Cambridge Incubator Space: Engineering, IT & Digital

A Cambridge Ahead Commissioned Report

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Cambridge Incubator Space – Engineering, IT & Digital

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Cambridge Ahead has dedicated considerable thought to understanding the demand for - and drivers behind - flexible accommodation for high-potential firms around Cambridge. This note focuses mainly on 'dry' facilities typically used by engineering or IT-based start-ups, and is designed to be read in conjunction with the companion research paper on 'wet lab' facilities prepared by Nick Mansley of the Department of Land Economy, University of Cambridge.

1. Understanding the Basic Challenge

1. Cambridge is unusual in that the high number of start-ups implies a greater demand for serviced offices (sometimes with specialized space such as labs) on flexible leases than would be the case in just about any other UK city.
2. Incubation is a much-abused 'umbrella' term for numerous forms of business support often associated with identifiable physical hubs, a term whose elasticity frequently causes discussion to be at cross purposes. An outline typology is set out in Figure A below, with an eye on clarity rather than comprehensiveness. The two main drivers are (1) the nature/stage of tenant served and (2) how the centre makes money, which both need to be aligned to ensure reasonable prospects of success. For instance, a *business plan competition* will likely be supported by grants and philanthropy, whereas *accelerator programmes* achieve a longer-term financial return through the realisation of equity options. (Hybrid models are also possible.)

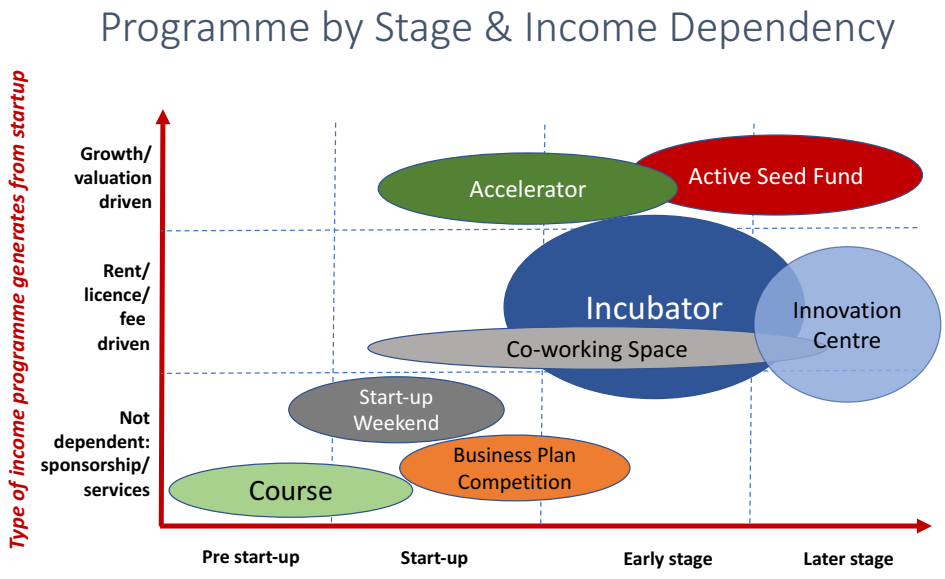

Figure A: support programmes aligning client needs with centre business model[1]

[1] Adapted from Dee et al *Start-up Support Programmes: What's the Difference?* Nesta, London 2015

