

## Commercial Market Review

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- 1.1 This paper provides a summary of evidence in terms of commercial value assumptions. It was originally prepared as part of our April 2016 report to support the case for CIL. This has now been superseded by the publication (in February 2017) of the CIL Review, '*A New Approach to Developer Contributions*' submitted to the Communities Secretary and the Minister of Housing and Planning in October 2016. As a consequence of this publication the Council has instructed us to suspend activity on the introduction of CIL.
- 1.2 However, the Lutterworth SDA includes employment land. Based on the HEDNA (2017) density / by use assumptions and given that the 2 parcels of land at Lutterworth East SDA are proposed for different uses in Policy L1 (i.e. Parcel A 10ha for B1/B2, Parcel B 13.1ha for small B8 {individual units 9,000 sqm or less}) and assuming an equal split of uses for Parcel A the total estimated floor-space would equate to 90,900 sqm (i.e. Parcel A 38,500 sqm and Parcel B 52,400 sqm). We have been instructed to incorporate Parcel A into the appraisal for Lutterworth assuming that it is used of strategic distribution uses given that bespoke development of this typology *adds value* to the infrastructure investment required to open up the site.
- 1.3 Our commercial property market research is still therefore relevant in this context. We set out below the evidence in respect of commercial uses and our value assumptions for strategic distribution uses.

## Existing Evidence Base

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- 1.4 We have reviewed various earlier studies and research to inform the viability assessment, namely (we are aware that some of these studies have been updated since we prepared this review (but this information is retained here for background context)):
  - Harborough District Council, Employment Land Availability Assessment, (ELAA), May 2012 (being replaced by SELAA (2017))
  - Leicester, Leicestershire and Rutland CIL Viability Study, HDH Planning & Development, January 2013
  - Leicester and Leicestershire HMA Employment Land Study, prepared by Lambert Smith Hampton, PACEC and Warwick Business Management Ltd on behalf of Leicester and Leicestershire Local Enterprise Partnership, April 2013 (being replaced by the HEDNA (2017))
  - Leicester Leicestershire, Strategic Economic Plan, 2014-2020

- Leicester and Leicestershire Strategic, Distribution Sector Study - A technical report prepared for the Leicester & Leicestershire Housing Planning & Infrastructure Group by: MDS Transmodal Ltd, Savills, November 2014 (later update and refresh of Outputs and Conclusions (Sept 2016) Scope B report).

### HDC Employment Land Availability Assessment (ELAA), May 2012

- 1.5 The ELAA forms part of the evidence base of the Local Plan. It was prepared in accordance with the requirements of the NPPF.
- 1.6 To ensure that all possible alternatives were considered sites were assessed in all parts of the District:
- in Market Harborough / Lutterworth / Broughton Astley within settlements limits
  - in Market Harborough / Lutterworth / Broughton Astley adjacent to settlement limits
  - in Rural Centres within or adjacent to settlement limits
  - situated elsewhere within the District.<sup>1</sup>
- 1.7 The ELAA assessed the potential amount of development a site can deliver based on the likely density of development. The average densities for different classes of employment use were taken from the Leicester and Leicestershire Housing Market Area Employment Land Review (March 2008) as follows:
- Warehousing - 5,000 sqm per ha (gross external floorspace)
  - Industrial - 4,200 sqm per ha (gross external floorspace)
  - Office - 3,000 sqm per ha (gross external floorspace)<sup>2</sup>
- 1.8 It was noted that the density of office development can vary significantly between rural, town centre and out of town locations or in mixed use scheme, 3,000 sqm per hectare is used as a minimum to reflect the rural nature of the area and land supply in the District.
- 1.9 The ELAA identifies the sites with potential for employment use by settlement (Table 6.1) –

<sup>1</sup> HDC Employment Land Availability Assessment (ELAA), May 2012, para 2.6.2

<sup>2</sup> HDC Employment Land Availability Assessment (ELAA), May 2012, para 2.14.2

Settlement	No. of Sites	Total Area (ha)	Estimated Total Floorspace (m <sup>2</sup> )
Market Harborough	3	13.2	50,266
Lutterworth	2	6.1	24,630
Broughton Astley	1	7	28,462
Rural Centres	4	17.4	70,636
Other	0	0.0	0
Total	10	43.7	173,994

**Table 6.1 – Sites with Potential for Employment – capacity by Settlement<sup>3</sup>**

1.10 This indicates that the greatest potential for employment provision in both total area & total floor-space exists in the rural centres, mainly Kibworth.<sup>4</sup>

### Leicester, Leicestershire and Rutland CIL Viability Study, January 2013

1.11 The 2013 CIL viability study included analysis of commercial uses as well as residential and retail.

1.12 The report found – *‘the first and overriding finding is that there is very little non-residential development taking place – and the little that there is, is not speculative development by developers, rather being development for specific end users. The second finding is that there is a significant amount of empty space that is available for let or for sale [albeit potentially less so in Harborough than other parts of Leicestershire]. These two points are important and they suggest that the development of commercial property remains difficult. The majority of activity in the commercial property market in Leicestershire and Rutland centres on Leicester. Loughborough was found to have the second highest activity rates, followed by Coalville. There was also some activity in Wigston, Ashby-de-la-Zouch, Melton Mowbray and Hinckley. There was markedly little activity identified in Oakham and Market Harborough.’*<sup>5</sup>

1.13 Notwithstanding this the report notes the new Airfield Business Park, Market Harborough - a new 20 acre business park with design and build opportunities - and Peaker Park, Rockingham Road, Market Harborough - a new, mixed use development site on the outskirts of Market Harborough, with excellent road access to the A6 and A14. A Tesco Express and petrol filling station is now open, and a 3 acre care village.<sup>6</sup>

<sup>3</sup> HDC Employment Land Availability Assessment (ELAA), May 2012, para 3.2.1

<sup>4</sup> HDC Employment Land Availability Assessment (ELAA), May 2012, para 3.2.2

<sup>5</sup> Leicester, Leicestershire and Rutland CIL Viability Study, January 2013, para 5.9

<sup>6</sup> Leicester, Leicestershire and Rutland CIL Viability Study, January 2013, para 5.11

1.14 In terms of values, the CIL viability report identified:

- *The industrial property market in Leicestershire and Rutland is active for both sale and lettings - but there is very little new development. Average rents achieved for industrial properties across the whole area were £41.47 psm [£3.85 psf] for large properties (500 sqm and over) and £47.58 psm [£4.42 psf] for small industrial properties (100 sqm to 500 sqm). There was little deviation from the average within the towns. Rents were recorded as slightly lower in Wigston for large industrial properties, with an average of £35.78 sqm [£3.32 psf]. Units were predominantly located on large industrial estates.<sup>7</sup>*
- *Leicestershire is exceptionally well served by transport links – particularly motorways. This has led to a growth in very large logistics ‘sheds’ in the area. We have consulted agents dealing with such property and it is clear that nearly all of this type of development is carried out for specific end users and not for speculative end users. The buildings tend to be specifically tailored to the end user and are not easily put to other uses. Because of their specialist nature, and the fact that the buildings are built for specific end users, it is not easy to establish the value of these types of building. Following discussions with various agents we have assumed similar rents as for large industrial properties – although the yields tend to be a little lower leading to higher capital values.<sup>8</sup>*
- *Research found that outside of Leicester market activity regarding office property for sale and to let is limited. Leicester and Loughborough had significant amounts of activity in this area and there were examples of offices on key business parks. Outside of Leicester there are very few new large office developments. Average rents achieved for offices across the whole area were £93.22 psm [£8.66 psf] for large units (250 sqm and over) and £104.72 psm [£9.73 psf] for small units (100 sqm to 250 sqm). There was some deviation from the average within the towns. Rents were recorded as slightly lower in Wigston for small offices, and higher than average in Coalville.*
- *As well as our survey we have referred to the VOA Property Market Report (2011). This reports that the rent for large offices of over 1,000 sqm in Leicester is around £150 sqm [£13.94 psf]. We did not find evidence of such high rents.*
- *We have referred to the various appraisals submitted by developers in connection to specific developments. Rents of £108 sqm (£10.00 sqft) are suggested in Leicester and between £59 psm (£5.50 psft) and £108 sqm (£10 psft) in Melton.*

