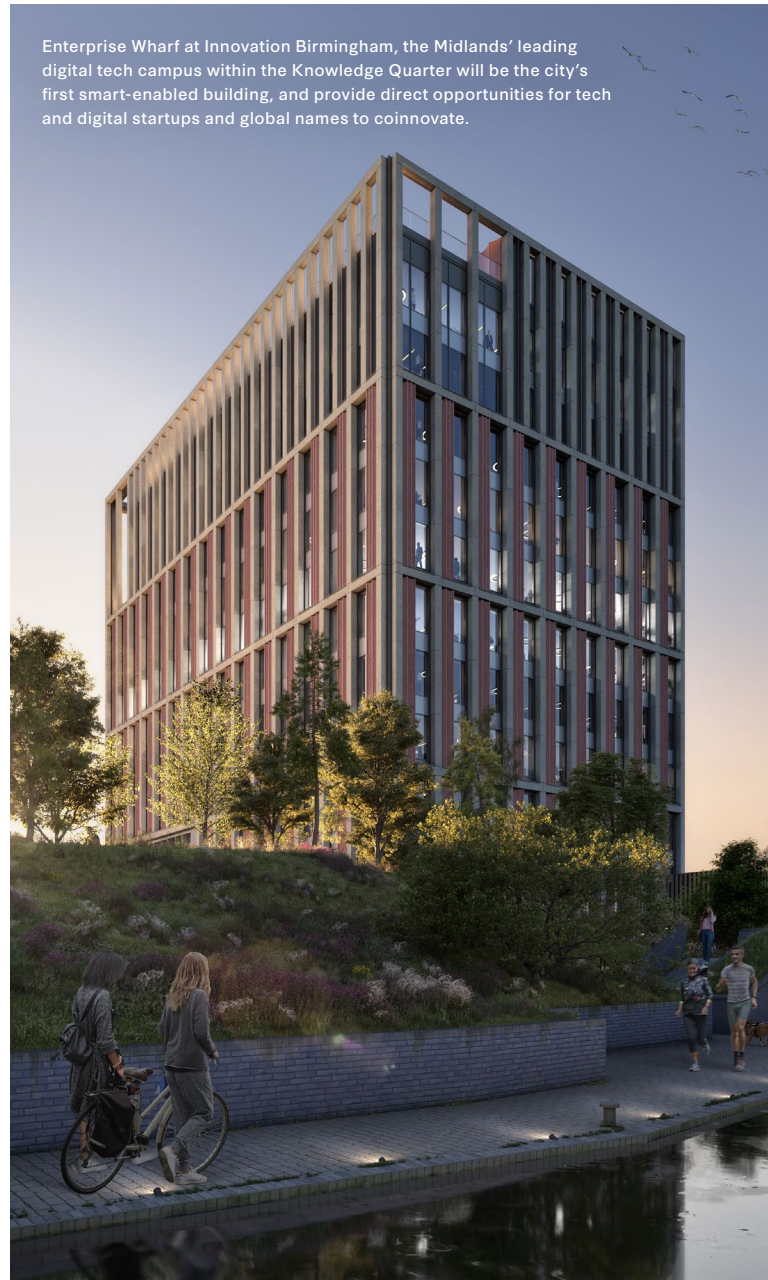
New developments targeting science and technology occupiers that have been announced in the past few months include:

- **Belfast Waterside:** a mixed-use development that will provide around 1.2 million sq ft of office space focusing on life science and other technology sector occupiers, together with 500 apartments.
- **Whitechapel:** Queen Mary University is working with a yet-to-be announced private developer to deliver a 1 million sq ft life sciences on an archipelago of sites clustered on Whitechapel Rd, London E1.

These currently under development schemes add to the existing pipeline of major developments of this type elsewhere in the UK, which include the following:

- The £21m next phase of **Manchester Science Park's masterplan - Base** - opening this summer. A purpose built office and makerspace hub for businesses working in high growth, frontier sectors of Industry 4.0 in the centre of Manchester's innovation district, Base will become home to a new specialist cluster in the city, building on the region's internationally recognised tech and manufacturing strengths.
- Birmingham's first smart-enabled building **Enterprise Wharf at Innovation Birmingham**, the West Midlands' largest digital tech cluster, which will be a valuable and important addition to the city's already thriving tech ecosystem. Due to complete in Winter 2022, the scheme will offer large tech companies an innately tech-enabled environment embedded with Internet of Things (IoT) technologies throughout the 10 storey, 120,000 sq ft building including a roof garden with stunning views over the city.

