
From: Polly Harris-Gorf
Sent: 26 July 2022 09:17
To: _planningadvice
Subject: FW: H15-1066-21 Land Off St Margarets Quadring
Attachments: We sent you safe versions of your files; 2022-07-14 St Margarets - Appraisal (updated).pdf

2NON (CP Viability, revised assessment)

From: David Newham <
Sent: 14 July 2022 16:00
To: Polly Harris-Gorf <
Subject: RE: H15-1066-21 Land Off St Margarets Quadring

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Polly

I've now had a chance to look at the latest comments from the applicant. Just to be clear, my time costs are now exhausted on this (following my report and addendum report) therefore if the applicant wishes for further input from me beyond this email they will need to pay my additional costs (to be agreed, if needed).

My addendum report concluded that the scheme could provide 5 affordable units (13.89%) plus £91,725 is S106 contributions.

Taking each of the latest comments in turn:

1. Sales values

- In our addendum report we agreed to reduce the Richmond & Walden house types (2 bed semis 775 sq ft) down from £185,000 to £175,000 per dwelling.
- The applicant originally valued these at £160,000 and now suggests £166,625 per unit.
- To support their suggestion the applicant refers to a sale on Towndam Lane, Donington of a 2 bed at £172,000.
- We are familiar with this scheme having valued it in 2017 and Phases 2 in 2020. The house type referred to by the applicant is smaller at 732 sq ft (not 800 sq ft as suggested), therefore not directly comparable to the subject scheme. In our view, this differential in size points to our figure of £175,000 as being reasonable.
- The other example (from Greenfields, Weston) appears to have been sold in 2021 therefore is not reflective of the current market.
- We also note that the 2 bed semis at Towndam Lane are currently now being marketed for £178,000.
- We are not therefore persuaded to adjust our opinion of value from £175,000 for each of the 2 bed units.
- Likewise, the applicant has again challenged our figures for Type 19 (3 bed semi / terrace of 898 sq ft at £200,000) and the Hylton (3 bed semi 820 sq ft at £190,000).

- The applicant has suggested £215 per sq ft. However, this is only a small increase on the Type 19 (which they valued in Nov 21 at £190,000 or £212 per sq ft). Furthermore, it is less than they valued at Hylton at (which was £185,000 or £226 per sq ft).
- In terms of the evidence they have put forward, the Kensington Close, Donington dwelling is not a new build, having been built in 2019 (and therefore a second-hand, albeit modern, sale). The purchaser does not therefore benefit from the full 10 year warranty, the latest specifications / Building Regulations or the prestige of being the first to live in the house. It also appears the sales was agreed in 2021. This all has a negative impact on value compared to a new build in the current market, which the applicant has not allowed for when analysing this comparable.
- Another example is Paddock Lane, Donington, which is shown as being 867 sq ft. This is therefore smaller than Type 19. Furthermore, from our research, it appears the sales was agreed in late 2021.
- Finally, Rookery Close, Bicker this is significantly larger at 1,032 sq ft, which attract lower rates per sq ft. This cannot therefore be used to identify an appropriate rate per sq ft for a significantly smaller property type.
- The applicant also raises a query re the discount allowed for the site's access limitations.
- We did not originally allow for a discount to reflect any access restriction.
- The applicant suggested a 10% deduction.
- We considered this to be excessive and proposed a compromise of 5%.
- The applicant now states "The comment that the access to this site is now acceptable at a 5% reduction is still only 50% of our estimation. We still consider 10%, Can we seek a compromise here please."
- From our perspective we have already put forward a compromise. We maintain our view that 5% is appropriate for the testing.
- Based on the above we are not persuaded to adjust our opinions of value for these units and maintain the figures as set out in our addendum report / appraisal dated 30th June 2022.

