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Northaw House: Review of 'Viability Assessment' on behalf of Welwyn Hatfield District Council

Prepared for

Welwyn Hatfield District Council

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1 Introduction

Welwyn Hatfield District Council ('the Council') has commissioned BNP Paribas Real Estate to review a Viability Assessment regarding proposals to repair and convert Grade II listed Northaw House, Coopers Lane, Herts EN6 4PS. The report was prepared by Savills on behalf of LW Developments (the 'Applicant').

The Applicant argues that the repair and conversation of Northaw House to provide fifteen flats will result in a Conservation Deficit of circa £4.98 million. In order to address this deficit, the Applicant is seeking planning permission for sixteen residential units ('the Enabling Development'). Development would not normally be permitted on the Site as it lies within the rural area beyond the Green Belt, which Policy RA2 of the adopted Local Plan seeks to restrict.

This report provides an independent assessment of Savills' report in order to test the inputs to and results of the appraisal. The report tests the Applicant's contention that sixteen units of new build housing are required as the minimum number necessary to address the claimed conservation deficit.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and 150 offices, across 30 countries in Europe, Middle East, India and the US, including 15 wholly owned and 15 alliances.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered providers ('RPs').

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Anthony Lee MRICS MRTPI, RICS Registered Valuer.

The Development Viability Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and RPs on viability matters relating to town planning, including heritage cases and enabling development.

In 2007 we were appointed by the GLA to review its Development Control Toolkit Model (commonly referred to as the 'Three Dragons' model). This review included testing the validity of the Three Dragons' approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model; and advising on areas that required amendment in the re-worked toolkit. We were appointed again in 2012 by the GLA to review the Three Dragons model and our recommendations were carried forward to the 2014 version of the Toolkit.

Anthony Lee was a member of the working group which drafted guidance for planning authorities on viability, which was published by the Local Housing Delivery Group in June 2012 as 'Viability Testing Local Plans: Advice to Planning Practitioners'. He is a member of the 'Developer Contributions Technical Expert Panel' established by the Department for Communities and Local Government to advise on the use of viability assessments in local plans and development management. He has extensive experience of advising on viability in heritage cases involving enabling development, including appearing as an expert witness/single joint expert at planning inquiries relating to major cases, including Bramshill House (the former National Police Training College) and St Oysth's Priory.

In addition, we were retained by Homes England ('HE') to advise on better management of procurement of affordable housing through planning obligations.

The firm has extensive experience of advising landowners, developers, local authorities and RPs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report structure

This report is structured as follows:

- Section two provides a brief description of the Development;
- Section three describes the methodology that has been adopted;
- Section four reviews the assumptions adopted by the Applicant, and where necessary, explains why alternative assumptions have been adopted in our appraisals;
- Section five sets out the results of the appraisals;
- Finally, in Section six, we draw conclusions from the analysis.

1.3 Disclaimer

In accordance with PS1 (5.2) of the RICS Valuation – Professional Standards – Global Standards 2017 (the 'Red Book'), the provision of VPS1 to VPS5 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

2 Description of the proposals

2.1 Site Description

The 10 hectare Site is located adjacent to the village of Northaw, circa 1.4 miles north-east of the centre of Potters Bar. The Village of Northaw is located within the Northaw Conservation Area ('NCA') which is surrounded by woodland and agricultural land. The Site is just outside the NCA.

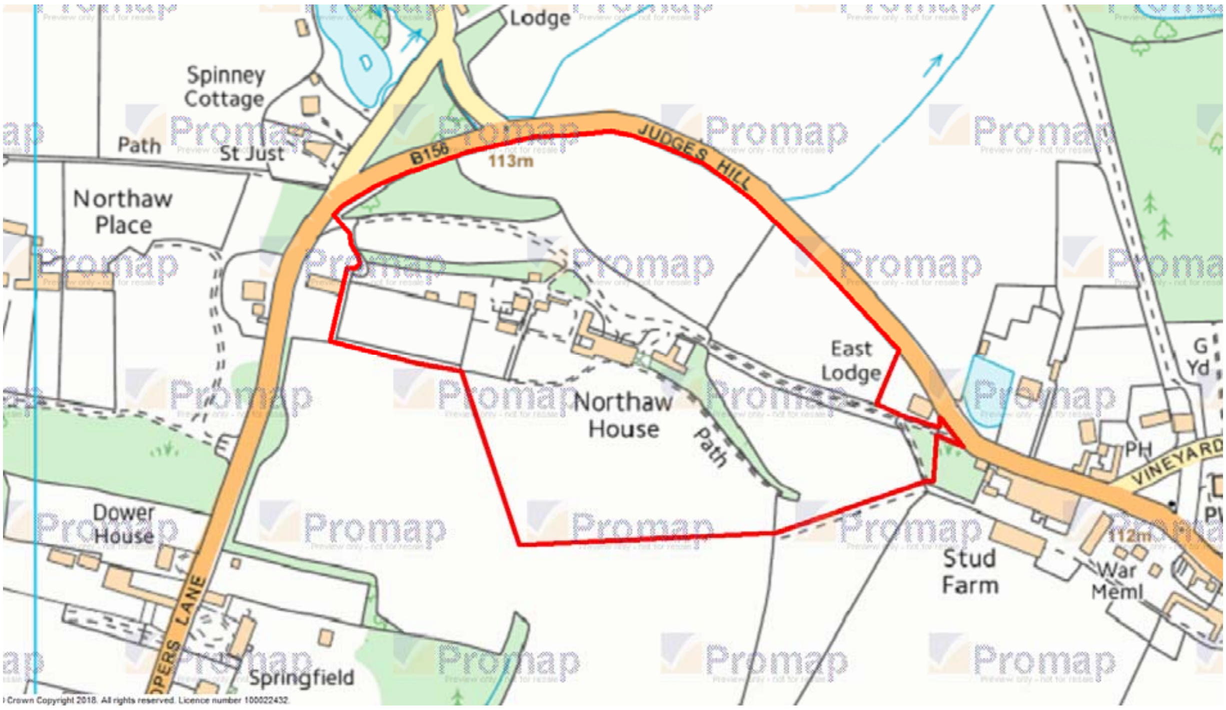
The Historic England register entry for the Property indicates that the main house was constructed in 1698 but has subsequently been converted for use as an office. The Register describes the Property as follows:

"Painted plaster on red brick. Slate mansard roof. 2 storeys and attics over sunken basement. 7-window elevation stepping forward in 3 shallow projections, the centre 2 projections and the angles with modillions. 1st floor band. Pedimented to 3-window centre with bullseye window. C1800 semicircular porch with 2 Doric columns and pilaster responds fluted at the necks. Flush panel door in moulded frame. 6 stone steps and plain iron railings, similar railings fronting ditch. Recessed 1st floor sash windows. Ground floor french windows. Box dormers. Flanking quadrant red brick walls. Stone flag entrance hall with groin vaulting and reeded door surrounds each side. C19 replica staircase. Original service staircase with barley twist balusters on right centre.

Plainer 2-3 storey service blocks on W join with late C18/early C19 former stable block in painted brick, the slate roof with central ventilator. 1:4:1 windows, the outer bays recessed and with 2-storey relieving arches".

The closest train station is Potters Bar (1.66 miles to the west of the site) providing National Rail Services to London Kings Cross (journey times of 15 minutes). The M25 is 1.53 miles to the South, providing access to the national motorway network.

Figure 2.1.1: Location plan



Source: Promap

2.2 Planning

The Site has an extensive planning history and we summarise below the most relevant planning applications and permissions:

Table 2.2.1: Summary of relevant planning applications/permissions

Reference	Proposal	Decision	Date of decision
S6/2013/1225/FP	Change of Use from offices (Use Class B1) to residential (Use Class C3)	Granted	29/10/13
S6/2004/0573/FP	Conversion, alteration and change of use of Northaw House to single residential unit, stable block to 1 residential unit, Ballroom Wing to 3 residences , 7 new build dwellings (3 of which live/work), extension, alterations and refurbishment of Oak Cottage, plus associated car parking, driveway and access, and landscaping, including some demolition	Granted but subsequently lapsed	1/10/09
S6/2003/1130/FP	Erection of a replacement dwelling	Refused	28/1/04

The Applicant argues that the 2009 planning permission sets a precedent for the current application as that the Council "*accepted the principle of enabling development to fund the retention and future of the listed buildings*" with the current proposal being "*a logical update to those proposals*". Clearly the extent of any enabling development required to support the refurbishment of the heritage asset must be tested against contemporary market conditions, not those that existed nine years ago. The lapsed planning consent is therefore of contextual interest only.

