



Robert Barker
Stolon Studio Ltd
Kaolin Court
London
SE23 1AA

26th January 2021

Dear Robert

LAND WEST OF BRIDGE ROAD ROUNDABOUT, LITTLEHAMPTON LU/238/20/OUT-AFFORDABLE HOUSING VIABILITY REVIEW

Thankyou for forwarding the Dixon Searle Partnership Viability Review dated December 2020 as requested we have set out our comments below.

We are pleased to note common ground in many areas including benchmark land value, acquisition costs, timings, finance, developers profit and residential values although DSP have queried if the proposed values fully reflect a riverside location but we did evidence in our report the proposed values were based on comparable riverside blocks so in the absence of evidence provided by DSP to the contrary we have taken the residential values as agreed.

The main areas of divergence are around the build cost methodology and ground rents, but we have also revised the value of the moorings in line with information received by the applicants to capture all the sources of revenue associated with the development to maximise the viability.

Build Costs

Dixon Searle have proposed the use of the BCIS Median rate to inform the construction costs which is agreed and we have attached to this letter the relevant rates used in the revised appraisal. However, we have noted DSP have adopted the 3-5 storey rate when the Bridge Reach block is 8 storeys, the GIA of Bridge Reach makes up 29.78% of the total GIA so we have modelled 30% of the units on the median 6+ rate and 70% on the median 3-5 storey rate.

DSP have allowed for external works at 7.5% of the base build costs which is agreed so the overall build cost rates used in the appraisal are £1,611/m² for 3-5 storeys and £1,917/m² for 6+ storeys.

Ground Rent Income

Although there is a current policy drive by central government to cap and reduce ground rent levels we accept this is not yet adopted policy and in the spirit of compromise have factored in some ground rent value. The applicants have been advised by Michael Jones Estate Agents ground rent levels on comparable waterfront blocks in Worthing are £200pa for a one bedroom, £250pa for a two bedroom and £300pa for a three bedroom property so these levels have been adopted for the proposed scheme. The ground rent income has been capitalized on a 5% yield.

Mooring Income

We have now included within the appraisal the mooring income based on the rental level advised by the applicants at £290 per linear metre less management costs and the net receivable income has been capitalised on a 6% yield. The costs of providing the mooring is estimated at £695,000 and so the net contribution to scheme revenue is therefore £361,166. This additional revenue not included in the first version of the viability assessment.

We have updated the appraisal incorporating these changes on an all open market basis with no affordable housing the appraisal shows a deficit at -£30,228 and accounting for the viability deficit the developers actual return is 14.89% of GDV marginally below the range set out in the Planning Practice Guidance at 15-20%. This is close enough to the threshold range set out in the guidance that in our opinion developer can take a commercial view to accept a marginally lower level of return to allow the development to proceed.

We have also run a version of the appraisal with 6no one bedroom apartments for shared ownership as proposed in the application, this shows an increased deficit at -£97,126 this equates to a developers return at 14.6% of GDV. The applicants are able to take a commercial view to accept a developer return at around 14.5% but not less than 14.4% as this is on the limits of what can be commercially funded, with affordable housing provision at 8no shared ownership units providing a mix of unit types the appraisal generates a deficit at -£146,482 which equates to a return at 14.42%. This is considered the maximum viable level of affordable housing provision and the proposed mix will be:

3 x 1b2p
3 x 2b3p
2 x 3b5p

This is a 1/3 increase in the level of affordable housing generated by including the moorings and ground rent income in the appraisal but this is considered the maximum viable level and we would welcome agreement of the affordable housing provision for the development on these terms.

Yours sincerely

[REDACTED]

Simon Corp
Director
S106 Affordable Housing (Hampshire) Ltd

[REDACTED]

S106 Affordable Housing (Hampshire) Ltd, Director General's House, Rockstone Place, Southampton,
SO15 2EP telephone 02382 354412 company registration number 12222129

SCHEME			
Site Address	Hamptons Quay Littlehampton	Date of appraisal	07/01/21
Site Reference		Net Residential Site Area (ha)	
File Source	105 unit scheme all open market	Author & Organisation	Simon Corp S106 Affordable Housing Hampshire Ltd
Scheme Description		Registered Provider (where 0	
Housing Mix (Affordable + Open Market)			

