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07 June 2021

Dear Robert,

LAND AT SHOTTERDANE ROAD, MARGATE – VIABILITY DISCUSSIONS & ADDITIONAL AFFORDABLE PROVISION

Introduction and Background

JLL provided a Financial Viability Assessment dated June 2020 in support of planning the proposed scheme at Shottendane Road, Margate. This was reviewed on behalf of Thanet District Council (“TDC”) by Dixon Searle Partnership (“DSP”) in October 2020. The majority of assumptions adopted by JLL were considered appropriate by DSP, though some assumptions were disputed. Following discussions these differences were resolved.

Based upon these revised assumptions the scheme, with a 10% provision of affordable housing, resulted in a Residual Land Value (“RLV”) below that of the agreed Benchmark Land Value (“BLV”). On this basis the scheme and provision of 10% affordable housing was presented to members at planning committee.

Updated Assumptions

The proposed scheme was presented to the Planning Committee in April 2021. Members resolved to defer the application for further consideration of the affordable housing offer. In particular, it was considered that the viability assessment was somewhat out of date, having been conducted in June 2020, and that the sales price increases and build cost inflation that have taken effect since this date should be taken into consideration. As a result, we have considered these changes and the impact on the affordable housing offer.

House Prices

We have reviewed the Nationwide’s House Price Index data quarterly indices for the Outer South East. This demonstrates that there has been a 5.6% increase in house prices for the region between Q2 2020 and Q1 2021 (the latest dataset). We have rounded to 6% and reflected this in our overall GDV for the private sale units. This has increased the total GDV for the site which we have reflected in our updated appraisal which can be found appended to this letter.

Build Costs

We have reviewed the RICS’s Building Cost Information Service (BCIS) Private Housing Construction Price Index which shows a 3% increase in costs between Q2 2020 and Q1 2021. We have reflected this in our updated appraisal which is appended.



Update Appraisal and Additional Affordable Housing

Based upon the above we have calculated that the scheme would provide **an additional 5% affordable housing, (15% overall)**, whilst maintaining a similar RLV, which equates to circa 68 affordable units. We have appended a summary of our appraisal to this letter. See appendix 1.

This is also on the basis that the level on contributions payable via S106 remains the same as presented in the Heads of terms that were before the Planning Committee in April 2021. This includes retaining the affordable housing tenure split of 80% affordable rent and 20% shared ownership.

Viability Reviews

At present, in the absence of secured funding, the scheme will need to deliver major infrastructure improvements within the development including the link road. This is reflected in the viability assessment results. However, should Major Road Network ('MRN') funding be granted towards these works then the costs will effectively be released to Kent County Council and Thanet District Council under the review mechanisms agreed within the Heads of Terms for the S106 Agreement.

Firstly, in the event of MRN or other infrastructure funding prior to implementation of each phase (as shown on parameter plan or as agreed), a reassessment of development viability is required with updated values and cost information at that time. Any highway cost savings through grant will be provided in full to the Council prior to the occupation of any unit in that phase. The obligation shall be utilised towards the community and highways infrastructure as defined above.

Secondly, a review mechanism requiring two additional assessments of development viability shall be submitted and agreed prior to the occupation of the 200th and 400th dwelling, with updated values and cost information at that time. This occurs whether MRN funding is secured or not. The predefined distribution of any surplus will be provided to the Council for use towards off-site affordable housing in the district within a stated timescale.

As such there is a strong likelihood that additional contributions from the scheme will be provided to the community during the course of the development.

We trust the above is clear but are happy to answer any queries you may have.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Edmund Couldrey', with a long horizontal flourish underneath.

