

Summer 2024



Offices and Labs

# CAMBRIDGESHIRE

Arc Market Databook



# Overview

## Occupier

The science and tech sector in Cambridge supported the office and lab market in the first half of 2024. A robust Q1 for transactions was followed by a subdued Q2. Office take-up was stronger than lab take-up with overall performance similar to H1 2023. Occupier requirements for labs in Cambridge stood at 690,500 sq ft in June 2024, down from 12 months ago, but still significantly above the amount of immediately available space (128,400 sq ft). Although the totals for office demand and supply suggest a more balanced market, the figures mask limited grade A space. With increased occupier reporting levels, we expect take-up will strengthen in H2, with rental growth being evidenced in prime office and lab rents before the year-end.

## Development

We anticipate around 350,000 sq ft of new office and lab completions in Cambridgeshire in both 2024 and 2025. Put in context, this would add circa 6% to the existing stock of commercial space. Two thirds of the new space is labs which will help to reduce the current shortage of options for occupiers.

The long-term development pipeline is healthy with a number of significant masterplan schemes securing consent during H1 2024 including Cambridge North, Melbourne Science Park, Cambridge Discovery Campus plus a number of standalone buildings. The need for Cambridge to deliver economic growth will mean an increasing focus on housing and infrastructure to support the city's high value sectors.

## Investment

The investment market was very quiet in the first half of 2024, despite good occupier demand and the prospect of future rental growth. The lack of transactions creates some uncertainty around pricing, but we believe that prime office and lab yields in Cambridge stood at 6.0% and 4.75% respectively, in June 2024. However, there are signs that the re-pricing of assets over the last two years and the recent drop in finance costs are starting to feed through to investor sentiment and the second half of this year is likely to see some recovery in investment deals.



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# News highlights

## Tech powers 2024 H1 performance

Tech hardware companies were very active in H1 2024, after a relatively quiet 2023. The biggest office letting was to AMD (45,000 sq ft) at 196 Cambridge Science Park. The company designs computer processors and related technology and is benefiting from the rapid growth in AI and data centres. Four of the five biggest office lettings in the first half were to tech hardware companies. Overall science and tech occupiers together accounted for 90% of total office and lab take-up. We expect life science and tech to continue to drive the office market in H2 with a number of scaling and established businesses with live requirements actively reviewing the market.

## Lab demand stabilising

Although requirements for lab space in Cambridge were lower in June than in December 2023, they are still double the pre-pandemic average and continue to dwarf the amount of available lab space (128,400 sq ft). The tail off in demand was mainly due to a number of overseas life science companies, pausing, or withdrawing requirements. By contrast, demand for smaller lab units <10k sq ft grew, reflecting the healthy pipeline of "home-grown" university spin-outs and scale-ups which are critical to the long-term success of the cluster. With funding remaining challenging occupiers are behaving cautiously and reviewing options and business cases with increased scrutiny before committing.

Office requirements fell by 13% between December and June to c. 750k sq ft. The reduction was driven by the largest size category >50 k sq ft, whereas demand for small and medium sized units was stable.

## New schemes add c. 6% to stock by end 2025

The strength of occupier markets means that developers have continued to progress schemes, despite the rise in interest rates and construction costs over the last two years. We anticipate around 335k and 385k sq ft of office and lab completions in Cambridgeshire in 2024 and 2025, respectively. To put that in context, that will add c. 6% to the existing stock of space (excluding academic buildings) within the two years to end-2025. The space splits one-third: two-thirds between offices and labs with c. 20% already committed to by occupiers.

The largest new build lab schemes currently on site are at South Cambridge Science Centre, One Granta and The Press. CamLIFE is also progressing with the comprehensive refurbishment and expansion of three lab buildings. These schemes will help to relieve the shortage of lab space occupiers have faced in recent years. British Land's, The Optic at Peterhouse Technology Park will deliver 100k sq ft in early 2025 on the edge of the city. Brooklands and 10 Station Road are delivering new office space to the Central Cambridge office market in 2024. Once these buildings have completed there will be two years until the next new office schemes in the city centre, which are being developed by RailPen.

