



STURT & COMPANY

UNLOCKING VALUE FROM LAND

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Economic Viability Report for Affordable Housing at:

**Land at Bartons Road
Havant
PO9 5JB**

Private and Confidential

Prepared by

Prepared by Malcolm Barber, DipArb MRICS MCI Arb

29th July 2020

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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 191 apartments and two A3 drive-thru restaurants.
- 1.2 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.
- 1.3 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.
- 1.4 This is an Expert Surveyor's Report that is appropriate for submission to the Planning Inspectorate, if required.
- 1.5 This report is at 29th July 2020.

Proposed Scheme

- 1.6 It is proposed to redevelop the site to provide 191 apartments in three blocks, all being four storey comprising a mixture of one and two bedroom units, together with 182 car parking spaces. In addition, there are two A3 drive-thru restaurants having 34 car parking spaces.
- 1.7 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 57 number of affordable units, of which 50 would be affordable rent and 7 would be intermediate/shared ownership.
- 1.8 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 alternative schemes with all the flat units being private.

Qualifications

- 1.9 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.
- 1.10 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.

- 1.11 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

- 1.12 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.
- 1.13 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 COVID-19 2020

- 2.1 Covid-19 will have significant and far reaching impacts on the residential development sector and will affect the demand for all types of property for some time. House buyers will be cautious depending upon their job security and this will make demand for dwellings highly volatile.
- 2.2 The RICS has published a Practice Statement highlighting the significant problems the property industry faces and valuation concerns in the current climate.¹
- 2.3 It is difficult to assess the impact on the scheme; however, it must be acknowledged that there will be a period of uncertainty which may jeopardise the delivery of housing schemes across the UK. GDVs of units could also be lower than schemes completed before the crisis
- 2.4 At this time, developers and funders are being more cautious and providing no flexibility on projects and in particular, they are requiring a substantial increase in the profit margins and contingencies in order to preserve their financial position to deal with future market uncertainty.
- 2.5 We reserve our position on the effect on the viability of the scheme, especially in the light of future events.

¹ See RICS Practice Statement published 2nd April 2020.

3.0 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

4.0 DESCRIPTION

Current Configuration

- 4.1 The property comprises a brownfield site which formally occupied a commercial building that has been demolished.
- 4.2 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.
- 4.3 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.
- 4.4 The only vehicular access is from the north of Bartons Road.
- 4.5 The site extends 1.66 ha (4.10 acres).
- 4.6 The site is outlined in red on the attached Plan in **Appendix 1**. Photographs of the property are attached at **Appendix 2**.

5.0 PROPOSED SCHEME

- 5.1 The scheme will be developed in two distinct parts. The northern part at the junction of Petersfield Road and Bartons Road will be developed as two drive-thru units. The southern end of the site will be developed to provide three residential blocks of flats with associated car parking.
- 5.2 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.

Commercial Element

- 5.3 The two drive-thru units will provide two separate units with traffic management to enable ordering and receipt of food from cars, together with 34 car parking bays.

- 5.4 Both buildings will be constructed in a brand specific format to satisfy specific occupiers' requirements, constructed around a frame with external cladding and glazing. One of the units will be two storey whilst the other will be single storey.
- 5.5 The proposed accommodation on a Gross Internal Floor Area basis is as follows:

Unit	Description	Sq m	Sq ft
McDonalds	Two storey Drive-Thru	536.20	5,771
Costa	Single Storey Drive-Thru	166.50	1,792
	Total	702.70	7,563

Residential Element

- 5.6 The three residential blocks will all be four 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 one and 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.
- 5.7 The external area will be landscaped and provide 182 car parking spaces together with shared gardens and bike shed.
- 5.8 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 42.2 sq m to 41.7 sq m (432 sq ft to 449 sq ft) with an average of 440 sq ft. Each comprising living room with kitchen area, bedroom and bathroom.	57	2,327.60	25,052
	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	507.60	5,464
B	1 bedroom flats	Ranging in size from 40.1 sq m to 42.4 sq m (431 sq ft to 456 sq ft) with an average of 439 sq ft. Each comprising	19	774.40	8,336

		living room with kitchen area, bedroom and bathroom.			
	2 bedroom flats	Ranging in size from 68.7 m to 69.2 m (739 sq ft to 745 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	895.20	9,636
C	1 bedroom flats	Ranging in size from 40.5 sq m to 42.4 sq m (436 sq ft to 456 sq ft) with an average of 440 sq ft. Each comprising living room with kitchen area, bedroom and bathroom.	92	3,757.60	40,447
	2 bedroom flats	All at 63 sq m (678 sq ft) Each comprises living room with kitchen area, two bedrooms, bathroom and en-suite shower room.	3	189.00	2,034
		Total		8,451.20	90,969

5.9 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.

5.10 The Gross Internal Floor Area 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	5,208.50	56,064
Bike Shed	Ground	37.40	403
	Total GIA	11,427.00	122,999
Block A	Undercroft Parking ²	113.10	1,217
	Total	11,540.10	124,216

6.0 PLANNING POLICY

National Planning Policy – NPPF 2019 Update

6.1 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.

6.2 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

² Undercroft Parking is not part of the GIA

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 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.

- 6.3 Consequently, both reports are invalid as being obsolete.
- 6.4 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

- 6.5 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.
- 6.6 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

6.7 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.

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

6.9 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.

7.0 VIABILITY ASSESSMENT – DEVELOPMENT COSTS

- 7.1 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.³ 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.⁴
- 7.2 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.⁵
- 7.3 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.
- 7.4 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 ⁶	Comments
BCIS Build Cost	Residential build cost of £143.90 sq ft	Out of date based on September 2018 costs	Dixon Searle used median BCIS costs. I have used median for the default period
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%. This includes setup and administration fees.
Professional Fees on construction costs	8%	10%	
Build Cost Contingency	3.0%	5%	
Externals	Residential- 5%	5%-20%	No breakdown of how they have

³ PPG 2019 paragraph 008.

⁴ PPG 2019 paragraph 012.

⁵ This also reflects recent decisions by the Planning Inspectorate.

⁶ See Viability Assessment for the Comprehensive Local Plan Strategic Housing and Economic Land Availability Assessment (BNP 2017).

	Commercial – 10%		treated the costs for a 50 unit flat scheme
Utility Installation	Site Specific Cost		Off site costs needs to be assessed
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

- 7.5 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

- 7.6 Up until recently, it had become common to use the 5 year default when assessing build costs. However, more recently, the sample size for the 5 years average has become limited so creates inconsistencies. Consequently, currently it is more appropriate to use the default period which is based on a more comprehensive range of samples. Accordingly, I have used the default period for BCIS recalibrated for Havant.
- 7.7 For the residential element, I have used 'Flats (apartments) three to five storey' which have a median for the default period of £1,549 sq m (143.90 sq ft).
- 7.8 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.
- 7.9 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).
- 7.10 In addition to the base build cost for the residential, I have allowed 5% of base build cost towards externals.

