Marketing Strategy Update

Mowbray, Horsham

Prepared on behalf of Legal & General (Strategic Land North Horsham) Limited

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Knight Frank LLP

Confidential

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1. The Brief

1.1 Instruction

Knight Frank LLP ("Knight Frank") have been instructed by Legal & General (Strategic Land North Horsham) Limited ("L&G") to market the commercial element of the 570-acre North Horsham site (now known as Mowbray) acquired by L&G in 2019.

Knight Frank's Employment Market Strategy Report (2 December 2020) was approved by Horsham District Council in February 2021. Following approval, Knight Frank has actively marketed the Employment Land. This Employment Marketing Strategy Update outlines the marketing undertaken since approval of the Strategy including marketing methods employed, details of any sales / lettings relating to employment land or offices as well as any details of expressions of interest in the scheme. It is submitted pursuant to Schedule 7 of the S106 dated 1 March 2018 (see definition of "Marketing Strategy Update" and paragraph 2.13).

1.2 Caveats and Assumptions

In submitting this report we provide the following caveats and assumptions:

- Nothing contained within this report constitutes a formal valuation and should not be relied upon as such, it is for discussion purposes only.
- This report has been compiled as a desktop exercise, no specific site visit was undertaken for this purpose.
- We presume market-appropriate product, specification and car parking provision 1:30sqm on the gross area (as advised), with market-level operating costs/service charges and estate charge levels.
- We assume no meaningful change to applicable environmental criteria or adjacencies within or without the site that will influence viability/pricing/market appeal for the foreseeable future
- We assume no meaningful change to existing transport infrastructure beyond the site itself and assume the long-term potential for a new station within the site does not impact on the direction of the marketing strategy

2. The Site

2.1 Description

The Mowbray site comprises a primarily greenfield site of circa 570 acres, lying immediately to the north of the market town of Horsham, West Sussex. The southern boundary of the site is abutted by the A264 northern Horsham bypass. The town centre of Horsham lies approximately 2 miles to the south, with Crawley approximately 8 miles to the East.

The Development masterplan for the 570-acre North Horsham site is predominantly a residential led mixed-use scheme with local services and amenities including schooling, retailing and food & beverage offerings. It also includes an employment park up to the size of 500,000 sq ft gross of B1 development. This is located in the South Eastern corner of the site, adjoining the rail line and A264.

2.2 Scheme Update

Knight Frank continue to market the scheme and push engagement with occupiers and agents acting in this market. The site is however hamstrung by the challenges of uncertainty caused by the water neutrality issues within Horsham and until this position is resolved, we don't anticipate any progressed interactions with occupiers. The site has been reported on a number of occasions to occupiers but has not progressed to the shortlist due to the ambiguity on timings associated with the site.

While occupiers are considering their lease events earlier than ever due to the changing working practises encouraging occupiers to reflect on the function and size of their office space. There is also an unwillingness to consider development opportunities that carry an associated risk on timing with a focus on existing built stock and unconditional development prospects.

3. South East Offices

3.1 Market Summary

Although the South East office market in 2023 has experienced an improving market sentiment, take up levels do not reflect this and are not expected to improve until 2024. This is in part caused by slow decision making and occupiers cautious on committing to longer term leases. Several occupiers have also opted to push out their lease events in the short term which will lead to pent up demand in the coming years. Occupiers are getting a better grasp on their recruitment needs and business growth projections but there is still the ambiguity over the workplace strategy and how often their staff will be coming into the office. This uncertainty has led to take-up levels in the South East 2024 during Q1 equating to 587,211 sq. ft t which is 23% below the 10 year quarter average.

In terms of space taken, the Financial and Business Services sector was again dominant in Q1 accounting for 46% of space let. In fact, considered a longer period (2023 Q2 – 2024 Q1), the Financial & Business Services sector accounts for more than a third of the space let in the South East market. Within each sector, occupiers are orientating towards the best-in-class buildings and are happy to pay a premium for the best product – this has been reinforced by 14 of the 51 recorded South-East locations registered a rise in prime rent in the past 12 months.

