Shoreham Cement Works,
Steyning Road, Upper Beeding,
Steyning BN44

Area Action Plan Evidence Based Studies

Lot 1 - Viability

Prepared on behalf of South Downs National Park Authority

18th March 2022

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Executive Summary

1.1 BPS Chartered Surveyors have been instructed by South Downs National Park Authority ('SDNPA') to prepare a Financial Viability Assessment ('FVA') to help inform the Area Action Plan ('AAP') for Shoreham Cement Works.

1.2 We have undertaken appraisals of four development scenarios for the site drawing upon various studies similarly commissioned for the AAP concerning amongst other issues, contamination, highways and environmental improvements.

1.3 We have created bespoke development appraisals. We have assessed the cost and value inputs adopted within our financial appraisals and this report outlines the inputs into the appraisals and research supporting those inputs. We have not been afforded access to the site although it has been observed from its perimeter. Noting the need for site clearance and significant remediation we have provisionally adopted a nil site value as a base line to test the viability of the four scenarios . We have relied on supporting studies produced by other consultants in preparation of the AAP to inform our inputs where necessary.

1.4 The base appraisals show varying projected deficits across all scenarios. We have undertaken sensitivity and scenario analysis on the appraisals which show that with comparatively small changes in costs and values there is apparent scope for potentially delivering viable development whilst also addressing the wider emerging requirements of the AAP. Our results and sensitivity analysis is set out below:

Policy Compliant Affordable Housing Contribution

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£318,500,000	£4,771,580	£372,294,837	-£53,794,837
2	240	60	77,980	£286,480,000	£2,906,009	£328,764,256	-£42,284,256
3	200	60	70,280	£203,010,000	£2,432,633	£353,148,942	-£150,138,942
4	84	34	47,500	£164,700,000	£1,103,282	£200,618,864	-£35,918,864

1.5 It can be seen that all of the scenarios show deficits, with Scenario 3 being the most significant figure. The Argus appraisal summaries of these can be found in Appendix 2.

100% Private Housing appraisals

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£349,490,000	£9,554,798	£390,247,899	-£40,757,899
2	240	60	77,980	£306,570,000	£5,718,913	£339,597,387	-£33,027,387
3	200	60	70,280	£220,120,000	£4,765,761	£362,267,255	-£142,147,255
4	84	34	47,500	£171,350,000	£2,178,634	£203,946,283	-£32,596,283

1.6 It can be seen that all Scenarios still show a significant deficit

1.7 We have run a number of sensitivity tests noting that residual valuations are sensitive to small changes in inputs. The most viable of these scenarios is show below which assumes a 'best case' scenario, where residential GDV increased by 10% and build costs decreased by 10%. The results are shown in the table below:

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£362,490,000	£9,554,798	£361,811,685	£678,315
2	240	60	77,980	£315,280,000	£5,718,913	£314,158,226	£1,121,774
3	200	60	70,280	£227,540,000	£4,765,761	£334,939,524	-£107,399,524
4	84	34	47,500	£175,140,000	£2,178,634	£188,758,092	-£13,618,092

1.8 Scenario 2 shows a surplus, Scenario 1 is close to a break even position and the other two scenarios show a deficit. On this basis it would be reasonable to suggest that Scenarios 1 and 2 show the most realistic prospect of delivery adopting these more optimistic inputs.

1.9 Our overall conclusions are set out below:

a) The proposed policy compliant scenarios on a present day basis show deficits with policy compliant affordable housing contributions;

b) The sensitivity analysis shows that Scenarios 1 and 2 demonstrates the most feasibility of delivery while Scenario 3 shows the most significant discount and least possibility of break even;

c) The sensitivity analysis shows that construction costs and associated site remediation works are the most significant factor in impacting the viability of the proposed scheme. In light of this consideration the eventual development of this site will need to carefully consider routes to minimise abnormal costs whilst meeting the wider environmental requirements of AAP to ensure viability. This will represent a balance between value generation but more significantly cost minimisation.

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1.0 INTRODUCTION – REVIEW, DESCRIPTION OF SITE AND TESTING METHODOLOGY

1.1 BPS Chartered Surveyors have been instructed by South Downs National Park Authority ('SDNPA') to contribute a Financial Viability Assessment ('FVA') to the Area Action Plan ('AAP') for the above site.

1.2 We have been instructed by SDNPA to review several development scenarios for the site which follow on from the scenarios set out in the Sustainability Appraisal of the Local Plan. We understand further work was done on the landscape-led capacity of the site to extrapolate the development quantum's and the SDNPA looked at all the land uses that are allowed under the Local Plan policy including homes, business units, a hotel and leisure facilities. The details are set out in the table below and the four scenarios can be described as follows:

a) Mixed use scheme with employment and 400 new homes

b) Mixed use scheme with employment and 240 new homes

c) Mixed use leisure led scheme with and 200 new homes

d) Mixed use scheme with employment and 84 new homes (dismissed appeal scheme)

<u>Development scenarios</u>

Current Use Class	Former Use Class	1	2	3	4
		Housing/employment led	Housing/employment led	Leisure led	Appeal scheme
B2: General industrial	B2	16,200	16,200	0	13,250
B8: Storage or distribution	B8	20,000	20,000	0	13,250
C1: Hotel*	C1	7,500	7,500	7,500	7,500
E(a): Retail	A1	0	0	500	0
E(b): Consumption of food & drink on premises	A3	0	0	1,500	1,500
E(d): Indoor sport, recreation & fitness**	D2	0	0	18,500	0
E(g)(i): Offices	B1(a)	0	0	0	12,000
E(g)(ii): Research & Development / E(g)(iii) Industrial processes	B1 (b/c)	32,000	32,000	32,000	0
F1: Learning & non-residential institution	D1	2,000	2,000	10,000	0
F2(a): Local shop	A1	280	280	280	0
C3: Dwellings	C3	400	240	200	84
Total commercial floorspace		77,980	77,980	70,280	47,500
Total homes		400	240	200	84
* possibility of sui generis for hostel					
* *possibility of sui generis for live music venue					
Notes:					
Floorspace of hotel kept constant at 7,500 m2. This is approx equivalent to a 130 bed hotel based on the TRICS database					
Floorspace of a local shop kept constant in first 3 scenarios. Floorspace of 280 m2 is the maximum allowed under this use class.					
The employment floorspace figurre for the appeal scheme has been split equally between B2 and B8					
The E(b): Consumption of food & drink on premises in scenario 3 is a pub/restaurant but is not sui generis drinking establishment					

1.3 The site sits either side of the A283 Steyning Road which links A27 and Shoreham beyond with Horsham and Crawley to the north. The site is situated on a bus route and is linked by various bus routes to Steyning, Rottingdean, Brighton, Worthing and Lancing. Train services are available at Shoreham-by-Sea station, approximately 3 miles to the south. Brighton City Airport is located approximately 4 miles to the south.

1.4 The surrounding land is largely agricultural in nature and comprises part of the South Downs National Park. The River Adur borders the site to the west and there is limited residential ribbon development to the north, predominantly constructed in the early 20th century.

1.5 The site currently extends to 44 hectares (109 acres) and comprises a disused cement works and disused quarry with associated buildings and hardstanding is situated to the east of the A283 in addition to the land to the western side of the A283 comprising industrial units and open storage. The information indicates the landowner benefits from some of this area producing income with commercial activity apparent on both sides of the site.

1.6 We have not been afforded access to the site, despite the SDNPA's request for us to inspect the site and have a meeting with the landowner, and our inspection has been limited to the perimeter only which took place on the 23rd September 2021. Our view of the site was further impeded by fencing and undergrowth around the edge of the quarry.

1.7 We have also discussed the site and development implications, primarily referring to recommendations and actions which would give rise to additional or abnormal development costs, with the separate consultants. We have adopted their cost assumptions where appropriate in our appraisals. These are briefly described below:

- CGL Shoreham Cement Works Programme of Works Report for Land Contamination, Removal of Existing Buildings and Drainage Investigations Draft Report December 2021: Investigated and provided cost estimates for demolition, drainage and decontamination for each of the proposed scenarios
- ADL Transport Assessment Shoreham Cement Works Area Action Plan Client Draft 1 January 2022: consultants investigating the changes to local transport networks and potential cost implications for the proposed development

1.8 We also note the findings of the following Reports:

- LUC Shoreham Cement Works Local Landscape Character and Sensitivity Study Draft Report January 2022
- WSP Shoreham Cement Works, West Sussex, Industrial Archaeology Study November 2021
- Shoreham Cement Works SDNP meeting with the Shoreham Society minutes 20th October 2021
- Shoreham Cement Works SDNP meeting with Upper Beeding Parish Council minutes 21st October 2021

1.9 We have had sight of the above reports and photographic evidence from the other consultants and the SDNPA which have provided further insight to the existing buildings and layout of the site. We have included site inspection photographs in Appendix 4 and make the following observations.

- The western side of the site appears to be partially occupied, with various areas of hardstanding being used for storage.

- On the western side, the buildings visible from the roadway and footpath are in a varying state of repair, with a significant proportion of the structures in a critically poor state of repair.

- To the east of the roadway, a limited part of the site appears to be in use as industrial yard space. The buildings visible on the eastern side of the road are substantial and generally in a critically poor state of repair.

- We had very limited visibility of the rear section of the quarry, although this area appeared to be unoccupied.

- The structures in general on the site are in need of substantial repair/part demolition as they may be potentially dangerous.

1.10 We are unable to provide a detailed breakdown of the areas A-D, shown in the plan below, due to the limited inspection undertaken but note the following from our inspection and the Local Plan:

- Area A – Area to the west of Steyning Road. This area is currently brownfield, comprising buildings and hardstanding and benefits from a river frontage to the north western edge. The southern part of this area also fronts water meadows and overlooks the river. The eastern side of this area is marred by the adjacent A283 which is currently raised above the site. This area is linked by a tunnel under the A283 to Area B, suitable for use by standard HGVs.

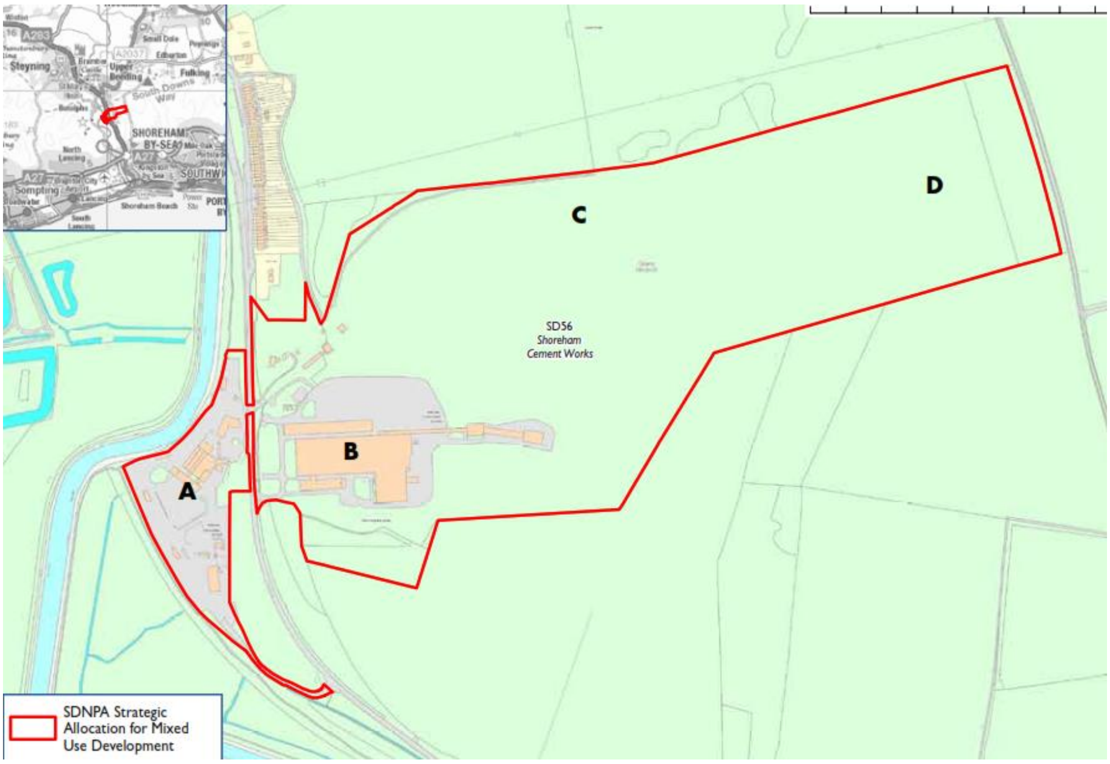
- Area B – Area immediately to the east of Steyning Road. This area is currently brownfield comprising the former cement factory buildings. These are substantial structures which are visible from some distance in most directions, despite being situated in the former quarry. The remainder of this area appears to largely comprise hardstanding.

