Enabling Development Analysis
Final Report

Yaldham Manor, Kemsing Road,
Wrotham, Kent TN15 6NN

September 2009

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1. INTRODUCTION

Savills provided an initial Enabling Development Analysis report in November 2008 on behalf of Artesian Property Partnership as part of the submission documentation for a planning application at Yaldham Manor in accordance with the English Heritage Enabling Development Guidelines.

Consultations with Tonbridge & Malling Borough Council have been extensive, including the receipt of consultant's advice.

In the light of additional work that has been undertaken over the last ten months on the costing side and continued weakness in the housing market Savills have been commissioned to produce a final report in support of the current planning application.

We have also acknowledged further correspondence from English Heritage to Tonbridge & Malling Borough Council requesting clarification on certain aspects of the original analysis which had been agreed with the Council's consultants, BPS Chartered Surveyors.

2. MARKET VALUE OF THE HERITAGE ASSET

One of the areas that English Heritage raised as part of their response to the Council was the underlying market value which was assessed at £3.5m. The suggestion was that this had not been tested in the market and the amount of enabling development may be more than the minimum required.

In fact Artesian had acquired the Heritage asset together with adjoining land in the open market in 2005 at a price of £4.5m.

It is recognised that over the last two years the value of development sites has commonly fallen by up to 50% compared with the mainstream housing market which has reduced by in the order of 25%.

In order to satisfy English Heritage that appropriate allowance for movement in the market has been made we have reduced the underlying market value of the Heritage asset to £2m.

In reality because Yaldham could appeal to a private purchaser without the need to show a development profit we would expect the price achievable in the open market to be in excess of £2m even allowing for the cost profile.

However, there is no guarantee that a private purchaser will undertake the restoration of the Heritage asset in its entirety and to what extent over a realistic time frame as the costs relative to ultimate value are prohibitive.

If, however, it is undertaken as a development project under the Heritage guidelines and the requirements of a Section 106 Agreement, the imperative for the developer to make a profit will ensure that the scheme is undertaken in a timely fashion in accordance with the planning permission.

Accordingly, we believe that this major reduction in the underlying market value should satisfy both English Heritage and the Local Authority concerning the relationship between market value and the minimum amount of enabling development required.

3. CONSERVATION DEFICIT ANALYSIS

We enclose at **Appendix 1** an updated Conservation Deficit Analysis (CDA) which has been updated to reflect detail costing undertaken by Artesian and the impact of further downward trends in the housing market.

Artesian have submitted a revised costing schedule to TMBC and we have accordingly utilised these within the CDA. We would highlight the following changes:

The Barns

In our original report we included the restorations of the barns within the CDA. Discussions with EH and TMBC have resulted in these now being replaced as part of the enabling development.

Interest Rates

Debit rate reduced to 5.5% to reflect reduction in interest rates.

Contingency

Reduced to 2% from 7.5% as main contractor now being used, the risk element is therefore largely transferred to the main contractor and is reflected within the profit element of the contractor tender.

Externals

These have been itemised out under headings for infrastructure, roads and landscaping and asbestos removal.

Holding Costs

These are the estimated holdings costs relating solely to the Heritage asset. The actual overall costs now exceed £500,000.

Sales Revenue

At the direction of Savills' Country House and New Homes departments based in Sevenoaks, the sales revenue in respect of the Heritage asset has been reduced to £4.8m.

Current Market Value

As stated above, this has been reduced from £3.5m to £2m.

Having reflected all of the above the overall appraisal produces a conservation deficit (or loss) of £3,171,916.

4. ENABLING DEVELOPMENT ANALYSIS

As before we have introduced the required amount of enabling development to offset the conservation deficit and produce an appropriate commercial return to the developer.

Accordingly, we enclose a revised Enabling Development Analysis at **Appendix 2** which indicates a total sales area of 43,486 sq.ft compared with 43,182 sq.ft in the initial submission. The total amount of enabling development is therefore 26,564 sq.ft.

All of the changes utilised within the Conservation Deficit Analysis have been carried forward to the EDA.

The unit build costs for the enabling development has remained as before but the overall revenue of £13,180,000 is down from £13,970,000 under the previous assessment. This would, of course, have been even greater had there not been some offsetting increase in the floor area.

The scheme now shows a return of approximately 15% profit on cost. This is lower than the previous analysis and is below required commercial returns in the current market. More importantly it is lower than the minimum level that development finance can generally be obtained at present. Indeed, arguably for a project of this complexity most lenders would be looking for a margin nearer 25%.

Nevertheless it does meet the minimum anticipated profit under the EH guidelines and Artesian have shown continued willingness to invest their own equity in the project.

As with our original analysis we have included at **Appendix 3** a Sensitivity Analysis showing variations on sales rate, construction rate and the underlying value of the property. This illustrates how quickly the profit is eroded by the potential of further falls in sales revenue. Under current market conditions this illustrates the continued high risk nature of the development and that the amount of enabling new build is the minimum required to deliver the restoration of the Heritage asset.

5. SUMMARY

With the time that has elapsed since our original analysis was formulated and discussed with the Council's consultants in the Autumn of 2008, it has become increasingly necessary to reassess both the revenue and cost profile of the proposed development.

In conjunction with Artesian we have re-evaluated the cost to provide not only the level of detail required by English Heritage but also aiming to de-risk the overall cost by choosing the main contractor route.

On the revenue side we have looked critically at the unit sales values in the context of an exceptionally difficult market and clear evidence of sales falls over the period since our original assessment.

Finally, we have made a substantial adjustment to the underlying market value of the Heritage asset not only to reflect falls in the market but also to illustrate to the satisfaction of English Heritage that there is absolutely no subsidy to Artesian in terms of maintaining a historic purchase value.

The extent of the enabling development other than the replacing of the barns as part of the enabling has remained consistent with the original submission and, as before, we are of the opinion that it represents the absolute minimum required to support the restoration and future preservation of the Heritage asset.

Accordingly, we would continue to support the proposed scheme as being the optimum level of development permissible under the English Heritage Guidelines.

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