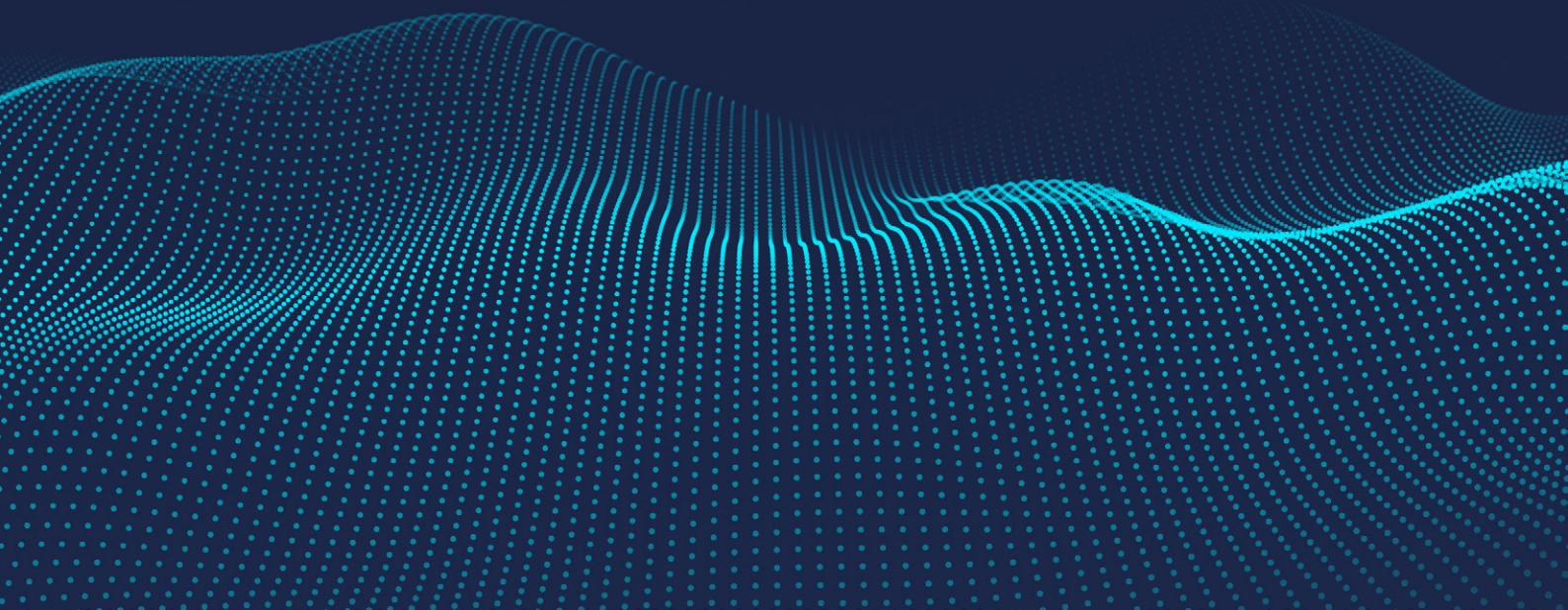


OFFICES & LIFE SCIENCE

INVESTMENT & LEASING
CAMBRIDGESHIRE MARKET REVIEW



5

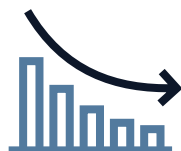
Things You Need to Know About Life Sciences & Offices in Cambridgeshire



Combined office and laboratory take up reached **142,000 sq ft**, with office take up increasing by over **120%** on Q1 2022



Office and laboratory demand has remained robust at a combined **1.7m sq ft**



Q1 saw **£12.17 million** traded through 1 deal



Office headline rents were set by DTRE as we acquired a new Cambridge office at **£55.00 per sq ft/pa**



£78m was raised by Life Science & Bio-Tech companies in Cambridge this quarter, according to Beauhurst

Cambridgeshire Q1 2023 Report



WRITTEN BY

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Cambridge has opened the year by solidifying its position as the prominent life science and innovation hub, witnessing its highest levels of occupier demand and take up since 2019 as office and laboratory take up reached 142,000 sq ft, an 80% increase on the Q1 5-year average.

This promising start was further emphasised by active demand for offices and laboratory space reaching a combined 1.7m sq ft, and the prime office rent remaining high at £55.00 per sq ft.

