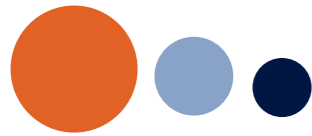


Spotlight: Golden Triangle Offices & Laboratories

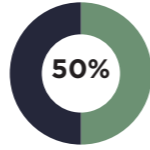




Top sectors in 2023
Share of take-up: Technology, Media & Telecoms (44%) and Biosciences (41%)

£65+

Prime city centre office rents expected to be over £65 per sq ft by 2024



Laboratory take-up in H1 2023
50% share was above the five-year average of 20% (2018-2022)

CAMBRIDGE INVESTMENT MARKET OVERVIEW

At the end of the first half of the year there was £118 million transacted across four deals, the largest being UBS' 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 volumes will remain strong with over £101 million under offer and a further £780 million of assets available or in the pipeline to be transacted. This would result in total investment volumes for the year being over £900 million which is in line with the performance for the last two years highlighting the strong investor demand.

The buyer pool for assets remains deep which is evident in the prime yield for science related assets being 4.75%-5.00% which is a 125-150 basis point premium to the prime regional office yield.



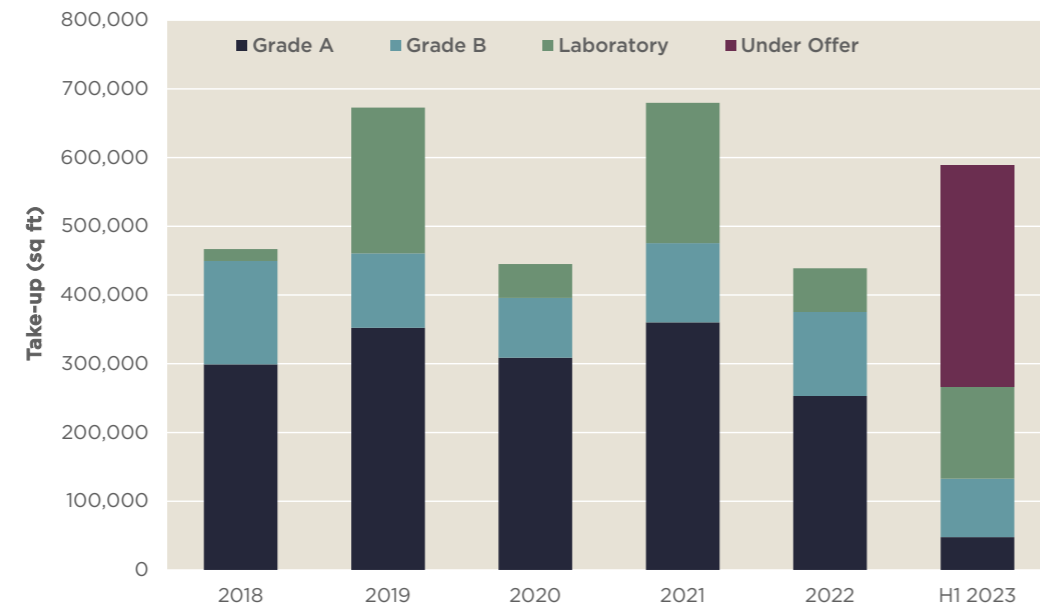
£118m

H1 2023 investment volumes reached £118 million

4.75%

Current Prime Yield

Take-up



Source Savills Research

Cambridge

The outlook for the Cambridge office and laboratory market - 2023

Leasing activity was strong in Cambridge in H1 2023 with 266,000 sq ft of take-up recorded which represented a 39% increase on the total recorded for H1 2022 and 37% above the five year average.

The uptick in take-up has been partly driven by the strong demand for laboratory space. There was 133,000 sq ft transacted in the first half of the year which already surpassed the annual total from 2022 and is the highest level at this stage of the year on record.

Notable deals include Charm Therapeutics leasing 13,500 sq ft at Building 960 Babraham Research Park and Domainex acquiring 24,000 sq ft at Building A2, Unity Campus.

The majority of smaller occupiers who are requiring laboratory space are seeking occupation within 12 months which will ensure demand remaining strong for fitted and fully fitted options. This has been evident at Unity Campus, Babraham Research Campus and Chesterford Research Park in the first half of 2023.