Commercial

- 7.11 For the commercial drive-thru units an agreement has been reached with the operators that their specific requirements are to be fulfilled by the developer. For the McDonald unit, an approved McDonalds contractor has provided a cost of delivering the building which the developer has to pay. With the Costa unit, they have provided a detailed specification that has to be delivered by the landlord and has been costed.

- 7.12 The costs are as follows:

Name	Build Cost	£ sq ft
McDonalds	£600,000	£104.66
Costas	£400,000	£223.23

- 7.13 I have undertaken a review of these costs in comparison to BCIS. BCIS has an assessment for 'cafes, snack bars, coffee bars and milk bars' with the Mean cost of £3,025 sq m (£281 sq ft). The above contractor costs have not been finalised and are only provisional, but I have used them as they are less than would otherwise be incorporated if I relied on BCIS cost. These costs are net of fees, contingency and external works.
- 7.14 For the external, I have allowed 10% of Base Cost.

Other Costs

- 7.15 We have allowed costs for EPC and PAT testing of appliance in preparation of sale of the property, as well as warranties, like NHBC.
- 7.16 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.
- 7.17 Increasingly, 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.
- 7.18 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.
- 7.19 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. I have averaged the Council Tax based on

our experience of other nearby sites and have applied these to the site.⁷ Set out below is a summary of these holding costs of void units.

Item	Monthly Cost
Council Tax Band C	£249.00
Utility Charges	£25.00
Total per unit	£274.00

Profit

- 7.20 There is a substantial degree of uncertainty regarding the future economy and housing market, largely generated by the COVID-19 pandemic.
- 7.21 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.
- 7.22 There is material uncertainty now and the economic outlook is very different from 2018/19 when the Local Authorities viability evidence was prepared.⁸ The availability of funding from bank sources has become restricted 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.
- 7.23 The evidence prepared for Havant Borough Council both in 2013 and 2019, modelled the private sector profit based on 20% of GDV. Since 2019, there has been substantial change in business sentiment and already we are noticing that when developers are reviewing sites, they are increasing their profit margin to reflect the current economic uncertainty and unpredictability of both future build cost and GDVs.
- 7.24 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

⁷ It should be noted that if properties remain empty for 24 month there may be a surcharge on Council Tax.

⁸ Local Plan and CIL Viability Study Jan 2019 prepared by Dixon Searle Partnership for the new Local Plan (DLP).

changes. With flat schemes this is not possible, as each block has to be delivered in its entirety, before any unit can be sold.

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

7.26 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

7.27 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.

7.28 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. PC Sum for permeable surfaces (360 sq m) and storage crates (63 m3 storage)	£50,000
Off Site Electrical Upgrades	A cost is to be provided by the utility undertaker	TBC
Site Clearance	Remove demolition material stored on site and sub soil structures	TBC
New Entrance	New entrance onto Martin Road. PC Sum	TBC
Cycle Stores	Bike Store with appropriate bike storage system 403 sq ft at £80 sq ft.	£32,250
	Total	£82,250

7.29 All above costs exclude fees and contingency.

Statutory Costs

- 7.30 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.	£69,628
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	TBC
Off Site Highways	TBA	£0
CIL	Current Level is £119.29 but indexed up as commencement with not start until 2021.	£1,363,582
	Total	£1,440,390

- 7.31 The most cost will need to be indexed to reflect that implementation will take place no earlier than 2021.

Development Phasing

- 7.32 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.
- 7.33 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.
- 7.34 I have assumed that the commercial would take 12 months to construct and sell.

8.0 VIABILITY ASSESSMENT - GROSS DEVELOPMENT VALUE

- 8.1 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.

Private Sector Housing

- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 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:
- 8.6 **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 were 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.

The agreed price gross of incentives 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)
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- 8.7 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.
- 8.8 **Kingfisher Court Swallow Close Havant** is currently on the market. It comprises a one bedroom flat with garage and parking in a purpose-built block. It totals 570 sq ft. It is under offer at a guide price of £155,000 which equates to £270 sq ft. Flat 4 sold in May 2018 providing similar accommodation totalling 560 sq ft. It sold for £122,000 which equates to £220 sq ft.
- 8.9 **Little Hacket Havant** is currently on the market. It comprises a purpose-built first floor two bedroom flat with garage and car parking. It is currently on the market at £140,000. A similar unit Flat 5, 9 Little Hacket totalled 613 sq ft. It sold in February 2020 for £139,000 equating to £226 sq ft. Flat 11, 7 Little Hacket sold for £138,000 in December 2019. It totalled 613 sq ft with the sale price equating to £225 sq ft.
- 8.10 **Angela Court Stockheath Road Havant** is currently on the market. It comprises a one bedroom flat with car parking and bike storage. It totals 500 sq ft and is on the market for £130,000 which equates to £260 sq ft.

Private Units GDVs

- 8.11 I have largely 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 3. In my appraisals I have used an average of the price for each type in each block.
- 8.12 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.

Commercial Element

- 8.13 The commercial element comprises two drive-thru units that will be purpose built for tenants that have been identified. Financial terms have been agreed with the tenants and I have used these as the basis of my assessment. The lease terms can be summarised as follows:

Name	Lease Term	Rent Agreed
McDonalds	New 25 year lease with tenant only break after the 20th year. 5 yearly market reviews. 6 month rent free period has been agreed.	£105,000 pa

Costa	New 15 year lease. 5 yearly market reviews. 6 month rent free period has been agreed.	£78,000 pa
-------	---	------------

