# BioPark, Broadwater Road, Welwyn Garden City AL7 3AX

## Marketing Report – Existing Use

REDACTED VERSION

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**REDACTED PERSONAL INFORMATION**

**BioPark, Broadwater Road, Welwyn Garden City AL7 3AX**
**MARKETING REPORT – EXISTING USE**

I enclose our informal agency advice on the marketing at BioPark. I will be pleased to answer any further questions you may have.

Yours sincerely

**Nicholas Heath MA FRICS**
Director

# Executive Summary

## Executive Summary

1. University of Hertfordshire ('UoH') owns and controls (through various subsidiaries) BioPark, a 72,000 sq ft (6,690 m²) mixed offices and laboratory innovation centre in Welwyn Garden City.

2. BioPark has struggled to attract occupiers in recent years and it suffered a major setback in November 2018 when the largest tenant, Heptares, relocated to Granta Park near Cambridge. **It is now only 44% occupied.**

3. BioPark uses both external agents and in-house specialists to market the property: both confirm their view that it is difficult to attract new tenants and the prospects of refilling the building are very poor.

4. The building is tired and dated and requires refurbishment. In particular the M & E services are old, inefficient, expensive to run and prone to breakdown. A 2015 report by M & E Consultants, Couch Perry Wilkes comments that '…the existing plant is in poor condition, has exceeded the end of its life expectancy…'' they recommend that **£24.85 million needs to spent over 3 – 10 years** to fully strip out and replace the installation. That excludes any cosmetic improvements or reconfiguration.

5. UoH comments that even with full occupancy, BioPark will run at a loss. That is before taking into account any capital expenditure.

6. We review Cambridge as an example of a successful tech cluster and identify key requirements needed to attract occupiers. These include business environment, tech environment, city 'buzz', talent pool, real estate costs and mobility. In Section 5 we identify further requirements for successful 'tech' locations to include master planning, amenities, clustering, connectivity and quality of building.

7. We consider BioPark in terms of these headings: Although it is possible to try and put an optimistic spin on the analysis, we conclude that **BioPark fails on almost every count**. As an isolated single building it does not provide the clustering and other elements that tech occupiers require.

8. Even with the hypothetical assumption of a totally refurbished building we comment that **BioPark is likely to fail because of the fundamental problems of (1) Wrong location and (2) Lack of demand.**

9. We agree that Hertfordshire is an established location for tech companies, although we note the emphasis on manufacture not just pure research & development. We highlight two Hertfordshire locations that satisfy the key requirements and are therefore successful – namely Stevenage Bioscience Catalyst and Melbourn Science Park.

10. We accept that Welwyn is in the heart of the 'golden triangle' of tech growth between Oxford, London and Cambridge, however we argue that occupiers are 'polarising' towards established clusters within the triangle and away from isolated buildings such as BioPark.

11. Based on or comments in the report, **we conclude that BioPark is unlikely to be sustainable in its current format. The most viable option available to UoH appears to be disposal of the site for residential development.**

# 1. Purpose of Report

## 1.1. Background and Purpose of Report

University of Hertfordshire ('UoH') controls BioPark, a 72,000 sq ft (6,690 m²) mixed offices and laboratory building in Welwyn Garden City.

Polyfield Property Ltd ("PPL") which is a wholly owned subsidiary of the University of Hertfordshire owns the freehold interest in BioPark. BPHL (an SPV wholly owned by PPL) benefits from a long leasehold interest in BioPark granted by PPL and operates the property granting occupational leases of the laboratory, office and storage space at BioPark. The UH Estates Team now deal with the day to day management the property on behalf of BPHL.

BPHL operate it as a fully managed innovation centre. Despite competitive rents, good parking, a location close to the rail station, adequate connectivity and reasonable facilities, BioPark has struggled to attract occupiers in recent years and it suffered a major setback in November 2018 when the largest tenant, Heptares, relocated to Granta Park near Cambridge. It is now only 44% occupied. Even with full occupancy the extremely high operating costs mean that BioPark is unlikely to be viable.

UoH is burdened with the considerable costs and risks associated with owning a part vacant commercial building, with poor prospects of attracting new occupiers. Faced with mounting losses, BPHL are therefore considering closing the existing BioPark innovation centre and pursuing alternative strategies, including residential redevelopment .

The main purpose of the report will be to demonstrate that the BioPark Building is no longer attractive or competitive in the market place for research and development orientated companies, and that it 'no longer meets occupiers' expectations'.

## 1.2. Structure & Approach

Our advice includes the following elements:-

- A brief description of the property
- A general commentary on tech innovation clusters
- A review of the Cambridge high tech cluster
- What makes a successful tech park location?
- A review of marketing and occupiers at BioPark
- Consideration of Hertfordshire as a tech location
- Analysis of BioPark compared to criteria needed for a successful innovation centre
- Summary, options and conclusions

This report has been prepared by Nick Heath MA FRICS (Director) and checked by Abigail Jones BSc (Hons) MRICS (Associate), both in the Savills Cambridge office. It includes input from our specialist agency and research teams.

Any figures reported provide indicative guidance only and are not a substitute for a valuation report as contemplated by the RICS Red Book. In particular, they should not be relied upon as the basis for any binding decision and Savills does not accept responsibility for the consequence of any binding decision that may be made on the basis of this exercise. This advice for BPHL's use alone.

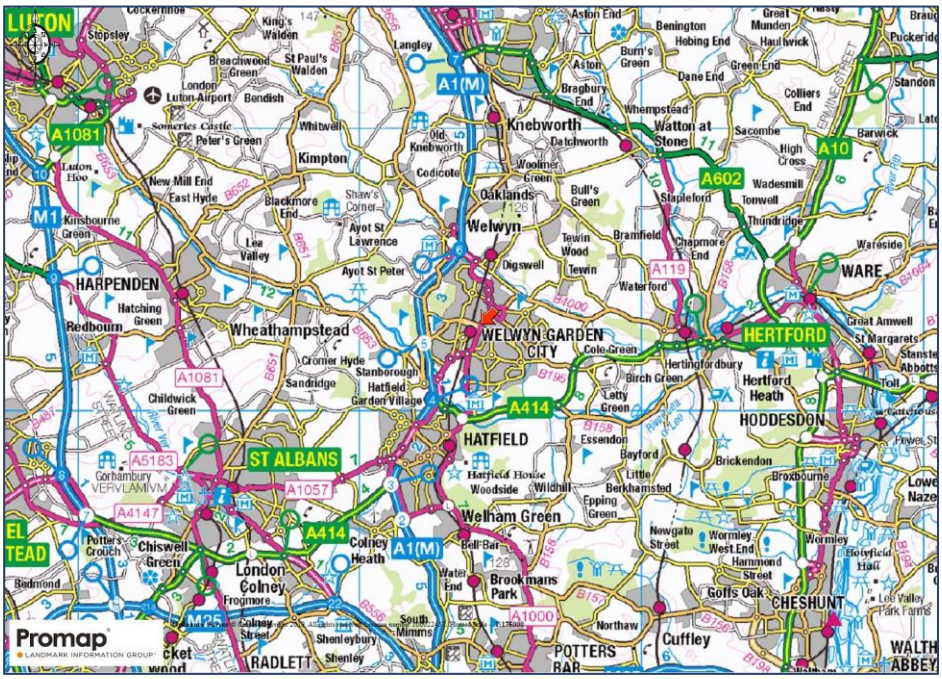
# 2. The Property

## 2.1. Location

BPHL knows the property well, so we will not describe it in detail.