Edmund Couldrey MRICS
Director, JLL

Q1 1993 =100	OUTER S EAST		OUTER MET		LONDON		SOUTH WEST		WALES		SCOTLAND		N IRELAND		UK	
	£	INDEX	£	INDEX	£	INDEX	£	INDEX	£	INDEX	£	INDEX	£	INDEX	£	INDEX
Q1 2012	196097	360.1	243969	352.1	293375	438.2	182272	337.8	129682	267.8	135242	257.8	109562	316.9	162722	324.6
Q2 2012	198112	363.8	249067	359.4	302399	451.7	186172	345.1	131840	272.3	136182	259.5	110422	319.4	164955	329.1
Q3 2012	200276	367.8	247386	357.0	301168	449.9	186366	345.4	132385	273.4	132273	252.1	107719	311.6	163910	327.0
Q4 2012	198009	363.6	246453	355.6	300361	448.7	184625	342.2	131630	271.8	131795	251.2	104282	301.6	162924	325.0
Q1 2013	197564	362.8	247830	357.6	306919	458.4	184591	342.1	132971	274.6	128594	245.1	108610	314.1	163056	325.3
Q2 2013	202132	371.2	253913	366.4	318214	475.3	188923	350.2	133432	275.6	134611	256.6	108116	312.7	167294	333.7
Q3 2013	207129	380.4	261090	376.8	331338	494.9	191422	354.8	137169	283.3	135192	257.7	108671	314.3	170918	341.0
Q4 2013	213007	391.2	267682	386.3	345186	515.6	195196	361.8	139722	288.6	136729	260.6	111612	322.8	174444	348.0
Q1 2014	217534	399.5	273998	395.4	362699	541.8	198325	367.6	139911	288.9	138386	263.7	114495	331.2	178124	355.3
Q2 2014	230409	423.1	295543	426.5	400404	598.1	207420	384.4	145812	301.1	141872	270.4	117150	338.8	186544	372.1
Q3 2014	234370	430.4	298558	430.8	401072	599.1	209121	387.6	144096	297.6	142288	271.2	119782	346.5	188810	376.7
Q4 2014	235538	432.5	301612	435.2	406730	607.5	210847	390.8	141631	292.5	142527	271.6	120685	349.1	189002	377.0
Q1 2015	235747	432.9	306931	442.9	408780	610.6	209585	388.4	139171	287.4	140180	267.2	121052	350.1	188566	376.2
Q2 2015	244119	448.3	315620	455.5	429711	641.9	215363	399.2	144701	298.8	140512	267.8	126525	366.0	194258	387.5
Q3 2015	247286	454.1	326785	471.6	443399	662.3	219781	407.3	146854	303.3	140402	267.6	127562	369.0	195733	390.5
Q4 2015	251296	461.5	334532	482.7	456229	681.5	218905	405.7	142622	294.5	139801	266.4	128481	371.6	197044	393.1
Q1 2016	255325	468.9	344371	496.9	455984	681.1	221703	410.9	141525	292.3	139911	266.7	123225	356.4	198564	396.1
Q2 2016	265638	487.8	354787	512.0	472384	705.6	227447	421.6	145973	301.5	141245	269.2	128562	371.8	204238	407.4
Q3 2016	267151	490.6	358153	516.8	474736	709.1	229907	426.1	146172	301.9	143275	273.1	130581	377.7	206346	411.6
Q4 2016	268656	493.4	357331	515.6	473073	706.6	228611	423.7	146049	301.6	142895	272.3	129385	374.2	205937	410.8
Q1 2017	271655	498.9	356812	514.9	478782	715.2	233665	433.1	143236	295.8	143964	274.4	127921	370.0	206665	412.3
Q2 2017	274836	504.7	362338	522.9	478142	714.2	237525	440.2	148018	305.7	143673	273.8	133449	386.0	209971	418.9
Q3 2017	277519	509.6	365584	527.6	471761	704.7	240832	446.4	149970	309.7	146022	278.3	133659	386.6	211672	422.3
Q4 2017	277030	508.7	361598	521.8	470922	703.4	239576	444.0	150885	311.6	146578	279.4	131989	381.8	211433	421.8
Q1 2018	277242	509.1	363263	524.2	473776	707.7	240361	445.5	151971	313.8	144250	274.9	137965	399.0	211792	422.5
Q2 2018	281752	517.4	365514	527.5	468845	700.3	243182	450.7	153964	318.0	148161	282.4	136211	394.0	214578	428.1
Q3 2018	279858	513.9	364309	525.7	468544	699.9	245434	454.9	154881	319.9	149161	284.3	139374	403.1	216103	431.1
Q4 2018	277117	508.9	356531	514.5	466988	697.5	244304	452.8	156891	324.0	147856	281.8	139599	403.8	214178	427.3
Q1 2019	274122	503.4	355978	513.7	455594	680.5	241683	447.9	153287	316.6	147728	281.6	142484	412.1	212694	424.3
Q2 2019	277227	509.1	358850	517.8	465722	695.7	245767	455.5	160407	331.3	148783	283.6	143343	414.6	215910	430.7
Q3 2019	278134	510.8	358833	517.8	460686	688.1	246658	457.2	159355	329.1	150410	286.7	144053	416.7	216805	432.5
Q4 2019	274316	503.7	357665	516.1	458363	684.7	248238	460.1	159322	329.0	151952	289.6	141015	407.9	215925	430.7
Q1 2020	278838	512.1	358996	518.1	460266	687.5	245326	454.7	163076	336.8	148893	283.8	143438	414.9	217911	434.7
Q2 2020	282936	519.6	364529	526.0	475448	710.2	251392	465.9	162089	334.7	154695	294.8	143437	414.9	220133	439.1
Q3 2020	291404	535.1	376682	543.6	480857	718.3	260316	482.5	165423	341.6	153347	292.3	146152	422.7	224337	447.5
Q4 2020	296291	544.1	377677	545.0	486562	726.8	264512	490.3	169846	350.8	156768	298.8	149382	432.1	229819	458.5
Q1 2021	298804	548.7	379058	547.0	482576	720.8	263033	487.5	174777	360.9	159221	303.5	154012	445.5	231644	462.1

