

FLINTSHIRE DEPARTMENTAL MEMORANDUM

From: J Allen – Senior Valuer
Environment Directorate

Your Ref:

To: Mark Harris
Senior Planning Officer
Development Control Division

My Ref: JA/FP/0015 Volume 2

Date: 7 March 2012

Ext: 3117

Subject: Custom House Lane School Site Connahs Quay

Further to our recent meeting where we presented various residual valuations for the above site I would now detail for you the basics of coming to our conclusions.

The Residual Valuation Method is used in circumstances where the value of a site with development potential is required. A potential developer of a site may want to acquire it to carry out development but does not want to pay over the odds. Similarly the owner of the site may carry out a Residual Valuation to find out what the site is worth to a typical Developer i.e. How much can it be sold for?

The presence of the "1881" building on the subject site means it can not be valued by the traditional direct comparison method as it has differential development potential so therefore different values. The Custom House Lane site has been approached from 2 angles, the first being a comprehensive re-development of the site entailing the demolition of the "1881" building, the second being a development which retains the "1881" building in the form of a conversion to 4 dwellings.

In the Residual Valuation we utilized methods based upon, optimistic, realistic and pessimistic forecasts. It was agreed at the meeting that the approach should now be only on a realistic forecast basis.

The method of arriving at the land value is to firstly calculate the Gross Development Value of the site from which is deducted the costs of creating the Gross Development Value. These costs are made up of;-

- Building Costs (rate per metre) based upon "Spons" or BCIS figures.
- Ancillary costs i.e. services, roads, landscaping, demolition etc.
- Professional Fees i.e. Architectural, Quantity Surveyors.
- Contingencies potential unknown/glitches –percentage allowance on gross costs
- Finance Costs
- Marketing and Sales Fees
- Rate of return on risk and profit –Developer Profit.

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The first case is a comprehensive re-development in the form of 16 3 bed terrace houses where the "1881" building is demolished.

These are calculated at £136,000.00 each x 16 GDV	£2176,000.00
Less marketing and legal fees e.g.	8,000.00
Net Development Value	<u>£2168,000.00</u>
Deduct all costs including developers profit	<u>£2,017,718.00</u>
Land Value	£150,282.00
Say	£150,000.00

The second case is a development involving the retention of the "1881" building and converting to 4 dwellings plus 9 new terraced houses

These are calculated at £136,000.00 x 9 GDV	£1,224,000.00	
"1881" building		
2 x mid terrace conversion		
2 bed in 1881 building £135,000.00 x 2	£270,000.00	
2 x end terrace conversion		
4 bed in 1881 building £155,000.00 x 2	£310,000.00	
Total	GDV	<u>£1,804,000.00</u>
Less marketing and Solicitors Fees say		£6,500.00
	NDV	£1,797,500.00
Deduct all costs (excluding Developers Profit)		<u>£1,920,895.00</u>
<u>Land Value minus</u>		- <u>£123,395.00</u>

The big problem in retaining the 1881 building is that the units created in this conversion only produce a GDV of £580,000.00 and the basic cost of construction alone is £660,000.00 this gives an immediate loss on that section of the development of £80,000.00 when you then add on all the other costs the deficits gets worse and worse resulting in the minus value for the site.

The conversion of building is always more expensive than new build and this is why the residual valuation showed that the land with the retention of the 1881 building would have a minus value so would therefore be incapable of disposal upon the market.

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I hope the above clarifies the matter but if you should wish to raise any further points please do not hesitate to contact me.

Best wishes



J Allen
Senior Valuer

Copy to

Ian Edwards Senior Quantity Surveyor
Ken Jones Senior Architect