

STANHOPE

Property Consultancy

10th July 2009

FOR THE ATTENTION OF ROBERT FLETCHER

Ian Baseley Associates
The Studios
Mansfield Road
Edwinstowe
Nottingham
NG21 9NJ

Dear Sirs

Re: Hangmanstone Depot, Sheffield Road, Birdwell, Barnsley, S70 5TR
Proposed Neighbourhood Scheme

We have been instructed to provide a report in connection with the above proposal. In short, we understand that statutory consent is being sought for development of a retail scheme on part of the above site. We understand that Phase I of the proposal includes for the regions of 1,107 sq m of retail (A1) and restaurant (A3) development.

As part of the development and statutory process we further understand that Barnsley Development Agency (BDA) has raised concerns about the sustainability and suitability of the proposed development in this location. Moreover, we are advised the BDA has intimated that it would prefer the site to be developed for office use (A2) as there is considered to be an unsatisfied demand for such use within the local market place.

We have been asked to comment and provide our opinion on the current level of supply of and demand for office accommodation within BDA's jurisdiction in general terms and also to provide specific case examples of individual office properties which are currently for sale/to let and of which we have first hand knowledge.

The writer has an appropriate and detailed knowledge of the local property market having practised as Chartered Surveyor within South Yorkshire for the last 30 years. More specifically the writer has dealt with the disposal and valuation of commercial property in Barnsley as a Company Director of locally based Surveying Practices for the last 15 years.

Any proposals for office development need to be considered against the backdrop of the global recession in which all property related organisations find themselves in at the time of reporting. The commercial property market is currently operating with limited demand existing for accommodation. The market is shrouded by a poor and uncertain business environment in which companies are generally contracting rather than expanding. This is compounded by a financial climate in which lending institutions have an extremely low priority towards property acquisition, unless funding is supported by a substantial deposit and pristine trading statements.

Of all local commercial property sectors including, inter-alia, industrial, retail and office accommodation, the latter is displaying the weakest demand for take-up, in our opinion. This opinion is also shared by other local based Commercial Chartered Surveyors at Smiths, and C M Rowlands & Co.

Director: P. Simpson BSc MRICS
204 Green Road, Penistone, Sheffield, South Yorkshire S36 6BG
T: 01226 762853 E: enquiries@stanhopeproperty.com

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Reference to the BDA's web-site on the 10th June 2009 reveals that **275,718 sq ft (25,615 sq m)** or thereabouts of office accommodation is available for sale/to let within the Barnsley borough. This information was obtained after requesting details from BDA's web-site of available office accommodation on the market ranging from 1,000 to 25,000 sq ft. The accommodation available ranges from very poor upper floor town centre space with no parking provision to modern purpose built space on Business Parks in strategic locations. 38 separate units of accommodation were available within these sized parameters at the time of search.

Statistics within the public domain produced by BDA suggest that there is an increasing trend towards vacant office space, both in terms of the number of empty units and total space available. We believe that the following figures provide pertinent evidence supporting our opinion that demand for office accommodation is waning:-

DATE	NUMBER OF EMPTY OFFICE PREMISES	TOTAL SPACE AVAILABLE (SQ FT)
December 2000	50	261,609
December 2008	53	287,080
June 2009	62	304,632

Barnsley, in our opinion, has never attracted a consistently solid office population when compared with some of its city neighbours in South and West Yorkshire, i.e Sheffield, Doncaster, Wakefield and Leeds. Demand for office accommodation is declining within these more traditional and established locations and this has a ripple effect on secondary locations such as Barnsley. Barnsley has always been and, in our opinion, will remain a parochial market place. There is a limited demand for office space from within the borough itself, with demand for large units invariably met by BMBC, Barnsley PCT or one of their associated organisations. Very rarely does Barnsley attract significant inward investment from an office user.

