

DELIVERY REPORT

Parc Busnes Porth Cymru



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DELIVERY REPORT

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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 Chris Sutton, 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. RPS has submitted an outline planning application for a proposed 44.79ha business park on land at Port Road, Rhose, 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 offices, light industrial and warehousing and distribution units in a unique setting.

1.2 Location

- 1.2.1 The site falls 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. The site is also allocated within the Local Development Plan for employment uses under Strategic Policy SP2 and Development Management Policies MG9 and MG10.
- 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 is to 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 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 an estimated £67m to provide a site that is readily available for development to accommodate circa 2000 jobs.
- 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

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

2.2 National Development Framework

2.2.1 In August 2019, the draft National Development Framework was released for consultation by Welsh Government. This document noted that Cardiff Airport is ‘... an essential part of Wales’ strategic transport infrastructure. It is an international gateway, connecting Wales to the world, and is a key driver within the Welsh economy.’ ‘**Policy 32 – Cardiff Airport**’ of the draft framework states:

‘The Welsh Government supports the growth and development of Cardiff Airport.

Proposals to expand the capacity of the airport; to provide new and improved airport facilities and passenger services; and to improve transport links to the airport are supported. Improvements to accessibility are supported and should prioritise a modal shift from the private car to sustainable transport modes including public transport.

Development of land adjacent to Cardiff Airport which is part of the Enterprise Zone is supported where it supports the functions of the airport.

New development around the airport should be carefully managed to ensure future expansion and change at the airport is not constrained’.

2.3 Planning Policy Wales 10

2.3.1 Planning Policy Wales (PPW) was revised in 2018 to take account of the Well-Being of Future Generations (Wales) Act 2015. The Well-Being of Future Generations Act sets seven well-being goals that are intended to shape the work of all public bodies in Wales.

2.3.2 The primary objective of the latest version of PPW, set out at paragraph 1.2, is to ensure that:

“The planning system contributes to the delivery of sustainable development and improves the social, economic, environmental and cultural wellbeing of Wales, as required by the Planning (Wales) Act 2015, the Well-Being of Future Generations (Wales) Act 2015 (“the Well-Being Act”) and other key legislation”.

2.3.3 At Figure 4, PPW sets down five key sustainable placemaking outcomes against which development proposals should be assessed, in order 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.

2.3.4 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.

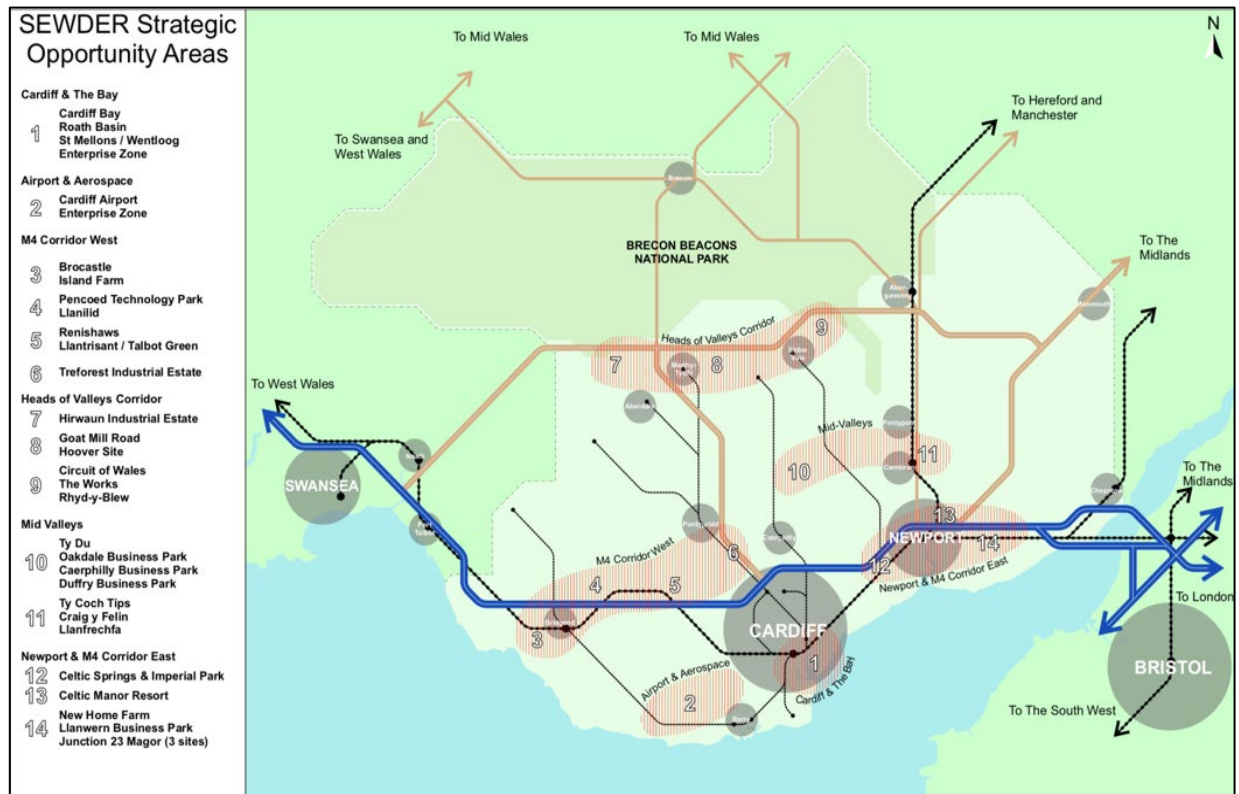
2.3.5 Section 5 of PPW is concerned with “Productive and Enterprising Places” - those which promote economic, social, environmental and cultural well-being by providing well connected employment and sustainable economic development. Key issues around the theme include ensuring that there is sufficient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

