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Greater Cambridge Affordable Workspace Study

Cambridge City Council and South Cambridgeshire
District Council

Iceni Projects Limited on behalf of
Cambridge City Council and South
Cambridgeshire District Council

June 2026

ICENI PROJECTS LIMITED
ON BEHALF OF CAMBRIDGE
CITY COUNCIL AND SOUTH
CAMBRIDGESHIRE
DISTRICT COUNCIL

Iceni Projects

Birmingham: The Colmore Building, 20 Colmore Circus Queensway, Birmingham B4 6AT

Edinburgh: 14-18 Hill Street, Edinburgh, EH2 3JZ

Glasgow: 201 West George Street, Glasgow, G2 2LW

London: Da Vinci House, 44 Saffron Hill, London, EC1N 8FH

Manchester: WeWork, Dalton Place, 29 John Dalton Street, Manchester, M26FW

t: 020 3640 8508 | w: iceniprojects.com | e: mail@iceniprojects.com

linkedin: [linkedin.com/company/iceni-projects](https://www.linkedin.com/company/iceni-projects) | twitter: [@iceniprojects](https://twitter.com/iceniprojects)

Greater Cambridge
CAMBRIDGE CITY COUNCIL AND
CAMBRIDGESHIRE DISTRICT COUNCIL SOUTH

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EXECUTIVE SUMMARY

Introduction

The Greater Cambridge Shared Planning Service commissioned Icen Projects to undertake an Affordable Workspace Study to inform the emerging Greater Cambridge Local Plan.

The purpose of the study is to assess the delivery, demand, and policy framework for affordable business space across Cambridge and South Cambridgeshire. The study examines issues affecting the supply of affordable premises, identifies gaps in provision, and sets out potential policy responses to support business growth and retention.

Affordable Workspace is workspace that is provided at rent maintained below the market rate for that space, generally for a specific social, cultural and or employment development purpose.

Policy Context

This report reviews the policy framework relating to affordable workspace across Greater Cambridge. It informs the emerging Greater Cambridge Local Plan, including Draft Policy J/AW: Affordable Workspace and Creative Industries, which seeks to secure affordable workspace within new commercial and mixed-use developments and establish mechanisms for its long-term delivery, management and retention. The policy is recognised as an emerging framework requiring further refinement, particularly in relation to thresholds, affordability benchmarks, discount levels, delivery mechanisms and the role of payments in lieu, which this report will help to inform.

Evidence Base

The wider evidence base consistently demonstrates that the Greater Cambridge market is not delivering sufficient affordable or flexible workspace to meet the needs of SMEs, start-ups, scale-ups and creative industries. Key constraints include rising commercial rents, particularly in Cambridge city, limited availability of grow-on space, shortages of managed and incubator workspace, and displacement pressures affecting smaller occupiers. These issues are most acute in Cambridge city but are increasingly evident across South Cambridgeshire. The evidence strongly supports intervention through planning policy mechanisms, including affordable workspace requirements in major developments, support for managed and incubator models, reuse of existing buildings, and the use of planning obligations or commuted sums to secure delivery. Affordable workspace is consistently identified as a strategic priority supporting innovation, business growth, placemaking and inclusive economic development.

Business Needs

Greater Cambridge has a highly innovative and SME-dominated economy comprising approximately 15,800 businesses, the majority employing fewer than ten people. The economy is strongly concentrated in knowledge-intensive sectors, including professional services, information and communications, and life sciences. Around 41% of businesses operate in office-based sectors, with 35% in R&D-related activities, the vast majority are SMEs. A significant proportion of firms also operate in industrial, maker and creative sectors. Many businesses have relatively low turnover, with around 65% generating less than £250,000 annually,

making them sensitive to occupancy costs. While the business base is growing and resilient, affordability and availability of workspace remain key constraints on expansion, productivity and retention.

Stakeholder Engagement

Stakeholder engagement confirms strong demand for workspace alongside constrained supply, particularly within Cambridge city. A consistent theme is the shortage of affordable grow-on space for scaling businesses, as well as limited provision of creative, industrial and flexible workspace. Businesses are increasingly remaining in suboptimal premises, delaying expansion or relocating due to affordability pressures. South Cambridgeshire provides a complementary role in accommodating demand through relatively lower-cost space, although accessibility, infrastructure and occupier requirements limit its effectiveness. Stakeholders emphasised the importance of supporting SMEs, improving progression routes for growing businesses, and ensuring a diverse mix of workspace types, while maintaining development viability.

Property Market Review

The Greater Cambridge commercial property market is characterised by high value, strong demand and significant spatial variation. In the office and R&D sectors, prime Cambridge locations command high rents and experience sustained demand, while affordable workspace remains extremely limited. Laboratory space is highly specialised and expensive, with affordability pressures particularly acute for SMEs and scaling firms. Industrial markets are similarly constrained, with strong demand for smaller units and increasing importance of flexible “mid-tech” space combining production, R&D and office functions. Creative workspace provision is highly limited, fragmented and insecure, with demand significantly exceeding supply. Overall, market delivery alone is unlikely to meet the full range of workspace needs. Even where ‘affordable’ benchmarks are applied, they remain closely aligned with high underlying market values, particularly in Cambridge city. This suggests that market mechanisms alone are insufficient to deliver genuinely accessible workspace for lower-income and high-growth potential sectors.

Market Failure and Affordability Modelling

Affordability modelling and evidence indicate structural market constraints affecting SMEs, start-ups and creative occupiers. While larger firms can generally absorb prevailing rents, smaller and early-stage businesses face significant affordability challenges. These pressures are driven not only by rent levels, but also by wider operational costs including business rates, service charges, fit-out costs and utilities.

Wider Economic and Place Impacts

Affordable workspace delivers significant wider benefits beyond occupancy provision. It supports business formation, scaling and retention, enables clustering and innovation, and contributes to more diverse and resilient commercial environments. It also enhances town centre vitality, cultural activity and local identity. Case study evidence demonstrates the importance of long-term management arrangements and specialist operators in maintaining affordability and flexibility over time. Without intervention, there is a risk that rising costs and limited supply will reduce economic diversity and constrain innovation-led growth across Greater Cambridge.

Operational and Viability

Evidence indicates that delivery success depends heavily on the operating model and management structure adopted. Operator-led models are the most commonly used approach across flexible workspace typologies, particularly where SME and start-up occupation is the primary objective. These models typically provide shorter lease terms, all-inclusive pricing structures, and active management of occupancy, making them well suited to dynamic occupier needs.

Public sector-led or owner-operator models are more commonly associated with incubator space, enterprise centres and innovation hubs, where affordability is supported through subsidy, anchor tenants, or wider economic development objectives. These models are often effective in early-stage business support but require ongoing public sector involvement or funding support.

Across both models, the evidence suggests that flexibility in occupation, lower upfront costs, and managed service provision are critical to meeting SME demand. In contrast, more traditional leased industrial or office models are generally less effective in delivering affordability outcomes unless specifically structured with discounted or managed components. A hybrid approach combining operator-led and publicly supported models is therefore considered most appropriate across Greater Cambridge, reflecting differing spatial and market conditions.

A viability assessment has been carried out by Aspinall Verdi regarding the affordable workspace proposed policy parameters, as part of the overall Local Plan Viability Assessment report, testing policy requirements and infrastructure associated with the Local Plan and sites included within it. The findings relating to the proposed affordable workspace policy parameters are set out in that Local Plan Viability Assessment report.

Affordable Workspace Policy Recommendations

A differentiated policy approach is recommended to reflect the variation in land values, demand profiles and development viability across Greater Cambridge. In Cambridge city and key innovation locations, including city fringe areas and established science and business parks*, developments above 1,000 sqm gross internal area for Office & R&D should provide approximately 10% of net internal area as affordable workspace. This should be secured at a minimum 30% discount to prevailing market rents and delivered on-site wherever possible.

In South Cambridgeshire, a similar 10% provision is recommended for developments above 1,000 sqm gross internal area for Office & R&D, with a lower indicative discount of 20% where on-site provision is viable. Given the more dispersed nature of demand and the availability of strategic workspace locations, payments in lieu are expected to play a more significant role in delivery, enabling contributions to be pooled and directed towards the most suitable facilities and locations.

For industrial, manufacturing, storage and distribution development (Use Classes B2 and B8), a higher threshold of 2,500 sqm gross internal area is recommended before requirements are triggered. Provision equivalent to 10% of net internal area is proposed, again secured at a minimum 20% discount to market rents. However, due to operational constraints and site characteristics, payments in lieu are likely to be the primary delivery mechanism in many cases, particularly within South Cambridgeshire, to support delivery of flexible workshop, maker and light industrial space in more appropriate locations.

1. INTRODUCTION

1.1.1. This chapter sets out the purpose, scope and method of the Affordable Workspace Study. It explains how the study supports the emerging Greater Cambridge Local Plan, outlines the policy and spatial context, and summarises the research approach used to assess affordability issues, market conditions and potential policy responses.

1.1.2. Overall, this chapter establishes the rationale for the study and the policy questions it is intended to address, along with exploring what the definition of affordable workspace is. It confirms that the research combines market analysis, business evidence, stakeholder input and policy review to provide a robust basis for considering affordable workspace requirements in Greater Cambridge.

1.2. Background

1.2.1. Greater Cambridge Shared Planning commissioned Icen Projects to undertake an Affordable Workspace Study to inform the emerging Greater Cambridge Local Plan.

1.2.2. The purpose of this study is to provide robust evidence to inform an Affordable Workspace Policy as part of the Greater Cambridge Local Plan Rg.19, building on the existing Draft Plan policies.

1.3. Study context

1.3.1. Cambridge City Council and South Cambridgeshire District Council are working together to prepare the first joint Local Plan for Greater Cambridge. The Local Plan will set out where new homes and workplaces will be delivered over the next 20 years and how essential community facilities and public services will support this planned growth. Once adopted, the joint Local Plan will form the statutory development plan for the Greater Cambridge area.

1.3.2. The Draft Local Plan - consulted on from 1 December 2025 until 30 January 2026 – set out the Development Strategy and proposed development within the Cambridge urban area, the edge of Cambridge, new settlements, the rural southern cluster and the rest of the rural area. The Plan sets out a vision for Greater Cambridge through development management policies under seven key themes of:

- Climate change
- Biodiversity and green spaces
- Great places
- Wellbeing and social inclusion
- Homes
- Jobs
- Infrastructure

1.4. Method

1.4.1. To support Greater Cambridge Shared Planning further understanding of workspace affordability issues in the area, as well as potential policy options, this study aims to conduct both qualitative and quantitative research and provide recommendations to inform the development of robust Local Plan policies.

1.4.2. The following section provides an overview of our approach to this study:

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- **Affordability and Market Failure** – Review of the commercial property market across the area, including affordability, rents, availability, vacancy, quality, development pipeline and demand dynamics, with specific consideration of R&D and laboratory space. This includes benchmarking against comparable areas, analysis of affordable premises currently available, and interviews with property agents. The study also assesses market failures and affordability pressures affecting SMEs and other businesses through business analysis, financial modelling and stakeholder engagement.
 - **Business Needs and Impacts Assessment** – Analysis of the local business base, including business size, sector, location, growth trends and accommodation requirements. This includes interviews with local businesses and assessment of the economic, social and placemaking impacts associated with affordability challenges and workspace provision, supported by case studies of affordable workspace and mixed-use developments.
 - **Delivery Models and Viability** – Review of affordable workspace operational and delivery models, including co-working, managed workspace, incubators, studios and workshops. This considers management structures, affordability levels and locational suitability. The study has also informed viability testing of affordable workspace scenarios and policy thresholds alongside the wider Local Plan viability work.
 - **Policy Recommendations** – Review of affordable workspace policies and approaches from other local authorities, alongside development of tailored policy recommendations and implementation options for Greater Cambridge. Recommendations are informed by the market analysis, business needs evidence and viability testing to ensure policies are deliverable and responsive to local market conditions.

1.5. Affordable Business Space Definition

1.5.1. It is important to recognise that there is currently no nationally prescribed definition of “affordable workspace” within planning policy or guidance. Neither the National Planning Policy Framework (NPPF) nor Planning Practice Guidance (PPG) provides a standardised definition, methodology or affordability threshold for affordable business space. As a result, the interpretation of what constitutes “affordable” workspace is typically determined at the local authority level, informed by local market conditions, economic priorities, viability considerations and the specific needs of businesses operating within the area.

1.5.2. Research undertaken to support this study (including a review of adopted affordable workspace policies across England) demonstrates that there is no single standard approach to defining affordable workspace. Instead, policies adopt a range of mechanisms, which may include:

- Discounted market rents, commonly expressed as a percentage reduction against prevailing market rents. In practice, discounts are often in the order of circa 20% below market rent in some policy frameworks, but may range significantly (typically 20%–50%) depending on local objectives, sector focus and viability considerations;
- Provision of lower-cost workspace suitable for SMEs, start-ups, creative industries or innovation businesses;

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- Flexible lease or licence arrangements designed to reduce occupational risk for occupiers;
 - Managed or incubator workspace models providing shared facilities and lower overall occupancy costs;
 - Affordability linked to operational costs, including inclusive service charges, business rates and utilities;
 - Provision targeted towards specific business sectors or occupier groups;
 - Affordability assessed relative to local business turnover, operating costs or capacity to pay.

1.5.3. A range of workspace typologies are relevant to the delivery of affordable space, reflecting the diverse needs of businesses at different stages of growth. These include:

- Co-working and shared workspace
- Studio and maker space
- Discounted space for Charity, third sector and community organisation
- Managed workspace and enterprise centres
- Incubators and accelerators
- Workshops

1.5.4. Stakeholder consultation undertaken as part of the study further identified that affordability is closely linked to accessibility and operational flexibility. Businesses highlighted the importance of:

- Flexible occupation models, including licence agreements and shorter-term leases;
- All-inclusive pricing structures which provide certainty over occupancy costs;
- Access to collaborative and managed workspace environments;
- Proximity to transport infrastructure, labour markets, universities and innovation networks; and
- Availability of smaller-scale and flexible accommodation suitable for business growth.

1.5.5. Evidence from comparable affordable workspace policies and case studies also demonstrates that affordable workspace can support wider economic development and placemaking objectives. This includes supporting business start-up and growth, retaining innovative and creative businesses within the local area, increasing business diversity, supporting clustering effects, and contributing towards more active and mixed-use commercial environments.

1.5.6. This report therefore does not seek to apply a single universal definition of affordable workspace. Instead, it establishes a framework of parameters and considerations, informed by market analysis, stakeholder engagement, viability evidence and policy review, which can be used to inform future affordable workspace policy within Greater Cambridge.

1.5.7. Based on the evidence presented throughout this report, a future affordable workspace policy for Greater Cambridge may reasonably consider:

- **Policy thresholds** – Most policies are applied to larger commercial or mixed-use developments, typically where schemes exceed a defined floorspace threshold (commonly around 1,000 sqm or greater). This ensures requirements are focused on schemes capable of accommodating affordable provision without undermining overall delivery.

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- **Scale of provision** – A common policy is to require a proportion of employment floorspace to be provided as affordable workspace, with around 10% frequently used as a benchmark. However, the level of provision is typically subject to viability, with flexibility applied depending on site characteristics and development context.
 - **Definition of affordability** – Affordable workspace is generally defined through discounted rents relative to market levels, often in the range of 20–60% below market rent. In practice, affordability is also achieved through shorter lease terms, flexible occupation models and all-inclusive pricing, particularly for SMEs and start-ups.
 - **Duration and security** – Policies typically secure affordable workspace over the long term through planning obligations, with durations ranging from 15 years to perpetuity. Longer-term arrangements are used to ensure that affordability benefits are retained beyond initial occupation.
 - **Delivery mechanisms** – Affordable workspace is most commonly delivered through a range of operational and management models, including:
 - Operator lease or management agreement models, where space is leased to a specialist workspace provider and managed as flexible or affordable workspace
 - Joint venture arrangements between developers, landowners and workspace operators to support delivery and long-term management
 - Direct owner-operator models, particularly within mixed-use schemes where landlords retain and manage affordable workspace directly
 - Local authority, public sector or university-led partnerships, often involving management agreements or operator partnerships where strategic intervention or subsidy is required to support delivery and viability
 - **On-site provision and flexibility** – On-site provision is generally preferred to ensure integration with new development and access to key locations. However, policies typically allow flexibility through off-site provision or financial contributions in circumstances where on-site delivery is not feasible or would compromise scheme viability.
 - **Viability considerations** – A consistent feature across all policies is the application of viability testing. Affordable workspace requirements are typically subject to site-specific viability assessment, and many policies include review mechanisms to capture additional provision where scheme viability improves over time.

1.5.8. The following sections of this report therefore explore the range of potential policy mechanisms, delivery models and affordability approaches which may be appropriate within the Greater Cambridge context, taking account of local market conditions, business needs and development viability considerations.

2. POLICY AND EVIDENCE BASE

2.1. Introduction and summary

- 2.1.1. This chapter reviews the existing policy framework and evidence base relevant to affordable workspace in Greater Cambridge. It considers the emerging Greater Cambridge Local Plan, current adopted plans and supporting evidence studies to identify how affordable workspace has been addressed to date, the nature of affordability challenges across the market, and where further policy development may be required.
- 2.1.2. The emerging Greater Cambridge Local Plan includes Draft Policy J/AW: Affordable Workspace and Creative Industries. The policy seeks to secure affordable workspace within larger commercial and mixed-use developments and establish a framework for how such space should be delivered, managed and maintained over the longer term.
- 2.1.3. The draft policy proposes that employment or mixed-use developments above a defined threshold will be required to provide an element of affordable workspace as part of the overall commercial floorspace provision. At the Draft Plan stage, the councils indicated that, based on approaches used elsewhere, this would typically involve the provision of between 10% and 20% of total net internal area employment floorspace as affordable workspace, with rental discounts linked to prevailing market rents and varying by location. The consultation material also suggested that the policy may apply to developments above a threshold such as 2,500 sqm gross internal area of new net employment floorspace.
- 2.1.4. The draft policy further establishes principles relating to the type and specification of affordable workspace, operational and management arrangements, Affordable Workspace Management Plans, delivery triggers linked to wider commercial occupation, and the prioritisation of on-site provision. It also identifies circumstances where off-site provision or payments in lieu may be considered acceptable.
- 2.1.5. At the Draft Plan stage, the councils recognised that further evidence and testing would be required to refine several key policy components, including the scale and type of development to which the policy should apply, the percentage of affordable workspace to be secured, appropriate affordability benchmarks and rental discount levels, delivery triggers, and approaches to off-site provision and payments in lieu. The consultation draft therefore establishes an initial framework informed by approaches used elsewhere, whilst recognising the need for a locally specific evidence base to support future policy refinement, in which this report intends to address.
- 2.1.6. Alongside the emerging policy framework, the wider evidence for Greater Cambridge published between 2020 and 2025 identifies a consistent and recurring theme: the market is not delivering sufficient affordable and flexible workspace to meet the needs of SMEs, start-ups, scale-up businesses, creative industries and certain industrial occupiers. Across studies examining employment land, growth sectors, industrial space, creative industries and cultural infrastructure, affordability pressures are identified as a significant barrier to business growth, with rising rents, limited availability of suitable premises and a shortage of grow-on space contributing to business displacement and constraining expansion. These challenges are particularly acute within Cambridge City, although evidence suggests pressures are increasingly being felt across the wider Greater Cambridge area.

2.1.7. Collectively, the evidence below provides a strong justification for policy intervention. Multiple studies recommend the delivery of affordable workspace through major mixed-use and employment developments, support for incubator and managed workspace models, the provision of affordable creative and cultural workspace, and the reuse of existing buildings and vacant town centre premises. There is also support for the use of planning obligations and commuted sum contributions to help secure affordable workspace provision. Overall, the evidence indicates that affordable workspace should be considered a strategic economic development, innovation and placemaking priority, supporting business growth, talent retention, productivity and inclusive economic development across Greater Cambridge.

2.2. Emerging Local Plan

2.2.1. The councils are currently in the process of developing a new Local Plan for Cambridge and South Cambridgeshire. The Plan was consulted on between December 2025 and January 2026, the emerging plan would cover the period from 2024 to 2045 and would supersede the existing plans for each area as discussed in section 2.3. The councils expect to undertake an additional consultation in Summer 2026 with submission to the Secretary of State for Examination in December 2026.

2.2.2. Draft Policy S/JH identifies a need to provide of 73,300 additional jobs across Greater Cambridge. The supporting text to this Policy states that this is based on the Greater Cambridge Employment and Housing Evidence Update 2025 which identifies a need for:

- 302,600 sqm offices and 600,000 sqm of Research and Development (R&D) space;
- 317,000 sqm of industrial / warehousing (Use Classes B2/B8).

2.2.3. In order to meet the needs identified the councils have developed a spatial development strategy, this strategy aims to meet needs across sites in the following order;

- Within the Cambridge urban area;
- On the edge of Cambridge;
- At an expanded Cambourne;
- At other new settlements; and
- In the rural southern cluster and wider rural area at Rural Centres and Minor Rural Centres.

2.2.4. To support future employment growth and respond to identified business space needs, the councils propose a series of strategic mixed-use and employment allocations across Greater Cambridge. These include major science, research and innovation-focused developments at, Cambridge East, Cambridge Biomedical Campus, West Cambridge, Eddington, Wellcome Genome Campus and Babraham Research Campus, alongside significant industrial and logistics allocations at Slate Hall Farm (Junction 25, A14) and Land south of the A14 Services. Additional employment provision is also proposed at Cambourne, Northstowe, Waterbeach New Town, Bourn Airfield and Grange Farm. Collectively, these allocations provide substantial capacity for office, research and development, industrial, warehousing and university-related employment uses, supporting the continued growth of Greater Cambridge's science, technology and innovation economy whilst also providing opportunities for SME, industrial and logistics accommodation across the area.

2.2.5. Section 8 of the Draft Plan outlines specific policies in relation to jobs, Policy J/NE supports new employment development in appropriate locations, other policies aim to support the rural economy as well as protect existing business space and agricultural land.

2.3. Existing Local Plans

2.3.1. The current South Cambridgeshire Local Plan and the Cambridge Local Plan were both adopted in September 2018 and cover the period from 2011 to 2031. Both plans allocate land for employment development and provide policies to guide new employment development. The plans do not include policies that require the provision of affordable workspace.

2.4. Evidence Base

Greater Cambridge Employment Land and Economic Development Evidence Study 2020 (GL Hearn with SQW Ltd and Cambridge Econometrics and supported by Icen Projects Ltd and Justin Gardner Consulting)

2.4.1. Key points that are linked to affordable workspace, based on 2019/20 position:

- **Market:** The assessment of the property market area defined as 'rest of Cambridge' (essentially being outside of the historic core), highlighted affordability issues for industrial type businesses with significant rises in industrial rents in recent years. This particularly applied to local industrial occupiers compared to national brand trade counters who are better able to deal with higher rents. Industrial occupiers priced out of the city as a whole were in some instances able to find sites in the villages in South Cambridgeshire such as Histon and Milton. This points to a lack of affordability and potential negative effects on the wider economy.
- **Life cycle R&D:** Established campuses such as Wellcome Genome Campus (Hinxton), Cambridge Science Park and Babraham Research Campus offer laboratory floorspace. Importantly, they provide space for early stage ventures on short term lets. Babraham is particularly focused on start up and grow up space offering small lab and office space with a mission of being the best place in Europe to start-up and scale-up a life science business. The Wellcome Genome Campus offers start up dry lab space such as the BioData Innovation Centre
- **Life cycle Tech:** There are locations across Greater Cambridge that provide office floorspace for early stages in the business cycle. One example is St John's Innovation Centre where there are around 95 units designed to accommodate from two to 40 people. Cambridge Business Lounge provides a central CB1 location for co working and hot desking. Outside of the city centre, Cambridge Business Park, St John's Innovation Park, Cambridge Innovation Park (Waterbeach) provide incubator space. At Cambridge Innovation Park, Stirling House provides for start-up and small businesses in a co-working office layout. A challenge for start-ups and small businesses in this sector is finding flexible quality floorspace.

2.4.2. **Provision of Affordable Business Space:** The market analysis and business engagement undertaken by GL Hearn has identified a floorspace affordability issue in the office and employment market in Greater Cambridge. As a result, the workspace market in Greater Cambridge can be difficult for micro-enterprise and SME's to enter. The issue is more apparent and increases towards Cambridge city

centre which attracts prime rents. Common issues include tenants being priced out of the market, long waiting lists for new space and high rents. This finding is supported by a report commissioned by South Cambridgeshire District Council ('Managed Workspace on Cambridge Compass Enterprise Zone sites' by Building Partnership Ltd with Nautilus Associates and Cheffins, 2019). The commissioned report found 24 managed workspace facilities in Cambridge City and South Cambridgeshire District.

- Examples of policies in London regarding affordable workspace are cited – including Islington and Tower Hamlets

Greater Cambridge Growth Sectors Study: Life Science and ICT Locational, Land and Accommodation Needs (Iceni Projects Limited) 2024

- There has been a lack of available wet labs (across the size bands) through the 2020-23 period. The need for scale-up space has been particularly acute (particularly from 500 – 1,000 sqm and up to 2,500 sq.m) and less well provided for.
- There is a continued shortage of space reported for start-up and particularly scale-up firms. While facilities such as Babraham and TusPark BioInnovation Centre are intended to address the requirements of early-stage firms, stakeholders noted that the existing stock of specialist and smaller laboratory workspaces has proven insufficient to meet the current and forecast level of demand. The lack of available next stage scale-up space has been particularly acute and meant smaller firms cannot move up. In some instances larger firms are taking scale-up space due to a lack of alternative options.
- For ICT high quality start-up and moreover scale-up space will remain in demand and need to continue to be provided for across the office market spectrum.
- It is important to provide a range of premises types and scales, ensuring that smaller start-up and scale-up businesses are appropriately supported. For life science businesses in particular, early-stage provision is generally most effective within supported campus or institutional environments rather than in isolated locations. Innovation centres and institutional campuses can play a pivotal role through the provision of affordable and flexible workspace alongside access to shared facilities, research infrastructure, business support, knowledge exchange and specialist expertise. These environments support business growth and agglomeration, providing accommodation and support mechanisms for life science start-ups that are often not otherwise available within the wider market, although provision can also be delivered through the private sector within sufficiently large cross-subsidised developments. Exploring the feasibility of commuted sum contributions to support start-up and incubator provision is therefore recommended.
- Life science requirements will change over time and through business cycles, however overall it is recommended that towards 50% of total new R&D space should be for start-up / scale-up provision. Start-up provision would be in dedicated specialist incubator space usually with up to 10 employees and more like bench / flexible labs of up to 200 sqm in size and which might account for 5-10% of total demand.
- For ICT office around 20% of demand should be in sub-500 sq.m (potentially under 50 employees) typically in flexible or managed space;

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- There are a number of incubator space and accelerator programmes for the life sciences sector including:
 - Accelerate@Babraham
 - Biodata Innovation Centre (BIC)
 - Wellcome Genome Campus
 - Frame Shift Bio-incubator, Milner Therapeutics Institute
 - Mill SciTech Park, Hauxton Mill site
 - TusPark Bio-Innovation Centre, Cambridge Science Park
 - Business support incubator spaces that businesses with the professional services and ICT sector use:
 - Allia Future Business Centre, King Hedge's Road, Cambridge 50
 - Barclays Eagle Labs, Chesterton, Cambridge
 - Deeptech Labs
 - ideaSpace City / South / West
 - Founders at the University of Cambridge
 - The Bradfield Centre, Cambridge Science Park
 - St John's Innovation Centre

Greater Cambridge Warehouse and industrial Space Needs 2025 (Iceni Projects Limited)

- The needs and premises types of the industrial and warehouse sector are diverse; depending often on the type of operation, supply chain, customer base and company maturity. This report covers a number of industrial and warehouse occupier sectors, including:
 - manufacturing / advanced manufacturing, typically in Use Class B2, factory space for machines and industrial activity, can include ancillary lab and office space, which tends to see demand for Cambridge based businesses looking to expand, as well as some inward investment demand, and having a location preference for Cambridge commutable locations;
 - general industrial, typically in Use Class B2, for example car repair workshops, but could include (Use Class B8 / Sui Generis) trade counter sales or wholesalers, with demand for local population serving businesses having a location preference for urban / urban fringe;
 - distribution, typically in Use Class B8, which is both parcel delivery (third party such as Amazon / DPD) but may include retailer specific parcel (food or goods retailers) with locational preferences for Strategic Road Network (SRN) with M11 / A14 location preferred for larger units and also urban fringe (or urban area) for smaller parcel deliveries; and
 - mid-tech, potentially in Class E(g) but also may need to include B2 and B8, for product development, testing and storage, the space not usually being readily differentiated in

physical terms from modern quality general industrial, with locational presence for enhanced connectivity to labour markets, being urban fringe or science park proximity.

- Regarding mid tech, the study notes that mid-tech occupiers tend to arise from university or science park settings. There is a benefit in having a close proximity to the science parks to support the connection. Even for those with a weaker connection, the workforce tend to be Cambridge based graduate / tech staff having to travel to site. Rural locations are sub optimal where car free travel is less readily available. Some village / town non city fringe locations are seeing major investment in connectivity, such as guided bus, which should improve the attractiveness for investment. Edge of urban locations provide an optimal location for mid-tech start-up and scale up space. The space sought itself is typically clean high quality industrial flexible space for prototype development, testing and storage / distribution.
- For advanced manufacturing, many start-up companies do not always have a physical product from the outset, however they will require some small-scale manufacturing space. As these companies expand, their needs for storage and manufacturing spaces also increase.

Greater Cambridge Creative Industries Briefing (Cambridge City Council, June 2020)

2.4.3. The Briefing highlights the need for affordable workspace in Greater Cambridge, particularly for creative industries. It notes that creative businesses in South Cambridgeshire are more dispersed due to the larger geographic area, while Cambridge City has a denser distribution of businesses. Despite this, there is no defined central hub or creative zone in the region, as identified in the Greater Cambridge Creative Workspace Supply and Demand report.

2.4.4. The creative industries in Greater Cambridge are characterised by a high frequency of small companies, with 89% employing fewer than five people. On average, creative businesses in Greater Cambridge have 4.8 employees, which is higher than other districts in the region. This indicates a need for affordable and accessible workspace to support these small businesses and foster collaboration.

2.4.5. The impact of COVID-19 emphasised the importance of affordable workspace, as sectors like performing arts, artistic creation, and cultural education have been among the most affected.

2.4.6. Additionally, the briefing highlights the growing importance of digital platforms and content creation, which have gained traction during the pandemic. This suggests that affordable workspace equipped with digital infrastructure could be particularly beneficial for creative businesses in the region.

2.4.7. The need for affordable workspace in Greater Cambridge is driven by the high concentration of small creative businesses, the lack of a central creative hub, and the challenges posed by the COVID-19 pandemic. Providing such spaces would support the growth and resilience of the creative industries, which are a key driver of economic and cultural development in the region.

Greater Cambridge Creative Workspace Supply and Demand report (Simon Poulter Consultants, March 2020)

2.4.8. The Greater Cambridge Creative Workspace Supply and Demand Report highlights several key points regarding affordable workspaces for the creative sector:

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- **Shortage of Dedicated Creative Spaces:** There is a significant shortfall in dedicated creative workspaces to meet current and future demand. High property costs and limited availability exacerbate this issue. Artists and small creative businesses struggle to find affordable spaces, leading many to work from home or use unsuitable temporary setups.
 - **Precarious Lease Agreements:** Many existing creative studio spaces in Cambridge lack long-term security, with some operating on annual lease renewals. This creates instability for artists and creative practitioners.
 - **Limited Non-Dedicated Space Suitability:** Non-dedicated spaces, such as community centres, are often unsuitable for creative work due to scheduling conflicts and lack of necessary facilities for uninterrupted use.
 - **High Costs of Living and Operating:** The high cost of living and workspace rental in Cambridge has led to a loss of artistic and creative talent, as many practitioners relocate to more affordable cities.
 - **Lack of Visual Arts Exhibition Spaces:** Cambridge is perceived as having poor provision for visual arts exhibition spaces compared to other cities like Norwich. Opportunities exist to repurpose empty retail units for temporary exhibitions.

2.4.9. The report identifies a number of opportunities and recommendations these include; the development of affordable creative hubs, exploration of 'meanwhile' use for empty retail units and underutilised spaces, subsidised studio space for artists in central Cambridge, improving access to facilities such as Cambridge Makespace.

Greater Cambridge Creative Business and Cultural Production Workspace study (LDA Design, June 2021)

2.4.10. Overall, the study identifies a chronic and long-standing shortage of affordable workspace for creative and cultural businesses across the Greater Cambridge area. Despite the sector's economic strength and growth potential, the availability of workspace that is genuinely affordable, particularly for micro-businesses, sole traders and early-stage enterprises, has not kept pace with demand. This issue has been consistently highlighted in earlier studies and is reaffirmed through the 2021 survey, indicating that existing policies and delivery mechanisms have been insufficient to address structural affordability constraints.

2.4.11. A key finding is that affordable workspace is most viable where it is delivered as part of a portfolio of spaces rather than in isolation. The study highlights the importance of shared facilities, co-location of different workspace typologies, and access to specialist equipment on an on-demand basis as ways to reduce costs for individual businesses while still meeting functional needs. This approach can improve affordability without compromising quality or long-term sustainability.

2.4.12. From a planning perspective, the study stresses the need for proactive policy intervention to secure affordable creative workspace, particularly through large-scale and mixed-use developments. Drawing on London Plan practice, the report demonstrates how planning obligations can be used to secure workspace at rents maintained below market levels in perpetuity, including artist studios, maker

space, performance and production space. This is presented as a relevant and transferable model for Greater Cambridge.

Greater Cambridge Cultural Infrastructure Strategy (April 2025)

- 2.4.13. Building on the previous work undertaken the Strategy identifies a significant and growing shortage of affordable creative and cultural workspace as a structural weakness within Greater Cambridge, particularly within Cambridge city.
- 2.4.14. The Strategy identifies acute under-provision of small studios (typically under 100 sqm, and especially 20–40 sqm units) and affordable desk space suitable for freelancers and early-stage businesses. Provision is particularly weak outside Cambridge, despite high concentrations of creative workers in settlements such as Cottenham and Melbourn and remains extremely limited even within the city itself. This mismatch between where creative workers live and where affordable workspace is available is identified as a key barrier to inclusive growth.
- 2.4.15. New development is identified as the primary mechanism for addressing affordable workspace need. The strategy is explicit that large residential and employment-led schemes should be expected to deliver affordable creative workspace as part of placemaking, rather than relying on retrospective mitigation. This includes using planning obligations, embedding workspace at ground floor level, and ensuring leasing terms are affordable and flexible for creative users. Affordable workspace is presented as integral to successful, vibrant places rather than an optional add-on.
- 2.4.16. The strategy also places strong emphasis on meanwhile and pop-up workspace as a complementary tool, particularly in vacant retail units and phased developments. Meanwhile use is seen as a way to address immediate need, support early-stage creatives, seed creative communities and build cultural identity ahead of permanent delivery. However, it is clear that meanwhile provision should not substitute for permanent affordable workspace.
- 2.4.17. Finally, the strategy concludes that without deliberate intervention to secure affordable creative and cultural workspace, inequalities between Cambridge and its surrounding settlements will deepen, independent cultural activity will decline, and the region risks undermining the long-term sustainability of its creative economy. Addressing affordability is therefore positioned as a core requirement for inclusive growth, talent retention and the successful delivery of the emerging Greater Cambridge Local Plan.