Briefly, Welwyn was the second garden city in England, founded by Ebenezer Howard in 1920, also designated a new town in 1948 and now has a population around 50,000. It lies in the so called 'golden triangle' of economic growth between London (20 miles) Cambridge (40 miles) and Oxford (60 miles) and just off the A1(M) which connects London to Peterborough and the north. It is also on the East coast main line, with reasonable but slow stopping train services to Cambridge (55 minutes), Kings Cross (30 minutes) and Moorgate (50 minutes).

BioPark lies between Broadwater Road and the railway lines, neighbouring users include allotments and residential properties. The area will change significantly once the nearby former Shredded Wheat factory site is redeveloped as housing. We have attached location plans below.




## 2.2. Description

BioPark was purpose built by Roche for their own occupation in the 1970's as a mixed office and laboratory building on basement, ground and three upper floors. BPHL have informed us that the net occupiable area is **72,000 sq ft (6,690 m²)** The fourth floor holds plant and machinery. When Roche moved away to Shire Park in 2005 BPHL acquired the building and operated it as an innovation centre designed to provide flexible managed space for office and laboratory users.

The specification is tired and dated but nevertheless Biopark provides flexible useable space mainly in cellular units. There is also a good reception area, kitchens and a number of meeting rooms. Specification includes air conditioning, lifts, good lift, specialist laboratories with fume cupboards and single glazing. There is a basement canteen which has been closed due to lack of demand.

Externally there is a gatehouse with security gates, a separate plant / data building and excellent car parking for 311 cars – part surface and part undercroft. A stand –alone data centre and extension were completed in 2014.

Overall the building reflects its origins: it has the feel of a well-built but dated headquarters building that has been converted to a more flexible use without much expenditure or intervention.

We understand that the mechanical and electrical ('M & E') services are dated and BPHL inform us that it is extremely expensive to maintain. Obsolescence is often a problem with old commercial buildings, with ancient M & E services struggling on with high running costs, low efficiency and prone to catastrophic breakdowns. A 2015 report by your M & E Consultants, Couch Perry Wilkes comments that '…the existing plant is in poor condition, has exceeded the end of its life expectancy…'' they recommend that £24.85 million needs be to spent over 3 – 10 years to fully strip out and replace the installation.

We have attached a letting brochure prepared by Lambert Smith Hampton at **Appendix 1** and floor plans at **Appendix 2.**

We inspected on 28 January 2019 and attach photographs below:-

**Exterior**


**Exterior**

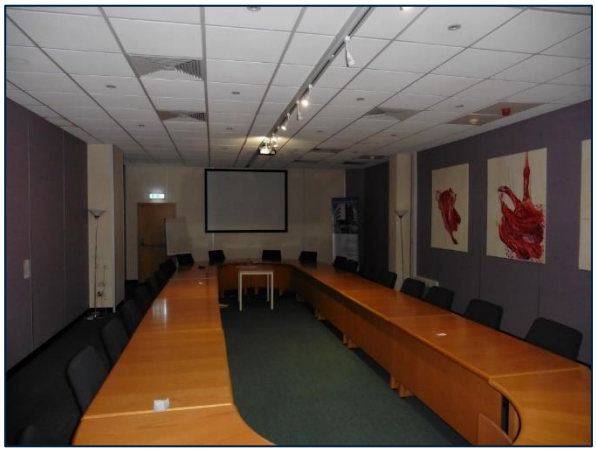

**Gatehouse**

**Approach Road**

Surface Car Parking

Undercroft Car Parking

Offices



Meeting Room

Offices

Laboratory

Laboratory

Kitchen

Courtyard

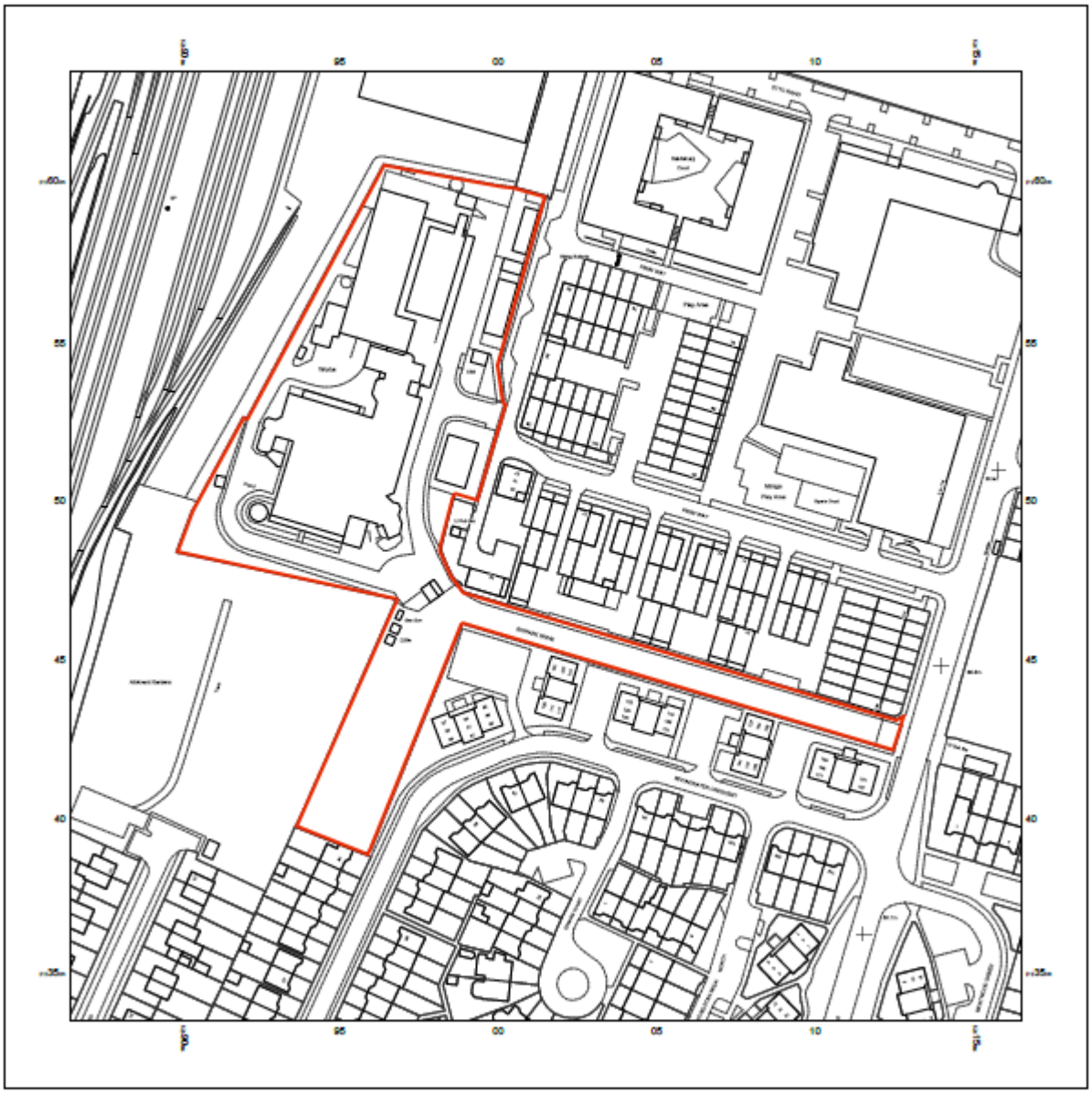
Plant / Data Building

## 2.3. Site Plan

We attach a site plan of the property below, showing the surface car parking and the access road off Broadwater Road.