- Area C – Area to the northeast of Area B, set back somewhat from the road, classed as Greenfield, comprising part of the former quarry. Said to be used for the importation, storage and treatment of inert material to produce aggregates at the time of the Local Plan in 2019. Most of this area was not visible to us during our inspection.

- Area D – The eastern end of the former quarry which is also greenfield. This is elevated from areas B and C.

1.11 The site is located in the South Downs National Park, which has the highest level of protection in relation to landscape and scenic beauty and where Planning Policy is guided by objectives to conserve and enhance landscape character, biodiversity and cultural heritage in addition to the local housing and economic needs of the local population. The site is not located in a Conservation Area nor in an AONB. There are no listed buildings on the site, although part of a Scheduled Monument (a 'cross dyke') is located towards the north east corner of the site outside the excavated area and some distance from the proposed development.

1.12 The extent of the site is shown below (not to scale - plan sourced from the South Downs Local Plan):



1.13 The proposed Area Action Plan for the development of Old Shoreham Cement Works seeks to provide remediation works to the site which reflect its sensitive location in a National Park.

1.14 We have assessed the cost and value inputs adopted within our financial appraisals and have used industry standard Argus appraisal software and bespoke Excel development appraisals to assess the viability position of the scenarios modelled. We have relied on cost advice for remediation, demolition, drainage and transport from other consultants who are similarly undertaking studies to support the AAP. We have also explored the possibility of grant funding in the results section of this report.

1.15 More specifically we have sought to ensure that the scheme appraisals and assumptions inputted into the appraisal can be supported by reference to relevant market values and costs.

1.16 We have undertaken a search of the SDNPA's planning website for recent applications for the site and have identified the following planning activity:

SDNP/20/00110/CND - Variation of Condition 2 of SDNP/14/04746/CND to extend the time limit of the Temporary Permission to 31 January 2025 | Shoreham Cement Works Steyning Road Upper Beeding West Sussex BN44 3TX, approved July 2020.

SDNP/19/04569/CND - Variation of Condition Nos: 2, 8 and 9 of planning consent SDNP/15/02718/CW | Shoreham Cement Works Shoreham Road Upper Beeding West Sussex, approved November 2019.

SDNP/15/02718/CW - Renewal of permission for the importation, storage and treatment of inert material to produce recycled/secondary aggregates until 31st October 2019. | Shoreham Cement Works Shoreham Road Upper Beeding West Sussex, approved October 2015.

SDNP/14/04746/CND - Continued temporary use of land and buildings on west side of A283 for purposes falling within use classes B1, B2 and B8 (business, industry and *storage) including residential security caravan. To extend time period of use for an additional 5 years until 2020. (Renewal of DC/09/2031 and ADC/0424/09). | Shoreham Cement Works Shoreham Road Upper Beeding West Sussex, approved in November 2014.*

SDNP/13/01524/CND - Removal of conditions 4 and 5 of planning permission AWDM/0992/11 (continued temporary use of land and buildings on west side A283 (south part) for purposes falling within use classes B1, B2 and B8 (business, industry and storage) including residential security caravan | Old Cement Works 31 Steyning Road Shoreham-By-Sea West Sussex, approved December 2014.

SDNP/13/01523/CND - Removal of Condition 4 (Submission of a scheme for the restoration of the site) and Condition 5 (Submission of a management plan) of planning permission DC/11/2466 (Continued use of buildings and concreted areas for use of buildings and concreted areas for storage until 31 January 2015). Condition 1 is sufficient to ensure that the widened use permitted for a time limited period ceases at the appropriate time. | Shoreham Cement Works Shoreham Road Upper Beeding West Sussex, approved December 2014.

SDNP/12/02939/DCOND - Discharge of condition 4 and 5 from previous approved application ref: AWDM/0992/11 - Continued temporary use of land and buildings on west side of A283 (south part) for purposes falling within use Classes B1, B2 and B8 (business, industry and storage) including residential security caravan (renewal of ADC/0424/09) | Old Cement Works 31 Steyning Road Shoreham-By-Sea West Sussex, refused January 2013.

SDNP/12/02491/DCOND - Discharge of Conditions 4 and 5 of DC/11/2466 (Permission to vary condition 1 of previous permission DC/09/2031 (Continued use of buildings and concreted areas for storage) to extend time period for use of buildings and concreted areas for storage until 31 January 2015) relating to provision of a management plan | Shoreham Cement Works Shoreham Road Upper Beeding West Sussex, refused January 2013.

1.17 In addition, we note the following appeals:

SDNP/13/00029/COND - Discharge of Conditions 4 and 5 of DC/11/2466 (Permission to vary condition 1 of previous permission DC/09/2031 (Continued use of buildings and concreted areas for storage) to extend time period for use of buildings and concreted areas for storage until 31 January 2015) relating to provision of a management plan | Shoreham Cement Works Shoreham Road Upper Beeding West Sussex, appeal dismissed October 2013.

SDNP/13/00027/REF - Discharge of condition 4 and 5 from previous approved application ref: AWDM/0992/11 - Continued temporary use of land and buildings on west side of A283 (south part) for purposes falling within use Classes B1, B2 and B8 (business, industry and storage) including residential security caravan (renewal of ADC/0424/09) | Old Cement Works 31 Steyning Road Shoreham-By-Sea West Sussex, appeal dismissed October 2013.

Adur DC SU/124/02 & Horsham DC UB/43/0 - Major Mixed Use Dev - Residential,Office,Industrl,Storage/Distrib,Hotel Etc, Landscpg,Openspace & Highwy WKS(Outline Inc Layout,Access & Landscg Details) | Cement Works Steyning Road Shoreham-By-Sea/Upper Beeding West SussexAPP/Y3805/V/02/1100397, (Appeal ref APP/Y3805/V/02/1100397 dismissed July 2003)

1.18 A Land Registry search shows the site is held under the following titles:

- WSX355943 – (the majority of the site to the east of the A283) freehold title purchased by Dudman Holdings Limited on 7th April 2017 for £4,200,000.
- WSX220448 – (the majority of the site to the west of the A283) freehold title purchased by Dudman Holdings Limited on 7th April 2017 for £4,800,000.
- WSX339631 – a small section of the freehold title held by West Sussex County Council.
- Several small areas of unregistered land and highways land.

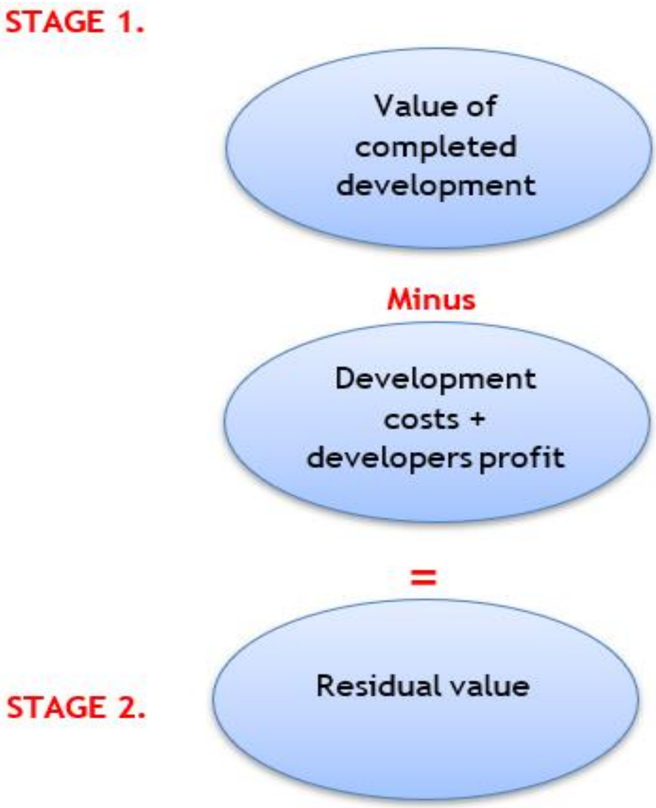
1.19 We have not been provided with a report on title. We are advised by the SDNPA that the site is owned by Dudman Holdings Limited and for the purposes of this report, we have assumed this to be the case.

1.20 The advice set out in this report is provided in the wider context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2020, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the SDNPA and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Authority.

1.21 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

TESTING METHODOLOGY

1.22 To test the viability of development scenarios envisaged under the AAP we have adopted the standard approach set out in National Planning Policy Guidance (NPPG). In terms of the mechanics of the assessment we have utilised a two stage residual valuation approach which can be summarised through the following diagram.



1.23 Stage 1 seeks to identify the value which could be generated through a given development scenario from which all known or anticipated costs including construction costs, site abnormal development costs, finance and developer profit are deducted. The sum remaining is described as a residual value.

1.24 Stage 2 then compares the residual value to a Benchmark Land Value (BLV). The BLV is again defined by NPPG and represents the value of the site in its current or alternative use, adjusted to reflect compliance with Planning Policies and site abnormal costs such as remediation. Where the residual value exceeds the BLV the site is said to be viable.

1.25 In the context of Plan making, viability assessments should adopt generalised assumptions and should avoid adopting inputs which reflect the margins of the available evidence. Consequently, viability assessments at this stage are essentially high level and provide a general guide to viability.

1.26 Actual development proposals are likely to benefit from more detailed designs, scheme specific cost assessments and other scheme specific inputs and may consequently adopt differing assumptions from those identified at the Plan making stage. For example scheme specific appraisals may include projected growth in values as well as differing profit and land cost assumptions. For this reason and in accordance with relevant guidance, we have undertaken sensitivity analysis.

1.27 Sensitivity analysis involves re-running our base appraisals but adopting combinations of increases and decreases in key appraisal inputs, usually development costs and anticipated sales values, noting that residual valuations are highly sensitive to small changes in key inputs. This analysis essentially allows for consideration of a broader spectrum of development outcomes, thereby acknowledging and allowing for the high level nature of the appraisals.

1.28 The following sections outline the key appraisal inputs in terms our research, approach and adopted figures.

1.29 It should be noted that viability assessments at this stage in plan making are used to guide rather than determine Plan policies and development form.

2.0 BENCHMARK LAND VALUE

Viability Benchmarking

2.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

2.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

2.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

2.4 We note the Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

[…] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

2.5 The PPG recognises the need to provide both landowners and developers with a competitive return. In relation to landowners this is to encourage landowners to release land for development. This is set out in PPG as follows:

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

2.6 Guidance indicates that the sale of any premium should reflect the circumstances of the landowner. We are of the view that where sites represent an ongoing liability to a landowner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable.

<u>BPS Assessment of Benchmark Land Value</u>

2.7 We were not permitted to access the site by the current landowner and have therefore relied upon an inspection undertaken from the site's perimeter, photographs provided by the SDNPA and information provided by other consultants supporting the AAP. We have been supplied with limited tenancy information and have not had sight of heads of terms or any occupational agreements. We have also relied upon information available on the VOA website. We have limited information regarding the current condition and use of the site other than that available from our permitter inspection. We have assumed the site has a total estimated rental value (ERV) of £19,650 pa in line with the VOA assessment 2017.

2.8 In view of the relatively low ERV as assumed, we have adopted a nominal BLV as a baseline for the purposes of running our appraisals. We do note that PPG guides that a site value which reflects the options available to the land owner should be assumed to be a reasonable basis from which to incentivise a land sale. In the absence of a contrary assessment land value is in effect the residual value determined by each of the scenarios tested.

2.9 Should further information be presented to support a higher level of ERV, we reserve the right to revisit our BLV assessment.

3.0 RESIDENTIAL UNIT VALUES

3.1 The residential elements of each scheme vary significantly between 84 and 400 units. The test allocations indicate that the western side of the road, 'Section A' of the site, will be residential in all scenarios, while three of the scenarios have residential units on a portion of the eastern site although the area is unknown. We have not been provided with densities or area sizes for the eastern side but have calculated densities based on the area of 'Section A' and applied this to the whole scenario. This is summarised in the table below:

Scenario	1	2	3	4
Description	Housing / Employment	Housing / Employment	Leisure led	Appeal scheme
West	250	150	150	84
East	150	90	50	0
Total dwellings	**400**	**240**	**200**	**84**
Approximate Density (Units per ha)	100	60	60	34

3.2 We consider that a density of 100 units per ha, as per scenario 1, will represent a larger proportion of flats and smaller houses while the lower density of 34 units per ha will be more typical of estate housing. We have reflected the densities in our assessment of value. We consider the rural location is more likely to attract market interest to develop lower density housing with a greater dependency on cars for transport.

