

FORMER BABERGH DISTRICT
COUNCIL OFFICES

CORKS LANE HADLEIGH
IP7 6SJ

MAY 2018

EMPLOYMENT VIABILITY APPRAISAL

Carter Jonas

Reference: Employment Viability Appraisal – Former Babergh District Council Offices, Corks Lane, Hadleigh IP7 6SJ

Client: Babergh 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
- 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
- There is over 339,000 sq. ft. of available office space within a 10 mile radius of the property with a further 334,000 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 7 deals occurring over the last 5 years that have taken more than 10,000 sq. ft. – all of which occurred in Ipswich or Colchester
- The vast majority of leasing activity occurring over the last 5 years has occurred around Ipswich and Colchester. The only deals to occur in close proximity to Hadleigh were small in scale and ranged between 730 sq. ft. and 2,316 sq. ft.
- 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.
- 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. Colchester and Ipswich)
- 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

- 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 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 Babergh 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 Babergh District Council to prepare a full planning application for residential development of the BDC site at Hadleigh.

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 on the site. This has been further confirmed by a soft market testing exercise undertaken by Ark which looked into office, hotel and care home uses in this location.

The Babergh Local Plan seeks to retain existing employment uses unless continued use is considered to be unsuitable or unviable (as stated in Policy EM24).

It has been agreed during pre-application discussions that a marketing campaign for the site is not required however the client (applicant) would still need to demonstrate that continued employment use is not suitable or viable to address the emphasis of Policy EM24. 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 comprises the saved policies of the Babergh Local Plan (2006) and the Babergh Local Plan Core Strategy & Policies (2014). Babergh District Council has adopted a number of Supplementary Planning Documents. The relevant SPDs are the Affordable Housing SPD (adopted 2014), Safeguarding Employment Land SPD (adopted 2008), the Suffolk County Council Parking Standards Supplementary Guidance (2014), and the Supplementary Planning Guidance on Provision of Outdoor Recreation Facilities & Open Space (adopted 2010).

4.2 THE CORE STRATEGY

The Core Strategy (CS) sets out a high-level strategic plan for the District from 2011 to 2031. Policy CS2 states that most development in the district will be directed to the largest towns and urban areas, including Hadleigh. Policy CS2 states that on land defined as the countryside development will be permitted in exceptional circumstances subject to a proven justifiable need. Policy CS6 provides for a mixed use urban extension to the town of Hadleigh for approximately 250 dwellings and up to 5.5ha of employment land.

Policy CS15 relates to “Implementing Sustainable Development in Babergh.” Relevant to this site are the policy’s requirements to:

- Protect or create jobs to strengthen the local economy and reduce out-commuting
- Ensure an appropriate level of services and facilities
- Protect and enhance biodiversity
- Make provision for open space
- Reduce exposure to risks of flooding
- Policy CS19 requires 35% affordable housing in residential developments.

4.3 SAVED POLICIES OF THE BABERGH LOCAL PLAN (2006)

The proposals map associated with the Babergh Local Plan (2006) shows the site as lying outside of the “Built up area boundary” of Hadleigh. In addition, it shows the site as being located within a “Special Landscape Area” as well as lying within Hadleigh Conservation Area.

Saved Policy HS04 indicates that new housing will be integrated into the defined areas of Towns and Villages. Outside of these areas, in the countryside, the policy states that existing land uses will remain “for the most part undisturbed.” As such, this policy when taken on its own would have the effect of precluding residential development on the subject site.

This must be weighed against the more recent Core Strategy and the presumption in favour of sustainable development outlined in paragraph 14 of the National Planning Policy Framework (2012) taking account of Babergh District Council’s acknowledged shortfall of deliverable housing sites against its five year requirement. According to the latest Annual Monitoring Report (2016-2017) dated June 2017, Babergh District Council claims that it has between 4.1 and 4.7 years of its five year housing land supply depending on the methodology used. This is against the adopted Core Strategy’s housing requirement whereas if land supply is assessed against the most recent Strategic Housing Market Assessment there is actually a 3.1 year housing land supply which represents a significant deficit. As such, decisions on planning applications for new homes in the district need to be taken in the context of the presumption in favour of sustainable development and only refused where the adverse impacts significantly and demonstrably outweigh the benefits or the NPPF itself indicates that

development should be restricted. In this case, the site is located in a conservation area and Footnote 9 is clear that the NPPF extends protection to heritage assets regardless of the particular five year land supply position.

Saved Policy EM24 states that proposals to redevelop or re-use existing vacant employment land for non-employment purposes will only be permitted if alternative employment uses have been fully explored by way of an agreed and sustained marketing campaign undertaking at a realistic price or, where agreed in advance, the applicant can demonstrate that the land, site or premises are inherently unsuitable or not viable for all forms of employment related use.

In relation to the application of Saved Policy EM24 Babergh District Council has adopted Supplementary Planning Document dating from 2008 entitled "Safeguarding Employment Land." This elaborates on the second rung of Policy EM24 which permits the loss of employment land where the site or premises are inherently unsuitable or not viable for all forms of employment related use. The SPD qualifies that in order to use this provision, the applicant must approach the local planning authority and agree the use of this route in advance. Subsequently, the applicant is required to employ appropriate commercial expertise to demonstrate that the land, site or premises in question are inherently unsuitable or not viable for all non-domestic forms of employment related use. The SPD states that the Council will consider the evidence provided and may enlist independent advice on the information the cost for which the applicant will be liable.

The SPD notes that although the retention of the site in employment use may not be viable at a particular moment in time, the economics of development may change over time and the site's potential for employment uses could become a viable proposition in the future. In this respect, such sites are still considered by the Council to have value as an employment resource.

The SPD continues that where an applicant can demonstrate that the redevelopment or refurbishment of an existing employment site is unviable, developers will be expected, subject to other policy considerations, to explore the prospect of a balanced approach to mixed-use development which incorporates an element of higher value uses to cross-subsidise employment uses. Where residential development is proposed the applicant or his agent need to explain why a mixed-use development is not feasible on a particular site. Where an industrial or business use is not feasible, leisure or community uses will be preferred.

It should be noted that Saved Policy EM24 and the corresponding SPD are now 10 – 12 years old and planning policy at the national level has moved on to a material degree. Paragraph 22 of the NPPF 2012 states that "planning policies should avoid the long term protection of sites for employment use where there is no reasonable prospect of the site being reused for that purpose. Where there is no reasonable prospect of the site being used for the allocated employment use, applications for alternative uses of land and buildings should be treated on their merits having regard to market signals and the relative need for different land uses to support sustainable local communities."

Given its comparatively rigid focus, Saved Policy EM24 is not wholly consistent with the more recent NPPF 2012 particularly in as much as the SPD indicates that alternative uses or mix of uses other than the existing or proposed use be considered in preference to residential, whereas Paragraph 22 of the NPPF is clear that where the existing use is shown to not have a reasonable prospect of continuing, alternative uses should be treated on their merits. Requiring that other uses or mixes of uses be explored before the site is brought forward for residential development is not consistent with treating alternative uses on their merits.

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 to conserve 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.

The advice of Paragraph 22 in respect to the retention of employment land has been set out above in relation to local planning policy. 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 and protect and enhance valued landscapes. 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 important 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 the Babergh District Council office, Corks Lane, Hadleigh is owned by Babergh District Council.

The site contains an office building (B1 Use Class) of circa 33,113 sq. ft. (net) (this area is approximate and has been established from the VOA rating of the office) accessed separately from both Corks Lane and the B1070. The existing accommodation is principally set over ground and first floors with a small amount of space at second floor level. It 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 extends to approximately 0.44ha (1.09 acres - northern site) with an additional 0.42ha (1.03 acres) on the southern plot to the south of Corks Lane – as can be seen in Figure 1. Note the former staff car park accessed off Bridge Street is excluded from this area calculation.



Figure 1 – Site Boundary / Location Plan – Existing Buildings

Internally it is currently divided into a series of private offices, meeting rooms, circulation areas and open plan offices. There is a large courtyard to the eastern side of the plot and a large landscaped area (referred to in the report as the Southern Plot) on the other side of Corks Lane.

Floor plans are provided on the following page – Figures 2 and 3.

