

AUTUMN 2017

akfocus

A refreshing look at us, our world and yours



CGI: The Chocolate Factory, Keynsham

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alder king

PROPERTY CONSULTANTS

Welcome...

...to the latest issue of **AK Focus** in which we share a selection of recent news from across the business.

There is every good reason to feel optimistic about the region's property markets, notwithstanding that it has been a politically uncertain year.

Demand for office and industrial space remains robust and a number of high profile transactions have been delivered, with more expected to follow in this final quarter. However activity is constrained by the lack of stock and low levels of speculative development. This will impact on organisations' expansion strategies and is likely to result in an upturn in pre-let and pre-sale activity.

We are excited by the new Metro Mayor appointment and the opportunities this will deliver for housing and infrastructure in the West of England region. The abolition of tolls on the Severn Bridge from the end of 2018 and consultation on a new Junction 18a on the M4 both bode well for economic growth.

The University of Bristol is pursuing a major expansion strategy to reinforce its status as a global top 50 university. This entails a number of major projects both within its central Precinct and an ambitious new futuristic campus at Temple Quarter. We are delighted to have an involvement in these exciting projects.

We hope you enjoy reading some of our news and look forward to working with you over the coming months.



Martyn Jones | Senior partner



Will moves up in Exeter

Will Grant, a key member of our Exeter team, has been promoted to associate.

A RICS Registered Valuer, Will joined us in 2014 to help service our rapidly growing portfolio of valuation instructions in Devon. Since then he has undertaken numerous formal loan valuations on commercial and residential development sites for banks, private clients, insolvency professionals and the public sector.

Will has also developed expertise in the field of viability assessments of small and large scale mixed use, commercial and residential developments.

Noel Stevens, lead partner in our Exeter office, said: "Since joining us from London just over three years ago, Will has embedded himself extremely well within the local business community. He has delivered consistently high quality advice to clients, particularly those in Devon's very active residential development market, and made a major contribution to the ongoing success of the Exeter office. This promotion is well deserved."

Countdown to the GDPR



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The EU General Data Protection Regulations will come into effect from 25 May 2018. Introduced to keep pace with the modern digital landscape, the GDPR is more extensive in scope and application than the current Data Protection Act.

We take our responsibilities and obligations to this legislation very seriously and are progressing well with plans to ensure we are fully compliant by May 2018. As part of this process, we may seek new consent from clients, suppliers and other contacts to store and use their data for the purpose of conducting our business. We appreciate your cooperation in this regard.

Alder King named on Crown Commercial Service Framework



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Crown
Commercial
Service
Supplier

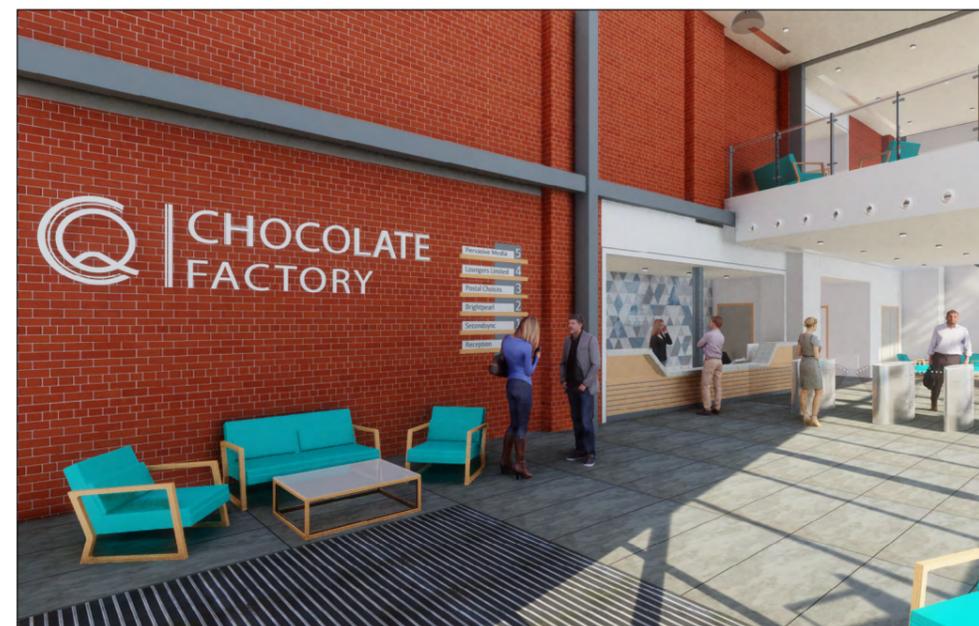
Alder King has been awarded a coveted place on the Crown Commercial Service (CCS) Estates Professional Services framework.

