

John L Brierley Limited
Turnbridge Mills
Quay Street
Huddersfield
HD1 6QT

Lockwood Farm
93 Linfit Lane
Kirkburton
Huddersfield
HD8 0UA

10 June 2024

metcalfecommercial.co.uk

Development Appraisal Summary

William Hirst Mill, Quay Street, Huddersfield, HD1 6QT

Please find set out below a summary of the development appraisals undertaken on your behalf over several years in connection with the conversion and redevelopment options for William Hirst Mill and the wider Turnbridge Mills complex, which is in JLB's ownership.

The brief has been to consider redevelopment options for the conversion of the buildings and redevelopment of the larger site, whilst retaining John L Brierley Mill for the continued occupation of JLB businesses. The JLB mill has all the infrastructure available to it, in terms of mains services to facilitate the continued operation of the textile business, which are not available to the William Hirst Mill. There continues to be a commitment to maintain the JLB mill through the occupation of the textile and SCM businesses.

In preparing the development appraisals I have worked in conjunction with TD Jagger building surveyors/architects and Robert Halstead planning consultants to prepare various options.

William Hirst Mill is a substantial multi-storey mill property, which is multi-let on a floor-by-floor basis. Given its age, the building requires regular maintenance. The rental income generated from the property is insufficient to meet with its repairing liabilities, and alternative uses needed to be considered to determine whether there was a financially viable scheme available to JLB to implement.

This process has been undertaken in five stages over several years. The stages are set out below, each having a development appraisal summary section attached as an appendix to this letter. The stages can be described, as follows:

Stage One

Whilst at Hanson Chartered Surveyors I was commissioned to undertake an exercise to prepare several development appraisals and in November 2017 a report was presented to JLB. This considered 7no. schemes for the conversion and redevelopment of the site for mixed use; leisure, retail, office, trade counter/light industrial, and residential alternative uses.

None were financially viable apart from Option 3a, which was an industrial trade park scheme.

However, this included the demolition of William Hirst Mill and the surrounding buildings, being Buildings B, C, D, E & G (see Existing Site plan attached). However, the resultant residual value for the site was below the market value of the property with existing use.

Stage Two

2no. schemes were considered to convert William Hirst Mill to offices, with a mixed-use light industrial scheme for the remainder of the site, with retention of existing buildings and partial light industrial new build.

Full conversion of the six-storey mill was found to be uneconomic due to high conversion costs.

A second scheme was considered to reduce the height of the mill to 3no. storeys, thus reducing construction costs. This was also uneconomic and produced a negative residual value.

Stage Three

Pre-app discussions were held with Heritage England during 2019.

The redevelopment scheme discussed was for the redevelopment of the site to an industrial trade park with the demolition of William Hirst Mill and surrounding mill buildings, which was essentially Option 3a from 2018, updated to retain a small section of William Hirst Mill. This was at the request of Heritage England. The small section of William Hirst Mill to be retained was to be used as ancillary offices to service the retained industrial property (Building A).

This produced a negative residual site value.

Stage Four

This stage was undertaken post Covid in two parts:

Stage 4a

Consideration was given to the cost of renovating the external elements of William Hirst Mill with the retention of the existing SME tenants. The external works would be undertaken whilst the tenants remained in occupation.

The building was resurveyed, and the maintenance cost plan updated. At that time, it was found the roof structure in William Hirst Mill had structural issues and these would need resolving at substantial cost. Other works included re-roofing, new rainwater goods, new windows and doors, and the making good and re-pointing of the stonework. The cost of the building works was in the region of £1,600,000.

The passing rent in the building is £55,000 per annum exclusive. It should be noted the development appraisal assumed that there was potential for the rents to be increased. At lease renewal and when fully let it is assumed there is potential for the rental income to be improved to in the region of £94,000 per annum exclusive following completion of the building works. However, there is no guarantee this rental level can be achieved from the existing tenants, or other third-party tenants.

