

The Property People

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Employment Feasibility Evaluation

**11 hectare employment allocation on the
east of the A142 Soham bypass.**

For East Cambridgeshire District Council

February 2013

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Introduction

East Cambridgeshire District Council has allocated an 11 hectare (27 acre) employment site on the east of the A142 in their Core Strategy Development Plan document adopted in October 2009, identified in the Site Allocations Options Paper July 2010 and in the pre-submission version of the Draft Local Plan.

This paper provides an evaluation of the feasibility of the development of the proposed allocation.

The Council is now preparing their Local Plan and a pre submission version was published earlier this month which incorporates the consultations already undertaken on draft Village/Town Visions. Public consultation on the draft Local Plan is scheduled for later this year followed by Public Examination in the Autumn and adoption in late 2013. The site is included in the draft Local Plan as an employment site.

The Site

The site is shown hatched blue on the Council's plan attached in Appendix 1 and labelled SOH6. It comprises a level site of some 11 hectares (27 acres) to the east of the town centre and on the eastern side of the A142 Soham bypass and is currently in agricultural use. Access to the site would be from a new roundabout constructed as part of the larger Eastern Gateway proposals designed to deliver a new access to the Town Centre with associated housing and mixed use development.



Soham Masterplan Vision

The District Council in conjunction with Soham Town Council and Cambridgeshire County Council produced a Vision document in 2010 setting out their aspirations 'to reshape Soham in order to achieve a role for the town as a 21st century Cambridgeshire Market town.' The vision informed the site allocation policy and includes expectations for economic development. It

notes that there is a significant amount of commercial floor space available in the town (4,604m²) and that the town has an 'excellent opportunity in the future to make an impact on the commercial market via the new employment site allocated in the LDF Core Strategy and the potential for higher specification office development linked to the re-opening of the rail station.' The opening of the rail station should help the local economy but is unlikely to have any significant impact on the larger industrial allocation which will be more dependent on good road infrastructure.

The vision notes that the town could benefit from serviced office accommodation similar to the e-space centres in Ely and Littleport. These centres can assist in supporting small and early stage businesses and help boost the local economy but usually require public sector assistance in the development costs. Such a Centre could help revitalise the workshop/industrial sector in Soham but will not itself be enough to initiate development of a major allocation.

The vision does anticipate some smaller commercial allocations particularly associated with the new station and Mereside, and on the northern gateway both close to the new primary school and in an improved allocation at the Northfields Industrial Park. The town requires some improved commercial space, see below, and these small allocations will help fulfil that requirement and are included in the pre-submission version of the Local Plan. They comprise:

SOH2. This is primarily a housing lead development but could include some commercial development associated with a new station. While important for the rejuvenation of Soham it will be marginal in terms of a contribution to the commercial stock in town.

SOH3 is the largest site and is directly opposite the subject site and will comprise a housing led mixed use development on some 33 hectares. The allocation includes town centre uses such as a medical centre but also includes some 3.5 hectares of employment uses within B1/B2/B8. Once the infrastructure is in place to enable the larger residential development the commercial development is likely to follow. While speculative development is at present unlikely, once the market improves development of a small unit scheme may become viable provided no significant 'upfront' contributions to infrastructure are required.

SOH4. Located to the north of Soham and adjacent to the Northfield Business Park this will be a predominantly employment allocation of some 5 hectares (12 acres). Provided infrastructure requirements to initiate development are not substantial, the site is likely to come forward for development as soon as the market improves.

In March 2012 an application was submitted to the Council to develop this allocation for a "food store (A1), together with associated parking, servicing area and petrol filling station, a community style pub/restaurant (A3,A4) associated car parking and highway engineering works." The proposals

include a new roundabout on the A142 and leave a site at the rear with frontage to Northfield Road which is shown as open space. The application has yet to be determined.

The application is on 3.8 hectares which, if approved, will leave 1.2 hectares (3 acres) of the allocation adjoining the existing Business Park. Access to this area could be from the new roundabout subject to appropriate rights of way and highway implications.

SOH5. Also located to the north of Soham with access from the existing A142 roundabout this site could also come forward for employment uses as soon as demand arises.