We have been named as a supplier on the South West & Wales Regional Panel and will continue as a consultant on the National Panel as part of a consortium of six property firms providing a full range of property services to public sector bodies across the UK.

The CCS is an Executive Agency of the Cabinet Office and supports the public sector in achieving maximum commercial value when procuring common goods and services. Bodies covered by the Estates Professional Framework include central government, local authorities, health, education and emergency services.

James Chaffer, lead partner in our public sector team, said: "Being named as a supplier on this panel is a significant coup for Alder King. As established market leaders in the South West and Wales, this will allow us to continue the growth in our public sector business and provide value-added expertise to public sector bodies across the region."

The award follows a series of public sector appointments by Bristol City Council, City of Bristol College, Cardiff City Council, Welsh Government, Sedgemoor District Council and Wiltshire Council.



Sweet taste of success at The Chocolate Factory



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Acting on behalf of The St Monica Trust, Alder King has completed three significant lettings at The Chocolate Factory in Keynsham, a former industrial building currently being refurbished to provide 86,500 sq ft of office space.

The transactions represent over 50% of the total floor space and leave just 40,000 sq ft available.

The fourth and fifth floors, totalling circa 30,000 sq ft, have been let to a Bath-based occupier who will relocate once the redevelopment is completed in November.

The 17,000 sq ft third floor has been taken by Pukka Herbs while a 8,200 sq ft suite on the ground floor has been let to St Augustine's Medical Practice which will relocate its Keynsham surgery to provide improved facilities for patients and staff while also supporting Keynsham's growing population.

The Chocolate Factory is part of a wider redevelopment by St Monica Trust known as The Chocolate Quarter. As well as employment space, the £60 million mixed use scheme provides 140 assisted living apartments, a 90-bed care home as well as retail outlets and leisure facilities.

Property Management appointed at The Chocolate Factory



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Our property management team has been instructed by The St Monica Trust to provide a comprehensive building management service for The Chocolate Factory.

Our remit includes managing the building set-up including all premises support contract procurement and, following practical completion of the refurbishment, a two year contract to manage ongoing aspects of the property, including rent collection and accounting and service charge administration, tenant liaison and compliance, premises support contract management and health and safety administration.

Our property management teams manage a wide variety of commercial property including shopping centres, business parks and complex mixed use city centre developments for clients including EE, Unite and Rowe Estates.

Alder King tops Bristol's office agents league table



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Our office agency team has topped the EG Bristol agents league table, transacting almost one third of all office space in the city in the 12 months to September. In completing 35 deals, we transacted 336,384 sq ft of office disposals out of a total 1.04 million sq ft.

Our largest qualifying deal was the 107,000 sq ft prelet at 3 Glass Wharf to HMRC. This was supported by other transactions of varying size including lettings to Foot Anstey and PwC at 2 Glass Wharf, the final letting at Templeback to Jordans, a series of smaller transactions at the Paintworks development and a significant number of out of town transactions in locations including Brabazon Office Park and Aztec West.

