



Valuation Office
Agency

DVS Property Specialists
for the Public Sector

Viability Report for Land North of Papplewick Lane Linby Nottinghamshire NG15 8EJ



Report for:
Kevin Cartwright
Gedling Borough Council

Prepared by:

[REDACTED]
MRICS
Senior Surveyor
RICS Registered Valuer
DVS

[REDACTED]
[REDACTED]
Case Number: 1750862

Date: 29 October 2020

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1. Executive Summary

Proposed Development Details.

This report provides an Independent Review of a Financial Development Appraisal for the purpose of facilitating the calculation of a commuted sum in lieu of on-site affordable housing:

Proposed Development	18 New Residential Units
Subject of Assessment:	Land north of Papplewick Lane, Linby, Nottinghamshire, NG15 8EJ.
Planning Ref:	PP08545881
Applicant:	Bellway Homes Limited
Applicant's Viability Advisor:	[REDACTED]

Non-Technical Summary of Viability Assessment Inputs

Policy Compliant Inputs	Agent	DVS Viability Review
Assessment Date	09 September 2020	29 October 2020
Scheme, Gross Internal Area, Site Area	1,667 sq m	1,667 sq m
Development Period	13 months	15 months
Gross Development Value	£4,427,500	£4,430,000
Affordable Housing	30% - 5 Units (3 x affordable rent, 2 x intermediate)	30% -5 Units (3 x affordable rent, 2 x intermediate)
Construction Cost inc. Prelims, External Works Total and £/sq m	£1,239 per sq m	£1,263 per sq m
Abnormal Cost	Nil	Nil
Contingency	3%	3%
Professional Fees	6%	6%
Finance Interest and Sum	Debit rate – 5% Credit rate – 0.5%	Debit rate – 6% Credit rate – 1.5%
Other Fees		
Sales and Marketing Fees	3% of GDV	2% of GDV
Legal Fees	Inclusive sales and marketing fees	£600 per unit
Site Purchase Agency Fees	1%	1%
Site Purchase Legal Fees	0.75%	0.5%

Land Acquiring Costs	SDLT at prevailing rate	SDLT at prevailing rate
Profit Target %	20% of GDV	18.5% of GDV
Commuted Sum Calculations	£164,092	£171,008

2. Introduction

2.1 I refer to your instructions dated 28 September 2020 and my Terms of Engagement dated 22 October 2020.

2.2 The opinion of the commuted sum contribution figure in relation to the proposed development scheme assessed is based on a review of the planning applicants/agents report dated 09 September 2020 submitted to the Local Authority.

2.3 I have inspected the site with a limited view from the public highway and finalised my commuted sum assessment and I am pleased to report to you as follows.

2.4 A copy of my Terms of Engagement dated 22 October 2020 are attached.

2.5 Identification of Client

The client is Gedling Borough Council.

2.6 Purpose of Assessment

It is understood that the Gedling Borough Council Planning Department require an independent opinion on the commuted sum calculations and development appraisal information provided by Ian Greatrex of Bridgehouse Property Consultants, in terms of the extent to which the accompanying appraisal is fair and reasonable and whether the assumptions made are acceptable and can be relied upon to determine the commuted sum calculation in lieu of on-site affordable housing.

2.7 Subject of the Assessment

The proposed scheme comprises 18 new build residential units at Papplewick Lane, which will form an extension to the Sherwood Park residential development which is currently part complete and part under construction.

3. **Date of Assessment / Date of Report**

The date of commuted sum assessment is 29 October 2020.

Please note that values change over time and that a viability assessment provided on a particular date may not be valid at a later date.

4. **Commuted Sum Methodology / Professional Guidance**

4.1 The review of the applicant's commuted sum assessment has been prepared with regard to the recommended practice set out in the National Planning Policy Framework; the NPPG on Viability (July 2018, updated May 2019, September 2019) and the Royal Institution of Chartered Surveyors (RICS) Professional Statement, Financial Viability in Planning (**FVIP: Conduct and Reporting**) (effective from 1st September 2019) and the RICS (**FVIP**) Guidance Note (1st Edition) (GN 94/2012), where applicable.

