

DEVELOPMENT AND OPTIONS REPORT

On behalf of: North Northamptonshire Council

In respect of: Knuston Hall, Irchester, Northamptonshire, NN29 7EU



4th August 2022
Ref: 801.158451



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1.0 Executive Summary

- The Planning and Heritage Appraisals conclude that there is minimal opportunity for conversion of Knuston Hall.
- Possible opportunities are identified as being capable within a small part of the site, to the north of Hall and based on the existing footprint.
- The former use as an educational facility is no longer viable both due to a change in sector, following the Covid pandemic and an ongoing trend across the property industry for buildings that offer a sustainable and efficient environment.
- We understand the Council have previously assessed the cost to upgrade the buildings to improve the environment, resulting it being economically unviable. We would also believe there is very limited market demand, even in an approved state of repair.
- Whilst the planning report identifies that a logical change of use from the former educational use, would be offices, this report demonstrates that demand for office accommodation is much reduced and is limited to modern office buildings.
- The logical conversion opportunities relate to residential uses, including Care. However, the report identifies that the opportunity is not viable without larger scale development potential within the existing footprint of the outbuildings. Coupled with the lack of conversion options available to the Main Hall, this severely impacts the future sale of the site.
- Both investor and occupier markets across all property sectors are seeking buildings that can withstand sustainability and environment pressures. Restricting the market to new build opportunities or redevelopment.
- We have researched alternative residential markets, both affordable and Houses in Multiple Occupation. However, the principles of restrictions on the conversion are again applicable.
- We feel the opportunity lies in targeting the wider corporate occupier market. There are examples across the UK where intuitions have acquired large period estates for the purposes of adapting to conference facilities. These institutions tend to have longer objectives and can facilitate the Heritage and Planning needs by way of negotiations and investment.

2.0 Report Brief

The purpose of this section is to provide the Council with an understanding as to the possible development option, either carried out by the Council or by way of a sale to a developer / occupier. This report does not constitute a valuation and is merely for the purposes to advise the client as to where best to focus their next stage activity.

This report should be read in conjunction with the Planning and Heritage Appraisals.

We highlight the areas we have considered below.

a). Location & Review of activity

In understanding the location of the subject property, we can determine options for possible change of use. Coupled with market trends, we can advise the client as to how the location and setting may provide increased value opportunities. This is also assessed in conjunction with the Planning Appraisal, coupled with this report.

- Building & Site Review

Similar to the location review, the building and site review assesses the construction and layout of the site. This is assessed in conjunction with the Heritage report.

- Market Commentary

To help and advise the client, we look at those markets which are both active and those that complement the recommendations of the Planning Appraisal and Heritage Report. We have subsequently advised the client that given the conclusions of these other reports, we have since reduced this scope as there are commercial sub-sectors that will not be viable for the subject property.

- Market Review

In this section, we consider the existing use of the property and place in the context of market demand and trends. We also assess this in terms of the construction and possible conversion limitations.

- Development Analysis

We had originally suggested that this section will review 3 possible scenarios, however the planning and heritage reports highlight very restrictive statutory limitations, excluding any feasibility and viability arguments. Therefore, we have made some very high-level assumptions to demonstrate our conclusions and recommendations.

