AHERNE

PROPERTY CONSULTANTS

# Employment Land Market Report
# and
# Viability Assessment

## for

## FORMER DXC SITE
## EUXTON LANE
## CHORLEY

Prepared by
Aherne Property Consultants Ltd

Date: January 2023

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# 1. Executive Summary

2. Aherne Property Consultants (APC) has been instructed by Bellway Homes Limited (North West) Ltd (Bellway) to prepare an Employment Land Market Report and viability assessment in regard to the Appeal to the refusal of Planning Application– 21/01475/FULMAJ , proposing a 108no. dwellings on the DXC Technology Site on Euxton Lane Chorley extending to 3.02ha, the Appeal Site.

3. This assessment has considered employment market conditions within Chorley and the viability of employment re-use and redevelopment on the Appeal Site. It has been undertaken in context of Central Lancashire Core Strategy Policy 10, Criteria h), which requires an assessment of the viability of employment development including employment re-use and employment redevelopment, and should be read in conjunction with the Planning Proof of Evidence prepared by Sebastian Tibenham of Pegasus Planning.

4. This assessment identifies that Chorley is a local market with weak limited small-scale demand for offices with generally low values and there is not a sufficient office market to justify new office development nor refurbishment of the existing offices on site which is exacerbated by its age and original design as a Ministry of Defence Depot. The building is functionally obsolete on many levels in terms of meeting current market standards and this forms an area of common ground with the Council.

5. The low market demand for office development is exhibited by the nearby Buckshaw Parkway office building, located just 220m to the north of the site, which was speculatively developed at the beginning of the Covid pandemic by Orbit Developments. This development provides a single three storey high-spec office development providing c. 23,000 sq. ft which was completed in 2020, but having been openly marketed for over 2 years, has remained empty since.

6. Chorley's industrial and logistics market is more broad based in that it can attract more regionally based companies when prime sites become available on the M61 motorway and where there are also limited opportunities elsewhere on the M6. The Appeal Site is however too small and on the wrong side of Buckshaw Village in relation to the motorway connections, to appeal to this market and is therefore considered a secondary local redevelopment opportunity.

7. Where smaller unit industrial development is taking place, innovative approaches are required to enable this key segment of the market including direct investment and intervention from local authorities, planning gain through mixed use development, and "pump priming development" with higher value uses. There is therefore market failure in providing for smaller scale and multi-unit development. Such developments are generally unviable and there are only one or two bespoke and smaller developments which have taken place in Chorley; the most relevant being the Strawberry Meadows development.

8. Notably the Strawberry Meadows development has taken place on land inherited by Chorley Council from the former Homes England/Commission for New Towns, gifted to the Council for nil cost. Furthermore the Council have been able to benefit from £2.25 million of funding through the Lancashire Enterprise Partnership. The wider scheme also benefitted from a cross-subsidy form a residential consent on part of the site which paid for site infrastructure and servicing, and which includes the Strawberry Meadows plot. The Digital Hub development there also received £4.1 million of EU funding. This development would not have come forward without the favourable land price, cross subsidy and

gap funding which when taken together make a very considerable contribution to what otherwise would have been an unviable scheme. The Appeal Site does not have the ability to be able to benefit from such incentives.

9. In any case there is a substantial development at Botany Bay Business Park where an initial phase of 11,150 sq m (120,000 sq ft) small units will be supplied in 2023 with the further 10,500 sq m (113,000 sq ft) likely to come forward in 2024. This combined with Strawberry Meadows development is likely to make Chorley one of the best supplied locations for small units in the region.

10. It is recognised that the larger B8 big box logistics market is active and that Chorley does not have any strategic sites suitable for immediate development or in the pipeline. The Appeal Site is too small and in the wrong location to be able to contribute to the supply of land for large scale B8.

11. The property was marketed in 2014 but did not receive interest due to the age and specification of the building and risks around the impending lease expiry and purchasers not wanting to deal with the risks of repurposing the site when it became vacant. The current owner also received advice in 2021 from two property agents active in the area that the site was not an attractive employment proposition and was unviable.

12. In terms of site-specific considerations, the Appeal Site does not easily lend itself to comprehensive redevelopment of other employment land uses, such as B8. The Appeal Site constraints include two protected trees located within the site in the open space area. Two culverts also run centrally through the site, which would present a real challenge to overcome in delivering a large logistics employment unit of the site. The culverts serve the adjacent land to the east and are legally protected by restrictions on title. There are also various abnormal costs to consider including demolition, remediation, retaining walls, attenuation, piled foundations and requirement to obtain title insurance.

13. Having taken the market and site specific factors into consideration, this assessment considers five potential employment schemes which have been appraised to determine viability of the site for employment redevelopment. The five different schemes have been agreed with the Council, to cover all the different employment options that could realistically be accommodated on the Appeal Site and are summarised as follows;

    - A new build office park similar to Ackhurst Business Park
    - A refurbishment of the existing building to create a mix of traditional office suites at ground floor and a “digital hub” business centre
    - A new build industrial development to maximise the development density and to provide a range of larger small unit sizes from 8,000 sq ft to 22,500 sq ft
    - A new build industrial starter unit scheme to reflect a similar specification and layout to Strawberry Meadows
    - A new mid box logistics development to provide the largest single foot print building that the site can accommodate

14. The appraisals follow the PPG viability testing requirement in assessing gross value of the completed development and deducting all assumed costs of development, including abnormal costs. The development of the site for either office or industrial/warehouse use will only be deemed viable if the

Residual Price equals or exceeds the Existing Use Value, otherwise, development for that use will not be financially viable.

15. The appraisals demonstrate that the viability test is substantially failed under all five scenarios for employment re-use and redevelopment. In light of the scale of deficit in bringing this site forward for employment use it is possible to conclude that the likelihood of the site coming forward in both the short and longer term is extremely unlikely. The abnormal costs and development density achievable undermine the suitability of this site for employment development and is therefore more suited to a residential development.

16. Within the Statement of Common Ground the parties have agreed that the reuse of the existing building for offices or industrial use is unviable, that redevelopment of the site for office use is unviable. The options for redeveloping the Appeal site are therefore extremely limited. Regardless of viability considerations, the BE Group Market Update Report (August 2022) confirms that the Borough has sufficient land for smaller light industrial/industrial options to meet Chorley's objective needs up to 2038. Accordingly the Council accept there is no requirement to identify further land for light industrial purposes.

17. In light of the above, I am of the view that Core Strategy Policy 10, Criteria h) has been satisfied and the most appropriate use of this site is for residential. The planning appeal should therefore be considered favourably.

# 2. Introduction, Declaration and Scope of the Report

1. Aherne Property Consultants has been instructed by Bellway Homes Limited (North West) Ltd (Bellway) to prepare an Employment Land Report and Viability Appraisal to support in regard to the Appeal of the decision to refuse Planning Application proposing the erection of 108no. dwellings (Use Class C3) with associated access, landscaping, parking and other works following demolition of existing building at the DXC Technology site, Euxton House, Euxton Lane, Euxton, Chorley PR7 6FE. A site plan showing the Application Site which extends to 3.02ha together with a context plan identifying the local area is attached in Appendix 1.

2. I am Andrew Aherne and principal director of the firm Aherne Property Consultants Ltd, which was incorporated in September 2014 and is regulated by the RICS. For the previous 15 years I was a director at Matthews and Goodman and then Lambert Smith Hampton (LSH) and the five years preceding that an associate director at Fletcher King, all based in Manchester dealing with property throughout the North West of England.

3. I have specialised in commercial property and employment land since 1987. As a property consultant, I have advised and currently advise national and regionally based development/property companies and occupiers of property. Over the years I have also advised the owners of Moorland Gate Business Park eventually leading to its sale to Harworth, advised Ingersoll Rand on the acquisition of premises in Adlington and FI Investments on their property holding on Lostock Lane Horwich. All these properties are located within the same market area as the Appeal Site.

4. I have provided advice on both the acquisition and disposal of employment accommodation and employment land for its continued use and redevelopment. In addition, I have advised on the value of property, the state of the property market and supply and demand of accommodation.

## Scope of Report

5. The scope of the report will be to explore the impact of the loss of this employment site on the supply of employment land in Chorley by considering the following:

    i. explain that the current market for employment space for industrial, logistics and offices has significantly changed so that demand for industrial and logistics offices on the site is limited and there is no existing or foreseeable demand for office space.

    ii. Consider the supply of industrial and logistics accommodation and land in the context of take up and need.

    iii. consider the supply of existing office accommodation and land in the context of past take up and potential need.

    iv. review the history and context of the DXC site, in regard to its existing use, deal with the current appropriateness of the exiting accommodation for the current market.

v. Consider the appropriateness of the DXC site for continued use and demonstrate the current proposal reflects the current and foreseeable market and is the best prospect for deliverability.

vi. undertake Development Appraisals to determine whether the continued use or redevelopment for alternative employment uses of the site is viable in accordance with Central Lancashire Core Strategy Policy 10 criteria.

vii. This report should be read in conjunction with the Planning Proof of Evidence prepared by Mr Sebastian Tibenham of Pegasus Planning.

## Declaration and Statement of Truth

6. I am required to make the following declaration in accordance with the relevant Practice Statement for Chartered Surveyors acting as Expert Witnesses: -

- I believe that the facts stated in this Expert Witness report as a Proof of Evidence are true.
- I confirm that I have made clear which facts and matters referred to in this Proof of Evidence are within my knowledge and what are not. Those that are within my knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.
- I confirm that my Proof of Evidence includes all factors I regard as being relevant to the opinions which I have expressed, and that attention has been drawn to any matter which affects the validity of those opinions.
- I confirm that my duty to the appointed Inspector in this planning appeal as an Expert Witness overrides my duty to those instructing or paying me, that I have understood this duty and complied with it in giving my evidence impartially and objectively and that I have continued to comply with that duty as required.
- I confirm that I am not instructed on any conditional fee arrangement, I confirm that I have no conflicts of interest of any kind but have disclosed the involvements I have had in the past in my Proof of Evidence.
- I confirm that this Proof of Evidence complies with the requirements of the Royal Institution of Chartered Surveyors (RICS), as set down in “Surveyors acting as Expert Witnesses - RICS Practice Statement & Guidance Note”.

Signed …… ……

# 3. Property Market

1. This section will provide an analysis of the Application Site setting out its unsuitability for continued employment use. It will do this by exploring the dynamics of the property market for office and industrial employment land within the Chorley Market area in which the Appeal Site falls. It will consider the suitability of the current site for employment and market conditions. It will do this by addressing the following issues in detail:

## Economic backdrop and Property Markets

2. Notwithstanding the Covid Pandemic, Brexit and uncertainties in the UK and World economy the property markets have surprisingly remained reasonably active in prime core locations. With the general economy pre Covid the office market was performing well and a steady supply of good quality accommodation particularly in City Centre locations and demand within industrial and logistics sector recorded unprecedented growth during this period. That said in 2020 GDP contracted by 9.9% making it the worst year for the economy for nearly 300 years but rebounded in 2021 to grow by 7.5% and expected to be 4.2% for 2022. The economy did however continue to grow by 0.1% in the last quarter but there are still fears for a recession this year.

3. While the vaccine roll-out has now enabled GDP to bounce back to pre-Covid levels, the scars on the economy caused by the pandemic are starting to fully express themselves and have been accelerated by the War in Ukraine. The War has also introduced additional uncertainties with regard to energy security and added to inflation which in turn has put pressure on financial markets especially interest rates. All these factors give rise to considerable uncertainty for the UK economy for the foreseeable future.

### Industrial Market

4. Since January 2022 Customs Declarations now have to be completed prior to entering the country and this is currently manifesting itself in supply chain issues. While these issues are gradually being overcome are nevertheless contributing to inflationary pressures most obvious in the energy, food and construction sector where some building materials such as timber have seen price increases of up to 80%.

5. The rise of ecommerce is the single most important issue driving activity in the industrial and logistics sector. The UK is Europe's most mature ecommerce market with over 35% of UK retail sales being undertaken online during the height of the pandemic although this has now dropped back to 28% in line with longer term take-up (up from 20% in 2019). This rapid change has presented real challenges for retailer supply chain management, and while there are signs this spike in demand is starting to subside a significant proportion of this growth will remain permanently.

6. The changes in the marketplace have led to a number of behaviours including:

- stockpiling to protect against uncertain in supply chains
- onshoring again to protect against the impact of Brexit, and
- increased warehousing and distribution to respond to ecommerce.