4.2 The Residual appraisal methodology is established practice for development assessments. In simple terms the residual appraisal formula is:

Gross Development Value less Total Development Cost (inclusive of S106 obligations, abnormal development costs and finance) less Profit, equals the Residual Land Value.

4.3 I have had regard to the Gedling Borough Council Affordable Housing Supplementary Planning Document dated December 2019 which sets out the relevant policy as follows:

Where the Council considers taking a commuted sum in lieu of the on-site provision of affordable housing, the following methodology will be used:

Step 1 - Calculate the residual land value of the site as if the scheme were being built for 100% market housing i.e. 'Valuation 1'

Step 2 - Calculate the residual land value of the site at the affordable housing policy target (i.e. a mixed tenure development) - i.e. 'Valuation 2'

Step 3 - Calculate commuted sum: this is the difference between Valuation 1 and Valuation 2.

5. **RICS Financial Viability in Planning Conduct and Reporting**

In accordance with the above professional standard it is confirmed that:

- 5.1 In carrying out this commuted sum assessment review the valuer has acted with objectivity impartiality, without interference and with reference to all appropriate sources of information.
- 5.2 The professional fee for this report is not performance related and contingent fees are not applicable.
- 5.3 DVS are not currently engaged in advising this local planning authority in relation to area wide viability assessments in connection with the formulation of future policy.
- 5.4 The appointed valuer, [REDACTED] is not currently engaged in advising this local planning authority in relation to area wide viability assessments in connection with the formulation of future policy.
- 5.5 Neither the appointed valuer, nor DVS advised this local planning authority in connection with the area wide viability assessments which supports the existing planning policy.
- 5.6 DVS are employed to independently review the applicant's financial viability assessment, and can provide assurance that the review has been carried out with due diligence and in accordance with section 4 of the professional standard. It is also confirmed that all other contributors to this report, as referred to herein, have complied with the above RICS requirements.

6 **Restrictions on Disclosure / Publication**

- 6.1 The report has been produced for Gedling Borough Council only. DVS permit that this report may be shared with the applicant and their advisors as listed above, as named third parties.
- 6.2 The report should only be used for the stated purpose and for the sole use of your organisation and your professional advisers and solely for the purposes of the instruction to which it relates. Our report may not, without our specific written consent, be used or relied upon by any third party, permitted or otherwise, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our report. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report.

- 6.3 Planning Practice Guidance for viability promotes increased transparency and accountability, and for the publication of viability reports. However, it has been agreed that your authority, the applicant and their advisors will neither publish nor reproduce the whole or any part of this report, nor make reference to it, in any way in any publication. It is intended that a final report will later be prepared, detailing the agreed viability position or alternatively where the stage one report is accepted a redacted version will be produced, void of personal and confidential data, and that this approved document will be available for public consumption.
- 6.4 None of the VOA employees individually has a contract with you or owes you a duty of care or personal responsibility. It is agreed that you will not bring any claim against any such individuals personally in connection with our services.
- 6.5 This report is considered 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 and your council is expected to treat it accordingly.

7. **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.

8. **Limits or Exclusions of Liability**

Our commuted sum assessment is provided for your benefit alone and solely for the purposes of the instruction to which it relates. Our commuted sum assessment may not, without our specific written consent, be used or relied upon by any third party, even if that third party pays all or part of our fees, directly or indirectly, or is permitted to see a copy of our viability report. If we do provide written consent to a third party relying on our commuted sum assessment, any such third party is deemed to have accepted the terms of our engagement.

None of our employees individually have a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring any claim against any such individuals personally in connection with our services.

9. **Confirmation of Standards**

- 9.1 The commuted sum assessment review has been prepared with regard to paragraph 57 of the National Planning Policy Framework, which states that all viability assessments should reflect the recommended approach in the National Planning Practice Guidance on Viability, (July 2018, updated May 2019 and September 2019).