- Recommendations

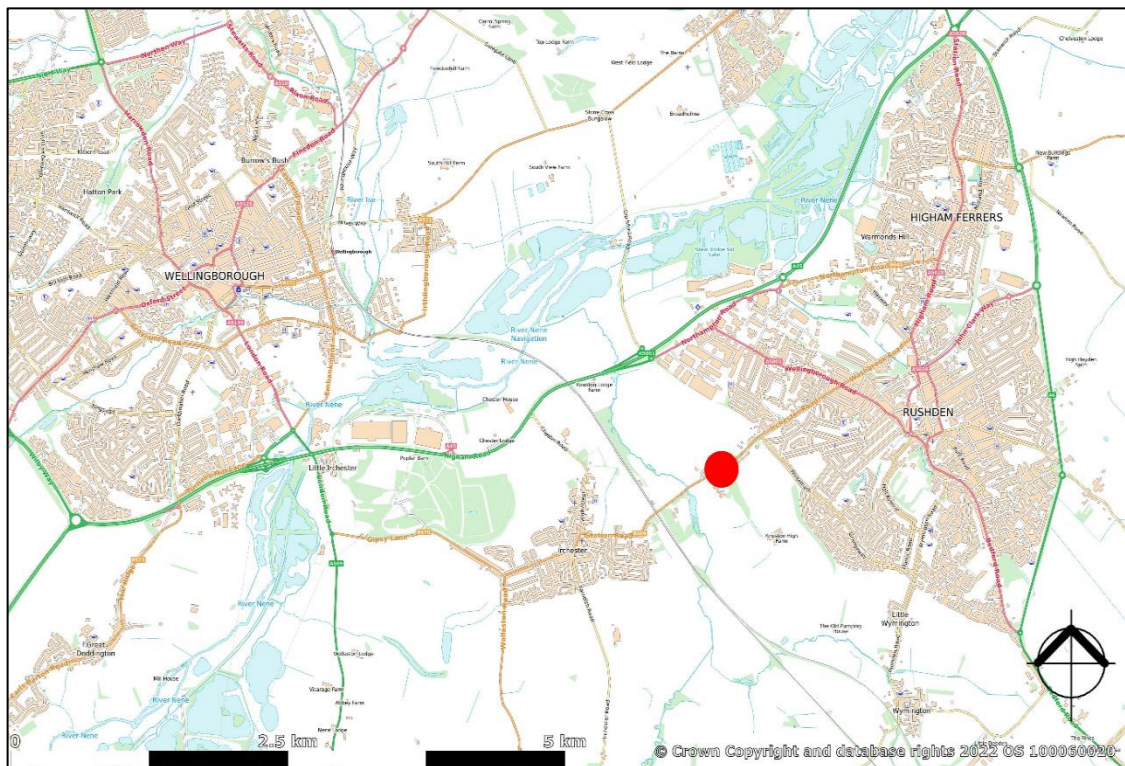
In conjunction with both the Planning Appraisal and Heritage Report, we have provided our conclusions as to the options available to the owners.

3.0 Location & Site Review

3.1 Overview

Knuston Hall is situated in the area of Knuston, located approximately 1 mile east of Irchester in Northamptonshire. The town of Rushden is located immediately to the east of Knuston, providing good connection to the A45, A509 to the west and A6 to the east. The excellent communications provide connectivity with the major motorway network, characterising the locality as a strong distribution and manufacturing location.

Figure 1 Location Plan



To the west, approximately 6 miles lies the town of Wellingborough and further to the west, approximately 15 miles, Northampton. Surrounding both these towns is popular and attractive rural villages, offering good communications into the mainline railway stations of Wellingborough and Northampton, both of which are busy commuter hubs into London.

The local environment is very much depicted by its communications with the major road network, making it popular for business and industry users.

3.2 Location Review

Located between south Wellingborough and Rushden, the local commercial property has been strong and influenced by the demand for industrial / warehouse accommodation. The previous section highlights the excellent communications with the major road network, resulting a range of new build schemes that have been developed along these corridors.

At the same time as the growth in new development in the area, the regional Northamptonshire towns of Kettering in the north, Wellingborough immediately east and Northampton further west, have deteriorated substantially with most of the national retailers moving away from the area. The town centres have been strongly affected by several combining factors. The lack of investment into the town, coupled with macro-economic factors, resulting in most of the major retailers leaving the town and relocating to new out-of-town retail and leisure parks, such as Rushden Lakes. This in turn has had a negative effect on those migrating to and from the town centres.

In addition, the towns of North Northamptonshire District have also, much like the rest of the UK, experienced a downturn in the office market. Whilst the office market was fairly inactive prior to the Covid pandemic, this period resulted in many office users continuing to work from home or reduce their office accommodation requirement. A contributing factor to the regional downturn in the office market is due to the local demographics and the lack of the right skilled labour supply in a tight employment market.

3.3 Site Description

Knuston Hall comprises a mixture of period and more modern 'rural conversion' style buildings, providing an attractive estate, set within substantial landscaped grounds. The estate also benefits from additional rural grazing land, which we understand is leased to a local farmer for the grazing of livestock.

