



Application by Four Ashes Limited for an Order Granting Development Consent for the
West Midlands Interchange

Representations for The Inglewood Investment Company Limited

by Bruce Owen

REFERENCE 20015438

2nd April 2019



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1 Summary

Compulsory Purchase of Inglewood Investment Land is not required or justified to deliver the economic benefits of the WMI proposals

- 1.1 The Inglewood Investment Company Limited (Inglewood Investment) are an established commercial property investment and development company.
- 1.2 The development proposed on land owned by Inglewood Investment represents 15.6% of all proposed WMI accommodation.
- 1.3 Development of Inglewood Investment land is proposed 10 – 15 years after commencement of development of the WMI.
- 1.4 FAL do not propose any speculative development of B8 warehousing as part of the WMI. FAL proposes that the development of B8 warehousing will be in *“response to occupier requirement”* and subject *“usual development funding mechanisms utilised in commercial projects of this nature”*.
- 1.5 FAL’s proposals provides no certainty of delivery of commercial accommodation on land owned by Inglewood Investment.
- 1.6 Inglewood Investment are equally commercially motivated, and able, to deliver commercial accommodation on their land *“in response to occupier requirement”*.
- 1.7 Compulsory Purchase of the Inglewood Investment land is not necessary to deliver the economic benefits of the WMI as a whole, or part thereof.

The WMI proposals have substantially grown in the period from 2008 to 2016. FAL have provided no evidence to demonstrate that the proposals at 2008 should now considered to be undeliverable.

- 1.8 In 2008 FAL stated that a site comprising 350,000 sqm of B8 accommodation *“offers the size of site necessary to support a SRFI”*.
- 1.9 FAL’s 2008 assessment of site capacity (350,000 sqm) included 84,000 sqm of B8 with existing planning approval.
- 1.10 In 2015 Kilbride’s published scheme site plan mirrored that of 2008.

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- 1.11 FAL have not provided any documents to demonstrate that the site illustrated in 2008, or subsequently in 2015, should now be seen as undeliverable.
- 1.12 On a directly comparable basis (ie. with existing planning approval and proposed accommodation as referenced in 2008 and 2015) the WMI DCO proposals comprise 827,200 sqm of B8 development and extends to 297 hectares.
- 1.13 FAL's Alternative Sites Assessment (ASA) sets a minimum threshold for "*true alternative sites*" at 60 hectares.
- 1.14 FAL have not demonstrated why the WMI is required extend to 297 hectares.
- 1.15 The ASA defines the market area that is relevant to the WMI by direct reference to the Market Assessment prepared by Savills.
- 1.16 The Market Assessment provides no evidence to support the commercial necessity for the total quantum of B8 floor space to be provided in a single location, such as that proposed at the WMI.
- 1.17 The Market Assessment identifies a vital need to bring forward additional well-located sites with capability for larger warehousing units. The Market Assessment does not identify access to rail facilities as a requirement of such sites.
- 1.18 Savills advised the Leicester and Leicestershire Housing Planning and Infrastructure Group (HPIG representing Leicestershire County Council and the Leicester and Leicestershire LEP) that commercially attractive rail-linked sites should provide at least 200,000 sqm of floorspace.
- 1.19 Review of existing operational SRFI's, and proposed SRFI's around the UK confirms that the WMI proposals are of an unprecedented size. Including the existing permitted development (84,000 sqm), development contiguous with the WMI will exceed the largest existing UK SRFI schemes (iPort, Doncaster and East Midlands Gateway) by some 267,000 sqm. (c.148% larger).

Development of the WMI proposals are commercially viable without the necessity to include land owned by Inglewood Investment Land

- 1.20 Viability appraisal of the WMI proposals, excluding the land owned by Inglewood Investment, demonstrates that development will generate substantial development profits for the commercial partners in FAL.
- 1.21 The level of developer profits generated by the WMI proposals, excluding the land owned by Inglewood Investment is significantly in excess of that that can be reasonably expected, or required to deliver the SRFI scheme as proposed.
- 1.22 Viability Appraisal demonstrates that development by FAL of Phases 1 to 3 of the proposed WMI will viably support the SRFI.
- 1.23 The compulsory acquisition of the Inglewood Investment land, and its proposed development by FAL, will provide super profits to FAL, at the landowners expense.
- 1.24 There is no compelling viability case in the public interest to compulsorily acquire Inglewood Investment land for the purposes of FAL to develop it.

There is no compelling case in the public interest for the compulsory acquisition of land owned by Inglewood Investment

- 1.25 The WMI proposals fail to satisfy the requirements of Section 122 of the Planning Act 2008.
- 1.26 *The Inglewood Investment land is not required for the development:*
- Viability appraisal demonstrates that development by FAL of the Inglewood Investment land is not required for FAL to deliver the SRFI at Four Ashes.
 - Viability appraisal demonstrates that should FAL compulsorily acquire Inglewood Investment land, and develop it as proposed, it will significantly enhance FAL's development profits over and above that that is reasonably required to deliver the WMI SRFI.

1.27 *The Inglewood Investment land is not required to facilitate the development:*

- No part of the land owned by Inglewood Investment is necessary to deliver the functional rail or road infrastructure of the proposed WMI scheme.
- No part of the land owned by Inglewood Investment is particularly suited to provide open space in environmental mitigation as part of the proposed WMI.

1.28 *There is no compelling case in the public interest for the Inglewood Investment land to be compulsorily acquired:*

- Inglewood Investment are an established commercial property developer. They have equal commercial intent and motivation to develop their land (as included in the DCO/CPO), and deliver economic benefit.
- FAL are not proposing speculative development of B8 warehousing. There is no certainty of FAL's development of B8 development on the land owned by Inglewood Investment.
- Compulsory acquisition of Inglewood Investment land is not necessary to deliver the economic benefits of the proposed SRFI.
- Compulsory acquisition of Inglewood Investment land will unreasonably and unnecessarily interfere with its commercial interests.

2 Background

- 2.1 My name is Bruce Owen. I am a Member of the Royal Institution of Chartered Surveyors (RICS). I have more than 25 years post qualification experience of the commercial and residential property development sectors and property markets throughout the North of England and Midlands.
- 2.2 I am a Director, and founder, of Owen Land & Property Limited. Prior to establishing Owen Land & Property in the summer of 2015 I was a Partner of Gerald Eve LLP for approximately 7 years where I was responsible for the Partnerships development consultancy business throughout the midlands and the north of England. Prior to this I was a Partner of Donaldsons LLP for a similar period of time, with similar responsibilities.
- 2.3 On behalf of private clients my advice frequently includes financial appraisal to include the preparation of Planning Viability Appraisals in support of planning applications, these being prepared in accordance with the prevailing professional guidance provided in the RICS Guidance Note: Financial Viability in Planning (published August 2012 and currently subject to review to reflect the changes in the National Planning Policy Framework (NPPF) 2018 and Planning Practice Guidance (PPG) 2018); the RICS Professional Statement: Financial Viability in Planning, currently subject to consultation; and, the RICS Valuation Information Paper 12: Valuation of Development Land.
- 2.4 For more than a decade I have provided commercial and residential market advice, to include development strategy and financial appraisal advice, to clients in respect of projects in the North of England and Midlands. I am therefore familiar with the characteristics of these regional markets.
- 2.5 Frequently my work on behalf of private landowning clients includes the identification of appropriate development partners, and/or the negotiation of the terms for the planning promotion and/or the joint development of land. Within the last 24 months I have acted (or I am currently acting) on behalf of private sector land owners in the North of England and Midlands in such a manner on Schemes with a combined capacity for in excess of 2,500 residential units, and in excess of 5m sqft of commercial development.
- 2.6 I am an approved supplier of development appraisal and viability advice to a number of the UK's leading multi-disciplinary consultancy practices (eg. ARUP, Atkins and WSP). In this capacity I regularly advise in the context of large scale area based regeneration and

development projects, relating to publicly and privately owned land and property. I am therefore familiar with the requirements of detailed financial appraisal and cashflow modelling; economic appraisal; and compulsory purchase considerations.

3 Scope of Representation

3.1 On behalf of The Inglewood Investment Company Limited (Inglewood Investment), this representation sets out the reasons why they oppose the proposed compulsory acquisition of their land as affected by the proposed West Midlands Interchange development (the Scheme). This representation identifies those parts of the proposal with which Inglewood Investment agree, and those parts or matters where they do not agree.

3.2 This representation is structured under the following headings:

- *Inglewood Investment* – to include detail of their land as affected by the proposed development.
- *Chronology of the West Midlands Interchange* – to include analysis of how the proposals have expanded over time to latterly include Inglewood Investment land.
- *Market Evidence* – a critical analysis of the market evidence submitted by the applicant in support of the overall extent/scale of the proposed Scheme.
- *Scheme Viability* – assessment of the commercial development viability of the proposed Scheme.
- *Conclusions*

4 Inglewood Investment and its Land

- 4.1 This section establishes that land owned by Inglewood Investment is not required to deliver the proposed infrastructure required for the WMI to function as a SRFI.
- 4.2 This section:
- Quantifies the limited amount of the proposed B8 warehousing development that is proposed on land owned by the Inglewood Investment Company;
 - Establishes that the proposed development on the Inglewood land is deferred for a significant number of years;
 - Establishes that the proposed development on the Inglewood land is in the penultimate and last phase of development;
 - Establishes that the proposed development on the Inglewood land is subject to occupier demand.
- 4.3 This section establishes that FAL is no more capable or motivated than Inglewood Investment to deliver the proposed B8 warehouse development on its land.

Inglewood Investment Company

- 4.4 The Inglewood Investment Company Ltd started acquiring land for investment in 1930's and the company was formally incorporated on 7th March 1951. The Company has a substantial mixed commercial property portfolio that includes industrial and commercial office premises, and retail.
- 4.5 The Inglewood Investment Company actively pursues the realisation of the commercial development potential of its land, and property portfolio.
- 4.6 Recent developments include 6 ha of commercial development at Creswell Park adjoining Junction 14 of the M6, and 30 ha at Beacon Business Park in Stafford.
- 4.7 In addition to its commercial property interests Inglewood Investment are actively promoting land with capacity for c. 3000 new homes.
- 4.8 With specific reference to Inglewood Investment land affected by the WMI proposals, this is farm land and is being used as such. However, Inglewood are mindful of the immediate

potential to use parts of this land for mineral extraction, and equally would welcome its development for commercial purposes.

