

**FORMER MID SUFFOLK
DISTRICT COUNCIL
OFFICES**

**131 HIGH STREET
NEEDHAM MARKET
IP6 8DL**

MAY 2018

EMPLOYMENT VIABILITY APPRAISAL

Carter Jonas

Reference: Employment Viability Appraisal – Former Mid Suffolk District Council Offices, 131 High Street, Needham Market, IP6 8DL

Client: Mid Suffolk District Council

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1.0 EXECUTIVE SUMMARY

- The property is located in a rural market town setting and not within an established employment setting such as a business park or town centre
- The majority of people living within a 45 minute drive time to the property are aged 45 - 64 yrs, which may be seen as unfavourable to prospective employers seeking a broader spectrum of employees
- The percentage of degree qualified residents within the same 45 minute drive time radius identifies the fact that the majority are located close to major employment locations with the property mostly adjacent to zones with 10-25% degree qualified people
- Major employment hubs (Bury St Edmunds, Colchester, Harwich, Felixstowe and Ipswich) are all accessible within a 45 minute drive time from the property, and are therefore likely to be a more attractive destination for residents in the area where a greater number of employers are located offering a wider range of business types
- There are a number of factors working against a successful disposal of the space in question within a reasonable timescale
- It is anticipated that the market demand for the office space in question will be limited to non-existent given long term market statistics for the area
- It is considered highly unlikely that the office will be disposed of in a single letting given the fact that no office deals have occurred in the last 5 years that have involved the disposal of more than 20,000 sq. ft. in any one deal
- There is over 291,000 sq. ft. of available office space within a 10 mile radius of the property with a further 320,000 sq. ft. of office space that is proposed or under construction (all of which is to be delivered in close proximity to major employment hubs)
- There are a number of examples of similar sized, well-located and purpose built offices that have remained available on the market for over 5 years with St Clare House, Ipswich being vacant for over 10 years
- On average office disposals take no more than 2,300 sq. ft. per transaction with only 6 deals occurring over the last 5 years that have taken more than 10,000 sq. ft. – all of which occurred in Ipswich
- The vast majority of leasing activity occurring over the last 5 years has occurred around Ipswich. The only deals to occur in close proximity to Needham Market were small in scale with less than 700 sq. ft. taken in any one transaction (equivalent to circa 2% of the net lettable space in the subject property)
- Prevailing secondary office rents are low leaving little room for manoeuvre in order to cover the required refurbishment / subdivision costs
- There are very few known and suitable businesses in the area that would be large enough to take even a proportion of the property (should they have a desire to relocate), with the majority that have been identified being located in established employment hubs (e.g. Ipswich)

- The property was designed and constructed for a single occupier and any attempt to split the space for multiple occupiers (to meet any anticipated market demand) will significantly reduce the net lettable space to levels that are below industry standards
- All services to the property have been delivered as a single supply, with major alteration required to incorporate separate services supplies or the introduction of sub-meters
- The property is considered to be unsuitable for conversion into alternative employment uses – such as a care home or a hotel given the strict requirements that such operators hold and the inability to make them sit within the confines of the existing structure
- The demand for alternative employment uses has been tested through a market testing exercise run by ARK with property agents and care / hotel operators approached. No forthcoming demand was identified throughout this process from these sectors.

2.0 LIMITATIONS OF REPORT

This report is provided for the purposes and use of the client. Carter Jonas LLP accepts responsibility to the client that the report has been prepared with the skill, care and diligence reasonably expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any party other than the client. Any such party relies on the report at their own risk.

This report should be read as a whole so that no part may be taken out of context.

The report has been prepared in accordance with the instructions received from Peter Buist at Purcell on behalf of Mid Suffolk District Council.

The report has been prepared by Ben Le Coq MRICS, Keith Fuller MRICS and Ben Ward MRTPI who have the relevant experience and knowledge to appraise the properties in this location.

This report is not intended nor is it suitable for secured lending purposes or for assessing the suitability of the property for loan security by a third party.

We have undertaken a visual inspection of the property as far as reasonably possible.

Any interpretation of legal documents and legal assumptions must be checked by the client's legal advisor. No responsibility or liability is accepted for the correct interpretation by Carter Jonas LLP of the legal position of the client or other parties or with regard to legal title. We have assumed the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown. For the avoidance of doubt, these matters should be investigated by the client's legal representative. We have assumed that the property and its value would not be affected by any matters which would be revealed by a local search and replies to the usual inquiries, or by any statutory notice and neither the property, nor its condition, use, intended use are or would be unlawful.

We have not carried out any tests of drainage, electrical, plumbing or other service installations.

We have not undertaken any tests to establish whether deleterious, hazardous, inherently dangerous or unsuitable materials or techniques were used in the construction of the property or have since been incorporated. Therefore we are unable to confirm the property is free from such materials.

In the event of values being provided in this report – they are done so on the basis of the site being made available with suitable planning consent and on assumed occupational terms. They are not values of the sites being traded as going concerns, which would be subject to a different method of valuation.

2.1 SOURCES OF INFORMATION

Market statistics and trends have been sourced from Property Market Analysis LLP, CoStar, Estates Gazette Interactive and our own market knowledge of recent lettings / sales in the area.

3.0 THE BRIEF

The former council offices are currently vacant following the relocation of the Council towards the latter end of 2017. A project team led by Purcell has been appointed by Mid Suffolk District Council to prepare a full planning application for residential led redevelopment of the former Council Offices HQ Site at Needham Market.

Carter Jonas has previously produced a Development Viability Report (February 2016) in respect of the site which looked at the likely market values for potential redevelopment options, and in so doing concluded that there is unlikely to be any market demand for office use or a new hotel on the site. This has been further confirmed by a soft market testing exercise undertaken by Ark.

The Mid Suffolk Development Plan contains policies which seek to retain employment uses (Saved Local Plan 1998 Policy E6 / Core Strategy Focused Review 2012 Policy FC3).

The client (applicant) wishes to demonstrate that continued employment use is not suitable or viable to address the employment retention objectives of Policy E6, and a detailed Employment Viability Report is therefore submitted in support of the planning application.

4.0 PLANNING POLICY OVERVIEW

4.1 THE DEVELOPMENT PLAN

The development plan for the site consists of the saved policies of the Mid Suffolk Local Plan (1998), the Mid Suffolk Core Strategy (2008), and the Mid Suffolk Core Strategy Focused Review (2012). The Stowmarket Area Action plan also forms part of the development plan for the area, but is not relevant to the subject site. Mid Suffolk District Council has also adopted a number of supplementary planning documents none of which are considered to be directly relevant to the subject site, except for the Suffolk County Council Parking Standards Supplementary Guidance (2014).

4.2 THE CORE STRATEGY FOCUSED REVIEW (2012)

Policy CS 1 of the Core Strategy sets out a settlement hierarchy for the District and states that most new development including new housing will be directed to the towns and the key service centres. The district's towns sit at the top of the settlement hierarchy, and include Needham Market.

Policy CS 7 contains a brownfield target which proposes that 50% of new dwellings be built on previously developed land in the district.

Policy CS 8 envisages that at least 2,132 new homes will be delivered in the district over the plan period including 510 dwellings in Needham Market.

Policy FC 2 of the Core Strategy Focused Review (2012) states that Needham Market is anticipated to deliver 470 dwellings over the relevant plan period and increases the total housing requirement in Mid Suffolk to 2,625 homes.

Policy FC 3 relates to employment. It states that good quality sites and premises will be made available for employment uses in each of the district's three towns, including Needham Market. It states that policies will be introduced to protect existing employment sites from loss to other inappropriate uses.

4.3 THE SAVED POLICIES OF THE MID SUFFOLK LOCAL PLAN (1996)

Saved Policies HB1 and HB8 relate to safeguarding the character of conservation areas and listed buildings. The subject site includes one Grade II listed building and lies within a conservation area and within the setting of several listed buildings.

Saved Policy H2 allows for the principle of new residential development within the district's towns providing that they protect the character of the settlement and its landscape setting.

Saved Policy E6 relates to the retention of (B Use Class) employment uses within existing industrial and commercial premises. It states that the local planning authority recognises the importance of existing industrial and commercial sites as providing local employment opportunities. In considering applications for a change of use or redevelopment of existing premises to non-employment generating uses, the Council will expect a significant benefit for the surrounding environment particularly in terms of improved residential amenity or traffic safety.

4.4 THE NATIONAL PLANNING POLICY FRAMEWORK (2012)

Paragraph 7 of the NPPF sets out three dimensions to sustainable development – economic, social, and environmental. The presumption in favour of sustainable development at paragraph 14 sets out that for decision-taking the presumption means when the development plan is absent, silent, or out of date that planning permission be granted unless the adverse impacts significantly and demonstrably outweigh the benefits or the Framework itself indicates that development should be restricted.

Paragraph 17 sets out core planning principles. It states that the planning system should deliver the homes that the country needs and that every effort should be made to objectively identify and then meet housing need. Paragraph 17 also encourages the effective use of land by reusing land that has been previously developed provided it is not of high environmental value, and conservation of heritage assets in a manner appropriate to their significance. Paragraph 17 continues by stating that the planning system should actively manage patterns of growth and make the fullest possible use of public transport, walking, and cycling as well as focusing significant development in locations which are or can be made sustainable.

Paragraph 22 of the NPPF advises that planning policies should avoid the retention of land for employment use where there is no reasonable prospect of it being used for that purpose.

Paragraph 34 states that development which generates significant movement should be located where the need to travel will be minimised and the use of sustainable transport modes maximised.

Paragraph 47 states that local planning authorities should aim to boost significantly the supply of housing and to that end identify a five year supply of deliverable housing sites plus an appropriate buffer.

Paragraph 49 states that housing applications should be considered in the context of the presumption in favour of sustainable development and that relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable housing sites.

Chapter 7 of the NPPF 2012 relates to requiring good design. It states that the Government attaches great importance to the design of the built environment and that planning policies and decisions should not attempt to impose architectural styles or particular tastes and should not stifle innovation, originality, or initiative.

Under the heading of Conserving and Enhancing the Natural Environment, Chapter 11 of the NPPF states that the planning system should aim to achieve net gains in biodiversity. It also states at paragraph 111 that planning policies and decisions should encourage the effective use of land by re-using land that has been previously developed.

Chapter 12 of the NPPF relates to “Conserving and Enhancing the Historic Environment.” Paragraph 128 states that in determining applications, local planning authorities should require an applicant to describe the significance of any heritage assets affected, including any contribution made by their setting. The level of detail should be proportionate to the asset’s significance. Paragraph 129 states that local planning authorities should identify and assess the significance of any heritage asset that may be affected by the proposal and take the assessment into account when considering the impact of a proposal on a heritage asset.

Paragraph 132 states that when considering the impact of a proposed development on the significance of a designated heritage asset, great weight should be given to that asset’s conservation. The more importance the asset, the greater the weight should be attributed to its conservation.

Paragraph 138 states that not all elements of a World Heritage Site or a Conservation Area will necessarily contribute to its significance. Loss of buildings which make a positive contribution to the Conservation Area should be treated either as substantial harm under paragraph 133 or less than substantial harm under paragraph 134.

Paragraph 134 states that where a development proposal will lead to less than substantial harm to the significance of a designated heritage asset, this harm should be weighed against the public benefits of the proposal, including securing its optimum viable use.

5.0 PROPERTY OVERVIEW

5.1 GENERAL DESCRIPTION OF THE PROPERTY

The freehold of 131 High Street, Needham Market is owned by Mid Suffolk District Council.

The site contains a 1980's office building (B1 Use Class) of circa 36,000sqft (net) accessed separately from both the High Street and Hurstlea Road (to the rear). The existing accommodation is set over 2-3 floors and comprises a mixture of building types which have been pieced together over time and are all linked internally.

The site on which the property is located (west of the High Street and east of Hurstlea Road) extends to approximately 1.32 hectares (3.25 acres) – as can be seen in Figure 1 below.

Internally it is currently configured with a number of work stations in an open plan environment for a range of different departments. In addition there are staff rooms, lecture theatres, the council chamber and training rooms.

Floor plans are provided on the following pages – Figures 2, 3 and 4.



