



# UK Life Sciences Occupiers Guide to Laboratory Space

A conclusive guide on various types of lab space, the leasing process and what you can expect when first looking for space or taking new space for your business.



# Laboratory Space | Process

Finding the right space for your company can be difficult to plan against the forecasted growth of your business.

In parts of the UK there is a significant lack of purpose built labs available. This imbalance is being addressed but it is causing mounting pressures on companies who need to act early to secure quality workspace that suits their needs.

Business continuity is important, especially for companies in the R&D stages of growth, so knowing what the process of leasing commercial lab space is and preparing yourself by having the best team around you is imperative.

Brokers, such as JLL, will be well versed in the commercial lab market. They will have insights into the best available stock both on and off the market. They will have clarity on what pipeline space is coming to the market in the future so they can help you plan your locational strategy ahead of its implementation. Most importantly, brokers can ensure you are getting the best deal for your financial, operational and geographical requirements.

The process for a lab acquisition will vary depending on the amount of space required and the timescales to delivery. However, the typical process is detailed below:



## 1. Plan For The Future

- Review your current lease obligations, when is your upcoming expiry, do you have an option to break your current lease, how much notice must be given?
- Begin to think about what type and the quantum of space needed

## 3. Options Review

- Review the availability schedule provided by your broker
- Discuss with them to fully understand the SWOT analysis of different options for your business

## 5. Due Diligence

- Once HoTs are agreed, you should instruct solicitors who will work with the landlord's solicitors to draft the lease and complete any CPSEs

## 7. Design Planning

- Instruct a project manager to assist in the fit out of your new space
- This can help optimise the space utility and help retain and attract talent

## 2. Engage The Market (Part 1)

- Instruct a real estate broker to help gain a comprehensive idea on how much space you require and the options available to your timescales

## 4. Engage The Market (Part 2)

- Instruct your broker to engage with your shortlisted options, clarifying any questions that may have arisen
- Begin negotiating the heads of terms under the guidance and advice from your appointed broker

## 6. Lease Negotiations

- Elements of the lease will now be negotiated such as your repairing obligations which can have significant financial impact upon the expiry of your new lease

Start

Sign Lease

# Laboratory Space | Considerations

Location, Location, Location!

There are many important factors to consider when choosing a new space to expand or move into. The table below sets these out and explains why they are important for the success of your business.



## Critical Location Consideration

## How does this affect your business?



**Size and make up of existing company base**

Being part of an ecosystem that drives innovation. This will allow you to synergise with neighbouring companies, sharing ideas and best practices



**Access to finance**

Ability to engage with and partner with VC or other equity sources who are either located in the same building, or close by



**Ability to attract and retain talent**

Strong provision of amenities, public realm, placemaking and sustainability is important to attracting and retaining talent



**Access to intellectual property**

Proximity to: academia, corporate anchors, incubators to knowledge/IP share is vital



**Proximity to SMEs**

Co-location to incubator facilities or accelerator programmes. This offers the ability to collocate with the best in the industry and in your specific field of work



**Specialist infrastructure**

Identifying space that is fit for purpose, ability to flex your space over time based on changing R&D focus is also important

## Why is it important to think ahead?



Extremely limited lab space being delivered in Golden Triangle in 2023 and 2024



Correlation between VC fundraising and of real estate needs



Companies want to move within 6-9 months



Time lag for suitable lab space to become available is stifling company growth

# Laboratory Space | Technical Specifications

One of the more difficult elements of finding appropriate lab space for your company is knowing that the building will meet your requirements from a design and specification perspective.

There are a number of key building characteristics that almost every lab building will require to operate effectively. This list is not exhaustive and each lab user will have different base requirements:

|  |   |
|--|---|
|  <p><b>Screened service</b><br/>Areas</p>   |  <p><b>Expanded loading</b><br/>For secured HGV delivery</p> |
|  <p><b>Specialist</b><br/>below ground waste systems</p>                          |  <p><b>Increased</b><br/>Floor loads</p>                   |
|  <p><b>4m+ minimum</b><br/>Floor-to-floor heights for increased services zone</p> |  <p><b>External compound</b><br/>Or roof space</p>         |
|  <p><b>Increased MEP</b><br/>between floor slabs</p>                              |  <p><b>Dedicated</b><br/>goods lift</p>                    |
|  <p><b>Increased HVAC</b><br/>Package in warm shell</p>                           |  <p><b>Backup</b><br/>Generator space</p>                  |

