



dated *7 February* 2020

**Amsprop Reat Limited**

and

**Welwyn Hatfield Borough Council**

and

**Hertfordshire County Council**

**Planning Obligation by Deed of Agreement pursuant to  
Section 106 of the Town and Country Planning Act 1990**

in relation to a planning application for 26 Stonehills, Welwyn Garden City,  
AL6 6NA

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## Agreement

dated *7 February* 2020

### Parties

- (1) **Amsprop Reat Limited** (Co Regn No. 03058930) whose Registered Office is situate at Amshold House, Goldings Hill, Loughton, Essex, IG10 2RW (**the "Owner"**);
- (2) **Welwyn Hatfield Borough Council** of Council Offices, The Campus, Welwyn Garden City, Hertfordshire (**the "Council"**); and
- (3) **Hertfordshire County Council** of County Hall, Pegs Lane, Hertford, Hertfordshire (**the "County"**).

### Introduction

- (A) The Council and County are the local planning authorities for the purposes of the Act for the area within which the Application Site is situated and as such are the local planning authorities entitled to enforce the terms of this Agreement.
- (B) The County is also the Library Authority for the area within which the Application Site is situated.
- (C) The Owner is the freehold owner of the whole of the Application Site registered at the Land Registry with title number HD468412 (the "Owner's Freehold Interest"). The Owner also holds a leasehold interest in the whole of the Application Site, pursuant to a lease dated 20 June 1968 and entered into between (1) The Prudential Assurance Company Limited and (2) St. Albans Co – Operative Society Limited registered at the Land Registry with title number HD442056 (the "Owner's Head Leasehold Interest").
- (D) The Application has been made to the Council for planning permission for the Development on the Application Site.
- (E) The Council have resolved to grant Planning Permission subject amongst other things the prior completion of this Agreement.
- (F) The Council and County consider it expedient should planning permission be granted pursuant to such planning application that provision should be made for regulating or facilitating the development or use of the Application Site in the manner hereinafter appearing and the Council and County considers that entering into this Agreement will be of benefit to the public.
- (G) For the avoidance of doubt references to 'the Owner' shall be construed to refer to both the Owner's Freehold Interest and the Owner's Head Leasehold Interest in the Application Site.

### Agreed terms

## 1 Definitions and interpretation

### 1.1 Definitions

For the purposes of this Agreement (including the Recitals) the following expressions shall have the following meanings in addition to the definitions set out in the Schedules hereto:

**"Act"** means the Town and Country Planning Act 1990 (as amended);

**"Application"** means the application for full planning permission submitted to the Council dated 17 June 2019 for the Development and allocated reference number 6/2019/1452/MAJ;

**"Application Site"** means the land known as 26 Stonehills, Welwyn Garden City, AL8 6NA as shown edged red on the Plan annexed hereto marked "Site Plan" being the land registered at the Land Registry under the Owner's Freehold Interest and the Owner's Head Leasehold Interest;

**"Commencement Date"** means the date on which any material operation (as defined in Section 56(4) of the Act) forming part of the Development begins to be carried out other than (for the purposes of this Agreement and for no other purpose) operations consisting of site survey site clearance archaeological investigations for the purpose of assessing ground conditions preparation work remedial or remediation work in respect of any contamination or other adverse ground conditions diversion and laying or removal of services erection of any temporary means of enclosure including fences and hoardings the temporary display of site notices or advertisements and **Commencement** and **Commence** and **Commences** and **Commenced** shall mutatis mutandis be construed accordingly;

**"Development"** means the change of use for conversion of first and second floor from (A1 use) Retail to (C3 Use) Residential and additional storey for 27 dwellings as set out in the Application;

**"Director"** means the County Council's Director of Environment and Infrastructure for the time being and his agents;

**"Dwelling"** means any dwelling (including a house flat or maisonette) to be constructed pursuant to the Planning Permission and **Dwellings** shall be construed accordingly;

**"Head of Planning"** means Head of Planning of the Council and shall include their duly authorised agents and representatives or any successor;

**"Implement"** means the date on which any material operation (as defined in Section 56(4) of the Act) forming part of the Development begins to be carried out;

**"Interest"** means interest at 4 (four) per cent above the base lending rate of Barclays Bank Plc from time to time;

**"Monitoring Fee"** means payment contribution of five hundred and seventy two pounds and eight pence (£575.04) (indexed to the Retail Price Index figure of December 2019) towards the Council's reasonable and proper administrative costs of monitoring compliance with the provisions of this Agreement;



**"Notice of Commencement"** means the written notice the form of which is contained at Appendix 1 of this Agreement advising of the proposed Commencement Date;

**"Occupation"** means occupation of the land or buildings for the purposes permitted by the Planning Permission but not including occupation by personnel engaged in construction fitting out or decoration or occupation for marketing or display or occupation in relation to security operations and **Occupied** and **Occupy** shall be construed accordingly;

**"Parties"** means the parties to this Agreement;

**"Plan"** means the plan attached to this Agreement at Appendix 2;

**"Planning Permission"** means the planning permission to be granted by the Council pursuant to the Application;

**"Practical Completion"** means issue of a certificate of practical completion of the Development by the Owner's architect or in the event that the Development is constructed by a party other than the Owner the issue of a certificate of practical completion by that other party's architect that the Development has been constructed and is available for Occupation;

**"PUBSEC Index"** means the Tender Price Index of the Public Sector Non-Housing Smoothed All-In Index published by the Building Cost Information Service of the Royal Institution of Chartered Surveyors (or any successor organisation) and specifically the series called "Extension of Public Sector Tender Price Index of Public Sector Building Non-Housing" (or equivalent replacement index);

**"Schedules"** means Schedules 1 to 3 contained in this Agreement;

**"Working Days"** means any day from Monday to Friday (inclusive) which is not Christmas Day Good Friday or a statutory Bank Holiday and "Working Day" shall be construed accordingly.

**"VAT"** value added tax chargeable under the VATA 1994 and any similar replacement tax and any similar additional tax.

**"VATA 1994"** Value Added Tax Act 1994.

## 1.2 Interpretation

1.2.1 Where in this Agreement reference is made to any clause paragraph or schedule or recital such reference (unless the context otherwise requires) is a reference to a clause paragraph or schedule or recital in this Agreement.

1.2.2 Words importing the singular meaning where the context so admits include the plural meaning and vice versa.

1.2.3 Words of the masculine gender include the feminine and neuter genders and words denoting actual persons include companies corporations and firms and all such words shall be construed interchangeable in that manner.

- 1.2.4 Wherever there is more than one person named as a party and where more than one party undertakes an obligation all their obligations can be enforced against all of them jointly and severally unless there is an express provision otherwise.
- 1.2.5 Any reference to an Act of Parliament shall include any modification extension or re-enactment of that Act for the time being in force and shall include all instruments orders plans regulations permissions and directions for the time being made issued or given under that Act or deriving validity from it.
- 1.2.6 References to any party to this Agreement shall include the successors in title to that party and to any person deriving title through or under that party and in the case of the Council and the County the successors to their respective statutory functions.
- 1.2.7 The headings and contents list are for reference only and shall not affect construction.
- 1.2.8 The words **including** and **include** shall be deemed to be followed by the words **without limitation**.
- 1.2.9 References in this Agreement to **development** shall have the meaning given to it by Section 55 of the Act.

## 2 **Legal basis**

- 2.1 This Agreement is made pursuant to Section 106 of the Act and to the extent that they fall within the terms of Section 106 of the Act, the obligations contained in this Agreement are planning obligations for the purposes of Section 106 of the Act and are enforceable by the Council and the County against the Owner in respect of the Application Site.
- 2.2 To the extent that any of the obligations contained in this Agreement are not planning obligations within the meaning of the Act they are entered into pursuant to the powers contained in Section 111 of the Local Government Act 1972 Section 1 of the Localism Act 2011 and all other enabling powers.
- 2.3 The Owner enters into the obligations (for itself and its successors in title and persons deriving title from the Owner) with the Council and the County with the intent that the obligations contained in this Agreement shall be enforceable not only against the Owner but also against the successors in title of the Owner and any person claiming through or under the Owner an interest or estate in the Application Site or any part thereof, Save As excluded pursuant to clauses 4.14 to 4.16.

## 3 **Conditionality**

- 3.1 This Agreement shall come into immediate effect save for the obligations in the Schedules which are conditional upon the grant of the Planning Permission and Commencement of the Development.

4 **Miscellaneous**

- 4.1 The Owner hereby warrants that it is the owner of both the Owner's Freehold Interest and the Owner's Head Leasehold Interest in the Application Site and that no other party has a material interest in the Application Site.
- 4.2 No provisions of this Agreement shall be enforceable by any third party under the Contracts (Rights of Third Parties) Act 1999 nor does it confer or purport to confer any right to enforce any of the terms and provisions of this Agreement to any person who is not a party or successor in title or statutory successor to a party hereto.
- 4.3 This Agreement shall be registrable as a Local Land Charge by the Council and County.
- 4.4 Any notice to the parties hereto under this Agreement shall be deemed to be sufficiently served if delivered personally or by recorded delivery service to the following officials/persons at the respective addresses hereinafter specified:

**In respect of the Owner at:**

F.A.O. Andrew Cohen  
Amsprop Reat Limited  
Amshold House,  
Goldings Hill,  
Loughton,  
Essex  
IG10 2RW

**In respect of the Council at:**

The Head of Planning  
Welwyn Hatfield Borough Council  
Council Offices  
The Campus  
Welwyn Garden City  
Herts AL8 6AE  
Ref: 6/2019/1452/MAJ

**In respect of the County at:**

The Chief Legal Officer  
Hertfordshire County Council County Hall, Pegs Lane  
Hertford  
Herts SG13 8DE  
Ref: 012992

- 4.5 Insofar as any clause or clauses of this Agreement are found (for whatever reason) to be invalid illegal or unenforceable then such invalidity illegality or unenforceability shall not affect the validity or enforceability of the remaining provisions of this Agreement.
- 4.6 This Agreement shall cease to have effect (insofar only as it has not already been complied with) if the Planning Permission shall be quashed revoked or otherwise withdrawn or expires prior to the Commencement Date.

- 4.7 No person will be liable for any breach of the terms of this Agreement occurring after the date on which they part with their entire interest in the Application Site save that they will remain liable for any breaches of this Agreement occurring before that date.
- 4.8 Any agreement obligation covenant or undertaking contained herein by the Owner, the County or the Council which comprise more than one person or entity shall be joint and several. Where any agreement obligation covenant or undertaking is made with or undertaken towards any of the parties to this Agreement which comprise more than one person it shall be construed as having been made with or undertaken towards each such person separately.
- 4.9 No compensation shall be payable by the Council or the County to any party to this Agreement or their successors in title and assigns arising from the terms of this Agreement and unless specified otherwise in this Agreement all works and activities to be executed hereunder (including such as are of a preparatory ancillary or maintenance nature) are (save where expressly provided otherwise) to be at the sole expense of the successors in title to the Owner and at no cost to the Council or the County.
- 4.10 Without prejudice to the Council's and the County's statutory rights, during the carrying out of the Development and up to one month after Practical Completion the Owner shall allow at reasonable times and upon reasonable prior written notice (and immediately in the event of an emergency) the Council and/or the County and/or any person duly authorised or instructed by them to enter upon any part of the Application Site to ascertain whether the terms of this Agreement and/or of the Planning Permission are or have been complied with subject to complying with all health and safety and security requirements required by the Owner.
- 4.11 Nothing in this Agreement shall be construed as imposing a contractual obligation upon the Council as to the issue of the Planning Permission or as restricting the exercise by the Council or the County of any statutory powers exercisable by them respectively under the Act or under any other act or authority.
- 4.12 Nothing in this Agreement shall prejudice or affect the rights powers duties and obligations of the Council and the County in the exercise of their functions in any capacity and the rights powers duties and obligations of the Council and the County under private public or subordinate legislation may be effectively exercised as if neither were a party to this Agreement (and in particular neither shall be precluded from entering into any agreement under the Act and/or under any other act or authority with any other party and shall not be deemed to be in breach of this Agreement by so doing).
- 4.13 Nothing in this Agreement shall prohibit or limit the right to develop any part of the Application Site in accordance with any planning permission (other than the Planning Permission or modification, variation or amendment thereof) granted after the date of the Planning Permission.
- 4.14 This Agreement shall not bind nor be enforceable against any utility companies.
- 4.15 Any mortgagee shall be liable only for any breach of the provisions of this Agreement during such period as it is a mortgagee in possession of the Application Site and shall not be liable for any breach of the provisions of this Agreement after it has parted with or released its interest in the Application Site.

4.16 This Agreement shall not bind nor be enforceable against an individual owner occupier of a Dwelling in the Development or their mortgagee or chargee.

## 5 **Obligations of the Owner**

5.1 The Owner so as to bind the Application Site covenants with the Council and the County:

5.1.1 to comply with its obligations set out in this Agreement and the Schedules to this Agreement;

5.1.2 to pay to the Council the Monitoring Fee on completion of this Agreement;

5.1.3 to pay to the Council and County on completion of this Agreement their respective reasonable legal costs and disbursements of and incidental to the negotiation preparation and execution of this Agreement limited to the following maximum amounts:

(a) in respect of the Council's fees including disbursements - £6,561; and

(b) in respect of the County's fees - £5,950;

for the avoidance of doubt this clause 5.1.3 does not extend towards nor require the Owner to pay any VAT in respect of these sums.

5.1.4 to provide the Notice of Commencement to the Council and the County no later than twenty (20) Working Days prior to the Commencement Date using the pro-forma set out in Appendix 1 hereto;

5.1.5 to give the County and the Council no less than five (5) Working Days' notice of the first Occupation of the Development having occurred such notice to be in writing using the pro-forma set out in Appendix 1 hereto;

5.1.6 to give the County and the Council no less than five (5) Working Days' notice of the Practical Completion of the Development having occurred such notice to be in writing using the pro-forma set out in Appendix 1 hereto.

## 6 **Covenants by the Council and the County**

6.1 The Council (in respect of the obligations to be performed in favour of the Council) together with the County (in respect of the obligations to be performed in favour of the County) covenant separately with the Owner:

6.1.1 to provide written confirmation, at the written request of the Owner, of the discharge of the obligations contained in this Agreement when satisfied (acting reasonably) that such obligations have been performed

6.1.2 to act reasonably, properly and diligently in exercising their discretion and discharging their functions under this Agreement. In particular, where any notice, consent, approval, authorisation, agreement or other similar affirmation is required under the terms of the Agreement, the Council (or the County as the case may be) will not unreasonably withhold or delay such notice, consent, approval, authorisation, agreement or other similar affirmation;

- 6.1.3 to use all sums received from the Owner under the terms of this Agreement strictly for the purpose(s) specified in this Agreement for which they are paid;
- 6.1.4 upon written request to repay to the person who paid it any sums received from the Owner pursuant to the Schedules to this Agreement which have not been expended or contractually committed in accordance with the provisions of this Agreement within ten (10) years of the date of receipt by the Council and/or the County (as applicable) of notification of the Practical Completion of the Development pursuant to Clause 5.1.6 of this Agreement together with any accrued interest **Provided That** such written request shall only be made within one year commencing from the date of the expiry of the aforementioned ten year period and in the event of no written request being made within such period any unexpended sum together with accrued interest shall be released to the Council and County without limitation and free from any liability and obligations on the part of the Council and County.

## 7 **Waiver**

No waiver (whether expressed or implied) by the Council (or the County) of any breach or default in performing or observing any of the covenants terms or conditions of this Agreement shall constitute a continuing waiver and no such waiver shall prevent the Council (or the County) from enforcing any of the relevant terms or conditions or for acting upon any subsequent breach or default.

## 8 **Change in ownership**

Otherwise than in relation to transfers to utility companies or transfers to individual Dwelling owners, the Owner shall give to the Council and the County within 1 (one) month of the Owner disposing of any part of the Application Site written notice of the name and address of the person to whom the Application Site or any part has been transferred.

## 9 **Interest**

If any payment by the Owner due under this Agreement is paid late Interest will be payable from the date payment is due to the date of payment.

## 10 **Indexation – Contributions payable to the County**

- 10.1 Where any sum payable to the County is required to be index linked by reference to the PUBSEC Index that sum payable shall be increased in accordance with any change in the PUBSEC Index by the application of the formula  $A=B \times (C \div D)$  where:

A is the total amount to be paid;

B is the principal sum stated in this Agreement;

C is the PUBSEC Index for the date upon which the interim payment is actually paid;

D is the figure of 175.

$C \div D$  is equal to or greater than 1

10.2 Where any sum to be paid to the County under the terms of this Agreement is required to be indexed then an interim payment shall initially be made based on the latest available forecast figure (or figures as the case may be) at the date of payment and any payment or payments by way of adjustment shall be made within ten (10) Working Days of written demand by the County once the relevant indices have been finalised.

## 11 **Indexation – Contributions payable to the Council**

11.1 The Waste and Recycling Contribution, Play Facilities Contribution and Public Open Space Contribution shall be index linked to increases in the PUBSEC Index by the application of the formula  $A = B \times (C \div D)$  where:

A is the total amount to be paid;

B is the principal sum stated in this Agreement;

C is the PUBSEC Index for the date upon which the payment is actually paid;

D is the figure of 178.

$C \div D$  is equal to or greater than 1

## 12 **Value Added Tax**

All contributions paid in accordance with the terms of this Agreement shall be exclusive of any value added tax properly payable

## 13 **Dispute provisions**

13.1 One party may by serving notice on all the other parties (the **Notice**) require a dispute to be referred to an expert for determination.

13.2 The Notice must specify:

13.2.1 The nature, basis and brief description of the dispute;

13.2.2 The clause or paragraph of a schedule or appendix pursuant to which the dispute has arisen; and

13.2.3 The proposed expert.

13.3 The expert may be agreed upon by the Parties and in the absence of such agreement within one month of the date that the notice is issued pursuant to clause 13.1 either Party may request that the following nominate the expert at their joint expense:

13.3.1 If such dispute relates to matters concerning the construction, interpretation and/or the application of this Agreement, the Chairman of the Bar Council to nominate the expert;

13.3.2 If such dispute relates to matters requiring a specialist chartered surveyor, the President of the Royal Institute of Chartered Surveyors to nominate the expert;



- 13.3.3 If such dispute relates to matters requiring a specialist chartered accountant, the President of the Institute of Chartered Accountants in England and Wales to nominate the expert;
- 13.3.4 In all other cases, the President of the Law Society to nominate the expert provided that if a dispute relates to a matter falling within two or more of sub-clauses 13.3.1 to 13.3.3 the President of the Law Society may nominate such person or persons falling within the description of sub-clauses 13.3.1 to 13.3.3 as he thinks appropriate including joint experts.
- 13.4 If an expert nominated or appointed pursuant to clause 13.3 shall die or decline to act another expert may be appointed in his place in accordance with the provisions of clause 13.3.
- 13.5 The expert will be appointed subject to an express requirement that he reaches his decision and communicates it to the Parties within the minimum practicable timescale allowing for the nature and complexity of the dispute and in any event not more than 20 Working Days from the date of the notice of his appointment which is served on the parties pursuant to clause 13.3
- 13.6 Notice in writing of the appointment of an expert pursuant to this clause 13.3 shall be given by the expert to the Parties and he shall invite each of the Parties to submit to him within ten Working Days written submissions and supporting material and will afford to each of the said Parties an opportunity to make counter submissions within a further five Working Days in respect of any such submission and material.
- 13.7 The expert shall act as an expert and not as an arbitrator. He shall consider any written representation submitted to him within the period specified in clause 13.6 and shall not be in any way limited or fettered thereby and shall determine the dispute in accordance with his own judgement.
- 13.8 The expert shall give notice of his decision in writing and his decision will (in the absence of manifest error) be final and binding on the Parties hereto.
- 13.9 If for any reason the expert fails to make a decision and give notice thereof in accordance with this clause 13.5 the Party or Parties may apply to the President of the Law Society for a substitute to be appointed in his place (which procedure may be repeated as many times as necessary).
- 13.10 The expert's costs shall be in the expert's award or in the event that he makes no determination, such costs will be borne by the parties to the Dispute in equal shares.
- 13.11 Nothing in this clause 13 shall be taken to fetter the Parties' ability to seek legal redress in the Courts (or otherwise) for any breach of the obligations in this Agreement.
- 13.12 For the avoidance of doubt references to 'Party' or 'Parties' in clause 12 exclude the County Council and the County Council shall not be required to submit to or be bound by the provisions of Clauses 13.1 – 13.11.

