

LIFE SCIENCES REAL ESTATE

A market pulse check
on the Chinese Mainland

October 2024 | Greater China Research

Better never settles



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EXECUTIVE SUMMARY



01 – EXECUTIVE SUMMARY

Business Growth

- At 58.9% and 35.3% exactly, according to our survey of our life sciences enterprise clients doing business on the Chinese mainland noticeably more life sciences enterprises view the business market as one of growth over the next five years than those that don't.
- The tailwinds to business growth on the Chinese mainland are many and include policy, market size, general industry growth, positive population demographic dynamics, and the amount and level of innovation occurring.

Real Estate Expansion

- At 52.9% of the vote, most of our survey respondents expect further footprint expansion of their enterprise's real estate portfolio on the Chinese mainland.
- Making the right choice in terms of the nature and size of an enterprise's real estate portfolio can often make or break the business.
- Good choices are often derived from sound strategic study and analysis.

Location, Cost and Quality

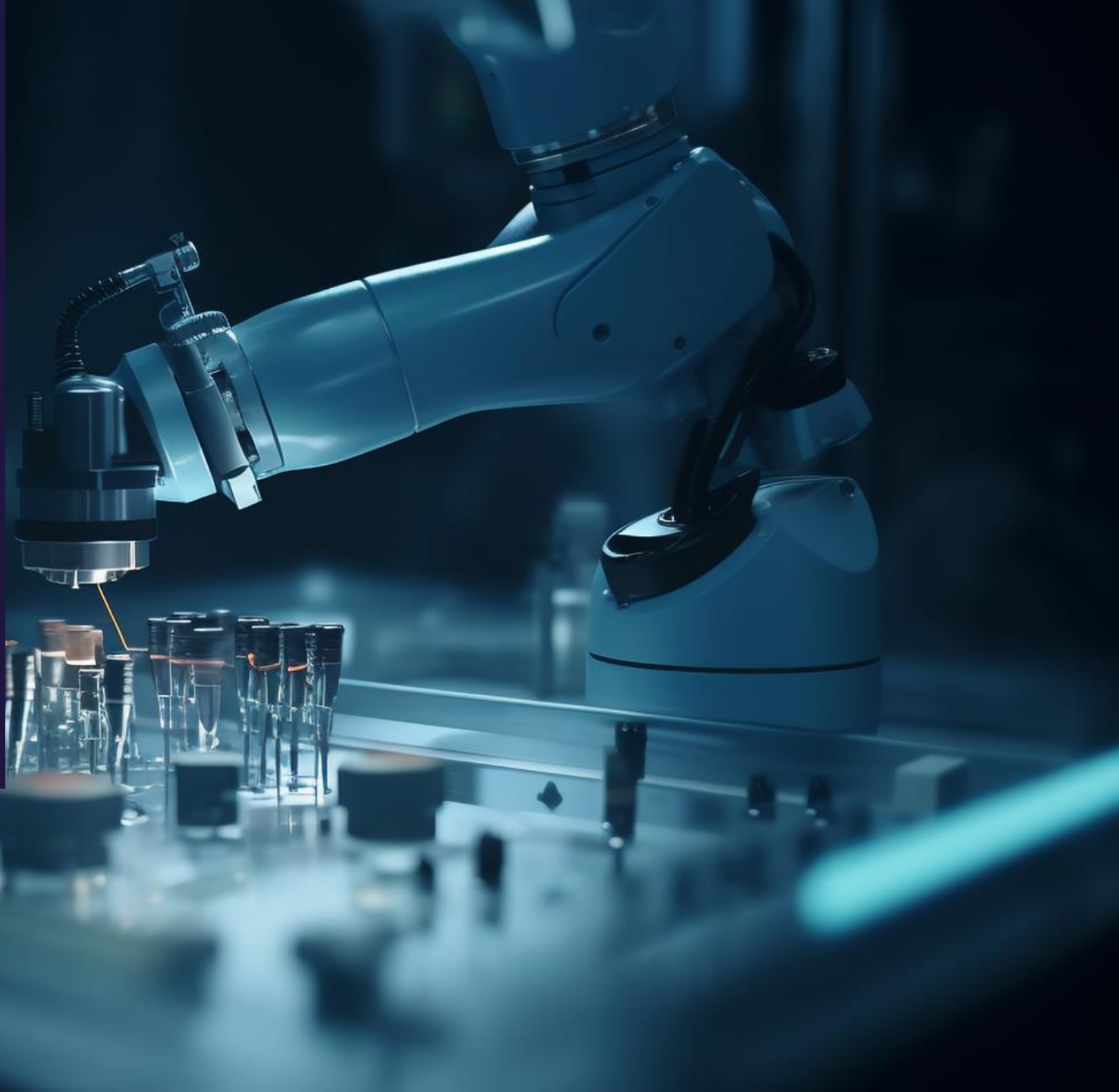
- Building location, at 64.7%, was selected by our survey respondents as the most important criteria to consider when occupying/looking to occupy a real estate facility on the Chinese mainland.
- In second and joint third spots in our survey were leasing cost and building quality and property/facilities management services quality, at 58.8% and 29.4%, respectively.

Sustainability

- At 64.7%, the majority of our survey respondents suggested green certified real estate space on the Chinese mainland is an important criteria for their real estate portfolio to have in place in the region.
- Life sciences enterprises doing business on the Chinese mainland are now very much aware of the concept of environmental, social, and governance (ESG) and many now have their own ESG reporting goals to achieve.

