



S T U R T
& C O M P A N Y

**Land at The Dene
Ropley Dean
Hampshire
SO24 0BH**

Prepared by

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UNLOCKING VALUE FROM LAND

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1.0	INTRODUCTION	1
2.0	METHODOLOGY	1
3.0	QUALIFICATIONS	2
4.0	EXTENT	2
5.0	SITE LOCATION	2
6.0	TRANSPORT LINKS	3
7.0	PROPERTY DESCRIPTION	4
	SITE HISTORY	5
8.0	SCHEDULE OF ACCOMMODATION	5
9.0	MINIMUM ENERGY EFFICIENCY STANDARDS	5
10.0	ASBESTOS	6
11.0	PLANNING POLICIES	7
	NATIONAL PLANNING POLICY	7
	LOCAL PLANNING POLICY	7
	ROPLEY NEIGHBOURHOOD PLAN	8
12.0	EMPLOYMENT USE	9
	EMPLOYMENT OVERVIEW	9
13.0	SIGNIFICANT DEVELOPMENT PIPELINE	11
14.0	COVID-19	12
15.0	EMPLOYMENT USE APPRAISALS	12
	MODELLING ASSUMPTIONS – OFFICES	13
	MODELLING ASSUMPTIONS - INDUSTRIAL	15
16.0	COMMERCIAL VIABILITY ANALYSIS SUMMARY	16
17.0	BENEFITS OF DEVELOPMENT	17
	NEW HOMES MULTIPLIER	17
18.0	CONCLUSION	18

APPENDICES

- 1. Site Plan**
- 2. Photographs**
- 3. Office Development Appraisal**
- 4. Industrial/Warehouse Development Appraisal**

1.0 INTRODUCTION

1.1 Sturt & Company has been requested to provide Commercial Viability Report in connection with the redevelopment of Land at rear of The Dene, Ropley Dean, Hampshire SO24 0BH. This is in connection with a planning application to redevelop the site and to provide nine residential dwellings. The planning application has been submitted by Herons (Investments) Ltd.

1.2 The report includes the following:

- Assessment of the building structure and site access
- An overview of the Employment Land Review and alternative employment sites
- An assessment of the economic viability of alternative uses
- Economic benefits of the proposed development

1.3 This report will set out evidence to show that both the current building and site are redundant and not fit for commercial occupation. In addition, we have assessed the viability of redeveloping the site for industrial and office accommodation. The result of this commercial modelling demonstrates that there is no alternative viable employment use for the site.

2.0 METHODOLOGY

2.1 The property is under the aegis of East Hampshire District Council (EHDC) in terms of planning policy. However, we have taken into account employment sectors from across the region, including neighbouring Local Authorities.

2.2 In preparing this report, we have drawn on the considerable amount of background research into the employment land market both on a micro and macro scale. This includes the following sources:

- EHDC 2015 ELR
- 2013 Employment Land Review Update¹
- 2013 CIL Viability Study².
- ONS Statistics and the 2011 Census
- VOA Database

¹ Published by NLP May 2013.

² See Adams Integra Community Infrastructure Levy Viability Assessment; Published April March 2014.

3.0 QUALIFICATIONS

- 3.1 My name is Richard Sturt and I am a Member of the Royal Institution of Chartered Surveyors and have been active in the national development market for over 20 years. Key clients have included the Homes & Communities Agency, Zurich, several charities and Local Primary Care Trusts.³ I am a RICS Registered Valuer and I have assessed candidates for the RICS Planning and Development Faculty in the role of Chair of the APC panel.
- 3.2 I hold a degree in Real Estate management and am a Fellow of the Royal Geographic Society. Prior to setting up Sturt & Company I worked for Savills in their national Mixed-Use Development team.⁴ I also worked for the Commercial Agency team of Jones Lang La Salle and co-wrote the annual Metropole Report. I also worked for several years for Heritage Property Group, developers specialising in historic town centre regeneration schemes across the country.
- 3.3 I have been instructed on a number of mixed-use development sites across Hampshire including the sale of schemes on behalf of both the public and private sector. I have also acquired and disposed of commercial and residential development land in this Local Authority area.

4.0 EXTENT

- 4.1 Please note, this report is dated 16th December 2021, and has been prepared in respect of this planning application only.
- 4.2 The report is not suitable for, nor can it be relied upon or used for mortgage, funding purposes or future planning applications. Please note, there should be no third-party reliance on this report.

5.0 SITE LOCATION

- 5.1 The site is in Ropley⁵ which is a small dispersed settlement equidistant between Winchester and Alton on the A31. Ropley has a population of approximately 1,600 according to the ONS and is split between the historic settlement of Ropley close to the church whilst Ropley Dean is located on the A31. Housing is mainly concentrated around the Dene within the natural boundaries of the A31, Bighton Hill Road to the east and Station Hill Road to the west.

³ Now known as Clinical Commissioning Groups.

⁴ Formerly King Sturge.

⁵ The settlement is split between Ropley and Ropley Dean.

- 5.2 To the rear of the site open fields slope upwards to a railway line. Approximately 150 m to the north is Ropley Station and engineering sheds for the Mid Hants Railway Charity. This railway does not provide commuter services and is in private ownership. Approximately 500 m to the west is a Shell petrol filling station and a converted public house which is now a Thai restaurant.
- 5.3 The historic centre of Ropley is approximately 1.4 km to the east and benefits from a number of local services including a Church of England Primary School, community village shop/post office, local garage and a cricket club.
- 5.4 Four Marks is just over 4 km to the north east and offers a greater number of commercial and community services. These include a Co-operative convenience store, primary school, church, veterinary practice, village hall, pharmacy, Tesco Express, GP surgery, BP petrol filling station, M&S Simply Food, Travelodge Hotel and a number of small independent shops centred around a courtyard development on Winchester Road. Almost all of these services benefit from direct visibility from the main A31.

6.0 TRANSPORT LINKS

- 6.1 Vehicular access to the site is very poor and not suitable for commercial vehicles. The site can only be accessed via a narrow shared track that is also used by neighbouring residential properties and the bungalow at the end of the site. Originally, the access track used to be wider but when some neighbouring properties were constructed 35 years ago, the width was reduced without the permission of the landowner. This included constructing housing right over the access track. The previous owner did not have the resources to challenge this boundary dispute and this prevented the use of the site by HGVs and other commercial vehicles.
- 6.2 The major commercial centres in the locality are Winchester, Basingstoke, Alton and Guildford.
- 6.3 Access to the national road network is via the A31 (Alresford to Farnham road). The distance by road to nearby centres is as follows:
- Alresford 5.5 km
 - Alton 12.8 km
 - Winchester 16.0 km
 - Petersfield 16.8 km
 - Basingstoke 30.5 km
- 6.4 The nearest mainline stations are at Alton which is approximately 11 km to the north east and Petersfield which is 17 km to the south-east. Both provide direct train services to London Waterloo with the fastest journey of approximately 75 minutes.

6.5 There is a limited public bus service in the locality with services only every 30 minutes during the day.

7.0 PROPERTY DESCRIPTION

7.1 The site is 0.329 ha (0.813 acres) and is rectangular in shape. The site is set back approximately 50 m from the main road and on three sides is surrounded by residential dwellings. To the rear of the site is a bungalow known as Aurea Norma.⁶ See **Appendix 1** for site plan.