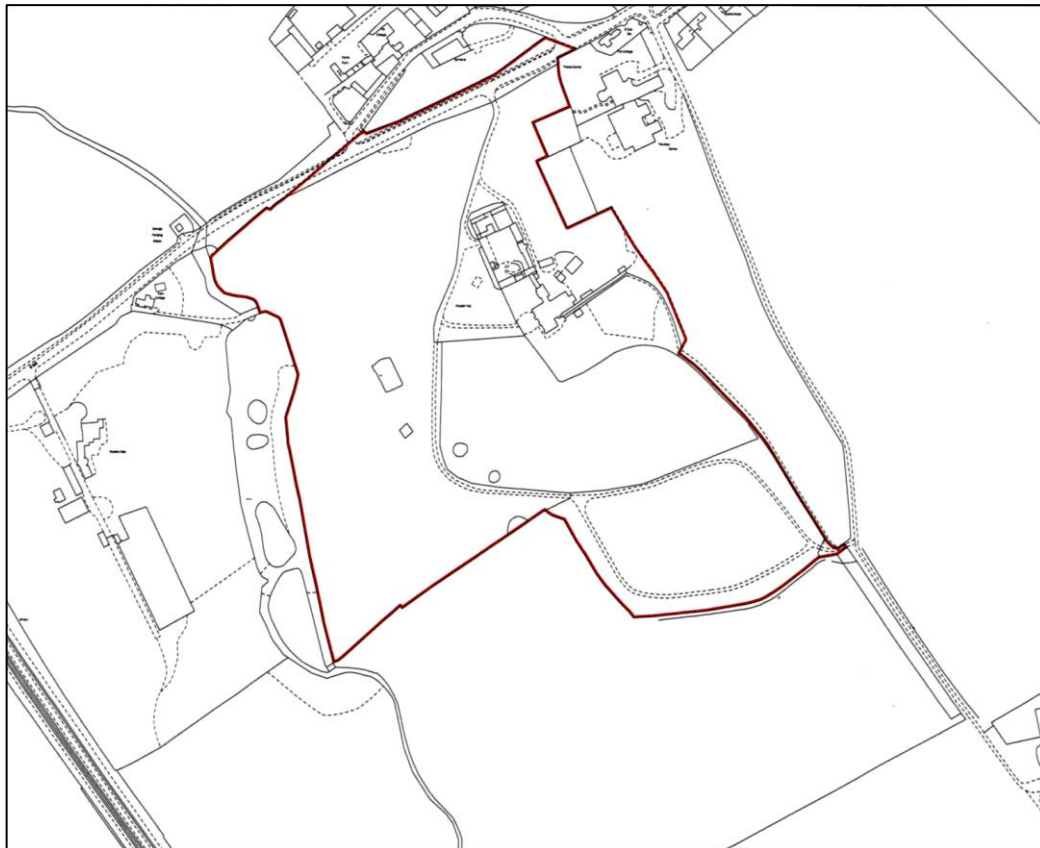
The site comprises approximately 1.63 acres (0.68ha), shown below in a copy extract of the Land Registry Title Plan. However, the area to the north of the Main Halls, plus the immediate land surrounding comprises approximately 0.75 acres (0.3Ha). It is this area that we seek to assess from the point of 'development value', albeit given its proximity to the Main Hall, any development would have to be carried out in conjunction with a sale of the Main Hall, therefore placing a significant restriction, unless a sympathetic use could be achieved within the Main Hall.

Surrounding the Estate, the area is predominately arable fields and grazing land. Situated on the opposite side of the highway is Knuston Home Farm, with some of the outbuildings used for

commercial use. The remaining area is predominately residential with some older ribbon style residential development along the main road leading into Rushden.

The site is limited in its access to services, albeit we would expect that there are local bus services. Assessing future opportunity for the site, needs to consider access to all services, especially when looking at residential uses.