02

INTRODUCTION



02 – INTRODUCTION

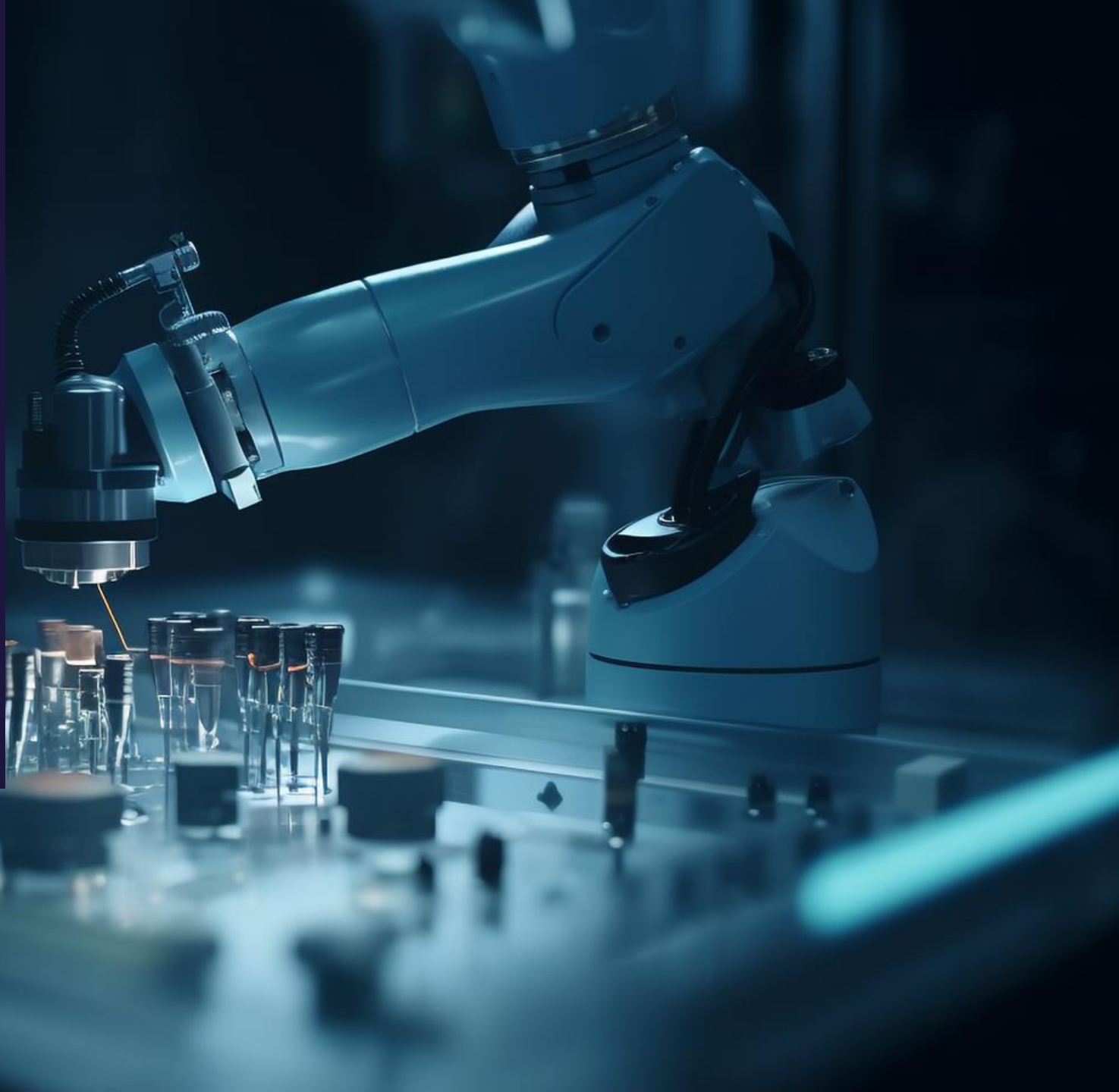
This report focuses on a 10-question questionnaire survey we recently conducted on real estate practitioners working for life sciences enterprises on the Chinese mainland.

The questions centred on their perspectives and the answers provide the reader with the latest thinking these same real estate practitioners have on the market conditions and have on their current and future real estate strategy to attain business-related success within the Chinese mainland region.



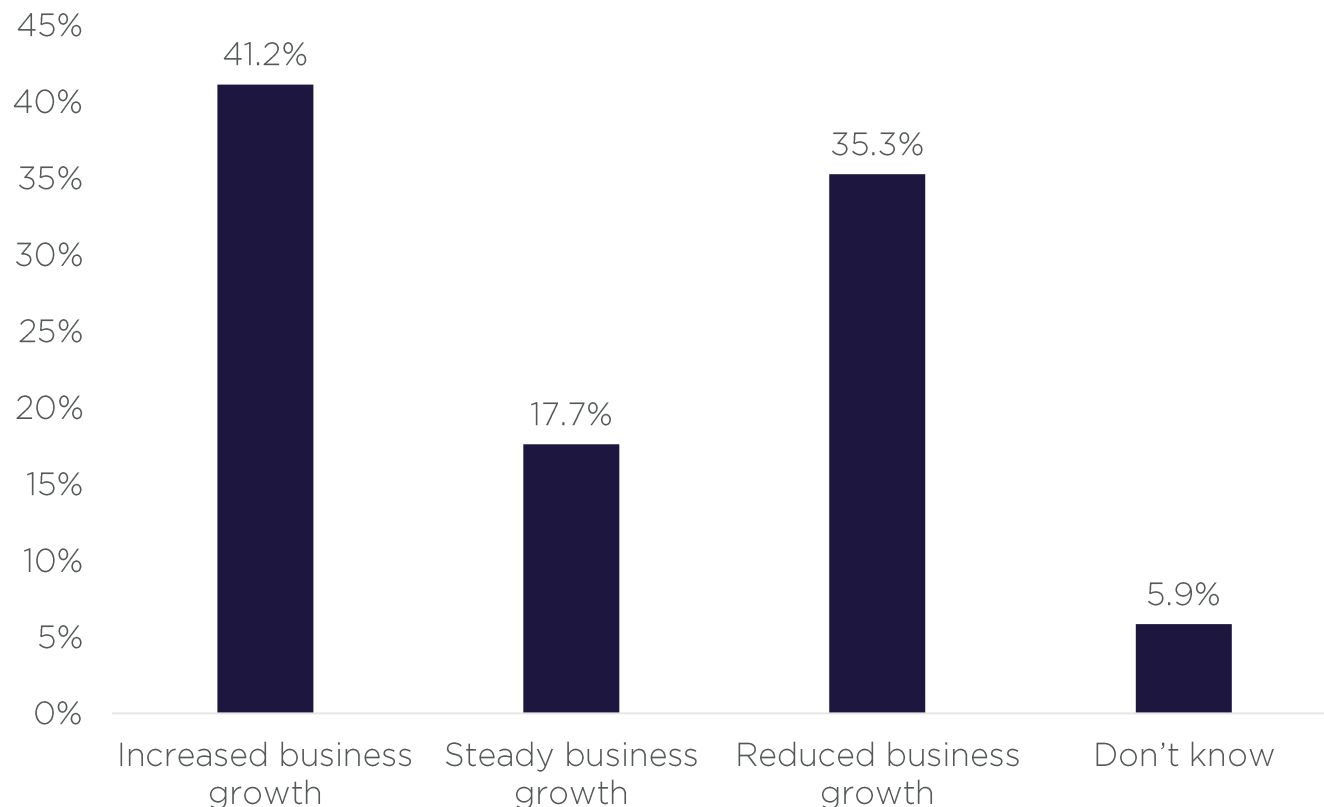
03

**SURVEY
RESULTS**



03 – SURVEY RESULTS

1. How do you see the life sciences business market on the Chinese mainland over the next five years? (Please choose one answer).