3. BUSINESS NEEDS

3.1. Introduction and Summary

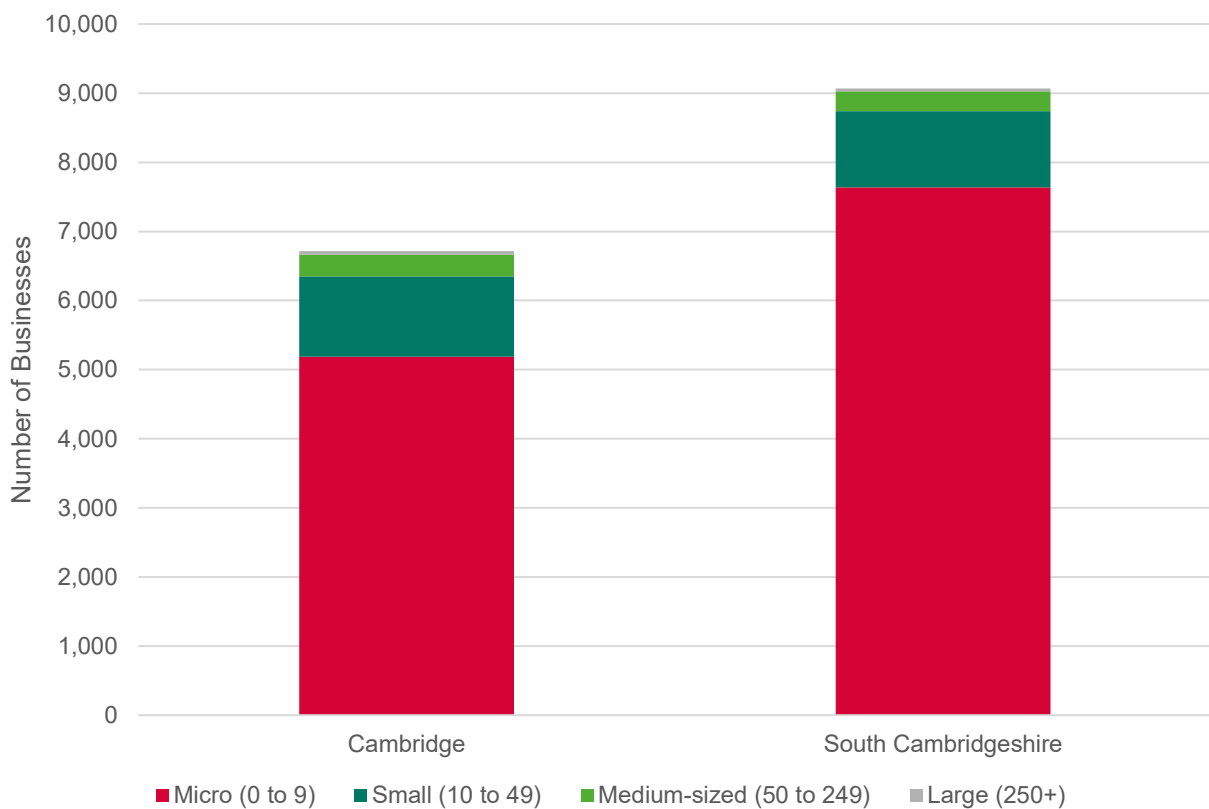
- 3.1.1. This chapter examines the characteristics of the Greater Cambridge business base to understand the scale and nature of workspace demand. It focuses on business size, sectoral structure, turnover, business formation and survival, providing an evidence base for assessing which types of firms are most exposed to workspace affordability pressures.
- 3.1.2. Greater Cambridge remains one of the most desirable locations in the UK and globally for knowledge-intensive sectors such as ICT, life sciences and advanced research. Its internationally recognised ecosystem of academic institutions, research organisations, science parks, businesses and highly skilled labour continues to support innovation, indigenous growth and inward investment. The area's unique economic success, often referred to as the "Cambridge Phenomenon", has been driven by the concentration of high-tech and life science businesses that have developed around Cambridge since the 1960s.
- 3.1.3. Overall, the evidence demonstrates that Greater Cambridge has a dynamic, resilient and innovation-led economy with a strong concentration of SMEs and knowledge-intensive sectors. The local business base comprises approximately 15,800 businesses, including around 6,720 in Cambridge City and 9,075 in South Cambridgeshire. The economy is dominated by smaller enterprises, with 77% of businesses in Cambridge City and 84% in South Cambridgeshire employing fewer than 10 people. These businesses are typically the most sensitive to occupancy costs and most reliant on access to affordable and flexible workspace.
- 3.1.4. There is a particularly strong concentration of knowledge-intensive sectors. Professional, scientific and technical activities account for around 20% of all businesses across the area, while information and communication businesses account for a further 10%. In total, sectors commonly associated with office-based employment represent approximately 6,445 businesses (41% of the business base), of which around 6,180 are SMEs. Similarly, sectors likely to require specialist R&D accommodation account for approximately 5,475 businesses (35% of the business base), with around 95% of these firms being SMEs. The area also supports around 1,860 businesses operating in sectors typically requiring industrial or workshop space, almost all of which are small and medium-sized enterprises. In addition, Cambridge City has a relatively strong representation of arts and creative businesses compared with regional and national averages.
- 3.1.5. The business base is also characterised by relatively modest turnover levels. Around 35% of businesses report annual turnover below £100,000 and approximately 65% below £250,000, indicating that many firms operate on comparatively fine margins and are likely to be sensitive to increases in workspace costs. At the same time, the area continues to demonstrate strong economic resilience, with a net increase in business numbers since 2021 and business survival rates in Cambridge City exceeding regional and national averages.

3.1.6. Taken together, the evidence points to a highly innovative and economically successful business base, but one where affordability and availability of workspace remain important constraints for smaller and scaling businesses.

3.2. Business Base

3.2.1. There are approximately 6,720 businesses in Cambridge City and 9,075 in South Cambridgeshire. The majority are micro businesses with fewer than 10 people (77% in the City, 84% in South Cambridgeshire). Around one in ten are small sized businesses with fewer than 49 employees (17% and 12%). There are 50 Large firms in the City (0.7%), with over 250 employees, and 45 (0.5%) in South Cambridgeshire. It is known that affordability, and the provision of grow on space is most important for smaller enterprises, which dominate the region's business base.

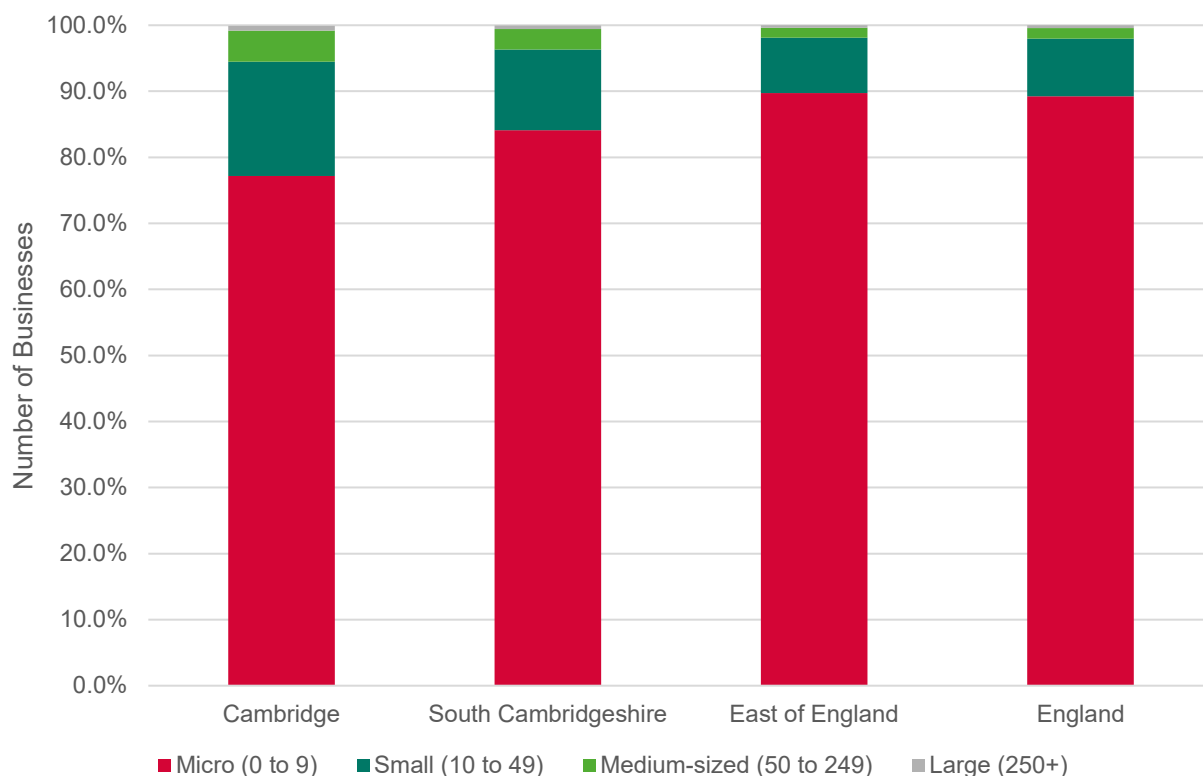
Figure 3.1 Business number and size by location



Source: ONS UK Business Counts, 2025

3.2.2. Cambridge has a high proportion of small (10-49 employees), medium (50-249 employees) and large (250+ employees) sized businesses compared to averages for East of England and England, and a relatively low representation of micro (0-9 employees) sized businesses (over 10 percentage points below the regional and national average). South Cambridgeshire shares these departures from the regional and national picture, although to a lesser extent.

Figure 3.2 Business number and size by location (%)



Source: ONS UK Business Counts, 2025

3.2.3. Figure 3.3 presents the make-up of businesses by size and sector across the two areas. This shows that one in five (20%) businesses across the region are in the professional and scientific sector, of which 96% are small or medium-sized. A further one in ten (10%) are in the information & communication sector (96% are small and medium-sized) and a further 10% are in the construction sector (99% small and medium sized).

3.2.4. Considering office space requirements, the following sectors make up demand for office space:

- Professional and scientific services
- Business administration and support services
- Information and communication
- Financial and insurance services
- Public administration

3.2.5. In total these sectors make up 6,445 businesses across the area (41%). Of this approximately 6,180 are SME's (39% of all businesses). This suggests that a large proportion of the business base for the region is in sectors that may require office space to function.

3.2.6. Considering R&D space requirements, the following sectors make up demand for R&D space:

- Manufacturing
- Information & Communication
- Professional, Scientific & Technical Activities

3.2.7. In total these sectors make up 5,475 businesses across the area (35%). Of this approximately 5,220 are SME's (95% of all businesses). This suggests that a large proportion of the business base for the region is in sectors that may require more specialised R&D space to function, however it is important to note the overlap of some industries within the office space requirements.

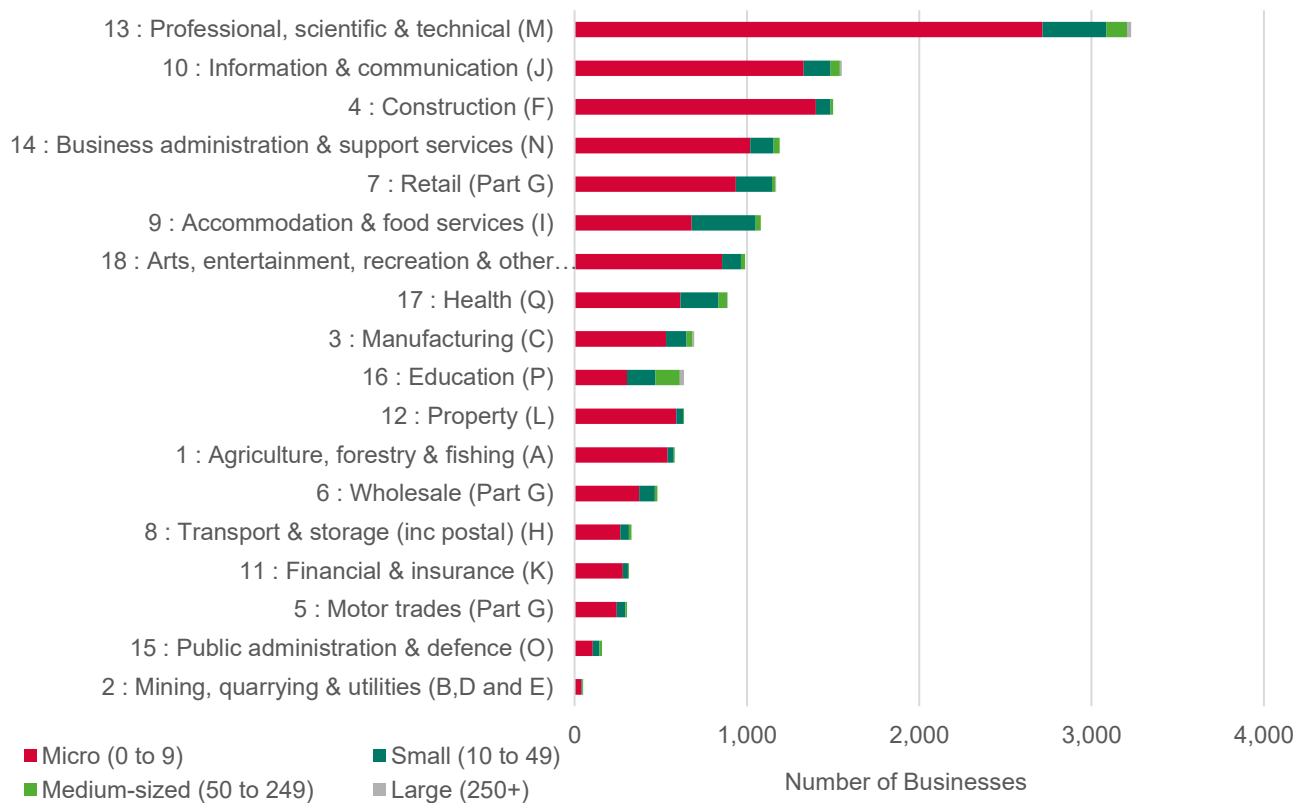
3.2.8. Considering industrial space requirements, the following sectors make up demand for industrial space:

- Manufacturing
- Transport & Storage
- Motor Trades
- Wholesale
- Mining, quarrying & utilities

3.2.9. In total these sectors make up 1,860 businesses across the area (12%). Of this approximately 1,860 are SME's (95% of all businesses). This suggests that around a fifth of the business base for the region is in sectors that may require industrial space to function, however it is important to note the overlap of some industries within the R&D space requirements.

3.2.10. It is also important to draw out the slightly higher than average (8% of total businesses) prevalence of the Arts sector in Cambridge City, compared to the wider East of England (7%) and England (7%). However, is considerably higher than other UK cities, including Manchester (4%) and London (3%).

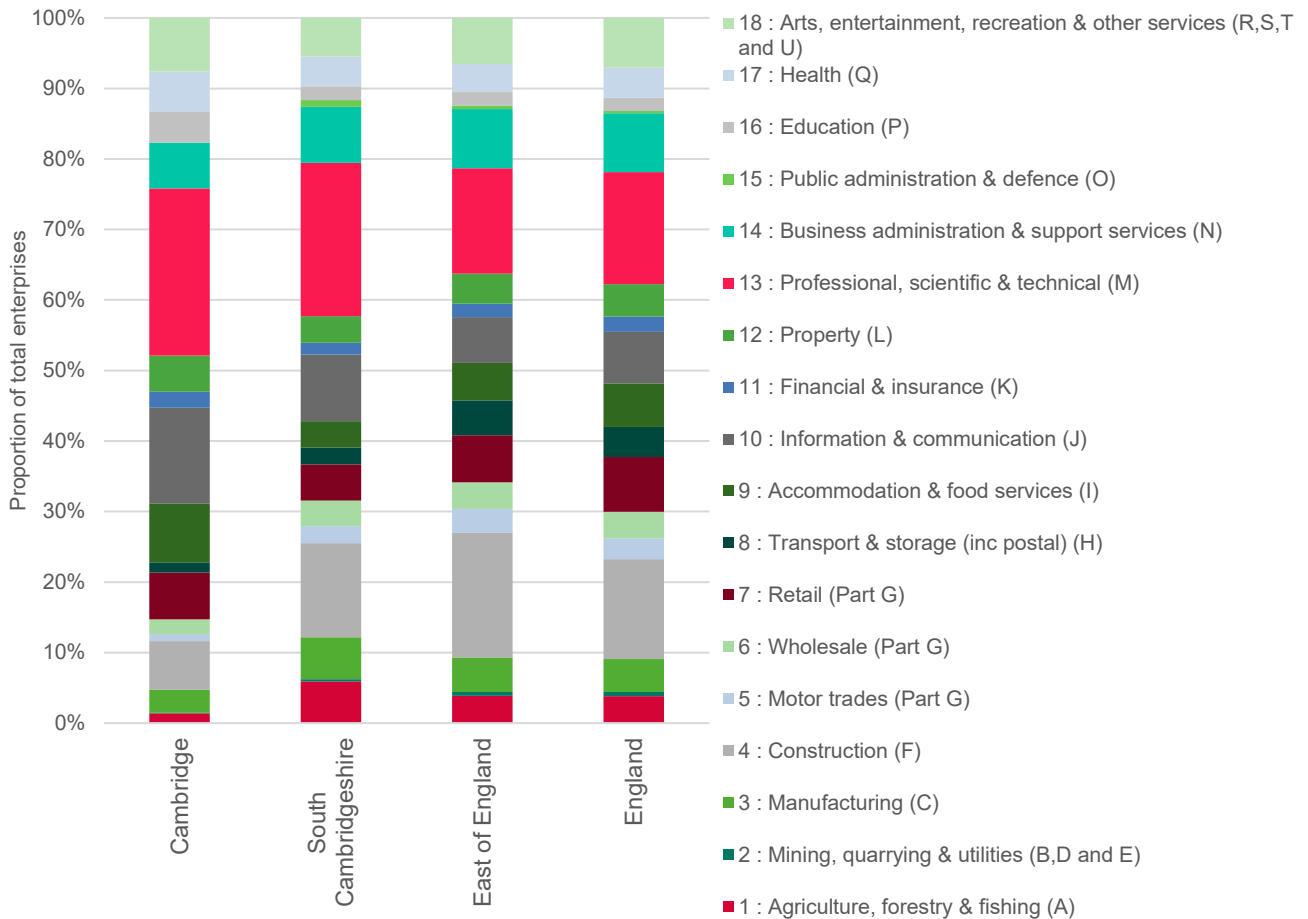
Figure 3.3 Business number and size by sector in Greater Cambridge



Source: ONS UK Business Counts, 2025

3.2.11. Figure 3,4 shows that Cambridge and South Cambridgeshire's concentration of professional, scientific and technical firms is notably greater than that of the regional and national average. This is also true of information and communication businesses, particularly for Cambridge.

Figure 3.4 Business number and size by sector



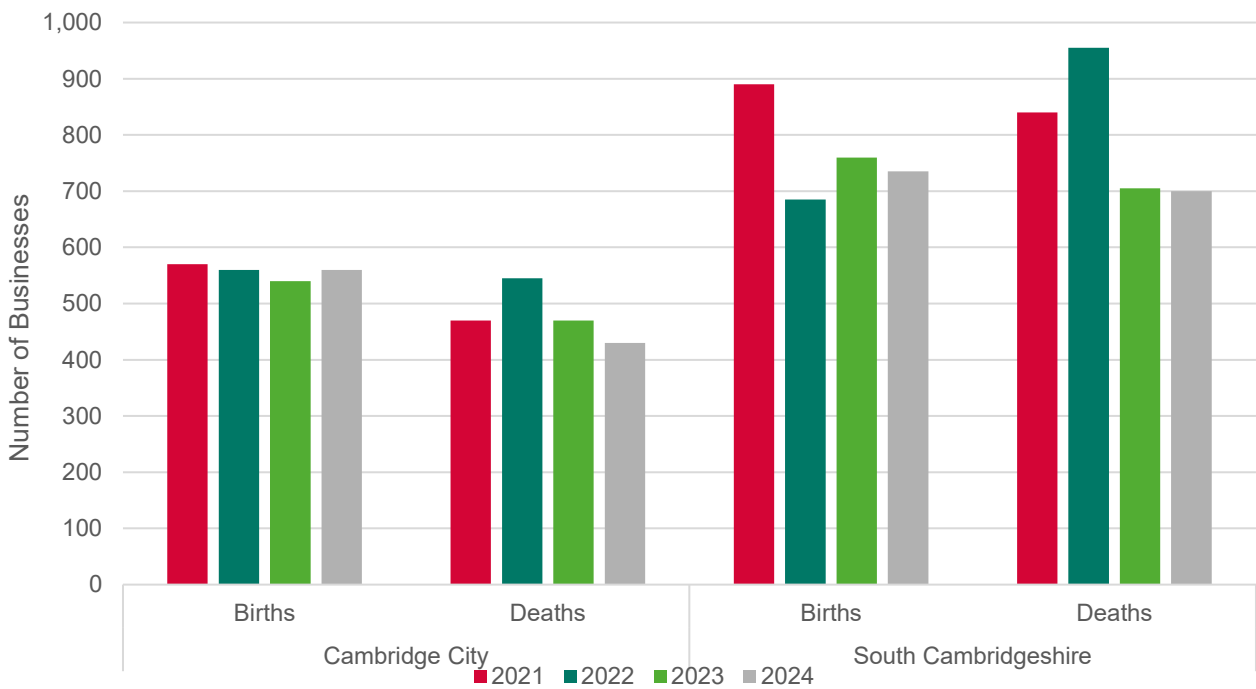
Source: ONS UK Business Counts, 2025

3.2.12. Since 2021, approximately 5,300 businesses have started across Greater Cambridge, of which 42% are in Cambridge City and 58% in South Cambridgeshire. Over the same period 5,115 businesses have closed, 37% in Cambridge City, and 63% in South Cambridgeshire. Overall, this is a net gain of 185 businesses, of which 315 (170%) have occurred in Cambridge City and -130 (-70%) have been in South Cambridgeshire.

3.2.13. Figure 3.5 presents business births and closures since 2021 across the area. This suggests that the largest net loss of businesses occurred in 2022 of -255 businesses (with a 15 net gain in Cambridge City and -270 net loss in South Cambridgeshire). This was a period of huge turmoil in the economy, with the Covid-19 pandemic, which resulted in many businesses closing. These are not considered to be normal trading conditions. Every other year has seen a net gain in businesses, mainly supported by the growth within the city area.

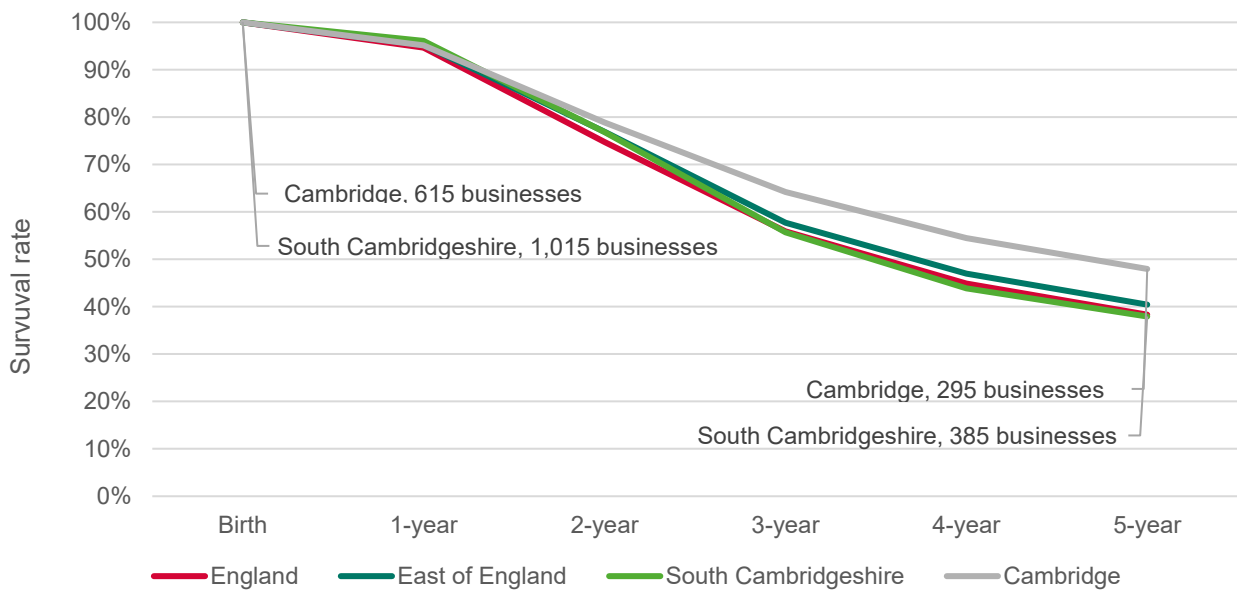
3.2.14. Figure 3.6 shows that Cambridge businesses born in 2019 reported a notably stronger survival rate than the regional and national average beyond the first year of operation; at the end of five years, nearly of half of businesses were still trading. South Cambridgeshire’s survival rate was more consistent with the regional and national average across the five years, with 38% of businesses still trading after five years.

Figure 3.5 Business Births and Closures since 2021



Source: ONS UK Business Counts, 2025

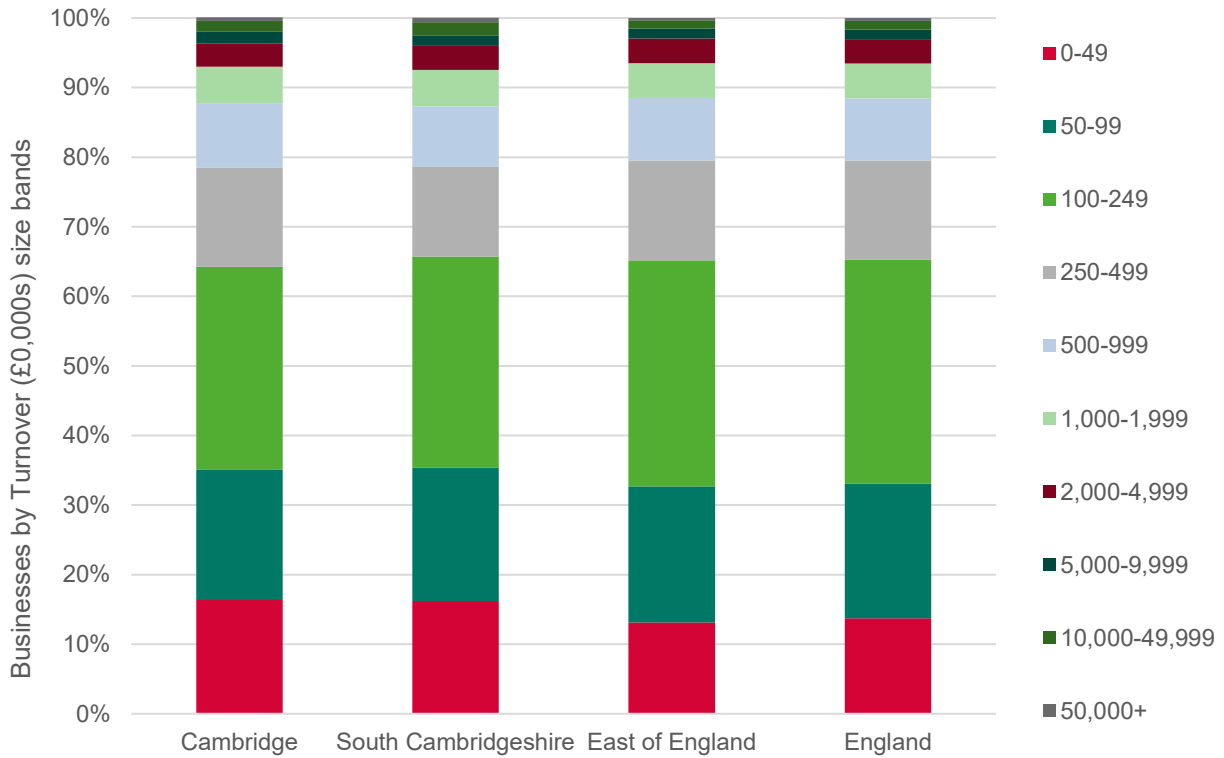
Figure 3.6 Business Survival Rates, 2019 businesses



Source: ONS UK Business Counts, 2025

3.2.15. Figure 3.7 shows enterprise turnover across Greater Cambridge. This shows that around one third (35%) of businesses have a turnover over less than £100,000 per annum, and 65% have a turnover less than £250,000. Around 12% of businesses have a turnover above £1 million, more than the regional and national average.

Figure 3.7 Business Turnover



Source: ONS UK Business Counts, 2025

4. STAKEHOLDER ENGAGEMENT

4.1. Introduction and Summary

- 4.1.1. This chapter summarises the findings from stakeholder engagement undertaken with businesses, agents, local authority officers and other local organisations. The engagement explored how current market conditions are experienced in practice, focusing on affordability, availability of premises, future workspace needs and potential policy responses across Cambridge City and South Cambridgeshire.
- 4.1.2. Stakeholders were selected in consultation with the Greater Cambridge Shared Planning Service to ensure representation from a broad range of sectors and perspectives across the local commercial property market and business community. In total, nine stakeholders were interviewed, including two local businesses, three property agents and four other stakeholders, including economic development and business support organisations.
- 4.1.3. The engagement identified a consistent picture of strong demand for business space alongside constrained supply and increasing affordability pressures, particularly within Cambridge City. Stakeholders highlighted a shortage of suitable grow-on space for scaling businesses, as well as limited availability of affordable creative, industrial and flexible workspace. Businesses are increasingly remaining in suboptimal premises, delaying expansion plans or relocating elsewhere due to rising costs and lack of suitable accommodation.
- 4.1.4. South Cambridgeshire was identified as playing an important role in accommodating business growth by offering relatively more available and affordable space. However, stakeholders noted that this can be offset by issues relating to accessibility, infrastructure and alignment with occupier requirements. A spatial mismatch therefore persists in some locations, where available premises do not fully meet business needs or preferred locations.
- 4.1.5. Overall, stakeholders emphasised the importance of supporting SMEs and improving the range and diversity of workspace provision across Greater Cambridge, including better progression routes for growing businesses and more effective use of existing buildings. There was also recognition that any future policy intervention must be carefully calibrated to support smaller businesses whilst maintaining development viability and ensuring the continued delivery of new employment space.

4.2. Existing premises

- 4.2.1. Business and local authority stakeholders discussed the following:
- **Cambridge** – Strong and consistent demand for space. Long term undersupply (demand continuously outstripping supply) – particularly mid-sized units; limited availability of grow-on space for scaling businesses; aging stock – some sites dating back to the 1980s; some premises described as suboptimal; businesses moving to more affordable areas due to cost and space constraints.
 - **South Cambridgeshire** – More available and relatively affordable space, with a role in accommodating business growth; demand for a wider range of workspace including industrial, logistics and production uses; however, spatial mismatch between available space and business demand; some provision

limited or unsuitable; continued lack of grow-on space; accessibility and connectivity key constraints; evidence of businesses relocating to surrounding areas where space is available.

4.2.2. Agents and other stakeholders also confirmed the above, key messages included:

- **Cambridge** – Strong demand for well-located, high-quality space, particularly in established clusters; constrained supply and rising rents limiting availability; evidence of occupiers being priced out or displaced; demand focused on higher-quality space, with weaker depth in other parts of the market; demand in some sectors linked to funding conditions; a significant shortage of affordable creative and studio workspace, with very limited existing provision and reliance on a small number of subsidised facilities.
- **South Cambridgeshire** – Greater availability of space but influenced by viability and land value constraints; demand for employment space in out-of-city locations; some evidence of units remaining vacant or slow to let where pricing or specification does not align with demand; delivery of new, especially smaller, units constrained; accessibility remains a key factor influencing performance.

4.3. Affordability

4.3.1. Business and local authority stakeholders discussed the following:

- **Cambridge** – Affordability identified as a major and growing challenge; business space widely perceived as expensive, affecting start-ups and scaling firms; lack of suitable grow-on space at affordable levels; businesses outgrowing incubator space and unable to progress; evidence of businesses remaining in suboptimal premises, delaying expansion, or relocating; affordability pressures compounded by wider costs including energy, staffing and transport; hybrid working and co-working used as a response to manage costs.
- **South Cambridgeshire** – Generally more affordable than Cambridge City, with businesses relocating in search of lower-cost space; however, affordability still a constraint for SMEs and scaling businesses; availability of lower-cost space often linked to less accessible locations; spatial mismatch between affordability and accessibility; wider business costs continue to influence decisions on relocation, expansion and investment.

4.3.2. Agents and other stakeholders supported these messages too, commenting:

- **Cambridge** – High rents and land values constrain both occupiers and development viability; significant rent increases and additional costs passed through to occupiers; affordability linked to limited supply and high-value market positioning; viability constraints limiting delivery of new workspace, particularly at lower price points; some high-spec space marketed at premium levels, contributing to slower take-up in parts of the market; affordability pressures within the creative sector, with market rents typically unaffordable without subsidy and many practitioners dependent on low-cost or subsidised provision to sustain occupation.

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- **South Cambridgeshire** – Lower rental levels relative to the city, but still influenced by development viability and rising costs; delivery of smaller or lower-value units constrained by build costs relative to achievable rents; affordability continues to drive occupiers out of the city into surrounding areas; evidence of new or higher-spec schemes struggling to let where pricing exceeds occupier expectations; affordability closely linked to the ability to deliver viable schemes across different locations.

4.4. Future Needs

4.4.1. Business and local authority stakeholders discussed the following:

- **Cambridge** – Continued demand for office, co-working and R&D space, particularly linked to knowledge-based sectors; need for space that supports businesses beyond start-up stage, with a clear requirement for grow-on provision; increasing role of flexible and co-working space linked to hybrid working; importance of collaborative environments, networks and business communities; however, ability to accommodate future growth constrained by cost, availability and access to the workforce; evidence that businesses will continue to relocate if suitable and affordable space is not available.
- **South Cambridgeshire** – Ongoing role in accommodating future growth, particularly where space is more available and relatively affordable; demand for a broader range of workspace including industrial, logistics and production uses; need to support businesses across the full lifecycle, including start-up, growth and scale-up stages; importance of accessible locations, with transport and connectivity influencing demand; potential for newer and peripheral locations, but requirement for infrastructure and services to support business activity and workforce access.

4.4.2. Agents and other stakeholders supported these messages too, commenting:

- **Cambridge** – Continued demand expected from knowledge-based and research-led sectors; requirement for high-quality, well-located space to support these sectors; however, constrained pipeline and development viability limiting delivery; rising costs and funding conditions influencing demand and take-up; need for a mix of workspace types to support different business sizes and stages; recognition that creative and cultural sectors require more specialised workspace provision, including studio space and facilities not typically met through standard office or co-working formats.
- **South Cambridgeshire** – Role of larger and strategic sites in delivering employment space at scale; need to provide a range of unit sizes, including mid-sized space for growing businesses; delivery constrained by viability, particularly for smaller or lower-value units; continued importance of infrastructure and accessibility in supporting successful locations; some risk of mismatch between delivered space and occupier requirements where pricing or specification is not aligned with demand.

4.5. Potential Policy Options

4.5.1. Business and local authority stakeholders discussed the following:

- **Cambridge** – Need to support SMEs and start-ups in accessing suitable and affordable space, particularly as businesses progress beyond early-stage environments; requirement to address the gap

between incubator provision and grow-on space; importance of retaining and repurposing existing buildings to provide affordable workspace, including through reuse of city centre stock; need for workspace models that provide flexibility, cost certainty and support business collaboration; recognition that affordability and accessibility are closely linked, with transport and costs affecting the viability of central locations.

- **South Cambridgeshire** – Role in accommodating business growth where space is more available, with a need to ensure provision aligns with business requirements; importance of delivering a wider range of workspace types, including for SMEs and scaling firms; requirement to improve connectivity and infrastructure to support development and access to the workforce; need to ensure that locations outside the city are viable and attractive for occupiers, rather than simply lower-cost alternatives.

4.5.2. Agents and other stakeholders supported these messages too, commenting:

- **Cambridge** – Affordability and delivery of new workspace constrained by high land values, rents and development viability; limited ability for the market to deliver lower-cost space without intervention; evidence that occupiers are being priced out of the city and requiring alternative options; need to ensure that any policy response does not further constrain delivery or viability of new space; support for targeted intervention to deliver affordable and flexible workspace, including integration within mixed-use development, reuse of existing buildings and expansion of meanwhile or temporary space, particularly for creative and cultural uses.
- **South Cambridgeshire** – Larger and strategic developments identified as potential opportunities to deliver employment space at scale; however, viability constraints limit delivery of smaller or lower-value units; risk of mismatch where newly delivered space does not align with occupier requirements; importance of infrastructure and accessibility in ensuring successful delivery and occupation; affordability linked closely to the ability to deliver viable schemes across different locations.