3.3 The location is in a rural setting in the South Downs. The western 'Section A' borders the River Adur and residential units in this section would benefit from a desirable outlook. Residential development either side of Steyning Road would be impacted by road noise and pollution with this effect focussed towards the relevant edges of the site. We note that this would be exacerbated by the current road layout as the road is somewhat elevated particularly in relation to the western part of the site.

3.4 The site is approximately 2.5 miles (10 minute drive, 50 minute walk) from Shoreham-by-Sea station and there is a bus stop in the middle of the site. The site is located between the village of Upper Beeding and Shoreham-by-Sea, a town in between Brighton and Worthing, which are both approximately 2 miles to the North and South respectively. The site is approximately 9 miles (20-30 minute drive) from Central Brighton.

3.5 We consider the scale of the scenarios will be sufficient for creation of placemaking although depending on the layout and proposed mix, the commercial uses proposed will be potentially detrimental to maximising residential values.

<u>Comparable Evidence</u>

3.6 The scenarios are somewhat unique in their status as large-scale, mixed-use development in a rural location within the National Park. The setting of the former quarry similarly makes the location distinctive although given the scale of the cliffs of the quarry it is reasonable to consider that light levels will be diminished toward the southern edge of the eastern site which could be detrimental to achievable residential values.

3.7 We have identified a range of comparable evidence from schemes around the National Park and nearby towns. These are described in some detail below:

Mash Barn Lane, Lancing (New Monks Park)

3.8 Cala Homes development in Lancing, approximately 2.1 miles south west of the subject. Adjacent to a country park and football training ground, edge of town location 0.8 miles (16 minute walk) to Lancing station.

3.9 We have identified the following units currently on the market:

Beds	Description	Price
2	Semi detached, 3 bathroom, small garden	£365,000
4	Semi, 3 bathroom	£455,000
3	Detached, 3 bedroom, small garden	£485,000
4	Detached, garage, 4 bathroom, additional study and utility room and large reception rooms	£720,000
4	Detached, garage, 4 bathroom, larger bedrooms than below	£575,000

3.10 We consider Mash Barn Lane to provide strong comparable evidence given the proximity to the subject although note the evidence is confined to asking prices and therefore less weight can be applied to the figures quoted.

Caxton House, Ham Road, Shoreham, BN43 6PA

3.11 Flatted development in central Shoreham, part conversion of listed building, high quality development. Adjacent to Shoreham station. We have identified the following asking prices:

- 2 beds: £350,000-£475,000
- 3 beds: £475,000-£495,000

3.12 This is a high quality development in a more desirable location for flats although does not contain any car parking.

Mariners Point, 83 Brighton Road, Shoreham, BN43 6DH

3.13 New build block overlooking Shoreham Marina and the River Adur. In Shoreham, approximately 200m from the station in a predominantly commercial location adjacent to a boat yard and business centre. Level access to all floors, roof terrace, each unit has a private balcony and the scheme includes car parking which appears to be available for all units.

3.14 We have identified the following asking prices:

- 1 bedroom units: £257,000-£286,000
- 2 bedroom units: £300,000-£390,000

3.15 We have identified transactional evidence for units that completed between 2019-2020 which are summarised in the table below:

Beds	Count	Av Sq M	Av Sq Ft	Av Price	Av £ Sq Ft
1	15	54	578	£250,083	£433
2	31	69	739	£330,500	£447
3	2	95	1,023	£513,500	£502
Total	**48**	**65**	**700**	**£312,995**	**£445**

3.16 On the whole we consider the proposed flats would achieve a discount compared to the units in Mariner Point given the water side location and access to amenities.

The Waterfront, Salt Marsh Road, BN43

3.17 Development by Hyde New Homes fronting the River Adur, opposite Brighton City Airport, comprising 120 units, flats and townhouses. Each unit includes car parking and the site is on the edge of Shoreham approximately ½ mile from Shoreham Station.

3.18 We have identified the following transactions which are dated between September and November 2020. We have assumed the number of bedrooms based on the unit sizes, with 1-3 beds being flats and the 4 bedrooms being mid terraced houses:

Beds	Count	Av Sq M	Av Sq Ft	Av Price	Av £ Sq Ft
1	3	62	667	£355,667	£534
2	1	75	807	£435,000	£539
3	1	127	1,367	£865,000	£633
4	2	153	1,647	£596,250	£368
Total	**7**	**99**	**1,067**	**£508,500**	**£502**

3.19 We consider the Waterfront to be a more desirable location for terraced houses and flats given its proximity to amenities, although note the views of the South Downs and the river are potentially more scenic than the Waterfront and will be defined by occupier preferences.

Swallows Gate, Dappers Lane, Angmering, BN16

3.20 Low density housing estate of new build houses in the village of Angmering, just outside Worthing approximately 10 miles west of the subject. Approximately 1.5 miles south of the subject. Mixture of detached, semi-detached and terraced units.

3.21 We have identified the following asking prices for units on the market:

Unit type	Sq Ft	Price	£ Sq Ft
4 bed detached	1,725	£950,000	£551
3 bed detached	1,721	£775,000	£450
3 bed detached	1,721	£775,000	£450
4 bed detached	1,920	£795,000	£414
4 bed detached	1,920	£795,000	£414
3 bed detached	1,721	£775,000	£450

3.22 We consider the subject location to be similarly desirable to the subject as it is some distance from amenities. If the subject scheme was of similar density we consider the units would achieve similar values.

King Edwards VII Estate, Kings Drive, Midhurst, GU29 0BJ

3.23 Period conversion development outside Midhurst, a small town in the National Park approximately 27 miles north west of the subject. Converted from Grade II listed hospital on royal estate. High quality and includes car parking, concierge swimming pool, spa, lounge, reading room and landscaped gardens. Mixture of flats and terraces, some new build units as well as conversions from existing buildings.

3.24 We have identified the following units currently on the market:

Beds	Type	Price	Sq Ft	£ Sq Ft	Comments
2	Flat	£480,000	1,182	£406	Ground floor
2	Flat	£499,950	1,183	£423	1st floor
2	Flat	£505,000	1,195	£423	2nd floor
3	Mid terrace	£825,000	1,582	£521	3 storey
3	Mid terrace	£910,000	1,894	£480	3 storey
3	Mid terrace	£930,000	1,894	£491	3 storey
3	Mid terrace	£910,000	1,894	£480	3 storey
3	Mid terrace	£930,000	1,894	£491	3 storey
3	Mid terrace	£910,000	1,894	£480	3 storey
3	Mid terrace	£930,000	1,894	£491	3 storey
3	Terrace / Maisonette	£1,000,000	1,484	£674	Two Storey
4	Terrace / Maisonette	£1,300,000	2,272	£572	Three Storeys

3.25 We consider Kings Drive to be more desirable than the residential scenarios which we have modelled which are of lower specification and amenity offering. We consider Kings Drive demonstrates a potential demand for higher quality development in more remote locations within the National Park.

Andlers Wood & Forest Road, Liss

3.26 Low density Cala Homes development on the edge of village of Liss, within the National Park approximately 34 miles north west of the subject. The town has a train station with regular trains to London, average specification development. We have identified the following asking prices with the development due to be completed by the end of 2021:

Beds	Type	Price	Sq Ft	£ Sq Ft	Comments
3	Semi	£520,000	1,138	£457	2 bathroom, garage
3	Semi	£525,000	unknown	-	2 bathroom, some restricted headroom, garage
4	Detached	£585,000	1,321	£443	3 bathroom
5	Detached	£799,000	1,703	£469	Double garage, restricted ceilings first floor, 4 bathroom

3.27 There is another low density development in Liss Forest on Farnham Road, similarly on the edge of the village. The following units are currently on the market:

Beds	Type	Price	Sq Ft	£ Sq Ft	Comments
4	Detached	£795,000	1,815	£438	Garage, large kitchen diner, utility, 3 bathroom
4	Detached	£825,000	1,746	£473	Study, utility, 4 bathroom, large reception areas

3.28 We acknowledge these comparables are some distance from the subject and therefore limited weight should be applied.

Dacre Gardens

3.29 Second hand terraced houses immediately to the north of the subject site. Set back from the A283 although will suffer from partial noise disturbance. The houses date from the 19th century and have long thin rear gardens and car parking available on the road in front.

3.30 We have identified the following transactions from the past 12 months:

House No	Date	Price	Sq Ft	£ Sq Ft	Comments
9	09/11/2020	£370,000	1,208	£306	4 bedroom, 2 bathroom, Period features, large tiered well presented garden, good interior condition
10	01/04/2021	£352,000	1,558	£226	4 bedroom, 2 bathroom, Period features, large tiered well presented garden with outbuilding, good interior condition
24	24/06/2021	£300,000	947	£317	3 bedroom, 1 bathroom, Period features, large tiered well presented garden, good interior condition
33	05/02/2021	£300,000	954	£315	3 bedroom, 1 bathroom, Modern interior, large tiered garden in need of work
28	03/08/2021	£317,500	958	£331	3 bedroom, 1 bathroom, Moderate Decor, large tiered garden in need of work

3.31 We anticipate new build units would achieve a premium over the second hand units at Dacre Gardens although we consider the density and location make this useful comparable evidence, noting the increased garden size that the Dacre Gardens units would have over the proposed units in the subject and the superior micro-location for the proposed river-front units.

Dewpond Close, Lancing, Adur, BN15 0FA

3.32 Small development of 6 units on the busy A27 dual carriageway, just outside Lancing. We view the scheme as likely to suffer from significant noise disturbance and is located some distance from amenities. It comprises of six terrace houses of brick construction each with a single car parking space.

3.33 We have identified the following transactions:

House No	Date	Price	Sq Ft	Sq M	£ Sq Ft	Comments
1	25/10/2019	£297,500	990	92	£300	End of terrace
2	18/10/2019	£310,000	990	92	£313	Mid Terrace
3	18/10/2019	£320,000	990	92	£323	Mid Terrace
4	25/10/2019	£315,000	990	92	£318	End of terrace
5	27/11/2019	£290,000	1,001	93	£290	Mid Terrace
6	29/11/2019	£300,000	1,001	93	£300	End of terrace

3.34 We consider the proposed scenarios would achieve slightly higher values given the more desirable location, assuming they are set back from the main road, although we consider the remoteness of the location to be similar.

Saxon Mills, Hassocks

3.35 Barratt Homes development on the edge of the village of Hassocks, approximately 10 miles north east of the subject on the edge of the National Park. The village includes a train station with direct links to London and Brighton which is approximately ½ mile from the subject site. Comprises terraced, semi-detached and detached houses.

3.36 We have identified the following transactional data, summarised in the table below, from the past 24 months with the number of bedrooms assumed from the unit sizes and achieved prices:

Beds	Count	Av Sq M	Av Sq Ft	Av Price	Av £ Sq Ft
2	12	74	797	£355,412	£446
3	25	119	1,286	£487,795	£381
4	3	121	1,302	£566,662	£435
Total	**40**	**106**	**1,141**	**£453,995**	**£405**

3.37 We consider this to provide strong comparable evidence as it represents a similar density to some of the scenarios but is in a more desirable location, within walking distance of a train station and amenities. On this basis we consider the proposed scenarios would achieve lower values overall.

Bramble Park, Idenhurst, Hurstpierpoint

3.38 Bovis Homes development on the edge of Hurstpierpoint, a village approximately 9 miles north east of the subject, similarly within driving distance from any train station and on the border of the National Park. Low density scheme, predominantly semi-detached and detached housing.

We have identified the following transactions, summarised in the table below, from the past 24 months with the number of bedrooms assumed from the unit sizes and achieved prices. All of the 3+ bedroom units are detached while the 2 bedroom units are a mix of semi-detached and detached:

Beds	Count	Av Sq M	Av Sq Ft	Av Price	Av £ Sq Ft
2	5	91	980	£423,995	£433
3	9	120	1,294	£557,051	£430
4	6	182	1,961	£697,912	£357
5	8	222	2,392	£796,871	£333
Total	**28**	**157**	**1,695**	**£631,995**	**£387**

3.39 We consider this to be strong comparable evidence given the proximity to train stations and rural setting.

Causeway Park, Petersfield, GU31

3.40 David Wilson Homes development of 1-4 bedroom homes, low density scheme. On the edge of Petersfield approximately 1 mile from the station and town centre. Approximately 30 miles north west of the subject, therefore some distance from the subject.

