

High Street Hopes!

Summary

2 commercial properties in a town in Peak District.

Planning for 1 shop, 1 offices and 11 apartments. 3 apartments Affordable. Contribution towards another Affordable House. Specific materials required. No serviced accommodation.

	Outlay £	Return £
Site Purchase	750,000	
Construction costs 840m2 @ £2,500/m2	2,100,000	
Contingency 10%	210,000	
Landscaping	+	
Tax + Legals	+	
Contribution to Affordable House	+	
Demolition	+	
Commercial sale		280,000
Sale of apartments 707m2 @£2,600/m2 less affordable housing 25% of 3		1,720,000
Total	3,060,000 + legals + demolition + landscaping + affordable house	2,000,000

While driving through a nearby town, I spotted a long-closed commercial property for sale on the high street of a popular town in The Peak District. The site looks unloved and it would be great to get it back to its former glory.

The site consists of 2 structures and space for parking. The structure facing the high street is an old building with a decorative façade. The second building is a relatively modern workshop and is not in keeping with the town. There is space for parking about 10 cars.

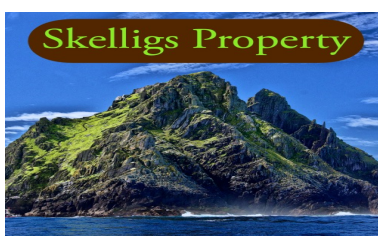
My thoughts:

- Can this be converted into flats and how many?
- Can this be used as holiday accommodation?
- Can this be purchased, planning consent gained, and be sold on with increased value without developing?

I started my research on RightMove. It was difficult to find as the high street structure was not advertised. The workshop was advertised with mention that the other building was for sale. The details were minimal, so I looked on the Estate Agent website. I found out here that there was planning already consented.

Unusual. Why was this not mentioned on RightMove?

Next move was a look on the planning portal of the District Council. The planning was first submitted in 2013, and renewed in 2022.



Strange. Maybe something happened 10 years ago and they could not develop the site. But why did they re-apply in 2022? And why did they wait to sell until planning is about to expire in 10 months? This needs further investigation.

Planning was for a retail unit, offices and 7 apartments in the older street front building and 4 apartments on the site of the workshop. The original application in 2013 took 10 months from time of first application to permission granted. The council placed a lot of conditions on the planning. The workshop could be demolished, but the replacement could be no larger than the footprint of the original. The original façade must be preserved. Windows must be angled and obscured to prevent overlooking. Samples of all building material must be approved prior to commencement of construction. And, finally, 3 apartments must be Affordable and a contribution made towards construction of an affordable house off site. The apartments could not be used as serviced accommodation (holiday lets).

Lots of terms and conditions increasing costs and decreasing potential profits. The apartments must remain residential. But all is not lost. How much profit could be made?

Firstly, how much would the apartments sell for? I looked at comparables in the area sold in the past 2 years. Sale prices per m2 were between £2,200 and £3,300, with a median and mean of £2,600. It is reasonable to take this figure as the fact that the apartments are new will increase their value, but the moratorium on serviced accommodation will reduce the value. Total area of the apartments is 707m2, so that's a sale price of £1,840,000.

Commercial properties sell for approx. £1,500/m2 so the offices and retail with a total of 190m2 would retail for £280,000.

The sites are up for sale for a combined price of £750,000.

Building costs are £1,700 - £3,000/m2. I took a figure of £2,500 in view of the fact that the planning is very specific with regards to materials and these will be on the expensive side. $860\text{m}^2 \times £2,500/\text{m}^2 = £2,100,000$. If building costs could be reduced to £2,000/m2, this would save £430,000.

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| • Cost of site: £750,000 | • Sale of Apartments: £1,840,000 |
| • Building costs: £1,670,000 - £2,100,000 | • Less 25% of 3 for affordable housing: £120,000 |
| • Contingency 10%: £210,000 | • Sale of commercial: £280,000 |
| • Tax + Legals | |
| • Landscaping | |
| • Demolition | |

Outlay of £3,060,000 + tax & legals + landscaping + demolition + contribution to affordable housing.

Income of £2,000,000.

High Street Hopes..... Crushed!