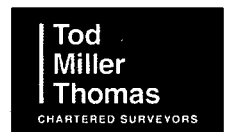


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COMMERCIAL VIABILITY REPORT
THE CALF PENS
LIDSEY LODGE FARM, LIDSEY

Prepared on behalf of
Melanie Jenkins Farming Ltd

27th September, 2007



TOD MILLER THOMAS
The Old Coach House
West Pallant
Chichester
West Sussex
PO19 1TB

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APPENDICES

Photographs

Details of: Wyvern House

6 Church House, Felpham

Lennox House

Illiad House

1. TOD MILLER THOMAS

- 1.01 Tod Miller Thomas are one of the leading firms of Chartered Surveyors and commercial property agents in the West Sussex. The practice has been trading for over 15 years and acts for a large number of the major landlords, developers and employers in the district. Our commercial property agency department is therefore involved in a considerable amount of transactional activity in the Chichester, Arundel, Bognor Regis, Ford, Littlehampton and Worthing areas, together with the surrounding villages and we are therefore well placed to provide a report of this nature.
- 1.02 The author of this report draws on 20 years experience of letting and sales of commercial property throughout Britain and for the last 10, in the Surrey, Sussex and Hampshire areas.

2. BRIEF

- 2.01 Our instructions are to prepare a commercial viability report in respect of the subject premises looking at its suitability for conversion to alternative commercial uses including that of holiday lets, storage, light industrial and office.
- 2.02 In preparing this report we have looked in detail at location of the subject premises and its immediate surrounding environment, the suitability of the building for conversion and, the commercial viability of such a project.
- 2.03 We have also provided a general market commentary to provide the reader with an overview of supply and demand for commercial property in the Bognor Regis area, including rental levels and how these relate to the subject property.

3. LOCATION

- 3.01 Lidsey Lodge Farm is located on Sack Lane, an unclassified cul-de-sac which joins the A29 between Bognor Regis and Woodgate. Lidsey Lodge Farm is just over ½ mile from the junction of the A29.
- 3.02 Lidsey itself is a small hamlet comprising little more than two farms, a horticultural nursery and a caravan park together with a small number of isolated houses. The nearest shops are in Woodgate and Westergate to the North and Shripney and Bognor Regis to the South.
- 3.03 Sack Lane is not suitable for access by large commercial vehicles and it is not possible for an articulated lorry to turn round at the end.

4. DESCRIPTION

- 4.01 The property comprises a group of single storey former agricultural buildings described in detail as follows:-
- 4.02 The main calf pen has a gross internal floor area of 583 sq ft together with a small adjoining building of 107 sq ft separated by a brick walled open area.

The buildings are both single storey brick and flint construction with an upper level of timber cladding surmounted by a pitched slate roof.

- 4.03 There do not appear to be any mains services although the adjoining residential buildings clearly have had adequate provision for water and electricity.
- 4.04 Apart from the farm, the other buildings in the immediate area are as follows:
- (a) Lidsey Lodge, adjoining to the West, is a fine detached brick and flint house.
 - (b) Adjoining to the East is a white bungalow of brick and clay tile roof construction.
 - (c) Diagonally opposite to the North East is a fine period house called "Old Hundred" and adjoining that is a single storey residential barn conversion.

5 COMMERCIAL USES – PRACTICAL VIABILITY

5.01 Industrial/Storage Use

Industrial units built over the last 20 to 30 years are typically of steel portal frame construction with a height to eaves of 6 metres, floor loading capacity of at least 25kN per sq m (500lbs per sq ft), steel roller shutter loading doors, normally 3 metres wide and at least 4 metres tall and a dedicated yard area where vans, lorries and staff car parking can be accommodated. While car parking could be allocated it would make access for commercial vehicles very difficult.

5.02 In addition, the only access to the site along Sack Lane is very restricted as the lane is very narrow and large commercial or articulated vehicles would not be able to reach the site satisfactorily. Therefore in our opinion this would not be a viable use.

5.03 Office Use

We have looked at the suitability of converting the buildings into small office suites or as two complete buildings.

5.04 In our experience, there is poor demand for offices in Bognor Regis itself and this demand falls away even further for the outlying villages where access to shops, banks and professional services require a drive (see later figures on supply and demand).

