



Asia Pacific | May 2022

Research

Life sciences in Asia Pacific

A booster for growth

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A close-up photograph of a young man in a light blue lab coat looking through a white microscope. He is holding a blue folder with a red pen in his left hand. The background is a blurred laboratory setting with various pieces of equipment and shelves.

Amid this period of challenges and significant change, life sciences companies in APAC are primed for growth both internationally and domestically.



01 Introduction: Aligning CRE needs with a growing sector

COVID-19 has brought the life sciences sector to the world's attention like never before.

In addition to the pandemic, many structural challenges and opportunities face the life sciences sector in the Asia-Pacific region. Populations that are both expanding and ageing lead to new healthcare requirements. Consumers are also becoming more health and wellness-conscious and they want greater control over how they access health services. Inflationary pressure and the rising cost of materials in the life sciences supply chain mean companies must, more than ever, focus on operating as cost-efficiently as possible.

Amid this period of challenges and significant change, life sciences companies in APAC are primed for growth both internationally and domestically.

Having access to the right real estate will play a critical role in unlocking growth opportunities for the sector. Decisions about corporate real estate (CRE) must, therefore, keep pace with the sector's evolution in the region. This is particularly true of the growing demand for highly specialised spaces such as R&D labs or medical offices.



JLL recently conducted research with more than **150 corporate real estate and facilities management professionals** working in life sciences organisations across the Asia Pacific region.

Our respondents are from a balanced mix of companies headquartered in and outside of APAC and operating domestically and internationally. These firms are operating across various life sciences industries including **healthcare, biopharmaceuticals, pharmaceuticals, and medical devices.**



02

Life sciences in Asia-Pacific: 10 real estate trends

Our research was aimed at **building a better understanding of what life sciences organisations think about the outlook for their sector**, the impact this will have on their future real estate needs, and the opportunities emerging for real estate developers, occupiers, and investors alike.

Ten headlines emerge from our research:

- 1. Life sciences is on a global growth trajectory.** Nearly three-quarters (73%) believe the global outlook for the life sciences sector will continue to improve.
- 2. Asia Pacific will be a major beneficiary of this growth.** Our research shows that APAC is set to expand and identifies key city hotspots for life sciences investment in Singapore, Shanghai, Beijing, and Hong Kong.
- 3. Proximity to top talent and consumer markets makes Asia-Pacific attractive.** Life sciences companies have confidence in the Asia-Pacific region to deliver access to the right talent and strong consumer demand to fuel their expansion plans.
- 4. COVID-19 has accelerated short-term space optimisation.** As a result of the pandemic, life science occupiers are looking to save costs or use existing spaces more efficiently.
- 5. In the long term, high-quality space is essential to execute growth strategies.** 83% of our respondents recognise that having the best quality real estate is critical for attracting top talent to their organisation.
- 6. Demand is hottest for R&D labs and medical offices.** Two-thirds (66%) say the amount of R&D lab space they occupy across Asia Pacific will increase between now and 2025.
- 7. When acquiring space, ownership or longer leases are preferred.** Just over half (54%) of survey respondents plan to renegotiate lease tenures on their R&D space over the next 12 months, with longer leases sought today compared with five years ago.
- 8. Demand for quality space is outstripping supply.** We identify both established and emerging markets — Japan, Thailand, Hong Kong SAR, and Singapore — where the current supply of quality space is not sufficient to support future demand.
- 9. Occupiers are open to partner to deliver bespoke fit outs.** To achieve their desired fit-out requirements, life sciences companies are open to partner with investors and developers for both R&D space and offices.
- 10. Life sciences firms are willing to pay a premium for buildings with green credentials.** 85% of our respondents say they are willing to pay a premium to occupy buildings with green credentials. Leading staff amenities and proximity to transport hubs also make buildings more valuable to occupiers.



1: Life sciences is on a global growth trajectory.

