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Mr G Durrant
Principal Planning Officer
West Suffolk House
Western Way
Bury St Edmunds
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By post and email: gareth.durrant@westsuffolk.gov.uk

Dear Gareth

**Planning Application DC/16/0596/OUT
Land East of Newmarket Road and North of Elms Road, Red Lodge
Review of Economic Statement**

Instructions

Forest Heath District Council have instructed Merrifields to provide advice with respect to whether "genuine attempts" have been made to market the site as mentioned above for employment related purposes with particular regard to its published asking price.

Merrifields review of the Economic Statement is restricted to those parts which contain information and evidence with respect to the marketing of the site.

The parts of the report that refer to marketing of the site have been reviewed by Gordon Ellis BSc Property Management and Member of the Royal Institution of Chartered Surveyors and Managing Director of Merrifields. Merrifields are Chartered Surveyors specialising in the sale and letting of commercial property, including advice with regard to the planning and development of land. Gordon Ellis has been employed by Merrifields since 1993 and is considered to have sufficient experience and knowledge to comment on the marketing of this site.

The site was inspected on Friday 15 July 2016.

The Site

The site is located next to the A11 at Red Lodge, about 2.5 miles south west of Mildenhall, 7 miles north east of Newmarket, 12 miles west of Bury St Edmunds and 14 miles southwest of Thetford. The A11 merges with the A14 about 4 miles away. The site has excellent access to the A11. The site is triangular shaped with one border abutting the A11, one the access road to the village with residential housing opposite, the other opposite a residential housing scheme and some established commercial properties.

Red Lodge is a master planned expanded settlement with an expanding residential community of a population about 3,842 with a limited but expanding range of services.

The site is previously undeveloped extending to around 4.06 hectares (10 acres), it is prominent to the A11 and adjoins the roundabout at the junction with the B0185. The site has been allocated for employment use since the Forest Heath Local Plan of 1995 and Red Lodge Master Plan of 1998. In summary, the 1995 Local Plan and the Red Lodge Master Plan require high quality development in a landscaped setting, primarily as this is a prominent gateway site to the village.

The site is in close proximity to residential dwellings. Forest Heath District Council has advised that B8 (Storage and Distribution) use is an unsuitable use for the site. I believe that B2 (General Industrial) use would also be unsuitable bearing in mind the proximity to the residential dwelling houses and the loss of amenity such a use would cause them. B2 (General Industrial) users also unlikely to find the site attractive as their use is likely to be restricted through hours of operation and noise and odour levels due to the proximity of the residential dwellings. Its employment uses would therefore be restricted to B1 (Business) use where office, light industrial and research and development units could be sited.

No comment will be made on planning policy in this report as it was not part of the instruction and it is felt that Forest Heath District Council Local Planning Officer would be best placed to comment on such matters as stated within the Economic Report.

Marketing of the Site

I would expect the site to be marketed with a clear description and marketing information available on local services, planning, availability of services, condition and details of its availability in respect of being available as a whole or in part.

I believe the property should have a quantifiable numerical asking price.

I believe the marketing that should have been adopted should have included the provision of a marketing brochure, both in hard copy and electronic format. There should be evidence of that brochure being mailed to applicants on the appointed agents mailing register, to enquiries received in the agents office in respect of employment uses and furthermore the brochure should have been mailed to agents in the region specialising in commercial property and the local authority for the benefit of their employment lists, premises register etc. For Sale boards should have been clearly erected on the site, specifically along the A11 where they can be seen by a significant amount of passing traffic. Details of the property should be placed on the Internet on a number of the commercial listing sites and on the agents own website. The advent of the internet and property portals has made them a far superior source of enquiries than adverts in the local press, whilst therefore we would not expect regular advertising we would expect the site to have been advertised from time to time in appropriate publications.

As the site has been on the market for some time we would expect a review of that marketing from time to time i.e. the refreshing of brochures, mailing, boards etc.

Our judgement has been sought to assist Forest Heath District Council as to whether the marketing commented upon in the Economic Report produced by Boyer in March 2016 shows that genuine attempts have been made to market the site, particularly for employment related purposes, as such we are only able to comment on the information provided to us and have assumed it to be true and reliable.

I am advised that the site has been marketed for 8 years since March 2008. The original agents appointed were Cheffins of Cambridge and Mather Jamie of Loughborough. Both firms are known to us. We work with Cheffins on a number of projects and we would consider them to be a professional experienced firm of surveyors who would be appropriate to receive an instruction of this type. Mather Jamie are known to us as we share the same website designer and again they would appear to be a professional firm suitable for the marketing of such a site.

The joint agents marketing brochure clearly sets out the sites availability in respect of the size, location, description, services available (with a further services information pack available), details on planning and terms. The site appears to have been marketed to a wide range of users (subject to planning). It is being marketed as a whole however, we would have expected the site to have been made available as a whole or in part, perhaps with an indicative development of how the site could be developed with more than one access off the highway negating the need for site spine roads. There is no comment on ground conditions, but we do not believe this would affect the saleability of the site. The Economic Report contains a chronological list of marketing undertaken and interest received. This includes a number of direct marketing activities where the brochure was mailed to particular use groups, commercial agents and developers. We believe further mailing of the brochure could have been undertaken during the marketing period, although the recent mailing of targeted groups including convenience stores, nursery operators etc has been extensive and unsuccessful.