5.05 Specification

The cost of conversion is also a limiting factor here, given that a current modern specification would include Category II lighting to comply with Health and Safety at work guidelines, Category 5 voice and data cabling, central heating, double glazing, carpeting and Disability Discrimination Act compliance, including improved wheelchair access, WC facilities. In addition, with the number of computers commonly utilised in offices, some form of comfort cooling or air condition system may well be required.

-4-

With the number of people who would be employed in an office building and the number of computers in operation, it is quite likely that some form of airconditioning is installed. It would be difficult to find a suitable location for the plant and machinery which is necessary for the condensers and pumping machinery. Inevitably these also produce noise which would not be acceptable to the occupiers of the adjoining house.

5.06 **Holiday Let**

While there is an active market for certain aspects of the holiday lets industry, this tends to be at the cheap end of the market and there are several large caravan parks in the Bognor Regis area. The holiday lets market for the next price range for self-contained residential style buildings is much more limited. While there is demand for rented accommodation relating to events at Goodwood such as the horse racing and motorsport fixtures, these are limited to just a few weeks in the year and as such would not make a viable business proposition.

6.0 **Supply - Buildings currently on the Market**

The following represent a selection of buildings within a 5 miles radius of Bognor Regis.

Flansham Business Park: 786 ft²

Illiad House: 932 ft²

5&6 Church House: 1,300 ft²

Regis Business Centre: 2,000 ft²

45a, London Road: 3,210 ft²

Blueprint Business Centre: 3,070 ft²

57 Elmer Road: 430 ft²

Madeira Parade: 550 ft²

283-285 Chichester Road: 940 ft²

E1 William Booker Yard: 1,466 ft²

Details or web information print outs are attached in the appendix at the rear.

6.01 **Supply – Sites with potential office development**

St. Modwen are in the process of finalising their development plans with Arun Town Council for the town centre development on Hothampton car park. There are further development opportunities on the former LEC site in Shripney Road and site 6 at Southern Cross.

6.02 **Demand**

It is fair to say that we receive more enquiries for Worthing and Chichester than for Littlehampton, Bognor Regis and the surrounding villages. This is because office occupiers like to congregate together and architects, solicitors, accountants, banks and surveyors tend to have interactive business relationships and, in many cases, share clients working on the same business projects. Apart from the council offices and the usual local professionals, there are very few stand-alone owner-manager businesses and indeed, there is currently something of an exodus from the town including Respironics who recently moved to Tangmere. Although they are a high-tech research, development and production company, they have approximately 80 office staff in addition to highly skilled research development and production staff. Williamson Moore have also relocated from Sudley Road to Chichester due to better road and rail communications.

7.0 **COMMERCIAL USES – FINANCIAL VIABILITY – Offices**

- 7.01 With the increasing standards of building control regulations, particularly documents L & M, the cost of conversion would not be balanced by the projected rental income. It is fair to say that for many years, the low rents in provincial towns have prevented speculative office development as the rental return compared to the cost of land and buildings does not make it viable. Even in Chichester where top office rents are now £16 per sq ft, it is not viable to carry out speculative office development and all the new buildings are built by or for individual occupiers on a bespoke basis.

The office rents in Bognor Regis barely reach £7-8 per sq ft and commercial viability is therefore almost completely eroded which is why no new office development has taken place in the area for many years.

- 7.02 Taking into account the market for Bognor Regis and the surrounding villages, we would anticipate a lengthy period of marketing for the Calf Pens before a tenant would be found, even if (a) the building had office consent, and (b) the building were fitted out as offices.
- 7.03 Because of the age of the buildings, a well advised tenant would be unlikely to take a full repairing and insuring liability and would certainly wish to be excluded from latent and structural defects. There would not, of course, be any warranties from a contractor and professional team as would be the case with a new building.
- 7.04 As a general comment on the market, leases even in good areas are typically less than 10 years and generally with tenant break options at the 3rd or 5th year. This makes it very difficult to get outside funding for the developer as the income does not cover the borrowings.
- 7.05 The Calf Pens do not have an existing planning consent for use as offices. The potential tenant market for this size building would be classified as an SME (small and medium-sized enterprise) and generally, when they wish to relocate their business, these decisions are made in the short term similar to a family contemplating a house move.

Tenants are likely to be in serviced offices or working from home and are unlikely to be constrained by having to assign or sub-let an existing lease.

If we were to put this space on the market we would have to state on the particulars that letting the space is subject to detailed planning consent being given for office use following which the landlord would have to apply for building approval for the actual proposed works. This constitutes a level of risk which small companies are simply not prepared to take.