The last few years have been transformational for the life sciences sector. The pandemic generated new income streams for organisations involved in the swift development and roll-out of COVID-19 vaccines as well as the production and supply of PPE (personal protective equipment), ventilators, therapeutic treatments and testing.

Meanwhile, the demand for research and innovation to address other public health concerns, such as cancer, HIV, malaria and infant mortality rates, continues at pace.

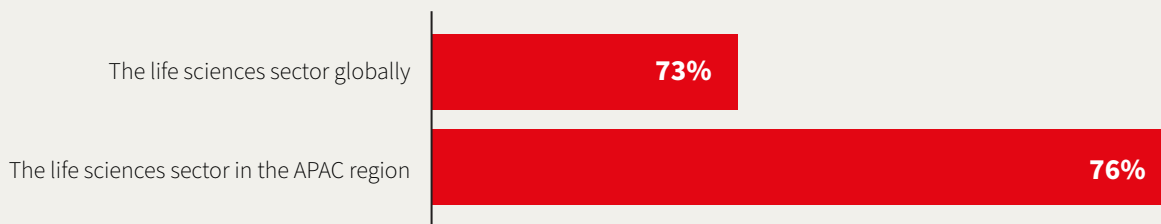
The boost in the sector's profile and profitability since 2020 has translated into sustained optimism for the decade ahead. Almost three-quarters (73%) of APAC CRE leaders believe that the global outlook for the life sciences sector will improve between now and 2025. A similar number, 76%, say the outlook for life sciences in the Asia-Pacific region will improve.

Taken together, these results suggest that the sector does not anticipate any slowdown in demand once COVID-19 case numbers drop. Instead, they are building foundations for a decade of sustained growth.

Figure 1

Do you think the following will decline, improve, or stay the same between now and 2025? - showing % improve

Life sciences multinationals are positive on the general outlook for the sector, both globally and in APAC*



*Showing % that answered 'improve'



2: The Asia-Pacific region will be a major beneficiary of life science's global growth.

The positive outlook for the life sciences sector is set to deliver a specific boost to companies operating in the Asia-Pacific region. Nearly half (48%) of CRE leaders in APAC say globalisation — increasing the geographic footprint of their operations — will be among their leading two strategic priorities for their organisation and APAC is likely to be a key beneficiary of this growth.

This will have a direct impact on real estate demand across the Asia-Pacific region. 87% of respondents say they expect the Asia Pacific share of their global real estate footprint to grow over the next decade.

Demand for space between now and 2025 is likely to be strong in four life sciences city hotspots identified in our research: Singapore, Shanghai, Beijing, and Hong Kong (Figure 2). These are destinations top of the wish list for

life sciences companies. Other appealing destinations for multinational life sciences companies seeking to expand their footprint in the region include Mumbai, Tokyo, Sydney, Perth, Bangalore, and Jakarta.

JLL's annual Innovation Geographies research ranks global cities in terms of talent and innovation — key drivers for Life Sciences firms. Tokyo, Seoul, Beijing, Shanghai, and Singapore all make the top 25 in terms of innovation. Meanwhile, Tokyo, Beijing, Sydney, Seoul, and Hong Kong all feature in the global top 25 in terms of talent. It is no surprise, then, to see biotechnology firm Moderna recently announce its intention to develop a new subsidiary as part of plans to expand into Hong Kong, Malaysia, Taiwan, and Singapore alongside offices in Australia, Japan, and South Korea.

Figure 2

Which cities in the Asia-Pacific region will be most important to your organisation's operations over the next five years?



87%

anticipate the APAC share of their global real estate footprint will grow in the next decade



3: Proximity to top talent and consumer markets makes Asia-Pacific attractive to life sciences.

A large majority (82%) of life sciences CRE leaders recognise that the Asia-Pacific region will grow in importance as a life sciences hub between now and 2025.

When assessing the attractiveness of Asia-Pacific as a location to do business, three key factors stand out:

- Availability of high-quality talent
- The growing concentration of peers expanding their presence in the region
- The ability to tap into increasing consumer demand.

