

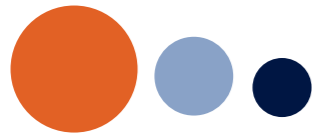
UK Commercial - February 2024

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SPOTLIGHT
Savills Research

Spotlight: Golden Triangle Offices & Laboratories



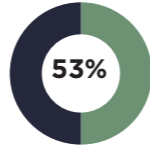
Occupational • Development • Rents



Top sectors in 2023
Share of take-up: Biosciences (51%) and Technology, Media & Telecoms (33%)

£60+

Prime city centre office rents expected to be over £60 per sq ft by 2024



Laboratory take-up in 2023
53% share was above the five-year average of 20% (2018-2022)

👉 **Developers are responding to the the growth in demand with 11.0 million sq ft in the pipeline** 👉

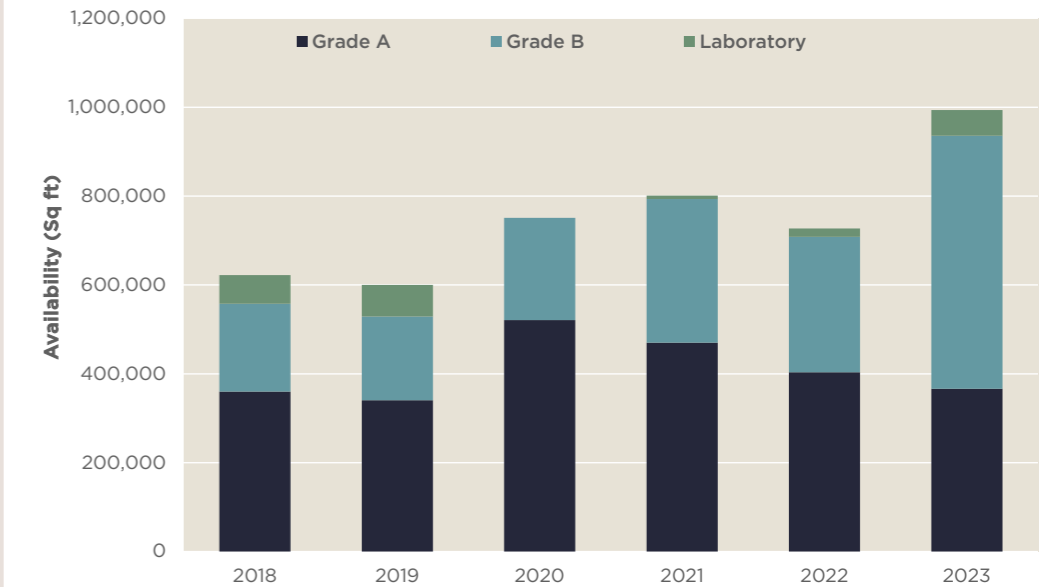
The supply of immediately available laboratory space remains constrained with the vacancy rate below 2%

Supply & Rents

There is currently 994,000 sq ft of available laboratory and office space in the market, which represents a 37% increase from the end of 2022. The rise in supply can be attributed to secondary space being returned to the market. The quantum of available Grade B office space has increased by 87% since the end of 2022. The occupier preference is, however, for Grade A office space with the supply constraints of best-in-class space situated in core locations persisting across the market. Only, 15% of the available Grade A office space is located in the city centre.

