



Financial Viability Assessment

Shottendane Road, Margate

Gladman Developments Limited

June 2020

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1 Executive Summary

This Financial Viability Assessment has been prepared by JLL on behalf of Gladman (the “Client”/ the “Applicant”) in relation to the proposed outline planning application of the land at Shottendane Road, Margate, Kent also referred to as “the site”. The proposed re-development of the site will provide up to 450 residential dwellings, parking, open space and a new distributor link road.

The residential development has been brought forward on open agricultural land. In accordance with the Draft Local Plan to 2031, residential development schemes for more than 10 dwelling units shall be required to provide 30% of the dwellings as affordable housing.

The purpose of this report, dated June 2020, is to consider, in an open book format, the financial viability of the proposed scheme taking into account development costs and anticipated value of the proposed development on completion. The proposed level and mix of affordable housing provision on the site and planning obligations are commented on within this report, along with supporting rationale and evidence.

The Residual Land Value derived through the detailed viability assessment is considered within the context of the appropriate Benchmark Land Value in accordance with the National Planning Practice Framework 2019 (“NPPF”) and the Planning Practice Guidance (PPG) on Viability.

Costs, values and timescales associated with the delivery of the scheme have been considered in detail and supported by specialist input from third party consultants where appropriate. Values and costs are based upon current day opinions and evidence. The development appraisals pertaining to the proposed scheme have been modelled using recognised residual appraisal software - Argus Developer.

Policy SP20 of the Draft Local Plan seeks a provision of 30% of units as Affordable Housing units on sites delivering 10 or more dwellings. Although still in draft, we understand adoption is aiming for the 9th July 2020 and therefore sufficient weight is now being given to this policy and the proposed scheme will be tested against this requirement. The policy does not state a tenure mix required for developments in the most recent draft however, we understand there is a requirement for a greater proportion of Affordable Rent units.

The site is included as an allocated site within the Draft Local Plan and was subject to viability study at the evidence base stage in 2018. This however pre-dated the NPPF 2019 changes which placed an emphasis of detailed site specific viability assessments of allocations. Furthermore, this assessment was undertaken on the basis of the emerging allocation for 550 units rather than the proposed outline scheme of 450 units. Consequently we consider that an application stage viability assessment is justified.

A provision of 10% affordable housing is proposed. The affordable housing is offered in addition to the provision of mandatory financial Section 106 contribution of approximately £2,940,269 as advised by the applicant as well as significant infrastructure improvements including a new distributor line road and upgrades to Shottendane Road.

We have undertaken an appraisal to demonstrate the Residual Land Value for the proposed scheme. The Residual Land Value that results is £2,838,920 which, when compared to the Benchmark Land Value of £4,742,750, results in a current day deficit of £1,903,830. Despite this the applicant is committed to delivering the scheme as proposed.

A simplified summary of our appraisal is provided overleaf:

Appraisal Inputs	Amount	Comment
Revenue		
Gross Development Value	£115,007,877	Total revenue received from sales of student and retail investments
Less Costs		
Construction Costs	£76,675,715	Cost of construction, including contingency.
On Costs	£18,810,152	Acquisition Costs, Professional Fees, Disposal Costs, S106/CIL, and Finance Costs.
Profit / Risk Return	£19,522,010	Profit / Risk Return required to undertake the project.
=		
Residual Land Value	£2,838,920	This is the amount left after all revenue and costs (including profit requirement) are accounted for.
Compared to		
Benchmark Land Value	£4,742,750	Appropriate land cost, having regard to planning policy, reflecting the existing use and disregarding amount paid.

2 Introduction

2.1 Overview

This Financial Viability Assessment has been prepared by JLL on behalf of Gladman Developments Limited (the “Client”/ the “Applicant”) in relation to the proposed scheme at Shottendane Road, Margate, also referred to as “the site”.

2.2 Report Structure

The structure of this Viability Assessment is as follows:

- Section 3 provides an introduction to the site and area;
- Section 4 sets out the details of the proposed scheme;
- Section 5 outlines the affordable housing context in policy terms;
- Section 6 provides details of the methodology used to assess the viability of the proposed scheme, including details of the site benchmark value;
- Section 7 details the development programme assumed;
- Section 8 details the values associated with the private residential uses;
- Section 9 details the values associated with the affordable residential uses;
- Section 10 sets out details of the build costs and development programme;
- Section 11 sets out the appraisal assumptions; and
- Section 12 outlines the viability results and conclusions.

2.3 Key Information Relied Upon

We have been provided with, and relied upon, the following key information:

- Accommodation Schedule;
- BCIS cost estimates
- Additional cost breakdown (Gladman);
- S106 Contribution Estimate (Gladman);
- Location Plan 101 (CSA environmental, drawing no CSA/4430/120/B, dated April 2020); and
- Development Framework Plan (CSA Environmental, drawing no CSA/4430/104, dated July 2019).

