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LANGSTONE TECHNOLOGY PARK, HAVANT

Marketing Strategy Report Areas 1, 2 and 3 Building 1000

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**Prepared for:
AG Langstone BV and Trinity Investment
Management**

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1.0 BRIEF

Lambert Smith Hampton (LSH) have been commissioned by AG Langstone BV and Trinity Investment Management to prepare a Marketing Strategy Report to outline the viability of retaining the existing layout of Areas 1, 2 and 3 Building 1000 at Langstone Technology Park and to consider any changes required to adapt the building, and Langstone Technology Park more widely, to meet future occupiers requirements.

2.0 LSH CREDENTIALS

- 2.1 LSH is a full service commercial property consultancy operating in the United Kingdom and Ireland (a subsidiary of Countrywide Plc). The company has a national network of 40 offices and over 1,700 employees. Along the South Coast it has two offices at Fareham and Southampton with agency, building consultancy and valuation departments. LSH are market leaders with knowledge based understanding of the local market dynamics. The company was recently (for the 12th consecutive year), awarded by the national Estate Gazette publication, the Most Active Agent in Hampshire.
- 2.2 The principal authors of this report are Andrew Hodgkinson and Robin Dickens.
- 2.3 Andrew Hodgkinson is a Member of the Royal Institution of Chartered Surveyors (MRICS) and holds both BSc (Hons) and MSc (Real Estate) degrees.
- 2.4 Andrew has over 20 year's commercial experience across both IT services and real estate and has built up a comprehensive knowledge of the commercial property market in Dorset and South Hampshire, particularly in an agency and development advisory capacity.
- 2.5 Andrew has worked for Lambert Smith Hampton nearly seven years and was made Director in 2015. Andrew's experience is generally focused on Business Space and he is a recognised specialist in the Office sector.
- 2.6 He participates directly in the local business community being an active supporter of Business South, an independent organisation promoting the central south region on both a national and international stage.

- 2.7 Robin Dickens has during the past 30 plus years, built up a comprehensive knowledge of the industrial and commercial property market in South Hampshire and in particular within the Havant conurbation and travel to work area.
- 2.8 Robin has participated directly in the local business community being an active member of the Shaping The Future Group (Development Committee), a Past President of Portsmouth and South East Hampshire Chamber of Commerce, a former contributor to the Land and Property Task Group of Hampshire Economic Partnership, former Governor at Highbury College (2003 – 2013) and is currently a Board member of the Land, Infrastructure and Property Panel of the Solent LEP.
- 2.9 Current and past projects that Robin and Andrew have advised and been instructed to market have included the marketing of the Kenwood Business Park, Langstone Technology Park, Trident development in Harts Farm Way, Solent Road Trade Park, Langstone Gate offices, Dunsbury Hill Farm on behalf of Portsmouth City Council, Southmoor Lane, Hayward Business Centre etc in Havant and Stratfield Park, The Parkwood Centre, The Briars, former BAe site in Elettra Avenue, Aston Road Industrial Estate, Wellington Gate, Hussar Court on Brambles Farm etc in Waterlooville; and also recently handled the marketing of the former BAe Shipbuilding facility in HM Naval Base; and undertaken property acquisitions for companies such as EADS Airbus, Snecma Turbomeca, Lewmar Marine, Scania, Babcock International, Scottish and Southern Plc, PETA, Inchcape, Harwood's, Hendy Ford etc.
- 2.10 Andrew and Robin have been involved in the marketing of space at Langstone Technology Park for 7 and 10 years respectively.