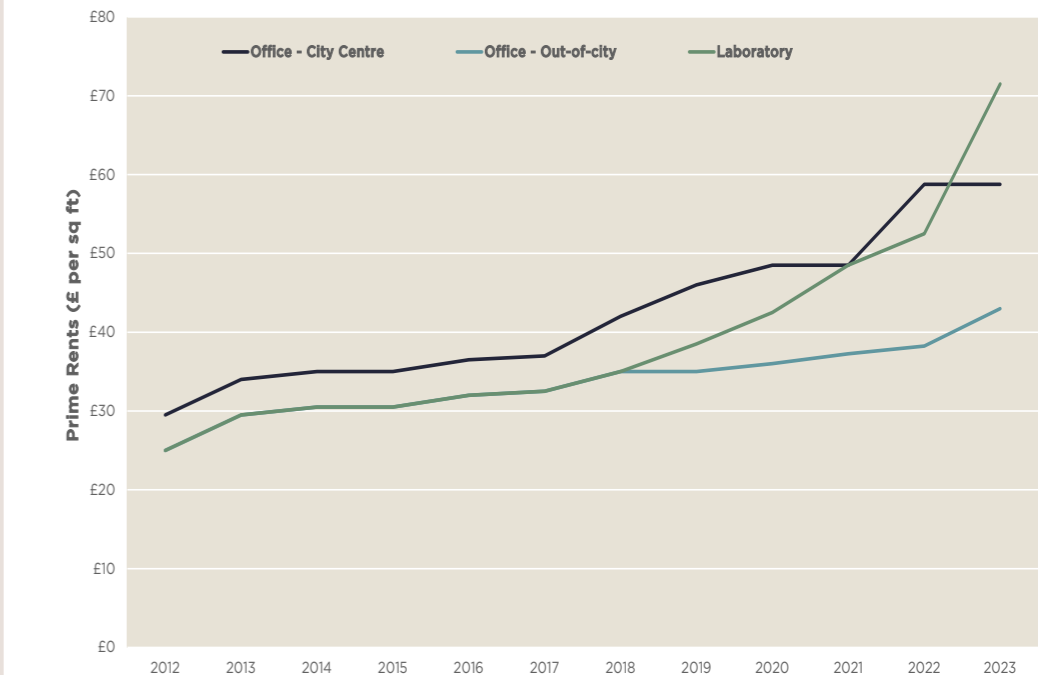
Developers are responding to the growth in demand with 11 million sq ft in the pipeline. There will, however, be a time lag in this being delivered to the market, with 78% of the space scheduled to complete after 2027. The majority of the space that will be delivered in the short term is focused on laboratory occupiers. Only 27% of the development pipeline that is expected to be complete by 2026, which is either under construction or has planning consent, is office space.

The rental growth prospects in the short term remain positive. The highest laboratory rent was achieved at Babraham Research Campus where CHARM Therapeutics paid £71.00 per sq ft for a fully fitted suite comprising 13,500 sq ft. This rental tone is expected to be supported by lettings at One Granta where BioMed Realty is speculatively developing 100,000 sq ft of office and laboratory space. The new office developments completing in the city centre in 2024, being Brooklands and 10 Station Road, are expected to set new rental tones, with headline rents in excess of £60 per sq ft forecast to be achieved.



Source Savills Research

Cambridge has strong rental growth prospects for both offices and laboratories



Source Savills Research

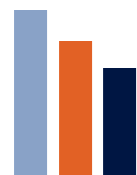
👉 **The short-term rental growth prospects are strong with vacancy rates for prime stock remaining low** 👉

CAMBRIDGE INVESTMENT MARKET OVERVIEW

After two record years of turnover, there was a slowdown in investment activity with rising finance costs, resulting in a mismatch between pricing expectations between vendors and purchasers. There was £141 million of investment recorded in 2023 across seven transactions. The largest being UBS's acquisition of the Westbrook Centre. Cadillac Fairview and Stanhope also increased their exposure to the Cambridge market by acquiring 163 Cambridge Science Park.

It is expected that investment activity will pick up in the second half of the year, with an expected fall in the base rate set to stimulate demand. There are £607 million of assets available or in the pipeline to be transacted in 2024, which bodes well for improved investment turnover later this year.

The occupational market dynamics continue to attract thematic investors, which has resulted in a 175 basis point yield premium when compared to the prime regional office yield, with prime laboratory yields currently standing at 5.00%.



