

BUSHFIELD CAMP, WINCHESTER

EVALUATION OF DEVELOPMENT INTEREST AND
VIABILITY OF PROPOSED "KNOWLEDGE PARK"

PREPARED FOR WINCHESTER CITY COUNCIL

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1.0 INTRODUCTION

- 1.1 Vail Williams LLP has been instructed by Winchester City Council to undertake property market research and development consultancy to test the viability and deliverability of a possible employment land allocation known as “Bushfield Camp”.
- 1.2 The property, situated to the south of Winchester has been identified in the council's emerging Core Strategy as the preferred location for a possible “Knowledge Park” where high value employment could be encouraged. The intention is that this would enhance the local economy and help to reduce out-commuting by local residents.
- 1.3 This report examines the intentions of the landowner through interviews with its consultants. As instructed, we have also interviewed local academic institutions about their attitude to the site and the extent to which they would commit themselves to acquiring space.
- 1.4 In addition, we have prepared detailed development appraisals to test the viability of Bushfield Camp from a financial perspective, subject to assumptions regarding site constraints and development costs.
- 1.5 The economy and the property market are currently in a weakened state due to the 2008/09 recession. However, so far as it is possible to do so, we have commented on how viability might change as market conditions improve. Our appraisals are subject to the stated assumptions and the briefing that we have received, both from Winchester City Council and the landowner's consultants. Should new information be provided then this might alter our assumptions.
- 1.6 The report continues with a review of definitions to help put the term “Knowledge Park” into context.

2.0 DEFINITIONS

- 2.1 The proposal for development of a “Knowledge Park” at Bushfield Camp reflects aspirations set out in the “Winchester District Economic and Employment Land Study” (SQW Consulting) for the city of Winchester to achieve higher value employment linked to knowledge based sectors and creative industries.
- 2.2 However, the term “Knowledge Park” is not recognised in the Land Use Classes Order and is not common parlance in the property market. To help understanding of the proposed role of Bushfield Camp we have therefore set out the following definitions of commercial property types and we comment accordingly.

Definitions under the Use Classes Order

B1(a)	Offices (but not class A2 offices such as High Street banks, building societies, employment agencies etc)
B1(b)	Research and development, studios, laboratories, high tech space
B1(c)	Light industry (without detriment to residential amenity)
B2	General industry
B8	Wholesale warehouses, distribution centres, repositories

- 2.3 Within the bounds of these definitions we envisage that a “Knowledge Park” would encompass mainly B1(a) and B1(b) type uses. To create a sense of prestige it is likely that the buildings would need to be well specified and built to the standard of offices rather than industrial units. However, to maximise demand there may need to be a broader range of uses that includes industrial units for advanced manufacturing or enterprise workshops. We note however that buildings of an industrial appearance may be contentious given the landscape qualities of the site.

Definition of “Science Park”

- 2.4 The UK Science Park Association (USPA) defines a Science Park as:
- 2.5 *“A business support and technology transfer initiative that:*
- Encourages and supports the start up and incubation of innovation-led, high-growth, knowledge-based businesses.*

- *Provides an environment where larger and international businesses can develop specific and close interactions with a particular centre of knowledge creation for their mutual benefit.*
- *Has formal and operational links with centres of knowledge creation such as universities, higher education institutes and research organisations.”*

2.6 Science Parks are generally developed by or in conjunction with universities as a business location where occupiers are very much focused on research. They tend to have a "campus" feel in terms of setting and academic links. The landlord/tenant relationship is often more flexible than with a conventional property investment and may facilitate migration between units according to the growth or shrinkage of a business, as well as providing technological or business support.

2.7 Science Parks are often valued for their role in the economy as a means of encouraging innovation and business growth. They are seen as beneficial in economic development terms but are often restricted to research based companies as a condition of their planning consent, especially if development would not otherwise be allowed.

Definition of “Business Park”

2.8 A Business Park is usually a collection of office buildings on the edge of towns and often close to motorway junctions. They became prevalent in the 1980s in response to a shortage of modern office accommodation in town centres. They are often built on greenfield sites with generous landscaping and tree planting to provide screening and a pleasant working environment. They are generally found close to motorway junctions or main roads in response to the prevalence of the motor car for business travel and commuting.

Other types of business location

2.9 Some Industrial Estates or Trading Estates market themselves as Business Parks in order to present a higher value image. However, whilst they may include offices, they mainly comprise B1 (c), B2 or B8 buildings; some also include “trade counter” type businesses (as distinct from retail warehouses which are usually separate, in designated Retail Parks).

- 2.10 There are also examples around the country of “Distribution Parks” with high bay warehouses for B8 storage and distribution but we do not envisage such uses at Bushfield Camp.
- 2.11 In summary, we conclude that a “Knowledge Park” is a development of commercial buildings where one would expect to find high value employment. It is likely to comprise office buildings or others of a similar specification. It may qualify as a Science Park (by the UKSPA definition) if business and technology support is provided; otherwise it could be better described as a Business Park. In Town Planning terms it is likely to comprise B1 space but with a strong bias in favour of B1(a) offices and B1(b) R&D facilities.
- 2.12 The cost of constructing buildings for R&D purposes could be similar to offices, although the tenants may have additional fit-out requirements. So far as our financial development appraisals are concerned, we have assumed that the proposed development should be treated as if were an office development. We have included space for small businesses but not within standard industrial units. Should the landowners provide an alternative vision of the site or a more defined spread of building types/specifications we would be happy to adapt our appraisals accordingly.

3.0 DEVELOPMENT PROPOSALS

- 3.1 Bushfield Camp is understood to have been owned by the Church Commissioners for England for many years, the site having been appropriated by the Army for use during the Second World War, and returned to the Church Commissioners in 1979. The site is now unused and remains of its former use can still be seen on the site.
- 3.2 Parts of Bushfield Camp and the adjoining Down are actively used by ramblers and dog walkers although we understand that, strictly speaking, the Camp site is not open to the public formally. The site is currently the subject of a “Village Green” application which has recently been submitted to Hampshire County Council.
- 3.3 We are informed that the site under consideration extends to about 43 hectares (106.2 acres) of which the owners propose that 20 hectares (49.4 acres) are developed, with 23 hectares (56.8 acres) gifted to Winchester City Council to be used as recreational open space. We understand that the Church Commissioners in gifting the land are not prepared to agree to any ongoing maintenance, nor the cost of establishing a country park, and that this would be a cost to be borne by the City Council. The cost implications and any car parking arrangements for the open space (if appropriate) may need to be the subject of further study and negotiations.
- 3.4 We understand that the owners have reached an agreement with developers, Landseer, however it has not been possible to meet with either the owners or the developer to discuss the detail of their proposals although we have held a meeting with their advisers, Hamptons International, which has been helpful to some degree in understanding the background.
- 3.5 At our meeting with Hamptons it was explained that the owners had over a period of years sought to bring forward proposals for the redevelopment of Bushfield Camp. In the past those proposals have included, out of town retail, housing and more recently the relocation of Hampshire Police’s headquarters to the site. A copy of the overall proposals prepared by Terence O’Rourke is attached as

Appendix 1 which provides in broad outline the strategy that is being followed for the future development of the site.