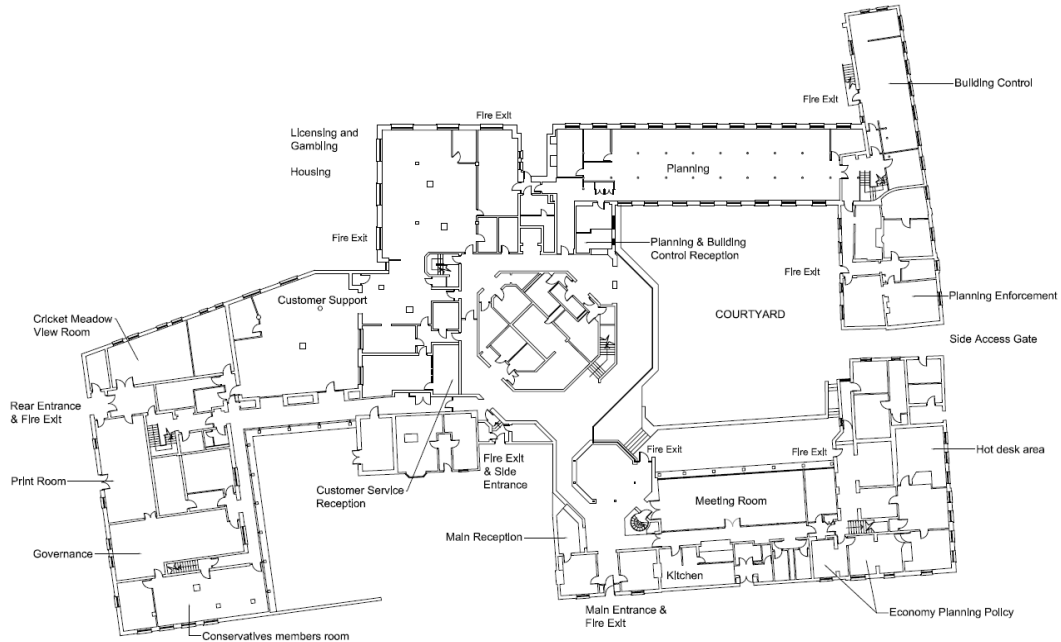


Figure 2 – Ground Floor Plan (Not to Scale)

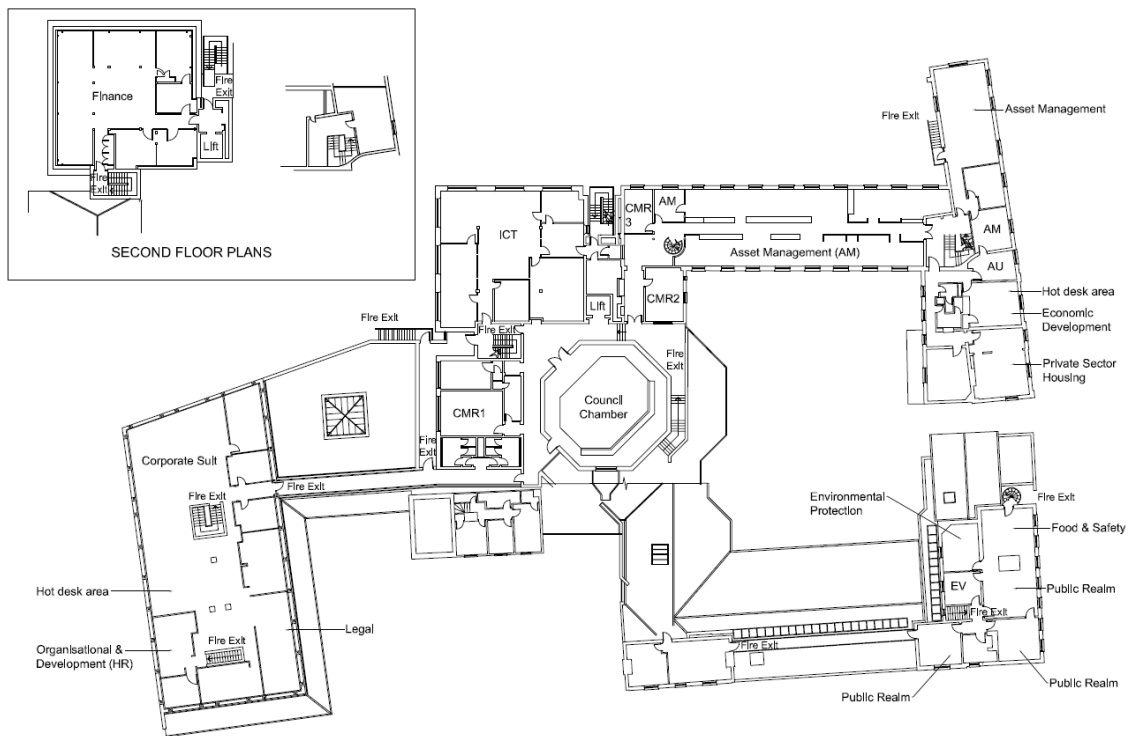


Figure 3 – First & Second Floor Plan (Not to Scale)

6.0 RESTRICTIONS TO CONTINUED EMPLOYMENT USE

6.1 PROPERTY LOCATION IN THE CONTEXT OF REGIONAL DEMOGRAPHICS & STATISTICS

6.1.1 Property Location

Babergh is a predominantly rural district and Hadleigh served as the administrative centre until the Council relocated to Ipswich in 2017. Nearby Sudbury is the largest town by population size. Commercial and employment activities within Babergh are concentrated primarily around Sudbury and Ipswich.

Hadleigh is the second largest town in Babergh although is still relatively small with a population of approximately 8,253 people according to the 2011 census. The historic character of the town, with the River Brett forming the western boundary, provides an attractive setting for a wide variety of shops and service facilities that includes a range of specialist shops that draw people from outside the immediate area and contribute to the visitor and tourist offer.

The shape of the town influences the location of the residential areas, which are contained to the northern, eastern and southern edges and are some distance from the town centre.

The A12 and A134 trunk roads, which run north to south across the district, are key transport corridors in the region. The A1071 bypasses the town and provides good access to the main employment area.

The town does not have a railway station although bus services are available from Hadleigh to Ipswich, Sudbury and Colchester where trains can be taken.

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 4).

It is evident that the office is situated in a 0-15 dominant age group although generally it is adjacent to 45-64 dominant age group zones.

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

Principal clusters of 16-29 / 30-44 dominant age groups are, as would be expected, located around Colchester and Ipswich although there is a small 16-29 dominant age group to the north of the site around Wattisham Airfield.

These age population statistics are not favourable and highlight the lack of 'working age' people within reasonable commuting distances to the property. The statistics reinforce the fact that the property is situated in a relatively rural area with the proximity of Ipswich and Colchester have an impact by attracting a greater cluster of people that would fall within the right age brackets for employers located here.

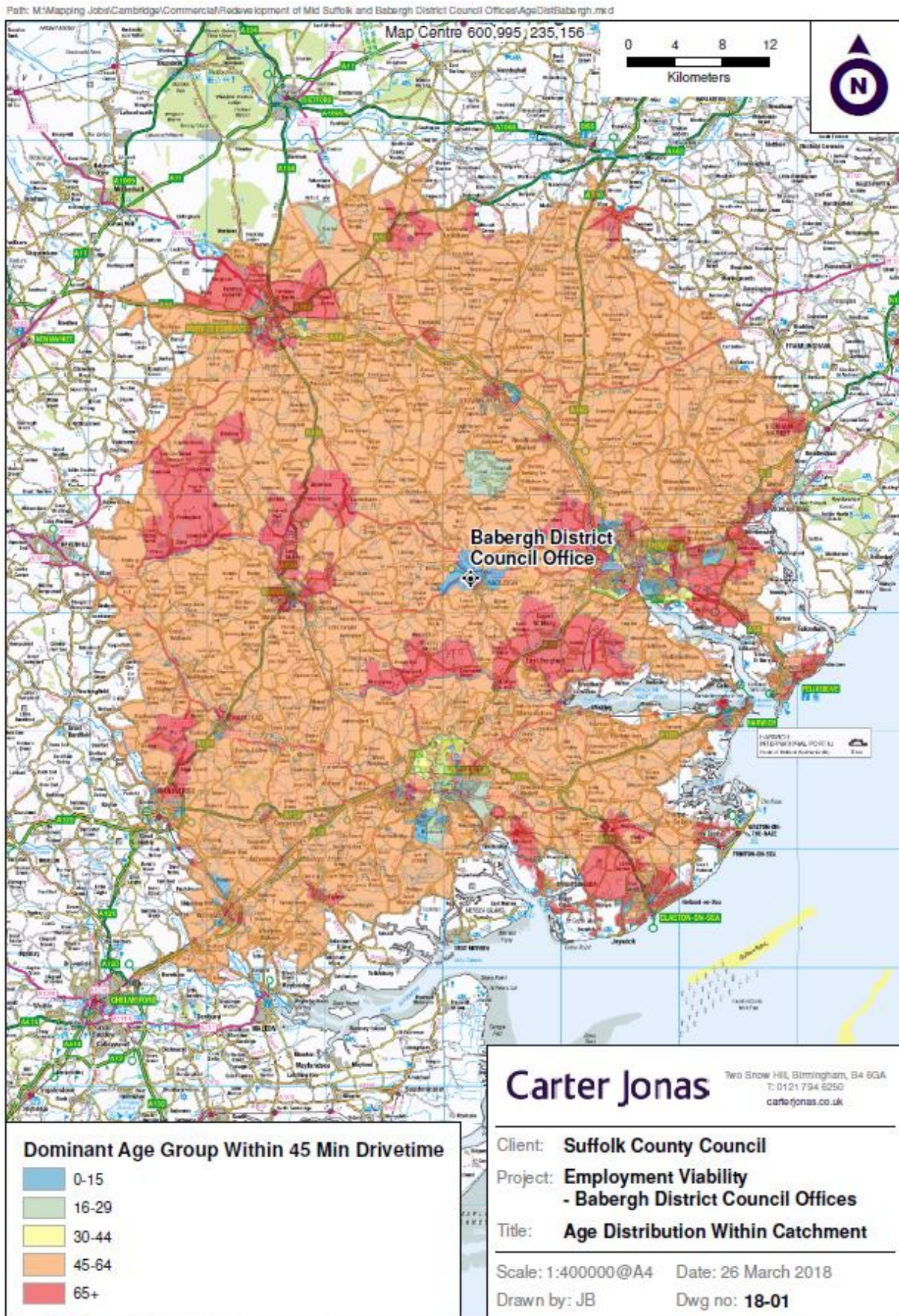


Figure 4 – Age Distribution within 45 Minute Drive Time Catchment

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 5).

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).

