Market Report by M3 Agency LLP

On behalf of Harworth Estates Ltd

Report on the Market and Employment Land in Barnsley Metropolitan Borough Council in connection with a proposal for a Mixed Use Regeneration Scheme at Little Houghton, Barnsley, South Yorkshire

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JEA/RH/Little Houghton
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1. Introduction

1.1 M3 Agency LLP is instructed to advise in respect of the market and employment land supply in Barnsley Metropolitan Borough Council in connection with a proposal for a mixed use regeneration scheme on 11 acres (4.46 hectares) of land located on the north western edge of Little Houghton. In particular, M3 have been asked to provide:

- an assessment of the Barnsley market for employment uses; and
- an assessment of employment land supply within the Barnsley region and the recent take-up of employment land.

The comments in this report relate to the commercial market place and its perception of the attractiveness of the Little Houghton site for development for employment uses.

1.2 M3 Agency LLP is a specialist Chartered Surveying practice specialising in employment uses although primarily distribution warehousing and industrial property. Our areas of expertise include property investment, development, leasing, rent reviews and professional work. We have national coverage with offices in Sheffield, London and Birmingham.

1.3 This report has been prepared by Roger Haworth, who specialises in the occupational agency side of the business and is based in M3's Sheffield office, and Jane Asquith, who advises on professional, including planning, matters from the London office.

2. Little Houghton – Description of the Site, the Surrounding Area and the Scheme

2.1 The land at Little Houghton is located at the north western edge of the settlement, at the western end of Middlecliff Lane, just to the south of "Crossflow 530", a distribution warehouse developed by ProLogis, and to the east of the A6195. Little Houghton is located approximately five miles to the east of Barnsley town centre and situated between Leeds and Sheffield. The site has road access via the A635 to Junction 36 M1 to the west and to the A1(M) at Junction 37 to the east, both these junctions are located approx 10 miles from the site.

2.2 The area comprises a generally rectangular shape measuring approx 11 acres (4.46 hectares). The land is currently overgrown open land but was, we understand, previously used in connection with Houghton Main and has various high walls and footings on site which are likely to restrict the way it can be developed in the future.

2.3 The north western part of the site is generally level but the eastern half slopes upwards in a westerly to easterly direction.

2.4 As mentioned above the area immediately to the north of the site comprises "Crossflow 530" a 530,168 sq ft regional distribution warehouse developed by ProLogis on a site of approx 36 acres which is currently vacant and available for occupation. This unit has been vacant for over two years and in our view many occupiers will consider this location to be too far from the motorway network to locate such a distribution facility. To the east of the site is located agricultural land. Beyond the A6195 immediately to the west is more agricultural land although to the north west a scheme known as "Evolution @ Houghton" comprising 110,000 sq ft (10,219 sq m) of new build business warehouse units is proposed in a range of sizes from 1,000 sq ft to 40,000 sq ft (93 to 3,716 sq m). Planning permission has still to be obtained but it is expected that construction work will commence in 2009 / 2010.

2.5 The former Grimethorpe Colliery is located approx one mile to the north of the site and has been redeveloped as Park Springs catering for all business sizes offering small units from around 2,000 sq ft (186 sq m) to medium sized around 15,000 sq ft (1,394 sq m) as well as accommodating the new 450,000sq ft unit for Symphony Plc.

2.6 For many years employment in Barnsley was dominated by the mining industry which provided jobs for local workers and led to a close-knit pattern of communities. As many people worked close to their homes road links between communities were often poor. Following the demise of the coal industry many former colliery sites have been redeveloped for new employment uses and the former colliery tips have been restored to agricultural and open space uses. Barnsley's economy is more varied and no longer dependant upon a single

industry. With the introduction of strategic road links particularly to the eastern part of Barnsley access has improved attracting small businesses to the locality and local people are more willing to travel further than they did for work.