2.3.6 Paragraph 5.3.17 specifically acknowledges the importance of airports, identifying the important role they play in providing national and international connectivity for 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.

2.4 Cardiff Capital Region

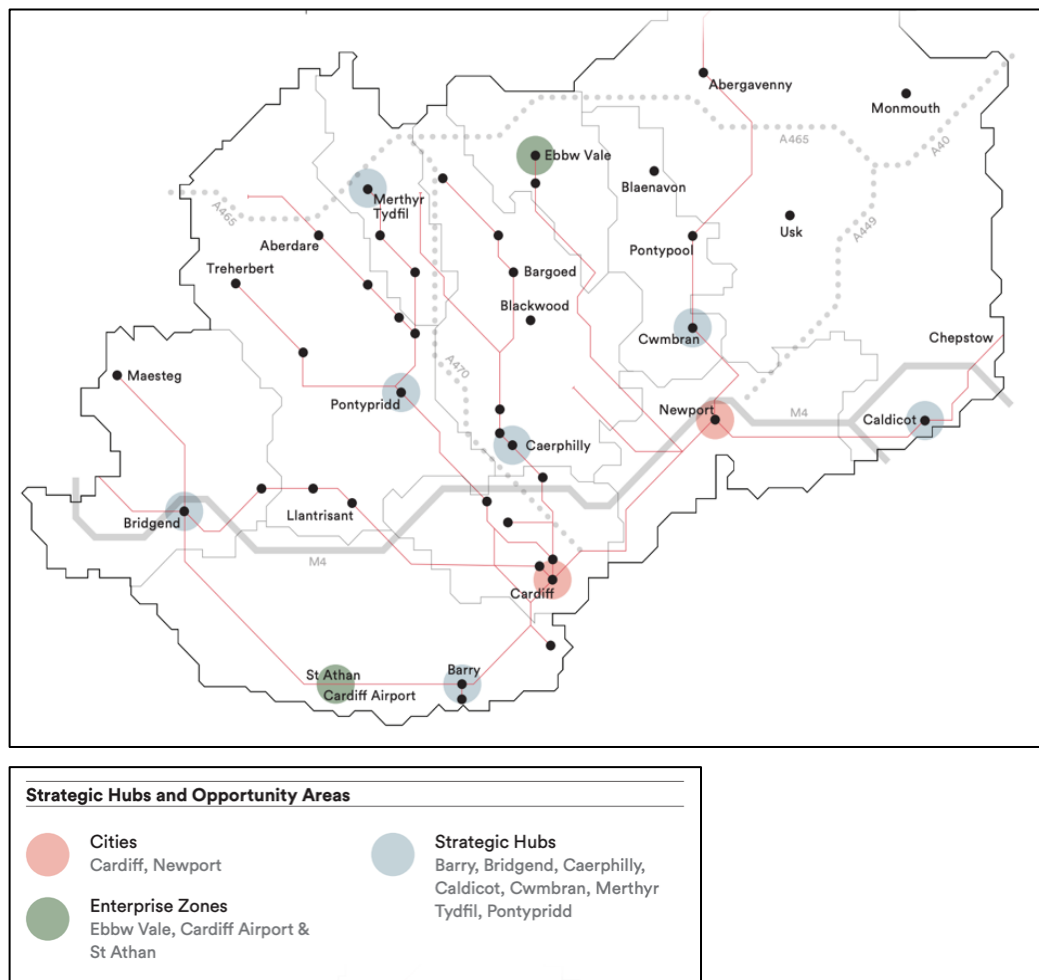
- 2.4.1 Cardiff Capital Region (CCR) comprises the ten local authorities in south-east Wales and has a total population close to 1.5 million people. The region is dominated by Cardiff, the capital city of Wales, which provides the administrative, commercial and cultural centre for the whole of Wales.
- 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 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. 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 to be determined by the Joint Cabinet, working with the independent Economic Growth Partnership.
- 2.4.4 This region is one of economic contrasts with the prime markets of Cardiff and the M4 corridor in south-east Wales having a markedly different business and socio-economic structure to the mid and upper Valleys. In addition, and in sharp contrast to the urban environment of Newport, Cardiff and the Valleys, both Monmouthshire and the Vale of Glamorgan include areas of rural economies.
- 2.4.5 The Region's Industrial and Economic Growth Plan for South-East Wales was published in February 2019. This plan for the CCR City Deal highlighted the need to promote strategic employment sites as '... 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.'

