



**Lambert
Smith
Hampton**

www.lsh.co.uk

PROPOSED IFA2 FACILITY FARADAY BUSINESS PARK (DAEDALUS)

OCCUPIER IMPACT ASSESSMENT

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**Prepared for:
Fareham Borough Council and National Grid**

Document Authors:

Robin Dickens / Graham Holland / Sarah Monk
Lambert Smith Hampton
2 Manor Court
Barnes Wallis Road
Segensworth
Hampshire
PO15 5TH

Tel: 01489 579579
Email: rdickens@lsh.co.uk / grholland@lsh.co.uk /
smonk@lsh.co.uk

Ref: RCD/GRH/SM

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1.0 EXECUTIVE SUMMARY

- 1.1 National Grid (NG) and Fareham Borough Council (FBC) have appointed Lambert Smith Hampton (LSH) to provide a market compatibility assessment and occupier consultation on the proposed IFA2 Enterprise Zone Development at Daedalus.
- 1.2 It is widely recognised that Daedalus is a key employment site with ambitious potential to attract aviation, marine and advanced engineering companies and as such is fundamental to the future job creation and economic growth of the Solent region. Therefore, it is vitally important to undertake a critical assessment and commercially test the likely impact on attracting business occupiers to this location following implementation of the proposed IFA2 connector facility.
- 1.3 Our report, in addition to the studies undertaken by Arcadis, has been commissioned by Fareham Borough Council as landowner in conjunction with National Grid to consider the commercial impact of the IFA2 development and its affinity with the Council's vision for Solent Airport at Daedalus.
- 1.4 Our study considers both primary and secondary data in assessing the likely impact of the IFA2 converter station on potential occupiers for the site, specifically from aviation, aerospace engineering and advanced manufacturing businesses, which are specifically targeted for Daedalus.
- 1.5 We have purposefully adopted a robust and objective approach to undertaking a thorough investigation of the study brief and the question at issue and our market facing assessment is summarised in the Conclusions section of our report at 10.0.

2.0 OBJECTIVES/INSTRUCTIONS

- 2.1 A hybrid planning application (P/16/0557/OA) part outline, part full permission has recently been approved for the IFA2 development subject to reserved matters, however there may remain perceptions from a number of interested parties and stakeholders (eg. existing Airfield occupiers, landowner, residents, new employers or employees, planning authority, the Solent LEP etc) about whether this will have any adverse effect on securing occupiers to the Enterprise Zone development (which are intended to be mitigated by planning obligations under a detailed s106 Agreement). Our assessment will be to explore and reassure the adequacy of these mitigation measures in a market facing context and to inform how they are best implemented.
- 2.2 Our assessment involved an in depth consultation with similar types of occupiers to those being targeted for the Solent Airport at Daedalus including those who may operate sensitive equipment and highly technical machinery.
- 2.3 The intention is to objectively establish any extent to which the proposed IFA2 development could be specifically identified as having an impact on the development vision, in both a marketing and viability context and to provide recommendations for how to tailor the relevant provision by NG of a technical liaison resource and the funding of a FBC business development resource, in accordance with the s106 planning obligations.
- 2.4 In summary, LSH are instructed by FBC and NG to assess the commercial impact and whether the proposed IFA2 development will affect the attractiveness of the Solent Airport and deter future businesses from locating to Daedalus.

3.0 OUR METHODOLOGY AND CREDENTIALS

Our Methodology

- 3.1 LSH adopt a collaborative approach, both with our clients and within our organisation, to apply our wealth of market knowledge and understanding of occupier property requirements to support and supplement our advice.
- 3.2 LSH has a longstanding network within the local, regional and national business community and our involvement over many years with a number of public sector initiatives, allows us a unique insight into the dynamics of the Solent commercial property market and local economy.
- 3.3 In undertaking this study, we have assembled a core team of senior and supporting individuals to conduct the necessary research and to provide a qualitative and objective analysis of the impact and compatibility of the proposed IFA2 development within the wider vision for Daedalus.
- 3.4 To inform and enhance our technical knowledge of the project, we attended meetings and workshops presented by Arcadis and National Grid which were an open forum and these included a practical demonstration of the cable testing and screening and also the on site validation using actual aircraft. In addition we have consulted relevant research documents, the planning history and submissions, media articles and have interviewed and engaged with various personnel (to gather as wider perspective as possible) such as existing occupiers, businesses who may relocate to the site, Council officers, developers, property investors, local commercial agents, National Grid engineers etc.
- 3.5 We have adopted a staged approach as follows:

- 3.6 **Stage 1:** Identify the target market, assess occupier specific requirements/selection criteria, comment on current market conditions, consider demand sensitivities and highlight how these generic factors apply to our target audience. To include an assessment of the practical realisation of occupation compared with the aspirations of the Vision and Outline Strategy for Daedalus and the Airfield.
- 3.7 **Stage 2:** Obtain an objective understanding of the issues likely to be raised in high tech and precision based industries in taking property relocation decisions, any mitigation requirements, and interference to their operational process, and adjoining occupiers' sensitivity etc.
- 3.8 **Stage 3:** Conduct an in-depth analysis and report demonstrating the extent to which major utilities infrastructure may be considered prohibitive to occupiers assessing property locations and also to review the specific questionnaire responses from occupiers to the IFA2 proposals.
- 3.9 **Stage 4:** Taking account of specific IFA2 studies completed or being undertaken by other appointed consultants including technical reports, design and access statement, construction methodology and works programme, cable validation testing etc.

Our Credentials

- 3.10 LSH is the UK and Ireland's largest commercial property consultancy (a subsidiary of Countrywide Plc) with a national network of 31 offices and over 1500 employees. Along the South Coast we have two offices at Fareham and Southampton both with well-established and dedicated Industrial and Business Space departments. We have insightful and comprehensive market knowledge and recently for the tenth consecutive year, have been awarded by the national publication the Estate Gazette, the Most Active Agent in Hampshire and Dorset.

- 3.11 Consequently LSH have the strongest and largest industrial and business space team on the South Coast with 8 surveyors/negotiators including 3 directors and 2 associates engaged in agency and industrial activity and have instigated more transactions than any other agent both within the Solent region and across the UK thus as well as the strength of our national network and range of service lines, we are assisted by our local market insight.
- 3.12 We have detailed knowledge of the area and established working relationships with many corporate and local SME businesses which gives us access to the decision making when selecting new premises.
- 3.13 LSH are a multidisciplinary practice having expertise in industrial, offices, retail, roadside and leisure property. Our surveyors deal with day to day agency and disposals, development appraisals, company acquisitions, investment and funding advice, project management, Landlord and Tenant matters, professional valuations, town planning and property market research. We have undertaken many land use and employment site studies for Hampshire County Council, the Defence Infrastructure Organisation, Portsmouth City Council, Havant Borough Council, East Hampshire District Council, the PUSH Authority, J Sainsbury and national commercial developers and institutional investors / pension funds such as SEGRO, Canmoor, Bericote, Kier, Peel Logistics, Hargreaves, Columbia Threadneedle, Blackrock, British Airways, La Salle, Legal and General etc.
- 3.14 LSH has a very thorough understanding of land use strategies and delivery plans for key strategic sites. This includes advice in securing viable planning outcomes, devising market led development schemes and the comprehensive marketing thereof, utilising our widespread transactional skill sets and employing our first-hand knowledge of the South Hampshire market, as a key differentiator in successful deal making.. We have developed a very strong business network which is essential to our property activity, where we have learnt of significant local and corporate company requirements for sites and premises.

- 3.15 The LSH Fareham office is within a 15 minute drive time of Daedalus, having been established there for over 20 years and is further supported by colleagues in our Southampton office.
- 3.16 We have a strong track record of 'unlocking' sites to release new employment opportunities which is assisted by having market exposure and the full knowledge and agency experience of occupier requirements - we have direct communication and access to the major national investors and developers and a sound market judgement of rents and yields to enable accurate forecasting and evaluation of development appraisals.

4.0 OVERVIEW

Location

- 4.1 The Solent Airport is located within Fareham Borough Council's administrative boundary on the South Coast of England, almost midway between the expanding Southampton and Portsmouth conurbations, connected by the M27 motorway and the majority of the site has enjoyed Enterprise Zone status since 2012. Hampshire is well connected by land, air and sea with the benefit of two major sea ports, an international airport and strong road links to the national network to underpin the fact that the region has emerged as a key employment player in the marine, aerospace and advanced manufacturing sectors.
- 4.2 The Solent region is currently home to seven of the UK's top ten aerospace companies, has more than 25 marinas, internationally renowned universities, ambitious and acclaimed FE colleges and more than 3,000 marine and maritime companies in addition to over 14,000 jobs in the manufacturing sector.
- 4.3 Daedalus is a former naval airfield to the west of Portsmouth Harbour at Lee-on-the-Solent having vehicular access via junctions 9 and 11 to the M27 motorway and beyond. Along Newgate Lane and the A27 at Segensworth and Titchfield, highway works are progressing and in turn the Stubbington by pass link road, a Government backed £34m scheme, will provide much improved connections to Southampton, Portsmouth and the M3 to London.
- 4.4 Fareham and Gosport Town Centres are within close proximity to the site (each approximately 10 minutes drive).
- 4.5 Whilst situated outside Fareham Borough Council land ownership, the Daedalus Waterfront site overlooks the Solent and the Isle of Wight with part of the site being regenerated by private developers Tidebank Ltd, who have successfully built out some 2508 sq m of smaller

multi use industrial units on a speculative basis to attract local SME businesses. We are advised that a second phase of development in a similar design and unit size bracket will follow next year with construction starting in Q2.

- 4.6 The Solent Airport is an operational airfield providing business and leisure travel connectivity to/from mainland Europe, the Channel Islands and the Isle of Man, with 25,000 movements a year. It is managed by Regional and City Airports (RCA). Further air links are provided by Southampton International Airport, approximately 11 miles to the north west of the site.

