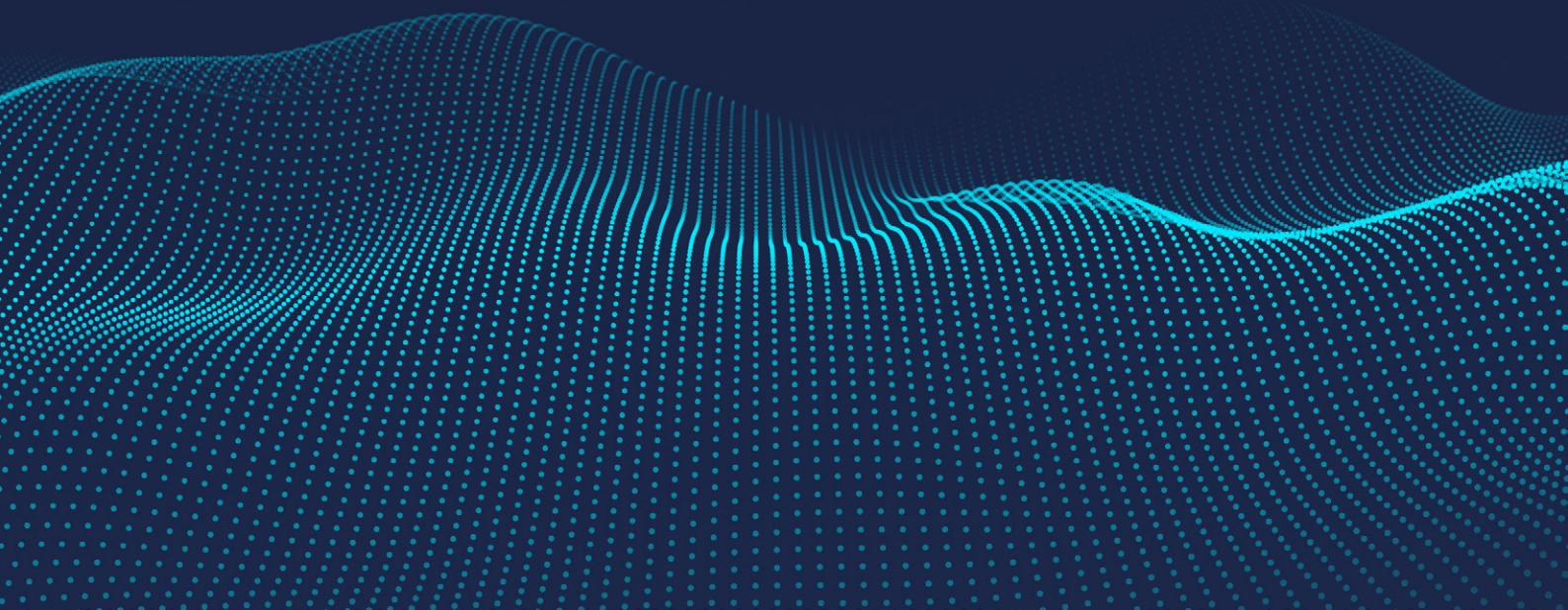


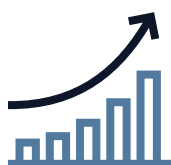
OFFICES & LIFE SCIENCE

INVESTMENT & LEASING
CAMBRIDGESHIRE MARKET REVIEW



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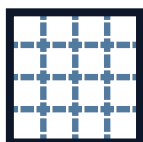
Things You Need to Know About Life Sciences & Offices in Cambridgeshire



Combined office and laboratory take up in H1 reached **259,100 sq ft**, the highest level for the same period since the peak of H1 2019



New prime rents for fitted laboratory space have reached **£71 per sq ft**



DTRE are tracking **930,000 sq ft** of named laboratory demand and **450,000 sq ft** of named office demand



c.£100 million of investment deals are under offer, with **£206 million** still available



Life Science & Bio-Tech companies raised over **£162 million** in Cambridge in H1, according to Beauhurst, ahead of the equivalent time frame in 2022

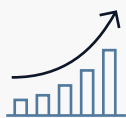
Cambridgeshire Q2 2023 Report



WRITTEN BY

Florence Weston

Research Analyst



▲ **138%**

Office & lab take up increase on H1 2022

FIG 1 →

**Office & Lab
Total Take Up**

- ◆ Office
- ◆ Laboratory
- 5 Year Average (2018-2022)

