THE TRUSTEES FOR THE EBOR SIPP RE: R G M ODDIE

APPLICATION FOR PLANNING PERMISSION FOR RESIDENTIAL DEVELOPMENT AT THE DEARNE & DOVE WORKS WEST STREET WORSBROUGH DALE BARNSLEY S70 5PG

VIABILITY STUDY

Made by

Andrew P Corbett
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1. INSTRUCTIONS

1.1 I am instructed by the Trustees for the Ebor SIPP Re: Richard George Muir Oddie to provide a study of the economic viability of the potential development for employment use of land at West Street, Worsbrough Dale, Barnsley.

2. QUALIFICATIONS AND EXPERIENCE

2.1 I am the Managing Director of Smiths Chartered Surveyors a General Practice Surveying firm based in Barnsley and established in 1898. I am the Director in charge of the commercial property department dealing with all aspects of commercial property valuations, agency, management and landlord and tenant matters. I am an RICS registered valuer and member of the Valuation and Commercial Property Faculties of the RICS.

2.2 I graduated from Liverpool University in 1985 with an Honours Degree in Geography and Geology and completed a Post Graduate Degree at Leeds University in 1986.

2.3 I joined Saxton Smiths Chartered Surveyors in 1986, obtained a Diploma in Surveying through the College of Estate Management and qualified as a Chartered Surveyor in 1991. Saxton Smith was sold to General Accident in 1987 and in 1990 I led the management buyout when the firm reverted to its original name of Smiths Chartered Surveyors.

2.4 I have been partner/director in charge of the commercial property department since 1990 and have had involvement with a wide variety of industrial, retail and office properties. My experience has included dealing with new developments, acquisition and disposals, valuation and landlord and tenant matters. I have also acted as an Expert Witness in several disputes in relation to the valuation of development land and industrial properties. I therefore consider that I have sufficient experience, knowledge and understanding of the commercial property market to enable me to provide expert opinion on the development viability issues which are relevant to this application.

3. SUBJECT PREMISES

Location

3.1 Barnsley has an urban population of approximately 230,000 people and is situated in South Yorkshire approximately 16 miles to the north of Sheffield city centre and 23 miles to the south of Leeds city centre. The town is well located for access to the motorway network with junction 37 of the M1 situated approximately 1.5 miles to the west via the A628 Dodworth Road.

3.2 Worsbrough Dale is situated approximately 0.5 miles to the south of Barnsley town centre via the A61 Sheffield Road. The Dearne & Dove Works is located on the B6100 West Street approximately 0.5 miles to the east of the junction with the A61. Junction 36 of the M1 is situated approximately 2 miles to the south.

Description

3.3 The property comprises of the former Longley (Barnsley) Limited engineering works and comprises of a site extending to approximately 1.535 ha (3.79 acres) within which are a range of obsolete industrial workshops, offices and stores extending to a total of approximately 2,837 sq m (30,533 sq ft) of gross internal floor area.

3.4 Building no. 1 consists of a workshop building constructed with a steel portal frame with a height to eaves of approximately 4 metres and extending to approximately 460 sq m. The building is clad with concrete blockwork and metal profile cladding. The floor is of concrete construction and access is via electrically operated steel roller shutter loading doors.

3.5 Building no's 2 and 3 consist of adjoining and interconnected workshop buildings thought to date from the early 1960's and constructed with a steel structural frame with a height to eaves of approximately 5.5m. The structural frame is clad with concrete blockwork and corrugated asbestos cement sheets. Access is via two roller shutter doors and steel sliding doors.

3.6 Building no. 4 consists of a dilapidated workshop building constructed with a steel portal frame with a height to eaves of approximately 4 metres and clad with single skin metal profile cladding. The floor is of concrete slab constructed and access is via three hand operated steel roller shutter loading doors.

3.7 Building no. 5 consists of a workshop building constructed with solid brickwork walls under a pitched roof covered with asbestos cement sheets. Access is via a steel roller shutter door located at the front gable and a steel sliding door located at the right hand elevation.

3.8 Building no. 6 consists of two-storey site office/store building constructed with cement rendered brickwork walls under a pitched slated roof.

3.9 Building no. 7 consists of a modular office building with ancillary wash room and toilets.

3.10 The site extends to a total of approximately 1.535 ha with a frontage to West Street of approximately 180 m and maximum depth of approximately 118 m to the eastern boundary. The site is sloping with a sudden aspect and is surfaced with a combination of a concrete roadways and service yards, compacted road plannings and hardcore. The site is bound by a combination of stonework walls and concrete posts and steel mesh fencing.

3.11 An aerial photograph of the property together with location and site plans are included within the appendices.

Potential Development

3.12 In my opinion the most feasible employment development of this land would be industrial units of 4,000 - 5,000 sq ft (372 sq m - 465 sq m) gross internal area.