2.3 Scheme proposals

The Applicant is seeking planning permission and listed buildings consent for conversion of the House to provide 15 residential units and new build development of 16 residential units in the grounds.

The Applicant's cost plan incorporates a schedule of accommodation which we summarise in Table 2.3.1.

Table 2.3.1: Proposed residential accommodation

Unit No	Location	Conversion/NB	NIA sqm	NIA sq ft	Unit type
1	Main House	Conversion	52.03	560.05	1B Flat
2	Main House	Conversion	108.42	1,167.03	1B Flat
3	Main House	Conversion	239.41	2,577.01	2B Flat
4	Main House	Conversion	182	1,959.05	2B Flat
5	Main House	Conversion	172.99	1,862.06	2B Flat
6	Main House	Conversion	125.98	1,356.05	2B Flat
7	Main House	Conversion	170.94	1,840.00	2B Flat
8	Main House	Conversion	68.47	737.01	1B Flat
9	Edwardian Wing	Conversion	80.83	870.05	2B Flat
10	Edwardian Wing	Conversion	79.43	854.98	2B Flat
11	Edwardian Wing	Conversion	64.2	691.05	1B Flat
12	Coach House	Conversion	337.24	3,630.05	4B Flat
13	Ballroom Wing	Conversion	133.59	1,437.96	3B Flat
14	Ballroom Wing	Conversion	134.43	1,447.00	3B Flat

Unit No	Location	Conversion/NB	NIA sqm	NIA sq ft	Unit type
15	Oak Cottage	Conversion	150.97	1,625.04	3B Detached House
16	Walled Garden	NB	280.94	3,024.04	4B Detached House
17	Walled Garden	NB	280.94	3,024.04	4B Detached House
18	Walled Garden	NB	280.94	3,024.04	4B Detached House
19	Gate Lodges	NB	132.02	1,421.06	3B Detached House
20	Gate Lodges	NB	132.02	1,421.06	3B Detached House
21	Settlement units	NB	164.16	1,767.02	3B Detached House
22	Settlement units	NB	164.16	1,767.02	3B Detached House
23	Settlement units	NB	164.16	1,767.02	3B Semi-detached House
24	Settlement units	NB	160.54	1,728.05	3B Semi-detached House
25	Settlement units	NB	160.54	1,728.05	3B Semi-detached House
26	Settlement units	NB	191.94	2,066.04	4B Detached House
27	Settlement units	NB	116.04	1,249.05	3B Detached Dairy
28	East Drive	NB	136.01	1,464.01	3B Semi-detached House
29	East Drive	NB	136.01	1,464.01	3B Semi-detached House
30	East Drive	NB	136.01	1,464.01	3B Semi-detached House
31	East Drive	NB	136.01	1,464.01	3B Semi-detached House
Totals		**NB only**	**2,772.44**	**52,456.95**	
		Conv only	**2,100.93**	**29,842.54**	
		All	**4,873.37**	**22,614.41**	

3 Methodology

The core principle for the assessment is to determine whether a 'conservation deficit' results from the repair and conversion works of the heritage asset. A conservation deficit arises when the value of the repaired and converted building is lower than the sum of the market value of the site in its current condition, the works costs plus fees, marketing costs and developer's profit. If a conservation deficit arises from this calculation, the next stage is to test the amount of 'enabling development' required to resolve the deficit. The essential test is that any enabling development is the minimum possible required to address the deficit.

The key inputs into a conservation deficit calculation are summarised in Table 3.2.1.

Table 3.2.1: Factors determining a Conservation Deficit

Variable	Amount £
Market value of the - Site in current condition	£X
Stamp duty, legal fees, agents fees	£X
Holding costs; surveys; research and analysis; decontamination	£X
Construction costs of preservation and conversion of heritage assets	£X
Professional fees; planning and building control fees; funding and valuation fees	£X
Section 106 legal fees and other costs	£X
Finance charges	£X
Marketing, letting and sales costs	£X
Short term income and grants	£X
Developer's profit	£X
Irrecoverable VAT	£X
Total costs	**£Y**
Market value of completed scheme	**£Z**
Excess/Deficit	***£Z minus £Y***

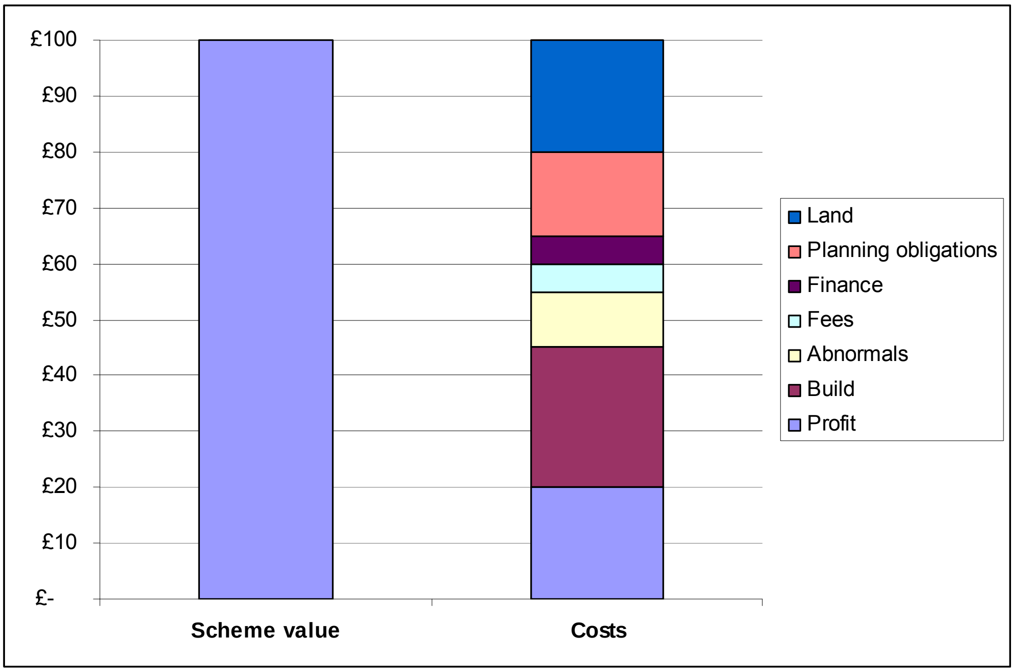
3.1 Calculating the value of new build development

If a conservation deficit is identified, the value of any enabling development must be identified to determine how many units would be required. In such situations, the RICS Guidance '*Viability in Planning'* (2012) supports the 'residual valuation' approach to establishing the value of any development so that the Council and the Applicant can establish the minimum number of units required.

Our approach to calculating a residual valuation of the development

Appraisal models can be summarised via the following diagram. The total scheme value is calculated, as represented by the left hand bar. This includes the sales receipts from the private housing and any commercial floorspace. The model then deducts the build costs, abnormal costs, fees, interest, planning obligations and developer's profit. A 'residual' amount that is left after all these costs are deducted is the land value that the developer would pay to the landowner. This Residual Land Value ('RLV') is represented by the blue portion of the right hand bar in the diagram.

Figure 3.1.1: Inputs to a residual valuation



The RLV is normally a key variable in determining whether a scheme will proceed. If a proposal generates sufficient positive land value it will be implemented. If not, the proposal will not go ahead, unless there are alternative funding sources to bridge the 'gap'.

When running a development appraisal, it is necessary to identify the key variables – sales values, build costs etc – with some degree of accuracy in advance of implementation of a scheme. Below we consider some key variables in more detail (please note that this is not an exhaustive list):

- **Scheme value** will be assessed with reference to the value of existing nearby comparable premises (usually demonstrated through the completion of sales and / or letting transactions). Care must be taken to consider the rate at which the local market will be capable of absorbing the additional supply generated by the development proposals and whether this will impact upon achievable values.

- **Development costs** are subject to national and local monitoring and can be reasonably accurately assessed in 'normal' circumstances. This might include site wide infrastructure costs where land has not previously been developed. Developers will also build in contingency allowances to mitigate the risk of unforeseen development costs being incurred. The risk of unforeseen costs is higher when seeking to conserve and convert historic buildings.

- **Abnormal costs** will be linked to the specifics of the site and the development proposals and can therefore be more difficult to assess in advance.

- **Finance costs** will be determined by the cost of securing finance (i.e. the interest rate and bank fees that are charged) and the phasing of costs and receipts across the development period. Where costs are incurred earlier in the development period, finance costs will be higher.

- **Developer's profit** is closely correlated with risk. The greater the risk, the higher the profit level required by lenders. Typically developers and banks are targeting 20% profit on GDV on typical development schemes.