Bio-Park - University of Hertfordshire
Site Location Plan

North
50m
Scale 1:1250





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# 3. Innovation Clusters – General Comments

## 3.1. Trends in Science Park Development

The world's first science park, developed in the USA at Palo Alto, California, in 1951, marked the beginning of a global movement towards specialist infrastructure provision for next-generation commerce and launched a trend for science park development worldwide.

The earliest commercial innovation companies to occupy science parks emerged largely from engineering technologies developing advanced machines, devices, tools, materials and new methodologies. The rapid pace of technology transfer and translational research has since created a global 'knowledge economy'; information and communications technology (ICT), green technology, nanotechnology, novel materials, digital and creative technologies, biomedicine and biomedical devices have transformed our life experience and our life expectations.

The ascendancy of the knowledge economy in the last decade, both academic and commercial, is driven by a surge in demand for scientifically and technologically advanced answers to economic, global health and welfare challenges. The reach of new technologies to shape the future is seemingly limitless. As the global population grows, new technologies and scientific applications are able to advance medicine, boost agricultural productivity and provide cleaner fuels and energy to keep our societies running. Digital driven innovation is now impacting every area of commerce and life; the UK is a digitalised society and the advent of big data, the internet of things and artificial intelligence is set to further increase the pace of change across all industries and service providers.

The emergence of 'knowledge' as a significant commodity and driver of economic development coincides with the phenomenon of 'industrial hollowing' – the decline of an economic cycle largely reliant on manufacturing. Post-industrial nations now look to new models of wealth generation based upon next-generation industries in order to rejuvenate regional and national economies.

As a result, the UK's economic map is being redrawn as the emergent knowledge economy is redefining centres of gravity for research, human capital and commercial enterprise. Innovation clusters have become an essential part of the knowledge ecosystem now driving modern economies. Innovation clusters are the mechanism by which scientific and technical advances are translated into novel products and services – accelerating the rapid pace of technological and biomedical change across the globe. Companies clustered together in particular sectors not only compete to deliver the best applied innovations, they also benefit from collaboration and access to talent pools as a result of co-location.

The potential of the emergent knowledge economy to create huge socio-economic value is exemplified by the development of iconic 'innovation clusters' such as Silicon Valley (USA), Biopolis (Singapore) and Sophia Antipolis (France). These and other innovation clusters across the developed world have demonstrated the ability of innovation clusters to radically alter the socio-economic landscape of post-industrial economies.

The emergence of innovation clusters as a socio-economic movement powerfully demonstrates the behaviour of successful next-generation commerce and its complex interactions with the ecosystem in which it develops and thrives. While innovation clusters vary considerably in character and complexion, they all share a family resemblance: they are composed of commercial entities of different sizes involved in commercialising intellectual property in particular areas of the knowledge sector. Clustered companies grouped within a geographic area enjoy the benefits of interaction through reciprocal relationships as competitors, collaborators, buyers and/or suppliers.

Successful innovation clusters give rise to a high degree of network formation that includes specialist professional service providers and a highly sophisticated supply chain in many other service areas. Companies in innovation clusters are highly adaptable to changing markets. The presence of likeminded enterprises minimises risk in the sense that the density of expertise and resources means that entrepreneurship emerges from the cut and thrust of commercial survival. If companies 'fail', staff are often absorbed by other entities or start new companies.

## 3.2. The Commercial Dynamics of Innovation

The dynamic of innovation clusters feeding and growing the global knowledge economy is created by, and relies upon, a continuous process of innovation. Innovation is the disruptive force that is transforming markets across almost all consumer areas by introducing new technologies, products and services and new approaches to solving challenging global issues.

Innovation not only shapes the products coming onto the market driven by scientific and technological advances, it also shapes and disrupts the way the markets interact with consumers and vice versa. Next-generation consumers start interacting with new communication technologies at the age of nine months, becoming part of a sophisticated and highly connected consumer group at an early age. The outcome is a two-way market dynamic created by the process of innovation that is now firmly embedded as a cultural as well as an economic driver.

'Innovation' therefore captures a set of forces exerted on next-generation commerce that cause the knowledge economy to behave very differently to more traditional commercial activity. 'Innovation' is now embedded as a galvanising cultural and commercial force in post-industrial nations; and future commercial property development must respond to the changing needs of the companies that make up our economy.

For those of us interested in creating, growing and supporting innovation clusters, it is important to understand that the commercial dynamics of innovation are re-shaping demand from commercial entities seeking suitable facilities, infrastructure and services.

## 3.3. What is a Savills Tech City?

Savills carries out extensive research into worldwide technology occupiers and trends. We recently published 'Tech Systems in Motion' (Savills 2019) which is not included in full with this report because it is focusing on world capitals, however some of the headings are relevant, so we have attached an extract 'What is a Savills Tech City?' overleaf. This identifies key drivers needed to attract innovative tech occupiers to a location as follows:-

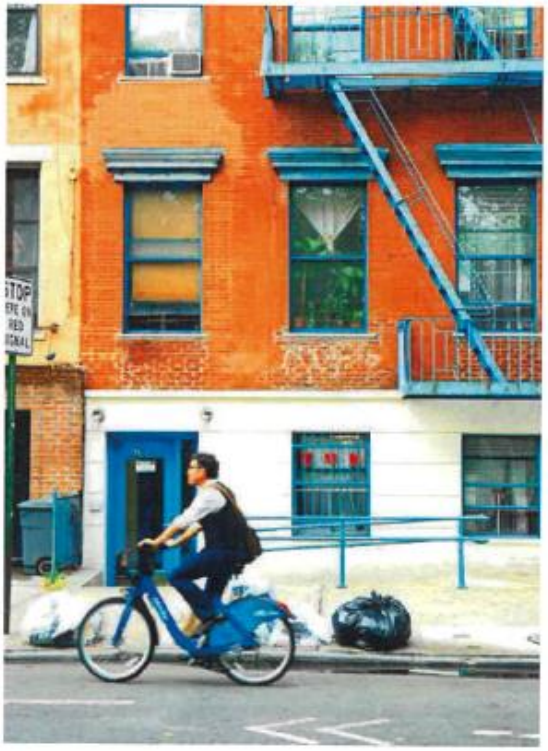
- Business environment
- Tech Environment
- City Buzz & Wellness
- Talent Pool
- Real Estate Costs
- Mobility

Later in the report (see Section 7) we will consider Welwyn in the context of these headings. One of our measures for City Buzz and Wellness is our 'Flat White Index'. This may seem a little frivolous, but the cost of a flat white and the quality of the cafés that serve them can be used as a partial proxy of a city's wider lifestyle offer and casual business networking opportunities.

# What is a Savills Tech City?

- An important centre of tech within its region
- Major recipient of VC investment
- On the shopping list for expanding global tech companies
- A vibrant city in which to live and work
- A generator of, and magnet for, talent

The Savills Tech Cities index measures what makes a successful Tech City. Our assessment for each city comprises of over 100 individual metrics, ranging from the number of days needed to start a business through to the cost of a flat white coffee. These metrics are grouped into six categories: business environment, tech environment, city buzz & wellness, talent pool, real estate costs, and mobility. Each category is weighted to reflect its importance to the tech sector.



