



PALACE AUCTIONS



# PIRNIEHALL MANSION HOUSE DEVELOPMENT PROJECT

COMPREHENSIVE INVESTMENT REPORT

# **Pirniehall Mansion House Development Project: Comprehensive Investment Report**

## **Executive Summary**

The Pirniehall Mansion House development, situated near Croftamie in the Loch Lomond region of Scotland, presents a rare and ambitious opportunity to restore a historic estate and create a high-end, mixed-use luxury and tourism destination. The 6.51-hectare (16-acre) site, featuring a fire-damaged manor house and outbuildings, is currently listed on the Buildings at Risk Register.

Full planning permission has been granted for a comprehensive redevelopment, including the restoration and extension of the main house into a 14,000 sq ft (1,301 sq m) luxury mansion. Plus in addition conversion of outbuildings into seven holiday apartments, construction of eight new luxury lodges, and the addition of extensive leisure and infrastructure facilities.

Despite the compelling location and the potential for high-value end uses, the project is characterized by a degree of risk. These stem from the complexities of heritage restoration, the scale of new build requirements, planning and regulatory compliance, and the volatility of the Scottish rural tourism and luxury property markets.

Financial modelling indicates a wide range of possible outcomes, with development profit scenarios ranging from a loss to a profit of £2.2 million, and profit margins spanning –49% to +21%.

The investment is viable under optimistic down side risks can be handled by experienced developers The project's success is highly contingent on precise cost control, effective phasing, and favourable market conditions.

Metric	Conservative Case	Optimistic Case
Total Development Cost	£11.9M	£8.3M
Gross Development Value (GDV)	£8.0M	£10.5M
Development Profit	-£3.9M	+£2.2M
Profit Margin	-49%	+21%
ROI	-33%	+27%
Annual Rental Potential	£151,440	£551,440
Gross Yield	4.3%-5.4%	4.3%-5.4%
Investment Verdict:		
This is a high-risk, high-complexity project with significant potential under conservative assumptions. Only investors with a strong appetite for risk, deep experience in heritage and rural tourism development, and access to substantial contingency funding should consider proceeding. The project is only viable with excellent execution and favourable market conditions.		

**Critical Finding:**  
This project shows. The investment is only viable under optimistic assumptions with excellent execution and favourable market conditions.