Figure 1 – Site Boundary / Location Plan – Existing Buildings

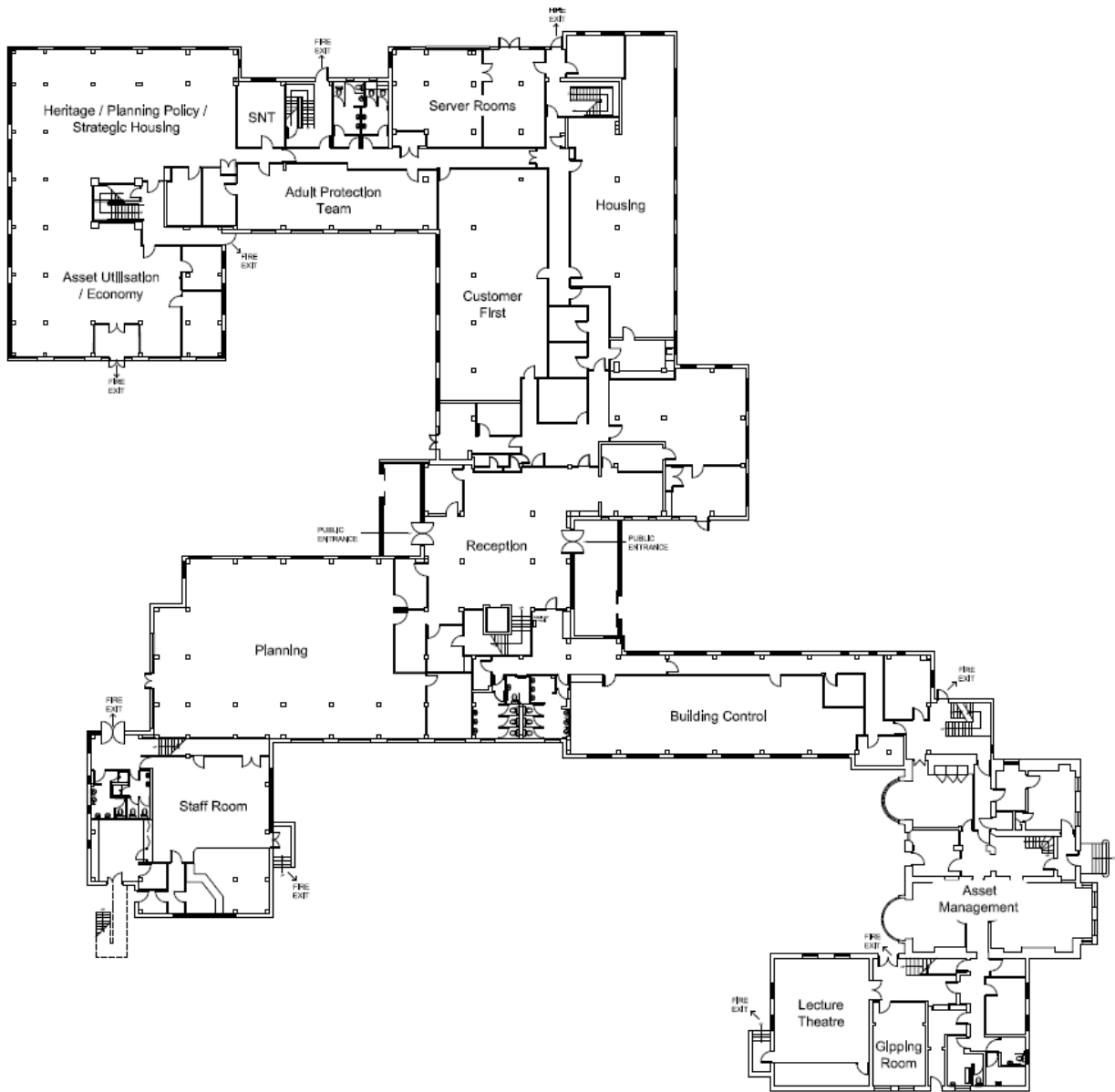


Figure 2 – Ground Floor Plan (Not to Scale)

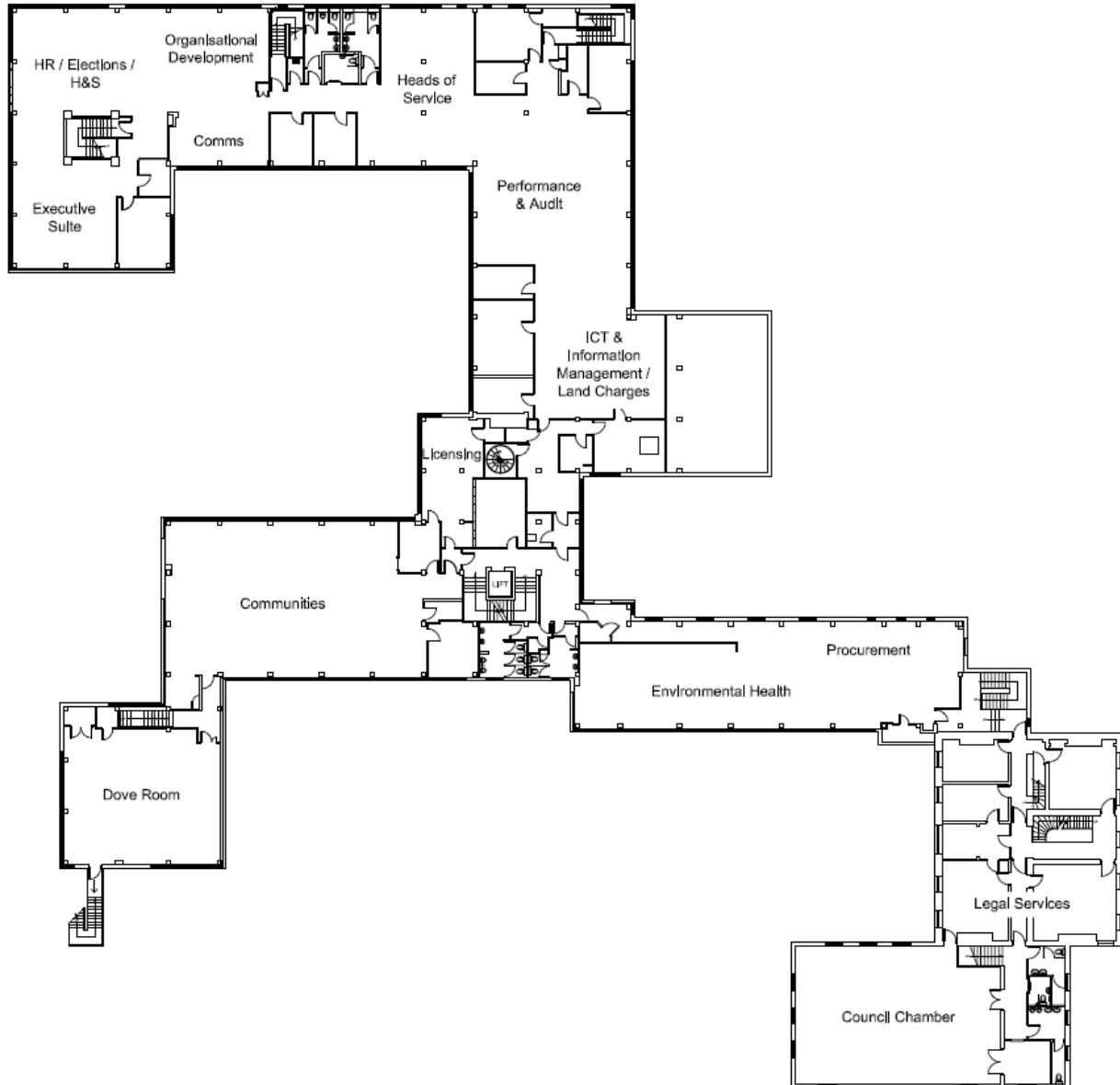


Figure 3 – First Floor Plan (Not to Scale)

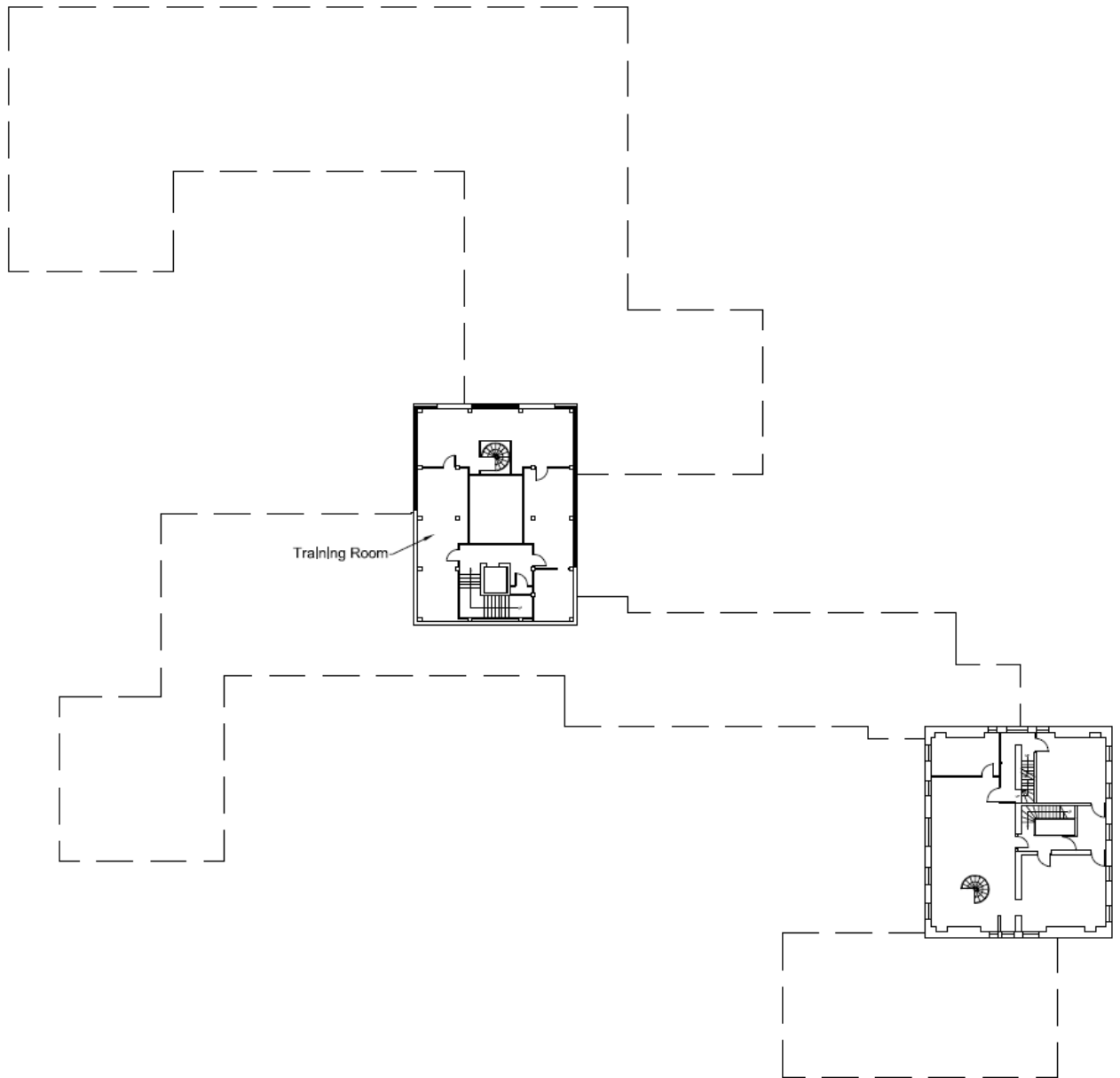


Figure 4 – Second Floor Plan (Not to Scale)

6.0 RESTRICTIONS TO CONTINUED EMPLOYMENT USE

6.1 PROPERTY LOCATION IN THE CONTEXT OF REGIONAL DEMOGRAPHICS & STATISTICS

6.1.1 Property Location

The site is located within the Mid Suffolk district, covering 87,107 hectares with a population of 86,837 people. Over 70% of the population live in villages and rural areas. The district is characterised by historic market towns, villages and attractive countryside. Needham Market served as the administrative centre until the Council relocated to Ipswich in 2017.

