DELIVERY REPORT

Model Farm

JCD0064
Updated Delivery Report
Parc Busnes Porth Cymru
2
November 2024

rpsgroup.com

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1 BACKGROUND

1.1 Team

1.1.1 This report has been completed on behalf of Legal & General (Strategic Land) Ltd (L&G). RPS the planning consultant appointed by L&G and Sutton Consulting Limited, L&G's retained property advisor have jointly prepared the report. Knight Frank is separately appointed as L&G's agent for marketing the site and has assisted in preparing the viability assessments contained in this report.

1.1.2 In August 2019, RPS has submitted an outline planning application for a proposed 44.75ha business park on land at Port Road, Rhoose, adjacent to Cardiff Airport. The application proposes approximately 1.7 million sq ft Class B1, B2 and B8 floorspace, car parking, landscaping, drainage infrastructure and biodiversity enhancement. It will provide high quality business space including light industrial, warehousing with the potential for high value-added uses around life sciences, data and energy in a unique setting.

1.1.3 The application was presented to the Council's Planning Committee in March 2023 with a Case Officer recommendation that the application be approved subject to conditions and a Section 106 Legal Agreement. The Planning Committee voted against the Case Officer's recommendation but did not provide reasons for refusal in order for the application to be determined. Following the Council's failure to determine the application, in March 2023, an appeal to Planning and Environment Decisions Wales was made.

1.1.4 This Delivery Report is an updated version of the original Delivery Report which was prepared in support of the planning application.

1.2 Location

1.2.1 The site falls within Cardiff Capital Region and within the Gateway Development Zone of the St Athan - Cardiff Airport Enterprise Zone. The Enterprise Zone has been designated by Welsh Government for aerospace and defence related investment. The site is also allocated within the Vale of Glamorgan Local Development Plan (LDP) for employment uses under Strategic Policy SP2 and Development Management Policies MG9 and MG10. The emerging replacement LDP Preferred Strategy allocates the site under Policy SP13: Employment Growth.

1.2.2 Model Farm sits adjacent to Cardiff Airport, 14km south west of Cardiff city centre, 2km east of Barry and immediately north and west of Porthkerry Country Park. The site is bounded to the north by Port Road (A4226) and open agricultural land to the east.

1.2.3 The site is currently in agricultural use, with arable pasture fields being the dominant uses. The field system is enclosed by hedgerows of varying heights and density and is intensively managed through annual cutting. The site slopes from north to south in its upper reaches, before falling away steeply in the southern portion. This southern part of the site is characterised by more significant areas of mature vegetation, mostly woodland.

1.2.4 The development proposed could be known as Parc Busnes Porth Cymru (PBPC).

1.3 Introduction

1.3.1 The purpose of this report is three-fold to set out:

1. The Development Plan policy context for Parc Busnes Porth Cymru.

2. How Parc Busnes Porth Cymru fits into wider economic development objectives and the portfolio of employment land; and

3. The delivery of Parc Busnes Porth Cymru.

1.3.2 The report will broadly follow these three aspects. The Development Plan policy context and economic development objectives are very much intertwined. Consequently, the distinction between these aspects will be less clear.

1.3.3 The conclusion of the report is that Parc Busnes Porth Cymru fits neatly into planning policy and economic objectives. Its delivery is however reliant upon intervention to enable L&G to invest to provide a site that is readily available for development to accommodate circa 3,200 jobs (HJA 2024).

1.3.4 The remainder of this report is split into four sections as follows:

1. Planning and Property Strategy
2. Employment Property Market Overview
3. Parc Busnes Porth Cymru Opportunity
4. Viability

2 PLANNING AND PROPERTY STRATEGY

2.1 Introduction

2.1.1 What follows is a brief overview of the policy setting within which PBPC is set.

2.2 Future Wales: The National Plan 2040

2.2.1 Future Wales is the national development framework, setting the direction for development in Wales to 2040. It sets the direction for investment in infrastructure and strategic development across Wales. It makes clear the importance of planning new infrastructure and development in such a way that they are complementary rather than competing priorities, ensuring opportunities are maximised and multiple benefits are achieved. Key priorities include sustaining and developing a vibrant economy; achieving decarbonisation and climate-resilience; developing strong ecosystems; and improving the health and well-being of communities.

2.2.2 Future Wales has been prepared in the context of Wales' three-tiered Development Plan system and positioned as the highest tier of Development Plan. It is of material consideration in plan making and decision making. The strategy seeks to address key national priorities through the planning system, by providing a framework which will direct strategic and local Development Planning. Being focussed on solutions to issues and challenges at a national scale, it therefore does not allocate development to specific locations nor does it direct specific land uses.

2.2.3 A number of challenges and opportunities are identified for Wales nationally, challenges including climate change and Covid-19 and opportunities including progress towards a low carbon economy, renewable energy generation and abundance of natural resources. A changing society, the need for good quality housing, prosperity and increasing resilience in the economy as well as improved connectivity are also identified as drivers for the next 20 years.

2.2.4 The Future Wales spatial strategy is made up of 36 policies and provides a framework to achieve the outcomes outlined above. This includes identifying and connecting key national and regional centres, providing a basis for long term infrastructure investment, identifying priorities for the planning system and providing a framework for the management of natural resources.

2.2.5 Initial policies in the spatial strategy direct strategic areas for growth, outlining both Regional Growth Areas and National Growth Areas, with National Growth Areas being economically distinct. The National Growth Areas includes, Cardiff, Newport and the Valleys which also includes the Vale of Glamorgan, within which the development proposal is located. Strategic placemaking principles are also introduced to shape urban growth and regeneration in these areas and range from ensuring a mix of uses and housing types to improving walkability and permeability as well as increasing population density. The Welsh Government supports development in the wider region which addresses the opportunities and challenges arising from the region's geographic location and its functions as a Capital Region.

2.2.6 In parallel with the aspirations of PPW, Future Wales' spatial strategy aims to support Welsh Government to address the Climate Emergency through its policies and ambitions.

2.2.7 Future Wales policies that are of particular relevance to the development proposals include:

<u>Policy 3 – Supporting Urban Growth and Regeneration</u>

2.2.8 The policy outlines that the Welsh Government will play an active and enabling role to support the delivery of urban growth and regeneration to ensure that aspirations can be met.

<u>Policy 10 – International Connectivity</u>

2.2.9 The Welsh Government identifies Cardiff Airport as a Strategic Gateway and recognises that the airport itself is located within Bro Tathan Enterprise Zone which offers opportunities for investment in the site and surrounding areas. The Enterprise Zone offers a wide range of development sites and business accommodation, providing opportunities for the development of bespoke facilities or investment in existing accommodation.

2.3 Planning Policy Wales 12

2.3.1 Planning Policy Wales ("PPW") was revised in February 2024. Paragraph 1.2 states out what the document sets out to do:

"The primary objective of PPW is to ensure that the planning system contributes towards the delivery of sustainable development and improves the social, economic, environmental and cultural well-being of Wales, as required by the Planning (Wales) Act 2015, the Well-being of Future Generations (Wales) Act 2015 and other key legislation and resultant duties such as the Socio-economic Duty. A well-functioning planning system is fundamental for sustainable development and achieving sustainable places."

2.3.2 PPW sets down the key sustainable placemaking outcomes against which development proposals should be assessed, to achieve the right development in the right place including growing the economy in a sustainable manner. Sustainable development will be achieved by taking action.

2.3.3 PPW puts sustainable placemaking at its heart. Four themes are identified as individually contributing to placemaking including **'Productive and Enterprising Places'** which is focused on economic development, tourism, the rural economy, transportation infrastructure, telecommunications, energy, minerals and waste.

2.3.4 Section 5 of PPW is concerned with "Productive and Enterprising Places" - those which promote economic, social, environmental and cultural well-being by providing well connected employment and sustainable economic development. Key issues include ensuring that there is sufficient employment land to meet the needs and requirements of a range of future employment scenarios.

2.3.5 Paragraph 5.3.17 specifically acknowledges the importance of airports, identifying the important role they play in providing national and international connectivity for tourism and business. The Welsh Government supports the growth and enhancement of airports and their infrastructure and paragraph 5.3.18 states further that planning authorities should recognise the strategic and local importance of airports and their potential as centres of economic activity.

2.3.6 For planning purposes the Welsh Government defines economic development as the development of land and buildings for activities that generate sustainable long term prosperity, jobs and incomes. At paragraph 5.4.3, the Welsh Government seeks to maximise opportunities to facilitate growth in innovative, emerging technology and high value-added sectors such as advanced engineering, renewable and low carbon energy, digital and bio-technology.

