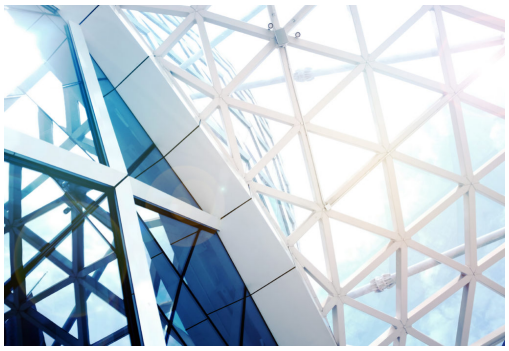
Life Sciences Real Estate Clusters: US and UK Perspectives



Life sciences real estate clusters

Record investment in the life sciences sector has created geographic concentrations of interconnected life sciences companies and institutions, or "clusters," forming in key global locations, including the U.S. and the UK. The forming of clusters has been driven by a variety of factors, including a broad recognition that proximity between market participants can drive overall productivity. While it may seem paradoxical for a company to locate near its competitor, a deeper examination reveals that clustering creates synergies for all participants who can benefit from communal resources, regional trade, lobby and support groups, shared infrastructure and logistics channels, and a common regulatory and legal framework (and in some instances local tax incentives). In this way, life sciences real estate, or "**propsci**", is becoming more than just an operational decision for life sciences companies – it can provide a competitive advantage through strategic access to talent, funding, innovation, and shared resources. Not surprisingly, real estate investors are looking to capitalize on this trend, and we anticipate seeing a desire by a growing number of capital allocators, investors and developers to add propsci investments to their portfolios in key geographies.

U.S. perspective

The top 3 propsci clusters in the U.S. are (1) the San Francisco Bay Area, (2) Boston and (3) San Diego. These three markets have been the dominant clusters for life science companies and investors as well as for real estate.

Looking beyond the traditional "big-3" clusters, there are several secondary clusters that have attracted substantial capital and governmental investment and appear ripe for significant for more growth and in turn, propsci. Among these markets are places like Chicago, Philadelphia, New Jersey, and Baltimore. These locations share many of the same characteristics (and opportunities) as Boston, San Francisco and San Diego – well-regarded research universities, high-levels of private investment and governmental grants and a deep and growing talent pool to draw from.

UK perspective

In the UK, the "golden triangle" of London, Cambridge, Oxford, and surrounding areas is the most advanced of the life sciences clusters, where around 80% of all UK life sciences investment happens. This cluster is home to a diverse and large population consisting of academics, clinicians, leading universities, research centres, healthcare providers, innovative SMEs and startups, and large industry corporates, as well as fit for purpose real estate and infrastructure.

The golden triangle is followed by Edinburgh, Glasgow, Manchester and Nottingham, and more recently, Birmingham, Liverpool, Leeds and Newcastle, where there are also significant amounts of concentrated activity. These emerging destinations all have key ingredients for success – world renown universities in close proximity, great transport and infrastructure links, and a UK Government intent on investing to rebalance the UK economy in favour of regional locations.

Envisioning the New Normal in the Life Sciences Industry



The life sciences industry affects a substantial portion of the U.S. and European economies, in terms of both GDP and the number of individuals employed. And in the context of a global pandemic, the life sciences sector obviously plays an existential societal role. Accordingly, ensuring the safe and continuous functioning of life sciences companies is not only paramount for the industry itself, but for society as a whole. This post considers how laboratories and life sciences manufacturing facilities are adapting to the "new normal" in an effort to abide by governmental guidance and adopt operational best practices.

Laboratories

Unlike many other skilled industries, "work from home" is not a precautionary avenue available to laboratories to mitigate the risk of COVID-19. Given the need for on-site collaboration and nature of the work being performed, remote or virtual work is nearly impossible in the laboratory environment. Adding to the difficulty is that the highly-technical structure of laboratories can make space reconfiguration—for purposes of accommodating social distancing guidelines—challenging and expensive. And when one considers the high incidence of multiple-use items such as testing machines and apparatuses (not all of which can be easily washed down after each use), further health and safety obstacles emerge.

Despite some challenging realities that affect laboratories, the setting does possess certain intrinsic characteristics that provide advantages in a COVID-19 world. Widespread use of personal protective equipment (PPE), fastidious efforts to prevent contamination, use of fresh air, and systematic sanitization are fundamental aspects of the laboratory modus operandi and serve as effective tools to minimize the transmission of COVID-19.

In addition, some life sciences companies have redeployed the innovation endemic to the industry to create or utilize **proptech**-type preventative devices for their laboratories. For example, one Boston-based life sciences laboratory generated an app that maps out scheduling data to show the

physical presence of employees in the laboratory, thus aiding social distancing efforts. Other laboratory operators are considering enhance safety measures such as thermometer screenings, contactless entry, and the establishment of designated spaces for various forms of decontamination and disinfection.

Life Sciences Manufacturing Facilities

Considering the production processes involved, like laboratories, a fully remote workforce is unrealistic for biomanufacturing and other life sciences manufacturing facilities. Consequently, such facilities need to address the risk of COVID-19 through on-site measures. Personal protective equipment, social distancing policies, and facility sanitization are essential. Moreover, as advances in artificial intelligence and robotics enable life sciences manufacturing facilities to further automate their production processes, companies should consider whether the inclusion of these technologies can eliminate workplace situations that lend themselves to the spread of COVID-19.

Looking Ahead

Given the likelihood of the continued presence of COVID-19, aging populations and myriad other factors, the life sciences sectors will continue to play a crucial role in the economies and societies of the U.S. and Europe. Accordingly, identifying and incorporating operational best practices that adapt to the "new normal" will be an ongoing, evolving and collaborative endeavor for companies and organizations in the life sciences realm.

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*For a longer discussion of return to work issues affecting both the life sciences and healthcare industries, please see **our recent article** or reach out to **PropSci@goodwinlaw.com** with any questions.*