Inglewood Investment Land affected by WMI

4.9 The extent of land/property owned by Inglewood Investment that is subject to the Scheme proposals is illustrated below (figure 4.1 and 4.2).

Figure 4.1: Extent of Inglewood Investment Land/Property (affected by proposal)



Source: Doc 2.8 TR050005-000252 – Illustrative Masterplan / Owen Land & Property

Figure 4.2: Extent of Inglewood Investment Land/Property (affected by proposal)



Source: Doc 2.2 TR050005-000219 – Works Plan / Owen Land & Property

- 4.10 The Inglewood Land affected by the proposals comprises two entirely separate plots located to the north and south of Vicarage Road. Other than having a frontage to Vicarage Road the Inglewood Investment plots are otherwise unconnected.
- 4.11 The Inglewood Investment land is farm land, with associated farm buildings (to the immediate south of Vicarage Road).
- 4.12 The affected Inglewood Investment land totals some 35 hectares (gross)¹.
- 4.13 The total area of land subject to the West Midlands Interchange Scheme amounts to some 297 hectares (gross)².
- 4.14 The Inglewood Investment land therefore comprises 11.8% of the proposed Scheme.

¹ Doc 4.3 TR050005-000305 Book of Reference Plots 101, 102, 103, 110, 111, 112, 113, 114, 115

² Doc 7.1A TR050005-000452 Planning Statement Para 2.3.1 page 10

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- 4.15 It is noted that 9.8 hectares of the Inglewood Investment land (to the south of Vicarage Road) is part of the proposed Calf Health Community Park.
- 4.16 The Scheme Illustrative Masterplan (Doc 2.8 TR050005-000252 – above at Fig. 4.1) illustrates two buildings (4040 and 5020) on the land owned by Inglewood Investment. These buildings comply with the Development Zone Parameters as described in the Volume 1, Chapter 4 of the Environmental Statement (Document 6.2 TR050005-00317).
- 4.17 By reference to the same Illustrative Masterplan, as provided in the Planning Statement (Doc 7.1A TR050005-000452) at *Figure 11: Stage 2 Consultation Illustrative Masterplan* (page 36) these illustrated buildings comprise 61,485 sqm and 54,525 sqm (gross internal) respectively, 116,010 sqm total.
- 4.18 The proposed West Midlands Interchange Scheme is for up to a total 743,200 square metres (gross internal)³ of rail served warehousing. Potential development on Inglewood Investment land therefore comprises 15.6% of the proposed Scheme.

Significance of Inglewood Investment Land

- 4.19 As illustrated in the submitted Works Plan(s) the development of the proposed onsite road infrastructure of the WMI does not require any Inglewood Investment land⁴.
- 4.20 The Inglewood Investment Land is not therefore required for the functioning of the WMI Scheme as a SRFI.

³ Doc 7.1A TR050005-000452 Planning Statement Para 1.6.2 page 4

⁴ Doc 2.2D TR050005-000219 - Works Plans Sheet, 4 and Doc 2.2E TR050005-000219 - Works Plans Sheet 5

Fig 4.3: Doc 2.2 TR050005-000219 - Works Plan showing Inglewood Investment Land Boundary and Highways and Infrastructure works



Source: Doc 2.2 TR050005-000219 - Works Plan / Owen Land & Property

4.21 28% of the Inglewood Investment land is proposed to become part of the Calf Heath Community Park. Inglewood Investment Land is no more suited to this proposed use than any other land as part of, or in the immediate vicinity of, the proposed WMI.

Certainty of Development of Inglewood Investment Land

4.22 The Indicative Construction Programme for the Scheme⁵ identifies 5 phases of development taking place over approximately 15 years from Scheme commencement.

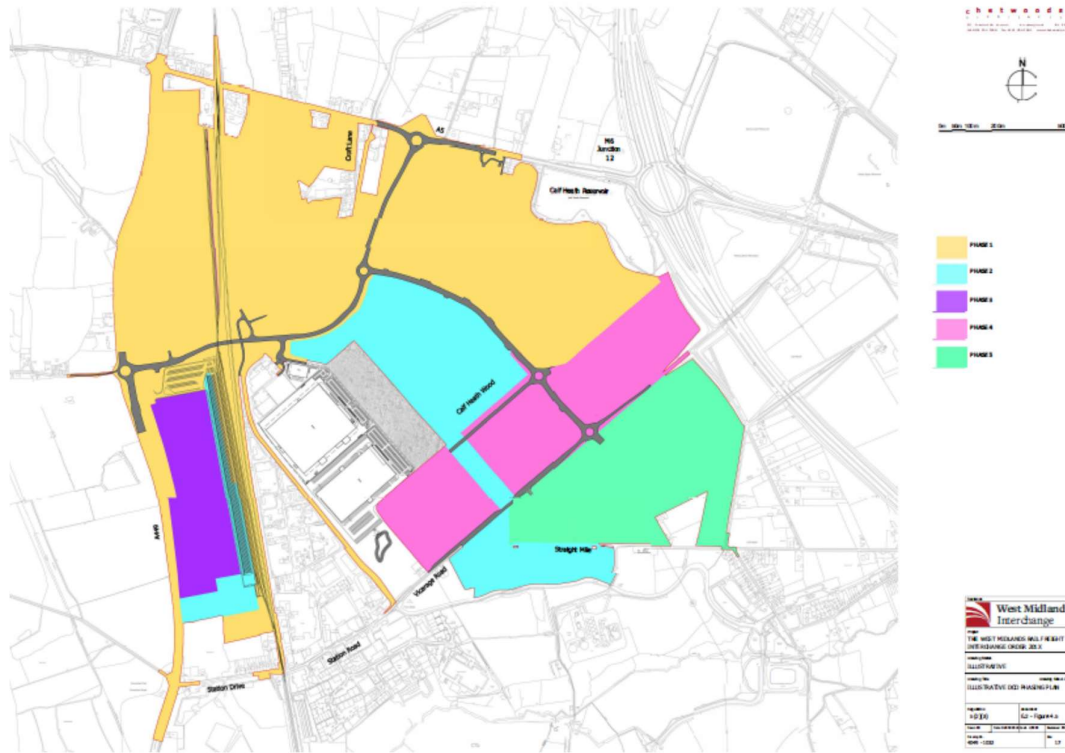
4.23 The Inglewood Investment land is part of the last two phases of development.

4.24 The Inglewood Investment land to the north of Vicarage Road (illustrative Plot 4040) forms part of Phase 4 being proposed 10 to 13 years after Scheme commencement.

⁵ Doc 7.1A TR050005-000452 Planning Statement para 3.7.1 – 3.7.6 and Fig. 15. Page 42 et seq

4.25 The Inglewood Investment land to the south of Vicarage Road (illustrative Plot 5020 and Calf Heath Community Park) forms part of Phase 5 being proposed 13 to 15 years after Scheme commencement.

Fig 4.4: Indicative Phasing Plan



Source: Doc 6.2 - ES Fig 4.5 - Indicative Phasing

4.26 Phasing of the construction of the WMI Scheme is “*indicative and would be subject to occupier requirements*”⁶. There is therefore no certainty that FAL will develop B8 warehousing on the land owned by Inglewood Investment.

Delivery of B8 warehousing on Inglewood Investment Land

4.27 The shareholders of FAL intend to fund the WMI development through the “*usual development funding mechanisms utilised in commercial projects of this nature. This may*

⁶ Doc 7.1A TR050005-000452 Planning Statement Para 3.7.2 TR050005-000455 Page 42

*include equity funding, the involvement of other developers or investors, or other business models yet to be determined and always subject to review*⁷.

4.28 As noted, FAL's phasing of the construction of the WMI Scheme is "*indicative and would be subject to occupier requirements*"⁸.

4.29 No reference to speculative development of B8 warehousing is found in FAL's proposals.

4.30 As an established property company Inglewood Investment are equally able and commercially motivated to employ "*usual development funding mechanisms*" and bring forward development of B8 warehousing on its land "subject to occupier requirements".

⁷ Doc 4.2 TR050005-000304 Funding Statement Para 6.1

⁸ Doc 7.1A TR050005-000452 Planning Statement Para 3.7.2 TR050005-000455 Page 42

5 Chronology of the West Midlands Interchange

- 5.1 This section charts the emergence of the WMI Scheme proposals over a 10 year period, and latterly the inclusion of land owned by Inglewood Investment in the most recent 3 years.
- 5.2 This section charts the unexplained expansion of the proposed WMI from 325,000 sqm of B8 warehousing in 2008, including 84,000 sq m of approved development, to 884,000 sqm on a comparative basis in 2017.
- 5.3 The Scheme proposals are submitted by Four Ashes Limited, a consortium including the Kilbride Properties Limited.

2008 West Midlands Regional Spatial Strategy Phase Two Revision

- 5.4 At December 2008 Kilbride Properties stated position was that Four Ashes comprised a site with existing permission for 84,000 sqm of B8 accommodation and land for expansion to around 325,000 sqm of B8 accommodation and thus *“offers the size of site necessary to support a SRFI”*.
- 5.5 Kilbride Properties 2008 stated position is expanded upon below.
- 5.6 Representations to the West Midlands Regional Spatial Strategy Phase Two Revision were submitted December 2008 on behalf of the Kilbride Properties Limited with specific reference to revised Policy PA9 (need for provision of regional logistics sites), and land at Four Ashes, Stretton.
- 5.7 The report attached to the representations (GVA Grimley) notes that *“Kilbride Properties Limited has an interest in an area in excess of 200 hectares in a location along the Wolverhampton to Penkridge Corridor, west of junction 12 of the M6 in South Staffordshire. These representations are submitted in response to Policy PA9 Regional Logistics site (RLS) in view of their interest in promoting an RLS in this location”*⁹.
- 5.8 At Para 7.27 of the report Four Ashes is noted as *“some 200 ha in size and includes the SI Group chemical works along with land to the west”*. Para 7.28 notes that the SI group obtained planning approval for 84,000 sqm of B8 development in March 2008, and the

⁹ See Appendix 1 - Representations to the West Midlands Regional Spatial Strategy Phase Two Revision para 1.6. As referred to in Doc 7.1A TR050005-000452 Planning Statement Para 3.3.3.

potential of the location to expand to provide a regional logistics facility of around 325,000 sq m of B8 uses.