Each of these factors were cited by more than half of life science business leaders as key reasons for choosing to locate in the region (Figure 3).

One CRE leader at a Singapore headquartered healthcare company summarises the benefits of locating in the region:

Asia Pacific provides us with access to cheaper resources, access to quality manpower, and there is increasing demand for quality healthcare.

At a time when cost efficiency remains a critical objective for many life sciences businesses, the appeal of Asia-Pacific is its ability to deliver quality and provide access to a growing market at a lower cost than established markets in North America and Europe.

For multinationals it is easy to see the region's appeal: access to cutting-edge technology and strong research environments, untapped potential in fast growth and developing economies, paired with lower staffing, real estate costs and robust local infrastructure.

Figure 3

Why do you anticipate the proportion of your real estate in the Asia-Pacific region will increase?

More than half of business leaders cite availability of talent and consumer demand as reasons to relocate to APAC





4: COVID-19 has accelerated short-term space optimisation.

Although life sciences organisations are bullish about the opportunities ahead, the sector is not immune from having to make changes to respond to short-term pressures brought about by the global pandemic.

These changes have manifested themselves in the way the sector organises and operates its real estate portfolio. For example, over half (54%) of the respondents in this survey have already introduced hybrid working policies because of COVID-19. These changes typically include social distancing measures within spaces, encouraging staff to spend some time working from home where possible and investing in technology to facilitate greater collaboration among a distributed workforce.

Our research reveals life sciences companies plan to make further changes in the short term, particularly to the office space in their portfolio (Figure 4). These

include de-densifying (56%), re-designing or refitting existing office space (56%) and renegotiating office lease tenures (58%). Many companies have even driven hybrid policies into their R&D space.

Even among more specialised spaces such as R&D labs, companies anticipate making similar changes to optimise the space they occupy. For example, 54% will look to refit or re-design their R&D space to make it fit-for-purpose in a hybrid working world.

These changes are certainly a response to new ways of working brought on by the global pandemic. However, they are also driven by a need to optimise space, reduce waste, and cut overheads as far as possible at a time when the cost of raw materials, energy, and staffing are increasing for the sector. Never has it been more important for the life sciences CRE portfolio to deliver value to the organisation.

Figure 4

Is your organisation planning to undertake any of the following actions in the next 12 months as a result of the COVID-19 pandemic?

A majority of occupiers plan to make changes to their office space over the next 12 months





5: In the long term, high-quality space is essential to execute growth strategies.

While the short-term focus of life sciences businesses is on cost efficiency and space optimisation, organisations in the sector recognise the need to balance short-term savings with investment in high quality real estate to drive their growth aspirations.

As competition in the sector for new talent intensifies, having the best real estate becomes a key battleground on which life sciences companies must compete to win. Quality real estate will be a major factor in the drive for competitive advantage.

Almost all the companies surveyed by JLL appreciate the importance of corporate real estate to the employer value proposition: 83% of those surveyed agree that having the best quality real estate is crucial for attracting top talent.

The need to invest in quality space is recognised across the region. A CRE leader in one Indian healthcare company summarises the opportunity for life science organisations willing to invest in best-in-class facilities:

Having the best location and world class facilities will help us to attract good talent and expand our research.



Thus, the broader flight-to-quality trend which is evident in most industries across APAC is equally relevant for life sciences. High quality space enables occupiers to attract and retain top talent by offering superior working environments equipped with health and well-being and sustainability credentials that employees increasingly demand.



6: Demand is hottest for R&D labs and medical offices.

With life sciences companies seeking to make strategic investments into quality real estate, which types of space will be most in demand over the coming years? Although our research reveals strong demand across all types of space, the most robust demand is for more specialised facilities such as R&D laboratories and medical offices or facilities.

Like many fellow peers, a CRE leader at one Australian pharmaceuticals business identifies specialised space as a priority area of investment:

Our investment strategy is to establish more specialised assets, such as laboratories and manufacturing units.