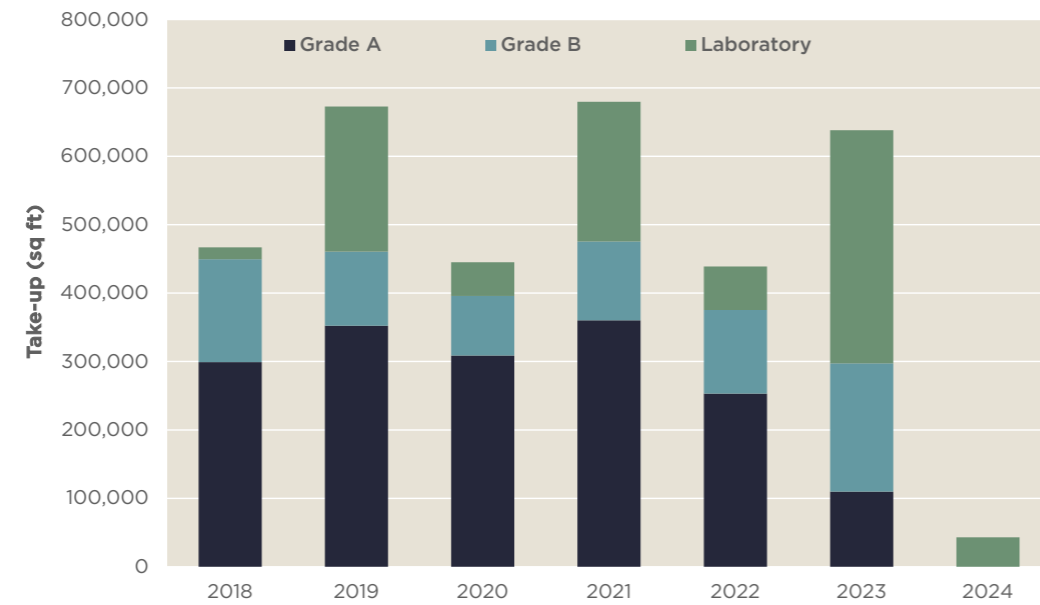
£141m

2023 investment volumes reached £141 million

5.00%

Current prime yield

Take-up



Source Savills Research

Cambridge

The outlook for the Cambridge office and laboratory market - 2024

Cambridge's international reputation as a leading science and innovation cluster was cemented in 2023 with 341,000 sq ft of laboratory space transacted, which is the highest quantum ever recorded. This total was 61% above the previous highest total recorded in 2019, demonstrating the growth of the sector. Total take-up across offices and laboratories reached 638,000 sq ft, which was 18% above the five-year average.

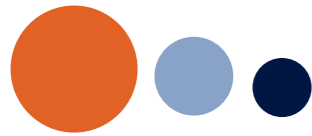
The letting success of 1 Discovery Drive and Building 960, Babraham Research Campus demonstrated the appetite for laboratory space within the market. Both schemes were speculatively developed and were fully committed to prior to practical completion. Notably,

BioNTech acquired 79,000 sq ft of shell and core laboratory space at 1 Discovery Drive, for its first UK facility. One Granta, a new speculative development comprising 100,000 sq ft, also secured its first letting twelve months out from completion to T Therapeutics which leased 23,000 sq ft.

There were 25 laboratory lettings recorded in 2023, which was the highest ever for the market, demonstrating the resilient demand for laboratory space in Cambridge. Notably, 14 of these transactions were for suites over 10,000 sq ft, highlighting that larger science and innovation occupiers are active in the market when compared to Oxford.

This trend is also reflected in the turnover of technology and intellectual property based businesses (includes life sciences) headquartered in Cambridge totalling £4.2 billion which is three times size of Oxford. A lack of grade A office supply in core locations has hampered office take-up. There was 110,000 sq ft of grade A take-up recorded in 2023 which was the lowest total in the last five years. The demand however for prime space when it is available has been strong which was evidenced at both One Cambridge Square and Brooklands. These speculative developments are 75% and 50% let. There are currently 817,000 sq ft of requirements with 254,000 sq ft touring which bodes well for take-up in 2024.

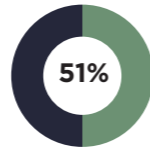
👉 **Demand in Cambridge was resilient in 2023 amidst the challenging economic backdrop. Take-up for laboratory space was the highest ever recorded** 👉



Top sectors in 2023
Share of take-up: Biosciences (48%) and Engineering (27%)