- 5.9 In commenting on the revised Policy PA9 with reference to “*RLS Locational and Assessment Criteria*”¹⁰ the report extensively references the criteria recommendations made in the West Midlands Regional Logistics Study 2004 and 2005 (MDS Transmodal Ltd and Savills), and the Regional Freight Strategy published by the West Midlands Regional Assembly 2007.
- 5.10 The representation proposes that the RLS site size criteria should be amended to read “*in the order of 50 hectares or more and have potential expansion*”¹¹
- 5.11 In commenting further on the revised Policy PA9, under the heading “*The Identification of Additional RLS Requirements*”¹², the report notes the Four Ashes location is some 200 ha in size and thus “*Overall, the site complies with the size indicated for regional logistics sites.....*”;and “*...offers the size of site necessary to support a SRFI, including expansion land. The Four Ashes location therefore meets this criteria of the policy*”¹³
- 5.12 Appendix 1 to the representation Site Location Plan (including concept plan) illustrates the boundary of the site. It is noted that the outlined site does not include any Inglewood Investment land or extend to the south of Vicarage Road.

¹⁰ Representations to the West Midlands Regional Spatial Strategy Phase Two Revision Section 5

¹¹ Representations to the West Midlands Regional Spatial Strategy Phase Two Revision Section 5 Para 5.3 (i)

¹² Representations to the West Midlands Regional Spatial Strategy Phase Two Revision Section 7

¹³ Representations to the West Midlands Regional Spatial Strategy Phase Two Revision Section 7 Para 7.2 TR050005-0004559

Fig 5.1: 2008 West Midlands RSS Representations Site Location Plan



Source: Representations to the West Midlands Regional Spatial Strategy Phase Two Revision were submitted December 2008 on behalf of the Kilbride Properties Limited

2015 Kilbride Group Rail Projects Summary

- 5.13 At July 2015 Kilbride Properties stated position was that the same Four Ashes site (as in 2008) would be subject of a 6 million sqft [approx. 550,000 sqm] warehousing planning application and associated intermodal rail terminal.
- 5.14 Kilbride Properties July 2015 stated position is expanded upon below.
- 5.15 At July 2015 the Kilbride Group web site noted that “*Kilbride has selected a 465 acre [188 hectares] site at Four Ashes*” and that “*the project is being taken through the major National Infrastructure planning application for 6 million sqft of warehousing and a large scale intermodal rail terminal*” (see Appendix 2).
- 5.16 The site illustration is consistent with that submitted in 2008 (West Midland RSS). No information is provided in respect of the significant increase from “*around 325,000 sq m B8 warehouse development*” to “*6 million sqft*” [approx. 550,000 sqm] on the same site between 2008 and 2015.
- 5.17 The illustrated site at 2015 does not include any Inglewood Investment land or extend to the south of Vicarage Road.

Fig 5.2: 2015 Kilbride Web Site Four Ashes Site Illustration

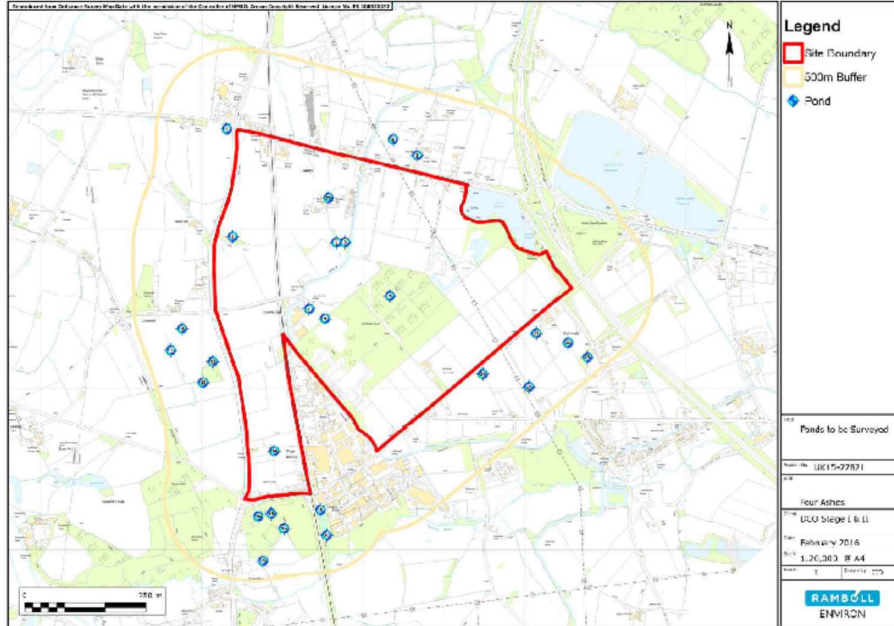


April 2016 Survey Plans

- 5.18 In April 2016 Kilbride issued correspondence to occupiers in respect of the WMI proposals and advising of a “*first round of consultation soon*” (see Appendix 3). Said occupiers included the occupiers of Heath Farm on Vicarage Road, being owned by Inglewood Investment. In response to a request for clarification, Kilbride provided Inglewood Investment (in open correspondence¹⁴) proposed survey plans identifying the extent of the proposed DCO Stage I and II.
- 5.19 The proposed DCO site plan at April 2016 included 11.65 hectares of Inglewood Investment land to the north of Vicarage Road. This plan did not include any land to the south of Vicarage Road, and also excluded the northern parts of the Four Ashes Industrial Estate (measured at c.8.9 hectares) previously included in the 2008 and 2015 site outline.

¹⁴ Kilbride Email and attachments 15 April 2016 16:39

Fig 5.3: April 2016 Proposed DCO Site Plan – April 2016



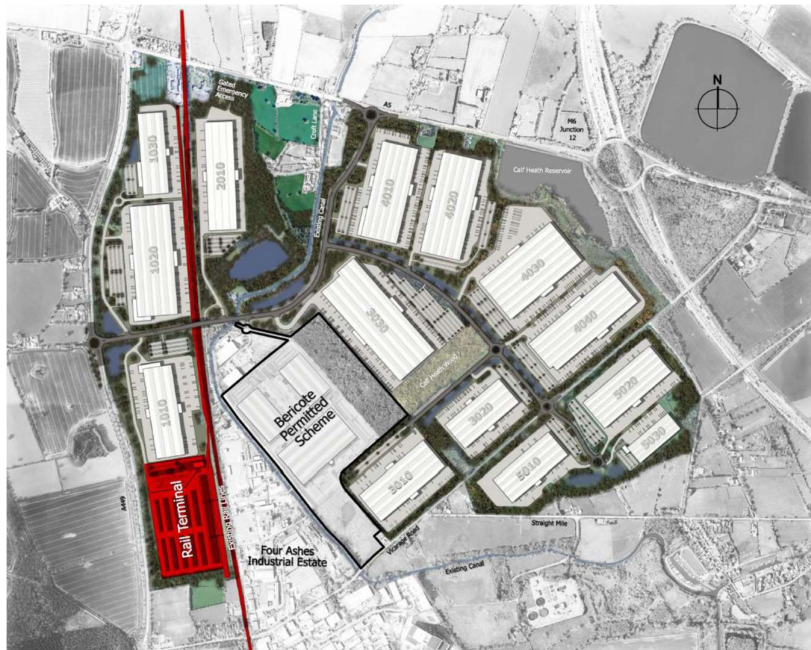
Source: Kilbride 15 April 2016

June – July 2016 Stage 1 Consultation

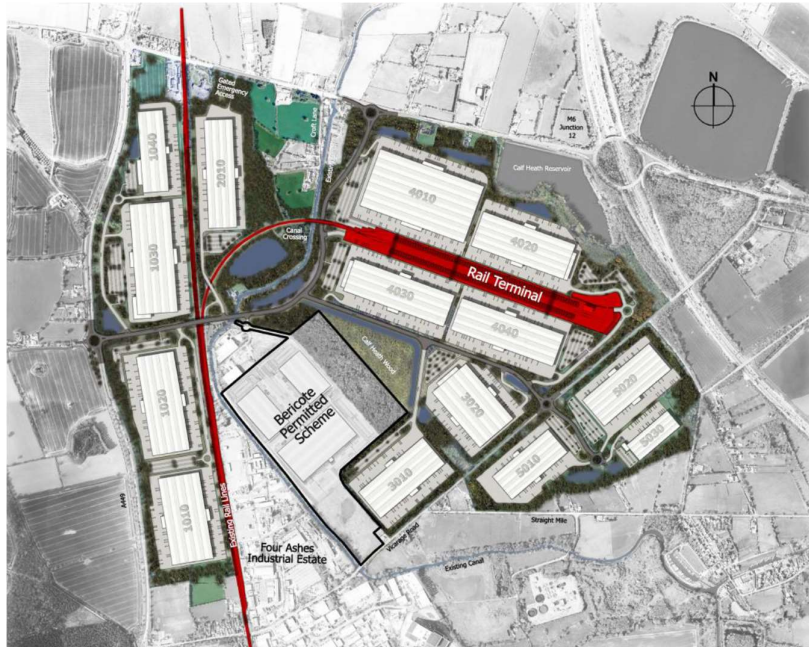
- 5.20 At June 2016 Four Ashes Limited stated position was that they expected to submit an application for a DCO proposing around 800,000 sqm of rail served warehousing and intermodal rail freight terminal.
- 5.21 Previously the stated total quantum of proposed development had included that approved on the SI site (84,000 sqm). At June 2016 the stated development quantum (800,000 sqm) excluded the SI site. On a comparative basis the amount of development that can be associated with the WMI is therefore 840,000 sqm.
- 5.22 Four Ashes Limited June 2016 stated position is expanded upon below.