## The facts

**232k sq ft**

Total office and laboratory take up in Cambridge in 2024 H1

**106k sq ft**

Available Grade A office space

**691k sq ft**

Lab requirements

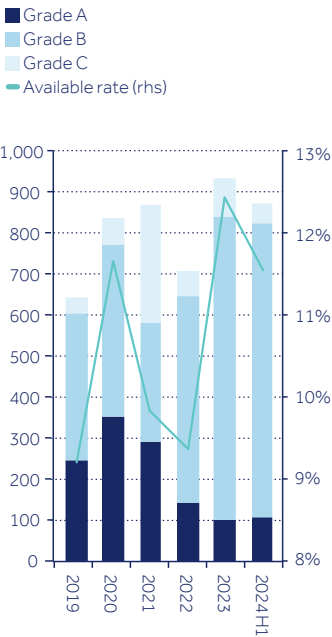
**9.4%**

Combined office and laboratory availability rate at end H1 2024

## Offices

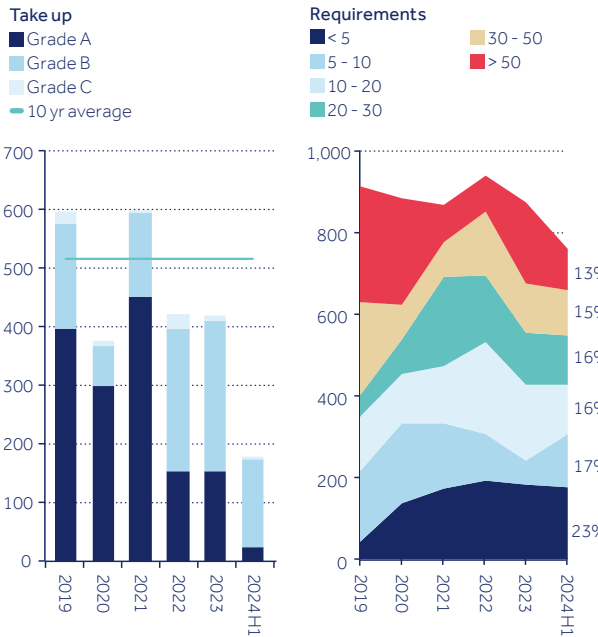
The tech sector led by hardware companies continues to expand in Cambridge, accounting for two thirds of lettings in H1 2024.

### Office supply (June 2024)

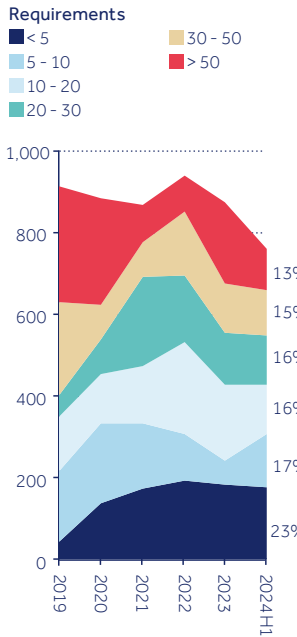


Availability 000s sq ft **873.6 ▼**  
Availability rate **11.6% ▼**

### Office demand (June 2024)

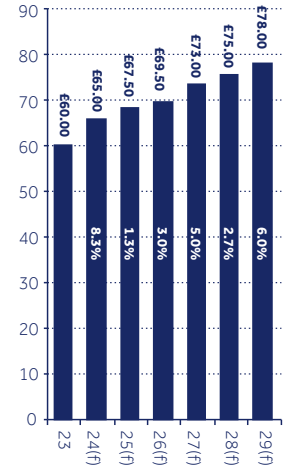


2024 H1 Take up 000s sq ft **177.9 ▼**



Requirements 000s sq ft **754.7 ▼**

### Office rents (June 2024)

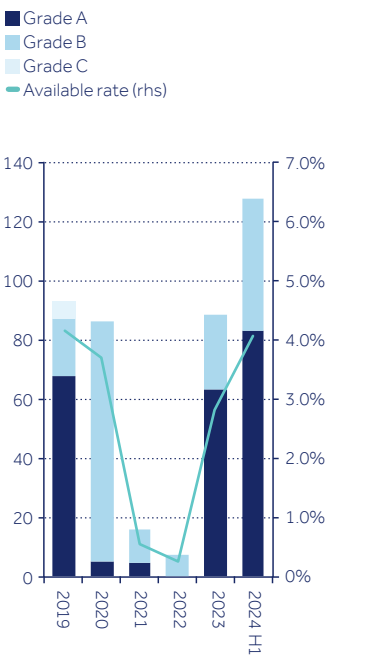


Prime Epsf **£60.00 ►►**  
Secondary good Epsf **£40.00 ►►**  
Secondary poor Epsf **£22.00 ►►**  
Annualised growth rate **4.9% p.a**

