

# Site Review Report

Prepared for:

Client: Southern Water

Property: Land around Havant, Langstone Harbour

Date: 27<sup>th</sup> March 2023

# Scope of report

The purpose of the report is to provide an initial cost assessment of the land parcels identified. It should be noted that, as per our instructions, these assessments are high level and have been undertaken with limited information. Our due diligence and inspections have been limited to what we can access from our desktops and we have generally relied upon Google maps, Google Streetview, Land Stack and Co Star to help us inform the views reported. If specific investment decisions are required to be made about any of these sites, it will be necessary for us to carry out a formal red book valuation for which a separate process of engagement will be required.

It should be further noted that our assessments makes no allowance or seek to quantify the business interruption costs associated with relocating occupiers of the existing buildings. It is reasonable to assume that, based on our desktop research, the majority if not all the buildings are occupied with active businesses or at least in part. Whilst assessing the site value an assumption has been made that the buildings benefit from vacant possession. This assumption has been made due to the information not being available on the lease terms and other contractual relationships. Without all of this information being available and a full understanding of the use of each of the premises, it is not possible to estimate the costs implications consistently across the WRP sites. This information would only become available through direct engagement with the affected parties.

The valuation based on the investment method could differ substantially to the vacant possession value. We have also made no allowance for demolition costs associated with re-development of the parcels and other abnormal development costs, such as site remediation.

## Introduction

Following the results of Stage 5 and Stage 6, of the site selection process, parcels that were scored as having a red or consistently amber were not progressed further. Four parcels were identified as having low and moderate risk and progressed to the cost review stage, these parcels were: WRP\_72, WRP\_154, WRP\_157 & WRP\_158



Figure 1 – WRP Sites Overview Plan

# Local Market

Havant is a town between Portsmouth and Chichester and is served by the A27 trunk road which connects Southampton in the west with Eastbourne in the east running along the south coast.

The town represents a 'midsized' submarket within the wider 'South Coast' market containing around 4.1 million sq ft of industrial space and around 1.4 million sq ft of office space.

As with many parts of the UK, the area has experienced strong demand for industrial and warehouse property in particular and this has resulted most recently in a very low vacancy rate of 1.3%. Rents in this sector have grown by 7.7% over the course of 2022 easily exceeding the 4.5% annual average for the past decade. That supply is being addressed by the delivery of 530,000 sq ft of new construction with the first phase of the regeneration of Langstone Park about to begin.

The office market, by contrast, has seen a lesser strength of demand and yet the vacancy rate in the Havant area is low at 2.7%, well below the 10 year average. It is anticipated that the market's inventory is likely to shrink further as time moves on given that nothing is currently forecast to be under construction. This supply shortage will, one would think, put upward pressure on both rents and capital value pricing however with rental growth of a mere 0.7% over the past 12 months, it would seem that the office market, as it has been in many parts of the UK following the Pandemic, has been somewhat stagnant.

## Industrial Rental Values – within 5 mile radius of Havant

Our research confirms that, in the last 12 months, there have been 21 transactions concluded with an average asking rental value of [REDACTED] with actual achieved rents of [REDACTED]

## Industrial Freehold Values – within 10 mile radius of Havant

Over the last 5 years there have been 25 transactions within a 10 mile radius of the sites subject to this review. The sale figures achieved have produced an average achieved price of [REDACTED]. The actual range spans however from [REDACTED]. This data reflects prices paid by owner occupiers for vacant buildings.

## Office Rental Values

Over the last 5 years there have been 26 office leasing transactions within a 3 mile radius of the subject sites (according to Co Star) with an average asking rent of [REDACTED]. The best space has transacted at around [REDACTED]

## Office Freehold Values

Over the past 5 years there have been 24 owner occupier office sales recorded with the highest price at [REDACTED] but an overall average of [REDACTED]. Most sales were for buildings under 10,000 sq ft with only 2 buildings over 10,000 sq ft being sold in that period.

## Commercial Land Values

There is very little evidence of freehold, serviced land being sold and land values are considered to have suffered a fall over the past 9 months (as a result of interest rate rises and a general higher cost of debt which has hit investment yields for completed buildings) therefore .

We would expect land in this area to be worth in the region of [REDACTED] per developable acre assuming it was fully serviced and capable of an immediate start on site.

## Residential Land Values

There is a dearth of recent consented residential land sales in the area. During the course of 2021 and 2022 we saw a significant increase in land values led by strong house price growth. However, the increase in values was against a backdrop of rising build costs and inflation. Kwasi Kwarteng's budget on 22nd September caused the markets to react negatively with interest rates and mortgage rates rose resulting in house prices falling over the following 5 months.

