

RAPLEYS

General Advice and Reporting
For
Suffolk County Council

**PKF LING PREMISES
RIVERSIDE ROAD
LOWESTOFT
NR33 0TQ**

25 January 2019

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Contents

1	Introduction	1
2	The Subject Property	1
3	The Scheme and its Effects	3
4	Response to the Representation of Mr Arden.....	4
5	Preliminary Opinions of Value.....	9
6	Signature	9

1 INTRODUCTION

- 1.1 I am instructed on behalf of Suffolk County Council (“the Client”) to provide a written representation to the Examining Authority in connection with the application for a Development Consent Order accepted for examination on 9 August 2018.
- 1.2 This report is intended to consider the impacts of the Lake Lothing Third Crossing (“the Scheme”) upon property held and partially occupied by Lings Motor Group at Riverside Road, Lowestoft NR33 0TQ (referred to as “the Subject Property”). It will also address a number of issues raised by Lings property adviser, Mr Arden of Colliers International.
- 1.3 This advice is provided to assist the Client in considering and negotiating compensation to be payable in respect of the Scheme. The advice will address the potential impact of the Scheme upon the valuation of the Subject Property as a motor dealership and I am not therefore directly considering business related issues in the context of the actual business conducted from the Subject Property.
- 1.4 This Report and the advice within it is provided in contemplation of negotiations and potential litigation and therefore falls outside the scope of VPS1 to VPS5 of the RICS Valuation - Global Standards, 2017 Edition (“the Red Book”). Any valuation advice contained herein is provided for the internal purposes of the Client and may not be relied upon for any other purpose than that stated above. The Report and the advice contained within it may not be relied upon by any other party for any purpose whatsoever and the contents of this Report may only be disclosed to parties properly connected with the negotiations referred to above.

BACKGROUND

- 1.5 I am Geoffrey Richard Sayer, a Bachelor of Science with Honours in Land Management, a Member of the Royal Institution of Chartered Surveyors (01 January 2000), an RICS Registered Valuer and a Chartered Environmentalist.
- 1.6 I am a Partner of Rapleys LLP based at 2 Falcon Road, Hinchingsbrooke Business Park, Huntingdon PE29 6FG and am a senior member of the Automotive and Roadside team. This is a specialist team dedicated to dealership, petrol filling station, fast fit, car park and other roadside related properties within which I have 19 years experience.
- 1.7 Rapleys Automotive and Roadside team act for a range of operators, investors, lenders and consultants holding or interested in the property types noted above with our work involving agency, strategy, valuation, lease consultancy, investment and offering additional specialist planning, development, building surveying and business rates functions from Rapleys other long established disciplines.
- 1.8 My work within the Automotive and Roadside team is principally valuation, lease consultancy, expert witness and strategy together with some agency work.

2 THE SUBJECT PROPERTY

- 2.1 The Subject Property comprises a large motor dealership property and a car rental facility (built in circa 2004) occupying a substantial trapezoid shaped site fronting onto Waveney Drive (its southern boundary) with a return frontage to Riverside Road (its western boundary).
- 2.2 To the rear of the site is an area of development land beyond which is a large manufacturing facility operated by Nexen.

