

Gedling Borough Council
Development Management
Civic Centre
Arnot Hill Park
ARNOLD
Nottingham NG5 6LU

**Review of Development Viability Appraisal
Proposed Development on Land at Westhouse Farm, Moor Road,
Bestwood Village, Nottingham, NG6 8UL**

I write further to the Local Authorities instructions set out in their email message of the 28 June 2017 requesting my professional advice in relation to the proposed residential development scheme as described below. I have now considered the matter and I am pleased to report as follows:

Instructions

I have been asked to consider the financial appraisal submitted by Langridge Homes (the planning applicant) agent's Savills Property Consultants in connection with their planning application for the proposed residential development scheme comprising of 71 x open market, 21 x affordable/affordable rent tenure and 9 x affordable/shared ownership tenure units.

My understanding of your instructions is to have regard to the viability of the proposed residential development scheme taking into consideration the proposed Section 106 costs as follows:

Healthcare contribution	£ 55,651
Transport	£ 70,000
Off Site Play Space	£152,279
Off Site Maintenance Fee	£ 84,456
Education	<u>£252,601</u>
Total:	<u>£614,987</u>

It also should be noted that 10% local onsite open space has been taken into account.

This report should be read in conjunction with my draft report dated 14 March 2018, following additional supporting information provided by the planning applicant.

Situation/ Location	<p>The subject land is located fronting Moor Road (B633) on the northern edge of Bestwood Village forming part of Westhouse Farm. Bestwood village is located approximately 5 miles to the north of Nottingham.</p> <p>There are limited services available in Bestwood village with a wider range of services and facilities available in Burton upon Trent, Mansfield town centres and Nottingham, and Derby City centres.</p> <p>The subject site comprises of an irregular shaped sloping parcel of agricultural land in arable uses.</p> <p>Boundaries are by way of natural vegetation and hedging.</p>
Inspection	<p>The subject land was inspected on the 3 November 2017 on an external site inspection basis only.</p>
Nature of Interest	<p>It is assumed that the subject land is held freehold with vacant possession being available.</p>
Easements, Rights of Way and Restrictions affecting Value	<p>I have not been made aware of any easements, restrictions, outgoing or charges adversely affecting the subject parcel of land.</p> <p>I have assumed no ransoms.</p>
Planning	<p>I understand that an outline planning application (Reference No: 2014/0238) has been submitted for the proposed residential development scheme for 101 x residential dwellings, new access, amenity space, and open space but has not yet been granted as at the date of my report.</p> <p>Gedling Borough Council adopted the Aligned Core Strategy in September 2014, which forms Part 1 of the New Local Plan. Part 2 of the new Local Plan is currently being reviewed.</p> <p>The Council is intending on shortly consulting on the proposed modifications in February/March 2018.</p> <p>I also understand that the subject land is now allocated in the Gedling Borough Council Local Plan Part 2, as at the date of this report.</p>
Floor Areas	<p>I have been provided with the following Gross Internal Floor areas by Savills Property Consultants (based on architect's plans Reference No: N1100/2-102) dated January 2014, and I have made the Special Assumption that the floor areas of the residential units have been calculated in accordance with the 'RICS Property Measurement 1st Edition' which is effective from 1st January 2016.</p>

In accordance with the Council's instructions, I have made Special Assumptions regarding the affordable housing tenure split, as stated below.

Open Market Housing

Type/ Description	No of Units	Sq M	Sq Ft	Total Sq M	Total Sq Ft
2-bed semi-detached house	9	65.96	710	593.64	6,390
2-bed detached house	2	65.96	710	131.92	1,420
3-bed semi-detached house	23	78.04	840	1,794.92	19,320
3-bed detached house	21	78.04	840	1,638.84	17,640
4-bed detached house	11	95.97	1,033	1,055.67	11,363
5-bed detached house	5	110.00	1,184	550.00	5,920

Affordable Housing/Affordable Rent Tenure

Type/ Description	No of Units	Sq M	Sq Ft	Total Sq M	Total Sq Ft
2-bed semi-detached house	21	65.96	710	1,385.16	14,910

Affordable Housing/Shared Ownership Tenure

Type/ Description	No of Units	Sq M	Sq Ft	Total Sq M	Total Sq Ft
2-bed semi-detached house	9	65.96	710	593.64	6,390
Total	101		83,353	7,743.79	83,353