2. Build costs

- The applicant suggests build costs have increased by 10% since Feb 22. They provide 2 documents as evidence which suggests this level of increase specifically for insulation and cement. Anecdotally, the applicant also refers to "...evidence of build cost variance since February collated by 2 of our senior residential QS's" although no further info is provided on this.
- The issue from our perspective is we have to adopt a consistent approach to assessing build costs in viability appraisals, which is to apply the BCIS figures (an approach advocated by the guidance for undertaking viability testing). The BCIS figures are not showing the levels of inflation referenced by the applicant, therefore it is difficult for us to accept all build costs have increased by 10% given that the evidence provided by the applicant relates only to 2 elements of build and anecdotal comments from in-house QS's which is not substantiated.
- We stand by our use of the BCIS, which is consistent with the Local Plan testing and all appraisal undertaken across the District.

3. Contingency

- In our viability addendum we agreed to increase contingency from 3% to 4% (in capital terms this is an increase from £106,820 to £144,369).
- The applicant suggests 6%, but we simply do not agree.
- We will not be amending this figure from 4%, which if anything in our professional judgment is on the high side for a viability assessment.

4. Footpath

- The applicant clarifies that there is an additional requirement for a footpath link to the Main Road of £25,000.
- This has now been added to our appraisal.

5. Professional fees

- The applicant wishes to negotiate and apply 6.5%.
- We have adopted 6% as it is consistent with the evidence identified (4 schemes from the District). We therefore stand by this as being reasonable.

6. Benchmark land value

- This was agreed in our original assessment.
- The applicant is pushing to revisit this. However, our view is that this would cause problems from a credibility perspective if this figure were to be uplifted in the appraisal from what we understood was an agreed position (and this is likely to be viewed dimly by Members).
- We maintain that the previously agreed £200,000 should still apply.

In summary, we agree to add £25,000 for the footpath main road link, but stand by our other appraisal assumptions.

We note that the applicant has requested for a reduction in the S106 contributions rather than the affordable housing. Whilst clearly this is a decision for the Council, for the purposes of this email we have acquiesced to this request. See attached our updated appraisal. This shows the scheme is viable with 5 affordable units (13.89%) plus a S106 'pot' of £68,000 (to be split as per the requirements of the Council).

Thanks



David Newham MRICS
Director
CP Viability Ltd

Independent Viability Experts

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Registered number 10377118

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From: Polly Harris-Gorf <
Sent: 12 July 2022 09:08
To: David Newham <
Subject: FW: H15-1066-21 Land Off St Margarets Quadring

Good morning David

Please see below for your comments.

Yours sincerely

Mrs Polly Harris Gorf | Principal Planning Officer | South Holland District Council

www.sholland.gov.uk



served by One Team

South & East Lincolnshire Councils Partnership

Please note that any informal officer opinion expressed by this email is without prejudice and is not binding on the Council during the consideration of any formal application.

From: Lee Russell <
Sent: 11 July 2022 18:31
To: Polly Harris-Gorf <
Subject: RE: H15-1066-21 Land Off St Margarets Quadring

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Hi Polly,

Thanks for this, it does help somewhat more.

It loos like David has considered some items slightly, others aren't considered.

I clarify, and hopefully finally comment, on David's replies as follows in **red**, and lets hope we can agree so that the application can be finalised/closed out :-

- Applicant comment:** *Can you please review these comments and kindly push back to David Newham, as we do not agree with his viability review outcome, this site is in Quadring, and as he has very little comparable data here, he has reviewed against the likes of Surfleet, which is a much different sales agenda.*

CPV response: By way of a summary of our findings, of the 10 different house types within the site we agreed to Seagate Homes' figures for 6 out of the 10. We took a different view on 4 of the house types (the Richmond, Walden, Type 19 and Hylton, each being either a terrace or semi-detached).

Given the lack of new build transactional evidence, we have referred to a scheme in Donington (less than 2 miles away) and also a scheme in Surfleet (further away, 3.5 miles).

We specifically attach specific best comparable properties for the 2 & 3 bed semi-detached (lr specific comparables), and although not Quadring, these properties would be comparable values due to their location etc. We will consider £215/sqft for these properties.

We advise that Donington like Surfleet is also not a direct comparison for a location.