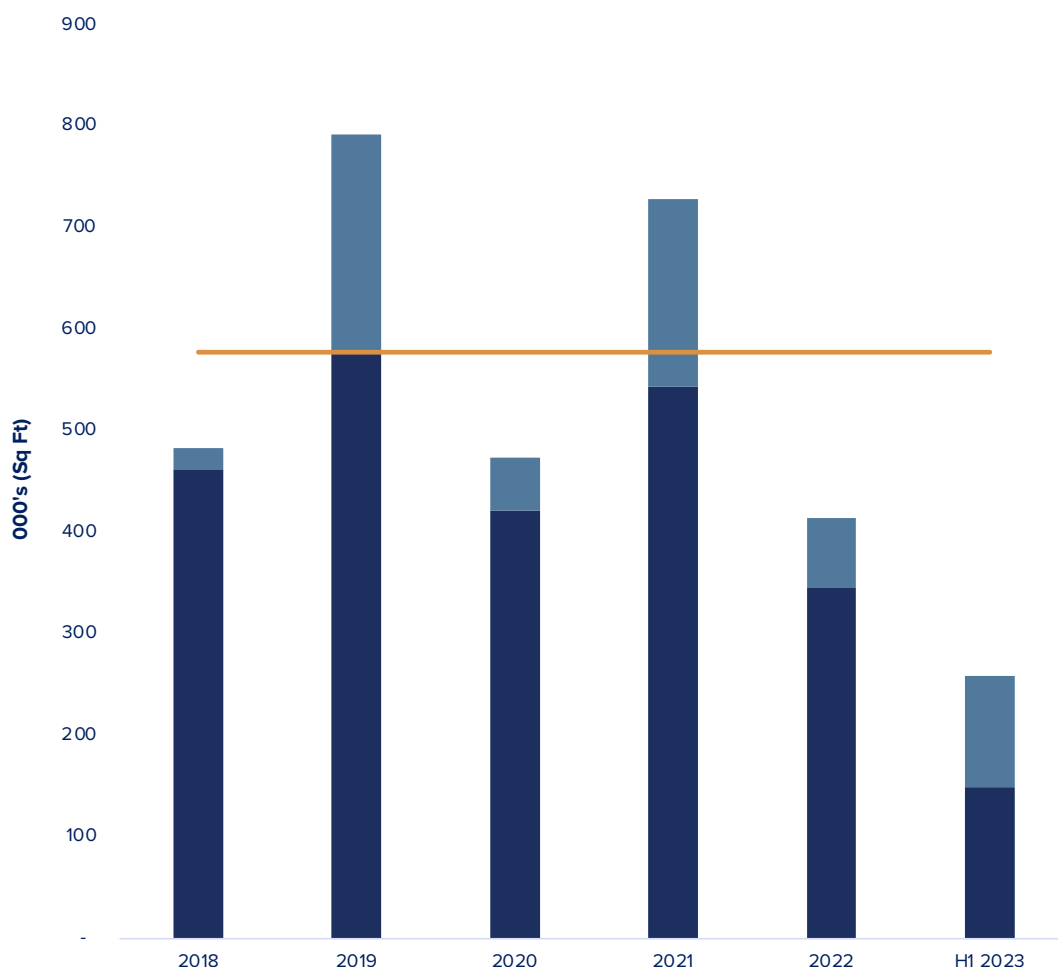
Source: DTRE Research

As we pass the halfway point of 2023, office and laboratory take up in Cambridge has reached its highest level for the same period since the peak of 2019. To date, take up stands at 259,100 sq ft, a 138% increase on H1 2022, and 32% above the H1 5-year average.

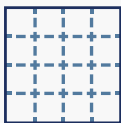
In Q2 alone, combined take up reached 117,400 sq ft, which was 86% above the equivalent period in 2022. DTRE advised on 45% of all office and life science take up for space over 5,000 sq ft this quarter.

Turning to investment, H1 investment volumes totalled over £111.4 million when including strategic purchases for future research and development uses, falling below the H1 5-year average by c.£45 million.

In H1, companies in the life science sector raised over £1.24 billion across the UK, with Cambridge companies raising over £162 million, according to Beauhurst, furthering the demand for space.