The average deal size in the South-East has Increased to 14,332 sq ft reflecting a increased number of larger transaction in 2024 Q1 – in total, there have been 5 transactions above 30,000 sq ft which is significantly up on last year Q1 where only 1 deal eclipsed this size. In Q1 2024, there were a larger number of transactions in town centre locations with 29 of the 41 transactions being in this category. The largest transaction however was a at Tempo, Maidenhead to Johnson & Johnson for 97,488 sq. ft

Vacancy in the South-East remained consistent at 8.6% in Q1. This was caused by an influx of secondary stock and grey space coming onto the market. When considering Grade A space, this reduces to 6.6% which remains slightly above the 10 year average.

The employment rate in the South-East remains historically high, with the added-value skilled industries that now dominate the field compelled to use real estate as one of their variables for attracting staff in a competitive market, in seeking to attract millennial employees whose typical employment history involves changing employer every few years. These staff often typically seek urban or amenity-rich locations with a public transport option - many do not own cars.

4. Horsham

4.1 Market Summary

Horsham is an attractive market town in central Sussex, being located 9 miles south of the region's dominant commercial centre, the Gatwick-Crawley conurbation.

Providing a strong lifestyle offering of good schools, attractive retailing and an appealing hinterland, Horsham has a number of key attributes to appeal to occupiers. Amongst the key occupiers based in the town include More Than, Creative Assembly, Benchmark/Schroders, AJ Gallagher, Southern Housing Group and the local council. These are variously located in both in and out-of-town locations.

To the north of Horsham lies the dominant regional hub of Crawley-Gatwick, being home to thousands of businesses, many clustered on the Manor Royal estate close to Gatwick Airport. Amongst the leading corporates here include Virgin Atlantic/Holidays, Elekta, L3, Deloitte, Nestle, Novo Nordisk, Varian Medical, B&CE, Tui Travel and Amey. In Sussex, Brighton forms the largest tech business cluster providing the environment most fitting to the employee demographic of TMT and FBS (Financial Business Services) businesses, with Crawley also notable.

Due to the swift rise of the distribution sector in recent years, available land for redevelopment in Manor Royal has dwindled to almost zero, with some historical office sites now being sold for redevelopment for distribution uses. This has led to some challenges for occupiers seeking to grow or expand their premises on Manor Royal, particularly given the airport exclusion zone and Green Belt to the north.

4.2 Take up

Please find attached a summary of transactions within the Horsham, Gatwick and Crawley markets in Appendix 1. Within Horsham itself, due to the type and size of stock available in this market, there is limited transactional data.

The principle transaction in Horsham in the last 48 months was the acquisition of Spires Court by Creative Assembly. The building was partially occupied by the new purchaser and another tenant Southern Housing with Create Assembly committing themselves to a long-term future in the town by acquiring another freehold premises. Whilst consideration was given to a larger pre-let on a new building, the consensus was that their existing 3 buildings worked well for their medium-term requirements.

Within the Crawley, Gatwick and Horsham submarket, 2024 Q1 has been relatively subdued in terms of take up with just over 17,000 sq ft of take up but have seen a new record rent be achieved. This has been in part due to 2 transactions – British Airways at The Create Building (14,036 sq ft) and Cooper Surgical at Portland (2,981 sq ft). Both Crawley and Gatwick have demanded a rental premium over its smaller counterpart with prime rents being achieved recently of £39.00 psf in Crawley and £28.50 psf in Gatwick. The market sentiment suggests that new best-in-class buildings might be able to achieve a £40.00 psf Headline rent. Since Covid, the rent in these locations has increased by 39% showing an improving rental profile but also a flight to quality.

The prime rental evidence in Horsham has maintained a similar level in recent years, with the record rent remaining at £22.65 per sq ft in a 5,000 sq ft letting at St Mark's Court to AJ Gallagher (an adjoining occupier).

4.3 Supply

The supply dynamics within Horsham remain constrained as there has not been financial viability for the development of new offices in the town. This has meant there has been no new developments since the 1990's in the town.

Appendix 2 illustrates the current supply within the Horsham, Crawley and Gatwick markets.

Current availability above 10,000 sq ft within this marketplace equates to 316,505 sq ft. Based on the average take up levels for the last 3 years (93,884 sq ft), this reflects 3.37 years of supply.