- 9.2 The commuted sum assessment review report has been prepared with regard to the Professional Statement Financial Viability in Planning: Conduct and Reporting (effective from 1st September 2019). Regard has been made to the RICS Guidance Note “Financial Viability in Planning” 1st Edition (GN 94/2012), where applicable.
- 9.3 Whilst professional opinions may be expressed in relation to the appraisal inputs adopted, this consultancy advice is to assist you with your internal decision making and for planning purposes, and is not formal valuation advice such as for acquisition or disposal purposes. It is, however, understood that our assessment and conclusion may be used by you as part of a negotiation, therefore RICS Red Book professional standards PS1 and PS2 are applicable to our undertaking of your case instruction, compliance with the technical and performance standards at VPS1 to VPS 5 is not mandatory (PS 1 para 5.4) but remains best practice and they will be applied to the extent not precluded by your specific requirement.
- 9.4 Valuation advice (where applicable) has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards 2017 and RICS UK National Supplement, commonly known together 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).
- 9.5 Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuations Standards (IVS).
- 9.6 Where relevant measurements stated will in accordance with the RICS Professional Statement 'RICS Property Measurement' (2nd Edition) and, the RICS Code of Measuring Practice (6th Edition).
- 9.7 **Agreed Departures from the RICS Professional Standards**
- 9.8 As specifically requested by you, any residential property present has been reported upon using a measurement standard other than IPMS, and specifically Gross Internal Area has been used. Such a measurement is an agreed departure from ‘RICS Property Measurement (2nd Edition)’. I understand that you requested this variation because this measurement standard is how the applicant has presented their data, is common and accepted practice in the construction/ residential industry, and it has been both necessary and expedient to analyse the comparable data on a like with like basis.
- 9.9 It is agreed that the DVS terms of engagement appended to this report will omit commercially confidential and personal data.

10. **Conflict of Interest**

- 10.1 In accordance with the requirements of RICS Professional Standards, DVS as part of the VOA has checked that no conflict of interest arises before accepting this instruction. It is confirmed that DVS are unaware of any previous conflicting material involvement and is satisfied that no conflict of interest exists.
- 10.2 It is confirmed that the valuer appointed has no personal or prejudicial conflict in undertaking this instruction. It is confirmed that all other valuers involved in the production of this report have also declared they have no conflict assisting with this instruction. Should any conflict or difficulty subsequently be identified, you will be advised at once and your agreement sought as to how this should be managed.

11. **Engagement**

- 11.1 The DVS valuer has not conducted any discussions negotiations with the applicant or any of their other advisors.

12. **Status of Valuer**

- 12.1 It is confirmed that the commuted sum assessment has been carried out by Charlene Pearson BSc (Hons) MRICS, Registered Valuer, acting in the capacity of an external valuer, who has the appropriate knowledge, skills and understanding necessary to undertake the commuted sum assessment competently and is in a position to provide an objective and unbiased review. Charlene Pearson is referred hereafter and in redacted correspondence as 'the DVS Valuer,' 'valuer,' 'reviewer' or 'assessor.'
- 12.2 As part of the DVS Quality Control procedure, this report and the appraisal has been peer reviewed by Laura Webb, MRICS, Registered Valuer, who has the appropriate knowledge, skills and understanding necessary to complete this task.
- 12.3 Other Contributors

The valuer has been assisted by Graduate Surveyor [REDACTED]

13. **Assessment Details**

13.1 Location / Situation

The subject site is situated on the north of Papplewick Lane which is located in the village and parish of Linby and on the outskirts of Hucknall, the nearest town which lies immediately to the south-west. The site is located approximately 7.3 miles north of Nottingham city centre.

Hucknall benefits from a wide range of local amenities. There are regular public transport links to Nottingham city centre by bus and by the NET (Nottingham Express Transit) which connects Nottingham to the south-west of the city reaching Chillwell, Beeston and Clifton, and to the north Bulwell and Hucknall

13.2 Description

The subject land comprises 1.73 acres of former Greenfield land. Immediately to the south lies the Sherwood Park development and to the north lies agricultural land.