## THE SIX INDEX CATEGORIES

### Business Environment
- Investment
- Size of finance & business services sector
- Ease of starting a business
- R&D / innovation
- Physical linkages
- Cost of doing business (regulations, taxes, pay)

### Tech Environment
- Venture capital
- Size / value of tech sector
- Tech infrastructure
- Tech engagement

### City Buzz & Wellness
- City wellness
- City buzz
- Cost of living

### Talent Pool
- Higher Education
- Immigration & talent attractiveness
- City youthfulness

### Real Estate Costs
- Cost of renting commercial and residential property
- Cost of coworking space

### Mobility
- Shared mobility services
- Metro system
- Quality of urban infrastructure

# 4. Innovation Clusters – Cambridge

## 4.1. Cambridge Office and R & D General Overview

By way of background, we have attached a commentary on the Cambridge tech cluster below. This shows the depth of research & development activities in and around Cambridge. Welwyn has some attractions but cannot compete with the scale of the Cambridge cluster.

Cambridge is a global success story and despite a population of just 290,000 across Cambridge and South Cambridgeshire, its influence as a world-leading centre for research and development stretches well beyond its city boundaries, attracting global companies such as AstraZeneca, Microsoft, Amazon, Siemens and Apple and accommodating over 4,000 knowledge intensive firms.

The UK science park market has evolved significantly in the past 10 years, with the 'golden triangle' links between Oxford, Cambridge and London strengthening. Demand from smaller start-ups and incubator style occupiers within Cambridge remains resilient and specialist pioneering research in these sectors has led to pharmaceutical companies and technology firms aggressively acquiring companies and growing.

Both established Cambridge companies and international names are continuing to expand within the City as their business needs change. Most notably, Cambridge hit the headlines in recent years with the relocation of Astra Zeneca into their new 850,000 sq ft campus (under construction – PC Q1/2 2019) at Cambridge Biomedical Campus and they will be joining the Medical Research Council, Addenbrooke's, Abcam (under construction) and Papworth Hospital (under construction). In addition to this, Cambridge Assessment have moved their current operations from a range of central Cambridge properties to a new campus on the University Press site of circa 350,000 sq ft.

Cognate / Northwestern Biotheraputics bought the Spicers site in Sawston south of the City in 2014 and Biofocus' commitment to a further 60,000 sq ft at Chesterford Research Park has shown the south Cambridge cluster gain occupational momentum in the last 2-3 years. More recently, Illumina have committed to 150,000 sq ft of offices and laboratory accommodation at Granta Park and Gilead are now in occupation of their new offices of 100,000 sq ft. Gilead's existing building has recently been taken up by Heptares who have come from BioPark.

More recently still, Chinese giant Huawei have just announced their purchase of the Spicers site referred to above for £37 million.

Howard Group have started work on their office / technology campus at Unity Park in Sawston. Their first building known as 'The Works' is under construction and will provide 90,000 sq ft of offices designed to provide contemporary campus style office space; they have already signed their first prelet.

The northern side of the City, where the original science park was founded in 1971, now includes Cambridge Science Park, Cambridge Business Park and St John's Innovation Park, which make up the traditional "northern cluster". The wider peripheral parks further north include Vision Park and Cambridge Research Park. This area of Cambridge remains the highest density area of office and R&D occupiers within the City which makes up over a third of all office and R&D stock in Cambridge.

Our agents comment that demand from occupiers does not regularly traverse from north to south or vice versa. The northern cluster tends to attract high-tech R + D companies with the south having a more bio-tech / life science focus. Outside of the traditional Life/Bio-Science focused cluster are a number of parks which are host to a wider range of technology/traditional office/research and development occupiers including Capital Park, Peterhouse Technology Park, and Melbourn Science Park.

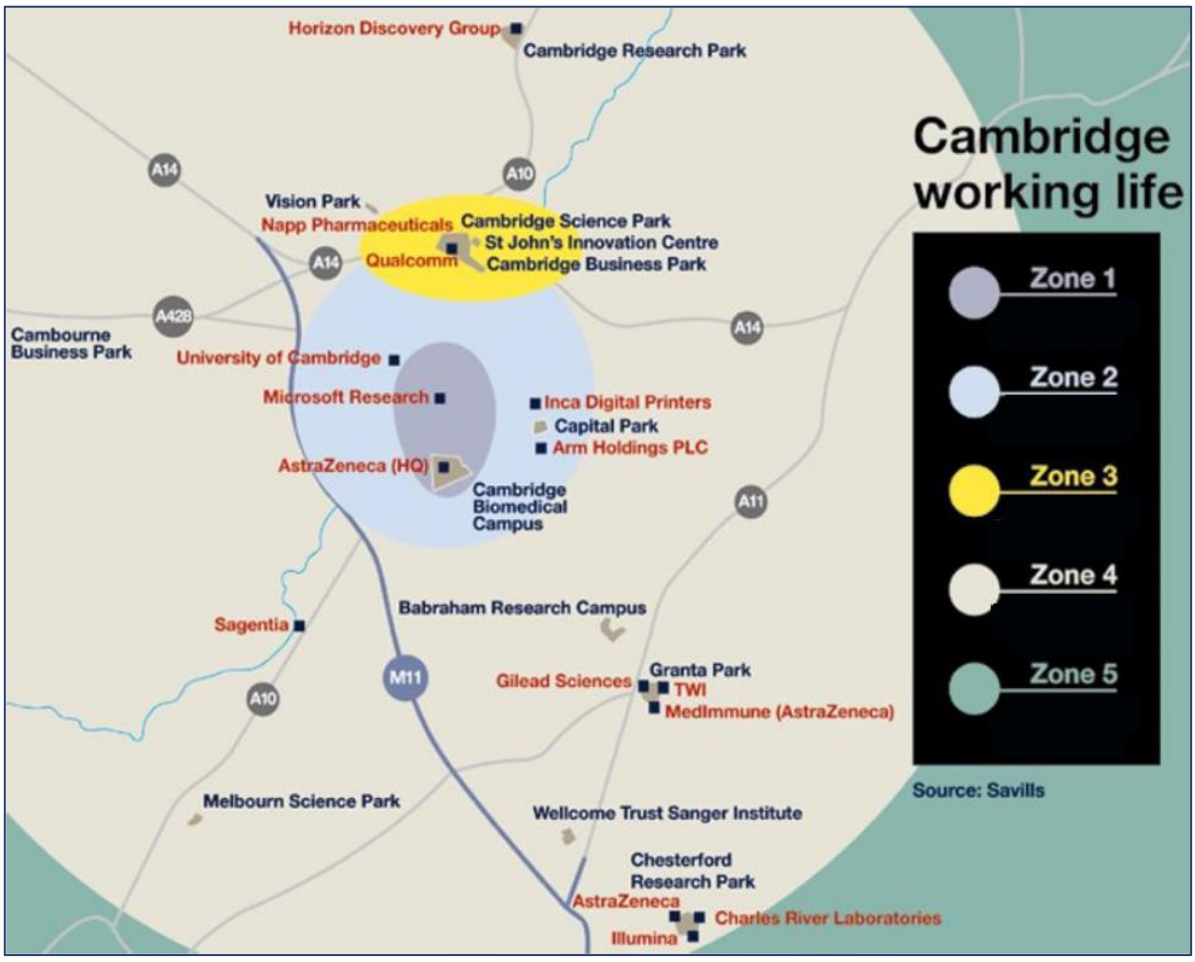
There is approximately 9,000,000 sq ft of stock in Cambridge within the office and laboratory sector, broadly categorised into four key sub-markets, outlined below:-

**Zone 1** - The prime central area including Hills Road, Station Road, Brooklands Avenue and Clarendon Road. It includes properties within close walking distance of Cambridge mainline station.

