

# Repurpose Reimagine Revive

A round table discussion to explore  
and maximise the opportunities for  
urban labs in the UK

The science and innovation sector has become a crucial pillar of the UK economy and is growing exponentially. In 2020, investment into life sciences companies, including mergers and acquisitions, public listings, venture capital, and private equity, amounted to nearly £20bn.

With the sector having grown significantly and with the expectation that it will continue to do so, there is an increasing demand for laboratories in urban environments and demand is expected to continue to rise. Looking specifically at these “urban labs” we brought together leading experts to harness valuable insights into the appeal and constraints of such spaces and how the future may look in respect of urban science provision

## Ideas in Brief

- **The Situation:** The UK life sciences market had been growing rapidly but over the pandemic the sector has experienced exponential growth. As demand for space grows and viability of science development improves, more developers and tenants are looking in urban locations than ever before.
- **The Discussion:** Our experts met to discuss what might make an urban location desirable, both for tenants and developers, and some of the associated advantages and challenges. Our group contemplated the trends relating to repurposing buildings in city centres for lab use, and some of the constraints and gains to be considered along the way.
- **Findings:** One of the key reasons an urban location is beneficial to life sciences companies centres around being in locations they can attract the best talent and the adjacency to other relevant companies, hospitals or universities. Urban locations can come with their challenges, but the sector is in its infancy in the UK and the demand for these buildings in urban locations is very high so these challenges can and are being overcome. With high demand for lab-enabled space in urban locations comes repurposing opportunities and, though existing buildings in urban locations may not always tick every box, as the market matures we anticipate that the perceived constraints of today will become less of an issue for both developers and tenants in the future.

## 1. What makes a good science location and what might turn tenants towards an urban location over a rural location?

There are a range of factors to consider when making a choice between urban and rural locations. Both tenant and developer drivers will play a part and ultimately will come together to bring a project to fruition.

**Chris Walters, JLL**, says on the subject of tenants drivers that the same rules that apply for an office occupier apply here, such as a site with transport links, good amenities and a building that is fit for purpose. The added layer on top is that they, the tenants, are not necessarily driven by cost but by how they can find a location that drives forward their research and development.

“The key factor I have experienced tends to be proximity to talent and that talent is usually associated with the top academic institutions. Tenants want to be near where the right talent is located. There are often a range of anchors that affect a good location and the acronym we often hear is ABC; Academic, Business and Clinical. You have a good foundation for a science location if you have all of these. Sometimes if the target tenant wants to partake in a particular type of research, they might lean towards being in a certain location over another. For example, if you’re in translational research and want to move the R&D you are carrying out into clinical trials, you might want to be in an urban location closer to hospitals. You need to start with who the business is and what they are trying to achieve from a research perspective, then find a real estate solution off the back of that.”

**Luke Schuberth, Aukett Swanke**, echoed Chris’ point with regards to talent. “In an urban location and in the coolest building is where you are going to attract the best graduates from the best universities. Getting those people is what drives tenants to be in these locations.”

**Colin Brown, Howard Group**, added that science ecosystems and clusters are often established over time. “Whilst it is sometimes just as easy to move between south Cambridge and Stevenage as to move from the south to the north of the city, there is already such a mature ecosystem in place within the city through educational links, networking

### Introducing our experts:

**Chair: Emily Slupek**  
Buro Four, Science Sector Lead

**Colin Brown**  
Howard Group, Director of Developments

**Lucy Driver**  
Buro Four, Senior Project Manager

**Gary James**  
Buro Four, Project Director

**Matt Jones**  
Hoare Lea, Partner

**Luke Schuberth**  
Aukett Swanke, Managing Director

**Lynden Spencer-Allen**  
Ramboll, Science Director

**Orestis Tzortzoglou**  
BioMed Realty, Development Director

**Chris Walters**  
JLL, Head of Life Sciences

**Alison Wring**  
AECOM, Director / Science and Tech Sector Lead

**“Start with who the business is and what they are trying to achieve from a research perspective, then find a real estate solution off the back of that.”**

organisations, events and the like. This mature ecosystem connecting people and organisations is a key tenant driver for occupational demand.”

However, Colin noted that post-covid some of these barriers between traditional geographical ecosystems might be disrupted, with the rise of remote working and the adoption of new ways to collaborate and connect.

**Orestis Tzortzoglou, BioMed Realty**, stated that in the US and U.K we have seen on occasion that strategic tenant relocations that can bolster existing ecosystems or help form new ones. Asked if we can ever match the scale of the development in the US here in the UK, Orestis pointed that scale is influenced by various factors, so it is hard to determine but traditionally U.K. leasing requirements, especially regionally, are of smaller scale so larger bespoke building are hard to re-purpose for ‘life after tenant’.

## 2. Does an urban location affect the viability of a project?

From a developer’s perspective, an urban location is likelier to have other potential uses that might drive up the cost, in addition to land in these areas being more expensive generally. Could these factors affect whether science projects are viable in these areas high in demands across multiple sectors?