I understand that the site was initially allocated for the construction of a school which is no longer needed. The surrounding land is currently being built out as a residential development known as Sherwood Park under planning permission 2013/1406. The proposed scheme comprises 18 new build residential units which will form an extension to the Sherwood Park development.

I understand that the units will be constructed of brick and tile. The completed units will be built out to a good standard of specification and each unit will comprise high quality fitted kitchens, including integrated stainless steel appliances and modern Roca bathroom suites. All plots will have a landscaped front gardens and private rear gardens, along with a garage or off-road parking for two cars.

13.3 Site Area

The site area has been calculated using digital mapping tools and is calculated on a gross site area basis as follows:

1.73 Acres

0.70 Hectares

14. **Date of Inspection**

The site was inspected on 14 October 2020 from the public highway. Visibility was limited based on the construction activity in connection with the existing development. I have had regard to site photographs which are included in the Design and Access Statement dated 01 February 2020 and available on the planning website.

15. **Planning Policy / Background**

Gedling Borough Council adopted The Local Planning Document on 18th July 2018 which works with the Aligned Core Strategy which was adopted on 10th September 2014. The policies map annexed to the planning document identifies the land as strategic allocation.

I understand that a full planning application (reference number: PP08545881) has been submitted for the erection of 18 residential dwellings. The application is undecided and pending decision at the date of this report.

16. **Local Plan Policy Scheme Requirements / S106 Costs**

I understand that in accordance with the Gedling Borough Council Affordable Housing Supplementary Planning Document, the proposed scheme is for 15 dwellings or more and therefore, there is a requirement for 30% affordable housing. The Council will seek this to be provided in the form of a commuted sum in lieu of on-site affordable housing which will be calculated in accordance with the policy set out in the Gedling Borough Council Affordable Housing Supplementary Planning Document dated December 2009.

17. **Development Scheme / Special Assumptions**

17.1 The following assumptions and special assumptions have been agreed with the Council and applied:

- That your council's planning policy, or emerging policy, for affordable housing is up to date.
- There are no abnormal development costs in addition to those which the applicant has identified, and (for cases with no QS review) the applicant's abnormal costs, where supported, are to be relied upon to determine the viability of the scheme, unless otherwise stated in our report.

17.2 Scheme Floor Areas

Measurements stated are in accordance with the RICS Professional Statement '**RICS Property Measurement**' (2nd Edition), and where relevant, the **RICS Code of Measuring Practice** (6th Edition).

As agreed by you, any residential property present has been reported upon using a measurement standard other than IPMS, and specifically Gross Internal Area has been used. Such a measurement is an agreed departure from 'RICS Property Measurement (2nd Edition)'.

I understand that you requested this variation because this measurement standard is how the applicant has presented their data, is common and accepted practice in the construction/ residential industry, and it has been both necessary and expedient to analyse the comparable data on a like with like basis.

I have been provided with the following Gross Internal Floor areas within the Bridgehouse Property Consultant Commuted Sum Appraisal dated September 2020 and I have made the assumption that the floor areas of the residential units have been calculated in accordance with the RICS Code of Measuring Practice, Sixth Edition.

Property Type/ Description	Number of Units	Sq.m.	Sq Ft	Total Sq.m.	Total Sq Ft
Somerby – 3 Bed Semi-detached	5	71.35	768	356.75	3,840
Lichfield – 3 Bed Detached	5	83.05	894	415.25	4,470
Dalby – 4 Bed Detached	1	99.12	1,067	99.12	1,067
Worcester – 4 Bed Semi-detached	4	104.23	1,122	416.92	4,488
Willesley – 4 Bed Detached	1	112.59	1,212	112.59	1,212
Lowesby – 4 Bed Detached	2	118.17	1,272	236.34	2,544
Total	18		Total	1,637 Sq M	17,620 Sq Ft

17.3 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 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 valuation:

- (1) that the property valued is not at the date of valuation 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 HMRC 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 valued. 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 your specific instructions to take no account of any matters that might reasonably be expected to have been disclosed by an Underground Mining Subsidence Report.