3.13 In order to explore the viability of the development of industrial units JRP Planning Consultants have prepared a design layout and brief specification for 16 no. 4,000 sq ft and 4 no. 5,000 sq ft units. The indicative layout plan is enclosed within Appendix APC4.

3.14 Based on this layout I have produced the following Development Appraisal: -

4.0 DEVELOPMENT APPRAISAL

Income

16 no. 4000 sq ft units @	£4.50 psf		288,000
4 no. 5000 sq ft units @	£4.50 psf		90,000
TOTAL			378,000
Capitalisation			
YP in Perp @ 8.5%	11.76		
6 months rent free			
PV def 6 months @ 8.50%	0.961		
			11.301
Gross Development Value (GDV)			4,271,778
Deduct purchasers costs @ 5.75%			(245,627)
Net realisation		**£**	**4,026,151**

Construction Costs

1.	Demolition + site clearance	115,110	
2.	Construction 7,803 sq m		
	0.93 x £774/ sq m = £720/sq m	5,618,160	
	Contingency 5%	280,980	
3.	Professional fees @ 8.5%	477,544	
4.	Marketing	20,000	
5.	Letting agents fees @ 10%	37,800	
6.	Letting legal fee		
	(20 units @ £1,000)	20,000	
7.	Finance on Costs @ 7.5% for 12 months		
	1. Demolition		
	2. Construction		
	3. Professional fees		
	4. Marketing	467,311	
8.	Developers profit @ 15% GDV	640,766	
	TOTAL COSTS	**£**	7,677,599
	Available for land purchase, Interest + fees		**(3,651,448)**

4.1 My comments on the various input figures into this residual appraisal are as follows:

Estimated Rental Value

4.2 Demand for industrial premises has shown signs of improvement over the last 6 months. The rental levels achieved at Phase II of Shortwood Business Park by EV Waddington Ltd are generally based on £4.50 psf (£48.44 per sq m) dependant upon the level of office fit out required by the occupier. The Shortwood Business Park is considered to be a superior location to the subject site however I have adopted this direct comparative and consider this to be an optimistic view of the achievable rents. Applied to the combined gross internal area of the development this gives a total potential income stream of £378,000 per annum.

Capitalisation

4.3 I have capitalised this income at an all risk yield of 8.5% in perpetuity. I consider this yield to be appropriate and to produce the highest capitalisation rate realistically achievable.

Six Month Rent Free

4.4 I have deferred the anticipated income by 6 months at the investment yield of 8.5% to reflect the anticipated rent free period that would be granted as part of the lettings. A rent free period of this duration is the market norm for leases for anything other than the shortest of tenancies. Applying the investment yield of 8.5% and deferring the income for 6 months produces a gross development value of £4,271,778.

Purchasers Costs

4.5 Purchasers costs include stamp duty, agents fees and legal fees. 5.75% is a standard allowance in this respect. This produces a net realisation of £4,026,151.

Construction Costs

4.6 The information relating to construction costs has been taken from the BCIS quarterly review of building prices published in November 2014. The tender prices for general advance factories of up to 500 sq m ranges from £659 psm to £871 psm. I have adopted the mean figure of £774 psm and applied the regional variation rate of 0.93 resulting in a unit build cost of £720 psm. I have applied this rate to the total gross internal floor area of 7,804 sq m to arrive at a total construction cost of £5,618,160.

4.6.1 The costs relating to demolition and site clearance have been obtained from an independent demolition contractor and are estimated at £115,110.

Contingency

4.7 I have allowed 5% of the construction costs as a contingency which is a typical allowance for a project of this type.

Professional Fees

4.8 This includes fees for the Architect, the Quantity Surveyor, the Structural Engineer, the Mechanical Electrical Engineer, the Project Manager and the Construction Design Manager. Such costs are usually in the bracket 8% - 10% and I have adopted a total allowance of 8.5%.

Marketing

4.9 I have allowed a marketing budget of £20,000 which I consider to be appropriate for a development of this type.

Letting Agent Fee

4.10 I have allowed 10% of the annual rental value which is the standard charge incurred on such a development.

Letting Legal Fee

4.11 I have applied the charge of £1,000 per unit for the preparation of leases which I consider to be a realistic allowance.

Finance

4.12 I have allowed a finance charge of 7.5% (to include arrangement fee if applicable) of the construction costs to include demolition, build costs, professional fees and marketing. I have allowed this over a period of 12 months. This is on the assumption of a 6 months lead in period, a 9 month construction period and an average 9 month void period and assumes that all units will be let within 18 months of completion.