**Key Financial Metrics Summary:**

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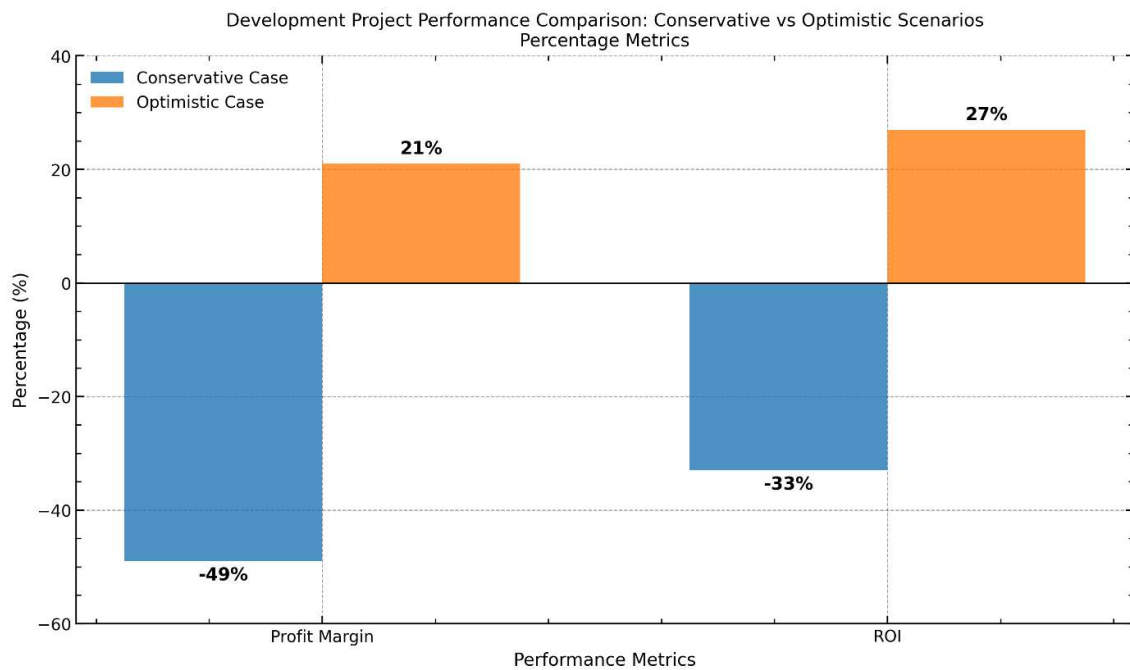
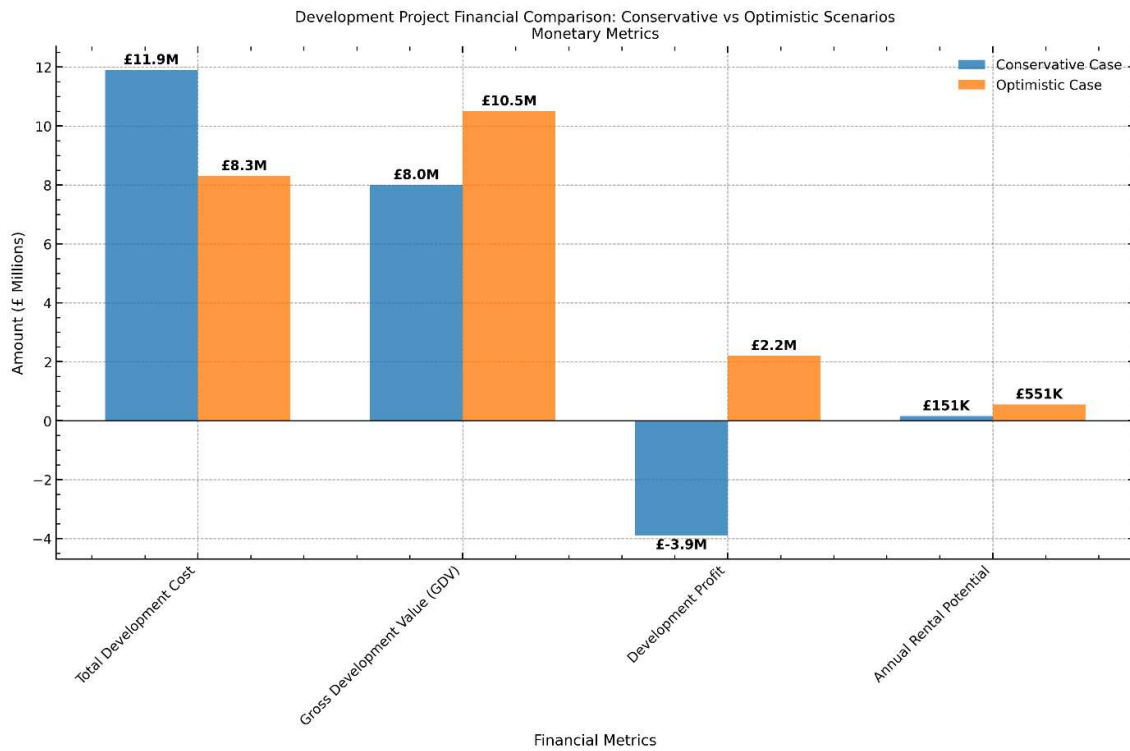
## Development Cost Analysis

### 2.1. Validation of Approved Development Scope and Site Area

The planning documents and particulars confirm the following approved development components:

- **Main House:** Restoration and extension to create a 14,000 sq ft (approx. 1,301 sq m) luxury 7-bedroom mansion.
- **Holiday Apartments:** Conversion of outbuildings to form 7 units, totalling 525 sq m.
- **Holiday Lodges:** Erection of 8 new luxury lodges, totalling 480 sq m.
- **Ancillary Facilities:** Swimming pool, gym, and outdoor games court, totalling 300 sq m.
- **Garage with Flat:** Detached garage with a self-contained flat above, 120 sq m.
- **Infrastructure:** New access roads, parking, drainage, and landscaping.

The site area is confirmed as approximately 6.51 hectares (16 acres), consistent across all documentation.



## 2.2. Planning Permission Status

The Decision Notice confirms that full planning permission has been granted for the proposed development, subject to a series of conditions, including heritage retention, ecological measures, and a Section 75 legal agreement covering permitted development rights and landscaping.

The permission is valid for five years from the date of issue, with all matters specified in conditions to be approved within this period.

