

React News:

Q+A: Blackstone's BioMed on UK growth, COVID-19 and how demand for life sciences space is changing

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Across BioMed's portfolio 48% of tenants are working on a COVID treatment, test or vaccine



BioMed@Babraham

It's been a busy few months for BioMed Realty. Blackstone recapitalised the life sciences giant last autumn by selling the company to a group of existing investors for \$14.6bn, netting \$6.5bn in cumulative profits for investors, and then shortly before Christmas, the US private equity firm struck a \$3.45bn for a US portfolio that will add 2.3m sq ft of space to BioMed's portfolio.

Closer to home, BioMed was among the final stage bidders for a collection of assets on Cambridge Science Park owned by L&G that look set to be sold to [Brockton Everlast for close to £100m](#).

BioMed was an early mover in the UK market, making its entrance with the £126.8m acquisition of Granta Park in Cambridge in 2012. Since then, it has added to its portfolio

with new developments at Granta Park as well as at Cambridge Science Park and Braham Research Campus.

As the UK life sciences market takes off, the Blackstone-backed company is expected to be one of the leading players driving the sector's growth. To find out more about BioMed's plans, *React News* caught up with director of leasing Matt Smith, who also discussed how COVID-19 has impacted the sector, how tenant demand is evolving and how the UK compares with the more mature US market.



BioMed director of leasing Matt Smith

Where will BioMed be focused in the UK over the coming years?

We've always been focused on markets that have three key components of a thriving life sciences eco-system: Academia, industry and government funding. In the UK, those components are found in the golden triangle of Cambridge, Oxford and London, which is anchored by leading research institutions and centres of innovation. These assets are vital to the UK's economic infrastructure and our investment enables us to help support a thriving UK R&D sector.

The venture capital universe is important as well. VC inflows to life sciences companies totalled £1.2bn in 2020, and 77% of that has been directed toward companies in the golden triangle.

So is the level of VC funding key when evaluating a life sciences market?

It's a component of what makes a successful cluster but not the only one. In the golden triangle, you have four of the world's top 10 universities creating a deep talent pool and you also have a huge volume of intellectual capital from the universities. The other strand is the global big pharma companies such as Merck in Kings Cross and AstraZeneca at Cambridge Biomedical Campus.

In the US, Kendall Square in Cambridge, Massachusetts, is widely regarded as one of the premier life sciences hubs and has seen significant growth since Novartis decided to establish its global headquarters there.

What are the main differences between the UK and US markets, and will the UK follow the same growth trajectory as the US?

One of the biggest differences between the US and the UK, notwithstanding the fact that the US is a more mature market, is the level of VC funding coming in. Life sciences companies in the UK raised £1.2bn in 2020, whereas life sciences companies in Massachusetts alone raised \$5.6bn. Due to the maturity of the US market, you also have more transactions and opportunities that present themselves. In the UK it is slightly more challenging at this stage to unearth those opportunities. We are tracking 16 new entrants to the market – people who don't have any life sciences holdings but are looking or have bid on a life science opportunity this year.

The market in the US is at least 10 years ahead but the component parts are here in the UK. It's just a question of time.

How easy is it for new entrants to break into the market?

There are teams who have experience developing lab office space, but the ability to operate these spaces in a best-in-class manner and offer scale to support tenants' growth is where

the value of a platform comes in. Biotech companies are innovators and often need to grow from just 10 to 50 people in as little as three months. BioMed has the scale to support tenants with that growth.

When a tenant signs a lease with BioMed, they are buying into a portfolio of 13.1m sq ft of opportunity.

Where is occupier demand strongest at the moment?

Across our portfolio globally, 48% of our tenants are working on a treatment, test or vaccine for COVID-19 and a lot of that is focused on the genomics side of things. The whole industry is having a transformational period supported by the UK government's ambition to encourage more international STEM students to study in the UK. The fact that the strategic focus and collaboration has allowed three or four vaccine candidates to come through in 9-12 months is genuinely incredible and shows how a collaborative environment is so important. It goes further than just real estate.

Has COVID-19 therefore actually benefited the life sciences sector?

It's helped put a spotlight on the sector and the positive impact life sciences can have on society. It has also aided the flow of capital into the sector. However, we expect the strong fundamentals to continue over the long-term. Tenants will continue to need access to purpose-built labs and that isn't something that can be done from the kitchen or spare bedroom.

How is the type of space that life sciences companies look for evolving?

Tenants are interested in finding spaces that will attract and retain the best staff, are move-in ready, and offer flexibility. When in design phase, that is always something that we keep at the forefront of our minds.

What I'm now seeing as well is because so much of the regulatory and back office work can be done remotely, a lot of our tenants are turning what was office accommodation into lab space because the lab space is more valuable to them in terms of the research that happens there. So we're seeing a shift away from a 50/50 split towards a 70/30 split.

