

Chamberhall & Bradley Fold Industrial Estate, Bury

Development feasibility and strategy report for
Bury Council

December 2023

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1. Executive Summary

Background

CBRE has been instructed to provide Bury City Council “the Council” with a development feasibility assessment for Chamberhall and Bradley Fold Trading Estate. Including advice around risks, constraints, viability and delivery models.

In inform the development appraisals we have commissioned surveys for both sites including: Phase 1 Ground Investigations; Flood Risk Assessments; Highways and Access Appraisals; Utility Searches; Preliminary Arboricultural Assessments; and Preliminary Ecological Appraisals, including Biodiversity Net Gain assessments.

Chamberhall is a vacant brownfield site measuring c.7.8 acres, of which the net developable area is calculated to be c.5.3 acres. The site currently generates no income for the Council and was supposed to form Phase 2 of the St Modwen led Chamberhall Business Park development, Phase 1 of which was delivered in 2020.

Bradley fold is a multi-let industrial trading estate which the council have owned freehold since 1983 and which generates c.£650k in rent, although we understand the net income to be lower as Bradley House is let on inclusive terms. Much of the accommodation is in disrepair and nearing the end of its serviceable life. Parts of the property have already been demolished providing cleared plots which could readily accommodate new development, most notably in the south west corner of the site measuring c.2.7 acres. In total we have identified c.14 acres of the site which we believe is suitable for redevelopment, which excludes the Depot and Bradley Court.

Findings & Conclusions

Both sites are considered to be suitable for development of light industrial from commercial, planning and strategic objectives. Current market conditions however are challenging, with development appraisals unable to demonstrate a viable scheme on either site. This is due to construction cost and wider cost and finance inflation along with yield compression negatively impacting investment values, ultimately impacting the price developers can pay for land and increasing uncertainty of delivery.

Development appraisals provide guidance to whether a development is viable. However, they do not always reflect the competitive advantages that some investors/developers benefit from, such as exit routes, funding or build costs. In practice, land comparable evidence often suggests a different tone. It is not until the investor/developer market actively appraises the site under competitive conditions that a true market price is determined.

In spite of current market conditions for development being challenging, there remains potential for attractive financial returns to Bury Council via different delivery routes, which carry various requirement of both resources and risk. Strong occupier demand and the success of Chamberhall Business Park suggests that the council should strongly consider a form of direct development to extract maximum benefit during relatively strong occupier market conditions due to the lack of supply.

However, Bradley Fold is more complex as the property is not vacant, therefore the important factor to consider is the cost and likely political challenges associated with obtaining vacant possession to facilitate development and the loss of income presently receivable. Nevertheless, anticipated legislative changes mean that Bradley Fold runs the risk of becoming a stranded asset if the Council do nothing, with units set to become unlettable in the medium term based on plans to increase the minimum threshold from an EPC E to EPC B in 2030, assuming the buildings lifespans can be extended until this date in light of their deteriorating condition.

It is recommended therefore that the baseline information for Bradley Fold is improved so that a business case can be constructed for intervention, likely to be in the form of a phased redevelopment. An example 25 year model based on self-delivery (with the appointment of a Development Manager) has demonstrated that a positive financial return may be feasible over the period, which achieving a renewal of the asset which is approaching critical decision juncture.

Wider consideration should also be given to consolidation of the Depot with Bolton Council which you have outlined has been historically discussed. This may provide an end-user for any redeveloped site at Bradley Fold, effectively de-risking the redevelopment either in part or whole.

Next Steps

- Review of Bury Council land holdings to identify any potential offsetting land for biodiversity net gain obligations, particularly with regard to Chamberhall where on-site improvements are adjudged to be unfeasible.
- A drainage study for Chamberhall will be required to understand the pond's capacity to provide attenuation for proposed new development at the subject property.
- For Bradley Fold, it is recommended that intrusive ground investigation and ground penetrating radar utilities surveys are undertaken where vacant possession can be obtained; this would optimally be undertaken following demolition of the existing buildings to allow full access on subsequent phases.
- Collation and detailed review of baseline information including building backlog maintenance, condition and net rental income across the estate to start to build the business case for intervention at Bradley Fold.
- Engage with Depot (Bury and Bolton) to understand potential requirements for expansion which could provide a de-risked development option for part of the site.

2. Introduction

CBRE has been instructed to provide Bury City Council “the Council” with a development feasibility assessment for the following sites:

- a) Chamberhall (Phase 2) “Chamberhall”
- b) Bradley Fold Trading Estate

As part of the instruction CBRE have been requested to set out a potential route to market and outline appropriate delivery models. The Council is seeking to support their wider objective of increasing and sustaining economic growth by supporting existing and new businesses in the borough.

Background and Context

Chamberhall and Bradley Fold Trading Estate are both Bury Council owned commercial sites located within the borough. Both sites are in locations which suggest new/additional light industrial development would be appropriate and this has been tested during this commission. Whilst investment values for industrial units are currently in a period of decline due to increasing build costs and yield increases, there remains significant demand for new build industrial accommodation in the North West, which is creating opportunities for increased rental growth when compared to long term trends.

Chamberhall is a vacant cleared brownfield site and currently generates no revenue to the council. The central part of the site consists of a sustainable drainage system (SuDS) in the form a pond with the surround area being grassland, self-seeded shrubbery and trees of various maturity. It was previously allocated as Phase 2 Chamberhall under the agreement with St Modwen, but was not delivered pursuant to the completion of Phase 1 in 2020.