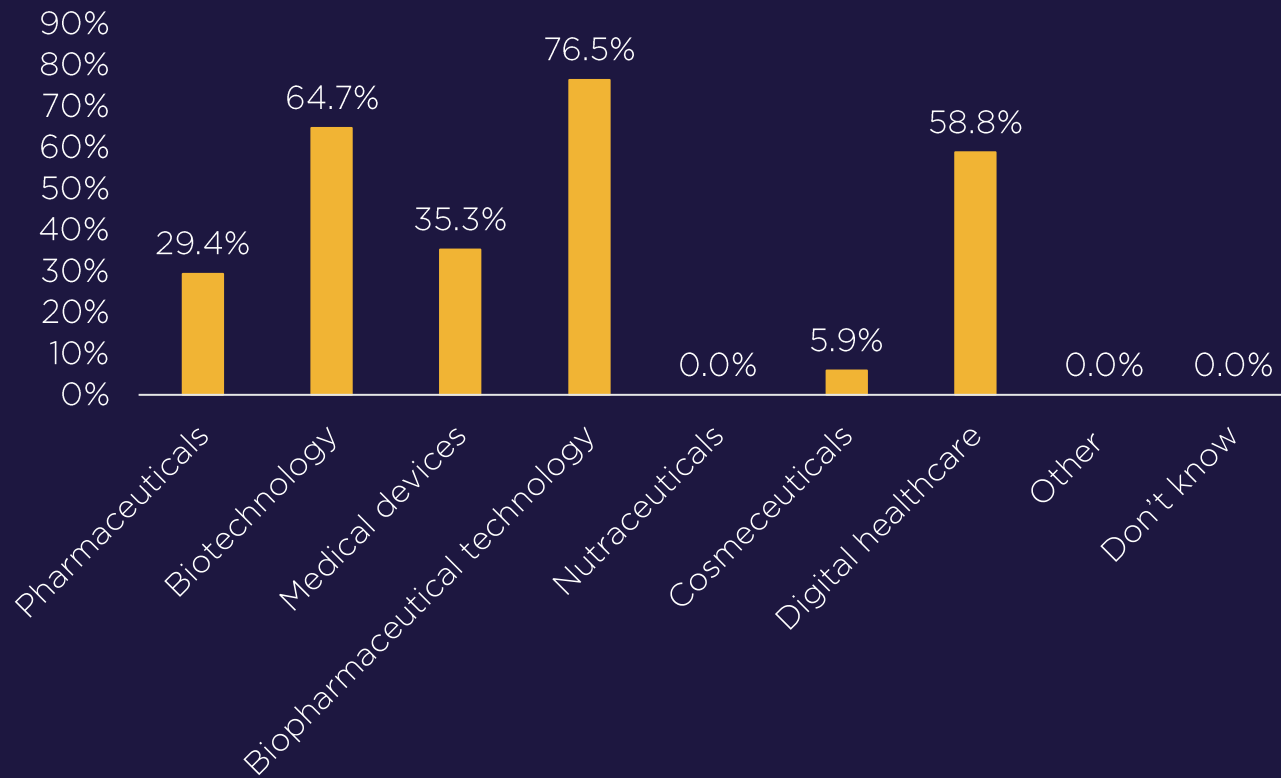
Source: Cushman & Wakefield Research

Business growth envisioned in a competitive market

- At 58.9% and 35.3% exactly, according to our survey of our life sciences enterprise clients doing business on the Chinese mainland noticeably more life sciences enterprises view the business market as one of growth over the next five years than those that don't.
- For enterprises which view the market favourably, the reasons are many and include policy, market size, general industry growth, positive population demographic dynamics, and the amount and level of innovation occurring on the Chinese mainland.
- For those enterprises which believe business growth will dip over the course of the near future, again, there are some reasons for this and two that spring to mind include increased business competition and a soft-growth economic environment.
- To improve the business environment, reforms are being carried out. Two areas cited by most of our survey respondents which could be further improved are for an allowance for life sciences enterprises to use cross-border data for new medicine license applications; and, imported medicines to be able to retain their overseas marketing authorisation holder (MAH) status.

03 – SURVEY RESULTS

2. Which life sciences business sectors do you see enjoying the most business growth on the Chinese mainland over the next five years? (Please choose all answers that are applicable).



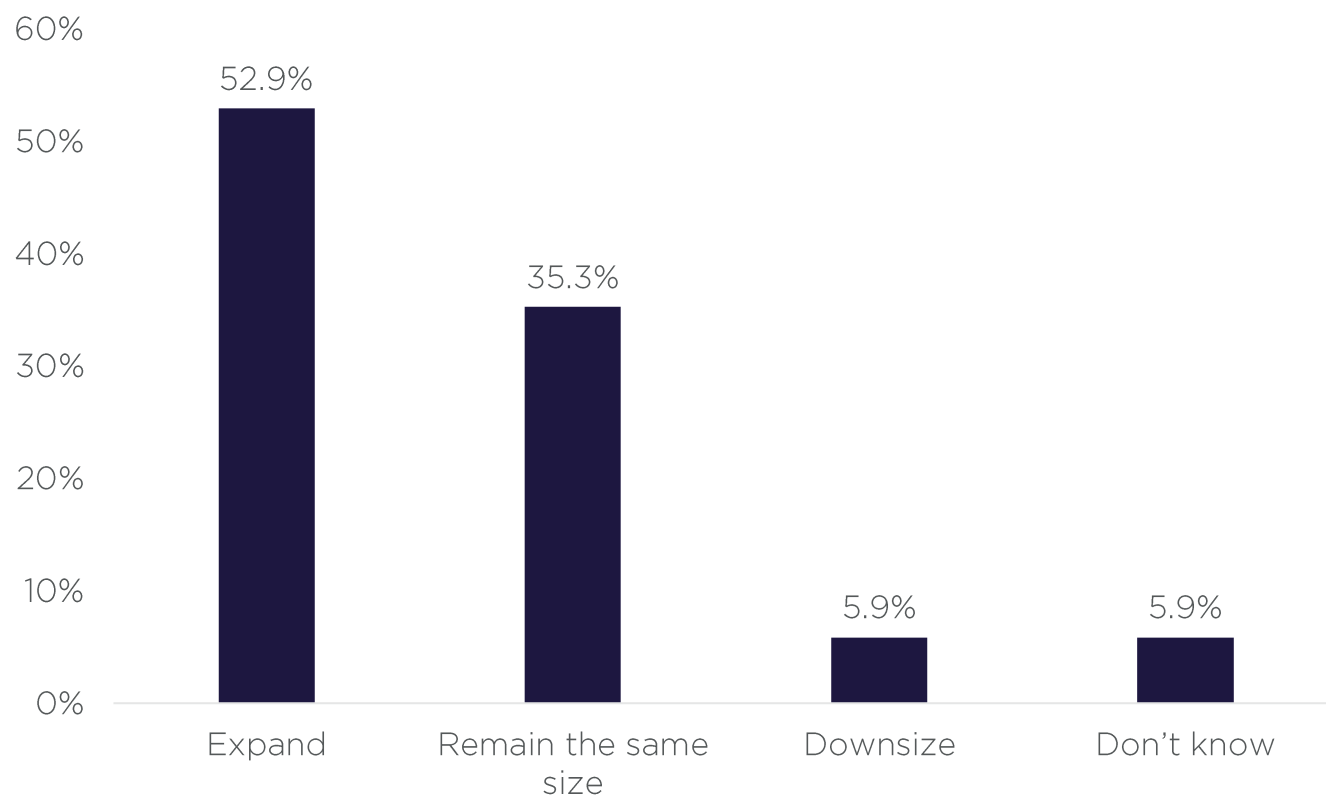
Source: Cushman & Wakefield Research

Technology and digitisation to drive life sciences business sectors

- With biopharmaceutical technology, biotechnology and digital healthcare receiving 76.5%, 64.7% and 58.8% of the respondent vote, respectively, it's not surprising that business growth potential on the Chinese mainland spans several life sciences industry sectors and this has not been lost on overseas and domestic life sciences enterprises.
- Moving forward, there is also likely to be greater investment and spending channelled into disease prevention infrastructure on the Chinese mainland. Other enhancements are likely to concentrate on improved patient-centric life sciences products, equipment, systems and processes, community healthcare, healthcare insurance and life sciences technology.
- Ahead, as well, patient-centric healthcare hospital and in-home medical products, equipment imaging and information technology (IT) are likely to increase. Going forward into the near future, with artificial intelligence (AI) coming to prominence more and more within the Chinese mainland's healthcare system, these products, equipment and technology will be further coupled with AI to further ensure effectual patient diagnosis on the Chinese mainland.