Developers Profit

4.13 I have allowed for a developers profit of 15% of the gross development value which is the lower end of the normal bracket of acceptable return (15 - 20%) which I would expect for a development of this type.

Residue Available for Land Purchase, Fees and Interest

4.14 Based on the figures the appraisal shows a deficit available for land purchase, interest on land and fees of 3,651,449. Given that this is a substantial deficit it is not appropriate to make any further allowance for interest on land and fees as clearly the development on these terms is not viable.

5.0 SENSITIVITY

5.1 The development process is very highly geared and therefore development appraisals are extremely sensitive to the input figures. Where possible the input figures have been based on market evidence and tendered quotations in order to arrive at a realistic development appraisal.

5.2 Because of the sensitivity of development appraisals to the input figures I have also considered alternative schemes based on unit sizes ranging from 1,250 sq ft to

10,000 sq ft adopting unrealistically optimistic rental values and yields in order to provide a comparision. I stress that this is for comparison purposes only and that these are not my opinion of value.

5.3 Alternative Development Appraisal 1

Income				
5 no. 10,000 sq ft units	@	£4.50 psf		225,000
2 no. 2,000 sq ft units	@	£6.00 psf		24,000
5 no. 2,600 sq ft units	@	£6.00 psf		78,000
2 no. 4,000 sq ft units	@	£4.50 psf		36,000
TOTAL				363,000
Capitalisation				
YP in Perp @ 8.0%		12.50		
6 months rent free				
PV def 6 months @ 8%		0.9622		
				12.028
Gross Development Value (GDV)				4,366,164
Deduct purchasers costs @ 5.75%				(251,054)
Net realisation			**£**	**4,115,110**

Construction Costs

1.	Demolition + site clearance	115,110	
2.	Construction 6,968 sq m		
	0.93 x £774/ sq m = £720/sq m	4,665,773	
	Contingency 5%	233,289	
3.	Professional fees @ 8.5%	396,590	
4.	Marketing	20,000	
5.	Letting agents fees @ 10%	36,300	
6.	Letting legal fee		
	(14 units @ £1,000)	14,000	
7.	Finance on Costs @ 7.5% for 12 months		
	1. Demolition		
	2. Construction		
	3. Professional fees		
	4. Marketing	389,810	
8.	Developers profit @ 10% GDV	436,616	
	TOTAL COSTS		£ 6,307,488
	Available for land purchase, Interest + fees		**(2,192,378)**

5.4 Alternative Development Appraisal 2

Income

5 no. 10,000 sq ft units	@	£5.00 psf		250,000
6 no. 2,500 sq ft units	@	£6.50 psf		97,500
8 no. 1,250 sq ft units	@	£7.00 psf		70,000
2 no. 5,000 sq ft units	@	£5.50 psf		55,000
TOTAL				472,500

Capitalisation		
YP in Perp @ 8.0%	12.50	
6 months rent free		
PV def 6 months @ 8%	0.9622	
		12.028
Gross Development Value (GDV)		5,683,230
Deduct purchasers costs @ 5.75%		(326,785)
Net realisation		**£ 5,356,445**

Construction Costs

1.	Demolition + site clearance	115,110	
2.	Construction 7,897 sq m		
	0.93 x £774/ sq m = £720/sq m	5,287,831	
	Contingency 5%	264,392	
3.	Professional fees @ 8.5%	449,466	
4.	Marketing	20,000	
5.	Letting agents fees @ 10%	47,250	
6.	Letting legal fee		
	(21 units @ £1,000)	21,000	
7.	Finance on Costs @ 7.5% for 12 months		
	1. Demolition		
	2. Construction		
	3. Professional fees		
	4. Marketing	440,430	
8.	Developers profit @ 10% GDV	568,323	
	TOTAL COSTS		£ 7,213,802
	Available for land purchase, Interest + fees		**(1,857,357)**

6.0 CONCLUSION

6.1 The development appraisal shows a significant negative land value strongly indicating that employment development is not viable.

6.2 Market conditions can and do change and therefore I have considered whether such a scheme may become viable in the foreseeable future. In my view this is extremely unlikely and is demonstrated by the alternative development appraisals produced. In order for the site to become viable for employment there would need to be a large quantum improvement in rental values and investment yields. These substantial improvements are unlikely to be achieved and in my opinion the site will remain unattractive for employment development for the foreseeable future. The site is significantly inferior to other sites within the Barnsley borough particularly those located close to the motorway junctions and in particular close to the Dearne Valley Parkway and junction 36 of the M1 motorway.

6.3 I therefore conclude that the chance of this site being developed for employment use in the foreseeable future is negligible.

Signed …….

Andrew P Corbett BSc Hons Dip Surv MRICS ACIArb

Date ……..

Appendix APC4

