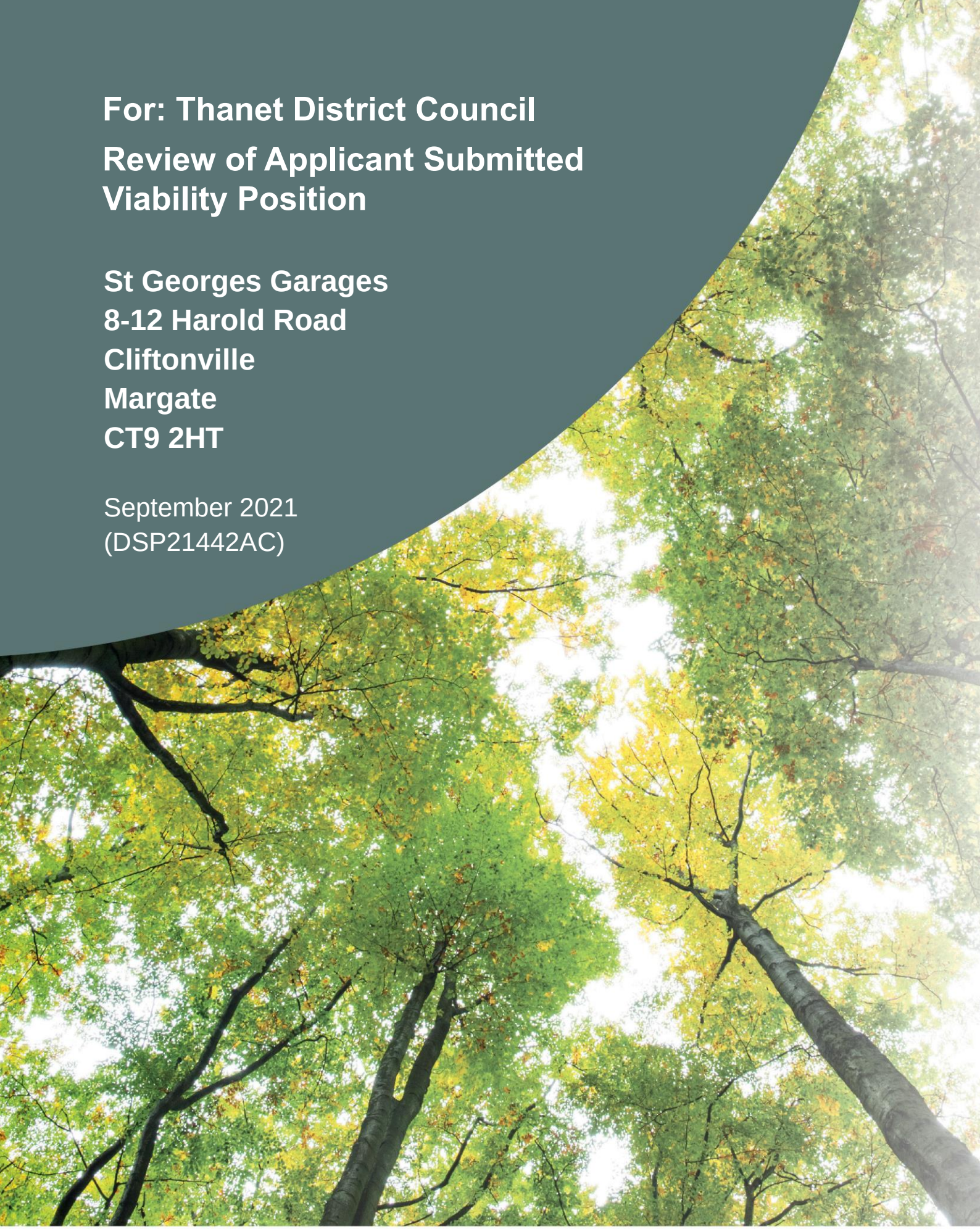
# For: Thanet District Council

# Review of Applicant Submitted Viability Position

## St Georges Garages
## 8-12 Harold Road
## Cliftonville
## Margate
## CT9 2HT

September 2021
(DSP21442AC)



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# 1. Notes and Limitations

1.1.1. The following does not provide formal valuation advice. This review and its findings are intended purely for the purposes of providing Thanet District Council (TDC) with an independent check of, and opinion on, the planning applicant's viability information and stated position in this case. In the preparation of this review Dixon Searle Partnership has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.

1.1.2. This document has been prepared for this specific reason and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned. To the extent that the document is based on information supplied by others, Dixon Searle Partnership accepts no liability for any loss or damage suffered by the client.

1.1.3. We have undertaken this as a desk-top exercise as is appropriate for this stage and level of review. For general familiarisation we have considered the site context from the information supplied by the Council and using available web-based material.

1.1.4. So far as we have been able to see, the information supplied to DSP to inform and support this review process has not been supplied by the prospective / current planning applicant on a confidential basis. However, potentially some of the information provided may be regarded as commercially sensitive. Therefore, we suggest that the Council and the planning applicant may wish to consider this aspect together. DSP confirms that we are content for our review information, as contained within this report, to be used as may be considered appropriate by the Council (we assume with the applicant's agreement if necessary). In looking at '*Accountability*', since July 2018 (para. 021 revised in May 2019), the published national Planning Practice Guidance (PPG) on viability says on this; '*Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.'*

1.1.5. Dixon Searle Partnership conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have been and are involved in the review of other planning stage proposals within the TDC area.

1.1.6. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. This is kept under review. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment.

# 2. Introduction

2.1.1 Dixon Searle Partnership (DSP) has been commissioned by Thanet District Council (TDC) to carry out an independent review of the 'Financial Viability Assessment' (FVA) dated May 2021 and supplied to the Council on behalf of the applicant by DHA Planning Ltd (DHA). This is in relation to the proposed redevelopment of St Georges Garages, 8 – 12 Harold Road, Margate.

2.1.2 The FVA has been submitted in support of a planning application (reference F/TH/21/0688) which seeks permission for the *"Erection of a part five-storey, part four-storey building containing 38.No 2-bed and 1.No 3-bed self-contained flats, with 3.No 4-bed three storey terraced houses, with associated parking, access and landscaping works following demolition of the existing commercial buildings."*

2.1.3 Policy SP23 of the adopted Local Plan for the area (adopted July 2020) states: "*Residential development schemes for more than 10 dwelling units, including mixed use developments incorporating residential and developments with a combined gross floor area of more than 1,000 square meters shall be required to provide 30% of the dwellings as affordable housing*."