**Zone 2** - The peripheral city centre zone away from the Station including locations such as Newmarket Road, Castle Hill, Milton Road and Chesterton Road.

**Zone 3** - The 'suburban business parks'. The principal location in this area is the 'Northern Cluster' which includes the established Cambridge Science Park, Cambridge Business Park and St John's Innovation Park, which fall within the A14 and city boundary.

**Zone 4** - The 'wider area business parks' which are favoured by occupiers choosing to avoid the congestion of the city and situated within the wider "Bio cluster". These include Cambourne Business Park, Cambridge Research Park, Capital Park, Vision Park Histon, Granta Park and Chesterford Research Park and The Wellcome Genome Campus. We include MSP in this zone as part of the 'South Cambridge cluster'. We have attached a plan showing the zones and main business parks and occupiers below:-



## 4.2. Academic Excellence and Scientific Knowledge

There are few R&D markets that cluster in the same way as Cambridge within such short distances. The reasons behind the success of Cambridge include its access to leading academics (intellectual capital generated by Cambridge University etc.), medical personnel from leading hospital trusts in the UK, and the associated abilities to partner in clinical trials with the hospital and partner institutions.

The strength of Cambridge University and its resultant knowledge base is illustrated when you consider that over 240 companies have been borne out of Computer Lab alumni, and follow on funding for Cambridge spin-outs has amounted to £1.4bn. A number of organisations fitting this profile have found starting positions at Cambridge Science Park, Babraham and St John's Innovation Park which act as excellent platforms for growth and expansion together within the Cambridge cluster.

Addenbrooke's teaching hospital and the Medical Research Council has combined with the University to make Cambridge what it is today – the drive to recruit the best staff is often labelled the 'Race for Talent' and is typically a key consideration for occupiers in Cambridge and surrounds.

The medical and academic backdrop in Cambridge has helped established a platform of professional clinicians which has encouraged the growth and collaboration of professional staff, academics and private industry into spearheading new research, particularly with access to patient led research in collaboration with the NHS at every stage of development.

Adjacent to Addenbrooke's is the Medical Research Council's Laboratory of Molecular Biology which has been associated with 14 Nobel Prize winners, and houses a number of specialist units including molecular biology, metabolic diseases and cancer research units. Papworth Hospital are also under construction for the relocation of the world famous cardiothoracic hospital to the Biomedical Campus, and private practice is working in close collaboration with these facilities. A number of other institutions also cluster around the Biomedical campus including GlaxoSmithKline (GSK) who have a clinical trial unit embedded in Addenbrooke's already, NHS Blood and Transplant Authority as well as Cambridge University Health Partners (one of five academic health science centres in England) who specialise in educating health professionals and providing delivery of healthcare and health research. This is a clear example of the collaboration of private/public institutions working together with similar research objectives.

## 4.3. Labour Costs & Retention

The link between salaries and residential prices is vital for Cambridge. We've compared the salaries of scientists employed by three global bioscience companies with a presence in Cambridge and Boston, US. The difference in salaries accounting for exchange rate and personal taxation shows that UK based scientists are paid 40% less than their US counterparts. However, the cost of housing is broadly similar in both cities. Latest pricing data shows that a home in Boston costs around £500 per sq ft in the city centre and £200 per sq ft outside. This compares with an average cost of about £400 per sq ft in Cambridge and £274 per sq ft on the periphery of Cambridgeshire. Hence, if part of the attraction of Cambridge to global companies lies in the relative cost of the scientists, this competitive edge may recede as housing costs grow and affordability bites further.

Similarly despite average weekly earnings in Cambridge now standing 13.6% above the UK average, the city's workforce remains cost effective in global terms. Accounting for exchange rates, the average salary for a software development engineer in Cambridge is 32% below that of the equivalent role in Chicago.

Occupiers are also concerned about where future pools of talent will come from. Education accounts for around 15% of Cambridge's Gross Value Added (GVA), more than twice the UK average, which is largely driven by research and development at the University of Cambridge. However, Cambridge currently retains only 17% of its graduates in the city after graduation. London retains 77%. Cambridge must retain more of its home-grown talent in order to expand further.

### 4.4. Connectivity

Although there is much focus on Cambridge itself, we must take into consideration the level of connectivity that Cambridge has with the capital. London represents a significant cluster of bioscience research with its medical schools, universities and 26 hospitals. In the last decade there has been expansion of specialist laboratory and medical research space for institutions within London with co-location with academic, medical and commercial centres driving this demand.

London's newest large-scale investment - the UK Centre for Research and Innovation, re-named the Crick Institute, has direct links by train to Cambridge. The Crick Institute is the largest biomedical research institute in Europe, and lies only 48 minutes by train from Cambridge. The new facility is now operational and is home to 1m sq ft of occupied space.

Whilst Cambridge continues to need enhanced transport infrastructure, the advent of Cambridge North Railway Station in May 2017 has proven to be a facility to open up the northern cluster to London and the wider region, as well as provide a 4 minute connectivity from the central station. There is much public debate now regarding the duelling of the A10 at Milton, the Oxford/Cambridge/Milton Keynes link and also the proposed advent of a Cambridge South station in response to the growth of the Biomedical Campus.

### 4.5. Summary

The analysis above may not be directly relevant to Welwyn, nevertheless it shows the relatively large scale and dynamic growth that is being seen in the Cambridge cluster. Occupiers are attracted to this agglomeration with the concentration of finance, talent, research institutions and infrastructure. In our view the market is currently polarising towards the established clusters, accentuating this trend still further. As an isolated single building with very limited facilities and outside any tech cluster, BioPark cannot hope to be competitive in attracting occupiers.

# 5. What Makes a Successful Tech Park Location?

We have outlined below five features that we believe make a successful business / science park. The success of a park is by no means limited to these points, but these have a significant impact on a parks overall economic, social and environmental characteristics.

## 5.1. Master Planning

Creating a science park offers developers the chance to create significant scale perhaps with cheaper building costs and land values compared to city centre and fringe locations, whilst also mitigating risk through pre-let and speculative opportunities.

Developers who create an overall master plan enable themselves to control and adapt the environment. This includes incorporating a mixture of uses into a scheme, adapting the parking requirement for certain occupiers, offering pedestrianized zones and cycling facilities as well as landscaping opportunities and allocation of amenity offer.

BioPark is an isolated building without any benefits of a master planned science park setting.

## 5.2. Amenities and Facilities

Amenities within a park provide a core part of any science or business park infrastructure. They provide employees with a central meeting space and offer services that might generally be found on the high street such as cafés, bars, convenience stores, gyms and leisure facilities. They also offer networking opportunities for people within similar industries to 'cross sell'. Where there is significant scale and footfall in larger parks, this enables them to offer a more diverse range of amenities, leisure and recreational facilities, creating another business environment in itself.

