

Alderholt Meadows Review of Commercial Property Allocation within Outline Planning Application

19 May 2023

1.0 Overview

An outline planning application has been made for a *mixed-use development of up to 1700 dwellings including affordable housing and care provision, 10,000sq.m. of employment space in the form of a business park; village centre with associated retail, commercial, community and health facilities; open space including the provision of a suitable alternative natural green space (SANG); biodiversity enhancements; solar array, and new roads, access arrangements and associated infrastructure.*

The application number is P/OUT/2023/001166 and was validated on 28th March 2023.

The proposed scheme includes 1.6ha of Employment Land supporting 10,000 sq.m. of commercial space to be delivered on the eastern edge of the site, with a new access from Hillbury Road and shown purple on the plan below.



The 10,000 sq.m. proposed is equivalent to 1.3% of the total developable space and is supplementary to the 4,000 sq.m. of retail, healthcare, and community space proposed.

1.1 Purpose of the Report

This report is prepared for the development team to determine whether the proposed commercial space is proportionate to the development proposals, and sustainable given local demand / supply dynamics.

The report is prepared by Chris Howell MRICS of Howell Commercial Limited. Howell Commercial is a RICS regulated Chartered Surveying Practice with 22 years' ppe commercial property experience across a range of disciplines and sectors.

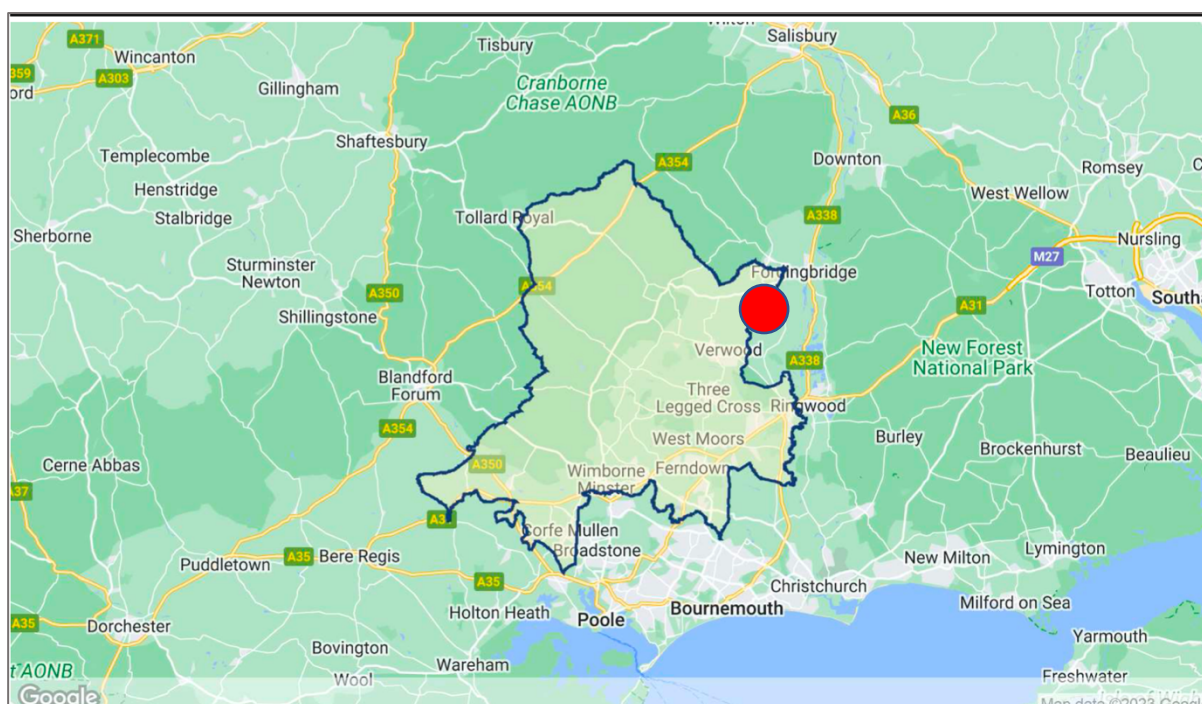
We set out;

- Overview of commercial property markets
- Supply Analysis – headline review of vacancy and absorption rates, existing and proposed supply
- Demand Analysis – review of quantum and characteristics of local demand
- Development dynamics – what type of space is needed at Alderholt
- Conclusion

The information is drawn from local commercial property agents and from CoStar, the UK's leading property database.