Description

- 4.7 The 192 hectare site on the Fareham/Gosport peninsular in Hampshire comprises 4 distinct areas – Faraday Business Park, Swordfish Business Park, Solent Airport and the entrance Gateway sites. It is considered that the airfield remains the focus for the site with built development being directed to the areas around the airfield.
- 4.8 “The Solent Enterprise Zone at Daedalus, South Hampshire, was designated in 2012 and is one of 24 set up nationally to support local economic and employment growth. By 2026, it is estimated that 3,500 jobs will be created within the Enterprise Zone, turning the area into a destination of choice for businesses within the marine, aerospace and aviation sectors.” (ref. <http://solentez.co.uk/site/hca/home>). The Enterprise Zone extends beyond Solent Airport to the south to include the area known as Daedalus Waterfront.
- 4.9 Over many years, Fareham Borough Council have identified Solent Airport at Daedalus as being its most significant commercial development opportunity and has proactively engaged with other interested stakeholders to secure funding and enable investment to realise the full employment potential of the site.

- 4.10 In March 2015 the Council acquired from the HCA some 369 acres of the land at Daedalus, principally comprising the airfield and development areas to the East and West. The Vision and Outline Strategy document prepared by Fareham Borough Council clearly defines the ambition and future intention to create economic growth and prosperity in the Borough and wider Solent region as follows:

“Our vision is for Daedalus to become a premier location for aviation, aerospace engineering and advanced manufacturing businesses, creating many skilled employment opportunities for local people, which is underpinned by a vibrant and sustainable airfield. Building on the existing general aviation uses, the airfield will be an attractive destination for visiting aircraft and will offer the hangars, facilities and service to attract more corporate and commercial aviation activities, allowing it to be self-sustaining in the medium term and contribute positively to the local community”.

- 4.11 Daedalus is recognised nationally and locally as a strategic site with a unique opportunity to create a key strategic employment hub to accommodate businesses that can exploit its location and airfield. It is an important facility as the only hard runway available for general aviation in south Hampshire.
- 4.12 The site comprises a number of development opportunities including currently Faraday Business Park, in the near future Swordfish Business Park, the existing CEMAST College & Innovation Centre and Solent Airport, with opportunities for airside and non-airside businesses, creating a hub for like-minded occupiers. On Faraday BP, Fareham Borough Council have developed 11 new hangars for letting (6 for business use and 5 for general aviation use) which are just finishing construction.
- 4.13 Various plots are available on Daedalus East to accommodate commercial buildings on a ‘design and build’ basis to suit small, medium and large occupiers, with or without airside

access. Following the success of Phase 1 of the Innovation Centre the second phase is due for completion in March 2018 which provides workshop and office space for start-ups and micro businesses.

- 4.14 Daedalus is the largest employment site in the area with potential to become one of the most desirable locations for aviation, aerospace engineering and advanced manufacturing activity in the South. It is conveniently located near to the Solent Waterfront, has improving accessibility to the area's major road connections and is some 15 minutes drive to J9 of the M27 and, during 2018 will offer a public open space that includes picnic areas and walkways.

Planning Background

- 4.15 The hybrid planning application has been approved by Fareham Borough Council (Ref: P/16/0557/OA) with reserved matters on 10th April 2017 described as:
- 'An electrical interconnector with an approximate capacity of 1000 megawatts (MW) extending from Tourbe, Normandy (France) to Chilling, Hampshire. Outline planning permission is sought at Daedalus for: 1. The erection of converter station buildings (to a maximum height of 22 metres) with associated, vehicular accesses and roads, security fencing, landscaping and temporary construction compounds; 2. Creation of public open space and associated facilities, grassland planting and tree planting. Full Planning permission is sought at Hill Head and Stubbington for: 3. Installation of cables between Mean Low Water Springs and the converter station in the north eastern corner of Daedalus Airfield. Full Planning Permission is sought at Chilling for: 4. The Installation of cables between the Mean Low Water Springs and the existing cable sealing end compound at Chilling Lane.'

IFA2

- 4.16 Daedalus has been identified as a suitable location by the National Grid for an electrical interconnector which will connect the electricity systems of Great Britain and France using high voltage subsea cables from Normandy in France to Hampshire in Great Britain.

4.17 It is described by National Grid as follows:

'IFA2 is a 1,000 MW high voltage direct current (HVDC) electrical interconnector between the British and French transmission systems. It will be the second link to France that National Grid has developed with RTE and will help to enhance the security, affordability and sustainability of energy supplies in both countries.'

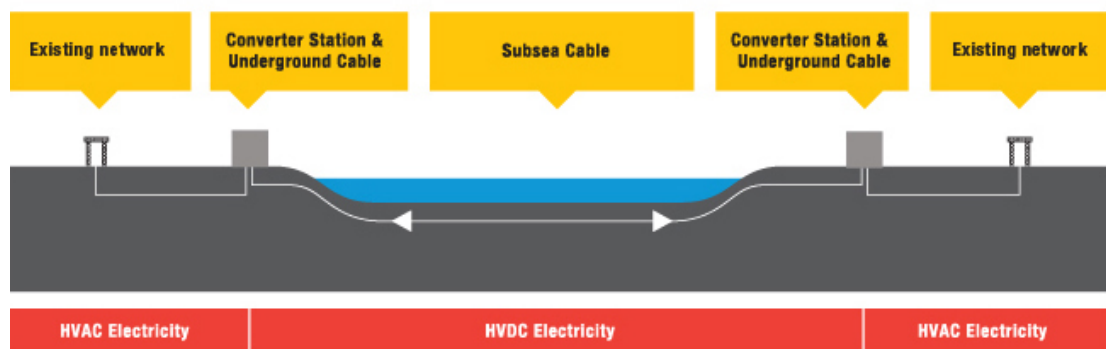
4.18 It aims to be operational by 2020 and will bring a number of benefits including:

Contributing to reduce the cost of electricity for homes and businesses in Great Britain.

Future proofing the security and reliability of electricity supplies for both countries.

Providing opportunities for shared use of renewable energy – helping both countries to meet domestic and international renewable and climate change targets.

4.19 The image below provides a visual representation of the proposed interconnector.



Ref: <http://www.ifa2interconnector.com/what-is-an-interconnector/>

4.20 As demonstrated, the only impact of the interconnector above ground will be the converter station, with all cables placed below ground. The UK electricity transmission system operates independently from continental Europe and the converter stations and substations make it possible to connect these independent transmission systems.

4.21 As described by the National Grid, 'A converter station converts electricity between Alternating Current (AC) and Direct Current (DC). AC is used in each country's transmission system, while DC is used for sending electricity along the high voltage subsea cables. A substation is a point of connection to the national electricity network. National Grid Electricity Transmission plc is a separate company, with responsibility for work to connect to the existing national electricity network.'

4.22 The images below are some initial visuals of the proposed convertor station.



Ref: Photomontage Viewpoints



Ref: Photomontage Viewpoints

Planning Conditions:

- 4.23 Planning permission for the converter station has been granted subject to a number of planning conditions. The conditions place obligations on National Grid during design, construction, installation and its performance once completed to ensure the impact of IFA2 is minimised and the functionality of the site is retained once the scheme is complete. The conditions which are particularly relevant to our assessment of the commercial impact of the proposed implementation of IFA2 in this location are summarised as follows;

B CONVERTER STATION DEVELOPMENT

1.	<p><u>Ground and floor levels</u></p> <p>Details of internal finished floor levels, along with finished ground levels of all accesses and roads must be approved.</p> <p>REASON: To ensure a high quality development.</p>
2.	<p><u>Height/ design of converter station building</u></p> <p>None of the buildings to be erected upon the site shall exceed 22 metres (save for any lighting protection measures which may exceed this height restriction.)</p> <p>REASON: To ensure a high quality development.</p>
3.	<p><u>Lighting following site completion</u></p> <p>A scheme of permanent external lighting must be approved.</p> <p>REASON: To ensure lighting does not materially harm the area or impact upon highway and airport safety.</p>
4.	<p><u>Noise from use of the buildings and the site</u></p> <p>Details demonstrating how the buildings will be designed and any external plant attenuated to control noise emissions must be approved.</p> <p>REASON: To ensure that the use of the converter buildings does not cause any noise nuisance to nearby residential properties.</p> <p>The rating level of noise emitted from the converter station buildings shall not exceed whichever is the greater of the existing background noise level or 30dB(A) when measured at the boundaries of any surrounding residential properties.</p> <p>REASON: To ensure that the use of the converter buildings does not cause any noise nuisance to nearby residential properties.</p> <p>A scheme for monitoring sound emitted from the converter station buildings (which will operate for 6 months) must be approved and include:</p> <ol style="list-style-type: none"> All off site noise sensitive properties and locations where readings will be taken from; Survey methodology Reporting procedures <p>REASON: To ensure that the use of the converter buildings does not cause any noise nuisance to nearby residential properties.</p>

5.	<p><u>Radio Frequency Interference</u></p> <p>Details setting out how the building will be designed to ensure that the electromagnetic disturbance arising from use of the site does not prevent radio and telecommunications equipment or other equipment outside the site from operating as intended.</p> <p>REASON: To prevent radio frequency interference to users of surrounding land and buildings.</p>
6.	<p><u>Construction, operational and abnormal indivisible load accesses and traffic management</u></p> <p>A construction traffic management plan must be approved.</p> <p>REASON: In the interests of highway safety.</p>
7.	<p><u>Construction Environmental Management Plan</u></p> <p>A detailed plan must be agreed including strategy and detailed method statements for storage of fuels, oils, welfare facilities, method of working, phasing of development, maintenance and aftercare of site.</p> <p>REASON: In order to minimise the impact of the development upon nearby residents and businesses, users of the highway and the water environment.</p>
8.	<p><u>Landscaping implementation</u></p> <p>Details of the landscaping must be approved.</p> <p>REASON: In order to secure the satisfactory appearance of the development</p>

