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F.a.o. Dean Williamson MRICS

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14th May 2021

Dear Sirs,

NORTHAW HOUSE, NORTHAW, HERTFORDSHIRE.

Further to the Aspinall Verdi report dated April 2021, I comment as follows (albeit I have not updated my previous opinion dated 2/10/2020):-

General:-

With respect, I consider Aspinall Verdi's ('AV's) conclusion to be a nonsense.

The Consented Scheme (25 units) does not drive a positive residual land value ('RLV') and even if it did drive a positive RLV of £578,000, this would not result in a viable scheme in accordance with NPPG and RICS viability principles (and common sense).

In other words, even based on AV's figures (which we do not agree with), this site would not come forward based upon a 25 unit scheme as there would be no incentive for anybody to release the site for £578,000 when another valid option drives a higher value.

Therefore, implementation of an optimum use (i.e. residential conversion) would/could not happen and there would be a default to a non-optimum (but viable) alternative. This would defeat the heritage objective.

If the Historic England document leads anybody to conclude otherwise, it is either being misinterpreted or it needs to be modified/clarified. My interpretation of the whole of the Historic England document (as opposed to selected paragraphs and where my interpretation is aligned with NPPG and the latest RICS guidance) is that the conservation deficit is: GDV optimum viable use - (current value of site + costs of conversion).

Here, a reasonable BLV plus the development costs relating to the 25 units scheme is greater than the GDV of the 25 unit scheme and so a conservation deficit exists.

AV appear to have misinterpreted the Historic England guidance by only referring to selected paragraphs in it rather than the whole document. There are a number of paragraphs in the document that confirm it is reasonable and appropriate to account for a reasonable existing value and even a purchase price (if reasonable).

BLV

Using Northaw House as office space is not the optimum viable use (in heritage terms), but it is viable.

AV claim at their S.6.6 that a significant BLV undermines the need for enabling development. This is simply wrong because using Northaw House for offices is not the optimum viable use in heritage terms. Enabling development is needed to deliver an optimum viable use which is viable.

A significant BLV exists and is entirely relevant here but AV have made no attempt to review or assess one.

Residual Appraisal of 25 Unit Scheme (and 27 & 31 Unit Schemes):-

AV appear to agree with most of the appraisal assumptions I used with the exception of build costs, S.106 costs and profit.

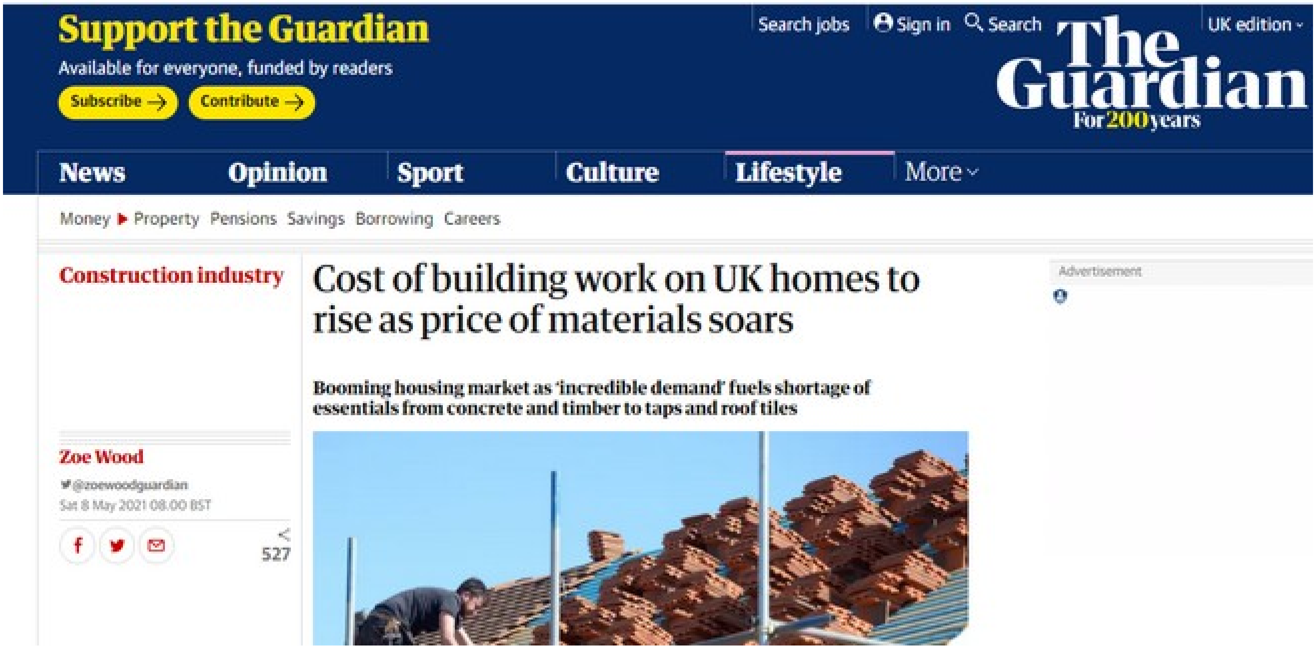
AV have not appraised a 27 and 31 unit scheme but I assume they would agree with my appraisal assumptions for these but, again, with the exception of build costs, S.106 costs and profit.