- 5.23 Four Ashes Limited undertook their Stage 1 Consultation between June and July 2016¹⁵.
- 5.24 The WMI proposals are described as *“likely to include around 800,000 square metres of rail served warehousing and ancillary service buildings”* (Para 3.8. Page 16).
- 5.25 At para 3.4 (Page 16) it is noted that *“The large chemical works operated by SI Group is located between the western and eastern sections of the site. The chemical works does not form part of the proposed development site”*.
- 5.26 It is noted therefore that on a directly comparative basis to the proposals as presented at 2008 and 2015 (which included the SI land with the benefit of 84,000 sqm planning approval) the total amount of existing and proposed development contiguous with the WMI proposals and intermodal freight terminal is 884,000 sqm.
- 5.27 Two illustrative masterplan options were presented for Stage 1 consultation Both options included land to the south of Vicarage Road to include further Inglewood Investment land.

Fig 5.4: Stage 1 Consultation Illustrative Masterplans



¹⁵ Doc 5.1 TR050005-000306 Consultation Report Appendix B – Stage 1 Consultation Documents and Materials - Part 4 Stage 1 Consultation – Consultation Overview Document



Source: Doc 5.1 Consultation Report Appendix B – Stage 1 Consultation Documents and Materials

5.28 It is noted that Stage 1 Consultation Illustrative Masterplans do not include all of Inglewood Investment land, and do not include land to the south of Straight Mile.

Proposed DCO

5.29 The proposed DCO site is illustrated below.

Fig 5.5: Proposed DCO Illustrative Masterplan



5.30 The substantive difference in the proposed extent of land to be taken, between Stage 1 consultation and DCO, is noted as the inclusion of additional land to both the north and south of Straight Mile.

5.31 The DCO Illustrative Masterplan comprises 743,200 sqm of rail served warehousing¹⁶.

5.32 It is noted on a directly comparative basis to the proposals as presented at 2008 and 2015 (which included the SI land with the benefit of 84,000 sqm planning approval) the total amount of existing and proposed development contiguous with the WMI proposals and intermodal freight terminal is 827,200 sqm.

¹⁶ Doc 7.1A TR050005-000452 Planning Statement Para 1.6.2 Page 4

6 Market Evidence

- 6.1 This section establishes that no market evidence has been submitted by FAL to substantiate the need for the total amount of B8 warehousing proposed in order to support the SRFI as part of the WMI.
- 6.2 This section establishes that no market evidence has been submitted to substantiate the need for the total amount of B8 warehousing proposed to be provided in a single location.
- 6.3 This section establishes that SRFI's of a substantially lesser size compared with that the proposed WMI have been successfully developed around the UK.
- 6.4 Review of existing and proposed SRFI's around the UK confirms that the WMI proposals are of an unprecedented size. Including the existing permitted development (84,000 sqm) development contiguous with the WMI will exceed the largest existing UK SRFI schemes (iPort, Doncaster and East Midlands Gateway) by some 267,000 sqm. (c.148% larger).

2008 West Midlands Regional Spatial Strategy Phase Two Revision

- 6.5 At December 2008 Kilbride Properties stated position was that Four Ashes comprised a site with existing permission for 84,000 sqm of B8 accommodation and land for expansion to around 325,000 sqm of B8 accommodation and thus *“already accommodates a critical mass of employment development, and has outline planning permission for further B8 development, Moreover it offers the size of site necessary to support a SRFI including expansion land”*¹⁷.

Alternative Sites Assessment – Document Ref 7.2

- 6.6 The Alternative Sites Assessment (ASA) submitted on behalf of FAL defines the market area that is relevant to the WMI by direct reference to the Market Assessment prepared by Savills on behalf of FAL¹⁸.

¹⁷ See Appendix 1 - Representations to the West Midlands Regional Spatial Strategy Phase Two Revision Section 7 Para 7.2 TR050005-0004559. As referred to in Doc 1.1A Planning Statement Para 3.3.3.

¹⁸ Doc 7.4 TR050005-000457 Market Assessment

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- 6.7 The ASA sets a minimum threshold for “*true alternative sites*”¹⁹ at 60 hectares.
- 6.8 FAL have failed to establish why the WMI is required extend to 297 hectares.

Market Assessment – Document Ref 7.4

- 6.9 The Market Assessment prepared by Savills seeks to identify the extent of the market opportunity for SRFI’s in the North West Midlands area.
- 6.10 In considering the “dynamics” of the market for rail-served distribution warehousing the Market Assessment provides an overview of the type and scale of warehousing required by occupiers.
- 6.11 In considering the opportunities presented by rail freight as part of logistics distribution networks the Assessment references a limited number of national food retailers that have adopted rail freight, and asserts that “*As more SRFIs are developed and the network is expanded, the range of journeys which are possible and more viable by rail (as opposed to road) will increase, resulting in an increasing demand for rail-served floorspace from occupiers*” (Para 4.2.17 page 21)
- 6.12 However, the review of the market dynamics for ‘big sheds’ at a national and regional level (based on data provided by Savills national internal database of transactions), provided in Section 5 of the Assessment, makes no reference to rail served sites/locations.
- 6.13 The market review asserts that as a consequence of a regional imbalance between demand and supply of large scale distribution units “*it is vitally important that additional, well-located sites, which are capable of accommodating larger units, are brought forward in order to help meet demand and deliver high quality floorspace via either speculative development or by offering occupiers Build to Suit opportunities*”.(Para 5.4.5 Page 32)
- 6.14 The Market Assessment does not demonstrate or justify the market necessity for total quantum of B8 accommodation to be provided in a single location as proposed by the WMI.

¹⁹ Doc 7.2 TR050005-000455 Alternative Sites Assessment Para 6.1.3 Page 30/31 Bullet Point 3

6.15 The Market Assessment does not provide transactional evidence to support its assertions that demand for rail-served floorspace will increase, or that demand for all accommodation at the proposed WMI will be dependent upon rail connectivity.

6.16 The Market Assessment does not reference rail connectivity to the regional demand for additional well located distribution sites and buildings.

Document Review – Other Rail Served Logistics locations

6.17 A review of publicly available information identifies numerous existing and proposed rail served logistics developments that are substantially smaller than that proposed at the WMI. For example:.

iPort Doncaster

6.18 c.140 hectares and up to approx. 570,000 sqm of logistics accommodation. First phase complete and operational approx. 280,000 sqm of accommodation.

6.19 Rail Facility: 12 Hectare rail facility with capacity for 6 trains per day.

6.20 Developer: Verdion. Funding: Ontario Pension Plan (HOOPP).

6.21 Occupiers (to date): Amazon, CEVA, Fellowes and Lidl.

East Midlands SRFI

6.22 c. 280 Hectares and up to approx.560,000 sqm of logistics accommodation.

6.23 Rail Facility: 20 Hectare rail facility with capability for 16 x 775m freight trains per day.

6.24 Developer: SEGRO.

Northampton Gateway

6.25 Proposed scheme (Live DCO/CPO).

6.26 185 Hectares and up to 465,000 sqm of logistics accommodation.

6.27 Rail Facility: Capability for 16 x 775 m freight trains per day.

Parkside St Helens

- 6.28 Proposed scheme (planning application P/2018/0048/OUP). Phase 1 50 Hectares, approx. 100,000 sqm of logistics accommodation.
- 6.29 Developer: Parkside Regeneration LLP (Langtree Property and St Helens MBC).

St Albans Rail Freight Interchange

- 6.30 Outline Permission granted July 2014 (Secretary of State APP/B1930/A/09/2109433) .
- 6.31 Approx 419 hectares. 331,665 sqm of B8 accommodation.
- 6.32 Developer: Helioslough.

Ditton SRFI (Widnes) now 3MG

- 6.33 Up to 325,000 sqm of rail served accommodation.
- 6.34 Rail Facility: Existing capability for 6 x 500m trains. Proposed 16 x 775 m trains.

Document Review – Distribution / Logistics Sector Studies

- 6.35 Publicly available commercial advice in respect of the size requirements of a SRFI's provides no justification for SRFI sites to exceed 200,000 sqm of floorspace.
- 6.36 Savills and MDS Transmodal undertook a study of the Distribution Sector for the Leicester & Leicestershire Housing Planning & Infrastructure Group in November 2014.
- 6.37 With specific reference to the Key Locational Characteristics of new strategic logistics sites, and access reliable and cost competitive rail freight services (Part A Interim Report Section 5 Para 5.26 Page 67), the report advises that a *“A commercially attractive rail-linked site is considered to be one which is large enough and flexible in its configuration to provide at least 200,000 square metres of floor space in total and individual plots with the ability to accommodate very large warehouses up to 100,000 square metres in size.....Taking into account the need for the rail terminal facilities, this suggests that new rail-served strategic logistics sites will need to be at least 50ha in size”*.

6.38 This report was refreshed (by MDS Transmodal) in January 2017 as evidence to the preparation of the Harborough District Local Plan²⁰. The advice in respect of necessary size for an attractive SRFI was repeated - *“rail-served sites (i.e. SRFIs) should be at least 50ha in size, so that can provide at least 200,000 square metres of floor space in total and individual plots with the ability to accommodate very large warehouses up to 100,000 square metres in size”*²¹.

6.39 This report also references SRFI’s that have been developed to date and other rail-connected warehouse schemes, based on Valuation Office Agency data, as follows:

Table 2.2 Current Large Scale Warehouse Capacity at SRFIs and other Rail-connected Sites (November 2015)

Location	Floor Space (000s sqm)
DIRFT	415
Hams Hall	175
BIFT	170
3MG	125
East Midlands DC	100
ProLogis Coventry**	129
SIRFT Sheffield**	60
Wakefield Europort*	350
Doncaster*	90
Teesport*	120
Total	1,734

Source: VOA

*Technically not SRFIs as the intermodal terminals were developed separately from the adjacent warehousing. However, the close proximity of the rail terminal and warehousing means that they in practice operate as such.