Bradley Fold Trading Estate comprises a multi-let industrial estate with predominantly aged buildings at or beyond their reasonable lifespan, as well as being home to the borough’s principal depot. A small mid-2000s built pair of light industrial terraces is also included to the north eastern part of the site. The aged units are typically let on low rents with limited tenant repairing liabilities having regard to the poor condition of the buildings. This means that the Council have significant repair and maintenance liabilities for the site and relatively limited income from occupiers to generate a revenue surplus to meet the Council’s investment asset objectives. This creates an opportunity for redevelopment that can enhance the value of the Property as an occupied asset by increasing revenue.

Both Chamberhall and Bradley Fold Trading Estate are therefore each being considered as opportunities for development; this report investigates the risks (via undertaking of technical due diligence including surveys) and opportunities (via market insight together with architectural and viability assessments) to determine the feasibility of bringing forward delivery on each site.

To inform the feasibility review which is presented in the following property sub-reports, we have been provided with the following documents by the Council:

- Bids for Chamberhall site
- Historic surveys (both sites)
- Bradley Fold Trading Estate tenancy schedule

Please note that the figures provided in this document do not constitute a Red Book Valuation and are indicative pricing estimates based on agent’s opinions of price and marketability. The figures are not to be relied upon by any third parties without written consent.

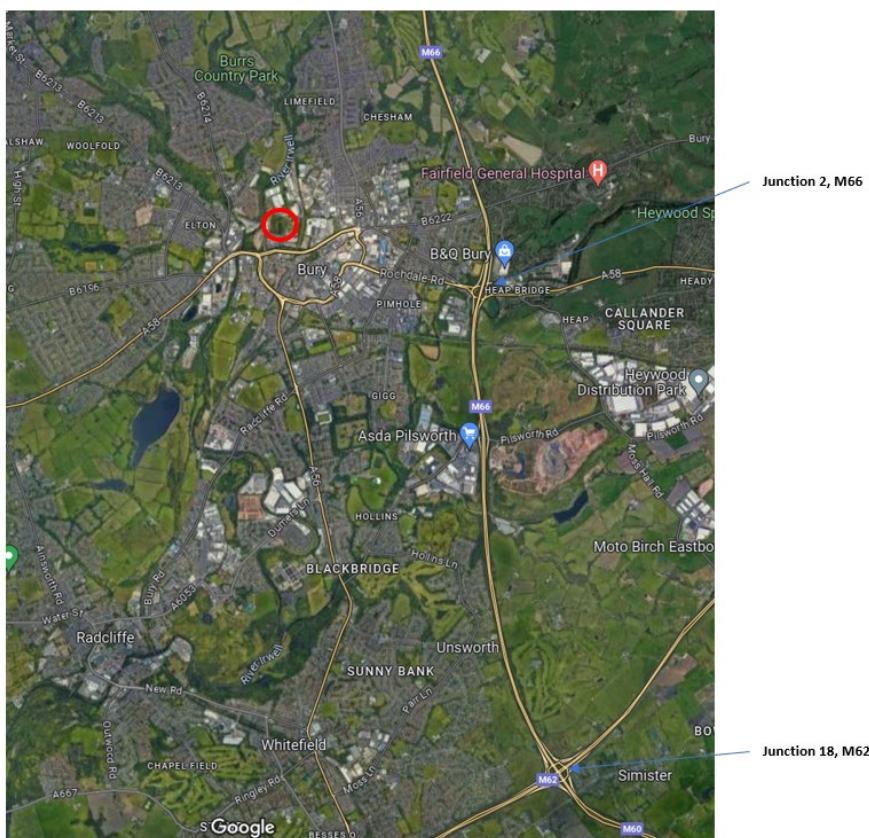
3. Chamberhall

Location

Chamberhall Business Park Phase 2 'the site' (shown on the plan below) is located a short distance north of the town centre. The A56 Peel Way is accessed via Harvard Road, c.175m to the south, which in turns provides access to Bolton c.5 miles to the west and Junction 2 of the M66 motorway, c.2 miles to the east (via the A58). The M66 connects with the Junction 18 of the M60 motorway c.3.3 miles to the south, providing access across Greater Manchester and connects to the M61 towards Lancashire; and is also the start of the M62 motorway which routes to West Yorkshire to the east. The property therefore benefits from excellent road connections.

Bury Interchange lies approximately 600m to the south of the site and is a 13 minute walk, providing frequent Metrolink services to Manchester City Centre every 6 minutes, as well as being home to Bury's bus station. Regular bus services from Bury Interchange run to Manchester, Bolton, Rochdale, Ramsbottom and Heywood.

The property is shown by the red circle on the aerial photo below.



Chamberhall forms part of a wider commercial location which includes a mix of uses with the with Bury Divisional Police Headquarters situated immediately to the south on Dunster Road and Bury Community Fire Station to the north on Magdalene Road alongside a variety of predominantly light industrial occupiers including the recently built Chamberhall Business Park developments to the north and west/southwest, as well as older stock including the William Hare Group to the east and the wider Peel Mills Industrial Estate to the north east.

The below map highlights the situation of the site within the local area.



The Property

The property comprises a previously cleared plot of land which has since become overgrown with grassland, self-seeded shrubbery and trees of various maturity. There is a sustainable drainage system (SuDS) in the form a pond at the centre of the property. The pond covers an area of c.1 acres with the total property area being c.7.8 acres. The developable area is c. 5.27 acres, constrained by both the attenuation pond and the need to retain access to the pond's periphery for read clearance and dredging.

The earliest mapping dated 1849 indicates the site was occupied by two reservoirs which expanded to include sluices, aqueducts and intake chambers in c.1937. The largest of the two reservoirs (in the west of the site) was infilled in c.1978 to 1983 and the remaining small Reservoir reclassified as a Pond. It is noted from 2019 aerial photography that widespread earthworks was undertaken on the site believed to be related to the redevelopment of the neighbouring Phase 1 business park.