Build Costs – 25 Unit Scheme (and 27 & 31 Unit Schemes);-

You have already made your thoughts known on the AV/Concert build cost assumption to AV via your e-mail dated 4/5/2021 (which also identifies additional evidential costs on top of the previous Madlins assessment I relied upon). I echo everything you have said.

In particular, the Concert opinion is simply not credible given that they explicitly state that they have not even inspected the site (which is critical in this context).

Although it has not yet fed into BCIS indices, I also understand from a number of QSs I have been working alongside recently that building costs have been rising steeply over recent weeks. For example the cost of concrete is said to have gone up by 15% and British Steel have just closed their order books (so I believe) as they are at full capacity. Recent media coverage confirms this and includes:-



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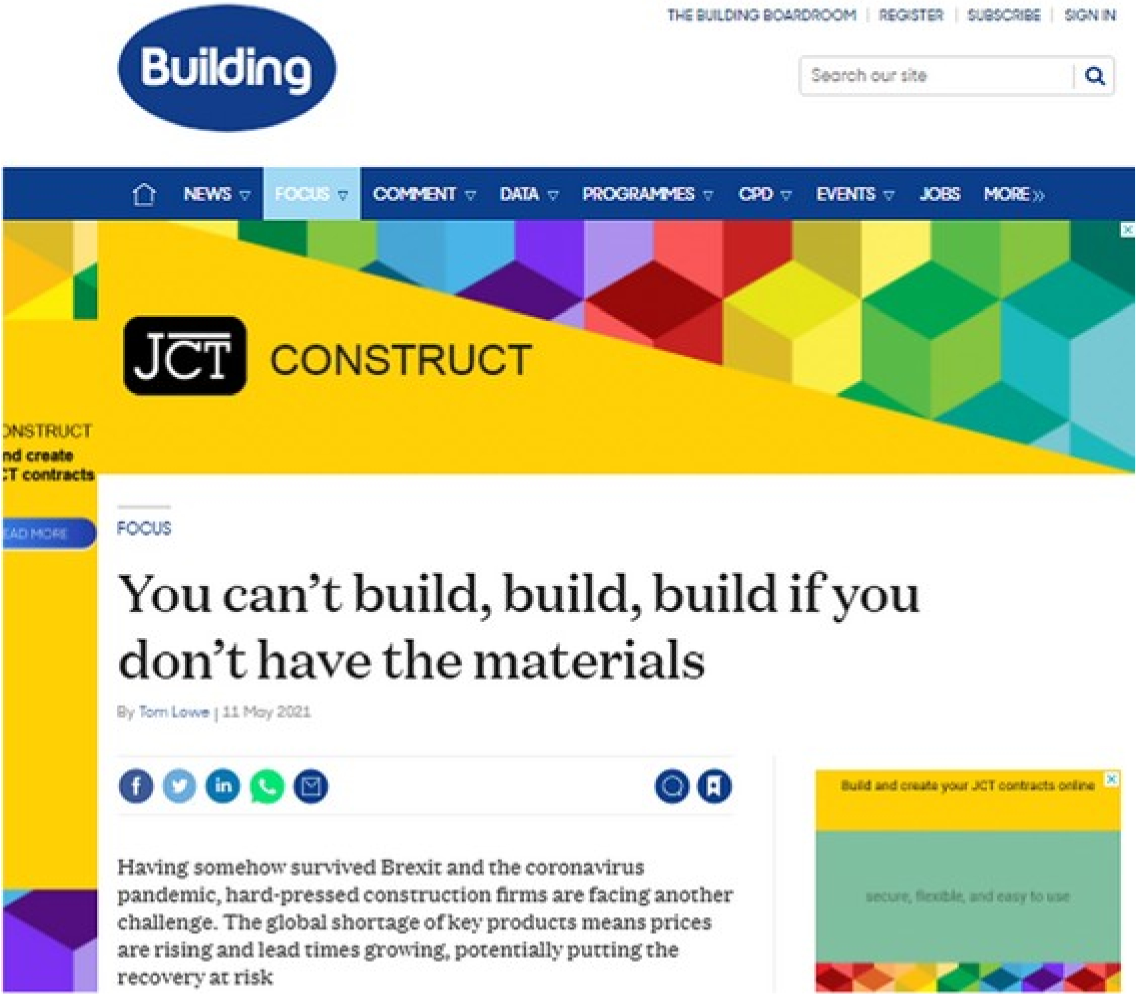

The Concert build cost opinion is as at Q3 2020 but we are obviously now in Q2 2021 (and almost Q3) following a major economic shock (which has not ended).

S.106 Costs:-

As you have already identified, AV have assumed a cost which is irrefutably too low.

We would ask why AV have not used the S.106 agreed with the Council for the 25 unit scheme. We have and we have then extrapolated this for the 27 and 31 unit schemes.

Profit Target:-

AV have used a profit target of 20% on GDV and make reference to the range referred to in NPPG and the 20% on GDV rate used in the 'plan-wide assessment' for private residential.

