



12 September 2012

Mr Rob Henderson
Ken Parke Planning Consultants
14 Purewell
Christchurch
BH23 4EP

Dear Sirs

Ref: Planning Application – 45 The Ridings, Littlehampton.

I am instructed to submit an Affordable Housing Economic Viability Assessment for the above planning application. This report seeks to demonstrate the projects ability to sustain any affordable housing contributions within a s106 agreement or planning condition.

I have summarised my valuation at Appendix A and B. I have also provided this within an HCA EAT model. I would wish to consider the specific issues of my assessment individually.

Existing Use Value

The site is formed by the partial demolition of 45 The Ridings, the demolition of 60 Sea Lane, the loss of private amenity from 45 The Ridings and the use of land at 60a Sea Lane, a site with an extant planning consent for 1 detached house.

In my opinion the loss of 30m² of accommodation at 45 The Ridings will have a diminution in value to the existing house of £92,100. This assessment is made on the basis of the prevailing sales rate for the area at £3,070/m² applied to the reduced volume of the house.

I further conclude that the loss of the substantial side garden would amount to a further diminution in value to 45 The Ridings of £50,000.

60 Sea Lane is a detached 4 bedroom house in need of modernisation. Considering its position and condition I consider its current use value to be in the sum of £400,000.

I have undertaken a residual valuation of the land at 60a Sea Lane (attached at Appendix B) and consider the land value to be £142,000.

Taking into account the above without any enhancement or uplift in existing use value I consider the qualifying land cost for the appraisal to be £684,100. I have allowed SDLT at 3% of this within my appraisal.

Construction Costs

I have considered BCIS build cost data for the location at £1,290/m² for the main works cost items for the construction of the houses and garages totalling 888.68m² GIA. This produces a main work cost of £1,126,880.

I have undertaken an assessment of the external works, infrastructure charges and utilities and calculate a further £105,000 of works costs apply. Overall an effective build rate of £1,440m2 has been used in the appraisal.

I have allowed a construction contingency allowance of 3% of build. I have also allowed a construction build period of 12 months.

Professional Fees & Costs

I have used a reasonable allowance of 8% of construction cost for main professional fees, this being £98,550.

I have allowed legal purchase costs at £1,500, legal sale costs at £1,000 per unit.

I have allowed a sales and marketing budget of 2% of GDV being £49,700 which should be considered conservative.

I have not made any allowance for s106 contributions.

I have referred to the NatWest Bank PLC standard lending terms and consider a combined interest cost at 7% to be very reasonable, expressed as 1% arrangement fees and 6% interest rate.

Overhead & Profit

At this stage I have used a profit and overhead rate of 17.5% on GDV within my appraisal. I am aware that the industry in this location works to 20% levels.

Sales Revenue

I have reviewed the local sales market for the area and consider that there are two key markets reflecting the private road and non private road area of the town. This is reflected in The Ridings having a higher sales value than Sea Lane.

Recent sales evidence is as follows;

Address	Sale	GIA	£m2	£sqft
15 Tamarisk Way	£1,600,000	530	£3,019	£280
5 Selborne Way	£765,000	315	£2,429	£226
11 Selborne Way	£780,000	254	£3,070.87	£285
1 Kithurst Close	£700,000	288	£2,430.56	£226
Willowhayne	£550,000	179	£3,072.63	£285
Max £3,070m2				
Low £2,429m2				

Accordingly I am of the opinion that the proposed houses on Sea Lane would achieve £795,000 being a £2,787m2 sales rate. The proposed house at The Ridings would achieve £895,000 being a sales rate of £3,138m2, an overall GDV of £2,485,000.

Conclusion

I attach a summary of my residual valuation (Appendix A) and an HCA EAT viability model setting out this residual valuation. In my opinion the residual valuation is negative at around -£194,000. In effect this results in a reduced profit and overhead of around 10% on GDV.

The scheme is therefore deliverable; however there is no scope or economic viability to support any s106 contributions within development.

I consider the specific nature of the site and construction design requirements have a particular bearing on the project not being able to economically sustain a contribution towards affordable housing.

Please don't hesitate to contact me if you require any additional information and I look forward to hearing from you in the very near future.



Summary**Residual Valuation**

12-Sep-12 a

The Ridings - LittlehamptonPrivate Development Assumptions**Standard Construction Costs**

Unit Type	Number of Units	GIA m2	Total GIA m2	Construction Cost m2	Total Build Cost
5 Bed House	1	285.2	285.20	£1,290	£367,908
5 Bed House	2	285.2	570.40	£1,290	£735,816
Garages	2	16.54	33.08	£700	£23,156
Totals	5		888.68		£1,126,880

Over Extra Construction Costs

Clearance & Demolition	£15,000	
Works to 45 Ridings	£15,000	(making good to flank wall and roof only)
Sheds, bin store etc	£3,000	
Landscaping	£6,000	
Utility Infrastructure Charges	£6,000	
Incoming Services	£15,000	
Service Installation	£3,000	
Driveway, parking etc	£30,000	
Foul Drainage	£9,000	
Surface Water Drainage	£3,000	
Paths	£3,000	
Fencing	£6,000	
Sub Total	£105,000	