The surface water storage for the Phase 1 development was designed to be attenuated in the attenuation pond located on the subject property. The pond was engineered to allow collection, attenuation and discharge of surface water flows into the River Irwell. A drainage study will be required to understand the pond's capacity to provide attenuation for proposed new development at the subject property.

The below red lined image shows the extent of the property with the developable area shaded in blue.



Photographs taken on our inspection are included below.



Background

The property was to form phase 2 of St. Modwen's light industrial development at Chamberhall Business Park, however the second phase was never brought forward. The first phase of the development sits to the north of the property and consists of c.120,000 sq ft of light industrial space, completed in 2020.

The Council conducted a marketing process in November 2021 inviting bids for the long leasehold disposal of the site (250 year lease) with the ambition of development of light industrial scheme being delivered. Bids were received from the Barnfield Group, Hargreaves Land Limited, Maple Grove Developments, Red Sun Projects Limited and Seddons Development Limited. The bids reflected a land price ranging between £100k and £2.75m equating to between £12.8k and £353k per acre (net developable). An overview of the bids can be found at Appendix A.

Surveys

As part of this instruction, technical due diligence has been undertaken including the commissioning of the following surveys:

- Topographical Survey
- Phase 1 Ground Investigation (and Phase 2 GI review)
- Flood Risk Assessment
- Highways and Access Appraisal
- Utilities Search Report
- Preliminary Arboricultural Assessment
- Preliminary Ecological Appraisal
- Biodiversity Net Gain

Full copies of the surveys can be found at Appendix B.

Phase 1 Ground Investigation (and Phase 2 GI review)

The Phase 1 Desk Study was completed by Civic Earth Limited with the aim of assessing potential human health, environmental and geotechnical risk and constraints associated with the proposed development. The key findings of this report are summarised below.

There is generally a moderate risk to identified receptors from potential contaminants associated with the current and former uses of the site and surrounding area and potential made ground associated with the former development of the site and potential infilling of surface water features. In addition, there are a number of potential geotechnical constraints associated with the potential for below ground obstructions, infilled surface water features on site, variable thickness of Made Ground associated with the development history of the site and potential variability of the underlying superficial deposits.

The site is also located within an area of low risk from unexploded ordnance and it is therefore recommended that pre-desk study assessment is undertaken to conform whether any other military activity may have occurred at the site.

It was recommended that a detailed review should be undertaken on the available site investigation data and risk assessments for the site. Once this is completed, it was recommended that an intrusive ground investigation be undertaken to assess for the identified contaminants of concern and enable a remediation strategy to be developed, if required. In addition, the ground investigation should be designed to evaluate the potential geotechnical risks associated with potential development and inform the geotechnical design.

As part of the due diligence undertaken for the Phase 1 Ground Investigation previous studies in the locality were analysed. A Phase 2 site investigation, undertaken by Atkins on behalf of St Modwens was completed in 2015 for the site boundary. The review of the information included in this report was presented in an addendum to the Phase 1 Investigation included in this instruction. A copy of the review is included at Appendix B.

Key findings of the study for consideration are;

Made Ground

- Across the site made ground as found in varying quantities, in line with the findings as part of the Phase 1 and previous use of the site. The maximum depth this was found was 7.5m, where previously a reservoir was sited. This would inform the foundation strategy on the site or alternatively ground remediation would be recommended. A strategy would be required as part of early design development of the site.

Gas Risk

- The southern portion of the site was found to have potential for ground gas. Remediation was recommended as part of these findings.

The opportunity to avoid a second intrusive Ground Investigation has been progressed. Reliance on the previous study will reduce the scope of investigation to a shallow study, understanding localised ground movement made since 2015. Discussion is ongoing with St Modwen on their acceptance of reliance. If this is not provided the information provided to date still allows for the feasibility assessment of the site. If the development of the site progresses, as a consequence of the made ground, localised investigation beneath structures would be required to inform detailed foundation design.

Flood Risk Assessment

The Flood Risk Assessment was completed by Civic Engineers with a site walkover being carried out on the 9th October 2023. The summary of the findings are set out below.

The site is at low risk of flooding from rivers or sea. There is a low risk of surface water flooding with the area at risk focused around the existing pond. It was recommended that a detailed flood risk assessment should be undertaken to support any planning application which should include an assessment of flood risk from the River Irwell.

In order to understand whether the existing pond has capacity to accommodate surface water flows from the development site it was recommended that a detailed assessment of the existing site drainage infrastructure should be undertaken. It was also recommended that existing drains and sewers within the site boundary should be considered when development proposals for the site are progressed.

Subject to the above recommended additional surveys, given the majority of the site (bar the pond) is in a flood zone 1, all types of development should be compatible from a flood risk perspective.

Highways and Access Appraisal

Civic Engineers provided a high-level review of the highways appraisal and the four roads on the periphery and their suitability for new vehicle access.

The report notes pedestrian access can be achieved from all boundaries of the property. Cyclists can access the site from Harvard Road and Castlecroft Road and the nearest bus stop is a 7 minute walk from the property. Several highly feasible access points (no constraints) for vehicles were noted on the west side of the property (Harvard Road) and north of the property (Magdalene Road). The architect should now be able to utilise the suggested access points for their feasibility studies.

The report additionally notes areas for consideration for the full planning application as follows:

1. Trip Generation based on forecasted sqm for each land use and an assessment of the need for junctions' assessments or trips distribution accordingly.
2. Cycle and Car Parking Quantum Provision in line with Bury's requirements.
3. Recommendation on minimum 5% of cycle parking to be wider spaced for disabled cyclists and at least 15% single racks.
4. Pool electric bikes and car clubs could be provided to encourage sustainable travel.
5. Review servicing strategy and fire access. Provision of loading/servicing bay will be required given loading restrictions on kerbside. Location of collection point to consider distance from proposed refuse store to avoid a managed solution (i.e., need for developer to carry bins).
6. EV charging provision to be according to Part S4 regulation.
7. Swept Path Analysis of vehicle movements on proposed layout and accesses to confirm geometry.
8. Confirmation on need of a Travel Plan update (given a Transport assessment and Framework Travel plan were produced for the earlier outline planning application, reference 63185).