Enterprise Wharf at Innovation Birmingham, the Midlands' leading digital tech campus within the Knowledge Quarter will be the city's first smart-enabled building, and provide direct opportunities for tech and digital startups and global names to coinovate.



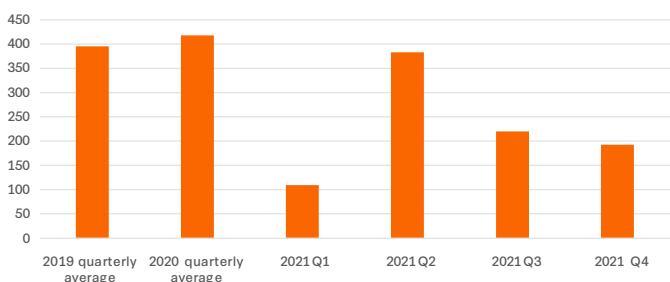
Manchester Science Park is home to 150+ science and tech companies of all sizes and is undergoing the latest phase of its masterplan to grow to 1m sq ft. The latest phase is a £21m hub for Industry 4.0 companies called Base



INVESTMENT TRENDS

Investment sales involving premises occupied by science and technology businesses amounted to nearly £193 million in the fourth quarter of 2021. This was a slight reduction compared to the aggregate value of about £220 million achieved in the third quarter of 2021.

Figure 3: Quarterly value of investment sales in Science and Technology premises (£ millions)



Source: EG data with analysis undertaken by Development Economics. Data sourced 20-24 September 2021

Over 80% of the value of investment in the fourth quarter was focused on property located in London. This continued a trend that occurred in the third quarter of 2021, but represents a significant increase compared to the second quarter, when the equivalent proportion was around 60%.

The attractiveness of the science and technology property sector for investment is confirmed by the launch of a new Life Science REIT in November, which raised £350 million in its IPO. The REIT has made a series of acquisitions since launch, including Cambourne Business Park outside Cambridge and Rolling Stock Yard near St Pancras Station in London.

Sales to science and technology business occupiers amounted to around £6.7 million during the fourth quarter of 2021, which was a similar level to that occurring in the third quarter (£8 million). However, it is significantly lower than the quarterly average of around £45 million per quarter observed during 2019.

Software developer Lokulus, based in Glasshouse at Alderley Park has undergone rapid expansion with a pipeline of new technologies in development and committing £3m for future growth of the business



SUMMARY - PROPERTY MARKET TRENDS

- Lettings of office space to companies in the science and technology sector amounted to just under 765,000 sq ft in the fourth quarter of 2021, which was 12% greater than in the third quarter. The volume of space let to science and technology occupiers has recovered substantially since the first half of 2021 but is still around 40% lower than the quarterly average achieved during 2019.
- London accounted for 72% of the total amount of office space let in the fourth quarter. However, there were also significant deals occurring in the regions with, for example, the North West accounting for around 8% of all space let. Deals in the North West included Roku, Autocab, and Octopus Energy, all secured at Bruntwood SciTech's Circle Square scheme in Manchester.
- Around 24.5 million sq ft of commercial office space is currently potentially available for letting to science and technology businesses across the UK. This represents an increase of over 1.3 million sq ft compared to the volume of space available at the end of the third quarter of 2021. However, much of this theoretically available office floorspace is in older premises and may not be attractive or meet the specifications required by science and technology occupiers.
- A strong pipeline of new commercial property development targeting the science and technology sector continues to emerge, with major projects announced in locations such as London and Belfast.
- The attractiveness of the sector for investment is confirmed by the launch of a new Life Science REIT in November, which raised £350 million in its IPO. The REIT has made a series of acquisitions since launch, in both London and Cambridge.

Construction of a purpose built hub for Industry 4.0 businesses which includes prototyping makerspace, called 'Base', is underway at Manchester Science Park, opening summer 2022



**FEATURED
TOPIC**

**OPPORTUNITIES FOR THE
SCIENCE & TECHNOLOGY
SECTOR ARISING FROM
PROPOSED CHANGES
TO PENSION FUND
INVESTMENT LIMITS**

WHERE WE ARE CURRENTLY

Recent changes in UK Government policy are designed to make it easier for investors to invest in long-term, illiquid assets including venture capital, private equity, real estate, and infrastructure. The ability to invest in long-term, illiquid assets through appropriately designed vehicles is seen by the Government as being important to support national and regional economic growth, and to enable the transition to a low carbon economy.

