

# Development Consulting

Ministry of Defence - DIO Commercial

Market & Viability Assessment – Ripon Barracks, Ripon

December 2017



# Contents

<b>1</b>	<b>Executive Summary</b> .....	<b>2</b>
<b>2</b>	<b>Introduction</b> .....	<b>3</b>
2.1	Purpose of Report.....	3
2.2	Site Overview.....	3
<b>3</b>	<b>Market Assessment</b> .....	<b>5</b>
3.1	Introduction.....	5
3.2	Regional Overview.....	5
3.3	Harrogate Borough.....	7
<b>4</b>	<b>Employment Land Allocations – Harrogate Borough</b> .....	<b>18</b>
<b>5</b>	<b>Industrial and Office Use at Ripon Barracks</b> .....	<b>20</b>
5.1	Suitability of the Existing Employment Buildings on the Ripon Barracks Site.....	20
5.2	Viability Assessment.....	22
5.3	New Build Employment.....	28
5.4	Suitability of Ripon Barracks for Employment.....	29
<b>6</b>	<b>Conclusion</b> .....	<b>31</b>
<b>7</b>	<b>Confidentiality and Publication</b> .....	<b>32</b>

# 1 Executive Summary

## Instruction

JLL have been commissioned to make, on behalf of the Defence Infrastructure Organisation (DIO), representations to Harrogate Borough Council to address the future use of the Claro, Deverell and Laver Banks Barracks (the Site/ Ripon Barracks) following the Ministry of Defence announcement that the regiments currently occupying the site will be relocated. This report specifically addresses the suitability of employment use on site.

In order to assess the site's suitability for employment use the report reviews previous and current office and industrial market trends along with the future need for employment development at the subject site. The report then reviews the suitability of the site and the existing property contained therein, and looks at a high level financial viability to provide employment space on site.

## Findings

The Harrogate Borough draft Local Plan proposes that the Ripon Barracks site be allocated for residential and employment uses with over 11.00 ha (27.18 acres) of employment at the site.

The market assessment undertaken has demonstrated that there is considerable latent demand for employment space within the Harrogate Borough; for both office and industrial uses due to low levels of good quality supply. The existing supply is characterised by poor quality and dated buildings which do not satisfy occupier's requirements. However the majority of the poor quality space is still occupied within the Borough which demonstrates there is strong latent demand for good quality, modern, purpose built stock, close to labour pools, transport links and amenities.

In terms of the future supply there is a total of 121 ha (299 acres) of employment land which is proposed for allocation within the Harrogate Borough draft Local Plan. Having reviewed the sites which are proposed for allocation JLL consider that all of the sites identified have advantages over the Ripon Barracks site in terms of location and access to the road system.

Given the above it is clear that there is strong demand for good quality employment space which is well located in the Borough. Therefore JLL have undertaken a review of the suitability of the Ripon Barracks site to provide employment uses and satisfy the demand from occupiers. This review assessed both the potential to reuse some of the existing employment stock on the site whilst also considering the provision of new build employment.

The assessment found that the reuse of the existing employment space on the site is not commercially viable for both office and industrial occupiers as the investment value does not exceed the cost of refurbishing the existing buildings on site and providing the required separate access from the residential. Additionally the existing stock occupies the area of the site which is likely to attain the highest residential values and therefore could result in a significant proportion of the value being lost which could impact on affordable housing and other planning contributions

Despite this JLL consider that a new build employment development adjacent to the existing northern access on Lark Hill/Kirkby Road could be developed. This will provide the separate access required along with providing employment units which meet with occupier requirements. However the characteristics of the site in terms of the site location, accessibility, surrounding uses and distance away from the major road network means that the total demand from occupiers for employment space at the subject would be in the region of 2.00 ha (4.94 acres)

## 2 Introduction

### 2.1 Purpose of Report

This report has been prepared for the Ministry of Defence - DIO Commercial, to support planning representations for the allocation and redevelopment of Deverell Barracks, Claro Barracks and Laver Banks. For the purpose of this report, the three sites will collectively be referred to as Ripon Barracks. The subject sites currently comprise of former Barracks situated to the north west of the City of Ripon. The properties are shown on the plan in section 1.2 for illustrative purposes.

This report is prepared to support planning representations made for the site, addressing the suitability of employment use on site. This assessment reviews previous and current market trends along with the future need for employment development at the subject site. The report then reviews the suitability of the site and the existing property contained therein, and looks at a high level financial viability to provide employment space on site.

### 2.2 Site Overview

The subject sites currently comprises three Ministry of Defence Army Barracks.

Claro Barracks comprises a 44.92 hectare (111.00 acre) irregularly shaped site. There is a mixture of accommodation provided on site including office, residential and industrial accommodation in a parkland setting.

At the south of the site along Clotherholme Road there are a couple of multi-use areas which are used for military training along with recreation totalling 9.71 hectares (24.00 acres).

The site has two pedestrian and vehicular accesses directly off Clotherholme Road to the south of the site and along Lark Hill/ Kirby Road to the north of the site (which is currently not in use). The site is enclosed by a metal fence on all sides. The northern boundary of the site is delineated by Lark Hill/ Kirby Road and green fields, the eastern boundary by Deverell Barracks, the southern boundary by Clotherholme Road and the western boundary by green fields. The site's boundaries are well defined.

Deverell Barracks comprises a 15.40 hectare (38.00 acre) irregularly shaped site. There are a large number of wooden huts on the site along with a mix of industrial accommodation and garages in a parkland setting. At the south of the site fronting Clotherholme Road there is a large sports ground of 3.60 hectares (9.00 acres). There is also a 4.00 hectare (9.90 acre) area which has been identified as potentially containing gypsum. Further investigations need to be undertaken in this area to ascertain if any development can take place in this area.

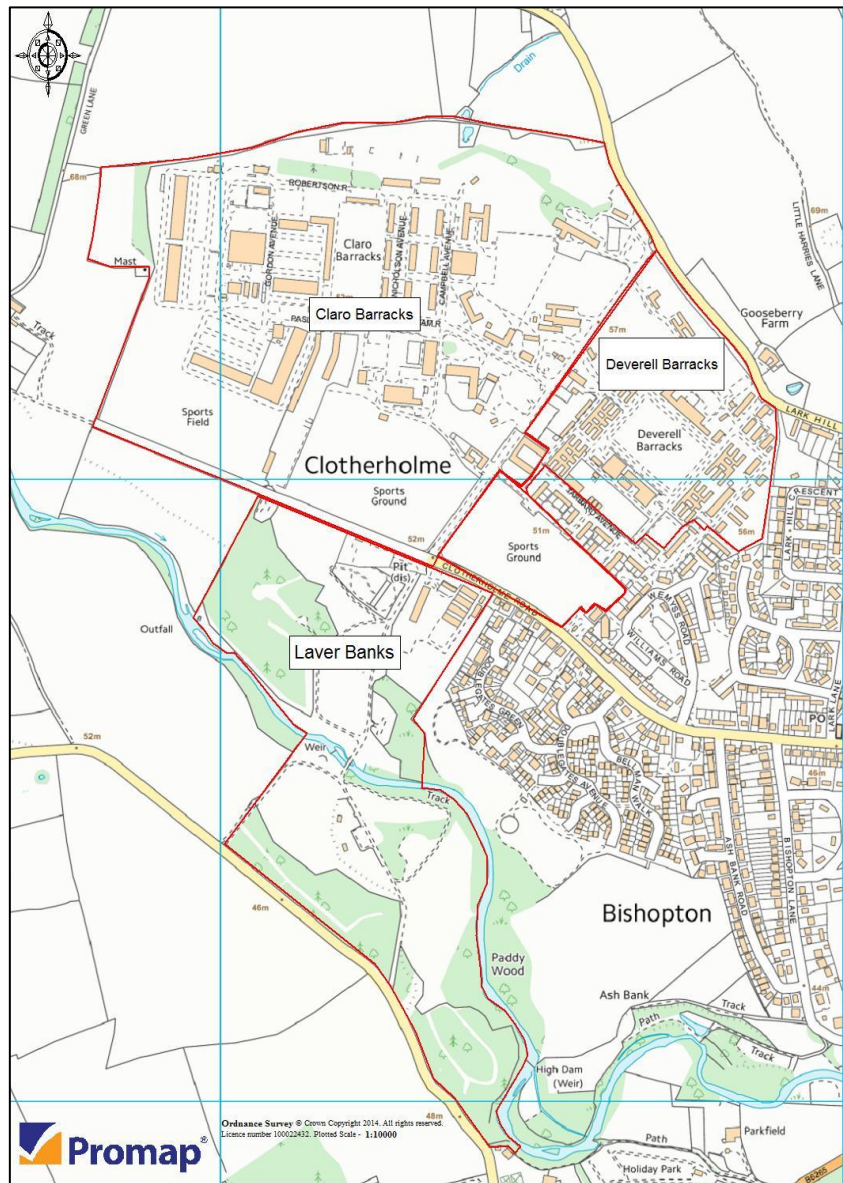
The site has two pedestrian and vehicular accesses directly off Clotherholme Road to the south of the site and along Lark Hill to the north of the site (which is currently not in use). The site is enclosed by a metal fence on all sides. The northern boundary of the site is delineated by Lark Hill, the eastern boundary by residential accommodation, the southern boundary by Clotherholme Road and the western boundary by Claro Barracks.

Laver Banks comprises a 25.40 hectare (62.80 acre) irregularly shaped site, mainly of a woodland nature with some buildings and hard standing in the northern eastern corner of the site. The site comprises a mixture of office and storage facilities which are of mixed construction.

The site is accessed directly off Clotherholme Road and is enclosed by a metal fence on all sides. The northern boundary of the site is delineated by Clotherholme Road, the eastern boundary by residential accommodation, the southern boundary by Galphay Lane and the western boundary by agricultural fields.

The areas of the site where there is no hard standing is characterised by wood and scrub land and it should be noted that the River Laver dissects the site. There are two alternative accesses to the site off Galphay Lane.

The sites are identified on the plan below.





## 3 Market Assessment

### 3.1 Introduction

In the emerging Harrogate District Local Plan, the sites are proposed for redevelopment for residential and 11.00 hectares (27.20 acres) of employment development. The below is a review of the office and industrial market which has been undertaken in order to assess the likelihood of the site accommodating employment use on the site.

### 3.2 Regional Overview

#### 3.2.1 Office

The Yorkshire office market experienced a subdued start to 2016 with take-up for the first six months of the year standing at 194,830 sq ft and some way off being on target for the 10-year annual average of 498,000 sq ft. The first three quarters of 2017 however saw take up within Leeds City Centre of 797,722 sq ft, demonstrating a strong and confident market post EU referendum. The Leeds out-of-town market has also increased by 45% on 2016 figures in the first three quarters of 2017 equating to 120,000 sq ft.

With regard to the sub-regional centres within Yorkshire demand remains patchy with developers trying to secure occupier's requirements before any development takes place on viability grounds.