4.5.3. Overall, the consensus amongst the stakeholders is that there is a need for policy that supports SMEs by improving access to suitable and affordable workspace, particularly through addressing the gap in grow-on provision and making more effective use of existing stock. This includes recognising the specific needs of sectors such as the creative industries, where affordable studio and maker space is in particularly short supply and unlikely to be delivered by the market without intervention. At the same time, it is important that any policy approach must remain sensitive to viability and delivery constraints, ensuring that interventions do not undermine the ability to bring forward new employment space across Cambridge City and South Cambridgeshire.

5. PROPERTY MARKET REVIEW

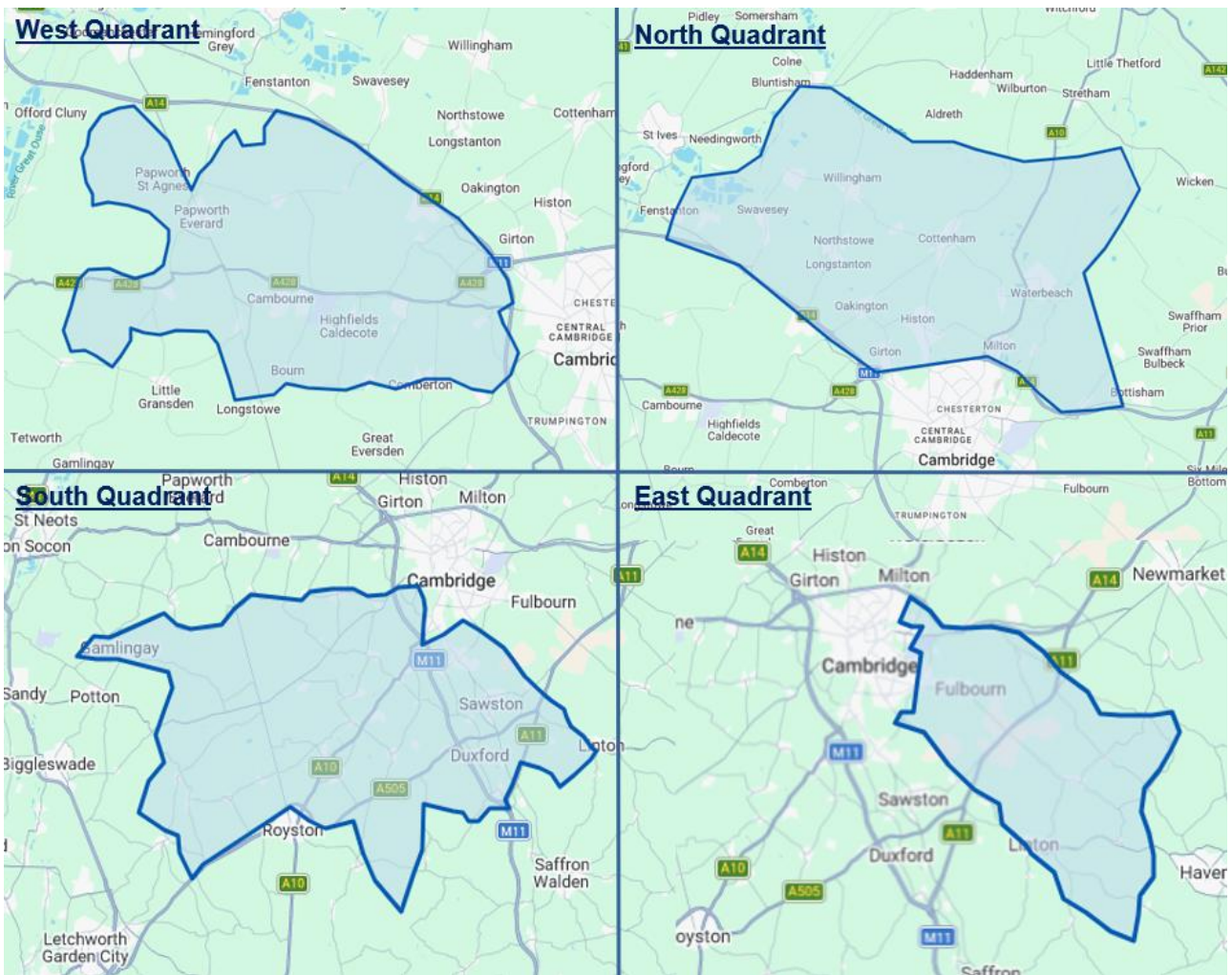
5.1. Introduction and summary

- 5.1.1. This chapter reviews commercial property market conditions across Greater Cambridge and relevant comparator areas. It considers the office, laboratory/R&D, creative and industrial property markets, examining rents, vacancy rates, stock, development activity and local market variation to understand how market structure influences affordability and the availability of business space.
- 5.1.2. The analysis draws on a detailed review of CoStar data, market reports prepared in support of the emerging Local Plan, and other commercial market insight reports. The review explores whether the current supply, type and distribution of employment space is sufficient and affordable to meet the needs of businesses across Greater Cambridge.
- 5.1.3. **Office market Summary (including lab space and artist space)** - Greater Cambridge represents a high-value and highly specialised office market, characterised by strong occupier demand, high rental levels, and a significant concentration of premium office and laboratory space. Market conditions vary considerably across locations, with Prime Central Cambridge, the City Centre Periphery and the Northern Cluster commanding the strongest rents and lowest yields, reflecting sustained demand from knowledge-intensive sectors. South Cambridgeshire accommodates the largest volume of office floorspace, although performance differs between quadrants, with the West and South quadrants relatively constrained while the East quadrant records elevated vacancy despite substantial modern stock. Overall, development activity remains limited relative to market scale, with a constrained pipeline likely to continue placing upward pressure on rents and affordability.
- 5.1.4. The evidence highlights a clear shortage of affordable office accommodation across Greater Cambridge, particularly within Cambridge City where only a very small proportion of stock falls below indicative affordable rental benchmarks. This affordability challenge is most acute for SMEs, start-ups, and more price-sensitive occupiers, who face limited access to suitable grow-on space despite continued market demand. Whilst locations such as Cambourne, Northstowe and Waterbeach offer comparatively lower-cost alternatives, these markets remain relatively small, with limited choice and varying levels of occupier demand.
- 5.1.5. The laboratory market forms a critical component of the wider Cambridge innovation ecosystem. Although the market is currently experiencing a temporary increase in availability driven by new completions, underlying demand from life sciences occupiers remains strong. Rental levels remain particularly high for fitted and specialist laboratory space, reinforcing affordability pressures for smaller and scaling firms. Evidence also highlights the importance of incubator, bench-lab and flexible innovation space within established science clusters, where proximity to research institutions, talent and shared infrastructure supports business growth. This suggests that affordable laboratory provision is likely to be most effective when delivered within established innovation ecosystems rather than as dispersed standalone provision.
- 5.1.6. The review of artist studios and creative workspace identifies similar structural affordability challenges. Existing provision is limited, fragmented and often insecure, with demand significantly exceeding supply.

Evidence from both local studies and stakeholder engagement indicates that most artists and creative practitioners are unable to afford market rents, leading to reliance on temporary, informal or home-based working arrangements. The evidence demonstrates that the commercial property market is not currently delivering sufficient affordable creative workspace, reinforcing the need for targeted policy intervention and long-term mechanisms to secure affordable and accessible creative space across Greater Cambridge.

- 5.1.7. **Industrial Market Summary (including R&D and mid-tech)** - The Greater Cambridge industrial market is comparatively constrained, with limited floorspace relative to regional comparator markets and continued affordability pressures driven by strong demand and restricted supply. Industrial rents across South Cambridgeshire are broadly consistent, although Cambridge City commands a premium due to land constraints, accessibility, and competition from higher-value uses. Demand remains strongest for smaller and more flexible industrial units, particularly those below 10,000 sqft, which are heavily used by SMEs, trade businesses, technology occupiers and urban industrial users. In contrast, larger industrial units experience weaker demand in Cambridge City but are more effectively accommodated within South Cambridgeshire, where land availability and strategic connectivity support larger-scale industrial and logistics uses.
- 5.1.8. While industrial rents are generally lower than office rents, evidence indicates that affordability pressures remain significant, particularly for SMEs and lower-value industrial occupiers. Vacancy rates are relatively low across much of the market, although higher-quality 4-5 star industrial stock in parts of South Cambridgeshire records elevated vacancy, suggesting some mismatch between occupier requirements, affordability and specification. Development activity remains relatively modest compared with wider regional markets, reinforcing ongoing supply constraints.
- 5.1.9. A key structural trend within the industrial market is the growing importance of R&D and “mid-tech” space linked to Cambridge’s science and technology economy. Increasing numbers of advanced manufacturing, life sciences, aerospace and clean energy businesses are occupying flexible industrial accommodation capable of combining research, office, prototyping and light production functions. This trend has been driven partly by the growth of knowledge-intensive sectors, but also by rising laboratory and office rents and constrained supply within traditional science park environments. As a result, mid-tech space has become an increasingly important component of the wider innovation ecosystem.
- 5.1.10. Mid-tech accommodation typically comprises higher-specification industrial space within business park or science park environments, offering enhanced servicing, flexible layouts and the ability to accommodate specialist equipment. Schemes such as Enterprise at Cambridge Research Park demonstrate how this form of space can provide more affordable and adaptable alternatives to conventional laboratories or offices for scaling R&D occupiers. Demand for this type of accommodation is particularly concentrated within the 10,000–50,000 sqft size range, reflecting the needs of growing science and technology businesses transitioning towards pilot manufacturing and commercial production.
- 5.1.11. Overall, the evidence suggests that Greater Cambridge’s industrial market continues to face a combination of constrained supply, rising costs and evolving occupier requirements. While the market

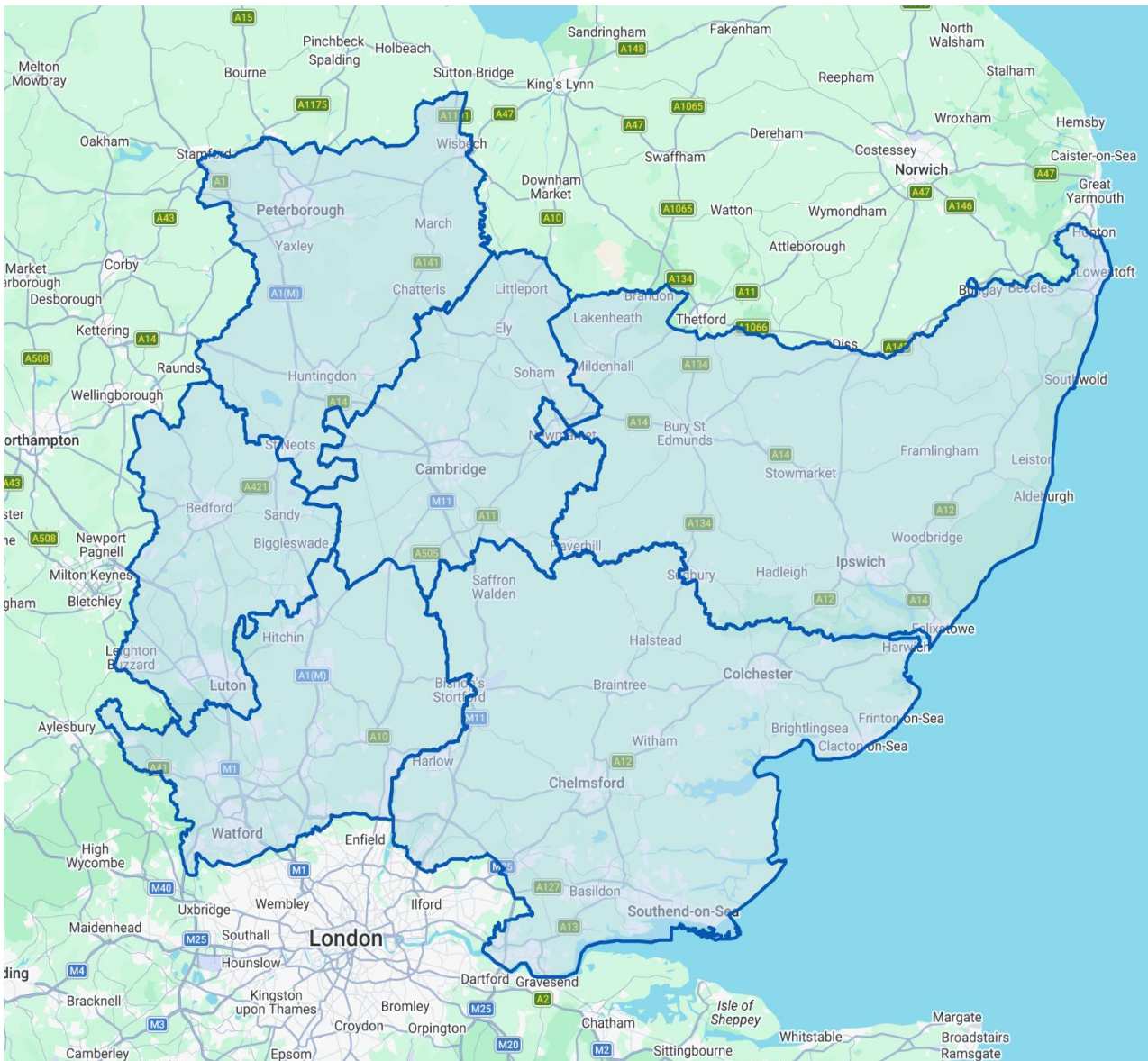
Figure 5.2 Cambridge South Quadrants



Source: CoStar, 2026

5.2.3. Figure 5.3 considers the wider market areas including Essex, Hertfordshire, Luton & Bedfordshire, Peterborough and Suffolk. Data on key towns including Cambourne, Northstowe, and Waterbeach is provided where relevant.

Figure 5.3 Wider Market



Source: CoStar, 2026

5.3. Office Market (including lab and creative/arts space)

Office Sub-Markets

5.3.1. Figure 5.1 and 5.2 present key metrics relating to the office property market in the local area and wider market. Whereby Cambridge in Table 5.2 is the whole market area as represented on CoStar, including the Local Authorities of Cambridge City, South Cambridgeshire and East Cambridgeshire. These tables show:

- Greater Cambridge forms a distinct and comparatively high-value office market, with approx. 15 million sqft of floorspace. While smaller in absolute terms than surrounding markets of Hertfordshire and Essex, it is characterised by stronger occupier demand and higher value activity, particularly in knowledge-intensive sectors.

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- South Cambridgeshire represents the largest concentration of floorspace, followed by the City Centre Periphery. Within South Cambridgeshire, there is significant internal variation:
 - The South Quadrant has a broadly balanced market position, with the largest share of floorspace, with relatively strong rents and moderate vacancy.
 - The East Quadrant records high levels of vacancy of 4-5 Star space, suggesting a mismatch between supply and occupier requirements, in a market that already has quite low stock.
 - The West Quadrant is constrained, with low vacancy and limited stock.
 - The North Quadrant shows weaker market performance, with negative net absorption¹.
 - This demonstrates that South Cambridgeshire does not operate as a single market.
 - Greater Cambridge has a substantial concentration of high-quality (4-5 Star) office space stock, with the largest concentration in the City Centre Periphery. However, some locations have higher vacancy rates, notably the East Quadrant of South Cambridgeshire.
 - Development activity across Greater Cambridge is limited, with only modest levels of space currently under construction in a small number of locations in Prime Central, Northern Cluster, and City Centre Periphery, indicating a constrained pipeline relative to the scale of the market.
 - Rental levels in Greater Cambridge are significantly higher than the wider regional market; illustrating Cambridge's market premium: Prime Central achieved rents of approx. £46 per sqft. Rental growth has been negative across most of Greater Cambridge's sub-markets over the last 12 months, contrasting with positive growth in wider markets; this should be taken in context of Greater Cambridge's high base rental levels and a longer term upward trend.
 - Prime rents for 4-5 Star space remain significantly elevated, exceeding £50 per sqft in Prime Central and above £44 per sqft in other Greater Cambridge sub-markets; highlighting continued differentiation between prime and secondary space, with demand focused on high-quality environments.
 - Vacancy rates across Greater Cambridge vary significantly by location. Core areas such as the City Centre Periphery and West Quadrant of South Cambridgeshire exhibit relatively low vacancy, indicating constrained availability; whereas vacancy is substantially higher in East Quadrant of South Cambridgeshire. This suggests uneven distribution of supply relative to demand.
 - There has been positive take-up recorded in City Centre Periphery, Prime Central, and East Quadrant of South Cambridgeshire. However, overall net absorption across Greater Cambridge is negative, indicating that demand has not sufficiently offset losses elsewhere in the market.
 - Investment yields in Cambridge are lower than in surrounding markets, reflecting stronger investor demand and confidence in long-term fundamentals.

¹ Net absorption is the change in occupied commercial real estate space over a specific period. Defined by CoStar, the commercial real estate data analytics firm, it calculates the difference between space newly occupied (move-ins) and space newly vacated (move-outs). this metric provides a crucial snapshot of supply and demand:

- **Positive Net Absorption:** More tenants are moving into spaces than vacating them, signalling high demand and a tightening market.
- **Negative Net Absorption:** More tenants are moving out than moving in, often indicating a softening market, oversupply, or economic challenges.

Table 5.1 Office Local Sub-Market Metrics

	North Quad S. Camb	East Quad S. Camb	South Quad S. Camb	West Quad S. Camb	South Camb	City Centre Periphery	N. Cluster	Prime Central
Floorspace (sqft)	1.2 mil	791k	3 mil	603k	5.3 mil	4.3 mil	3 mil	1.8 mil
4-5 Star	-	185k	720k	-	810k	923k	332k	444k
Under construction	0	0	0	0	0	138k	332k	464k
Rent (£ per sqft)	£23.99	£31.51	£32.35	£23.46	£29.15	£32.63	£38.17	£46.24
12 Month Rental growth	-2.8%	-1.3%	-1.2%	-2.4%	-1.6%	-1.5%	-0.7%	-0.4%
4-5 Star	-	£45	£48.54	-	£47.25	£46.68	£44.43	£52.43
Vacant (%)	10.9%	25.5%	13%	5.4%	14.3%	4.1%	10%	10%
4-5 Star	-	40.6%	27.2%	-	33.4%	3.7%	9%	15.1%
Net Absorption	-17.9k	84.5k	-70.4k	-19.3k	-118k	37.5k	-91.2k	13.4k
Yield	8.7%	7.1%	7.8%	8.8%	6.8%	6.4%	6.3%	6%

Source: CoStar, 2026

Table 5.2 Office Wider Market Metrics

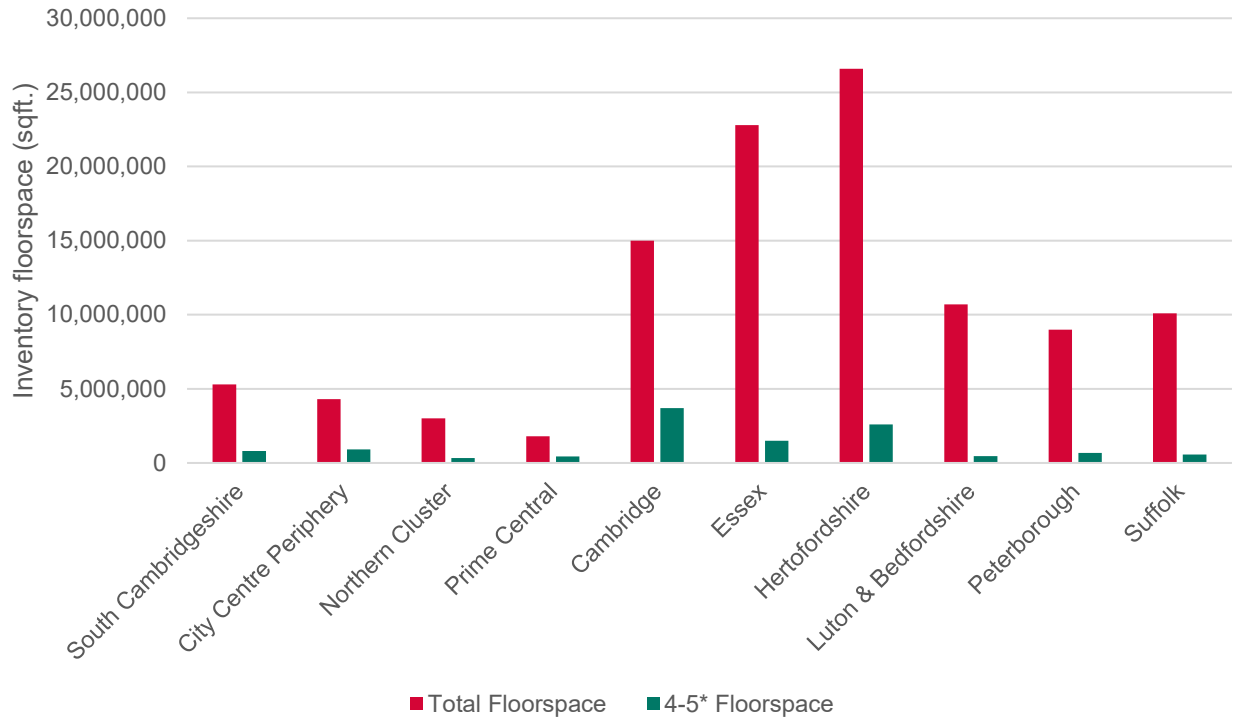
	Cambridge	Essex	Hertfordshire	Luton & Bedfordshire	Peterborough	Suffolk
Floorspace (sqft)	15 mil	22.8 mil	26.6 mil	10.7 mil	9 mil	10.1 mil
4-5 Star	3.7 mil	1.5 mil	2.6 mil	467k	673k	567k
Under construction	934k	23.1k	0	0	0	0
Rent (£ per sqft)	£35.09	£19.99	£23.85	£16.17	£14.56	£14.13
12 month Rental growth	-1.2%	1.7%	0.7%	2.2%	-4.4%	2.2%
4-5 Star	£47.68	£27.06	£31.49	£16.19	£17.09	£15.36
Vacant (%)	10.6%	4.0%	7.9%	5.4%	8.2%	4.8%
4-5 Star	14.5%	9.1%	21%	2.8%	7%	1.4%
Net Absorption	-276k	213k	-182k	-47.2k	-9.3 k	-120k
Yield	7.7%	12.2%	10.4%	12.4%	13.3%	13.5%

Source: CoStar, 2026

5.3.2. Figures 5.4 5.5 and 5.6 present further comparative metrics for the office market across Greater Cambridge and the wider market area. Taken together, they show:

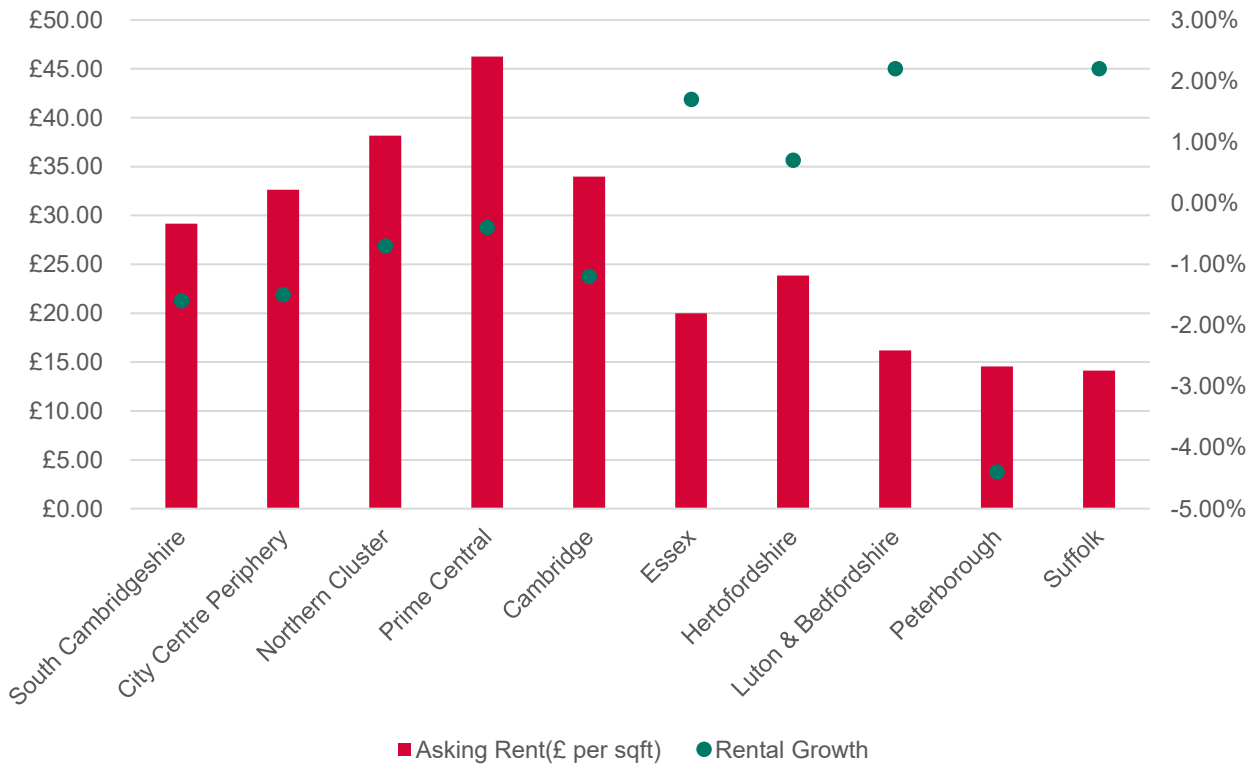
- Greater Cambridge (particularly Prime Central, the City Centre Periphery, and the Northern Cluster) has a higher proportion of 4-5 Star space and consistently higher rental levels than comparator areas such as Essex and Hertfordshire, reinforcing its premium market position.
- There has been strong rental growth in the wider market relative to Greater Cambridge, reflecting lower base values as opposed to stronger underlying demand.
- As with Greater Cambridge, vacancy rates across the wider market present a mixed picture, with areas such as Essex and Suffolk reporting lower rates. Within Greater Cambridge, variation and availability indicates that supply does not always align with occupier requirements.

Figure 5.4 Sub-Market Office Floorspace (sqft)



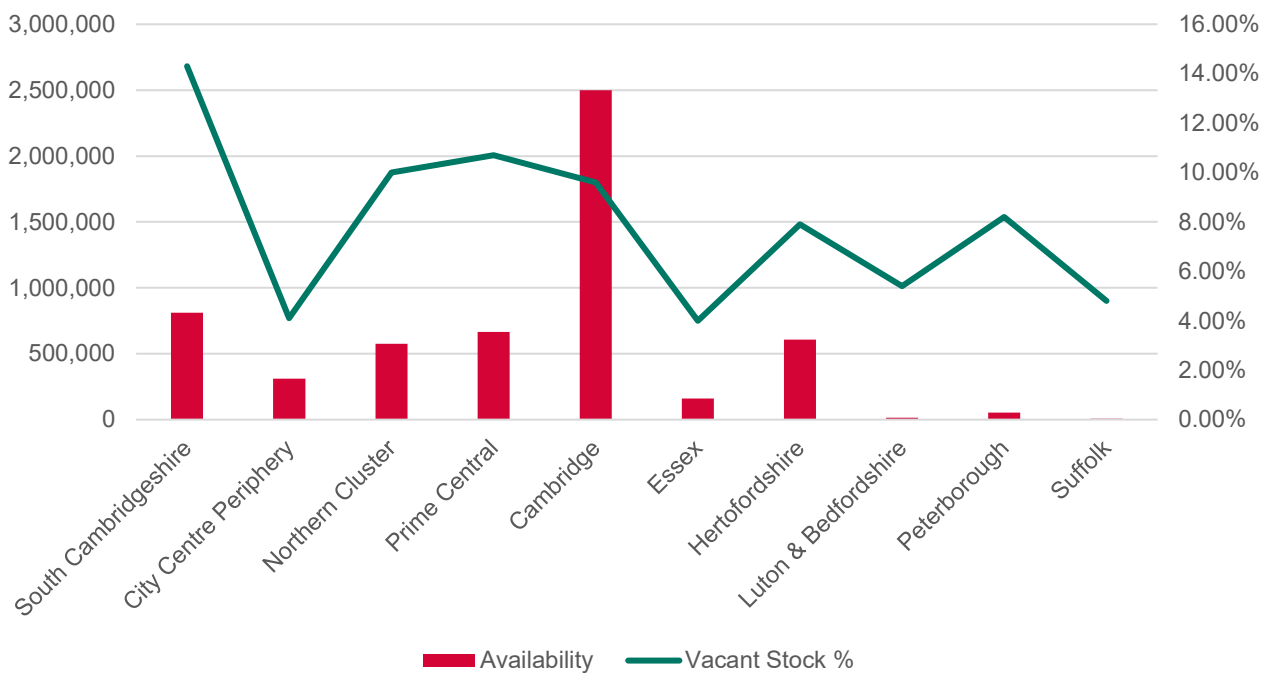
Source: CoStar, Icen Analysis, 2026

Figure 5.5 Sub-Market Asking Rent (£ per sqft) and annual Rental Growth (%)



Source: CoStar, Icen Analysis, 2026

Figure 5.6 Sub-Market Available Floorspace (sqft) and Vacancy Rates (%)



Source: CoStar, Icen Analysis, 2026

5.3.3. Overall, the Greater Cambridge office market is characterised by strong demand, high rental values, and a concentration of high-quality stock, but with clear variation in performance across locations. Core areas and parts of South Cambridgeshire (notably the West and South Quadrants) are supply constrained, while other areas, particularly the East Quadrant, show elevated vacancy despite modern stock, indicating that not all provision aligns with occupier requirements.

5.3.4. The wider market provides further context, with some areas experiencing stronger short-term rental growth from lower base levels and others showing localised supply constraints or weaker demand, Greater Cambridge continues to outperform in terms of value and demand intensity, albeit with a constrained development pipeline.

5.3.5. With strong demand but limited and unevenly distributed supply, these conditions are likely to continue placing pressure on affordability. While the market continues to perform strongly, this may further restrict access to suitable space, particularly for smaller or more price-sensitive occupiers, without interventions to increase supply, including the delivery of new high-quality space and better alignment of existing stock with occupier needs.

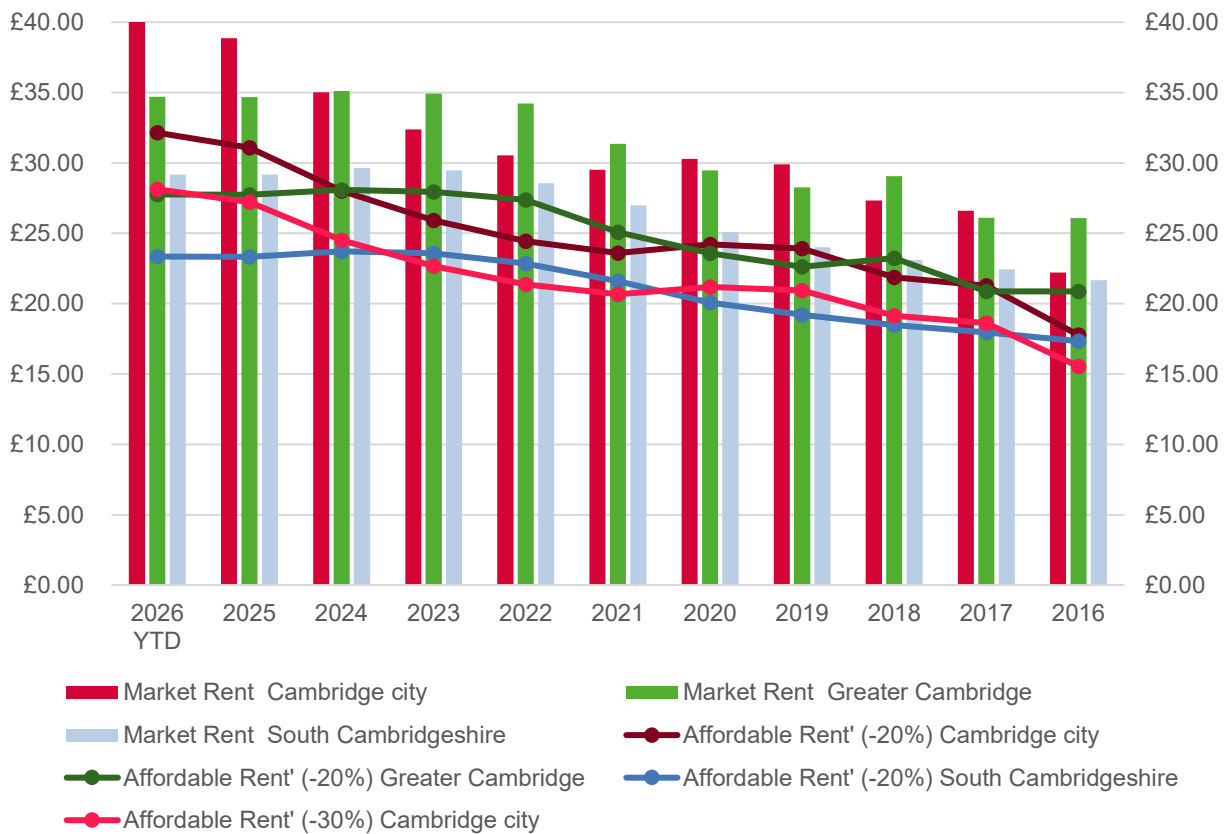
Rental trends by type, location, and quality

Rents

5.3.1. □ 5.7 presents a time-series comparison of market rents and indicative ‘affordable’ rents (20% reduction in line with the minimum approach applied based on research) across Cambridge City, South Cambridgeshire and Greater Cambridge over the period 2016 to 2026.

-
- The line series show indicative affordable rents calculated as a 20% discount to prevailing market rents. These are included for illustrative purposes only to demonstrate the potential rental levels that could be achieved under an affordable workspace policy and do not represent affordable rents currently available in the market. The table shows: Across all three geographies, market rents have increased over the last decade, indicating a sustained upward shift in rental values rather than short-term volatility, this trend is then tracked in line when looking at the applied 'affordable' discount
 - Cambridge City records the highest market rents consistently throughout the period, with the widening gap over time between city rents and those in South Cambridgeshire and Greater Cambridge highlighting the intensification of affordability pressures in central locations.
 - Even when discounted, the indicative 'affordable' rent trajectory in Cambridge City increases markedly between 2016 and 2026, demonstrating that affordability challenges persist even under reduced-rent assumptions.
 - South Cambridgeshire followed a similar upward trend but has since plateaued. The divergence between its rent profile and Cambridge City narrows slightly in the middle of the period but widens again toward 2026, reflecting uneven spatial dynamics within the wider market.
 - Greater Cambridge average market and affordable have followed a similar growth journey to South Cambridgeshire but from a higher base.
 - This shows that even if market rents were discounted by 20% within Cambridge City, they would still be significantly above market rents across South Cambridgeshire, and would be in line with the average across Greater Cambridge, albeit with the average being pushed up significantly by the Cambridge City Rents.
 - A 30% reduction in Cambridge City rental levels would result in values broadly comparable with average rents recorded across South Cambridgeshire, indicating a convergence towards lower-tier market rents within the wider Greater Cambridge area.

Figure 5.7 Office rental values by grade and location of stock



Source: CoStar & Icen Analysis, 2026

5.3.2. Figure 5.8 illustrates office rental trends across different locations within Cambridge City Centre between 2016 and 2026 YTD. The analysis demonstrates that rental growth has not been uniform across the city, with significant variation emerging between core prime locations and secondary office markets. While all locations have experienced upward pressure on rents over the period, the strongest growth has generally been concentrated in the most central and established office locations, reflecting continued demand from knowledge-intensive businesses, professional services firms and innovation-related occupiers seeking proximity to Cambridge's research, university and business ecosystems. The figure highlights several important trends:

- Rental values have increased across all city centre locations over the period, demonstrating sustained occupier demand and a continued shortage of available office accommodation.
- The highest-value locations have experienced the strongest rental growth, resulting in a widening gap between prime and secondary office markets. This suggests that affordability pressures are becoming increasingly concentrated within the most accessible and desirable city centre locations.
- Even where lower-cost office stock remains available, rental growth has reduced the availability of genuinely affordable accommodation for SMEs, start-ups and early-stage businesses seeking a city centre presence.
- Applying a 20% discount to prevailing market rents would improve affordability but would not fully address the cost differential between prime city centre locations and other parts of Greater Cambridge.

In many cases, discounted city centre rents would remain above market rents achieved elsewhere in South Cambridgeshire.