D CABLE INSTALLATION BETWEEN MEAN LOW WATER SPRINGS AND THE CONVERTER STATION

9.	<p><u>Cable installation method</u></p> <p>Details must be approved.</p> <p>REASON: To ensure that the specific cable installation methods are known.</p>
10.	<p><u>Alternating and Direct Current cables at airfield taxiways</u></p> <p>Measurement of AC and DC fields must be undertaken and agreed and verified results submitted.</p> <p>REASON: To ensure that Alternating Current and Direct Current cables at the site will not materially impact up aviation use and safety at the site.</p> <p>Details of the installation of the cables must be approved to achieve:</p> <ol style="list-style-type: none"> AC magnetic fields of not more than 10 microTesla when measured at ground level at each taxi-way crossing of the cables Compass deviation of not more than 1 degree when 12 meters or more away from the DC cables measured at 1.5m above ground level at each taxi-way crossing of the cables. <p>REASON: To ensure that Alternating Current and Direct Current cables at the site will not materially impact up aviation use and safety at the site.</p>
11.	<p><u>Construction Traffic Management</u></p> <p>Construction traffic management plan for the installation of the cables must be approved.</p> <p>REASONS: In the interest of highway safety.</p>
12.	<p><u>Construction Environmental Management Plan</u></p> <p>A detailed plan must be agreed including strategy and detailed method statements for storage of fuels, oils, welfare facilities, method of working, phasing of development, maintenance and aftercare of site.</p> <p>REASON: In order to minimise the impact of the development upon nearby residents and businesses, users of the highway and the water environment.</p>

4.24 Health implications have not been included as a condition as 'the application submits that the maximum field produced is less than the relevant exposure limits and even outside of the safety margin 'reference level'. Therefore the proposed development is compliant with the policies in place in the UK to protect public health'. In addition 'Public Health England notes the conclusions of the EMF assessment that the proposed development would be fully compliant with Government Policy on EMFs and fields produced would be below the relevant guidelines. Therefore it has been concluded that 'On the basis of the exposure limits detailed in the application submission and the consultation response from PHE, Officers consider that the proposal is acceptable.

5.0 MARKET ANALYSIS

Target Market

- 5.1 Daedalus has been identified as the strategic employment hub for aviation, high-tech manufacturing and marine businesses as recognised in the planning permissions granted on the site.
- 5.2 The sites unique location adjacent to the waterfront coupled with its access to an operational airfield creates the perfect setting for a specialist hub for like-minded businesses of this nature.
- 5.3 Accordingly occupiers in the marine and aerospace sectors at local, regional and national levels, especially those companies looking for large space that are mobile would therefore benefit from a facility at Daedalus. In addition contract led opportunities and companies that have already strong relationships in the area with existing companies or indeed the major education establishments are suitable tenants for this site.
- 5.4 The benefit of targeting these specialist sectors in a location such as Daedalus creates an opportunity for a business hub of excellence, specialism and innovation, which this site seeks to create.

Marketing Strategy

- 5.5 LSH were appointed at the beginning of December 2016 to promote and secure new occupiers at Daedalus following a market campaign undertaken by Jones Lang LaSalle. Following the appointment and in response to an increasingly competitive arena and satisfying occupier expectations, LSH have adopted a measured and strategic approach, which is capable of being adapted and revised as market conditions ebb and flow.

5.6 We contend that the provenance of the site, coupled with the ongoing highway improvements, the Enterprise Zone qualifications, its financial benefits, and identification as a centre of excellence and employment hub for aviation, high-tech manufacturing and marine businesses, provide a strong offering to the market, both locally, regionally and nationwide.

5.7 Key elements of the marketing campaign involved are provided below:

National Property Database: The Database provides a platform to manage key enquiries more effectively as well as the ability to utilise the database for occupier targeting. The database provides a rapid and effective response to enquiries through e-marketing and also tracks occupier interest and provides regular client reporting on occupier activity within the region as well as within the micro environment.

Internet Profile: The site is marketed on our own website, the dedicated Daedalus website and in addition, the use of social and specialist media is an essential ingredient of the promotion of Daedalus.

Signage: Signage in and around the site provides a key visual advertisement for the business opportunities at Daedalus.

Brochure: Bespoke marketing details for each of the key business parks and building opportunities have been created as part of the marketing collateral.

Market Intelligence: Our comprehensive knowledge gained locally, regionally and nationally is used to attract potential occupiers for the various types of development envisaged, to encompass B1 a b and c, B2 or B8 or indeed D1 and D2 type requirements.

Occupier Engagement: Our day to day agency activity relies on personal interaction with potential occupiers on the telephone, by email or in person, to discuss the specific property criteria required by their business and to promote the Daedalus offer.

Market Commentary

- 5.8 Overall 2016 was a good year for the UK industrial and logistics occupier market, with UK wide take-up up 3% on 2015 and 6% above the five-year annual average. Notably, reflecting strong pent-up demand for quality premises grade A space accounted for a record 34% share of total take up.
- 5.9 Despite the resurgence of speculative development, overall supply fell by 18% in 2016. However whilst supply has dropped the nature of supply is changing with a greater total supply of grade A stock from a low of 9% to 19%.
- 5.10 The ongoing lack of supply had driven another year of strong rental growth. Across the UK markets, prime headline rents increased by 5.3% in 2016 from 3.9% in 2015. The industrial market remains buoyant, as evidenced by developer and investor confidence, with a new high recorded for quarterly enquiries despite the uncertainty in the economy with the continuing Brexit negotiations and the aftermath of the snap General Election this June.

Availability

- 5.11 In the South East supply is now critically low in the region. Total availability contracted by 15% in 2016 to stand at 15.2 m sq ft. The fall was most apparent in the smaller end of the market, with space in units of sub 50,000 sq ft contracting by 20% year on year.
- 5.12 On the South Coast the industrial market remains particularly hampered by the long term issue of a lack of good quality supply. Strong demand from occupiers is removing almost all prime stock from the market and pushing up rents.
- 5.13 However we are now seeing the first significant wave of speculative development along the Solent corridor occurring and expect an increase in take-up, as this much needed supply starts to service pent up demand.

5.14 At the present time, steel frameworks are coming out of the ground or have been completed on a few of the numerous speculative developments, which will assist in satisfying demand and will provide much needed new Grade A employment stock and as the region's larger companies expand into bigger premises, secondary stock will be released back into market, thus assisting in the churn of small and medium enterprises.

5.15 We have noted that freehold stock contain the largest portion of demand where there is little or no stock. The vast majority of freehold stock being marketing is shortly placed under offer and it is not uncommon for a number of parties to be contesting the same product.

Take up

5.16 Take up in the South East was 10.2m sq ft in 2016, down 13% from 2015's high but marginally ahead of the 5-year annual average. Fueled by the arrival of new supply to the market, logistics take-up of 2.7m sq ft was the highest since 2008.

5.17 On the South Coast take-up in Q1 2017 was 468,118 sq ft, an increase of 6.12% from the 439,490 sq ft transacted during the previous quarter.

5.18 With the lack of availability across the region we are seeing typical lease terms increase, with the length of term certain increasing and becoming more common as occupiers seek to secure space.

5.19 Enquiry levels on the South Coast saw a significant rise in Q1 2017, with an increase of 38.79% on Q4 2016. This highlights the buoyancy of the South Coast's market despite economic uncertainty and focuses developers in providing much-needed supply to satisfy this demand.

Rents

- 5.20 Prime rents in the South East remained firmly in growth territory, increasing by 5.9% on average during 2016.
- 5.21 Prime rents increased by 12% in 2016 to £9.25 per sq ft for mid-box units, and secondary rents increased by 7% to £8.00 per sq ft in Southampton and £7.50 - £7.75 per sq ft in Portsmouth/Fareham. Following significant rental growth over the past few years, the market remains favourable for landlords, with minimal voids seen on good quality multi-let industrial estates across the region.

2017: Current Market Analysis

- 5.22 The fundamental market dynamics around industrial & logistics bode well for its performance prospects in 2017. However, the environment has become more challenging both for occupiers seeking more flexible options and for would be developers and investors searching for opportunities in the market.
- 5.23 Despite the spectre of rising inflation and uncertainty on the road to Brexit, the outlook of occupier demand remains positive for 2017. While rising inflation may erode some of the momentum in the market, our analysis of active demand indicates that sentiment remains positive which bodes well for healthy occupier activity in 2017.
- 5.24 The full impact of Brexit remains unclear and so far the only clear consequence of the vote to leave is the significant fall in the pound, and while this is putting pressure on import prices, it has in fact boosted the competitiveness of UK manufacturing.
- 5.25 Arguably the central challenge for the market in 2017 is on the supply side. The fundamentals in the occupier market continue to make a compelling case for more development, not only to arrest the critical lack of existing supply but also to accommodate the steady structural growth

in demand for omni-channel fulfilment. The challenge is, as always, ensuring the right product is delivered to the right market at the right time.

- 5.26 Despite active demand standing higher now than a year ago, indications are that development appetite has receded. This not only reflects caution over the economic outlook, but the acute lack of sites in prime locations, a disconnect in buyers' and vendors' price aspirations on land values and rising build costs, both recent and anticipated.
- 5.27 However there are undoubtedly untapped opportunities in the market, both geographically and sectorally. We foresee that certain developers may benefit from considering sub-optimal locations, offsetting that risk with more attractive land values yet encouraged by strong rental growth and minimal supply to 'soak up' demand, to justify speculative development.
- 5.28 While rental growth expectations have been scaled back post-referendum, we envisage continued growth throughout 2017. At the all UK level, prime headline rents are forecast to increase between 2%-3% over the coming year, easing down from the 5.3% seen in 2016.
- 5.29 We consider that whilst a good number of new industrial schemes have been initiated in the past 12 to 18 months within the Solent region, those that could be regarded now as genuinely competing schemes to Daedalus are arguably few, bearing in mind the location, EZ status, airport factor, tenureship available to owner occupiers, cost and deliverability etc.
- 5.30 Increasingly we have encountered demand for premises from the advanced manufacturing sector right across the building size range, from niche, prototype and full production/assembly businesses, in principally the marine, defence, aviation, medical device, energy and pharmaceutical activities. There remains a sizeable and important traditional manufacturing sector in the region that will continue to have property needs and Daedalus will certainly appeal to these types of occupiers. In the future, once the infrastructure is complete and delivery timescales are defined, we believe the scale of development at Welborne (the site profile and workforce catchment) will also prove attractive to the general B2 occupier, as well

as distribution and logistics operators benefitting from proximity to the M27. Clearly the availability at Daedalus and Welborne will overlap at some point in the future (potentially a 5 to 10 year window) but by that time, Daedalus will have established a sufficient critical mass as a credible business destination to maintain a positive development momentum.