- 3.6 In general terms the proposals are for 37,161 sq m (400,000 sq ft) of knowledge based B1 development. In addition the proposals will include the provision of a hotel and on-site retailing aimed at serving the needs of the park. We understand that the development is to be generally two storeys and low density, with significant attention to landscaping given the sensitivity of the site particular in respect of the views into it from St Catherine's Hill on the opposite side of the M3 motorway and Magdalen Hill to the north east of the site. It is also neighbouring the boundary of the South Downs National Park (and visible from land currently designated as the East Hampshire Area of Outstanding Natural Beauty).
- 3.7 Given the extent of the proposed development it can be anticipated that there will be a considerable degree of additional traffic generated, especially as the close proximity of the M3 is a natural selling point for the site. We have not been provided with any information as to the amount of on-site parking nor what proposals and assumptions are being made by the owners to mitigate the effect of car borne travel. Bushfield Camp is remote from the city centre although buses serving the new "Park and Ride" facility nearby (currently under construction) could potentially be diverted to include the development.
- 3.8 Hamptons International in an email to us on the 27th August, has stated that *"the Church Commissioners have been developing with the Council a vision of a "Knowledge Park" but (sic) what defines this and the types of organisations who would wish to occupy space. They are not seeking to establish a science park but the vision is to create high end employment for local people in creative industries and new technologies"*.
- 3.9 Hamptons International has also supplied an undated document from CBRE outlining "Initial Observations - Winchester as an R&D location and the Bushfield Camp Site" (Appendix 2). This document takes a *"high level perspective"* of Winchester and its potential appeal as an R&D location. It identifies attributes of other R&D locations that it suggests might be applicable to Winchester, including a tendency of R&D firms to cluster together around affluent towns. It refers to a range of scientific expertise in the area including energy, health and marine at

Southampton University, animal/agriculture at Sparsholt, and media at Winchester. The document concludes that *“Winchester has the attributes to become a viable choice as a location for the R&D sector and that Bushfield Camp, if suitably masterplanned and with a robust delivery model could be the focal point.”*

3.10 At our meeting with Hamptons International we were advised that both Winchester and Southampton University were showing strong interest in taking significant elements of the development area, the latter in order to expand on its successful Science Park at Chilworth to the north of Southampton - however, this should be seen in the light of comments made to us by the universities (see section 4.0).

3.11 We have requested from the Church Commissioners further specific details of their proposals including their development appraisals, cost and demand assumptions etc for comparison with our own in section 6.0, however we have not been supplied with further information with which to inform this report.

3.12 In summary:

- The site is a former army camp but the buildings have been cleared or left derelict.
- Parts of the property are actively used by ramblers and dog walkers (and there has been a recent application for the site to be designated a “Village Green”).
- The property sits within a sensitive landscape setting.
- A number of development proposals have been suggested in the past including retail, housing and the headquarters for Hampshire Police but these have not progressed.
- We are informed that there is a development agreement of some kind between the Church Commissioners and Landseer but that this does not necessarily indicate who will develop the site.
- The owners are now proposing a 20 hectare “Knowledge Park” providing 37,161 sq m (400,000 sq ft) of largely B1a office space, together with a hotel and on-site retail facilities to serve the occupiers of the park, designed to retain and attract quality “high end” employers to Winchester.

- The Church Commissioners will gift 23 hectares to the City for recreational open space but have indicated that the cost of establishing this facility and the future cost of maintenance will fall on Winchester City Council.
- The development is expected to generate additional traffic, benefiting as it does from close proximity to the M3. The new Park and Ride facility under construction nearby may help justify provision of a bus service to Bushfield Camp.
- The landowner's consultants favour development of a "Knowledge Park" and have indicated that Winchester could be attractive to R&D type firms. However, they have not provided any analysis of financial viability or deliverability of the proposed development.

4.0 FEEDBACK FROM ACADEMIC ESTABLISHMENTS

- 4.1 Winchester City Council has asked us to consult the University of Winchester, the University of Southampton and Sparsholt College on the future of Bushfield Camp.
- 4.2 We note that the “Winchester District Economic and Employment Land Study” (SQW Consulting) referred to the importance of academic establishments to the local economy. For example, the universities of Winchester and Southampton, as well as Sparsholt College, are mentioned in the report in the context of knowledge based businesses and entrepreneurialism.
- 4.3 The extent to which these academic institutions would commit to occupying, developing or managing Bushfield Camp is of particular interest.
- 4.4 The remainder of this section of the report recounts the views of each establishment, as represented and verified by the senior staff that we interviewed.

Feedback from the University of Winchester

- 4.5 The University of Winchester is broadly supportive of the Winchester Local Development Framework (LDF) and, in particular, promotion of the local economy for “higher value” employment. This approach sits well with the university’s role in education, the expansion of its Business School and the introduction of a range of new business courses including an MBA last year. Hence there is some synergy between the university and the economic aspirations of the LDF.
- 4.6 The university’s “Research and Knowledge Exchange Centre” seeks to encourage greater interaction between the university and the business community. It also offers “incubation space” for new businesses and in 2005 the university introduced a “Business Start Up Scheme” with the aim of “encouraging and supporting would-be entrepreneurs among students, staff and recent graduates”. The University of Winchester “knowledge exchange” newsletter (Summer 2009) gives examples of fledgling businesses receiving awards from the university through the scheme:

- Astor Illustrations – writing and illustration services
- Citizen Camera – community documentaries/workshops
- Super Fun Days Out – website for leisure activities
- Sound Futures – a music based community initiative
- Find a Lecturer – recruitment matchmaking service
- Winchester Voice Studio – voice training
- Interg8 Dance – dance classes and workshops

- 4.7 The nature of these businesses is to some extent a reflection of the university's courses. The environmental agenda is also important to the university; indeed, it hosts the offices of Winchester Action on Climate Change ("WinACC"). However, when considering floorspace demand that might flow from business "spin-outs", it should be noted that the university's interest in the environment is from the perspective of humanities and social sciences and encouragement of "behaviour change". It is not engaged in physical research or technological developments associated with the environment.
- 4.8 The University of Winchester recognises the strengths of the University of Southampton in the fields of engineering, physical sciences and medicine for example, which have proven to be well suited to the "Science Park" that has been created at Chilworth. However, given the nature of its own courses, the University of Winchester does not perceive Bushfield Camp as a potential "Science Park" and has suggested that "Knowledge Park" is a broader and better description of what is required.
- 4.9 Interestingly, the university tracks the take-up of employment by its graduates after 6 months and has found that the proportion with jobs at "graduate level" is lower than they would like. It is thought that a factor in this outcome is a desire by graduates to work locally combined with a shortfall in jobs for graduates in and around Winchester. It is hoped that successful development of Bushfield Camp, focused on "higher value" jobs, would create more opportunities for Winchester graduates to find appropriate employment in the area.
- 4.10 The provision of small business units is seen as desirable by the University of Winchester but it is felt by the university that much larger anchor tenants will be required from within the existing business community to create critical mass and make the development at Bushfield Camp viable.

- 4.11 The university has a strategy to deliver Higher Education throughout central and northern Hampshire. Winchester is seen as a location that relies very much on public sector employers and has potential for more private sector activity, including graduate level employment, especially if out-commuting can be curbed. By contrast, Basingstoke and Andover are seen as having a stronger business presence/identity, but with a labour force that lacks the qualifications necessary to enable young people to develop their careers and progress through the labour market. These views have helped shape the University of Winchester's strategy to play a dominant role in the development of Higher Education in the area. Furthermore, it means that if development is viable at Bushfield Camp, then the university would want to safeguard the lead role for a university for itself. Similarly, it has aspirations to merge with the Winchester School of Art (currently part of the University of Southampton).
- 4.12 The extent to which the University of Winchester would commit to Bushfield Camp was discussed. It is not contemplating acquisition of Bushfield Camp in its entirety. Such a proposition would demand a complete change of strategy for its existing estate. There may be some attraction in having expansion land for more teaching space but this is very much dependent upon long term demand and is only speculation at this stage.
- 4.13 Initial views, which would need to be ratified by the university over time, are that it would consider renting an office of say 500 sq m (5,382 sq ft) for perhaps 25 to 30 staff. This new base for the "Research and Knowledge Exchange Hub" would act as "an interchange between academics and business". The university would be keen to show a degree of leadership in the early stages of the development and an initial lease term of say 5 years may be palatable.
- 4.14 It was suggested that "incubator units" would be for others to provide but the University of Winchester might be interested in an equity share of some kind. This may imply that a longer term commitment is possible. The university would also consider ways to integrate its existing support services into the management of the development – e.g. IT support, catering services, grounds maintenance (possibly including a sports trail) and shared shuttle buses. This may add value to the businesses at the site but it is not yet clear how such support would be funded.

4.15 So, in principle, the University of Winchester is positive about exploring the “possibilities” at Bushfield Camp, subject to many details which still need to be explored.