17.4 Environmental Factors Observed or Identified

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.

17.5 Tenure

I have assumed that the land is owned on a Freehold basis and is subject to vacant possession.

17.6 Easements and Restrictions

None that I am aware of.

17.7 Services

I have assumed that all mains services will be available to each plot although I have not undertaken any enquiries of the respective service supply companies.

17.8 Access and Highways

I understand that there will be two vehicular points of access to the site which will be provided from the existing Sherwood Park development. I have assumed that once the development has completed that the highway will eventually be adopted as a publicly maintained road by the relevant highway authority.

18. **Development Scheme Information**

18.1 Gross Development Value (GDV)

100% Open Market Scheme

In their appraisal, the applicant has confirmed a GDV of £4,427,500 which reflects an average rate of £2,705 per square metre or £251 per square foot which provides for a 100% open market scheme.

I have assessed the values of the Open Market units by researching and analysing comparable sales transactions to arrive at a price per unit which is the usual approach when valuing in the residential market. I have estimated the total sales values of the open market units at a figure of £4,430,000 which reflects an average rate of £2,706 per square metre or £251 per square foot.

There is a nominal difference in our opinion of GDV of £2,500.

Policy Compliant Scheme

In their appraisal, the applicant has treated the Somerby 3 bedroom semi-detached houses as the affordable dwellings. They have valued the affordable rent units at 55% of open market value and the intermediate units at 70% of open market value. Their opinion of GDV for the affordable units is £616,922.

I agree with the applicants in respect of treating the Somerby as the affordable dwellings and I have adopted these properties in my assessment. I have valued the affordable rent units at 58% of open market value. My opinion of GDV for the affordable units is £618,207.

Both of our assessments are considered to fall within the acceptable parameters that Registered Providers are currently paying for dwellings of these tenure types.

There is a nominal difference in our opinion of GDV for the affordable units of £1,285.

18.2 Build Cost

The applicant has commented that their adopted rate is based on the RICS BCIS Lower Quartile rate as at Q2 2020 rebased to Gedling Borough Council at a figure equating to £1,077 per square metre/ £100 per square foot, plus an allowance for external works of 15% and 3% for contingency.

The applicant has applied £1,239 per square metre/ £115 per square foot inclusive of an allowance of 3% for contingency to derive at a total cost for construction and externals in the sum of £2,088,320.

In assessing the construction costs, I have taken into account RICS BCIS Lower Quartile Rate as at Q2 2020, rebased to Nottingham, and have assessed the "base" construction costs in respect of the scheme at a figure equating to £1,098 per square metre/ £102 per square foot. I have then assessed the cost of external works at 15% of "base" build costs and applied an allowance of 3% contingency.

I have applied £1,301 per square metre/ £121 per square foot inclusive of an allowance of 3% for contingency to derive at a total cost for construction and externals in the sum of £2,129,518.

I would comment that the applicant rebased their assessment of construction costs to Gedling. I originally adopted the same approach but found the sample size to be small and to only include 13 samples compared with a sample size of 152 for Nottingham. Based on sample size, I consider the BCIS rates rebased to Nottingham to reflect a higher level of reliability and I have adopted these rates accordingly.

There is a difference in our opinion of construction costs of £41,198.

18.3 Development Costs

Abnormal Development Costs

No site abnormalities have been included in the development appraisals.

Sales and Marketing Costs

The applicant has allowed for sale and marketing fees at 3% of GDV inclusive of legal fees which reflects £7,379 per unit which equates to a total cost of £132,825 on the open market appraisal.

I have made the following allowances in respect of sales and marketing:

Promotion/Marketing/Agent's Fees: 2% of GDV
Legal Fees: £600 per unit

This reflects £5,522 per unit which equates to a total cost of £99,400 on the open market appraisal.