## Laboratories

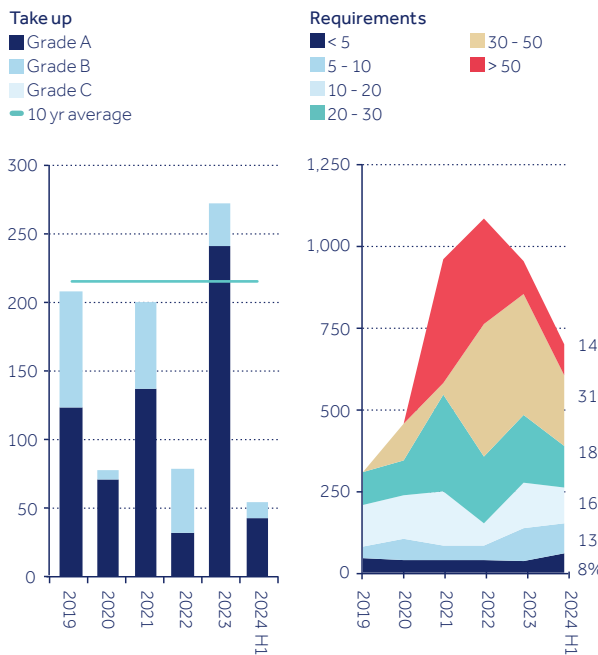
Large requirements from overseas life science companies fell in H1 2024, but smaller requirements grew, reflecting the healthy pipeline of university spin-outs and scale-ups.

### Laboratory supply (June 2024)

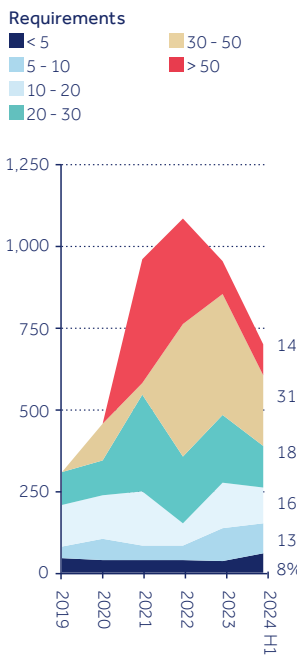


Availability 000s sq ft **128.4 ▲**  
Availability rate **4.0% ▲**

### Laboratory demand (June 2024)

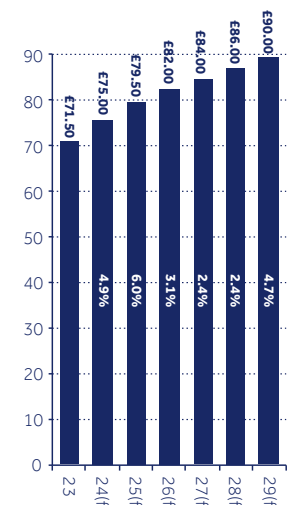


2024 H1 Take up 000s sq ft **54.5 ▼**



Requirements 000s sq ft **690.5 ▼**

### Fitted laboratory rents (June 2024)



Prime fitted Epsf **£71.50 ►►**  
Prime open plan Epsf **£65.00 ►►**  
Prime shell Epsf **£57.50 ►►**  
Annualised growth rate **4.3% p.a**

# Key Bidwells transactions

## 306 Cambridge Science Park



On behalf of Trinity College, Bidwells successfully let 22,000 sq ft of Grade A office space located at 306 Cambridge Science Park. The property has been acquired by fast growing technology company, Cambridge Mechatronics.

