Lambert Smith Hampton

# Marlow Film Studios

# Consultancy Report

December 2022

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# EXECUTIVE SUMMARY

- The concept of increased demand for content leading to increased demand for studios and the consequential market dynamic of demand exceeding supply as the development pipeline has been slow to react is fully accepted and there remains a need for more studio space.

- We consider the submission's demand estimates to be broadly reasonable if a little higher than our forecasts if considered on a national scale. We are dubious of the rationale of applying that approach specifically to the West London Cluster. However, forecasting the quantum of demand is exceptionally difficult with any accuracy beyond the broad trend which we largely agree with.

- There are major concerns about the availability of skilled crews in the UK to service the levels of forecast stage demand. As such, in order for that scale of development to be viable, the number of new employees being trained and entering the sector needs to be increased dramatically.

- We consider the submission's development pipeline estimates to materially understate the potential sites under consideration albeit we share their scepticism as how many of the sites under consideration but without planning consent will ever come to fruition. Film Studio Development viability has been materially impacted by the recent 2023 Draft Business Rates Revaluation, with wholesale increases in the associated non-recoverable financial liability which has direct and profound impact upon profitability.

- We consider the combination of sites recently delivered, sites with planning consent or expansion to existing facilities if all built out to be sufficient to address the majority of unmet demand, particularly if limitations of skilled crews are taken into account.

- We consider the scale of warehouse conversions and temporary stages and their role in providing core production infrastructure to have been materially underestimated, albeit that we agree that some of these will gradually be replaced by bespoke facilities.

- We acknowledge and accept the benefits of a production cluster in the South East of England and the weighting of this cluster towards West London and broadly agree with the assessment criteria for assessing the prime development areas. We broadly agree with the sentiment associated with the WLC justification.

- We would fully advocate that Marlow Film Studios would be considered within any measure of the WLC cluster and while not prime, we would consider it likely to have good investor and occupier demand.

- We consider the assessment of what is and is not included within the West London Cluster in respect of production infrastructure, crew and supply chain to be too binary and subjective. There is a difference between what is a prime studio development site and what is a viable studio development site and categories of sub-prime in between.

- Our assessment of our equivalent of the West London Cluster rings the existing infrastructure on the M25 from Leavesden to Shepperton and inwards into West London with distance from Soho largely influencing levels of prime. We do not accept that all areas within the Volterra WLC are equally good locations.

- Demonstrable investment into studio infrastructure outside of the Volterra definition of the WLC demonstrates the subjective nature of any assessment criteria.

- We reject the notion that "*the WLC is the only place in the UK that can attract major HETV"* as demonstrably untrue with Berkshire, Hertfordshire and Enfield directly proving concept. Similarly, regional facilities have had notable success in attracting HETV albeit on a lesser scale that the South East.

- We do not consider any cluster definition to be static over time but as its boundaries are so subjective, can only point to anecdotal evidence of a change in attitudes, albeit we suspect that North and East London would not have been considered an acceptable filming location ten years ago.

- We consider the biggest benefit from critical mass to be to the developer who benefits from economies of scale in both construction and operating costs, while sharing fixed costs over a higher operating income increasing margins. There is only very limited reference to this within the submission.

- We feel that most of the benefits articulated to support the presence of the West London Cluster are ignored in the justification of critical mass. We consider most of the economic benefits to better suit a facility in an unestablished location rather than within the WLC, as the proposal would almost certainly draw from existing crew and supply chain as opposed to generating new employment opportunity and wider economic activity. We suspect that in this context the wider economic and production industry benefits apply either to one large facility or a collection of smaller studios within a locality.

- Using the submissions estimates of space required per production, a facility of the size proposed could house five to six HETV productions at any one time so there is little justification for this level of critical mass from the HETV occupier market, given that the most progressive corporate occupiers have secured substantial accommodation on long term positions. We doubt that any single feature film production occupier has a specific requirement for this quantum.

- The justification for critical mass from a production perspective is limited to targeting feature film and the requirement to be able to host multiple feature films in conjunction. While the submission doesn't explicitly make this clear, there is justification that this sector of production infrastructure has been neglected in favour of targeting HETV.

- We consider it highly likely that any development of this scale will be phased in order to test concept. The development is designed to allow clusters to stand alone which would facilitate this. The critical mass justification does not stand in this scenario.

- We haven't reviewed the Site Selection Sequential Assessment in detail, but in light of our comments relating to parameters of the WLC and justifications for critical mass, there may be some value in reconsidering the scope.

## 1.0 OVERVIEW

Buckinghamshire County Council are in receipt of a planning application dated 23 May 2022 (Ref. 22/06443/FULEA) in relation to land adjacent to South Side Marlow Road and A404 Junction Westhorpe Park, Little Marlow for the proposed Marlow Film Studios.

Lambert Smith Hampton (LSH) are widely regarded as the leading agent within the sector having been involved in the majority of studio transactions that have come to market including Dagenham, Longcross and Sky Studios. We currently have live marketing mandates for two existing studios and have been the most active agent in the new trend towards warehouse conversion for studio use, having been involved in leasing transactions of in excess of 1,000,000 sq ft.

We are retained by British Film Commission as strategic research partner, have advised the Department for International Trade as well as various Local Government instructions. We are retained by BBC and ITV as well as various other occupier led instructions.

LSH are appointed by Buckinghamshire County Council to provide critical commentary and market intelligence in relation to specific elements of the application with particular focus on:

1. Demand & Supply Pipeline
2. The West London Cluster
3. Critical Mass

The submission incorporates various demonstrations of the benefits of film studio development from both an economic and regenerative perspective. It is beyond the scope of the instruction to comment upon those sections but as one of the most outspoken advocates of the sector and the need for more stage space over the last five years, we anticipate that there would be considerable common ground.

The output of the report appears necessarily negative on the basis that the scope of the instruction is a critical appraisal. However, largely we are supportive of any studio development that adds to the UK infrastructure and capacity which is something that if built out, Marlow Film Studios would undoubtedly do.

## 2.0 DEMAND

The application makes reference to changing consumer habits impacting the way in which content is consumed and the impact of the streaming channel model on demand for studio space.

This has been extensively covered elsewhere, including in our published output “Sites, Camera, Action; Take 2” which was published in 2021.

The concept of increased demand for content leading to increased demand for studios, and the consequential market dynamic of demand exceeding supply as the development pipeline has been slow to react is fully accepted and as such we do not consider justifies significant analysis.

## 2.1 QUANTIFYING DEMAND

The application makes various references to estimates of demand including reference to the LSH research report published in 2021.