2.7 The proposal is to redevelop the site for a mixed use regeneration scheme comprising the following:

- Employment Uses

  Area A – 1 unit of 9,526 sq ft (885 sq m)

  Area B – 2 units totalling 8,611 sq ft (800 sq m)

  Area C – 2 units totalling 14,908 sq ft (1,385 sq m)

  Area D – 1 unit of 4,306 sq ft (400 sq m)

  Area E – 13 units totalling 21,636 sq ft (2,010 sq m)

- Residential Uses

  72 dwellings with a mix of 1,2,3,4 and 5 bedroom homes.

2.8 Access to the scheme would be available from a new roundabout off the A6195 Coalfield Link Road.

2.9 The proposed mixed use scheme on previously developed land at Little Houghton, with smaller scale employment uses to the west adjoining the regional distribution unit would, in our view, create a sensible transition linking the now separated residential uses to the south and the commercial to the north.

3. The Market for Employment Uses in Barnsley

General

3.1 There has been a fundamental change in the national demand for manufacturing and warehouse space over the past twenty years, which has accelerated during the last ten years. Demand for manufacturing and light industrial space has reduced and in particular the volume of enquiries for B1(c) and B2 uses has declined. The manufacturing sector, if not currently in recession, is experiencing severe trading difficulties which have further reduced the level of demand. Increasing competition from Eastern Europe and the Far East, with a lower labour cost base, has significantly eroded the manufacturing base in the UK, most notably in sectors such as electronics, textiles and automobiles. As a reaction to this, the amount of speculative development for purely industrial uses has declined to match the decreasing level of demand.

3.2 In contrast, over the same period, the demand for warehousing has increased. Warehouse operators are increasingly demanding superior building specifications with lower densities. Occupiers now require a high level of flexibility to enable them to respond to changes in their operational needs and have increasing requirements for good vehicular access and the ability to operate on an unrestricted hours of use. Location is becoming ever more important and as a result buildings and sites, which have such constraints, appear unattractive to occupiers in the market.

South Yorkshire

3.3 The current state of the Barnsley economy is reflective of that of the general South Yorkshire area in that many of the core employment activities, in particular coal mining, have declined significantly. It is estimated that between 1981 and 1991 approximately 15,000 jobs were lost from the Barnsley economy as a result of this. Barnsley's economic recovery has been slow and steady and, although progress has been made, it has not yet succeeded in replacing the mining sector with other employment opportunities. The Barnsley economy still remains more dependent on manufacturing as compared to other, more successful local economies. Such a dependency on manufacturing is a major concern in the light of national and regional trends, as stated earlier, where there is a clear decline in traditional manufacturing.

3.4 Demand along the M1 corridor is predominantly for B8 uses for warehouse and distribution due to the importance of connectivity and accessibility, which is becoming a major requirement due to mounting operational costs including fuel, labour and the Working Time Directive which restricts the number of hours for drivers to four. Whilst the Borough of Barnsley sits either side of the M1 motorway, between Junction 36 and Junction 38 most

demand and development for the warehouse and distribution market has been in other more preferable areas of Yorkshire.

3.5 Leeds and Wakefield to the north has provided one of the main growth areas in Yorkshire over recent years with the M1/M62 interchange and the new M1/A1 link unlocking several development sites. Areas such as Wakefield Europort and Normanton have, in most part, lured many enquiries from the Barnsley region and arguably will continue to do so until there is no further supply within those areas. Sheffield and Doncaster to the south have typically taken all the enquiries from operators migrating from the southern regions. This is particularly the case in the Doncaster area, due to the M18 and its connection to the eastern Ports of Hull and Immingham, which large scale occupiers increasingly use to minimise transport costs.

3.6 One of the main areas of development within the Barnsley region was the Dearne Valley Enterprise Zone which was granted Government assistance for the regeneration of the former coal mining areas. The Enterprise Zone and its associated benefits have attracted development and inward investment to the Barnsley area over recent years although the special status came to an end in November 2005. Much of Barnsley's success over the last 15 years in attracting employment uses to the area has been due to the Enterprise Zone and the associated benefits from locating there. However, such status may be considered to be artificial in market terms.

