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SPOTLIGHT
Savills Research

Paris Life Science

A leading European cluster



• Venture Capital • Clusters • Paris-Saclay

Life science fundamentals remain positive

Record levels of venture capital raised for the sector in 2021.

The Covid-19 pandemic has propelled Paris's life science sector into the spotlight. Ageing populations, increased demand for personalised medicine, digital health, drug discovery and growing public and private healthcare spend are further stimulating growth in life science companies. In France, scientific and technical economic output has grown by 2.1% per annum over the past five years, at a faster rate than GDP (1.6%). However, with a severe undersupply of suitable laboratory real estate, where will these companies base their operations in Paris?

Savills Research observes that venture capital funding into European life sciences has grown by 24% per annum over the last five years, reaching €10bn during 2021, with drug discovery and biotechnology raising the most capital.

France is one of the key locations in Europe seeing a significant growth in the number of life science companies and has recorded growth in venture capital funding in established locations such as Paris, Toulouse and Lyon, reaching €1.17bn in 2021, the highest level amongst all continental European countries.

The Île-de-France (IDF) region attracts the highest proportion of life science

venture capital investment in France which stood at just over €659m in 2021, reflecting a compound annual growth rate (CAGR) of 44% between 2016 – 2021. Savills calculate that every €1bn of venture capital investment creates 46,000 sqm of life science real estate demand. This concentration of venture capital investment in the region indicates the potential to stimulate circa 50,000 sq m of new demand from the life science sector by end 2023. We expect the overall level of investment to be lower in 2022 given rising global interest rates and investor caution, but there is still a significant amount of capital that will kickstart and grow life science companies in the near future. For example DNA Script, a biotech company based 4.5 km from the centre of Paris, raised €169m in 2021 where funds will be used to accelerate the expansion of talent and resources which will involve the hiring of over a hundred personnel, creating new real estate requirements. We are now observing larger capital raises in later-stage funding rounds—a common trend before companies may seek to IPO on the stock market.

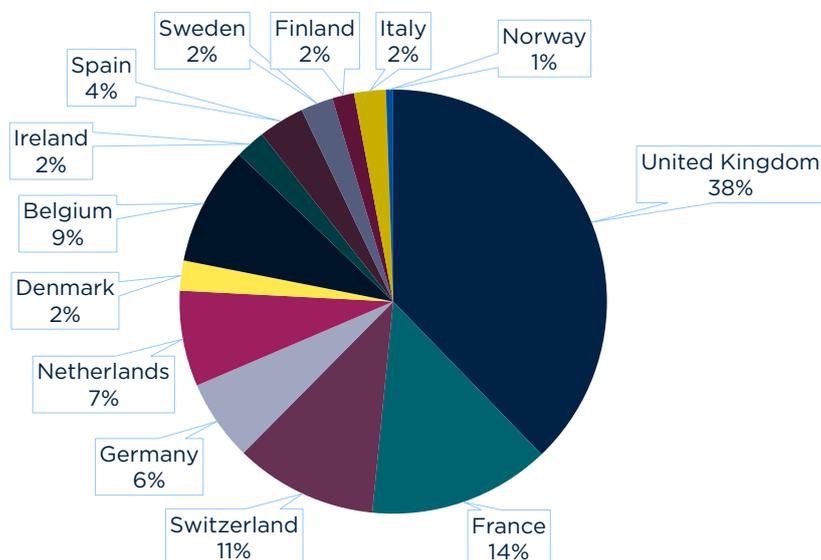
Why is Paris an attractive life science location?

Paris is one of continental Europe's foremost life science clusters and is home

to major healthcare companies and public / private partnerships which support the growth of the ecosystem as a whole. The cluster dynamics are strong with a good combination of Academia, Industry (Investment) and Government support, and life science companies want to be part of this attractive 'Triple Helix'.