3.41 The first completions were in 2017. We have identified the following sales from 2020 onward, with the number of bedrooms assumed, based on average areas, as follows: the 3&4 bedroom units are all detached; the 2 bedroom units are semi-detached and the 1 bedroom units are flats:

Beds	Count	Av Sq M	Av Sq Ft	Av Price achieved	Av £ Sq Ft
1	2	65	700	£294,500	£422
2	10	90	968	£438,740	£453
3	5	122	1,309	£583,980	£446
4	4	150	1,615	£678,750	£420
Total	**21**	**107**	**1,147**	**£505,300**	**£442**

3.42 This development is some distance from the subject and we consider in a more desirable location, on the edge of a town. This does, however, provide an indication of property values in the National Park.

Land Registry Data

3.43 We have downloaded new build house price data from HM Land Registry in the postcodes surrounding the subject site. Some of these transactions are also included in the individual development comparisons above. We have identified the units by postcode and for the purpose of this analysis have separated the postcodes into "towns" and "rural" areas, although it should be noted the rural data also includes some units within the larger urban areas on the south coast. This represents high level comparable data and is separated by unit type.

3.44 The evidence is summarised in the tables below:

Towns:

Type	Count	Av Price	Min Price	Max Price
Flat	52	£323,160	£125,625	£865,000
Terrace	9	£391,667	£290,000	£617,500
Semi-Detached	0			
Detached	0			
Total	61			

Rural:

Type	Count	Av Price	Min Price	Max Price
Flat	24	£295,917	£197,500	£491,000
Terrace	23	£338,670	£272,995	£489,995
Semi-Detached	36	£389,302	£223,995	£750,000
Detached	62	£535,326	£284,995	£809,995
Total	145			

3.45 We have not applied significant weight to this information as it provides high level analysis but serves as a useful cross reference.

Conclusions - Residential Values

3.46 We consider the proposed densities of residential development outlined in the scenarios on the subject site could be compared to the densities adopted by the comparator developments, however the value on a per square metre of development may not necessarily be maximised through higher density development. Alternatively given wider implications from cost issues such as remediation, flatted development may involve lower costs than conventional housing which may change this balance.

3.47 The scenarios provided represent densities ranging between 34-100 units per ha which is considerably higher than schemes in the most comparable locations (Bramble Park, Saxon Mills, Swallows Gate) which we approximate to be below 30 units per ha. The scenarios provided would include significantly higher quantities of flats and smaller houses which represent lower values on a per sq m basis but allow scope for a larger development footprint when compared to lower density, larger housing units in a rural location.

3.48 We note the comparable evidence does not identify flatted schemes in developments in rural areas with the exception of King Edward VII Estate which is of higher quality than the subject scenarios and is a period conversion. The site's relative proximity to major conurbations may change this balance towards higher density development.

3.49 We note there is typically a premium for properties in the National Park, as reported by the Lloyds Banking Group in their regular price reviews for National Parks. The extent of the achievable premium from this site will ultimately be dependent on form of the eventual scheme and its approach to design quality and treatment of the site .

3.50 We consider there may be a detrimental impact on achievable values dependent on the scale and nature of adjacent commercial uses and potential limitations on value dependent on how legacy issues from the site's former use are addressed. .

3.51 We would expect a premium value for the units in Area A which is adjacent to the River Adur and has improved views of the surrounding landscape compared to the eastern section of the site. We have assumed all units have at least one car parking space, noting the relatively isolated location. This may also be a relevant factor when considering the type and form of affordable housing in this location.

3.52 We have created pricing schedules for the separate scenarios. We have adopted unit sizes based on the comparable evidence which have been varied to match the density of each scenario. Each of the units are above national minimum space standards. We have adopted prices per unit based on the density and comparable evidence. The prices are reflective of a blended figure between Area A and the Eastern development site. The prices have been assumed per unit and the tables show the values per sq ft and per sq m.

3.53 The key comparables for the flats are Mariner Point, Waterfront and Caxton House which we consider are overall superior schemes to those outlined in the scenarios tested given their setting and access to local amenities.

3.54 For the houses, the key comparables are Bramble Park and Saxon Mills which we consider are again superior to the scenarios tested and would expect units would achieve a discount to these schemes in all scenarios, however we consider the housing in the scenarios would trade at a premium to the values achieved in respect of Dewpond Close and Dacre Gardens.

3.55 The pricing schedules are shown in the tables below with the number of units also indicated based on a scenario with 100% market housing (no affordable units) to test the most viable tenure mix for each scenario, although as outlined later in the report we have tested scenarios with varying affordable housing contributions. We have also adopted the housing mix (no. of bedrooms) in accordance with policy SD27 of the South Downs local plan.

3.56 For Scenario 1 the proposed density is such that we have assumed 50% of the units will be provided as flats. The values psf are the lowest of the four scenarios reflecting the increased density, potential limitation on value arising from adjoining commercial uses and possible less desirable location for flats being some distance from any amenities (most significantly train stations). The values in the table below represent an average of units in Section A (adjacent to the river) which would in our view achieve a premium on units in the Eastern Section which will be discounted to reflect the proximity to commercial uses and quarry location which will limit views in some directions.

<u>Scenario</u> **<u>1</u>** Density 100 (Dwellings per HA)

Dwelling	Beds	Sq M	Sq Ft	No. Units	Price	£ Sq M	£ Sq Ft
Flat	1	55	592	40	£200,000	£3,636	£338
Flat	2	75	807	80	£280,000	£3,733	£347
Flat	3	90	969	80	£320,000	£3,556	£330
Terrace	2	100	1,076	40	£340,000	£3,400	£316
Terrace	3	110	1,184	40	£390,000	£3,545	£329
Terrace	4	125	1,345	30	£450,000	£3,600	£334
Semi	2	100	1,076	40	£350,000	£3,500	£325
Semi	3	110	1,184	40	£400,000	£3,636	£338
Semi	4	125	1,345	10	£460,000	£3,680	£342
Detached	3	120	1,292	-	£440,000	£3,667	£341
Detached	4	130	1,399	-	£500,000	£3,846	£357
Total		**37,200**	**400,417**	**400**	**£129,967,500**	**£3,494**	**£325**

3.57 Scenario 2 represents a lower density than Scenario 1 although will again be typically flatted development and high density terraced and semi-detached housing. We have adopted slightly higher unit values than Scenario 1 as a result of this lowered density, as well as slightly increased unit sizes. At this stage we have made no adjustments to the site remediation estimates though we note there may be differences of approach and cost when identifying the appropriate response to flats and houses. We similarly consider this location may generate lower demand for higher density development where most residents will be dependent on private cars, compared to urban locations which are less vehicle dependent. We have assumed a correlation between car ownership, relative affluence and property price. The values in the table above represent an average of units in Section A (adjacent to the river) which would achieve a premium on units in the Eastern Section which will be discounted to reflect the proximity to commercial uses and quarry location.

Scenario **2** Density 60 (Dwellings per HA)

Dwelling	Beds	Sq M	Sq Ft	No. Units	Price	£ Sq M	£ Sq Ft
Flat	1	55	592	24	£225,000	£4,091	£380
Flat	2	75	807	8	£305,000	£4,067	£378
Flat	3	90	969	4	£355,000	£3,944	£366
Terrace	2	100	1,076	28	£365,000	£3,650	£339
Terrace	3	110	1,184	32	£420,000	£3,818	£355
Terrace	4	125	1,345	8	£480,000	£3,840	£357
Semi	2	100	1,076	60	£390,000	£3,900	£362
Semi	3	110	1,184	60	£440,000	£4,000	£372
Semi	4	125	1,345	8	£500,000	£4,000	£372
Detached	3	120	1,292	-	£490,000	£4,083	£379
Detached	4	150	1,615	8	£560,000	£3,733	£347
Total		**24,400**	**262,639**	**240**	**£92,664,000**	**£3,798**	**£353**

3.58 Scenario 3 has the same density as Scenario 2 however we consider it has a potentially more desirable mixture of commercial uses, predominantly leisure based, and a greater quantity of units in Section A, therefore we have adopted a slight premium on the values from Scenario 2.

Scenario **3** Density 60 (Dwellings per HA)

Dwelling	Beds	Sq M	Sq Ft	No. Units	Price	£ Sq M	£ Sq Ft
Flat	1	55	592	20	£230,000	£4,182	£389
Flat	2	75	807	10	£310,000	£4,133	£384
Flat	3	90	969	4	£360,000	£4,000	£372
Terrace	2	100	1,076	30	£380,000	£3,800	£353
Terrace	3	110	1,184	28	£430,000	£3,909	£363
Terrace	4	125	1,345	4	£490,000	£3,920	£364
Semi	2	100	1,076	40	£400,000	£4,000	£372
Semi	3	110	1,184	40	£450,000	£4,091	£380
Semi	4	125	1,345	8	£510,000	£4,080	£379
Detached	3	120	1,292	8	£500,000	£4,167	£387
Detached	4	150	1,615	8	£570,000	£3,800	£353
Total		**20,350**	**219,045**	**200**	**£79,150,500**	**£3,889**	**£361**

3.59 Scenario 4 represents the lowest density scheme which is more typical of estate housing developments. All of the units are located in Section A which would benefit from the more desirable setting, including views of the river and South Downs. We have adopted larger unit sizes to reflect the higher values and lower density. The lower density and entire location in Section A warrant a significant premium on the other scenarios. We consider this density to be the most valuable for the location as residents would be predominantly car dependent and it is assumed would generally be more affluent and therefore more likely to favour lower density development with more space per unit.

Scenario	**4**	Density	34	(Dwellings per HA)

Dwelling	Beds	Sq M	Sq Ft	No. Units	Price	£ Sq M	£ Sq Ft
Flat	1	60	646	8	£260,000	£4,333	£403
Flat	2	80	861	4	£330,000	£4,125	£383
Flat	3	95	1,023	-	£380,000	£4,000	£372
Terrace	2	100	1,076	10	£440,000	£4,400	£409
Terrace	3	120	1,292	2	£490,000	£4,083	£379
Terrace	4	160	1,722	-	£590,000	£3,688	£343
Semi	2	100	1,076	20	£460,000	£4,600	£427
Semi	3	120	1,292	20	£520,000	£4,333	£403
Semi	4	160	1,722	2	£620,000	£3,875	£360
Detached	3	120	1,292	12	£610,000	£5,083	£472
Detached	4	180	1,938	6	£720,000	£4,000	£372
Total		**9,280**	**99,889**	**84**	**£40,228,500**	**£4,335**	**£403**

3.60 We have omitted ground rental income from our appraisals on the basis of Government legislation currently before Parliament which will prohibit their imposition.

Affordable Housing Valuation

3.61 We have adopted a tenure mix of 75/25 between social rented and intermediate housing products as per the South Downs Local Plan requirements.

Social Rent

3.62 We have valued the rented tenure units using a discounted cashflow which is embedded in our appraisal model. This runs for a period of 30 years, although we are aware that some Registered Providers utilise up to 60 year models. Through this means we have ensured our values are conservative. We have also made no allowance for grant or Registered Provider cross subsidy.

3.63 We have modelled the rental values at LHA Caps for the local area which are as follows:

Beds	LHA
1	£184
2	£230
3	£276
4	£390

3.64 No allowance has been made in the cashflow for year on year growth in rent or costs relative to inflation. Deductions from the annual rent have been made for Management costs on the basis of £600 per unit per annum with repairs of £600 per unit per annum and voids and unrecoverable debt 2.5%. The cashflow has been discounted at a rate of 5%. The repairs allowance reflects the new build status of the properties and the 10 year NHBC Guarantee.

Intermediate Tenure

3.65 We have assumed for the purposes of the appraisals that intermediate tenure will be provided in the form of shared ownership tenure. Units have been valued assuming an initial equity sale of 30% of unrestricted market value subject to an annual rent reflecting 2.5% of the unsold equity. No escalator has been applied to this rent or any assumptions regarding equity staircasing. The rental income has been discounted at a yield of 5% in a 40 year cash flow.

3.66 The Authority have also requested we include the First Homes policy in our appraisals. The requirement under the policy is for 25% of the affordable housing allocation to be First Homes, which are provided to first time buyers at a minimum discount of 30% of the open market value. This allocation is to be taken as a proportion of the intermediate housing offer provided on site. The valuation model for our shared ownership units generates a value at approximately 68% of open market value. As the minimum discount for First Homes is 30% we consider the shared ownership valuation to broadly reflect the values units allocated as First Homes would realistically achieve. On this basis we have not included a separate valuation for First Homes.