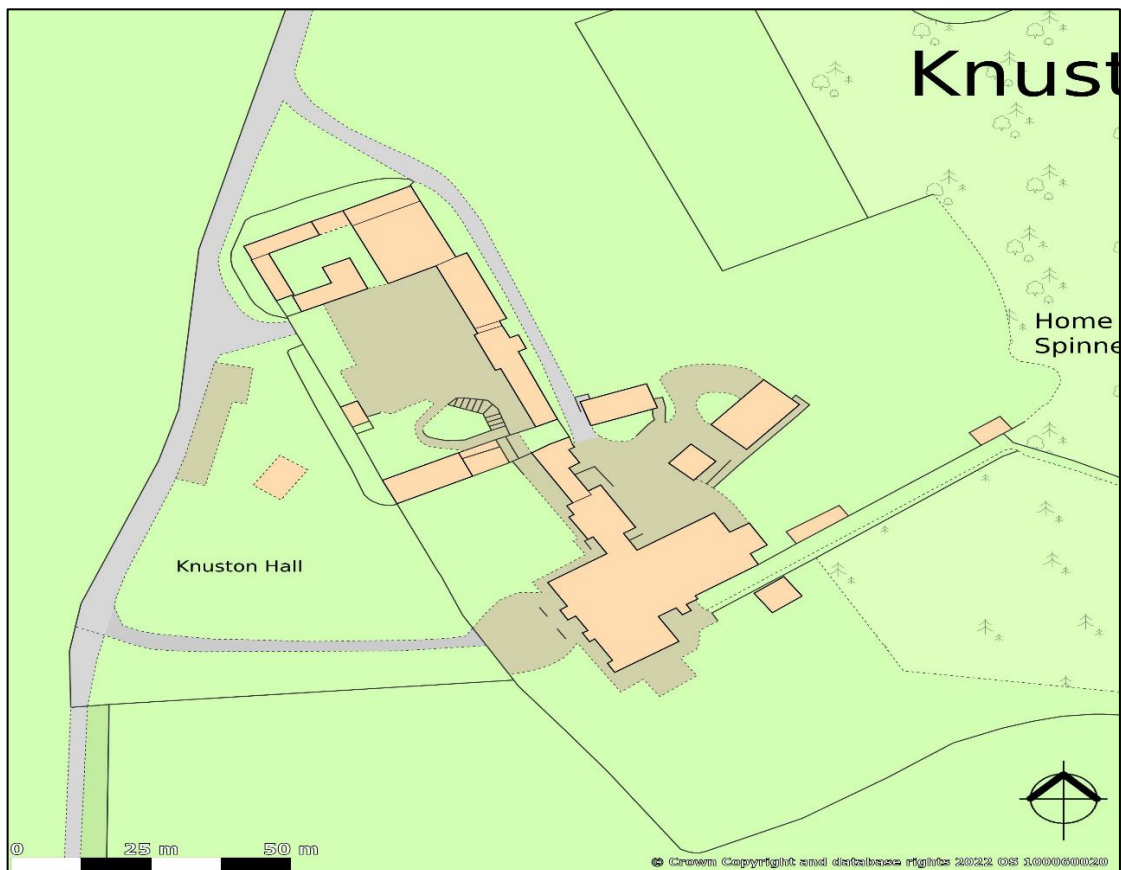
Figure 2 Site Plan



The buildings are described in detail within both the Planning and Heritage reports, accompanying this report. Therefore, we have not provided repetitive information as it is understood the client is aware of the building's construction and respective restrictions in terms of their heritage and planning use.

Below is an additional site layout plan as this identifies the Main Hall plus the outbuildings and how the site is arranged. This provides for a contained area to be the area in which possible development could potentially occur and therefore reducing any impact on the wider site area.

Figure 3 Plan showing the Main Hall and additional outbuildings etc.



2.4 Main Building & Annexes

We refer the reader of this report to the Heritage Appraisal provided in conjunction with this section and the Planning section. The conclusions of these respective reports are that the buildings to the north of the site and benefitting from a separate access provide little significance to the heritage of the Main Hall. We identify the planning and development issues later within this report, the purpose of this section is to assess the construction and refurbishment opportunity presented by the Main Hall, restricted within the key Heritage and Planning conclusions.

