

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 dated December 2018 was prepared by Grimshaw Consulting Limited ('GCL') on behalf of LW Developments (the 'Applicant'). We note that GCL suggest that they are acting as an "independent assessor of financial viability" but it is important to note that they are appointed solely by the Applicant. They are not jointly appointed with the Council and their claimed status should be set aside. GCL have simply replaced Savills as the Applicant's advisors. The GCL report followed an earlier report produced by Savills dated April 2018. A summary chronology is provided below:

- April 2018: Savills viability submission;
- May 2018: BNPPRE review of Savills viability submission;
- August 2018: GCL viability submission;
- 4 September 2018: Initial BNPPRE response to GCL submission;
- 16 October 2018: Final BNPPRE response to GCL submission.

The Applicant argues that the repair and conversion of Northaw House to provide fifteen flats will result in a Conservation Deficit. In order to address this deficit, the Applicant is seeking planning permission for twelve residential units ('the Enabling Development'), which has reduced from the sixteen units sought through pre-application discussions on scheme viability. 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 GCL's report in order to test the inputs to and results of the appraisal. The report tests the Applicant's contention that twelve units of new build housing are required as the minimum number necessary to address the suggested 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 Ministry of Housing, 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

This report is not a valuation and should not be relied upon as such. 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.

In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

We are not aware of any conflicts of interest in relation to this assessment.

In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.

The report is addressed to Welwyn Hatfield District Council only and should not be reproduced without our consent.

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.

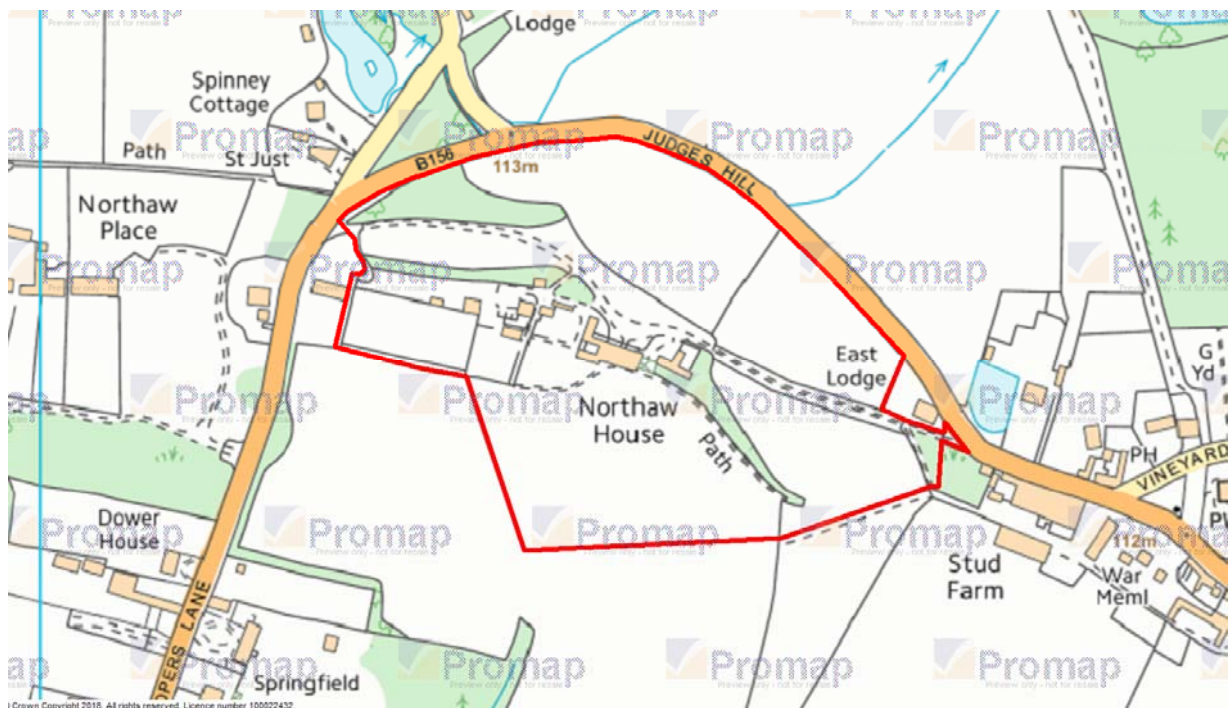
The Historic England register entry for the Property indicates that the main house was constructed in 1698 but has subsequently been converted for use as an office. The Register describes the Property as follows:

"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 12 residential units in the grounds.