The development appraisal did not include a developer's profit, this was assumed to be nil. This produced a negative residual valuation in the region of £1,300,000. The scheme was financially unviable and did not provide any improved internal accommodation in the building, to appeal to tenants of a better financial standing. An external restoration would be insufficient to bring the building up to a standard that would allow it to attract the type of occupiers that the Investment Zone is seeking to target.

The rental income from the building is insufficient to maintain the repairing liabilities, and the introduction of a service charge payable by the tenants would not be affordable due to the financial standing of the tenants.

As confirmed in the pre-application planning statement, Historic England have recently confirmed that no heritage grant funding is available for this type of project.

Without significant expenditure on the building to resolve structural roof issues the building will continue to deteriorate with age and will be a liability to JLB rather than an asset.

Multi-storey industrial buildings are obsolete for continued industrial and warehouse uses.

They no longer meet the needs of modern industrialists and will only attract those tenants that are seeking low rental-cost effective accommodation. The building has low floor to ceiling heights, goods lift access to upper floors, and poor access for loading/unloading externally.

Modern day industrialists require concrete ground floor accommodation with good loading facilities for HGV access, forklift truck capability, and eaves heights of a minimum 6m to 8/11m for warehouse and distribution uses. The subject building cannot offer these facilities.

Therefore, alternative uses needed to be considered.

Stage 4b

Development appraisals were revisited for the conversion of William Hirst Mill to a mixed retail and office scheme post Covid. This was considered to provide the highest rent income and market value from potential alternative uses.

The construction costs to convert the property to residential are much higher than those associated with offices. The market value/rents achievable in the town from residential use are not sufficient to meet conversion construction costs, rendering such schemes unviable.

Since 2021, there has been two significant changes, these being the continued increase in building cost inflation post Covid and further statutory requirements for conversion of buildings over 18 metres in height, for which William Hirst Mill would qualify, both of which have significantly increased build costs.

The scheme retained William Hirst Mill and demolished the surrounding mill buildings to create a forecourt to Quay Street to provide an open aspect to the mill and to provide car parking and outdoor ancillary space. The proposal was for the ground floor to provide 2no. self-contained retail/restaurant units with conversion of the upper floors to office accommodation, either on a floor-by-floor or two suites per floor basis.

To meet the new building regulations significant alterations to the building would be required to facilitate new fire regulations for high rise buildings. These additional construction costs made the scheme financially unviable.

As a commercial agent in the Huddersfield area, I would question the level of demand for an office building of circa 40,000 ft² with floor plates of up to 6,500 ft² adjacent the Huddersfield ring road.

I have been involved as the main agent in the letting of The Globe, Slaithwaite since 2008 onwards. A wing of the office accommodation was made available in late 2021 on a speculative basis and this has taken three years to let. Other larger occupiers in the scheme being Colne Valley Practice and Thornton & Ross, were deals achieved with a pre-let agreement. This remains the case where accommodation is available on agreement of a pre-let, and after five years of marketing only 40% of overall complex has been let. Speculatively bringing space forward would be at risk to the client.

Rental levels for new office accommodation are in the region of £12.50 to £15 per ft² per annum in the Huddersfield area. In comparison to the Leeds office market, new space is achieving £40 per ft² per annum and higher. Consequently, in the Huddersfield area the returns from rent/market value verses construction costs mean new development is financially unviable and there are no new schemes in the pipeline to my knowledge. The development site at Trinity West remains on the market for a mixed residential and office scheme with periodic interest, as I am informed by the agent.

Where clients are refurbishing older office stock, the payback on the capital investment has been around 10 years. Again, this has not been carried out on a speculative basis, but with pre-let agreements on lease lengths of 10 to 15 years without break clauses. Long leases without breaks are rare in current market conditions.

Putting aside the financial realities set out above, in my opinion, there is insufficient demand for office accommodation in the town to warrant the conversion of 40,000 ft² to high quality office accommodation. To embark on a such a scheme as a speculative development would not make sense, as it would take many years to become fully let. A developer/owner would not be able to subsidise the ongoing running costs in terms of building insurance, landlord's service charge voids and payment of empty business rates, whilst lettings were achieved over many years, having made a significant capital outlay at commencement of the project.