4.16 In summary:

- The University of Winchester is broadly supportive of aspirations to enhance the Winchester economy with the aim of creating more graduate level employment and closer engagement with the business community.
- Central and northern Hampshire is important “territory” for the University of Winchester and this also explains their interest in taking a “lead role” should university involvement in Bushfield Camp be appropriate.
- The University of Winchester does not see Bushfield Camp as a true Science Park but the broader concept of a Business Park with “high value” jobs (i.e. a “Knowledge Park”) is seen as attractive, and preferable to an industrial estate.
- The development of Bushfield Camp would rely on far greater demand for floorspace than the University of Winchester alone can create. At this stage it can envisage taking 500 sq m (5,382 sq ft) of office space as a small pre-let. An initial commitment of 5 years may be appropriate but this could evolve according to demand and the wider success of the development.
- The university may generate modest demand for incubation units and would consider some kind of joint venture on managed workspace.
- The university would consider taking a role in the management of the site, particular where there is synergy with its existing support services.

Feedback from the University of Southampton

4.17 The University of Southampton has a very strong track record in the successful development and operation of its Science Park at Chilworth and the university has delegated all matters concerned with Bushfield Camp to Peter Birkett, Chief Executive of the University of Southampton Science Park Ltd.

- 4.18 The first point discussed at the meeting was whether there is a possibility of expanding the existing Science Park operation off-site. The University of Southampton Science Park will be fully developed in the short/medium term so the need to consider other sites for expansion has been acknowledged. The preferred model is to have control of a site where the landlord/tenant (customer) relationship can be carefully managed. The University of Southampton Science Park would work with its customers to accommodate their changing requirements. This requires careful management and a range of differently sized units. It also means that expansion onto a site within the long term control of the university is preferable to having, say, a portfolio of Innovation Centres in different locations.
- 4.19 Secondly, the extent to which the use of the site might be constrained to particular types of company is critical. It is felt by the university that any narrowing of the permitted use will be limiting upon demand and would frustrate success. Hence, whilst the university recognises the benefits of focusing on knowledge based businesses (rather than say retail warehouses), it cautions against relying on demand from say the media sector alone.
- 4.20 Thirdly, it is felt that the success of the existing Science Park owes much to its close links with the university's academic research which is "key for spawning new companies" engaged in R&D. Southampton is a "research intensive" university and this is seen as a critical factor in the success of the Science Park. Firms engaged in engineering, technology and scientific research are thought to have far better growth prospects (in terms of floorspace demand) than companies in the media/arts sector.
- 4.21 Similarly, the university's research base is a "magnet" for established companies to locate at the Science Park (e.g. Merck which has close links with the university's physics and chemistry departments).
- 4.22 Fourthly, the physical proximity of the Science Park to the university is a factor. Bushfield Camp is quite close to Southampton but would be somewhat at "arm's length" compared to Chilworth; this may reduce the perceived synergy between the university and the letting of premises.

4.23 Discussion then turned to the general advantages and disadvantages of Bushfield Camp as a development site. The pros identified by the university are:

- Good motorway links.
- Part of the M3 corridor - possibly “perceived” as better connected to London and the Thames Valley than is the case with Southampton (although the difference in distance is marginal).
- The attractive image and strong cultural quality of Winchester.
- The “parkland” setting of the site could be an asset.
- The new “Park & Ride” facility brings a practical benefit and a focus to this part of Winchester.
- A combination of these factors could potentially attract people/companies out of London.

4.24 The cons identified by the university are:

- Perceived planning/political difficulties in overcoming the sensitivity of the location in landscape terms.
- The cost of mitigation if high standards of landscaping or concealment of buildings is required.
- If there were significant use restrictions imposed through a Section 106 Agreement then this could undermine the commercial viability of the development.
- The University of Southampton is not a party to the current development agreement with the Church Commissioners and feels that a new agreement would need to be structured to take advantage of the university’s expertise if a “Knowledge Park” is to be delivered.

4.25 It was noted that exploratory talks between the University of Southampton and the landowners have not progressed as hoped. This is possibly due to uncertainty over the planning status/viability of Bushfield Camp, or because the university requires a more equal relationship with the landowner. In particular it is felt by the university that greater value should be placed on the market presence of the University of Southampton Science Park and its operational expertise.

4.26 In the meantime, the university will progress its development plans at Chilworth and is considering alternative sites in the area for longer term growth.

4.27 In summary:

- The University of Southampton has a track record and experience of successfully developing and operating a Science Park and places value on this expertise.
- Its model is based on developing customer relationships with its tenants and this requires a high degree of control over the site and a range of unit types/sizes in order to cultivate and manage growth.
- The success of the Science Park is due to the synergy that it has with the university's research. This helps generate "spin-out" companies and is a magnet for established companies to locate there.
- The growth potential and floorspace requirements of companies associated with technological research are expected to exceed those of businesses involved with the creative arts, culture and the media sector.
- Physical proximity between the university and the Science Park is another helpful factor (although this applies less to Bushfield Camp).
- Bushfield Camp is considered a generally attractive location for development from an occupier's perspective.
- The university is concerned that planning obligations associated with development and restrictions on use of the site might add exceptional costs and limit demand.
- The University of Southampton Science Park is not currently engaged in proactive dialogue with the landowner or prospective developer and, mindful of its own expertise developing and operating a Science Park, therefore questions the efficacy of the current development agreement to bring forward a "Knowledge Park" at Bushfield Camp.
- The University of Southampton Science Park recognises that in the short/medium term its current site will be fully developed so it has a need to evaluate other locations, of which Bushfield Camp is one of a handful that it is considering.

Feedback from Sparsholt College

4.28 Sparsholt College is recognised for its expertise in land based education and has a growing reputation for a wider range of courses too. Recent successes include

a merger with and enhancement of Andover College, as well as an increase in business engagement - evidenced by an uptake of “Train to Gain” activities. There is therefore a general interest on the part of the college in opportunities that facilitate contact with the business community.

- 4.29 The “Winchester District Economic and Employment Land Study” indicates that *“an economic development strategy for the district ought to take seriously the district’s continuing strengths relating to the land-based sector”*. The production and processing of food and drink are highlighted as growth opportunities and this is of particular interest to Sparsholt College.
- 4.30 The College has noted the success of “Hampshire Fare” and the Winchester Farmers’ Market (initiatives led by Hampshire County Council). These are indicative of a trend in favour of high quality, locally produced food. Whilst it is only speculation by the college that such a trend could generate demand for commercial floorspace at Bushfield Camp, it is recognised as a possibility.
- 4.31 Discussions in the past between Sparsholt College and the Hampshire County Council Economic Development Office have touched on the idea of providing help, support and advice, together with “starter facilities” for new enterprises addressing this market. However, it is felt by the college that a significant element of subsidy would be required to make such a scheme a reality. We also understand that the College, with the help and support of the Hampshire Economic Partnership Rural Group had discussions with SEEDA (some years ago) over the possibility of them providing support for enterprise starter facilities, but RDA funds proved difficult to secure and we understand that nothing was forthcoming at the time.
- 4.32 We understand that the college has also had discussions in the past with Basepoint plc regarding plans to create an Enterprise Centre in Winchester. It had been suggested that the college might like to take some space for training purposes and this is seen as “potentially still being an opportunity”, particularly if it were possible to “dovetail our Train to Gain business-related activity into the University of Winchester Foundation Degree programme”. (Basepoint and Winchester City Council recently announced the construction and refurbishment of 2,300 sq m (24,757 sq ft) of managed workspace at Winnall Valley Road, which is now being progressed).

4.33 However, it was also noted that funding for the Train to Gain programme is under pressure and this is limiting the ability of colleges to recruit learners by this means. Similarly we were told that the “Knowledge Transfer Partnership”, which once offered government funding for initiatives between colleges and businesses has ceased. If SEEDA’s skills agenda develops in a meaningful way then this might be an alternative source of funding for training programmes with business.

4.34 The college may consider taking a “small amount” of space for training within a “Knowledge Park” or Enterprise Centre but this would be very much dependent upon funding arrangements and demand for training. The college would gladly cooperate in ideas to exploit the trends and potential business opportunities relating to locally produced food. However, such an initiative would probably require RDA or other funding and commitment to commercial floorspace cannot be guaranteed at this stage.