14 **Planning consents granted pursuant to S73 of the Act**

14.1 In the event that any new planning permission(s) are granted by the Council pursuant to Section 73 of the Act (as amended) and unless otherwise decided by the Council and the County, with effect from the date that the any new planning permission is granted pursuant to Section 73 of the Act (as amended):

14.1.1 the obligations in this Agreement shall (in addition to continuing to bind the Application Site in respect of the Planning Permission) relate to and bind all subsequent planning permission(s) in respect of the Application Site granted pursuant to Section 73 of the Act and the Application Site itself without the automatic need to enter into any subsequent deed of variation or new agreement pursuant to Section 106 of the Act;

14.1.2 the definitions of Application, Development and Planning Permission in this Agreement shall be construed to include references to any applications under Section 73 of the Act, the planning permission(s) granted thereunder and the development permitted by such subsequent planning permission(s); and

14.1.3 this Agreement shall be endorsed with the following words in respect of any future Section 73 application:

“The obligations in this Agreement relate to and bind the Application Site in respect of which a new planning permission referenced [ ] has been granted pursuant to Section 73 of the Town and Country Planning Act 1990 (as amended)”

**provided that** nothing in this clause shall fetter the discretion of the Council in determining any application(s) under Section 73 of the Act or the appropriate nature and/or quantum of Section 106 obligations in so far as they are materially different to those contained in this Agreement and required pursuant to a determination under Section 73 of the Act whether by way of a new deed or supplemental deed pursuant to S106 of the Act.

15 **Jurisdiction**

This Agreement is governed by and interpreted in accordance with the law of England and Wales and the parties submit to the non-exclusive jurisdiction of the courts of England and Wales.

16 **Delivery**

The provisions of this Agreement (other than this clause which shall be of immediate effect) shall be of no effect until this Agreement has been dated.

**In witness whereof** the parties hereto have executed this Agreement on the day and year first before written.

## Schedule 1

### Financial Contributions to the County

1 In this Schedule unless the context requires otherwise the following words and expressions shall have the following meanings:

**Library Contribution** means the sum of two thousand five hundred and forty seven pounds (£2,547.00) (index linked as provided in clause 10) payable to the County to be used for the purposes of the enhancement of Welwyn Garden City Library by reconfiguration of first floor to install portable meeting rooms.

### 2 Financial Contributions

2.1 The Owner hereby covenants with the County:

2.1.1 to pay the Library Contribution to the County prior to the Commencement Date;  
and

2.1.2 not to Commence nor permit Commencement until the Library Contribution has been paid in accordance with paragraph 2.1.1 of this Schedule.

### 3 Expenditure in Advance

If prior to the receipt of the Library Contribution the County incurs any expenditure in providing additional library facilities as the case may be the need for which arises from or in anticipation of the Development then the County may immediately following receipt of such contribution deduct from it such expenditure incurred.

## Schedule 2

### Financial Contributions to the Council

- 1 In this Schedule unless the context requires otherwise the following words and expressions shall have the following meanings:

**Play Facilities Contribution** means the sum of six thousand six hundred and twenty four pounds (£6,624.00) (index linked as provided in clause 11) towards the enhancement of existing facilities at Melbourne Court play area in Handside, Welwyn Garden City;

**Public Open Space Contribution** means the sum of two thousand five hundred and twenty five pounds and forty pence (£2,525.40) (index linked as provided in clause 11) towards enhancing and the regeneration of existing planting in the centre of Welwyn Garden City.

**Waste and Recycling Contribution** means a contribution of one thousand seven hundred and thirty pounds (£1,730) (index linked as provided in clause 11) towards and for the purposes of the provision of three waste containers and one Mini Recycling Centre by the Council.

### 2 Financial Contributions

- 2.1 The Owner hereby covenants with the Council:

2.1.1 to pay to the Council the Play Facilities Contribution the Public Open Space Contribution and the Waste and Recycling Contribution prior to Commencement of Development; and

2.1.2 not to Commence Development or cause or permit the Commencement of Development until the Play Facilities Contribution the Public Open Space Contribution and the Waste and Recycling Contribution have been paid in accordance with paragraph 2.1.1 of this Schedule.

### 3 Expenditure in Advance

If prior to the receipt of the Play Facilities Contribution the Public Open Space Contribution and the Waste and Recycling Contribution the Council incurs any expenditure in providing additional play public open space and waste and recycling facilities as the case may be the need for which arises from or in anticipation of the Development then the Council may immediately following receipt of such contribution deduct from it such expenditure incurred.

## Schedule 3

### Schedule 3 – Viability Review

1 In this Schedule unless the context requires otherwise the following words and expressions shall have the following meanings:

**Actual Costs Incurred** shall include all such costs incurred by the Owner incurred in respect of the Development including the following items (which for the avoidance of doubt is not an exhaustive list):

- (a) the cost of complying with the planning obligations specified in this Agreement;
- (b) all costs, approvals and fees payable under any statutory agreement;
- (c) all site investigation, survey and remediation/decontamination costs;
- (d) all demolition and construction costs (including costs associated with the diversion and/or provision of statutory utilities);
- (e) the costs of all necessary highway works (both on and off the Application Site);
- (f) building regulations fees;
- (g) all costs associated with obtaining necessary insurance and warranties;
- (h) reasonable marketing and legal costs;
- (i) all other reasonable professional fees that are properly incurred;
- (j) irrecoverable VAT; and
- (k) finance costs

and written verification of such costs incurred shall be provided to the Council for its approval except for (b) whereby verification of costs incurred shall be provided to the Council if required and requested by the Council in such form as the Council may specify (acting reasonably);

**Affordable Housing Contribution** means an off-site contribution towards the cost of Affordable Housing amounting to 50% (fifty percent) of any Super Profit Provided such contribution shall not at any time exceed the Affordable Housing Contribution Cap;

**Affordable Housing Contribution Cap** means £302,642 (three hundred and two thousand six hundred and forty two pounds);

**Affordable Housing** means affordable rented or shared ownership housing, provided to eligible households whose needs are not met by the market by an Affordable Housing Provider for persons nominated by the Council's Head of Housing (or his successor) for eligible persons;

**Affordable Housing Provider** means a person, company, partnership, organisation or manager which is a registered provider of social housing within the meaning of section 80 Housing and Regeneration Act 2008 (or any statutory modification thereto) and registered with the regulator of social housing pursuant to section 81 Housing and Regeneration Act 2008 or from time to time permitted by law to provide Affordable Housing;

**Benchmark Land Value** means £1,630,000 (one million six hundred and thirty thousand pounds) as per the Original Viability Assessment;

**Estimated Outstanding Costs** means those costs outlined in section 7 of the Original Viability Assessment which remain outstanding when the Final Viability Assessment is undertaken which includes (but is not limited to the build costs advised by Michael Edwards Consultants in an Order of Cost Estimate dated May 2019 which shows such build costs totalling £5.46 million (five million four hundred and sixty thousand pounds) of the Estimated Outstanding Costs);

**Final Viability Assessment** means an update of the Original Viability Assessment reappraising the viability of the Development which demonstrates whether or not the Development achieves a Residual Land Value that exceeds the Benchmark Land Value **provided always that** the Final Viability Assessment shall use the same methodology as in the Original Viability Assessment, and in addition the Final Viability Assessment shall take into consideration:

- (a) Actual Costs Incurred;
- (b) actual sale prices achieved;
- (c) updated Estimated Outstanding Costs;
- (d) allowance for Reasonable Profit;
- (e) an estimated market value for any unsold Dwellings; and
- (f) the agreed inputs from within the Original Viability Assessment which are the following:
  - i disposal fees (for private residential)
  - ii disposal legal fees;
  - iii commercial agency fees;
  - iv commercial legal fees;
  - v commercial letting fees;
  - vi commercial legal letting fees;

vii professional fees;

viii construction contingency fees; and

ix finance,

PROVIDED THAT if there has been a change in market circumstances which results in the inputs stated above in i-ix being materially different from those agreed in the Original Viability Assessment then such inputs shall be adjusted to reflect market circumstances;

all such values to be ones arising in the Final Viability Assessment Period;

**Final Viability Assessment Period** means the period in which the Final Viability Assessment is undertaken which shall be between Occupation of the 15th Dwelling and the 19th Dwelling;

**Independent Expert** means an independent and reputable chartered surveyor registered with The Royal Institution of Chartered Surveyors with not less than ten (10) years' experience of valuation matters;

**Original Viability Assessment** means the following documents (copies of which are attached to this Agreement at Appendix 3);

- (a) the financial appraisal of the viability of the Development submitted by the Owner dated 13 June 2019;
- (b) BNP Paribas's review of the financial appraisal mentioned at (a) above dated September 2019; and
- (c) a letter from Savills (UK) Limited to the Owner dated 10 October 2019; and
- (d) a letter from BNP Paribas to the Council dated 18 November 2019;

**Reasonable Profit** means a sum which equates to twenty percent (20%) of the Gross Development Value (as determined in accordance with the Final Viability Assessment) of the Dwellings and ten percent (10%) of the Gross Development Value of the any commercial parts;

**Residual Land Value** means £1,453,843.00 (one million four hundred and fifty three thousand eight hundred and forty three pounds) as per the Original Viability Assessment and as (if at all) updated pursuant to the Final Viability Assessment; and

**Super Profit** means the amount (if any) by which the Residual Land Value as detailed in the Final Viability Assessment exceeds the Benchmark Land Value as accepted by the Council pursuant to paragraphs 3.3 and ~~Error! Reference source not found.~~ <sup>3.4</sup> or ~~or~~ <sup>SS</sup> alternatively in the event the Council rejects the assessment and complies with the provisions of 3.3.2, then as determined pursuant to paragraphs 3.5 and 3.8.

**Viability Consultant** means a reputable viability consultant used by the Council for the purposes of assessing the Final Viability Assessment pursuant to paragraph 3.4 of this Schedule.



2 Any reference to 'paragraph' in this Schedule is a reference to a paragraph of this Schedule 3.

3 **Affordable Housing Contribution**

3.1 The Owner will submit the Final Viability Assessment to the Council prior to Occupation of the 20th Dwelling but not before Occupation of the 15<sup>th</sup> Dwelling.

3.2 The Owner will not Occupy more than 19 Dwellings without having submitted the Final Viability Assessment to the Council.

3.3 The Council and any Viability Consultant will assess the Final Viability Assessment and within 30 (thirty) Working Days after receipt of the Final Viability Assessment the Council shall serve written notice on the Owner confirming either:

3.3.1 that it accepts the conclusions of the Final Viability Assessment (the **Acceptance Notice**); or

3.3.2 that it rejects the conclusions of the Final Viability Assessment (the **Non Acceptance Notice**) and if so it shall also indicate

(a) its own assessment of the conclusions of the Final Viability Assessment (as submitted); and

(b) the level of Affordable Housing Contribution in respect of the Final Viability Assessment it considers should be provided.

3.4 The Owner will pay the costs reasonably and properly incurred by the Council and any Viability Consultant in assessing (and if necessary re-assessing) the Final Viability Assessment within 10 (ten) Working Days of demand from the Council.

3.5 In the event of the service of a Non Acceptance Notice being served by the Council pursuant to paragraph 3.3.2 of this Schedule the parties will seek to negotiate:

3.5.1 an agreed form of Final Viability Assessment; and

3.5.2 an agreed Affordable Housing Contribution in respect of the Final Viability Assessment.

3.6 The Owner shall pay the Affordable Housing Contribution (if any) and any costs incurred by the Council and any Viability Consultant in full to the Council prior to Occupation of the 24th Dwelling.

3.7 The Owner shall not Occupy more than 23 Dwellings unless and until the Affordable Housing Contribution (if any) and any costs incurred by the Council and any Viability Consultant have been paid in full to the Council.

3.8 In the event that the parties are not able to agree the Final Viability Assessment within 15 (fifteen) Working Days after receipt by the Owner of a Non Acceptance Notice then either party shall be entitled to refer the matter to an Independent Expert for determination in accordance with clause 13 of this Agreement.

3.9 The parties agree that the provisions of clause 6.1.4 of this Agreement shall apply in respect of any unused Affordable Housing Contribution.

EXECUTED (but not delivered until the date hereof) )

as a Deed by )

**Amsprop Reat Limited)**

by the signature of a Director in the presence of )

Director



Please also print name **ANDREW COHEN**

Witness signature



Witness name (printed) **JILL CAMP**

Witness address



15/9/2020

executed as a deed (but not delivered until the )  
date hereof) by affixing the Common Seal of )  
**Hertfordshire County Council** )  
in the presence of: )

**Damian Ogbonnaya**  
Principal Solicitor

Chief Legal Officer /

Assistant Chief Legal Officer



executed as a deed (but not delivered until the )  
date hereof) by affixing the Common Seal of )  
**Welwyn Hatfield Borough Council** )  
in the presence of: )



Authorised Officer

**Legal Services Manager**



29.064

**Appendix 1 (Form of Notice)**

**Proforma Event Notification and Payment**

**Pursuant to Section 106 Agreement/Unilateral Undertaking**

Dated .....

Made between .....

WHBC & HCC PLANNING REFERENCE. 6/2019/1452/MAJ

**Site address** .....

**Site owner details:**

Name: .....

Contact Name: .....

Address: .....

Telephone No: ..... Mobile: .....

Email: .....

**Events being notified**

Commencement Date – date:

Practical Completion of Development – date:

First Occupation of Dwelling – date:

**Compliance with obligation(s)**

**Schedule** ..... **Paragraph** .....

**Details of obligation and compliance** .....

.....

**Payment of section 106 contributions**

Payment Type	Amount	Interim Indexation	Final Indexation	Total	Payable to
Example	X	Y	Z	Y + Z	Herts County Council
Education (primary)	£	£	£	£	

Payment of S106 contributions can be made by BACS, CHAPS or cheque. In any event the form should be completed to ensure the payment is identified correctly and forward to:

- a) The Chief Legal Officer  
Hertfordshire County Council  
County Hall,  
Pegs Lane  
Hertford Hertfordshire  
SG13 8DE

Ref: 012992

- b) The Head of Planning  
Welwyn Hatfield Borough Council  
Council Offices  
The Campus  
Welwyn Garden City  
Herts AL8 6AE

Ref: 6/2019/1452/MAJ

## Appendix 2

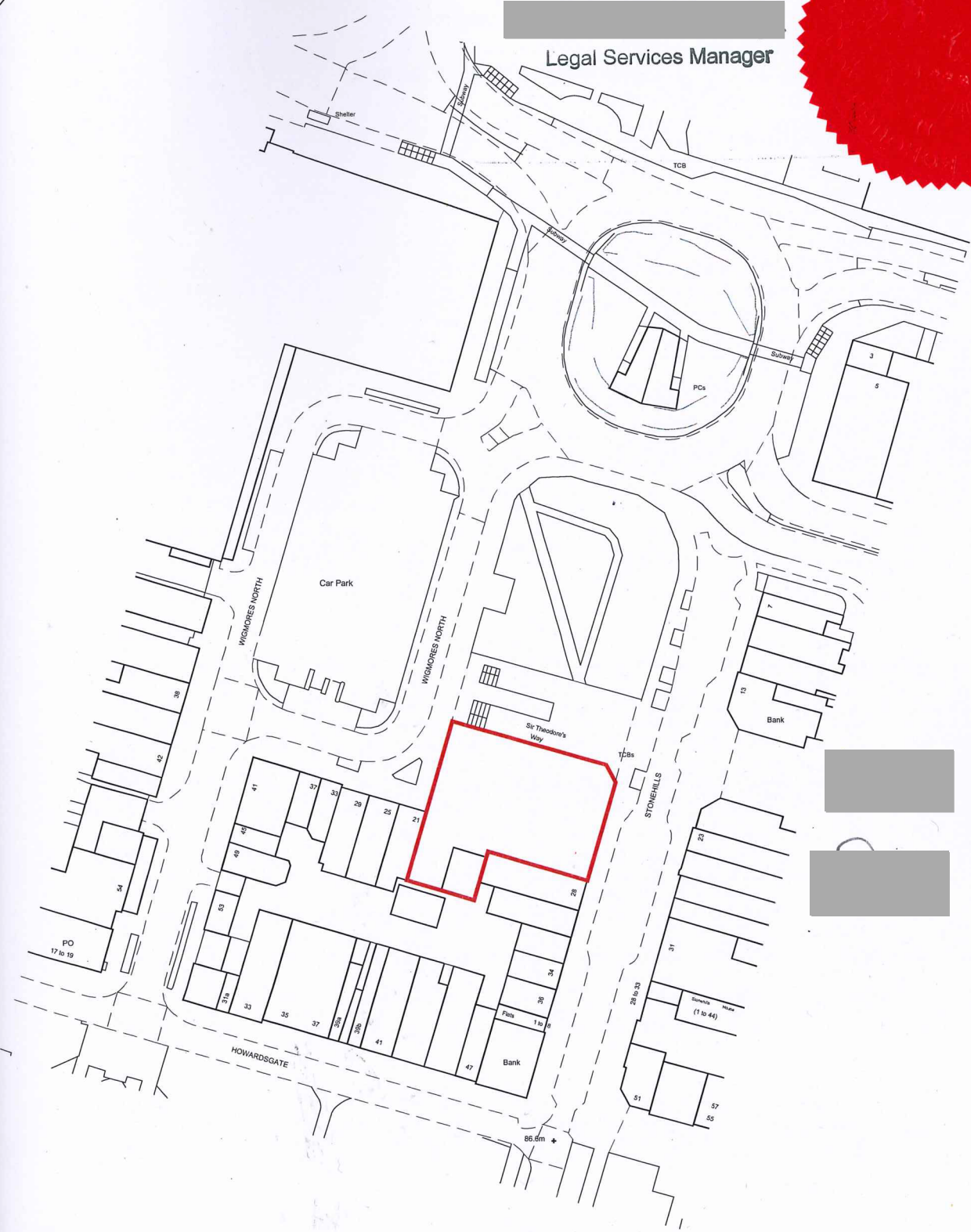
### The Plan





[Redacted]

Legal Services Manager



# PLANNING

Project  
**PROPOSED RESIDENTIAL DEV.  
26 HOWARDSGATE WGC**  
Title  
**APPLICATION LOCATION PLAN**

Scale	Size	Drawn	Checked	Date
1:1250	A4	JT	RC	MAY '19
Drawing No	Revision			
<b>7654/P001</b>	-			

**Saunders**  
Architecture + Urban Design

No dimensions are to be scaled from this drawing. All stated dimensions are to be verified on site and the Architect advised of any discrepancies. This drawing to be read in with the Specification/Bills of Quantity and related drawings.

**Appendix 3**  
**Original Viability Assessment**

13 June 2019

**26 Stonehills, Welwyn Garden City,**

**AL8 6NA**

## **Viability Assessment Report**

**This Viability Assessment has been prepared on behalf of:**

Amsprop REAT Ltd

## **Instructions**

This Viability Assessment is submitted to Welwyn Hatfield Borough Council to accompany a detailed planning application for the proposed residential led development at 26 Stonehills, Welwyn Garden City, AL8 6NA ('the Subject'). The application is made on behalf of Amsprop REAT Ltd ('the Applicant').

## **Confidentiality**

We understand that the report will be submitted to Welwyn Hatfield Borough Council as a supporting document to the planning application. The report must not be recited or referred to in any document (save the consultants instructed by the Council to review the report) without our express prior written consent.

## **Report Limitations**

Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. No liability is given to any third party and the figures suggested are not in accordance with Valuation Practice Statement 1.2 of RICS Valuation – Global Standards 2017. Any advice attached is not a formal ("Red Book") Valuation, and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such

## **Date of Appraisal**

The Date of Appraisal is the date of this report.

### **For and on behalf of:**

Savills (UK) Limited  
33 Margaret Street  
London  
W1G 0JD

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# 1. Executive Summary

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- 1.1 The Subject is located at 26 Stonehills, Welwyn Garden City in Welwyn and Hatfield Borough Council. 26 Stonehills currently comprises a 3156 sq m (33,975 sq ft) Debenhams department store based over basement, ground and two upper floors.
- 1.2 The proposed development comprises 19 one-bedroom and 8 two-bedroom apartments that total 1611 sq m (17,345 sq ft) of accommodation and arranged based over the first, second and third floors of the proposed development. There will be a total of 1026 sq m (11,044 sq ft) of retail/ ancillary space at ground and basement levels.
- 1.3 We have assessed the development economics of the proposed scheme in order to identify the level of planning obligations the scheme can sustain. We have appraised the scheme using Argus Developer (Version 6) and have based our appraisal upon the plans and schedule of accommodation shown in **Appendix 2**.
- 1.4 We have compared the resulting Residual Land Value to our Site Value Benchmark to ascertain whether there is a deficit or surplus against our Benchmark. In this case our Site Value Benchmark has been determined by giving consideration to the Existing Use Value plus a premium.
- 1.5 We have appraised the proposed scheme on the bases set out in the table below. Please see **Appendix 5** for the full appraisal.

