

January 2023



Offices and Labs

CAMBRIDGE

Arc Market Databook

Overview

Occupier

The demand for office and laboratory space in Cambridge continues to run at close to record levels with the ongoing focus of science and tech businesses on the city's global knowledge infrastructure. Cambridge laboratory requirements stand almost four times ahead of the pre-pandemic level, pushing demand to its highest point, since AstraZeneca's 2014 requirement.

Knowledge intensive businesses have accounted for more than 80% of office and laboratory floor space acquired across the city over the past two years, amounting to 900,000 sq ft. Prime rents have continued to rise and are now expected to move above £60 per sq ft over the next 12 months with the delivery of several new schemes to the market.

Development

The demand for office and laboratory space has brought forward a number of much needed speculative schemes, with a total of 370,000 sq ft of space expected to be completed in 2023, with a further 275,000 sq ft due to be delivered in 2024. The largest laboratory development that will complete in 2023 is at 1000 Discovery Drive, Cambridge Biomedical Campus, where there is advanced interest ahead of completion. The largest office development is One Cambridge Square, Cambridge North, where two thirds of the building is under offer ahead of PC in Q2 2023.

Investment

Prime yields on laboratories and offices shifted out by 75 basis points and 100 basis points respectively in the final months of 2022 reflecting wider market trends, albeit at a lesser scale than experienced in most other centres. Activity has been focused on schemes with development potential over the past 12 months and this was maintained in the final months of the year, with the purchase of several larger development opportunities. Investment has originated from a broader base of investors, with UK institutions and property companies joining overseas investors to vie for opportunities.



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News highlights

RailPen buys Botanic Place scheme

Fund management group RailPen purchased the Botanic House investment and development site with consent for 309,000 sq ft of offices in Cambridge city centre overlooking the Botanic Gardens. The scheme consists of the existing 59,000 sq ft Botanic House, which was built in 2013, with scope to construct two further office buildings. Botanic Place is nearby RailPen's other major mixed use scheme to be delivered at Devonshire Gardens, CB1.

First tenant at M&G/Wrenbridge's Brooklands scheme

Siemens Digital Industries Software has agreed to lease 27,631 sq ft of M&G Real Estate at Wrenbridge's new Brooklands scheme, a short distance from its existing offices at Francis House on Hills Road. The new development will provide a total of 67,000 sq ft of highly sustainable space across two new buildings. Siemens has taken two floors on a 10 year lease, with completion due for its space in early 2024.

Construction continues apace on 1000 Discovery Drive at Cambridge Biomedical Campus

The latest phase of development at Cambridge Biomedical Campus commenced in mid 2022, with construction starting on the 105,000 sq ft office and laboratory building at 1000 Discovery Drive. The five storey building will be multi-let with amenity at ground floor.

Shortages of lab stock prompts office repurposing

The continued shortage of laboratory floor space is pushing landlords and occupiers towards the repurposing of office assets where buildings can be adapted. Metrion Biosciences increased its occupancy at Granta Park to over 20,000 sq ft taking a further 8,700 sq ft at the Granta Centre where they have fitted out lab space. This was not an isolated move, with Sphere Fluidics also converting 7,000 sq ft of office space to laboratories in the same complex. Further lab conversion space will be available at the Granta Centre in 2023.



