strakers

Viability Appraisal Report

IN THE MATTER OF THE POSSIBLE CHANGE OF USE
AND CONVERSION OF

a

DETACHED STORAGE BUILDING

at

CLOSE FARM
CLOSE LANE
MARSTON
NR DEVIZES
WILTSHIRE
SN10 5SN

on behalf of

MR CHRISTOPHER PEARCE

Prepared by:
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Date of Report: 14th September 2023

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1.0 INSTRUCTIONS

1.1 Strakers have been instructed by Mr Christopher Pearce (the Applicant) to produce a viability appraisal report which will form part of a planning application in respect of the possible change of use and conversion of a modern storage building to provide a single Class C3 residential dwelling at Close Farm, Close Lane, Marston, Nr Devizes, Wiltshire.
It is intended that RCC Town Planning Consultancy will provide a more detailed description of the proposed development.

1.2 The purpose of this appraisal is to assess and then demonstrate if the change of use and conversion of the existing building for business, tourism or residential use is or is not commercially viable.

1.3 To assist with the preparation of this report DRA Architects has provided this firm with the following drawings, Location Plan, Proposed Site Plan, a sketch drawing titled "Proposed Ground Floor Plan and East Elevation, Proposed North, South and West Elevations
The Proposed Floor Plan identifies the possible conversion of the building to provide a single storey dwelling having a lounge with a kitchen/dining area at one end, two bedrooms and a bathroom.

1.4 We undertook our inspection and measured survey of the building on Wednesday 8th March 2023.

1.5 The values provided in this report are opinions based on comparable market and open market rental evidence and are for the sole purpose of providing a view on the project's overall viability. For the avoidance of doubt the values provided do not constitute formal RICS "Red Book" valuations.

1.6 The measurements and areas used within this report have been taken from our own measured survey of the interior of the building, together with information provided to us by the applicant's architect, which we have assumed is both correct and accurate. All of the necessary calculations have been undertaken in accordance with the latest edition of the RICS Code of Measuring Practice.

1.7 In the matter of the anticipated cost of conversion we have had due regard to the age, condition and nature of construction of the subject building and we have taken the view that in this instance normal build/conversion costs will apply.

2.0 LOCATION AND PROPERTY DESCRIPTION

2.1 The Storage Building at Close Farm, occupies a semi-rural position at the far end of Close Lane, adjacent to Close Farm at the northern end of Marston.
The neighbouring land uses comprise a mix of residential properties (mostly bungalows) an older style former farm building currently in commercial use and farmland in the form of both permanent pasture and arable production.

2.2 Marston is a small village situated approximately 4 miles to the south west of Devizes and one mile to the south of the village of Worton where local facilities include a church, public house and primary school. Much of the boundary with Worton follows the Bulkington Brook, a tributary of the Semington Brook.
More comprehensive amenities, including a wider choice of shops and schooling for all age groups are available in the nearby towns of Devizes, Melksham (7miles) and Trowbridge (8miles).
For those wishing to commute, main line railway stations at Trowbridge, Westbury (7 miles) Pewsey (12 miles) and Chippenham (14 miles) provide regular services to London Paddington, Bath, Bristol and the West Country.

2.3 The subject property is served by a narrow private road that is accessible from Close Lane which is a no-through road. The private road is under the ownership of a neighbouring property and we have assumed that the necessary rights of access are in place and properly documented.
The subject building has planning consent granted for B8 storage use (allowed at appeal in February 2007). This appeal allowed for the change of use of an agricultural building to a general storage building (Use Class B8). Following the grant of planning permission the applicant has used the building for the storage of building materials.
The building is constructed having single skin concrete block elevations beneath a timber framed pitched roof covered with concrete interlocking tiles.
Measured on a gross internal basis the floor area of the store extends in total to approximately 1,107sqft (102.8sqm).

2.4 The property is shown for identification purposes only edged red on the Proposed Site Plan which is attached to this report at Appendix 2.