Employment Land Study Update 2011

Barker Storey Mathews carried out an Employment Land Study Update in 2011 being an update of earlier studies by SQW Economic Development Consultants. The study looks at the District as a whole but nevertheless contains some useful information in relation to Soham.

We will comment further on the trends for the take up of commercial property but note that the study suggested that there was some 6,000,000 sq ft (557,414 m²) of business floor space in the District as at February 2011 of which they state that according to the Council's premises register 689,639 sq ft (64,069 m²) was vacant in September 2010. This represents 11.5% of the stock and had more than doubled over the preceding three years. However they correctly point out that it only takes one or two large units to become vacant to have a significant effect on the figures. These figures will also include offices which will be a relatively small proportion of the whole.

Their conclusions are that there has been a small increase in built floor space each year and that if the distorting effect of one or two very large units is ignored, the total amount of available floor space has remained fairly constant. They suggest that take up between 2008 & 2009 and 2009 & 2010 was 35% and 20.54 % respectively which must reflect a turnover of space rather than a significant improvement in the actual amount of space occupied.

Ely is the dominant town in the District and the study reports that as at September 2010 396,032 sq ft (36,792 m²) was vacant which represents 57.5% of the vacant stock in the district as a whole. The space will be predominantly industrial/warehousing and located in one of three business parks in the City but distorted by a large warehouse on Lancaster Way of some 140,000 sq ft.

The study looked at the Soham market, commenting on the four principal industrial locations in the town, Mereside, Northfield Business Park, The Shade and Regal Lane. It stated that there was 49,328 sq ft (4,582 m²) vacant industrial space as at September 2010 which had increased to 133,683 sq ft (12,419 m²) at the date of their report due to G's vacating their buildings on

Hasse Road. The report concluded that the town competes well on a cost basis compared to both Ely and Newmarket.

The conclusion of the study was that development was 'just about viable' in certain locations but that 'large scale development of commercial property would not be viable and nor would it automatically create demand from companies wishing to relocate within the district'. The other conclusions are focused on Ely and the station gateway which are not relevant to this report.

The industrial market in Soham.

Soham has four small industrial areas all of which are now fairly old in terms of the age of the buildings on site. The largest is the Regal Lane Estate to the south of the Town Centre which is almost fully let and provides a range of units generally less than 10,000 sq ft. The majority are now tired with low eaves heights and relatively poor parking. Rental levels are low reflecting their condition but they are nevertheless attractive to some small local businesses. Access to the A142 to the south is reasonable.



Regal Lane Estate

Mereside is a series of small estates on the western side of the town. The buildings are of a variety of ages and eaves height from some old and poor units to some more recent premises providing reasonably good quality space.



Mereside

The Shade is located off the A142 to the north of Soham and comprises two fairly new terraces of industrial units and some older buildings. The units have not been fully let for some time.



The Shade

Northfields Business Park is located off the A142 at the northern end of the bypass and comprises a number of industrial units and a retail warehouse unit. The ages vary but include some reasonable quality modern units.



Northfield Business park

In general the industrial supply in Soham is old and tired but serves the needs of a local market. It is unlikely to attract businesses into the area seeking good quality premises from which to operate a modern business. The existing space is difficult to let in the current market and could be more difficult to let in the future if better space is provided elsewhere. Hall Barn Industrial Estate in Isleham for example is in a much poorer location but has managed to maintain a good occupancy rate with small buildings of reasonable quality. Many of the buildings there will be less than 1,000 sq ft.

The exception to the general market in Soham is in Fordham where there are some much larger units of over 500,000 sq ft (46,500 m²) occupied by Turners and 320,000 sq ft (30,000 m²) occupied by D S Smith. These are national businesses that clearly find the location acceptable for national distribution and have expanded considerably over the last few years. If they find the location suitable there is no reason why others cannot do so.