** Warehouses with rail sidings alongside – neither handles regular rail services

Source: MDS / GL Hearn: Wider Market Developments: Implications for Leicester and Leicestershire Final Report Jan 2017 Page 5

²⁰ Wider Market Developments: Implications for Leicester and Leicestershire Final Report Jan 2017

²¹ Wider Market Developments: Implications for Leicester and Leicestershire Final Report Jan 2017 Page 66 4th Para

7 Scheme Viability

- 7.1 FAL have not provided any viability appraisal documents in support of their application.
- 7.2 In 2008 Kilbride asserted that illustrated WMI site of 200 ha, with potential for 325,000 sqm of B8 development (with both existing permission and proposed), offered a size of site adequate to support a SRFI (ref. para's 5.8 and 5.11 above).
- 7.3 In 2015 Kilbride's published scheme site plan mirrored that of 2008 (ref. Fig 5.2 above).
- 7.4 FAL have not provided any viability appraisal documents to demonstrate that the site illustrated in 2008, or subsequently in 2015, should now be seen as unviable.
- 7.5 FAL have not therefore provided any viability evidence to demonstrate that there is a compelling case, in the public interest, for land that is proposed to be compulsorily acquired in order to meet the need for a SRFI project.
- 7.6 In the absence of any such viability evidence submitted by FAL, appraisals have been undertaken to establish the extent of development required to viably support the proposed SRFI, and that are considered to be commercially desirable in the context of the identified economic opportunity arising from the Market Assessment (ref. para 6.13 above).
- 7.7 This section establishes that there is no compelling case to support FAL's assertion that it is in the public interest that they develop the B8 warehousing proposed on land owned by Inglewood Investment.

Background and Best Practice

7.8 The Royal Institution of Chartered Surveyors (RICS) Guidance Note: Financial Viability in Planning (published August 2012) defines financial viability for planning purposes as:

'An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project'.

7.9 The accepted method of valuation of development schemes and land is set out in RICS Valuation Information Paper (VIP) 12. This approach, called the residual method, recognises that the value of a development scheme is a function of a number of elements:

- The value of the completed development (gross development value (GDV));
- The direct costs of developing the property (gross development cost (GDC));
- The return to the developer (profit) for taking the development risk and delivering the scheme;
- The cost of any planning obligations, and;
- The cost or value of the site.

7.10 The residual appraisal method can therefore be used in two ways:

1. To assess the level of developer's return generated from the proposed project where site cost is an input into the appraisal;
- Or,
2. To establish a residual site value by inputting a predetermined level of developers return.

7.11 As such a residual appraisal can adopt either the level of developer's return (profit) or the site value as the benchmark for assessing viability.

Structure of Viability Assessment

7.12 The viability of the WMI proposals is analysed to establish the impact of the exclusion/inclusion Of the land owned by Inglewood Investment.

7.13 The methodology adopted for the viability appraisal takes the form of a detailed monthly cashflow of development costs and receipts (the value of the sales of completed units) that

follows the phasing and programming strategy as set out in Volume 1 of the Environmental Statement Main Report .

- 7.14 The cashflow directly reflects the RICS approach (para 7.9 above) and incorporates on a monthly basis the values generated by completed development, and the costs incurred in the construction of road and rail infrastructure required for the development, and costs of construction of proposed B8 warehousing.
- 7.15 The development costs take into account the terms of the draft Development Consent Order (Doc.3.1 TR05005-000300).
- 7.16 The land required for each phase of development is attributed a cost (see paras 7.47 – 7.50 below) and incorporated in the cashflow.
- 7.17 The cost of development finance is calculated on the monthly basis to reflect the monthly flow of costs and values summarised above.
- 7.18 The identified Developers Profit is that generated at the end of each phase of development (and overall) after all costs and values summarised above.
- 7.19 ARGUS Developer, a widely recognised and adopted professional appraisal software, has been used for the purposes of structuring the appraisals and calculating finance costs and profits generated.

Developer's Profit Benchmark

- 7.20 An establishment of an appropriate benchmark for the reasonable level of developer's profit for appraisal purposes is influenced by many considerations that are impacted by the assessed risk associated with a particular development.
- 7.21 The scheme will not proceed unless the DCO/CPO is confirmed. The risks of planning permission and land assembly are therefore removed.
- 7.22 The risks that arise from the specific physical character of a development site can be mitigated by survey and analysis, such as that undertaken by FAL in advancing the scheme proposals to DCO application.
- 7.23 The risks associated with the market within which the scheme is situated, and competing schemes, are traditional developer risks.

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- 7.24 The Market Assessment submitted by FAL concludes that there is a “*severe shortage*”²² of sites capable of accommodating large occupiers, such as that proposed at the WMI.
- 7.25 The Market Assessment “*demonstrates*”²³ that there is a critical shortage of land and that WMI would make a vital contribution to the supply of sites currently available and in the pipeline.
- 7.26 The Funding Statement states that “*The shareholders of FAL intend to fund the WMI development through the usual development funding mechanisms utilised in commercial projects of this nature*”²⁴.
- 7.27 The Planning Statement states that construction of the WMI Scheme is “*subject to occupier requirements*”²⁵ .
- 7.28 FAL have provided no commitment to speculatively build B8 warehousing at the WMI.
- 7.29 In line with the usual approach to developing large logistics buildings to meet occupiers requirements and specification, it is assumed that construction of units will be pre-funded on the basis of a secured lease for occupation (ie. construction is pre-let and pre-funded).
- 7.30 The risks associated with speculative development in advance of securing either an occupier or investment purchaser are therefore removed.
- 7.31 The level of profit return required by a commercial developer is a matter of great commercial sensitivity and commercial confidentiality. The level of profit return is dependent on a particular developers assessment of the commercial risks associated with a particular site, and their assessment of the bid requirements to secure/purchase a particular site, often in competition with other developers.
- 7.32 For commercial development projects, particularly where development is to be subject to pre-letting and sale, it is market practice to assess development profit by reference to costs incurred at risk by a developer (the residential development appraisal approach to affordable

²² Doc 7.4 TR050005-000457 Market Assessment Para 1.6.1 Page 10

²³ Doc 7.4 TR050005-000457 Market Assessment Para 1.6.2 Page 10

²⁴ Doc 4.2 TR050005-000304 Funding Statement Para 6.1 Page 10

²⁵ Doc 7.1A TR050005-000452 Planning Statement Para 3.7.2 TR050005-000455 Page 42

housing sold to a Registered Social Landlord, as confirmed by extensive volumes of case law, is analogous here).

- 7.33 Based on experience of commercial developers competitive bidding for very large scale commercial opportunities, often to partner public sector landowners, I am of the opinion that a reasonable market facing developers return, reflective of a pre-let and pre-funded development of buildings such as those proposed by FAL, is 10% of total development costs. This return is therefore adopted as the reasonable level of developers return for the purposes of determining the viability of the WMI proposals.

Assessment of Land Value / Cost – No Scheme World

- 7.34 For the purposes of viability appraisal the value of land to be acquired is a development cost.
- 7.35 The WMI proposals are being pursued by application for a Development Consent Order under the Planning Act 2008, and associated Compulsory Acquisition of the land (and associated rights) that FAL assert is/are required to deliver the scheme.
- 7.36 The Land Compensation Act 1961, Section 5 Rule 2 sets out how the value of land acquired through compulsory purchase is to be assessed.
- 7.37 Section 5 Rule 2 can be summarised as follows:
- No allowance is made on account of the acquisition being compulsory.
 - Land value should be based upon the price that a willing buyer would pay to a willing seller, taking into consideration actual lawful planning permissions benefitting the land
 - Any special suitability of the land taken for the purpose of the acquiring authority is not to be taken into account.
 - No account is to be taken of any increase in value attributable to the scheme – the ‘no scheme principle’.
- 7.38 The ‘no-scheme principle’ is the longstanding principle that any increase or decrease in the value of the land which is solely attributable to the particular purpose for which it was acquired, and the need for the land for that purpose, is to be disregarded when assessing compensation.

- 7.39 FAL are seeking to compulsorily acquire the land that they assert is required to deliver the WMI scheme. It therefore follows directly that the 'no scheme world' approach should be adopted to determine the cost of the land to be compulsorily acquired as an input into an assessment of scheme viability.
- 7.40 Doc 6.3 Environmental Statement Non Technical Summary Para 2.1.3 refers to the existing site comprising "*mostly arable farmland with hedgerows and trees, with a large sand and gravel quarry in the east and north-east, and mixed plantation woodland known as Calf Heath Wood at the centre of the Site*".
- 7.41 Doc 6.2 Technical Appendix 6.1 Agricultural Land Classification Para 2.3.1 notes that "*At the time of the Agricultural Land Classification survey the Site was mainly under arable (including barley or barley stubble), with some areas of potatoes, rough grassland and set-aside land*".
- 7.42 Doc 6.2 Environmental Statement Volume 1 Chapter 4 Para 4.85 identifies No.10 residential properties that will require to be (acquired and) demolished to accommodate the proposed development.
- 7.43 Comparable evidence from two public auctions and one private sale of agricultural land of lot sizes in excess of 10 hectares within 5 miles of WMI within the last 18 months confirms the value of arable land in the location at £23,500 to £24,340 per hectare.
- 7.44 It is noted that the evidence provided by these transactions directly supports the conclusions of the June 2015 South Staffordshire CIL Viability Study in respect of agricultural land values "*Values are around £15,000-£25,000/ha depending upon the specific use*"²⁶.
- 7.45 For appraisal purposes a purchase value of £24,000 per hectare has been adopted for development land, reflecting its no scheme world agricultural value. Reflecting comparable residential sales evidence in the area over the last 18 months the residential properties to be acquired are attributed a market value in the £250,000 - £450,000 range.
- 7.46 It is noted that Piers Monckton, who is the primary owner land making up the proposed WMI site²⁷, is also a commercial partner in FAL. Much of the land owned by Piers Monckton is

²⁶ South Staffordshire Council Site Allocations and Community Infrastructure Levy (CIL) Viability Study (Draft) June 2015 Para 6.24

²⁷ Doc 7.1A TR050005-000452 Planning Statement, Para 1.2.1

excluded from the proposed CPO²⁸. It is therefore assumed that Piers Monckton's commercial return (profit) will be derived through the proposed development process. No purchase value for the Piers Monckton land is therefore included in the appraisal.