03 – SURVEY RESULTS

3. What will your enterprise’s life sciences real estate footprint do on the Chinese mainland over the next five years? (Please choose one answer).



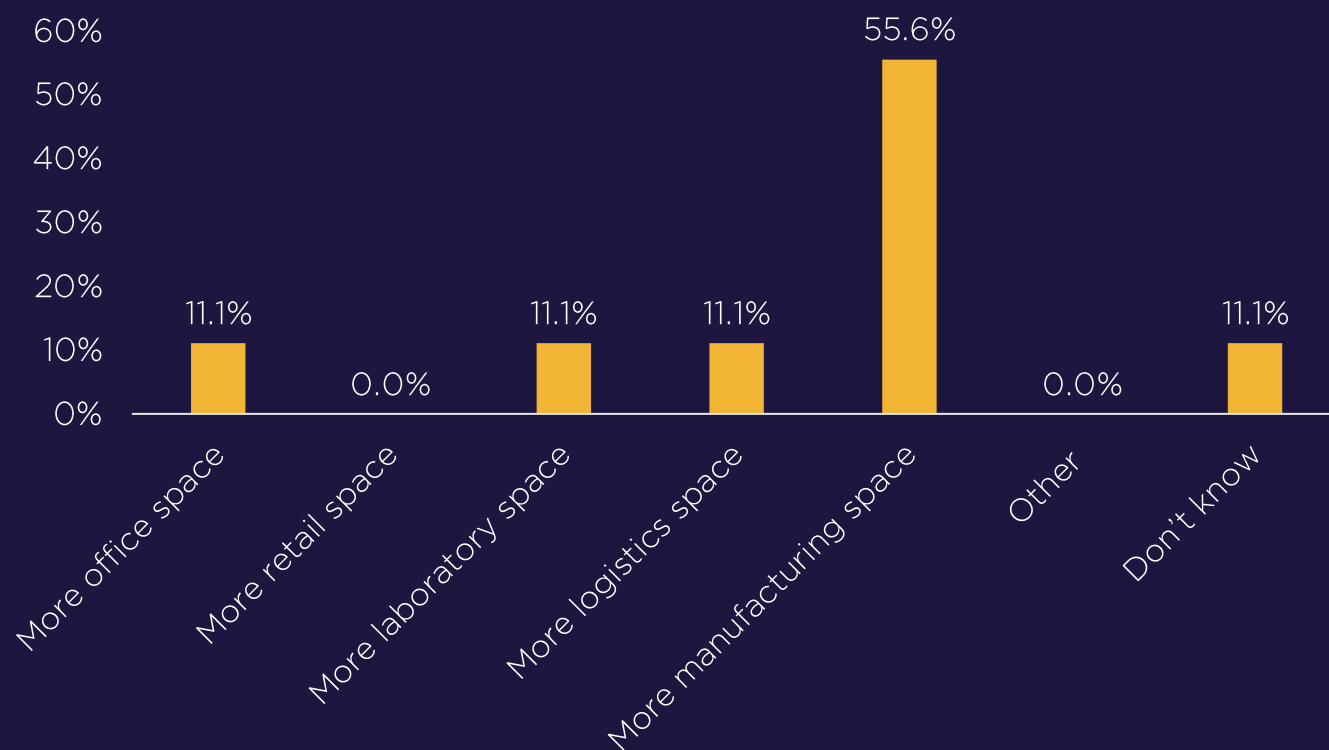
Source: Cushman & Wakefield Research

Real estate footprint expansion is the way forward

- In line with growth related to certain life sciences industry sectors as well as a sizable proportion of our survey respondents suggesting continued business growth over the next five years, at 52.9% of the vote, most of our survey respondents expect further footprint expansion of their enterprise’s real estate portfolio on the Chinese mainland.
- Real estate plays an integral role in the business success of any enterprise, including those operating in the life sciences business arena and making the right choice in terms of the nature and size of an enterprise’s real estate portfolio can often make or break the business.
- Good choices are often derived from sound strategic study and analysis and via much in-depth examination, and many life sciences enterprises have and will continue to execute on a real estate expansion strategy for the Chinese mainland.
- This strategy is intertwined with the notion of continued business growth for the region and according to estimates from Frost & Sullivan, the total healthcare expenditure on the Chinese mainland is expected to achieve and maintain a CAGR of 9.5% to reach RMB13.0 trillion in 2027.

03 – SURVEY RESULTS

4. If expansion is envisioned on the Chinese mainland, what life sciences real estate type will be your enterprise's top expansion priority over the next five years? (Please choose one answer).