In a business park it is important to understand that employees will generally spend the entire day on site therefore offering them services that are found in more central city locations is important to ensure their overall wellbeing and satisfaction. By creating a community environment business parks will be able to compete with town centres for talent.

The right mix of amenities and having a sense of place is seen as key for occupiers, as it provides an attractive place for employees to work and socialise. During the early stages of business park development the parks amenity offer is typically subsidised by the landlord. Even in smaller more establish parks, this is often subsidised through the service and estate charge. However, given the growing importance of place making, it is generally to the mutual benefit of occupiers and landlords to commit to funding the provision of services through the estate charge.

Again, as an isolated building BioPark offers minimal facilities, the café has closed and the surrounding area does not offer the nearby high quality and attractive amenities that staff require.

## 5.3. Scale and Clustering

The clustering effect of a particular industry or range of activities within one place is a fundamental factor for the success of any business park. There is no better example than the clustering effect of Life Science and Technology occupiers in business and science parks around Cambridge, albeit some parks such as Cambridge Science Park have grown to such a scale that it has traversed the gap between the two sectors.

In locations such as Chesterford Research Park and the Biomedical Campus, we have noted that occupiers tend to locate here due to the nature of business that takes place in the parks and because there are like minded individuals with whom occupiers can share ideas and network with. The link to the University in Cambridge is of course a huge factor which the city has taken full advantage of by attracting and retaining some of the best talent in the country. Occupiers are attracted to the idea of working with peers or people at the top of their industry and hence why many continue to live and work in Cambridge following further education.

BioPark cannot offer any benefits of clustering and is separated from the main University campus.

## 5.4. Connectivity and Accessibility

Transport and parking is a key aspect of future proofing the success of a business park. Within recent times, public transport has been an increasingly important and popular means of transportation due to a number of reasons including demographics, planning and sustainability. Although there is of course a need for personal cars, business parks are beginning to move away from this with a goal to reduce single occupancy journeys. Connectivity to public transport is therefore vital for this to be achieved, so cycle lanes and storage facilities need to be implemented into the master plan, as well as links with rail networks, shuttle bus services and park and rides.

Parking allocation on business parks in recent times has continued to reduce due to the demand for public transport. In the early 1990s average parking ratios on business parks were around 1:225 per sq ft, whereas current pre-let parks outside of the city range from 1:250 - 400 per sq ft. This is also due to occupational densities of buildings increases the demand on each space. Increasing densities of space and use of it have also placed greater pressures on the parking allocations.

In its favour, BioPark offers an excellent car parking provision and is within view of Welwyn station. In reality, the station is an irritating and indirect walk and the trains are slow stopping services. The access to the A1(M) is indirect and prone to congestion.

## 5.5. Building Quality

Profile plays an important role in supporting and reflecting a corporate identity. Occupiers want to attract and retain staff in these locations therefore high quality buildings in the right location can create a positive image for new employees, investors and owners. High quality, flexible and modern accommodation will inevitably improve the attractiveness to employees.

In recent times the productivity of offices and organisational costs have become an important aspect on the corporate agenda. This is reflected by the increasing densities of office space and more flexible working environments. The sustainability of a building is another factor that has played an important role in business decisions. Many businesses have a sustainability agenda and choosing a building with high energy efficiency standards such as BREEAM “very good” as a minimum target, is a way to implement this policy.

In our view the layout of BioPark is probably adequate, however we understand that the M & E services are very poor, inefficient and prone to catastrophic breakdown. Single glazing and ancient services will give it a very poor energy efficiency.

## 5.6. Summary

In our view, BioPark fails to meet these criteria: It is not part of master planned park, it is an isolated building with relatively poor amenities. Crucially it is not in an established ‘cluster’, it is also separated from the University campus. The building is old and tired with very poor energy efficiency.

# 6. Management, Marketing and Occupiers at BioPark

## 6.1. Management

BPHL provide fully managed space at BioPark for occupiers which includes the following services:-

- Staffed security gate
- Staffed reception
- Small meeting rooms at no cost
- Conference facilities
- Data centre
- Access to online journals through UoH
- 24/7 access
- 311 car spaces

There has been a café in the basement but this has now closed following the departure of Heptares. We understand they took 280 staff with them.

In our view BioPark appeared to be sensibly and effectively managed however we have not interviewed any tenants to obtain direct opinions from the occupiers.

## 6.2. Marketing

BPHL have adopted a three – pronged approach to marketing BioPark using (1) their own marketing team (headed by Jonjo Cleary, Property Manager Estates, Hospitality and Contract Services): (2) Letting agents (Ian Partridge and Ben Rowe at Lambert Smith Hampton) and (3) Direct selling (William Sprigings, trading as Biomed Connections).

Mr Cleary showed me round BioPark and clearly has energy, enthusiasm and knowledge. However he is frustrated by the loss of Heptares and commented that 'selling BioPark sometimes felt like pushing water uphill'.

Lambert Smith Hampton are well respected agents with a good local and national profile. We have already referred to their marketing brochure, which is attached at **Appendix 1**. We have spoken to one of the agents responsible and his response was instructive: In his view BioPark has been properly exposed to the market, marketing budgets have been sensible and advertising has been placed in appropriate estates and trade journals. In his view the all-inclusive rents are reasonably competitive and there is nothing fundamentally wrong with the building, although he accepts it is tired and dated; the fundamental problem is lack of demand – he commented that trying to let BioPark was a difficult task, likely to become more difficult in future.

We have not been able to speak to William Sprigings, we understand his role was direct marketing including attendance at appropriate trade fairs. We understand that he has now been stood down, as recent conversion rates have proved minimal.

## 6.3. Rents and leases

BPHL let the space on flexible terms based on all inclusive rents of **£55 per sq ft for laboratories, £35 per sq ft for the offices and £15 per sq ft for the storage.** These rents include rates, utilities, maintenance, FM services in main areas etc. In our view these are appropriate in the market place.