Total Number of Units	105	units
Total Number of Open Market Units	105	units
Total Number of Affordable Units	0	units
Total Net Internal Area (sq m)	7,622	sq m
% Affordable by Unit	0.0%	
% Affordable by Area	0.0%	
Density	Net Area (sq m)	units/ hectare
Total Number of A/H Persons	0	Persons
Total Number of Open Market Persons	0	Persons
Total Number of Persons	0	Persons
Gross site Area	0.00	hectares
Net Site Area	0.00	hectares
Net Internal Housing Area / Hectare	-	sq m / hectare

<i>Average</i> value (£ per unit)	Open Market Phase 1:	Open Market Phase 2:	Open Market Phase 3:	Open Market Phase 4:	Open Market Phase 5:	Total
1 Bed Flat Low rise	£211,750	£211,750	£0	£0	£0	
2 Bed Flat Low rise	£323,503	£324,005	£0	£0	£0	
3 Bed Flat Low rise	£439,890	£439,890	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£0	£0	£0	£0	£0	
3 Bed House	£0	£0	£0	£0	£0	
4 Bed + House	£0	£0	£0	£0	£0	
Total Revenue £	£24,816,330	£9,977,330	£0	£0	£0	£34,793,660
Net Area (sq m)	5,441	2,181	-	-	-	7,622
Revenue (£ / sq m)	£4,561	£4,575	-	-	-	

£34.793.660

Capital value of Private Rental	
Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	£0

£19,701,086 £ 1,783 psqm

£34.793.660

£ 3.150 psam

£15,092,574

AH & RENTAL VALUES BASED ON NET RENTS

Type of Unit	Social Rented	Shared Ownership (all phases)	Affordable Rent (all phases)	Total
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House				
3 Bed House				
4 Bed + House				
	£0	£0	£0	£0

£ psqm of CV (phase 1)

03

£0

03

03

£0

03

£0

£0

£0 #DIV/0!

£0

No. of Spaces	Price per Space (£)	Value
-	-	£0

Value of Residential Car Parking	
Car Parking Build Costs	£0

Capitalised annual
ground rent
£0

Shared Ownership		£0			
Affordable Rent		£0			
Open market (all phases)		£537,600			
Capitalised Annual Ground Rents				£537,600	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				£35,331,260	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£19,701,086			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					£15,630,174
Non-Residential					
		Cost		Values	
Office		£0		£0	
Retail		£149,959		£206,438	
Industrial		£0		£0	
Leisure		£233,360		£399,319	
Community Use		£695,001		£1,056,176	
Community Infrastructure Levy		£0			
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				£1,661,933	
COSTS OF NON-RESIDENTIAL SCHEME		£1,078,320			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					£583,613
GROSS DEVELOPMENT VALUE OF SCHEME				£36,993,193	
TOTAL BUILD COSTS		£20,779,406			
TOTAL CONTRIBUTION TO SCHEME COSTS					£16,213,787
External Works & Infrastructure Costs (£)			Per unit	% of GDV	per Hectare
Basement costs	£4,118,250		39,221	11.1%	
£0	£0				
£0	£0				
£0	£0				
Off Site Works	£0				
Public Open Space	£0				
Site Specific Sustainability Initiatives	£0				
Plot specific external works	£0				
Other 1	£0				
Other 2	£0				
	£4,118,250			11.1%	
Other site costs					
Fees and certification	7.0%	£1,313,406	12,509	3.6%	
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
Network rail costs		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
	£0				
Total Site Costs inc Fees		£5,431,656	51,730		
Statutory 106 Costs (£)					
Education		£0			
Sport & Recreation		£0			
Social Infrastructure		£0			
Public Realm		£0			
Affordable Housing		£0			
Transport		£0			
Highway		£0			
Health		£0			
Public Art		£0			
Flood work		£0			
Community Infrastructure Levy		£0			
Other Tariff		£0			
CIL		£1,026,482	9,776		
Offsite highways		£197,000	1,876		
Other 3		£0			
Other 4		£0			
		£1,223,482	11,652		
Statutory 106 costs					
Marketing (Open Market Housing ONLY)			per OM unit		
Sales/letting Fees	2.5%	£869,842	8,284		
Legal Fees (per Open Market unit):	£1,000	£105,000	1,000		
Marketing (Affordable Housing)			per affordable unit		
Developer cost of sale to RP (£)		£0			
RP purchase costs (£)		£0			
Intermediate Housing Sales and Marketing (£)		£0			
Total Marketing Costs		£974,842			
Total Direct Costs		£28,409,385			
Finance and acquisition costs					
Land Payment		£45,000	429 per OM home	#DIV/0!	#DIV/0!
Arrangement Fee		£0	0.0% of interest		
Misc Fees (Surveyors etc)		£0	0.00% of scheme value		
Agents Fees		£450			
Legal Fees		£225			
Stamp Duty		£0			
Total Interest Paid		£3,327,416			
Total Finance and Acquisition Costs		£3,373,091			
Developer's return for risk and profit					
Residential					

