

CHEFFINS

DATAPOINT 2022

ANNUAL REVIEW OF THE BUSINESS SPACE MARKET IN CAMBRIDGE

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In this latest edition, we reflect on the industrial, office and laboratory property markets, providing details of the transactions in these sectors over the past 12 months together with commentary on the forces behind the data.



2022 was played out against the backdrop of the continuing fallout from the coronavirus pandemic as businesses adapted to the changes in the way we work as well as increasing global economic uncertainty and the rising cost of inflation.

The level of activity we report upon and the continued rental growth across all three sectors is arguably testament to the strength of the technology and life science economy around Cambridge. The data suggests that the city will be insulated in part from the wider economic downturn.

A common challenge across all sectors relates to the supply of new space becoming available. The levels of interest in space currently under construction suggests that further supply is required. However, with current economic uncertainty and increased building costs, the decision for developers and landlords is not as clearcut as it may have been in the recent past.

Hopefully, sufficient space will be delivered in time to enable Cambridge to continue to thrive.

We hope you enjoy reading this report and if you have any questions, please don't hesitate to contact myself or one of the team.

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The massive imbalance between supply and demand is the overwhelming factor which governed the Cambridge lab market throughout 2022.

As we highlighted in last year's edition of Datapoint, there was no available space at the start of 2022 and this continued to be the overriding theme at the year end, with no new supply forthcoming from any quarter. The upshot of this was that take-up for the entire year equated to just 55,000 sq ft, representing an approximate 69% reduction in take-up from 177,000 sq ft in 2021.





Laboratories stats and overview (continued)

The 55,000 sq ft that did become available was made up of either 'churn' of existing space which was re-released as soon as it became vacant (primarily various suites in the Science Village at Chesterford Research Park) or office space being converted to lab use. Mortlock House on Vision Park is a prime example of this as it was pre-let prior to conversion to Nuclera Ltd which, at almost 30,000 sq ft, represented more than 50% of the year's total take-up.

Demand continued to grow over the course of 2022 and, whilst there may be some concerns that demand may slow due to apprehension about the wider economy and less readily available funding, requirement currently stands in excess of a million sq ft, considerably outweighing the amount of space that is likely to be delivered or indeed become available within the foreseeable future.



Science Village, Chesterford Research Park.



RENTS Dec 2022 (per sq ft)

Prime fully fitted	£48.50
Prime shell and core	£38.50

KEY LAB TRANSACTIONS 2022

- 1** Mortlock House, Vision Park
31,400 sq ft let to Nuclera
- 2** Science Village, Chesterford Research Park – various suites totalling 10,504 sq ft to Broken String, Mestag, BioFaze and Healx





A consequential trend of this imbalance is that potential occupiers are coming forward at a relatively early stage to try and secure space rather than risk missing out on space currently under development. This includes the next phase of Unity Campus, Building 960 at Babraham and 1000 Discovery Drive on the BioMedical Campus. These buildings will provide approximately 235,000 sq ft of new space and a significant amount is already under offer, including to BioNTech which is understood to be establishing a Cambridge research centre on the Addenbrookes campus. None of this space will be available for occupation (ie following fit-out works) until the very end of 2023 at the earliest.

The inequality between supply and demand is inevitably driving strong rental growth. Some of the deals currently progressing are understood to be at rents of up to £65 per sq ft albeit these deals have yet to be signed.

The lack of deals elsewhere means there is a shortage of empirical evidence but it's widely acknowledged that the rent actually achieved of £48.50 per sq ft on the letting at the Portway Building at Granta Park back in December 2021 is the highest figure actually recorded.

Looking forward to 2023 and based on current levels of interest, it's likely that all the space actually under construction will have been taken up by the time works have completed and it's plain to see that further supply is required to satisfy demand and allow Cambridge to continue to develop as a world-class attraction for laboratory companies.