- The variation in rental performance across the city centre indicates that affordability challenges are highly location-specific and that a single affordability threshold may not have the same effect across all parts of the market.

5.3.3. The analysis reinforces the findings from stakeholder engagement and market evidence that affordability pressures are most acute within Cambridge City Centre, particularly in locations that benefit from strong accessibility, clustering effects and proximity to research and innovation assets. While affordable workspace policies based on discounted rents can improve access to these locations, the evidence suggests that rental discounts alone may not be sufficient to meet the needs of some occupier groups. This may require a broader range of interventions, including managed workspace, incubator provision, flexible occupation models and financial contributions towards the delivery of affordable workspace in appropriate locations across Greater Cambridge.

Figure 5.8 Office rental values by grade and city centre location of stock



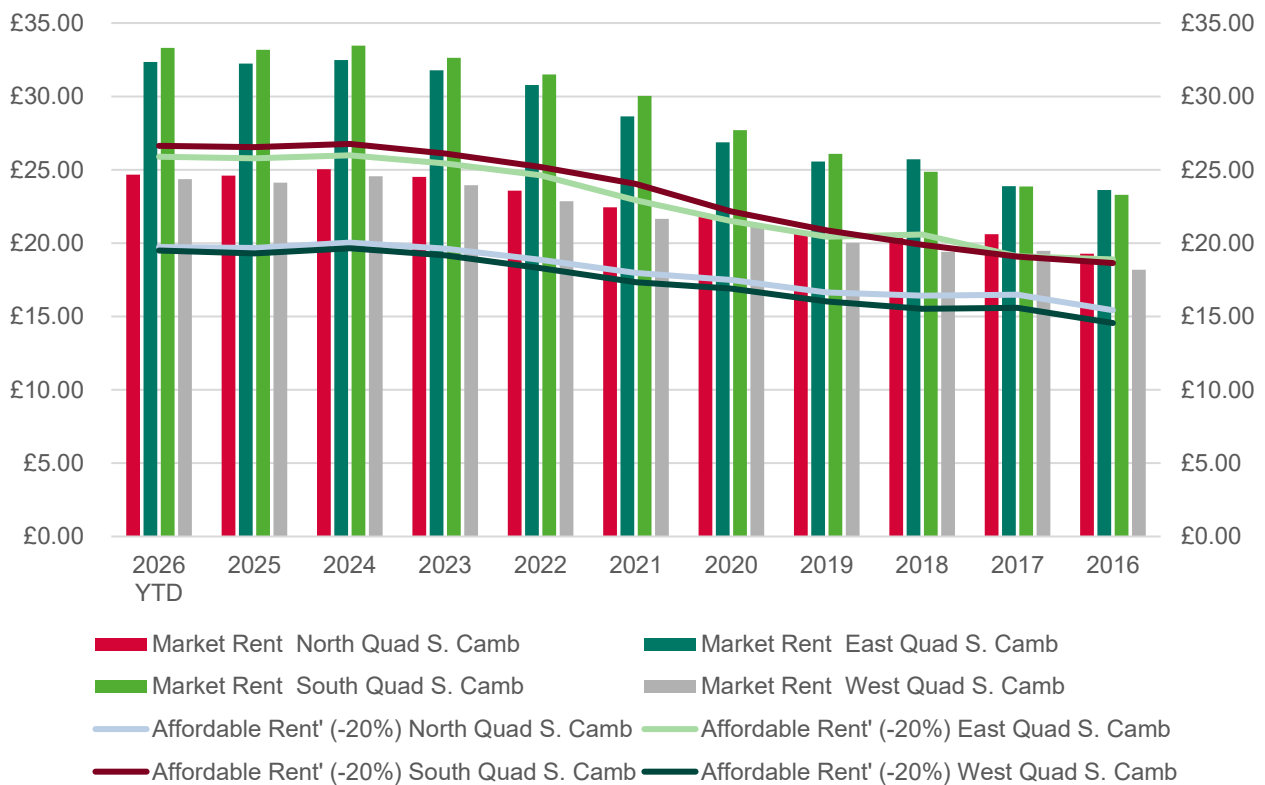
Source: CoStar & Icen Analysis, 2026

5.3.4. Figure 5.9 illustrates the evolution of the office rental values across the North, East, South and West quadrants of South Cambridgeshire between 2016 and 2026 YTD. Market rents have increased substantially across all locations over the period, with the strongest growth occurring in the South and East quadrants, where rents have risen from approximately £19-20 per sqft in 2016 to over £32 per sqft

in 2026. Growth has also been recorded in the North and West quadrants, although at a more moderate rate.

5.3.5. The analysis demonstrates the extent of rental growth across South Cambridgeshire and the challenge of improving affordability in higher-value locations. Even with a 20% reduction, indicative rents in the East and South quadrants would remain broadly comparable to current market rents in the North and West quadrants, illustrating the significant rental premium associated with these locations. Applying a 20% discount would result in indicative affordable rents ranging from approximately £19-27 per sqft in 2026, compared with market rents of approximately £24-33 per sqft.

Figure 5.9 Office rental values by grade and location of stock, South Cams Quadrants

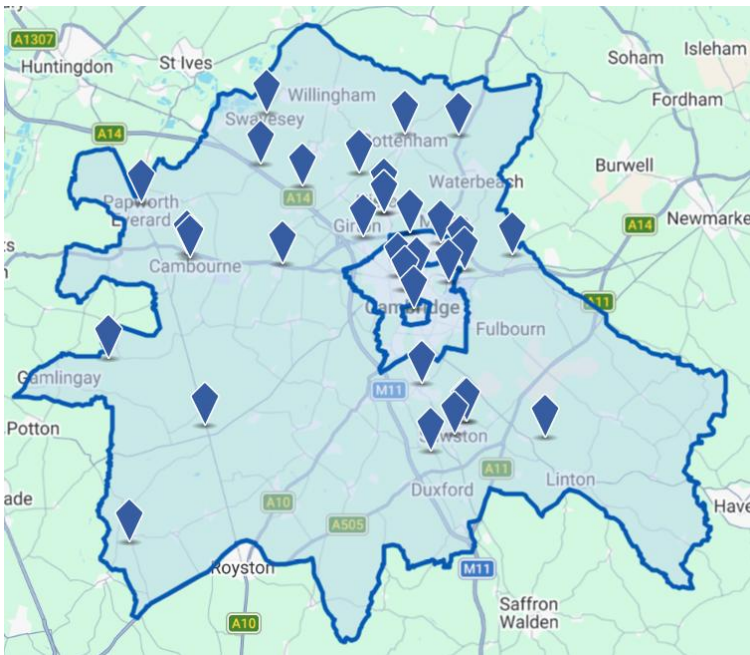


Source: CoStar & Icen Analysis 2026

Available Stock

5.3.6. Across the whole of Greater Cambridge, the average office rental values are £34.67 per sqft, therefore if a 20% reduction in rent was to be applied, this would equate to £27.74 per sqft. Figure 5.10 below shows the office stock across Greater Cambridge with a rental value of this figure or below. This shows there are 33 properties out of a total of 983 and 572k sqft of a total of 14.4 million sqft across all rental values.

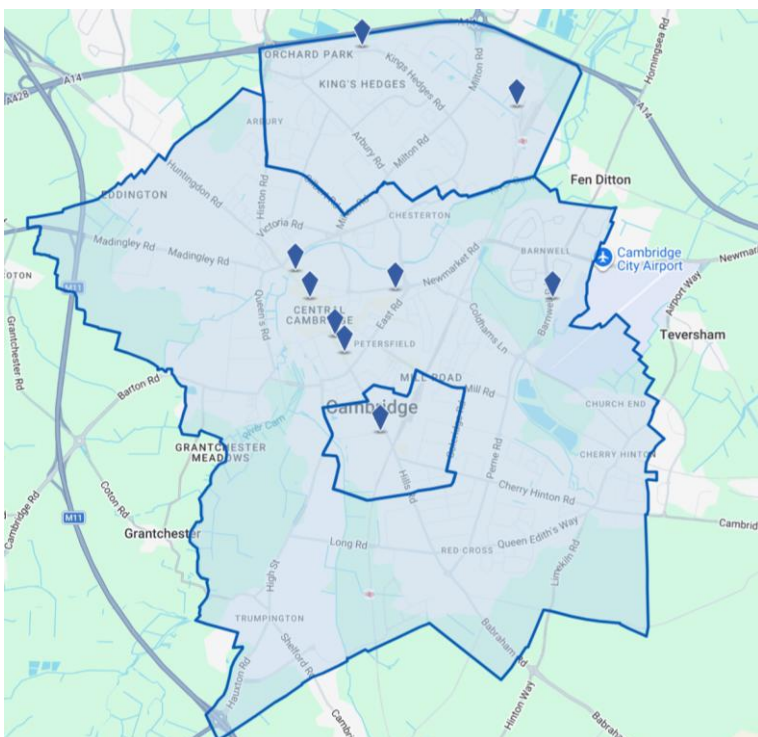
Figure 5.10 Map of ‘affordable’ office stock – Greater Cambridge



Source: CoStar 2026

5.3.7. Across Cambridge City, the average office rental values are £37.60 per sqft, therefore if a 20% reduction in rent was to be applied, this would equate to £30.08 per sqft. Figure 5.11 below shows the office stock across Cambridge City with a rental value of this figure or below. This shows there are 9 properties out of a total of 562 (1.6% is affordable) and 226k sqft of a total of 9.1 million sqft (2.4% is affordable) across all rental values.

Figure 5.11 Map of ‘affordable’ office stock – Cambridge City



Source: CoStar 2026

Buckingham Way Business Park – Trinity Court	3	£13.51	14,921	3,739	2008
South Cambridgeshire Business Park	3	£22.11	9,506	1,042-2,126	2000
Pendril Court	3	£13.50	44,964	402-6,473	1996

Source: CoStar 2026

Laboratory space snapshot

- 5.3.9. Data on the labs market is not available with good granularity or reliability through CoStar or other third party datasets because it's constrained to a limited number of markets – Cambridge and Oxford. As a result Icenis is here relying on Bidwell's data, who are a highly active agent in these markets and sectors and publish regular reliable updates.
- 5.3.10. The Cambridge Offices and Labs Market Databook (February 2026) by Bidwell's provides an update on occupational and investment market conditions across Cambridge's office and laboratory sectors. It focuses on leasing demand, supply pipeline, rental performance, and capital market trends, with particular emphasis on the dynamics of the life sciences cluster. The lab market section highlights a transitional phase in which rising development completions are temporarily increasing availability, while underlying occupier demand remains structurally intact but uneven in timing and scale.
- 5.3.11. Lab demand remained relatively subdued through 2025, with take-up of approximately 102,300 sq ft, still below longer-term averages. Despite this, underlying requirements remain meaningful at around 454,600 sq ft, indicating continued structural demand from pharma, biotech, and scaling life sciences occupiers. Activity improved in the second half of 2025, with stabilising sentiment and early signs of improved funding conditions expected to support a stronger leasing environment in 2026.
- 5.3.12. Supply increased materially over the period, with availability rising to 542,400 sq ft, equivalent to a 16.2% availability rate. This uplift is primarily driven by a wave of new completions rather than demand weakness. The pipeline remains significant, with over 400,000 sq ft of additional lab space due for delivery in 2026, including schemes such as 2000 Discovery Drive (~110,000 sq ft) and major developments at Vitrum Building and Merlin Place. As a result, availability is expected to rise further in the near term before easing again from 2027 as absorption improves.
- 5.3.13. Rents in the Cambridge lab market remain broadly stable but increasingly differentiated by specification. Prime fitted space is achieving around £72.50 per sq ft, compared with £65.00 per sq ft for open plan space and £57.50 per sq ft for shell and core.
- 5.3.14. From an investment perspective, activity was subdued in 2025, with total transactions of only £32 million, reflecting one of the quietest years in a decade. Prime lab yields moved outward by around 0.5% to approximately 5.25%, which is widely interpreted as the peak of the current cycle.
- 5.3.15. Overall, the lab market is in a transitional phase: near-term conditions are being shaped by a surge in new supply, but underlying demand fundamentals remain intact. The imbalance between rising

availability and improving occupier demand suggests a period of temporary easing, followed by re-tightening as the 2026 pipeline is absorbed.

- 5.3.16. A further important structural dimension of the Cambridge life sciences ecosystem is the role of early-stage “bench lab” and incubator space, as identified within the 2024 IcenI Greater Cambridge Growth Sectors Study: Life Science and ICT Locational, Land and Accommodation Needs. The study highlights the importance of a layered occupational structure spanning start-ups, scale-ups and institutional occupiers across the wider innovation ecosystem.
- 5.3.17. This form of accommodation is typically provided within specialist innovation environments such as Babraham Research Campus and Cambridge Science Park, including facilities such as the Bio Innovation Centre, where flexible and fully fitted laboratory space supports early-stage spin-outs and start-up businesses. Whilst this type of space is not always fully captured within mainstream commercial leasing metrics, it performs a critical role within the Cambridge cluster by enabling businesses to establish and grow before transitioning into larger leased laboratory and R&D accommodation as they mature.
- 5.3.18. The importance of clustering for early-stage laboratory and incubator space is also reinforced by wider evidence referenced in the 2024 Greater Cambridge Growth Sectors Study: Greater Cambridge Growth Sectors Study: Life science and ICT locational, land and accommodation needs prepared by IcenI. The study notes that start-up wet labs are often not viable as standalone propositions and rely heavily on proximity to wider research ecosystems, specialist infrastructure, business support, talent networks, and collaboration opportunities. It highlights continuing shortages of specialist incubator and scale-up laboratory space, particularly for early-stage firms, despite provision at locations such as the Babraham Research Campus and the TusPark Bio-Innovation Centre.
- 5.3.19. In this context, the delivery of affordable or flexible laboratory space may not always be most effective through dispersed on-site provision within individual schemes. Instead, there may be stronger justification for off-site contributions or pooled delivery models that support dedicated incubator and bench-lab environments within established life science clusters, where shared infrastructure, collaboration, and ecosystem effects can be sustained more effectively. This reflects the broader Cambridge cluster model, where proximity and critical mass are considered fundamental to start-up growth and innovation.

Artist Studio / Makers Space

- 5.3.20. When looking at CoStar, only artist spaces is recognised under this category. However, this clearly does not capture the full market, as through other analysis,² it is apparent that there are a number of other Artist spaces across Greater Cambridge. Some of which are listed below:

² Greater Cambridge Creative Business and Cultural Production Workspace: Specifications and Practical Requirements Study June 2021, Wysing Arts Centre Artist Studio Needs Survey: November 2023 & Cultural Strategy Cambridge City Council 2024-29

5.3.21. St Barnabas Press in Cambridge City offers studios that are available to rent on a long term basis with a minimum commitment of 3 months with a month's rent as deposit, the rents are:

- Large studio spaces cost £275.00 per month, inclusive of heat, light, power, rates, Broadband.
- Small studio spaces cost £187.00 per month, inclusive of heat, light, power, rates, Broadband.
- Sharing a large space costs £151.00 per month, inclusive of heat, light, power, rates, Broadband.

5.3.22. Unit 13 Creative Studios: Based at Barnwell Business Park, this creative hub features 16 individual and shared studios. Shared studio spaces typically rent for around £155/month.

5.3.23. The Wysing Arts Centre Artist Studio is known to be the only affordable artist space across Greater Cambridge. Wysing Arts Centre is an internationally recognised visual arts and research organisation located near Cambridge, established in 1989 and now regarded as a significant part of the UK's contemporary arts infrastructure. The centre supports artists through subsidised studios, international residencies, commissions, research programmes and experimental practice, with work developed at Wysing reaching audiences worldwide. It has played a pioneering role in shaping contemporary artist support models, particularly through its emphasis on artistic experimentation, "no outcome" residencies, interdisciplinary collaboration and long-term creative development. Wysing is recognised for supporting underrepresented artists and fostering international artistic exchange, while also contributing to the wider cultural and innovation ecosystem of Greater Cambridge. Supported through Arts Council England's National Portfolio alongside a range of public and charitable funding, the centre continues to invest in its long-term sustainability, accessibility and environmental performance, reinforcing its status as a nationally and internationally important cultural institution.

5.3.24. The Greater Cambridge Creative Workspace Supply and Demand Report (2020) identifies a clear and persistent imbalance between the demand for, and supply of, affordable creative workspace across the region. It highlights that artists, makers, and small creative businesses face significant challenges in accessing suitable space, with demand consistently outstripping availability. Much of the existing provision is either financially inaccessible or fails to meet the functional needs of creative practice, contributing to a reliance on temporary, informal, or home-based working environments. This reflects a broader structural issue in which the commercial property market does not cater to the specific requirements or financial capacity of the creative sector.

5.3.25. Findings from the Wysing Arts Centre Artist Studio Needs Survey (2023) reinforce and localise these issues. The survey shows that a large proportion of artists are currently working in suboptimal conditions, with around 42% based at home despite very few identifying this as their preferred option. Only a minority have access to dedicated studio space, and many rely on a "make do" approach across a mix of temporary or improvised locations. Affordability is a significant constraint: over half of respondents indicated they could afford no more than £125 per month (£1,500 per annum), with very limited capacity to pay higher rents. The survey also highlights concerns around displacement due to redevelopment, limited availability of suitable spaces, and barriers linked to transport and accessibility, all of which further restrict access to appropriate workspace.

5.3.26. Both the report and the survey point to affordability as a critical and systemic challenge. Market rental levels in Greater Cambridge are typically beyond the reach of most creative practitioners, while genuinely affordable workspace is limited, insecure, and often dependent on short-term arrangements. By looking at the rental levels in St Barnabas Press in Cambridge City, based on what Artist's state they could afford, only the shares spaces would be deemed affordable. The large Artist space would need to see a reduction of 45% to be considered 'affordable' and the small studio reduced by 20%. loss of existing creative spaces to redevelopment, combined with a lack of policy mechanisms to secure replacement provision, contributes to ongoing instability within the sector and constrains opportunities for growth and sustainability.

5.3.27. The evidence also underscores the wider economic, social, and cultural value of creative workspace, including its role in supporting innovation, fostering creative communities, and contributing to place-making. However, it is clear that without targeted policy intervention, the market will not deliver sufficient affordable workspace. Both sources therefore support the need for robust planning policies within the emerging Local Plan to secure affordable creative workspace, including clear definitions of affordability, mechanisms for delivery (such as on-site provision or financial contributions), and measures to ensure long-term security and accessibility for creative practitioners.

5.4. Sub-markets (Industrial & Logistics)

5.4.1. Table 5.5 and 5.6 present a comparative overview of industrial and logistics market performance across Greater Cambridge sub-markets and selected regional comparator locations. The analysis demonstrates considerable variation in market conditions, rental performance, vacancy and development activity across locations, reflecting the diverse and segmented nature of the industrial market across the wider region. Taken together, the analysis shows:

- Within South Cambridgeshire, industrial market performance shows some variation between quadrants, however, similarities in rental levels indicate that the market is broadly consistent, with variation driven by vacancy and demand conditions.
- The South Quadrant of South Cambridgeshire contains the largest concentration of industrial floorspace at approximately 4.9 million sq ft (spread across the whole area, with clusters at South Cambridge Business Park, Sawston Trade Park and Babraham), reinforcing its role as a key strategic industrial and logistics location associated with the A14/M11 corridor and wider strategic transport connectivity. The North and West quadrants are also substantial industrial markets, with the North Quadrant having an additional 118,000 sq ft currently under construction.
- Across South Cambridgeshire, industrial rents are relatively consistent, ranging between approximately £10.61 and £11.94 per sq ft, although these remain below the stronger performing City Centre Periphery (£13.67 per sq ft), Northern Cluster (£13.30 per sq ft) and Prime Central markets (£15.73 per sq ft).
- The East Quadrant records the highest average rental level, although fairly marginal, within South Cambridgeshire at approximately £11.94 per sq ft, reflecting relatively constrained supply and stronger quality stock (proportionate to total stock, with 4-5* stock making up 30% of the total) within this location.

- Prime Central Cambridge exhibits a premium and highly constrained market profile, with the highest rental values, lowest vacancy levels and lowest stock across all locations analysed.
- Vacancy rates vary significantly across the South Cambridgeshire quadrants. The West Quadrant records the highest vacancy rate at 14.1%, indicating weaker occupier demand or oversupply within parts of the market. This is likely due to a number of units coming forward to market in this area in recent years (such as Gateway Cambridge). In contrast, the East Quadrant records a comparatively low vacancy rate of 3.2%, suggesting tighter market conditions.
- The South Quadrant records a vacancy rate of 7.2%; however, a substantial proportion of 4-5 star provision is vacant (such as Accelerator Park) indicating potential affordability or specification mismatches between occupier demand and available stock.
- Across South Cambridgeshire as a whole, approximately 45.4% of higher-quality 4–5 star provision is vacant compared to 7.1% for the market as a whole, suggesting that demand for more affordable or secondary industrial space remains comparatively strong.
- Development activity across Greater Cambridge is currently relatively limited, compared with significantly higher levels of development activity within wider regional comparator markets such as Essex, Hertfordshire and Suffolk.
- Net absorption trends are negative across all Greater Cambridge, with the South Quadrant of South Cambridgeshire recording the largest decline at approximately -117,000 sq ft. Net absorption³ across South Cambridgeshire totals -163,000 sq ft, reflecting reduced occupier activity.
- Despite softer recent market performance, the Cambridge industrial market continues to exhibit relatively strong performance. Cambridge remains a relatively supply-constrained industrial market. Whilst rental levels are generally lower than Hertfordshire, they remain substantially above locations such as Peterborough and Suffolk, indicating continued pricing pressure and affordability challenges for occupiers within the Greater Cambridge market.
- This suggests that affordability pressures are likely to remain particularly acute for SMEs, maker-space, workshop and lower-value industrial occupiers seeking smaller-scale provision.

Table 5.5 Industrial Sub-Market Metrics

	<i>North Quad S. Camb</i>	<i>East Quad S. Camb</i>	<i>South Quad S. Camb</i>	<i>West Quad S. Camb</i>	<i>TOTAL South Cambridg eshire</i>	<i>City Centre Periphery</i>	<i>Norther n Cluster</i>	<i>Prime Central</i>
Floorspace (sqft)	1.9 mil	653k	4.9 mil	1.7 mil	8.5 mil	2 mil	558k	286k
4-5 Star	-	200k	307k	222k	410k	1.1 mil	-	-

³ Net absorption is the change in occupied commercial real estate space over a specific period. Defined by CoStar, the commercial real estate data analytics firm, it calculates the difference between space newly occupied (move-ins) and space newly vacated (move-outs). this metric provides a crucial snapshot of supply and demand:

- **Positive Net Absorption:** More tenants are moving into spaces than vacating them, signalling high demand and a tightening market.
- **Negative Net Absorption:** More tenants are moving out than moving in, often indicating a softening market, oversupply, or economic challenges.

Under construction	118k	0	0	0	118k	67.4 k	0	0
Rent (£ per sqft)	£11.11	£11.94	£11.56	£10.61	£11.13	£13.67	£13.30	£15.73
12 month rental growth	-2.20%	-2.60%	-2.00%	-2.90%	-2.50%	-2.40%	-2.40%	-2.50%
4-5 Star	£12.79	£14.46	£12.65	£9.92	£11.30	£14.43	-	-
Vacant (%)	3.80%	3.20%	7.2%	14.10%	7.90%	5.60%	8%	2%
4-5 Star	0%	0.00%	66.40%	11.60%	45.40%	0.00%	-	-
Net Absorption	-8.2k	-12.5k	-117k	-31.5k	-163k	-47k	-12k	-2.9k
Yield	6.90%	7.50%	6.80%	7.00%	6.90%	7.10%	6.50%	8%

Source: CoStar, 2026

Table 5.6 Industrial Wider area Market Metrics

	Cambridge	Essex	Hertfordshire	Luton & Bedfordshire	Peterborough	Suffolk
Floorspace (sqft)	18.3 mil	95.4 mil	57.7 mil	47.7 mil	51.3 mil	47.4 mil
4-5 Star	2.6 mil	12.3 mil	5.3 mil	12.6 mil	7.3 mil	7.2 mil
Under construction	158k	1.6 mil	755k	154k	470k	1.4 mil
Rent (£ per sqft)	£11.57	£12.69	£14.78	£11.77	£8.90	£9.77
12 month rental growth	2.3%	0.8%	2.1%	3.6%	2.7%	2.8%
4-5 Star	£13.44	£13.36	£15.64	£13.09	£11.22	£11.74
Vacant (%)	6.3%	7%	6.2%	4.7%	5.1%	5.6%
4-5 Star	7.2%	15.6%	13.9%	9.5%	5.5%	7.1%
Net Absorption	-166k	-307k	1.9m	286k	-349k	-349k
Yield	6.7%	5.8%	5.8%	6.0%	7.0%	7.5%

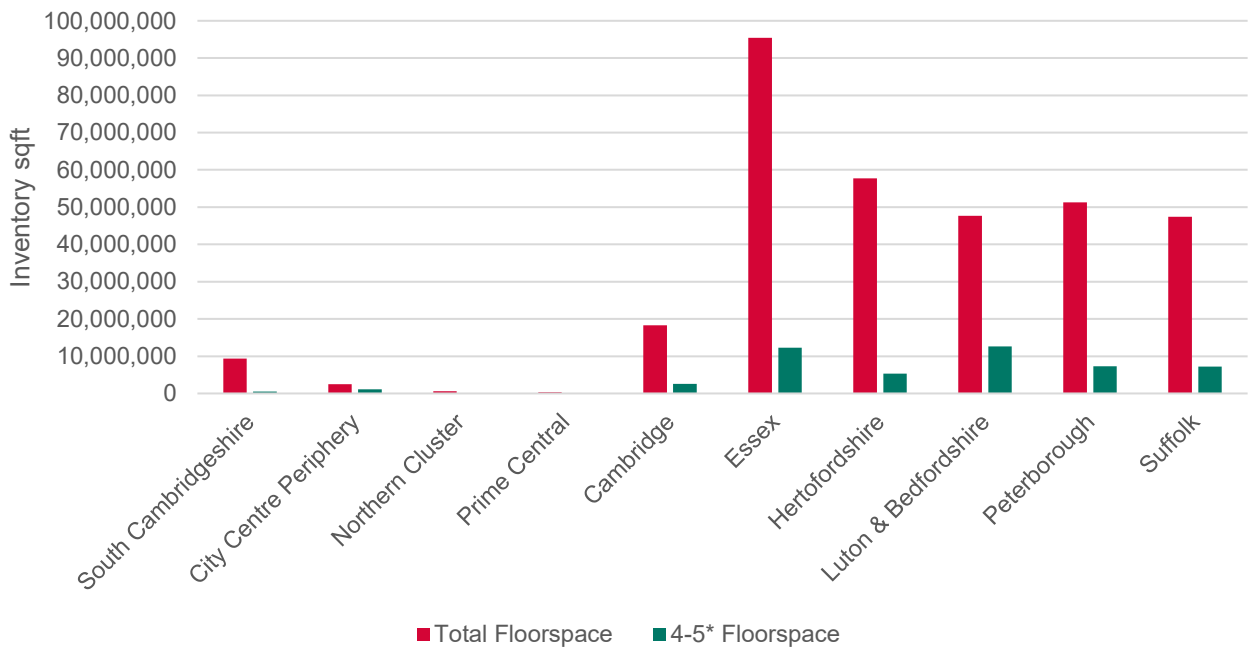
Source: CoStar, 2026

5.4.2. Figures 5.13, 5.14 and 5.15 present further comparative metrics for the industrial market across Greater Cambridge and the wider market area. Taken together, these tables show:

- Greater Cambridge has a significantly low industrial floorspace stock relative to its regional comparators.
- Rental levels across the industrial market are relatively consistent and significantly lower than the office market, typically ranging between £10–£12 per sqft. High rents are achieved in Prime Central (£18.92 per sqft), reflecting accessibility and land constraints.
- The wider regional context highlights that competing locations outside Greater Cambridge (e.g. Peterborough) offer greater availability and lower costs, attracting more space-intensive uses.
- This reinforces the relative constraint of the Cambridge market in accommodating industrial demand.

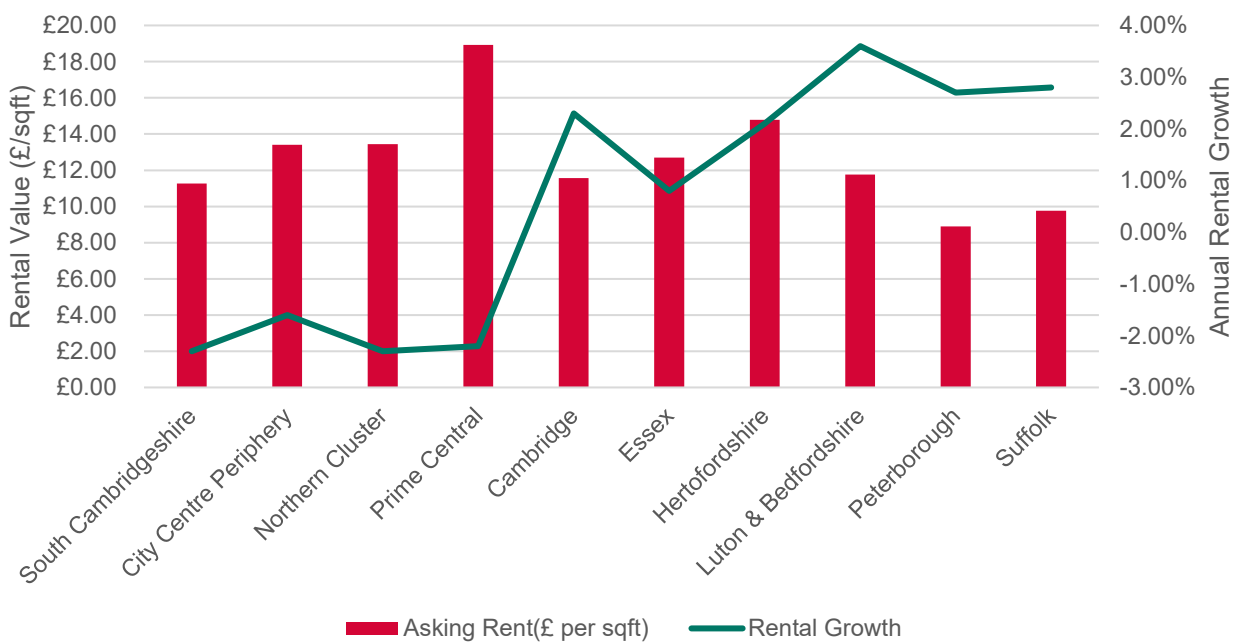
- Taken together, the evidence suggests that while the industrial market is not subject to the same pricing pressures as the office market, it faces:
 - a constrained development pipeline,
 - an ageing stock base in some locations, and
 - variation in how effectively space meets occupier needs.

Figure 5.13 Sub-Market Industrial Floorspace (sqft)



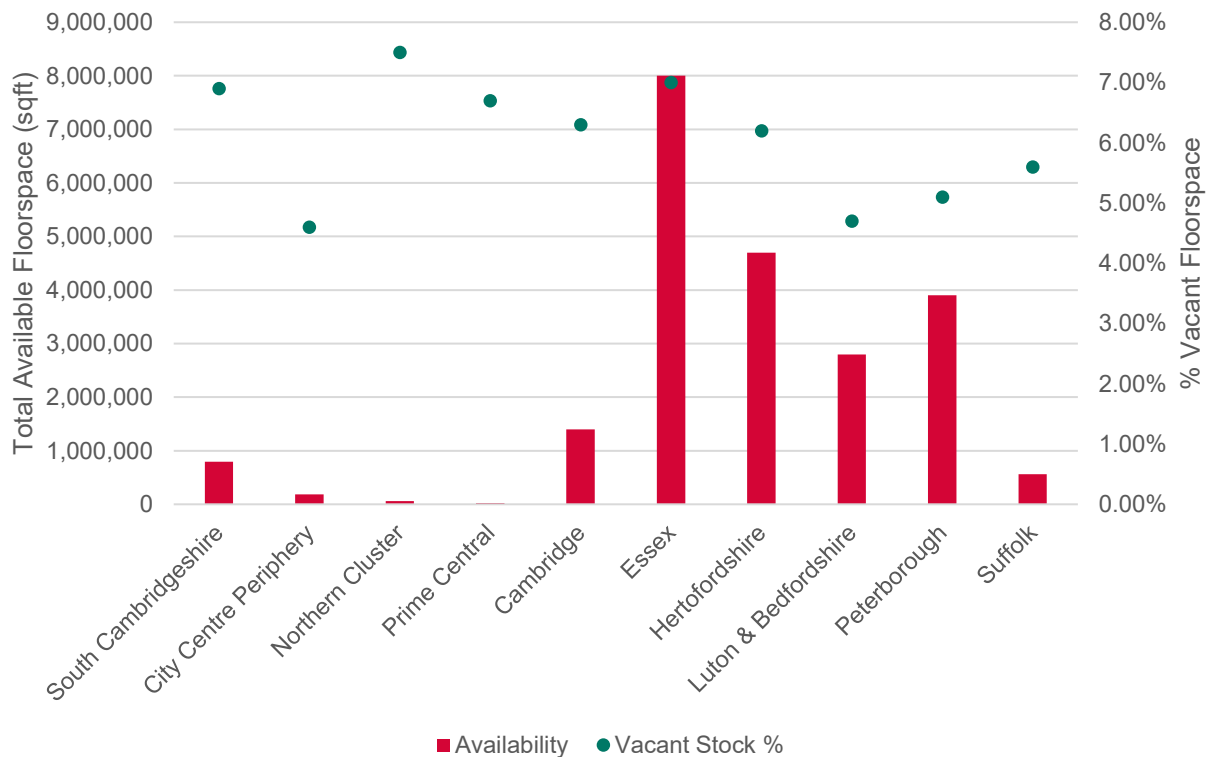
Source: CoStar, Icen Analysis 2026

Figure 4.14 Sub-Market Industrial Asking Rent (£ per sqft) and annual Rental Growth (%)



Source: CoStar, Icen Analysis 2026

Figure 4.15 Sub-Market Industrial Available Floorspace (sqft) and Vacancy Rates (%)



Source: CoStar, Icen Analysis 2026

5.4.3. Figures 5.16 and 5.17 summarise the key trends in the Greater Cambridge industrial property market, focusing on rental levels, vacancy rates, and how demand varies by unit size and location. It highlights clear differences in performance between Cambridge City and South Cambridgeshire, as well as between small, mid-sized, and large industrial units.

Cambridge City

5.4.4. Industrial rents within Cambridge City are the highest across the market area, typically achieving rents in excess of £14 per sqft. Demand is strongest for smaller industrial units, particularly those below 10,000 sqft, which benefit from strong demand from SMEs, technology-related occupiers, trade businesses, and flexible urban industrial users. Smaller units also tend to achieve the strongest rental performance due to limited supply and their flexibility of use.

5.4.5. Vacancy levels within Cambridge City are generally low for smaller industrial units, reflecting sustained occupier demand. However, vacancy rates increase for larger units, particularly within the mid-sized and larger industrial market segments (with vacancies at Coral Park and Coldham’s Business Park). This reflects both the limited suitability of central Cambridge locations for larger-format industrial occupiers and the operational constraints associated with accessing and servicing larger premises within the urban area.

5.4.6. Overall, the Cambridge City industrial market demonstrates a strong preference for smaller, flexible industrial accommodation. Larger industrial premises appear less well suited to central locations due to

land values, access constraints, and competition from higher-value uses, resulting in weaker demand and higher vacancy for larger units.