Two thirds (66%) of respondents say they expect the amount of R&D lab space they occupy to increase between now and 2025 (Figure 5). Similarly, increases are anticipated for medical offices or facilities (60%) and manufacturing sites (56%).

This suggests that supporting front-line activities — such as research and development, delivering healthcare services, manufacturing medical devices or pharmaceuticals — will drive more demand for space than back-office or administrative functions that require less specialised spaces and are more easily adapted for long-term hybrid working.

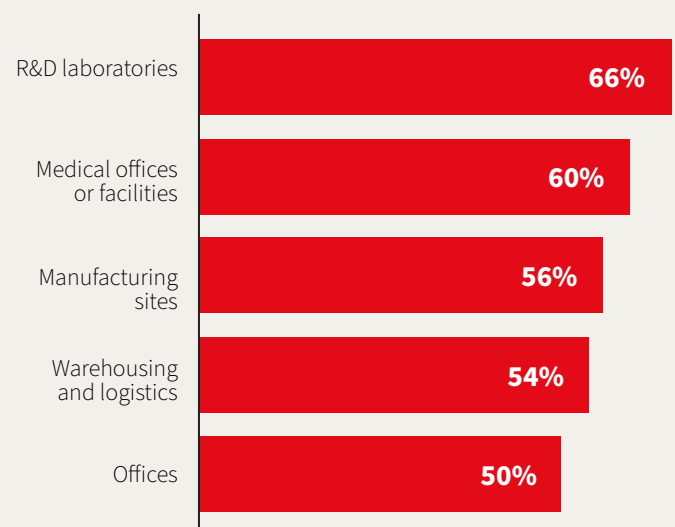
Within our research we also see a trend towards bringing together more flexible or multi-use spaces within single locations. One CRE leader at a consumer health brand located in Indonesia, for example, told us that they are looking to integrate different types of space within the same campus:

We want an ability to operate our offices, labs, manufacturing units and supply units all on the same campus.

Figure 5

Between now and 2025, do you expect the amount of space you occupy in Asia Pacific for each of the following types of real estate to increase, decrease or stay the same? – showing % increase

Two-thirds anticipate the amount of R&D lab space they occupy to increase between now and 2025*



*Showing % that answered 'increase'



7: When acquiring space, ownership or longer leases are preferred.

With confidence in the life sciences sector booming across the Asia-Pacific region, our research shows that life sciences companies are willing to invest in real estate assets that will serve them for the long term. They demonstrate an appetite to commit to quality space and value certainty over short-term flexibility.

Organisations also prefer the certainty and stability of ownership or longer leases when making CRE investment decisions (Figure 6). This is particularly true for the specialised spaces in highest demand such as R&D labs or medical offices. Whereas in less specialised space such as offices the preferences for ownership and leasing are more evenly split.

When asked how their leasing preferences had changed over the last five years, a third (33%) of respondents say

they now look for longer leases than they did five years ago. This compares to 23% who say they look for shorter leases. For the remaining 43% their leasing preferences have not materially changed in recent years.