4.35 In summary:

- Sparsholt College’s expertise includes land based industries and food production, as well as a wider range of courses. Links with business are important to the college.
- Local initiatives such as Hampshire Fare and Winchester Farmers’ Market may have potential for further development and be a spur for new business formation. However, this is speculation and the potential demand for commercial floorspace demand arising from them is by no means certain.
- Sparsholt College favours the idea of increased knowledge transfer with businesses and creation of starter facilities for new enterprises in the area but, from its perspective, this would require significant subsidy.
- The creation of shared training facilities with other academic institutions may be a possibility, but it is not possible to quantify the space required by the college because the demand is not self-evident at present.

5.0 DEMAND AND SUPPLY

- 5.1 This section of our report looks at evidence of demand and supply to support the inputs to our financial development appraisals. Current levels of demand have been adversely affected by the recession so our appraisals also include a more forward looking view of viability and the impact on development land value if market rents and capital values improve.

Demand

- 5.2 Our interviews with local academic institutions favour the concept of a “Knowledge Park” because of its general appeal in economic development terms. The aspirations for economic growth referred to in the “Winchester District Economic and Employment Land Study” have some resonance with their own objectives. However, their need for floorspace at Bushfield Camp is very modest at this stage. It is possible that they might indicate a greater need for floorspace when development plans are more advanced but this is not foreseeable at present.
- 5.3 Nonetheless, the University of Winchester has provisionally indicated that it might contemplate taking an office for up to 25 or 30 staff at an early stage of development. This has been factored into the first phase of our financial development appraisal (see below). Sparsholt College has indicated general support for the economic development aspirations represented by the proposal, but has not demonstrated a need to acquire floorspace.
- 5.4 The University of Southampton Science Park has a rather different approach in that it would prefer to act as developer/operator on the basis of a low land cost with high value placed on its expertise and market profile. The viability of this approach is very reliant upon the landowner’s expectations as to site value and the market realities and mechanics of a development appraisal, by which any developer would be bound. This is explored in more detail in section 6.0 below.
- 5.5 Apart from the interest of academic institutions, another critical aspect of demand are property requirements arising from the business community. Working with our business space agency team we have reviewed market requirements for office

space in the M3/M27 area, including Winchester. This analysis breaks down between the following size bands:

Small units - units below 465 sq m (5,000 sq ft)

- 5.6 Demand for small business units typically divides between offices and workshops, some with storage areas or “trade counter” type uses. To help broaden the appeal of small units it is often helpful to permit some flexibility over how they are used and it is not uncommon for small workshops to be fitted out with mezzanine offices for example. For the purposes of this report we have assumed that the development would be targeted at office occupiers, including start-up companies requiring managed workspace.
- 5.7 Property requirements at this end of the market tend not be evident without “product” (i.e. built space) to offer. So, whilst we cannot be categorical about the extent of this demand, Phase 1 of our financial development appraisals assumes that a developer would construct a phase of small units on a speculative basis, underpinned in part by the interest of an academic institution in taking some office space at an early stage. It should be noted that the progress of the new Basepoint Centre at Winnall should be monitored as this will absorb some of the potential demand for small business units.

Mid-range demand - units from 465 to 4,645 sq m (5,000 to 50,000 sq ft)

- 5.8 Our research into current property requirements in this size band shows that, out of about 60 current “leads” for the M27/M3 area, there are 7 which specifically include Winchester within the applicant’s preferred search area. On further inquiry we found that these break down as follows:
- 465 to 650 sq m (5,000 to 7,000 sq ft) but preferably freehold and near a station in the M27 or A3 corridors.
 - 650 to 836 sq m (7,000 to 9,000 sq ft) Winchester to Solent Business Park
 - 465 to 743 sq m (5,000 to 8,000 sq ft) in the Eastleigh, Southampton, Winchester area.
 - 697 to 790 sq m (7,500 to 8,500 sq ft) in Winchester - town centre preferred (close to station).

- 465 sq m (5,000 sq ft) in the M27 and M3 corridors between Portsmouth and Farnborough.
- A lead loosely described as about 1,390 to 3,250 sq m (15,000 to 35,000 sq ft) close to a station linked to Winchester, Basingstoke or Woking.
- 186 to 465 sq m (2,000 to 5,000 sq ft) in the Eastleigh, Southampton, Winchester area.

5.9 Another six leads are more tenuous as they specify a regional or nationwide search area.

Large unit demand - units above 4,645 sq m (50,000 sq ft)

5.10 Although our agency team is aware of companies in the M3/M27 area which occupy units of space in this size band, some of which may have expansion plans, there are no specific requirements of this size that could be directed at Bushfield Camp at present. Nonetheless, taking a visionary approach to test what may be possible, our development appraisals assume that a developer would build in phases over 10 years in the hope of attracting interest from companies of any size. Each phase of development would be an opportunity to market the completed premises as well as future development plots. It is likely that pre-lets will be required for each phase (especially in the case of large units) although speculative development may be possible for smaller units depending upon demand at the time.

Market feedback

5.11 Feedback from commercial property agents has indicated that a business park at Bushfield Camp would be attractive to occupiers. It is felt by agents that the take-up of space in the Winchester office market may have been constrained by restrictions on development so the opportunity to build on sites outside the centre would be welcome. Comments included the suggestion that Bushfield Camp would be “better connected” than the new offices at Kingsworthy because of closer proximity to the motorway (although we note that Bushfield Camp is not especially prominent from the motorway).

- 5.12 The overall sentiment is that if the space was built the demand would come. However, this presupposes that a developer could afford to build the scheme given market rents and development costs (explored in section 6.0 below).
- 5.13 Achievement of a transaction also depends on the degree of competition and choice available in the market at the time. It should be noted that the leads described above break down between locations close to a motorway (which opens up a fairly wide search area) and town centre locations near a station. Bushfield Camp would not satisfy the latter type of requirement and would be in competition with the likes of Solent Business Park and University of Southampton Science Park in respect of “out-of-town” demand.
- 5.14 It is also possible that during the course of development at Bushfield Camp, other land may be brought forward for development (e.g. “Eastleigh Riverside”) which would introduce a further element of competition. Arguably Winchester would have some advantage in that it has a stronger cultural image and positive lifestyle factors (as suggested by the comments in Appendix 2) and there remains concern in the marketplace about the funding of road improvements at Eastleigh to enable the development of “Eastleigh Riverside”. In this scenario Bushfield Camp may have a niche in the market that the landowners could exploit (subject to financial viability). Further research may indicate the extent to which the two sites are complementary and if Bushfield Camp could command premium rents in the face of this and any other competition; our development appraisals certainly suggest that premium rents would be necessary to justify the cost of development in any event.
- 5.15 It is possible that there would be demand for lower specification, more industrial type space, from relevant R&D, high-tech or advanced manufacturing firms. However, there is a risk that this would lower the rental profile of the park without generating a better return on cost than we have already assumed in our appraisals.
- 5.16 We now take a closer look at the supply of premises on the market.

Supply

- 5.17 According to government data, the stock of all offices in Winchester district (i.e. the whole district of which Winchester itself is a part) at the time of the last Business Rates revaluation in 2005 was 352,000 sq m (circa 3,789,000 sq ft). The Bushfield Camp proposal therefore represents an addition to that stock of 11%. This disregards other additions to or losses from stock but gives an indication of the scale of growth implied by the proposed development.
- 5.18 We have also reviewed the supply of vacant offices in Winchester and the surrounding area that have been registered by commercial property agents. The vacant offices in Winchester and Kingsworthy extend to just over 10,000 sq m (almost 110,000 sq ft) and these range from about 30 sq m to 1,580 sq m (315 sq ft to 17,000 sq ft) in size. Nearby settlements such as Twyford, Colden Common and Otterbourne provide additional supply but this is relatively modest in scale at present.
- 5.19 The data indicates that the supply of available offices in Winchester is limited when broken down by quality - the majority of stock is secondhand and in need of refurbishment. Analysis by size band, based on a sample of about 30 properties recently on the market, shows that almost half (48%) were below 186 sq m (2,000 sq ft) in size. Similarly, when supply was analysed in terms of the overall floorspace available, 57% of the space was from just 6 units above 465 sq m (5,000 sq ft) in size.
- 5.20 However, the picture of supply expands dramatically if including nearby locations to the south of Winchester and along the M27 corridor (i.e. excluding central Southampton but including other locations that, like Bushfield Camp, are close to the motorway network).
- 5.21 The following map illustrates places where there is supply that potentially competes with Bushfield Camp by virtue of motorway access and that would certainly need to be evaluated by any developer of Bushfield Camp.