BCIS Private Housing Construction Price Index #861

Base date: 1998 mean = 100 | Updated: 15-Mar-2021 | #861

Date	Index	Sample	Percentage change		
			On year	On quarter	On month
2Q 2019	221	Firm 17	4.2%	0.9%	
3Q 2019	221	Firm 18	3.3%	0.0%	
4Q 2019	223	Firm 19	2.8%	0.9%	
1Q 2020	225	Firm 13	2.7%	0.9%	
2Q 2020	225	Firm 16	1.8%	0.0%	
3Q 2020	226	Firm 17	2.3%	0.4%	
4Q 2020	229	Provisional 19	2.7%	1.3%	
1Q 2021	233	Forecast 18	3.6%	1.7%	

Shottendane Rd, Margate - 10% AH
Scenario 1A - 100% Kent Contribution & PC Tenure
6% PS GDV increase
3% BC increase

**Shottendane Rd, Margate - 10% AH
Scenario 1A - 100% Kent Contribution & PC Tenure
6% PS GDV increase**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
PS units	405	388,258	299.64	287,253	116,337,650
AH units	45	34,446	154.95	118,608	5,337,358
Ground Rents (Apartments)	1	0	0.00	107,493	107,493
Totals	451	422,704			121,782,501

NET REALISATION

121,782,501

OUTLAY

ACQUISITION COSTS

Residualised Price (48.14 Acres @ 88,808.83 /Acre)		4,275,257		4,275,257
Stamp Duty		203,763		
Effective Stamp Duty Rate	4.77%			
Agent Fee	1.50%	64,129		
Legal Fee	0.50%	21,376		
				289,268

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Garages	77 un	10,748	827,605	
Standard Site Works	1 un	1,854,000	1,854,000	
Road and Sewers	1 un	4,486,076	4,486,076	
Public Open Space (NEAP, LEAP)	1 un	103,000	103,000	
Public Open Space (LAP, planting)	1 un	468,650	468,650	
Plot Abnormals	1 un	2,838,938	2,838,938	
Site Abnormals	1 un	3,104,904	3,104,904	
Site Abnormals - Retaining Walls	1 un	1,931,250	1,931,250	
Link Road(access, diversions, islands)	1 un	1,931,250	1,931,250	
Link Road (culvert) + re-align Shottendane Rd	1 un	2,648,624	2,648,624	
Totals			20,194,297	
	ft²	Build Rate ft²	Cost	
Construction Costs	427,677	126.98	54,305,741	
Contingency		5.00%	3,725,002	78,225,040