3.7 In Barnsley there have been two recent significant businesses choosing to locate in the area. Aldi has acquired a site in excess of 50 acres at Goldthorpe part of which is an available site in planning policy terms and part of which is in the Green Belt. At Park Springs a 450,000 sq ft distribution facility has been constructed for Symphony. The reason these companies have located here is due to the availability of very cheap land and both companies only wanting to buy sites to build their own bespoke units. No other land was available to do this and they needed large sites in excess of 40 acres. These deals are rare and unlikely to happen again.

Little Houghton and Barnsley

3.8 We do not envisage that Little Houghton will become a location for office development, with businesses preferring to locate closer to the larger regional towns such as Barnsley and Doncaster.

3.9 The market for the warehousing / distribution sector, whilst buoyant over recent years meeting supply chain and logistical needs, is now in a period of inertia reflective of the general economic position. Whilst consolidation among third party logistics providers has

also driven demand for larger units the Little Houghton site is restricted by its size and topography together with footings and high walls from previous structures on the site such that it is unsuitable for development for a single commercial unit.

3.10 We would anticipate that the majority of property enquiries in Barnsley would come from the smaller industrial / warehouse users. This view is be confirmed by Barnsley Development Agency's own analysis of enquiries dated October 2008 which found that 81% enquiries were for industrial / warehouse uses and the majority of the enquiries were for units of less than 5,000 sq ft (465 sq m). The proposed Evolution @ Houghton scheme located close to the Little Houghton site will provide 110,000 sq ft (10,219 sq m) of smaller units over the next five years. A mixed use scheme incorporating approx 59,000 sq ft (5,480 sq m) accommodation over 19 units in a range of sizes up to a maximum of 9,526 sq ft (885 sq m) would also assist in satisfying the demand for smaller sized units.

3.11 The table below gives an illustrative breakdown of supply in Barnsley and the wider sub region for smaller unit schemes:

Barnsley

Property	Unit Size
D. Noble, Park Springs	Unit 1 – 2,885 sq ft Unit 2 – 3,840 sq ft Unit 3 – 3,850 sq ft Unit 4 – 4,920 sq ft Unit 5 – 5,800 sq ft Unit 6 – 3,800 sq ft Unit 7 – 3,010 sq ft
ETL, Park Springs	900 – 2,700 sq ft
Shortwood Phase II	2 x 10,000 sq ft 1 x 8,000 sq ft 2 x 6,000 sq ft 2 x 4,000 sq ft 3 x 5,000 sq ft
Evolution @ Houghton	2,500 -110,000 sq ft
Ashroyd Business Park	50,000 sq ft Sites available

Doncaster

Property	Unit Size
Quest Park, Wheatley Hall Road	22,443 sq ft
West Moor Park, Phase 3, Armthorpe	1. – 7,500 sq ft 2. – 6,000 sq ft 3. – 5,340 sq ft 4. – 5,340 sq ft 5. – 5,340 sq ft 6. – 5,000 sq ft 7. – 4,000 sq ft
Trade Park, Wheatley Hall Road	2 – 12,000 sq ft
First Point	3,000 – 20,000 sq ft

Sheffield

Property	Unit Size
Holbrook, Commerce Park	15,000 sq ft
Victory Park, Don Valley	25 – 55,000 sq ft Sites available
Parkway Markets	28,500 sq ft
Smithywood	22,500 – 25,000 sq ft units Sites available
Parkway One	27,000 sq ft
Sheffield Business Park	Sites available

