

## **The Mayor's Office for Policing and Crime (Perivale) Compulsory Purchase Order 2020**

### **Supplementary Proof of Evidence on Behalf of the Acquiring Authority in Respect of Discussions and Negotiations with the Landowners of the Order Land**

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**6<sup>th</sup> August 2021**

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## **1. Introduction and Experience**

- 1.1** My experience is detailed in my Proof of Evidence dated 20<sup>th</sup> April 2021 (my "**Previous Proof**") and is therefore not repeated in this additional Expert Witness Declaration.
- 1.2** This Expert Witness Declaration is in accordance with the RICS Practice Statement "Surveyors Acting as Expert Witness's (4<sup>th</sup> Edition)" which is included at the end of this supplemental proof.

## **2. Scope of Evidence**

- 2.1** My evidence addresses the following topics:
  - 2.1.1** Negotiations with Segro (Perivale Park) Limited ("**SEGRO**"), in respect of the acquisition of the freehold of the Mayor's Office for Policing and Crime's ("**MOPAC**") Vehicle Recovery and Examination Service ("**VRES**") Perivale site (the "**Order Land**");
  - 2.1.2** Negotiations with SEGRO in respect of leasing the Order Land; and
  - 2.1.3** Other options for MOPAC's VRES facility, including Northolt.

## **3. Negotiations with SEGRO on the Freehold**

- 3.1** Following adjournment of the Public Inquiry on 18<sup>th</sup> May 2021 (the "**Adjournment**"), Knight Frank, on behalf of MOPAC, entered into discussions with SEGRO in respect of both a freehold acquisition of the Order Land and leases of the Order Land.
- 3.2** As detailed in my Previous Proof, MOPAC originally made the following offers to purchase the Order Land, which is comprised of the Bilton Centre, Walmgate Road, Perivale, West

London, UB6 7LR (the "**Bilton Centre**") and Unit 16 of the Perivale Park Industrial Estate, Greenford, West London, UB6 7RW ("**Unit 16**"):

Offer 1- Made July 2020

Property	Price GBP
The Bilton Centre	£31.25 million
Unit 16	£6.25 million
TOTAL	£37.5 million

Offer 2- Made February 2021

Property	Price GBP
The Bilton Centre (Land)	£35 million
Unit 16	£6.75 million
TOTAL	£41.75 million

Since the Adjournment MOPAC submitted a third offer:

Offer 3- July 2021

Property	Price GBP
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The Bilton Centre (Land)	£42.75 million
Unit 16	£8.25 million
TOTAL	£51 million

**3.3** In terms of benchmarking MOPAC's Offers 1, 2 and 3 set out above, MOPAC considered the value applicable to the Bilton Centre, being £42,084,733.23, which SEGRO disclosed to HM Land Registry (set out in Appendix 1) when purchasing the entire Perivale Park Industrial Estate, Greenford (the "**Perivale Estate**"). MOPAC compared this value against SEGRO's purported purchase price in SEGRO's press release of the Perivale Estate of £202.5 million. MOPAC's offer at the time for the Bilton Centre was £31.25 million and was subsequently raised to £35 million in February 2021 and to £42.75 million in July 2021 (approximately a year later). MOPAC's Offer 3 for the acquisition of the Bilton Centre as part of the Order Land exceeds the proportioned purchase price paid by SEGRO for the Bilton Centre in June 2020, being the £42,084,733.23 reported to HM Land Registry.

**3.4** We note that SEGRO's accounts for the period 29 May 2020, being the date the company was incorporated, to 31 December 2020 were approved by SEGRO's Board on 22 June 2021. These accounts show that SEGRO acquired investment and development properties after 29 May 2020 which were initially valued at £213,985,000 and which I assume included the Perivale Estate which was purportedly purchased, as mentioned above, for £205.5 million. By 31 December 2020 the value of these properties had fallen by £5.015 million to £208,970,000, representing a decrease in value of 2.3%. These valuations detailed in the report and accounts (attached at Appendix 2) were carried out by CBRE.