The largest suite being offered in the Horsham market is a 25,795 sq ft in Sierra Place that is being marketed in shell condition for alternative uses alongside traditional office space.

Alongside Mowbray, Larksfield Place is also offering pre-let opportunities for up to 230,000 sq ft which is the old Novartis Headquarters on the edge of the town centre. This development has planning consent for 264 new homes as part of a major regeneration of the 18.5 acre brownfield site.

5. Marketing

5.1 Marketing Strategy

Following the initial marketing strategy and implementation of stage 1 of the marketing campaign, the next phase of marketing has been agreed and summarised below: -

Marketing - up to December 2022

- Interviewing and appointing a marketing agency Socrates.
- Creation of 'employment section' on Mowbray website
- Create a new brochure for the commercial element of the Mowbray site for circulation to interested parties / commercial agency market.
- Advertise the employment land in relevant property portals including Agents Society.
- Agent network presentations to key commercial agents in the area and agents acting on behalf of potential commercial occupiers.
- Advertise the employment land to both freehold and leasehold interests
- Install signage on-site, visible to the A264, to encourage engagement from local companies / residents. Board is installed on-site.

Marketing – 2023-2024

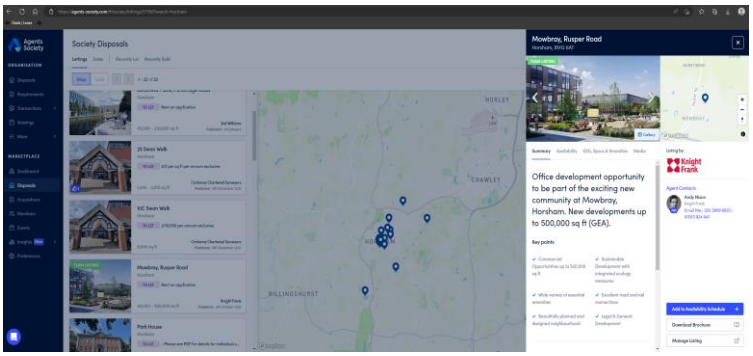
- Press Releases: Progress with the construction and reinforcing the opportunity of commercial space available
- PPC campaign enabling the ability to address a targeted audience
- HTML / Agents Insight circulation campaign to regional and London agents
- Occupier focussed targeting: Acquire occupier list from provider to circulate progress reports / availability. Twinned with a more targeted list of specific occupiers to engage with, all conducted with GDPR compliance in mind.
- Enhance the visuals for the scheme and plans with the architect
- Further agent presentations with a particular focus on occupier led enquiries.

Marketing Initiatives

The Landlord has undertaken various marketing initiatives to enhance the exposure of Mowbray to a wider audience and create the right marketing materials to facilitate engagement with occupiers on the potential opportunity at Mowbray.

Due to the challenges with the water neutrality surrounding the site and in the absence of a solution to the problem, there are challenges with providing occupiers certainty on timescales and finalised development plans. This is restricting engagement to high level conversations and has led to the scheme being discounted due to uncertainty.

Marketing	Image
Roadside Signage The development signage has been installed with excellent roadside prominence visible on the A264. The signage outlines the opportunity and directing all enquiries to Knight Frank. Several enquiries' parties have indicated that they have enquired through seeing the board at the site.	

CGI's L&G have commissioned CGI's to help encapsulate the vision of Mowbray and illustrate the indicative quality of buildings / amenity provision for the development.	
Commercial Website Section The Landlord has enhanced the website section to outline the building specification / opportunity for enquiring parties. The addition of the CGI's has helped understand the aesthetics of the development.	 Mowbray offers a unique opportunity to be part of the exciting new mixed use development with the local community at its heart. The new developments will create a brand new business district within an idyllic landscaped business park setting. • Office Spaces from 25,000 sq ft up to 500,000 sq ft Campus • Sustainable development with integrated ecology measures to support bio-diversity net gain • Connected business location and close proximity to Gatwick Airport • Opportunity to design and develop new offices tailored to your business needs • Ability to align Net Zero Carbon ambitions, a low carbon and sustainable approach with the Landlord • Part of a new community with café's, shops, schools, leisure facilities • Land parcel sales considered BUILDING THE OFFICES OF THE FUTURE Targeting BREEAM Outstanding and EPC 'A' • Excellent Natural light throughout the building • Impressive double height reception and informal meeting areas • Modern and Resilient building infrastructure with Wiredscore certification 
Property Listings The site is listed on the key commercial agency portal, agency society that all commercial agents will use for any property acquisition. Knight Frank anticipate that the vast majority of interest will derive from represented occupiers. Agents society has the opportunity to send reminders to the agency network that is relevant to that Geography and Knight Frank have and continue to send reminders out on Mowbray. This is undertaken on a quarterly basis so as to continue to remind agents of the leasing and development prospects	 Society Disposals Mowbray, Rusper Road Office development opportunity to be part of the exciting new community at Mowbray, Horsham. New developments up to 500,000 sq ft (GEA).

Commercial Brochure The Landlord has created a commercial brochure which has been sent to enquiring parties and is available to download on the website.	

Occupiers are becoming increasingly footloose and more conscious on the quality and ESG credentials of their property in order to attract and retain the right talent. With occupiers considering a wider geographical range to achieve their occupational solutions and given a generally limited land supply, the Employment Marketing Strategy encompasses wider-reaching initiatives across Sussex and the wider South East.

5.2 Agency Presentations

Knight Frank have undertaken the following agency presentations and had conversations with various parties on the feasibility of development at Mowbray.

Company	Date	Size	Comment
Novo Nordisk	01-2024	50,000 sq ft	Pharma business based in Crawley undertaking early stages feasibility study. Informed the agent acting about the opportunities at Mowbray.
Willis Tower Watson	11-2023	70-90,000 sq ft	A number of lease events in Redhill and considering their options. Early stage suggestions are potential stay put within existing buildings.
Confidential c/o Knight Frank	07-2023	60,000 sq ft	Initial presentation had with acting agents at Knight Frank. Site has been reported to client with timing potential up to 2027. Pushing for further engagement.
Trend Controls c/o JLL	06-2023	20,000 sq ft	Requirement circulated around Agents Society by Agent. Although there is potential to extend in existing site, preference is to relocate by Q4 2023. Will monitor.
Honeywell c/o JLL	04-2023	40,000 sq ft	Considering options of relocating. Presentation to JLL acting on behalf of Tenant but timing is principle concern and pre-let opportunities have been discounted.

Confidential c/o Knight Frank	02-2023	120,000 sq ft	Early stages feasibility study. Wanting to remain in close proximity to existing office so will not relocate outside of borough. Expecting to pick up in Q1 2024.
GJ&CT Partnership Ltd	01-2023	Development opportunities	Direct enquiry and referral from HBC as well as seeing the marketing board. Keen to engage on any pre-letting opportunities and will discuss acquiring a land parcel internally for development.
Clients of SHW	11-2022	100,000 sq ft	Early stages of Feasibility study on behalf of client. Could be More than Insurance. Had initial conversation but being guarded at this stage –undertaking further digging to establish potential occupier.
More Than Insurance	08-2022	40,000 sq ft	Spoke to agent acting on behalf of More than. Staying put in existing building but rumoured to have a larger requirement to consolidate offices. Details sent.
National Crime Agency	06-2022	80,000 – 120,000	Recent re-circulation of requirement to larger search area including Horsham to South, Woking to West and Sevenoaks to East. Discussed site opportunities with the agent – suggested timing is end of 2024 so timing would be tight to provide scheme but reported to client.
RSA c/o Spring 4	01-2022	50,000	Provided overview on Mowbray in relation to RSA in Horsham town centre. Location did not suit their business with potential relocation to central location in Crawley deemed to be preferable to business. RSA own their own freehold with expected residential development of the scheme on exit.
Creative Assembly c/o Savills	10-2021	100,000	Provided summary of the development and proposed B1 use potential. Presented this to their client Creative Assembly but discounted due to location and need to be in town centre location. Creative Assembly utilise the town centre amenity for meetings and several staff are employed across Europe and live in the town centre.

Appendices

Appendix 1 – Transaction Schedule

Appendix 2 – Availability Schedule

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