Supply levels were constrained and the overall vacancy rate moved in to 4.10% during Q2 2016. The scarcity of Grade A space was addressed in Q3 of 2016 with the practical completion of two new buildings at Wellington Place in Leeds, and Central Square in Leeds; with much of the space being pre-let. Following the success of buildings 5 & 6 Wellington Place, MEPC have begun to speculatively develop building number 3 at Wellington Place. In addition to new build stock, Leeds has seen a number of refurbishments take place, including that of City House, which has since been rebranded as Platform following its acquisition by Bruntwood.

Headline prime rents increased to £30.00 per sq ft during Q2 2017, with quoting rents for new build stock exceeding £30.00 per sq ft.

In line with other markets, investment activity was relatively subdued in Q2 as the EU referendum came into sight. 2017 has seen only one investment deal so far of note, whereby Squarestone bought five office buildings at Capital Park, currently occupied by the NHS, Hermes, Barratt Homes and Henderson Insurance Brokers for £18.20 million. By way of contrast, 2016 saw a number of major investment deals. The largest deal recorded over the first half of the year saw Credit Suisse take the 120,000 sq ft No.1 Leeds for £37.00 million, reflecting a 6.50% yield. Additionally, Leeds City Council purchased 3 Sovereign Square, where Addleshaw Goddard is the anchor tenant, in Q2 2016 for £43.80 million reflecting 5.40% net initial yield. One Park Lane also traded hands again, this time to a Private Middle Eastern Investor for £19.10 million. The largest transaction was Leeds City Council's purchase of 3 Sovereign Square for £43.75m reflecting 5.40% net initial yield. Prime yields were unchanged and have remained at 5.25% since H1 2016.

Although overshadowed by larger centres, notably Leeds, Harrogate is a reasonably established office location, albeit primarily housing local and central Government offices, together with small to medium sized professional firms and consultancies. The market has not seen any significant development in the past, particularly in the town centre itself. Most new development, where it has taken place, has been in peripheral or out-of-town locations, mainly to the south of the town at schemes including Hornbeam Park, Cardale Court and Beckwith Court.

It remains the case today that the office stock in Harrogate town centre is predominantly made up of older style period offices which are predominantly cellular in nature and having dated specification. With restrictive planning policies, this situation is unlikely to change dramatically in the foreseeable future.

Hornbeam Park is viewed as the prime out-of-town office location due to the quality of the location, the environment and the buildings provided. As a consequence of the above, Hornbeam Park can be seen as an attractive and popular out-of-town office location within the Harrogate market benefitting from a rail link to Harrogate and Leeds.

### 3.2.2 Industrial

Nationally, the industrial market continues to perform well with year-on-year increases in the take-up of floorspace. The industrial sector continues to be dominated by warehouse and distribution units. There is a growing demand for large scale logistics/distribution warehouses nationally. This is, in part, driven by the continuing growth of the on-line retail sector and increasing customer expectations for same- or next-day delivery.

The Savills Big Shed Briefing report from January 2017 identifies that the national logistics market has performed well given the EU referendum. 135 transactions were reported equating to 34.6m sq ft. just 400,000 sq ft over the 2014 record of 34.2m sq ft.

A large portion of this take-up is due to online retailers increasing activity, with the sector accounting for 29% of all transactions, followed by third party logistics with 18% and manufacturing sector accounting for 16%.

In terms of supply, the warehousing sector has struggled to keep up with demand with the third quarter of 2016 seeing supply fall to the lowest level ever recorded at just 22.7m sq ft. It is expected that there will be a slowdown in speculative development which will reduce availability and cause further rental increases in 2017/18.

The Yorkshire and the Humber region has witnessed a strong year for industrial transactional activity in 2016 as take-up reached 3.9 m sq.ft. This was 18% higher than 2015 and 38% higher than the long term average.

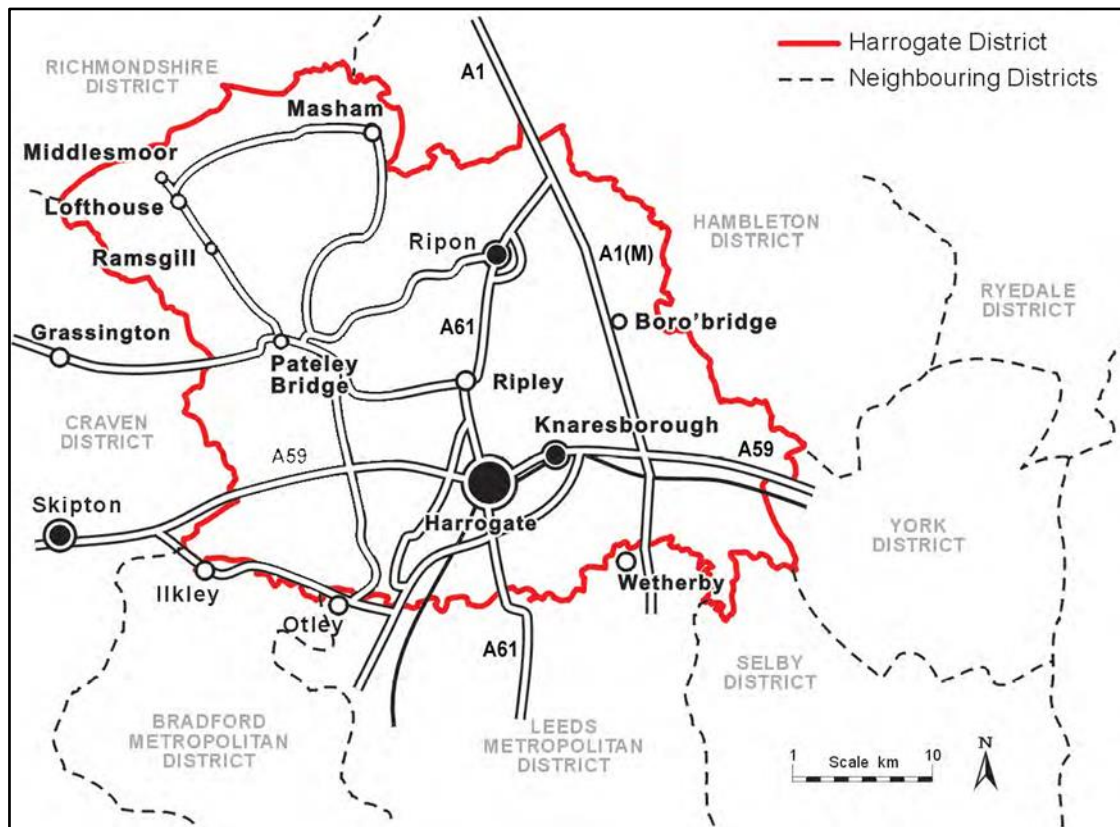
Headline prime rents are at £6.75 per sq ft as at mid – 2017, achieved at College Trade Park for 25,000 sq ft let to Edmundson Electrical. For Big Sheds, rental levels are generally lower. In terms of recent evidence, Cubico UK took a 110,000 sq ft at Oakwell 27, Oakwell Wy, Birstall in Q1 2017 at a rent of £4.50 per sq ft, whilst also in Q1 2017, Vision Alert Automotives took a new 94,000 sq ft unit at Ph1, Coal Rd, Seacroft at £5.00 per sq ft.

So far, over 2017, London Metric has invested in 143,000 sq ft of space across two last mile distribution units. The units, on Coal Road and at Navigation Park, were purchased for £12 million, representing a blended net initial yield (NIY) of 6.00%. Prime yields were unchanged since July 2017 and remained at 5.25% for industrial space and 5.00% for big-sheds.

Although overshadowed by larger centres, notably Leeds, Harrogate has a reasonably established industrial location, albeit primarily housing smaller, local occupiers. Much of the industrial accommodation within the Harrogate Borough is concentrated around Harrogate, Knaresborough, and less so Boroughbridge. The primary industrial estate within the Borough is St. James Business Park.

### 3.3 Harrogate Borough

In order to assess the office and industrial market within the Harrogate Borough, JLL have undertaken a review of the current availability along with the take up of office and industrial property over the period 2012 – 2016. This has also been combined with a review of the Annual Monitoring Report for 2016 which is used to establish the future demand and supply within the Borough. In order to review the relationship between availability and demand for industrial accommodation JLL have relied on the Co-Star Group database (<http://www.costar.co.uk/>). JLL have undertaken a search of available property and take up within the area as shown in the plan overleaf. This plan is taken from the Annual Monitoring Report dated December 2016.



According to Harrogate Borough Council's Economic Development Unit, the Borough has seen a severe reduction of good quality office space, by as much as 21% in the last three years. This has been predominantly due to permitted development rights enabling office conversions to residential dwellings with almost 40,000 sq m (430,556 sq ft) proposed for conversion. At least an additional 3,750 sq m (40,365 sq ft) of office space has also been lost through planning approvals.

Between 2007 – 2016 Harrogate Borough office transactions accounted for 59% of North Yorkshire's take up, equating to 724 deals. In comparison, over the same period, Leeds completed 6,099 deals. This demonstrates that Harrogate Borough is very much a secondary office market in comparison to Leeds. Over the 10 year period, Ripon and Boroughbridge accounted for 5.52% (68 deals) of these transactions.

This could be correlated to the poor quality, and dated stock in the Harrogate Borough which does not meet occupier's requirements. Agents suggest that there is occupier demand for new-build stock. In Harrogate there is demand for units of all sizes including larger commercial offices from financial and business service occupiers. In terms of other areas in the Borough, some agents consider Ripon to be primarily retail-led when it comes to demand. As a result of the lack of variety, the Borough's main occupiers are local businesses.



There has been a lot of latent demand in Harrogate, and it is mainly located towards bespoke built offices which provide amenities on site but are not too far out of the town. Accessibility has been highlighted as a key factor for businesses, and car parking and traffic as one of the biggest issues which potentially drives businesses out of an area.

While the strategic distribution market is improving, Harrogate is only a secondary distribution market and national trends may not necessarily translate to an area with only limited access to the strategic road network. According to the Harrogate Housing and Economic Development Needs Assessment 2017 (HEDNA), the highest number of available (void) industrial properties is in the Ripon and Boroughbridge sub area (30%). This is key when considering the subject property for employment use, as it shows that there is enough supply, and little demand for industrial properties in this area.

It is however regarded among local agents that there is a substantial undersupply when it comes to good quality, suitable industrial sites in Harrogate Borough. The majority of the stock is considered to be old and of poor quality, however it is still occupied due to the lack of developable land for industrial units. There are enquiries for a range of sizes and rents are generally prime due to the demand being greater than supply. Most occupiers would include sectors such as furniture, car repair and distribution occupiers

Ripon is considered to be less attractive and less expensive than the surrounding conurbations. In Knaresborough, the market is similar to Harrogate; however the same geographical constraints apply, especially when it comes to road network and infrastructure.

### **3.3.1 Closure of Claro Barracks, Ripon – Review of Economic Implications Report**

In addition to the above JLL have also had regard to the Closure of Claro Barracks, Ripon – Review of Economic Implications final report dated January 2014 undertaken by Genecon. This concludes that the overarching use on the site should be residential led with some employment but the report concludes that the site is not ideally located due to access considerations. Genecon also conclude that there is potential to provide retail, leisure and civic development. JLL consider that whilst this is now slightly historic at nearly four years old the conclusions contained therein are still relevant.