## Radio House, Cambridge



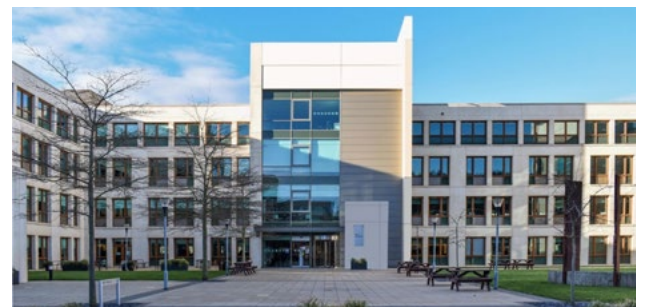
Acting on behalf of Orchard Street Management, Bidwells has leased the last remaining space at Radio House in Cambridge, fully letting the building and marking a significant milestone. The final unit, comprising 14,450 sq ft, has been leased to the US-based electronic component manufacturing company, Power Integrations.

## Orion Building, Unity Campus



Bidwells acted for Welbeck Health Partners to acquire the recently completed Orion Building at Unity Campus. The building will be enhanced to provide a new c.31,000 sq ft clinical facility for Cambridge. The transaction follows on from Welbeck taking a lease in Oxford in 2023 on which Bidwells also advised.

## Eastbrook House



Following a successful string of lettings to Transition Bio & RAND, Bidwells have secured the letting of 10,994 sq ft to Gas Management Services Limited, a market leader in software and 24/7 operations for gas and power companies across Europe.

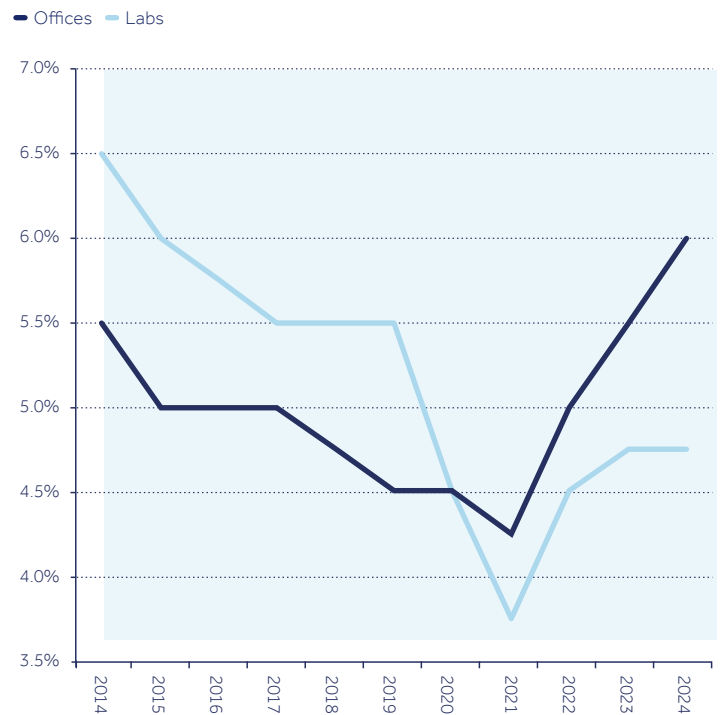
# Capital markets

**While there were only a few, small office and lab investment transactions in Cambridgeshire in the first half of 2024, a number of larger deals which had stalled have started to progress. We expect some pick-up in activity in the second half of this year.**

The nascent recovery in the investment market reflects a switch in investor sentiment, as fears that prices will be lower in six months have given way to confidence that they have found a floor. This improvement can in turn be attributed to the re-pricing of assets since mid-2022 and to growing optimism that the Bank of England will cut interest rates in the second half of this year.

5-year swap rates which are the anchor point for real estate debt costs have fallen to 4.0% from 5.2% in mid-2023. Prime Cambridge laboratory yields held steady at 4.75% through the first half of 2024. Prime Cambridge office yields rose to 6.0%, their highest since 2013, echoing national trends in the sector.