- 8.14 Considering the yields to be applied, I have had regard to a number of investment sales and in particular the following:
- 8.15 **Starbucks Drive-Thru, Ocean Retail Park, Portsmouth** sold in February 2019. It comprised a purpose built unit immediately adjacent to a retail park having lease with 19 years unexpired at a passing rent of £100,000 per annum. The rent was subject to RPI increases every 5 years with a guaranteed minimum increase. The property sold for £1,430,000 which equates to 6.59%. Although similar to the subject property, the lease is longer than the Costa lease and has the benefit of RPI increases. RPI rental increases are highly sought after and would be considered better by comparison to the property.
- 8.16 **Costa Drive-Thru, Vision Retail Park, Hartlepool** sold in December 2019. It comprised a purpose built unit on an established retail park, let by way of a lease having 15 years unexpired at an initial rent of £56,000 per annum. The rent was subject to RPI increases every 5 years of the term. The property sold for £900,000 which equates to 5.9%. Although a similar lease length, the unit has RPI rental increases which is highly sought after in the market and would be considered to have a lower yield by comparison to the property.
- 8.17 **KFC Drive-Thru, Hernston Retail Park, Bridgend** sold in April 2019. It comprised a purpose built unit immediately adjacent to a retail park and other similar operators. The lease had 5 years unexpired at a passing rent of £66,300 per annum. It sold for just over £1,000,000 which equates to 6.21%. The rent was subject to review shortly after the sale with the passing rent reversionary.
- 8.18 **Burger King Drive-Thru, Hillington Retail Park, Glasgow** sold in December 2019. The lease had an unexpired residue of 19 years at a passing rent of £85,600 per annum. The property sold for £1,250,000 which equates to a net initial yield of 6.44%.
- 8.19 **Costa Drive-Thru, Warwick Old Road, Leamington Spa** sold in October 2018. It was let having 12 years unexpired with a passing rent of £65,000 per annum. It sold for £1,000,000 which equates to 5.89%.
- 8.20 When considering the Gross Development Value of the commercial element, I have applied a Net Initial Yield of 5.75%. Accordingly, I have deducted purchaser's costs of acquisition that comprise Stamp Duty and fees. The units have been let with 6 months rent free period and I have assumed that the cost of this will be deducted from the purchaser's price so in effect, the purchaser gets full rent on completion. This is normal in the market and undertaken to ensure the sale is completed at the earliest possibility.

Affordable Units GDV

- 8.21 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.
- 8.22 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

- 8.23 I have considered whether the flat 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 landlords 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. Already the mortgage market has adapted, with most major lending institutions already restricting their finance when a flat is let with a ground rent where it is more than 0.1% of the asset value or has rental increases.
- 8.24 The flat will not be ready for sale for at least 2 years, so when the flats are sold in the private sector, I would anticipate that they would be offered with a share of the freehold and accordingly there would be no ground rent to assess.
- 8.25 Despite the potential that ground rent will not be chargeable, I have for this initial appraisal allowed for a ground rent of 0.1% of every GDV. 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.

9.0 BENCHMARK LAND VALUE

- 9.1 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.
- 9.2 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.

- 9.3 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.
- 9.4 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.
- 9.5 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.
- 9.6 When considering the development site value, I have had regard to the sale of other development sites in the locality. In particular the following: -
- 9.7 **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.
- 9.8 **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.
- 9.9 **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.
- 9.10 **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.

- 9.11 **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.
- 9.12 Accordingly, the at this stage I have used a total Benchmark Land Value is as follows:

Site Area	Price	Benchmark Land Value
1.66 ha (4.10 acres).	£1,610,000 ha (£620,000 acre)	£2,670,000

10.0 COMMERCIAL VIABILITY ANALYSIS

- 10.1 The property has been assessed on a policy compliant basis (Scheme 1), which assumes two affordable rent units. In addition, I have appraised the scheme on 100% private (Scheme 2).
- 10.2 In terms of assessment, we have run both to establish if the Benchmark Land Value is achieved.

Scheme	Residual Land Output	Target BLV	Shortfall
Scheme 1 – 191 Flats with 57 Affordable. (50 x 1 bed and 7 x 2 bed)	(£260,000)	£2,670,000	£2,930,000
Scheme 2 – All private units	£1,350,000	£2,670,000	£1,320,000

- 10.3 In both schemes the commercial element remains the same.
- 10.4 If a Benchmark Land Value is included in the appraisals, the outcome would be even worse as there would be the cost of land, fees⁹ and interest on the land during the development period.
- 10.5 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.

⁹ This would include legal, surveyors and SDLT.

- 10.6 The appraisals should allow for S106 costs and provision for Nitrate Neutrality but these have not been settled yet. This will need to be reviewed as part of any further viability assessment.
- 10.7 Attached at **Appendix 4 to 5** are copies of the ARGUS development appraisals.

11.0 BENEFITS OF THE DEVELOPMENT

- 11.1 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.
- 11.2 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 £23,207,000 this would result in 309 construction jobs.¹⁰
- 11.3 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.”

- 11.4 The creation of 191 new residential households will indirectly help commercial and community facilities in nearby centres. The average income per person for the sub-region is £30,924¹¹, resulting in the scheme having a combined household income of £8,859,000 per year. Due to the location of the development, the new residents will spend money locally in shops, cafes and on local services.
- 11.5 The household spend will have a multiplier effect of approximately 1.5 times resulting in a total economic multiplier of £22,149,000 to the local economy.¹²
- 11.6 The provision of 191 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.

¹⁰ 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.

¹¹ Source ONS: GVA per person. Based on (1.5 persons per unit) adults in full time employment in the completed scheme.

¹² 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.

New Homes Multiplier

- 11.7 The 191 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
£1,578	£1,809,000