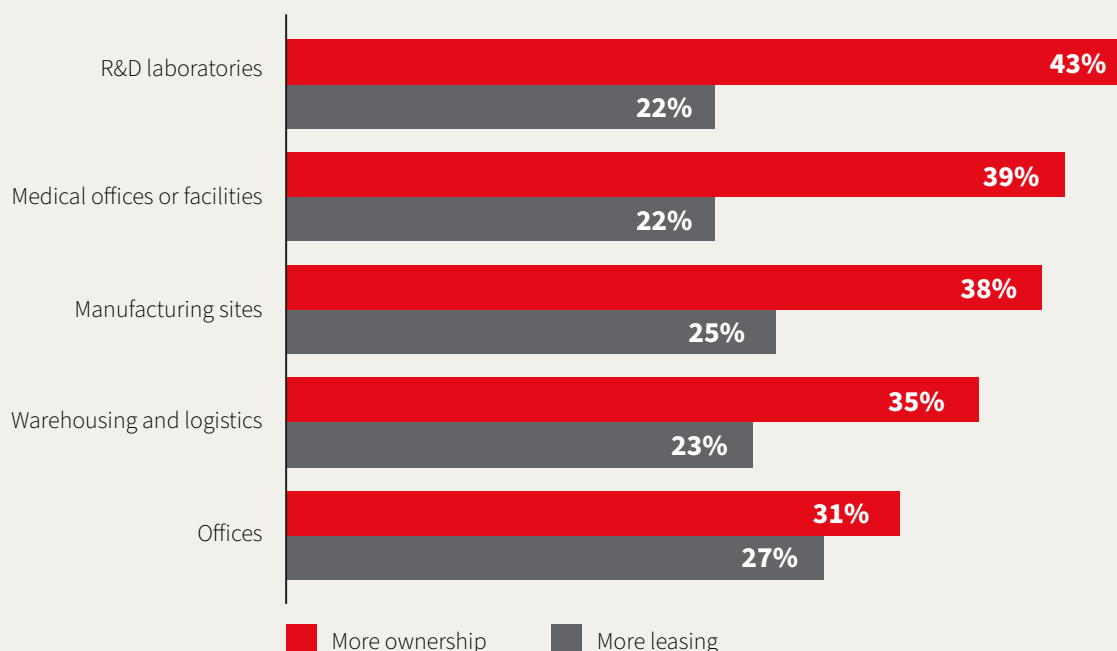
The ability to lock-in preferential rents by opting for longer lease arrangements, coupled with the scarcity of quality space in key growth locations, means life sciences companies are prepared to make long-term investments — or to commit significant upfront capital expenditure in building or buying space — to secure the building blocks for the decade of growth ahead.

Those targeting shorter leases, meanwhile, may be looking for agility given the uncertainty of the pandemic or market-specific factors such as rental expectations and availability (or otherwise) of supply might be at play.

Figure 6

Do you expect the proportion of ownership or leasing to change between now and 2025?

Organisations see a trend towards more ownership across all property types





8: Demand for quality space is outstripping supply.

Competition for space is fierce, and not all markets in Asia-Pacific are equipped to meet the future demand for the specialised space. This potentially incentivises occupiers to lock in space for longer periods and pay rental premiums. While for developers and investors, a supply shortage in some markets is a clear opportunity to tap into a growing demand source.

Only one in three respondents say they find it straightforward to find real estate that meets their requirements in terms of space, location and quality of

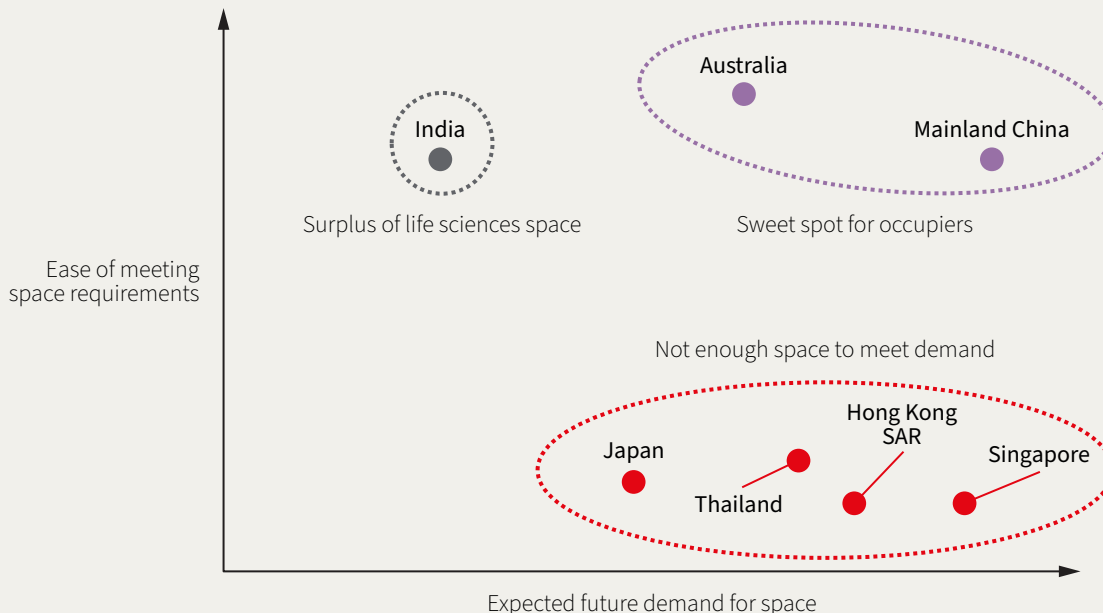
fit out. For the vast majority of life science occupiers, the experience of finding space that meets their requirements is challenging.