Hadleigh is dominated by 10% to 25% degree qualified zones (the lowest two brackets) with the office itself is located within a 15% degree qualified zone. There are small pockets of 25-50% degree qualified zones however these appear to be outweighed by the dominant 10% to 25% degree qualified zones.

These statistics do not shed a positive light on the opportunity to attract prospective employees to the property with established clusters of degree qualified people within easy reach of more established employment locations including Colchester and Ipswich.

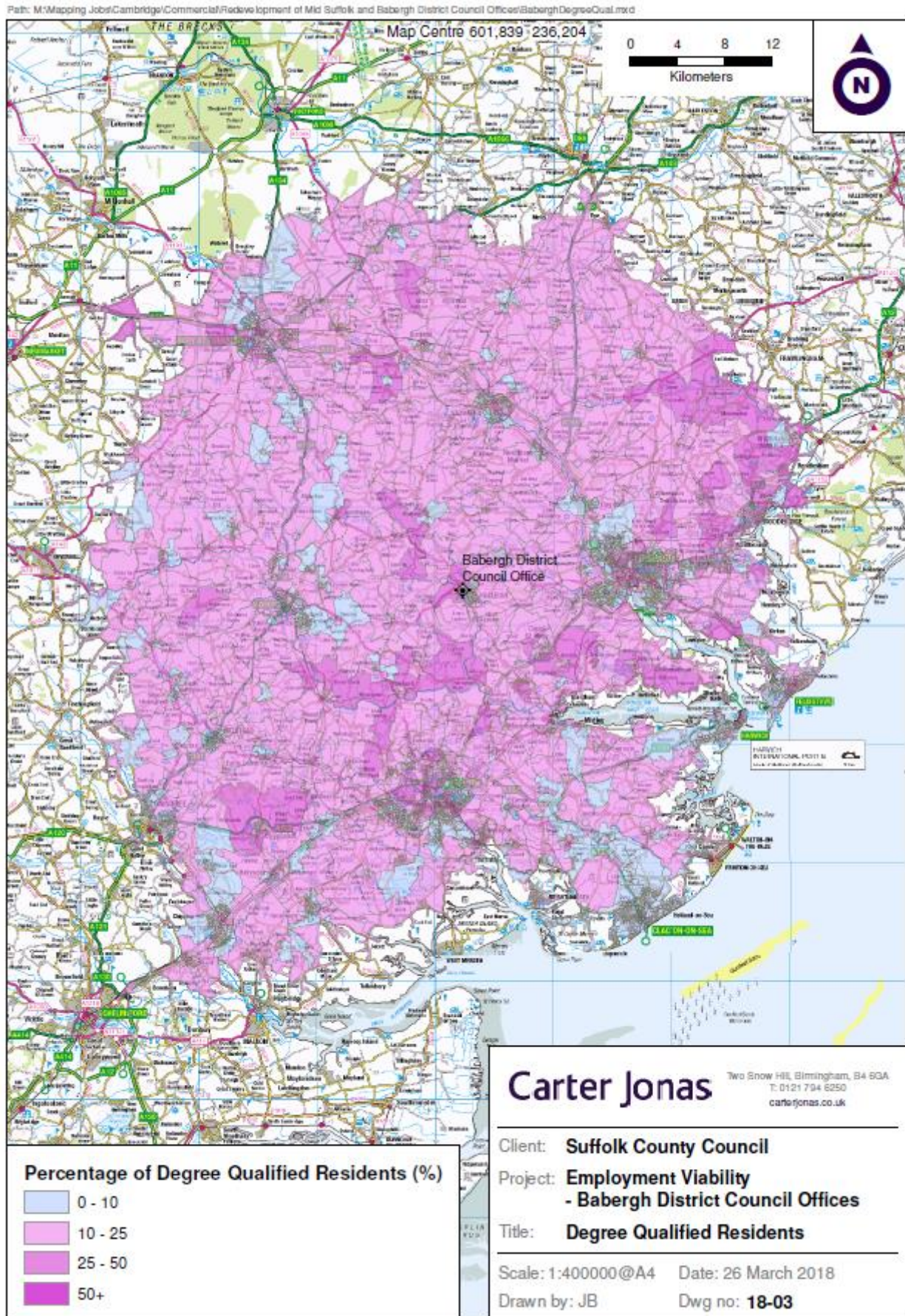


Figure 5 – Degree Qualified Residents within 45 Minute Drive Time Catchment

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.

Hadleigh 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 Hadleigh. This radius (as can be seen in Figure 6) encompasses parts of Ipswich, Colchester and Sudbury which are larger regional commercial centres. It is important to take this into account when analysing the market trends occurring and forecasts for the future.

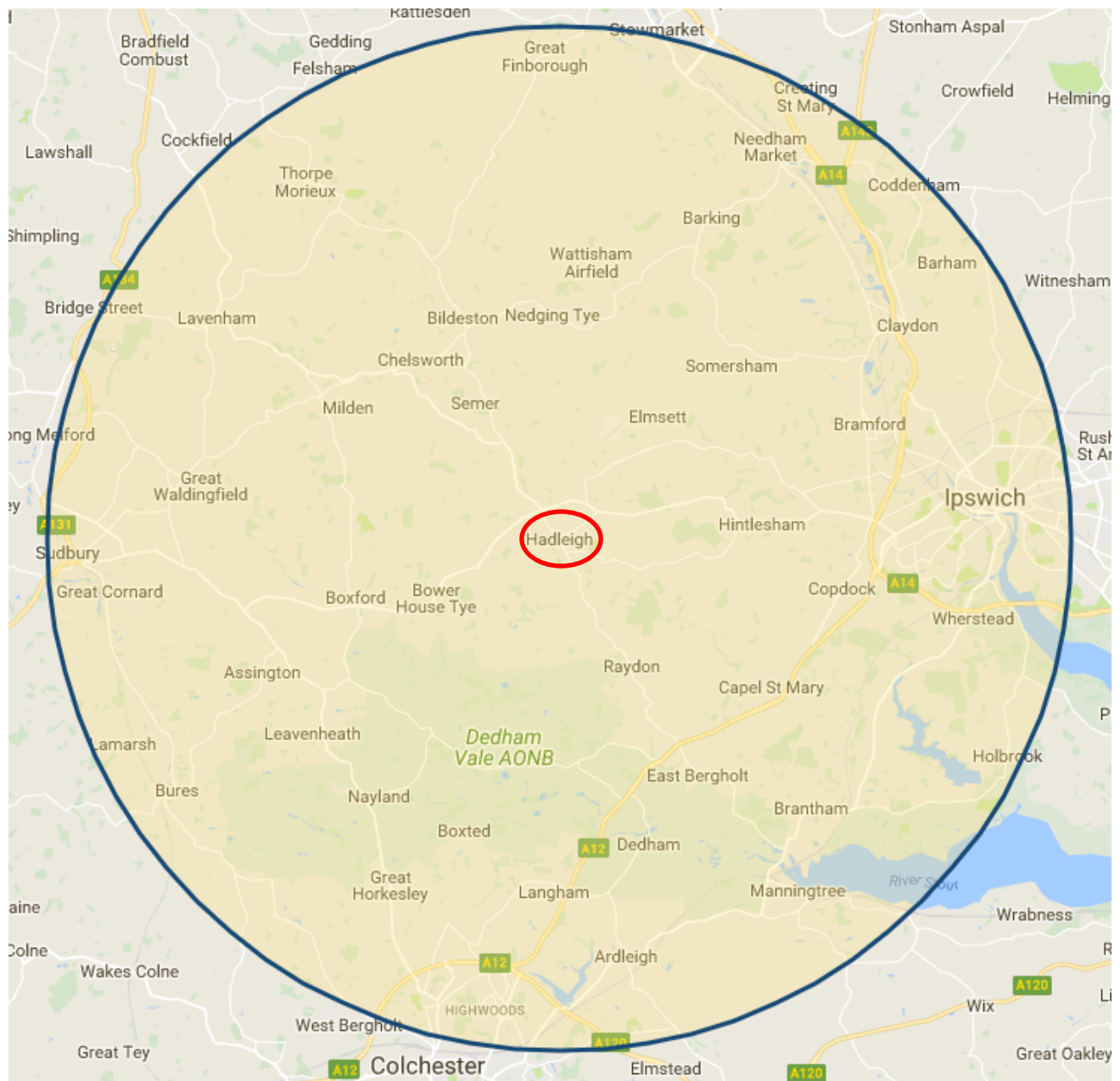


Figure 6 – Office Market Search Radius – Hadleigh + 10 Miles

6.2.2 Office Availability

Within a 10 mile radius of the town there are currently 598 existing and proposed offices providing over 5.11 million sq. ft. of office space which compares very closely to the five year average of 5.13 million sq. ft.

There are circa 581 existing offices suites (including those under renovation) providing around 339,219 sq. ft. of available space in total. The majority of existing and all available office space is located in established employment locations away from Hadleigh (as per Figure 7) with small clusters of existing office suites scattered around peripheral villages and towns.