The December 2018 GCL report 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	1B Flat
2	Main House	Conversion	108.42	1,167	1B Flat
3	Main House	Conversion	239.41	2,577	2B Flat
4	Main House	Conversion	182	1,959	2B Flat
5	Main House	Conversion	172.99	1,862	2B Flat
6	Main House	Conversion	125.98	1,356	2B Flat
7	Main House	Conversion	170.94	1,840	2B Flat
8	Main House	Conversion	68.47	737	1B Flat
9	Edwardian Wing	Conversion	80.83	870	2B Flat
10	Edwardian Wing	Conversion	79.43	855	2B Flat
11	Edwardian Wing	Conversion	64.2	691	1B Flat
12	Coach House	Conversion	337.24	3,630	4B Flat
13	Ballroom Wing	Conversion	133.59	1,438	3B Flat
14	Ballroom Wing	Conversion	134.43	1,447	3B Flat

Unit No	Location	Conversion/NB	NIA sqm	NIA sq ft	Unit type
15	Oak Cottage	Conversion	150.97	1,625	3B Detached House
16	Walled Garden	NB	280.94	3,024	4B Detached House
17	Walled Garden	NB	280.94	3,024	4B Detached House
18	Walled Garden	NB	280.94	3,024	4B Detached House
19	Gate Lodges	NB	132.02	1,421	3B Detached House
20	Gate Lodges	NB	132.02	1,421	3B Detached House
21	Settlement units	NB	164.16	1,767	3B Detached House
22	Settlement units	NB	164.16	1,767	3B Detached House
23	Settlement units	NB	164.16	1,767	3B Semi-detached House
24	Settlement units	NB	160.54	1,728	3B Semi-detached House
25	Settlement units	NB	160.54	1,728	3B Semi-detached House
26	Settlement units	NB	191.94	2,066	4B Detached House
27	Settlement units	NB	116.04	1,249	3B Detached Dairy
Totals		NB only	2,228.40	23,986	
		Conv only	2,100.93	22,614	
		All	4,329.33	46,600	

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

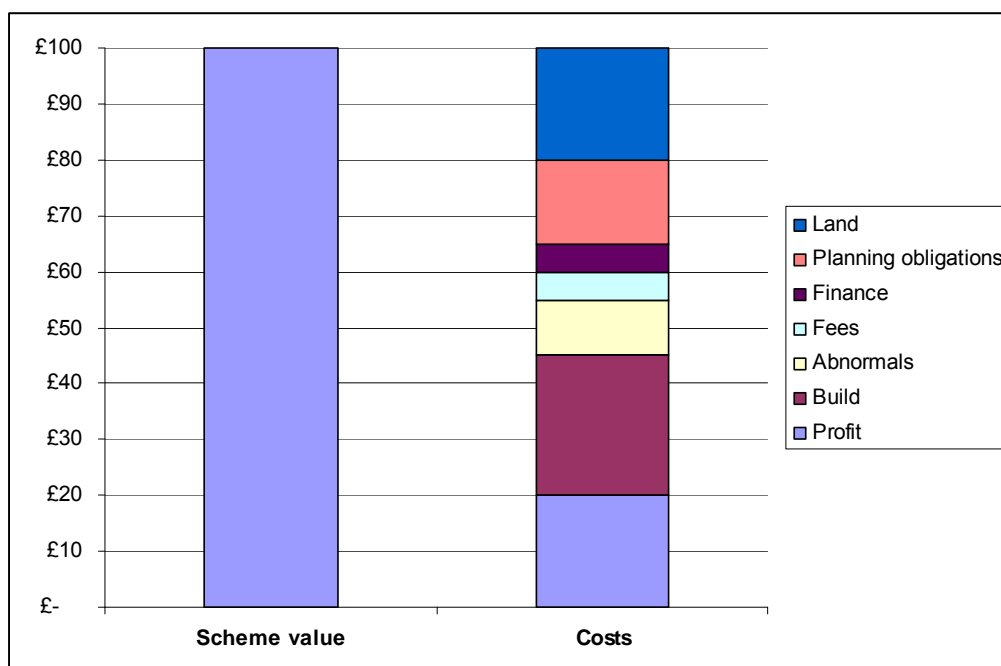
3.1 Calculating the value of new build development