Photographs of the building are attached to this report at Appendix 6.

3.0 DEVELOPMENT OPTIONS

3.1 We understand that Core Policy 48 of the Wiltshire Core Strategy supports the reuse of redundant rural buildings for a variety of purposes including commercial, tourism, community and residential use.

3.2 Due to the proximity of the nearby residential properties, Class B2 Industrial use has been discounted.
Since the works required to facilitate a Community Use would see no return on the investment, this too has also been discounted**.**

3.3 Our appraisal therefore focuses on the following as being the more realistic options for the re-use of the building: Class E (Light Industrial), Class E (Offices), Class B8 Storage and Distribution, Tourism (self-catering holiday lets) and Class C3 Residential.

4.0 DEVELOPMENT APPRAISALS

4.1 We have examined each of the alternative planning options in 3.3 above, undertaking appraisals to establish their potential in relation to the investment required.
The methodology has been to consider the Gross Development Value (GDV) of the project once it has been completed; the costs associated with the conversion and the potential profit, if any, that may be realised in each case.
Our appraisals are attached to this report at Appendix 7.

4.2 We report/comment on the various elements forming our appraisals as follows:-

a. Gross Development Value

The sales values quoted in the four viability appraisals at Appendix 7 are based on either comparable open market sales evidence or calculated by way of capitalising the anticipated annual net rack rental income. The capitalisation rate has due regard to the building's location, age, nature and type, plus of course the intended uses.
To arrive at the net rack rental valuations for Class E Light Industrial and Class B8 Storage uses we have calculated that the **gross** internal floor area of the proposed accommodation will extend in total to approximately 1,107sqft (102.8sqm).
To arrive at the net rack rental valuation of the building for office use we have calculated that the **net** internal floor area of the proposed accommodation will extend in total to approximately 940sqft (87.3sqm).
In arriving at the gross development value for Tourism use, we have been advised by a firm of agents specialising in the letting of holiday cottages that the average gross rental for a fully furnished and equipped two bedroom cottage/barn conversion in a village location close to Devizes is currently fairly represented in the region of £ per week (pa).
Furthermore the agent has also advised that since Covid the occupancy rate in the South West is typically 75% per annum - in which case the anticipated total gross income is seen to be represented in the sum of £ a.
After a deduction of 25% is made to allow for letting fees, management, insurance, cleaning/change over costs and the possible payment of Business Rates, it is seen that the projected **net annual income** is fairly represented in the sum of £

In considering the conversion of the building for office, tourism and residential uses we have assumed the following brief construction details:

* Retention and recladding of the existing external walls.
* Provision of a new timber framed inner skin complete - with insulation.
* Retention of the existing roof covering but with added insulation.
* Creation of new door and window openings - timber framed and double glazed.
* Floors - New insulated solid floor finishes.
* New kitchen and sanitary fittings.
* Services
  New mains drainage connection.
  New mains water connection.
  New Electrical and BT supplies.
  New heating system.

b. Base Value

Having regard to its existing use and well maintained state of repair we are of the opinion that the market valuation of the freehold interest in the subject property, having the benefit of vacant possession and disregarding any hope value is currently fairly represented in the sum of £

c. Build Costs

The build costs which have been adopted within our appraisals relate to the costs typically associated with the repair and conversion of modern farm/utility type buildings with a view to providing accommodation suitable for Class E Light Industrial use, Class E Office use, Class B8 Storage use, Tourism (self-catering holiday lets) and Class C3 Residential use.
With regard to Class B8 Storage use, it is important to mention that in this case the subject building is being used solely for the storage of building materials in connection with the owner's day to day business and if the decision is subsequently taken to market the property as being available either *For Sale* or *To Let* for ongoing storage use, then in order to comply with current legislation it will be necessary for the owner to undertake certain works of alteration and improvement to the building ie, with particular reference to the provision of services, staff welfare facilities and greatly enhanced levels of insulation. Consequently whilst the works required to upgrade/improve the building for ongoing Class B8 Storage use (and to a similar extent Light Industrial use) will be relatively straightforward and minor in nature, the works required to convert the building for either office or residential usage will need to include all of the works as referred to in 4.2a above.
For all four uses we have assumed that a high quality build will be required therefore by way of reference to the latest figures published by BCIS and other related information we consider the following build/conversion costs are currently appropriate:

Ongoing B8 Storage -
Light Industrial -
Offices -
Residential -

d. Professional Fees

We have assumed minimum fee levels for professional fees.

e. Finance Costs

Finance costs have been allocated at 10% per annum (for 6 months) and we have included arrangement fees at 1.5% of the amount borrowed.

f. Re-Sale Costs

Where applicable we have made an allowance of 2% of GDV for deductible sales costs. An appropriate sum for marketing costs has also been included.

5.0 SUMMARY AND CONCLUSIONS

5.1 The demand for commercial premises which are remote from a town's employment pool is specialist and in this instance the restricted accessibility and the lack of ready public transport facilities will limit the market appeal of this building for employment purposes and especially so in the case of offices**.**
That said, currently there is a reasonably strong demand for workshop units - even in the more rural locations close to Devizes.

5.2 As to tourism use, in our experience the management of a remote, single holiday cottage (as opposed to a group of cottages) is a feature which will limit the appeal of the investor for this type of property.

5.3 The completion of the works required to upgrade this building to enable it to then be either offered for sale or lease in the open market for an ongoing Class B8 storage related use will not be financially viable as in our view the cost of the upgrade will result in a loss of £

5.4 The potential conversion/upgrade of the building to provide a self-contained Class E Light Industrial unit is not financially viable; in our view, the project will result in a financial loss of £

5.5 The potential conversion of the building for Class E Office use is not financially viable; in our view, the project results in a loss of £

5.6 The potential conversion of the building for Tourism use in the form of "self - catering holiday lets" is not financially viable as in our view the project will result in a loss of £ .

5.7 The potential conversion of the barn to Class C3 Residential use in the form of a detached private dwelling is seen to be financially viable. In our view, the project results in a profit currently represented in the sum of £ .
This reflects a 25.4% return on the gross development value which is seen to be on the right side of the minimum 20% developer's profit margin, as currently required by the High Street banks and other lending institutions.

We trust this viability appraisal report contains sufficient information for both your own and your planning consultant's present purposes, but needless to say, should you require any further valuation advice or assistance then please do not hesitate to contact this office.