Occupational



450K sq ft
Demand for office space

OFFICES

Office take up in Cambridge in Q2 was 55,000 sq ft, the lowest Q2 take up in the past five years at 40,000 sq ft below take up in Q1 and 43% behind the Q2 5-year average.

Despite lower take up numbers, **demand for office space remains significant at around 450,000 sq ft**, consistent with themes of strong demand for top quality buildings and redevelopment forcing relocation. As a result, we are tracking close to 200,000 sq ft of offices either under offer or in advanced stages of negotiation.

We have seen a drastic increase in the uptake of smaller space with 30 out of 34 deals in the first half of the year slotting into the size band of less than 10,000 sq ft as the work-from-home dynamic and the downsizing to take top quality stock remains influential. Comparatively, 2018 saw just 14 deals occur in this bracket.

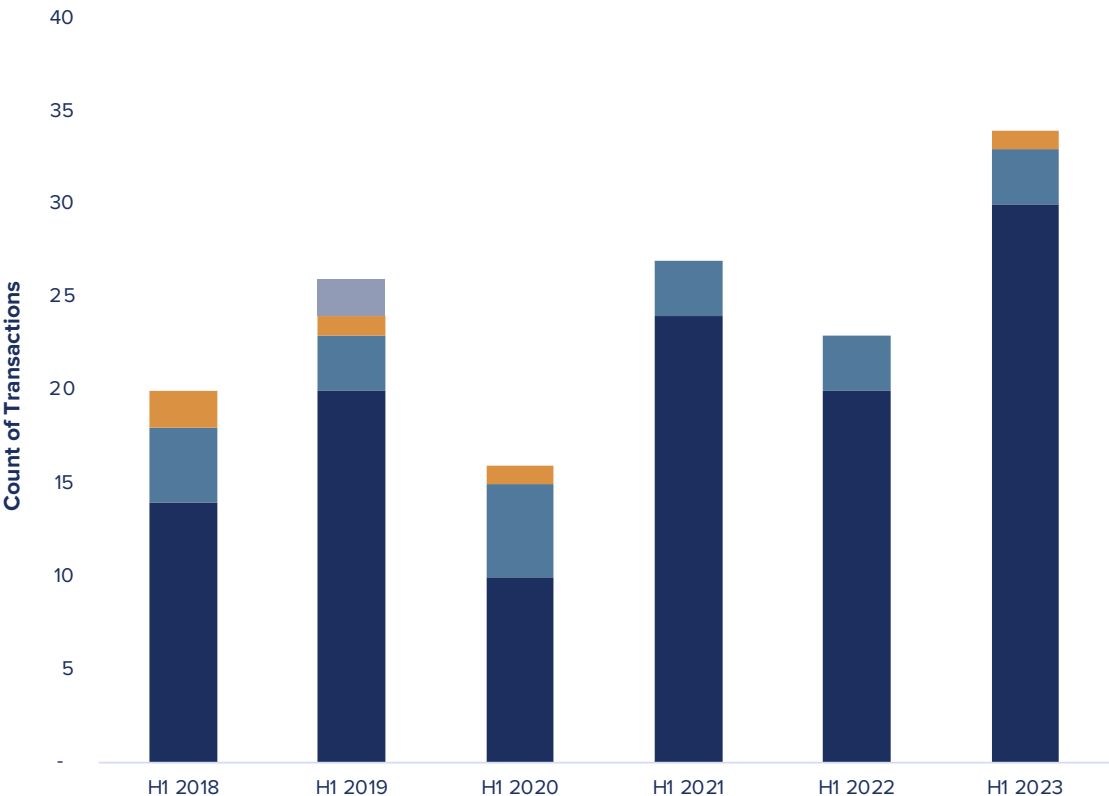
Consequently, in Q2, the average size of office transaction dropped to 4,250 sq ft, with the H1 average office size reaching 4,400 sq ft, a 50% decrease on the 5-year average office size.

The most significant office transaction in Q2, and a consequence of the pending redevelopment of the Westbrook Centre, was the acquisition by RAND European Community, advised by DTRE, who leased 12,452 sq ft of modern offices at Eastbrook House in the city centre at £37.75 per sq ft for a term of 10 years. Evidently, rents have stayed resilient, backed by consistent demand for quality space, upholding a prime rental growth in line with the 5-year average.