The ongoing flight to quality in the office market was evidenced by Samsung pre-letting 34,000 sq ft at One Cambridge Square. It is expected that strong pre-letting activity will continue as the demand for best-in-class space intensifies from corporate office occupiers. This trend was further highlighted by Siemens pre-letting 28,000 sq ft at Brooklands.

Cambridge's world renowned knowledge ecosystem will continue to attract new occupiers. Cambridge is Europe's largest technology cluster, around 72,000 people are employed by more than 5,000 knowledge-intensive firms in the area.

The resilient nature of the market is reflected in 323,000 sq ft under offer with laboratory take-up at the end of the year set to be the highest ever recorded for the market. There is a further 700,000 sq ft of active requirements underlining the appeal of the market.

Supply & Rents

Supply levels in the market have marginally increased with 814,000 sq ft available across all unit sizes and quality, representing a 12% increase from the end of Q4 2022. There is lack of grade A supply available in core locations with only 14% of available grade A space situated in Zones 1 & 2. The remainder of the supply is in peripheral locations. The supply of laboratory space available for immediate occupation continues to be constrained with the vacancy rate below 2%.

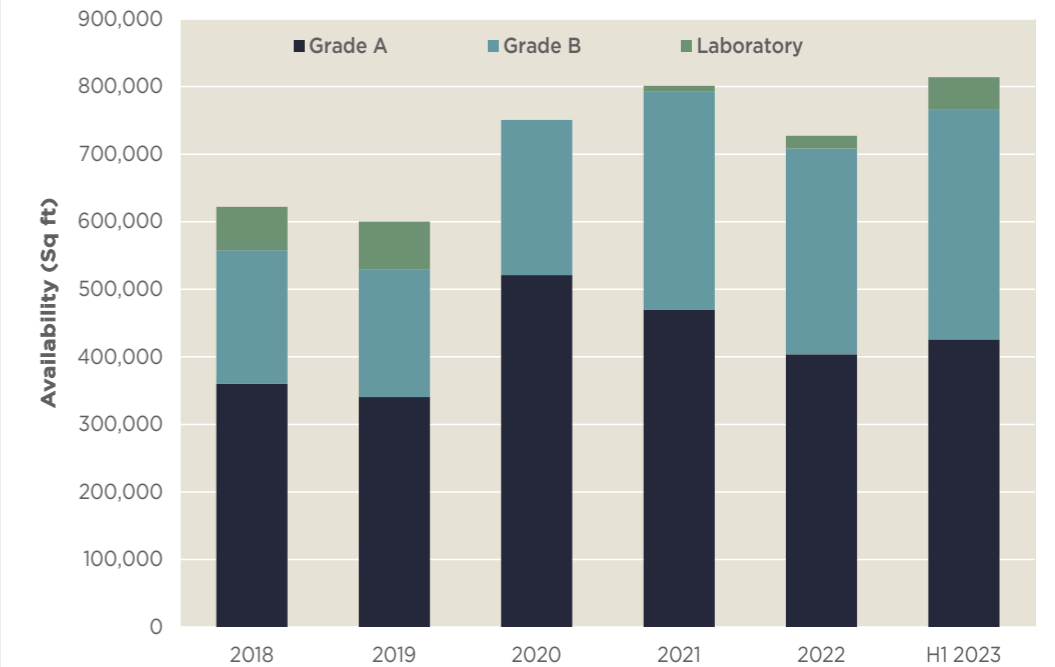
Developers are responding to the supply and demand imbalance with an estimated 10.6 million sq ft of office and laboratory space in the development pipeline. There will however be a time lag in this space being delivered to the market with 76% of the pipeline being subject to planning.

Nine schemes are currently under construction that are set to complete before 2024 totalling 670,500 sq ft, which will help alleviate the supply constraints in the short term. The majority of space under construction is either fitted or laboratory enabled space totalling 456,000 sq ft which equates to 68% of current speculative development.

The rental growth prospects remain strong with demand continuing to outweigh supply. New rental tones have been set on laboratory space with rental levels of over £70 per sq ft achieved on fitted space. The prime office rent currently stands at £58.75 per sq ft which is set to be surpassed by the new development in the city centre with prime rents expected to reach £65 per sq ft by the end of 2024.