**Section 106
Requirements**

I understand the following Section 106 contributions are required by Gedling Borough Council:

Healthcare contribution	£ 55,651
Transport	£ 70,000
Off Site Play Space	£152,279
Off Site Maintenance Fee	£ 84,456
Education	£252,601

Total: £614,987

It also should be noted that 10% local onsite open space has been taken into account

Site Area

The planning applicant's agents Savills Property Consultants have confirmed the following approximate land area which I understand is calculated on a gross site area basis:

Acres	Hectares
8.15	3.30

Mineral Stability

The property is situated in an underground mining area and in view of the possibility of mine workings and the increased risk of damage from underground mining subsidence, it is recommended in our Standard Terms of Business (a copy of which has been supplied) that a report is obtained from the Agency's Mineral Valuer. However, as you have not requested such a report you are deemed to have instructed the Agency to assume in arriving at its viability assessment:

- (1) that the property valued is not at the date of viability assessment affected by any mining subsidence and will not be so affected in the future; and
- (2) that the site is stable and will not occasion any extraordinary costs with regard to Mining Subsidence.

You hereby accept that the Board of HM Revenue & Customs for and on behalf of the Agency and its employees cannot, in these circumstances, provide any warranty, representation or assurance whatsoever to you or any third party as to the mineral stability or otherwise of the subject property being assessed and you hereby agree to waive any claim which you might otherwise have had against the Board, the Agency or any of their employees for negligence or breach of contract arising from any loss or damage suffered as a result of the fact that the Agency's viability assessment on your specific instructions, is to take no account of any matters which might reasonably be expected to have been disclosed by an Underground Mining Subsidence Report.

Flooding	I have made the Special Assumption that the subject land is unaffected by flooding.								
Contamination	I have made the Special Assumption that the subject land is unaffected by contamination.								
Archaeology	I have made the Special Assumption that the subject land is unaffected by archaeological remains.								
Ecology	I have made the Special Assumption that the subject land is unaffected by any ecological matters.								
Comments regarding Savills Property Consultants (0% Affordable Housing Onsite) Development Appraisal dated 27 November 2017	<p>Gross Development Value</p> <p>I am broadly in agreement with the adopted Capital Values for the individual units making up the Gross Development Value.</p> <p>The planning applicant has not taken into account any affordable housing onsite, and made an allowance of £350,000 for an affordable housing off site commuted sum payment</p> <p>Please see my comments below.</p> <p>As stated above that this report should be read in conjunction with my draft report dated 14 March 2018, following additional supporting information provided by the planning applicant.</p> <p>Whilst additional supporting information has been provided, the original submitted development appraisal has not been revised and resubmitted.</p> <p>Accordingly my comments relate to the planning applicants original submitted development appraisal (where stated).</p> <p>Construction Costs</p> <p>The revised adopted construction costs which have been assessed by an internal Valuation Office Agency Quantity Surveyor of £134.96 per Sq Ft / £1,452.75 per Sq M seem a little high.</p> <p>These costs exclude the abnormal costs stated below.</p> <p>Abnormal/Development Costs</p> <p>The planning applicant's agents have confirmed the following revised abnormal and development costs (in addition to the construction costs stated above) will be incurred by them as follows:</p> <table> <tr> <td>Storage Ponds</td><td>£ 85,000</td></tr> <tr> <td>SUDS adoption</td><td>£ 80,000</td></tr> <tr> <td>Site Security</td><td>£100,000</td></tr> <tr> <td><u>Total</u></td><td><u>£265,000</u></td></tr> </table>	Storage Ponds	£ 85,000	SUDS adoption	£ 80,000	Site Security	£100,000	<u>Total</u>	<u>£265,000</u>
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<u>Total</u>	<u>£265,000</u>								

Professional Fees

The allowance for professional fees at 6% of the submitted construction costs at £472,111 seem reasonable.

Finance Costs/Development Program

The planning applicant's agent has confirmed the total development / construction period of approximately 31 months / 2.58 years.

The adopted finance cost at 6 % which I understand is inclusive of bank arrangement costs and bank monitoring fees seems reasonable as at the date of this report.