The appraisals submitted by Savills have been undertaken using Argus Developer ('Argus'). Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com. We have also used Argus for our assessment.

Argus is a cashflow backed model which allows the finance charges to be accurately calculated over the development period. The difference between the total development value and total costs equates to either the profit (if the land cost has already been established) or the residual value. The model is normally set up to run over a development period from the date of the commencement of the project and is allowed to run until the project completion, when the development has been constructed and is occupied.

The output of the appraisal is a RLV, which is then compared to an appropriate benchmark, which in heritage assessments is normally zero. We discuss this further in Section 5.

4 Review of assumptions

In this section, we review the assumptions adopted by Savills in their assessment of the proposed development.

4.1 Private residential values

Savills's appraisal applies a total value of £11,225,000 for the conversion/refurbishment scheme, equating to £493.37 per square foot, based on 22,614 square feet NIA. For the combined conversion/refurbishment and new build scheme, Savills apply a total value of £26,635,000, equating to £507.76 per square foot, based on 52,456 square feet NIA. These values are based on a letter from Statons Estate Agents, although no supporting evidence is provided.

We have considered recent sales of second hand properties in Northaw and the southern parts of neighbouring Cuffley (summarised in Table 4.1.1).

Table 4.1.1: Second hand sales in Northaw and Cuffley

Property	Date of sale	Property type	Sold price	Sq ft NIA	£s per sq ft
8 Oakwell Drive, Northaw, Potters Bar, Hertfordshire EN6 4EZ	15-Sep-17	Detached	£1,200,000	2,385	£503
Just House, Coopers Lane, Northaw, Potters Bar, Hertfordshire EN6 4NJ	14-Aug-17	Detached	£1,685,000	3,526	£478
42 The Ridgeway, Cuffley, Potters Bar, Hertfordshire EN6 4BA	11-Aug-17	Detached	£2,000,000	5,057	£395
35 Carbone Hill, Northaw, Potters Bar, Hertfordshire EN6 4PN	17-Jul-17	Detached	£1,725,000	3,033	£569
Manor Cottage, Vineyards Road, Northaw, Potters Bar, Hertfordshire EN6 4PQ	28-Jun-17	Detached	£1,200,000	2,218	£541
12 Firs Wood Close, Potters Bar, Hertfordshire EN6 4BY	28-Apr-17	Flat Leasehold	£316,000	737	£429
20 Firs Wood Close, Potters Bar, Hertfordshire EN6 4BY	31-Mar-17	Terraced	£499,950	1,211	£413
3 Homewood Lane, Northaw, Potters Bar, Hertfordshire EN6 4PP	08-Mar-17	Detached	£2,750,000	4,387	£627
1 Vineyards Road, Northaw, Potters Bar, Hertfordshire EN6 4NZ	06-Jan-17	Detached	£1,200,000	2,928	£410
172, Tolmers Road, Cuffley, Potters Bar, Hertfordshire EN6 4JP	02-Mar-18	Detached	£775,000	1,130	£38
33, Burleigh Way, Cuffley, Potters Bar, Hertfordshire EN6 4LG	27-Feb-18	Semi-Detached	£640,000	1,130	£566
8, Hill Rise, Cuffley, Potters Bar, Hertfordshire EN6 4EE	12-Feb-18	Semi-Detached	£860,000	1,449	£594
1, Warwick Close, Cuffley, Potters Bar, Hertfordshire EN6 4RT	19-Dec-17	Detached	£633,000	1,161	£545
10, Sutherland Way, Cuffley, Potters Bar, Hertfordshire EN6 4EG	14-Dec-17	Detached	£675,000	1,095	£616
8, Kingswell Ride, Cuffley, Potters Bar, Hertfordshire EN6 4LH	04-Dec-17	Detached	£715,000	1,216	£588
7, Plough Hill, Cuffley, Potters Bar, Hertfordshire EN6 4DN	24-Nov-17	Detached	£612,500	1,164	£526
26, Hill Rise, Cuffley, Potters Bar, Hertfordshire EN6 4EJ	17-Nov-17	Detached	£781,000	1,433	£545
Totals/average			**£18,267,450**	**35,260**	**£518.07**

The Statons letter notes that the Property "*is set in a wonderful location with far-reaching panoramic views and approached by a magnificent drive. Once completed, it will surely become a landmark development in the local area. Estates of this caliber [sic] are truly a rare find*". However, this premium does not appear to be reflected in the pricing of units, with a lower average that local comparables. We therefore recommend that Statons be invited to provide additional justification for their pricing with reference to comparable evidence and a more detailed rationale for the pricing for each unit. Pending receipt of further supporting information, we have applied a blended value of £540 per square foot for the conversion units and £550 for the conversion/new build scheme.

4.2 Construction costs

Savills's report incorporates an assessment of conversion and repair costs for the heritage asset and construction costs for the new build houses, as follows provided by Madlins. Madlins' costs are summarised in Table 4.2.1.

Table 4.2.1: Madlins repair, conversion and new build construction costs

Item	Conversion and refurbishment only	Conversion, refurbishment and new build
Base repair and conversion/new build works	£5,769,184	£11,422,963
External works and services	£748,664	£2,069,813
Total	**£6,517,848**	**£13,492,776**
Total including contingency	**£7,000,848**	**£14,394,775**
Total gross internal floor area	**2,479 sqm**	**5,154 sqm**
Cost per square metre (excluding contingency)	**£2,629**	**£2,618**

Madlins have also applied a contingency of 7.5% of build costs taking the total for conversion and refurbishment works to £7,000,848 and a blend of 7.5% on conversion works and 5% on new build works, taking the total to £13,492,776.

The cost plan has been reviewed by Bond Davison ('BD'), whose report is attached at Appendix 1. BD have identified that the costs for the conversion only scheme are overstated by £824,909 and should be reduced to £6,175,939 (including contingency). The costs for the combined conversion and new build scheme are overstated by £2,073,459 and should be reduced to £12,321,316 (including contingency). We have applied these reduced costs in our appraisals.

4.3 Contingency

As noted above, the cost plans incorporate contingencies at appropriate levels (7.5% on refurbishment and conversion works and 5% on new build works). These assumption are within the normal range of and we have applied the same assumptions in our appraisal.

4.4 Professional Fees

Savills have applied an allowance for fees of 10% of the cost of works, which equates to £700,085 for the refurbishment/conversion only scheme and £1,439,477 for the refurbishment/conversion and new build scheme. The 10% allowance is not unreasonable, albeit at the top end of the range for new build units. However, the Madlins cost plan incorporates allowances for design fees amounting to £142,000 for the conversion/refurbishment scheme and £616,000 for the refurbishment/conversion and new build scheme.

We have therefore reduced the allowances for fees to 8.13% for the refurbishment/conversion scheme and 6% and new build scheme.

4.5 Developer's return

Savills's report indicates a target rate of return of 20% of cost for the private housing. This is within the normal range for residential developments and we have adopted the same level of target return in our appraisals.

4.6 Finance costs

Savills adopt a finance rate of 6.5% in their appraisal inclusive of arrangement and exit fees and is within the normal range. Although developers will not typically fund all their development costs through bank finance, we have applied finance to 100% of the costs to reflect the opportunity cost or actual cost of equity.

4.7 Section 106

In line with normal practice, we understand that the Council may not be seeking any financial contributions through Section 106 in order to minimise the amount of any enabling development required. We note that Savills's appraisals make no allowances for Section 106. We have also adopted the same approach pending confirmation from the Council.

4.8 Marketing and Disposal Costs

For the refurbishment/conversion scheme, Savills's appraisal incorporates an allowance of £105,000 for marketing, including on-site sales team and show unit plus 1.5% of GDV for sales and marketing costs and an additional £1,500 per unit for sales legal fees. The total marketing budget falls within the normal range.

The marketing budget for the refurbishment/conversion and new build scheme amounts to £185,000 plus an additional 1.5% of GDV for sales agent's fees and £1,500 per unit for sales legal fees. Again, the total marketing budget falls within the normal range.

4.9 Development programme

Savills's report indicates that the development programme for the conversion/refurbishment scheme will extend to 27 months, as summarised in Table 4.9.1.

Table 4.9.1: Savills' refurbishment/conversion scheme development programme

Activity	Number of months	Start	Finish
Purchase	0	Apr-18	Apr-18
Pre-construction	3	Apr-18	Jun-18
Construction	21	Jul-18	Mar-20
Sales	8	Nov-19	Jun-20

The construction period of 21 months appears excessive for the refurbishment and conversion of the existing buildings and we have reduced this to 15 months. The sales period equates to a rate of sale of only 1.87 units per month, which is slow for a conversion of a heritage asset which will attract significant interest. However, given that there is only a three month period post practical completion (with a significant number of units presumably pre-sold), the overall timing of sales is no unreasonable.