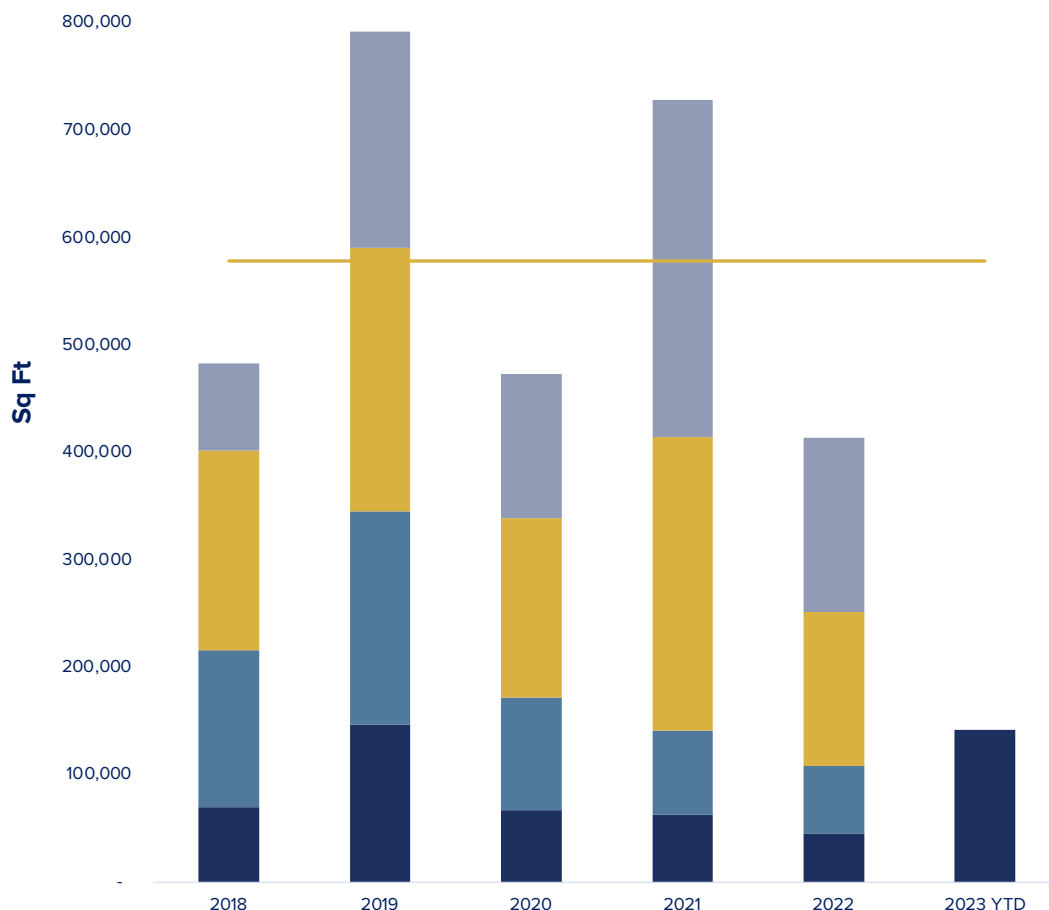
Despite only 1 deal occurring, Cadillac Fairview and Stanhope's purchase of 163 Cambridge Science Park will further support investments into office buildings that have the redevelopment potential to provide laboratory space in a prominent location.

The life science and bio-tech sector is predicated upon venture capital (VC) funding. Q1 saw these companies raise £325 million across the UK, according to Beahurst, with £78 million of that passing through Cambridge. Since 2019, these Cambridge-based companies have raised over £2.79 billion, a sum that is pushing the demand for space. However, that VC is sitting and waiting as the expansion of companies is currently restricted by a huge under-supply of lab space.

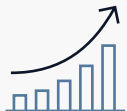
FIG 1 →
**Office & Lab
Quarterly Take Up**