This challenge is particularly marked in markets such as Japan, Thailand, Hong Kong SAR, and Singapore. These are the four most prominent markets in our research where there is both the expectation of strong future demand and significant challenges in identifying space that meets requirements (Figure 7).

Figure 7

How easy is to find existing buildings that meet your organisation's space, location, and fit-out requirements (vertical axis)?, How will the amount of real estate you occupy in the following markets change between now and 2025 (horizontal axis)?

Respondents find it difficult to find buildings that meet their requirements in many markets





9: Occupiers are open to partner to deliver bespoke fit outs.

As illustrated in trends 6, 7 and 8, the supply of quality life science space does not satisfy demand in many key markets across APAC. As a result, life science organisations are willing to either commit to long leases when they find space suitable for their business needs, or to making significant capital investment to secure their own space that will meet their specific requirements.

Life science organisations, therefore, are open to partner with investors or developers to deliver bespoke fit out requirements that deliver on their business needs. Three-quarters (76%) of respondents say they would be open to partner on bespoke build or fit out projects for their R&D space. Two-thirds (66%) are also open to a partnership approach for bespoke build or fit out of their office space.

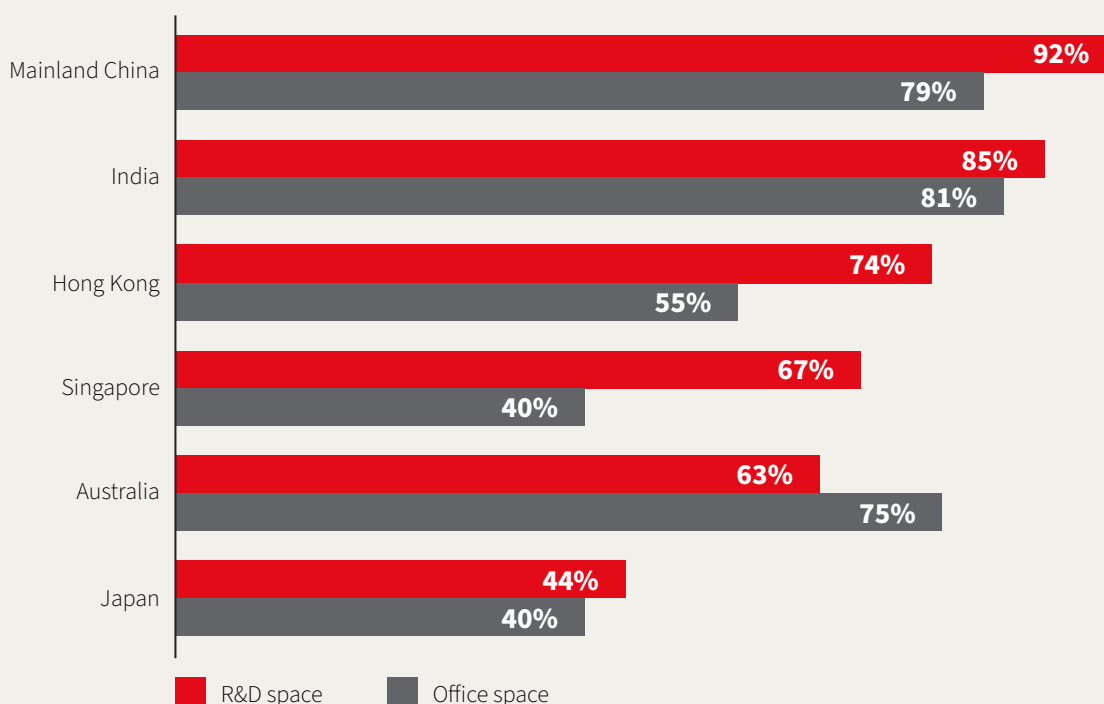
Across all respondents in JLL's research, the openness to partnerships is greatest in Mainland China, India, and Hong Kong (Figure 8). Even in Japan just under half (44%) are open to partnerships on R&D projects.