Secondly, if planning and building control consents were obtained, there would be a delay of at least a year while the conversion works were carried out. SME companies are simply not prepared to wait 12 to 18 months for new offices to be ready for occupation. I would be negligent if I were to advise the owners of this building to spend time and money marketing the building on the assumption that there are potential tenants out there to take this space who are prepared to take the risk and delay while planning and building works go through.

The alternative prospect of converting these buildings on a speculative basis for tenant occupation is clearly untenable on the basis of my knowledge and experience of the commercial property market in the district and we are certain that no bank would advance funds for the conversion on the basis of the commercial advice which the applicant has received.

7.06 **COMMERCIAL USES – FINANCIAL VIABILITY – Holiday lets**

The UK holiday lettings market in general is in some decline due to the availability of cheap flights to Europe and beyond. It is now more viable for families, which is a large sector of the general demand for holiday lets, to go further afield. Holiday lettings compared to ASTs (Assured Shorthold Tenancies) have higher agent's fees, advertising costs, and maintenance fees and are more time consuming in terms of management on behalf of both the owner and the managing agent.

We understand that net yields are currently only around 3% and it would be a brave advisor who predicts continuing capital growth at this point in the cycle.

I set out below some information recently published by Nick House who is the former Chief Executive of Rural Retreats and who runs a consultancy to investors and landlords looking at holiday lets as a business.

"The market has been challenging for owners over the last three years for the following reasons:

- (1) Supply outstrips demand and there are too many beds chasing too few guests.
- (2) Internet shopping. This has created a far greater choice for consumers in terms of holiday destinations, type and price of accommodation.
- (3) Higher expectations. As the standard of living continues to rise, so does the demand for high quality holiday accommodation.
- (4) Shorter duration of stay. Guests are demanding greater flexibility to book short breaks throughout the year. This trend has eroded (profit) margins for property owners as the housekeeping costs are just as high for a 3 night let as they are for a week.

8 STATE OF REPAIR

- 8.01 It is clear that the buildings are in a state of neglect which, if allowed to continue, could lead to rapid deterioration and eventually partial structural collapse. This deterioration can only be reversed by a substantial investment, commensurate with the period character nature of the pens and this investment can only be justified if a proper economic return can be derived from a new use.
- 8.02 Mains water and electricity will need to be provided.
- 8.03 The buildings will need WCs.

9. SUMMARY

- 9.01 In this particular instance our conclusions are quite clear and precise in that we can see no potential for industrial/warehouse use from a physical perspective. The buildings are not suitable for office, industrial/warehouse or holiday let use from a financial perspective. We therefore conclude as follows:
- 9.02 The buildings are not suitable for light industrial or warehouse use, due to the shape and size of the existing buildings and the narrow width of Sack Lane and also the adjoining residential property. Low/industrial warehouse rents would also not cover the investment required for remediation and conversion.
- 9.03 The building is not suitable for office or holiday let use, as the rental return would not cover the investment required for remediation and conversion.
- 9.04 The buildings currently have agricultural use and therefore any alternative use would need planning consent which would involve delay and the risk of refusal and a pre-lets therefore not an option.
- 9.05 The buildings require substantial repairs before they are even wind and water tight let alone capable of any more beneficial utilisation.

-9-

- 9.06 The supply of office suites in Bognor Regis and Chichester would seem to cater adequately for the demand from small businesses.
- 9.07 We hope that this report provides you with sufficient information for your purposes, however, should you require additional detail, we would be pleased to assist further.