3.0 BUILDING DESCRIPTION

- 3.1 Langstone Technology Park was originally constructed in the 1960's for IBM and comprises several interlinked buildings.
- 3.2 Building 1000, known as B1000, is the largest building on the complex comprising approx. 160,000 sq ft arranged in five bays known as "Areas" (See Fig. 1 in Appendix). The Areas were constructed in four phases over a 10 year period.
- 3.3 The building was designed as a manufacturing facility and this is reflected in its specification.
- 3.4 It is constructed of a steel frame with a hanging concrete clad exterior and wood-wool slab roof. Windows are single glazed throughout the entire building. The floor is solid in the majority of Areas 1, 2, 4 and 5 and with a suspended floor in the majority of Area 3.
- 3.5 The building has a floor to ceiling height of 6 metres which reduces to 4.2 metres under the roof trustees which run in an east west direction.
- 3.6 There is one loading bay at the western end of the building, adjoining Area 5.
- 3.7 There are windows along the north, east and west elevations of the building. The southern elevation does not have any windows due to the north elevation of B4000 abutting Areas 1 and 2 and the communal service corridor that runs from Area 3 to Area 5. The cores dividing the Areas run north south and prevent any daylight reaching Areas 2, 3 and 4 from either the East or West elevations.
- 3.8 There are no skylights in the roof due to the construction of the wood-wool slab.

- 3.9 The largest Areas (2, 3 and 4) measure approx. 75 metres by 55 metres each which creates very deep space with only daylight from the North. In contrast, Areas 1 and 5 benefit from a reduced width of 35 metres and daylight from the east and west elevations respectively.
- 3.10 B1000 has been constructed circa 3m above actual ground / car parking level. Access tunnels run underneath the building so that it can be maintained and serviced as required.
- 3.11 There is also an undercroft under part of Area 3 – 5 which runs east west. This provides access to services and the service tunnels mentioned above (that run north to south), along with access to storage areas, some tenant storage areas and key plant & equipment (generators, etc.).
- 3.12 The services are brought up through the floor in B1000 into central 'cores' between each Area and then distributed through overhead trays. Services are generally exposed but with suspended ceilings in parts of Areas 1-5 through-out the building. Within Area 3, services are brought up via the suspended floor. All services feed back to the main substation at LTP.

4.0 OCCUPATIONAL HISTORY

- 4.1 B1000 was purpose built by IBM as their main manufacturing plant in 4 phases between 1969 and 1978.
- 4.2 IBM ceased operating from the facility at Langstone in 1995.
- 4.3 When Xyratex acquired the facility from IBM, the use of the buildings remained relatively unchanged, due to Xyratex manufacturing the same product.
- 4.4 However, due to changes in the market and technology, Xyratex subsequently contracted its operations, retracting into B1000, eventually occupying circa 120,000 sq ft within Areas 1-3, and part of Area 4 and some space within B4000.
- 4.5 The majority of Area 4 was not suitable for use as offices, due to lack of daylight, and so was sub divided to provide small ancillary storage spaces and IT server / data centres for existing site based occupiers. Area 5 was converted to offices as it benefits from good daylight along the entire west frontage (75 metres) and north frontage (35 metres).
- 4.6 Xyratex was purchased by Seagate in 2013. As manufacturing on site reduced, the northern parts of Areas 1 and 2 that had better daylight were converted to hybrid office space servicing the ongoing manufacturing activities.
- 4.7 In July 2016 Seagate announced they were closing the Havant Facility as they needed a more efficient manufacturing footprint, in a building more fit for modern standards. As a consequence Seagate exercised its break on the remaining space in Areas 1, 2 and 3 B1000 in September 2017. The space since then has remained vacant, and has been marketed by LSH – further details in the following section.

5.0 MARKETING CAMPAIGN

- 5.1 Following Seagate's decision to close the facility in 2016 and exercise their break option, Lambert Smith Hampton was appointed to market Areas 1, 2 and 3 in Building 1000. In carrying out this appointment, LSH were instructed to undertake a comprehensive marketing campaign across all B Class land uses, in order ensure that the site was publicised to as wide a range of potential occupiers as possible.
- 5.2 The vacant space has been marketed using a range of media outlets and via a cross section of internet portals. These have included the following:
- www.lsh.co.uk
 - www.egpropertylink.co.uk
 - www.rightmove.co.uk
 - www.zoopla.co.uk
 - www.compropregister.com
 - www.primelocation.com
 - www.langtp.com
- 5.3 Marketing boards exist at both entrances to the site. Adverts have been listed in publications such as the South Coast Central Commercial Property Register.
- 5.4 The local authorities including Hampshire County Council and Havant Borough Council were contacted and invited to site to view the vacant space, should they become aware of any large enquiries for space through government departments such as the DTI.
- 5.5 Interest from potential occupiers in Areas 1, 2 and 3 in its current configuration has been very limited and no lettings have been completed. In contrast, however, during this period we have completed a number of other lettings in buildings on the park that are more suitable and attractive to the market.