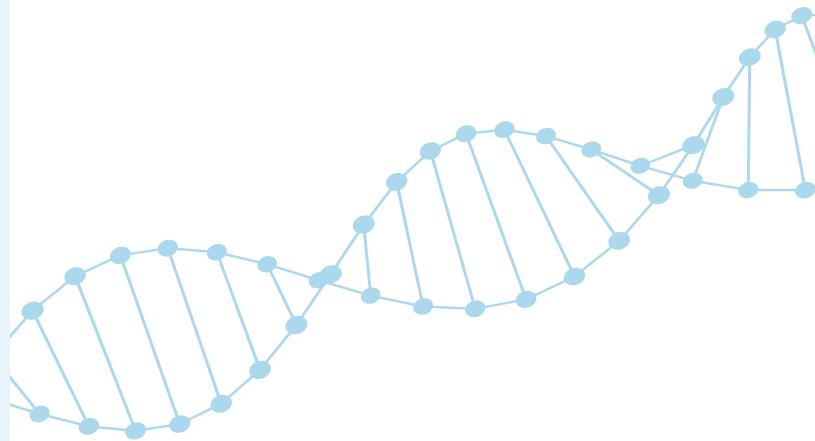
500k sq ft

Total office and laboratory take up in Cambridge in 2022

£56 psf

Prime office rents in Cambridge continue to set new record highs

Source: Bidwells



0.2%

Supply shortages keep the Cambridge laboratory availability rate at sub 1%

1.1m sq ft

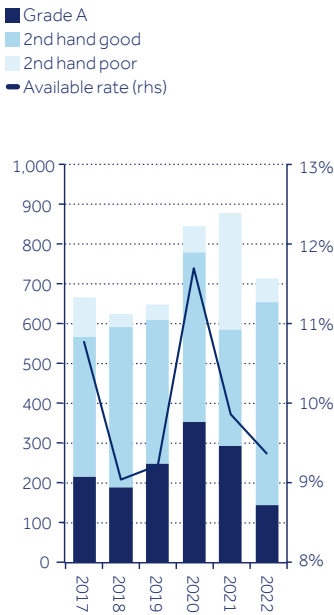
Almost fourfold increase in Cambridge laboratory requirements since pre-pandemic, pushing demand to over 1m sq ft

Source: Bidwells

Offices

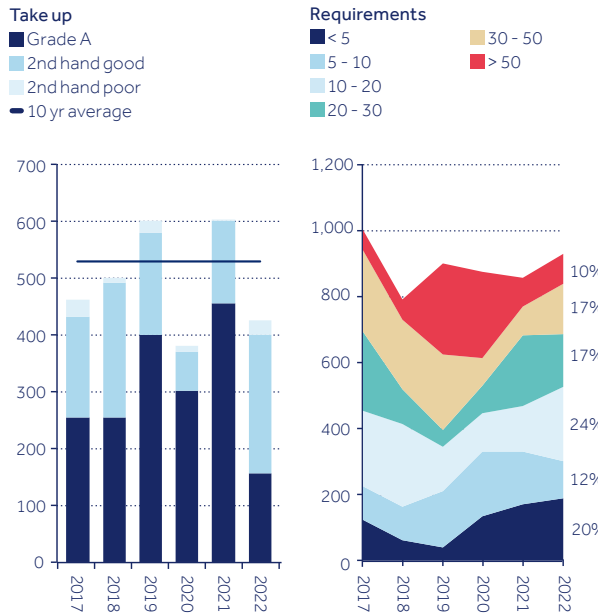
The largest office transaction in 2022 was the 30,000 sq ft letting to aeronautical engineering group Dassault Aviation at 22 Cambridge Science Park

Office supply (December 2022)



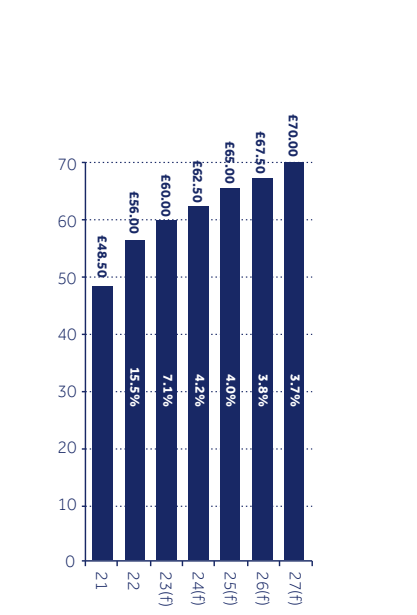
Availability 000's sq ft **708.6 ▼**
Availability rate **9.6% ▼**

Office demand (December 2022)



2022 Take up 000's sq ft **422.2 ▼**
Requirements 000's sq ft **935.0 ▲**

Office rents (December 2022)