Rotherham

Property	Unit Size
Vector 31	Unit E 11,627 sq ft Unit H 20,000 sq ft Unit J 10,166 sq ft
Brookfields Light, Dearne Valley	5,000 sq ft
Beighton Colliery	3,400 – 21,000 sq ft 5 units Sites available
Foremost Industrial Estate	20 – 50,000 sq ft
Holbrook Enterprise Centre	3 – 24,000 sq ft
Quantum House, Dinnington Colliery	26,500 sq ft
Ignite @ Magna, Templebrough	2 x 5,000 sq ft 2 X 7,500 sq ft
Redwood Court, Dinnington	From 1,724 – 9,420 sq ft
Magna 34, Templebrough	6,100 – 27,700 sq ft 4 units Sites available
Vantage Park	Sites available

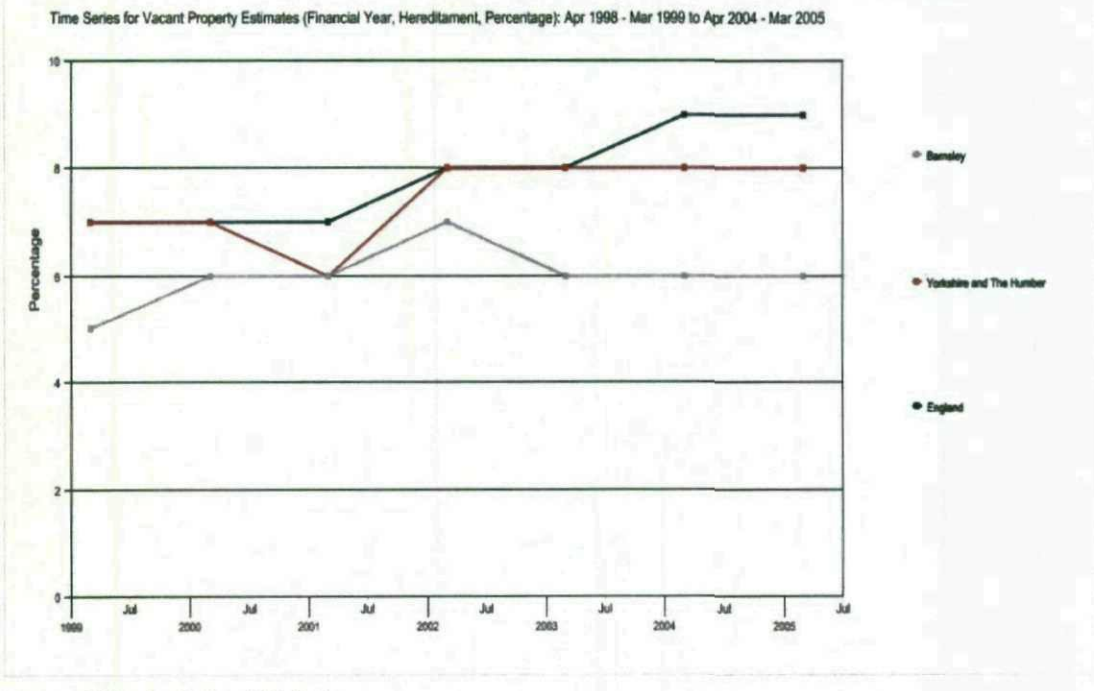
3.12 We have made enquiries of Barnsley Development Agency regarding the availability of employment uses over 1,000 sq ft (93 sq m) in Barnsley. There are currently some 166 properties available on their website totalling some 3,343,000 sq ft (310,000 sq m) with an average size of 20,139 sq ft (1,870 sq m) although this figure is distorted by a few units over 150,000 sq ft (13,935 sq m). Of the 166 properties available 125 are less than 10,000 sq ft (929 sq m) of which 94 are less than 5,000 sq ft (465 sq m). There is 950,000 sq ft (88,250 sq m) of accommodation available in units of less than 50,000 sq ft (4,645 sq m) of which over 80%, (769,000 sq ft 71,440 sq m), is in units of less than 25,000 sq ft (2,323 sq m). This illustrates the amount of accommodation available in the Barnsley area and the predominance of smaller units. A summary of our findings from the Barnsley Development website is set out on the table below:

Commercial Floorspace Availability December 2008 (units > 1,000 sq ft)

Unit Size sq ft	No of Units	Average Size sq ft	Average Size sq ft 1,000 – 10,000	Average Size sq ft over 1,000
1,000-2,500	50	1,471	)	)
2,501-5,000	44	3,816	) 3,802	)
5,001-10,000	31	7,541	)	)
10,001-50,000	25	18,979		) 20,189
50,001-150,000	11	92,123		)
Over 150,001	5	276,000		)

3.13 In terms of employment uses we are of the view that the only demand will be from smaller B2/B8 occupiers of say less than 25,000 sq ft (2,323 sq m). At first sight there would appear to be a relatively large amount of accommodation available in this size range. However, by far the majority of the demand does originate from occupiers wishing to take smaller units as identified by Barnsley Development Agency's recent report and referred to in para 3.10 above.

3.14 Interestingly, according to the Office for National Statistics Bansley has historically experienced below both national and regional industrial and commercial floorspace vacancy levels as illustrated on the graph below:



Source: Office for National Statistics

4. Planning Context – Employment Uses

4.1 In this section we consider the suitability of the site for employment uses in the context of planning considerations.

Barnsley Unitary Development Plan (December 2000) and Local Development Framework

4.2 The Barnsley Unitary Development Plan, which covered the period 1986 to 2001, noted that it was within an 'Area of Investigation for Potential Employment Development'.

4.3 The Local Development Scheme was approved by Barnsley with a Core Strategy and Preferred Options in October 2005. The Core Strategy covers the period to 2016 in line with the Regional Spatial Strategy, although the Housing policies and sites cover the period to 2018. The intention is to keep the relevant Development Plan Documents under review and to update to 2021 in line with a new Regional Spatial Strategy.

4.4 Aim 1 of the Core Strategy, dealing with the economy and jobs, is:

> "To help achieve a varied, distinctive and successful local economy, and to help make sure people who live in the borough have good access to job opportunities locally and in surrounding areas."

As part of this process the Local Development Framework will provide "enough land to meet the employment needs of existing and future businesses", "a choice of employment sites", "employment sites which are accessible from communities..." (para 67 Core Strategy)

4.5 The LDF promotes sustainable communities and recognises the general need to reduce reliance upon car transport.

4.6 In promoting new job opportunities in Barnsley the Core Strategy proposes that the main focus will be on the town centre, specific new employment locations and existing key employment sites. Following an assessment of employment land requirements Barnsley have identified that around 494 to 580 acres (200 to 235 hectares) land is required for employment development purposes. Potential employment sites have been considered having regard to:

- accessibility,
- greenfield or previously developed land sites,
- local employment needs,
- deliverability,
- the effects on the landscape, and

- the effects on the environment.

4.7 Eastern Barnsley is expected to deliver approx 44% of the employment sites.

4.8 In considering the availability of other employment opportunities in Barnsley there are two potential points of reference for the purposes of this review, the Barnsley Unitary Development Plan and the Employment Sites Preferred Options October 2005 document together with Background Paper 3 Economy October 2005. In addition, Barnsley Metropolitan Borough Council produce an Annual Monitoring Report which considers employment land availability, the most recent being December 2007, to provide an update using the UDP as a starting point and amended to reflect planning permissions granted and planning permissions implemented, together with sites which may no longer be available and / or deliverable. Unfortunately we understand that the two points of reference for employment land data are not entirely consistent so we have had regard to information from both the UDP / Annual Monitoring Report and the October 2005 Preferred Options in considering employment land availability. Insofar as the October 2005 Preferred Options is concerned those individual sites proposed as being suitable for employment use, having been assessed on the criteria listed in para 4.6 above, are set out in the table below:

Site LDF reference	Site name	Size (hectares)
Barnsley		
ES1	Stairfoot Business Park	9.52
ES2	Wharncliffe Business Park	4.93
ES3	Wordsworth (Claycliffe Industrial)	8.75
ES4	Claycliffe Business Park	8.42
ES5	Zenith	4.92
ES6	Oaks	0.93
ES7	Carlton Industrial Estate	3.24
	Sub total	**40.71**
Hoyland		
ES8	Rockingham	18.6
ES9	Ashroyd	16.96
ES10	Shortwood	12.76
	Sub total	**48.32**
Dearne towns		
ES11	Fields End Business Park	6.7
ES12	Thurnscoe Business Park	7.17
ES13	Goldthorpe Industrial Estate	14.14
ES14	Lidgett	1.69
	Sub total	**28.01**
Grimethorpe		
ES15	Park Springs, Grimethorpe	33.76
	Sub total	**33.76**
Penistone		
ES16	Cammell Laird	1.19
ES17	Springvale	2.04
	Sub total	**3.23**
Dodworth		
ES18	Junction 37	12.36

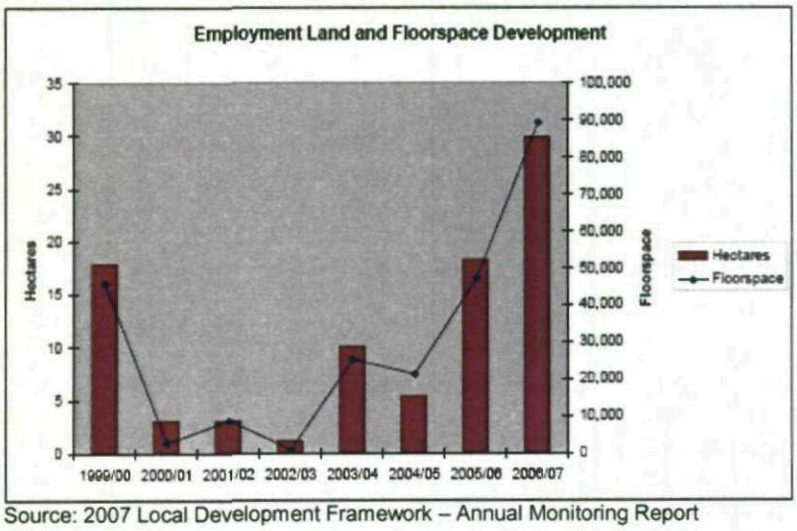
ES19	Elmhirst	0.67
ES20	Dodworth	0.99
	Sub total	**14.02**
Other locations		
ES21	Park Springs (Houghton Main)	**28.81**
ES22	Wentworth (Tankersley)	**7.6**
ES23	Oxspring Sidings	**1.25**
	Sub total	**37.66**
	Total	**205.71**

4.9 As part of the assessment process Barnsley also reviewed sites which were not allocated but would be likely to be so allocated if more land were required. These sites were:

Ref	Site	Size (hectares)
24	Shafton Workshops	2.28
25	West of Goldthorpe Industrial Estate	121.3
26	Valley BP	3.6
27	J37 Extn (East of M1)	50
28	J37 Extn (West of M1)	5.7
29	West Green	27.9
30	Huddersfield Road	1.62
31	Royston Drift Mine	4.3
32	Grange Lane	2.6
	Total	**174.3**

4.10 In arriving at the allocated employment sites the Borough Council did not assess historic employment sites across the Borough but it was acknowledged that some would be suitable for employment uses and others would not (para 36 Barnsley Policies Preferred Options October 2005).

4.11 According to Barnsley Metropolitan Borough Council's Annual Monitoring Report 2006/2007, 962,220 sq ft (89,391 sq m) of new commercial floorspace was developed in Barnsley on 74 acres (29.9 hectares) (approx 13,000 sq ft per acre, 1,208 sq m per acre). 62% of completed floorspace was for storage and distribution uses, 24% general industrial, 8% office and the balance 6% for B1, B2 and B8 uses. Such a distribution is consistent with Barnsley Development Agency's findings referred to in para 3.10 above.