2.0 Commercial Property Overview

Alderholt sits within the **East Dorset submarket** of the wider South Coast commercial property market (as defined by Costar). **East Dorset** is defined as a mid-sized South Coast submarket. It is focused on the Ferndown and Three-Legged Cross areas with Cranborne Chase AONB to the north. The site sits within East Dorset but close to the boundary with New Forest as per the plan below. We have focused on the East Dorset market for the purposes of this report, but New Forest has similar characteristics, and we comment as appropriate.



3.0 Supply Analysis

We review the current supply and character of both office and industrial markets within East Dorset in turn below.

3.1 Offices

The East Dorset market comprises around 50,000 sq.m. of constructed office space according to Costar. Vacancy rates are around 2.6%, (1,300 sq.m.) well below 7% to 8% vacancy range in a typical market in equilibrium. We attached our Costar Office Sub-Market Report at Appendix 1. There are no offices under construction in the area and Costar's report show a net loss of office space in this market over the last 10 years (see p7).

The adjoining New Forest area has similar characteristics and vacancy rates.

There are very few office schemes in the locality. Many office premises are converted barns or within industrial premises.

An example of a small-scale, modern office scheme is Glass House Studios, Freyern Court Road, Fordingbridge SP6 1QX. The site is 2.5 miles northeast of Alderholt.

Glasshouse space has been converted to offices with additional offices / business space developed within the grounds. This scheme targets occupiers seeking 20 – 100 sq.m. and is fully let / sold.

Indicative images of the scheme are below

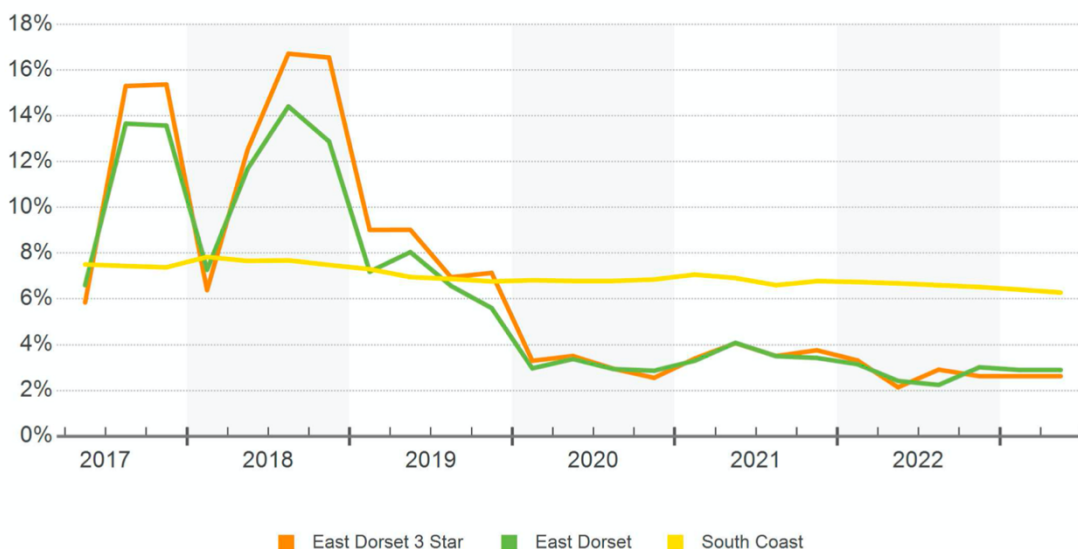




There is no current availability at this site as far as we are aware.

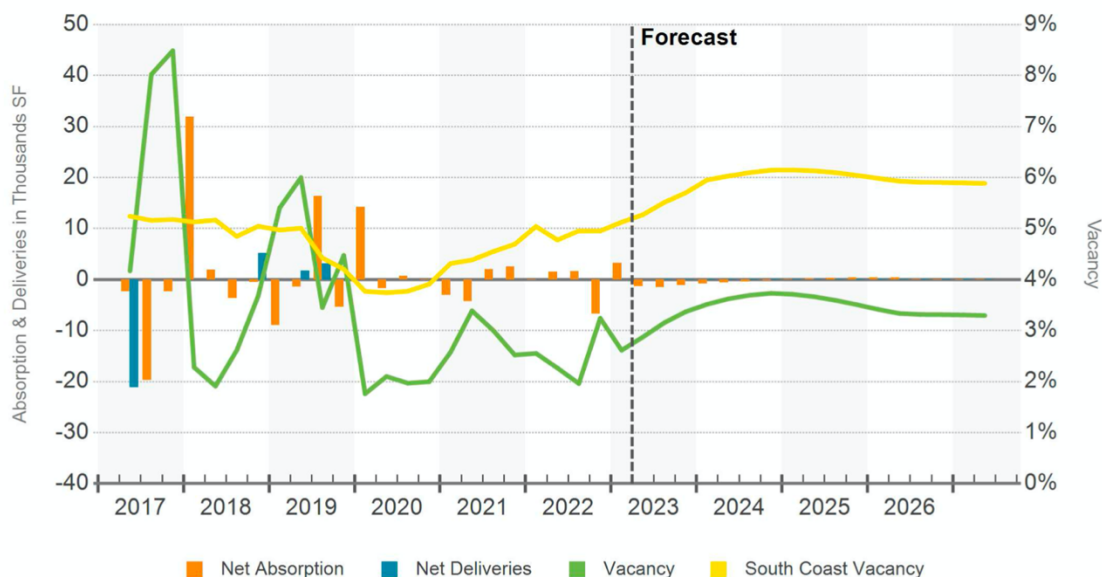
Costar research shows availability (vacancy rates) in the East Dorset market remain extremely low at just above 2%, well below the 6% in the South Coast market.