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.’¹³

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



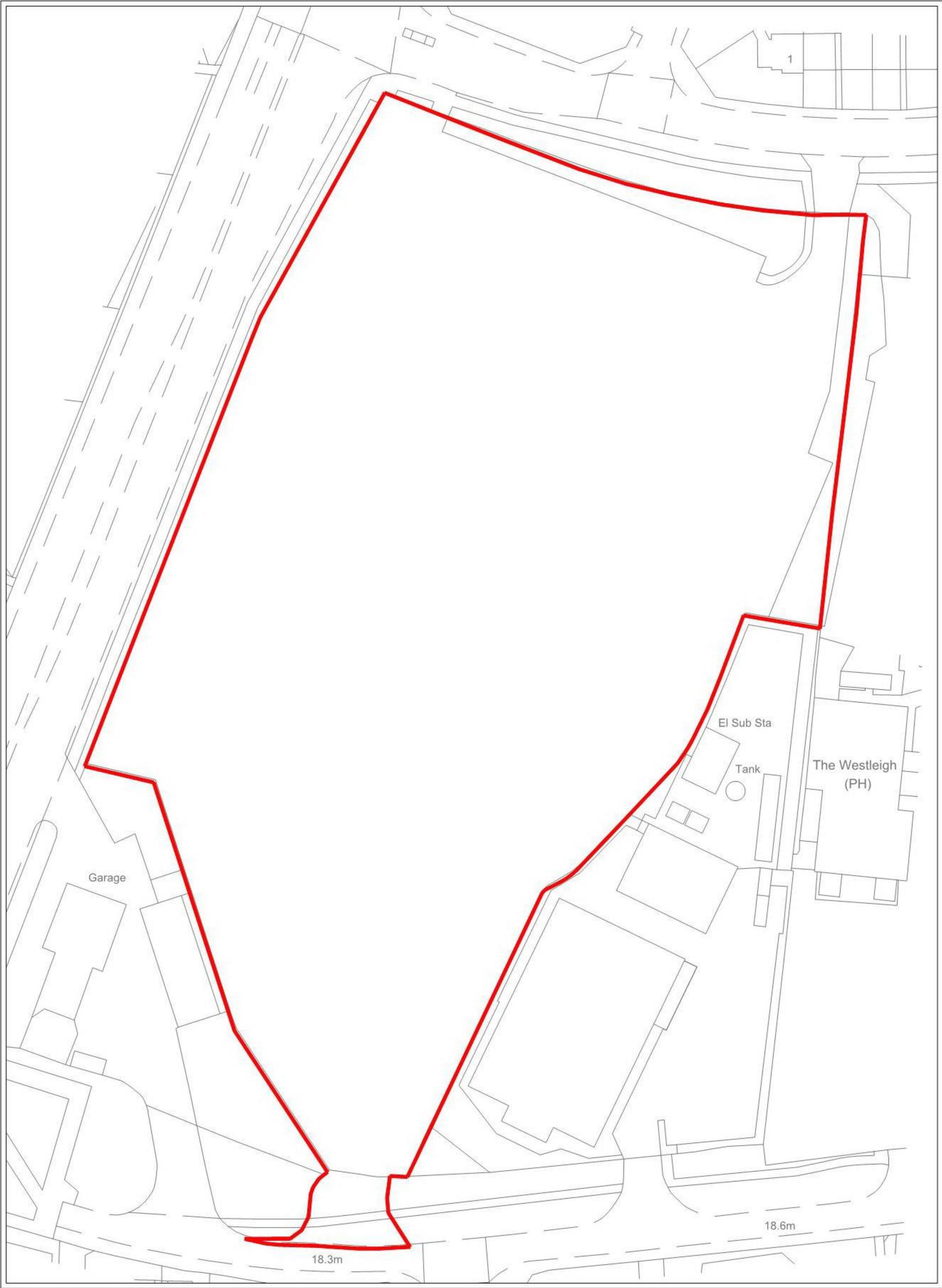
Malcolm Barber
DipArb, MRICS, MCI Arb
Sturt and Company Ltd

Date 29 July 2020

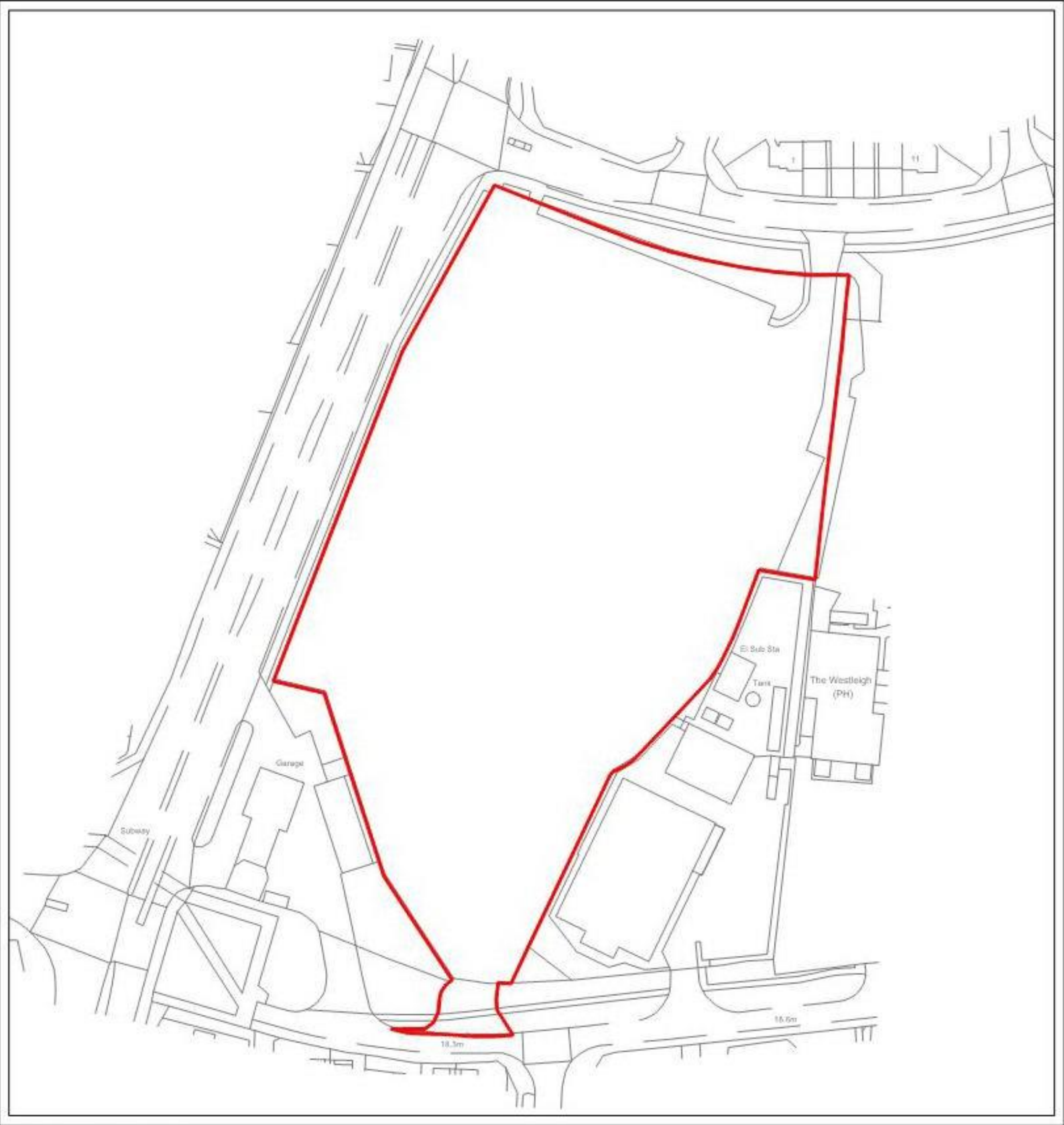
¹³ Crown copyright material is reproduced under the Open Government Licence v2.0 for public sector information: www.nationalarchives.gov.uk/doc/open-government-licence/

