

CHEFFINS

DATAPOINT 2021

ANNUAL REVIEW OF THE BUSINESS SPACE MARKET IN CAMBRIDGE

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SHORTAGE OF SUPPLY AS CAMBRIDGE FORGES AHEAD

Strong levels of take up in 2021 propelled by the underlying strength of the technology and life science driven Cambridge economy means that supply of stock is becoming an increasing issue across all sectors. In particular, the demand for laboratory space continues

to grow at unprecedented levels with the chronic lack of availability an overriding concern. The challenge the commercial property market in Cambridge and the surrounding area now faces is to deliver sufficient new supply to keep up with demand.



Welcome to Cheffins Datapoint, our annual round up of activity in the commercial property market in Cambridge and the surrounding area.

We are delighted to present the next edition of Cheffins Datapoint, which provides detailed analysis of the city's laboratory, office and industrial market over the past 12 months, along with our forecasts for the year ahead. The report looks at take-up and rental levels and explains the underlying forces behind the data, putting into context the behaviours within Cambridge's dynamic commercial property sector.

2021 was once again dominated by Coronavirus, but the underlying strength of Cambridge was demonstrated by the levels of activity seen with supply of new space being the main challenge across all sectors. This is particularly the case for appetite for Cambridge's world-leading laboratory sector which performed stronger and faster than ever, with take up almost three times the level of 2020. The main concern, however, continues to be the lack of availability of laboratory space which, as demand continues to grow, is driving significant rental growth and is a property puzzle which needs to be solved to maintain Cambridge's success in the longer term.

Just as tellingly, perhaps, is the way in which the office market is bouncing back with deals in this sector up approximately 30 per cent compared with the previous year. Again, supply for offices remains tight and, as confidence in the need for office space continues to grow, demand from both occupiers and serviced office providers is increasing. The situation is likely to be further exacerbated as the number of offices being considered for conversion and repositioning into life sciences spaces continues to grow at pace thanks to large-scale investment in this sector.

Lack of supply was also certainly the overriding theme within the industrial space. Availability currently stands at a record low throughout Cambridge and within a ten-mile radius and this has led to growth in values, however, the sector has been buoyed by significant investment which has helped to propel new schemes into action. A number of these new industrial developments are set to complete in 2022 and hopefully this ought to help ease the pressure on the current market.

More details on all of the above can be found in our report which focusses on Cambridge and its immediate area. We are also actively involved in the wider regional market and have collected data for many of the Cambridge necklace towns, which we expect to continue to benefit from the strength in the city's market. Cheffins has a unique spread of offices throughout the region which gives us detailed insight and knowledge of the whole market.

We hope you enjoy reading the report.

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Lab market struggles to keep up as Cambridge forges ahead as global centre for life sciences

The rise of the laboratory continued in 2021 with the market performing stronger and faster than it has done for the past decade, with activity accelerating as Cambridge forges ahead as a globally significant centre for life sciences.





Laboratories stats and overview (continued)

Take up of space for 2021 was approximately 205,000 sq ft, almost three times the level of the previous year. However, it was again the case that this amount was 100% of available space and would have been significantly higher if supply was available.

Concerningly, supply of laboratory space around Cambridge is effectively zero, with no new space currently under construction. It is likely to be into 2024 before there is any significant new stock available for occupation, which presents a problem for the market. Whilst it remains to be seen exactly how much and where this space will be delivered, it is difficult to imagine it will come close to immediately satisfying existing demand, never mind any new requirements in the intervening

period. This will inevitably mean that rents will continue to rise and, in the meantime, the challenge for occupiers will be to secure space needed to enable them to develop and flourish. As part of this, there is already an increased focus on available office and other space which might be suitable for conversion.

Another notable feature of 2021 has been the fierce competition from investors from around the world for investment and development opportunities to bring forward new supply of this type of space. The year started with Brockton Capital's purchase of Units 214-240 at Cambridge Science Park and ended with IQHQ buying Units 120-136, also on the Science Park.