3. Early-stage firms in the Cambridge cluster typically exhibit the following key characteristics. They are (rationally) unable or unwilling to commit to a 'conventional' lease (of 5 years or longer); they need advice and support but have limited ability to pay for it; they generally wish to be co-located with other companies like themselves; and for a variety of reasons (including but not limited to where staff live) they prefer locations with easy access to Cambridge itself.
4. Cambridge currently provides suitable flexible accommodation with varying degrees of support at a handful of locations, summarised in section 2 below. The underlying challenge is that demand for incubator space as defined has outstripped supply and even new space coming on stream during 2017-18 (at the Cambridge Science Park, for instance) is unlikely materially to shift the balance between supply and demand once pre-lets are taken into account.
5. Incubators cannot be seen in isolation. A problem identified when interviewing firms considering leaving incubators is the lack of suitable follow-on space as those businesses understand it: companies that have grown from 3 to 20 people in flexible accommodation often do not consider themselves ready to step up from a short-term lease to a 5 to 15-year obligation, have difficulty finding premises below 5,000 sq ft, would prefer not to take on their own facilities management (reception, IT/telephony, catering, maintenance) and are unwilling to move away from the core cluster to sites with few other comparable firms.
6. Limited survey evidence suggests that price is not – within reason - the key driver: scale-up firms would, in principle, pay a premium to stay in or close to Cambridge, co-located with their peer-group. Unable to find alternative new premises, many prefer to cram more employees into existing incubator space; annual returns submitted by tenants indicate that while numbers of companies have remained constant at St John's Innovation Centre (±88) average numbers of employees have risen from 5 to 7 over the past 5 years. This behaviour is rational: growth firms are maximising their own self-interest given the practical and economic incentives with which they are presented.
7. Provided planning conditions are observed and in the absence of grant-funding with specific restrictions (such as only leasing space to firms under 5 years old), private-sector landlords also act rationally in maintaining a mixture of tenants by size, maturity, sector or activity. More established firms are likely to present a lower credit risk than complete start-ups. This is particularly the case where leases are not only of short duration (1 or 3 months, say) but also asymmetric (giving a tenant security for several years AND the right to terminate at short notice). Furthermore, aside from these real-estate considerations, carefully-managed variety among tenants is integral to the incubation experience, which relies on 'peer mentoring' and serendipity, especially in larger centres.
8. Private-sector landlords often also have limited room for manoeuvre in terms of return on investment. Running a multi-occupancy building with relatively high tenant turnover and having to provide for advisory services means that rents charged must carry a premium, margins are thinner, and some cross-subsidy from other services is desirable – or a combination of all these factors. Further consideration of the economics of incubation is set out in section 3 below. Note that where tenants represent a poor-quality covenant, landlords will likely find incubators to have limited marketability as assets to be sold on.

2. Current Cambridge Landscape

The provision of multi-occupancy buildings suitable for smaller firms in Cambridge has increased in recent years in a variety of geographical areas and to the benefit of numerous sectors. Newer entrants meeting

some or all criteria for added value include ideaSpace (which now extends to 3 sites), Eagle Labs (2 sites) and the Future Business Centre. Several other operations also provide flexible office accommodation without much of the advice and community that characterise incubators in practice: CBI in Station Road, Regus at Vision Park and Wellington House among others. In addition, recently some start-ups leaving incubators have moved into lower-quality, second-hand city-centre premises where temporary price advantages allowed (offices awaiting refurbishment/redevelopment).

Reflecting how the market has evolved 'organically', existing players are mostly complementary in their offering, rather than direct competitors. For instance, Babraham has a leading position among life-science firms, for which it provides specialist facilities. The Future Business Centre restricts its intake to cleantech and social enterprises. If space allows, St John's Innovation Centre would be one of the destinations high on the list for successful founders moving on from ideaSpace. The variety of offerings makes direct comparison difficult, but to simplify Figure B sets out some of the major actors using three criteria:

1. The balance between open-plan accommodation and individual offices. (St John's Innovation Centre does not provide hot-desking, but many people other than resident tenants use its public areas for meetings.)
2. The extent to which restrictive membership criteria apply. For instance, Eagle Labs only admit firms with the potential to grow at 20%+ year on year, ideaSpace is looking for firms that will generate significant social and economic benefits.
3. Whether advice and community are primary attributes.