### **3.3.2 Harrogate Borough Existing Supply and Demand**

#### **3.3.2.1 Existing Office Supply**

Existing office property currently available for sale or to let in the Borough search area totals 11,150 sq m (120,000 sq ft) according to Co-Star. A breakdown of the current supply is provided in the chart below.

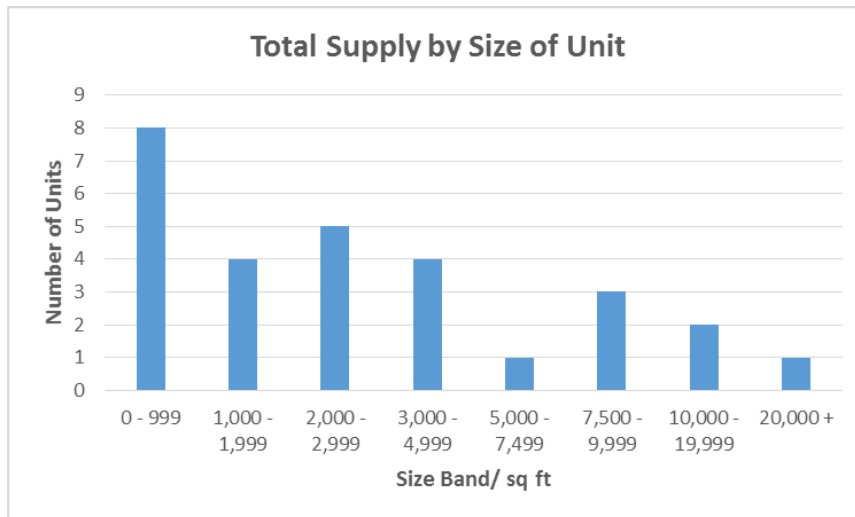


Chart 1 – Total Supply split by size of Unit (Source: Co-Star)

Chart 1 shows that there is currently available office supply across all the size increments, however, the highest number of vacant units is in the zero sq m (zero sq ft) to 93 sq m (999 sq ft) category with 8 units currently available. The next highest is the 186 sq m (2,000 sq ft) to 279 sq m (2,999 sq ft) category, which has 5 units currently available. It should be noted that the accommodation is provided across a mixed grade of properties with a limited amount Grade A space available.

In terms of the breakdown of units below 929.03 sq m (10,000 sq ft) there are a total of 25 units currently available in the search area. The breakdown of these is as follows:

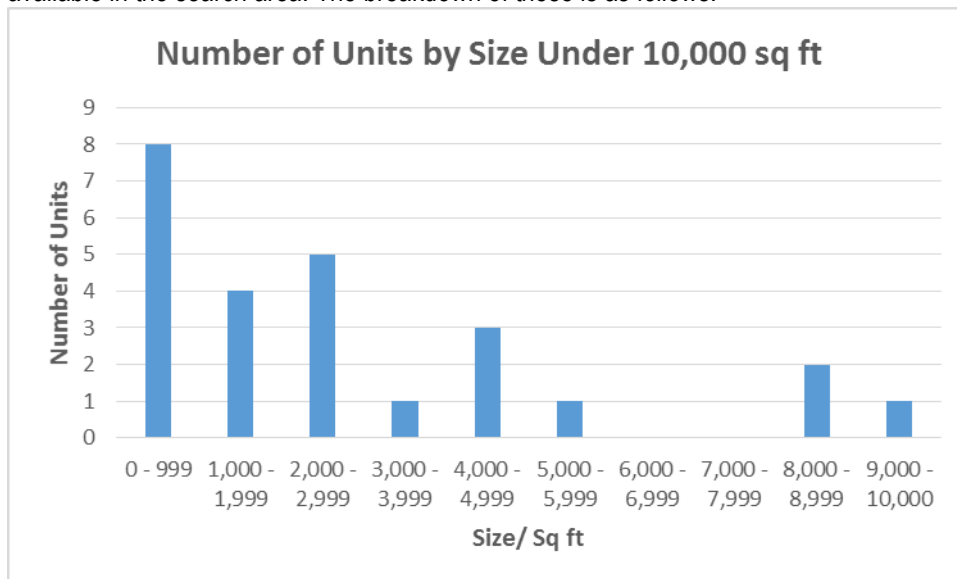


Chart 2 – Breakdown of Units by size of Property (Source: Co-Star Focus)

As can be seen from Chart 2, 68% (17 units) of units are currently available in the zero sq m (zero sq ft) to 279 sq m (2,999 sq ft) category. The next highest is 20% (5 units) which are currently available in the 279 sq m (3,000 sq ft) to 557 sq m (5,999 sq ft) size band.

In summary, the existing level of supply within the identified search area is 11,150 sq m (120,000 sq ft). Virtually all of space is provided in the sub 929.03 sq m (10,000 sq ft) with a total of 25 units (89%) currently available, however the majority is provided in dated poor quality accommodation.

### 3.3.2.2 Existing Industrial Supply

Existing industrial property currently available for sale or to let in the Borough search area totals 9,364 sq m (100,788 sq ft) according to Co-Star. A breakdown of the current supply is provided in the chart below.

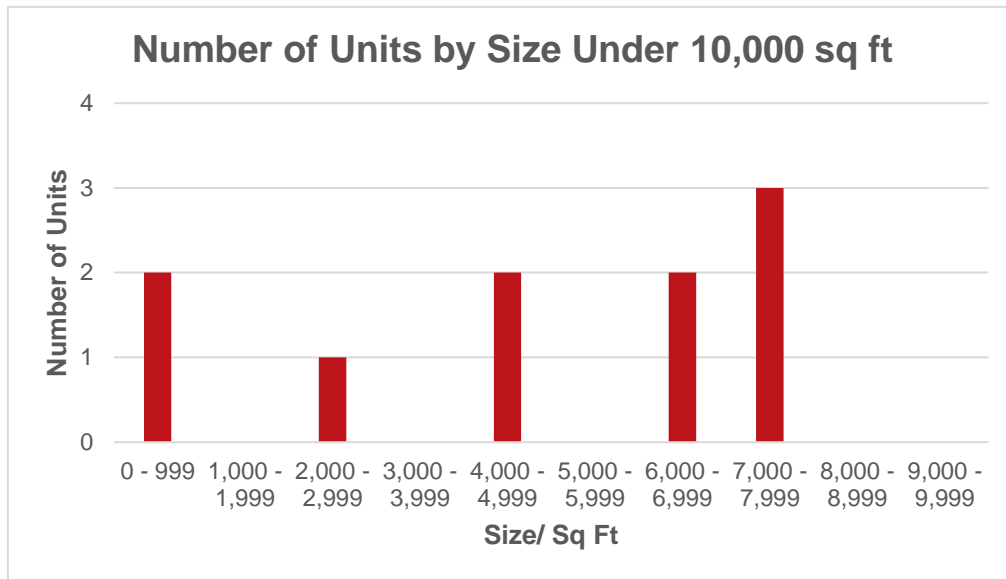


Chart 3 – Total Supply split by size of Unit (Source: Co-Star)

Chart 3 shows that there is currently available industrial supply across most of the size increments, however, the highest number of vacant units is in the 929 sq m (10,000 sq ft) to 1,824 sq m (19,999 sq ft) category with 4 units currently available. The next highest is the 465 sq m (5,000 sq ft) to 697 sq m (7,499 sq ft) category, which has 3 units currently available. It should be noted that the accommodation is provided across a mixed grade of properties with a limited amount modern specification space available.

In terms of the breakdown of units below 929 sq m (10,000 sq ft) category there are a total of 10 units currently available in the search area. The breakdown of these is as follows:

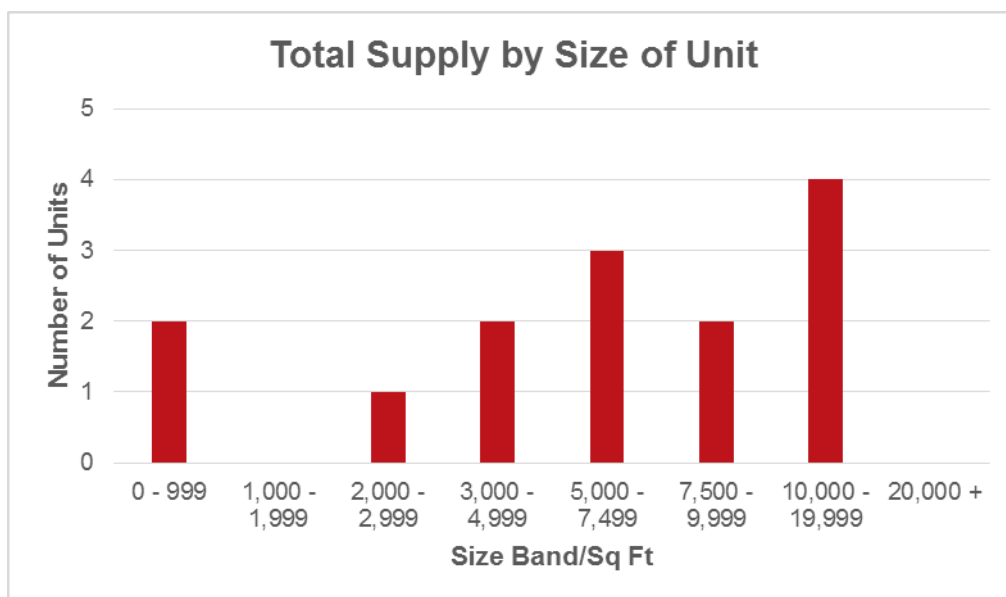


Chart 4 – Breakdown of Units by size of Property (Source: Co-Star Focus)

As can be seen from chart 4, 50% (5 units) of units are currently available in the 465 sq m (5,000 sq ft) to 697 sq m (7,499 sq ft) category. The next highest is 30% (3 units) which are currently available in the zero sq m (0 sq ft) to 279 sq m (2,999 sq ft) size band.

The existing level of supply within the identified search area is 4,525 sq m (48,709 sq ft). Virtually all of space is provided in the sub 929 sq m (10,000 sq ft) with a total of 10 units (71%) currently available, however the majority is provided in dated poor, quality accommodation.

**3.3.2.3 Existing Office Demand**

In terms of the take up of office floorspace, over the five year period 2012 – 2016, in the Borough this is summarised in the chart below. It can be seen that the largest take up was in 2014, where over 6,503 sq m (70,000 sq ft) of deals were agreed for office space in the search area. The second largest office take up was in 2016 of 5,945 sq m (64,000 sq ft).