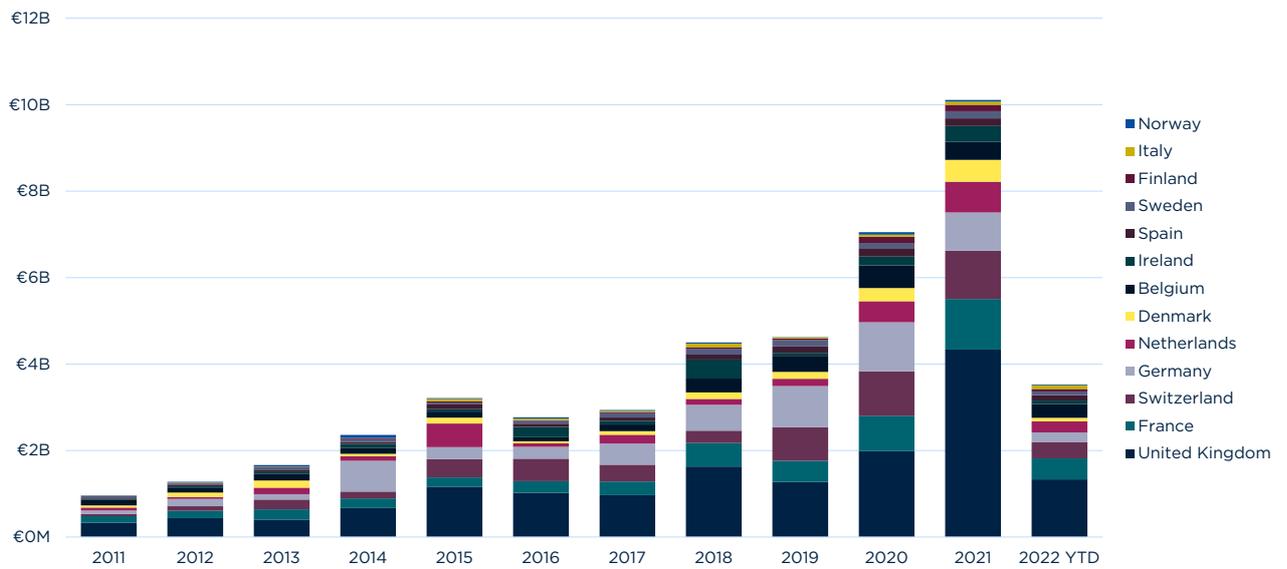
The concentration of talent in these clusters is vital for maintaining and growing future real estate demand. Teaching hospitals and universities are a major draw for global occupiers, as long as government funding and incentives appear attractive. There are five leading life science universities based in the Paris area. European scientists appear to be cheaper on the global stage, and the salaries of those located in Paris come in below average. Paris is already home to many of the leading global pharma companies, which supports this evolving ecosystem. Sanofi's flagship global headquarters are situated in central Paris and have recently launched a new accelerator to drive innovation through the use of digital, data and artificial intelligence. Given the relatively small geographical size of Paris from a continental European perspective, the city can be considered as a single cluster with key hubs.

