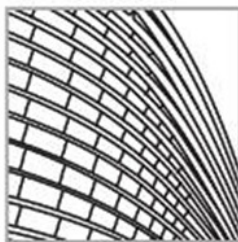
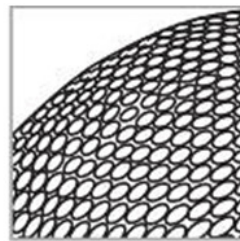
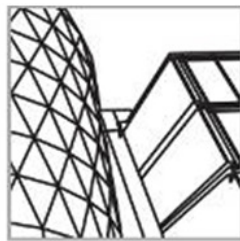
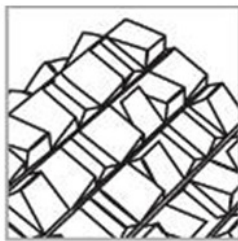


Historic England

Shrewsbury Flax Mill Development Advice



September 2020

Confidential Report & Advice



Historic England

Purpose of Advice

Historic England (HE) instructed Lambert Smith Hampton (LSH) to provide development advice in relation to the new build potential at Shrewsbury Flax Mill (SFM) and the financial impact of excluding the takeaways.

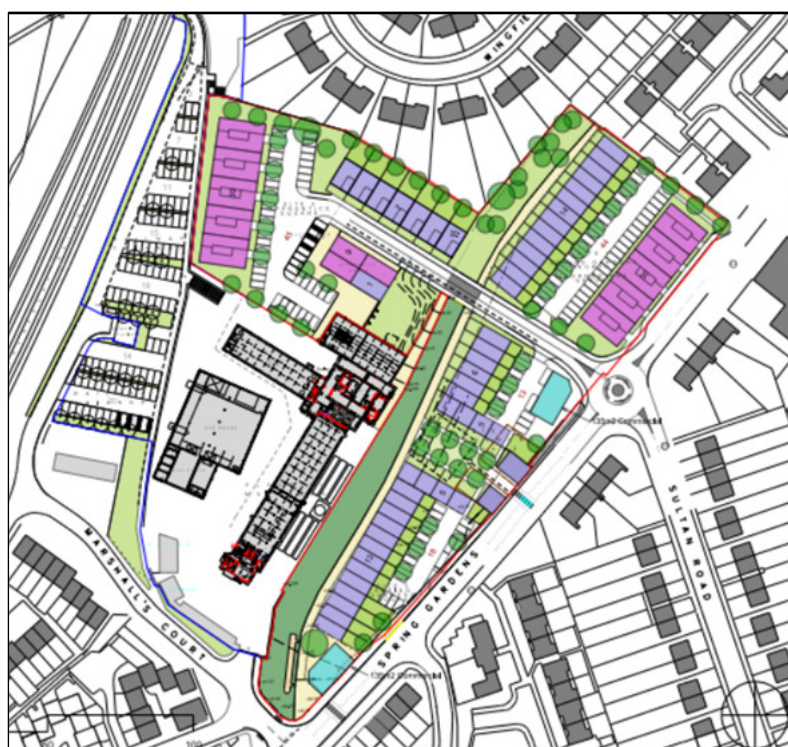
The purpose of the advice is to provide opinion as to the financial advantages of including the takeaway premises. This will then enable HE and partners to make a more informed decision in terms of their acquisition strategy and cost benefits claim in doing so.

This advice provides a non-red book opinion of market value of the masterplan scheme. It above does not constitute a valuation and cannot be relied on.

This advice considers the benefits of acquiring the takeaways from a financial perspective only. Other, potentially more important considerations need also to be included notably the historic setting, aesthetics generally and environmental issues.

The Scheme

The proposed scheme is more particularly shown below.



FCB Preliminary Schematic

The 120 residential unit scheme comprises a mix of terraced town houses and flats either side of the new vehicular access into the site. Sites 2 and 3 comprise a mix of townhouses terraced and mews housing totalling 29 units with two retail/commercial units.



Key features of the scheme include the route of the canal between Main Mill building and the town houses, main entrance into the historic buildings via the takeaways to Haughmond Square, and the square to the rear featuring the converted Apprentice House.