Entrance to Turners Depot

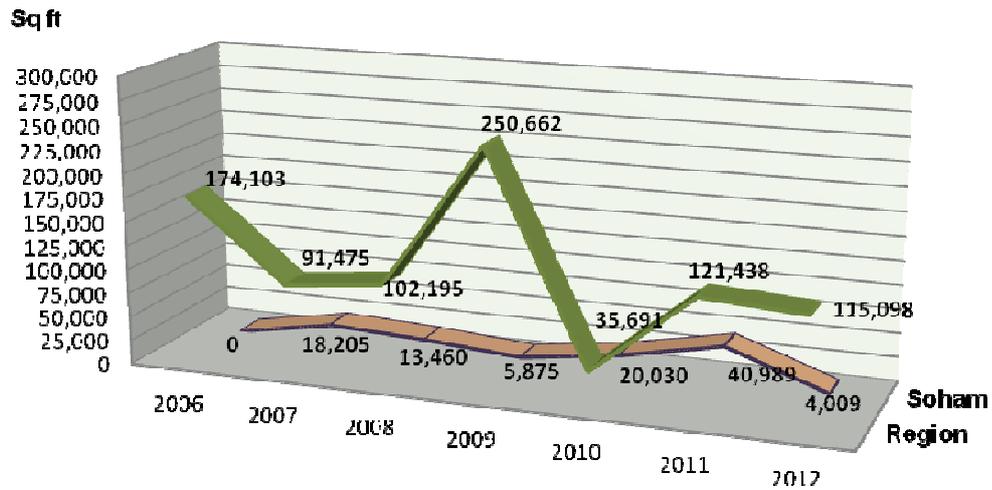
The Council's own website www.360ec.co.uk provides an overview of current availability which lists 160,000 sq ft of industrial space as being available in the district of which 68,500 sq ft is in Soham with another 49,000 sq ft of offices. Compared to the 690,000 sq ft reported by Barker Storey Mathews this would imply a major take up but unfortunately the Council's figures do not take into account some of the larger units. For instance the Gs building on Hasse Road is listed in some schedules but not others and potentially provides some 70,000 sq ft.

A search on Focus reveals that the amount of floor space over 5,000 sq ft let in an area north of the A14 and west of the A11 and including Ely and Mildenhall shows an average take up of some 100,000 sq ft per annum. These figures are easily distorted by one or two larger lettings so that two lettings totalling 190,000 sq ft at Lancaster Way Ely in 2009 account for 75% of the floor space let that year. The information is not entirely accurate and does not, for instance, include some of the space let on the Lancaster Way Business Park albeit some on a fairly short term basis.

The number of lettings in Soham contributing to these figures is small and the figures in the graph below are for all lettings, including those below 5,000 sq ft which constitute the majority. It is also apparent that within these six years that the same premises have been let more than once implying the transitory nature of some of the lettings. Unfortunately this is not entirely surprising given the poor quality of the majority of the space in the town, but does imply that the established businesses are remaining and trading adequately from their premises. Research would be needed to establish the extent to which it meets their needs and whether they are actually satisfied with their accommodation.

Focus also records 283,000 sq ft of vacant space in units over 5,000 sq ft in the same area, of which 140,000 sq ft is at Lancaster Way and 70,000 sq ft at Hasse, the old G's Building. The G's space will not be suitable for most potential tenants but the Lancaster Way properties are of reasonable quality though as indicated above there is no longer 140,000 sq ft left at Lancaster Way.

The industrial stock in Soham is generally of fairly low quality and while suitable for small businesses looking for cheap space is not of a quality which will attract new businesses to the town. Nevertheless there appears to be a loyalty to the area from local businesses and the Grovemere Estate in Regal Lane which is actively managed by the Landlord and has been fully let for the last six years.