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 GCL in their assessment of the proposed development.

4.1 Private residential values

GCL's appraisal applies a total value of £10,530,000 for the conversion/refurbishment scheme, equating to £465.64 per square foot, based on 22,614 square feet NIA. For the combined conversion/refurbishment and new build scheme, GCL apply a total value of £25,015,000, equating to £476.88 per square foot, based on 52,456 square feet NIA. In contrast, the Applicant's first viability submission indicated that values would be higher at £493 per square foot.

In an earlier version of our report, we highlighted 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

GCL suggested that “the predominant dwelling types are detached houses (13 out of 17 transactions) with an average NSA of 2,372 square feet and an average selling price of £1,227,038 (£517 per square foot)” and that “many of the properties referred to are located within close proximity to Cuffley railway station or are located in roads that are considered to be premium, such are [sic] The Ridgeway, Vineyards Road and Carbone Hill”.

It is unclear why GCL draw attention to the “predominant dwelling types” being detached houses, as most of the houses in the proposed enabling development are detached houses.

GCL present data from the wider EN6 post code area which includes properties in Potters Bar, South Mimms, Cuffley and Northaw. Clearly properties in Potters Bar are not relevant comparables.

GCL have attempted to reflect the unique nature of flats within a listed building, but have relied upon sales of units at Wormleybury Manor, which is located 8 miles to the east of Northaw and was converted 23 years ago. GCL identify a number of units that are being marketed but none have since completed. These units would attract higher sales values than those suggested by GCL if they achieve their marketing prices. To a degree, we agree that Wormleybury Manor has more heritage interest than the subject site but it is also marginally further to a railway station.

An opinion submitted by local estate agents Statons suggests 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”. Clearly there is a degree of uncertainty as to the precise value that units in the converted house and the new build units in the grounds could achieve. We have modelled the scheme using the values advanced by GCL but we suggest that the Council and the Applicant revisit this issue when units have been sold.

4.2 Construction costs

GCL’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
Demolition and enabling	£536,296	£662,868
Refurbishment works	£5,144,743	£5,615,352
New build works	-	£5,144,743
Garage Wing	£88,145	-
External works	£659,414	£1,859,138
Services	£89,250	£210,675
Project risks	£483,000	£902,000
Total including contingency	£7,000,848	£14,394,776
Total gross internal floor area	2,479 sqm	5,154 sqm
Cost per square metre (including contingency)	£2,823	£2,793

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 £14,394,775.

The cost plan has been reviewed by WT Partnership (‘WTP’), whose report is attached at Appendix 1. WTP 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 £12,321,317 (including contingency). The adjusted costs are summarised in Table 4.2.2.

Table 4.2.2: WTP adjusted build costs

Item	Conversion and refurbishment only	Conversion, refurbishment and new build
Demolition and enabling	£473,104	£567,387
Refurbishment works	£4,538,539	£4,806,503
New build works	-	£4,403,681
Garage Wing	£77,759	-
External works	£581,715	£1,591,343
Services	£78,734	£180,329
Project risks	£426,088	£772,074
Total including contingency	£6,175,939	£12,321,317
Total gross internal floor area	2,479 sqm	5,154 sqm
Cost per square metre (including contingency)	£2,491	£2,391

Madlins have subsequently reduced their build costs allowances to £13,878,062, excluding repairs to the Walled Garden (a Grade II listed structure). Given that there is not an agreed position on costs, we have applied WTP's costs in our appraisals. However, given that the original costs are dated February 2018, we have applied indexation to the WTP costs by reference to the BICS All-In Tender Price Index, which has increased by 4.32% between Qtr 2 of 2018 and Qtr 3 of 2019. A summary of WTP costs with indexation is provided at Table 4.2.3.