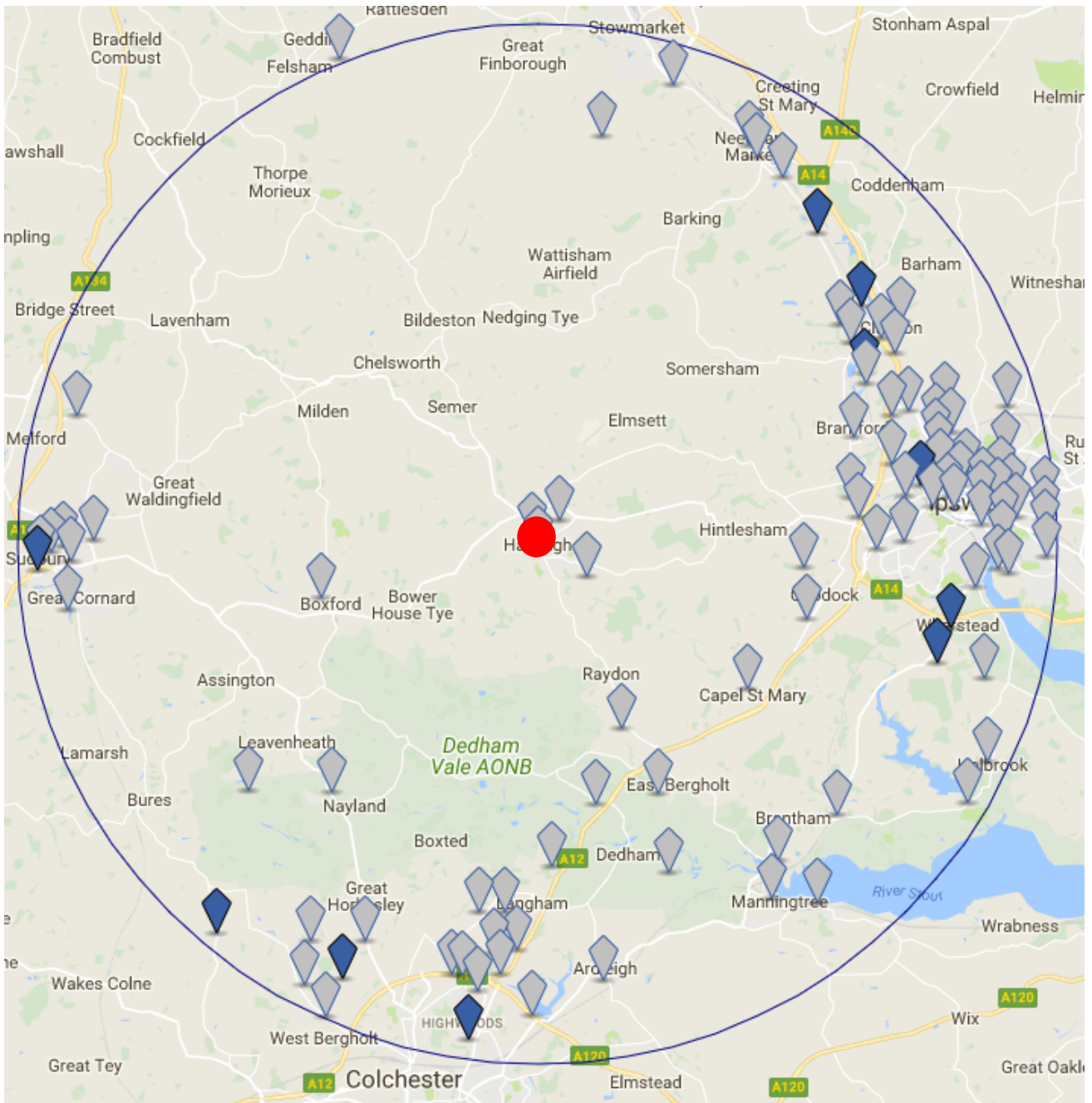


Figure 7 – Offices that are Existing and / or Under Renovation

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

Of the existing space available, the average available office / suite size is 2,476 sq. ft.

There are five offices currently on the market (for sale / to let) that are offering in excess of 20,000 sq. ft. These are:

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 8 – Berkeley Business Centre, Connexions 159, Princes Street, Ipswich

St Clare House, Princess Street, Ipswich: 40,980 sq. ft. of purpose built office space in 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 9 – St Clare House, Princess Street, Ipswich

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 10 – Franciscan House, 51 Princes Street, Ipswich

Sulby House, North Street, Sudbury: 31,784 sq. ft. office with consent for residential conversion and on the market for sale. Time on Market: 9 months.



Figure 11 – Sulby House, North Street, Sudbury

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. 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 12 – Hyde Park House, 1 Crown Street, Ipswich

In addition, there is a further 334,228 sq. ft. of office space that is either proposed or under construction although 116,273 sq. ft. of this space is available and on the market as such. This includes:

Building Address	Building Name	Building Park	Building Status	Rentable Building Area	Total Available Space (SF)
Crockatt Rd		Hadleigh Enterprise Park	Under Construction	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	
Manningtree Rd	The Pavilion	Dedham Vale Business Centre	Proposed	2,885	
Princes St	Birketts		Under Construction	50,000	
Old Ipswich Rd	Building 1	Hudson Park	Proposed	8,180	8,180
Old Ipswich Rd	Building 2	Hudson Park	Proposed	8,180	8,180
Old Ipswich Rd	Building 3	Hudson Park	Proposed	8,180	8,180
Old Ipswich Rd	Building 4	Hudson Park	Proposed	8,180	8,180
Old Ipswich Rd	Building 5	Hudson Park	Proposed	8,180	8,180
88-96 Princes St			Proposed	40,300	40,300
Severalls Ln	Axial House		Proposed	18,300	18,300
Summers Park	Dairy Barn Mews		Under Construction	7,241	7,241
TOTALS				334,228	116,273

As can be seen in Figure 13, the majority of this space is situated in Colchester or Ipswich with only one proposed office near Hadleigh – 4,260 sq. ft. of office space under construction at Hadleigh Enterprise Park. The location and scale of these offices further highlights the focus of the local market place on the core employment areas of Colchester and Ipswich.

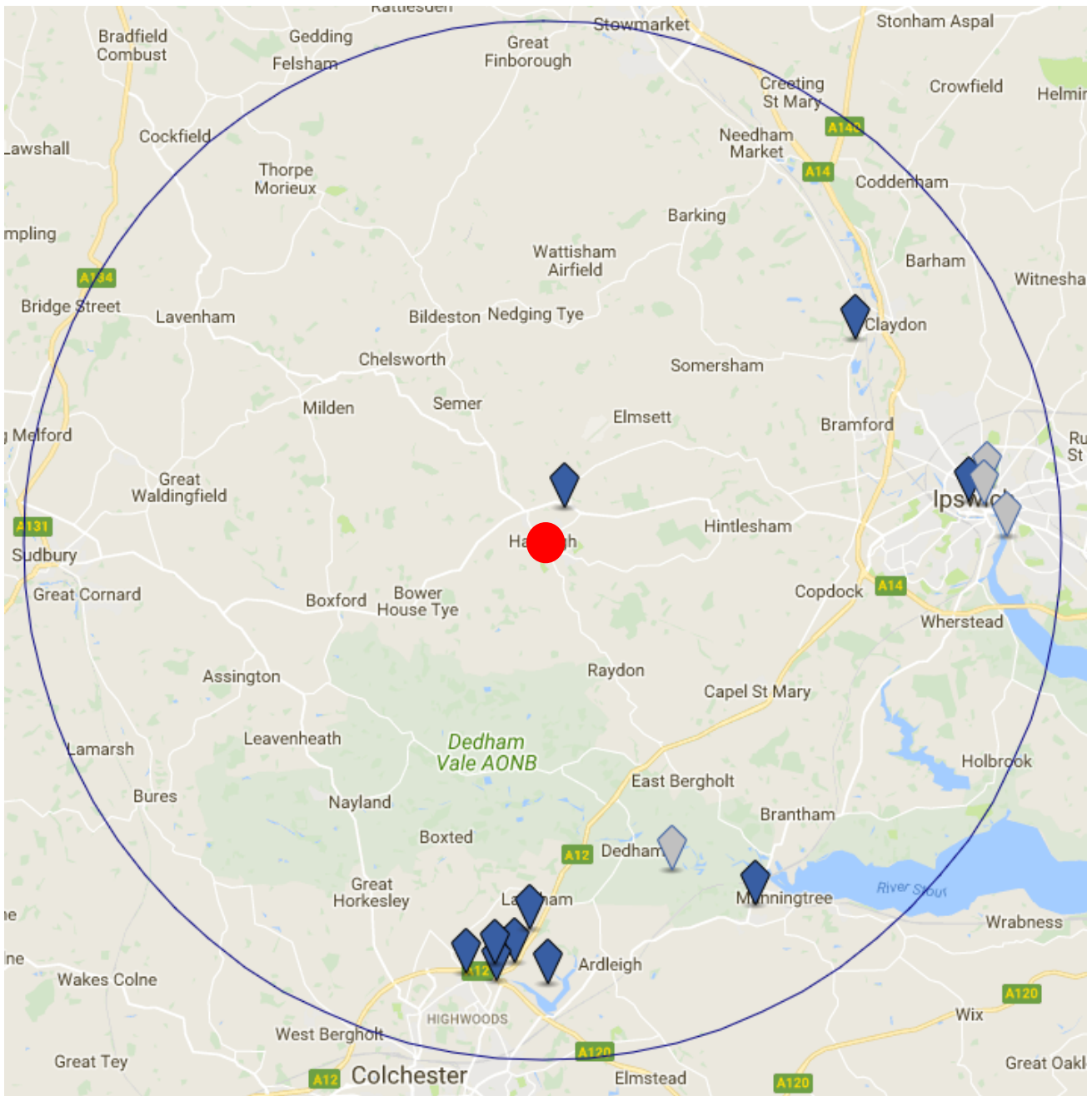


Figure 13 – Office Space that is Proposed or Under Construction

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

The level of availability within the area has risen slightly since 2016 (254,420 sq. ft.) and has started to return to levels of recent peaks – as per 2014 where circa 370,407 sq. ft. was available. There has been little change in the level of available space throughout 2017 (339,298 sq. ft.) and 2018 (350,720 sq. ft. to date).