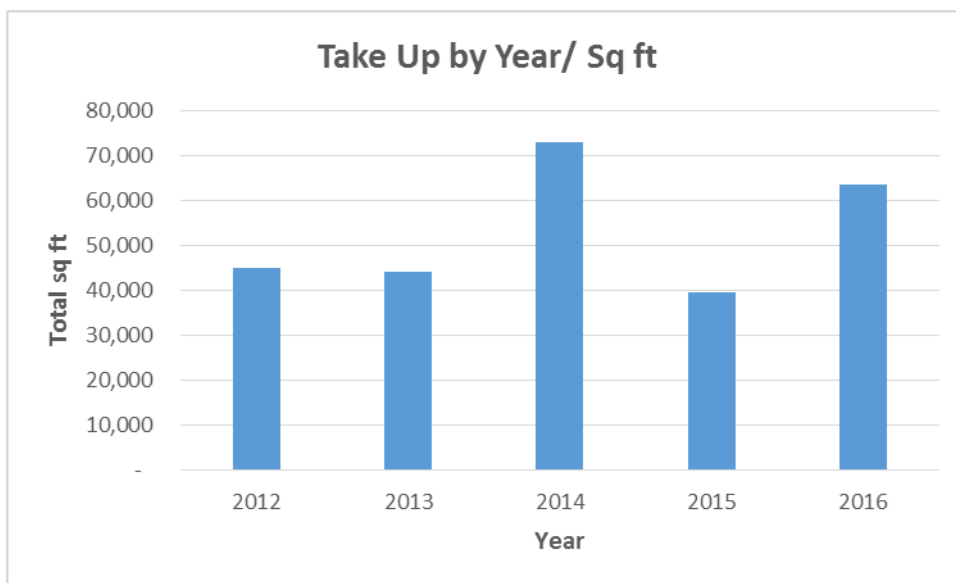


Chart 5 – Take up by Year (Source: Co-Star Focus)

Total take up in the Harrogate Borough over the five year period was 24,655 sq m (265,380 sq ft) which equates to an average of 4,925 sq m (53,000 sq ft) per annum. If take up continued at this level then the current supply of existing stock currently available on the market would all be taken in just over two years.

Chart 6, below, shows the number of transactions per year over the previous five years within the Harrogate Borough. It shows that the number of transactions has generally shown a steady decrease throughout the period with an average of 34 transactions per annum. The year 2016 saw the lowest number of transactions with just 25.

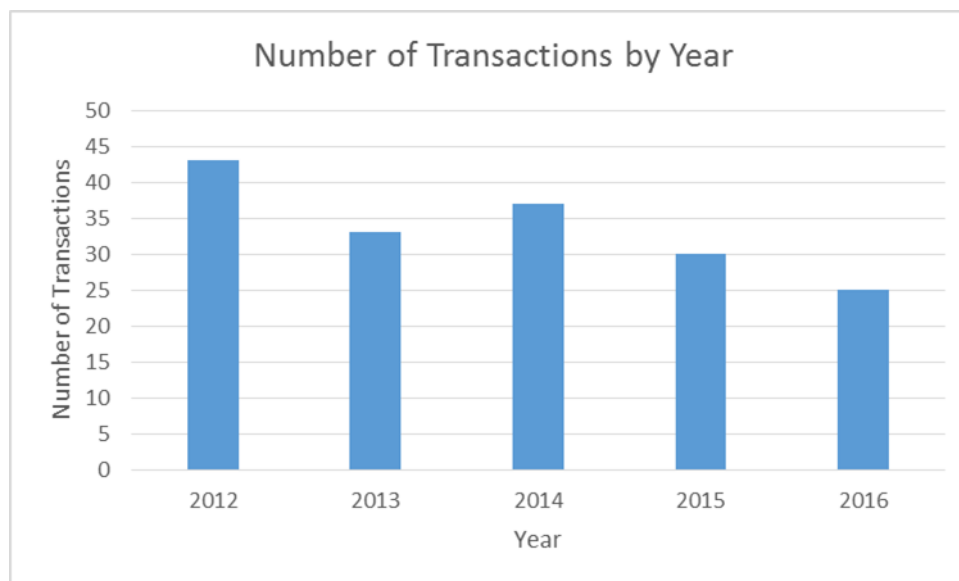


Chart 6 – Number of Transactions per Year (Source: Co-Star Focus)

### 3.3.2.4 Current Office Occupier Requirements

Below are a list of requirements for the Harrogate Borough that JLL are aware of from the last 6 months.

Company	Location	Size from (sq ft)	Size to (sq ft)	Comment
FiveThree7	Harrogate	1,000	2,000	Start-up Recruitment Company based in Newcastle and expanding to Harrogate. Occupation 10 - 15 people.
Qualia Care Homes	Within a 15 mile radius of LS1	2,500	3,500	Budget Looking to move the offices from Sowerby Bridge to Leeds City Centre
Unknown (Market Intelligence) - Leeds (Office)	Harrogate, Leeds	15,000	20,000	Raised Floors and Air Conditioning Search for Leeds OOT/Harrogate/North Leeds and Possibly Wetherby
Unknown (Market Intelligence) - Leeds (Office) – Agent Led	Harrogate, Leeds	2,000	3,000	Good quality Grade A preferred. Single floor plate Parking - as much as possible Leasehold - 5 year Lease with 3 year break. Serviced offices may be considered.
Unknown (Market Intelligence) - Leeds (Office)	North Yorkshire	7,500	17,500	Lease terms of 5 with 3 year break. Government occupier Looking at Shipley & Millennium Business Park
Unknown (Market Intelligence) - Leeds (Office)	Harrogate	2,000	3,000	Harrogate Town Centre - Will consider OOT
Kier Property Ltd	Within a 15 mile radius of York	2,500	4,000	
Unknown (No Company) - Leeds (Office) – Agent Led	Harrogate	500	2,000	
IBackhouse Ltd	Harrogate, Knaresborough, Ripon	500	1,000	
Welcom Software Llp	Harrogate	500	1,000	Currently occupying the 10th floor at The Exchange – More space required.
Neoss	Harrogate	4,500	7,000	
Unknown (Market Intelligence) - Leeds (Office)	Within a 60 mile radius of Leeds	15,000	30,000	5 miles radius of Watch upon Deame For call centre use LH only Timing Q2 2018



Unknown (Market Intelligence) - Leeds (Office)	North Yorkshire	1,300	1,800	Open plan - no columns Single floor plate DDA compliant Must be situated close to public parking to accommodate c.25 cps Good covenant Harrogate, York, Scarborough
Dilsser Private Clients (Agent Led)	Harrogate, Leeds	1,200	1,500	Searching both Harrogate and Leeds. Proximity to Train Station required. Wishing to implement a kitchen. Desire for 1 or two car parking spaces.
City & Capital Headhunters Limited (Agent Led)	Harrogate	1,000	5,000	Enquiry list sent by Harrogate BC. Looking for Harrogate TC Recruitment firm

The above requirements demonstrate that there is a need for good quality stock, to be close to geographic centres, amenities and transport links.

As the existing buildings at Ripon Barracks are not able to meet the above office requirements, it indicates that the site is not market facing.

### 3.3.2.5 Existing Office Supply and Demand Conclusion

The above analysis has shown that there is currently 11,150 sq m (120,000 sq ft) of available office stock within the Harrogate Borough split across 29 different units. The majority, 25 units, provide below 929 sq m (10,000 sq ft) of accommodation, the majority of which is dated stock.

A review of the demand in the Borough over the five year period from 2012 - 2016 established that the average take up was 4,925 sq m (53,000 sq ft) per annum. If this average take up level continued then the existing stock would be taken up in just over two years.

Virtually all but one of the transactions are for space below 929 sq m (10,000 sq ft), there has also been demand for space across all size categories.

It is clear there is a shortage of good quality office space in the Borough.

### 3.3.2.6 Existing Industrial Demand

In terms of the take up of industrial floor space, over the five year period 2012 – 2016, in the Borough this is summarised in the chart below. It can be seen that the largest take up was in 2014, where over 37,073 sq m (399,055 sq ft) of deals were agreed for industrial space in the search area. The second largest take up was in 2012 of 16,305 sq m (175,505 sq ft).

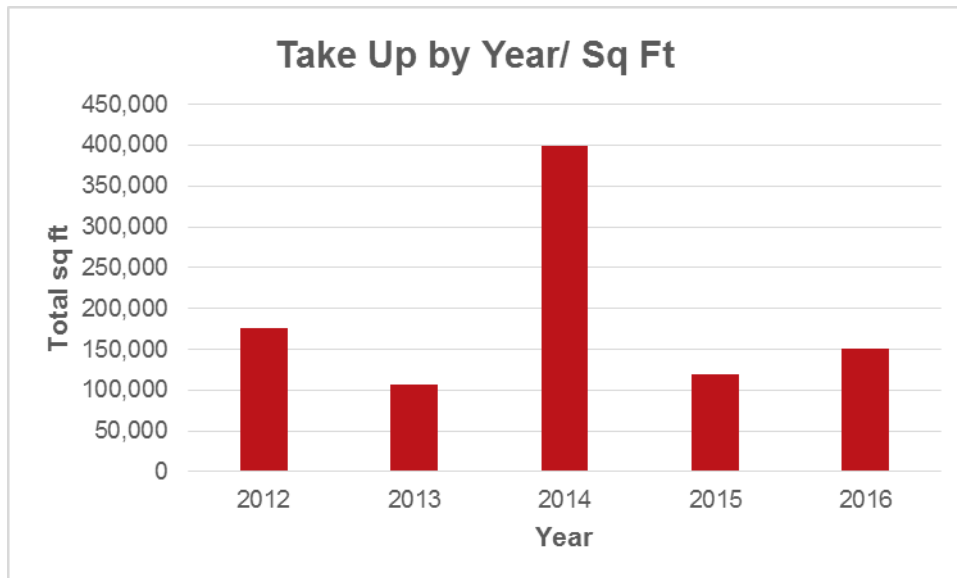


Chart 7 – Take up by Year (Source: Co-Star Focus)

Total take up in the Harrogate Borough over the five year period is 88,426 sq m (951,811 sq ft) this equates to an average of 17,685 sq m (190,362 sq ft) per annum. If take up continued at this level then the current supply of existing stock currently available on the market would all be taken in less than a year.

Chart 8, below, shows the number of transactions per year over the previous five years within the Harrogate Borough. It shows that the number of transactions has generally shown a steady decrease throughout the period with an average of 22 transactions per annum. The year 2016 saw the lowest number of transactions with just 15.

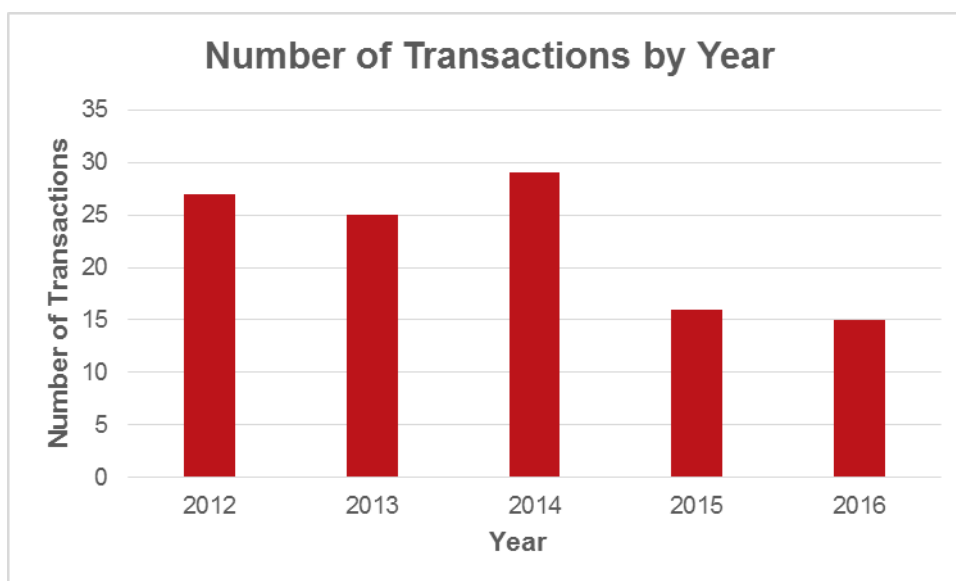


Chart 8 – Number of Transactions per Year (Source: Co-Star Focus)

### 3.3.2.7 Current Industrial Occupier Requirements

Below are a list of requirements for the Harrogate Borough that JLL are aware of from the last 6 months.