Table 4.2.3: WTP adjusted costs with indexation

Item	Conversion and refurbishment only	Conversion, refurbishment and new build
Demolition and enabling	£493,547	£591,904
Refurbishment works	£4,734,648	£5,014,191
New build works	-	£4,593,964
Garage Wing	£81,119	-
External works	£606,851	£1,660,105
Services	£82,136	£188,121
Project risks	£444,499	£805,435
Total including contingency	£6,442,801	£12,853,719
Total gross internal floor area	2,479 sqm	5,154 sqm
Cost per square metre (including contingency)	£2,599	£2,494

It should be noted that if the number of units in the enabling development appraisal is adjusted, some of the costs will fall commensurate with the reduction in floorspace. However, clearly we do not have cost plans available for different iterations of the Scheme and it is only possible to estimate the impact by applying a pro-rata reduction in costs. This applies only to external works and services which are linked to the volume of housing being provided.

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 assumptions are within the normal range of and we have applied the same assumptions in our appraisal.

4.4 Professional Fees

GCL have applied an allowance for fees of 10% of the cost of works. The 10% allowance is not unreasonable, albeit at the top end of the range for new build units. We have adopted the same allowance in our appraisal.

4.5 Developer's return

The GCL report indicates a target rate of return of 20% of GDV 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

GCL 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 Marketing and Disposal Costs

For the refurbishment/conversion scheme, GCL's appraisal incorporates an allowance of 1% 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 although the marketing budget is too low at 1%. We have therefore applied a 2% allowance for marketing plus an additional 1.5% for sales agent's fees.

The marketing budget for the refurbishment/conversion and new build scheme amounts to 1% of GDV plus an additional 1.5% of GDV for sales agent's fees and £1,500 per unit for sales legal fees. Again, we have adjusted the marketing budget to 2% of GDV.

4.8 Development programme

GCL's report indicates that the development programme for the conversion/refurbishment scheme will extend to 21 months, as summarised in Table 4.8.1.

Table 4.8.1: GCL's refurbishment/conversion scheme development programme

Activity	Number of months	Start	Finish
Purchase	0	Jun 2019	Jun 2019
Pre-construction	4	Jun 2019	Sep 2019
Construction	24	Oct 2019	Sep 2021
Sales	8	Apr 2021	Nov 2021

The conversion of Northaw House will be completed within 21 months with units selling from April 2021. The new build units will then be completed in September 2021, with the final unit sold by November 2021. This overall timetable is not unreasonable.

5 Analysis

5.1 Market value of the heritage asset

The August 2018 GCL submission valued the site on the basis of the following uses:

- Main House, Apple Store and outbuildings: B1 office
- Caretakers flat: valued as residential
- Oak Cottage and Stable Block: sale in unimproved condition to private individuals who would undertake their own refurbishment for owner occupation
- Walled garden, pasture land and woodland: sale of land to private individuals

Table 5.1.1 summarises the floor areas and site areas for each component of the Site.

Table 1: Floor areas of existing buildings and site areas of associated land

Building	Floor area sq ft GIA	Floor area sq ft NIA	Site area (acres)	Use
Main House including Edwardian Wing and Ballroom Wing	26,092	12,742	-	B1 office
Apple Store	502	502	-	B1 office
Outbuildings	1,950	1,950	-	B8 storage
Caretaker's flat	969	969	-	C3 residential
Stable Block	3,118	3,118	0.75	C3 residential
Oak Cottage	1,150	1,150	0.55	C3 residential
Walled garden			1.09	Horticultural/ amenity
Paddock south of Main House			4.15	Pasture
Paddock north of Main House, frontage to Judges Hill			4.35	Pasture
Paddock adjacent to East Lodge House			2.47	Pasture
Paddock adjacent to Stud Farm House			2.56	Pasture
Woodland North of access driveway			1.00	Pasture
Woodland south of Main House			1.68	Pasture
Totals	33,781	20,431	18.60	

5.1.1 Main House, Apple Store and Outbuildings

GCL attributed a rent of £15 per square foot to the office space in the ground and upper floors of the Main House and £7.50 per square foot to the basement of the Main House, the outbuildings and the Apple Store. In the context of the comparable evidence in his report; the compromised layouts which do not suit current requirements; the condition of the building (even after the light refurbishment envisaged); and the evident lack of demand resulting from the marketing campaign; these rents are ambitious for the quantum of space to be let. We have therefore adopted a rent of £12.50 per square foot for the Main House and £7.50 per square foot for the basement and other buildings.