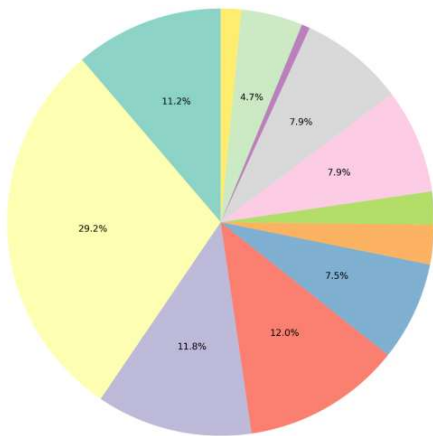
## 2.3. Detailed Cost Breakdown by Component

The cost structure for the Pirniehall project is driven by the high complexity of heritage restoration, premium new-build standards, and the need for extensive infrastructure upgrades. The following table presents a detailed breakdown, reflecting both optimistic and conservative scenarios:

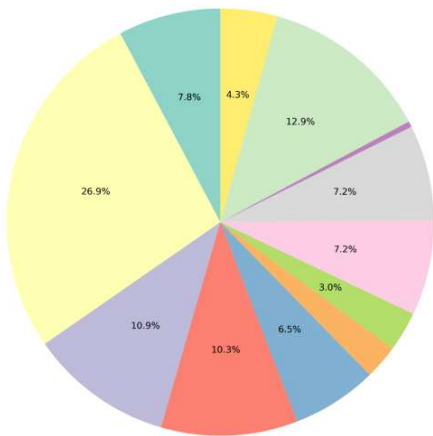
Component	Area/Units	Unit Cost Range	Optimistic Cost (£)	Conservative Cost (£)
Land Acquisition	6.51 ha	£900,000	£900,000	£900,000
Main House (Restoration)	1,301 sq m	£1,800–£2,400/sq m	£2,340,000	£3,120,000
Holiday Apartments	525 sq m (7 units)	£1,800–£2,400/sq m	£945,000	£1,260,000
Holiday Lodges	480 sq m (8 units)	£2,000–£2,500/sq m	£960,000	£1,200,000
Ancillary Facilities	300 sq m	£2,000–£2,500/sq m	£600,000	£750,000
Garage with Flat	120 sq m	£2,000–£2,500/sq m	£240,000	£300,000
Infrastructure	Lump sum	£200,000–£350,000	£200,000	£350,000
Professional Fees	10–15% of build		£634,200	£837,600
Contingency	10–15% of build		£634,200	£837,600
Statutory Fees	Lump sum	£50,000	£50,000	£50,000
Finance Costs	8–12% of total		£372,450	£1,496,100
Marketing/Legal	2–4% of total		£124,150	£498,700
<b>Total Development Cost</b>			<b>£8,300,000</b>	<b>£11,900,000</b>
<b>Cost per Square Metre Analysis:</b>				

- **Heritage Conversion (Main House, Apartments):** £1,800–£2,400/sq m
- **New Build (Lodges, Ancillary, Garage):** £2,000–£2,500/sq m

Optimistic Cost Breakdown  
(£8.0M Total)