**Table 1 – Viability Appraisal Results**

Residual Land Value	Site Value Benchmark	Deficit Against Benchmark
£400k	£1.63m	-£1,190,000

- 1.6 Given that the Residual Land Value generates a deficit against the Site Value Benchmark, the scheme is not considered commercially viable in development viability terms, and is therefore not able to provide any affordable housing. Notwithstanding that the scheme is unviable, we understand the Applicant is prepared to proceed with the scheme to the hope that the balance of values and costs will improve over the life of the project.

## 2. Introduction

---

### 2.1. Client Instruction

- 2.1.1. We have been instructed by the Applicant to examine the economic viability of this residential led scheme, to determine the level of planning obligations that the proposed development can support whilst remaining viable.

### 2.2. Information Provided

- 2.2.1. We have been provided with, and have relied upon, the following information from the Applicant:
- Site location plan as attached at **Appendix 1**;
  - Floorplans and area schedule of proposed accommodation dated March 2019 produced by Saunders Architecture and Urban Design as attached at **Appendix 2**;
  - Build costs as advised by Michael Edwards Consultants Limited; and
  - Existing Use Valuation Report produced by Savills Valuation department as attached at **Appendix 3**.



## 3. Subject Description

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### 3.1. Subject Location

- 3.1.1. The Subject site is located on Stonehills in the centre of Welwyn Garden City and 0.25 km north east of Welwyn Garden City National Rail station which provides quick access to London. Additionally, Junction 4 of the A1 is situated 3.3 km to the south of the Subject and provides good access to the motorway system. Further nearby road links include the A414, M1 and M25.
- 3.1.2. The property is situated in a prominent position at the corner of Stonehills and Sir Theodores Way on the pedestrian thoroughfare between Welwyn Garden City's two prominent retail locations, the Howard Centre and John Lewis. The surrounding area is made up of a mix of uses but is dominated by retail, the town centre also benefits from a number of public gardens and squares with Sir Theodores Square being located immediately adjacent to the Subject.
- 3.1.3. A location plan is attached at **Appendix 1**.

### 3.2. Subject Description

- 3.2.1. The property currently comprises a three storey building over basement, ground, first and second floor levels. It totals 3156 sq m (33,975 sq ft) with a rear loading and servicing area. The building is currently let to Debenhams Properties Ltd and we understand that Debenhams are scheduled to vacate the premises on 20th January 2020.
- 3.2.2. We understand that the site does not benefit from any existing planning consents.
- 3.2.3. Further detail is provided within our Existing Use Value Report, attached at **Appendix 4**.

### 3.3. Proposed Development

- 3.3.1. A planning application has been submitted which seeks full planning permission for:  
*“Proposed conversion of the first and second floors of the building together with an additional storey to provide residential accommodation (total of 27 dwellings); the retention of the ground floor for class A Uses”*
- 3.3.2. Below is a summary of the proposed average unit sizes at the Subject. A detailed accommodation schedule is attached at **Appendix 2** and further detail of the proposals is contained within our Residential Comparables report, attached at **Appendix 4**.

#### Summary of Proposed Residential Accommodation

Number of Bedrooms	No. of Units	Average Sq m	Average Sq Ft
1 bedroom	19	55	587
2 bedroom	8	72	774
<b>Total</b>	<b>27</b>	<b>1,612</b>	<b>17,345</b>

## 4. Methodology

### 4.1. Financial Viability Assessments

4.1.1. In line with the NPPF, and the Greater London Authority's (GLA's) strategic planning guidance for London, site-specific financial viabilities may be a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

4.1.2. As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that Section 106 requirements do not make a scheme unviable.

4.1.3. The RICS define financial appraisals for planning purposes as:

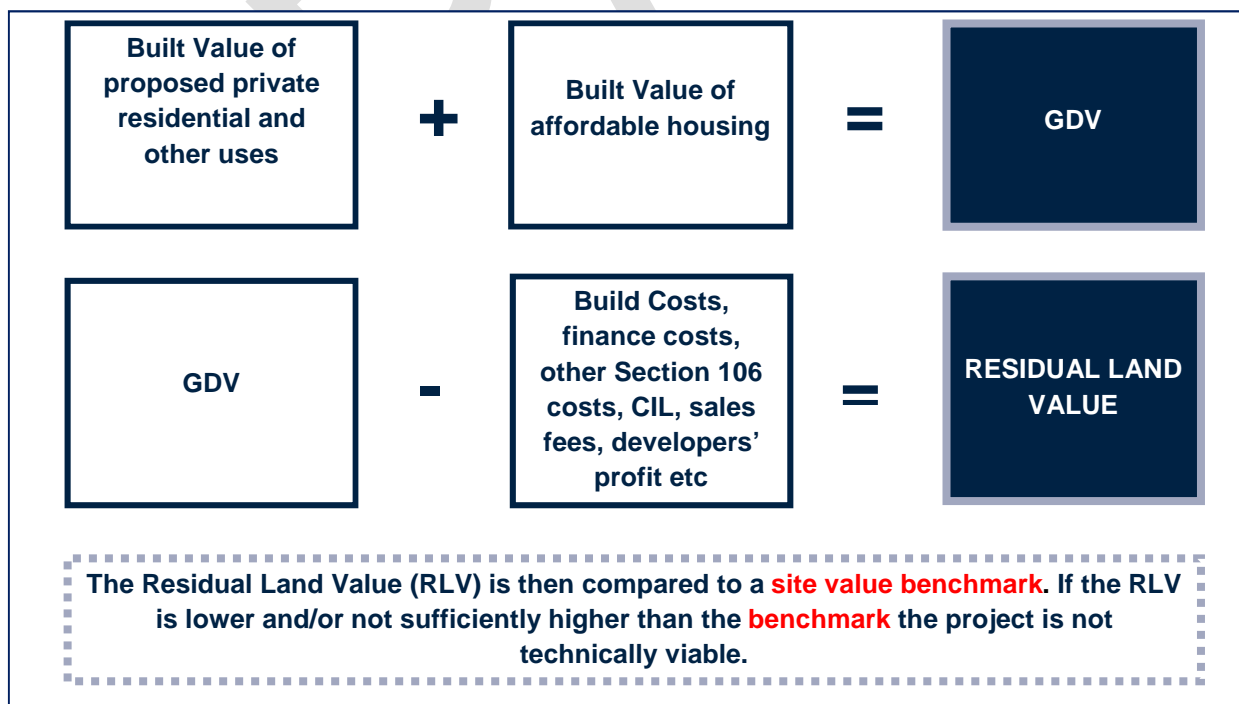
*'An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project.'*

4.1.4. The GLA's logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.1.5. If a scheme is being rendered unviable because of Section 106 requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate viability.

### 4.2. Residual Land Valuation

4.2.1. The financial viability of development proposals is determined using the residual land valuation method. A summary of this valuation process can be seen below:



## 5. Site Value Benchmark

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### 5.1. Methodology

- 5.1.1. In identifying an appropriate viability benchmark sum, we have given consideration to policy guidance, and our own professional experience. Our assessment of Site Value Benchmark in this instance is based on the following:
- Existing Use Value Plus Premium (EUV plus premium) – our understanding is that this is the NPPF's preferred approach. Our consideration of the EUV plus premium is set out at Section 5.3 of this report;
  - Market Value (MV) – our understanding is that whilst the NPPF states that this should not be considered in isolation, it can be a useful tool in determining competitive returns for a landowner.
  - Alternative Use Value (AUV) – in line with NPPF guidance, we have not given consideration to the AUV in this instance, as the Subject does not have the benefit of an existing consent.
  - Purchase Price – we understand that purchase price is rarely a consideration when determining Site Value Benchmark. We have therefore not given consideration to the purchase price in this instance.

### 5.2. Adopted Site Value Benchmark

- 5.2.1. We have been provided with an Existing Use Value report by Savills Valuation team **Appendix 3**.
- 5.2.2. The report concludes that the Existing Use Value of the Subject is **£1,415,000**.
- 5.2.3. In line with NPPF, RICS and Mayoral guidance we consider it appropriate to apply a premium to reflect a competitive return for a landowner. In considering the appropriate premium to apply in this instance we have given consideration to Subject's existing condition, existing use, refurb potential, market conditions and market demand. Therefore, in this instance we have applied a premium at the lower end of the range of 15%, which is within the NPPF's range of 10% - 40%, at 15% generating an **EUV plus premium of £1,627,250 (SAY £1,630,000)**.

## 6. Appraisal Modelling Assumptions – GDV

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### 6.1. Residential Values

- 6.1.1. We have assessed a number of comparable transactions in the area to form an opinion of value for the proposed apartments at the Subject, taking into account the location, size, aspect, provision of outside space, proposed accommodation and parking provision.
- 6.1.2. Based on our research (attached at **Appendix 4**), and advice from local agents we would anticipate the proposed residential units at the Subject achieving the following average values:

**Summary of Proposed Residential Pricing**

Unit Type	Average Sq ft	Average Price	Average Price/Sq ft
1 bedroom	587	£262,490	£448
2 bedroom	774	£338,781	£440

- 6.1.3. Therefore, we have adopted a Gross Development Value (GDV) for the proposed scheme of £7,700,000 equating to **£444/sq ft**.

### 6.2. Ground Rents

- 6.2.1. The government published a press release on 21st December 2017 entitled 'Crackdown on unfair leasehold practices', proposing that all ground rents on new long leases for both houses and flats are set at zero. No time frame was stated for when this proposal would become law however it highlighted the government's intention to alter leasehold legislation.
- 6.2.2. A further press release dated 14th October 2018, titled "Communities Secretary Signals End to Unfair Leasehold Practices" was published by the Ministry of Housing, Communities & Local Government and the RT Hon James Brokenshire MP (The Communities Secretary) which stated all new homes would be sold as freehold and all ground rents for apartments would be capped at £10 per annum.
- 6.2.3. It is not clear when this will become law because the legislative timetable will be tied up this year with Brexit negotiations. Some estimate it will take more than a year for it to get onto the statute books. There is no announcement about making the new measures retrospective but this has been debated in the Commons and intervention on existing leases cannot be ruled out.
- 6.2.4. Consequently for the purposes of this assessment we have included ground rents within our development appraisal at a rate of £10 per unit per annum, which we have capitalised at a rate of 4%.

### 6.3. Existing Income

- 6.3.1. As per Debenhams's approved CVA they will vacate the Subject property on 20 January 2020, until then they will pay a reduced rent of £163,200 per annum which equates to 48% of their current passing rent. Therefore, we have included an existing income of £95,200 within our appraisal.

## 6.4. Commercial Values

- 6.4.1. Commercial values have been assessed based on recent comparable transactions and views from agents active in the market.
- 6.4.2. We have also relied upon comparables stated within the Existing Use Valuation report which is attached at **Appendix 3**.
- 6.4.3. In addition to the comparables specified in the Existing Use Valuation report we have identified below some further investment transactions of smaller retail properties more comparable to that of the retail space being provided within the proposed development.
- 6.4.4. Detailed below are the investment comparables that we deem to be of the most relevance to the proposed retail space:

Address	Date	Price	Size (sq ft)	NIY	Cap Val psf	Tenant	Comment
21 High Street, Harpenden	Oct-18	£1.2m	3,653	7.25%	£328	NatWest (Not in occupation)	Single let retail unit of 3,653 sq ft based in a parade of shops. Virtual freehold with 995 years unexpired at a peppercorn rent. Let to NatWest with 8.19 years unexpired. Minimum uplift to £93,894 on 11/12/2021.
35-47 Howardsgate, Welwyn Garden City	Apr-18	£3.75m	2,036	7.35%	-	Halfords, CEX, McColls	Parade of shops let to 7 tenants. Freehold. Residential uppers sold off on a long leasehold. 87% of income secured against national tenants. WAULT of 7.5 years with 4.6 years to break.
32 Broad Walk, Harlow	Jan-18	£1.295m	11,614	7.35%	£103	WH Smith	Single let 12,546 sq ft retail unit in a parade of shops. Freehold. Unexpired term of 4.63 years. Uppers demised to tenant.
39-41 Queensway, Stevenage	Oct-17	£800k	4,598	7.10%	£174	Superdrug Stores PLC	Single let retail unit in a parade of shops. Freehold. Unexpired term of 4.76 years. Uppers demised to tenant.

- 6.4.5. All of the above transactions are from comparable towns within Hertfordshire and suggest that retail investments transact at NIYs of between 7% - 7.5%.
- 6.4.6. We would note that all of the above are either let to tenants of a national covenant strength or are multi-let with a high proportion of income secured by national retailers. Additionally, all of the comparables with the exception of 21 High Street have an income certainty of between 4.5 and 5 years.
- 6.4.7. We would expect the proposed retail unit to be let to a tenant of similar financial standing and lease length, however, the proposed will comprise of newly refurbished space and this should be reflected within the yield adopted.
- 6.4.8. Based on the above and further evidence within **Appendix 3** we have adopted the following assumptions within our appraisal:
- Rent: £120,000 pa equating to £10.87 psf.
  - Yield: 7%
  - Void: 9 months
  - Rent Free: 15 months

## 7. Appraisal Modelling Assumptions – Costs

---

### 7.1. Introduction

7.1.1. The following assumptions have been adopted in assessing the costs of the proposed scheme.

### 7.2. Build Costs

7.2.1. We have adopted the build costs as advised by Michael Edwards Consultants. The costs include an allowance for preliminaries, contingencies and contractor's OH&P.

### 7.3. Contingencies

7.3.1. Michael Edwards Consultants have included in their Cost Plan a design contingency of 5%. Notwithstanding this, we retain the right to review this assumption due to it varying from expert third party advice.

### 7.4. Professional Fees

7.4.1. In this instance we have adopted professional fees of 10%. We have not been provided with a detailed breakdown of anticipated professional fees and therefore reserve the right to review our approach.

### 7.5. Sales/Letting Fees

- Residential sales agent: 1%
- Residential sales legal: 0.25%
- Commercial letting agent: 10%
- Commercial letting legal: 5%
- Commercial sales agent: 1%
- Commercial sale legal: 0.8%
- Residential marketing: 1.5%

### 7.6. Commercial Purchaser's Costs

7.6.1. We have deducted acquisition costs at a rate of 6.1%.

### 7.7. Planning Obligations

7.7.1. We have included the following estimated payments as advised by SMB Town Planning and Cottee TP Consultants:

- S106 and Highways contributions: £48,000

## **7.8. Irrecoverable VAT**

- 7.8.1. As the proposed development comprises of a conversion of a non-residential building in to a residential building we have been advised by the developer that there will be an irrecoverable VAT sum that equates to £400,400. This has been calculated using the HM Revenues and Customs' VAT Notice 708: buildings and construction and can be found via the following hyperlink <https://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction/vat-notice-708-buildings-and-construction>.
- 7.8.2. We have therefore included this cost within our appraisal.

## **7.9. Profit**

- 7.9.1. In assessing what constitutes an acceptable level of developer's return in the current market we have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills, as well as applied our own development experience. In the current market if a developer was buying a site such as the Subject they would normally seek a return of at least 20% on GDV for the residential element and 15% on GDV for the commercial element in order to justify the risk of delivering the scheme.
- 7.9.2. Based on our experience and research we have included these developer returns which blend at 19.14% on GDV.

## **7.10. Finance**

- 7.10.1. In accordance with RICS guidance, we have assumed that the development will be 100% debt financed, at a rate debit rate of 7% and a credit rate of 1%.

## **7.11. Timescales**

- 7.11.1. We have adopted the following:
- Pre-construction: 9 months (please note VP is not attainable until 20 January 2020)
  - Construction: 12 months as advised by Michael Edwards Consultants.
  - Sales: We have allowed a 11 month sales period. We have assumed that 6 of the units will be sold off plan with receipt at PC, and that 2 units will be sold per month thereafter.



## 8. Conclusion

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### 8.1. Results

- 8.1.1. We have appraised the proposed scheme against our Site Value Benchmark in order to fully understand the economics of the development and to establish the maximum level of planning obligations, including affordable housing, that the scheme can reasonably support.
- 8.1.2. A summary of our appraisal results is set out below.

Residual Land Value	Site Value Benchmark	Deficit Against Benchmark
£400,000	£1,630,000	-£1,190,000

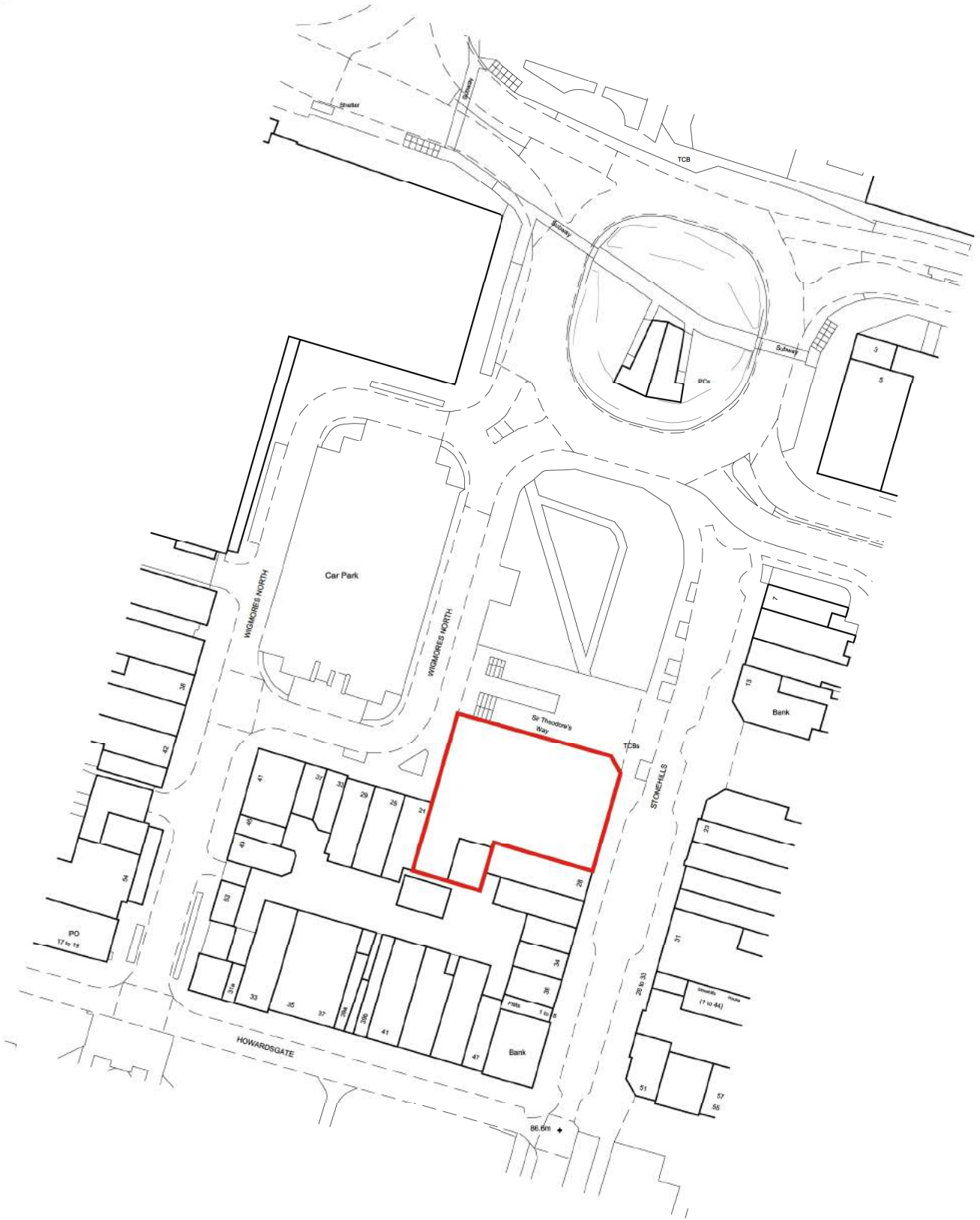
### 8.2. Conclusions

- 8.2.1. Given that the Residual Land Value generates a deficit against the Site Value Benchmark, the scheme is not considered commercially viable in planning viability terms, and therefore is not able to contribute towards affordable housing. Notwithstanding that the scheme is unviable, we understand the Applicant is prepared to proceed with the scheme to the hope that the balance of values and costs will improve over the life of the project.

**Appendix 1: Site Location Plan**

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DRAFT



# PLANNING

Project  
**PROPOSED RESIDENTIAL DEV.  
 26 HOWARDSGATE WGC**

Title  
**APPLICATION LOCATION PLAN**

Scale	Size	Drawn	Checked	Date
1:1250	A4	JT	RC	MAY '19
Drawing No		Revision		
<b>7654/P001</b>		-		

**Saunders**  
 Architecture + Urban Design

No dimensions are to be scaled from this drawing. All stated dimensions are to be verified on site and the Architect advised of any discrepancies. This drawing to be read in with the Specification/Bills of Quantity and related drawings.