## 6.4. Occupier Profile

We attach a summary of occupiers and rents as at December 2018 below:-

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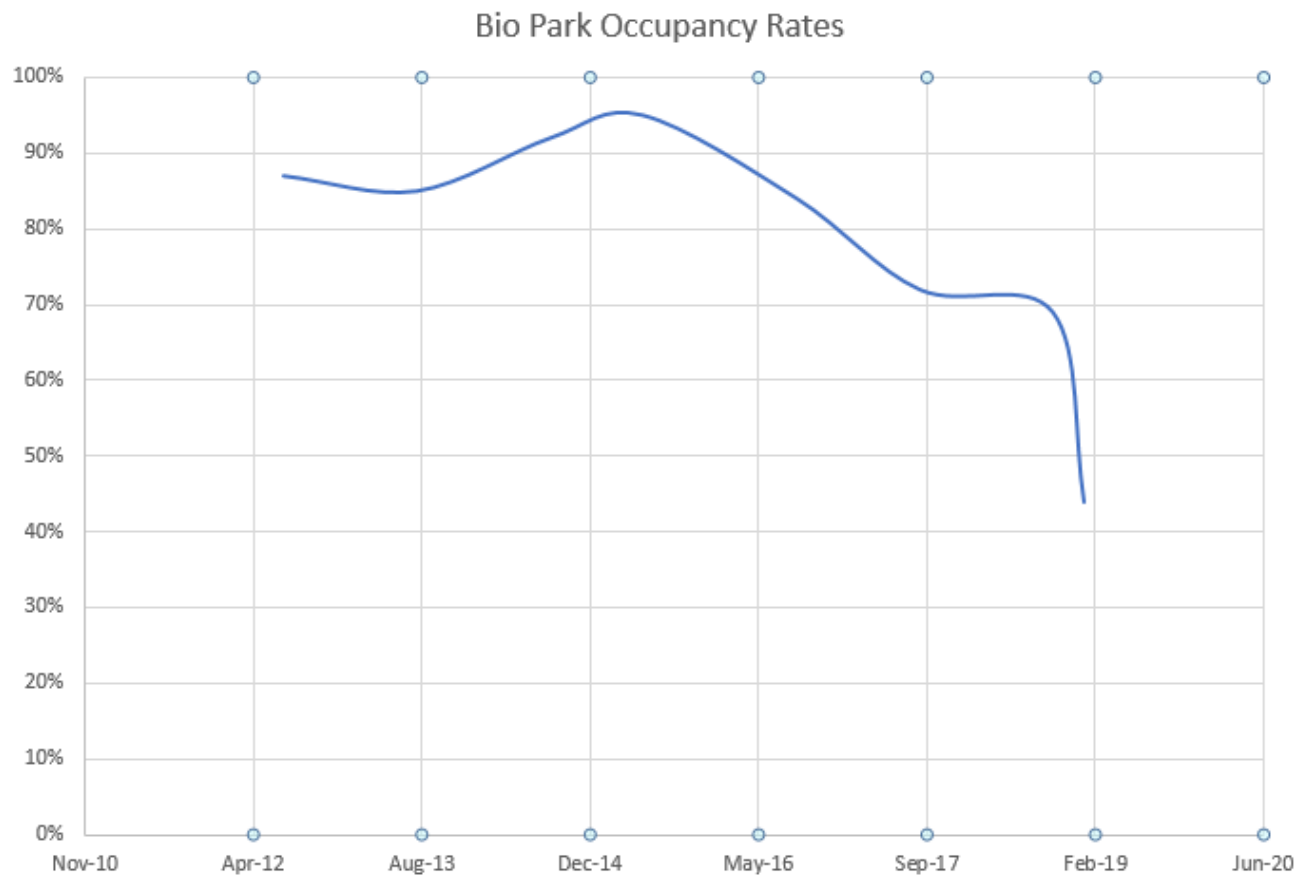
This shows a range of occupiers, mainly smaller companies on flexible and relatively short terms. Less than 50% of occupied space is laboratories. It is noticeable that there are no 'big names' in the list. We have attached short guides to the occupiers taken from the BioPark website at **Appendix 3.** Please note that these are slightly out of date, for example it includes Heptares.

We have spoken to David Lupsun of CAM-SCI, who advised Heptares when they moved to Granta Park last year and he made several interesting observations: In his view the building fabric at BioPark was adequate but the M & E was very poor, in particular they suffered power cuts and generator failures leading to massive and costly loss of data. They needed 40,000 sq ft so in a sense they became too big for BioPark, they hoped to move to London but there was no suitable building so Granta Park was an acceptable compromise. They found the slow trains and long walk to Welwyn station frustrating.

## 6.5. Occupancy Rates

BPHL have supplied us with the graph below, which shows occupancy rates at BioPark since 2012. It was above 80% until late-2016 when it continued dipping, then nosedived to 44% in late 2018 with the departure of Heptares.



The occupancy rates until 1917 look reasonably good but BPHL have informed us that there was an element of artificiality in these figures: Exemplas (former UoH partners) used to operate from the building and took 8,500 sq ft of space until they moved to another building within the University portfolio; The University used to occupy an additional 4,000 sq ft of labs / offices for research purposes, but have now left; There also used to be a number of start-ups operating on tenancies at will which the University ended (if they didn't sign up to a lease) upon reviewing the portfolio in 2016/17; Combined with the departure of Heptares, this has left a very substantial void in the building.

# 7. Hertfordshire as a Tech Location

## 7.1 Hertfordshire Local Enterprise Partnership (LEP)

The Hertfordshire LEP promotes enterprise in the county and we attach four information sheets produced by them at **Appendix 4** as follows:-

1. Life Sciences
2. Information Technology
3. Advanced Engineering and Manufacturing
4. Creative Industries

Their Life Science pages refer to a location at the heart of the 'Golden Triangle' between London, Oxford and Cambridge as well as the high concentration of pharmaceutical professionals: at 2,800 employees in Hertfordshire they comment that this is more than Cambridgeshire, Oxfordshire and Peterborough combined. However we note that this is predominantly manufacturing, with less emphasis on research and development. They identify key players located in Hertfordshire including Roche, GlaxoSmithKline, Galvani Bioelectrics, Phamaron and Eisai. They also mention research centres / incubator units at the Stevenage BioScience Catalyst, Cell and Gene Therapy Catapult and Bio Products Laboratory.

Information Technology sector is also strong in Hertfordshire, their pages refer to over 50,000 professionals and companies such as Imagination Technologies, Computacenter, EE, Kodak and Epson.

Hertfordshire has a long tradition of advanced engineering and manufacturing, particularly in the aerospace sector. The LEP pages refer to 26,000 employees with names such as Airbus, MBDA and BAE Systems. However these are not based around Welwyn itself. In our view BioPark would attract more occupiers if it was based near Stevenage.

The LEP pages also mention the creative industries, although these are strong in the county, they are not necessarily relevant to the BioPark. A more relevant sector might be food and agricultural research which is currently seeing considerable innovation with trends such as vertical farming.

We agree that Hertfordshire has strong representation in all these sectors, however this strength does not necessarily make Welwyn an ideal centre for an individual innovation centre.

## 7.2 Hertfordshire Science Parks

We set out below brief details of other science park / innovation centres in Hertfordshire, which may be competitors to BioPark:-

Stevenage Bioscience Catalyst

The Catalyst is located on the Stevenage GlaxoSmithKline Campus on Gunnels Wood Road and calls itself the UK's first open innovation biomedical catalyst: ''*Here fast growing biotech, pharma and medtech businesses can draw upon world-leading expertise, networks, academic support and scientific facilities.*''

It was built in 2011 and offers good quality offices and laboratories including the 'Bio – incubator', the 'accelerator', and the 'hub'. It has a campus atmosphere and the sharing of social facilities with GSK including a restaurant, fitness centre, meeting rooms, lecture theatre and speaker programme provide opportunities to interact and engage'. It is home to an impressive array of innovative tech companies and we attach a schedule of occupiers and alumni at **Appendix 5.**

The Catalyst is in a different category from BioPark, in that it is part of a high tech campus rather than an isolated building. As such it satisfies more of our requirements for good tech locations and is therefore likely to be more successful.

We attach a copy of their 5 year review (2017) at **Appendix 6** which gives a flavour of their activities. In particular we note their collaboration with University of Cambridge.

Shire Park Welwyn

Shire Park is an established office park off Bessemer Road, about ½ mile north of BioPark. Tesco have their HQ here and other occupiers include Regus, Roadbridge and Brogan. Roche moved here in 2005 but overall it is more of a conventional office park than a science campus.

Melbourn Science Park

This is a well-established and successful R & D campus on the southern edge Melbourn, about 8 miles south west of Cambridge, operated by The Technology Partnership. Major occupiers include TTP, Tonejet, and Astra Zeneca as well as incubation space and shared facilities. Although it has a Hertfordshire address, in reality we treat it as part of the Cambridge hinterland. Again it has the critical mass to be a proper science campus, as opposed to the single isolated building at BioPark.