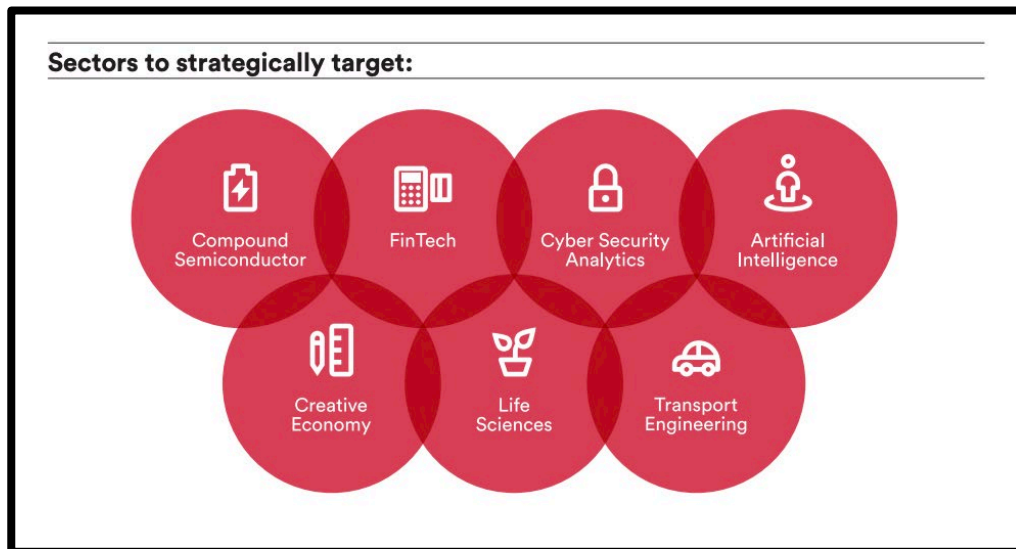
Figure 2: Extract from CCR Industrial and Economic Plan (2019): Strategic hub and opportunity areas



2.4.6 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 3: Extract from CCR Industrial and Economic Plan (2019): target sectors



2.4.7 Cardiff and Vale College are in the process of relocating the Barry Campus to land opposite PBPC. There is an emerging cluster of education and business at Cardiff Airport.