1.15 The Leicester, Leicestershire and Rutland CIL Viability Study, January 2013 identified the following commercial typologies and values thereof from a survey in 2012 (Table 6.2)

<sup>7</sup> Leicester, Leicestershire and Rutland CIL Viability Study, January 2013, para 5.13

<sup>8</sup> Leicester, Leicestershire and Rutland CIL Viability Study, January 2013, para 5.14

	Rent£/m <sup>2</sup>	Yield	Capitalised Rent £/m <sup>2</sup>
Large industrial (+ 500m <sup>2</sup> )	41	7.0%	586
Small industrial (100m <sup>2</sup> to 500m <sup>2</sup> )	48	7.0%	686
Distribution	50	6.0%	833
Large office (+ 250m <sup>2</sup> )	93	6.5%	1,431
Small office (100m <sup>2</sup> to 250m <sup>2</sup> )	100	7.0%	1,429

**Table 6.2 – Capitalised Typical Rents (2012)<sup>9</sup>**

1.16 These were generally rounded up for the purposes of the viability appraisals.<sup>10</sup>

### Leicester and Leicestershire HMA Employment Land Study, April 2013

1.17 The Leicester and Leicestershire HMA Employment Land Study was prepared by Lambert Smith Hampton, PACEC and Warwick Business Management Ltd on behalf of Leicester and Leicestershire Local Enterprise Partnership in April 2013. The purpose of the study was to provide an up to date evidence base to inform emerging employment land policies in Local Plans.<sup>11</sup>

1.18 The report identifies that, ‘there is little evidence of developers investing in advance infrastructure required to bring forward new employment sites for development. This market failure reflects the lack of development finance available and the risks attached to such investments without any guarantee of early returns. This has led to sites being ‘liquidity trapped’ where investment in advance infrastructure will be subject to large scale pre-sale or let deals.’<sup>12</sup>

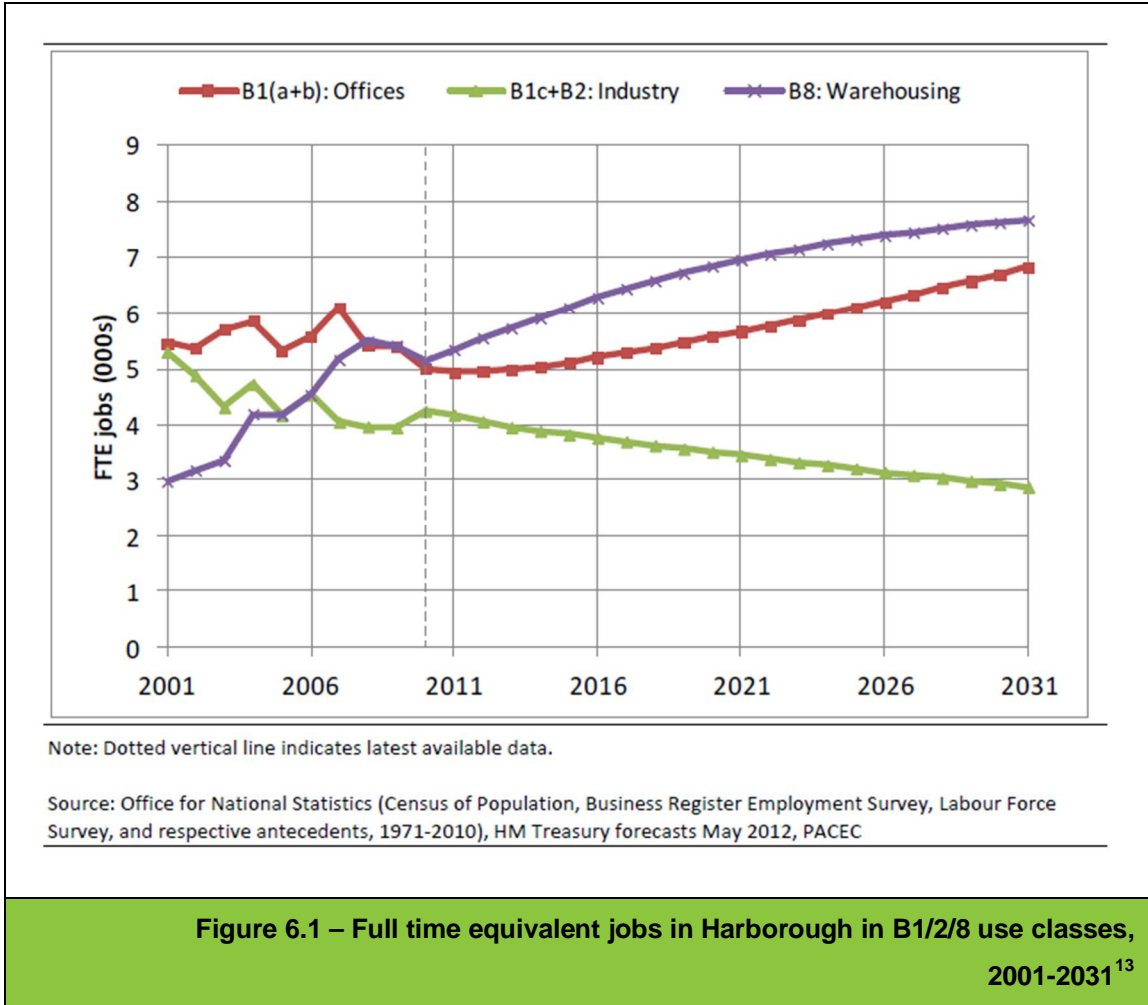
1.19 The Leicester and Leicestershire HMA Employment Land Study describes the following jobs forecasts which will require commercial accommodation (Figure 6.1).

<sup>9</sup> Leicester, Leicestershire and Rutland CIL Viability Study, January 2013, para 5.26, Table 5.1

<sup>10</sup> Leicester, Leicestershire and Rutland CIL Viability Study, January 2013, para 5.30, Table 5.2