The district's economy and housing market are heavily influenced by other larger towns on the A14 including Bury St Edmunds, Ipswich, Felixstowe and Cambridge. The county town of Ipswich, is situated to the south of Needham Market, offering a full range of facilities and employment opportunities gathered around core businesses of insurance and related information technology development.

Needham Market lies to the south of Mid-Suffolk District between the towns of Bury St Edmunds (18.8 miles to the northwest) and Ipswich (9.2 miles to the southeast). It is located about 3.5 miles southeast of Stowmarket. The town's railway line has acted as a physical barrier to the settlement's expansion to the east, while a further impediment to the north and west have been landscape constraints including designation of the countryside as a Special Landscape Area in the Mid Suffolk Local Plan. The town has relatively easy access to the A14 and the A140.

A small market town with a population of approximately 4,528 according to the 2011 census, it has a range of shops and services, local employment, including a business park and bus and rail links to the higher-tier settlements of Ipswich and Stowmarket. The majority of retail offerings in the town are located along the High Street and a few of the ancillary roads that lead from it namely Hawkes Mill Street, Bridge Street and Station Yard with predominantly local businesses operating in the area, although the East of England Cooperative is located nearby. In addition there are local leisure facilities including Needham Market Football Club.

The property is situated off the High Street (B1113) within a primarily residential area to the north of the town centre.

6.1.2 Age Distribution

Analysis has been undertaken into the age distribution of residents within a 45 minute drive time to the property in order to build a picture of the number of prospective employees within a reasonable drive time catchment area (Figure 5).

It is evident that the office is situated in a 45-64 dominant age group zone and adjacent to a 65+ zone. There is a small cluster of 16-29 year olds to the west of the property however its scale is insignificant when compared to the overwhelming number of 45 year old plus age groups in the wider area.

The nearest populous areas (including Sudbury, Bury St Edmunds, Ipswich, East Bergholt and Stowmarket) are predominantly 65+ (i.e. above working age).

These statistics are not favourable and highlight the lack of 'working age' people within reasonable commuting distances to the property. Again, the proximity of Ipswich (and indeed other populous areas) has an impact with a greater cluster of people that would fall within the right age brackets for employers.

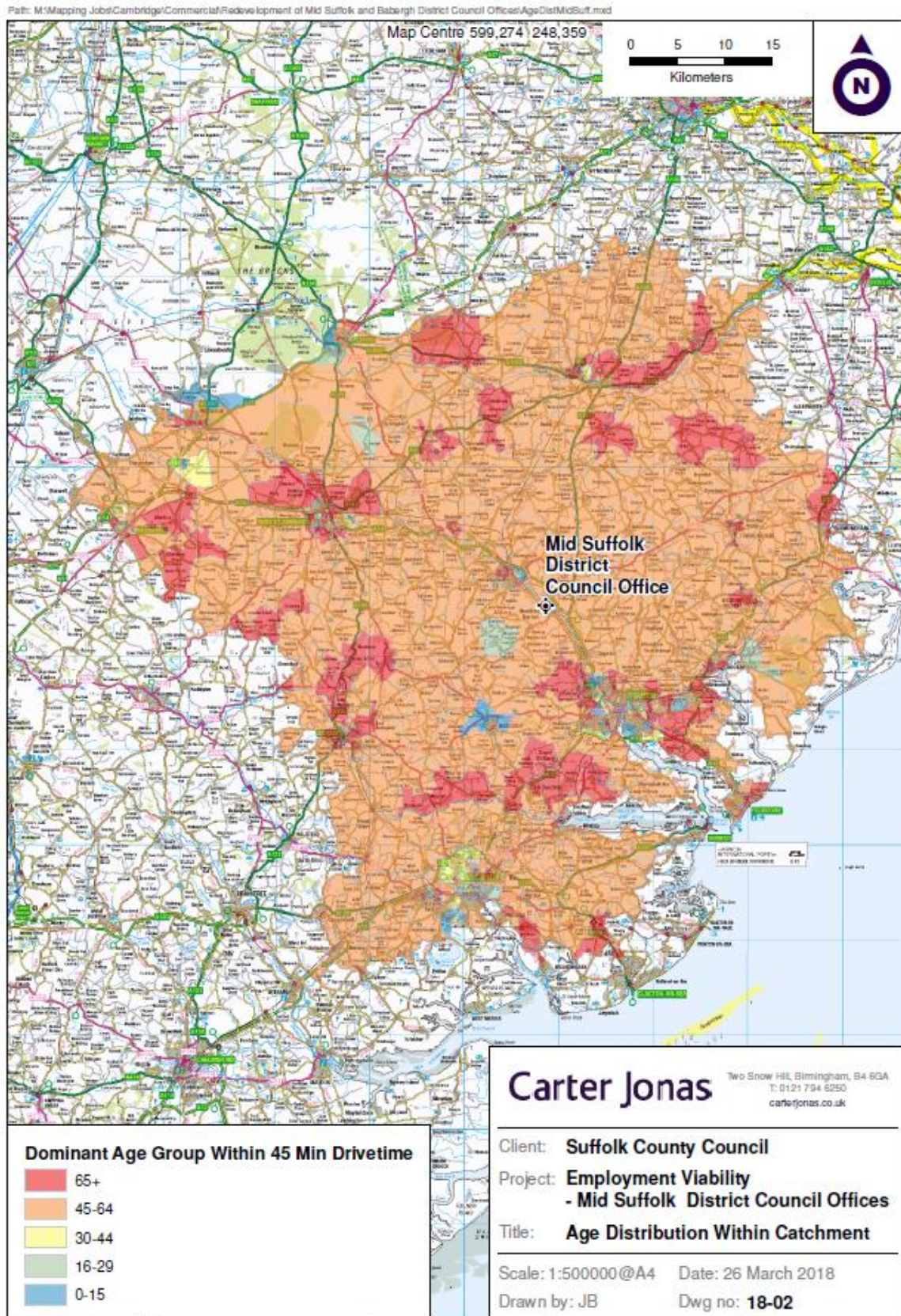


Figure 5 – Age Distribution within 45 Minute Drive Time Catchment

6.1.3 Percentage of Degree Qualified Residents

Analysis has been undertaken into the percentage of degree qualified residents within the same 45 minute drive time radius of the property (Figure 6).

This work has identified the fact that the office is located away from urban zones of 25%+ degree qualified people (Ipswich, Bury St Edmunds and Colchester) as well as larger rural zones (which are less populated therefore placing a greater emphasis in establishing an office in more populous zones).

The property is mostly adjacent to zones with 10-25% degree qualified people (i.e. the lowest two brackets) with the most highly degree qualified areas (e.g. 40% +) tending to be found around Colchester or the edge of the 45 minute drive time catchment area.

For the most part, the 45 minute catchment tends to hold between 10% and 25% degree qualified people. This indicates that the area lacks numbers of suitably qualified people who are more likely to hold office based jobs and therefore have a demand for the type of space available within the subject property.

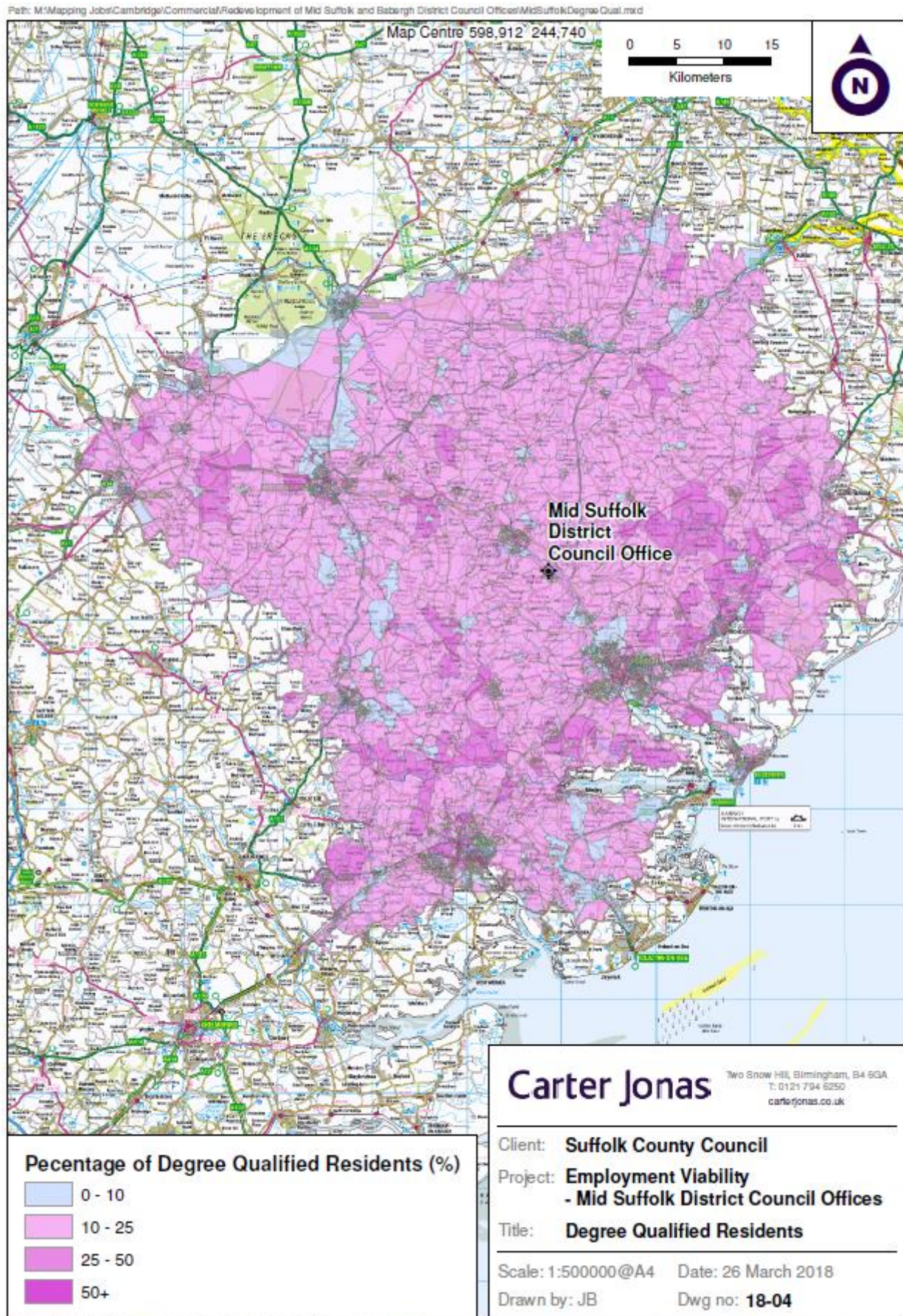


Figure 6 – Degree Qualified Residents within 45 Minute Drive Time Catchment

6.1.4 Drive Time Distances

The two demographic analysis maps have been prepared on the basis of a 45 minute drive time distance to the property. They highlight the fact that there are a number of sizable towns within this area including Bury St Edmunds, Colchester, Harwich, Felixstowe and Ipswich. These well established and higher populated areas will strongly compete for office based companies that will often seek areas that are easily accessible by car and public transport and also offer a good mix of amenities in the area.

Prospective employees living within this 45 minute drive time area will, as a result, have access to a number of these competing locations and the full range of companies that are located there.

Certain types of businesses will be location sensitive for a number of reasons (above and beyond accessibility) with some seeking to cluster around similar organisations for knowledge sharing / cross selling of work but also due to the nature of their business and their core target customer base / market in which they operate.

Needham Market will struggle to compete as a viable alternative to these core office / general employment hubs given its distance from them, its relative scale and amount of existing office space in the locality.

6.2 THE LOCAL OFFICE MARKET

6.2.1 Office Market Assessment Area

An assessment has been undertaken of the local office market based on a 10 miles radius from Needham Market. This radius (as can be seen in Figure 7) encompasses Ipswich which is a considerably larger regional commercial centre. It is important to take this into account when analysing the market trends occurring and forecasts for the future.



Figure 7 – Office Market Search Radius – Needham Market + 10 Miles

6.2.2 Office Availability

Within a 10 mile radius of the town there are currently 492 existing and proposed offices providing over 4.08 million sq. ft. of office space which compares very closely to the five year average of 4.05 million sq. ft.

There are circa 109 existing offices suites (including those under renovation) providing around 291,454 sq. ft. of available space in total.

