

From:
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Subject:
Attachments:



Richard

Please find below my initial thoughts on the comments raised in the Applicant's letter dated 31st May 2022.

GDV

I note that the Applicant has increased their opinion of the GDV from £392 per sq ft to £425 per sq ft but this remains below my opinion of the GDV of £447 per sq ft. This appears to be a matter of opinion more than anything. Both sides are, in the main, using the same developments as a point of reference although I have referred to some schemes which have not been addressed by the Applicant.

Build Costs

In terms of the build costs the Applicant has submitted a revised cost plan. The costs for the development have increased and that is to be expected having regard to general price increases over period since the initial viability appraisal was submitted. I recommend that the cost plan be reviewed by a Quantity Surveyor.

Abnormal Development Costs

I previously estimated from the earlier cost plan that the abnormal development costs were in the order of £1,973,000. No evidence has been provided by the Applicant to support these costs in the form of background surveys or quotes etc. Abnormal development costs at this level have the potential to significantly affect the viability of the development proposed. I would normally recommend that these costs be reviewed by a Quantity Surveyor but insufficient information is provided for such a review.

Valuation Context

The Applicant has not confirmed the purchase payable for the property on the grant of planning permission for development or provided any evidence from comparable development land transactions. In this way the Applicant's viability appraisal is incomplete and is non-compliant with SDNPA's SPD, the PPG and RICS guidance.

In the absence of such information to provide the context for the valuation I remain of the opinion that the inputs I have adopted in my residual appraisals are consistent with the market and there is no rationale for a change. The exception being the finance cost which I accept will have increased to say 6.5% per annum.

I therefore remain of the view that the following are appropriate:

- Agency and legal fees on acquisition 1.8%
- Professional fees 8%
- Marketing and agency fees of sale of the completed Market Housing units 2.5%
- Legal fees on the Market Housing units £750 per units and £350 per unit for the Affordable Housing
- Developer's profit 17.5% on Market Housing GDV and 6% on Affordable Housing GDV

Section 106 and Section 278

I have amended the sums adopted in line with the Applicant's assessment at £95,000

Revised Appraisals

I have prepared several revised appraisals copies of which are attached.

The Policy Compliant Scheme

I have, for the time being, and in the absence of a review by a Quantity Surveyor adjusted the residual appraisal to reflect the Applicant's cost plan and have also increased the finance cost assumption to 6.5% per annum otherwise the .

This provides for a Residual Land Value for the Policy Compliant Scheme of £667,611 which falls below the BLV at £1,038,000.

This suggests that the Policy Compliant Scheme may not be viable with 50% Affordable Housing provision but this may be a result of the build costs being over estimated.

The Applicant's Scheme

I have similarly reviewed the Applicant's Scheme again based upon the Applicant's revised cost plan and a finance cost of 6.5% per annum.

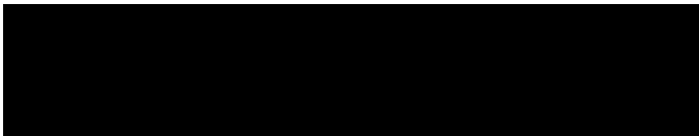
This provides for a Residual Land Value of ££2,244,153 which is significantly higher than the BLV of £1,038,000


This suggests that the Applicant's Scheme is viable with significantly more than the 8 x Shared Ownership units proposed by the Applicant.

Kind regards
Fraser Castle MSc MRIC
Partner



Chartered Surveyor



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