In October 2021, the Financial Conduct Authority (FCA) announced new rules and guidance that sought to address barriers that hamper long-term investment in illiquid assets. The new policy in effect creates a new category of authorised open-ended fund (termed the long-term asset fund, LTAF). At this stage, access to LTAFs will be limited to professional asset managers, including pension fund managers, insurers with united linked insurance businesses, fund distributors, and high net worth private investors.

To complement the changes in the FCA policy paper, at the end of November 2021 the UK floated proposed changes to fee limits on workplace pension schemes. The object of the proposed changes is to make it easier for pension funds to include an element of private equity and venture capital investment in their portfolios, by allowing performance fees levied by private equity (PE) and venture capital (VC) managers to be excluded from workplace pension fee caps. The current inclusion of performance fees in the 0.75% annual cap on charges is perceived to be a significant deterrent for pension fund trustees accessing these asset classes.

The creation of the authorised LTAF and the proposed relaxation of fee limits is expected to lead to significant increases in funds available to PE and VC managers in the UK. This in turn could have a significant positive effect on the UK's science and technology sector. This is because the science and technology sector is already a major destination for PE and VC investment in the UK. For example, in 2020, PE and VC investment in the science and technology sector around 54% of the UK total and amounted to around £5.1 billion.

Investment activity in the UK is currently dominated by overseas institutional investors, with over 80% of funds raised coming from overseas. Increasing the attractiveness of the sector from UK fund managers and high net worth individuals could result in the replacement of some of this funding from domestic sources, but it also creates the potential for net expansion of investment activity and the funding of new ventures.

The purpose of this paper is to explore the potential medium-to-longer term effects of these changes, such as the potential impacts on the number of projects, revenues, output (GVA) and employment growth potential that the change in policy could enable.

Companies based at the Citylabs campus, located within Manchester University NHS Foundation Trust, have attracted large volumes of PE and VC investment owing to the sector specialist health innovation and precision medicine cluster being created there, anchored by global diagnostics leader QIAGEN's home at Citylabs 2.0 (seen top left)



¹ [PS21/14: A new authorised fund regime for investing in long term assets | FCA](#)

² **Source:** BVCA. It should be noted that this figure covers all PE and VC investment in science and technology, including buyouts.

APPROACH TO ANALYSIS

The analysis undertaken here utilises a bespoke econometric model of the UK economy, covering all sectors, but with a special focus on science and technology which is defined here to include sub-sectors including biotechnology, healthcare, communications, computers, electronics, renewable energy, electric vehicles, aerospace, R&D, and some types of professional services, such as engineering consultancy.

The modelling approach is based on the assessment of scenarios covering the potential for an increase in the financial value of investment in science and technology activity, in particular the funding of research and development, new venture formation, and growth capital to fund expansion of existing ventures and enterprises operating across the science and technology sector.

The approach taken is consistent with cost-benefit analysis for the potential creation of LTAFs undertaken by the FCA in 2021. However, the scenario modelling also utilises data on the pattern of VC and PE investment occurring across all sectors of the UK economy (including science and technology) over the period 2017-2021, with data obtained from BVCA and Beauhurst.

The focus of the assessment is on the potential change in the number of PE and VC projects and the amount of funding available for science and technology new ventures, growth, and expansion projects, but excludes the impact of investment in buyouts. The assessment is undertaken over the 2022-2030 period, with annual estimates produced for metrics including: business revenues, gross value added (GVA), additional direct employment, and the future workspace requirements of the sector.

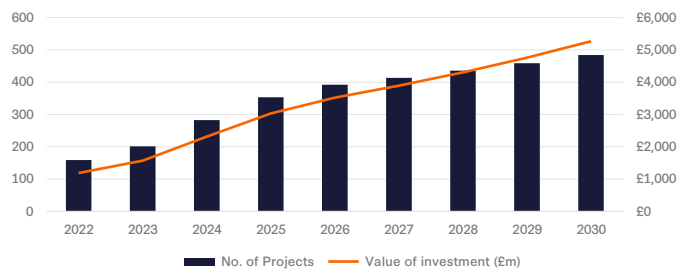


Clean-tech engineering startup ErgoM at Innovation Birmingham capture energy from workout equipment, reducing energy costs and users' carbon footprint - as well as incentivising fitness

IMPACT ON SECTOR SIZE AND PERFORMANCE

The analysis predicts that the creation of LTAFs - together with the complementary proposals to relax fee limits on illiquid investments by pension fund managers - could lead to an additional 370 venture and growth investments in UK science and technology projects per annum over the period to 2025, rising to an average of 480 projects p.a. by 2030. The associated expected increase in the annual value of investment in science and technology ventures and growth projects would be expected to amount to just over £3.0 billion per annum over the 2022-2025 period, rising to just over £5.25 billion p.a. by 2030.