Simon Price, head of agency in our Bristol office, comments: "This latest analysis of Bristol's office market once again confirms our position as the city's leading office agent. Our team continues to dominate the market with unrivalled experience, delivering transactions of every size and complexity."

Construction underway on £5 million Mole Avon store



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Devon agricultural merchant Mole Avon has begun construction on its new £5 million store development at Wellparks in Crediton.

Our Exeter building consultancy team, which was appointed as project designer for the scheme, will co-ordinate and manage the construction of the 22,000 sq ft retail development which is scheduled for completion in June 2018.

The relocation of Mole Avon's Crediton store to the 3.5 acre site on Exeter Road is its largest venture to date and follows earlier investment in its Okehampton and Axminster sites.

Partner Andrew Edmondson commented: "Having been appointed from the outset as the Project Designer for this scheme, it's very satisfying to now see construction getting underway. We will now continue to monitor works to ensure the new store is delivered satisfactorily, on time and within budget."

BRISTOL OFFICES LEAGUE TABLE - DISPOSALS*				
Ranking	Agent	Total space disposed (sq ft)	Number of deals	Average deal size (sq ft)
1	Alder King	336,384	35	9,611
2	GVA	248,726	38	6,545
3	Cushman & Wakefield	154,151	23	6,702
4	JLL	144,260	19	7,593
5	Knight Frank	131,095	20	6,555
6	Savills	72,862	19	3,835
7	CBRE	69,052	13	5,312
8	Lambert Smith Hampton	54,780	4	13,695
9	Burston Cook	52,662	31	1,699
10	Colliers International	52,410	17	3,083
TOTAL		1.04 million	178	5,828

Source: EG * From 01/09/2016 - 31/08/2017

Powering up: Battery storage schemes to go live



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Our energy team, acting on behalf of battery storage developer Green Hedge, has over the past 12 months signed options to acquire a number of battery storage sites across the UK. Together they will provide over 100MW of capacity, the equivalent of 500 acres of solar panels.

Working in partnership with our planning colleagues, we have secured planning permission for six of these schemes, with other applications pending. These are some of the first battery storage schemes to receive planning consent in the UK. Green Hedge will commence development in early 2018, with schemes expected to go live within six months of starting construction.

Simon Smith, lead energy partner, commented: "We are delighted to convert our early support for this exciting emerging technology into reality. Landowners have understandably been very keen to secure rents which in some cases equate to a starting rent of up to £100,000 per annum for a larger scheme.

"Given that this can generally be achieved on a site area of one to two acres, it is no surprise that we are receiving increasing levels of enquiry from landowners keen to take advantage of rental values which vastly outstrip more established uses and will continue to do so for the 25 year lease term.

"Following this early success, we are renewing efforts to find new sites from commercial and agricultural landlords."



CIL and VBC: Conflicts and Complications



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Where a residential development site contains existing buildings, how does Community Infrastructure Levy (CIL) combined with Vacant Building Credit (VBC) impact on development land value, and is there any conflict or complication when considering the impact of each?

Most of us are familiar with the Community Infrastructure Levy (CIL) and the Vacant Building Credit (VBC). Both are fairly straightforward - either CIL applies with or without offsetting or VBC is applicable.

However, complications can arise in terms of valuation and development strategy, as we have seen recently with a proposal to redevelop a site with 100,000 sq ft of existing buildings into an 80 unit residential scheme of 80,000 sq ft.

The buildings became vacant in January 2016. A subject to planning deal was subsequently agreed with a housing developer who fully expected to obtain planning permission within 12-18 months and the price agreed reflected the benefit of the CIL exemption worth circa £300,000.

Certain delays in the process occurred and it is now 20 months since the buildings became vacant. The developer is now in a position to prepare and submit a planning application. However, in order to benefit from the CIL exemption, the buildings must have been in continuous use for at least six months in the three year period prior to planning permission. This leaves 10 months to submit and obtain planning permission including completion of a S106 Agreement.