Company	Location	Size from (sq ft)	Size to (sq ft)	Comment
Q Retail Stores Ltd	East Yorkshire, North Yorkshire, South Yorkshire, West Yorkshire	18,000	26,000	
Unknown (Market Intelligence) – Agent Led	East Yorkshire, Humberside, North Yorkshire, South Yorkshire, West Yorkshire	35,000	75,000	Existing stock only 8+m eaves height B8 Use
GC2 Property Ltd – Agent Led	Harrogate, Leeds, York	10,000	15,000	Consumable Storage No specific yard requirement
Unknown (Market Intelligence) – Agent Led	Harrogate, Leeds	10,000	15,000	Eaves Height of 5m+ Good sized yard Preference for gated yard

The above industrial requirements demonstrate a demand for larger industrial units, in geographic centres, and with a good level of specification including eaves height exceeding 5m, however as explained further in section 4 of this report a review of the existing buildings at Ripon Barracks has established that the existing buildings are not able to meet the above requirements.

### 3.3.2.8 Existing Industrial Supply and Demand Conclusion

The above analysis has shown that there is currently 9,364 sq m (100,788 sq ft) of available industrial stock within the Harrogate Borough split across 14 different units. The majority, 10 units, provide below 929 sq m (10,000 sq ft) of accommodation, the majority of which is dated stock.

A review of the demand in the Borough over the five year period from 2012 - 2016 established that the average take up was 17,685 sq m (190,362 sq ft) per annum. If this average take up level continued then the existing stock would be taken up in under a year. Therefore it is clear there is a shortage of good quality industrial space in the Borough.

### 3.3.3 Employment Land

It can be seen that there is a shortage of existing employment floorspace across the Borough. This section of the report reviews the employment land allocated in the Borough to satisfy the future demand for both offices and industrial.

#### 3.3.3.1 Office Supply

In addition to the existing supply and demand analysis JLL have undertaken a review of the Harrogate Borough Council Employment Land Review (ELR) dated June 2015 and the Harrogate District Local Plan Annual Monitoring Report 2016 in order to establish the potential demand and supply of employment land across the Harrogate Borough.

In terms of supply the potential B1a floorspace within the Borough, the ELR concludes that the Borough has a potential to provide a total of 43,073 sq m (463,000 sq ft) of B1 accommodation. This comprises circa 21,088 sq m (227,000 sq ft) of floorspace with planning permission for B1a office development and 21,988 sq m (236,690 sq ft) of potential land capable of providing B1a accommodation. In addition to the ELR the 2016 annual monitoring report states that there is a net additional 3,234 sq m (34,810 sq ft) of B1a accommodation which

was granted planning permission in 2016. Therefore, the potential net additional B1a floorspace within the Harrogate Borough equates to 46,247 sq m (497,810 sq ft). This can also be combined with the current vacant office space within the Borough as identified within section 2.3.1.1 to provide a total office supply of 57,397 sq m (617,810 sq ft).

### 3.3.3.2 Industrial Supply

In addition to the existing supply and demand analysis JLL have undertaken a review of the 2017 HEDNA and the Harrogate District Local Plan Annual Monitoring Report 2016 in order to establish the potential demand and supply of employment land across the Harrogate Borough.

According to all of the consulted agents interviewed in the HEDNA, there is a substantial undersupply when it comes to industrial sites in Harrogate. Majority of the stock is considered to be old and of bad quality, however it is still occupied due to the lack of developable land for industrial units.

In terms of supply the potential B1c (light industrial)/B2 (general industrial)/B8 (warehouse/distribution) land supply within the Borough, the HEDNA concludes that the Borough has a potential to provide a total of 39 Ha (96.37 acres) of employment land between 2014 – 2035.

### 3.3.3.3 Office Demand

In terms of the demand for B1a/b floorspace (unfortunately the ELR does not break down the demand for floorspace into just B1a) the ELR predicts that the demand for such floorspace will increase by 33,000 sq m (355,220 sq ft) over the period 2014 – 2035 which equates to an additional requirement of 4.00 Ha (9.88 acres) of land over the period. The ELR has stated that there is a potential of 46,247 sq m (497,810 sq ft) B1a floorspace within the Borough which is deliverable to satisfy the demand.

### 3.3.3.4 Industrial Demand

The Harrogate Draft Local Plan: Additional Sites Consultation 2017 concludes that there is a future need for 54.8 hectares (135.41 acres) of employment land up to 2035, as opposed to the 20.00 – 25.00 ha (49.42 – 61.78 acres) that were planned for previously. The HEDNA identifies in the order of 16.00 hectares (39.54 acres) of vacant land on existing employment sites which results in a need to provide for a minimum of 38.00 ha (93.90 acres) of new employment land. However, there is a need to allocate more than this figure to provide for a choice of sites and ensure flexibility of supply.

In terms of employment land in relation to the manufacturing industry, this sector is expected to see job losses going forward as a result of automation. This reflects longer term trends seen nationally which haven't been seen in the Harrogate Borough as of yet. While the manufacturing sector sees job losses it does however have a significant growth in GVA and productivity.

According to the HEDNA, between 2014 – 2035 the FTE (Full-Time Equivalent) job growth by B-Class Sector is expected to decline by 60 for light industrial and general industrial floorspace; but increase by 588 for B8 warehouse/distribution floorspace. This equates to a reduction of 4,700 sq m (50,590 sq ft) of B1c/B2, and an increase in 41,300 sq m (444,550 sq ft) of B8.

The HEDNA notes however that job losses in industrial sectors does not directly translate to an equivalent loss of floorspace as changing industry practices, and particularly increased automation, requires more floorspace per worker.

In addition to considering the planning documentation, we have discussed with our specialist Industrial Agency team with regards to industrial demand within Ripon, who have commented that there is a backlog of demand due to the low quality stock, and that the optimum size unit would be circa 92.9 sq m (1,000 sq ft).

### **3.3.3.5 Employment Land Conclusion**

The HEDNA states that in order to support the future anticipated level of jobs, it is predicted that there is a land requirement between 2014 – 2035 of 12.30 Ha (30.39 acres) for B1a/b use, 13.00 Ha (32.12 acres) for B1c/B2, 24.00 Ha (59.31 acres) for B8 land and 5.50 Ha (13.59 acres) of Sui Generis, totalling an employment land requirement of 54.80 Ha (135.41 acres).

The above analysis has shown, that although there is an undersupply of good quality space currently; that the future supply in terms of employment land available outstrips the anticipated future demand for both office and industrial uses, based on labour trends.

That being said, Ripon is seen as a less attractive location for employment use due to its poorer accessibility in comparison to Harrogate and other regional centres.

Due to the current lack of supply, the Borough tends to find occupiers migrate towards Leeds. This indicates that the market is supply-led.



## 4 Employment Land Allocations – Harrogate Borough

In the emerging Harrogate Borough Draft Local Plan, there are a number of sites that are due to be allocated for employment use, as shown in the below table:

Site Ref	Site Name	Existing use	Gross site area (ha)	Advantages	Disadvantages
H16	Playing fields, Harrogate College	Playing fields	3.30	- 0.2 miles from Hornbeam Park Train station - Existing use complimentary; Hornbeam Business Park Adjacent. - "in-fill" site.	- Loss of POS
H28	Land at Wetherby Road, Harrogate	Agricultural	6.85	- Employment land adjacent; Sainsbury's Supermarket and Freemans Way Industrial Estate. - Good road network	- Loss of agricultural land
FX4	Employment site to the south of the A59, Flaxby Green Park	Agricultural	39.80	- Consented masterplan - Just off Jct 47 of A1(M) - Capable of supplying 610,000 sq ft of office space. - 100-acre site.	- Loss of agricultural land
MB3	Land south of Barker Business Park, Melmerby	Agricultural	3.20	- New park and Ride nearby - Extension of existing business park. - Just off of Jct 50 of A1(M)	- Loss of agricultural land
TW2	Land to the north of Marston Business Park, Tockwith	Agricultural	6.50	- Extension of existing business park. - Accessible from Jct 46 of A1(M)	- Loss of agricultural land

In addition to the above, the below table shows additional employment land that is currently under consultation:

Site Ref	Site Name	Existing use	Gross site area (ha)	Advantages	Disadvantages
H27	Showground car park, Wetherby Road, Harrogate	Car Park	1.85	- 0.2 miles from Hornbeam Park Train station - Existing use complimentary; Hornbeam Business Park Adjacent.	
FX5	Extension to employment site to the south of the A59, Flaxby	Agricultural	16.20	- Consented masterplan - Just off Jct 47 of A1(M) - Capable of supplying 610,000 sq ft of office space. - 100-acre site. - New park and Ride nearby	- Loss of agricultural land
MB6	Land at Melmerby Industrial Estate	Agricultural	5.16	- Extension of existing business park. - Just off of Jct 50 of A1(M)	- Loss of agricultural land
MB8	Land west of Barker Business Park, (larger site), Melmerby	Agricultural	12.14	- Extension of existing business park. - Just off of Jct 50 of A1(M)	- Loss of agricultural land
PN18	Employment site south of Almsford Bridge, Pannal	Agricultural	18.38	- Some employment land adjacent. - Located on the A61	- Loss of agricultural land

- Railway links via Pannal station

In addition to the above sites purely allocated for employment, there are also a number of other mixed use sites allocated within the emerging plan that will provide an element of employment land (in addition to that proposed at Claro Barracks):

Site Ref	Site Name	Existing use	Gross site area (ha)	Advantages	Disadvantages
H37	Land at Station Parade, Harrogate	Employment	0.48 (A mix of offices, residential and retail)	- Located in town centre so close to amenities and transport links.	- Employment proportion not yet confirmed.
H51	Land east of Lady Lane, Harrogate	Agricultural	41.80 (residential) 8 (employment)	- Large mixed use scheme. - Employment land adjacent.	- Loss of agricultural land
H63	Dragon Road car park, Harrogate	Car Park	0.80 (employment and residential)	- Brownfield site. - ASDA Supermarket adjacent.	- Employment proportion not yet confirmed. - Loss of town car parking. - Surrounding residential.
K17	Former Cattle Market, Knaresborough	Employment	0.32 (commercial and residential)	- Continuing use of existing employment land - Good road links - Help regeneration of the town	- Employment proportion not yet confirmed.