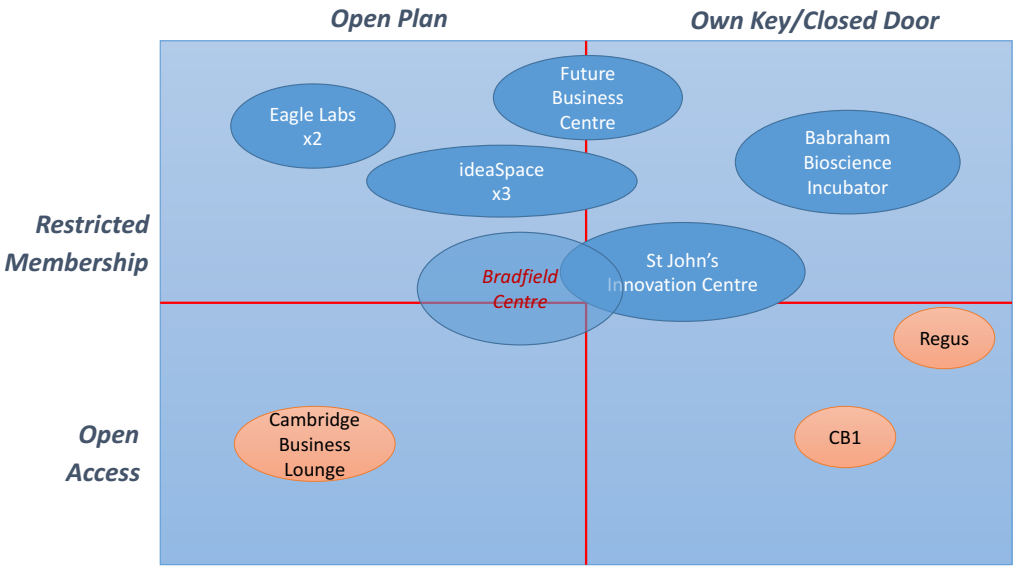

Figure B: Cambridge multi-occupancy buildings Incubator Other

Furthermore, each Cambridge incubator has a different financial or business model:

- Eagle Labs are part of Barclays's overall brand-building campaign to attract high-potential customers and are not currently required to produce a positive ROI on a free-standing basis.
- FBC was part-funded by charitable bonds issued by its parent organisation, Allia.
- Babraham Research Campus has over the years received considerable capital funding from the Biotechnology and Biological Sciences Research Council (BBSRC) as well as funding from EEDA (the now defunct regional development agency)

- Grants from EEDA and a generous donation from Dr Hermann Hauser KBE FRS made the launch of ideaSpace possible in 2009; it uses unoccupied University property on a medium-term, temporary basis, on which it does not pay a full commercial rent. Its expansion has been part-funded by a grant from the Local Enterprise Partnership.
- St John's Innovation Centre is a commercial undertaking whose annual surpluses are paid over to St John's College for endowment purposes. However, much of the advice and training it provides to growth firms across greater Cambridge has been made possible by a series of grants over many years from public sector organisations such the Department for Trade (in numerous guises), EEDA or the European Commission.
- The new Bradfield Centre, which opened its doors on the Cambridge Science Park in July2017, has benefitted from a government grant of nearly £5M, covering about one quarter of its build costs.

In summary, the Cambridge experience indicates that incubators (as opposed to accelerators with equity stakes) require some public sector intervention and/or philanthropy to fulfil their mission.

3. Basic Economics of Incubation

Short-lease, multi-occupancy buildings do not appeal to mainstream landlords because of the *perceived* volatility of occupancy and questions over the quality of covenant of tenants. Experience shows that in the right location, with the right value proposition and management controls, incubator occupancy can be at least comparable to conventional office blocks and bad debts minimised (St John's Innovation Centre has been at or above 95% occupancy for several years and has only suffered 2 downturns in its 30-year history: after the dotcom collapse and after the great financial crash).

Less obvious is whether tenants are willing and able to pay the premium implied for the services provided and for the 'option value' of a short-term lease. Behaviours may differ between 'wet' and 'dry' environments, with tenants somewhat more prepared to accept the costs implicit in fitting out and maintaining wet laboratories. Either way, it is difficult to disentangle with meaningful accuracy:

- Property costs, rates, power, connectivity, ancillary services (such as reception or conferencing), from
- Advice, training or management support.

What may seem a rich rent (£50/sq ft) to the tenant on an all-inclusive basis is considerably less onerous once rates, power and advisory services are deducted. Incubators also need to price in generous shared space (break-out areas, meeting rooms, restaurants) to fulfil one of their basic functions, namely facilitating productive interaction or cross-pollination. Such 'open' zones may amount to between 20% and 35% of gross internal area.

As a result, in the absence of ancillary income, incubators may struggle to produce a net return between 50% and 65% of that achievable on a single-occupancy city-centre office block. As indicative figures, an incubator might yield a net £15-20/sq ft compared with £30-35/sq ft for a 'conventional' commercial let on a full repairing lease. However, such orthodox analysis does not take account of a variety of other factors:

- Pricing in voids and bad debts over the economic lifecycle of a single-occupancy building, which at the expiry of a long lease may need extensive renovation.