Market Housing Return (inc OH) on Value	15.0%	£5,219,049	49,705 per OM unit
Affordable Housing Return on Cost	6.0%	£0	per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit
Non-residential			
Office		£0	
Retail		£30,966	
Industrial		£0	
Leisure		£0	
Community-use		£0	
		£30,966	

Total Operating Profit £5,250,015
 (i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST £37,032,491

Surplus/(Deficit) at completion 1/3/2025 (£19,298)

Present Value of Surplus (Deficit) at 7/1/2021 (£10,228)

Scheme Investment MIRR 10.5% (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value 0.1% Peak Cash Requirement -£28,285,639

Site Value (PV) per hectare No area input per hectare No area input per acre

HCA DEVELOPMENT APPRAISAL TOOL		SUMMARY	DETAIL
SCHEME			
Site Address	Hamptons Quay Littlehampton		Date of appraisal
Site Reference			07/01/21
File Source	105 unit scheme with 8no mixed shared ownership		Net Residential Site Area (ha)
Scheme Description			Author & Organisation
Housing Mix (Affordable + Open Market)			Simon Corp S106 Affordable Housing Hampshire Ltd
			Registered Provider (where 0)

Total Number of Units	105	units
Total Number of Open Market Units	97	units
Total Number of Affordable Units	8	units
Total Net Internal Area (sq m)	7,622	sq m
% Affordable by Unit	7.6%	
% Affordable by Area	7.2%	
Density	No Area sqm	units/ hectare
Total Number of A/H Persons	0	Persons
Total Number of Open Market Persons	0	Persons
Total Number of Persons	0	Persons
Gross site Area	0.00	hectares
Net Site Area	0.00	hectares
Net Internal Housing Area / Hectare	-	sq m / hectare

Average value (£ per unit)	Open Market Phase 1:	Open Market Phase 2:	Open Market Phase 3:	Open Market Phase 4:	Open Market Phase 5:	Total
1 Bed Flat Low rise	£211,750	£211,750	£0	£0	£0	
2 Bed Flat Low rise	£325,109	£324,005	£0	£0	£0	
3 Bed Flat Low rise	£439,890	£439,890	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£0	£0	£0	£0	£0	
3 Bed House	£0	£0	£0	£0	£0	
4 Bed + House	£0	£0	£0	£0	£0	
Total Revenue £	£22,378,950	£9,977,330	£0	£0	£0	£32,356,280
Net Area (sq m)	4,895	2,181	-	-	-	7,076
Revenue (£ / sq m)	£4,572	£4,575	-	-	-	

CAPITAL VALUE OF OPEN MARKET SALES

£32,356,280

Capital Value of Private Rental

Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	£0

CAPITAL VALUE OF OPEN MARKET HOUSING**BUILD COST OF OPEN MARKET HOUSING inc Contingency**

£18,362,555 £ 1,791 psqm

£32,356,280

£ 3,155 psqm

CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING

£13,993,725

AH Residential Values**AH & RENTAL VALUES BASED ON NET RENTS**

Type of Unit	Social Rented	Shared Ownership (all phases)	Affordable Rent (all phases)	Total
1 Bed Flat Low rise		£446,263		£446,263
2 Bed Flat Low rise		£647,951		£647,951
3 Bed Flat Low rise		£618,045		£618,045
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House				
3 Bed House				
4 Bed + House				
	£0	£1,712,259	£0	£1,712,259

£ psqm of CV (phase 1)

2,891

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)

£1,712,259

RP Cross Subsidy (use of own assets)

£0

LA s106 commuted in lieu

£0

RP Re-cycled SHG

£0

Use of AR rent conversion income

£0

Other source of AH funding

£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING

£0

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)