7.2 The site has been cleared and is gently sloping to the north. There is a small 61.07 sq m (657 sq ft) vacant building on the western boundary. The building is of solid brick construction with an asbestos pitched roof. It has two small rooms on the ground floor separated by a doorway and first floor storage which is accessed via an external staircase at the front of the building. It has solid concrete floors and only has a ceiling height of 2.2 m. The building was constructed in the 1930s as a store and the first floor was a flat for the owner at that time. It has been extended with the construction of a wooden summer house used for recreational purposes for the owners. See **Appendix 2** for photographs.

7.3 The building has no gas, water or foul sewage connection and the electrical supply is unsafe. The accommodation is in extremely poor repair and unsuitable for modern occupation and it is clear that it is no longer useable.

7.4 The asbestos cladding is over a wooden tongue and groove roof which shows evidence of timber rot.

7.5 The building was originally constructed about 80 years ago and has reached the end of its economic life. Set out below are a number of observations:

- The electricity supply is now out of date and is unsafe to use
- The property is non Equality Act Compliant
- Despite asbestos over-cladding, the original wooden roof has failed and shows evidence of fungal decay and rot leading to flooding
- Asbestos has been used throughout the construction of the building and this will need to be removed safely
- The wooden joinery is also unsafe and require replacement
- The first floor can only be accessed from an external stairway which unsafe, especially in the winter months
- The masonry wall is of single skin construction with no cavity wall and is thus, uninsulated
- The original Crittal windows need replacing

⁶ Latin for Gold Standard.

- 7.6 The building is of a very basic construction and has clearly reached the end of its economic life. It is quite obvious it is now no longer suitable for modern occupiers.
- 7.7 It is unlikely that any new occupier would be prepared to locate to such poor quality building.

Site History

- 7.8 For many years the building was used by the adjoining residential occupier as a small office that served the needs of their building contracting firm.⁷ Whilst the building was used for basic office administration tasks, none of the actual contracting work was undertaken on the site. With no gas, heating, water or foul connection, the owner used the WC and kitchen facilities in their adjacent house. Thus, the use of the building was effectively ancillary to the neighbouring residential property. A significant part of the site was used as access and the garden for the bungalow.
- 7.9 Approximately four years ago, the building contracting business closed following the retirement of the owner. The site has been vacant since then. Another person continued to trade from a separate location in Alresford using the name of the contractor (H Woollhead) for another two years before going into liquidation. This new business did not use the subject property nor did they have access to it.

8.0 SCHEDULE OF ACCOMMODATION

- 8.1 The property has been measured in accordance with the RICS Code of Measuring Practice and the Gross Internal Area⁸ is as follows:

Description	Sq m	Sq ft
Ground Floor	37.55	404.19
First Floor	23.52	253.17
Total	61.07	657.36

9.0 MINIMUM ENERGY EFFICIENCY STANDARDS

- 9.1 The building is extremely poor in terms of energy efficiency and has no insulation.

⁷ H Woollhead Contractors.

⁸ International Property Measuring Standards: is replacing the RICS Code of Measuring Practice but has not been universally adopted so GIA and NIA are still appropriate to use as all the comparables have been measured under the old code.

- 9.2 Before any property can be marketed it must undergo an Energy Performance Assessment that grades the property between A (very efficient) and G (least efficient). In April 2018, the Energy Efficient Regulations (referred to as the Minimum Energy Efficiency Standard or MEES) came into effect making this assessment compulsory.
- 9.3 An EPC gives information on the building's estimated energy efficiency in a sliding scale from A to G. An EPC is an essential requirement for letting and the landlord is responsible for them. Since April 2018 it has been illegal for any landlord to let a building on a new lease, lease extension or lease renewal with grades F and G.⁹
- 9.4 Although the MEES legislation has only recently come into effect, it has already had a bearing on the commercial property market. Occupiers are unable to take buildings that fail, but they are also reluctant to accept buildings that have an EPC similar to that being used in the subject properties. This is due to the risk that future reassessments will produce a lower assessment preventing a subletting or assignment without improvement works.
- 9.5 Due to its age and defects, it is extremely likely when assessed it will fail its and therefore be illegal to let. The building would require a range of improvements to improve these ratings which would not be financially justifiable on an old building with structural defects that has reached the end of its economic life.
- 9.6 In the current climate, employers and occupiers seek to mitigate and reduce ongoing costs of occupation. The cost of heating and maintaining the building will be an important consideration for any future occupier. Clearly, the inadequate insulation of the building combined with its age will increase the cost of occupation significantly over time. Occupiers will compare this with more modern buildings and reject it because of the elevated cost of occupation.

10.0 ASBESTOS

- 10.1 The building contains asbestos containing materials. Asbestos has been identified in a range of products within the building including the roof, floor coverings and services.
- 10.2 There is no safe level for the inhalation of asbestos fibres. The presence of asbestos may have serious health implications for occupiers and specialist advice must be taken by a qualified contractor.
- 10.3 The cost of retrofitting services, subsequent minor works or any sub-division will have to take Asbestos into account and will require the correct Health & Safety procedures to be followed. This will mean additional abnormal costs

⁹ Although only F and G band buildings are currently illegal to let, the government made it clear that they intend in the future to raise requirements for buildings so that further grades will move into this category. The matrix for assessing a building's efficiency is becoming more accurate and when a building is reassessed, it is not uncommon for the rating to fall below the previous grade.

together with certified removal to adhere to Health & Safety legislation. This is a very costly approach to adapting buildings and one that commercial occupiers would avoid.

11.0 PLANNING POLICIES

National Planning Policy

11.1 A key part of the government's strategy is the re-using of land that has previously been developed unless there are strong economic reasons for its protection.

11.2 Paragraphs 117, 118 and 119 of the NPPF highlight the importance of the reuse of brownfield sites. Paragraph 119 states:

*“Planning policies and decisions should promote an effective use in meeting the need for homes and other uses, while safeguarding and improving the environment and ensuring safe and healthy living conditions. Strategic plans should contain a clear strategy for accommodating objectively assessed needs, in a way that **makes as much use as possible of previously-developed or brownfield land.**”*

11.3 Paragraph 121 of the NPPF states:

*“Local planning authorities should also take a **positive approach to applications for alternative uses of land which is currently developed but not allocated for a specific purpose in plans, where this would help to meet identified development needs.**”*

11.4 Both the building and the site are extremely poor in terms of employment potential and there is a clear housing need in local communities such as this.

11.5 When assessed in the context of central government policy, it can be seen that there are no strong economic reasons to refuse the application for residential development.

Local Planning Policy

11.6 East Hampshire District Council's planning policies are contained within the East Hampshire District Local Plan Joint Core Strategy that was adopted in June 2014. Please refer to the accompanying Planning Statement for further information.

11.7 The key Local Policy is CP4 Existing Employment Land which is set out below:

CP4 EXISTING EMPLOYMENT LAND

The use of employment land for alternative uses will be permitted where the site can be shown to be no longer suitable for employment use of some form

and the alternative use is in conformity and consistent with other policies and strategies of the Local Plan: Joint Core Strategy. Where development is proposed which would result in loss of an existing industrial or business site, a planning obligation may be negotiated with the applicant to offset the loss of employment on the site and mitigate the economic impact.

- 11.8 The viability evidence contained later in this report supports residential as the only alternative use. As the site has been vacant for a considerable period of time and is unviable to be redeveloped for commercial use, there is no negative impact on the economy of EHDC. Thus, no financial mitigation will need to be paid.
- 11.9 An industrial or employment use could potentially conflict with neighbouring residential properties and their gardens which surround the property. The proposed development would seek to improve the living conditions of neighbours and would remove a conflicting use albeit one that has not been capable of being used properly for many years.
- 11.10 The Local Plan Policy does allow for flexibility with the conversion of unsuitable buildings and sites to other uses. This is clearly set out in the supporting text of the Policy which states:

“The study recommends encouraging improvement of existing sites where possible to achieve more efficient use of land and help meet future growth requirements of businesses.