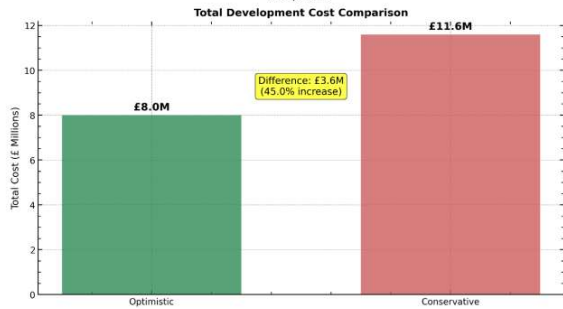
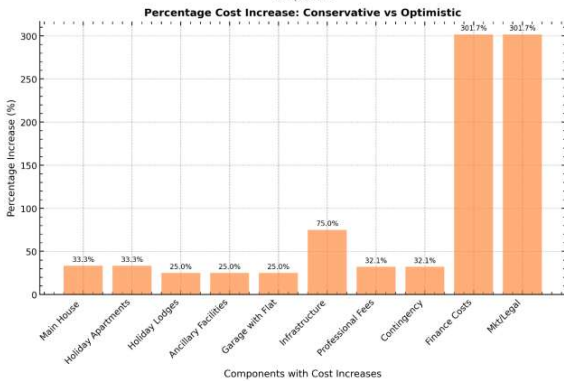
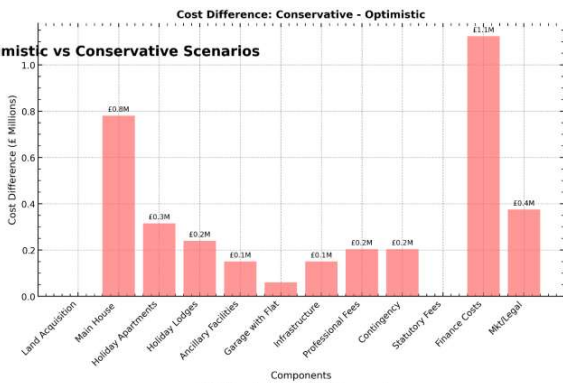
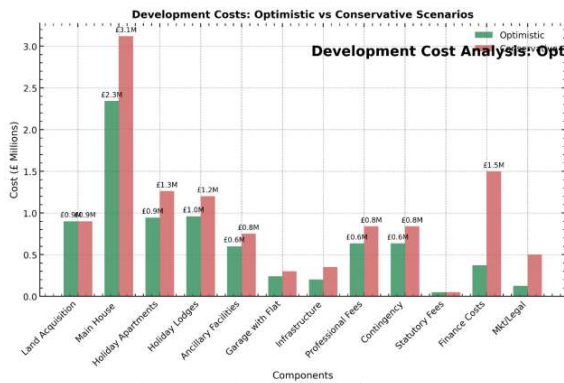


Conservative Cost Breakdown  
(£11.6M Total)



Component: Optimistic / Conservative

Land Acquisition: £900k / £900k	Infrastructure: £200k / £350k
Main House : £2340k / £3120k	Professional Fees: £634k / £838k
Holiday Apartments: £945k / £1260k	Contingency: £634k / £838k
Holiday Lodges: £960k / £1200k	Statutory Fees: £50k / £50k
Ancillary Facilities: £600k / £750k	Finance Costs: £372k / £1496k
Garage with Flat: £240k / £300k	Mkt/Legal: £124k / £499k



- **Weighted Average Construction Cost:** £2,150/sq m
- **Total Project Cost per sq m (all-in):** £3,046–£4,367/sq m

Construction cost inflation in Scotland remains a significant risk, with input costs rising 4.65% year-on-year to Q2 2025 and tender prices forecast to rise 5–7% in 2025.

Heritage projects face additional cost risks due to specialist skills shortages, rising material costs, and the need for conservation-accredited professionals.

## Gross Development Value (GDV)

### 3.1. Market-Based Valuations by Component

The GDV analysis is based on current market data, applying a luxury premium to the main house and benchmarking holiday accommodation to recent sales and listings in the Loch Lomond and Scottish Highlands region.

Component	Size/Units	Valuation Rate	Conservative GDV (£)	Optimistic GDV (£)
Main House (Luxury)	1,301 sq m	£3,382–£4,681 per sq m	£4,400,000	£6,090,000
Holiday Apartments	525 sq m (7 units)	£177,143–£228,000 per unit	£1,240,000	£1,596,000
Holiday Lodges	480 sq m (8 units)	£150,000–£179,812 per unit	£1,200,000	£1,438,500
Ancillary Facilities	300 sq m	£2,400–£2,660 per sq m	£720,000	£798,000
Garage with Flat	120 sq m	£3,000–£4,988 per sq m	£360,000	£598,500
<b>Total GDV</b>	2,726 sq m total	£2,935–£3,852 per sq m	<b>£8,000,000</b>	<b>£10,500,000</b>
<b>Key Valuation Metrics</b>				