**Appendix 2: Proposed Schedule and Plans**

DRAFT

# 7654 - 26 Stonehills, Welwyn Garden City

## Accommodation Schedule

Note: To be read in conjunction with 7654/SK101B

Flat	Acc. Ref	Sqm	Sqft
1	2b3p	63	678
2	2b3p	66	710
3	2b3p	83	893
4	1b2p	66	710
5	1b2p	51	549
6	1b2p	56	603
7	1b2p	56	603
8	1b2p	51	549
9	1b2p	60	646
10	1b2p	52	560
		604	6499

FIRST FLOOR

1b2p	2b3p
	✓
	✓
	✓
	✓
✓	
✓	
✓	
✓	
✓	
✓	
6	4
60	40

% of Mix

11	2b3p	63	678
12	2b3p	66	710
13	2b3p	83	893
14	2b3p	66	710
15	1b2p	51	549
16	1b2p	56	603
17	1b2p	56	603
18	1b2p	51	549
19	1b2p	60	646
20	1b2p	52	560
		604	6499

SECOND FLOOR

	✓
	✓
	✓
	✓
✓	
✓	
✓	
✓	
✓	
✓	
6	4
60	40

% of Mix

21	1b2p	57	613
22	1b2p	55	592
23	1b2p	51	549
24	1b2p	51	549
25	1b2p	51	549
26	2b3p	85	915
27	1b2p	54	581
		404	4347

THIRD FLOOR

✓	
✓	
✓	
✓	
✓	
	✓
✓	
6	1
86	14

% of Mix

Total Area **1612** **17345**

18	9
67	33

Total Mix

%

NOTES  
 This drawing to be read in accordance with the specification/Bills of Quantities and related drawings. No Dimensions to be scaled from this drawing. All stated dimensions to be verified on site and the Architect notified of any discrepancies.

Scale bar 50mm at 1:1

NOTES:  
 BASED ON EXISTING SURVEY INFORMATION. SUBJECT TO STRUCTURAL ADVICE REGARDING REMOVAL OF EXISTING WALLS.

RESIDENTIAL ACCOMMODATION SCHEDULE

FLATS	GROUND FLOOR	FIRST FLOOR	SECOND FLOOR	THIRD FLOOR	TOTAL
Retail Unit	-	-	-	-	-
1B/2P	-	6	6	6	18
2B/3P	-	4	4	1	9
<b>TOTAL</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>7</b>	<b>27</b>

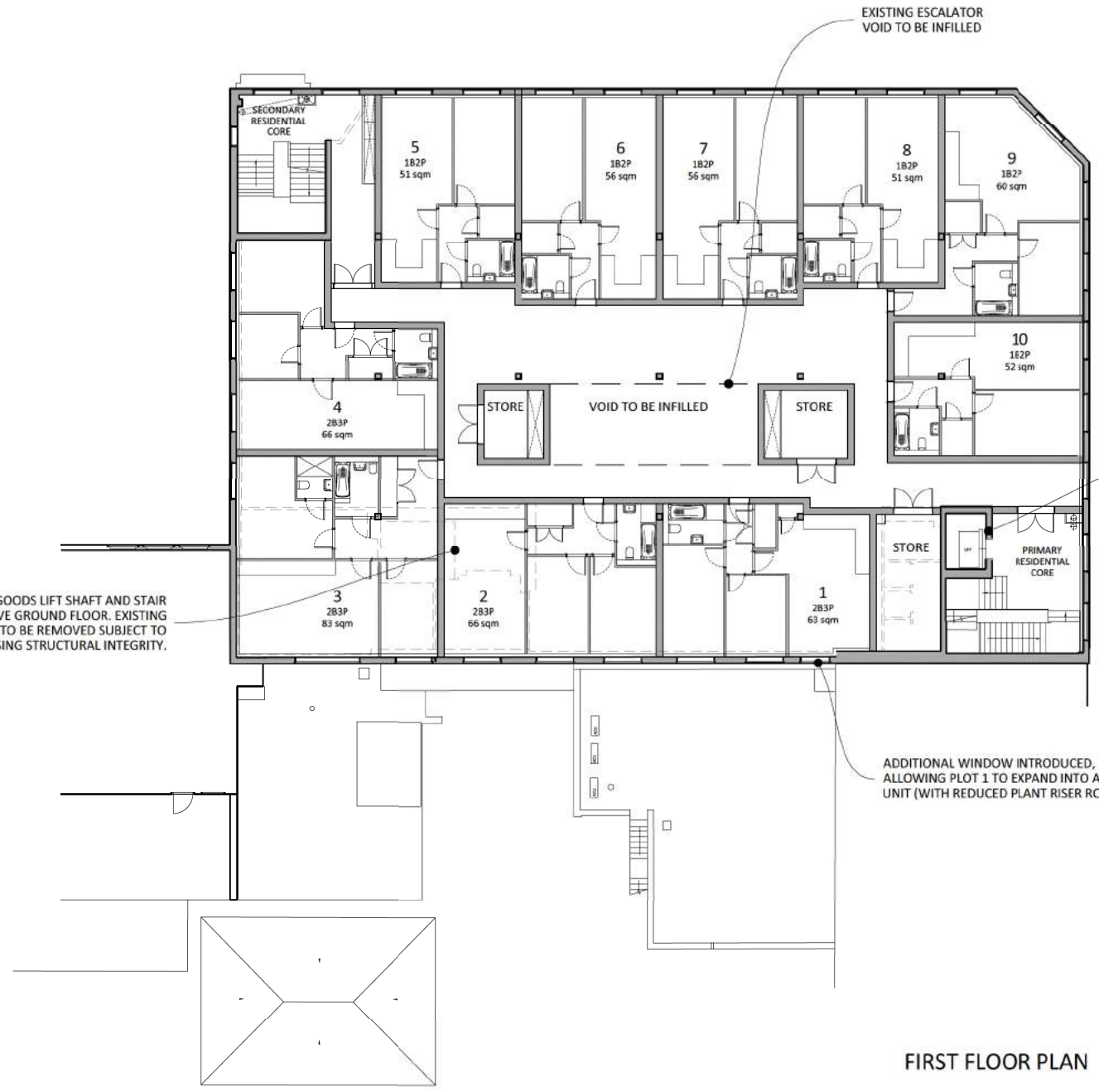
NEW LIFT REQUIRED TO EXTEND TRAVEL UP TO PROPOSED 3RD FLOOR. EXISTING LIFT SHAFT TO BE SURVEYED IN DUE COURSE BY SPECIALIST.

EXISTING ESCALATOR VOID TO BE INFILLED

VOID TO BE INFILLED

ADDITIONAL WINDOW INTRODUCED, ALLOWING PLOT 1 TO EXPAND INTO A 2 BED UNIT (WITH REDUCED PLANT RISER ROOM).

EXISTING GOODS LIFT SHAFT AND STAIR REMOVED ABOVE GROUND FLOOR. EXISTING SHAFT WALLS TO BE REMOVED SUBJECT TO SURVEYOR ASSESSING STRUCTURAL INTEGRITY.



# PLANNING

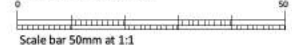
REF DATE NOTE  
 Project  
 RETAIL AND RESIDENTIAL DEVELOPMENT  
 26 STONEHILLS  
 WELWYN GARDEN CITY

Title  
 PROPOSED FIRST FLOOR PLAN

Scale 1:200 @A3 Date MAY 2019  
 Drawn JT Checked RC  
 Drawing Number 7654/P102 Revision -

FIRST FLOOR PLAN

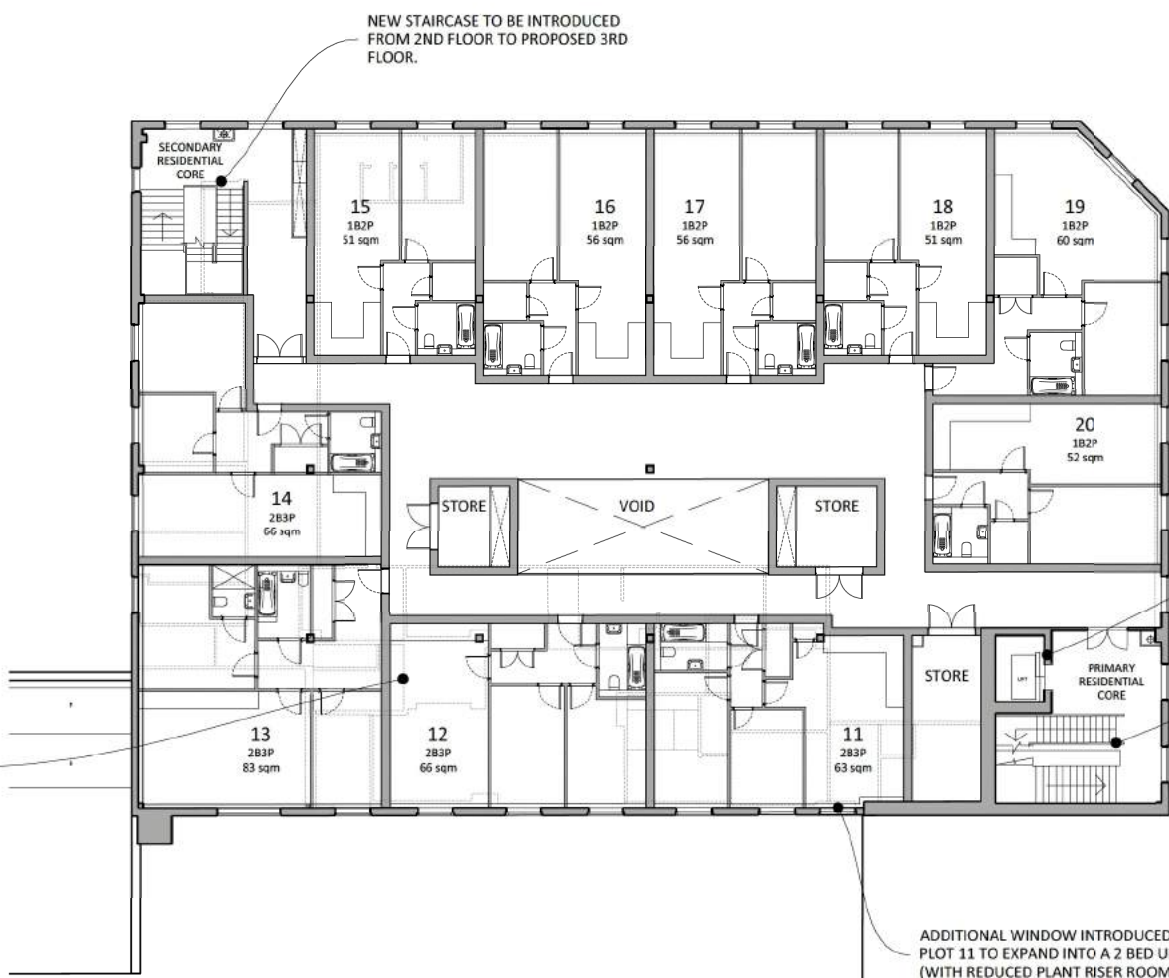
This drawing to be read in accordance with the specification/Bills of Quantities and related drawings. No Dimensions to be scaled from this drawing. All stated dimensions to be verified on site and the Architect notified of any discrepancies.



NOTES:  
BASED ON EXISTING SURVEY INFORMATION.  
SUBJECT TO STRUCTURAL ADVICE REGARDING  
REMOVAL OF EXISTING WALLS.

RESIDENTIAL ACCOMMODATION SCHEDULE

FLATS	GROUND FLOOR	FIRST FLOOR	SECOND FLOOR	THIRD FLOOR	TOTAL
Retail Unit	-	-	-	-	-
1B/2P	-	6	6	6	18
2B/3P	-	4	4	1	9
<b>TOTAL</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>7</b>	<b>27</b>



NEW STAIRCASE TO BE INTRODUCED FROM 2ND FLOOR TO PROPOSED 3RD FLOOR.

NEW LIFT REQUIRED TO EXTEND TRAVEL UP TO PROPOSED 3RD FLOOR. EXISTING LIFT SHAFT TO BE SURVEYED IN DUE COURSE BY SPECIALIST.

NEW STAIRCASE TO BE INTRODUCED FROM 2ND FLOOR TO PROPOSED 3RD FLOOR.

ADDITIONAL WINDOW INTRODUCED, ALLOWING PLOT 11 TO EXPAND INTO A 2 BED UNIT (WITH REDUCED PLANT RISER ROOM).

EXISTING GOODS LIFT SHAFT AND STAIR REMOVED ABOVE GROUND FLOOR. EXISTING SHAFT WALLS TO BE REMOVED SUBJECT TO SURVEYOR ASSESSING STRUCTURAL INTEGRITY.

SECOND FLOOR PLAN

# PLANNING

REV	DATE	NOTE

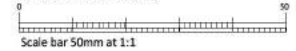
Project  
**RETAIL AND RESIDENTIAL DEVELOPMENT**  
**26 STONEHILLS**  
**WELWYN GARDEN CITY**

Title  
**PROPOSED SECOND FLOOR PLAN**

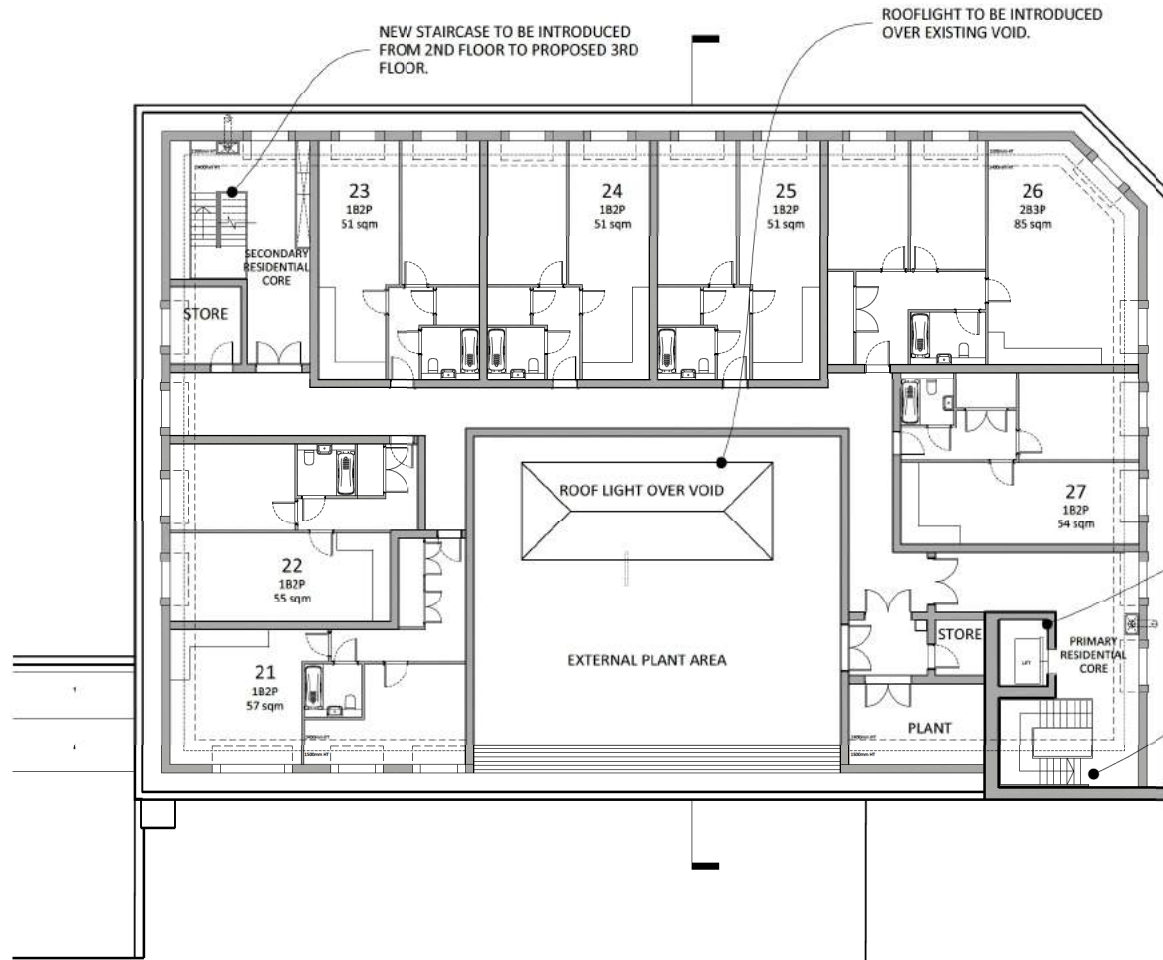
Scale 1:200 @ A3	Date MAY 2019
Drawn JT	Checked HC
Drawing Number 7654/P103	Revision -



This drawing to be read in accordance with the specification/Bills of Materials and related drawings. No Dimensions to be scaled from this drawing. All stated dimensions to be verified on site and the Architect notified of any discrepancies.



NOTES:  
BASED ON EXISTING SURVEY INFORMATION.  
SUBJECT TO STRUCTURAL ADVICE REGARDING  
REMOVAL OF EXISTING WALLS.



RESIDENTIAL ACCOMMODATION SCHEDULE

FLATS	GROUND FLOOR	FIRST FLOOR	SECOND FLOOR	THIRD FLOOR	TOTAL
Retail Unit	-	-	-	-	-
1B/2P	-	6	6	6	18
2B/3P	-	4	4	1	9
<b>TOTAL</b>	<b>0</b>	<b>10</b>	<b>10</b>	<b>7</b>	<b>27</b>

NEW LIFT REQUIRED TO EXTEND TRAVEL UP TO PROPOSED 3RD FLOOR. EXISTING LIFT SHAFT TO BE SURVEYED IN DUE COURSE BY SPECIALIST.

NEW STAIRCASE TO BE INTRODUCED FROM 2ND FLOOR TO PROPOSED 3RD FLOOR.