In JLL's opinion, from assessing the above sites that have been identified for either employment land or mixed use land within the emerging Harrogate Borough Draft Local Plan, all have greater capabilities to support employment use than that at Ripon Barracks. The key advantage that all of the above sites have that Ripon Barracks does not, is good transport links and proximity to motorway networks; with many also benefitting from proximity to a railway station.

Should all of the above sites be allocated for employment land, this would create at least 121 ha gross (299 acres) of employment land. Based on the five year take up (2012 – 2016) there has been a total of 22,761 sq m (245,000 sq ft) across office and industrial users which is equivalent to 2.27 ha (5.62 acres). This means that 121 ha (299 acres) of additional employment land, would provide a land supply for just over 53 years, well over the Local Plan period.

To comment further, the HEDNA predicts that allowing for future job growth, the employment land requirement for the Borough is 54.8 ha (135.41 acres). The above land allocations can accommodate for more than double this predicted requirement amount.

In conclusion, the above analysis demonstrates that the sites allocated for employment land within the emerging plan, excluding Claro Barracks, will more than accommodate for both current and future take up rates and all are situated in superior, more appropriate locations for employment use, and are closer to wider amenities.

## 5 Industrial and Office Use at Ripon Barracks

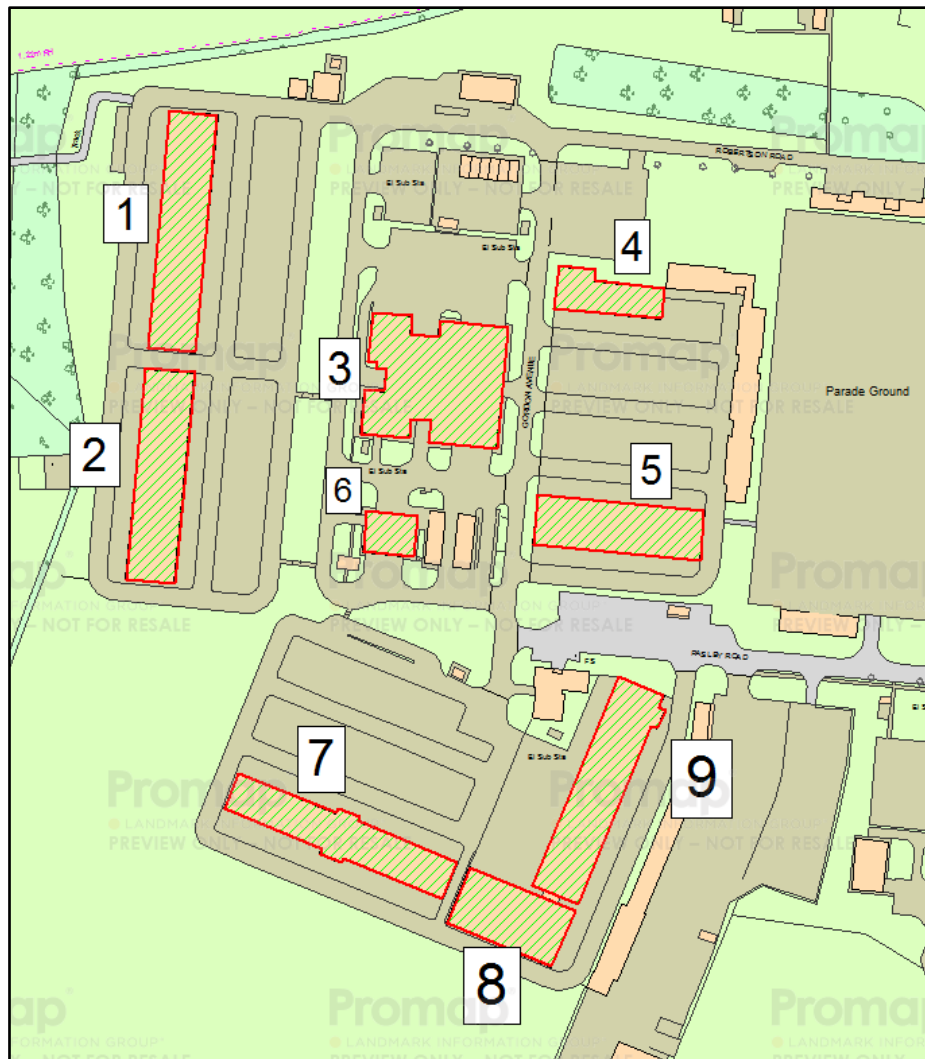
Having had regard to the findings above it is clear that there is a large amount of latent demand for good quality employment space in well located areas of the Borough.

The Ripon Barracks site already provides some industrial and office buildings as well as providing the opportunity to provide new build employment floorspace. This section of the report reviews the potential to reuse the existing space at the subject along with providing new build employment floorspace.

### 5.1 Suitability of the Existing Employment Buildings on the Ripon Barracks Site

JLL have inspected Ripon Barracks to identify which buildings would potentially be suitable for open market lettings, following refurbishment.

Below is a plan of the buildings identified for potential refurbishment. You will note that these are all located at Claro Barracks. We do not deem any of the existing buildings at Deverell Barracks and Laver Banks as suitable for open market lettings.



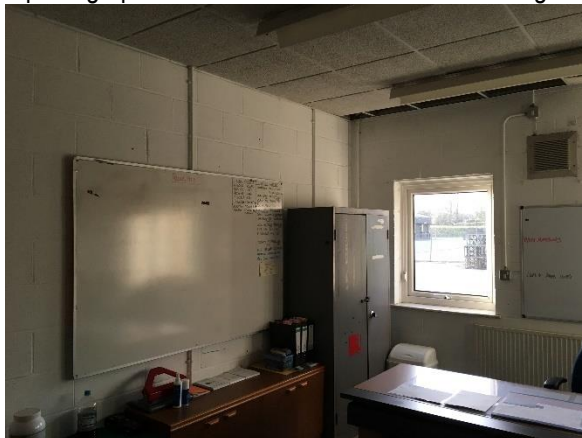
Whilst the above identified buildings have been partly used as a light industrial property in the past, the existing buildings are no longer fit for purpose, particularly as the industrial use has been ancillary to the MOD Barracks, and therefore not a market facing product. These buildings therefore require extensive refurbishment in order to bring them up to a lettable standard.

As detailed in section 2.3.2.4, it was determined that the optimum sized industrial unit in this locality would be 1,000 sq ft. As such the refurbishment works would need to include sub-dividing the industrial units into 1,000 sq ft self-contained units (separate utilities, access and welfare facilities) as we have established from market research that this is the size bracket that is most in demand.

With regards to the offices on site, a full refurbishment would be required to include plastering and decorating exposed breeze block walls, installing perimeter trunking, carpeting the floor, improvements to welfare facilities, works to M&E and a new suspended ceiling. In order to bring the existing office space back into a lettable condition, this will require significant capital expenditure, which impacts upon viability as we demonstrate later in the report.

In addition to the refurbishment works required to the units, should the existing units be retained, a separate access road will be required, which would need to be to an adoptable standard. A separate road is required from the residential access from both a safety perspective, but also from an aesthetic perspective as it can generally be off-putting to both developers and home purchasers/occupiers, to share a road with employment traffic.

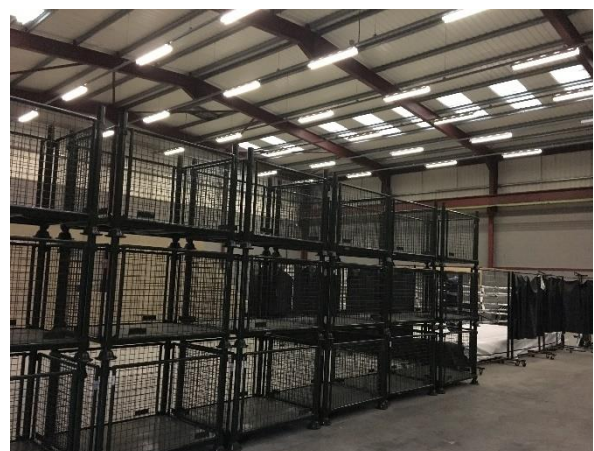
Below we provide a number of photographs to show the condition of the existing units.



Example of office space



Example of the industrial space



Example of the industrial space

## 5.2 Viability Assessment

Given that the properties on the subject site need an extensive refurbishment in order to bring back to a lettable standard and attract an occupier JLL have undertaken a high level desktop based viability assessment of the refurbishment to both office and industrial use for building 9 as shown on the above plan. It is understood that the subject buildings have been vacant or in partial use for a number of years. JLL have undertaken the following review of the market in order to establish the inputs to test the viability of the refurbishment.

The scheme that we have adopted within our appraisal provides 1,275 sq m (13,727 sq ft) of office space; and 484 sq m (5,212 sq ft) of industrial space. We have measured the property in accordance with RICS Property Measurement, 1<sup>st</sup> Edition.

### 5.2.1 Establishing a GDV

In order to test the viability of the site we have used the residual method valuation. We have researched comparables to determine the rental values for the office and industrial space on site. We have then researched investment comparables to determine the appropriate yield to capitalise the rental income. The value of the completed lettable space is known as the Gross Development Value (GDV) from which we deduct the various costs to arrive at the site value.

#### 5.2.1.1 Office Rental Comparables

There is a dearth of recent rental evidence within Ripon. JLL have therefore had regard to the following recent office lettings which have taken place in Ripon, and the surrounding areas:

- **Allinson Court, Ripon** – a 39 sq m (425 sq ft) suite let in July 2017 for a 1 year term at a rent of £121.51 per sq m (£11.15 per sq ft).
- **Ornhams Hall, Boroughbridge** – a 89 sq m (956 sq ft) suite let in May 2017 for a 5 year term at a rent of £85.30 per sq m (£7.94 per sq ft).
- **Central House, Harrogate** – a 803 sq m (8,643 sq ft) suite is currently under offer (expected to complete in March 2017) for a five year term with 15 month rent free at a rent which equates to £172.22 per sq m (£16.00 per sq ft).
- **Central House, Harrogate** – a 907.35 sq m (9,767 sq ft) suite was let to Web Marketing Group in spring 2016. The deal agreed was a 10 year lease with a break at year five with 12 months rent free. The rental term agreed equated to £158.77 per sq m (£14.75 per sq ft).
- **Central House, Harrogate** - in September 2016 High Street TV took a 10 year lease on a further 2,155 sq m (23,199 sq ft) of office space at Central House. The agreed deal equated to £107.65 per sq m (£10.00 per sq ft).
- **The Exchange, Harrogate** – a rent review was agreed with an existing occupier, Welcome Software, in May 2015. The agreed rent was £150.70 per sq m (£14.00 per sq ft) assuming a hypothetical five year term.
- **Mowbray House, Harrogate** – a rent review was agreed with the tenant, Pure Collections, in April 2015 which equated to £102.26 per sq m (£9.50 per sq ft) assuming a five year term with a tenant only break on the second anniversary of the lease.