**3.5** Mr Ben Gomez-Baldwin's Proof of Evidence dated 20<sup>th</sup> April 2020, in particular paragraph

6.7, refers to a valuation undertaken by CBRE in January 2021. This valuation, which was commissioned by SEGRO seven months after SEGRO's acquisition of the Perivale Estate, states that MOPAC's February 2021 offer (being Offer 2 set out above) of a combined £41.25 million is £20 million too low. This in turn infers a price at the time for the Order Land of £61.75 million, thus a significantly uplifted proportioned purchase price for which SEGRO purchased the property in June 2020 and indeed the valuation carried out by CBRE as at December 2020. A rise of this magnitude is unusual since February 2021 especially when the valuation of the Perivale Estate was actually impaired and reduced over a similar period in the accounts. As such, CBRE's valuation and SEGRO's comment that values have increased since February 2021 contradict SEGRO's accounts as discussed in paragraph 3.4 above. No doubt SEGRO can explain this discrepancy?

**3.6** If £42 million was paid for the Bilton Centre in June 2020 (as disclosed to HM Land Registry) and the entire Perivale Estate was purchased for £202.5 million, the value on the 32 units that comprise the Perivale Estate (excluding the Bilton Centre) must be £160 million. In June 2020, these 32 units extended to 575,352 sq ft GIA in total and had a combined rent roll of £5,950,041 pa. Unit 16 has a rent roll of £242,500 pa and extends to 25,967 sq ft GIA. On this basis, Unit 16 comprises 4% of the total rent roll or 4.5% of the total floor area of the Perivale Estate. On this basis, the proportion of the purported purchase price paid by SEGRO for the Perivale Estate relating to Unit 16 is £6.4 million to £7.2 million. MOPAC's Offers 2 and 3 were for £6.75 million and £8.25 million respectively. As such, MOPAC's Offers 2 and 3 were in the middle of and significantly above the proportion of the purported purchase price referred to above.

**3.7** There has been no meaningful engagement from SEGRO on a purchase despite MOPAC's offers for the acquisition of the freehold of the Order Land. The most recent email from SEGRO's agent, Altus Group dated 29 July 2021 (attached at Appendix 3) in response of

MOPAC's Offer 3 states that:

1. MOPAC's offers are *"very substantially below the open market value of the land- and therefore wholly unacceptable to SEGRO"*
2. MOPAC's offers *"demonstrate an alarming lack of understanding on MOPAC's part as to the value of the Order Land and therefore this calls into question how MOPAC will fund the acquisition"*
3. *"CPO Guidance strongly encourages Acquiring Authorities to negotiate with Objectors. [...] The offers are either disingenuous or naïve"*
4. *"SEGRO is focusing its resources in negotiating a long lease of the Order Land"*

**3.8** Having regard to SEGRO's agent's comments set out in paragraph 3.5 above, it is clear that:

**3.8.1** SEGRO are not willing to negotiate a sale of the Order Land. A negotiation requires both parties to discuss rationally and sensibly the value of the Order Land. SEGRO is merely aggressively pushing MOPAC towards entering into leases of the Order Land as it suits its investment strategy and promises to shareholders. Comments such as those set out in paragraph 3.5 above do lead one to question why any tenant would want to commit to a long-term leasing agreement with a landlord such as this?

**3.8.2** SEGRO is pushing MOPAC to enter into leases of the Order Land stating on MOPAC's behalf that leasing is MOPAC's preferred option but elsewhere acknowledging that *"the business case appraisal found that securing the site via a leasehold agreement was the preferred option, very closely followed by the acquisition of the freehold"*. Mr David Mathieson's additional proof of evidence dated 6 August 2021 ("**Mr Mathieson's Proof**") demonstrates that an acquisition of the Order Land is in fact MOPAC's preferred option due to developments in the case and an evolution of MOPAC's business case. Mr Mathieson's Proof confirms that the acquisition of the Order Land is in the best interests of MOPAC and the public purse.

**3.8.3** I am told that it is not the remit of the Public Inquiry to assess the value of the freehold and, in the absence of agreement, if The Mayor's Office for Policing and Crime (Perivale) Compulsory Purchase Order 2020 is made value is to be set by the Lands Chamber. Clearly MOPAC as a government linked entity, I am told and as confirmed in Mr Mathieson's Proof, will have sufficient funds to purchase the Order Land regardless of what the value is assessed as being by the Lands Chamber.