We list below 2 case studies of modern office accommodation which are considered to be typical examples indicating the present lack of market demand. We have had first hand experience of dealing with both properties:-

1.00 UNIT 7 MORSTON CLAYCLIFFE BUSINESS PARK, BAURGH GREEN, BARNSELY (See Appendix 1).

This comprises a modern inner terraced property purpose built in 2006 and forming part of a contemporary Business Park handily placed for Js 37 and 38 of the M1. It comprises a two-storey property providing 1,500 sq ft of office accommodation.

The property is built to a high specification including suspended ceilings, category II lighting and energy efficient heating. It has had subsequent modifications to include a security system and IT trunking and benefits and from 7 dedicated parking berths.

The property has been on the market to let or for sale since August 2008, when the previous occupier vacated. During that period of time the property has been advertised in the local press on two occasions and has a marketing board prominently displayed. In addition its availability both on a leasehold and freehold basis has been registered with the BDA.

There have been only three enquiries for the property during this period of time which culminated in viewings and to date the property remains unoccupied.

2.00 ACORN HOUSE, MOUNT OSBOURNE BUSINESS PARK, OAKWELL VIEW OFF PONTEFRACT ROAD, BARNSELY (See Appendix 2).

This property comprises a modern detached office building constructed over two floors. It is capable of being let as a whole or in individual pods, ranging from 5,082 to 17,348 sq ft. The property was built speculatively in 2005/06.

It is built to a good specification including:-

- Full DDA compliance.
- Open plan floor plates.
- Fully raised access floors.
- Suspended ceilings with category II lighting.
- Comfort cooling.
- 54 car parking spaces.

The property has been extensively marketed by the following Agents:-

DATE/YEAR	AGENT
Prior to July 2007	Harvey Burns, Lambert Smith Hampton and Knight Frank
July 2007 to July 2008	Lancasters Powell
July 2008 onwards	Smiths

As far as we are aware the property has never been occupied during its life span.

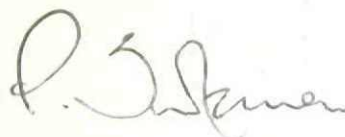
Recent speculative office developments such as those at Capitol Park and Gateway Plaza remain substantially undersubscribed. One-third (10,000 sq ft) of the Office Pavilion at Capitol Park remains unoccupied. 20,000 sq ft is occupied by Business Link. Of the 96,000 sq ft at Gateway Plaza the letting agents advise that, at the time of reporting, only 16,000 sq ft are let to Berneslai Homes, a derivative of the Local Authority's Housing Department.

One other factor acts a significant deterrent to speculative office development at the present time. Office rents are falling due to lack of demand and forecasts are that they will continue to reduce within the foreseeable future. We estimate that levels have fallen between 15-20% in the last 18 months. This has a significant effect upon development appraisal of possible office schemes as anticipated rentals streams are lower, which in turn affects the gross development value and anticipated investment value of any proposal. In our opinion the current low market rents for office accommodation adversely affect development appraisals to such an extent as to prejudice their commercial viability, given that other development costs are, at best, stagnant.

In our opinion these factors lead us to conclude categorically that an office development at this location, or indeed anywhere else within Barnsley borough, would be unsuccessful in attracting adequate demand in the present climate or that of the foreseeable future. It is highly unlikely; in any case, that such a speculative proposal would attract the necessary funding from an already badly bruised financial services sector.

We trust our report is of some assistance to you, but should you require further clarification, please do not hesitate to contact our office.

Yours faithfully



Mr P Simpson BSc MRICS
Director
Stanhope Property Consultancy

APPENDIX ONE

UNIT 7

**MORSTON CLAYCLIFFE BUSINESS PARK
BARUGH GREEN
BARNSELY**

PHOTOGRAPH



APPENDIX TWO

**ACORN HOUSE
MOUNT OSBOURNE BUSINESS PARK
OAKWELL VIEW
OFF PONTEFRACT ROAD
BARNLEY**

PHOTOGRAPH



LOCATION PLAN