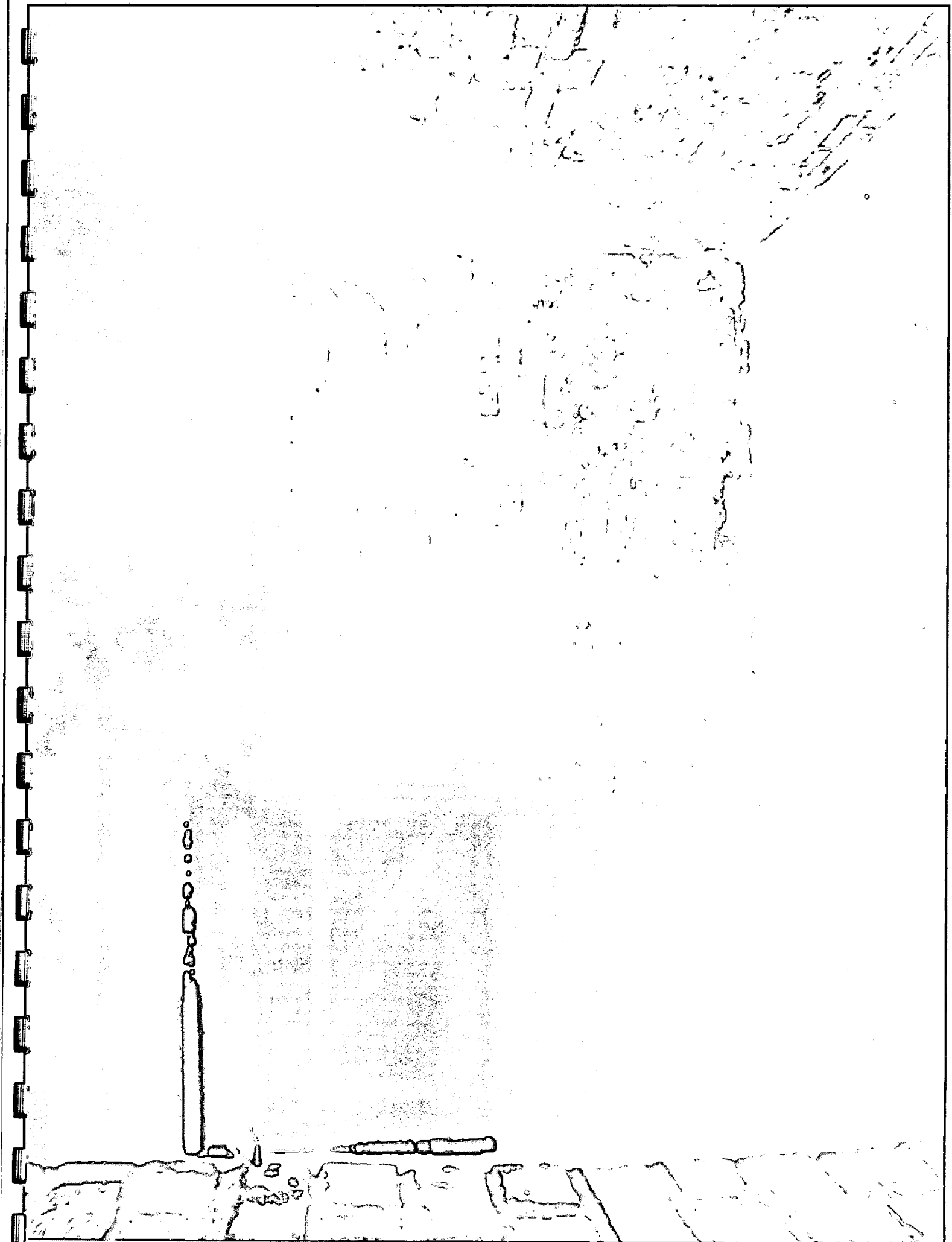
Jeremy Maltby

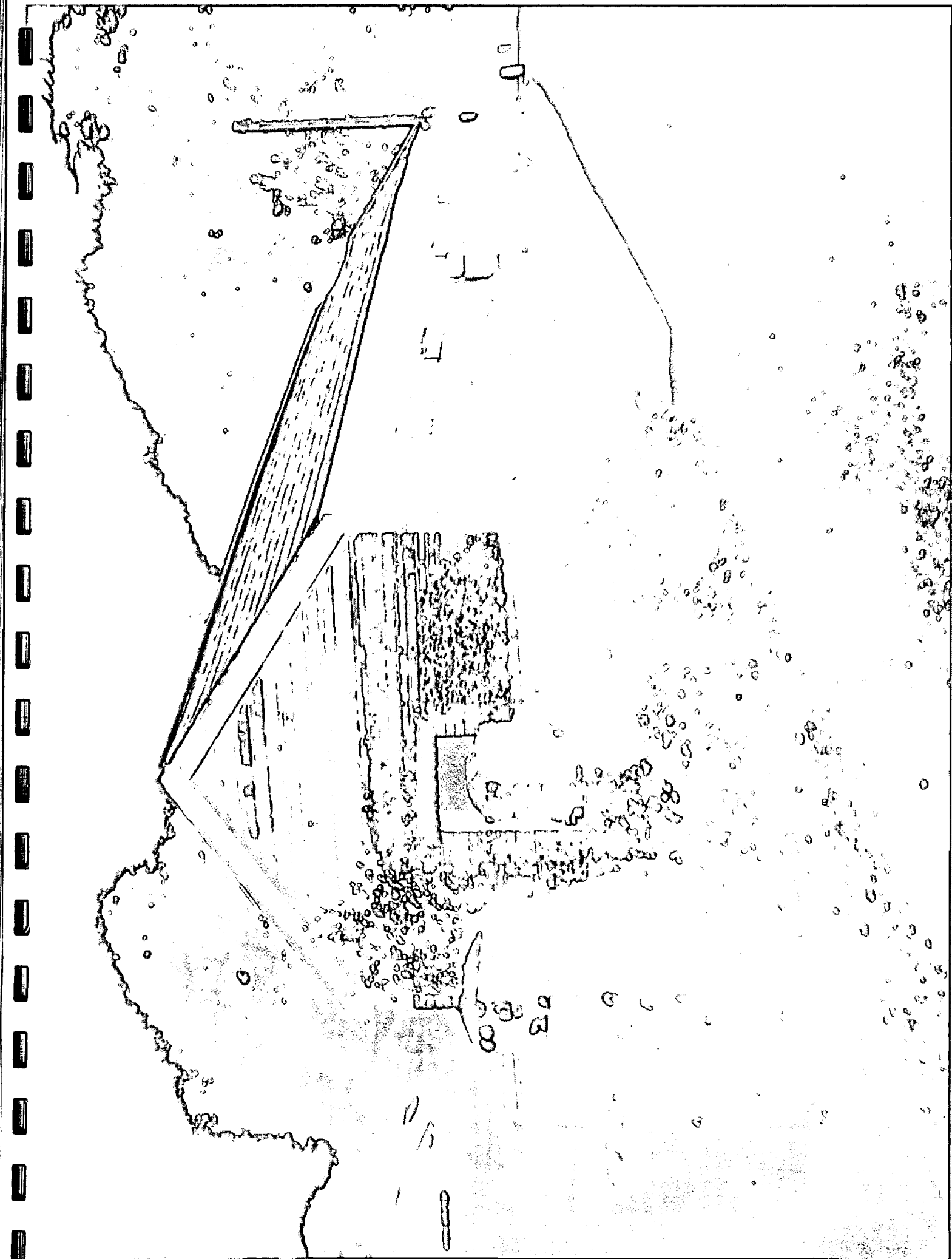
Associate Partner

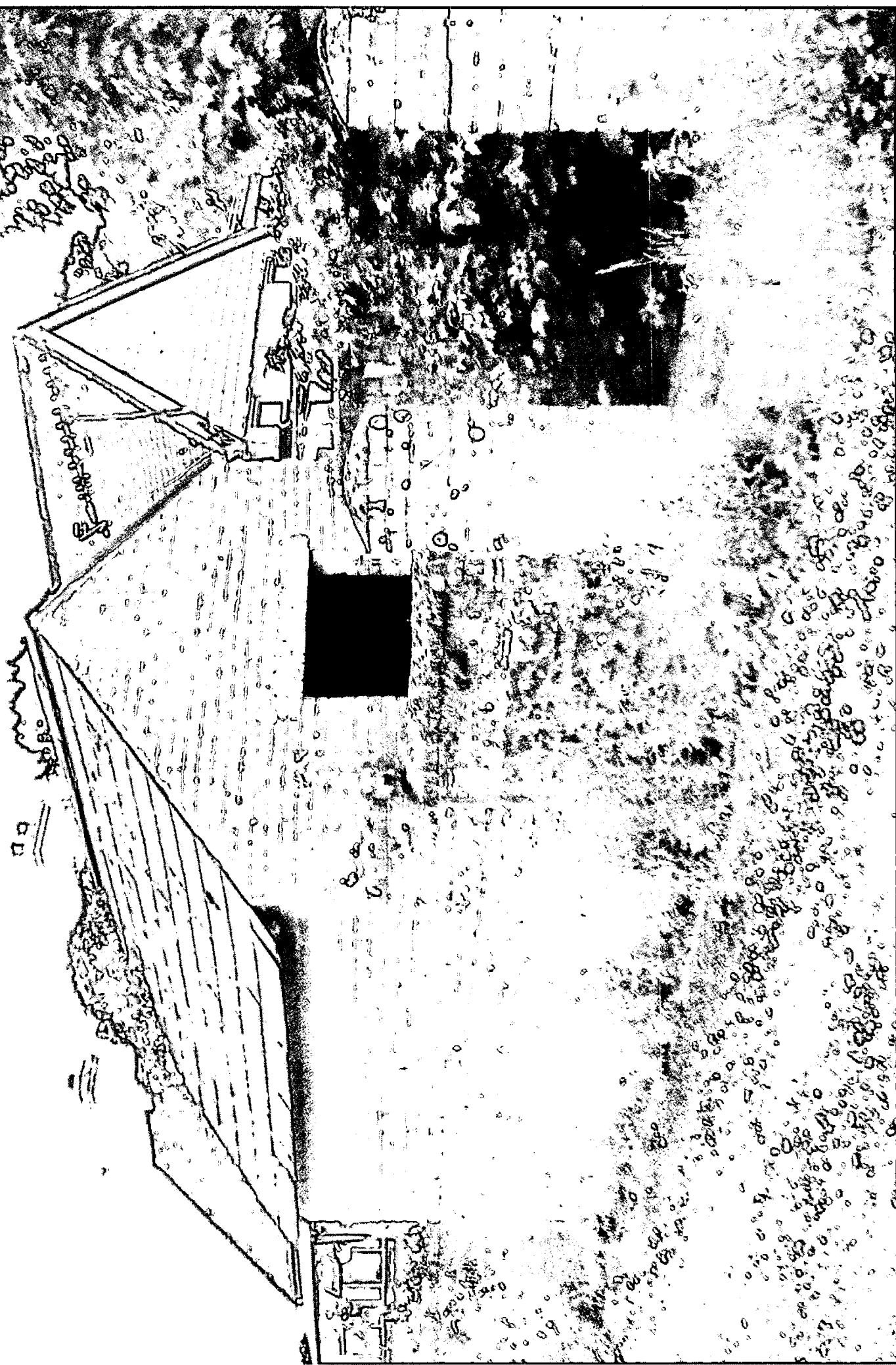
TOD MILLER THOMAS

APPENDICES

PHOTOGRAPHS







DETAILS OF:

Flansham Business Park

Illiad House

6 Church House

Regis Business Centre

45a, London Road

Blueprint Business Centre

57 Elmer Road

Madeira Parade,

283-285 Chichester Road, Bognor

E1, William Booker Yard

Business Unit

**Flansham Business Park, Unit 3 Hoe Lane, Flansham, Bognor Regis,
PO22 8NJ**

Office

786 Sq Ft

Reference: 10623063

Last Updated: 08/03/2007 15:40:50

Attractive brick/stone built office unit in rural business park off A259 Worthing-Bognor Regis road, comprising large open-plan area suitable for division, kitchen, WC and 4 allocated parking spaces. New lease offered.

