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STURT & COMPANY LTD, THE COACH HOUSE, UPHAM FARM, UPHAM, HAMPSHIRE. SO32 1JD
Tel 01489 860721 office@sturtandco.com www.sturtandco.com

Company No 07990266 VAT No: 132 6808 20

Economic Viability Report for Affordable Housing at:

Land at Bartons Road
Havant
PO9 5JB

Private and Confidential

Prepared by

Malcolm Barber, DipArb MRICS MCIArb

20th September 2021

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1.0 INTRODUCTION

1.1 Sturt & Company have been requested to undertake a Viability Assessment Report for Affordable Housing at land at Bartons Road, Havant, PO9 5JB in conjunction with a planning application for a mixed used development comprising 175 apartments in three blocks.

1.2 This report update my previous report to take account of amended layout of the commercial area which is now excluded. This report follows previous versions but with updated build costs and GDV.

1.3 This assessment of Economic Viability follows the Residual Valuation method in accordance with the RICS Guidance Note 94 – Financial Viability In Planning. It has been carried out in accordance with Planning Practice Guidance May 2019.

1.4 A significant factor in the site's overall economic viability is the need to generate a suitable incentive to the landowner to bring the site forward for development, in accordance with National Planning Policy Framework.

1.5 This is an Expert Surveyor's Report that is appropriate for submission to the Planning Inspectorate, if required.

1.6 This valuation is at 20th September 2021.

Proposed Scheme

1.7 It is proposed to redevelop the site to provide 175 apartments in three blocks, all being four storey comprising a mixture of one and two bedroom units, together with 188 car parking spaces.

1.8 I have been asked to assess the scheme on the basis of a policy compliant scheme in terms of Affordable Housing, having between 30%-40% affordable dwellings, of which, 65%-70% should be affordable rent with 30%-35%, intermediate/shared ownership. Based on 30% this would result in 52.5 number of affordable units, of which 34 would be affordable rent and 18.5 would be intermediate/shared ownership.

1.9 In addition, I have been asked to assess an appropriate scheme that provides a proper return for both landowner and developer. On this basis, I have modelled an alternative scheme with all the flat units being private.

Qualifications

1.10 My name is Malcolm Barber, I am a Member of the Royal Institution of Chartered Surveyors and a Registered Valuer and Member of the Chartered Institution of Arbitration. I have been active in providing valuations for commercial and residential property in Southern England for over 30 years.

1.11 I joined Sturt & Company Ltd in April 2016, having previously worked for over 25 years for Jones Lang LaSalle (formerly King Sturge). I was Head of the Professional Consulting Team in JLL's Southampton Office that provided valuation and consultancy advice in Southern England.

1.12 I have provided advice to a wide range of public sector, financial institutions, companies as well as individuals, covering investments, development sites and owner-occupied properties. I have acted for the public sector including the HCA (formally the Regional Development Agencies) and Land Registry, to provide strategic development options and valuation advice on a diverse range of both commercial and residential assets.

Extent

1.13 Please note that this report and its appraisals are for private purposes only and do not constitute a formal or RICS Red Book Valuation for funding or other purposes.

1.14 This report cannot be relied upon by any third party for any purpose and is to be treated as Private and Confidential due to the detailed transactions contained within it, which are confidential.

2.0 LOCATION

3.1 The property is located in Havant. Havant is an important commercial and residential town located in south-east Hampshire between Portsmouth and Chichester.

3.2 Havant has a well-established retail centre, focused on the Meridian Centre and the adjoining North and West Streets. In addition, it has two edge of centre retail parks. The Central Retail Park is located just north-east of the main retail area whilst Solent Retail Park is located just to the south-west. Both schemes provide a good range of retail units together with Tesco and Aldi supermarkets. Havant has a well-established commercial market with the two principal estates, one adjacent to the M27 to the south-east of the town centre with the other to the north-east of the town centre focused on New Lane and Bartons Road.

3.3 The property is located just over one mile to the north of Havant retail centre in a mixed use area. It is on the edge of West Leigh that is situated to the east of Petersfield Road and Leigh Park that is on the western side of Petersfield Road. Both are post war Local Authority housing developments that have become more mixed over recent decades.

3.4 The site has a frontage on to Petersfield Road, Bartons Road and Martin Road. Petersfield Road is an important road, fronted by a mixture of commercial and residential occupiers. On the opposite side of the road is mainly residential that forms part of Leigh Park. Martin Road provides a link into the New Lane Industrial area, having predominantly residential to its north with mixed uses to its south. These include Havant and Waterlooville Football Club ground, a

church as well as industrial units. Martin Road is more residential in nature, although to the north of it, there are a number of commercial occupiers and the Football Club. Immediately to the south is a car sales and repair facility and a data centre. To the west is the football ground. To the north is Bartons Road, beyond which is residential.

Transport links

3.5 Havant has excellent access on to the national road network being at the junction of the A3M and A27. The A3M provides predominantly dual carriageway access to London 64 miles to the north-east. The A27 provides dual carriageway access to Chichester in the east and the M27 at Portsmouth to the west. The M27 then links to Southampton and the M3 approximately 24 miles to the west.

3.6 The site has good access to public transport networks with a number of bus services in the locality giving access around Havant and to nearby centres. Havant has a mainline station. It provides a direct service between Portsmouth and London Waterloo with the fastest journey time to London Waterloo of approximately 1 hour 17 minutes. In addition, it is on the Brighton to Cardiff route that stops at Southampton.

3.7 Approximate distances to the following locations are as follows:

- Portsmouth 7 miles
- Fareham 11 miles
- Chichester 11 miles
- Petersfield 14 miles
- Southampton 22 miles

3.0 DESCRIPTION

Current Configuration

3.1 The property comprises a brownfield site which formally occupied a commercial building that has been demolished.

3.2 Along its road frontage, it is enclosed by a low brick wall with a metal railing above it. Other boundaries vary but are predominantly fenced with a hedge.

3.3 Although the building has been demolished substantial amount of crushed material remains on the site, to be dealt with as part of the development. I understand the foundations and other sub-ground structures have not been removed and again need to be dealt with as part of the development.

3.4 The only vehicular access is from the north of Bartons Road.

3.5 The site extends 1.20 ha (2.97 acres) being part of a longer site waiting redevelopment.

3.6 The site is outlined in red on the attached Plan in **Appendix 1.** Photographs of the property are attached at **Appendix 2**.

4.0 PROPOSED SCHEME

4.1 The site that is to be developed will have frontage on Petersfield Road. The principal vehicular access at the north will be on to Bartons Road with a secondary access for the residential flats on to the south via Martin Road.

4.2 The three residential blocks will all be five storey and constructed in a similar architectural style. They will be constructed around a frame with a mixture of cladding and glazed elevations lying under a flat roof. The blocks provide a mixture of 110 one and 65 two bedroom units together with ancillary accommodation with bike storage and refuse storage at ground level. Stairs and lifts provide access to all floors. Each flat will have access to an open space, either ground floor garden area, with the upper floors having balconies. The balconies will have polished metal handrail with glazed safety panels.