Source: 2007 Local Development Framework – Annual Monitoring Report

4.12 Over the period 1999 to 2007 the average annual amount of new employment land developed, although not necessarily occupied, was 27 acres (11 hectares) providing an average of 322,920 sq ft (30,000 sq m) new commercial floorspace. 2006 to 2007 experienced a very much higher figure than in the previous years being nearly double but this is, we expect, largely due to the completion of the Crossflow 530 unit referred to earlier in this review. Conversely 2000 to 2003 were years of relatively low activity. We consider the take-up rate for the year 2006 to 2007 to be unsustainable particularly having regard to the fact that a single unit accounted for half the space and also current economic conditions.

4.13 The Annual Monitoring Report noted that by April 2007 462 acres (187 hectares) of land designated as employment in the UDP had been developed, leaving 94 acres (37.9 hectares) under construction and 212 acres (85.8 hectares) of land available. We understand that there is no definitive list of 'available' employment land as sites are removed from the list as they are developed and also if circumstances alter such as owners' strategies so that they are no longer considered 'available'. In particular, we understand that the Little Houghton site, whilst as part of the site comprising the Crossflow 530 scheme was reflected in the 'available' employment land, but as a smaller site is no longer considered to be 'available' and is not reflected in the most recent statistics.

Summary of Future Supply

4.14 On the basis that some 212 acres (85.8 hectares) land is 'available' and taking an average of 27 acres (11 hectares) per year this would suggest that there is approx 8 years employment land supply which would not cover the LDF period to 2021. However, we understand that this does not take account of other land which may be suitable for employment uses but may not be 'available' in terms of deliverability such as the Little Houghton site.

4.15 Existing space that is available elsewhere in the locality, in Barnsley and further in the South Yorkshire region referred to in section 3 of this review is not reflected in the supply figure. Taking the average floorspace take up of approx 322,920 sq ft (30,000 sq m) per year (albeit for 'new' commercial floorspace), as per the Annual Monitoring Report, and applying this to the amount of available employment floorspace in Barnsley over 1,000 sq ft (93 sq m) at 3,343,000 sq ft (310,500 sq m), referred to in para 3.12, would suggest a 10 year supply of available accommodation. However, if the 'Crossflow' unit is removed from this calculation on the basis that demand for such a size of unit is more likely to come from a national occupier as opposed to regional or local businesses then the available floorspace is approx 2,800,000 sq ft (260,000 sq m) which would equate to an 8 year supply which is probably a more realistic figure in our view.

5. Conclusion

5.1 In considering the suitability of the Little Houghton site for redevelopment as a mixed employment and residential regeneration scheme we conclude that:

- The planning context encourages development of previously used land.
- The site is bordered by a settlement to the south east and a large regional distribution warehouse to the north west. A mixed use scheme in this location could create a sensible transition in planning land use terms linking the now separated uses. The employment uses could be primarily accessed without necessitating any trips through the residential areas.
- The market for larger industrial premises of 50,000 sq ft plus is now stagnant. There is an over supply in South Yorkshire especially over 100,000 sq ft. This is evidenced by the neighbouring 'Crossflow 530' being on the market in excess of 2 years. Most of this over supply is in superior locations to the subject site.
- The only demand for employment uses will be from smaller B2/B8 occupiers of say less than 25,000 sq ft (2,325 sq m). By proposing a scheme comprising 19 units in a range of sizes up to a maximum of 9,526 sq ft (885 sq m) the development will assist with meeting this demand.
- Having regard to both the availability of other employment sites and vacant accommodation, together with the potential demand for smaller units in Barnsley and the location of the Little Houghton site, we are of the view that the subject site is suitable for the proposed mixed use scheme.