6.0 DAEDALUS MASTERPLAN

Daedalus Masterplan

- 6.1 The outline planning permission at Daedalus includes opportunities for airside and non-airside businesses and is divided into four distinct regions namely; Faraday Business Park, Swordfish Business Park, Solent Airport and the Gateway sites.
- 6.2 Plots are available at Daedalus East to accommodate commercial buildings on a 'design and build' basis to suit small, medium and large occupiers, on either leasehold or freehold basis.
- 6.3 Faraday Business Park has its own dedicated entrance and incorporates Fareham Innovation Centre, CEMAST College. It offers businesses flexible opportunities with airside and non-airside plots on a design and build basis. Airside plots are available from 0.5 – 3.93 acres and non-air side plots are available from 0.65 – 7.07 acres.



- 6.4 CEMAST is a Centre of Excellence in Engineering, Manufacturing and Advanced Skills Training, which is the main learning centre for students in partner apprenticeship programmes and a host of automotive and engineering courses. The proximity of this facility offers businesses the opportunity of access to potential apprentices and fledging businesses from this centre.
- 6.5 Swordfish Business Park forms part of the second phase of development at Daedalus. It comprises two zones; an aviation cluster comprising medium to large sized hangarage for commercial aviation businesses and a commercial business park for target-sector based businesses. The business park benefits from prime location adjacent to the runway and has direct access onto Gosport Road.
- 6.6 Solent Airport has benefited from major investment including £1.5m of runway improvements in 2014. Business Hangers are being speculatively built at the present time and are available from 6,458-38,748 sq ft. The units will be fitted with offices and WC facilities. The airfield has a Civil Aviation Authority (CAA) Aerodrome licence and secured Border Force approval for overseas flights to/from the EU, Isle of Man and the Channel Islands.



SWOT Analysis

- 6.7 To summarise the market positioning and highlight the attributes in attracting occupiers and satisfying business need, the table below identifies the potential/perceived strengths, weaknesses, opportunities and threats of the offering at Daedalus.

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
Enterprise Zone Status – discounted business rates at present and funding opportunities	Distance to M27 / congestion at peak times	Specialist hub for aviation, aerospace engineering and advanced manufacturing	Competition from other sites in Solent region
Access to an all-weather licensed airfield	Peninsular location	Planned road improvements	Losing the EZ status and business rates relief incentive
Marine slipway to the Solent for marine businesses	Finite source of electricity supply	Fareham College's Centre of Excellence for advanced skills training	Timing of development coming to market vs UK economic uncertainty
Flexible terms available	Airfield operational restrictions such as height of building	Phase 2 Innovation Centre (operated by Oxford Innovation)	Future availability of skilled workforce being inadequate to match occupier demand
Reasonably priced	Timing to delivery of completed units	14 ha of land available for development	Investment yields becoming less attractive
Low service charge	Ground remediation required	Displacement of naval personnel in area	
Superfast broadband	Lack of lifestyle amenities on site	New hangars under construction	
Occupiers ability to purchase their own site	Limited public transport services	Future speculative development	
Air travel (charter and commercial flights)		Masterplan flexibility	
Local Authority funding			

Competition

- 6.8 The South Coast has experienced a long period of limited speculative and new commercial developments being brought forward, however the improved market conditions has set the stage for the next wave of development. The fall in supply coupled with the increasing rents and reduced incentives have provided developers with the confidence required to provide the much needed supply.
- 6.9 Below is a list of new high specification industrial/distribution schemes underway and being actively marketed, offering a range of commercial solutions for occupiers seeking business facilities in the South Coast region.

Mount Park, Southampton Wide Lane, Southampton SO18 2NQ



Site Area: c 26 acres

Size: Min 50,000 – circa 200,000 sq ft

Guide price: £9.00 - £9.50 per sq ft

Planning consent granted on Oct 2016 for a new 7 unit industrial and logistics scheme. The development includes speculative buildings of 60,000 sq ft and 100,000 sq ft.

South Central, Test Lane, Southampton SO16 9JX



Site Area: c 16 acres

Size: Up to 226,000 sq ft

Guide price: £9.50 per sq ft

Full planning consent has been granted. The proposal is to speculatively build a 3 unit scheme comprising a 40,000 sq ft, 50,000 sq ft and 116,000 sq ft unit.

Alpha Park, Electron Way, Chandlers Ford, Southampton S053 4ZR



Site Area: c 8.44 acres

Size: Up to 159,000 sq ft in total

Guide price: £7.75 per sq ft

Full planning consent has been granted. The scheme is a speculative development including 20,000 sq ft, 46,000 sq ft and a 82,000 sq ft for B1,B2 or B8 use.

Merlin Park, Airport Estate, Portsmouth



Site Area: c 3.809 acres

Size: Up to 91,000 sq ft

Guide price: £9.00 per sq ft

Speculative 7 unit scheme with units ranging from 8,000 sq ft to 20,430 sq ft. Construction has commenced.

Berewood, Waterloo



Site Area: c 25 acres

Size: Up to 200,000 sq ft

Guide price: Leasehold and freehold options are considered at £550,000 per acre.

Infrastructure for the scheme is complete. The intention is to provide self-contained plots for build to suit opportunities.

Pioneer Park, Airport Industrial Estate, Portfield Road, PO3 5FN



Site Area:

Size: 6 units totalling 74,000 sq ft (min) ranging from 4,764 sq ft – 23,029 sq ft.

Guide price: Units 3,8 & 9 £9.25 per sq ft, Units 6 & 7 £8.75

The scheme is under construction for a speculative development of industrial and distribution warehouses. The specification includes a shell fit-out with first floor mezzanines.

Velocity, Havant



Site Area: 5 acres

Size: 30,000 sq ft to 120,000 sq ft.

Guide price: £550,000 - £600,000 per acre

An industrial / distribution scheme, for build to suit opportunities, available on a subject to planning basis.

Dunsbury Park, Havant



Site Area: 45 acres

Size: 20,000 sq ft to 200,000 sq ft

Guide price: £9 - £10 per sq ft

Industrial / distribution Business Park offering bespoke build to suit facilities.

- 6.10 As stated, whilst there are a good number of industrial schemes being brought forward within the region, those that could be regarded as genuinely competing schemes to Daedalus are arguably few, bearing in mind the location, EZ status, airport factor, tenure ship to owner occupiers, cost and deliverability etc .
- 6.11 Therefore Daedalus offers a unique opportunity to prospective businesses seeking industrial space. As well as Daedalus providing commercial access to an operational airfield, it also gives occupiers a rare option to purchase land and develop out their own purpose built accommodation. The Berewood site in Waterloooville is the only other location with freehold offerings in the market.

7.0 OCCUPIER SELECTION CRITERIA

Influencing Factors

- 7.1 In order to understand the criteria which influence a company's choice of site we have identified the key factors which are typically considered of high importance and priority in assessing where the business should locate or relocate its business premises;
- 7.2 **Location:** Proximity to existing facility to retain workforce/customers or wholesale relocation and expansion to a new marketplace.
- 7.3 **Accessibility:** Accessibility of the location to road, rail and air communications
- 7.4 **Workforce Supply:** Availability/ proximity of varied range of skilled labour force within easy commuting distance.
- 7.5 **Supply:** Availability of the right type, quality, specification, size and use of premises.
- 7.6 **Environment:** Quality of the setting, compatible neighbours, planning restrictions, flood risk, security, green credentials.
- 7.7 **Utilities:** Existing capacity, future proofing.
- 7.8 **Tenure:** Freehold opportunity, land acquisition, leasehold option and flexibility to buy or rent.

Occupier Concerns/Sensitivities

- 7.9 Successful employment schemes such as Daedalus should offer a quality working environment that is sustainable and attractive to a variety of occupiers or businesses. The ambition is that the site will be a first class destination for aviation, aerospace engineering and advanced manufacturing businesses, which is underpinned by a vibrant and sustainable

airfield and will house a mix of B1 office, B2/B8 industrial / logistics occupiers, and associated complimentary business park uses (such as food/beverage facilities). It is therefore vitally important to consider the potential concerns/sensitivities that occupiers might express to ensure these are minimised and reduced.

7.10 Occupiers identify with a business environment that is attractive, fit for purpose, functional and affordable. This will often include features such as:

- An attractive and modern building that is fit for purpose, staff appealing, energy efficient with an adequate eaves height, good loading and has appropriate service capacities.
- Appropriately priced accommodation with a fair and reasonable service charge.
- An appropriately orientated building on a site with a suitable plot density, with a sufficiently sized yard and loading capabilities with appropriate landscaping and feature grounds.
- Creative and effective signage from a marketing, functional and aesthetic perspective, the external and internal signage is a very important element to the park, providing identification and direction.
- Quality landscaping regime and parkland style environment
- Occupiers will expect a reasonable level of security/ patrols on site, although this is likely to vary according to the nature of the occupiers on site and the types of use.
- Control of parking is important to avoid unauthorised car and lorry / trailer parking over the estate.

7.11 Occupier concerns or sensitivities may therefore include:

- A poorly designed building that is not suitable or fully equipped for purpose
- Unreasonably and inappropriately priced accommodation
- Challenges navigating around the site for occupiers and associated visitors. This will be particularly crucial in this location with the segregation of airside/non airside users.

- A poorly landscaped scheme is unlikely to provide the sense of quality and value however too much may adversely affect the amount of developable space and could also lead to occupiers raising concerns about high service charges.
- Inadequate security particularly for maintaining a safe working environment within an active airfield.
- Operational restrictions which could include hours of operation, user restrictions which could prevent them from operating their business in an efficient manner.
- Poor access in / out and around the site including inadequate parking provision.