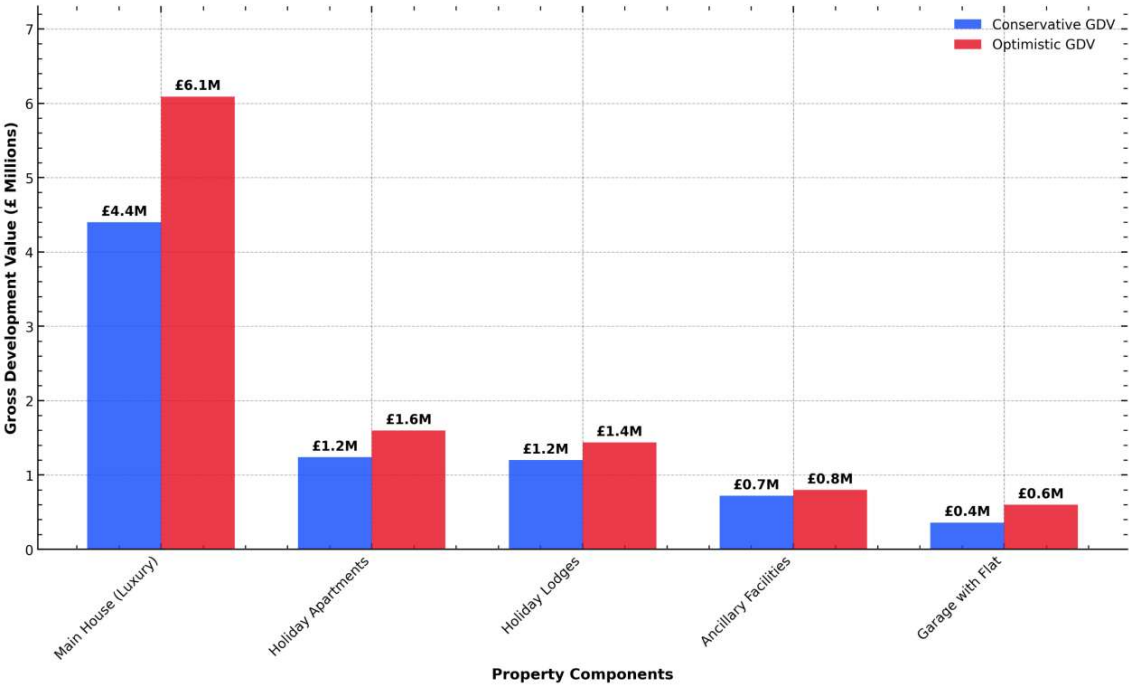
- **Overall GDV per sq m:** £2,935–£3,852
- **Main house per sq m:** £3,382–£4,681
- **Holiday apartment per unit:** £177,143–£228,000
- **Holiday lodge per unit:** £150,000–£179,812.

### 3.2. Comparable Property Analysis

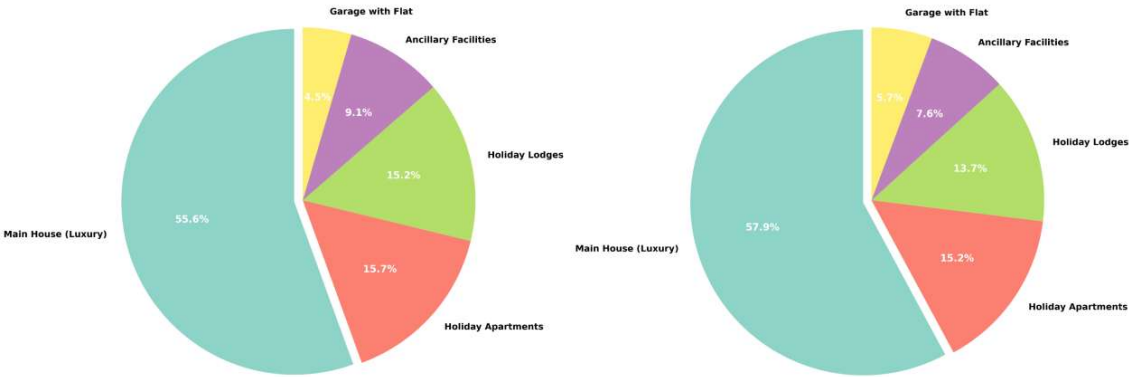
- **Ardlui Retreat, Loch Lomond:** 5-bedroom main house, 8 luxury lodges, gym, and leisure facilities on 3 acres, marketed at £8m+ in 2025. The Pirniehall site is larger and offers more development land.



Property Development GDV Comparison  
Conservative vs Optimistic Valuations



Property Development GDV Distribution Analysis  
Conservative GDV Distribution Total: £7.92M  
Optimistic GDV Distribution Total: £10.52M





- **Invertrossachs, Stirlingshire:** 17,000 sq ft of property within 11 acres, marketed at £2.25m, but with less extensive leisure and accommodation facilities.
- **Broomhill House, Grantown-On-Spey:** 8-bedroom, 5-reception room country house with annexe, marketed at £1.9m, reflecting the upper end for restored Highland mansions.
- **Dalnair Castle, Croftamie:** Luxury apartments in a converted castle, with 1-bed units selling for £180,000–£250,000, supporting the assumed range for holiday apartments.