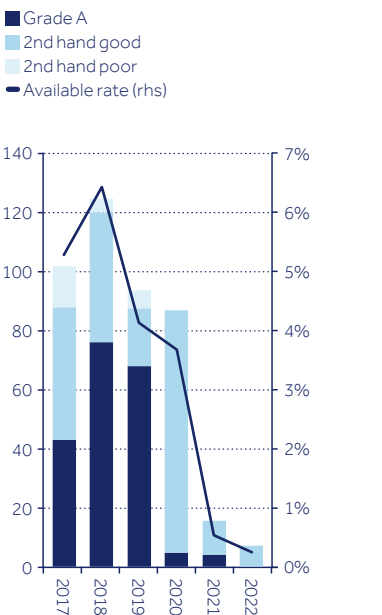


Prime EPS **£56.00 ▲**
Secondary good EPS **£40.00 ▲**
Secondary poor EPS **£22.00 ▶▶**
Annualised growth rate **4.6% p.a**

Laboratories

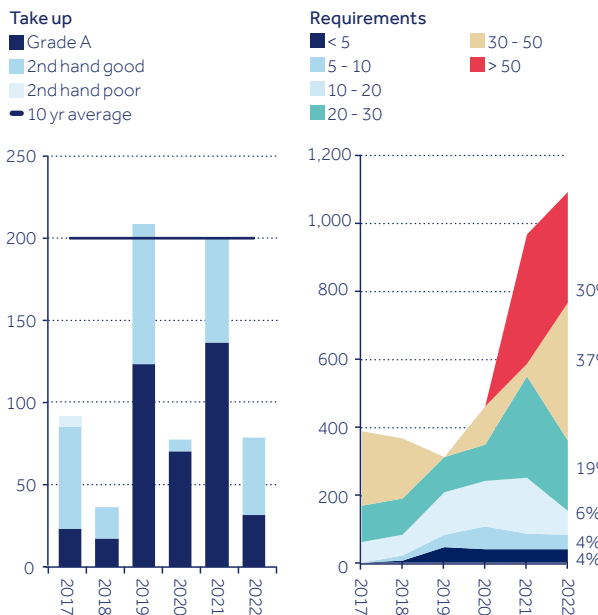
Take up was constrained by the lack of available space during 2022 but pre lets are expected to be a driving feature of the market over the next 12 months, with several new schemes on site or moving forward in H1 2023

Laboratory supply (December 2022)



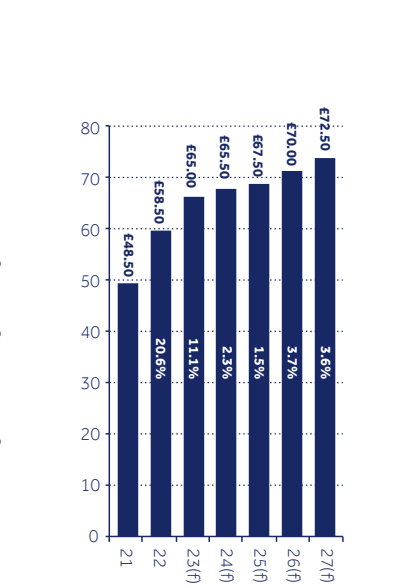
Availability 000's sq ft **7.2 ▼**
Availability rate **0.2% ▼**

Laboratory demand (December 2022)



2022 Take up 000's sq ft **78.7 ▼**
Requirements 000's sq ft **1,071.0 ▲**

Fitted laboratory rents (December 2022)



Prime fitted EPS **£58.50 ▲**
Prime open plan EPS **£52.00 ▲**
Prime shell EPS **£46.00 ▶▶**
Annualised growth rate **4.4% p.a**

Key Bidwells transactions

Brooklands, Cambridge



Bidwells let 27,631 sq ft of the new Brooklands business campus to Siemens on a 10-year lease. This represents 40% of the overall 67,000 sq ft scheme due for completion Q1 2024.

Granta Centre, Cambridge



Granta Centre on Granta Park completed more transactions by sq ft than any other building in 2023. Lettings were completed to Illumina, Metrion and Sphere Fluidics totalling 34,937 sq ft and the building is being used for a mix of office and lab uses. TWI will release further space in the Granta Centre complex to the market early in 2023 some of which is already under offer.