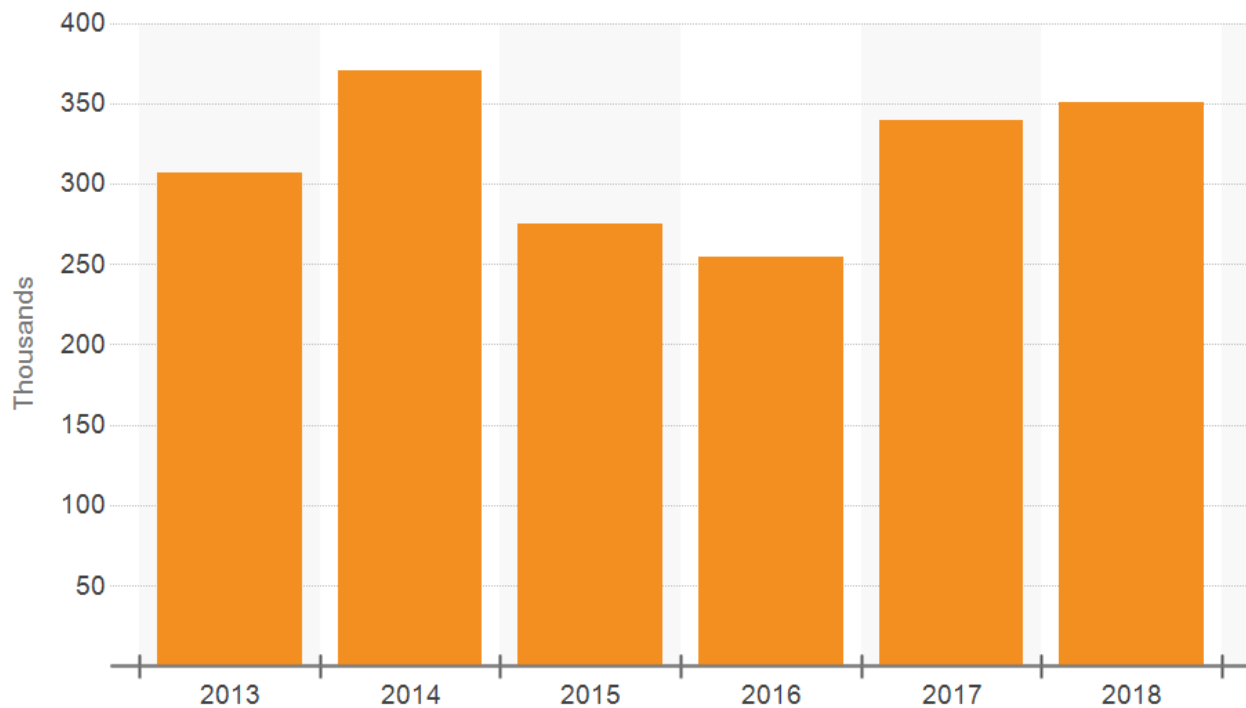


Figure 14 – Office Availability – Hadleigh + 10 miles

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 6.8% in the current quarter from a recent 5 year low in Q4 2016 of 4.9%.

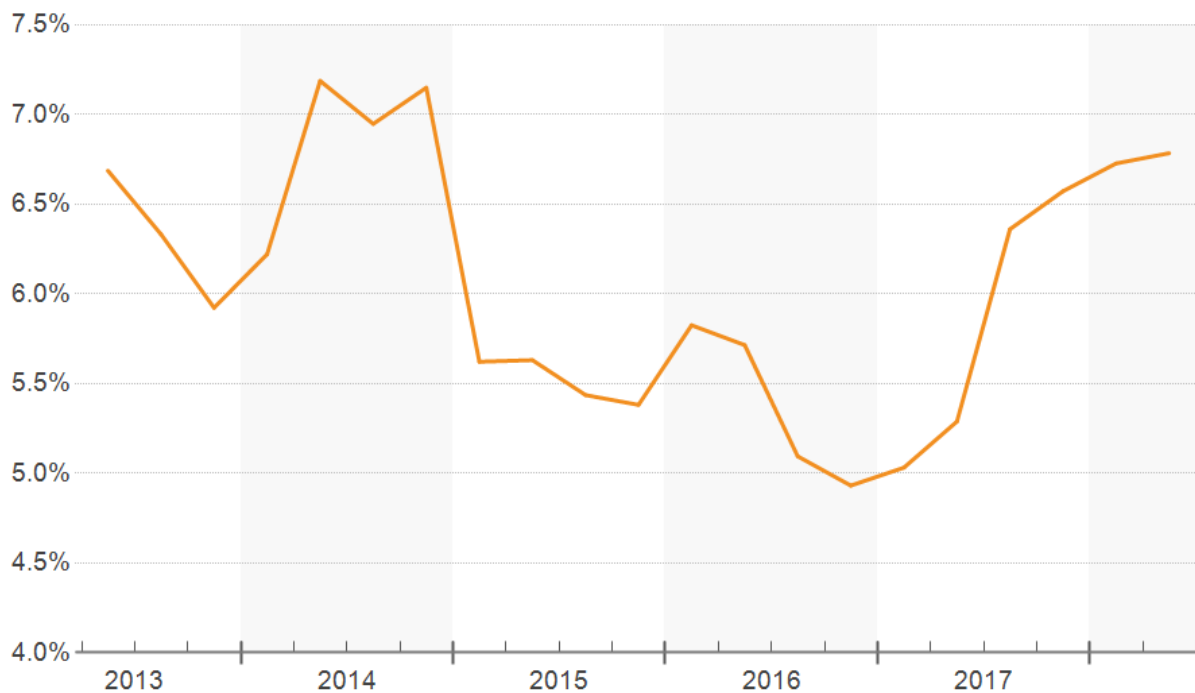


Figure 15 – Office Availability Rate – Hadleigh + 10 miles

6.2.3 Office Leasing Demand

In 2015 around 48,449 sq. ft. was let (as seen in Figure 16) which was followed by two years of better results with 59,931 sq. ft. in 2016 and 77,259 sq. ft. in 2017. This compares to the five year average of 67,800 sq. ft.

Over the last 5 years circa 395,490 sq. ft. has been leased with 171 deals recorded of between 141 sq. ft. and 19,966 sq. ft. resulting in an average deal size of 2,312 sq. ft.

The vast majority of office demand in the area has been at the lower end of the market with 86% of office deals taking less than 5,000 sq. ft. in any one deal.

There have only been 7 deals of 10,000 sq. ft. or over in the last 5 years (all of which occurred in Ipswich or Colchester – further confirming their dominance within the regional office market) including:

- **Elm House and Elm Court, 25 Elm Street, Ipswich:** 19,966 sq. ft. leased in September 2015.
- **Colchester Business Park, 900 The Crescent, Colchester:** 17,907 sq. ft. leased in January 2014.
- **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
- **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

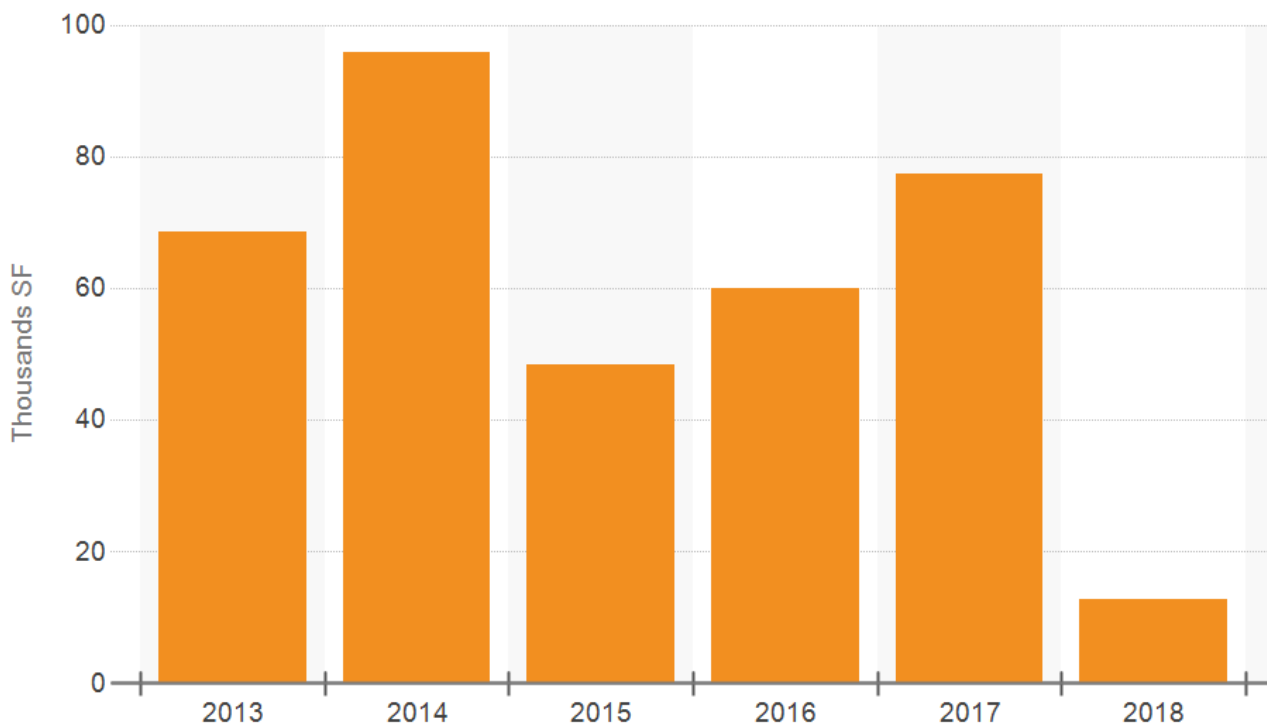


Figure 16 – Office Deals Done – Hadleigh + 10 miles

As is evident in Figure 17, the vast majority of leasing activity occurring over the last 5 years has occurred around Ipswich and Colchester. The only deals to occur in close proximity to Hadleigh were small in scale and included the disposal of 2,316 sq. ft. at 1-6 Hadleigh Enterprise Park back in June 2013 and 729 sq. ft. let at Cart Lodge Office, Hook Lane, Hadleigh in June 2015. The next closest disposals were in Sudbury or villages between Colchester and Ipswich.