Source: DTRE Research



Occupational



▲ **122%**

Q1 office take up
in Cambridge



▲ **20%**

Q1 Cambridge office
rents have increased
20% from 2021

FIG 2 →
**Office Q1 Take Up
Count By Size**

- ◆ 0-10,000 sq ft
- ◆ 10-20,000 sq ft
- ◆ 20-50,000 sq ft
- ◆ 50,000 + sq ft

Source: DTRE Research

OFFICE

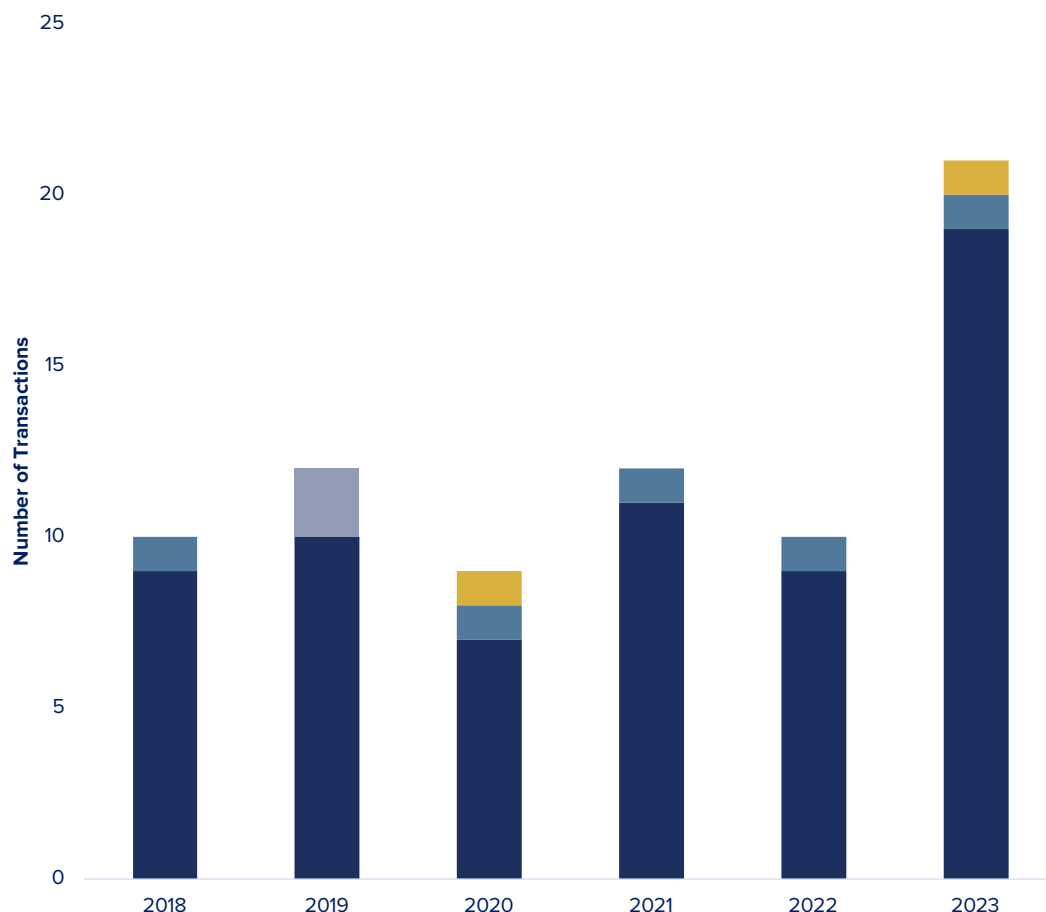
Q1 2023 office take up in Cambridge reached its **highest since 2019, totalling 94,000 sq ft, a 122% increase on the equivalent timeframe in 2022.**

At nearly 22,000 sq ft above the 5-year average, the opening three months of 2023 consisted of 21 office deals, almost double the deal count of every first quarter in the past 5 years.

Demand for office space remained steady at around 500,000 sq ft with many requirements driven by hard lease events or relocation forced by the redevelopment of older stock.

The highest rent paid this quarter was achieved in the 5-year letting of 1,060 sq ft of Grade A space at Meade House, just off Station Road, to, ourselves DTRE, at £55 per sq ft. Whilst down 5% on the headline rent achieved in Q4 2022, it is still **an increase of over 20% from 2021** and remains comfortably above the 5-year average.

Q1 saw Taylor Wessing take a sublease on 7,900 sq ft from Mott MacDonald at 22 Station Road at £45.00 per sq ft until 2025. Elsewhere Sphere Fluidics took 15,000 sq ft as office space at the Granta Centre for 10 years at £35.00 per sq ft.





▲ 20%

Laboratory headline rent is 20% above the 5 year average



c. 1.3M SQ FT

Laboratory demand

90% of tracked office transactions occurred for space under 10,000 sq ft. There were no deals on space over 50,000 sq ft and only 2 transactions occurred in the bracket of 10,000-50,000 sq ft.

As a result, **the average office area leased was 4,500 sq ft, a 34% decrease from the average in 2022.**

The largest office deal by area leased was Samsung's pre-let of 33,600 sq ft at One Cambridge Square for 10 years at £38.50 per sq ft.

LIFE SCIENCE

The lack of laboratory supply that drastically impacted 2022 has persisted into Q1 2023, with only 1 laboratory deal occurring. A Flagship Labs company has leased 11,500 sq ft of fitted lab space at Chesterford Research Park for 5 years at £53 per sq ft. With this limited supply, the headline rent is 20% above the 5-year average.