The majority of available and proposed office space is centred on Ipswich with small clusters of smaller office suites scattered around peripheral villages and towns.

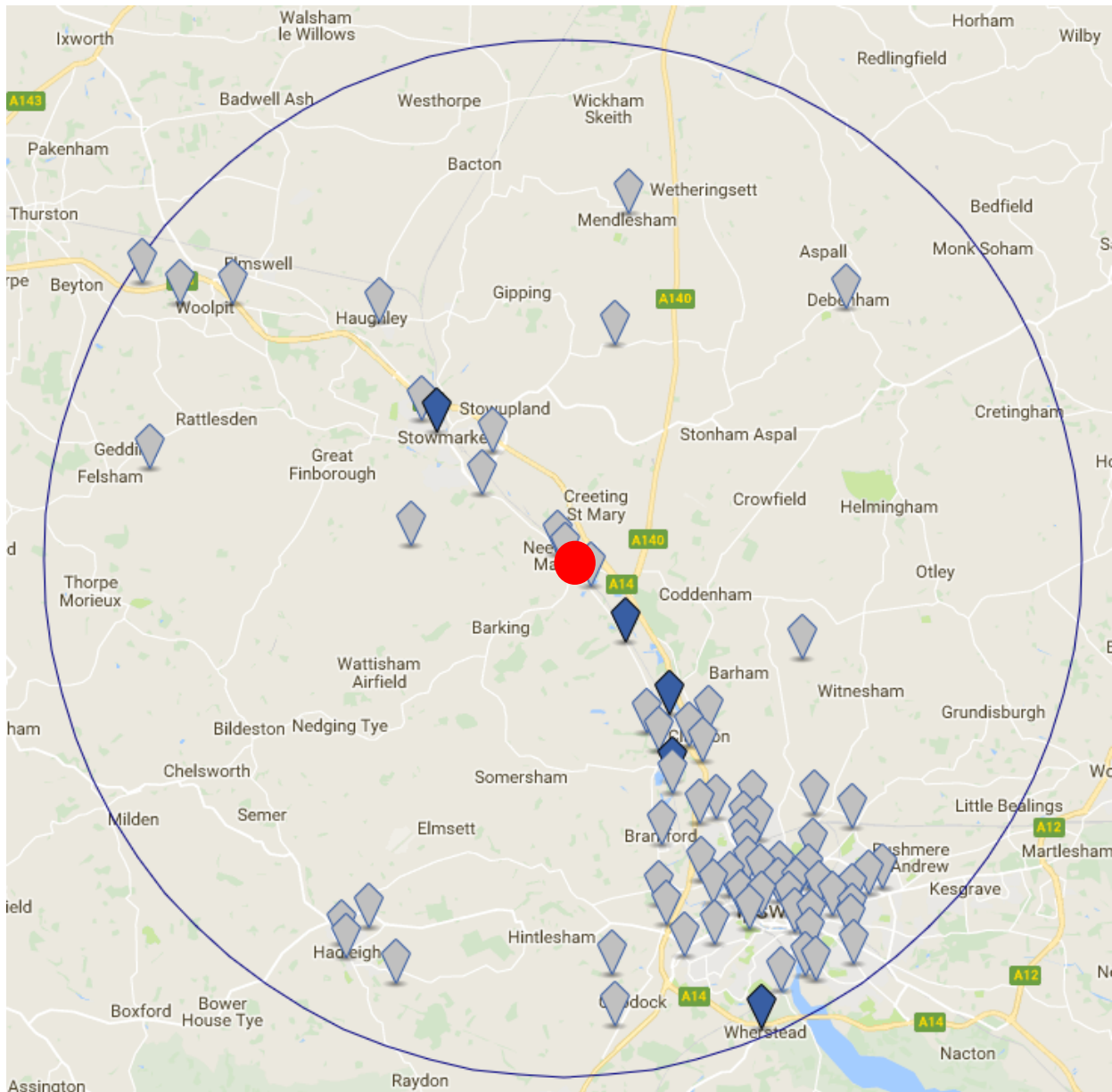


Figure 8 – Offices that are Existing and / or Under Renovation

(Dark Blue Markers = Available Space. Light Blue Markers = No Space Available)

Note – Not all property markers are shown on the map

Of the existing space available, the average available office / suite size is 7,043 sq. ft.

There are four offices currently on the market that are offering in excess of 20,000 sq. ft. (generally in a series of office suites within a single building). These are:

Franciscan House, 51 Princes Street, Ipswich: 32,000 sq. ft. of purpose built office space in the centre of Ipswich and in walking distance to Ipswich Railway Station. It is currently under renovation.



Figure 9 – Franciscan House, 51 Princes Street, Ipswich

Hyde Park House, 1 Crown Street, Ipswich: 20,199 sq. ft. of purpose built office space currently available located close to Ipswich town centre and in close proximity to Westerfield Railway Station and the M2. Asking rent: £12.50 - £13.00 sq. ft. Time on Market: 21 months on average (some spaces been on for up to 65 months (5+ years)).



Figure 10 – Hyde Park House, 1 Crown Street, Ipswich

St Clare House, Princess Street, Ipswich: 40,980 sq. ft. of purpose built office space in close proximity to junction 5 of the M2 and walking distance to Ipswich Railway Station. Asking rent: £5.95 per sq. ft. Time on Market: 45 months (3.75 years) on average (some spaces been on for up to 103 months (8.5+ years)).



Figure 11 – St Clare House, Princess Street, Ipswich

Berkeley Business Centre, Connexions 159, Princes Street, Ipswich: 43,551 sq. ft. of modern, purpose built, office accommodation within walking distance of Ipswich railway station. Asking rent: £18.00 - £20.00 per sq. ft. Time on Market: 61 months (5+ years).



Figure 12 – Berkeley Business Centre, Connexions 159, Princes Street, Ipswich

In addition there is a further 321,412 sq. ft. of office space that is either proposed or under construction although only 106,340 sq. ft. of this space is available and on the market as such. This includes:

Building Address	Building Name	Building Park	Building Status	Year Built	Rentable Building Area	Total Available Space (SF)
Crockatt Rd		Hadleigh Enterprise Park	Under Construction	2,018	4,260	4,260
Landseer Rd	Eagle House		Proposed		15,070	
7A-7C Little Blakenham	Broomvale Business Centre		Proposed		5,272	5,272
Lower Brook St	The Link		Proposed		150,000	
Princes St	Birketts		Under Construction	2,018	50,000	
Mill Ln	Office Buildings		Proposed		56,510	56,508
88-96 Princes St			Proposed		40,300	40,300
TOTALS					321,412	106,340

As can be seen in Figure 13, the majority of this space is situated in Ipswich which further highlights the focus of the local market place on this core employment area. There are a handful of proposed offices elsewhere including some at Stowmarket East – a new light industrial / warehouse park with a proportion of office accommodation included in a recent planning application.

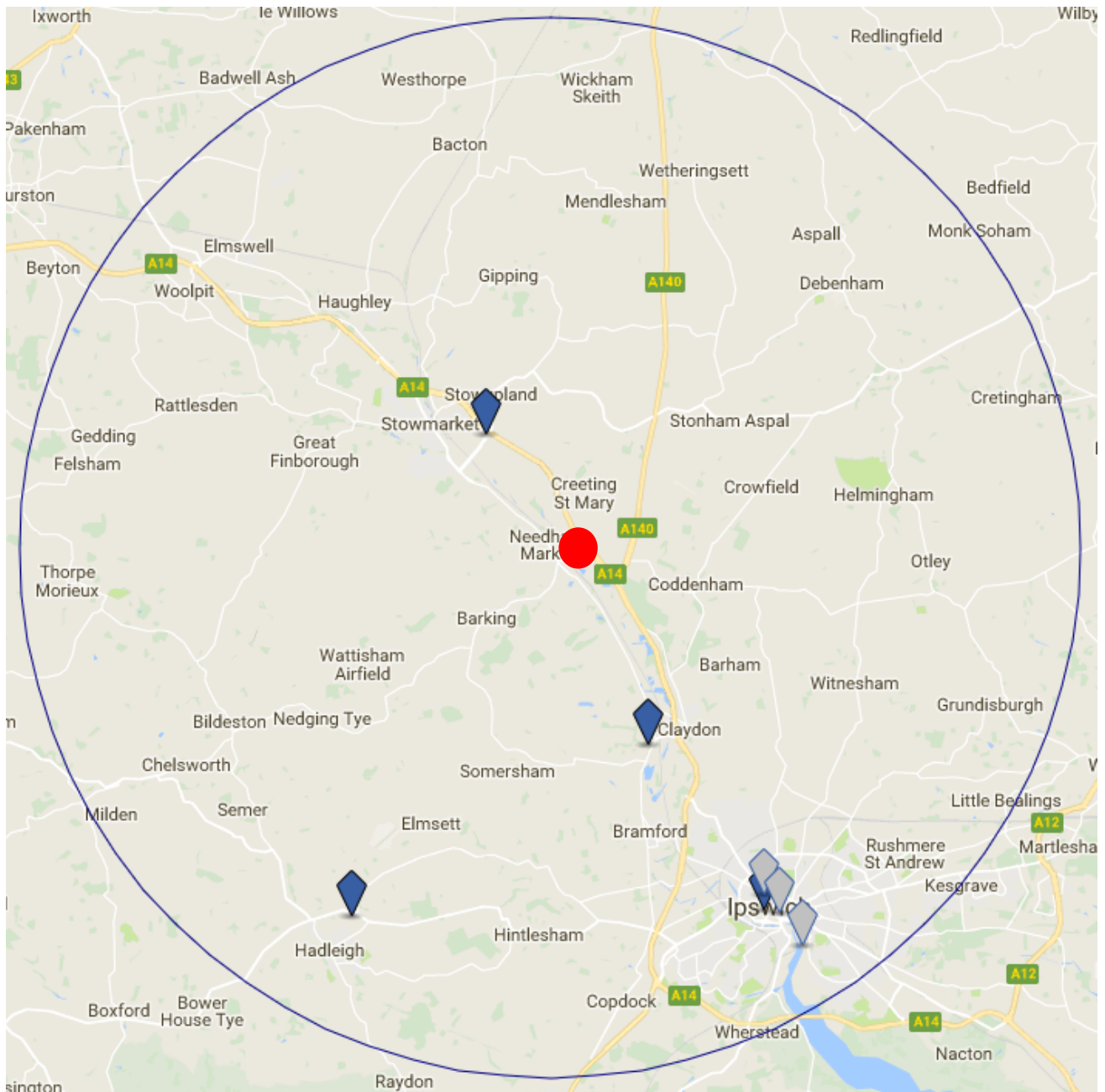


Figure 13 – Office Space that is Proposed or Under Construction

(Dark Blue Markers = Available Space. Light Blue Markers = No Space Available)

Note – Not all property markers are shown on the map

The level of availability within the area has risen slightly since 2016 (228,605 sq. ft.) and has started to return to levels of recent peaks – as per 2014 where circa 324,432 sq. ft. was available. This rise in available office space indicates a decline in demand for office space with little change throughout 2017 and 2018 (to date).