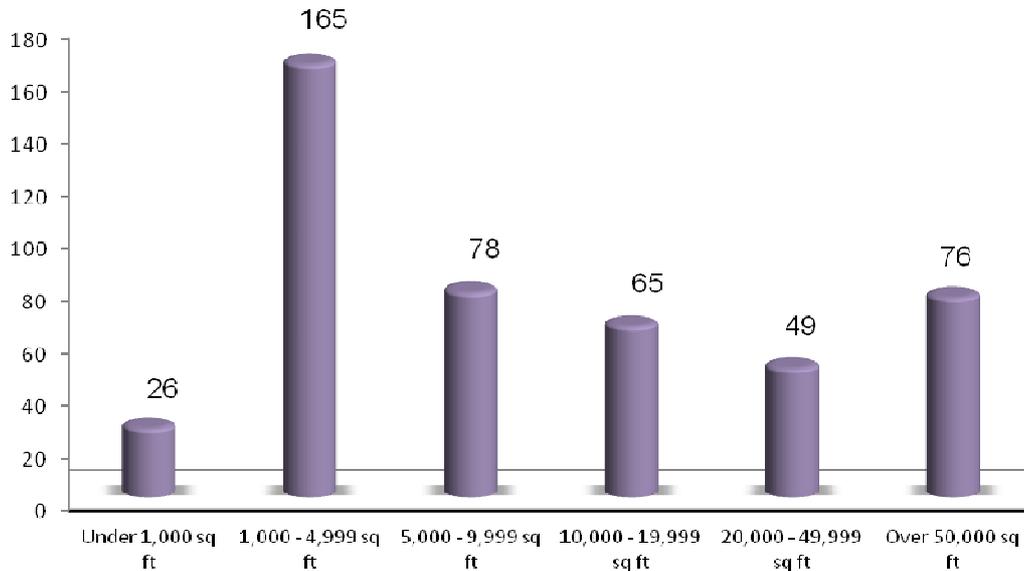
	2006	2007	2008	2009	2010	2011	2012
Region	174,103	91,475	102,195	250,662	35,691	121,438	115,098
Soham	0	18,205	13,460	5,875	20,030	40,989	4,009

Demand

Not surprisingly the majority of enquiries are for small units but there is an encouraging number for larger requirements although the figures need to be treated with some caution. The market is slow and the stock available in Soham is not particularly attractive so attracting new occupiers to the town is not straightforward.

There are searches for large sites in the Eastern region and the particular requirements of each will vary. For some the distance from their primary markets and drive times is critical in order to maximise the working day for their drivers and such occupiers are generally looking for sites closer to the M1/M6 junctions. For others this may not be so critical and finding a suitable site with available infrastructure will be more important.

The table below shows the enquiries recorded on our database since the beginning of 2011.

**Enquiry Demand Analysis Report 01.01.2011 to 28.02.2013
Industrial / Warehouse Requirements - Cambridgeshire**

Lancaster Way to the east of Ely is a major business park in the district providing some 600,000 sq ft (55,600 m²) of space with land available for development. Grovemere advise us that they have had, in the last twelve months, more than a dozen enquiries, with people visiting the site, for both 15,000 sq ft and 25,000 sq ft units but perhaps only two of them were looking at more than 50,000 sq ft. The enquiries are apparently from across the region, with a number from Cambridge or South Cambridgeshire and as Lancaster Way is an established park they are able to offer a variety of solutions to a potential occupier once they have secured their interest. They can also look after the interests of their occupiers to retain them on the Park.

Occupiers on Lancaster Way are expanding and Michell Instruments who built a 25,000 sq ft facility on land they purchased have recently completed an extension. Lancaster Way has the advantage of most of the infrastructure being in place so that sites can be delivered quickly in response to enquiries and with detailed consent on 10 acres and outline consent on a further 90 acres they are well positioned to secure interest from potential occupiers.



In the current economic climate their success is encouraging. Ely has a larger and more vibrant economy than Soham, but Lancaster Way is outside the western Ely bypass and demonstrates that creating the right environment makes a contribution to the success of a Park. Creating that on a new green field site requires faith and significant investment.

There are sites closer to Cambridge offering the possibility of delivering buildings of over 50,000 sq ft, such as Sawston, but the land value expectations for these sites will generally be higher than for Soham or Ely. In the wider region there are other sites capable of delivering units of this size but they are fairly limited and will each have limitations. An allocation in Soham will have a unique set of circumstances which will differentiate it from others and may make it attractive to a particular occupier.

At present demand in the region is not sufficient to encourage development without an identified occupier.

Viability

In the current market speculative commercial development is unlikely even if all the infrastructure is in place except in a few prime locations, like central Cambridge. The cost of construction will broadly reflect the value of the units once completed and sold, either to an owner occupier or let and sold as an investment. Grovemere are building a new office on Lancaster Way but only on the basis of a 15 year prelet to an established business. Without the security of a prelet this will leave little residual value for profit and to pay for the land and any prudent developer will also assume that the units will take a while to sell/let and so they will need to make an allowance for a period of voids when empty rates would be payable and interest on any borrowing will mount up further reducing any incentive to develop. If contributions to infrastructure are also required this will further negate the prospects for development.