4.3 The external area will be landscaped and provide 188 car parking spaces together with shared gardens and bike shed.

4.4 The accommodation is summarised with GIA floors areas as follows:

Block	Style	Comment	No.	Total sq m	Total sq ft
A	1 bedroom flats	Ranging in size from 40.1 sq m to 41.6 sq m (432 sq ft to 449 sq ft) with an average of 439 sq ft. Each comprising living room with kitchen area, bedroom and bathroom.	57	2,326,18	25,039
	2 bedroom flats	Ranging in size from 68.7 m to 77.6 m (739 sq ft to 835 sq ft) with an average of 781 sq ft. Each comprises living room with kitchen area, two bedrooms, bathroom and en-suite shower room.	7	507.34	5,461
B	1 bedroom flats	Ranging in size from 40.0 sq m to 41,90 sq m (431 sq ft to 451 sq ft) with an average of 438 sq ft. Each comprising living room with kitchen area, bedroom and bathroom.	19	773.69	8,328
	2 bedroom flats	Ranging in size from 68.7 m to 69.1 m (739 sq ft to 744 sq ft) with an average of 741 sq ft. Each comprises living room with kitchen area, two bedrooms, bathroom and en-suite shower room.	13	894.46	9,628

C	1 bedroom flats	Ranging in size from 40.7 sq m to 42.4 sq m (438 sq ft to 442 sq ft) with an average of 440 sq ft. Each comprising living room with kitchen area, bedroom and bathroom.	34	1,396.88	29,850
	2 bedroom flats	Ranging in size from 61.3 sq m to 65.1 sq m (660 sq ft to 701 sq ft) with an average of 66.38 sq m. Each comprises living room with kitchen area, two bedrooms, bathroom and en-suite shower room.	45	2,773,13	2,034
			Total	**8,671.68**	**93.342**

4.5 Attached at **Appendix 3** is a breakdown of individual units and their floor areas. If it assists the Local Authority's Valuer, the floor areas can be provided in an Excel format.

4.6 The Gross Internal Floor Area of the residential blocks has been calculated as follows:

Block	Floor	Sq m	Sq ft
Block A	Ground to Fourth Floor	3,964.30	42,671
Block B	Ground to Fourth Floor	2,216.80	23.861
Block C	Ground to Fourth Floor	5,360.30	57,698
Bike Shed	Ground	37.40	403
	Total GIA	**11,541.36**	**124,230**
Block A	Undercroft Parking[1]	113.10	1,217
	Total	**11,659.44**	**125,501**

5.0 PLANNING POLICY

National Planning Policy – NPPF 2019 Update

5.1 The level of detailed analysis contained in this report is in line with the NPPF as updated in 2019 and the PPG update in May 2019.

5.2 It is a requirement for the applicant to justify and demonstrate why a viability assessment is appropriate for the subject site. The current policy is underpinned by a viability assessment prepared in October 2013 – Havant Borough Local Plan Viability Assessment prepared by BNP Paribas Real Estate. Even the Local Authority must accept that this is out of date and not valid to rely upon, as they have sought a revised report to support the emerging Local Plan – Local Plan and CIL Viability Study prepared by Dixon Searle January 2019. Although this document is more appropriate to consider in terms

[1] Undercroft Parking is not part of the GIA

of its relevance to the current market, the cost inputs are based as at September 2018. In the rapidly changing economic environment, even this newer report is now badly out of date and it does not reflect the current market sentiment nor costs input. In addition, neither report considers some fundamental policies that the Council are seeking to apply. More importantly, the requirement to satisfy nitrate neutrality is not allowed for. This can be addressed by a mixture of offsetting and reduction of water use on site. No allowance has been made for any of these, even in the recent Dixon Searle report.

5.3 Consequently, both reports are invalid as being obsolete.

5.4 In accordance with National Planning Guidance, I have largely followed the methodology used when the Council prepared their planning policies. Both BNP and Dixon Searle have followed the accepted standard methodology and many of the inputs that I have used accord with their recommendations. I have however, made allowances to reflect the site specific considerations and the current market condition and costs.

Local Planning Policy

5.5 The property falls within the jurisdiction of Havant Borough Council whose core policies are set out in the Havant Borough Core Strategy 2011 and Havant Local Plan (Allocations) 2014. The principal policies that have relevance to this viability appraisal are the site specific Policy L145 and the general policy SC9 – Housing.

5.6 Policy L145 is as follows:

Policy L145 - Site Specific Development Requirements:

- Employment and Skills Plan to support planning application
- Investigate ground quality conditions, as part of a planning application, and address any matters that arise
- Utilise the existing access point onto Barton's Road
- Ensure appropriate amenity level for occupants of proposed residential properties having regard to noise (Policy DM18)
- Southern Water request connection to the sewerage system at the nearest point of adequate capacity
- Appropriate easement from existing sewage/waste infrastructure

5.7 Core Policy CS9 - Housing

SC9 – Housing

Planning permission will be granted for housing proposals that will: -

1. Contribute to achieving a net total of 6,300 new dwellings between 2006 and 2026.

2. Deliver on average 30-40% affordable housing on sites of 15 dwellings (gross) or more and secure a suitable contribution, or on-site provision, equivalent to on average 30-40% on smaller housing developments between 5 and 14 dwellings (gross), unless a lesser requirement has been transparently justified on viability grounds.

3. Ensure mixed communities are created through the planned distribution and avoidance of a concentration of affordable housing.

4. Achieve a suitable density of development for the location, taking into account accessibility to public transport and proximity to employment, shops and services in addition to respecting the surrounding landscape, character and built form.

5. Provide a mix of dwelling types, sizes and tenures which help meet identified local housing need and contribute to the development of mixed and sustainable communities.

6. Provide accommodation for the ageing population in sustainable locations, taking account of the need to provide for a variety of care needs and flexibility to accommodate differing requirements of ageing care.

7. Contribute to achieving 450 extra-care dwellings between 2006 and 2026.

8. Ensure housing development is delivered in a phased manner with an appropriate proportion of previously developed land so as to avoid unnecessary development on greenfield urban extension sites.

5.8 Based on national policy requirements, a viability assessment has been undertaken to achieve a viable scheme.

5.9 When reviewing Dixon Searle's report, it appears that even on their basis, they could not support the existing policy of an affordable content of 30%-40% with the Draft Havant Borough Local Plan 2036 in Policy H2 proposing only 20% affordable proportion in Havant Town centre with 30% outside the town centre. Consequently, even on the Local Authority's own evidence, their current policy is unsustainable.

6.0 VIABILITY ASSESSMENT – DEVELOPMENT COSTS

6.1 In accordance with Good Practice and Planning Practice Guidance 2019, my viability assessment is based upon the same methodology and reflects many of the inputs used in the area wide viability used to establish the Local Authority's Policy for Affordable Provision.[2] Accordingly, in the assessment within this report, I have reflected, wherever possible, costs that were identified in the Local Authority's own area wide viability model.[3]

6.2 In line with the Local Authority's own research and common industry standards, I have mirrored the Local Authority's area wide modelling assumptions together with my professional opinion following research into the site specific market.[4]

6.3 The level for many of the costs, inputs and other variables mirror the Local Authority's own assumptions which they used in their area wide assessment and published in Havant Borough Local Plan Viability Assessment 2013 prepared by BNP Paribas and the more Local Plan and CIL Viability Study prepared by Dixon Searle as at January 2019.