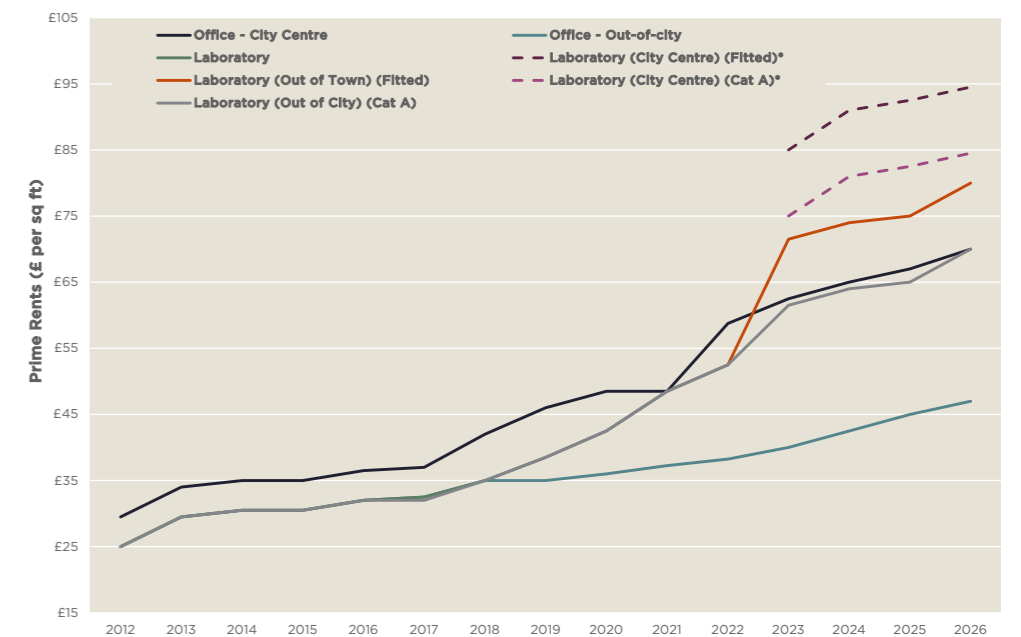
👉 There has been strong pre-letting of space under construction amidst the ongoing flight to quality 👉

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



Source Savills Research

Cambridge has strong rental growth prospects for both offices and laboratories

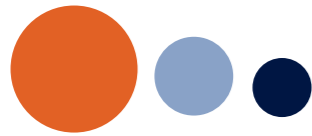


Source Savills Research

*Laboratories in an urban environment are yet to be developed in Cambridge. The rental premium that these assets will command has been forecast by comparing the performance of similar schemes in Oxford.

👉 The Cambridge cluster continues to attract new occupiers highlighting the importance of delivering new stock to the market 👉

👉 Rents are forecast to rise during the next five years as demand continues to outweigh supply 👉

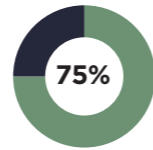


Top sectors in 2023

Share of take-up: Biosciences (60%) and Engineering (18%)

£67+

Prime city centre office rents expected to rise above £67 per sq ft



Laboratory take-up in H1 2023

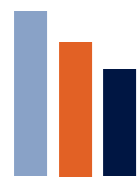
75% share was above the five-year average of 32% (2018-2022)

OXFORD INVESTMENT MARKET OVERVIEW

Investment volumes reached £39 million at the end of first half of the year across three deals. Oxford Science Park acquired The Hinshelwood Building for £19.4 million reflecting a yield of 3.86%. Kadans purchased Windrush Innovation Centre for £10.25 million and plan to demolish the existing asset to provide a new 60,000 sq ft laboratory and office building.

There is a further £308 million of assets either under offer or in the pipeline to be transacted which would result in turnover for the year being below the last two years, which averaged £554 million. This fall has been caused by a lack of stock being brought to the market with investor interest in the market remaining strong.

Similar to Cambridge, the pricing of life science related assets is at a premium when compared to office assets in other regional markets. The prime yield currently stands between 4.75%-5.00% with investor appetite remaining strong in the market despite the economic headwinds.