7. This has manifested itself in an increased demand particularly for the big box end of the market (being buildings over 9,290 sq m (100,000 square feet) with a strong requirement for locations on major dual carriageways and motorways. As a result in the UK the take-up of industrial and logistics space has exceeded the 15 year average of 2.79 million sq m (30 million sq ft) six out of the last 8 years. The long term average has in fact doubled in the last decade as we have entered the new internet era. The last two years have seen take up of more than 4.65 million sq m (50 million sq ft) which is the first time this level of take up has been achieve and is 25% over the previous peak.

8. Take up figures for 2022 have not yet been finalised but it is clear that Amazon have paused their acquisition programme having only committed to a single building of 15,330 sq m (165,000 sq ft) this year and have also recently announced that they plan to close 3 warehouses in the UK in an attempt to scale back some of the expansion it undertook during the pandemic and brace for a widely forecast economic downturn in 2023. Research from Savills suggests that take up levels are returning to pre pandemic levels. Take up for the year so far combined with buildings reported to be under offer points to take up of in excess of 4.12 million sq m (45 million sq ft).

9. The importance of this pattern of demand is also reflected in the British Property Federation creating a new Industrial and Logistics Committee to inform and lobby policy makers on the rapid changes in this market and the requirement for land. This is principally to make the case for the release of greenfield land on motorway corridors to accommodate highly accessible sites to meet the demand from this sector and there are several examples of such sites coming forward in the region.

10. The structural changes has had a substantial impact upon the size and pattern of take up and the shape of demand for employment land not least scale and efficiency of buildings. Users require additional accommodation with greater efficiency and modernisation focusing on strategic locations which meet the needs of e-commerce. This is having a big impact on the size and specification of buildings and the size of requirements has increased over time and the market over 9,290 sq m (100,000 sq ft) is very active. Last mile urban logistics or the mid box sector of units +/- 4,645 sq m (50,000 sq ft) has followed the big box market. In fact 2021 was a record year of take up in this sector of the market. Manufacturers are the predominate user within this mid box sector of the market.

11. Overall the market ideally requires large flat sites remote from conflicting uses. The Appeal Site has fundamental site specific issues that prevent it from being able to accommodate mid or big box development which I shall come to later.

12. This consistent sustained demand combined with the increased size requirement has had a significant impact on the national market as well as regionally. Large footprint buildings of 200,000 to 600,000 ft.$^2$ by their very nature are very "land hungry" taking up large tracts for a single transaction. When compared to the larger transactions of c 100,000 to 200,000 ft.$^2$ ten years or so ago the land requirement is now three or more times the requirement which is part of the reason for incremental demand in recent years.

13. That said there are the first indications that “the fizz” which has been prevalent in the market over the last few years is diminishing. That's not to say that the market is not expected to function positively, but economic headwinds have emerged including runaway inflation, high energy costs, increased interest rates and recessionary fears with GDP having contracted. This is already starting to manifest itself impacting developers by a levelling off if not fall in values together with a reduction in development finance almost being turned off overnight preventing a development pipeline. The impact on occupiers is that some businesses are postponing their relocation or expansion requirements.

14. Almost exclusively published commentary on the industrial and logistics markets point to the national and north west markets performing at all time highs, but also highlight economic headwinds are coming. It is also notable that both reports published by both developers and consultants that operate in this market generally deal with the market above buildings of 4,645 sq m (50,000 sq ft). The market over 4,645 sq m (50,000 sq ft) is barely relevant to the Appeal Site as it does not function in this location and due to site constraints cannot accommodate demand which is most active. While it is evident that logistics and distribution has led demand in the region and indeed across the country, this activity is not appropriate for the Appeal Site.

15. Demand created as a result of the structural changes in the market will therefore have passed by the Appeal Site which is not in the right location nor has the correct characteristics to accommodate this demand. The Appeal site:

    - Is not of a sufficient size to accommodate the size of industrial and logistics demand which is strongest – big box demand over 9,290 sq m (100,000 sq ft).
    - Is relatively remote from a motorway junction.
    - Is on the wrong side of Buckshaw Village/Chorley town for the motorway and HGV traffic generate would conflict with Buckshaw Village residential areas and Chorley and South Ribble Hospital.
    - Has specific site constraints that prevent a viable employment development – as I show later.
    - The existing building dates form the 1940’s is obsolete and not able to be viably refurbished.
    - The office market is too small/weak to support office development.
    - There is ample and emerging supply of better suited office and industrial accommodation and land.

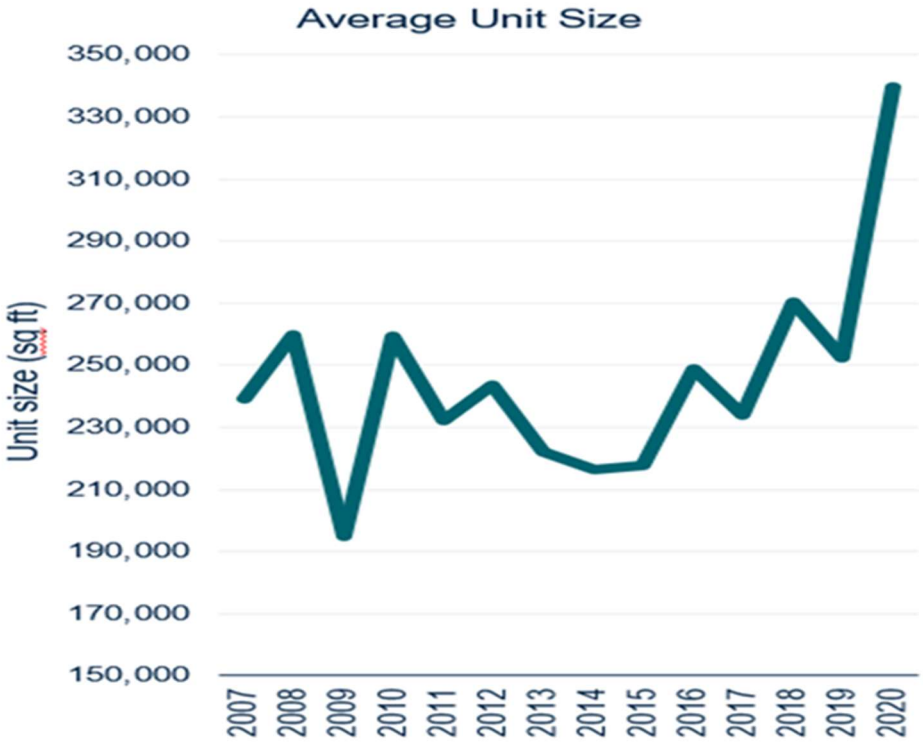
16. There is of course an increasing trend for larger warehouse requirements as we have seen in the marketplace as a result of ecommerce, onshoring and Just in Case logistics which therefore creates greater pressure for employment land supply. Examples of such transactions in the North West during 2022 include:

    - Home Bargains- 79,900 sq m (860,000 sq ft) Omega, Warrington
    - Iceland – 47,845 sq m (515,000 sq ft) Omega, Warrington
    - Unipart - 36,420 sq m (392,000 sq ft) Gorsey Point, Widnes
    - Danish Crown – 30,470 sq m (328,000 sq ft) Kingsway, Rochdale
    - Farmfoods – 22,850 sq m (246,000 sq ft) Stretton, Warrington

- Victorian Plumbing - 50,540 sq m (544,000 sq ft) Connect544, Leyland

17. This trend for large units can be seen in the following graph. Whilst it does not show figures for 2021, according to Lambert Smith Hampton's Industrial and Logistics Market Report 2022, demand for the extra large warehouse sector over 23,225 sq m (250,000 sq ft) increased by 50% therefore maintaining this trend.

Figure 12 – Big Box Take Up by Size




Source: Savills Research

18. Extra Large shed development has been a feature of the Central Lancashire market principally because of the pre-eminence of the M6 as a major transport corridor. This is currently in evidenced by the single unit Connect 544 development of 50,540 sq m (544,000 sq ft) at Lancashire Business Park, Leyland where it has just been announced that Victorian Plumbing, the online retailer, have committed to the building when complete.

19. Small scale development on other hand is a more complex affair where there is effectively market failure preventing starter and small unit developments coming forward. There is a dearth of such developments nationwide and which only tend to occur via specialist developers in special circumstances.

20. The development of industrial and logistics space is driven by a number of factors. A significant element of this is scale with larger requirements being more easily fundable due to economies of scale and resultant availability of institutional funding and greater viability/profitability. Small scale development is less attractive for a number of reasons including the lack of serviced sites, identifiable need and poorer viability/profitability.

21. A single large unit development only needs one pre-let to trigger construction and developments with scale can absorb the upfront site costs of infrastructure and site preparation. Large scale development also can attract institutional funding as there is perceived to be less risk and the returns are higher, principally due to stronger national covenants being the ultimate end users and pro rata build costs being less than for small multi-unit development. This is why there was speculative development of larger units at Revolution (EP1.11 on the Context Plan in Appendix 1) and currently underway at Connect 566 which is at Lancashire Business Park on the northern outskirts of Leyland and is being funded by Goldman Sachs. The Buckshaw Link development of smaller units at 42 on the Context plan was also a speculative development but is a much larger scheme than can be accommodated at the Appeal Site. It was also constructed in 2008 at a time of much lower build costs and the adjoining Revolution development also contributed to funding infrastructure works to service the site. All these factors assisted with the viability of this scheme and as factors that are not present at the Appeal Site.

22. While evidence shows that new small unit schemes are typically taken up reasonably well as seen at Strawberry Meadows only a handful of schemes are being undertaken regionally which will bring forward new stock. Despite demand, investor and developer aversion towards small unit development reflects a whole combination of factors including limited lot size, higher build costs and typically weaker occupier covenants. Where development is taking place, innovative approaches are required to enable this key segment of the market including direct investment and intervention from local authorities, planning gain through mixed use development, and "pump priming development" with higher value uses.

23. There is therefore market failure in providing for smaller scale and multi unit development. Such developments are generally unviable and there are limited smaller developments which have taken place in Chorley the most relevant being the Strawberry Meadows development. It is notable that the small scale developments have required public funding to make them viable. The majority of such schemes even in established locations have benefitted from some sort of intervention mainly from local authorities "gifting land" for such development. This is what has happened at Strawberry Meadows which has also benefit from considerable levels of gap funding and a combination of cross subsidy from higher land value uses also being promoted on the site through a mixed use development, which includes a care home and residential development taking up a significant proportion of the allocated employment site (Site EP1.5 in the Chorley Local Plan and named Euxton Lane, Chorley in that document). This scheme to which I also refer to later has only come about due to these factors.

### Office Market

24. Regarding office markets, the service sector remains a dominant proportion of the economy and office markets remain an important part of the property market. Technical advances have had a dramatic impact upon the way we occupy office space in a similar way, but for different reasons, to the industrial logistics market. The office market has polarised into large SMEs and larger corporations' requirements, where high quality environment, accessibility and amenity offer is essential. This is reflected in the large-scale development that is taking place in city centres such as Manchester, which is in stark contrast to out-of-town sites where there is no development and which generally only takes place with Public Sector support. This was the case at the Digital Hub office building at the Strawberry Fields development to which I refer later.

25. In addition, there has been a growth in new start-ups and the emergence of new technologies such as cloud computing, that has created increased demand for serviced offices, small office suites and homeworking. This has had a significant impact on the demand profile for offices in that the boom of out-of-town pavilion style office developments with minimal amenities that took place in the 2000's quickly became outdated and replaced by more serviced offices and homeworking activities.

26. This trend was accelerated during the Pandemic as City Centres effectively shut down for long periods and businesses invested in IT and remote working initiatives for their staff. With the pandemic now officially over the picture will change. At this early stage it is difficult to point to hard evidence of the extent this uncertainty is having, but a drift to a more flexible working arrangement by virtue of cloud computing has been accelerated by the impacts of the pandemic and office markets are likely to be changed permanently by its impact. A recent Office for National Statistics (ONS) survey identified a trend that hybrid working is growing and found that 24% of workers both worked from home and travelled to work - up from c 12% prior to the pandemic – see Appendix 2. Serviced or managed office space now accounts for over 10% of the total market demand and is estimated to grow to 30% by 2030.

27. The majority of public sector are now working a 3 day hybrid working week with no signs of changing for the foreseeable future – this also seems to be the minimum now for the major organisations in the Private Sector and Apple, The Co-Op and others have been mentioned in the press as seeking a minimum 3 days a week in the Office. Occupiers so far appear to be taking less space but are willing to pay more for an increase in quality and facilities.

28. When it comes to Manchester and other North West town and Cities there is still is no evidence that there has been a significant increase in activity for the out of town markets to the detriment of the city centre. Most people seem to be working from home for part of the week rather than opening up a satellite office nearer to home. There are still several high profile companies who haven't announced their plans so we will get a clearer picture over the coming year.