As part of the allocation it is necessary to create a new access into the site which we understand will cost in the region of £1.5m. The access will serve both this industrial allocation and the mixed use development on the other side of the A142. We understand that a condition of any planning consent will be a requirement for a bridge or underpass across the by-pass at a cost in excess of £1m. We have no information regarding other possible infrastructure costs but historically the electricity supply network was at capacity and the sewerage system nearing capacity and if significant contributions are required towards these this will discourage development.

A developer would be prepared to commence a development if there was an identified purchaser or tenant for a building willing to pay an appropriate price for their building. In such a case the developer might also be prepared to speculate a small additional amount of space provided the substantial proportion of any proposed scheme has been pre-sold. The identified occupier can be used to fund the development and the small speculative unit might be an acceptable risk, costing proportionally less to build alongside the larger premises, with funding for empty rates etc. built into the model. An early sale or letting is then a bonus. However while the developer will want a clean and attractive site, this is perhaps more likely on one of the smaller allocations in the town where it can establish an identity separate from the existing tired parks, but is not liable for significant infrastructure contributions.

If a particular occupier has a need for new premises they will generally be prepared to pay a reasonable price to secure premises that they need in the right location. In general in this area these will be smaller businesses and will require a serviced site which can be purchased for immediate development. Again the smaller allocations at the northern end of the town would be more appropriate.

However there are relatively few larger sites in the region which could accommodate a major occupier requiring ten acres or so for a large building. In such circumstances viability is less of a consideration than the ability to deliver a site where planning consent is fairly certain and infrastructure costs predetermined.

The problem for any prospective development on this allocation site would be the necessity for the infrastructure to be in place to demonstrate that the site is deliverable. Consequently it may need to be funded in part by the Local Authority if the adjoining mixed use development is insufficient to meet the initial cost.

Conclusions

1. There is no immediately identifiable demand for such a large allocation in Soham
2. Demand in Soham has traditionally been for smaller units and the current supply reflects that. Development is most likely for B1(c), B2 or B8 uses.
3. Development is only likely once the infrastructure is in place enabling development to commence fairly quickly. Any potential occupier will expect delivery of the site within a specified time frame.
4. The site is capable of attracting larger users in the longer term.
5. In the short or medium term the only means through which the site will come forward is by identifying a major user who is prepared to pay a reasonable price for the land enabling a sensible return to the Landowner and a contribution towards the infrastructure. The likelihood of finding such an occupier is poor at present.
6. The other allocations in Soham under SOH 3, 4 & 5 are likely to come forward first and should be capable of delivering quality units to attract vibrant businesses to Soham.
7. Once the market recovers there will be an improved demand for good quality commercial premises and a site with good road access and with the infrastructure in place would become attractive. However unless the infrastructure is in place, or the potential developer is fully aware of the costs, it is unlikely that Soham will be considered sufficiently 'prime' to attract speculative development on a large scale.

While we do not believe that there will be any demand for this allocation in the short term we do believe that it should come forward in the longer term once other sites in the town have been developed and provided the infrastructure is in place. As the Soham Vision is realised and the town centre revitalised with potentially the new railway station on the western side of Soham, there will be more pressure for the redevelopment of the poorer commercial estates in Mereside. That should stimulate the development of the smaller commercial allocations to provide new accommodation and once those allocations are committed developers will be looking for new opportunities. At that stage, and provided the upfront infrastructure costs are manageable, this allocation will be able to accommodate further expansion of the town's commercial base.