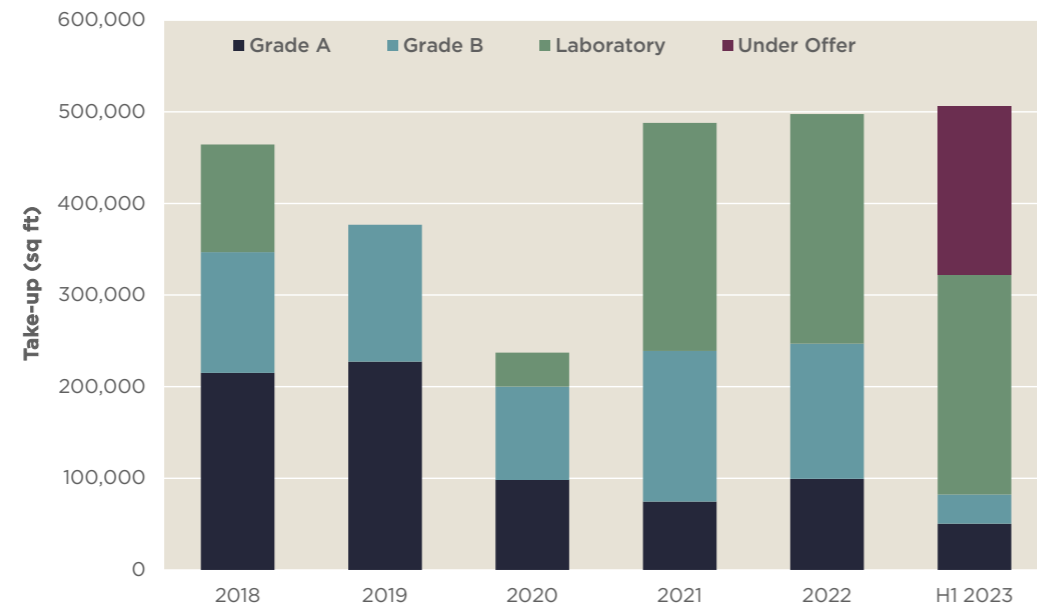
£39 million

H1 2023 investment volumes reached £39 million

4.75%

Current Prime Yield

Take-up



Source Savills Research

Oxford

The outlook for the Oxford office and laboratory market - 2023

Take-up levels softened in Q2 after a record total experienced in Q1 resulting in H1 2023 take-up reaching 323,000 sq ft which was 14% above the five year average. The strong leasing activity can mainly be attributed to Moderna leasing 145,000 sq ft at Harwell Campus where a new innovation and technology centre will be developed across two buildings.

Demand for laboratory space across all different specifications has remained strong with 241,000 sq ft transacted equating to 75% of total take-up recorded in the first half of the year. In addition to the Moderna transaction, Williams Advanced Engineering acquired 57,000 sq ft of research and development space at Life Science

REIT's Oxford Technology Park. The strength of Oxford's science ecosystem was illustrated by MiroBio/Gilead leasing 11,000 sq ft at Building 9400 at Oxford ARC. The start-up was spun out of the University of Oxford in 2019 and after two rounds of venture capital raising was acquired by Gilead Sciences in 2022.

The flight to quality in the market was exemplified at North Bailey House. The building which comprises 23,000 sq ft was fully let to Ryze Hydrogen ahead of practical completion at a record office rent for the market.

The depth of future demand in the market has been demonstrated by the anticipated growth of

Oxford Science Enterprises' companies. The venture capitalist expects the companies in their portfolio to grow their total real estate occupation to 2.5 million sq ft in the next five years, representing a seven fold increase on their current footprint, which bodes well for future take-up in the market.

Focussing on the short-term, there is currently 220,000 sq ft under offer. If this space transacts before the end of the year, this would represent the highest year of take-up ever recorded, demonstrating the consistent growth of the market and the increasing occupier appetite to be located within the Oxfordshire ecosystem.

👉 The expansion of Oxford's knowledge ecosystem is set to result in another year of record take-up for the market 👉

👉 The flight to quality in the market is evident with North Bailey House fully let ahead of practical completion 👉