Notable lettings at the Emmanuel Building at Chesterford Research Park



RENTS Dec 2021 (per sq ft)	
Prime fully fitted	£48.50
Prime shell and core	£38.50

KEY LAB TRANSACTIONS 2021

- 1** Emmanuel Building, Chesterford Research Park
9,241 sq ft let to Superdielectric
9,241 sq ft let to Illumina
19,514 sq ft let to unnamed biotech
- 2** The Portway Building Granta Park
4,7705 sq ft let to Bicycle Therapeutics
53,785 sq ft let to Altos Labs



There have also been numerous other transactions with the largest being the acquisition by Blackstone's BioMed Realty of both Cambridge International Technology Park and further land at Granta Park which, upon receipt of planning, will provide in excess of 800,000 sq ft of additional space.

When it comes to transactions, the notable lettings for 2021, totalling approximately 70% of the total take up, took place at the Portway Building at Granta Park and the Emmanuel Building at Chesterford Research Park. These buildings involved major refurbishment of existing buildings to provide fitted laboratory and office space, and the strength of the market is underlined by the fact that they were both fully taken by the time building works had been completed with rents achieved reaching £48.50 per sq ft.

Demand grew sharply during the year across all size ranges and we are now tracking in excess of 750,000 sq ft of requirements

currently within the market. Demand is coming from both existing Cambridge start-ups and expanding companies, as well as major new entrants recognizing the advantages of this location. In particular, requirements for buildings in the 20,000 – 30,000 sq ft size range are increasing. This was previously at around 10,000 – 15,000 sq ft, and this growth can be attributed to the scaling-up of life sciences companies in the region.

In summary, 2021 demonstrated the growing maturity of the market for laboratory accommodation around Cambridge on the back of a strong level of demand as the life science sector assumes ever greater significance on the global stage. The challenge now is to ensure the delivery of sufficient stock to allow this success story to continue rather than risk it becoming stifled due to the lack of expansion opportunities. This is a property puzzle for Cambridge and one that needs to be solved quickly to allow the city to continue to ride the crest of the life sciences wave.

Take up summary 2021

Figure 01
Cambridge area Lab take up 2021 – by grade

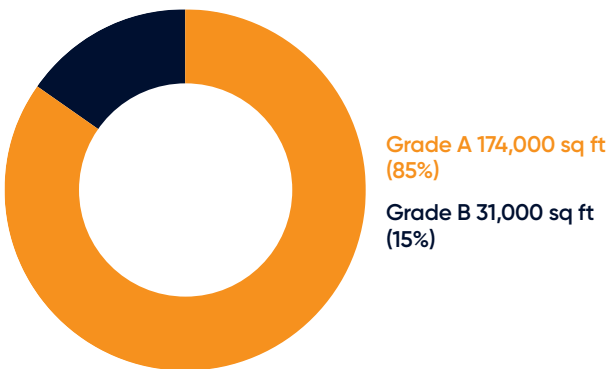
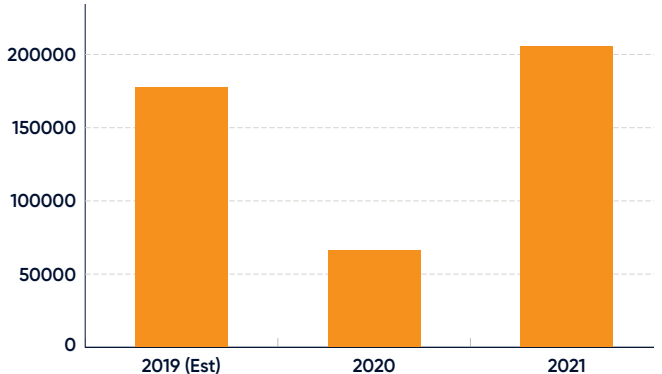


Figure 02
Total take up (sq ft)