We note that GCL have incorporated an allowance for refurbishment of £900,000 plus professional fees at 10%. He compares this figure on a per square foot basis to Spon's guide for "good quality, Cat B fit-out of Out of Town offices (South East England)" which in the main will be for fitting out newly constructed, modern buildings. This is clearly an inappropriate comparator for repair works to a listed building. We note in the cost plan that the replacement roof alone will cost £821,365 including

preliminaries, overheads & profit and fees. This leaves very little for repairs to plasterwork and no more than a basic redecoration.

GCL also seek to rely upon sales of other houses as a sense check on their capital value, but these houses are not reliable as comparators. Clare Hall Manor is in good condition and is set up largely as residential. Clare Hall Laboratories are modern purpose built laboratories with no disrepair and are no comparable to Northaw House. North Mymms Park is a Grade I listed Jacobean Mansion with 90 acres, also in in good condition and has more significant heritage interest than Northaw House.

5.1.2 Walled Garden, Woodland & Pasture

Mr Grimshaw has valued the Walled Garden, Woodland and Pasture land at £450,000, or £26,000 per acre. The Walled Garden clearly has the liability of the repairs required to the Walled Garden (shown in the cost plan as £203,000 plus preliminaries and overheads & profit) which has not been taken into account.

Mr Grimshaw has relied upon a number of land sales which we comment on below:

- Land at Shillington Road, Pirton: sold with “medium/long term development potential”;
- Walled Garden & Orchard 2.24 acre site. Sold for development of a new dwelling by a private individual. Planning application 3/16/2227/FUL and associated application for listed building consent were submitted in October 2016. The application was eventually withdrawn;
- Land at Abdale House, Warrengate Road, North Mymms AL9 7TX: this property is being marketed as an equestrian centre with the benefit of two stable buildings. The property has not transacted at the asking price and this cannot be relied upon;
- Land at Hunton Bridge is being marketed at an average of £15,427 per acre, which is far more likely to be a realistic price for greenfield sites without development potential.

Given that there is a presumption against development on the subject site, any comparable where development potential is reflected should be excluded. We have therefore valued the land at £15,000 per acre.

5.1.3 Premium

GCL argued that there should be a premium of 20% added to his existing use values on the basis of “*the duration of the current ownership and inherent costs in maintaining the Heritage Asset for a period of almost 50 years*”. Clearly the previous owner had not property maintained the asset in recent years, resulting in significant damage.

GCL also rely upon my proof of evidence for Bramshill House which notes that I had applied a “basic 20% premium to reflect the NPPF requirement for landowners to secure a competitive return upon sale of land for development”. GCL’s interpretation of my proof of evidence is incorrect as the situation there was quite different. The Appellant was not seeking permission for enabling development, as they were developing on the footprint of existing buildings. There were no dwellings proposed that would not normally be acceptable in planning terms. In any event, the Appellant agreed during the Inquiry that application of a premium was inappropriate, as Savills had valued the existing buildings on the basis of comparable transactions.

The bulk of GCL’s valuation of the existing buildings is based on market values and it is therefore inappropriate to apply a premium to these values (there is no concept of ‘market value plus’). Given the state of disrepair of the Main House, bringing it back into use as an office is akin to an alternative form of development, for which it would be inappropriate to apply a premium.