Chart 1: Share of venture capital raised in Europe in 2022 YTD



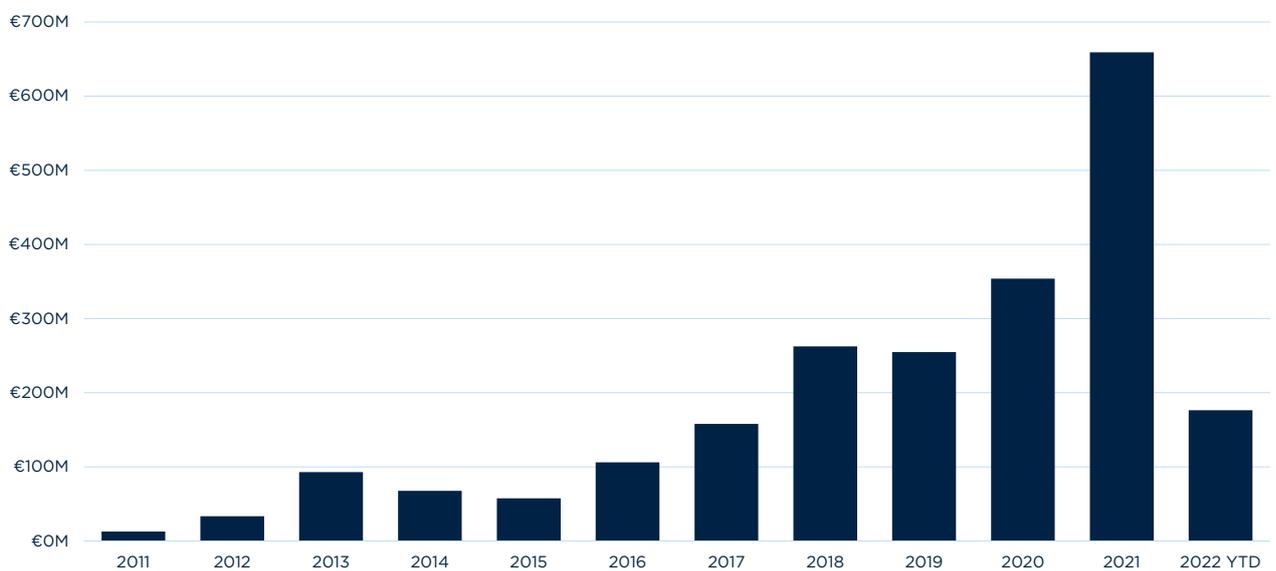
Source: PitchBook

Chart 2: Venture capital raised in Europe



Source: PitchBook

Chart 3: Life science venture capital investment in IDF



Source: PitchBook

Key Hubs

PARIS-SACLAY



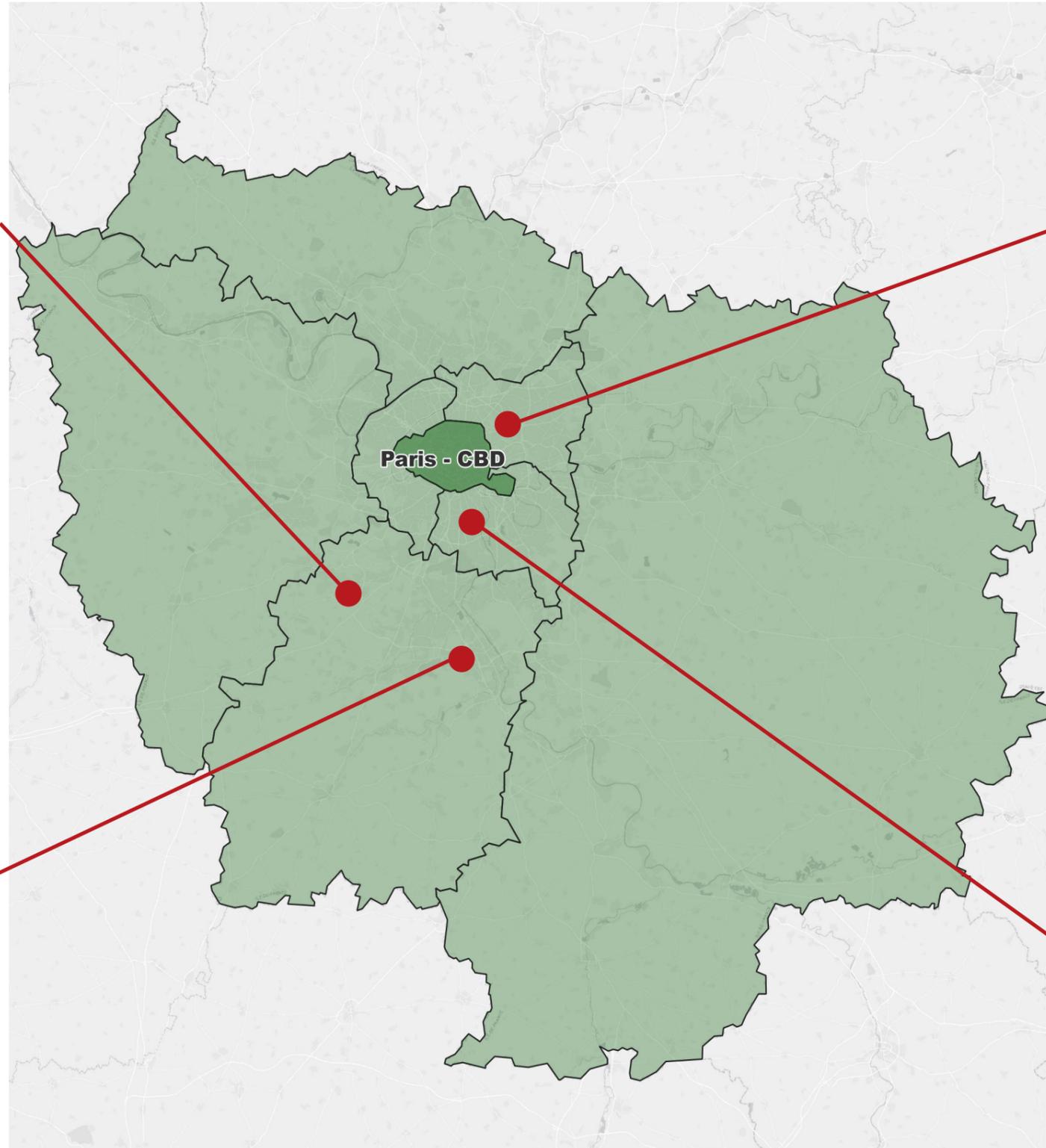
Paris's major innovation focused urban development zone