Availability summary 2021

Figure 03
Cambridge area Lab availability 2021 – by grade

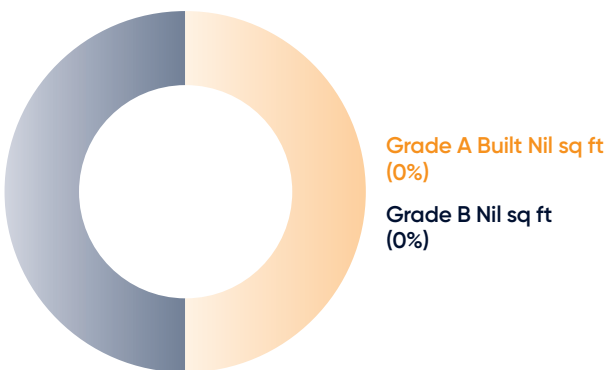
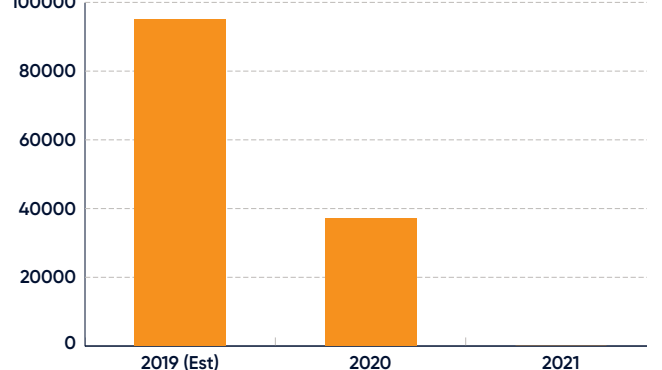


Figure 04
Total availability





Confidence in office sector grows as multinationals continue to target Cambridge for growth

Take up of office space throughout 2021 was 475,600 sq ft, up approximately 30% from the previous year and in line with the five-year average as the market recovered well from the depths of the Covid pandemic.





Approximately 25 per cent of the deals in 2020 were to serviced or flexible office providers rather than direct to occupiers but this was not the case in 2021 as increasing confidence in the need for office space has meant that users have been willing to commit to more standard lease arrangements.

A good example of an occupier showing both confidence in the office sector in general and the wider perception of Cambridge as an important location, was the decision by Roku TV to significantly expand their operation in the city by taking Building Two on Cambridge Science Park which, at 118,000 sq ft, was the largest letting for a number of years and saw a new rental high for edge of town locations at £37.50 per sq ft. In fact, the Science Park saw the majority of significant activity, with Microsoft expanding its Cambridge footprint by taking approximately 36,600 sq ft at Unit 198 and CMR Surgical continuing to upscale by occupying a further 28,200 sq ft almost next door in Unit 194. Both these properties were previously occupied by Mundipharma.

By contrast and mainly due to a lack of available supply, the city centre market was relatively quiet throughout 2021, but notable transactions included the letting of 12,560 sq ft in the Old Swiss to Hewlett Packard and Centrica's assignment of their lease on 8,960 sq ft in 50-60 Station Road to legal firm, HCR. The lack of deals has meant that there was no real evidence of rental growth beyond the £48.50 per sq ft achieved in the Fora pre-letting in early 2020 at Station Road. However, there is now some limited new supply in CB1 coming forward, much of which is already under offer and we expect to see rents achieved some way above £50 per sq ft for these new buildings.



22 Station Road, Cambridge

Supply within the office market remains tight, with the only other new space under construction and due for delivery is the 94,500 sq ft One Cambridge Square by Cambridge North train station which is scheduled for completion in November 2022. Beyond that, it is likely to be towards the end of 2023 before the next new space comes forward, which is set to be the redevelopment of Lockton House which will deliver approximately 70,000 sq ft of office accommodation. In terms of existing stock, availability is down around 10 per cent from last year, at only 730,000 sq ft.



RENTS Dec 2021	Prime (per sq ft)	Secondary (per sq ft)
City	£48.50	£38-£40
Edge of town	£37.50	£30-£33

KEY OFFICE TRANSACTIONS 2021

- 1 2 Cambridge Science Park
118,000 sq ft let to Roku Ltd
- 2 198 Cambridge Science Park
36,446 sq ft let to Microsoft
- 3 194 Cambridge Science Park
28,266 sq ft lease assigned to CMR Surgical
- 4 50/60 Station Road, part third floor
8,945 sq ft lease assigned to HCR





The lack of new supply, combined with sustained demand, will ensure that existing availability continues to reduce. Another factor likely to exacerbate the situation is the strength of the laboratory market and the extreme lack of supply for this type of space. The demand for lab space has led to a number of existing office buildings being actively considered for conversion and re-positioning for life science uses. With this in mind, we can assume that there will be continued rental growth for the best of the remaining space. What remains to be seen is the extent to which occupiers unable to secure their preferred solutions are willing to compromise, or whether they will sit tight and either adapt the way existing space is utilized or just wait until new stock does come forward.