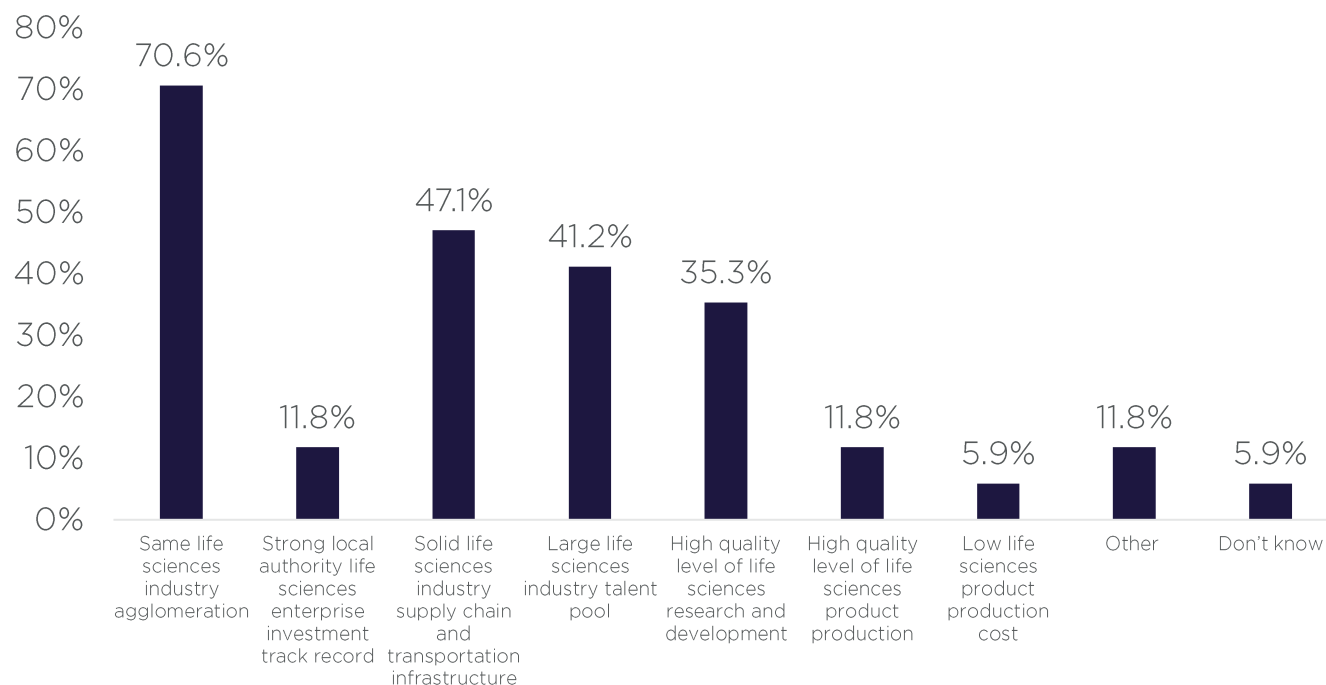
Source: Cushman & Wakefield Research

Quality factory space will continue to be in demand

- Like a number of other enterprises in other industries, there are many moving parts and specialist properties to a typical life sciences enterprise's real estate portfolio, including a combination of offices, retail outlets, R&D labs, logistics facilities, manufacturing plants, etc.
- If looking to expand their real estate footprint on the Chinese mainland, at 55.6% of the vote, the one standout property type which life sciences enterprise-related respondents to our survey expect to grow is manufacturing space.
- Undoubtedly, as the life sciences industry on the Chinese mainland moves up the value chain, the type of manufacturing space life sciences enterprises will look to secure will increasingly be of higher quality.
- In the last few years, lighthouse factories, unmanned factories, and smart factories have been sprouting on the Chinese mainland. Driven on by the increased efficiency and productivity, by the end of 2023, according to Xinhua, 421 national-level demonstration factories had been incubated on the Chinese mainland and over 10,000 provincial-level digital workshops and smart factories had been established.

03 – SURVEY RESULTS

5. When moving to a new area/city on the Chinese mainland, what does your enterprise prioritise the most? (Please choose all answers that are applicable).



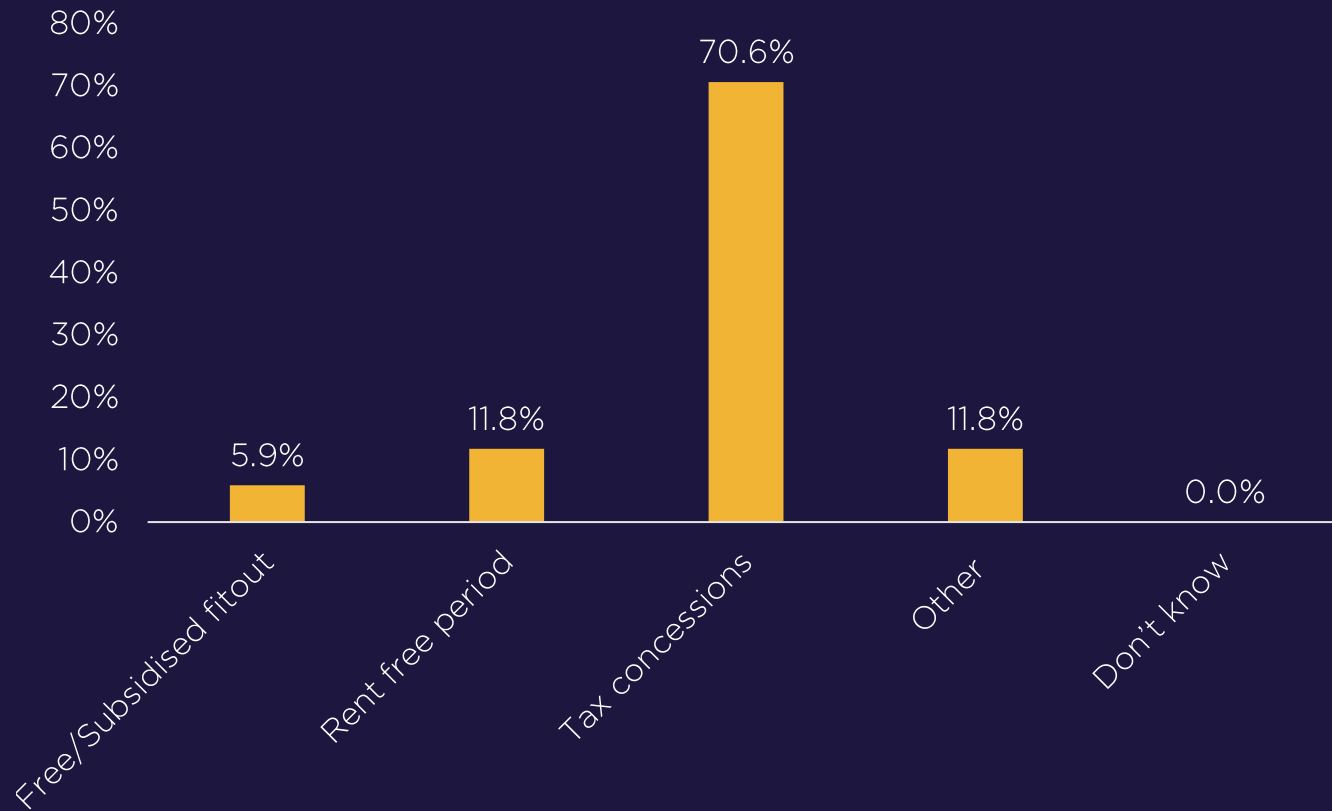
Source: Cushman & Wakefield Research

Same industry agglomeration tops location-related priority

- Thinking strategically about where to locate their businesses, life sciences enterprises also have to take into consideration the local city markets within a country and within those city markets, the sub-market dynamics as well as any present dedicated biotech parks.
- Understanding this, when moving to a new area or city on the Chinese mainland, at 70.6%, 47.1% and 41.2% of the vote, our survey revealed that same life sciences industry agglomeration, a solid life sciences industry supply chain and transportation infrastructure and a large life sciences industry talent pool, respectively, are the three most important criteria a location should have in the eyes of life sciences enterprises operating on the Chinese mainland.
- Interestingly and importantly, in the “Other” category according to our survey, policy support and established good government relations were also noted as important criteria for areas/cities to have in place and have with an enterprise, respectively, for these localities to be deemed attractive localities for life sciences enterprises to do business in on the Chinese mainland.

03 – SURVEY RESULTS

6. When moving to a new area/city on the Chinese mainland, which commercial incentive appeals to your enterprise the most? (Please choose one answer).