Having had regard to the above comparables JLL are of the opinion that the deals agreed at Central House and the Exchange represent rents which are achievable for the best quality office space within Harrogate. It is considered that the subject property could not attract such rents given the lower standard of accommodation achievable at the subject even after refurbishment, and the inferior location. Therefore JLL consider the rental value of stock at the subject will be £10.00 per sq ft.

### 5.2.1.2 Industrial Rental Comparables

JLL are aware of the following recent industrial lettings which have taken place in Ripon:

- **196 Ripon Road, Harrogate** – a 579.69 sq m (6,229 sq ft) unit let in August 2017 for a fifteen year term with a break at year 5 at a rent which equates to £77.58 per sq m (£7.22 per sq ft).
- **Kennell Hall Farm, Harrogate** – a 100.15 sq m (1,078 sq ft) unit was let in August 2017. The deal agreed was a 1 year lease. The rental term agreed equated to £42.19 per sq m (£3.92 per sq ft).
- **16 Freemans Way, Harrogate** – a 173 sq m (1,862 sq ft) unit let in April 2017 for £60.60 per sq m (£5.63 per sq ft).
- **Brickyard Road, York** – a 371 sq m (3,994 sq ft) unit let in March 2017 for £64.59 per sq m (£6.00 per sq ft) for a term of 3 years.
- **Milby Lane, York** – a 412 sq m (4,437 sq ft) unit let in October 2016 for £53.14 per sq m (£4.96 per sq ft) for a term of 3 years.
- **St. James Business Park, Knaresborough** – a 156.54 sq m (1,685 sq ft) unit let in December 2015 for £86.11 per sq m (£8.00 per sq ft) for a term of 3 years.

Having had regard to the above comparables JLL are of the opinion that the above deals agreed within Harrogate, York and Knaresborough are above the level expected at the subject property, due to the superior location for industrial occupiers. Therefore JLL consider the rental value of stock at the subject will be £4.00 per sq ft.

### 5.2.1.3 Office Investment Comparables

Overall, the investment market has seen significant improvement in the last few years, albeit investors remain focused towards prime stock. Competition is therefore greater amongst investors and bidding more competitive.

However in arriving at our opinion of Market Value we have had regard to the following transactions:

Date	Address/Location	Area sq ft	Price (per sq ft)	Yield	Comment
08/17	The IT Centre, Innovation Way, York Science Park	25,419	£4,350,000 (£171.13 per sq ft)	7.78 %	<ul style="list-style-type: none"> <li>• Freehold high quality building dating from 2003 located 2 miles south of the city centre adjacent to the University of York's Helsington campus.</li> <li>• Entirely let to York Science Park Limited for an unexpired lease term of 3.9 years at a rent of £360,625 (£14.19 per sq ft).</li> </ul>
03/17	Cobalt 21, Cobalt Park	99,294	£16,500,000 (£166.17 per sq ft)	9.90%	<ul style="list-style-type: none"> <li>• Freehold.</li> <li>• Let to Hewlett Packard and Newcastle Building Society with an unexpired lease term 5.39 years at a rent of £1,585,222 (£15.96 per sq ft).</li> </ul>

03/16	Gateway One Holgate Park York YO26 4GA	20,058	£1,550,000 (£127.13 per sq ft)	9.14%	<ul style="list-style-type: none"> <li>Freehold modern detached 4 storey office investment built in circa 2001 located circa 1.5 miles east of York city centre.</li> <li>Entirely let to Card Protection Plan Limited for a term of 10 years from March 2011 (expiring on 25 March 2016) at a rent of £246,624 per annum (£12.30 per sq ft).</li> <li>Unexpired term of 5 years</li> <li>Tenant not in occupation and sublets 70%.</li> </ul>
02/16	2 Europa View Sheffield Business Park Sheffield	20,493	£2,500,000 (£122 per sq ft)	8.5%	<ul style="list-style-type: none"> <li>Early 2000s, modern 3 storey detached office building located off Sheffield Parkway (A630) providing access links to Sheffield City centre and Junctions 33 and 34.</li> <li>The property is the headquarters for Fulcrum Infrastructure Services who have entered into a reversionary lease extending the term for a further 10 years from June 2016 in return for an 18 month rent free period.</li> <li>Passing rent is £225,000 per annum (£10.98 per sq ft)</li> </ul>
07/15	Saxby House Piccadilly Court York YO1 9NX	20,007	£3,530,000 (£176.09 per sq ft)	8.54%	<ul style="list-style-type: none"> <li>Entirely let to Siemens plc for a term of 15 years from 26/02/2007 at a rent of £318,960 per annum (£15.94 per sq ft)</li> <li>Tenant option to break at 26/02/2017</li> <li>Unexpired term of 1.67 years</li> <li>Sold on behalf of LPA Receivers</li> </ul>
07/15	Teleware House York Road Thirsk YO7 3BX	25,868	£1,230,000 (£47.55 per sq ft)	13.14%	<ul style="list-style-type: none"> <li>Modern detached office building arranged over 3 storeys.</li> <li>60% let to Teleware plc for a term of 7 years from 2015 at a rent of £171,055 per annum (£10.90 per sq ft).</li> <li>40% of the accommodation is vacant.</li> <li>Sale on behalf of Administrators</li> </ul>
05/15	Teesdale House Westpoint Road Stockton on Tees	15,964	£1,550,000 (£97 per sq ft)	9.72%	<ul style="list-style-type: none"> <li>Modern three storey detached office constructed late 1990s located circa 0.25 miles west of Stockton town centre.</li> <li>Entirely let to NHS Property Services on a 10 year term from January 2013 with tenant option to break at Year 5 at a passing rent of £159,440 per annum (£10.00 per sq ft).</li> <li>The current rent is considered to be reversionary and the lease is subject to a fixed rental uplift in June 2018 should the break not be exercised – which is set to increase the rental level to £13.78 per sq ft.</li> <li>The tenant is understood to have undertaken significant improvement works at the property in late 2014 to allow consolidation from another office.</li> </ul>
03/15	Building 2180 Thorpe Park Leeds	23,356	£6,270,000 (£247 per sq ft)	6.26%	<ul style="list-style-type: none"> <li>Modern detached office building with 115 car parking spaces constructed mid-2000s.</li> <li>Sale and leaseback to Kier on a new 15 year unbroken term at a rent of £415,250 per annum (£16.18 per sq ft)</li> <li>Prime out of town office location within Leeds, strong covenant and sale and leaseback deal.</li> </ul>

JLL are unaware of any office investment sales which have been undertaken in Harrogate within last 24 months however the table above reveals a number of deals which have been agreed over the previous two years at a range of yields of between 6.26% and 13.14% depending on the covenant strength and the unexpired term remaining at the property.

In undertaking this viability assessment JLL have assumed that the subject is let on a five year hypothetical term to a reasonable covenant. Therefore, having regard to the above JLL have applied a net initial yield of 10.0%.

#### 5.2.1.4 Industrial Investment Comparables

In arriving at our opinion of Market Value we have had regard to the following transactions:

Date	Address/Location	Area sq ft	Price (per sq ft)	Yield	Comment
02/17	Alexandra Court, James Street	37,614	£3,375,000 (£89.73 per sq ft)	6.19%	<ul style="list-style-type: none"> <li>Freehold multi-let trade park built in 1980's.</li> <li>Let to Edmundson Electrical, Travis Perkins etc.</li> <li>Passing Rent - £222,588 pa (£5.92 per sq ft) although thought to be under-rented.</li> <li>Unexpired term of 2.55 years</li> </ul>
02/17	Tinsley Industrial Estate, Sheffield	463,199	£16,750,000 (£36.16 per sq ft)	7.6%	<ul style="list-style-type: none"> <li>Modern estate, but varying age and spec, 1 mile south west of J34 of M1.</li> <li>17 tenants on 21 leases, 16% vacancy.</li> <li>Units range from 3,114 - 179,426 sq ft.</li> <li>Passing Rents £1,372,048 pa (£2.96 per sq ft)</li> </ul>
01/17	Units 1-5 City Park Industrial Estate and 1-2 Philippa Way, Leeds	193,766	£13,750,000 (£70.96 per sq ft)	6.01%	<ul style="list-style-type: none"> <li>Let to 7 tenants on 7 leases and no vacancies including BSS, Saint-Gobain, Antalis Ltd.</li> <li>Unexpired term of 5.80 years</li> <li>Passing rent of £901,895pa (£4.65psf)</li> </ul>
01/17	Leeds 27 Industrial Estate, Leeds	332,025	£20,800,000 (£62.65 per sq ft)	6.50%	<ul style="list-style-type: none"> <li>7 tenants incl AAH Pharamceuticals, Redcastle &amp; Bilfinger</li> <li>3.22 unexpired term</li> <li>Passing rent is £1,442,920 (£4.35psf).</li> <li>1980s units, situated 1 mile from M62/M621 junction. Fully let.</li> </ul>
07/16	Eastgate Park, Queensway Industrial estate, Scunthorpe	68,658	£2,900,000 (£42.24 per sq ft)	8.20%	<ul style="list-style-type: none"> <li>12 modern units, prime location in secondary town. Units range from 2,215 - 15,558sf.</li> <li>9 tenants on 9 leases including Howdens, TSC, Brammer. One vacant (for over 6 years), 12 month guarantee.</li> <li>Passing Rent - £253,559 (£3.69psf)</li> <li>Unexpired lease term 2.70 years.</li> </ul>
09/16	Raleigh Court, Riverside Business Park, Middlesbrough	111,711	£4,015,000 (£35.94 per sq ft)	7.92%	<ul style="list-style-type: none"> <li>A well located terrace of eight units dating from the 1990s and ranging in size from 10,120 sq ft to 19,725 sq ft. One unit vacant with vendor's one year rental guarantee.</li> <li>Tenants include Middlesbrough Council, Royal Mail Plc, Owen Pugh Ltd, Park Electricals &amp; Typhoon International.</li> <li>Passing rent £338,725 pa (£3.20 psf)</li> <li>Unexpired lease term 5.00 years.</li> </ul>

04/16	Units A and B, Gilcar Way, Wakefield Europort	63,377	£4,005,000 (£63.19 per sq ft)	6.70%	<ul style="list-style-type: none"> <li>• Built 1998/99 on prime distribution park adjacent J31 of M62.</li> <li>• Tenants include Specflue Ltd, Paragon Group (UK) Ltd</li> <li>• Passing rent £285,500 (£4.50psf)</li> <li>• Unexpired lease term 3.92 years</li> </ul>
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JLL are unaware of any industrial investment sales which have been undertaken in Harrogate within last 24 months however the table above reveals a number of deals which have been agreed over the previous two years at a range of yields of between 6.01% and 8.20 % depending on the covenant strength and the unexpired term remaining at the property.

In undertaking this viability assessment JLL have assumed that the subject is let on a five year hypothetical term to a reasonable covenant. Therefore having regard to the above JLL have applied an equivalent yield of 9.0% to the subject property to reflect the investors' appetite for similar opportunities.

#### 5.2.1.5 Profit on Cost

We have adopted a profit on cost of 15%. Although this would still be deemed commercially viable by a developer, it is at the lower range of expected return on risk.