- 5.22 Offices currently registered as on the market in the shaded search area extend to almost 145,000 sq m (nearly 1.56 million sq ft). Although this includes some office development land being marketed for pre-lets at Solent Business Park it does not account for all employment sites (such as “Eastleigh Riverside” mentioned above).
- 5.23 The concentration of supply near Fareham (mainly at Solent Business Park and Segensworth) is very significant at about 105,000 sq m (just over 1.13 m sq ft). On the one hand it could be argued that this concentration of supply leaves a potential “gap” at Winchester, but it is by no means certain when the market will absorb this amount of space and help to encourage the rental growth that our appraisals suggest is required if further significant office development in the area is to be viable.
- 5.24 In summary:
- Indications of demand for floorspace at Bushfield Camp from local academic institutions are modest, although warm in spirit due to the positive economic development potential.

- Provisional interest from the University of Winchester in taking offices for 25 to 30 staff at an early stage of the development has been factored into our development appraisals. Similarly we have assumed that the first phase of development would include incubator space which might be patronised in part by the university.
- The University of Winchester and the University of Southampton Science Park would contemplate a greater role in the development but this is very much subject to demand and a fresh look at the land values suggested by the Church Commissioners' consultants.
- Other market requirements give some encouragement to the Winchester office market although potential "leads" cover wider search areas also linked to the motorways or town centre locations near a station.
- The progress of the new Basepoint Enterprise Centre at Winnall should be monitored as an indicator of demand for small business units.
- Anecdotal feedback from commercial property agents suggests that occupiers would locate at Bushfield Camp if a scheme was built, but this does not address the issue of financial viability/deliverability.
- Nonetheless, our appraisals test the notion of phased development in current and improved market conditions.
- Competing supply is focused on Winchester city centre, although this is somewhat limited and of varying quality. However, in the "out-of-town" market there is significantly more competing supply; this is situated along the M3 and the M271, but more particularly along the M27 towards Fareham at Solent Business Park. This supply will help to contain rental growth (helpful to tenants but not developers).
- There is also additional employment land with further development potential (e.g. at "Eastleigh Riverside", but this is subject to significant road improvements). That said, Winchester has a strong image and identity which may help Bushfield Camp to distinguish itself in the market.
- The development proposals represent about 11% of the district's office stock at the time of the last Business Rates revaluation.

6.0 VIABILITY

6.1 In order to consider the viability of the Church Commissioners' proposals we have, through their consultants, invited them to provide us with their current financial appraisal and supporting information covering such matters as development assumptions, costs etc. Hamptons International has advised us that their client believes that it is both premature and commercially sensitive to release this information although they have volunteered to us the following:

- *"The Church Commissioners own the freehold of the land at Bushfield in the triangle between Badger Farm Road, St Cross Road and Stanmore Lane. This is one of the substantial landholdings the Church Commissioners own around Winchester and to my knowledge they have owned it since before the Second World War when it was initially requisitioned by the MoD. It was returned to the Church Commissioners in around 1975. The land is free of any debt.*
- *The Church Commissioners have not defined their strategy for the proposed development at Bushfield and in the last five years their policy has changed and they are retaining many of their commercial developments as long term investments. In theory they could be the developer and either retain or sell a part or whole of the completed project. It is, however, anticipated the development will be phased and as you are aware, CBRE have given some initial indication on the likely timeframe for a development of circa 400,000 sq ft being complete of between 5 and 10 years.*
- *In 2006-2007 the Church Commissioners were advised the land had a value of circa £2 million per acre. At the time the Hampshire and Isle of Wight Police Authority indicated their requirement for approximately 8 acres to relocate their Headquarters from Romsey Road, Winchester.*
- *At that time cost estimates for completed buildings to very high specification including roads and landscaping came in at £220 per sq ft.*
- *Due to the uncertainty of the timeframe to deliver any buildings/office accommodation at Bushfield, it has been very difficult to identify prospective occupiers. However, the Church Commissioners have been advised by a number of commercial agents and assuming a high quality development of a low density design and layout, it is assumed a rental of £25 per sq ft would be achievable.*
- *It is very difficult for me to comment upon the assumptions you may make about contributions required by statutory agreement,*

but since the Church Commissioners have always made it clear they were happy to 'gift' to Winchester City Council the downland to the east of the line of beech trees which runs through to Stanmore Lane, they did not anticipate making any contributions to public open space or the establishment or maintenance of a country park.

- Both SQW and SEEDA have carried out research regarding the need to create new employment at the high end in the Winchester district and Bushfield was identified by SEEDA as a site which could provide the opportunity of creating 2,000 jobs in creative industries and new technologies.*
- The concept masterplan prepared by Terence O'Rourke provides the ability to develop 400,000 sq ft of high tech quality accommodation with visual low impact to overcome some of the concerns regarding the setting of Winchester and the views from St Catherine's Hill."*

6.2 Before considering the question of viability it is also appropriate to point out that we have been informed by Hamptons International, although they have not been specific, that Landseer has some form of financial agreement with the Church Commissioners but that it should not be presumed that they will ultimately be the developer of the site. Consequently, were planning consent to be granted for the proposed development it must be appreciated that implementation will, if Landseer are not to be the developer, be dependant upon the presence of an alternative developer with sufficient experience of this form of development and with adequate financial backing to partner with the Church Commissioners.

6.3 It is also interesting to note that Hamptons International has stated that they and their clients are working upon the assumption that the land with consent will in due course have a residual value of £1m per acre (or more) and that they believe space within the development will attract tenants at rentals of £25 per sq ft pa.

6.4 In the absence of detailed information from the Church Commissioners we have addressed the question of viability based upon our own experience of this form of development. For comparable evidence locally, we can look specifically to the development of Solent Business Park at Whiteley (a prestigious office park by Junction 9 of the M27) and the University of Southampton Science Park at Chilworth (focused particularly on R&D type companies and support facilities), both of which we have been involved with since their inception. We have commented above in regard to demand and have considered the suitability of the Bushfield Camp site with our Business Space team based in Southampton which

is intimately involved with the above developments and generally with commercial property throughout the Solent and M3 area.

- 6.5 Viability for any form of development is dependant upon a number of factors. At the most basic, is the completed value of the development allowing for a developer's profit greater than its cost? And does the development create a sufficiently positive land value to induce a landowner to sell or make its land available for development? In answering these key questions we have considered the following.

i) Can the location sustain the scale and nature of the development proposed?

- 6.6 In terms of its size the proposal is slightly bigger than the University of Southampton Science Park and our research and experience leads us to believe that in principle, because of its location adjacent to junction 11 of the M3, coupled with the relative lack of supply in Winchester, that the location will attract occupier demand. However in order for the development to succeed it will be important that the Park develops its own brand and becomes seen as a location which companies want to be associated with.
- 6.7 The indicative support of local educational establishments is potentially helpful, however if a true Knowledge/Science Park is to succeed in this location it will be necessary for one or more to commit to a degree that none have so far indicated a willingness to do. Furthermore we believe that in order to establish the location it will be a pre-requisite that in the first phase a significant, quality pre-letting can be secured to aid viability and act as a magnet to attract further demand.

ii) What is the likely timescale required to complete the development in terms of occupier uptake?

- 6.8 In considering this question we have assumed for appraisal purposes that the development is undertaken in four phases over a period of ten years. Clearly current market conditions are such that little significant development has begun in the past 12 months and although there are signs that the UK economy may be slowly emerging from the recession, or at least conditions have stopped getting

worse, it is likely to be some years before there is sufficient confidence for developments such as proposed here to start.

- 6.9 The dates shown within the appraisals flow from the base date of this report although the actual date of development may be later. The first of our appraisals provides a “short term” scenario based on current values. Our second appraisal represents a more optimistic “medium term” scenario based on more favourable market conditions assumed (but not guaranteed) to be the case from say 2012.
- 6.10 In addition, we have shown how still better rents and yields would translate into higher land values and enhanced viability; this information is shown in a matrix indicating the sensitivity of different assumptions. We have also commented below on the likelihood of certain rents and yields being achieved.

iii) What are the prevailing rents and investment yields and how might they change?

