

3 April 2023

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Mr S Owen

By email only: [REDACTED]

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Our Ref: ROH/AE/P1261

Dear Stuart

Penybanc Yard, Cefneithin Road, Gorslas


I refer to our discussions in respect of the above, from which I understand that you want me to update the letter I wrote to Richie Phillips on 8 May 2018 in connection with this site. I attach a copy of the letter hereto to avoid repetition.

I understand that Richie is still reviewing options for the site, and I have been working with him in connection with discussions with the current tenant, Sims Group UK Limited. The lease to Sims ended on 18 December 2021, and although they have vacated the site, they continue to pay rent. As a result, although the original contractual term has ended, the lease continues in force until such time as either party serves notice.



As highlighted in my letter of 8 May 2018, the cost of remediating the Penybanc Yard site will be substantial. I am not aware whether there have been any updated costs obtained, but due to the inflation in building prices which has occurred over the last few years, I would expect them to be well above those set out in my previous letter.

In terms of land values, there has been very little growth in the market. The residential market performing strongly post the COVID pandemic, with prices having increased substantially. However, since interest rates began to rise last year, the market has cooled down. In addition, build costs and raw material prices have risen, thus wiping out much of the increase in house prices. The Local Authority has continued to impose high levels of Section 106 and affordable requirements, which further restrict land values.

I am aware of the following transactions over the last couple of years, which illustrate the point.

Land at Spring Gardens Whitland	£1,060,000 (£212,000 per acre/£20,000 per plot)
	<p>Date: Q2 2021 Sale Price: £1,060,000 Size: 5 acres (gross) Description: Irregularly shaped parcel of land with planning consent for 53 dwellings as a mixture of terraced, semi detached and detached houses and detached bungalows. Affordable housing element already sold to a third party. Specification: Greenfield site Location: The property is located on the East side of the centre of the town of Whitland, approximately 15 km West of the subject. Summary: As a greenfield site, the cost of development will be comparable to the subject. In addition, planning consent was secured prior to the latest changes in regulations, meaning that lower standards are required in</p>

respect of drainage, and development is not delayed by the current NRW consultation. As the affordable housing element had already been sold, all of the dwellings could be sold in the private sector. Although the sale completed in Q2 2021, terms were agreed some 12 months earlier, meaning that the current rapid inflation in property values and materials costs have not been taken into account.

<p>Land at Llangain Carmarthen</p>	<p>£1,000,000 (£280,000 per acre/£40,000 per private sector plot)</p>
	<p>Date: Q2 2022 Sale Price: £1,000,000, off asking of £1,100,000 Site area: 3.59 acres (gross) Description: Site with planning consent for 36 dwellings as a mix of 2, 3, and 4 bed houses and bungalows, including 11 affordable Specification: Greenfield site. Location: Located in immediate proximity to the subject. Summary: Higher percentage of affordable housing and lower density of development. Section 106 payments total £83,625.</p>
<p>The Kilns, Llangwm, Pembrokeshire</p>	<p>£1,500,000 (£217,000 per gross acre or £32,600 per private sector plot)</p>
	<p>Date: under offer Q1 2023 Sale Price: £1,500,000 Size: 6.91 acres gross Description: Parcel of greenfield land with planning consent for 54 units (8 affordable and 46 private sector). Location: The centre of the hamlet of Llangwm, within 3 km of the subject. Summary: A parcel of greenfield land currently under offer. The site does have a requirement for affordable housing, together with provision of play equipment and public open space of 0.95 acre. B</p>
<p>Land West of High Street, St Clears</p>	<p>£750,000 (£211,000 per gross acre/£20,000 per private sector plot)</p>
	<p>Date: 2022 Sale Price: £750,000 Site area: 5.68 acres (gross) Description: Option to purchase taken over parcel of greenfield land, with sale completing upon grant of planning consent. Planning consent has now been secured for development of the site (subject to signature of Section 106) as 64 dwellings, including 5 affordable housing units and a Section 106 payment of £16,762. However, offsite road improvements are required to be undertaken by the developer at an estimated cost of £300,000. The developer estimates that the cost to acquire the site once the cost of securing planning consent and fees are taken into account, will exceed £900,000. Specification: Greenfield site. Location: Located immediately to the South West of St Clears town centre. Summary: Recent sale agreed on the basis that the purchaser would promote the site and secure planning consent. Price paid reflects overall costs incurred under the option agreement, costs of securing planning consent, stamp duty and offsite improvement, but not Section 106 or affordable housing</p>

As the above comparables confirm, land values remain in the same ballpark as they were in 2018, namely between £200,000 and £280,000 per acre. However, the prices concerned relate to sites significantly smaller than the subject, and it is likely that any disposal of 14.0 acres will require payment to be made in phases, or disposal to more than one company.

The prospects for the site remain marginal in the context of residential development and, therefore, continuation of the existing uses may be a more viable option in the short term.

Please do not hesitate to contact me if you wish to discuss the above further.

Yours sincerely



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Director

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8 May 2018

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Our Ref: P1261/ROH/SMJ

Dear Richie,

Re: Penybank Yard, Cefneithin Road, Gorslas, Llanelli

I refer to our discussions last month and apologise for the delay in reverting to you.

I understand that you are considering the options for the long term use of the above site, of which you are the Freehold owner.