2.4.8 The report also highlighted 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. We note that the majority of these target markets would be most clearly associated with use class B1 (business) floorspace, whether offices or high-quality hybrid industrial/business units.

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

2.5.2 The PBPC proposal is the first to come forward in the Gateway Development Zone.

2.6 Local Development Plan

- 2.6.1 The Inspector that examined the LDP reported that *'The Plan seeks to foster the development of a diverse and sustainable local economy that meets the needs of the Vale of Glamorgan and that of the wider South East Wales Region. In particular, it seeks to maximise the opportunities presented by its location within the Capital Region and capitalise on the designation of the St Athan – Cardiff Airport Enterprise Zone'*.
- 2.6.2 The level of growth proposed at the 'Strategic Employment Sites' is derived from the employment growth forecast set out in Section 6 of the 2015 Employment Land and Premises Study.
- 2.6.3 For the allocations covered by the Enterprise Zone, the study utilises information on rates and job creation provided by the Welsh Government. Land adjacent to Cardiff Airport and Port Road in Rhoose (77ha) and land at the Aerospace Business Park in St. Athan (305ha) is allocated for the development of 382ha of strategic employment land (Class B1, B2, and B8) as part of the St. Athan - Cardiff Airport Enterprise Zone, which was designated by WG in 2011.

2.7 Draft Supplementary Planning Guidance

- 2.7.1 The Vale of Glamorgan Council is currently consulting on a supplementary planning guidance document – "Cardiff Airport and Gateway Development Zone". The document builds on the policies of the LDP and notes that the vision for the Zone is to create 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.
- 2.7.2 The document calls for good design, given the strategic nature of the Zone and its regional importance to South East Wales. Moreover, the developable area of the site is of such a considerable scale that not delivering good design has the potential to cause significant visual impact.

2.8 Creating an Attractive Business Environment

- 2.8.1 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. 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 in Wales.
- 2.8.2 A balanced portfolio of allocated and 'development-ready' employment sites across Wales needs to 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.
- 2.8.3 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 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 to delivery.

Property Strategy for Employment in Wales

- 2.8.4 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.

2.8.5 A strategic 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”.

2.8.6 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 economic region.

2.8.7 In January 2014, JLL provided an update report with ‘Gap Analysis: achieving a balanced property portfolio for the delivery of economic objectives in Wales’. The ‘Gap Analysis’ was intended to form part of a Strategic Property Review and 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.

2.8.8 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.

2.8.9 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.

3 EMPLOYMENT PROPERTY MARKET OVERVIEW

- 3.1 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 will see in excess of one million sq ft of offices developed, once the HMRC hub is completed.
- 3.2 The supply of industrial floorspace in Wales now stands at 8.8 million sq ft (source: JLL South Wales Report 2018), down 18% year on year. This trend has impacted positively on the level of incentives offered and has led to a gradual increase in rents and capital values, particularly along the M4 corridor in south-east Wales.
- 3.3 However, in an illustration of how the industrial market is susceptible to dynamic changes, in June 2019 Ford Europe announced the closure of its 2.03 million sq ft (source: VOA) engine plant in Waterton, Bridgend and Quinn Radiators (QRL Radiator Group Ltd) was placed into administration in a move which raises questions over the future of its 1.05 million sq ft combined production and warehousing in Imperial Park, Newport. It is possible that we will see further closures within the supply chains to each of these companies as well as suppliers to Honda and JLR who have also announced closures or contraction of their UK operations.
- 3.4 On the other hand, following the 2017 Aston Martin announcement at St Athan, Ineos has announced its decision to develop the 130 acre Brocastle site in Bridgend as a new manufacturing base for its 4x4 Grenadier off-road vehicle.
- 3.5 In the industrial market, with the exception of St Modwen in Newport and local developer Formacion who has developed a series of multi-unit schemes, there is no large-scale private sector speculative development. Where new industrial floorspace has been developed, this has typically been on a 'design and build' basis for bespoke units. These usually have particular characteristics and can't be satisfied by existing secondhand stock, e.g. CAF's rail facility in Newport, DPD Geopost's parcel carrier unit in Cardiff and Aldi's high-bay regional distribution centre in Cardiff.
- 3.6 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.
- 3.7 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.