THIRD FLOOR PLAN

# PLANNING

REV	DATE	NOTE

Project  
RETAIL AND RESIDENTIAL DEVELOPMENT  
26 STONEHILLS  
WELWYN GARDEN CITY

Title  
PROPOSED THIRD FLOOR PLAN

Scale	Date
1:200 @A3	MAY 2019
Drawn	Checked
JT	RC
Drawing Number	Revision
7654/P104	-

**Saunders**  
Architecture + Urban Design

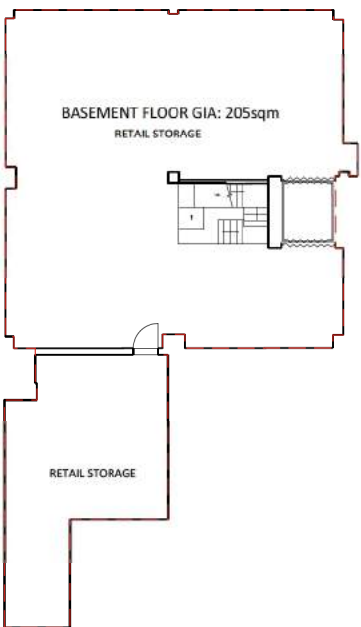
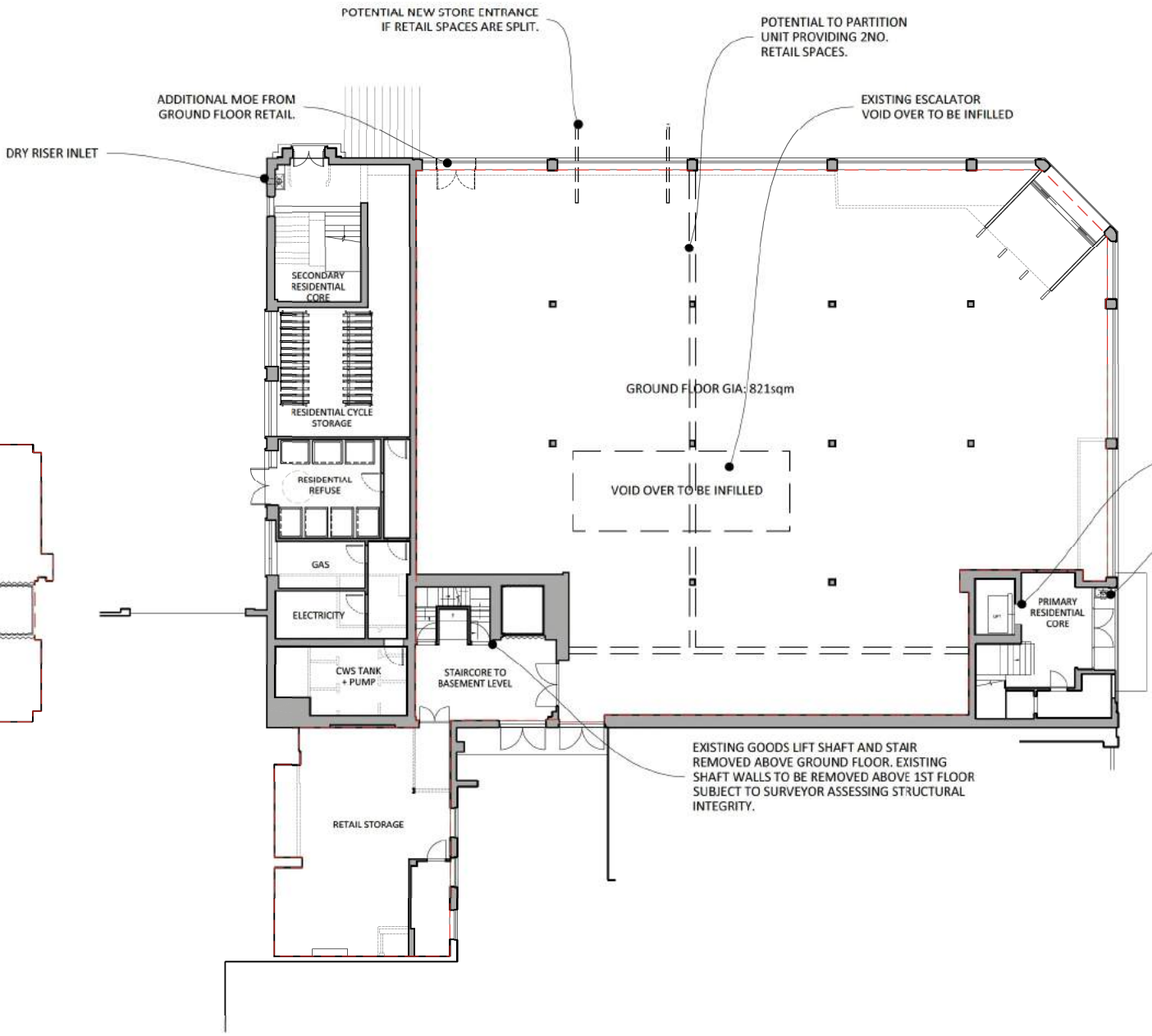


NOTES

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Scale bar 50mm at 1:1

NOTES:  
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 REMOVAL OF EXISTING WALLS.



BASEMENT PLAN

GROUND FLOOR PLAN

NEW LIFT REQUIRED TO EXTEND TRAVEL UP TO PROPOSED 3RD FLOOR. EXISTING LIFT SHAFT TO BE SURVEYED IN DUE COURSE BY SPECIALIST.

# PLANNING

REF DATE NOTE

Project

RETAIL AND RESIDENTIAL DEVELOPMENT  
 26 STONEHILLS  
 WELWYN GARDEN CITY

Title

PROPOSED BASEMENT &  
 GROUND FLOOR PLANS

Scale	1:200 @A3	Date	MAY 2019
Drawn	JT	Checked	RC
Drawing Number	7654/P101	Revision	-

**Saunders**  
 Architecture + Urban Design

**Appendix 3: Existing Use Value Report**

DRAFT

24 May 2019  
F/Val00/Corporate Clients/Amsprop/Debenhams/Welwyn EUV Letter.doc  
440456/ NDS



.2019

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For the attention of Andrew Cohen

Dear Sirs

**EXISTING USE VALUATION**  
**PROPERTY: DEBENHAMS, 26 STONEHILLS, WELWYN GARDEN CITY, AL8 6NA**

In accordance with your instructions confirmed in our letter dated 10 May 2019, we set out below our opinion of the current Existing Use Value of the above property. We understand that our opinion of value is required for internal purposes.

**1.0 SPECIFIC INSTRUCTIONS AND CAVEATS**

In view of the short form nature of this Report, it is a strictly non-red book compliant report and we are obliged to state that until a formal report is issued, it is provided on a without liability basis.

We would confirm, in accordance with Savills' standard procedures, that this advice is not a substitute for a valuation undertaken in accordance with the RICS Red Book. This initial report, therefore, will be subject to a formal RICS compliant report, to follow, if reliance is required.

**2.0 INFORMATION PROVIDED AND RELIED UPON**

We have been provided with the following information on which we have relied upon. We assume that all sources provided are both accurate and current and we accept no responsibility for errors or omissions therein or incomplete information.

In particular, we have not been provided with any information with regard to tenure, other than the property is held freehold, and we therefore assume that the property benefits from a clean title with no onerous restrictions or obligations and that full rights of access are enjoyed, and that no third parties enjoy any rights over the property.

Furthermore, we have no information on the potential for deleterious materials to be present, which would result in any capital expenditure being required. This valuation is based on their being no such adverse matters at the subject property.

With regard to planning and other statutory matters, we have not carried out our own enquiries but have relied upon the planning statement.

The information that we have been provided with is as follows:

- Copy lease
- Copy Investment brochure
- Existing floor areas
- Planning Statement



We confirm that we carried out an inspection of the property and carried out all necessary market due diligence in order to prepare this valuation, therefore, is our fully considered opinion of value.

### 3.0 PROPERTY OVERVIEW

Welwyn Garden City was the second garden city in England, founded in 1920 and one of the first new towns, designated in 1948.

26 Stonehills is situated on a prominent corner position on the western side of Stonehills at its junction with the walkways, Sir Theodores Way and Stonebank between John Lewis to the north west and The Howard Centre, which is adjacent to the rail station.

Other nearby occupiers include APlan, Greggs, Nationwide, Subway and NatWest Bank.

The property is a Debenhams department store laid out over part basement, ground, first and second floor levels, as retail with ancillary storage totalling 33,975 sq ft, with a rear loading and servicing area. The main entrance is from the corner of Stonehills with Sir Theodores Way.

There is a local plan policy which restricts the use of the subject property as an "Anchor Store".

The Existing Use is as a department store.

The property is held freehold and is currently leased to Debenhams Properties Ltd by virtue of a lease dated 18 May 2007 for a term of 15 years from 14 May 2007, having just less than 3 years unexpired at a rent of £340,000 per annum or £10.00 per sq ft. We understand that there have been no uplifts as at May 2012 or 2017.

The tenant is in a CVA process and we understand that they will vacate the property with effect from January 2020, when they will cease to pay the rent under the lease.

### 4.0 MARKET COMMENTARY

#### Rental

Welwyn Garden City's total town centre retail floorspace is estimated at just 520,000 sq ft (48,310 sq m), with a primary retail catchment of 94,000, which is below the PROMIS resilient town average. The town's retail core is relatively compact, with the main shopping streets radiating from The Howard Centre.

The town is anchored by The Howard Centre to the east, the John Lewis and Debenhams department stores to the north, the Sainsbury's superstore to the south and the town's attractive gardens and main residential area to the west. The high street retail provision is generally arranged along the axes of Howardsgate, Wigmores, Stonehills and Fretherne Road.

The Howard Centre, opened in 1990, dominates the retail provision within Welwyn Garden City, providing the town's only managed shopping centre and circa 40% of the total retail floorspace. It provides approximately 223,378 sq ft (20,753 sq m) of sales, ancillary and storage accommodation. The centre comprises a traditional covered scheme; arranged in a linear configuration, with the anchor stores flanking the scheme to the north and south, and retail arranged over two trading levels. The centre is anchored by Marks & Spencer (sold off on a long lease until 2115), Next, WH Smith and Boots. Other national occupiers include Fat Face, JD, Monsoon, H&M, Pandora, Ernest Jones, Goldsmiths, New Look, H Samuel, Topshop, Barclays, The Entertainer, Clarks and Starbucks. The shopping centre comprises 45 retail units, three kiosks, a gym, station ticket office and 725-space car park, which is directly accessible from the scheme.



Welwyn Garden City's food and beverage offer is centred around the attractive Howardsgate gardens. National restaurant and cafe operators represented in the town include Bill's, Zizzi, Côte Brasserie, Pizza Express, Prezzo, Caffè Nero and Costa.

The out of town retail provision in Welwyn Garden City is estimated at 181,000 sq ft (16,815 sq m), which is also below average for a town of this size (source: PROMIS). Oldings Corner lies 2 miles (3.2 km) to the south of the town centre and provides the town's only retail park. The park benefits from a part A1 planning consent and is anchored by a Tesco Extra foodstore; its other occupiers are B&M Bargains, Next, Costa and Pets at Home. The town's remaining out of town retail is provided by solus stores, with retailers such as B&Q, Wickes and Aldi represented.

The Wheat Quarter is a new redevelopment project, that will reinvigorate the former Shredded Wheat Factory site, which lies immediately to the east of The Howard Centre. Outline planning consent was granted in 2017 for a vibrant mixed-use development on the site, including 850 dwellings. This consent demonstrates the council's commitment to furthering a substantial residential-led development on the Wheat Quarter site. Subsequently, a further planning application has been submitted by The Wheat Quarter Ltd to expand the scope of the development. The application is for the creation of a residential-led mixed-use quarter. The development will also draw the town's retail pitch to the east.

Large space retailers represented in Welwyn centre already are John Lewis, Iceland, Poundstretcher, Next, M&S, Carpetright, Anytime Fitness, Boots, Topps Tiles, Halfords, B&Q. The retail occupational market in Welwyn has been affected by wider retail market sentiment, with a fall in rental levels being perceived.

We believe that a range of discounter tenants could have potential requirements for Welwyn including Days, B & M and other discounters. We do not consider that Lidl or Aldi would be interested in view of limited car parking and their stores in the vicinity.

We understand that the unit has been marketed over the last 12 months. This was due to the restriction on planning for department store use only and the need to demonstrate a testing of demand for this use. A global rent of £225,000 per annum or £6.60 per sq ft is being quoted. In fact, all known large space user retailers were contacted including for completeness those such as Fenwicks and Selfridges. Primark intimated that the store and town were too small for them. This has not resulted in any rental offers or offers to purchase for the whole from retailers materialising. Discussions took place with B&M for the ground and basement at £150,000 per annum, which is the quoting rent for the lower floors. Wetherspoon have also expressed an interest in the lower floors. Most retailers are only prepared to trade on one level, ground floor only.

We include a table of rental comparables below.

Address	Date	Sq Ft	Tenant	Lease Term (TBO)	Rent pa (Rent psf)	Incentive/ Rent Free Period	Comment
<b>Large Space Users</b>							
Western Way Retail Park, Bury St Edmunds, West Suffolk	March 2018	24,560	B & M Retail Limited.	15 year lease 5 yearly upwards only rent reviews	£12.72		Rent reviews subject to a cap at each review of 11.2% of previous passing rent.

Address	Date	Sq Ft	Tenant	Lease Term (TBO)	Rent pa (Rent psf)	Incentive/ Rent Free Period	Comment
New Street, Chelmsford	July 17	3,900	Co-operative	15 years 5 yearly Break at 10	£70,000 £17.95		New build, RR to RPI Collar 1.0%, cap 3.0%
<b>Supermarkets</b>							
122 High Street, Bromley	May 2018	23,923 on Gnd plus 18,261 Bmt	Lidl	20 years with break at 15	£450,000 £18.81 on Gnd only	9 month rent free Capital contrib £250,000 to strip out previous store	Lease of basement also taken but not utilised
Tewkesbury Road, Cheltenham	Oct-17	20,000	Lidl	Unknown	£23.50	unknown	RPI uplifts
Ampthill Road, Bedford, MK42 9BL	March 2017	18,750	Aldi Stores Limited	20 Year	£18.33		5 yearly rent reviews with increased of 3% per annum compounded.
98 Clapham Road, Bedford, MK41 7PJ	March 2017	20,927	Aldi Stores Limited	21 Year	£17.82		Rent is subject to 5 yearly upward only RPI rent reviews collared and capped at 1%-3%.
Waitrose, 390-398 Yorktown Road, Sandhurst, Berkshire, GU47 0PU	February 2017	28,523	Waitrose Limited	15 Year (13 year)	£12.62		Rent review every 5 <sup>th</sup> year to RPI. The next rent review is subject to a minimum increase of 5.1% and maximum increase of 16% across a five year period collared between 1% and 3%.

## Sales

Sales activity in the retail market has been adversely affected by the current adverse market sentiment. Furthermore, there is a wide ranging body of (now relatively historic) sales evidence of former BHS and Debenhams stores, which in many cases have been sold for conversion to alternative uses.

The following is an example of a discounted sales price achievable for a south east town where three owner occupier retailers had a requirement. The winning bid at £7,350,000, was a developer with



plans to convert the ground floor to two retail units and the upper parts to an hotel through complete redevelopment.

The transaction related to 51/57 St Peter's Street, St Albans, which is a broadly rectangular retail unit with its principal frontage to St Peter's Street. It was originally constructed in the 1930's and comprehensively refurbished in 1963 and is arranged on ground and first with rear access onto Drovers Way. The unit provides a total of 35,910 sq ft of retail and ancillary accommodation. Retail accommodation is provided on the ground and first floors totalling 30,226 sq ft.

This former BHS was sold to a developer at the end of 2018. Other lower offers received during the marketing campaign were from HR Owen (£5,000,000), Morley's (£5,000,000) and Sports Direct (£5,500,000). These analyse to £139.25 to £153.16 per sq ft on the total floor area.

It is comparatively rare for large retail units in excess of 20,000 sq ft to be sold with vacant possession because the vendor would at least attempt to maximise sale proceeds by reletting the unit prior to marketing the property for sale. In many instances, there are no retailers prepared to acquire by this means.

We summarise below some of the more relevant vacant possession transactions from across the UK in recent years, most of which were disposals of former BHS stores. Several were bought by another retailer (Sports Direct, Primark, Peacocks, What Stores or Morleys) for their own occupation but many others were sold for their break-up potential or redevelopment.

The most relevant transactions to the subject property are highlighted in light grey below. We have included sales from several years ago because of the lack of vacant possession transactions generally.

Property	Date	Tenure	Size (sq ft)	Price	£ psf	Comments
51-57 St Peter's Street St Albans	May 2018	FH	34,437	£7.35M	£213  Offers of £140 - £153 from retailers)	Former BHS store sold to RREEF Estates. Exchanged Dec 2018
60-64 Northgate Darlington	Jan 2018	FH	34,437	£0.95M	£28	Former BHS store sold to Aurora Investment Fund.
29-31 Princess Way Swansea	Nov 2017	LH (54 yrs u/x @ £20,000 pa)	72,411	£1.50M	£21	Former BHS store. Circa £1M of capex required to remove asbestos from the building. Sold to regional retailer, What Stores.
41-44 North Street Taunton	Sep 2017	FH	41,103	£1.55M	£38	Former BHS store.
13-21 Midland Road Bedford	Jun 2017	FH	32,317	£4.00M	£124	Former BHS store sold to Peacocks department store. Good condition building. Marketed for only 3 weeks. Peacocks were the only bidder as a result of them acting quickly and the seller being keen to sell.

Property	Date	Tenure	Size (sq ft)	Price	£ psf	Comments
Guildhall Square 2-5 Chapel Street Carmarthen	May 2017	FH	37,639	£1.00M	£27	Former BHS store sold to Equorium Property.
24-26 Castle Place Belfast	May 2017	FH	100,351	£1.20M	£12	Former BHS store.
116-117 Broad Street Reading	Mar 2017	FH	72,894	£27.96M	£384	Former BHS store bought by a private investor. To be converted to residential.
52-54 Gallowtree Gate Leicester	Mar 2017	FH	113,365	£3.05M	£27	Former BHS store bought by Sports Direct (t/a Flannels).
83-87 High Street Watford	Feb 2017	FH	79,060	£15.00M	£190	Former BHS store sold to Sports Direct who will occupy the store under the Flannels brand.
The Mall 19 Broadway Bexleyheath	Jan 2017	LH (88 yrs u/x @ peppercorn)	61,436	£4.00M	£65	Former BHS store sold to Morleys.
8-18 King Street St Helier Jersey	Jan 2017	FH	20,790	£1.82M	£88	Former BHS store sold to Sports Direct.
177-181 Fore Street Exeter	Jan 2017	LH (36 yrs u/x)	40,476	£0.50M	£12	Former BHS store.
104-110 Broadway London W13	Jun 2016	FH	40,332	£22.50M	£558	Former BHS store bought by the Thames Valley Housing Association to redevelop into apartments above retail.
40/50 Above Bar Southampton	Jul 2015	LH 34 yrs u/x @£317,830 pa	62,546	£6.70M	£107	Former BHS store purchased by Sports Direct for own occupation.
20 The Headrow Leeds	Feb 2015	FH	76,746	£9.00M	£117	Sports Direct purchased the property for own occupation. Bought with units in Birmingham and Sunderland.
7-10 Fawcett Street Sunderland	Feb 2014	FH	36,857	£1.25M £2.00M	£34 £54	Sports Direct acquired former Primark store from administrator. Off market, principal to principal. Price rumoured to be between £1.25M and £2M.
17/21 High Street Weston-super-Mare	Oct 2013	FH	37,885	£0.67M	£18	Sold at auction. Former TJ Hughes store, unoccupied for some time prior to sale
45-51 Castle Street Carlisle	May 2013	FH	38,828	£1.065M	£27	Sold at auction. Former Hoopers department store. Ground and five upper floors.
58-65 Market Place Great Yarmouth	May 2012	FH	35,925	£1.10M	£31	Former Co-op store



Property	Date	Tenure	Size (sq ft)	Price	£ psf	Comments
121-123 Queen St Cardiff	Feb 2012	FH	19,424	£1.6M	£82	Refurbishment/redevelopment opportunity. Purchaser re-let to Poundland.
19 Middle Street Yeovil	Jul 2010	FH	36,177	£2.90M	£80	Former Woolworths store acquired by Primark.

The most relevant six store sales range from £54 to £140 per sq ft for retail occupation. In order of increasing price by town were Bexleyheath, Jersey, Southampton, Leeds, Bedford and St Albans. Arguably, all of these are now historic. Were a retail occupier to be identified who would be willing to make an outright purchase, we consider that a price in the region of £80-£100 per sq ft may be achievable for this location. However, these are rare and the marketing of the subject property has not secured any such retailer offers. Therefore, a discount to this must apply.

The prices achieved for the eight freehold retail stores sold since January 2017 (excluding Reading which was sold for residential redevelopment and St. Albans which was sold for a hotel led development) range from as little as £12 per sq ft in Belfast to as much as £190 per sq ft in Watford, each depending upon location and circumstances. The lower of these prices were achieved in Ireland, Wales and the North of England (£12-28 per sq ft).

Retailer bid pricing in St. Albans and Watford (£140 - £153 per sq ft and £140 per sq ft respectively) reflect the M25 location and the stronger character of these towns is reflected in the higher prices achieved.

## 5.0 MARKET VALUE

### 5.1 Principal Valuation Considerations

The principal advantages and disadvantages of the investment:

#### Advantages

- Relatively strong retail centre in Home Counties;
- Moderately affluent
- Prominent position on edge of retail area;
- Freehold tenure;
- Well configured purpose built department store;

#### Disadvantages

- Well shopped town.
- Edge of retailing area;
- Pressure for pitch to move away;
- Retailing on three levels;
- Planning policy restriction;
- Short weighted unexpired term certain due to tenant's cva process (6 months);
- Expectation of vacant possession;
- Limited or no demand from large space users for rental or outright purchase of the whole.

### 5.2 Approach to Valuation

We are instructed to value on the basis of the Existing Use.

This is effectively a vacant possession valuation as the income is only sustainable for the next 6 months under the approved CVA process. Our approach, therefore, has been to seek the vacant possession value and add 6 months income. We have had regard to the likely price that would be achievable in today's market from two different types of purchasers, namely (a) an owner-occupier retailer and (b) entrepreneurial investors seeking to re-let the vacant building as a whole to create an income-producing investment. In this case, we have assumed the latter scenario given the very limited number of retailers who are prepared to acquire buildings for their own occupation (particularly at the current time in the retail market).

The vacant possession valuation is relatively challenging to assess as it is rare for vacant high street retail properties to be sold and there is a severe dearth of recent comparable vacant possession evidence. The available evidence noted in this report is extremely limited and does not provide a sufficient body of evidence from which to draw anything other than broad comparisons, with each purchase price determined by not just the property fundamentals but also the dynamics of the sale (i.e. the negotiating position between vendor and purchaser). Often, there would not be any rationale behind a purchaser's acquisition appraisal, being simply a negotiation over a 'number which makes sense' for both parties. The majority of vacant possession sales are 'distressed' situations, either receivership sales, where a building is surplus to operational requirements or has been developed and failed to let. Where the evidence exists, it is often at 'distressed' pricing and reflects a weak vendor. It rarely makes sense to sell a high street retail property with vacant possession as the most appropriate strategy would be to suffer the short term hold costs, accept the risk, and retain the property until it is re-let, thereby maximising value.