6.0 BUILDING CONSTRAINTS AND LIMITATIONS

6.1 We have set out below why the marketing campaign has been unsuccessful and have also incorporated feedback we have received from occupiers who looked at and discounted the space.

6.2 Manufacturing and distribution uses:

- Floor to ceiling heights too low especially under the beams where the clear height is only 4.2 metres
- No services yard in front of Areas 1, 2 and 3. .
- Insufficient loading doors with only one door serving the whole of Building 1000 (160,000 sq ft) in Area 4/5, which is located too far away from Areas 1, 2 and 3.
- Artic trucks cannot turn safely on the existing loading platform
- Significant change in levels, over 3 metres, between parking areas and finished floor levels makes it impossible to improve servicing arrangements
- Lack of prominence and identity

6.3 Office uses:

- The buildings deep floorplates coupled with no natural light from either the southern elevation or in the case of Areas 2 and 3 from the east or west elevations makes the space a dark working environment.
- In our experience, occupiers today want good levels of natural daylight as this has a positive bearing on staff wellbeing.
- The specification of the space is dated and uninspiring and requires significant investment to bring it in line with modern working standards.
- The large and deep “Areas” are difficult to partition into smaller demises to cater for the growing SME market and this again is a limiting factor in attracting potential tenants.

- With single glazed windows and an aging HVAC system the building is not energy efficient.
- Given the size of the building and the scale of likely potential occupiers, the building lacks an identity and suitable entrance.

6.4 In this context, it is clear that Areas 1 and 2 of Building 1000 cannot meet modern occupier requirements, and cannot be modified to make them more attractive, given that many of the matters are intrinsic to the character, structure and layout of the building. Area 3 is also compromised, but could be improved by the removal of Areas 1 and 2 (explored in further detail later in this report).

7.0 OCCUPIER DEMAND

OFFICE

- 7.1 Much of the occupier demand, in particular from corporate occupiers, is now driven by a preference to upgrade to higher quality office space. Modern working practices are changing with a more agile working environment required with open plan single floor plates, good breakout space and access to amenity in order to attract and retain the best staff.
- 7.2 The most progressive workplaces are those which provide a multiplicity of work settings and have ample connectivity, with an increasing emphasis on informal spaces. This includes both collaborative and quiet areas which are suited to different types of work and can cater to different personality types. Also, beyond the immediate work environment, access to a range of amenities offering refreshment, exercise and relaxation are other important ways that a building can support wellbeing. Businesses are increasingly using their workspace as a means to communicate the values and culture of the organisation.
- 7.3 The modern office occupier seeks affordable, efficient space in a high quality environment and typically their property criteria includes:
- Floor plates that enable occupation on a single floor;
 - Good natural light and fresh air ventilation;
 - Ready access to on site amenities – retail, restaurant, leisure;
 - Good local and regional connectivity – ideally road and rail;
 - Adequate parking provision for staff and visitors;
 - High speed broadband availability;
 - Attractive and vibrant public realm;
 - A sense of place and identity.
 - Shower and cycle facilities

- 7.4 Buildings are now capable of being certified in terms of the health and wellbeing credentials (“Wellness”) and this “badge” can be an attraction to occupiers.