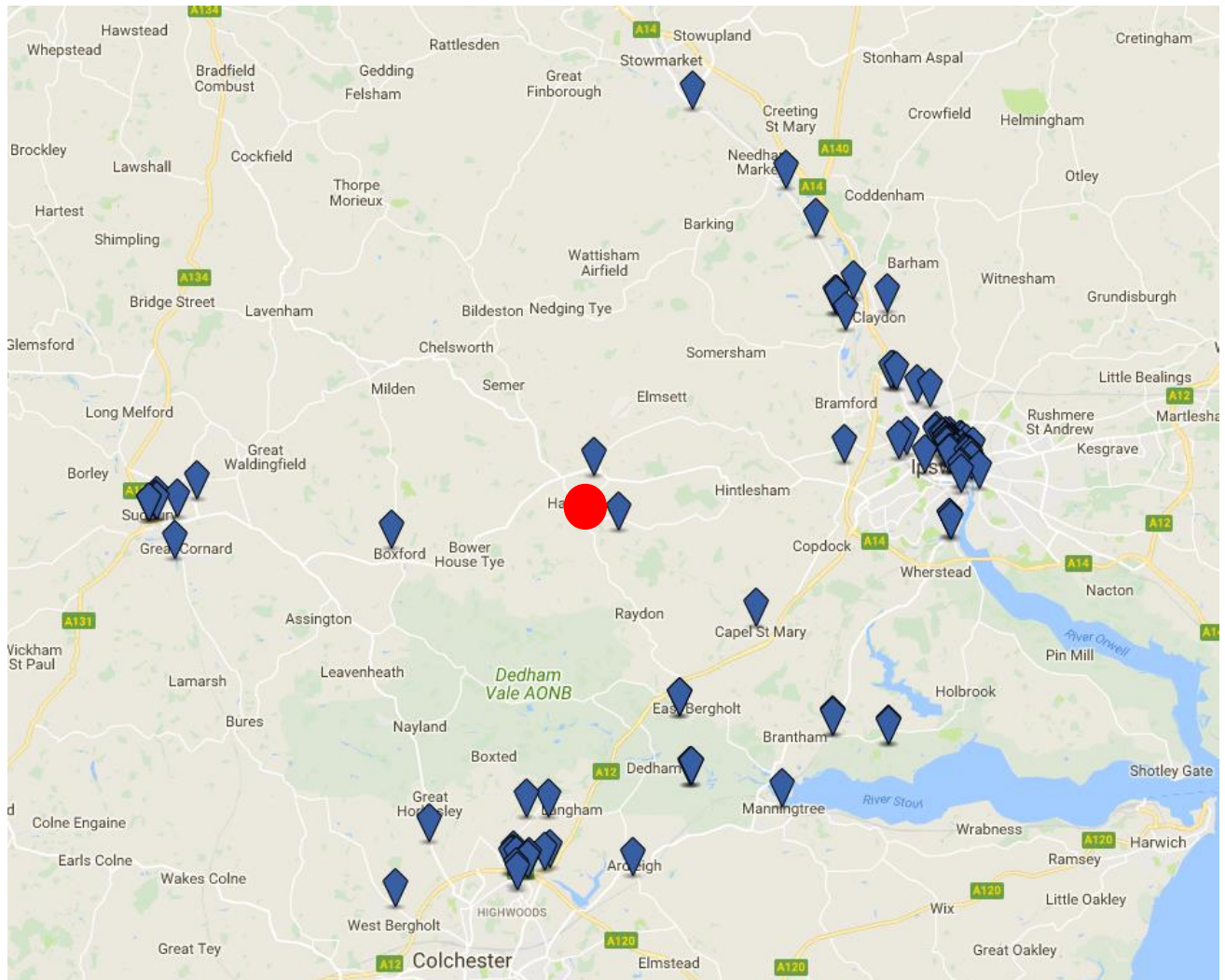


Figure 17 – Leasehold Office Deals Done – Hadleigh + 10 miles

Over the last 5 years, offices have remained on the market for 15 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 8 months (as per Figure 18).

The average number of months a property is on the market for has generally fallen since 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 - Hadleigh + 10 miles

6.2.4 Office Rents

Average asking rents in the area are currently around £11.35 per sq. ft. which is a slight improvement following on from a recent low in Q2 2014 of £9.40 per sq. ft.

Average achieved rents, by comparison, currently stand at around £8.68 per sq. ft. with net effective rents around £8.11 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.

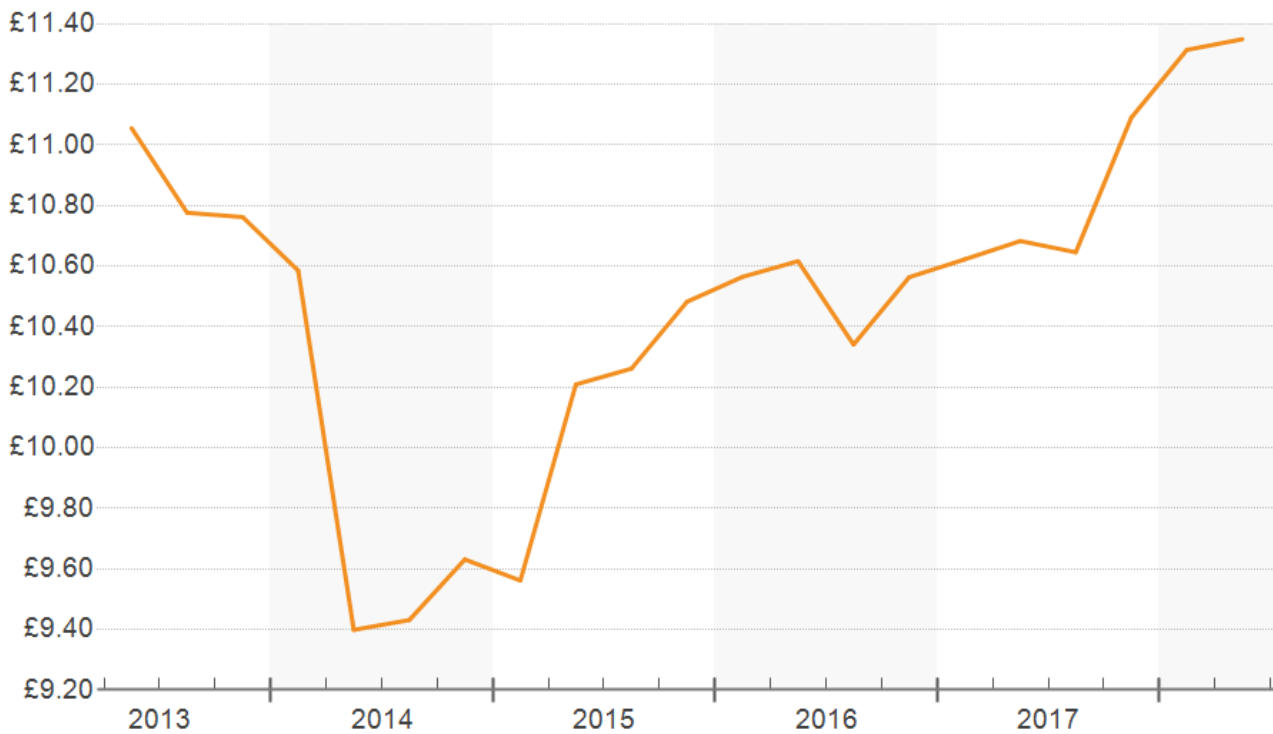


Figure 19 – Average Office Asking Rents – Hadleigh + 10 miles

6.2.5 Office Occupiers

Within 10 miles of the town there are around 386 known office occupiers in 233 buildings, although there are only 52 that occupy more than 5,000 sq. ft. in 42 buildings.

Of these larger occupiers, there are a number 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 (circa 7) 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 and Colchester – on the periphery of the radius search area. 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.