Indeed, much of the older office stock in the town remains empty with large voids. In some cases, this accommodation has been converted to student residential use, although this market is now at saturation point in my opinion, with new schemes being brought forward at the expense of poorer quality student accommodation on the periphery of the town centre and ring road falling empty.

At the subject property, local commercial agents, Bramleys, are the main letting agent for the site. Building F is a modern office building fronting Quay Street. The space here has been on the market for more than 12 months, it has been advertised and the agent has been unable to secure an office letting. The property has been let to another existing tenant on site for storage purposes.

I have good quality offices suites available on the periphery of the town centre and in period buildings around Edgerton, which have been on the market for one to two years with little or no interest.

Covid has had an impact on working practices with people working from home and businesses downsizing to reduce operational costs. This has created some demand in the market but is governed by occupiers' lease expiry dates. Recently, there has been a move from businesses to bring staff back into the office, and this has generated some interest for larger suites, but typically demand is for suite sizes of 500 to 2,500 ft² in the town. Larger office requirements for the town are rare.

Demand for offices in the town is generally poor. Even if financially viable, I could not justify advising my client to undertake a speculative office development to create 40,000 ft² of offices in current market conditions, as a whole or in stages.

Stage Five

Following the announcement of the site being within the newly created Investment Zone, I was aware Paxman required a new facility to allow their business to expand, and proposed we should consider constructing a new build on site to accommodate their requirements, this being a good synergy with the criteria of the Investment Zone to promote businesses linked with health and wellbeing.

We have prepared a new development scheme in conjunction with Paxman to construct a new bespoke manufacturing and Research & Development facility of circa 25,000 ft² on the site of Buildings B, C, D, D1, E, F & G.

This scheme gives Paxman sufficient space for significant future expansion of the business, it also allows their existing facility to be re-purposed for the expansion of another local manufacturing business.

Paxman are a medical device manufacturing company, employing over 90 people, seeing significant growth over recent years. They have been searching for a new facility for some time and have found that there is generally a lack of property opportunities in the area to relocate within Kirklees.

This scheme requires grant funding of up to £1,500,000 to make it viable for both parties. However, with this scheme both parties can proceed subject to a suitable offer of grant being approved by WYCA through the Investment Zone and is highly likely to attract similar businesses to the Investment Zone increasing capital investment and regeneration.

This scheme fulfils the core aims of the Station to Stadium Enterprise Corridor and the newly announced Investment Zone.

Significant private investment from JLB enables The Paxman Group, who are an innovative local business in the Heath-Tech sector, to relocate to purpose-built facilities with room for future expansion and job creation which is the vision of the Investment Zone.

Conclusion

Through this exercise all options have been considered, and can be summarised, as follows:

- a. Renovation of the external fabric William Hirst Mill with existing tenants in occupation.
- b. Conversion of William Hirst Mill as a mixed retail/office scheme.
- c. Conversion of the William Hirst Mill for residential within a larger mixed industrial/commercial scheme.
- d. Redevelopment of the larger site for a mixed industrial and light industrial trade park with selective demolition in various permutations.
- e. Redevelopment of the larger site for a mixed light industrial trade park/office scheme with selective demolition in various permutations.
- f. Redevelopment of the William Hirst Mill site for the development of a new build headquarters facility for Paxman Coolers Limited.

In my opinion, all angles have been considered with the conclusion, that post Covid with increased construction cost inflation and new building regulations, the conversion options for the William Hirst Mill are adversely affected, meaning existing and potential alternative use schemes remain financially unviable in current market conditions, with no prospect of circumstances stances improving in the short to medium term.

A point has been reached where JLB need to implement a structured plan to consolidate their business interests.

JLB are in the process of moving their pipe cleaner business from Building A, to further consolidate their operations into the JLB mill to secure its future as an employment environment. In addition, this spreads the overhead of running the businesses over a smaller defined section of the site to protect the future of the trading businesses.

