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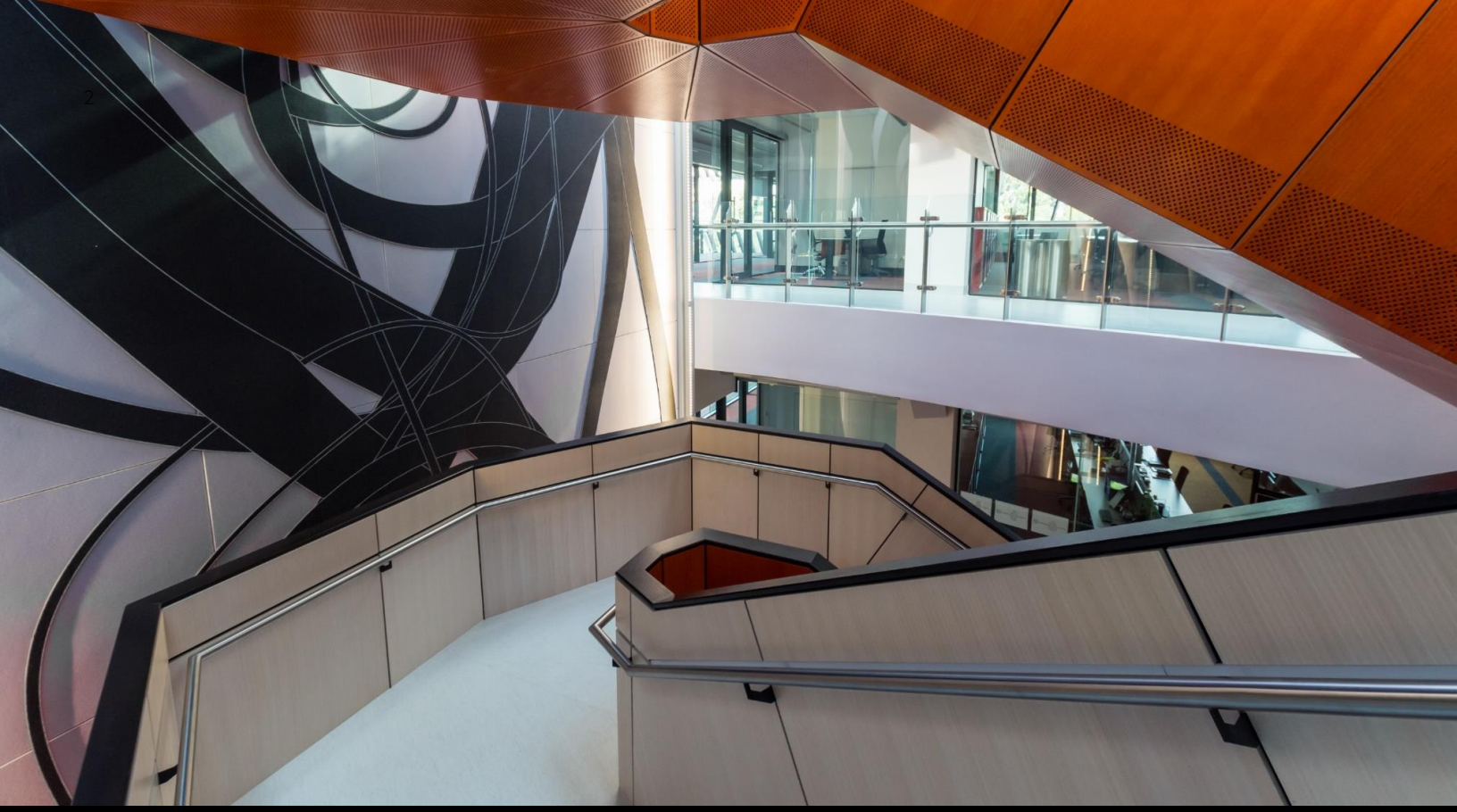
JLL Research Report

Life Sciences Workplace Insights

Workplace trends shaping the future of life sciences work and the medicines of tomorrow



Vital points

Future-focused organizations have begun to view the workplace as a weapon in the war for talent, and using sophisticated location and leasing strategies.

1.

Out of necessity, companies are getting more creative in location selection.

2.

Unique amenities to improve the employee experience are becoming a priority for scientists and other key hires.

3.

Rising costs are being offset by gains in workplace efficiency, flexibility and productivity.