- Incubators tend to be located in 'marginal' areas and/or in buildings where £30+/sq ft is an unrealistic expectation, especially where no dedicated lab space is provided.
- Furthermore, incubators are often in the vanguard of regenerating run-down areas. The outcome can be a mixed financial blessing: landlords benefit from capital uplift, but after *gentrification* the business case for further incubation space on adjacent sites is harder to make. Previously marginal land has been revalued such that only Grade A office space produces a sufficient yield. A successful incubator undermines the cost-arbitrage on which its financial model originally depended (Old Street in London EC1, and SOSA and The Junction in Tel Aviv are forceful examples outside Cambridge).

Set out in Appendix 1 are some worked examples of incubator income based on various scenarios for occupancy levels, variable costs, major repairs, ancillary income and renovations. These figures are illustrative only. Some obvious conclusions can be drawn from this exercise:

1. While capital expenditure is a major consideration when planning a new-build centre, running costs (including heat, light and water) are likely to be considerably lower than for an existing site with fully-amortized costs once improved insulation, smart metering, ground source heat pumps, solar energy, water recovery and lower maintenance are considered.
2. A government grant and or philanthropic contribution to initial costs has a material impact on the financial return achievable by a new centre. With relatively full occupancy and some ancillary income, yields of 6% are attainable.
3. Companies moving out of a new incubator on an existing science park will likely be 15+ people and materially 'de-risked' following 3 years of advice on-site in an incubator being coached by experienced mentors and investors. Such companies would make ideal tenants for grow-on space elsewhere on the same science park.

4. Incubator Success Factors

Identifying the main demand for additional space in Cambridge has often been treated as binary:

- Is it at the incubator level (from one desk to around 2,000 sq ft and from one to 25 people)? or
- Is it in the follow-on segment (perhaps 3,000 to 5,000 or even 6,000 sq ft)?

However, the emerging picture is that commercial space for fast-growth firms needs to be seen in the round: not 'either-or', but 'both-and'. Incubators can achieve a faster turnover of occupants if suitable grow-on space exists. Until then, both landlords and tenants have incentives for more mature businesses to stay in incubators. Provided Cambridge keeps producing high-potential start-ups, migrating such firms through to mid-tier premises would not pose a material risk of cannibalising incubator occupancy.

Flexible leases are less of a risk to landlords than may commonly be assumed, so long as the centre's administration is adept at managing demand and handling credit risk. On the other hand, size and price are not the sole guiding principles for tenants seeking mid-tier accommodation. Length of tenure, facilities management and suitable neighbours matter also. ***How landlords can be more flexible without undue overheads or risk of voids would benefit from further consideration in the mid-market,*** for which case studies of recent movement by high-growth firms within or between Parks will be useful.

The key conundrum for landlords remains the opaque economics of multi-occupancy buildings with short leases. While start-ups obviously regard flexible units as a vital ingredient of their success, and

Cambridge *as a whole* has benefitted from its numerous incubators, only in exceptional circumstances can a landlord capture some advantages from the economic externalities generated:

1. Where an equity stake allows for participation in the future value of tenants. But this model – closer to an accelerator than an incubator – is fraught with adverse-selection risk as only those start-ups that did not value their own equity would part with shares in lieu of paying a rack rent. The complexities of managing a portfolio of small investments are not trivial, nor are the risks of conflict of interest if the incubator manager is also advising the start-up.
2. Where grant funding is available (as at the Bradfield Centre) or philanthropic donations proffered (ideaSpace), provided always that the reporting requirements and ancillary targets do not undermine the core mission of the incubator to support the most high-potential businesses. As is well-documented with seed capital or regeneration funding, public subvention often comes with targets that impair or negate its own fundamental purpose[2].
3. Where a major landowner can consider an incubator with lower profitability as part of a wider value proposition, for instance by taking the capital uplift into account and/or using the incubator as an active 'feeder' to keep larger, more conventional buildings on a science or business park at the highest levels of occupancy and/or generating ancillary income for the Park as whole by providing conferencing and catering services.
4. Some combination of all special factors. For instance, an incubator on a science park built with the help of grant funding would further benefit from the active engagement of angel investors as mentors to tenants. Tenants would migrate to mid-tier (shared), then 'full-scale' (their own front-door) buildings on the park. The incubator would benefit *indirectly* (pricing, reputation, capital value) from the uplift in equity value in tenants over the years via the contribution of time and expertise of angels, who provide their services for no fee in return for early access to the most promising companies on site.