Botanic Place, Hills Road



Bidwells advised Pace Investments with the sale of Botanic Place to the fund management group RailPen. The future 309,000 sq ft office developments will deliver exceptional offices with construction to start later this year. The site includes the 59,000 sq ft Botanic House which is fully let.

Capital Park, Fulbourn



Longfellow Real Estate Partners acquired this 240,000 sq ft office campus and 42 acres at Capital Park for £170m. Longfellow will transform the park from 2024 to focus on Life Sciences bringing high quality labs and amenities on the edge of the city. Bidwells is retained as leasing agent.

Capital markets

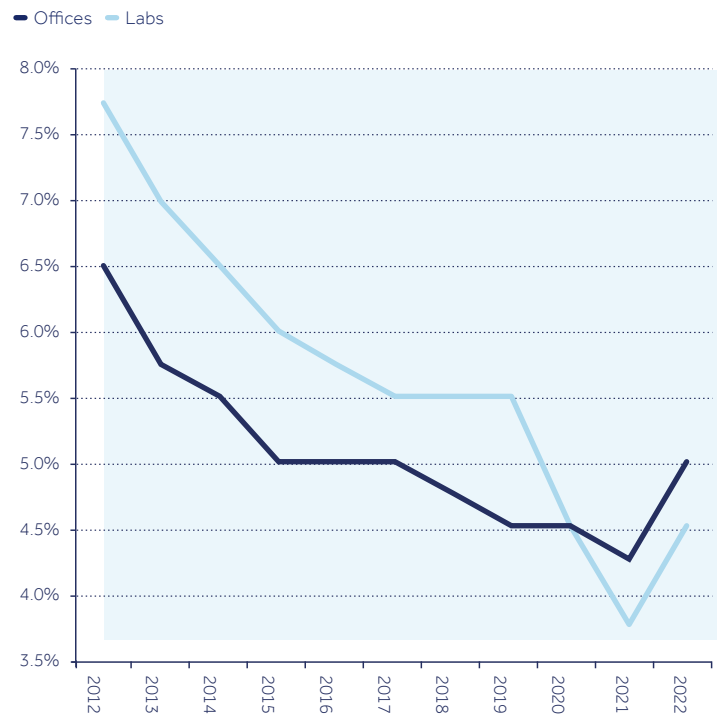
Investment in the Cambridge office and laboratory market was boosted by a number of larger transactions during 2022, pushing overall turnover above £1bn from £0.97bn in the previous 12 months. The largest transaction saw Brockton Everlast purchase Buildings 1 & 2 TusPark at Cambridge Science Park along with Building 26. The two TusPark buildings are recent developments and were let prior or shortly after completion in 2020 and 2021.

The average office and laboratory transaction value in Cambridge increased in 2022, reflecting the sale of a number of significant science and tech assets.

Activity was heavily biased towards schemes with significant life science development potential, including the proposed transformation of the Grafton Centre to provide a mixed use scheme which will include R&D space for start ups. New owners Trinity Investment Management are currently drawing up plans, but intend to retain aspects of the centre, including the cinema and gym.

Prime laboratory and office yields shifted up in the final quarter of the year, rising by 75 and 100 basis points to 4.50% and 5.00% respectively since H1 2022, reflecting wider market movements. However, compared with other South East office markets, Cambridge yields have remained very robust, with occupier activity and strong investor demand continuing to be present.