Sales and Marketing Costs

The sale and marketing fees at £5,316 per open market unit (£536,925 / 101 = £5,316 per unit) seem a little high as at the date of this report, taking into consideration the current economic climate and property market.

I have assumed that these costs are also inclusive of legal fees.

Developer's Profit

An allowance for developer's profit based on 17.50% (open market) of the gross development value has been adopted which equates to £3,148,368. In my opinion, this allowance of 17.50% is in line with market tolerances as at the date of this report based on the proposed residential development scheme.

Site Value

The planning applicants agent has adopted a Site Value of £1,451,243, taking into account the Gedling Borough Council CIL reports and development appraisals, residential development and agricultural land comparables, and the Land at the Manor Shinfield (Ref No App/X0360/A/12/2179141) planning appeal decision.

Please see my comments below.

**DVS Development
Appraisal (30%
affordable housing)**

Gross Development Value

I have produced a residual development appraisal for the proposed residential development scheme, based on the scheme details and information provided by Savills Property Consultants, and calculate a total Gross Development Value of £16,346,750, exclusive of any incentives that may/may not be required.

Construction Costs

I have also taken into account construction costs of £128.49 per Sq Ft / £1,383.04 per Sq M as assessed by a Valuation Office Agency internal Quantity Surveyor inclusive of externals, having regard to the RICS BCIS Quarter 2 2018 Costs.

These costs are exclusive of abnormal costs.

A construction contingency of 3% has been adopted.

It should be noted that the planning applicant's agents have not provided any detailed information relating to fixtures and fittings, level of specification and design of the proposed residential dwellings.

Accordingly, I have made Special Assumptions regarding these points, which may have to be revised as and when more detailed information is provided.

Abnormal/Development Costs

The revised submitted abnormal costs by the planning applicant have been assessed by a Valuation Office Agency internal Quantity Surveyor as follows:

Balancing pond/swale	£ 64,800
Attenuation crates	£ 37,370
Moor Road highway improvements	£554,812
Total (inclusive of preliminaries, overheads and profit)	<u>£695,389</u>

Sales and Marketing Costs

I have made the following open market allowances:

Legal Fees:	£ 35,500
Promotion/Marketing/Agent's Fees:	<u>£339,500</u>
<u>Total</u>	<u>£375,000</u>

I have also made allowances for the notional costs that a developer would incur for the sale of the affordable housing units to a Registered Social Landlord.

Professional Fees

I have also adopted an allowance for professional fee at 6% of construction costs equating to £642,598.

Finance Costs/Development Program

I have adopted a total development period of approximately 36 months / 3 years based on the proposed development scheme and the information provided by the planning applicant's agent.

Finance costs of 6% inclusive of bank arrangement costs and bank monitoring fees have been adopted which, in my opinion reflecting current market conditions, is not unreasonable.

I have made the Special Assumption that the proposed S106 costs would be payable over the construction period.

Developer's Profit

An allowance for developer's profit based on 17.50% (open market) and 6% (affordable) of the gross development value has been adopted which equates to a total sum of £2,541,920. In my opinion, this is not unreasonable based on the proposed residential development scheme in the current market.

Land Acquisition Fees

I have also made land acquisition allowances for Stamp Duty Land Tax, and agent's fees and legal fees at 1.75%.

Site Value

I have assessed the Site Value of £1,225,000 taking into account agricultural land comparable evidence, hope value and the allocation in the Gedling Borough Council Local Plan Part 2.

The comparables have been adjusted taking into account hope the purchase price paid, location, and date of transaction.

Residual Land Value

The residual land value based on the 101 x unit proposed development scheme is £206,161 and, based on an approximate gross site area of 8.15 acres/3.30 hectares, equates to £25,296 per acre /£62,473 per hectare.

Conclusion

Accordingly, my opinion of the proposed residential development scheme is that it is not viable as at the date of this report taking into account the Site Value

Sensitivity Analysis and Testing

In accordance with my instructions from Gedling Borough Council I have undertaken sensitivity analysis and testing on the following basis;

Basis No 1 Reappraise the proposed scheme excluding all the affordable housing units, but retaining the S106 Costs.

The revised Residual Land Value (RLV) is £1,170,830, and based on a gross site area of 8.15 acres / 3.30 hectares equates to £143,660 per acre / £354,797 per hectare

When the revised RLV of £1,170,830 is benchmarked against my assessment of the Site Value at £1,225,000, the revised scheme assessed is marginally unviable.