However, that guidance was pre-COVID19. Since then, market risk and uncertainty has significantly increased which should reasonably be reflected by way of an increased profit target.

We consider 22% to be reasonable here.

AV have not applied any uplift to reflect increased risk and uncertainty which is not reasonable.

Residual Appraisal Conclusion - 25 Unit Scheme (and 27 & 31 Unit Schemes):-

AV's residual appraisal should not reasonably be driving any residual land value.

Their build cost, S.106 cost and profit target assumptions are too low.

Their build costs are too low for the reasons you have already stated and because updating them to Q2/3 2021 would attract a significant increase alone (indeed, possibly enough to completely erode their RLV).

Overall Conclusion:-

The AV viability conclusion is a nonsense by not accounting for any BLV. This is contrary to <u>all</u> guidance.

The RLV driven by AV's appraisal of the 25 unit scheme is substantially overstated. Even if it was correct, it would not be viable.

Reasonably, the 25 unit scheme clearly drives a negative land value and is not viable (i.e. because it is below a reasonable BLV).

To achieve an optimum viable use (i.e. mainly residential conversion), there is a clear need for the 31 unit scheme. There is no point pretending otherwise if heritage goals are to be achieved.

Yours faithfully,

[redacted]

James Brown BSc (Hons) MRICS
RICS Registered Valuer
Director