£60+

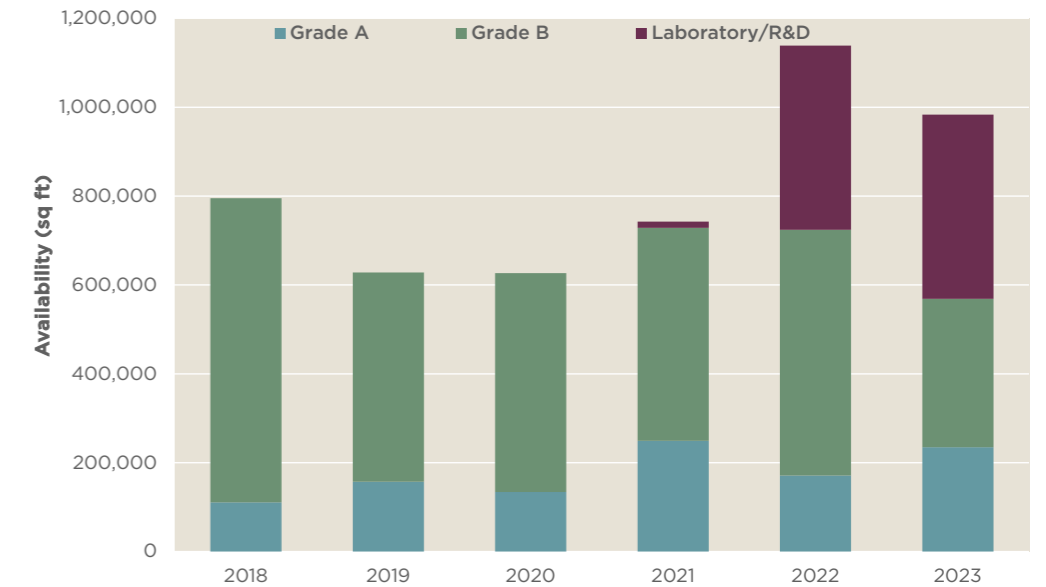
Prime city centre office rents



Laboratory take-up in 2023
51% share was above the five-year average of 32% (2018-2022)

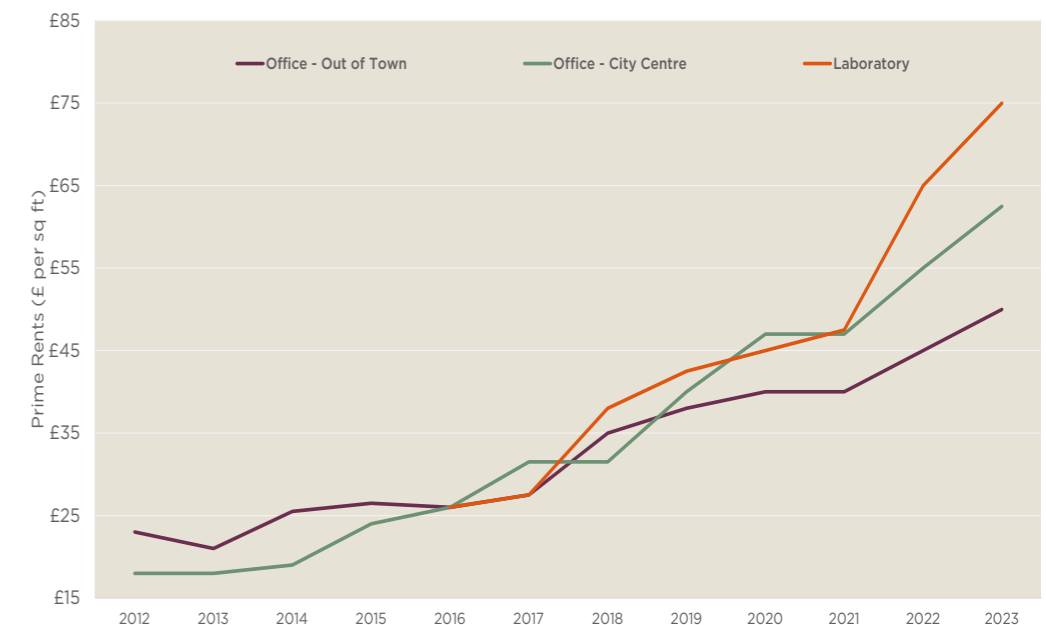
👉 The occupier demand for best in class space is evident with 37% of space under construction either pre-let or under offer 👉

There is currently no immediately available grade A office space in the city centre



Source Savills Research

The lack of fully fitted laboratory space has supported strong rental growth for this product, with smaller occupiers preferring this specification



Source Savills Research

👉 The continued lack of supply in core locations has helped support rental growth across the market 👉