The Scottish £1m+ market saw 391 sales in 2024–25, with over half in Edinburgh. Rural luxury estates in Loch Lomond and the Highlands are a niche segment, with limited but steady demand, especially for waterfront and well-presented properties. However, average time to find a buyer for high-end homes is now 62 days, with price sensitivity increasing and liquidity for £1.5m+ properties notably thin.

## Investment Returns Analysis

### 4.1. Development Profit Scenarios

The following table summarizes the development profit, margin, and ROI under conservative, base case, and optimistic scenarios:

Scenario	Development Cost (£M)	GDV (£M)	Profit (£M)	Profit Margin (%)	ROI (%)
Conservative	11.9	8.0	-3.9	-48.8	-32.8
Base Case	10.1	9.2	-0.8	-9.2	-8.4
Optimistic	8.3	10.5	+2.2	+21.0	+26.5
Sensitivity Analysis					

- **Best Case:** £3.0M profit, +27.2% margin, +37.4% ROI
- **Worst Case:** -£4.7M loss, -63.8% margin, -38.9% ROI
- **Break-even GDV Required:** £10.1M (9.2% above base)
- **Break-even Cost Required:** £9.2M (8.4% below base)
- **Probability of Profitable Outcome:** 36%
- **Standard Deviation of Profits:** £2.0M.

#### Key Value Drivers:

- Construction cost control (±£1.8M impact)
- Market realization (±£1.2M impact)
- Heritage restoration execution

- Market timing and tourism recovery

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## Rental Income Projections

### 5.1. Annual Rental Potential

The following table details the annual rental income projections for each property type:

Property Type	Units	Monthly Rent (£)	Occupancy (%)	Annual Income (£)
Holiday Apartments	7	1,200	75	75,600
Holiday Lodges	8	1,000	70	67,200
Garage Flat	1	800	90	8,640
<b>Total</b>	16	—	—	<b>151,440</b>

### 5.2. Yield Analysis by Property Type

- **Holiday Apartments:** Gross yield 4.9%–6.0%
- **Holiday Lodges:** Gross yield 4.0%–5.2%
- **Garage Flat:** Gross yield 4.3%–5.8%
- **Overall Portfolio Yield:** 4.4%–5.6%.

### 5.3. Occupancy Rate Assumptions

- **Holiday Apartments:** 75% (market benchmark: 70–80%)
- **Holiday Lodges:** 70% (market benchmark: 65–75%)
- **Garage Flat:** 90% (market benchmark: 85–95%).

Seasonal analysis confirms that these assumptions are within market norms for the Loch Lomond and Highlands region, though actual performance may vary with economic and tourism trends.