There has been a concentration on the conversion and redevelopment of the William Hirst Mill and associated buildings, because a restructuring of recent lettings in Building A, and the continued occupation of the church has created a viable investment property. The remaining land used for car parking is required to be retained for this use to service the businesses in JLB mill and provide car parking to facilitate the proposed Paxman development.

The industrial property market in the town is the strongest performing sector of the commercial property market at present, but even so due to construction cost price inflation any new build industrial scheme will require grant funding.

In terms of current available grant funding in relation to the aspirations of the Investment Zone, which is focused on supporting innovation in the health, wellbeing and digital industries, we understand projects will only attract grant funding if they have a firm end-user, which ties in with the aspirations of the Investment Zone, rather than speculative re-development with no firm tenants.

A further important point to make is that £1,500,000 would not be enough for fully repair William Hirst Mill and refurbish the building for existing, nor an alternative use. Without a suitable solution for the William Hirst Mill, the building has the potential through the ongoing repairing liability to harm the performance and viability of the JLB businesses.

The Paxman development meets the Investment Zone's aspirations, enabling Paxman's expansion and the regeneration of JLB's site. It will one of the first, if not the first, development in the Zone encouraging other development. Furthermore, Paxman's move from its current site is allowing the expansion of a local well-established manufacturing firm. As a joint venture, JLB and Paxman, with grant funding and subject to obtaining requisite consents, have the ability to deliver this scheme with multiple benefits for both companies and the wider community.

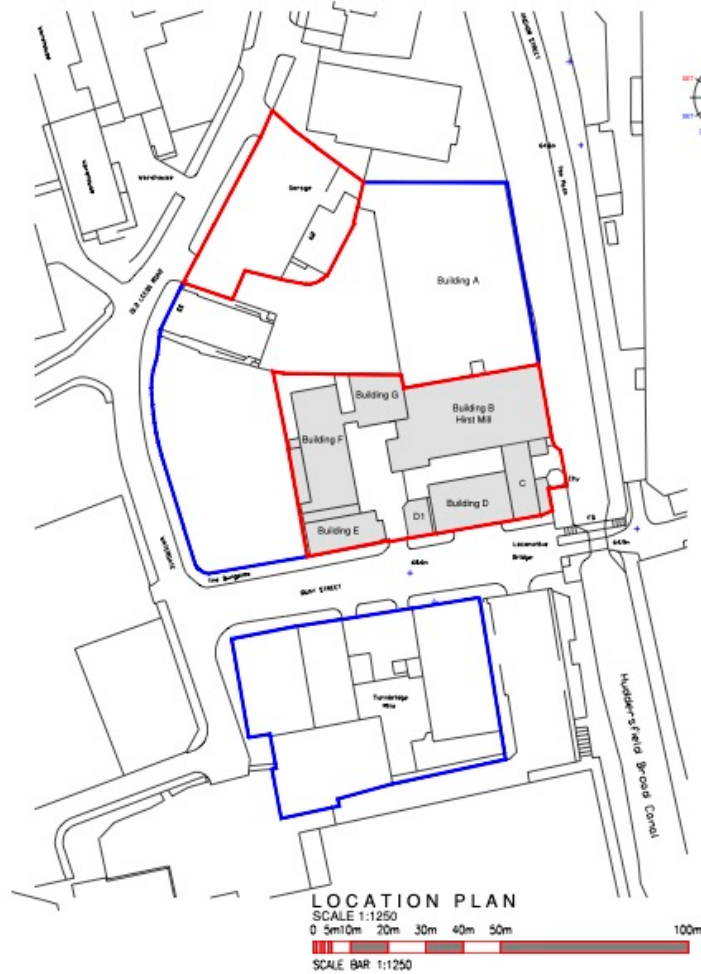
This letter should be read in conjunction with previous reports and the appendices attached, which illustrates the schemes considered, findings of the development appraisals prepared, and respective development layout plans, as shown.

Should you require any further information, please let me know.