Fig 1: Number & Value of Additional Growth Projects in Science and Technology, 2022-2030



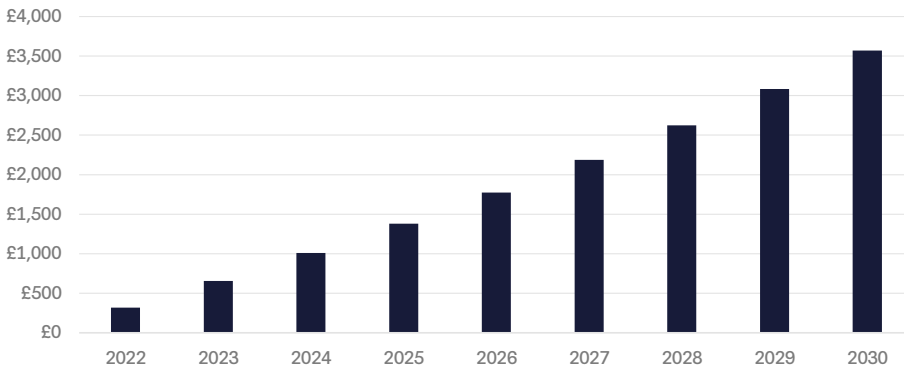
Source: Development Economics analysis

Note: the financial values in the chart above are expressed in terms of 2022 prices: i.e., the potential future effects of inflation are excluded from the assessment.

Of the expected boost to PE and VC investment in the science and technology sector occurring by 2025, it is expected that the allowing of exclusion of performance fees from workplace pension fee caps would account for around 35% of the anticipated overall effect on investment value. In other words, without the removal of the cap, the scale of increase in annual investment expected by 2025 would be around £2.07 billion p.a. rather than the £3.19 billion p.a. that would be expected following the removal of caps.

The stimulus to investments in ventures and expansion projects in the UK's science and technology sector would be expected to generate significant levels of future revenues for businesses operating in the industry. By 2025, the aggregate value of additional industry revenues would be expected to be worth around £1.77 billion per annum, with this figure expected to increase to £4.08 billion p.a. by 2030.

Fig 2: Additional Science and Technology Sector Revenues, 2022-2030 (£m, 2022 prices)



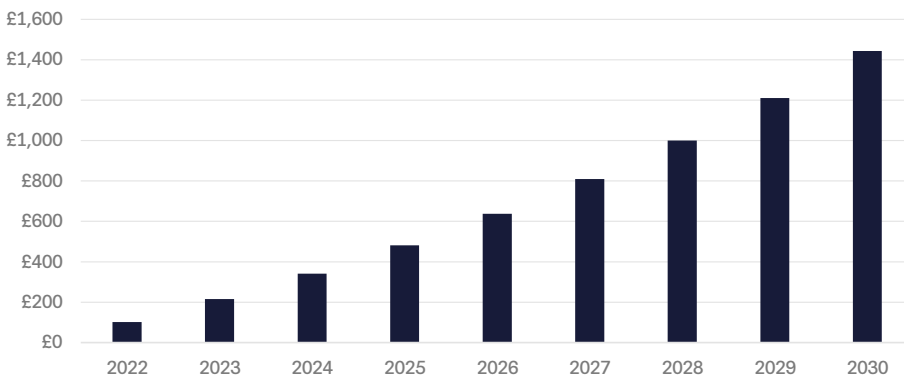
Source: Development Economics analysis

The generation of additional industry revenues and profits would lead in turn to the generation of additional wealth. The value of future wealth generation is expressed as Gross Value Added – the contribution that businesses in the science and technology sector make towards the value of UK Gross Domestic Product.

The annual value of GVA associated with the additional science and technology ventures and expansion projects is anticipated to be worth around £480 million p.a. to the UK economy by 2025, rising to £1.44 billion p.a. by 2030.

Over the 9-year period 2022-2030, the cumulative value of the additional GVA associated with the LTAF-funded stimulus to investment in science and technology is expected to generate cumulative additional GVA worth £6.24 billion (2022 prices).