2.3.7 At paragraph 5.4.17, PPW refers to enterprise zones within Wales:

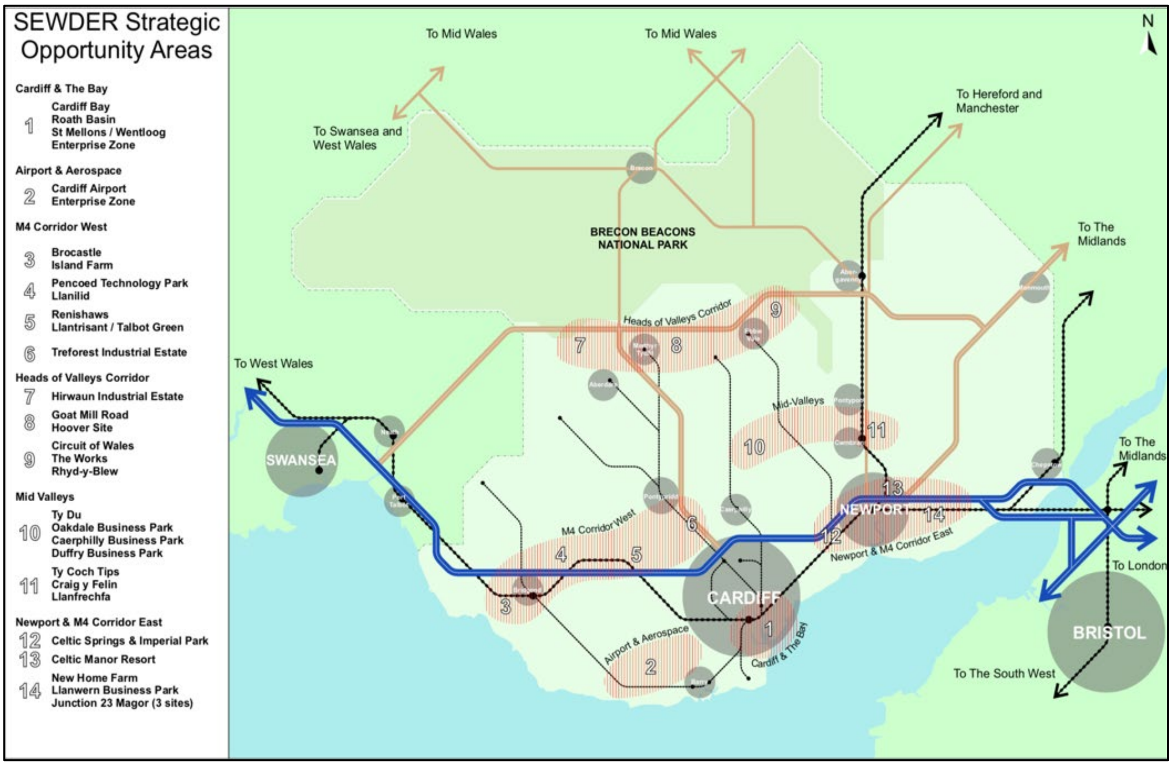
The Welsh Government's Enterprise Zones are an example of where co-ordinated action can take place to encourage investment in a particular sector in a particular place. Planning authorities should seek to support the development of business networks and clusters particularly in relation to innovative and technology based enterprise.

2.4 Cardiff Capital Region

2.4.1 Cardiff Capital Region (CCR) comprises the ten local authorities in south-east Wales and has a total population close to 1.5 million people. The region is dominated by Cardiff, the capital city of Wales, which provides the administrative, commercial and cultural centre for the whole of Wales.

2.4.2 The local authorities have a history of working together and the spatial plan below was produced by the South East Wales Directors of Environment and Regeneration (SEWDER). This plan clearly highlights the regional importance of the airport and immediate environment, in terms of being a strategic opportunity area with a focus upon aerospace.

Figure 2.1: SEWDER: workshop analysis of key strategic opportunity areas



2.4.3 In March 2017, the City Deal for Cardiff Capital Region (ten local authorities) was signed, and this will provide £1.228 billion of funding over 20 years from UK Government, Welsh Government and local authority sources.

2.4.4 The bulk of this funding (£738 million) is reserved for the South Wales Metro however some £495 million is allocated for investment into a portfolio of projects.

2.4.5 In April 2024, the 'South East Wales Corporate Joint Committee', which provides an overarching strategic body to CCR, was formally established.

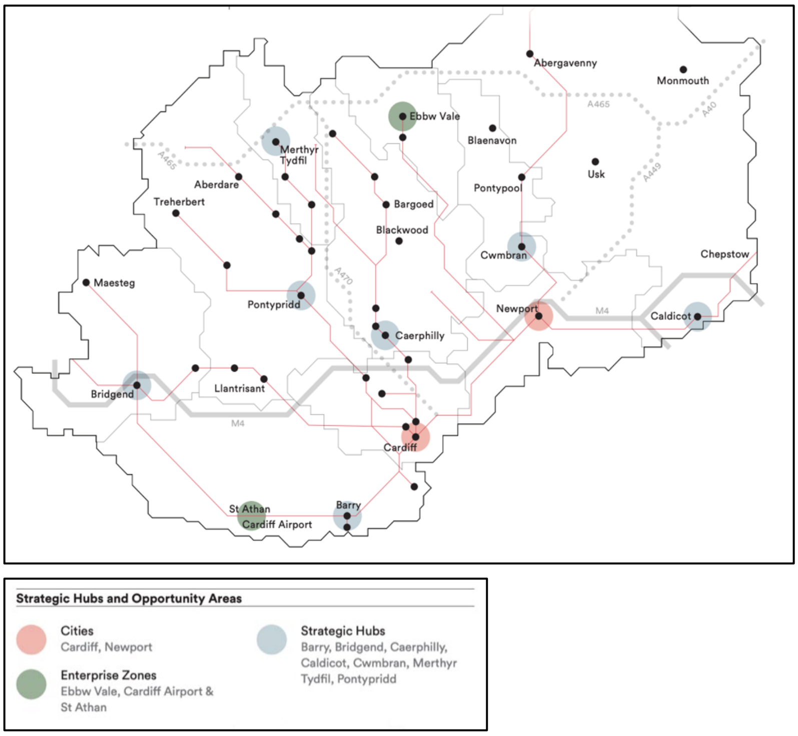
2.4.6 The Region's **Industrial and Economic Growth Plan for South-East Wales**[1] was published in February 2019. This plan for the CCR City Deal highlighted the need to promote strategic employment sites as '*… a catalyst to attract new and retain existing businesses. The focus should be to support the region's existing prime market, of Cardiff and the M4 corridor, and expand it to include a mix of opportunity in the Heads of the Valleys corridor, the coastal belt, towns and rural areas.*'

2.4.7 CCR also highlight the requirement to target clean growth, the foundational economy, links to higher education and further education, research, and development – alongside the need for a sector focus.

2.4.8 Balanced against the above is a wider consideration to act in the interests of the whole region by targeting '… *our most deprived and isolated communities and support regenerative growth'.*

[1] https://www.cardiffcapitalregion.wales/wp-content/uploads/2019/02/ccr-industrial-and-economic-growth-plan-english.pdf

Figure 2.2: Extract from CCR Industrial and Economic Plan (2019): Strategic hub and opportunity areas



2.4.9 The plan clearly highlighted the Cardiff Airport and St Athan Enterprise Zone. Elsewhere, the plan also highlights target sectors to support and grow. These include, but are not limited to, the following:

- Compound semiconductors and its supply chain.
- AI, Data and cyber security.
- Financial technology ('fintech').
- Creative economy.
- Life sciences, specifically medical devices and diagnostics subsectors; and
- Transport engineering including automotive, rail and aviation

Figure 2.3: Extract from CCR Investment Prospectus (2021): target sectors

2.4.10 **Preferred planning use classes for target sectors** – most target markets would be most clearly associated with use class B1 (business) floorspace, whether offices / R&D or high-quality hybrid industrial/business units. In addition, the type of allocated development land most closely associated with these uses would be B1 business park or strategic sites benefitting from an attractive environment, connectivity and catchment for skilled labour.

2.4.11 There is a lack of land suitable for B1 development, which is most likely to be greenfield, with good communications and proximity to large skilled labour pools. In this regard, Model Farm is an attractive business park location and has the characteristics of a key employment site – attractive to key target sectors.

Figure 2.4: Typical location choice for each key CCR sector (PBPC has the characteristics of a 'strategic employment site')

CCR key sectors	City / town centre	Business Park	Strategic employment site	Industrial Park	Local Industrial	Mixed use
Compound semi-conductors		✓	✓			
Fintech	✓	✓				
Cyber Security	✓	✓				✓
Artificial Intelligence	✓	✓				
Creative Economy			✓	✓	✓	
Life Sciences		✓	✓	✓		✓
Transport Engineering			✓	✓	✓	
Energy & Environment			✓	✓	✓	

2.4.12 Strategic planning for employment within the Capital Region should have regard to these identified key strategic opportunity areas, strategic hubs and target sectors. Equally, the need to act in the interests of the whole region should be addressed by considering the needs of our more disadvantaged communities, such as nearby Barry. There is an emerging cluster of education and business at Cardiff Airport.

2.4.13 **Cardiff & Vale College (CAVC)** - in September 2024, Cardiff and Vale College's plans for a new campus on Hood Road, Barry Waterfront were approved. This will comprise a 6,000 sq m campus to cater for up to 1,000 full time and part time students with 80 staff. The Barry Waterfront Campus is planned to open at the end of 2026.

2.4.14 Separately, CAVC's planning application for a 13,000 sq m Advanced Technology Campus to land opposite PBPC has been approved in October 2024. It is proposed that the 13,000sqm Centre will accommodate nearly 2,000 learners and over 100 staff.

2.4.15 It is proposed the courses at this campus will be focussed on supporting economic development and meeting the skills needs of employers in advanced technologies and green skills – for renewable technologies and the retrofit skills for Net Zero Carbon targets. Subject to Welsh Government approval of the College's Full Business Case, construction work is expected to begin at the site in 2025, with the campus due to open in 2027.

Property Strategy for Employment in Wales

2.4.16 On behalf of the Welsh Development Agency (WDA), in 2005 PwC and King Sturge produced a report titled '*Property Strategy for Employment in Wales 2004-08'*. This sought to provide a demand perspective, together with an analysis of which types of sites and buildings attracted the highest value-added economic uses. This study then proposed that the WDA focus upon those interventions that provided the greatest return; whilst recognising a need to provide a property strategy for key sector clusters and disadvantaged areas around Wales.