Yours sincerely

Jason R Metcalfe MRICS IRRV
RICS Registered Valuer
Director

Existing Site



Rev Note Initial Date Client Ignorance Health & Safety It Might Just Save Your Life Drawings are to scale indicated for planning purposes. No scaling permitted for construction purposes. Information on this drawing is copyright. All rights reserved. No part of this work may be reproduced or transmitted in any form by any means, other electronically, mechanically, by photocopying, recording or otherwise stored in any retrieval system of any nature, without the express consent of T D Jagger Ltd.		TJ TD JAGGER PROPERTY CONSULTANTS 3 Richmond House, Caldene Business Park, Mytholmroyd, Hebden Bridge, West Yorkshire, HX7 5QJ 01422 883317 enquiries@tdjagger.ltd.uk www.tdjagger.ltd.uk <td data-kind="ghost"></td> <td data-bbox="938 1337 1251 1554" data-cs="2" data-kind="parent"> Client JLB Project Refurbishment of Building B Turnbridge Mills, Quay Street, Huddersfield. HD1 6QT Drawing Location Plan Date May 2023 Drawn SD Checked TDJ Scale 1:1250@A4 Drawing No. 1903 65 Revision D </td> <td data-kind="ghost"></td>		Client JLB Project Refurbishment of Building B Turnbridge Mills, Quay Street, Huddersfield. HD1 6QT Drawing Location Plan Date May 2023 Drawn SD Checked TDJ Scale 1:1250@A4 Drawing No. 1903 65 Revision D	
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Stage Two

Scheme:

2no. development appraisals considered the conversion of William Hirst Mill to offices.

Conclusion:

The conversion of the whole, nor a reduction in height to 3no. storeys of William Hirst Mill was found to be financially unviable. Both produced negative residual values.

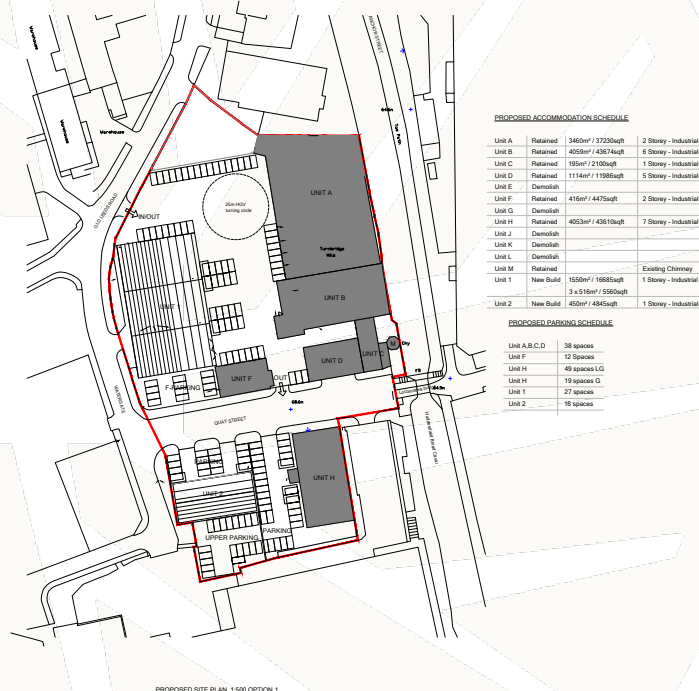
Summary:

	m ²	ft ²
Trade Warehouse/Light Industrial (new build)	1,550	16,684
Industrial (Building A)	3,458	37,222
Offices (Building B reduced to 3 storeys)	1,799	19,375
Light Industrial (Building C ground floor)	195	2,099
Offices (Buildings D & F)	408	4,392
John L Brierley Mill (Building H - JLB Group occupation)	4,053	43,610

Development appraisal summary:

Market Rent	£545,000 per annum exclusive
Gross Development Value	£6,930,000
Total Development Costs	£8,350,000
Developers Profit	£1,000,000
Residual Site Value	Minus £1,420,000

Development Plan:



Stage Three

Scheme:

Development appraisal considered the financial viability of the retention of a small section of William Hirst Mill to be used as ancillary offices to service the retained industrial property (Building A). This was at the request of Heritage England.

Conclusion:

This produced a residual value of negative £700,000.