2. **Applicant comment:** *There is nil consideration on the specific location impact either. A development solely fronting / accessing off a main highway is much more attractive to any new purchaser than a development accessed through another development, and here you will see that this proposed development is accessed through St Margarets, which is a former authority built estate, and whilst there is no issue with that, there are quite drastic effects on values and saleability. Im not sure what evidence you want for that, but maybe David Newham can seek advice from agents, to prove that there is probably a 10-20% effect on sales value for the location here. I have attached some evidence which should be taken into account also.*

CPV response: Noted and on reflection it is agreed that this will impact on value to a degree. I do not consider 10% to 20% to be realistic as an impact on value, however I can accept a circa 5% deduction to account for this.

Notwithstanding this, I have revisited values in the locality. I note the applicant has provided various transactions by way of evidence; however a large proportion relate to detached dwellings which is not relevant to my considerations (as the only properties where we dispute the value are terraced or semi-detached).

The comment that the access to this site is now acceptable at a 5% reduction is still only 50% of our estimation. We still consider 10%, Can we seek a compromise here please. Previously no regard was given to this, and then there was 5%, we were at 10% as the minimum.

I've subsequently looked at new build dwellings currently being marketed for sale within the general locality and would comment as follows:

- In Gosberton, Platinum Close is currently being marketed for sale (a Woodgate Developments scheme) which comprises 36 dwellings in total. Here, there are 2 x 3 bed semi-detached of 1,016 sq ft currently being marketed for sale at an asking price of £250,000 (£246 per sq ft). The closest type at the subject scheme is Type 19, which is a 3 bed semi / terrace of 898 sq ft, which we valued at £200,000 (£223 per sq ft). Smaller units typically have a higher rate per sq ft, for reasons of quantum, so it could be argued that this appears low. However, the Platinum Close example is an asking price only. If a 5% deduction is applied to account for price reductions / incentives, this gives an adjusted value of £234 per sq ft. A further 5% deduction for the poor access onto the subject scheme would reduce this to £222 per sq ft. This is broadly in keeping with the value we have applied in our appraisal (£200,000 or £223 per sq ft), therefore within this context our value appears reasonable.

We suggest the £223/ft is still too high. We provide specific comparables attached and seek for the 2 & 3 bed semi to be adjusted to £215/ft. £223/ft may not seem too dissimilar, but these figures do all add differences that should not be dismissed.

- I also note that there is a 'Dee' house type currently available for sale at Ashwood's Town Dam Lane Donington scheme, which is a 2 bed semi of 732 sq ft. The asking price is £178,000 (equivalent to £243 per sq ft). For a larger 2 bed of 775 sq ft at the subject scheme I valued this at £185,000 (£239 per sq ft). On reflection, allowing for sales incentives and a discount for the poor access, this does appear slightly on the high side within the context of the Donington evidence. I consider an adjustment to £180,000 to be reasonable.

By way of summary, for the Richmond and Walden house types I've reduced these from £185,000 to £175,000. I stand by the Type 19 value. Also, with a Type 19 (3 bed 898 sq ft) I also stand by the Hylton 3 bed semi 820 sq ft value of £190,000.

2 bedroom properties here should be at a maximum of £215/ft-£220/ft. We see a maximum sale figure for the 2 beds here at £170,000 NOT 175,000, 3 bedroom semi-det property such as the Hylton is a maximum of £180,000, and if the £220/ft is used for the type 19 that will give a value of £197k. This will have to be our compromise figures.

3. **Applicant comment:** *We produced a very open book viability of build costs without employing a local agent, which is commonly seen of late. Our build costs were set out, and any that David didn't agree with we can only advise that they 'were' accurate. Given that viability was Nov 2021, build costs have risen significantly since then, whilst 'local' house prices haven't risen, in fact have stabilised. Therefore, we confirm the build cost has risen 10% since that viability submission.*

CPV response: No evidence has been provided to support this. However, as the sales values have been effectively updated to June 2022 I do agree that it is reasonable to subsequently also uplift the build costs. As per our previous approach, we have used the BCIS lower quartile figure, plus 15% for externals. At the time of our last appraisal the BCIS rate was £106.84 per sq ft. The current BCIS rate is £108.32 per sq ft, which we have applied to our appraisal (this is higher than the applicant's original stated plot cost, which was £98.26 per sq ft). However, as indicated below, the lower plot cost put forward by the applicant was offset by the larger external cost.