Take up summary 2022

Figure 01
Cambridge area Lab take up 2022 – by grade

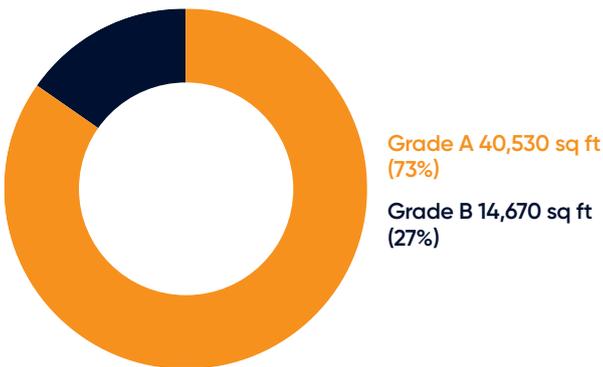
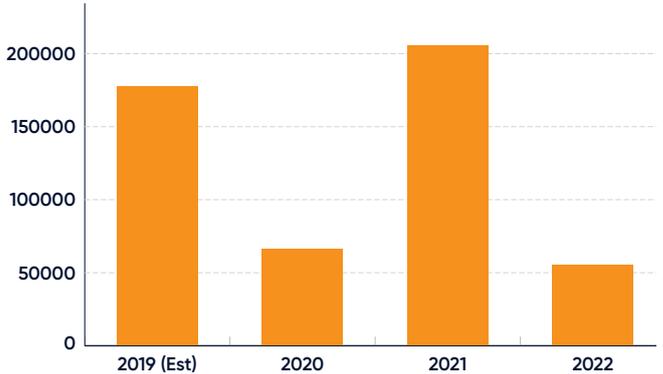


Figure 02
Total take up (sq ft)



Availability summary 2022

Figure 03
Cambridge area Lab availability 2022 – by grade

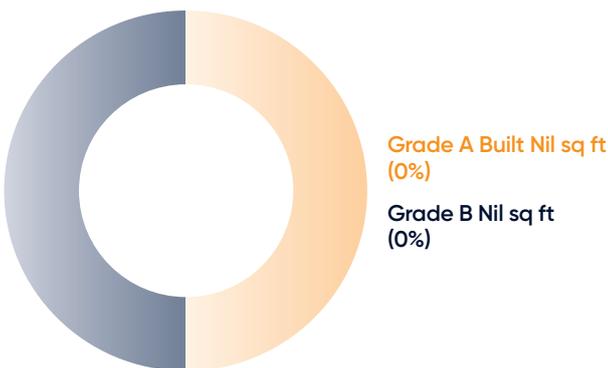
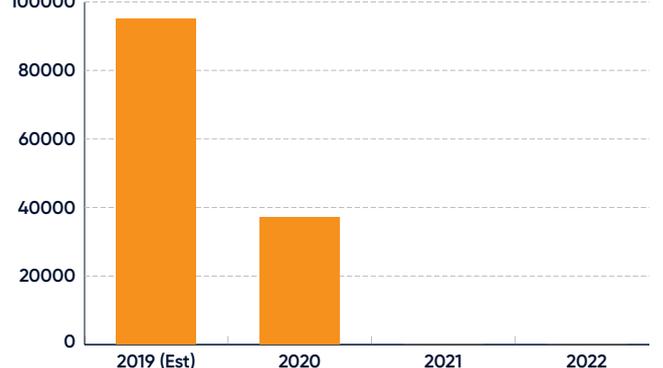


Figure 04
Total availability





Take-up of office space in Cambridge fell approximately 16% in 2022 from the previous year's total of 474,000 sq ft to 395,000 sq ft.

Part of the reason for this is likely to have been that there was no significant delivery of new stock during the year. This also led to a greater focus on the best available existing second-hand stock. For example Dassault signed for approximately 30,000 sq ft at 22 Cambridge Science Park, which was the largest single transaction of the year, and Redgate Software committed to Cavendish House on the Business Park following Mathwork's relocation.





Another notable feature of the last 12 months was office space being taken up for conversion to laboratory use. This was driven by the shortage of this type of stock highlighted elsewhere in this report and included Metrion Bioscience and Sphere Fluidics taking space at the Granta Centre as well as lab conversions taking place at Endeavour House on Vision Park in Histon.

The city centre saw more activity than previous years including the assignment of 26,600 sq ft of second hand space at 72 Hills Road to Located and Taylor Vinters committing to 4 Station Square. Also at the new Brooklands development which is being carried out by M&G Real Estate and Wrenbridge which will provide 67,000 sq ft of space

in early 2024, Siemens have already committed to taking 27,630 sq ft for a period of 10 years at a rent understood to be around £56 per sq ft. This figure consolidates the rent achieved in a much smaller letting earlier in the year of 3 Station Square to stockbrokers Charles Stanley after competitive rental bids from a number of businesses.