Contacts

Maureen Horne at Marshall Clark LLP on 01903 236599

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Tel: (01243) 532222

Fax: (01243) 531266

Email: chi@tmt.uk.com

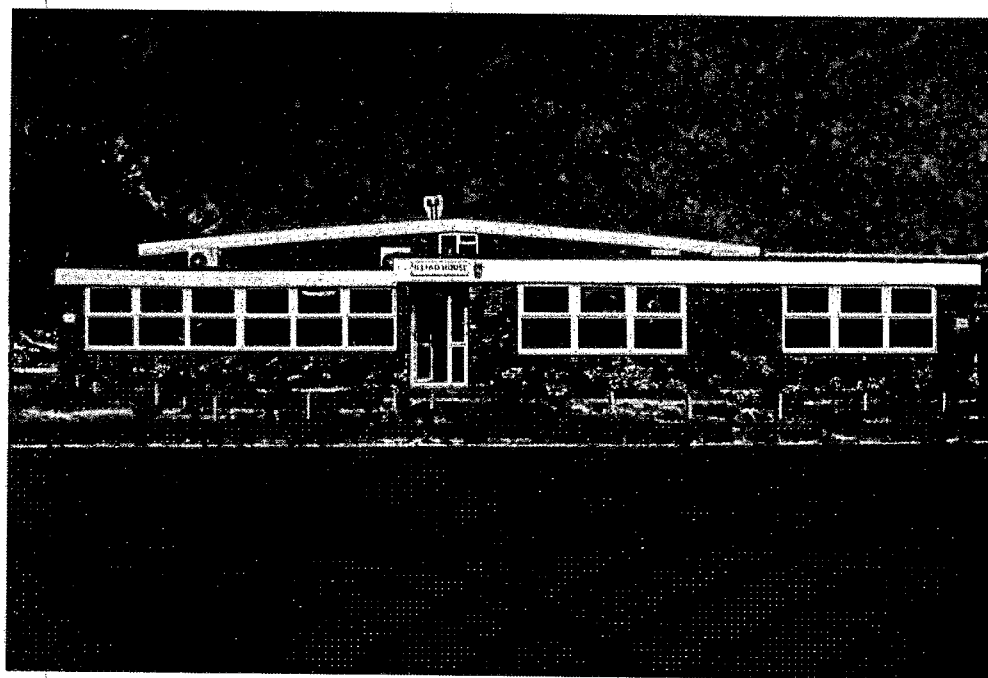
Web: www.todmillerthomas.co.uk

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WEST SUSSEX
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Regis Business Centre, Front Offices Durban Road, Bognor Regis, PO22 9QT

Office

2,000 Sq Ft

Reference: 10613557

Last Updated: 03/01/2007 17:22:01

Excellent office premises, presented over ground and first floor levels. Situated on established estate in Bognor Regis, with allocated parking and recently refurbished throughout.

Contacts

Steve Berrett at Micheal Jones on 01903 213281

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45a London Road, Bognor Regis, PO21 1PQ

Office

3,210 Sq Ft

Reference: 118753

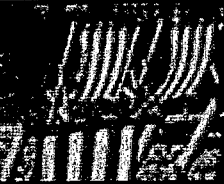
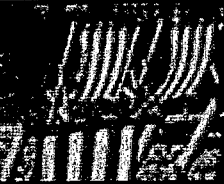
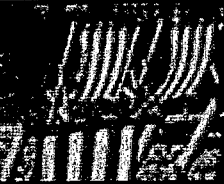
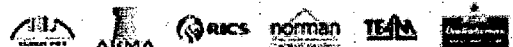
Last Updated: 22/02/2007 10:51:47

Second floor offices within modern property with ground and first floor retail. 6-person lift, open plan accommodation

Contacts

Duncan Marsh at Stiles Harold Williams on 01903 229200

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 BOGNOR	 HOVE	 SOUTH COAST					
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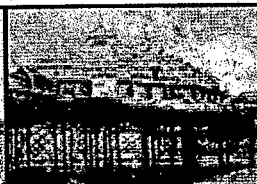
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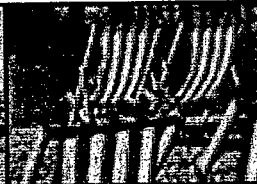
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BOGNOR



HOVE



SOUTH COAST



BRIGHTON

ELMER ROAD, BOGNOR REGIS

PRICE: £ 8,400.00
430.00 Sq Ft (39.00 sq M)


Arr

Em

B

Situated in Middleton-on-Sea, east of Bognor Regis town centre. It is part of a small parade of offices and flats, convenient for local shops and amenities.

Measured on a net internal basis, the accommodation comprises: Personal entrance door with stairs leading to first floor landing:

Room 1: 184 sq ft (17.09 m²) Windows to front. Fluorescent strip lights.

Room 2: 155 sq ft (14.40 m²) Dual aspect with windows to front and side. Inset ceiling spot lights. Small cupboard.

Room 3: 91 sq ft (8.45 m²). Window to rear. Small cupboard. Inset ceiling spot lights.

Kitchen: Stainless steel single drainer sink unit. Cupboards. Fire exit door to rear covered area measuring.

Bathroom/WC: Panelled bath. Wash hand basin. Low level WC. Part tiled. Obscured glass window.

Bognor Office



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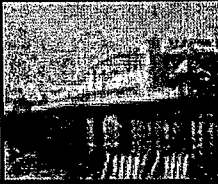
BOGNOR



HOVE



SOUTH COAST



BRIGHTON

MADEIRA PARADE, BOGNOR REGIS

PRICE: £ 10,000.00

550.00 Sq Ft (51.00 sq
M)

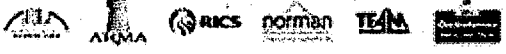
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Situated north of Bognor Regis town centre, just off the A259 road between Littlehampton and Chichester. It is part of a small parade of local shops serving the surrounding residential area. There is off-road parking. The property could be suitable for other uses.