Supply & Rents

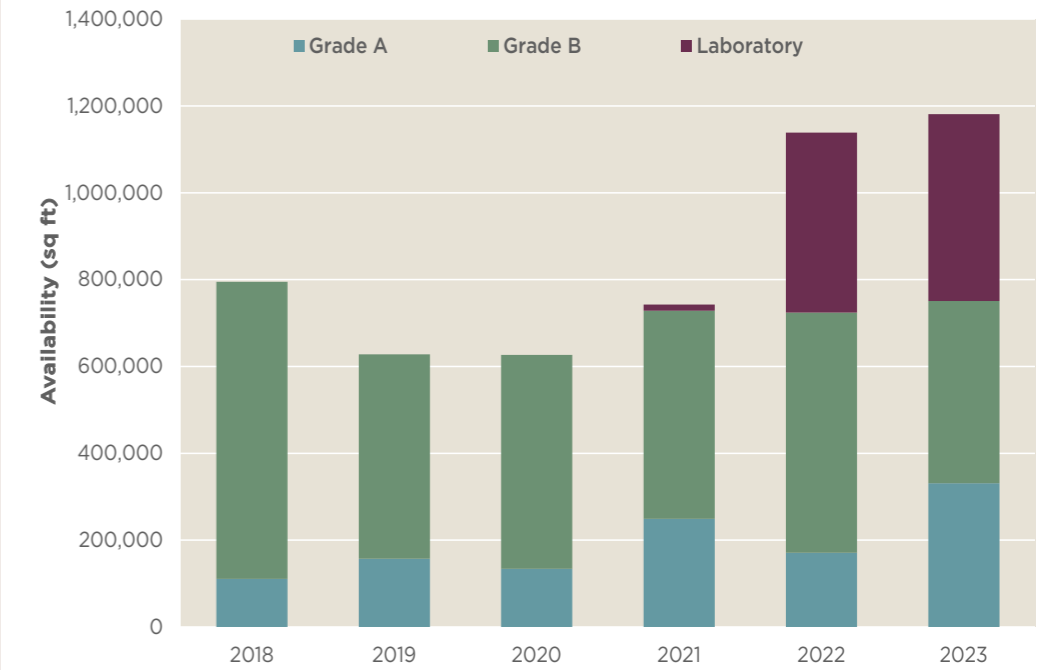
There is currently 1.2 million sq ft of office and laboratory space available in Oxford, which represents an 8% increase in supply from the end of 2022. This total contains 445,000 sq ft of space under construction which accounts for 38% of the supply. The limited availability of laboratory space will continue in the short term with no suites over 5,000 sq ft available for immediate occupation.

The supply constraints of grade A office space in the city centre are set to persist in the short to medium term. There is currently only 11,000 sq ft of grade A space available. There will be a delay in delivering space to the city centre as currently all new schemes are subject to planning.

Similar to Cambridge, developers are responding to the increase in demand with 12.3 million sq ft in the development pipeline. There will however be a very gradual delivery of this space being provided to the market with 86% of the pipeline scheduled to complete after 2024. Furthermore, the majority of the pipeline is subject to planning with 77% of the space not currently having planning permission. The dearth of supply is resulting in landlords exploring fitted solutions to capture the growing tenant demand for laboratory space.

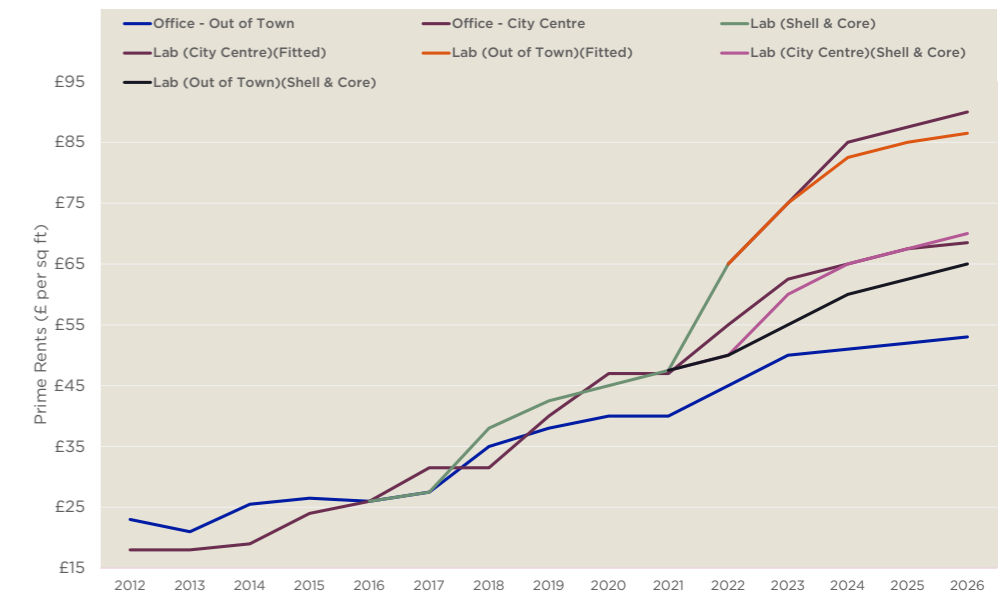
The market has continued to experience strong rental growth with the demand and supply imbalance persisting in the market. Prime rents in the city centre are forecast to reach in excess of £65 per sq ft and fully fitted laboratory suites have achieved over £75 per sq ft.