6.4 Set out below are the key appraisal assumptions together with a comparison to the Local Authority's own evidence base.

Assumption	Sturt & Co Inputs	Local Authority Inputs[5]	Comments
BCIS Build Cost	Base build cost of £133.59 sq ft	Out of date based on September 2018 costs	
Developer Profit on Private Residential	20% on GDV	20% on GDV	Identical
Developer Profit on Affordable Units	6% on GDV	6% on GDV	Identical
Finance Cost	6.5%	6.5%	Note BNP Paribas in their older report used 7%. Our cost includes setup and administration fees
Professional Fees on construction costs	8%	10%	
Build Cost Contingency	5.0%	5%	Increased from last report to reflect material/labour inflation risk

[2] PPG 2019 paragraph 008.
[3] PPG 2019 paragraph 012.
[4] This also reflects recent decisions by the Planning Inspectorate.
[5] See Viability Assessment for the Comprehensive Local Plan Strategic Housing and Economic Land Availability Assessment (BNP 2017).

Externals	Residential-5%	5%-20%	No breakdown of how area wide assessment have treated the costs for a 50 unit flat scheme
Balconies	£2,500 per unit		
Upgrade to take account of Part L of the Building Regulations	£2,000 per unit		PC Sum. To include charging points.
Utility Installation	Site Specific Cost		
Marketing Budget	2.5% of GDV of private	1%-6% of GDV	Cost need to include show flats
Legal Cost of Sale	£1,250	£750	Adjusted for current requirements for long leasehold property
Financial Incentives per private unit	£750 per unit	N/A	To reflect current market conditions
Void Cost (Private)	£274 per unit	Not Stated	Based on an average of 2 month void

Cost of Constructing Units

6.5 Good practice when assessing schemes of this nature is to use building costs prepared by BCIS. This provides a database of costs for a wide range of building types and can be recalibrated to reflect the local area. BCIS rates have been used in both reports that support the Havant Borough Council planning policies.

Residential

6.6 Up until recently, it had become common to use the 5 year default when assessing build costs and this has been used.

6.7 For the residential element, I have used 'Flats (apartments) three to five storey' which have a median for the default period of £1,438 sq m (£133.59 sq ft).

6.8 All the flats above ground floor have external space. With the exception of the top floor, these are provided by glass fronted balconies which are larger than often provided. For the top floor flats, they have outside space at roof level fitted out in an appropriate way again with glass fronted safety rail. In addition to the base cost, I have allowed an additional £2,500 per upper floor flat towards the outside spaces.

6.9 There is undercroft car parking which is outside the GIA area of the building. Consequently, I have applied an additional rate that reflects £1,076 sq m (£100 sq ft).

6.10 In addition to the base build cost for the residential, I have allowed 5% of base build cost towards externals but a site specific cost is current being assessed and will be need to be incorporated into the assessment.

6.11 Before the pandemic, Contingency Margin decreased. However, significant build material inflation and future uncertainty about both material and labour costs have necessitated increased contingency. Accordingly, I have used 5% due to the long build period and the brown field nature of the site.

Other Costs

6.12 We have allowed costs for EPC and PAT testing of appliance in preparation of sale of the property, as well as warranties, like NHBC.

6.13 In addition, we have allowed legal fees to transact the sales on the private units of £1,250 per unit. This includes the initial lump sum charged by solicitors for sales of this nature to achieve first registration and abortive cost of sales do not proceed to completion. Due to the shortage of Conveyors, legal costs have increased over the last two years and this needs to be reflected in this update appraisal.

6.14 We are noting that in the current market, house builders are required to provide additional incentives in order to achieve sales. This is often in a form of subsidising or paying the whole Stamp Duty Land Tax (SDLT), upgrades to kitchens including appliances, floor coverings throughout and garden improvements. In addition, there is often a requirement help with legal fees or relocation package which results in the developer buying the purchaser's existing house and then reselling it. All these incentives add a cost to the development but the package varies between units.

6.15 I have analysed these packages on a number of schemes and conclude for a scheme of this type, that an average incentive package of £750 per unit is appropriate.

6.16 When the development is complete there will be holding costs on the private units until the sale is completed. This will include Council Tax and utility charges such as water, gas and electricity as well as Service Charge. I have averaged the Council Tax based on our experience of other nearby sites and have applied these to the site.[6] Being flats, the whole block has to be completed before the first completions can take place. Consequently, large void is expected by comparison to house schemes. Set out below is a summary of these holding costs of void units.

Item	Monthly Cost
Council Tax Band C	£140.00
Service Charges	£100.00
Utilities	£25.00
Total per unit	**£265.00**

[6] It should be noted that if properties remain empty for 24 month there may be a surcharge on Council Tax.

6.17 On average each flat will be vacant for 3 months.

Profit

6.18 There is a substantial degree of uncertainty regarding the future economy and housing market, largely generated by the COVID-19 pandemic.

6.19 Although the market is functioning at the moment, most economists are predicting substantial change in the near future, once the Government support for business and furloughed employees is withdrawn or reduced, which could lead to substantial job losses.

6.20 There is material uncertainty now and the economic outlook is very different from 2018/19 when the Local Authorities viability evidence was prepared.[7] The availability of funding from bank sources has become restricted for flat schemes and the trajectory of GDVs of residential units is unpredictable. When banks retrench, they habitually require larger profit margins on development schemes in order that they have greater margin if predictions change, such as a fall in GDVs. Accordingly, since the COVID-19 outbreak, using the historic profit level is unjustified and I have the opinion the scheme could not be delivered nor attract bank funding at former levels.

6.21 In addition to the general changes to the market, the property is a substantial flat scheme for this locality. Each block is large, requiring cost commitment to complete them, prior to any sale taking place. This is particularly the case for Blocks C. This exposes the developer to substantially more risk by comparison to house led scheme where the development progresses at the speed the developer sells the units. Consequently, the developer is only exposed to handful of units at one time and they adjust delivery or reduce it if the market changes. With flat schemes this is not possible, as each block has to be delivered in its entirety, before any unit can be sold.

6.22 This will have a very significant effect when being reviewed by lending sources and they will require an appropriate profit margin to reflect this.

6.23 Consequently, I am of the opinion that the profit margin should be 22.5% of GDV which compares well, considering Havant Borough Council themselves use an areawide rate of 20% before the COVID-19 pandemic and was applied to small flat schemes or house based development. Although I consider 22.5% profit appropriate, I accept there are not enough post COVID-19 site sales have taken place to assess the market fully. Consequently, to illustrate the viability of the scheme I have, at this stage, run the appraisal based on a profit of 20% of private and 6% of affordable GDVs. Clearly as the market reacts to the new economic climate, this will need to be reviewed.

Site Specific Costs

[7] Local Plan and CIL Viability Study Jan 2019 prepared by Dixon Searle Partnership for the new Local Plan (DLP).

6.24 A number of site specific costs have been identified and need to be allowed for. At this early stage in the planning/development process all works needed have not been identified or assessed. As the scheme progresses further in planning, more costs may be assessed/identified and I reserve my position to included them in a revised report.

