Was County HQ sold for a song?

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Surrey County Council faces scrutiny over its £25 million sale of a former headquarters site after it was revealed it could have a gross development value of £250 million once revedelopment is completed. The new owner of the former HQ has listed the site for sale with a gross development value of 10 times more than the council got when it sold the historic building in 2021.

The huge gap between the two figures led to the county council to be challenged on whether it got the best deal for residents although the lead member for property said it secured a “good deal” and would sell it again at the same price. The 5.2 acre site in Kingston is being marketed by Savills. It is described as a “landmark opportunity” with “stunning former County Hall buildings” and has planning permission for 254 private apartments, 16 shared ownership apartments, and 20 affordable rent apartments.

Rob Pollock, Savills director, London development, said in a statement promoting the sale: “With its scale and heritage, Surrey County Hall offers the opportunity to deliver a truly unique development in southwest London that might seem more at home in central London, and consequently appeal to buyers across the city. With world famous attractions like Hampton Court and Wimbledon Tennis Club in striking distance of the property, combined with the obvious curb-side appeal, we expect that the ultimate developer of the property will set new record for pricing in Kingston."

The sale was discussed during the Tuesday March, 19 meeting of Surrey County Council. In March 2021 Surrey County Council sold the site for about £25m to RER Kingston Limited, according to officers although it was suggested the figure may have been "in excess" of that.

Councillor Robert Evans (Lab Stanwell and Stanwell Moor) asked: "When Surrey County Council was selling County Hall, its former Kingston headquarters, developers RER issued a release stating it had a guide price of £20m. This week Savills has issued a press release stating the site now has a Gross Development Value of £250m.

"Can the council tell us exactly how much it got for its former Grade 2 listed site, and whether it feels this was best value for residents seeing as it now has the potential to bring in hundreds of millions of pounds for its new owners?"

In a written response, he was told the council sold the site for £25million, on a subject to contract only basis, following "an extensive open marketing campaign for which best value was secured". Since the sale, RER (Kingston) Ltd has been holding the 300,000 sq. ft site vacant, while pursuing a planning application through the Royal Borough of Kingston to convert much of the former complex into residential units.

The official council response read: "Costs would have been incurred for empty business rate liability, which would have been circa £700,000 per annum alongside security and other holding void costs. "Although planning consent is now expected, RER have placed the complex on the market through Savills.

"Whilst the agents suggest a potential value post development, it should be noted that when fully sold or let, this is not the value that a market bidder will pay for the asset today. A value bid would consider the cost, timing and risks of the development, the capital investment needed to complete any approved scheme (heritage build costs, consultant fees, ongoing security, void costs, finance costs at elevated rates since 2021) and the marketing period to sell or rent all units once converted.

“This could be a further three to five year project”. As part of the sale agreement the council negotiated a contractual position to secure any excess of value that might arise from any future development “if the quantum of development exceeded a certain level”.

When asked to elaborate on this, cabinet member for property, waste and infrastructure, Councillor Natalie Bramhall said the developers had spent £700,000 a year on empty rates, had to cover the cost of security, and that planning application costs would have been in excess of £1m.

She added that to get to the full £250m they would also need to spend ‘hundreds of millions” to bring it forward. She said: “Residual land value with planning persimmon is between £35m and £40m.

“Somebody is going to have to spend hundreds of millions of pounds bringing that forward and I would suggest that as the purchaser is trying to sell at this time in the market which is probably at the bottom they spent far more on this site then they probably expected already. I actually think we secured a good deal and would again sell at that price.”

Image – former SCC HQ County Hall in Kingston. Surrey Live