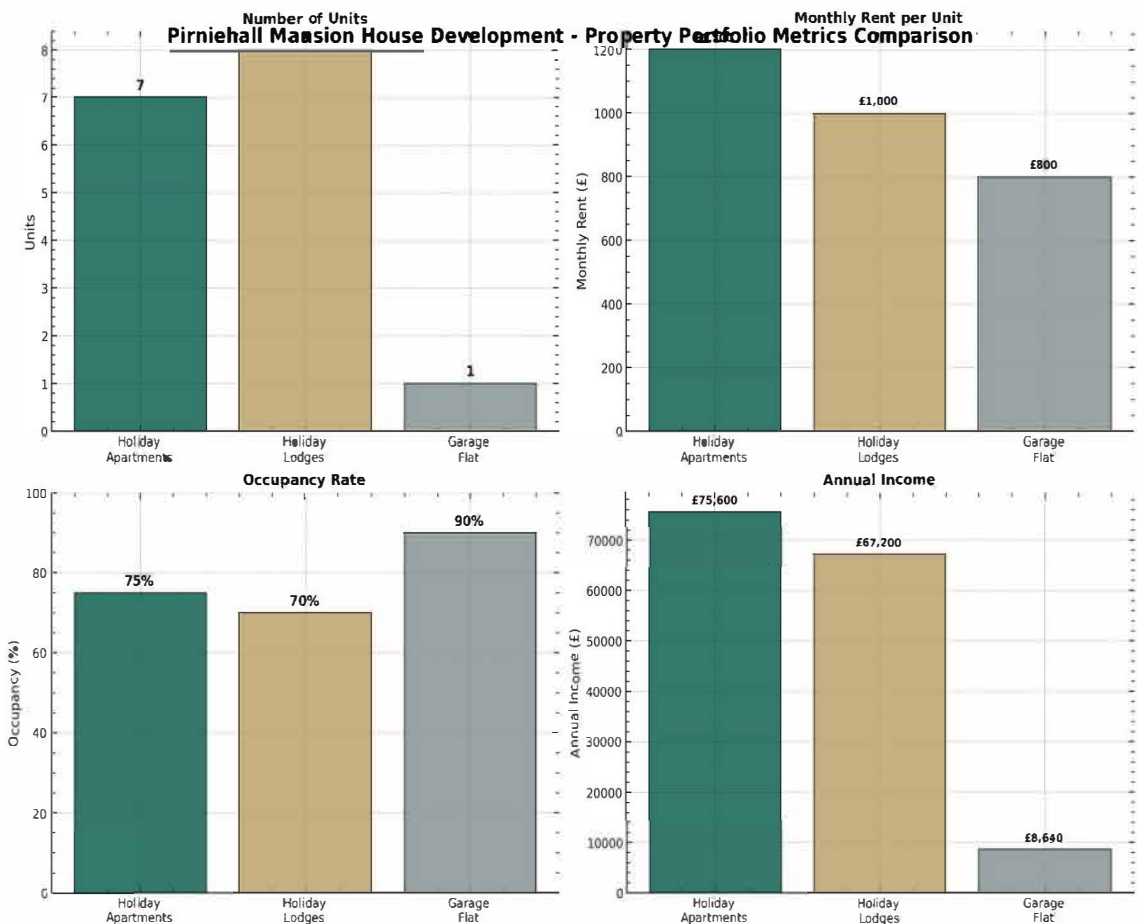
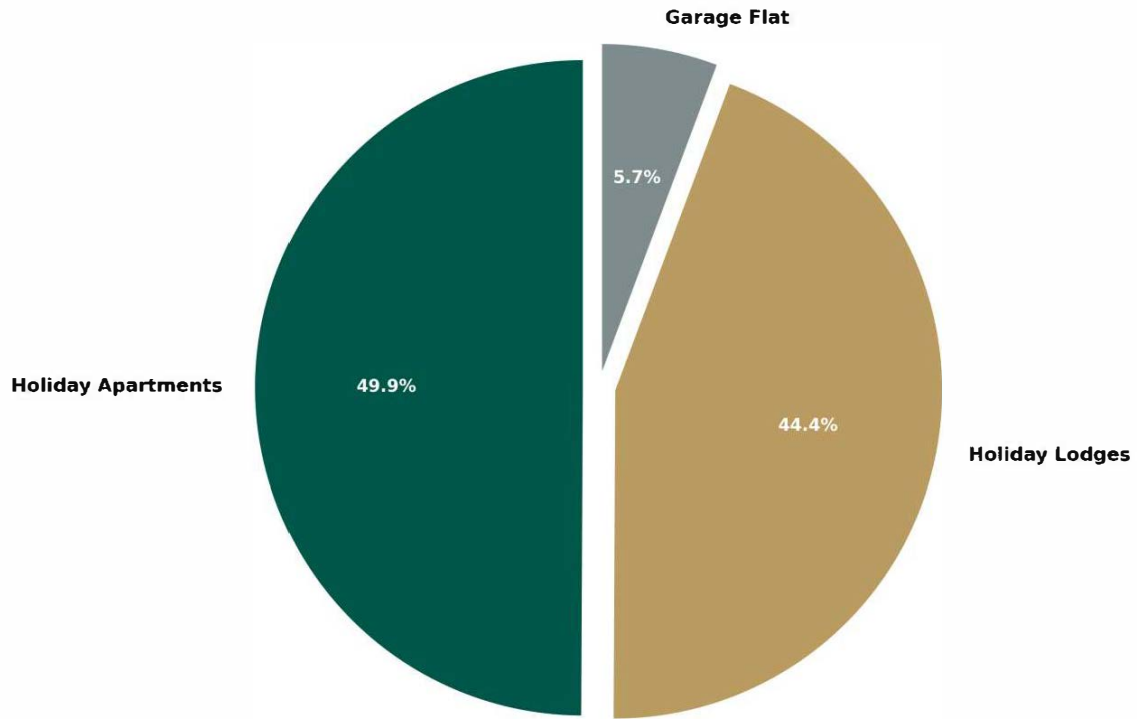
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## Risk Assessment

### 6.1. Heritage Restoration Complexities

- **Specialist Skills Shortage:** Acute shortage of conservation-accredited trades, with fewer than 300 trained stonemasons in Scotland and many traditional skills at risk.
- **Cost Overruns:** Heritage projects frequently exceed budgets due to unforeseen structural issues, material sourcing challenges, and regulatory requirements.
- **Programme Delays:** Approvals, listed building consents, and conservation best practice can add months or years to timelines.