6.25 Site specific consideration are as follows:-

Site Specific Costs		
Item	**Description**	**Cost**
Attenuation Solution	It is likely to require permeable surfaces and underground storage crates.	£111,556
Off Site Electrical Upgrades	A cost has been provided by the utility undertaker	£222,500
Site Clearance	Remove demolition material stored on site and sub soil structures	£183,094
New Entrance	New bellmouth onto Martin Road.	£90,000
Acoustic Fencing		£30,795
Cycle Stores	Store with appropriate bike storage system 403 sq ft at £80 sq ft.	£32,250
	Total	**£670,195**

6.26 All above costs exclude fees and contingency.

Statutory Costs

6.27 I have been informed that the developer will be required to contribute towards the following:

Statutory Contribution		
Solent Recreational Mitigation Strategy	£346 per one bedroom dwelling and £500 per two bedroom dwelling. These prices will be indexed.	£70,406
HBC S106 Monitoring Fee	PC sum	£3,680
HBC S106 Legal Fee	PC sum	£3,500
Bio-Diversity Net Gain	No Assessment yet.	TBC

Nutrient Neutrality	A final scheme has not been agreed but a solution will be required and allowed for. PC sum £975 sq ft	£168,875
Off Site Highways	S278 works	£236,770
CIL	Current Level is £11.08 sq ft but needs indexing up as commencement with not start until 2022.	£1,380,000
	Total	**£1,863,231**

6.28 The most cost will need to be indexed to reflect that implementation will take place no earlier than 2022.

6.29 Detail cost for the roadworks have been undertaken and can be provided if the Council want to engage a cost consultant.

Development Phasing

6.30 The scheme is of such a size and configuration that phasing will be needed to align with the rate that completed units can be sold. I have assumed that the private residential units would sell at a rate of 3 per month.

6.31 I have therefore phased the residential build with the scheme starting with blocks A and B. With the construction of Block C commencing when the first two blocks are completed. Otherwise, the finance cost of the scheme increases as the building will be completed with an extended void period until sales can be achieved.

7.0 VIABILITY ASSESSMENT - GROSS DEVELOPMENT VALUE

7.1 The Gross Development Value is the resulting revenue that can be generated from the scheme. In this case, it will be the sale value of the flats and drive-thru units.

7.2 Since my original valuation in the summer of 2020, house prices have generally increased. I have however, reviewed recent transactions and still consider the GDV per unit appropriate that I had previously used. Since my previous appraisal, the average unit size has been amended and is slightly smaller than previous. Consequently, the £ sq ft of my GDV is marginally higher.

Private Sector Housing

7.3 The residential property market went through a period of no activity during the pandemic lockdown. Since the lifting of restrictions, the market has re-emerged and the level of enquiries are strong. However, many commentators consider the level of enquiries currently reflect the weeks of no activity with an element of catchup. Although reservations are currently strong, most developers are acting cautiously releasing relatively few units in each phase. Nationally house prices are stable but inevitably this will partly reflect pre COVID-19 agreements

that are only now being documented. However, anecdotal evidence would indicate that activity has improved.

7.4 There is, however, continued and significant uncertainty as to the medium-term outlook. Substantial redundancies have already occurred and most commentators anticipate substantial increased unemployment once the Government's support package starts to be withdrawn. Inevitably, as unemployment rises, this will have a negative effect on the purchaser's sentiment which is likely to affect both sales rate and price achieved.

7.5 All the transactions I have looked at are effectively retrospective, with all sales prior to COVID-19. Consequently, the potential sale value of the flats will need to be constantly under review until the market settles down and trends can be established.

7.6 The scheme comprises a mixture of one and two bedroom flats. However, the majority of flats only have one bedroom. There are a few newbuild schemes similar in the area that are currently on the market or have recently sold. I have had regard to the following:

7.7 **Willow Park, Leigh Road, Havant** is a scheme of one and two bedroom flats located about ½ a mile to the south of the property. The scheme totals 31 units over three storeys that where sold mainly in 2019. Each flat has allocated car parking and most had outside space. Each purchaser was offered incentives including £500 towards legal fees and £1,000 John Lewis or Ikea voucher if exchange took place within the agreed time frame. In addition, all flats included floor coverings throughout and kitchen with all electric appliances.

7.8 The original agreed price gross of incentives achieved when a new build scheme can be summarised as follows:

Type	Size	Price Achieved	Price sq ft
One Bedroom Flat	Between 409 sq ft to 505 sq ft.	£142,500 to £160,000	£297 to £348 (average of £330)
Two Bedroom Flat	Between 514 sq ft to 614 sq ft	£170,000 to £200,000	£285 to £331 (average of £306)

7.9 Since the original sales a number of units have been re-offered to the market. Although prices appeared to have increased marginally, reviewing current guide and agreed prices they are similar or less to the original sales price.

Flat	Original Sale	Current Sale
15 Willow Park	£195,000 Sept 2019	Guild Price £190,000
2 Willow Park	£195,500 Aug 2019	Guild Price £185,000

6 Willow Park	£187,500 Aug 2019	Under Offer at Close to Guild Price £190,000
4 Willow Park	£190,000 Aug 2019	Sold April 2021 £200,000

7.10 This scheme is in a similar position in that it is adjacent Petersfield Road, but it is further south which would be considered superior by comparison to the subject property which is more closely associated to housing on West Leigh and Leigh Park.

Private Units GDVs

7.11 I have benchmarked the GDVs off the sales of The Willows but adjusted reflect the inferior location and nature of the subject site. The GDV are set out in schedule attached at **Appendix 4**. In my appraisals I have used an average of the price for each type in each block.

7.12 Based on the sales in the locality, a sales incentive package will be required to achieve the GDV. Similarly, to The Willows, I have allowed an average financial incentive package of £750 per unit.

Affordable Units GDV

7.13 At this preliminary stage in the planning, Registered Housing Providers have not been approached to give an indication of the value they would pay for the completed units.

7.14 I have used my experience and as is typical in the locality, I have allowed for the affordable flats to have a GDV equating to 65% of the private GDV. This is an average of both the affordable tenures and the intermediate/shared ownership units. This like to be optimistic as Registered Provides considered shared blocks that have a floating service charge favourably. This because they will not be able to recover the variable cost of the service charge from the occupiers as they are subject to rent caps.

Ground Rents

7.15 I have considered whether the flats in a private scheme could be sold on a long lease with a ground rent, in order to create a ground rent investment. The market has significantly changed for residential units sold on a long lease basis and the government is proposing to bring out new legislation which is anticipated to significantly restrict landlord's ability to sell flats on long leasehold basis with a ground rent and is likely to eliminate management and administration fees, similarly, to the way this occurs in the AST letting market. This has depressed yields when the investments are sold.

7.16 Already the mortgage market has adapted, with most major lending institutions already restricting their finance when a new flat is let with a ground rent where it is more than 0.1% of the asset value or has rental increases.

7.17 The Government's proposals to amend leasehold structure are already filtering into the market. In particular the requirement of Help to Buy is that no ground rents are charged.

7.18 The subject property provides a mixture of one and two bedroom units where it is anticipated that by Help To Buy will be critical to facilitate sales rates. Consequently, in order to hit a sale rate at the target price that I have used, ground rents cannot be applied.