7.47 The extent of land, and residential properties, to be drawn down (purchased) as required to develop each phase of the proposed development has been determined by reference to the Book of Reference (Doc 4.3) and associated Land Plans (Doc 2.1).

7.48 It is noted that the total of all development land that has been incorporated in the appraisals for the development of scheme infrastructure and B8 warehousing does not equal the land area figure stated in the application documents ie. 297 hectares (with Inglewood Investment land), or 262 hectares (without Inglewood Investment land). This is because the areas stated in the application documents include significant areas of existing highways land (eg. A449, A5 etc..) where CPO rights are sought for the undertaking of works, but these areas do not comprise development land. The treatment of the costs of acquiring these rights is incorporated in the appraisals as noted at para 7.47 below.

7.49 Additional acquisition costs are likely to be incurred in association with the compulsory purchase (disturbance, severance etc...). Such costs will be dependent on the particular circumstances of each affected party and cannot be assessed on the basis of the information provided within the published DCO/CPO documents. For appraisal purposes a reasonable percentage uplift has been applied to the land value/cost to reflect these other heads of claim.

7.50 In addition to the proposed acquisition of land for development purposes the proposed CPO incorporates the acquisition of existing rights over the affected land, and/or the creation of new rights. A detailed assessment of the cost of acquiring these rights is frustrated by the minimal detail in the Book of Reference. Substantial budgetary amounts are therefore included in the appraisal where appropriate.

Gross Development Value

7.51 Jones Lang LaSalle (JLL) have provided advice to Inglewood Investment in respect of the rental and Investment sale values of the B8 logistics warehouses proposed as part of the WMI Scheme. JLL's advice is supported relevant comparable transactional evidence.

²⁸ Doc 4.3 TR050005-000305 Book of Reference

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- 7.52 JLL's advice is provided at Appendix 4.
- 7.53 JLL advise that market conditions for logistics buildings is currently very buoyant and that the sector shows no sign of arresting. They advise strong occupier demand for institutional quality buildings and that 15 year lease terms are typically achievable.
- 7.54 In respect of rental and Investment sale values JLL advise:
- Rental Value - £67.28 per sqm (£6.25 per sqft)
 - Investment Yield – 4.75% to 5.25%
- 7.55 JLL's advice is adopted in the viability appraisal, to include advice on expected tenant incentive package in the form of rent free periods.
- 7.56 It is noted that Gross Development Value of each B8 warehouse/phase ($GDV = Sqm \times Rent \times Yield$, less incentives), incorporated in the appraisals, is reduced by Purchasers Costs. In line with commercial property funding practice, these are the costs incurred by the purchasing investor that are netted off the GDV to produce the Net Development Value paid to the developer (the developers sales receipt).
- 7.57 It is noted that JLL's rental advice does not include any premium that might be attributed to a building with a rail connection.
- 7.58 In providing their advice JLL make specific reference to the impact of the current political climate, and specifically Brexit. JLL notes that softening effect that these factors are having on yields.
- 7.59 In line with occupier and institutional funding requirements the proposed buildings are assumed to incorporate 5% office content. A rental value of £130 per sqm is applied to these areas (adjusted net basis of measurement).

Gross Development Costs

- 7.60 Gleeds, one of the leading global property and construction consultancies, have provided cost consultancy advice to Inglewood Investment in respect of the WMI proposals.
- 7.61 Gleeds rail clients include Network Rail, HS2, Crossrail, the DfT , and ORR (the Office of Rail and Road, a non-ministerial government department responsible for the economic and safety regulation of Britain's railways).

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- 7.62 Gleeds have provided an assessment of the development costs, and associated fees and contingency allowances, that can reasonably be estimated in respect of the development of the WMI proposals. Gleeds assessment includes all aspects of the WMI proposals, as described and specified in the submitted DCO documents, to include rail and road infrastructure, buildings, landscaping and environmental mitigation.
- 7.63 A summary of Gleeds assessment of Rail and Road Infrastructure costs is provided at Fig 7.1 and 7.2 respectively. Gleeds assessment of the costs of constructing all proposed B8 warehousing units (including those on Inglewood Investment land) is provided at Fig 7.3. Gleeds comprehensive report is provided at Appendix 5. Gleeds comprehensive report provides an analysis of the cost of construction of units by Phase as proposed and as incorporated in the appraisals.



Fig 7.1: Gleeds Assessment of Rail Infrastructure Costs

Ref	Description	PHASE 1					PHASE 2				TOTAL
		HGV Carpark and Access	Rail Sidings	Rail track Others (Shunting)	Other works		Rail Terminal	Other works		TOTAL	
		£	£	£	£	£	£	£	£	£	
1	Facilitating Works	150,000	-	-	-	150,000	-	-	-	-	150,000
2	Site Preparation Works		50,000			-	-	-	-	50,000	50,000
3	Earthworks	620,000	710,000	245,000	-	1,575,000	1,920,000	-	-	1,920,000	3,495,000
4	On Site Roads, Paths, Pavings and Surfacing	3,825,000		-	-	3,825,000	5,995,000	-	-	5,995,000	9,820,000
5	Rail Track and signalling works	-	4,670,000	8,465,000	220,000	13,355,000	-	-	-	-	13,355,000
6	Hard & Soft Landscaping	-	-	-	-	-	-	-	-	-	-
7	Fencing, Railings and Walls	20,000	-	-	300,000	320,000	10,000	-	-	10,000	330,000
8	External Fixtures	-	-	-	-	-	-	-	-	-	-
9	Foul and Surface Water Drainage	340,000	320,000	315,000	10,000	985,000	425,000	-	-	425,000	1,410,000
10	External Services - on site	375,000	105,000	160,000	580,000	1,220,000	765,000	25,000	-	790,000	2,010,000
	Sub-Total	5,330,000	5,855,000	9,185,000	1,110,000	21,430,000	9,115,000	25,000	-	9,190,000	30,620,000
11	Preliminaries and Contractors Design 15.0%	800,000	878,000	1,378,000	167,000	3,215,000	1,367,000	4,000	-	1,379,000	4,593,000
	Sub-Total	6,130,000	6,733,000	10,563,000	1,277,000	24,645,000	10,482,000	29,000	-	10,569,000	35,213,000
12	Overheads & Profit (OH&P) 9.0%	552,000	606,000	951,000	115,000	2,218,000	943,000	3,000	-	951,000	3,169,000
	Sub-Total	6,682,000	7,339,000	11,514,000	1,392,000	26,863,000	11,425,000	32,000	-	11,520,000	38,382,000
13	Price and Design Risk 7.5%	501,000	550,000	864,000	104,000	2,015,000	857,000	2,000	-	864,000	2,879,000
	Sub-Total	7,183,000	7,889,000	12,378,000	1,496,000	28,878,000	12,282,000	34,000	-	12,384,000	41,261,000
14.1	Pre-Planning Fees	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.
14.2	NR GRIP /ORR Design and Approval Fees 12.0%	862,000	947,000	1,485,000	180,000	3,465,000	1,474,000	4,000	-	1,486,000	4,951,000
	Sub-Total	8,045,000	8,836,000	13,863,000	1,676,000	32,343,000	13,756,000	38,000	-	13,870,000	46,212,000
	Sub-Total	8,045,000	8,836,000	13,863,000	1,676,000	32,343,000	13,756,000	38,000	-	13,870,000	46,212,000
	ROUNDED TOTAL EXCL. VAT (as at 1Q19)	8,050,000	8,840,000	13,860,000	1,680,000	32,340,000	13,760,000	40,000	-	13,870,000	46,210,000