Unit Mixes

3.67 We have adopted a unit mix based on the requirements of Policy SD27 of the South Downs Local Plan. The unit mixes vary dependent on the density of each scenario but follow the requirements of SD27 which are shown in the table below:

Beds	Private	Affordable
1	10%	35%
2	40%	35%
3	40%	25%
4+	10%	5%

4.0 COMMERCIAL VALUATION

4.1 The scenarios analysed include varying elements of commercial space and are detailed below:

Current Use Class	Former Use Class	1	2	3	4
		Housing/employment led	Housing/employment led	Leisure led	Appeal scheme
B2: General industrial	B2	16,200	16,200	0	13,250
B8: Storage or distribution	B8	20,000	20,000	0	13,250
C1: Hotel*	C1	7,500	7,500	7,500	7,500
E(a): Retail	A1	0	0	500	0
E(b): Consumption of food & drink on premises	A3	0	0	1,500	1,500
E(d): Indoor sport, recreation & fitness**	D2	0	0	18,500	0
E(g)(i): Offices	B1(a)	0	0	0	12,000
E(g)(ii): Research & Development / E(g)(iii) Industrial processes	B1 (b/c)	32,000	32,000	32,000	0
F1: Learning & non-residential institution	D1	2,000	2,000	10,000	0
F2(a): Local shop	A1	280	280	280	0
C3: Dwellings	C3	400	240	200	84
Total commercial floorspace		77,980	77,980	70,280	47,500
Total homes		400	240	200	84
* possibility of sui generis for hostel					
* *possibility of sui generis for live music venue					
Notes:					
Floorspace of hotel kept constant at 7,500 m2. This is approx equivalent to a 130 bed hotel based on the TRICS database					
Floorspace of a local shop kept constant in first 3 scenarios. Floorspace of 280 m2 is the maximum allowed under this use class.					
The employment floorspace figurre for the appeal scheme has been split equally between B2 and B8					
The E(b): Consumption of food & drink on premises in scenario 3 is a pub/restaurant but is not sui generis drinking establishment					

4.2 We have therefore produced a Gross Development Value (GDV) for each commercial use psf. We have assumed that the commercial space will be sub-divisible, with the exception of the hotel.

4.3 At present, no detail is available regarding configuration, precise location, use restrictions and quality. However, we have assumed that uses will be limited to those shown in the table above and that the configuration, specification and layout of the site is designed appropriately. Nevertheless, we have assessed a single value for the retail (E and F2) and restaurants and cafes (E). This figure may be refined as more detail on these aspects becomes available.

4.4 Looking at each use in turn:

Retail (E), restaurants and cafes (E), indoor sport, recreation and fitness (E), convenience store (F2)

4.5 We identified the following comparable evidence with the units labelled using the old Use Classes as most transactions date from when these were in use:

Address	Type	Date	Effective Price psf Overall/ Yield	Area sf	Comments
54 High St, Steyning BN44 3RD	A1	Oct 19	£14.03 psf	1,618 NIA	Letting at £25,000 pa for 10 years with break and rent review at year 5. 3 months rent free, reduced rent for following 5 months of £5,208. Internal repairing terms with service charge to cover landlord's repairs.
Queens Parade, North Road, Lancing BN15 9BA	A1-5/ D2	Jun 21	£14.31 psf	559 NIA	Let at £8,000 pa
Unit 4, 57 High Street, Shoreham-by-Sea BN43 5DE	A1	Nov 19	£17.08 psf	878 NIA	Let at £15,000 pa, grade B
4 High Street, Shoreham-by-Sea, BN43 5DA	A1	Oct 20	£29.06 psf	413 IPMS1	Let at £12,000 pa, good interest received.
169-170 Kings Road Arches, Brighton BN1 1NB	D2	Aug 20	£33.93 psf	1,179 GIA	Disco and dance hall on seafront let for £40,000pa, FRI for 10 years.
16 Circus Street, Brighton, BN2 9QF	D2	Nov 20	£25.76 psf	559 GIA	General leisure let FRI at £14,400 pa.
2nd Flr, 79-81 High street, Godalming, GU7 1AW	D2	Sep 20	£14.67 psf	1,363	Let as pilates studio at £20,000pa FRI for 10 years with effective 12 month rent free due to poor internal condition. Break and rent review at year 5. Capped service charges.
Vinyl, 4-6 North Street, Guildford GU1 4AA	D2	Nov 19	£12.20 psf	8,200 GIA	Let as Grade B general leisure at £100,000 pa

4.6 We have assumed that the subject retail and food and beverage space will comprise neighbourhood parades including a convenience store. We have assumed that unit sizes will be varied to suit occupier requirements.

4.7 The above evidence shows retail space letting in the area at between around £15 and £30 psf although the upper end of this range reflects a premium for a small units and is drawn from established trading locations. Whilst the units will not initially be an established retail location, we would expect them to attract a premium due the new build and place making characteristics of this development, although the timing of occupation will be a key consideration, noting there will be pressure to provide local amenities when the development is only in its initial stages, as such tenants may require financial support at this point.

4.8 Values for a convenience store in this location are expected to be in line with the standard retail space.

4.9 The leisure comparables above are taken from a wider search area due to scarcity of evidence and show a wider range from around £15 psf to £34 psf, although the comparable at the £34 psf is located on Brighton seafront and would therefore be expected to attract a significant premium over the subject.

4.10 We therefore consider that £20 psf should be achievable on the space suitable for retail, restaurant, café or leisure use, subject to the issues concerning timing of delivery.

4.11 We have, as instructed, explored the possibility of locating a destination speciality leisure use such as an 'Eden Project' or zip line on the subject site.

4.12 We are aware that planning consent has recently been obtained for an Eden Project style scheme in Morecambe and that there are several such proposals for schemes throughout the UK and overseas. For the Morecombe proposals, the published overall costing for the project is £125m. It appears that some funding may emanate from Eden Project International, although the majority of funding is yet to be secured and is likely to be sourced from the public and charitable sectors.

4.13 The original Eden Project in Cornwall was similarly funded and, having opened in 2000, in commercial terms is yet to provide a positive return on investment. We therefore would attribute no direct commercial value to such a venture and have not included the initial investment costs in our viability analysis, although we note that doing so would significantly increase the deficit.

4.14 A zip wire attraction could comprise a commercial use if operated together with a complementary leisure use such as an Eden Project or theme park although it is unlikely to be a significant income producer and indeed unlikely to be a net income producer if operated in isolation. We consider that such an enterprise would provide very limited resources towards site demolitions and remediation and other environmental improvements. A zip wire is therefore unlikely to significantly improve the viability of the site and we have therefore not factored in investment costs of such an attraction into our analysis.

4.15 A commercial theme park may be more profitable but this remains a relatively small site for such an operation, noting for example that Disneyland Paris is some 27 hectares, Thorpe Park 30 hectares, Chessington World of Adventures 60 hectares and Alton Towers 370 hectares. These areas, excepting Alton Towers, represent the core attractions around which there is significant hotel and associated support infrastructure. Thorpe Park and Chessington both benefit from close proximity to the capital and M25 access to the southeast with Alton Towers the least accessible site, but arguably of scale which makes it a national attraction. Developments of this type may not be compatible with over-riding National Park objectives given their high traffic generation and their considerable visible impact on their immediate environment.

4.16 Whilst a destination leisure use may provide an ‘anchor’ for other commercial uses. It is unlikely to be income generating itself after allowing for installation and operating costs without achieving significant scale.

4.17 We are not aware of any freehold sales of shops in the locality and so have referred to the Knight Frank Yield Guide September 2021. New build, mixed use developments such as the proposed are rarely disposed of piecemeal and therefore close comparables for investment sales of the commercial element are scarce. The Knight Frank guide shows prime neighbourhood shopping (<25% of income from a supermarket) at 9.50%-9.75%, although Foodstores with open market reviews are much lower at 4.25%.

4.18 We therefore consider that for this location, which will be a neighbourhood shopping location, presumably anchored with a convenience store, an average yield of 9.00% would be reasonable. This reflects the limited information we have for the proposals and assumes that the retail, food and beverage and sports/leisure accommodation will be developed concurrently or subsequently to the residential properties and in response to consequent demand.

Offices, R&D, industrial processes (E(g) (i), (ii) and (iii))

4.19 We identified the following comparable evidence with the units labelled using the old Use Classes as most transactions date from when these were in use:

Address	Type	Date	Effective Price psf Overall/ Yield	Area sf	Comments
Grove House and The Barn, Elm Grove Lane, Steyning BN44 3SA	B1c	Dec 19	£6.79 psf	2,063 NIA	Let at £15,000 pa for 5 years, break at year 3, industrial garage/workshop. Stepped rent of £12,000 in year 1.
Unit 8, Crown Buildings, 33 Chartwell Road, Lancing BN15 8SP	B1c	Oct 19	£8.75 psf	1,000 NIA	Let at £8,750 pa, FRI
85 Preston Road, Brighton, BN1 4QG	B1c	Jun 20	£26.94 psf	464 NIA	Let at £12,500 pa FRI as a car care centre
2A St Dunstans Road, Tarring, Worthing, BN13 1AB	B1c/B2	May 20	£10.00 psf	1,200 GIA	Let at £12,000 pa FRI for 5 years, with parking.
8-9 Wyndham Business Park, Midhurst, GU29 9RN	B1c	Oct 19	£11.00 psf	1,000 GIA	Let at £11,000 pa FRI for 5 years, parking, grade B.
City Place, 3 Beehive Ring, Gatwick, RH6 0PA	B1a	Sep 21	£27.00 psf	8,450 NIA	Well located, newly developed air conditioned offices with parking. Let at £228,150 pa for 8 years, 7 months.
Pegasus 2, Gatwick Road, Crawley, RH10 9AY	B1a	Jun 21	£28.50 psf	4,331 NIA	Well located new/grade A space with parking, air conditioning, suspended ceilings
C2, Yeoman Gate, Yeoman Way, Worthing, BN13 3QZ	B1a	Feb 21	£17.74 psf	2,480 NIA	Modern, good second hand offices let at £43,995 pa FRI
The Long Barn, Dye House Lane, Duncton, GU28 0LF	B1a	Sep 20	£21.79 psf	661 NIA	Small office unit in converted barn in rural location. Let at £14,400 pa for 6 years.
Former Unit 3, 100 North Road, Brighton, BN1 1YE	B1b	Dec 20	£22.81 psf	285 NIA	Small unit close to university campus. Let at £6,500pa for 3 years, FRI. Grade A/new space.
The Office Park, Keats House, Springfield Drive,	B1b	May 20	£27.50 psf	17,189 NIA	Large unit located on office park, let at

Leatherhead, KT22 7LP					£472,697 pa for 10 years FRI.
2-4 Canute Road, Southampton SO14 3FH	B1b	Jul 20	£16.93 psf	1,211 NIA	Converted town centre office, air conditioned, grade A, let at £20,500 pa, FRI for 10 years. Richard Pullen

4.20 The office and light industrial space, we have assumed, will also be subdivided as necessary in line with tenant requirements.

4.21 Our evidence above shows rents of around £7 and £11 psf achieved for B1c uses (E (g) (iii) use), we have discounted the Brighton comparable as an outlier due to its size and location. The B1c evidence in Lancing and Steyning relates to dated properties and the proposed space should achieve in excess of the above comparables due to its new build nature.

4.22 We have assessed rents for B1b and B1c space in conjunction as no breakdown in areas has been provided. B1b space evidence is scarce and we have researched comparables over a wider area. New or good quality space in good locations is attracting up to £27.50 psf and we consider that rents of up to £25 psf could be achieved in the subject location.

4.23 However, we have borne in mind that demand for B1b space is relatively limited and we envisage that the majority of space is likely to be utilised for B1c, although this remains an area of uncertainty. We have therefore attributed a rent of £20 psf to this space, but caveat that this figure will require review as development plans and any letting restrictions become established.

4.24 The B1a comparables achieved around £18 to £29 psf for modern or new offices in a range of locations. We therefore consider that a rent of £25 psf would be reasonable to assume for B1a offices in the subject location.

4.25 We are not aware of any freehold sales of offices or light industrial in the locality and so have referred to the Knight Frank Prime Yield Guide September 2021. The Knight Frank guide shows South East Business Parks (Multi-let, 5 year WAULT) at 6.75%+ and Secondary Industrial Estates at 5.00%-5.25%.