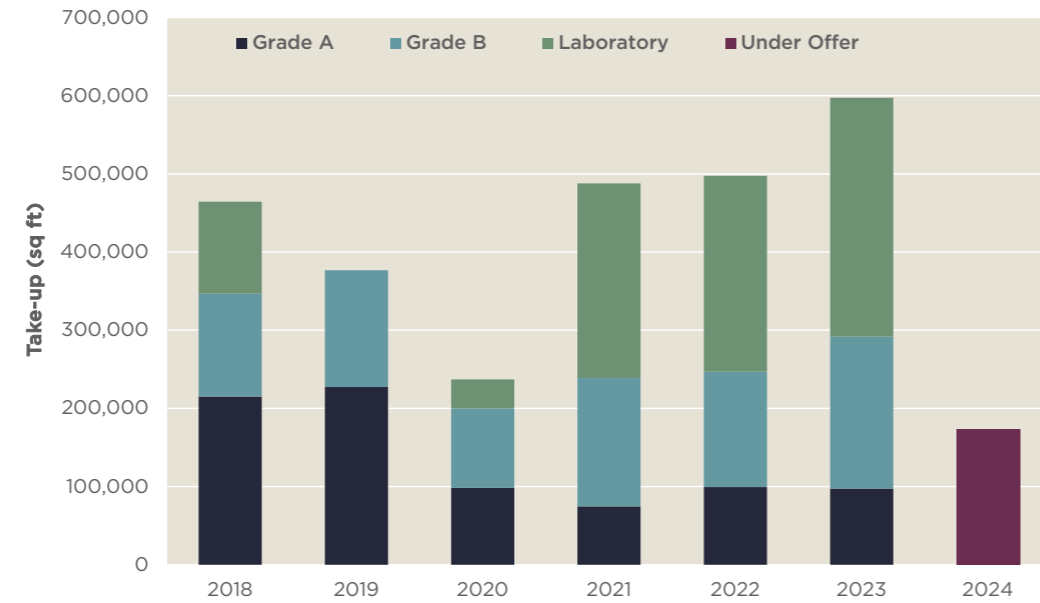
OXFORD INVESTMENT MARKET OVERVIEW

Similar to Cambridge, after two record years of investment activity, there was a fall in investment activity in 2023 which resulted in £110 million of turnover being recorded, which was 80% below 2022. The largest transaction was a private investor acquiring Building 2700, Oxford Business Park, for £37.5 million, reflecting a yield of 4.21%. The development opportunity is set to gain vacant possession in 2025.

The growth of the occupational market will continue to appeal to investors which is highlighted by £107 million of assets being under offer, with a further £175 million in the pipeline to be transacted.

Prime yields have softened due to rising finance costs and currently stand at 5.00% for laboratory-led schemes. It is anticipated that there will be yield compression towards the end of the year, with an expectation that the base rate will fall.

Take-up



Source Savills Research

Oxford

The outlook for the Oxford office and laboratory market - 2024

The science and innovation ecosystem continued to expand in Oxford in 2023, with 597,000 sq ft of take-up recorded across both offices and laboratories. There was notable appetite for laboratory space, with 305,000 sq ft transacted which was the highest total ever recorded. The high level of laboratory take-up was partly driven by Moderna acquiring 145,000 sq ft at Harwell Campus, where a new research, development and manufacturing facility will be delivered. Demand for Grade A office space was also evident at North Bailey House. The scheme, located in the city centre, was speculatively developed and comprises 23,000 sq ft and was fully let to Ryze Hydrogen before practical

completion.

Venture capital (VC) funding contracted nationally in 2023 amidst rising finance costs, which impacted the ability of smaller science and innovation occupiers to expand quickly. The demand, however, for smaller suites of laboratory space remained robust. There were ten laboratory transactions below 10,000 sq ft in 2023, which was the highest quantum ever recorded. Fully fitted laboratory suites continued to remain attractive, with 70% of laboratory lettings below this threshold providing this specification.