2.1.4 The proposed development is, therefore, required to provide 13 units of affordable housing.

2.1.5 The FVA states that the application site is allocated for housing within the Local Plan (2020) for approximately 10 units. Policy CV3 of the Cliftonville Development Plan Document (adopted February 2010) states: "*In new development or redevelopment flats of any size will not be permitted unless it can be clearly demonstrated that there are overriding design or townscape reasons for allowing such development and that no acceptable design solution can be found to accommodate individual family dwellings."*

2.1.6 Therefore, while considering the viability of the proposed scheme including flats, the applicant also seeks to demonstrate why a scheme of houses only is not considered to be viable.

2.1.7 In presenting their viability position, the applicant has supplied to the Council the aforementioned 'Financial Viability Assessment' (FVA) together with the following attached to the FVA as appendices:

- Sold Particulars for 55 Harold Road
- Sold Particulars for 63 Harold Road
- PBC Cost Plan
- BCIS data
- Sibley Pares Existing Use Value
- Appraisal Scenario 1 – Indicative 10 house scheme
- Appraisal Scenario 2 – Proposed Scheme

2.1.8 DSP has also been provided with the 'live' electronic version of the submitted appraisals, carried out using Argus Developer software.

2.1.9 Additionally, we have had sight of the documents contained within the Council's online planning application file.

2.1.10 We have considered the assumptions individually listed within the FVA and provided our commentary based on those whilst also carrying out sensitivity testing using the same appraisal where our opinion differs from that of the applicant's agent.

2.1.11 This report does not consider planning policy or the wider aspects in the background to or associated with the Council's consideration of this scenario. DSP's focus is on the submitted viability assumptions and therefore the outcomes (scope to support land value and profit) associated with that aspect of the overall proposals.

2.1.12 For general background, a viable development could be regarded as the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value (i.e. existing use value) for the landowner and a market risk adjusted return to the developer in delivering that project. The Government's Planning Practice Guidance on Viability sets out the main principles for carrying out a viability assessment. It states:

*'Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return…Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available.*

*Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making…In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'*

2.1.13 The submitted development appraisal has been run in a way which takes account of the benchmark land value (BLV) of the site and assesses the level of additional residual potentially available in excess of that after allowing for a fixed developer's profit (assumed at 20% GDV). Therefore, an approach has been taken that sets out to consider, in the applicant's view, the maximum supportable financial contribution for affordable housing.

2.1.14 The FVA considers two scheme scenarios given the policy position and submission approach as noted above – Scenario 1 "*The Indicative Housing Scheme*" and Scenario 2 "*The Proposed Scheme*". The Indicative Housing Scheme is based on an assumption that the application site could provide 10no. 4-bedroom dwellings at 1,280 $ft^2$ (119$m^2$).

2.1.15 The FVA states that: "*both the (*indicative) *housing scheme and proposed scheme would produce a residual land value which is well below the benchmark land value and confirms that the proposed development would be unable to provide the affordable housing or Section 106 contributions being sought by the Council."* The FVA provides the following summary table, which indicates a negative residual land value for both scenarios using the submitted assumptions.

| Appraisal Inputs | Scenario 1 | Scenario 2 |
|---|---|---|
| **Assumption** | **10 houses** | **37 apartments / 3 houses** |
| Gross Development Value (GDV) | £3,600,000.00 | £9,181,000.00 |
| Total Costs (excl. residual land value) | £2,537,098.00 | £6,746,997.00 |
| **Residual Land Value** | **£342,902.00** | **£597,803.00** |
| **Profit on GDV** | **20.0%** | **20.0%** |

2.1.16 The FVA goes on to state that when utilising a fixed land value of £1,016,400 (described within the FVA as the existing use value plus a premium to the landowner), "*the indicative*

*housing scheme would produce a profit of -1.28% on GDV and would therefore be unviable and undeliverable.*

*The proposed scheme would produce a profit of 14.51% which is still below what would be considered a suitable return to developers in line with Planning Practice Guidance at 15-20% on GDV."* The FVA confirms that the applicant is willing to accept a lower return in order to bring the site forward for development.

2.1.17 This review does not seek to pre-determine any Council positions, but merely sets out our opinion on the submitted viability assumptions and outcomes in order to inform the Council's discussions with the applicant and its decision making; it deals only with viability matters, in accordance with our instructions. DSP's remit is to review the submitted information to assess whether the stated viability scope available to support planning obligations (for affordable housing and/or other matters) is the most that can reasonably be expected at the time of the assessment. Our brief does not go as far as confirming what should be the outcome where schemes are stated or verified as being non-viable per se, based on a viability submission or any subsequent review. It is for the applicant to decide whether there is sufficient justification to pursue a scheme, financially. While an absence of (or insufficient level of) planning obligations will be a material consideration, we are not aware that proof of positive viability is in itself a criterion for acceptable development under current national policy. The Council may wish to consider these matters further, however.

2.1.18 In this context, Thanet District Council requires our opinion as to whether the viability figures and position put forward by the applicant are reasonable. We have therefore considered the information submitted. Following our review of the key assumptions areas, this report provides our views.

2.1.19 We have based our review on the submitted FVA and the premise that the viability of the scheme should be considered based on the assumption of current costs and values. We then discuss any variation in terms of any deficit (or surplus) created from that base position by altering appraisal assumptions using the provided live appraisal file (where there is disagreement if any).

2.1.20 This assessment has been carried out by Dixon Searle Partnership, a consultancy which has over 40 years combined experience in the development industry working for Local Authorities, developers, Housing Associations and in consultancy. As consultants, we have a

considerable track record of assessing the viability of schemes and the scope for Local Authority planning obligation requirements. This expertise includes viability-related work carried out for many Local Authorities nationwide over the last 18 years or so.

2.1.21 The purpose of this report is to provide our overview comments with regard to this individual scheme, on behalf of the Council - taking into account the details as presented. It will then be for the Council to consider this information in the context of the wider planning objectives in accordance with its policy positions and strategies.

2.1.22 In carrying out this type of review a key theme for us is to identify whether, in our opinion, any key revenue assumptions have been under-assessed (e.g. sales value estimates) or any key cost estimates (e.g. build costs, fees, etc.) over-assessed – since both of these effects can reduce the stated viability outcome.

# 3. Review of Submitted Viability Assumptions

## 3.1 Overview of Approach

3.1.1 The following commentary reviews the applicant's submitted viability assumptions as explained within the FVA and the accompanying development appraisals.

3.1.2 Primarily the review process takes into account the fact that the collective impact of the various elements of the cost and value assumptions is of greatest importance, rather than necessarily the individual detailed inputs in isolation. We have considered those figures provided, as below, and reviewed the impact of trial changes to particular submitted assumptions.

3.1.3 This type of audit / check is carried out so that we can give the Council a feel for whether or not the result is approximately as expected – i.e. informed by a reasonable set of assumptions and appraisal approach.