2.4.17 A 'strategic employment site' was defined by the WDA as:

> *"A site of substantial scale, often in excess of 50 acres (20 hectares), offering a powerful combination of strategic access to the nation's principal road network and other key economic infrastructure, good local access and a wide range of serviced plots to accommodate the needs of both indigenous and inward investors to be able to act as an important focal point for industry and commerce in the sub-region/region".*

2.4.18 The proposed business park located adjacent to Cardiff International Airport fulfils the definition of a strategic employment site and can form part of a balanced portfolio of employment sites to promote economic growth in the Vale of Glamorgan and wider CCR economic region.

2.4.19 JLL provided an update report with '*Gap Analysis: achieving a balanced property portfolio for the delivery of economic objectives in Wales'.* This 'Gap Analysis' was intended to form part of a Strategic Property Review and was intended to provide a clear focus for existing and proposed property interventions by Welsh Government in order that both public and private sector resources can be more effectively targeted and channelled toward economic development in Wales.

2.4.20 In September 2017, JLL submitted a further report '*Framework for Priority Property Interventions for economic development in Wales'.* This highlighted a weak network of readily developable strategic sites, capable of supporting both indigenous business growth and inward investment efforts.

2.4.21 A Property Delivery Plan has now been approved by Welsh Government and, whilst this is pan-Wales, there are proposals in CCR which will overlap with the framework.

2.5 St Athan – Cardiff Airport Enterprise Zone

2.5.1 PBPC lies within the Cardiff Capital Region and within the Gateway Development Zone of the St Athan - Cardiff Airport Enterprise Zone. The Enterprise Zone has been designated by Welsh Government for aerospace and defence related investment. Through effective public and private sector partnership working the Enterprise Zone aims to deliver:

- *A thriving aerospace and defence cluster built upon a strong heritage of aeronautical excellence*
- *Europe's hub for aerospace education, training and research and development*
- *Unique and state of the art accommodation fit for a range of civilian or military aviation purposes*
- *World class office accommodation and light industrial units*
- *An international logistics hub*
- *A gateway to Wales' business, tourism and leisure destinations; and*
- *A quality environment in which to do business.*

2.6 Vale of Glamorgan Local Development Plan

2.6.1 The Development Plan for the site is the Vale of Glamorgan Local Development Plan (LDP), adopted in 2017, covering a period of 2011-2026.

2.6.2 PBPC benefits from allocation under Strategic Policy SP2 which identifies land adjacent to Cardiff Airport and Port Road for employment uses as part of the St Athan – Cardiff Airport Enterprise Zone. Strategic Policy SP5 allocates a total of 492ha of land to meet regional and local employment needs.

2.6.3 Policy MG9 allocates land for three strategic employment sites including 77.4ha of land adjacent to Cardiff Airport and Port Road for Class B1, B2 and B8 uses (i.e. the PBPC site). Supporting text to the policy makes it clear that all three sites are intended to cater for the needs of the aerospace industry and high-tech manufacturing, encouraging investment from the regional and sub-regional marketplace.

2.6.4 Policy MG10 is concerned with the St Athan – Cardiff Airport Enterprise Zone. The policy states the development of the Enterprise Zone will be guided by a masterplan, which will include the following in relation to the application site:

- New aerospace, education, research and development, manufacturing, office and other ancillary development at the Cardiff Airport and Gateway Development Zone (77ha).
- A 42-hectare extension to Porthkerry Country Park.
- Provision of sustainable transport infrastructure.
- The incorporation of a sustainable energy centre at the Cardiff Airport and Gateway Development Zone.

2.7 Vale of Glamorgan Replacement Local Development Plan

2.7.1 The Replacement Local Development Plan (RLDP) will help shape development within the Vale of Glamorgan for the next 15 years (from 2021 to 2036). The RLDP is currently at Stage 2 (Political Reporting of the Preferred Strategy Consultation Report), with consultation of the Deposit Plan expected in Q1 2025. Adoption is expected in Autumn 2026.

2.7.2 The Preferred Strategy Names the Cardiff Airport Enterprise Zone, comprising the Airport Business Park, to the north of Port Road, and the strategic employment site to the south of Port Road (Model Farm), as an important employment area, enabling delivery of high-quality and skilled jobs, training, and education opportunities, under **Objective 9 - Building a Prosperous and Green Economy.**

2.7.3 The Enterprise Zone is included in the **Sustainable Growth Strategy: 5. Supporting the role of Cardiff Airport as a strategic gateway for international connectivity.** The RLDP will safeguard land within the Enterprise Zone where appropriate to assist in supporting the role of Cardiff Airport.

2.7.4 Furthermore, the Model Farm site is included in **Policy SP13: Employment Growth**, as Major Employment Allocation 2. The Preferred Strategy acknowledges the appeal, stating:

'Land south of Port Road (Model Farm) Rhoose is currently subject to an appeal for non-determination of an outline planning application for a B1, B2, B8 Business. If the appeal is allowed, the site is anticipated to deliver 1.7 million sq. ft of Class B1, B2 and B8 offices, light industrial and warehousing and distribution units, alongside car parking, landscaping, drainage infrastructure and biodiversity enhancement works which include land for expansion of Porthkerry Country Park to the south. The site's proximity to Cardiff Airport and Bro Tathan alongside future aspirations of Cardiff and Vale College provides the opportunity to develop the area into a high-quality business cluster.'

2.8 Supplementary Planning Guidance – Cardiff Airport and Gateway Development Zone

2.8.1 The supplementary planning guidance (SPG) builds on the policies of the LDP, setting out the vision for the Cardiff Airport and Gateway Development Zone to provide a major business destination at Cardiff Airport that will complement the existing and proposed offers of Barry, the Vale of Glamorgan and the wider Capital Region.

2.8.2 The document calls for good design, given the strategic nature of the Zone and its regional importance to South East Wales. It recognises that the developable area of the site is of such a scale that not delivering good design has the potential to cause significant visual impact.

2.9 Cardiff Enterprise Zone

2.9.1 Cardiff Airport and St Athan Enterprise Zone (EZ) is one of the 8 nationally allocated EZs in Wales with the aim to become an internationally recognised centre of excellence for the aerospace industry and Maintenance, Repair and Operations activities.

2.9.2 According to the adopted Cardiff Airport and Enterprise Zone SPG (2019), the airport and adjoining business park currently accommodates several aviation and aerospace companies and related services including British Airways Maintenance Cardiff (BAMC), the Cardiff Aviation Training Centre as well as the International Centre for Aerospace Training (ICAT) at Cardiff and Vale College. It recognises that the remaining part of the development zone lies to the south of Port Road and is currently undeveloped (i.e. PBPC). The Cardiff Airport and Gateway Development Zone therefore has the potential to generate significant economic benefits for not just the Vale of Glamorgan but also the Capital Region and Wales as a whole in terms of direct and indirect employment opportunities.

2.9.3 Cardiff Airport and Bro Tathan are seen to offer significant opportunities for the development of aerospace and advance manufacturing, research and development and innovation within the Vale of Glamorgan, building on the existing skills base of Cardiff Airport, British Airways Maintenance Cardiff, and more recent development at Bro Tathan Enterprise Zone. Their importance to the wider region is recognised in Future Wales, the National Plan, which identifies Cardiff Airport as one of 4 Strategic Gateways to Wales (Policy 10), stating that:

"Cardiff Airport is an essential part of Wales's strategic transport infrastructure. It is an international gateway connecting Wales to the world and is an important driver within the Welsh economy. Cardiff Airport is located within the Cardiff Airport and Bro Tathan Enterprise Zone which offers opportunities for investment in the site and surrounding areas. The Enterprise Zone offers a wide range of development sites and business accommodation, providing opportunities for the development of bespoke facilities or investment in existing accommodation" (Future Wales, page 82).

2.9.4 Within the Preferred Strategy, Cardiff Airport EZ is named as an important employment area, enabling delivery of high-quality and skilled jobs, training, and education opportunities, under Objective 9 - Building a Prosperous and Green Economy. Additionally, the Enterprise Zone is included in the in the Sustainable Growth Strategy: 5. Supporting the role of Cardiff Airport as a strategic gateway for international connectivity. The Preferred Strategy outlines that the Cardiff Airport and Gateway Development Zone comprises two distinct areas – Airport Business Park, to the north of Port Road, and the strategic employment site to the south of Port Road, known as Model Farm (i.e. PBPC).

2.9.5 The Welsh Government's 'Business Wales' website[2] specifically promotes Model Farm (i.e. PBPC) as 'strategic employment land' within the EZ:

"At the Gateway Development Zone, next to the airport, there are 77.4 hectares of development land adjacent to the airport, which are allocated as strategic employment land. There are early plans to develop the land for high quality offices as well as education, training and leisure facilities."

2.9.6 The Preferred Strategy states that the RLDP will safeguard land within the EZ where appropriate to assist in supporting the role of Cardiff Airport, recognising its value in delivering critical employment land. The decision to include the Cardiff Enterprise Zone, including Land South of Port Road, as safeguarded employment land is fully supported and it is agreed that this will contribute to both a prosperous local and national economy.

2.10 Creating an Attractive Business Environment

2.10.1 Across Wales differing levels of economic infrastructure, skills, labour availability and business finance have a material impact upon demand from business. However, the 'property offer' of the region can also have a major impact.

2.10.2 The availability of the right site, or property, can be fundamental to winning an inward investment project or retaining an existing business that wishes to relocate or expand. There are, however, significant gaps in the supply of 'shovel ready' development sites and new floorspace across Cardiff Capital Region (CCR) and Wales.