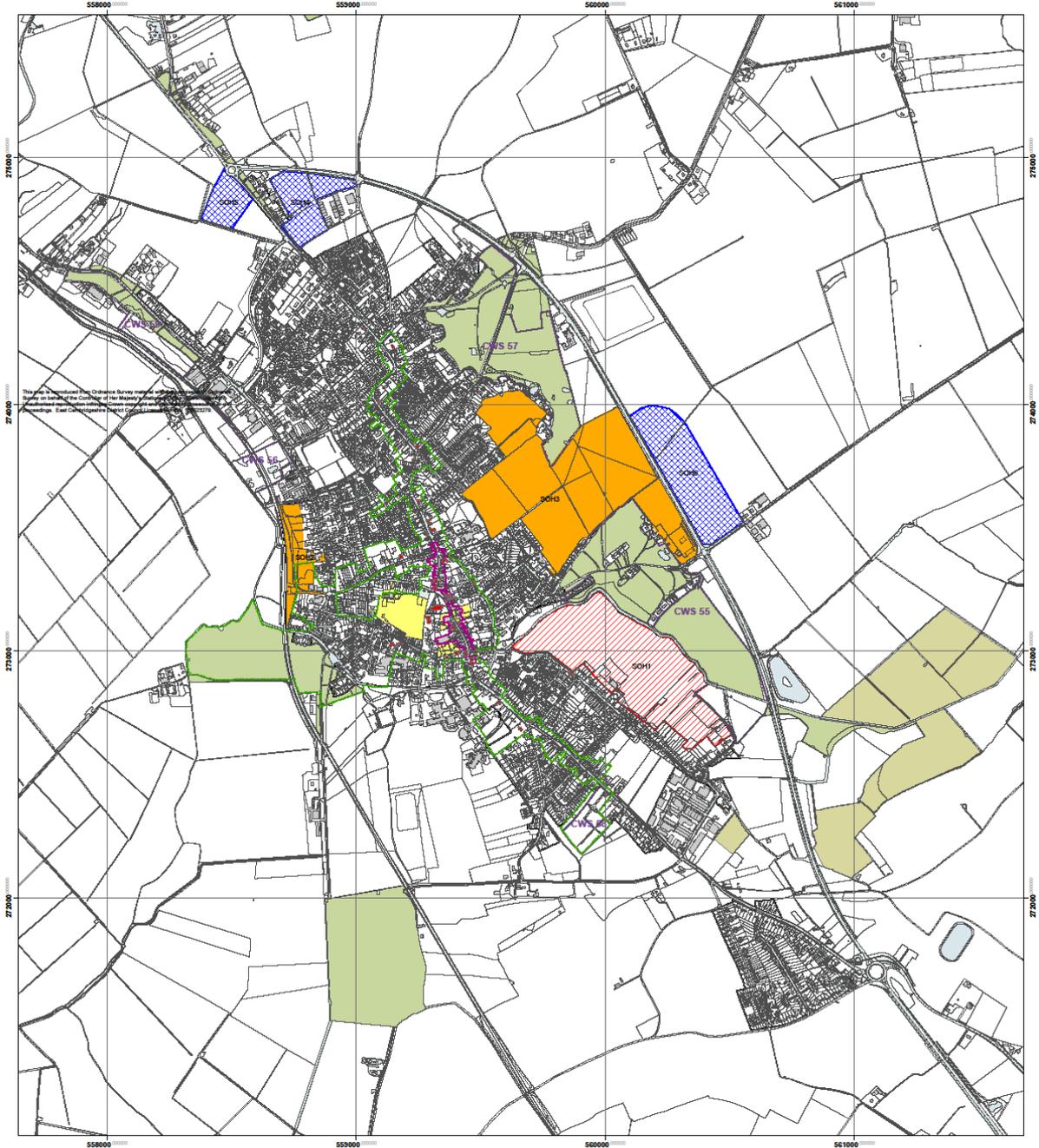
We do not consider that this allocation is likely to come forward for other uses as the existing mixed use allocations within the Vision document are more suited to provide the opportunities for the scale of developments which will be attracted to Soham.

Carter Jonas
February 2013

APPENDIX 1

Local Plan Proposal Map

Soham



Key

- Development Envelope
- Employment allocation
- Housing led/Mixed use allocations
- Town centre opportunity areas
- Soham_new primary school
- Local Plan policy
- Town_Centre_Boundaries_06
- Conservation Area
- Listed Building
- Scheduled Ancient Monument
- Historic Parks & Gardens
- Site of Special Scientific Interest
- Area of International Importance for Wildlife
- Historic Parks & Gardens
- County Wildlife Site

Map x
Soham

N

1:10,000