Other space currently under construction and due to be delivered at some point this year includes 93,000 sq ft in One Cambridge Square at Cambridge North where over half the space is already under offer. There is also the next phase of Old Swiss on Cherry Hinton Road on the south-eastern outskirts of the city.



22 Cambridge Science Park.



RENTS Dec 2022	Prime (per sq ft)	Secondary (per sq ft)
City	£57	£38-42
Edge of town	£41	£33-36

KEY OFFICE TRANSACTIONS 2022

- 1** 22 Cambridge Science Park
30,000 sq ft let to Dassault Aviation
- 1** Brooklands, Brooklands Avenue
27,630 sq ft let to Siemens
- 3** Cavendish House,
Cambridge Business Park
22,060 sq ft let to Redgate Software



Looking further forwards, there are no signs yet of development starting at Dirac House at St John's Innovation Park which is the only scheme with a current planning consent on the northern fringe. Railpen, which purchased Botanic Place in the city centre in the autumn of 2022, is understood to be pushing ahead with the development of two new buildings which will provide just over 300,000 sq ft of new space in addition to the existing Botanic House building occupied by Mills & Reeve. Railpen also has planning consent for its Devonshire Gardens scheme which will make available 120,000 sq ft of workspace as part of a mixed-use scheme.

2022 also saw a number of significant office investment transactions. The largest of these transactions was the sale of the recently completed Buildings 1 and 2 at Cambridge

"Another notable feature of the last twelve months was office space being taken up for conversion to laboratory use."

Science Park which, together with Building 26, were sold to Brockton Everlast. Interestingly both the sales of Units 194-198 on the Science Park to a joint venture between Stanhope and Cadillac Fairview and the whole of Capital Park to Longfellow were driven by the potential for conversion to life-science use.

Take up summary 2022

Figure 01
Cambridge area Office take up 2022 – by grade

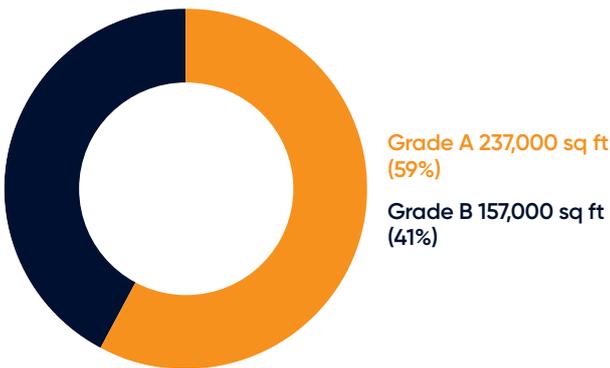
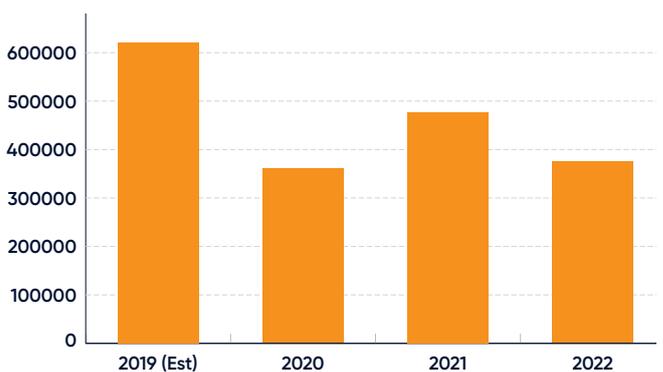


Figure 02
Total take up (sq ft)