Utility Search Report

Amethyst Surveys Limited undertook a utility search report on 16th November 2023. There is a limited amount of utilities relating to gas, water, electricity tracking the periphery of the site. There is a public sewer crossing part of east/south east part of the site. There are no internet lines on the site.

Care will need to be taken when developing proposals however it is unlikely that the limited amount of underground utilities will need to be relocated. Any such relocation will of course carry a cost and therefore potentially pose a risk to development viability.

Cost estimates for any required relocations should be obtained once development proposals have progressed to an appropriate level however given the limited amount of underground utilities on site, no relocation/diversion costs have been included in our appraisals at this stage.

Preliminary Arboricultural Assessment

Middlemarch provided an arboricultural assessment which surveyed the trees on site to aid design and avoid unnecessary tree removal.

Trees were assessed and assigned a category of either U, A, B or C which related to the quality and life expectancy of the trees. The trees recorded on site were predominantly low-quality self-set specimens which situation in clusters across the site. None of the trees are subject to a tree preservation order, nor are they in a conservation area or considered as ancient woodland.

A number of key recommendations were made as follows:

- The retention of Category B trees across the site should be considered a priority.
- The retention of Category C trees across the site should be considered where possible.
- Where required by the Local Authority a Capital Asset Valuation of Amenity Trees assessment should be undertaken to attribute the monetary value for each tree.
- All new development should be located outside of the root protection areas or canopy spread of any retained tree.
- Any proposed new planting should consist of a mix of ornamental, native and wildlife attracting species.
- An updated preliminary arboricultural assessment is recommended after a period of 12 months from the date of this assessment.
- If works take place during the bird breeding season, usually from March to September inclusive, trees should be checked for nesting birds.

More generally it was advised that the removal of trees across the site should be minimised and new tree planting should be provided to adequately mitigate any essential tree loss.

Preliminary Ecological Appraisal

An assessment was undertaken by Middlemarch to ascertain the potential ecological constraints and opportunities associated with future redevelopment works at the site.

The report noted various protected/notable species within close proximity to the site as well as the extent and ecological condition of the various habitats on site (e.g. Marshy grassland, broadleaved plantation woodland). Local priority species (including bats and great crested newts) should be considered in the development of any future proposals to ensure habitat areas make a positive contribution toward these target species.

Additional surveys have been recommended in order to determine the status of protected/notable species on site and the extent they are likely to be affected by any future development as follows:

- Great Crested Newt Habitat Suitability Index Assessment and eDNA analysis of the onsite pond;
- Botanical Survey (with a focus on marshy grassland habitat);
- Bat Surveys (scope dependent on agreed quantum of development);
- Reptile Survey; and,
- Invertebrate Habitat Assessment.

It is recommended that these surveys are only commissioned once a clear route forward has been selected and development programmed, due to their limited period of validity.

Biodiversity Net Gain

In accordance with the principles of the Environment Act 2021 and the Biodiversity Gain Requirements (Irreplaceable Habitat) Regulations 2024, all development from January 2024 is required to secure an overall biodiversity net gain (BNG) of 10%. Middlemarch undertook a habitat survey and condition assessment to determine the total Habitat Baseline for the site which has a value of 25.79 biodiversity units (BU). The key component of the Habitat Baseline score is the 'marshy grassland' which equates to a BU value of 16 as shown in the below table.

Phase 1 Habitat	Metric Equivalent	Area (ha)	Description (distinctiveness, condition and strategic significance)	Value (BU)
Broadleaved plantation woodland	Other woodland: broadleaved	0.12	Medium distinctiveness. Poor condition. High strategic significance due to location within a 'Tree Planting Opportunity Area'.	0.55
Dense scrub	Mixed scrub	0.49	Medium distinctiveness. Moderate condition. Low strategic significance.	3.92
Marshy grassland	Other neutral grassland	2.00	Medium distinctiveness. Moderate condition. Low strategic significance.	16.00
Poor semi-improved grassland	Other neutral grassland	0.12	Medium distinctiveness. Poor condition. Low strategic significance.	0.48
Standing water	Ponds (priority habitat)	0.43	High distinctiveness. Poor condition. Low strategic significance.	2.58
Scattered trees (4 x large trees)	Urban tree	0.15	Medium distinctiveness. Good condition. High strategic significance due to location within a 'Tree Planting Opportunity Area'.	2.07
Scattered trees (4 x small trees)	Urban trees	0.02	Medium distinctiveness. Moderate condition. High strategic significance due to location within a 'Tree Planting Opportunity Area'.	0.18
Scattered scrub	N/A	N/A	N/A	-
Total Area (ha)		3.33		
Total Area (excluding area of individual trees)		3.16	Total Habitat Baseline (BU)	25.79

Source: Chamberhall PEA

A further assessment has also been undertaken based on the indicative schemes, which each have a score in the order of 14.4 BU to satisfy the 10% net gain obligation. This is notably lower than whole site baseline due to the restricted (therefore smaller) development area, as well as the design brief seeking to target minimum intervention e.g. retention of Cat B trees and as a consequence the associated BU. The pond and woodland were assessed as

being in 'poor' condition and as such provide an opportunity for on-site enhancement. Furthermore, the development boundary incorporates areas of 'green space', measured at close to 1.3 acres overall in both the indicative schemes, providing a potential opportunity for some on-site enhancement.