We have adopted a profit on cost of 15% for the refurbishment scheme, because there are existing buildings in situ. This reduces the risk significantly as there are no abnormal ground conditions to remediate, and very little planning risk.

#### 5.2.1.6 Refurbishment Costs

JLL consider that the cost to refurbish the existing office space would be £65.00 per sq ft in line with BCIS and SPONS, and verified with our internal building surveyors.

JLL consider that the cost to subdivide the existing industrial space into units of 1,000 sq ft would be £25,000, with an additional £10.00 per sq ft to allow for refurbishment of the existing units.

#### 5.2.1.7 Cost of Providing a Separate Access

In order to reduce the impact of the saleability of the residential units, it is necessary to provide a separate access to the existing industrial units, which would need to be to an adoptable standard.

There is an existing single track road leading to Clothholme Farm to the south of Ripon Barracks which would provide separate access to the industrial units. The cost of this has been calculated using governmental standard price guidelines (<https://www.gov.uk/government/publications/guidance-on-dereliction-demolition-and-remediation-costs>). We have measured the length of road requiring upgrading and multiplied by £3,550 per m of road.

#### 5.2.1.8 Other Assumptions

In addition to the above we have adopted the below costs.

- Acquisition costs – 2.0% of land value
- Purchaser's costs – 6.5%

- Town Planning costs
- SDLT – at the prevailing rate
- Contingency – 3%
- Professional fees - 6% of costs
- Finance costs – 6% of costs
- Letting agent and legal fees – 15% of GDV
- Sales agent and legal fees – 1.5% of GDV
- Marketing - £10,000 for the industrial units and £10,000 for the office units

### 5.2.2 Appraisal Summary

Having had regard to the above JLL have undertaken a viability assessment using the residual method of valuation which is an industry standard method of assessing whether a scheme is financially viable. It involves estimating the value of the completed scheme (termed the Gross Development Value) and deducting all development costs to include, inter alia, site preparation costs, infrastructure costs, construction costs, professional fees, finance costs and the acquisition cost of the land. The remaining balance is the profit derived from the development. If this reaches a target level, which is in itself dependent on the nature of the scheme including the level of risk, then the scheme is viable.

The table below summarises the high level viability assessment for the redevelopment of offices accommodation at Ripon Barracks:

<b>Financial Analysis</b>	
Gross Development Value	£1,372,720
<b>Less</b>	
Purchaser's costs @ 6.5%	£89,227
Construction Costs @ £65.00 per sq ft	£1,115,335
Road and Site Works	£223,067
Contingency @ 3%	£33,460
Professional Fees @ 6%	£66,920
Marketing	£10,000
Letting Agent & Letting Legal (@10% & 5%)	£20,591
Sales Agent & Sales Legal (@ 1% & 1.5%)	£19,252
Finance @ 6%	£10,695
Profit on Cost @ 15%	£167,412
<b>Residual Land Value</b>	<b>(£383,239)</b>
<b>Say</b>	<b>(£385,000)</b>

The table below summarises the high level viability assessment for the redevelopment of industrial units at Ripon Barracks:

<b>Financial Analysis</b>	
Gross Development Value	£212,518
<b>Less</b>	
Purchaser's costs @ 6.5%	£13,814
Construction Costs	£103,180
Road and Site Works	£67,756
Contingency @ 3%	£2,345
Professional Fees @ 6%	£2,500
Marketing	£10,000
Letting Agent & Letting Legal (@10% & 5%)	£3,127
Sales Agent & Sales Legal (@ 1% & 1.5%)	£2,981
Finance @ 6%	£2,558
Profit on Cost @ 15%	£25,918
<b>Residual Land Value</b>	<b>(£21,660)</b>
<b>Say</b>	<b>(£20,000)</b>

Having had regard to rental and sales comparables as outlined above JLL are of the opinion that the value created by leasing to an office occupier would not be sufficient to cover the refurbishment costs of the property. This therefore means that there is no surplus for a developer to take a profit and therefore the refurbishment is not commercially viable.

With regard to an industrial occupier, as the existing units are in a relatively good state of repair, the cost of refurbishment and sub-division is relatively small in comparison to the office refurbishment requirements. Despite this, the land value produced is still at a negative value, due to the significant cost of providing a separate access road to the units. This therefore shows that the refurbishment of the subject property is not commercially viable on an industrial basis.

The viability of refurbishment and re-use of both the existing office and industrial units is significantly impacted by the large cost of providing a separate access for the commercial units. So much so that both appraisals produce a negative land value, demonstrating that reuse of the existing is unviable.

### 5.3 New Build Employment

Whilst the above has shown that the re-use of the existing properties is not financially viable JLL also consider that the south west area of the site where the existing employment stock is provided is the most valuable area of the site for residential use and therefore a significant proportion of the value is being lost which could impact on affordable housing and other planning contributions. It is also considered that the reuse of the existing would not fit well with the surrounding residential uses and could impact on the saleability of the residential units particularly if the separate access is not provided.

With this in mind JLL have considered the provision of new build light industrial units and the best location for this on the subject. JLL consider that a new build employment development adjacent to the existing northern access on Lark Hill/Kirkby Road could be developed. This would aid the viability of providing the new build employment accommodation as the new build accommodation is more likely attract a stronger covenant and also negates the need to provide a new separate access.

However it should be noted that a traffic assessment undertaken has established that the Lark Hill/Kirkby Road junction would only be suitable for light industrial uses and not for access by HGVs. Additionally the light industrial use would better suit the surrounding residential uses.

#### 5.4 Suitability of Ripon Barracks for Employment

Having had regard to the findings above it is clear that there is a large amount of latent demand for good quality employment space in well located areas of the Borough. However JLL consider that Ripon Barracks is not suitable for large scale employment development for the following reasons:

- **Position of existing units within the wider site** – In order to access the current office and industrial units, it is necessary to have a shared access through the proposed residential elements of the site. This is not ideal for occupiers and their clientele; and house builders prefer standalone residential sites as sharing an access detracts from the saleability of the residential units.
- **Proximity to Transport Network** – For office and more importantly for industrial uses, the key is good transport links, especially motorway links. The subject sites are circa 6.5 miles from the A1(M), which is accessed by the B6265, via Ripon City Centre. For both office and industrial occupiers and visitors to the site, the distance, and B-rated country roads is not ideal, particularly for HGV's which will be regular visitors to and from the site should it be for B2/B8 use.
- **Access to the site** – The site is accessed via Ripon City Centre. As Ripon is an historical cathedral city, the majority of the roads are narrow, which would be difficult for HGV's to manoeuvre, even during quiet periods of the day, which would be exacerbated by the business of Ripon as a result tourism in the City. In addition, in order to access the site, the only route is past a number of primary and secondary schools, as well as a predominantly residential area. This poses issues of road safety and also issues with potential time restrictions of when HGV's can access the site assuming B2 and B8 uses.
- **Subject Buildings** – the subject properties are outdated and would therefore require updating to a lettable standard. There are few buildings on site that would be suitable for office use; and the specification is low, comprising of solid floors, exposed blockwork walls, strip lighting and perimeter vertical trunking. To improve the building to a suitable specification, this would require plastering the walls, carpeting the floors, installing perimeter horizontal trunking with power and internet ports, as well as improving the cooling and heating system. With regards to the industrial units, the site coverage is in line with market expectations with a good level of car parking, yard and turning space. The eaves height varies somewhat with the tallest building consisting of an eaves height of 6.1 metres, but the majority with an eaves height of circa 5 metres which is slightly below what is expected from new build prime stock. Several of the industrial units have multiple roller shutter doors of 4.56 metres wide and 4.3 metres high. We therefore anticipate that the industrial units would not be suitable for national industrial occupiers as the site provides small and inefficient accommodation over a single storey, with unit sizes ranging from 383.71 to 2,803.09 sq m (4,130 to 30,172 sq ft). But would suit local small occupiers.
- **Surrounding Users** – The surrounding users of the site is predominantly residential, as well as a number of primary and secondary schools. This poses issues of road safety and also issues with potential time restrictions of when HGV's can access the site.
- **Size of units** – From speaking with JLL's industrial agency specialists, the optimum industrial unit size in this area would be 1,000 sq ft. As the majority of the existing industrial units are of between 5,000 sq



ft and 30,000 sq ft; and many of the individual units have multiple roller shutters, it would be required to sub-divide the existing units into units of 1,000 sq ft.

Given the above JLL consider that the Ripon Barracks site is not the best location for employment use within the Borough for a variety of reasons as outlined above. With this in mind JLL consider that the demand for light industrial in this location is likely to be significantly less than the 11.00 ha (27.18 acres) originally proposed. It is impossible to predict the level of demand which the light industrial units would attract at the subject however it is JLL's professional opinion that the demand for light industrial accommodation at the subject is likely to equate to circa 2.00 ha (4.94 acres).

## 6 Conclusion

The Harrogate Borough draft Local Plan proposes that the Ripon Barracks site be allocated for residential and employment uses with over 11.00 ha (27.18 acres) of employment at the site. JLL have produced this report in order to test the validity of providing this amount of employment floorspace at the subject site.

In order to test the validity of this amount of floorspace an employment market assessment within the Harrogate Borough has been undertaken. The market assessment demonstrated that there is considerable latent demand for employment space within the Harrogate Borough; for both office and industrial uses.

The reason for the high levels of demand is due to low levels of supply, with the existing supply consisting of poor quality and dated buildings which are not fit for purpose; and therefore demonstrates the need for the right type of supply i.e. modern, purpose built stock, close to labour pools, transport links and amenities.

In addition to the current high levels of demand there is a total of 121 ha (299 acres) of employment land which is proposed for allocation within the Harrogate Borough draft Local Plan. Having reviewed the sites which are proposed for allocation JLL consider that all of the sites have advantages over the Ripon Barracks site in terms of location and access to the road system.

Given the above JLL have undertaken a review of the suitability of the Ripon Barracks site to provide employment uses. This review assessed both the potential to reuse some of the existing employment stock on the site whilst also considering the provision of new build employment.

In terms of the re-use of the existing stock it is considered that this is not commercially viable for both office and industrial occupiers as the investment value does not exceed the cost of refurbishing the existing buildings on site, and the cost of installing a separate access road.

Despite the viability issues surrounding the re-use of the existing stock JLL consider that a new build employment development adjacent to the existing northern access on Lark Hill/Kirkby Road could be developed. This would aid the viability of providing the new build employment accommodation as the new build accommodation is more likely to attract a stronger covenant and also negates the need to provide a new separate access.

The Ripon Barracks site is currently proposed for an 11.00 ha (27.18 acres) allocation for employment uses however, given the above, JLL consider that this amount of employment development would be inappropriate. The reason for this is twofold:

1. The site is not located in an established employment location with poor access through Ripon Town Centre surrounded by sensitive uses which could impact on occupier operations.
2. JLL consider that, given the other employment allocations proposed within the Borough and the characteristics of the site, that the demand from occupiers for the employment space at the subject will not be more than for 2.00 ha (4.94 acres).

## 7 Confidentiality and Publication

Finally, and in accordance with our normal practise, we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.



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