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- 2.3 The A12 passes close to the property via the busy Tom Crisp roundabout just south east of the Subject Property and Waveney Drive carries a relatively low volume of local traffic, whereas Riverside Road is quiet and limited to providing access to businesses located there.
 - 2.4 The area to the south east of the Subject Property is therefore busy and commercially oriented with another dealership property to the south side of the A12 and a large Asda foodstore to the east side of the Ham.
 - 2.5 Lowestoft, whilst being a large town and, when considered alongside Great Yarmouth, supporting a large resident population, is not able to support complete representation as far as the motor dealership sector is concerned.
 - 2.6 Provision within Lowestoft is limited mainly to the Subject Property (Honda, Mitsubishi, Hyundai), Desira opposite (Peugeot, Suzuki), Mitchells at Long Road (Renault), Robinsons at Cooke Road (VW, SEAT), SLM at London Road (Toyota) and John Grose at Whapload Road (Ford, Kia).
 - 2.7 Great Yarmouth adds Thurlow Nunn (Vauxhall), Simpsons (Skoda, Fiat commercial) and Desira (Nissan, Citroen, Fiat).
 - 2.8 The Subject Property is held under two freehold titles, SK245554 and SK259805, both of which extend into and include the Ham at the east side of the main building where there is also a strip of land at the south side of the Ham fronting Waveney Drive.
 - 2.9 This advice excludes the Ham area and is limited to the land and buildings with the exception that I will make some comments relative to the condition of the quay wall bounding the Ham.
 - 2.10 The land within the site extends to 1.59 hectares (3.93 acres) and the built accommodation extends to an agreed gross internal area of 3,533.57 sq m (38,035 sq ft) across three buildings.
 - 2.11 The main building comprises a large motor dealership building of modern frame construction beneath a series of flat roofs providing Honda, Mitsubishi and Hyundai car showrooms with an additional motorbike showroom, café, office and workshop facilities on the ground floor and first floor office and motorbike merchandising areas. In all the main building extends to an agreed gross internal area of 3,206.32 sq m (34,513 sq ft).
 - 2.12 A further single storey flat roof building to the Riverside Road frontage operates as a used car showroom and extends to an agreed gross internal area of 183.41 sq m (1,974 sq ft).
 - 2.13 In the middle of the site is a further workshop type building with an office and small mezzanine level formed at one end providing a car rental depot for Enterprise Rent A Car along with a demised yard area. The building extends to an agreed gross internal area of 143.83 sq m (1,548 sq ft). This property is let on a lease and Lings are the Landlord.
 - 2.14 Access to the site is currently obtained from Riverside Road. Traffic approaching the site on Waveney Drive must therefore turn into Riverside Road using the current traffic light controlled intersection, then effect a right turn into the site half way along its western boundary.
 - 2.15 The access road is relatively narrow and leads to a small internal roundabout where a 90 degree left turn leads to the used car sales area and Enterprise facility, straight on leads to the workshop and rear compound and a 90 degree right hand turn leads towards the customer parking area which sits in front of the main showroom elevations.
 - 2.16 There is a further vehicular access from Riverside Road at the rear (north end) of the site where a fully made up roadway runs along the rear boundary with an access hammerhead

two thirds of the way along leading into the main part of the site. This access has been blocked with containers and the area has been used for some time to provide some parking for staff and storage.

- 2.17 The site itself is laid out to provide vehicle display areas to the south east and south west corners, with a vehicle compound to the rear and a used car display area to the north west corner, which is adjacent to the Enterprise yard area. Customer parking facilities are provided in front of the main showrooms.
- 2.18 The south west and west parts of the site sit below the level of the road and are further obscured to the Waveney Road frontage by a dwarf brick wall. This wall is slightly lower towards the south east corner and the strip of land in front of the Ham is laid to gravel and generally unused save as to accommodating the main pole signage for the Subject Property.

3 THE SCHEME AND ITS EFFECTS

- 3.1 The scheme will provide a third bridge crossing in between the two existing crossing points serving improved north/south movement within Lowestoft and will broadly follow the route of Riverside Road connecting with Waveney Drive at a new roundabout intersection to be constructed at the south west corner of the Subject Property.
- 3.2 The Scheme will require widening of the road network resulting in land needing to be taken along the Riverside Road (west) boundary and the Waveney Drive (south) boundary of the Subject Property.
- 3.3 In view of the new Riverside Road rising northwards in order to create the necessary bridge height the new road will be built upon an embankment such that the existing two access points to the Subject Property from Riverside Road will be stopped up.
- 3.4 A replacement point of access to the site is proposed to be provided at the south east corner of the Subject Property whereby visitors to the site will make a left hand turn from the nearside lane and then circulate up the east side of the buildings, round the rear of the site and round to a repositioned customer parking area on the west side of the buildings.
- 3.5 To accommodate the embankment the existing used car sales building will be demolished.
- 3.6 It is envisaged that Enterprise may be relocated in which case the existing Enterprise building would be a logical refurbishment/replacement used car showroom building for Lings subject to planning.
- 3.7 A strip of land will be permanently required to accommodate the Scheme running along the western, corner and southern boundaries. I am informed that this land take will amount to 1,354 sq m (14,572 sq ft/0.33 acres).
- 3.8 In addition there are further areas of the site over which permanent rights will be required to undertake infrequent but regular inspection and maintenance works to the newly constructed road embankment and junction. I am informed that the additional area of land required for this amounts to an additional 1,607 sq m (17,298 sq ft/0.40 acres).
- 3.9 It should be noted that the main areas to be affected by these permanent rights are the south and west boundaries formed by a strip of land and nowhere is there a conflict with existing buildings. These areas are currently used principally for the display and parking of motor vehicles. I am informed that the rights of access will be infrequent and will usually manifest as someone inspecting the bridge on foot having given Lings due notice. Much less frequently if vehicular access is required that will most likely involve scheduled maintenance work and substantial notice will be provided although Suffolk County Council will also have access options across the Nexen land to the north.

- 3.10 Therefore, given the position of the land where these rights are to be reserved this is likely to cause minimal, if any disruption, for pedestrian surveys, and very infrequent disruption should maintenance works require to be undertaken.
- 3.11 Thirdly there is an additional amount of the site which will be required temporarily for the purposes of access to undertake the works to build and service the Scheme. I am informed that the additional area of the site required for this purpose is 1,446 sq m (15,565 sq ft/0.36 acres). My understanding is that it is envisaged that actual occupation of such areas will be phased so as to cause as little disruption to the site as possible.
- 3.12 I also understand that there is an option of providing additional temporary yard space for Lings on the development land to the north of the Subject Property in order to mitigate the effect of a temporary loss of site area while the scheme works are being undertaken.
- 3.13 I summarise the above in the following table:

Area of Site	Area (Sq m)	Area (Sq ft)	% Site Area
Total Site Area	15917	171,329	100%
Permanent Acquisition	1354	14,572	8.51%
Permanent Acquisition of Rights	1607	17,298	10.10%
Temporary Possession	1446	15,565	9.08%

- 3.14 The extent of the areas noted above is also shown on the drawing number 1069948-WSP-LSI-DR-GI-0006 which shows the order limits.
- 3.15 Clearly there will be disruption to the Subject Property and its operation caused by the Scheme works however that is not the purpose of this Report. I am to consider the long term impact of the reconfigured site in the light of the Scheme from a property and valuation perspective and the comments made by Mr Arden.

4 RESPONSE TO THE REPRESENTATION OF MR ARDEN

- 4.1 I will briefly address the general points made by Mr Arden in his Report dated January 2019.

THE SITE AS EXISTING

- 4.2 Within section 3 of his report Mr Arden identifies a number of characteristics of the existing arrangements at the Subject Property.
- 4.3 In respect of transporter deliveries Mr Arden notes that these are undertaken from Riverside Road because the occupier has closed off the rear access road. I am not aware that there is any formal arrangement allowing such use of Riverside Road for transporter deliveries and it is clear that this was not the original intention. I would however comment that transporter deliveries are often required to be undertaken within the confines of a dealership site with the attendant vehicle movements and circulation needing to be accommodated. In my view the Subject Property is well able to accommodate such deliveries within the site confines.
- 4.4 There are relatively few sites of the scale of the subject property which I consider would be unable to accommodate such deliveries.
- 4.5 Mr Arden also notes the presence of the Enterprise Rent A Car business on site and does not see that as a potential conflict in terms of use or deliveries. Whilst the operation provides an element of rental income the area occupied by that business could also form a valuable and useable part of the Subject Property if the Enterprise business relocated.

FRANCHISE REQUIREMENTS

- 4.6 Within Section 4 of his Report Mr Arden relates some details of the current franchise agreements with Hyundai, Honda and Mitsubishi. He begins with some general comments relating to the way in which such agreements can impact property requirements.
- 4.7 I generally agree with Mr Arden's general comments but I would say that from my knowledge of dealing with franchised dealers, whilst motor manufacturers may wield considerable power and exert control over the property of the incumbent dealer, it is rarely that straightforward.
- 4.8 Against the background of Lowestoft generally there may be few other operators willing to take on a new franchise with the ingoing investment and risk involved in which case the decision by a manufacturer to terminate a franchise may effectively exclude that brand from a significant geographical location. Such dynamics will tend to moderate the bargaining position between dealer and manufacturer.
- 4.9 Turning to the specific requirements listed by Mr Arden I consider that all of those matters listed would be capable of being accommodated at the Subject Property currently and post the scheme works with the realigned access.
- 4.10 I would also point out that the showroom requirement of Hyundai and Mitsubishi amounts to only 340 sq m (3,660 sq ft) whereas the showroom element of the building with the additional offices amounts to a total of 1,475.03 sq m (15,877 sq ft).
- 4.11 The items set out by Mr Arden are unspecific as to location on the site and it therefore seems to me that the Subject Property with its extensive buildings and site would be able to accommodate those factors mentioned with ease.

SUITABILITY OF THE PROPERTY FOR EXISTING USES

- 4.12 In Section 5 of his report Mr Arden considers the suitability of the current Subject Property for its existing uses.
- 4.13 I note the following points specifically.
- 4.14 Mr Arden considers the existing access to the site to be highly beneficial including the mini roundabout.
- 4.15 In my view the existing access road is relatively narrow and the mini roundabout rather tight to negotiate. Mr Arden does not note that the accesway faces the workshop element of the building and not the showroom accommodation and neither does he state how vehicles will get from transporters situated on Riverside Road (i.e. being unloaded) without using the access road in common with customers. I accept this would be different if the rear access were in use but it is not.
- 4.16 I would also point out that in my experience having a third party business operating within the middle of the site is unusual and will be unlikely not to cause any conflict with the main site operation. Indeed until relatively recently the used car showroom operated as a Hyundai showroom and was run by Dingles Motor Group resulting in the site being run with two third party occupiers all utilising the same access road and no doubt subject to Hyundai manufacturer standards.
- 4.17 Mr Arden notes that the location of the Subject Property is good in relation to the existing traffic flows nearby.
- 4.18 Finally Mr Arden puts forward an argument that the location of Enterprise on site creates potential opportunities for cross selling. He provides no evidence to support that and I am sceptical of such a connection given that car rental firms will generally source their vehicles

on a larger scale and those hiring vehicles are not usually looking to buy new vehicles. Nevertheless if Enterprise operate a courtesy car service for the dealership then that can create a closer working relationship.

IMPACT OF DEVELOPMENT CONSENT ORDER ON LINGS

- 4.19 I have referred also to Drawing number 1069948-WSP-LSI-LL-DR-GI-0006 which shows the order limits for the DCO.
- 4.20 I have already noted the areas of permanent, permanent rights and temporary land take. I note the area attributed to the Enterprise Lease.
- 4.21 Mr Arden raises four main areas which are Access, Display Parking, Motorlings (used car building) and Enterprise.