Strakers
Surveyors and Valuers
6/7 Market Place
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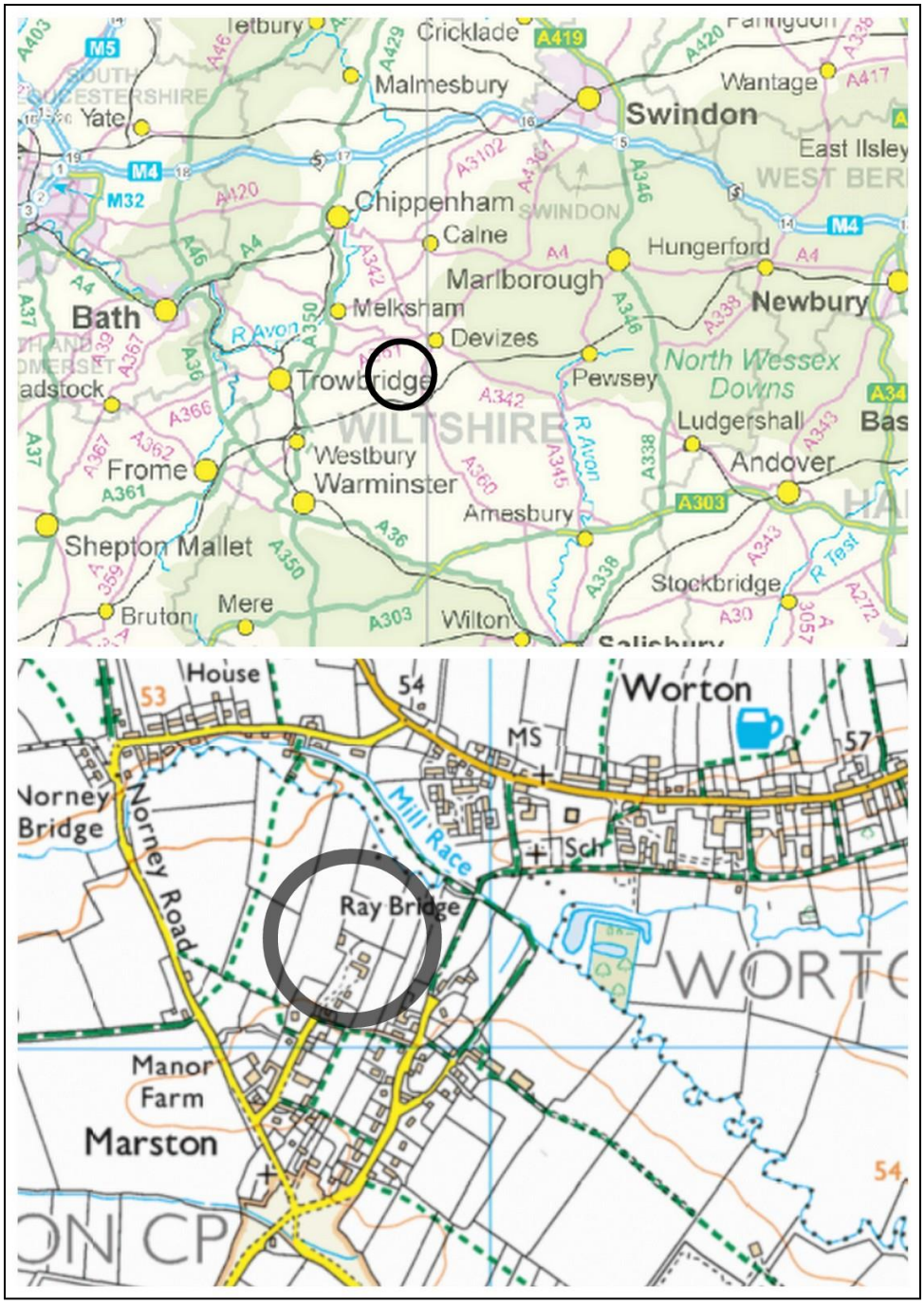
SN10 1HT

