

Viability Study

Prepared on behalf of

Mr & Mrs Brazil

in connection with

Brooke Avenue
Margate
Kent

modus
CONSTRUCTION CONSULTANTS



The Barn, Vine Farm, Stockers Hill, Boughton-under-Blean, Faversham, Kent, ME13 9AB
T. 01795 500960 | E. info@modusltd.co.uk | W. www.modusltd.co.uk

Rev.
Date

H
17.04.18

Contents

1.00	Section Nr. 1 - Report
1.01	Purpose of Report
1.02	Status of Report
1.03	Anticipated Cost Summary
1.04	Changes Since Last Estimate
1.05	Basis of Cost
1.06	Risk
1.07	Assumptions
1.08	Exclusions
1.09	Information Used in Preparation of this Report
1.10	Definitions
2.00	Section Nr. 2 - Cost Estimate
2A	Viability Assessment
2B	Construction Summary
2.01	Demolitions and Alterations
2.02	Building Works
2.03	Site Works
	Appendices
A	BCIS data
B	Miles & Barr Sales Valuations

SECTION NR. 1
REPORT

1.01 Purpose of Report

This report has been prepared to provide the Client with the anticipated construction and sales cost of the proposed development at Brooke Avenue, Margate. This report is based on 4nr flats being Affordable Housing.

1.02 Status of Report

This is a Stage 1 Order of Cost Estimate Report. The RIBA Plan of Works 2013 refers to Stage 1 as "Preparation and Brief"

1.03 Anticipated Viability Summary

We anticipate the Gross Development Value (GDV) to be **£10,260,000**

Taking into account the Purchaser's costs, we anticipate the Net Development Value (NDV) to be **£10,205,000**

We anticipate the Development Costs (DC) to be **£10,105,764**

Based on the above values we anticipated the Residual Land Value to be **£99,236**

A summary of the costs are included with this report.

1.04 Changes Since Last Estimate

The following changes have been made since Rev. G

- GDV Values have been updated in accordance with Miles & Barr Valuation dated 17/04/18

1.05 Basis of Cost

Due to the stage of design, we have currently calculated the construction costs by applying the BCIS "median" rates

1.06 Risk

The basis of risk has been assessed as follows:

- "Design Development Risk" is included within the rates
- "Construction Contingency" is included within the rates
- "Design Employer Change Risk" has been excluded
- "Employer Other Risk Estimate" has been excluded

1.07 Assumptions Made

The following assumptions have been made:

- 4nr affordable flats only
- An allowance of £30k has been included for costs associated with archaeology
- Trees around perimeter of site to be retained where possible
- Low level wire fencing to perimeter of site boundary required
- Percentages for fees, marketing, acquisition costs etc assumed. See Summary for percentages included
- Sales Valuations are in accordance with Urban Surveying & Design recommendations

1.08 Exclusions

The following exclusions are made:

- Inflation on construction costs
- Substation
- Abnormal ground conditions
- Any works required by Highways
- Major service diversions
- Loose fittings and equipment
- Ground remediation works
- VAT
- Show apartments and marketing costs

1.09 Information Used in the Preparation of this Report

The following Consultants have provided information as follows:

Urban Surveying & Design

16.859.MB.PL01 Rev. B - Proposed Site Plan

Miles & Barr

Sales Valuation

BCIS

£/m2 Study (03-Mar-2018)

1.10 Definitions

Overheads & Profit – Overheads & Profit is the money the Contractor makes after accounting for all costs and expenses. The profit percentage a contractor might apply to their tender price will vary according to risk, workload and economic climate. This cost also includes the company overheads such as administration staff, their office and other company overheads

Main Contractor Design Fees - Includes for fees related to items of the design that are not yet complete and will need to be completed on appointment of the Main Contractor

Preliminaries – Main Contractor’s Preliminaries are the costs required by the Main Contractor to run the construction project. This cost will include any staff and management costs, provision of any facilities such as welfare facilities, offices, stores, etc, temporary water and electric supplies, small plant and tools, scaffolding and the like

Design Development Risk - This is a contingency used pre construction for unknowns during the early design stages. As the design progresses and the brief becomes clear, this allowance reduces

Construction Contingency - This is a client contingency which is set aside for unknowns during construction works

Employer Change Risk - This is a contingency to cover a potential change in the Client's brief during the design stages

Employer Other Risk - This is a contingency to cover any other items not included in the above definitions

Inflation - This is a percentage uplift to cover the inflationary increase of construction materials and rates from the date they are priced to the date the works start on site. The percentage uplift is in accordance with the guidelines obtained from the Building Cost Information Services (BCIS)

Professional Fees - This sum includes for fees paid by the Client to its Consultants which may include Project Manager, Quantity Surveyor, Architect, Structural Engineer, Services Engineer etc.