Despite a restricted number of laboratory deals, Q1 saw Nyobolt take 36,200 sq ft of mid-tech space at Evolution Business Park. This battery technology company took the space at £23.47 per sq ft for a 10-year term. The low rents for R&D enabled shell and core space that mid-tech buildings bring are becoming more and more attractive to occupiers as laboratory space continues to increase in price.

Active demand for laboratory space has remained steady at around 1.3 million sq ft and, whilst some companies are being more cautious about deploying cash into real estate, demand remains robust whenever lab space comes on stream.

Whilst there is approximately 485,000 sq ft of available office space in Cambridge, with Grade A space comprising nearly 70% of that, there was only 44,913 sq ft of laboratory space available at the end of Q1.

There is **over 2.5 million sq ft of office and laboratory space in the pipeline** with planning approved for significant development including 500,000 sq ft of offices and laboratories at Cambridge International Technology Park and 300,000 sq ft of flexible workspace at Botanic Place.

Due for completion from Q3 onwards, 1000 Discovery Drive, Buildings A1, A2, B at Unity Campus, and Phase 1 at The Press in Foxton will bring a welcome c.210,000 sq ft of laboratory space to the market, although there is already strong interest in the whole of 1000 Discovery Drive.

Investment & Development

The investment market had a quiet start in Q1, with just one office transaction and no laboratory acquisitions occurring.

Cadillac Fairview and Stanhope expanded their holdings at Cambridge Science Park by acquiring 163 Cambridge Science Park from Norwich City Council. Occupied by Heraeus Noblelight, the 10,197 sq ft office space was purchased at 2.24% for £12.17 million.

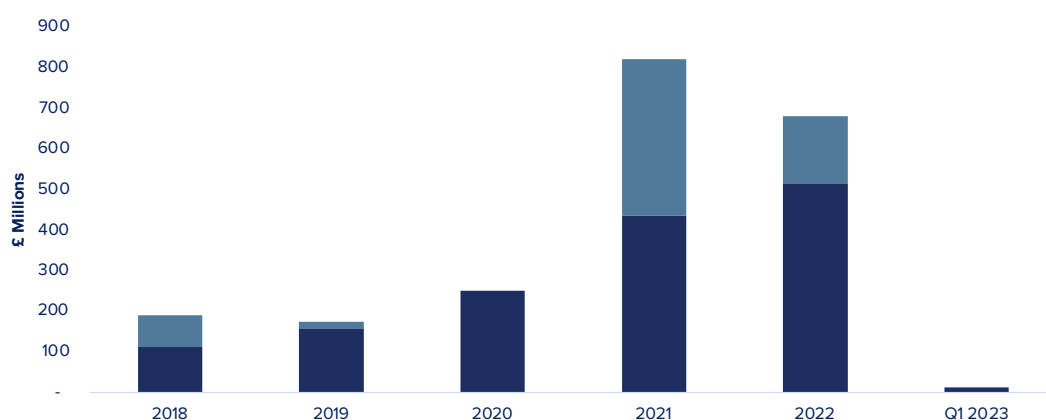
This acquisition offers a future development opportunity to create laboratory space at a globally prominent science and innovation location.

Despite just one transaction, Q1 2023 office investment volumes were **60% higher than the equivalent timeframe in 2022**, and 2022 was ultimately the second best year for investment volumes ever recorded.

FIG 3 →
Office & Laboratory
Investment Volumes

- ◆ Office
- ◆ Laboratory

Source: DTRE Research



A corner will be turned, however, with welcome news brought by the Spring Budget 2023. To mitigate the impacts of the falling credit rates for expenditure, the Budget has introduced an enhanced credit for R&D, small and medium-sized enterprises that devote over 40% of total spending on R&D.

Furthermore, a first-year allowance will enable UK companies to write off the full cost of qualifying plant and machinery expenditure in the year that the investment is made.

An additional £10 million of funding over the next two years will benefit the Medicines and Healthcare products Regulatory Agency (MHRA) as patient access to treatment is accelerated and the focus moves to quickening the regulatory approval process for new medicines and research. Furthermore, in 2024, the Medicines and Healthcare products Regulatory Agency will advance towards a rapid sign-off process for medicines that are already approved in other leading life science countries including the US and Japan.

These changes will support the UK's growth as an attractive, innovative location and, as a result, we can look forward to an investment boost and overall growth within the life science sector.



▲ 60%

Office investment
higher than Q1 2022

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