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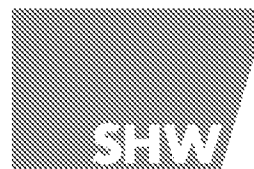
SHW

STRATEGY REPORT DEVELOPMENT 7TH OCTOBER 2021

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Property
LAND AT TODDINGTON LANE, LITTLEHAMPTON



1.0 BACKGROUND

1.1 PURPOSE

In February 2020 SHW were instructed by T & L Crawley No.2 LLP (T & L) to provide a report and commentary on the feasibility of undertaking a large-scale Class B1 office scheme on land located at Toddington, Littlehampton, West Sussex. This report focusses primarily on the office market as this is the only sector likely to meet the design aspirations for the site and also, in our view, the use most likely to be viable for new build development, although as will become evident from our report, even office use falls well below the viability threshold in our firm opinion.

In preparing this report consideration was given to a range of factors, including current and historic market trends, prevailing supply/ demand side issues and financial viability. In order to provide appropriate context, our analysis and commentary was provided in respect of the Littlehampton market and the wider South Coast market extending eastwards to include Brighton.

Since writing the report in early 2020 there has been a significant impact on the economy, not just in the UK but worldwide, caused by the Coronavirus Pandemic (Covid-19). For clarity, the market commentary in the original report dated 3rd February 2020 did not reflect a period of time that was impacted by Covid-19. In contrast it reflected trends seen in the market in Littlehampton and the wider South Coast over the last 10 years at least. Covid-19 is documented to have arrived in the UK at the end of January 2020 and was declared a pandemic by the World Health Organisation on 11th March 2020. The impact was principally seen in the UK from March 2021 when restrictions began to be put in place and the government requested businesses to work from home if they can. The impact on employment space throughout the UK was first seen from the end of March 2020 and got progressively worse throughout the rest of the year. Consequently, our original report was written without having regard to the impact of Covid-19 and therefore we remain of the view that the site has no realistic potential for employment use for the reasons explained further below.

We have updated the market commentary to reflect the current market conditions and our predictions for the recovery of the office market and business uses generally as we begin to come out of the Covid-19 Pandemic.

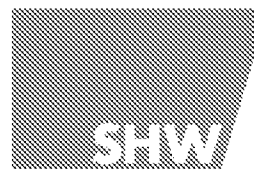
1.2 SHW

SHW is a large, multi-disciplined, long-established firm of Chartered Surveyors which was founded in 1798. It has offices in Brighton, Worthing, and the wider region, including London, Croydon, Epsom, Crawley, Bromley and Eastbourne. SHW advise owners, occupiers, investors, developers and funding institutions across a broad spectrum of agency and professional work across the South East of England.

Currently the firm holds instructions on approximately 75% of all the available office space currently available and being marketed in our core areas. Acting in an agency capacity we advise the owners of office and business space on a wide range of factors, including market trends, rental levels, lease terms and the suitability of their accommodation in the context of prevailing occupier requirements and sentiment. Additionally, we provide consultancy services to developers who are proposing to undertake new office and business related schemes, including viability and feasibility assessments prepared having regard to locational criteria, supply/demand trends and rental levels.

SHW enjoys good links with the owner and occupier markets in and around Littlehampton and has acted for, or let space to a number of companies, including:

- HSBC
- Southern Water
- MGM Assurance
- Sussex Police
- EDF
- Equiniti



- HMRC
- Aviva
- The Body Shop

By virtue of its South East centric area of business activity and its dominant position within the regional office market, SHW is both well-equipped and informed to undertake the preparation of this report on behalf of T & L.

2.0 LOCATION AND DESCRIPTION

Toddington is a suburb of Littlehampton. It is located approximately one mile north of the town centre, to the north of the primary urban area, from which it is separated by the A259. Historically it comprised of relatively small-scale residential development, largely on and in proximity to Toddington Lane, together with extensive areas of land in predominantly horticultural use, much of which was, until 2014, owned by Greencore Group plc. More recently Toddington has been subject to the commencement of extensive new housing development and associated infrastructure works, in the form of a major northern extension to the urban area (in local planning parlance known as "Land North of Toddington Lane") which is being undertaken largely on the former Greencore land.

Littlehampton is a seaside town located on the West Sussex coast. As at June 2018 it had an estimated population of approximately 58,800. The town is reasonably well located in terms of road access, including to Worthing (9 miles), Chichester (13 miles) Brighton (22 miles) and London (60 miles). Littlehampton has direct train services to London Victoria, Portsmouth, Worthing and Brighton.

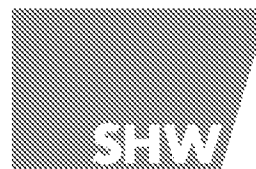
The Land North of Toddington Lane scheme (hereafter referred to as "the scheme") was permitted by way of an outline planning permission granted by Arun District Council on the 23rd January 2013 (reference LU/47/11) subject to a Section 106 Agreement. The description of development under that permission includes, inter alia, "for the construction of up to 1,260 residential dwellings (out of a potential 1,460 dwelling masterplan) up to 13,000 sqm of B1 employment floorspace (including 3,000 sqm Enterprise Centre) up to 3,500 sqm of Class A local facilities and a 100 bed hotel". The construction of the scheme will deliver significant local infrastructure works and improvements, including the southern section of the A284 Lyminster bypass.

The land that is within T & L's freehold ownership is located on the west side of the scheme adjacent to a roundabout has been constructed on the southern section of the Lyminster Bypass, immediately south of where it will join with the northern section once completed. A plan showing the location of the land within the context of the wider scheme is provided at Appendix 1. The land within T & L's ownership comprises of four parcels having an aggregate site area of 2.94 hectares. For identification purposes these land parcels are delineated in red and annotated sites A, B, C and D on the plan provided at Appendix 2.