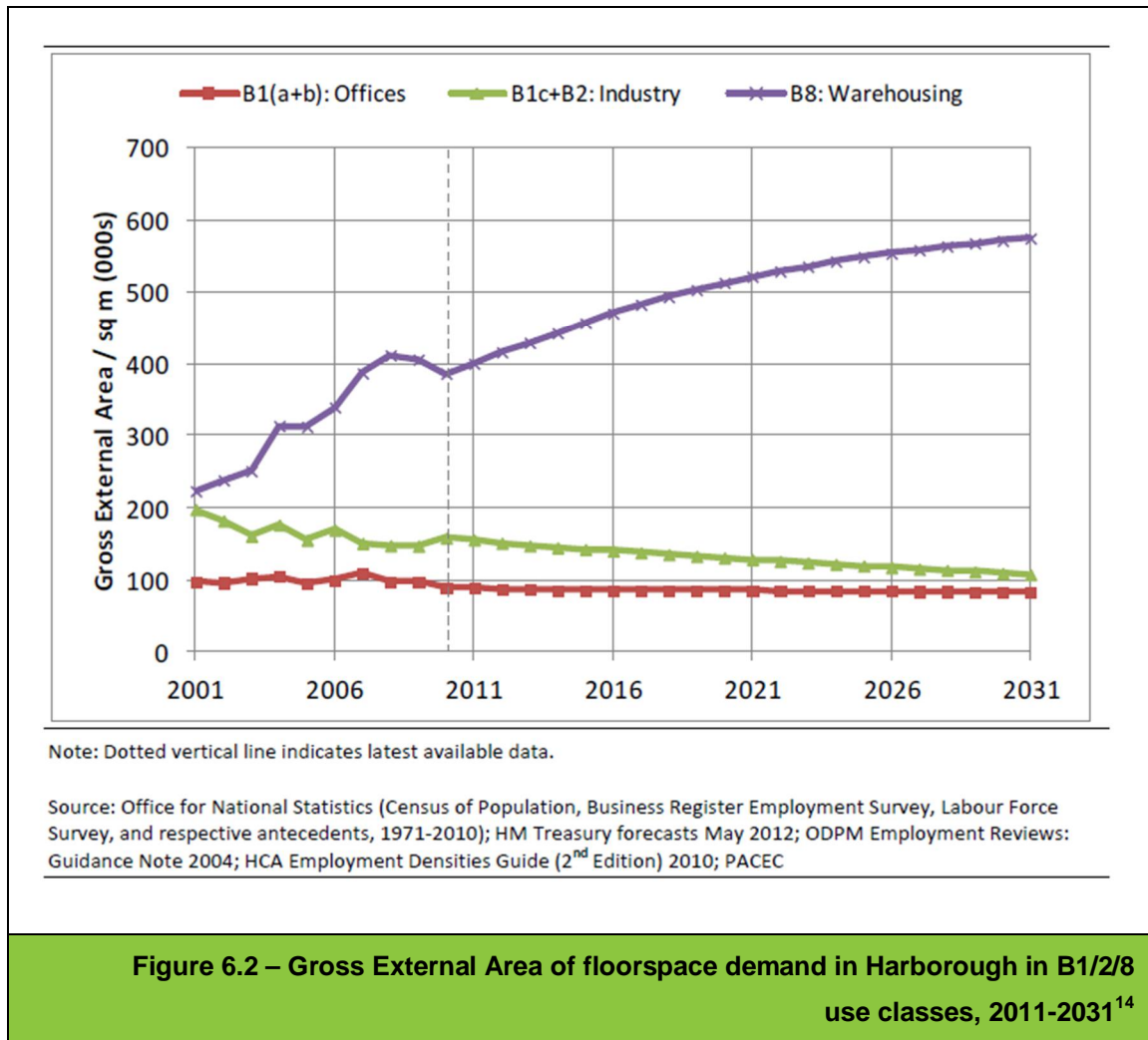
<sup>11</sup> Leicester and Leicestershire HMA Employment Land Study, Lambert Smith Hampton, PACEC and Warwick Business Management Ltd, April 2013, para 1.1.1

<sup>12</sup> Leicester and Leicestershire HMA Employment Land Study, Lambert Smith Hampton, PACEC and Warwick Business Management Ltd, April 2013, para 2.1.5



1.20 This equates to the following floorspace requirements (Figure 6.2).

<sup>13</sup> Leicester and Leicestershire HMA Employment Land Study, Lambert Smith Hampton, PACEC and Warwick Business Management Ltd, April 2013, para 4.6.3, Figure 4.9



1.21 As you can see from the above the forecasts suggest an increasing demand for warehousing (B8) premises, a reduction in the demand for industrial premises (B1c and B2) and steady demand for offices.

1.22 These employment and premises forecasts translate into the following requirements for B1/2/8 use classes. The analysis in the April 2013 HMA Employment Land Study shows forecast demand for the period 2010 – 31 for:

- 11,000 sqm of offices,
- 19.9 ha of industrial land and
- 40.9 ha of strategic warehousing land.

<sup>14</sup> Leicester and Leicestershire HMA Employment Land Study, Lambert Smith Hampton, PACEC and Warwick Business Management Ltd, April 2013, para 4.6.4, Figure 4.10

Turning to the new development pipeline, the Supply Demand balance shows:

- a surplus of offices (37,530 sqm) and
- deficit of 6.27 ha of industrial land and
- deficit of 38 ha of strategic warehousing land.

1.23 The forecast demand for strategic warehousing land is based on a trend established by the growth in national distribution centres at Magna Park. This development reflected demand for locations next to the Motorway network within an area of central England called the Golden Triangle. It is not demand specific to Harborough. Accordingly future employment land allocations for strategic warehousing need to be planned for on a sub-regional as opposed to a district by district basis.<sup>15</sup>

1.24 Table 6.3 shows the location of tier one and tier two sites for future development (as at April 2013).

TIER ONE SITES	Offices / R&D (sq m)	B1c/B2 Small B8 (ha)	Strategic B8 (ha)	W: Windfall A: Allocated PP: Consented
Airfield Farm, Leicester Road, Market Harborough (4.64 ha)	5,800 (1.16)	3.48		PP
Compass Point Business Park, East of Northampton Road, Market Harborough (7.98 ha)	28,800 (5.76) B1	1.92 B1		PP
Peaker Park, East of Rockingham Road, Market Harborough (1.9 ha)	2,375 (0.475)	1.425		PP
George House, Hunter Boulevard, Magna Park			2.85	PP
Bruntingthorpe Industrial Estate, Bruntingthorpe	3,805 B1b (1.34)			PP
Land adj Unit P, Valley Way, Market Harborough (1,400 B2)		0.35		PP
<b>Total</b>	<b>40,780</b>	<b>7.175</b>	<b>2.85</b>	

Source: Harborough District Council

<sup>15</sup> Leicester and Leicestershire HMA Employment Land Study, Lambert Smith Hampton, PACEC and Warwick Business Management Ltd, April 2013, para 4.6.9



TIER TWO SITES	Offices / R&D	B1c/B2 Small B8	Strategic B8	W: Windfall A: Allocated PP: Consented
Railway Goods Yard, Rockingham Road, Market Harborough		1.8 B1c/B2		PP
Leaders Farm, South of Coventry Road, Lutterworth (4.4 ha) *	5,500 (1.1)	3.3		A
West of Northampton Road, Market Harborough (1.8 ha)	2,250 (0.45)	1.35		A
<b>Total</b>	<b>7,750</b>	<b>6.45</b>		