Paris-Saclay is a research-intensive science and innovation cluster which is home to Paris-Saclay University and Polytechnic Institute of Paris. Key occupiers include IUT d'Orsay, Université Paris-Saclay, Danone, Safran, Oracle and GSK alongside many other large corporate research facilities, SMEs and incubator hubs. Paris-Saclay is the largest life science campus in Paris.

The Campus Urbain is one of the largest innovation-intensive development projects in Europe. The Campus currently comprises approximately **872,000 sqm** of existing real estate across the University and major large corporations.

The Campus Urbain comprises the Servier and BioLabs incubator (**1,850 sqm**), the redevelopment of the former Danone R&D centre and the construction of the Paris-Saclay hospital (**45,000 sqm**).

Office rent: €140-€225 per sq m per annum



Innovation real estate anchored by Galapagos

Biocitech is a legacy asset in north-east Paris which was the former base of Sofrapen and Sanofi Laboratories.

Biocitech comprises **20,000 sqm** of existing real estate of which **7,077 sqm** is anchored by Galapagos and the remainder occupied by tenants including Mutabilis, Nexdot, Oroxcell and PrimeDiag.

Biocitech also includes **c.35,000 sqm** of developable land which has been earmarked for uses including life sciences and datacentres. Given the current massing on site, we assume between **90,000-100,000 sqm** of GLA could be constructed on site.

Office rent: €175-€210 per sq m per annum



A biocluster with a deep-rooted history

Genopole is France's leading biocluster for cutting-edge projects in biotechnology. It hosts the Genoscope Centre, initiator of the first decoding of the human genome, as well as many labs and platforms housing advanced technological equipment. The Genopole Ecosystem contains 600 scientists, one university, two IT schools, 25 R&D platforms, one hospital and 80 organisations. Key occupiers include Illumina, Integragen, Algama, Algentech, Anova-Plus and Glowee.

Genopole's office and lab buildings occupy **115,000 sqm** over five campuses. For start-ups, a **2,500 sqm** incubator is available with offices, shared equipment and laboratories for biotech research.

We understand that Genopole is delivering a new laboratory and incubator building of **c.5,000 sqm** which will be delivered in 2024.