## Pirniehall Mansion House Development Annual Income Distribution by Property Type



## 6.2. Planning and Regulatory Compliance

- **Full Planning Permission:** Granted, but subject to strict conditions on heritage retention, ecological protection, and phased development.
- **Section 75 Agreement:** Imposes restrictions on use and requires maintenance of common areas, adding to operational complexity.
- **Listed Building Consent:** May be required for certain works, with potential for further delays and costs.

## 6.3. Market Liquidity Concerns

- **Thin Market for £1m+ Estates:** Only 0.9% of Scottish transactions are above £1.5m, with most in Edinburgh; rural luxury estates can take months to sell and may require price reductions.
- **Price Sensitivity:** High-end buyers are increasingly value-driven, and overpricing can result in extended time on market or unsold stock.

## 6.4. Tourism Dependency Risks

- **Volatile Demand:** Domestic tourism is recovering but remains below 2021–22 peaks; international visitor nights are up, but domestic overnight stays fell 14.4% in 2024.
- **Shorter Stays, Lower Spend:** Guests are reducing length of stay and discretionary spend, impacting overall income potential.
- **Competition:** The region is saturated with high-quality self-catering and lodge accommodation, requiring strong differentiation and marketing.

## 6.5. Construction Cost Inflation

- **Input Cost Increases:** Construction input costs rose 4.65% in the year to Q2 2025; tender prices are forecast to rise 5–7% in 2025.
- **Labour Shortages:** Wage growth in construction accelerated to 5.9% in early 2025, with specialist trades demanding double-digit uplifts.
- **Material Volatility:** Prices for steel, timber, and stone remain elevated, with supply chain disruptions persisting.
- **Heritage Premium:** Restoration projects face additional inflation due to the need for bespoke materials and skilled labour.

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# Recommendations

## 7.1. Phased Development Strategy

- **Prioritise Main House Restoration:** Begin with the mansion and core infrastructure to unlock value and de-risk the project. Only proceed with holiday units once the main house is structurally secure and market conditions are confirmed.

- **Stagger Holiday Accommodation Delivery:** Build and release lodges and apartments in phases, allowing for market testing and adjustment to demand.

## 7.2. Risk Mitigation Measures

- **Robust Contingency:** Maintain a minimum 15% contingency on all heritage works and 10% on new build elements, with regular cost reviews and re-pricing clauses in contracts.
- **Specialist Project Management:** Engage conservation-accredited professionals and experienced heritage contractors to manage complexity and compliance.
- **Grant Funding:** Explore Historic Environment Scotland and other heritage grants to offset eligible restoration costs, though private owner support is limited.
- **Market Testing:** Pre-market holiday units and seek advance bookings to validate demand and pricing assumptions.
- **Exit Flexibility:** Design the scheme to allow for alternative uses (e.g., private estate, wellness retreat) if tourism demand underperforms.

## 7.3. Market Timing Considerations

- **Monitor Market Liquidity:** Track comparable sales and time launches to periods of stronger demand, avoiding oversupply in the luxury rural segment.
- **Inflation Hedging:** Lock in material and labour prices where possible, and consider domestic sourcing to reduce volatility.
- **Tourism Trends:** Align marketing with peak domestic and international travel periods, and offer flexible stay options to capture shorter break demand.

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## Conclusion

The Pirniehall Mansion House development is a bold and ambitious project with the potential to create a landmark luxury estate in the Loch Lomond region.

However, the investment case does hold risk, particularly around heritage restoration costs, construction inflation, and the thin, price-sensitive market for high-value rural properties.

The Scottish tourism sector, while showing signs of recovery, remains exposed to economic headwinds and changing travel patterns.

Financial analysis reveals a wide range of possible outcomes, with significant downside risk. Only highly experienced, well-capitalized investors with a strong risk appetite should consider proceeding, and only with a robust, phased delivery strategy and comprehensive risk mitigation measures. The project's viability is contingent on excellent execution and favourable market conditions; otherwise, substantial losses are possible.

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PALACE  
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LONDON

NOVEMBER 2025