Fig 3: Additional Science and Technology Sector GVA contributions, 2022-2030 (£m, 2022 prices)

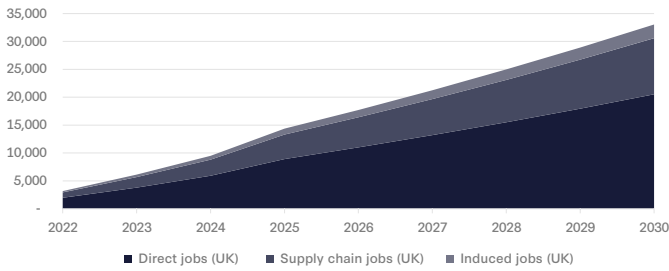


Source: Development Economics analysis

The expansion and growth of the UK’s science and technology business base would also be accompanied by an increase in the number of jobs in the sector. The scale of this workforce expansion associated with LTAF investment and changes to the rules regarding performance fees would be expected to amount to 8,900 employees by 2025, rising to 20,500 roles by 2030.



Fig 4: Cumulative impact on employment, 2022-2030 (direct, indirect, and induced jobs)



Source: Development Economics analysis

In addition to the direct jobs created by science and technology businesses, there would also be additional jobs created within the supply chains of those businesses, with a considerable proportion of these also expected to be located within the UK. When income and expenditure multiplier (induced) effects are also accounted for, the overall size of the employment stimulus to the UK economy is expected to amount to around 14,350 jobs by 2035, rising to around 33,000 jobs by 2030.

Of the headcount of additional direct employees of science and technology businesses that are associated with new ventures and expansions funded by LTAFs and changes to the rules regarding performance fees, by 2025 nearly 41% would be expected to possess qualifications equivalent to NVQ level 4 or higher (i.e., educated to degree level or higher). By 2030, this proportion would be expected to have increased still further, to nearly 44%.

Effects on the headcount of direct employment can also be expected to produce a positive effect on the amount of floorspace required by businesses operating in the science and technology sector. By 2025, the expansion of the sector would be expected to require an additional 2.4 million sq ft of floorspace occupied, and by 2030 this figure is anticipated to have risen to around 5.52 million sq ft.

SUB-SECTORAL IMPLICATIONS

It is anticipated that some science and technology sub-sectors stand to benefit to a greater extent from the changes to the rules concerning pension fund investments. For example, investments supporting growth and expansion of enterprises in the Biotechnology and Life Sciences segments are expected to benefit to a greater extent compared to those in sub-sectors such as Software. This is primarily because the average value of an investment deal in Life Sciences is on average around 60% larger than those in segments such as Software development. The removal of the investment constraint is therefore expected to be particularly potent for sectors where the R&D and patent approval process is either more capital intensive or lengthy, such as Biotechnology and Life Sciences.

In particular, of the additional investments stimulated by changes to the rules on performance fees, by 2025 we would expect 39% of the aggregate value of this additional investment to benefit projects in the Biotechnology and Life Science segments. By 2030, we would expect this proportion to increase to 45%.

Facial animation gaming company at Manchester Science Park



REGIONAL IMPLICATIONS

One of the Government's objectives in authorising the establishment of LTAFs is to stimulate economic growth. In the case of the anticipated boost in investment benefiting ventures and expansion in the UK science and technology sector, a considerable proportion of expected future economic benefits – employment and GVA – can be expected to be created across all UK regions.

The table below sets out the expected distribution of jobs, GVA across the various UK regions by 2025 following the implementation of the rule changes relating to LTAFs.

Table 1: Regional impact on employment GVA from growth and expansion of the science and technology sector associated with additional PE and VC investment – UK countries and regions, 2025

Country or region	Investment (£m)	Investment (%)	GVA (£m)	GVA (%)	Direct jobs ('000s)	Direct jobs (%)
North East	45	1.5%	11	1.7%	0.2	2.1%
North West	333	11.0%	69	10.8%	1.2	13.5%
Yorkshire & Humber	151	5.0%	33	5.3%	0.6	7.2%
East Midlands	121	4.0%	24	3.8%	0.5	5.1%
West Midlands	167	5.5%	33	5.3%	0.6	6.3%
East of England	439	14.5%	96	15.0%	1.1	12.3%
London	810	26.8%	167	26.2%	1.7	19.0%
South East	545	18.0%	118	18.5%	1.4	16.0%
South West	197	6.5%	40	6.3%	0.8	8.5%
Total England	2,810	92.8%	590	92.6%	8.0	90.0%
Wales	61	2.0%	11	1.8%	0.3	3.2%
Scotland	136	4.5%	30	4.8%	0.5	5.7%
Northern Ireland	23	0.8%	6	0.9%	0.1	1.1%
UK Totals	3,030	100.0%	637	100.0%	8.9	100.0%

Source: Development Economics analysis

By 2025, the annual value of investment in science and technology new ventures and expansions supported by LTAFs is expected to have reached £3.03 billion per annum, with the largest share (£810 million, 26.8%) benefiting businesses located in London.