We have not carried out a measured survey of the buildings, however, we understand that the property provides 2,362sq.m (25,425sq.ft) gross internal area.

Knuston Hall provides

- 10 meeting rooms.
- 35 en-suite bedrooms.
- Dining room providing approximately 60 covers.
- Bar area.
- Reception / foyer area.

- Circa 10 acres of landscaped gardens.

Figure 3 The Main Hall set in landscaped and mature gardens.



Figure 4 The internal fit-out / construction is detailed and of architectural significance.



Figure 5 Outbuildings offer some potential opportunity for conversion.



2.5 Property Specific Issues

Working Practices

Knuston Hall has been acquired by the former Northamptonshire County Council in 1949 and given its Listing and heritage characteristic has received minimal investment. The whole property was used as a Residential College for Adult Education, up to recently when it was closed due to substantial investment required to meet both modern requirements in its capacity as a hotel, plus Statutory requirements, placing a legal requirement to meet those regulations provided by the Disability Discrimination Act and others.

The use of the property was that of an Adult Education College, typically courses run over weekends or extended weekend periods. The Covid pandemic, March 2020, brought about a significant change to both working and education practices. The global economy was heavily impacted by the pandemic, with most countries dictating that the working population should work from home, and the student population to remain either in student accommodation or their family homes. The latter sector was impacted in a greater capacity as those university students who have just joined university in the previous autumn, missed out university life. The pandemic changed human behaviour and coupled with the large cost to attending university, potential students have reviewed their options.

The result in both working environments was that the working population and students realised that they could carry out their work / studying by way of IT platforms and online learning. This change, created by the Covid pandemic, has become not just a temporary change to working practices but now a realisation that working remotely is a way of working.

We have considered the options of the subject property being acquired for a Private School facility. Whilst the site is attractive for this type of use, much like all other boarding schools, students and their parents are seeking modern living accommodation. The limited ability to provide such accommodation will provide limited demand.

Hotel Living

The Covid pandemic has also impacted the hotel industry. During the pandemic, most of hotels had to close their doors, either due to the inability to guarantee protection of their customers or simply because their customers lost faith in leaving their homes.

Prior to the pandemic, the hotel property industry had gone through major changes, with the growth of budget hotels and the demand from operators for new build opportunities. This demand was driven by the downturn in demand from consumers for hotels that were operating from older, period town centre buildings and, to the hotel operators, are subject to significantly higher operating costs.

The change in behaviour that we have experienced across the property sectors, has resulted in operators of hotel accommodation seeking modern facilities, against a challenging market to attract customers back after the pandemic.

Change of Use

The respective Heritage and Planning reports identify potential opportunity, subject to early discussions with respective professional representatives of the Council, to refurbish the Main Hall. Evidently from a heritage position, any refurbishment or alternation to the Main Hall will be restricted by its Listing and Architectural importance. Therefore, whilst from a planning perspective there is reference that the Main Hall could possibly compliment either some sort of small-scale residential development or Care use, we do not envisage from a development feasibility or viability prospective that this can be achieved.

It is noted within the Heritage section, that the outbuildings are also listed and therefore provide restrictive opportunity. However, these buildings could possibly provide the catalyst to

refurbishment and redevelopment, along with small scale new build within the demise. The reports refer to any development not encapsulating closed or fenced private areas, thus providing direction in terms of possible uses within the headline uses of Residential and Care.

2.6 Demographics

The property lies within the former District of Wellingborough, now part of the Unitary Authority North Northamptonshire. The population has increased from 316,851 (2011 census) to 359,500 (2021 census), reflecting a 13.5% increase in population within North Northamptonshire. The national average for the 2021 census was in the region of 6%.

The increase in population is likely to be due to the increased employment opportunities in the region and the strength of certain sectors, such as logistics and warehousing. This is supported by the level of the population aged between 15-64 years, representing 63.5% of North Northamptonshire population. The UK average being slightly lower at 63.1%, including cities such as London, Manchester, and Birmingham.