New development is beginning to enter supply but availability is still below current demand levels



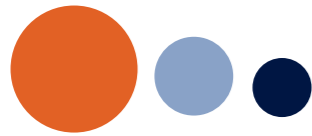
Source Savills Research

Prime city centre office rents are forecast to reach in excess of £65 per sq ft. Laboratory rents will continue to rise.



Source Savills Research

👉 Landlords are exploring fitted laboratory solutions to capitalise on the growing tenant demand for this type of product 👉

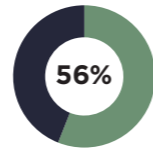


Cluster Expansion

King's Cross, Canary Wharf, Whitechapel and White City account for 65% of the development pipeline

£100+

Fully fitted laboratory suites are achieving in excess of £100 per sq ft



Laboratory take-up by size band

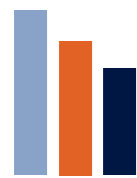
56% of laboratory deals recorded are below 10,000 sq ft (2020-Present)

LONDON SCIENCE INVESTMENT MARKET OVERVIEW

There is yet to be a sale of a stabilised life scheme in the London market with the sales that have occurred so far all having reversionary potential. The majority of transactions that have occurred are refurbishment/re-positioning of offices to life sciences or redevelopment. Prime Central London life science net initial yields are considered to be in the region of 4.50%-5.00%.

The investor appetite for development or repositioning opportunities has been strong with £1.1 billion of capital deployed into life science related assets in the last two years.

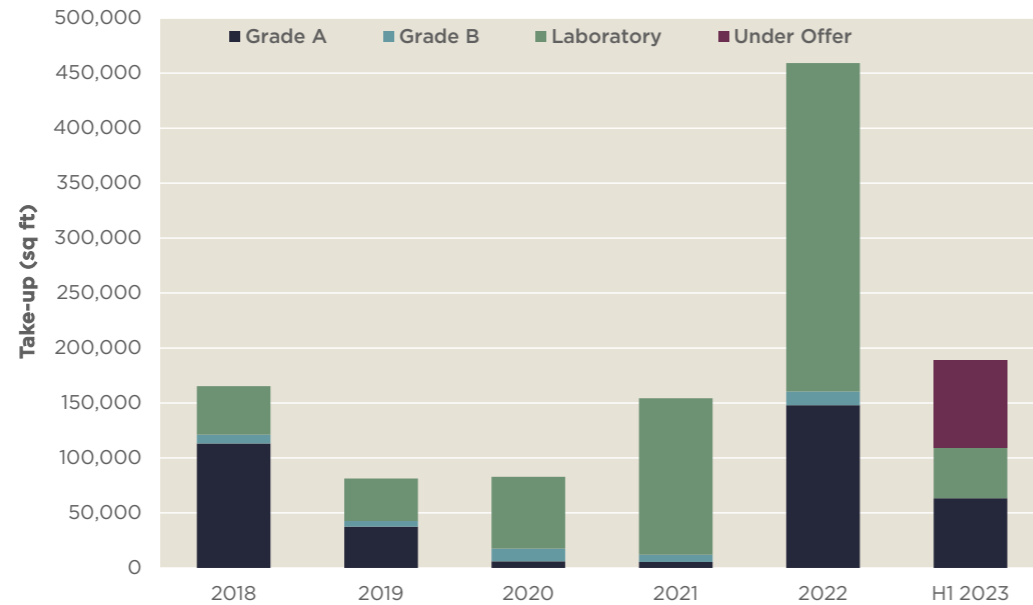
Notable transactions in 2023 so far have included GIC entering a joint venture agreement with Blackrock and BA Pension Fund to develop Tribeca, King's Cross, which in total will comprise 830,000 sq ft of purpose built life science space. 17 Columbus Courtyard, Canary Wharf was acquired by GIC & Oaktree and is being repositioned into a 180,000 sq ft scheme that will provide a mixture of fully fitted and laboratory enabled space.