Availability summary 2022

Figure 03
Cambridge area Office availability 2022 – by grade

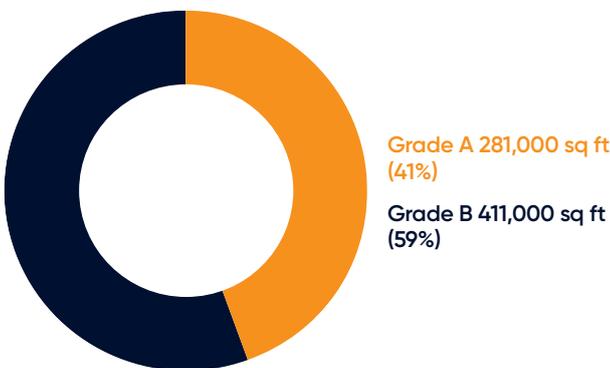
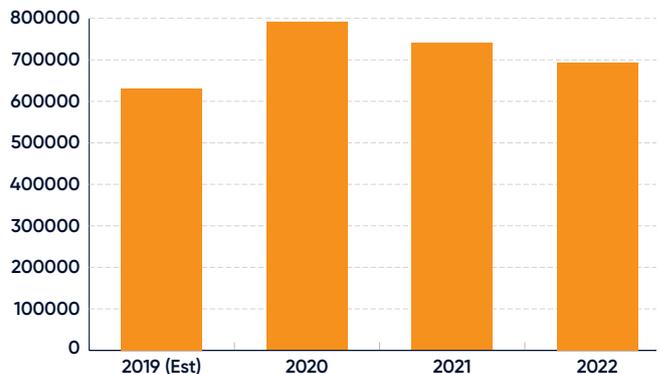


Figure 04
Total availability





On the face of it, data from 2022 suggests a bumper year for the industrial property sector in the Cambridge area, despite a turbulent international economic climate.

Overall take-up was more than double the previous year and availability at the end of 2022 sat approximately 100,000 sq ft above where it was at the end of Q4 2021.





Industrial stats and overview (continued)

A more detailed look at take-up figures for 2022 demonstrates that one transaction in particular accounts for almost half of the overall figure. This was a letting of the CDC Building (the former Spicers site) at Sawston to HWC Logistics. However, even if we exclude this transaction, overall take-up returns just shy of the long-term average of 350,000 sq ft per annum, the first time it has done so since the pandemic in 2020.

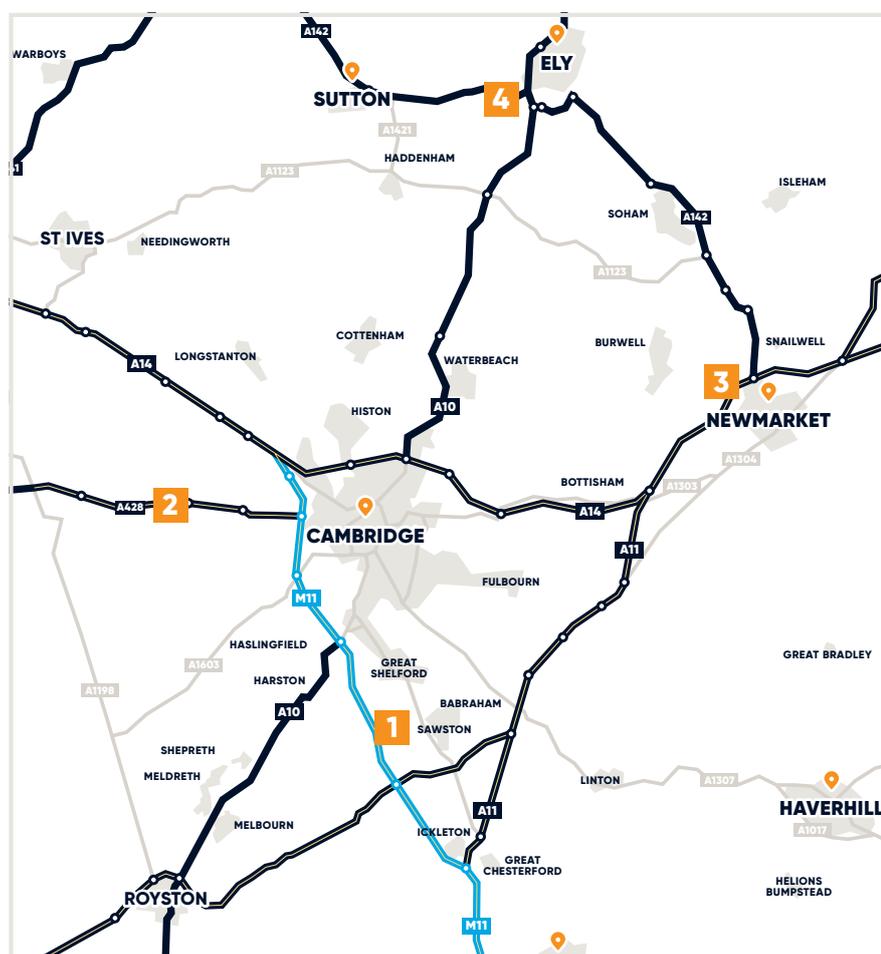
Throughout 2022 we saw the long-awaited arrival of quality new build supply. Mid-tech box and light industrial schemes reached practical completion at Bourn Quarter and Bar Hill Gateway. At the end of Q4 2022, 85% of Phase 1 units at Bourn Quarter were either under offer or let. Bar Hill achieved 44% occupancy with more deals in the pipeline.