Therefore, it is very important for lab using companies to have a clear understanding of their technical requirements for a new space. This will need collaboration between your technical teams and your instructed broker to ensure that the new lab opportunities in the market are suitable for your needs. Key questions that will need to be considered include:

- What type of lab do I require?
  - What containment level is appropriate for my business operations?
  - Do I need any GMP/clean room space?
  - What design/safety accreditations does my lab require?
- What are my programme considerations, how much of the space needs to be allocated as labs compared to write up/office space?
- What type of equipment will my new lab require?
  - How big is this equipment? Does the building require a goods lift in order to install it?
  - What is the weight of the equipment, does it have an impact of the floor loading capacity of the building?
  - Do I need to consider floor vibration levels for the proposed lab equipment?
- What type of air circulation is applicable to my lab?
  - How many air changes do I need?
  - Do I need negative pressure?
  - Do I need additional ducting for fume cupboards or can this be recirculating?
- How much power will my lab require? Will my lab need a back up emergency generator for long term projects? How big does this generator need to be?
- What types/quantum of gases are required? How much additional storage space do I need for gases and other consumables?
- Do I need any additional storage?
- Do my supply chain partners use large trucks that require a loading bay for goods in/out?
- What is my waste management strategy? How does the building fabric play a part in this?

## Struggling to answer the above questions?

The integration of specialist lab consultants and M&E contractors as part of your wider leasing team is critical. This further increases the necessity to plan early and ensure you are surrounded with the best team for your relocation project.

We recommend the following technical specialists who would be best placed to help:



# Laboratory Space | Sustainability

Just like any other company, Life Sciences companies need to seriously consider their ESG strategy. A large aspect of the impact on the environment. Lab operations are typically more energy intensive, requiring 550-1,000 kWh/m<sup>2</sup>/y compared with 175-300 kWh/m<sup>2</sup>/y for a typical office<sup>1</sup>. As a result, your choice in real estate is a key driver to achieving your sustainability goals.

Furthermore, venture capital companies are becoming more and more stringent on their ESG requirements for their portfolio companies. In the future, Life Sciences companies will find it more difficult to raise VC without a concrete ESG plan.



What are the typical sustainability issues for Life Sciences companies?



**Lab spaces are energy intensive.** The use of fume hoods, freezers, round the clock heating and cooling to maintain temperatures for long term experiments all contribute to a much greater power requirement. This coupled with rising energy costs is a real consideration for lab space operations.

How can your choice in lab space help?

All landlords, including lab developers are under pressure to increase the energy efficiency of their buildings<sup>2</sup>. Introducing solutions such as air or ground source heat pumps, photovoltaic solar panels, and vertical sun shading can help reduce energy use and operational costs. Your broker will be able to advise on the energy performance of a building and give estimates on the potential operational costs of your future lab.



**Lab spaces produce unique and non-biodegradable waste.** The nature of lab work often requires single use plastics or biochemical waste to be produced. In the US, lab space is estimated to produce enough waste to cover 138,000 ha each year. The biggest element being single use plastics such as pipette tips.

Modern lab spaces can be equipped with infrastructure to handle waste effectively and efficiently, ensuring the building is protected from leakage and pollution into natural systems. Alternatively, the provision of shared equipment such as autoclaves can encourage occupiers to reduce single use plastics and consider reusable or biodegradable alternatives.



**Lab spaces have high embodied carbon.** This refers to the emissions produced through the life cycle of a building. For occupiers, this usually relates to the fit-out selection when considering new lab spaces.

Working alongside an environmentally conscious landlord will help in the fit-out process. For example, landlords can work with tenants to ensure their fit outs are adaptable to avoid unnecessary carbon-intensive refurbishments. Companies looking for shared lab spaces can optimise the use of shared lab equipment to both reduce cost and embodied carbon.