Cambridge prime office and laboratory yields

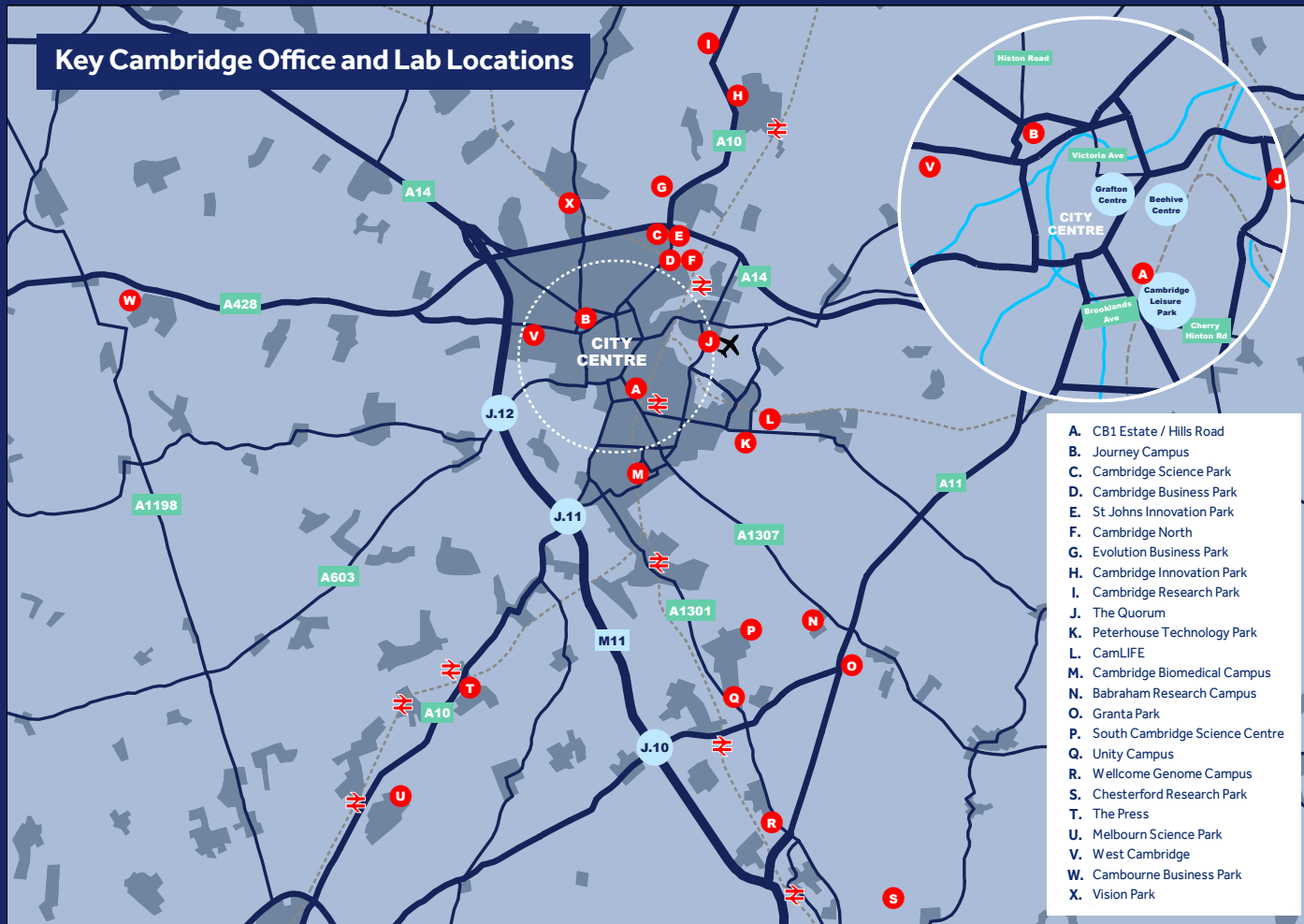


Source: Bidwells

The Optic at Peterhouse Technology Park, Cambridge



## Key Cambridge Office and Lab Locations



- A. CB1 Estate / Hills Road
- B. Journey Campus
- C. Cambridge Science Park
- D. Cambridge Business Park
- E. St Johns Innovation Park
- F. Cambridge North
- G. Evolution Business Park
- H. Cambridge Innovation Park
- I. Cambridge Research Park
- J. The Quorum
- K. Peterhouse Technology Park
- L. CamLIFE
- M. Cambridge Biomedical Campus
- N. Babraham Research Campus
- O. Granta Park
- P. South Cambridge Science Centre
- Q. Unity Campus
- R. Wellcome Genome Campus
- S. Chesterford Research Park
- T. The Press
- U. Melbourn Science Park
- V. West Cambridge
- W. Cambourne Business Park
- X. Vision Park

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