One of the reasons why flexible workspace matters is that it is at the start of a food-chain that helps ensure a replenished supply of blue-chip applicants for more conventional office blocks, ultimately making possible the rentier capitalist's dream of a 25-year, full-repairing lease with upward-only rent reviews to AAA-covenant tenants. It is unreasonable to expect higher-risk, private-sector landlords to provide incubation facilities as a public service, pushing out tenants - just as they become commercially stable - simply to benefit lower-risk landlords of neighbouring commercial properties.

Failure to provide incubation space is a variation of the tragedy of the commons: a *shared resource* depleted by *individual users* acting in their *individual interests* contrary to the *common good*. If no landlord is prepared to provide start-up space (the shared resource) because all rely on others to generate high-covenant tenants (their individual interests), the common good (a thriving innovation economy) will be impaired. On the other hand, integral to the success of most incubators is the willingness of many other actors (angels, professional advisers, academic collaborators) to provide some help to tenants on a *pro bono* basis. Incubators are facilitators - rather than originators - of wider commercial success. Over-aggressive attempts by landlords to monetise all or most externalities created would undermine the co-operative economy on which incubation depends. Even in a highly-constrained market, price-gouging rents are not a long-term solution.

[2] Lerner, J *Boulevard of Broken Dreams: why public efforts to boost entrepreneurship and venture capital have failed and what to do about it* Princeton University Press, Princeton NJ 2009

5. Conclusions and Recommendations

The overall commercial market has started to change since Cambridge Ahead's work analysing incubator and related space was initiated in early 2015:

1. Eagle Labs have opened their doors in two locations and ideaSpace has opened a third venue at the Laboratory of Molecular Biology. Increased supply does not appear to have had an adverse impact on other sites (for demand or price).
2. That said, the impact of the Bradfield Centre (±40,000 sq ft) will not be known for another year or more. *Its opening will be the single clearest indicator of whether demand for flexible, added-value commercial space continues to outpace supply.*
3. Whilst there is additional consent for 108,000 sq ft at Babraham, it is designed for scale-up business rather than as an incubator, so no new headroom will be created for early-stage, life-science companies. Demand appears still to be strong.
4. An additional 35,000 sq ft of dry lab space at the Wellcome Genome Campus is serving genomics and biodata companies.

5. Both the Chisholm Trail (for cyclists) and the new station – Cambridge North, which opened in May 2017 – promise considerably improved access to the Northern Fringe East from the centre of the city.
6. Another new station – Cambridge South – serving Addenbrooke's and the Biomedical Campus is an increasingly realistic possibility.

Earlier discussions on possible new incubator space in Cambridge became stymied on issues of travel and location: firms wish to be near the city and would not relocate to affordable secondary locations closer to Ely, Newmarket or Huntingdon. But new public transport links make further construction near existing innovation hotspots to the north *and* south of the city increasingly credible; they also provide improved access to remoter locations for satellite operations and staff recruitment. Future development will need to recognise that the economic geographies also serve different sectors: life-sciences naturally gravitate south, while physical sciences, IT and engineering look north.

The developers of CB1 around the existing station have ambitious plans for a 'CB4' at Cambridge North. Infrastructure such as housing, retail and restaurant space complements public transport in making locations between Milton Road and the river increasingly attractive to fast-growth firms in the relatively near future. The continuing success of the Biomedical campus will be amplified by enhanced public transport, especially if bus routes to Babraham and Hinxton can be further improved.

Secondly, the economics of incubation are gradually more clear: some element of public subvention (and/or philanthropy) is almost certainly required to help with either or both initial build costs and ongoing advice. Such financial assistance takes account of the wider economic benefits generated by the centre but not captured by the landlord.

Thirdly, as the example of the Bradfield Centre shows, the ideal 'sponsor' of a new incubator is a landlord for whom a new building is a complementary asset or feeder for other properties owned nearby. Related amenities or services – restaurant, gym, bike park, showers, travel-to-work planning, training or investment events – can be shared across the park to maximize use. Opportunities also arise for landlords to cooperate; for instance, Cambridge City Council is a major freeholder along the length of

Cowley Road leading up to Cambridge North; it has limited experience in incubation but its site is within minutes of both the Cambridge Science Park and the St John's Innovation Park, whose purpose is to support innovative firms. Further clarity on the intentions of Anglian Water for the future of the adjacent water recycling plant would materially improve the realism of long-term planning for the key Northern Fringe East area of the city.