Date: 14th September 2023 **Ref ASM/va**

APPENDIX 1

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Location Plan

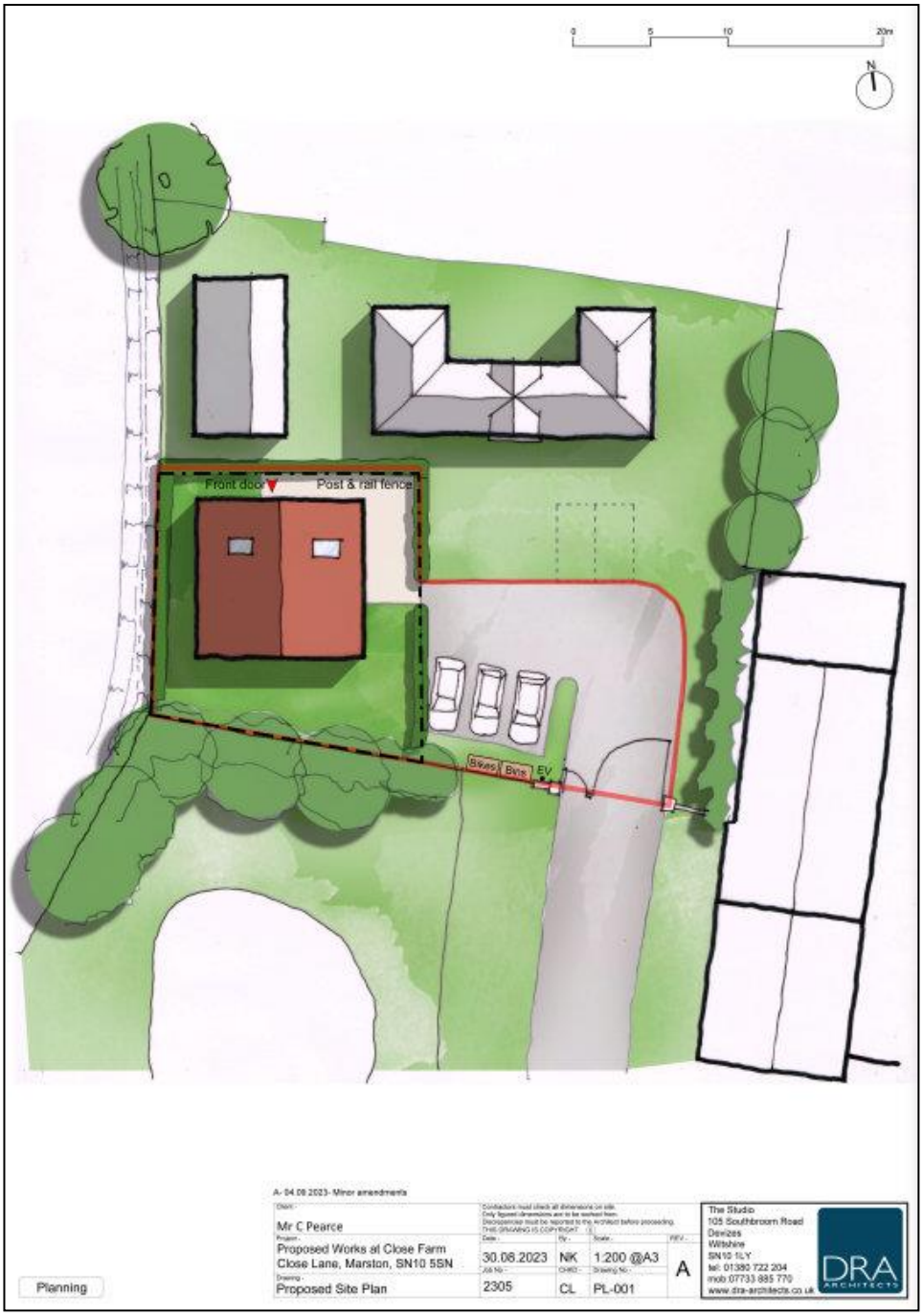


FOR ILLUSTRATION PURPOSES ONLY- DO NOT SCALE

APPENDIX 2

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

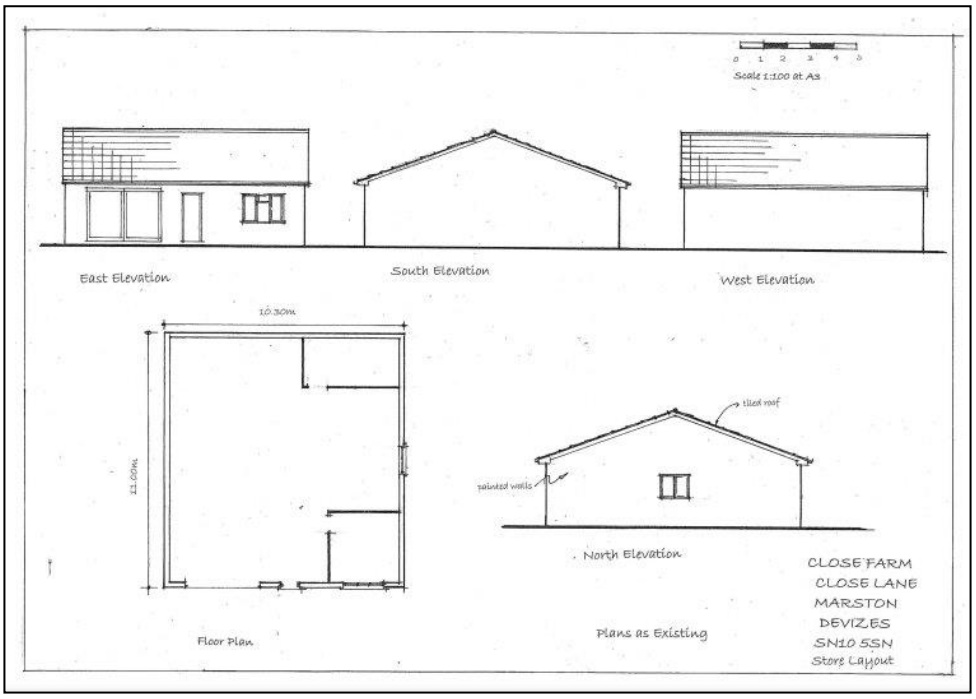
Proposed Site Plan



APPENDIX 3

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Existing Floor Plan



APPENDIX 4

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

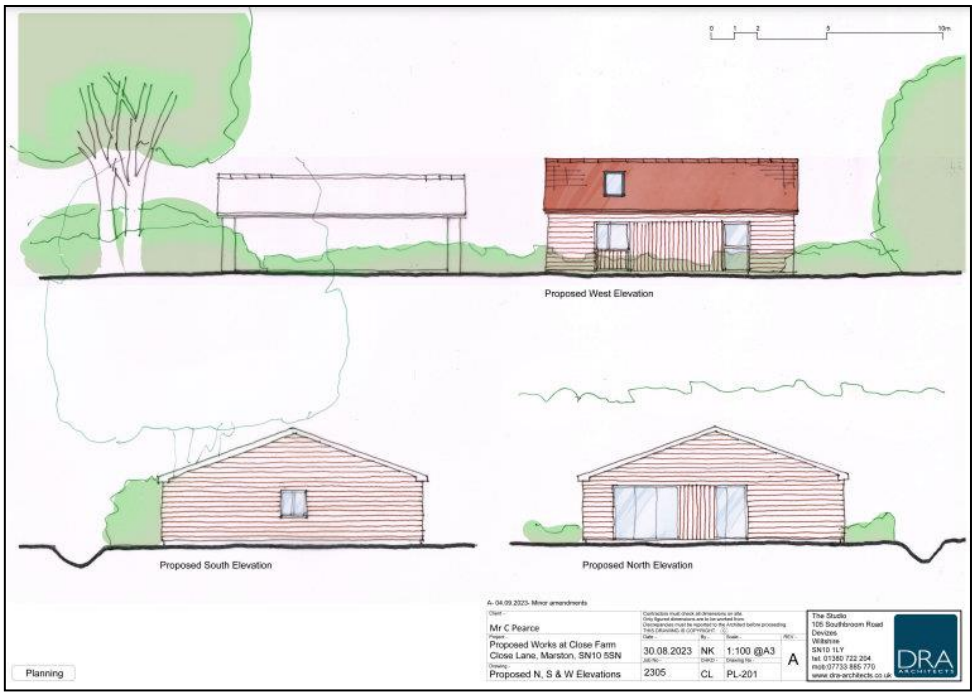
Proposed Ground Floor Plan and East Elevation



APPENDIX 5

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Proposed North, South and West Elevations



APPENDIX 6

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Photographs



APPENDIX 7

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Viability Appraisal - upgrade required for ongoing Class B8 (Storage) Use

1. Gross Development Value

NRRV = 1,107sqft (gross internal) x sqft =
x YP @ 10.0% =
Valuation

Less

2. Cost of Sale

Solicitors/Agent's fees @ 2% = £ -
therefore minimum fee levels will need to apply:

3. Land Cost

Base/Existing Use Value
Solicitor's Fees @ min fee - say
Stamp Duty

Total Land Cost

4. Upgrade Costs

1,107sqft @ £ /sqft
Services/Drainage Connections
Site Clearance
Landscaping/Parking
Contingency @ 5%