4.26 We therefore consider that for this location, with relatively poor road access, but close to major employment and residential areas of the south east, offices (B1a) would attract a yield of 7.00% and the light industrial/research and development space (B1b+c) would attract a lower yield of 5.50%. This reflects the limited information we have for the proposals.

Hotel C1

4.27 We have not been provided with a specification or further details of likely style of operation for the hotel, other than its size at 7,500 sm (80,730 psf). For the purposes of this report, we have assumed that a national operator occupies the site for a budget style Premier Inn/ Travelodge type hotel operation. We have assumed that the hotel will have around 240 (en suite letting rooms, restaurant and facilities usually associated with an operation of this size and type. This assumption is in line with our knowledge and experience of the market and the likely demand from operators. We note, however, that a mid-range 130 bed hotel, in line with Authority assumptions, would present a similar cost/revenue equation and would have limited impact upon the viability figures presented.

4.28 We are aware of the following completed sales of budget hotel operations, comparable to the subject:

Location	Rooms	Date	Sale price	Price /key	Comments
Haverhill and Ipswich	120	Feb 19	-	-	Two Travelodge hotels, sale reflecting 5.00%. One refurbished, one established, around 20 years unexpired on leases.
Gosport	70	Jan 19	£6.6m	£55,000	Travelodge investment sale reflecting 5.70%. New build let for 25 years, forward funding. Town centre location.
Rickmansworth	92	Jan 19	£14m	£106,522	Premier Inn forward funding of new build, 30 year lease with break year 20. Sale also includes 11,000sf Travis Perkins (30% of rent roll). Reflects 4.25% overall.
Leeds	127	Apr 19	£8.6m	£67,717	City Centre Travelodge, includes bar, café and meeting rooms. 22 years unexpired on lease. Investment sale reflects yield of 5.80% for LLH interest.

4.29 The Knight Frank Prime Yield Guide September 2021 shows Budget Hotels Regional (Fixed/RPI uplifts 20 year+ term, strong covenant) at 4.00%.

4.30 The proposed hotel will benefit from its situation in a National Park, close to the tourist centre of Brighton, although it does not benefit from strong public transport links. We therefore assess that a GDV in the order of £70,000 per key should be achievable, equating to a total GDV for this element of £16.8m.

4.31 We note that Travelodge room rate for Preston Road, Brighton is currently £63 per night (mid-week) which further supports our valuation.

General industrial (B2)

4.32 We have identified the following comparable evidence:

Address	Type	Date	Effective Price psf Overall/ Yield	Area sf	Comments
Unit 2B Industrial Premises, Rectory Farm Road, Lancing BN15 0DP	B1/2/8	Jul 19	£9.25 psf	4,866 GIA	Let at £45,000 pa, grade B space.
Brighton city Airport, 29 Cecil Pashley Way, Shoreham-by-Sea, BN43 5PA	B2	Jul 20	£12.62 psf	951 GIA	Let at £12,000 pa, modern unit
106-110 Brighton Road, Shoreham-by-Sea, BN43 6RH	B2	May 20	£11.06 psf	10,852 GIA	Let at £120,000 pa, modern unit
Victoria Road Trading Estate, Victoria Road, Brighton, BN41 1XQ	B2	Mar 21	£13.00 psf	4,001 GIA	Second hand unit let at £52,013 pa for 10 years
Denvale Trade Park, Haslett Avenue East, Crawley RH10 1SS	B2	Sep 21	£17.00 psf	4,705 GIA	Modern well located unit let at £79,985 pa for 10 years.
4&5 Praetorian Place, Trowers Way, Redhill, RH1 2LH	B2	Mar 21	£8.28 psf	7,850 GIA	Modern, well located but larger unit let at £65,000 pa, FRI.
Unit 12 Wells Point, Gatton Park Business Centre, Redhill RH1 3AS	B2	Apr 21	£13.95 psf	21,049 GIA	Large , well located and modern unit let at £293,633 pa, FRI.

4.33 The above comparables show a relatively narrow range of rents achieved of between around £8 to £17 psf. The above units are all modern and reflect a range of quality from second-hand to Grade B. We would therefore expect a new build unit located in the subject scheme to attract a small premium and are of the view that £15 psf is reasonable in this location.

4.34 We are not aware of any freehold sales of industrial properties in the locality and so have referred to the Knight Frank Prime Yield Guide September 2021 which shows Secondary Estates at 5.00%-5.25% and South East Estate (exc London and Heathrow) at 3.50% to 3.75%. Although the local road network will adversely impact demand, land pressure and occupier demand would support investment values. We therefore consider that a yield in the order of 4.50% would be reasonable in this location.

Storage and distribution (B8)

4.35 We have identified the following comparable evidence:

Address	Type	Date	Effective Price psf Overall/ Yield	Area sf	Comments
Unit 2B Industrial Premises, Rectory Farm Road, Lancing BN15 0DP	B1/2/8	Jul 19	£9.25 psf	4,866 GIA	Let at £45,000 pa, grade B space.
5 Fairway Business Centre, Westergate Road, Brighton BN2 4JZ	B1/B8	Sep 21	£10.72 psf	2,014 GIA	Well located unit, let at stepped rent, £21,000 pa years 1-3 and £22,500, years 4 and 5, average £21,600pa, FRI for 5 years with a break at year 3, 3 month rent free. Ground and 1st floor space.
Unit 3, Old Kiln Works, Ditchling Common, Hassocks, BN6 8SG	B1/B8	Nov 20	£7.86 psf	4,520 GIA	Modern, grade B unit let at stepped rent £33,960 pa years 1-3 and £37,840 pa years 4 and 5, average£35,512 pa FRI for 5 years, break at year 3.
B1, Hollingbury Enterprise Estate, 8 Crowhurst Road, Brighton, BN1 8AF	B8	Oct 20	£17.42 psf	1,018 GIA	Well located unit let at £18,000 pa, FRI for 5 years, no rent free, tenant break at year 3. Mezzanine of same size also included but not used to calculate rent.

4.36 The above comparables show a relatively narrow range of rents achieved of between around £8 to £17 psf. The above units are all modern and reflect a range of quality from second-hand to Grade B. (We note that the Crowhurst Road comparable includes a full mezzanine.) We would therefore expect a new build unit located in the subject scheme to attract a small premium and are of the view that £15 psf is reasonable in this location.

4.37 We are not aware of any freehold sales of warehouse/distribution properties in the locality and so have referred to the Knight Frank Prime Yield Guide September 2021 which shows Secondary Distribution (10 year income, OMRRs) at 4.50%. We are conscious that the current road network would deter prime distribution occupiers and we therefore consider that a yield in the order of 4.50% would be reasonable in this location.

<u>Learning and non-residential institution (F1)</u>

4.38 We understand from the Authority that a museum or public art gallery use is envisaged for this element of the site. Whilst other F1 uses notably school or college uses have a commercial value, premises restricted to museum or public art gallery are unlikely to attract a significant rent and would therefore have only a nominal value. Use may have to be restricted in the s106 to prevent more commercial uses taking precedence.

5.0 DEVELOPMENT COSTS

Build Costs

5.1 Construction costs have been provided by our retained Cost Consultant Neil Powling DipBE FRICS DipProjMan(RICS). Mr Powling has relied upon information downloaded from the Build Cost Information Service (BCIS) run by the RICS. This source has been widely accepted for the purposes of plan testing and decision making in a planning context.

5.2 Mr Powling has made adjustments for the location for each commercial use and residential unit type. The full list of BCIS information can be found in Appendix 1. It should be noted we have adopted BCIS average rates which we considered appropriate at the time of this assessment. We note the Authority have a requirement for a high quality design specification which we have accounted for in our sensitivity analysis, for more information see Section 6 of the report.

5.3 Adjustments and additions have then been made to derive an appropriate construction cost rate £/m2 to a complete overall construction cost rate including allowances for external works, contingency, sustainability etc. as shown in the tables below:

Commercial			Sustainability BCIS+5%	Facilitating Wks	Sub-total	Ext Wks + 10%	Sub-total	Contingency +5%	**Total**
Current Use Class		BCIS £/m²	£/m²	£/m²	£/m²	£/m²	£/m²	£/m²	£/m²
B2: General industrial		1,205	60	100	1,365	137	1,502	75	**1,577**
B8: Storage or distribution		1,063	53	100	1,216	122	1,338	67	**1,405**
C1: Hotel*		2,401	120	100	2,621	262	2,883	144	**3,028**
E(a): Retail - shell only		1,118	56	100	1,274	127	1,401	70	**1,471**
E(b): Consumption of food & drink on premises		3,143	157	100	3,400	340	3,740	187	**3,927**
E(d): Indoor sport, recreation & fitness**		1,959	98	100	2,157	216	2,373	119	**2,491**
E(g)(i): Offices		2,177	109	100	2,386	239	2,625	131	**2,756**
E(g)(ii): Research & Development / E(g)(iii) Industrial processes		2,177	109	100	2,386	239	2,625	131	**2,756**
F1: Learning & non-residential institution		2,399	120	100	2,619	262	2,881	144	**3,025**
F2(a): Local shop		1,706	85	100	1,891	189	2,080	104	**2,184**

Residential			Sustainability BCIS+5%	Facilitating Wks	Sub-total	Ext Wks + 10%	Sub-total	Contingency +5%	**Total**
Unit type	Beds	BCIS £/m²	£/m²	£/m²	£/m²	£/m²	£/m²	£/m²	£/m²
Flat	1	1,714	86	77	1,876	188	2,064	103	**2,167**
Flat	2	1,714	86	77	1,876	188	2,064	103	**2,167**
Flat	3	1,714	86	77	1,876	188	2,064	103	**2,167**
Terrace	2	1,500	75	77	1,652	165	1,817	91	**1,908**
Terrace	3	1,500	75	77	1,652	165	1,817	91	**1,908**
Terrace	4	1,500	75	77	1,652	165	1,817	91	**1,908**
Semi	2	1,449	72	77	1,599	160	1,759	88	**1,847**
Semi	3	1,449	72	77	1,599	160	1,759	88	**1,847**
Semi	4	1,449	72	77	1,599	160	1,759	88	**1,847**
Detached	3	1,880	94	77	2,052	205	2,257	113	**2,369**
Detached	4	1,880	94	77	2,052	205	2,257	113	**2,369**
Detached	5	1,880	94	77	2,052	205	2,257	113	**2,369**

Other Development Costs

5.4 We have adopted a number of generic assumptions in our appraisals which are set out below:

- Professional fees 10% of total construction costs
- Sales, legal at 2.5% of total revenue
- Marketing Fees (Commercial) 10%

- Letting Legal fees (Commercial) 5%
- Finance costs 6.5% of total costs including land (calculated in Argus Developer)
- Purchaser's costs 6.8%

5.5 No S106 costs have been included at present on the basis that they are unknown at this stage. We have included CIL at the current charging rate of £232.76 per sq m on residential as per the SDNPA 2020/21 charging schedule. No other use classes require a CIL charge and we have not discounted the CIL liability for the existing units on site.

5.6 We have made no allowance for vacant building credit (VBC) as the occupancy status of buildings on site is currently unknown to us.

<u>Remediation</u>

5.7 We have been provided with cost estimates for remediation, transport and demolition by consultants who have been instructed by the Authority to support the AAP documentation. The total costs for each scenario are summarised in the table below:

Scenario	1	2	3	4
Transport	£ 2,451,522	£ 2,451,522	£ 2,451,522	£ 2,451,522
Demolition	£ 3,296,953	£ 3,296,953	£ 3,296,953	£ 3,296,953
Further ground investigation	£ 600,000	£ 600,000	£ 600,000	£ 600,000
AB Remediation	£ 5,390,000	£ 5,390,000	£ 5,390,000	£ 5,390,000
C Remediation	£ 7,300,000	£ 7,300,000	£ 7,300,000	£ 7,300,000
Drainage	£ 8,688,155	£ 8,595,387	£ 8,568,464	£ 8,498,969
Total	**£ 27,726,630**	**£ 27,633,862**	**£ 27,606,939**	**£ 27,537,444**

5.8 These total figures have been included in our appraisals.

<u>Developer Profit</u>

5.9 Developer profit is a frequently contested issue in terms of viability in a planning context. In this context the NPPG provides the following guidance:

How should a return to developers be defined for the purpose of viability assessment?

Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of *delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*

See related policy: National Planning Policy Framework paragraph 57

Paragraph: 018 Reference ID: 10-018-20190509

Revision date: 09 05 2019

5.10 This guidance identifies the correlation between risk and return as well as a broad range of potential profit margins.