Other Fees - Other fees include for other items paid for by the Client such as surveys

Statutory Fees - This sum includes for fees paid for by the Client for Planning, Building Control, Highways etc.

Client FF&E - This allowance is for loose fixtures, fittings and equipment which are to be purchased directly by the Client and do not form part of the contract works with the Contractor. This can include, desks, tables, chairs, computers, telephones and the like

SECTION NR. 2
COST ESTIMATE

Section 2A - Viability Assessment

Ref	Description	Quant	Unit	Total	Cost/m2	£/sqft
				Gross Internal Floor Area (m2)	3,468	37,329
	Development Value (DV)					
	Sales Valuation					
	<u>Affordable Housing Units (60% of DV)</u>					
	2 bed flat with parking	4	Nr	420,000	121	11
	<u>Private Units</u>					
	2 bed flat with parking	4	Nr	700,000	202	19
	2 bed semi-detached house with parking	6	Nr	1,290,000	12	1
	2 bed detached house with parking	1	Nr	245,000	71	7
	3 bed semi-detached with parking	17	Nr	4,420,000	1,275	118
	3 bed detached with garage	1	Nr	285,000	82	8
	3 bed semi-detached with garage	7	Nr	1,925,000	555	52
	4 bed detached house with double garage	3	Nr	975,000	281	26
A	Gross Development Value (GDV)			10,260,000	2,599	242
	Purchaser's Costs					
	Stamp duty	4.00%		40,000	12	1
	Agent Fee	1.00%		10,000	3	-
	Legal Fee	0.50%		5,000	1	-
B	Purchaser's Costs			55,000	16	1
C	Net Development Value (NDV) (A-B)			10,205,000	2,583	241
	Development Costs (DC)					
	Construction Costs (as Construction Summary)			6,632,161	1,912	178
	Fees					
	Professional Fees	8.00%		530,573	153	14
	Other Fees (Surveys)			30,000	9	1
	Statutory Fees (Planning & Building Control)			45,000	13	1
	Contributions					
	Primary Education; Flats (£831 x 8)			6,648	2	-
	Primary Education; Houses (£3,324 x 35)			116,340	34	3
	Secondary Education			113,271	33	3
	Libraries			2,305	1	-
	Play			37,625	11	1
	SPA Contributions (£408 per unit)			17,544	5	-
	Marketing & Sales					
	Marketing	1.00%		102,600	30	3
	Sales Agent Fee	1.00%		102,600	30	3
	Sales Legal Fee	0.50%		51,300	15	1
	Finance					
	Interest on borrowing	10%		778,797	225	21
	Developer's Profit					
	Profit based on 15% of Private GDV	15.0%		1,476,000	426	40
	Profit based on 15% of Affordable GDV	15.0%		63,000	18	2
D	Development Costs (DC)			10,105,764	2,917	271
	RESIDUAL LAND VALUE (C-D)			99,236		

Section 2B - Construction Summary

Ref	Description	Quant	Unit	Total	Cost/m2	£/sqft
				Gross Internal Floor Area (m2)	3,468	37,329
	Construction Costs					
	Demolition and Alteration			126,786	37	3
	Building Works			4,787,966	1,381	128
	Site Works			1,057,956	305	28
				5,972,708	1,722	160
	Main Contractors Overheads & Profit	10.00%		597,271	172	16
	Main Contractor Preliminaries			Incl	Incl	Incl
	Building Warranties			62,182	18	2
	Main Contractors Design Fees and Other Costs			Incl	Incl	Incl
	Sub Total			6,632,161	1,912	178
	Risk Allowances					
	Design Development Risk			Incl	Incl	Incl
	Construction Contingency			Incl	Incl	Incl
	Employer Change Risk			Excl	Excl	Excl
	Employer Other Risk			Excl	Excl	Excl
	Sub Total			£ 6,632,161	£ 1,912	£ 178
	Inflation Allowance					
	Tender Inflation Risk			Excl	Excl	Excl
A	Anticipated Contract Sum			£ 6,632,161	£ 1,912	£ 178
	VAT (Current Rate) On Construction Cost			Excl	Excl	Excl
B	Total Construction Cost			£ 6,632,161	£ 1,912	£ 178