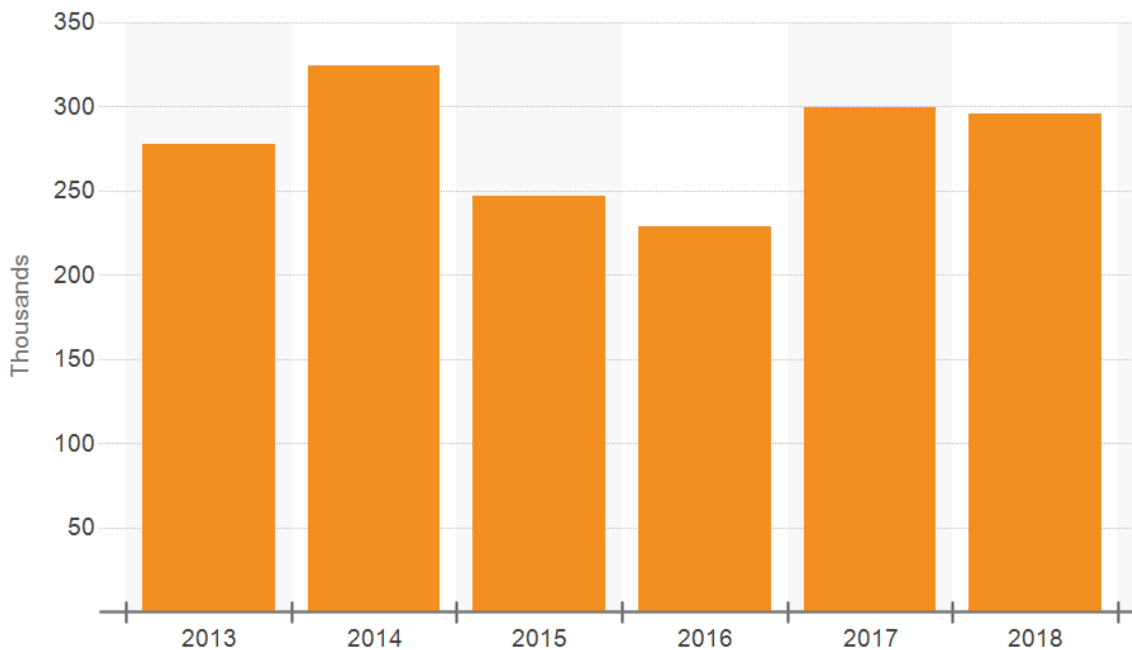


Figure 14 – Existing Office Availability – Needham Market + 10 miles

This level of availability is reflected in the availability rate (e.g. a percentage of the total amount of available space divided by the total amount of existing inventory) climbing to 7.2% in the current quarter from a recent 5 year low in Q4 2016 of 5.6%.

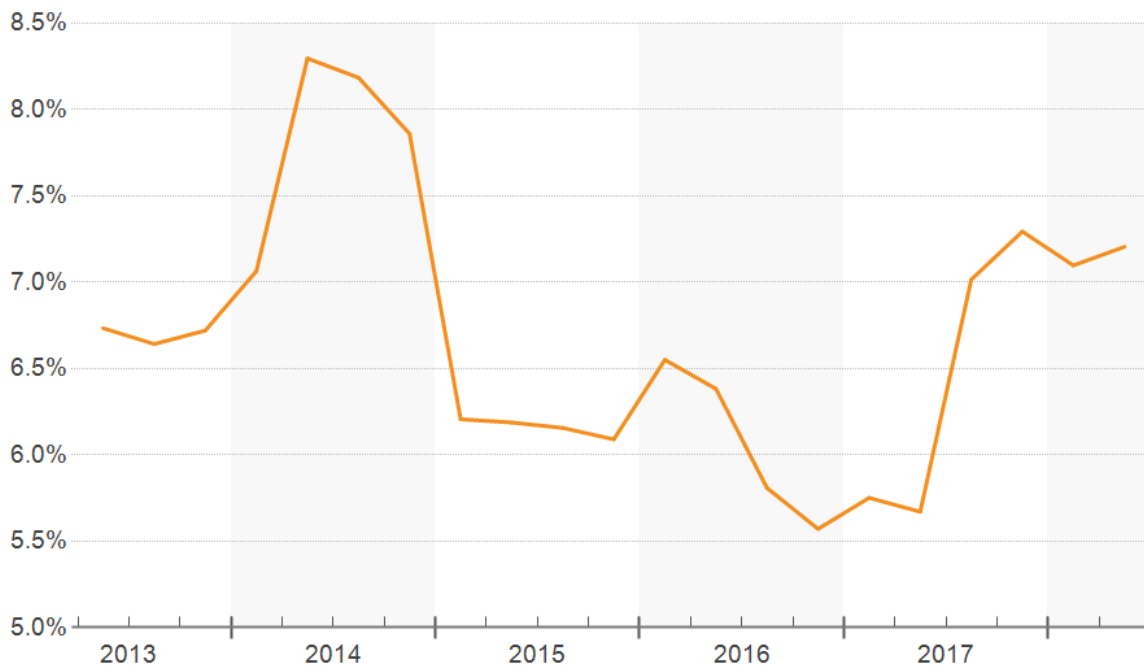


Figure 15 – Office Availability Rate – Needham Market + 10 miles

6.2.3 Office Leasing Demand

In 2015 around 39,027 sq. ft. was let (as seen in Figure 16) which was followed by two years of similar better results with 53,827 sq. ft. in 2016 and 59,325 sq. ft. in 2017. This compares to the five year average of 48,115 sq. ft.

Over the last 5 years circa 295,000 sq. ft. has been leased with 127 deals recorded of between 100 sq. ft. and 19,966 sq. ft. resulting in an average deal size of 2,322 sq. ft.

The vast majority of office demand in the area has been at the lower end of the market with 87% of office deals taking less than 5,000 sq. ft. in any one deal.

There have only been 6 deals of 10,000 sq. ft. or over the last 5 years (all of which occurred in Ipswich – further confirming its dominance within the regional office market) including:

- **Elm House and Elm Court, 25 Elm Street, Ipswich:** 19,966 sq. ft. leased in September 2015.
- **Fitzroy House, 3 Crown Street, Ipswich:** 15,792 sq. ft. leased in April 2014
- **North Maltings & Kiln, Felaw Street, Ipswich:** 14,971 sq. ft. leased in March 2015
- **Suffolk Enterprise Centre, Felaw Street, Ipswich:** 14,726 sq. ft. leased in December 2016
- **Crown House, Crown Street, Ipswich:** 10,000 sq. ft. leased in May 2017
- **St Vincent House, Cutter Street, Ipswich:** 10,000 sq. ft. leased in October 2014

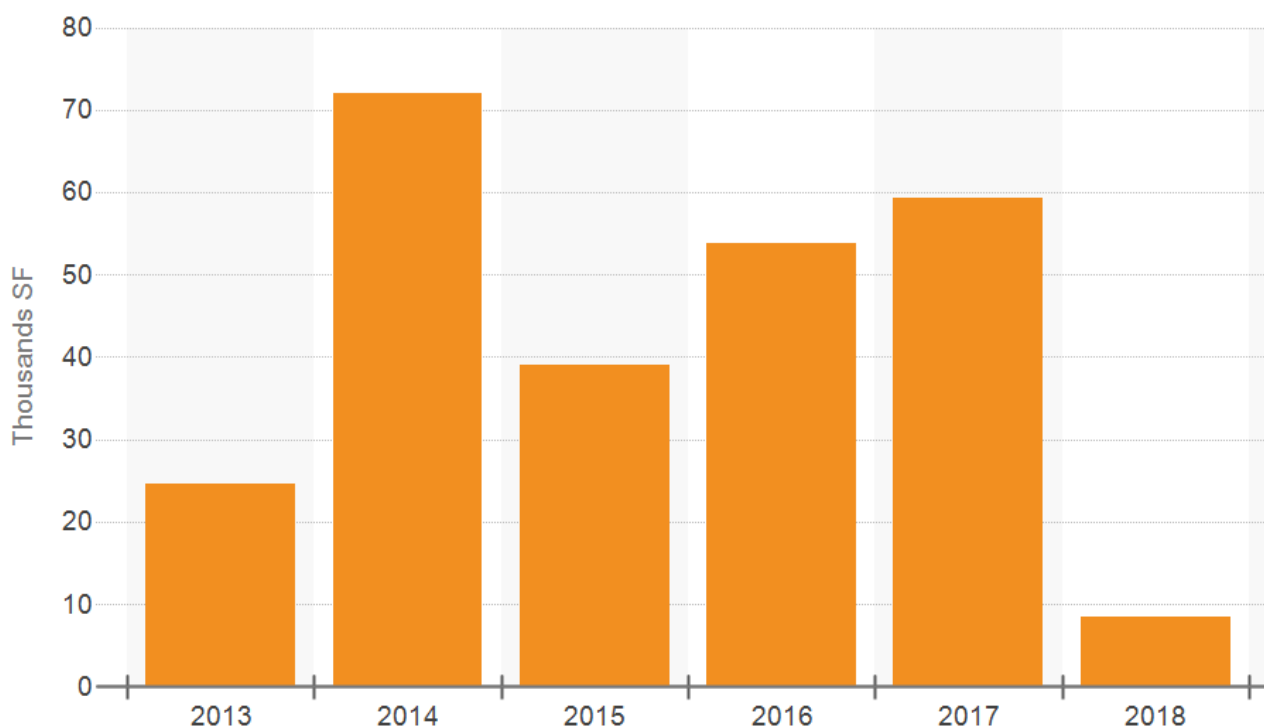


Figure 16 – Office Deals Done – Needham Market + 10 miles

As is evident in Figure 17, the vast majority of leasing activity occurring over the last 5 years has occurred around Ipswich. The only deals to occur in close proximity to Needham Market were small in scale and included the disposal of 680 sq. ft. at Norfolk House, Williamsport Way back in November 2014. The next closest disposals were in Claydon (761 sq. ft. to 3,500 sq. ft.) and Stowmarket (100 – 476 sq. ft.).



Figure 17 – Office Deals Done – Needham Market + 10 miles

Over the last 5 years, offices have remained on the market for 16.4 months (on average) before being let with the current quarter showing a slight improvement to this long term average with property remaining available for circa 11 months (as per Figure 18).

The average number of months a property is on the market for has generally fallen since Q4 2015 (despite a rise in Q3 2016) mirroring the level of demand for space over the last couple of years across this search area.

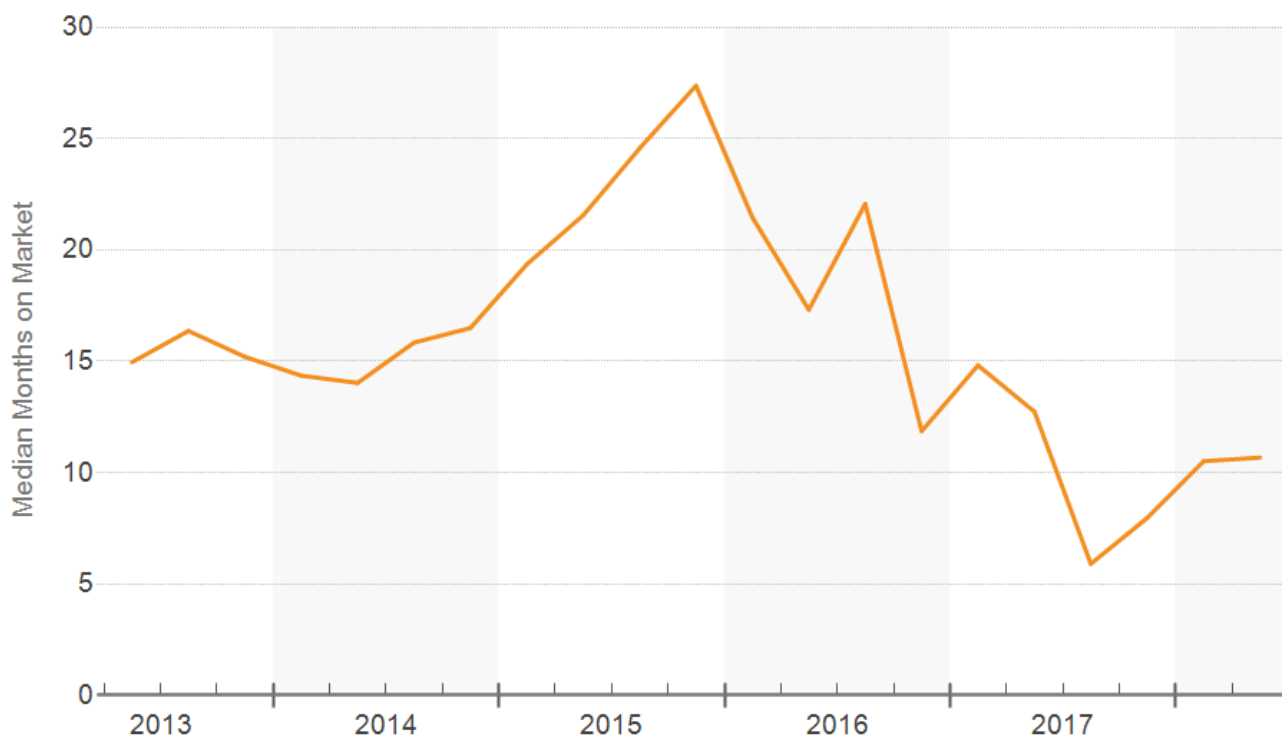


Figure 18 – Average Number of Months of the Market - Needham Market + 10 miles

6.2.4 Office Rents

Average asking rents in the area are currently around £10.92 per sq. ft. which is a slight improvement following on from a recent low in Q1 2015 of £9.06 per sq. ft.