Future-focused view of the life sciences workplace

How can life sciences companies deliver the life-saving medicines of tomorrow when competition for exceptional talent is also at an all-time high? How much will a high-quality workforce cost you when the workforce desires upscale locations in some of the world's most expensive cities?

Such questions are inspiring some life sciences executives to seek out inventive new business solutions, many of them focused on the **future of work**. If you're ahead of the curve, your organization already has begun to view the workplace as a weapon in the war for talent, and is using sophisticated location and leasing strategies.

According to ***JLL's 2017 Life Sciences Outlook Report***, location and facilities are playing an increasingly critical role in the competition for scientific talent. But there are significant costs to getting it right. Healthcare expenditures are expected to rise to $8.7 trillion by 2020 from $7.0 trillion in 2015, according to Deloitte. All the while, ongoing regulatory hurdles, market pressures, and ever-rising rents and wages present an ever-shifting array of challenges.

Yet while workplaces of the future may require investment, all signs point to workplace investments paying off in talent and innovation.

In a **recent JLL survey** of more than 7,000 employees in multiple industries, 70 percent agree that happiness at work is the best ingredient for a unique work experience.

Employees who feel the design of the workplace caters to their needs are more likely to also feel fulfilled and be productive, and those benefits multiply quickly. **Gallup research** shows that highly engaged business units experienced a 41 percent reduction in absenteeism, a 17 percent increase in productivity and, ultimately, a 21 percent uptick in profitability when compared with business groups that are less engaged.

Workplace trends shaping the future of life sciences

No wonder life sciences companies are seeking contemporary, amenities-rich facilities that will inspire new discoveries. As the importance of workplace appeal grows, three trends have come to the forefront.

1 Out of necessity, companies are getting more creative in location selection.

Major life science clusters, such as San Francisco and Boston, offer an environment that is hard to mimic: access to a rich pool of research institutions, universities, hospitals and the scientists associated with them. Companies are willing to pay exceedingly high rents to be near hard-to-find talent that is the lifeblood of biopharmaceutical innovation. As a result, across America's premier life sciences cities, laboratory space is scarce and rents continue to rise.

Companies like Amgen, Merck and Genentech are contributing to the wider industry trend of investing in a small number of R&D hubs in premier clusters and, in some instances, moving employees out of facilities located far from the hotspots. Amgen is relocating 100 R&D employees from its Thousand Oaks, California, headquarters to sites in South San Francisco and Boston, for example. Merck is establishing a West Coast headquarters in South San Francisco, joining Genentech, Pfizer and Johnson & Johnson.

This demand is being met by developers who recognize the unique needs of life sciences organizations. They're responding with specialized parks and facilities that cater to the industry. In the San Francisco suburbs of South San Francisco, for example, HCP is developing a seven-building, nearly 1 million-square-foot life sciences campus called The Cove at Oyster Point. Currently the largest under construction project in the world, the campus includes such amenities as bocce ball courts and a bowling alley along with modern lab, design and office space. The first two buildings, totaling 247,000 square feet, were more than 70 percent leased by the time construction was completed in mid-2016.

In addition to The Cove, BioMed Realty is constructing the 1.3 million-square-foot Gateway of Pacific project tailored to life sciences companies. The first phase will provide 500,000 square feet of office and lab facilities, along with a 50,000-square-foot amenity center and inspiring bay and mountain views.

On the East Coast, Boston's popular East Cambridge lab market comes with one of the country's highest price tags—rents average approximately $75 per square foot and have risen steadily over the last couple of years. With vacancy rates under 10 percent in nearly all of the top 10 U.S. life science clusters and no signs of slowing demand, new urban lab developments are a growing trend. Two speculative lab developments are underway in Boston's West Cambridge neighborhood to create another 260,500 square feet of space. Houston, which has a rising reputation in life sciences, is fundraising to build a $2 billion commercial campus on 30 acres in the heart of the city.

And development isn't stopping at the city limits. While some presence is needed in the core of these clusters, not every lab needs to pay a premium for location in the center of the life sciences universe. For example in Boston, not every lab needs to be located in Cambridge; the Boston suburbs are rich with centers of innovation and top talent. Multiple companies have migrated to the suburbs to take advantage of the competitive pricing, amenity-rich properties and new development offerings.

For instance, Exosome Diagnostics has moved from Cambridge to 28,086 square feet at 266 Second Avenue in Waltham. Also in Waltham, a spin-out of Cambridge-based Biogen, Bioverativ, has leased up the 112,500-square-foot building at 225 Second Avenue. In Lexington, Wave Life Sciences has leased the entire 91,000-square-foot 115 Hartwell Avenue building recently developed by King Street.