2.10.3 The rationale for seeking to deliver a balanced portfolio of sites and premises is that the timescale for occupation is a measured deliverable that can provide Wales with a competitive advantage over

[2] https://businesswales.gov.wales/enterprisezones/cardiff-airport-and-brotathan-enterprise-zone

other locations. We will not necessarily retain the interest of new enquiries if we promote ‘build to suit’ options, which may have a lead in time of two years or more to delivery.

2.10.4 A balanced portfolio of allocated and ‘development-ready’ employment sites across Wales should reflect market demand but also link into key economic infrastructure such as the airport. A focus upon key sectors must be balanced against economic development initiatives, such as Enterprise Zones. A business park adjacent to the airport offers an opportunity to capture all of these.

2.10.5 There are gaps in the supply of both ‘shovel ready’ serviced development sites and modern floorspace in both Cardiff and the wider Cardiff Capital Region (CCR). This is across a range of employment property types and there is no substantial development programme in place, with the public sector activity having withdrawn from this market. The consequent lack of serviced sites and modern floorspace is, arguably, a structural weakness of both Cardiff and the wider economy of CCR. This lack of Grade A development land and employment floorspace has a real impact upon the marketing of the Vale of Glamorgan as a location to invest.

2.10.6 Enquiries from existing and new businesses in high value-added and emerging industry sectors such as life sciences, creative, AI, fintech, cyber and others need certainty of delivery in order that they can compete in their fast-moving sector. If the Vale of Glamorgan, or more generally CCR, is not able to provide the core property offer with certainty of delivery these enquiries will focus their interest elsewhere, whether other university cities in the UK or international competitor locations.

3 EMPLOYMENT PROPERTY MARKET OVERVIEW

3.1 Overview

3.1.1 There is a lack of development of new Grade A accommodation in both the office and industrial markets and the consequent lack of modern floorspace is, arguably, a structural weakness of the economy of south-east Wales. The only part of CCR that has a fully functioning development programme of employment floorspace is central Cardiff where a pipeline of new private sector office schemes here has seen more than 1.5 million sq ft of offices developed. See Appendix 1. However, even this development programme came to an abrupt halt with changes in working practices arising from the Covid pandemic and increased construction costs in recent years.

3.2 Office Property Market

3.2.1 The Vale of Glamorgan is not a recognised office location when compared to Cardiff city centre and out of town business parks along the M4 corridor. There is, however, the potential for demand from operational administrative headquarters or depots for the public sector, utility companies or private sector. A more detailed analysis is attached as Appendix 1: Cardiff office market – general commentary.

3.2.2 Across Wales, we have seen a growth in serviced offices and co-working space alongside a growth in innovation centres. There is demand across Cardiff Capital Region, both from operators and occupiers for smaller suites in an incubation centre or serviced business centre. This accommodation provides new and emerging businesses with ‘easy in easy out’ accommodation on flexible terms. Technology and a growing sense of entrepreneurialism in the region has provided a boost to this type of demand. Again, this is discussed in Appendix 1.

3.3 Industrial Property Market

3.3.1 There is now an increased focus upon the industrial market with the scheme by Indurent (formerly St Modwen) in Newport illustrating the strength in this market, see Appendix 2.

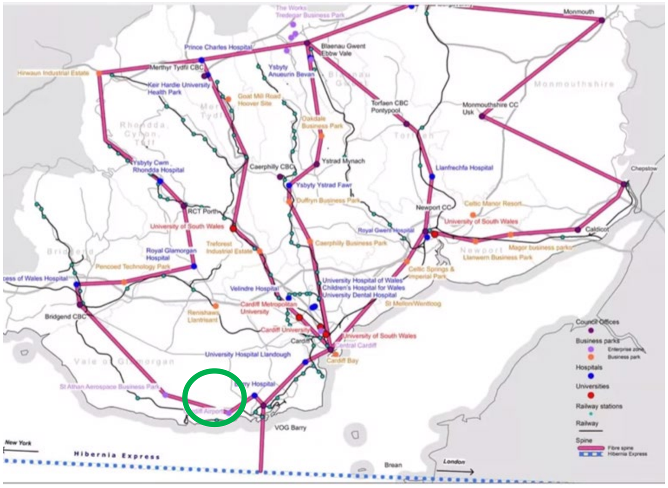
3.3.2 The M4 corridor in south-east Wales is the prime industrial and logistics market in South Wales and the location where there has been investment in related sectors such as trade counter, self-storage, life sciences, creative, data and energy. The pandemic gave a boost to the urban logistics sector and, overall, there has been a growth in rental and capital values. In today’s industrial and logistics market, many enquiries come from the logistics and manufacturing sectors with increased activity also in data and energy:

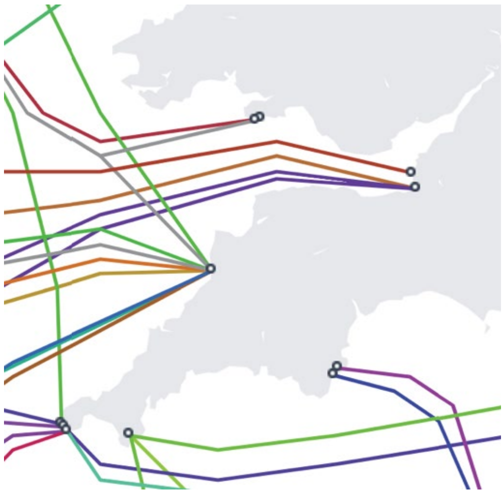
3.3.3 **Logistics** – there is a greater propensity to develop new facilities within this sector due the specialist requirements of logistics companies or e-commerce businesses, driven by the ‘just in time’ economy (eaves height, cross-dock loading etc). However, Rhoose is less of a logistics location being 40 minutes’ drive from the M4, although there is clear potential for airfreight connected activity as illustrated by the recent announcement by British company European Cargo to open a base at Cardiff Airport.

3.3.4 **Manufacturing** – there is a small but steady flow of FDI enquiries. In recent years, large manufacturing enquiries include a 500,000 sq ft papermill enquiry, 3no. modular building enquiries, a business dealing in composite materials, several automotive component manufacturers, battery technology plants and furniture manufacturers.

3.3.5 **Data** – data centres require a power supply of scale and strong digital connectivity. At Rhoose, there an opportunity to connect to the transatlantic cables, some of which land in Gower. See Figures 3.1 and 3.2 illustrating the fibre spines of south east Wales and links into the transatlantic cables. The connector across the Bristol Channel makes the southern edge of the Vale of Glamorgan an attractive location.

Figures 3.1 and 3.2: Plans illustrating fibre-spines in Cardiff Capital Region and the Bristol Channel connector to North Devon transatlantic cables





3.3.6 Microsoft has acquired the 40-acre Quinn site, Imperial Park at £875,000 per acre and has expressed interest previously in a similar sized plot at Brocastle. Vantage Data Centers acquired the 60-acre Ford factory in Waterton, Bridgend whilst a 41 acre site at Rover Way is the subject of a planning application for battery storage with a minimum capacity of 1,000 MW and a 'Latos' data centre comprising 8 floors with 50,00 sq m (542,000 sq ft) of floorspace and rated 'hyper-scale' meaning 10,000KW and above. There are several live requirements in this sector at present.

3.3.7 **Energy** – the energy sector is dynamic, and it is difficult to be prescriptive in terms of what types of projects are likely to be forthcoming. An open and flexible stance is required and the constraints of the Grid fully explored. There may be direct energy production or the production of power for others of battery storage like Rover Way (see above).

3.3.8 **Other uses** – the nature of large sites is that they can attract an unusual mix of requirements including educational, institutional, Government, leisure and corporate. In the past decade we have seen large scale requirements ranging from traditional manufacturing projects such as an engine plant for JLR (went to Telford), a Gigafactory (went to Bridgwater) through to a super-prison, campus for South Wales Police and private college.

3.3.9 An open mind should be taken on potential future uses with a quality threshold used when such enquiries are received within the authorised land uses.

3.3.10 A detailed industrial property market overview is attached as **Appendix 2: South Wales industrial property market – general commentary**. It is, however, worth highlighting two projects from elsewhere in CCR which illustrate what is needed in the city to retain existing projects and attract new and expanding businesses.

3.3.11 **CCR Case Study A:** at Indurent Park, Llanwern, Newport, developer St Modwen has 100 acres allocated for employment with over 500,000 sq ft of high-bay Grade A industrial units already developed. Rents have moved from £5.50 psf in 2016 to £8.75 psf with units currently under offer at up to £9.75 psf. To date, occupiers have been attracted from the aviation, automotive, rail, chemicals, energy and data sectors.

3.3.12 **CCR Case Study B:** at Brocastle, Bridgend, a greenfield site of 130 acres have been serviced and brought forward for development by Welsh Government with a 'near miss' FDI project (Ineos Grenadier) first identified but now interest from creative, manufacturing and data.

Figures 3.3 and 3.4: Examples of high-quality industrial premises and land available elsewhere in Cardiff Capital Region – Indurent Park (formerly St Modwen Park), Newport and Brocastle, Bridgend

3.3.13 The lack of new or replacement buildings has led to an ageing stock of existing buildings with, for example, less than 10% of available industrial premises being classified as Grade A. The lack of new and modern stock will have a material impact upon Wales' prospects of attracting, or indeed, retaining our new and emerging industries.

3.3.14 There is a lack of new and modern floorspace across most sectors of the office and industrial market and unless this is addressed it will become a structural weakness of the Wales property offer. Our analysis shows a relatively low supply of modern stock in most categories analysed.

3.4 Overview of existing employment site provision in CCR

3.4.1 Currently, the impression is that there are several employment sites which are lacking in investment in terms of site preparation, remediation, utilities and implementable planning consents. We have reviewed LDPs for each of the ten local authorities in CCR and set out below a summary of the employment site provision (10 acres +) across the region. In addition, we have provided a desk-top impression on site readiness and site attractiveness.

