



In conjunction with



**BNP PARIBAS
REAL ESTATE**

South Heywood Feasibility Study

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Executive Summary

- This report examines the development proposals in terms of demand and viability for employment land, housing development and a small neighbourhood centre in respect of 50.71 hectares (125.3 acres) of land at South Heywood.
- This analysis is in support of the release of land in South Heywood as proposed in the Rochdale Local Development Framework Core Strategy.
- The delivery of a new link road between Junction 19 of the M62 motorway and Manchester Road and improvements to the existing Hareshill Road are a vital element in the delivery of the development proposals.
- This link road will be a key consideration for future potential commercial occupiers and residents and will alleviate pressure on Heywood Town Centre. An acceptable highways solution has been developed in consultation with the Highways Authority.
- The residential element within the overall development proposals is the key contributor in providing the required funding for the highway improvements without the requirement for public sector intervention.
- There is a limited future supply of prime employment land to satisfy the requirements of the market. Two independent studies have identified requirements for a further 30 hectares (74 acres) of employment land in Rochdale Borough.
- It is considered crucial to bring South Heywood forward in order to prevent existing and future employment and investment leaving Rochdale Borough.

- The South Heywood employment land proposals are complementary to existing development opportunities within Heywood and Rochdale Borough and will enhance the appeal of the Borough to local, regional and national occupiers.
- Collaborative Agreements have been reached between all the main parties and land owners. The roles of the partners have been agreed and specified.
- The development of South Heywood is, in its entirety, viable and deliverable without public subsidy.

1 Introduction

1.1 Scope of Report

- 1.1.1 Rochdale Metropolitan Borough Council have instructed Pennine Land to prepare a Feasibility Report in respect of land at South Heywood. Pennine Land have subsequently instructed BNP Paribas Real Estate who are working with Russell Homes and the Property Alliance Group to prepare a Market Evidence Report. Russell Homes and the Property Alliance Group are leading a consortium of the three owners of the subject land being Russell Homes, P Casey Group Limited and the Earl of Wilton Estates and to help support the delivery of this proposal through the Core Strategy.
- 1.1.2 The purpose of this report is to examine the case for changing the planning allocation from green belt to employment land and residential use in the South Heywood Economic Corridor and to secure this planning allocation in the Core Strategy.
- 1.1.3 The report seeks to explain how the development of the sites for employment and residential use can be achieved, including a small neighbourhood convenience store.

1.2 A Brief Description of the Employment Land

- 1.2.1 The land to which this section of the report relates is known as:-
- (i) Site 3b and 3c, north of Hareshill Road comprising 9.06 hectares (22.4 acres), as shown in Appendix 11.
 - (ii) Site 4, the junction of Hareshill Road and Pilsworth Road comprising 22.12 hectares (54.7 acres).
- 1.2.2 The sites are shown for identification purposes only on the plan and aerial photographs in Appendix 1.
- 1.2.3 All sites are currently undeveloped agricultural land surrounded to the north and east by mainly industrial and distribution buildings.

- 1.2.4 The sites are currently accessed by commercial vehicles mainly from Junction 3 of the M66 via Pilsworth Road and Hareshill Road.
- 1.2.5 The success of Heywood and sites 3 and 4 as a specific location, is that they are strategically located not only for an excellent and available pool of labour, but also they are close to the North West motorway network which in turn gives first class access to the national motorway network, the rail network, airports and ports where needed.
- 1.2.6 The location is recognised in the commercial property industry as prime for industry, logistics and warehousing/distribution throughout the UK.

1.3 A Brief Description of the Residential Land

- 1.3.1 The land to which this section of the report relates is shown on the Masterplan in Appendix 11 as Sites 1a and 3a.
- 1.3.2 The sites have access from Manchester Road and Hareshill Road.
- 1.3.3 Site 1a comprises 15.5 hectares (38.3 acres) of net developable area.
- 1.3.4 Site 3a comprises 3.22 hectares (7.96 acres).
- 1.3.5 Both sites are referred to in more detail in Sections 7 and 8.
- 1.3.6 Site 2 (as shown in Appendix 1, south of the link road) is not included in the analysis because it has been discounted from possible development at the present time.

2 Comments on the Take Up of Employment Land

- 2.1 In considering the take up of employment land in Rochdale Borough, we have had regard to the Annual Monitoring Reports (AMR) produced by Rochdale Borough Council over the period December 2007 to the most recent AMR December 2009.
- 2.2 In the AMRs dated December 2007, December 2008 and December 2009 the UDP sets a target “take up rate” for employment development land of 10 hectares (24.7 acres) per annum, in Rochdale Borough.
- 2.3 For the 10 year period 1998-2008 the average development rate was 9.6 hectares (23.7 acres) per annum, in Rochdale Borough.
- 2.4 In terms of the types of employment land the AMR makes a number of comments:-
- 2.4.1 In the December 2009 Annual Monitoring Report it was acknowledged that in the last decade a third of local manufacturing jobs disappeared. However, in Rochdale 17% of jobs remain in the manufacturing sector compared with 11% in Great Britain. Employment is also concentrated in small and medium sized enterprises (SMEs). It is also acknowledged that job numbers will decrease in the near future in line with the current economic difficulties (extract in Appendix 2).
- 2.4.2 Distribution is acknowledged as another key sector of the local economy (Page 4 AMR – extract in Appendix 2).
- 2.4.3 On page 19 of the 2009 AMR Section 4.1 Economy, it is acknowledged that *86% of development was of units suitable for either manufacturing or warehouse/distribution use reflecting a general need for flexible units suitable for a wide range of uses.*
- 2.5 In addition to having regard to the AMRs, we have also considered the DTZ Rochdale Employment Land Study July 2008 and the Greater Manchester Employment Land Position Statement prepared by Nathaniel Lichfield & Partners dated 14 August 2009.

- 2.6 Under 5.26 in the DTZ Rochdale ELS, it concludes that *“provision of a further 25-30 hectares (62-74 acres) over and above the proposed new supply identified in this report would seem appropriate”*. The proposed new supply identified is shown in 5.40 Table 5.2 on Page 109 of the DTZ Rochdale ELS report and identifies 184.06 hectares (455 acres), but in our opinion many of the sites are not deliverable within the Plan period.
- 2.7 The GM Employment Land Position Statement in Appendix 3 concludes that in the period 2007-2026 the additional allocation required will be 25-30 hectares (62-74 acres) of which over half is likely to be taken up by Kingsway Business Park.
- 2.8 Based upon historic take-up figures, we believe that land in the region of 30 hectares (74 acres) of additional employment land is needed between now and 2026 and that the subject development land would provide a much needed supply of employment land to satisfy the requirement of the market.
- 2.9 In our opinion the ability to bring forward the subject sites 3 and 4 is an enviable position and one which many of the other Boroughs are unable to provide. It is an opportunity which must be grasped and brought forward.
- 2.10 We are in no doubt that if the subject sites 3 and 4 were brought to the market in the immediate future, with our experience of dealing with enquiries in the Borough, occupiers could be found for the larger sites. We are also confident that based on the success at Axis Point at Hareshill Distribution Park considerable interest could be generated from SME's in smaller plots (see 3.9.5 below).
- 2.11 These opportunities should be brought forward to take advantage of the slowly emerging confidence in what is still a difficult and uncertain market. Industry and commerce take the medium to long term view and must have the quality of land and buildings in the right location and as such sites 3 and 4 at South Heywood fulfil these requirements.
- 2.12 The land requirements in the Borough will be dealt with in more detail in the evidence provided by Rochdale Council.