South Cambridgeshire

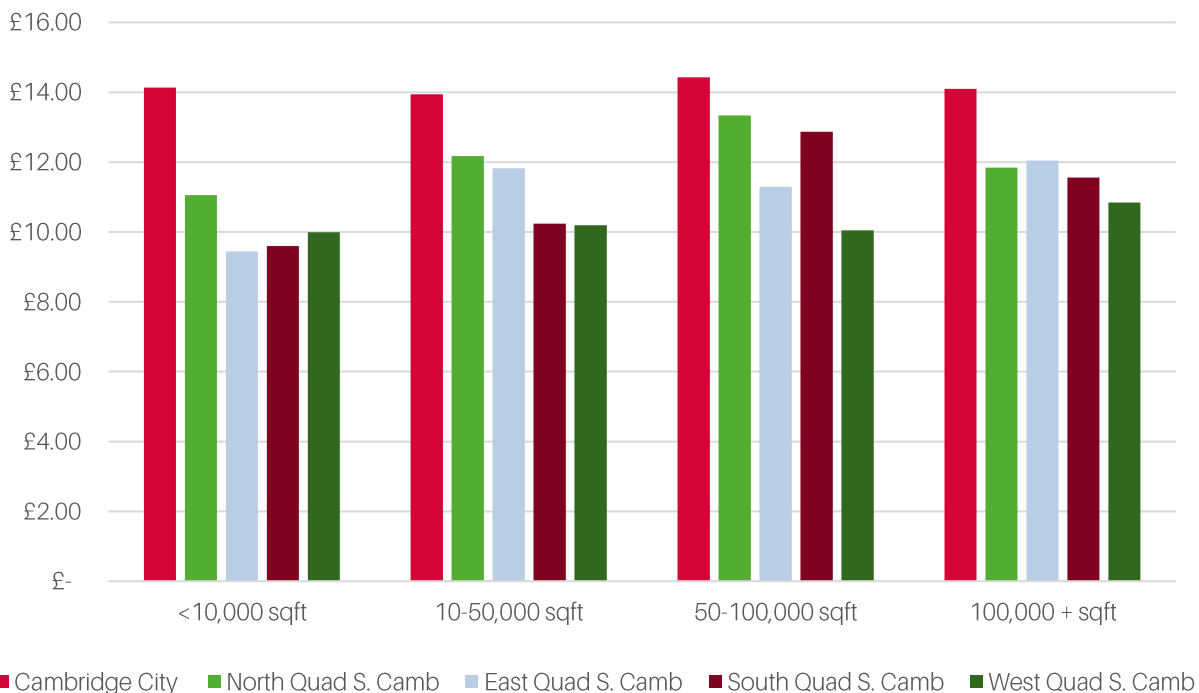
5.4.7. In contrast, industrial rents across South Cambridgeshire are generally lower, typically ranging between approximately £10 and £13 per sqft depending on location, specification, and accessibility. While rental levels are lower than within Cambridge City, the market continues to perform relatively strongly, particularly in accessible edge-of-city and strategic employment locations.

5.4.8. Smaller industrial units in South Cambridgeshire also experience relatively low vacancy levels, supported by continued SME and local business demand. However, compared with Cambridge City, South Cambridgeshire is generally better able to accommodate larger industrial and storage/distribution occupiers due to greater land availability, lower occupancy costs, and better suitability for larger-format premises.

5.4.9. Vacancy rates for mid-sized industrial units (typically between 10,000 sqft and 50,000 sqft) are generally the highest across the market, reflecting a degree of supply-demand mismatch within this segment. Larger units perform more variably, although South Cambridgeshire locations are typically better positioned to accommodate such uses than central Cambridge locations.

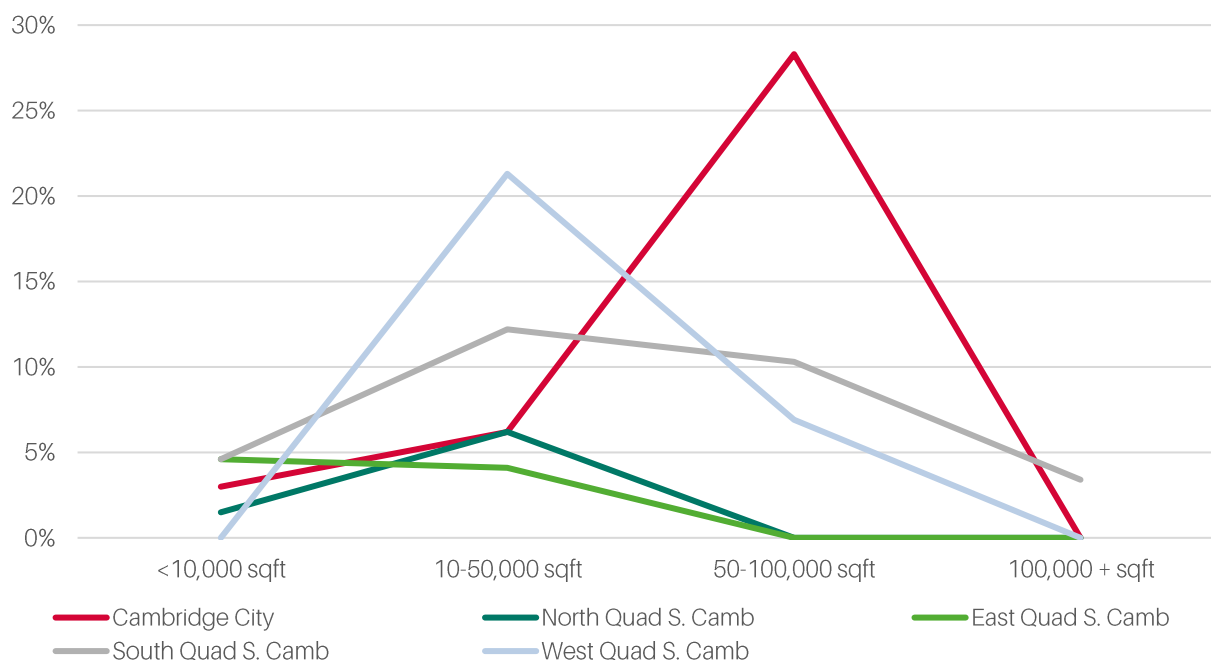
5.4.10. Overall, the South Cambridgeshire industrial market provides an important role in accommodating a broader range of industrial occupiers, particularly larger-scale industrial and logistics uses that may not be suitable within Cambridge City. However, demand remains strongest for smaller and more flexible industrial units across both locations.

Figure 5.16 Industrial - Rent by size



Source: CoStar, Icen Analysis 2026

Figure 5.17 Industrial - Vacancy by Size



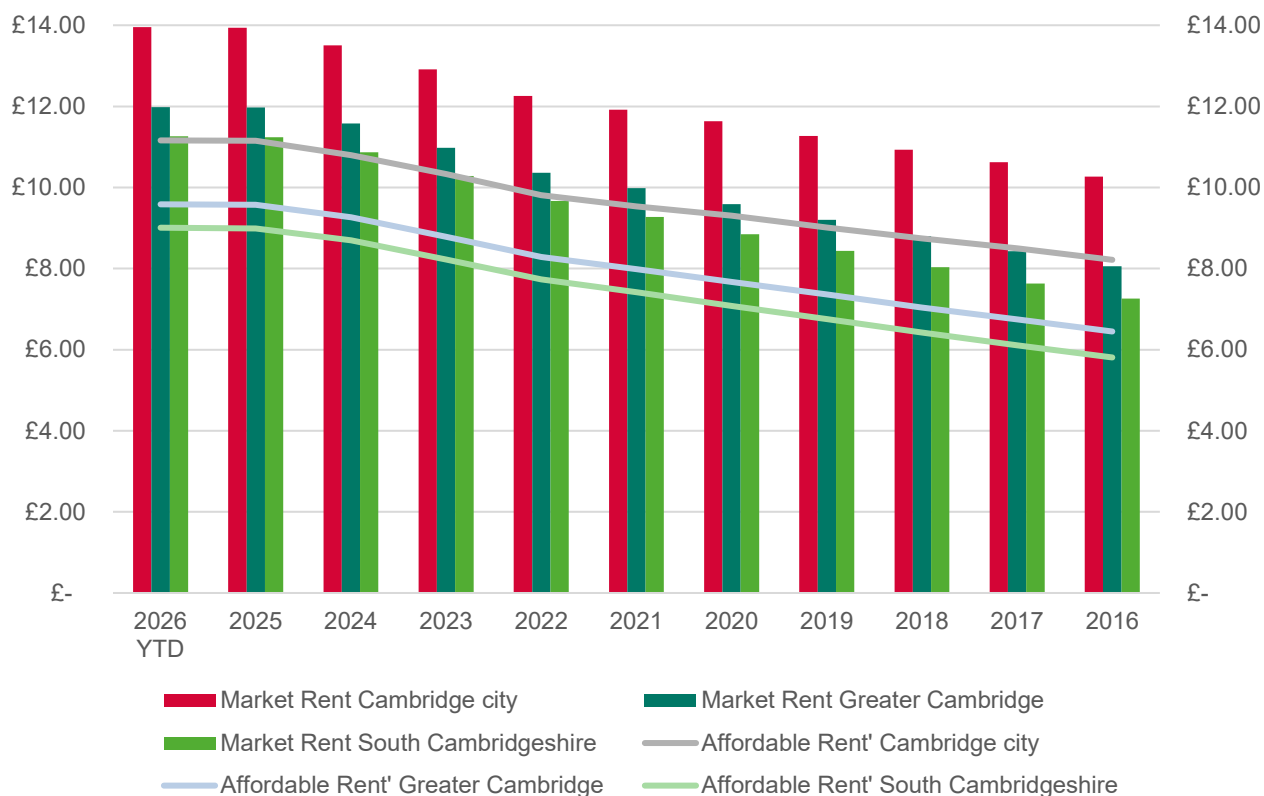
Source: CoStar, Icen Analysis 2026

Rental trends by type, location, and quality

Rents

- 5.4.11. Figure 5.18 outlines how industrial rental levels and growth rates compare across Cambridge City, South Cambridgeshire, and Greater Cambridge. It also highlights the impact a discount to Cambridge City rents would have in aligning values across the wider market, and shows how rental growth has diverged across these areas over the past five and ten years.
- 5.4.12. A 20% discount to market rent in Cambridge City would broadly align rental levels with the current average rents seen across South Cambridgeshire and Greater Cambridge. While there are still differences between locations, rental variations across industrial floorspace are generally more marginal than those typically observed in the office market.
- 5.4.13. Over time, rental growth has been stronger in South Cambridgeshire compared with Cambridge City and the wider Greater Cambridge area. Over the past five years, rents have increased by 17% in the City, 21% in South Cambridgeshire, and 20% across Greater Cambridge as a whole.
- 5.4.14. Looking at a longer-term horizon, the 10-year figures show an even clearer divergence. Cambridge City rents have increased by 36%, while South Cambridgeshire has seen growth of 55%, and Greater Cambridge overall has experienced a 49% rise. This indicates that rental growth has been significantly stronger outside the city core, particularly in South Cambridgeshire.

Figure 5.18 Industrial rental values by grade and location of stock across Greater Cambridge



Source: CoStar & Icen Analysis 2026

5.4.15. Figure 5.19 outlines how rental values and rental growth differ across the South Cambridgeshire quadrants, highlighting both current relative pricing and how performance has varied over time between the North, East, South, and West areas.

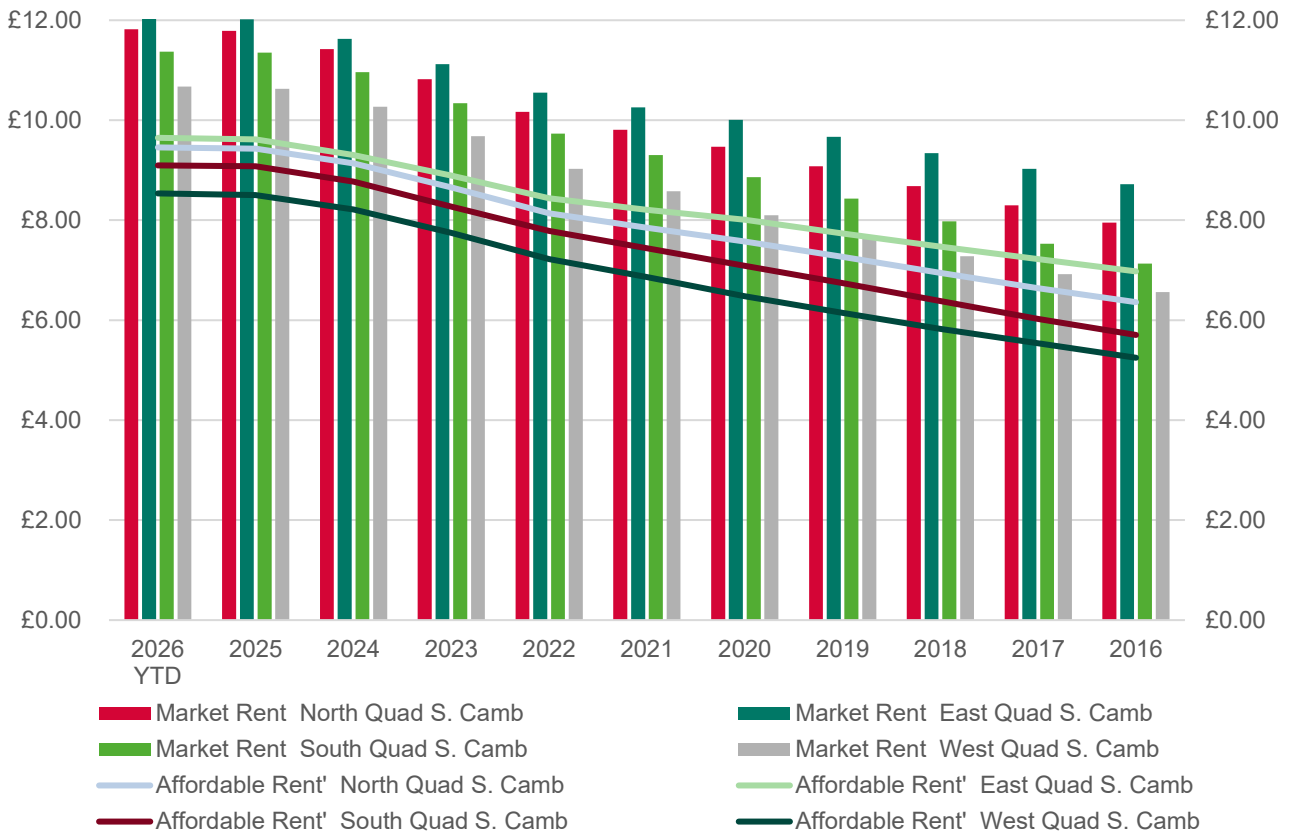
5.4.16. A 20% discount to market rent across the North and East Quadrants, where rental levels are the highest, would result in rental levels that are in line with a 20% reduction in average rents across Greater Cambridge. If the same discount was applied to the South and West Quadrants, this would be below the 20% reduction applied for the whole of South Cambridgeshire, therefore it wouldn't be deemed appropriate to separate out different discounts for the quadrants, and a potentially a 10-15% reduction is likely to be deemed affordable in these locations due to the more generally lower rents across South Cambridgeshire than Cambridge City.

5.4.17. In terms of rental growth, the South and West quadrants have experienced stronger increases compared with the North and East over recent years. However, despite this stronger growth, rents in the North and East still remain higher in absolute terms than those in the South and West, reflecting a historically higher rental base in those areas.

5.4.18. Over the past five years, rental growth has been 20% in the North, 18% in the East, 22% in the South, and 24% in the West. Looking at a longer 10-year period, growth has been more pronounced, with the North increasing by 49%, the East by 38%, the South by 59%, and the West by 63%. This shows that

while rental values in the South and West quadrants have increased most over time, the North and East continue to command higher rental levels overall.

Figure 4.19 Industrial rental values by grade and location of stock – across South Cambridgeshire Quadrants

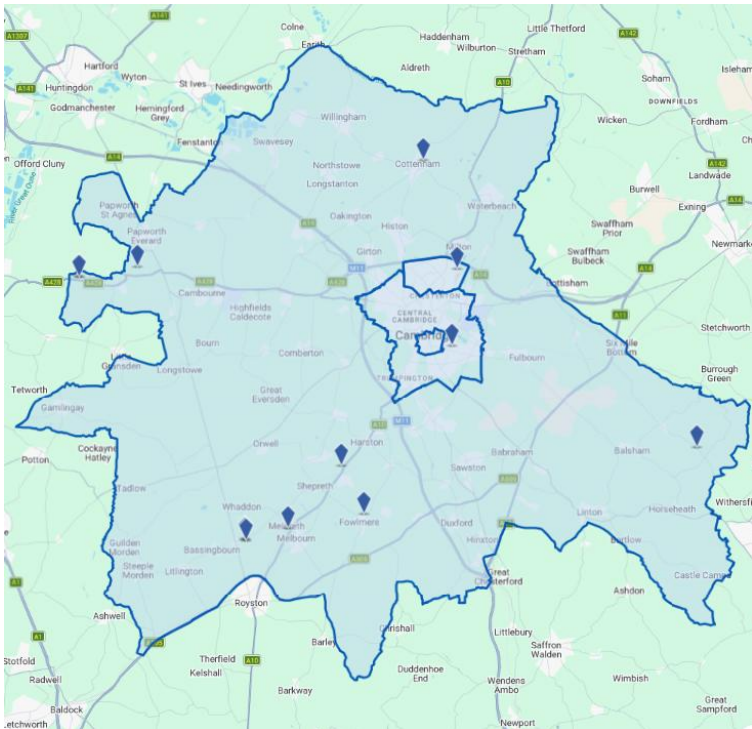


Source: CoStar & Icen Analysis 2026

Available Stock

5.4.19. Across the whole of Greater Cambridge, the average industrial rental values are £11.98 per sqft, therefore if a 20% reduction in rent was to be applied, this would equate to £9.58 per sqft. Figure 5.20 shows the industrial stock across Greater Cambridge with a rental value of this figure or below. This shows there are 13 properties out of a total of 667 (1.9%) and 188k sqft of a total of 12.9 million sqft (1.4%) across all rental values.

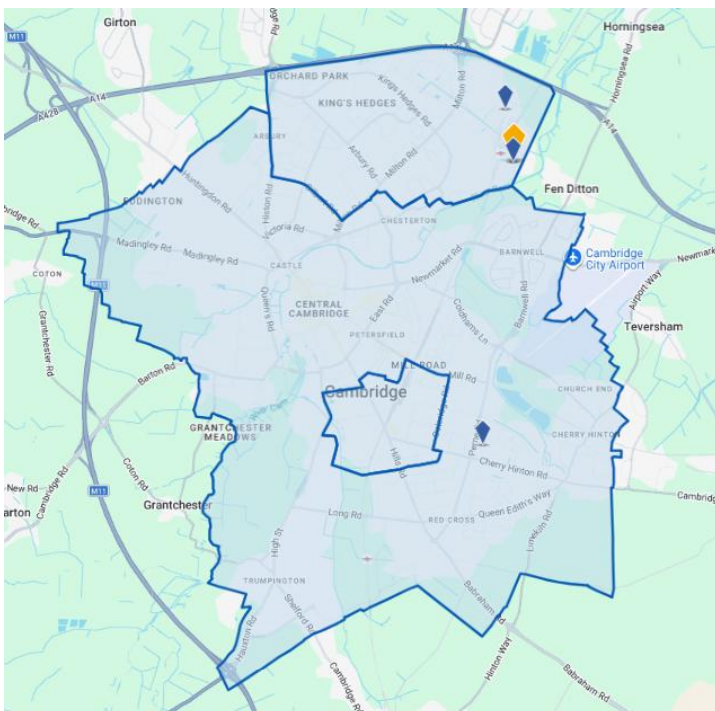
Figure 5.20 Map of ‘affordable’ industrial stock – Greater Cambridge



Source: CoStar 2026

5.4.20. Across Cambridge City, the average industrial rental values are £13.95 per sqft, therefore if a 20% reduction in rent was to be applied, this would equate to £11.16 per sqft. Figure 5.21 below shows the industrial stock across Cambridge City with a rental value of this figure or below. This shows there are 4 properties out of a total of 250 and 66.3k sqft of a total of 3.4 million sqft across all rental values.

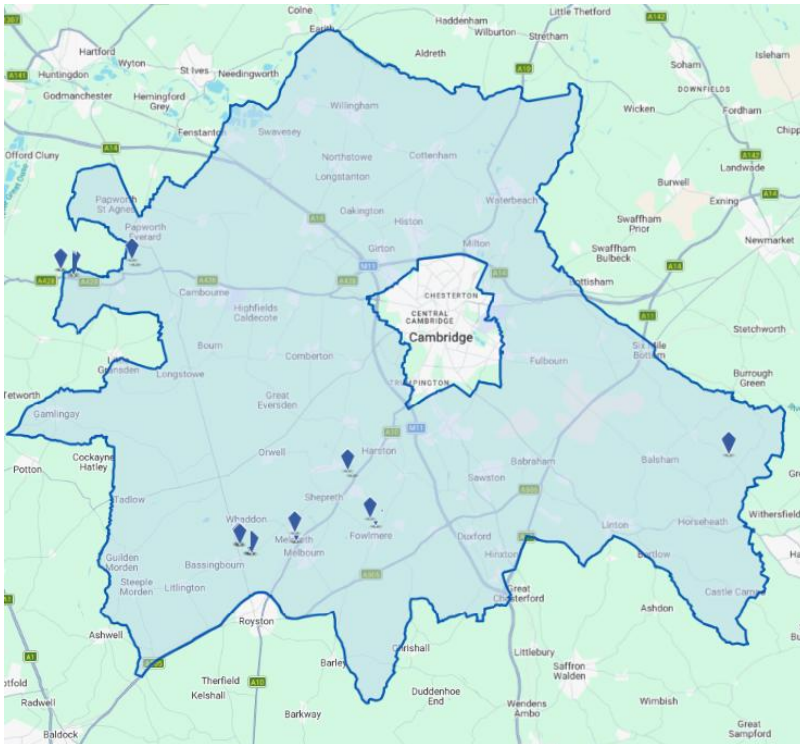
Figure 5.21 Map of ‘Affordable’ Industrial Stock – City



Source: CoStar 2026

5.4.21. Across South Cambridgeshire, the average industrial rental values are £11.26 per sqft, therefore if a 20% reduction in rent was to be applied, this would equate to £9.01 per sqft. Figure 5.22 below shows the industrial stock across South Cambridgeshire with a rental value of this figure or below. This shows there are 10 properties out of a total of 417 and 136k sqft of a total of 9.4 million sqft across all rental values.

Figure 5.22 Map of 'Affordable' Industrial Stock – South Cambridgeshire



Source: CoStar 2026

Mid Tech Focus

5.4.22. The Cambridgeshire Industrial Market Databook (March 2026) by [Bidwell's](#) identifies R&D and knowledge intensive industries as an increasingly important component of Cambridge's industrial market, reflecting a longer term structural evolution in occupier demand. Historically, with a few exceptions, Greater Cambridge's industrial sector was dominated by traditional trade, distribution, and manufacturing occupiers, while science and technology businesses were more commonly associated with office and laboratory accommodation. However, over the past decade, and particularly between 2020 and 2024, the continued expansion of the Cambridge science and technology cluster has driven growing demand from advanced manufacturing, aerospace, and clean energy firms seeking more flexible industrial accommodation – this is the 'mid tech' described phenomenon - requiring flexible space capable of accommodating research, prototyping, light production, and office functions within a single environment.

5.4.23. Mid-tech schemes are designed to offer higher specification industrial space, including enhanced power provision, greater office content, improved landscaping, and the ability to accommodate specialist

equipment or external plant infrastructure. Mid-tech units are intended to support occupiers requiring a combination of research, office, and production functions within a single flexible environment.

5.4.24. An example is the Enterprise scheme at Cambridge Research Park, developed by Royal London and XLB Property, which transformed a traditional business park setting into approximately 64,000 sq ft of industrial buildings able to accommodate flexible research and production accommodation across nine units. The scheme has been successful in attracting R&D occupiers (such as pharmaceuticals, medical and tech) seeking affordable alternatives to conventional laboratory or office space. Similar trends can be observed at Bourn Quarter, a purpose-built R&D and mid-tech campus west of Cambridge that provides a range of flexible production, research, development and workspace units designed to accommodate technology, life sciences and innovation-focused occupiers. The scheme demonstrates how industrial and mid-tech accommodation can support a broad spectrum of research, development and technology businesses outside traditional laboratory environments.

5.4.25. The appeal of mid-tech space is driven not only by flexibility but also by economics. While prime office and laboratory rents in Cambridge continue to command significant premiums, mid-tech space offers occupiers the opportunity to secure larger floorplates at comparatively lower occupational costs, while still enabling bespoke fit-out and technical adaptation. As a result, these schemes have become increasingly important in supporting SMEs, scale-up businesses, and advanced manufacturing occupiers that require flexible and more affordable accommodation within Cambridge's wider innovation ecosystem.

5.4.26. When looking at analysis in the 2025 Icen Greater Cambridge Warehouse and Industrial Space Needs report, this states there is planned additional provision at Cambridge Research Park and Bourn and some elements at Sawston for mid-tech. Whilst there may be scope to expand these existing locations, an additional edge of centre location with closer city proximity and links would be preferable, or ensuring enhanced connectivity to current and future proposals. The report also states that future mid-tech provision does not need to be a dedicated 'mid-tech' park and may not necessarily be successful if designated as such, given relatively dynamic cross sector leasing requirements (as is the case at Bourn and Sawston), so it would be best fulfilled through a wider industrial allocation potentially with a size threshold to ensure an appropriate mix. The mid-tech component should be upwards of c15,000 sq.m in the long term. Cambridge East could play a role in this but is coming later in the Plan period which would not meet shorter term demand.

Mid Tech Market snapshot

5.4.27. By the end of 2025, Bidwell's report that knowledge industries accounted for just under one third of total industrial requirements within the wider 1.7 million sq ft demand profile recorded across the Greater Cambridge market, which effectively extends across the whole county. Demand growth was particularly concentrated in the 10,000 to 50,000 sq ft size range, reflecting the operational needs of scaling advanced manufacturing occupiers transitioning from research activity into pilot manufacturing and commercial production. While science and technology demand softened temporarily earlier in 2025, the final quarter of the year showed renewed momentum, with approximately 142,000 sq ft under offer, indicating improving confidence among R&D linked occupiers.

5.4.28. Bidwell's also highlight ongoing structural supply constraints affecting the industrial market segment. Although overall industrial availability increased to 509,300 sq ft (5.6%) during 2025, much of this growth was driven by the delivery of new mid tech schemes such as Accelerator Park and Bourn Quarter. At the same time, shortages remain in larger unit sizes, with no available space above 50,000 sq ft despite active requirements in this bracket.

5.4.29. Rental performance further reflects the growing importance of this occupier base. Prime standard industrial rents currently stand at approximately £21.00 per sq ft, while more specialist mid tech accommodation achieves rents closer to £27.50 per sq ft, reflecting the premium attached to higher specification, R&D compatible space. Looking ahead, the report forecasts continued rental growth, with prime standard industrial rents expected to rise to £25.00 per sq ft by 2030.

Summary of Market analysis

5.4.30. Taken together, the market review shows that Greater Cambridge is a high-value and spatially varied employment market, with strong demand but uneven supply across office, R&D and industrial sectors. Prime and well-located space commands significant premiums, while shortages of affordable smaller units, grow-on space and creative workspace suggest that market delivery alone is unlikely to meet the needs of all occupiers without targeted intervention.

6. MARKET FAILURE / AFFORDABILITY MODELLING

6.1. Introduction and Summary

- 6.1.1. This section examines whether the operation of the workspace market within Greater Cambridge gives rise to market failures that constrain the delivery of affordable and suitable workspace, and whether these outcomes can reasonably be expected to be addressed through market mechanisms alone.
- 6.1.2. The analysis draws on the market evidence and affordability benchmarking set out in Sections 4 and 5. While affordability benchmarks defined as a proportion of market rent can improve access to workspace, they remain closely aligned to underlying market values. As a result, affordability pressures are most acute in higher-value locations such as Cambridge City. The evidence indicates that a 20% rental discount would improve affordability but may not, in isolation, be sufficient to meet the needs of many SMEs, start-ups, creative businesses and early-stage occupiers. In Cambridge City, rents discounted by 20% would remain above prevailing market rents in many parts of South Cambridgeshire, suggesting that affordability challenges extend beyond rental levels alone.
- 6.1.3. Affordability pressures are most significant for smaller businesses, start-ups, creative industries and SMEs transitioning between incubator and conventional commercial accommodation. Although Greater Cambridge continues to attract strong demand from high-value knowledge economy sectors, prevailing rents, business rates, fit-out costs and wider occupational expenses create barriers to entry and growth for many smaller occupiers. Stakeholder engagement identified particular challenges associated with the availability of affordable “grow-on” space and increasing pressures on business retention as firms expand.
- 6.1.4. The analysis identifies a number of market failures that suggest these challenges are unlikely to be resolved through market forces alone. These include a persistent imbalance between demand and the supply of suitable and affordable workspace; affordability barriers that disproportionately affect SMEs, start-ups and creative businesses; spatial mismatches between locations where demand is strongest and where affordable space is available; and the under-provision of sectors that generate wider economic, social and cultural benefits not fully reflected in commercial rental values. Without intervention, there is a risk that smaller businesses, creative enterprises and emerging sectors will be increasingly displaced from higher-value locations, reducing opportunities for business formation, growth and retention within Greater Cambridge.
- 6.1.5. Taken together, the evidence suggests that the workspace market is not consistently delivering outcomes that support business diversity, innovation, affordability or long-term economic resilience. The findings therefore support consideration of a broader range of affordable and flexible workspace interventions, including discounted rental products, managed workspace, incubator and grow-on space, flexible lease arrangements, capped service charges and financial contribution mechanisms. Any future policy should adopt a targeted and flexible approach that reflects the differing affordability profiles, operational requirements and locational needs of businesses across Greater Cambridge.

6.2. What is Market Failure and Rationale for Intervention

6.2.1. Market failure occurs when the free market, operating through supply and demand, does not allocate resources efficiently or produce socially optimal outcomes. In the context of workspace provision, market failure arises where the quantity, quality, location, or affordability of space does not match the needs of businesses and the wider economy. This can result in under-supply of certain types of space, barriers to entry for particular users, and wider negative economic and social impacts. Rationale for intervention therefore refers to the justification for public sector action to correct these inefficiencies, improve market functioning, and ensure outcomes that better support economic growth, inclusivity, and long-term sustainability. In the case of Greater Cambridge, significant work has been undertaken to allocate sites for employment use, therefore a number of the issues facing the market are in terms of delivery challenges and business challenges and the right type of development coming forward within the market, The below sets out a summary of Market Failures in Greater Cambridge, Rationale for Intervention, and Risks of Inaction.

Demand Supply Imbalance (Market Disequilibrium)

- **Market failure:** Strong and sustained demand for workspace, particularly from knowledge based sectors, SMEs, and creative industries, is not matched by sufficient supply of suitable and affordable space. This is most evident in the shortage of “grow on” space, modern industrial units, and flexible creative workspace.
- **Rationale for intervention:** Policy can help increase the supply of appropriate space (e.g. through affordable workspace requirements, land allocation, and safeguarding policies) and better align provision with business needs.
- **Impact without intervention:** Continued displacement of businesses, with firms relocating outside Greater Cambridge, delaying growth, or remaining in unsuitable premises, ultimately constraining economic growth.

Affordability Constraints and Barriers to Entry (Distributional Inefficiency)

- **Market failure:** High rents, business rates, and fit out costs disproportionately affect SMEs, start ups, and creative enterprises, **limiting** their ability to access and retain workspace. The market favours higher value occupiers, reducing inclusivity.
- **Rationale for intervention:** Affordable workspace policies and targeted support can improve access for a broader range of businesses, supporting a more diverse and resilient economy.
- **Impact without intervention:** Reduced business diversity, fewer start ups, and weaker SME growth, alongside a loss of local and indigenous businesses.

Spatial Mismatch and Accessibility Constraints (Allocative Inefficiency)

-
- **Market failure:** There is a disconnect between where demand is strongest (central and well connected Cambridge locations) and where space is available and affordable (peripheral or poorly connected areas).
 - **Rationale for intervention:** Strategic planning and infrastructure investment can better align workspace provision with transport connectivity and labour markets.
 - **Impact without intervention:** Underutilisation of available space, increased commuting challenges, and reduced productivity due to poor accessibility.

Under Provision of Socially Valuable Sectors (Positive Externalities)

- **Market failure:** Sectors such as creative industries, social enterprises, and early stage businesses generate wider economic and social benefits but are not adequately supported by the commercial property market.
- **Rationale for intervention:** Supporting these sectors through affordable and flexible workspace can enhance innovation, placemaking, and cross sector collaboration.
- **Impact without intervention:** Loss of creative and cultural activity, weaker innovation ecosystems, and reduced long term economic dynamism.

Development Viability Constraints (Market Power / Structural Barriers)

- **Market failure:** High land values and development costs incentivise delivery of higher value uses (e.g. prime offices, labs, residential), limiting the viability of affordable or lower value workspace.
- **Rationale for intervention:** Policy mechanisms (e.g. thresholds, cross subsidy models, in lieu contributions) can help ensure affordable workspace is delivered without undermining viability.
- **Impact without intervention:** Continued under delivery of affordable workspace and increasing polarisation between high end and substandard stock.

Information and Coordination Failures

- **Market failure:** Fragmented provision of workspace and business support, alongside limited transparency on availability and costs, reduces market efficiency and the ability of businesses to plan and scale.
- **Rationale for intervention:** Coordinated workspace strategies and support for managed workspace models (e.g. incubators and hubs) can improve market functioning.
- **Impact without intervention:** Inefficient use of space, missed opportunities for collaboration, and weaker business ecosystems.

Infrastructure Constraints (Negative Externalities)

- **Market failure:** Transport congestion, high commuting costs, and housing affordability issues reduce effective access to labour and workspace, impacts not fully reflected in market pricing.
- **Rationale for intervention:** Integrating workspace policy with transport and infrastructure planning can improve accessibility and support sustainable growth.
- **Impact without intervention:** Reduced competitiveness, labour shortages, and increased pressure on businesses to relocate.

6.2.2. Taken together, these market failures demonstrate that the workspace market in Greater Cambridge is not delivering optimal outcomes in terms of affordability, accessibility, or diversity of provision. Noting that these summary points are identified from a purely economic perspective, and that the Local Plan must weigh up all economic, social and environmental impacts of the policy choices included within it and already allocates a significant number of sites for employment use across Greater Cambridge. Without intervention, these more qualitative issues are likely to intensify, undermining economic growth, business retention, and the long term competitiveness of the area.

6.3. Affordability Modelling Introduction and Summary

- 6.3.1. This section of the report explores the relationship between prevailing commercial rents in Greater Cambridge and the ability of different types of businesses to sustainably occupy workspace within the market. The analysis focuses primarily on SMEs, start-ups, and creative businesses, reflecting stakeholder concerns and evidence gathered throughout the study regarding affordability pressures, barriers to business growth, and the shortage of suitable “grow-on” accommodation.
- 6.3.2. The modelling has been designed as a high-level scenario testing exercise rather than a formal viability assessment. It uses hypothetical business models to test how varying rental levels and operating cost assumptions affect business sustainability and profitability. Given the commercial sensitivities associated with real business accounts, alongside the diversity of business types and operating structures within the Cambridge economy, the modelling should be treated as illustrative only. Its purpose is to provide a broad indication of affordability pressures and to help inform the potential role and justification for affordable workspace policy interventions.
- 6.3.3. A summary of the analysis below shows that affordability pressures are most acute for smaller occupiers, early-stage businesses, and sectors with lower or more volatile income streams, particularly creative, cultural, maker, and micro-business occupiers. In contrast, larger or more established knowledge-based firms operating within higher-value sectors are generally better able to absorb prevailing market rents, although occupancy costs can still constrain business growth, reinvestment, and flexibility.
- 6.3.4. The modelling also highlights that affordability is influenced by a wider range of costs beyond headline rent alone. Business rates, utilities, fit-out costs, service charges, specialist equipment requirements, and lease structures all materially affect the overall affordability of workspace. This reinforces the

importance of considering affordable workspace in broader terms, including flexible leasing models, managed workspace provision, capped occupancy costs, and shared facilities, rather than solely focusing on discounted rent levels.

- 6.3.5. Industrial and R&D occupiers have not been modelled directly due to the substantial variation in business models, operational requirements, and cost structures across manufacturing, logistics, production, and mid-tech sectors. However, stakeholder engagement and wider market evidence (as set out in the 2024 Icen Greater Cambridge Growth Sectors Study: Life science and ICT locational, land and accommodation needs and Greater Cambridge Warehouse and Industrial Space Needs Study 2025), suggest that similar affordability pressures exist, particularly for smaller industrial and maker businesses requiring specialist or flexible accommodation.