"...lack of new supply, combined with sustained demand, will ensure that existing availability continues to reduce."

Take up summary 2021

Figure 01
Cambridge area Office take up 2021 – by grade

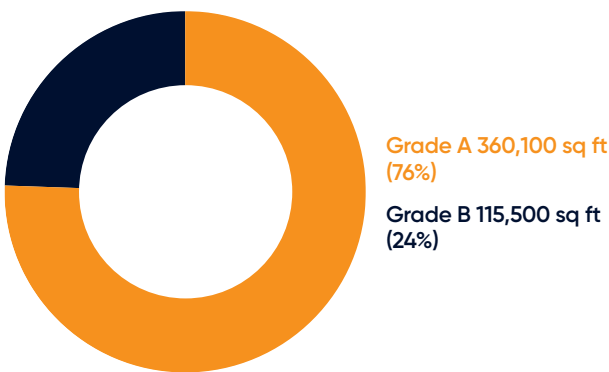
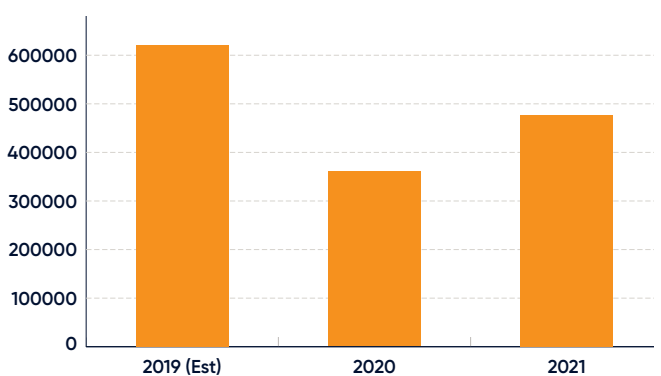


Figure 02
Total take up (sq ft)



Availability summary 2021

Figure 03
Cambridge area Office availability 2021 – by grade

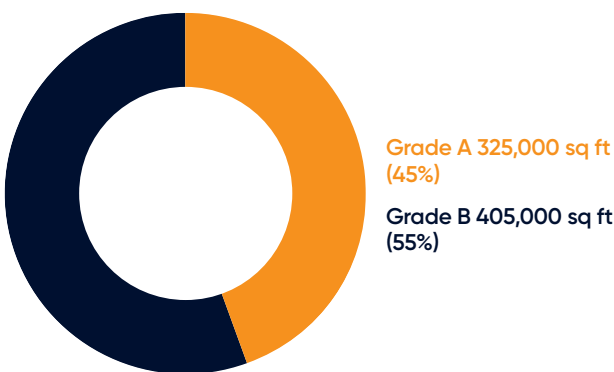
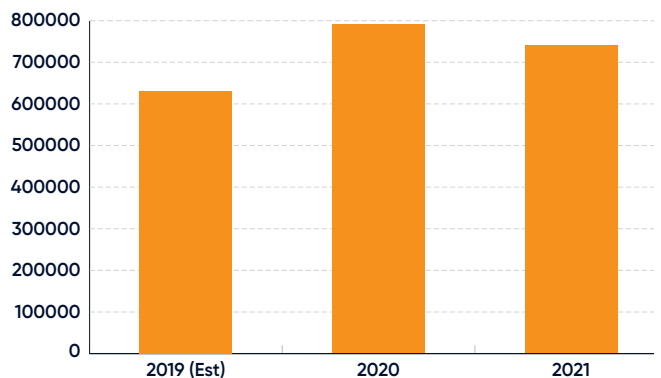


Figure 04
Total availability





Industrial market sees record low availability as rental values continue to rise

2021 was characterized by a chronic shortage of available industrial and warehouse space across the region. Demand has remained strong and rents and capital values continue to rise.