Furthermore, in their December 2018 submission, GCL rely upon paragraph 015 of the July 2018 Planning Practice Guidance which stated EUV is “*the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning permissions, including realistic deemed consents, but without regard to alternative uses*”. However,

the May 2019 PPG has removed the wording “*together with the right to implement any development for which there are policy compliant extant planning permissions...*”. The PPG now states at paragraph 017 that “*where it is assumed that an existing use will be refurbished or redevelopment, this will be considered as an AUV [alternative use value] when establishing BLV*”. In connection with AUV, the PPG states that “*valuation based on an AUV includes the premium to the landowner*”. The updated PPG clearly confirms that no premium would apply in this case.

2.4 Conclusion

In light of the comments above, we have agreed a benchmark land value of £1.6 million (see appraisal at Appendix 2).

5.2 Conservation deficit

Our appraisal of the Conservation Deficit is attached as Appendix 3. This shows a Conservation Deficit of £1,528,811.

5.3 Appraisal results

5.3.1 GCL’s appraisal results

GCL’s appraisal of the repair and conversion of the heritage assets suggests a conservation deficit of £4,479,783. Although they did not provide a separate appraisal of the proposed enabling development to demonstrate the value generated, a combined appraisal (incorporating both the converted units and the new build units) generates a profit of 10.41% of GDV, which falls below the target level of profit generally accepted. On the basis of these results, GCL conclude that the amount of enabling development proposed by the Applicant is insufficient.

5.3.2 Commentary on the results

GCL’s conservation deficit relies upon a value of the Site as offices which is overstated, as noted in Section 5.1 above. GCL’s site value is £4,218,000. Our calculation of the value of the Site, accepting that offices could be a viable use, albeit not the optimum viable use, is £1,600,000. Our calculation of the Conservation Deficit is £1,528,811, including the market value of the Site in its existing office use.

As a result of the reduction in the value of the Site in its existing use and use of WTP’s build costs (with indexation), our appraisal incorporating a reduced scale of enabling development (removal of the 2 Gate Lodge units in addition to the removal of the 4 East Drive units previously agreed by the Applicant, leaving 10 units). This reduced scheme generates a residual value of £1,535,369 which is marginally higher than the Conservation Deficit of £1,528,811.

6 Conclusions

The Applicant initially argued that the heritage asset had a market value of over £4 million which resulted in a conservation deficit and need for enabling development comprising 16 residential units. 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 can make the need for enabling development a 'self-fulfilling prophecy' by building a land cost into the assessment that the place itself cannot meet.

During pre-application discussions, the Applicant argued that the heritage asset could continue to be used as an office, although this would not be the optimum viable use as historic use of the building as an office had led to under-investment and disrepair. GCL sought to attribute a value of the Site as an office of £4,218,000, which we adjusted downwards to £1,600,000 based on reasonable adjustments to rents and costs. The Applicant accepts this reduction.

As a result of the reduction in the value of the Site, the amount of enabling development required has reduced from 16 units to 10 units, enabling all 4 units in the East Drive to be removed and 2 gate house units to be removed.

Appendix 1 - Cost plan review

Development

**Northaw House
Coopers lane
Northaw
Potters Bar
EN6 4PS**

Draft

Report on Cost Assessment

May 2018

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

Refurbishment Works

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

New build

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

Cost assessment refurbishment and new build works

Demolition and enabling

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

New Build works

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

Refurbishment Works

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 £2,391/m² GIA. A schedule of the adjustments is attached

Conclusion

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 £2,391/m² 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 £	
<u>Refurbishment scheme</u>			
<u>Demolitions and enabling works</u>			
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	<u>536,296</u>		
WT Partnership assessment	410,796	125,500	23.40%
<u>Refurbishment works</u>			
Ground floor	133,419		
Damp- proofing 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 connection	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	<u>5,144,743</u>		
WT Partnership assessment	4,661,684	483,059	9.39%
<u>New Build</u>			
Garages-	4,850		
Adjustment on preliminaries	2,000		
Adjustment on overheads and profit	2,000		
	8,850		
Less allowance in Madlin's estimate	<u>88,145</u>		
WT Partnership assessment	79,295	8,850	10.04%
<u>External works</u>			
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	<u>659,414</u>		
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	<u>89,250</u>		
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	<u>483,000</u>		
WT Partnership assessment	318,000	165,000	34.16%
Overall difference	824,909		
Less allowance in Madlin's estimate	<u>7,000,848</u>		
WT Partnership's assessment	6,175,939	824,909	11.78%
	cost per m2/ft2	2,491	231