Area A is bounded to the south and west by existing residential development and has a site area of 0.91 hectares. Area B abuts open countryside to the north and the recently constructed roundabout to the south with land proposed to extend an existing local civic amenity site to the west. It has a site area of 0.81 hectares. Areas C and D are located on the east side of the line of the bypass abutting land allocated for residential development. They have site areas of 0.9 and 0.32 hectares respectively.

By virtue of the January 2013 planning permission and a subsequent s.106 agreement dated 11th September 2018, the permitted Class B1 employment floorspace that is the subject of this report is proposed to be provided within areas A and B. Area C is allocated for the 100 bed hotel and area D for other unspecified "non-residential" use.

It is important to note that due to the construction of the bypass, Sites A & B are required by West Sussex County Council for use as a construction compound and therefore will not be available until at least March 2023. This effectively blights the use of the site temporarily and means that any interest in the use of the site for employment purposes will not be forthcoming for a number of years.



3.0 MARKET COMMENTARY

3.1 GENERAL OBSERVATIONS ON THE SOUTH EAST OFFICE MARKET

Pre Covid-19 it was generally acknowledged that the UK wide provincial office market was in a depressed state, save at certain 'hotspots', typically in large commercial centres, including in the south east regional context, Brighton. Demand for office space generally follows the strength of the wider economy and the continued uncertainty surrounding Brexit and its outcome led to diminished occupier confidence and reduced demand. This was heightened by the arrival of Covid-19.

In March 2020 the government called for all businesses to work from home. This led to the closure of offices throughout the UK and an unprecedented challenge for the UK office market. Research by JLL showed that in the early stages of the first UK lockdown, 78% of UK workers in professional, scientific and technical services were all homeworking. This figure fell by September 2020 but was still at 62%. By April 2020 office leasehold deals that were under offer were largely put on hold and then subsequently withdrawn altogether, additionally, new enquiries were at an all time low. Today, the government guidelines remain to work from if possible and even as other restrictions are lifted there has been no clarity on when there will be no restrictions on office use. Even once a return to the office is encouraged, the impact of Covid-19 on working practices is unlikely to go away. Companies were forced to invest in IT that made it possible for them to communicate efficiently with both staff and clients away from the office, and for files to be securely stored and accessible from any location. The new trends emerging in how we use office space are covered in 3.2 below.

So far the largest impact has been seen in central London, staff have worked successfully from home, avoiding long commutes on public transport and the associated cost. Many have relocated their homes further out of the commuter belt in anticipation that they will no longer be expected into the office five days a week.

The South East of England office market within the smaller towns is typically characterised by a lack of demand from occupiers and an oversupply of buildings, both modern and functionally obsolete. This has been the trend for many years and is primarily a product of changing occupier trends and sentiment which, to an extent, have been exacerbated by the uncertainty and disruption surrounding Brexit and now Covid-19. Littlehampton is no exception to this trend.

The absence of occupier demand over the last decade has led to many office buildings in south east regional locations, Worthing being a good example, being converted to residential use under Permitted Development Rights since this was introduced in 2013. In contrast Brighton & Hove City Council have adopted the use of Article 4 directions as a mechanism to preserve office floorspace, reflecting the fact that the City continues to have a robust office market. From March 2020 to **February 2021** there will little activity in the Brighton office market much like other larger centres, but more recently interest levels have increased and occupiers are viewing offices again. In terms of rents and lease lengths, these have not been impacted by Covid-19, rather it appears there was just a pause on activity as opposed to weakened lease terms. Outside of the larger centres like Brighton, office demand remains very low.

Other than in Brighton, large strategic office relocations into the regional marketplace have not occurred during last 20 years. We consider that this trend is unlikely to change and that, to the extent any such inward relocations do occur, they will be confined only to Brighton.

With respect to Businesses uses generally, these follow the same trend and, with the exception of large-scale storage and distribution uses associated with 'last mile' delivery services which demand much larger sites than at Toddington Lane, the market remains very flat which in our view is unlikely to change in the foreseeable future.

SHW have observed that when an occupier of 5,000 sq ft or more seeks to relocate, they tend to do so within two miles of their current location, thereby minimising disruption to their employees, customers and supply chains. Companies that have a wish or need to relocate may do so in pursuit of lower occupational costs associated with second-hand buildings in secondary locations. However, in many instances the imperative of recruiting and retaining suitable, high-quality staff takes priority. Occupiers therefore tend to focus their search



on established commercial centres, specifically those that are well supported by high quality higher and post-graduate education provision, thereby giving access to a pool of graduates and qualified individuals.

3.2 CURRENT AND EMERGING TRENDS IN BUSINESS REQUIREMENTS

Pre Covid-19, the demands and expectations of the typical business occupier and their employees were ever increasing, not least because the border between private life and work were becoming ever more blurred. Covid-19 has intensified this further, not only by improving IT allowing individuals to efficiently work from home, but also breaking down cultural barriers making it more widely accepted for people to be trusted to work from home effectively.

As we come out of lockdown businesses are looking at both how their staff want to work going forward and what is required for the business to remain successful. There has been a lot of press coverage from major companies about what their plans are going forward, these range drastically, from Goldman Sachs stating that all staff are required to return to the office full time, to Dropbox who are happy to remain virtual. The majority are somewhere in between, opting for a hybrid model. At this stage there is still a lot unknown about the future of the office and business generally, but the general consensus is that companies will retain an office presence, but staff will continue to work 2 or 3 days a week from home. If this remains the case, it will follow that office occupiers' size requirements will half.