29. Following a large exodus from the labour pool as a result of the Pandemic and Brexit the economy is effectively at full employment with staff shortages being experienced in most sectors of the economy. One of the key drivers is retaining talent and it is becoming apparent that business owners are having to manage staff preference for a mix of working from home and the office. There are also initial signs that there has been a flight to better quality offices and greater amenity being provided both in the immediate vicinity or within the office buildings themselves. This has been reflected I believe in an increase in demand for city centres, where there is a high level of amenity, at the expense of a reduction in out of town demand where less amenity is available.

30. It is no longer sufficient for landlords to provide a basic level of facilities with their office space. Building Magazine published a report on post pandemic working and while it is focused on the Manchester market the themes are relevant to the office market generally. Clustering of offices enabling a broad range of facilities is becoming an essential ingredient of a successful office location – see Appendix 3.

31. There are a number of investment decisions that have ceased or are being changed to reflect a greater mix of working from home and the office and some are being delayed until there is more clarity in financial and economic markets. This could have a negative impact upon investment yields which are

expected to increase, making the viability of office development difficult which has been compounded by recent structural shifts in the gilts and money markets. Inevitably there will be numerous investors and businesses reviewing their options, the impact of which is already giving rise to increased uncertainty in the market and potential negative impact on office values particularly in secondary locations such as Chorley.

## Overview of the Chorley Property market

32. Chorley is located 35km (22 miles) north west of Manchester and 14.5 km (9 miles) south of Preston city centre. The town is approximately 8 km (5 miles) from the M6 motorway (junctions 27 and 28) and 3 km (2 miles) from the M61 motorway (junction 8). This subsequently provides access to the M65 to the north and the M60 to the south.

33. The new settlement at Buckshaw Village is served by Buckshaw Parkway railway which provides access to local destinations including Preston, Blackpool, Bolton and Manchester. Additionally, Euxton Balshaw Lane railway station provides services to Liverpool. Preston Railway Station is located on the West Coast Mainline approximately 5km (3 miles) from Chorley and provides direct access to London Euston, with a fastest journey time of 2 hours 15 minutes. Manchester International Airport is approximately 45 minutes' drive time to the south and is the UK's 3rd largest airport offering direct flights to around 200 destinations.

### Industrial Market

34. Chorley has historically been a secondary industrial location within the northwest market although has a broad base of industrial occupiers at the long established Common Bank Industrial Estate at Ackhurst Road and North Chorley Business Park at Drumhead Road which service the local market and function well. Following the release of the BAE site at Buckshaw in c 2007 this resulted in a large tranche of employment land being released which resulted in a very successful big box development of seven units between 9,290 – 27,870 sq m (100,000 – 300,000 sq ft) known as Revolution and a copy of this master plan is attached in the Appendix 4. This strategic site attracted significant inward investment due to the quality of the development and its relatively good access to junction 6 of the M61 (the location is South and East of EP1.11 on the context plan) together with the lack of deliverable sites elsewhere in the region at that time.

35. In conjunction with this a further mixed unit industrial scheme was developed at the adjacent Buckshaw Link providing multiple units from 555 sq m – 1,860 sq m (6,000 to 20,000 sq ft). The total scheme is c16,260 sq m (c 175,000 sq ft) in 20 units. There is a single unit currently available on the market here extending to 1,365 sq m (14,700 sq ft) with the quoting rent of £8.50 per square foot. This has attracted mainly locally based businesses.

36. The Chorley market is also in a very fortunate position to have an excellent supply of accommodation currently on the market at Strawberry Meadows/Euxton Lane (Site EP1.5) and being developed at Botany Bay Business Park (Site EP1.1) which was previously proposed as an out of town retail scheme.

37. Strawberry Meadows Business Park is part of a larger development including a care home, residential units, demand led industrial development and the Digital Hub business centre. The Digital Hub and Strawberry Meadows have been brought forward by Chorley Council directly. The Digital Hub (which offers flexible office space and meeting rooms) was brought forward in 2019 and is reported to have a development value of £8.4m and received a considerable grant of £4.1m from the European Regional Development Fund (ERDF).

38. In regard to the Strawberry Meadows industrial development, where construction is well advanced, comprises circa 7,060 sq m (76,000 sq ft) in 33 units from 46 - 577 sq m (500 sq ft to 6,000 sq ft). While I believe most of the starter units are committed to by occupiers there are still 6 available larger units totalling 24,000 sq ft. A copy of the scheme brochure is in Appendix 5.

39. I refer to the decision notice also in Appendix 5 which relates to Land 200M North of Derian House Euxton Lane the original planning application in 2015 for what is now referred to as Strawberry Fields/Meadows. I have highlighted yellow various sections in the decision notice that describe the industrial development proposed at the time as requiring residential development to make the scheme financially viable. Furthermore, new public sector partnerships were bought in to provide support to the scheme including financial support. It confirms that a viability assessment was put forward to enable delivery of the employment element. At paragraph 31 it considered that there was adequate employment land remaining at the time for the remaining plan period. Notably at paragraph 34 it states that the site would be unsuitable for large units as the site is on a "B" Road close to Chorley Hospital and mixed residential. The Appeal site in on the same road. At paragraph 25 the marketing of the site for employment development showed limited demand and no interest to proceed.

40. Notably the Strawberry Meadows element of this development has taken place on land inherited by Chorley Council from the former Commission for New Towns so my understanding is that it was in effect gifted to the Council for nil consideration. Furthermore the Council have been able to benefit from £2.25 million of funding through the Lancashire Enterprise Partnership and I attach an extract from Chorley and the LEP's websites also in Appendix 5. It is my view that this development would not have come forward without the favourable land price and gap funding together with the cross-subsidy from the adjacent residential development. These taken together make a very considerable contribution to what I believe otherwise would have been an unviable scheme. The Appeal Site does not have the ability to be able to benefit from such incentives and as I will show later a similar development on the Appeal Site would be unviable much in the same way as it was at Strawberry Meadows.

41. Construction of phase 1 of Botany Bay Business Park is planned to commence in February/March with pre-consturction work already being undertaken on site. Phase 1 comprise blocks F, H I and J with Block A & B to follow once the current detailed planning application is consented (Block A currently only has outline and will be a Costa Drive-Thru) as described on the attached marketing brochure in Appendix 6. This excluding the drive-thru provides a total of 12,370 sq m (133,149 sq ft) in 15 separate buildings with a range of unit sizes from 122 – 558 sq m (1,313 to 60,106 sq ft). Some of the smallest units have the potential to go for hot food retail takeaway uses which will command a higher rental than for

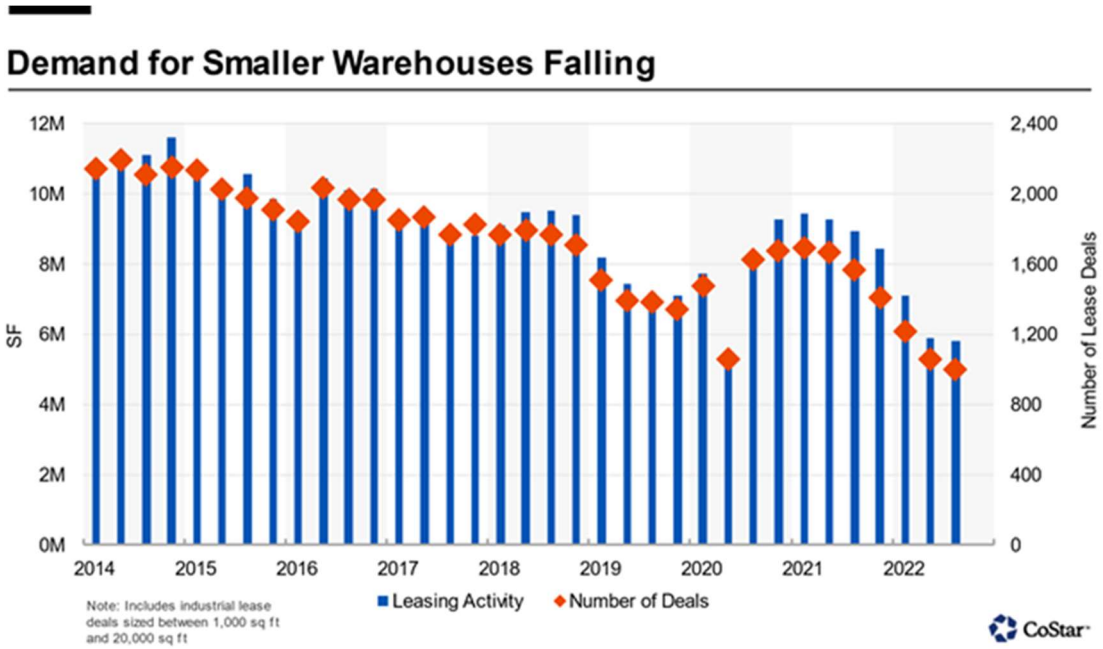
employment and helps viability. In total they have planning consent for over 37,160 sq m (400,000 sq ft) of space at the business park which excluded the mill building to which I refer later.

42. I believe this development has been able to be undertaken for a number of factors. First Investments are the landowner, developer and contractor and therefore are able to remove margins to assist viability. Furthermore, they have stated they will commence Phase 2 as soon as they have finished phase 1 so in total this is a very substantial scheme of just over nearly 37,160 sq m (400,000 sq ft) and therefore benefits from significant economies of scale which are not available at the Appeal site as it can only accommodate just under 9,290 sq m (100,000 sq ft) maximum. The scheme has been pumped primed with high value Drive thru use at the entrance to the site which while small scale does when added to the other factors assist development viability. The site's location directly on the M61 junction and the presence of Botany Bay itself which is a well know local landmark, also provides the site with unparalleled presence and visibility and is therefore likely to be attractive to a number of businesses.

43. When both Strawberry Meadows and Phase 1 of Botany Bay are taken together they will provide over 19,510 sq m/210,000 sq ft of new supply to the Chorley market over 12 months. 17,000 sq ft is also under construction at Standish Street. What is also notable is that this supply will be at the smaller end of unit sizes which is the cornerstone of the market. To put this in context 55 new units have just or are being constructed within the Chorley market which in itself is relatively small. This is substantially in excess of the vast majority of local authority areas in the North West including those with a much more active industrial market such as Warrington and Trafford. Furthermore Phase 2 at Botany Bay will provide a further 10,500 sq m (113,000 sq ft) of mainly smaller units thereafter which are likely to be delivered in 2024/5.

44. This new provision when considered in conjunction with turnover of the existing stock of buildings in Chorley will therefore provide a substantial stock with a significant range and choice of units for the market over the course of the remaining plan period in Chorley which runs up to 2026. Other committed but allocated employment sites within the adopted local plan clearly provide scope to go beyond this.

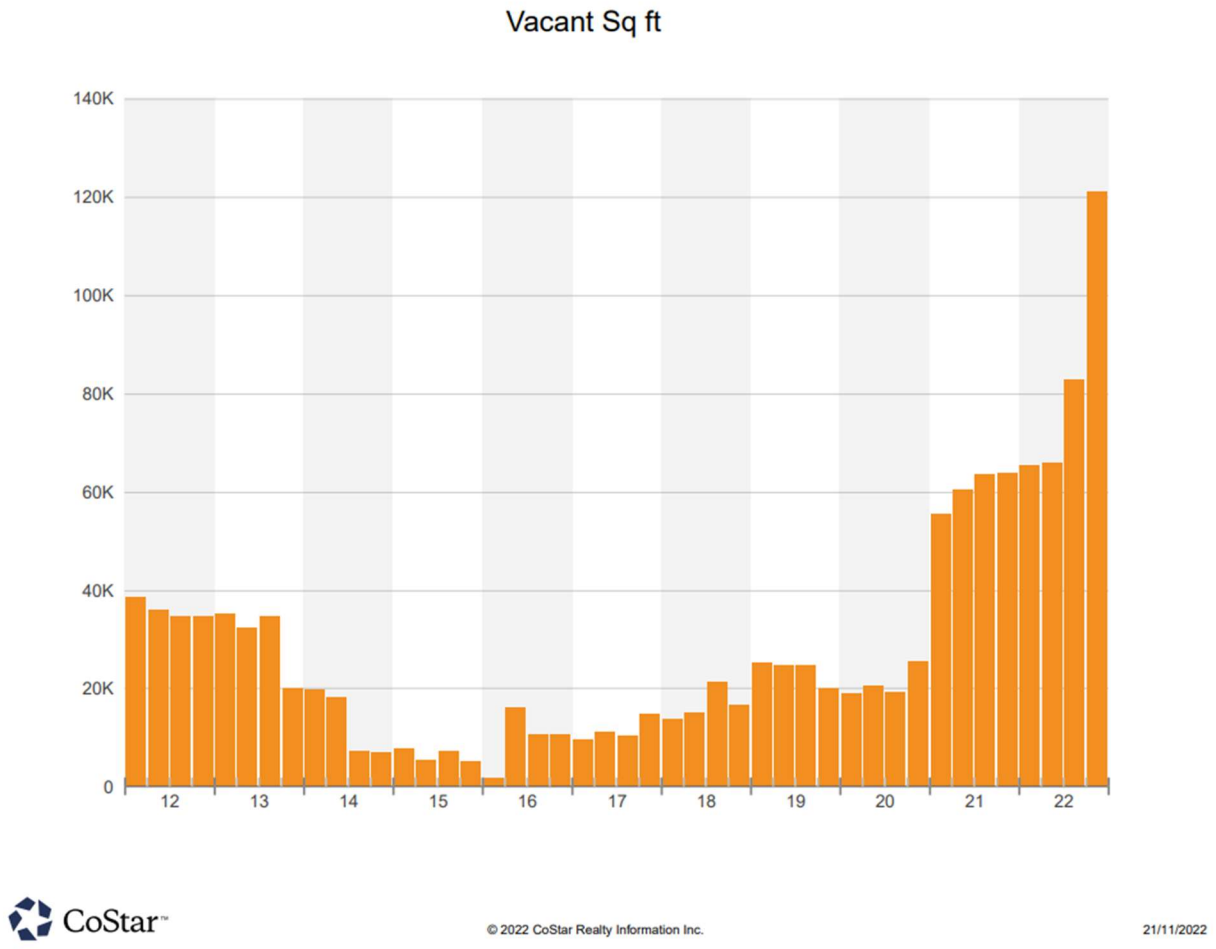
45. It is also notable that demand for small units up to 1,858 (20,000 sq ft) is falling. A recent CoStar press release identified that demand for smaller industrial units is falling nationally with June take up 23% down from the previous 3 months, and 45% below that recorded a year ago. This trend continued through the third quarter last year (fourth quarters figures not yet available) as identified in the table below. CoStar put this down to worries about the health of the economy. A copy of the press announcement is in Appendix 9. While I accept there is apparently good take up at Strawberry Meadows if this research is true it may not sustain.