Site Ownerships  
 \* County Council owned

Source: Harborough District Council

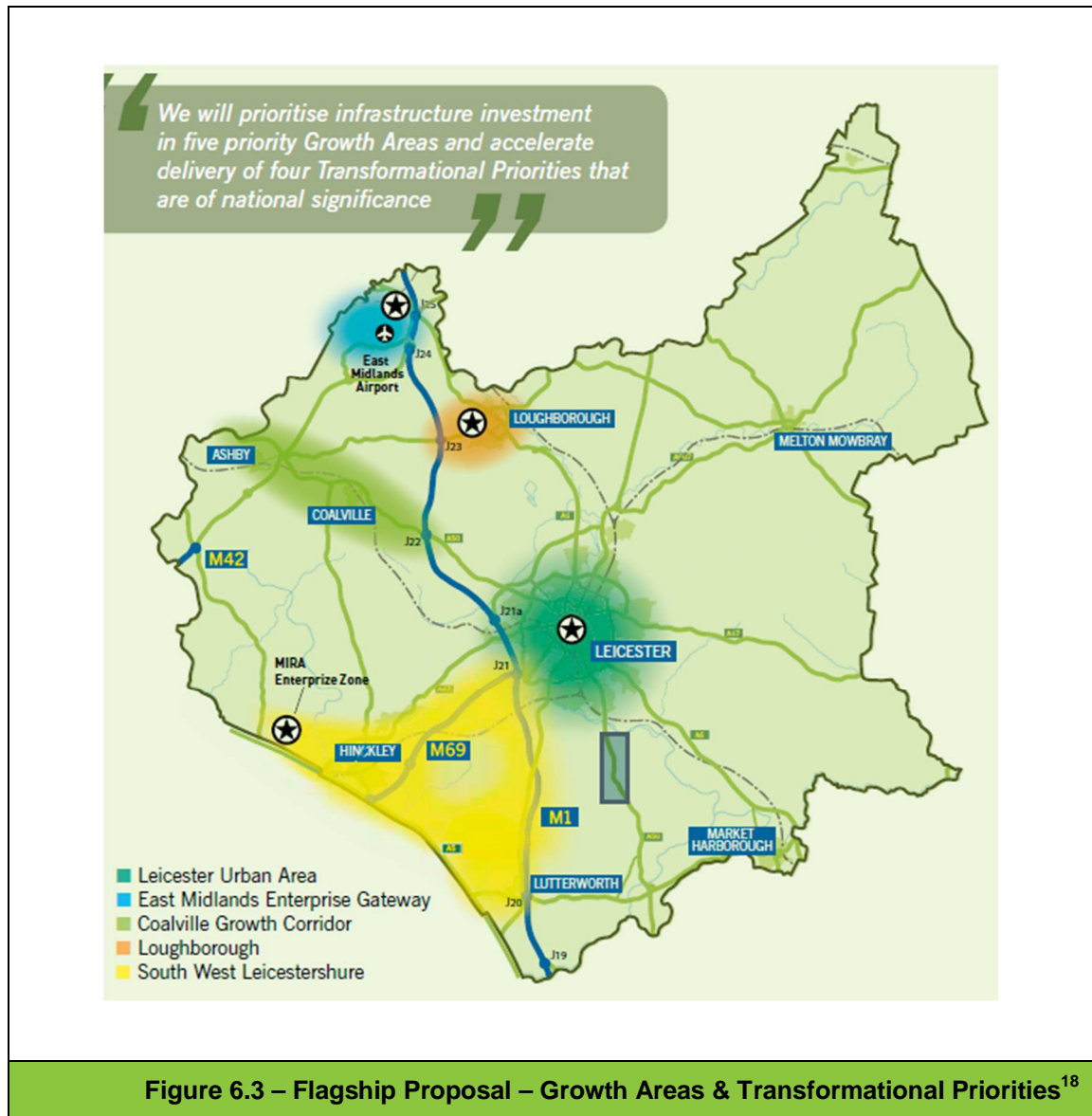
**Table 6.3 – Windfall Sites, Allocated Sites and Planning Permissions<sup>16</sup>**

### Leicester Leicestershire, Strategic Economic Plan, 2014-2020

- 1.25 The vision for the Leicester Leicestershire LEP areas is to ‘create a vibrant, attractive and distinctive place with highly skilled people making Leicester and Leicestershire the destination of choice for successful businesses’. The Strategic Economic Plan (SEP) provides the framework for achieving the vision by investing in ‘our Place, our Businesses and in our People’.<sup>17</sup>
- 1.26 The SEP identifies five growth areas and transformational projects as illustrated below (Figure 6.3)

<sup>16</sup> Leicester and Leicestershire HMA Employment Land Study, Lambert Smith Hampton, PACEC and Warwick Business Management Ltd, April 2013, para 4.6.9, Tables 4.57 and 4.58

<sup>17</sup> Leicester Leicestershire, Strategic Economic Plan, 2014-2020, page 2



1.27 As you can see Harborough forms part of the South West Leicestershire ‘golden triangle’ and the Leicester Urban Area. In this context it will be particularly important to enable development at Lutterworth.

Leicester and Leicestershire Strategic, Distribution Sector Study, November 2014

1.28 The Leicester and Leicestershire Strategic, Distribution Sector Study by MDS Transmodal Ltd, Savills was commissioned to enable a better understanding of the sector and objectively

<sup>18</sup> Leicester Leicestershire, Strategic Economic Plan, 2014-2020, page 6

determine future need, together with managing change and supporting sustainable economic growth.<sup>19</sup> It includes forecasts of future land requirements for strategic distribution in Leicestershire and compared with the quality and quantity of existing sites with B8 consents or in the planning pipeline. The need for additional land to come forward up to 2036 was subsequently identified.<sup>20</sup>

1.29 The overall conclusions of the report were:

- *A need to identify and allocate new land at commercially attractive strategic sites, the purpose of which is to maintain and enhance the established competitive advantage, enabling the sector to growth in a sustainable manner;*
- *To deliver the identified need, there will be a requirement to continue long-term strategic and collaborative planning across the county of Leicestershire, and potentially with authorities in neighbouring areas. This study should therefore not be viewed as a ‘one-off process’, and HPIG or a similar grouping will need to take the strategy forward on a long term basis (and review the strategy periodically);*
- *While the strategy outlined is a long-term plan (up to 2036), the preparatory work will need to begin immediately. Infrastructure delivery is by its nature long-term, albeit that the underlying evidence base and the preparation of local plan policies needs to commence now so that the right sites in the most competitive locations can come forward for development as and when they are required by the market; and*
- *The strategy requires the implementation of a number of highway and railway enhancement schemes. Consequently, there will be a requirement for the planning authorities and LLEP to liaise with (and lobby) the Highways Agency and Network Rail to ensure that the enhancement schemes are ultimately delivered.<sup>21</sup>*

1.30 Note that, the southern part of the East Midlands region (including Leicestershire) became the preferred location for most large scale National Distribution Centres (NDCs). There were three main reasons for this<sup>22</sup>;

- *It was broadly central to the major domestic production sites, the deep-sea and channel ports and Regional Distribution Centres (RDCs) in other regions.*

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<sup>19</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 1

<sup>20</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 4

<sup>21</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 7

<sup>22</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 12

- *The release of large competitive sites by local authorities for B8 use during the 1980s which were close to junctions on the M1/M6. This, combined with the above reason, meant that most inbound or outbound cargo movements could be undertaken within 4.5 hours drive time.*
  - *Relatively low road haulage costs driven by low fuel costs and competitive labour rates.*
- 1.31 These three factors meant that the southern part of the East Midlands region became the competitive 'location of choice' in both supply chain cost and performance terms when sourcing and distributing on a national basis. The area became known as the 'golden triangle', and has to date consequently established a distinct competitive advantage in the strategic logistics sector.<sup>23</sup>
- 1.32 A significant proportion of large scale warehouse floor space has been developed in the golden triangle. In Leicestershire, there currently exists 2.25 million sqm of floor space across 89 large scale warehouse units (units greater than 9,000 sqm (1,000,000 sqft)).<sup>24</sup>
- 1.33 Around 72% of East Midlands floor space capacity is located in Leicestershire or Northamptonshire. The East Midlands region records around 8% of the population of the population of England and Wales, however it accommodates 20% of total English and Welsh warehouse capacity. This means that the identified warehouse capacity in Leicestershire is predominantly serving a national market.<sup>25</sup>
- 1.34 The LLEP Economic Growth Plan 2012 – 2020 gives figures of 51,300 jobs in the LLEP area in distribution and logistics, accounting for 12% of local employment, It also identifies the high levels of employment in North West Leicestershire and the Harborough District at Magna Park.<sup>26</sup>
- 1.35 The key areas of opportunity identified by the Leicester and Leicestershire Strategic Distribution Sector Study are illustrated below (Figure 6.4).

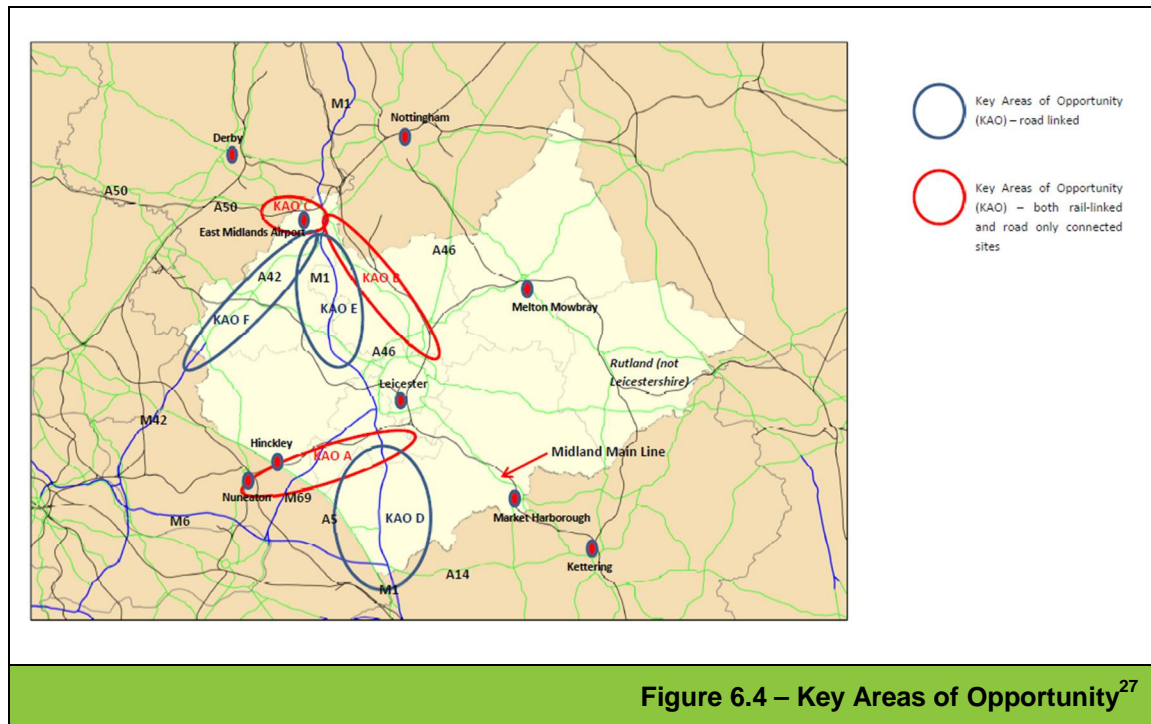
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<sup>23</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 13

<sup>24</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 14

<sup>25</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 14

<sup>26</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Para 15



- 1.36 These key areas of opportunity are broad areas of search for potential sites to meet the future forecast shortfall, subject to sites meeting the criteria for commercially attractive sites and other plan making considerations / constraints in order to grow the logistics and distribution industry.
- 1.37 The full report identifies that Magna Park is the largest central distribution centre in the UK and in 2008 it was the largest in Europe. It lies in the area bounded by the M1, M6 and M69 motorway to the west of Lutterworth town centre and only a short drive from J20 of the M1 (4km), J1 of the M69 (7km) and within a reasonable commute of J2 of the M6 (7km). There are 33 units on the park in excess of 9,290 sqm (100,000 sqft) and 2 in excess of 92,900 sqm (1,000,000 sqft); Plot 5320/5420, Hawke Way, a 111,480 sqm (1,200,000 sqft) unit occupied by TNT and Plot 5410, Hunter Boulevard, a 102,190 sqm (1,100,000 sqft) unit occupied by Asda. With the exception of the Magna Park site there is no consented land currently available for B8 development in Lutterworth and no second hand large scale distribution units available.<sup>28</sup> We note however that in 2016/17 a speculative unit at Magna Park was completed and is currently on the market; and consent for the site north of Lutterworth Road, Lutterworth gained B8 consent with a unit under construction (May 2017).

<sup>27</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Executive Summary, Map ES2

<sup>28</sup> Leicester and Leicestershire Strategic Distribution Sector Study, November 2014, Part A, para 2.115 – 2.120

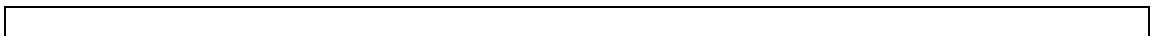
## UK Property Market

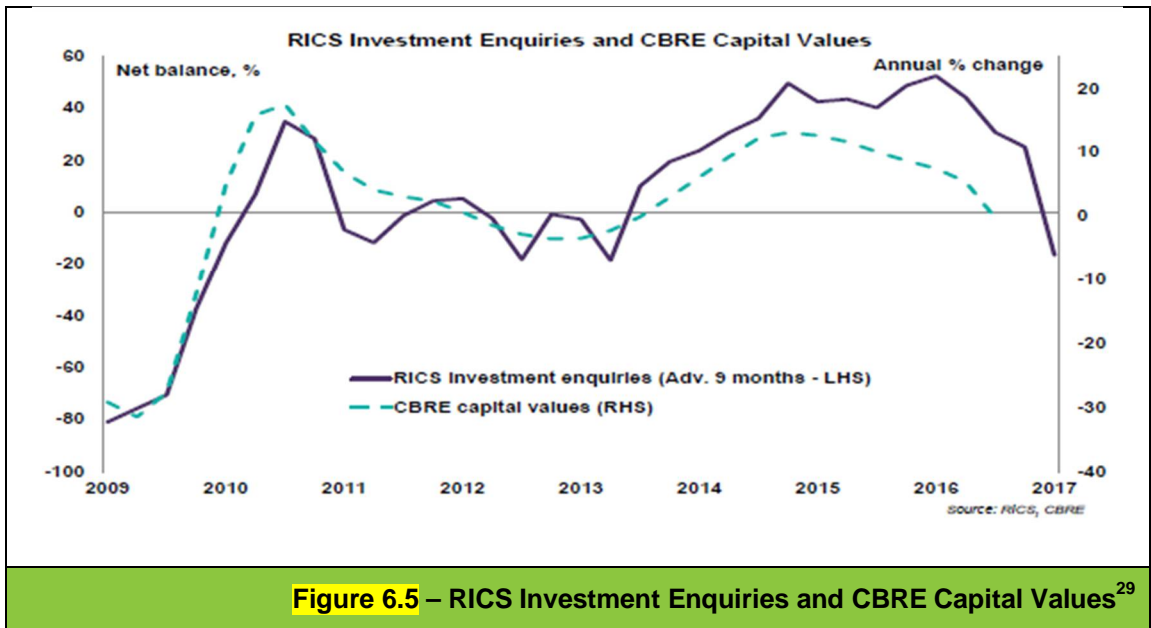
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1.38 The RICS publishes its UK Property Market Chart Book monthly which provides economic commentary and research into the commercial property sector. The latest edition is September 2016. This comments as follows –