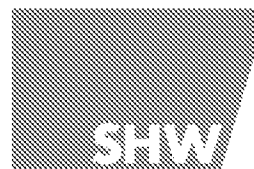
Pre Covid-19, employers were already having to try and achieve competitive financial advantage by providing their workforce with a high-quality workspace environment with exceptional locational attributes. As we come out of Covid-19, employers are having to work even harder to entice their staff back to the office for collaboration time.

Typically, the attributes required are only available in established major commercial centres. They include factors such as:

- Access to good quality amenities (retail, restaurants and leisure)
- Excellent public transport
- High specification buildings to include air-conditioning, full accessed raised floors, shower and changing facilities and secure bike storage. In out of town locations a very good provision of car parking is a pre-requisite
- A building which is prominent to an arterial route or in a town/city centre
- In the South East regional context, direct ease of access to London

Post Covid-19, additional considerations are:

- Air quality of an office – Occupiers currently considering offices in Brighton are asking for additional information on how the air quality of the building is monitored. They want to see a system in place that can measure air quality throughout the day and make adjustments as required. In addition, access to outdoor space is increasingly important for exercise and lunchtime breaks. We expect these factors will be a requirement for all businesses going forwards
- 'Flight to Quality' - Occupiers are considering taking less space than they had pre-Covid-19 but better quality space that attracts their staff back to the office for collaboration time. This is resulting in occupiers looking at more expensive space but taking a lower quantum.
- Hub and Spoke – there is a lot of discussion over a hub and spoke model, this is not a new concept but has become more prevalent due to Covid-19. The concept is that there is a HQ office in a city centre with a number of spoke offices in regional locations. In the past this concept has allowed employers to attract talent from multiple locations. With employees now seeing the benefit of reducing their commute, the theory is that employers will look to downsize their HQ offices in places such as London and increase the amount of spoke offices they have in the regions. However, they will still need the spoke offices to be well connected and in town/city centre locations with proximity to



component, well qualified workforce. It is anticipated that more companies will implement the Hub and Spoke model as a result of increasing flexibility in working patterns, and also an increase in businesses showing they are more sustainable.

- Co-working providers – initially co-working providers suffered due to Covid-19 as the flexible nature of the agreements were easy to terminate. In the latter half of 2020, occupancy of single memberships or SMEs increased as people were tired of working from home by themselves. Looking forward it appears more established companies are taking space in Co-Working space, taking a flexible, short term agreement whilst they monitor their new working patterns and decipher how much office space they need in the long term. In addition, occupiers looking at taking office at larger office schemes are asking what co-working provision the scheme has, with the view that they will take less space on a long term lease now and if they need to they can top up with additional space in the co-working offering within the scheme if necessary, and can benefit from the use of additional meeting rooms on an ad hoc basis.
- Flexible working practices were very much becoming the new norm pre Covid-19, they have now been expedited, and will be a key component of recruiting and retaining the best employees. Such flexible working is typically affording occupiers the cost savings of being able to take 20% less space than they did five years ago, as they plan only for daily occupational need, rather than a need to provide a workstation each day for every employee. We predict that we will see size requirements decrease by at least 20% going forward as more companies use the hybrid working model.

3.3 THE LITTLEHAMPTON OFFICE MARKET

3.3.1 COMPOSITION AND CHARACTERISTICS

Littlehampton's largest office use occupier is The Body Shop/ Natura & Co. Otherwise the office market is largely characterised by smaller 'local' companies having limited spatial occupational needs. Most office occupiers are in the town centre in smaller units, often above retail frontages or in converted houses. There is little purpose-built office stock but, notwithstanding this, the available space has met and continues to meet the demands of local occupiers and at rents which, by virtue of the modest quality of the stock, are affordable in the local context. Typically, occupiers require accommodation of circa 1,000 sq ft or less and this demand is being fully met. Historic commercial considerations, essentially of financial viability, have been such that speculative office development has never been a feature of the Littlehampton market. There are no office buildings in the town or its environs that have been developed on a speculative basis and we do not anticipate that this will change in the future particularly in the light of the above.

3.3.2 MAJOR OFFICE OCCUPIERS

The Body Shop/Natura & Co presence in Littlehampton is an historic legacy of Anita Roddick, founder of the original Body Shop business, who lived and grew up in the area. It is unlikely that the business would ever have based itself in Littlehampton if it were not for that connection. The Body Shops continued presence in the town is potentially at risk given the company's development of a new European distribution centre in Frankfurt and the possible impacts of the final Brexit trade deal negotiation.

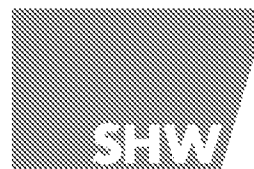
Fittleworth Medical occupy a recently completed 15,000 sq ft building located on the edge of the town and constitute its only other substantial office use occupier. They and the Body Shop aside, local office use occupiers are typically operating from small suites of accommodation of a very much smaller nature.

Both the Body Shop and Fittleworth buildings incorporate ancillary uses rather than being pure Office space.

3.3.3 CURRENT DEMAND AND DEMAND TRENDS

Such demand as exists for office accommodation within Littlehampton is at the smaller end of the scale and is typically required on flexible lease terms.

During 2019 the Office Agents Society (a national trade body that facilitates co-operation amongst its members with the circulation of available properties and active occupier requirements) failed to identify any office



requirements within the town or its surrounding area. This followed the same reported pattern of absent demand as existed in 2018 and 2017.

The only noteworthy office activity locally during 2017 was the completion of Fittleworth Medicals new facility, albeit that was the relocation of an existing local business, not a new/incoming requirement. Significantly, Fittleworth's move made available to the market their former 10,000 sq ft office premises at Hawthorn Way, Littlehampton. Notwithstanding that those premises were actively promoted in the market, both for sale and to let, they failed to attract any occupier interest. The property qualified for Permitted Development Rights to be converted to residential and a developer has purchased the site with this intention. The property sold in December 2019.