*At the same time, it is appropriate to allow for alternative uses on sites that are shown to be **no longer suitable** for employment use. This approach accords with the **NPPF, which discourages the long term protection of employment sites where there is no reasonable prospect of it being used for that purpose.**”¹⁰*

- 11.11 Due to the building being unsafe and completely lacking in the modern services, there is no prospect of continuing business use at this location. This fulfils the criteria set out in the NPPF.
- 11.12 It is clear that the reuse of the site for residential purposes is wholly appropriate and an efficient use of the land especially it is no longer suitable for current or future employment purposes.

Ropley Neighbourhood Plan

- 11.13 In September 2019, Ropley published its Neighbourhood Plan outlining its key objectives for the village. This plan largely concentrated on preventing a coalescence between Ropley and Ropley Dean, preserving the historic built environment and protecting community facilities. There is almost no mention whatsoever of the designation of employment land or the protection of such

¹⁰ Extract from Paragraphs 5.20 and 5.21 of the East Hampshire District Local Plan Joint Core Strategy.

uses which shows the relative unimportance of employment land issues for the Parish. Nevertheless, much of the subject site has been allocated within the settlement boundary and is thus, suitable for the proposed residential development.

- 11.14 Following recent communication with the EHDC, the entire site is now being allocated for residential in the Local Plan. This is a clear indication that the site is not deemed necessary for future employment land projections.
- 11.15 This is confirmed in Appendix A of the emerging EHDC Spatial Strategy – Definition of The Preferred Option of Maps of Reasonable Alternative which identifies the land as SA30 as being suitable for residential development.

12.0 EMPLOYMENT USE

Employment Overview

- 12.1 The employment market is made up of two principle sectors; offices (formerly Class B1a) and industrial/warehousing (Class B1c, B2 and B8). These uses have now been partially merged in 2020 as Use Class E, which includes the former B1a, A1 – 3 retail uses and B1c, but we still refer to them in this report..
- 12.2 The property is in a rural location, some distance from any commercial centre. Demand for business units is focussed on well-established locations with good connectivity to the national road network or major business centres. Even in established business locations, speculative development in the private sector is rare, partly due to the difficulties of obtaining finance when the letting or sale period are so hard to define. Ropley Dean would not be considered a prime or even a secondary office area, so rents will be substantially below Alresford, Winchester, Alton, Petersfield or even Alresford. This would render the redevelopment of the site even less viable here compared to the region as a whole.
- 12.3 The poor performance of the commercial property sector is supported by the Local Authority’s own research when considering evidence for CIL charging for commercial properties.¹¹ This found that speculative industrial and office development were unviable anywhere in the district and could not support any CIL levy.
- 12.4 The Local Authority’s own evidence base confirms the office or industrial/warehouse market is unviable. EHDC instructed an independent firm to produce an evidence base for its proposed CIL charge for commercial property. The Adams Integra CIL Viability Assessment was published in March 2014 and included detailed analysis of rents, costs and yields across the District.¹²

¹¹ Adams Integra CIL Viability Assessment published March 2014.

¹² As part of this work a CIL Viability Report updated later that year in November.

- 12.5 The CIL Viability Assessment found that speculative industrial and office development was unviable and could not support any levy. Below are some key extracts from the CIL Report:

“The outcomes show that prime offices are still not showing sufficient surpluses to support even a modest CIL contribution.”¹³

“We have not found any competing evidence of office rents increasing. Headline rents have remained static over the period.”¹⁴

- 12.6 The CIL consultants used BCIS construction costs as of 2013 and they have not been adjusted since this date. Despite inflation the consultants did not consider factoring in any increases when they published their update in 2014. Since this date, over six years ago, there has been significant cost price inflation throughout the industry and construction costs are significantly higher. At the same time, there has been little rental growth in secondary locations and this would mean schemes would now make even greater losses. Thus, the viability for employment buildings is even less.
- 12.7 This is also the case in far more significant commercial markets such as Basingstoke and Winchester. Adams Integra considered the industrial and warehouse market in Winchester.¹⁵ Their appraisal of commercial development land indicated that residual values were likely to be too low to absorb any CIL. They came to the view that a considerable increase in rents would be required before CIL could be absorbed, even on greenfield sites, free from abnormal costs of development. A similar outcome was the result of the nearby South Downs National Park CIL Assessment.¹⁶ They concluded neither offices nor industrial/warehouse was viable enough to support CIL payments anywhere in the SDNP area. Likewise Basingstoke’s Viability Report prepared by Three Dragons established that offices and industrial could not support any CIL. Their valuation models produced a negative residual when making no allowances for Benchmark Land Value.¹⁷
- 12.8 Both DSP and Adams Integra based their appraisal on modern ‘new build’ accommodation. Inevitably, a small scheme remote from any established employment area will achieve lower rents than the average for the region. These reports illustrate quite clearly that there is little potential to make a scheme viable for offices or industrial purposes.
- 12.9 Adams Integra also considered the viability of the industrial and warehouse sector and concluded that industrial development land values are likely to be

¹³ See Paragraph 7.8.5 of the East Hampshire District Council Final Viability Report: March 2014.

¹⁴ See Paragraph 7.8.2 of the East Hampshire District Council Final Viability Report.: March 2014

¹⁵ Adams Integra 2012 Non-Residential CIL Viability Report

¹⁶ South Downs National Park Authority Viability Assessment: Community Infrastructure Levy and Affordable Housing Charge 2014, updated by Viability review December 2015, prepared by DSP Housing Development Consultants.

¹⁷ Residual and non-residual community Infrastructure Levy Viability Report. Prepared by Three Dragons March 2016.

too low to absorb any level of CIL.¹⁸ They came to the view that a considerable increase in new build industrial rents would be required before CIL could be absorbed, even if developed on greenfield sites free from abnormal costs of development.

- 12.10 Their appraisals are based on modern new build accommodation in prime locations. Inevitably a new scheme, away from an established employment area, will achieve lower rents than the average for the district. This illustrates quite clearly that there is little potential to make the scheme viable for industrial or office purposes.
- 12.11 Even if the site was redeveloped for industrial/warehouse units, I consider there would be very little interest for it. This is because access to the site is very poor as outlined in Section 6.0 of this report. The restricted access is very narrow and not suitable for HGVs which would be used in all industrial/warehouse operations and this would deter occupiers. There would also be a conflict with neighbouring residential dwellings also sharing the access.

13.0 SIGNIFICANT DEVELOPMENT PIPELINE

- 13.1 There is a significant amount of employment accommodation pipeline already in the Local Authority area.¹⁹ This employment land pipeline is more than enough to meet supply in the long term.

*“In terms of office use, the ELR Update Study indicated a surplus of available land over the plan period to meet the identified need”.*²⁰

*“The study concludes that there is a modest requirement for additional land, mainly for industrial use, and recommends that any new site allocations outside of Whitehill and Bordon be distributed among the most sustainable and commercially viable settlements of Alton, Petersfield and Horndean.”*²¹

- 13.2 The subject site is remote from the preferred settlements named above where the Local Authority are aiming to concentrate any future employment land requirements.
- 13.3 In November 2015 the Whitehill and Bordon Scheme was formally given Enterprise Zone status by the government. This means it has far reaching benefits including reduced planning requirements and tax advantages for all occupiers. For example, upon opening the Science Vale Enterprise Zone in South Oxfordshire saw 50 new firms locate there over a 12 month period with

¹⁸ See Adams Integra 2012 Non-residential CIL Viability Report.