FIG 2 →
Office H1 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





4.10%
Grade A office
vacancy rate



930K SQ FT
Laboratory demand

The vacancy rate of existing office space has crept up to **8.89%** as a result of tenant released space coming back to market - companies are still having to adjust their spatial requirements in response to the continuing trend of home working and changing working practices.

The vacancy rate for Grade A space stands at **4.10%**, however, looking to the second half of the year we expect that much of this newly released good quality space will be absorbed by the current weight of office demand which will pull the vacancy rate down again. This highlights that, whilst there is stock available in Cambridge, there remains a fast and competitive market for top quality office stock.

LIFE SCIENCE

Laboratory and mid-tech take up reached **110,100 sq ft** in 2023's opening six months, already surpassing the total take up in 2022 by c.40,000 sq ft.

In Q2, laboratory take up alone equalled 62,350 sq ft across 6 deals, an increase of c.50,000 sq ft on Q1.

This uplift in take up is accredited to the **930,000 sq ft of active known laboratory demand** applying increasing pressure to the market.

DTRE advised the tenant on the largest laboratory letting this quarter with Howard Group leasing the whole of Building A2 at Unity Campus to Domainex. The company has signed an agreement for lease on 24,036 sq ft of fitted laboratory space due for completion in December this year.

A new prime rent was set for Cambridge this quarter at **£71 per sq ft** when Charm Therapeutics leased 13,570 sq ft of fitted laboratory space for Kadans Science Partner at Babraham Research Campus. This new prime rent has driven rental growth up by 34% from Q1 2023 and is an increase of over 40% on the top laboratory rent achieved in 2022.

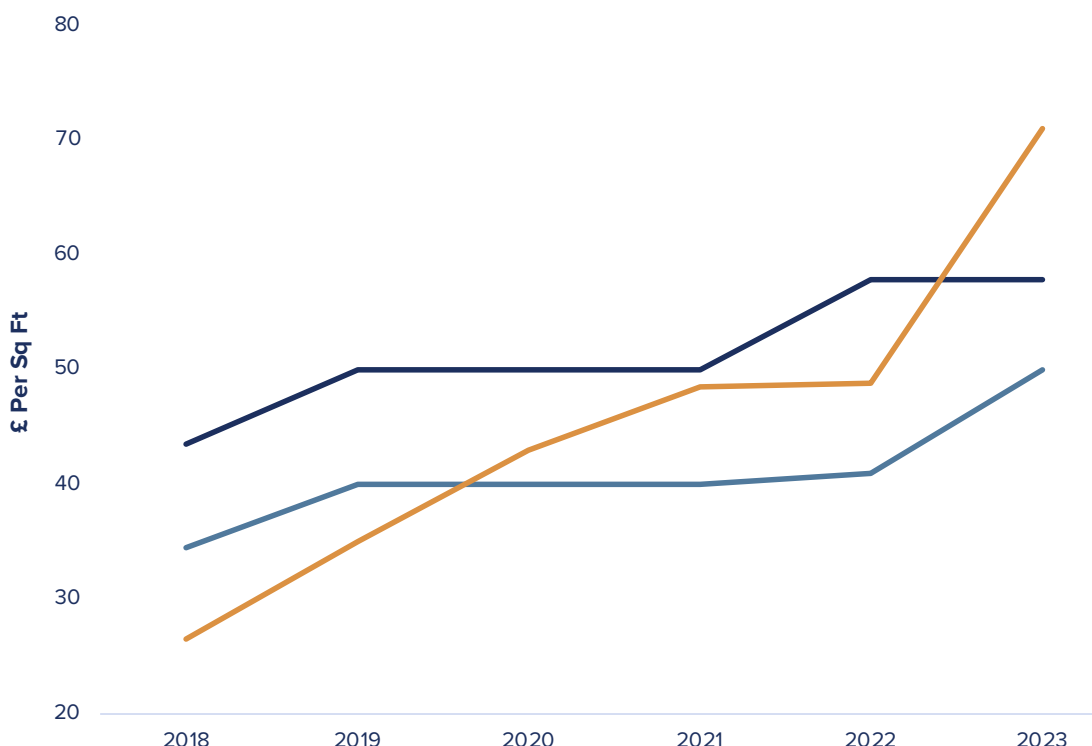
Lack of available lab space is a continuing theme for the Cambridge market, with occupiers having to resort to re-purposing Grade B offices and converting warehouse space to labs in order to meet immediate needs.