**3.9** I have merely set out the details above to show the reasonableness of MOPAC's position.

## **4. NEGOTIATIONS ON A LEASE**

**4.1** Five days before the Public Inquiry was due to commence on 18<sup>th</sup> May 2021, MOPAC were presented with a leasing option by SEGRO. During the course of the Public Inquiry on 18<sup>th</sup> May 2021, but not before, MOPAC were informed that SEGRO would withdraw its opposition to new leases under the grounds of redevelopment under the Landlord and Tenant Act 1954. On 19<sup>th</sup> May 2021 MOPAC requested that SEGRO provide letters giving SEGRO's irrevocable assurance that it would not seek to rely on the section 26(6) counter notices served by SEGRO, or on any grounds of opposition under section 30(1), in the event of MOPAC making applications to the court under section 24. However, SEGRO did not provide its formal withdraw as requested until 20<sup>th</sup> May 2021. Clearly, it would have been helpful if SEGRO had confirmed this key point in advance of Public Inquiry rather than after the Inquiry.

**4.2** As of 18<sup>th</sup> May 2021, the offers made by SEGRO in summary were as follows:

### **THE BILTON CENTRE**

Term: 15 years from 21 October 2005

Security of Tenure: Contracted inside the security of tenure provisions of the Landlord and Tenant Act 1954

Rent: £1,490,000 pa (£4.38 per sq ft)

Rent Free: 5 months

Option to Renew: For a further 15 years

Rent Review: Every 5 years to 3% pa compound

#### **UNIT 16**

Term: 15 years from 21 October 2005

Security of Tenure: Contracted inside the security of tenure provisions of the Landlord and Tenant Act 1954

Rent: £351,000 pa (£13.51 per sq ft)

Rent Free: 5 months

Option to Renew: For a further 15 years

Rent Review: Every 5 years to Market Value

**4.3** I can confirm that the parties' surveyors met up at Altus Group's offices on 1<sup>st</sup> July 2021 to discuss the terms of the offer made by SEGRO. Following that meeting, MOPAC made a counteroffer on 13<sup>th</sup> July 2021 (see Appendix 4). Whilst some points have been agreed between the parties, the principal points that remain outstanding are as follows:

**4.3.1 Right to renew** – MOPAC need longer than guaranteed 15 plus 15-year leases (i.e., 30 years) so as to ensure the long-term delivery of MOPAC's VRES operations to London. There

will be even less land and property opportunities available in 30 years' time than what is available at present. MOPAC need a permanent solution rather than delaying the issue until such time as any leases that may be agreed expire.

**4.3.2 Rent and Rent Free** – The parties' positions are as follows based on initial leases of the Order Land for 15 years without break:

Unit 16

	SEGRO	MOPAC
Rent pa	£351,000 (£13.51 per sq ft GIA)	£312,000 (£12.00 per sq ft GIA)
Rent Free	5 months	15 months

The Bilton Centre

	SEGRO	MOPAC
Rent pa	£1,490,000	£1,200,000
Rent Free	5 months	15 months

**4.4** The key areas of difference, as demonstrated by the tables above at paragraph 4.3.3, are:

**4.4.1 The rent-free period:** 5 months as proposed by SEGRO is insufficient. A 15 to 18-month period would usually be granted for an initial 15-year lease without break. I note for example that SEGRO currently have its 45,000 sq ft unit Sceptre under offer at Premier Park, Park

Royal where a 12-month rent free period is being granted for a 10-year term certain (albeit at a higher rent per sq ft but Park Royal has always carried a significant rental premium to Perivale in my 25 years' experience in the market) which infers up to 18 months should be reasonable for a 15-year term certain at the Order Land.

**4.4.2 The rent of the Bilton Centre:** This disagreement in part relates to the fact that MOPAC have spent considerable monies upgrading the part of the Order Land that is the Bilton Centre given that this land was demised to MOPAC in 2005 in an unimproved state. Under the Landlord and Tenant Act 1954 on a standard lease renewal, all tenant improvements would be disregarded in assessing the rent at lease renewal. My view is that SEGRO have not reflected the improvements made by MOPAC in the rent they are seeking. The disagreement also relates to the base value for the land on a per sq ft basis recognising the large size of the property at 7.75 acres vis-à-vis any comparable evidence which is generally used for smaller plots on shorter lease terms. It is fair to say neither party have identified a good comparable of a similar size in the same location.