For investors and developers this means that a collaborative approach is needed much sooner in the investment cycle to identify and work with possible occupiers, and to understand how their changing space requirements can be accommodated within new projects as far as possible. For those who approach partnerships strategically, there is significant return on investment potential: 88% of life science occupiers say they would be prepared to pay a premium to occupy buildings with bespoke fit outs that meet their requirements.

Figure 8

How open is your organisation to partnering with investors or developers on bespoke build and fit-out projects to create space that meets your exact requirements in the following areas?

China and India-based occupiers are most open to partnering with investors or developers





10: Life sciences organisations are willing to pay a premium for buildings with green credentials.

As the environmental agenda comes into greater focus, life science organisations know that they will need to play a role in the race to net zero over the decades ahead.

There is a need to balance business objectives and real estate investment with delivering genuine progress on carbon reduction and other environmental goals. Among our survey respondents, 85% said they would be willing to pay a premium to occupy buildings with sustainability credentials (Figure 9).

Our research reveals other features where a large majority of life sciences organisations say they are

prepared to pay a premium. These include market-leading staff facilities and amenities, an accessible location near transport hubs and proximity to established life sciences hubs.

For real estate investors and developers in the Asia-Pacific region, this means thinking through the various opportunities to reduce embedded carbon within their life sciences development, to increase the carbon efficiency of day-to-day building operations and to reduce waste and water consumption by incentivising positive environmental choices.

Figure 9

Would your organisation pay a premium to occupy buildings with the following features? - % answering 'very likely'.

Life science occupiers are prepared to invest to get the high quality space they are looking for



03

Conclusion: Unlocking growth with targeted investment

Asia-Pacific's life sciences industry is at a pivotal point in its development. The last two years have provided a springboard from which to unlock opportunities in new markets across the Asia-Pacific region. To do this they need to expand, diversify, and deepen their operations in the region. Being able to access the best quality real estate is fundamental to deliver this growth.

Occupiers are likely to target markets with deep talent pools and innovative cities with strong consumer demand. As is the case with other industries though, space requirements are changing and de-densification, redesigning and retrofitting offices are likely to be key themes as organisations formulate their hybrid strategies.

Demand will be strongest for high-specification assets with ESG credentials which are no longer a 'nice to have' for occupiers. Many corporates mandate sustainable real estate and employees are increasingly demanding it. As such, occupiers are likely to be willing to pay a premium for high quality real estate; particularly in markets where demand outstrips supply.

To unlock the most productive opportunities, partnerships are required. Investors and developers need to engage more directly with life sciences businesses across Asia-Pacific to understand their changing needs. This will ensure their future projects deliver the opportunities for custom fit out and bespoke design that will prime life sciences for their future growth.