INDUSTRIAL / LOGISTICS

- 7.5 In our experience, the key factors influencing an industrial or logistics occupier’s relocation criteria are principally geographical location, accessibility to road, docks, airports and rail communications, close proximity and drive time to the M27/A27 is often cited as a priority. The ability to retain and recruit staff with the appropriate skill base is also vital, together with servicing customer/client needs and often there is a personal element from decision makers (historic reasons, home address etc). The quality of accommodation, specification of building, image, parking ratios, yard size/manoeuvring ability of commercial vehicles, are all important factors. The affordability / total property cost and occupational flexibility of the lease term is also a key consideration to many companies.

- 7.6 As a general guide to provide Grade A industrial floor space in a modern working environment and present a base spec to the market, the following principles should be adhered to:

- Plot densities of around 45 -50% depending on the nature of use with flexible planning consent for B1c/B2 and B8 uses;
- Typical office content of between 5 to15% although this can vary depending on the user requirements;
- Environmentally compliant and energy efficient buildings;
- Secure site, individual yards and crime preventative environment;
- Minimum eaves heights for units up to 10 000 sq. ft. of 7.5m to 9m, over 10,000 sq. ft. from 8m rising to 9/10m and higher for 50,000 sq. ft. units and above;
- Dock level and grade level loading depending on user requirements and whether speculative development:
- Larger occupiers will require separate office parking to yard and loading areas;
- Offices finished to high quality with raised floors and cooling;

- Defined service capacities – adequate 3 phase power provision;
- Attractive and modern building design, to maintain a common theme throughout the Estate;
- Landscaped and parkland style grounds where appropriate with uniform signage;
- Frequent and accessible public transport links;
- Clear understanding of Internet capability.

7.7 We have examined our database of applicants who have registered property enquiries with our agency colleagues and have recorded the breakdown in both volume and size range - whilst clearly a large proportion of these requirements will not be converted into transactions and result in take up within the Havant area, however this evidence and weight of total floor space looking in the market at this moment in time, is a good indication of the strong, current occupier demand.

Current Number of Registered Applicants (June 2019)

SIZE RANGE (SQ M)	B1c/B2 USE	B8 USE
0-150	12	9
150-250	9	6
250-500	10	8
500-1,000	8	11
1,000-2,000	7	9
2,000-5,000	5	7
5,000 +	4	8
TOTAL (Sq. M)	55 (71 700)	58 (112 875)

7.8 Notably from our engagement with businesses conducting property searches, the industry sectors we consider will proliferate and most likely to extend property requirements within the Havant area will include, though not exclusively the following types of company:

- E-Commerce/internet shopping/home deliveries/reverse logistics;
- Trade counter operators/materials suppliers;

- Supply chain distribution/food and catering;
- Service industries/maintenance contractors
- Advanced/niche engineering/R&D activity;
- Educational/training provision;
- Professional consultancy services including legal, accountancy etc.
- Specialist research and production;
- Telecoms/recruitment/financial activities;
- IT/software design and innovation.

7.9 A sector generally regarded as one of the most significant opportunities for the UK to rebalance and reinvigorate the economy is advanced manufacturing. This sector has the potential to drive up levels of value added in the economy and contribute substantially to export growth and its global competitiveness is ultimately determined by the ingenuity and skills of its workforce.

7.10 Increasingly we have encountered demand for premises from the advanced manufacturing sector right across the building size range and from niche, prototype and full production businesses in principally the marine, defence, aviation, medical device, energy and pharmaceutical activities. We anticipate the expertise, reputation and innovation displayed by these companies will generate a fruitful source of property requirements and employment growth in the future. The size range of premises will be varied but the quality of the building product will be essential. There still remains a sizeable and important traditional assembly/production sector in the Borough that will have ongoing property requirements, however in practice we consider a number of these occupiers will consolidate and downsize their operations.

- 7.11 It is clear that whilst Langstone Park can provide what occupiers want from an amenity and connectivity perspective Areas 1, 2 and 3 do not provide the type of physical space that either Industrial, manufacturing or office occupiers want.