Furthermore, North Northamptonshire has experienced an increase in population per sq.km , with an increase of 13.4%, 364 residents / sq.km in comparison to the last census in 2011. We would not expect much of this growth to be in rural locations, therefore it is likely that the increased population density is focused on those towns that make up the region suburbs, such as the larger new build schemes around Corby, Wellingborough, and Kettering.

Demographics will play a large part in an organisations decision-making process to locate to an area. The structure of North Northamptonshire's current demographics reflects that the working

population tend to be unskilled or semi-skilled labour. Whilst attractive to the increasing industrial / warehouse sector, most other sectors will seek higher skilled labour.

The labour supply will have a bearing on the future use of Knuston Hall, small scale residential use supporting the growth of the area, whereas retaining the existing use as an educational facility or the change of use to some form of Care use, will prove difficult if it is deemed the area does not benefit from the required labour supply.

3.0 Market Commentary

3.1 National Residential Property Market

The UK residential property market has remained strong despite several economic and political factors that would be expected to effect demand. However, demand has remained constant with transactions reaching 1.55million in the year to September 2021. Demand pressures has resulted in increased prices, with prices rising by 12.3% in the last 18 months.

More recently, the economic situation and the expiry of central government financial assistance, is likely to diminish demand and evidence shows that house price growth has reduced to 1.7% from 3.9% at the end of 2021. In addition, the recent Bank of England Base Rate rises have slowed the market further.

The RICS UK Residential Survey results point to a continued moderate rise in housing market activity. However, cautions should be raised as to the current economic climate with the potential impact of macro factors in the market. The market saw an increase in new buyers at the end of the first quarter of 2022, alongside this the market experienced a rise in the supply of stock for the first time since March 2021. The result being that the gap between demand, historically higher than supply, was narrowed and creating greater activity. The trend of prices increasing is expected over the next 12 months, albeit at a slower rate of around 4% per annum, at the national level.

The lettings market, tenant demand continues to rise at a robust pace, rental growth expectations remain elevated over the next three months. Over the year ahead, rents are expected to rise by approximately 4% while five-year projections sit at around 5% per year through to 2027.

Market surveys show results are consistent with a slight drop-off in demand over the last few months, alongside a generally flat trend being reported for agreed sales and instructions. Sentiment around the twelve-month outlook for sales has now weakened in the face of a more challenging macro environment. Despite that, prices are still expected to continue to rise, even if the pace of growth is seen moderating.

Given the still constrained supply backdrop, house prices continue to be squeezed higher. The result being all parts of the UK continue to see house prices moving upwards.

In the lettings market, tenant demand continues to rise firmly, and rental growth is expected to continue, albeit at a slower rate than previous levels. Rental growth is expected to outpace that of

house prices, with the gap widening in recent months. Rents are now anticipated to rise by a little over 5% per annum at the headline level through to 2027.

Interest rate pressures are likely to force increases to supply of second-hand housing stock and provide greater pressure to letting demand. This could result in an increase of landlords returning to the market.

3.2 Alternative Property Market

We identify Alternative Property Markets as these markets relate to the Opportunities & Risks section with the Heritage report and Advice section of the Planning Appraisal. Whilst the Alternative Property Market incorporates a range of uses that are not appropriate, it does include Care Homes and Alternative Residential Markets; Housing in Multiple Occupation, Build-to-Rent, and in terms of the investment market, Affordable Housing.

Over the last few years and as a consequence of fiscal and monetary policy, the residential lettings market has seen a decrease in traditional landlords. The upturn in new supply models, such as 'Airbnb'. Traditional letting no longer provides the monetary returns that investors seek and combined with the intensive management required to ensure tenants do not fall into arrears and maintenance of the property, the sector has experienced many of the former landlord market to sell and diversify into more attractive commercial property markets.

There is significant growth from institutional investors seeking to meet their social governance targets, now investing into build-to-rent schemes. This market is typically investors financing and funding new build development on a scale that is not attractive to the larger national housebuilders, 25–100 units. Demand for sites is strong and land prices tend to be higher than traditional house development, as the investors appraise site values on 25–40-year income streams.