Review of the current sub regional market

Location

The site located approximately 1.5km north of the town centre towards the principle employment area at Battlefield and the main routes to Whitchurch, Chester and Stoke-on-Trent.

The immediate area is predominantly residential with a relatively new Persimmon Homes development opposite. Local services are provided for approximately 600m to the north.

New housing has and continues to be developed off St Michaels Street between the site and town centre.

Immediately to the north of the site is an area of predominantly social housing which is the subject of major investment.

It is recognised this might detract from the site and therefore there are proposed mitigation measures to minimise this concern.

Market Influences

The economy as a whole is undergoing one of the most impactful events resulting from the coronavirus pandemic. All sectors of the economy have affected some positively but the vast majority have been negative. The effects were immediate and although a ‘bounce-back’ was envisaged the reality is likely to be a much slower recovery with some sectors permanently scarred.

The residential market witnessed a short term shut down with sales values dipping but actual sales almost grinding to a halt. More recently with covid restrictions partially lifting the market has witnessed significant recovery to almost pre-pandemic levels in values. The medium and longer term outlook is less certain with on-going economic difficulties, impact on employment and banks reacting in limiting credit.

Accordingly, it is very difficult to predict what might happen and therefore we can only consider matters on the basis of normal market conditions pre-covid.

Our advice comes with with a strong caveat that our reported values and underlying appraisal assumptions may well be very different when seeking offers for the site.

Notwithstanding, our advice is to consider the financial impact of the takeaway premises situated to the front and centre of the site. This assessment is essentially a comparison only of the achievable values with or without the inclusion of the takeaways, therefore, the actual values themselves are less material.



Property Market - Residential Values

In assessing the potential residential sales values it is necessary to take account of the respective locations of the evidence in comparison with the subject site. This is potentially an iconic scheme that is capable of commanding premium values. However, it is also necessary to recognise the immediate area does not command the highest values and therefore those that apply to this scheme need to be moderated.

We have assumed a market facing mix of accommodation and sizes with high standards that attracts aspirational purchasers without prejudicing the wider market needs.

We have assumed the new build zones will be delivered by a quality developer following a competitive process where delivering value is only one determinant alongside quality, delivery and 'partnership' working amongst others. Accordingly, the final scheme might differ in unit mix and sizes whilst delivering a similar quantum of development.

We are of the opinion that a quality scheme with appropriate marketing might achieve market leading values in the immediate area. It is on this assumption that we have based our opinion of potential sales values as shown in the table below.

Unit Type	Including Takeaways	Excluding Takeaways	Discount sum
Terraced and Town Houses	£350,000	£320,000	£30,000
Mews Housing	£250,000	£225,000	£25,000

The Haughmond Square units once converted are valued at £250,000 and £320,000.

Basis of Assessment

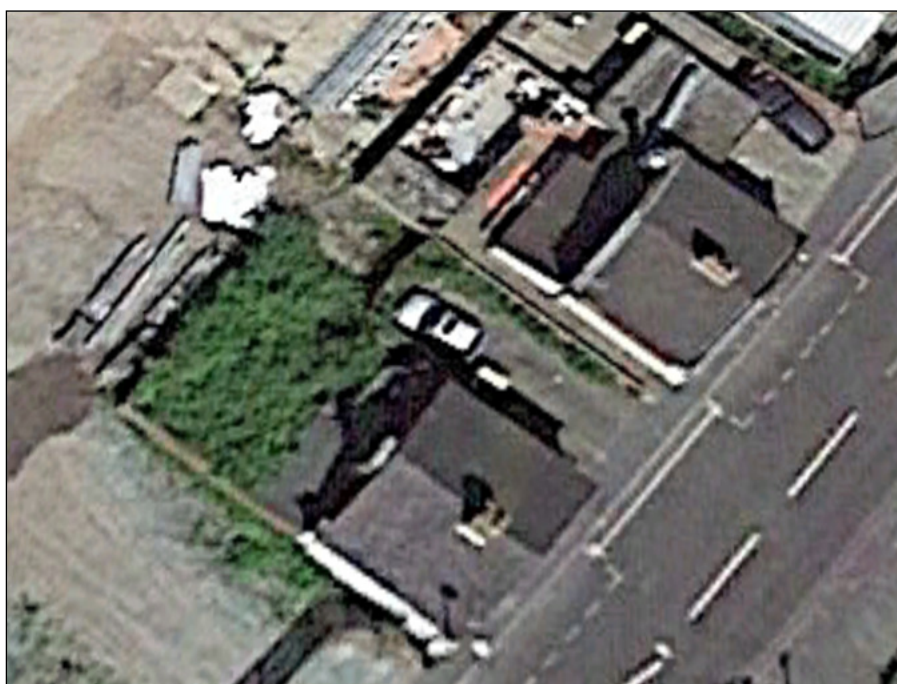
In reviewing the scheme we have focused on sites 2 and 3 being those most impacted by the retention of the takeaways. We advise later that the effects will not be limited to these sites only with wider and potentially more significant ramifications.