3.4.2 The data has been collected from LDPs. The site information includes gross areas, and the net developable area is likely to be significantly smaller. We have not carried out inspections of each site listed, and, from our background knowledge, we have included A/B/C ranking for both site readiness and site attractiveness.

3.4.3 This data should not be relied upon, rather, it intends to provide a broad indication of the lack of readiness of employment sites and the market perception of these.

Table 3.1: Summary of CCR LDP employment site provision.

	Site	Size		Planning Use	Site Readiness (A/B/C)	Site Attractiveness (A/B/C)
		Acres	Hectares			
Blaenau Gwent	Rhyd-y-Blew	32.62	13.2	B1, B2	A	B
	Bryn Serth, Ebbw Vale	24.71	10.0	B1, B2, B8	B	B
	Land at Waun-y-Pound	11.37	4.6	B1, B2, B8	B	B
Brid gen	Brocastle, Waterton, Bridgend	80	32	B1, B2, B8	A	A
	Pencoed Technology Park	5	2.0	B1, B2, B8	B	A
Ca rdi	South of St Mellons Strategic employment site Business Park	108.73	44	N/A	C	A

Caerphilly	Land at Heads of the Valleys	12.85	5.2	B1, B2, B8	C	C
	Ty Du, Nelson	15	6.1	B1	C	A
	Plateau 1, Oakdale Business Park	74.63	30.2	B1, B2, B8	B	B
	Plateau 2, Oakdale Business Park	17.30	7	B1, B2, B8	B	B
	Plateau 4, Oakdale Business Park	10.62	4.3	B1, B2, B8	B	B
M Tydfil	Goatmill Road	24.66	9.98	B1, B2, B8	B	B
	Ffos-y-Fran	27.73	11.22	B1, B2, B8	C	C
	Rhydycar	11.49	4.65	B1	B	B
Mon	Quay Point, Magor	19.6	7.93	B1, B2, B8	C	A
	Gwent Europark, Magor	13.3	5.30	B8	C	A
Newport	Duffryn	18	7.2	B1, B2, B8	C	A
	East of Q. Meadows, South of Glan Llyn	66.71	27	B1, B2, B8	C	B
	Celtic Springs	7	3	B1	A	A
	Solutia	106.26	43	B1, B2, B8	C	B
	Gwent Europark	39.54	16	B8	C	A
	Indurent Park (Llanwern)	20	8.1	B1, B2, B8	A	A
RCT & Torfaen	Ferndale and Highfields Industrial Estate, Maerdy	20.71	8.38	B1, B2, B8	B	C
	Fifth Avenue, Hirwaun Industrial Estate	10.30	4.17	B1, B2, B8	B	C
	Coed Ely, Tonyrefail	35	14.16	B1, B2, B8	B	B
	Ex-Tower Colliery	45	18	Not allocated	C	C
	Kays and Kears, Blaenavon	14.83	6	B1, B2, B8	C	C
	Craig Y Felin, Cwmbran	51.89	21	B1, B2, B8 and others	C	A
	Ty Coch, Cwmbran	34.59	14	B1, B2, B8 and others	C	B
	Land adjacent to Cardiff Airport	80	32.3	B1, B2, B8	C	B
	Aerospace Business Park, St Athan Rhoose	50	20.24	Aerospace, Business Park, Employment & education	C	B
	Land at Ffordd y Mileniwm	21.99	8.9	B1, B2, B8	C	A
	Hayes Road, Sully	18.53	7.5	B1, B8	C	B
	Vale Business Park	30.64	12.4	B1, B2, B8	B	B

Site Readiness definitions: A: fully serviced and ready for development; B: part-serviced; C: no infrastructure or servicing in place. For readiness only two sites are graded A.

Site Attractiveness definitions: A: prime; B: secondary or fringe location; C: weaker market perception

Note: this is a desktop exercise and is meant to inform the debate regarding the availability of sites in the region that are ready for immediate development. This information should not be relied upon for the taking of decisions with respect to the identified sites. It is also worth noting that the classification of sites varies significantly between the various LDPs in the Cardiff Capital Region.

4 ‘PARC BUSNES PORTH CYMRU’ OPPORTUNITY

4.1 Overview

4.1.1 A modern economy requires first class communications, and the airport provides part of this infrastructure network. The proposal for a business park adjacent to Cardiff Airport provides a clear opportunity to link economic development with key infrastructure, target sectors and strategic hubs.

Figure 4.1: Location Plan – Model Farm, Rhoose, Vale of Glamorgan, adjacent to Cardiff Airport

4.1.2 In many cities in the UK and internationally, the second business hub of the city region is located around the airport. This is simply not the case in CCR with only British Airways Maintenance Company (BAMC) providing any significant business footprint in this location.

4.1.3 The subject site provides an opportunity to create a new employment location of scale, with proximity to the airport and accessible to the wider Cardiff Capital Region. There is a lack of Grade A employment floorspace in the B1, B2 & B8 markets and a lack of readily developable employment sites. This is now a structural weakness of the Welsh economy.

4.1.4 Model Farm is a major project that can transform the approach to Cardiff airport and associated Enterprise Zone. The opportunity is there for increased Maintenance, Repair and Operations (MRO) activity at the airport and the site can complement any such new activity.

4.1.5 With the appropriate investment in site preparation and infrastructure this can be an attractive strategic employment site and act as a focus for investment and employment. The acquisition of the Aberthaw coal fired power station site by CCR City Deal will bring a renewed public sector focus to this part of the Vale of Glamorgan which can only benefit the subject site.

4.1.6 Development sites of the scale of Model Farm are difficult to procure and deliver, requiring a significant amount of investment in infrastructure. However, the Brocastle site shows how investment in infrastructure can be well rewarded with three projects chasing the site now that the infrastructure is in.

4.2 Benefits

Construction Impacts

4.2.1 This section considers the economic impacts arising from the construction of the development proposal. This is considered separately to the operational phase impacts given the time-limited nature of the construction and engineering works.

4.2.2 Consideration is also given to economic impacts arising from the construction of the proposed development following adjustment to account for current market conditions (“market adjustment”).

4.2.3 Economic impacts will be felt through the employment of labour, purchase of materials, and the expenditure of workers and businesses in the local area.

4.2.4 All impacts are based on currently available information with any assumptions stated and sourced. The assessment of economic impact can be refined as detailed design work is undertaken. The figures quoted are therefore set out as indicative.

4.2.5 It is estimated the development will generate the capacity to support an annual average of 60–90 person-years of employment for the Vale of Glamorgan. This in turn could support £2.3 million–£3.5 million in wages and £4.3 million–£6.6 million GVA annually for the estimated 10-year construction phase. With the market adjustment, this equates to £1.7 million–£2.9 million in wages and £3.2 million–£5.3 million GVA annually for the estimated 10-year construction phase (HJA 2024).

Operational Impacts

4.2.6 This section considers the economic impacts arising from the on-going operation of the development proposal. There will be a range of direct on-site impacts including jobs, wages, and GVA arising from activities taking place within the employment premises delivered as part of the development proposal.

4.2.7 It is estimated the development will create capacity to accommodate around 3,200 net additional FTE jobs for the Vale of Glamorgan, supporting approximately £110 million in net additional wages and £140 million – £200 million in net additional GVA (HJA 2024).

5 VIABILITY

5.1 Introduction

5.1.1 This section of the report provides an overview of the site characteristics and mitigation measures that impact upon the viability of the site.

5.2 Physical Constraints and Mitigation

5.2.1 From the northeast at 70m AOD the site falls to between 50 and 55m on the southern boundary of the site. The site comprises irregular shaped arable and pasture fields bounded by predominantly low hedgerows with occasional hedgerow trees. There are blocks of small woodland and small wooded valleys of Whitelands Brook and Bullhouse Brook to the south running down to Porthkerry Country Park.

5.2.2 The minor watercourses follow the topography of the site to converge and flow towards the southeast of the site area, and eventually discharge beneath a railway viaduct, located off the south-east corner of the site. Major watercourses within the study area reflect the topography of the surrounding landscape. Most of the major watercourses flow southwest towards Llancatal and Burton, before converging on the western edge of the study area and eventually discharging into the Bristol Channel.

5.2.3 The site lies on heavily improved agricultural land divided by managed hedgerows. Field boundaries are generally formed from mature hedgerows often with trees

5.2.4 There are no high voltage overhead power lines across the site. There are several existing utilities associated with the site including electricity, gas and foul drainage.

5.2.5 Green infrastructure has been designed into PBPC through the incorporation of existing semi-natural features and provision of new green space in a network of connected features within and adjoining the scheme.

- Retention of existing landscape features which contribute to the local character of the area.
- Protection of Whitelands Brook corridor adjoining the eastern site boundary.
- Incorporation of much of the existing hedgerow network and landscape buffers into the scheme layout.
- Provision of functional greenspace of biodiversity value as part of the SUDS scheme (swales, attenuation areas and ditches).
- Off-site native woodland and scrub planting.
- Links to public rights of way through high quality green space.
- Connection to existing cycleway.

5.2.6 It is proposed that the surface water runoff from the site will mimic the pre-development conditions and is discharged to the Bullhouse Brook and Whitelands Brook which are in lower areas to the southeast of the site. Surface water from the development will be treated and controlled at source wherever possible and then directed to the existing watercourses via new outfalls utilising a variety of sustainable drainage measures. Surface water runoff from impermeable surfaces will be restricted to existing greenfield runoff rates through the provision of end of pipe filtration/detention basins and low-tech complex control chambers (SuDS Site Control Structures).