Average achieved rents, by comparison, currently stand at around £8.16 per sq. ft. with net effective rents around £7.86 per sq. ft. once rent free periods are taken into consideration.

These asking and achieved rents are considered to be reasonable: they are low by comparison to the wider region and reflect the general quality of office space on the market and the level of demand for it.

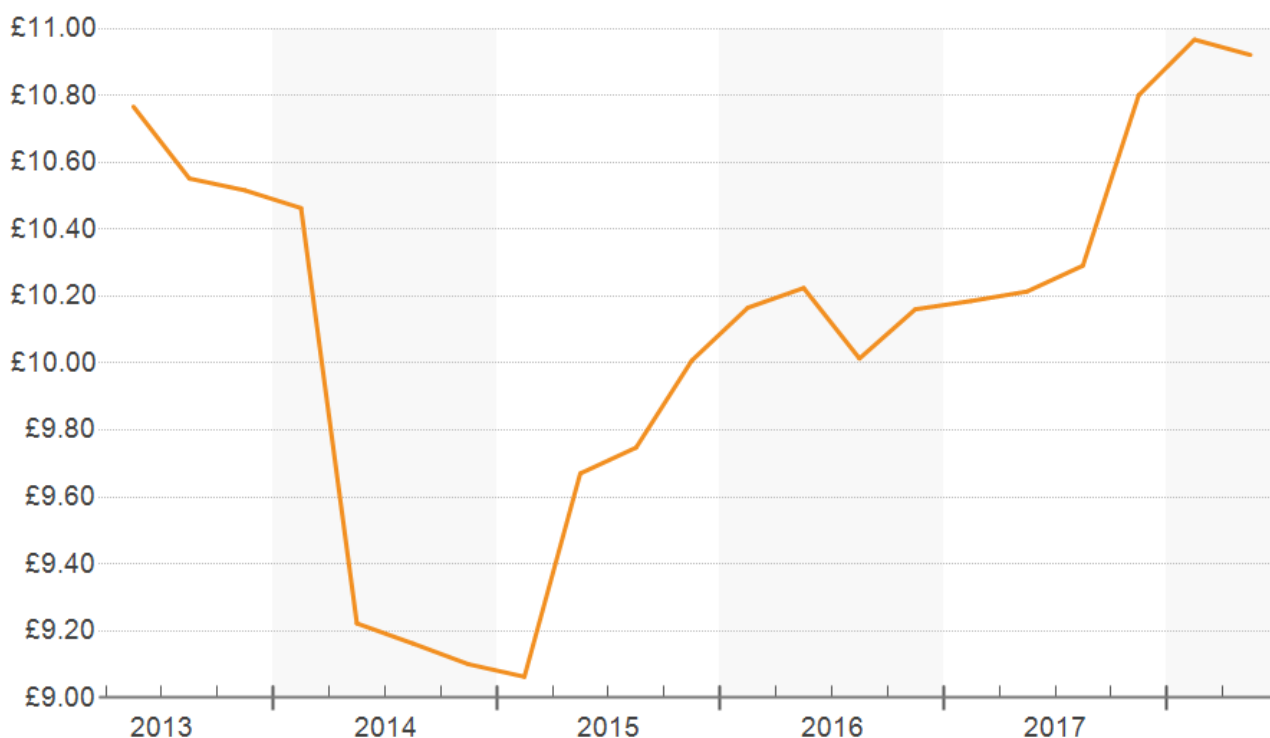


Figure 19 – Average Office Asking Rents – Needham Market + 10 miles

6.2.5 Office Occupiers

Within 10 miles of the town there are around 302 known office occupiers in 182 buildings although there are only 37 that occupy more than 5,000 sq. ft. in 29 buildings.

Of these larger occupiers there are only 28 that could be considered suitable for the space in question (based on the nature of business that they conduct) however there would be very few that could occupy the space in its entirety as a single occupier. Although, in theory, a number could occupy the space based on their business type there is a strong chance that their business model would prevent them occupying a multi occupier building with a number seeking their own independent space without shared facilities or receptions.

Furthermore, all of these known businesses are currently located in or in very close proximity to Ipswich. This is likely to hamper any efforts to entice them to relocate further away from the town to a more rural location given the move away from direct public transport links and amenities.

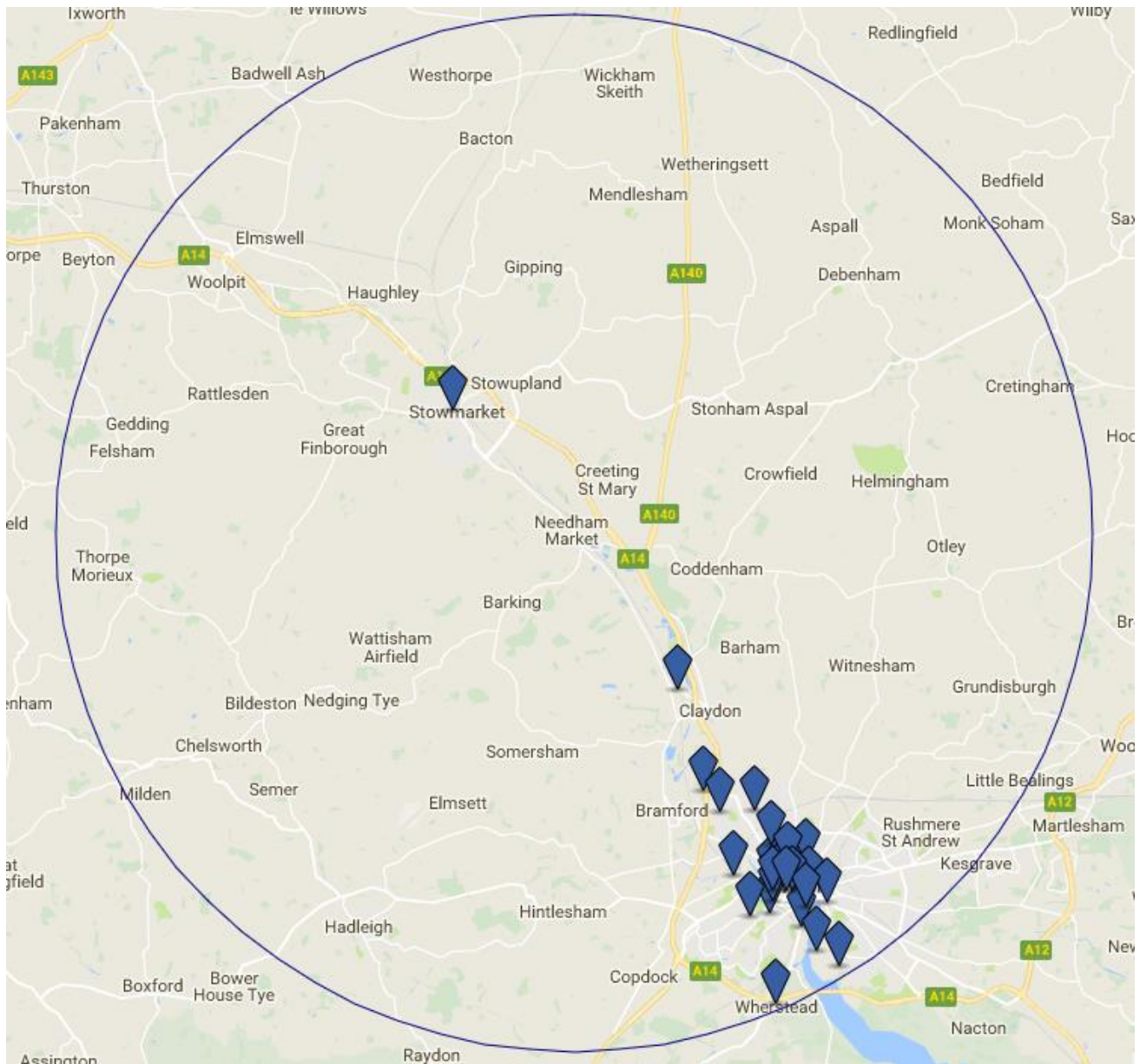


Figure 20 – Known Office Occupiers of more than 5,000 Sq. Ft. of Space

Known office occupiers of 5,000 Sq. Ft. or more:

Company Name	Building Name	Address	City	SF Occupied	Industry Type
Willis Limited		15 Friars St	Ipswich	188,314	Insurance
Eastern Electricity	Suffolk House	Civic Dr	Ipswich	60,000	
Birketts	Birketts	Princes St	Ipswich	50,000	Law Firms
Nwes Property Services	Suffolk Enterprise Centre	Felaw St	Ipswich	30,373	Real Estate
ISG Plc	Jackson House	Eight-Six Sandyhill Ln	Ipswich	25,781	Business Services
Prettys	Elm House & Elm Court	25 Elm St	Ipswich	19,966	Law Firms
Scrutton Bland	Fitzroy House	3 Crown St	Ipswich	15,792	Accountants
MLM Group Ltd	North Maltings & Kiln	Felaw St	Ipswich	14,971	Engineers/Architects
Flowgroup plc	Suffolk Enterprise Centre	Felaw St	Ipswich	14,726	Agri / Mining / Utilities
Gotelee Solicitors		31-41 Elm St	Ipswich	11,496	Law Firms
Hope Church	Highland House	114 Fore Hamlet	Ipswich	10,450	Personal Services
Derivco Ipswich	Crown House	Crown St	Ipswich	10,000	Business Services
Atkins Ltd	Beacon House	53-65 White House Rd	Ipswich	9,166	Engineers /Architects
Killik & Company LLP	Crown House	Crown St	Ipswich	9,000	Financial Institutions
Crown Mortgage Management Ltd	Crown House	Crown St	Ipswich	8,901	Personal Services
Direct Line Group Ltd		31 Princes St	Ipswich	8,371	Insurance
WS Training Ltd		37-43 Fore St	Ipswich	8,251	Business Services
Ludologic Ltd	Crown House	Crown St	Ipswich	8,000	Computers/Data Processing
New India Assurance Company	Crown House	Crown St	Ipswich	8,000	Financial Institutions
Larking Gowen Group		Claydon Business Park	Ipswich	7,440	Accountants
Sharedband Ltd		40-50 Princes St	Ipswich	7,230	Communications
Savills		40-50 Princes St	Ipswich	6,150	Real Estate
Suffolk Constabulary		10-10a Museum St	Ipswich	6,096	Government
Netscout	Fraser House	23 Museum St	Ipswich	5,550	Computers/Data Processing
Turning Point	Sanderson House	17-19 Museum St	Ipswich	5,536	Personal Services
Suffolk Chamber of Commerce	Suffolk Enterprise Centre	Felaw St	Ipswich	5,438	Government
Craft Media	St Vincent House	1 Cutler St	Ipswich	5,400	Business Services
MyGo	Fraser House	23 Museum St	Ipswich	5,295	Business Services

6.2.6 Office Market Analysis – Conclusion

Needham Market as an office location pales into insignificance when compared to Ipswich which clearly dominates the regional supply of and demand for office space. This is partly due to its scale and established supply of good quality office space but also accessibility (train station / better road connections) as well as the extent of available amenities, all of which are sought-after by office occupiers.

Although Ipswich is a relatively strong regional centre servicing a cluster of local businesses, it is evident that the office market in the wider area has remained relatively flat over the last 5 years with little change in demand and supply seen (only 30,000 sq. ft. less space currently available by comparison to the 5 year average). This is further compounded by the absence of proposed office space in the area with only 106,000 sq. ft. in the pipeline (in other words circa 2.5% of the existing office stock) and the amount of time that newly refurbished stock has remained on the market post completion (Berkeley Business Centre, for instance, was fully refurbished in August 2016 however still remains fully available). These two factors clearly reflect a lack of confidence in the amount of demand for good quality office space in the area.