Fourthly, as a general observation 'densification' – specifically, increased height – for new commercial buildings in Cambridge is becoming increasingly accepted and will transform the economics of land use. Further modelling is needed on this subject.

Finally, both incubator and follow-on space are required – not one or the other – and a sense of community matters as much as the co-location of buildings. The closer the coordination between the ownership/management of the incubator and related buildings suitable for fast-growth firms, the more likely is effective transition from one to the other. Informal discussions with landlords suggest that a cooperative relationship can be built with mid-tier tenants seeking perhaps 5,000 sq ft, whereas negotiations with large leaseholders looking for 15,000 sq ft are invariably binary ('you win, I lose'). Further consideration is required of how lease terms can be improved to suit both landlord and tenant, on the assumption that at this stage a long commitment is not realistic for tenants.

APPENDIX 1
NEW INCUBATOR *RETURN ON INVESTMENT* WORKED EXAMPLES

No two incubators are strictly comparable and no meaningful data are available to provide 'industry averages'. But to give an order of magnitude of the potential returns on investment achievable by landlords (or their investors) with a new incubator, the outline of the model below makes the following assumptions:

1. The centre will be some 40,000 sq ft net lettable area (56,000 sq ft gross) and will have space for ±630 desks, as well as a large café and conference room, alongside generous break-out areas.
2. The preference will be to accommodate as many hot-desk members as possible, but differential pricing will allow for reserved/full-time desk space and/or own-key offices.
3. A value of £2.5M has been attributed to the land.
4. Some ancillary income can be derived from conference/catering/café sales, or internet/telephony.
5. Grants and donations of £7M have been received towards total build costs of £22M.

Table A sets out maximum achievable 'lease' income projections based on 3 different scenarios of occupancy (essentially, whether the bias is towards hot-desking or towards individual offices, and the extent of support provided to tenants as reflected in overheads). Using these maxima as the starting point in each case, **Table B** then provides more nuanced projections taking account of occupancy levels, cost ratios, ancillary income and major works expenditure. Without some subvention towards build costs, return on investment is likely to be below market norms from a landlord's perspective. **Tables C and D** show further variations, with external contributions tapering to zero and higher costs/lower occupancy.

Table A: New Innovation Centre - Indicative Annual Rental Income Scenarios
Maximum Achievable Rents

Desks	630							
Bias to start-ups	**Unit cost - month**		**Annualized**		**Desks - Percent**	**Desks - number**	**Potential Income**	
Hot-desk	£	99	£	1,188	50%	315	£	374,220
Full-time	£	249	£	2,988	33%	208	£	621,205
Own Key	£	399	£	4,788	17%	107	£	512,795
Total					100%	630	**£**	**1,508,220**

Desks	630							
All categories equal	**Unit cost - month**		**Annualized**		**Desks - Percent**	**Desks - number**	**Potential Income**	
Hot-desk	£	99	£	1,188	33%	208	£	246,985
Full-time	£	249	£	2,988	33%	208	£	621,205
Own Key	£	399	£	4,788	34%	214	£	1,025,590
Total					100%	630	**£**	**1,893,780**

Desks	630							
Bias to later-stage	**Unit cost - month**		**Annualized**		**Desks - Percent**	**Desks - number**	**Potential Income**	
Hot-desk	£	99	£	1,188	17%	107	£	127,235
Full-time	£	249	£	2,988	25%	158	£	470,610
Own Key	£	399	£	4,788	58%	365	£	1,749,535
Total					100%	630	**£**	**2,347,380**

Table B: New Innovation Centre - Indicative Annual Budget Scenarios

Assumes £7M Grant/Donation towards Build Costs

Bias to start-ups, low occupancy, average costs, average Café income, high renovations					
Gross rental income		£	1,508,220		
Occupancy ratio	*85%*	£	1,281,987		
Cost ratio - variable	*55%*	£	*705,092.85*		
Net rental income				£	576,894
Net Café income				£	100,000
Less major works				£	*(100,000)*
Net income				**£**	**576,894**
£/sqft - gross	*size sq ft*		*56,400*	£	10.23
£/sqft - net internal	*size sq ft*		*40,000*	£	14.42
Public grant		£	*5,000,000*		
Philanthropic donation		£	*2,000,000*		
Total external contribution		£	7,000,000		
ROI costs only - Landlord	*build cost*	£	*15,000,000*		**3.85%**
ROI costs only - Total	*build cost*	£	*22,000,000*		2.90%
Land value		£	*2,500,000*		
ROI - including land value	Total value	£	24,500,000		2.35%