However, investment in businesses in the North of England is expected to amount to £530 million p.a., with over £330 million of this expected to occur in the North West region. A further £288 million of investment is expected to occur in the Midlands regions, whilst outside England the region expected to attract the most investment is Scotland, which is anticipated to attract £136million in 2025 (4.5% of the UK total).

Of the 8,900 direct jobs expected to have been created through science and technology ventures and expansions by the end of 2025:

- **London:** 1,700 jobs (19.0%)
- **South East England:** 1,400 jobs (16.0%)
- **North West England:** a further 1,200 direct jobs (13.5%).

The table below sets out the equivalent anticipated results for 2030.

Table 2: Regional impact on employment GVA from growth and expansion of the science and technology sector associated with additional PE and VC investment - UK countries and regions, 2030

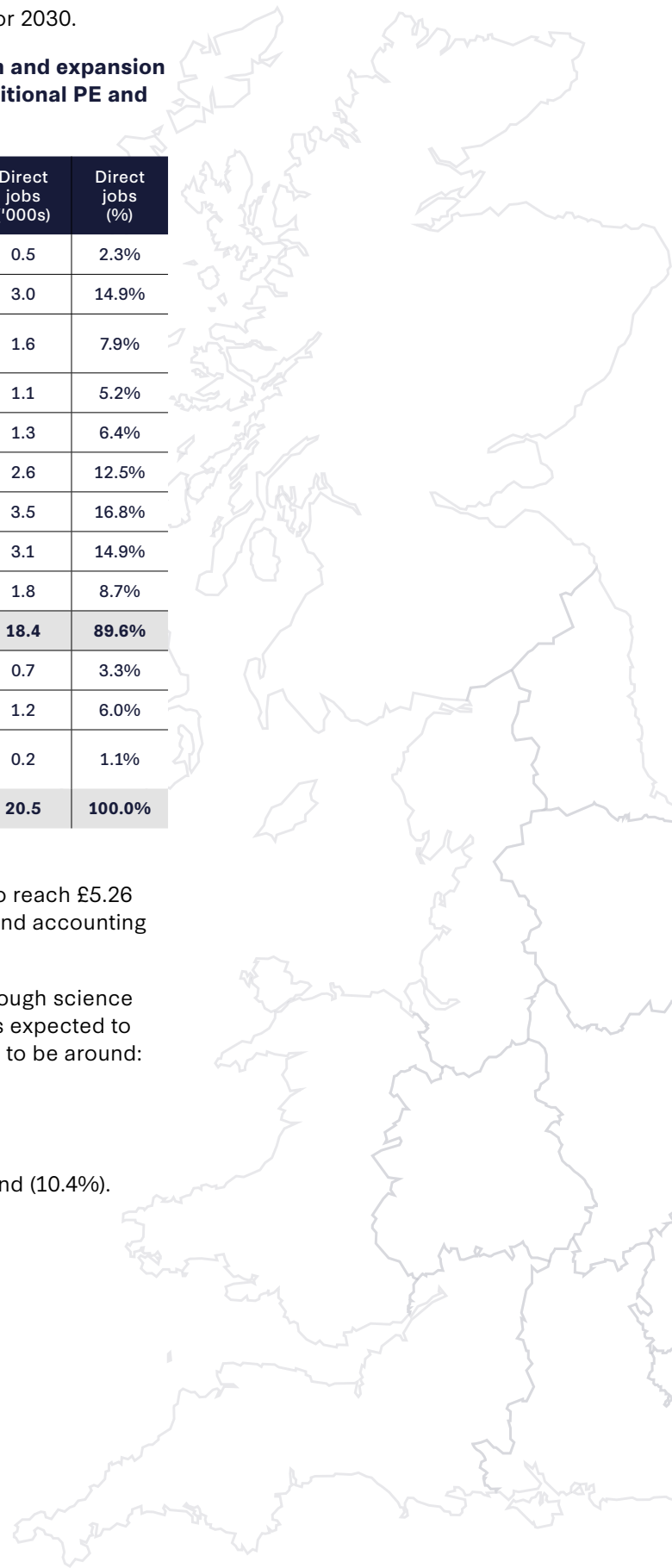
Country or region	Investment (£m)	Investment (%)	GVA (£m)	GVA (%)	Direct jobs ('000s)	Direct jobs (%)
North East	87	1.6%	32	1.9%	0.5	2.3%
North West	637	12.1%	201	11.8%	3.0	14.9%
Yorkshire & Humber	290	5.5%	98	5.8%	1.6	7.9%
East Midlands	215	4.1%	65	3.8%	1.1	5.2%
West Midlands	295	5.6%	91	5.4%	1.3	6.4%
East of England	779	14.8%	260	15.3%	2.6	12.5%
London	1,317	25.0%	415	24.4%	3.5	16.8%
South East	901	17.1%	299	17.6%	3.1	14.9%
South West	349	6.6%	108	6.4%	1.8	8.7%
Total England	4,870	92.5%	1,569	92.3%	18.4	89.6%
Wales	107	2.0%	30	1.7%	0.7	3.3%
Scotland	249	4.7%	85	5.0%	1.2	6.0%
Northern Ireland	40	0.8%	16	0.9%	0.2	1.1%
UK Totals	5,266	100.0%	1,700	100.0%	20.5	100.0%