3 Comments on the Demand for Employment Land

- 3.1 In this section of the Report we address the demand for employment land in the Use Classes B1(c) (light industrial), B2 (general industry) and B8 (logistics, warehousing/distribution uses), as they would relate to the subject sites 3 and 4.
- 3.2 We do not propose to comment on the B1 (office) or B1(b) (research and development) Use Classes as, in our opinion, sites 3 and 4 are not suitable for these uses which would be better located at Kingsway Business Park, or within town centres within the Borough. Kingsway Business Park is readily acknowledged as a different business and property offer. In its own marketing it quotes itself as being *“the highest quality in a spectacular environment, that will provide space for mixed use, retail, residential, leisure and B1”*. Sites 3 and 4 are not intended to compete with Kingsway Business Park, but complement the offer to the market.
- 3.3 BNP Paribas Real Estate is well qualified to comment on the market demand in this location as they have been involved in the marketing and development to date of Hareshill Distribution Park. This was originally an 18.21 hectares (45 acres) site, where now only 8.9 hectares (22 acres) remain, of which 4.04 hectares (10 acres) are under offer to an occupier (brochure in Appendix 4).
- 3.4 They have also been involved with Hareshill Distribution Park since 1995 and have therefore been dealing with all enquiries in the B1, B2 and B8 sectors over that 15 year period. During that period we have only been able to secure one deal being the Harry Yearsley Limited deal which comprised 18,600 sq m (200,215 sq ft) on 5.5 hectares (13.6 acres). The reason for the poor take-up has been that until late 2008 the site did not have a B8 warehousing planning permission.
- 3.5 At the end of this section we also look at Small and Medium-sized Enterprises (SMEs) which can embrace all of the above Use Classes.
- 3.6 We now look at these three Use Classes:-

3.6.1 **B1(c) and B2 – Light Industrial and General Industrial**

- 3.6.1.1 It is a myth that all manufacturing is in constant decline in the UK. In reality what has happened over the last 20 years or so is that the high volume manufacture of cheap goods has gone to those countries which can produce them more cheaply. Rather than sounding the death knell to UK manufacturing, over the intervening period manufacturers have identified new markets, re-evaluated their processes and products, their supply chains and their customers and have become models of operation, leaner and more efficient and much more innovative enterprises.
- 3.6.1.2 The current banking crisis and recession has forced belated recognition that manufacturing is vital to economic recovery, particularly in boosting the balance of trade in exporting goods. Manufacturing in the UK provides and will continue to provide quality jobs in manufacturing and engineering. This sector is “*knowledge led*” and offers premium well paid jobs to individuals. More and more companies are combining successfully their manufacturing operations with their service activities and the distinctions between the two operations are becoming increasingly blurred.
- 3.7 The following facts may help dispel some of the myths relating to the B1(c) and B2 industrial and manufacturing market:-
- 3.7.1 Over recent years manufacturing has accounted for between 55% and 75% of all UK exports.
- 3.7.2 The UK is a world leading exporter of high technology with a high proportion of total goods exports coming from research and development intensive industries.
- 3.7.3 3.1 million people are employed in manufacturing in the UK, of which 350,000 people are in the North West, mostly in the food and drink, aerospace, automotive and chemical industries which account for 20% of the region’s GVA. Gross value added measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. It is used in the estimation of gross domestic product as a key indicator of the state of the whole economy. The North West manufacturing sector contributes £19.6 billion annually to the regional economy and this is the biggest regional contribution in the UK.

- 3.7.4 The UK has a key role in developing clean technologies and products in areas such as food processing and manufacturing, software, electronics, pharmaceuticals, chemicals, aerospace and machinery equipment.
- 3.7.5 The UK is a net exporter of low carbon and environmental services and goods in a sector which employs nearly 900,000 people.
- 3.7.6 With the challenges of climate and demographic change, UK manufacturing continues to help find solutions and make a key contribution to national prosperity.
- 3.7.7 As we have mentioned in 2.4 above, the AMR dated December 2009 acknowledges that in Rochdale Borough 17% of jobs remain in the manufacturing sector which is 50% higher than the UK rate at 11%.
- 3.7.8 As we have mentioned above in 3.6.1.1, over the last 20 years many lower wage economies have been able to compete more effectively for low value labour intensive products, but the UK manufacturing sector has been transforming from one of “*volume to value*”. In other words instead of manufacturing large numbers of small value items, the UK economy has become evermore sophisticated with high quality research leading to the manufacture of fewer but higher quality goods.
- 3.7.9 There is recent evidence that with the increasing costs of overseas freight, wage inflation in developing countries, the fall in Sterling and companies’ increasing disappointment with the quality and responsiveness of overseas manufacturers, outsourcing is being reversed with one in seven British firms reinstalling production lines over the last 2 years.
- 3.7.10 The current banking crisis has highlighted the risks of being over dependant on a service economy in one part of that economy. The financial sector has had a high percentage of the service economy and as we have seen over the last 3 years once the finance sector experiences serious problems, a whole raft of associated jobs become at risk, for example in the property sector, the legal sector and, not least, the construction industry. In Appendix 5 we attach extracts from a study undertaken by the Manufacturing Institute which gives more detail of the importance to the UK economy of manufacturing as well as its importance in the North West.

- 3.7.11 BNP Paribas Real Estate has one particular current experience in the food manufacturing and processing sector. In East Manchester we are marketing a building of 6,503 sq m (70,000 sq ft) which is a purpose built food processing facility (details in Appendix 6). We have three of Europe's leading food companies bidding to occupy this building. A deal has been done with one of them which will create 130 jobs immediately in Phase 1 (July 2010) with a further 170 jobs in Phase 2 by September 2010, taking the total to 300 jobs (this equates to approximately 1 job per 22 sq m of floor space). This is further confirmation that the North West is a region of excellence in the food industry with the success of companies including Kelloggs, Heinz and Wiseman Dairies, amongst others.
- 3.7.12 There is uncertainty about the future of the economy, but it is vital to begin to bring forward new sites in prime areas such as Heywood to be able to provide competition, choice, a supply of labour, all in this prime location, Heywood.

(Note: Many of the figures and statistics we have used in this section on our report are taken from "Manufacturing - The Truth Behind the Myths", published by the Manufacturing Institute, an independent charity founded by North West manufacturers and universities. Further information can be found on www.manufacturinginstitute.co.uk).