6.4. Business Rental Affordability Modelling

- 6.4.1. To explore how policy can support affordable and sustainable business growth, we will present financial cost models for two hypothetical businesses in the region (Small Office based start-up; Medium Office based business), and test three scenarios (low, central and high cost scenarios) to test the impact different office rents can have on their bottom line. These examples will test the impact that rent has on business sustainability, and the potential impact of affordable workspace policies.
- 6.4.2. By testing scenarios within these models, we can illustrate how even marginal increases in rental costs can have a disproportionate impact on a business's financial position when compared against its potential for revenue growth. This approach highlights the importance of policies that ease the burden of rising rents and help maintain viable conditions for businesses.
- 6.4.3. Also, to note that the approaches used here do not align or have regard to any National Audit Office (NAO) or Department for Business and Trade (DBT) business impact assessment models, or any RICS Appraisal Guidance modelling for viability analysis. This is a bespoke model, designed for high level testing only.

6.5. Modelling Assumptions

- 6.5.1. The following assumptions have been applied:

Costs

- 6.5.2. The model assesses the relationship between business costs, revenue and workspace rents to understand the extent to which different occupiers can sustainably afford commercial space within Greater Cambridge. Assumptions draw on stakeholder engagement, commercial market evidence, published business benchmarking data and national economic statistics.

Staff Costs

- 6.5.3. Staff costs are based on representative staffing structures and salary levels for creative, professional, scientific and technical businesses. Salary assumptions are informed primarily by the Annual Survey of Hours and Earnings (ASHE) published by the Office for National Statistics, supplemented by recruitment market salary guides and evidence gathered through stakeholder engagement. Employer

National Insurance and pension contributions are based on current UK statutory requirements and standard employer contribution rates.

Running Costs

- 6.5.4. Running costs include technology, software, insurance, marketing, recruitment, professional services and administration. Assumptions are informed by SME benchmarking evidence published by the Federation of Small Businesses, guidance from the British Business Bank, business cost surveys, and feedback received through stakeholder engagement with local businesses and workspace operators.

Other Costs

- 6.5.5. Other costs comprise property-related expenditure excluding rent, including utilities, maintenance and general occupancy costs. Assumptions are informed by stakeholder discussions, commercial property operating cost benchmarks and market evidence gathered through the property market review, including CoStar market data and local commercial market reports.

Profit

- 6.5.6. Target profit margins are intended to reflect commercially sustainable operating positions for the business types being modelled. Assumptions are informed by SME financial benchmarking, published business performance data, and discussions with businesses and economic development stakeholders regarding the need to support reinvestment, resilience and growth.

Revenue

- 6.5.7. Revenue assumptions are based on indicative turnover generated by fee-earning staff and reflect a range of business performance scenarios. Assumptions are informed by stakeholder engagement, sector-specific benchmarking data, SME performance evidence and published research relating to productivity in creative, professional and knowledge-intensive sectors.

Rental Scenarios

- 6.5.8. The rental scenarios are derived from the commercial property market review undertaken as part of this study. Rental levels reflect observed market rents across office, R&D, industrial and creative workspace markets within Greater Cambridge, drawing principally on CoStar market data, local market reports and evidence prepared in support of the emerging Greater Cambridge Local Plan.

Impact on Net Profit

- 6.5.9. The impact on net profit measures the effect of workspace costs on overall business performance once all operating costs and target profit requirements have been accounted for. This provides an indication of the extent to which prevailing market rents may constrain business viability and growth.

Goal Seek Affordable Rent

- 6.5.10. The goal seek affordable rent calculation identifies the maximum rent that a business could pay while maintaining its target profit margin. Unlike percentage-based affordable workspace discounts, which are typically linked to prevailing market rents, this approach is based on business affordability. The results therefore provide an indication of the rent level required to support sustainable occupation and

can be used to assess whether standard discounts (for example, 20% below market rent) are likely to achieve genuine affordability for different occupier groups.

Model 1 – Creative / Artistic Workspace Start-Up

- 6.5.11. Table 6.1 below sets out the results of a hypothetical affordability model for a small creative or artistic workspace business operating within Greater Cambridge. The model is based on a small studio-based enterprise comprising approximately 4–5 staff or practitioners, representative of businesses operating within the arts, crafts, design, maker, digital creative, or cultural sectors. These sectors are typically characterised by lower and less predictable revenues, higher sensitivity to rental costs, and greater reliance on flexible and affordable workspace provision.
- 6.5.12. The analysis uses a range of low, central, and high-cost assumptions benchmarked against typical operating costs within the creative sector, alongside current Greater Cambridge rental levels for studio and workshop space. Affordable creative workspace rents within Greater Cambridge can vary significantly depending on location and specification, although market rents for smaller studio and workshop units are commonly estimated to range between approximately £14 and £22 per sqft, with managed and fitted creative space often achieving higher effective rents.
- 6.5.13. The analysis demonstrates that many small creative and artistic businesses operating within Greater Cambridge are highly sensitive to rental costs. Under central and high-cost operating assumptions, businesses are unlikely to sustain prevailing market rents for studio and workshop space without subsidy, grant support, shared workspace models, or discounted affordable workspace provision. This reflects the lower and less predictable income profiles associated with many creative businesses, alongside high operating costs, fit-out requirements, and limited capacity to absorb occupancy cost increases.
- 6.5.14. The findings suggest that affordable creative workspace interventions, including discounted rents, flexible leases, managed workspace provision, capped service charges, and shared facilities, are likely to be critical in supporting business viability and retention within Greater Cambridge. Achieving the modelled “goal-seek” affordable rent of £6.30 per sqft for the low cost option, would require rental reductions of approximately 55% from £14 per sqft rents, 65% from £18 per sqft rents, and 71% from £22 per sqft rents, indicating that rents would need to fall by well over half relative to typical market levels in order for the business to achieve its target profitability under the modelled assumptions. For the Central and High options there wouldn’t be an achievable “goal seek” affordable rent.

Table 6.1 Creative Workspace Rental Affordability Cost Modelling

Category	Low	Central	High
<i>Staff</i>			
Creative / Junior Staff	2	2	2
Creative / Junior Salaries	£22,000	£26,000	£30,000
Senior Creative Staff	1	1	1
Senior Creative Salaries	£32,000	£38,000	£44,000
Admin / Operations Staff	1	1	1

Admin Salaries	£24,000	£28,000	£32,000
Management / Director Staff	1	1	1
Management Salaries	£40,000	£50,000	£60,000
<i>Sub-total salary costs</i>	£140,000	£168,000	£196,000
<i>Running Costs</i>			
Employer NI Contributions (~13.8%)	£19,320	£23,184	£27,048
Pension Contributions	3%	6%	9%
Pension Cost	£4,200	£10,080	£17,640
Technology / Software	£4,000	£6,000	£8,000
Insurance	£2,500	£3,500	£5,000
Marketing & Promotion	£5,000	£8,000	£12,000
Equipment / Materials	£8,000	£12,000	£18,000
Recruitment	£1,500	£2,500	£4,000
Professional Fees	£2,000	£3,000	£5,000
Admin	£2,000	£3,000	£5,000
<i>Subtotal running costs</i>	£48,520	£71,264	£101,688
<i>Other and Property Costs (exc rent)</i>			
Studio / Workshop floorspace (sqft)	800	1,000	1,200
Utilities & Maintenance	£6,000	£9,000	£13,000
Misc. (10%)	£5,452	£8,026	£11,969
<i>Subtotal other and property (exc rent)</i>	£11,452	£17,026	£24,969
<i>Total running costs (exc profit and rent)</i>	£199,972	£256,290	£322,657
<i>Profit</i>			
Target Profit Margin (%)	8%	8%	8%
Profit Cost	£15,998	£20,503	£25,813
<i>Total Cost Inc. profit, exc. rent</i>	£215,970	£276,793	£348,470
<i>Revenue</i>			
Average Turnover by Fee Earning Staff	£70,000	£85,000	£100,000
Fee Earning Staff	3	3	3
Total Revenue	£210,000	£255,000	£300,000
<i>Rental Scenarios</i>			
Creative Workspace Rent @ £14 per sqft	£11,200	£14,000	£16,800
Creative Workspace Rent @ £18 per sqft	£14,400	£18,000	£21,600
Creative Workspace Rent @ £22 per sqft	£17,600	£22,000	£26,400
<i>Impact on Net Profit</i>			
Net Profit after rent @ £14 per sqft	-£17,170	-£35,793	-£65,270
Net Profit after rent @ £18 per sqft	-£20,370	-£39,793	-£70,070
Net Profit after rent @ £22 per sqft	-£23,570	-£43,793	-£74,870
<i>Goal Seek Affordable Rent (£ per sqft)</i>	£6.30	£0.00	Negative

Model 2 – Office based Medium Sized Enterprise

6.5.15. The following analysis presents a hypothetical affordability model for a small-to-medium-sized office-based enterprise operating within Cambridge's professional, knowledge-based or innovation economy.

The model assumes a growing SME business occupying conventional office or research and development (R&D) space and reflects prevailing office market conditions within Greater Cambridge. Office rents within Cambridge are amongst the highest in the UK outside London, with prime city centre office and R&D space frequently achieving rents in excess of £50 per sqft, while secondary and suburban office markets typically range between approximately £25 and £40 per sqft depending on specification and location. Smaller fitted and managed office suites can achieve even higher effective occupational costs once service charges, fit-out requirements and other operational expenses are taken into account. While many established knowledge-intensive businesses may be capable of sustaining higher rental values, affordability pressures become more pronounced for smaller SMEs, start-ups and early-stage businesses. Occupancy costs extend beyond headline rent and include business rates, utilities, service charges, fit-out costs and wider business overheads, all of which can materially affect affordability and business growth.

- 6.5.16. Stakeholder engagement identified a particular shortage of affordable “grow-on” space within Cambridge for businesses transitioning from incubator, accelerator or co-working environments into conventional commercial premises. Many businesses face a limited choice between lower-quality secondary accommodation and premium office or laboratory space, creating challenges in accessing premises that provide an appropriate balance of affordability, flexibility and quality.
- 6.5.17. The modelling demonstrates that even relatively established SMEs can face affordability pressures when occupying conventional office space, particularly where rents approach prime market levels. This can constrain business expansion, staffing growth and reinvestment, increasing the risk that businesses delay growth, remain in unsuitable accommodation or relocate outside Greater Cambridge. The findings highlight the importance of affordable workspace policies, flexible lease structures, managed workspace environments and other interventions that support business retention and scaling within the local economy.
- 6.5.18. To achieve the modelled “goal-seek” affordable rent of £6.00 per sqft would require rental reductions of approximately 76% from £25 per sqft rents, 83% from £35 per sqft rents, and 88% from £50 per sqft rents, indicating that rents would need to fall by around three-quarters or more relative to typical market levels in order for the business to achieve its target profitability under the modelled assumptions.

Table 6.2 SME Office Rental Affordability Cost Modelling

Category	Low	Central	High
<i>Staff</i>			
Junior Staff	12	12	12
Junior Salaries	£30,000	£36,000	£42,000
Senior Staff	8	8	8
Senior Salaries	£45,000	£55,000	£65,000
Admin Staff	5	5	5
Admin Salaries	£32,000	£38,000	£44,000
Management Staff	3	3	3
Management Salaries	£75,000	£90,000	£110,000

<i>Sub-total salary costs</i>	£1,305,000	£1,596,000	£1,932,000
<i>Running Costs</i>			
Employer NI Contributions (~13.8%)	£180,090	£220,248	£266,616
Pension Contributions	3%	6%	9%
Pension Cost	£39,150	£95,760	£173,880
Technology	£65,000	£90,000	£120,000
Insurance	£18,000	£25,000	£35,000
Marketing & Customer Acquisition	£50,000	£80,000	£120,000
Recruitment	£15,000	£25,000	£40,000
Professional Fees	£20,000	£35,000	£50,000
Admin	£18,000	£25,000	£35,000
<i>Subtotal running costs</i>	£405,240	£596,008	£840,496
<i>Other and Property Costs (exc rent)</i>			
Office floorspace (sqft)	3,500	4,500	5,500
Office Utilities & Maintenance	£28,000	£42,000	£60,000
Misc. (10%)	£17,332	£22,918	£30,249
<i>Subtotal other and property (exc rent)</i>	£45,332	£64,918	£90,249
<i>Total running costs (exc profit and rent)</i>	£1,755,572	£2,256,926	£2,862,745
<i>Profit</i>			
Target Profit Margin (%)	12%	12%	12%
Profit Cost	£210,669	£270,831	£343,529
<i>Total Cost Inc. profit, exc. rent</i>	£1,966,241	£2,527,757	£3,206,274
<i>Revenue</i>			
Average Turnover by Fee Earning Staff	£95,000	£115,000	£135,000
Fee Earning Staff	20	20	20
Total Revenue	£1,900,000	£2,300,000	£2,700,000
<i>Rental Scenarios</i>			
Office Rent @ £25 per sqft	£87,500	£112,500	£137,500
Office Rent @ £35 per sqft	£122,500	£157,500	£192,500
Office Rent @ £50 per sqft	£175,000	£225,000	£275,000
<i>Impact on Net Profit</i>			
Net Profit after rent @ £25 per sqft	-£153,741	-£340,257	-£643,774
Net Profit after rent @ £35 per sqft	-£188,741	-£385,257	-£698,774
Net Profit after rent @ £50 per sqft	-£241,241	-£452,757	-£781,274
<i>Goal Seek Affordable Rent (£ per sqft)</i>	£6.00	Negative	Negative

6.5.19. Model 3 – Technology / Financial Services SME

6.5.20. The following analysis presents a hypothetical affordability model for a higher-value technology, digital or financial services SME operating within Greater Cambridge's knowledge economy. The model assumes a mature and scalable business occupying high-quality office accommodation, with relatively high turnover generated per fee-earning employee. This reflects the type of occupiers commonly

associated with Cambridge’s innovation economy, including software firms, AI businesses, consultancy practices, fintech companies, and specialist financial or professional services firms.

6.5.21. Businesses operating within these sectors typically generate significantly higher revenue per employee than more traditional SMEs or creative businesses and are therefore generally better positioned to absorb higher occupancy costs. However, while these sectors may be capable of sustaining premium office rents in some circumstances, occupancy costs still influence business competitiveness, profitability, recruitment, and growth decisions, particularly where businesses are scaling rapidly or competing internationally for talent and investment.

6.5.22. The modelling below tests a range of low, central and high-cost scenarios against prevailing Cambridge office rental levels. Rental assumptions reflect current prime and secondary office market conditions, where Grade A office rents frequently exceed £50 per sqft within central Cambridge locations. The modelling indicates that reducing office rents from typical market levels of £25-£50 per sqft towards the implied affordability threshold would increase profitability by approximately 10%-20% at £25 per sqft, around 15%-25% at £35 per sqft, and up to around 20%-30% at £50 per sqft, reflecting the relatively strong underlying operating margins of larger occupiers and the proportionate impact of occupancy costs on net returns under the modelled assumptions. On this basis, rent reductions would not generally be required for this type of business model operating in Cambridge, as occupiers of this scale are typically able to absorb prevailing market rental levels without materially affecting overall viability.

Table 6.3 Technology / Financial Services SME Rental Affordability Cost Modelling

Category	Low	Central	High
<i>Staff</i>			
Junior Staff	10	10	10
Junior Salaries	£45,000	£55,000	£65,000
Senior Staff	12	12	12
Senior Salaries	£85,000	£100,000	£120,000
Admin Staff	4	4	4
Admin Salaries	£38,000	£45,000	£52,000
Management Staff	4	4	4
Management Salaries	£120,000	£150,000	£180,000
<i>Sub-total salary costs</i>	£1,946,000	£2,500,000	£3,104,000
<i>Running Costs</i>			
Employer NI Contributions (~13.8%)	£268,548	£345,000	£428,352
Pension Contributions	5%	8%	10%
Pension Cost	£97,300	£200,000	£310,400
Technology	£180,000	£300,000	£450,000
Insurance	£30,000	£45,000	£60,000
Marketing & Customer Acquisition	£120,000	£180,000	£280,000
Recruitment	£60,000	£100,000	£160,000
Professional Fees	£45,000	£70,000	£100,000

Admin	£30,000	£45,000	£65,000
Subtotal running costs	£830,848	£1,285,000	£1,854,752
<i>Other and Property Costs (exc rent)</i>			
Office floorspace (sqft)	5,000	6,500	8,000
Office Utilities & Maintenance	£45,000	£65,000	£90,000
Misc. (10%)	£28,218	£38,500	£49,588
<i>Subtotal other and property (exc rent)</i>	£73,218	£103,500	£139,588
<i>Total running costs (exc profit and rent)</i>	£2,850,066	£3,888,500	£5,098,340
<i>Profit</i>			
Target Profit Margin (%)	15%	15%	15%
Profit Cost	£427,510	£583,275	£764,751
<i>Total Cost Inc. profit, exc. rent</i>	£3,277,576	£4,471,775	£5,863,091
<i>Revenue</i>			
Average Turnover by Fee Earning Staff	£220,000	£280,000	£350,000
Fee Earning Staff	22	22	22
Total Revenue	£4,840,000	£6,160,000	£7,700,000
<i>Rental Scenarios</i>			
Office Rent @ £25 per sqft	£125,000	£162,500	£200,000
Office Rent @ £35 per sqft	£175,000	£227,500	£280,000
Office Rent @ £50 per sqft	£250,000	£325,000	£400,000
<i>Impact on Net Profit</i>			
Net Profit after rent @ £25 per sqft	£1,437,424	£1,525,725	£1,636,909
Net Profit after rent @ £35 per sqft	£1,387,424	£1,460,725	£1,556,909
Net Profit after rent @ £50 per sqft	£1,312,424	£1,363,225	£1,436,909
<i>Goal Seek Affordable Rent (£ per sqft)</i>	£312	£260	£230

6.5.23. The modelling demonstrates that higher-value technology, fintech and financial services SMEs operating within Cambridge are generally capable of sustaining prevailing office rents, including prime Grade A rental levels. Compared to creative industries and lower-margin SMEs, these sectors typically generate substantially higher revenue per employee and possess greater resilience to occupancy costs.

6.5.24. However, the analysis also demonstrates that occupancy costs remain material to business performance and investment decisions. While rental affordability is less likely to constrain occupation directly, high office costs may still influence decisions regarding business scaling, recruitment, office quality, hybrid working practices, and business location choices. This is particularly relevant where firms are considering expansion into larger premises or competing internationally for investment and skilled labour.

6.5.25. The findings reinforce the importance of maintaining a diverse commercial property market within Greater Cambridge. While premium office markets are likely to remain viable for higher-value occupiers, affordable and flexible workspace provision remains critical for supporting the wider

business ecosystem, including start-ups, smaller SMEs, creative industries, and early-stage innovation businesses that contribute to Greater Cambridge's long-term economic dynamism and growth pipeline.

7. WIDER IMPACTS OF AFFORDABLE WORKSPACE

7.1. Introduction and Summary

7.1.1. This section of the report considers the role and importance of affordable workspace within Greater Cambridge and reviews a series of case studies demonstrating how affordable and flexible workspace can support wider economic growth, innovation, regeneration and placemaking objectives. The evidence highlights that affordable workspace can support SMEs, start-ups, creative industries and innovation-led businesses by reducing barriers to entry, enabling business growth and helping retain a diverse range of occupiers within high-value commercial locations.

7.1.2. The case studies reviewed demonstrate that affordable workspace can deliver benefits extending beyond employment provision alone. Across a range of regeneration, mixed-use and innovation-led developments, affordable workspace has supported business formation, clustering and knowledge exchange, whilst also contributing to more active, diverse and resilient places. Flexible studios, workshops, incubator space and managed workspace can help support local employment, increase footfall, strengthen local identity and maintain commercial diversity within town centres and growth areas.

7.1.3. The evidence also highlights the importance of long-term management arrangements, specialist operators and flexible lease structures in ensuring affordable workspace remains genuinely accessible and responsive to business needs over time. Examples from London, Liverpool and Cambridge demonstrate that affordable workspace can act as both an economic development and placemaking tool, supporting inclusive growth, innovation ecosystems and town centre vitality, whilst helping retain independent businesses and creative industries that may otherwise be displaced by rising land values and rental costs.

7.1.4. Within Greater Cambridge, these issues are particularly important given the area's highly constrained commercial property market and concentration of knowledge-intensive sectors. Evidence presented throughout this report identifies clear market failures in the delivery of lower-cost and flexible workspace, particularly for smaller and early-stage businesses. Without intervention, there is a risk that increasing costs and limited supply will reduce economic diversity, constrain business growth and undermine wider ambitions relating to inclusive growth, innovation and place quality. Affordable workspace therefore has an important role in supporting the long-term economic resilience, competitiveness and vibrancy of Greater Cambridge.

7.2. Case Studies

7.2.1. To demonstrate how affordable workspace can support wider economic growth, business retention and placemaking objectives, a series of case studies have been reviewed. These examples illustrate a range of delivery models, including creative workspace, town centre regeneration, incubator space and large-scale mixed-use development. Collectively, they demonstrate how affordable and flexible workspace can support SMEs, start-ups, creative industries and local employment, while also contributing to more vibrant and resilient places.

7.2.2. The case studies reviewed demonstrate the important role affordable workspace can play in supporting economic growth, innovation, regeneration and placemaking objectives. Across a range of contexts, affordable and flexible workspace has been shown to support SMEs, start-ups, creative industries and innovation-led businesses by reducing barriers to entry, providing flexible accommodation and enabling businesses to grow and remain within an area over time. The examples also highlight the importance of specialist workspace operators, flexible lease structures and long-term management arrangements in ensuring affordable workspace remains accessible and responsive to local business needs.

7.2.3. The evidence further demonstrates that affordable workspace can generate benefits beyond employment provision alone. Affordable workspace can support active frontages, increase footfall, strengthen local identity and contribute to more vibrant and diverse mixed-use environments. The case studies also show how affordable workspace can help retain independent businesses and creative industries within high-value growth areas, whilst supporting innovation ecosystems, business formation and inclusive economic growth. Collectively, the examples reinforce the role of affordable workspace as both an economic development and placemaking tool, supporting commercial diversity and long-term resilience within local economies.

Case Study 1: Mixed-Use Creative Hub Development – Hackney Wick, London



7.2.4. Hackney Wick and Fish Island in East London provide one of the UK's strongest examples of affordable creative workspace being integrated within large-scale mixed-use regeneration. Historically characterised by low-cost industrial buildings occupied by artists, makers and creative businesses, the area has experienced significant redevelopment pressures following the 2012 Olympic Games, resulting in rising land values, displacement pressures and loss of workspace.

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- 7.2.5. In response, the London Legacy Development Corporation (LLDC), Hackney Council and workspace organisations introduced policies and delivery mechanisms aimed at embedding affordable workspace within new development schemes. This included the designation of Hackney Wick and Fish Island as one of London's first Creative Enterprise Zones, alongside planning policies requiring affordable workspace provision within major mixed-use developments.
- 7.2.6. A key example is Stone Studios (Wallis Road Studios), a mixed-use development combining residential uses with approximately 33,000 sqft of long-term affordable creative workspace operated by Creative Land Trust. The scheme provides up to 180 affordable studios for artists and makers through discounted rents, long-term leases and specialist workspace management. The workspace is integrated at ground and lower ground floor level, helping maintain active frontages and supporting the area's creative identity.
- 7.2.7. Research undertaken by the Hackney Wick and Fish Island Community Development Trust identified significant latent demand for affordable workspace within mixed-use schemes across the area and highlighted the importance of activating underutilised commercial space to support SMEs, creative businesses and local employment. The study found that affordable workspace plays an important role in sustaining economic diversity, supporting cultural production and maintaining local character within regeneration areas.
- 7.2.8. The Hackney Wick case study demonstrates how affordable workspace policies, specialist operators and mixed-use development can work together to retain creative industries within high-value regeneration locations. It also highlights the wider placemaking benefits associated with affordable workspace, including increased street-level activity, support for independent businesses, stronger local identity and more vibrant mixed-use neighbourhoods. At the same time, the case study illustrates the challenges of balancing regeneration, viability and long-term affordability within rapidly changing urban markets.

Case Study 2: Regeneration Scheme Incorporating Workshops and SMEs – Baltic Triangle, Liverpool



7.2.9. The Baltic Triangle in Liverpool provides a strong example of how affordable industrial and workshop space can support regeneration, SME growth and the development of creative and digital business clusters. Historically a declining docklands and warehouse district, the area contained a significant stock of vacant and underutilised industrial buildings, many of which offered large, flexible and relatively low-cost premises close to Liverpool city centre.

7.2.10. From the mid-2000s onwards, these former warehouses and industrial buildings began to attract artists, musicians, makers, digital businesses and independent SMEs seeking affordable and adaptable workspace. The regeneration of the area was led largely through the reuse of historic industrial buildings, helping retain the distinctive character and identity of the area while creating space suitable for creative production, workshops and small business growth.

7.2.11. A central component of this transformation was the establishment of Baltic Creative, a Community Interest Company supported by Liverpool City Council. Baltic Creative took long-term leases on approximately 18 former warehouses and industrial premises and converted them into flexible workspace targeted specifically at creative and digital industries. This included small studios, workshop units, shared workspaces and managed business accommodation designed for SMEs and early-stage firms. Profits generated through the model are reinvested into additional workspace provision and wider regeneration initiatives.

7.2.12. The success of the model has been substantial. Baltic Creative now manages over 118,000 sqft of workspace supporting more than 150 businesses and around 500 jobs, with strong ongoing demand and significant waiting lists for affordable space. The cluster has supported growth in creative, digital

and cultural industries while also strengthening local supply chains, supporting employment growth and increasing investment into the area.

7.2.13. Importantly, the case study demonstrates the wider placemaking and regeneration benefits associated with affordable workspace. The reuse of industrial heritage buildings, combined with independent businesses, workshops, cultural venues and flexible commercial space, has helped create a vibrant mixed-use destination with strong local identity and significant visitor appeal. The area now supports a wide range of independent businesses, bars, cultural venues and creative enterprises, contributing to increased footfall and urban vitality.

7.2.14. The Baltic Triangle also highlights some of the longer-term challenges associated with successful regeneration. Rising land values, residential development pressures and increasing commercial rents have created concerns around displacement and gentrification, with pressure on smaller independent occupiers and creative businesses. This reinforces the importance of long-term affordable workspace policies, active management models and planning frameworks that protect employment space and maintain diversity of occupiers as regeneration progresses.

Case Study 3: Town Centre Repurposing Scheme – Pop Brixton, London



7.2.15. Pop Brixton provides an example of how affordable and flexible workspace can support town centre regeneration, reduce vacancy and stimulate local economic activity through the temporary reuse of underutilised land. Delivered as a meanwhile-use project on a vacant site owned by Lambeth Council, the scheme transformed an unused town centre site into a mixed-use destination incorporating affordable workspace, retail, food businesses and community space.

7.2.16. The development was designed using repurposed shipping containers and low-cost construction methods, allowing space to be delivered quickly and at relatively low cost. The scheme provides affordable units for start-ups, independent retailers, food businesses, social enterprises and creative SMEs, alongside shared community and event space. Flexible lease arrangements and lower entry

costs were intended to support early-stage businesses that would otherwise struggle to access conventional commercial premises within central London.

7.2.17. Evidence from the London Borough of Brent Affordable Workspace Study identified significant wider regeneration benefits associated with the project. Surveys found that approximately 88% of visitors believed Pop Brixton had strengthened the wider town centre, while around half of visitors also visited other businesses and destinations within Brixton during their trip. The scheme therefore acted as a catalyst for increased footfall and spending within the surrounding area, helping support the wider local economy.

7.2.18. Beyond direct economic impacts, the project also contributed to placemaking and town centre vitality by introducing activity into a previously vacant site, supporting independent businesses and creating a distinctive destination with strong local identity. The combination of affordable workspace, cultural activity, food and community uses helped create a vibrant and flexible environment that attracted both local residents and visitors.

7.2.19. The Pop Brixton model demonstrates how temporary and meanwhile-use approaches can play an important role in supporting affordable workspace provision, testing new commercial models and activating underused town centre sites. It also highlights how relatively low-cost and flexible interventions can generate wider regeneration benefits, increase confidence in an area and support longer-term investment and redevelopment objectives.

Case Study 4: Innovation and Incubator Hub Model – Future Business Centre, Cambridge



7.2.20. The Future Business Centre in Cambridge provides an example of an innovation-led incubator model supporting start-ups and early-stage businesses through affordable and flexible workspace. Operated by Allia, the centre offers a combination of co-working space, managed offices, meeting facilities, business support services and networking opportunities aimed at knowledge-based SMEs, social enterprises and innovation-led businesses.

7.2.21. Flexible lease structures, shared facilities and business support services help reduce barriers to entry for early-stage firms and enable businesses to scale over time. The model also supports collaboration, innovation and knowledge exchange between occupiers, helping create a supportive ecosystem for business growth and entrepreneurship within Cambridge's knowledge economy.

7.2.22. The Future Business Centre also incorporates a strong environmental and sustainability focus within both its design and operation. The building was designed to high environmental standards, incorporating energy-efficient construction, low-carbon technologies, sustainable materials and measures to reduce operational energy consumption. Shared facilities and flexible workspace models also help reduce resource use and improve space efficiency compared with more traditional office formats.

7.2.23. The centre's approach aligns business support with wider sustainability objectives, recognising the growing importance of environmental performance, ESG considerations and low-carbon innovation within the Cambridge economy. The provision of accessible and sustainable workspace can also help reduce commuting impacts and encourage more efficient use of commercial floorspace through shared and flexible occupation models.

7.2.24. Overall, the case study demonstrates the importance of affordable, flexible and sustainable workspace in supporting business formation, innovation and business growth within the Cambridge economy, particularly for SMEs operating within high-value sectors. It also highlights how incubator and managed workspace models can contribute to wider economic, environmental and social objectives simultaneously.

Case Study 5: Large-Scale Mixed-Use Development with Embedded Affordable Workspace – Canada Water Masterplan, London



7.2.25. The Canada Water Masterplan in Southwark, led by British Land in partnership with Southwark Council, provides a strong example of how affordable and flexible workspace can be integrated into a major mixed-use regeneration scheme as part of a long-term placemaking strategy. The wider masterplan will deliver new homes, commercial floorspace, retail, leisure, community uses and public realm, alongside a significant employment offer designed to support a diverse business ecosystem.

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- 7.2.26. A key component of the scheme is the delivery of affordable workspace targeted towards SMEs, start-ups, creative industries and local businesses. The development includes dedicated affordable workspace floorspace secured through the planning process, with discounted rents and flexible lease structures intended to support occupiers who would otherwise struggle to access central London commercial markets. The approach is intended to ensure that regeneration benefits are shared more widely and that smaller businesses are not displaced by rising values associated with large-scale redevelopment.
- 7.2.27. The affordable workspace provision forms part of a broader strategy to create a balanced and inclusive commercial environment, incorporating a range of occupier types from major office tenants through to independent businesses and community-focused enterprises. Flexible workspace models, smaller floorplates, and managed workspace environments are intended to support business formation, scaling firms and local employment opportunities.
- 7.2.28. Importantly, the scheme demonstrates how affordable workspace can contribute positively to placemaking outcomes within major regeneration projects. Rather than functioning as a standalone policy obligation, the workspace is integrated into active frontages, mixed-use streets and publicly accessible spaces, helping to support footfall, activity and diversity throughout the day and evening. The inclusion of smaller businesses and creative occupiers also contributes to local identity and vibrancy, helping avoid the creation of homogenous commercial districts dominated solely by large corporate occupiers.
- 7.2.29. The Canada Water example also highlights the importance of long-term stewardship and partnership working in delivering affordable workspace successfully. Delivery has involved collaboration between the developer, local authority and workspace operators to ensure that the provision remains accessible, flexible and responsive to local economic needs over time.
- 7.2.30. Overall, the scheme demonstrates how large-scale mixed-use development can successfully embed affordable workspace within wider regeneration objectives, supporting economic inclusion, SME growth, placemaking and long-term commercial diversity alongside significant new development.

7.3. Economic

- 7.3.1. The availability of affordable business space is a critical enabler of enterprise formation, business growth, and productivity across Greater Cambridge. A constrained supply of affordable workspace can act as a structural barrier to business formation and scaling, particularly for SMEs, start-ups, and knowledge-intensive firms that are highly sensitive to occupancy costs and require flexible, lower-cost premises during early growth phases. In a high-demand, supply-constrained market such as Cambridge, this can result in businesses delaying expansion, operating below optimal scale, or relocating outside the area entirely.
- 7.3.2. These constraints have direct implications for productivity and Gross Value Added (GVA). Greater Cambridge is characterised by a highly specialised innovation economy, with strong concentrations in life sciences, information and communication technologies (ICT), professional and business services, advanced engineering, and creative industries. At a national level, the life sciences sector contributes

over £80 billion in GVA and supports more than 250,000 jobs, while the digital and ICT sector contributes in excess of £150 billion in GVA and is one of the fastest growing parts of the UK economy. Professional, scientific and technical activities account for approximately 11–12% of UK GVA and are similarly over-represented in Cambridge relative to national averages, reflecting the area’s role as a leading knowledge economy.

- 7.3.3. Within Greater Cambridge, professional, scientific and technical activities (substantially made up of life science businesses) account for approximately 20% of all businesses, while information and communication sectors represent around 10% of the business base. Together, these sectors form a core part of the local innovation ecosystem, alongside a substantial life sciences cluster, advanced manufacturing and “mid-tech” occupiers, and a smaller but highly productive creative industries base. The creative industries alone account for around 1,840 businesses and approximately 14,000 jobs (around 8.5% of total employment), while the wider economy is dominated by SMEs, with over 80% of businesses employing fewer than 10 people across the area.
- 7.3.4. This structure is significant because it reflects a multi-layered economy in which different sectors perform complementary roles. Life sciences and advanced technology firms often include specialist SMEs, spin-outs, contract research organisations, design and prototyping firms, and professional service providers. These relationships are not incidental but structural: they form supply chains, collaboration networks, and innovation pathways that depend on spatial proximity and occupational flexibility.
- 7.3.5. The economic importance of these interactions is best understood through the concept of agglomeration economies, where productivity gains arise from the clustering of related firms within the same geography. In Greater Cambridge, this manifests through knowledge spillovers between universities and spin-outs, collaboration between large anchor firms and SMEs, and labour market pooling across sectors. Evidence consistently shows that such ecosystems are key drivers of high productivity growth, particularly in science and technology-led economies.
- 7.3.6. Affordable workspace plays a critical enabling role in sustaining this ecosystem structure. It ensures that early-stage firms, SMEs, and lower-margin occupiers remain able to locate within the same spatial clusters as high-revenue and globally competitive firms. Without this, there is a risk of economic segmentation, where only the most financially resilient occupiers remain in core innovation locations, while smaller firms are displaced to peripheral areas with weaker connectivity to knowledge networks, talent, and supply chains.
- 7.3.7. This is particularly important because Greater Cambridge’s economic success is not driven solely by large firms, but by the interaction between firms at different stages of maturity and value creation. High-revenue firms benefit from proximity to SMEs through innovation sourcing, subcontracting, and specialist service provision, while SMEs benefit from access to markets, mentoring, investment, and routes to commercialisation. For example, early-stage life sciences firms often rely on flexible lab and incubation space before scaling into larger facilities, while digital and creative SMEs frequently provide specialist capabilities that support larger technology and research organisations.

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- 7.3.8. The creative industries, while smaller in employment terms, also play an important role in this ecosystem. Nationally, the sector generates approximately £124 billion in GVA (around 5–6% of UK GVA) and has grown faster than the wider economy over the long term. Within Greater Cambridge, creative and digital businesses contribute to innovation capacity, place-making, and talent attraction, and frequently overlap with ICT, software, and professional services sectors, reinforcing cross-sector collaboration.
- 7.3.9. The result is a highly interdependent economic system in which value is created through diversity of occupiers as much as scale of individual firms. A balanced mix of high-revenue anchor firms, scaling businesses, SMEs, and start-ups supports innovation throughput, business formation, and long-term productivity growth. Conversely, excessive concentration in only high-value occupiers risks weakening supply chain depth, reducing innovation diversity, and limiting the formation of new growth businesses.
- 7.3.10. Affordable workspace therefore functions as an essential component of economic infrastructure within this system. It supports the “entry and scaling” stages of the business lifecycle, enabling firms to remain within Greater Cambridge during their most vulnerable growth phases. In doing so, it helps sustain the pipeline of firms that ultimately contribute to high-value employment and GVA, ensuring that the benefits of agglomeration are maintained across the wider economy.
- 7.3.11. In this context, affordable workspace is not a subsidy to lower-value activity, but a mechanism that preserves the structural conditions required for high-value economic activity itself. It maintains the spatial integration of complementary sectors, supports innovation ecosystems, and ensures that Greater Cambridge continues to function as a diversified, high-productivity knowledge economy.