8.0 REVIEW OF RECONFIGURATION / REFURBISHMENT OPTIONS

- 8.1 Consideration has been given to the potential repositioning of Areas 1, 2 and 3 in the building for alternative uses to secure new occupiers.
- 8.2 There is known demand in the market for industrial / logistics type uses, however a reconfiguration of Areas 1,2 and 3 in B1000 is unsuitable for several reasons:
1. The building is raised above ground level and therefore provision of suitable loading bay access and access for HGV's is compromised,
 2. The height of the building is insufficient for the majority of today's warehousing and logistics operators, which now seek eaves heights of 10m plus (as opposed to the 4.2 m to underside of trusses currently provided within B1000).
 3. The position of B1000 at the northern aspect of the site with development to the south means that any potential yard space is constrained and again limits interest from warehousing occupiers.
- 8.3 It is therefore deemed more appropriate for new build industrial space to be delivered elsewhere on the site so that Industrial / Logistics demand is captured but in buildings purpose built to meet modern occupier requirements.
- 8.4 The configuration, specification and scale of Areas 1, 2 and 3 of B1000 for office use is clearly inappropriate given the outlined constraints, changing occupier behaviours and requirements. There is also higher quality office space available to let elsewhere on the Park.
- 8.5 Even if Areas 1, 2 and 3 were comprehensively refurbished we do not believe there would be demand for this as office space. The space cannot be subdivided into smaller lettable units and provide acceptable daylight levels and access to individual demises.

- 8.6 The daylight into Area 3 can be greatly improved by demolishing Areas 1 & 2 including the core between Area 2 and 3. Increasing the extent of the glazing on the new eastern façade will also further improve daylight levels and the quality of the space. Whilst Area 3 will be deeper than Area 5 the glazed area will be 3 times greater.
- 8.7 Area 3 already benefits from a raised access floor.
- 8.8 The demolition of Areas 1 and 2 would also enable a new entrance to be created into B4000 (amenity block) and for parking to be provided at the same level as the buildings.
- 8.9 In this context, the removal of Areas 1 and 2 will to a large extent address the matters that compromise Area 3.

9.0 CONCLUSIONS

- 9.1 Areas 1, 2 and 3 B1000 are not lettable in their existing configuration as evidenced by the current marketing campaign.
- 9.2 Scale of demand for offices is reducing, particularly for larger floorplates.
- 9.3 Current configuration of Areas 1, 2 and 3 B1000 does not meet office occupiers' needs and demands.
- 9.4 Significant investment into the existing building will not enable it to meet modern working practices.
- 9.5 Whilst strong demand from Industrial / Logistics operators in the area and lack of supply Areas 1, 2 and 3 B1000 not suitable for conversion to Warehousing / Logistics and should be located elsewhere on the Park.
- 9.6 Consideration should be given to the demolition of Areas 1, 2 and 3 B1000.
- 9.7 Alternatively through the demolition of Areas 1 and 2 to improve the daylight to Area 3, the refurbishment of Area 3 and improvements to public realm we believe office space can be delivered which meets occupiers' requirements.
- 9.8 In summary, the best opportunity to meet the demand profile for the local area is to:
1. Demolish Areas 1 and 2 in B1000
 2. Refurbish Area 3 with new façade, fit for modern office working practices
 3. Build new Industrial units on southern car park
 4. Replace car parking lost in the southern car park with new parking around the site.

- 9.9 Therefore to address the issues identified with the building, to capture demand from the industrial / Logistics sector, a redevelopment of B1000 to demolish two bays, create a new modern and striking façade and to replace the lost parking would best meet the demands of the market.