Section 106 Costs

KCC Contributions		4,373,554		
Thanet Contributions		546,300		
				4,919,854

PROFESSIONAL FEES

Professional Fees		8.00%	5,960,003	5,960,003
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MARKETING & LETTING

PS - Marketing		1.50%	1,745,065	1,745,065
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DISPOSAL FEES

PS - Sales Agent Fee		1.50%	1,745,065	
AH - Sales Agent Fee		1.00%	53,374	
PS - Sales Legal Fee	405 un	850.00 /un	344,250	
AH - Sales Legal Fee		0.50%	26,687	
				2,169,375

FINANCE

Debit Rate 6.500%, Credit Rate 1.000% (Nominal)				
Land			1,536,725	
Construction			2,004,038	
Other			(40,266)	
Total Finance Cost				3,500,498

Shottendane Rd, Margate - 10% AH
Scenario 1A - 100% Kent Contribution & PC Tenure
6% PS GDV increase

TOTAL COSTS **101,084,360**

PROFIT **20,698,142**

Performance Measures

Profit on Cost%	20.48%
Profit on GDV%	17.00%
Profit on NDV%	17.00%

Shottendane Rd, Margate - 15% AH
Scenario 1A - 100% Kent Contribution & PC Tenure
6% PS GDV increase
3% BC increase

**Shottendane Rd, Margate - 15% AH
Scenario 1A - 100% Kent Contribution & PC Tenure
6% PS GDV increase**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
PS units	382	369,851	298.95	289,440	110,565,950
AH units	68	52,853	155.91	121,181	8,240,311
Ground Rents (Apartments)	1	0	0.00	107,493	107,493
Totals	451	422,704			118,913,754

NET REALISATION

118,913,754

OUTLAY

ACQUISITION COSTS

Residualised Price (48.14 Acres @ 60,075.37 /Acre)		2,892,029		2,892,029
Stamp Duty		134,601		
Effective Stamp Duty Rate	4.65%			
Agent Fee	1.50%	43,380		
Legal Fee	0.50%	14,460		
				192,442

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Garages	77 un	10,748	827,605	
Standard Site Works	1 un	1,854,000	1,854,000	
Road and Sewers	1 un	4,486,076	4,486,076	
Public Open Space (NEAP, LEAP)	1 un	103,000	103,000	
Public Open Space (LAP, planting)	1 un	468,650	468,650	
Plot Abnormals	1 un	2,838,938	2,838,938	
Site Abnormals	1 un	3,104,904	3,104,904	
Site Abnormals - Retaining Walls	1 un	1,931,250	1,931,250	
Link Road(access, diversions, islands)	1 un	1,931,250	1,931,250	
Link Road (culvert) + re-align Shottendane Rd	1 un	2,648,624	2,648,624	
Totals			20,194,297	
	ft²	Build Rate ft²	Cost	
Construction Costs	427,677	126.98	54,305,741	
Contingency		5.00%	3,725,002	78,225,040

Section 106 Costs

KCC Contributions		4,373,554		
Thanet Contributions		546,300		
				4,919,854

PROFESSIONAL FEES

Professional Fees	8.00%	5,960,003		5,960,003
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MARKETING & LETTING

PS - Marketing	1.50%	1,658,489		1,658,489
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DISPOSAL FEES

PS - Sales Agent Fee		1.50%	1,658,489	
AH - Sales Agent Fee		1.00%	82,403	
PS - Sales Legal Fee	382 un	850.00 /un	324,700	
AH - Sales Legal Fee		0.50%	41,202	
				2,106,794

FINANCE

Debit Rate 6.500%, Credit Rate 1.000% (Nominal)				
Land			1,029,230	
Construction			2,059,684	
Other			(14,675)	
Total Finance Cost				3,074,238

Shottendane Rd, Margate - 15% AH
Scenario 1A - 100% Kent Contribution & PC Tenure
6% PS GDV increase

TOTAL COSTS 99,028,889

PROFIT 19,884,865

Performance Measures

Profit on Cost%	20.08%
Profit on GDV%	16.72%
Profit on NDV%	16.72%