Access

- 4.22 In commenting upon the arrangements post the Scheme in comparison with the existing arrangements it is important to my mind to consider the position from the same starting point.
- 4.23 The proposed revised access is correctly identified as being available to nearside traffic only however the position for offside traffic on Waveney Drive involves using the new roundabout which is very close by. The current situation would involve offside traffic (from the same starting point) waiting to turn right at the traffic lights (in the same position as the proposed roundabout) and then making a further right turn from Riverside Road before negotiating the internal site layout as already described.
- 4.24 The intensification of the access is noted however it is normal for transporters to have to unload within dealership sites and the existing arrangements are not provided as of right to the operator. Transporter movements are handled by dealers all over the country within their sites and the Subject Property is able to provide a safe manoeuvring position with the rear hammer head. I understand that there are potential insurance issues when vehicles are unloaded on the public highway.
- 4.25 I accept that the revised access for customers may be a little less convenient and will involve a longer drive within the site however by a true comparison the existing arrangements can also be considered circuitous.
- 4.26 Mr Arden mentions the notion of repositioning of the showroom facilities however he has not included these factors within his Franchise Requirements section. It is clear that the building is able to accommodate a certain amount of reconfiguration evidenced by the relatively recent taking on of the Hyundai business.
- 4.27 I accept that there will be a loss of display spaces in the south east corner however the currently gravelled area is currently underutilised for vehicle display despite being the most prominent part of the site. Mr Arden has also overlooked the fact that the actual number of vehicles due to be passing the Subject Property on Waveney Drive (not passing near the Subject Property on Tom Crisp Way) is due to increase very substantially. I set out details of the projections overleaf:

Model Scenario	Riverside Road / LLTC - 24hr AADT vehicles	Waveney Drive (between Lings and A12) - 24hr AADT vehicles
2016 Base	2,521	9,785
2022 DM (no scheme)	2,712	10,616
2022 DS (scheme)	29,378	27,135
2037 DM (no scheme)	3,111	12,006
2037 DS (scheme)	33,552	30,649

4.28 In my experience of valuing high profile dealership sites it is not so much the actual vehicles on site that need to be visible to the passing traffic, rather that there is a large and spacious area of vehicles on display. Accordingly I believe that Mr Arden has not reflected the increased profile of the Subject Property to an enhanced traffic flow directly past the site.

4.29 I note that the proposed access way along the east side of the building will go to the very rear of the site. This does therefore leave room for additional workshop accommodation to be provided to the rear of the existing workshop in what is currently the rear compound area. Such an expansion would of course require a reorganisation of the rear parking arrangements irrespective of the Scheme. I do accept that the Land Take will make that a more difficult process were the existing property deemed to be too small.

Display Parking

4.30 Mr Arden makes the comment that higher profile display spaces attract higher values and therefore to lose those at the front of a site will tend to have a greater impact upon the value of a property.

4.31 The loss of display spaces will of course have a negative impact on the value of a site. I have calculated that a total of 36 spaces might be lost as a result of the Permanent Land take from the Riverside Road and Waveney Drive frontages. That will clearly have an impact on the value of the Subject Property but there will still be front display spaces and it may be that further spaces sit further back on the site than currently.

4.32 However, Mr Arden has overlooked the increasing trend within the Automotive sector away from franchised used cars towards branded used car operations which are dealer determined. Here the crucial issue is the amount of spaces a site can accommodate with site location and profile being a means to get customers onto the site to look at an extensive range of vehicles. I note that the Subject Property has previously displayed Hyundai vehicles behind the used car showroom and that the current Motorlings branded used car offer currently trades from that area.

4.33 The assessment of the value of the land take at £415,000 is a matter for valuation evidence in due course and I have seen no evidence to support a land value of £1.25 million per acre within Lowestoft for such a strip of land. The appropriate rate to apply to a display space is a matter for evidence having regard to the Lowestoft market.

4.34 In terms of the visibility of the site from the new bridge this will hardly be decreased given that Mr Arden has accepted that Riverside Road carries a low volume of traffic at the

current time. Most northbound traffic is likely to have already passed the Subject Property on Waveney Drive and most southbound traffic will be able to see the site on approach to the roundabout with most turning left to pass the frontage of the subject property in any event. Further comments can be made in this regard when line of sight drawings are available.