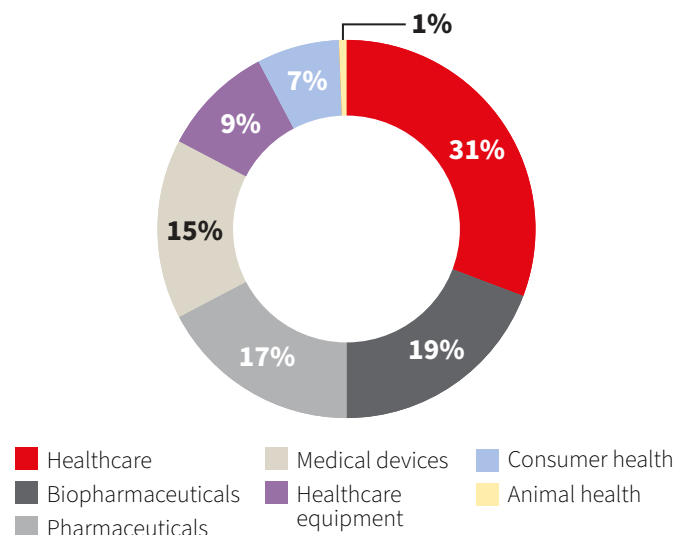


04 About JLL's life sciences research

JLL conducted research among 157 life sciences organisations through telephone and online research. A range of life sciences businesses are represented including healthcare, biopharma, and pharmaceuticals.

Figure 10
Life sciences industry sub-sectors

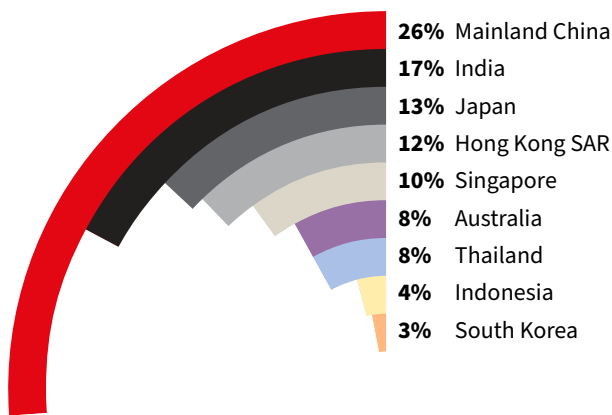
Q: Which of the following best describes the main activity of your organisation?



Research respondents are located across nine markets in Asia-Pacific, with the largest representation from Mainland China, India, Japan, and Hong Kong SAR (Figure 11). 52% of organisations surveyed are multinationals, with the remaining 48% domestic companies. 90% of the organisations are headquartered within Asia-Pacific.

Figure 11
Location of research respondents.

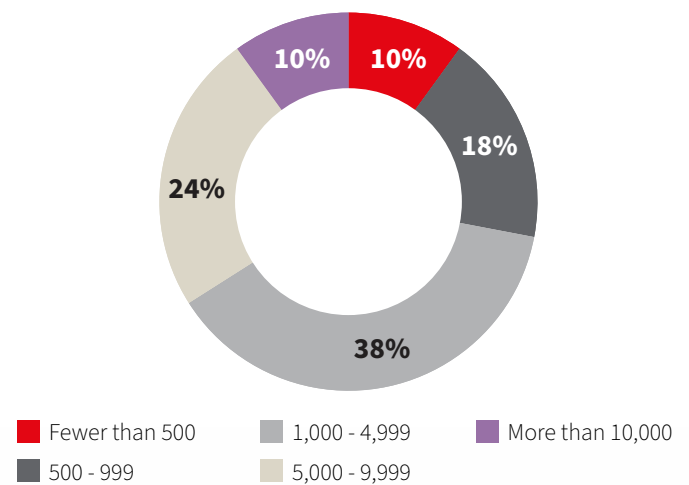
Q: In which country are you based?



Research respondents were responsible for taking corporate real estate (CRE) decisions on behalf of their organisation. 72% of those responding were from organisations employing more than 1,000 people (Figure 12).

Figure 12
Size of research respondents by number of employees.

Q: How many individuals does your organisation employ globally?





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