£1.1 bn

There has been £1.1 billion of capital deployed into life science related opportunities in the last two years

Take-up



Source Savills Research

London

The outlook for the London science market - 2023 and beyond

London's science and innovation market is relatively nascent compared to Oxford and Cambridge but has developed rapidly. This was evident in 2022 with the highest level of science related take-up ever recorded, totalling 459,000 sq ft.

The positive momentum in the market continued in the first half of the year with 99,000 sq ft being transacted and a further 80,000 sq ft under offer. Notable deals included MSD pre-letting 12,000 sq ft at Skylab, The Francis Crick Institute. The laboratory space will be constructed on the roof of the existing facility. ADC Therapeutics expanded their presence at I-Hub, White City by leasing an additional 12,000 sq ft to bring their occupation in the building to 24,000 sq ft. The

first lab letting was secured at Paper Yards, Canada Water where CheMastery leased 2,000 sq ft.

The rapid development of the cluster in London has been recognised by Big Pharma companies. Submarkets which have an existing critical mass of smaller science occupiers have appealed to larger pharmaceutical occupiers. GSK pre-let 145,000 sq ft at The Earnshaw and MSD pre-let a 195,000 sq ft bespoke office and laboratory development in King's Cross. Novartis also relocated to White City moving their headquarters from Frimley.

This trend is expected to continue with Lilly and LifeArc both having desires to establish new incubator and accelerator style facilities within the Knowledge Quarter.

The requirement from Lilly is notable as it underlines London's growing reputation as leading global research and development cluster, their other facility of this type is located in San Francisco which is the second largest life science cluster in the US.

There is currently 700,000 sq ft of demand for science related office and laboratory space in the market which bodes well for take-up later in the year. The majority of demand is for smaller suites with 78% of requirements below 20,000 sq ft. Notably, fitted laboratory specifications being increasingly the preferred option for requirements below 10,000 sq ft.

Supply & Rents

The provision of purpose built laboratory schemes has historically been limited in London. Occupiers who required laboratory space had been predominantly leasing office space and undertaking CAT B works themselves.

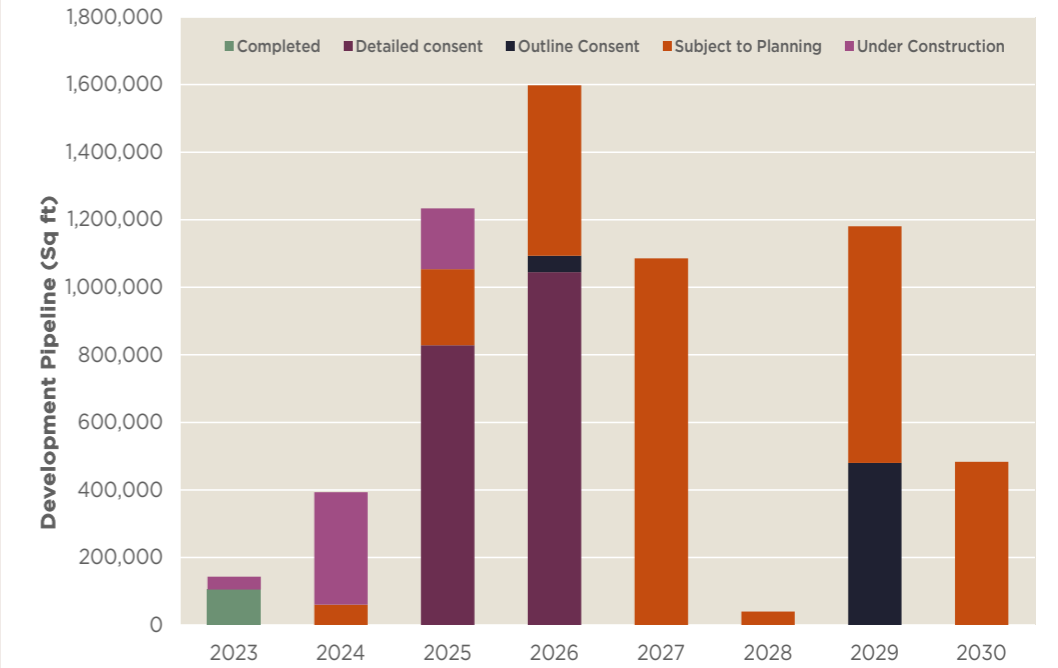
However, developers have been responding to the growing demand with 105,000 sq ft of both fitted and laboratory enabled space completed this year and a further 551,000 sq ft currently under construction. The largest completion being 20 Water Street, Canary Wharf where 40,000 sq ft of fully fitted laboratory space was delivered by Kadans. In total there is 6.2 million sq ft in the development pipeline until 2030 albeit this could be delivered within the next 15 years. This will alleviate the supply constraints in the medium to long-term although 50% of the development pipeline is still subject to planning and only 9% is currently under construction.