Date of Viability Assessment

The date of assessment is the 30 May 2018.

Comments

The subject land is located fronting Moor Road (B683) on the northern edge of Bestwood Village forming part of Westhouse Farm.

Gedling Borough Council should be aware that we have been provided with a number of abnormal and development costs by the planning applicant.

Following our original assessment of these costs, we have been provided with additional supporting information by the planning applicant which has increased these costs.

It should be noted that some of these abnormal and development costs are based on estimates and could change.

Accordingly, the local authority is strongly advised to monitor the costs, as cost savings could be made, which could help achieve a more viable development scheme.

In particular the local authority should be aware that the proposed development may be used to service additional third party land for future development and some of these costs may be front end loaded onto the subject development scheme.

Whilst the proposed development scheme assessed is not viable, any future development phases should have lower development costs and may be viable.

I have not made any allowances for Homes and Community Agency grant funding for the affordable housing provision. If grant funding were to be obtained by the developer, then the Council should be aware that the development scheme should be reassessed.

It should be noted that no detailed development scheme details have been provided, and my assessment is based on the Savills Property Consultants report dated November 2017 (and architect's plans Reference No: N1100/2-102) dated January 2014).

If the scheme details were to change, or the S106 contributions, the development scheme should be reappraised.

This viability assessment should be reassessed as and when a reserved matters/detailed planning application is made regarding the detailed design/layout of the proposed units.

As agreed with Gedling Borough Council, I have made various Special Assumptions as stated. If any of the Special Assumptions stated are incorrect or change, this may materially affect the Residual Land Value reported. Accordingly, the viability assessment should be referred back to me for further consideration.

This viability assessment has been carried out in a period where residential dwelling property values have fallen and where there are consequential effects on development viability.

It is likely that the current market conditions/downturn in the housing market/economy will change over a reasonable period of time, and I would recommend that this assessment should be reviewed, if any planning consent has not been substantially commenced within one year of being granted, or if the development was to be constructed in phases.

The local authority is advised that a review mechanism or overage provision should be applied (in particular if additional development phases linked to the subject scheme were to be constructed on third party land) subject to what is agreed with the planning applicant.

At the present time, the planning applicant appears willing to proceed with the proposed development scheme, obviously subject to the Section 106 contributions.

Whilst I cannot provide any professional advice to the planning applicant, it is ultimately up to them to decide how they wish to proceed in this matter.

I have had regard to comparable evidence in the surrounding Bestwood village and surrounding Nottinghamshire area. The transactions have been considered adjusting for date, state of the market and location.

Validity

This report remains valid for 3 (three) months from its date unless market circumstances change or further or better information comes to light, which would cause me to revise my opinion.

Restrictions on Disclosure and Publication

The client will neither make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made.

Limits or Exclusions of Liability

The report should only be used for the stated purpose and for the sole use of your organisation and your professional advisers. No responsibility whatsoever is accepted to any Third Party who may seek to rely on the content of the report unless previously agreed.

Confirmation of Standards

The viability assessment has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards 2014 UK Edition, commonly known as the Red Book.

Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).

If agreed departures from these Standards have been required in accordance with any instruction received from you, these will be specifically identified and detailed in this report.

Conflict of Interest

Checks have been undertaken in accordance with the requirements of the RICS standards and have revealed no conflict of interest.

Disclosure of Material Assistance

The assembly of the comparable evidence in this case was undertaken by Rupesh Chauham LLB (Hons) PGDip MRICS, although I undertook the analysis of the comparable evidence and assessed the opinion of value. I was responsible for the supervision of the task throughout.

Status of Valuer

It is confirmed that the viability assessment has been carried out by Jeffrey Solomon, an RICS Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge and skills and understanding necessary to undertake the viability assessment competently and is in a position to provide an objective and unbiased viability assessment.

Exempt Information

You may wish to consider whether this report contains Exempt Information within the terms of Paragraph 9 of Schedule 12A to the Local Government Act 1972 (Section 1 and Part 1 of Schedule 1 to the Local Government (Access to Information) Act 1985) as amended by the Local Government (Access to Information) (Variation) Order 2006.

I trust the above will enable you to proceed but should you require anything further, please do not hesitate to contact this office.