3.8 The B8 Logistics and Warehousing Distribution Uses

- 3.8.1 It is clear that Heywood has great appeal to the warehousing and logistics operators. This has been verified by the high number and high quality of B8 operators to be found close to sites 3 and 4 including Argos, Fowler Welch, Hartmann, Spicers and Yearsleys.
- 3.8.2 The Rochdale AMR December 2009 also confirms that warehousing is amongst the predominant uses for this location (extract from AMR in Appendix 2).
- 3.8.3 There is a view shared by many people that warehouses mean low levels of poor quality employment. The long held assumption is that if you need to store goods and move them around the country, then you only need a forklift truck driver working alone in a vast warehouse. As evidence of how out of date this view is, Fowler Welch who are a warehousing and logistics company operating a third party business (in other words they transport goods for other companies) have recently occupied 46,450 sq m (500,000 sq ft) at Heywood Distribution Park having relocated from Stockport and they are employing 160 staff, which the company are aiming to double in the near future. JD Sports have stayed within Rochdale Borough and acquired a 12.95 hectares (32 acres) site at Kingsway Business Park to build a warehousing and distribution centre and have secured and/or generated 400 jobs increasing to 600 before 2018.
- 3.8.4 In 2007 Adidas wanted to relocate from Stockport to Hareshill Distribution Park which at the time did not have a B8 planning permission. They subsequently located in Trafford Park taking with them 180 jobs in a 34,000 sq m (365,985 sq ft) building. These jobs range from warehouse operatives to sales and call centre staff, maintenance and IT jobs, as well as high level office management.
- 3.8.5 Logistics is now a sophisticated sector of the UK economy. It supports competitive prices without which we would be at a much greater cost disadvantage to other countries.

- 3.8.6 Logistics companies today tend to employ more people per site than modern manufacturers do. Researchers from Reading University found that a B8 workforce was on average 40% higher in numbers than a non B8 use (see extract from Prologis research “Stacking Shelves” in Appendix 7). As an example Marks & Spencer occupied a new 92,900 sq m (1,000,000 sq ft) “mega-warehouse” in spring 2010 in Bradford. Marks & Spencer found that the positive approach by the Council to the B8 planning requirement was refreshing and M&S are now aiming to employ around 3,000 staff in the building. When Argos occupied their 27,870 sq m (300,000 sq ft) warehouse in Trafford Park up until 2009, they employed 240 staff, which gives a ratio of 1 job per 116.16 sq m.
- 3.8.7 We acknowledge that the job creation of individual companies can vary widely in the warehouse and distribution/logistics sector. The densities used in the DTZ Employment Land Study 2008 were obtained from the English Partnerships July 2001 Employment Densities: A4 Guide (extract in Appendix 8). In this document warehousing and logistics indicate that the ratio of workspace to floor space is 1:50 sq m for general warehousing and 1:80 sq m for high bay warehousing. To illustrate the wide variations in job creation we have highlighted two specific cases in 3.8.6 above namely the Marks & Spencer deal at Bradford which gives a ration of 1 job per 31 sq m and the Argos warehouse which represented 1 job per 116 sq m.
- 3.8.8 This same study from 3.8.6 above has identified the “multiplier effect” in warehousing and logistics (see extract from Prologis research “Stacking Shelves” in Appendix 7). New warehouse and distribution development involves a wide source of suppliers, customers and related industries generating more jobs. For example a logistics development on 72.85 hectares (180 acres) with around 3,000 employees could generate as many as a further 1,000 extra jobs when considering the “multiplier effect”. Translating this into the South Heywood Study, a site of some 28.33 hectares (70 acres) (net) could therefore create in the region of 1,200 direct jobs with a further 400 jobs created by the “multiplier effect”.

- 3.8.9 As the Adidas development proves in 3.8.4 above, distribution warehouses are operated by a whole range of staff including:-
- Highly skilled and low skilled
 - Junior and senior management
 - Trade and professional
 - Sales and call centre
- 3.8.10 Warehousing and logistics also have the potential to contribute to social inclusion by providing a range of jobs with different skill levels within or close to areas of comparative deprivation.
- 3.8.11 Before the recession it was accepted that in employment terms the warehousing and logistics industry was about the same size as the construction industry was and just under half the size of the manufacturing sector. It is worth emphasising the point that demand for floor space in the logistics and warehousing sector is an outcome of economic demand, not a driver of it.
- 3.8.12 The ideal location of a B8 site benefits the whole region in which it is located. It is able to provide a highly cost effective and efficient supply management service to its local regional customers, as well as creating spin off for additional services and jobs - "*the multiplier effect*".
- 3.8.13 By restricting logistics development in favour of other industrial uses, there is a failure to recognise the changes in given economies. Those locations that encourage logistics are often ensuring that they have a competitive edge now and when the market recovers (for example the Marks & Spencer development in 3.8.6 above).
- 3.8.14 Over the last 10 years or so we have seen an increased demand for large distribution warehouses in the range 13,935-23,225 sq m (150,000-250,000 sq ft) with the realisation that the super warehouse in excess of 46,450 sq m (500,000 sq ft) reduces road miles and makes for a more efficient operation.

- 3.8.15 BNP Paribas Real Estate prepared a report for the Freight Transport Association on the implications for property of the EU Working Time Directive known as “*Just In Time Delivery*”. This Working Time Directive method of delivery enables modern retailers to respond with ease to the increasingly sophisticated demands of the consumer for “*fashion and freshness – fast*”. The EU Working Time Directive was aimed in part at preventing the driver of a commercial vehicle spending an unsafe length of time at the wheel. The knock on effect of this Directive was that transport and logistics companies responsible for moving third party goods needed their warehouses to be located as close as possible to the main arterial motorways, such as the subject site, so that valuable time was not spent in congested urban areas in order that the customer’s goods could be moved as quickly and safely as possible with, as far as possible, a guaranteed delivery time.
- 3.8.16 The evolution of E-Logistics continues to shape the industry with many retailers using their warehouses to supply goods directly to the customer via the internet. On-line shopping will fundamentally change the distribution of goods. Occupiers will take more and smaller units on the edge of larger conurbations to service their supply chains. This is where the Heywood site will succeed, by servicing the local Rochdale economy, as well as the Greater Manchester economy as a whole.
- 3.8.17 Until the late 1970’s, most goods were delivered directly from the factory to the back door of every high street store. The advent of information technology enabled retailers to streamline this process, control the flow of goods, reduce delivery congestion and release more floor space for selling. They built regional distribution centres (RDCs) in which to house goods in transit including merchandise increasingly produced in the Far East. In the intermediate years many of these operators have added extra tiers of warehousing of different sizes from 4,645 sq m (50,000 sq ft) up to 13,935 sq m (150,000 sq ft). The B8 sector is constantly evolving.
- 3.8.18 A B8 planning permission is also required by developers and occupiers in order to secure sources of funding. The reason for this is that their financial backers need the security for their investment so that as and when a manufacturing company moves out of a particular building, it is able to appeal to the wider and deeper market of warehousing and logistics.

- 3.8.19 Without this B8 planning use, funders will very often not provide the level of finance as their investment is not so well secured.
- 3.8.20 As evidence of this and in the current banking crisis, lenders have responded by reducing the amount of finance available to the property sector, increasing loan to value ratios and making finance itself more expensive. They are also a lot more discerning as to what they would lend against with any defect in the deal, or limiting or unusual factors in a property asset likely to lead to problems in securing acceptable finance.
- 3.8.21 In the commercial development sector a lender will consider a site with a restriction to B1(c) and B2 uses, but without B8 consent to be a limiting factor in its marketability. Such a site would be viewed negatively in comparison to a site with an additional B8 consent, particularly where the B8 market is wider and more real. It would certainly make the site more expensive to finance and may ultimately affect the lender's desire to use the property as an asset.
- 3.8.22 In terms of an occupier, limiting use to B1(c) and B2 would clearly limit their exit options. A prudent occupier would therefore discount such a site in terms of value and may dismiss it entirely if there is an adequate supply of alternative land with a wider B1(c), B2 and B8 consent. This was precisely the case with Adidas which resulted in a missed opportunity of generating 180 jobs with this enquiry alone at the Hareshill Distribution Park in 2007.
- 3.8.23 The South Heywood land is a prime warehousing and distribution location aimed perfectly at the logistics market and recognised across the UK and wider afield in Europe. Rochdale Borough's own internal documentation recognises that warehousing and distribution is the predominant area where real development is and will continue to take place.