Fig 7.2: Gleeds Road Infrastructure Cost Summary

Ref	Description	PHASE 1					Phase 1/2				PHASE 3				PHASE 4			PHASE 5	TOTAL
		A449	Gravelly Way	A5	Others	TOTAL	Unadopted Estate road	Others	C	TOTAL	A	B	C	TOTAL	Unadopted Estate Road	Vicarage Road	TOTAL	TOTAL	
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
1	Facilitating Works	-	200,000	-	-	200,000	-	-	-	-	-	-	-	-	-	-	-	-	200,000
2	Site Preparation Works	95,000	30,000	25,000	-	155,000	10,000	10,000	-	20,000	5,000	-	-	5,000	15,000	25,000	40,000	-	220,000
3	Earthworks	175,000	90,000	155,000	35,000	450,000	70,000	20,000	-	90,000	15,000	-	-	15,000	75,000	45,000	115,000	-	675,000
4	On Site Roads, Paths, Pavings and Surfacing	4,860,000	1,335,000	3,735,000	535,000	10,470,000	770,000	215,000	-	985,000	265,000	-	-	265,000	1,045,000	1,150,000	2,195,000	40,000	13,955,000
5	Road Structures (Bridges)	-	6,775,000	-	-	6,775,000	-	-	-	-	-	-	-	-	-	-	-	-	6,775,000
6	Hard & Soft Landscaping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Fencing, Railings and Walls	40,000	15,000	-	-	55,000	-	-	-	-	-	-	-	-	-	-	-	-	55,000
8	External Fixtures	100,000	15,000	25,000	15,000	155,000	10,000	10,000	-	20,000	-	-	-	-	10,000	5,000	20,000	-	195,000
9	Foul and Surface Water Drainage	385,000	790,000	790,000	65,000	2,025,000	480,000	140,000	-	620,000	25,000	-	-	25,000	570,000	85,000	660,000	-	3,325,000
10	External Services - on site	505,000	505,000	750,000	190,000	1,650,000	750,000	150,000	-	900,000	40,000	-	-	40,000	675,000	100,000	775,000	-	3,360,000
	Sub-Total	6,160,000	9,755,000	5,480,000	840,000	21,935,000	2,090,000	545,000	-	2,635,000	350,000	-	-	350,000	2,390,000	1,410,000	3,805,000	40,000	28,760,000
11	Preliminaries 11.0%	678,000	1,073,000	603,000	92,000	2,413,000	230,000	60,000	-	290,000	39,000	-	-	39,000	263,000	155,000	419,000	4,000	3,164,000
	Sub-Total	6,838,000	10,828,000	6,083,000	932,000	24,348,000	2,320,000	605,000	-	2,925,000	389,000	-	-	389,000	2,653,000	1,565,000	4,224,000	44,000	31,924,000
12	Overheads & Profit (OH&P) 7.0%	479,000	758,000	426,000	65,000	1,704,000	162,000	42,000	-	205,000	27,000	-	-	27,000	186,000	110,000	296,000	3,000	2,235,000
	Sub-Total	7,317,000	11,586,000	6,509,000	997,000	26,052,000	2,482,000	647,000	-	3,130,000	416,000	-	-	416,000	2,839,000	1,675,000	4,520,000	47,000	34,159,000
13	Price and Design Risk 3.0%	220,000	348,000	195,000	30,000	782,000	74,000	19,000	-	94,000	12,000	-	-	12,000	85,000	50,000	136,000	1,000	1,025,000
	Sub-Total	7,537,000	11,934,000	6,704,000	1,027,000	26,834,000	2,556,000	666,000	-	3,224,000	428,000	-	-	428,000	2,924,000	1,725,000	4,656,000	48,000	35,184,000
14.1	Pre-Planning Fees	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.	excl.
14.2	Consultant Design Fees 7.5%	565,000	895,000	503,000	77,000	2,013,000	192,000	50,000	-	242,000	32,000	-	-	32,000	219,000	129,000	349,000	4,000	2,639,000
	Sub-Total	8,102,000	12,829,000	7,207,000	1,104,000	28,847,000	2,748,000	716,000	-	3,466,000	460,000	-	-	460,000	3,143,000	1,854,000	5,005,000	52,000	37,823,000
	Sub-Total	8,102,000	12,829,000	7,207,000	1,104,000	28,847,000	2,748,000	716,000	-	3,466,000	460,000	-	-	460,000	3,143,000	1,854,000	5,005,000	52,000	37,823,000
	ROUNDED TOTAL EXCL. VAT (as at 1Q19)	8,100,000	12,830,000	7,210,000	1,100,000	28,850,000	2,750,000	720,000	-	3,470,000	460,000	-	-	460,000	3,140,000	1,850,000	5,010,000	50,000	37,820,000



Fig 7.3: Gleeds B8 Warehouse Cost Summary

Ref	Description	Unit	Rate (£/unit)	PHASE 1		PHASE 2		PHASE 3		PHASE 4		PHASE 5		TOTAL	
				Phase Total		Phase Total		Phase Total		Phase Total		Phase Total		TOTAL	
				Quant	£	Quant	£	Quant	£	Quant	£	Quant	£	Quant	£
				-	-	-	-	-	-	-	-	-	-	-	-
a	Raise site (rail cut)	m³	7.50	322,317	2,417,381	-	-	-	-	-	-	-	-	322,317	2,417,381
b	high bay (18m high) 10,000m2 up to 20,000m2	m²	680.00	-	-	-	-	-	-	-	-	18,057	12,278,522	18,057	12,278,522
c	high bay (18m high) over 20,000m2	m²	645.00	322,627	208,094,189	87,010	56,121,160	57,083	36,818,460	143,843	92,778,929	77,420	49,936,061	687,983	443,748,798
d	Offices	m²	825.00	16,980	14,008,665	4,579	3,778,046	3,005	2,479,125	7,571	6,245,828	5,025	4,145,914	37,161	30,657,578
e	Substation	nr	180,000.00	5	900,000	2	360,000	2	360,000	3	540,000	3	540,000	15	2,700,000
f	Paladin fencing	m	110.00	8,899	978,890	1,906	209,660	2,860	314,600	5,414	595,540	3,638	400,180	22,717	2,498,870
g	Vehicular access gates	nr	1,000.00	10	10,000	2	2,000	4	4,000	6	6,000	6	6,000	28	28,000
h	Soft landscaping	m²	7.50	235,840	1,768,800	135,937	1,019,528	32,042	240,315	62,187	466,403	132,978	997,335	598,984	4,492,380
i	Bund	m³	13.00	537,204	6,983,646	39,407	512,285	157,648	2,049,421	46,085	599,102	96,727	1,257,446	877,069	11,401,900
				-	-	-	-	-	-	-	-	-	-	-	-
k	Dry Attenuation	m³	15.00	31,865	477,975	24,228	363,420	3,289	49,335	-	-	13,627	204,405	73,009	1,095,135
l	Reinforced wall	m	425.00	1,996	848,300	-	-	-	-	348	147,900	-	-	2,344	996,200
m	Service yards	m²	85.00	210,686	17,908,310	48,076	4,086,460	48,533	4,125,305	112,693	9,578,905	36,547	3,106,495	456,535	38,805,475
n	Car park	m²	75.00	57,045	4,278,375	11,464	859,800	12,612	945,900	22,977	1,723,275	22,879	1,715,925	126,977	9,523,275
o	Make good ground over aggregate faciality	m²		239,700	-	-	-	-	-	107,415	-	-	-	347,115	-
				-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-
	Sub-Total				258,675,000		67,310,000		47,385,000		112,680,000		74,590,000		560,645,000
	Preliminaries		10%	-	25,867,000		6,731,000		4,739,000		11,268,000		7,459,000		56,064,500
	Sub-Total			-	284,537,000		74,041,000		52,129,000		123,948,000		82,049,000		616,709,500
	Overheads & Profit (OH&P)		4.0%	-	11,381,480		2,961,640		2,085,160		4,957,920		3,281,960		24,668,380
	Sub-Total			-	295,918,480		77,002,640		54,214,160		128,905,920		85,330,960		641,377,880
	Price and Design Risk		7.5%	-	22,193,886		5,775,198		4,066,062		9,667,944		6,399,822		48,103,341
	Sub-Total			-	318,112,366		82,777,838		58,280,222		138,573,864		91,730,782		689,481,221
	Pre-Planning Fees														excl.
	Consultant Design Fees		10.0%		31,811,237		8,277,784		5,828,022		13,857,386		9,173,078		68,948,122
	Sub-Total				349,923,603		91,055,622		64,108,244		152,431,250		100,903,860		758,429,343
	ROUNDED TOTAL EXCL VAT (as at 1Q19)				349,920,000		91,060,000		64,110,000		152,430,000		100,900,000		758,430,000

Costs of Development Finance

- 7.64 In line with FAL's pre-funded and pre-let approach to the proposed development, it is assumed that development funding to be provided by the long term purchasers of the development. It is further assumed that common practice development agreement funding structures will be adopted to reduce SDLT and related transactional costs incurred by the long term purchaser.

Present Day Values and Costs

- 7.65 It is accepted that financial appraisals can be sensitive to small changes in the key variables of value and building cost. There is, by definition, uncertainty in any viability assessment, as estimates have to be made of the value of the scheme as completed and the costs of a scheme, which may vary as the development progresses.
- 7.66 It is therefore an accepted professional practice that residual appraisals are undertaken using current day costs and values (as these can be considered to be more certain and robust), and to undertake sensitivity analysis to examine the impact on the appraisal outcome of relevant variables.

Appraisal Outcomes – Excluding Inglewood Investment land

- 7.67 The appraisal includes a £14.035m land acquisition budget, equating to approximately £53,500 per hectare overall²⁹.
- 7.68 The appraisal includes a £46.2m budget for development of the proposed rail infrastructure and terminal.
- 7.69 The summary development appraisal for each phase of the proposed development (excluding the Inglewood Investment land), and all phases combined, is provided at Appendix 6.
- 7.70 The cashflow that reflects the detailed timings of development costs incurred and Investment sales completed, and upon which the development appraisals are founded, is provided at Appendix 7.

²⁹ Calculated by reference to the gross WMI site area as proposed, excluding the Inglewood Investment land – 297 – 35 = 262 hectares

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- 7.71 Excluding any development of the land owned by Inglewood Investment the WMI proposal generates an overall developer's profit of 12.92% on cost. This is above that that can be considered reasonable for pre-let and pre-funded development as proposed (refn. para 7.33 above).
- 7.72 Excluding the Inglewood Investment land the WMI extends to 220 ha of development land, and comprises 627,190 sqm of B8 warehousing (including 5% ancillary offices).
- 7.73 Development of the Inglewood Investment land by FAL is not required to viably deliver the WMI proposal and SRFI.
- 7.74 A summary of the WMI viability appraisal without Inglewood Investment land is provided below.

Figure 7.4 WMI Viability Summary and Investment Value Sensitivity (excluding Inglewood Investment Land)

	All PHASES	PHASE 1	PHASE 2	PHASE 3	PHASE 4 (excluding Inglewood Land)	PHASE 5 (excluding Inglewood Land)
Quantum of Proposed Development (SqM GIA)	627,190	339,607	91,589	60,087	89,929	45,978
Development Land Area (Ha)	220	140	21	21	13	25
Gross Development Value	£879,846,103	£476,611,165	£128,421,571	£84,250,968	£126,093,993	£64,468,406
Purchasers Costs	£30,794,614	£16,681,391	£4,494,755	£2,948,784	£4,413,290	£2,256,394
Net Development Value	£849,051,489	£459,929,774	£123,926,816	£81,302,184	£121,680,703	£62,212,012
Land Acquisition Costs	£14,035,508	£6,147,908	-	£770,100	£5,375,000	£1,742,500
Planning Fees	£7,000,000	£5,000,000	£500,000	£500,000	£500,000	£500,000
Construction Costs	£643,420,000	£349,920,000	£91,060,000	£64,110,000	£91,500,000	£46,830,000
Road Infrastructure Costs	£37,827,820	£28,850,000	£3,470,000	£460,000	£5,010,000	£37,820
Rail Infrastructure & Terminal	£46,210,000	£32,340,000	£13,870,000	-	-	-
Letting Fees	£437,565	£236,930	£63,898	£41,920	£62,740	£32,077
Finance Costs (note 1)	£2,999,842	£2,960,978	£959,767	£756,653	£740,730	£516,265
Total Development Costs	£751,930,735	£425,455,816	£109,923,665	£66,638,673	£103,188,470	£49,658,662
Developers Profit	£97,120,754	£34,473,958	£14,003,151	£14,663,511	£18,492,233	£12,553,350
Developers Profit on Cost	12.92%	8.10%	12.74%	22.00%	17.92%	25.28%
Developers Profit on Cost at 4.5% Investment Yield	19.7%	14.8%	19.4%	29.2%	24.8%	32.6%

Note 1. All Phases finance is calculated outcome of merged Phases and not sum of finance from each Phase.