- 6.11 Capital values are the product of rental values and a multiplier determined by the market’s perception of risk (the investment yield). If the market requires a high yield it is due to concerns over the risks associated with the investment and this creates a correspondingly low value. In a strong market it is usual for the yield to fall (values rise) although every property investment will be judged on its merits at the time of valuation.
- 6.12 We comment here on rents and yields in today’s market and in the future.

Rents

- 6.13 We have compared rental levels currently being achieved at University of Southampton Science Park and Solent Business Park and generally within the Solent area for B1 offices. Currently rentals are being achieved at University of Southampton Science Park at circa £20 per sq ft and £19 per sq ft at Solent Business Park.
- 6.14 To put these levels into context with the Church Commissioners’ expectation of achieving £25 per sq ft we have examined rental levels currently being achieved around Reading (a stronger location in the centre of the M4 corridor). Rents at, for

example, Green Park, Winnersh Triangle and Arlington's Theale development, are circa £24 per sq ft and at the height of the market they achieved levels approaching £30 per sq ft. Historically Thames Valley office rents have been circa 30% above those of the Solent/southern M3 area and as a consequence we are of the opinion that were the Bushfield Camp development being undertaken today a rental of £20 per sq ft would be appropriate (similar to University of Southampton Science Park) with tenants receiving a 12 month rent free period.

- 6.15 Looking ahead, it is appropriate to reflect that office rents in the Solent area were only a little over £20 per sq ft at the peak of the market and have shown no growth for about a decade. Whilst it is true that small units of accommodation let on flexible terms can command a higher rent, it is not realistic to assume that this could be achieved across over 37,000 sq m (400,000 sq ft) of development at Bushfield Camp. It is possible that economic inflation would create rental growth but this would also affect development costs. On balance therefore, we are cautious about any assertion of viability that relies upon achievement of "record rents".

Yields

- 6.16 In terms of capital value, another key determinant is investment yields. These have been adversely affected by current economic conditions. However, on the positive side, although there remains uncertainty about future yields, Winchester has a certain "cachet", is well served by the M3 and is considered by many to have a shortage of good quality commercial space (which is advantageous to future development prospects).
- 6.17 Our development appraisals reflect the fact that different elements of the proposed scheme will attract different yields. For example, the market tends to avoid investments with uncertain income and marks down properties with short leases or poor covenants. Consequently if Bushfield Camp were to be targeted at small start-up companies with relatively flexible leases there would be few potential purchasers of the investment and those purchasers would find it very difficult to raise finance as the banks are generally risk averse, especially with regard to tenants' covenant strength.

- 6.18 With short leases the net initial yield today is likely to be in the order of 12% assuming the space is built, let and income producing. Today we believe that it would not be possible to raise money in the commercial funding market to speculatively build a scheme of this nature.
- 6.19 Should the development be built with some larger units that attract stronger tenants on say 10 year, full repairing and insuring (FRI) leases then the yield would compress; the degree to which would be dependant upon on the percentage of the income that is relatively secure and the strength of those covenants. Today we believe that it would be reasonable to assume a net initial yield in the order of 10%.
- 6.20 In the event that one of the universities or one of its subsidiary bodies took a long lease of the entire park and then underlet to the target occupiers, this would be far better received by the investment market. Assuming a lease length of 15 years plus, we believe a yield in the order of 7% to 8.5%, depending upon the covenant strength of the lessee and it's long term funding source, may be achievable. Were a longer lease of say 20 years achieved, with a very strong covenant then the net initial yield may move to circa 6.25%.
- 6.21 All of the yields provided above are based upon the net income and the hypothetical yields the development may achieve in today's market if it was already built. We have assumed that it would be offered for sale freehold, with clean title and a car parking ratio of at least 1:28 sq m (1:300 sq ft), that the buildings would be constructed to an institutionally acceptable standard with a high level of energy efficiency. We have made no allowance for any solar or wind power that may be sold back to the national grid.
- 6.22 It is appropriate when considering the investment market and yields to reflect that this report is being provided at a time when the commercial property investment market has had an exceptionally torrid 12 months, resulting in severely depressed prices in nearly all sectors. The majority of sectors within the market have experienced drops in capital value of approximately 30% whilst some properties have seen their potential sale price reduce by in excess of 50% and others are effectively unsaleable in today's market.

6.23 Looking ahead, we believe that some comfort can be taken from the fact that history shows the property market operates in a cyclical manner and many commentators believe we are approaching the bottom of this cycle. It would be surprising if yields were to remain at such high levels as the economy recovers, however the timing of such improvement is still unknown. However, to aid readers, we have appended to our appraisals a matrix which shows the sensitivity of land values to a range of rents and yields.

6.24 We now turn to various costs of development which are specific to Bushfield Camp and which are the subject of ongoing studies.

iv) What abnormal costs will be associated with the development?

6.25 Without detailed information from the Church Commissioners it is difficult to assess what abnormal costs may be associated with the development of the Bushfield Camp site. The most likely costs that may be anticipated to affect the site and that will influence viability are the site's ground conditions, levels and any remediation that may be required and the cost of off-site highway improvements. We are aware that various studies are being undertaken e.g. in regard to highways. In the absence of such information we have for current purposes made assumptions which we believe may well err on the low side, and as a result doubt that additional information when available is likely to improve the overall viability picture.

6.26 The site is clearly both large and undulating in nature and given its past military use there are likely to be significant remedial/ground preparation works required prior to development commencing. We have discussed this point with Hamptons International who verbally advised us that two quotations have been obtained in the sum of £3M and £5M. We have not seen these quotations, but for the purposes of this report, we have assumed that £3M is sufficient (this may be conservative). Similarly in the absence of further information from the Church Commissioners and their advisers we suspect that the actual professional fees, surveys etc associated with the development, particularly in connection with the costs of obtaining planning consent, may be significantly higher than those assumed in our development appraisals.

6.27 A further significant issue is the effect of the development on the highway system and the potential cost of off-site highway works. The Council has instructed MVA to carry out a city wide assessment of highway issues. From our discussions with them we understand that they have not looked at Bushfield Camp in isolation and are unable to provide us with specific costs in this regard. Informally they are of the opinion that given the size of the development and its likely vehicle movements that a figure of £500,000 would be a reasonable assumption. They have also commented that the Highway Agency's position is unknown and that if works are required to improve the nearby motorway junction that this figure is likely to increase.

6.28 At this stage we have disregarded any costs to be borne by the developer with regard to the creation or maintenance of the open space/country park. It may also be necessary for the developer to allow access to the open space for visitors by car, in which case an element of shared parking may be appropriate. This need not be problematic, especially outside business hours, and a public presence may be advantageous as a form of informal security. However, if the development is occupied by R&D firms it is possible that some will be sensitive about public access and may wish to have secure compounds with strictly private parking.

Further assumptions (see also a summary of assumptions in Appendix 3)

6.29 Against this background we have undertaken a development appraisal based upon our own assumptions in the absence of detailed information from the Church Commissioners, although we have for the purpose of this exercise adopted the lower estimate in respect of ground conditions and have taken MVA's informal assessment of offsite highway costs assuming that no works are required to the motorway junction.

6.30 It should also be noted that we have assumed that development finance would be required and could be obtained at the interest rates shown. There is a risk that interest rates will rise in future; if this were to happen then there would be an adverse affect on development viability. We have shown a deduction for the developer's liability for Business Rates, although we note that the property industry is lobbying for reinstatement of concessions for rates liabilities on vacant properties.