Appendix 1

Site Plan and Layout Plan



BLOCK PLAN: BASED ON ORDNANCE SURVEY EXTRACT
O.S LICENSE NO. - 100007080
SCALE 1:500



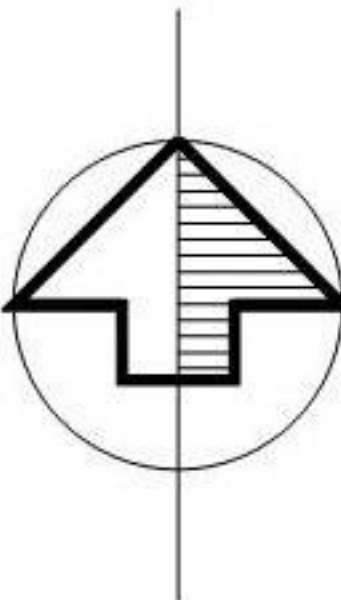
LOCATION PLAN: BASED ON ORDNANCE SURVEY EXTRACT
O.S LICENSE NO. - 100007080
SCALE 1:1250

10m @ 1:100

NOTES

- 1 The contents of this drawing are copyright.
- 2 Scaled drawings for planning purposes only.
- 3 Contractors must verify all dimensions and report any discrepancies before putting work in hand or making any shop drawings.
- 4 All flat roofs to be fitted with a man safe system.
- 5 Please note a domestic sprinkler system may be required.
- 6 Fixed shut fire safety glass windows may be required where windows are in close proximity to boundaries (subject to building regulations).

LEGEND



SITE AREA: 1.671 HECTARES / 4.130 ACRES

No.	Revision.	date	by
-----	-----------	------	----

PROPOSED DEVELOPMENT,
BARTONS ROAD,
HAVANT,
HAMPSHIRE,
PO9 5EY

BLOCK & LOCATION PLANS

scale	AS SHOWN @ A1	checked	//
date	DECEMBER 2019	drawn	WD
9303/101			

ARC Architecture Ltd.

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- 4 All flat roofs to be fitted with a man safe system.
- 5 Please note a domestic sprinkler system may be required
- 6 Fixed fire safety glass windows may be required where windows are in close proximity to boundaries (subject to building regulations)

BLUE DASH LINE INDICATES APPROXIMATE LOCATION OF
SURFACE WATER DRAINAGE
(SUBJECT TO FULL DRAINAGE SURVEY BEING CARRIED OUT
BY DEVELOPER)

No.	Revision.	date	by
-----	-----------	------	----

scale	AS SHOWN @ A1	checked	//
date	DECEMBER 2019	drawn	WD

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10m @ 1:100

Appendix 2

Photographs



View of Site



View of Site



View of Site



View of Site



View of Site



View form Petersfield Road from the south



View form Petersfield Road from the north



View form Bartons Road

Appendix 3

Schedule of Accommodation

Floor Areaas and GDVs for Bartons Road, Havant

Block	Unit No.	Floor	Beds	Sq m	Sq ft	Price	£ sq ft
A	1	Ground	2	68.70	739	£215,000	291
A	2	Ground	1	40.70	438	£155,000	354
A	3	Ground	1	40.70	438	£155,000	354
A	4	Ground	1	40.70	438	£155,000	354
A	5	Ground	1	40.70	438	£155,000	354
A	6	Ground	1	40.70	438	£155,000	354
A	7	Ground	1	40.70	438	£155,000	354
A	8	Ground	1	40.70	438	£155,000	354
A	9	Ground	1	40.70	438	£155,000	354
A	10	Ground	1	40.70	438	£155,000	354
A	11	First	2	77.60	835	£225,000	269
A	12	First	2	68.70	739	£215,000	291
A	13	First	1	40.70	438	£155,000	354
A	14	First	1	40.70	438	£155,000	354
A	15	First	1	40.70	438	£155,000	354
A	16	First	1	40.70	438	£155,000	354
A	17	First	1	40.70	438	£155,000	354
A	18	First	1	40.70	438	£155,000	354
A	19	First	1	40.70	438	£155,000	354
A	20	First	1	40.70	438	£155,000	354
A	21	First	1	40.70	438	£155,000	354
A	22	First	1	41.70	449	£157,500	351
A	23	First	1	41.70	449	£157,500	351
A	24	First	1	41.70	449	£157,500	351
A	25	Second	2	77.60	835	£225,000	269
A	26	Second	2	68.70	739	£215,000	291
A	27	Second	1	40.70	438	£155,000	354
A	28	Second	1	40.70	438	£155,000	354
A	29	Second	1	40.70	438	£155,000	354
A	30	Second	1	40.70	438	£155,000	354
A	31	Second	1	40.70	438	£155,000	354
A	32	Second	1	40.70	438	£155,000	354
A	33	Second	1	40.70	438	£155,000	354
A	34	Second	1	40.70	438	£155,000	354
A	35	Second	1	40.70	438	£155,000	354
A	36	Second	1	41.70	449	£157,500	351
A	37	Second	1	41.70	449	£157,500	351
A	38	Second	1	41.70	449	£157,500	351
A	39	Third	2	77.60	835	£225,000	269
A	40	Third	2	68.70	739	£215,000	291
A	41	Third	1	40.70	438	£157,500	360
A	42	Third	1	40.70	438	£157,500	360
A	43	Third	1	40.70	438	£157,500	360
A	44	Third	1	40.70	438	£157,500	360
A	45	Third	1	40.70	438	£157,500	360
A	46	Third	1	40.70	438	£157,500	360
A	47	Third	1	40.70	438	£157,500	360
A	48	Third	1	40.70	438	£157,500	360
A	49	Third	1	40.70	438	£157,500	360
A	50	Third	1	41.70	449	£157,500	351
A	51	Third	1	41.70	449	£157,500	351
A	52	Third	1	41.70	449	£157,500	351
A	53	Fourth	1	40.70	438	£160,000	365
A	54	Fourth	1	40.70	438	£160,000	365
A	55	Fourth	1	40.70	438	£160,000	365
A	56	Fourth	1	40.70	438	£160,000	365
A	57	Fourth	1	40.70	438	£160,000	365
A	58	Fourth	1	40.30	434	£160,000	369
A	59	Fourth	1	40.20	433	£160,000	370
A	60	Fourth	1	40.70	438	£160,000	365
A	61	Fourth	1	40.70	438	£160,000	365
A	62	Fourth	1	40.70	438	£160,000	365
A	63	Fourth	1	40.50	436	£160,000	367
A	64	Fourth	1	40.50	436	£160,000	367
			Total	2,835.20	30,518	10,475,000	
			Average	44.30	477	163,672	349
B	1	Ground	2	68.70	739	£215,000	291
B	2	Ground	1	40.70	438	£155,000	354
B	3	Ground	1	40.70	438	£155,000	354
B	4	Ground	1	40.70	438	£155,000	354