**4.4.3 The rent of Unit 16:** the last open market letting transactions I am aware of on the Perivale Estate are that of Unit 2. This unit is a building of 33,446 sq ft GIA (so a not dissimilar size to Unit 16 and of similar age and specification) and was let to Paack Logistics UK Ltd at £418,075 per annum £12.50 per sq ft on a 10-year lease with tenant only break at year 5. Given that MOPAC is offering a much longer lease without break, I would expect a much longer rent-free period and/or a slightly lower rent. Knight Frank LLP have been marketing Unit 1, which is a similar size to Unit 16, on the Perivale Estate for some time seeking to dispose of the lease but has had limited interest. I believe SEGRO are now talking to the tenant direct on a surrender of the lease as Knight Frank LLP are no longer involved. Unless there has been more recent evidence that SEGRO have not shared with MOPAC / Knight Frank LLP on the Perivale Estate, this shows the reasonableness of MOPAC's rental position.

- 4.4.4 A right of pre-emption:** MOPAC have requested that if SEGRO wishes to sell or transfer the Order Land at some time in the future, MOPAC is to be given the right to match the price paid by the purchaser and purchase the Order Land. This request has been rejected by SEGRO.
- 4.5** I can confirm there has been no movement on rent and rent-free period since the adjournment of the Public Inquiry from SEGRO despite MOPAC's offer. SEGRO have also made it clear via their agent that they will not offer a right of pre-emption or leases of longer than 30 years in respect of the Order Land.
- 4.6** In Conclusion:
- 4.6.1** SEGRO's leasing offer dated 13<sup>th</sup> May 2021 would only provide MOPAC with certainty for a maximum of 30 years and at expiry the Order Land could be redeveloped leaving MOPAC with no option but to relocate its VRES facility. By the time of expiry of the leases, given the pressures on land in London, there will be even fewer properties for VRES to relocate to. Consequently, if MOPAC were unable to relocate its VRES facility, it would again need to resort to using its powers of compulsory purchase. Leasing agreements in relation to the Order Land therefore do not present a permanent solution for VRES and merely postpones the problem MOPAC currently faces.
- 4.6.2** I am told the leases do not offer best value for the public purse and limit the financial viability for MOPAC to invest in the Order Land so as to meet VRES' operation needs (i.e., new buildings, etc.), notably when any maximum 30-year lease gets shorter. This solution therefore does not allow VRES to adapt to changing needs required for VRES service delivery.
- 4.6.3** I am told that the leases do not offer value for money for the public purse vis-à-vis purchase of the Order Land in the long term.

**4.6.4** Any leases by their very nature impose restrictions on what the MOPAC can do to the Order Land. A freehold acquisition of the Order Land imposes no such restrictions. Whilst MOPAC had a passive institutional “pension fund” landlord in Britel Fund Trustees Limited and Postel properties Ltd (together Hermes), MOPAC now has an active developer landlord in SEGRO who has made no secret that it ultimately wants MOPAC off the Order Land so that it can be redeveloped. Indeed, since SEGRO have realised that it cannot easily get MOPAC to vacate the Order Land, and hence get the promised investment returns to its shareholders made on purchase (predicated on their assumption without consulting MOPAC before purchase that MOPAC would vacate), SEGRO have in turn served notice on other tenants such as the BBC and Metroline who are neighbouring tenants at the Perivale Estate. SEGRO are seemingly seeking to develop these sites instead of the Order Land. It is impossible to imagine every eventuality in a lease and therefore there is a possibility down the line that SEGRO could fetter the VRES use of the Order Land or hold MOPAC to ransom if the leases do not permit what VRES requires doing to the Order Land to support policing in London. There is no such restriction when you are a landowner.

## **5. Alternate Sites including Northolt**

**5.1** I have comprehensively dealt with the alternate sites put forward by SEGRO and Alex Kington in my rebuttal evidence dated 4<sup>th</sup> May 2021 ("**Rebuttal Evidence**") and none of the proposed alternative sites are viable for VRES for the reasons set out therein. Since the 4<sup>th</sup> May 2021 MOPAC has also had planning advice from Lambert Smith Hampton ("**LSH**") which is included in Mr Thaddaeus Jackson-Browne's proof of evidence dated 6 August 2021 which confirms that the majority of the proposed alternative sites are compatible in planning terms.