5.2.7 Green swales will be designed in accordance with best practice, including as set out in the SUDS Manual. The overall design principle for conveyance swales is that they are relatively broad, shallow vegetated channels with a base width of 1 m and minimum of 1 in 3 side slopes.

5.2.8 The site is not affected by any floodplain designation (source: Natural Resources Wales website).

5.2.9 The Port Road and A4226 roundabout will be repositioned and enlarged with a fourth arm added to optimise the capacity for vehicle movements accessing the site. The southern access will be a simple priority junction which connects to the unnamed road that serves the Holiday Inn Express.

5.3 Planning Obligations

5.3.1 PBPC is a major development, but it isn't a particularly sensitive site. Site specific or contextual constraints are considered when considering planning obligations.

5.3.2 Planning contributions may include In Kind Contributions (the developer carries out required works directly) and On Site / Off Site Financial Contributions. The developer contributes financially towards the provision of measures that would mitigate the detrimental impacts of development such as improved public transport, pedestrian access and traffic calming measures.

5.3.3 Reduced planning obligations can be justified on the grounds of development viability where there is sufficient planning merit weighing in favour of the development, such as:

1. The delivery of a strategically important development site in the context of the LDP and;
2. There are unusual or extraordinary site constraints affecting viability that must be overcome for the site to be developed, and the development would be in the wider public interest.

5.3.4 In considering how planning obligations will be prioritised, the Council will consider the specific Essential Infrastructure needs arising from the development e.g. transport infrastructure and services for pedestrians, cyclists, public transport and vehicular traffic; service and utilities infrastructure; ecological mitigation and flood prevention.

5.4 Economic Viability

5.4.1 There are few first-class strategic sites of this nature that can underpin Wales' inward investment efforts to attract or retain mobile projects, particularly in 'value added' sectors. A consented scheme would allow the site to be formally marketed and to have a more realistic chance of attracting such investment.

5.4.2 Market demand for employment sites and premises can be volatile, reflecting wider macro-economic factors and dynamic changes within core industries and sectors. However, there is a clear opportunity for the subject site to fulfil the aviation / aerospace and advanced manufacturing objectives of the Enterprise Zone.

5.4.3 In addition, those industries needing a 'just in time' service offered by the airport – including air freight logistics, and those industries producing time sensitive goods such as the life sciences sector. Finally, we see the opportunity to generate demand from the local B1 office market as well as the sub-regional business.

5.4.4 The appraisal of development viability indicates a shortfall, reflecting the significant infrastructure costs associated with developing a large site of this nature. In an economy where change is a constant and where the change process is also speeding up, long term property development decisions can sometimes be exposed by the dynamics of the market.

5.4.5 This is a site of scale which, with the appropriate investment in site preparation and infrastructure can be an attractive strategic site and act as a focus for growth. There are few international class sites of this nature that can underpin Wales' inward investment efforts to attract or retain mobile projects, particularly in value added sectors.

5.4.6 Attached as Appendix 3 is a Development Appraisal dated 13 November 2024 prepared on ARGUS Developer software version 8.00.000. The appraisal assumes a fixed land price of £2.0 million and £10.426 million allocated for ground works, utilities and road works.

5.4.7 **Viability assumptions** – for the purposes of preparing the viability appraisal attached as Appendix 3, we have made the following assumptions:

Table 5.1: Viability Assumptions

Viability assumptions:		
General	• Assumes single letting agent @ 10% fee • Sales agent fee (investment sale) 1% • 5% letting legal fee • 0.5% sale legal fee • 'Professional fees' – 5% includes planning fees • Contingency 1% • Development finance 5%	• Welsh LTT • Plot 1 & 2 concurrent timing • Plot 4 & 5 concurrent • Plot 6 & 7 concurrent • Where phases are not concurrent, the following phase commences at end of construction period for previous phase
Plot 1	• Single tenant • £24psf • 12 months' Rent Free (RF) • £225 psf build cost • 10-year lease – no break • Assumes pre-let	• 8.5% Net Initial Yield (NIY) • Freehold • 6-month preconstruction • 18-month construction • Pre letting • 6 months to sell investment
Plot 2	• 14 units • 3,800 sq ft units • 3 months RF • £110 psf build cost • £9.50 psf rent • 10-year term	• 6% NIY • Freehold • 15-month construction • 3 months to let (average) • Lettings start 6 months prior to completion • 6 months to sell investment
Plot 3	• 20 units • 2,500 sq ft units (some could be doubled or quadrupled to create larger units) • 3 months RF • £110 psf build cost • £9.50 psf rent	• 10-year term • 6% NIY • Freehold • 15-month construction • Lettings start 6 months prior to completion • 6 months to sell investment
Plot 4	• 1 unit • 130,000 sq ft • 6 months RF • £100 psf build cost • £8.00 psf rent	• 6.25% NIY • 15-month construction • 3 months to let (average) • 6 months to sell investment
Plot 5	• 1 unit • 72,500 sq ft • 6 months RF • £100 psf build cost • £8.00 psf rent	• 6.25% NIY • 15-month construction • 3 months to let (average) • 6 months to sell investment
Plot 6	• 1 unit (HQ / Research) • 124,000 sq ft • 6 months RF • £110 psf build cost • £8.50 psf rent	• 6% NIY • 18-month construction • 3 months to let (average) • 6 months to sell investment
Plot 7	• 1 unit (HQ / Research) • 165,000 sq ft • 6 months RF • £110 psf build cost • £8.50 psf rent	• 6.5% NIY • 18-month construction • 3 months to let (average) • 6 months to sell investment
Plot 8	• 3,000 sq ft units (some could be doubled or quadrupled to create larger units) • 3 months RF • £110 psf build cost • £9.00 psf rent	• 6 months to sell investment 10-year term • 6.5% NIY • Freehold • 24-month construction • Lettings start 12 months before completion
Plot 9	• 3,000 sq ft units (some could be doubled or quadrupled to create larger units) • 3 months RF • £110 psf build cost • £9.00 psf rent • 10-year term	• 6.5% NIY • Freehold • 24-month construction • Lettings start 12 months before completion and last 18 months • 6 months to sell investment
Plot 10	• 1 unit (Distribution) • 165,000 sq ft • 6 months RF • £100 psf build cost • £8.50 psf rent	• 6% NIY • 15-month construction • Pre let • 6 months to sell investment
Plot 11	• 1 unit (Distribution) • 72,500 sq ft • 6 months RF • £100 psf build cost • £8.50 psf rent	• 6% NIY • 15-month construction • Pre let • 6 months to sell investment

Plot 12	• 1 unit (Distribution) • 186,000 sq ft • 6 months RF • £100 psf build cost • £8.50 psf rent	• 6% NIY • 15-month construction • Pre let • 6 months to sell investment

5.4.8 We have prepared our appraisal assuming an eight-year marketing period and note this leads to a loss of - £6.86 million based upon total costs in the order of £183.29 million. The appraisal does not include any allowance for planning obligations which would increase the loss. As set out previously, measures to mitigate the impact of the development have been included in the masterplan for PBPC. The appraisal does however include the essential infrastructure to bring PBPC forward to accommodate the jobs set out.

5.4.9 Whilst this appraisal illustrates a loss, the following factors should be considered:

- We have included a book value of £2.0 million.
- The gap would be narrowed if we assumed freehold sales to owner occupiers (who may pay a premium price).
- The gap would be narrowed if we factored in rental growth over the development period.
- Projects of this scale are usually enabled by public sector funded enabling works (e.g., Brocastle, Aberthaw, Bro Tathan).
- We have ignored any premium land value potentially payable by a high value-added user (e.g., there is evidence of data centre operators paying £875k per acre elsewhere in South Wales).

5.4.10 We have not adopted the above extraordinary items to ensure we take a prudent approach to viability.

5.4.11 In summary, this is a major project that can transform the approach to Cardiff Airport and can provide a critical mass of employment floorspace in this location. The attached appraisal illustrates the challenge of delivering a major project of this nature and marginal returns for a scheme of this type. As highlighted above, employment sites of scale are usually brought forward in conjunction by, or with, the public sector and nearby examples include Bro Tathan, Aberthaw (former power station) and Brocastle where a £10 million package of groundworks was placed in 2021 by Welsh Government.

5.4.12 This is a site of scale which, with the appropriate investment in site preparation and infrastructure, can be an attractive strategic site and act as a focus for growth.

5.4.13 There are few international class strategic sites of this nature that can underpin Wales' inward investment efforts to attract or retain mobile projects, particularly in value added sectors. A consented scheme would allow the site to be formally marketed and to have a realistic chance of attracting such investment.

APPENDIX 1: CARDIFF OFFICE MARKET – GENERAL COMMENTARY

Since the mid-2000s, there has been a shift of office activity to the city centre of Cardiff with reduced activity in the regions and out-of-town. The focal point has been central Cardiff and the 210,000 sq ft pre-let to Admiral Insurance was followed by pre-lets including the 150,000 sq ft BBC Headquarters and 266,000 sq ft HMRC hub at Rightacres' Capital Square. The part-completed 110,000 sq ft John Street development by JR Smart is the only scheme in construction.