7.12 More specifically in connection with the apprehension that the IFA2 project may evoke could include:

- Unacceptable noise levels generated from the convertor station
- Fire risks associated with the proposed facility
- The presence of any Electro Magnetic Fields (EMF) on the conduct of the business both operationally and staff welfare
- Disruption during construction phase of the IFA2 facility
- Health risks/concerns
- Aesthetics, appearance, scale, height of the converter building.
- Workforce perception / retention and recruitment issues
- Future disposal prospects/ how it may affect property value ?

8.0 OCCUPIER CONSULTATION

Consultation Approach

- 8.1 Our market compatibility assessment and occupier consultation on the proposed IFA2 Enterprise Zone Development at Daedalus examines both primary and secondary data.
- 8.2 Our assessment of secondary data, considers information we have had access to rather than information we have collated/received directly and forms part of our analysis with the relevant references made. Examples of secondary data are provided below:
- The Media: articles in the press, social media and publications in the public domain
 - Engagement forums: presentations, question and answer sessions and cable testing
 - Reports: Third party reports including the Arcadis Report
- 8.3 Our direct consultation approach with prospective occupiers and tenants is two-fold; as sole agents for Daedalus we have the benefit of direct applicant engagement and their feedback on Daedalus, secondly in addition we have also undertaken primary research, as described below.
- 8.4 Our targeted occupier consultation process has involved engaging with companies that work in the aviation, marine, aerospace engineering and advanced manufacturing sectors, to ascertain search determinants and influencing factors when considering where to locate their business and the extent to which being in close proximity to a facility such as the IFA2 would affect their decision to locate to a particular site.

- 8.5 Our questionnaire was sent to a range of businesses with representations received from marine, aerospace, advanced manufacturing and engineering companies who were asked to respond on a voluntary and confidential basis (the foregoing list is illustrative of the companies we approached and those that engaged but not exhaustively so).

Babcock International Group	Mimtec Limited
BAe Systems	North Sails
Barnbrook Systems Limited	Percival Aviation Limited
Ben Ainslie Racing	Portsmouth Aviation
Captec Limited	Proptech Aero Limited
Chemring Group	Raymarine
CK Electronics	Rolls Royce Holdings
Coopervision	Saab Seaeye
DKW Precision Engineering Limited	Safran/Turbomeca UK
EADS Airbus	Selden Masts Limited
Eaton Aerospace	Selex ES
Folland Aerotech Limited	STS Defence
Formaplex	Transas Marine
GKN Aerospace Services Ltd	Universal Tool & Production
Leki Aviation	Vector Aerospace International Limited

Questionnaire

- 8.6 Our approach involved issuing a tailored questionnaire to the identified companies accompanied with a covering letter explaining the nature of the study, details of IFA2 and why they had been approached as a business.
- 8.7 A copy of the questionnaire is provided below including an explanation for each question asked. A copy of the covering letter can be found in Appendix 1.

Occupier Questionnaire

Thank you very much for agreeing to take part in our survey.

The following information will be used solely for the purposes of this study and will not be used for any other reason. The information collated may be used in the study but the individual responses will not be personally attributable.

Name

Company

Contact number

Email address

1) *Does the operation of your business require the use of technical equipment or sensitive machinery?*

Yes ☐ No ☐

Any specific items

.....
.....

2) *Are you required to undertake any scientific studies before locating your business to ensure the working environment is acceptable and will not affect your business operations?*

Yes ☐ No ☐

3) *Does your business make use of or have need for access to an operational airfield?*

Yes ☐ No ☐

How often would you require access?

.....
.....

8.8 The first three questions asked are seeking to ascertain the extent to which the company uses technical equipment or would use the operational airfield, which may be considered sensitive to EMF's, and whether the functionality of that equipment means they are required,

as part of their decision making process, to undertake tests to establish the suitability of a particular location.

- 4) Please rank the following search determinants when considering a suitable property for your business: (please rank 1 to 5, 1 being most important, 5 being the least important)

Location
Quality of building
Building specification e.g. eaves height/ floor loading
Occupational cost
Size / layout
Power supply
Access to road or rail network
Proximity to staff amenities i.e. retail or leisure
Parking provision
Grants / incentives
Skilled workforce availability
Broadband speed
On site security
Proximity to complementary businesses
Quality of environment
Proximity to further and higher education establishments

1	2	3	4	5

- 5) Which of the following factors would significantly reduce the appeal of a particular site or premises: (please number rank 1 to 5, 1 being most significant, 5 being least significant)

Planning use
Access restrictions
Noisy environment
Long term construction
Incompatible neighbours
Electrical or radio-wave interference
Level of vibration
Hours of use restrictions
Inadequate security
Undesirable odours
Proximity to residential
Flood risk

1	2	3	4	5

- 8.9 The two questions above are asked in order to establish the occupier selection criteria which would typically be considered of high importance/priority in assessing where the business should relocate/locate to and the factors which would particularly reduce the appeal of a

particular site. The ranking system has been adopted to help the business identify which were more or less important.

6) *Are you aware of Daedalus Solent Enterprise Zone and the commercial opportunities available in this location?*

Yes ☐ No ☐

7) *Have you or could you consider it as a suitable location for your business (either as a total relocation or as an additional facility)?*

Yes ☐ No ☐

If not please state your reason/s why

.....
.....

8) *Would the prospect of being located within close proximity to an energy convertor station be of concern to you and your business?*

Yes ☐ No ☐

9) *Are you aware of National Grid's IFA2 interconnector facility that is proposed at Daedalus?*

Yes ☐ No ☐

8.10 Question 6, 7 and 9 have been asked in order to identify whether the occupiers asked are aware of Daedalus as a commercial business location, what it has to offer and whether it is a location they have or would consider for their business. These questions also indicate the extent to which they are aware of the IFA2 interconnector facility at Daedalus.

10) *Would the prospect of your business being in close proximity to a facility like this be of concern to you?*

Yes ☐ No ☐

8.11 Questions 8 and 10 are directly asking occupiers whether locating their business within close proximity of an interconnector facility or the IFA2 at Daedalus, would be a problem for them and the operation of their business.

11) *If it was demonstrated that there were no material implications to health, noise or electromagnetic interference, would this provide you with adequate assurance that the site was a viable option for your business?*

Yes ☐ No ☐

12) *If there was a perceived risk of electromagnetic and radio-frequency interference might you instantly disregard the location or undertake further investigation?*

Disregard ☐ Undertake further investigation ☐

If you selected 'undertake further investigation' please state what you would seek to undertake.

.....
.....

13) *National Grid is subject to strict planning conditions, and studies that have been conducted show that proximity to a facility of this nature will not have a detrimental impact on neighbouring occupiers. Are you reassured that any concerns you may have are addressed by these measures?*

Yes ☐ No ☐

8.12 Questions 11, 12 and 13 are seeking clarification on the perceived potential concerns that are often associated with being in close proximity to an interconnector facility, such as the IFA2, and the extent to which assurance, further testing and the strict planning conditions would alleviate these concerns.

14) *If you have any other comments please provide them below?*

.....
.....
.....

Thank you for your time in undertaking our questionnaire, if you have any questions regarding the survey, please do not hesitate to contact us.

8.13 Due to confidentiality, the information collated from each of the businesses has been provided on the basis that it will be used solely for the purposes of this study and will not be used for any other reason. In addition individual responses collated have not been personally attributed.

8.14 These results have been analysed and the results are provided in the following section.

9.0 CONSULTATION ANALYSIS

Secondary Data

The Media:

- 9.1 Social media, the press and other publications within the public domain can influence and impact the perception of its readers both in a positive and negative way.
- 9.2 As part of our analysis we have collated some of these articles and considered the potential impact these may have on potential occupiers considering this location for their business.

9.3 Daily Echo – 13 November 2015

13th November 2015

Huge energy project could bring Hampshire millions of pounds

Emma Streatfield
Senior Reporter



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A MAJOR project to keep the lights on in the UK could run from a site in Hampshire.

National Grid wants to build an electricity interconnector between France and Daedalus, near **Fareham**, that would help to import energy from all across Europe.

The IFA2 scheme, or Farelink as the council has labelled it, would be the second interconnector from the UK to France and those involved say this link will help enhance the security, affordability and sustainability of energy supply to both countries.

Cllr Sean Woodward, who announced the £500million project, said money generated to Fareham, which he said would be in the millions, would benefit the Daedalus site and help meet the Solent Enterprise Zone's target to create 3,500 jobs there quicker.

It could also lead to a cafe and visitor centre for the airfield, runway lighting and an extended runway.

Although the interconnector would not need many people to run it, Cllr Woodward said there would be dozens of jobs created during construction.

The converter station at Fareham would convert alternating current, which is used domestically in the UK and France, into direct current so it can be transmitted between the two countries.

This would also allow Britain to export any excess energy it produces to Europe.

A seven storey high building would occupy some of a 10 acre proposed brownfield site in the north east of Daedalus, an area that already houses an airfield and manufacturing within the marine, defence and aerospace sectors.

The land, owned by **Fareham Borough Council**, would be leased or sold to National Grid.

National Grid first approached **Hampshire County Council** several months ago about building the device at Chilling, Warsash, where it already has a site, but was met with concern about damaging the beauty spot.

So the less sensitive site at Daedalus was put forward.

Undersea cabling will transfer power between Daedalus and Chilling to connect to the national grid.

Cllr Woodward said without the scheme it was likely that "the lights will go out" in the UK as it struggled to provide enough energy.

But he said the council would be making sure that the plans would not have any implications on airfield navigation or public health.

Fareham Borough Council's cabinet will decide on whether to sell the land on December 7 and a planning application is expected March next year.

If approved work could start as early as 2017 and the interconnector running by 2020.

Stewart Dunn, Chair of Hampshire **Chamber of Commerce**, said he welcomed the local jobs and steps to ensure a sustainable power supply to homes and businesses.