This lack of demand for newly refurbished and proposed office space also extends to second hand office stock. Office suites within the four properties currently available in the local market which offer a similar amount of combined office space to the subject property have remained available on the market for an average of 42 months (3.5 years) (although some suites within these buildings have been available for up to 103 months (8.5+ years)). This is despite their more attractive location (all are in close proximity to Ipswich town centre and the railway station) and reasonable asking rents / terms in general. This is by no means a micro trend linked to these buildings alone. The average time that all office suites (second hand / refurbished / proposed) have remained on the market over the whole 10 mile radius from the property in the last 5 years has been recorded at over 16 months.

Although take up of office space in the last couple of years has improved slightly on the 5 year annual take up levels but only marginally (circa 8,500 sq. ft. per annum more, on average, in 2016 / 2017 by comparison to the 5 year average) the average deal size remains small with only 2,322 sq. ft. leased by transaction. Nearly 90% of office deals in the area involved the disposal of 5,000 sq. ft. or less. The subject property alone represents around 9 months' worth of office supply for the local area with around 15 to 22 individual leasehold disposals required to fill it (based on average deal sizes for the area) over at least a 16 month period (based on the average time on the market) although it is likely to be considerably longer given the level and quality of available space elsewhere.

It is considered highly unlikely, if not impossible, that the office will be disposed of in a single letting given the fact that no office deals have occurred in the last 5 years that have involved the disposal of more than 20,000 sq. ft. in any one deal. Indeed, there have only been 6 disposals of more than 10,000 sq. ft. over this time – all of which have occurred in Ipswich (again reinforcing the appeal of Ipswich over alternative locations in the immediate area), with the last being 10,000 sq. ft. disposed of at Crown House, Ipswich in 2017.

Average office asking rents have returned to recent peak levels (circa £10.92 per sq. ft.) following a recent dip to circa £9.00 per sq. ft. in 2015, although average achieved rents are closer to £8.16 per sq. ft. This compares to asking rents on Berkeley Business Centre at £18.00 - £20.00 per sq. ft. which is new office accommodation but remains fully available and has done for some time. Average asking and achieved office rents for second hand office accommodation in the area are relatively low and give little room for manoeuvre to cover the cost of refurbishment or subdivision which would no doubt be required if the subject property were put to the market, especially considering average deal sizes. There is, of course, scope to seek a higher than average rent for the refurbished space. However, any office suites would still be competing in a tough market with high quality office accommodation in more attractive locations and would be likely to struggle to secure interest, which does not bode well for the subject property given its location and layout.

Research undertaken into known office occupiers within a 10 mile radius of the property indicates that there are around 28 occupiers that could, based on their industry type, be considered suitable for the space. However as they are all located in Ipswich, it is highly likely that it will be impossible to build an attractive enough proposition for relocation away from easily accessible public transport, additional office occupiers and local amenities. In addition, not all businesses will be happy to occupy multi occupied spaces with many now seeking their own independent space, not just from a client perception perspective but from a cost perspective associated with whole building service charges etc.

It is evident, having considered all the market trends over the last 5 years within a 10 mile radius of the property, that office market conditions remain incredibly challenging with a number of factors working against a successful disposal of the space in question within a reasonable timescale. Demand for office space is limited with the majority of deals occurring being small in nature and focused on Ipswich.

Providing an attractive enough relocation package to prospective occupiers will be challenging, particularly given the lack of amenities and access to public transport when compared to more established office locations.

Office suites of varying quality are remaining available on the market for at least 16 months (on average) with examples of good quality space still available after more than 5 years.

Average achieved office rents remain stable but at a level that leaves little room for growth to allow for the refurbishment / subdivision of space (which will certainly be required when considering the average deal sizes occurring) as asking rents could quickly surpass those being sought on reasonable quality space elsewhere.

The chance of a single office disposal is very low given the lack of suitable sized occupiers in the area and average deal sizes, it would be necessary to split the building, which was designed for a single occupier, into parts (explored further in Section 6.4.3) – a move that is likely to reduce the pool of prospective occupiers even further.

6.3 ALTERNATIVE EMPLOYMENT OPTIONS

In order to consider the viability of conversion into an alternative employment use it is necessary to not only appraise the suitability for conversion but also the demand for it in the market.

The only alternative, employment generating, uses that could be considered in situations like this are conversion into a hotel or a care home.

The care home sector is heavily regulated with any proposed designs for new homes having to take into consideration design features that are recommended by the Government's HAPPI Panel (Housing our Ageing Population: Panel for Innovation). This includes:

- Providing more light and space through the introduction of atriums
- Open plan apartments and larger windows
- Larger balconies
- Roof terraces and winter gardens wherever possible, so that residents can enjoy being outside all year round
- Adaptability and 'care ready' design
- Positive use of circulation space

- Shared facilities and 'hubs'
- Energy efficiency and sustainable design
- External shared surfaces and 'home zones'

Although it is not impossible to convert existing buildings in to care homes they do pose a considerably higher number of challenges for delivery by comparison to purpose built accommodation.

Retrofitting the existing building to accommodate the range of services and facilities to the right standards required will no doubt prove difficult including, for instance, the delivery of:

- Sufficiently sized and well-proportioned rooms with high levels of natural day light which have to be carved out of existing floor plates
- Ensuite bathrooms and potentially kitchens in each apartment with the delivery of services throughout the building whilst working around the confines of existing floor and ceiling voids
- Access to gardens; made harder by the position of the building on the site and its configuration which severely limits the amount of accessible outdoor space to parts of the southern and western boundaries

The layout of the building is inconsistent with the efficient floorplates generally sought in retrofit scenarios with a high chance of inefficient spaces being created (by default) which will be off putting to prospective operators.

Although the property is well situated within the town with good accessibility to local facilities it is necessary to consider it in the context of the wider setting, particularly from a demographic perspective.

According to the 2011 census there are circa 4,528 residents in the town with the wider catchment area primarily made up of small villages (before larger towns are reached including Stowmarket and Ipswich). A number of care home operators have minimum population requirements in order to ensure that there are sufficient numbers of people within reach of the proposed development (the average distance that a potential resident is likely to move from their existing home to a residential home being 8 miles). These include:

- Kingsley Healthcare: minimum population of 50,000 people
- Castleoak Care Developments: minimum population of 20,000 people
- Mercian Developments Ltd: minimum population of 20,000 people
- LNT Care Developments: minimum population of 10,000 people

These demographic statistics alone will rule out the town as a suitable location for a care home.

Indeed, a soft market testing exercise has been undertaken by Ark which explored the demand for alternative employment uses on the site (including a care home) with the inclusion of a care home within the site discounted due to the lack of operator interest in the area. McCarthy & Stone specifically commented that the demographics would rule out the site as an option for them.

Consideration has also been put towards the suitability of the property as a hotel. The bulk of activity in the hotel sector at present is being driven by the budget hotel market with Premier Inn and Travelodge leading the way. The majority of operators have set standards and requirements for room

layouts and dimensions within which pre-designed rooms can be slotted into. In order for this to work, it is necessary to identify sites that can deliver uniform buildings that can accommodate these rigid format rooms. There is scope to convert existing office buildings to hotel accommodation although operators will look for efficient floor plates that can accommodate 300 sq. ft. (GIA) bedrooms either side of a central corridor and a linen room is needed on each floor.

Travelodge, for instance, have a series of set requirements which would need to be satisfied in order for an existing office to be considered suitable for conversion, this includes:

- Floor plate depth should be a minimum of 27m (length) x 12m (width) to a maximum of 16m
- Floor to ceiling height a minimum of 2.3m
- 'Grid' depth a minimum of 6m (such as window bays or columns)
- All bedrooms need openable windows or air conditioning
- All bedrooms need natural light
- Lifts must serve every floor
- No stepped access for customers or deliveries (ramp or same level)
- Dedicated staircase for customers' use, but will share fire escape stairs

Figure 21 shows a typical floor plan for a Travelodge hotel. It is clearly evident that the existing floor plate layout of the property (seen in Figure 22) is irregular in shape with differing areas of depth and length between sections. This will mean that the building is highly likely to fall short of the standard requirements sought by the likes of Travelodge with a number of areas that would be unusable. It will also result in long travel distances between the main reception and rooms on the extremities of the building which are likely to be off putting.

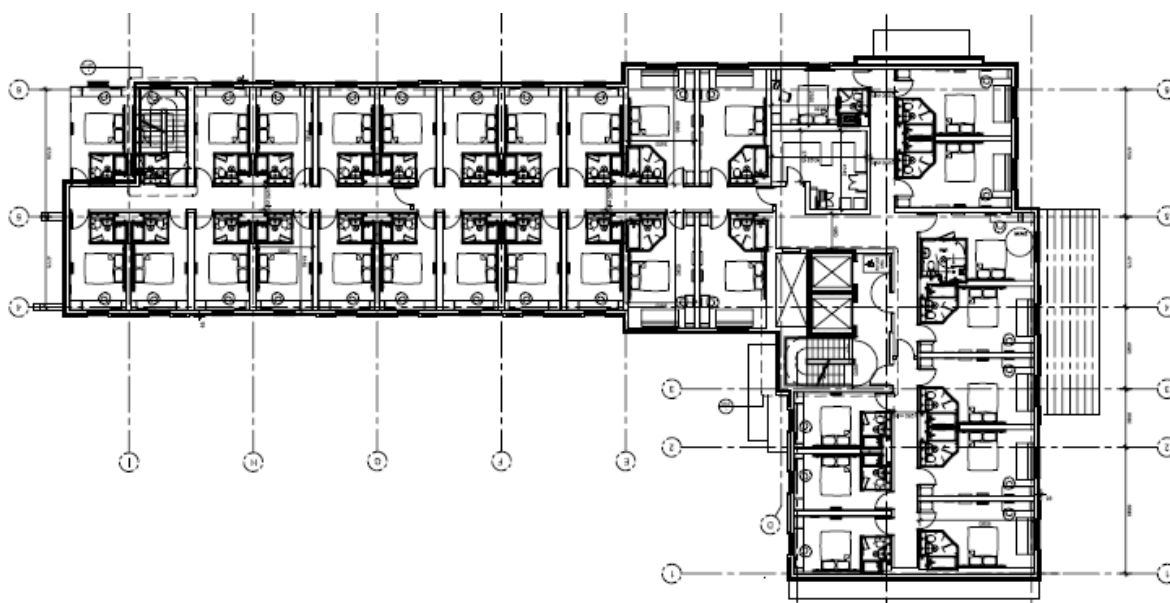


Figure 21 - Typical Floorplan - Travelodge Hotel

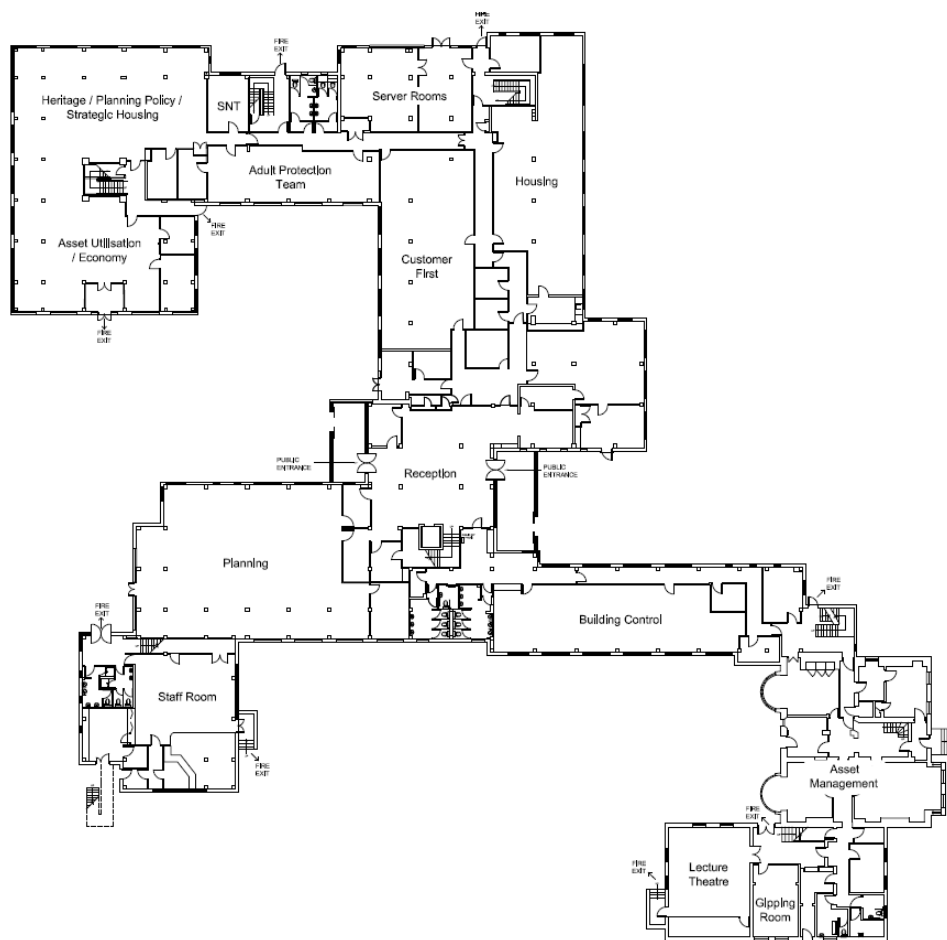


Figure 22 – Ground Floor of Subject Property

Hotel provision across Mid Suffolk and Babergh Districts focusses on smaller, independent providers supplemented by a good range of bed and breakfast ('B&B') accommodation. Travelodge, Premier Inn and Holiday Inn are well represented across the district. Premier Inn are proposing to build a 55 bedroom hotel at Prentice Road in Stowmarket with Needham Market considered too small a location to warrant another hotel; particularly with the new Stowmarket hotel capturing a lot of the local demand (including Needham Market within this catchment).