3.9 The Small and Medium Enterprise (SME) Market

- 3.9.1 We have looked at each of the three Use Classes B1(c), B2 and B8 and have given our opinion as to their appropriateness for sites 3 and 4.
- 3.9.2 We now look at the SME sector which of course can embrace all three Use Classes.

- 3.9.3 BNP Paribas Real Estate are well qualified to comment on this market based on the experience of the team at Axis Point (part of Hareshill Distribution Park, a development by Seddons brochure in Appendix 9).
- 3.9.4 This is a small speculative development of factory and warehouse units, ranging in size from 232 sq m (2,500 sq ft) up to 1,115 sq m (12,000 sq ft).
- 3.9.5 There are 16 brand new business and warehouse units at Axis Point and out of those 16 units the following is the up to date position with regard to occupiers:-

Axis Point, Hareshill Distribution Park, Heywood				
Unit No	Size (sq m)	Occupier	Use	No of Jobs
A1 & 2	832	Vision Kitchens Ltd	B8 Distribution	20
A3	238	Flashlight Ltd	B8 Distribution of lighting equipment	7
A9	238	Servicecal Ltd	B2 calibration of test meters	7
B3	432	Jackson Lift Group Ltd	Testing, service and repair lifts, escalators, cranes – national company where cranes are manufactured in London	6
C3 & 4	594	Commercial Catering Ltd	B8 Distribution of catering equipment and spare parts	25

This shows that these 5 companies who occupy 2,334 sq m (25,124 sq ft) employ a total of 65 staff which is a ratio of 1 job per 36 sq m.

- 3.9.6 We believe therefore that small parcels of land from 0.4 hectares (1 acres) up to say 1.62 hectares (4 acres) should be made available for similar developments to Axis Point to retain local businesses and encourage them to grow within the Rochdale Borough Economy.
- 3.9.7 Employment as SMEs is estimated at 13,700,000 which is 287,000 higher than in 2007 – a remarkable achievement in these difficult times.
- 3.9.8 In the North West at the start of 2008 SMEs employed 1,400,000, 65% of the regional total.

- 3.9.9 Small Enterprises alone accounted for 47.5% of employment in the UK.
- 3.9.10 It is in our view therefore critical that within sites 3 and 4 serviced plots are made available for the SMEs who are and will be the seed corn for future business growth in the area.
- 3.9.11 These SMEs can potentially become “medium sized and large enterprises” utilising the existing and hopefully growing employment base within Rochdale Borough.
- 3.9.12 We have mentioned in 3.7.11 above the key asset of the region’s food and drink sector with a regional consumer base of nearly 7,000,000 people. The food and drink industry is worth £9.5 billion to the North West economy and employs 103,000 people, providing 12% of the North West’s income. The widespread interest in local food and drink has in particular helped boost the SME and speciality sector. Many SMEs are involved in servicing the leading companies in the food and drink industry in the North West such as:-
- | | | |
|-----------------------|---------------------|-------------------------|
| Nestlé | Pepsi Co | Unilever |
| H J Heinz | Kellogg Co | Associate British Foods |
| Bakkavor Danish Crown | Coca Cola | Diageo |
| John West | National Starch | BOCM |
| Northern Foods | Warburtons Bakeries | United Biscuits |
| Kerry Food | Premier Foods | Allied Bakeries |
- 3.9.13 Furthermore, the food and drinks sector is supported by centres of excellence at Manchester Metropolitan University, Liverpool University and Reaseath (near Nantwich).
- 3.9.14 Many of the major retailers have warehousing and distribution hubs in the North West, namely Asda, Sainsburys, Aldi, Lidl, Tesco, Iceland, Marks & Spencer and The Co-op. The SMEs are also supportive to these major companies.

4 Breakdown of Demand by Size and Planning Use

- 4.1 As a result of BNP Paribas Real Estate's involvement at Harehill Distribution Park we have researched the enquiries by size and planning use from 2004 to the present day.
- 4.2 In Appendix 10 we enclose copies of this data (which has been prepared in imperial measure).
- 4.3 From this data it can be seen that the B8 warehousing and logistics enquiries dominate the enquiries for employment land in the B1(c), B2 and B8 sectors.
- 4.4 Furthermore the range of sizes of enquiries show a complete range from small SME units under 929 sq m (10,000 sq ft) up to larger enquiries of over 18,500 sq m (200,000 sq ft). As clear evidence of this the aerial photograph in the Harehill Distribution Park brochure (Appendix 4) shows the range of sizes of units which are in this location and it is a graphic illustration that a complete range of sites should be made available to accommodate SMEs and the larger companies' requirements.
- 4.5 In light of this data we are firmly of the opinion that the ability to bring forward the South Heywood land for B1(c), B2 and B8 planning uses would provide an appropriate supply of employment land in a suitable location to service the local Rochdale market and the wider Greater Manchester market, as well as preserving and generating new jobs.
- 4.6 Without bringing forward the subject land and with Kingsway Business Park running out of B8 land, new investment and jobs will haemorrhage out of Rochdale Borough.
- 4.7 We acknowledge that we are in a recession, but from our first hand experience of recessions of the 1980's and 1990's the market always returns in some shape or form. We must therefore accelerate the release of this land and ensure that it is deliverable to the marketplace in whatever shape the economy takes when it does return.

5 Plot Sizes

- 5.1 In preparing the Masterplan we have paid careful attention to the market demand in this location and as we have pointed out earlier, there is demand from the smaller SME market through the middle range size of buildings right up to the larger distribution hubs.
- 5.2 To reflect this demand and our opinion of future demand, taking into account the changes in commerce and in particular retailing, we have shown a variety of sizes of plots which will be able to capture serious interest from companies seeking this location.
- 5.3 The intention is that a focused and high quality portfolio of different sized employment sites would offer to the market both occupiers and developers greater certainty and the confidence to develop their businesses or build speculatively in this location.
- 5.4 The different sizes of sites in the range of employment uses B1(c), B2 and B8 will represent a sufficient range of opportunities to encourage and stimulate economic growth in order not only to keep existing businesses in Rochdale Borough, but to attract other businesses to invest here.
- 5.5 The Masterplan in Appendix 11 represents what we believe to be a fair illustration of the demands of companies across a broad spectrum of business which will contribute significantly to job retention and creation.