## 7.3 Summary

In our view innovation centres in Hertfordshire are only likely to succeed at the best locations that satisfy occupier requirements such as Melbourn Science Park or the Stevenage Bioscience Catalyst. A single isolated building in Welwyn Garden City will always struggle to succeed. The market is polarising towards the established clusters which is accelerating this trend. BioPark itself faces the additional problems of poor image, lack of services and very poor M & E services.

# 8. Why is BioPark unattractive to Occupiers or Owners?

## 8.1 Commentary – is it the building or the location?

We have identified essential ingredients for successful tech locations and innovation centres in sections (3) and (5). Tech occupiers are increasingly being drawn to established clusters where they have benefits of agglomeration, talent pool, venture capital finance and the elusive 'buzz' or 'flat white index' factor. In our experience they can be content in old or moderate quality buildings so long as the location meets their other criteria. In Cambridge the St John's Innovation Centre is in a dated building, but the size, location, reputation and facilities make it extremely successful.

An example of high quality building in the wrong location is the former Pfizer laboratories in Sandwich, Kent. Despite excellent quality and competitive pricing, these have failed to attract significant occupiers since Pfizer moved out in 2011, mainly because Sandwich does not fulfil the locational requirements for a successful modern tech location. Now known as Discovery Park, the website comments '*Discovery Park has grown to be a thriving part of the South East's life science community in its six years as a multi-business science campus. The site offers high quality laboratory, office and manufacturing facilities, the space and support to expand, access to local finance, and a strong local scientific talent pool.* However our own agents comment that progress has been slow and difficult.

In summary we believe that the problem at BioPark is the location, not the building. Although BioPark is tired and dated it still provides flexible managed space with a mix of offices and laboratories. If it was in Cambridge or London it would be adequate and almost certainly successful.

## 8.2 Optimistic and realistic appraisal of BioPark

In the table below we analyse BioPark in the light of these requirements giving both a positive / optimistic spin and then a realistic comment. This shows that the main problem in attracting occupiers is the location rather than the building itself.

| Criteria | Optimistic comment | Realistic comment |
|---|---|---|
| Business Environment | Welwyn is an excellent business environment with numerous well established companies close by as well as easy linkage to London. | Welwyn is a relatively small commercial cluster; in a more established cluster there will be a far higher concentration of financial, legal, research and educational organisations, perhaps within tube or cycling distance. |
| Tech Environment | Welwyn is at the heart of the golden triangle, between London and Cambridge, with a high concentration of life science employment.<br><br>There is excellent synergy with UoH. | Early stage R&D companies would rather be in London or Cambridge. Life Science employment in Herts is more in manufacturing rather than R&D start – ups BioPark is an isolated building surrounded by housing, not part of a science campus. UoH is well regarded with good science offer but not in same league as London and Cambridge universities. BioPark is physically separated from UoH with poor interaction between them. |
| City Buzz and Wellness | Plenty of attractions near Welwyn - Hatfield, Henry Moore Foundation, Knebworth, St Albans' golf etc. Good shopping malls and green belt countryside. | Welwyn can be perceived as outer suburban dormitory town with low 'buzz'. |
| Talent Pool | Hertfordshire has a high concentration of Life Sciences, IT and advanced engineering talent. | There are far larger and more concentrated talent pools in both London and Cambridge, including international scientists. |
| Real Estate costs | The rents at Biopark are inclusive and competitive. Although housing is expensive in Welwyn, it is cheaper than Cambridge and far cheaper than London. | Fair comment. |

| | | |
|---|---|---|
| Mobility / Connectivity | BioPark is next to a station on the East Coast mainline with excellent access to the A1(M). | Slow stopping train services only, irritating 15 minute walk to station. Link to A1 is a little tortuous and prone to congestion. |
| Building Quality | Roche built BioPark to their own high standards, it now provides good flexible space. Car parking provision is excellent. | It still provides good flexible space. Yes it is tired and dated but if it was in London or Cambridge it would be successful. The M & E services need refurbishment which will be expensive. |

## 8.3 Should BPHL Refurbish BioPark?

As mentioned above, we observe BioPark is tired and dated, but believe that despite this the fabric is still adequate for an innovation centre. On this basis it would be foolish to undertake extensive and expensive reconfiguration of the building – however much BPHL spend this will not correct the fundamental problems of wrong location and lack of demand.

We have discussed BioPark with our own agents and research teams: Their preliminary view is that if you were obliged to keep it operating, then a relatively inexpensive 'cosmetic' refurbishment might be more cost – effective perhaps aligned with a 'repositioning', of the marketing including a new name and targeting tenants outside the life sciences pool to include more engineering and agritech companies. However there is no guarantee that this will stimulate demand, and in the meantime you face expensive running costs and overheads.

## 8.4 M & E Services

The key element of expenditure is the M & E services. As explained earlier, these are old, inefficient, expensive to run and prone to breakdown. A 2015 report by your M & E Consultants, Couch Perry Wilkes comments that '…*the existing plant is in poor condition, has exceeded the end of its life expectancy*…'' they recommend that £24.85 million needs be to spent over 3 – 10 years to fully strip out and replace the installation. That excludes any cosmetic improvements or reconfiguration. In our view it is not viable to risk this expenditure, and even if you did there can be no guarantee that it would generate significant new demand.

## 8.5 Operating Costs and Profitability

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## 8.6 Summary

BioPark suffers the negatives of poor location away from the main tech clusters, as well as the problems with the building itself – dreary image, lack of amenities, failing M & E services and limited connectivity. It operates at a big loss.

# 9. Summary, Options and Conclusion

## 9.1 Summary and Options

We believe that the fundamental problems facing BioPark in the existing use are the inappropriate location and lack of demand.

Our experience with innovation centres elsewhere suggests that tech occupiers can be happy with tired and dated buildings provided that the other essentials for a successful 'tech' location are there, especially clustering, nearby R & D institutions, talent pool and business environment. We also identify the elusive 'buzz' of a location likely to appeal to entrepreneurial millennials including internationals as a key factor – these are lacking in Welwyn.

Although BioPark has been reasonably successful in the past, it is now only 44% occupied and both your agents and in house marketing teams are pessimistic about the chances of attracting new occupiers quickly.

Your current forecast shows an anticipated loss. As a prudent and sensible owner this is not sustainable and you need to take drastic action. Options available to you assuming continued existing use include:-

(1) Refurbishment as a science innovation centre – high costs and no guarantee that extra demand will be generated.

(2) Redevelop as a science innovation centre – even higher costs and still no guarantee that extra demand will be generated.

(3) Sell to third party as a science innovation centre – why would any third party take on the costs, losses and risk?

Our report has analysed the key factors that make a successful 'tech' location: Section 3 identified these as:-

- Business environment
- Tech Environment
- City buzz & wellness
- Talent pool
- Real estate costs

Section 5 identified further requirements needed as follows:-

- Good master planning
- Good amenities and facilities
- Being part of a large scale tech cluster
- Good connectivity and accessibility
- Good quality, energy efficient building

In our view BioPark fails to meet these criteria, making the existing use unlikely to succeed.

## 9.2 Conclusion

Based on or comments in this report, we conclude that BioPark is unlikely to be sustainable in its current format. The most viable option available to UoH appears to be disposal of the site for residential conversion or redevelopment.

# Appendices