Unlike investment assets, it is difficult to know who would be in the market for vacant high street retail properties and only a full and comprehensive marketing would provide the answer. The interest would mainly be from national and regional property companies, retail turnaround specialists, opportunity funds and the more entrepreneurial private investors. Depending on the asset, many would not be prepared to take on the letting risk unless they had a tenant(s) lined up. The other category of purchaser is retailers for their own occupation but very few retailers (with the exception of retailers including Peacocks, Morleys, Primark and Sports Direct) have been prepared to buy their own premises. The current marketing campaign has only resulted in offers for parts of the property for rental and the sale of the entire property for change to alternative uses.

Attempting to decipher the Existing Use Value, therefore, has presented a challenge. We conclude, after testing a range of scenario outcomes, from including, firstly, applying a suitable discount to attract a retailer to buy the whole to, secondly, the discounted vacant value of a potential investment on the assumption that a retailer(s) takes part(s) only and the remainder is mothballed.

Variables include direct capital per sq ft in comparison to the above cited comparables with a downward adjustment to reflect the change in market conditions since these sales took place and the summation of a rental value of £120,000 per annum at a discounted 8.0%, after purchaser costs.

### 5.3 Market Value

We are of the opinion that the current Existing Use Value of the freehold interest in the above property, subject to the existing lease, is in the order of:

**£1,415,000**  
**(ONE MILLION FOUR HUNDRED AND FIFTEEN THOUSAND POUNDS)**

Our opinion of value reflects a capital value of £41.65 per sq ft overall.

We trust that this letter is sufficient for your purposes, although if you require any further assistance please do not hesitate to contact us.



Yours sincerely

For and on behalf of Savills (UK) Limited

**NORMAN SIMPSON MRICS**  
RICS Registered Valuer  
Director

**Appendix 4: Residential Comparables Report**

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DRAFT

13 June 2019

# **26 Stonehills, Welwyn Garden City, AL8 6NA**

## **Residential Comparables Report**





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# 1. Introduction

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## 1.1. Overview

1.1.1. This statement has been prepared by the specialist Development Viability Team of Savills (UK) Ltd. It is by way of an addendum to the viability report provided for the development of 26 Stonehills, Welwyn Garden City (the Subject), and focuses on establishing the value of the proposed residential accommodation.

## 1.2. Statement Limitations

1.2.1. This statement does not constitute part of a formal valuation report, therefore the opinions and values provided herein should not be relied upon for RICS 'Red Book' purposes.

1.2.2. Our advice is based on market evidence which has come into our possession from numerous sources. We cannot accept liability for any errors or omissions in third party information. That from other agents and valuers is given in good faith but without liability; it is often provided in verbal form, or taken from databases such as the Land Registry or to organisations to which we subscribe. In all cases, other than where we have had a direct involvement in the transaction, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.

## 1.3. Proposed Development

1.3.1. The schedule below details the proposed residential accommodation at the Subject:

**Table 1 – Schedule of Proposed Accommodation**

Unit	Floor	Beds	Sq m	Sq ft
1	1	2	63	678
2	1	2	66	710
3	1	2	83	893
4	1	1	66	710
5	1	1	51	549
6	1	1	56	603
7	1	1	56	603
8	1	1	51	549
9	1	1	60	646
10	1	1	52	560
11	2	2	63	678
12	2	2	66	710
13	2	2	83	893
14	2	2	66	710
15	2	1	51	549
16	2	1	56	603

17	2	1	56	603
18	2	1	51	549
19	2	1	60	646
20	2	1	52	560
21	3	1	57	614
22	3	1	55	592
23	3	1	51	549
24	3	1	51	549
25	3	1	51	549
26	3	2	85	915
27	3	1	54	581
<b>Total</b>			<b>1,612</b>	<b>17,345</b>

1.3.2. The site doesn't benefit from any additional amenities or outside space. Additionally, it also doesn't benefit from any on site car parking.

1.3.3. Plans and an accommodation schedule are attached at **Appendix 2** of the main report.

## 1.4. Methodology

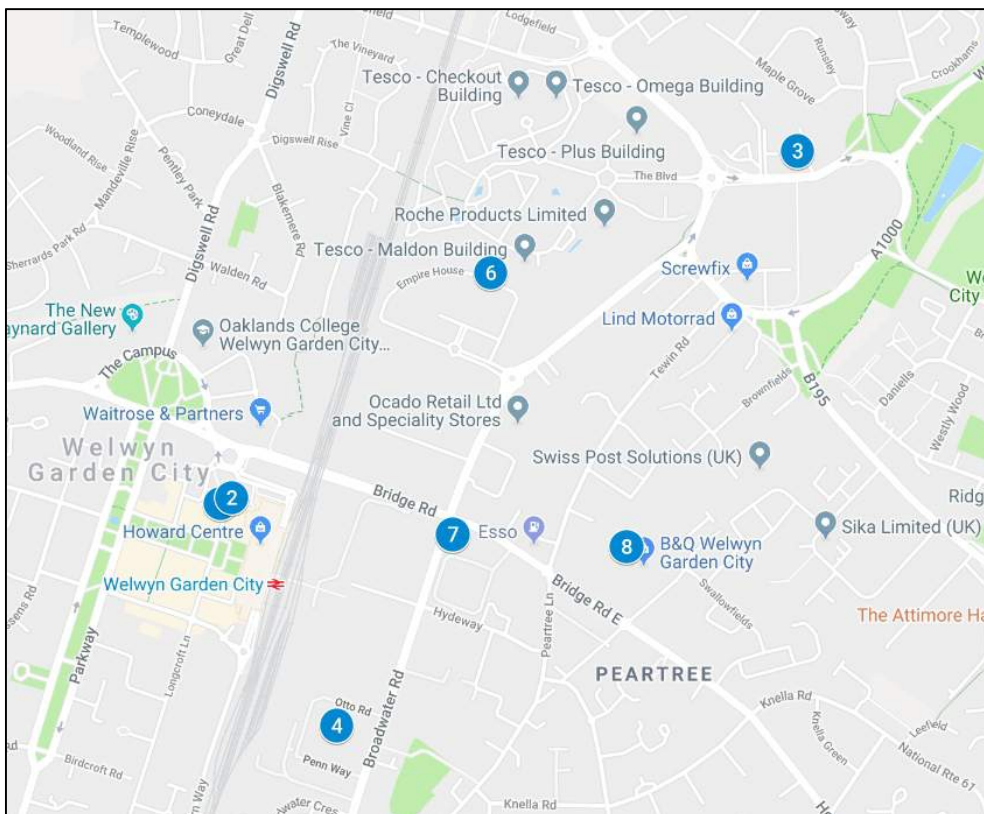
1.4.1. In undertaking our comparable research for the residential units, we have given consideration to recent market transactions. The results of this research are set out within this report, and for ease we have highlighted the key new build on a map in Section 2.1. We have also sought advice from local estate agents who have provided a detailed schedule of values.



## 2. New Build Comparables

### 2.1. Map of New Build Residential Comparables

2.1.1. The map below illustrates the locations of the comparable new build residential schemes detailed within this report.



Number	Development
1	Subject
2	Stonehill House
3	Mercury House
4	Bellmont Lodge
5	Salvisberg Court
6	Times Square
7	Maple Mews

## 2.2. Stonehills House, Stonehills, AL8 6DL



**Developer: Berkshire Group**

**Total No. of Units: 35**

**Status: Completed (2019)**

**Distance from Subject: 20m**

### 2.2.1. Scheme Description

2.2.1.1. Stonehills House is located on Stonehills a retailing street located in the centre of Welwyn Garden City. Stonehills acts as the main pedestrian thoroughfare between Welwyn Garden City's two prime retailing destinations, The Howard Centre and John Lewis. The comparable is situated 0.23 km north east of Welwyn Garden City National Rail Station, which provides regular services into central London, and is positioned within walking distance to all of Welwyn Garden City's local amenities and services.

2.2.1.2. Stonehills House does not benefit from any private or communal outside amenity space although is situated adjacent to St Theodores Square and a short walk from Welwyn Garden City's other public gardens and squares. There are no onsite parking spaces at the comparable.

2.2.1.3. We understand from the selling agent that the development was largely selling for asking prices with the exception of a few units where a c.5% discount was accepted. The development was developed in two stages and we have detailed the more recent sales below.

### 2.2.2. Achieved Prices

2.2.2.1. The table below provides a summary of the achieved sale prices that we have been able to identify:

ACHIEVED PRICES								
Unit Ref	Type	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Date	Amenity Space
26	Flat	1	47	505	£225,000	£446	Apr-19	None
27	Flat	1	47	506	£230,000	£455	Mar-19	None
29	Flat	1	43	466	£220,000	£472	May-19	None
32	Flat	1	37	399	£195,000	£489	Apr-19	None
<b>Average 1 Bed</b>			<b>44</b>	<b>469</b>	<b>£217,500</b>	<b>£464</b>		
24	Flat	2	54	581	£260,000	£448	Feb-19	None
25	Flat	2	57	614	£263,000	£428	Unknown	None
31	Flat	2	66	709	£270,000	£381	Apr-19	None
34	Flat	2	64	689	£295,000	£428	Unknown	None
35	Flat	2	71	764	£295,000	£386	May-19	None
<b>Average 2 Bed</b>			<b>62</b>	<b>671</b>	<b>£276,600</b>	<b>£412</b>		

### **2.2.3. Comparison to Subject**

2.2.3.1. The comparable, an office to residential conversion, is situated in very close proximity and therefore a similar location to the Subject and therefore is situated a similar distance to local transport hubs, services and amenities. The units are on average smaller than the Subject and similarly to the Subject do not benefit from any private or communal outside amenity space or on-site car parking.

2.2.3.2. Due to the Subject consisting of larger residential units (on average) and being located on a corner plot, with a number of units benefiting from views across St Theodores Square, we would expect the Subject to achieve higher values than this comparable.

## 2.3. Mercury House, Bridge Road, AL7 1HL



**Developer: Aldenham**

**Total No. of Units: 43**

**Status: Under Construction**

**Distance from Subject: 0.5 km**

### 2.3.1. Scheme Description

2.3.1.1. Mercury House is a gated development of 43, one and two bedroom apartments each finished to a high standard. The scheme sits on the corner of Bridge Road East and Broadwater Road. The site originally comprised a three storey office building which has been extended. We understand that completion is due in Summer 2019. The scheme is located on a busy main road, Bridge Road East and is located approximately 0.5 km from the Subject.

2.3.1.2. Mercury House benefits from additional amenities to the Subject. The scheme benefits from a large roof terrace which can be accessed by all residents. Additionally a large proportion of the units benefit from outside space. Unlike the Subject, we understand that each unit has an allocated on-site car parking space.

### 2.3.2. Achieved Prices

2.3.2.1. The table below provides a summary of the achieved sale prices that we have been able to identify:

ACHIEVED PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Amenity Space
15	Flat	1	1	47	505	£285,000	£564	Balcony
20	Flat	1	1	40	431	£230,000	£534	Balcony
27	Flat	2	1	50	538	£285,000	£530	Balcony
28	Flat	2	1	50	538	£285,000	£530	Balcony
30	Flat	2	1	40	431	£225,000	£522	Balcony
31	Flat	2	1	40	431	£225,000	£522	Balcony
32	Flat	2	1	40	431	£225,000	£522	Balcony
35	Flat	3	1	47	505	£285,000	£564	Balcony
37	Flat	3	1	40	430	£250,000	£581	Balcony
38	Flat	3	1	40	430	£250,000	£581	Balcony
<b>Average 1 Bed</b>				<b>43</b>	<b>467</b>	<b>£254,500</b>	<b>£545</b>	
22	Flat	1	2	52	561	£310,000	£553	Balcony
33	Flat	2	2	52	561	£315,000	£562	Balcony
<b>Average 2 Bed</b>				<b>52</b>	<b>561</b>	<b>£312,500</b>	<b>£557</b>	

### **2.3.3. Comparison to Subject**

- 2.3.3.1. Mercury House is located 0.5 km east of the Subject in an inferior location on the edge of the town centre and the Welwyn Garden City's industrial and business estates. However, the immediate vicinity surrounding the comparable is undergoing significant regeneration with a number of large scale residential redevelopments taking place. The comparable is located marginally further away (0.5 km) from Welwyn Garden City National Rail station and the Howard Centre, which is the towns primary retailing destination.
- 2.3.3.2. However, the comparable, a private gated development, benefits from a greater level of private and communal amenity space than the Subject with upper floor units benefitting from balconies and all residents benefitting from a communal roof terrace. In addition to this, Mercury House provides secure on-site car parking facilities which that the Subject does not.
- 2.3.3.3. The one-bedroom unit sizes of the comparable are on average smaller than those at the Subject and the two-bedroom units at the comparable are significantly smaller than those at the Subject.
- 2.3.3.4. Overall we would consider the Subject will achieve higher capital values but lower values per sq ft than this comparable.

## 2.4. Belmont Lodge, Sterling Court, Mundells, ALF 1FX



**Developer:** Longmont Properties

**Total No. of Units:** Unknown

**Status:** Resales

**Distance from Subject:** 1.4 km

### 2.4.1. Scheme Description

2.4.1.1. Belmont Lodge is a office to residential conversion that comprises a selection of one and two bedroom apartments that is located 1.4 km north east of the Subject at the northern edge of the Mundells industrial estate. The comparable is situated 1.5 km to the north east of Welwyn Garden City National Rail Station which runs a number of services to London and Cambridge.

2.4.1.2. The Haldens community retail parade, which offers a limited range of shops and local amenities, is situated 0.85 km north from the comparable. Welwyn Garden City town centre provides a more comprehensive range of amenities and is located 1.8 km south west of Belmont Lodge.

2.4.1.3. We understand that the development provides a car parking space for each unit however, residents do not benefit from communal or private outdoor amenity space.

### 2.4.2. Achieved Prices

2.4.2.1. The table below provides a summary of the achieved sale prices that we have been able to identify:

ACHIEVED PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Date
1	Flat	G	1	37	398	£225,000	£565	Dec-17
25	Flat	G	1	38	409	£225,000	£550	Nov-17
23	Flat		1	38	409	£210,000	£513	Jun-17
16	Flat		1	44	474	£217,500	£459	May-17
<b>Average 1 Bed</b>				<b>39</b>	<b>422</b>	<b>£219,375</b>	<b>£519</b>	
44	Flat	1	2	123	1,324	£330,000	£249	Mar-19
30	Flat	1	2	117	1,254	£347,500	£277	Jan-18
33	Flat		2	118	1,270	£350,000	£276	Aug-17
<b>Average 2 Bed</b>				<b>119</b>	<b>1,283</b>	<b>£342,500</b>	<b>£267</b>	

### 2.4.3. Asking Prices

2.4.3.1. The table below provides a summary of the asking prices that we have been able to identify:

ASKING PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft	Date
13	Flat	1	1	38	409	£225,000	£550	Jun-18
	Flat	G	1	35	380	£189,000	£497	Jan-18
<b>Average 1 Bed</b>			<b>2</b>	<b>37</b>	<b>395</b>	<b>£207,000</b>	<b>£525</b>	
	Flat	1	2	117	1,254	£340,000	£271	Jan-18
	Flat	1	2	65	699	£300,000	£429	Jun-18
<b>Average 2 Bed</b>			<b>2</b>	<b>91</b>	<b>976</b>	<b>£320,000</b>	<b>£328</b>	

### 2.4.4. Comparison to Subject

2.4.4.1. The comparable is situated in an inferior location to that of the Subject, being located further away from local transport links, shops and amenities as well as being located in a predominantly industrial setting. However, similarly, the units comprise of converted office space that completed in 2014. The 2 bedroom apartments that have recently sold at this comparable are considerably larger than those proposed at the Subject.

2.4.4.2. We would expect the one-bedroom units at the Subject to achieve higher capital values than this comparable and the two-bedroom units to achieve similar capital values, due to size.



## 2.5. Salvisburg Court, Otto Road, AL7 3EQ



**Developer: Taylor Wimpey**

**Total No. of Units: 209**

**Status: Completed (2013)**

**Distance from Subject: 500m**

### 2.5.1. Scheme Description

2.5.1.1. Salvisburg Court, an expansive scheme comprising of 209 apartments, was developed by Taylor Wimpey and completed in Q4 2013. The comparable is situated 500m south of the Subject and 0.65 km south east of Welwyn Garden City National Rail Station which provides a large variety of services into a number of London stations including; Kings Cross, St Pancras International and Moorgate (Welwyn Garden City is also well served by major arterial road routes, such as the A1(M) and the A141).

2.5.1.2. The comparable is located 0.85 km south east of Welwyn town centre which has an extensive range of shop and local amenities.

2.5.1.3. We understand that units benefit from onsite underground or over-ground car parking spaces as well as Juliette balconies and landscaped communal gardens.

2.5.1.4. The scheme completed in 2013 however, we have been able to identify a number of recent resales as well as a number of units that are currently being marketed.

### 2.5.2. Achieved Prices

2.5.2.1. The table below provides a summary of the achieved sale prices that we have been able to identify:

ACHIEVED PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Date
36	Flat		1	58	624	£248,000	£397	Dec-18
64	Flat	G	1	47	510	£235,000	£461	Apr-18
60	Flat	G	1	48	517	£230,000	£445	Feb-18
66	Flat	G	1	48	517	£236,000	£457	Dec-17
5	Flat	G	1	48	517	£240,000	£465	Nov-17
86	Flat	4	1	48	517	£237,000	£459	Nov-17
92	Flat	4	1	48	517	£252,100	£488	Oct-17
74	Flat	2	1	48	517	£235,000	£455	Aug-17
50	Flat	G	1	48	517	£240,000	£465	May-17



Average 1 Bed				49	528	£239,233	£453	
6	Flat	G	2	68	732	£294,500	£402	Jan-18
4	Flat	G	2	65	700	£306,000	£437	Oct-17
94	Flat	4	2	65	700	£325,000	£465	Jun-17
49	Flat	G	2	65	700	£313,000	£447	Jun-17
108	Flat	4	2	64	691	£310,000	£449	Sep-17
Average 2 Bed				55	587	£309,700	£440	

### 2.5.3. Comparison to Subject

2.5.3.1. Salvisburg Court is situated in an inferior location to that of the Subject being located further away from local transport hubs, shops and amenities. The 1 bedroom unit sizes of Salvisburg Court are smaller in comparison to those proposed at the Subject and within buildings that were constructed in 2013.

2.5.3.2. The comparable development offers more amenity space and offers private balconies to the units as well as on-site parking provisions.

2.5.3.3. Notwithstanding this, we would consider achievable values at the Subject to be higher than those achieved by this comparable.

## 2.6. Empire House, Times Square, AL7 1FY



**Developer: Metropolitan/ Chase New Homes**

**Total No. of Units: 92**

**Status: Under Construction**

**Distance from Subject: 750m**

### 2.6.1. Scheme Description

2.6.1.1. Empire House is an office to residential conversion that comprises a mix of 92 one, two and three bedroom apartments and duplexes and is located 1 km north of the Subject at the northern edge of the Prime Point Industrial Estate. The development is situated 1 km to the north of Welwyn Garden City National Rail Station that provides a number of frequent services into London.

2.6.1.2. The scheme is positioned 0.75 km north east of Welwyn Garden City town centre which provides a comprehensive range of shops and local amenities. We understand that the development is being delivered in stages, with stage 1 complete and stage 2 under construction.

2.6.1.3. Residents of the scheme benefit from a large communal reception area on the ground floor, which is set under a large glass atrium, and concierge service. Additionally, all duplexes benefit from private terraces and we believe that car parking spaces are provided.