6 Other Business and Industrial Schemes in Rochdale Borough

- 6.1 In considering the market attraction of the subject sites, we have had regard to Kingsway Business Park as well as other principal sites available in the Borough.
- 6.2 Kingsway Business Park is a joint venture between Wilson Bowden Developments Limited (WBD), who are part of the Barratt Group, and the North West Development Agency (NWDA).
- 6.3 The NWDA own the remaining vacant development sites and WBD draw down land at Open Market Value as and when an occupier is secured.
- 6.4 Sites cannot be bought by third parties whether occupiers or developers
- 6.5 WBD, as part of the joint venture agreement, are the builder as well as the developer primarily under the terms of the joint venture agreement with NWDA which has a requirement for high quality and high specification of any buildings which are built. This is borne out by the high quality of the existing buildings and infrastructure already built at Kingsway Business Park. One of the conditions of the joint venture was that NWDA contributed £35 million to the infrastructure in order to create a first rate business park intended to generate approximately 8,000 jobs when completed.
- 6.6 The total site is 114.62 hectares (283 acres) of which 20.29 hectares (50 acres) has been developed leaving 94.33 hectares (233 acres) available. Of this 94.33 hectares (233 acres) only 74 hectares (183 acres) remains for the B Use Classes for employment. Kingsway Business Park is a true mixed use business park aimed at a high calibre of occupier and with the design principles ensuring the highest quality and standards in architecture and environmental layout.
- 6.7 Kingsway Business Park is also aimed at the manufacturing, environmental back office and food sectors as a target market.

- 6.8 The provision of land at South Heywood is not intended to undermine Kingsway Business Park but it is intended to provide choice in the local Rochdale and neighbouring boroughs. We are advised that there are currently 4 or 5 B2/B8 deals being negotiated at Kingsway Business Park which could in the very near future result in there being no B8 development land remaining at Kingsway Business Park. Kingsway Business Park is also restricted to design and build whereas the subject site at South Heywood will not be.
- 6.9 Kingsway is also aimed at office based occupiers as well as the other traditional employment uses, together with retail, hotel, leisure and residential, which the subject sites 3 and 4 are not aimed at.
- 6.10 During 2010 outline planning permission will be applied for to include retail, crèche, budget hotel, 160 executive houses and an increase in the office element of the development, all as a result of the planned Metrolink opening which is aimed to open in the first quarter of 2012. Ultimately Kingsway Business Park aims to secure a working population of 7,000 people.
- 6.11 In the DTZ report, 3.58, it highlights *“it is worthy of note at this point that a protocol is in place with the development partners that interest from Rochdale businesses who simply wish to relocate to equivalent premises at Kingsway will be resisted and priority will be given to investment from identified target sectors. Only those businesses proposing major expansion as part of relocation to Kingsway are likely to be allowed to move from elsewhere within the Borough... Whilst Rochdale based businesses represent a large proportion (30-40%) of enquiries for space for Kingsway the quality and resulting costs is deterring such internal relocations”*. As a prime example of this, JD Sports are at an advanced stage of constructing their new warehouse and distribution hub of over 55,740 sq m (600,000 sq ft). They are also planning to incorporate their headquarter offices of 7,710 sq m (83,000 sq ft). JD Sports are an internal Borough relocation from Heywood Distribution Park. It is possible that this development will be the largest single office employer on Kingsway Business Park by the time the Park is fully developed. In terms of job creation and using the Employment Density guidelines, the warehouse could create in the region of 700 jobs and the offices could create in the region of 400 jobs.
- 6.12 It is important that the market has a choice of location, terms of tenure and sizes when seeking appropriate sites of locations and sizes.

- 6.13 It is also important that if an occupier wishes to buy a site, then it is able to do so and sites 3 and 4 at South Heywood would be able to accommodate such enquiries, whereas Kingsway Business Park is precluded from doing this under its joint venture agreement.
- 6.14 Competition is also important in order to create an element of competitiveness in rents and prices in order to attract and keep companies in Rochdale Borough.
- 6.15 As evidence of this as previously mentioned in 3.8.3 above, Fowler Welch bought the 46,450 sq m (500,000 sq ft) building at Heywood Distribution Park bringing 160 jobs from Stockport Borough to Rochdale Borough based on the availability of a competitively priced building as they did not need to be on a high quality premium calibre business park such as Kingsway Business Park.
- 6.16 The subject Sites 3 and 4 are an important alternative to Kingsway Business Park and Sites 3 and 4 will enable existing investment to be kept in Rochdale Borough as well as attracting new investment to Sites 3 and 4.
- 6.17 Looking now at other principal sites available in the Borough, we have highlighted the following sites.
- 6.18 Hareshill Distribution Park (brochure in Appendix 4) – This land is owned by Peel Developments Limited where currently 8.9 hectares (22 acres) are available, of which 4.04 hectares (10 acres) is remaining as terms have been agreed and contracts are awaiting signature for the sale to an owner occupier of 5.86 hectares (14.5 acres). Hareshill Distribution Park is a prime development site and now that it has a B8 planning consent we would anticipate that the remaining land will be developed within the next 2 years. The occupiers in our considerable experience in dealing with this location could come equally from both the manufacturing and logistics sectors.

- 6.19 Genesis Business Park (formerly Cowm Top) (brochure attached in Appendix 12) – This is a development by Barnfield Developments Limited who have received NWDA grant funding to provide infrastructure in view of the considerable difficulties in the levels of the site from the main access road, Queensway A664, up to the development site itself. Barnfield are intending to commence construction imminently for three speculative buildings comprising two offices of 557 sq m (6,000 sq ft) and 743 sq m (8,000 sq ft), together with an industrial/warehouse unit. The site is approximately 7.49 hectares (18.5 acres) gross which because of the difficulties with levels provides a net developable area of approximately 4.04 hectares (10 acres). This is a prime location with access to the A627M link road to Junction 20 of the M62. From our knowledge of the developers and the professional team who have been involved in Genesis Business Park for a considerable length of time, they are aiming to compete with Kingsway Business Park, particularly at the smaller end of the B1(a), B1(c), B2 and B8 markets. With our knowledge of this location we would anticipate that this development will be fully completed within 2-3 years, because of the flexibility of the developers in being able to offer units for sale or lease, with different specifications, and without the constraints normally associated with publicly funded developments.
- 6.20 The former Dunlop factory, Royle Road (brochure in Appendix 13) – This site is known as Royle Works and will be branded as Rochdale Gateway. It extends to approximately 8.5 hectares (21 acres) and the owners are preparing a Masterplan showing a mixed use scheme of offices, hotel, car showrooms trade counters and small industrial units. It is a key employment site. Currently it is proposed that the industrial element will comprise 5,000 sq m (53,820 sq ft) of B2/workshops and a 2,800 sq m (30,140 sq ft) B8 unit which will be aimed at the self storage operators. Whilst this is one of the larger sites in Rochdale Borough it is unlikely to compete with South Heywood due to its mixed use characteristics. No outline planning application has yet been submitted and therefore it is difficult to predict when this scheme will move forward. It is also likely to be dependent on pre-let/pre-sales which will most probably delay development.

- 6.21 Heywood Distribution Park – This is a major, nationally and internationally known development owned by SEGRO (Slough Estates Group). It is at this location where Fowler Welch have recently located (ref 3.8.3 in this report). It has been designated as a Simplified Planning Zone where a range of development is permitted without requiring further planning permission. Currently the available supply of land is 10 hectares (25 acres) and this will be very attractive to businesses if the new link road is delivered.
- 6.22 Stakehill Industrial Estate – Stakehill Industrial Estate has been developed over 35 years or so and is recognised across the UK and internationally as a prime location for manufacturing and warehousing, logistics and distribution. It is home to local, regional and international companies.
- 6.23 Currently there are approximately 92,900 sq m (1,000,000 sq ft) of vacant accommodation at Stakehill and the RDA are working with owners and occupiers to help fill the vacant accommodation.
- 6.24 BNP Paribas Real Estate has approximately 35,000 sq m (376,750 sq ft) of vacant accommodation on behalf of three separate owners and tenants at Stakehill Industrial Estate and therefore they have first hand experience of enquiries and deals being done.
- 6.25 Many of the existing units are not suitable for the current and future requirements of the marketplace.
- 6.26 It is possible that the amalgamation of sites could provide redevelopment opportunities, but many of the existing buildings are held on leases and therefore these buildings cannot come forward in the medium term. The ownerships represent a patchwork quilt of development sites of different shapes and sizes, whereas the subject sites at South Heywood represents a coordinated employment land offer to the marketplace.
- 6.27 Stakehill Industrial Estate, in our opinion, does not represent competition to the South Heywood site, but it does offer cheaper units for less profitable businesses who will, as highlighted in DTZ 3.58 (this report 6.14 above), attract interest from Rochdale business who simply wish to relocate to equivalent premises within the Borough and have been identified as “internal relocation”.

6.28 Stakehill Industrial Estate therefore represents a valuable supply of good secondary employment accommodation which is available on a variety of bases, both freehold and short and medium term leasehold.

7 Comments on the Demand for Housing

7.1 Introduction

- 7.1.1 Rochdale Borough is made up of distinct housing market areas with different housing issues. Inner urban areas of Heywood, Middleton and Rochdale vary considerably from the outer suburban areas of Norden, Bamford and Alkrington and the existence of these distinct housing areas means that there is polarisation in the character and quality of residential areas within the Borough.
- 7.1.2 The inner urban areas reflect the characteristics of a weak housing market with high levels of deprivation, low house prices, poor quality housing, and a dominance of terrace properties. This in turn results in overcrowding and neighbourhood problems such as high levels of crime, a lack of public open space and proximity to bad neighbour industrial uses that are a legacy of the historic manufacturing base within the Borough.
- 7.1.3 The character of the outer suburban areas is very different with higher house prices and an improved environmental quality however there is insufficient stock to accommodate need and demand.

7.2 Demand

- 7.2.1 It is noted that the Borough does not have enough housing of the right size, type, tenure and quality to meet the current demand for the anticipated population increase to 217,000 people at the end of the planned period. More importantly it does not have enough good quality housing to accommodate the aspirations of middle and higher income households with the inevitable consequence that results in outward migration.
- 7.2.2 Housing stock in the Borough is made up predominately of terrace properties (39%) with 29% of terraced houses considered unfit for human habitation. Of all the townships within the Borough Heywood has the highest proportion of terraced properties with up to 46%. It also has a considerably reduced percentage of suburban better quality houses and there is considered to be a lack of supply.

- 7.2.3 This is a fundamental issue that needs to be considered in tandem with the economic growth that is predicted within the town. Specifically economic growth needs to be able to accommodate the greater choice and type of housing to accommodate the increased aspirations that it brings.

7.3 Market Conditions

- 7.3.1 It is noted that within the recent past there have been comparatively low levels of housing development within Rochdale. This is in a period of unprecedented economic growth and delivery of high housing provision nationally.
- 7.3.2 Both nationally and locally the economic conditions in the 10 years prior to 2007 stimulated considerable growth in new housing. However these economic conditions were also partly responsible for a shift towards the delivery of higher density development. Buy to let mortgages and favourable investment yields have resulted in apartments and townhouse schemes being sold to private investors regardless of the needs and demands of owner occupiers. It is considered that the market conditions which have been integral to the delivery of ever increasing housing densities has now ended and that new housing within Heywood will have to cater for the demands of owner occupiers.
- 7.3.3 The predictions for the future are that higher densities in parts of Rochdale Borough are unlikely to be attractive to aspirational owner occupiers who are seeking traditional qualities of private amenity space around dwellings. It is considered that there will be strong market demand for this type of property given the dearth of supply that has been delivered as a consequence of investor led development.

7.4 Location of New Housing

- 7.4.1 In order to attract new households new residential developments need to be well served by local facilities and have a good accessibility to a range of services including open spaces, employment, schools, town centres and higher order regional centres. The South Heywood Development Opportunity offers all of this. Furthermore it has very good accessibility to the wider strategic highway network which will prove attractive to many households.

- 7.4.2 The location of new housing needs to reflect the choice of all households within the Borough. A greater mix of homes in terms of size and quality will improve the overall image of Heywood and remove some of the outward migration to adjoining neighbourhoods that has occurred. Good quality and higher value homes on the South Heywood site will prove attractive to the market.

7.5 Summary

- 7.5.1 It is considered that the proposals to develop out lower/medium density quality family accommodation to appeal to the aspirational households within the Heywood area will prove attractive.
- 7.5.2 The most recent example of good housing within the area can be found opposite the Collop Gate Farm site on Middleton Road and Tangmere Avenue. This scheme was the former MOT Testing Centre site and was constructed by Persimmon Homes. The scheme consists of larger detached properties with some higher value townhouses. The development was very successful with all the properties now sold. It represents the quality of housing for which there is demand and which will form the basis of the proposed development at South Heywood.

8 Viability of Proposed Developments

8.1 Scheme Proposals

- 8.1.1 Informed development appraisals have been undertaken to reflect the projected market demand for new industrial accommodation targeting large scale warehousing and logistics operators as well as small and medium enterprises as identified in sections 4.8 and 4.9 above. The appraisals for each element are in Appendix 14.
- 8.1.2 The appraisals have been based on the Masterplan in Appendix 11 that outlines how the sites can be brought forward for development on the assumption that a new link road will be constructed to provide a direct access from the sites to Junction 19 of the M62 motorway.
- 8.1.3 The new link road between Junction 19 and Manchester Road together with the improvements to Hareshill Road are considered to be vital elements and will be key considerations to potential occupiers. The improved road network will contribute to establishing South Heywood as a major commercial and residential location benefiting from direct access to the regional and national motorway system. The adjacent Heywood Distribution Park will also benefit from these highway improvements as will Heywood town centre which has been used as a through route for lorries travelling from Heywood Distribution Park and surrounding industrial schemes to Junction 19 .
- 8.1.4 Site 1a has been identified for residential development and extends to a net developable area of 15.5 hectares (38.3 acres) incorporating public open space including a green space corridor with cycle ways and footpaths (see the Masterplan in Appendix 11 for site boundaries).
- 8.1.5 Market demand suggests that the site is suitable for the development of 3, 4 and 5 bedroom aspirational housing. A development of 455 dwellings in total is proposed for Site 1a to reflect this projected market demand equating to a site density of circa 30 houses per hectare (12 houses per acre).

- 8.1.6 In recognition of the large scale development the appraisals have assumed that the site will be developed over a period of 8 years. It is possible there may be one or more developers that might undertake developments at any one time providing a range of design styles and sizes aimed at the wider market and to establish the important critical mass and “sense of place”
- 8.1.7 Site 1a also provides for the provision of a 400 sq m (4,300 sq ft) neighbourhood convenience store to reflect the expectant operator demand once the development is established.
- 8.1.8 Site 3 extending to 12.28 hectares (30.34 acres) has been sub divided to provide a 3.22 hectare (7.96 acres) residential scheme (site 3a) together with two employment sites extending to 5.08 hectares (12.55 acres) on site 3b and 3.98 hectares (9.83 acres) on site 3c.
- 8.1.9 The residential element of Site 3 (Site 3a) has been evaluated on the basis of a total development of 62 dwellings providing a range of 3 and 4 bedroom houses. In appraising Site 3a it is considered that the demand will be from purchasers seeking a similar style and quality of house offered on Site 1a and benefiting from the merits of the location but wishing to have greater identity that a smaller scale development will offer.
- 8.1.10 Site 3b has been identified for small scale industrial units suitable for SME’s ranging in size from 232 sq m (2,500 sq ft) to 1,858 sq m (20,000 sq ft). The Masterplan shows a total of 23,400 sq m (251,850 sq ft) of floorspace can be developed on the site. The appraisals assume that the development will be brought forward on a pre-let basis in phases in response to market demand over a ten year period with the land drawn down and paid for in stages.
- 8.1.11 The development strategy for Site 3b assumes an initial phase of circa 2,787 sq m (30,000 sq ft) will be built speculatively to meet the demand of local employers whose premises requirements do not enable them to wait circa 18 months for premises to be developed.
- 8.1.12 Site 3c has been allocated for three larger industrial units ranging from 3,716 sq m (40,000 sq ft) to 5,202 sq m (56,000 sq ft) to be developed on a pre-let basis.

- 8.1.13 Site 4 extends to 22.12 hectares (54.66 acres) and has been identified as being suitable for large warehouse and distribution operations. The Masterplan has assumed that Site 4 can accommodate a total floor area of 77,430 sq m (833,450 sq ft) ranging in unit sizes from 5,016 sq m (54,000 sq ft) to 23,410 sq m (252,000 sq ft). The appraisal reflects current market practice that developments of the size proposed for Site 4 will only be brought forward on a pre-let basis
- 8.1.14 The development appraisals for the employment sites apart from an initial phase on Site 3b (8.1.11 above) assume there will be no speculative development to reflect the difficulty of securing development funding, the high risk associated with such development and the current market practice whereby units in excess of 3,716 sq m (40,000 sq ft) will not be developed on a speculative basis due to the bespoke nature of large occupier requirements.
- 8.1.15 It is acknowledged that circumstances may arise where there may be some element of future speculative development in response to prevailing market conditions at that time.

8.2 Evaluation Approach

- 8.2.1 A fundamental principle that has been applied throughout the feasibility process for the bringing forward of South Heywood as a development opportunity is that the residential development has to fund the new motorway access, link road and improvements to Hareshill Road to enable the employment sites to be brought forward. These components are considered vital to establishing South Heywood as a viable location for local, regional and national businesses.
- 8.2.2 The residential development will generate surplus funds above the required developer's return of 22% on costs and it is this surplus which will fund the comprehensive highway scheme

8.3 Residential

- 8.3.1 The sites allocated for residential development Sites 1a and 3a will have attractive attributes as a result of their semi-rural location and accessibility, following completion of the link road, to satisfy the requirements for the development of quality housing that will be sought after and meet the Council's desire for aspirational housing.

- 8.3.2 These residential sites have been evaluated on a residual land value basis with a required developer's return of 22% on total development costs which is considered to be in line with the private housing development sector requirements.
- 8.3.3 A desk top survey has not identified any abnormal conditions that would result in an increase in build costs apart from the presence a mine shaft which will require to be capped. An allowance of £150,000 to cap the mine shaft and £200,000 to provide the required attenuation pond, have been allowed for in the appraisals.
- 8.3.4 The development appraisal for each residential site has been developed in consultation with Russell Homes as regard sale prices and construction costs and Taylor Young in respect of site layouts.
- 8.3.5 The key elements of the development appraisals for Site 1a and Site 3a are as follows:

Element	Site 1a	Site 3a
Average Sale Price	£225,000 per property	£200,000 per property
Number of houses	455	62
Unit Size Range	78.97sq m to 153.29 sq m (850 sq ft to 1,650 sq ft)	78.97 sq m to 134.71 sq m (850 sq ft to 1,450 sq ft)
Build cost	£1,076 per sq m (£100 per sq ft)	£1,076 per sq m (£100 per sq ft)
Professional Fees	6% of construction cost	6% of construction cost
Affordable Housing Contribution (2% of Gross Development Value)	£1,941,500	£266,128
Cost of new link road and upgrade to Harehills Road	£8,500,000	None
Sec 106 Contribution	£682,500	£188,800
Marketing Costs	£1,278,000	£181,000
Contingency	5% of Construction Costs	5% of the Construction Costs
Finance costs	5%	5%

8.3.6 The development appraisal for Site 1a produces a residual land value of £3,818,643 after development costs including a developer's return on cost of 22% which is considered sufficient to enable a developer to purchase the site by agreement.

8.3.7 The development appraisal for Site 3a produces a residual land value of £1,783,830 after development costs including a developer's return on cost of 22%. Again this is considered a sufficient sum to acquire the site by negotiation.

8.4 Neighbourhood Convenience Store

8.4.1 Within Site 1a, as described in paragraph 8.1.7 above, there is provision for a neighbourhood convenience store to be provided for the benefit of both the residential and industrial properties in the area once market demand has been established. For the benefit of the appraisals it has been assumed that this will be achieved towards the end of the development period when the majority of the houses and the industrial units will be occupied.

8.4.2 The neighbourhood convenience store development appraisal produces a residual land value of £332,249. This includes a developer's return of 15% on the total development costs that is considered to be an acceptable return on the investment for neighbourhood convenience store operators.

Element	Site 1a
Rental Value	£183 per sq m (£17 per sq ft)
Unit Size	400 sq m (4,300 sq ft)
Build cost	£915 per sq m (£85 per sq ft)
Professional Fees	8% of construction cost
Rent Free Period	12 months
Contingency	5% of Construction Cost
Finance Rates	5%

8.5 Employment Land

8.5.1 Sites 3b, 3c, 4a and 4b have been evaluated on the basis of a fixed land price of £150,000 per developable acre. This figure has been agreed with the land owners and is considered a realistic market value.