Refurbishment and new build schemeDemolition 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	<u>662,868</u>		
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	<u>5,615,353</u>		
WT Partnership assessment	5,106,603	508,750	9.06%

Refurbishment works

Difference	483,059		
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Less allowance in Madlin's estimate	<u>5,144,743</u>		
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	<u>1,859,138</u>		
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	<u>210,675</u>		
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	<u>902,000</u>		
WT Partnership assessment	491,000	411,000	45.57%
Overall difference	2,073,459		
Less allowance in Madlin's estimate	<u>14,394,775</u>		
WT Partnership's assessment	12,321,316	2,073,459	14.40%
cost per m2/ft2		2,391	222

Appendix 2 - MV of heritage asset

Northaw House - MV of heritage asset

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	Unit Price	Gross Sales
Stable block	1	750,000	750,000
Oak Cottage	1	300,000	300,000
Caretakers Cottage	1	300,000	300,000
Walled garden and pasture land	<u>1</u>	260,000	<u>260,000</u>
Totals	4		1,610,000

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Main House excl basement	1	11,073	12.00	132,876	132,876	132,876
Basement, Apple Store, Outbuildings	<u>1</u>	<u>4,121</u>	7.50	30,908	<u>30,908</u>	<u>30,908</u>
Totals	2	15,194			163,784	163,784

Investment Valuation

Main House excl basement

Market Rent	132,876	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	1,919,480

Basement, Apple Store, Outbuildings

Market Rent	30,908	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	446,479
					2,365,959

GROSS DEVELOPMENT VALUE

3,975,959

Purchaser's Costs	6.38%	(150,948)	(150,948)
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NET DEVELOPMENT VALUE

3,825,011

NET REALISATION

3,825,011

OUTLAY

ACQUISITION COSTS

Residualised Price			1,595,947
Stamp Duty	5.00%		79,797
Agent Fee	1.00%		15,959
Legal Fee	0.50%		7,980
			1,699,684

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Main House excl basement	26,092 ft ²	35.00 pft ²	913,220
Basement, Apple Store, Outbuildings	<u>4,121 ft²</u>	35.00 pft ²	<u>144,235</u>
Totals	30,213 ft²		1,057,455

Contingency	5.00%	52,873	52,873
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PROFESSIONAL FEES

Professional fees	10.00%	105,746	105,746
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MARKETING & LETTING

Letting Agent Fee	15.00%	24,568	
Letting Legal Fee	5.00%	8,189	
			32,757

DISPOSAL FEES

Sales Agent Fee	1.00%	38,250	
Sales Legal Fee	0.50%	19,125	
			57,375

FINANCE

Debit Rate 6.000% Credit Rate 0.000% (Nominal)			
Land			149,669
Construction			31,950
Total Finance Cost			181,619

TOTAL COSTS

3,187,508

Northaw House - MV of heritage asset

PROFIT

637,503**Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	16.03%
Profit on NDV%	16.67%
Development Yield% (on Rent)	5.14%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR	24.79%
Rent Cover	3 yrs 11 mths
Profit Erosion (finance rate 6.000%)	3 yrs 1 mth

Appendix 3 - Conservation deficit calculation

Northaw House - CD amended

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Northaw House	8	12,058	442.86	667,501	5,340,006
Coach House	1	3,630	495.87	1,800,000	1,800,000
Ballroom Wing	2	2,885	485.27	700,000	1,400,000
Oak Cottage	1	1,625	483.08	785,000	785,000
Edwardian Wing	3	2,416	498.76	401,667	1,205,000
Totals	15	22,614			10,530,006

NET REALISATION

10,530,006

OUTLAY

ACQUISITION COSTS

Fixed Price			1,600,000	
		5.00%	80,000	
Agent Fee		1.00%	16,000	
Legal Fee		0.80%	12,800	
				1,708,800