### 2.6.2. Achieved Prices

2.6.2.1. The table below provides a summary of the achieved sale prices that we have been able to identify:

ACHIEVED PRICES								
Unit Ref	Type	Floor	Beds	Sq m	Sq ft	Achieved Price	Price/Sq ft	Date
62	Flat	2	1	45	484	£176,810	£365	Mar-17
67	Flat	2	1	48	517	£188,597	£365	Mar-17
14	Flat	G	1	50	536	£195,670	£365	Mar-17
38	Flat	1	1	45	484	£222,500	£460	Jul-17
35	Flat	1	1	45	484	£222,500	£460	Apr-17
59	Flat	2	1	45	484	£225,000	£465	Sep-17
8	Flat	G	1	48	517	£227,500	£440	May-17
14	Flat	G	1	50	536	£227,500	£424	Nov-17
13	Flat	G	1	50	536	£227,500	£424	Apr-17
53	Flat	2	1	48	517	£230,000	£445	Oct-17
43	Flat	1	1	48	517	£230,000	£445	Sep-17

44	Flat	1	1	48	517	£230,000	£445	Jul-17
54	Flat	2	1	48	517	£230,000	£445	Jun-17
62	Flat	2	1	45	484	£240,000	£496	Mar-18
67	Flat	2	1	48	517	£240,000	£464	Sep-17
68	Flat	2	1	48	517	£240,000	£464	Jul-17
<b>Average 1 Bed</b>				<b>47</b>	<b>510</b>	<b>£222,099</b>	<b>£435</b>	
25	Flat	1	2	59	630	£229,853	£365	Mar-17
1	Flat	G	2	62	666	£285,000	£428	Feb-18
3	Flat	G	2	59	630	£295,000	£468	Jul-17
86	Duplex	3&4	2	77	829	£355,000	£428	Dec-17
2	Flat	G	2	59	630	£295,000	£468	Apr-17
48	Flat	2	2	59	630	£295,000	£468	Jan-17
37	Flat	1	2	60	646	£295,000	£457	Jun-17
36	Flat	1	2	60	646	£295,000	£457	Nov-16
9	Flat	G	2	62	668	£295,000	£442	Apr-17
25	Flat	1	2	59	630	£297,500	£472	Oct-17
24	Flat	1	2	59	630	£297,500	£472	Apr-17
60	Flat	2	2	60	646	£300,000	£464	Feb-18
23	Flat	1	2	62	666	£300,000	£450	Apr-17
31	Flat	1	2	62	668	£300,000	£449	Mar-17
16	Flat	G	2	68	727	£300,000	£413	Apr-17
11	Flat	G	2	68	727	£300,000	£413	Apr-17
21	Flat	G	2	72	770	£300,000	£390	Jun-17
42	Flat	1	2	62	668	£302,500	£453	Aug-17
49	Flat	2	2	59	630	£305,000	£484	Mar-17
55	Flat	2	2	62	668	£305,000	£457	Feb-18
47	Flat	2	2	62	666	£307,000	£461	Aug-17
4	Flat	G	2	83	893	£325,000	£364	May-17
50	Flat	2	2	83	893	£330,000	£370	May-17
26	Flat	1	2	83	893	£330,000	£370	Apr-17
57	Flat	2	2	84	908	£350,000	£385	Sep-17
33	Flat	1	2	98	1,057	£375,000	£355	Feb-17
<b>Average 2 Bed</b>				<b>67</b>	<b>720</b>	<b>£306,321</b>	<b>£426</b>	

### **2.6.3. Comparison to Subject**

2.6.3.1. The comparable is situated in an inferior location to that of the Subject, being located further away from local transport links, shops and amenities as well as being located in a predominantly industrial setting.

2.6.3.2. The one-bedroom units are smaller than the Subject. The two-bedroom apartments are largely smaller however, there are a small number of larger units within the comparable. Additionally the scheme is much larger providing for a much larger number of new homes. Residents of the scheme benefit from a large communal reception area and concierge service. Additionally, all duplexes benefit from private terraces and we believe that car parking spaces are provided.

2.6.3.3. As a result, we consider that the achievable values at the Subject will be higher than this comparable.

## 2.7. Maple Mews, Bridge Road East, AL7 1JR



**Developer: Taylor Wimpey**

**Total No. of Units: 55**

**No. of Private Units: Unknown**

**Status: Under Construction**

**Distance from Subject: 1 km**

### 2.7.1. Scheme Description

2.7.1.1. Maple Mews is a new build development by Taylor Wimpey comprising 55 one and two-bedroom homes. The development will comprise of four blocks but we understand that only one of the blocks has recently been brought to the market.

2.7.1.2. The comparable is located 1 km east of the Subject in a predominantly industrial setting, although a number of residential developments are being bought forward in the immediate vicinity. Welwyn Garden City National Rail station and the Howard Shopping Centre are also located 1 km south west of Maple Mews and act as the transport hub and primary retailing centre. The majority of units within the development benefit from private outdoor space and there is a communal garden that will be accessible to all residents. Furthermore, the development will benefit from secure on-site car parking.

2.7.1.3. We have been unable to attain any achieved sales from the scheme but we have identified asking prices for some of the unit types which are detailed below:

### 2.7.2. Asking Prices

2.7.2.1. The table below provides a summary of the asking sale prices that we have been able to identify:

ASKING PRICES							
Unit Ref	Type	Beds	Sq m	Sq ft	Asking Price	Price/Sq ft	Date
	Flat	1	52	560	£255,000	£455	OTM
	Flat	1	52	555	£250,000	£450	OTM
<b>Average 1 Bed</b>			<b>52</b>	<b>558</b>	<b>£252,500</b>	<b>£453</b>	
	Flat	2	74	801	£340,000	£424	OTM
<b>Average 2 Bed</b>			<b>74</b>	<b>801</b>	<b>£340,000</b>	<b>£424</b>	

### **2.7.3. Comparison to Subject**

2.7.3.1. The comparable is located in an inferior location to that of the Subject further away from local transport hubs, shops and services.

2.7.3.2. However, the development will be new build as oppose to a conversion and also benefits from greater private and communal amenity space as well as secure onsite car parking, which are not available at the Subject.

2.7.3.3. Notwithstanding this, we would expect the Subject to achieve similar capital values to this comparable. Although, it must be noted that all of the values stated above are asking prices and due to the early stage of the marketing and sales process at Maple Mews other comparable evidence is more accurate when assessing the GDV of the Subject.

## 3. Conclusion and Pricing

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### 3.1. Conclusions

- 3.1.1. We have considered a number of recent transactions, and asking prices of apartments in the vicinity of the Subject.
- 3.1.2. The best comparable to the Subject is Stonehills House. Stonehills House offers a very similar development which is located opposite the Subject although the unit sizes are largely smaller than those proposed at the Subject development. One-bedroom units range in size from 399 sq ft to 506 sq ft and are achieving between £446 and £489 psf. The two-bedroom units range from 581 sq ft to 764 sq ft and have achieved between £381 and £448 psf. We would expect the Subject to achieve higher capital values to this comparable and a similar values per sq ft.

### 3.2. Pricing

- 3.2.1. Based on the comparable evidence contained within this report we have adopted a Gross Development Value of **£7,700,000**, equating to **£444 psf**.



**Appendix 5: Residual Land Value Appraisal**

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DRAFT

# Savills

## Development Appraisal

26 Stonehills - Welwyn Garden City

RLV - 100% Private Sale

Report Date: 12 June 2019

**26 Stonehills - Welwyn Garden City**  
**RLV - 100% Private Sale**

**Project Timescale Summary**

Project Start Date	Jun 2019
Project End Date	Jan 2022
Project Duration (Inc Exit Period)	32 months

Phase Phase 1



**26 Stonehills - Welwyn Garden City  
RLV - 100% Private Sale**

**Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Apartments	27	17,345	443.93	285,185	7,700,000

**Rental Area Summary**

	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Initial MRV/Unit</b>	<b>Net Rent at Sale</b>	<b>Initial MRV</b>
Retail	1	11,044	10.87	120,000	120,000	120,000
Ground Rents	<u>27</u>			10	<u>270</u>	<u>270</u>
<b>Totals</b>	<b>28</b>	<b>11,044</b>			<b>120,270</b>	<b>120,270</b>

**Investment Valuation**

<b>Retail</b>					
Market Rent	120,000	YP @	7.0000%	14.2857	
		PV 1yr 4mths @	7.0000%	0.9137	1,566,408
<b>Ground Rents</b>					
Current Rent	270	YP @	4.0000%	25.0000	6,750
					<b>1,573,158</b>

**GROSS DEVELOPMENT VALUE**

**9,273,158**

Purchaser's Costs	6.10%	(95,963)	(95,963)
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**NET DEVELOPMENT VALUE**

**9,177,195**

**Additional Revenue**

Existing Income	95,200	95,200
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**NET REALISATION**

**9,272,395**

**OUTLAY**

**ACQUISITION COSTS**

Residualised Price	395,669
Stamp Duty	9,283
Agent Fee	1.00% 3,957
Legal Fee	0.80% 3,165
	412,074

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Cost</b>
Construction Costs	40,248 ft <sup>2</sup>	135.66 pf <sup>2</sup>	5,460,000 <b>5,460,000</b>
S106 / Highways Contribution			48,000
			48,000
<b>Other Construction</b>			
Irrecoverable VAT			400,400
			400,400

**PROFESSIONAL FEES**

Professional Fees	10.00%	546,000	546,000
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**MARKETING & LETTING**

Marketing	1.50%	115,500	115,500
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**DISPOSAL FEES**

Res. & Comm. Sales Agent Fee	1.00%	91,772
Commercial Sales Legal Fee	0.80%	11,818

**APPRAISAL SUMMARY****SAVILLS****26 Stonehills - Welwyn Garden City****RLV - 100% Private Sale**

Residential Sales Legal Fee	0.25%	19,027	122,616
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**FINANCE**

Debit Rate 7.00% Credit Rate 1.00% (Nominal)			
Total Finance Cost			392,922

**TOTAL COSTS****7,497,513****PROFIT****1,774,882****Performance Measures**

Profit on GDV%	19.14%
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## Review of 'Viability Assessment Report'

26 Stonehills, Welwyn Garden City, AL8 6NA

Prepared for

Welwyn Hatfield Borough Council

September 2019



## Contents

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2	Description of the Development	4
3	Methodology	6
4	Review of assumptions	7
5	Analysis	11
6	Conclusions	13

## Appendices

Appendix 1 Residual Appraisal  
Appendix 2 Sensitivity Appraisal

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# 1 Introduction

Welwyn Hatfield District Council (“the Council”) has commissioned BNP Paribas Real Estate to advise on a ‘Viability Assessment Report’ prepared by Savills dated June 2019 on behalf of Amsprop REAT Ltd (“the Applicant”) in relation to a proposed development (“the Development”) at 26 Stonehills, Welwyn Garden City, AL8 6NA (“the Site”).

This report provides an objective assessment of the Savills Viability Assessment Report to determine whether the affordable housing offer as proposed has been optimised.

In summary Savills contest that due to the Site’s high existing use value a 100% private development is not viable however:

*“the Applicant is prepared to proceed with the scheme to (sic) the hope that the balance of values and costs will improve over the life of the project”.*

## 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 Tom Glasson, MSc MRICS, RICS Registered Valuer, and reviewed by Anthony Lee MRICS MRTPI, RICS Registered Valuer.

The Affordable Housing Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and RPs on the provision of affordable housing.

In 2007, we were appointed by the Greater London Authority (‘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 and other available appraisal models and submitted our report in February 2012.

Anthony Lee was a member of the working group under the chairmanship of Sir John Harman that drafted ‘*Viability testing local plans: Advice for planning practitioners*’. He was also a member of the ‘*Developer Contributions Expert Panel*’ advising MHCLG on the viability section of the 2018 Planning Practice Guidance.

In addition, we were retained by the then Homes and Communities Agency (‘HCA’), now Homes England (“HE”) to advise on better management of procurement of affordable housing through planning obligations.

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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 Savills, 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 The Status of our advice**

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

In accordance with PS 1.6 of the RICS Valuation – Professional Standards (2017 Edition) (the ‘Red Book’), the provisions of VPS 1 to VPS 4 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.

This report is addressed to the Council only and should not be reproduced without our prior consent.

## 2 Description of the Development

### 2.1 Site Description

The property is located on the corner of Stonewalls and Sir Theodores Way one of the main pedestrianised retail parades in the centre of Welwyn Garden City.

The surrounding area is predominantly retail and leisure uses.

The property comprises a four (including basement) storey retail building extending to 33,975 sq ft.

The property is currently let to Debenhams for a term of 15 years from May 2007 a rent of £340,000 per annum. The Savills report confirms that Debenhams are in a Company Voluntary Arrangement (“CVA”) process and will be vacating the premises in January 2020. We understand that as part of the CVA Debenhams are currently paying a reduced rent of £163,200 per annum.

### 2.2 The proposed development

The Applicant has submitted an application (Ref:6/2019/1452/MAJ) for the following:

*“Change of use for conversion of first and second floors from (A1 Use) retail to (C3 use) residential and additional storey for 27 dwellings”.*

The following table summarises our interpretation of the residential unit mix proposed by the Applicant for the scheme.

**Table 2.2.1: Residential unit mix**

Tenure	1 bed	2 bed	TOTAL
Private	18	9	<b>27</b>

Please note that both the Savills report and attached accommodation schedule prepared by Saunders Architecture+Urban Design state that there are 19 one bed apartments and 8 two bed apartments which we think is an error. From a review of the floor plans provided by Saunders Architecture+Urban Design Unit 4 appears to have been mislabelled as a one bed unit when it is a two bed unit.

## 3 Methodology

The appraisal submitted by Savills has been undertaken using Argus Developer.

We have also used Argus Developer to appraise the development proposals. Argus is a commercially available development appraisal package in widespread use throughout the 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](http://www.argussoftware.com).

This cash-flow approach 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.

Essentially, such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, using either the profit margin required or land costs (if, indeed, the land has already been purchased).

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 output of the appraisal is a Residual Land Value ('RLV'), which is then compared to an appropriate benchmark, often considered to be the Current Use Value ('CUV') of the site plus, where appropriate, a landowner's premium.

## 4 Review of assumptions

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

### 4.1 Development programme

Savills have assumed a single phase development programme which is summarised in Table 4.1.1 below.

**Table 4.1.1: Savills Development programme**

Project Stage	Months
Preconstruction	9
Construction	12
Sale	11

Savills have assumed that the development will commence upon vacant possession and have accounted for the rental income from Debenhams until this point.

Savills have assumed that six (22%) of the units will be reserved over the course of construction with the remaining units sold over the sales period at a rate of two units a month.

We consider the preconstruction and construction programme assumptions made by Savills to be reasonable and have adopted them for the purposes of our appraisal.

We consider a sales rate of two units per month to be reasonable; however we consider the assumption of six units being reserved over the course of construction to be conservative. We have assumed that nine units (33%) will be sold over the course of construction which on the basis of two units per month sold post practical completion results in a sales period of 9 months.

### 4.2 Private Residential Values

Based upon research in to comparable in new build developments in the area Savills have assumed private sales values reflecting £444 per sq ft.

We have reviewed the comparable information supplied by Savills and have undertaken our own research into sales values in new build developments and the second hand market in Welwyn Garden City and are of the opinion that the sales values adopted by Savills are reasonable.

We have therefore adopted a sales value of £444 per sq ft for the purposes of our appraisal.

The Savills report does not make any reference to income from the sale of car parking spaces. Our review of the proposed development plans indicates that there is no on site car parking, however we await confirmation from the Council.

### 4.3 Ground Rents

Savills have assumed ground rents of £10 per annum per unit which they have capitalised at a yield of 4%.

In October 2018 Ministry for Housing, Communities and Local Government issued a second consultation on 'Implementing reforms to the leasehold system in England' indicating the government's preference for a £10 per annum ground rent.

The consultation indicates that should proposals be taken forward in 2019, "*any legislation would [be] unlikely to complete its passage until mid 2020 at the earliest*". As the development is likely to be completed beyond this point, we consider Savills assumptions to be reasonable.

## 4.4 Commercial Income

The proposed development will contain 11,044 sq ft of retail accommodation.

Based upon comparable evidence Savills have assumed a rent of approximately £11 per sq ft. Savills have assumed a letting void of nine months, a rent free period of 15 months and a capitalization yield of 7%.

We have reviewed the evidence provided by Savills and undertaken our own research in to retail lettings and investment transactions.

We consider Savills assumptions to be reasonable and have adopted them for the purposes of our appraisals.

## 4.5 Construction costs

As part of their Viability Assessment Report Savills have relied upon an Order of Cost Estimate for the proposed scheme dated May 2019 prepared by Michael Edwards Consultants Limited.

The Order of Cost Estimate is summarised in Table 4.5.1 below:

**Table 4.5.1: Michael Edwards Consultants Limited Order of Cost Estimate**

Scheme element	Cost
Substructure	£15,000
Superstructure	£1,552,435
Internal Finishes	£504,225
Fittings	£260,690
Services	£1,396,530
Work to Existing Buildings	£482,260
External Works	£140,000
Contractors Preliminaries (12.5%)	£550,000
Overheads and Profit (6%)	£295,000
Contingency (5%)	£260,000
<b>Total</b>	<b>£5,460,000</b>

The above costs reflect a rate of £129 per sq ft on the Gross Internal Area ("GIA") which is weighted 27% towards retail accommodation and 73% towards residential accommodation.

In order to assess the reasonableness of the construction costs we have reviewed the RICS Build Cost Information Service ("BCIS"). Based upon the GIA weightings referenced above and after an appropriate allowance for external works, the weighted median new build retail and residential cost is £154 per sq ft and the weighted median conversion cost for retail and residential is £134 per sq ft. In addition, BCIS do not account for contingencies.

We therefore consider the construction cost to be reasonable and have adopted them for the purposed of our appraisals.

In addition, Savills have adopted an allowance of 10% for professional fees which we consider to be within the acceptable range.



Whilst we consider the construction costs to be broadly reasonable we would comment that the proposed development has a GIA to Net Internal Area (“NIA”) ratio of 70% which is low. Based upon a review of the plan this appears to be the result of inefficient floor plans with large void areas in the centre of each floor. Whilst this may well be a result of unavoidable constraints of the existing building we would advise that the Council confirm with the Applicant and their design team that the plan efficiency has been optimised as an increase in the GIA to NIA ratio would have a materially positive impact upon the viability of the proposed development.

Furthermore, Savills state that they have been advised by the Applicant that there will be £400,000 of non-recoverable Value Added Tax (“VAT”) resultant from the development being a conversion of a non-residential building. No evidence is provided by Savills as to the calculation of the non-recoverable VAT. Whilst it is agreed that elements of VAT will be non-recoverable it is general practice in viability assessments (including those of conversions of non-residential buildings) to assume a VAT neutral position. Therefore, in the absence of a detailed explanation as to why the proposed development has VAT exposure which is over and above other conversions of non-residential buildings we have not adopted this allowance for non-recoverable VAT. We would comment that should the Applicant provide further evidence/justification for the non-recoverable VAT this will need to be reviewed by a suitably qualified VAT expert such as a Chartered Accountant as it is beyond the scope of our expertise.

#### **4.6 Developer’s profit**

Savills have assumed a blended profit on GDV of 19.14% which reflects 20% on the private residential and 15% on the commercial GDV.

Prior to the result of the referendum on the UK’s membership of the European Union, developers were targeting profit levels of between 17% to 20% of private housing GDV. Up to that point, sales risk was perceived to be lower than during the housing market recession of 2008 to 2012. However, the current uncertainty associated with the future of the UK’s membership of the European Union has created uncertainty which may undermine some buyers’ confidence to a degree. In this context, financial institutions are likely to tighten their requirement for profit returns on developments. As a consequence, target profit levels are expected to increase back up to 20% in the short term, although the rate applied varies according to site specific circumstances.

We therefore consider Savills’ profit assumption to be reasonable. We have however made explicit profit assumptions based upon the relevant element of the GDV for the purposes of our appraisal.

#### **4.7 Finance costs**

Savills have adopted a finance rate of 7% which we consider to be appropriate albeit at the upper end of the acceptable range for a development of this nature.

We have therefore adopted a finance rate of 7% for the purposes of our appraisals.

#### **4.8 Section 106 and CIL contributions**

Savills have adopted the following Section 106 costs as advised by SMB Town Planning and Cottee TP Consultants.

- Section 106: £48,000

Subject to confirmation from the Council we have adopted these costs.

#### **4.9 Sales agent and sales legal fee**

Savills have included allowances for the following sales and marketing costs in their appraisal:

- Residential sales agents fee: 1% of GDV;
- Residential sales legal fees: 0.25% of GDV;
- Commercial letting agents fee; 10% of rental value;
- Commercial letting legal fee; 5% of rental value;
- Commercial sales agent fee; 1% of GDV;
- Commercial sales legal fee: 0.8% of GDV and
- Residential sales marketing fee: 1.5% of GDV

The above fees are within the normal range for developments of this nature in this locality and we have therefore adopted them within our appraisal.

## 5 Analysis

### 5.1 Benchmark Land Value

Savills have adopted a Benchmark Land Value of £1,630,000. This is based upon an Existing Use Valuation of £1,415,000 prepared by Savills dated May 2019 to which Savills have applied a 15% land owners premium. It should be noted that the Savills report confirms that it is not a formal Red Book Valuation.