There is a difference in our opinion of sales and marketing costs of £33,425 on the open market appraisal.

In respect of the policy compliant appraisal, I have made an allowance for the notional costs that a developer would incur for the sale of the affordable units to a Registered Provider at £500 per unit. The applicant has taken the same approach.

The applicant's sales and marketing costs reflect £5,831 per unit £104,950 on the policy compliant appraisal.

I have adopted sales and marketing costs which reflect £4,383 per unit £78,900 on the policy compliant appraisal.

There is a difference in our opinion of sales and marketing costs of £26,050 on the policy compliant appraisal.

Professional Fees

The applicant's appraisal includes an allowance for professional fees to external consultants in the sum of 6% which reflects a figure of £121,650.

I have also adopted 6% in my appraisal which reflects a figure of £124,050.

There is a difference in our opinion of professional fees of £2,400.

Finance Costs/ Development Programme

The planning applicant has adopted a total development / construction period of approximately fourteen months which appears to include a three month lead-in period with an additional sales allowance of only one month after construction end date.

The applicant has assumed that the sales will commence six months into the construction period and will then sell at a rate of three dwellings per month, with completion of the sale of the last of the units being achieved within a period of six months.

The applicant has adopted finance costs at 5% but no allowance has been made for arrangement or exit fees. The applicant has applied a credit rate of 0.5%.

The applicant has reflected finance costs of £78,330 in their open market appraisal and £61,785 in their policy compliant appraisal.

I have provided for a lead-in period of three months prior to start on site to allow for completion of purchase, site set-up, clearance and preparation. I have then estimated a main construction period of twelve months.

In respect of the sales period, I have assumed that sales will commence nine months after site acquisition / six months into the construction programme and will then sell at a rate of two dwellings per month, with completion of the sale of the last of the units being achieved within a period of nine months.

I have adopted finance costs of 6% including arrangement/ exit fees and a credit rate of 1.5%.

I have reflected total finance costs of £106,530 in my open market appraisal and £85,325 in my policy compliant appraisal.

There is a difference in our opinion of finance costs of £28,200 in our open market appraisals and £23,540 in our policy compliant appraisals.

Developers Profit

The applicant has made an allowance for developer's profit based on 20% of the GDV which reflects £885,500 on the open market appraisal. On their policy compliant appraisal they have made an allowance of 20% of GDV on the open market units and 6% of costs on the affordable units which reflects £709,510.

I would comment that the optimum market industry standard is a profit margin between 17.5% and 20%. Although 20% is considered to be the ideal return, developers in the market often accept a much lower profit margin and therefore, I consider 20% developers profit to be slightly on the high side.

I have made an allowance for developer's profit based on 18.5% of the GDV. I consider that my adopted profit margin takes into consideration the risk and economic uncertainty which currently exists as a result of the Coronavirus/ Covid-19 pandemic. This reflects £819,550 on the open market appraisal. On my policy compliant appraisal, I have made an allowance of 18.5% of GDV on the open market units and 6% of costs on the affordable units which reflects £661,585.

There is a difference in our opinion of developer's profit of £65,950 in our open market appraisals and £47,925 in our policy compliant appraisals.

18.4 Benchmark Land Value – Existing Use Value

In accordance with your instructions dated 28 September 2020, I have been instructed to undertake a commuted sum assessment in accordance with the Gedling Borough Council Affordable Housing Supplementary Planning Document dated December 2009 in which the Benchmark Land Value and Existing Use Value is not required to facilitate the assessment.

19. **Commuted Sum Assessment**

The applicant has provided two residual land value appraisals to support their opinion of the commuted sum assessment. Their open market appraisal produces a residual land value of £1,059,836 and their policy compliant appraisal produces a residual land value of £895,744. The difference between the two appraisals and their opinion of the derived commuted sum payable in lieu of on-site affordable housing is £164,092.

