[Review of Joint Ventures in Life Sciences Real Estate Deals]

> The convergence of life sciences companies and traditional real estate developers has led to the emergence of an alternative real estate asset class known increasingly as "**PropSci**".
>
> In this blog, we review:
>
> 1. features of the PropSci sector that make the joint venture ("JV") model attractive for market players; and
> 2. key terms that parties may wish to consider before embarking on a PropSci JV.

Why pursue a JV model?

Cost and scale

The high cost of building PropSci space (usually large-scale, mixed-use schemes sometimes including residential, retail and social spaces) means the ability to pool capital with partners in a JV is appealing.

Shortage of expertise

PropSci requires a marriage of capital and expertise with each party having a particular role in the transaction/project, e.g., funding, asset management, market creation, etc. and there is a relative scarcity of recognized specialist real estate operators in this space.

Public/private partnerships

There are numerous opportunities for private-sector players to partner with government and public sector bodies via public/private JVs as this is a key area of focus for government and public sector bodies (in the U.S., U.K. and E.U.).

Which standard JV terms require a more nuanced approach for PropSci JVs?

Transfer rights

In PropSci JVs, the operator's identity is critical to investors so the investor may wish to restrict any change of control/ownership of the operator or its exit from the venture. This may be further bolstered with "key person" protections. Conversely, the operator may wish to resist 100% ownership requirements and transfer prohibitions to give itself some flexibility.

Control

In investor and operator PropSci JVs, operational control of the assets typically rests with the specialist operator with certain key decisions requiring unanimity.

Default remedies

Removal of a PropSci operator mid-stream (as a default remedy) may not be possible/desirable as the investor may not have the expertise to handle the PropSci operations. Accordingly, alternative default remedies should be considered. The Operator may also wish to consider default remedies in the event of a material default by the investor (e.g. a funding default).

Exit

The parties to PropSci JVs may have different expectations on hold periods for the underlying real estate and, accordingly, the JV arrangements between such parties will need to provide for exit mechanisms.

Exclusivity

In investor and operator PropSci JVs, the investor may desire exclusive access to the operator's PropSci investment pipeline. Conversely, the operator may push for freedom to pursue opportunities independent of the investor provided the relevant key persons are devoting sufficient business time to the JV and there being no conflicts of interest.

The features of the PropSci market lend themselves to JVs, which are familiar to most commercial real estate market players. However, it is worth noting the particular quirks of PropSci and considering the useful tools available to parties to address these nuances and align JV participants.