It is inherently difficult to forecast future studio demand, largely due to the dynamic nature of occupier activity and the immediacy of requirements. This is further complicated on the basis that overall demand is global and is influenced by socio-economic and political factors, as well as wider creative industry factors. It is impossible to assess the future location specific demand without being mindful of the global dynamic.

Despite the small number of global production companies, they do not have global or national corporate requirements like a traditional corporate occupier, rather they have tiers concentrated on highest budget productions that are regarded as core and are typically targeted to an international audience. There is then a plethora of sub-tiers made up of productions that have either been commissioned, funded, pre-sold or produced as a joint venture which may be either internationally or domestically targeted. As such while core requirements are relatively stable, they are regarded as highly commercially sensitive and fiercely protected. The wider requirements vary dramatically and are difficult to forecast even for the corporates themselves. Individual production requirements are often not wedded to particular geographies and there is fluidity in the occupational markets that make decisions in respect of production locations both nimble and capable of being made at short notice.

Our estimates of demand are based on a forecast of targeted inward investment and a ratio of investment spend to stage space. It is therefore unable to take account of external factors which may limit the ability to deliver such levels of inward investment (other than stage space) or indeed the credibility of the targets.

It should be noted that our Sites, Camera, Action market reports are promotional and were never envisaged to be relied upon for planning policy. Nonetheless we believe them to be indicatively correct. Having spent some time discussing the estimates from Knight Frank, we can only conclude that their estimates are intended to incorporate support space as well. All published forecasts of demand have a vested interest in the output that they are promoting and should be considered in this light.

The Volterra paper (The Economic Case for Development) focuses entirely upon supply in the South East and as a result diverges from traditional supply and demand estimates which are generally considered nationally. London and the South East is undoubtedly the favoured UK filming location, but we consider ignoring the regional studio dynamic to be flawed given the geographical mobility commented on above.

The success and growth in the scale of regional studios demonstrate the extent to which they compliment the wider studio infrastructure offer. In our experience there are various reasons why productions proactively locate in the regions, particularly linked to location shooting requirements, budgetary constraints, talent obligations or devolved Government incentives (see further comments in Section 4).

We have struggled to understand the logic behind their low, central and high demand scenario assumptions. The reliance on the 940,000 sq ft shortfall of available sound stage accommodation in 2018 from PwC is dated, was only ever intended to be indicative and probably reflective of the peak demand / supply imbalance. That said, in the absence of a better starting point, it does not appear to be an unreasonable starting figure.

The assumptions for demand growth rely upon extrapolating historical trends which appear arbitrary and not something that should be relied upon from a planning policy perspective. In the low demand scenario, growth is based on historical film production spend growth, this seems particularly arbitrary given the impact of HETV market has had on the sector (Film spend represented just 28% of total inward investment in 2021), nonetheless reverting to a long term sector growth rate (i.e. prior to HETV but materially lower than the exponential growth relative to the advent of the streaming market) does not seem unreasonable, albeit that inflationary impacts on spend do not necessarily translate into additional stage space requirements.

The Central Scenario on the other hand relies upon a growth rate based on the HETV growth rate of the last few years which was unprecedented and based upon corporate strategies to seize market share. The subsequent share price crashes of Netflix, Disney and Amazon and the resultant pressures on expenditure suggest the level of growth in expenditure is unlikely to be sustained.

We dismiss the High Scenario as it is based upon a spurious starting figure, adopting Knight Frank's estimation of 6m sq ft of additional sound stage accommodation nationally by 2026. This number is materially ahead of other publicised market estimations of demand, as highlighted by the Volterra report that details LSH, Saffery Champness and CBRE all estimating likely demand over the short to medium term of between 2m and 2.6 m sq ft. We would suggest that the estimation included within the KF market report is more promotional than an academic assessment of required space. Therefore, we dismiss its adoption as a meaningful starting point for the High Scenario figures. It is also worth noting that the KF estimation of demand is on a national basis, which has been applied to the WLC in isolation for the purposes of the Volterra report.

If you accept the starting point, we suspect that a reasonable growth figure is somewhere between their low and central scenario.

We conclude that the consensus for unsatisfied demand for stage space is broadly in the region of 2m sq ft to 2.5m sq ft of stages nationally.

## 2.2 LACK OF SKILLED STAFF AS BARRIER TO DEMAND

As detailed within the documentation supporting the application, having been at the forefront of the global production industry for decades, the UK has an established and skilled workforce to service the sector. As the market has grown, the importance of crew provision in respect of capturing the increasing production demand has become ever more apparent.

It is becoming increasingly evident from regular market engagement that the biggest barrier to inward investment targets is likely to be a shortage of available crew to facilitate the forecast slate of production demand. This is best demonstrated by the shift in focus by the British Film Commission and British Film Institute from addressing a lack of sound stage supply to focusing on the crew position and the subsequent need for skills based education and training. We see the current shortage of crew provision as a more significant barrier to maximising production opportunities than availability of studio infrastructure.

We would fully support the assertion that many of the existing crew base are based around the prime North and West London established facilities (see further comment in Section 4), the speed of production growth has increasingly demonstrated the importance of regional crews. With development and conversions predominantly focused on the London and the South East, it is these crews that are most stretched. We are becoming concerned that if the supply pipeline is built out, there will be inadequate local crews to service them. There is already evidence of very significant wage inflation and we would expect this trend to continue. This is particularly important as the cost of the crew within a production budget is far higher than the cost of studio rents.

Many of the recent studio development proposals that we have been involved with or have had sight of have included on site educational offerings as a means of looking to address the distinct skills shortage currently experienced by the market. Whilst this is of course advantageous in the medium to long term, it does not address the immediate requirement for skilled crew to facilitate production on site. The lag between development delivery of sound stage accommodation and the training of crew presents a ‘chicken and egg’ scenario in respect of specific studio schemes in isolation.

All of the demand forecast models presented within the submission documentation ignore this factor, albeit we acknowledge that it is near on impossible to forecast the impact of crew provision on demand in any meaningful way. However, it is widely accepted that as the supply pipeline is built out, occupier demand will be limited as much by a lack of crew to service them as global demand to make productions. Fundamentally, the case for increased sound stage development is flawed if crew availability is unable to service the new stages.

# 3.0 SUPPLY / DEVELOPMENT PIPELINE

## 3.1 EXISTING SUPPLY

The application references and acknowledges total studio supply including warehouse conversions of between 5.4m sq ft to 6m sq ft. However, they then go on to focus solely on the supply within their definition of the West London Cluster; placing supply at a restricted 2.4m sq ft which of course has favourable implications in respect of the demand analysis which appears to apply national forecasts to the WLC existing provision position in isolation.

LSH’s last research report estimated supply at 5.4m sq ft of which approximately 60% of this provision is located in the South East (circa 3.25m sq ft). We have since undertaken internal updated research that placed total sound stage accommodation across the wider South East market at circa 4.1m sq ft, including a substantial number of industrial reprovisioning projects that have come on line in the past 18 months in line with their evolution in the market place.

The Volterra Report promotes research undertaken that places total sound stage supply within the WLC at the time it was written of circa 2.4m sq ft. They exclude those schemes with stage provision of less than 40,000 sq ft on the assumption that they are incapable of servicing the progressive HETV section of the market. We consider that logic to be questionable, on the basis that many of the smaller studios such as Twickenham, West London and Ealing have been at 90%+ occupancy in the last few years almost exclusively from HETV. As detailed herein, we place total supply across the wider London and South East market at circa 4.1m sq ft, which includes schemes with less than 40,000 sq ft and is assessed across a wider geographical remit than the WLC as defined for the purposes of the application.

## 3.2 PIPELINE

In addition to the circa 2.4m sq ft of existing sound stage supply detailed within the Volterra 'Economic Case for Development', the report suggests that a further circa 3.8m sq ft of development pipeline exists. We consider this to materially underestimate the level of potential sites under consideration. We are currently tracking in excess of 8.5m sq ft of potential supply pipeline nationally, albeit that these are at various stages of advancement and many are not in the public domain. Of that figure, nearly 7m sq ft is located in the South East.

The Volterra estimates cover 16 prospective schemes, with the inclusion of 7 of those falling outside of the WLC as defined by the Site Selection Sequential Assessment, but acknowledged due to their proximity and subsequent implications on the subject proposal. The assessment of pipeline further references additional proposals in the South East that whilst acknowledged, have not been included for the purposes of the analysis which concentrates on Greater London. We acknowledge that sites such as Ashford and Bedford (by which we assume they mean the House of Production proposals in Bedford) are inferior to Marlow or the wider identified West London Cluster and are materially more difficult to fund given the lack of available crew. However, if built out, all development in the South East and to a lesser extent the whole of the UK would influence the demand and supply dynamic for Marlow.

We share Volterra's scepticism in terms of the conversion ratio of sites under consideration to delivery. However, using the same assessment criteria used by Volterra, i.e. funding, planning consent and start of construction, but adding the presence of a committed tenant to the criteria, we estimate:

- 500,000 sq ft has now been delivered
- 1.1m sq ft of stage space is in construction and therefore extremely likely to be delivered.
- 1.2m sq ft is more advanced than the Marlow Film Studios proposal.

We identify the sites more advanced than Marlow Film Studios as:

- Sunset Studios given its planning consent and funding,
- Bray and West London Film Studios with their planning consent and adjacency to existing facilities,
- Shepperton, Sky Phase II and Leavesden in that they are an expansion of existing facilities and backed by an occupier.

An argument could be made to include the revised planning application across Pinewood South, the proposed Hertswood Studios scheme in Borehamwood and the Holyport proposal in Maidenhead as major schemes at a similar stage, which combined would exceed 1m sq ft of stage space alone.

Similarly, within the regional studio development pipeline Belfast Harbour Studios in Northern Ireland, Bottleyard Studios in Bristol, Space Studios in Manchester, Littlewoods Studios in Liverpool, Pyramids Studios in Edinburgh and Mercian Studios in Birmingham could all be considered, with all but Birmingham having planning permission in place for additional sound stage accommodation.

As detailed above, we estimate there to be in the region of 7m sq ft of sound stage accommodation pipeline across prospective schemes being worked up across the wider South East geography, with varying degrees of planning and funding certainty. Please see **Appendix 1** for a table of the proposals currently within the public domain and most pertinent in respect of future supply and relative to this subject application.

The figures detailed within the table above are correct as far as we understand them from planning application submissions, developer feedback or have been assumed from our estimation of likely sound stage provision relative to the information that is available at this stage. Those marked with an asterisk were included within the estimation of development pipeline included within the Volterra report. Whilst the quantum of sound stage provision differ slightly, they are broadly similar across the to positions. It's important to note that all three current Pinewood applications are included within our figures and as such there is an element of double counting, but not of sufficient quantum to have any kind of impact on the global quantum of accommodation or indeed the position drawn from it. yet it is deemed unlikely that all will be progressed.

The table above demonstrates approximately 5.44m sq ft of sound stage development pipeline, of which circa 2.23m sq ft (circa 40%) has planning approval, a further circa 1.93m sq ft (circa 35%) has live planning submissions being considered, with an additional circa 1.28m sq ft (circa 25%) publicly promoted but yet to be formally progressed. In addition to the schemes detailed within the table and as suggested above, we are tracking a further circa 1.56m of proposals at varying degrees of progression which are commercially sensitive and yet to reach the public domain; taking the total potential development pipeline across the wider South East market to in the region of 7m sq ft of additional sound stage accommodation.

The Volterra report notes that delivery of all of the projects referenced is highly unlikely and the proposals detailed were assessed in respect of likelihood of coming forward, based on; whether or not planning permission had been granted, whether construction had started and whether or not financing was in place. The result was an estimated likely pipeline to be built out of circa 2.1m sq ft, of which circa 1.6m sq ft has planning in place. It is not clear which schemes were discounted and we have been unable to reconcile this against our records, but as demonstrated we consider the adopted position to be materially too low.

Based on our assessments of completed or more advanced than the Marlow Film Studios proposal, we consider that there is adequate supply to meet the unsatisfied 2m sq ft to 2.5 m sq ft of demand that we identified in Section 2.1. This ignores the limitations on studios becoming operational caused by crew limitations as identified in Section 2.2. Therefore, in pure quantum estimates, the justification for Marlow Film Studios relies on either the consensus estimates for demand being too low or other sites within the supply pipeline not coming to fruition

*Please note that we have not taken account of the recent impact of the Business Rates Revaluation which was published last month and has materially impacted on the financial viability of many of the proposals. Business Rates are a non-recoverable landlord / operator cost due to the inclusive rental model synonymous with the production industry, and as such have direct and meaningful impact upon profitability and in turn development viability. From the analysis that we have undertaken, we have seen increases of between 300% and 600% which places significant risk by virtue of uncertainty as to the financial implications within business plans associated with new studio development proposals. We anticipate that Marlow Film Studios will be similarly affected.*

## 3.3 WAREHOUSE CONVERSIONS / TEMPORARY STAGES

The Volterra report takes a slightly confused approach to warehouse conversions and temporary stages. They materially underestimate the amount of both types of space being utilised for filming use. We suspect that this is because most of the facilities do not publicise themselves and are therefore not in the public domain.

Similarly, their analysis of stage space from the facilities is confused. Warehouse conversions are typically let in their entirety to a production who then subdivide the space into stages, workshop and support. Similarly they reference some of the temporary stages that are being utilised but their list is by no way comprehensive.

We are unable to provide correct details for confidentiality reasons as we were involved in many of the transactions but would question the accuracy of their assumptions. We consider warehouse conversions and temporary space to have provided a significant release valve to the undersupply of bespoke accommodation.

The submission makes reference to the composite breakdown of the varying studio accommodation included within the published LSH estimation of sound stage supply, noting the majority of space (47%) comprises repurposed buildings (warehouses, factories, aircraft hangers etc). However, is unable to break down this supply between facilities that are likely to temporary and those which are able to offer production facilities into the medium to long term.

We would fully acknowledge that warehouse conversions (particularly the more basic ones) offer an inferior filming experience to bespoke accommodation and the industry feedback that we have received broadly reports that the temporary studios while better than warehouse conversions are still inferior to bespoke stages. However, the level of investment into warehouse conversions varies hugely and the filming experience varies accordingly. While many of the temporary facilities are developed under a temporary planning consent for speed of delivery, the cost of construction is such that they need to be utilised into at least the medium term to be viable.

These facilities have proven their viability in respect of hosting some of the biggest budget global productions. We largely agree that some of these facilities will eventually be replaced by bespoke facilities, we would expect others to remain part of the UK production infrastructure into the long term. Leavesden Studios, for example, is itself a conversion from a former aircraft factory, but is now considered one of the premier facilities in the UK. Arborfield Studios on the other hand was only ever intended as meanwhile use pending residential redevelopment but has still housed some major high budget productions such as Netflix's the Witcher.

The impact of the recent draft Business Rates Revaluation on the viability of particularly warehouse conversions is too recent to assess and hadn't been introduced when the planning application was made. However, we expect the impact if the draft valuations come into effect in April 2023 to be significantly negative.

In assessing the wider demand and supply dynamic, you may wish to consider further research into the extent to which this sub-sector has addressed the shortfall in space, its longevity and the requirement for upgrading facilities on planning policy. This is not something that we consider the Volterra report to have adequately addressed.

## 3.4 DEMAND & SUPPLY CONCLUSION

- We consider the submission's demand estimates to be broadly reasonable if a little higher than our forecasts if considered on a national scale. We are dubious of the rationale of applying that approach specifically to the West London Cluster. However, forecasting the quantum of demand is exceptionally difficult with any accuracy beyond the broad trend which we largely agree with.

- There are major concerns about the availability of skilled crews in the UK to service the levels of forecast stage demand. As such, in order for that scale of development to be viable, the number of new employees being trained and entering the sector needs to be increased dramatically.

- We consider the submission's development pipeline estimates to materially understate the potential sites under consideration albeit we share their scepticism as how many of the sites under consideration but without planning consent will ever come to fruition. Film Studio Development viability has been materially impacted by the recent 2023 Draft Business Rates Revaluation.

- We consider the combination of sites recently delivered, sites with planning consent or expansion to existing facilities if all built out to be sufficient to address the majority of unmet demand, particularly if limitations of skilled crews are taken into account.

- We consider the scale of warehouse conversions and temporary stages and their role in providing core production infrastructure to have been materially underestimated, albeit that we agree that some of these will gradually be replaced by bespoke facilities.

## 4.0 THE WEST LONDON CLUSTER (WLC)

We broadly agree with most of the commentary around the West London Cluster. We acknowledge the existence and benefit of such a cluster and therefore do not propose to comment further on these elements of the submission.

In line with the Volterra report, we regard London as the only major production hub outside of North America. Unlike North America, UK studios are largely in suburban rather than inner city locations and the London hub can be expanded to include most of the South East and considerably wider than Volterra's definition of the WLC. The extent of the adopted WLC effectively assumes what would have historically been considered the prime North West London concentration of existing production infrastructure and supply chain, ignoring the recent shift in dynamics that as far as we are concerned would place the whole of the wider London and South East market in contention.

Having been at the forefront of the global production industry for decades, the UK has an established and skilled workforce to service the sector, largely centred around the prime North and West London established facilities. The provision, scale and quality of existing supply chain servicing the production industry is similarly North West London centric. This wider production ecosystem in the UK is both significant and advanced, facilitating ease of production for major global occupiers and becomes self-fulfilling as the sector continues to grow. Volterra make this point but then appear to suggest in their mapping that Marlow is not a core location to benefit from this.

The familiarity of London for both talent and crew is a further key benefit. Historically, when producing feature films it was much easier to travel to far flung places because the talent was only there for a short period of time. The rise of the HETV market and multi-series content requires talent to effectively permanently relocate. The Amazon series Wheel of Time for examples is filmed in Prague, leading to Rosamund Pike moving to the City on a semi-permanent basis. London has extremely strong sentiment from the production industry in respect of willingness to relocate. While studios are traditionally suburban, we consider proximity to central London and Soho to be a core locational influence.

Other than the UK and North America, the standard approach is to partner with a local production services company who then source the majority of crew and supply chain to service the project. The model here and in the US is based on all crew being employed direct by the production, providing the ability to specifically select individuals and partners, facilitating long term relationships. This is a key demonstration of the familiarity with which productions view these locations compared with their less established competitors. Both the wages of crew and the rents paid for studios are on a par with the prime US geographies, further demonstrating the strength of the various differentiators.

However, the Voterra report claims that *"the WLC is the only place in the UK that can attract major HETV".* This is fundamentally untrue. The highest profile demonstration of this is Game of Thrones which was based in Belfast and which they subsequently acknowledge. There have been a whole range of other major HETV productions made particularly across the devolved nations for a variety of reasons including but not limited to Lucasfilm's Willow and Netflix's Havoc in South Wales, A School for Good & Evil (Netflix) and Dungeons & Dragons (Paramount) in Belfast and Outlander (Sony), Batgirl (Warner), Good Omens, Anansi Boys and the Rig (all Amazon) in Scotland. Whilst it is accepted that the initial success of attracting HETV productions to the regions is likely to have been a result of a distinct lack of supply, there is now precedent and acceptance amongst the production fraternity that these locations now present viable and cost effective options with both the infrastructure and the degree of established crew to facilitate production.

We believe that while the South East of England dominates and will continue to dominate inward investment production spend, the UK regions where there are existing crew bases, provide a vital part of the overall production infrastructure offering. As referenced in Sections 2 and 3 above, we do not accept that supply pipeline in these regions should be discounted from demand and supply modelling, albeit we acknowledge that the economic case for regional development is considerably more challenging than in the South East and that development pipeline without Local Government support is less likely to come to fruition as a result.

The Volterra report also makes reference to the requirements of major feature films. We consider this to have a different demand profile and while feature films in our experience are often more willing to travel, they require such a critical mass of studio space that there are no regional facilities outside of the core South East concentration of a sufficient scale (we see little prospect of this changing in the short to medium term due to the problematic nature of development viability outside of prime studio locations) to be able to host them. This is covered in more detail under Critical Mass (Section 5 but we acknowledge the limited facilities that currently exist and are available to the market for this scale of production.

## 4.1 PARAMETERS OF THE WEST LONDON CLUSTER (WLC)

As above, we are largely supportive of the analysis that the South East of England and particularly West London are a genuine production cluster. We equally accept the benefits of expanding infrastructure within that cluster as opposed to elsewhere. However, the parameters of the WLC justify some analysis and commentary.

The applicant acknowledges that the extent of the cluster is *"difficult to define … as the term is fuzzy, non-stationary and does not directly relate to political boundaries"*.

As the most active agent in the market, we are regularly asked what are considered to be prime studio development sites and our assessment is based on feedback from both the investor and occupier market as well as Government bodies and our own subjective view of where we would be most confident either selling space to a developer or letting space to an occupier. For the avoidance of doubt, we consider the subject site to be a good and viable location and would be confident of generating investor and occupier interest (but see section 5 re. Critical Mass).

The subjective nature of the assessment is directly demonstrated by the fact financial investment in sites within the supply pipeline that we would consider to be too far from prime. Yet clearly the financial commitment demonstrates that other stakeholders in the sector take a different approach. The fact that sites are occupied in areas that we would consider sub prime is proof of a wider viability but must be considered in the context of the limited supply currently available.

The fundamental difference in approach that we take in considering and assessing potential sites from the one taken by Volterra is that we consider the prime area and then have bands around that area which are viable but which we consider to be sub-prime, largely due to distance from Soho.

The mapping of the WLC by Volterra appears to consider anything within their definition as prime and anything outside of the cluster as unviable. This appears to be an incredibly binary approach to a subjective assessment.

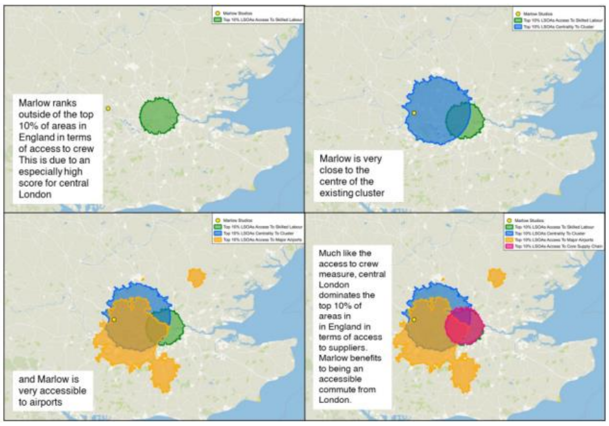
While we are not entirely clear as to the formulaic basis for the Volterra, the assessment appears to focus upon the following criteria:

1. Access to Skilled Labour

2. Centrality to the Cluster

3. Access to Airports

4. Access to Core Supply Pipeline




While it is beyond the scope of this report to undertake an empirical review of the source data or to provide our own modelling, we can assess the inputs based on our expectations and experience of the market.

Skilled labour (1) and core supply chain (4) are mapped largely around Central London. We can see the disproportionate impact Central London has given the population density and would have expected those to have a wider West London arc and suspect that if the data was interpreted in a different way this would have been the case.

As the report acknowledges, Marlow is outside of these mapping parameters. We would have expected them to be on the outer fringes but would expect the location to benefit from both skilled labour and core supply chain.

Access to airports (3) is also an accepted factor driving location with Heathrow favoured. We would therefore have expected a band between Heathrow and Gatwick with depreciating impact with distance from and travel times from each airport. Airports such as London City, Stansted and Luton have some limited impact but drastically less than the main two international airport hubs. Nonetheless Marlow has good access to Heathrow and this should be considered a positive in any site assessment.

The criteria that we are most struggling to reconcile based on our expectations is what is defined as Centrality to the Cluster (2). Based on our expectations, we would have expected an arc along the M25 from Leavesden to Longcross. The Volterra report makes the point that only Leavesden, Pinewood and Shepperton are able to host major feature film productions. We would now add Longcross and Sky Studios Elstree to that list, but those facilities demonstrate the longevity of the industry which predates HETV and consequentially have all the benefits of crew and supply pipeline covered above.

From that arc, we would then consider location to deteriorate by distance from the arc, with a preference weighting towards central London and a negative weighting associated with distance from Central London. We can only assume that the mapping has given a higher weighting to the various other studios such as Bray that has reopened and Bovingdon that is a relatively recent addition than we would have considered appropriate. Based on their UK facility breakdown mapping, it is possible that they have incorporated regional facilities which we would not consider appropriate and would skew the search range to the North West.

We do not accept the implication of the report that all areas within their identified WLC are equally good. Nonetheless, while we suspect that the criteria has been manipulated to favour the Marlow location, we do include it within what we would consider one of the arcs around the prime studio development area and within favoured South East Film Cluster and a suitable location for film studio development.

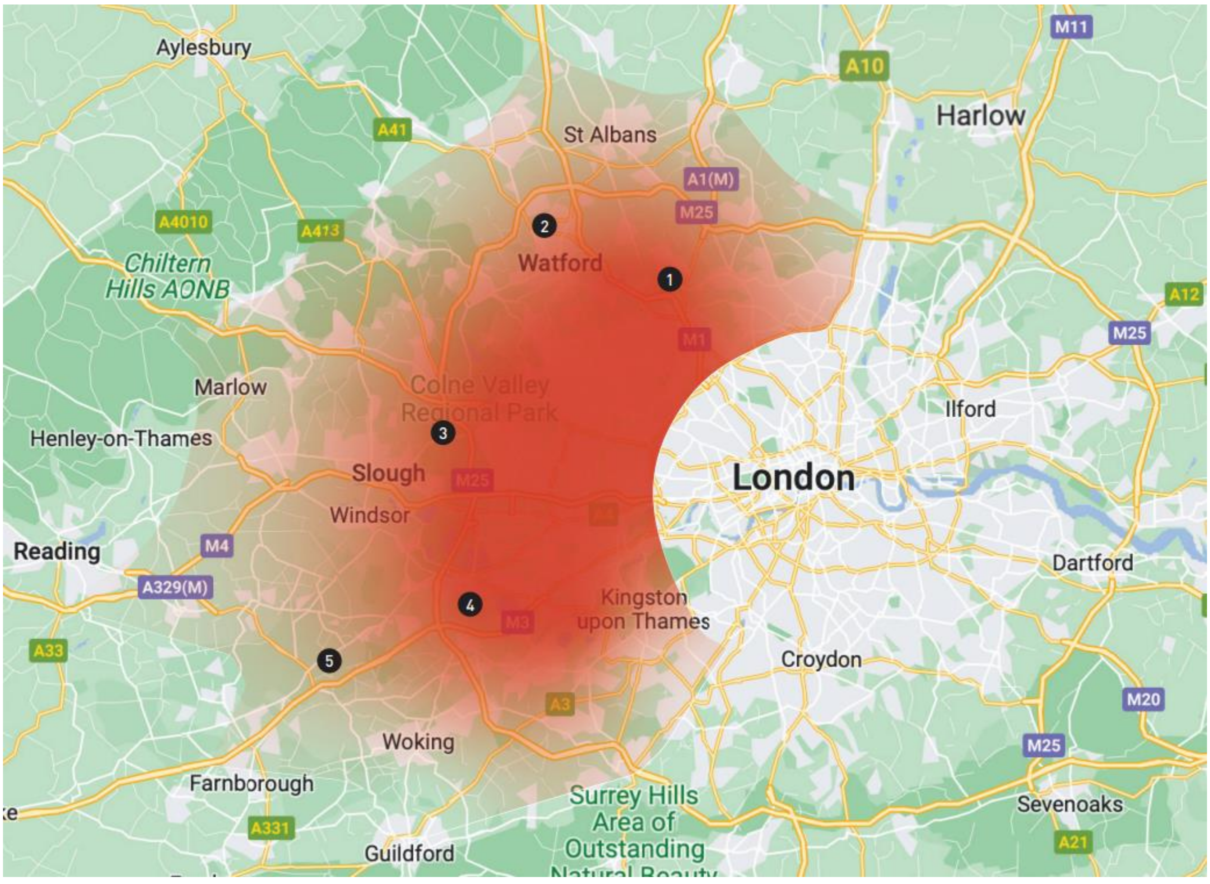
On a similar basis while we do not consider all areas within the Volterra WLC to be equally prime, we equally do not accept that areas just outside of the WLC cluster are somehow unviable. The mapping excludes locations we would consider similarly favourable to Marlow. For example, we consider the success of schemes in and around Enfield which would historically have been considered too far from existing infrastructure to demonstrate the changing dynamics of the sector. We were involved in the transactions at both Segro Park, Enfield and Merdian Water, Enfield and consider their success a proof of concept that areas slightly to the East of Volterra's definition of the West London Cluster should be considered within the zone. Clearly Blackstone and Hudson Pacific (two of the biggest global studio investors) agreed with this given their acquisition of the Sunset Studios Development in Broxbourne which we understand is considered outside of Volterra's West London Cluster.

Anecdotally, we have heard increasing feedback of a shift in younger crews towards North and East London where house prices are cheaper and while we acknowledge that more senior crews remain within the West London arc there is evidence of a changing attitude. We acknowledge our East London bias from our involvement with the London Borough of Barking & Dagenham and while we would not include them within a core West London Cluster, they are clearly within the Mayor of London's Thames Production corridor cluster which shares many of the same characteristics. They have also demonstrated an ability to attract HETV productions.

Similarly to the South and South West of the identified zone, the success of Arborfield, Shinfield and Winnersh (all located within close proximity to the M4 to the South East of Reading) which have successfully attracted HETV occupiers could easily be interpreted to demonstrate that much of Berkshire could be included. Clearly Commonwealth's massive investment in Shinfield Studios again demonstrates their consideration that Reading forms part of the cluster. Based on our assessment of sites, we would consider Reading to be inferior to Marlow because of its distance and travel times from the core M25 arc but it is difficult to dismiss as non-viable given the evidence to the contrary.

While we would regard Longmoor, Ashford and Bedford (HOP Studios) to be located within an inferior band to Marlow, should they successfully receive planning permission and ultimately be built out (and the economic viability of such schemes is considerably more difficult to demonstrate) we would consider that they would contribute to the wider London and the South East production cluster.

Whilst it is very difficult to map the viable film studio geographies as it is so subjective, the below mapping represents the advice that we provide to clients when assessing potential sites. The criteria are essentially proximity to existing facilities and by association crews and supply chain and proximity to Central London.



1 - Sky Studios
2 - Warner Brothers Leavesden
3 - Pinewood Studios
4 - Shepperton Studios
5 - Longcross Studios

As demonstrated by the indicative map above and the commentary herein, we consider the South East studio cluster larger than the confines promoted by the adopted West London Cluster. We do not consider all locations to be equally good with quality deteriorating with distance from Central London and arterial transport links.
It is difficult to forecast the impact of increased supply and whether once more bespoke studios are built, production will consolidate into traditional core locations or whether demonstration of viability of non-traditional locations will permanently shift sentiment towards these new locations. We suspect that this will be impacted by the feedback from and availability of crews and pricing implications.

## 4.2 WLC CONCLUSION

- We acknowledge and accept the benefits of a production cluster in the South East of England and the weighting of this cluster towards West London and broadly agree with the assessment criteria for assessing the prime development areas. We broadly agree with the sentiment associated with the WLC justification.

- We would fully advocate that Marlow Film Studios would be considered within any measure of the WLC cluster and while not prime, we would consider it likely to have good investor and occupier demand.

- We consider the assessment of what is and is not included within the West London Cluster to be too binary and subjective. There is a difference between what is a prime studio development site and what is a viable studio development site and categories of sub-prime in between.

- Our assessment of our equivalent of the West London Cluster rings the existing infrastructure on the M25 from Leavesden to Shepperton and inwards into West London with distance from Soho largely influencing levels of prime. We do not accept that all areas within the Volterra WLC are equally good locations.

- Demonstrable investment into studio infrastructure outside of the Volterra definition of the WLC demonstrates the subjective nature of any assessment criteria.

- We reject the notion that "*the WLC is the only place in the UK that can attract major HETV"* as demonstrably untrue with Berkshire, Hertfordshire and Enfield directly proving concept. Similarly regional facilities have had notable success in attracting HETV albeit on a lesser scale that the South East.

- We do not consider any cluster definition to be static over time but as its boundaries are so subjective, can only point to anecdotal evidence of a change in attitudes, albeit we suspect that North and East London would not have been considered an acceptable filming location ten years ago.

## 5.0 CRITICAL MASS

While we understand and advise regularly on the benefits of critical mass, we consider the submission's justification to be a little confused. In our experience, the greatest justification for critical mass is from an operational efficiency and economies of scale perspective. There is only fleeting reference to these operational efficiencies in the 'Purpose Built Facilities – Benchmarking' section. However, practically unless a facility is let on a multi-year lease to a single occupier, the reality is that much of the operating costs such as security and central staffing are fixed and therefore the ability to spread those costs over more stages and therefore more income directly increase profitability.

We acknowledge the benefits of scale in terms of developing and tapping "*into new employment pools to build new talent, and also having enough size to exist on their own with the right production services and resources on site or nearby is key"*. They further make the point that the *"halo effect … does not happen around smaller facilities where, when a production stops, there is no business to have an there ends up being a void"*. However, this is difficult to reconcile when read in conjunction with the WLC section which demonstrates that the existence of established staff and supply chain are the reason for development in the location. We consider the justifications put forward would be much more compelling in an area outside of traditional production clusters, given that new development within established centres are likely to pool and utilise existing talent as opposed to generate new entrants to the sector.

The report makes reference to the fact that *"size can create and sustain their own ecosystems and microeconomies"*. While this is largely true, we would again consider this a reference to the wider cluster rather than site specific. Particularly on an operating model where different production companies will occupy on a production by production basis, in our experience productions have a network of preferred suppliers and so we doubt the ability to solely service occupiers at a specific facility. Similarly, we would expect supply chain companies to seek to service all of the studios within the cluster rather than limit themselves to a specific facility. We are not convinced by the argument that larger facilities provide a disproportionate benefit to the sector and wider economy than a collection of smaller facilities within a localised area.

While outside of our core activities, we can see the benefits of scale from an education perspective. We have worked with a number of Universities targeting the sector who need a unique balance of class room and in stage training. They typically then seek to monetise the stage space when not being used for training. This requires a presence on an existing facility to allow existing productions to flex in and flex out of the space. There are a number of active requirements out from specialist education and training organisations for space on the studio lot, but given the development pipeline already being built out, we suspect they have a number of viable options. We would consider this justification to be significantly strengthened if an education provider was party to the application. However, given the immediate skills shortage, education providers typically have a more urgent requirement than to be able to wait for a facility like Marlow Film Studios to be ready. Further this argument would justify critical mass, but not necessitating the quantum proposed in the application.

## 5.1 FILM REQUIREMENTS VS HETV

The submission makes reference to the differing scale requirements of HETV and feature film and we have no issues with their assessment of likely stage needs. They acknowledge that while no two productions are identical, they suggest that *"production from the US (Film and High End TV) can use an estimated average of 80,000 sq ft of stage space over a period of 9-12 months"* and compare this with the increase in requirement in comparison with UK HETV. They then later go on to suggest that *"a larger feature (film) … will need all the infrastructure for one show, 7-8 stages, 150,000 sq ft of sound stages, 120,000 sq ft of workshops and 50,000 – 100,000 sq ft of office*". We are comfortable with these estimates of space and if anything could argue that the space needed for a large feature could easily be larger again.

The submission, however, fails to make further reference to these differing needs. It is clear that a facility targeting HETV productions using 80,000 sq ft of stages does not need to be of a scale of 472,000 sq ft. This would imply that it could house 6 different HETV productions filming in conjunction. The justification for such scale, must therefore be so that it is capable of attracting the biggest budget feature films. While stage requirements vary from feature film to feature film, we would anticipate that there are very few with a stage requirement exceeding 250,000 sq ft so the proposed scale would be able to host two large feature films at the same time. As a rule, we would expect any production to require at least the same amount of ancillary space as they do stage space although in circumstances they could require considerably more.

It is incredibly difficult to translate sq ft requirements into a site size in acres or hectares. While it would be reasonable to assume that at a smaller scale, a developer might target a 50% site coverage, with the remainder to be hard standing, the larger the facilities the greater the requirement for circulation space, backlot / basecamp and landscaping.

The specifics of the site proposed for Marlow Film Studios, with significant wetland areas having to be incorporated within the layout naturally requires a lower site coverage ratio than might be expected at a more regular shaped site. The Sunset Studios proposals in Broxbourne provide a relevant and useful comparable with a similar scale of accommodation (circa 1m sq ft) being fitted into a 90 acre site of which less than 70 acres are developable.

In our experience, the biggest HETV producers that are willing to take long term leases have largely satisfied their core requirements with the lease commitments at Pinewood, Shepperton and Sky Studios (Phases I & II). We do not believe that there are further unsatisfied requirements to masterlease a facility of the scale envisaged at Marlow, and as such any leasing strategy would likely be to break up the space for multiple HETV producers or to operate it on a production by production basis with multiple productions sharing the space at the same time. In our experience and we suspect as a result of the core requirements being satisfied, there is an increasing interest and occupier demand for smaller facilities that can sustain a single show or be split to host two shows in one facility with the productions themselves taking responsibility for the operations of the studio rather than a studio owner.

If the justification went on to make the point that the majority of the supply pipeline are targeting HETV, with their ability to take longer term leases and that the production by production film facilities have been neglected yet still form an important part of the production landscape, we would be supportive of this argument. While there has been an expansion in the number of facilities capable of housing productions of this size, equally historical production facilities are now dominated by HETV productions. We are aware of large feature film production utilising temporary studio facilities at Longcross for example which may be better suited to bespoke studio facilities.

## 5.2 PHASING

The justification for critical mass makes no reference to the likelihood or impact of phased development. The phasing detail included within the submission indicates a single construction programme completed over approximately two and a half years. However, in our experience it is common to test viability of a proposal of this quantum by incremental development that proves concept and financial feasibility in order to qualify the next stage.