3.1.4 Should there be changes to the scheme proposals this would obviously impact on the appraisal outputs.

## 3.2 Benchmark Land Value

3.2.1 In all appraisals of this type, the base value (value of the site or premises – e.g. in existing use) is one of the key ingredients of scheme viability. A view needs to be taken on land value so that it is sufficient to secure the release of the site for the scheme (sale by the landowner) but is not assumed at such a level that restricts the financial capacity of the scheme to deliver suitable profits (for risk reward), cover all development costs (including any abnormals) and provide for planning obligations as a part of creating sustainable development. This can be a difficult balance to reach, both in terms of developers' dealings with landowners, and Councils' assessments of what a scheme has the capacity to bear.

3.2.2 The RICS (Royal Institution of Chartered Surveyors) has recently issued a new guidance note: 'Assessing viability in planning under the national Planning Policy Framework 2019 for England' (1st Edition, March 2021). This is effective from 1st July 2021 and replaces the previous (RICS 2012) guidance note. Its emphasis reflects the Planning Practice Guidance

(PPG) on Viability as noted below, and the PPG will remain the primary source of guidance in this field – viability in planning.

3.2.3 The2021 RICS guidance states that:

*'The BLV should not be expected to equate to market value. […] The BLV is not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers' contributions can be assessed. It should be set at a level that provides the minimum return at which a reasonable landowner would be willing to sell'*

It goes on to state:

*'The BLV is a benchmark value against which the developer contributions can be assessed. Once those contributions have been set, land markets should take the level of policy requirements in to account, just as all markets should take all relevant factors that affect value into account. PPG paragraph 013 states that* 'Landowners and site purchasers should consider policy requirements when agreeing land transactions'*. This means that the actual price paid for a site cannot be used to reduce developer contributions.'*

3.2.4 The viability section of PPG and the new NPPF[1] very clearly advise that land value should be based on the value of the existing use plus an appropriate level of premium or uplift to incentivise release of the land for development from its existing use. With regard to how land value should be defined for the purpose of viability assessment it states: *'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner.'*

3.2.5 The guidance defines existing use value as: *'the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield. Sources of data can include (but*

[1] Planning Practice Guidance (PPG) on Viability and the revised National Planning Policy Framework last updated 20th July 2021

*are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'*

3.2.6 It states that a Benchmark Land Value should:

- *'be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
- *be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.'*

3.2.7 The guidance further states that: *'Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.'* It goes on to state: '*Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement.)'*

3.2.8 With regard to assuming an alternative use value to determine BLV the guidance states: *'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should*

*be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.'*

3.2.9 It is therefore clear that the only acceptable approach to defining a benchmark land value for the purposes of a viability assessment, is the EUV+; or, exceptionally, AUV.

3.2.10 In this case, the site is described as a commercial garage, car dealership and workshop arranged over a number of buildings and measuring 0.34 ha. The submitted BLV of £1,016,400 has been based on an EUV, £847,000 and a landowner's premium of 20% (premium of £169,400 – although stated as £84,700 in the FVA).

3.2.11 The submitted EUV is based on a valuation prepared Sibley Pares Chartered Surveyors and Estate Agents (SP), included as Appendix 5 to the FVA.

3.2.12 The premises comprise various commercial buildings and a residential flat. For the submitted view of EUV, SP have assessed the commercial floorspace rents as follows:

| | Size | Rate | Total | Say | |
|---|---|---|---|---|---|
| Back Left | 5413 | £3.50 | £18,946 | £19,000 | pa |
| First Floor Office | 675 | £3.00 | £2,026 | £2,000 | pa |
| Ground Floor Store | 1002 | £1.50 | £1,503 | | |
| Showroom | 3035 | £4.50 | £13,658 | | |
| Workshop | 7335 | £2.50 | £18,337 | | |
| Total | | | £33,498 | £33,500 | pa |
| Back Right | 3465 | £4.50 | £15,594 | £15,500 | pa |
| | | | Total | £70,000 | pa |

3.2.13 SP note that the assumption is higher than the current rent receivable but state that this: '*in part, is potentially due to the fact that the leases are on Tenancies at Will save as for the central St George's Garage part. In order to maximise the rental income, these leases will need to be broken and new ones granted'.* SP allow for 6 months at passing rent followed by a 6-month void for the central St George's Garage, which they assume would require a Section 25 notice (Landlord and Tenant regulations regarding vacant possession proceedings). The rent income assumed from the Tenancies at Will has also been deferred by 6 months.

3.2.14 The rents have been capitalised using the following assumptions, to arrive at a capital (investment) value of £727,188.

| **Back Left Unit** | | | |
|---|---|---|---|
| Market Rent | £19,000 | pa | |
| YP Perp @ 9% | 11.1111 | | |
| Deferred 1 year @ 9% | 0.9578 | | |
| | | | £202,202 |

| | | | | |
|---|---|---|---|---|
| **Central St Georges Garage** | | | | |
| **Unit** | | | | |
| Term | | | | |
| Passing Rent | £9,196 | pa | | |
| YP 0.5 years @ 8% | 0.4719 | | | |
| | | £4,340 | | |
| Reversion | | | | |
| Market Rent | £33,500 | pa | | |
| YP Perp @ 9% | 11.1111 | | | |
| Deferred 1 year at 9% | 0.9174 | | | |
| | | £341,476 | | |
| | | | £345,816 | |
| **Rear Right Hand Unit** | | | | |
| Market Rent | £15,500 | pa | | |
| YP Perp @ 9% | 11.1111 | | | |
| Deferred 1 year @ 9% | 0.9174 | | | |
| | | | £157,997 | |
| **First Floor Office** | | | | |
| Market Rent | £2,350 | pa | | |
| YP Perp @ 11% | 10 | | | |
| Deferred 1 year @ 10% | 0.901 | | | |
| | | | £21,174 | |
| Total | | | | £727,188 |

3.2.15 The PS valuation for the commercial buildings is equivalent to an assumed capital value of £34.75/ft² based on a floor area of 20,925 ft².

3.2.16 We have researched comparable properties as far as available using the CoStar commercial database and Rightmove commercial.

3.2.17 The following property is currently advertised for sale in Broadstairs and consists of 3 units and an external yard. We have been unable to find detailed floor areas for the premises for comparison purposes. However, the property includes buildings in use as an MOT centre and other industrial units, and is being marketed with potential for redevelopment, at £695,000.


3.2.18 The average achieved rent in the past 5 years for light industrial units in the area is £6.95/ft².

**Lease Comps Summary**

Lease Comps Report

| Deals | Asking Rent Per SF | Achieved Rent Per SF | Avg. Months On Market |
|---|---|---|---|
| 4 | £6.82 | £6.95 | 14 |

3.2.19 PS have assumed a rental value of £600 per calendar month, capitalised using a yield of 6% to arrive at a value of £120,000 for the residential flat on an investment basis, equivalent to £1,090/m² based on a floor area of 110.1m².