**Orestis Tzortzoglou, BioMed Realty**, stated that for instance in London for several years commercial or residential projects have been more competitive in terms of viability because as one example with floor-to-ceiling height requirements, for every three floors of life sciences you can build four floors of residential properties.

“I believe we are getting to a stage now where the Life Science sector is recognised more widely as a standalone use class and in conjunction with market dynamics affecting other sectors traditionally competing for the same locations in development terms, this presents a window of opportunity.”

**Matt Jones, Hoare Lea**, added that it is also a function of how young the UK market is in its investment life cycle compared to the US. “If the large office buildings at Coal Drops Yard in Kings Cross became available now, much of that office space would likely be lab space as the market is in a different place now compared to when those buildings became available and became offices.”

## 3. Will the viability of repurposing buildings for life sciences in city centres be impacted when other sectors bounce back?

Since the pandemic, the uncertainty surrounding the office, retail, and hospitality sectors has reduced the viability of those as new investments, which in turn has boosted the viability of life science projects in that time, as noted previously by Orestis. **Emily Slupek, Buro Four**, posed the question to our experts as to whether the viability of repurposing buildings for life sciences might be affected once investors and developers start to see the uncertain sectors as promising investments once more.

**Chris Walters, JLL**, believes the outlook for the London life sciences market is still a positive one. “There is approximately only 300,000 sq. ft. of dedicated wet-lab space in London. One-third of total UK investment into the sector over the last five years has been in London. With the company growth here I just can’t see a situation where this sector growth and demand doesn’t continue.” **Orestis Tzortzoglou, BioMed Realty**, also pointed out that over the coming years this could lead to supply-demand imbalances if all these sectors are competing more aggressively for the same spaces.

**Luke Schuberth, Aukett Swanke**, also believes that repurposing buildings for life sciences will continue to grow as viable option since whilst they might require a larger investment than a traditional office or retail use, they may turn out to be more profitable investments overall.

## 4. What are some of the issues surrounding repurposing a life sciences building in an urban location?

**Gary James, Buro Four**, put the question to the group of whether there was a perfect building for repurposing or whether it was about finding a building that will be able to do most of the things you need it to but making certain compromises.

**Colin Brown, Howard Group**, supposes there are many logistical challenges around the urbanisation of laboratories such as delivery capacity, extraction routes and building heights. “Our job is to minimise tenant compromise and introduce creativity in design. To unlock buildings and find creative solutions to the challenges those buildings present. There may be tenants who would discount a location because it does not tick a certain logistical box, but we should seek to fully understand that occupier and what they actually need, and then work to resolve any issues where possible.”

**“Pressures on cost and the apprehension from the market in commercial and residential use classes due to covid have brought life sciences further up the pecking order in terms of viability.”**

**“Our job is to minimise tenant compromise and use our knowledge to unlock buildings and find creative solutions to the challenges those buildings present.”**

Adding to this point **Lynden Spencer-Allen, Ramboll**, indicated “from a technical point of view you can often get these buildings to work if the tenants are prepared to make certain compromises. The problem is often investments are being looked at in terms of flexibility of what types of tenants you can attract but investors are viewing it as too risky if the building makes 3 or 4 compromises.”

**Matt Jones, Hoare Lea**, stated he believed the market would successfully move in that direction if the investment became available. “Tenants will want to be in a particular location as they will feel it imperative to the success of their business by attracting the right people, even if that means that they carry out some research in an urban lab and relocate when they are at scale.”

Proposing perhaps the UK market might be too young, **Luke Schuberth, Aukett Swanke**, suggested occupiers might not be ready yet to move into a building that makes certain compromises, but as the market matures, especially with sustainability in mind, we will start seeing a lot more repurposed buildings become labs that might make certain compromises. **Lynden Spencer-Allen, Ramboll**, also advised that maybe investors are being too cautious in assuming a science building must meet a certain set of requirements for tenants to want to move into it.

**Alison Wring, AECOM**, echoed this point about market infancy from a cost consultancy perspective, suggesting it is difficult because there is a lack of data in the sector. “I have spent a lot of time building a cost database that covers key metrics tailored to suit particular base-build designs, but factoring in a sliding scale that includes additional features a life science tenant might require onto that cost, much like if you were buying a house you might get a price for a basic three-bed, but also an additional cost for that three-bed with a premium-fitted kitchen or bathroom. This is difficult now because we do not have all the data yet due to the market’s infancy so it is tougher to price early on but as the market matures that will become easier.”

## 5. Generally is repurposing a building for life sciences more cost effective than a new build?

In theory, repurposing a building should be more cost effective because you already have the frame there, but because in the science sector buildings need to be so bespoke it can depend on what is there in the first place, what you need to change, in addition to what you might discover. **Lucy Driver, Buro Four**, proposed this question to our experts to glean insight into whether this could be answered in general terms.