3.1 Overview of existing employment site provision in Cardiff Capital Region

- 3.1.1 Currently, the impression is of a large number of sites which are lacking in investment in terms of site preparation, remediation, utilities and implementable planning consents. We have reviewed the Local Development Plans 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.
- 3.1.2 The data has been collected from Local Development Plans (LDPs in force as at May 2018). The site information includes gross areas and the net developable area is likely to be significantly smaller. We have 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.
- 3.1.3 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 them.

	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
Bridgend	Brocastle, Waterton, Bridgend	113.67	46	B1, B2, B8	C	A
	Island Farm, Bridgend	27.18	11	B1, B2, B8	B	B
	Pencoed Technology Park	12.36	5	B1, B2, B8	B	A
	Ty Draw Farm, North Cornelly	14.83	6	B1, B2, B8	B	B
Cardiff	South of St Mellons Strategic employment site Business Park	108.73	44	N/A	C	A
	North East Cardiff (West of Pontprennau)	16.06	6.5	B1 & B1(b)(c)	C	A
Caerphilly	Land at Heads of the Valleys	12.85	5.2	B1, B2, B8	C	C
	Ty Du, Nelson	46.46	18.8	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
	Hawtin Park north	11.12	4.5	B1, B2, B8	C	B
	Hawtin Park south	21.75	8.8	B1, B2, B8	C	B
	Dyffryn Business Park south	15.57	6.3	B1, B2, B8	C	B

	Site	Size		Planning Use	Site Readiness (A/B/C)	Site Attractiveness (A/B/C)
		Acres	Hectares			
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
	Rhydygar	11.49	4.65	B1	B	B
Mon S	Quay Point, Magor	19.6	7.93	B1, B2, B8	C	A
	Gwent Europark, Magor	13.3	5.30	B8	C	A
Newport	Duffryn	15.58	38.5	B1, B2, B8	C	A
	East of Queensway Meadows, South of Glan Llyn	66.71	27	B1, B2, B8	C	B
	Celtic Springs	14.83	6	B1	A	A
	Solutia	106.26	43	B1, B2, B8	C	B
	Gwent Europark	39.54	16	B8	C	A
	Celtic Business Park (Llanwern)		35.5	B1, B2, B8	A	A
RCT	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
Torfaen	Usk Vale, Mamhilad	16.56	6.7	B1, B2, B8	B	A
	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
	Former Ty Coch Tip, Cwmbran	34.59	14	B1, B2, B8 and others	C	B

	Site	Size		Planning Use	Site Readiness (A/B/C)	Site Attractiveness (A/B/C)
		Acres	Hectares			
Vale of Glamorgan	Land to the South of Junction 34 M4 Hensol	73.12	29.59 (size net)	B1, B2, B8	C	A
	Land adjacent to Cardiff Airport and Port Road, Rhose	189.38	76.64 (size net)	B1, B2, B8	C	B
	Aerospace Business Park, St Athan Rhose	513.98	93 (size net)	Aerospace, Business Park, Employment & education	C	B
	Atlantic Trading Estate	22.59	9.14	B1, B2, B8	B	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
	Llandow Trading Estate	16.80	6.8	B1, B2, B8	B	C
	Vale Business Park	30.64	12.4	B1, B2, B8	B	B

3.1.4 **Site Readiness definitions:** A: fully serviced and ready for development; B: part-serviced; C: no infrastructure or servicing in place.