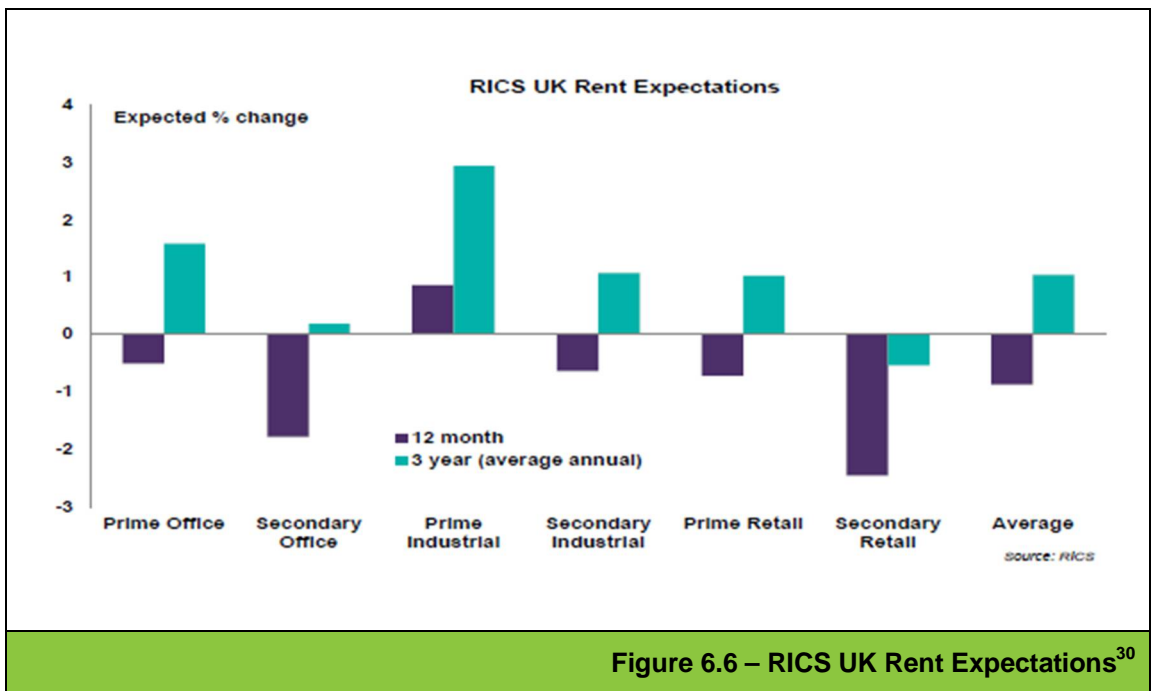
- *The second estimate of GDP showed an unrevised expansion of 0.6% in the second quarter with household consumption the driver of output once again; household spending rose by 0.9% over the quarter.*
- *Gross fixed capital expenditure increased by 1.4% following two consecutive quarters of decline while the net trade deficit reached an all time high of £15.6bn.*
- *Firm household spending growth suggests that the strong labour market performance offset much of the impact of uncertainty on consumption in the run up to the Brexit vote.*
- *July data on retail sales show continued growth in the immediate aftermath of the vote to leave.*
- *However, with the outlook for UK growth uncertain, there remains a significant chance that consumption growth will falter in the near future.*
- *Evidence from recent business surveys shows that firms' expectations for employment growth have reduced following the vote and point to a less buoyant labour market, which will weigh on spending.*
- *Business surveys suggest that activity in the euro area is holding up well in the wake of the UK's vote.*
- *While there is evidence of some caution in forward looking indicators in the manufacturing sector, the bloc's dominant services sector looks likely to keep growth steady over the coming quarters.*

1.39 Data from the RICS and CBRE suggests that commercial property prices began to fall as uncertainty weighs on activity. Capital values fell by 3.3% in July (erasing gains made over the previous year). RICS lead indicators point to further declines ahead. See the RICS Investment Enquiries and CBRE Capital Values chart below (Figure 6.5).





1.40 Furthermore, rental values expected to fall over the year to come but the medium term outlook is for modest growth (Figure 6.6).



<sup>29</sup> RICS Chartbook, Sept 2016

<sup>30</sup> RICS Chartbook, Sept 2016

## Harborough Economy

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- 1.41 The District of Harborough has an economically active population of 45,791 (2012), supports 44,079 jobs (2012) and experiences a relatively low unemployment rate of 3.3%. Currently over a third (35%) of total jobs in the district are within B class employment uses (i.e. office, industrial and warehousing) whilst the remaining jobs are within a range of non-B class uses (leisure, retail, hotels, and consumer services).<sup>31</sup>
- 1.42 Harborough has the highest economic activity rates, lowest unemployment, best skills profile and highest resident average earnings of the LLEP area – all of which are above national averages. It is the eighth least deprived district (out of 326) in England. It is well connected to London, Leicester and neighbouring centres attracting affluent and aspiring residents and having the highest average house prices in the LLEP area.<sup>32</sup>
- 1.43 Economic success, though, is highly dependent on out commuting. Around half of Harborough residents in employment commute outwards to Leicester, neighbouring centres (e.g. in Northamptonshire) and even further afield (e.g. to London).<sup>33</sup>
- 1.44 The sector mix shows a strong number of professional and technical enterprises (15% of all enterprises), a strong agricultural sector (11.5% of businesses) and high employment in transport and storage (17.1%).<sup>34</sup>

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<sup>31</sup> Harborough District Local Development Framework – Core Strategy, Para 2.17 Page 11

<sup>32</sup> HDC Open for business final report 2013, Page 3

<sup>33</sup> HDC Open for business final report 2013, Page 3

<sup>34</sup> HDC Open for business final report 2013, Page 4



## Property Market Evidence

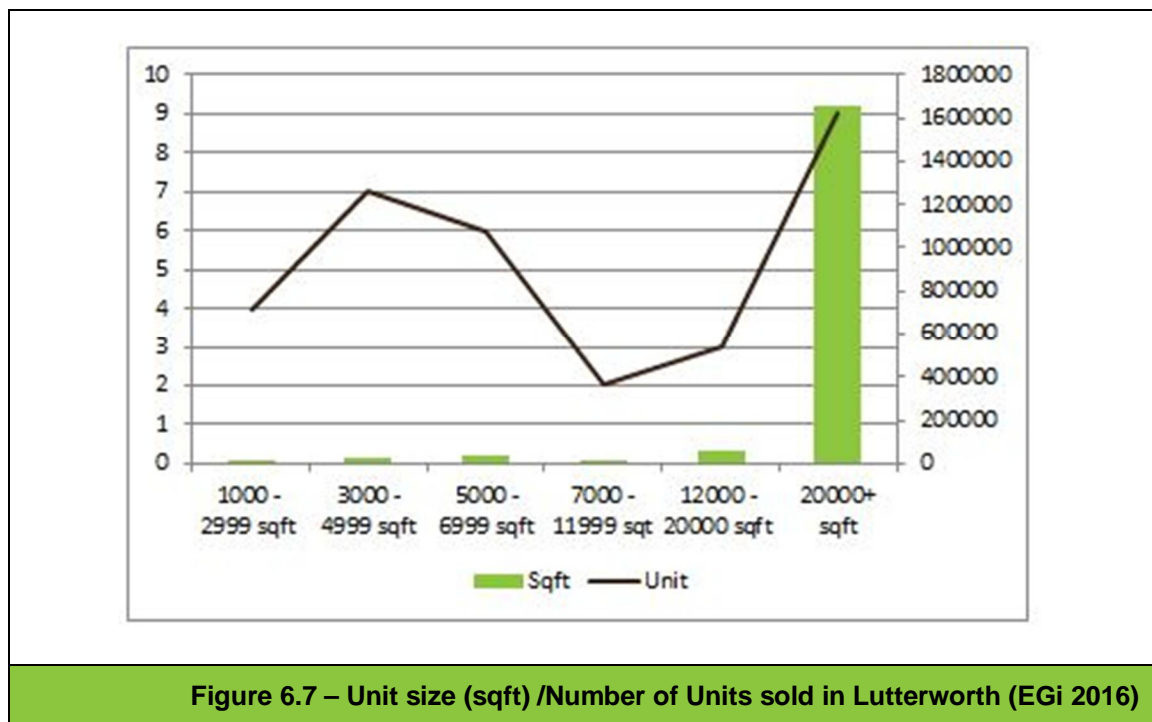
1.45 We have reviewed deals done on commercial units in Lutterworth and Market Harborough over the past three years. We have specifically reviewed the unit sizes sold, rental values and any yield data that is available.

### Lutterworth Industrial & Distribution

1.46 The table and chart below provides a summary of the industrial units sold in Lutterworth. We can see that the majority of units sold (9) are above 20,000 sqft (1,860 sqm) with a total of 1,659,658 sqft (15,420 sqm).

Unit size	Unit	Sqft	% Sqft	% units
1,000 – 2,999 sqft	4	5,057	0.28%	13%
3,000 – 4,999 sqft	7	29,675	1.65%	23%
5,000 – 6,999 sqft	6	36,900	2.05%	19%
7,000 – 11,999 sqft	2	17,330	0.96%	6%
12,000 – 20,000 sqft	3	53,783	2.98%	10%
20,000 + sqft	9	1,659,658	92.08%	29%
Total	31	1,802,403	100%	100%

**Table 6.5 – Summary of Industrial and Distribution Units Sold in Lutterworth (EGi 2016)**



**Figure 6.7 – Unit size (sqft) /Number of Units sold in Lutterworth (EGi 2016)**

1.47 Table 6.6, below, shows the typical rental values for industrial property in Lutterworth (£ psf, £ psm). This is based on transactional data from 32 units in the Lutterworth area.