Oxford's cluster of technology and IP-driven businesses is more immature when compared

to Cambridge. The sector is, however, growing at a faster rate, with the number of companies in these sectors headquartered in the city increasing by 14% in the last five years to stand at 441. The expansion of the science and innovation ecosystem will continue to support the demand for new office and laboratory space in the region. The completion of schemes such as Inventa, The Iverson Building and Barton House, will be able to attract new large inward moving occupiers as well as cater for the growth of existing occupiers. There is currently 173,000 sq ft under offer across the market, and there are 780,000 sq ft of requirements, which bodes well for take-up in 2024.

👉 The science and innovation ecosystem is set to further expand in 2024 with the new development completing being able to cater for inward movers into the market 👉

Supply & Rents

There is currently 983,000 sq ft available across Oxfordshire, which is a 17% decrease from the end of 2022. The supply of Grade A office space in the city centre remains chronically low. All of the comprehensively refurbished space that is under construction at Park Central is under offer. There are no other schemes currently under construction in the city centre, with the supply constraints set to persist in the short to medium term.

Developers are responding to the growing occupational demand, with 11 million sq ft currently in the development pipeline. There will, however, be, a significant time lag before this space is delivered to the market, with 56% of this space subject to planning. Only 8% of the development pipeline is currently under construction which totals 846,000 sq ft; 37% of this total is either under offer or pre-let, highlighting the strong levels of occupier demand in the market.

The continued lack of supply in core locations has helped support rental growth across the market. The letting at North Bailey House achieved £62.50 per sq ft, which was the first time an office rental level of over £60 per sq ft had been secured in the market. Landlords in Oxford have been hesitant to speculatively deliver fully fitted laboratory suites, which has facilitated significant rental premium for this specification type. These suites have achieved in excess of £75 per sq ft, with two small lettings below 5,000 sq ft at Oxford ARC achieving £90 per sq ft.

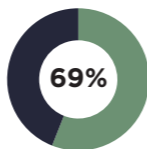


Cluster expansion

King's Cross, Canary Wharf, Whitechapel and White City account for 75% of the development pipeline

62%

Average fully fitted laboratory rental premium to Cat A office space



Laboratory take-up by size band
69% of laboratory deals recorded were below 10,000 sq ft in 2023

LONDON SCIENCE INVESTMENT MARKET OVERVIEW

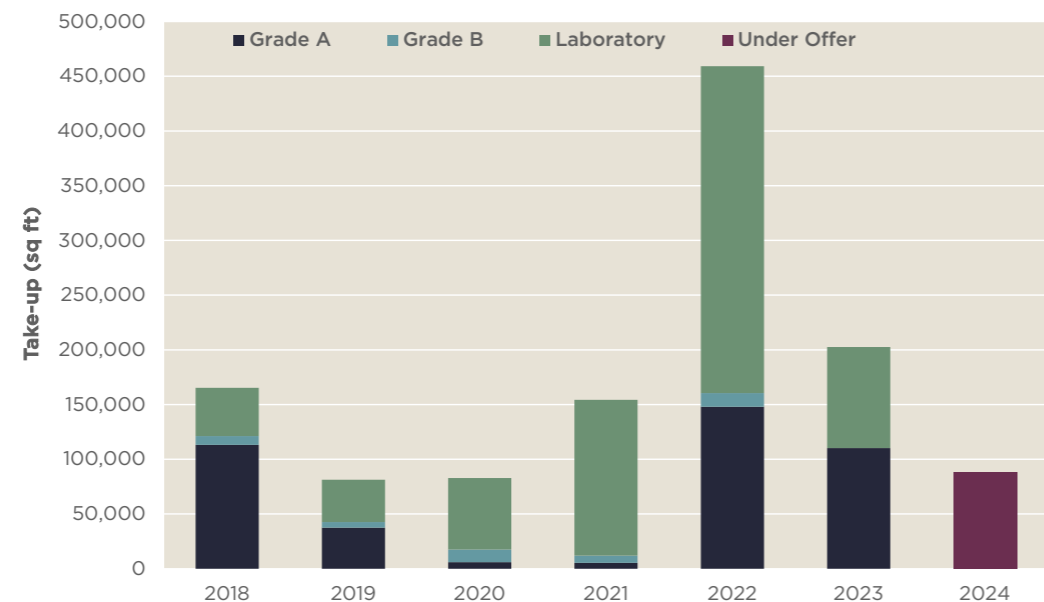
There was a softening of interest from investors in the London life science property market in the second half of 2023 after record levels of interest in the previous three years.