In April 2021, Brierley & Co issued a requirement for a confidential client of 50-70,000 sq ft. Their search area is wide covering the Sussex coast with specific target towns of Brighton, Chichester & Worthing, with active consideration also given to Mid -Sussex & East Hampshire locations. Their timing is for Q1/2 2023 and they have stated they would prefer a town centre location with excellent road and rail connectivity which the site at Toddington does not benefit from and therefore is not appealing to the occupier. We are not aware of who the requirement is for, but we have been informed that they currently operate from three offices within the search area and are looking to consolidate into one office. They have shortlisted a few options including the Edward Street Quarter new build in central Brighton but so far no decision has been made. We remain of the firm view that the site at Toddington is not appropriate. Compounded by the fact that it is effectively blighted by the construction of the bypass which requires the use of Sites A & B as a construction compound which means that the site will not be available for development until at least March 2023.

3.3.4 CURRENT SUPPLY AND SUPPLY TRENDS

Currently there is up to 2,388 sq ft of office accommodation available at the Old Customs House, Wharf Road, Littlehampton and 1,343 sq ft at anchor Springs, Duke Street. The balance of the available office floorspace comprises of serviced accommodation located at the Arun Business Centre or at Courtwick Lane, the availability of which fluctuates given the flexible nature of the licences in place. **As of May 2021** there is 205 sq ft in one suite available at Arun Business Centre and 3,409 sq ft over ten suites available at Courtwick Lane. At Arun Business Centre we understand that it is unusual for the property to be fully let and at Courtwick Lane the property is approximately 70% let. Rental levels at both are on an all-inclusive basis and will vary depending on availability and the length of agreement. An all-inclusive figure for serviced office space in Littlehampton is approximately £20 psf. For a workspace rather than private office it is £100 per person, per month.

Whilst the current availability of office space appears limited, the trend position suggests that it is adequate in the context of both current and likely future demand side conditions. We believe this to be the position on both a quantitative and qualitative basis. In the event of an uptake in occupier demand we anticipate that this would be readily met by the current stock of available space.

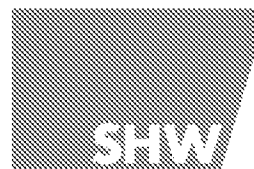
3.3.5 RENTAL LEVELS

By virtue of the moribund state of the local office market there is a paucity of rental evidence available. Office space at the Old Customs House is being marketed at £10.46 psf and at Anchor Springs is £8 psf. Other lettings have been on an all-inclusive basis. We consider £8 - £12 psf to be the market rent on an exclusive basis.

3.3.6 ARUN LOCAL PLAN- STRATEGIC CLASS B1 SITE ALLOCATIONS

Aside from the subject site, the Arun Local Plan (2011-2031) identifies the following sites as strategic B1 employment allocations:

- Courtwick lane, Littlehampton: 42,000 sq ft
- Land North of Water Lane, Angmering: 65,000 sq ft
- Salt Box, Bognor Regis: 126,600 sq ft



- Rowan Park, Bognor Regis: 48,000 sq ft
- Oldlands Farm, Bognor Regis: 94,000 sq ft
- Former Lec Airfield, Bognor Regis: 34,000 sq ft

3.3.7 FORWARD PROGNOSIS

Looking forward, we do not expect to see the demand side characteristics of the Littlehampton office market being subject to significant, if any, positive change. Given the historic local trend position and the increasing polarisation of large-scale office occupiers towards major centres such as Brighton, our expectation is that office demand within Littlehampton will, at very best, remain of a parochial nature and that it will be satisfied by existing supply.

Outside of Brighton, large scale office user relocations within the Sussex coastal area have been conspicuous in their absence for many years. The Body Shop aside, Littlehampton has no track record of attracting major inward investors, least of all within the office sector. We consider it highly unlikely that there will be any inward relocation by a large-scale office user into the area within the foreseeable future.

It is likely that The Body Shop will relocate their business entirely out of the Littlehampton site at their lease end in June 2026. This would release a large amount of B1 business accommodation (including significant office space) into the local marketplace. That would create a major oversupply with consequential negative commercial implications, including depressed rental levels, further damaging viability calculations. For so long as any such risk exists, it will have a significant negative effect upon the decision making of any developer and/or funding institution whom might otherwise be minded to make an investment in to the area.

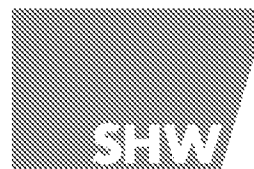
3.4 THE WIDER REGIONAL MARKET

3.4.1 COMPOSITION AND CHARACTER

Worthing is the next closest commercial centre to Littlehampton, located approximately 8 miles to the east. Its office market has similar characteristics to that of Littlehampton, albeit its scale is somewhat greater, reflecting the towns larger and more established business community. Major office occupiers within Worthing include the HMRC, Equiniti, Southern Water and the NHS. Historically the town has a track record of securing inward investment on a large scale, including Nissan and Daewoo, albeit both of those businesses have since closed. Moving further east there is limited office activity until Brighton and Hove. Towns such as Lancing, Shoreham-by-Sea and Portslade all have some limited activity on a localised basis but are considered office locations.

Brighton and Hove are the primary established office locations on the Sussex coast. This is an attractive location for employers to base their business and for a variety of reasons. Historically, large corporates such as Bupa, American Express, Kimberly-Clark and Legal & General located in Brighton due to the large pool of potential employees from the two Universities (Brighton has one of the highest rates of retention of students - i.e. students who study in Brighton often choose to stay and seek employment once their studies are complete) along with the fact that the city has a higher than average percentage of bi-lingual people in the population, which is useful for international call-centre facilities.