¹⁹ See Page 75 of the ELR.

²⁰ Neighbourhood Plan, September 2019, paragraph 5.11.

²¹ Neighbourhood Plan, September 2019, paragraph 5.10.

an additional 1,033 staff. This is the sort of regional growth central government is actively encouraging.

“Local commercial agents view the Eco-town proposals as a unique opportunity to accommodate East Hampshire’s employment space needs over the longer term and in doing so, transform the location into one of the District’s key employment centres.”²²

- 13.4 The Whitehill and Bordon Enterprise Zone will create a business-friendly location. It is estimated that firms on average will save £275,000 each due to these tax savings. Strategic sites like this will attract occupiers and inward investment prior to a secondary office in a rural location.
- 13.5 In nearby Alresford , there are 5 hectares (12.35 acres) of employment land is currently available at Sun Lane. It is available either as a whole or in small lots to owner occupiers. Whilst just outside of EHDC the site has the benefit of being located in Alresford, an established business centre, and has direct access onto to the A31. This site is far more attractive to any business seeking to establish a new unit by comparison to an isolated site with poor access. Sun Lane has recently been sold to a housebuilder who is seeking a commercial partner to deliver the employment element.

14.0 COVID-19

- 14.1 The ongoing COVID pandemic will have significant and far-reaching impacts and will reduce demand for many types of commercial property for some time. There is now evidence that both private and public sector occupiers are reducing floorspace following Covid-19.
- 14.2 COVID has already led to an explosion in homeworking and a reduction in office and commercial accommodation required for workers. This is unlikely to be reversed as employers are keen to reduce costs and unnecessary office accommodation.
- 14.3 According to the ONS, 49% of all employees worked from home in August 2020 falling to 25.9% in summer 2021. This is significantly higher than the 12.4% recorded for 2019²³. Whilst there is currently an easing of restrictions at the time of writing this report, many office workers will remain at home as companies have now instigated a flexible way of working with many staff not coming into their offices in the usual way.

15.0 EMPLOYMENT USE APPRAISALS

- 15.1 We have considered the viability of demolishing the building and replacing it with a new purpose-built speculative office or industrial scheme in order to

²² See Paragraph 4.16 of the 2013 ELR Update.

²³ See ONS Report Coronavirus and Homeworking: April 2020.

assess whether or not the site (if the access issues could actually be overcome) could ever be viably developed.

- 15.2 In terms of industrial the access to the site is very poor and not suitable for HGVs. Even if they could access the site, there is insufficient manoeuvring without impacting on the adjacent residential development.
- 15.3 In terms of offices the property is located in a rural area and access to staff will be difficult. Other than an irregular bus service, there is no public transport in the immediate vicinity of the property. This would restrict the pool of staff that would be able to work at the site. Effectively, employees would have to drive to the site as there is no public transport in the area.
- 15.4 Increasingly, office occupiers, particularly knowledge based companies, require fast broadband in order to operate. According to BT, the anticipated broadband speed at the property is approximately 10 Mbps but average speeds may be less with a guaranteed minimum of 3Mbps. This compares to Easton Road, Winchester being part of a main employment area to the east of Winchester, where broadband speeds are between 72 and 80 Mbps with a guaranteed minimum of 63 Mbps. For example, Prospect Business Centre, Prospect Road, Alresford speeds are 35 to 50 Mbps with a guaranteed minimum of 33 Mbps.
- 15.5 The lack of meaningful broadband speeds at the property is likely to have a significant limiting effect on the potential demand for the properties as offices or any business use.

Modelling Assumptions – Offices

- 15.6 When valuing offices, the rent is applied to the net internal floor area²⁴ excluding WCs and similar unusable areas. The difference between a GIA area²⁵ and IPMS 3 varies on a number of factors, but I consider a discount of 20% is appropriate for a small building such as this. This is because in small units, WCs, stores and the like generally comprise a greater proportion of the total floor area than would be the case in larger purpose-built offices. The total amount of space is quite large for a single occupier in a rural area. Consequently, the scheme may need to be divided into two or three units which will cost more to provide WCs and services.
- 15.7 When considering the rate that is appropriate, I have analysed transactions of similar buildings in rural areas. Rents range between [REDACTED] sq ft. However, the higher range generally reflects rural buildings that are close to the major road network or have better access to a major commercial centre. The target occupiers for buildings in rural areas are generally independent companies (as opposed to a branch office of a national corporate firm). Tenants are often in the technology, media and creative sectors. These sectors are always highly dependent upon good internet access which the

²⁴ International Property Measuring Standards: Office Building (Replaces the RICS Code of Measuring Practice for offices) IPMS 3 is similar to Net Internal Floor area under the old Code of Measuring Practice.

subject property does not have. The internet connectivity at the property is so low and access to the internet will be severely delayed. Consequently, the target sectors for the subject property would not be able to occupy the building. Therefore, I would anticipate the rent to be towards the lower end of the range as the pool of potential occupiers is so limited. Accordingly, I have assessed the property at an average rent of [REDACTED]. Later, I have included a Sensitivity Analysis based on rents from [REDACTED] sq ft.

- 15.8 To attract tenants, landlords are often forced to provide rental concessions, either rent free periods or discounted rent payable in the early years. Based on a typical lease length of between three and five years, a rental incentive package of between three and six months would be normal in the current economic climate.
- 15.9 It is extremely unlikely that the building will be let immediately upon completion. Even if this were a modern office scheme on the edge of a major centre such as Winchester, Alton or Basingstoke, there would be a significant marketing void. I have allowed an initial marketing and rental void of 6 months.
- 15.10 I have allowed a contingency of 5% on build costs. This is usual when considering the uncertainties of brownfield development and the difficulty of predicting the full extent of work required until actual works have commenced.²⁶
- 15.11 I have allowed for a 20% developers profit on GDV. It could be argued that such an untested letting market would require a higher than 20% profit margin to reflect this risk. However, I have used the lower figure for this initial appraisal.
- 15.12 It is well documented that there has been a significant price increase in almost all building products due to the scarcity of supplies following Covid and Brexit. Many developers and builders are now complaining of a lack of materials and when they are available, the prices are often significantly higher than the tender price. This means there will be a lag in the BCIS tender price and the eventual delivered cost of construction. This will not be known for a period of time it is a problem for the development industry. According to the BCIS forecast:

“Severe pressure on the UK supply chain have triggered a range of materials shortages, resulting in rising costs. Building materials prices rose by 5.6% in Q1 2021, compared with the corresponding quarter last year.”²⁷

“Tender prices are predicted to rise by 21% over the next five years, while building costs and new construction output are expected to go up by 17% and 31% respectively over the same period.”²⁸

²⁶ HCA model allows 10% for conversions.

²⁷ BCIS Newsletter, June 2021.

²⁸ BCIS Newsletter, June 2021.