Industrial stats and overview (continued)

Availability in the Cambridge market, including the city and a 10-mile radius, currently stands at a record low level of 215,000 sq ft, of which over half is of poorer Grade C quality. To date, there is still no new or second-hand Grade A space available which is leading to a growth in rental values as demand continues to gather pace. In particular, there is a dearth of buildings over 10,000 sq ft within the local market, with the two largest lettings of the year, both at Buckingham Business Park, being only around 25,000 sq ft in size.

The supply-demand dynamic has propelled rental levels for industrial stock, with the highest rate achieved outside of the city centre of £13.50 per sq ft on a building at Enterprise, Cambridge Research Park. This has now become the benchmark level for new developments coming forward during 2022.

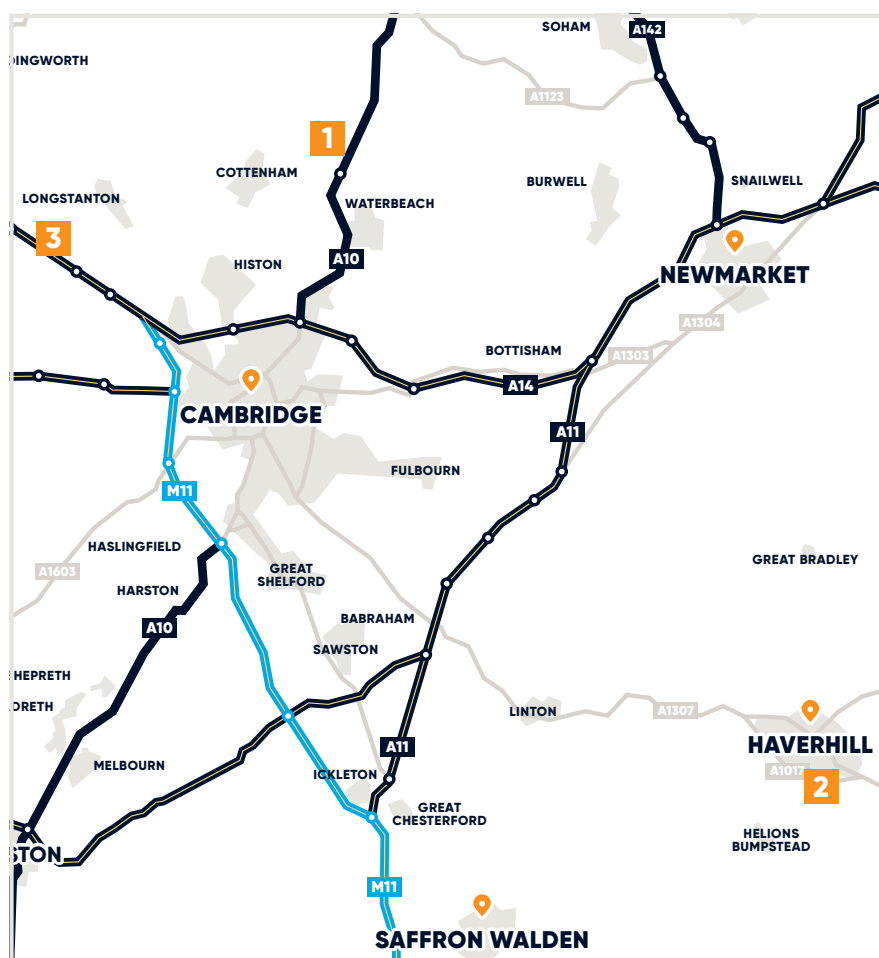
When looking at take-up in the Cambridge market, this was up by around 15 per cent on 2020 compared with approximately 233,000 sq ft, but this is still below the long term average of around 350,000 sq ft per year. Demand for Grade A space remained strong with most of the good quality stock being taken up during the year, and only around 10,000 sq ft of Grade A space available at the year end, representing 5% of the total availability. All of this space was at Cambridge South at Sawston.