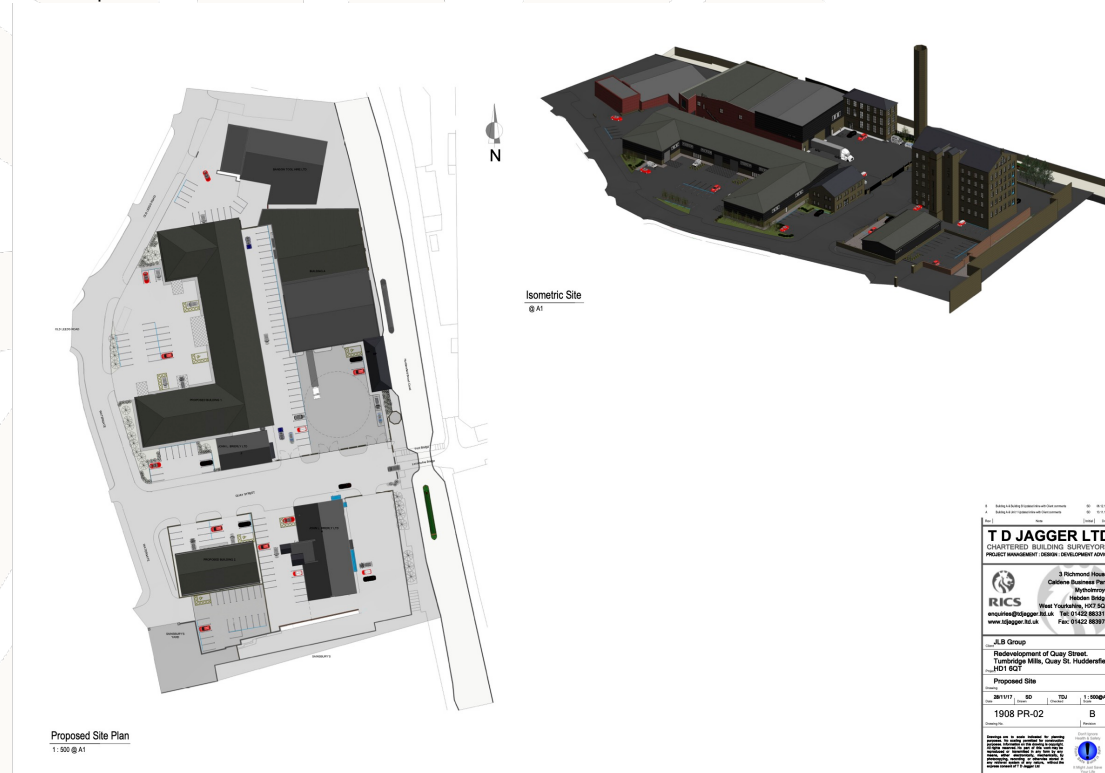
Summary:

	m ²	ft ²
Trade Warehouse/Light Industrial (new build)	2,780	29,080
Industrial (Building A)	3,458	37,222
Offices (Building B small retained section)	2,028	21,835
Offices (Building F)	408	4,392
John L Brierley Mill (Building H - JLB Group occupation)	4,053	43,610

Development appraisal summary:

Market Rent	£445,000 per annum exclusive
Gross Development Value	£5,225,000
Total Development Costs	£5,930,000
Developers Profit	£785,000
Residual Site Value	Minus £700,000

Development Plan:



Stage Four A

Scheme:

Renovation of the external elements only of the William Hirst Mill with the existing tenants remaining in occupation.

Conclusion:

The scheme was financially unviable.

Summary:

	m ²	ft ²
William Hirst Mill (Building B existing tenants)	4,059	43,691

Development appraisal summary:

Market Rent	£94,000 per annum exclusive*
Gross Development Value	£920,000
Total Development Costs	£2,225,000
Developers Profit	Nil
Residual Site Value	Minus £1,170,000

*Note: Passing rent £55,000 per annum exclusive.

Stage Four B

Development appraisals considered the financial viability of the retention of William Hirst Mill with the demolition of the surrounding mill buildings to create a mixed retail and office scheme with forecourt and car parking fronting Quay Street.