Travelodge has also been approached with confirmation received that they do not have a requirement for the area.

Although there appears to be scope to increase the number of smaller boutique hotels in the area (for which the property is substantially oversized) it is evident that the provision of new hotel accommodation is more likely to be successful in the larger towns in the district, (namely Sudbury, Stowmarket and Ipswich).

Considering these factors it is deemed highly unlikely that any plan to convert the property (or indeed the site) into hotel accommodation will be successful.

6.4 BUILDING SURVEY RESULTS

6.4.1 Overview

An inspection of the property has been undertaken to assess various aspects of its configuration, condition, divisibility and energy efficiency to understand its suitability for continued use as an employment facility.

The findings of this assessment have been outlined in the following sections.

6.4.2 Building History

The site includes one Grade II listed building with a large two-storey side extension and is partly within a Conservation Area. The former Council Offices building, which links to the listed building with a significant post war extension, was designed and developed in the early 1980's for the sole use of the District Council. There have been subsequent modifications made to the property which mainly related to the internal configuration.

6.4.3 Building Configuration & Divisibility

The building is arranged on a rough figure floor plate (i.e. irregular in shape and layout), generally open plan with limited communication, escape stairs and welfare areas clustered in central areas. The footprint of the total building is arranged on the approximate basis of:

- Gross internal area of 4,350 m² (46,824 sq. ft.)

With the net lettable area broken down as:

- Ground floor – 1,750 m² (18,838 sq. ft.)
- First floor – 1,778 m² (19,139 sq. ft.)
- Second floor – 202 m² (2,174 sq. ft.)

As stated previously, the building was designed for single tenant occupation. Therefore, consideration would have to be put towards the physical separation of the space to accommodate multiple occupiers whilst providing suitable facilities, services, circulation spaces and access.

Difficulty will occur in creating external access to parts of the building (e.g. there is a single main entrance / reception as it stands with limited options around the building to create additional and comparable points of access), the need for additional means of escape provision together with welfare facilities (such as toilets and kitchens) as well as the reduction in lettable space due to increased circulation areas.

As it stands there is a non-lettable area percentage of approximately 15% which is in line with other buildings that were designed for single occupancy. This percentage will increase once the unique features within the building are taken into account including the council chamber, lecture theatre and staff room which are not considered suitable for commercial letting.

As has been appraised within the analysis of the office market, it is considered highly unlikely that there will be demand from a single occupier to take the whole of the office. As such, the likelihood is that the building would have to be subdivided in an attempt to create small enough office suites to meet market demand (considered to be in the region of 2,000 sq. ft. each). This, in turn, results in a number of issues that will inhibit this being a viable option to pursue.

The exercise of dividing the building to create a series of small office suites (e.g. walls / corridors / toilets and kitchens / service rooms / communal areas etc.) will result in a significant reduction in lettable floor area with a further 25% reduction in lettable floor space expected. This will reduce the lettable area from 85% to 60%; considerably lower than the building currently offers. This significant reduction in lettable space (combined with the cost of dividing the building and adding sufficient access / egress points) will have a severe impact on the viability of leasehold disposals given the reduction in space capable of being rentalised. This will be further hampered by the inability to charge a higher rent as any such move would outprice the property from the current market, resulting in unfeasibly long void periods.

The subdivision of the building into office suites that would be in line with market demand would create approximately 22 suites. As such, 22 different companies will have to be identified which would wish to take up a space within a multi occupied building and who would be prepared to share the cost of upkeep, a shared liability that may be off putting to small businesses.

6.4.4 Building Condition

While a full and intrusive building survey, survey of the structure and high level access inspection has not been undertaken, it is evident that the condition of the building fabric is mixed with external elements requiring attention to maintain the water tightness and its décor. This excludes the replacement of some components with more energy efficient alternatives with issues/works required including:

- Flat roof replacement.
- Guttering and rainwater goods overhaul.
- Failed glazing.
- Glazing and joinery details.
- Brickwork and masonry details.
- Boundary walls.

Internally the space looks tired with a full refurbishment and modernisation exercise required to make the space lettable. The full cost of this has not been appraised however will have to be taken into consideration, either in the form of rent free periods (allowing any ingoing occupiers to carry out the works themselves), through a capital contribution or by undertaking the work prior to marketing and disposal which would be wasted if a pre-let agreement cannot be secured.

6.4.5 Energy Efficiency

The building extension was constructed in 1980 and it is thought that the building has remained largely unchanged since erection, and will therefore be relatively inefficient in respect of both the building envelope and services including:

- Cavity walling lacking insulation.
- Windows, while double glazed lack improved heat resistance.
- Roof/ceiling insulation of limited thickness.
- Floor slab lacking insulation.

- Lighting is generally old style florescent and inefficient.
- Heating is gas fired.
- The building lacks any heat recovery.

A copy of the building's Display Energy Certificate has been provided which identifies the fact that the office has a rating of D (86). The rating is relatively low and is well below the expected standards of construction today. The most recent EPC have been requested.

If the property has an EPC rating of F or G then current legislation will prevent it from being sold or let until sufficient energy efficiency improvement measures have been undertaken to increase its rating. Even if the property has an EPC rating in excess of this (e.g. D or E) it is expected that energy efficiency standards associated with the disposal of commercial properties will increase in the future and may therefore capture a building with such a rating. Refurbishment costs associated with this legislation will further impact on the viability of disposal given fact that they will have to be recovered through an increase in rent which may, once again, price the property out of the market.

6.4.6 Services

The services (electricity, water and gas) are configured as a single supply due to the building's previous occupation by a single occupier in an owner occupier arrangement.

For it to be subdivided, the various floor areas both vertically and horizontally would need to include major alteration to incorporate separate services supplies or the introduction of sub-meters.

Alternatively, the landlord would need to offer an inclusive rent with services included within the package alongside the associated management agreement. Such arrangements are often off putting to prospective occupiers that are sizable enough to take independent space where they would be in full control of utility costs incurred.

6.4.7 Asbestos

Given the age of the development it is possible that the building contains asbestos based products requiring removal or management as part of any disposal.

7.0 CONCLUSION

As has been outlined, the Mid Suffolk Development Plan contains policies which seek to retain employment uses, with any planning application for a change of use or redevelopment of an existing premises to non-employment generating uses expected to provide a significant benefit for the surrounding environment in terms of improved residential amenity and traffic safety. Furthermore, the Core Strategy policy makes provision for additional jobs in the district and states that sites and premises will be made available for employment uses in the district's towns.

Paragraph 22 of the NPPF, however, advises that planning policies should avoid the retention of land for employment use where there is no reasonable prospect of it being used for that purpose.

The report has highlighted a number of factors that make the continued use of the property, and site in general, unsuitable and unviable for employment related (specifically office, care home and hotel) uses. These include:

- The fact that the property is poorly located with unfavourable age and qualification related demographic statistics - for B1 Class Uses
- Office market statistics that demonstrate a lack of demand, small average deal sizes, low rental levels, lengthy void periods and limited numbers of sizable businesses that would be suitable for the space in question under a B1 Use Class
- A lack of demand from alternative employment generating end uses including care home & hotel uses
- The current building layout which restricts divisibility, requires refurbishment and energy efficiency improvements – all of which will incur costs which may price the property out of the market for reuse/ conversion to office, care home and hotel uses

Property Location / Demographics

The property is located in a market town setting and in a primarily residential area although it does have a wide range of services / facilities. Access is restricted primarily to 'B roads' although regional A roads are relatively close by. This is supplemented by bus and rail links to the higher-tier settlements of Ipswich and Stowmarket.

Any prospective occupier looking to use the property for employment purposes will strongly consider the age distribution of the local area as well as the percentage of degree qualified residents, both of which will influence their ability to attract and secure suitable staff for their business. It is evident that the property is situated in a 45-64 dominant age group zone and adjacent to a 65+ dominant age group zone which highlights the limited diversity of 'working age' people within reasonable commuting distances to the property (i.e. those within the 16-29 / 30 – 44 age brackets are not represented). Furthermore, the property is mostly adjacent to zones with 10-25% degree qualified people with the most highly degree qualified areas tending to be found around Colchester and Ipswich.

The unfavourable nature of these demographic statistics is compounded further by the drive time distances from the property and its immediate surrounds which highlight the ability to reach major and well established employment locations within a 45 minute drive time. The ability to easily access locations where there is a higher concentration and greater diversity of employers (and indeed suitably qualified and aged employees) will diminish the demand for an office in a setting that is disconnected from these principal centres.

Office Market Statistics

The level of demand for office space in the area has remained relatively flat over recent years with little proposed office space entering the market. Perhaps the most condemning statistics are those that relate to the length of time that offices have remained on the market without being let. These include new and purpose built offices, newly refurbished office suites and second hand stock with examples of some being on the market for a number of years. This is despite their more favourable locations and reasonable quoting rents for the area in which they are situated.

Average deal sizes in the area are small with little more than 2,000 sq. ft. let on average in any one transaction with very few examples of office disposals occurring of a comparable size to the property in question. Taking this into account, it is considered highly unlikely that the office could be disposed of in a single transaction, resulting in the need secure around 22 individual lettings to fill the property.

The amount of office space in question represents about 9 months' worth of office supply (by comparison to the average annual take up within a 10 mile radius of the property). This is a significant amount of space when compared with the amount that is leased over the course of a year in such a wide area.

Average achieved rents in the area are low by comparison to the wider region leaving little room for manoeuvre to cover refurbishment, repair and subdivision costs. In addition, there is stiff competition from high quality space located in well-established employment locations which is still well priced to try and attract the little demand that is there.

Alternative Employment Uses

Consideration has been put towards the conversion of the existing building into alternative employment uses including a care home or hotel.

It is evident that the existing building is unsuitable for conversion into either of these uses given constraints orientating from its irregular layout, the varying depths and lengths of sections across the floor plates, access to outdoor spaces and difficulties in delivering services within the confines of the existing floor plates.

Furthermore, soft market testing has been undertaken which has demonstrated a lack of demand for not only office space but also the alternative employment uses, with the size of the town proving too small for both care home providers and hotel operators. The proximity to other larger towns is also an issue with new hotels, for instance, being delivered in said locations.

Building Condition

The property is a sizable, purpose built, office which was designed and built for a single office occupier. Considering this, it does not lend itself well to subdivision with the reduction in net lettable space being at a level that is well below standards. The works required to create such a space will also be difficult, if not impossible, to achieve with a need for services to the split, additional toilets and kitchens installed, fire escapes created and corridors carved out of lettable space, works that will reduce the viability of re letting when the costs are weighed up against the likely rental returns.

The property itself is in need of refurbishment (externally and internally) with changes in energy efficiency legislation putting even greater pressure on the extent of works required.

The redevelopment of the site for residential led purposes is therefore considered to be justified and appropriate in planning and commercial terms.



Carter Jonas