5.11 A relevant example of how this guidance is being applied is to be found in *London Plan Viability Study Report dated December 2017*. This document identifies a range of profit levels considered appropriate to different scales of development with differing attendant risk profiles. These rates start from 15% of private GDV (Gross Development Value) for small sites through to 20% for large scale flatted developments over 20 floors with a 6% margin applied to affordable housing revenue.

5.12 In order to provide a robust test to the proposed affordable housing policy target we have adopted a maximum profit of 17.5% of private residential sales GDV which is the mid point of the recommended range from NPPG. This will vary dependent on the type of residential development that comes forward but for the purpose of consistency we have adopted this across all scenarios. We anticipate that profit targets would typically be lower on Greenfield sites (15% on GDV) where developers can phase and release land in line with the sales rate, however the complex remediation of the subject site means a higher risk profile is required.

5.13 We have included the following target developer returns as percentages of GDV on the other uses:

- Affordable housing 6%
- All Commercial 15%

Development timescales

5.14 Mr Powling has used the BCIS Construction Duration calculator to provide timescale estimates for the proposed scenarios. He has used the outputs from the BCIS calculator but allowed for a 67% reduction in the commercial timescales by overlapping them with the residential phases to more appropriately reflect how the site would come forward.

5.15 The adopted timescales can be seen in the table below:

Scenario	Months
Scenario 1	45
Scenario 2	45
Scenario 3	49
Scenario 4	36

5.16 We have additionally allowed for a 12 month pre construction period to account for the demolition, clearance, remediation and site preparation.

5.17 For the residential sales periods we have adopted the same period length as the construction period with a 12 month delay before the first sales. The residential sales are distributed evenly over the months which we consider most appropriately reflects the phased nature on which sales would occur. This reflects a higher sales rate for the higher density schemes which we consider is broadly appropriate for this level of testing and given the information we have on the scenarios.

5.18 For the affordable housing we have included the revenue over the construction period which reflects early payments made by affordable housing providers.

5.19 For the commercial element we have included annual payments across the construction period with a 12 month delay on the receipt of the first payment.

6.0 APPRAISAL MODEL & RESULTS

Appraisal Model

6.1 We have used a bespoke Excel based appraisal model to undertake the bulk of appraisals and sensitivity analysis. The advantages of this approach are set out below:

a) The model has previously been used in Local Plan viability assessment work and has been tested through EIP and approved by Inspectors.

b) Use of a generic Excel platform enables the models to be provided to the Authority in a format which ensures full information sharing and facilitates future revisions of the viability evidence base.

c) The flexibility of Excel models allows multiple scenarios to be modelled through linked workbooks and to undertake sensitivity analysis from a single source based on bespoke input criteria.

d) Outcomes can be readily extracted into summary sheets facilitating presentation of results in this report.

6.2 We have also run a number of our base appraisals through Argus Developer software which has become the industry default appraisal tool to establish parity of results and a cross check for accuracy to eliminate any potential errors within the model.

6.3 The model follows the residual method of valuation which generates a residual sum as an outcome. The model incorporates a separately identified land cost as well as a developer profit margin. On this basis it is immediately apparent whether developments are viable through the residual sum being either positive or negative.

6.4 Sensitivity analysis is undertaken through adjusting core cost and value inputs which then alter in turn the residual value. The model is able to adjust the level of affordable housing provision to a near breakeven position through a simple adjustment to the percentage affordable housing target, recognising that units are delivered on the basis of whole numbers. This greatly simplifies the process of testing alternative delivery percentages.

Base Appraisal Results

6.5 The first round of base appraisals includes a policy compliant 50% affordable housing contribution. The results of these appraisals are shown in the table below:

Policy Compliant Affordable Housing Contribution

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£318,500,000	£4,771,580	£372,294,837	-£53,794,837
2	240	60	77,980	£286,480,000	£2,906,009	£328,764,256	-£42,284,256
3	200	60	70,280	£203,010,000	£2,432,633	£353,148,942	-£150,138,942
4	84	34	47,500	£164,700,000	£1,103,282	£200,618,864	-£35,918,864

6.6 It can be seen that all of the scenarios show deficits, with Scenario 3 being the most significant figure. The Argus appraisal summaries of these can be found in Appendix 2.

100% Private Housing appraisals

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£349,490,000	£9,554,798	£390,247,899	-£40,757,899
2	240	60	77,980	£306,570,000	£5,718,913	£339,597,387	-£33,027,387
3	200	60	70,280	£220,120,000	£4,765,761	£362,267,255	-£142,147,255
4	84	34	47,500	£171,350,000	£2,178,634	£203,946,283	-£32,596,283

6.7 It can be seen that all Scenarios still show a significant deficit. Scenarios 1, 2 and 4 are the closest to a break even position while Scenario 3 remains the most significantly in deficit.

Sensitivity Analysis

6.8 We have undertaken sensitivity analysis on the affordable housing contributions to show the impact a different contribution has on the viability of each scenario. For the purposes of this assessment we have analysed a scheme with a 10% all intermediate housing (shared ownership / First Homes) contribution which is the minimum requirement outlined in Paragraph 64 of the 2021 NPPF. The results are shown in the table below:

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£346,350,000	£9,554,798	£388,938,427	-£42,588,427
2	240	60	77,980	£304,480,000	£5,718,913	£338,725,278	-£34,245,278
3	200	60	70,280	£218,350,000	£4,765,761	£361,527,404	-£143,177,404
4	84	34	47,500	£170,540,000	£2,178,634	£203,608,439	-£33,068,439

6.9 It can be seen that the deficits are only slightly reduced on the significant figures shown in the 100% private housing scenarios.

6.10 SDNPA have suggested that the high quality design requirements outlined in the Local Plan require a higher build cost than the BCIS average rates. In order to test this we have tested a scenario (with 100% private housing) with an increased build cost to reflect BCIS Upper Quartile costs. Our Cost Consultant has recalculated the cost differences for each scenario with the percentage increase shown in the table below, along with the appraisal results:

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	% Increase for UQ	Surplus / Deficit
1	400	100	77,980	£349,490,000	£9,554,798	£404,374,795	9.45%	-£54,884,795
2	240	60	77,980	£306,570,000	£5,718,913	£352,000,137	6.83%	-£45,430,137
3	200	60	70,280	£220,120,000	£4,765,761	£375,435,302	6.39%	-£155,315,302
4	84	34	47,500	£171,350,000	£2,178,634	£211,238,402	4.60%	-£39,888,402

6.11 It can be seen that all of the scenarios show an increased deficit against the scenarios using the average build cost.

6.12 We then conducted sensitivity analysis on the scenarios with entirely private residential to see what feasible changes would be required for the schemes to break even. We applied sensitivity analysis to the residential sales values and construction costs.

6.13 For the first test we applied a 10% sales premium to the private residential units. The results are shown in the table below:

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£362,490,000	£9,554,798	£392,522,330	-£30,032,330
2	240	60	77,980	£315,280,000	£5,718,913	£341,120,727	-£25,840,727
3	200	60	70,280	£227,540,000	£4,765,761	£363,565,711	-£136,025,711
4	84	34	47,500	£175,140,000	£2,178,634	£204,610,526	-£29,470,526

6.14 It can be seen that all Scenarios remain in deficit.

6.15 The next test applied a 10% discount to build costs and no change to the original sales values. The results are shown in the table below:

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£349,490,000	£9,554,798	£359,537,254	-£10,047,254
2	240	60	77,980	£306,570,000	£5,718,913	£312,634,886	-£6,064,886
3	200	60	70,280	£220,120,000	£4,765,761	£333,641,067	-£113,521,067
4	84	34	47,500	£171,350,000	£2,178,634	£188,093,849	-£16,743,849

6.16 It can be seen that all Scenarios remain in deficit.

6.17 The next sensitivity test adopted a ‘best case’ scenario, where residential GDV increased by 10% and build costs decreased by 10%. The results are shown in the table below:

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£362,490,000	£9,554,798	£361,811,685	£678,315
2	240	60	77,980	£315,280,000	£5,718,913	£314,158,226	£1,121,774
3	200	60	70,280	£227,540,000	£4,765,761	£334,939,524	-£107,399,524
4	84	34	47,500	£175,140,000	£2,178,634	£188,758,092	-£13,618,092

6.18 Scenarios 1 and 2 shows a surplus and the other two scenarios show a deficit. On this basis it would be reasonable to suggest that Scenarios 1 and 2 show the most realistic prospect of delivery, although this is reliant the inputs changing significantly.

6.19 A further sensitivity test has been run on the original scenarios with nil CIL contributions. This shows the impact introducing a change in statutory contributions would have on the viability of the site. This also demonstrates the maximum possible impact of Vacant Building Credit (VBC) being redeemed, although it should be noted every scenario has a greater floor area than we estimate is currently present on site and therefore we consider this test overestimates the impact of VBC on the potential development. We have been unable to accurately estimate the impact of VBC as we do not have detailed areas for the existing properties. The results are shown in the table below:

Scenario	Total Units	Density (units/ha)	Total Commercial Sq M	Total GDV	Total CIL	Total Costs	Surplus / Deficit
1	400	100	77,980	£349,490,000	£0	£380,693,101	-£31,203,101
2	240	60	77,980	£306,570,000	£0	£333,878,473	-£27,308,473
3	200	60	70,280	£220,120,000	£0	£357,501,494	-£137,381,494
4	84	34	47,500	£171,350,000	£0	£201,767,649	-£30,417,649

6.20 It can be seen that all Scenarios remain in deficit.

6.21 It is worth noting that the only commercial uses which lead to viability surpluses are B2 General Industrial and B8 Storage, with all others reducing the viability of the scenarios.

Grant Funding

6.22 A potential source of addressing the apparent viability deficits would be to investigate the possibility of securing grant funding for any potential development. We understand that no funding is currently in place and are unaware if the landowner has pursued this in any detailed manner.

6.23 We have considered various sources of grant funding which realistically could be secured for the subject site. Although this is not an exhaustive list the sources considered are discussed below:

- **Land Tax Remediation Relief** – providing a 100% deduction plus an additional 50% against corporation tax for qualifying expenditure. Can be claimed either by reducing taxable profits by 150% of qualifying expenditure and surrendering losses for a tax credit at 16%.

- **Affordable Homes Programme 2021 to 2016** – funding from homes England to create a more resilient and diverse housing market focussing on Modern Methods of Construction, high quality design and working with local SME housebuilders.

- **Levelling Up Home Building Fund** – to support SMEs and innovative developers and housebuilders to create great communities quickly for example: serviced plots for custom and self-builders; off-site manufacturing; new entrants to the market; community led housing projects; small groups of firms working together.

- **New Homes Bonus** – grant paid by central government to local councils to reflect and incentivise housing growth in their area. Based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long term empty homes brought back into use. There is also an extra payment for providing affordable homes.

- **Housing Infrastructure Fund** – The latest round for this funding is now closed. It is a government capital grant programme to deliver homes in England in areas of greatest need. Funding will be awarded to local authorities on a highly competitive basis.

- **Brownfield Land Release Fund** – The latest round for this funding closed in April 2021. It is a partnership between the Office of Government Property in the Cabinet Office, the Local Government Association and the Ministry of Housing, Communities and Local Government and comprises part of the National Home Building Fund designed to help bring forward brownfield sites in areas of greatest need for self and custom built serviced plots.

- **One Public Estate Funding** – a total offer of £12m revenue grant including £9m sustainable grant to support early stage project costs with a particular focus upon projects which include housing benefits, demonstrating public sector co-operation and levelling up.

7.0 CONCLUSIONS

7.1 Any surpluses calculated above for the 100% private housing scenarios represent the total funds available for Affordable Housing and to fund land acquisition. It is also, of course, feasible that some infrastructure costs could be offset against the total CIL contributions required to increase this surplus.

7.2 Our conclusions are set out below:

A) The proposed policy compliant scenarios on a present day basis show deficits with policy compliant affordable housing contributions;

B) The sensitivity analysis shows that Scenarios 1 and 2 demonstrate the most feasibility of delivery while Scenario 3 shows the most significant discount and least possibility of break even;

C) The sensitivity analysis shows that construction costs and associated site remediation works are the most significant factor in impacting the viability of the proposed scheme. In light of this consideration the eventual development of this site will need to carefully consider routes to minimise abnormal costs whilst meeting the wider environmental requirements of AAP to ensure viability. This will represent a balance between value generation but more significantly cost minimisation.

