

Holehird Trust Estate

Property matters update for Holehird Trust Committee Meeting: 14th June 2022

Outlined below is an update of property matters arising relating to Holehird Mansion and Stables Cottage since the Teams call held with the Holehird Trust Committee on 11th May 2022:

1. Re-letting of Holehird Mansion and Stables Cottage

Our Manchester team have gone back to the parties who submitted a tender to advise that, either their offer was not acceptable, or that more information was required in order to consider their tender further. We have not received any further information from these parties.

Holehird Mansion and Stables Cottage remains on our website and we continue to receive interest. Recently, an entrepreneur from Manchester viewed the exterior of the property and has requested a full viewing. He is a successful bar and restaurant operator and is considering its suitability as a boutique hotel. His preference would be to take a five-year lease at a market rent, with an option to purchase. We are arranging a viewing with this operator and will obtain further information.

In addition, we have received four further enquiries, but we do not recommend proceeding with any of them.

2. The sale of Holehird Mansion and Stables Cottage

On the Teams call on 11th May, we discussed the future of Holehird Mansion and Stables Cottage, particularly taking into account the ongoing running costs and that no suitable tenants has been found to date. The Committee agreed that we should either place the property on the market in its current condition offering a long-term lease or with freehold title. The benefit of offering the property subject to a long-term lease is that the Trust will retain a degree of control of the site, and it is our understanding that this was the Committee's preferred option.

Our Manchester team recommend that if the property is placed on the market offering a long-term lease, we should market the following:

- Include both Holehird Mansion and Stables Cottage, as most potential enquirers will require Stables Cottage for staff accommodation.
- Advertise the Property on a long-term lease of 250 years.
- Invite offers in excess of £1.75 million.

The Manchester team have presented to Cumbria County Council their terms of business for the sale, however, we have been advised that if the property is to be placed on the market it will need cabinet approval from the Council before proceeding with the marketing.

3. Leonard Cheshire (LC) Dilapidations

We recently received a formal detailed response from Eversheds Sutherland LLP, the solicitor acting on behalf of LC. In their response they have asked for further information including questions regarding the terminal schedule, the marketing and future use of the property, the competitive tenders received and disclosure of our Section 18 valuation. A formal response will be made in relation to these points, however, the letter concludes;

'It is our client's firm view that the most sensible and cost-effective way to move this matter forward is for the parties' experts to engage in discussions to seek to narrow the potential issues. Our client does wish to constructively engage with your client in this matter and remains open to considering without prejudice settlement discussions.'

This is encouraging as up until now LC have not been willing to engage. Our building surveyors have approached LC's surveyor in order to arrange a meeting and have without prejudice settlement discussions.

4. Tendering the building works in respect of the dilapidations

The total amount of building works outlined in the terminal schedule for Mansion House, Stables Cottage and 2 North Lodge, amounted to £1,201,723.49 plus VAT. This was served on LC on 9th March 2022 and the work comprises roofing repairs, window replacement, builders, joinery and plaster work, electrical, plumbing and decoration.

As previously reported, seven contractors were invited to tender for the works of which five declined to tender, due to the scale of the project and other work commitments. We have recently received the following two sealed tenders:

a. Lowther & Dawson (Kendal) Ltd	- £1,216,879.49*
b. Leck Construction Ltd, Barrow-in-Furness	- £1,284,904.12

* The Lowther and Dawson price includes the works at 2 North Lodge that totals £16.8k, Leck Construction were unable to quote for this element of the work.

Lowther and Dawson are more local than Leck Construction Ltd and are slightly cheaper, as outlined above, however, we recommend that we delay instructing these works until we know the outcome of the dilapidation discussions with LC and that there is more clarity on the future use of the property.

5. Section 18 valuation opinion

To assist with our negotiations with LC, the Section 18 valuation opinion provides us with an indication of the diminution in value of the property caused by the actions/inactions of the tenant during the term of the lease. This will establish the potential recoverable value of repairs that is limited by the diminution in value of the reversion. i.e. it places a statutory ceiling on the amount of damages recoverable.

Matthews & Goodman, the firm undertaking the Section 18 valuation, have provided us with their initial desktop assessment and have been instructed to inspect the property and firm up their advice. Their surveyor inspected the property on 25th May and we are awaiting their report.

6. 2 North Lodge

This property was previously let to LC. In the March committee meeting, we advised that we had agreed a new letting to Miss Kimberley Clark, who is the daughter of Alan Clark at Far Orrest Farm and her fiancé Mr Samuel Cousins. There has been a delay in finalising this letting as the landlords needed to obtain a satisfactory electrical certificate. This has now been obtained and the new letting started on 1st June, at a rent of £700 per calendar month (£8,400 per annum), for an initial 12-month term.

The tenants have installed a new kitchen, wood burning stove and bathroom and fully redecorated the property at their own cost. The landlord has undertaken electrical works, renewed the upstairs hallway skylight and replaced the living room fireplace.

7. Holehird Mansion, Stables Cottage and 2 North Lodge insurance

The Holehird Trust took out a six-month insurance policy for the Mansion, Stables Cottage and 2 North Lodge, expiring on 30th June 2022. We have instructed the insurers to move 2 North Lodge to the main estate policy, as this is now let. We are awaiting the insurance renewal documents for the main estate policy and for the unoccupied policy for the Mansion and Stables Cottage, where we propose to take out on a further six-month term.

Other property matters on the estate:

8. Low Borrans Cottage

Earlier this year, we received tenders for the refurbishment of Low Borrans Cottage, with the most competitive quote being £235,934 + VAT from Pattinson Builders. It was decided at the March committee meeting to delay this work and therefore this property remains vacant. We recommend that this project is reviewed at the forthcoming meeting in the light of availability of funds and the current situation at Holehird Mansion.