Merrifields were aware of the availability of the site through the promotion of Cheffins and during the period of marketing we have not been aware of any developers or occupiers that were interested in the purchase of the site. We did however act for AJN Steelstock a few years ago. AJN Steelstock are Steel Stockholders and Fabricators of Steel based at Kentford on the A14 and were looking for a new site to house a hi-tech laser cutting plant to complement their existing premises at Kentford. The site was of particular interest to AJN Steelstock but as they are a B2 (General Industrial) user and require 24/7 access both they and Merrifields were advised that the site would not be suitable for their use.

The board presence on the site has been sufficient and it is good to see the boards were refreshed in 2015.

In addition to local advertising the property has been advertised on the Internet including adverts placed on EG Propertylink and Cheffins website.

Advertisement have been placed in various publications including Property Week, Cambridge Evening News, Estates Gazette, Cambridge Business Weekly and various editorial has also been placed in such publications. We do not believe that newspaper and magazine advertising is particular efficient, so whilst there has not been regular advertising we believe it has been promoted sufficiently in this form of media.

Overview of Marketing

From the evidence supplied to us and our knowledge of the market we believe there has been a genuine attempt to market the site for B1 and alternative uses. (This is on the assumption that B2 and B8 uses would not form suitable development). A constant board and internet presence throughout the period of marketing would allow serious purchasers and developers (who are likely to be represented by surveyors) the ability to find the availability of the site.

There is emphasis in the Local Plan and Red Lodge Master Plan for the site to be developed for research and development purposes with a high quality building in a landscaped setting. This designation is used in many local towns that abut the A11 and A14 to try and benefit from the Cambridge effect. Cambridge is a City with international importance in respect of research and development and business, however there is very little evidence of such firms moving away from the Cambridge bubble and this is evidenced by the lack of such firms in more prominently established business locations in the region such as St Ives, Ely, Newmarket and Bury St Edmunds. The sites and buildings that Merrifields have let or sold to such business in the last 25 years have been generally let or sold to directors of companies that live in the locality so they are moving their businesses to be near their houses as opposed to bringing their businesses away from Cambridge for cheaper rents etc. I am therefore not surprised by

the lack of interest shown in the site for research and development uses and consider this an unlikely use for the site.

Other uses fallings within Class B1 of the Uses Classes Order would include office and industrial use.

I would agree with the Economic Report which states that the site is not an appropriate office location. It is too remote and we can confirm, with the exception of a number of rural farm diversification schemes providing small office units, there is not sufficient demand for the site to be developed for office purposes. I am not aware of any speculative office developments that have been built in the Forest Heath District Council or St Edmundsbury Borough Council areas in the last ten years. The Economic Report states that the rents that would be payable in such a locality would make office development unviable. I would concur with this comment, but would go further to suggest that an office scheme in this locality would be unviable, un-fundable and its development cost would be significantly in excess of its value once constructed unless it was let to a "blue chip" office tenant on a long lease with built in rental uplifts. I am confident enough to say any such development would not take place in Red Lodge. Furthermore, such development is unlikely to take place at this current time in Bury St Edmunds or Newmarket where there are opportunities for this type of development to take place and where rents are 50% higher than stated in the Economic Report. I do not believe the site is suitable for office development.

Industrial development of the site would be restricted to B1 light industrial use. I am not aware of any large scale B1 units having been constructed in the locality during the period of marketing (many B8 and B2 units have been constructed). I therefore believe the site would need to be developed for small scale light industrial use and assuming a say 40% site coverage up to 180,000 sq ft could be developed. Such a sized development would be unviable and uneconomic.

Merrifields over the last 8 years have been involved with the Risby Business Park at Risby and Oaklands Park at Rougham Hill in Bury St Edmunds. During this period 16 units have been built at Risby where the units are between 1,000 and 1,300 sq ft. They have generally been sold to small independent businesses by owner occupiers, or self-invested pension schemes and let back to connected companies. The Risby Business Park is located adjacent to the A14 next to the prosperous town of Bury St Edmunds. The site has permission for about 90,000 sq ft of space but as yet only limited development has taken place. The original developer has ceased trading and development has stopped.

Oaklands Park is a development of 17 business units which originally received consent for B1 use. After 8 years all 17 units are now sold, let or under offer. The average price for a unit of 1,700 sq ft has been £95 per sq ft, up to £120 per sq ft has been achieved for units of less than 1,000 sq ft. The developer hopes to break even and this is only possible due to the project being self-managed and the owner being the main contractor and with a significantly reduced specification. Oaklands Park is located adjacent to the A14 on the opposite side of the A14 to Sainsbury with easy access to the town centre. The owner, Oaklands Developments Anglia Limited, are looking for other sites to develop as they now believe they have established a strategy for the development of B1 business units, but will only look in major connotations and would only look to build 5 units per year. Such a development would need to be high density and of low specification. Their development is only viable due to the availability of private funding. Any such scheme in the locality is unlikely to be undertaken speculatively and is unlikely to be funded by the high street lending institutions.