15.13 Set out below are my development appraisal assumptions:

Assumption	Comment
Industrial Rents	
Office (B1a) Rents	
Office BCIS	
Industrial BCIS ²⁹	
Rental and Marketing Void	12 months
Investment Yield (Gross)	8.0%
Build Cost Contingency	5%
External Works	10%
Private Sewage System/Attenuation	
Developer Profit	20% on GDV
Finance Cost	7%
Marketing Budget - commercial	
Professional Fees	10% on Build Costs only
Demolition and asbestos removal	

15.14 Should the site be developed for offices it would result in a negative land value of [REDACTED]

15.15 Even though the potential to achieve rent above my assumption is very unlikely, I have included a Sensitivity Analysis based on rents from [REDACTED] to [REDACTED] sq ft. Even at rents that are inconceivable, the site still does not generate a positive return so remains unviable. The office development appraisal can be found in **Appendix 3**.

Office Rent £/Sq Ft	Residual Land Value
[REDACTED]	[REDACTED]

Modelling Assumptions - Industrial

15.16 I consider the site would not be useable for the industrial/warehouse sector because of its isolated location combined with the poor access, limited loading and the manoeuvring space. However, I have undertaken a hypothetical appraisal on a similar basis to the offices.

15.17 Similar to my other appraisals, I have used BCIS build cost figures in my appraisal. The property would target both industrial and warehouse occupiers in order to maximise its market appeal.

²⁹ We have used BCIS for Factories up to 500 sq m, which are slightly cheaper to build than warehousing etc.

- 15.18 Should the building be developed to industrial it would result in a negative land value of [REDACTED]. The Industrial/Warehouse Development Appraisal can be found in **Appendix 4**.
- 15.19 We have also undertaken a sensitivity analysis up to a rate of [REDACTED] (as for office schemes).

Industrial Rate £/sq ft	Land Value
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

16.0 COMMERCIAL VIABILITY ANALYSIS SUMMARY

- 16.1 Set out below is an overview of the scenarios together with residual land value that is generated.³⁰ All commercial scenarios result in significant losses and are unviable and can be summarised as follows:

Scenario	Comment	Residual Land Value
A	Offices	[REDACTED]
B	Industrial	[REDACTED]

- 16.2 Please note that our valuations do not allow for a Benchmark Land Value. If they did, an ever-greater loss would be produced.
- 16.3 I have also undertaken a sensitivity analysis for all commercial scenarios, included with the appraisals. Even using unrealistically optimistic scenarios there is still insufficient surplus to convert the building for any option other than private residential use. This satisfies the sequential test in the Local Plan Policy.
- 16.4 The cost of the building works only (excluding any fees, finance or profit) are above the Gross Development Value of the completed scheme on the office, industrial and tourism scenarios. This means that viability is not possible irrespective of essential profit margin or any financial returns:
- 16.5 In preparing the appraisals, I have sought to use optimistic rents and yields. Should the building be refurbished for employment or tourism purposes, there would be a substantial negative land value. I must stress that I have calculated the value using the best-case scenario with minimum voids and optimistic variables, including high rents.
- 16.6 As demonstrated in the attached development appraisals, neither office, nor industrial accommodation will be able to generate the capital to develop the site for employment uses.

³⁰ Ref: Argus V.6 Software.

17.0 BENEFITS OF DEVELOPMENT

- 17.1 The creation of nine new residential household will directly help commercial and retail businesses in the area. The average income for residents in the sub-region is [REDACTED]³¹ thus the development will see a combined annual expenditure of [REDACTED] a significant proportion of which will be spent locally.³²The household spend will have a multiplier effect of approximately 1.5 times resulting in a total economic multiplier of [REDACTED] to the local economy.³³
- 17.2 The provision of nine new residential households will have a positive impact on the local economy, especially in nearby shops, schools, public houses and community services in the locality.
- 17.3 The provision of much needed housing provides an immediate boost to the local area, including the construction industry, as highlighted by the DEMOS research.

“House building – in whatever form it takes – is seen by many as highly beneficial to the economy in the current climate. It would stimulate growth and create jobs in a variety of construction – related industries, reduce spending on housing benefit and bring down the cost of living.

New Homes Multiplier

- 17.4 The nine new residential dwellings will also generate Council Tax for the Local Authority together with the New Homes Multiplier. This is a Financial Material Consideration. The New Homes Bonus is paid every year for the first six years and is based on the amount of extra Council Tax for the residential dwelling. The Local Authority is not restricted in how it spends the extra revenue and the scheme would generate the following revenue:

Amount per dwelling/year	Total Council Revenue over 6 years
[REDACTED]	[REDACTED]

- 17.5 There are also other material benefits including the removal of asbestos both in the buildings and on the site and the overall reduction of built form.

³¹ Source ONS 2016 by place of work.

³² Based on an occupancy of two residents per dwelling.

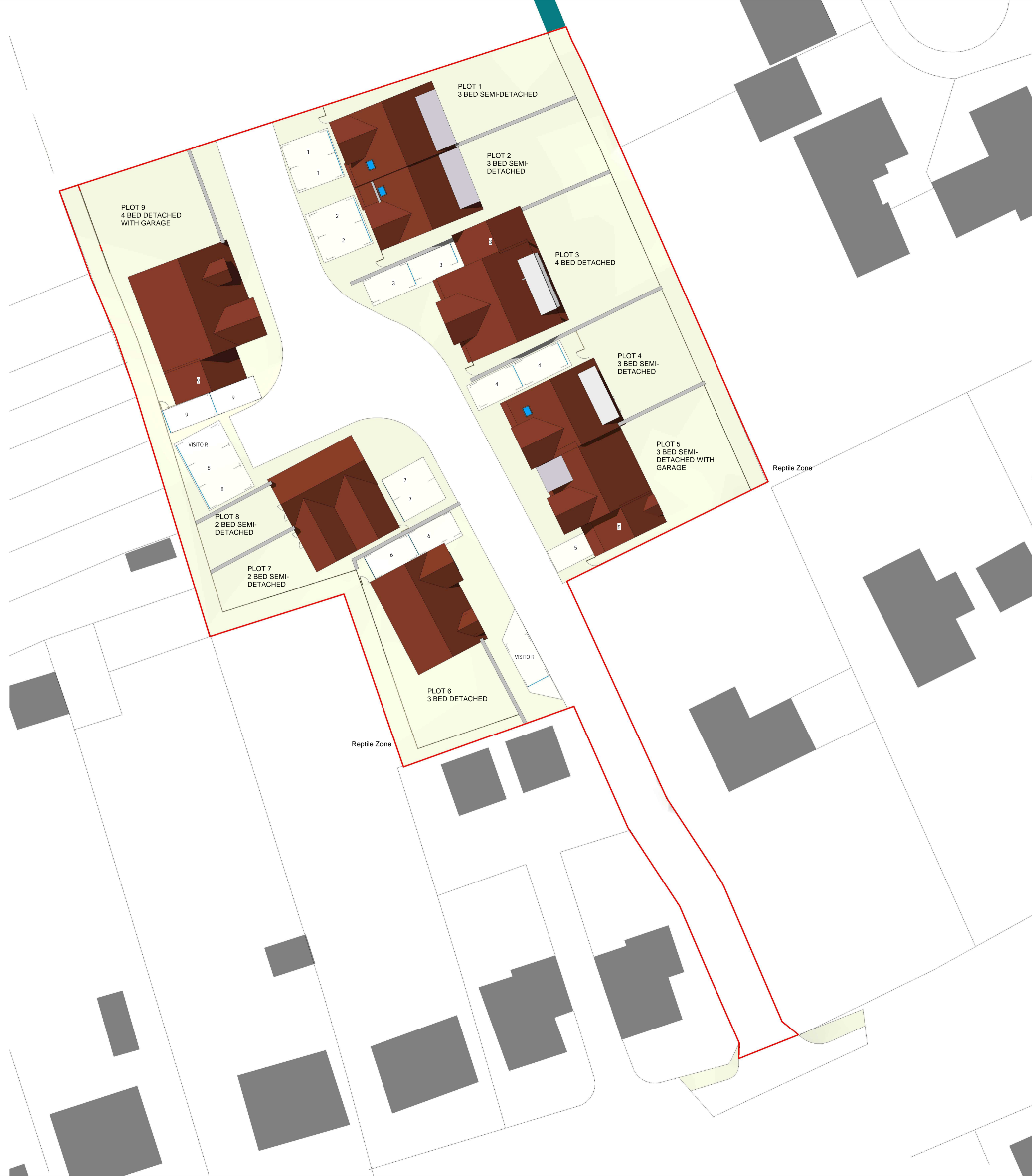
³³The definition of the Multiplier Effect is an injection of extra income leads to more spending, which creates more income, and so on. The multiplier effect refers to the increase in final income arising from any new injection of spending. The multiplier effect is not open ended and is subject to leakage and the propensity to save in any given economy. Source: Economic Online.