7.3 The conclusions at present have been made without any value being attributed to the site it is expected that development would provide for a land value and this alongside other costs highlighted through this report would need to be a factor taken into consideration in bringing forward viable development

8.0 AUTHOR SIGN OFF

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The author(s) of this report confirm that there are no conflicts of interest and measures have been put in place to prevent the risk of the potential for a conflict of interest. In accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* September 2019, this report has been prepared objectively, impartially, and with reference to all appropriate sources of information.

Appendix 1: BCIS Data

Shoreham Cement Works
BCIS downloaded 17 September 2021

	£/m² LF112	
B2: General industrial	1,205	
B8: Storage or distribution	1,063	
C1: Hotel*	2,401	
E(a): Retail - allow shell only	1,118	
E(b): Consumption of food & drink on premises	3,143	
E(d): Indoor sport, recreation & fitness**	1,959	
E(g)(i): Offices	2,177	
E(g)(ii): Research & Development	2,177	
E(g)(iii) Industrial processes	2,177	
F1: Learning & non-residential institution - community centre	2,399	
F2(a): Local shop	1,706	
Dwellings C3:-		
Flats generally	1,714	
Estate housing terraced generally	1,500	
Estate housing semi detached generally	1,449	
Estate housing detached	1,880	

Location - borde r of Adur & Horsam - just in Horsham but take higher LF

LF Horsham	110	
LF Adur	112	
Current TPI 3Q2021	336	Forecast

Avg prices New build def mean	**LF100**	**LF112**	**sample**
268 Agricultural storage buildings	791	886	5
282 Factories generally	1,076	1,205	98
282.1 Advance Factories generally	930	1,042	23
282.12 Advance factories/ offices mixed facilities B1 generally	1,209	1,354	22
282.2 Purpose built factories generally	1,275	1,428	55
284 Warehouses/ stores generally	949	1,063	47
320 Offices Generally	1,944	2,177	90
341.1 Retail warehouses generally	921	1,032	53
345 Shops generally	1,523	1,706	22
515 Cafes, snack bars etc	2,806	3,143	5
532 Community Centres generally	2,142	2,399	124
532.1 General purpose halls generally	2,016	2,258	68
532.2 Visitors centres	3,507	3,928	14
562.12 Gymnasia/ sports halls generally	1,749	1,959	38
562.2 Gymnasia, fitness centres	2,069	2,317	7
816 Flats generally	1,530	1,714	871

810.13 Estate housing terraced generally	1,339	1,500	291
810.12 Estate housing semi detached generally	1,294	1,449	360
810.11 Estate housing detached	1,679	1,880	21
852 Hotels	2,144	2,401	17
Avg prices def shell only mean			
282 Fatories	611	684	13
320 Offices	645	722	1
345 Shops	998	1,118	10
532.2 Visitors centres	1,931	2,163	1
562.1 Sports centres	722	809	1
816 Flats	1,376	1,541	1
852 Hotels	449	503	1
Avg prices New build def mean			
268 Agricultural storage buildings			
282 Factories generally	957	1,072	7
282.1 Advance Factories generally	839	940	3
282.12 Advance factories/ offices mixed facilities B1 generally	704	788	2
282.2 Purpose built factories generally	1,388	1,555	2
284 Warehouses/ stores generally	677	758	11
320 Offices Generally	1,681	1,883	9
341.1 Retail warehouses generally	940	1,053	1
345 Shops generally	933	1,045	1
532 Community Centres generally	2,277	2,550	10
532.1 General purpose halls generally	2,517	2,819	1
532.2 Visitors centres			
562.12 Gymnasia/ sports halls generally			
562.2 Gymnasia, fitness centres			
816 Flats generally	1,449	1,623	208
810.13 Estate housing terraced generally	1,384	1,550	23
810.12 Estate housing semi detached generally	1,222	1,369	54
810.11 Estate housing detached	2,387	2,673	5
852 Hotels	3,114	3,488	1

Appendix 2: BPS Appraisals

Shoreham Cement AAP
Scenario 1

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**Unit Price**	**Gross Sales**		
Private Resi	200	328,575	65,715,000		
Affordable Resi	200	166,313	33,262,609		
Hotel	240	70,000	16,800,000		
Totals	**640**		**115,777,609**		
Investment Valuation					
All Commercial					
Manual Value					202,722,785
GROSS DEVELOPMENT VALUE				**318,500,394**	
NET REALISATION				**318,500,394**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price			1		
				1	
CONSTRUCTION COSTS					
Construction	**Units**	**Unit Amount**	**Cost**		
All Commercial	1 un	171,198,416	171,198,416		
Resi Build Cost	1 un	79,149,235	79,149,235		
Totals			**250,347,651**	**250,347,651**	
All remediation			25,275,108		
Road/Site Works			2,451,522		
				27,726,630	
Section 106 Costs			4,771,580		
PROFESSIONAL FEES					
Professionals		10.00%	27,807,428		
				27,807,428	
MISCELLANEOUS FEES					
Profit Resi		17.50%	11,500,125		
Profit Commercial		15.00%	32,928,418		
				44,428,543	
FINANCE					
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)					
Land			0		
Construction			13,887,624		
Other			1,765,782		
Total Finance Cost				15,653,406	
TOTAL COSTS				**370,735,239**	
PROFIT					
				(52,234,845)	
Performance Measures					
Profit on Cost%		-14.09%			
Profit on GDV%		-16.40%			
Profit on NDV%		-16.40%			
IRR% (without Interest)		-48.12%			
Profit Erosion (finance rate 6.500)		N/A			

Shoreham Cement Works AAP
Scenario 2

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**Unit Price**	**Gross Sales**		
Private Resi	120	386,100	46,332,000		
Affordable Resi	120	171,847	20,621,688		
Hotel	240	70,000	16,800,000		
Totals	**480**		**83,753,688**		
Investment Valuation					
All Commercial					
Manual Value					202,722,785
GROSS DEVELOPMENT VALUE				**286,476,473**	
NET REALISATION				**286,476,473**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price			1		
				1	
CONSTRUCTION COSTS					
Construction	**Units**	**Unit Amount**	**Cost**		
All Commercial	1 un	171,198,416	171,198,416		
Resi Build Cost	1 un	46,794,498	46,794,498		
Totals			**217,992,914**	**217,992,914**	
All remediation			25,182,340		
Road/Site Works			2,451,522		
				27,633,862	
Section 106 Costs			2,906,009		
PROFESSIONAL FEES					
Professionals		10.00%	24,562,678		
				24,562,678	
MISCELLANEOUS FEES					
Profit Resi		17.50%	8,108,100		
Profit Affordable		6.00%	1,237,301		
Profit Commercial		15.00%	32,928,418		
				42,273,819	
FINANCE					
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)					
Land			0		
Construction			12,324,816		
Other			1,174,772		
Total Finance Cost				13,499,589	
TOTAL COSTS				**328,868,872**	
PROFIT					
				(42,392,399)	
Performance Measures					
Profit on Cost%		-12.89%			
Profit on GDV%		-14.80%			
Profit on NDV%		-14.80%			
IRR% (without Interest)		-46.75%			
Profit Erosion (finance rate 6.500)		N/A			

APPRAISAL SUMMARY — BPS SURVEYORS

Shoreham Cement Works AAP
Scenario 3

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**Unit Price**	**Gross Sales**		
Private Resi	100	395,753	39,575,250		
Affordable Resi	100	175,094	17,509,413		
Hotel	240	70,000	16,800,000		
Totals	**440**		**73,884,663**		
Investment Valuation					
All Commercial					
Manual Value					129,122,449
GROSS DEVELOPMENT VALUE				**203,007,112**	
NET REALISATION				**203,007,112**	
OUTLAY					
ACQUISITION COSTS					
Fixed Price			1		
				1	
CONSTRUCTION COSTS					
Construction	**Units**	**Unit Amount**	**Cost**		
All Commercial	1 un	194,471,916	194,471,916		
Resi Build Cost	1 un	38,995,415	38,995,415		
Totals			**233,467,331**	**233,467,331**	
All remediation			25,155,417		
Road/Site Works			2,451,522		
				27,606,939	
Section 106 Costs			2,432,633		
PROFESSIONAL FEES					
Professionals		10.00%	26,107,427		
				26,107,427	
MISCELLANEOUS FEES					
Profit Resi		17.50%	6,925,669		
Profit Affordable		6.00%	1,050,565		
Profit Commercial		15.00%	21,888,367		
				29,864,601	
FINANCE					
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)					
Land			0		
Construction			25,056,169		
Other			8,664,201		
Total Finance Cost				33,720,371	
TOTAL COSTS				**353,199,303**	
PROFIT					
				(150,192,191)	
Performance Measures					
Profit on Cost%		-42.52%			
Profit on GDV%		-73.98%			
Profit on NDV%		-73.98%			
IRR% (without Interest)		N/A			
Profit Erosion (finance rate 6.500)		N/A			

Shoreham Cement Works AAP
Scenario 4

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	Unit Price	Gross Sales	
Private Resi	42	478,911	20,114,250	
Affordable Resi	42	266,566	11,195,761	
Hotel	240	70,000	16,800,000	
All Commercial	1	116,589,037	116,589,037	
Totals	**325**		**164,699,048**	
NET REALISATION				**164,699,048**

OUTLAY

ACQUISITION COSTS

Fixed Price			1	
				1

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Resi Build Cost	1 un	18,032,981	18,032,981	
All Commercial	1 un	101,174,699	101,174,699	
Totals			**119,207,680**	**119,207,680**
All remediation			25,085,922	
Road/Site Works			2,451,522	
				27,537,444
Section 106 Costs			1,103,282	

PROFESSIONAL FEES

Professionals		10.00%	14,674,512	
				14,674,512

MISCELLANEOUS FEES

Profit Resi		17.50%	3,519,994	
Profit Affordable		6.00%	671,746	
Profit Commercial		15.00%	20,008,356	
				24,200,095

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)

Land			0	
Construction			10,778,042	
Other			2,999,568	
Total Finance Cost				13,777,610
TOTAL COSTS				**200,500,624**

PROFIT

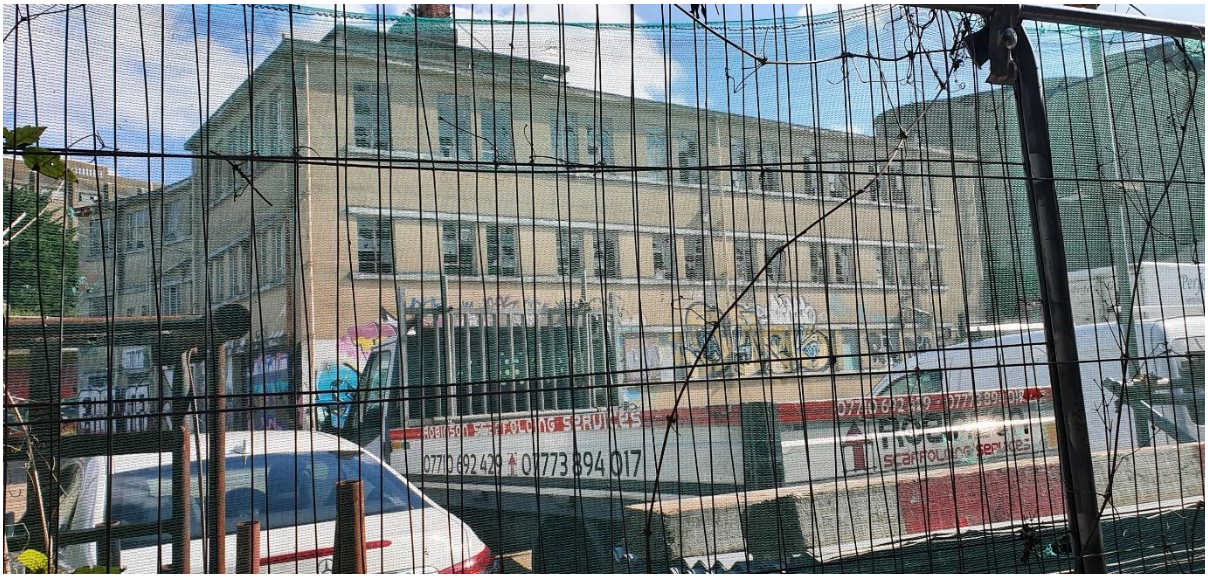
				(35,801,576)

Performance Measures

Profit on Cost%		-17.86%		
Profit on GDV%		-21.74%		
Profit on NDV%		-21.74%		
IRR% (without Interest)		-16.67%		
Profit Erosion (finance rate 6.500)		N/A		

Appendix 3: Site Photographs


PUBLIC FOOTPATH
PUBLIC FOOTPATH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