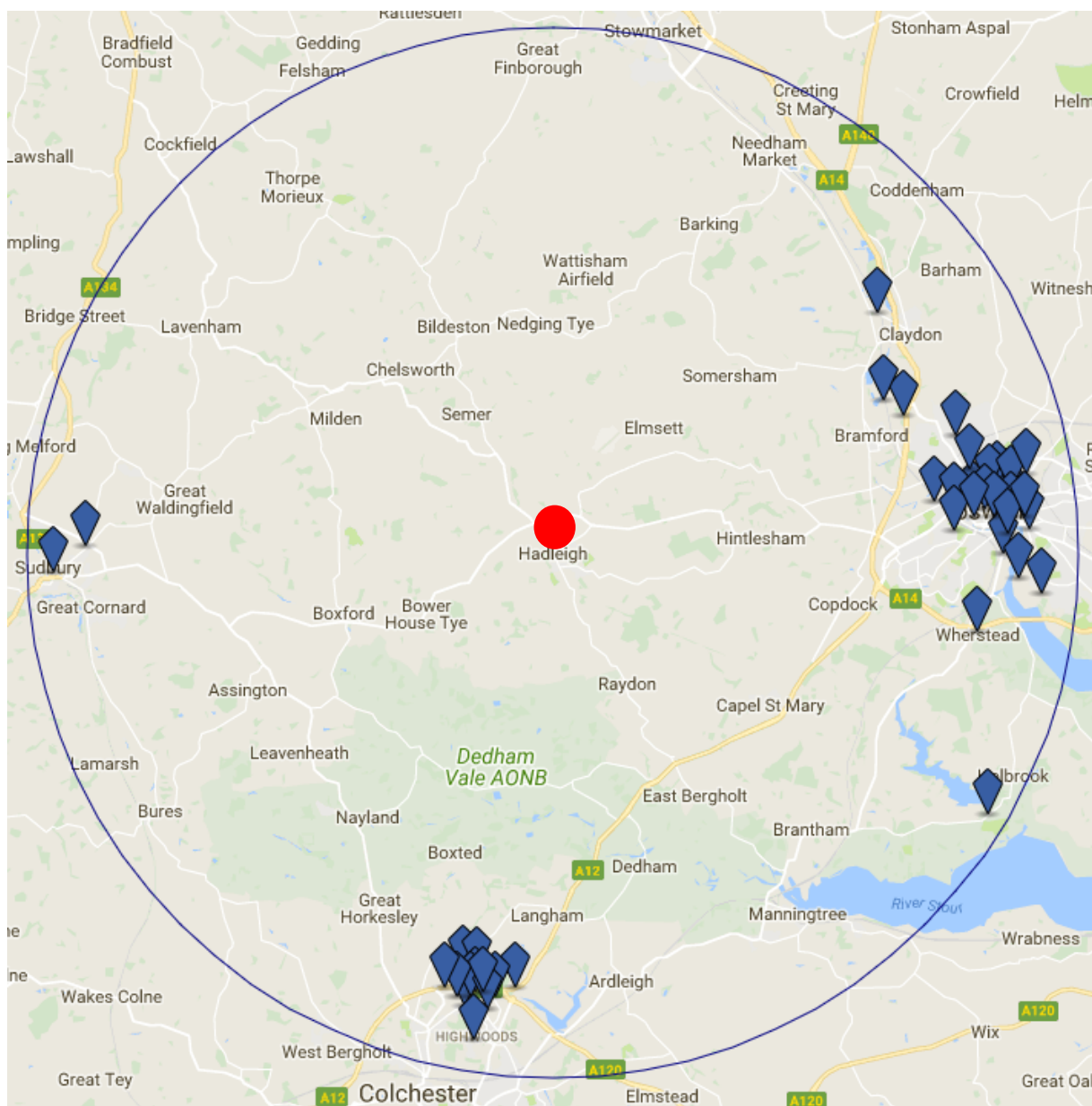


Figure 20 – Known Office Occupiers of more than 5,000 Sq. Ft. of Space

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

Company Name	Building Name	Address	City	Post Code	SF Occupied	Industry Type
Larking Gowen Group		Claydon Business Park	Ipswich	IP6 0NL	7,440	Accountants
Scrutton Bland	Fitzroy House	3 Crown St	Ipswich	IP1 3HY	15,792	Accountants
Flowgroup plc	Suffolk Enterprise Centre	Felaw St	Ipswich	IP2 8SJ	14,726	Agri/Mining/Utilities
CloudFM Integrated Services Ltd		3 Charter Ct	Colchester	CO4 9YA	6,345	Business Services
Cobb Europe Ltd	The Beeches	Old Ipswich Rd	Colchester	CO7 7QY	6,680	Business Services

Craft Media	St Vincent House	1 Cutler St	Ipswich	IP1 1UL	5,400	Business Services
Derivco Ipswich	Crown House	Crown St	Ipswich	IP1 3HS	10,000	Business Services
Group Four	Former Volvo Site	Raeburn Road South	Ipswich	IP3 0ET	5,273	Business Services
ISG Plc	Jackson House	Eight-Six Sandyhill Ln	Ipswich	IP3 0NA	25,781	Business Services
Mosaic Publicity	Oyster House	Severalls Ln	Colchester	CO4 9PD	8,020	Business Services
MyGo	Fraser House	23 Museum St	Ipswich	IP1 1HN	5,295	Business Services
WS Training Ltd		37-43 Fore St	Ipswich	IP4 1JL	8,251	Business Services
Newsquest (Essex) Ltd		Brunel Way	Colchester	CO4 9XP	9,142	Communications
Sharedband Ltd		40-50 Princes St	Ipswich	IP1 1RJ	7,230	Communications
Ludologic Ltd	Crown House	Crown St	Ipswich	IP1 3HS	8,000	Computers/ Data Processing
Netscout	Fraser House	23 Museum St	Ipswich	IP1 1HN	5,550	Computers/ Data Processing
Atkins Ltd	Beacon House	53-65 White House Rd	Ipswich	IP1 5PB	9,166	Engineers/Architects
MLM Group Ltd	North Maltings & Kiln	Felaw St	Ipswich	IP2 8PN	14,971	Engineers/ Architects
The Chameleon Group		Brunel Way	Colchester	CO4 9NQ	21,372	Engineers/ Architects
Killik & Company LLP	Crown House	Crown St	Ipswich	IP1 3HS	9,000	Financial Institutions
New India Assurance Company	Crown House	Crown St	Ipswich	IP1 3HS	8,000	Financial Institutions
Essex County Council	Essex House	200 The Crescent	Colchester	CO4 9YQ	29,973	Government
Sudbury Town Council	Sudbury Town Hall	Market HI	Sudbury	CO10 1TL	6,447	Government
Suffolk Chamber of Commerce	Suffolk Enterprise Centre	Felaw St	Ipswich	IP2 8SJ	5,438	Government
Suffolk Constabulary		10-10a Museum St	Ipswich	IP1 1HT	6,096	Government
Suffolk County Council	Endeavour House	8 Russell Rd	Ipswich	IP1 2BX	133,638	Government
Suffolk County Council	Landmark House	White House Rd	Ipswich	IP1 5PB	57,489	Government
Direct Line Group Ltd		31 Princes St	Ipswich	IP1 1PU	8,371	Insurance
Willis Limited		15 Friars St	Ipswich	IP1 1TD	188,314	Insurance
Birketts	Birketts	Princes St	Ipswich	IP1 1PH	50,000	Law Firms
Fisher Jones Greenwood LLP		1 Charter Ct	Colchester	CO4 9YA	7,920	Law Firms
Gotelee Solicitors		31-41 Elm St	Ipswich	IP1 2AY	11,496	Law Firms

Linklaters		750 The Crescent	Colchester	CO4 9YQ	7,835	Law Firms
Prettys	Elm House & Elm Court	25 Elm St	Ipswich	IP1 2AD	19,966	Law Firms
Crown Mortgage Management Ltd	Crown House	Crown St	Ipswich	IP1 3HS	8,901	Personal Services
Turning Point	Sanderson House	17-19 Museum St	Ipswich	IP1 1HE	5,536	Personal Services
Nwes Property Services	Suffolk Enterprise Centre	Felaw St	Ipswich	IP2 8SJ	30,373	Real Estate
Savills		40-50 Princes St	Ipswich	IP1 1RJ	6,150	Real Estate
Spicerhaart Property Management Ltd		Brunel Way	Colchester	CO4 9XP	5,870	Real Estate
Eastern Electricity	Suffolk House	Civic Dr	Ipswich	IP1 2AN	60,000	Utility Provider
Town & Country Building Society	St Vincent House	St Peters St	Ipswich	IP9 2RX	15,177	Banking Services

6.2.6 Office Market Analysis – Conclusion

Hadleigh is evidently not a strong office location; particularly considering the dominance of Ipswich and Colchester which are both in close proximity and command a greater share of market demand for and supply of office space in the local area. This is partly due to their scale and established supply of good quality office space but also accessibility (train stations / better road connections etc.) as well as the extent of available amenities, all of which are sought-after by office occupiers.

Although Ipswich and Colchester are both relatively strong regional centres serving a cluster of local businesses, it is evident that the office market in the area has remained relatively flat over the last 5 years. There has been an increase in the amount of available office space in the last couple of years (linked in part to the delivery of a couple of small office developments that are under construction) and a slight increase in the number of deals done (an increase of circa 17,000 sq. ft. between 2016 and 2017).

This is further compounded by the relative absence of proposed office space in the area with only 116,000 being actively marketed at present (circa 2.3% of the existing office stock), which indicates a lack of confidence in the need for additional space in the market. This has, no doubt, been influenced by the amount of time that offices are spending on the market (15 months on average) with examples of both newly refurbished and second-hand stock of a similar scale to the subject property remaining on the market for between 5 and 8.5 years, despite reasonable asking rents and strong locations.