The submission advocates that *"it is far more effective to plan to be 'one and done' rather than to develop the facility over time".* While we acknowledge these benefits, given the scale of the proposals, the capital required to deliver them and the current economic environment, we would expect that any development would be built out in phases to test concept. The report acknowledges that the design is intended to facilitate *"all specific within a wider network. These small clusters have all the required uses to work as isolated elements and could be further split into production groupings as required".* While we would fully advocate this design strategy, it could equally be interpreted to facilitate phased development on a cluster by cluster basis. In this scenario many of the stated benefits of scale are lost. On other similar developments we have been involved with, the planning authorities have been nervous of the concept of granting consent for the entire project but developers revisiting the consent once the first phase has been built out and seeking alternative higher land value uses once the market of the economic viability changes.

## 5.3 CRITICAL MASS CONCLUSIONS

- We consider the biggest benefit from critical mass to be to the developer who benefits from economies of scale in both construction and operating costs, while sharing fixed costs over a higher operating income increasing margins. There is only very limited reference to this within the submission.

- We feel that most of the benefits articulated to support the presence of the West London Cluster are ignored in the justification of critical mass. We consider most of the economic benefits to better suit a facility in an unestablished location rather than within the WLC; driven by the creation of new opportunities rather than utilising existing pools of talent and supply chain infrastructure. We suspect that in this context the wider economic and production industry benefits apply either to one large facility or a collection of smaller studios within a locality.

- Using the submissions estimates of space required per production, a facility of the size proposed could house five to six HETV productions at any one time so there is little justification for this level of critical mass from the HETV occupier market. We doubt that any single production occupier has a specific requirement for this quantum.

- The justification for critical mass from a production perspective is limited to targeting feature film and the requirement to be able to host multiple feature films in conjunction. While the submission doesn't explicitly make this clear, there is justification that this sector of production infrastructure has been neglected in favour of targeting HETV.

- We consider it highly likely that any development of this scale will be phased in order to test concept. The development is designed to allow clusters to stand alone which would facilitate this. The critical mass justification does not stand in this scenario.

## 6.0 CONCLUSION

It is incredibly difficult to quantify the level of outstanding demand or how much of the development pipeline is likely to be built out so while we are more cautious on the demand and supply dynamic than the submission, we are largely supportive of the concept of existing unmet demand and the associated benefits to the UK production industry and wider economy of addressing it.

We are largely supportive of the concept of the West London Cluster. However, any parameters as to how to define the cluster are highly subjective. A fact demonstrated by considerable studio investment outside of the identified areas. We consider the assessment of it as too binary and reject the concept that any development outside of the Volterra WLC parameters is unable to attract HETV. We consider a considerably wider area to be viable but fully support that Marlow is would be considered a good studio development location.

We struggle with the justification for the critical mass requirements. The submissions own assessment of HETV requirements demonstrate that such a critical mass is not required for this sector and we do not believe that there is demand for a facility of this size from a single occupier. As such the focus is necessarily on facilitating major feature film yet the report focuses predominantly on the growth in HETV. Critical mass certainly has an advantage in terms of economies of scale, economic returns and potentially financial viability, albeit that practically we anticipate that any development of this size would be phased to test concept.

It is beyond the scope of this instruction to review and comment upon the Site Selection Sequential Assessment which would be difficult for us while maintaining client confidentiality, but we suspect that this could be reassessed against a wider geographical scope and smaller critical mass requirements.

# APPENDIX 1 – SOUTH EAST SOUND STAGE DEVELOPMENT PIPELINE

| SCHEME | LOCATION | OWNER | CLASSIFICATION | PLANNING STATUS | SOUND STAGE SQ FT |
|---|---|---|---|---|---|
| Sunset Studios * | Waltham Cross | Blackstone / Hudson Pacific | New scheme | Planning approved | 470,710 |
| Shinfield Studios * | Reading | Commonwealth Asset Management | New scheme | Planning approved | 432,358 |
| Shepperton Studios * | Shepperton | Aermont | Extension of existing scheme | Planning approved | 395,000 |
| Eastbrook Studios * | Dagenham | Hackman Capital Partners | New scheme | Planning approved | 252,000 |
| The Wharf * | Dagenham | Hackman Capital Partners | New scheme | Planning approved | 165,000 |
| Pinewood (New stages on main site) | Iver Heath | Aermont | Extension of existing scheme | Planning approved | 99,723 |
| Bray Studios * | Windsor | Private Individual | Extension of existing scheme | Planning approved | 94,500 |
| Pinewood (New stages in Phase 3 of Pinewood South) | Iver Heath | Aermont | Extension of existing scheme | Planning approved (subject to revised plans) | 84,120 |
| Ashford International Studios | Ashford | Ashford Borough Council | New scheme | Planning approved | 80,000 |
| West London Studios | Hayes | Private Individual | Extension of existing scheme | Planning approved | 49,814 |
| Ealing Studios | Ealing | Starwood Capital | Extension of existing scheme | Planning approved | 14,000 |
| Quartermaster Studios | Purfleet | Quartermaster | New scheme | Outline planning approved | 90,000 |
| Home of Production | Bedford | Quartermaster | New scheme | Planning application submitted | 560,000 |
| Pinewood (Revised Screen Hub Application) | Iver Heath | Aermont | Extension of existing scheme | Planning application submitted | 450,000 |
| Warner Brothers Studios * | Leavesden | Warner Brothers | Extension of existing scheme | Planning application submitted | 308,000 |
| Holyport Film Studios | Maidenhead | Greystroke Land | New scheme | Planning application submitted | 225,000 |
| Sky Studios – Phase 2 * | Elstree | Legal & General | Extension of existing scheme | Planning application submitted | 210,000 |
| Wycombe Film Studios * | Marlow | Stage 50 | New scheme | Planning application submitted | 176,250 |
| Hertswood Studios* | Elstree | Wrotham Estate | New scheme | Planning not yet submitted | 490,000 |

| | | | | | |
|---|---|---|---|---|---|
| Longcross Studios | Longcross | Aviva | Extension of existing scheme | Planning not yet submitted | 250,000 |
| Gilette Factory | Hounslow | The Vinyl Factory | Extension of existing scheme | Planning not yet submitted | 149,952 |
| Winnersh Film Studios | Wokingham | Stage 50 | New scheme | Planning not yet submitted | 120,000 |
| TSG Longmoor Studios | Longmoor | The Studio Group | New scheme | Planning not yet submitted | 110,000 |
| BBC Elstree Studios | Elstree | TBC (currently being marketed for sale) | New scheme | Planning not yet submitted | 80,000 |
| Troubadour Meridian Water Studios * | Tottenham | Troubadour Theatres | New scheme | Planning not yet submitted | 80,000 |