The property now known as Penybank Yard comprises a gross area of 2.56 acres, which is currently developed as a waste transfer station and scrap yard. The majority of the site is hard surfaced, largely in concrete, and the levels have been made up to convert what was previously a sloping site into one that is mainly level. As a consequence, the site is significantly elevated above the adjacent land to the West and South. Built structures amounting to just 1,000 sq m are to be found on the site in three principal buildings, namely two steel frame workshops and a portacabin style office. In addition to this developed site, you also own further areas of undeveloped land (amounting to 14.94 acres) which effectively surround all three sides of the developed site to the South of Cefneithin Road.

Penybank Yard is presently let to Sims Group UK Limited on a Lease for a term of 15 years from 19 December 2006. Sims has vacated the property and at this stage appears likely to hold the same empty for the remainder of the term. Interest had been expressed in the site, but no potential transactions have proceeded to completion as Sims do not want to let the site to a competitor.

However, the developed site and some of your adjacent land, amounting to a total of 17.50 acres is presently being promoted for residential development through the LDP Review process. The conurbation encompassing Cross Hands and Gorslas is an area which has expanded significantly over the last decade and which will continue to expand as new residential and commercial development takes place. Development has taken place in Cefneithin Road and the logical progression of this development would be towards the subject property.

However, whilst this change of use would be logical, I am concerned about the costs which would have to be incurred in remediating the existing site. Not only will this involve the demolition of the existing structures and the removal of a substantial amount of concrete and other hard standing, but also there is a necessity to remediate contamination from the historic uses. Whilst some of the material could be reused on site, it is likely that the majority will have to be taken off site to specialist disposal in Swindon or Gloucester. If only the developed area of the site had to be remediated, then, in plan, an area 2.5 acres is equivalent to 10,000 sq m. I anticipate that between 1 – 3 metre depth would have to be removed, leading to potential off site tipping costs of anything between £2,000,000 – £3,000,000. This excludes other remediation works or abnormal

development costs on or off site. I would strongly recommend that you obtain specialist input in to the cost of remediation, as this will be one of the main determinates of whether planning for residential development should be pursued.

The other determinate of whether the development of the site should be pursued is the likely residual land value. The residential development market has endured turbulent times over the last decade, following the property crash. Although the market is now recovering, recovery has been slow and inconsistent, particularly in West Wales. Although, on average, property prices in Wales are rising, the average is hugely varied. For instance in 2017 prices rose by 5.4% across Wales as a whole. In Cardiff the rate of increase was 5.9%, in Swansea 1.9%, in Carmarthenshire 5.9% and in Pembrokeshire 2.7%. Rates of sale/number of houses sold have been similarly variable.

The inconsistent market has made funding residential development difficult for the few local/regional house builders who survived the recession. The main 'high street' banks continue to be resisting funding speculative development. Development is thus being funded through peer funders at high rates of interest. This, coupled with the increased affordable housing requirements and other "Section 106 etc" costs, has greatly reduced the value of residential development land. In addition, local authorities have slowed the development process by a combination of increased red tape and staff shortages.

National house builders are less active in Wales, as they have secured sufficient land on option and the slowdown in rates of sale mean that they are achieving better returns elsewhere.

We therefore have limited recent transaction evidence involving sites in Wales. However, the following disposals will give an indication of likely land values in this region:

Land at Bedwelty Road, Aberbargoed

4.78 acre residential site sold to Taylor Wimpey in 2012 on the basis of a gross price of £23,000 per plot, payable on plot sales. They had an option to buy the remainder of the site (totalling some 10.5 acres) on similar terms, but did not exercise this. This land was sold by LSH in the first quarter of this year for £750,000 – namely £70,000 per acre. Although Aberbargoed lies a significant distance from Gorslas, at sale prices of £150 per sq ft, the prices of the completed houses are similar to those in Gorslas. In this respect, there is some comparability between the sites.

Former Civic Centre, Swansea

LSH marketed this property in 2015 on behalf of the City and County of Swansea. The initial stage of the tender process has been concluded by mid 2015, with bids being attracted from both national and regional developers. The sale price exceeded £500,000 per net acre, assuming a 30% affordable housing requirement and reflecting current CIL levels. Higher bids have been made if the affordable housing requirement or CIL reduced. Again, this price is net of CIL, but gross of other abnormal development costs. I would consider this a superior site to Gorslas, with higher values being obtainable due to its proximity to the Swansea Conurbation. The sale only recently completed due to delays in the planning process.

Land at Glenover Fields, Haverfordwest

Parcel of land of 11.50 acres gross with consent for 150 houses. There is a requirement for 20% affordables and Section 106 contribution of £500,000. The site is currently under offer at £2.4 million on a stepped purchase arrangement. The price equates to £250,000 per acre reflecting Section 106 costs, but making no allowance for affordable housing or site abnormals. Values in Haverfordwest are comparable with Gorslas.

Having regard to the above and assuming that Carmarthenshire County Council insist on full affordable and Section 106 costs, it is difficult to see this land commanding a value of in excess of £200,000 - £250,000 per acre, net of section 106 costs and affordable housing.

You advise that the net developable area of the site is 14.00 acres. Subject to the cost of remediation being confirmed, there is potential for the value of the site to exceed the cost of remediation, which would justify progressing the promotion of the site for residential development. If the site fails to be allocated then the historic use can resume.

I am sorry this paints a negative picture, but it is a reflection of the current market for residential land and the excessively onerous obligations which the Local Authorities are now seeking to impose upon developers.

I would be pleased to discuss the above with you further.

Regards,

Yours sincerely



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Director

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