However if the developer delays his planning application and permission is granted after 1 February 2019, the building will have been vacant for over three years and VBC will apply.

In this instance because there is a net decrease in the floor area, a 100% credit would be applicable and no affordable housing would be required.

As the affordable housing policy requirement in this instance is 35%, the difference in land value between an affordable housing policy compliant scheme and 100% private housing is calculated to be circa £1.5 million. As it is an either/or situation, the net difference is circa £1.2 million.

There is clearly a potential conflict and complication in determining the best development and planning promotion strategy. It is not made any easier by being in a realistic timeframe of 6-18 months to obtain planning permission and the prospect that the government at any time could change the rules and regulations around either or both allowances.

The dilemma is:

- should we pursue a development and planning strategy that will delay disposal for 18 months but secure VBC with the potential to secure a net gain of circa £1.2 million on an underlying value of circa £3.5 million, or
- pursue a more immediate planning application with a policy compliant scheme which could secure a sale 6-9 months earlier, noting that if we miss the end of July 2018 'cut-off date' in terms of the building having been continuously occupied for at least six months, we will lose £300,000 of CIL relief, making the net gain of pursuing nil affordable housing £1.5 million.

Clearly a conflict/complication in valuation and development strategy approach can arise. The extent to which it is likely relates to a significant extent on the proportionality of floor areas between existing buildings and proposed new development and to some extent the 'holding' costs of the site.



Community Infrastructure Levy

CIL is a flat rate charge levied by local authorities on new development, introduced to simplify S106 negotiations. Its level is set by each authority, pre-determined following a consultation process. It is applied to the net increase in floor area of a proposed new development.

Any offsetting is only applicable if the existing buildings have been in lawful use (in part or whole) for a continuous period of at least six months within the three year period immediately preceding the grant of planning permission.

If buildings on a site have been vacant for more than 2.5 years immediately preceding the grant of planning permission, the offsetting does not apply because six months continuous use over the preceding three years cannot be achieved.



Vacant Building Credit

Where a building has been vacant for three years immediately prior to the grant of planning permission, the developer can offset the floor area of the existing building against the floor area of the new scheme for the purpose of calculating the affordable housing requirement.

Typically between 30-35% of the proposed new floor area would be required to be affordable housing, normally generating nil land value. Clearly, if there is no increase in floor area, no affordable housing is required.

The definition of existing building vacancy effectively means that a development can only benefit from CIL exemption or VBC but not both.



Bristol and Bath Science Park

South Gloucestershire: Proposal for new M4 junction gathers strength



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The proposed junction 18a, just north of Emersons Green, would be a major catalyst for further economic growth in east Bristol, with the potential to open up further much-needed development land.

The results of the consultation will help inform a feasibility study report which will be published in March 2018. Industrial partner Andrew Ridler says the case for the new junction is compelling.

“North East Bristol has seen huge growth in recent years, with major residential developments at Emersons Green and Lyde Green. The Emersons Green Enterprise Area is home to a thriving business community including the Bristol & Bath Science Park and the highly acclaimed National Composites Centre.

“Investment in improved road infrastructure is essential if the Enterprise Area, with its strong focus on science, innovation, technology, added-value engineering, creative and digital media, is to realise its full potential.

“Access to the area’s existing business parks is a constraint to future growth and must be improved for the benefit of both existing and new businesses together with the growing residential population.

“There is significant pent-up demand for new industrial /distribution accommodation from existing occupiers and inward investors with the north eastern side of the city, particularly the ring road corridor, under-provided.

“Specialist industrial developer Chancerygate is actively targeting this market, having recently submitted a planning application for 107,000 sq ft in 11 buildings at Vertex Business Park at Emersons Green. It has also acquired a 6.6 acre former factory site in Warmley and is now preparing a planning application for 15 new units totalling 119,000 sq ft.