"It's absolutely essential and particularly after the announcement last month of the closure of Navitus Bay project."

National Grid will hold a number of exhibitions. They are at:

- December 8 – Lockwood Community Centre, Locks Heath, 1.30pm-5.30pm
- December 9 – St Faith's Parish Centre, [Lee-on-the-Solent](#), 4pm – 8pm
- December 10 – [Stubbington](#) Baptist Church, Stubbington, 3pm-7pm
- December 11 – Warsash Victory Hall, Warsash, 4pm – 8pm
- December 12 – Crofton Community Centre, Stubbington, 10am – 4pm

- 9.4 The article above describes the IFA2 proposal and explains some of the benefits of its location at Daedalus including the money generated to Fareham, enhancing the security, affordability and sustainability of energy to both France and the UK and the jobs it would create primarily during its construction. It also states the date exhibitions will be held by National Grid.
- 9.5 This article explains the wider benefits of the proposed interconnector at Daedalus. The impact of this article on prospective occupiers is therefore likely to be relatively neutral; whilst it describes the facility as 7 storeys high, the proximity and visual impact of this facility on the commercial space is unclear and whilst the article outlines some of the benefits, these are not directly relevant to prospective tenants and therefore is unlikely to impact an occupier's decision.
- 9.6 The Portsmouth News – 27 June 2017



Critics speak out at IFA2 consultation

by DAVID GEORGE

Gosport reporter

david.george@thenews.co.uk

CONCERNS have been raised at a public consultation over plans to build a huge interconnector.

Members of the public have had the chance to get an in-depth look at the IFA2 project.

IFA2 is the plan for a 1,000 MW interconnector between England and France, costing National Grid £500m to build at Daedalus.

The site will act as a transformer for renewable energy, which will be used by the two countries.

However, even before outline plans were approved in January this year, it has been met with fierce opposition from residents.

Concerns centre on the size of the building, the noise pollution and the safety of the runway at Daedalus in Lee-on-the-Solent.

On Friday and Saturday many attended a public consultation at Cemast in Daedalus.

One resident, who lives near the Daedalus site but wished to

Concerns remain over plans to build huge interconnector at former navy base

remain anonymous, said: 'We are just totally against it.'

'We live close to the site and it is certainly going to affect us. It feels wrong.'

'It is monstrous. They have reduced it but it is still a very large structure – we don't see it from where we live but others feel the same way about it.'

'The 10 jobs it is creating isn't really enough either.'

Cllr John Beavis, member for Lee West at Gosport Borough Council, said residents will continue to fight against the IFA2.

He said: 'To me, the fact that they are going ahead with it when there are so many complaints, means that they are just determined to get on with it.'

'The only thing that can save us now is if France pulls the plug on it.'

Sonia Luck, from Nation-



al Grid, said that all public comments are taken on board as a more detailed plan develops. The size has already been reduced.

She said: 'The objective of this consultation was to update local residents and stakeholders about the details on proposals for the converters station and open space.'

SEE MORE ONLINE

Go to portsmouth.co.uk to watch a video interview that goes with this story

- 9.8 The articles above express varying opinions on the latest computer-generated images of the interconnector facility at Daedalus. They express the improvements in scale and massing of the facility but also highlight concerns such as its impact on businesses operating in this location, the proximity of the facility to the runway and the safety risks, the potential impact of construction traffic and the noise pollution.
- 9.9 The concerns and issues raised in this article are likely to be more applicable to prospective tenants at Daedalus such as the potential disruption during the construction and noise levels. Highlighting these factors may subsequently form part of decision making process for occupiers considering this location.

9.10 The News – 9 August 2017

'A bad decision with damaging consequences': The story of IFA2 by Fareham community leader

on proposed IFA2 development on the former HMS Daedalus site. - "Gosport councillor for Lee West, John Beavis MBE discuss's the plan with Charlotte Hayden". Picture Credit: Keith Woodland PPP-170307-110329001

Day 2 of a two of day public consultation

Bill Hutchison, chairman of the Hill Head Residents Association has followed the story of the IFA2 proposals for the last two and a half years. Here, he gives his take on the situation up until now.

FOR a year now our MP, Caroline Dinenage, and a group of Councillors and the Residents' Associations have been opposing National Grid plc's planning application to build a 1000MW Interconnector to France at a **cost** of £500 million on the north side of the former RN airfield at Daedalus, Lee on the Solent.

The decision by Fareham and National Grid plc to build the IFA2 Interconnector on the airfield at Daedalus regardless of the agreed local plan and strong local opposition in order simply for Fareham to get National Grids plc's money is a thoroughly bad decision that will have deeply damaging consequences for the development of both the airfield and the Enterprise Zone.

Bill Hutchison, chairman of Hill Head Residents Association

Unfortunately, on 26th July 2017, the Secretary of State for Communities and Local Government confirmed that IFA2 could go ahead.

For many reasons, IFA2 should have been sited at Fawley on the site of the old power station or at Chilling in open countryside but there has been no public examination of these alternatives at all.

National Grid's application for Daedalus has been supported and promoted by Fareham Borough Council throughout because they want a large but so far undisclosed sum of money, a so-called "Premium Payment", from National Grid to put IFA2 on the airfield despite the fact it contravenes Fareham's own Local Plan.

This multinational came along waving lots of money and the agreed Local Plan went out of the window.

Heavy electrics of the size of IFA2 interfere with sensitive electronics and the 1000MW Interconnector will dangerously affect the magnetic compass systems of the light aircraft that use the airfield.

The proximity of the IFA2 converter building and its 2 high voltage DC (390,000v) and 6 high voltage AC (400,000v) cables running under and across the airfield will also deter the aviation and defence businesses that it had been hoped to attract to the airfield's Solent Enterprise Zone.

IFA2 has already destroyed these potential high quality local jobs. Our MP was instrumental in getting support of all kinds for the Enterprise Zone and is very concerned about it.

The way Fareham processed the National Grid plc planning application was outrageous.

The application ran to over 2,300 pages and was by far the largest Fareham had ever received yet objectors were allowed only 3 minutes for an individual and 5 minutes for an Association to put their case at the Planning Committee meeting.

An application of this size and complexity should have been heard before an independent planning inspector with expert advisers to hand at a properly constituted public inquiry. Fareham Planning Committee, who were clearly out of their depth on all technical and aviation matters, approved the application on 23rd January 2017 almost without discussion.

The decision by Fareham and National Grid plc to build the IFA2 Interconnector on the airfield at Daedalus regardless of the agreed local plan and strong local opposition in order simply for Fareham to get National Grids plc's money is a thoroughly bad decision that will have deeply damaging consequences for the development of both the airfield and the Enterprise Zone.

Furthermore, it is the UK consumers who will have to pay for IFA2 through their electricity bills.

SEAN WOODWARD: 'BILL IS WRONG'

'BILL could not be more wrong', says Councillor Sean Woodward, leader of Fareham Borough Council.

'I made a pledge to the people of Fareham that nothing will be built at Daedalus that will affect the operations of the airport and I will stick to that pledge.

- 9.11 The article above is another example where concerns and issues that are raised may cause a reader to use them as part of the decision making process if they were considering Daedalus as a location for their business.

9.12 Serious occupiers that would like to locate to Daedalus are however likely to undertake their own due diligence and assessment on the impact of this facility on their occupation and operation, such as any electrical interference with sensitive equipment they may use, and any affect it may have on the magnetic compass systems.

9.13 The media can influence and impact its readers. The extent to which it can change people's/businesses perceptions and decisions is difficult to quantify, however what is important is that information in the public domain is accurate. Where information is misleading or false it could lead to misrepresentation, therefore clear accurate communication is vital.

Engagement Forums:

9.14 In addition to our engagement with targeted occupiers, the Landlord and National Grid have completed some direct consultation with existing tenants and local residents. These forums allow information about the proposed facility to be presented and for interested parties to comment and ask questions.

9.15 A number of exhibitions, consultations and engagement forums have taken place in addition to cable testing to which observers could attend. Details and results of these are provided below:

9.16 Public Information Event:

Theme	Comment	Frequency
Principle of development	Opposed to location of converter station	3
	The viability of IFA2 is questionable after Brexit	1
	The county needs this facility and it needs to be built now	1
Environmental impact	I remain very concerned about the noise associated with this project	1
	I see you have well addressed all the earlier concerns about size, noise and RFI, well done	1
	This project will affect Gosport residents more than it will affect Fareham	1
	Desire for more information about public health impact of EMFs	1
Landscaping and design	Suggest that the banking made from the building spoil be positioned nearer the road boundaries –with tree planting on	1
	No mention of the illumination to be provided at the site	1
	The converter station remains large	1
Solent Airport	Desire for more information about potential impact of EMF on operations of Solent Airport	2
	Concerns about unexploded ordinance at Solent Airport	1
Construction	Access to the IFA2 site during construction and laying of the cables will have a significant effect on vehicle traffic in the area	1
	Desire for construction materials to be brought in by sea wherever possible	1
Economic impact	Sceptical about number of jobs likely to be created by the project	1

9.17 Airfield Tenants Meeting held on 15th June 2017;

- Wind flow assessment – some of the attendees aren't satisfied that the computer simulation represents reality and suggested that consideration is given to wind tunnel modelling to validate the computer simulation. The wind tunnel modelling is currently being actioned.
- One tenant wasn't aware of the 2016 HAZID report being published. It was confirmed that this was available on the Fareham Borough Councils website with all the planning documentation.
- One tenant was not satisfied with Fareham Borough Council's handling of tenant's representation at the HAZID workshop. They stated that their concerns are set out in their letter of representation to the Planning Committee.
- The additional RFI screening mitigation explained which will ensure none of the nearby tenants or residents will be affected.
- Arcadis stated that the second phase HAZID report will be published in July 2017 after Fareham Borough Council and National Grid's review.