I have been provided with the evidence of build cost variance since February collated by 2 of our senior residential QS's. BCIS figures aside, my argument is that the build costs since February have risen for us by more than the £1.48 you have applied (from £106.84 to 108.32!) Evidence is showing 10% increase. You may argue values may have gone

up since Feb, I don't think they have, however there is data that shows 1-2% max in east England. Even so, build cost has risen above any sales value increase in the last 5 months.

Points 4 – 6, noted & commented on above.

7. **Applicant comment:** Going to para 4.15 - A 2 bed semi at this immediate location will not achieve 244/sqft! Our figure at £160,000 sales price is more than adequate. To achieve figures in the £190,000 band would certainly require a 3bed house here. David does go on to agree with our 3bed figure in the final paragraph, albeit again, he compares it and shows that he would see it as lower!

CPV comment: As stated above, I consider an adjusted value of £175,000 to be reasonable for this dwelling type. In my professional opinion £160,000 is too low for this dwelling type in the current market.

As per our points above and attached evidence, we will have to negotiate at £170,000 for a 2 bed.

8. **Applicant comment:** At 'Build costs', it has been recently considered that due to the vast level increases on the site, that a piled solution would be necessary. Therefore the foundation contingency at £3000 per plot would need to change to circa £9000 per plot (formerly less), but steel prices has lifted this cost up significantly.

CPV comment: See below re contingency.

9. **Applicant comment:** 4.26 – Again, a lower figure than has been accepted elsewhere is now proposed by CPV, and given this site size, the higher percentage on the externals figure may just assist a better comparable, i.e why should it be 15% and not 19.5%, as the figures input are the figures to be used...
With material increases and fluctuations, we would suggest a contingency figure of 5% should now be used.

CPV response: Assuming that the piled foundation solution has been identified as a requirement (and can be proven by the applicant as necessary) then I agree on a strictly without prejudice basis to increase the contingency to 4% in an attempt to narrow the differences between the respective parties.

Why has contingency only increased by 1k per plot??? Which is what 3% to 4% has given. We gave figures, therefore suggest 6% is entered as a minimum.(not considering retaining at boundaries and off site road improvements which we shall come onto...

10. **Applicant comment:** 4.28 – LCC have now requested a footpath link to Main Road, this should be associated with a further 25k of cost within abnormal.

CPV response: There was already an allowance of £25,423 for a footpath – is this therefore double counting?

Absolutely not double counting – the attached scan shows in green what we had allowed for re the off site footpath in green. In revisiting this point, it now seems inadequate. The offsite footpath required is 67m long (which was the 25k including some rearrangement of neighbouring driveways/retaining), however there is also the 37m of road & road improvements to be constructed off site on SHDC land too also in green. An allowance for that should be made a circa 2.2k/metre run. Therefore this needs adding in.

The doubling up you refer, was actually the footpath link LCC now require from the development to the A152 – Allow a further 25k for this.

11. **Applicant comment:** 4.34 – Although it doesn't make too much difference, yet another example where we have shown 6.06% professional fees. Other comparison sites showed up to 7%, so why do we need to be knocked down to 6%! There should be some reasonableness here??

CPV response: As set out in para 4.32 of our report we refer to 4 other examples of similar scale schemes and the professional fees applied. Within the context of this evidence we stand by 6% as being appropriate.

Lets negotiate this at 6.5% if we cannot agree, we shouldn't be made to use the 3 lower figures of 4 other comparison sites.