7.19 Purely for sensitivity analysis purposes I have allowed an element for ground rent based on £163 per unit to establish if this significantly changes the viability outcome. This is solely to justify that even on the most optimistic assessment, not supported by market trends, the site is still not viable to support affordable units.

8.0 BENCHMARK LAND VALUE

8.1 Planning Policy Guidance - May 2019 (PPG) considers viability assessments and the appropriate inputs. Although it provides a limited framework for the methodology to follow, it provides no direct guidance on what the assessment of a site should be when there are conflicting statements in the methodology set out in the PPG.

8.2 It defines that Benchmark Land Values for sites should be established on the basis of Existing Use Value of the land, plus a premium for the landowner. The premium should be a reasonable incentive for the landowner to sell for development, whilst allowing for a sufficient contribution to comply with policy.

8.3 The initial process is to establish the Existing or Current Use Value. The landowner's 'premium' over Current Use Value is considered the second element of Benchmark Land Value. As already mentioned, this should be the reasonable incentive for the landowner to bring forward the land for development, but the PPG provides no guidance as to what quantum the premium should be. It sets out that it should be informed by 'professional judgement', having regard to the best evidence, which is market evidence but can include Benchmark Land Values from other viability assessments.

8.4 The property comprises a Brownfield site ready for development. Its last use was as an office with ancillary accommodation but all the buildings have been demolished, in preparation of redevelopment. In accordance with guidance the Benchmark Land Value of the site will be the Current Use Value of the site plus the landowner's premium. There is precedent that where the site is a development site, it is inappropriate to add a Landowner's premium in addition to the Current Use Value. I therefore consider that the Benchmark Land Value

of the site should be its Current Use Value as a development site for employment purposes.

8.5 This site has the advantage that it has services immediately available and that the entire gross area is suitable for development as none of it is required to be set aside for landscaping buffet or environmental benefit purposes.

8.6 When considering the development site value, I have had regard to the sale of other development sites in the locality. In particular the following: -

8.7 **Former Colt International site, New Lane, Havant** is currently on the market. It is a site of 1.98 acres comprising a brownfield development site suitable for employment redevelopment. It is currently on the market without a definitive guide price but with a target of between £700,000 and £800,000 per acre. Initial enquiries indicate that this will achievable. This site does not have main road frontage similar to the subject site so an adjustment has to be made to reflect the superior road frontage of the subject site.

8.8 **36 New Lane Havant** sold in March 2019. It comprised a site of 2.53 acres but an old building had to be demolished to make the site ready for development. It was bought on an unconditional basis at a price that equates to approximately £720,000 per acre. This site is in the immediate vicinity of the subject property and has subsequently been developed for employment purposes. The site was fronting onto an estate road so did not have the advantage that the subject site has in that is immediately adjacent to a busy road with excellent visibility to passing traffic.

8.9 **Velocity, Stanbridge Road, Havant** was on the market in 2017. It comprised a 4.95 acre site, situated within an established employment area and has been developed for employment. The site was being marketed at a price reflecting £747,000 per acre and I understand that it sold at close to this level.

8.10 **Concorde Way Segenswoth Fareham** sold in 2018. It comprised a long leasehold development site of 4.7 acres gross and is currently being developed for industrial purposes. Due to ecology considerations, the net developable area was reduced and resulted in abnormal costs estimated at over £1,000,000. The sale price equates to approximately £830,000 per net developable acre.

8.11 **Solent 2, Whiteley Fareham** sold in September 2018. It comprised a 2.5 acre site with a consented employment use, situated within an established employment area. The site was purchased at a price reflecting £947,000 per acre.

8.12 **Employment Site Bererwood Waterlooville sold in 2018.** It comprised a strategic site having a gross area of 23 acres although the net developable will be significantly smaller. Although some infrastructure had been installed in the wider area the purchaser had to undertake all on site estate services and infrastructure works. The property sold for £450,000 per acre gross. By comparison to the subject site adjustments will have to be made for the difference in size, Gross to Net acreage and the substantial cost of servicing that will be undertaken as part of a development.

8.13 Since my previous appraisal, I have reviewed the Benchmark Land Value. Considering the market transactions of which I was aware when I undertook my original valuation, combined with the most recent marketing outcome of the former Colt site at New Lane, my opinion as to Benchmark Land Value has changed. It is quite clear the market has shifted materially for employment land since the Local Authority's Area Wide Assessment in January 2019. The most recent marketing experience of this nearby site clearly illustrates the appropriate Current Use Value of the site. I have therefore revised my opinion to £750,000 per acre being the mid-point and likely outcome of the sale of the nearby site.

8.14 Due to the extensive and credible evidence in the immediate locality, there is no need to use historic areawide Benchmark Land Values as has been used by the Local Authority's surveyor in the past. The PPG makes it clear that Current Use Value should be based on market transactions and comparable evidence. In this case there is sufficient from which to draw a conclusion.

8.15 Accordingly, the at this stage I have used a total Benchmark Land Value is as follows:

Site Area	Price	Benchmark Land Value
1.20 ha (2.97 acres).	£1,850,000 ha (£750,000 acre)	£2,230,000

9.0 COMMERCIAL VIABILITY ANALYSIS

9.1 The property has been assessed on a policy compliant basis (Scheme 1), which assumes 52 affordable rent units. This does not produce a proper return for the developer or achieve the Benchmark Land Value. Consequently, I have appraised the scheme on 100% private (Scheme 2) with outcome as follows.

Scheme	Residual Land Output
Scheme 1 – All private units	-£1,220,000

9.2 A 100% private scheme does not achieve the Benchmark Land Value. Consequently I have not assessed the scheme with a policy compliant Affordable Housing Provision. If this was undertaken, an even lower BLV would be achieved.

9.3 If a Benchmark Land Value is included in the appraisals, the outcome would be even worse as there would be the cost of land, fees[8] and interest on the land during the development period.

9.4 The commercial viability assessment indicates that a policy compliant affordable housing provision is not viable as the residual land value is below the Benchmark Land Value as demonstrated by the appraisals.

[8] This would include legal, surveyors and SDLT.

9.5 Attached at **Appendix 4** are copies of the ARGUS development appraisals

Sensitivity

9.6 To inform the outcome, I have undertaken a Sensitivity Analysis on profit, GDV and costs. Build costs are particularly at risk due to substantial inflation over the year and unpredictability about future supply that has not flowed into BCIS cost yet. Accordingly, commentators are saying there is material risk of cost inflation with few considering a fall in prices being predicted. Similarly, the chronic shortage of labour is driving up wage rates with little prospect of wages falling. This combined with the relatively long build period results in significant risk for the developer which justifies a 20% profit margin.

9.7 I have however, undertaken a Sensitivity Analysis of both 20% and 17.5% profit. I have used build costs going up in 2.5% increments, with GDV increasing and decreasing in 2.5% increments. Even using the most optimistic scenario the development does not achieve accepted Benchmark Land Value.

9.8 Sensitivity analyses are attached in the **Appendix 5**.

10.0 BENEFITS OF THE DEVELOPMENT

10.1 The scheme has a number of benefits for the local area in providing 191 much needed residential units. In addition, there are a number of socio-economic benefits which are a material consideration in the determination process.