## Green Leases

Leases are considered 'green' when they include specific clauses relating to the environmental performance of a building. This can be seen in the form of obligated landlord reporting on the energy use of the building, providing infrastructure for sustainable travel (cycle spaces and showers) or imposing a duty to adopt rainwater harvesting solutions.

This will encourage both landlords and tenants to operate buildings more efficiently and the same can be said for laboratories.

Your instructed broker will be able to advise on the most appropriate strategies for green leases and how they can be used to practically reduce your lab's environmental footprint.

## Want to find out more?

Check out JLL's latest Life Sciences Sustainability Series report:

### Achieving Environmental Sustainability



# Laboratory Space | Case Studies

We can learn from previous experience what works well for tenants as they are searching for new spaces. The below examples highlight some recent successes where tenants were able to secure new premises in order to continue their growth and expansion.

## Bicycle®



**Size of space taken** 45,433 sq ft

**Broker** JLL

### The Portway Building, Granta Park

Bicycle Therapeutics raised \$175m in October 2021 and had plans to grow their UK headcount from 112 to 165 by the end of 2022. Their existing space at Babraham Research Campus was not large enough and they sought further space within the same city. The Portway Building was one of the very few new lab spaces to come to the market and the company had to act quick to acquire the space.

### Other BIA Member JLL clients:

Through our deep bench of 2,400+ dedicated professionals, JLL works with more than 360 pharmaceutical biotechnical and medical device companies around the world. Whether you're looking to occupy or invest in life sciences real estate, our integrated real estate and facilities services help you tackle the ever-evolving demands of innovation.

**Size of space taken** 47acre campus

**Broker** JLL

### UCB Windlesham and Slough

JLL has advised UCB on its agreement to acquire a new campus for its UK operations supporting cutting-edge research and development, early manufacturing and commercialisation of medicines aiming to transform the lives of people living with severe immunological and neurological conditions. In addition, secured new leases on existing, 140,00 sq ft facility.



# Laboratory Space | JLL

JLL are well equipped to help you find the right space for your business expansions. Our award winning Life Sciences team has strong industry links and understanding on what space is available, when it is available and will be best placed to negotiate the most appealing terms on your behalf.

How JLL can help:



### Understanding your business needs today

Considering timescales for occupation and budget requirements



### In depth understanding of technical requirements and physical infrastructure

Ensuring your business operations are in the right building in the right location



### Ensuring your future growth is protected

Early engagement is key to plan for future growth and business continuity



Ability to support you throughout your growth journey:

### Phase 1: Strategic Review

#### 1. Define Guidelines

- Quantum of space
- Type of space
- Location
- Sustainability goals
- Amenity requirements
- Establish a budget against likely costs
- Timing
- Budget

This can be done through a full audit of your current lab programmes and lease commitments

#### 2. Establish Perspective

Complete a market review of key real estate benchmarks (prime lab rents, typical rent free periods and other tenant incentives). This will all feed into an initial financial model

#### 3. Outline Market Opportunities

Preparation of a long list of potential options both on and off the market. This includes collating the rents and other operational costs to compare and contrast

#### 4. Business Review

Analysis of shortlist from a workforce commuting perspective, revising the financial model

**Milestone: Stay v Go Decision?**

### Phase 2: Relocation

#### 1. Create Shortlist

Undertake technical site appraisal and agree a short list of options that are most suitable and engage with the landlords and their brokers.

- Begin initial site tours
- Technical Survey Input

#### 2. Test Fit & Technical Brief

Introduce high level technical specifications and programs to test fit the short list options, dismissing schemes that are not suitable

#### 3. Negotiation

Draft RFPs for the most applicable sites. Drive negotiations with a preferred options while maintaining a plan B option at all times

#### 4. Closing

Finalise lease negotiations and update financial analysis for tenant board approval. Instruct solicitors in the exclusivity period

#### 5. Design

JLL in house project management, workplace design and procurement teams can help fit out and optimise your new space

