

## Made for Life: CRE in Germany's Thriving Life Sciences Market



Among the commercial real estate (CRE) subsectors that have shot to prominence in recent years, few have made as big of a splash as the life sciences. Across the US, demand for life sciences real estate has grown, even as the CRE market overall starts to slow down.

In Europe, the situation has been much the same – with life sciences startups and established companies contributing a disproportionately large amount to overall value. Few European countries have contributed as much to that growth, however, as Germany.

### Healthcare and Pharmaceutical Boom

Over the past few years, Germany has accelerated its position as a leader in life sciences R&D (Research and Development), especially in the pharmaceutical, biotechnology, and medical devices industries.

According to Germany's economic development agency, Germany Trade and Invest (GTAI), the country's pharmaceutical market is also the largest in Europe, and the fourth largest in the world – accounting for 4% of global pharmaceutical spending.

All in all, it's no surprise then that life sciences real estate is booming in Germany, especially around the labs and production facilities that make up the country's multiple life sciences "clusters" (i.e., areas with a high concentration of life sciences properties).

### Facts and Figures

In their "Life Science 2023" report, NAI Apollo notes that rents in "clusters" can run as high as €30.00 per square meter (sqm).

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More typically, the report says, rents for life sciences properties in Germany range from €12.00 -€20.00/sqm “depending on the age of the building, the quality of the space, the location, the tenant, and the rental period.”

Some other “quick facts” from the report include that:

- The vacancy rate in the sector is only 2% (adding to rent pressure), and
- Demand for life sciences space is still trending up, with a current estimate that: “around 1.15 million sqm of additional life science space will be needed in 2023 and 2024.”

### Expansion Plans

Part of what’s driving the uptick in demand is the nature of the industry itself. As life sciences companies expand from pure R&D activity to testing, and eventually the production phase of their products, their space requirements increase.

This means that over time, demand is likely to trend higher as new companies build up their operations to the point of needing more, and differently equipped, space to meet their growing needs.

### Outlook on Life

Though it’s difficult to say exactly how current economic pressures are likely to affect the German market in the immediate future, taken together the data certainly seems to indicate a sector poised for further growth, especially in the country’s life sciences clusters.

As NAI Apollo states: “...there is also strong demand in these regions for potential new space, which will in all likelihood continue to grow in the coming years.”