The largest transaction in 2023 was GIC entering a joint venture agreement with Blackrock and BA Pension Fund to develop Tribeca, King's Cross, which in total, will comprise 830,000 sq ft of purpose built life science space.

Kadans has continued to remain active in the market and has acquired four development sites since 2021. The most recent acquisition being 22-23 Tileyard Road, which adds to its portfolio of assets in the capital.

It is expected that confidence in the sector will improve this year, with positive occupational data helping expand the current buyer pool as the first wave of new developments secure tenants.

Take-up



Source Savills Research

London

The outlook for the London science market - 2024 and beyond

London's science and innovation cluster is immature when compared to Oxford and Cambridge. The market is predominantly comprised of VC-backed start-ups and scale-ups acquiring smaller quantities of laboratory space. The reduction in VC raised amidst the weaker economic backdrop was reflected in the take-up recorded in 2023, with 203,000 sq ft of science-related space transacted, which was 7% above the five-year average but 56% below the level recorded in 2022.

Canary Wharf's science cluster was developed in 2023 with the provision of laboratory space at 20 Water Street. There was 40,000 sq ft of fully fitted speculatively developed which has attracted new occupiers to the submarket. Notably, AviadoBio leased 15,000

sq ft at the scheme, and hVIVO acquired 39,000 sq ft at 40 Bank Street.

VC raising contracted in 2023 with £1.2 billion invested into life science companies headquartered in London, which was a 10% reduction from 2022. The recognition of London as a key cluster of science in the UK by venture capitalists was, however, evident, with the Capital accounting for 48% of the UK science VC raised in 2023, which was above the five-year average of 39%.

The ecosystem in London will be strengthened by the recent announcement of the Francis Crick Institute's joint venture agreements with British Land and Blackrock/Reef Group to create two new spaces for companies that

are aligned to its scientific goals.

The year ahead will provide an accurate assessment of the occupier demand for purpose-built laboratory space. There is 264,000 sq ft that is set to be delivered in 2024, which will be the first wave of development that the market has experienced. The initial indications are positive, with interest in 5-10 Brandon Road. The scheme is being speculatively developed by Kadans and comprises 113,000 sq ft. Current demand levels provide an optimistic outlook for transactional activity, with 675,000 sq ft of active requirements and 88,000 sq ft of science-related space under offer.

🔗 2024 will provide an accurate assessment of the occupier demand for purpose-built laboratory space, with the first wave of development completing this year 🎯

🔗 The development pipeline will enable the expansion of the sector in the capital, with 5.4 million sq ft set to be delivered 🎯

Supply & Rents

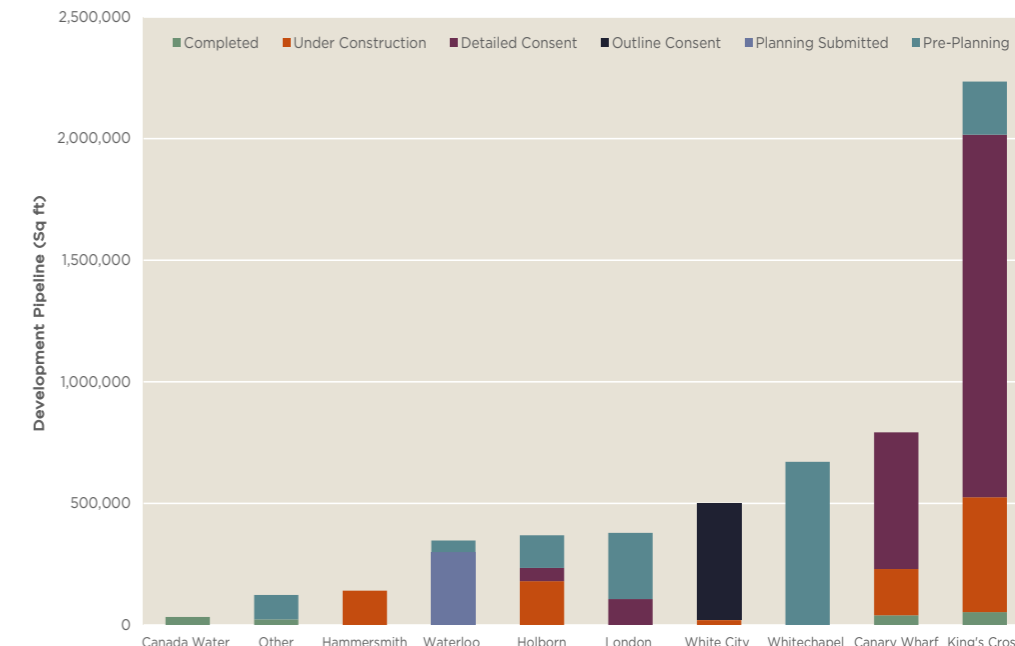
Developers have responded to the growing demand for laboratory space. There was 94,000 sq ft of completions across four schemes, the largest being 20 Water Street, where 40,000 sq ft was speculatively developed. British Land launched Paper Yard, a purpose-built 33,000 sq ft laboratory-enabled building. The scheme has a modular design which can cater for smaller requirements, demonstrated by CheMastery acquiring 2,000 sq ft at the development.