Source: Development Economics analysis

By 2030, the overall level of annual investment is expected to reach £5.26 billion per annum, with investment across the North of England accounting for just over £1 billion of this figure.

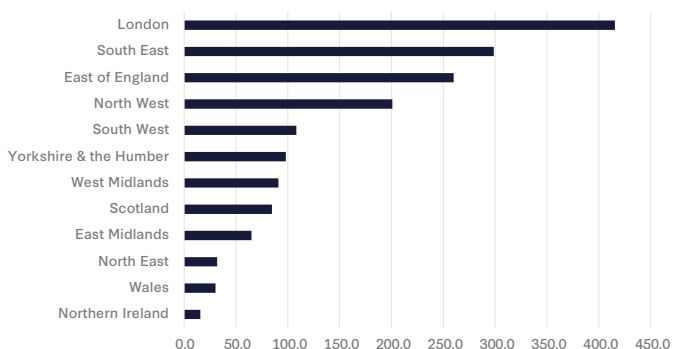
Of the 20,500 direct jobs expected to have been created through science and technology ventures and expansions by 2030, London is expected to account for 3,500 jobs. However, there are also be expected to be around:

- **5,100 jobs** created across the North of England (25.1%)
- **2,400 jobs** created in the Midlands (11.6%)
- **2,100 jobs** created in Scotland, Wales, and Northern Ireland (10.4%).



The annual value of GVA produced by 2030 is expected to amount to around £1.7 billion per annum (in terms of 2022 prices). The regional breakdown of this figure is set out in the chart below.

Fig 5: Regional breakdown of GVA expected by 2030, (£millions, 2022 prices) jobs)



Source: Development Economics analysis

A notable expected consequence of the changes to pension investment rules is the comparative improvement in the ability of regions located outside London and the Greater South East to capture investment from pension funds and other forms of long-term investment. The rationale for this expectation is that currently the majority of investments in UK science and technology ventures originate from non-UK sources, especially North America and Asia. International investors are likely to disproportionately favour investments located in or near to London, such as information availability and greater familiarity with R&D infrastructure and businesses located in London or nearby knowledge-centres such as Cambridge and Oxford.

In addition, the changes to rules making it easier for pension funds and other professional investors to invest in PE and VC are also intended by the UK Government

to be complementary to other initiatives designed to boost investment in knowledge intensive industries as indicated in the recently published *Levelling Up in the United Kingdom White Paper*.

IMPLICATIONS FOR THE SCIENCE AND TECH SECTOR

Recent changes in rules governing institutional investment in long-term, illiquid assets such as venture capital and private equity can be expected to deliver a significant boost to the UK’s science and technology sector. Over the next 3-8 years, we would expect that substantial levels of financial investment from LTAFs would support growth and expansion of the sector, delivering large numbers of additional business revenues, with associated impacts on economic indicators such as GVA and employment.

The science and technology sector is in an advantageous position to respond to this opportunity, given the strong flow of new ideas and innovations from the UK’s world-class R&D base. Indeed, the sector already accounts for around one in seven business start-ups in the UK and is already an important source of employment growth for the economy as a whole.

However, there are several potential constraints on growth that the sector will need to overcome if the opportunity is to be realised in full. These include additional investment in recruitment and in the development of workforce skills. It will also be important that the sector continues to invest in R&D infrastructure, and in sites and premises that enable new ventures to establish and recently established ones to expand to their full potential.