The attendees of this briefing included:

Name	Organisation
Mike Murray	Britten Norman
John Macleod	NATS
Ricky Basi	NATS
Cathy Hicks	RCA
Terry Coombs	Lee Flying Association
John Davies	Hampshire Aeroplane Club
Martin Heneghan	Portsmouth Naval Gliding Centre
Lloyd Brown	Portsmouth Naval Gliding Centre
Alan James	Universal Tool and Production

- 9.18 We are aware that the responses provided by National Grid to the comments provided above alleviated the concerns that were raised and where further verification or explanation was required it was provided or notification was given for how and when it would be given.

- 9.19 Forums provide an important opportunity for stakeholders to ask questions, raise concerns and have their comments heard by those undertaking the proposed development. It also gives the developers an opportunity to listen, respond and action where necessary, with the aim to alleviate the issues raised.

Cable Validation Briefing and Tests

- 9.20 A significant area of concern, particularly for existing tenants and users of the airfield in addition to the safety of the community which live around the airport, is the effect of the cables on the functionality of the runway and aircraft that use it. To be specific, to measure and assess any electromagnetic interference that could disturb aircraft instrumentation, compass deviation or general negative impact on sensitive equipment.
- 9.21 The continued use and operation of the airfield is paramount. The planning conditions associated with the IFA2 facility sets out design limitations on the taxiway, which provide some user confidence that the functionality of the runway will not be affected. However to demonstrate this and provide absolute user confidence and transparency, a Cable Validation Test Briefing and subsequent tests were arranged, and users and tenants of the Airport were invited to attend. The briefing was held on Thursday 10th August at Fareham Innovation Centre with subsequent tests at a number of locations held throughout August and September. A copy of the letter and briefing note can be found in Appendix 2.
- 9.22 The briefing explained the planning conditions, the cable design and depth being laid, the method of calculating the EMF's from the cables, how the screening would affect the readings, the background implication of the earth's natural magnetic field and the equipment which was to be used to perform the tests. National Grid also described in detail the rationale and transparency of how the tests were to be conducted. This included 3 distinct tests:
- Existing Cables; this formal laboratory test was conducted on existing cables within National Grid's ownership. The aim was to replicate and demonstrate the accuracy of the calculations used to measure the EMF theory work.

- Prysmian Laboratory; the aim of this assessment was to test the cables in the IFA2 geometry. We attended the briefing and ground test held at Prysmian Cables & Systems facility at Chickenhall Lane, Eastleigh on Friday 8th September 2017 and the tests conducted demonstrated that when the cables were laid out in the proposed configuration on the surface that the calculations that have been theoretically modelled do comply with the EMF thresholds stipulated in the planning conditions.
- Daedalus Site; this practical test used buried cables on the subject site at the proposed depth and layout formation. This was held on 17th October 2017 and witnessed by various parties including independent companies and prospective users of the airfield who participated in the practical test and taxied aircraft over the cable (results detailed in Technical Note IFA2/IJV/CAB?TTR/0003 National Grid Nov 2107 see Appendix 3).

9.23 The purpose of conducting all these tests was to provide assurance to those with an interest in Solent Airport, that the cables used for IFA2 will comply with the planning conditions on EMFs and will not impact negatively on the operation of the airfield. The continued functionality of the runway is vital therefore the completion of these the tests and the availability of the results has provided reassurance and eliminated the concerns raised.

Primary Data

- 9.24 LSH have been formally marketing the site since December 2016 and as sole agents for the site, we have first-hand experience of occupier feedback and comments regarding Daedalus as a location for businesses.
- 9.25 Our experience to date has shown that enquiries we have received for occupiers seeking space of this type and in this location have rarely mentioned nor adversely commented on the proposed IFA2 facility.

9.26 Our marketing campaign to date which effectively commenced in December 2016 has generated a healthy level of interest – detailed below is a record of the number and type of occupiers that have enquired about the commercial offering at Daedalus. In addition, we have identified the competing opportunities these occupiers may have contemplated as an alternative location and also noted the aspects of the site that make the plots particularly appealing to occupiers.

Faraday Business Park Enquiries (Non Airside)

Number of Enquiries: 56

Type of Occupiers: Aviation, Marine, Advanced Engineering / Engineering, Open Storage, Construction Companies (mainly local based companies).

Local Competition Availability: Daedalus Park, Fareham Reach, Second Hand Industrial in Quay Lane (Gosport) No freehold plots available in local area other than Faraday.

Attraction to Faraday Business Park: Plots available on a virtual freehold, Opportunities for companies to Design and Build, Business Rate Relief, Outline consent for B1/B2/B8, competitive prices.

Hangars and Airside Plots Enquiries

Number of Enquiries: 28

Type of Occupiers: Aviation based, Flying Clubs, Existing Occupiers, Private Owners

Local Competition: Limited, but we have interested parties based at Bournemouth, Goodwood, Airbourne Aviation, Lasham and other airfields

Attraction: Business Rate Relief, new build hangars available for letting, Competitive landing charges, proximity to motorway network, competitive prices.

Roadside Plots

Number of Enquiries: 27

Type of Occupiers: Car dealerships, care homes, coffee Shops, childcare facilities, fast food companies, animal kennels/catteries, vets, hotel.

Local Competition: No freehold plots available apart from Daedalus.

Attraction to Daedalus Plots: Road frontage, catchment, availability.

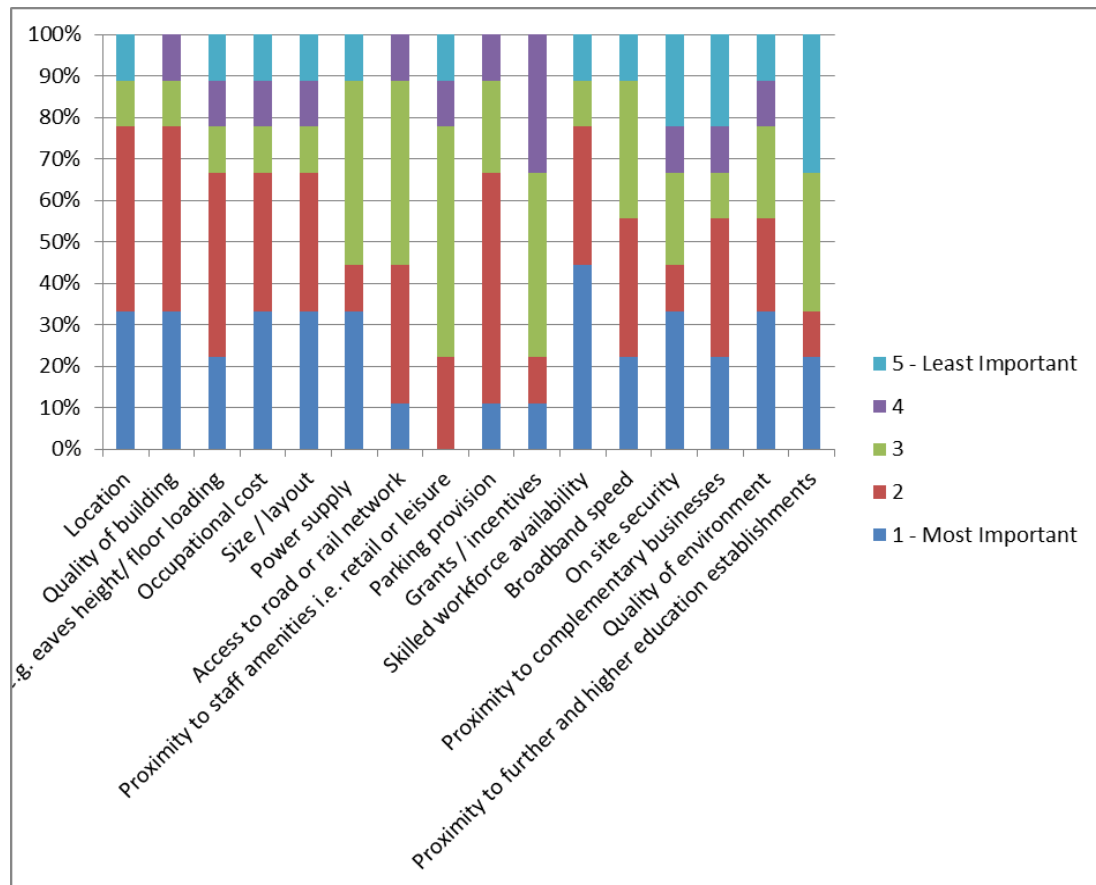
Swordfish Business Park – not yet fully exposed to the market as the necessary infrastructure works prior to the development being delivered will commence during 2018.

- 9.27 Occupiers who have enquired about taking space in this location have discussed items such as the location and distance from the M27 and motorway networks and rush hour traffic on Newgate Lane and Stubbington Lane. The ongoing and future planned improvements to the local road network are intended to improve capacity and enhance the accessibility of the location – this may begin to counteract a common perception that Daedalus suffers from daytime traffic congestion (in reality it affects rush hour predominantly as indeed do many business park locations along the Solent corridor).
- 9.28 We have also encountered queries from occupiers that there is a restriction on the types of use permitted at Daedalus, that the plots are only allowed to be occupied by marine, aviation or advanced engineering businesses. Also the limited period to benefit from business rate relief as expiry of this may finish in March 2018, occupiers are now realising that there is inadequate time for them to build and take occupation prior to this date to benefit from the relief. Other queries have included timing to delivery, remediation and environmental requirements, operational restrictions such as hours of use, quoting terms to purchase land or rent units, electricity capacity etc
- 9.29 Whilst new occupiers have referred to the issues above, there have been to date no enquiries received that have explicitly raised the proposed interconnector facility at Daedalus as an influencing factor, in neither a neutral or negative sense.

- 9.30 With various transactions in solicitor's hands and a number of active enquiries being pursued, the anecdotal evidence we have received indicates that the IFA2 facility is currently not a major contributory factor to occupiers when considering this site as a suitable location for their business operation.

