



Coastal Cities Dominate JLL’s 2015 List of Top U.S. Life Sciences Clusters

JLL’s annual Life Sciences Outlook Report reveals growth in pharmaceutical and biotech industries despite rising labor and real estate costs

CHICAGO, July 22, 2015 – U.S. biopharmaceutical innovation is thriving, with areas like Boston, Raleigh-Durham and San Francisco dominating U.S. life sciences activity. However, a scarcity of laboratory space is pushing biopharmaceutical companies to seek locations in suburban markets where space is available or can be constructed, while still providing proximity to talent and resources.

These trends, along with a ranking of the top U.S. life sciences cities and the global industry landscape, are revealed in JLL’s fourth annual *Life Sciences Outlook Report* released today.

“In their U.S. operations, biopharmaceutical companies are being squeezed by rising costs for highly trained talent, more expensive real estate markets and a shrinking supply of available laboratory space,” said Roger Humphrey, Executive Managing Director and leader of JLL’s Life Sciences group. “Many are willing to pay a premium for proximity to the leading research institutions and scientists, but the lack of space is compelling companies to look at secondary sites that are a little less conveniently located.”

Top U.S. life sciences clusters

High-volume mergers and acquisitions continue to reshape the biopharmaceutical sector as global pharmaceutical giants seek greater operating efficiencies through consolidation. Investment in start-ups and mid-sized companies developing new products is also playing a key role in industry dynamics. The report found that this burgeoning innovation has driven a space crunch for laboratories in cities such as Boston, Los Angeles and the San Francisco Bay Area.

Below is the 2015 ranking of the top 10 U.S. life sciences clusters:

Rank	2015 Outlook Report (current)	2014 Outlook Report	Year-Over-Year Trends
1	Greater Boston Area (no change)	Greater Boston	<ul style="list-style-type: none"> • Boston remains the clear world leader. • The San Francisco Bay Area continues to lead the nation in life sciences patents, with 1,652 total in 2013, the most recent year for which data is available. • Small and mid-size companies continue to drive most facility development and leasing transactions.
2	Raleigh-Durham (+2)	San Francisco Bay Area	
3	San Francisco Bay Area (-1)	San Diego	
4	San Diego (-1)	Raleigh-Durham	
5	New York City (n/a)	New Jersey/NYC/Westchester)	

6	Los Angeles/Orange County (No Change)	Los Angeles/Orange County	<ul style="list-style-type: none"> • The Raleigh-Durham area has experienced a strong uptick in life sciences start-ups and employment stemming from the region's well-regarded research institutions. • Long Island, New York City and New Jersey each boast unique cluster activity and varying real estate demand, warranting separate rankings this time around.
7	Philadelphia (No Change)	Philadelphia	
8	Long Island (n/a)	Suburban Maryland/Metro Washington DC	
9	Minneapolis (No Change)	Minneapolis/St. Paul	
10	Seattle (No change)	Seattle	
Source: JLL 2015 Global Life Sciences Outlook Report			

Rising labor, real estate costs spur emergence of new life sciences clusters

Along with the strong dollar and competition from generics, biopharmaceutical operations in the U.S. are facing rising labor and real estate costs. While the average rent for laboratory space rose by an average of three percent nationwide in the past year, rents grew dramatically in the top clusters—by 16.9 percent in San Francisco and 15.5 percent in San Diego. The national average rent per square foot (PSF) for lab space is \$24.30, but has skyrocketed to \$47.40 PSF in Boston and to \$37.30 PSF in San Francisco.

Rising rents are one reason small and mid-sized biotech companies are heading to Philadelphia, Denver and other more affordable locales, and saving their dollars for talent recruitment. As rent growth increases, low interest rates make construction a reasonable option in some locations, such as Minneapolis or Indianapolis, and those locations with available land and few life sciences facilities for rent.

Rapid growth of generics sales counteracted by emerging market opportunities for branded products

Demographic shifts continue to shape the market for life sciences products, and globalization is a key strategy for Big Pharma companies looking to compete against growing generics sales. These companies are finding opportunities in emerging markets, such as China and Indonesia, with significant economic growth, an expanding middle class and the increase in chronic diseases that tends to accompany increased purchasing power. For example, medical sales are expected to reach \$175.8 billion in China, and \$57.3 billion in Brazil by 2020.

Central and Latin America are increasingly becoming hotspots for Big Pharma manufacturing. Brazil is the top medical device producer in South America. As Brazil and other countries in the region continue to stabilize their economies and liberalize their markets, life sciences firms will likely move more production south to take advantage of low-cost land and labor.

About the Report

JLL's annual *Life Sciences Outlook* tracks geographic shifts in life sciences innovation, operations and facilities investments, including analysis of countries and cities most actively investing in their life sciences sectors. It includes a ranking of the top U.S. life sciences clusters, a look at top global cities to watch, as well as analyses of global trends. The complete findings of the *Life Sciences Outlook* are [available in a dedicated microsite here](#).

JLL offers a team of real estate and facility management experts dedicated to helping life sciences companies optimize and manage their real estate portfolios. The firm provides a comprehensive range of facilities management services to the life sciences community, providing services for 100 million square feet of research, manufacturing and office space, including GxP operations. Its industry-leading full-service platform includes: integrated facilities management, engineering and operations, energy and sustainability, transaction advisory services, lease administration, project management and comprehensive laboratory services.

A leader in real estate outsourcing, JLL's Corporate Solutions business helps corporations and public institutions improve productivity in the cost, efficiency and performance of their national, regional or global real estate portfolios by creating outsourcing partnerships to manage and execute a range of corporate real estate services. This service delivery capability helps corporations improve business performance, particularly as companies turn to the outsourcing of their real estate activity as a way to manage expenses and enhance profitability.

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