Bourn Quarter achieved new rental levels for lettings outside the city at £13.50 per sq ft, with rents set to increase to in excess of £14.50 per sq ft over the next few months. At Bar Hill, the latest lettings have also been at the £13.50 per sq ft level. In addition, the final four remaining units from the Cambridge South scheme at Sawston were let during the first half of the year. These three locations account for all new build lettings outside of the city. New build and Grade A stock made up less than 50,000 sq ft of overall take-up in 2021. In 2022, this increased to 220,000 sq ft. Again, excluding the CDC Building transaction, over 65% of overall take-up was for Grade A or new build stock, demonstrating the continuing demand for quality product.

Within the city, there were fewer transactions on the established light industrial estates at Clifton Road and Nuffield Road. Anecdotally, the flurry of lettings in 2021, mostly to last mile delivery businesses, contributed to an increase in quoting rents during 2021 and 2022 but latterly we saw void periods start to increase as these types of businesses withdrew from the market. However, for the first time since the pandemic we saw lettings of larger city centre stock.



Unit 1, St Leger Drive, Newmarket, let to One Farm.



RENTS Dec 2022	Prime (per sq ft)	Secondary (per sq ft)
Cambridge City 10 miles	£15-£17 £11-£13.50	£10-£14 £8-£10
Huntingdon	£10.00	£6.50-£8.50
St Ives	£9.00	£7.00
Ely	£11.45	£6.50-£7.50
Newmarket	£8.25	£6-£7
Haverhill	£8.75	£6-£7
Saffron Walden	£10	£6.50-£8.50
Royston	£12.50	£7.00

KEY INDUSTRIAL TRANSACTIONS 2022

- 1** CDC Building Sawston
253,882 sq ft let to HWC Logistics
- 2** Units 2 & 3 Bourn Quarter
84,380 sq ft let to Cambridge Design Partnership
- 3** Unit 1 St Leger Drive Newmarket
70,284 sq ft let to One Farm
- 4** Plot 207 Lancaster Way Business Park Ely
65,036 sq ft let to Cambridge Medical Robotics





Industrial stats and overview (continued)

At Coldham’s Business Park, Units 9a and 9b have both been refurbished to a high standard and benefit from 7.7m height eaves and 150KVA power supply. Both units were let in 2022; 9a to Evonetix and 9b to Midsummer Energy, with the Evonetix deal breaking back to in excess of £13 per sq ft across 41,920 sq ft of floor space.

The above example provides an insight into the type of building that many technology based companies are now actively considering as an alternative to an office or fitted laboratory. Across the wider Cambridgeshire region, we are seeing more examples of businesses taking leases of ‘mid-tech

boxes’ and fitting them out with higher office content, labs or light assembly workspace. In fact, six of the thirteen largest transactions across the region were let to occupiers fitting this description. Examples included Cambridge Medical Robotics’ new pre-let 65,000 sq ft manufacturing facility at Lancaster Way Business Park at Ely and the letting of a new-build 42,000 sq ft unit at Towergate Huntingdon to the Cambridge University spin out company, graphene-based electronic devices developer Paragraf.

We enter 2023 with some remaining new build stock to let which will help satisfy demand in the short term.



More businesses are taking leases of mid-tech boxes.