- 6.31 Our first development appraisal is based upon our assessment of current rentals, yields and development costs. We would point out that the latter can only be an estimation as to properly assess costs would require detailed work by a quantity surveyor and other consultants; this is outside the requirements of the Council at this time. The appraisal assumes a 4,645 sq m (50,000 sq ft) (gross) prelet together with a 1,858 sq m (20,000 sq ft) (gross) incubator unit and also some speculative development in phase 1, the remaining space being built over three further phases, the development period taking 10 years. In practice this timescale may vary.
- 6.32 We have also assumed a capital receipt from the sale of a 0.4 hectare (1 acre) site for a budget hotel in the first phase (we are aware that both Premier and Travel Lodge have requirements for Winchester); we have also allowed for 929 sq m (10,000 sq ft) of ancillary retail space to support the park operations, to be built in phase 2.
- 6.33 We have adopted a rental level of £20 per sq ft which we believe is the correct level today and assumed a relatively ambitious rent free period of 12 months on lettings and that there will be a 12 month void from practical completion of each phase prior to letting, again in current market conditions this might be regarded as optimistic.

Outcome of appraisals

- 6.34 Our first appraisal (see Appendix 3) shows that, adopting current rentals and yields, the development is not viable, as it is not capable of producing a positive land value or a development profit; indeed it shows a substantial loss. For a developer to undertake such a development we would normally expect a return on development cost of 20%.
- 6.35 However, as commented previously, investment yields today are at historically high levels. Consequently in assessing viability it is appropriate to consider what the outturn would be assuming investment sentiment and yields were to improve. Timing is clearly imprecise as the rate at which confidence may return is unclear. If one were to assume that matters improved and development viability was reassessed in autumn 2012, when hypothetically yields may have moved back to where they were in 2005/6 at an average of say 7%, then the second appraisal

shows a development return of 20% and a site value of circa £900,000 (see Appendix 4).

6.36 Even if one assumes that yields improve and produce a land value of, say, £1M for 20 hectares (£50,000 per hectare), we would be surprised if the Church Commissioners would be persuaded to sell at this level given what we have been told by their consultants. So if there is an expectation of a significant sale receipt from a developer then it is unlikely that the development would proceed. Consequently the only basis upon which we believe it is possible that the development could be pursued, assuming strong market conditions, would be for the Church Commissioners to take on the role of developer (possibly in a joint venture) and rely on receipt of the development profit as opposed to a significant land value. Even on this basis there are risks as it would be necessary to contain and manage costs extremely carefully and to achieve premium rents across the whole development. Whether they would be prepared to proceed upon this basis we of course do not know.

6.37 In order to illustrate a range of development scenarios under different market conditions, we have prepared a matrix showing the land value resulting from a spread of rents and yields (see Appendix 5). The matrix shows that there would need to be a significant and unprecedented improvement in rental values, far above the historically achieved tone in southern Hampshire, combined with a very significant improvement in property investment yields for the Church Commissioners to sell the site at a significant land value. It is our view that such a movement in rents and yields would be an unrealistic assumption.

6.38 In summary:

- Despite requests to Hamptons International we have not been provided with their development assumptions or detailed financial appraisals as we are told that the Church Commissioners believe that this is premature and commercially sensitive. Consequently our appraisals at this stage can only give a broad assessment of viability and we note that some of our assumptions as to cost may have been conservative.
- Although we have not seen the form of agreement between the Church Commissioners and Landseer we are advised that it should

not be assumed that Landseer would be the eventual developer of the site. Nonetheless, any developer will be constrained by the same financial realities of the market.

- A significant strength of the site is its close proximity to the M3 and this is an important factor in the perception that the site would attract occupiers if it is developed.
- Our appraisals rely on certain assumptions as a test of viability, including achievement of a significant pre-let to catalyse the development and delivery of four phases of development over ten years.
- Having researched the market we are of the opinion that rents are £20/sq ft pa.
- There is limited funding available for speculative development and investors are extremely risk averse at present.
- Interest rates are relatively low but there is a risk that they will rise in future and this is not reflected in our appraisals at this stage.
- We have allowed for Business Rates liabilities as they stand today.
- Based on our brief and information provided, we have shown indicative figures for site preparation/remediation, off-site highways costs, landscaping and so on. There is risk that these assumptions of cost are conservative.
- Investment yields are at historically high levels with a consequent negative effect on development viability.
- We have made some allowance for alternative land uses as part of the mix of development that we have appraised (i.e. including a hotel that generates a capital receipt in Phase 1 and some ancillary retail facilities).
- In our opinion the development is not viable at today's yields and even assuming significant improvement in the market a negligible land value would need to be attributed to the site if development of a "Knowledge Park" is to occur.
- A much more valuable mix of uses would be required to catalyse development and meet the landowners' stated expectations in terms of land value.

7.0 EXECUTIVE SUMMARY AND CONCLUSIONS

- 7.1 Vail Williams has been instructed by Winchester City Council to undertake property market research and development consultancy to test the viability and deliverability of “Bushfield Camp” as a possible “Knowledge Park”.
- 7.2 We would expect a “Knowledge Park” to host high value employment within mainly office buildings, although other B1 space may be appropriate if built to a similar specification. Such a development may qualify as a Science Park if business and technology support is provided; otherwise it could be better described as a Business Park. In Town Planning terms it is likely to comprise B1 space but with a strong bias in favour of B1(a) offices and B1(b) R&D facilities.
- 7.3 The cost of constructing buildings for R&D purposes could be similar to offices, although the tenants may have additional fit-out requirements. There may be a call for industrial space although the proposed concept demands high specification buildings. Taking an average position, our financial development appraisals assume that the proposed development should be treated as if were an office development, including some space for small businesses.
- 7.4 The site is vacant and partly derelict. Parts of Bushfield Camp and the adjoining Down are actively used by ramblers and dog walkers although we understand that, strictly speaking, the Camp site is not open to the public formally. The site is currently the subject of a “Village Green” application which has recently been submitted to Hampshire County Council. The property sits within a sensitive landscape setting.
- 7.5 A number of development proposals in the past including retail, housing and the headquarters for Hampshire Police have not progressed. The owners are now proposing a 20 hectare “Knowledge Park” providing 37,161 sq m (400,000 sq ft) of largely B1a office space, together with a hotel and on-site retail facilities to serve the occupiers of the park, designed to retain and attract quality “high end” employers to Winchester.
- 7.6 It is proposed that the Church Commissioners will gift 23 hectares to the City for recreational open space, but the future cost of this (both setting it out and

maintaining it as a country park) will fall on Winchester City Council. There are wider implications of this, which are outside the scope of this report, such as how the work will be funded, whether the open space would be accessed only on foot or also by car and, if the latter, then the car parking arrangements in relation to the commercial element. The cost implications and any car parking arrangements for the open space (if appropriate) may need to be the subject of further study and negotiations.

- 7.7 Given the concept of a “Knowledge Park” focused on high value employment, as well as the possible interest of local universities in the site, Winchester City Council has asked us to consult the University of Winchester, the University of Southampton and Sparsholt College on the future of Bushfield Camp.

The University of Winchester

- 7.8 The University of Winchester is broadly supportive of aspirations to enhance the Winchester economy with the aim of creating more graduate level employment and closer engagement with the business community.
- 7.9 Central and northern Hampshire is important “territory” for the University of Winchester and this also explains their interest in taking a “lead role” should university involvement in Bushfield Camp be appropriate.
- 7.10 The University of Winchester does not see Bushfield Camp as a true Science Park but the broader concept of a Business Park with “high value” jobs (i.e. a “Knowledge Park”) is seen as attractive and preferable to an industrial estate.
- 7.11 The development of Bushfield Camp would rely on far greater demand for floorspace than the University of Winchester alone can create. At this stage it can envisage taking 500 sq m (5,382 sq ft) of office space as a small pre-let. An initial commitment of 5 years may be appropriate but this could evolve according to demand and the wider success of the development.
- 7.12 The university may generate modest demand for incubation units and would consider some kind of joint venture on managed workspace.

- 7.13 The university would consider taking a role in the management of the site, particular where there is synergy with its existing support services.