£1,712,259

BUILD COST OF AFFORDABLE HOUSING inc Contingency

£1,338,531 £ 1,692 psqm

CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING

£373,729

Car Parking

No. of Spaces	Price per Space (£)	Value
-	-	£0

Value of Residential Car Parking

£0

Car Parking Build Costs

£0

Ground rentCapitalised annual
ground rent
£0

Social Rented

Shared Ownership		£0			
Affordable Rent		£0			
Open market (all phases)		£496,640			
Capitalised Annual Ground Rents				£496,640	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				£34,565,179	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£19,701,086			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					£14,864,093
Non-Residential					
		Cost		Values	
Office		£0		£0	
Retail		£149,959		£206,438	
Industrial		£0		£0	
Leisure		£233,360		£399,319	
Community Use		£695,001		£1,056,176	
Community Infrastructure Levy		£0			
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				£1,661,933	
COSTS OF NON-RESIDENTIAL SCHEME		£1,078,320			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					£583,613
GROSS DEVELOPMENT VALUE OF SCHEME				£36,227,112	
TOTAL BUILD COSTS		£20,779,406			
TOTAL CONTRIBUTION TO SCHEME COSTS					£15,447,706
External Works & Infrastructure Costs (£)			Per unit	% of GDV	per Hectare
Basement costs	£4,118,250		39,221	11.4%	
£0	£0				
£0	£0				
£0	£0				
Off Site Works	£0				
Public Open Space	£0				
Site Specific Sustainability Initiatives	£0				
Plot specific external works	£0				
Other 1	£0				
Other 2	£0				
	£4,118,250			11.4%	
Other site costs					
Fees and certification	7.0%	£1,313,406	12,509	3.6%	
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
Network rail costs		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
	£0				
Total Site Costs inc Fees		£5,431,656	51,730		
Statutory 106 Costs (£)					
Education		£0			
Sport & Recreation		£0			
Social Infrastructure		£0			
Public Realm		£0			
Affordable Housing		£0			
Transport		£0			
Highway		£0			
Health		£0			
Public Art		£0			
Flood work		£0			
Community Infrastructure Levy		£0			
Other Tariff		£0			
CIL		£971,882	9,256		
Offsite highways		£197,000	1,876		
Other 3		£0			
Other 4		£0			
Statutory 106 costs		£1,168,882	11,132		
Marketing (Open Market Housing ONLY)			per OM unit		
Sales/letting Fees	2.5%	£808,907	8,339		
Legal Fees (per Open Market unit):	£1,000	£97,000	1,000		
Marketing (Affordable Housing)			per affordable unit		
Developer cost of sale to RP (£)		£0			
RP purchase costs (£)		£0			
Intermediate Housing Sales and Marketing (£)		£0			
Total Marketing Costs		£905,907			
Total Direct Costs		£28,285,861			
Finance and acquisition costs					
Land Payment		£45,000	464 per OM home	#DIV/0!	#DIV/0!
Arrangement Fee		£0	0.0% of interest		
Misc Fees (Surveyors etc)		£0	0.00% of scheme value		
Agents Fees		£450			
Legal Fees		£225			
Stamp Duty		£0			
Total Interest Paid		£3,125,123			
Total Finance and Acquisition Costs		£3,170,798			
Developer's return for risk and profit					
Residential					

Market Housing Return (inc OH) on Value	15.0%	£4,853,442	50,035 per OM unit
Affordable Housing Return on Cost	6.0%	£76,487	9,561 per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit
Non-residential			
Office		£0	
Retail		£30,966	
Industrial		£0	
Leisure		£0	
Community-use		£0	
		£30,966	

Total Operating Profit £4,960,895
 (i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST £36,417,544

Surplus/(Deficit) at completion 1/3/2025 (£196,432)

Present Value of Surplus (Deficit) at 7/1/2021 (£145,482)

Scheme Investment MIRR 10.4% (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value 0.1% Peak Cash Requirement -£26,492,247

Site Value (PV) per hectare No area input per hectare No area input per acre

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 02-Jan-2021 00:42

› Rebased to Arun (107; sample 12)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	1,585	786	1,317	1,506	1,791	5,453	883
1-2 storey (15)	1,506	920	1,282	1,442	1,665	2,745	209
3-5 storey (15)	1,560	786	1,311	1,499	1,763	3,315	574
6 storey or above (15)	1,908	1,165	1,553	1,783	2,060	5,453	97