# UK life sciences sector faces disruption as Merck withdraws from London scheme



The developer behind a significant life sciences project in London’s King’s Cross has vowed to complete the 180,000-square-foot Belgrove House building despite the withdrawal of global pharmaceutical giant Merck from the scheme. Precis Advisory, owned by the Lalji family, is pushing forward with the development even as Merck, which had planned to occupy the building alongside its corporate and research functions, stated it will not take up the space due to concerns over the UK’s competitiveness in the pharmaceutical sector.

Merck’s decision, announced in September 2025, is part of a wider global cutback on research and real estate by the company, influenced by challenges such as the impact of US tariffs and a general pullback in life sciences investment. Specifically, Merck cited the UK’s “uncompetitive” environment for pharmaceuticals, highlighting issues including the undervaluation of innovative medicines and insufficient government support. The company is also vacating existing lab space at nearby institutions like the Francis Crick Institute, resulting in the elimination of approximately 125 jobs, mostly scientists. Although Merck has a contractual lease on Belgrove House, the company confirmed it will not occupy the building, and talks between Precis Advisory and Merck are ongoing regarding future lease terms.

Belgrove House, originally an Access Self Storage site, was converted into a state-of-the-art life sciences facility with offices and laboratories designed to accommodate Merck’s dual functions. Construction began in 2023 with a £150 million shell and core contract awarded to Mace, and a £125 million fit-out contract given to Sisk to equip the interior. The overall investment was estimated at £1 billion once Merck’s specialized equipment and additional costs were included. With Merck stepping back, the fit-out contract is now on hold, leaving Precis with a large, high-quality space to fill in a prime London location renowned for life sciences.

This development reflects broader challenges faced by the UK’s pharmaceutical sector. Merck’s move follows similar decisions by AstraZeneca, which recently abandoned plans for a £450 million vaccine plant expansion due to reduced government subsidies. Industry experts and government officials highlight a decline in the UK’s attractiveness for pharmaceutical investment, illustrated by the country’s fall from second to seventh place in foreign direct investment rankings for pharma between 2017 and 2023.

The UK government has defended its record, pointing to ongoing support schemes, including a £520 million fund designed to stimulate private investment. A Deloitte survey also ranks the UK as a top investment destination in life sciences. However, unresolved disputes over drug pricing and reimbursement policies, especially the rising clawback tax imposed by the NHS—currently hitting 23% of drug sales—continue to fuel industry frustrations. Health officials are seeking renewed negotiations with pharmaceutical companies to find a resolution that might revive investment confidence and secure the UK's future standing in this critical sector.

Merck’s strategic reorientation involves consolidating its research activities primarily in the United States, where it is investing billions in new facilities, including a $1 billion biologics plant in Delaware expected to create over 4,500 jobs, alongside expansions in North Carolina and Kansas. This realignment underscores the competitive pressures and regulatory challenges UK policymakers must address to retain global pharmaceutical firms and maintain London’s status as a life sciences hub.

For Precis Advisory and other local property owners, Merck’s departure casts uncertainty over the short-term demand for high-spec life sciences space. The company must now seek new tenants amid a slow-down in life sciences take-up linked to reduced venture capital investment in the industry. Moreover, the absence of a high-profile anchor tenant like Merck may affect leasing in neighbouring developments, posing wider implications for King’s Cross as a leading life sciences cluster.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.bisnow.com/london/news/life-sciences/developer-to-push-on-and-finish-life-science-scheme-as-merck-pulls-180k-sf-occupancy-130920), [[4]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/)
* Paragraph 2 – [[1]](https://www.bisnow.com/london/news/life-sciences/developer-to-push-on-and-finish-life-science-scheme-as-merck-pulls-180k-sf-occupancy-130920), [[4]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[5]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a)
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* Paragraph 4 – [[1]](https://www.bisnow.com/london/news/life-sciences/developer-to-push-on-and-finish-life-science-scheme-as-merck-pulls-180k-sf-occupancy-130920), [[4]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/)
* Paragraph 5 – [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-as-merck-scraps-labs-over-pharma-environment-2025-09-11/), [[6]](https://www.thenationalnews.com/business/uk/2025/09/11/pharma-company-merck-scraps-planned-14bn-research-hub-in-london/)
* Paragraph 6 – [[2]](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-as-merck-scraps-labs-over-pharma-environment-2025-09-11/), [[3]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8), [[6]](https://www.thenationalnews.com/business/uk/2025/09/11/pharma-company-merck-scraps-planned-14bn-research-hub-in-london/)
* Paragraph 7 – [[4]](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/), [[5]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a), [[3]](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8)
* Paragraph 8 – [[1]](https://www.bisnow.com/london/news/life-sciences/developer-to-push-on-and-finish-life-science-scheme-as-merck-pulls-180k-sf-occupancy-130920), [[5]](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a)

