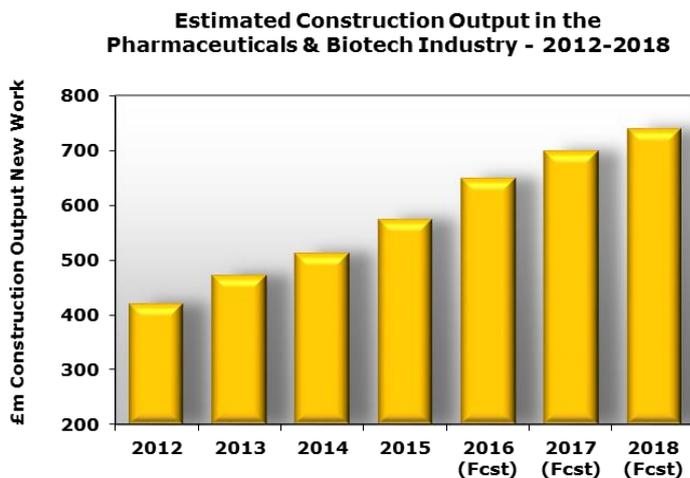




PRESS RELEASE

Double digit growth anticipated in the UK pharmaceutical construction sector in 2016

November 2016 – Cheltenham, UK



The level of construction output in the pharmaceutical sector has grown strongly in recent years, with a focus of developments on high-value laboratories and cleanrooms. The market is currently buoyant and showing double digit growth, with a further 13% growth anticipated for 2016. The UK is one of the largest pharmaceutical markets in the world, and the sector makes a greater contribution to the UK economy than any other industrial sector.

Though there has been some scaling-back of R&D budgets in the UK in recent years - due to issues such as slowing R&D pipelines, dwindling R&D and healthcare budgets, rising costs, impending 'patent cliffs', increased regulatory controls and increased pricing pressures - pharmaceutical manufacturing investment activity in the UK has been slowly increasing over the last couple of years. It appears confidence is strong in the market and this looks set to continue into 2016-17, despite the ongoing threat of global economic uncertainty and the more recent threat of the UK's exit from the EU.

Although the volume of work has increased, tender opportunities are becoming increasingly competitive resulting in tighter margins and, despite renewed activity, many UK pharmaceutical producers are not significantly increasing levels of capital expenditure. However, the Government has announced a forward pipeline of over £1.9bn worth of capital projects in the pharmaceutical and biotechnology sectors between now and 2020. In addition to these confirmed capital projects, significant expansion plans have been announced by some of the leading pharmaceutical companies, which should be of interest to construction companies and their supply chains operating in the pharmaceutical sector. A major trend in 2016 has also been a continued capital investment in science parks and university innovation campuses, with a focus on R&D, and enterprise zones.

In terms of construction costs, pharmaceutical R&D and manufacturing facilities are among the most energy intensive and expensive of buildings and are also highly regulated in terms of design and function. Current design and construction trends are moving away from 'bespoke' buildings to flexible and mobile laboratories and cleanrooms requiring less time to design and build and incorporating modern methods of construction. The demand for mobile or modular cleanrooms is increasing, driven by industry cutbacks which have forced many pharmaceutical companies to rethink their business and manufacturing operations.

Increasing specialisation within the pharmaceutical industry has brought about varied opportunities for construction engineers and contractors to design and develop R&D facilities, pharmaceutical production processes, and assembly of drug delivery devices/systems, construction and maintenance of highly specialised production facilities, associated service/support facilities and continuous improvement of process operations.

The industry is expected to continue to show modest growth over the next few years, reflecting the positive factors and trends in the growing UK pharmaceutical industry, but also the economic uncertainty created by the UK's vote to leave the EU, which will constrain growth somewhat. Forecasts are for annual growth of between 4-6% from 2018 onwards.

Keith Taylor, Director of AMA Research said: *"So far, the larger pharmaceuticals firms appear to have been largely unscathed by the UK vote to leave the EU – with a significant proportion of the sales of the major pharmaceutical companies generated overseas and a weaker pound likely to result in a significant rise in profits. However, Brexit has the potential to create significant issues for the UK life sciences industry as it may affect the regulation of medicines, EU clinical trials regulations, EU funding for research and access to R&D facilities, access to the single market and R&D workforce, and intellectual property."*

The **'Pharmaceutical & Biotechnology Construction Sector Report – UK 2016-2020 Analysis'** report is published by AMA Research, a leading provider of market research and consultancy services within the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

If you would like to receive further information or would like to speak to an author of this report, please contact Anna Eriksson or Keith Taylor on (01242) 235724.

Please include our web address and telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

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