#### 6. Finalise Design

Finalise design for selected building and prepare technical documentation

**Milestone: Sign Lease and Commence Fit Out**

### + Additional Consultancy Services



Lease advisory



Rating



Facilities management



Corporate advisory



Workplace and technology solutions

# Laboratory Space | Glossary

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|--|--|
| <b>Alienation</b>                        | The legal transfer of title or ownership of a property to another party  |
| <b>Arrears</b>                           | Overdue debts  |
| <b>Assignment</b>                        | Where the tenant sells or transfers their interest in a lease to another party for the remaining unexpired term  |
| <b>Breach of covenant</b>                | Where an entity of the signed lease does not uphold the conditions and terms of the lease  |
| <b>Break Clause</b>                      | A clause in the lease that allows either the tenant, landlord or both to decide to terminate the lease on a specified date ahead of the expiry             |
| <b>Break Notice</b>                      | The notice period required for a tenant or landlord to instigate a lease break   |
| <b>Business Rates</b>                    | A tax on the use of commercial property, typically paid by the tenant  |
| <b>Covenant</b>                          | Covenants in a lease refer to the obligations imposed on each party by the various clauses.  |
| <b>Demised premises</b>                  | The area defined by the lease that the tenant is taking occupation of, typically drawn as a red line plan within the lease or its appendices               |
| <b>Dilapidations</b>                     | The tenant's covenants of repairing a demise and reinstating the premises into the same condition as it was when the lease started                         |
| <b>Estate Charge</b>                     | Similar to a service charge, an estate charge is a budget that tenants and landlords contribute to for the upkeep of external premises such as landscaping |
| <b>Forfeiture</b>                        | Where a tenant has breached the covenants of the lease, such as failure to pay rent, the landlord has the right to terminate the lease ahead of its expiry |
| <b>Freehold(er)</b>                      | The ultimate owner of the property and the land it sits on   |
| <b>Full Repairing and Insuring (FRI)</b> | FRI is used where the tenant is responsible for the repair and insurance of their demise as defined by the lease   |
| <b>GIA</b>                               | Gross Internal Area as defined by the RICS Code of Measuring Practice 2015; this area typically includes common shared spaces on top of the NIA            |

|                              |  |
|------------------------------|--|
| <b>Guarantee</b>             | An agreement whereby a third party is responsible for paying a tenant's debts when in arrears  |
| <b>Headlease</b>             | The primary lease between a freeholder and leaseholder   |
| <b>Heads of Terms</b>        | HoTs form the basis of the lease and are initially agreed to during the negotiations of the lease, they set out the key provisions including the rent, term and options          |
| <b>Lease</b>                 | A contract between two entities that allows for the full use and access to a property or demise for a specified rent and period of time  |
| <b>NIA</b>                   | Net Internal Area as defined by the RICS Code of Measuring Practice 2015; this is usable floorspace in a tenant's demise   |
| <b>Premium</b>               | The price paid for a lease, from a tenant's perspective, this can be seen with an assignment   |
| <b>Reinstatement</b>         | The tenant's obligations to remove any alterations and decorations ahead of the lease expiry   |
| <b>Rent Free Period</b>      | The period of time at the beginning of a lease where the tenant does not pay rent, typically used as an incentive for a tenant to sign a lease                                   |
| <b>Rent Review</b>           | A point(s) in time in the lease where the rent reverts to market level or increases in line with inflation (as defined by the lease)   |
| <b>Schedule of Condition</b> | A record of the property's condition upon lease commencement   |
| <b>Service Charge</b>        | A budget set out by the landlord of a multi-let building to cover the costs of services such as security, cleaning and maintenance   |
| <b>Sub-letting</b>           | Where a tenant leases their demise to another tenant and acts as landlord to the subtenant while retaining their obligations of the existing lease                               |
| <b>Term</b>                  | The length of the lease, typically stated in years or between two dates  |
| <b>Without Prejudice</b>     | A legal term used in negotiations and correspondence meaning that anything said or offers made cannot be subject to forced disclosure in the event of litigation or arbitration. |

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### About JLL

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. JLL shapes the future of real estate for a better world by using the most advanced technology to create rewarding opportunities, amazing spaces and sustainable real estate solutions for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of \$19.4 billion, operations in over 80 countries and a global workforce of more than 98,000 as of December 31, 2021. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated.

### About BIA

The BioIndustry Association (BIA) is the voice of the innovative life sciences and biotech industry in the UK, enabling and connecting the UK ecosystem so that businesses can start, grow and deliver world-changing innovation.

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