3.2.20 The condition of the buildings, in particular the flat, are unknown. Therefore, in our view the value could be lower than currently placed. However, at this stage, we have not made any adjustments to the EUV assumption. There is also the premium 'plus' element to EUV) to consider as per the above noted principles. On this, whilst it is acknowledged that some form of uplift is usually required in order to incentivise a landowner a sell at a particular point in time for development, DSP would typically work on the assumption that for schemes in Thanet, an uplift of around 10% should be applied to the EUV of a commercial property. We have reviewed the viability of other such commercial garage or similar sites in Thanet, where a 10% uplift has been agreed and on this point we note that the figure stated in paragraph 5.11.9 of the FVA equates to a 10% uplift. We have therefore tested the scheme against a revised BLV of £931,700 (EUV of £847,000 plus a 10% premium of £84,700, consistent with relevant experience and with the FVA text – as noted at 3.2.10 above).

### 3.3 Acquisition Costs

3.3.1 Acquisition costs have been applied to the BLV at an assumed 1.5% for agent's fees, and 0.75% legal fees. At this level the agent's fees are high compared with most in our experience, and therefore we have reduced this input to 1% in our trial appraisals.

3.3.2 SDLT (Stamp Duty Land Tax) is stated to have been added in line with the Local Plan and CIL Viability Assessment (2017). We have checked the assumptions on the Government's online SDLT calculator and the assumptions are correctly placed.

### 3.4 Gross Development Value

**Private Residential**

3.4.1 The proposed development is a set out within the FVA in the following schedule of accommodation:

| Unit type: | No. of units: | Size (Sqm): | Size (Sqft): |
|---|---|---|---|
| Apartments: | | | |
| 2B3P | 7 | 67.1 | 722 |
| 2B3P (balcony flat) | 4 | 67.1 | 722 |
| 2B4P | 11 | 70.4 | 758 |
| 2B4P | 2 | 70.6 | 760 |
| 2B4P (balcony flat) | 2 | 70.6 | 760 |
| 2B4P | 4 | 71.4 | 768 |
| 2B4P | 4 | 73.3 | 789 |
| 2B4P | 2 | 76.8 | 826 |
| 2B4P (balcony flat) | 2 | 76.8 | 826 |
| 2B3P Penthouse | 1 | 100.4 | 1,080 |
| **Sub Total:** | **39** | **2,781.3** | **29,927** |
| Houses: | | | |
| 4B7P | 3 | 119 | 1,280 |
| **Sub Total:** | **3** | **357** | **3,840** |
| **Total:** | **42** | **3,138.3** | **33,767** |

3.4.2 DHA have reviewed new build properties being marketed for sale within a 1-mile radius of the application site including Charles Court, Palm Bay Avenue and Cliffe Villas. They have also reviewed Land Registry data for sold properties within the immediate vicinity of the application site i.e. sold properties on Harold Road.

3.4.3 Based upon their research, DHA adopt the following assumed values:

| Unit type: | No. of units: | Size (Sqft): | Sales Value: | Value psf: |
|---|---|---|---|---|
| Apartments: | | | | |
| 2B3P | 7 | 722 | £195,000.00 | £270.08 |
| 2B3P (balcony flat) | 4 | 722 | £200,000.00 | £277.08 |
| 2B4P | 11 | 758 | £200,000.00 | £277.01 |
| 2B4P | 2 | 760 | £200,000.00 | £263.85 |
| 2B4P (balcony flat) | 2 | 760 | £205,000.00 | £263.16 |
| 2B4P | 4 | 768 | £200,000.00 | £269.74 |
| 2B4P | 4 | 789 | £205,000.00 | £259.82 |
| 2B4P | 2 | 826 | £205,000.00 | £248.18 |
| 2B4P (balcony flat) | 2 | 826 | £210,000.00 | £254.24 |
| 3B5P Penthouse | 1 | 1,080 | £280,000.00 | £259.25 |
| **Sub Total:** | **39** | **29,927** | **£7,865,000** | **£264.14** |
| Houses: | | | | |
| 4B7P | 3 | 1,280 | £360,000.00 | £259.26 |
| **Sub Total:** | **3** | **3,840** | **£1,080,000.00** | **£259.26** |
| **Total:** | **42** | **33,767** | **£8,945,000.00** | **£264.14** |

3.4.4 The total assumed GDV for the flats is £7,865,000, equivalent to £2,828/m$^2$ based on a total floor area of 2,781.3m$^2$. The total assumed GDV for the houses is £1,080,000, equivalent to £3,025/m$^2$ based on a floor area of 357m$^2$.

3.4.5 We have reviewed the submitted comparable evidence and we have carried out our own research including data from Land Registry and advertised prices on property websites. The submitted values are at a similar level to advertised new build properties in Cliftonville, excluding those with sea views and as such, we consider them to be within the expected range.

3.4.6 The Indicative Housing Scheme is based upon as assumed 10no. 4-bedroom dwellings with a floor area of 1,280ft$^2$ (119m$^2$) per unit. The values assumption for each of the Indicative homes is the same as the assumed value for the terraced homes in the proposed scheme - £360,000 per unit, equivalent to £3,025/m$^2$ based on a floor area of 119m$^2$. We do not consider the assumption to be unreasonable.

3.4.7 It is worth noting that any improvement in the sales value assumptions (compared with a level set at the point of the appraisal) would most likely be reflected in an improvement in scheme viability. Whilst the opposite could also occur (the sales values could fall relative to the assumptions made), that is the developer's (applicant's) risk and such factors need to be kept in mind in making an overall assessment of the applicant's position.

### 3.5 Ground Rents

3.5.1 Ground rents have been included in the supplied development appraisals based on £250 per annum for each of the 2-bedroom flats and £300 per annum for the 3-bedroom flat. The rental assumptions are capitalised based on a yield of 5% to produce a capital contribution (addition to the scheme revenue i.e. GDV) of £196,000. We consider these assumptions to be reasonable at this time.

### 3.6 Development Timings

3.6.1 The development timings are described in the FVA as follows:

**The Proposed Scheme**

- Months 1-6 Planning.
- Months 7 – 30 Construction (24 months).
- Months 21 - 36 Sales (16 months sales assuming 2-3 sales per month, overlapping the construction period by 8 months).

**Indicative Housing Scheme**

The time periods for the indicative housing scheme are assumed as follows:

- Months 1-6 Planning.
- Months 7 – 20 Construction (14 months).
- Months 18 - 23 Sales (6 months sales assuming 1-2 sales per month, overlapping the construction period by 2 months).

3.6.2 The BCIS duration calculator indicates that the estimated construction duration for a mixed housing scheme with a contract value of £5.5m is 62 weeks (circa 15 months). We have therefore reduced the construction period within the proposed scheme appraisal from 24 months down to 15 months within our trial appraisal.