I have undertaken two residual land value appraisals to support my opinion of the commuted sum assessment. My open market appraisal produces a residual land value of £1,090,566 and my policy compliant appraisal produces a residual land value of £919,558. The difference between the two appraisals and my opinion of the derived commuted sum payable in lieu of on-site affordable housing is £171,008.

20. **Conclusions / Presentation of Results**

The difference in our opinion of the commuted sum payable in lieu of on-site affordable housing is £6,916 or in favour of the Local Authority. However, based on the sensitivity of the inputs in undertaking residual land value appraisals which is demonstrated in Section 21 below, I recommend that the applicant's commuted sum figure of £164,092 is accepted.

21. **Sensitivity Analysis and Testing**

As set out in the RICS Professional Standard 'Financial viability in planning: conduct and reporting' (effective from 1st September 2019), I have carried out sensitivity tests to test the robustness of the residual land valuations described above.

I have varied two of the most sensitive inputs of the open market development appraisal relating to sales revenue and base construction costs. I have adjusted these in upward and downward steps of 5% from the base conclusion which is shown in bold at the centre of the results table below.

	Construction: Rate per ft² / m²			
		-5.000%	0.000%	5.000%
Sales:				
Rate % of	-5.000%	£1,036,055		£833,302
GDV			£1,090,566	
	5.000%	£1,347,829		£1,145,077

Given both adverse movements, the residual land value would fall from £1,090,566 to £833,302.

Following the above testing work, my revised conclusions are that based on the sensitivity of the inputs in undertaking residual land value appraisals as demonstrated above, the applicant's proposed commuted sum figure of £164,092 is considered to be reasonable.

22. **Comments and Recommendations**

As at the date of this assessment, there is a great deal of economic uncertainty caused by the Coronavirus/Covid-19 pandemic. Accordingly, I would advise that the viability of the scheme should be kept under constant review, and particularly that the matter of scheme viability should be revisited in the event that development of the scheme has not commenced within a period of three months from the date of this assessment.

22.1 Market Commentary

According to Rightmove, properties around the subject site had an overall price of £215,915 over the last twelve months. Detached properties were selling for an average price of £294,000 and semi-detached properties for an average price of £202,600. Overall, sold prices were said to be 7% down on the previous year and 3% up on the 2017 peak.

According to Nationwide House Prices Indices, residential property values have on average increased in the last twelve months by 4.03% in the East Midlands region.

The site lies within the Nottinghamshire residential development land sector. The site is located in the parish of Linby which is a small affluent village but lies outside of the village within a popular residential location on the outskirts of Hucknall.

Post completion the site will comprise an 18 unit extension to the popular Sherwood Park development. I consider that there will be a good level of demand for the units.

22.2 Market conditions explanatory note: Novel Coronavirus (COVID-19)

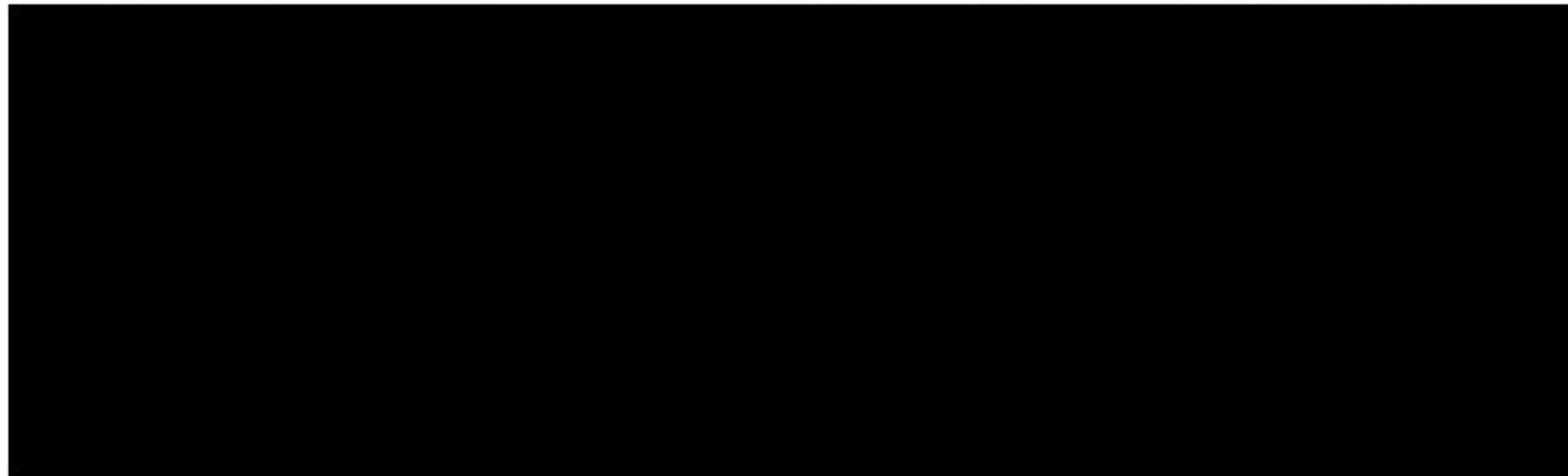
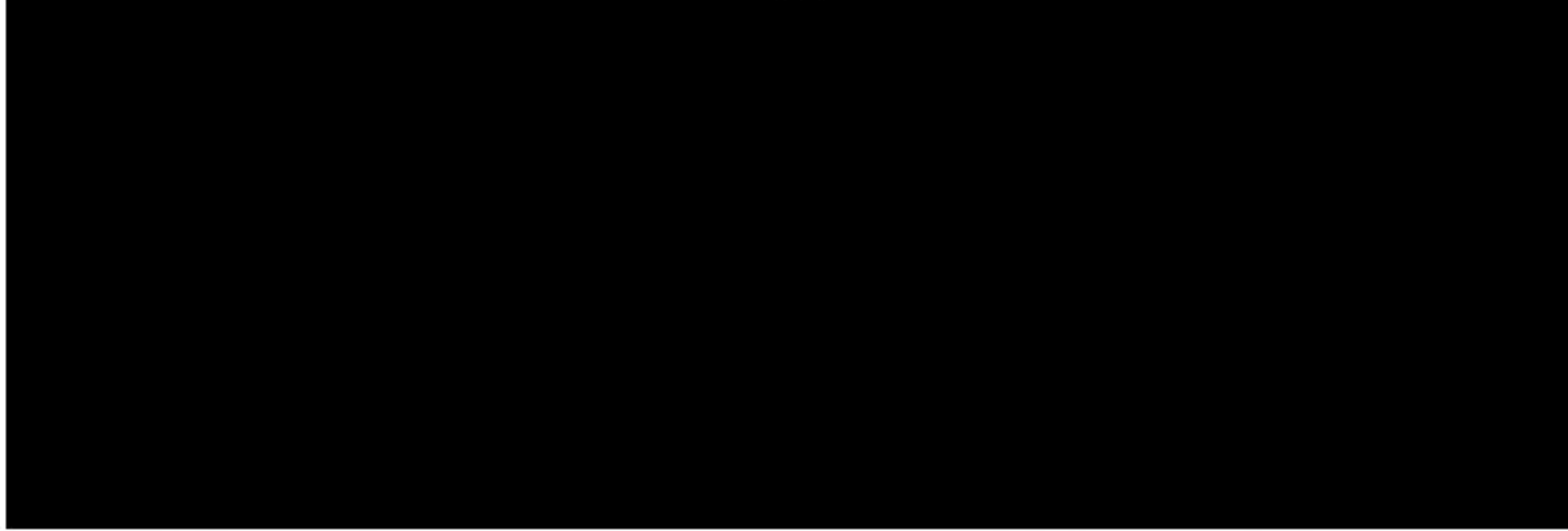
The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and “lockdowns” applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks or a “second wave” is possible.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

I trust that the above report is satisfactory for your purposes. However, should you require clarification of any point do not hesitate to contact me further.

Yours sincerely



Reviewed by:

