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Critical levels of office and lab supply in Cambridge set to turn around as investor interest reaches record levels

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According to Savills, the Cambridge office and laboratory market saw record breaking investment volumes in 2021 reaching over £1 billion, more than 600% above the five-year average.

This was driven by the expansion of the scientific, innovation and technology sectors and underpinned by limited supply and strong rental growth prospects.

Overseas investors were the most active, accounting for 52% of investment. Notable transactions included BioMed acquiring two development sites at Cambridge International Technology Park and Granta Park for a combined total of £240 million. Brockton Everlast also expanded its portfolio, purchasing a combination of development sites and five existing buildings at Cambridge Science Park from Legal & General for £96 million, reflecting a yield of 4.34%.

James Emans, director in the investment team at Savills, comments: “The strong fundamentals of the science sector has been driven by the ever increasing occupier demand and a constrained land supply, which has continued to provide a compelling investment case in Cambridge. We estimate there is over £10 billion of live capital looking to be deployed across the Arc, and with very limited standing stock, many are prepared to undertake new development. Given how fast moving both the occupational and investment markets currently are, we have been delighted to be able to advise a wide range of clients across a variety of lot sizes and expect transactional activity across the region to be sustained in 2022.”

From an occupational perspective, the total level of take-up in 2021 was 53% higher, on an annual basis,

at just under 700,000 sq ft. This was assisted by notable deals including one of the largest signed in the past 10 years at Cambridge Science Park, which saw US-based streaming company Roku take over 116,000 sq ft at Cambridge Science Park.

Savills notes that technology and science related businesses accounted for 80% of total take-up last year, which comes as no surprise given Cambridge's reputation as a global centre of excellence in these sectors. Looking ahead, Savills anticipates that take-up will be lower in 2022, as a result of limited availability of stock, rather than a lack of occupier demand. Whilst the vacancy rate for office space, as of today, sits at circa 9.5%, the availability of lab space is virtually zero. Given these supply constraints, rents in Cambridge will continue to increase and will remain some of the highest outside of London. Office rents are expected to exceed £50 per sq ft by Q2, with limited availability of stock in the Hills Road / Station Road area until 2023 when M&G and Wrenbridge's speculative Brooklands scheme is set to come online.

There is also a significant proposed development pipeline across the city, at various stages of the planning process, to deliver more lab space. However, there will be a time lag getting this to market, which is unlikely to align with the speed of take-up required by science occupiers. Potential lab focused schemes due for delivery in the next two to three years could include 100,000 sq ft at Cambridge Biomedical Campus, a further 95,000 sq ft of lab enabled buildings at Unity Campus, as well as in excess of 100,000 sq ft of space deliverable at Granta Park.

Mark Taylor, head of the commercial team at Savills Cambridge, adds: "The success of Cambridge has been driven by the global growth of science and technology companies, funded by increasing amounts of venture capital. Cambridge remains in the top 10 ranking of global cities (excluding the US) in terms of capital raised in the life science sector, punching well above its weight given its population size. Given this is only set to continue, we will see a response from developers, investors and landlords to cater to this demand, which will, in time, result in new supply. In the meantime, there are no shortage of companies looking to snap up space as soon as it becomes available."