The University of Southampton

- 7.14 The University of Southampton has a track record and experience of successfully developing and operating a Science Park at Chilworth and places value on this expertise.
- 7.15 Its model is based on developing customer relationships with its tenants and this requires a high degree of control over the site and a range of unit types/sizes in order to cultivate and manage growth.
- 7.16 The success of the Science Park at Chilworth is due to the synergy that it has with the university's research. This helps generate "spin-out" companies and is a magnet for established companies to locate there.
- 7.17 The growth potential and floorspace requirements of companies associated with technological research are expected to exceed those of businesses involved with the creative arts, culture and the media sector.
- 7.18 Physical proximity between the university and the Science Park is another helpful factor (although this applies less to Bushfield Camp).
- 7.19 Bushfield Camp is considered a generally attractive location for development from an occupier's perspective. However, the university is concerned that any planning obligations and restrictions on development/use of the site have the potential to add exceptional costs and limit demand.
- 7.20 The University of Southampton Science Park is not currently engaged in proactive dialogue with the landowner or prospective developer and, mindful of its own expertise developing and operating a Science Park, therefore questions the efficacy of the current development agreement to bring forward a "Knowledge Park" at Bushfield Camp.

- 7.21 The University of Southampton Science Park recognises that in the short/medium term its current site will be fully developed so it has a need to evaluate other locations, of which Bushfield Camp is one of a handful that it is considering.

Sparsholt College

- 7.22 Sparsholt College's expertise includes land based industries and food production, as well as a wider range of courses. Links with business are important to the college.
- 7.23 Local initiatives such as Hampshire Fare and Winchester Farmers' Market may have potential for further development and be a spur for new business formation. However, this is speculation and the potential demand for commercial floorspace demand arising from them is by no means certain.
- 7.24 Sparsholt College favours the idea of increased knowledge transfer with businesses and creation of starter facilities for new enterprises in the area but, from its perspective, this would require significant subsidy.
- 7.25 The creation of shared training facilities with other academic institutions may be a possibility, but it is not possible to quantify the space required by the college because the demand is not self-evident at present.

Demand and supply

- 7.26 Indications of demand for floorspace at Bushfield Camp from local academic institutions are modest, although warm in spirit due to the positive economic development potential. The provisional interest in university offices and incubator space has been factored into our development appraisals.
- 7.27 The University of Winchester and the University of Southampton Science Park would contemplate a greater role in the development but this is very much subject to demand and a fresh look at the land values suggested by the Church Commissioners' consultants.

- 7.28 Other market requirements give some encouragement to the Winchester office market although potential “leads” cover wider search areas also linked to the motorways or town centre locations near a station.
- 7.29 Anecdotal feedback from commercial property agents suggests that occupiers would locate at Bushfield Camp if a scheme was built, but this does not address the issue of financial viability/deliverability.
- 7.30 Competing supply is focused on Winchester city centre, although this is somewhat limited and of varying quality. However, in the “out-of-town” market there is significantly more competing supply; this is situated along the M3 and the M271, but more particularly along the M27 towards Fareham at Solent Business Park. This supply will help to contain rental growth.
- 7.31 The progress of the new Basepoint Enterprise Centre at Winnall should be monitored as an indicator of demand for small business units.
- 7.32 There is also additional employment land with further development potential (e.g. at “Eastleigh Riverside”, but this is subject to significant road improvements).
- 7.33 The development proposals represent about 11% of the district's office stock at the time of the last Business Rates revaluation.

Viability

- 7.34 Despite requests to Hamptons International we have not been provided with their development assumptions or detailed financial appraisals as we are told that the Church Commissioners believe that this is premature and commercially sensitive. Consequently our appraisals at this stage can only give a broad assessment of viability and we note that some of our assumptions as to cost may have been conservative.
- 7.35 Although we have not seen the form of agreement between the Church Commissioners and Landseer we are advised that it should not be assumed that Landseer would be the eventual developer of the site. Nonetheless, any developer will be constrained by the same financial realities of the market.

- 7.36 A significant strength of the site is its close proximity to the M3 and this is an important factor in the perception that the site would attract occupiers if it is developed.
- 7.37 Having researched the market we are of the opinion that realistic rents are £20/sq ft pa. Based on trends over the last decade, as well as comparison with higher value locations in the Thames Valley, we believe that rental growth prospects are only slight; any inflationary increases may be accompanied by an increase in building costs. Nonetheless, our sensitivity matrix shows the effect of bolder assumptions on rents.
- 7.38 There is limited funding available for speculative development and investors are extremely risk averse. We have allowed for Business Rates liabilities and interest rates as they stand today. Interest rates are relatively low but there is a risk that they will rise in future and this is not reflected in our appraisals at this stage. Investment yields are at historically high levels with a consequent negative effect on development viability.
- 7.39 In our opinion the development is not viable at today's yields and even assuming significant improvement in the market a negligible land value would need to be attributed to the site if development of a "Knowledge Park" is to occur.
- 7.40 We have made some allowance for alternative land uses as part of the mix of development that we have appraised (i.e. including a hotel and some ancillary retail facilities) but a much more valuable mix of uses would be required to catalyse development and meet the landowners' stated expectations in terms of land value.

APPENDIX 1

Masterplan presentation from Terence O'Rourke
(on behalf of the landowner)

APPENDIX 2

Initial observations on the development concept from CBRE
(on behalf of the landowner)

APPENDIX 3

Vail Williams' Development Appraisal 1
(present day market conditions)

KEY ASSUMPTIONS FOR BOTH OF THE DEVELOPMENT APPRAISALS

- A development programme of approximately 10 years is assumed.
- It is assumed that planning consent has been granted and the development is ready to start.
- We have assumed that there will be a 12 month void from practical completion of each phase (excluding the prelet in phase 1) prior to the space being let.
- Rent free periods of 12 months have been assumed with the exception of the prelet (15 months) and the “Incubator Unit” (0 months).
- It is assumed that subsequent development phases commence at the end of each void period, i.e. when the preceding phase has been fully let.
- Construction costs are based on data from the Building Cost Information Service (BCIS), published by the Royal Institution of Chartered Surveyors (RICS). Actual construction costs would be established by means of a tender.
- The developer’s target profit would normally be 20% return on all development costs.
- We have assumed that finance rates are at autumn 2009 levels (we are not in a position to comment on future interest rates but note that there is a risk that they will change in future).
- We have made an adjustment (deduction) for Business Rates liabilities on the current basis.
- Assumed £3M for site remediation and levelling plus £500K for landscaping.
- Assumed £500K for off site highway works.
- No allowance made for S106 payments.

(N.B. The appraisal software produces figures in square feet. These can be converted to square metres by multiplying by 0.0929. Appendix 5 includes a table showing the conversion of rents from imperial to metric.)

APPENDIX 4

Vail Williams' Development Appraisal 2
(improved market conditions)

APPENDIX 5

Development Appraisals Summary
(with matrix showing sensitivity of land values to rents and yields)

Bushfield Camp Winchester - Indicative Residual Land Values (20 hectares or 49.4 acres developable) – Rent/Yield Comparison										
		Investment Yield								
		6%	6.5%	7%	7.5%	8%	8.5%	9%	9.5%	10%
Office Rent/sq ft pa	£20	£ 10,500,000	£ 5,375,000	£900,000	-£ 3,046,000	-£ 6,641,000	-£ 10,384,000.0	-£ 13,433,000	-£ 16,210,000	-£ 18,814,000
	£22	£ 16,829,000	£ 11,109,000	£ 6,205,000	£ 1,956,000	-£ 1,794,000	-£ 5,533,000	-£ 8,833,000	-£ 11,808,000	-£ 14,511,000
	£24	£ 23,062,000	£ 16,830,000	£ 11,493,000	£ 6,867,000	£ 2,822,000	-£ 815,000	-£ 4,305,000	-£ 7,500,000	-£ 10,403,000
	£26	£ 29,294,000	£ 22,542,000	£ 16,768,000	£ 11,768,000	£ 7,394,000	£ 3,709,000	-£ 66,000	-£ 3,262,000	-£ 6,357,000
	£28	£ 35,524,000	£ 28,257,000	£ 22,038,000	£ 16,660,000	£ 11,957,000	£ 8,210,000	£ 4,305,000	-£ 804,000	-£ 2,381,000
	£30	£ 41,756,000	£ 33,966,000	£ 27,310,000	£ 21,547,000	£ 16,513,000	£ 12,704,000	£ 8,525,000	£ 4,789,000	£ 1,427,000

Conversion of rental levels from imperial to metric	
£/sq ft pa	£/sq m pa
20.00	215.28
22.00	236.81
24.00	258.34
26.00	279.86
28.00	301.39
30.00	322.92