46. It is against this background that anyone seeking to redevelop the Appeal Site will have to consider competition from these schemes which are in stronger locations. Notwithstanding the viability position which I discuss later due to this competition it is in any case highly unlikely a developer would wish to provide more stock within the market over the next few years.

## Office Market

47. Chorley is well located within the Central Lancashire area although is a relatively small commercial centre relative to neighbouring towns of Preston to the North and Bolton to the South to which there is easy access and therefore competition. It has a relatively small office stock of c85,470 sq m/c920,000 sq ft with the vacancy rate having risen markedly over the last 12 months to 11% (Which equates to 89% occupancy). Please see Bar Chart below with a listing of the available offices in Appendix 10.




48. This is in stark contrast to the BE Group Office Market Update report published in August (CD 6.6) last year which identifies and occupancy rate within Chorley of over 94% and only 5,628 sq m (60,500 sq ft) of space available. Their source of data is from various sources including Valuation Office Agency statistics from 2020. BE Group state at para 3.16 that occupancy rates of below 90% indicate low demand and poor growth and I believe the data from CoStar paints a more up to date picture of the market within Chorley. Chorley's own data on current (December 2022) office availability in Appendix 8 lists 13,620 sq m (145,000 sq ft) as currently available and this figure excludes any potential office availability at Botany Bay Mill. This is in line with the CoStar data. Indeed, I note that BE Group have not been commissioned recently to carry out a quantitative or qualitative assessment of any of the existing business parks within Chorley (i.e. existing employment locations that are not formally allocated in the Local Plan but make up a considerable proportion of the employment premises within the Borough) and therefore the current evidence base in relation to the potential supply of office (and other business properties) is incomplete.*

49. The increase in recent vacancy is in large part due to second hand space becoming available but also new space very close by at Buckshaw Parkway (on land identified as Southern Commercial in the adopted Chorley Local Plan – site EP1.13 located directly north of the train station – see context map in Appendix 1).There is a good supply of office suites across the size ranges down to managed suites and hot desks.

*Last assessment of existing locations not relating to employment allocations in the plan was in 2017

50. Buckshaw Parkway was speculatively developed at the beginning of the Covid pandemic by Orbit Developments. This stands out as an exceptional development by the private sector and appears to have been undertaken for general business planning reasons rather than in response to the market. Orbit Developments are one of the north west's largest office developers who have an in house construction team and having spoken to Orbit's investment director who has recently left the business it appears that this building was constructed in order to keep construction personal active during the pandemic. This development provides a single three storey high spec office development providing 2,137 sq m(c. 23,000 sq ft) which was completed in 2020 but having been openly marketed for two years and has remained empty since. The marketing brochure is in the Appendix 11.

51. The most established and long standing business park within Chorley however is Ackhurst Business Park which provides a total of 7,800 sq m (84,000 sq ft) and currently has vacancy of about 905 sq m (9,750 sq ft) in six separate units representing a vacancy rate of 12%. Notably the only other new construction to take place was that at Strawberry Fields Digital Hub. This was a public sector initiative owned and operated by Chorley Council which benefited from £4.1 million of EU funding and was cross subsidised from the adjacent residential development. It provides a total of 3,900 sq m (42,000 sq ft) over three floors and provides a mixture of traditional offices serviced accommodation and hot desks. The office accommodation is fully occupied but there is availability in serviced accommodation and hot desking. A copy of the press release confirming the public funding is in Appendix 12.

52. Botany Bay which as discussed has recently received planning consent for a large scale B2 and B8 development which is about to start construction. The existing mill however is excluded from the planning application and following the demise of retail markets which used to occupy this space it is proposed to be repurposed for offices and self storage. I understand that the current owners are intending to submit a planning application shortly to provide up to 5,575 sq m (60,000 sq ft) of self storage and office accommodation. Nearly 1,858 sq m (20,000 sq ft) of this will be for their own occupation with a significant proportion of offices to come to the market and which will be on stream in 2024/5. These are also likely to operated by FI serviced office concept called Figflex (FigFlex Offices – Flexible office space to suit any business size) which they operate elsewhere in the country and which would be market aligned in Chorley as evidenced by the Digital Hub facility. FI are in the fortunate position of being able to make such a concept work in this location due to their own HQ offices being sited in the same building and being able to share their own staff's amenities. This reduces capital and operational costs providing them with a market advantage in being able to make the scheme viable.

53. Generally speaking over the longer term Chorley's market has been relatively stagnant with very little additional supply coming to the market apart from the Digital Hub at Strawberry Fields a public sector funded development and Buckshaw Parkway which is a private sector anomaly. In fact there has been a contraction in existing floor space over the past ten years with demolition activity outpacing new construction. Supply has remained satisfactory during this period meaning rents have remained relatively flat with an annual growth rate of only 1.1% over the past decade – I attach a CoStar report on the Chorley office submarket in Appendix 13.

54. The supply side of existing stock currently has therefore never looked so good and with the prospects of the Botany Bay development coming forward this is likely to increase further. Chorley is therefore currently oversupplied with existing office space and as a result there is no pressure on development

land for offices and this is particularly the case in the vicinity of the Appeal Site as there are also ample future development plots at Buckshaw Village which are fully serviced and consented and able to provide an additional 7,092 sq m (76,344 sq ft) of space in 3 buildings.

# 4. Chorley Employment Land Studies

1. BE Group have been commissioned to provide evidence to the Central Lancashire sub-region and its component local authority areas of Preston, Chorley and South Ribble. They have been asked to undertake employment land studies to inform the various local plans. Their original commission dates back to 2017 but have been subsequently provided a 'Update' of the Central Lancashire Employment Land Study. There have been two updates as follows:

    - Central Lancashire – Employment Land Study Update – February 2022 (CD6.5)
    - Chorley Market Update 2022 – August 2022 (CD6.6)

### Central Lancashire – Employment Land Study Update – BE Group

2. The Employment Land Study Update aims to support the emerging Central Lancashire Local Plan and considers the Covid 19 Pandemic, changes in national planning policy, Brexit, and their impact on the local and sub-regional economies.

3. The essence of the report is to define current realistic land supply and at the same time define the employment need for the plan period to 2038. While the report considers employment land for all employment use categories for the whole of Central Lancashire the study is broken down into its three constituent councils of Preston, Chorley and South Ribble. While there is interplay between the three councils and indeed the wider Functional Economic Market Area beyond the boundaries of Central Lancashire the focus of my comments is on the property market within Chorley.

4. At Para 4.40 the report finds that industrial demand is for space in a range of sizes, with reasonable past transaction rates for industrial and warehouse properties up to 5,000 sq m (54,000 sq ft), but smaller units of 0-500 sqm to 1,000 sq m (5,400 to 9,290 sq ft) most popular.

5. Table 18 within the report lists allocated employment sites available in Chorley at April 2021. The table has been updated to establish the current realistic availability and identifies 56.28 hectares (since the report was published some of these sites will have been built out – including part of EP1.5 Strawberry Meadows although a significant element of the built out space is still vacant with land also available). There is also additional availability at Great Knowley, Botany Bay and other sites and I refer you to Mr Tibenham's planning evidence where he identifies a realistic Supply of 69.91 Ha. From the list it is notable that most of the available sites are suitable for smaller scale development which is most in demand. The Appeal site is of course not included in this list and if developed for housing would not therefore diminish supply.

6. It is noticeable that at Para 2.23 the report also identifies a need across Central Lancs for Larger B8 options which the Appeal site cannot accommodate due to its site specific constraints which I detail

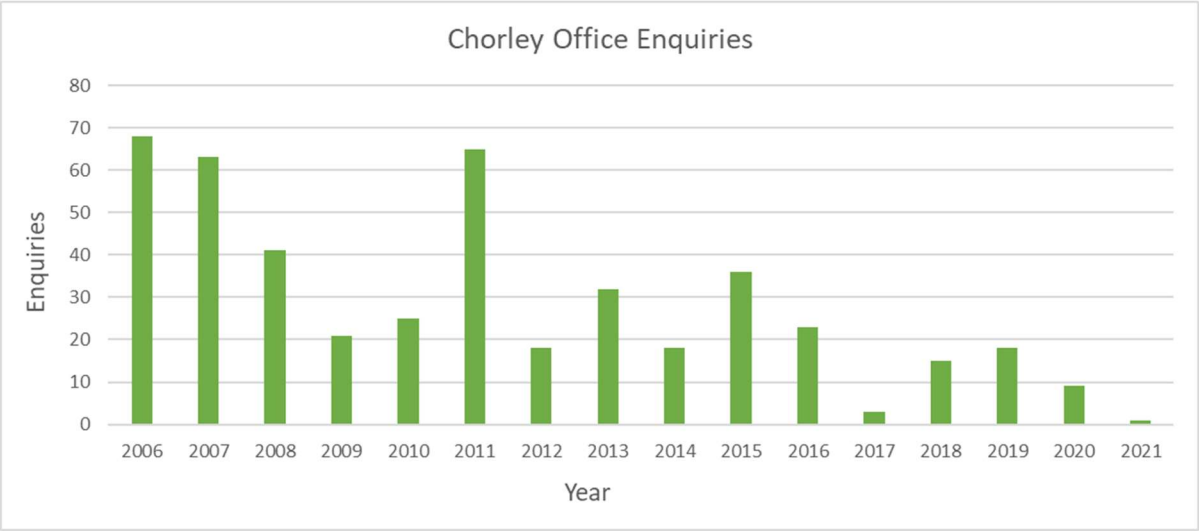
later. From BE Group's wider market engagement they identify demand particularly for sites close to the M61. The table also shows a good supply of sites on the M61 by virtue of the Botany Bay development, Gale Moss (EP1.3 on the Context Plan) as well as the remaining plot at the Revolution scheme although none of these sites are large enough for large B8 big box development. Again I refer you to Mr Tibenhams evidence where he identifies large strategic sites elsewhere in Central Lancs and beyond which are suitable and available for big box development – principally Cuerden and Wingates Phase 2.

7. Notably at Para 7.23 the report states "the greatest need, unlikely to be met in the current supply, is for land suitable for larger B8 options…….while the Borough has sufficient land for smaller light industrial/industrial options".

8. In terms of development the market engagement undertaken and set out in Table 16 (third section) notes one key issue being the rising cost of construction materials which makes the refurbishment of second hand units more costly against the lower rents which can be charged for such properties, damaging viability. Due to significant construction cost inflation since the report was issued this is also now the case with new build developments particularly at the smaller end of the size spectrum where viability is a significant issue not only in Chorley and the North West but nationally.

9. In terms of the office market the report at Table 15 recognises that Chorley has the smallest office market of the three Councils and the majority of enquiries for office space within Chorley are for small offices up to 100 square metres - Para 4.50. This suggests Chorley's office market is local in nature and functions for local businesses.