3.1.5 For readiness only two sites are graded A.

3.1.6 **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 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.
- 4.2 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 Cardiff Capital Region with only British Airways Maintenance Company (BAMC) providing any significant business footprint in this location.
- 4.3 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.
- 4.4 The recent announcement by Ineos that it will base its new manufacturing unit for the automotive 4x4 'Grenadier' project at the 130 acre Brocastle site in Bridgend illustrates that there continues to be an opportunity to attract world class occupiers to this sub-region. It is, perhaps, no coincidence that a £10 million infrastructure programme was announced in June 2019 with groundworks contractor Walters undertaking groundworks and new road infrastructure on this greenfield site.
- 4.5 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 and aerospace objectives of the Enterprise Zone, as well as 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 B1 office market as well as the sub-regional business sector.
- 4.6 The appraisal of development viability indicates a shortfall of minus £5.0 million, 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. This is however an existing 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.

4.1 Benefits

Construction Impacts

- 4.1.1 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.
- 4.1.2 Economic impacts will be felt through the employment of labour, purchase of materials, and the expenditure of workers and businesses in the local area.
- 4.1.3 All impacts are based on currently available information with any assumptions stated and sourced. The figures quoted are set out as indicative.
- 4.1.4 It is estimated the development will generate the capacity to support an annual average of 53–81 person years of employment for the Vale of Glamorgan. This in turn could support £1.7–£2.6 million in wages and £3.5 million–£5.4 million in GVA annually for the estimated 10 year construction phase.

Table 1 – Summary of net additional construction phase economic impacts

Impact	Annual	Total
Employment (person years)	53–81	527–809
Wages	£1.7–£2.6 million	£17–£26 million
GVA	£3.5–£5.4 million	£35–£54 million

Source: HJA analysis

Operational Impacts

- 4.1.5 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.
- 4.1.6 It is estimated the development will create capacity to accommodate around 3,225 net additional FTE jobs for the Vale of Glamorgan, supporting approximately £94 million in net additional wages and £171 million in net additional GVA.

Table 2 – Summary of net additional operational phase economic impacts

Impact	Total
FTE employment	~3,225
Wages	~£94 million
GVA	~£171 million

Source: HJA analysis

5 VIABILITY

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

5.1 Physical Constraints and Mitigation

- 5.1.1 From the north east 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.
- 5.1.2 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. The majority 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.
- 5.1.3 The site lies on heavily improved agricultural land divided by managed hedgerows. Field boundaries are generally formed from mature hedgerows often with trees
- 5.1.4 There are no high voltage overhead power lines across the site. There are a number of existing utilities associated with the site including electricity, gas and foul drainage.
- 5.1.5 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.
- 5.1.6 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 located 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).
- 5.1.7 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.

- 5.1.8 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.

5.2 Planning Obligations

- 5.2.1 PBPC is a major development but it isn't a particularly sensitive site. Site specific or contextual constraints are taken into account when considering planning obligations.
- 5.2.2 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.
- 5.2.3 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 Local Development Plan 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.
- 5.2.4 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.

5.3 Viability

- 5.3.1 Attached at Appendix 1 is a Development Appraisal, dated 1 October 2019, prepared on ARGUS Developer software, version 8.0.
- 5.3.2 The appraisal assumes a fixed land price of £8.8 million, £15.0 million allocated for ground works and servicing and £6.0 million allocated for road works.
- 5.3.3 In terms of demand, we have worked without the broad land use allocation proposed of use classes B1, B2 & B8 as follows:
- Annual take-up of 50,000 sq ft of industrial accommodation under use class B1/B2/B8 with an assumed construction cost of £65 per sq ft. We have assumed rental income based on £7.50 per sq ft (rising to £8.00 per sq ft in year 4), based upon emerging evidence in Cardiff and Bridgend, with a 12-month rent free period and standard letting and legal fees.
 - Annual take-up of 10,000 sq ft of office accommodation under use class B1 with an assumed construction cost of £135 per sq ft. We have assumed rental income based on £15.00 per sq ft with a 12-month rent free period and standard letting and legal fees.
 - Annual take-up of 5.0 acres of employment land sold in the first two years at £150,000 per acre changing to 3 acres per annum from year 3 onward at £200,000 per acre.
 - Annual sale of a 1.0-acre frontage site at a land price of £600,000 per acre, for potential higher value land uses compatible with the wider masterplan, including hotel, restaurant and ancillary services.
- 5.3.4 We have prepared our appraisal assuming an eight-year marketing period and note this leads to a loss of -£6.157 million based upon total costs in the order of £72.872 million. The appraisal does not include any allowance for planning obligations. The inclusion of planning obligations 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 include the essential infrastructure to bring PBPC forward as a means to accommodate the jobs set out.