2.4 Status

This report and its contents have been prepared specifically to support the planning application and viability discussions in respect of the proposed redevelopment of the site. The report and appraisals may be used to inform negotiations between the Council and the Applicant regarding affordable housing and financial planning contributions.

This report complies with the RICS Professional Statement *‘Financial viability in planning: conduct and reporting’* (1st Edition, May 2019). We can confirm that all RICS members inputting into this assessment have acted objectively, impartially, without interference and with reference to all appropriate available sources of information. We are not involved with area-wide assessments within the borough. Furthermore, in preparing this report, no performance related or contingent fees have been agreed.

This report does not comprise a valuation and, therefore, has not been produced in accordance with the RICS Valuation Standards – Global Standards 2020 or the RICS Valuation – Global Standards 2017 – UK national supplement (The RICS Red Book UK National Supplement): effective 14 January 2019. The advice contained herein cannot be used for purposes other than those mentioned, including loan security purposes and may not be used or duplicated without the prior written consent of JLL.

2.5 Covid 19 Global Pandemic

The Covid-19 global pandemic is having significant impacts upon the UK economy and real estate market with the lockdown and social distancing requirements restricting the use of all types of property assets. Construction sites are currently permitted to continue to operate but only where possible to adhere to social distancing requirements resulting in significant numbers of sites remaining closed or operating at partial productivity. Most site sales suites and estate agents' offices have been closed until relatively recently. Individual homes can of course be occupied but completions and moves were put on hold due to the lockdown and are only returning where social distancing rules permit. Likewise viewings were banned for a period with strict measures now in place for anyone who does want to view a property internally.

In terms of the impact on values and development viability it is self-evident that the effects, both in the near and longer term, of the Covid 19 pandemic will have a significant impact on the property market and in turn development viability. Transaction values have fallen to unprecedented levels and there is a demonstrable correlation between such volumes falling and reductions in values. Notwithstanding this, at the time of writing our report, we are currently at the start of this pandemic and viability assessments are predicated on the basis of present-day values and costs - it is not possible to accurately illustrate the impact on values or costs as at today as the impacts have yet to follow through into the evidence available. Consequently, we have not tried to predict these and currently discounted the impact of Covid 19 on the viability of the proposed scheme.

As a result, our assessment is subject to "material valuation uncertainty" as defined by the RICS. The opinions set out below are undoubtedly more optimistic than the reality of the situation allows for and we reserve the right to amend our opinion at a later date.

3 Background

3.1 Site Description

The site comprises an irregularly 'L' shaped parcel of land, divided by Shottendane Road. The north parcel of land is bordered by Shottendane Road to the south, existing residential dwellings to the east, greenfield land to the west and Hartsdown Road to the north east. The southern parcel of land is bounded by Shottendane Road to the north west, existing residential dwellings to the north east, greenfield land to the south and Manston Road to the south east.

The proposed development is located to the south west of Margate and is within the administrative boundaries of Thanet District Council. The site is located on the existing edge of Margate and as such, is relatively mixed in use with greenfield land and existing residential dwellings, with a nursing home, school and cemetery also in close proximity. Margate Station is located approximately 0.8 miles north of the site. Local amenities can be found on Ramsgate Road, although additional amenities can be found in Margate, 1 mile to the north.

The scheme is required to provide a new distributor link road from Hartsdown Road down to Shottendane Road and Manston Road. Access to the site would be from any of the aforementioned roads, including the new link road.

The development proposes up to 450 dwellings, of varying architypes, providing 2, 3 and 4 bedrooms each.

A location plan is below:



3.2 Communications

The immediate area is served by Hartsdown Road (B2052) running west to meet Canterbury Road (A28) which leads to the M2 near Broughton. The B2052 also runs east to Kingsgate and Broadstairs. Shottendane Road and Manston Road also lead south to the A299, providing a direct route into Canterbury. London Gatwick Airport is located approximately 79 miles west and London City Airport is 73 miles north west.

The site is located 0.8 miles south of Margate Station (a circa 15 minute walk) which is a Southeastern railway station. London Victoria can be reached with a fastest journey time of 1 hour and 51 minutes, whilst London St Pancras is 1 hour 41 minutes away. Ramsgate Road and College Road, east of the subject site, are main bus routes, providing access to Canterbury and Westwood Cross (8 Breeze), Margate (36) and Ramsgate (the Loop).

3.3 Amenities

Some local amenities can be found on Ramsgate Road to the east, including convenience stores and independent takeaway shops. Additional amenities can be found in Margate, including food supermarkets such as Morrisons and College Square Shopping Centre.

The site will be situated adjacent to Margate Cricket Club, whilst Margate Football Club is located on the other side of Hartsdown Road. Tivoli play area is the closest public open space, although Margate Beach is only 0.7 miles (a 15 minute walk) north of the site.