Savills's report indicates that the development programme for the conversion/refurbishment and new build scheme will extend to 35 months, as summarised in Table 4.9.2.

Table 4.9.2: Savills' refurbishment/conversion and new build scheme development programme

Activity	Number of months	Start	Finish
Purchase	0	Apr-18	Apr-18
Pre-construction	3	Apr-18	Jun-18
Construction	30	Jul-18	Dec-20
Sales	16	Nov-19	Feb-21

Savills have extended the construction period for the combined scheme from 21 to 30 months, even though there is no apparent reason why the new build units could not be constructed alongside the refurbishment and conversion works.

We have therefore modelled the combined refurbishment/conversion and new build scheme with a reduced construction period of 15 months and a sales period of 8 months (a sales rate of 3.88 per month).

Table 4.9.3: BNPPRE development programme (both schemes)

Activity	Number of months	Start	Finish
Purchase	0	Apr-18	Apr-18
Pre-construction	3	Apr-18	Jun-18
Construction	15	Jul-18	Sep-19
Sales	8	May-19	Dec-19

5 Analysis

5.1 Market value of the heritage asset

The Savills report indicates that they have adopted a "*fixed Land Value of £4,250,000 as advised by the client*". The Applicant's covering report suggests that "*the marketing of the property provides transactional evidence of open market value, with the purchase price paid in keeping with all offers made. In addition the purchase price is in line with the market value accepted by the local authority in the viability assessment of 2007 accompanying the previous permission. The market value agreed then was £3.02 million which, allowing for house price growth of 33.16% (Nationwide House Price Index – Outer Metropolitan region), is the equivalent of £4.02m at the date of purchase*".

This analysis is flawed in two respects. Firstly, the indexation applied completely disregards the impact of construction cost inflation, focusing as it does solely on house price inflation. This exaggerates the extent to which the historic value may have increased. Secondly, it disregards the extent to which conversation works required will have increased over the intervening period. Furthermore, there is no evidence that the market value at the time was correct, having regard to the condition of the heritage asset.

Historic England's Guidance '*Enabling Development and the Conservation of Significant Places'* notes that:

"the case for enabling development normally rests on there being a conservation deficit. This is when the existing value (often taken as zero) plus the development costs exceeds the value of the place after development. Development costs obviously include not only repair, but also, if possible or appropriate conversion to optimum viable use, and a developer's profit appropriate to the circumstances. A development appraisal in such cases produces a negative residual value. If so, enabling development … may be justified, but only sufficient to cover the conservation deficit, i.e. to bring the residual value up to zero."

The guidance goes on to note that "*one of the most common problems when dealing with proposed enabling development is that too high a purchase price was paid for the property*". Developers should approach acquisition of heritage assets in full cognisance of the works required to bring the asset back into beneficial use:

"Given that the market value of a property is theoretically the sum remaining once development costs have been subtracted from end value, the result for some significant places in very poor condition will be negligible or negative. The actual purchase price paid by the developer must be disregarded if it is based on the hope or anticipation of consent for development contrary to established planning policy [i.e. enabling development]" (para 5.6.1).

Paragraph 5.6.3 indicates that if a heritage asset is in such a state of disrepair that it is incapable of reasonably beneficial use, the site concerned should be valued on the agricultural value of the land (i.e. a few thousand pounds). Paragraph 5.6.4 states that where a property is capable of beneficial use, the market value must take account of the structural condition and the planning constraints upon it.

It is clear in the case of Northaw House that the claimed market value of £4.02 million (or £4.25 million as adopted by Savills) is not a fair reflection of market value of the heritage asset taking account of the disrepair identified in the cost plan. Following Historic England's guidance, we have applied a market value of £1.

5.2 Appraisal results

5.2.1 Savills's appraisal results

Savills's appraisal of the repair and conversion of the heritage assets incorporates the Applicant's purchase price of £4,250,000 plus stamp duty and fees (a total of £278,500). This appraisal generates a deficit of £2,278,639.

Their second appraisal combines the appraisal above with the sixteen units of enabling development. This appraisal, again incorporating the Applicant's claimed market value, generates a profit of 19.9% on cost which Savills report as being "just viable".

Based on these results, the enabling development would be justified in financial terms.

5.2.2 Commentary on the results

Even if the Applicant's appraisal inputs are taken as read, it is clear that the need for enabling development arises **solely** from the price they attribute to the Site. The conservation deficit the Applicant identifies of £2,278,639 is created by the £4,528,500 land cost which has been included in the appraisal. Having appraised the scheme of repair and conversion, it is entirely unclear why the Applicant chose to pay £4,250,000 to acquire the Site, when this would result in a deficit. The acquisition sum is a clear over-payment in the hope or anticipation of being able to secure enabling development on the site.

This is demonstrated by our 'mirror' appraisal (attached as Appendix 2) in which we run the appraisal of the repairs and conversion works to the heritage asset on a 'residual' basis (i.e. what value actually remains to pay for the Site after costs of works and profit have been deducted from the end value of the completed house). Using all of Savills's other inputs, this shows a residual value of £951,474.

As noted in the previous sections we have made the following amendments to the appraisal inputs:

- Value for conversion/refurbishment scheme only increased from an average of £493.37 to £540 per square foot;
- Value for conversion/refurbishment and new build scheme increased from an average of £507.76 to £550 per square foot;
- Construction costs for conversion scheme reduced from £7,000,848 to £6,175,939;
- Construction costs for conversion/new build scheme reduced from £14,394,775 to £12,321,316;
- Double counting of fees adjusted for by reducing professional fees allowances from 10% to 8.13% and 6% for the conversion and conversion/new build schemes respectively;
- Construction period adjusted to 15 months for both schemes
- Sales period for conversion/new build scheme reduced from 16 months to 8 months.

Our appraisal of a standalone conversion and repair of Northaw House with a land value of £1 generates a profit of 68.47% of cost (see appraisal at Appendix 3). If the appraisal is 'turned on its' with profit inputted as a cost (see Appendix 4), it is possible to determine what the actual value that the conversion and repair scheme generates (and the price an informed developer would be expected to pay). Our appraisal indicates that the opportunity to convert and repair the house would generate a residual land value of £2,501,664.

The Applicant's claimed conservation deficit is caused in its entirety by the price they acquired the site for, presumably in the hope that they could achieve additional development on the site based on an enabling development argument. This is contrary to the guidance issued by Historic England, as noted in Section 3.

Although there is no conservation deficit (and therefore no justification for enabling development) we have attached our appraisal of the combined conversion/new build scheme at Appendix 5 for information. This scheme generates a residual land value of £8,323,342, or a profit of 101.74% of cost with a land value of £1. The results are summarised in Table 5.2.2.

Table 5.2.2: Summary of results (Conversion units only)

Inputs	Basis of appraisal	Land value	Profit on cost
Savills	Land cost as an input	£4,250,000	-16.87%
Savills	Profit as an input, land as a residual output	£951,474	20.00%
BNPPRE	Land cost as an input	£1	68.47%
BNPPRE	Profit as an input, land as a residual output	£2,501,664	20.00%

6 Conclusions

The Applicant argues that the heritage asset is in such a poor condition that its completed value is significantly lower than the current market value and the costs of repair and conversion, resulting in a conservation deficit that they argue justifies enabling development.

Historic England guidance states that the market value of heritage assets should be the sum remaining once development costs have been subtracted from end value, which will often result in a negligible or negative amount. The guidance states that the actual purchase price paid by the developer must be disregarded if it based on the hope or anticipation of enabling development. Such an approach makes the need for enabling development a 'self-fulfilling prophecy' by building a land cost into the assessment that the place itself cannot meet.

If Northaw House is taken on a standalone basis as a conversion to 15 units, there is no conservation deficit, as summarised in Table 6.1.1.

Table 6.1.1: Calculation of repairs and conversion to Northaw House

Appraisal input	Savills	BNPRRE
Market value of the - Site in current condition	£4,250,000	£2,501,664
Stamp duty, legal fees, agents fees	£278,500	£170,113
Construction costs of preservation and conversion of heritage assets	£6,517,848	£5,712,713
Contingency	£483,000	£463,193
Professional fees; planning fees; funding and valuation fees	£700,085	£502,101
Section 106 legal fees and other costs	-	-
Finance charges	£978,331	£498,725
Marketing, letting and sales costs	£295,875	£327,789
Short term income and grants	-	-
Developer's profit (20% of cost)	£2,700,728	£2,035,262
Irrecoverable VAT	-	-
Total costs	£16,204,367	£12,211,560
Market value of completed scheme	£11,225,000	£12,211,560
Excess/Deficit	**£4,979,367**	**-**

Historic England guidance indicates that enabling development should only be accepted when the viability assessment is based on the needs of the heritage asset itself. In this case, the need for enabling development is driven directly by the price the Applicant has chosen to pay for the site, which as demonstrated above is not a market value reflecting current condition of the property.