- 5.3.5 This is a major project that has the ability to transform the approach to Cardiff airport and to 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 previously stated, 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.
- 5.3.6 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 A

Development Appraisal

Cardiff Airport
Prepared on behalf of L&G

Development Appraisal

01 October 2019

PROJECT NOTES

Cardiff Airport Prepared on behalf of L&G NOTES

Assumptions

- 50,000 sq ft of B1/B2/B8 built every year
- 10,000 sq ft (GIA) of B1 built every year
- 5 acres of employment land sold in the first two years, 3 acres every year thereafter
- 1 acre of frontage land sold every year

- £15m allocated for ground works and servicing - distributed in Phase 1
- £6m allocated for road works - distributed in Phase 1
- Fixed land price of £8.8m - distributed in Phase 1
- Purchasers costs of 7.8% allocated in Phase 1

APPRAISAL SUMMARY

Cardiff Airport Prepared on behalf of L&G

Summary Appraisal for Merged Phases 1 2 3 4 5 6 7 8

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
B1 B2 B8 units	1	50,000	7.50	375,000	375,000	375,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
B1 B2 B8 units	1	50,000	7.50	375,000	375,000	375,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
B1 B2 B8 units	1	50,000	7.50	375,000	375,000	375,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
B1 B2 B8 units	1	50,000	8.00	400,000	400,000	400,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
B1 B2 B8 units	1	50,000	8.00	400,000	400,000	400,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
B1 B2 B8 units	1	50,000	8.00	400,000	400,000	400,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
B1 B2 B8 units	1	50,000	8.00	400,000	400,000	400,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
B1 B2 B8 units	1	50,000	8.00	400,000	400,000	400,000
B1 - Offices	1	8,500	15.00	127,500	127,500	127,500
Totals	16	468,000			4,145,000	4,145,000

Investment Valuation

B1 B2 B8 units						
Market Rent	375,000	YP @	6.5000%	15.3846		
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	5,417,118	
B1 - Offices						
Market Rent	127,500	YP @	7.7500%	12.9032		
(1yr Rent Free)		PV 1yr @	7.7500%	0.9281	1,526,832	
B1 B2 B8 units						
Market Rent	375,000	YP @	6.5000%	15.3846		
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B1 B2 B8 units						
Market Rent	400,000	YP @	6.5000%	15.3846		
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	5,778,259	
B1 - Offices						
Market Rent	127,500	YP @	7.7500%	12.9032		
(1yr Rent Free)		PV 1yr @	7.7500%	0.9281	1,526,832	
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Cardiff Airport
Prepared on behalf of L&G

Project: G:\Commercial\Cardiff\WINWORD\Industrial Agency\Files\Exisiting\Cardiff Airport - L & G - I1042894\Master Plan\Appraisals\L&G Cardiff Airport - Jura
ARGUS Developer Version: 8.00.000 Date: 01/10/2019

APPRAISAL SUMMARY

Cardiff Airport Prepared on behalf of L&G

3,680,000

MARKETING & LETTING

Marketing		50,000	
Letting Agent Fee	10.00%	414,500	
Letting Legal Fee	5.00%	207,250	
			671,750

TOTAL COSTS

72,872,750

PROFIT

(6,157,073)

Performance Measures

Profit on Cost%	(8.45)%
Profit on GDV%	(10.73)%
Profit on NDV%	(10.84)%
Development Yield% (on Rent)	5.69%
Equivalent Yield% (Nominal)	6.77%
Equivalent Yield% (True)	7.07%

IRR (3.11)%

Rent Cover -1 yrs -6 mths
Profit Erosion (finance rate 0.000) N/A

SENSITIVITY ANALYSIS REPORT

Cardiff Airport
Prepared on behalf of L&G

Sensitivity Analysis results are not available.
Click the Analysis Results tab, then print the report.