Cambridge prime office and laboratory yields

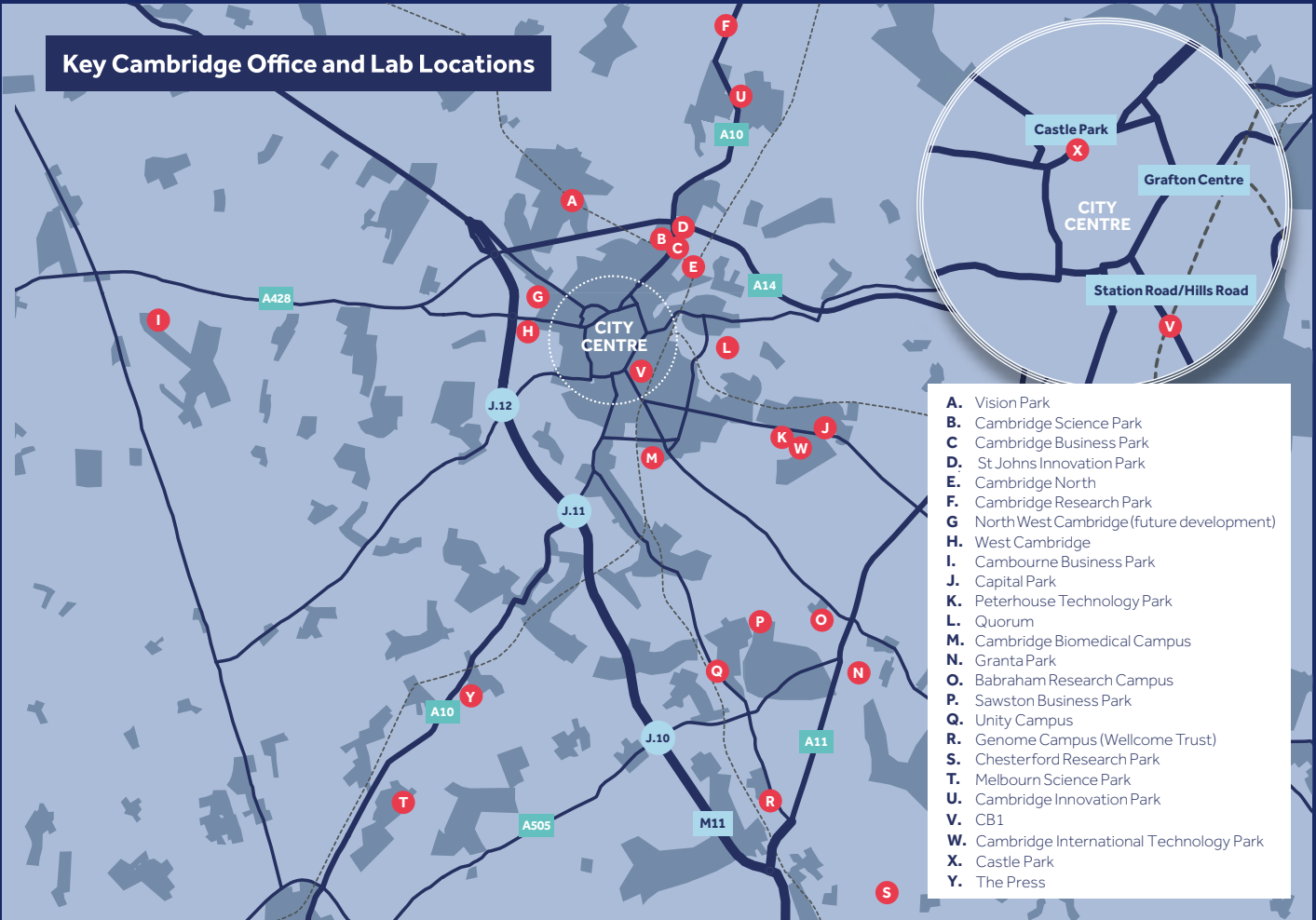


Source: Bidwells

Buildings 1&2 TusPark, Cambridge Science Park



Key Cambridge Office and Lab Locations



- A. Vision Park
- B. Cambridge Science Park
- C. Cambridge Business Park
- D. St Johns Innovation Park
- E. Cambridge North
- F. Cambridge Research Park
- G. North West Cambridge (future development)
- H. West Cambridge
- I. Cambourne Business Park
- J. Capital Park
- K. Peterhouse Technology Park
- L. Quorum
- M. Cambridge Biomedical Campus
- N. Granta Park
- O. Babraham Research Campus
- P. Sawston Business Park
- Q. Unity Campus
- R. Genome Campus (Wellcome Trust)
- S. Chesterford Research Park
- T. Melbourn Science Park
- U. Cambridge Innovation Park
- V. CB1
- W. Cambridge International Technology Park
- X. Castle Park
- Y. The Press

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