Four key schemes under construction will feed some of this demand – 1000 Discovery Drive, Unity Campus, Building 960 at Babraham, and Site 1 at Granta Park. With names already being penciled in, it is expected that the majority, if not all, of this lab space will be accounted for by practical completion. Continuing demand will maintain pressure both on rental growth and on the delivery of the next phase of lab stock.

FIG 3 →
**Prime Office &
Laboratory Rents
>5K sq ft**

— Grade A Office
— Grade B Office
— Laboratory

Source: DTRE Research



Investment & Development



c.£100m
Under offer

Investment volumes in H1 amounted to over £111.4 million when including strategic purchases to develop into life science space. This includes the 5-acre site at Westbrook Drive purchased by UBS for £75 million, capable of redevelopment to provide up to 350,000 sq ft of laboratory and office space, alongside British Land's purchase of DFS, Newmarket Road for over £7.3 million, also under the potential for redevelopment into laboratory space.

Overall, investment into Cambridge and its life science potential remains positive with H1 volumes comparing well to the 5-year average. There is **c.£100 million under offer, £206 million available across six assets, and a strong pipeline to come in the second half of the year** which will include standing assets, joint ventures and funding opportunities.

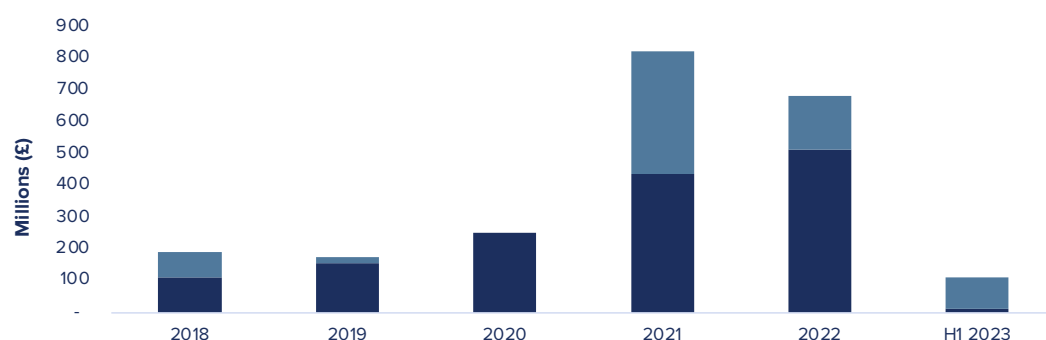


FIG 4 →

Office & Laboratory Investment Volumes

- ◆ Office
- ◆ Laboratory

Source: DTRE Research

This quarter, DTRE were involved in acquiring the land on which the South Cambridge Science Centre will be developed. Here, Abstract Securities plans to develop 140,000 sq ft of fitted laboratory space across the 4.5-acre site.

Q2 also saw Railpen, advised by DTRE, expand their acquisitions within the life science sector with the off-market, long term strategic purchase of Coral Park Trading Estate from Blackrock for c.£17 million / 4.00%. The 50,500 sq ft, 9-unit estate is fully let to a strong tenant line up and builds upon Railpen's portfolio after the previous purchases of the adjacent Cambridge Retail Park and The Beehive Centre, alongside the acquisition of Botanic Place in 2022.

A theme this quarter was the search to recapitalise large schemes within the Cambridge market. Companies that have a development position are now looking to bring in long term funding partners to expand their life science portfolios.

Brockton Everlast is to bring in a partner for part of its Cambridge development portfolio to continue its growth and, similarly, the Crown Estate is searching for a partner to push forward the redevelopment of Cambridge Business Park for life science use.

Over £162 million was successfully raised across 41 fundraisings by life science companies in Cambridge throughout H1, according to Beauhurst. To put into perspective, Cambridge's total alone is equal to half of all VC funding raised outside of the golden triangle this year.

With a significant pipeline of stock earmarked to come to market in the latter half of 2023, combined with important venture capital raised by life science and biotech companies and a favourable occupational demand and supply dynamic, there remains a significant weight of capital still looking to deploy into Cambridge's Life Science market.



£162m
Raised across 41
fundraisings in
Cambridge

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