- 8.5.2 A desk top study of the sites has been undertaken and no major abnormalities have been identified that will impact on projected development costs. An intrusive site investigation will be carried out once the footprint of the buildings have been finalised and the agreement with the land owners provides for the deduction of identified abnormal costs from the £150,000 base figure.
- 8.5.3 The rental levels and investment yields that have been included within the development appraisals have been determined following an analysis of comparable transactions, having regard to the locational advantages the schemes will offer and the in-depth market knowledge of BNP Paribas Real Estate and Pennine Land.
- 8.5.4 The majority of the units will be developed on a pre-let basis and those units allocated for Sites 3c, 4a and 4b - over 3,716 sq m (40,000 sq ft) are likely to be let to companies offering covenants that will be sought after by investors.
- 8.5.5 The projected capitalisation yield of 7% for Sites 3c, 4a and 4b is considered to be an accurate reflection of the investment market's perception of the proposed development. This would reflect the financial status of the tenants and the rental prospects having regard to the strategic location of the development sites.
- 8.5.6 The capitalisation yield of 7.5% has been applied to the smaller units to be developed on Site 3b for SMEs. The differential in projected yields reflects the investment market's perception that such companies will not be in a position to offer the most secure income flow or be prepared to enter into long term leases and therefore such investments will be more management intensive.
- 8.5.7 An average budget construction cost of £430 per sq m (£40 per sq ft) has been applied following consultation with a major regional building contractor active in the industrial property sector and a Construction Cost Consultancy with a wide range of commercial development clients.
- 8.5.8 The key elements of the development appraisals for the employment land sites are as follows:

Element	Site 3b	Site 3c	Site 4a	Site 4b
Rental	£6.25 per sq ft	£5.95 per sq ft	£5.75 per sq ft	£5.75 per sq ft
Unit Size Range	232.25 sq m to 1,858 sq m (2,500 sq ft to 20,000 sq ft)	3,716 sq m to 5,202.4 sq m (40,000 sq ft to 56,000 sq ft)	5,016.6 sq m to 23,410.8 sq m (54,000 sq ft to 252,000 sq ft)	7,548.12 sq m to 11,240.9 sq m (81,250 sq ft to 121,000 sq ft)
Capitalisation Yield	7.5%	7.0%	7.0%	7.0%
Build Costs	£430 per sq m (£40 per sq ft)	£430 per sq m (£40 per sq ft)	£430 per sq m (£40 per sq ft)	£430 per sq m (£40 per sq ft)
Professional Fees	6%	6%	6%	6%
Contingency	5%	5%	5%	5%
Rent free Period	12 months	12 months	12 months	12 months
Finance	5%	5%	5%	5%
Return on Costs	19.25%	17.58%	21.51%	20.79%

8.5.9 The £6.25 per sq ft is based upon the asking rents at the Axis Point Development – Appendix 9, as well as asking rents at Heywood Distribution Park. Similarly £5.95 and £5.75 are reflections of the different size of units.

8.5.10 The appraisal for Site 3b produces a 19.25% return on development costs which is considered an acceptable return for a scheme that includes a 12% speculative element.

8.5.11 Site 3c produces a 17.58% return on development costs. Site 4a and 4b demonstrate a return on costs of 21.51% and 20.79% respectively. The differential in returns on site 3a, 3c and 4b is attributed to the different build periods of the individual elements which will be reflected in the finance costs during construction.

8.5.12 Generally commercial property developers are prepared to consider projects that demonstrate a return of 15% and above for schemes that do not involve speculative development.

9 South Heywood Suggested Delivery Model

9.1 Need for a Delivery Model

- 9.1.1 It is necessary to consider how the various stakeholders can work together to ensure that the South Heywood scheme can be delivered in order to support Rochdale MBC's Core Strategy and Local Development Framework for the area. This needs to cover the proposed legal and commercial arrangements between the partners that along with the market research and appraisals show the scheme is deliverable.
- 9.1.2 Following detailed discussions between Rochdale MBC, Pennine Land Limited (acting as the Council's commercial property advisors), the Property Alliance Group, Russell Homes and the Casey Group, a delivery model has been negotiated.
- 9.1.3 The model has been established to achieve the following aims:
- The comprehensive delivery of the scheme bringing forward Rochdale MBC's key objectives of economic growth from new industrial development and the delivery of new aspirational housing for the Borough.
 - To ensure that the private sector partners are able to bring forward the development schemes in a timely and effective manner and secure an appropriate commercial return for their investment.
 - To ensure that the new Link Road from Junction 19 of the M62 is delivered as an essential infrastructure development to service the schemes.
- 9.1.4 The model therefore proposes a Collaboration Agreement between the parties setting out the obligations of the partners alongside a Section 106 Agreement linked to planning consent in relation to the new Link Road. The details of the proposed arrangements are set out below.

9.2 Parties to the Agreement

- 9.2.1 The parties and owners involved in the development initiative are Property Alliance Group Limited, Russell Homes and the Casey Group Limited, as described below.
- 9.2.2 Property Alliance Group Limited will assume the role of Lead Developer of the industrial land known as Sites 3b, 4a and 4b, as shown on the Masterplan in Appendix 11.
- 9.2.3 Russell Homes will take the role as Lead Developer of the residential development on Site 1a at Junction 19 of the M60 and 3a to the west of Manchester Road, as shown on the attached Masterplan. The company own option agreements for the whole of Site 1a from the owner of the site.
- 9.2.4 The Lead Developers have several option agreements to acquire properties within Sites 1a, 3a, 3b and 4b (Hareshill Road) from the owner of the site, the Earl of Wilton Estate.
- 9.2.5 The Casey Group own Site 4a on Hareshill Road.

9.3 Initial Proposals

- 9.3.1 It is proposed that the arrangements between the owners, developers and Rochdale MBC are documented by a Collaboration Agreement and that a Section 106 Agreement is used to control the delivery of the Link Road.
- 9.3.2 The Masterplan plan in Appendix 11 details the development plots and reference points referred to below.
- 9.3.3 It is assumed that Russell Homes and the Property Alliance Group Limited will be the Lead Developers and be responsible for seeking planning consent, with contributions from the other owners in relation to the respective values of the sites.
- 9.3.4 Russell Homes will develop out Sites 1a and 3a for residential and ancillary uses and Property Alliance Group Limited will develop Sites 3 and 4.

9.4 It is proposed that the Section 106 Agreement covers the following requirements

- 9.4.1 As part of the planning consent the Lead Developers will be responsible for the construction of the Link Road and ancillary works prior to the release of any land for development. This can be done on a staged basis as detailed below.
- 9.4.2 The road from the Motorway to the junction at Point X shown on the Masterplan in Appendix 11 will be commenced by the Lead Developers in conjunction with the release of the first tranche of residential land within Plot 1 and will be completed within 2 years of commencement. The remaining road works up to Point Y shown on the Masterplan will be carried out before the release of the second tranche of residential land. The boundary between the two tranches will be defined with reference to the ratio of the open market values of the two sites, as established by reference to the respective costs of the two runs of highway defined above.

9.5 The collaboration agreement should cover the following points

- 9.5.1 The Lead Developers to draw down the option lands within Sites 3a and 3b and bring forward the land for development by acquiring the sites from the Earl of Wilton Estate.
- 9.5.2 The Lead Developers to be granted rights to draw down Sites 4a and 4b for development within a certain period following completion of the road. If they do not exercise this right then the owners will have the right and obligation to bring forward the sites to the open market or develop the sites for industrial use.
- 9.5.3 As the Lead Developers will have paid for the costs of the infrastructure then any uplift in values enjoyed by the owners of Site 4 will be shared with them. The uplift to be calculated with reference to a before and after valuation. The after valuation will be at Open Market value for development for industrial use.
- 9.5.4 The development to be undertaken on an open book basis so that all costs and returns and valuations can be agreed on an equitable basis.

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- 9.5.5 The Collaboration agreement to be entered into by the Lead Developers, the Casey Group Limited and Rochdale MBC, with Rochdale MBC's role being to promote economic development of the sites, assist with any disagreements and ensure an equitable approach to the share of costs and values.