The 115 Hartwell facility was the first-ever speculative suburban Boston lab building, created by a developer rather than by a life sciences company—and an indicator of the need for new lab space. Responding to the strong demand, King Street Properties also is developing 828 Winter Street in Waltham and a 200,000-square-foot addition to Hayden Research Campus.

And it's not just Boston; other suburban markets surrounding the major life science hubs are benefiting from the overflow, offering lower costs and, typically, more options for office and lab space.

Back on the East Coast, New York City continues to aggressively make its play to become a global life sciences leader. As part of this dynamic, micro-clusters are blooming in nearby New Jersey, Long Island and Westchester County. A 3-million-square-foot, mixed-use biotech center is being developed in Westchester County, near Westchester Medical Center and New York Medical College, which will add 2.25 million square feet of biotech and research space. Likewise in Philadelphia, growing pharmaceutical organizations, including Trevana, are relocating to bigger locations in the suburbs. The Pennsylvania Biotechnology Center of Bucks County, also based in the suburbs, recently broke ground on a new 47,000-square-foot lab and incubator space expansion.

2 Unique amenities improve the employee experience for scientists and other key hires.

The appeal of the newest life sciences facilities includes the rich amenities they provide. For example, The Alexandria at Torrey Pines is located in a hot San Diego life science neighborhood and is attracting companies seeking to give employees a unique environment. Tenants on the campus share large conference room spaces, a fitness center and a restaurant with an award-winning chef. Similarly, the sprawling The Cove development in San Francisco will offer fitness rooms, a bowling alley, bocce ball courts, an amphitheater and hotel space when fully complete.

All of these bells and whistles are simply part of a broader shift happening inside the workplace over the past several years as companies across industries hone in on the employee experience. This unique experience is particularly important in recruiting and retaining the younger, highly skilled employees the life sciences companies need as Baby Boomer scientists retire.

While high-quality food and onsite gyms are nice, smaller-scale elements also contribute to employee satisfaction. In JLL's human experience in the workplace research, 50 percent of employees say they simply want a place where they can recharge their energy. Setting aside a small space for meditation, or rooms that employees can book for intense periods of focus, can provide a much-needed boost to their productivity. At the same time, open floor plans that can spark collaboration are becoming more commonplace, as seen in some new laboratories that include small collaboration spaces near the research benches.

The Alexandria

3 Rising costs are being offset by gains in workplace efficiency, flexibility and productivity.

Cost efficiency and engaging workplaces don't have to be contradictions. Forward-looking life sciences organizations are embracing new kinds of workplace design—from the lab to the office and support spaces—in order to provide different workspace options for different kinds of work. The goal? To use space as efficiently as possible while boosting employee engagement, empowerment, collaboration and productivity. And when space is used more efficiently, total real estate costs are kept under control.

For example, how do you create a laboratory that supports today's projects, but can be rapidly reconfigured for a new direction? Some organizations are creating laboratories with plug-and-play research equipment, moveable benches and multiple access points for utilities to accommodate different kinds of research. In these adaptable spaces, scientists can share space even if they are working on different projects. Workplace flexibility helps organizations stay competitive as their business objectives change.

Recognizing the value of collaboration, some new laboratories are being designed with small collaboration spaces where scientists can share ideas without de-gowning. And, they're providing nearby office space for analytics-fueled research projects driven by data, rather than by lab samples.

Research institutions are also recognizing the role of well-being in workplace productivity, creating laboratories with plentiful natural light and open sight lines that help open the mind to new possibilities. A World Green Building Council (WGBC) report sponsored by JLL found that even modest improvements in scientists' and office workers' access to natural light can positively impact their productivity.

Workplace choice extends to administrative space, too. Future-friendly life sciences office design favors a mix of spaces, from collaboration zones to ample heads-down space. For instance, companies like Genentech and AstraZeneca are moving away from assigned seating in the office. Instead, they are combining open seating with private spaces, without adding square footage or wasting space.

Inspiring places and spaces

As the pressure to innovate and the war for talent continue unabated, forward-looking life sciences companies are seeing new possibilities for their real estate and facilities.

For these organizations, real estate is more than just a necessary cost. Instead, it's becoming a vital part of innovation strategy by providing the places and spaces that bring the best ideas to life.

Want to know more? Contact:

Roger Humphrey
Executive Managing Director
Life Sciences
+1 (908) 698-2867
Roger.Humphrey@am.jll.com

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