10.2 There will be an economic benefit based on the construction value of the project. For every £75,000 of construction expenditure, one full time temporary local job is created for the period of the project. Based on the anticipated construction budget of circa £24,175,000 this would result in 322 construction jobs.[9]

10.3 The provision of much needed housing delivers an immediate boost to the economic performance of a local area, including the construction industry, as highlighted by the DEMOS research.

> *"House building – in whatever form it takes – is seen by many as highly beneficial to the economy in the current climate. It would stimulate growth and create jobs in a variety of construction – related industries, reduce spending on housing benefit and bring down the cost of living."*

10.4 The creation of 175 new residential households will indirectly help commercial and community facilities in nearby centres. The average income per person for the sub-region is £xxx[10], resulting in the scheme having a combined household

[9] See "Forecasting the Number of Jobs created Through Construction; Published by D Forbes (2012), association of Researchers in Construction Management only using construction cost and excluding fees.
[10] Source ONS: GVA per person. Based on (1.5 persons per unit) adults in full time employment in the completed scheme.

income of £7,950,000 per year. Due to the location of the development, the new residents will spend money locally in shops, cafes and on local services.

10.5 The household spend will have a multiplier effect of approximately 1.5 times resulting in a total economic multiplier of £19,874,000 to the local economy. [11]

10.6 The provision of 175 new residential households will have a positive impact on the local economy, especially nearby public houses and other community facilities. Increasingly, local facilities are struggling to survive and without the local population increasing, services available to existing residents will diminish.

New Homes Multiplier

10.7 The 175 new residential dwellings will also generate Council Tax for the Local Authority together with the New Homes Multiplier. This is a Financial Material Consideration. The New Homes Bonus is paid every year for the first six years and is based on the amount of extra Council Tax for the residential dwelling. The Local Authority is not restricted on how they spend the extra revenue and for a scheme of this nature we would expect it to generate the following revenue.

Amount per dwelling/year	Total Council Revenue over 6 years
£1,654.95	£1,737,700

[11]The definition of the Multiplier Effect is an injection of extra income leads to more spending, which creates more income, and so on. The multiplier effect refers to the increase in final income arising from any new injection of spending. The multiplier effect is not open ended and is subject to leakage and the propensity to save in any given economy. Source: Economic Online.

12.0 STATEMENT OF TRUTH AND DECLARATION

Statement of Truth

12.1 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.' [12]

Declaration

1. I confirm that my report has drawn attention to all material facts which are relevant and have affected my professional opinion.

2. I confirm that I understand and have complied with my duty as an expert witness which overrides any duty to those instructing or paying me, that I have given my evidence impartially and objectively and that I will continue to comply with that duty as required.

3. I confirm that I am not instructed under any conditional or other success-based fee arrangement.

4. I confirm that I have no conflicts of interest.

5. I confirm that my report complies with the requirements of RICS – Royal Institution of Chartered Surveyors, as set down in the RICS Practice Statement 'Surveyors Acting As Expert Witnesses'.

I trust my report covers all matters required, but if you require any additional clarification please do not hesitate to let me know.

Yours sincerely



Malcolm Barber **Date** 20 September 2021
Sturt and Company Ltd

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Appendix 1

Site Plan and Layout Plan

Appendix 2

Photographs

As at Summer 2020



View of Site



View of Site

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View of Site



View of Site

COPYRIGHT © Sturt and Company. All Rights Reserved



View of Site



View form Petersfield Road from the south

COPYRIGHT © Sturt and Company. All Rights Reserved



View form Petersfield Road from the north



View form Bartons Road

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Appendix 3

Schedule of Accommodation

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Bartons Road, Havant

Block A

Unit No	Floor	Beds	Balcony	sqft	m2
1	Ground	2	Terrace	739	68.7
2	Ground	1	Terrace	438	40.7
3	Ground	1	Terrace	438	40.7
4	Ground	1	Terrace	438	40.7
5	Ground	1	Terrace	438	40.7
6	Ground	1	Terrace	438	40.7
7	Ground	1	Terrace	438	40.7
8	Ground	1	Terrace	438	40.7
9	Ground	1	Terrace	438	40.7
10	Ground	1	Terrace	438	40.7
11	First	2	Balcony	835	77.6
12	First	2	Balcony	739	68.7
13	First	1	Balcony	438	40.7
14	First	1	Balcony	438	40.7
15	First	1	Balcony	438	40.7
16	First	1	Balcony	438	40.7
17	First	1	Balcony	438	40.7
18	First	1	Balcony	438	40.7
19	First	1	Balcony	438	40.7
20	First	1	Balcony	438	40.7
21	First	1	Balcony	438	40.7
22	First	1	Balcony	448	41.6
23	First	1	Balcony	448	41.6
24	First	1	Balcony	448	41.6
25	Second	2	Balcony	835	77.6
26	Second	2	Balcony	739	68.7
27	Second	1	Balcony	438	40.7
28	Second	1	Balcony	438	40.7
29	Second	1	Balcony	438	40.7
30	Second	1	Balcony	438	40.7
31	Second	1	Balcony	438	40.7
32	Second	1	Balcony	438	40.7
33	Second	1	Balcony	438	40.7
34	Second	1	Balcony	438	40.7
35	Second	1	Balcony	438	40.7
36	Second	1	Balcony	448	41.6
37	Second	1	Balcony	448	41.6
38	Second	1	Balcony	448	41.6

39	Third	2	Balcony	835	77.6
40	Third	2	Balcony	739	68.7
41	Third	1	Balcony	438	40.7
42	Third	1	Balcony	438	40.7
43	Third	1	Balcony	438	40.7
44	Third	1	Balcony	438	40.7
45	Third	1	Balcony	438	40.7
46	Third	1	Balcony	438	40.7
47	Third	1	Balcony	438	40.7
48	Third	1	Balcony	438	40.7
49	Third	1	Balcony	438	40.7
50	Third	1	Balcony	448	41.6
51	Third	1	Balcony	448	41.6
52	Third	1	Balcony	448	41.6
53	Fourth	1	Balcony	438	40.7
54	Fourth	1	Balcony	438	40.7
55	Fourth	1	Balcony	438	40.7
56	Fourth	1	Balcony	438	40.7
57	Fourth	1	Balcony	438	40.7
58	Fourth	1	Balcony	433	40.2
59	Fourth	1	Balcony	432	40.1
60	Fourth	1	Balcony	438	40.7
61	Fourth	1	Balcony	438	40.7
62	Fourth	1	Balcony	438	40.7
63	Fourth	1	Balcony	435	40.4
64	Fourth	1	Balcony	435	40.4
				30,500	2,833.5

Block B

Unit No	Floor	Beds	Balcony	sqft	m2
1	Ground	2	Terrace	739	68.7
2	Ground	1	Terrace	438	40.7
3	Ground	1	Terrace	438	40.7
4	Ground	1	Terrace	438	40.7
5	Ground	1	Terrace	438	40.7
6	Ground	2	Terrace	739	68.7
7	First	2	Balcony	739	68.7
8	First	1	Balcony	438	40.7
9	First	1	Balcony	438	40.7
10	First	1	Balcony	438	40.7
11	First	1	Balcony	438	40.7
12	First	2	Balcony	739	68.7
13	First	2	Balcony	744	69.1
14	Second	2	Balcony	739	68.7
15	Second	1	Balcony	438	40.7

