



EXTRACT OF REPORT & VALUATION

IN RELATION TO

**KNOWLE
SIDMOUTH
DEVON
EX10 8HL**

on behalf of

**East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL**

**Date: September 2012
File No: TL761a**



CONTENTS

Page No.

1.0	INSTRUCTIONS
2.0	LOCATION
3.0	DESCRIPTION
4.0	AREAS
5.0	TITLE
6.0	PLANNING
7.0	ENVIRONMENTAL REPORTS
8.0	MARKET ASSESSMENT
9.0	VALUATION METHODOLOGY
10.0	BASIS OF VALUATION
11.0	VALUATION ASSUMPTIONS
12.0	REPRODUCTION AND USE
13.0	VALUATION

APPENDICES

VIII	SITE PLAN OF RELEVANT AREA
IX	DAVIS LANGDON INDICATIVE COST MODEL

KNOWLE, SIDMOUTH

On behalf of East Devon District Council

8.0 MARKET ASSESSMENT

8.1 Introduction

This section considers the supply and demand for a range of uses for the building including the potential to reoccupy part of the existing premises for office uses.

It is commented in relation to the various market sectors as follows;

8.2 Residential Market

Narrative of original report not included as not relevant to employment use of the existing premises.

8.3 Office Market

Sidmouth is not currently an established office location with the subject scheme providing the main office provision within the town. Other offices within the town comprise of small professional offices such as estate agents, accountants and solicitors.

The nearest established office market is in Exeter where rentals within the City centre and at out of town business parks around junctions 29 and 30 of the M5 Motorway stand at around £15-£17 per sq.ft.. Any demand for offices in Sidmouth is for suites within the town centre between say 500-1,500 sq.ft.. It is considered that rentals would be in the order of £6-£8 per sq.ft. for offices of this nature, however there is little evidence to support this level of rental.

Any demand for larger offices would likely to be for public sector purposes which may include health or welfare uses as well as public administration which would seek to benefit from lower value accommodation with good levels of car parking. However, changes in Government policy and funding cutbacks have reduced public sector occupational requirements across the County and little or no demand from this sector.

KNOWLE, SIDMOUTH

On behalf of East Devon District Council

Whilst the site is within existing office use, given the scale and location of the subject site it is considered that there would be very limited demand for new office development in this location from either developers or occupiers.

It is noted that the potential to refurbish the former Knowle Hotel building for retention within the existing office use is considered within Section 8.6 below.

8.4 Hotel Development

As previously noted, the site was originally the Knowle Hotel which closed in 1968.

Sidmouth is very well provided for, with existing hotels including Riveriera, Westcliff and Sidmouth Harbour Hotels which are generally situated closer to the seafront. It is not considered that it would be viable to re-convert the former Knowle Hotel back to hotel uses without undertaking major works as the layout and room sizes are not considered to meet current operator standards.

It is considered that there would be little demand from hotel operators for a hotel in this location which is around 0.5 miles from the seafront and town centre with visitors generally preferring more central locations. It is considered that residential uses in particular would provide higher site values.

8.5 Nursing Home/Care Home/Retirement Accommodation

Narrative of original report not included as not relevant to employment use of the existing premises.

8.6 Demand for Offices Within Knowle House Hotel Buildings

As previously noted, the valuation is specifically to consider the valuation of the retention of Knowle House for office uses. This will be based on the assumption that the adjoining office extension is demolished and adequate external car parking is provided around the building to meet the requirements of office occupiers for the building. On the basis that the building provides a net internal area of 49,480 sq.ft. then it is likely that 120-150 car park spaces

KNOWLE, SIDMOUTH

On behalf of East Devon District Council

would require to be provided which would require the site of the office extension and total site area of around 2.3 acres.

A site plan of the area required for the option of the retention of the former Knowle Hotel is attached at Appendix VIII.

The property is currently laid out as individual cellular offices either side of a central corridor which may suit the requirements of a small business centre however would note the following;

- There are over 100 separate offices within the property with the majority in the range of 200-350 sq.ft..
- The property provides a basic specification with plastered ceilings, strip lighting and woodchip wall coverings.
- Existing toilet provision and lift access is not suitable for the multiple occupation of the building and would require upgrading for any use of the building in multiple occupation.
- In the event that the property were converted for such uses – it is possible that some demand would be created either from occupiers in Sidmouth or from small businesses which may be run from home – however the total quantum is unlikely to exceed say 10-20 out of the 100 existing rooms. On this basis the operation of the property would be unviable when costs were taken account of including empty property rates, heating, lighting and securing of the whole.

An alternative approach would be the shipping out of the demountable partitioning to create open plan offices within the shell of the building which could be subdivided into a maximum of four wings per floor.

Such an approach may provide for the creation of good quality office accommodation, with additional toilet and lift provision, in new dedicated service cores with open plan offices in suites of say 3,500 sq.ft. upwards, with new suspended ceilings and CAT 5 lighting to meet occupiers requirements, with a good level of external car parking.

KNOWLE, SIDMOUTH

On behalf of East Devon District Council

Davis Langdon have provided an indicative cost model for the refurbishment of both existing buildings showing a cost of £156 per sq.ft. on the gross internal area.

If allowance is made on the basis that the costs of works to Knowle House will be higher than that of more modern purpose built offices and allowance will require to be made for the demolition of the extension and the making good of openings, then it is considered reasonable to provide a cost estimate of £10.5-£11.0 million.

A copy of Davis Langdon's Indicative Cost Model for Building Refurbishment is attached at Appendix IX.

As previously noted, there are no identified enquiries for offices of this size within Sidmouth and therefore it is difficult to make an assessment as to rental levels however would suggest a rental of £6 per sq.ft. may be appropriate although it is difficult to anticipate high levels of occupation even at this rental level. If a very optimistic assumption was made that the property was 50% let and therefore producing a rental income of £150,000 per annum then this may be capitalised at say £1.8-£2.0 million compared with refurbishment costs of £10.5-£11.0 million as noted above and therefore the scheme would be highly unviable.



.....

Date: ...21st December 2012.....

Chris Thomas BSc (Hons) MRICS
Thomas Lister Limited
11 The Courtyard
Buntsford Gate
Bromsgrove
B60 3DJ

KNOWLE, SIDMOUTH

On behalf of East Devon District Council