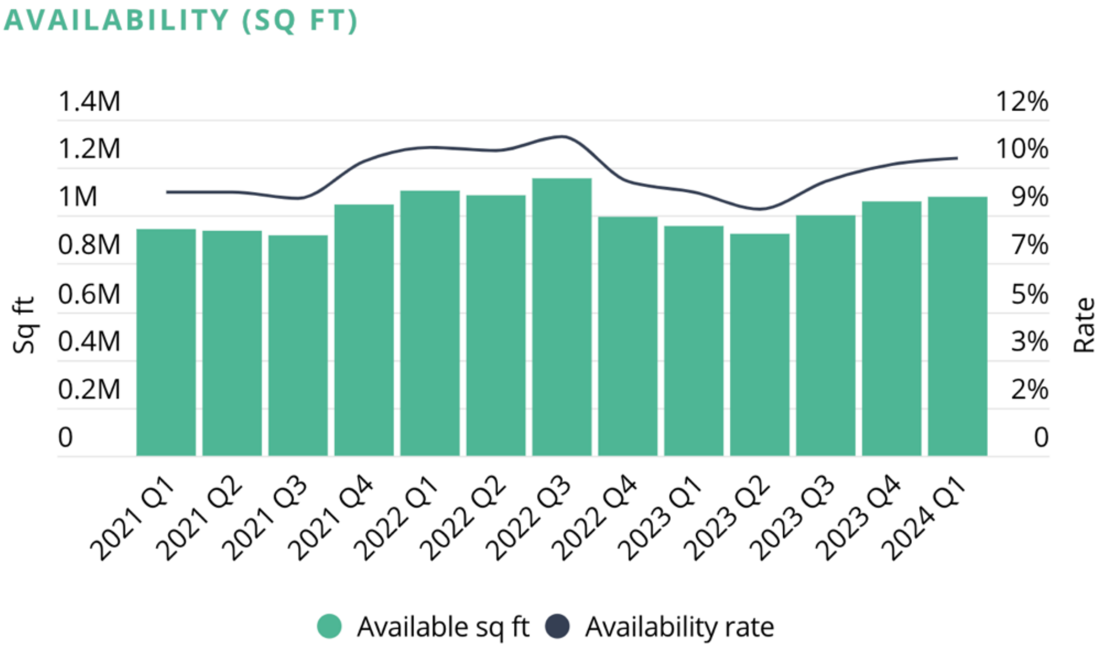
Prime rents have moved to £25 per sq ft in central Cardiff which made development viable, although in the last three years there has been construction cost price inflation to contend with. With Grade A floorspace in Bristol now commanding c.£40 per sq ft there is a push by developers and investors to nudge Grade A rents higher.

Demand for offices – demand is currently under review by businesses and public sector organisations following the pandemic, as firms await to see how embedded the **'remote working'** model will become. In addition, **changing technology** means less floorspace is generally required and modern buildings must offer quality standards in terms of connectivity, trunking, air conditioning, floorplate size and sustainability

Out of town - during the 2000s, there was a trend of on out-of-town business park developments. Macob, Charnwood, JR Smart, Robert Hitchins, Rightacres, WCR Property, Dovey, PMH and Liberty developed close to one million sq ft of out-of-town office space during this period.

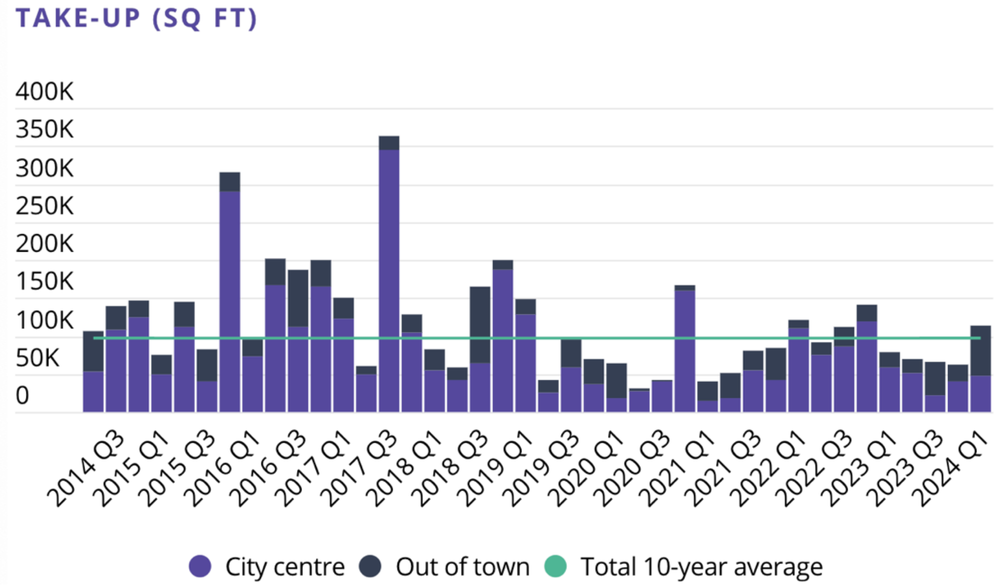
There has been a rise in the availability of offices in Cardiff with a current (May 2024) availability rate of 10.6% of built stock. However, premium Grade A floorspace remains undersupplied with Grade A availability being 3.7%.

Cardiff office market – supply (source: Avison Young / CoStar)



In Q1, 2024, take-up of Cardiff offices totalled 113,501 sq ft but skewed by the freehold acquisition of the 51,000 sq ft Centre 7 office building at Cardiff Gate by Welsh Government for semi-con innovation space. Overall, take-up post-Covid has been around 250-300k sq ft pa compared to the pre-Covid average of 500k sq ft pa. As illustrated above, the changes in working practices arising from both technology and post-pandemic 'working from home' have led to a decrease in take-up. This has combined with higher interest rates and increased construction cost price inflation to impact upon developer confidence leading to a reduced development pipeline.

Cardiff office market take-up by quarter (source: Avison Young / CoStar)



Co-working and innovation space

We have seen a growth in serviced offices and co-working space alongside a growth in innovation centres. The front cover image of Tramshed Tech's floorspace at One Central Square is at the top end of this

Serviced offices / co-working space – there is demand both from operators and occupiers for smaller suites in an incubation centre or serviced business centre. This accommodation provides new and emerging businesses with 'easy in easy out' accommodation on flexible terms. Technology and a growing sense of entrepreneurialism in the region has provided a boost to this type of demand. Across CCR we see operators such as Indycube, Town Square Spaces, Tramshed and ICE. There are other private sector operators of more traditional serviced space such as Rombourne, Regus, Cygnet, JR Business Centres however these are usually property led as these operators seek to own the freehold.

Innovation centres in Wales are often run by the public sector or academia including USW Start-Up Stiwdios and Springboard (Torfaen Council). There are also sector specific centres including:

- GloWorks Cardiff Bay (Creative),
- Cardiff Medi-Centre Cardiff (joint venture Cardiff Uni and Cardiff & Vale University Health Board)
- Life Sciences Hub Wales Cardiff Bay (Life Sciences)
- RBS Entrepreneurial Spark Cardiff Central Square
- Wesley Clover Innovation Centre in Newport (Alacrity Foundation)

APPENDIX 2: SOUTH WALES INDUSTRIAL MARKET – GENERAL COMMENTARY

The industrial property market in south Wales has improved over the past decade, reflecting a growth in logistics, some post-Brexit reshoring of production and increased investment in energy, renewables, and other capital-intensive industrial processes.

There are no take-up figures for industrial floorspace in Cardiff, but the industrial take-up figures collected by the Industrial Agency Society for the whole of South Wales record broadly level take up rates:

Q3 2022	857,982 sq ft	53 transactions
Q4 2022	673,916 sq ft	66 transactions
Q1 2023	1,097,655 sq ft	71 transactions
Q2 2023	493,906 sq ft	65 transactions
Q3 2023	1,111,497 sq ft	90 transactions
Q4 2024	881,834 sq ft	69 transactions
Q1 2024	611,209 sq ft	72 transactions
Q2 2024	2,439,373 sq ft	48 transactions
Q3 2024	582,982 sq ft	69 transactions

Notable industrial projects in Cardiff Capital Region include:

1. **Quinn Radiators**

   Microsoft will redevelop this one million sq ft factory on 40 acres into a 750,000 sq ft photon data centre. The price, £35m (£875k per acre), reflects data connectivity and proposed upgrade to power supply. Nearby, NGD/Vantage acquired 6 acres in 2023 for £420k per acre.

2. **Vantage Data Centers, Celtic Springs, Newport**

   Next Generation Data was acquired by Vantage Data Centres. They have acquired 6 acres being the southern half of a larger site owned by Dick Lovett car dealership at Celtic Springs for £420,000 per acre.

3. SPTS, Imperial Park, Newport

In September 2022, SPTS Technologies, a subsidiary of US group KLA Corporation, acquired Plots 1 & 5 Imperial Park from Welsh Government totalling 22 acres for c. £250,000 per acre. A new 210,000 sq ft advanced manufacturing unit is under construction for semiconductor supply chain.

4. Brocastle

Brochure link here. The site was under offer to Ineos Grenadier before they dropped out to acquire an existing car plant in France. Quoting £225,000 per acre with previous interest from a data project and a local manufacturer.

Brocastle, Bridgend – sites available quoting £225k per acre with interest expressed at higher levels

5. **Indurent Park (formerly St Modwen Park), Newport**

Brochure link here. Over 500,000 sq ft of new industrial floorspace developed by St Modwen for lease only with the latest quoting rents at £8.00 - £9.00 per sq ft.