16	Secon	1	Balcony	438	40.7
17	Second	1	Balcony	438	40.7
18	Second	1	Balcony	438	40.7
19	Second	2	Balcony	739	68.7
20	Second	2	Balcony	744	69.1
21	Third	2	Balcony	739	68.7
22	Third	1	Balcony	438	40.7
23	Third	1	Balcony	438	40.7
24	Third	1	Balcony	438	40.7
25	Third	1	Balcony	438	40.7
26	Third	2	Balcony	739	68.7
27	Third	2	Balcony	744	69.1
28	Fourth	2	Balcony	742	68.9
29	Fourth	1	Balcony	431	40.0
30	Fourth	1	Balcony	438	40.7
31	Fourth	1	Balcony	451	41.9
32	Fourth	2	Balcony	742	68.9
				17,956	1,668.2

Block C

Unit No	Floor	Beds	Balcony	sqft	m2
1	Ground	2	Terrace	660	61.3
2	Ground	2	Terrace	660	61.3
3	Ground	2	Terrace	660	61.3
4	Ground	1	Terrace	438	40.7
5	Ground	1	Terrace	456	42.4
6	Ground	1	Terrace	456	42.4
7	Ground	1	Terrace	438	40.7
8	Ground	1	Terrace	438	40.7
9	Ground	1	Terrace	438	40.7
10	Ground	1	Terrace	438	40.7
11	Ground	2	Terrace	660	61.3
12	Ground	2	Terrace	668	62.1
13	Ground	2	Terrace	660	61.3
14	Ground	2	Terrace	660	61.3
15	Ground	2	Terrace	660	61.3
16	First	2	Balcony	660	61.3
17	First	2	Balcony	660	61.3
18	First	2	Balcony	660	61.3
19	First	2	Balcony	678	63.0
20	First	1	Balcony	438	40.7
21	First	1	Balcony	438	40.7
22	First	1	Balcony	456	42.4
23	First	1	Balcony	456	42.4
24	First	1	Balcony	438	40.7

25	First	1	Balcony	438	40.7
26	First	1	Balcony	438	40.7
27	First	1	Balcony	438	40.7
28	First	2	Balcony	660	61.3
29	First	2	Balcony	668	62.1
30	First	2	Balcony	660	61.3
31	First	2	Balcony	660	61.3
32	First	2	Balcony	660	61.3
33	Second	2	Balcony	660	61.3
34	Second	2	Balcony	660	61.3
35	Second	2	Balcony	660	61.3
36	Second	2	Balcony	678	63.0
37	Second	1	Balcony	438	40.7
38	Second	1	Balcony	438	40.7
39	Second	1	Balcony	456	42.4
40	Second	1	Balcony	456	42.4
41	Second	1	Balcony	438	40.7
42	Second	1	Balcony	438	40.7
43	Second	1	Balcony	438	40.7
44	Second	1	Balcony	438	40.7
45	Second	2	Balcony	660	61.3
46	Second	2	Balcony	668	62.1
47	Second	2	Balcony	660	61.3
48	Second	2	Balcony	660	61.3
49	Second	2	Balcony	660	61.3
50	Third	2	Balcony	660	61.3
51	Third	2	Balcony	660	61.3
52	Third	2	Balcony	660	61.3
53	Third	2	Balcony	678	63.0
54	Third	1	Balcony	438	40.7
55	Third	1	Balcony	438	40.7
56	Third	1	Balcony	456	42.4
57	Third	1	Balcony	456	42.4
58	Third	1	Balcony	438	40.7
59	Third	1	Balcony	438	40.7
60	Third	1	Balcony	438	40.7
61	Third	1	Balcony	438	40.7
62	Third	2	Balcony	660	61.3
63	Third	2	Balcony	668	62.1
64	Third	2	Balcony	660	61.3
65	Third	2	Balcony	660	61.3
66	Third	2	Balcony	660	61.3
67	Fourth	2	Balcony	660	61.3
68	Fourth	2	Balcony	660	61.3
69	Fourth	2	Balcony	660	61.3
70	Fourth	2	Balcony	701	65.1
71	Fourth	1	Balcony	438	40.7

72	Fourth	2	Balcony	667	62.0
73	Fourth	1	Balcony	438	40.7
74	Fourth	1	Balcony	438	40.7
75	Fourth	1	Balcony	676	62.8
76	Fourth	2	Balcony	660	61.3
77	Fourth	2	Balcony	660	61.3
78	Fourth	2	Balcony	660	61.3
79	Fourth	2	Balcony	660	61.3
				44,886	4,170.0

Appendix 4

ARGUS Appraisal

All Private Scheme

Bartons Road Havant- All Private 175 Units
No Commercial

Development Appraisal
Sturt and Company
05 October 2021

Bartons Road Havant- All Private 175 Units
No Commercial

Appraisal Summary for Phase 1 All Private 175 Units

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Block A 1 Bed Flat	57	25,023	358.77	157,500	8,977,500
Block A 2 Bed Flat	7	5,460	282.05	220,000	1,540,000
Block B 1 Bed Flat	19	8,322	359.59	157,500	2,992,500
Block B 2 Bed Flat	13	9,633	290.15	215,000	2,795,000
Block C 1 Bed Flat	34	15,028	356.33	157,500	5,355,000
Block C 2 Bed Flat	45	30,510	306.05	207,500	9,337,500
Totals	**175**	**93,976**			**30,997,500**

Rental Area Summary	**Units**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Ground Rents	175	163	28,525	28,525
Totals	**175**		**28,525**	**28,525**

Investment Valuation

Ground Rents					
Current Rent	28,525	YP @	5.5000%	18.1818	518,636
Total Investment Valuation					**518,636**

GROSS DEVELOPMENT VALUE				**31,516,136**	
Purchaser's Costs			(24,767)		
Effective Purchaser's Costs Rate		4.78%			
				(24,767)	
NET DEVELOPMENT VALUE				**31,491,369**	
NET REALISATION				**31,491,369**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (Negative land)			(1,219,030)		
				(1,219,030)	
Town Planning			75,000		
Site Investigation - Contamination			10,000		
				85,000	

CONSTRUCTION COSTS
Construction

	ft²	**Build Rate ft²**	**Cost**
Block A 1 Bed Flat	25,023	133.59	3,342,823
Block A 2 Bed Flat	5,460	133.59	729,401
Block A Common Areas	12,171	133.59	1,625,924
Block A Undercroft	1,271	100.00	127,100
Block B 1 Bed Flat	8,322	133.59	1,111,736
Block B 2 Bed Flat	9,633	133.59	1,286,872
Block B Common Areas	5,905	133.59	788,849
Block C 1 Bed Flat	15,028	133.59	2,007,591
Block C 2 Bed Flat	29,835	133.59	3,985,658
Block C Common Areas	12,812	133.59	1,711,555

Bartons Road Havant- All Private 175 Units
No Commercial

Bike Shed	403	80.00	32,240	
Totals	**125,863 ft²**		**16,749,749**	**16,749,749**
Contingency		5.00%	938,857	
Breakup Tarmac & Old Foundaton			83,094	
Decomination / Removal/Monitoring			100,000	
New Entrance Bellmouth			90,000	
S278 Costs			236,770	
Off Site Electric Upgrade			222,500	
CIL Residential	124,592 ft²	11.08	1,380,479	
Solent Rec Mitigation 1 Bed	110 un	346.00 /un	38,060	
Solent Rec Mitigation 2 Bed	65 un	500.00 /un	32,500	
Nitrates Mitigation (PC Sum)	175 un	965.00 /un	168,875	
S106 Legal Fees			5,000	
LA Monitoring Fee			3,680	
				3,299,816
Other Construction				
Piled Foundations			347,600	
Part L of the Building Regulations	175 un	2,000.00 /un	350,000	
Balconies			360,000	
Externals Residential		5.00%	835,875	
New Entrance onto Martin Road			1	
Attenuation Resi Only			111,556	
Acoustic Fencing			30,795	
Warrenties/NHBC Residential	175 un	1,250.00 /un	218,750	
				2,254,577
PROFESSIONAL FEES				
Professional Fees		8.00%	1,500,188	
				1,500,188
DISPOSAL FEES				
Residential Sales & Marketing Suite		2.50%	774,937	
EPC and PAT Testing	177 un	175.00 /un	30,975	
Void Period Costs	175 un	274.00 /un	47,950	
Sales Incentive Package	175 un	750.00 /un	131,250	
Ground Rent Sale Fee		1.50%	7,780	
Sales Legal Fee Residential	175 un	1,250.00 /un	218,750	
Sales Legal Fee Ground Rent	1 un	2,000.00 /un	2,000	
				1,213,642
FINANCE				
Debit Rate 6.500%, Credit Rate 1.000% (Nominal)				
Land			(257,345)	
Construction			1,523,335	
Other			38,210	
Total Finance Cost				1,304,200
TOTAL COSTS				**25,188,142**
PROFIT				
				6,303,227
Performance Measures				
Profit on Cost%		25.02%		
Profit on GDV%		20.00%		
Profit on NDV%		20.02%		
Development Yield% (on Rent)		0.11%		
Equivalent Yield% (Nominal)		5.50%		
Equivalent Yield% (True)		5.69%		

Bartons Road Havant- All Private 175 Units
No Commercial

IRR% (without Interest)	23.47%
Rent Cover	220 yrs 12 mths
Profit Erosion (finance rate 6.500)	3 yrs 6 mths

Appendix 5

ARGUS Appraisal –

Sensitivity Analysis

Bartons Road Havant- All Private 175 Units
No Commercial

Development Appraisal
Sturt and Company
05 October 2021

Bartons Road Havant- All Private 175 Units
No Commercial

Table of Land Cost and Land Cost

	Construction: Rate /ft²				
Sales: Sales / Unit	0.000%	+2.500%	+5.000%	+7.500%	+10.000%
	133.59 /ft²	136.93 /ft²	140.27 /ft²	143.61 /ft²	146.95 /ft²
-5.000%	£2,270,580	£2,728,881	£3,189,149	£3,651,411	£4,114,342
	£2,270,580	£2,728,881	£3,189,149	£3,651,411	£4,114,342
-2.500%	£1,744,805	£2,203,009	£2,661,214	£3,121,250	£3,583,128
	£1,744,805	£2,203,009	£2,661,214	£3,121,250	£3,583,128
0.000%	£1,219,030	£1,677,234	£2,135,438	£2,593,643	£3,053,350
	£1,219,030	£1,677,234	£2,135,438	£2,593,643	£3,053,350
+2.500%	£693,254	£1,151,459	£1,609,663	£2,067,868	£2,526,072
	£693,254	£1,151,459	£1,609,663	£2,067,868	£2,526,072
+5.000%	£167,479	£625,684	£1,083,888	£1,542,093	£2,000,297
	£167,479	£625,684	£1,083,888	£1,542,093	£2,000,297

Sensitivity Analysis : Assumptions for Calculation

Construction: Rate /ft²
Original Values are varied by Steps of 2.500%.

Heading	Phase	Rate	No. of Steps
Block A 1 Bed Flat	1	£133.59	5 Up only
Block A 2 Bed Flat	1	£133.59	5 Up only
Block A Common Areas	1	£133.59	5 Up only
Block A Undercroft	1	£100.00	5 Up only
Block B 1 Bed Flat	1	£133.59	5 Up only
Block B 2 Bed Flat	1	£133.59	5 Up only
Block B Common Areas	1	£133.59	5 Up only
Block C 1 Bed Flat	1	£133.59	5 Up only
Block C 2 Bed Flat	1	£133.59	5 Up only
Block C Common Areas	1	£133.59	5 Up only
Bike Shed	1	£80.00	5 Up only

Sales: Sales / Unit
Original Values are varied by Steps of 2.500%.

Heading	Phase	Amount	No. of Steps
Block A 1 Bed Flat	1	£157,500	2.00 Up & Down
Block A 2 Bed Flat	1	£220,000	2.00 Up & Down
Block B 1 Bed Flat	1	£157,500	2.00 Up & Down
Block B 2 Bed Flat	1	£215,000	2.00 Up & Down
Block C 1 Bed Flat	1	£157,500	2.00 Up & Down
Block C 2 Bed Flat	1	£207,500	2.00 Up & Down

Bartons Road Havant- All Private 175 Units
No Commercial

Development Appraisal
Sturt and Company
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Bartons Road Havant- All Private 175 Units
No Commercial

Table of Land Cost and Land Cost

	Construction: Rate /ft²				
Sales: Sales / Unit	0.000%	+2.500%	+5.000%	+7.500%	+10.000%
	133.59 /ft²	136.93 /ft²	140.27 /ft²	143.61 /ft²	146.95 /ft²
-5.000%	£1,700,289	£2,158,494	£2,616,698	£3,076,532	£3,538,205
	£1,700,289	£2,158,494	£2,616,698	£3,076,532	£3,538,205
-2.500%	£1,159,775	£1,617,980	£2,076,184	£2,534,389	£2,993,826
	£1,159,775	£1,617,980	£2,076,184	£2,534,389	£2,993,826
0.000%	£619,261	£1,077,466	£1,535,670	£1,993,875	£2,452,079
	£619,261	£1,077,466	£1,535,670	£1,993,875	£2,452,079
+2.500%	£78,832	£536,951	£995,156	£1,453,360	£1,911,565
	£78,832	£536,951	£995,156	£1,453,360	£1,911,565
+5.000%	(£444,367)	(£2,312)	£454,642	£912,846	£1,371,051
	(£444,367)	(£2,312)	£454,642	£912,846	£1,371,051

Sensitivity Analysis : Assumptions for Calculation

Construction: Rate /ft²
Original Values are varied by Steps of 2.500%.

Heading	Phase	Rate	No. of Steps
Block A 1 Bed Flat	1	£133.59	5 Up only
Block A 2 Bed Flat	1	£133.59	5 Up only
Block A Common Areas	1	£133.59	5 Up only
Block A Undercroft	1	£100.00	5 Up only
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Block B 2 Bed Flat	1	£133.59	5 Up only
Block B Common Areas	1	£133.59	5 Up only
Block C 1 Bed Flat	1	£133.59	5 Up only
Block C 2 Bed Flat	1	£133.59	5 Up only
Block C Common Areas	1	£133.59	5 Up only
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Sales: Sales / Unit
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