B	5	Ground	1	40.70	438	£155,000	354
B	6	Ground	2	68.70	739	£215,000	291
B	7	First	2	68.70	739	£215,000	291
B	8	First	1	40.70	438	£155,000	354
B	9	First	1	40.70	438	£155,000	354
B	10	First	1	40.70	438	£155,000	354
B	11	First	1	40.70	438	£155,000	354
B	12	First	2	68.70	739	£215,000	291
B	13	First	2	69.20	745	£215,000	289
B	14	Second	2	68.70	739	£215,000	291
B	15	Second	1	40.70	438	£155,000	354
B	16	Second	1	40.70	438	£155,000	354
B	17	Second	1	40.70	438	£155,000	354
B	18	Second	1	40.70	438	£155,000	354
B	19	Second	2	68.70	739	£215,000	291
B	20	Second	2	69.20	745	£215,000	289
B	21	Third	2	68.70	739	£215,000	291
B	22	Third	1	40.70	438	£157,500	360
B	23	Third	1	40.70	438	£157,500	360
B	24	Third	1	40.70	438	£157,500	360
B	25	Third	1	40.70	438	£157,500	360
B	26	Third	2	68.70	739	£215,000	291
B	27	Third	2	69.20	745	£215,000	289
B	28	Fourth	2	69.00	743	£215,000	289
B	29	Fourth	1	40.10	432	£160,000	371
B	30	Fourth	1	40.70	438	£160,000	365
B	31	Fourth	1	42.40	456	£162,500	356
B	32	Fourth	2	69.00	743	£215,000	289
			Total	1,600.90	17,232	5,552,500.00	
			Average	51.64	556	179,113	331
C	1	Ground	1	40.70	438	£155,000	354
C	2	Ground	1	40.70	438	£155,000	354
C	3	Ground	1	40.70	438	£155,000	354
C	4	Ground	1	40.70	438	£155,000	354
C	5	Ground	1	40.70	438	£155,000	354
C	6	Ground	1	42.40	456	£157,500	345
C	7	Ground	1	42.40	456	£157,500	345
C	8	Ground	1	40.70	438	£155,000	354
C	9	Ground	1	40.70	438	£155,000	354
C	10	Ground	1	40.70	438	£155,000	354
C	11	Ground	1	40.70	438	£155,000	354
C	12	Ground	1	40.70	438	£155,000	354
C	13	Ground	1	40.70	438	£155,000	354
C	14	Ground	1	40.70	438	£155,000	354
C	15	Ground	1	40.70	438	£155,000	354
C	16	Ground	1	40.70	438	£155,000	354
C	17	Ground	1	40.70	438	£155,000	354
C	18	Ground	1	40.70	438	£155,000	354
C	19	Ground	1	40.70	438	£155,000	354
C	20	First	1	40.70	438	£155,000	354
C	21	First	1	40.70	438	£155,000	354
C	22	First	1	40.70	438	£155,000	354
C	23	First	1	40.70	438	£155,000	354
C	24	First	2	63.00	678	£210,000	310
C	25	First	1	40.70	438	£155,000	354
C	26	First	1	40.70	438	£155,000	354
C	27	First	1	42.40	456	£157,500	345
C	28	First	1	42.40	456	£157,500	345
C	29	First	1	40.70	438	£155,000	354
C	30	First	1	40.70	438	£155,000	354
C	31	First	1	40.70	438	£155,000	354
C	32	First	1	40.70	438	£155,000	354
C	33	First	1	40.70	438	£155,000	354
C	34	First	1	40.70	438	£155,000	354
C	35	First	1	40.70	438	£155,000	354
C	36	First	1	40.70	438	£155,000	354
C	37	First	1	40.70	438	£155,000	354
C	38	First	1	40.70	438	£155,000	354
C	39	First	1	40.70	438	£155,000	354
C	40	First	1	40.70	438	£155,000	354
C	41	Second	1	40.70	438	£155,000	354
C	42	Second	1	40.70	438	£155,000	354

C	43	Second	1	40.70	438	£155,000	354
C	44	Second	1	40.70	438	£155,000	354
C	45	Second	2	63.00	678	£210,000	310
C	46	Second	1	40.70	438	£155,000	354
C	47	Second	1	40.70	438	£155,000	354
C	48	Second	1	42.40	456	£157,500	345
C	49	Second	1	42.40	456	£157,500	345
C	50	Second	1	40.70	438	£155,000	354
C	51	Second	1	40.70	438	£155,000	354
C	52	Second	1	40.70	438	£155,000	354
C	53	Second	1	40.70	438	£155,000	354
C	54	Second	1	40.70	438	£155,000	354
C	55	Second	1	40.70	438	£155,000	354
C	56	Second	1	40.70	438	£155,000	354
C	57	Second	1	40.70	438	£155,000	354
C	58	Second	1	40.70	438	£155,000	354
C	59	Second	1	40.70	438	£155,000	354
C	60	Second	1	40.70	438	£155,000	354
C	61	Second	1	40.70	438	£155,000	354
C	62	Third	1	40.70	438	£157,500	360
C	63	Third	1	40.70	438	£157,500	360
C	64	Third	1	40.70	438	£157,500	360
C	65	Third	1	40.70	438	£157,500	360
C	66	Third	2	63.00	678	£210,000	310
C	67	Third	1	40.70	438	£157,500	360
C	68	Third	1	40.70	438	£157,500	360
C	69	Third	1	42.40	456	£157,500	345
C	70	Third	1	42.40	456	£157,500	345
C	71	Third	1	40.70	438	£157,500	360
C	72	Third	1	40.70	438	£157,500	360
C	73	Third	1	40.70	438	£157,500	360
C	74	Third	1	40.70	438	£157,500	360
C	75	Third	1	40.70	438	£157,500	360
C	76	Third	1	40.70	438	£157,500	360
C	77	Third	1	40.70	438	£157,500	360
C	78	Third	1	40.70	438	£157,500	360
C	79	Third	1	40.70	438	£157,500	360
C	80	Third	1	40.70	438	£157,500	360
C	81	Third	1	40.70	438	£157,500	360
C	82	Third	1	40.70	438	£157,500	360
C	83	Fourth	1	40.70	438	£160,000	365
C	84	Fourth	1	40.50	436	£160,000	367
C	85	Fourth	1	40.50	436	£160,000	367
C	86	Fourth	1	41.00	441	£160,000	363
C	87	Fourth	1	41.00	441	£160,000	363
C	88	Fourth	1	40.70	438	£160,000	365
C	89	Fourth	1	40.70	438	£160,000	365
C	90	Fourth	1	40.70	438	£160,000	365
C	91	Fourth	1	40.70	438	£160,000	365
C	92	Fourth	1	40.70	438	£160,000	365
C	93	Fourth	1	40.50	436	£160,000	367
C	94	Fourth	1	40.50	436	£160,000	367
C	95	Fourth	1	40.50	436	£160,000	367
			Total	3,946.60	42,481	15,020,000	
			Average	41.54	447	158,105	354