10. Table 11 in the report identifies a declining number of office enquiries over the last 16 years which can been graphically seen below. This seems to support the CoStar report referred to earlier which states that Chorley has a stagnant office market.



11. Average rents in Chorley are currently £14.50 with quoting rents at c. £16 psf. Rents rise to c £20 psf for serviced offices where additional services are provided such as reception services and are generally inclusive of utility costs. As I will show later these rents are not sufficient to support a viable office development.

12. At Para 4.67 the report identifies 23,220 square metres of available offices in Chorley which is a significant increase of 16,395 square metres since BE Groups Study in 2017 (CD 6.3) and is a considerable supply of office space. Even though this has come down to the longer term average there is still a significant supply available. As you would expect bearing the small size of enquiries the vast majority of this supply is within units under 500 sq m (5,400 sq ft) and is therefore market aligned. The report also concludes that old business centre model is out of date principally due to location and lack of amenities and this is relevant when considering the reuse of the existing DXC building which again I consider later in this report.

13. Turning to land supply the report however suggests that only 4.79 Ha of the allocated sites are suitable for office use it also acknowledges that EP1.13, Southern Commercial Buckshaw Village, which is owned by Orbit Development who are quoted as saying that they are not confident on demand suggesting that further office delivery will be slow – Para 5.12. Their building here has remained vacant for two years.

14. In terms of need the report looks at two methods the first being historic take up and the second being employment/economic forecasting.

15. Historic take up for Chorley is set out in Table 27 in the report and lists the take up of employment land since 1991 resulting in 103.97 ha being developed over the last 30 years which provides an average of 3.47 ha per annum. The report refers to anomalous years which coincided with the development of the industrial elements of Buckshaw Village which were branded as Revolution Park where over 130,000 sq m (1.4 million sq ft) was built on the launch of this key regionally important strategic site. These peaks in take up reflected not only positive economic conditions at the time but also the availability of good quality employment land suitable for regional distribution centres. It is these big box deals that I have taken out of the floor space take up in the previous section and which of course also translate into the take up of land.

16. The average take up of 3.47ha reduces to 2.62ha when these anomalous years are discounted. When taking into account the current emerging dynamics of the office market I doubt there will be any land required for additional office space for the foreseeable future which could therefore reduce this average further. Also with the absence of any available or proposed strategic sites for big box development the anomalous years can be discounted and therefore I believe the 2.62ha annual figure is more the appropriate measure of demand especially when taking the second method, the Cambridge Econometrics forecast.

17. When the second method of identifying need is taken into account this is more than ample land supply. This method looks at jobs growth, as identified in Cambridge Econometrics forecast modelling, which

calculates a much smaller land requirement. The loss of the Appeal site is therefore not going to have any impact on the market especially when it currently does not even contribute to the supply numbers.

18. The reasons I believe the BE Group overstates need is as follows:

- Chorley does not have another strategic site (like Buckshaw Village was when first allocated) in the pipeline. However, the strategic site at Cuerden in South Ribble and a relatively short distance north of the appeal is likely to come forward shortly. Future take up rates in Chorley are therefore likely to be closer to the norm of 2.62 ha, not the 3.47 adopted.

- Office demand has changed which when combined with Chorley's good range and choice of available office suites set out in the availability list and the sites at Buckshaw Village and Strawberry Fields sites .

- I believe the buffer allowed for is excessive or unnecessary. The buffer provided is based on higher historic take up of offices and therefore exaggerates need.

- BE Group's modelling for office demand is based on a minimum of office space being developed over two storeys (CD6.5 para 7.25 first bullet point) when in fact the only three developments to have taken place in the last decade have all been over 3 floors. I have referred to the developments at Strawberry Fields, Buckshaw Parkway and there was a third purpose built development at the Chorley Business and Technology Centre. There is also the proposed development Botany Bay which is likely to be over 4 floors as well as available existing stock such as Fairclough House which is also three storey. This would exaggerate the land requirement.

- There is a good range and choice of existing and emerging industrial floor space especially within the size ranges most relevant to Chorley. These are at Strawberry Meadows and Botany Bay as described above and there will also be a turnover of existing units for example that are currently available and on the market at Buckshaw Link – see Appendix 25. There is potentially up to three years supply of existing and emerging floor space to meet demand.

- The buffer provided is based on a higher take up which includes big box development on strategic land which Chorley no longer has. There are no strategic sites in the pipeline and the land requirement is therefore exaggerated.

- There is also more land available than BE Group identify as set out in Mr Tibenham's evidence.

- Lastly BE Group discount the Cambridge Econometrics projected jobs growth model which anticipates a much smaller requirement.

19. The second method of economic forecasting to identify need reinforces my view. Figure 25 in the BE Group report identifies employment forecasts by sector and the largest projected areas of growth throughout Central Lancs is in Accommodation and Food Services. The other two largest growth sectors in Chorley are Human Health and Social Work and Education. The report recognises that not all employment growth would result in an increase in demand for B class employment land or premises. Indeed according to Cambridge Econometrics Forecasts Accommodation and Food Service activities as well as Education have no impact and therefore no need for employment space and are accommodated within other land use categories. This is set out in table 32 within the BE Group report.

20. The activities where employment growth is largest fall outside of employment allocated sites which means the need for additional employment land will be diminished. By this I mean most jobs growth is in Health, Social and Education so these jobs are most likely to be accommodated in hospitals, surgeries, care homes and schools rather than on employment land. Indeed BE Group's modelling in table 35 identifies that in using this method Chorley has an adequate level of employment land supply.

21. Mr Tibenham's evidence provides a greater level of analysis as to why BE Groups Employment Land Needs evidence should be afforded limited weight.

### Chorley Market Update August 2022 – BE Group

22. BE Group were commissioned by Chorley Borough to provide an updated report specifically on the demand for employment land within the Chorley Borough. The aim of the report is to "demonstrate the strength of these markets" and "the importance of protecting and enhancing local supply". The report therefore has a specific agenda. The report refers to the Central Lancashire Employment Land Study Update 2022 and adopts the same land supply and land requirement.

23. In terms of need the report at Table 1 breaks down need by use class which has been extrapolated forward from previous take up. The table identifies, and para 2.9, states that the Borough has sufficient land for smaller light industrial/industrial options but has shortages for offices and B8 uses.

24. As I have previously described the office market has changed and recent demand has diminished in what was already a weak office market. In any case Chorley has a significant existing supply of office buildings including Grade A space both at Buckshaw Parkway and Chorley Technology and Business Park, both within a few 100 metres of the Appeal Site. In any case the unviability of office development at the Appeal Site is uncontested.

25. As for small light industrial options these can of course be used by smaller scale B8 last mile urban logistics. The report recognises that there is sufficient land and this is currently demonstrated by the developments at Strawberry Fields and Botany Bay Business Park as well as the other listed sites within Chorley.

26. At para 3.6 the report says that there have been 168 industrial deals that have taken place in the last 10 years which provides an average annual number of transactions of just under 17.

27. The report at paragraph 3.10 identifies 15 available units at the time the report was written. Taking into account Chorley's current listing in Appendix 8 plus the six available units at Strawberry Fields there are currently 16 units on the market. Furthermore, there are a further 12 starter units due to be completed in April this year at Standish St in Chorley which is a development currently underway and which totals 17,000 square feet. No brochure is currently available, but a photograph of the scheme and an e-mail from the letting agent confirming the availability in Appendix 14. This gives a total supply therefore of 28 units.

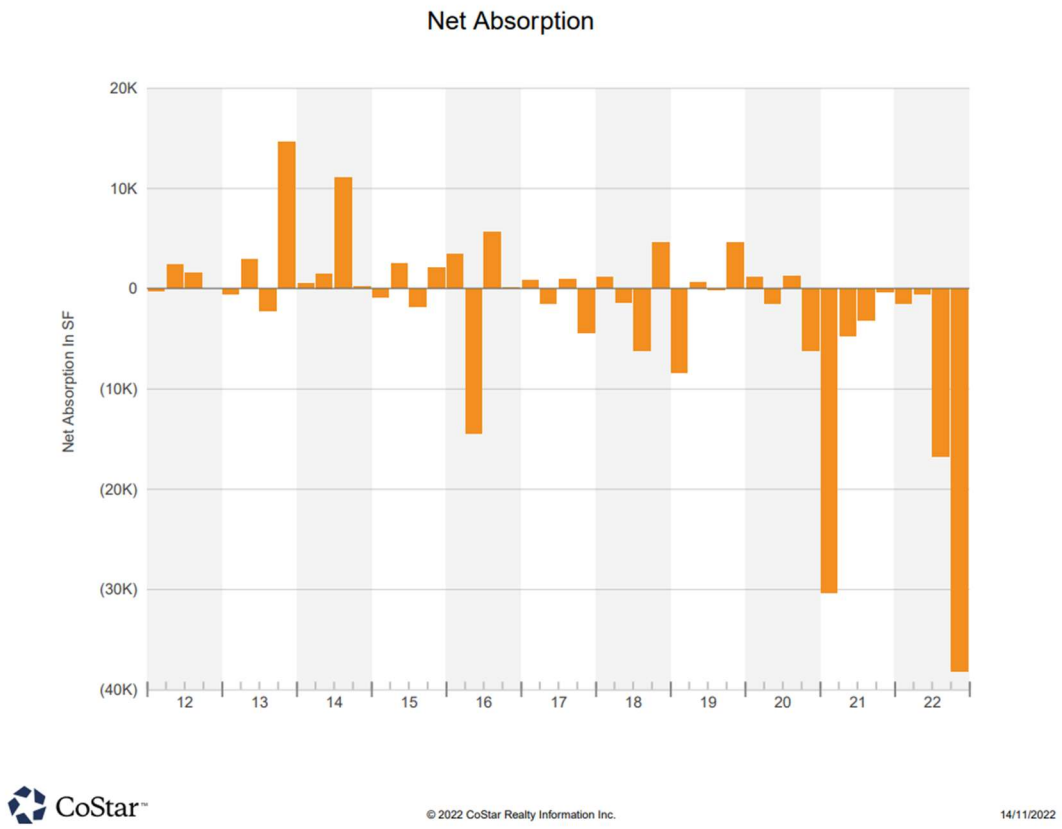
28. Earlier in my report I've also stated that there are further 55 new build units coming forward over this year and next which is a considerable level of supply taking into account this average take of units. This current and emerging supply is contrary to BE Groups findings in the summary paragraph 3.23 where they state that there is a limited supply of existing buildings where in fact there is an emerging picture of a very significant and imminent supply.

29. There is an issue for larger scale B8 development. I have described at length how active this market has been and how much land is absorbed by each transaction. Both the BE Group reports from February 2022 and August 2022 also report an active market in the larger scale B8 uses. I have also said that it is this part of the market that has led this sector and Chorley does not have any strategic sites in the pipeline that can accommodate this size of requirement. The Appeal site is small and has constraints that limit the size of buildings that can be built and therefore cannot contribute to supply for this sector of the market.

30. In terms of office demand the report identifies take up of 3,750 sq m per annum (40,000 sq ft) and a spike of activity in 2021 which I believe is a bounce back following a period of lock down and uncertainty. In addition they identify 5,628 square metres (60,000 sq ft) available office space currently on the market. This is considerably below that identified in their February 2022 report and indeed in the Chorley's own listing of available offices which totals a max of 13,619 sq m ((146,594 sq ft). I have also looked at CoStar listing where there is over 10,680 square metres (115,000 sq ft) of existing available office space on the market (excludes those sites not yet built out). This does not include the further 1,800 to 3,300 sq m (20,000 to 40,000 sq ft) potentially to come forward at the Botany Mill as described above. The office listings are in in Appendix 8 and 10 respectively.

31. In fact Chorley being a local market has been flat for many years and can be demonstrated in the bar chart below generated form the CoStar database which sets out net absorption. Net absorption balances out take up with business departures. The chart shows a broadly level position for the years

2012 to 2020 following which there is a noticeable decline since the start of the pandemic in 2020. The fact that Chorley's office market is local is a large part of why rents have remained flat over the last decade and explains why total inventory of floor space has declined more recently as ageing stock gets demolished or repurposed and is not replaced by new development. This undermines BE Groups position on overall occupancy rate for the borough being 94% which I dealt with earlier.




## Summary

32. BE Group confirm that there is a sufficient supply of land for smaller industrial units. They say there is a shortage of smaller buildings available on the market but since their report availability is improving substantially by way of new small unit developments at Strawberry Fields, Botany Bay Business Park and Standish Street which will deliver 55 units over the next 12 to 24 months. This will make Chorley one of the best, if not the best, local authority area supplied with small units in the region.