That being said, there is still a shortage of deliverable consented residential sites which should maintain land values moving forwards.

We would expect land in this area to be worth in the region of [REDACTED] per gross acre or [REDACTED] per net developable acre.

## Site Summaries

For each site we provide a brief description of the overall site area, a schedule of the registered titles identified within the red line boundary (it should be noted that unregistered interests might exist which have not been considered) and also a schedule of the buildings with their approximate floor areas. As part of this assessment, we have not inspected internally or externally any of the properties as this did not form part of our instruction because it would not be appropriate at this early stage of assessment. We have taken the GEA of each building to quantify an approximate footprint for the buildings. Our assessment, given that it is purely a high-level desktop exercise, makes various assumptions around 1<sup>st</sup> floor floor areas where buildings are 2 storeys. The figures reported therefore may not be completely accurate and are possibly understated. We have, in turn, applied an estimated price per sq ft to provide a guide as to what each building could be worth if purchased with vacant possession (i.e. no occupier in situ). The notional price per sqft has been established from market evidence from co-star reports and other available market information.

The level of information available at this early stage has been utilised to enable a comparative assessment between the sites. This method of assessment differs for site 72 as the land parcel has not been developed at the time of this report.

When reviewing the sites cost summary it should be noted that there is significant variance between site size.

### Sites Costs Summary:

Site	Size (aha)	Total Buildings (Sq ft)	Site Costs Summary
WRP_154	8.0	189,739	[REDACTED]
WRP_157	26.1	860,425	[REDACTED]
WRP_158	6.1	288,702	[REDACTED]
WRP_72	9.3	NA	[REDACTED]

# WRP\_154

## Overview

- 8.0 hectares
- [REDACTED]
- [REDACTED]
- 9 buildings within the area totalling approx. 189,739 sq ft
- Mix of offices and industrial/warehouse premises



Figure 2 - Plan Showing WRP\_154

[REDACTED]				[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]			



\*size measurement contained within the table is based on LR title number which do not always fall entirely within the parcel boundary.

### Building Schedule

Type	Approx Size (GEA Sq ft)	Description	Approx Age / Condition	Capital Value Range (assuming vacant)	Assumed Achievable Price
Starter units	49944	Block work and metal insulated cladding, profile roof	Unchanged since 2009	████████	████████
Large open Hangar – Grit storage	9751	Steel frame with Metal Profile cladding and roof	Built between 2011 and 2016	████████	████████
Large open Hangar – Grit storage	7461	Steel frame with Metal Profile cladding and roof	Built between 2011 and 2016	████████	████████
Industrial / Warehouse	22218	Modern warehouse with ancillary offices	Built in 2019	████████	████████
Industrial / Warehouse	11991	Modern warehouse with ancillary offices	Built in 2019 – Unchanged since	████████	████████
Industrial / Warehouse	5650	Modern warehouse with ancillary offices	Built in 2019	████████	████████
Industrial / Warehouse	9514	Modern warehouse with ancillary offices	Built in 2019	████████	████████
Industrial / Warehouse	33487	Modern warehouse with ancillary offices	Built in 2021 – Unchanged since	████████	████████
Office Block	39724	Block work and metal insulated cladding, profile roof	Built in 2016	████████	████████
<b>Total</b>	<b>189,739</b>			████████	████████

Example Buildings:



Basepoint – starter units & offices



Large open Hangar – Grit storage



Warehouse with ancillary offices - Built in 2019



Warehouse with ancillary office – Built in 2016

### Summary

The site is predominantly built out or used for industrial or warehouse purposes or else for open storage and office use.

Reviewing the buildings on site, we have assessed their potential realisable prices assuming they were to be sold vacant and have concluded that the cumulative price would amount to in the region of [REDACTED].

# WRP\_157

## Overview

- 26.1 hectares
- [REDACTED]
- [REDACTED]
- 29 buildings with a coverage of approx. 860,425 sq ft
- Office and warehouse premises of varying ages and states of condition
- A significant proportion of the site is known as Langstone Park which is identified as a major development and regeneration scheme where around 120,000 sq ft is under construction and set to be completed in Q1 2023