Office rent: €180-€200 per sq m per annum



France's Oncology Research and Treatment Hub

Cancer Campus is regarded as the 1st European Cancer Centre and ranked #5 in the world. It includes the cancer-research institute, Gustave Roussy Institute (IGR), but also welcomes various healthtech companies. The Gustave Roussy Cancer Institute is a leading oncology hospital in Europe and one of the top five specialised hospitals globally. Key occupiers include Sanofi, Nanobiotix, Cellvax, AISA Therapeutics, QuantaMatrix, NeoNeuro and Endotact.

As part of the wider Campus Grand Parc scheme, the cluster will deliver **150,000 sqm** of scientific and commercial space with a further **20,000 sqm** of education facilities for the health sector, **30,000 sqm** of retail and amenities and 3,300 residential units.

Office rent: €220-€290 per sq m per annum

Paris-Saclay focus

The Paris-Saclay cluster covers more than 5,000 hectares and is known as one of Europe’s leading research campuses. The cluster attracts a range of STEM occupiers from across science, technology and innovation industries. The primary geographical focus of Paris-Saclay is located around the educational institutions, which are located on the Campus Urbain of Gif-sur-Yvette, Orsay and Palaiseau. The wider cluster, defined under the Opération d’Intérêt National (OIN), stretches up towards Versailles and Saint-Quentin-en-Yvelines cluster. Intel, the world’s second largest semiconductor manufacturer, is setting up its European research and development centre in Paris-Saclay which will be operational from 2024 and will eventually employ over 1,000 people.

The growing attractiveness of Paris-Saclay can be linked to the growing momentum of leading international occupiers moving to the cluster, but

more importantly, public transport connectivity will be significantly improved by the extension of Line 18 as part of the Grand-Paris project, Europe’s biggest infrastructure project. Grand-Paris will add 200km to Paris’ metro network, which is expected to cost €38 billion. When fully delivered in 2028, Line 18 will serve as a key transport link between Orly, Massy and Versailles going through the heart of Saclay’s Campus Urbain cutting transport times by more than 30 minutes in some cases.

Paris rental tone

Laboratory space is often built-to-suit and owner-occupied in distinct locations such as Campus Urbain or Genopole and it is therefore challenging to obtain detailed occupational evidence and lease information from occupiers.

This trend is similar in the UK however more transparency is emerging in key

clusters especially the Golden Triangle of Cambridge, Oxford and London. It is becoming clear when analysing the more established UK clusters, that there is a premium being paid for lab-enabled buildings in key life science locations. Based on our analysis of the aforementioned clusters, Savills research shows that in Paris, the average premium for lab-enabled space is circa 18% when compared with top rents for office space in the vicinity.

However, fully fitted, serviced laboratories achieve rents at an average premium of 22% above lab-enabled space, although much of this depends on the fitout and technology provided for the occupier. The limited supply of laboratories and intense competition from international lab occupiers seeking to enter Paris is expected to push strong rental growth over the coming year.

STEM occupier context within Paris-Saclay



Outlook

Paris demonstrates positive trends including strong venture capital investment growth in life science businesses, positive governmental support and a wide talent base. In France, Scientific and technical economic output is forecast to grow by a further 2.19% per annum over the next five years, signalling a strong economic outlook for investment in the sector. The same forecast figures for the UK and Germany are 2.15% and 1.58% respectively. Moreover, France records

relatively low inflation compared to other large life science destinations.

From a real estate perspective, Paris is severely undersupplied in terms of quality lab-enabled real estate, with strong forecast occupational requirements set to absorb any near-term pipeline. Paris comprises four key clusters with the Campus Urbain being the primary innovation cluster in proximity to the capital. Savills anticipate that existing

and emerging occupiers in the science and technology sectors will be attracted to Paris’s life science clusters to grow their operations and advance their discovery efforts, providing an opportunity for new development of multi-tenanted laboratory premises.



Savills Commercial Research

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

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