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Northaw House	12,058 ft ²	184.67 pf ²	2,226,751	
Coach House	3,630 ft ²	184.67 pf ²	670,352	
Ballroom Wing	2,885 ft ²	184.67 pf ²	532,773	
Oak Cottage	1,625 ft ²	184.67 pf ²	300,089	
Edwardian Wing	2,416 ft ²	184.67 pf ²	446,163	
Communal areas	3,024 ft ²	184.67 pf ²	558,442	
Totals	25,638 ft²		4,734,569	4,734,569

Other Construction

Temporary protection works			58,000	
Demolition and enabling			493,648	
External works			606,851	
Services			82,136	
Garage Wing			81,119	
Project risks			444,499	
				1,766,253

PROFESSIONAL FEES

Fees		10.00%	650,082	
				650,082

MARKETING & LETTING

Marketing		2.00%	210,600	
				210,600

DISPOSAL FEES

Sales Agent Fee		1.50%	157,950	
Sales Legal Fee	15 un	1,500.00 /un	22,500	
				180,450

MISCELLANEOUS FEES

Developer's profit		20.00%	2,106,001	
				2,106,001

FINANCE

Debit Rate 6.500% Credit Rate 0.100% (Nominal)				
Land			266,902	
Construction			408,027	
Other			27,133	
Total Finance Cost				702,061

TOTAL COSTS

12,058,817

CONSERVATION DEFICIT

(1,528,811)

Appendix 4 - BNPPRE enabling development appraisal

Northaw House - Enabling Dev amended

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Northaw House	8	12,058	442.86	667,501	5,340,006
Coach House	1	3,630	495.87	1,800,000	1,800,000
Ballroom Wing	2	2,885	485.27	700,000	1,400,000
Oak Cottage	1	1,625	483.08	785,000	785,000
Edwardian Wing	3	2,416	498.76	401,667	1,205,000
Walled Garden NB	3	9,072	446.43	1,350,004	4,050,013
Settlement area NB	7	<u>12,072</u>	509.03	877,859	<u>6,145,010</u>
Totals	25	43,758			20,725,029

NET REALISATION

20,725,029

OUTLAY

ACQUISITION COSTS

Residualised Price		1,535,369	
	5.00%	76,768	
Agent Fee	1.00%	15,354	
Legal Fee	0.80%	12,283	
			1,639,774

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Northaw House	12,058 ft ²	179.19 pf ²	2,160,673
Coach House	3,630 ft ²	179.19 pf ²	650,460
Ballroom Wing	2,885 ft ²	179.19 pf ²	516,963
Oak Cottage	1,625 ft ²	179.19 pf ²	291,184
Edwardian Wing	2,416 ft ²	179.19 pf ²	432,923
Walled Garden NB	9,072 ft ²	179.19 pf ²	1,625,612
Settlement area NB	12,072 ft ²	179.19 pf ²	2,163,182
Communal areas	<u>3,024 ft²</u>	179.19 pf ²	<u>541,871</u>
Totals	46,782 ft²		8,382,867

8,382,867

Other Construction

Temporary protection works		58,000	
Demolition and enabling		591,904	
External works	46,782 ft ²	29.92 pf ²	1,399,717
Services		188,121	
Garden wall repairs		498,595	
Garage Wing		185,937	
Project risks		805,435	
			3,727,709

3,727,709

PROFESSIONAL FEES

Fees	10.00%	1,211,058	
			1,211,058

1,211,058

MARKETING & LETTING

Marketing	2.00%	414,501	
			414,501

414,501

DISPOSAL FEES

Sales Agent Fee	1.50%	310,875	
Sales Legal Fee	15 un 1,500.00 /un	22,500	
			333,375

333,375

FINANCE

Debit Rate 6.500% Credit Rate 0.100% (Nominal)			
Land		256,120	
Construction		609,976	
Other		4,644	
Total Finance Cost			870,740

870,740

TOTAL COSTS

16,580,023

PROFIT

4,145,006

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%

Northaw House - Enabling Dev amended

Profit on NDV%	20.00%
IRR	30.18%
Profit Erosion (finance rate 6.500%)	3 yrs 6 mths