7.4. Societal

- 7.4.1. Affordable workspace also has important social implications, particularly in relation to employment, wages, inclusion, and social mobility. High workspace costs can restrict access to entrepreneurship and self-employment, disproportionately affecting younger people, lower-income groups, freelancers, and emerging businesses that are less able to absorb commercial risk. This can reduce opportunities for local business formation and limit pathways into higher-skilled or more flexible forms of employment.
- 7.4.2. A lack of affordable workspace can also reduce the diversity of occupations available locally, reinforcing inequalities in access to high-growth sectors and limiting opportunities for residents to participate in Greater Cambridge’s economy. This is particularly relevant in sectors with lower average profit margins or less secure income structures, including arts and culture, independent retail, community organisations, and social enterprises. Evidence from Greater Cambridge highlights that affordable workspace can play an important role in addressing social inclusion by helping businesses and individuals from more deprived communities overcome financial barriers associated with starting and sustaining enterprises.
- 7.4.3. The creative industries are especially significant from a societal perspective because they contribute not only to employment, but also to cultural participation, identity, and community well-being. Affordable studios, rehearsal spaces, workshops, and cultural venues help support a diverse creative workforce and enable wider public engagement with arts and culture. Without affordable provision, there is a risk

that creative activity becomes increasingly inaccessible, reducing diversity within the sector and weakening the social and cultural fabric of the area.

7.5. Placemaking

- 7.5.1. Affordable business space is also a key component of successful placemaking and regeneration. Small businesses, independent operators, studios, workshops, and flexible workspaces contribute to active and vibrant environments by generating footfall, supporting local spending, and increasing the diversity of uses within town centres and mixed-use neighbourhoods. A broad mix of businesses helps create more resilient places, particularly in the context of changing retail patterns and high street pressures.
- 7.5.2. Mixed-use development that incorporates affordable workspace can significantly enhance place quality by introducing activity throughout the day and evening, supporting local services, and creating distinctive environments with stronger local identity. Studio and workshop space can be particularly valuable in activating ground floors, supporting independent businesses, and creating opportunities for interaction between commercial, cultural, and residential uses. Evidence from Greater Cambridge highlights the importance of integrating affordable workspace, including creative and maker space, into new mixed-use communities and regeneration schemes.
- 7.5.3. The creative industries play a particularly visible placemaking role. Creative spaces, cultural venues, artists' studios, and maker spaces contribute to vibrancy, identity, and attractiveness, helping differentiate places and support wider regeneration objectives. These uses often generate benefits beyond direct economic output by fostering social interaction, cultural participation, and civic identity. However, the loss of affordable workspace risks creating increasingly homogenised environments dominated by higher-value commercial uses, reducing diversity and weakening the character and vitality of centres and neighbourhoods.
- 7.5.4. There is also growing recognition that affordable and flexible workspace contributes to the long-term sustainability of mixed-use development. By supporting a wider range of occupiers and activities, affordable workspace can improve the resilience of centres, reduce vacancy, and support more balanced communities where employment, cultural activity, and residential uses coexist. Without intervention, there is a risk that rising rents and land values continue to displace smaller and socially valuable businesses, undermining both placemaking ambitions and the long-term competitiveness of Greater Cambridge.
- 7.5.5. Overall, affordable business space is critical to supporting the long-term economic, social, and placemaking objectives of Greater Cambridge. The availability of lower-cost and flexible workspace enables start-ups, SMEs, creative industries, independent businesses, social enterprises, and light industrial occupiers to establish, grow, and remain within the area, contributing to employment, innovation, productivity, and wider GVA growth. Beyond economic impacts, affordable workspace supports social inclusion, entrepreneurship, and access to employment opportunities, while also contributing to more diverse and resilient local economies. From a placemaking perspective, affordable studios, workshops, maker spaces, and flexible commercial units help create vibrant mixed-use environments, support local spending and footfall, and strengthen the identity and character of centres

and neighbourhoods. Without intervention to protect and deliver affordable workspace, there is a risk of increasing business displacement, reduced economic diversity, weaker social mobility, and more homogenised places, ultimately undermining the long-term competitiveness and vitality of Greater Cambridge.

8. OPERATIONAL MODELS & VIABILITY PARAMETERS

8.1. Introduction and Summary

8.1.1. This section provides a high-level review of operational models for the delivery of affordable workspace, drawing on evidence from stakeholder engagement, existing market provision and relevant case study examples. The aim is to identify the range of potential delivery approaches and their relative suitability in different market and locational contexts across Greater Cambridge.

8.1.2. Affordable workspace is most effectively delivered through flexible, operator-managed models that reduce costs and risk for occupiers. In Greater Cambridge, these approaches are likely to be most suitable for supporting SMEs, start-ups, creative businesses and innovation-led firms, while public sector intervention may be required where greater levels of affordability are needed.

8.2. Operating models

8.2.1. A range of workspace typologies are relevant to the delivery of affordable space, reflecting the diverse needs of businesses at different stages of growth. These include:

- Co-working and shared workspace
- Studio and maker space
- Discounted space for Charity, third sector and community organisation
- Managed workspace and enterprise centres
- Incubators and accelerators
- Workshops

8.2.2. These typologies can be delivered through a variety of operating models, depending on ownership, management arrangements and financial structure. The principal operating approaches include:

- Operator lease models, where a specialist provider leases and manages the space
- Joint venture arrangements between landowners, developers and operators
- Management agreements, with retained ownership but outsourced operation
- Franchise or network-based provision
- Owner-operator models, including local authority delivery
- A range of payment structures, including market rent, discounted rent, and all-inclusive pricing models

8.2.3. Reflecting stakeholder findings, operational models that provide flexibility, cost certainty and reduced risk for occupiers are considered particularly important for SMEs and start-ups. This includes models based on licence agreements, short-term commitments and all-inclusive pricing structures, as well as formats that support collaboration and business networks.

8.2.4. To support the development of policy and testing of interventions, a comparative matrix has been prepared which summarises the key characteristics of each workspace typology, including operating models, target occupiers, affordability, delivery arrangements and locational suitability.

8.2.5. The purpose of this analysis is to establish a clear understanding of the range of delivery options available, and the contexts in which they are most appropriate. These parameters will be used to inform subsequent viability testing and the development of policy recommendations.

Table 8.1 Operating model matrix

Typology	Operating Model	Target Occupier	Affordability Level	Key Features	Locational Suitability
Co-working	Operator lease / management agreement	Start-ups, freelancers, micro-businesses (office-based sectors)	High (lower entry cost, flexible terms)	Short-term licences, all-inclusive pricing, shared facilities, high flexibility	Cambridge City, edge-of-centre locations, science parks, new town centres
Shared workspace	Operator lease / management agreement	Start-ups, micro-businesses, small teams	High	Mix of desks and small offices, flexible access, shared services	Cambridge City, town centres, new town centres, larger villages
Managed workspace	Operator lease / joint venture	SMEs (1–20 staff), early-stage scaling firms	Moderate to high	Private units, flexible leases, shared services, progression from co-working	Cambridge City, science parks, business parks, new town centres
Enterprise centres	Local authority / owner-operator / management agreement	SMEs, local businesses, early-stage firms	High to moderate	Mix of workspace formats, subsidised rents, business support role	Town centres, new town centres, larger villages, local centres
Incubators and accelerators	Public sector / university-led / operator partnership	Start-ups, innovation-led firms (e.g. tech, life sciences)	High (often subsidised)	Business support, mentoring, shared facilities, short-term occupation	Cambridge City, science parks, university-linked campuses and innovation clusters
Studio	Operator lease / owner-operator	Creative industries, individual practitioners, small teams	Moderate to high	Small units, flexible fit-out, lower specification, shared amenities	Cambridge City fringe, town centres, new town centres, selected larger villages
Maker space	Operator lease / management agreement	Creative production, start-ups requiring equipment	Moderate	Shared equipment, flexible access, collaborative environment	Industrial estates, mixed-use employment areas, edge-of-settlement locations
Workshops	Owner-operator / operator lease	SMEs, light industrial, trade and production businesses	Low to moderate	Self-contained or semi-serviced units, lower flexibility, functional space	Industrial estates, employment areas, edge-of-settlement and rural employment locations

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- 8.2.6. The evidence suggests that different workspace typologies are suited to different locations, reflecting occupier needs and market conditions. Co-working, managed workspace and incubator models are most appropriate within Cambridge City, science parks and other highly accessible employment locations where demand from knowledge-intensive sectors is strongest. Enterprise centres, shared workspace and certain forms of managed workspace may also be suitable within new town centres and larger villages in South Cambridgeshire, where they can support local business growth and reduce commuting. Studios, maker spaces and workshops are generally better suited to town centres, industrial estates, mixed-use employment areas and edge-of-settlement locations where lower-cost accommodation can be provided. This supports a spatially differentiated approach to affordable workspace delivery across Greater Cambridge rather than a singular focus on Cambridge City.
- 8.2.7. The evidence indicates that affordable workspace is most effectively delivered through flexible, operator-managed models that reduce occupational costs and risk for occupiers whilst providing access to shared facilities, business support and collaborative environments. Such models are particularly well suited to supporting SMEs, start-ups, scale-ups, creative businesses and innovation-led firms.
- 8.2.8. For Greater Cambridge, the findings support an affordable workspace policy focused on the delivery of managed and flexible workspace through specialist operators, secured within larger employment and mixed-use developments where appropriate. However, the evidence also suggests that a range of workspace typologies and delivery models will be required to meet the differing needs of occupiers across the area. Long-term management arrangements and operational plans will be critical to ensuring that affordable workspace remains accessible to intended occupiers and continues to deliver economic, innovation and placemaking benefits over time.

8.3. Viability parameters

- 8.3.1. The delivery of affordable workspace is closely linked to development viability, with different operational models associated with varying cost structures, revenue profiles and levels of risk.
- 8.3.2. Operator-led models typically involve additional management costs but can achieve higher effective rents through flexible pricing and shared services, while owner-operator or public sector models may allow affordability to be supported through cross-subsidy, grant funding or long-term asset strategies.
- 8.3.3. Higher levels of affordability are generally associated with models that include public sector intervention, subsidy or discounted rents, whereas market-led provision is more likely to deliver moderate levels of affordability, particularly in higher-value locations such as Cambridge.
- 8.3.4. Location also plays a key role in viability, with lower-value or out-of-centre locations more likely to support lower-cost provision, while city centre locations require higher rental values to support delivery.
- 8.3.5. These parameters provide the basis for subsequent viability testing and the development of policy recommendations in **Error! Reference source not found. Error! Reference source not found.**

8.4. ASPINAL VERDI VIABILITY ASSESSMENT

- 8.4.1. A viability assessment has been carried out by Aspinall Verdi regarding the affordable workspace proposed policy parameters, as a component of the overall Local Plan Viability Assessment report,

which tests the policy requirements and infrastructure associated with the Local Plan and sites included within it. The findings relating to the proposed affordable workspace policy parameters are set out in that Local Plan Viability Assessment report.

9. SYNTHESIS OF FINDINGS

- 9.1.1. The evidence consistently demonstrates that Greater Cambridge has a highly successful, innovation-led economy, but one that is increasingly constrained by the availability and affordability of workspace. The area supports around 15,800 businesses, the vast majority of which are SMEs, micro-businesses and start-ups operating within knowledge-intensive sectors such as professional services, ICT, life sciences and advanced manufacturing. While the area continues to attract investment, talent and business growth, multiple studies, stakeholder engagement and market evidence identify a common challenge: the commercial property market is not delivering sufficient affordable and flexible workspace to meet the needs of smaller businesses, scale-ups, creative industries and certain industrial occupiers. This creates a strong evidence-based justification for policy intervention.
- 9.1.2. The evidence suggests that affordable workspace requirements should be tailored to the differing market conditions across Greater Cambridge rather than applying a single approach everywhere. Cambridge City, city fringe locations and established innovation clusters experience the highest rental values, the greatest affordability pressures and the strongest demand from knowledge-intensive sectors. These locations also contain the greatest concentration of businesses requiring office, laboratory and flexible R&D accommodation. In these higher-value markets, there is a clear rationale for securing on-site affordable workspace as part of major office, R&D and mixed-use developments. The evidence indicates that flexible managed workspace, incubator space and grow-on accommodation are particularly important, reflecting the dominance of SMEs and the need to support business formation, innovation and scaling within established innovation ecosystems.
- 9.1.3. For science parks, business parks and strategic innovation locations, the evidence highlights a specific need for affordable and flexible R&D space, including incubator laboratories, bench-lab accommodation and managed innovation space. Research undertaken for the growth sectors studies identifies shortages of start-up and scale-up accommodation, particularly for life sciences and technology businesses. Affordable workspace in these locations should therefore focus not only on traditional office space but also on flexible laboratory, innovation and mid-tech accommodation that allows businesses to grow while remaining within Greater Cambridge's innovation ecosystem.
- 9.1.4. Within South Cambridgeshire, market conditions are more varied. While rents are generally lower than in Cambridge City, stakeholder engagement identified continuing affordability pressures and shortages of suitable grow-on space. However, the dispersed nature of employment locations and varying levels of occupier demand mean that on-site affordable workspace will not always represent the most effective solution. The evidence suggests that a degree of flexibility should therefore be incorporated into policy, allowing financial contributions in lieu of on-site provision where this would support delivery in more accessible and commercially sustainable locations. This would enable investment to be directed towards managed workspace hubs, enterprise centres and incubator facilities in locations where demand is strongest and specialist operators are available.
- 9.1.5. The industrial market requires a distinct policy approach, noting that this market is comprised of a number of sub-sectors with different locational and space need requirements. Evidence highlights

strong demand for smaller industrial units, workshops, maker space and flexible mid-tech accommodation, particularly from SMEs, advanced manufacturing businesses and firms transitioning from research and development into production. However, large industrial and logistics developments are often located in areas that are less suitable for managed affordable workspace provision. In these circumstances, financial contributions may represent a more effective mechanism than on-site provision, allowing funding to be pooled and directed towards affordable workshop, maker and light industrial accommodation in locations better connected to labour markets, science parks and existing business clusters.

- 9.1.6. The evidence also points to a specific need for affordable creative and cultural workspace. Multiple studies identify a chronic shortage of studios, maker spaces and cultural production space, particularly for micro-businesses, freelancers and creative practitioners. Affordable creative workspace is increasingly recognised as both an economic development and placemaking tool, helping to support cultural activity, retain talent, increase footfall and create vibrant mixed-use communities. As a result, affordable workspace delivered through major mixed-use and city centre developments should be sufficiently flexible to accommodate studios, creative production space and maker uses alongside more traditional office accommodation.
- 9.1.7. The evidence also suggests that affordable workspace can play an important role in supporting organisations that deliver wider social, cultural and community benefits. While these occupiers are not typically represented within traditional commercial property market analysis, charities, voluntary and community organisations, cultural organisations and certain public service providers often face similar affordability challenges to SMEs and creative businesses, particularly in high-value locations where commercial rents can act as a barrier to occupation. Affordable workspace can help maintain a diverse range of occupiers within centres and mixed-use developments, supporting community wellbeing, cultural activity, social infrastructure and inclusive growth objectives. In some circumstances, these organisations may require additional management support, longer-term leasing arrangements or bespoke operating models to ensure workspace remains accessible and financially sustainable.
- 9.1.8. Across all locations, the evidence suggests that affordability should be considered more broadly than rent discounts alone. Stakeholders consistently highlighted the importance of flexible leases, all-inclusive pricing, shared facilities, capped service charges and business support services. Consequently, affordable workspace should generally be delivered through managed workspace models operated by specialist providers and secured through long-term management arrangements. This would help ensure that the space remains genuinely affordable and accessible to SMEs, start-ups, creative businesses and scale-ups over the long term.
- 9.1.9. Taken together, the evidence supports a locationally differentiated affordable workspace policy for Greater Cambridge. This would prioritise on-site affordable workspace within Cambridge City, city fringe locations and major innovation clusters; allow payment-in-lieu mechanisms where these provide a more effective delivery outcome, particularly within South Cambridgeshire and large industrial schemes; and focus on delivering managed, flexible workspace that supports SMEs, innovation-led businesses, creative industries, community and cultural organisations, and growing firms. Such an approach would

align with the area's economic structure, address identified market failures and support the long-term objectives of inclusive growth, innovation, business retention and placemaking.

10. AFFORDABLE POLICY RECOMMENDATIONS

10.1. Introduction

10.1.1. This section summarises the key principles and approaches to affordable workspace policies, based on a review of relevant Local Plan policies, Supplementary Planning Documents and wider case study examples. A detailed review of individual policies is provided in **Error! Reference source not found. Error! Reference source not found.**

10.2. Key policy themes

10.2.1. The review of existing policies identifies a consistent set of themes in relation to the delivery of affordable workspace:

- **Policy thresholds** – Most policies are applied to larger commercial or mixed-use developments, typically where schemes exceed a defined floorspace threshold (commonly around 1,000 sqm or greater). This ensures requirements are focused on schemes capable of accommodating affordable provision without undermining overall delivery.
- **Scale of provision** – A common policy is to require a proportion of employment floorspace to be provided as affordable workspace, with around 10% frequently used as a benchmark. However, the level of provision is typically subject to viability, with flexibility applied depending on site characteristics and development context.
- **Definition of affordability** – Affordable workspace is generally defined through discounted rents relative to market levels, often in the range of 20–60% below market rent. In practice, affordability is also achieved through shorter lease terms, flexible occupation models and all-inclusive pricing, particularly for SMEs and start-ups.
- **Duration and security** – Policies typically secure affordable workspace over the long term through planning obligations, with durations ranging from 15 years to perpetuity. Longer-term arrangements are used to ensure that affordability benefits are retained beyond initial occupation.
- **Delivery mechanisms** – Affordable workspace is most commonly delivered through a range of operational and management models, including:
 - Operator lease or management agreement models, where space is leased to a specialist workspace provider and managed as flexible or affordable workspace
 - Joint venture arrangements between developers, landowners and workspace operators to support delivery and long-term management
 - Direct owner-operator models, particularly within mixed-use schemes where landlords retain and manage affordable workspace directly
 - Local authority, public sector or university-led partnerships, often involving management agreements or operator partnerships where strategic intervention or subsidy is required to support delivery and viability
- **On-site provision and flexibility** – On-site provision is generally preferred to ensure integration with new development and access to key locations. However, policies typically allow flexibility

through off-site provision or financial contributions in circumstances where on-site delivery is not feasible or would compromise scheme viability.

- **Viability considerations** – A consistent feature across all policies is the application of viability testing. Affordable workspace requirements are typically subject to site-specific viability assessment, and many policies include review mechanisms to capture additional provision where scheme viability improves over time.

10.3. Implications for Greater Cambridge

10.3.1. A review of other adopted Affordable Workspace policies indicates that affordable workspace policies are most effective when they combine clear requirements with flexibility, allowing provision to respond to local market conditions and development viability.

10.3.2. In Greater Cambridge, this is particularly important given the combination of high land values, strong demand and constrained development viability. These factors limit the ability of the market to deliver lower-cost workspace without intervention, particularly within Cambridge City and other high-value locations.

10.3.3. The review highlights that policies based on fixed requirements (such as floorspace quotas or rent discounts) must be applied cautiously, with sufficient flexibility to avoid further constraining the delivery of new employment space. This reinforces the importance of a viability-led approach, with requirements tailored to site-specific circumstances.

10.3.4. The evidence also indicates that policy alone is unlikely to fully address the gaps identified through stakeholder engagement, particularly in relation to SMEs and scaling businesses. Delivery is likely to depend on a combination of planning policy, operational models and, in some cases, public sector intervention to support affordability.

10.3.5. Finally, the findings emphasise the importance of aligning policy with delivery models, recognising that different workspace typologies and operating approaches will result in varying levels of affordability, flexibility and risk. This reinforces the need for a balanced approach that supports both market-led provision and targeted interventions where required.

10.4. Recommendation 1: Affordable Workspace policy for ‘viable’ schemes

10.4.1. The purpose of this policy is to support a diverse, resilient, and inclusive local economy by securing the provision of affordable workspace within commercial and mixed-use developments. The policy seeks to ensure that new development contributes to meeting the needs of small and medium-sized enterprises (SMEs), start-ups, creative industries, social enterprises, and other sectors requiring flexible and lower-cost workspace, where such provision is viable. This includes provision within both urban and rural locations, although viability considerations may differ depending on local market conditions.

10.5. Review of Existing Affordable Workspace Policies

10.5.1. A review of affordable workspace policies across a number of London Boroughs demonstrates a growing use of planning policy to secure affordable and flexible employment space within major commercial and mixed-use developments. While policy approaches vary depending on local market conditions, several common principles emerge regarding thresholds, levels of provision and affordability requirements.

London Borough of Brent

- Policy: Affordable Workspace Policy (Local Plan and SPD)
- Trigger Threshold: New development providing more than 3,000 sqm of employment floorspace within identified growth areas.
- Brent's policy typically requires around 10% of new employment floorspace to be delivered as affordable workspace at discounted rents for a defined period. The policy is focused on supporting SMEs, start-ups and local businesses within major growth and regeneration areas.
- Affordable workspace is expected to be delivered on-site, although the level and form of provision is influenced by viability considerations and scheme-specific circumstances.
- Affordable workspace is normally expected to be leased through an approved operator at no more than 50% of market rent and secured for at least 15 years.

London Borough of Waltham Forest

- Policy: Local Plan Policy 32 – Affordable Workspace
- Trigger Threshold: Major development providing 1,000 sqm or more of employment floorspace
- Waltham Forest requires affordable workspace provision as part of qualifying developments, with the level of provision and rental discount determined having regard to location, market conditions and viability.
- The policy prioritises on-site delivery of affordable workspace. However, where on-site provision is not feasible or viable, financial contributions may be accepted as an alternative mechanism.

London Borough of Hackney

- Policy: Local Plan Policy LP29 – Affordable Workspace and Low-Cost Employment Floorspace
- Trigger Threshold: Varies by location, generally 1,000 sqm–3,000 sqm of employment floorspace depending on designation (CAZ, town centre, PEL or LSIS). Hackney requires a minimum proportion of new employment floorspace to be provided as affordable workspace at discounted rents, subject to viability considerations. The policy reflects the borough's strong focus on protecting low-cost workspace for creative industries, SMEs and maker businesses.
- On-site delivery is expected in the majority of cases, with off-site provision or financial contributions only accepted in exceptional circumstances where on-site delivery cannot reasonably be achieved.

London Borough of Southwark

- Policy: Local Plan Policy P31 – Affordable Workspace
- Trigger Threshold: Development providing 500 sqm or more of employment floorspace

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- Southwark’s policy requires at least 10% of new employment floorspace to be delivered as affordable workspace secured over a long-term period. The policy seeks to maintain space for SMEs, cultural industries and local businesses within major regeneration and mixed-use schemes.
 - Where on-site delivery is not feasible, financial contributions may be accepted and calculated using an agreed methodology.

London Borough of Wandsworth

- Policy: Local Plan Policy LP38 – Affordable and Open Workspace
- Trigger Threshold: Development providing more than 1,000 sqm of economic development floorspace
- Wandsworth requires the delivery of affordable or open workspace, generally equivalent to around 10% of floorspace, subject to viability considerations and local context.
- Provision is typically secured through planning obligations, with flexibility in delivery depending on individual scheme viability and market circumstances.

10.6. Relevance to Greater Cambridge

- 10.6.1. These policies are particularly relevant to Greater Cambridge given the similar affordability challenges experienced within its office, R&D and innovation markets. While affordable workspace policies have been most widely adopted in London, rental levels for office and R&D space in parts of Cambridge City and established science park locations are comparable to those achieved in some outer and inner London boroughs. The London examples therefore demonstrate that affordable workspace policies can be successfully applied in high-value commercial markets and provide a useful precedent for Greater Cambridge. In particular, the consistency around 10% provision, discounted rents, long-term affordability and planning obligation mechanisms provides a clear evidence base for considering a similar policy approach within the emerging Greater Cambridge Local Plan.
- 10.6.2. Based on the above, it could be suggested that the following policy recommendations could be included within the emerging Local Plan ‘Draft Policy J/AW: Affordable Workspace and Creative Industries’

10.7. Affordable Workspace Policy Framework Recommendations

- 10.7.1. The analysis suggests that different affordable workspace requirements may be appropriate depending on location, development type and market conditions across Greater Cambridge. In higher-value office and R&D locations within Cambridge City and key innovation clusters, there is greater potential to secure on-site affordable workspace provision. In contrast, for larger office/R&D and industrial schemes, particularly in South Cambridgeshire, a payment in lieu mechanism may provide a more practical and effective means of delivering affordable workspace in locations where demand is strongest and specialist operators are present.

Office and R&D Development – Cambridge City and Strategic Innovation Locations

- 10.7.2. For office and R&D development within Cambridge City, city fringe business locations and established science and business parks, developments providing 1,000 sqm or more net additional Gross Internal Area (GIA) and should provide affordable workspace equivalent to 10% of Net Internal Area (NIA).

10.7.3. Affordable workspace should be secured at a minimum of 30% below prevailing market rents, subject to viability considerations, and retained in perpetuity. This higher level of discount is justified by the significant affordability pressures identified within Cambridge City and established innovation locations, where market rents are amongst the highest in the UK and broadly comparable with some London office and innovation markets. Evidence indicates that a lower discount may not provide a meaningful affordability benefit in these locations, particularly for SMEs, start-ups and scaling businesses. Provision should normally be delivered on-site, although developers may make a payment in lieu where this can be demonstrated to achieve a more effective affordable workspace outcome.

10.7.4. For the purposes of this policy, established science and business parks within Greater Cambridge are as follows, as informed by the Greater Cambridge Growth Sectors Study: Life science and ICT locational, land and accommodation needs report 2024 as a starting point and adjusted (as set out in Appendix 2):

- Vision Park
- Cambridge Science Park
- St John's Innovation Park
- Cambridge Business Park
- West Cambridge
- Castle Park
- CB1
- Capital Park
- Cambridge Biomedical Campus
- Peterhouse Technology Park
- Babraham Research Campus
- Granta Park
- Unity Campus
- Melbourn Science Park
- Genome Campus (Wellcome Trust)

10.7.5. The workspace should be delivered as managed or shared accommodation operated through an agreed Operational Management Plan, providing flexible workspace suitable for multiple occupiers. This may include open-plan and cellular offices, studios, research and development space, workshops and other flexible business accommodation. Consideration should also be given to affordability measures beyond rent discounts, including flexible lease terms, capped service charges, fit-out support, shared equipment and rent-free periods. The Councils may also seek to secure a proportion of affordable workspace for occupiers delivering cultural, community or social value where this aligns with local needs, placemaking objectives and the agreed Operational Management Plan.

10.7.6. Evidence indicates that affordable R&D and laboratory workspace is generally most effective when delivered within established innovation ecosystems, where occupiers benefit from proximity to research institutions, specialist infrastructure, shared facilities, business support services and business networks.

In particular, affordable laboratory space typically requires a critical mass of provision and active management to operate successfully. As a result, fragmented provision of small amounts of affordable laboratory space across multiple buildings, including within larger science park or campus environments, may not provide an effective or attractive offer for occupiers. In many cases, a dedicated innovation centre, incubator or managed facility providing a concentrated supply of affordable laboratory and R&D space is likely to deliver greater economic and innovation benefits (pooling in lieu payments). Consequently, where the affordable workspace requirement would result in only a limited amount of affordable R&D or laboratory floorspace being provided on-site, a payment in lieu may, by exception, represent a more effective delivery mechanism where it enables affordable workspace to be delivered within an established innovation cluster or dedicated innovation facility.

Office and R&D Development – South Cambridgeshire

- 10.7.7. For office and R&D schemes within South Cambridgeshire (outside Cambridge City fringe business locations and established science and business parks as set out above), developments providing 1,000 sqm or more net additional GIA and should contribute towards affordable workspace provision equivalent to 10% of NIA. A different delivery approach is justified from many London affordable workspace policies. Whilst London boroughs typically apply on-site affordable workspace requirements within dense urban and mixed-use locations, South Cambridgeshire contains a greater proportion of rural, edge-of-settlement and campus-style employment sites where occupier demand, accessibility and management capacity are more variable. In these circumstances, on-site affordable workspace may not always provide the most effective outcome.
- 10.7.8. The recommended 20% rental discount reflects the generally lower market rents across much of South Cambridgeshire compared with Cambridge City and key innovation locations. Evidence suggests that affordability challenges are often driven as much by the availability, accessibility and suitability of workspace as by rental levels alone. Consequently, whilst developments should continue to contribute towards affordable workspace provision through the 10% requirement, a payment in lieu contribution will often represent the preferred delivery mechanism, enabling resources to be pooled and directed towards locations where demand and operational management arrangements are strongest.
- 10.7.9. Contributions should be secured through planning obligations and used to support the delivery, expansion or operation of affordable workspace facilities, including managed workspace hubs, enterprise centres, incubator facilities and flexible workspace provision within town centres, new settlements, science parks and other locations where they can best support start-ups, SMEs and growing businesses.

Industrial, Manufacturing and Logistics Development – Plan wide

- 10.7.10. For industrial, manufacturing, storage and distribution developments (Use Classes B2 and B8), a higher threshold of 2,500 sqm net additional GIA is recommended before affordable workspace requirements are triggered.
- 10.7.11. Affordable workspace provision should equate to 10% of NIA, secured at least 20% below market rents, subject to viability. However, given the operational requirements of industrial occupiers, the scale of many employment sites and the limited suitability of some industrial locations for managed workspace, a payment in lieu contribution is likely to be the preferred approach, particularly within South Cambridgeshire.
- 10.7.12. Contributions could support the delivery of affordable workshop, maker space, light industrial and start-up accommodation in more accessible locations close to labour markets, innovation hubs and existing business clusters. This approach recognises that the most effective locations for affordable industrial and maker space may not necessarily coincide with the locations of larger industrial and logistics developments generating the contribution.
- 10.7.13. Evidence from the market review, stakeholder engagement and creative workspace studies indicates that certain occupier groups, including artists, makers, cultural organisations, charities, voluntary organisations and community enterprises, may face affordability challenges that cannot be addressed through standard rental discounts alone. In many cases, even workspace provided at a 20% or 30% discount to market rents may remain beyond the reach of these occupiers, particularly within higher-value parts of Cambridge. The Councils should therefore use pooled financial contributions, where appropriate, to support deeper affordability interventions, including subsidised studios, maker spaces, community enterprise hubs, cultural workspace and other forms of managed accommodation delivered through specialist operators.
- 10.7.1. A viability assessment has been carried out by Aspinall Verdi regarding the affordable workspace proposed policy parameters, as a component of the overall Local Plan Viability Assessment report, which tests the policy requirements and infrastructure associated with the Local Plan and sites included within it. The findings relating to the proposed affordable workspace policy parameters are set out in that Local Plan Viability Assessment report.

10.8. Delivery and Implementation Recommendations

- 10.8.1. The affordable workspace requirement should be secured through Section 106 planning obligations and supported by:
- An Affordable Workspace Statement submitted alongside planning applications;
 - A site-specific Viability Assessment where reductions to policy requirements are proposed;
 - Evidence from relevant economic, employment and workspace needs studies;
 - An agreed Operational Management Plan setting out how affordable workspace will be managed and occupied.

10.8.2. In accordance with Draft Policy J/AW, the Councils should explore opportunities for affordable workspace to support occupiers that provide cultural, social or community value, including cultural organisations, charities, public health services, voluntary organisations and community groups. Evidence suggests that these occupiers often face affordability pressures that are distinct from those experienced by commercial businesses and may require greater intervention than standard discounted-rent models can provide. Where appropriate, Affordable Workspace Statements and Operational Management Plans should identify how affordable workspace provision, or pooled financial contributions, could support these sectors through long-term management arrangements, subsidised occupation, dedicated workspace provision, community enterprise hubs or partnership delivery models. This is particularly relevant within town centres, mixed-use developments, creative quarters and community hubs where wider social, cultural and placemaking benefits can be achieved alongside economic objectives.

10.8.3. To ensure early delivery, affordable workspace should be provided prior to, or alongside, occupation of the wider development, with triggers linked to occupation thresholds (for example, prior to 50% occupation of the commercial floorspace).

10.8.4. Overall, this approach provides flexibility to reflect differing market conditions across Greater Cambridge while ensuring that major commercial development contributes towards a long-term supply of affordable workspace for SMEs, start-ups, creative businesses, research-intensive firms and growing local enterprises.

10.9. Justification for the 'Flexibility' to the policy

10.9.1. The intention of not allowing off-site provision is to provide the councils with greater flexibility and control over where affordable workspace is ultimately delivered. Requiring any off-site contribution to be made through a financial contribution, rather than direct off-site provision by the applicant, allows the councils to pool funding and target delivery in the most suitable and effective locations, taking account of local demand, existing provision, clustering opportunities, and wider economic development priorities.

10.9.2. By contrast, direct off-site provision on an alternative site within the same ownership may not necessarily be in the most suitable location to meet occupier needs. Evidence from analysis and stakeholder engagement indicates that location is often a critical factor in the success and accessibility of affordable workspace provision.

10.9.3. A summary of the options for provision are:

- **On site** – preferable, though through the policy could be determined by the council as an unfavourable location (i.e. a large I&L scheme) and therefore payment in lieu more appropriate
- **Off-site** – which means the applicant can put forward a suggested alternative location, but often this may not be suitable and therefore not deemed appropriate for inclusion
- **Contributions/payment in lieu** – the applicant provides equivalent funding to enable offsite contribution and strategy of delivery decided by the council

10.10. Justification for Phasing for the Policy

- 10.10.1. The purpose of the requirement is to ensure affordable workspace is delivered alongside the wider commercial development, rather than being deferred to later phases of occupation. The prior to 50% occupation of the commercial floorspace threshold seeks to strike a balance between allowing sufficient flexibility for scheme delivery and viability, whilst ensuring affordable workspace forms an integral part of the commercial offer from an early stage.
- 10.10.2. While the exact 50% threshold is not commonly prescribed in adopted affordable workspace policy wording, percentage-based occupation triggers are well established through planning practice and Section 106 agreements. GLA guidance recognises that affordable workspace delivery triggers are commonly linked to the occupation of a proportion of the wider development and should balance scheme cashflow considerations with the need to ensure timely delivery.
- 10.10.3. Early delivery also supports the creation of mixed and inclusive business environments and helps smaller and start-up businesses benefit from the clustering, networking and innovation opportunities associated with larger occupiers. Delaying affordable workspace until later phases risks it becoming disconnected from the wider economic ecosystem of the development and could reduce the effectiveness of the policy in supporting SME growth and diversity.
- 10.10.4. The threshold is therefore intended to provide a reasonable and proportionate mechanism to secure timely delivery, while still allowing a substantial proportion of market floorspace to come forward beforehand.
- 10.10.5. Though, the wording could be altered slightly to offer some flexibility, such as: 'The 50% threshold may be reviewed through viability evidence or phasing discussions on particularly large or complex schemes'.

10.11. Recommended wording for alterations to the draft Affordable Workspace policy

5. Affordable workspace secured should be provided on-site.
- Direct off-site provision of affordable workspace by the applicant on an alternative site will not be permitted.
6. Payment in lieu will only be acceptable in the following exceptional circumstances:
- a) Where an occupier requires exclusive use of a single office property, such as a global headquarters building, evidenced by a signed agreement for lease, pre-let or owner-occupier commitment confirming the exclusivity requirement; or
 - b) Within developments involving multiple landowners, where the applicant demonstrates that coordinated on-site delivery and long-term management has been explored and is not reasonably achievable; or
 - c) Where the applicant and Councils agree that an in-lieu contribution would deliver materially greater economic, operational or placemaking benefit than on-site provision; or
 - d) Where the applicant demonstrates, through an independently assessed and open-book Viability Assessment undertaken in accordance with the Councils' adopted viability methodology, that on-site provision is not viable.

Any payment in lieu will be used to support delivery of affordable workspace elsewhere in Greater Cambridge.