**Alison Wring, AECOM**, stated that “there will be key factors such as minimum floor-to-ceiling height as a basis, but if you have the bare bones of the building and it is a sensible grid, you can do most things with it. The key factor in my experience becomes how you are going to get the services around the building and that can be the main area of cost.”

**Orestis Tzortzoglou, BioMed Realty**, added a development perspective, pointing out “it is about whether the building works in terms of flexibility. It may work for a specific end-user but one has to better understand and cater for a target market” Colin Brown, Howard Group, added to this “That is where Orestis and I will look at what percentage of the market we think this building would be suitable for. If it is around 80% of the market, then we would be confident but if the building is only suitable for CL1 biology labs and nothing else then it probably would not be a smart investment from our perspective.”

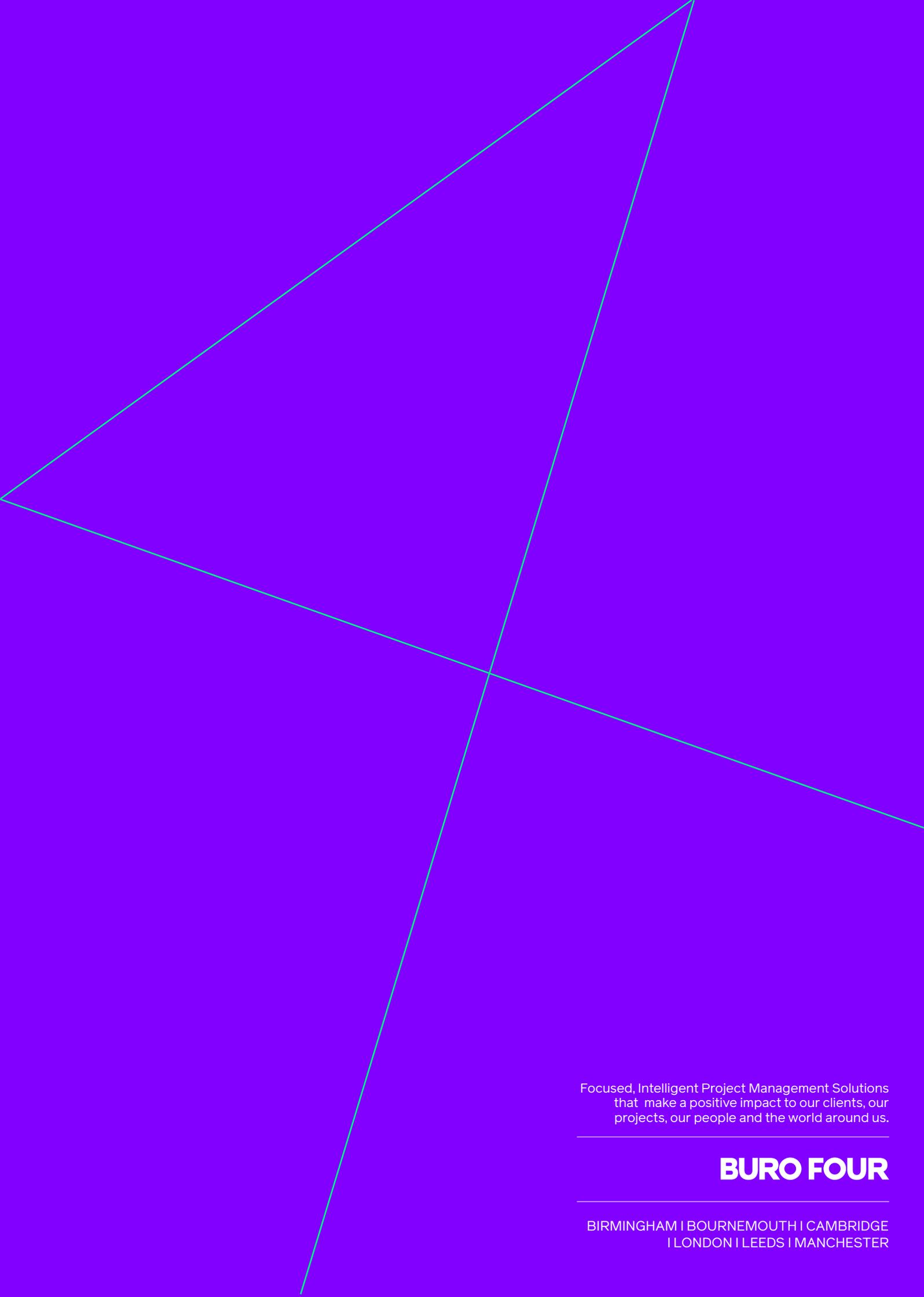
## Have your say

You’ve heard how our experts view the future of Urban Labs. What do you think? Is there a specific point we raised you want to talk more about? Get involved and chat to us on LinkedIn, spark a discussion on Twitter or contact our team. We’d love to hear from you.



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