Appendix 4

ARGUS Appraisal

Schedule 1 Policy Compliant

Bartons Road Havant 30% Affordable

Development Appraisal
Sturt and Company
03 August 2020

APPRAISAL SUMMARY**STURT AND COMPANY**

Bartons Road Havant 30% Affordable

Appraisal Summary for Merged Phases 1 2

Currency in £

REVENUE**Sales Valuation**

	Units	ft²	Sales Rate ft²	Unit Price
Block A 1 Bed Flat	40	17,600	356.48	156,850
Block A 2 Bed Flat	5	3,905	280.79	219,300
Block B 1 Bed Flat	13	5,707	356.38	156,450
Block B 2 Bed Flat	9	6,669	290.15	215,000
Block C 1 Bed Flat	65	28,600	355.57	156,450
Block C 2 Bed Flat	2	1,356	309.73	210,000
Block A 1 Bed Affordable	17	7,480	231.70	101,950
Block A 2 Bed Affordable	2	1,562	182.46	142,500
Block B 1 Bed Affordable	6	2,634	231.66	101,700
Block B 2 Bed Affordable	4	2,964	188.60	139,750
Block C 1 Bed Affordable	27	11,880	231.14	101,700
Block C 2 Bed Affordable	1	678	201.33	136,500
Totals	191	91,035		

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit
McDonalds	1	5,771	21.66	125,000
Costa	1	1,792	43.53	78,000
Ground Rents	134			163
Totals	136	7,563		

Investment Valuation**McDonalds**

Current Rent	125,000	YP @	5.7500%	17.3913
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Costa

Current Rent	78,000	YP @	5.7500%	17.3913
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Ground Rents

Current Rent	21,842	YP @	5.5000%	18.1818
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Total Investment Valuation**GROSS DEVELOPMENT VALUE****31,925,912**

Purchaser's Costs

(256,574)

Effective Purchaser's Costs Rate

6.53%

(256,574)

NET DEVELOPMENT VALUE**31,669,338****NET REALISATION****31,669,338****OUTLAY****ACQUISITION COSTS**

Residualised Price

1,102,780

Residualised Price (Negative land)

(849,210)

253,570

Stamp Duty

2,178

APPRAISAL SUMMARY**STURT AND COMPANY****Bartons Road Havant 30% Affordable**

Effective Stamp Duty Rate	0.20%		
Agent Fee	1.50%	16,542	
Legal Fee	0.75%	8,271	
Town Planning		75,000	
Site Investigation - Contamination		10,000	
			111,991

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost
McDonalds	5,771	104.66	604,000
Costa	1,792	223.21	400,000
Block A 1 Bed Flat	17,600	143.90	2,532,640
Block A 2 Bed Flat	3,905	143.90	561,929
Block A Common Areas	8,509	143.90	1,224,445
Block A Undercroft	1,271	100.00	127,100
Block B 1 Bed Flat	5,707	143.90	821,237
Block B 2 Bed Flat	6,669	143.90	959,669
Block B Common Areas	4,123	143.90	593,300
Block C 1 Bed Flat	28,600	143.90	4,115,540
Block C 2 Bed Flat	1,356	143.90	195,128
Block C Common Areas	9,508	143.90	1,368,201
Bike Shed	403	80.00	32,240
Block A 1 Bed Affordable	7,480	143.90	1,076,372
Block A 2 Bed Affordable	1,562	143.90	224,772
Block B 1 Bed Affordable	2,634	143.90	379,033
Block B 2 Bed Affordable	2,964	143.90	426,520
Block C 1 Bed Affordable	11,880	143.90	1,709,532
Block C 2 Bed Affordable	678	143.90	97,564
Block A Common Areas	3,647	143.90	524,803
Block B Common Areas	1,767	143.90	254,271
Block C Common Areas	4,075	143.90	586,392
Totals	131,901 ft²		18,814,690
Contingency		3.00%	567,891
Remove Onsite Material			1
Decomination Removal/Monitoring			1
New Entrance			1
S278 - TBC			1
CIL Residential	86,380 ft ²	11.08	957,090
Solent Rec Mitigation 1 bed	118 un	346.00 /un	40,828
Solent Rec Mitigation 2 bed	16 un	500.00 /un	8,000
Nitrates Mitigation (PC Sum)	134 un	1.00 /un	134
S106 Legal Fees			5,000
LA Monitoring Fee			3,000
Solent Rec Mitigation	50 un	346.00 /un	17,300
Solent Rec Mitigation	7 un	500.00 /un	3,500
Nitrates Mitigation	57 un	1.00 /un	57
			20,417,494
Other Construction			
Balconies			275,000
Externals Residential		5.00%	624,960
External Commercial		10.00%	100,400
New Entrance onto Martin Road			1
Attenuation			50,000
Off Site Electrical Upgrade			1
Warrenties/NHBC Residential	134 un	1,250.00 /un	167,500
Warrenties Commercial	2 un	5,000.00 /un	10,000
Externals Aff		5.00%	263,963
Warranties	57 un	1,250.00 /un	71,250

APPRAISAL SUMMARY**STURT AND COMPANY****Bartons Road Havant 30% Affordable**

Balconies			115,000		1,678,074
PROFESSIONAL FEES					
Professional Fees		8.00%	1,116,867		
Architect		8.00%	443,458		1,560,324
MARKETING & LETTING					
Letting Agent Fee		10.00%	22,484		
Rent Free Subsidy			101,500		
Letting Legal Fee	2 un	5,000.00 /un	10,000		133,984
DISPOSAL FEES					
Residential Sales & Marketing Suite		2.50%	548,215		
EPC and PAT Testing	193 un	175.00 /un	33,775		
Void Period Costs	134 un	274.00 /un	36,716		
Sales Incentive Package	134 un	750.00 /un	100,500		
Commercial Sales Fees		1.50%	52,957		
Ground Rent Sale Fee		1.50%	5,957		
Sales Legal Fee Residential	134 un	1,250.00 /un	167,500		
Sales Legal Fee Commercial	2 un	2,000.00 /un	4,000		
Sales Legal Fee Ground Rent	1 un	2,000.00 /un	2,000		
Legal Fee Affordable			10,000		961,619
FINANCE					
Debit Rate 6.500%, Credit Rate 1.000% (Nominal)					
Total Finance Cost					941,498
TOTAL COSTS					26,058,555
PROFIT					5,610,783

