



PRIVATE AND CONFIDENTIAL

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Your ref:
Our ref: ADL/180839

15 October 2018

Dear Sarah

NORTHAW HOUSE – ROBERT GRIMSHAW VIABILITY SUBMISSION

Following our response to the Applicant's initial viability submission drafted by Savills, we have reviewed a subsequent submission prepared by Robert Grimshaw. In summary, this submission suggests that additional enabling development is required beyond the level proposed in the Application. We issued some preliminary observations on this submission, following which we met with officers and the Applicant on 26 September. This letter provides our final advice having discussed matters raised in Mr Grimshaw's submission with the Applicant and officers.

1. Optimum viable use

Mr Grimshaw's exercise submission suggests that the existing buildings have a viable use as offices (and other minor uses) and on face value this should normally negate the need for any enabling development. We draw your attention to the Planning Practice Guidance which you will be familiar with. In particular, we note the following paragraph in reference to determining the 'optimum viable use' of a heritage asset:

“What is a viable use for a heritage asset and how is it taken into account in planning decisions?”

The vast majority of heritage assets are in private hands. Thus, sustaining heritage assets in the long term often requires an incentive for their active conservation. Putting heritage assets to a viable use is likely to lead to the investment in their maintenance necessary for their long-term conservation.

By their nature, some heritage assets have limited or even no economic end use. A scheduled monument in a rural area may preclude any use of the land other than as a pasture, whereas a listed building may potentially have a variety of alternative uses such as residential, commercial and leisure.

In a small number of cases a heritage asset may be capable of active use in theory but be so important and sensitive to change that alterations to accommodate a viable use would lead to an unacceptable loss of significance.



It is important that any use is viable, not just for the owner, but also the future conservation of the asset. It is obviously desirable to avoid successive harmful changes carried out in the interests of repeated speculative and failed uses.

If there is only one viable use, that use is the optimum viable use. If there is a range of alternative viable uses, the optimum use is the one likely to cause the least harm to the significance of the asset, not just through necessary initial changes, but also as a result of subsequent wear and tear and likely future changes.

The optimum viable use may not necessarily be the most profitable one. It might be the original use, but that may no longer be economically viable or even the most compatible with the long-term conservation of the asset. However, if from a conservation point of view there is no real difference between viable uses, then the choice of use is a decision for the owner.

Harmful development may sometimes be justified in the interests of realising the optimum viable use of an asset, notwithstanding the loss of significance caused provided the harm is minimised. The policy in addressing substantial and less than substantial harm is set out in paragraphs 132 – 134 of the National Planning Policy Framework”. (Paragraph: 015 Reference ID: 18a-015-20140306) – emphasis added.

The Applicant argues that retention of the existing office use would not be the optimum viable use. They argue that the building could be re-let as an office but that over successive years, previous office occupiers have failed to invest in the building and this lack of investment would, in their view, continue with future office occupiers. The Applicant therefore argues that the Council should reflect the value of the Site as offices (based on its potential re-occupation for this use) but that this would not be the optimum viable use as there would be no significant investment in the buildings.

We do not disagree that the buildings are capable of occupation, subject to some major interventions to address decay and prevent further deterioration due to water ingress, but demand would be limited (as demonstrated by the Applicant's marketing exercise). The conclusions of the marketing exercise were as follows:

“Jaggard Baker were instructed by Northaw Properties Limited to market Northaw House in October 2014.

This property was advertised on line and in local and national publications, including adverts in the Estates Gazette and Country Life magazine. Direct mailing was undertaken to local and national agents, together with specialist property agents active in the healthcare/retirement and leisure markets. The property was advertised as suitable for continued office use or alternatively residential, hotel or care home (subject to the necessary consents being obtained).

We received a lot of interest in the property and held two open house viewing days in November, where 18 parties inspected the property. Offers were requested to be submitted by 19 December 2014 and in total 7 proposals were received. All of the bids were from the residential sector”.

The lack of offers for occupation of the buildings for continued office use must be a significant factor in determining the potential value of the existing use of the Main House and Apple Store. In order to attract tenants, the rent would need to be pitched at a level that would overcome the locational disadvantages that evidently prevented potential businesses from expressing interest in the property for office use in the marketing campaign.



2. Mr Grimshaw’s approach to site value

To value the site, Mr Grimshaw has 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 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	

2.1 Main House, Apple Store and Outbuildings

Mr Grimshaw attributes 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 Mr Grimshaw has incorporated an allowance 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.

Mr Grimshaw also seeks to rely upon sales of other houses as a sense check on his 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.

2.2 *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.

2.3 *Premium*

Mr Grimshaw argues 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 properly maintained the asset in recent years, resulting in significant damage.

He also relies 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*”. Mr Grimshaw’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 Mr Grimshaw'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.

2.4 Conclusion

In light of the comments above, we have adopted a benchmark land value of £1.6 million (see appraisal at Appendix 1).

3. Conversion and repairs to the Main House and other buildings – quantum of enabling development required

Our appraisal of the conversion and repair of the Main House and other buildings generates a residual land value of -£0.25 million on the basis of the assumptions in Mr Grimshaw's report.

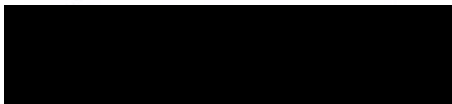
We note Mr Grimshaw's comments on the appraisals of the conversion and repair of heritage assets. In light of his comments, we have reviewed the appraisal in the light of a benchmark land value of £1.6 million. Our appraisal indicates that the scheme (as currently proposed) generates a residual land value of £2.3 million, which exceeds the benchmark land value (see Appendix 2). Removing the 4 units located in East Drive would reduce the residual land value to £1.6 million (see Appendix 3), although this takes no account of consequential reductions in external works and services costs.