There is a further 5.4 million sq ft in the development pipeline, which will help facilitate the expansion of the science cluster. It should be noted that 67% of the space is scheduled to complete after 2025, and only 19% of the pipeline is currently under construction.

The ongoing maturity of the market is creating more evidence of laboratory rental premiums. The rental levels achieved so far have been predominantly driven by build costs. The increasing competition between different landlords will help provide greater clarity on rental premiums for the year ahead.

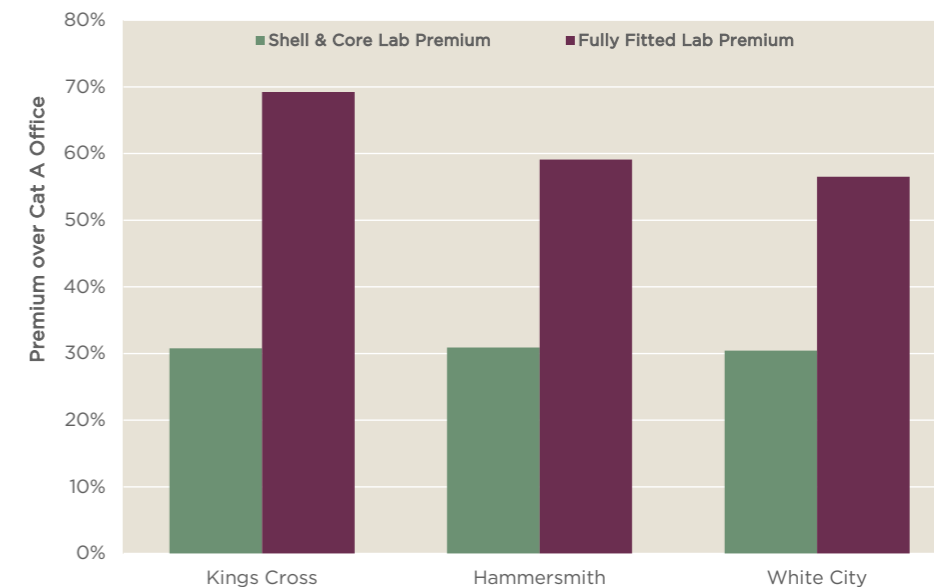
Fully fitted laboratories remain the occupier preference, with 69% of deals recorded in 2023 being for this specification. Tenants remain willing to pay a premium to secure this product, with these VC-backed occupiers prioritising other areas of their business to deploy this capital.

King's Cross is experiencing the most development activity, with 40% of the pipeline concentrated in this submarket



Source Savills Research

The highest laboratory rent premiums have been achieved in King's Cross



Source Savills Research

🔗 The ongoing maturity of the market will create more evidence of laboratory rental premiums 🎯



Savills Science

We offer clients a single accountable and collaborative team operating without boundaries out of our offices in London, Cambridge, and Oxford. This single team provides focused specialism, from landlord agency through to individuals who operate just in the Science sector (and have done since 2019). With our long-established offices in Cambridge and Oxford, the individuals there are conversant across mid-tech, science, and office use. The teams reach also extends across international markets and is supported by individuals providing occupier services.

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