As stated, the lettings market has been impacted by a decrease in traditional landlords. In addition to this, the demand market has changed. Students are now only focused on bespoke student new build units, reducing the level of demand for second-hand stock in and around towns. This occupier demand along with a change in demand from young professionals and

younger couples, is being replaced by landlords of House in Multiple Occupation (HMO). Whilst the concept is similar to the traditional student-let, the tenant market has widened to a large variety of potential tenants. Older large town houses have been acquired in a variety of Northamptonshire towns for the sole purpose of letting as an HMO. The HMO market is regulated, although the attractiveness of the potential returns has encouraged new and inexperienced landlords to enter the market and standard of accommodation to vary considerably. In certain locations, such as Hampton in Peterborough, new build units have been developed on greenfield land specifically for the purpose of HMO. These investments have been attractive to Local Authorities, and both support their requirement for income streams and their social responsibility to provide affordable housing.

Many new build development schemes have obligations on the private developers to provide Affordable Housing. Often this obligation is not met in full due to the costs of overall development. Institutional investors have increased their exposure to this market with the realisation that they can again meet their Social Governance within their ESG statements. The market is structured in a non-direct way, whereby the investors are funding Housing Associations, expected to increase from £87bn to £130bn by 2026. This new source of funding is expanding the demand for affordable housing sites, now not just linked to new build obligations but also acquisition of stand-alone affordable housing sites.

Finally, the Care sector makes up a large proportion of the Alternative Property Market. The sector itself has a wide range of sub-sectors, including Retirement living, Supported Care, Care Homes and Acute Care. There are also a variety of other sectors including Child Care facilities.

Over the last 10 – 12 years, the trend has been for Care to be provided by the private sector and to be provided within modern purpose-built facilities. The best and most modern facilities commanding very high weekly prices. Therefore, attracted by the returns, the property investor market for the sector has been extremely buoyant and attracting significant overseas investment.

Local Authorities have typically provided Care services, and this is diminishing, albeit much of the acute care is still provided by local authorities, due to central government funding structure.

3.3 The Local Market

In assessing the subject opportunity, we have considered the local supply of new homes and whether there is opportunity to provide the market with a product that is uncatered for in the local market. In our research it is evident that the market is fairly well supplied with traditional new home development with several opportunities in the Wellingborough and Rushden market.

The majority of this stock ranges from 3 – 5 bed semi-detached and detached houses, with a lower level of supply of smaller 2 bed units. All the stock is being delivered by the larger national housebuilders and predominately on 'greenfield' sites in and around the neighbouring towns. This trend is typical of the new build market and is likely to be able to offer access to local services and neighbourhood retailing, a condition of most new build developments.

Unit pricing ranges from £230,000 for a 2-bed semi-detached house comprising 724sq.ft (67.26sq.m) to 4-bed detached units, providing 1,356sq.ft (126sq.m), priced at £420,000. This reflects pricing between £309psf - £317psf (£3,334 - £3,412psm).

We would also expect that supply of new houses is increased with some smaller high-quality developments in the rural villages neighbouring the towns of Wellingborough and Rushden, likely to be larger units, targeting those seeking to downsize or commuters from Wellingborough and Northampton.

The local Care market is generally depicted by older buildings, operated by the Local Authority. Whilst there has been some new build proposals along the A6 corridor, to the north of the property and linking Bedford to the A14, research indicates the greater obstacle for developer / operators of Care facilities is the lack of skilled labour in the region. Competing locations such as Bedford and Northampton pulling on the labour supply in the vicinity.

We are aware that landowners of Rushden Lakes have previously considered a large-scale Care Village as part of their feasibility process for the second phase of the development. We feel, if this was to go ahead, that future demand in the area would be limited.

4.0 Market Review

Sustainable Use

Statutory regulation, corporate responsibility and economic circumstance are placing pressure on both investors and occupiers of property. The market has experienced since the end of the economic recession in 2015, a change in attitude from both parties.

The commercial property market has been influenced by sustainability, increased by the recent changes in fuel prices. Modern warehouse / industrial buildings are heavily designed and constructed around Environmental and Social Governance. Statutory regulation via Energy Performance Certificates and the implementation of this, via the MEES regulations, now prevents landlords from letting any property that has an Energy Performance Certificate rating of 'F' or 'G'.