Although take up of office space in the last couple of years has improved slightly, it should be noted that the level of space transacted in 2017 was only marginally above the 5-year annual average (i.e. 9,500 sq. ft.) with the average deal size remaining small at only 2,312 sq. ft., and with 86% of office deals in the area involving the disposal of 5,000 sq. ft. or less. The subject property alone represents around 6 months' worth of office supply for the local area, with around 14 individual leasehold disposals required to fill it (based on average deal sizes for the area) over at least a 15-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 or Colchester (again reinforcing the

appeal of these two locations) 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 £11.28 per sq. ft.) following a recent dip to circa £9.40 per sq. ft. in Q2 2014, although average achieved rents are closer to £8.68 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 40 occupiers that could, based on their industry type, be considered suitable for the space. However, as they are all located in Ipswich or Colchester, it is considered highly unlikely that they would relocate to a more rural setting and to a property that would, for many, offer a more compromised layout by comparison to the typical quality of space available in these locations. Such a move would also take these occupiers away from easily accessible public transport and local amenities whilst also separating them from well-established clusters of employment areas and likeminded organisations. 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 and Colchester.

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 15 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 cover the cost of refurbishment and / or subdivision of space (which will certainly be required when considering the average deal sizes occurring), given the fact that asking rent post completion of the works 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.

The property relatively well situated although is on the edge of the town and about 0.5 miles from the core high street facilities. Despite this, 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 8,253 residents in the town with the wider catchment area primarily made up of small villages (before larger towns are reached including Sudbury, Colchester 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.

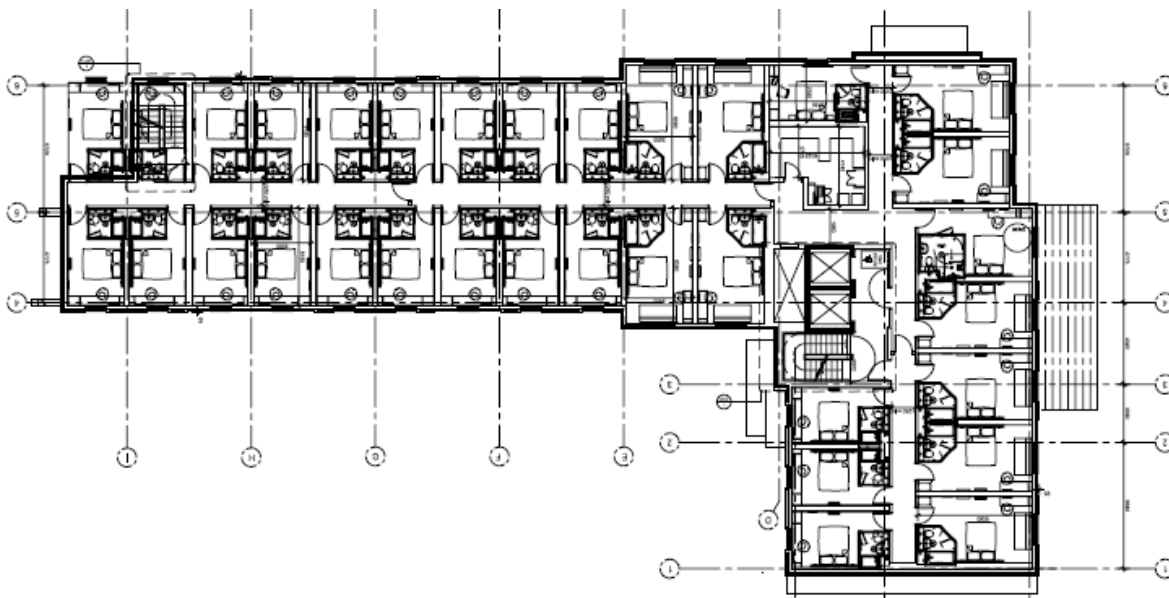


Figure 21 - Typical Floorplan - Travelodge Hotel

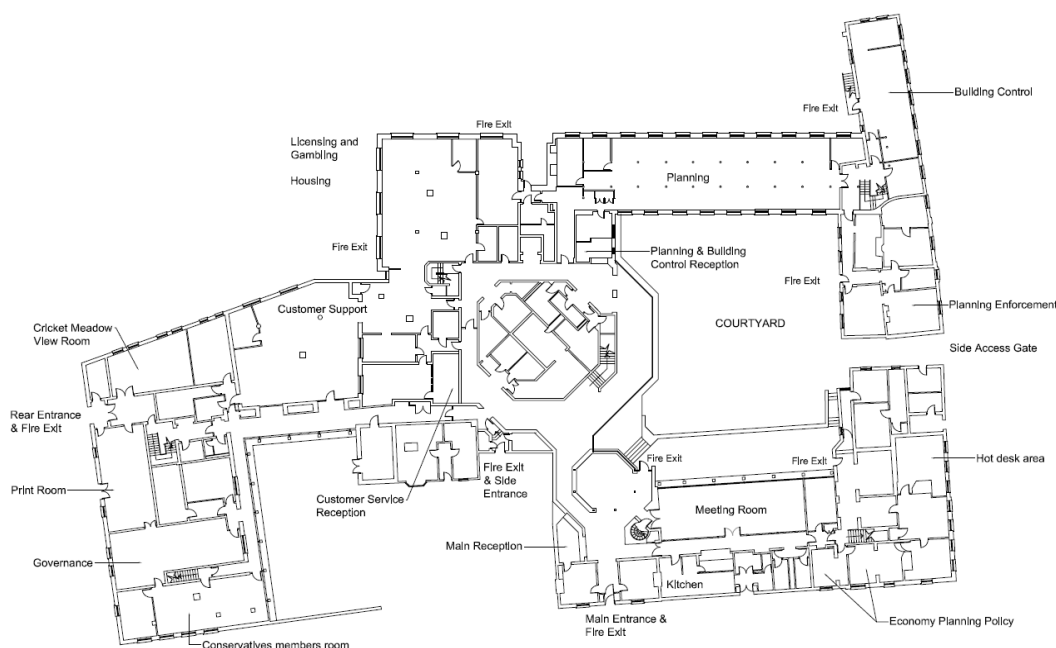


Figure 22 – Ground Floor of Subject Property

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 similar sized hotels proposed elsewhere in the region) with Hadleigh considered too small a location to warrant a hotel; particularly with the proximity of provision in Sudbury and Ipswich capturing a lot of the local demand.

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, Colchester 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 four Grade II listed buildings, and one Grade II* listed building, registered in the 1950's and 1970s.

The former Council Offices building, which incorporates and links the listed buildings with a significant post war extension, was designed and developed in the early 1980s for the sole use of Babergh District Council (which was newly formed in 1974). Arup received a RIBA design award for the highly bespoke approach to the floor space solution in 1987. There have been subsequent modifications made to the property which mainly related to the internal configuration.

The site is located within a Conservation Area.

6.4.3 Building Configuration & Divisibility

The building is arranged on a rough figure six floor plate. Although some elements are open plan, a high proportion of the space is poorly configured for modern working practices with a number of small rooms and extensive linking corridors. There are limited communication and escape stairs with welfare areas clustered in central locations.

The footprint of the total building is arranged on the approximate basis of:

- Gross internal area of 4,700 m². (50,592 sq. ft.)

With the net lettable space broken down as:

- Ground floor – 2,100m² (22,605 sq. ft.)
- First floor and second floors – 1,200m² (12,917 sq. ft.)

The above gross to net areas results in a non-lettable area percentage of 30% (lower than average).

However, it is considered that there would be a significant further reduction in the lettable floor area if the building is divided for small suites and offices (up to a further 25% reduction). This percentage will increase further once the unique features within the building are taken into account, including the council chamber, which are not considered suitable for commercial letting.

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 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 70% to 45%; 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 25 suites. As such, at least 25 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.
- Slipped and missing tiles.
- Guttering and rainwater goods overhaul.
- Glazing and joinery details.
- Render repairs.
- Brickwork and masonry details.
- Rising dampness.

Externally there is evidence of earlier brickwork repairs suggesting ongoing problems with the building envelope.

Internally the space looks aged 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 purpose-built office elements of the building were constructed in 1980. 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 provided by a gas fired multi boiler system.
- The building lacks any heat recovery.

A copy of the building's Display Energy Certificate and the most recent EPC have been requested. The ratings are expected to be low and well below the expected standards of construction today.

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 Babergh Local Plan (2006) and the Babergh Local Plan Core Strategy & Policies (2014) contain policies which seek to retain employment sites in employment use unless continued use is considered to be unsuitable or unviable. It has been agreed during pre-application discussions that a marketing campaign for the site is not required, however the client (applicant) would still need to demonstrate that continued employment use is not suitable or viable to address the emphasis of Policy EM24. The Employment Viability Report has highlighted a number of factors which demonstrate why the continued employment use is not suitable or viable. These include:

- The fact that the property is poorly located with unfavourable age and qualification related demographic statistics
- 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

Property Location / Demographics

The property is located in a rural market town setting and in a primarily residential area with a limited number of local amenities on offer. Access is restricted primarily to 'B roads' although regional A roads are relatively close by.

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 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 16 to 25 individual lettings to fill the property.

The amount of office space in question represents about 6 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, highly bespoke 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 be 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. Any new layout would also have to have regard to preserving the significance of the listed buildings, which may in turn limit how those affected parts can be sub-divided.

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