The appraisals take account of increased build price inflation and new building regulations for buildings more than 18 metres in height. This produced a negative residual value of minus £3,195,000.

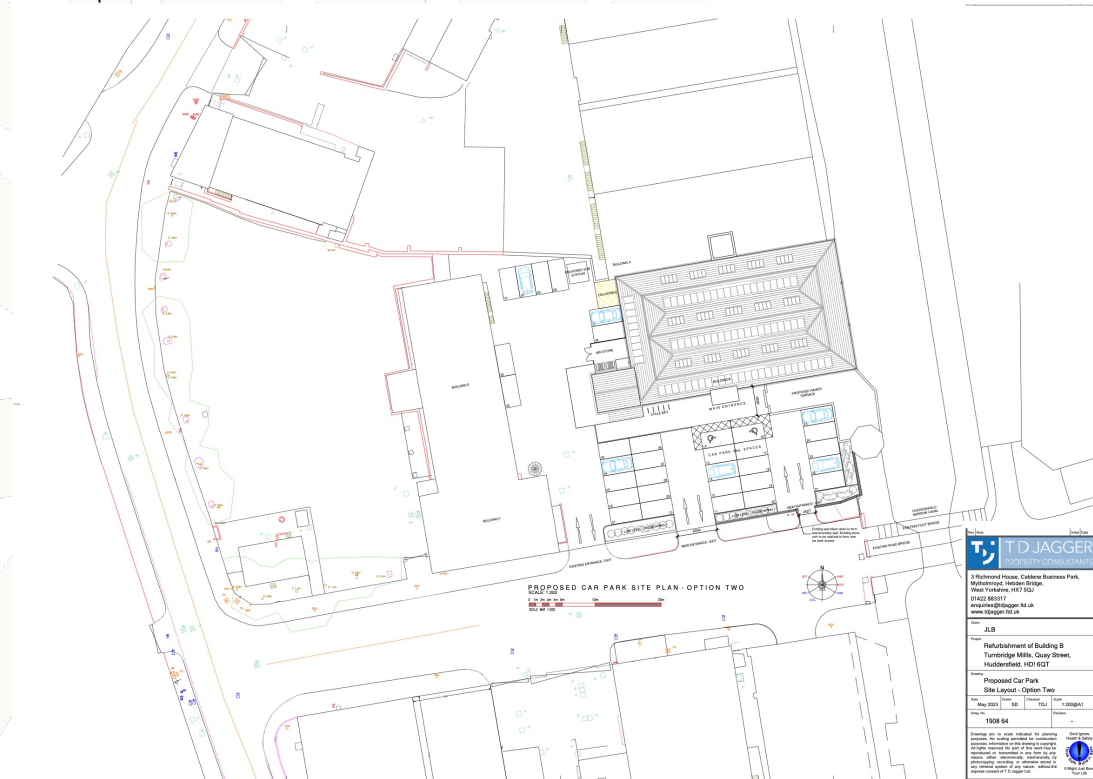
Summary:

	m ²	ft ²
2no. retail/restaurant units (Building B ground floor)	496	5,339
Offices (Building B upper floors)	2,480	26,694

Development appraisal summary:

Market Rent	£496,000 per annum exclusive
Gross Development Value	£5,150,000
Total Development Costs	£8,347,000
Developers Profit	£770,000
Residual Site Value	Minus £3,195,000

Development Plan:



Stage Five

Scheme:

Redevelopment of the William Hirst Mill site to accommodate a new headquarters building for Paxman Coolers Limited.

Conclusion:

Grant Aid in the region of £1,500,000 is required to make the project financially viable.

Summary:

	m ²	ft ²
Headquarters Light Industrial (new build)	2,327	25,048

Development appraisal summary:

Market Rent	£270,000 per annum exclusive
Gross Development Value	£5,394,000
Total Development Costs	£4,710,000
Developers Profit	£810,000
Grant Aid	£1,500,000
Residual Site Value	£680,000

Development Plan:

