



12 April 2015

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Care of; Mr T Burton.

Economic Viability Assessment

Dear Sirs

Ref; Economic Viability Assessment – 9 & 11 St Georges Walk, Waterloooville.

Background

I am instructed to undertake an Economic Viability Assessment of the above site in conjunction with the detailed planning application currently submitted. The proposal is to demolish the existing 2 number commercial properties on the site and construct a 4 storey block comprising of 14 number 1 and 2 bedroom apartments and a new commercial ground floor unit.

I previously acted for the former land owners (Warner Goodman Solicitors) in regards the previous planning application and provided advice in regards the economic viability issues of the site. The proposed scheme seeks to overcome some of the viability issues on the site. Notwithstanding this the projects economic viability issues have to be considered on standard assumptions.

I attach (Appendix A) a summary of my residual valuation worksheet that I also have provided in an HCA EAT Model. This appraisal considers the viability of the site on standard assumptions in compliance with RICS Valuation in Planning Guidance Note.

A significant factor in the sites overall Economic Viability is the established Existing Use Value. I would like to address the key issues of the project individually.

Mr T Burton - EVA
St Georges Walk, Waterloooville.
12 April 2015

Construction Costs.

The proposed scheme incorporates a mix of 14 number 1 bedroom and 2 bedroom flats. I consider that the BCIS median new build rate indexed to Havant at £1,208m² accurately reflects the construction costs for the main building.

New Build	No	GIAm ²	Total
1 Bed Flat	8	53.44	472.52
2 Bed Flat	6	64.67	388.02
Circulation			156.80
Undercroft			23.00
Cycles & Bins			47.50
Commercial	1	96.00	96.00
Totals			1,138.84

There is an element of undercroft parking which I have costed at £750m² and internal bin and cycle storage I have costed at £750m².

Abnormal costs associated with the development are the demolition of the existing property. I have undertaken a measured survey and assessed the external works and services required at £65,750 including the above abnormal costs.

Overall the new building provides for 911m² of saleable floor area and the blended construction rate across the whole site is £1,513m².

There are significant unknown risks in redeveloping this site including service capacity and surface water drainage issues. Combined with the significant in the ground risk I consider a 5% contract contingency to be appropriate on this site.

Fees

Taking into account the size and nature of the development I consider a professional fee budget of £110,369 to be reasonable, this represents 8% of construction works contract sum.

Interest and bank charges have been calculated on a cash flow model with arrangement fees of 1% and interest rates of 6%. I have allowed 16 months for project delivery (including mobilisation 2 months) and a 4 months sales period.

Sales and marketing costs are assumed at 1.5% of Gross Development Value and £650 per unit in legal fees. I have allowed for the management company set up costs at £3,000.

I have made allowances for CIL contributions in the sum of £57,280 this being 1,019m² on the net gain building, allowing for 303m² of demolition area.

Profit and Overhead

I have considered Developers profit at 17.5% on the Gross Development Value of residential and 20% on the gross Development Value of the commercial element.

Residential Sales Rates.

I have reviewed the sales evidence for the nearby new build scheme at Forest End being built by Redrow and Bloor Homes. I consider a sales rate of £2,540/m² to reflect the sales value for the St Georges Walk site. This produces an average sales value of £135,000 for the 1 bed and £165,000 for the 2 bed apartments.

I have included a sales value of £120,000 for the commercial unit. I have valued the Freehold at £35,000 gross based on ground rents of £150 p.a.

Existing Use Value – Land Transfer Costs

The site is formed by the demolition of 2 detached office buildings (303m² GIA) formerly in use by Solicitors, Warner Goodman. The property was the subject of an independent valuation in 2103 by Pearsons Commercial. The Open Market Value of the current use was stated as £200,000. In accordance with NPPF it would be appropriate to make an allowance to the OMV to incentive the disposal of the site for redevelopment. I have included 15% in my appraisal to reflect this policy requirement, being £30,000.

I have made further allowances for SDLT at 1% and legal and valuation fees within my appraisal.

Residual Value

Considering the above reasonable assumptions taking into account the EUV at £230,000 and Profit at 17.5%, the project produces a significant negative residual of -£162,000.

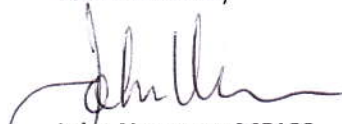
Conclusion

The existing use value of the site contributes to there being significant economic viability issues. The site's EUV is clearly supported by valuation evidence and the 15% uplift allowance made in my appraisal has not provided suitable incentive to the land owner to release the site for redevelopment.

Due to the viability issues identified in our report the site will only come forward without an affordable housing s106 contribution and then only on significantly reduced profit margins.

Please don't hesitate to contact me if you require any additional information.

Yours sincerely



John Newman MRICS
Chartered Surveyor
Registered RICS Valuer

Mr T Burton - EVA
St Georges Walk, Waterlooville.
12 April 2015

St Georges Walk - Financial Viability Assessment.**Private Development Assumptions**

12-Apr-14

A**Standard Construction Costs**

Unit Type	Number of Units	Gross Int Floor Area m2	Total GIA m2	Construction Cost Rate £m2	Total Build Cost
1 Bed Flat	8	53.44	427.52	£1,208	£516,444
2 Bed Flat	6	64.67	388.02	£1,208	£468,728
Commercial	1	96	96.00	£900	£86,400
Bins & Cycles			47.50	£750	£35,625
Communals inc Lift			156.80	£1,208	£189,414
Undercroft			23.00	£750	£17,250
Totals			1,138.84		£1,313,862

Over Extra Construction Costs

Soft Landscaping	£500		
Demolition & Site Clearance	£15,000		
Fences and Gates	£1,350	30m	
Utility Infrastructure Charges	£24,000		Effective Build Rate
Incoming Services (x3)	£3,000		£m2
Driveway and Parking	£14,250	190m2	£1,513.48
Paths	£3,150	70m2	£140.60
Foul Drainage	£3,000		
Surface Water Drainage	£1,500		
Sub Total	£65,750		

Total **£1,379,612**

Contingency @ 5% **£68,981**

Grand Total **£1,448,592**

Administration and Development Allowance

Professional fees @8%	£110,369	
Interest (@7% inc)	£94,471	
Legal Sale £650 p.u.	£9,100	
Management Company	£3,000	
Sales & marketing costs @1.5%	£32,850	
CIL contributions	£57,280	1,019m2 Net gain C3 use of 303m2 demolition
Commercial Sale	£5,000	
Total	£312,070	

Existing Land Cost/Value

Existing Use Value	£230,000	OMV £200,000
Legal Purchase	£3,000	EUV inc £230,000
Affordable Housing Valuation	£5,000	
Stamp Duty @1%	£2,300	On EUV
Total	£240,300	

Overhead & Development Profit

Overhead Profit C3 @17.5%	£362,250
Overhead Profit B1 @20%	£24,000
Total Profit	£386,250

Gross Development Costs

£2,387,212

Total Gross Development Value

		Sales		£m2	
1 Bed Flat	8	£135,000	£1,080,000	£2,526.20	53.44
2 Bed Flat	6	£165,000	£990,000	£2,551.41	64.67
Retail	1	£120,000	£120,000	£1,562.50	76.8
Freehold			£35,000		
Totals Market GDV			£2,225,000		

Development Residual

-£162,212

Valuation

Interest payments

Land is at EUV plus cost	£240,300
Contract period expenditure	£1,621,241
Total Borrowings	£1,861,541

24 month cycle to last sale loan paid

Intro Fee 1% £18,615

Borrowing rate 6%

Month 0	£240,300	£240,300	£1,202	Planning
month 1	£76,000	£316,300	£1,582	Mob
month 2	£20,000	£336,300	£1,682	
month 3	£20,000	£356,300	£1,782	SOS
month 4	£60,000	£416,300	£2,082	
month 5	£100,000	£516,300	£2,582	
month 6	£150,000	£666,300	£3,332	
month 7	£200,000	£866,300	£4,332	
month 8	£250,000	£1,116,300	£5,582	
month 9	£250,000	£1,366,300	£6,832	
month 10	£200,000	£1,566,300	£7,832	
month 11	£150,000	£1,716,300	£8,582	
month 12	£100,000	£1,816,300	£9,082	
month 13	£50,000	£1,866,300	£9,332	PC
month 14		£1,166,300	£5,832	
month 15		£666,300	£3,332	Sales Comm
month 16		£166,300	£832	
month 17		£0	£0	Sales Comp
month 18		£0	£0	
month 19		£0	£0	
month 20		£0	£0	
	£1,866,300		£75,806	

Total Finance Cost

£94,421