Justification for recommendations set out above:

- a) Some developments are intended for occupation by a single end user requiring exclusive operational control of the building (e.g. a corporate headquarters, specialist research facility, or large-scale industrial or logistics unit), where subdivision or shared occupation would not be practical for operational, security or business reasons. In these circumstances, evidence such as a signed agreement for lease, pre-let or owner-occupier commitment will be required to confirm that the exclusivity requirement is genuine, rather than asserted, before a payment in lieu is accepted.
- b) Some developments form part of a site involving multiple landowners, where coordinated on-site delivery and long-term management of affordable workspace may be difficult to achieve. Multiple ownership alone does not automatically justify a payment in lieu: the applicant must demonstrate that mechanisms for coordinated delivery, such as a unilateral undertaking or joint management arrangement, have genuinely been explored and are not reasonably achievable, before a pooled contribution will be accepted as a more coherent and effective alternative.
- c) Affordable workspace is often most successful when delivered at sufficient scale and operated by specialist providers. Evidence within the Affordable Workspace Study demonstrates that, in some locations, pooled contributions may deliver greater economic, operational and placemaking benefits than fragmented on-site provision (e.g. through the delivery or expansion of managed workspace, incubator space, creative workspace or enterprise centres capable of supporting a larger number

and wider range of occupiers). This exception will only be applied where a specifically identified scheme, hub or facility has been agreed, with a defined delivery body and timeframe.

- d) Where delivering affordable workspace on-site could threaten the viability of the wider employment development, the Councils will require an independently assessed, open-book Viability Assessment, undertaken in accordance with the Councils' adopted viability methodology, to establish whether on-site provision is achievable and, if not, the maximum reasonable financial contribution the development can support.

10.12. Recommendation 2: Safeguarding of existing employment uses Policy

- 10.12.1. Greater Cambridge has already undertaken significant work across the emerging Local plan to safeguard employment. Safeguarding employment land is essential to the successful delivery of affordable workspace because it protects the supply of sites and premises needed to accommodate businesses. Without safeguarding, the continued loss of employment land to higher-value uses could further constrain workspace supply, increase rental pressures and reduce opportunities to deliver affordable workspace for SMEs, start-ups and growing businesses across Greater Cambridge. Policy J/PB: Protecting existing business space covers this in the emerging Greater Cambridge Local Plan.

10.13. Recommendation 3: Allocating Employment sites

- 10.13.1. Greater Cambridge has already undertaken significant work across the emerging Local plan to allocate future employment site, as discussed through the analysis in this report. Future employment land allocations are important because they ensure there is sufficient capacity to accommodate business growth and changing workspace needs over the plan period. Allocating new employment sites provides opportunities to secure affordable workspace as part of new development, helping to increase supply, support business formation and growth, and address identified shortages of flexible and affordable premises across Greater Cambridge. The emerging Greater Cambridge Local Plan sets out a number of [site allocations](#) which address this recommendation.

10.14. Other Recommendations

- 10.14.1. In addition to the above policies, it is recommended that the councils could consider the following initiatives to support the delivery of affordable business space:
- **Section 106** – review potential options to leverage new housing developments to support delivery of affordable business space, in the understanding that new homes and labour force will need locally based new employment opportunities to prevent unsustainable commuting patterns and deliver sustainable development
 - **Review opportunity for town centre grant funding** – Grant funding to support repurposing and reuse of key town centre sites which may be of use for small businesses, or affordable workspace but face pressure for conversion to housing. This could include funding to support repurposing of vacant shops and properties.
 - **Review council owned assets** – To work closely with the councils property team to review existing freehold and **leasehold** assets, resolve property challenges, with a focus on wider economic and

social value benefits as opposed to purely financial metrics, and consider repurposing and reuse of vacant or derelict sites.

- **Business support interventions** – Council to review measures to support local businesses to start up, and grow, or relocate, including potential measures that could reduce business rates payments, or council interventions to provide a wrapper lease and direct delivery of affordable business space.

10.15. Payment In Lieu Calculator

10.15.1. The Council will collect and ring-fence affordable workspace payments in lieu and direct funding to priority locations and sectors. Contributions may support the creation, fit-out or subsidy of suitable premises and can enable targeted delivery routes (Council-led schemes, operator partnerships, refurbishment and meanwhile use).

10.15.2. It is envisaged that a number of the inputs into the model will be **fixed policy inputs** and a number would be changes to reflect the site specific assessment that would be **applicant fields**, and a number of automatically populated **calculated fields** with the following key inputs:

- Total floorspace (NIA sqft) refers to the net additional employment floorspace created by the development. – Taken from the approved development proposal and entered by the applicant. **Applicant input**
- Proportion of floorspace to be provided as affordable workspace (%) – Fixed policy requirement. The percentage should be applied in accordance with the affordable workspace policy. **Fixed policy input**
- Total affordable floorspace (NIA sqft) – Calculated automatically by applying the affordable workspace percentage to the total floorspace. **Calculated field**
- Market rent (£ per sqft) – The market rent that would reasonably be achieved for the relevant type of employment space, evidenced through comparable transactions for similar size, specification and location. **Applicant input, subject to Council review**
- Affordable rent discount (%) – Fixed policy requirement reflecting the level of affordability to be secured. The applicable discount will vary by development type and location in accordance with the affordable workspace policy. **Fixed policy input**
- Market Yield (%) – Calculation of the rate of return an investor would expect to receive from a comparable market employment floorspace property based on its income and capital value, evidenced through recent investment transactions or professional valuation evidence for properties of a similar use, size, specification and location. The yield should be expressed as a Net Initial Yield (NIY) and should be derived independently from the market rent assumption.. **Applicant input, subject to Council review**
- Affordable Workspace Value (£) – Calculated automatically using the approved formula based on the affordable floorspace, market rent, affordable workspace term, affordability discount and calculation affordable discount factor. **Calculated field**

10.16. Payment in Lieu Formula

Affordable Workspace Value (£m)

$$\text{Affordable Workspace Value} = \frac{\text{Affordable Floorspace} \times \text{Market Rent} \times \text{Affordable Rent Discount}}{\text{Market Investment Yield}}$$

Or using the step references:

$$(8) = \frac{(3) \times (4) \times (5)}{(6)}$$

Table 10.1 Formula Table

Value of Affordable Workspace Discount	Unit	Step Calculation	Notes
Total floorspace	NIA (sqft)	(1)	Net additional employment floorspace
Proportion of floorspace which should be affordable	(%)	(2)	10% - as set out in policy
Total affordable floorspace	NIA (sqft)	(3) = (1) × (2)	
Market rent	£ per sqft	(4)	Market rent that would have been achieved for the space. The applicant should include evidence.
Affordable discount	(%)	(5)	As set out in policy above.
Market Investment Yield	%	(6)	Supported by market evidence for comparable employment investments.
Annual Subsidy	£	(7) = (3 × 4 × 5)	
Affordable workspace value	£	(8) = (7 ÷ 6)	

10.16.1. In line with best practice, as demonstrated by Southwark, an electronic version of the calculator should be made publicly available on the Council's website to support applicants and promote clarity in the planning process.

10.16.2. The payment in lieu calculation converts the annual affordable workspace rental subsidy into a capital sum using a market-derived investment yield. This reflects the long-term nature of the policy requirement for affordable workspace to be secured in perpetuity and ensures contributions are based on established valuation principles rather than fixed-term assumptions.

10.16.3. Whilst both market rent and investment yield are market-derived inputs, they serve different purposes within the calculation. Market rent establishes the annual rental income that would have been generated by the affordable workspace, whereas the market investment yield is used to convert that income stream into a capital value. Both variables are required to estimate the financial value of the affordable workspace obligation and should therefore be evidenced independently using appropriate market comparables.

Worked Example: Payment in Lieu Calculation for a B2/B8 Development in West South Cambridgeshire

Table 10.2 Variables

Variable	Value
Total net additional employment floorspace	100,000 sqft NIA
Affordable workspace requirement	10%
Affordable floorspace	10,000 sqft NIA
Market rent	£10.67/sqft
Affordable rent discount	20%
Market investment yield	7.0%

Step 1: Calculate Affordable Floorspace $100,000 \times 10\%$
 $= 10,000 \text{ sqft}$

Step 2: Calculate the Annual Affordable Workspace Subsidy

The annual subsidy is the difference between the market rent and the affordable rent.

$$10,000 \times £10.67 \times 20\%$$

$$= £21,340 \text{ per annum}$$

Step 3: Capitalise the Subsidy into a Perpetuity Value

The annual subsidy is capitalised using the market investment yield.

$$£21,340 \div 7.0\%$$

$$= £304,857$$

Table 10.3 Payment in Lieu Contribution

Calculation Stage	Value
Annual affordable workspace subsidy	£21,340
Capitalised value at 7.0% yield	£304,857
Affordable Workspace Payment in Lieu	£304,857

A1. AFFORDABLE WORKSPACE POLICIES

The Hammersmith & Fulham Affordable Workspace SPD

A1.1 The Hammersmith & Fulham Affordable Workspace SPD, adopted in October 2022, provides guidance on delivering affordable and flexible workspace across the borough. It supplements existing Local Plan policies, helping developers, planners, and businesses implement affordable workspace effectively without creating new policy.

A1.2 The SPD addresses the borough's shortage of affordable workspace for SMEs, start-ups, and voluntary sector organisations, caused by rising rents, high demand, and the loss of smaller office buildings. It sets expectations for larger commercial and mixed-use developments, promoting discounted rents, flexible leases, co-working hubs, and start-up spaces (often managed by specialist providers) to ensure local business needs are met and economic diversity is maintained.

A1.3 The SPD aims to foster a resilient local business environment by encouraging early engagement with the council, guiding planning obligations, and supporting inclusive economic growth.

A1.4 The policy context for this includes:

- **Local Plan 2018:** Requires large commercial developments to provide affordable workspace, through mechanisms like S106 agreements, reduced rent, co-working hubs, or flexible leases. Policies E1 and E2 promote a mix of employment uses, retention of existing employment land, and space for SMEs. Developers are expected to engage with workspace providers to ensure suitable management and occupancy. See below an example of policy wording.
- **Industrial Strategy 2017:** Highlights the importance of affordable workspace in supporting inclusive growth, particularly in STEM, creative, and digital industries.
- **National Planning Policy Framework & London Plan 2021:** Emphasise supporting economic growth, productivity, and the provision of affordable workspace, particularly for SMEs, start-ups, and priority industries. Policies E1–E3 of the London Plan guide flexible, adaptable, and affordable workspace provision, and encourage early engagement with workspace providers.

Local Plan 2018:

“PROVIDING FOR A RANGE OF EMPLOYMENT USES

*The council will support proposals including mixed use schemes for new employment uses, especially those that recognise the existing strengths in the borough in creative industries, health services, bio-medical and other research-based industries, such as those at Imperial College in Shepherd’s Bush. The council will also support the retention, enhancement, and intensification of existing employment uses. **It will require flexible and affordable space suitable for small and medium enterprises in large new business developments, unless justified by the type and nature of the proposal and subject to viability.** When considering new employment floorspace or the extension of existing floorspace the council will also take into account:*

- a. whether the scale and nature of the development is appropriate, having regard in particular to local impact, the nature of the surrounding area, and public transport accessibility.*
- b. impact upon small and medium sized businesses that support the local community.*
- c. scale and nature of employment opportunities generated in the new development.*
- d. whether there will be displacement of other uses such as community facilities or housing; and*
- e. the Hammersmith and Fulham Economic Growth Plan and the council economic strategies.*

The borough’s three town centres and the White City and Earl’s Court and West Kensington Opportunity Areas will be the preferred locations for new office development above 2,500m². Proposals outside of these areas for large new office development (above 2,500m²) will generally be discouraged unless it can be demonstrated that provision cannot be provided within the town centres or the White City and Earl’s Court and West Kensington Opportunity Areas.”

A1.5 Where sites do not fall within the identified sub-areas or designated locations where this SPD is triggered or applies, the following sets out possible guidelines and measures that SMEs and other stakeholders should consider when developing workspaces or communal units:

- A proportion of desks within an open workspace (hot-desking) area to be offered at a substantial discount of market value. The proportion and level of discount to be agreed on a site -by - site basis taking account of location, implementation and overall affordability.
- Discounts to ‘membership models’ (i.e. virtual offices, providing fixed desks, hot desks and small offices) throughout a development.
- A proportion of the floorspace to be offered to an affordable workspace provider (either on the council’s list or to be approved by the council) at a ‘peppercorn rent’ typically provided in range of smaller sizes and flexible commitment/occupation that is let to a workspace operator, and which will allow for occupation by the end-users in one or more sectors on favourable terms
- Discounted desks within a larger office space - Will normally require a Workplace Management Plan
- Fit out – to ensure that the space has been fitted out to Category A standard - typically includes raised floors and suspended ceilings; installation of mechanical and electrical services; basic fire detection systems; internal surface finishes; toilets; and blinds. Fit out costs can be a barrier to entry, therefore the council will resist provision at shell and core, and fit out will be agreed through a clause in a Workplace Management Plan
- An appropriate rent-free period offered to occupiers to cover fit-out costs/or to meet needs of defined occupiers at zero cost.
- Timescales for the duration of affordable workspace to be as a default either ‘in perpetuity’ or until any subsequent Local Plan is review no longer identifies this need.

-
- Implementation via Workspace Management Plan (WMP) - to ensure that the affordable workspace approved is delivered as agreed, monitored/ reported and that management of the space does not undermine affordability.
 - Off-site only in exceptional circumstances - Any replacement accommodation must be in close proximity to existing accommodation and agreed and ready for occupation prior to the grant of planning permission.
 - Cash in lieu payment - by exception - Applicant to demonstrate to the council's satisfaction that this would deliver the optimal offer regarding affordable and flexible accommodation, taking account of policy objectives, and delivering significant economic and/or social advantages. May also be preferable where the new development provides large floorplate accommodation for a defined occupier, and which cannot effectively be subdivided.

Brent Council – Supplementary Planning Document (June 2022)

A1.6 The Brent Affordable Workspace SPD aims to support the delivery of affordable workspace within the borough and seeks to enhance the economic strength and diversity of Brent.

A1.7 The rationale behind implementing this policy stems from the increasing demand for affordable workspace in Brent, which currently exceeds supply. Over the past decade, the number of small businesses in the borough has significantly increased. However, much industrial land and office space have been repurposed for new housing, reducing the availability and affordability of workspace for small businesses. The policy aims to address this gap by facilitating the provision of affordable workspace in new developments, thereby supporting local businesses and fostering economic growth.

A1.8 Affordable workspace, as defined in the SPD, refers to workspace provided at rents maintained below the market rate for that space, intended for specific social, cultural, and employment development purposes. The document outlines that affordable workspace should be secured for the lifetime of the development and leased to an approved operator at **no more than 50% of the market rent for a minimum of 15 years**. This definition aligns with the Council's commitment to ensuring long-term affordability and accessibility for small businesses and community-focused enterprises.

A1.9 The key Policies include:

- Policy BE1: Requires 10% of new employment floorspace in developments exceeding 3,000 sqm in designated Growth Areas to be provided as affordable workspace. Policy BE2: Mandates 10% of new employment floorspace in redevelopment of Strategic Industrial Locations (SIL) and Locally Significant Industrial Sites (LSIS) to be designated as affordable workspace.
- Policy BE3: Supports the inclusion of affordable workspace in mixed-use developments on Local Employment Sites (LES).
- Policy BE4: Encourages the provision of affordable workspace in unviable secondary frontage areas in town centres.

A1.10 Additionally, the SPD recommends:

Securing affordable workspace for the lifetime of the development.

Leasing to approved operators at no more than 50% of market rent for a minimum of 15 years.

Preparing an Affordable Workspace Management Plan to ensure effective operation and management.

Monitoring Section 106 obligations to ensure compliance and delivery.

Lambeth Council – (Local Planning Policy and Affordable Workspace SPD)

A1.11 The Lambeth Affordable Workspace SPD provides detailed guidance on implementing Policy ED2 of the Lambeth Local Plan 2021. Its primary aim is to facilitate the provision of affordable workspace within the borough, ensuring that such spaces are available to support small businesses, creative industries, and social enterprises. The SPD outlines how developers can meet the requirements of Policy ED2, which seeks to secure affordable workspace through planning obligations, thereby contributing to the local economy and community.

A1.12 The text of ED2 is as follows:

Policy ED2: Affordable workspace

In accordance with London Plan policy E3, the council will apply the following requirements for the uplift of affordable workspace in the following locations:

- i. In Waterloo/Southbank and Vauxhall developments proposing at least 1000m² gross office floorspace should provide **10 per cent of the rentable floorspace (Net Internal Area (NIA)) at 50 per cent of market rents for a period of 15 years.**
- ii. In Oval, Kennington and Clapham developments proposing at least 1000m² gross office floorspace should provide **10 per cent of the rentable floorspace (NIA) at 80 per cent of market rents for a period of 15 years.**
- iii. In the Brixton Creative Enterprise Zone (CEZ) developments proposing at least 1000m² gross office floorspace should provide **10 per cent of the rentable floorspace (NIA) as affordable workspace for a period of 25 years** with the following discounts on market rents:

	CEZ within town centre boundary	CEZ outside town centre boundary
Between 1000m ² and 5000m ²	No discount	50 per cent of market rents
Between 5,001m ² and 10,000m ²	65 per cent of market rents	65 per cent of market rents
Greater than 10,000m ²	50 per cent of market rents	80 per cent of market rents

The affordable workspace secured should be **provided on-site** and be designed to meet a local need for office, light industrial or research and development workspace.

Affordable workspace must be made available in one of the following ways:

- i. Leased and managed by an affordable workspace provider on the council's approved list in accordance with an agreed workspace management plan.
- ii. Managed directly by the owner where it is demonstrated to the satisfaction of the council that they have the necessary skills and experience and an agreed workspace management plan is in place.
- iii. Leased by the owner to one or more end users on the council's approved register of organisations that require non-managed affordable workspace.

The affordable workspace should be made available for occupation within 12 months of first occupation of the non-affordable workspace. In phased developments, the affordable workspace can be delivered on a pro-rata basis, requiring that at least the minimum amount triggered for that phase is delivered and ready for occupation within 12 months of the occupation of the non-affordable workspace element.

Where affordable workspace is being provided through a phased mixed-use development, planning obligations will be required to ensure timely delivery.

In exceptional circumstances, a **payment in lieu** may be accepted where it can be demonstrated to the satisfaction of the council that on-site provision is not feasible and/or that a greater economic impact would be achieved through this route. The payment should be calculated using the method set out in Annex 9. Payments in lieu will be used by the council to support the provision of affordable workspace anywhere in Lambeth.

Proposals that do not provide the level of affordable workspace required by this policy will be required to submit viability information, which will be independently assessed. Where this assessment determines that a greater level of affordable workspace could viably be supported, a higher level of affordable workspace will be required, capped at the level required by the policy. In addition, early and late viability reviews will be applied to all schemes that do not provide the level of affordable workspace required by the policy.

Proposals requiring planning permission that involve the loss of existing affordable workspace will not be permitted unless the quantum of affordable workspace is replaced on-site or re-provided elsewhere in Lambeth on equivalent terms to the satisfaction of the council.

Hackney Council – Local Plan 2020

A1.13 There are several policies in the Hackney Local Plan (Adopted 2020) which promote the use of affordable workspaces within the borough.

A1.14 Hackney's Affordable Workspace policy (LP29) was introduced in response to rapid increases in commercial rents, redevelopment pressures, and the displacement of local SMEs and creative industries. The policy aims to secure low-cost, long-term workspace through planning obligations, ensuring inclusive economic growth and retaining local character. However, implementation faces several challenges, including viability concerns from developers, inconsistent definitions of "affordable," limited supply of qualified workspace operators, and the administrative complexity of monitoring agreements. While Hackney has responded with measures such as approved provider lists, flexible discount rates, and standardised Section 106 templates, delivery remains uneven across the borough, particularly between higher- and lower-value areas.

A1.15 Overall, LP29 reflects a proactive effort to balance regeneration with affordability, though sustaining truly affordable workspace in a high-value market continues to be difficult. The approach builds on earlier S106 agreements: even before LP33 adoption, Hackney used S106 to secure affordable workspace, so LP29 formalises and strengthens what had been more ad hoc.

A1.16 The below sets out the key adopted Policies:

Policy LP27 – Protecting and Promoting office Floor space in the Brough:

4. Retention of Office Floorspace

- Loss of office space (B1a) in POAs will not be permitted unless:
 - Space is long-term vacant (after active marketing).
 - The site is unsuitable for continued office use.
 - The proposal delivers equal or greater employment quality and density.
- Replacement uses must meet or exceed previous employment levels and demonstrate long-term viability.

1. Retention of Industrial Floorspace Outside of Priority industrial Areas and Local Significant Industrial Sites

- The loss of these uses outside of PIA and LSISs will be permitted where all of the following are met.
 - Market Evidence shown.
 - Any new must provide greater range, higher quality.
 - Need to show strong likely hood of being occupied.

Policy LP29 – Affordable Workspace and Low-Cost Employment Floorspace

- a) New Major employment and mixed used development in the borough designated employment areas, the CAZ and town centres should provide **affordable and low-cost workspaces, equating to a minimum of 10% of the gross new employment floorspace.**

Re-provision of Low-Cost Employment Floorspace

- b) Major employment and mixed used schemes involving re-development of existing low-cost employment floorspace, must provide the maximum economically feasible amount of low cost employment floorspace in perpetuity, at equivalent rents and service charges, suitable for the existing or equivalent uses, subject to current lease arrangements and the desire of existing businesses to remain on-site

Affordable Workspace

- c) If the low-cost employment floorspace equated to less than **10% of gross new employment floorspace** or there is now low-cost workspace to be re-provided as part of a major development scheme, new affordable workspace should be provided as follows:
- I. Development in the Shoreditch PAS: At least 10% (Offset by the amount of low-cost employment floorspace provided) of the new employment floorspace (Gross) should be affordable at no more than 40% of the localities market rent in perpetuity, subject to viability.**
- II. In remaining POAs, the CAZ and town centres: at least 10% (offset by the amount of low-cost employment floorspace provided) of the new employment floorspace (Gross) should be affordable at no more than 60% of the localities market rent in perpetuity, subject to viability.**

Islington Council – Local Plan

A1.17 As per the adopted Local Plan, Policy B4: Affordable Workspaces states:

- Policy B4 requires major developments across Hackney to provide a portion of affordable workspace alongside new office, research, and similar floorspace. The amount required is generally **10%, with different thresholds depending on location: 1,000 sqm in the Central Activities Zone and key CAZ fringe areas, 3,000 sqm in Locally Significant Industrial Sites, and 2,500 sqm in other town centres and Principal Employment Locations.** Larger schemes in central areas must provide affordable workspace in perpetuity, while other locations typically require a 20-year lease at a peppercorn rent. Developers must submit an Affordable Workspace Statement with their planning application, and all workspaces must meet at least Category A fit-out standards with good amenities and servicing.
- While the policy primarily applies to office and research developments, other commercial projects, such as hotels or retail, may also be required to provide affordable workspace or retail space, depending on

viability. In exceptional cases, site-specific viability assessments can be used to adjust provision, but the Council expects the maximum amount of affordable workspace to be delivered, with a late stage review possible before practical completion. Off-site financial contributions may also be considered if on-site provision is inappropriate or does not meet quality standards.

- Finally, on mixed-use developments where on-site affordable housing is provided, affordable housing takes priority if providing affordable workspace would compromise compliance with Hackney's housing policies. Overall, the policy is designed to retain and create low-cost workspace for local businesses and creative industries while balancing development viability.

A1.18 Overall, this adopts a very similar approach to that seen above in Hackney, by which policy is directly supported in the local plan, based off market evidence and analysis. Almost all the spatial context and designations of areas are the same to Hackney. Where on site affordability is not viable, a legal contribution via a section 106 would be sought.

Southwark Council – Affordable Workspace Strategy Document

A1.19 The Affordable Workspace Strategy outlines Southwark Council's approach to ensuring that businesses, creatives, entrepreneurs, and community organisations have access to the space they need to grow and succeed. The strategy supports the vision for Southwark 2030, aiming to create a fairer, greener, and more resilient local economy where opportunity is accessible to all. It seeks to address the challenges posed by rising workspace costs, which are pushing out the very people and organisations that make Southwark vibrant and diverse.

A1.20 The strategy outlines several key policies and recommendations to facilitate the delivery of affordable workspace:

- **Provision Approaches:** Developers can provide affordable workspace through various approaches, including leasing to an approved Affordable Workspace Provider, managing the space directly, or leasing to end users on the council's approved register.
- **Workspace Management Plan:** A Workspace Management Plan must be submitted with planning applications, detailing how the affordable workspace will be managed, including leasing arrangements, tenant support, and monitoring mechanisms.
- **Market Rent Assessment:** The strategy provides guidance on assessing market rents to determine the appropriate level of affordability for the workspace.
- **Viability Review Mechanisms:** In cases where the provision of affordable workspace may impact the viability of a development, the strategy outlines the use of viability review mechanisms to assess and adjust the requirements as necessary.
- **Payments in Lieu:** The strategy allows for payments in lieu of providing affordable workspace on-site in exceptional circumstances, with the funds used to support the creation of affordable workspace elsewhere in the borough.

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- Implementation and Monitoring: The council sets out expectations for the implementation and monitoring of affordable workspace obligations, ensuring compliance with planning permissions and the effective use of the spaces.

Wandsworth Council – Local Planning Policy

A1.21 The aim of LP38 is to ensure that new developments providing economic floorspace contribute to the provision of affordable and open workspace. This supports small and early-stage businesses, encourages local economic growth, and promotes diversity in the borough's employment sectors. The policy is intended to secure workspace in perpetuity or for a minimum of 30 years, helping to maintain long-term access to workspaces for SMEs, creative industries, and other socially valuable enterprises.

A1.22 The key policies and recommendations made include:

- Thresholds for Provision:
 - Developments under 1,000 sqm must offer a range of unit sizes or meet specific end-user needs.
 - Developments over 1,000 sqm must provide at least **10% of gross economic floorspace as affordable or open workspace, with a minimum of 400 sqm.**
- Location-Specific Requirements:
 - Higher affordability requirements in key areas, such as the VNEB Opportunity Area and Battersea Design and Technology Quarter.
 - Specialist workspace is required on regeneration sites and encouraged in town and local centres, and other focal points.
- Supporting SMEs and Early-Stage Businesses:
 - Workspace should target cultural, creative, digital, food and drink, and other socially valuable sectors.
 - Opportunities for clustering of compatible businesses are encouraged to support local economic networks.
- Timing and Management:
 - Affordable and open workspace must be available for occupation at the same time as or before the remainder of the economic floorspace.
 - Delivery and management are secured via Section 106 obligations and/or planning conditions, with details captured in an Affordable Workspace Management Plan.
- Re-Provision of Existing Workspace:
 - Redeveloped sites must replace the maximum viable quantity of existing affordable/open workspace, maintaining rents and functionality to support continuity for existing businesses.

Oxford City Council – DRAFT/Emerging Local Planning Policies

A1.23 The Oxford Local Plan is currently at Reg 18/19 stages of Local Plan development. During these stages, we are able to see the council's evidence and rationale behind policy implementation. In this local plan, there are discussions on affordable Workspaces and how they should be dealt with going forward.

A1.24 As such, DRAFT Local Planning Policy E3: Community Employment and Procurement Plans states that:

Planning permission will only be granted for proposals of 50 or more homes or over 1,000m² non-residential floorspace where they are supported by a Community Employment and Procurement Plan (CEPP). The CEPP must identify the opportunities that will be provided by the development to support the inclusive economy, demonstrate the social value of the proposals and set out how they will be promoted and delivered. CEPPs will be expected to consider all the following criteria: -

- (a) Securing construction jobs for local residents.
- (b) Providing construction apprenticeships and/ or training opportunities for local residents.
- (c) Linking with local schools and colleges.
- (d) Securing jobs in the operational/ end-user phase for local residents.
- (e) Procuring a proportion of on-going supply chain needs locally; 139
- (f) Paying all employees (other than apprentices) the Oxford Living Wage.
- (g) Only using contractors who commit to paying the Oxford Living Wage or other social clauses appropriate to the development.
- (h) Procuring a proportion of construction materials locally; and
- (i) Delivery of affordable workspaces.

A1.25 Also DRAFT Local Policy E4: Affordable Workspaces – states that:

Development proposals delivering commercial development on the following sites are expected to deliver an affordable strategy as part of their masterplans:

- *ARC Oxford*
- *Oxford Science Park*
- *Oxpens...*

Details of the size, marketing, servicing, management and how the space provided will meet end user requirements, should be set out in an affordable workspace strategy. This should explain how the proposed provision helps to overcome market gaps or failures that would otherwise prevent beneficial workspace typologies coming forward, because of a lack of suitable and/or affordable space.

A2. APPENDIX 2 – GREATER CAMBRIDGE ESTABLISHED SCIENCE BUSINESS PARKS

A2.1 As set out in Section 10 of this report (Affordable Workspace Policy Recommendations), the following list identifies the established science and business parks within Greater Cambridge that are, in principle, subject to the 30% below prevailing market rent affordable workspace requirement. The list is informed by the Greater Cambridge Growth Sectors Study: Life Science and ICT Locational, Land and Accommodation Needs Report (2024) but has been refined to reflect local rental market evidence. The full list is set out below:

- Cambridge Research Park
- Cambridge Innovation Park
- Vision Park
- Cambridge Science Park
- St John's Innovation Park
- Cambridge Business Park
- West Cambridge
- Cambourne Park Science & Technology Centre
- Castle Park
- CB1
- Capital Park
- Cambridge Biomedical Campus
- Peterhouse Technology Park
- Babraham Research Campus
- Granta Park
- Unity Campus
- Melbourn Science Park
- Wellcome Genome Campus

A2.2 For the purposes of applying the affordable workspace policy, these locations have been distinguished from the wider office and R&D market due to their strategic importance as established science and innovation clusters. These locations are generally subject to the 30% below prevailing market rent affordable workspace requirement, whereas office and R&D development elsewhere across Greater Cambridge is subject to the standard 20% below prevailing market rent requirement. However, a review of rental evidence indicates that a small number of science and business parks have a lower rental tone than comparable science and innovation locations across Greater Cambridge. These locations have therefore been excluded from the higher (30%) affordable workspace requirement.

A2.3 Figure A2.1 illustrates office and laboratory (life sciences) rental transactions over the last five years, derived from CoStar data. The dataset includes transactions for units exceeding 5,000 sq ft and excludes

Grade B2 or lower quality accommodation to ensure comparability across institutional-grade office and laboratory space. The spatial distribution of achieved rents across Greater Cambridge provides a benchmark against which the relative rental performance of the established science and business parks has been assessed. The median achieved rental level across the dataset is approximately £33 per sq ft. This benchmark has been used to identify locations with a comparatively lower rental tone, which are not considered to justify the application of the 30% below prevailing market rent requirement.

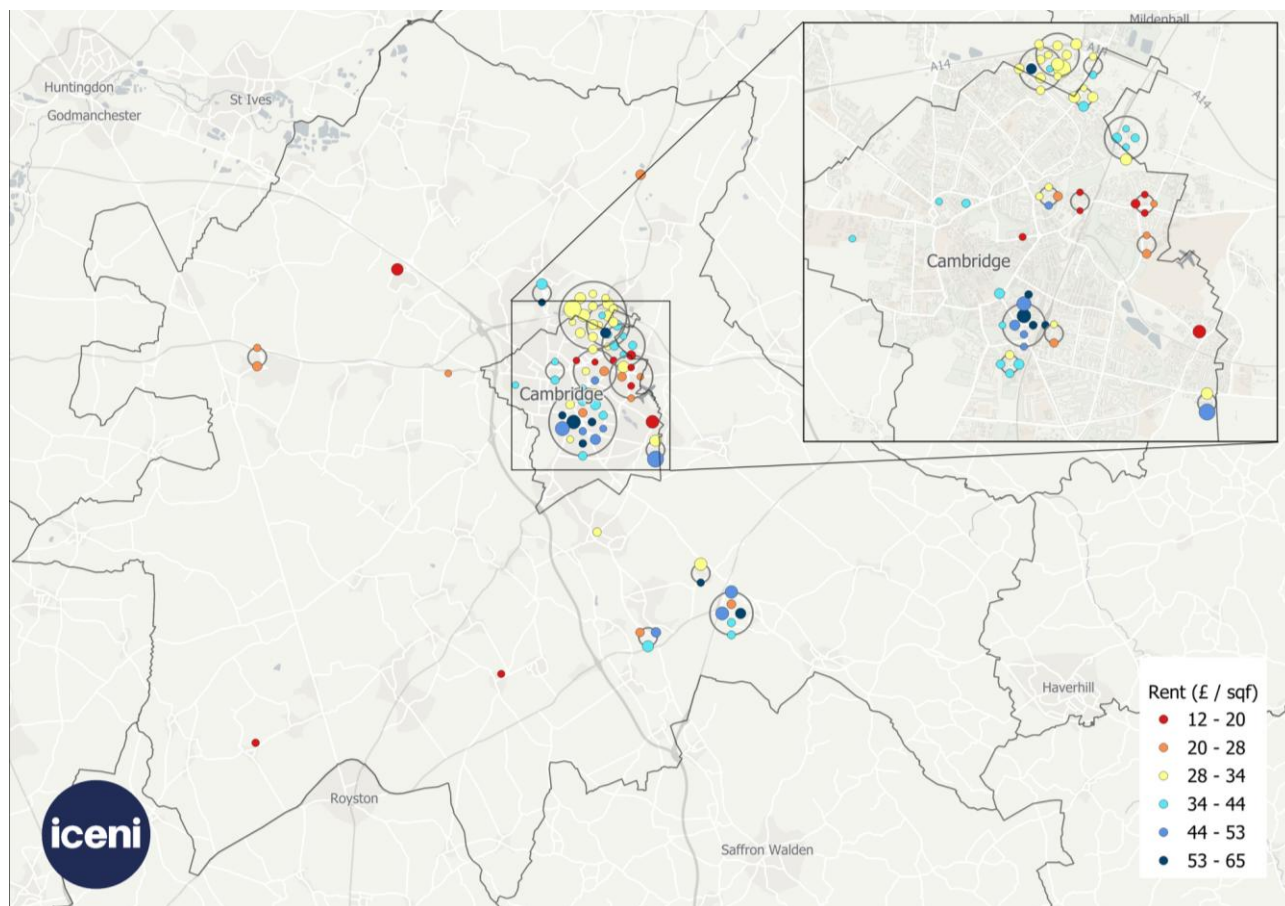
A2.4 Analysis of the transactional evidence indicates that Cambridge Research Park, Cambridge Innovation Park and Cambourne Park Science & Technology Centre exhibit rental values that are consistently below the median benchmark for comparable office and laboratory accommodation across the Greater Cambridge market.

A2.5 On this basis, these three locations have been removed from the list of sites subject to the 30% below prevailing market rent requirement and instead will be subject to the standard 20% below prevailing market rent affordable workspace requirement. Given that prevailing market rents at these locations are already lower than those achieved across the principal science and innovation clusters, the application of the higher rental reduction is not considered necessary to achieve affordable workspace objectives.

A2.6 Two locations are retained within the 30% category despite the absence of sufficient comparable transactional evidence:

- Wellcome Genome Campus – Although limited rental transaction data is available, the campus is subject to significant planned expansion for specialist laboratory and innovation accommodation, including space for start-ups and scale-ups. Applying the 30% affordable workspace requirement will support affordable access to this strategically important innovation ecosystem.
- Melbourn Science Park – While there is limited historical rental evidence, significant planned expansion of laboratory and office floorspace is expected to strengthen the park's market position. Future rental levels are expected to exceed £40 per sq ft, supporting its inclusion within the 30% category.

Figure A2.1 Greater Cambridge office and lab rental transactions over the last 5 years (5,000 sqft+)



Source: CoStar, Icen Analysis 2026

A2.7 The classification below therefore sets out those locations which fall within the 30% benchmark category:

- Vision Park
- Cambridge Science Park
- St John's Innovation Park
- Cambridge Business Park
- West Cambridge
- Castle Park
- CB1
- Capital Park
- Cambridge Biomedical Campus
- Peterhouse Technology Park
- Babraham Research Campus
- Granta Park
- Unity Campus
- Melbourn Science Park
- Genome Campus (Wellcome Trust)