Lab space at Mereside Campus, Alderley Park, Cheshire

SUMMARY FEATURED TOPIC

- Changes in rules are expected to make it easier for pension funds and other professional investors to invest in private equity and venture capital. This in turn is expected to create a significant boost for investment in the UK's science and technology economy, which is one of the most important destinations for private equity and venture capital investment.
- We expect that the additional investment into UK science and technology new ventures and expansions to number 370 projects per annum by 2025 and be worth around £3 billion p.a. in real terms.
- By 2030, there could be nearly 500 additional projects with annual value of around £5.25 billion (2022 prices).
- The changes to rules on performance fees are expected to be particularly beneficial in stimulating additional investment in Biotechnology and Life Science businesses. By 2025 we would expect 39% of the aggregate value of additional investment to benefit these industries, rising to 45% by 2030.
- The financial and economic effects of these levels of investment would be substantial. For example:
 - By 2025, the annual increase in additional business revenues accruing to UK science and technology businesses are expected to amount to nearly £1.8 billion p.a., rising to just over £4 billion p.a. by 2030 (2022 prices).
 - Meanwhile, the expected impact on direct employment in the sector is expected to amount to just under 9,000 jobs by 2025, rising to around 20,500 direct jobs by 2030.
- The boost to domestic private investment in science and technology is expected to generate significant benefits for UK regions outside London and the South East. For example, additional investment in businesses in the North West of England is expected to amount to £330 million p.a. by 2025, rising to nearly £640 million p.a. by 2030.

TOP 10 REPORT TAKEAWAYS

1

Further pension reforms would unleash a new wave of domestic private equity and venture capital investment into UK science and tech.

By 2030, this would fund an additional **500** investments totalling **£5.26bn** annually.

2

The reforms would provide a big boost to Levelling Up.

The financial and economic benefits would be substantial – **20,500 new direct jobs** by 2030 – and significantly benefit regional areas around the country. Additional investment in businesses in the North West of England, for example, would hit **£330 million** a year by 2025, and **£640 million** by 2030.

3

The science and technology sector now accounts for £233 billion GVA per annum, nearly one in 10 UK jobs, and one out of every seven start-ups.

However while the sector is a huge driver of new enterprise activity and employment, the regional distribution remains uneven.

4

Even without reform, PE and VC investment is booming.

At **£21.4bn**, investment volumes in 2021 were double the total for 2020 and the **£5.28bn** transacted in the fourth quarter was the **second highest quarterly total ever**.

5

55% of PE and VC investment in UK science and technology projects last year came from non-UK sources.

This reflects the UK's strengths in science and technology on the global stage and international recognition for investment. However a notable expected consequence of the changes to pension investment rules is the increase in domestic PE and VC investment, and the comparative improvement in the ability of regions located outside London and the South East to capture investment from pension funds and other forms of long-term investment.

6

Software and health remain the biggest industry destinations for private capital.

61% of all investment went into software projects, with health-related businesses taking up the majority of the remaining investment, including 11% into life sciences and 5% into medtech.

7

128% increase in Growth stage investment in the past 12 months.

Investment into science and tech businesses has surged across all business stages, but a particularly noticeable increase has been made in investment into the Growth stage, with 276% increase between 2017-2021. The investment stage that has experienced the smallest growth is Seed finance which continues to need further support.

8

Property lettings in the science and tech sector rebounded strongly in the final quarter of 2021.

765,000 sq ft was transacted in the final quarter – a 12% jump on Q3 and a significant recovery from previous quarters in 2021.

9

Almost 1/3 of all deals for the sector in Q4 took place outside of the capital.

8% of the total deals in the fourth quarter took place in the North West of England, including Roku, Autocab, and Octopus Energy all secured at Bruntwood SciTech's Circle Square in Manchester.

10

Availability of workspace for the science and tech sector has increased but much of it is unsuitable for existing market demand.

24.5m sq ft of space was available at the end of 2021 – with 1.3m sq ft added in the final quarter. However, much of this theoretically available space that needs redeveloping and doesn't meet the specialist requirements of science and technology businesses. New purpose-built specialist workspace for the sector includes a new Industry 4.0 hub at Manchester Science Park and Birmingham's first smart-enabled building Enterprise Wharf.

bruntwood.co.uk/scitech

Report produced by Development Economics, 2022

About Bruntwood SciTech

Bruntwood SciTech is the UK's leading developer of innovation districts, creating the specialist environments and innovation ecosystems for science and technology businesses to form, scale and grow.

A 50:50 joint venture between Bruntwood and Legal & General, Bruntwood SciTech's unique experience of working in strategic partnership with city councils, universities and NHS Trusts drives inclusive, sustainable economic growth through investment in science and technology infrastructure.

 Bruntwood SciTech

 @BW_SciTech

 @bruntwoodscitech

bruntwood
SciTech