Take up summary 2022

Figure 01
Cambridge area Industrial take up 2022 – by grade

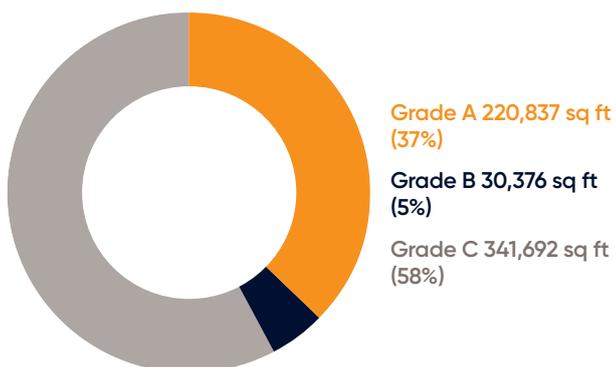
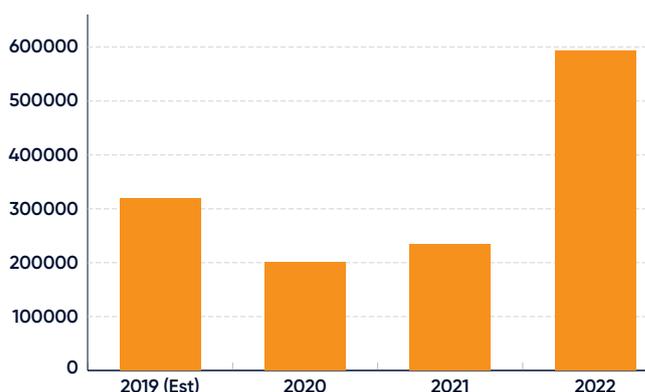


Figure 02
Total take up (sq ft)





Industrial stats and overview (continued)

However, the average available Grade A unit within a 10 mile radius of Cambridge is under 9,000 sq ft and Grade B is smaller still at approximately 6,000 sq ft. Therefore, the availability of larger units is rapidly decreasing. If we include the necklace settlements of Newmarket, Haverhill, Royston, Huntingdon and Ely, there were 13 transactions involving units in excess of 22,000 sq ft in 2022. Compare this with the four transactions above the same level in 2021 and the evidence suggests that there is increasing occupier demand for larger premises.

In terms of new industrial development coming forward in 2023 there will be some major challenges: construction costs continue to rise whilst investment values in the sector have not recovered from the stark fall which occurred in the middle of 2022.

This combination will make any new industrial development very difficult to 'stack up' financially, unless rental levels find a new high water mark above and beyond those seen to date. Some types of business may be able to absorb increased costs on top of rising utilities bills, salaries and business rates in order to acquire quality accommodation, others will be more sensitive and may hold back.

In the absence of current and new stock in the pipeline for 2023/24, we could soon face a similar shortage in supply comparable with 2021.

Availability summary 2022

Figure 03
Cambridge area Industrial availability 2022 – by grade

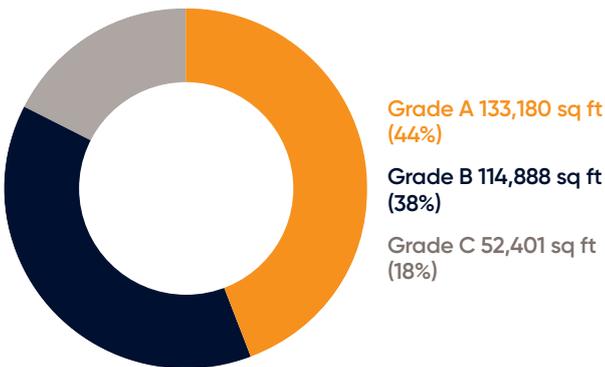
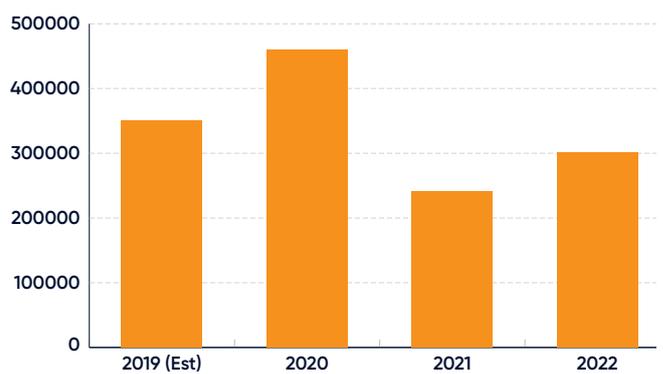


Figure 04
Total availability



Schemes reach practical completion at Bourn Quarter.





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