The part of the site which is constrained and as such deemed not suitable for development measures c.1.6 acres (excluding the pond) but is predominantly graded as 'moderate' condition and is therefore understood to not be cost effective to upgrade i.e. it is cheaper to purchase off-site credits than to seek to enhance the existing biodiversity as enhancing grass above moderate can be challenging and would provide limited step change potential.

Overall therefore, there will be a BU loss arising from development, in addition to the biodiversity net gain obligation of 10%, the combined total of which is c.14.4 BU which will need to be replaced via an off-site contribution. There are three main offsetting options available:

- 1) **Invest to enhance land held by Bury Council** - generate an uplift in BU equivalent to the off-setting requirement. Identifying potentially suitable land is key, with low quality land providing the biggest opportunity for step change via enhancement. The cost of managing the habitat for the minimum 30 year period would also need to be calculated in addition to the initial investment to upgrade land.
- 2) **Purchase market credits** – pricing varies between providers but current average is £35k per unit, which would equate to c.£500k based on the indicative development scheme.
- 3) **Purchase via statutory biodiversity credits scheme** – this is deemed to be the 'last resort' option as it is the most expensive at c.£1+million based on current indicative prices published by Defra.

Option 2 above assumes that an offsetting solution could be found with the local authority boundary. If this is not possible then a 'spatial risk multiplier' is applied to credits purchased via the market, requiring a greater number of units to be purchased with increased distance from the site. In practice, the multiplier discounts the value of the units purchased in neighbouring boroughs or National Character Areas by approximately 25%, increasing to c.50% discount for projects further afield; meaning that a developer would have to purchase an additional 25 – 50% of their unit requirement from the offset provider to make up for the spatial discount.

Whilst Option 1 may provide the lowest cost solution for BNG offsetting, until a land review is undertaken it is not possible to estimate the potential costs of this solution. For the purposes of this study therefore, we have assumed the council will purchase market credits under scenario 2 and have therefore included a cost of £500k within our appraisals for BNG. As above, this is based on credits being purchased 'in borough' i.e. not subject to a spatial risk multiplier.

Finally, in considering how to manage the site in the meantime, it is judged unlikely that the BU will increase significantly on the site having regard to the majority of the current habitat condition being graded as 'moderate'. The Environment Act provides that highest recorded score is applicable for determining the BNG requirements, therefore seeking to clear or manage the site in any way with the outcome (intentional or otherwise) of reducing the BNG liability is not advised without first seeking further specialist advice regarding any potential implications.

Planning

A comprehensive desktop planning appraisal has been undertaken for the site to identify the opportunities and constraints associated with the future development of the site from a planning perspective. A copy of the appraisal is included in full at Appendix C, with key points set out below.

Chamberhall Planning History

A review of the planning history confirms that the water course and associated Sustainable Drainage System (SuDs) was restored and constructed by Bury Council in 2008/09 in response to the flood risk and drainage challenges of the wider Chamberhall site to enable the land to come forward for development. At the time, the site fell within Flood Zone 2 and 3 and as such, parts of the site were at risk of flooding (1 in 100 year event). The development therefore restored and retained the existing pond feature, using this as a surface water attenuation facility. Given the importance of the attenuation pond for the site-wide drainage strategy, and to mitigate against flood risk, this will need to be maintained as part of any future development coming forward on the site.

Two applications (ref. 47422; 51242) for associated road networks in relation to Harvard Road, Castlecroft Road, Dunster Road and Magdalene Road have also been approved to deliver access to and from the site.

A hybrid application for Chamberhall Business Park (ref. 63185) was approved in 2019, proposing business and light industrial uses in accordance with an approved masterplan (Figure 7). The application states that the design principles of development will incorporate new artwork to create a new component of the Irwell Sculpture Trail. Phase 1 of the wider masterplan has now been built out and was completed in 2020 by St Modwen Developments.

Outline planning permission was secured for a further two phases comprising Phase 1A to the north west of the appraisal site, and Phase 2 which covers the appraisal site itself. The uses approved as part of the outline permission for the appraisal site are identified as Use Classes A1, A3, A4, A5, B1, B2, B8, C1 (hotel), D1 (creche) and D2 (gym). It should be noted that the Use Classes Order has been amended since the grant of planning permission.

Condition 42 of this hybrid planning permission stipulates that applications for approval of reserved matters must be made not later than five years from the grant of planning consent. The Decision Notice was issued on 7th February 2019, meaning an application for reserved matters must be brought by 7th February 2024.

Planning Policy

The site forms part of the wider Bury Ground Opportunity Site which is allocated in the Unitary Development Plan (UDP) for employment, business, offices and hotel/conference facilities (Policy EC1/3/2; Policy RT4/3/2). Under these aligned policies, the Council confirms the site's suitability for B1 uses, as well as having the potential to include a hotel or conferencing facility, providing that the following criteria are adhered to:

- a) uses will be limited to business (B1), offices or hotel/conference facilities;
- b) due to the prominent position of the site any development shall be of a high standard of design and should attempt to minimise its effect on the character of the Irwell Valley by careful attention to siting, design, layout, materials and landscape design;
- c) the open character of the site and the existing network of footpaths should be retained in a low density development;
- d) access to the riverside area should be maintained, and the existing river frontage remain intact or be improved;
- e) the showground site should be retained;
- f) the existing water area should be retained as a natural feature;

- g) access to the site will have to be provided to the satisfaction of the local planning authority;
- h) proposals should have regard to any development brief subsequently issued by the Council. Any such development brief will be issued solely for the guidance and assistance of planning applicants and will be consistent with the Plan.

As such, the attenuation pond would need to be retained as part of any development of the site, along with ensuring high quality design and access to the River Irwell to be maintained. Whilst this Policy references the retention of the showground site, this has since been developed on and forms part of the Police Headquarters site.

The adopted policy also references a development brief. CBRE has not been made aware of this document by Bury Council as part of this project.