Medium rental, medium occupancy, lower costs, improved Café income, average renovations					
Gross rental income		£	1,893,780		
Occupancy ratio	*90%*	£	1,704,402		
Cost ratio - variable	*45%*	£	*766,981*		
Net rental income				£	937,421
Net Café income				£	150,000
Less major works				£	*(70,000)*
Net income				**£**	**1,017,421**
£/sqft - gross	*size sq ft*		*56,400*	£	18.04
£/sqft - net internal	*size sq ft*		*40,000*	£	25.44
Public grant		£	*5,000,000*		
Philanthropic donation		£	*2,000,000*		
Total external contribution		£	7,000,000		
ROI costs only - Landlord	*build cost*	£	*15,000,000*		**6.78%**
ROI costs only - Total	*build cost*	£	*22,000,000*		4.62%
Land value		£	*2,500,000*		
ROI - including land value	Total value	£	24,500,000		4.15%

Bias to later stage, high occupancy, lowest costs, maximum Café income, low renovations					
Gross rental income		£	2,347,380		
Occupancy ratio	*95%*	£	2,230,011		
Cost ratio - variable	*35%*	£	*780,504*		
Net rental income				£	1,449,507
Net Café income				£	200,000
Less major works				£	*(50,000)*
Net income				**£**	**1,599,507**
£/sqft - gross	*size sq ft*		*56,400*	£	28.36
£/sqft - net internal	*size sq ft*		*40,000*	£	39.99
Public grant		£	*5,000,000*		
Philanthropic donation		£	*2,000,000*		
Total external contribution		£	7,000,000		
ROI costs only - Landlord	*build cost*	£	*15,000,000*		**10.66%**
ROI costs only - Total	*build cost*	£	*22,000,000*		7.27%
Land value		£	*2,500,000*		
ROI - including land value	Total value	£	24,500,000		6.53%

Table C: New Innovation Centre - Middle Case

Assumes £2M Grant/Donation ONLY towards Build Costs

Bias to later stage, high occupancy, lowest costs, maximum Café income, low renovations					
Gross rental income		£	2,347,380		
Occupancy ratio	*95%*	£	2,230,011		
Cost ratio - variable	*35%*	*£*	*780,504*		
Net rental income				£	1,449,507
Net Café income				**£**	**200,000**
Less major works				***£***	***(50,000)***
Net income				**£**	**1,599,507**
£/sqft - gross	*size sq ft*		*56,400*	£	28.36
£/sqft - net internal	*size sq ft*		*40,000*	£	39.99
Public grant		*£*	-		
Philanthropic donation		*£*	*2,000,000*		
Total external contribution		£	2,000,000		
ROI costs only - Landlord	*build cost*	*£*	*20,000,000*		**8.00%**
ROI costs only - Total	*build cost*	*£*	*22,000,000*		7.27%
Land value		*£*	*2,500,000*		
ROI - including land value	Total value	£	24,500,000		6.53%

Table D: New Innovation Centre - Worst Case

Assumes NIL Grant/Donation

Bias to start-ups, low occupancy, average costs, average Café income, high renovations					
Gross rental income		£	1,508,220		
Occupancy ratio	*85%*	£	1,281,987		
Cost ratio - variable	*55%*	*£*	*705,092.85*		
Net rental income				£	576,894
Net Café income				**£**	**100,000**
Less major works				***£***	***(100,000)***
Net income				**£**	**576,894**
£/sqft - gross	*size sq ft*		*56,400*	£	10.23
£/sqft - net internal	*size sq ft*		*40,000*	£	14.42
Public grant		*£*	-		
Philanthropic donation		*£*	-		
Total external contribution		£	-		
ROI costs only - Landlord	*build cost*	*£*	*22,000,000*		**2.62%**
Land value		*£*	*2,500,000*		
ROI - including land value	Total value	£	24,500,000		2.35%