In the city itself there were a flurry of smaller deals with units typically letting within a few months of marketing. Interestingly, of the 17 recorded lettings in the city last year, 11 of these were to

food related or delivery businesses, including “last mile” grocery businesses, Getir, Zapp and Gorillas and three off-site food production/kitchen operators. This is a clear demonstration of the change in demand for urban industrial space, away from traditional manufacturing and service businesses.

In other parts of the region, Trebor Developments’ Ridge scheme at Haverhill found tenants for its two significant speculatively built units during the year, at impressive headline rents of £8.50 per sq ft. This prompted a further speculative phase of two units at The Ridge, one of 22,000 sq ft and another of 47,500 sq ft, which are currently under construction, along with one building of over 100,000 sq ft available to pre-let. In terms of development land, two one-acre development plots at Haverhill Business Park were sold at prices reflecting £625,000 per acre during 2021, along with a 2.25-acre site at Hamlet Green which made around £550,000 per acre.

This year, we forecast the market to behave differently. There are a number of speculative industrial schemes which are due to complete during the year and also where pre-let deals have already been secured. For example, at Bourn Quarter, west of Cambridge, the first phase of the Aitchison-Savills IM scheme will be completing this Spring, with pre-lets secured on over 80,000 sq ft of the 160,000 sq ft under construction. Here quoting rents are now £13.50. Similarly, at Bar Hill, Wrenbridge and L&G’s 109,000 sq ft Gateway Cambridge scheme will also be completing during the year with rents quoted in the order of £11.50–£12.50 per sq ft.



RENTS Dec 2021	Prime (per sq ft)	Secondary (per sq ft)
Cambridge City	£16.50	£8.00–£15.00
10 miles	£13.50	£10.00
Huntingdon	£10.00	£8.50
St Ives	£9.00	£7.00
Ely	£10.00	£6.50–£8.00
Newmarket	£9.75	£6.50–£7.50
Haverhill	£8.75	£6.00–£7.00
Saffron Walden	£10.00	£6.50–£8.50
Royston	£11.00	£6.00–£7.50

KEY INDUSTRIAL TRANSACTIONS 2021

- 1 Enterprise, Cambridge Research Park, Unit 2 6,961 sq ft let to Cambridge University
Unit 5 7,559 sq ft let to Xaar
- 2 The Ridge, Haverhill Business Park
Unit 1 100,061 sq ft let to Tait
Unit 3 51,321 sq ft let to Comar
Unit 4 12,206 sq ft let to Omvianto
- 3 Buckingham Business Park
Unit 20 22,532 sq ft let to Smith Brothers
Unit 100 22,513 sq ft let to Sense Bio





In Huntingdon, two new units (13,000 sq ft and 42,000 sq ft) at Tower Gate, St Peter's Road, will complete during 2022 with Trebor Developments new Lightning Park scheme (32,000 sq ft and 137,000 sq ft) not due until early 2023. Quoting rents at Tower Gate are £9.75 and £11.00 per sq ft.

In Ely, there were no significant land or building transactions at Lancaster Way Business Park during the year and quoted land prices are now £600,000 per acre. However, much activity is reported at the Park and further deals are likely to complete during 2022.

Newmarket saw relatively little industrial activity during the year with the only major building available being Mayfair Capital's refurbished 1 St Leger Drive (70,000 sqft), where the quoting rent was £8.25 per sq ft.

Royston will see its first new speculative scheme completing early in 2022 with Kiafield's Royston Gateway development providing three new buildings of around 33,500 sq ft, 22,500 sq ft and 11,000 sq ft. Lettings are reported to have been agreed on the two smaller units and quoting rents are at £12.50- £13.00 per sq ft.