Conclusion

The use of the site for employment development is considered to be acceptable in planning terms, subject to a proposal which complies with the policies in the development plan. The Places for Everyone Joint Development Plan and the emerging Bury Local Plan will need to be considered depending on the timescales of development.

It is broadly considered that the site has the potential to be considered for visitor accommodation and conference facilities, as part of development alongside other employment uses. Given the existence of predominantly employment uses within the area and the absence of planning policy and guidance on other uses, it is difficult to assess the specific parameters which might be acceptable for other uses. Developments which have been permitted in the vicinity tend to be of a similar occupancy being of light industrial and employment, therefore it is likely to be considered acceptable to propose that of a similar development type.

Any proposed development would have to demonstrate consideration of the issues identified above, specifically in relation to the attenuation pond and its link to flood risk in the area.

Development Constraints & Opportunities

The key constraints relating to development are the BNG requirements and associated off-setting costs; the SuDS pond and required maintenance access restricting the net developable area; made ground requiring piled foundations; and the presence of subterranean sewers.

These and further considerations are highlighted in the development constraints and opportunities assessment shown below which is also included in full size format at Appendix D.



Opportunities	Constraints
1. Direct access to the A58 and A56.	1. Majority of the site is marshy grassland, BNG credits to be considered.
2. West side of the site is relatively level and therefore maybe suitable for development.	2. Category B trees may need to be retained (blue shade).
3. Multiple 'highly feasible' new highways access points to the site.	3. Category C trees may need to be retained (yellow shade).
4. Successful phase 1 adjacent to the property demonstrating demand.	4. Man made pond on site will make achieving an efficient site coverage challenging.
	5. Site levels drop significantly towards the pond.
	6. Surface water sewer to outfall into pond.
	7. Surface water sewer from pond to river.
	8. Capacity of the pond to accommodate surface water flows from the development should be assessed via a detailed assessment of the existing site drainage infrastructure during the development of site proposals.
	9. Area required for maintenance of the SuDS (Orange boundary)
	10. Easement to combined sewer (dotted purple line).
	11. Access to fire station down Magdalene Road will need to be maintained whilst works ongoing.
	12. Below green line considered too steep for access points for future dredging/reed clearance
	13. Pond is in flood zone 2, detailed flood risk assessment required.
	14. Majority of the site will require piling due to made ground.
	15. Potential contamination from historic uses – boreholes found limited asbestos.
	16. Himalayan Balsam – invasive species.

Scale and Massing Assessment

Based on the planning considerations outlined above and our understanding and research regarding the development and occupier markets in the area, we consider the most deliverable use on the site would be light industrial focused scheme. This is underpinned by the recent success of Phase 1 Chamberhall Business Park.

Based on the conclusions of the Market Overview (Appendix E) the designs were informed by recommended unit sizes ranging between 2,000 to 30,000 sq ft.

To demonstrate the outcomes and returns from such a potential development, two light industrial schemes have been developed, costed and appraised as follows:

Option A - high proportion of small units to target council aspirations for high provision of employment; and

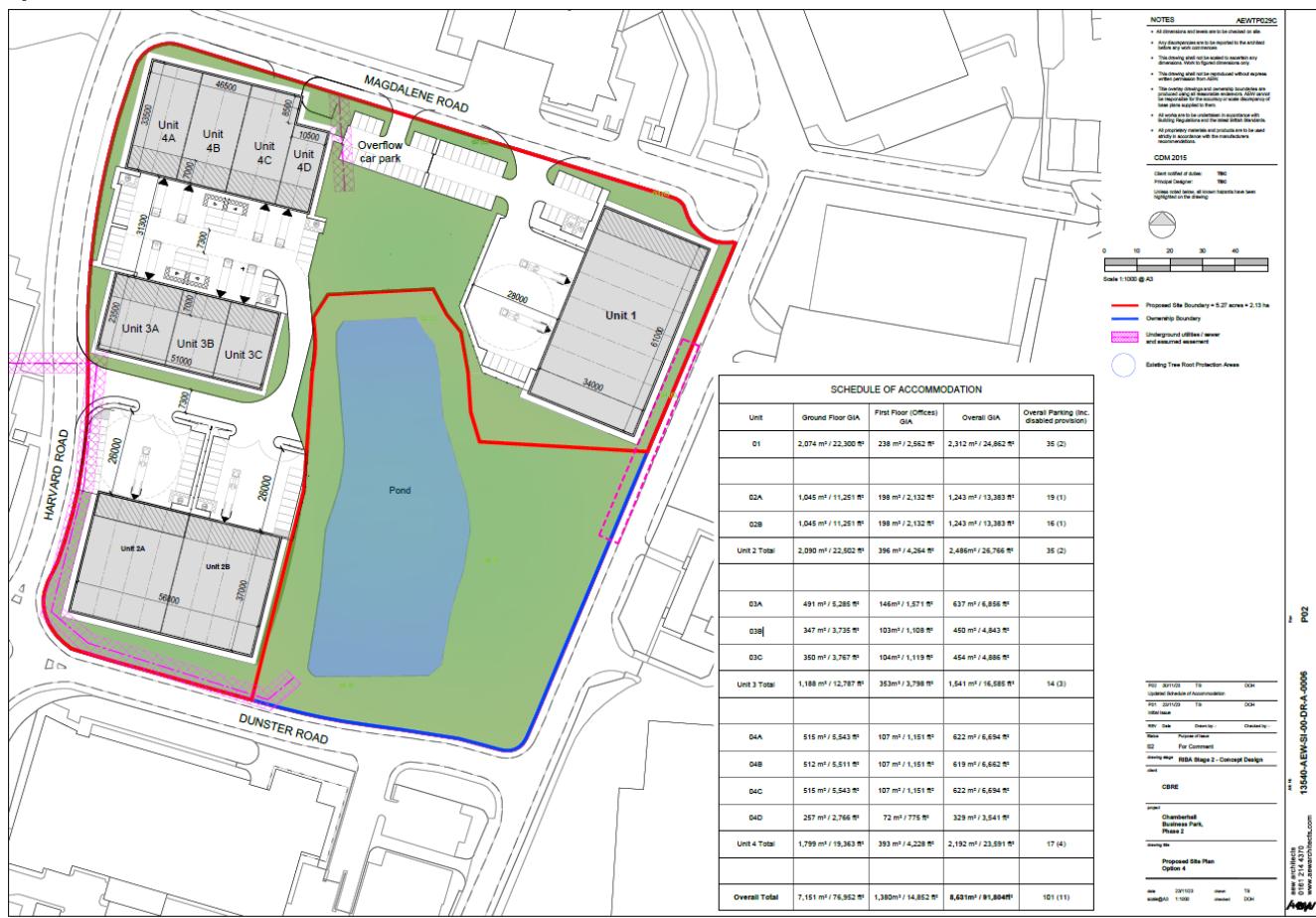
Option B - higher proportion of larger units which would represent a more typical developer scheme targeting fewer, larger occupiers (covenant) / design & build opportunities.

