

# Dinosaurs in blue suits

*It's time to bring life sciences real estate to investors*

Stephen Ryan

2021 was the year of life sciences real estate and we did three research projects one after the other on this fast-growth sector. The first two were for the Urban Land Institute and were regional scale in scope, covering Europe first and then Asia Pacific. The third project was much more granular and focused exclusively on four cities in Ireland: Cork, Dublin, Galway and Limerick.

Looking back on the notes from those research projects, one thing really stands out – the lack of understanding between the occupiers and operators on one hand and the developers and investors on the other. There are some notable exceptions, of course, but in many instances, it's as if the two sectors were speaking different languages, particularly when it came to the smaller start-up and scale-up companies working at the R&D phase of life sciences.

The scientists speak of specialised equipment, technical expertise and an environment that is conducive to cooperation and innovation; the developers and investors speak of rent per square foot, occupancy, yields and other 'comps' (comparable data). The scientists and data scientists who propel life sciences forward may not relish working in remote science parks ("a field in Kent," as one put it), preferring to be downtown; developers, though, are acutely aware of the challenges in providing suitable space in urban locations. For example, driving vans filled with chemicals in a built-up area is not straightforward and converting an existing office building to labs is a very exacting task.



THE ANALYST

*“The sector is still considered an opaque niche by many institutional investors”*

As part of the research work, we interviewed people working in life sciences real estate and some of the responses were memorable. Here's one: to the question: “In your firm, what do you consider the greatest challenge in life sciences real estate?”, one operator responded, “Dinosaurs in blue suits”, intended to be shorthand for a real estate mindset that does not yet understand there are only two questions: does the real estate do what it is meant to do and does it help to attract and retain talent?

While there is capital targeting life sciences real estate, and the major deals make headline news, the sector is still considered an opaque niche by many institutional investors. This is an opportunity. Life sciences must continue to innovate; therefore, our scientists and start-ups require a physical environment that best suits scientific innovation. At the same time, pension funds and individual savers wish to invest in something that is meaningful while also generating a reasonable return. Social impact (the S in ESG) is important to them. Life sciences real estate addresses both concerns.

Properly understood, this emerging asset class can deliver better buildings, happier (and therefore more innovative) scientists and smarter investments. But there is a communication gap between life scientists and investors. Our new initiative, simply called Life Sciences Real Estate, aims to bridge that gap. It's a new platform dedicated to the built environment of the life sciences sector in Europe and it launched in March 2022.

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