

“Multi-tenanted building could be a win-win for real estate and life sciences companies”

01 March 2024 | Views | By Anusha Ashwin

Biotechnology parks and clusters are emerging as key focal points for life sciences research and manufacturing in India. Building such facilities is no ordinary task. Several factors need to be considered for building such facilities and the models of leasing are changing constantly. Atul Bhardwaj, Business Head, Lighthouse Canton Real Estate, in an interaction with BioSpectrum, demystifies the real estate market developments in the life sciences space.



Could you give a broad overview of the current life sciences real estate scenario in India?

The life sciences real estate market in India is experiencing significant growth and transformation, driven by various internal and external factors. This sector encompasses a wide range of establishments, including manufacturing companies, biotech parks, research, and development (R&D) centres, and specialised laboratories. India's expanding biotechnology, pharmaceutical, and healthcare sectors are the primary drivers behind the increasing demand for life sciences real estate. With a growing emphasis on research and innovation, there is a heightened need for state-of-the-art facilities to support activities such as drug discovery, clinical trials, and manufacturing.

It is evident that a growing demand for state-of-the-art research facilities, cutting-edge laboratories, and advanced manufacturing units have created a wealth of opportunities for real estate developers. What is your take on this?

The pharmaceutical sector is poised for sustained growth, underpinned by its fundamental importance to all forms of life, including humans and plants, highlighting the indispensable nature of this industry. Unlike the technology sector, which faces challenges related to obsolescence, the pharmaceutical industry is characterised by continuous evolution, ensuring a perpetual demand for space.

What are the opportunities you see in developing greenfield life sciences facilities in India and how are life science innovations in the current era transforming the brownfield facilities?

India is home to the world's largest pharmaceutical industry, along with several other major global players, making it a pivotal hub in the international pharma landscape. The presence of almost all the top 50 global pharma companies in India, with many more eyeing the Indian market, underscores the country's significant role. As the third-largest exporter of pharmaceuticals by volume and the thirteenth by value, India has a robust domestic market further bolstered by the Government of India's 'Jan Aushadhi' scheme, aimed at providing quality generic medicines at affordable prices to its citizens. Additionally, India leads the world in the number of US FDA-approved manufacturing plants outside the United States.

These factors collectively highlight the immense potential for pharma-specific real estate development in India. A capable developer, equipped with adequate funding and talent, can create the specialised spaces required to meet the diverse needs of life sciences companies. The challenge lies in designing facilities that are tailored to the unique processes of pharma and biotech companies, complete with all necessary utilities to minimise initial setup costs.

The rapid advancements in scientific innovation, including the extensive use of AI in pharmaceuticals, the need for high-performance equipment, and the increasing importance of ESG (Environmental, Social, and Governance) criteria, necessitate the transformation of existing facilities. Often, traditional buildings cannot be repurposed to meet these new demands, leading companies to consider greenfield investments. For instance, if a brownfield laboratory lacks the structural integrity to support high-performance equipment like an NMR machine, it can significantly disrupt operations.

Moreover, obtaining US FDA and other regulatory approvals require strict adherence to safety standards, including specific requirements for access and exit points. Thus, the location, design, and amenities of a facility are crucial for a company's compliance and operational efficiency. This scenario underscores the importance of thoughtful real estate development in the pharmaceutical sector, where meeting the nuanced needs of the industry can lead to successful outcomes.

What are the potential benefits and challenges of housing multiple disciplines under one roof in a common life sciences facility? How do startups believe in channelising their funds or investments in innovation and R&D rather than on infrastructure or real estate?

In developed markets such as the USA, this asset class commands significant volume, with real estate companies often forming REITs and achieving listings on stock exchanges. There exists a mature ecosystem of life sciences companies where leasing, especially in exclusive clusters, is the preferred option for both established entities and startups, given the manifold advantages.

India is beginning to see a similar trend, where the cost of establishing a lab can exceed Rs 5,000 per square foot, excluding the expenses for high-end portable equipment and skilled manpower. Companies are increasingly recognising the importance of allocating their resources wisely, focusing investments on their core processes rather than on real estate and infrastructure.

Although the journey ahead is long, the rising costs of real estate ownership and the scarce availability of land near pharma-specific clusters are prompting companies to appreciate the value of entrusting their real estate needs to specialists.

What are the different types of leasing models available for laboratory spaces in India?

The rapid expansion of the life sciences sector in India is driving an increased demand for laboratory spaces that can cater to diverse needs, encompassing both research and development (R&D) and manufacturing activities. To address this demand,

the real estate market offers a range of leasing models tailored to meet the varied requirements of industry tenants.

For entities with long-term commitments and specific needs, dedicated laboratories present an attractive option. These facilities are customised to meet the unique requirements of a single tenant or organisation, offering greater control over layout, design, and equipment selection. Tenants can optimise the space for their manufacturing or research activities in dedicated labs, ensuring maximum productivity and efficiency.

Built-to-suit leasing represents another alternative, involving the construction of specialised R&D facilities tailored to the tenant's specifications. This approach provides tenants with the highest level of flexibility and control over the space, allowing them to design and furnish the entire building according to their specific needs. However, built-to-suit arrangements may entail longer lease obligations and higher upfront costs.

Additionally, innovation hubs and incubators play a crucial role in supporting early-stage companies and entrepreneurs in the life sciences industry. These facilities facilitate creativity and collaboration by offering access to funding opportunities, mentorship, shared laboratory space, and business support services, fostering innovation and driving growth within the sector.

Anusha Ashwin