



Financial Viability Assessment

In respect of the proposed development of:

224 Dunsbury Way
Havant
PO9 5BQ

Prepared on behalf of:

Southern Co-Operatives Properties Limited

December 2018

STRICTLY CONFIDENTIAL AND COMMERCIALY SENSITIVE



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Executive Summary

This report and accompanying appraisals have been prepared to support a planning application in respect of the land at 224 Dunsbury Way in Havant for the development of 78 apartments.

The viability assessment considers the total value of the completed scheme and the total cost of its delivery using recognised residual appraisal software – Argus Developer. In accordance with published viability guidance, the resulting developers return (profit) is then compared with an appropriate benchmark return to determine the viability of the proposed scheme.

In arriving at a benchmark return I have had regard to the NPPF and the RICS Guidance Note ‘Financial Viability in Planning’ and I have considered the risk profile of the scheme. The property is a brownfield site requiring demolition, site clearance and some possible site remediation. The proposed scheme is an apartment block which is more capital intensive than a typical housing development and is at increased risk of market fluctuations throughout the construction process. There also remains uncertainty surrounding the longer term impacts of Brexit and the continued construction cost inflation experienced and forecast due to labour, skills and material shortages. Therefore, it is my opinion that the minimum benchmark return for this scheme will be a profit of 20% of GDV (25% of cost).

The viability assessment undertaken and detailed in this report demonstrates that prior to the inclusion of any affordable housing the proposed scheme generates a **profit of 0.05% of GDV** which is below the benchmark return requirement of 20%. This demonstrates the scheme is not sufficiently viable to support any affordable housing. Due to the underlying low capital values in Leigh Park, it is likely the site can only be developed in conjunction with an Affordable Housing Provider and with grant funding.

The Applicant and I would welcome discussions with Havant Borough Council to discuss the viability position, if required.

1 Introduction

JLL is instructed by Southern Co-Operatives Properties Limited to undertake a financial viability assessment (FVA) in support of an application for the development of 78 apartments on land at 224 Dunsbury Way, Havant (the Site).

The purpose of this independent FVA is to support the application to the local planning authority, Havant Borough Council (HBC), and to justify the maximum reasonable amount of planning obligations, including affordable housing, the Scheme can provide.

This report has been prepared having regard to the National Planning Policy Framework (NPPF); National Planning Practice Guidance (NPPG) on Viability; the RICS Guidance Note 'Financial Viability in Planning' (RICS GN); and generally accepted principles of undertaking financial viability assessments.

In accordance with the RICS guidance (paragraph 4.5.4 RICS GN), I confirm that this report has not been prepared on the basis of performance related or contingent fees. I further confirm that I have acted reasonably, transparently and fairly in undertaking this assessment.

Please note that this assessment is undertaken at a particular point in time (December 2018). Values and costs will change over time and whilst I have had regard to this inherent uncertainty in the sensitivity analysis section of our report and our concluding recommendations, it must be understood that our assessment is based on current estimated values and costs as at the date of this report and is not a projection of value.

This report and its contents have been prepared specifically to support the planning application in respect of the Site. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

The advice contained herein does not constitute a formal valuation and cannot be used for purposes other than those mentioned, including loan security purposes. The advice contained in this report is exempt from the current RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) (the RICS Red Book). JLL reserve the right to update, amend or vary our advice should the matter progress to a planning appeal hearing or inquiry.

This FVA is provided on a confidential basis to HBC. JLL therefore request that the report should not be disclosed to any third parties under the Freedom of Information Act 2000 (sections 41 and 43) or under the Environmental Regulations. The Council is asked to refrain from sharing or posting this information on the internet or retaining on the public planning application file. Please note the information contained in these documents is provided by the Applicant for the use of the Council and should not be disclosed to third parties without the Applicant's express permission.

2 Background

2.1 Location

The site is located on the eastern side of Dunsbury Way in Leigh Park, Havant. Leigh park is a large suburb of Havant comprising a post-war housing estate built between the 1950s and 1970s. Leigh Park was one of the largest wholly Council estates in Europe, however following the 'Right To Buy' initiative, circa 50% are now privately owned.

The site is bounded by Fulflood Road to the north, Wessex Self Drive to the east, a stream to the south and Dunsbury Way with residential beyond to the west. A location plan is shown at Appendix 1.

2.2 Description

The property comprises an approximately square shaped plot of land occupied by three buildings; a 1950s single storey detached warehouse, a detached single storey shop operated as a funeral care and a detached three bedroom bungalow.

The property is shown for identification purposes on the Ordnance Survey extract attached in the Appendices. The extent of the site being outlined in red and showing our understanding of the site boundaries. We calculate that the site extends to a total of 0.51 hectares (1.26 acres).

2.3 Accommodation

The accommodation is as follows.

Type	Description	GIA Sq M	GIA Sq Ft
Warehouse	Single storey detached 1950s warehouse	707.36	7,614
Shop	Single storey detached 1960s shop	199.93	2,152
Bungalow	Single storey detached 1970s bungalow	95.00	1,023
Total		1,002.29	10,789

The above floor areas are on a Gross Internal Area (GIA) basis. We have measured the warehouse, but the shop floor area has been determined from the Valuation Office Agency (VOA) website. The bungalow floor area was derived from the EPC Register.

2.4 Information Sources

JLL have been provided with, and relied upon, information provided by the Applicant and its consultants including the following:

Information	Source	Date
Floor Plans	PWP Architects	February 2018
Site Plans	PWP Architects	February 2018
Accommodation Schedule	PWP Architects	February 2018

3 Planning Policy Context

This section highlights the key planning guidance that is relevant to the application and this FVA.

3.1 National Planning Policy

This report has been prepared having regard to the National Planning Policy Framework - 2018 (NPPF); National Planning Practice Guidance (NPPG) on Viability date July 2018; the RICS Guidance Note 'Financial Viability in Planning' (RICS GN); and generally accepted principles of undertaking financial viability assessments.

3.2 Local Planning Policy

Policy CS9 of the Havant Borough Core Strategy (dated March 2011) requires 30% - 40% affordable housing on sites of 15 dwellings (gross) or more and a secure contribution, or onsite provision, equivalent to an average 30% - 40% on smaller housing developments between 5-14 dwellings (gross) unless a lesser requirement has been transparently justified on viability grounds. While the provision of affordable housing is acknowledged as a priority for the district, there is provision for a situation where evidence of the viability of schemes can be presented to justify a reduced level of affordable housing provision.

3.3 Planning History

No planning applications have yet been submitted. The Applicant has had a pre-planning application response (Ref: GEN/17/00810) in relation to the subject site. The initial proposal was of a development of 92 apartments over five floors comprising 56 x one bedroom homes and 36 x two bedroom homes. The pre-planning response states to be policy compliant the proposal would need to be comply with Core Strategy Policy CS9.2 and provide 30% - 40% affordable housing on sites with both affordable rented and shared ownership tenure in approximately a 70/30 split; this would equate to a minimum of 28 units which would be secured via a Section 106 Agreement.

Within the affordable provision it would be preferred to see a large proportion of two bedroom properties to meet the housing needs of the borough. Demand for affordable housing remains high; currently there 1,720 households registered in the Hampshire Home Choice seeking accommodation in our area; 846 are waiting for a one bedroom home, whilst 596 require two bedroom properties. Although there is waiting for one bedroom accommodation represent a significant proportion of applicants, many of these are single households with varying degrees of vulnerability and support requirements.

It is important to note that a high density block such as the one proposed by the Applicant with a large number of one bedroom affordable rent units could create a management issue for any potential registered provider.

4 Viability Approach

4.1 Viability Approach

In assessing the viability of the Scheme, JLL have adopted a residual valuation model in accordance with the RICS GN. This approach uses various inputs to establish the gross development value (GDV) of the proposed scheme from which the development costs are deducted to arrive at either a residual Site Value or developer's return (profit).

In this FVA JLL have adopted site value as an input to development costs, leaving a residual developer's profit as the output from which to benchmark viability. This approach is summarised below:

$$\begin{array}{r} \text{Gross Development Value} \\ \text{less} \\ \text{Development Costs (Including Site Value)} \\ \text{less} \\ \text{Planning Obligations} \\ \text{equals} \\ \text{Residual Developer's Return (Profit)} \end{array}$$

When a developer's return is adopted as the benchmark variable, a scheme should be considered viable, as long as the cost implications of planning obligations are not set at a level at which the developer's return (after allowing for all development costs including Site Value) falls below that which is acceptable in the market for the risk in undertaking the development scheme. If the cost implications of the obligations erode a developer's return below an acceptable market level for the scheme being assessed, the extent of those obligations will be deemed to make a development unviable as the developer would not proceed on that basis. (RICS GN Para 3.3.1)

4.2 Benchmark Return

The RICS GN defines benchmark return as follows:

“The benchmark return, which is reflected in a developer's profit allowance, should be at a level reflective of the market at the time of the assessment being undertaken. It will include the risks attached to the specific scheme. This will include both property-specific risk, i.e. the direct development risks within the

scheme being considered, and also broader market risk issues, such as the strength of the economy and occupational demand, the level of rents and capital values, the level of interest rates and availability of finance. The level of profit required will vary from scheme to scheme, given different risk profiles as well as the stage in the economic cycle. For example, a small scheme constructed over a shorter timeframe may be considered relatively less risky and therefore attract a lower profit margin, given the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain. A development project will only be considered economically viable if a market risk adjusted return is met or exceeds a benchmark risk-adjusted market return.” (RICS GN Para 3.3.2)

In arriving at a benchmark return I have had regard to the NPPF and the RICS Guidance Note ‘Financial Viability in Planning’ and I have considered the risk profile of the scheme. The property is a brownfield site requiring demolition and site clearance. The proposed scheme is an apartment block which is more capital intensive than a typical housing development and is at increased risk of market fluctuations throughout the construction process. There also remains uncertainty surrounding the longer term impacts of Brexit and the continued construction cost inflation experienced and forecast due to labour, skills and material shortages.

Therefore, it is my opinion that an appropriate benchmark developer’s return for this scheme is a profit of 20% of GDV (25% of costs).

5 The Proposed Scheme

5.1 Proposal – 78 New Apartments

The proposed scheme comprises a detached contemporary apartment block arranged over five storeys. It forms an L-shape fronting Dunsbury Way and Fulflood Road with access off the latter. It comprises a mix of 42 x one bedroom apartments and 36 x two bedroom apartments with associated cycle stores and off-road parking for 78 cars. An indicative elevation for the proposed scheme is shown below with the floor plans included at Appendix 2.



The building incorporates the following:

- 42 x one bedroom apartments, each with entrance hall, open plan kitchen/living accommodation, master bedroom and bathroom. They extend to between 560 and 648 sq ft with an average of 588 sq ft.
- 36 x two bedroom apartments, each with entrance hall, open plan living/kitchen area, master bedroom (with en suite), second bedroom and bathroom. They extend to between 681 and 798 sq ft with an average of 730 sq ft.

Some of the apartments will benefit balcony provisions. The surrounding site area is to be landscaped. Cycle parking is provided in a dedicated storage area at ground floor level.

An accommodation schedule for the proposed units is shown in the table below:

Accommodation	Quantity	GIA Sq M	GIA Sq Ft	Aggregate GIA Sq M	Aggregate GIA Sq Ft
1 bedroom, ground floor apartment	4	52.00	560	208.00	2,239
1 bedroom, ground floor apartment	1	55.73	600	55.73	600
1 bedroom, ground floor apartment	1	60.17	648	60.17	648
1 bedroom, ground floor apartment	1	55.10	593	55.10	593
1 bedroom, ground floor apartment	1	53.20	573	53.20	573
2 bedroom, ground floor apartment	4	65.00	700	260.00	2,799
2 bedroom, ground floor apartment	1	67.66	728	67.66	728
2 bedroom, ground floor apartment	1	66.20	713	66.20	713
1 bedroom, first floor apartment	4	52.00	560	208.00	2,239
1 bedroom, first floor apartment	2	55.10	593	110.20	1,186
1 bedroom, first floor apartment	1	53.20	573	53.20	573
1 bedroom, first floor apartment	1	55.73	600	55.73	600
1 bedroom, first floor apartment	1	55.99	603	55.99	603
1 bedroom, first floor apartment	1	54.60	588	54.60	588
2 bedroom, first floor apartment	2	65.00	700	130.00	1,399
2 bedroom, first floor apartment	1	68.95	742	68.95	742
2 bedroom, first floor apartment	1	66.51	716	66.51	716
2 bedroom, first floor apartment	1	69.06	743	69.06	743
2 bedroom, first floor apartment	1	66.94	721	66.94	721
2 bedroom, first floor apartment	1	74.15	798	74.15	798
2 bedroom, first floor apartment	1	68.28	735	68.28	735
2 bedroom, first floor apartment	1	66.58	717	66.58	717
1 bedroom, second floor apartment	4	52.00	560	208.00	2,239
1 bedroom, second floor apartment	2	55.10	593	110.20	1,186
1 bedroom, second floor apartment	1	53.20	573	53.20	573
1 bedroom, second floor apartment	1	55.73	600	55.73	600
1 bedroom, second floor apartment	1	55.99	603	55.99	603
1 bedroom, second floor apartment	1	54.60	588	54.60	588
2 bedroom, second floor apartment	2	65.00	700	130.00	1,399
2 bedroom, second floor apartment	1	68.95	742	68.95	742
2 bedroom, second floor apartment	1	66.51	716	66.51	716
2 bedroom, second floor apartment	1	69.06	743	69.06	743
2 bedroom, second floor apartment	1	66.94	721	66.94	721
2 bedroom, second floor apartment	1	74.15	798	74.15	798
2 bedroom, second floor apartment	1	67.85	730	67.85	730
2 bedroom, second floor apartment	1	66.58	717	66.58	717
1 bedroom, third floor apartment	4	52.00	560	208.00	2,239
1 bedroom, third floor apartment	2	55.10	593	110.20	1,186
1 bedroom, third floor apartment	1	53.20	573	53.20	573
1 bedroom, third floor apartment	1	55.73	600	55.73	600
1 bedroom, third floor apartment	1	55.99	603	55.99	603
1 bedroom, third floor apartment	1	54.60	588	54.60	588
2 bedroom, third floor apartment	3	65.00	700	195.00	2,099
2 bedroom, third floor apartment	1	66.58	717	66.58	717
2 bedroom, third floor apartment	1	66.20	713	66.20	713
2 bedroom, third floor apartment	1	74.15	798	74.15	798
2 bedroom, third floor apartment	1	66.94	721	66.94	721
2 bedroom, third floor apartment	1	69.06	743	69.06	743
2 bedroom, third floor apartment	1	68.95	742	68.95	742
1 bedroom, fourth floor apartment	4	55.60	598	222.40	2,394
2 bedroom, fourth floor apartment	2	69.50	748	139.00	1,496
2 bedroom, fourth floor apartment	1	63.25	681	63.25	681
Total	78			4,691.25	50,496

5.2 Gross Areas

The total GIA of the building is as follows:

Floor	Residential Sq M	Sq Ft
Ground	1,478.04	15,909
First	1,497.48	16,119
Second	1,497.48	16,119
Third	1,495.97	16,102
Fourth	597.34	6,430
Total	6,566.31	70,679

5.3 Specification

A full detailed specification is not currently available, but I have assumed the following.

Item	Specification
Floors	Laminate floors or carpeted living areas.
Walls	Plaster and painted.
Ceilings	Plaster and painted with low voltage integrated spotlights.
Windows/Doors	Double glazed white uPVC windows and doors where appropriate.
Kitchen	Good quality modern kitchens with either traditional solid timber doors or modern gloss finish. Laminate surfaces with matching upstands. Bosch or equivalent ovens hobs. Integrated fridge/freezer and dishwasher. Porcelanosa ceramic floor tiling.
Bathrooms & En Suites	Contemporary sanitary ware and wash basins with vanity units.
Bedrooms	Fitted wardrobes to master bedrooms.
Heating	Gas central heating.
Lighting	White low voltage down-lighters to kitchen, bathroom and en suites as well as master bedroom.
Carpentry	High quality painted internal doors with chrome ironmongery. Traditional profile painted skirting boards and architraves in the satin finish.
Electrics	BT points to living room, hall and master bedroom. Shaver sockets in bathrooms and en suites. Mains operated smoke detectors and doorbell.
Parking/Garages	At least 1 space per dwelling.
External Areas	Tarmac access road.

6 Gross Development Value

In arriving at my opinion of development value I have had regard to other nearby residential schemes that are currently on the market or have sold. Given the lack of new build schemes in this I have also had regard to second hand sales in the immediate area and surrounding area.

Willow Park, Havant



This is a new development currently being developed by Fortitudo, which when complete will comprise 31 apartments in a new three storey purpose built block. Each apartment has an open plan kitchen/dining/living room and one shared bathroom. The majority of the units fronting onto the dual-carriageway have either a patio or balcony, the units in the south-east part of the building which overlook a car park do not have outdoor accommodation. Externally, the scheme is marginally set back from the dual carriageway with a landscape strip and there are communal gardens. Each unit has one allocated parking space.

Off-plan marketing commenced in November 2018 but practical completion is not due until summer 2019. It is a soft launch, especially given that Help To Buy won't be available until six months prior to completion. The following units are being marketed, although there are no reservations to date.

- Plot 5 is a two bedroom apartment extending to 614 sq ft and on the market for £187,500 (£305 per sq ft)
- Plot 9 is a one bedroom apartment with balcony extending to 505 sq ft and on the market for £160,000 (£317 per sq ft).
- Plot 30 is a two bedroom apartment with balcony extending to 614 sq ft and on the market for £197,500 (£322 per sq ft).
- Plot 26 is a one bedroom apartment with balcony extending to 409 sq ft and on the market for £145,000 (£354 per sq ft).

Willow Park is in Havant and is a more desirable location. Although there have been no sales to date, we would expect a premium for this development.

Billys Copse, Leigh Park, Havant



Billys Copse is located around 150 metres north of the subject site. It is a modern development built in 2008 along with the adjoining 'Little Hackets'. We have identified a number of recent sales within the apartment blocks that make up Billys Copse that are comparable to the proposed subject development. We detail the sales below:

- Flat 5 Billys Copse – this is a modern two bedroom first floor apartment extending to 657 sq ft. It sold for £140,000 (£213 per sq ft) in February 2018.
- Flat at Billys Copse – this is a modern two bedroom apartment with en suite and is similar to Flat 5 detailed above. The agent would not disclose the Flat number but stated it has a sale agreed at £145,000.
- 37 Little Hackets – this is a modern two bedroom maisonette. It extends to 580 sq ft and sold for £141,500 (£244 per sq ft) in March 2018.
- 47 Little Hackets – this is a modern two bedroom apartment. It extends to 614 sq ft and sold for £142,000 (£231 per sq ft) in June 2018.
- 8 Little Hackets – this is a large modern two bedroom maisonette. It extends to 775 sq ft and is currently under offer at £153,000 (£197 per sq ft) in June 2018.
- Flat 2, 15 Little Hackets – this is a two bedroom third floor apartment presented in good order. It extends to 666 sq ft and sold for £149,000 (£224 per sq ft) in February 2018.

This is the closest modern development to the subject site, but it is now 10 years old and the specification is dated. The units are overall smaller than the proposed development; overall we would expect a premium for the subject units.

Stratton House, Greywell Road, Havant



Stratton House is a conversion development of 15 new apartments above commercial premises in Greywell Road, Havant. The development was marketed in early 2017 and is now sold out. The construction and specification is very basic and there is no parking. We understand it appealed mainly to investors who purchased on a buy-to-let basis. We would expect a significant premium for the subject units. We are aware of the following transactions:

Plot	Description	GIA (sq ft)	Price	£/Sq Ft	Date
3	2 bedroom, apartment	710	£115,000	£162	July 2017
7	1 bedroom, apartment	603	£89,995	£149	June 2017
13	1 bedroom, apartment	484	£88,000	£182	June 2017
2	1 bedroom, apartment	506	£92,500	£182	May 2017
4	2 bedroom, apartment	753	£110,000	£146	May 2017
10	1 bedroom, apartment	549	£98,500	£179	March 2017
17	2 bedroom, apartment	549	£105,000	£191	February 2017
9	1 bedroom, apartment	570	£96,000	£168	February 2017

55 Purbrook Way, Havant



This is a one bedroom apartment situated 500 metres south of the subject site. The property extends to 550 sq ft and currently has a sale agreed at £115,000 which equates to £209 per sq ft. It was presented in good condition but did not benefit from allocated parking. It is an older style block and we would expect a significant premium for the proposed units being new build.

10 Catherington Way, Havant

This is a one bedroom first floor apartment with front and private rear garden. The property consists of one double bedroom, fitted kitchen with a built-in oven and hob, bathroom with a shower over the bath and living room. The property also has the benefit of a downstairs room that is currently being used as a storage area. It extends to circa 675 sq ft and sold for £125,000 (£185 per sq ft) in October 2017

Flat 29, Angela Court, 1a, Stockheath Road, Leigh Park

This is a one bedroom second floor apartment on the outskirts of Leigh Park. It has an entrance hall, lounge, kitchen, bedroom and bathroom. It forms part of a modern block built in 2006. It is now a little dated and would benefit from redecoration. The property extends to circa 517 sq ft and sold for £117,500 (£227 per sq ft) in June 2018. The subject apartments will be larger and new build, which will command a premium.

24 Freeley Road, Havant, Hampshire

This is a one bedroom second floor apartment within a modern block built in 2012. The property consists of one double bedroom, fitted kitchen, lounge/dining room and bathroom. It is well presented but has not been updated since being built. The property extends to circa 538 sq ft and sold for £143,000 (£266 per sq ft) in November 2017. It is located on the northern periphery of Leigh Park and in a more desirable position.

79 High Lawn Way, Leigh Park

This is a one bedroom maisonette within an older style 1960s block. It comprises of an entrance hall, lounge, kitchen, bedroom and bathroom. It is of a basic specification but does benefit from a private garden. The property extends to circa 500 sq ft and sold for £142,500 (£285 per sq ft) in April 2018. We would expect a premium on a pounds per sq ft basis for this property due to the private garden.

15a Lockerley Road, Leigh, PO9 2HD

This is a two bedroom maisonette within a modern terraced block. It comprises an entrance hall, open plan lounge/kitchen, two bedrooms and bathroom. The property is well-presented and has a private garden. The property extends to circa 549 sq ft and sold for £150,000 (£273 per sq ft) in April 2018. The proposed units are much larger and we would expect a premium on a capital value basis.

6.1 Ground Rent

With the recent Government stance on abolishing ground rents, we have made no allowance within our valuation.

6.2 Gross Development Value

We have arrived at an opinion of value by considering the evidence available and by making adjustments to reflect the nature of the evidence, market conditions and the quality and immediate situation of the proposed development. For ease of comparing transactions and determining a broad level of value, a value analysis on a pounds per square foot basis is useful, if only to place the development within a hierarchy of evidence although this can be distorted when comparing houses of varying sizes.

It has been difficult to pinpoint the likely sale point of the proposed apartments as there has been limited new build in Leigh Park. The closest new build scheme is Willow Park in Havant where one bedroom units are being marketed between £145,000 to £160,000 and two bedroom units between £187,500 and £197,500. Marketing is in its early stages with no reservations to date; we would not expect the subject units to achieve in excess of these on a rate per square foot basis as they are much smaller. We have uncovered a number of second hand sales at the Billys Copse development adjacent to the subject site; two bedroom apartments are achieving on average £145,000 (£229 per sq ft) but there are no recent one bed sales. There are limited one bedroom apartment sales in Leigh Park and prices are volatile, the most comparable sales we have uncovered are between £117,500

and £143,000 (£216 per sq ft and £266 per sq ft). Those achieving the highest rate per square foot are maisonettes with gardens, which will command a premium.

Having regard to the above and our discussions with local agents, we would expect the one bedroom apartments to achieve on average £146,000 (£248 per sq ft) and the two bedroom apartments £177,000 (£242 per sq ft). We have applied floor premium and adjusted according to floor area. This includes an allowance for new build premium.

A summary of my GDV assumptions are shown below.

Accommodation	Quantity	GIA Sq M	GIA Sq Ft	Market Value	£/Sq Ft	Aggregate Market Value
1 bedroom, ground floor apartment	4	52.00	560	£140,000	£250	£560,000
1 bedroom, ground floor apartment	1	55.73	600	£145,000	£242	£145,000
1 bedroom, ground floor apartment	1	60.17	648	£150,000	£232	£150,000
1 bedroom, ground floor apartment	1	55.10	593	£145,000	£244	£145,000
1 bedroom, ground floor apartment	1	53.20	573	£140,000	£244	£140,000
2 bedroom, ground floor apartment	4	65.00	700	£170,000	£243	£680,000
2 bedroom, ground floor apartment	1	67.66	728	£172,500	£237	£172,500
2 bedroom, ground floor apartment	1	66.20	713	£172,500	£242	£172,500
1 bedroom, first floor apartment	4	52.00	560	£141,500	£253	£566,000
1 bedroom, first floor apartment	2	55.10	593	£146,500	£247	£293,000
1 bedroom, first floor apartment	1	53.20	573	£141,500	£247	£141,500
1 bedroom, first floor apartment	1	55.73	600	£146,500	£244	£146,500
1 bedroom, first floor apartment	1	55.99	603	£146,500	£243	£146,500
1 bedroom, first floor apartment	1	54.60	588	£141,500	£241	£141,500
2 bedroom, first floor apartment	2	65.00	700	£172,000	£246	£344,000
2 bedroom, first floor apartment	1	68.95	742	£175,000	£236	£175,000
2 bedroom, first floor apartment	1	66.51	716	£174,500	£244	£174,500
2 bedroom, first floor apartment	1	69.06	743	£175,000	£235	£175,000
2 bedroom, first floor apartment	1	66.94	721	£174,500	£242	£174,500
2 bedroom, first floor apartment	1	74.15	798	£180,000	£226	£180,000
2 bedroom, first floor apartment	1	68.28	735	£175,000	£238	£175,000
2 bedroom, first floor apartment	1	66.58	717	£174,500	£243	£174,500
1 bedroom, second floor apartment	4	52.00	560	£143,000	£255	£572,000
1 bedroom, second floor apartment	2	55.10	593	£148,000	£250	£296,000
1 bedroom, second floor apartment	1	53.20	573	£143,000	£250	£143,000
1 bedroom, second floor apartment	1	55.73	600	£148,000	£247	£148,000
1 bedroom, second floor apartment	1	55.99	603	£148,000	£246	£148,000
1 bedroom, second floor apartment	1	54.60	588	£143,000	£243	£143,000
2 bedroom, second floor apartment	2	65.00	700	£174,000	£249	£348,000
2 bedroom, second floor apartment	1	68.95	742	£177,000	£238	£177,000
2 bedroom, second floor apartment	1	66.51	716	£176,500	£247	£176,500
2 bedroom, second floor apartment	1	69.06	743	£177,000	£238	£177,000
2 bedroom, second floor apartment	1	66.94	721	£176,500	£245	£176,500
2 bedroom, second floor apartment	1	74.15	798	£182,000	£228	£182,000
2 bedroom, second floor apartment	1	67.85	730	£177,000	£242	£177,000
2 bedroom, second floor apartment	1	66.58	717	£176,500	£246	£176,500
1 bedroom, third floor apartment	4	52.00	560	£144,500	£258	£578,000

Accommodation	Quantity	GIA Sq M	GIA Sq Ft	Market Value	£/Sq Ft	Aggregate Market Value
1 bedroom, third floor apartment	2	55.10	593	£149,500	£252	£299,000
1 bedroom, third floor apartment	1	53.20	573	£158,000	£276	£158,000
1 bedroom, third floor apartment	1	55.73	600	£149,500	£249	£149,500
1 bedroom, third floor apartment	1	55.99	603	£149,500	£248	£149,500
1 bedroom, third floor apartment	1	54.60	588	£144,500	£246	£144,500
2 bedroom, third floor apartment	3	65.00	700	£176,000	£252	£528,000
2 bedroom, third floor apartment	1	66.58	717	£178,500	£249	£178,500
2 bedroom, third floor apartment	1	66.20	713	£178,500	£251	£178,500
2 bedroom, third floor apartment	1	74.15	798	£184,000	£231	£184,000
2 bedroom, third floor apartment	1	66.94	721	£178,500	£248	£178,500
2 bedroom, third floor apartment	1	69.06	743	£179,000	£241	£179,000
2 bedroom, third floor apartment	1	68.95	742	£179,000	£241	£179,000
1 bedroom, fourth floor apartment	4	55.60	598	£149,500	£250	£598,000
2 bedroom, fourth floor apartment	2	69.50	748	£181,000	£242	£362,000
2 bedroom, fourth floor apartment	1	63.25	681	£178,000	£261	£178,000
Total	78					£12,435,000

7 Benchmark Site Value

7.1 Site Value

Site value is defined in the NPPG as follows:

“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. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called ‘existing use value plus’ (EUV+).”

The RICS GN goes on to say practitioners should have regard to current and alternative use value, market/transactional evidence, and all material considerations including planning policy in deriving the Site Value. Site Value must be, by definition, be at a level at which a landowner would be willing to sell at a competitive return, as recognised by the NPPF.

The application site is not allocated in either the Havant Borough Local Plan (Core Strategy) Adopted, March 2011 or the Havant Local Plan (Allocations) Adopted, July 2014. It is currently arranged in three sections – a disused milk depot, funeral directors and a three bedroom bungalow.

There are limited comparable bungalow sales in Leigh Park, therefore we have considered three bedroom houses and adjusted accordingly.

The funeral directors is owner-occupied whilst the former milk depot is vacant and has been redundant for an extended period. The bungalow is let on an Assured Shorthold Tenancy at a rent of £775 per calendar month.

Given the property has an existing use and there are no site specific policies/allocations attached to it we have considered the threshold value on this basis.

7.2 Comparable Transactions

Given the multiple land uses we have considered various types of transactional evidence. The non-core location of the property, it's unusual arrangement and condition has mean that in most instances it has been difficult to obtain freehold sales, particularly for the commercial space. We have therefore had to use an increased amount of judgement.

7.2.1 Milk Depot

Rents

Unit 4 Dunsbury Business Park, Fulflood Road, Havant let in May 2018. A 5 year lease was agreed at a rent of £15,000 per annum. The property extended to 2,481 sq ft and the rent equates to £6.04 sq ft. This unit is much smaller than the subject property and is in a better condition.

Limberline Road, Hilsea, Portsmouth let in July 2017. It is a basic warehouse extending to 9,980 sq ft. A 5 year lease was taken with the average rent being £40,000 per annum reflecting £4.01 sq ft. The headline rent reflects £4.50 sq ft with the equivalent of just under 6 months rent free.

13 Ordnance Court, Ackworth Road, Portsmouth let in July 2017. It is a basic terraced industrial unit totalling 3,536 sq ft. It was let on a lease for 6 years at a rent equating to £5.66 sq ft. This is in a better location than the subject property, has a higher eaves height but a small yard.

Unit 43 Southmoor Lane, Havant was subject to a rent review in June 2017. It is a basic workshop with additional yard space. The rent agreed increased from £50,000 per annum to £70,000 per annum and has been analysed by the landlord's agent to reflect £4.50 sq ft on the warehouse and £1.00 sq ft on the excess yard. This building is in a better location and condition than the property.

Unit 5 The Tanneries, Brockhampton Lane, Havant was let in January 2017. It was a basic industrial unit totalling 4,240 sq ft let on a 6 year lease. The rent agreed reflects £5.59 sq ft. This is in a better location than the subject property but a small yard.

Sales

Units 1 & 2 The Platters, Brockhampton Road, Havant sold in July 2018. It is a site extending to approximately 0.2 acres, upon which are constructed two basic buildings totalling 5,125 sq ft. The Sale price was £340,000 which reflects £66.34 sq ft when analysed on the buildings. This is in a better location and we would expect it to achieve a premium over the property.

Unit 2 Dunsbury Business Park, Dunsbury Way, Havant sold in Q1 2017. It is a modern industrial unit within a terrace. It extending to approximately 2,558 sq ft and the sale price was £150,000, reflecting £58.65 sq ft. This unit is much smaller than the property and in a better condition.

7.2.2 Funeral Directors

23 Park Parade, Havant let in January 2018. It is a retail unit totalling approximately 2,671 sq ft which was let at a rent of £12,000 per annum which equates to £4.50 sq ft overall according to VOA areas. We have not been provided with any other details of the proposed terms. This property was in very poor order. It is a more established retail location.

12n Greywell Shopping Centre, Havant let in January 2018. It is a retail unit and the rent agreed was £10,181 per annum. This reflects £14.20 sq ft overall according to VOA floor areas.

59-61 Greywell Shopping Centre, Havant was subject to a lease renewal in March 2017. The rent decreased from £18,500 per annum to £14,500 per annum. Overall, the rent reflects £11.32 sq ft.

55-57 Greywell Shopping Centre, Havant let in 2016. A 10 year lease was agreed with a break at the fifth anniversary. The unit extended to 2,137 sq ft and the rent reflects £10.29 sq ft.

63 Greywell Shopping Centre, Havant was subject to a new lease in March 2016. A new lease of 5 years was taken at a rent reflecting £6.34 sq ft overall. The unit extended to 1,577 sq ft.

55 St Albans Road, Havant was subject to a rent review in April 2017. There was a nominal £500 increase and the property was a convenience store extending to 2,773 sq ft. The rent of £28,000 per annum reflected £10.10 sq ft.

Co-op Funeralcare, 22A North Street, Havant let in Spring 2017. A 10 year lease was taken with a break at the fifth anniversary subject to a stepped rent rising from £25,000 per annum to £28,500 per annum in Year 5. The unit was a former Pampurred Pets outlet extending to 3,001 sq ft. The rent equates to £8.33 sq ft in Years 1 and 2, £9.16 sq ft in Years 3 and 4 and £9.50 sq ft in Year 5.

7.2.3 Bungalow

Stone Square, Havant is an older style two bedroom detached bungalow which needs upgrading throughout. It extends to 639 sq ft and currently has a sale agreed at £135,000 (£211 per sq ft).

24 Purbrook Way, Havant is a 1960s mid terraced three bedroom house extending to 969 sq ft. It sold on March 2018 for £200,000 (£206 per sq ft).

23 Eversley Crescent, Leigh Park is a well presented three bedroom semi-detached house extending to 923 sq ft. It sold in August 2017 for £199,995 (£217 per sq ft).

1 Iping Avenue, Leigh Park is a three bedroom semi-detached house which would benefit from modernising, extending to 1,016 sq ft. It sold in November 2017 for £206,000 (£203 per sq ft).

75 Billys Copse, Havant is a modern three bedroom end of terrace house presented in good order. It extends to 829 sq ft and sold for £225,000 (£271 per sq ft) in February 2018.

7.3 Conclusion

In arriving at our opinion of value we have had to adopt a rent and yield approach and cross check this against the sales evidence that we have been able to uncover, which are limited.

The Former Milk Depot is an unusual proposition with a series of characteristics limiting viability. These include:

- Non-Core Location.
- Repair.
- Internal Floor Levels to the Warehouse.
- High Office Content.
- Limited Delivery Access.
- Low Eaves Height.

This makes it difficult pinpointing value more difficult. On a rent and yield basis we have derived a Market Rent of £34,300 per annum and applied a yield of 8.50% whilst making an allowance of £50,000 for works of upgrade. This produces a resultant value of £350,000 which reflects £46.44 sq ft after rounding.

As to the Funeral Directors this is again unusual for another occupier. Funeral Directors normally pay rent akin to retail as they are often in secondary locations. However more isolated positions are more difficult to judge. We have derived a Market Rent of £14,800 per annum after rounding and applied yield of 9.0% whilst making a void allowance of 1 year. We have subsequently deducted purchaser's costs producing a resultant value of £150,000 after rounding.

For the Bungalow we have concluded a value of £225,000 (£234 per sq ft). We have considered sales of three bedroom houses in close proximity to the subject site and applied a premium on a rate per sq ft basis for being over one storey and detached. The only bungalow sale uncovered is a two bedroom unit requiring extensive work and is less comparable.

The Existing Use value of the combined components is therefore £725,000

8 Development Costs

8.1 Site Value – Existing Use Value

As per the conclusions in Section 7.3, our opinion of the aggregate Existing Use Value is £695,000.

8.2 Benchmark Land Value – Existing Use Value Plus

In viability assessments, new guidance under the NPPF recommends that the ‘Existing Use Value Plus’ (EUV+) method is used to calculate benchmark land value at the stage when the local authority sets its local plan policies. As part of this calculation, a premium for a landowner will be calculated, and separately, a suitable return for the developer will be calculated. The EUV+ takes as its starting point the value of the property with its existing use plus an uplift to reflect the need to incentivise a sale.

Assessing the EUV+ is not an exact science and in this instance given the poor viability of the site, in our opinion the EUV+ should be nominal or zero if the landowner is to take a view to enable development. In reality the landowner wants to redevelop the site and is prepared to do so if the market value of the site is equal or above the EUV. We have therefore assumed an EUV+ equal to the EUV at £725,000.

8.3 Acquisition Costs

I have made an allowance for acquisition costs of SDLT in accordance with current HMRC rates, 1.0% for agent fees and 0.8% for legal fees.

8.4 Construction Costs

I have not been provided with any detailed costings by the applicant. I have therefore had regard to the current BCIS rate for flats, rebased to Havant and made appropriate allowances for external work, and demolition as follows. We have assumed the lower quartile build costs in BCIS to reflect an entry level new build specification. A print out from BCIS is shown at Appendix 3.

BCIS Function	Mean £/sq m	Mean £ / sq ft	GIA (sq ft)	Total
Flats 3-5 Storeys	£1,367	£127.00	70,769	£8,976,233

I have made an additional allowance of 5% (£448,812) for contingencies and 4% for professional fees (£359,049). I have also allowed £50,000 for Demolition & Site Clearance. This provides for a total cost of £9,834,094, which equates to £139 sq ft.

8.5 Professional Fees

I have made an allowance for professional fees of 4% of the construction costs.

8.6 Planning Obligations and Community Infrastructure Levy

We have not been provided with estimated Section 106 contributions but we have made an allowance of £564 per dwelling for the Solent Recreation Mitigation Strategy:

Item	Contribution
Solent Recreation Mitigation Strategy	£43,992
Total anticipated S106 Contributions	£43,992

8.7 Community Infrastructure Levy

I have calculated the CIL chargeable area to be 5,564 sq m. The CIL rate for this location is £134.82 per sq m which equates to £750,140.

8.8 Marketing and Disposal Fees

I have allowed for marketing costs of 0.5% of the GDV in this assessment to cover a show home, sales office, advertising and brochures.

In accordance with market practice I have included agent fees of 1% of the open market GDV and legal fees of 0.25%.

8.9 Finance Costs

The interest rate applied in the appraisal represents a total cost of capital in financing the scheme. This reflects both debt and equity financing. The RICS GN suggests that in assessing such matters as the rate of finance, that this should not be specific to the developer in question but be the benchmark rate that any developer capable of undertaking the scheme would be able to access finance at. JLL regularly undertake loan security valuations on behalf of lenders for development sites of this size and scale and our current experience is that a rate of 6% inclusive of arrangement, monitoring and exit fees is appropriate, albeit this is at the lower end of the range we would expect.

8.10 Development Programme

I have assumed a three month pre-construction period to prepare the site for development and put construction contracts in place. I have then allowed for a lead in period of 1 month, a construction period of 18 months and a sales period of 30 months. I have assumed that 10% of the scheme will be sold off-plan and will complete within the first month post practical completion. I have then adopted a sales rate of circa two units per month thereafter.

9 Appraisals and Results

I have run the viability assessment appraisal in ARGUS Developer, which is an established real estate software program used by the property industry to model development projects.

I have undertaken an appraisal of the proposed scheme to demonstrate the viability of the scheme before making any allowance for affordable housing, although I have included the contributions towards the other Section 106 contributions. The results from the viability model are shown in summary below with a copy of the appraisal at Appendix 4.

GDV	Dev Cost	Profit	Profit on GDV
£12,435,000	£12,278,133	£1,430	0.01%

As can be seen the proposed scheme prior to the inclusion of any affordable housing financial contributions generates an almost zero profit **of 0.05% of GDV** which is below the benchmark return requirement of 20%. This demonstrates the scheme is not currently considered to be viable and cannot support any affordable housing. Due to the underlying low capital values in Leigh Park, it is likely the site can only be developed in conjunction with an Affordable Housing Provider and with grant funding.

10 Conclusions

This report and accompanying appraisals have been prepared to support a planning application in respect of the Land at 224 Dunsbury Way in Havant for the development of 78 apartments.

The viability assessment undertaken and detailed in this report demonstrates that prior to the inclusion of any affordable housing the proposed scheme generates a profit of 0.05% of GDV which is way below the benchmark return requirement of 20%. This demonstrates the scheme is not sufficiently viable to support any affordable housing. Due to the underlying low capital values in Leigh Park, it is likely the site can only be developed in conjunction with an Affordable Housing Provider and with grant funding.

The Applicant and I would welcome discussions with Havant to discuss the viability position, if required.

Appendix 1

Location Map and Site Plan

Dairy Crest Site
Dunsbury Way, Havant
PO9 5BQ



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Dairy Crest Site
Dunsbury Way, Havant
PO9 5BQ



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Appendix 2

Development Plans



First Floor Layout

1:250

Schedule of Accommodation

Gross Internal Area - Ground Floor
- 1,437.46m²

16 X 1 Bedroom Apartments (Areas)

- 4 x 52.00m²
- 2 x 65.10m²
- 1 x 22.20m²
- 1 x 65.72m²
- 1 x 55.06m²
- 1 x 54.03m²

8 X 2 Bedroom Apartments (Areas)

- 2 x 65.00m²
- 1 x 66.06m²
- 1 x 66.51m²
- 1 x 60.06m²
- 1 x 66.03m²
- 1 x 54.14m²
- 1 x 66.28m²
- 1 x 66.58m²

Circulation Spaces

- 50.35m²

Store Room(s)

- 1 x 54.30m²
- 1 x 15.03m²



Architect: A | 10.10.2018 | 1201 - A

The Southern Cooperative
Collection
104-106 Dumbury Way
Norwich

First Floor Layout

PRELIMINARY

February 2018

1:250

1201 - A

pwparchitects

21 South Street, Norwich, Norfolk NR1 1JL
01603 254111
www.pwparchitects.co.uk

1:250 1201 - A

1201 - A

Note: All dimensions to be checked on site by the contractor before construction and verified. Figures shown are to the centre of the building and shall not be relied upon without the written consent of the architect. First floor layout of the building to be confirmed by paper first floor only.



Ground Floor Layout

1:200

Schedule of Accommodation

Gross Internal Area - Ground Floor
= 5,494.90sqm

10 x 1 Bedroom Apartments (Areas):

- 6 x 52.36sqm
- 2 x 55.50sqm
- 1 x 51.20sqm
- 1 x 52.72sqm
- 1 x 55.59sqm
- 1 x 54.80sqm

8 x 2 Bedroom Apartments (Areas):

- 2 x 66.50sqm
- 1 x 66.50sqm
- 1 x 66.51sqm
- 1 x 66.50sqm
- 1 x 66.51sqm
- 1 x 66.52sqm
- 1 x 67.52sqm
- 1 x 66.50sqm

Circulation Areas

- 44.33sqm

Storage Area

- 1 x 14.30sqm
- 1 x 11.52sqm



0 10m (33ft)

Scale: 1:200 (1:1000 at A3)

The Southern Cooperative
Conversion
104-106 Dumbury Way
Havant

Second Floor Layout

PRELIMINARY
February 2016
1:200
L202

pwparchitects
pwp architects ltd
100-102 Dumbury Way
Havant, Hampshire PO9 1JH
Tel: 01329 810000
Email: info@pwparchitects.co.uk
Website: www.pwparchitects.co.uk

Project No: **5264** Drawing No: **1202** Rev: **A**

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Scale of the construction

Ground Internal Area - Ground Floor
= 1,407 m²

10.1.1 Bedroom Apartments (Areas)

- 1 x 10 m²
- 1 x 10 m²
- 1 x 10 m²
- 1 x 10 m²
- 1 x 10 m²

10.1.2 Bedroom Apartments (Areas)

- 1 x 10 m²
- 1 x 10 m²
- 1 x 10 m²
- 1 x 10 m²
- 1 x 10 m²

10.1.3 Bedroom

- 1 x 10 m²

10.1.4 Bedroom

- 1 x 10 m²

10.1.5 Bedroom



10.1.6 Bedroom

10.1.7 Bedroom

The Southern Coast
Coastal
104-106 Dandenong Way
Hurst

10.1.8 Bedroom

10.1.9 Bedroom

10.1.10 Bedroom

10.1.11 Bedroom

10.1.12 Bedroom

10.1.13 Bedroom

10.1.14 Bedroom

10.1.15 Bedroom

10.1.16 Bedroom

10.1.17 Bedroom

10.1.18 Bedroom

10.1.19 Bedroom

10.1.20 Bedroom

pwparchitects
11 South Street, Melbourne VIC 3000
03 9594 1000
11 South Street, Melbourne VIC 3000
03 9594 1000

5264 1203 A



Fourth Floor Layout

1:200

Schedule of Accommodation

Gross Internal Area - Ground Floor
- 587.50m²

4 x 1 Bedroom Apartments (Areas):
- 4 x 55.00m²

3 x 2 Bedroom Apartments (Areas):
- 2 x 45.00m²
- 1 x 62.50m²

Circulation Space
- 30.30m²

Store Room(s)
- 1 x 11.80m²



0 10m (30ft)

Scale: 1:200 (A4) 1:100 (A3) 1:50 (A2)

The Southern Cooperative
Construction
104-106 Dumbury Way
Havant

Fourth Floor Layout

PRELIMINARY
February 2016
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L200

pwparchitects
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5264

1204

A



Appendix 3

BICS

BCIS Average Prices: £/m2 study
Downloaded: 03-Dec-2018 13:51
Updated: 01-Sep-2018 02:05
Rate per m2 gross internal floor area for the building Cost including prelims.
Rebased to Havant (113; sample 22)

Type of Work	Building function	Sub-Class	Cut-off years	Sample	Mean	Standard deviation	Decile 0 (lowest)	Decile 1	Decile 2	Decile 3	Decile 4	Decile 5 (median)	Decile 6	Decile 7	Decile 8	Decile 9	Decile 10 (highest)	Lower quartile	Upper quartile
New build	816. Flats (apartments)	Generally	15	957	1644	412	798	1221	1325	1411	1483	1569	1671	1795	1930	2135	5591	1369	1864
		1-2 storey	15	231	1564	336	971	1205	1289	1365	1447	1504	1581	1675	1773	2046	2942	1327	1732
		3-5 storey	15	640	1623	365	798	1209	1320	1407	1482	1557	1659	1787	1915	2101	3211	1367	1852
		6+ storey	15	83	2030	673	1154	1455	1588	1711	1840	1929	2039	2114	2260	2481	5591	1630	2164

Appendix 4

Appraisal

224 Dunsbury Way, Havant

224 Dunsbury Way
Havant
Hampshire
PO9 5BQ
England

Development Appraisal
Prepared by Stephen Knight
JLL
11 December 2018

APPRAISAL SUMMARY**JLL****224 Dunsbury Way, Havant****Summary Appraisal for Phase 1****Currency in £****REVENUE**

Sales Valuation	Units	Unit Price	Gross Sales	
78 x Apartments	78	159,423	12,435,000	
Sales Agent Fee		1.00%	(124,350)	
Sales Legal Fee		0.25%	(31,088)	
				(155,438)

NET REALISATION 12,279,563**OUTLAY****ACQUISITION COSTS**

Fixed Price			725,000	
				725,000
Stamp Duty			25,750	
Agent Fee		1.00%	7,250	
Legal Fee		0.80%	5,800	
				38,800

CONSTRUCTION COSTS

Construction	ft²	Build Rate	ft²	Cost	
78 x Apartments	70,679	127.00		8,976,233	8,976,233
Contingency		5.00%		448,812	
Demolition				50,000	
CIL				750,140	
Section 106				43,992	
					1,292,944

PROFESSIONAL FEES

Architect		4.00%	359,049	
				359,049

MARKETING & LETTING

Marketing		0.50%	62,175	
				62,175

FINANCE

Debit Rate 6.000%, Credit Rate 0.000% (Nominal)				
Land			71,413	
Construction			335,554	
Other			411,720	
Total Finance Cost				818,687

TOTAL COSTS 12,272,888**PROFIT****6,675****Performance Measures**

Profit on Cost%	0.05%
Profit on GDV%	0.05%
Profit on NDV%	0.05%
IRR	5.75%

APPRAISAL SUMMARY

JLL

224 Dunsbury Way, Havant

Profit Erosion (finance rate 6.000)

0 mths

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