Click or tap here to enter text.

February 2025

Queensmere House 49 Queens Road East Grinstead RH19 1BG

Financial Viability Assessment

Contents

Instructions

This Viability Assessment is submitted to Mid Sussex District Council to accompany the planning application for the proposed residential led development at Queensmere House Queens Road East Grinstead RH19 1BG ('the Property'). The Applicant is RH19 Estates Ltd.

Confidentiality

We understand that the report will be submitted to the Council as a supporting document to the planning application. The report must not be recited or referred to in any document (save the consultants instructed by the Council to review the report) without our express prior written consent.

Report Limitations

Although this report has been prepared in line with RICS valuation guidance, it is first and foremost is for information purposes only. Therefore, it should be noted that, as per Professional Standards 1 of the RICS Valuation Global Standards 2022 incorporating the International Valuation Standards, advice given expressly in preparation for, or during the course of, negotiations or possible litigation does not form part of a formal 'Red Book' valuation and should not be relied upon as such.

Date of Appraisal

The Date of Appraisal is the date of this report.

1. Executive Summary

1.1. The subject site comprises the Property known as Queensmere House is located in East Grinstead in Mid Sussex District Council..

1.2. The site comprises an existing building (Queesmere House) which was formerly in use as a College that was operated by Central Sussex, prior to this use the building was used as offices.

1.3. The building was originally an office block built in the 1980's. It is a brick built building with a series of windows to the ground and first floor. The first floor has a tiled mono-pitch roof with a setback second floor behind. This is also capped with a mono-pitch tiled roof. The building is accessed via a glazed entrance off of Queens Road. There is vehicular parking to the area which is accessed via a ramp and under croft access way.

1.4. We have assessed the development economics of the proposed scheme in order to identify the level of planning obligations the scheme can sustain. We have appraised the scheme using Argus Developer (Version 8.2) and have based our appraisal upon the plans and schedule of accommodation shown in **Appendix 2** and **Appendix 3** respectively.

1.5. We have compared the resulting Profit on Cost when applying the Site Value Benchmark as the purchase price to ascertain whether there is a deficit or surplus in terms of the Profit level. In this case our Site Value Benchmark has been determined by giving consideration to the Existing Use Value of the site.

1.6. Initially we have appraised the proposed scheme for 100% of the units being Private sale, on the basis set out in the table below. Please see **Appendix 5** for the full development appraisals.

Table 1 – Viability Appraisal Results

Target Profit on GDV	Site Value Benchmark	Residual Value
17.5%	Nil	-£400,892

1.6.1. Given that the Residual Value of -£400,892 shows a negative position for a project delivering 100% private housing including an anticipate level of Section 106 contributions, technically the application scheme falls short of being viable under standard measurement of viability including a 17.5% on GDV), so would be unable to deliver any on site affordable housing or payment in lieu (PiL)

2. Introduction

2.1. Client Instruction

2.2. We have been instructed by the Applicant to examine the economic viability of this residential scheme, to determine the level of planning obligations that the proposed development can support whilst remaining viable.

2.3. Information Provided

2.3.1. We have been provided with, and have relied upon, the following information from the Applicant:

- Site area plan as attached at **Appendix 1;**
- Schedule of accommodation and floorplans produced by ATP Architects, as attached at **Appendix 2 and 3,**
- Build costs as advised by Calford Seaden attached in **Appendix 4**.
- Argus appraisals as attached in **Appendix 5;** and
- Residential sales comparable statement, as attached in **Appendix 8**.
- Unilateral Undertaking from the previous planning permission attached in **Appendix 7**.

2.4. Planning Practice Guidance-Viability (September 2019)

2.4.1. The consideration of viability under the Planning Practice Guidance-Viability (PPG) September 2019 is now a three-stage process whereby each stage must be fulfilled before the next one is assessed. We list these stages below:

1. Stage 1 is for the applicant to demonstrate whether one of the four circumstances has occurred:
   a. The site is of a wholly different type to those used in the Local Plan Viability Study, Including CIL Review,
   b. Further information on infrastructure or site costs is required,
   c. Where a scheme is under a non-standard model (for example build for rent or housing for local people); and
   d. Where there has been a recession or similar significant economic change.

2. Stage 2 shows the process for consideration that is set out in the Viability PPG under the heading 'How should a viability assessment be treated in decision making?' Of note, the evidence submitted should be based on what has changed since the viability study adopted under the Local Plan took place, in addition to assessing the scheme-specific economics.

3. Stage 3 of the process is about how much weight should be given to the viability evidence presented and should be consistent with RICS guidance and the PPG.

   In accordance with the above, we have assessed the proposed development on this basis.