“Improved access to this strategically important location is essential for the future prosperity of those who live and work here.”

The two options:

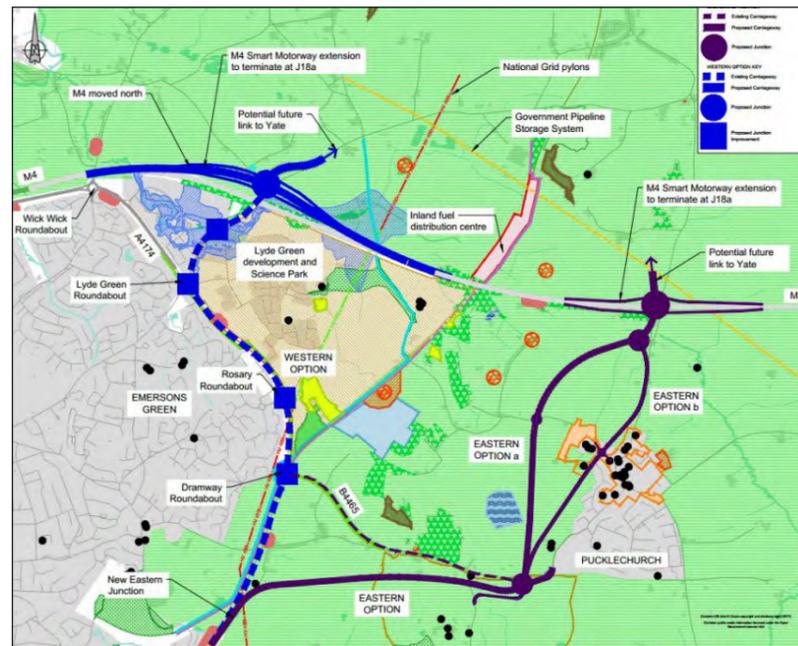
The Western route

This would use Westerleigh Road and the A4174 ring road adjacent to Lyde Green in Emersons Green. The junction would be located to the north west of Lyde Green. It would require some realignment to the M4 itself.

The Eastern route

This explores the potential for building a link road and junction to the north and west of Pucklechurch. There would be no need to realign the M4.

Subject to feasibility, funding and consent, the junction and link road would be built from 2025.



Recent Planning Permissions



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CROWN YARD THATCHAM, BERKSHIRE

Outline planning approval has been secured for the demolition of the existing commercial building and erection of up to 33 new dwellings. Negotiations with the Council helped overcome concerns over quantum of development. A viability case was pursued resulting in permission being granted without an obligation to provide affordable housing or off-site contributions.

FORMER ST PETER'S FACTORY RADSTOCK, BATH

Reserved Matters approval was secured for 81 dwellings and associated works at the former St Peter's Factory site. Through significant negotiation, the layout design was amended to resolve issues of concern to officers. Careful site planning enabled a quantum of development to be achieved whilst maintaining an acceptable level of residential amenity between existing occupiers adjoining the site and future occupiers of the dwellings.

FORMER INDUSTRIAL SITE FISHPONDS, BRISTOL

Full planning permission has been secured for 14 self-build dwellings and a community hub at a former industrial site in Fishponds. The application was on behalf of Bright Green Futures, a self-builder collective with aspirations to deliver a highly sustainable development with facilities for the local community. The project proved particularly complex given the need to address affordable housing requirements in the context of a self-build scheme. Nevertheless, all issues were successfully resolved with the development expected to commence in early 2018.



Biomass boiler approved in Shropshire Green Belt



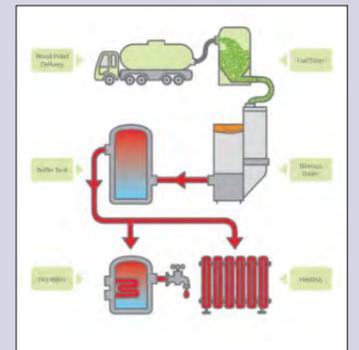
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Acting on behalf of Boningale Homes, our planning team has secured permission for a biomass boiler for an energy-efficient residential development within the Shropshire Green Belt.

Council officers concluded that, although in policy terms, the proposal constituted inappropriate development in the Green Belt, as a source of renewable and low carbon energy serving the affordable housing, there were wider environmental benefits which amounted to very special circumstances to allow the proposal in a Green Belt location.

Officers also concluded that the biomass boiler would not detract from the visual amenity of the area or from the setting of the Conservation Area and heritage assets.

Alder King secured planning permission for the first phase of development, located in Albrighton; a planning application for phase 2 is pending and work on phase 3 will commence soon.



Spec industrial scheme underway at Gloucester's Triangle Park

Rockhaven Developments has begun construction work on its speculative industrial development at Triangle Park in Gloucester.

When complete in Q1 2018, it will deliver 22 high quality units totalling 43,625 sq ft into a market experiencing historically low levels of supply.

Built in five blocks, the development will offer units ranging from 1,875 to 3,125 sq ft, available to let or for sale on a long leasehold basis. Units within Block A will benefit from solar PV panels.

Alder King partner Adrian Rowley said: “The commercial property market in Gloucestershire is extremely buoyant, with strong demand but low levels of stock.

This new scheme will go some way to redressing the imbalance in the market.”

Triangle Park is a successful mixed use regeneration scheme on Metz Way, close to the edge of the city centre and Eastern Avenue ring road. It includes a Morrisons supermarket and petrol station, a Costa Coffee drive-thru and associated restaurant units and a Mercedes Benz commercial vehicle dealership.

Rockhaven has recently completed Phase 1 of Rockhaven at Cabot Park in Avonmouth. Three units totalling 36,000 sq ft are available for purchase or lease. Planning permission for the second phase comprising buildings from 20,000 to 60,000 sq ft has



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Deals Digest

CHANCERYGATE



Acquisition of a 6.6 acre former factory site in East Bristol for redevelopment into 15 industrial units totalling 119,000 sq ft, subject to planning. Alder King is joint agent on the new scheme.

COLUMBIA THREADNEEDLE



Lettings totalling circa 20,000 sq ft at One Brunswick Square, Bristol comprising part ground floor to Expd8 and the entire first floor to Standard Life. Further space in the building is under offer.

UNITED WELSH HOUSING ASSOCIATION



Freehold disposal of Ty Cennydd, a modern 9,832 sq ft office building overlooking Caerphilly Castle to Garrison Barclay Estates for £650,000.

ROWE ESTATES



Investment sale of Units A-B Bourne Way Retail Park in Salisbury for £3.156 million, NIY 6.21%, to Hargreaves Properties Ltd. The 13,075 sq ft building is let to Dreams and Carpetright on 10 year leases renewed in March 2017.

PKF FRANCIS CLARK



18,030 sq ft letting for accountants PKF Francis Clark at Argal House on Peninsula Business Park in Exeter. 160 staff will move to Argal House following a major refurbishment and fit out to create a statement office building.

SCOTTS LTD



19,368 sq ft industrial letting of Units 5 and 6 Crompton Road, Groundwell Industrial Estate in Swindon to ESP Smile.

M7 REAL ESTATE



Letting of the 24,000 sq ft Unit 1 Ashchurch Business Centre in Tewkesbury to Italian building products company Fassa Bortolo for its new UK office.

CHARLES SAUNDERS FOOD SERVICE



Freehold acquisition of a 47,755 sq ft specialist cold store facility at Armstrong Way in Yate for a sum in excess of £3 million.

New Faces

SIMON GRACE
SENIOR SURVEYOR
BUILDING CONSULTANCY | EXETER



ELAINE SUMMERS
SENIOR SURVEYOR
BUILDING CONSULTANCY | BRISTOL



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