3.6.3 For the Indicative Housing Scheme, the BCIS duration calculator indicates the estimated construction duration for a housing scheme with a contract value of £2m is 61 weeks (circa 12 months). We have therefore reduced the construction period within the Indicative Scheme appraisal from 14 months down to 12 months.

### 3.7 Cost Assumptions – Build Costs and Fees – Proposed Scheme

3.7.1 The assumed build costs have been based on a cost appraisal prepared by Project & Building Consultancy (PBC). The cost appraisal provides for a base build cost of £4,664,360. The FVA provides the following summary and compares the submitted costs to BICS cost information:

| | Size (ft ): | Cost p.s.f: | Total Cost: |
|---|---|---|---|
| Flat | 28,852 | £140.00 | £4,039,280.00 |
| Penthouse Flat | 1,080 | £145.00 | £156,600.00 |
| Houses | 3,840 | £122.00 | £468,480.00 |
| Total: | 33,753 | | £4,664,360.00 |

| | Median Build Cost | |
|---|---|---|
| | £ psm: | £ psf: |
| Apartments (Generally) | £1,507 | £140.05 |
| Estate Housing terraced (Generally) | £1,307 | £121.46 |

3.7.2 The build costs have been based on a gross area of the flats of 3,283.3m². The net:gross ratio for the flats is 85% meaning that approximately 15% of the overall built floorspace is in the form of communal, non-saleable floorspace. Although this is a typical allowance and therefore an acceptable looking assumption, DSP has not checked this ratio from the provided information, but the Council could consider and confirm this from the plans.

3.7.3 The PBS cost appraisal provides for an allowance of £457,450 for external works, equivalent to circa 10% of the base build cost. The cost appraisal is annexed to the FVA at Appendix 3.

3.7.4 We have reviewed the cost appraisal and benchmarked it against BCIS cost information. Overall, we consider the submitted build costs to be reasonably placed.

3.7.5 Professional fees have been included at 10% of the total construction costs and contingency fees at 5% (applied to all construction costs). These assumptions are within the range typically seen for the scheme type.

3.7.6 The development appraisal includes an allowance of £1,500 per unit for warranty insurance cover. We would expect this to be included within the build cost or professional fees allowances and we have therefore removed this assumption from our trial appraisal.

**3.8 Cost Assumptions – Build Costs and Fees – Indicative (Houses only) Scheme**

3.8.1 Build costs for the Indicative Scheme are based upon the build rate for the houses identified by the PBS cost appraisal. Reviewing the BCIS information, we do not consider this to be an unreasonable assumption.

3.8.2 The Indicative Scheme appraisal applies 15% to the build rate for external works. This appears high in our view, and we would not expect to see this above 10%, consistent with

the PBS cost appraisal. We have therefore reduced this assumption to 10% within our trial appraisal, consistent with the overall submission approach.

3.8.3 The Indicative Scheme appraisal also includes allowances (based on the PBS cost appraisal) of £97,550 for demolition and £49,600 for the disposal of contaminated soils. We do not consider these assumptions to be unreasonable, on the basis that the site preparation works are likely to be the same for both the proposed scheme and the Indicative Scheme.

3.8.4 Consistent with the proposed scheme appraisal, professional fees have been included at 10% of the total construction costs and contingency fees at 5% (applied to the base build costs). Again, these assumptions are within the range typically seen.

3.8.5 The Indicative Scheme appraisal also includes an allowance of £1,500 per unit for warranty insurance cover. Consistent with our proposed scheme trial, we have therefore removed this assumption from our appraisal.

### 3.9 Agent's, Marketing & Legal Fees

3.9.1 The FVA includes sales and marketing fees of 3%. This assumption is high in our experience, and we have tested the scheme with a lower assumption of 2%.

3.9.2 Legal fees (on sale) are also included at £750 per unit within the development appraisals. This assumption is not unreasonable in our view. However, we note that it has been applied to the houses only within the proposed scheme appraisal. For balance and consistency, we have amended the appraisal so that it applies to both the flats and the houses.

### 3.10 Development Finance

3.10.1 The interest rate is the cost of funds to the scheme developer; it is applied to the net cumulative negative cash balance each month on the scheme as a whole. According to the HCA in its notes to its Development Appraisal Tool (DAT): '*The rate applied will depend on the developer, the perceived scheme risk, and the state of the financial markets. There is also a credit interest rate, which is applied should the cumulative month end balance be positive. As a developer normally has other variable borrowings (such as an overdraft), or other investment opportunities, then the value of credit balances in reducing overall finance charges is generally the same as the debit interest charge. A zero rate of credit interest is not generally plausible and will generate significantly erroneous results in a long-term scheme.*"

3.10.2 RICS also points out that it is often the case that schemes are modelled at current costs & values i.e. ignoring inflation (as is the case here). In this case RICS Financial viability in planning paper states in appendix D 4.5: '... *current values and costs should be used together with a* ***net*** *of inflation finance rate. Such a net of inflation rate would be much lower than a bank rate (which naturally includes inflation expectations*)'.

3.10.3 We consider the submitted overall finance cost represented by the use of the 6% interest rate to be a suitable assumption; again it is within the appropriate range.

**3.11 S106 / Planning Obligations**

3.11.1 The submitted appraisal includes an allowance of £14,174 for SAMMS. This is reduced to £5,300 within the Indicative Scheme (of houses). No further allowances for S106 contributions have been included within the development appraisals. We recommend TDC confirms the S106 liabilities. The Council does not have a CIL (Community Infrastructure Levy) in place.

3.11.2 It should be noted that any change in the chargeable sum would have an impact on the overall viability of the scheme as viewed through the appraisals. A reduction in the cost assumption would improve the viability outcome and an increase would pull it downwards (looking at the effect of this assumption only). In all such reviews, we assume that all requirements that are necessary to make a scheme acceptable in planning terms will have to be included.

**3.12 Developer's Risk Reward – Profit**

3.12.1 In this case, the level of profit has been included as a fixed input at 20% of gross development value (GDV).

3.12.2 The Planning Practice Guidance on Viability states: '*Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan* makers *or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan'*. It goes on to state: '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures*

*where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types*[2]'.

3.12.3 The PPG, as above, although silent in terms of decision making, does set out a range of between 15% and 20% on GDV for market housing; lower for affordable housing in relation to plan making. Given that the NPPF and PPG expect planning applications to be consistent with the plan making stage, it is therefore also appropriate to assume that the range 15% - 20% on GDV (lower for affordable housing) may be considered applicable at the decision taking stage.

3.12.4 The proposed scheme as presented is shown within the development appraisal to produce a residual land value of £597,803 and when comparing it to the assumed BLV of £1,016,400 results in a deficit of -£418,597. DSP calculates that when the deficit is deducted from the target profit, the scheme produces an actual profit of £1,417,603 or 15.4% GDV.