Contingency 3% £36,956

Total to Build £1,268,836

£m2 rate
£1,440**Administration and Development Allowance**

Professional fees @ 8%	£98,550	
Interest (@ 7%)	£118,559	re calc
Sales & marketing costs @ 2%	£49,700	
Legal Sales at £1,000 p.u.	£3,000	
S106 contributions	£0	
Total	£269,809	

Existing Land Cost/Value

EUV	£684,100
Purchase Legal Costs	£1,500
Purchase Agents Fees	£0
Stamp Duty at 3%	£20,523
Total	£706,123

Development Overhead & Profit

Profit @ 17.5% (GDV)	£434,875	Effective 10% Profit
Total	£434,875	

Gross Development Costs £2,679,644

Total Gross Development Value

		Sales	
5 Bed House	1	£895,000	£895,000
5 Bed House	2	£795,000	£1,590,000
Totals Market GDV			<u>£2,485,000</u>

Development Residual	<u>£194,644</u>
Valuation	

Interest payments

Assume land is held in JV	£706,123
Contract Spend	<u>£1,367,387</u>
Total Spend	<u>£2,073,510</u>

18 month cycle to last sale loan paid

Intro & Exit fees 1% £20,735

Borrowing rate 6%

Month 0	£706,123	£706,123	£3,531
month 1	£67,387	£773,510	£3,868
month 2	£100,000	£873,510	£4,368
month 3	£100,000	£973,510	£4,868
month 4	£150,000	£1,123,510	£5,618
month 5	£150,000	£1,273,510	£6,368
month 6	£150,000	£1,423,510	£7,118
month 7	£150,000	£1,573,510	£7,868
month 8	£150,000	£1,723,510	£8,618
month 9	£150,000	£1,873,510	£9,368
month 10	£100,000	£1,973,510	£9,868
month 11	£100,000	£2,073,510	£10,368
month 12	£0	£1,200,000	£6,000
month 13	£0	£1,200,000	£6,000
month 14		£400,000	£2,000
month 15		£400,000	£2,000
month 16		£0	£0
month 17		£0	£0
	<u>£2,073,510</u>		<u>£97,824</u>

Total Finance Cost **£118,559**

SummaryResidual Valuation

12-Sep-12 a

60a Sean Lane - Littlehampton
Private Development Assumptions

Standard Construction Costs

Unit Type	Number of Units	GIA m2	Total GIA m2	Construction Cost m2	Total Build Cost
5 Bed House	1	285.2	285.20	£1,290	£367,908
Garages	1	15	15.00	£800	£12,000
Totals	2		300.20		£379,908

Over Extra Construction Costs

Clearance & Demolition	£1,000
Sheds, bin store etc	£2,000
Landscaping	£3,000
Utility Infrastructure Charges	£2,000
Incoming Services	£5,000
Service Installation	£1,000
Driveway, parking etc	£10,000
Foul Drainage	£4,000
Surface Water Drainage	£2,000
Paths	£1,000
Fencing	£2,000
Sub Total	£33,000

Contingency 3% £12,387

Total to Build £425,295

£m2 rate
£1,449

Administration and Development Allowance

Professional fees @ 8%	£33,033	
Interest (@ 7%)	£29,726	re calc
Sales & marketing costs @ 2%	£15,700	
Legal Sales at £1,000 p.u.	£1,000	
S106 contributions	£0	
Total	£79,459	

Existing Land Cost/Value

Residual Land Value	£142,000
Purchase Legal Costs	£1,000
Purchase Agents Fees	£0
Stamp Duty at 0%	£0
Total	£143,000

Development Overhead & Profit

Profit @ 17.5% (GDV)	£137,375
Total	£137,375

Gross Development Costs £785,129

Total Gross Development Value

5 Bed House	1	Sales	
		£785,000	£785,000
Totals Market GDV			£785,000

Development Residual	-£129
Valuation	

Interest payments

Assume land is held in JV	£143,000
Contract Spend	£458,328
Total Spend	£601,328

14 month cycle to last sale loan paid

Intro & Exit fees 1% £6,013

Borrowing rate 6%

Month 0	£143,000	£143,000	£715
month 1	£18,328	£161,328	£807
month 2	£40,000	£201,328	£1,007
month 3	£50,000	£251,328	£1,257
month 4	£50,000	£301,328	£1,507
month 5	£75,000	£376,328	£1,882
month 6	£75,000	£451,328	£2,257
month 7	£50,000	£501,328	£2,507
month 8	£50,000	£551,328	£2,757
month 9	£50,000	£601,328	£3,007
month 10		£601,328	£3,007
month 11		£601,328	£3,007
month 12		£0	£0
month 13		£0	£0
month 14		£0	£0
month 15		£0	£0
month 16		£0	£0
month 17		£0	£0
	£601,328		£23,713

Total Finance Cost **£29,726**