Q4/2021	Unit 3	101,252 sq ft	let to Genpower at £6.17 psf.
Q1/2022	Unit 2	29,635 sq ft	let to Mitel Networks at £6.50 psf.
Q1/2023	Unit 5	16,588 sq ft	let to Ureka Global at £8.09 psf.
Q4/2023	Unit 6	23,766 sq ft	let to Solus (London) Ltd at £8.50 psf.
Q4/2023	Unit 9	52,240 sq ft	let to JLI Trading Ltd at £8.75 psf.
Q2/2024	Unit 8	116,589 sq ft	let to Aerfin Ltd (aviation parts) at £8.75 psf
Q2/2024	Unit 7	43,487 sq ft	under offer to Microsoft at £9.75 psf

Indurent Park, Llanwern, Newport – 100-acre employment allocation with over 500,000 sq ft of speculative industrial units constructed to date. The initial phases (2016) were let at £5.50 per sq ft but now quoting rents are £9.75 per sq ft.

6. **Former Ford Engine Plant, Bridgend**

Acquired by Vantage Data Centers, this complex provided circa 2 million sq ft of accommodation built in the late 1970s and early 1980s on a site of circa 120 acres.

7. **Pencoed Technology Park**

Brochure link here. Junction 36 of M4 and adjacent to Sony's 800k sq ft plant. There is Reneuron and Ortho-Clinical Diagnostics (Johnson & Johnson company). The land deals are at £150,000 per acre, Knight Frank suggested that they could secure £200k per acre but Welsh Government have been focussed upon outcomes in terms of spec development rather than forcing the pace with sales to owner occupiers. A site was sold to FABCO Holdings Limited at £150,000 per acre for the development of 18 starter units, all sold at £150 per sq ft capital value.

Felindre Court, Pencoed – CGI of 18 units of 1,335 sq ft each, all sold in 2023 for £150 per sq ft.

The following mainly industrial schemes have been built in the past four years by local authorities:

- **Whitebeam Court, Ty Du Business Park, Nelson, Caerphilly** – a development By Caerphilly County Borough Council of 12 No. units in 4 blocks of three units each all let at circa £7.50 per sq ft. The design is anticipated to be rated BREEAM Excellent, and the agents report good interest levels. The scheme was backed by £1.3 million from the European Regional Development Fund.

- **New units, The Lawns Industrial Estate, Rhymney** – developed by Caerphilly Council on an in-fill site, the scheme is again funded by the ERDF. Completed in Q4, 2020, the Council reports strong interest. The scheme comprises 15 No. units – 8 x 50 sq m, 4 x 75 sq m and 3 x 98 sq m.

- **Lime Avenue, The Works, Ebbw Vale** – developed by Blaenau Gwent Council, Units 5-8 (4 units totalling 11,048 sq ft) recently released, these B1 hybrid units are consented for use classes B1 & B8. Rents of £6.50 per sq ft were achieved however the rents were not pushed as the local authority was focused upon outcomes in terms of jobs.

- **Robertstown Industrial Estate, Aberdare** - RCT Council has developed 20 No. industrial and hybrid units at Robertstown Industrial Estate. This is part funded by the 'Connectivity and Urban Development Priority Fund' (ERDF) and match funded by RCT to increase employment and stimulate economic growth through investment. The 20 No. units total 23,727 sq ft (units from 969 sq ft – 1,595 sq ft) have an estimated completion date of Q4 2021. Quoting rents of £7.00 - £7.50 per sq ft.

Clockwise from top left: Whitebeam Court, Nelson; Lawns Industrial Estate, Rhymney; Robertstown Industrial Estate, Aberdare & Units 5-8 Lime Avenue, The Works, Ebbw Vale

APPENDIX 3: DEVELOPMENT APPRAISAL: KNIGHT FRANK LLP & SUTTON CONSULTING LIMTED

Cardiff Airport
Prepared on behalf of L&G

Development Appraisal
Knight Frank LLP
13 November 2024

Cardiff Airport
Prepared on behalf of L&G

Summary Appraisal for Merged Phases 1 2 3 4 5 6 7 8 9 10 11 12

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Office - 100,000 sq ft	1	100,000	24.00	2,400,000	2,400,000	2,400,000
Trade Counter Units - 14 no. 3,800 sq ft	14	53,200	9.50	36,100	505,400	505,400
Trade Counter Units - 20 no. 2,500 sq ft	20	50,000	9.50	23,750	475,000	475,000
Distribution Unit - 138,000 sq ft	1	130,000	7.50	975,000	975,000	975,000
Distribution Unit - 72,500 sq ft	1	72,500	8.00	580,000	580,000	580,000
R&D HQ Facility - 124,000 sq ft	1	124,000	8.50	1,054,000	1,054,000	1,054,000
R&D Facility - 165,000 sq ft	1	165,000	8.50	1,402,500	1,402,500	1,402,500
Multi-let industrial units - 50 no. 3,000 sq ft	50	150,000	9.00	27,000	1,350,000	1,350,000
Multi-let industrial units - 40 no. 3,000 sq ft	40	120,000	9.00	27,000	1,080,000	1,080,000
Distribution Unit - 72,500 sq ft	1	72,500	8.50	616,250	616,250	616,250
Distribution Unit - 78,700 sq ft	1	78,700	8.50	668,950	668,950	668,950
Distribution Unit - 186,000 sq ft	1	186,000	8.50	1,581,000	1,581,000	1,581,000
Totals	**132**	**1,301,900**			**12,688,100**	**12,688,100**

Investment Valuation

Office - 100,000 sq ft					
Market Rent	2,400,000	YP @	8.5000%	11.7647	
(1yr Rent Free)		PV 1yr @	8.5000%	0.9217	26,023,313
Trade Counter Units - 14 no. 3,800 sq ft					
Market Rent	505,400	YP @	6.0000%	16.6667	
(3mths Rent Free)		PV 3mths @	6.0000%	0.9855	8,301,518
Trade Counter Units - 20 no. 2,500 sq ft					
Market Rent	475,000	YP @	6.0000%	16.6667	
(3mths Rent Free)		PV 3mths @	6.0000%	0.9855	7,802,179
Distribution Unit - 138,000 sq ft					

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Market Rent	975,000	YP @	6.2500%	16.0000	
(6mths Rent Free)		PV 6mths @	6.2500%	0.9701	15,134,223
Distribution Unit - 72,500 sq ft					
Market Rent	580,000	YP @	6.2500%	16.0000	
(6mths Rent Free)		PV 6mths @	6.2500%	0.9701	9,002,922
R&D HQ Facility - 124,000 sq ft					
Market Rent	1,054,000	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	17,062,255
R&D Facility - 165,000 sq ft					
Market Rent	1,402,500	YP @	6.5000%	15.3846	
(6mths Rent Free)		PV 6mths @	6.5000%	0.9690	20,908,107
Multi-let industrial units - 50 no. 3,000 sq ft					
Market Rent	1,350,000	YP @	6.5000%	15.3846	
(3mths Rent Free)		PV 3mths @	6.5000%	0.9844	20,444,807
Multi-let industrial units - 40 no. 3,000 sq ft					
Market Rent	1,080,000	YP @	6.5000%	15.3846	
(3mths Rent Free)		PV 3mths @	6.5000%	0.9844	16,355,845
Distribution Unit - 72,500 sq ft					
Market Rent	616,250	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	9,975,915
Distribution Unit - 78,700 sq ft					
Market Rent	668,950	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	10,829,028
Distribution Unit - 186,000 sq ft					
Market Rent	1,581,000	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	25,593,382
					187,433,494
GROSS DEVELOPMENT VALUE				**187,433,494**	
Purchaser's Costs			(11,000,009)		
Effective Purchaser's Costs Rate		5.87%		(11,000,009)	
NET DEVELOPMENT VALUE				**176,433,485**	

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NET REALISATION				**176,433,485**
OUTLAY				
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Office - 100,000 sq ft	100,000	225.00	22,500,000	
Trade Counter Units - 14 no. 3,800 sq ft	53,200	110.00	5,852,000	
Trade Counter Units - 20 no. 2,500 sq ft	50,000	110.00	5,500,000	
Distribution Unit - 138,000 sq ft	130,000	100.00	13,000,000	
Distribution Unit - 72,500 sq ft	72,500	100.00	7,250,000	
R&D HQ Facility - 124,000 sq ft	124,000	110.00	13,640,000	
R&D Facility - 165,000 sq ft	165,000	110.00	18,150,000	
Multi-let industrial units - 50 no. 3,000 sq ft	150,000	110.00	16,500,000	
Multi-let industrial units - 40 no. 3,000 sq ft	120,000	110.00	13,200,000	
Distribution Unit - 72,500 sq ft	72,500	100.00	7,250,000	
Distribution Unit - 78,700 sq ft	78,700	100.00	7,870,000	
Distribution Unit - 186,000 sq ft	186,000	100.00	18,600,000	
Totals	**1,301,900**		**149,312,000**	**149,312,000**
Infrastructure (Road & Power)			12,426,703	
				12,426,703
PROFESSIONAL FEES				
Professional fees		5.00%	7,465,600	
				7,465,600
MARKETING & LETTING				
Letting Agent Fee		10.00%	1,268,810	
Letting Legal Fee		5.00%	634,405	
				1,903,215
DISPOSAL FEES				
Sales Agent Fee		1.00%	1,764,335	
Sales Legal Fee		0.50%	882,167	

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		2,646,502
FINANCE		
Debit Rate 5.000%, Credit Rate 0.000% (Nominal)		
Total Finance Cost		9,541,450
TOTAL COSTS		**183,295,471**
PROFIT		
		(6,861,985)
Performance Measures		
Profit on Cost%	(3.74)%	
Profit on GDV%	(3.66)%	
Profit on NDV%	(3.89)%	
Development Yield% (on Rent)	6.92%	
Equivalent Yield% (Nominal)	6.55%	
Equivalent Yield% (True)	6.83%	
IRR	1.56%	
Rent Cover	-6 mths	
Profit Erosion (finance rate 5.000)	N/A	