3.12.5 We do not agree that the 20% GDV assumption as submitted here is necessarily a given – a fixed scenario. As part of seeking to find a different balance between on the one hand the acknowledged commercial drivers and landowner positions and on the other the community needs side, some flexibility ought to be possible. For the purposes of our appraisal, we have tested using a developer return of both 15% and 17.5% GDV within our trial appraisal.

[2] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment - Paragraph: 018 Reference ID: 10-018-20190509

# 4. Recommendations / Summary

4.1.1 The overall approach to assessing the viability of the proposed development appears to be appropriate in our opinion.

4.1.2 We also consider a number of the submitted assumptions to be suitable. There are some areas we have queried or where we have a difference of opinion and have therefore tested the viability using alternative assumptions, as follows:

- Benchmark Land Value (see discussion in 3.2) – we consider the landowner's premium to be over placed and we have tested the scheme against a lower BLV of £931,700 compared to the submitted £1,016,400. Note that the selection of the 10% premium also reflects the FVA intention as far as we can see.

- Development timings (3.6.2 and 3.6.3). The submitted construction period is longer than typically assumed – we have adjusted the construction period down to 15 months (from 24) for the proposed scheme and 12 months (from 14) for the Indicative Scheme.

- Costs assumptions (3.7.6) – we would not expect to see a separate allowance for NHBC costs, we would expect these to be provided for by the collective assumptions made on build costs and professional fees. We have therefore removed this cost assumption from our trial appraisals.

- Sales and marketing fees (see 3.9.1). We have reduced the assumed sales and marketing fee down to 2% (from the submitted 3%) within our trial appraisals.

- Profit (see 3.12.7) – we do not agree that the 20% GDV assumption is necessarily required. We note that when including a fixed land cost (at the submitted BLV level of £1,016,400) within the submitted appraisal, the profit on the submitted scheme is 14.51%. We have tested applying a profit level of both 15% and 17.5% GDV.

4.1.3 The FVA states that the proposed scheme produces a residual value of £597,803, which when DSP compares against the submitted BLV of £1,016,400 indicates an actual profit of 15.4%. The FVA states that when the appraisal includes a fixed land cost of £1,106,400, the scheme

produces an actual profit of 14.51%. Either way, the suggestion is that a circa 15% GDV profit is considered sufficient in order to pursue the project.

4.1.4 In comparison (see below), the Indicative (alternative Housing) Scheme as presented is indicated to produce a loss.

Extract from FVA

| | Scenario 1 | Scenario 2 |
|---|---|---|
| | Indicative 10-unit Housing Scheme: | 39 Apartments / 3 Houses: |
| GDV | £3,600,000.00 | £9,181,000.00 |
| | | |
| Acquisition Costs | £1,071,119.00 | £1,071,119.00 |
| Construction Costs | £2,054,743.00 | £5,443,316.00 |
| Professional Fees | £195,690.00 | £518,411.00 |
| Disposal Fees | £115,500.00 | £277,680.00 |
| Finance | £111,300.00 | £386,616.00 |
| Total Costs | £3,646,421.00 | **£7,848,851.00** |
| | | |
| **Profit** | **-£46,421.00** | **£1,332,149.00** |
| **Profit on GDV** | **-1.29%** | **14.51%** |

**Table 6.2: All private appraisals with fixed land value**

4.1.5 We have carried out sensitivity testing based on making our suggested amendments to the development appraisals. When making the amendments as referred to throughout this report and as summarised in paragraph 4.1.2 above.

4.1.6 The proposed scheme (using an input 15% GDV profit level) produces a residual value of £1,256,109. When compared to DSP's revised BLV of £931,700, it produces a surplus of £324,409, which could be put towards affordable housing.

4.1.7 When using an input 17.5% GDV profit level, the proposed scheme produces a residual value of £1,056,850 and when compared to DSP's revised BLV of £931,700, produces a surplus of £125,150.

4.1.8 When making DSP's suggested adjustments to the Indicative Scheme appraisal, the scheme (using an input 15% GDV profit level) produces a residual land value of £663,835 and when compared to DSP's revised BLV produces a deficit of -£267,865, equivalent to an actual profit

of 7.6% GDV. When using a 17.5% GDV profit input, the Indicative Scheme produces a residual land value of £583,739 and when compared to DSP's revised BLV produces a deficit of -£347,961, equivalent to an actual profit of 7.8% GDV.

4.1.9 On this basis, whilst we agree that the Indicative Scheme (i.e. houses alternative, as assumed) does not appear a viable proposition, we are unable to support the submitted position of a nil S.106 or affordable housing contribution for the proposed scheme.

4.1.10 We need to be clear our review is based on current day costs and values assumptions as described within our review based on the current scheme(s) as submitted. A different scheme may of course be more or less viable – we are only able to review the information provided.

4.1.11 No viability appraisal or review can accurately reflect costs and values until a scheme is built and sold - this is the nature of the viability review process. In this sense, the applicant and their agents are in a similar position to us in estimating positions – it is not an exact science by any means, and we find that opinions will usually vary.

4.1.12 As regards the wider context including the economic situation, in accordance with the relevant viability guidance our review is based on current day costs and values – a current view is appropriate for this purpose. At the time of writing, we continue to see positive reporting in terms of the property market; the expected slowdown of the market as a result of Brexit/Covid-19 has not occurred, and significant price increases are being reported across the country. As set out in the PPG, a balanced assessment of viability should consider the returns against risk for the developer and also the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission. DSP will continue to monitor the established appropriate information sources.

4.1.13 DSP will be happy to advise further as required.

**Review report ends**

**September 2021**

# DSP Proposed Scheme Appraisal

Development Appraisal
DSP
15 September 2021

## DSP Proposed Scheme Appraisal

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

| Sales Valuation | Units | ft² | Sales Rate ft² | Unit Price | Gross Sales |
|---|---|---|---|---|---|
| Houses | 3 | 3,840 | 281.25 | 360,000 | 1,080,000 |
| 2B3P | 7 | 5,054 | 270.08 | 195,000 | 1,365,000 |
| 2B3P (balcony flat) | 4 | 2,888 | 277.01 | 200,000 | 800,000 |
| 2B4P | 11 | 8,338 | 263.85 | 200,000 | 2,200,000 |
| 2B4P | 2 | 1,520 | 263.16 | 200,000 | 400,000 |
| 2B4P (balcony flat) | 2 | 1,520 | 269.74 | 205,000 | 410,000 |
| 2B4P | 4 | 3,072 | 260.42 | 200,000 | 800,000 |
| 2B4P | 4 | 3,156 | 259.82 | 205,000 | 820,000 |
| 2B4P | 2 | 1,652 | 248.18 | 205,000 | 410,000 |
| 2B4P (balcony flat) | 2 | 1,652 | 254.24 | 210,000 | 420,000 |
| 3B5P Penthouse | 1 | 1,080 | 259.26 | 280,000 | 280,000 |
| **Totals** | **42** | **33,772** | | | **8,985,000** |

| Rental Area Summary | Units | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|---|---|---|---|---|
| Ground Rent | 1 | 9,800 | 9,800 | 9,800 |

