



LIFE SCIENCES

Life sciences is a collective term used for scientific disciplines which study living things. It includes disciplines such as biology, botany, zoology, microbiology, biochemistry, and physiology. They deal with every aspect of living organisms, from the biology of cells to the biology of individual organisms, to how these organisms interact with other organisms and their environment. From a real estate perspective, the life sciences sector has potential for investment.

Many real estate investors choose to invest in the life science space by buying up laboratory space and leasing it to life science companies. Many prefer a "flex" lab space, where the building is set up with some traditional laboratory space and some regular office space. Here are the potential reasons to invest in this space.

- It's a top-performing sector: According to a [2020 industry overview by Cushman & Wakefield](#), the total investment in 2019 was \$17.4 billion, up from just 3.7 billion in 2008. Employment numbers are also growing at a fast rate. Growing at an average rate of 7.5% per year.
- The need is growing: The population of senior citizens is growing and the population as a whole is getting older. [The median age of Americans is now 38.2, and by 2030 it's expected to rise to 40.](#) Additionally, an estimated 10,000 baby boomers reach age 65 every day. By 2030 the United States is expected to have 73 million senior citizens who will account for 21% of the total population.

LIFE SCIENCES IN SOUTHERN CALIFORNIA

Certain cities like Boston, San Francisco, and San Diego are major hubs for the life sciences industry. What about Los Angeles?

Nikki Lin, Director of Entrepreneurship and Commercialization at Magnify Incubator, is bullish on Los Angeles' future as a life sciences hub. "The organic evolution of San Diego, the openness, the readiness for the community to embrace the scientific community – that was interesting, and a footprint that's a bit smaller than Los Angeles," she said. "We wonder if we have the right institutional context in Los Angeles. We have the universities, we have the research institutes, we have the community, we have a large population to work with. However, we have spread far apart. For Los Angeles, we're sensing that the time is now."

Chad Urie, Senior Managing Director at JLL, noted that, until last year, his firm hadn't done any life sciences deals outside of San Diego. Now it's working in such markets as Los Angeles, Seattle, Houston, Austin, Chicago, and Pittsburgh. Why the change? "Ultimately, you're kind of getting back to the same thing, which is talent," he said.

CONVERTED SPACE VERSUS NEW SPACE

There are always sacrifices involved with conversions. They generally must be done quickly and leased quickly, and in the end, the building may still not fully meet the requirements of life sciences companies. It's a big investment with some definite risk involved.

Lin noted that a converted lab space might be the right choice for a company stepping into the next stage of development, but a larger, established company may need a ground-up space. Even so, conversions are necessary to attract newer incubator companies to move into a certain area and develop that area as a life sciences hub.

CONCLUSION

The data suggest that, despite economic downturns, this sector has been growing for years and shows no signs of stopping. If you're thinking of investing in commercial real estate, you may want to consider investing in properties that can be rented out as life sciences facilities.

TAKEAWAYS AND PREDICTIONS FOR 2022

from the [14th Annual View from the Top](#)

Caution Is Needed with Life Science Conversions

- Life science transactions as a percentage of office transactions are double what they were pre-pandemic.
- It's faster and less expensive for other companies to buy an existing building and convert it.
- Because life sciences are such a hot commodity, it's only natural for clients to want to portray their properties as well-suited for conversion. However, such factors as ceiling height and floor load are important factors for life sciences properties, and some may not meet these requirements.
 - When considering existing real-estate for lab conversion, there are many factors to consider. The two most critical issues are:
 - Sufficient clear heights. Shell buildings considered suitable for potential lab conversions must typically have 14 to 15-foot interior clear heights. These additional areas are needed to provide additional HVAC and power systems to service exhaust vents.
 - Additional floor load requirements. Laboratory floors must be able to support 125 to 150 pounds per s/f for lab as opposed to 80 to 100 pounds for office.
 - Looking at costs, the core and shell retrofit expenses range from \$125 to \$150 per s/f with another \$125 to \$150 for specific tenant improvements over shell. The rental suites typically consist of 40% to 60% laboratory with the remaining space being a traditional office area.
- As people return to the office, there will be an inverse relationship with life science conversions. People have gone to life sciences as a kind of safe haven, but as things return to a pre-COVID-19 environment, many assets will remain office property.

BIGGEST REAL ESTATE COMPANIES IN THE LIFE SCIENCES SPACE

PUBLIC COMPANIES

Alexandria | Pasadena, CA [ARE](#)
Estimated Portfolio Value - \$10,000+
Square Footage - 35.4M
Number of Properties - 288

Healthpeak Properties | Irvine, CA [PEAK](#)
Estimated Portfolio Value - \$7,500
Square Footage - 9M
Number of Properties - 62

Ventas | Chicago, IL [VTR](#)
Estimated Portfolio Value - \$1,900
Square Footage - 5M
Number of Properties - 22

PRIVATE COMPANIES

BioMed Realty | New York, NY
Estimated Portfolio Value - \$7,700
Square Footage - 13.7M
Number of Properties - 82

Karlin Real Estate | Los Angeles, CA
Estimated Portfolio Value - \$300
Square Footage - 6.4M
Number of Properties - 4

Long Fellow RE Partners | Boston, MA
Estimated Portfolio Value - \$1,400
Square Footage - 3M
Number of Properties - 25

PCCP (Pacific Coast) | Los Angeles, CA
Estimated Portfolio Value - \$700
Square Footage - 3.4M
Number of Properties - 8

Morgan Stanley | New York, NY
Estimated Portfolio Value - \$1,800
Square Footage - 3.4M
Number of Properties - 13

DivcoWest | San Francisco, CA
Estimated Portfolio Value - \$2,100
Square Footage - 2.9M
Number of Properties - 11