10.0 APPENDICES

Fig 1. Existing LTP site plan

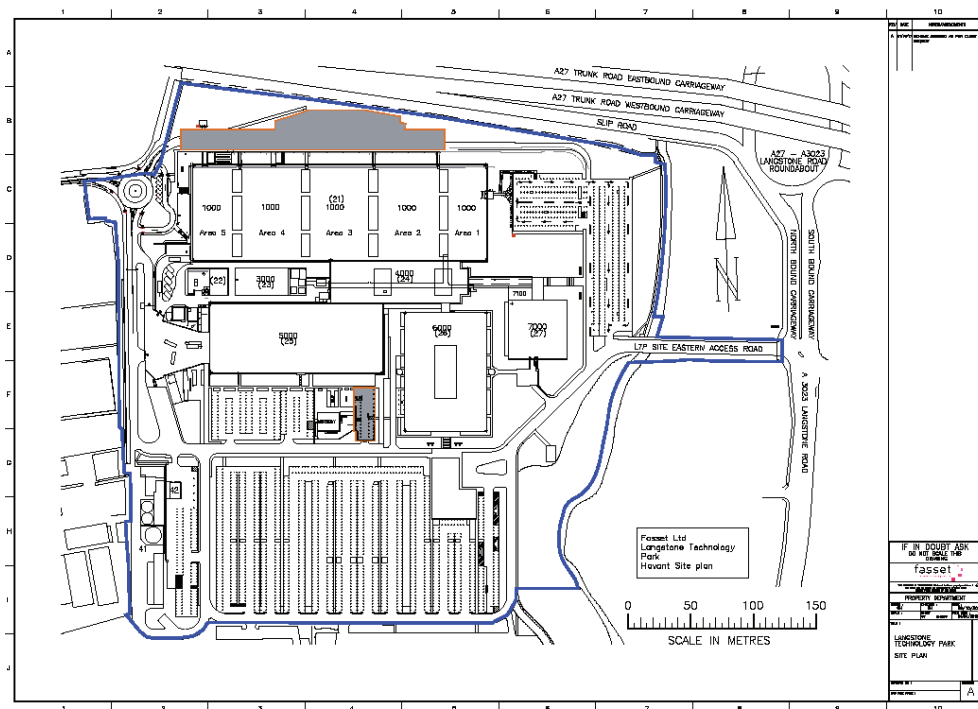


Fig 2. Proposed LTP site plan

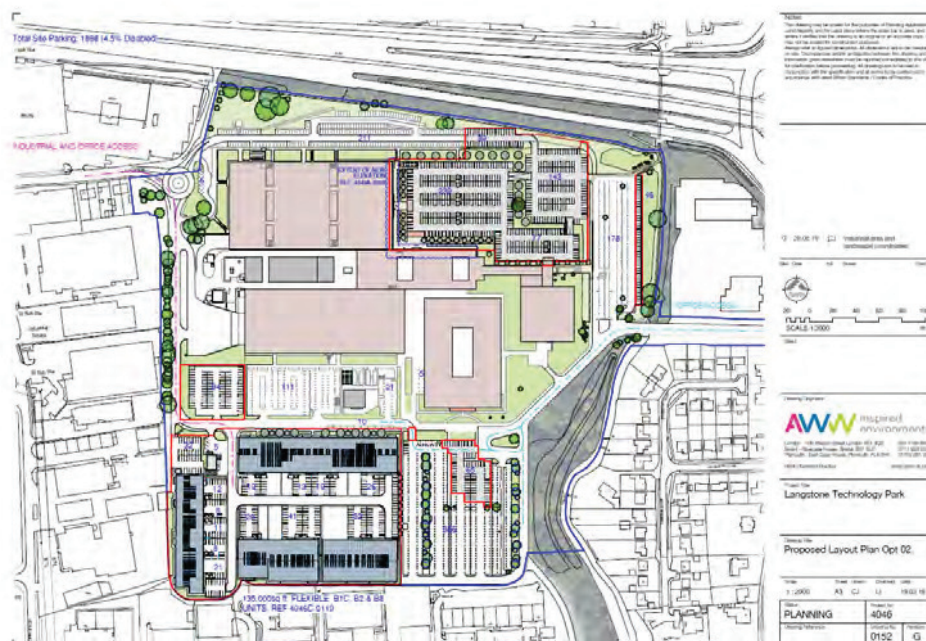


Fig 3. Proposed B1000 Elevation