Evidence of rental tones for fitted laboratory space have started to emerge in the last year with more landlords delivering this type of product. The first wave of lettings for this specification type have seen rents achieved between £85.00-£110.00 per sq ft. This has resulted in laboratory rental premiums being established. On average fitted laboratories have achieved a 65%-75% rental premium over office lettings, depending on the submarket.

Quoting rents for future fitted laboratory schemes range from £85-£130 per sq ft demonstrating the rental growth the market is experiencing.

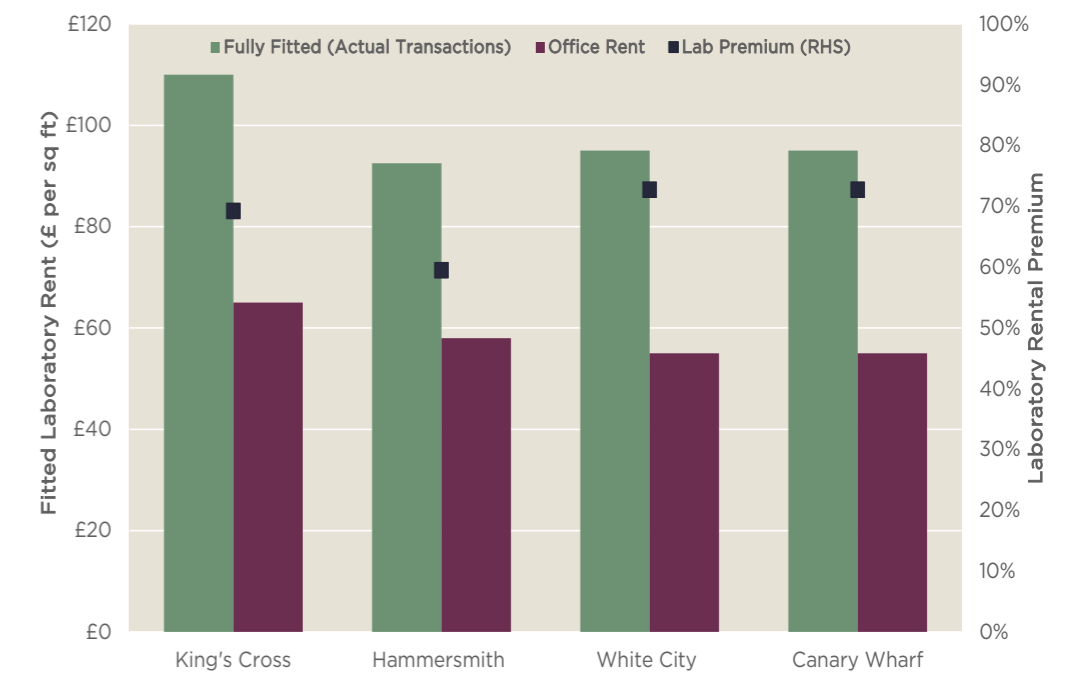
It is expected that the volume of laboratory stock in London will increase by 16-fold by 2030

London's science cluster will continue to mature with 6.1 million sq ft in the development pipeline



Source Savills Research

Fitted laboratory suites are on average achieving a 69% rental premium over office lettings



Source Savills Research

The growing momentum of London as a leading science and innovation cluster has been underlined by large Big Pharma inward movers

The majority of demand is from early-stage venture capital backed companies who are predominantly seeking fully fitted laboratory space



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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