Each scheme option has been designed to allow for maximum flexibility of unit configuration and sizes whilst addressing the site constraints as highlighted above.

Copies of the two options are shown below and are also included in full size format at Appendix E.

Option A



Option B

The two indicative scheme options provide the following accommodation:

Option A		Option B	
Total sq ft	Unit Sizes sq ft	Total sq ft	Unit Sizes sq ft
Unit 1	24,862	24,862	24,862
Unit 2	20,916	1,494	26,766
Unit 3	35,475	3,537 – 5,373	16,585
Unit 4	N/A	N/A	23,591
Total	81,253		91,804

Development Appraisal

The following table summarises the appraisal inputs and outputs for each concept development option to illustrate the comparative cost and returns of the varying approaches to target unit sizes. A full copy of the appraisals is included at Appendix G. Costs plans are included at Appendix H.

Option	Floor Area (sq ft)	Projected Rent (£pa)	Projected Business Rates	Net Development Value	Development Costs	Profit (Deficit)	Land Value (Deficit)	Development Yield
Option A Traditional	81,253	£950,000	£185,000 to £246,000*	£13.00m	£15.80m	£2.10m	(£4.85m)	5.25%**
Option A Development Manager	81,253	£950,000	£185,000 to £246,000*	£13.00m	£15.80m	(£2.75m)	£1	6.00%
Option B Traditional	91,804	£1,050,000	£280,000	£14.65m	£16.15m	£2.10m	(£3.60m)	5.70%**
Option B Development Manager	91,804	£1,050,000	£280,000	£14.65m	£15.40m	(£750,000)	£1	6.75%

* Note the range reflects the fact there are a number of smaller units that may benefit from SBRR.

** Assumes Developer Profit as 'Cost' for calculation of Development Yield

The recent outwards shift in yields for good secondary locations from c.4.75% in September 2022 to c.6.5% in December 2023 in conjunction with rising build costs has led to a sharp fall in land values. CBRE projects yields will return closer to the previous five year average of 5.5% from 2025 onwards, which could equate to between 75 basis points (bps) and 100 bps improvement on present yields.

In summary and assuming all other inputs remained constant, a 50-100bps hardening of the yield to move in line with the 5 year average would provide a financial surplus of between £400k and £1.8m on the option B DM model, versus the current shortfall of £750k being illustrated, demonstrating the true impact of recent yield shifts on development.

Delivery Options

Based on the above outlined review of the development opportunities and constraints, including statutory and market assessments, we consider that there is an opportunity to deliver a light industrial redevelopment on the site.

Following the due diligence undertaken, the principal development constraints which have been identified which could prevent development or add significant abnormal cost include ground conditions (made ground and historic industrial uses) and anticipated BNG requirements (high Habitat Baseline score).

Delivery of a commercial development would help meet the Council's aspirations to improve the quality of its employment land offer and create new employment opportunities within the borough. If the site was developed for light industrial - assessed to be the most appropriate development end-use - it could potentially generate an income of over £1,000,000 pa and business rates of c. £185,000 to £280,000 pa depending on the preferred scheme and on whether SBRR are applicable on some of the smaller units.

Alternatively, there could be potential 'special purchasers' such as local occupiers, which may provide either alternative uses on 'sub-plot' basis or enhanced/de-risked development routes.

In assessing the development potential of the site we have considered two varying schemes of light industrial to illustrate an optimised option for:

- A) targeting development yield and council aspirations for provision of employment opportunities via larger number of smaller units; and
- B) investment return focused scheme targeting lower risk returns i.e. larger units where covenants would typically be superior and asset management intensity lower / design & build opportunities.

Subject to the preferred route forward, the Council have a number of commercial delivery options available to consider which are outlined in the following table:

Delivery Route	Returns	Commentary
Direct Freehold/Long Lease Sale	Potential price based on whole site assuming high density industrial scheme (c.90k sq ft) is presently negated based on a residual appraisal model.	<p>Would be sold to a developer or occupier on a subject to planning basis. Current market conditions provide a high risk for Bury Council of non-delivery/satisfaction of conditions.</p> <p>Provides limited control over the future development although some control could be secured by using a development licence/lease or the use of leasehold covenants.</p> <p>No future revenue return.</p>
Sale of Long Lease	<p>Could provide both an initial capital payment and ongoing annual 'ground rent'. The combination of the capital payment and ground rent would most likely target the 'land price' but current market conditions are challenging.</p> <p>Typical ground rents can be based on the rental value of the land where there is no capital payment, but the agreement would be specific to the end development and user.</p>	<p>The ground rent provides Bury Council with a long term income stream with either a lower or no capital payment. However, many occupier and developers will be deterred by this structure as they target freehold/long lease opportunities without ground rent due to the requirement of their funders.</p>
Joint Venture	<p>Joint venture returns vary significantly depending upon the inputs of the partners but Bury Council could seek a share of the development profit if the units were developed and then sold.</p>	<p>A joint venture could reduce the risk and resource requirements to Bury Council as the partner could bring their own capital and skills. However, the need for an 'exit position' would potentially reduce the possibility of Bury Council holding the scheme as an investment in the future should this strategy be preferred.</p> <p>A procurement process would be required and the scale of the opportunity means that this approach is unlikely to attract strong interest from the market and therefore is not recommended.</p>