18.0 CONCLUSION

- 18.1 The site is located in a rural location with restricted access from the main road. Consequently, I have grave concerns over the potential demand for any commercial element on this site.
- 18.2 It is extremely unlikely a commercial developer or investor would look to redevelop the site for employment purposes due to the high cost relative to uncertain return. Speculative development, even in a prime commercial location adjacent to major centres or major “A” road junctions, is extremely limited. It is inconceivable that the speculative development would occur in such a remote, uncertain commercial location such as Ropley.
- 16.7 East Hampshire’s industrial and office development market is unviable and this is supported by EHDC’s own CIL Evidence Base which has identified that commercial development in the sub-region produces a negative land value.
- 16.8 The premises were last used approximately four years ago by a single person who lived in the bungalow next door. Due the extremely poor state of the building and lack of water, gas, heating, WCs and other basic facilities, the building is no longer suitable for other occupiers.
- 16.9 The site has been allocated in the Draft Local Plan as being suitable for residential housing. It has gone through EHDC’s Land Availability Assessment (LAA), which has concluded that the site is no longer required for employment and will be allocated for housing.

Appendix 1

Site Plan



PLOT 1 - 3 BED SEMI-DETACHED
 GIA Ground- 60.5sqm
 GIA First- 58sqm
 GIA Total- 118.5 sqm (1275.5 sqf)

PLOT 2- 3 BED SEMI-DETACHED
 GIA Ground- 60.5sqm
 GIA First- 58sqm
 GIA Total- 118.5 sqm (1275.5sqf)

PLOT 3- 4 BED DETACHED WITH GARAGE
 GIA Ground- 75.7sqm
 GIA First- 71.5sqm
 GIA Total- 147.2sqm (1584.44 sqf)
 GIA Garage- 18sqm

PLOT 4- 3 BED SEMI-DETACHED
 GIA Ground- 56sqm
 GIA First- 50sqm
 GIA Total- 106sqm (1140.97 sqf)

PLOT 5- 3 BED SEMI-DETACHED WITH GARAGE
 GIA Ground- 60sqm
 GIA First- 64.5 sqm
 GIA Total- 124.5sqm (1340 sqf)
 GIA Garage-18sqm

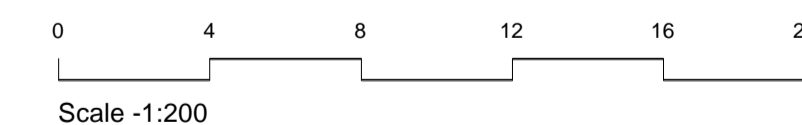
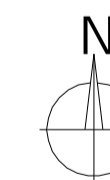
PLOT 6- 3 BED DETACHED
 GIA Ground- 65.5sqm
 GIA First- 55.5sqm
 GIA Total- 121sqm (1302.4 sqf)

PLOT 7- 2 BED SEMI-DETACHED
 GIA Ground- 37.8sqm
 GIA First- 37.8sqm
 GIA Total- 75.6sqm (813.7 sqf)

PLOT 8- 2 BED SEMI-DETACHED
 GIA Ground- 37.8sqm
 GIA First- 37.8sqm
 GIA Total- 75.6sqm (813.7 sqf)

PLOT 9 - 4 BED DETACHED WITH GARAGE
 GIA Ground- 90.8sqm
 GIA First- 82sqm
 GIA Total- 172.8sqm (1860 sqf)
 GIA Garage-18sqm

2 VISITOR SPACES



Rev	Description	Date
A	Added GIA	Nov 21
B	Amended Red Line to correct location and added garage to plot 3	Nov 21
C	Updated House Areas	Nov 21

project: The Dene
 Ropley

client: Herons Invs Ltd.
 drawing: Site Plan

date: Nov 2021
 scale: 1 : 200 @A1
 job: 2101
 draug: D-1096 rev: C



410 The Grange, Romsey Road, Michelmersh, Romsey, SO51 0AE, 01794 40031 info@craftedarchitects.co.uk
 This drawing is copyright of Crafted Architects Ltd.

Appendix 2

Photographs



S T U R T
& C O M P A N Y

The Dene Ropley

UNLOCKING VALUE FROM LAND

STURT & COMPANY LTD, THE COACH HOUSE, UPHAM FARM, UPHAM, HAMPSHIRE. SO32 1JD
Tel 01489 860721 office@sturtandco.com www.sturtandco.com