**Investment Valuation**

| | | | | | |
|---|---|---|---|---|---|
| **Ground Rent** | | | | | |
| Current Rent | 9,800 | YP @ | 5.0000% | 20.0000 | 196,000 |

| | |
|---|---|
| **GROSS DEVELOPMENT VALUE** | **9,181,000** |
| **NET REALISATION** | **9,181,000** |

**OUTLAY**

| | | | |
|---|---|---|---|
| **ACQUISITION COSTS** | | | |
| Residualised Price | | 1,056,850 | |
| | | | 1,056,850 |
| Stamp Duty | | 31,850 | |
| Effective Stamp Duty Rate | 3.01% | | |
| Agent Fee | 1.50% | 15,853 | |
| Legal Fee | 0.75% | 7,926 | |
| | | | 55,629 |

| **CONSTRUCTION COSTS** | | | | |
|---|---|---|---|---|
| **Construction** | **ft²** | **Build Rate ft²** | **Cost** | |
| Houses | 3,840 | 122.00 | 468,480 | |
| Flats | 29,297 | 140.00 | 4,101,580 | |
| 3B5P Penthouse | 1,080 | 145.00 | 156,600 | |
| **Totals** | **63,069 ft²** | | **4,726,660** | |
| Contingency | | 5.00% | 259,206 | |
| Demolition | | | 97,550 | |
| Disposal of Contaminated Soil | | | 49,600 | |
| External Works / Landscaping | | | 98,950 | |
| External Drainage | | | 21,200 | |
| Bike Spaces | | | 14,875 | |
| Bin Store | | | 7,500 | |
| Car Parking | | | 75,250 | |
| Utilities/Services | | | 85,000 | |
| EV Charging Points | | | 7,525 | |
| SAMMS | | | 14,174 | |
| | | | | 5,457,489 |

| | | | | |
|---|---|---|---|---|
| **PROFESSIONAL FEES** | | | | |
| All Professional Fees | | 10.00% | 518,411 | |
| | | | | 518,411 |
| **DISPOSAL FEES** | | | | |
| Sales Agent Fee | | 2.00% | 183,620 | |
| Sales Legal Fee | 43 un | 750.00 /un | 32,250 | |
| | | | | 215,870 |

**FINANCE**

| Timescale | Duration | Commences |
|---|---|---|
| Pre-Construction | 6 | Apr 2017 |
| Construction | 15 | Oct 2017 |
| Sale | 16 | May 2018 |

## DSP Proposed Scheme Appraisal

| | | |
|---|---|---|
| Total Duration | 29 | |
| Debit Rate 6.000%, Credit Rate 0.000% (Nominal) | | |
| Total Finance Cost | | 270,075 |
| **TOTAL COSTS** | | **7,574,325** |
| **PROFIT** | | |
| | | **1,606,675** |
| **Performance Measures** | | |
| Profit on GDV% | 17.50% | |
| IRR% (without Interest) | 32.79% | |

# DSP Proposed Scheme Appraisal
# v2 15% profit

Development Appraisal
DSP
16 September 2021

# APPRAISAL SUMMARY DSP

**DSP Proposed Scheme Appraisal**
**v2 15% profit**

**Appraisal Summary for Phase 1**

**Currency in £**

**REVENUE**

| **Sales Valuation** | **Units** | **ft²** | **Sales Rate ft²** | **Unit Price** | **Gross Sales** |
|---|---|---|---|---|---|
| Houses | 3 | 3,840 | 281.25 | 360,000 | 1,080,000 |
| 2B3P | 7 | 5,054 | 270.08 | 195,000 | 1,365,000 |
| 2B3P (balcony flat) | 4 | 2,888 | 277.01 | 200,000 | 800,000 |
| 2B4P | 11 | 8,338 | 263.85 | 200,000 | 2,200,000 |
| 2B4P | 2 | 1,520 | 263.16 | 200,000 | 400,000 |
| 2B4P (balcony flat) | 2 | 1,520 | 269.74 | 205,000 | 410,000 |
| 2B4P | 4 | 3,072 | 260.42 | 200,000 | 800,000 |
| 2B4P | 4 | 3,156 | 259.82 | 205,000 | 820,000 |
| 2B4P | 2 | 1,652 | 248.18 | 205,000 | 410,000 |
| 2B4P (balcony flat) | 2 | 1,652 | 254.24 | 210,000 | 420,000 |
| 3B5P Penthouse | 1 | 1,080 | 259.26 | 280,000 | 280,000 |
| **Totals** | **42** | **33,772** | | | **8,985,000** |

| **Rental Area Summary** | **Units** | **Initial MRV/Unit** | **Net Rent at Sale** | **Initial MRV** |
|---|---|---|---|---|
| Ground Rent | 1 | 9,800 | 9,800 | 9,800 |

**Investment Valuation**

| | | | | | |
|---|---|---|---|---|---|
| **Ground Rent** | | | | | |
| Current Rent | 9,800 | YP @ | 5.0000% | 20.0000 | 196,000 |

| | |
|---|---|
| **GROSS DEVELOPMENT VALUE** | **9,181,000** |
| **NET REALISATION** | **9,181,000** |

**OUTLAY**

**ACQUISITION COSTS**

| | | | |
|---|---|---|---|
| Residualised Price | | 1,256,109 | |
| | | | 1,256,109 |
| Stamp Duty | | 31,850 | |
| Effective Stamp Duty Rate | 2.54% | | |
| Agent Fee | 1.50% | 18,842 | |
| Legal Fee | 0.75% | 9,421 | |
| | | | 60,112 |

**CONSTRUCTION COSTS**

| **Construction** | **ft²** | **Build Rate ft²** | **Cost** |
|---|---|---|---|
| Houses | 3,840 | 122.00 | 468,480 |
| Flats | 29,297 | 140.00 | 4,101,580 |
| 3B5P Penthouse | 1,080 | 145.00 | 156,600 |
| **Totals** | **63,069 ft²** | | **4,726,660** |
| Contingency | | 5.00% | 259,206 |
| Demolition | | | 97,550 |