Section 2.01 - Demolitions & Alterations

Ref	Description	Quant	Unit	Rate	Total
A	<p><u>Site Clearance</u></p> <p>Clear site vegetation; including removal of trees and stumps</p>	11,526	m2	11	126,786
Total Demolitions & Alterations To Summary					126,786

Section 2.02 - Building Works

Ref	Description	Quant	Unit	Rate	Total
	<u>Affordable Housing (BCIS lower quartile)</u>				
A	4No. 2 bed, 4 person flats	280	m2	1,532	428,960
	<u>Private Housing (BCIS median quartile)</u>				
B	7No. 2 bed, 3 person dwelling	490	m2	1,322	647,780
C	4No. 2 bed, 4 person flats	280	m2	1,532	428,960
D	25No. 3 bed, 4 person dwelling	2100	m2	1,322	2,776,200
E	3No. 4 bed, 6 person dwelling	318	m2	1,322	420,396
F	Car ports (to Units 2, 12, 13, 40, 41, 42 & 43)	123	m2	280	34,440
G	Garages (to Units 37, 38, 39)	109	m2	470	51,230
Total Building Works To Summary					4,787,966

Section 2.03 - Site Works

Ref	Description	Quant	Unit	Rate	Total
	<u>External Works: including sub-bases</u>				
A	Vehicular roads; tarmac; (highway standard - 4.8m wide)	1848	m2	186	343,728
B	Parking spaces; brick paviments	1275	m2	84	107,100
C	Pedestrian paths; brick paviments or similar	93	m2	78	7,254
D	Pedestrian paths; tarmac	776	m2	50	38,800
E	Maintenance strip	253.9	m2	50	12,695
F	Topsoil and turfing	5052	m2	22	111,144
G	Garden fence	1157	m	34	39,338
H	Garden gates	32	Nr	168	5,376
J	Secure play space gates	2	Nr	392	784
K	Picket fencing to gardens	139	m	34	4,726
L	Perimeter fence; low level wire fence	252	m	22	5,544
M	Locked gates for maintenance strip	3	Nr	896	2,688
N	Trees; small	50	Nr	224	11,200
P	Trees; large	24	Nr	560	13,440
Q	Shrubs etc.	123.1	m	6	738
R	Perimeter planting	468	m	56	26,208
S	Works to site entrance	1	lt	2,240	2,240
T	Traffic calming arrangement; TBC	1	lt	560	560
U	Signage	1	lt	1,680	1,680
V	Costs associated with archaeology	1	lt	33,600	33,600
Total Carried Forward					768,843

Section 2.03 - Site Works

Ref	Description	Quant	Unit	Total	Cost/m2	
		Total Brought Forward				768,843
	<u>Foul and Surface Water Drainage</u>					
A	Below ground drainage; to buildings (£1,248 per unit)	3577	m2	17	60,809	
B	Below ground drainage; to hardstandings and adopted highway (approximately 12nr soakaways, gulleys etc)	3904	m2	18	70,272	
C	Mains sewer connections	43	Nr	448	19,264	
	<u>External Services</u>					
D	Gas installations	43	Nr	336	14,448	
E	Electrical installations	43	Nr	1,232	52,976	
F	Water installations	43	Nr	1,008	43,344	
G	External lighting to highway	1	lt	22,400	22,400	
H	Hydrants	1	lt	5,600	5,600	
		Total Site Works To Summary				1,057,956