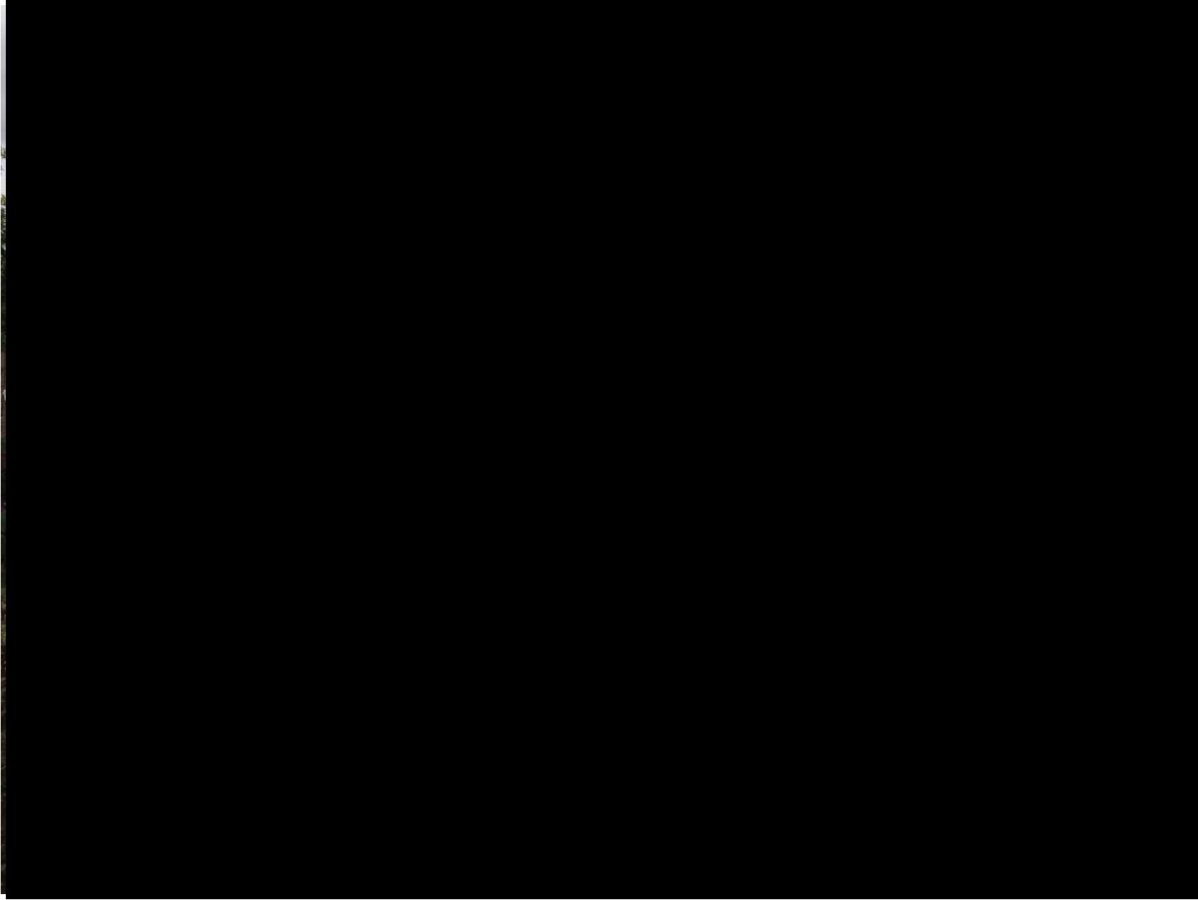
Company No 07990266 VAT No: 132 6808 20



Narrow access track shared with residential properties



Access onto A31



Adjoining residential property



Access track



First floor storage



Original Crittal windows



Residential bungalow at rear of site



Shed on adjoining land



Front elevation



10



11



Main entrance to building



Access to first floor



First floor



Asbestos roof panels





Stairs to first floor



18



19



Wooden joists and roof panels



Outdated electrical supply



Concrete floor



23



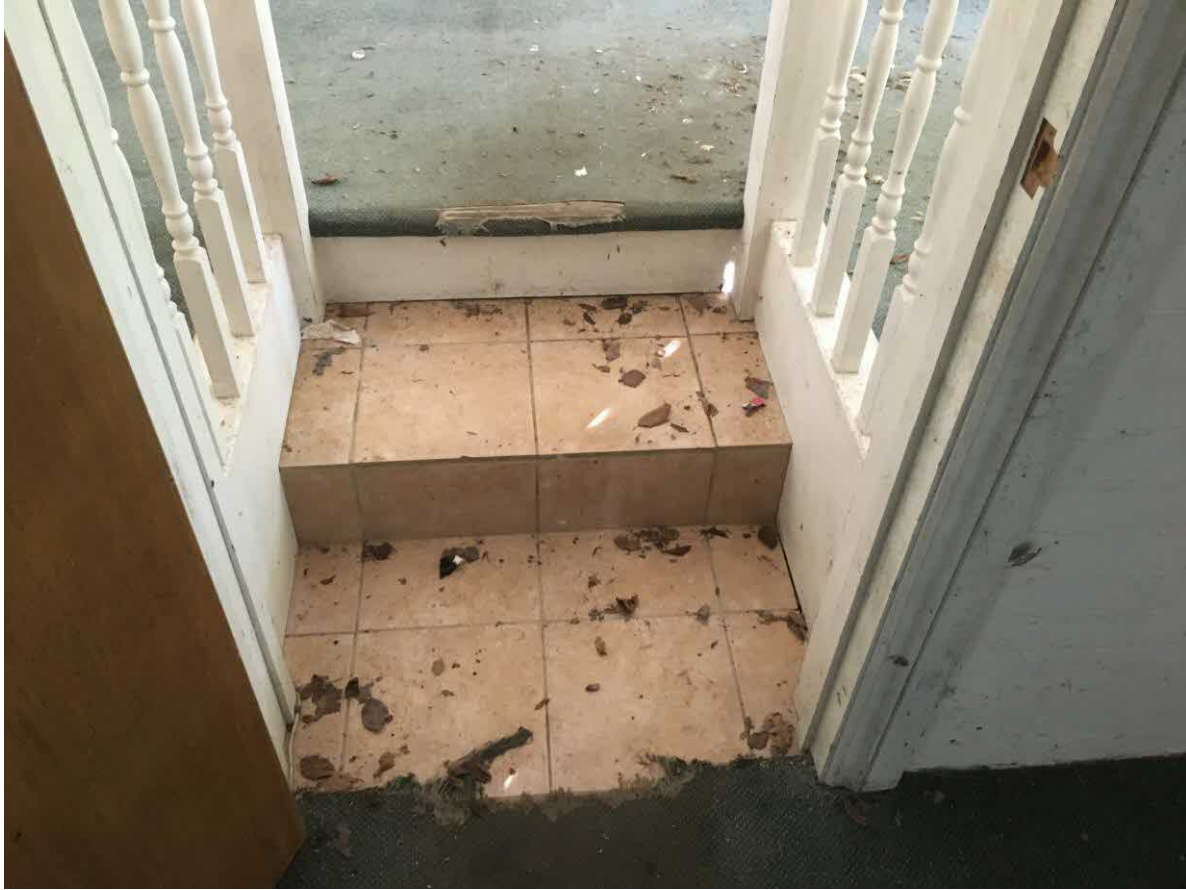
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25



26



27



28



29



30

Appendix 3
Office Development Appraisal

Office Scheme
Ropley Dene

Development Appraisal
Sturt & Co.
15 October 2021

Office Scheme
Ropley Dene

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate	ft ²	MRV/Unit	Initial Net Rent at Sale	Initial MRV
Office Units							28,000

Investment Valuation

Office Units
 Current Rent

GROSS DEVELOPMENT VALUE

Purchaser's Costs
 Effective Purchaser's Costs Rate

NET DEVELOPMENT VALUE

NET REALISATION

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)

Legal Fee
 Town Planning
 Bank Valuation

CONSTRUCTION COSTS

Construction

Office Units
 Contingency

Other Construction

Externals
 Sewage System and Attenuation
 Service Connection
 EPC Tests
 Demo and Asbestos

PROFESSIONAL FEES

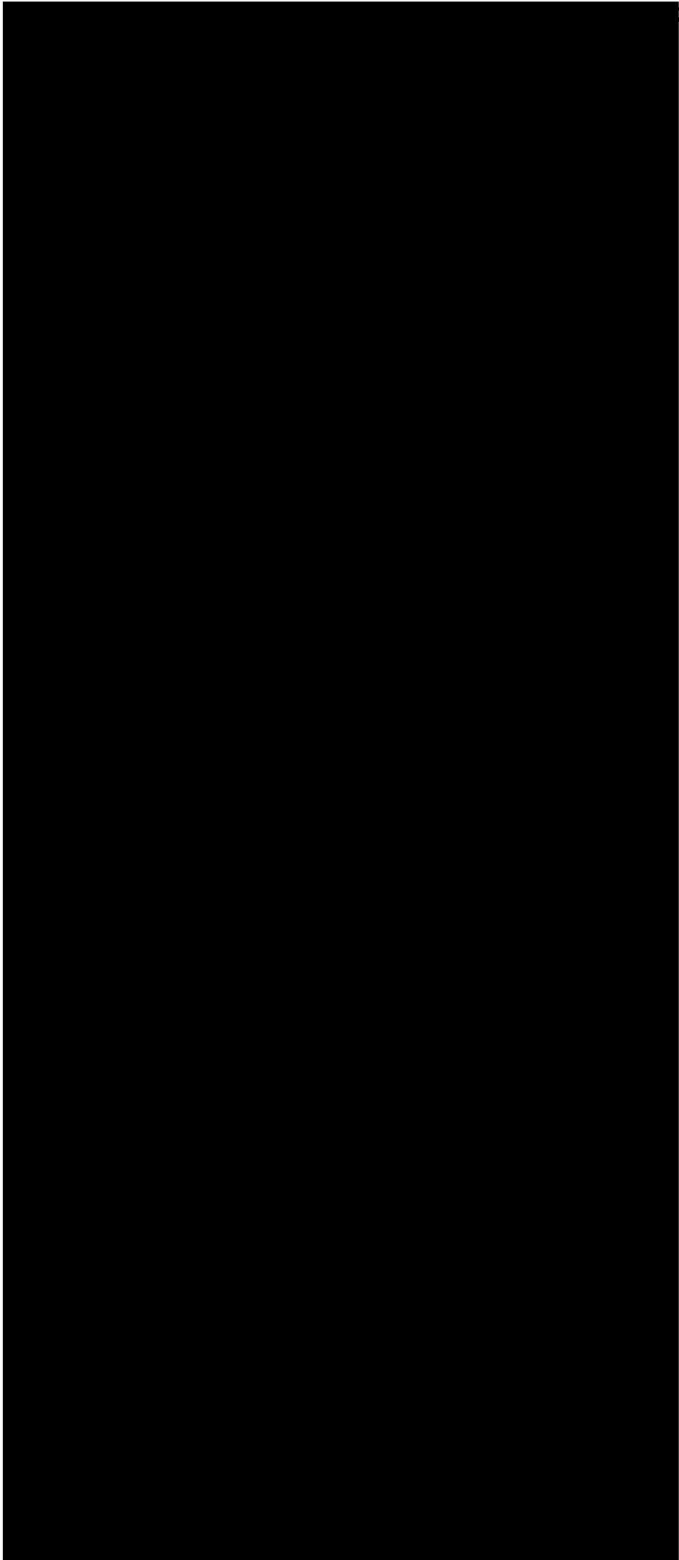
Architect

MARKETING & LETTING

Marketing
 Letting Agent Fee
 Letting Legal Fee

DISPOSAL FEES

Sales Agent Fee
 Sales Legal Fee



Office Scheme

Ropley Dene

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)

Land

Construction

Other

Total Finance Cost

TOTAL COSTS

PROFIT

Performance Measures

Profit on Cost%

Profit on GDV%

Profit on NDV%

Development Yield% (on Rent)

Equivalent Yield% (Nominal)

Equivalent Yield% (True)

IRR% (without Interest)

Rent Cover

Profit Erosion (finance rate 7.000)



Appendix 4

Industrial/Warehouse Development Appraisal

Industrial/Warehouse Scheme
Ropley Dene

Development Appraisal
Sturt & Co.
15 October 2021

**Industrial/Warehouse Scheme
Ropley Dene**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary

	Units	#? Rent Rate #?	Initial Net Rent	Initial
		MPV/Unit	at Sale	MPV
Industrial/Warehouse	1			

Investment Valuation

Industrial/Warehouse
Current Rent

GROSS DEVELOPMENT VALUE

Purchaser's Costs
Effective Purchaser's Costs Rate

NET DEVELOPMENT VALUE

NET REALISATION

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land)

Legal Fee
Town Planning
Bank Valuation

CONSTRUCTION COSTS

Construction

Industrial/Warehouse

Contingency

Other Construction

Externals
Sewage System and Attenuation
Service Connection
EPC
Demo and Asbestos

PROFESSIONAL FEES

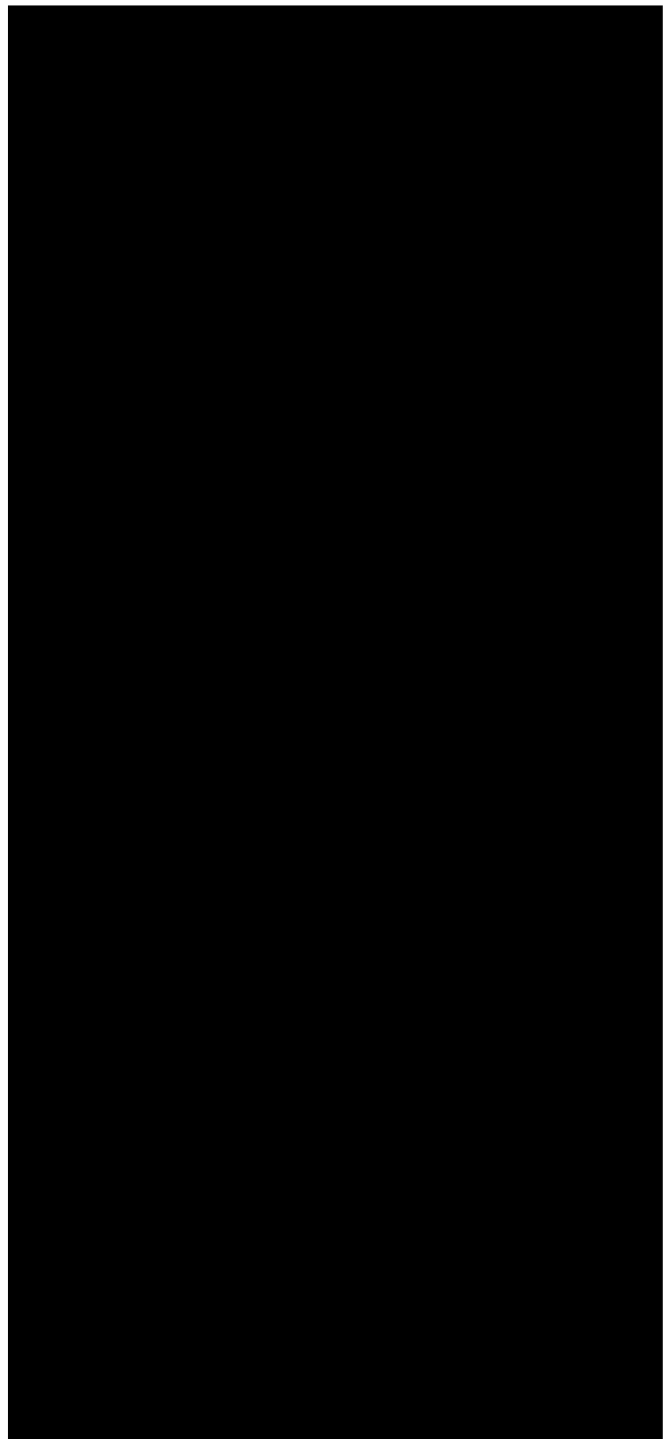
Professional Fees

MARKETING & LETTING

Marketing
Letting Agent Fee
Letting Legal Fee

DISPOSAL FEES

Sales Agent Fee
Sales Legal Fee



Industrial/Warehouse Scheme

Ropley Dene

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)

Land

Construction

Other

Total Finance Cost

TOTAL COSTS

PROFIT

Performance Measures

Profit on Cost%

Profit on GDV%

Profit on NDV%

Development Yield% (on Rent)

Equivalent Yield% (Nominal)

Equivalent Yield% (True)

IRR% (without Interest)

Rent Cover

Profit Erosion (finance rate 7.000)