	£ psm	£ psf
Max	£140.15	£13.01
Min	£24.22	£2.25
Average	£53.32	£4.96
Median	£43.85	£4.08

**Table 6.16 – Summary of Industrial Rental Values - Lutterworth (EGi 2016)**

1.48 The maximum rental value for a unit was £13.01 psf (£140.15 psm); Unit 4400, Magna Park, Wellington Parkway, Magna Park, Lutterworth, Leicestershire, LE17 4XN

1.49 The minimum rental value for unit in Lutterworth was £2.25 psf (£24.22 psm) was; Unit 2210 Shackleton Way, Magna Park, Lutterworth, Leicestershire, LE17 4XP. This is likely to be for older second-hand stock.

1.50 Yield % for the units sold ranges between 5.39 and 8.48%.

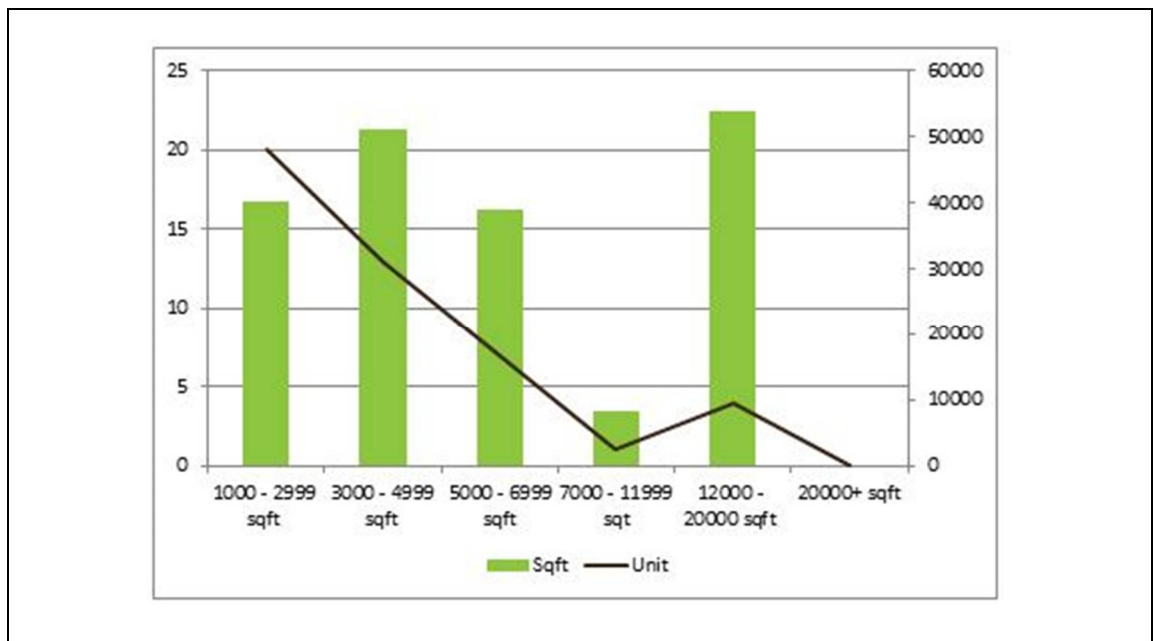
1.51 In terms of quoting rents, Unit 3510 Magna Park, Wellington Parkway, Lutterworth, LE17 4XW (source EGi Property Link) at a quoting rent of £6.00 psf (104,539 sqft).

### Market Harborough Industrial & Distribution

1.52 The table below provides a summary of the industrial units sold in Market Harborough. We can see that the majority of units sold (20) range between 1,000 – 2,999 sqft with a total of 45,323 sqft. However the units ranging between 3,000 – 4, 999 sqft have a greater total sqft with few units.

Unit Size	Unit	Sqft	% sqft	% units
1,000 – 2,999 sqft	20	40,323	21%	44%
3,000 – 4,999 sqft	13	51,056	27%	29%
5,000 – 6,999 sqft	7	39,144	20%	16%
7,000 – 11,999 sqft	1	8,172	4%	2%
12,000 – 20,000 sqft	4	53,866	28%	9%
20,000+ sqft	0	0	0%	0%
Total	45	192,561	100%	100%

**Table 6.7 – Summary of Retail Units Sold in Market Harborough (EGi 2016)**



**Figure 6.8 – Unit size (sq ft) /Number of Units sold in Market Harborough (EGi 2016)**

1.53 Table 6.8, below, shows the typical rental values for industrial property in Market Harborough (£ psf, £ psm).

	£ psm	£ psf
Max	£136.38	£12.67
Min	£6.57	£0.61
Average	£57.69	£5.36
Median	£60.96	£5.66

**Table 6.8 – Summary of Industrial Rental Values – Market Harborough (EGi 2016)**

- 1.54 The maximum rental value for a unit was £12.67 psf (£136.38 psm) which was; Unit N, Welland Industrial Estate, Valley Way, Market Harborough, Leicestershire, LE16 7PS (6,312 sqft).
- 1.55 The minimum rental value for a unit was £0.61 psf (£6.57 psm) which was; Unit M, Welland Industrial Estate, Valley Way, Market Harborough, Leicestershire, LE16 7PS
- 1.56 No specific yield % information has been reported on EGi for Market Harborough industrial and distribution property. However, CBRE state in their paper 'UK Prime Rent and Yield Monitor, Q2 2016', that East Midlands recording the lowest capital value growth within the sector'.<sup>35</sup> Actual Yield % for Q2 2016 in East midlands was 6.72%<sup>36</sup>
- 1.57 In terms of quoting rents, Unit K1 Welland Business Park, Rockingham Road, Valley Way, Market Harborough, LE16 7PS is currently on the market at £6.00 psf (5,508 sqft). A larger unit at The Shires Euro Business Park, Rockingham Road, Market Harborough, LE16 7QF is currently being quoted at £5.00 psf (34,130 sqft) (EGi Property Link).

### Lutterworth Offices

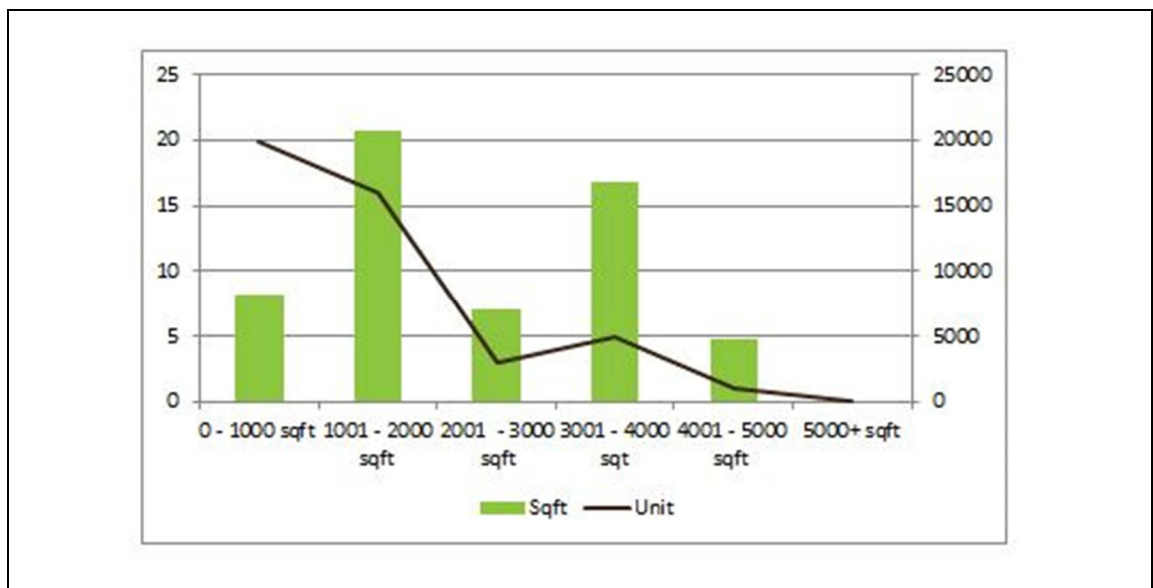
- 1.58 The table below (6.9) provides a summary of the office premises sold in Lutterworth. We can see that the majority of units sold (20) were below 1,000 sqft with a total of 8,260 sqft. Whereas units ranging between 1,000 and 2,000 sqft, showed similar levels of sales but with over twice the amount in terms of size (sqft).