Figure 3 - Plan Showing WRP\_157





## Building Schedule

Type	Approx Size (GEA sq ft)	Description	Approx Age/Condition	Capital Value Range (assuming vacant)	Assumed Achievable Value
Logistics/Warehousing	85,230	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Office and Logistics/Warehousing	18,545	Brick work and metal insulated cladding, profile roof	Unchanged since 2009	████████	████████
Logistics /Warehousing	44,057	Steel Portal with Concrete cladding and roof	Unchanged since 2009	████████	████████
Office and Logistics/Warehousing	14,721	Steel Portal with Metal Profile cladding and roof, with brick built office	Unchanged since 2009	████████	████████
Logistics/Warehousing	37,274	Steel Portal with Metal Profile cladding and roof	Refurbished 2019	████████	████████
Logistics/Warehousing	8,196	Block work and metal insulated cladding, profile roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	6,243	Block work and metal insulated cladding, profile roof	Refurbished between 2011 and 2015	████████	████████
Logistics/Warehousing	4,118	Block work and metal insulated cladding, profile roof	Refurbished between 2011 and 2015	████████	████████
Logistics/Warehousing	12,825	Block work and metal insulated cladding, profile roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	5,321	Block work and metal insulated cladding, profile roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	6,304	Block work and metal insulated	Unchanged since 2009	████████	████████

		cladding, profile roof			
Office and Logistics/Warehousing	31,652	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	5,297	Block work and metal insulated cladding, profile roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	19,053	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████0
Office and Logistics/Warehousing	11,269	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	22,294	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	18,496	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	12,507	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	18,302	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Office and Logistics/Warehousing	22,986	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	20,234	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Office	37,453	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	13,786	Steel Portal with Metal Profile	Unchanged since 2009	████████	████████

		cladding and roof			
Logistics/Warehousing	12,081	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	4,605	Block work and metal insulated cladding, profile roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	69,068	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	21,337	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	190,418	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
Logistics/Warehousing	86,753	Steel Portal with Metal Profile cladding and roof	Unchanged since 2009	████████	████████
<b>Total</b>	<b>860,425</b>				████████

Example Buildings:



Warehouse with offices



Updated Office Block



Logistics/offices



Industrial Warehouse/logistics Depot

Summary

The site is almost entirely covered with buildings or ancillary car parking and circulation areas.

Our assessment of the potentially realisable freehold vacant possession values of the existing buildings on site suggests a cumulative price in the region of [REDACTED]. This figure however does not account for the buildings currently under construction which, once completed, could be worth in the region of a further [REDACTED] which would take the overall building total to circa [REDACTED].

# WRP\_158

## Overview

- 6.1 hectares
- [REDACTED]
- [REDACTED]
- 3 buildings with a coverage of approx. 288,702 sq ft
- Office and warehouse premises of varying ages and states of condition



Figure 4 - Plan Showing WRP\_158

## Ownership Schedule

[REDACTED]				[REDACTED]			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## Building Schedule

Type	Approx Size (GEA Sq ft)	Description	Approx Age / Condition	Capital Value Range (assuming vacant)	Assumed Achievable Value
Offices and workshop	297,500	Block work and metal insulated cladding, profile roof	Unchanged since 2009	██████████	██████████
Office Block	7,200	Block work and metal insulated cladding, profile roof	Unchanged since 2009	██████████	██████████
Industrial / Warehouse premises	10,000	Metal portal Frame, Profile roof and Metal Cladding	Unchanged since 2009	██████████	██████████
Industrial / Warehouse premises	8,553	Metal portal Frame, Profile roof and Metal Cladding	Unchanged since 2009	██████████	██████████
<b>Total</b>	<b>288,702</b>			'say'	██████████

### Example Buildings:



SSE Offices



2 storey office Block



Industrial Warehouse premises



Industrial Warehouse premises

### Summary

Our assessment of the existing buildings suggests that the approximate vacant possession realisation price could be in the region of ██████████.

# WRP\_72

Development appraisals were prepared in respect of site 72 in May 2022. There have been significant adjustments primarily due to the changes in the economy that have occurred since the original appraisals were prepared. By way of background, we had already incorporated some investment yield adjustment due to some early signs of changes to the logistics market. However, what has occurred since this point notably the prolonged effect of the war in Ukraine, changes in government, significant changes in investment market sentiment, movements in bank base rate coupled with cost inflation have induced further alterations. The key elements are as follows:

- The logistics market remains robust, from an occupational perspective, and as a consequence of which we continue to see rental levels increasing (in the region of 4% per annum)
- Base construction costs have moved from [REDACTED] to [REDACTED] reflecting a 15% increase
- Finance costs have moved upwards by 2%.
- Investment yields have moved out overall but have recovered significantly from the final quarter of 2022. As such, the yields indicated based on a full forward funding for a speculative development are at 5.75%, compared to 5.00% in May.

The resultant effect of these adjustments can be seen in greater detail in the appraisals and are briefly summarised below:

Description	Base rent (per sqft)	Residual land value	Profit	Total
Single unit scheme	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2 unit scheme	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Single unit scheme	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2 unit scheme	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

If we crudely average out the residual land value, based on the four scenarios above, it will result in an average of [REDACTED]. This excludes the element of profit associated with building out the consented development.