Bourn Quarter where over pre-lets have been secured on 80,000 sq ft of the 160,000 sq ft under construction

Take up summary 2021

Figure 01
Cambridge area Industrial take up 2021 – by grade

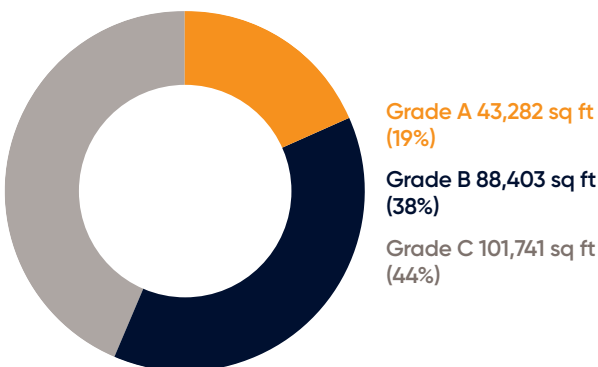
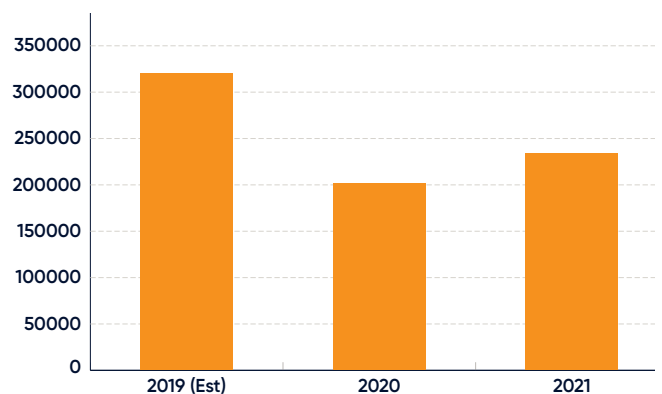


Figure 02
Total take up (sq ft)





Industrial stats and overview (continued)

Despite serious supply chain issues leading to rapidly rising construction costs during 2021, new development starts were buoyed by a very strong investment market. Demand for industrial and logistics property continues to grow with prime investment yields now down to 3.5% - 4.5% in the region. In conclusion, Cambridge and its surroundings sees some of the highest demand for industrial space and with significant investment being poured into the sector, there is an opportunity here for developers and landowners to cash in on the flood of companies heading to the region in search of warehousing. As the market continues to flourish, the new schemes which will come forward to the market this year ought to set the bar in terms of both quality and also rental levels.

"...there is still no new or second-hand Grade 'A' space available which is leading to a growth in rental values..."

Availability summary 2021

Figure 03
Cambridge area Industrial availability 2021 – by grade

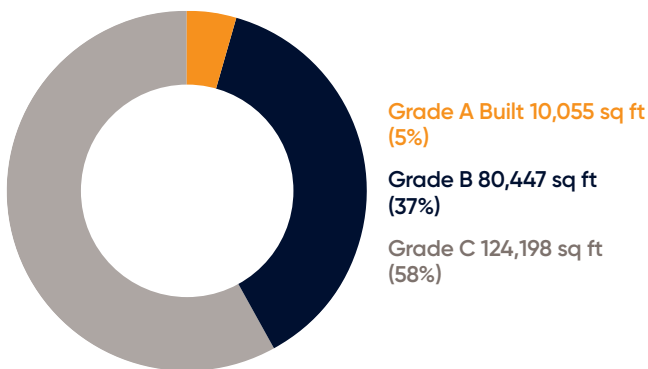
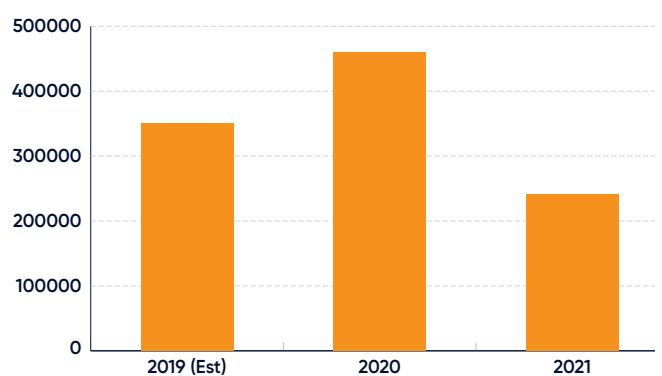


Figure 04
Total availability



Buckingham Business Park which has seen two of the largest lettings of the year





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Cheffins Commercial Property department delivers a full range of advisory services to occupiers, investors and developers of commercial property including sales, lettings and acquisition, property management, landlord and tenant, valuation and other consultancy services.

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