12. **Applicant comment:** Land Value – We had inserted a very conservative figure below the value / purchase price, in actual fact at over 2 acres in this area, landowners would be looking at circa 180k/acre on land with planning. Some thought should be given here and possibly increase this figure in the CPV assessment if no consideration is being given elsewhere.

CPV response: The land value has been accepted and agreed therefore, from the Members perspective, there is a credibility concern if the applicant is now seeking to increase this to suit a viability argument.

There is some misunderstanding of the approach I suggest here. As we had been open book with figures, where you couldn't agree on 'actuals' being higher than your allowance, then my suggestion was to assist by using areas where you potentially do have allowance. As you've said, we maybe don't apportion costs in the same way across the board, so an ability to capture some loss would give a more true reflection. Please consider.

In light of our above comments, we have updated our appraisal, to include some adjustments to the sales values (Richmond and Walden house types), build costs and contingency.

These changes impact on the level of affordable housing that can be provided. The updated appraisal (attached) shows that **the development can provide 5 onsite affordable dwellings (13.89%) plus S106 contributions totalling £91,725**. The affordable units would be split as follows:

Affordable Rent

1 bed terrace 536 sq ft x 1

2 bed terrace 689 sq ft x 1

3 bed terrace 898 sq ft x 1

Shared Ownership

2 bed detached bungalow 615 sq ft x 1

3 bed terrace 898 sq ft x 1

Please could I ask that your further adjustments are firstly now set against the contributions element of the S106 before looking at more affordable housing reductions.

To confirm, please re-run the appraisal with the adjustments we have pointed out above, where some are negotiated amounts.

Affordable rent plots we propose are plots 34-36 (2x1bed and 1 x3bed), and shared ownership plots 13 & 14 (2x2bed semis).

Again, please adjust the figures so that the appraisal gives a true reflection.

We look forward to hearing back from you to hopefully close this subject.

Kind regards

Lee

Land east of St Margarets, Quadring
H15-1066-21
Viability appraisal - updated
DN-0630

Development Appraisal
Prepared by David Newham MRICS Director
CP Viability Ltd
14 July 2022

**Land east of St Margarets, Quadring
H15-1066-21
Viability appraisal - updated**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Market Value	31	24,876	223.31	179,194	5,555,000
Affordable Rent	3	2,123	100.33	71,000	213,000
Shared ownership	2	1,513	163.58	123,750	247,500
Totals	36	28,512			6,015,500

NET REALISATION

6,015,500

OUTLAY

ACQUISITION COSTS

Residualised Price (2.55 Acres @ 78,624.16 /Acre)			200,492		200,492
Stamp Duty			1,010		
Effective Stamp Duty Rate		0.50%			
Legal Fee		1.00%	2,005		3,015

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Market Value	24,876	108.32	2,694,568	
Affordable Rent	2,123	108.32	229,963	
Shared ownership	1,513	108.32	163,888	
Totals	28,512 ft²		3,088,420	3,088,420

Contingency		4.00%	144,367	
Garages			50,000	
Abnormals			362,145	
Footpath link to main rd			25,000	
Section 106 'pot'			68,000	649,512

Other Construction Costs

Externals		15.00%	470,763	470,763
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PROFESSIONAL FEES

Professional fees		6.00%	216,551	216,551
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DISPOSAL FEES

Marketing & sales		2.50%	138,875	
Legals - Market Value	31 un	800.00 /un	24,800	
Legals - Affordable	5 un	800.00 /un	4,000	167,675

Total Additional Costs				16,026
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TOTAL COSTS BEFORE FINANCE

4,812,453

FINANCE

Debit Rate 6.000%, Credit Rate 0.000% (Nominal)				
Land			17,920	
Construction			128,949	
Other			56,402	
Total Finance Cost				203,270

TOTAL COSTS

5,015,724

PROFIT

999,776

Performance Measures

Profit on Cost%	19.93%
Profit on GDV%	16.62%

Land east of St Margarets, Quadring
H15-1066-21

Viability appraisal - updated

IRR% (without Interest)

28.25%