

STAG BREWERY VIABILITY BENCHMARK LAND VALUE – 21 AUGUST 2020

This note summarises the current position regarding benchmark land value. The Applicant has received advice from Savills indicating that the value of the Site in continuing industrial use is £49.12 million. In contrast, in April 2018 GL Hearn advised that the site had a value of £32.15 million.

GL Hearn arrived at this conclusion based on the assumptions summarised in Table 1.

Table 1: GL Hearn assumptions

Element of property	Site area (acres)	Rate per acre / sq ft	Value
Western Site	8.295	£2,000,000	£16,590,000
Eastern Site	7.12	£2,000,000	£14,240,000
Victorian Warehouse and front building		£37.56	£2,000,000
Metropolitan Land	5.19	£130,000	£674,700
Total			£33,504,700
Less demolition costs			£1,500,000
Benchmark land value			£32,004,700

In addition, GL Hearn considered the value of the Eastern and Western sites as open storage, concluding that this would result in a total value of £28,500,000 after demolition and purchaser's costs have been deducted, to which the value of the Victorian Warehouse site and Metropolitan Land would need to be added.

The evidence that GL Hearn relied upon is now very historic, dating back as far as 2014. The industrial land market experienced significant change in 2017 and 2018, with values increasing significantly as a result of significant losses of industrial space to other uses. Between Quarter 1 2017 and Quarter 4 2018, MSCI data showed capital growth in excess of 30%.

Three of the four transactions that GL Hearn relied upon to inform a land value tone of £2 million per acre dated from September 2014, with the fourth dating from October 2016, all of which completed prior to the significant growth in values between 2017 and 2018. This understatement in value is demonstrated by the following industrial land sales:

Table 2: Industrial land values

Site	Site area (acres)	Sale price (millions)	Sale price per acre (millions)	Date of transaction
Value Europe, Park Royal	9.50	£70.00	£7.37	February 2019
Western Road, Park Royal	1.20	£5.58	£4.65	June 2017
DHL van yard	0.86	£3.10	£3.60	Dec 2016
Fmr Frozen food centre, Elstree Way Borehamwood	16.74	£53	£3.17	Feb 2018

More up to date evidence than the very historic transactions that GL Hearn relied upon indicates a 'tone' for industrial land of £3 million+ per acre. If this is applied to the Eastern and Western sites (totalling 15.415 acres), the value would be £46.25 million (plus the value of the Victorian Warehouse and Metropolitan land).

With regards to open storage, GL Hearn similarly relied upon historic transactions dating from before the increase in industrial land values between 2017 and 2018. Contemporary data indicates that the

£3.50 per square foot they assumed in their calculations is light. Table 3 summarises more recent evidence showing a significantly higher range than the evidence that GL Hearn relied upon.

Table 3: Open storage rents

Address	Acres	Date	Rent p.a.	Value psf
Shelpston Lane, Hayes	1.00	Jul-19	£196,020.00	£4.50
Gospel Oak, Camden	0.34	Dec-18	£199,940.40	£13.50
Freeland Way Hillingdon	3.00	Sep-19	£588,060.00	£4.50
Wilton Pk, Beaconsfield	2	Jan-20	£304,920.00	£3.50
Bridge Rd, Southall	1.04	Available	£203,859	£4.50
Pellat Rd, Wembley	0.378352	Available	£123,660	£7.50
Cuba Street E14	0.327043	Available	£57,000	£4.00
Iderton Wharf SE15	0.206612	Available	£72,000	£8.00
Sunleigh Ave, HA0	0.440335	Available	£125,000	£6.52

We also note that GL Hearn's investment yield for open storage of 7% is also very historic and fails to reflect the significant sharpening of industrial yields since 2017. Knight Frank's July 2020 Yield Guide shows industrial yields of 4 – 5%. Even if the rent remained at GL Hearn's £3.50 per square foot and the yield was sharpened to 5%, their value for the Eastern and Western sites would increase to £40.88 million after purchaser's costs and demolition costs.

Amendments to GL Hearn assumptions to reflect more contemporary evidence

As noted above, when GL Hearn's industrial land values are updated to reflect more recent evidence, their value for the Eastern and Western sites would increase to £46.245 million, resulting in a benchmark land value of £47.42 million after the addition of the balance of the Site and deducting demolition costs (see Table 4).

Table 4: Adjusted GL Hearn BLV

Element of property	Site area (acres)	Rate per acre / sq ft	Value
Western Site	8.295	£3,000,000	£24,885,000
Eastern Site	7.12	£3,000,000	£21,360,000
Victorian Warehouse and front building		£37.56	£2,000,000
Metropolitan Land	5.19	£130,000	£674,700
Total			£48,919,700
Less demolition costs			£1,500,000
Benchmark land value			£47,419,700

As a cross-check basing the value of the Site assuming open storage (and again adjusting the calculations to reflect contemporary evidence) would result in a value of £52.99 million:

- 670,824 sq ft @ £4.50 per square foot = £3,018,708 per annum
- YP @ 5%, deferred for 0.75 years = £58,204,844
- Net of purchaser's costs @ 6.8% = £54,498,917
- Net of demolition costs of £1,500,00 = **£52,998,917**

Both approaches demonstrate that the Applicant's original value of £49.12 million is eminently reasonable.

BNP Paribas Real Estate
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