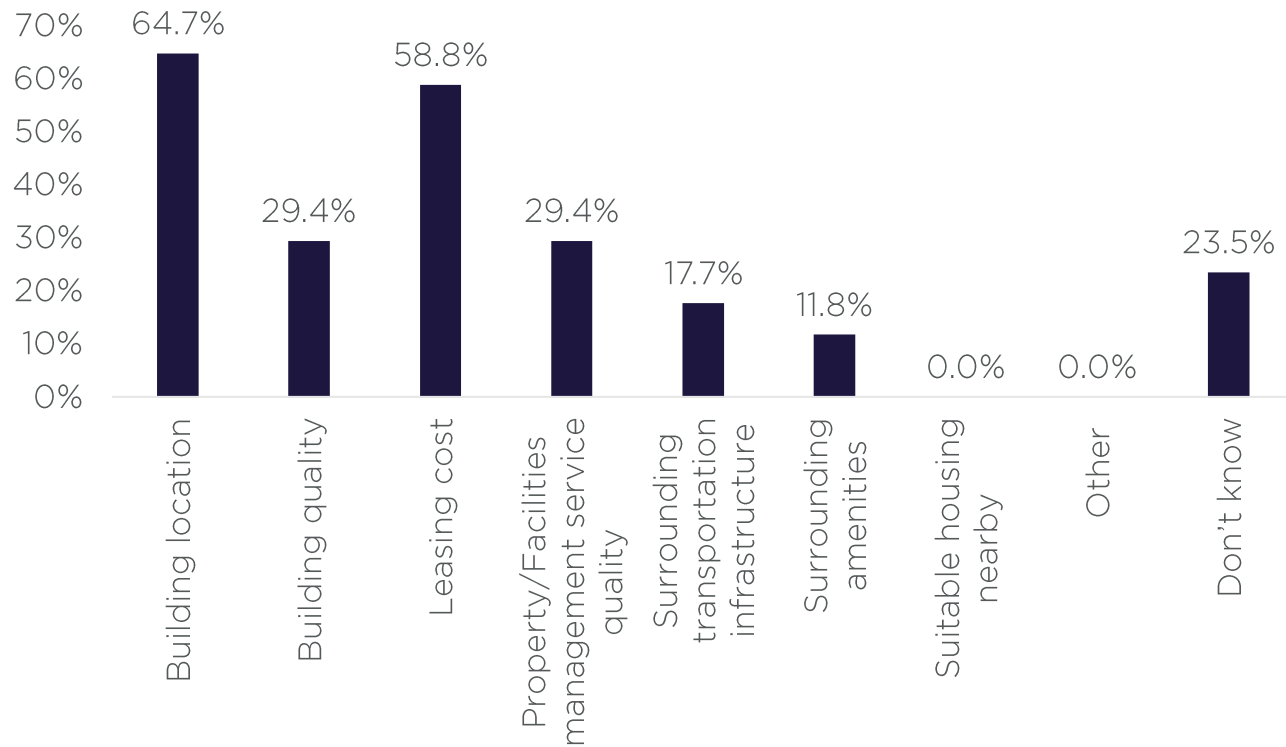
Source: Cushman & Wakefield Research

For business incentives, it's got to be tax

- Business tax concessions are what many businesses around the world strive to obtain and with 70.6% of survey respondents suggesting that this is the most important business incentive pull factor when considering a location move on the Chinese mainland, life sciences businesses are no exception.
- To encourage business investment and boost economic development, selected localities on the Chinese mainland have and will continue to offer selected tax concessions to selected businesses which are looking to locate to their jurisdiction.
- In equal second place in our survey, at 11.8% of the vote, was the “Other” category. Interestingly, here again, it was business-related incentives, such as industrial capital support and general local authority support and customer resources, which were mentioned by survey respondents as being key considerations life sciences enterprises operating on the Chinese mainland take into account when weighing up location options.

03 - SURVEY RESULTS

7. When occupying/looking to occupy a life sciences real estate facility on the Chinese mainland, what does your enterprise prioritise the most? (Please choose all answers that are applicable).



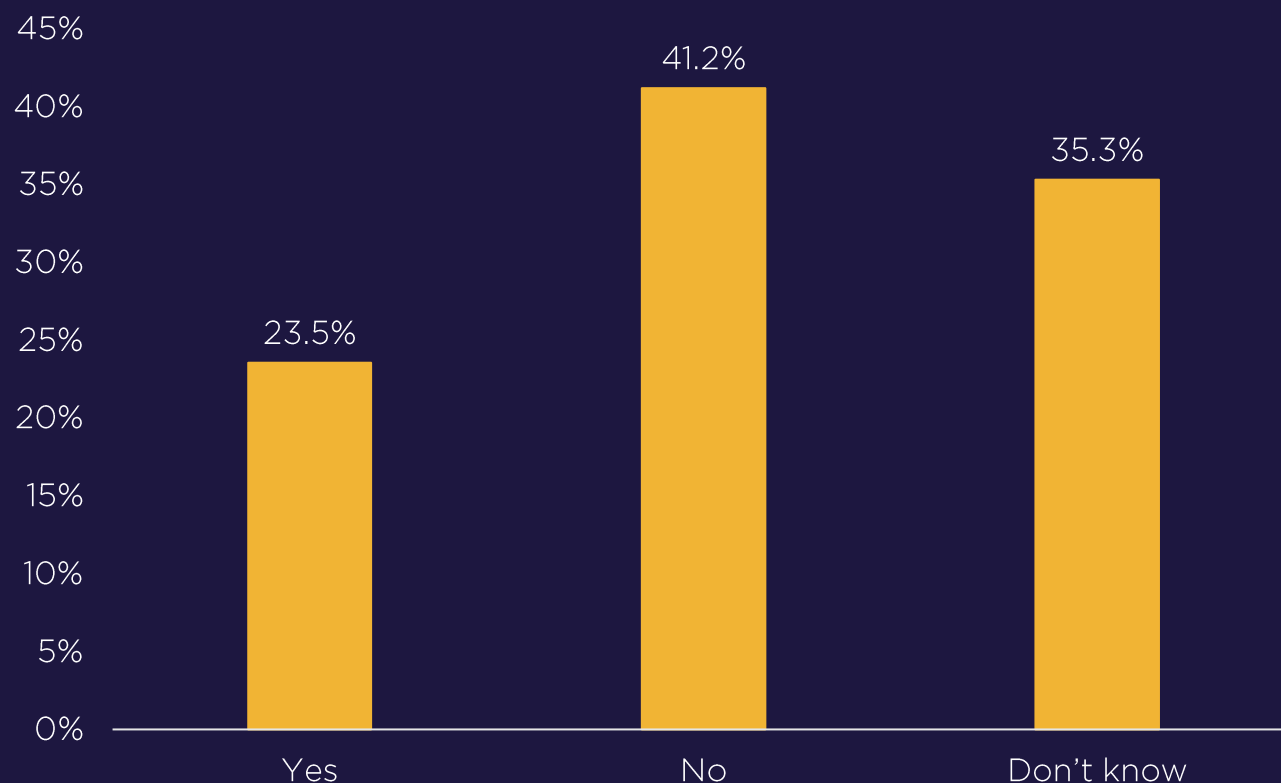
Source: Cushman & Wakefield Research

Building location, leasing cost and building quality are key

- The location of each specialised real estate asset associated with a life sciences enterprise has to be considered carefully to ensure business success optimisation. For example, having a manufacturing plant sited in a particular location, might allow the life sciences enterprise to tap into a strong locally available life sciences industry talent pool, and/or might qualify the business for a tax break, and/or might be favourably looked upon by the authorities when seeking further business expansion at a future date. Therefore, it is of no surprise that building location, at 64.7%, was selected by our survey respondents as the most important criteria to consider when occupying/looking to occupy a real estate facility on the Chinese mainland.
- In second and joint third spots in our survey were leasing cost and building quality and property/facilities management services quality, at 58.8% and 29.4%, respectively. Leasing cost will always be on the radar of any enterprise, including life sciences enterprises, both overseas and domestic. These same enterprises will also be constantly looking to better the quality of their leased real estate to ensure it is always in line with the enterprise's ever-advancing brand.