Brighton is an attractive place to live making it easier for an employer to recruit and retain good quality staff who may be willing to relocate to the City. The transport links to London in less than one hour and Gatwick Airport in 30 minutes are also significant pull factors. Today Brighton has become home to a growing number of employers in the tech, gaming and media sectors who tend to invest in their workspace and are willing to agree to increased rents in order to secure good quality space albeit, as discussed earlier in this report, occupiers are increasingly taking less space per person as most now work in more agile and cost effective fashion.



3.4.2 MAJOR OCCUPIERS

The below table shows the major occupiers from Worthing to Brighton:

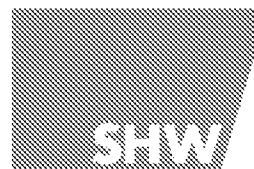
ADDRESS	OCCUPIER	SIZE
Worthing		
Eagle and Wicker House	NHS	20,000 sq ft
Southern House	Southern Water	50,000 sq ft
Highdown House	Equiniti	50,000 sq ft
Teville Gate	HMRC	90,000 sq ft
Shoreham-by-Sea		
Focus House, Ham Road	Focus Group	25,000 sq ft
Hove		
City Park 3	Lloyds TSB	60,000 sq ft
City Park 1 and 2	Legal & General	120,000 sq ft
Brighton		
Amex House, 1 John Street	American Express	300,000 sq ft
Victory House, Trafalgar Place	Mott McDonald	40,000 sq ft
Victory House, Trafalgar Place	Bupa	40,000 sq ft
Napier House, Trafalgar Place	The Pensions Regulator	40,000 sq ft
Lanchester House, Trafalgar Place	Avalara	20,000 sq ft
Lanchester House, Trafalgar Place	Kimberly-Clark	15,000 sq ft
Sovereign House, Church Street	Brandwatch	20,000 sq ft
Brinell Building, Station Street	Unity	35,000 sq ft

The recent letting to the NHS in Worthing at Wicker House and Eagle House was at a rent of £13.66 psf, the highest rent in the town. Contrastingly the recent letting to Unity in Brighton is at £32 psf and this is now considered reversionary (i.e. at a figure less than the current market rent).

3.4.3 CURRENT SUPPLY AND SUPPLY TRENDS

The table below shows current availability between Worthing and Brighton.

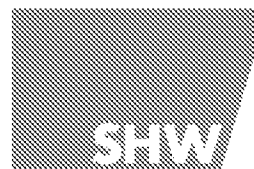
There are currently fifteen buildings available of 5,000 sq ft or more, twelve of which are in Brighton, the larger, established commercial centre.



Within Brighton not all of the available space is located in the city centre, nor would all of it be described as Grade A.

Looking forward there is 30,000 sq ft under construction at Circus Street in Brighton and a further 110,000 sq ft consented for at Edward Street Quarter where construction started December 2019.

ADDRESS	SIZE	AVAILABILITY	COMMENTS
BRIGHTON CITY CENTRE			
Ovest House	5,468	Available for immediate occupation	Office space over 1 st to 3 rd floors. Recently refurbished to provide new A/C and refurbished reception area.
Lees House, Dyke Road, Brighton	5,000	Available for immediate occupation	Office space in two suites. Recently refurbished to provide new A/C.
Atlas Chambers, West Street, Brighton	6,000	Available November 2019	Office space over 4 levels, currently being lightly refurbished. No A/C, no raised floors.
Hanningtons Estate, Huntington House, Brighton	11,360	Available for immediate occupation	Refurbished offices over 3 floors, providing new A/C.
The Offices, Circus Street, Brighton	30,000	Available June 2021	Under construction, standalone office building as part of a mixed development.
Aspect House, Queens Road, Brighton	7,252	Available for immediate occupation	Office space over 2 floors, close proximity to the station.
International House	5,175	Available for immediate occupation	refurbished office space adjacent to Brighton Station.
CityView	5,525	Available for immediate occupation	Sub-lease available on one floor.
BRIGHTON OUTSKIRTS			
PlusX Preston Barracks	6,767	Available for immediate occupation	New build, part of a mixed-use scheme, largely co-working space.
Sussex House, Crowhurst Road, Hollinbury	9,000	Available for immediate occupation	Lightly refurbished office space in largely industrial location
Telecom House, Preston Road, Brighton	41,850	Available for immediate occupation	Refurbished space on outskirts, lower rent.
Castle House, Woodingdean	5,017	Available for immediate occupation	3 suites over 2 floors. Lower specification but does have parking.
WORTHING			
Courtlands, 37 Parklands Avenue, Worthing	11,800	Available for immediate occupation	Grade II listed B1 or D1 building. Now under offer.



ADDRESS	SIZE	AVAILABILITY	COMMENTS
Cannon House, Chatsworth road, Worthing	5,326	Available for immediate occupation	Unrefurbished space over 4 floors
2 nd floor Ridgeworth House, Liverpool Gardens, Worthing	5,252	Available for immediate occupation	2 nd floor sub-lease available.

3.4.4 CURRENT DEMAND AND DEMAND TRENDS

Pre Covid-19 the demand for office space in Brighton was strong and could not be satisfied with current availability. In 2020 there was a pause on activity with no lettings in excess of 5,000 sq ft taking place between March 2020 – November 2020. More recently enquiry levels have increased again and more occupiers are actively viewing office space. Decisions are still taking a while to be made but indications are that the Brighton office market is returning to pre Covid levels.

Some occupiers looking in Brighton will consider going further west if their requirement is cost sensitive and/or urgent, however it is our experience that occupiers will not locate further west than Shoreham-By-Sea. Demand in Brighton is strong across both large and small requirements. At the smaller, and more flexible end of the scale, serviced office providers in the city report 100% occupancy. This level fell at the outset of Covid-19 but soon increased again mid-way through 2020 when many individuals felt it was no longer practical for them to work from home. In addition, some larger companies have been taking space in serviced offices for 20 people+ as they prefer the flexibility. This allows them to take time to consider their working practices in a post Covid-19 world, so they can make a better judgement on how much space they will need in the longer term.

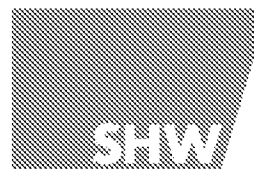
At the other end of the scale, larger occupiers are taking their time to make long term decisions. This said, active demand is at 250,000 sq ft and current availability is 350,000 sq ft (and much of this is out of the city centre/unrefurbished space).

Trend demand in Worthing has been limited in recent years, averaging 10,000 sq ft per annum. There has recently been a significant letting to the NHS at Wicker House and Eagles House which has led to take-up for 2019 being skewed above the average annual figure. The HMRC have agreed to take a lease on a circa 90,000 sq ft office building at Teville Gate, Worthing. Construction has commenced with completion anticipated in 2021. The HMRC are vacating their existing 200,000 sq ft of offices in Durrington which has been earmarked for 340 new homes and a care home facility. Coupled with a partial relocation to East Croydon, this move represents a net 110,000 sq ft reduction in office occupation within the town.

The Office Agents Society identified just one requirement of 15-20,000 sq ft for Worthing during 2019. In contrast it identified ten requirements for Brighton during the same period. Our records show office demand in Brighton for 2018 at 225,000 sq ft, and current demand in 2021 is at 250,000 sq ft. Localised demand in Worthing is limited with the majority being for smaller requirements in the 500 – 2,000 sq ft bracket. In Lancing, Shoreham and Portslade, most of the demand is from local businesses who want to live and work in the same area.

3.4.5 RENTAL LEVELS

Rental levels differ greatly between Littlehampton to Brighton. Over the last 10 years top rents in Brighton have increased by approximately £10 psf from £21 psf to £32 psf whereas outside of the city centre and west along the coast, rents have remained stagnant. Moving west from Brighton rents continue to fall; in Portslade and Shoreham-by-Sea, top rents are at circa £16 psf, Worthing rents are at circa £13 psf and Littlehampton circa £10 psf.



The highest rent that has been achieved in the Worthing to Littlehampton area was a letting at Wicker House/Eagle House to the NHS of circa 5,000 sq ft at £13.66 psf. The lease was for a ten-year term with a break at year five.

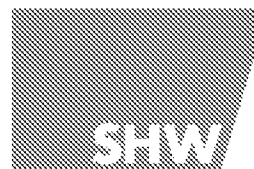
Prime rents, albeit for refurbished Grade B space (there is no evidence of letting on Grade A space), remain static at circa £13 psf. Occupiers have become accustomed to rents at or below this level and unlike in Brighton, there is no evidence to suggest that they would be prepared to pay more, even for substantially refurbished or even new accommodation. We assess that there would be substantial resistance from occupiers to pay rents in excess of £14 psf in Worthing or Littlehampton, even for a new build office.

Outside of Brighton city centre demand significantly drops away and this is reflected in the rents. At Preston Park, the office rental levels are fairly static at £16 - £18 psf, which is dramatically less than the city centre where rents in excess of £30 psf have been consistently reached. For new build stock in central Brighton, rents of £35 psf are being quoted and occupiers actively engaging at this level.

A schedule of recent lettings of office space over 5,000 sq ft between Brighton and Worthing is shown below:

ADDRESS	SIZE SQ FT	TENANT	COMMENTS
BRIGHTON CITY CENTRE			
Invicta House Trafalgar place 3 rd and 4 th floors	13,000	Hanger 13	10 year lease, break at 5, £31 psf, June 2019
The Brinell Building 5 th and 6 th Floors	16,794	Dehn	10 year lease, £30.50 psf, May 2019
The Brinell Building 1 st -4 th floors	37,398	Unity	10 year lease, £32 psf, May 2019
The Brinell Building 1 st -4 th floors	37,398	Unity	10 year lease, £32 psf, May 2019
The Brinell Building Ground Floor	8,272	Diversified	15 year lease, break at 10, £31 psf, May 2019
QRQ Queens Road, Brighton	8,000	Natural Motion	10 year lease with a break at year five, £29 psf, January 2019
WORTHING			
Wicker & Eagle House	21,946	NHS	10 year lease, break at 5, £13.66 psf 300,000 per annum
Unit 4 Hawthorn Road, Worthing	9,891	SOLD	Sold to SPV Company Ltd for £1.35 million
Crescent House, Ground Floor North	7,427	Carpenter Box Ltd	7 year lease at a rent of £10 psf, April 2018

Top headline rents in Brighton are currently at £32 psf on lettings over 5,000 sq ft with rents of £35 psf being achieved on smaller Grade A space. Occupiers are signing un-broken 10 year leases with little rent free periods. This makes it feasible to speculatively build office space, the below outlines speculative office schemes that are either completed or under construction:



BUILDING	SIZE	COMMENT
Edward Street Quarter	110,000 sq ft	Construction started Dec 2019 part of a mixed use scheme to include 168 residential units and 40,000 sq ft of retail/leisure
Circus Street	30,000 sq ft	Under construction, available June 2020. Part of a mixed-use scheme.
The Brinell Building	65,000 sq ft	Built 2019, all let 8 months prior to practical completion. Top rent of £32 psf.
City View	32,000 sq ft	Built 2016, all deals agreed by practical completion. Top rent £28 psf.

3.4.6 STRATEGIC B1 SITE ALLOCATIONS

In Brighton the City Plan recommends 1.2m sq ft of B1 office space is provided by 2030. The following sites have been allocated:

- Edward Street Quarter: 110,000 sq ft (planning consent granted)
- Church Street / Portland Street Site: 30,000 sq ft (planning consent granted)
- Sackville Trading Estate: 50,000 sq ft
- Toads Hole Valley: 270,000 sq ft
- Patcham Court Farm: 65,000 sq ft
- Hove Station: 10,000 sq ft
- Lewes Road: 167,000 sq ft
- London Road + New England: 200,000 sq ft
- Brighton Marina: 20,000 sq ft
- Shoreham Harbour: 80,000 sq ft

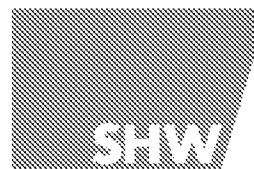
This provision of 1.2m sq ft reflects 25% of total built stock and as we will identify, there is unsatisfied demand in Brighton and a 25% increase in office stock which is purpose built would be well received.

For the reasons already discussed, all of the sites identified in the Brighton City Plan would be considered by an office occupier to be highly preferable to locations such as Littlehampton or Worthing.

3.4.7 FORWARD PROGNOSIS

The supply and demand side characteristics of the office market are significantly polarised across the Sussex Coastal area.

The Brighton market enjoys buoyant demand across all categories of office accommodation (i.e. second hand, refurbished and new) with it being repeatedly demonstrated that occupiers are prepared to pay premium record rents for good quality newly built floorspace. Speculative development has become commonplace and is expected to continue. As one moves in a westerly direction demand and rents fall, such that in Worthing annual take up is averaging just 10,000 sq ft per annum and rents are at best no more than 40% of those being achieved in Brighton. Speculative development is not being undertaken and in recent years a large amount of the town's office accommodation has been converted into residential use. The gradient of both demand and rents falls further at Littlehampton where the market is to all intent moribund, with both supply, demand and rental levels all being static. Littlehampton and its locality have never served as an office location and it is unlikely that this will ever change.



The poor state of the office market across the Worthing to Littlehampton area and the low levels of demand has been increasingly evidenced by all of the following sites and large-scale buildings failing to find an office occupier, this despite significant market exposure.

The office sites and buildings offered to the office market in the last 20 years and which have failed to attract occupier interest in their use as offices include:

- The Warren, Worthing: 120,000 sq ft no office demand, converted to Educational use.
- Columbia Building, Columbia Drive, Durrington: former Nissan HQ 36,000 sq ft being converted to residential via PDR, the initial strip out has taken place with further works due to start early this year.
- Westmoreland House, Durrington: former VOA office, 30,000 sq ft converted to residential via PDR
- The Causeway: 70,000 sq ft, failed to attract an office occupier despite a significant marketing campaign, converted and redeveloped to residential.
- MGM, Heene Road, Worthing: a 40,000 sq ft office that failed to attract an office occupier despite significant marketing, now residential.
- EDF, Southdownview Road, Worthing: 50,000 sq ft office that failed to attract an office occupier despite significant marketing campaign, now being converted to residential with a PC date of April 2020.
- Highdown Business Park, Worthing: Up to 200,000 sq ft marketed to office and employment uses over many years but only demand from D1 Health and Fitness, land sold to David Lloyd Fitness Centre.
- Land North of Northbrook College, Titnore Road, Worthing: 200,000 sq ft allocated for employment use, now in Hospice use.

Contrastingly in Brighton, when an office building with vacant possession comes on the market and qualifies for PDR, they are marketed both to residential developers and office investors/occupiers. In our most recent experience, an office owner occupier or office investor have been prepared to pay a higher figure than a residential developer.

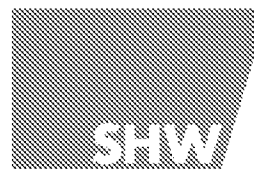
In Brighton & Hove, the office market is strong with rents rising substantially year on year, with the exception of 2020 when there was a pause on activity due to Covid-19. Office availability is at just 7% of total stock (4.8m sq ft) and the demand outweighs availability leading to rising rents and lower tenant incentives. Availability has increased in the last 12 months however this is due to both new construction (Circus Street and ESQ make up for 40% of current availability) and some occupiers putting grey space on the market. It would take something quite substantial for availability levels to rise to such a level that outweighed demand and resulted in reduced rents and heightened incentives offered to tenant.

4.0 COMMERCIAL CONSIDERATIONS AND VIABILITY

4.1 FINANCIAL ASSESSMENT

The residual development appraisal set out below is prepared in respect of a hypothetical 30,000 sq ft office scheme assumed to be constructed on the T & L site. There is no evidence as to what level of rent might be achievable for a new office building in Littlehampton and for the reasons discussed above it is not believed that any demand for such a building exists or will exist. However, and for the purpose of the exercise, a rent of £16 psf is being applied.

Value	Rent	Yield	
Rent & Yield	£16	per sq ft	8.00%
Building Value (per sq ft)			£200
	Quantity		
Building Value	30,000	sq ft @	£200 £6,000,000
Less			
Buyers Costs		5.00%	£300,000
Net Receipts			£5,700,000



Costs

Building Cost M2 / £ M2	33,000	sq ft @	£220	£7,260,000
External Works	% of build cost		10.0%	£726,000
Fees	% of all construction		12.0%	£958,320
Marketing & Sales (% of value)	% of Building Value		3.0%	£180,000
Other Costs (% of build costs)	% of build costs		3.0%	£217,800
Build Finance (Years / Finance Rate)	1.00	Years @	7.0%	£326,974
Void Finance (Years / Finance Rate)	1.00	Years @	7.0%	£676,837
Developers profit (% of cost)			15.0%	£1,551,890
Total Costs				£11,897,820

Land Value Realised at Sale -£6,197,820

The above illustrates that even at a rent in excess of the current headline rent for Littlehampton, an office development of the site is not financially viable, and this would be the case irrespective of whether the building were larger than the assumed 30,000 sq ft or smaller.