An investment partner could circumvent procurement requirements for specialist DM services, whilst providing a funding solution for a share of the returns.

Direct Delivery

The estimated returns from the optimal option B suggest a development yield of c.7% if the land price is excluded (as Bury Council own the FH). This development yields is slightly ahead of the cost of purchasing equivalent investment property but not significantly enough to be attractive at this time.

If Bury Council were to develop units directly for occupiers, the returns would be the land prices and the development profit the agreement would derive.

In this case, Bury Council would assume the role of lead client and financer of the scheme. The development may be managed internally or externally (via appointment of a Development Manager).

The exit route could either be to hold the asset as an investment upon completion or sell it. Alternatively, units could be developed for specific end purchasers and Bury Council would benefit from a land payment and development profit.

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Conclusions

The site is located in an established commercial location, with good road connections and adjacent to recently developed light industrial units which are well occupied, demonstrating the strengths of the location and supporting the potential for delivery of further light industrial accommodation.

There are a number of challenges when considering redevelopment of the site, not least the presence of the attenuation pond and in and outflows which restricts the net developable area. The site also has a high Habitat Baseline score which adds cost and uncertainty to development from the requirement, effective from January 2024, for BNG offsetting. Estimated costs of between £500k - £1m+ have been identified, subject to which offsetting route is adopted.

The BNG offsetting requirement could potentially be satisfied directly by the council for a lower cost, via investment to upgrade land held elsewhere within the borough or land owned by the council. This is subject to an assessment of availability of potentially suitable land, but a developer (via land sale approach) would likely have higher offsetting costs (credits vs potential to upgrade existing land holding). Should credits not be available within the borough, more credits would be required and higher costs therefore applicable to development, creating further uncertainty for prospective bidders should the site be brought to market as a development opportunity again.

Our appraisal of the site has concluded that there is potential to deliver c.80,000 – 90,000 sq ft of light industrial accommodation on the site which could create between 160 and 180 new jobs (based on government issued employment density guidelines) and generate between approximately £185,000 to £280,000 pa of business rates.

Development conditions for the traditional developer model (build and sell) are currently challenging, principally as a result of construction cost and wider cost and finance inflation as well as yield compression negatively impacting investment values, ultimately impacting the price developers can pay for land and increasing uncertainty of delivery. Strong occupier demand and the success of Chamberhall Business Park suggests however that the council should give consideration to a form of direct development to extract maximum benefit during relatively strong occupier market conditions.

Optimised returns for the council are most likely to be achieved from Direct Delivery, within which there is a sub-option of either internal led delivery or an appointment of a third party specialist via a development management agreement. The council would take full risk exposure for delivery; however this is the cost to take advantage of a full profit share and, in current market conditions, is likely to provide the most assured route to delivery.

It is our understanding that the council does not possess the internal resources to deliver directly, therefore appointment of a development manager is likely to provide an appropriate option for further consideration. A development manager would require a fee (typically in the region of 4-5% of development costs) but would bring the required resource and expertise which the council presently lacks.

The configuration of Chamberhall provides an opportunity for agreements to be reached on a land sale to private sector developer or occupiers directly, the latter likely on a plot basis. Our testing of the site has highlighted that the configuration lends itself to plot developments and as such design & build opportunities may provide the council with a lower risk exit (retain control on delivery and wouldn't speculatively build).

The Council has of course followed the land sale route previously, with agreement with Hargreaves Land ultimately falling away which we understand was cited by the developer to be due to increasing construction costs and viability challenges. In current market conditions (continued inflation, construction costs and yield suppression) we consider that a land sale approach is unlikely to yield favourable outcome/returns for the council; that is to say there would be a moderate risk of non-delivery and land values would likely be lower than received during the marketing undertaken in 2021.

Looking forward, CBRE projects that from 2025 onwards light industrial yields will show signs of recovery, whilst construction costs are currently showing signs of levelling off. Additionally, the lack of new-build/quality supply being brought to market means that rents are predicted to continue to grow in the sector where demand is strong. We therefore expect conditions for development to improve in the coming years.

Ultimately, current unfavourable market conditions, together with the BNG cost uncertainty, mean that a hybrid of the above approaches may provide the optimal route forward, whereby 'plot(s)' are marketed on the basis of design & build and any remaining plots could then be delivered speculatively at an appropriate time i.e. when the market improves.

Alternatively, the council could continue to progress through the design RIBA stages until critical milestone decisions such as planning or funding, to create a developable proposition which could either be progressed or sold at the appropriate time when market conditions are more favourable and greater certainty is available regarding the potential offsetting BNG costs.

The incentive for a counter-cyclical direct delivery by the council can be made on the basis of the strong occupier market and limited delivery of new development being brought forward by the private sector, meaning there would be limited supply competing for occupiers.

On a build and hold model, the negative land value does not have to be crystallised and instead the council would retain an income generating asset whereby the income would pay off development debt as well as generating a surplus investment income (alongside new jobs and business rates generation), until such a point a sale may be adjudged appropriate to release capital if required.