The market for small B1 business units is at its highest peak since the recession and credit crunch of 2007/8 however I do not believe the subject site is viable for speculative business development. This is primarily due to the cost of any completed buildings, including infrastructure works etc, being more than the value of the completed buildings.

In my opinion the only likelihood of development on the subject site in the near future would be from an owner occupier of the whole site, however in terms of viability such an occupier is likely to favour sites in existing urban areas where values are higher and where building costs are the same, making alternative sites more viable.

The site could be of interest to smaller occupiers if it was made available in parts, but this would involve significant investment in infrastructure works to provide spine roads and services, again on a speculative basis and whilst some smaller 1 acres up to 5 acre plots may attract interest the cost of providing the infrastructure speculatively would be unjustifiable to undertake speculatively.

Other uses that have been pursued including pubs/restaurants, hotels, retail, care homes and day nursery uses all appear to have been reviewed and tested. Such uses are economically viable due to the rents that are paid and as such we believe a genuine attempt has been made to attract such users but not surprisingly such users have rejected the site due to proximity of nearby facilities, the local area population and demographics.

Asking Price

The original asking price was £3 to £3.5 million but was reduced to £3 million during the marketing period, although we are not quite sure when that reduction took place. Since the recession and the credit crunch, new development has been limited and generally has been undertaken for business needs as opposed to property investment. I have previously commented in this letter that B1 business use development of the site is unviable due to the high cost and low capital of any finished product. Whilst I consider the asking price to be excessive, even if the site was made available at 50% of the asking price, development is still likely to be unviable. A residual valuation of the site (to produce land value) taking into account the gross development value less building costs, fees, profit and contingency would throw up a negative value of the site hence why very few sites have been developed in the Forest Heath District Council and St Edmundsbury Borough Council districts in the last 8 years.

Merrifields are currently marketing a 5 acre site in Stowmarket, equivalent to £250,000 per acre, where an offer of £125,000 per acre has been received (for a waste transfer station) and we are anticipating to receive a further offer of around £200,000 per acre to be purchased in phases over a number of years. The prospective purchaser of that site would not be interested in the Red Lodge site due to the lack of other businesses within the locality.

Merrifields have recently sold a derelict industrial complex in Thetford amounting to some 12 acres spread over 3 sites. The buildings on the sites are currently being demolished and when taking into account demolition costs, the site which is only 14 miles from the subject property on an established employment estate where there are other B1, B2 and B8 uses, the sale equates to £291,000 per acre plus demolition cost. Part of the site abuts the London Road (former A11) and as such a premium has been paid as it is felt that roadside users may be attracted to the site. Notwithstanding this, it is zoned for B1, B2 and B8 uses only and as such is good direct evidence that the asking price is realistic.

Conclusion

I believe there has been a genuine attempt to market the site, the marketing has not been extensive but the property has been readily available and detailed discussions have been held with both B8 and B2 users and the agents have tried to promote the site to more high value users including the likes of the hotels and convenience stores.

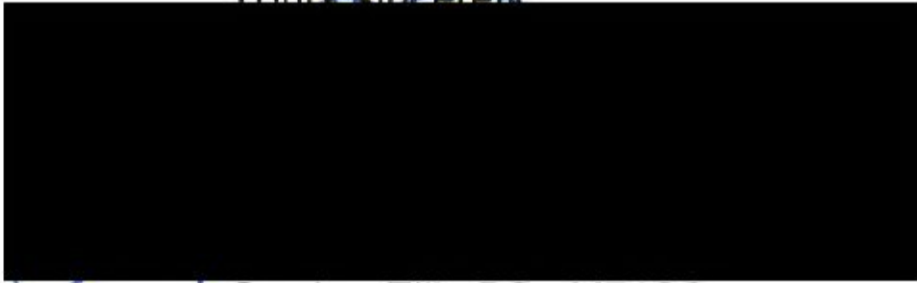
I do not believe the site is viable which is why it has not sold and this is primarily because it is not a location that is going to attract office occupiers, it is remote without appropriate commercial infrastructure and support services and it is more profitable to build B1 premises in an established commercial towns such as Bury St Edmunds, Newmarket, Thetford and Cambridge.

Unless there is significant improvement in funding, commercial rents and commercial capital values, we do not believe the site would be viable for development in the near future.

In my opinion the site has been subject to a genuine marketing campaign, albeit in a period of economic uncertainty when there has been very little new development but where in the future new business development is likely to occur in more viable locations within the district.

We hope the above information is sufficient for your needs, but please contact me if any further clarification or information is required.

Yours sincerely



Gordon Ellis BSc MRICS