APPENDIX A
BCIS DATA

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 03-Mar-2018 12:20

> Rebased to Thanet (112; sample 15)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (15)	1,390	666	1,206	1,354	1,539	3,179	1199
810.1 Estate housing							
Generally (15)	1,362	665	1,164	1,327	1,502	4,516	1821
Single storey (15)	1,522	774	1,299	1,466	1,728	4,516	301
2-storey (15)	1,327	665	1,153	1,300	1,453	2,650	1381
3-storey (15)	1,340	862	1,097	1,276	1,497	2,790	136
4-storey or above (20)	2,762	1,439	-	2,521	-	4,327	3
810.11 Estate housing detached (15)	1,718	1,040	1,287	1,561	1,799	4,516	22
810.12 Estate housing semi detached							
Generally (15)	1,359	684	1,172	1,330	1,502	2,537	420
Single storey (15)	1,548	956	1,334	1,517	1,727	2,537	75
2-storey (15)	1,322	684	1,164	1,301	1,453	2,326	325
3-storey (15)	1,241	926	1,033	1,180	1,342	1,999	20
810.13 Estate housing terraced							
Generally (15)	1,382	665	1,160	1,329	1,537	4,327	395
Single storey (15)	1,514	1,004	1,269	1,430	1,779	2,269	49
2-storey (15)	1,357	665	1,155	1,319	1,509	2,650	286
3-storey (15)	1,345	877	1,094	1,267	1,448	2,790	59
4-storey or above (5)	4,327	-	-	-	-	-	1
816. Flats (apartments)							
Generally (15)	1,617	795	1,356	1,546	1,820	5,483	962
1-2 storey (15)	1,532	938	1,315	1,475	1,691	2,878	235
3-5 storey (15)	1,596	795	1,351	1,540	1,817	3,205	642
6+ storey (15)	2,019	1,189	1,630	1,941	2,148	5,483	81

APPENDIX B
MILES & BARR SALES VALUATION

Mr Scott Rigden
Urban Surveying & Design
The Old Bakery, 22 Church Street,
St. Peters,
Broadstairs,
Kent
CT10 2TT

17th April 2018

Dear Scott,

Re: Brooke Avenue, Margate, Kent

Further to our recent meeting and request for a revised appraisal of the above site I now have pleasure in confirming our figures. I, Joe Bull, our Branch Manager in Cliftonville and his Valuation Team were all involved with the pricing of the units. To give you some background to us we opened our first office in 1999, we now employ 225 people across our sales, lettings, financial departments. We have 12 sales offices & 3 lettings hubs from Faversham to Folkestone, we completed on over 2200 transactions in 2017 and have been I'm proud to say the leading independent Estate Agents in the South East of Kent for well over 15 years. I personally have worked in the industry for over 26 years and have been involved with many developer clients with land buying, consultancy and the marketing of new homes during this period. I believe it is important to state that when we appraise any site we take into consideration the following;

- 1) Location, and the surrounding areas within a half mile radius
- 2) Present market conditions. Stock v Demand. House Price inflation
- 3) Buyer Profiles
- 4) Marketing Strategy

Location:

The development of 43 units at Brooke Avenue, has been part of the Thanet Council Local Plan for many years, we believe this satisfies the market at exactly the right level for housing that is affordable, from first time buyers to families looking for larger houses. The land is situated next to a 1930's housing development, this provides reasonable sized semi-detached housing but is quite dated. The new development will stand out from properties in the near vicinity and will be attractive for both private purchase as well as investors and will be an extremely desirable location.

Brooke Avenue is situated off the A28 which is 5 minutes' drive from the centre of Margate, and the Station, and 10 minutes' drives from the A299 and M2 which leads directly to the M25 and London. Margate station forms part of the high-speed rail link which takes commuters into St Pancras Station, London in 88 minutes and is fast becoming a popular destination for commuters wishing to take advantage of the significantly cheaper housing prices than those in many of the established commuter towns slightly closer to London.

head office | milesandbarr.co.uk

miles&barr Innovation House, Innovation Way
Discovery Park, Sandwich, Kent CT13 9FF

tel: 01304 617 441 email: accounts@milesandbarr.co.uk

Miles & Barr Ltd, Innovation House, Innovation Way,
Discovery Park, Sandwich, Kent, CT13 9FF
Incorporated in England No. 4991085

This, along with the 'Arts and Crafts' movement, led by the Turner Contemporary Gallery, and the regeneration of the tourist attractions has made Margate now also referred to as 'Shoreditch by the Sea' and the surrounding areas a very desirable location to live

Present Market Conditions:

We have experienced in the last 2/3 years very strong demand along our South-East coastline with over a million completions across the UK in 2015, 2016 and most likely we will see similar numbers in 2017. With the governments new homes target of 1 million homes to be built by the end of 2020 they are currently behind schedule. With an increasing population, not enough stock and not enough new homes being built I do believe it is a fair comment that unless the property market gets flooded with stock in the next 2/3 years market conditions are likely to remain the same. Post Brexit house price inflation has been more measured with an average price increase in the region of 3 – 4%, compared with recent increases of 25-30% since 2012/2013, with Economists predicting similar annual house price growth over the next 2/3 years we don't anticipate any major price fluctuations over the next 36 months.