BNP PARIBAS REAL ESTATE

Appendix 1 - Cost plan review

Development

Northaw House
Coopers lane
Northaw
Potters Bar
EN6 4PS

Draft

Report on Cost Assessment

May 2018

WT PARTNERSHIP

www.wtpartnership.com

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1.0 INTRODUCTION, METHODOLOGY AND COMMENTS ON ESTIMATE AND CONCLUSION

Introduction and methodology

We have been requested to carry out an independent review of Madlins' cost assessment of refurbishment works issue 2 dated 1/2/2018 in the sum of £7,000,848 equivalent to £262/ft2 or £2,824 /m2 based on 2,479 m2 GIA

We have also been requested carry out an independent review of Madlins' cost assessment of refurbishment works and new build works issue 5 dated 1/2/2018 in the sum of £14,394,775 equivalent to £259/ft2 or £2,793 /m2 based on 5,154 m2 GIA

The development comprises the refurbishment of an existing grade II listed house to form 15 residential units and enabling development comprising the development of 16 residential units

The costs appear to assume all private units

The costs include a list of project risks which are items of contingency. Many of these items are not project risks but enhanced specifications We have reviewed the appraisal and note these are not duplicated elsewhere. We have commented on this allowance later in the report

Within the cost estimate is a series of allowances for design development of £142,000 or 2.58 % on the refurbishment works and £484,000 or 4.39% for the refurbishment and new build scheme. In our opinion this is contingency and commented upon it later in this report. We have reviewed the appraisal and note these are not duplicated elsewhere

Professional fees are excluded

The costs appear based on 1st Quarter 2018

There is a note of information used

There is a note of assumptions and exclusions and a brief specification which generally appear reasonable

The appraisal indicates a construction period of 21 months for the refurbishment scheme and 30 months for the refurbishment and new build scheme. WT Partnership are of the opinion these construction periods appears long and using BCIS duration planner a period of circa 12-15 months is indicated for the refurbishment works and 15-17 months for the new build scheme, this would appear to suggest the construction periods within the

.
appraisal are long. We note there is a basement being provided so in our opinion circa 18 months for the refurbishment is more appropriate and we also note three of the new build units have basements units and the new build units are spread out so in our opinion 24 months for the new build and refurbishment. Copies of duration planner are attached

There is no indication of the method of procurement and WT Partnership has assumed a traditional competitive basis. Should the developer carry out the works themselves we would anticipate a reduced level of preliminaries and overheads and profit potentially being absorbed into the developer's overall overheads and profit

We visited site on Friday 4th May 2018 at 9.00am

We have carried out a review of the cost estimate prepared based on benchmarking against known costs on similar projects. When bench marking the cost against other projects etc. we have taken care to ensure that any rates used are adjusted to take into account the base date of estimate, location, and this particular development.

It should be noted the planning guidelines refer to published data as a basis of cost estimates and reference BCIS. Should BCIS be used in our opinion the assessment would be much lower than our assessment based on the cost plan review. We have checked the BCIS and the base rate is circa £1,414 /m2 GIA for refurbished apartments in this area and houses £1,303/m2. To this needs to be added external works and site related abnormal items

Where we have given comments we have worked to rounded numbers due to the level of information at this stage.

Where no comments are provided then we consider the allowances in the estimate to be reasonable

Cost assessment refurbishment works

Demolition and enabling

In our opinion the allowance for disconnecting services is high by £5,000

Demolishing single storey out buildings is high by £30/m2 being £3,000

Demolishing existing external staircase in our opinion is high by £2,000 being a difference of £4,000
Forming new window openings, allowance in our opinion is high by £550/m2 or £8,250

.
Forming new door openings, in our opinion allowance is high by £900 each being a difference of £2,700

Tiled area in basement- can you confirm where this is located

Breaking up and removing hardstanding in our opinion is high by £4,000 as there is separate item for digging up road for basement

Temporary support allowance in our opinion is high by £15,000

Remove existing door rate in our opinion is high by £25 each being a difference of £3,350.

Alter external door openings in our opinion are high by £500 each being a difference of £4,000

Existing fireplaces appeared in good condition so in our opinion rate is high by £3,000 each being a difference of £9,000

Strip out – in our opinion this is covered in strip out item. Omit £25,000

Taking apart conservatory in our opinion is high by £10,000

Preliminaries-These have been included at 16% in our opinion this is reasonable based on a refurbishment

Overheads and profit has been included as a lump sum of £38, 000 equivalent to 7.63% which in our opinion is high and 6% is more reasonable being a difference of £8,000

Design development, preliminaries and overheads and profit adjusted for adjustments above

<u>Refurbishment Works</u>

Ground floor construction in our opinion appears to have wrong quantity and should not be more than 244m2 being a difference of £133,419

Tanking and damp-proofing to basement in our opinion is high by £5,000

Frame- Conservatory steel in our opinion is high by £10,000. Glass is priced elsewhere

Upper floors- Acoustic insulation to floors in our opinion is high by £50/m2 being a difference of £78,100

.
Roof, there is an allowance of £10,000 for sundry fittings which in our opinion is a contingency item

Stairs – no comment

External walls-bay window in our opinion high by £5,000, allowance for work damp-proof courses in our opinion is high by £6,000. Clarification required as to why there is insulation measured here and thermal board measured in internal walls. In our opinion this should be adjusted by £5/m2 being a difference of £10,460

External windows, internal walls, internal doors, there is an allowance of £32,500 for sundries which in our opinion is a contingency

Wall finishes- plaster skim and emulsion rate in our opinion is high by £5/m2 being a difference of £29,420, wall tiling in our opinion is high by £10/m2 being a difference of £10,000

Wall finishes, floor finishes, ceiling finishes, fittings there is an allowance of £13,500 for sundries which in our opinion is a contingency

Mechanical and electrical- intruder alarm allowance in our opinion is high £2,000 being a difference of £30,000

Lift the costs include for a lift

We would not expect builders work in connection to be more than 5% on a refurbishment project being a difference of £8,000

Preliminaries-These have been included at 16% in our opinion this is reasonable based on a refurbishment

Overheads and profit has been included as a lump sum of £38, 000 equivalent to 7.50% which in our opinion is high and 6% is more reasonable being a difference of £73,000

Design development, preliminaries and overheads and profit adjusted for adjustments above

<u>New build</u>

Garages we would not expect to be more than £650/m2 being a difference of £4,850

In our opinion preliminaries should only be 15% on new build and overheads and profit 5%

.
External works

The allowance for drainage in our opinion is high and would not expect an allowance over £15/m2 for surface and foul water drainage including attenuation being a difference of £30,500

Repairs to wall garden, we would like to receive a copy of the repairs schedule

Preliminaries we would expect to be circa 16% and overheads and profit 6% being a difference of £10,000

External services

Preliminaries we would expect to be 16% and overheads and profit 6% being a difference of £2,000

Project risks

Statutory upgrade in our opinion is a reasonable risk allowance

Renewable energy requirements to meet planning in our opinion is a reasonable allowance

Sound systems, lighting controls, enhanced specifications are not projects risks but developer wish lists and should be omitted

Damp- proof courses are already covered in the estimate and in our opinion are higher than we would expect, so in our opinion this item should be omitted

Structural repairs is in our opinion a reasonable risk allowance

Underpinning – there is already allowances in cost plan, however in our opinion this is a reasonable additional risk allowance

Drainage within the estimate is in our opinion already high, however there is potentially a risk and a risk allowance based on our assessment of the drainage is not unreasonable but in our opinion should be more in the order of £10,000 being a difference of £10,000

Work to fibrous plaster allowance in our opinion is high as cornicing allowance already included, difference £5,000

Additional site works and dry rot and timber treatment are reasonable allowances although a timber treatment allowance has already been allowed for in the estimate

.
The preliminaries appear to be circa 15.3% which in our opinion is reasonable and the overheads and profit at 7.33% which in our opinion should be 6%

Overall there is a difference of £824,909 or circa 11.78%.This makes WT Partnership's assessment £6,175,939 equivalent to £231/ft2 or £2,491/m2 GIA. A schedule of the adjustments is attached

<u>Cost assessment refurbishment and new build works</u>

<u>Demolition and enabling</u>

In our opinion the allowance for disconnecting services is high by £8,000

Demolishing single storey out buildings is high by £50/m2 being £21,250

Demolishing existing external staircase in our opinion is high by £2,000 being a difference of £4,000

Forming new window openings, allowance in our opinion is high by £550/m2 or £8,250

Forming new door openings, in our opinion allowance is high by £900 each being a difference of £2,700

Tiled area in basement- can you confirm where this is located

Breaking up and removing hardstanding in our opinion is high by £4,000 as there is separate item for digging up road for basement. Why is this higher than for the refurbishment scheme, this is a further difference making overall difference £9,000

Temporary support allowance in our opinion is high by £15,000

Remove existing door rate in our opinion is high by £25 each being a difference of £3,350.

Site clearance, why is this now £20,000 was £8,400 , difference £11,600

Alter external door openings in our opinion are high by £500 each being a difference of £4,000

Existing fireplaces appeared in good condition so in our opinion rate is high by £3,000 each being a difference of £9,000

Strip out – in our opinion this is covered in strip out item. Omit £25,000

Taking apart conservatory in our opinion is high by £10,000

.
Why is underground car park larger, we have not adjusted at this stage.

Why is digging up roads so much higher than previous, we have not adjusted at this stage

Design development is 6% when elsewhere it is 2.5%. In our opinion this should be adjusted, difference £17,000

Preliminaries-These have been included at 17.21% in our opinion this should be 16%. Difference £6,000

Overheads and profit has been included as a lump sum of £50, 000 equivalent to 8.15% which in our opinion is high and 6% is more reasonable being a difference of £13,000

Design development, preliminaries and overheads and profit adjusted for adjustments above

<u>New Build works</u>

We would expect the cost per m2 of a detached house to be lower than a semi-detached house.. We understand there would be additional costs for the walled garden units as they have basements and more glazing but these are costed separately

In our opinion the costs for the walled garden units should be £1,143/m2 which is a difference of £132,000

Garages in our opinion should be all £650/m2 being a difference of £5,750

Design development is 4.67% when elsewhere it is 2.5%. In our opinion this should be adjusted, difference £102,000

Preliminaries-These have been included at 17.21% in our opinion this should be 15% for new build. Difference £92,000

Overheads and profit has been included as a lump sum of £400,000 equivalent to 7.67% which in our opinion is high and 5% is more reasonable for the new build element being a difference of £139,000

Design development, preliminaries and overheads and profit adjusted for adjustments above

<u>Refurbishment Works</u>

The same comments apply here as for the refurbishment only scheme

.
External works

The allowance for drainage in our opinion is high and would not expect an allowance over £15/m2 for surface and foul water drainage including attenuation being £77,310 giving a difference of £242,500

Sewer connection in our opinion is high by £10,000

New tarmac road etc. what is basis of measure as higher than we would expect. It would appear the area of buildings, turf and tarmac is greater than site area. At this stage have adjusted by £50,000 subject to clarification

Repairs to wall garden, we would like to receive a copy of the repairs schedule

Design development is 5.67% and would expect 2.5% being a difference of £45,000

Preliminaries we would expect to be circa 16% and overheads and profit 6% being a difference of £26,000

The design development, preliminaries and overheads and profit allowances need to be adjusted for the above

External services

Design development we would expect to be 2.5% preliminaries we would expect to be 16% and overheads and profit 6% being a difference of £20,000

Project risks

Statutory upgrade in our opinion is a reasonable risk allowance but would expect double cost of refurbishment being a difference of £15,000

Renewable energy, would expect cost allowance to be double cost of refurbishment, difference £10,000

Sound systems, lighting controls, enhanced specifications are not projects risks but developer wish lists and should be omitted

Damp- proof courses are already covered in the estimate and in our opinion are higher than we would expect, so in our opinion this item should be omitted. Why has this increased for this option

Structural repairs is in our opinion a reasonable risk allowance

Ground remediation – what evidence can be provided to show this is required? We have not adjusted subject to receipt of evidence

.

Underpinning – there is already allowances in cost plan, however in our opinion this is a reasonable additional risk allowance

Drainage within the estimate is in our opinion already high, however there is potentially a risk and a risk allowance based on our assessment of the drainage is not unreasonable but in our opinion should be more in the order of £10,000 being a difference of £10,000. Why has work to existing drainage increased?

Work to fibrous plaster allowance in our opinion is high as cornicing allowance already included, difference £5,000

Additional site works in opinion should only be double the refurbishment option being a difference of £15,000

Dry rot and timber treatment are reasonable allowances although a timber treatment allowance has already been allowed for in the estimate

Design development is 5.95% and in our opinion this should be 2.50% being a difference of £23,000. The preliminaries appear to be circa 16.85% which in our opinion is high and should be 15% which is a difference of £13,000 and the overheads and profit at 8.41% which in our opinion should be 6% being a difference of £20,000. Overall difference £56,000

The design development, preliminaries and overheads and profit to be adjusted for the above adjustments

Overall difference £2,073,459 being 14.40 % making WT Partnership's assessment £12,321,316 equivalent to £222/ft2 or £2,391m2 GIA. A schedule of the adjustments is attached

<u>Conclusion</u>

In our opinion the construction costs for the refurbishment scheme are high by £824,909 or circa 11.78%.This makes WT Partnership's assessment £6,175,939 equivalent to £231/ft2 or £2,491/m2 GIA

In our opinion the construction costs for the refurbishment and new build costs are high by £2,073,459 being 14.40 % making WT Partnership's assessment £12,321,316 equivalent to £222/ft2 or £2,391m2 GIA

The costs include sundry allowances, design development contingency and project risk allowances. These do not appear to be duplicated elsewhere in the appraisal

The costs exclude professional fees

.
The above cost assumes all private units

The costs are subject to clarification and substantiation of
1 Location of remove tiling to basement item
2 Insulation and thermal board
3 Repairs to garden wall (copy of schedule)
4 Area of hard standing removed in refurbishment and new build scheme
5 Increase in site clearance in refurbishment and new build scheme
6 Increase in basement car park in refurbishment and new build scheme
7 Increase in road digging in refurbishment and new build scheme
8 Areas of tarmac and externals etc. in refurbishment and new build scheme
9 Ground remediation in refurbishment and new build scheme
10 Extent of work to existing drainage in refurbishment and new build scheme

General

It should be noted that there is potential for variance due to the early information the cost estimate is based compared to the cost when the works are undertaken.

It should be understood that the developer may choose to undertake value engineering exercises after the gaining of planning permission in order to reduce their cost.

The developer may also use different construction methodologies to reduce programme and therefore costs.

The information contained in this report is confidential to the parties involved in the application and may not be relied upon by any third party or used for any other purpose than to assess quantum of new buildings with the Local Authority in regard to this development, the quantum of affordable housing or other payments due to the Local Authority

Northaw House

WT Schedule of Adjustments

	Omission £	Addition £		
Refurbishment scheme				
Demolitions and enabling works				
Disconnecting services	5,000			
Demolition outbuildings	3,000			
Removing staircases	4,000			
Forming new window openings	8,250			
Forming door openings	2,700			
Remove hardstandings	4,000			
Remove tiling to basement				Pending clarification
Temporary supports	15,000			
Removing existing doors	3,350			
Alter external openings	4,000			
Existing fireplaces	9,000			
Strip out	25,000			
Taking apart conservatory	10,000			
Adjustment on design development on above	2,300			
Adjustment on preliminaries on above	15,300			
Adjustment on overheads and profit	8,000			
Adjustment on overheads and profit on above	6,600			
	125,500			
Less allowance in Madlin's estimate	536,296			
WT Partnership assessment	410,796	125,500	23.40%	
Refurbishment works				
Ground floor	133,419			
Damp- profing basement	5,000			
Conservatory structure	10,000			
Acoustic insulation to floors	78,100			
Bay window	5,000			
Damp- proof courses	6,000			
Thermal insulation	10,460			Pending clarification
Plaster skim and emulsion	29,420			
Wall tiling	10,000			
Intruder alarm	30,000			
Builders work in conection	8,000			
Adjustment on design development on above	8,100			
Adjustment on preliminaries on above	53,360			
Adjustment on overheads and profit	73,000			
Adjustment on overheads and profit on above	23,200			
	483,059			
Less allowance in Madlin's estimate	5,144,743			
WT Partnership assessment	4,661,684	483,059	9.39%	
New Build				
Garages-	4,850			
Adjustment on preliminaries	2,000			
Adjustment on overheads and profit	2,000			
	8,850			
Less allowance in Madlin's estimate	88,145			
WT Partnership assessment	79,295	8,850	10.04%	
External works				
Drainage	30,500			
Repairs to garden wall				Pending clarification
Adjustment of prelims and OH+P	10,000			
	40,500			
Less allowance in Madlin's estimate	659,414			
WT Partnership assessment	618,914	40,500	6.14%	

External Services			
Adjustment of prelims and OH+P	2,000		
	2,000		
Less allowance in Madlin's estimate	89,250		
WT Partnership assessment	87,250	2,000	2.24%
Project Risks			
Sound system	20,000		
Lighting controls	30,000		
Enhanced specifications	30,000		
Damp-proof courses	30,000		
Existing drainage	10,000		
Fibrous plaster	5,000		
Adjustment on design development on above	3,000		
Adjustment on preliminaries on above	21,000		
Adjustment on overheads and profit	6,000		
Adjustment on overheads and profit on above	10,000		
	165,000		
Less allowance in Madlin's estimate	483,000		
WT Partnership assessment	318,000	165,000	34.16%
Overall difference	824,909		
Less allowance in Madlin's estimate	7,000,848		
WT Partnership's assessment	6,175,939	824,909	11.78%
	cost per m2/ft2	2,491	231
Refurbishment and new build scheme			
Demolition and enabling works			
Disconnecting services	8,000		
Demolition outbuildings	21,250		
Removing staircases	4,000		
Forming new window openings	8,250		
Forming door openings	2,700		
Remove hardstandings	9,000		Pending clarification
Remove tiling to basement			Pending clarification
Temporary supports	15,000		
Removing existing doors	3,350		
Site clearance	11,600		Pending clarification
Alter external openings	4,000		
Existing fireplaces	9,000		
Strip out	25,000		
Taking apart conservatory	10,000		
Excavation underground car park			Pending clarification
Digging up roads			Pending clarification
Adjustment on design development, preliminaries and OH+P	32,000		
Adjustment on design development, preliminaries and OH+P on the above	34,000		
	197,150		
Less allowance in Madlin's estimate	662,868		
WT Partnership assessment	465,718	197,150	29.74%
New Build			
Walled Garden units	132,000		
Garages-	5,750		
Adjustment on design development, preliminaries and OH+P	333,000		
Adjustment on design development, preliminaries and OH+P on the above	38,000		
	508,750		
Less allowance in Madlin's estimate	5,615,353		
WT Partnership assessment	5,106,603	508,750	9.06%
Refurbishment works			
Difference	483,059		

Less allowance in Madlin's estimate	5,144,743		
WT Partnership assessment	4,661,684	483,059	9.39%
<u>External works</u>			
Drainage	242,500		
Sewer connection	10,000		
External areas	50,000		Pending clarification
Repairs to garden wall			Pending clarification
Adjustment of design development prelims and OH+P	71,000		
Adjustment on design development, preliminaries and OH+P on the above	80,000		
	453,500		
Less allowance in Madlin's estimate	1,859,138		
WT Partnership assessment	1,405,638	453,500	24.39%
<u>External Services</u>			
Adjustment of design development ,prelims and OH+P	20,000		
	20,000		
Less allowance in Madlin's estimate	210,675		
WT Partnership assessment	190,675	20,000	9.49%
<u>Project Risks</u>			
Statutory Authority services	15,000		
Renewable energy	10,000		
Sound system	60,000		
Lighting controls	80,000		
Enhanced specifications	62,000		
Damp-proof courses	45,000		
Ground remediation			Pending clarification
Existing drainage	10,000		Pending clarification
Fibrous plaster	5,000		
Additional site works	15,000		
Adjustment of design development prelims and OH+P	56,000		
Adjustment on design development, preliminaries and OH+P on the above	78,000		
	411,000		
Less allowance in Madlin's estimate	902,000		
WT Partnership assessment	491,000	411,000	45.57%
Overall difference	2,073,459		
Less allowance in Madlin's estimate	14,394,775		
WT Partnership's assessment	12,321,316	2,073,459	14.40%
	cost per m2/ft2	2,391	222

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 28-Apr-2018 12:20

› Rebased to Welwyn Hatfield (108; sample 13)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	Sample
New build							
810. Housing, mixed developments (15)	1,331	645	1,158	1,298	1,476	3,007	1193
810.1 Estate housing							
Generally (15)	1,309	634	1,120	1,272	1,444	4,441	1803
Single storey (15)	1,464	748	1,251	1,404	1,654	4,441	294
2-storey (15)	1,273	634	1,108	1,249	1,394	2,516	1369
3-storey (15)	1,295	827	1,048	1,240	1,453	2,651	136
4-storey or above (15)	2,553	1,378	-	2,344	-	4,147	4
810.11 Estate housing detached (15)	1,676	978	1,286	1,491	1,735	4,441	20
810.12 Estate housing semi detached							
Generally (15)	1,303	655	1,125	1,273	1,437	2,428	424
Single storey (15)	1,490	916	1,274	1,451	1,648	2,428	76
2-storey (15)	1,267	655	1,121	1,241	1,398	2,218	328
3-storey (15)	1,190	889	994	1,124	1,289	1,916	20
810.13 Estate housing terraced							
Generally (15)	1,332	643	1,120	1,276	1,485	4,147	386
Single storey (15)	1,468	1,000	1,229	1,400	1,695	2,175	45
2-storey (15)	1,305	643	1,112	1,274	1,448	2,516	281
3-storey (15)	1,310	835	1,042	1,217	1,407	2,651	59
4-storey or above (5)	4,147	-	-	-	-	-	1
816. Flats (apartments)							
Generally (15)	1,548	762	1,293	1,475	1,748	5,254	960
1-2 storey (15)	1,472	900	1,259	1,417	1,619	2,784	235
3-5 storey (15)	1,527	762	1,290	1,469	1,742	3,011	640
6+ storey (15)	1,931	1,126	1,565	1,865	2,045	5,254	82
818. Housing with shops, offices, workshops or the like (15)	1,904	893	1,475	1,672	2,201	4,757	87
841. Housing provided in connection with other facilities (20)	1,649	1,319	1,509	1,609	1,659	2,207	6
Rehabilitation/Conversion							

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
810. Housing, mixed developments (15)	1,225	350	883	1,058	1,673	1,861	9
810.1 Estate housing (20)	949	307	536	727	1,063	3,904	36
810.11 Estate housing detached (25)	309	271	-	-	-	348	2
810.12 Estate housing semi detached (20)	1,036	432	634	719	1,183	2,426	8
810.13 Estate housing terraced (15)	888	783	-	843	-	1,085	4
816. Flats (apartments)							
Generally (15)	1,612	481	1,023	1,317	1,705	5,699	85
1-2 storey (15)	1,821	543	1,099	1,423	1,821	5,699	22
3-5 storey (15)	1,414	481	1,099	1,273	1,483	5,217	46
6+ storey (15)	1,941	544	882	1,682	2,284	4,725	16
818. Housing with shops, offices, workshops or the like (15)	2,043	555	1,409	1,688	2,326	4,305	16
841. Housing provided in connection with other facilities (30)	1,233	-	-	-	-	-	1

New Build, Construction

Northaw House

The estimated construction duration from Start on Site to Construction Completion is 65 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 61 to 69 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 42 to 99 weeks.

The estimate is based on the following project details:

Contract value: £14,000,000 at 2Q 2018 (316; forecast) prices and Welwyn Hatfield (108; sample 13) level

Building function: Offices

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Public

Refurbishment, Construction

Northaw House

The estimated construction duration from Start on Site to Construction Completion is 53 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 42 to 67 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 28 to 96 weeks.