Having removed the East Drive units, this would leave the remaining new build enabling development:

- Walled Garden (3 units)
- Gate Lodges (2 units)
- Settlement area (7 units)

I trust the comments above are of assistance. If you have any queries, do not hesitate to contact me.

Yours sincerely



Anthony Lee
Senior Director



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APPENDIX 1: DEVELOPMENT APPRAISAL – BENCHMARK LAND VALUE

Northaw House - benchmark land value

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)

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 pf ²	913,220
Basement, Apple Store, Outbuildings	<u>4,121 ft²</u>	35.00 pf ²	<u>144,235</u>
Totals	30,213 ft²		1,057,455

Contingency

5.00% 52,873

52,873

PROFESSIONAL FEES

Professional fees	10.00%	105,746	
			105,746

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 - benchmark land value**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



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APPENDIX 2: DEVELOPMENT APPRAISAL – ENABLING DEVELOPMENT AS PROPOSED

Northaw House - Enabling Dev as proposed

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Main 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
Gate Lodges NB	2	2,842	489.09	694,997	1,389,994
Settlement area NB	7	12,072	509.03	877,859	6,145,010
East Drive NB	4	5,856	495.22	725,002	2,900,008
Totals	31	52,456			25,015,031

NET REALISATION

25,015,031

OUTLAY

ACQUISITION COSTS

Residualised Price		2,305,324	
	5.00%	115,266	
Agent Fee	1.00%	23,053	
Legal Fee	0.80%	18,443	
			2,462,086

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Main House	12,058 ft ²	231.73 pf ²	2,794,200
Coach House	3,630 ft ²	231.73 pf ²	841,180
Ballroom Wing	2,885 ft ²	231.73 pf ²	668,541
Oak Cottage	1,625 ft ²	231.73 pf ²	376,561
Edwardian Wing	2,416 ft ²	231.73 pf ²	559,860
Walled Garden NB	9,072 ft ²	191.27 pf ²	1,735,201
Gate Lodges NB	2,842 ft ²	191.27 pf ²	543,589
Settlement area NB	12,072 ft ²	191.27 pf ²	2,309,011
East Drive NB	5,856 ft ²	191.27 pf ²	1,120,077
Totals	52,456 ft²		10,948,222

10,948,222

Contingency	5.00%	613,940	
			613,940

Other Construction

Temporary protection works		58,000	
NB Demolition and enabling		93,138	
Refurb Demolition and enabling		535,984	
External works		1,409,063	
Services		202,856	
Garden wall repairs		498,595	
Garage Wing		81,401	
			2,879,037

PROFESSIONAL FEES

Fees	10.00%	1,376,926	
			1,376,926

MARKETING & LETTING

Marketing	1.00%	250,150	
			250,150

DISPOSAL FEES

Sales Agent Fee		1.50%	375,225
Sales Legal Fee	15 un	1,500.00 /un	22,500
			397,725

FINANCE

Debit Rate 6.500% Credit Rate 0.100% (Nominal)			
Land			373,921
Construction			710,182
Other			(165)
Total Finance Cost			1,083,939

TOTAL COSTS

20,012,025

PROFIT

Northaw House - Enabling Dev as proposed**5,003,006****Performance Measures**

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

IRR	30.38%
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Profit Erosion (finance rate 6.500%)	3 yrs 6 mths
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APPENDIX 3: DEVELOPMENT APPRAISAL – ENABLING DEVELOPMENT AS AMENDED

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
Main 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
Gate Lodges NB	2	2,842	489.09	694,997	1,389,994
Settlement area NB	<u>7</u>	<u>12,072</u>	509.03	877,859	<u>6,145,010</u>
Totals	27	46,600			22,115,023

NET REALISATION

22,115,023

OUTLAY

ACQUISITION COSTS

Residualised Price		1,562,535	
	5.00%	78,127	
Agent Fee	1.00%	15,625	
Legal Fee	0.80%	12,500	
			1,668,787

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Main House	12,058 ft ²	231.73 pf ²	2,794,200
Coach House	3,630 ft ²	231.73 pf ²	841,180
Ballroom Wing	2,885 ft ²	231.73 pf ²	668,541
Oak Cottage	1,625 ft ²	231.73 pf ²	376,561
Edwardian Wing	2,416 ft ²	231.73 pf ²	559,860
Walled Garden NB	9,072 ft ²	191.27 pf ²	1,735,201
Gate Lodges NB	2,842 ft ²	191.27 pf ²	543,589
Settlement area NB	<u>12,072 ft²</u>	<u>191.27 pf²</u>	<u>2,309,011</u>
Totals	46,600 ft²		9,828,144

Contingency	5.00%	557,936	
			557,936

Other Construction

Temporary protection works		58,000	
NB Demolition and enabling		93,138	
Refurb Demolition and enabling		535,984	
External works		1,409,063	
Services		202,856	
Garden wall repairs		498,595	
Garage Wing		81,401	
			2,879,037

PROFESSIONAL FEES

Fees	10.00%	1,264,918	
			1,264,918

MARKETING & LETTING

Marketing	1.00%	221,150	
			221,150

DISPOSAL FEES

Sales Agent Fee		1.50%	331,725
Sales Legal Fee	15 un	1,500.00 /un	22,500
			354,225

FINANCE

Debit Rate 6.500% Credit Rate 0.100% (Nominal)			
Land			254,320
Construction			663,645
Other			(145)
Total Finance Cost			917,820

TOTAL COSTS

17,692,018

PROFIT

4,423,005

Northaw House - Enabling Dev amended**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	31.41%
Profit Erosion (finance rate 6.500%)	3 yrs 6 mths