- 4.35 In my opinion it is possible to reconfigure the Subject Property however there will undoubtedly be a loss of some display parking at the front which may mean a loss of display parking on the site as a whole.

Used Car Building - Motorlings

- 4.36 The removal of this building does not remove an element of the business if it can be reprovided within the existing Enterprise building.
- 4.37 I do not agree that the current position is prominent given its frontage to Riverside Road which as Mr Arden has stated, is a quiet no through road.

Enterprise Building

- 4.38 It is my understanding that the Enterprise site would be acquired and the site handed back to Lings.
- 4.39 It is wrong of Mr Arden to state that the future use of this building creates any operational hurdle to the Subject Property as it is currently let with exclusive possession to a third party operator.

CONCLUSIONS

- 4.40 Mr Arden has not substantiated that the franchise requirements to which he has referred are not able to be met by the reconfigured Subject Property following the Scheme.
- 4.41 The general comments made regarding the operation of a motor dealership are noted however Mr Arden has not quantified any impact or assessment of lost sales or customers. It is not credible in my view to link such aspects solely to the loss of some space at the Subject Property.
- 4.42 Mr Arden asserts that customers “will” be deterred if post Scheme access arrangements are more convoluted or restricted. It is of course possible that some customers “may” be deterred however he has not allowed for more customers seeing the site on the new road network.
- 4.43 In my experience a prominent site is one which enjoys a good level of profile to the surrounding road network. By extension all parts of the site benefit from the profile generated by the frontage. Whilst therefore there may be an issue of losing some spaces at the front of the site, there will still be display spaces at the front of the site and that may in turn require further spaces to be provided further back on the site however the Subject Property will remain a high profile site after the Scheme has been completed. This factor has not been addressed by Mr Arden.
- 4.44 I accept that the loss of Enterprise as an investment asset will have a value, but Mr Arden has not considered that the site currently occupied by them can form the basis of a relocated used car operation for which the existing building is relatively well positioned and of appropriate scale.

5 PRELIMINARY OPINIONS OF VALUE

- 5.1 I have been asked to provide my opinion of the capital value of the Subject Property as currently existing in the no Scheme world as at the date of this Report.
- 5.2 In my view that figure is a capital sum of £3.26 million.
- 5.3 This is based upon a rental value of **£277,000 per annum** capitalised at an all risks yield of **8.50%**.
- 5.4 However I have been provided with a report prepared by WSP relating to the condition of the Ham wall, forming the edge of the land with the Ham, which is understood to be in a poor state of repair and condition. In my view a purchaser of the Subject Property would factor the necessary costs of repairing that wall into their bid.
- 5.5 I have been provided with a budget cost of £200,000 which leaves a capital value of **£3.06 million**.
- 5.6 That figure excludes the area of the site occupied by Enterprise for which I have a capital value of **£200,000**.
- 5.7 I have also been asked to provide my opinion of the capital value of the reconfigured site following the permanent land take and the acquisition of the permanent rights following completion of the Scheme as at the date of this Report.
- 5.8 In my view that figure is a capital sum of £2.8 million.
- 5.9 This is based upon a revised rental value of **£260,000 per annum** capitalised at an all risks yield of **9.25%**. This figure reduces to **£2.6 million** with the Quay Wall works deducted.
- 5.10 This figure includes the former Enterprise building and site.
- 5.11 My figures expressed above do not include the costs of realigning the Subject Property or of converting the Enterprise unit.
- 5.12 My opinions of value above reflect the value of the Subject Property on a vacant possession basis.
- 5.13 I have made no allowance for contamination, flood, deleterious materials, asbestos, fungi, invasive species, structural condition but have assumed these and similar factors to be of no impact. Should these assumptions prove not to be the case then I will require to review my advice on receipt of further qualitative and quantitative information.

6 SIGNATURE

This report has been prepared for and on behalf of Rapleys LLP and may only be used for the purposes set out in Section 1.

Created by:

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Geoffrey Sayer (Jan 25, 2019)