The estimate is based on the following project details:

Contract value: £7,000,000 at 2Q 2018 (316; forecast) prices and Welwyn Hatfield (108; sample 13) level

Building function: Flats

Procurement: Traditional lump sum without quants

Selection of contractor: Single stage tendering

Client organisation: Private

Appendix 2 - Mirror appraisal (residual mode)

APPRAISAL SUMMARY — BNP PARIBAS REAL ESTATE

Northaw House - Conservation Deficit Calculation (mirror)

Summary Appraisal for Phase 1

Currency in £

REVENUE						
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**	
Main House incl Edwardian Wing	11	14,474	493.99	650,001	7,150,011	
Coach House	1	3,630	495.87	1,800,008	1,800,008	
Ballroom Wing	2	2,885	502.60	725,001	1,450,001	
Oak Cottage	1	1,625	507.69	824,996	824,996	
Totals	**15**	**22,614**			**11,225,017**	
NET REALISATION				**11,225,017**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price			951,474			
		5.00%	47,574			
Agent Fee		1.00%	9,515			
Legal Fee		0.80%	7,612			
				1,016,174		
CONSTRUCTION COSTS						
Construction	**ft²**	**Rate ft²**	**Cost**			
Main House incl Edwardian Wing	14,474 ft²	201.00 pf²	2,909,274			
Coach House	3,630 ft²	201.00 pf²	729,630			
Ballroom Wing	2,885 ft²	201.00 pf²	579,885			
Oak Cottage	1,625 ft²	201.00 pf²	326,625			
Garage Wing (NB)	1,048 ft²	84.11 pf²	88,147			
Communal area	3,025 ft²	198.13 pf²	599,343			
Totals	**26,687 ft²**		**5,232,905**	**5,232,905**		
Contingency		5.00%	295,926			
Demolition			536,296			
External works			659,414			
Services			89,250			
				1,580,886		
PROFESSIONAL FEES						
Fees		10.00%	651,786			
				651,786		
MARKETING & LETTING						
Marketing		1.00%	112,250			
				112,250		
DISPOSAL FEES						
Sales Agent Fee		1.50%	168,375			
Sales Legal Fee	15 un	1,500.00 /un	22,500			
				190,875		
FINANCE						
Debit Rate 6.500% Credit Rate 0.100% (Nominal)						
Land			133,703			
Construction			436,716			
Other			(1,116)			
Total Finance Cost				569,304		
TOTAL COSTS				**9,354,180**		
PROFIT						
				1,870,836		
Performance Measures						
Profit on Cost%		20.00%				
Profit on GDV%		16.67%				
Profit on NDV%		16.67%				
IRR		25.38%				
Profit Erosion (finance rate 6.500%)		2 yrs 10 mths				

Appendix 3 - BNPPRE conversion only appraisal (profit as residual output)

APPRAISAL SUMMARY — BNP PARIBAS REAL ESTATE

Northaw House - Cons Deficit (profit as output)

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Main House incl Edwardian Wing	11	14,474	540.00	710,542	7,815,960
Coach House	1	3,630	540.00	1,960,200	1,960,200
Ballroom Wing	2	2,885	540.00	778,950	1,557,900
Oak Cottage	1	1,625	540.00	877,500	877,500
Totals	**15**	**22,614**			**12,211,560**
NET REALISATION				**12,211,560**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price			1		
		5.00%	0		
Agent Fee		1.00%	0		
Legal Fee		0.80%	0		
				1	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Main House incl Edwardian Wing	14,474 ft²	231.42 pf²	3,349,573		
Coach House	3,630 ft²	231.42 pf²	840,055		
Ballroom Wing	2,885 ft²	231.42 pf²	667,647		
Oak Cottage	1,625 ft²	231.42 pf²	376,057		
Garage Wing (NB)	1,048 ft²	231.42 pf²	242,528		
Communal area	3,025 ft²	231.42 pf²	700,045		
Totals	**26,687 ft²**		**6,175,906**	**6,175,906**	
PROFESSIONAL FEES					
Fees		8.13%	502,101		
				502,101	
MARKETING & LETTING					
Marketing		1.00%	122,116		
				122,116	
DISPOSAL FEES					
Sales Agent Fee		1.50%	183,173		
Sales Legal Fee	15 un	1,500.00 /un	22,500		
				205,673	
FINANCE					
Debit Rate 6.500% Credit Rate 0.100% (Nominal)					
Land			0		
Construction			243,466		
Other			(854)		
Total Finance Cost				242,611	
TOTAL COSTS				**7,248,408**	
PROFIT					
				4,963,152	
Performance Measures					
Profit on Cost%		68.47%			
Profit on GDV%		40.64%			
Profit on NDV%		40.64%			
IRR		135.36%			
Profit Erosion (finance rate 6.500%)		8 yrs 1 mth			

Appendix 4 - BNNPRE conversion only appraisal (land as residual output)

APPRAISAL SUMMARY	BNP PARIBAS REAL ESTATE

Northaw House - Cons Deficit (residual land mode)

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Main House incl Edwardian Wing	11	14,474	540.00	710,542	7,815,960
Coach House	1	3,630	540.00	1,960,200	1,960,200
Ballroom Wing	2	2,885	540.00	778,950	1,557,900
Oak Cottage	1	1,625	540.00	877,500	877,500
Totals	**15**	**22,614**			**12,211,560**
NET REALISATION				**12,211,560**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			2,501,664		
		5.00%	125,083		
Agent Fee		1.00%	25,017		
Legal Fee		0.80%	20,013		
				2,671,777	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Main House incl Edwardian Wing	14,474 ft²	231.42 pf²	3,349,573		
Coach House	3,630 ft²	231.42 pf²	840,055		
Ballroom Wing	2,885 ft²	231.42 pf²	667,647		
Oak Cottage	1,625 ft²	231.42 pf²	376,057		
Garage Wing (NB)	1,048 ft²	231.42 pf²	242,528		
Communal area	3,025 ft²	231.42 pf²	700,045		
Totals	**26,687 ft²**		**6,175,906**	**6,175,906**	
PROFESSIONAL FEES					
Fees		8.13%	502,101		
				502,101	
MARKETING & LETTING					
Marketing		1.00%	122,116		
				122,116	
DISPOSAL FEES					
Sales Agent Fee		1.50%	183,173		
Sales Legal Fee	15 un	1,500.00 /un	22,500		
				205,673	
FINANCE					
Debit Rate 6.500% Credit Rate 0.100% (Nominal)					
Land			255,626		
Construction			243,466		
Other			(366)		
Total Finance Cost				498,725	
TOTAL COSTS				**10,176,298**	
PROFIT					
				2,035,262	
Performance Measures					
Profit on Cost%		20.00%			
Profit on GDV%		16.67%			
Profit on NDV%		16.67%			
IRR		30.11%			
Profit Erosion (finance rate 6.500%)		2 yrs 10 mths			

Appendix 5 - BNPPRE enabling development appraisal (land as residual output)

APPRAISAL SUMMARY — BNP PARIBAS REAL ESTATE

Northaw House - Enabling development appraisal

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Main House incl Edwardian Wing	11	14,474	550.00	723,700	7,960,700
Coach House	1	3,630	550.00	1,996,500	1,996,500
Ballroom Wing	2	2,885	550.00	793,375	1,586,750
Oak Cottage	1	1,625	550.00	893,750	893,750
Walled Garden NB	3	9,072	550.00	1,663,200	4,989,600
Gate Lodges NB	2	2,842	550.00	781,550	1,563,100
Settlement area NB	7	12,072	550.00	948,514	6,639,600
East Drive NB	4	5,856	550.00	805,200	3,220,800
Totals	**31**	**52,456**			**28,850,800**

NET REALISATION				**28,850,800**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			8,323,342	
		5.00%	416,167	
Agent Fee		1.00%	83,233	
Legal Fee		0.80%	66,587	
				8,889,329

CONSTRUCTION COSTS

Construction	**ft²**	**Rate ft²**	**Cost**	
Main House incl Edwardian Wing	14,474 ft²	217.97 pf²	3,154,898	
Coach House	3,630 ft²	217.97 pf²	791,231	
Ballroom Wing	2,885 ft²	217.97 pf²	628,843	
Oak Cottage	1,625 ft²	217.97 pf²	354,201	
Garage Wing (NB)	1,048 ft²	217.97 pf²	228,433	
Communal area	3,025 ft²	217.97 pf²	659,359	
Walled Garden NB	9,072 ft²	217.97 pf²	1,977,424	
Gate Lodges NB	2,842 ft²	217.97 pf²	619,471	
Settlement area NB	12,072 ft²	217.97 pf²	2,631,334	
East Drive NB	5,856 ft²	217.97 pf²	1,276,432	
Totals	**56,529 ft²**		**12,321,626**	**12,321,626**

PROFESSIONAL FEES				
Fees		6.00%	739,298	
				739,298
MARKETING & LETTING				
Marketing		1.00%	288,508	
				288,508
DISPOSAL FEES				
Sales Agent Fee		1.50%	432,762	
Sales Legal Fee	30 un	1,500.00 /un	45,000	
				477,762
FINANCE				
Debit Rate 6.500% Credit Rate 0.100% (Nominal)				
Land			850,500	
Construction			476,173	
Other			(865)	
Total Finance Cost				1,325,808
TOTAL COSTS				**24,042,331**
PROFIT				
				4,808,469

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
IRR	27.52%
Profit Erosion (finance rate 6.500%)	2 yrs 10 mths