<sup>35</sup> CBRE UK Prime Rent and Yield Monitor, Q2 2016

<sup>36</sup> CBRE UK Prime Rent and Yield Monitor, Q2 2016

Unit Size	Unit	Sqft	% Sqft	% units
0 – 1,000 sqft	20	8,260	14%	44%
1,001 – 2,000 sqft	16	20,695	36%	36%
2,001 - 3,000 sqft	3	7,001	12%	7%
3,001 – 4,000 sqft	5	16,892	29%	11%
4,001 – 5,000 sqft	1	4,748	8%	2%
5,000+ sqft	0	0	0%	0%
Total	45	57,596	100%	100%

**Table 6.9 – Summary of Office Premises Sold in Lutterworth (EGi 2016)**



**Figure 6.9 – Unit size (sqft) /Number of Office Units sold in Lutterworth (EGi 2016)**

1.59 Table 6.10, below, shows the typical rental values for office property in Lutterworth (£ psf, £ psm).

	£ psm	£ psf
Max	£223.68	£20.70
Min	£69.43	£6.45
Average	£115.42	£10.71
Median	£107.85	£10.00

**Table 6.10 – Summary of Office Rental Values – Lutterworth (EGi 2016)**

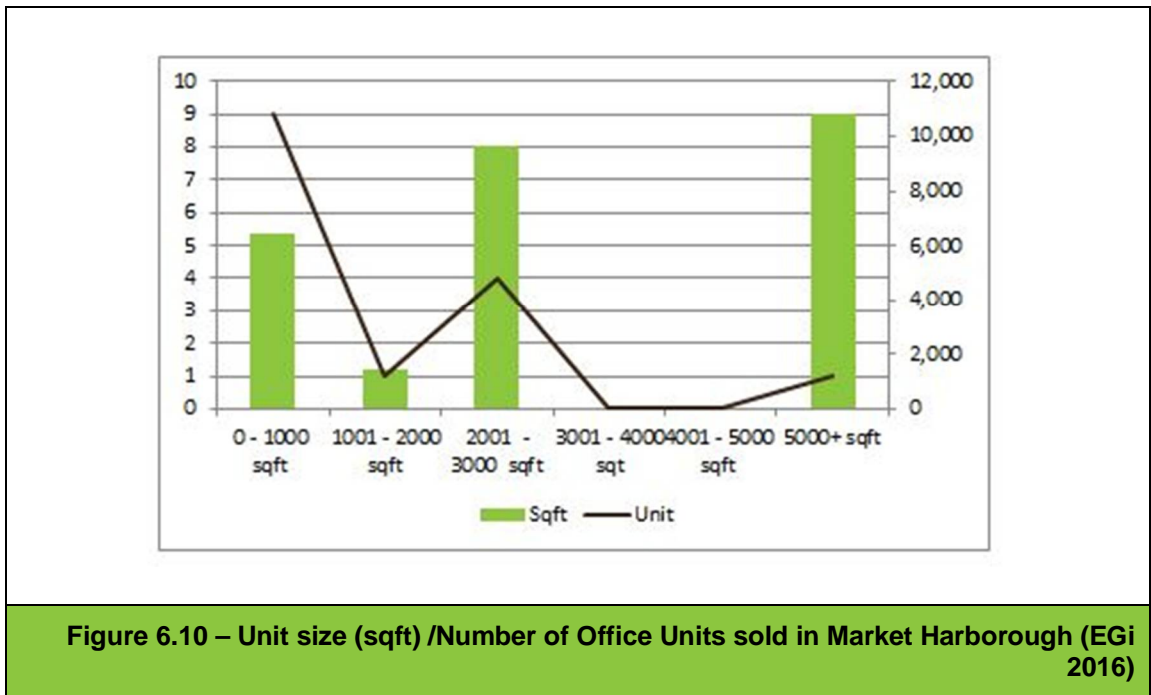
- 1.60 The maximum rental value for a unit was £20.70 psf (£223.68 psm) which was; Office 9, St Johns Business Park, Rugby Road, Lutterworth, Leicestershire, LE17 4HB.
- 1.61 The minimum rental value for a unit was £6.45 psf (£69.43 psm) which was; 1st and 2nd, 15-15a High Street, Lutterworth, Leicestershire, LE17 4AT.
- 1.62 We have identified one office building currently registered on Property Link on the Market in Lutterworth - 9 Midland Court, Central Park, LE17 4PN. This is 1,800 sqft at a quoting rent of £10.83 psf.

### Market Harborough Offices

- 1.63 The table below (6.11) provides a summary of the office premises sold in Market Harborough. We can see that the majority of units sold (9) were below 1,000 sqft with a total of 8,260 sqft.

Unit Size	Unit	Sqft	% Sqft	% units
0 – 1,000 sqft	9	6,475	23%	60%
1,001 – 2,000 sqft	1	1,443	5%	7%
2,001 - 3,000 sqft	4	9,675	34%	27%
3,001 – 4,000 sqft	0	0	0%	0%
4,001 – 5,000 sqft	0	0	0%	0%
5,000+ sqft	1	10,845	38%	7%
Total	15	28438	100%	100%

**Table 6.11 – Summary of Office Premises Sold in Market Harborough (EGi 2016)**



**Figure 6.10 – Unit size (sqft) /Number of Office Units sold in Market Harborough (EGi 2016)**

1.64 Table 6.12, below, shows the typical rental values for office property in Market Harborough (£ psf, £ psm).

	£ psm	£ psf
Max	£240.00	£22.78
Min	£64.65	£6.03
Average	£132.21	£12.32
Median	£133.64	£12.40

**Table 6.12 – Summary of Office Rental Values - Market Harborough (EGi 2016)**

- 1.65 The maximum rental value for a unit was £22.78 psf (£240.00 psm) which was; 1st (part), 12 The Square, Market Harborough, Leicestershire, LE16 7PA
- 1.66 The minimum rental value for a unit was £6.03 psf (£64.65 psm) which was; 1st and 2nd, 3 Abbey Street, Market Harborough, Leicestershire, LE16 9AA
- 1.67 CBRE state in their paper 'UK Prime Rent and Yield Monitor, Q2 2016', that actual yield % for Q2 2016 in East Midlands was 7.10% for offices.
- 1.68 Only one sold office price was quoted for the entire Laurels scheme, 18-20 Main Street, Lubenham, Market Harborough, Leicestershire, LE16 9TF. The quoted price was £750,000

which equates to £69.15 psf capital value (£744 psm) (10,845 sqft / 1,007 sqm). Note however that property was in office use, but consent was given in 2016/17 for a change of use to residential which is currently under construction.

- 1.69 According to Property Link, there are more office premises available in Market Harborough than in Lutterworth. We have identified 7 office properties with rentals of up to £16.00 psf (average £11.00 psf and median £12.50 psf).



## Commercial Value Assumptions

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1.70 For the purposes of our Lutterworth SDA viability assessment we have applied the following value assumptions for strategic B-uses (Table 6.13).

<b>Use</b>	<b>Rent (psf)</b>	<b>Yield</b>	<b>Incentives</b>
B8 Strategic Distribution	£6.50	5%	0 months' Rent Free – assumed pre-let

**Table 6.13 – Commercial Value Assumptions**