Total Conversion Costs:

5. Professional Fees

Fees - Architect/Planning/Building Regulations - say

6. Finance Costs

Interest @ 10% for 2 months

7. Other Costs

Total Costs

Final Net Profit (Loss)

APPENDIX 7

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Viability Appraisal - Conversion to Class E (Light Industrial) Use

1. Gross Development Value
NRRV = 1,107sqft (gross internal) x £ sqft =
x YP @ 9.0% =
Valuation

Less

2. Cost of Sale
Solicitors/Agent's fees @ 2% = £ -
therefore minimum fee levels will need to apply:

3. Land Cost
Base/Existing Use Value
Solicitor's Fees @ min fee - say
Stamp Duty

Total Land Cost

4. Conversion/Fit Out Costs
1,107sqft @ /sqft
Services/Drainage Connections
Site Clearance
Landscaping/Parking
Contingency @ 5%

Total Conversion Costs:

5. Professional Fees
Fees - Architect/Planning/Building Regulations

6. Finance Costs
Interest @ 10% for 6 months

7. Other Costs

Total Costs

Final Net Profit (Loss)

APPENDIX 7

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Viability Appraisal - Conversion to Class E (Office) Use

1. Gross Development Value
NRRV = 940sqft (net internal) x £ /sqft =
x YP @ 9.0% =
Valuation

Less

2. Cost of Sale
Solicitors/Agent's fees @ 2% = £ -
therefore minimum fees will need to apply:

3. Land Cost
Base/Existing Use Value
Solicitor's Fees @ say
Stamp Duty

Total Land Cost

4. Conversion/Fit O Costs
1107sqft @ £ /sqft
Services/Drainage Connections
Site Clearance
Landscaping/Parking
Contingency @ 5%

Total Build Cost:

5. Professional Fees
Fees - Architect/Planning/Building Regulations

6. Finance Costs
Interest @ 10% for 6 months

7. Other Costs

Total Costs

Final Net Profit (Loss)

APPENDIX 7

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Viability Appraisal - Conversion to Tourism Use.

1. **Gross Development Value**
   Net Income
   x YP @ 10% =

   Less

2. **Cost of Sales**
   Solicitors/Agent's fees - n/a as most likely that the dwelling would be tied (in planning terms) to the host property.

3. **Land Cost**
   Base/Existing Use Value
   Solicitor's Fees @ min fees say
   Stamp Duty @ 2%

   Total Land Cost

4. **Conversion/Build Costs**
   1,107sqft @ £ /sqft
   Services/drainage connections
   Landscaping/Parking
   Site Clearance
   Contingency @ 5% (on build)
   White Goods/furniture/soft furnishings

   Total Conversion and Fit Out Costs:

5. **Professional Fees**
   Fees to Architect/Planning/Building Regulations

6. **Finance Costs**
   Interest @ 10% for 6 months

7. **Other Costs**
   Marketing
   CIL

   Total Costs

   Final Net Profit (Loss)

APPENDIX 7

Proposed Conversion of a Storage Building at Close Farm, Close Lane, Marston

Viability Appraisal - Conversion to Class C3 Residential Use

1. **Gross Development Value**

   Less

2. **Cost of Sales**
   Solicitors/Agent's fees @ 2%

3. **Land Cost**
   Base/Existing Use Value
   Solicitor's Fees @ min fees say
   Stamp Duty @ 2%

   Total Land Cost

4. **Conversion/Build Costs**
   1,107sqft @ £ /sqft
   Services/drainage connections
   Landscaping/Parking
   Site Clearance
   Contingency @ 5% (on build)

   Total Build Cost:

5. **Professional Fees**
   Fees to Architect/Planning/Building Regulations

6. **Finance Costs**
   Interest @ 10% for 6 months

7. **Other Costs**
   Marketing
   CIL

   Total Costs

   Final Net Profit

Return on total GDV = 25.4%