Buyer Profile:

Since we opened our Cliftonville Office in January 2000 we have worked with a multitude of buyer clients and given the location, design and views that the development affords we believe that the major interest will come from the following profiles

Weekend / holiday homes, over 50% of our buyers in Margate have been coming in via our marketing and London office connections with clients looking to downsize, out of town retirees & with the HS1 rail services into London St Pancras (83 minutes) we can see the development being very attractive with Professionals who would be willing to make the daily commute due to affordability and the opportunity of owning a brand new home in an up and coming area and finally investors who still find the returns and capital gains attractive.

Marketing:

We believe that the marketing needs to reach three main audiences, Specific targeted buyers local and national, quite simply the more people who we can connect with through our marketing the more enquiries we will generate (more viewings if a marketing suite open) which will evolve into more offers. We have over 100 years marketing experience within our team many years of experience selling iconic land mark developments through this time such as The Horse bridge in Whitstable in 2002/2003 a mixed use development, St Andrews Place Broadstairs which was a 3-block apartment scheme sold in 2005/6, Seascape in Sandgate a development of high end apartments in 2014 and most recently in Broadstairs a scheme of converted apartments and an old school in 2016 and 2017. We are currently working with Kentish Projects @ Fisherman's Beach in Hythe a mix of 43 high end beach front villas, town houses and apartments of which we secured 60% of the sales off plan. Subject to your needs we are confident that we will be able to provide you with innovative, contemporary forward-thinking marketing solutions. I have included below a marketing strategy which I believe would be valuable in securing early reservation off plan if required.

Off Plan Sales Release – dates to be agreed.

A discreet invitation only service to existing members of the Miles & Barr data base via email with a brochure, CGI's, floor plans, a full legal pack and draft service charge schedule and a select number of apartments (units to be identified and agreed) plus price list showing a discount / incentive to gain their early commitment if applicable

Marketing Suite Launch – dates to be agreed

A local launch for the development, with a fully equipped sales suite on site preferably, with brochures, a full advertising and PR campaign across all media platforms to be agreed and a dedicated team to handle all leads and enquiries.

head office | milesandbarr.co.uk

miles&barr Innovation House, Innovation Way
Discovery Park, Sandwich, Kent CT13 9FF

tel: 01304 617 441 email: accounts@milesandbarr.co.uk

Miles & Barr Ltd, Innovation House, Innovation Way,
Discovery Park, Sandwich, Kent, CT13 9FF
Incorporated in England No. 4991085



Grand Opening – dates to be agreed

A full public launch for the opening of the site to incorporate revised marketing materials and advertising. Show home opens.

Pricing

Below we have summarised the recommend sales values of each type of house on the proposed Brooke Avenue Development.

4	£175,000	£420,000	2 Bed Flats with Parking (Affordable Housing Units – 60% of DV)
3	£325,000	£975,000	4 Bed Detached with Double Garage
7	£275,000	£1,925,000	3 Bed Semi-Detached with Double Garage
17	£260,000	£4,420,000	3 Bed Semi-Detached
6	£215,000	£1,290,000	2 Bed Semi-Detached & Terraced
4	£175,000	£700,000	2 Bed Flats with Parking
1	£245,000	£245,000	2 Bed Detached with Parking
1	£285,000	£285,000	3 Bed Detached with Garage
GDV		£10,260,000	

PLEASE NOTE: This letter offers market advice only and does not represent a formal valuation and should not be relied upon for any part of its content to a third party.

Thank you once again for your time and the opportunity to look at the development on your behalf. We believe that this scheme will prove to be very popular and would relish the opportunity of working with you moving forward in 2018 and beyond. Please do not hesitate in contacting me if you have any further questions or require any further information after reading through the document. I look forward to speaking with you soon.

Yours sincerely,



Stuart Barr MARLA MNAEA

Director Land & New Homes
Miles & Barr
My direct contact details
07971 007 706
stuartbarr@milesandbarr.co.uk

head office | milesandbarr.co.uk

miles & barr Innovation House, Innovation Way
Discovery Park, Sandwich, Kent CT13 9FF

tel: 01304 617 441 email: accounts@milesandbarr.co.uk

Miles & Barr Ltd, Innovation House, Innovation Way,
Discovery Park, Sandwich, Kent, CT13 9FF
Incorporated in England No. 4991085