33. Land in Chorley for large scale B8 development is more limited. There are however large scale sites being delivered in the market area most notably that of Cuerden to the North but also to the South at Wingates phase two to the South. The Appeal Site is too small to accommodate this demand and in any case has specific site constraints that limit the size of buildings that can be constructed.

34. As for offices I believe that on an alternative analysis the BE Group overestimate the need for employment land and especially for that of offices.

35. In light of the considerable stock of currently available offices within Chorley and the relatively low take up combined with a good supply of high quality sites then I conclude the need is significantly overstated and that Chorley has a an adequate supply of office development land which is confirmed by the economic employment method of identifying need.

# 5. DXC Site

1. This section will provide an analysis of the Appeal Sites characteristics in terms of the suitability of the existing building and its location for continued employment use.

### The Appeal Sites Characteristics

2. The Appeal Site is situated on the fringe of Buckshaw Village and is to the south of the main centre meaning that it is on the wrong side of the new settlement for the motorway access which is vital for employment use especially industrial. The northern boundary backs onto the railway lines but there is no direct access to the station which is therefore a 10 minute walk via the main road bridge. To the East is Preston North End FC training ground a secure facility reserved solely for the football club. To the West is a two Storey office studio building originally developed for the MOD/BAE but currently owned and occupied by Blink who are a film and advertising company. Also to the West is the former Runshaw College is being purchased by the Lancashire Constabluary and will be converted or redeveloped into a new police facility. To the South on the opposite side of Euxton Lane there is generally an open aspect over countryside although there is a childcare centre and domestic residence facing the site.

3. The site is situated in a mixed-use location.'

4. The building itself was originally constructed in 1949 as a warehouse for the MOD although at some point was subsequently converted to an office building. The total floor space is approximately 4,645 sq m (50,000 sq ft) over 2 levels. Most recently it has been occupied by a single tenant who have been in occupation in various guises for at least the last 15 years and prior to that was occupied by BaE as offices. The minimum floor to ceiling height is only 2.2m in part rising to c 2.5 m. Current institutional standards are a minimum of 2.75 m rising to 2.95 for larger floor plates.

5. The building has very deep floorplates as you would expect for a warehouse and too deep for office space. When the building was converted to office use in the c 1980's lightwells were introduced to the property in an attempt introduce natural light to the inner parts of the building. This only partly solves the problem and much of the interior office space is compromised due to lack of natural light which when combined with the low ceilings creates oppressive space which is really only suitable for office back uses and therefore is a less usable diminishing value. Photographs and previous office layouts are attached in the Appendix 15 from which you will see the space was used for a call centre. While arguably the space can function for this type of use there are very limited requirements and this market has moved abroad or include a mix of home working as previously described. Call centres are closing down elsewhere in the region.

6. The building currently has an EPC rating of G – also Appendix 15 – which is a below current Minimum Energy Efficient Standards (MEES). The Non-Domestic Private Rented Property Minimum Standard Guidance Note is in Appendix 16. This states that from April 2018, residential and commercial properties must be brought up to a minimum Energy Efficiency Rating of 'E'. Landlords are not permitted to market property (with limited temporary exemptions or if the building is listed) without obtaining an EPC and

the required minimum standard would not be able to be achieved without a major refit. The regulations are increasing this threshold to B by 2030. The building therefore falls short of current regulations and cannot therefore be marketed in its current condition without verified exceptions in place.

7. The Valuation Office have removed the property from the valuation list on the basis that the property was not capable of beneficial condition and that a refurbishment or redevelopment would be required to achieve this. I attach a copy of the Valuation Offices Check Case Decision Notice in Appendix 17. This reinforces the fact that the property is not currently in a marketable condition.

8. The layout creates an inefficient building due to the following:

    - A low gross to net ratio due to the requirement of lightwell and extensive corridor areas in the event the floors are subdivided into office suites;
    - This reduces lettable space as well as increasing building running costs which causes problems with viability of development and also letability of the office space. Tenants are increasingly concerned about the carbon footprint and running costs particularly in light of the current energy crisis which seriously limits the market attractiveness of the property;
    - Unusable areas due to depth of floor plates.

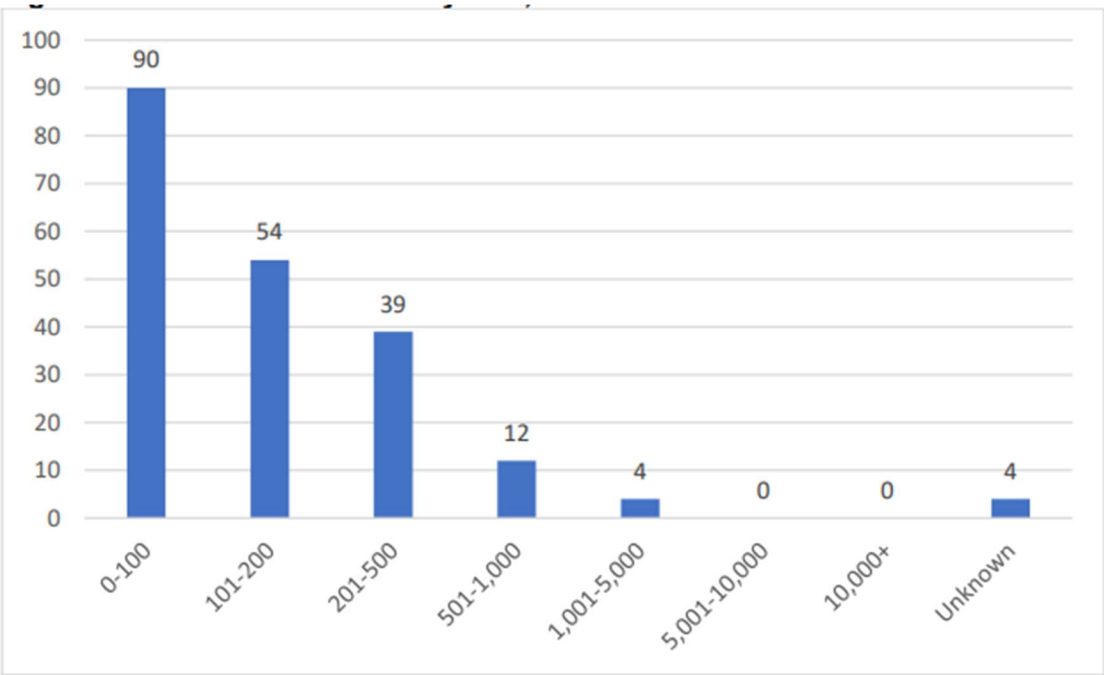
9. The building is therefore functionally obsolete on many levels in terms of meeting current market standards.

10. A detailed dilapidation survey was undertaken in 2017 which recognised that the M&E equipment was close to or at the end of its functional life cycle. A copy of the survey is in Appendix 18. In addition there are major issues with the curtain walling and of course there were significant reinstatement, repairs, redecoration and replacement required generally. In 2017 the total cost of reinstatement was nearly £20 per sq ft which with construction cost inflation in today's money is closer to £30 per sq ft. Even if this work was undertaken it would still result in an EPC rating of G and would therefore still not comply with current minimum standards and therefore not be able to be offered to the market.

11. We have costed a comprehensive refurbishment to meet current requirements but this requires a strip back to the frame. Both the EPC Recommendations report and the dilapidations survey state that the glazing requires replacement and building needs insulating. Both state that the heating and lighting services are at the end of their life. A refurbishment on this basis is unviable as I show later.

12. A simple reinstatement of the building in line with the dilapidation survey would entail bringing the building back to a standard fit for single tenant. There are no requirements in Chorley for buildings of this size, indeed as identified in the BE Group report there has been only four letting's over 1,400 sq m (15,000 sq ft) in the last 10 years. Furthermore, with the presence of Buckshaw Parkway/Southern Commercial a modern state-of-the-art building just a short walk away and in a preferable location, this significant competition at Southern Commercial would in any case deter a developer or investor in speculating its refurbishment. Buckshaw Parkway has of course been vacant for nearly two years due to the weak market.

13. The market in Chorley is for small office suites with the vast majority or enquires and deal done below 2,000 sq m ( c 2,200 sq ft) as indicated in the BE Group employment land report published in August 2022 – graph below showing office transactions by size over between 20211 and 2021:




*Source: EGi 2022*

14. As a result I do not believe there are any prospects for bringing the existing building back into meaningful use. In order to make it meet current standards and be suited to the market in Chorley a complete strip back to the frame would be required and reconstruction thereafter. However even with this work being undertaken the building would need to be split into small suites to align it with market requirements which due to the depth of the floor plates is incompatible. A refurbishment on this basis would render a significant proportion of the building unlettable. As you will see later in the viability section we have provided layouts which in order to create lettable office suites requires an undue proportion of break out areas, store rooms, meeting rooms and corridors which are either low value or cannot command a rental at all. A refurbishment of what is a 70 year old building is therefore unviable and the only prospect for this building is demolition as seen from the dilapidation report and viability assessments.

15. This view appears to have been taken by Bluemantle's own advisers in mid to late 2021. I refer to the Bluemantle statement in Appendix 19 and it appears that CBRE and Lamb and Swift (both agents who are active in the market) undertook some soft market testing. As a result of this advised that both an offices refurbishment and new build as well as industrial redevelopment would be unviable and there was no point therefore in marketing the property on this basis. It is also noteworthy that Bluemantle formerly marketed the site in 2014 but apparently at that time purchases were put off by the impending lease expiry and the future risks of reletting or developing site when the tenant vacated. This appears to have played out as at the original lease expiry in 2017 the tenant renegotiated the rent down from the passing rent of £573,000pa by 13% to £500,000 which reflected the deteriorating condition of the building. I refer you to an email from Bluemantle and the marketing brochure also in Appendix 19.

## 6. Appropriateness of the Site for Continued Employment Use

1. Having considered the existing building and potential reuse of the site for office use I have concluded that the likelihood of its reuse is incompatible with the market.

2. In planning terms, the site is white land and there is a presumption of its continued use for employment applied by the adopted Development Plan. That said planning policy does not eliminate its potential reuse for alternative uses including residential. In this regard Policy 10: Employment Premises and Sites of the Central Lancashire Joint Core Strategy is relevant. This policy promotes a presumption that sites identified as 'Best Urban' or 'Good Urban' will be retained in B Use Class uses unless they can satisfy eight specific criteria. Mr Tibenham's evidence comments on the status of the policy and its accordance with more up to date national planning policy. However, I note that it is common ground that Policy 10 is regarded as being out of date in the signed Statement of Common Ground Employment Land & Viability. From a market perspective, I address these citeria below.

3. It is situated on the fringe of Buckshaw Village that is a Strategic employment and housing development area and is therefore recognised as having potential for both uses. In this case the Controlling Re-use of Employment Premises SPD (October 2012) becomes relevant as it sets out eight criteria on which the site should be assessed as follows:

    A. There would not be an unacceptable reduction in the quality or quantity of employment land supply
    B. The provision and need for the proposed use
    C. The relative suitability of the site for employment and for the alternative use.
    D. The location of the site and its relationship to other uses
    E. Whether the ability to accommodate smaller scale requirements would be compromised
    F. There would be a net improvement in amenity
    G. Convincing evidence of lack of demand through a rigorous and active 12 months marketing exercise for employment re-use and/or employment redevelopment
    H. An assessment of the viability of employment including employment re-use and employment redevelopment

4. While the Pegasus evidence deals with these in detail I consider each criteria in turn from a market perspective as follows:

5. A. There would not be an unacceptable reduction in the quality or quantity of employment land supply -I have discussed at length the dynamics of the property market in Chorley where there is currently a ample supply of existing stock as well as ample land for development. In terms of office space there is stock of existing space available some of which has been on the market for two years; for example Building N7 at Chorley Business and Technology Centre on Euxton Lane and also Buckshaw Parkway see attached details in Appendix 20. There are also better quality consented sites at Buckshaw South and Strawberry Fields both of which could accommodate office or industrial use. There are six industrial units available and on the market at Strawberry Meadows, a further unit at Buckshaw Link and nearly 10,500 sq m (113,000 sq ft) of accommodation coming on stream at Botany Bay later this year. The

buildings and sites are in close proximity to the Appeal Site as well as land further afield within the borough. There is therefore ample choice of better quality sites and existing buildings available. The Appeal Site does not currently contribute towards supply and its re use for housing would have no material impact upon current available supply. Mr Tibenham's evidence deals with the overall employment land supply within the area.

6. B. The provision and need for the proposed use - there is a well defined need for additional housing which has been dealt with by Mr Tibenham's evidence.

7. C. The relative suitability of the site for employment and for the alternative use - the existing building is a legacy building from the previous MOD use and has been re purposed on numerous occasions and is now beyond the end of its useful life as I have described in the previous section. The site is not an ideal employment development . Because it has a number of issues which are highlighted in the next section. The site has a convoluted access being nearly 200 metres from the adopted highway. There will be costs associated with improving the surface and maintenance obligations of this road which funders of a new development will find unattractive. The costs of putting in a new access are prohibitive for an employment scheme. The site also has constraints in terms of tree preservation orders, culverts and level issues. These restrict development and increase costs particularly for industrial schemes which have buildings with larger footprints and which need large flat yards for heavy goods handling. There are no prospects for its development while better quality available development land is available at Buckshaw South (EP1.13), Strawberry Fields (EP1.5) Botany Bay (EP1.2), Gale Moss (EP1.3) and Great Knowley (EP1.1) all of which can be seen in the context plan in Appendix 1.

8. D. The location of the site and its relationship to other uses - The appeal site is in a mixed used location including recreational and residential uses as well as adjacent offices. The site is on the Southside of Buckshaw village which is not as well connected to the various motorway connections to the east and north. Notwithstanding the site constraints which I will discuss the site is therefore not suitable for the bigger box development which produce higher HGV movements which would not wish to travel through the residential areas. The Appeal Site is therefore more suitable to local demand requiring smaller units and less intensive HGV traffic movements. That said there is a sensitive user at the entrance to the site, Blink Photography, who occupy the building immediately to the West of the Appeal Site and who undertake filming and recoding as a fundamental part of their business and are sensitive to noise and vibration. While they appear to be able to manage the regular train movements I understand they would find an escalation of industrial use and HGV movements adjacent an impediment to their business.

9. E. Whether the ability to accommodate smaller scale requirements would be compromised – Mr Tibenham's evidence deals with this point. I do consider smaller scale employment schemes as part of my viability evidence and demonstrate that these are not viable.

10. F. There would be a net improvement in amenity – Pegasus's evidence deals with this point but a re-purposing for housing development will certainly improve amenity over and above what is fast becoming a derelict office building.

11. **G. Convincing evidence of lack of demand through a rigorous and active 12 months marketing exercise for employment re-use and/or employment redevelopment** - the existing building is not in a marketable condition and reinvestment into a building which is circa 70 years old and originally designed as a MOD warehouse depot is just not sustainable. Marketing of the site would be futile when considering the availability of existing office stock, some of which in close proximity to the Appeal Site has been on the market for two years, and where there is readily available better quality development land also close by. This view was also taken by Bluemantle's own advisors as previously referred to. Also marketing evidence from the Runshaw College adjacent suggests that there is no demand for office or industrial redevelopment sites. I have spoken with CBRE the sales the agents for the college who have informed me it is under offer to the Lancashire Constabulary. A press release is in Appendix 21. They also informed me that while they had offers for the property form housebuilders none were received from developers who were seeking to redevelop the site for office or industrial uses. The building on the Appeal Site is structurally obsolete for its existing use and is not capable of occupation due to its poor EPC rating. Furthermore the VO has removed the property form the rating list. I will show that the site is unviable for redevelopment for employment use and therefore a marketing exercise would be futile on all levels.

12. **H. An assessment of the viability of employment including employment re-use and employment redevelopment -** I deal with viability in the next section.

# 7. Development Appraisal

1. I have addressed the market conditions within Chorley. This identifies that the Chorley is a local market with weak limited small-scale demand for offices with generally low values. There is a steady but slow take-up of office space. There is not a sufficient office market to justify new office development nor refurbishment of the existing offices on site which is exacerbated by its age and original design as a MOD Depot.

2. Chorley's industrial and logistics market is more broad based in that it can attract more regionally based companies when prime sites become available on the M61 motorway and where there are also limited opportunities elsewhere on the M6. The Appeal Site is however too small and on the wrong site of Buckshaw Village to appeal to this market and is therefore a secondary local redevelopment opportunity.

3. The site specific characteristics of the Appeal site also have to be taken into account.

4. In terms of access to the site I have adopted the existing access infrastructure which I see as being adequate for employment development and also negates the considerable cost providing a new junction. This is nevertheless not ideal as it comprises a 200 m private road which will not be attractive to the funders of an employment scheme. This is likely to have an adverse impact of c 25 basis points in comparison to a scheme directly form the highway but I have ignored this for the purpose of the viability appraisals to ensure they are as robust as possible.

5. A 10 metre stand off from Euxton Road has been allowed for which is considerably less than the adjoining Runshaw College site but is similar to that of the Chorley Technology and Business Centre which has seen more recent development. There is also requirement for a 3 metre stand off to the rear/North of the site to enable maintenance to the existing wall along the railway line.

6. There are two tree preservation orders which have been respected within the design.

7. Notably there are two substantial culverts and the practicalities and cost of realigning these means that they have to remain in situ. A copy of the survey is in Appendix 22. The culverts serve the adjacent land to the east and are private service media which are protected by restrictions on title and in a transfer. There are no 'lift and shift' provisions within the wording and as such they cannot be moved without varying the legal agreements which would require consent from third party landowners. I refer you to Gateley Solicitors advice is also in Appendix 22.

8. The scheme design takes account of these constraints and combined has the impact of reducing the ideal development density. Institutional development densities are between 40 and 45% but due to these constraints the maximum development density which can be achieved is 38% for the office scheme which reduces to 29% and 21% for the industrial schemes. The residential proposed scheme is better able to work with these constraints due to the lower requirement to accommodate HGV's for parking and service yards and smaller building footprints which can more easily adapt to the sites constraints.

9. In terms of the re use of the existing building this is problematic due to its age and obsolescence.

10. Having taken the market and site specific factors into consideration we have come up with five potential employment schemes which have been appraised to determine viability of the site for employment redevelopment.

### The scheme

11. The five different schemes scheme drawings of which are in Appendix 23 are to cover all reasonable different employment options that could be accommodated on the Appeal Site and are summarised as follows:

- a new build office park similar to the successful Ackhurst Business Park. This comprises a campus style development with multiple two story offices with their own front door. It is this configuration which has been most attractive to occupiers within Chorley and our scheme can provide suites from 46 sq m (c 500 sq ft) to self contained buildings of nearly 557 sq m (6,000 sq ft). In addition a single three story office is also incorporated to accommodate those rare larger requirements or more likely for fitting out to a "digital hub" concept as seen at Strawberry Fields. A total floor area of 11,333 sq m (c122,000 sq ft) can be accommodated which provides a development density of 38%.

- a refurbishment of the existing building to create a mix of traditional office suites at ground floor and a "digital hub" business centre at first floor. Both floors are provided with associated break out areas and ancillary accommodation. Taking into account the physical nature of the existing building and obsolescence of the existing plant and fitout a strip back to the existing frame would be required follow by a subsequent refit. The deep floor plates and limited ceiling heights do not allow for the best quality space which is likely to reflect adversely in the rents and also the gross development value.

- A new build industrial development of larger small units to maximise the development density and to provide a range of unit sizes from 743 sq m (8,000 sq ft) to 2,090 sq m (22,500 sq ft). There is potential to split the larger units if the market so dictated. The units fronting Euxton could potentially be trade counter units. This scheme is tailored to the area of the market most active within the locality. A single large unit is precluded due to its location but more particularly the culvert constraints. A total floor area of c8,825 sq m (c95,000 sq ft) can be accommodated which provides a site density of 29%.

- A new build industrial scheme of starter units to reflect a similar specification and layout to the Strawberry Meadows. This provides starter units which are in the most demand and command premium rents but are the most expensive to build. Again the larger units could be divided if the market required. A total floor area of c6,500 sq m (c70,000 sq ft) can be accommodated which provides a development density of 21%.

- A new build mid box scheme which while is not suitable for the site due to its location and access has been tested. We were seeking to provide a single unit but the constraints have had

to provide two units due to the shape of the space that can be provided. This increases the floor area to 9,558 sq m (102,881 sq ft) increasing the density to 31%.

## Methodology

12. I have therefore provided five residual appraisals to establish the viability of developing this site for the various employment uses based upon the market within Chorley and the specific characteristics and constraints of the Appeal Site. The appraisals are therefore market facing but also in line with PPG, NPPG and the RICS Guidance Note "Financial Viability in Planning", it is accepted practice that this approach is used to assess the impact of planning obligations on the viability of the development process.

13. This approach uses various inputs to establish the Gross Development Value (GDV) from which a Gross Development Cost (GDC) is deducted. The output represents the developer's residual profit (return) the output.

    A scheme is considered to be viable where the developer's return, after allowing for all development costs including site value, is acceptable in the market for the risk in undertaking the development. PPG guidance recognises that generally the required range of profitability is in the range of 15 to 20%. In the prevailing market a minimum developer's profit would be the higher of these is required for the scale and risks associated with the subject development but I have adopted a lower 15% to ensure the appraisals are robust.

14. I have therefore provided robust assumption which are based on the best rent and yields achievable in the market area and therefore reflect optimistic values and competitive costs with the intention of trying to maximize the land value also at the expense of the developers return which I have kept to a minimum. I have also accounted for abnormal costs specific to this site and detailed later. The appraisals are attached in Appendix 24.

## Appraisal Assumptions

15. The development appraisals provided are based upon a standard residual approach (revenues less costs less developers profit = the residual sum/land value) and are undertaken in an Exel format using industry-standard methodology that is based on commercially available software packages such as Argus.

16. A list of standardised inputs to a viability assessment are set out in the PPG which includes:

    - Value of completed development (gross development value – GDV)
    - Development costs including site specific infrastructure costs
    - Obtaining planning permission and associated matters
    - Build costs including abnormal costs
    - Fees and expenses
    - Interest and financing costs

17. These headings provide the structure for the analysis of the appraisal assumptions that will be tested as part of this report.

## Value of the Completed Development

18. For the purpose of viability assessment gross development value is a function of the rent received for the property capitalised by and all risks investment yield. To take a robust approach I have assumed that each scheme is 100% let on institutional lease terms in order that the best possible investment yield can be achieved thereby creating the highest gross development value.

### New build offices

19. The BE Group property market report (CD 6.6) identifies the average asking rent as £14.68 psf (Para 4.16) rising to £14 - £16 psf for smaller unserviced office suites. Buckshaw Parkway the speculative office building which is currently on the market are quoting £17.25 per square foot although as discussed no deals have yet been done. Ackhurst Business Park which is the premier office park in Chorley has a tone of rents of between £14 to £14.50 per square foot and while this is a very well managed estate is c20 years old. I have nevertheless adopted a rent of £17.25 per square foot which is higher than that currently achieved but in line with what the developer is holding out for at Buckshaw Parkway to ensure the appraisal is robust and applicable over the medium term.

20. These rents have been applied to a net internal area as is standard industry practice. I have assumed a standard net to gross ratio of 80% so the lettable floor area is 9,220 sq m(99,238 sq ft).

21. The market for offices is slow moving and I have therefore allowed for a 12 month marketing void and 6 months rent free for new offices. This is less than nearby suites at Cheshire Technology and Business Centre where one suite has been on the market for 2.5 years and Buckshaw Parkway which is approaching 2 years on the market.

22. I have adopted an investment yield of 8% which is the best possible yield achieved for regional office space in the northwest. Arguably a current yield is likely to be in the order of 9 -10% which would reduce the gross development value significantly making an office development even more unviable. I have included letters from two leading investment agency practices CBRE and JLL in Appendix 25.

### Refurbished offices

23. In regard to the refurbishment notwithstanding that the building will have new finishes and services it will provide compromised office space with relatively poor natural light, poorly configured office suites which are long and narrow and low floor to ceiling heights. These factors will inevitably feed through to the rent that can be achieved for this space and I have therefore adopted a rent of £14.75 psf. For context Fairclough House to which I previously referred and provides refurbished second hand space is

on the market at £14 per square foot however they have only been able to achieve between £11 and £12 pounds per square foot on lettings.

24. Due to the amount of floor space being provided it is likely that a developer would seek to mitigate the letting risks by offering an entire floor to a business centre operator. In order to achieve this a further discounted rent would need to be offered to enable the operator to fit out and sublet the accommodation and provide support services. The BE Group market report identifies that serviced office rents achieve up to £20 per square foot can be achieved however for the purposes of my appraisal I have adopted a unserviced rent of £12.50 per square foot enabling the operator to run the space as a business centre. In addition, an extended rent free period of 12 months has been allowed full for fitting out and marketing void purposes.

25. I have again allowed for a 12 month marketing void but have reduced the rent free for the refurbished office suites as I expect these will be let on short flexible leases which command lower rent free periods.

26. Due to the quantum of space and deep floor plates there are elements of the offices which are virtually unlettable and these have been put aside for breakout areas which are nevertheless in demand by occupies for informal networking purposes etc. This nevertheless reduces the gross to net ratio from an industry standard of 80% to 71%. I have nevertheless maintained the 80% ratio for the first floor letting to a business centre operator to help viability.

27. A refurbished office of this nature even if fully let carries higher risks to the owner (eg shorter length leases higher void rates greater service/common part obligations falling on the landlord) which will be reflected in a higher all risks yield thereby generating a lower capital value. I have adopted a yield of 10% for this purpose which I believe is the best possible yield that this building could achieve.

Larger Small Unit (Trade/Higher Density) Industrial Scheme

28. The BE Group report (CD 6.6) states that rents for smaller units can be between £10 to £15 per square foot with larger units achieving £7 to £8 per square foot (Para 3.22) depending on location. I have allowed for £9 per square foot for the units facing the railway line with £12.50 a square foot for the smaller more prominent use units facing Euxton lane. For context Unit F at the Buckshaw Link scheme close by has been on the market since October 2022 with an asking rent of £8.50 per square foot. The marketing details are attached in Appendix 26.

29. The industrial market moves faster than that of the offices and I have therefore allowed for a reduced 6 month marketing void together with six months rent free although reduced this to three months rent free for the smaller units fronting Euxton lane.

Starter Unit/Strawberry Meadow style Industrial Development

30. The Strawberry Meadows development has been letting at the asking rents of £10 per square foot for the larger of units of up to 465 sq m (5,000 sq ft) and £15 per square foot for the units below 929 sq m (1,000 sq ft). I have therefore adopted these rents for the purposes of this appraisal.

31. I have adopted the same marketing and rent free periods as for the higher density trade scheme.

32. Investors currently find the industrial sector attractive and therefore require lower returns than for offices. All risk returns for new multi unit industrial schemes are in the order of 6% and I have therefore adopted this yield in the appraisal for both multi unit industrial schemes.

### Mid Box Industrial Development

33. While I'm not confident the Appeal Site would attract a user for 6,970 sq m (75,000 sq ft) I have adopted a full market rent of £8.75 psf. Likewise I have adopted a prime market yield of 5.75% which is a slight improvement on the smaller unit schemes due to the greater lot size and lower management risks of a multi unit scheme.

### Development Costs

34. In line with PPG we have looked at the site specific costs involved in bringing forward an employment development on this site. A summary excel spreadsheet is attached in Appendix 27 with supporting information. The spreadsheet summarises both the infrastructure and abnormal costs associated with the four schemes. These costs have been incorporated within the development appraisals under the heading other development costs. I expand on the largest items in the following sections.

ii. Developers Return

The required developers return is effectively a cost item. Typically, for a new build speculative scheme a developer would require a minimum return on cost of 20% in the current market for multi- unit speculative development of this nature. I have nevertheless undertaken viability assessments to show a lower 15% return to accord with PPG but also to make the appraisals as robust as possible.

ii. Site Infrastructure Costs and Constraints

The Appeal Site is of course brownfield with a redundant building and varying levels which have been landscaped to accommodate the previous development. The new build options that I have tested have different specific requirements that will come into play by virtue of being new construction. The previous work undertaken to the site now become constraint which must be taken into consideration when developing the property. The specific site infrastructure costs for the site vary from £211,413 for the refurbishment scheme to £3,031,906 for the mid box industrial scheme. I highlight the main cost items as follows:

- Title Insurance - £65,000- there are restrictions on title which are unable to be resolved and affect redevelopment of the site. As a result title insurance is required without which funding of the redevelopment would not be possible. The site owner has not been prepared to cover the cost of this insurance which is therefore been included abnormal cost in the usual way. This item is not relevant to the refurbishment scheme.

- Demolition - £628,145 – three quotations have been obtained for the demolition of the existing building to include grubbing out of the floor start slab and all foundations. Three quotations and included within the Appendix 28. While this is a cost for redevelopment it is not necessary for the refurbishment scheme.

- Attenuation – £581,860 – run off rates have been calculated for the residential scheme and this attenuation design has been costed and included on the spread sheet and the required flow rates are also included in the Appendix 29. Notwithstanding that there is greater site cover for the employment schemes with larger buildings footprints, hard standing and car parking (and less gardens/landscaping) which is likely to increase the attenuation requirement I have adopted the cost for the residential scheme. Again this item is not required for the refurbishment scheme.

- Retaining Walls - £104,363 – there are level issues with this site which are apparent from a site inspection which have to be dealt with. In order to minimise removal of material from site a cost effective solution is for an element of retaining walls which will enable the site to accommodate the larger building footprints required for commercial buildings. A copy of a plan identifying these external works together with levels is in Appendix 30. While the plan relates to the office scheme there is a similar requirement for both the industrial schemes. This item is not relevant to the refurbishment scheme.

- Off- site Road Works - £151,838 – these relate to the road connecting the site to Euxton lane which is identified on the plan in the Appendix 31. This is a private road which is maintained by the adjoining private occupiers. An intensification of the use of the Appeal Site will require an overhaul of this road, the calculations of which are on the excel summary in the Appendix 26. There will also be a Section 278 highways obligation to carry out works to the existing traffic light junction.

- Spoil Management – c£548,983 to £603,781 – again due to the levels and density of development this necessitates some removal from site. The calculations for each scheme are included on the excel spreadsheet in the Appendix 26 and the costs increase the greater density of development.

- Piled Foundations - £116,512 to £193,655 – piled foundations are an abnormal cost. Piled foundations were recommended in the SI report and an extract of the report is in Appendix 32. Again these have been costed for each scheme with a higher cost for the greater density of

development and which increases for the industrial schemes where there is a higher floor loading and therefore foundation requirement.

### Build Costs

35. Warrington Martin an established firm of costs consultants based Warrington and who are active in the commercial development market have been engaged to produce construction costs for the various building types. Their costs are included in Appendix 33 and are based on current tenders within the market and therefore reflect as accurate built cost as possible. We believe these are more accurate than the BCIS index which looks at historical costs.

36. The office costs are based on an institutional specification broadly in line with the following:

- VRV Heating and Cooling
- Fully Accessible Raised Floors
- Contract Quality Carpet Tiles
- Triple Compartment Floor Outlet Boxes
- Suspended Ceilings
- LED Lighting
- Fully Tiled Male and Female Toilets
- Disabled Persons' Toilets and Showers
- Large Capacity Passenger Lift
- Ample On-Site Car Parking
- BREEAM – Excellent/Very Good
- EPC – A/B

37. The Industrial costs are also based on and institutional specification broadly in line with the following:

- Steel Frame fully Clad construction
- Concrete floors to 35 and 50KN depending on eaves height
- Eaves heights form 6 to 8m
- 5 to 10% office contents but with units below 140 sq m (1,500 sq ft) provided with WC and kitchen point facilities only
- Emergency and high bay lighting
- Heating to offices only
- Electric loading doors
- BREEAM – Excellent/Very Good
- EPC – A/B

## Land Acquisition Costs

38. Land acquisition costs have been allowed for:

- **Land Cost** – This is a function of the residual viability appraisal. Employment land values historically have ranged from c £300,000 to £1 million per acre although for the very best sites well in excess of £1 million per acre has been achieved. A letter from JLL agents who are active in the area and advise on Buckshaw Link and were involved in the Revolution Scheme who confirm their view of land values from £350,000 per acre for small unit schemes rising to £700,000 for prime sites on Motorway Junctions. A copy of the letter and a schedule of land transactions is in Appendix 34. In order to achieve the 15% to 20% return on costs required to enable the various employment schemes to take place the appraisals produce a negative land value meaning reuse for employment is unviable.

- **Fees** - I have assumed competitive fees of only £30,000 to cover the land agents and solicitors costs on the acquisition of the land.

- **Stamp Duty Land Tax** – This is a function of the value of the land but as a negative value no SDLT has been allowed for.

- **Planning Permission and Associated Matters** - Planning Costs are stated in the site infrastructure and abnormal section and include appeal costs. Surveys have been allowed for at cost.

## Fees and Expenses

39. **Professional fees for construction** - Professional fees which account for works undertaken by architects, engineers, quantity surveyors, mechanical and electrical engineers and project managing. I have adopted a standard fee basis of 10%.

40. **Developers Contingency** – I have allowed a 5% contingency although in current inflationary markets developers have been allowing up to 10%.

41. **Professional fees for transaction** - Legal fees on the investment disposal have been based on 0.5% and agent's fees are based on 1% of the freehold sale price.

42. **Marketing fees** -Marketing costs are an essential element to a successful scheme and comprise two elements which we have included in our appraisal as follows:

    - Marketing agent's fees are based on 10% of the headline rental.

- Marketing collateral will be required to promote the scheme to the marketplace and multi-channel marketing initiatives employed for which I have allowed a budget of £20,000 which is appropriate for a multi unit scheme of this size.

43. **Interest and Financing Costs** -Finance has been applied using a basic interest set of 7% together with a development finance arrangement fee of £15,000.

44. **Tax Relief, Grants and VAT** -While the Stawberry Fields Digital Hub offices and Strawberry Meadows industrial schemes both benefitted from LEP grant assistance I understand no grants are available for undertaking an employment development at this site. No VAT has been applied to the scheme.

### Appraisal Findings

45. I have used a optimistic Gross Development Value by virtue of adopting the very best rents and investment yields which have been achieved in the market. Otherwise, I have adopted professionally costed construction costs and assumed various schemes with as efficient layouts as possible taking into consideration the sites constraints. The aim of these assumptions has been to maximise value and make the scheme as viable as possible. A summary of the assumptions and outputs is in the table below:

| Scheme | Density | Floor Area | | Rent psf | Yield | Build cost psf | Site and Abnormal costs | Output – land Value* |
|---|---|---|---|---|---|---|---|---|
| | | SqM | Sq Ft | | | | | |
| New Build Office | 38% | 9,220 | 100,000 | £17.25 | 8% | £200-£220 | £2.77 m | -£17.7 m |
| Refurbished office | - | 3,911 | 42,000 | £12.50-£14.75 | 10% | £124-£134 | £200,000 | -£4.4 m |
| Larger Small Unit Industrial | 29% | 8,825 | 95,000 | £9 - £12.50 | 6% | £95 -£110 | £2.76 m | -£1.6 m |
| Starter Unit Industrial | 21% | 6,500 | 70,000 | £10 - £15 | 6% | £95- £125 | £2.66 m | -£1.6 m |
| Mid box industrial | 31% | 9,558 | 100,000 | £8.75 | 5.75% | £85 - £95 | £3 m | -£2.1 m |

* In the appraisals in Appendix 24 this is labeled as Purchase Price under Acquisition Costs

46. Based on these assumptions and adopting the minimum profit requirement of only 15% to ensure the appraisals are robust and applicable for the medium term allowing for any potential improvements in the market, the appraisals produce the following results:

- New Build Offices - negative site value of -£17,700,000

- Refurbishment of the Existing office – negative site value of -£4,400,000
- Higher density trade/small unit industrial scheme – negative site value of -£1,600,000
- Starter/small unit "Strawberry Meadows" style industrial development – negative site value of -£1,600,000
- Mid Box industrial logistics scheme - negative site value of -£2,100,000

47. In the right market conditions typically you would expect site value of the Appeal Site for existing employment uses being in the new order of £2 to £2.5 million. This value is based on a typical market value for employment land in the area of c £400,000 per acre. We understand the Runshaw college site was guided at c£3 million although as the transaction has not yet completed the actual price is confidential. This site is also 7.14 acres so the guide price reflects a land value of £420,000 per acre – A copy of the Marketing Brochure is attached in Appendix 21.

48. The appraisals follow the PPG viability testing requirement in assessing gross value of the completed development and deducting all assumed costs of development other than land value and SDLT costs. The development of the site for either office or industrial/warehouse use will be deemed viable if the Residualised Price equals or exceeds the Existing Use Value of £2 to £2.5 million. Otherwise, development for that use will not be financially viable. As such the viability test it fails for all scenarios.

49. In light of the scale of deficit in bringing this site forward for employment use it is possible to conclude that the likelihood of the site coming forward in the short or even longer term is very unlikely. The abnormal costs and development density achievable undermine the suitability of this site for employment development and is therefore more suited to a residential development.

# 8. Conclusion

1. The appraisals demonstrate that the viability test is substantially failed under all five scenarios for employment re-use and redevelopment. In light of the scale of deficit in bringing this site forward for employment use it is possible to conclude that the likelihood of the site coming forward in both the short and longer term is extremely unlikely. The abnormal costs and development density achievable undermine the suitability of this site for employment development and is therefore more suited to a residential development.

2. In light of the above, I am of the view that Core Strategy Policy 10, Criteria h) has been satisfied and the most appropriate use of this site is for residential. The planning appeal should therefore be considered favourably.