Performance Measures

Profit on Cost%	21.53%
Profit on GDV%	17.57%
Profit on NDV%	17.72%
Development Yield% (on Rent)	0.86%
Equivalent Yield% (Nominal)	5.72%
Equivalent Yield% (True)	5.94%
IRR% (without Interest)	28.61%
Rent Cover	24 yrs 11 mths
Profit Erosion (finance rate 6.500)	3 yrs

APPRAISAL SUMMARY**STURT AND COMPANY****Bartons Road Havant 30% Affordable****Gross Sales**

6,274,000
1,096,500
2,033,850
1,935,000
10,169,250
420,000
1,733,150
285,000
610,200
559,000
2,745,900
136,500
27,998,350

Net Rent at Sale	Initial MRV
125,000	125,000
78,000	78,000
21,842	21,842
224,842	224,842

2,173,913

1,356,522

397,127

3,927,562

Appendix 5

ARGUS Appraisal

Schedule 2 All Private

Bartons Road Havant- All Private

Development Appraisal
Sturt and Company
03 August 2020

APPRAISAL SUMMARY**STURT AND COMPANY**

Bartons Road Havant- All Private

Appraisal Summary for Phase 1 All Private

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Block A 1 Bed Flat	57	25,080	356.48	156,850	8,940,450
Block A 2 Bed Flat	7	5,467	280.79	219,300	1,535,100
Block B 1 Bed Flat	19	8,341	356.38	156,450	2,972,550
Block B 2 Bed Flat	13	9,633	290.15	215,000	2,795,000
Block C 1 Bed Flat	92	40,480	355.57	156,450	14,393,400
Block C 2 Bed Flat	3	2,034	309.73	210,000	630,000
Totals	191	91,035			31,266,500

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale
McDonalds	1	5,771	21.66	125,000	125,000
Costa	1	1,792	43.53	78,000	78,000
Ground Rents	191			163	31,133
Totals	193	7,563			234,133

Investment Valuation

McDonalds					
Current Rent	125,000	YP @	5.7500%	17.3913	2,173,913
Costa					
Current Rent	78,000	YP @	5.7500%	17.3913	1,356,522
Ground Rents					
Current Rent	31,133	YP @	5.5000%	18.1818	566,055
Total Investment Valuation					4,096,489

GROSS DEVELOPMENT VALUE

35,362,989

Purchaser's Costs		(268,061)
Effective Purchaser's Costs Rate	6.54%	(268,061)

NET DEVELOPMENT VALUE

35,094,928

NET REALISATION

35,094,928

OUTLAY**ACQUISITION COSTS**

Residualised Price (4.10 Acres @ 277,019.91 /Acre)		1,135,782	1,135,782
Stamp Duty		46,289	
Effective Stamp Duty Rate	4.08%		
Agent Fee	1.50%	17,037	
Legal Fee	0.75%	8,518	
Town Planning		75,000	
Site Investigation - Contamination		10,000	
			156,844

APPRAISAL SUMMARY**STURT AND COMPANY****Bartons Road Havant- All Private
CONSTRUCTION COSTS**

Construction	ft²	Build Rate ft²	Cost	
McDonalds	5,771	104.66	604,000	
Costa	1,792	223.21	400,000	
Block A 1 Bed Flat	25,080	143.90	3,609,012	
Block A 2 Bed Flat	5,467	143.90	786,701	
Block A Common Areas	12,156	143.90	1,749,248	
Block A Undercroft	1,271	100.00	127,100	
Block B 1 Bed Flat	8,341	143.90	1,200,270	
Block B 2 Bed Flat	9,633	143.90	1,386,189	
Block B Common Areas	5,890	143.90	847,571	
Block C 1 Bed Flat	40,480	143.90	5,825,072	
Block C 2 Bed Flat	2,034	143.90	292,693	
Block C Common Areas	13,583	143.90	1,954,594	
Bike Shed	403	80.00	32,240	
Totals	131,901 ft²		18,814,690	
Contingency		3.00%	564,441	
Remove Onsite Material			1	
Decomination Removal/Monitoring			1	
New Entrance			1	
S278 - TBC			1	
CIL Residential	123,067 ft²	11.08	1,363,582	
Solent Rec Mitigation 1 Bed	168 un	346.00 /un	58,128	
Solent Rec Mitigation 2 Bed	23 un	500.00 /un	11,500	
Nitrates Mitigation (PC Sum)	191 un	1.00 /un	191	
S106 Legal Fees			5,000	
LA Monitoring Fee			3,000	
				20,820,536
Other Construction				
Balconies			390,000	
Externals Residential		5.00%	888,922	
External Commercial		10.00%	100,400	
New Entrance onto Martin Road			1	
Attenuation			50,000	
Off Site Electrical Upgrade			1	
Warrenties/NHBC Residential	191 un	1,250.00 /un	238,750	
Warrenties Commercial	2 un	5,000.00 /un	10,000	
				1,678,074
PROFESSIONAL FEES				
Professional Fees		8.00%	1,548,407	
				1,548,407
MARKETING & LETTING				
Letting Agent Fee		10.00%	23,413	
Rent Free Subsidy			101,500	
Letting Legal Fee	2 un	5,000.00 /un	10,000	
				134,913
DISPOSAL FEES				
Residential Sales & Marketing Suite		2.50%	781,663	
EPC and PAT Testing	193 un	175.00 /un	33,775	
Void Period Costs	191 un	274.00 /un	52,334	
Sales Incentive Package	191 un	750.00 /un	143,250	
Commercial Sales Fees		1.50%	52,957	
Ground Rent Sale Fee		1.50%	8,491	
Sales Legal Fee Residential	191 un	1,250.00 /un	238,750	
Sales Legal Fee Commercial	2 un	2,000.00 /un	4,000	
Sales Legal Fee Ground Rent	1 un	2,000.00 /un	2,000	
				1,317,219

APPRAISAL SUMMARY**STURT AND COMPANY****Bartons Road Havant- All Private****FINANCE**

Debit Rate 6.500%, Credit Rate 1.000% (Nominal)

Land	273,591	
Construction	934,378	
Other	22,586	
Total Finance Cost		1,230,555

TOTAL COSTS**28,022,330****PROFIT****7,072,598****Performance Measures**

Profit on Cost%	25.24%
Profit on GDV%	20.00%
Profit on NDV%	20.15%
Development Yield% (on Rent)	0.84%
Equivalent Yield% (Nominal)	5.72%
Equivalent Yield% (True)	5.93%

IRR% (without Interest) 23.93%

Rent Cover 30 yrs 2 mths

Profit Erosion (finance rate 6.500) 3 yrs 6 mths

APPRAISAL SUMMARY**STURT AND COMPANY**

Bartons Road Havant- All Private

Initial
MRV
125,000
78,000
31,133
234,133