AVAILABILITY RATE



Net absorption (*the measure of space occupied less the total space vacated, over a given period*) remains negative in the Sub-Market which means less office space is being occupied in the region.

NET ABSORPTION, NET DELIVERIES & VACANCY



A negative net absorption rate and continued low vacancy rates is likely to create further stress on the market and limit the ability of firms to grow and ultimately employ people locally.

There are no significant office developments planned in the region of which we are aware.

3.2 Industrial

The East Dorset market comprises around 350,000 sq.m. of industrial / warehousing space of which 250,000 sq.m. is B8 warehousing. The remaining 100,000 sq.m. is defined as 'Specialist' and 'Light Industrial', uses that typically have higher employment per square meter than logistics. Vacancy rates for this type of space are 0.1% and 0.8% respectively (500 sq.m.).

We attached our Costar Industrial Sub-Market Report at Appendix 2.

Most industrial development is currently focussed on the Ferndown area with the recent notable delivery of 8,000 sq.m. at Bedrock Park by Northwood. This is supplemented by 1970s/80s industrial and employment sites at Three Legged Cross and Verwood.

East Dorset has seen development of some successful light industrial schemes over recent years which include;

- Axis 31, Woolbridge Industrial Estate, BS21 6FE



A development of c.30 industrial / business units from 100 – 200 sq.m., 5 miles to the south of Alderholt

- WestCroft Business Park, Oakdene Drive, Three-Legged Cross, BH21 6FQ

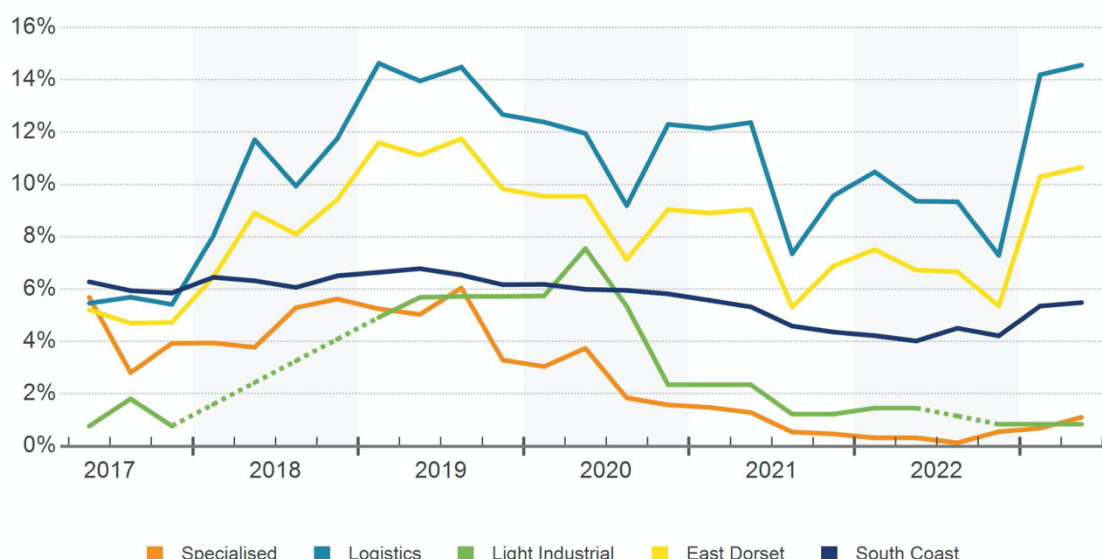
A development of 11 industrial / business units from 100 – 200 sq.m. each, approximately 5 miles south-west of Alderholt



Local schemes such as Fordingbridge Business Park, SP6 1BD which comprises an element of office space and industrial uses comprises around 7,000 sq.m. The site is 2 miles north-east of Alderholt. We are not aware of any available space on the market at this location. Sandleheath Industrial Estate, Old Brickyard Road. SP6 1PA lies 1.5 miles to the north of Alderholt. The scheme is predominately industrial and comprises an estimated 9,000 sq.m. Again, we are not aware of any availability at this site presently.

The recent completion of Bedrock Park, Ferndown (Q1 2023) has significantly increased logistics space supply and vacancy levels in this submarket, however the graph below shows East Dorset 'Light' and 'Specialist' Industrial vacancy being well below the regional average since 2017.

AVAILABILITY RATE



Development land is extremely limited to a few acres at Three-Legged Cross, an extension of the Axis 31 scheme. We do not comment on Local Plan allocations within this report.

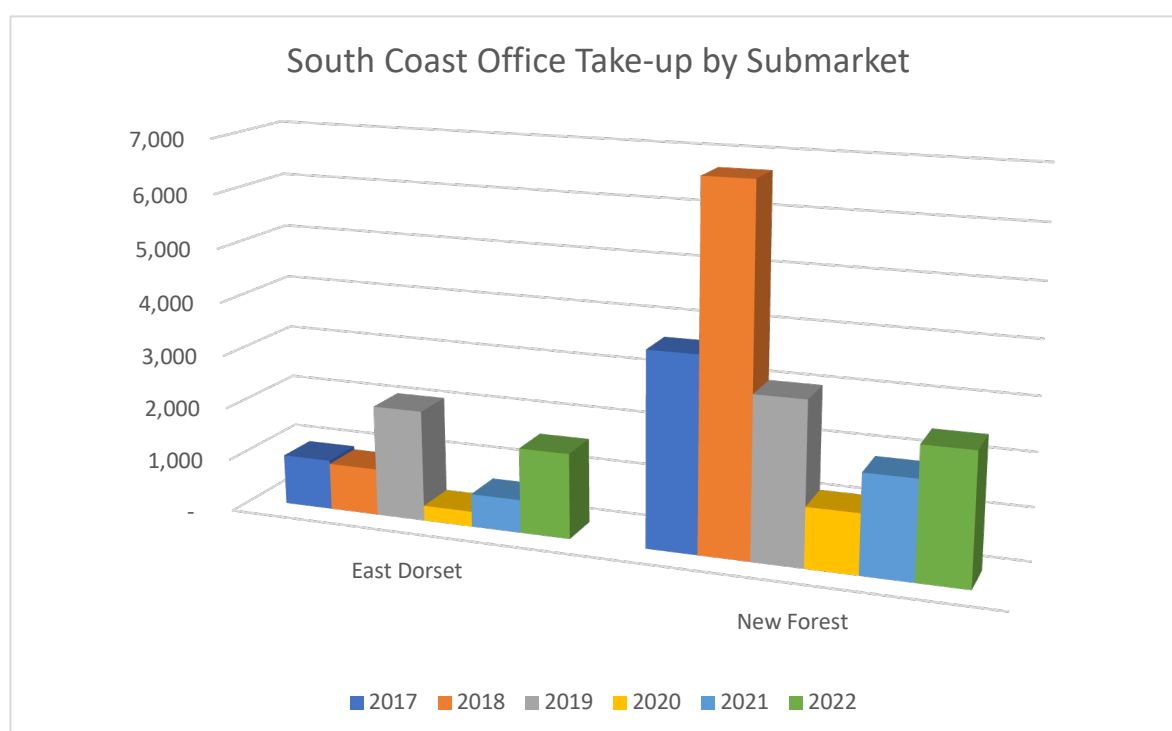
4.0 Demand Analysis – Take Up

We review office and industrial take-up of available premises using data provided by Costar.

4.1 Offices

The low level of available office stock has limited take up within the East Dorset submarket to an average of 1,300 sq.m. per annum between 2017 – 2022.

Take up in the New Forest has averaged 3,800 sq.m per annum over the same period. The graph below shows office take up year on year according to Costar.

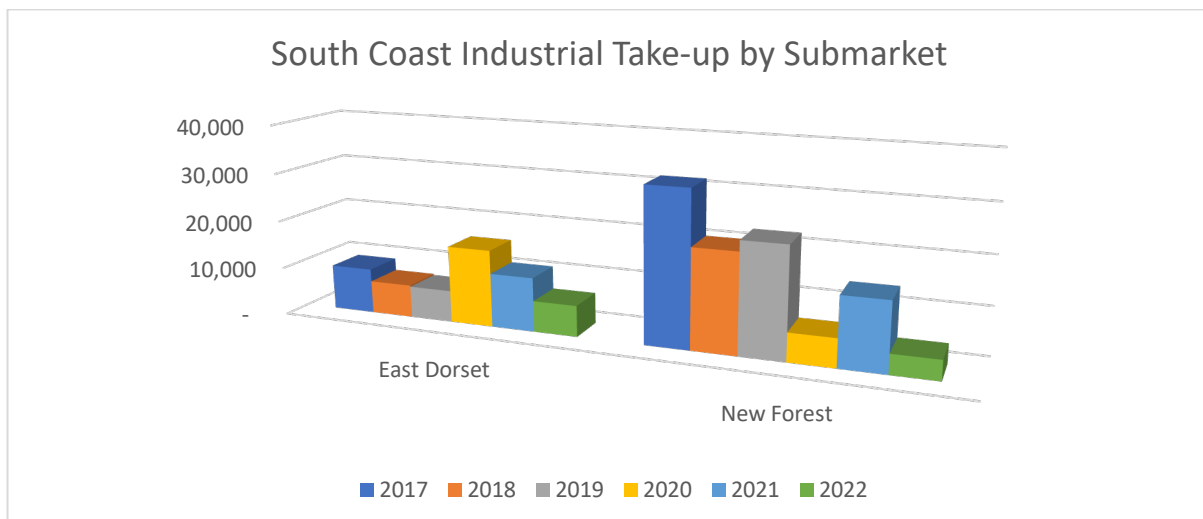


4.2 Industrial

Demand is reflected in the net absorption figures above.

Industrial take up in the East Dorset submarket has averaged 9,400 sq.m per annum on average between 2017 – 2022. This is equivalent to around 2.5% of total stock per annum.

Take up in the New Forest area has averaged 16,500 sq.m. per annum over the same period. This is across all industrial sectors. The graph below shows industrial take up year on year according to Costar.



Most of the distribution demand is centred on transport hubs (main arterial routes) however light industrial uses tend to be smaller in scale and most fall in the under 500 sq.m. category.

5.0 Development Dynamics

Demand for Light Industrial space will predominantly fall in the 200-400 sq.m. bracket and we would anticipate this to be driven by occupiers seeking workspace close to where they live. This would comprise a mixture of light industrial and specialist uses but not logistics or any type of heavy industry processes.

We expect demand from office occupiers for flexible, environmentally sustainable space from around 100 - 300 sq.m. As well as traditional office occupiers we might expect to see demand from quasi-office users such as physio or other healthcare providers and perhaps vets or similar.

The low level of vacancies and actual and latent demand for new space would make **speculative development** viable and attractive.

We would expect a developer to deliver a mixture of office / industrial and hybrid space meeting high environmental standards. The scheme would embed sustainability with use of high-performance materials, green roofs / biophilia and meet the latest BREEAM requirement. The scheme would promote sustainable transport to include bike racks and showers. The Estate would reflect the quality of the scheme with structured planting / habitat creation.

We would probably expect the scheme to be developed in two or more speculative phases, with the initial phase including provision of all services to the site.

The scheme would target occupiers seeking 100 sq.m. + (c. 7 staff at full occupancy) but be able to accommodate larger employers through combining units or building to meet specific requirements. We would expect one unit to provide 'incubation' space for start-ups (serviced office style space).

6.0 Conclusion

There is a very limited supply of office and industrial space in the East Dorset area and low vacancy rates in both the office (at c.2.5%) and light industrial sectors (c. 0.5%).

There has been a small decline in the commercial stock in the region. Many older buildings could become obsolete over the next few years as EPC requirements tighten towards 2030.

With an increasing need for housing to meet projected demand, there will need to be a corresponding increase in employment space to help create jobs.

Providing employment space close to population centres allows business owners to work relatively close to where they live and employees to use environmentally sustainable forms of transport (walk, cycle).

The employment land provision proposed at Alderholt appears sustainable, allowing for phased development. Developed space will need to be of a high quality and a mixture of office and industrial led uses from 100 sq.m.

Our view is that the 10,000 sq.m. proposed is proportionate and commercially viable on this basis.

Appendix 1 - Costar Office Sub-Market Report

Appendix 2 - Costar Industrial Sub-Market Report