Ground floor lock-up unit currently arranged as office space.
Bognor Office



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CONTACT US	COMPETITION	SITE BEAR								
 BOGNOR	 HOVE	 SOUTH COAST								
 BRIGHTON										
HOME PAGE ABOUT US RESIDENTIAL SALES RESIDENTIAL LETTINGS	NORTH BERSTED, BOGNOR REGIS <i>283-285, London Road</i> PRICE: £ 6,500.00 280.00 Sq Ft (26.00 sq M)									
COMMERCIAL AGENCY Property Search Email Registration AUCTIONS SURVEYS & VALUATIONS BUILDING SURVEYING RESIDENTIAL MANAGEMENT COMMERCIAL MANAGEMENT OTHER SERVICES	 Office suite situated in North Bersted, north of Bognor Regis town centre. It is part of a local parade of shops on the A259 Bognor to Chichester Road, serving the surrounding residential area. New Lease available, £6,500 per annum exclusive. This office suite has recently been refurbished to include a suspended ceiling with Cat 2 lighting, data cabling provisions, uPVC double glazed windows and gas fired central heating to radiators. Bognor Office  © Parsons Son & Basley 2005. All rights reserved									

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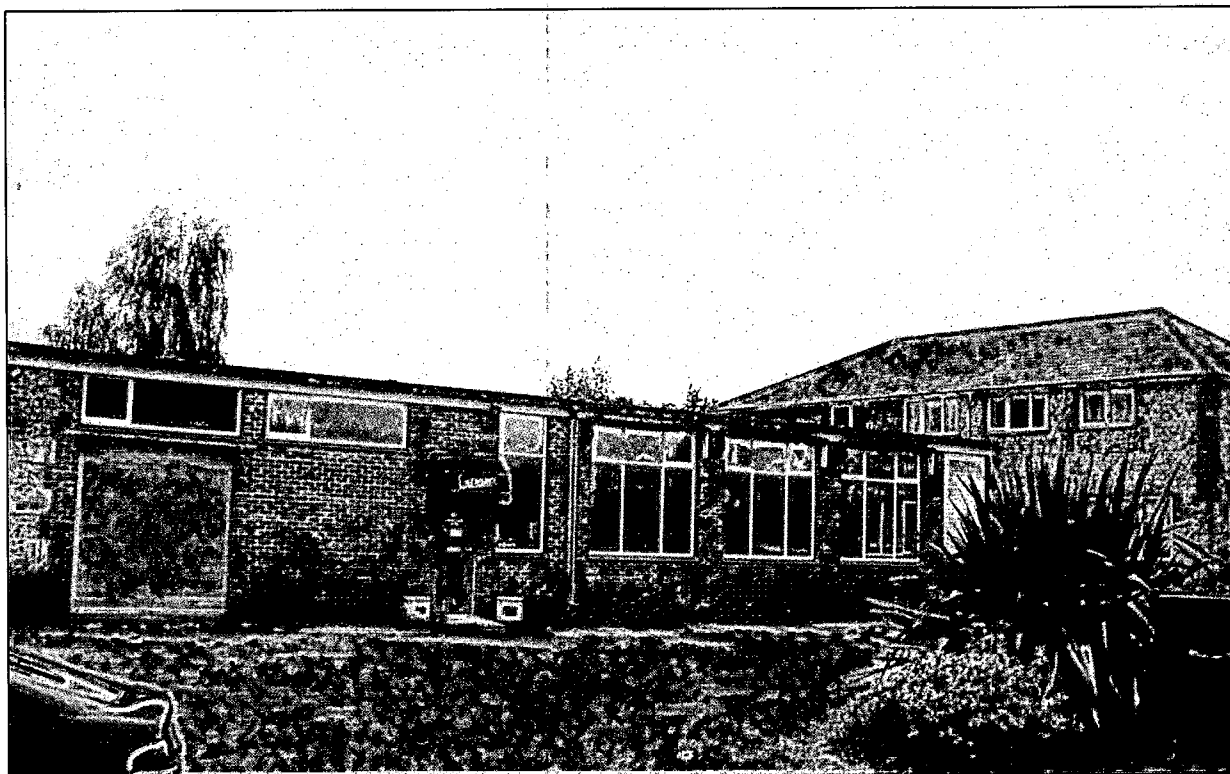
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