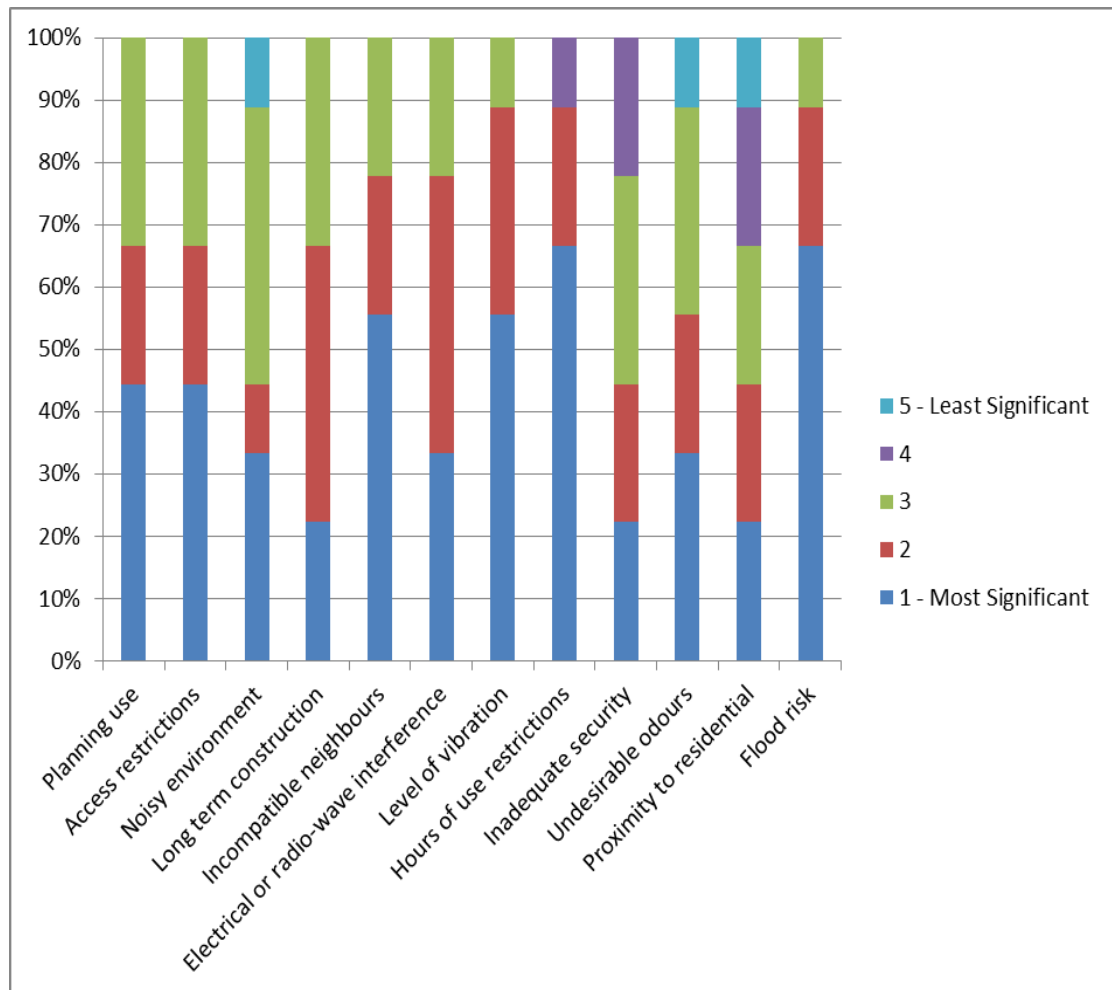
Questionnaire Results

- 9.31 20% of the companies who responded have internal procedures which require scientific studies to be undertaken before locating the business to ensure the working environment is acceptable in all respects – regardless of where the proposed site is.
- 9.32 Some 22% of the businesses indicated they would make use of or would need to have access to an operational airfield.
- 9.33 The table below indicates the ranking of each of the search determinants in terms of importance. Whilst there is disparity across the various factors there are some patterns that have emerged. Search determinants that are particularly high scoring when considering a site included; the availability of a skilled workforce, location, quality of building, occupational cost size layout and power supply. Less important search determinants include proximity to further and higher education establishments, on site security and proximity to like-minded businesses.



9.34 The table below indicates the ranking of each of the factors that would reduce the appeal of a particular site/premises in terms of significance. Whilst there is no describable pattern across the various factors, there are some trends that have emerged. The factors that would significantly reduce the appeal of a site include; hours of use restrictions, flood risk, unacceptable level of vibration and incompatible neighbours. With less significant factors including noise, undesirable odours and to close proximity to residential.

9.35 Search determinants will vary from business to business with various elements and factors influencing a decision on where a company should establish itself. Each site has also has its own constraints and benefits.



9.36 74% of the companies that responded were aware of the Daedalus Solent Enterprise Zone and the commercial opportunities available there.

9.37 Some 60% of the companies stated they would consider it as a suitable location for their business (either as a total relocation or as an additional facility). Those that did not deem it as suitable included reasons such as; the poor accessibility and road links, the type and size of buildings immediately available and also to have either sufficient expansion space on their existing site or to have recently relocated.

- 9.38 64% of companies directly stated that the prospect of being located within close proximity to an energy convertor station or more specifically the IFA2 facility at Daedalus would not be of concern to them or the business.
- 9.39 Out of the remaining 38% of respondents, half of those indicated that if it was demonstrated that there were no material implications to health, noise or electromagnetic interference that this would provide them with an adequate assurance that the site was a viable option for their business. A further 10% of all respondents agreed that the strict planning conditions and studies that have been conducted show that proximity to a facility of this nature will not have a detrimental impact on neighbouring occupiers, and therefore would be reassured by these measures.
- 9.40 The strict planning obligations provided in section 4.23 - 4.35 set restrictive parameters that must be fulfilled as part of the development of the IFA2 facility to ensure its impact on the functionality and performance as an airfield, as a commercial development site and the effect of the facility on its neighbours is minimised. Our results demonstrate that this to a large degree helps provide the necessary reassurance that occupiers are seeking when considering the impact of being within close proximity to a facility such as the proposed IFA2.
- 9.41 The remaining 9% in answering question 12 said that they would want to undertake their own investigation and surveillance to satisfy themselves that the location was acceptable in terms of electromagnetic and radio frequency interference.
- 9.42 Interestingly 20% of those who responded indicated that if there was a perceived risk of electromagnetic or radio-frequency interference, that they would consider disregarding the location, whilst the remainder would undertake further investigation. The responses provided to this question in the context of the other questions asked, quite clearly demonstrate the

power of perception and the importance of relevant data and accurate information being communicated at all levels e.g by the media, marketing agents, planning officers etc.

- 9.43 One of the respondents to the questionnaire was an established aviation company who operate precise technical equipment and sensitive machinery who have recently relocated to Daedalus to a new facility of some 2230 sq m. They have confirmed that they were fully aware of the proposed IFA2 facility prior to committing to the building and stated that the proximity of the proposed converter facility was not of material concern to them.

10.0 CONCLUSIONS

- 10.1 The proposed energy converter has not prevented engineering sector occupiers such as Proptech Ltd and Universal Tool Production Ltd, from taking permanent occupation within the Business Park and have confirmed they had prior knowledge of the IFA2 interconnector project.
- 10.2 Our marketing experience to date has revealed no resistance from occupiers in acquiring business space at Daedalus as a result of the IFA2 development. The total number of interested parties we have discussed the opportunity with is circa 110.
- 10.3 We are satisfied that the nature of their use and the profile of companies we approached to complete the questionnaire was compatible and typical of the type of occupier we would wish to attract to Daedalus.
- 10.4 We have conducted a robust and unambiguous questionnaire to illicit open and direct responses from consultees.
- 10.5 Our primary data results were virtually unanimous - that once the scientific/technical investigative studies were examined and understood, the companies consulted said that any perceived risk (92%) would have been assessed and dismissed.
- 10.6 74% of respondents were aware of the IFA2 proposals and were undeterred at the prospect of locating on the adjoining Business Park.
- 10.7 In terms of the search criteria the companies we approached, (those were considered of most importance and those being of least concern), the results were somewhat predictable with the location, quality of building and proximity to a skilled workforce being essential factors and

surprisingly, broadband speed, availability of power supply and grants/incentives were regarded of lesser relevance to their decision making. We suggest this assessment is partly distorted by the size of company that responded to our survey, as the more established businesses would anticipate and accept that such a move would encounter a large capital expenditure in fitting out the site/building to meet their operational needs.

- 10.8 We analysed the specific responses to the questions relating to 'would being in close proximity to an emergency converter station or case in point the IFA2 facility at Daedalus, be of concern' and applied the qualifications to this question, the findings were:

No concern whatsoever	64%
If demonstrated that no health, noise or EMF interference was present, this would remove any concerns	18%
If the planning conditions were complied with and the technical studies showed no material detrimental impact, then they would be reassured.	10%
They would wish to undertake their own scientific investigation and due diligence to satisfy themselves	8%

- 10.9 The construction methodology was not available at the time of producing our report therefore the extent of its impact is difficult to comment on. We believe that whilst construction of the converter facility is taking place, it will have some impact on the commercial appeal of Daedalus; however potential occupiers will expect and anticipate some construction taking place, within the immediate vicinity, given its design and build commercial offering.
- 10.10 Our study and consultation has identified the negative impact perceived risks could have on potential occupiers and tenants, therefore we recommend that accurate, factual information is communicated through clear channels and is available for all potential occupiers and businesses that would, have or are considering Daedalus as a destination for their business.

- 10.11 We are aware that in order to address any particular concerns, questions or compatibility issues that are raised by future prospective occupiers of the Enterprise Zone, that National Grid will provide a financial contribution to the Council to provide a dedicated business development resource. This resource will promote the attractiveness of Daedalus as an employment destination, which could be secured through a Section 106 agreement and would equate to the appointment of a dedicated full time business development officer for a period of 4 years. This we believe will act as a crucial appointment in minimising and eliminating any concerns that may be raised by potential occupiers. Having a dedicated officer that has access to data, studies, tests, assessments and evidence that demonstrate the impact of the IFA2 on aviation, aerospace engineering and advanced manufacturing businesses would be essential in alleviating any occupier resistance.