**DSP Proposed Scheme Appraisal**
**v2 15% profit**

| | | | | |
|---|---|---|---|---|
| Disposal of Contaminated Soil | | | 49,600 | |
| External Works / Landscaping | | | 98,950 | |
| External Drainage | | | 21,200 | |
| Bike Spaces | | | 14,875 | |
| Bin Store | | | 7,500 | |
| Car Parking | | | 75,250 | |
| Utilities/Services | | | 85,000 | |
| EV Charging Points | | | 7,525 | |
| SAMMS | | | 14,174 | |
| | | | | 5,457,489 |
| **PROFESSIONAL FEES** | | | | |
| All Professional Fees | | 10.00% | 518,411 | |
| | | | | 518,411 |
| **DISPOSAL FEES** | | | | |
| Sales Agent Fee | | 2.00% | 183,620 | |
| Sales Legal Fee | 43 un | 750.00 /un | 32,250 | |
| | | | | 215,870 |
| **FINANCE** | | | | |
| Debit Rate 6.000%, Credit Rate 0.000% (Nominal) | | | | |
| Total Finance Cost | | | | 295,858 |
| **TOTAL COSTS** | | | | **7,803,850** |
| **PROFIT** | | | | |
| | | | | **1,377,150** |

| **Performance Measures** | |
|---|---|
| Profit on Cost% | 17.65% |
| Profit on GDV% | 15.00% |
| Profit on NDV% | 15.00% |
| Development Yield% (on Rent) | 0.13% |
| Equivalent Yield% (Nominal) | 5.00% |
| Equivalent Yield% (True) | 5.16% |
| IRR% (without Interest) | 27.39% |
| Rent Cover | 140 yrs 6 mths |
| Profit Erosion (finance rate 6.000) | 2 yrs 9 mths |

# DSP Indicative Scheme Appraisal

Development Appraisal
DSP
15 September 2021

## DSP Indicative Scheme Appraisal

**Appraisal Summary for Phase 1**

**Currency in £**

| | | | | | |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| **Sales Valuation** | **Units** | **ft²** | **Sales Rate ft²** | **Unit Price** | **Gross Sales** |
| Houses | 10 | 12,800 | 281.25 | 360,000 | 3,600,000 |
| **NET REALISATION** | | | | **3,600,000** | |
| **OUTLAY** | | | | | |
| **ACQUISITION COSTS** | | | | | |
| Residualised Price | | | 583,739 | | |
| | | | | 583,739 | |
| Stamp Duty | | | 18,000 | | |
| Effective Stamp Duty Rate | | 3.08% | | | |
| Agent Fee | | 1.50% | 8,756 | | |
| Legal Fee | | 0.75% | 4,378 | | |
| | | | | 31,134 | |
| **CONSTRUCTION COSTS** | | | | | |
| **Construction** | **ft²** | **Build Rate ft²** | **Cost** | | |
| Houses | 12,800 | 122.00 | 1,561,600 | | |
| Contingency | | 5.00% | 93,735 | | |
| Demolition | | | 97,550 | | |
| Disposal of Contaminated Soil | | | 49,600 | | |
| External Works (10% of base build) | | | 165,945 | | |
| SAMMS | | | 5,300 | | |
| | | | | 1,973,730 | |
| **PROFESSIONAL FEES** | | | | | |
| All Professional Fees | | 10.00% | 187,469 | | |
| | | | | 187,469 | |
| **DISPOSAL FEES** | | | | | |
| Sales Agent Fee | | 2.00% | 72,000 | | |
| Sales Legal Fee | 10 un | 750.00 /un | 7,500 | | |
| | | | | 79,500 | |
| **FINANCE** | | | | | |
| **Timescale** | **Duration** | **Commences** | | | |
| Pre-Construction | 6 | Apr 2017 | | | |
| Construction | 12 | Oct 2017 | | | |
| Sale | 6 | Aug 2018 | | | |
| Total Duration | 22 | | | | |
| Debit Rate 6.000%, Credit Rate 0.000% (Nominal) | | | | | |
| Total Finance Cost | | | | 114,427 | |
| **TOTAL COSTS** | | | | **2,970,000** | |
| **PROFIT** | | | | | |
| | | | | **630,000** | |
| **Performance Measures** | | | | | |
| Profit on GDV% | | 17.50% | | | |
| IRR% (without Interest) | | 33.49% | | | |

# DSP Indicative Scheme Appraisal
# v2 15% profit

Development Appraisal
DSP
16 September 2021

# APPRAISAL SUMMARY DSP

**DSP Indicative Scheme Appraisal**
**v2 15% profit**

**Appraisal Summary for Phase 1**

**Currency in £**

| | | | | | |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| **Sales Valuation** | **Units** | **ft²** | **Sales Rate ft²** | **Unit Price** | **Gross Sales** |
| Houses | 10 | 12,800 | 281.25 | 360,000 | 3,600,000 |
| **NET REALISATION** | | | | **3,600,000** | |
| **OUTLAY** | | | | | |
| **ACQUISITION COSTS** | | | | | |
| Residualised Price | | | 663,835 | | |
| | | | | 663,835 | |
| Stamp Duty | | | 18,000 | | |
| Effective Stamp Duty Rate | | 2.71% | | | |
| Agent Fee | | 1.50% | 9,958 | | |
| Legal Fee | | 0.75% | 4,979 | | |
| | | | | 32,936 | |
| **CONSTRUCTION COSTS** | | | | | |
| **Construction** | **ft²** | **Build Rate ft²** | **Cost** | | |
| Houses | 12,800 | 122.00 | 1,561,600 | | |
| Contingency | | 5.00% | 93,735 | | |
| Demolition | | | 97,550 | | |
| Disposal of Contaminated Soil | | | 49,600 | | |
| External Works (10% of base build) | | | 165,945 | | |
| SAMMS | | | 5,300 | | |
| | | | | 1,973,730 | |
| **PROFESSIONAL FEES** | | | | | |
| All Professional Fees | | 10.00% | 187,469 | | |
| | | | | 187,469 | |
| **DISPOSAL FEES** | | | | | |
| Sales Agent Fee | | 2.00% | 72,000 | | |
| Sales Legal Fee | 10 un | 750.00 /un | 7,500 | | |
| | | | | 79,500 | |
| **FINANCE** | | | | | |
| Debit Rate 6.000%, Credit Rate 0.000% (Nominal) | | | | | |
| Total Finance Cost | | | | 122,530 | |
| **TOTAL COSTS** | | | | **3,060,000** | |
| **PROFIT** | | | | | |
| | | | | **540,000** | |
| **Performance Measures** | | | | | |
| Profit on Cost% | | 17.65% | | | |
| Profit on GDV% | | 15.00% | | | |
| Profit on NDV% | | 15.00% | | | |

**DSP Indicative Scheme Appraisal**
**v2 15% profit**

| | |
|---|---|
| IRR% (without Interest) | 28.13% |
| Profit Erosion (finance rate 6.000) | 2 yrs 9 mths |