03 – SURVEY RESULTS

8. Does your enterprise see real estate as playing a key role in the retention and attraction of your talent? (Please choose one answer).



Source: Cushman & Wakefield Research

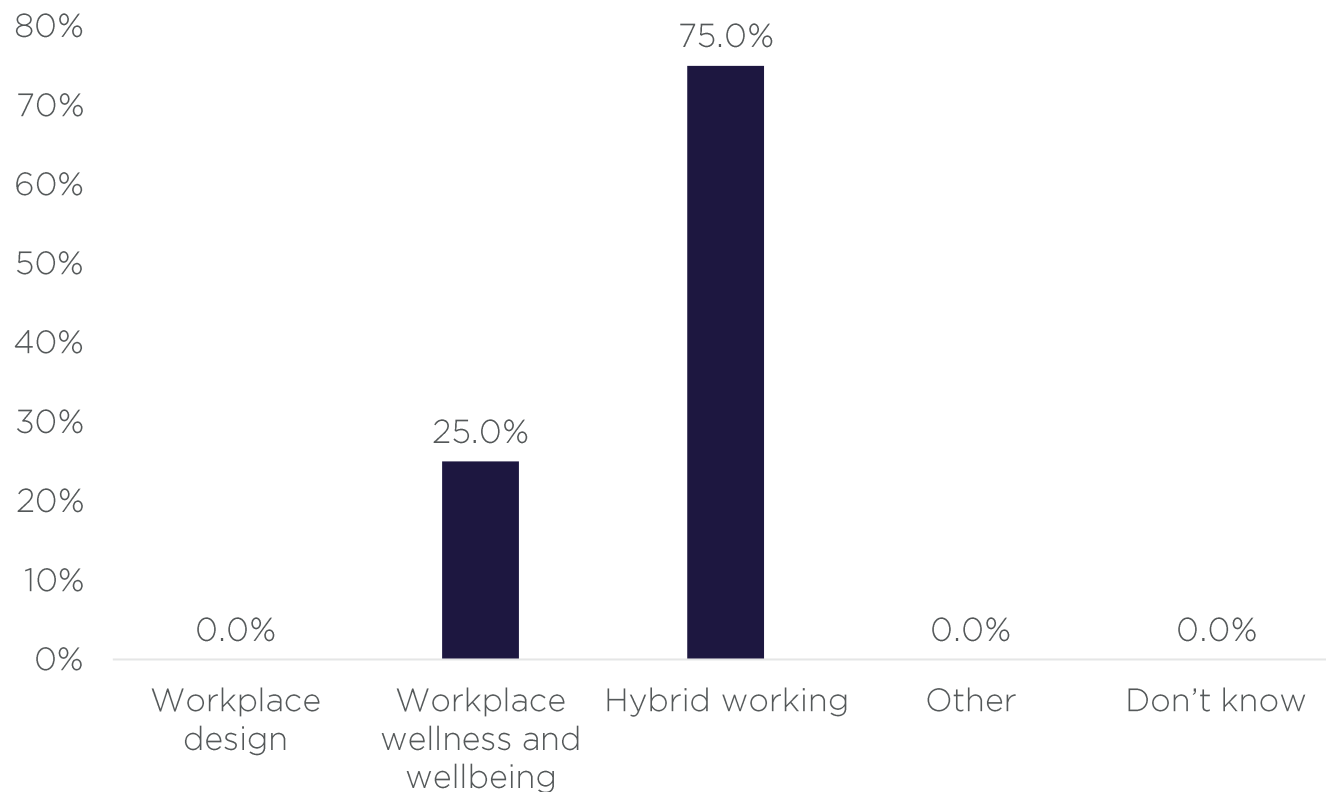
As awareness grows, real estate to play a bigger talent magnet role

- Interestingly, at 41.2% and 35.3%, our survey respondents suggested that, respectively, they see real estate as not playing an important role in the retention and attraction of talent to their enterprise or they are unsure of its importance.
- Why this is interesting is that across many industry sectors globally and on the Chinese mainland, there have actually been many cases where real estate has been proven to play a critical role in placing enterprises in the best position to retain and attract top talent.
- With the right advice and execution on:
 - Space design;
 - Integrated real estate technology;
 - Property management services;
 - Wellness and wellbeing enhanced space;
 - Workplace-related amenities;
 - Etc...

...life sciences enterprises on the Chinese mainland will be able to offer workplaces that will be more appealing to both existing and potential new employees.

03 – SURVEY RESULTS

9. If yes, which real estate-related offering/feature will be your enterprise's top priority over the next five years? (Please choose one answer).



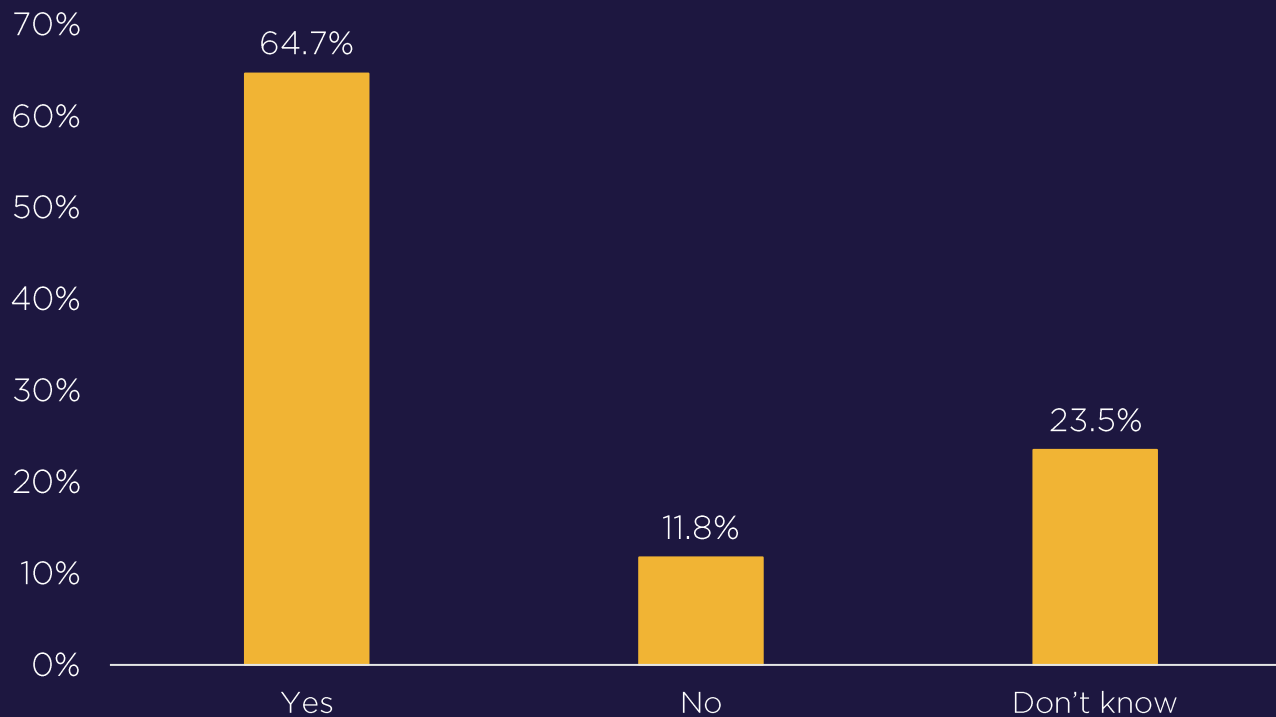
Source: Cushman & Wakefield Research

Hybrid working is expected to be further adopted

- Clearly out in front in terms of a real estate offering/feature life sciences enterprises doing business on the Chinese mainland feel will be a priority in the short- to mid-term future is, at 75.0% of the survey vote, the adoption/further adoption of a hybrid working system within the company for their employees.
- For those hybrid-office-working-system-adopting-and-implementing life sciences enterprises, there are a number of employee-related advantages to adoption, including, firstly, the freedom for employees to choose when and where they work, secondly, a more efficient use of employees' time when working within a hybrid office working system, and thirdly, a better life/work balance, especially when the two-way commute is cut out of the working day equation.
- From the enterprise's perspective, given the more efficient use of an employee's work time, greater work productivity is the obvious hybrid working system adoption advantage and this advantage will likely also help drive further adoption by life sciences enterprises doing business within the Chinese mainland region over the next five years.

03 – SURVEY RESULTS

10. Will your enterprise consider/continue to consider green certified space when looking to occupy life sciences real estate on the Chinese mainland over the next five years? (Please choose one answer).



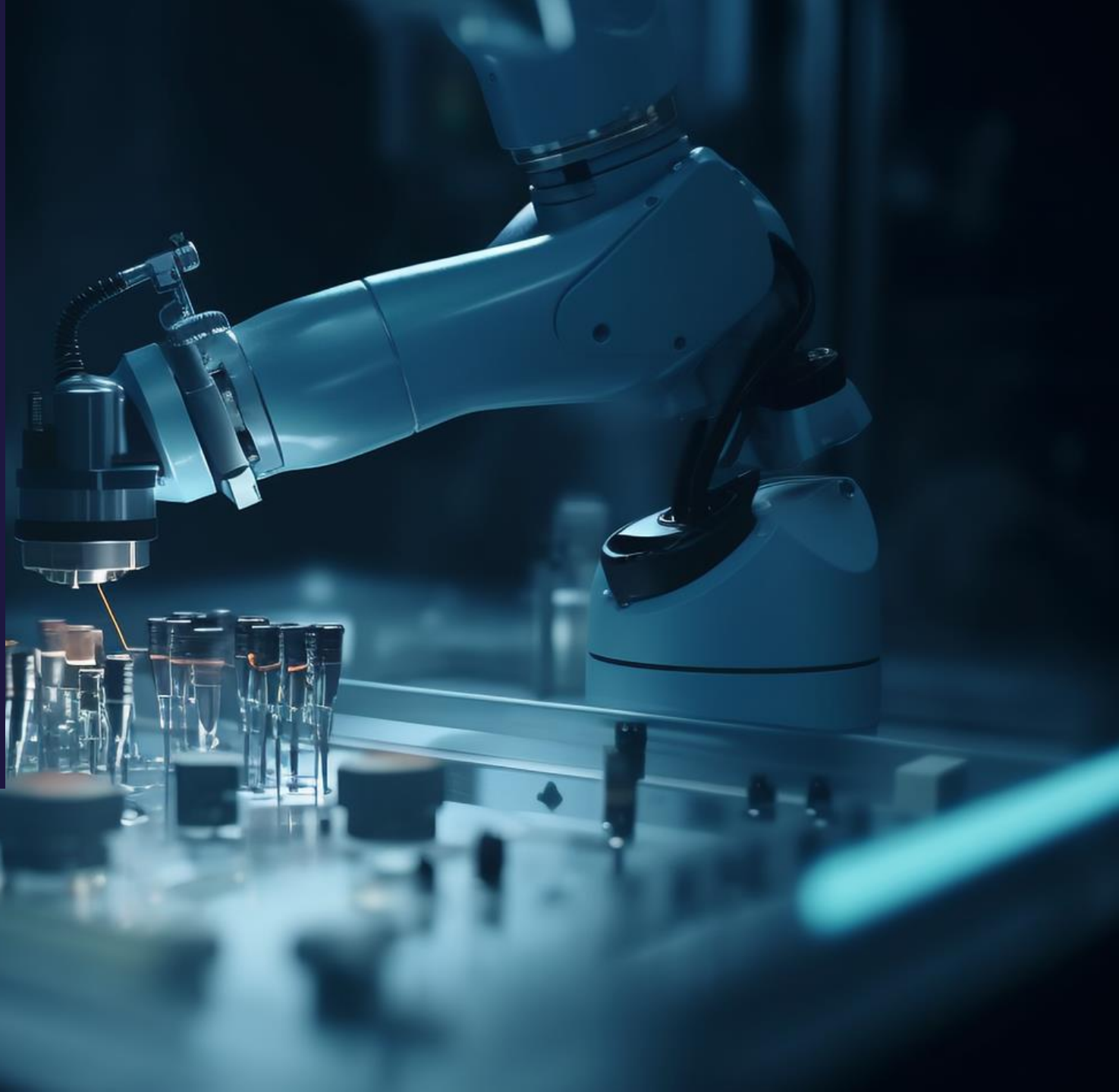
Source: Cushman & Wakefield Research

A yes for green certified space

- Simply put, at 64.7%, the answer to this question is a resounding “Yes” for green certified real estate space.
- Life sciences enterprises doing business on the Chinese mainland are now very much aware of the concept of environmental, social, and governance (ESG) and many now have their own ESG reporting goals to achieve.
- One way to achieve these goals is to occupy ESG compliant green real estate, whether it is office space, retail outlet space, R&D lab space, logistics facility space, or manufacturing plant space when conducting their business.
- Although many green real estate certifications are founded on how a building is designed and constructed rather than how it’s operated, certifications are still considered a good indicator for sustainability-minded enterprises doing business on the Chinese mainland, including life sciences enterprises, on how green a building actually is.

04

KEY TAKEAWAYS



04 – KEY TAKEAWAYS

- **Business growth** – The tailwinds to business growth on the Chinese mainland are many and include policy, market size, general industry growth, positive population demographic dynamics, and the amount and level of innovation occurring.
- **Real estate expansion** – Real estate plays an integral role in the business success of any enterprise, including those operating in the life sciences business arena and making the right choice in terms of the nature and size of an enterprise’s real estate portfolio can often make or break the business.
- **Location, cost and quality** – The location, cost and quality of each specialised real estate asset associated with a life sciences enterprise have to be considered carefully to ensure business success optimisation.
- **Sustainability** – Life sciences enterprises doing business on the Chinese mainland are now very much aware of the concept of environmental, social, and governance (ESG) and many now have their own ESG reporting goals to achieve.



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