Our assessment is based on two scenarios:

1. The status quo option assumes the takeaways continue to operate and there is no significant change to their condition
2. This acquisition option assumes the takeaways are acquired and converted to residential use.

Status Quo Option.

These two detached buildings comprise takeaway restaurants believed to benefit from residential accommodation above.



Google Aerial view of Takeaways overgrown and rubbish strewn including rear yards



Google Street View showing extracts to the rear.

We have not inspected the properties but believe they are in poor condition. Over time they have been converted and refurbished unsympathetically to their setting. The yards to the rear are generally untidy/unkept being overgrown and/or containing rubbish.

Retaining the status quo of these as takeaways will impact on the scheme in the following ways.

- a. The yard areas impact directly on at least two of the new houses reducing the quantum of development accordingly.



Takeaway units with yard area edged dashed red

- b. The unsightly nature of the properties will impact the closest new units and those generally within sites 2 and 3.
- c. Similarly, the noise, smells, fumes, etc will impact the same units.
- d. As the scheme is likely to be sold as one opportunity the impact on these sites will also affect the remainder.
- e. Their retention might be seen as so deleterious that developers will be put off from bidding thereby jeopardising the delivery of this residential led new build scheme.
- f. Additionally, the letting of the historic buildings will be adversely impacted affecting their sustainability and long term future.
- g. Irrespective of the impact on the residential new build there will be a negative impact on these internationally important historic buildings benefitting from substantial public investment.

Having regard to the above we have reduced the quantum of development in site 2 and 3 by one unit each plus the opportunity to convert the two takeaways.

We have reduced the anticipated sales values in site 2 and 3 by approximately 9% to reflect the issues identified in a) to c) above.

Acquisition Option

Under this scenario we have applied the full values deemed appropriate for the scheme in this location.

The benefits to the acquisition of the takeaways are effectively the opposite to the impacts outlined above.

We have included budget estimates to acquire and convert the takeaways to alternative uses.

We have retained the units otherwise directly affected by the takeaways.



We have applied a discount in the sales values to the converted units due to:

- i) their proximity to the road,
- ii) the new thoroughfare between them and,
- iii) in the case of one, because it is too large in the circumstances.

Appraisal Outputs

We have undertaken appraisals covering both sites 2 and 3 on the basis of development with and without the takeaways.

The resulting residual values are rounded to:

Status Quo development	(£115,000)
Takeaways acquired	£280,000

This assessment indicates there is a positive financial benefit in acquiring the takeaways in the sum of almost £400,000 even having regard to the cost of acquisition.

In addition to this financial benefit to sites 2 and 3 there are similar benefits to the other sites and the indirect benefits referred to d) to g) above. These matters are fundamental to the overall project and cannot readily be 'valued' in the traditional sense.

Conclusions

Having regard to the above we are of the opinion the acquisition of the takeaway properties is essential to the viability of the project. More fundamentally, they are critical to the deliverability of the new build scheme and the overall success of the Flax Mill project.

John Rockminster,
Director, Lambert Smith Hampton
4th September 2020