4.2 SPECULATIVE DEVELOPMENT

To encourage an investor to fund a developer to construct an office building speculatively, the probability of an early letting or sale of the completed scheme is an essential prerequisite. Such a prerequisite would not be available within the Littlehampton market arena.

The most recent speculative new builds have been in Brighton at City View and the Brinell Building. At City View rents of £27-£28 psf were achieved in 2016, and more recently in June 2019 the Brinell Building reached Practical Completion and rents of £32 psf have been achieved. On the back of these lettings developers U&I and Firstbase have committed to further speculative in the city. The top rents in the Worthing – Littlehampton area are circa £10 - £13 psf and the attached appraisal highlights that at this level a speculative or otherwise office build is not viable.

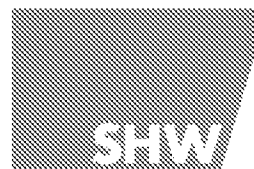
We are of the opinion that rents of at least £28 - £30 psf would have to be reasonably envisaged by an investing developer in order to make a development viable and attractive to a developer. For an occupier taking space at Toddington they are likely to have an acquiring agent who will advise their client on the recent lettings in the nearby area and as such rents at this level are highly unlikely to be agreed.

4.3 OWNER OCCUPIER DEMAND

Owner occupiers are not necessarily driven or constrained by the same judgement as a speculative developer and can, for operational reasons, choose to accept that the aggregated land, construction and finance costs of a construction project will exceed its end value. Achieving profit from the development is not necessarily the primary objective. However, in the case of Littlehampton, the degree of disparity as between end value and construction cost is so great that even the most impassioned occupier be unable to justify locating to the area. The downside risks associated with securing a suitable workforce, never mind selling or letting the building if ever it became surplus to needs, would be too great.

4.4 SERVICED OFFICE PROVIDERS

Serviced office providers have been expanding aggressively over the last five years throughout the UK, predominantly in city centre locations especially London. Brighton has been a target for several operators who currently only have a London UK presence. Currently only Regus has a presence in the City and their competition comes from local providers. Operators such as WeWork and The Office Group have looked at buildings in Brighton but have not been able to make a positive case on financial viability. Post Covid-19 the



majority of serviced office providers will only take space on a management agreement rather than a traditional lease. A management agreement, broadly speaking, requires the landlord to take on more of the risk and to contribute to the fit-out. They benefit if the serviced office performs well but if unsuccessful, the landlord could be left with no rental income.

In our opinion it is highly unlikely that a serviced office provider would be willing to consider locations along the Sussex coast outside of Brighton and in the case of Littlehampton financial viability would be a major consideration for any such use, both in terms of occupancy levels and set up cost such that it would not be attractive or viable.

BizSpace do tend to take properties in locations outside of city centres, normally in older properties rather than new builds. They already have a Littlehampton centre which is not fully occupied (currently approximately 70%, generally speaking operators would not look to open another centre until consistently over 90% occupancy), and it is unlikely they would commit to another site in a similar location with vacant space on their ledger, and other competing operators would become aware of this in their research.

4.5 FUNDING CONSIDERATIONS

In order to access a funding source (equity or debt, or a blend) it is necessary to show a viable financial business case which in the case of Littlehampton would not be possible.

5.0 CONCLUSION

From the foregoing commentary, the following conclusions can be drawn:

- To the extent that new office development or business uses generally are being undertaken, be it on a speculative, pre-let or occupier led basis, it is now focused at major established commercial centres or established business parks situated adjacent to primary national infrastructure. Littlehampton fails to meet either of these criteria and it is never likely to do so. Furthermore, it is our view that the site is unsuited to general industrial, or storage or distribution uses due to its size, location and also the likely aspirations of the Council in delivering a high-quality development at this important entrance to the town.
- In recent years there has been a paucity of demand for office accommodation within the Sussex coastal area outside of Brighton. The trend has been for office buildings to be converted to residential use and this is not anticipated to change.
- Office demand within Littlehampton is very limited and to the extent that it exists, it is being met by the stock of available space.
- Littlehampton has failed to attract inward investment from within the office sector. This trend is not anticipated to change due to the town's location and demographics. Further there are no significant office occupiers within the town or its wider area who are likely to wish to relocate within the foreseeable future.
- A new build office scheme would need to achieve a rent in the order of £30psf in order to achieve an acceptable level of financial viability. Such a level of rent along the Sussex coastal area is only achievable within Brighton. A rent of £30psf would be at a multiple of approximately three times the level of rent that has been achieved to date in Littlehampton.
- In the past year Covid-19 has had a significantly detrimental impact on the UK office market, further depressing activity in the majority of locations and we anticipate this is unlikely to change in the case of Littlehampton.

In our view there is no reasonable prospect that the site will attract an office occupier or a B2/B8 developer, and certainly not at a level that a tenant would be required pay to justify building new office space.

LAND AT TODDINGTON LANE, LITTLEHAMPTON
7TH OCTOBER 2021

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**MAKING
PROPERTY
WORK**



Yours Sincerely



Emma Ormiston MRICS
Partner
For and on behalf of
Stiles Harold Williams Partnership LLP

