

10 March 2020

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Our Ref: SK/MW

Dear James

MARKSHALL FARM, MARKSHALL LANE – VIABILITY ASSESSMENT

With reference to our recent email correspondence, I write with regard to the proposed redevelopment of the redundant barn at the above.

I have now inspected the premises and set out below my views on the likely commercial success of the property and the viability of the proposed project. Attached to this letter is viability assessment which has been undertaken. If any further information is required on any of the figures proposed, please let me know.

In considering the commercial possibility of the site I have considered the location, critical mass and general demand for office accommodation in and around Norwich. The property, a single storey brick and tiled barn is located to the south of the Southern Bypass in a rural location, with no other commercial uses in close proximity. The area is principally agricultural in form save for the surrounding barns and farmhouse - all of which are residential.

The majority of out-of-town office schemes which have flourished and proved to be economically successful have been located within close accessibility of Norwich in rural locations benefiting from good accessibility and where they are able to provide critical mass. The most recognised barn schemes are found in Manor Farm Barns, Framingham Pigot, Octagon Farm Barns, Little Plumstead and Wensum Mount, Low Road, Hellesdon. These locations are accessible but in semi-rural locations but importantly there are a number of businesses operating within the scheme.

1. **Location** – Although the site is conveniently located for access to and from Norwich city center, Markshall Lane is in parts a single track with passing points and access to the site is located on a 90° bend. Furthermore, there is no public transport in the locality and therefore any user of the space will have to drive rather than consider alternative methods of transportation. There are no local facilities, such as shops or cafes in the area. This therefore means that any user of the space will need to always use a car.
2. **Design and critical mass** – The proposal is to convert a small single storey redundant farm building which has a total floor area of 74 sq m (796 sq ft). This is the gross internal area, the net internal area allowing for circulation and WC facilities is likely to be reduced to in the region of 690 sq ft. This is suitable for a small business only.

In our opinion businesses are unlikely to be attracted to this opportunity because there are no other businesses within close proximity, there are no services and those schemes which have worked well and as outlined above all provide critical mass which allows businesses opportunity to move onto larger space if their businesses flourish. A single unit in a rural location is unlikely to be attractive. The type of business which would occupy this space is likely to be relatively new startup and therefore unable to commit to a long-term lease which will affect the financial viability.

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In addition, businesses seeking rural locations require good levels of car parking. The site has insufficient circulation space for the necessary parking for this locality. The design of the property offers insufficient natural light for the majority of office occupiers because one elevation has no opportunity for windows and only a number of roof lights can be installed. The barn therefore is located in an area where there is no opportunity for working with other businesses, has insufficient parking provision, has no public transport provision and is unlikely to be able to provide the required specification.

3. Setting and commercial viability – The scheme will sit adjacent to residential occupiers which could cause conflict if extended working hours are required by the office occupier. The out-of-town conversions which have worked well have done so where there is a parkland setting and the feeling of space and purpose which would not be possible here due to the constrained site. Providing justification for the financial appraisal for commercial development which is attached at Appendix 2 the following has been considered as appropriate:

- Rent- £15.00 psf. The office market is seeing a structural change due to the pandemic and rental levels have started to fall, as demand reduces and supply increases. This is a small space, so the rent reflects this. The best rents are £17.25 psf at Meridian for 2000 sq ft units. Location and specification would reduce this substantially.
- Yield- 9%. The biggest shift is in investors' appetite for this type of property. With changing work patters and the risk associated with office occupiers vacating, the return required to make office investments attractive has moved out.
- Build costs- these have moved upward. New build offices are now in the region of £275.00 psf, if purchased from developers, conversions, slightly cheaper at £120. Psf.

The total cost of the development exceeds the value of the completed projects, without any allowance made for the value of the site.

4. We have also been asked to consider the suitability of the site for holiday accommodation. we do not believe the barn would work as a holiday let based on the below factors:

- The property has no outlook and is surrounded by four other residential premises. Generally, holiday cottages work well where there is either an outlook/view or the property is close to areas of outstanding beauty such as coast or hills and where there are facilities in close proximity. The site has neither view nor closeness to any amenities.
- The property has a small garden and has room for one bedroom only. It would therefore only work for couples, yet it offers no privacy or facilities. Furthermore, access to the site is constrained.
- Because of its location and lack of facilities the property if converted is unlikely to provide a suitable return to the owner/investor. Examining Airbnb there are no holiday lettings available in close proximity to the site. There are a number of opportunities in Norwich and then further south at Swardston and Mulbarton but nothing available in the Caistor St Edmunds. This is principally due to lack of facilities, public transport and the fact the locality is not recognised as a holiday location. Therefore, conversion of the premises to a holiday let is unlikely to succeed economically.

If you need anything further, please let me know.

Yours sincerely



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Appendix 1



Appendix 2

Markshall Farm office scheme

	Sq Ft	Rate / sq ft	Rent pa		
LETTABLE AREA	690	15.00	10,350		
INVESTMENT YIELD	9.00%			115,000	
LESS PURCHASER'S COSTS	3.00%			3,450.00	
					111,650
NET DEVELOPMENT VALUE					111,650
SITE VALUE, COSTS AND FEES					
SITE COST				-	
STAMP DUTY	@	0.00%	of site value	-	
AGENT	@	1.00%	of site value	-	
LEGALS	@	2.00%	of site value	-	
					-
TOTAL SITE VALUE COSTS					-
CONSTRUCTION COSTS AND FEES					
Externals				5,000	
				-	
				-	
CONTINGENCY	@	5.00%	of con. cost £6.00 psf	4,776	9,776
DEVELOPMENT	796	sq ft @	£120.00 psf	95,520	95,520
ARCHITECT	@	3.00%	of con. cost	2,866	
EMPLOYERS AGENT	@	3.00%	of con. cost	2,866	
STRUCTURAL ENGINEER	@	2.00%	of con. cost	1,910	
MECH/ ELEC ENGINEER	@	1.50%	of con. cost	1,433	
PLANNING FEES				5,000	
SITE SURVEY	say,			-	
CDM	@	0.50%	of con. cost	5,000	
		10.00%			19,074
TOTAL CONSTRUCTION COSTS AND FEES					124,370
MARKETING					
LETTING AGENT FEES	@	10.00%		1,035	
LETTING LEGAL FEES	@	5.00%		518	
					1,553
TOTAL MARKETING COSTS					1,553
DISPOSAL					
SALES AGENTS FEES	@	0.00%		-	
SALES LEGAL FEES	@	0.00%		-	
					-
TOTAL DISPOSAL FEES					-
FINANCE					
ON SITE	100.00%	of site @	6.50%	for 30 weeks	-
ON CONSTRUCTION	50.00%	of constr @	6.50%	for 52 weeks	4,142
BANK ARRANGEMENT FEE		say,			-
					4,142
TOTAL INTEREST COSTS					4,142
RENT FREE					
RENT FREE	3	months		2,588	
CAPITAL CONTRIBUTION	0	months		-	
					2,588
TOTAL RENT FREE COSTS					2,588
TOTAL DEVELOPMENT COSTS					132,652
PROFIT					- 21,002
PROFIT ON COST					-15.83%