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## Bibliography

1. <https://www.bisnow.com/london/news/life-sciences/developer-to-push-on-and-finish-life-science-scheme-as-merck-pulls-180k-sf-occupancy-130920> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-as-merck-scraps-labs-over-pharma-environment-2025-09-11/> - Merck has abandoned plans for a new research centre in London, citing challenges in the UK's pharmaceutical environment, including insufficient government support and undervaluation of innovative medicines. This decision follows a similar move by AstraZeneca, which shelved plans for a £450 million vaccine plant due to reduced government backing. The Association of the British Pharmaceutical Industry noted a decline in the UK's foreign direct investment ranking in the pharmaceutical sector, raising concerns about the country's competitiveness. Despite these setbacks, the UK government defends its position, citing a Deloitte survey that names it as a top investment destination and emphasizing a £520 million fund aimed at unlocking further private investment. However, ongoing disputes over drug pricing and reimbursement policies with the NHS remain unresolved. ([reuters.com](https://www.reuters.com/business/healthcare-pharmaceuticals/britain-defends-investment-record-merck-scraps-labs-over-pharma-environment-2025-09-11/?utm_source=openai))
3. <https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8> - UK health officials are seeking to reopen negotiations with pharmaceutical companies after Merck (MSD in Europe) scrapped its planned £1bn research centre in London, citing the UK's uncompetitive environment and low drug pricing. Merck will relocate research efforts primarily to the US, and the decision has triggered internal government disputes. The Department of Health blames Treasury short-termism, while others argue pharmaceutical firms are using investment decisions to push for better drug pricing. Health Secretary Wes Streeting had issued a final ultimatum to the sector, but now seeks further talks and potential financial concessions. The price dispute centers on a clawback tax, which has surged to 23% of UK sales due to NHS spending, far higher than the previously agreed 15%. Concerns are mounting about the UK's declining competitiveness in life sciences, exacerbated by bureaucracy and limited drug spending. Moreover, President Trump's pressure on US firms to raise European drug prices adds to the tension, with officials wary it could affect UK-US trade talks. Merck's exit, along with similar actions by Eli Lilly and AstraZeneca, underscores a broader reduction in pharmaceutical investment, threatening the UK's long-standing strength in life sciences. Industry leaders urge urgent action to restore competitiveness. ([ft.com](https://www.ft.com/content/53543a40-a2ee-49a5-b395-9572a02120a8?utm_source=openai))
4. <https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/> - Merck announced it will discontinue its drug research operations in London, citing the UK's unfavorable business climate and insufficient government support for life sciences. The company will not proceed with occupying the Belgrove House site at King's Cross, previously slated to open in 2027, affecting approximately 125 staff. Research activities will be moved primarily to the United States. Merck criticized the UK government for undervaluing innovative medicines and lacking investment in the sector. The company also plans to vacate labs at the London Bioscience Innovation Centre and the Francis Crick Institute by the end of 2025. This move aligns with Merck's broader U.S. investment strategy, recently highlighted by several major projects: a $1 billion biologics facility in Delaware expected to create over 4,500 jobs and to begin drug production by 2030, a newly opened $1 billion North Carolina facility, and an $895 million expansion of its animal health site in Kansas. These initiatives are part of a $9 billion U.S. investment plan running through 2028. ([reuters.com](https://www.reuters.com/business/healthcare-pharmaceuticals/merck-scrap-london-drug-research-centre-2025-09-10/?utm_source=openai))
5. <https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a> - U.S. pharmaceutical giant Merck (known as MSD in Europe) has canceled plans for a £1 billion research center in London’s King’s Cross, resulting in the layoff of 125 scientific and support staff. The decision is a significant setback for the UK government, which has prioritized life sciences as a key sector for economic growth. Merck cited the UK’s lack of international competitiveness as a major factor and stated its decision was unrelated to recent failed drug-pricing negotiations with the National Health Service (NHS). However, tensions between the UK health secretary and the pharmaceutical sector remain high, particularly following a surge in the NHS clawback tax on drug sales. While Merck will consolidate research activity mainly in the U.S., it will maintain clinical trials and retain around 1,600 UK employees in regulatory and business development roles. The announcement follows a similar move by AstraZeneca, which scrapped a £450 million vaccine plant expansion over subsidy concerns. Foreign direct investment in UK life sciences has sharply declined, and industry leaders are urging the government to improve the investment climate. The Department for Science, Innovation and Technology acknowledged the concerns and pledged support for affected staff. ([ft.com](https://www.ft.com/content/5ace49a8-47ab-409d-8909-6edb107ce71a?utm_source=openai))
6. <https://www.thenationalnews.com/business/uk/2025/09/11/pharma-company-merck-scraps-planned-14bn-research-hub-in-london/> - Merck has abandoned plans for a £1 billion research centre in London, citing challenges in the UK's pharmaceutical environment, including insufficient government support and undervaluation of innovative medicines. This decision follows a similar move by AstraZeneca, which shelved plans for a £450 million vaccine plant due to reduced government backing. The Association of the British Pharmaceutical Industry noted a drop in the UK's foreign direct investment ranking in the pharmaceutical sector—from second in 2017 to seventh in 2023—highlighting concerns that the country is being overlooked for major investments. Despite these setbacks, the UK government has defended its position, citing a Deloitte survey that names it as a top investment destination and emphasizing a £520 million fund aimed at unlocking further private investment. Nonetheless, ongoing disputes over drug pricing and reimbursement policies with the NHS remain unresolved. ([thenationalnews.com](https://www.thenationalnews.com/business/uk/2025/09/11/pharma-company-merck-scraps-planned-14bn-research-hub-in-london/?utm_source=openai))