Energy Efficiency

Market demand from occupiers is targeting those properties that offer high energy efficiency, a combination of improving buildings by refurbishment and modernising mechanical and electrical installations.

Knuston Hall provides dated mechanical and electrical systems, in particular a central heating system. The cost to upgrade this system in order to meet modern requirements will impact the viability of any refurbishment.

Construction Costs

Following the Covid pandemic, the effect of the supply chain being placed on hold and the loss of many of its workers, the market has experienced a significant increase in global oil prices, impacting raw material costs across the sector. Combined with a shortage on labour supply, inflation currently runs at 9.4%, with expectations this will increase in the Autumn 2022.

The market effect of this inflation is that many development and refurbishment projects are being placed on hold, in particular those projects that are outside the sub-markets of industrial and warehousing, which has been able to balance the increased costs, by way of higher returns.

Other sectors that may be able to mitigate the increase capital costs, are those projects that do not financially target short term exit strategies but seek long term income stream, for example build-to-rent schemes or public sector affordable housing projects.

5.0 Development Analysis

We have identified within both the Heritage report and Planning Appraisal, the opportunity to possibly provide increased value to the site is by redeveloping some of the outbuildings and footprint of existing prefabricated buildings, plus possible new footprint on the surrounding demised land.

Within this report, we have identified that this area amounts to a gross site acreage of approximately 0.75 acres. However, this includes some of the existing outbuildings that could not be demolished but would require refurbishing / conversion to residential / care. The purpose is therefore to understand the sort of level of gross capital receipt that could be attained, albeit this does not reflect residual value or profit.

Based on the above we can calculate the approximate amount of new and refurbished accommodation, albeit we have not carried out any surveys. We have provided 3 examples where we have defined the various possible amounts of space on a per acre basis.

	Gross Site	Rate / Acre	Efficiency	Sale Area	Sale Rate	Gross Capital Receipt	Total
New Build	0.75	15000	35%	3937.5	£ 300	£ 1,181,250	
Conversion	0.75	15000	35%	3937.5	£ 300	£ 1,181,250	£ 2,362,500
New Build	0.75	16000	35%	4200	£ 300	£ 1,260,000	
Conversion	0.75	16000	35%	4200	£ 300	£ 1,260,000	£ 2,520,000
New Build	0.75	17000	35%	4462.5	£ 300	£ 1,338,750	
Conversion	0.75	17000	35%	4462.5	£ 300	£ 1,338,750	£ 2,677,500

The figures provided are approximate gross receipts and shown to demonstrate the very limited amount of capital receipt potentially available. These figures do not show the costs involved in achieving the capital receipts, such as planning costs and any costs incurred through construction work. It is therefore very likely that costs will outstrip potential capital receipt and therefore, we feel development / refurbishment opportunity is limited.

In addition, the unviability of the subject property would be applicable to the Care Sector, based on our understanding that the Main Hall could not be converted and even if physically achievable, would be outweighed by the significant costs.

6.0 Conclusions & Recommendations

The combination of the heritage, planning and this report demonstrates that Knuston Hall, as a building, is very limited in its ability to adapt and be converted into a property that can meet modern demand requirements. The second question raised is whether without conversion or refurbishment of the Main Hall, the property can be sold / used in conjunction with a change of use to outbuildings and redevelopment of some of the grounds.

In this regard, we feel that the options to improve value by way of refurbishment and redevelopment are limited in their scale. Costs of planning and construction will be excessive given the heritage and planning issues. Possible income streams or capital receipts will be outweighed by long term and excessive pre-development discussions, with no guarantee of delivery.

The sale of the property is likely to be the only option for Knuston Hall, as alternatives would trigger a range of works, upgrades etc that would make the property financially unviable. We have demonstrated that in our view the existing use, as an educational facility, is now unviable given the lack of operators seeking buildings, and those institutions that have requirements, these are typically for new and efficient buildings.

Therefore, we are of the opinion that both the opportunity and focus should be towards a sale of the property, targeting the wider national and international market for occupiers who seek an attractive environment to locate their conference / private facility.

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