**5.2** Mr Kington said in his proof of evidence dated 4<sup>th</sup> May 2021 that MOPAC could have acquired neighbouring sites to the 5-acre site in Northolt owned by MOPAC. He states that these sites

total 4.16 acres which in addition to MOPAC's site of 5 acres could have provided MOPAC with the site of 9 acres required for the VRES facility. We have investigated this option in planning and delivery terms and comment as follows:

**5.2.1 Empire Direct Foods:** this property immediately to the south of the MOPAC Northolt site is owned by Empire Direct Foods and is currently operating as a warehouse for the wholesale distribution of food products. There is no evidence that this party would be prepared to sell. In any event, this site would be too small for MOPAC in isolation along with their existing site.

**5.2.2 Site to the North West of Northolt:** this site comprises a modern industrial property owned by First Network Properties Ltd and is let to and occupied by two industrial tenants, both of which would need to be removed from the property and the buildings demolished to allow MOPAC to use the site as its VRES facility.

**5.2.3 Site to the North East of Northolt:** this site comprises a property owned by Aviva Life and Pensions. This property is fully leased to Air Sea Packaging for a term of 10 years from 29 June 2019 with no option for the landlord to get the tenant to vacate until 2029 unless by agreement.

**5.3** Therefore, in conclusion to undertake this strategy proposed by SEGRO and Alex Kington:

**5.3.1** MOPAC would need to buy three separate landholdings with no certainty that all three owners would agree to sell;

**5.3.2** In addition to the one owner occupier, MOPAC or the respective landlords would need three other separate businesses (the leased tenants) to vacate the premises and relocate to an alternative site. Also, it must be borne in mind that some of the tenants have long term leases that would need to be bought out to facilitate a redevelopment, and there is no timing certainty here.

**5.3.3** The planning report commissioned from LSH, and set out in Mr Thaddaeus Jackson-Browne's proof of evidence dated 6 August 2021, indicates that planning could not be assured for the demolition of the existing buildings on these landholdings and the creation of a car pound.

**5.4** We would comment that MOPAC and VRES are a public service. They are not a property developer and cannot buy individual pieces of land separately and speculatively and hope to remove tenants to allow them to piece together a whole jigsaw of land interests to use the land for their own purposes. For these reasons, the proposed option at Northolt is not a viable option. There is also no timing certainty of when this option could be achieved or whether five different parties (being three owners and two tenants) could be persuaded to vacate their current premises.

## **6. Conclusions**

**6.1** The **key** conclusions I make are as follows:


**6.1.1 Shortage of Industrial Land:** As stated before there is a shortage of industrial land in West London suitable for the VRES use. This is only going to get worse over the next 30 years

**6.1.2 Lease vs Purchase:** it is clear the lease position offers no long-term certainty of use past 30 years and is only postponing the problem currently faced by MOPAC. The terms of new leases have not been agreed. This is notably because the terms surrounding rent, rent free, pre-emption and the ability to renew past 30 years have not being agreed between SEGRO and MOPAC. There are also, I am told, questions of long-term value for money of lease of the Order Land versus a freehold acquisition of the Order Land. Leases can also fetter how and what MOPAC is able to do to the Order Land, a freehold does not. Furthermore, having a developer landlord such as SEGRO as an institutional landlord is far from a comfortable landlord and tenant relationship.

- 6.1.3 Alternate Sites:** As stated before the alternate sites put forward by SEGRO and Alex Kington are not viable for the reasons set out in my Rebuttal Evidence, neither is the acquisition of land around the Northolt facility for the reasons cited in this proof.
- 6.2** For the reasons stated above, I believe the Order should be made so as to protect and secure the vital public policing service for London that is VRES.

## **7. Expert Declaration and Statement of Truth**

- 7.1** I confirm I have made clear which facts and matters referred to in this Proof are within my own knowledge and which are not. Those that are within my knowledge I confirm to be true.
- 7.2** I confirm that I have complied with my duty to the Public Inquiry as an Expert Witness which overrides any duty to those instructing or paying me.
- 7.3** I can confirm that I am not instructed under any conditional or other success related fee arrangement.
- 7.4** I can confirm I have no conflicts of interest.
- 7.5** I confirm I am aware if and have complied with the requirements of the rules, protocols and directions of the Public Inquiry.
- 7.6** I confirm that my proof complies with the requirements set out in the RICS Practice Statement-Surveyors Acting as Expert Witnesses.

Signed  .....

**Simon Edward John Warren BA (Hons) Dip Est Man MRICS**

Dated 6<sup>th</sup> August 2021