Source: Owen Land & Property

7.75 As illustrated in Figure 7.4, with the exception of Phase 1 (which carries the cost of the majority of the proposed railway infrastructure), all Phases of proposed development generate an immediate developers profit that is significantly in excess of that that could reasonably be expected.

7.76 As is to be expected with multi-phase long-term projects, the profitability of the WMI scheme generally improves with the completion of each Phase (as the proportionate cost impact of the initial infrastructure works diminishes). With reference to Figure 7.4, the modest dip in

the profitability of Phase 3 can be attributed to the cost of the proposed connection of the WMI road infrastructure to Vicarage Road.

7.77 In their advice to Inglewood Investment, JLL note the softening effect on Investment yields of the current political climate, and specifically Brexit. Sensitivity analysis has therefore been undertaken to determine the impact of yield on the level of developers profit. In particular the impact of firmer market conditions that might be expected to resume once the outcome of Brexit is known.

7.78 The outcome of 0.25% improvement of investment yields is illustrated in Fig: 7.4 (above).

7.79 An improvement of investment yield by 0.25% will improve the profitability of the WMI scheme (excluding the Inglewood Investment land) to 19.7%.

Appraisal Outcomes – Including Inglewood Investment land

7.80 The appraisal analysis including the Inglewood Investment land adopts all input assumptions detailed in the previous sections of this report. In particular, the analysis incorporates all rail infrastructure as proposed.

7.81 A summary of the WMI viability appraisal including the Inglewood Investment land is provided below.

Fig 7.5: WMI Viability Summary and Investment Value Sensitivity (Including Inglewood Investment Land)

	All PHASES	PHASE 4 (INCLUDING Inglewood Land)	PHASE 5 (INCLUDING Inglewood Land)
Quantum of Proposed Development (SqM GIA)	743,200	151,414	100,503
Development Land Area (Ha)	252	25	45
Gross Development Value	£1,035,929,618	£208,817,850	£137,828,064
Purchasers Costs	£36,257,537	£7,308,625	£4,823,982
Net Development Value	£999,672,081	£201,509,225	£133,004,082
Land Acquisition Costs	£15,833,524	£5,738,900	£3,176,616
Planning Fees	£7,000,000	£500,000	£500,000
Construction Costs	£758,440,000	£152,440,000	£100,910,000
Road Infrastructure Costs	£37,827,820	£5,010,000	£37,820
Rail Infrastructure & Terminal	£46,210,000	-	-
Letting Fees	£515,226	£103,900	£68,578
Finance Costs (note 1)	£2,999,842	£1,072,186	£1,073,693
Total Development Costs	£868,826,412	£164,864,986	£105,766,707
Developers Profit	£130,845,669	£36,644,239	£27,237,375
Developers Profit on Cost	15.06%	22.23%	25.75%

Note 1. All Phases finance is calculated outcome of merged Phases and not sum of finance from each Phase.

Source: Owen Land & Property

7.82 Should FAL compulsorily acquire the Inglewood Investment land, and develop it as proposed, the profit return to FAL will be improved by some £33.7m to an overall value representing 15.06% on cost.

Sensitivity Analysis – ‘Tipping Point’

- 7.83 Further sensitivity analysis has been undertaken to assess the ‘tipping point’ of scheme viability ie. the size of scheme required to viably deliver the proposed rail infrastructure.
- 7.84 The ‘tipping point’ analysis adopts all input assumptions as incorporated in the primary viability appraisal as detailed in the previous sections of this report. In particular, the ‘tipping point’ analysis incorporates all rail infrastructure as proposed.
- 7.85 The outcome of ‘tipping point’ analysis is summarised in Fig: 7.6 (below).

Fig 7.6: ‘Tipping Point’ sensitivity analysis summary

	ALL PHASES	PHASE 1	PHASE 2	PHASE 3
Quantum of Proposed Development (SqM GIA)	491,283	339,607	91,589	60,087
Development Land Area (Ha)	182	140	21	21
Gross Development Value	£689,283,704	£476,611,165	£128,421,571	£84,250,968
Purchasers Costs	£24,124,930	£16,681,391	£4,494,755	£2,948,784
Net Development Value	£665,158,774	£459,929,774	£123,926,816	£81,302,184
Land Acquisition Costs	£6,919,008	£6,147,908	-	£770,100
Planning Fees	£6,000,000	£5,000,000	£500,000	£500,000
Construction Costs	£505,090,000	£349,920,000	£91,060,000	£64,110,000
Road Infrastructure Costs	£32,780,000	£28,850,000	£3,470,000	£460,000
Rail Infrastructure & Terminal	£46,210,000	£32,340,000	£13,870,000	-
Letting Fees	£342,748	£236,930	£63,898	£41,920
Finance Costs (note 1)	£2,999,842	£2,960,978	£959,767	£756,653
Total Development Costs	£600,341,598	£425,455,816	£109,923,665	£66,638,673
Developers Profit	£64,817,176	£34,473,958	£14,003,151	£14,663,511
Developers Profit on Cost	10.80%	8.10%	12.74%	22.00%
Developers Profit on Cost at 4.5% Investment Yield	17.5%	14.6%	19.4%	19.2%

Note 1. All Phases finance is calculated outcome of merged Phases and not sum of finance from each Phase.

Source: Owen Land & Property

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- 7.86 The 'tipping point' analysis establishes that the development of Phases 1 to 3 would generate a developers profit of 10.80%
- 7.87 The 'tipping point' analysis establishes that the proposed Phases 4 and 5 are not required in order to generate a reasonable developers return.
- 7.88 The 'tipping point' analysis establishes that the delivery of Phases 1 to 3 represents a viable scheme.
- 7.89 Yield sensitivity at 0.25% has been repeated for the 'tipping point' analysis. The outcome of this is illustrated in Fig: 7.6.
- 7.90 It is noted that Phases 1 to 3 of the WMI proposals extends to 182 ha of development land, and comprises 491,283 sqm of B8 warehousing (including 5% ancillary offices).

Viability Conclusions

- 7.91 It is common practice for commercial developers to undertake financial viability appraisals to inform the manner in which they pursue potential development opportunities, and to assess the minimum requirements of scale necessary to enable a viable development and generate acceptable level of developers return.
- 7.92 FAL have not provided to viability evidence.
- 7.93 Reflecting common commercial practices I have therefore undertaken a viability appraisal exercise in respect of the WMI scheme as proposed and detailed in the material submitted by FAL, and informed by JLL's expert market opinion and Gleeds cost assessment.
- 7.94 The viability appraisals illustrate that the WMI project *without* the Inglewood Investment land will generate a level of developers return that is substantially above that that can be considered to be reasonable. The commercial risks that can be attributed to the WMI project *without* the Inglewood Investment land can therefore be considered to be acceptable.
- 7.95 The appraisals illustrate that the 'tipping point' of the project, ie. the minimum size required to viable and deliverable, is broadly comparable with the project proposed by Kilbride in 2016, and the CPO of land might well be justified on the basis of the National Policy Statement for National Networks.

7.96 The appraisal illustrates that increasing the size of the WMI to include the Inglewood Investment land will provide super profits to FAL at the expense of the land owner.

8 Conclusion

- 8.1 The WMI SRFI scheme proposals have grown substantially over the period from 2008 to 2016. FAL have not however provided any evidence to demonstrate that the initial proposals should now be considered to be un-deliverable.
- 8.2 No part of the Inglewood Investment land, that has latterly been included in the WMI scheme, is either necessary for either the rail or road infrastructure required to deliver the SRFI, or exclusively suitable as open space as environmental mitigation.
- 8.3 As part of the proposed WMI, the Inglewood Investment land represents a minimal proportion of the of the proposed scheme - 11.6% of all land included in the DCO/CPO boundary, and 15.6% of the total proposed B8 warehousing development.
- 8.4 FAL are not proposing any speculative development of B8 warehousing. Subject to occupier requirements FAL's indicative phasing proposals anticipates development of the Inglewood Investment land 10 to 15 years after scheme commencement.
- 8.5 There is no certainty of FAL's development of B8 development on the land owned by Inglewood Investment.
- 8.6 Viability appraisal demonstrates that development by FAL of the Inglewood Investment land is not required for FAL to deliver the SRFI at Four Ashes.
- 8.7 Viability appraisal demonstrates that should FAL compulsorily acquire Inglewood Investment land, and develop it as proposed, it will significantly enhance FAL's development profits over and above that that is reasonably required to deliver the WMI SRFI.
- 8.8 Inglewood Investment are an established commercial property developer. They have equal commercial intent and motivation to develop their land (as included in the DCO/CPO), and deliver economic benefit.
- 8.9 There is no compelling justification to compulsorily acquire Inglewood Investment land is not justified.
- 8.10 Compulsory acquisition of Inglewood Investment land is not necessary to deliver the necessary infrastructure of the proposed SRFI.

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- 8.11 Compulsory acquisition of Inglewood Investment land is not necessary to deliver the economic benefits of the proposed SRFI.
- 8.12 Compulsory acquisition of Inglewood Investment land will unreasonably and unnecessarily interfere with its commercial interests.

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