Within their report Savills note that the existing use of the property is as a department store and that there is a policy in the Draft Local Plan which restricts the use of the property to that of an anchor store. The Savills valuation also notes that the current tenant Debenhams are under a CVA and will vacate the property in January 2020; however the valuation does not appear to acknowledge that the tenant is paying a reduced rent of £163,200 per annum.

Savills make reference to a number of large retail lettings in comparable towns ranging from £12.62 to £23.50 per sq ft as well as a number of sales of retail stores some of which were sold to investors and developers and some which were sold to retailers for owner occupation. Of the evidence referenced by Savills the most relevant sold for retail owner occupation range from £54 to £140 per sq ft. Savills state that they consider where a retail operator was identified who would be willing to make an outright purchase they are of the opinion a price in the region of £80-£100 per sq ft may be achievable for this location. Savills note that the marketing of the property has not resulted in any offers and a discount should be applied.

Savills state that the valuation of the property is effectively a vacant possession valuation given the imminent departure of the tenant.

Savills state that they have tested a number of scenarios including a suitable discount to attract a retailer to buy the whole and a discounted investment value on the assumption of part occupation. No detail given of the specific assumptions for this scenario testing.

Savills conclude that the property has a rental value of £120,000 which is capitalised at an 8% yield. After an allowance for purchasers costs this results in a value of £1,415,000.

We do not agree with the approach taken by Savills.

Savills state within their report:

*"We understand that the unit has been marketed over the last 12 months. This was due to the restriction on planning for department store use only and the need to demonstrate a testing of demand for this use. A global rent of £225,000 per annum or £6.60 per sq ft is being quoted. In fact all known large space retailers were contacted including for completeness those such as Fenwicks and Selfridges. Primark intimated that the store and town were too small for them. This has resulted in any rental offers or offers to purchase for the whole from retailers materialising. Discussions took place with B&M for the ground and basement at £150,000 per annum, which is the quoting rent for the lower floors. Wetherspoon have also expressed an interest in the lower floors. Most retailers are only prepared to trade on one level, ground floor only.*

Savills do not comment on the conclusion of the discussions with B&M and Wetherspoon; however we assume that these were not progressed.

Furthermore, after setting out the purchases for retail owner occupation referenced above Savills go on to state:

*"... The marketing of the subject property has not secured any such retailer offers."*

As noted by Savills based upon the marketing exercise of the property there were no sale or rental offers for the property on the basis of its existing use and vacant possession and its attendant holding costs is imminent.

We therefore consider the existing use value of the property to be negligible and have adopted a value of £1.

With respect to land owner's premium for the reasons outlined above (primarily the lack of demand for the existing use) no premium is applicable to compel a reasonable landowner to sell an asset which will soon become a liability.

## **5.2 Savills appraisal results**

Based upon the assumptions outlined above Savills have arrived at a residual value of £400,000 which when compared to the Benchmark Land Value results in a deficit of £1,190,000.

## **5.3 BNP Paribas Real Estate appraisal results**

We have run our own appraisal of the Proposed Development which adopts the assumptions noted in the previous section, as follows:

- Increase in the rate of pre sales; and
- Removal of non recoverable VAT.

Based upon the above assumptions the development as proposed this produces a residual value of £740,000.

When compared to the site benchmark value this produces a surplus of £740,000.

We have attached a copy of our Appraisal as **Appendix 1**.

## 6 Conclusions

Savills contest that due to the Site's high existing use value a 100% private development is not viable; however:

*“the Applicant is prepared to proceed with the scheme to (sic) the hope that the balance of values and costs will improve over the life of the project”.*

We have undertaken our own appraisal and concluded that the proposed development results in a significant surplus over and above a reduced existing use value.

We have therefore undertaken a high level sensitivity appraisal to test how many on site affordable housing units the proposed development could provide and still produce a positive residual value. The results of our testing conclude that the proposed development can provide 23 (85%) on site units and remain financially viable.

A copy of our sensitivity appraisal is attached as **Appendix 2**.

# Appendix 1 Residual Appraisal

# BNPParibas RealEstate

## Development Appraisal

26 Stonehills

Report Date: 25 November 2019



**APPRAISAL SUMMARY****BNPPARIBAS REALESTATE****26 Stonehills****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>ft²</b>	<b>Rate ft²</b>	<b>Unit Price</b>	<b>Gross Sales</b>
Apartments	27	17,352	443.75	285,185	7,700,000

**Rental Area Summary**

	<b>Units</b>	<b>ft²</b>	<b>Rate ft²</b>	<b>Initial MRV/Unit</b>	<b>Net Rent at Sale</b>	<b>Initial MRV</b>
Ground Rents	27			10	270	270
Retail	1	11,044	10.87	120,000	120,000	120,000
<b>Totals</b>	<b>28</b>	<b>11,044</b>			<b>120,270</b>	<b>120,270</b>

**Investment Valuation****Ground Rents**

Current Rent	270	YP @	4.0000%	25.0000	6,750
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**Retail**

Market Rent	120,000	YP @	7.0000%	14.2857	
(1yr 3mths Rent Free)		PV 1yr 3mths @	7.0000%	0.9189	1,575,264
					<b>1,582,014</b>

**GROSS DEVELOPMENT VALUE****9,282,014**

Purchaser's Costs	6.10%	(96,503)	(96,503)
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**NET DEVELOPMENT VALUE****9,185,512****Additional Revenue**

Existing Income	95,200	95,200
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**NET REALISATION****9,280,712**

**APPRAISAL SUMMARY****BNPPARIBAS REALESTATE****26 Stonehills****OUTLAY****ACQUISITION COSTS**

Residualised Price			742,640	
Stamp Duty		5.00%	37,132	
Agent Fee		1.00%	7,426	
Legal Fee		0.80%	5,941	
				793,140

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>Units</b>	<b>Unit Amount</b>	<b>Cost</b>	
Construction	1 un	5,460,000	5,460,000	<b>5,460,000</b>
S106 and Highway			48,000	48,000

**PROFESSIONAL FEES**

Professional Fees		10.00%	546,000	546,000
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**MARKETING & LETTING**

Resi Marketing		1.50%	115,500	
Letting Agent Fee		10.00%	12,000	
Letting Legal Fee		5.00%	6,000	
				133,500

**DISPOSAL FEES**

Resi and Commercial Sales Agent Fee		1.00%	92,753	
Resi Sales Legal Fee		0.25%	19,250	
Commercial Sales Legal Fee		0.80%	12,602	
				124,605

**MISCELLANEOUS FEES**

Profit on Resi		20.00%	1,541,350	
Profit On Commercial		15.00%	236,290	
				1,777,640

**FINANCE**

**APPRAISAL SUMMARY****BNPPARIBAS REALESTATE****26 Stonehills**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)

Land	93,169	
Construction	181,305	
Other	123,353	
Total Finance Cost		397,827

**TOTAL COSTS****9,280,712****PROFIT****0****Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	1.30%
Equivalent Yield% (Nominal)	6.99%
Equivalent Yield% (True)	7.30%
IRR	6.49%
Profit Erosion (finance rate 7.000%)	N/A

## Appendix 2 Sensitivity Appraisal

# BNPParibas RealEstate

## Development Appraisal

26 Stonehills With Affordable

Report Date: 25 November 2019

**APPRAISAL SUMMARY****BNPPARIBAS REALESTATE****26 Stonehills With Affordable****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

<b>Sales Valuation</b>	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Unit Price</b>	<b>Gross Sales</b>
Private Apartments	4	2,571	444.00	285,344	1,141,376
Affordable Apartments	<u>23</u>	<u>14,781</u>	285.00	183,160	<u>4,212,680</u>
<b>Totals</b>	<b>27</b>	<b>17,352</b>			<b>5,354,056</b>

**Rental Area Summary**

	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rate ft<sup>2</sup></b>	<b>Initial MRV/Unit</b>	<b>Net Rent at Sale</b>	<b>Initial MRV</b>
Ground Rents	4			10	40	40
Retail	<u>1</u>	<u>11,044</u>	10.87	120,000	<u>120,000</u>	<u>120,000</u>
<b>Totals</b>	<b>5</b>	<b>11,044</b>			<b>120,040</b>	<b>120,040</b>

**Investment Valuation****Ground Rents**

Current Rent	40	YP @	4.0000%	25.0000	1,000
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**Retail**

Market Rent	120,000	YP @	7.0000%	14.2857	
(1yr 3mths Rent Free)		PV 1yr 3mths @	7.0000%	0.9189	1,575,264
					<b>1,576,264</b>

**GROSS DEVELOPMENT VALUE****6,930,320**

Purchaser's Costs

6.10%

(96,152)

(96,152)

**NET DEVELOPMENT VALUE****6,834,168****Additional Revenue**

Existing Income

95,200

95,200

**APPRAISAL SUMMARY****BNPPARIBAS REALESTATE****26 Stonehills With Affordable****NET REALISATION** **6,929,368****OUTLAY****ACQUISITION COSTS**

Residualised Price			15,734	
Stamp Duty		5.00%	787	
Agent Fee		1.00%	157	
Legal Fee		0.80%	126	
				16,804

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>Units</b>	<b>Unit Amount</b>	<b>Cost</b>	
Construction	1 un	5,460,000	5,460,000	<b>5,460,000</b>
S106 and Highway			48,000	48,000

**PROFESSIONAL FEES**

Professional Fees		10.00%	546,000	546,000
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**MARKETING & LETTING**

Resi Marketing		1.50%	17,121	
Letting Agent Fee		10.00%	12,000	
Letting Legal Fee		5.00%	6,000	
				35,121

**DISPOSAL FEES**

Resi and Commercial Sales Agent Fee		1.00%	27,166	
Resi Sales Legal Fee		0.25%	2,853	
Commercial Sales Legal Fee		0.80%	12,602	
				42,622

**MISCELLANEOUS FEES**

Profit on Resi		20.00%	228,475	
Profit On Commercial		15.00%	236,290	



**APPRAISAL SUMMARY****BNPPARIBAS REALESTATE****26 Stonehills With Affordable**

Profit on Affordable	6.00%	252,761	717,526
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**FINANCE**

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		494	
Construction		25,068	
Other		37,734	
Total Finance Cost			63,296

**TOTAL COSTS****6,929,368****PROFIT****0****Performance Measures**

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	1.73%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%
IRR	6.91%
Profit Erosion (finance rate 7.000%)	N/A



10 October 2019

Andrew Cohen  
AMSPROP REAT Limited  
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IG10 2RW



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Dear Andrew,

## **Response to BNPP's Review of 'Viability Assessment Report'**

### **Introduction**

We were instructed by Amsprop REAT Ltd (the Applicant) to examine the economic viability of the proposed development at 26 Stonehills, Welwyn Garden City (the Subject), to determine the level of planning obligations that the proposed scheme could support whilst remaining commercially viable.

We provided our Viability Assessment on 13 June 2019.

BNPP were instructed by Welwyn Hatfield Borough Council to review our Viability Assessment, and we were provided with their report on 25 September 2019.

BNPP disagreed with the following Savills assumptions:

- Rate of Private Residential Pre-Sales;
- Inclusion of Non-Recoverable VAT; and
- Site Value Benchmark.

We would note that BNPP have provided no comparable evidence to support their view of a pre-sales rate of 9 units and that from our conversations with local agents this rate seems to be optimistic within the current market. Notwithstanding that we do not agree with BNPP, we are prepared to accept their revised pre-sales rate and sales period on a without prejudice basis in order to bring these discussions to a swift conclusion.

Although BNPP agree that elements of VAT will be non-recoverable they state that 'it is general practise in viability assessments to assume a VAT neutral position'. We disagree with this approach as non-recoverable VAT is a legitimate cost associated to the development of property and therefore should be taken into consideration when assessing a proposed developments economic viability. We would note that we are aware of a number of viability assessors who agree with the view that non-recoverable VAT costs should be included within financial viability assessments. Notwithstanding that we do not agree with BNPP's approach, we are again prepared to accept the exclusion of non-recoverable VAT on a without prejudice basis in order to bring these discussions to a swift conclusion.

Through accepting to adopted BNPP's revised assumptions regarding the proposed development we are willing to accept BNPP's revised residual land value of £740,000, on a without prejudice basis in order to bring these discussions to a conclusion.

## **Site Value Benchmark**

We adopted an EUV of the Subject within our original report of £1.415m as advised by Savills Valuation department after they conducted an Existing Use Value desktop report. Extensive due diligence was carried out during the preparation of this report and their conclusions are underpinned by transactional market evidence and the view of agents active in the market.

BNPP disagree with the conclusions of Savills Valuation department's desktop report. BNPP state that due to the marketing campaign yielding no sale or rental offers that they consider the Existing Use Value of the Subject to be £1. Additionally, BNPP state that in light of there being no current commercial offers for the premise and that the asset will soon become a liability to the landowner no premium should be applicable.

We would comment that no additional comparable evidence was provided by BNPP within their report to support this view. Clearly, any landowner who was acting knowledgeably, prudently and without compulsion would not be willing to trade an asset of this significance for a £1 within the market.

We would note that the marketing campaign has been restricted with the leasing agents not actively approaching potential tenants whilst the landowner pursues the planning application to which this and are original report supports. Notwithstanding this limited marketing campaign, the leasing agent has been contacted by a number of additional potential occupants regarding the leasing of the basement, ground and first floors. They remain of the opinion that should a fully active marketing campaign be conducted a suitable retailer or alternative user would be identified to occupy the ground and basement levels of the Subject.

Additionally, they remain of the opinion that could the Subject be 'broken up' to provide a number of smaller retail units a range of potential occupiers would be identified.

In light of the above Savills Valuation department remain of the opinion that the Existing Use Value of the Subject is £1.415m.

However, Savills Valuation department have also run an alternative 'downside valuation' to set their opinion of the minimum Existing Use Value of the Subject. They conclude this to be £975,000, which equates to £28.76/ft<sup>2</sup>.

We are therefore of the opinion that the Existing Use Value of the Subject falls within the range of £975,000 and £1.415m. On a without prejudice basis and in order to bring these discussions to a conclusion we are prepared to adopt an Existing Use Value of £975,000, which we believe represents the asset's lowest reasonable value.

Within our original report we adopted a premium of 15% in formulating our opinion of the Site Value Benchmark.

BNPP are of the opinion that, due to the asset becoming a liability to the landlord within the near future, no premium above the EUV is warranted.

We disagree with this view and consider, in line with NPPF guidance, that due to the asset currently being income producing and that there is a strong prospect the asset could remain income producing post the vacation of Debenhams, a suitable landowner premium should be applied to the Existing Use Value.

Given that we are prepared to adopt our lowest opinion of Existing Use Value of £975,000 it could be argued that a premium of 45% would be warranted as this would produce a Site Value Benchmark equivalent to our highest opinion of the Subject's Existing Use Value, £1.415m.

Due to this we remain of the opinion that a suitable landowner premium of 15% is warranted.

We are therefore prepared to adopted a Site Value Benchmark of £1.121m on a without prejudice basis in order to bring these discussions to a conclusion.

## Summary

Please see below a summary of this report and the key differences between Savills and BNPP:

Key Inputs	Savills Assumption	BNPP Assumption	Savills Final Position
Private Residential Pre-Sales	6 units (22%)	9 units (33%)	9 units (33%)
Sales Period	11 months	9 months	9 months
Irrecoverable VAT	£400,400	£0	£0
EUV	£1.415m	£1	£975k
Premium	15%	0%	15%
Site Value Benchmark	£1.627m	£1	£1.121m
Proposed Development RLV	£400k	£740k	£740k

You will see from the table above what changes we have made to our viability approach.

We are of the opinion that the revised residual land value of the proposed development remains at a deficit, albeit at a reduced level from our original report, of £381,000 when compared to our compromised Site Value Benchmark of £1.121m.

Given that the revised residual land value of the proposed development remains at a deficit against the compromised Site Value Benchmark, the scheme is not considered commercially viable in planning terms and is not able to contribute towards affordable housing.

Yours sincerely,



**Alex Jervis**  
Surveyor





## PRIVATE AND CONFIDENTIAL

### Clare Howe

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Our ref: TG

18 November 2019

Dear Clare

### 26 STONEHILLS, WELWYN GARDEN CITY, AL8 6NA

Further to issuing our report dated September 2019 we have been provided with a response from Savills dated 10 October and supplementary information with respect to the existing use value and marketing of the existing building. We comment upon the information provided below.

This letter should be read in conjunction with our report dated September 2019.

#### 1. Appraisal of Proposed Scheme

In their response Savills note that the main areas of disagreement relate to non-recoverable VAT and the rate of sale for the completed units.

On a without prejudice basis Savills have adopted the assumptions contained in our September report and as such have adopted a residual value for the proposed scheme of £740,000.

#### 2. Marketing of the Existing Building

As requested the Applicant has provided a copy of a Marketing Report prepared by retail agents Brasier Freeth dated June 2019.

The report provides a detailed commentary of the national and local retail market as well as the specific retail characterises of the exiting building. In addition, the report provides a comprehensive summary of the of the marketing activity to date (noting the confidentiality associated with Debenhams staff).

In summary the report concludes that given the size, location and configuration of the store it has not proved to be an attractive option for traditional department store operators to take a lease on the entirety of the building. The report also concludes that there has been some interest in occupiers trading from the ground floor alone.

As noted above it is considered that the Brasier Freeth report is comprehensive and based upon our knowledge of both the local and wider retail market we consider its conclusions to be reasonable. I understand from my conversation with you that the Council consider the report to be sufficient with respect to the requirement to have marketed the property.



### 3. Existing Use Value

Savills Valuation have provided us with an addendum letter dated 7 October 2019 where they have approached the existing use value on the assumption of a letting on the ground floor and the “mothballing” of the upper floors.

In summary Savills state that there are ongoing conversations with potential occupiers for the ground floor only at rents in excess of their rental value of £120,000 per annum (which it should be noted is the rental value for the retail in the proposed development).

Savills have deducted £43,450 for ongoing empty rates liabilities on the upper floors to arrive at a net rent of £76,550 per annum.

Savills have capitalised this rent at a yield of 8% and added in the remaining rent prior to Debenhams vacating to arrive at an existing use value of £975,000.

Noting our comments on the Marketing Report prepared by Brasier Freeth and your conformation that this would not require planning permission we consider the above assumptions to be reasonable and have adopted an existing use value of £975,000.

### 4. Land Owners Premium

In their viability rebuttal dated 10 October Savills state that:

*“In light of the above Savills Valuation department remain of the opinion that the Existing Use Value of the Subject is £1.415m.*

*However, Savills Valuation department have also run an alternative ‘downside valuation’ to set their opinion of the minimum Existing Use Value of the Subject. They conclude this to be £975,000, which equates to £28.76/ft<sup>2</sup>.*

*We are therefore of the opinion that the Existing Use Value of the Subject falls within the range of £975,000 and £1.415m. On a without prejudice basis and in order to bring these discussions to a conclusion we are prepared to adopt an Existing Use Value of £975,000, which we believe represents the asset’s lowest reasonable value.”*

This is not our interpretation of the Savills addendum letter which only sets out the aforementioned £975,000 and concludes:

*“We remain convinced that if the property were marketed at this level, there would be considerable competition in the ensuing bids.”*

In their viability rebuttal letter Savills state that given the value range a premium between 15% and 45% is justifiable however they are willing to adopt a premium of 15% on a without prejudice basis.

We do not agree with Savills with respect the approach to land owners premium.

It is accepted that an appropriate existing use value of £975,000 is appropriate on the “assumption” of the letting of the ground floor when Debenhams vacate. That said, no allowance has been made for voids or rent free periods to reflect the time it will take to let the proper once it is vacant and any incentive to be offered to an occupier in accordance with market practice. It should be noted that for the proposed development a void period of 9 months and a letting period of 15 months.

Without these explicit allowances within the calculations of the existing use value it is not possible to assume that the property is an income producing asset as it will imminently be vacant.

We therefore remain of the opinion that no land owner’s premium is applicable in this instance.





**5. Conclusion**

Having regard to the above the proposed development produces a deficit of £235,000 when compared to an appropriate benchmark land value.

It can therefore be concluded that the proposed development is not viable when allowing for appropriate market profit benchmarks.

Therefore, the applicant may be relying upon a number of potential factors in order to improve the development viability. These could include but are not limited to:

- An assumption of growth in sales values over the development period; or
- A reduction in construction costs through value engineering of the proposed development prior to commencement; or
- Improvement in the efficiency of the floor plates of the development prior to commitment.

We would therefore recommend that the Council secure a late stage review mechanism via the Section 106 Agreement to ensure an appropriate proportion of any improvement in the viability of the development is captured in order to make an appropriate contribution towards affordable housing.

I trust the above is of assistance however should you require further information or have any queries, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T. Glasson'.

Tom Glasson MRICS  
Director