3. Subject Description

3.1. Subject Location

3.1.1. The Property. comprises an existing building (Queesmere House) which was formerly in use as a College that was operated by Central Sussex, prior to this use the building was used as offices

3.2. The building was originally an office block built in the 1980's. It is a brick built building with a series of windows to the ground and first floor. The first floor has a tiled mono-pitch roof with a setback second floor behind. This is also capped with a mono-pitch tiled roof. The building is accessed via a glazed entrance off of Queens Road. There is vehicular parking to the area which is accessed via a ramp and under croft access way.

3.2.1. The site is triangular in shape in shape, with the current building situated to the front facing Queens Road, to the rear is carparking, also accessed off Queens Road. .

3.3. Proposed Development

3.3.1. The Proposed Development is for the following:

- 24 no. Apartments, comprising
  - 17 x 1 Bedroom
  - 6 x 2 Bedroom and
  - 1 x 3 Bedroom.

3.3.2. A detailed accommodation schedule and plans are provided at Appendix 2 and 3. Further details of the proposals are contained within our Residential Comparable report.

4. Methodology

4.1. Financial Viability Assessments

4.1.1. In line with the NPPF, and local strategic planning guidance, site-specific financial viabilities are a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

4.1.2. As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that S106 requirements do not make a scheme unviable.

4.1.3. The RICS define financial appraisals for planning purposes as:

'*An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project*'.

4.1.4. The logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.2. Residual Land Valuation

4.2.1. The financial viability of development proposals is determined using the residual land valuation method. A summary of this valuation process can be seen below:

Built Value of proposed private residential and + **Built Value of affordable housing** = **GDV**

GDV - **Build costs, finance costs, other Section 106 costs, CIL, sales** = **RESIDUAL LAND VALUE**

Land Value (RLV) is then compared to a site value benchmark. If the RLV is lower and/or not sufficiently higher than the benchmark the project is not technically viable

5. Site Value Benchmark

5.1. Introduction

5.1.1. The RICS professional statement 'Financial viability in planning: conduct and reporting' (effective from 1 September 2019) states that Financial Viability Assessments must include the Existing Use Value (EUV), the premium and all supporting considerations, assumptions and justifications adopted when considering the Benchmark Land Value. In this section, we have set out these considerations and explained how market evidence and other supporting information has been analysed in identifying the Benchmark Land Value.

5.2. Existing Use Value plus premium (EUV+)

5.2.1. EUV is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers, and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

5.2.2. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

5.2.3. The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. The RICS, the NPPF and the Mayor's Affordable Housing and Viability SPG all support the adoption of Benchmark Land Values on an EUV plus basis where possible.

5.2.4. Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.

5.2.5. Policy compliance means that the development complies fully with up-to-date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

5.3. Site Value Benchmark calculation

5.3.1. In respect of the Site Benchmark Land Value (BLV), in this initial calculation we have not included a BLV as the Residual is shown as a negative position, however we retain the right to do so and include in the calculation./

6. Appraisal Modelling Assumptions - GDV

6.1. Residential Values

6.1.1. We have assessed several comparable transactions in the area to form an opinion of value for the proposed apartments at the Subject, taking into account the location, size, aspect, provision of outside space, proposed accommodation and parking provision. We have attached our Argus appraisal in **Appendix 5**.

6.1.2. Based on research attached at **Appendix 6** that has been prepared by Savills, along with advice received from local experts Hamptons, who's individual unit by unit schedule can be found in Appendix 6, we have adopted a Gross Development Value (GDV) for the base scheme of **£5,707,000** equating to **£403,67 sq ft**, for a 100% private scheme

6.1.3. Affordable Values

6.1.4. Due to the scheme having a negative residual position in including 100% private housing, no affordable housing has been calculated.

6.2. Ground Rents

6.2.1. The Leasehold Reform (Ground Rent) Act 2022 was brought into force on 30 June 2022. The Act will place a ban on landlords charging ground rent to future leaseholders, although there are exceptions to some leaseholders. There has been no announcement about making the new measures retrospective, but this has been debated in the Commons and intervention on existing leases cannot be ruled out. Because of the aforementioned, we have not included any Ground Rents within the appraisal.

7. Appraisal Modelling Assumptions - Costs

7.1.1. The following assumptions have been adopted in assessing the costs of the proposed scheme, all assumptions are based against the Scheme providing 100% Private Housing, applying no Section 106 contributions.

7.2. Build Costs

7.2.1. We have adopted the build costs as advised by Calford Seaden, a copy of the cost plan can be found in **Appendix 4** and extend to **£**4,179,232

For the purposes of the appraisal, we have broken this figure down into:

- Substructure £248,2107,
- Superstructure £1,389,046,
- Internal finishes £474,099,
- Fittings and furnishings £122,000,
- Mechanical and Electrical Services £689,137
- External works and drainage £327,273,
- Main contractors Prelims @10% £250,277,
- D&B design development risk @ 2% £76,513,
- D&B construction risk £78,044,
- Client contingency @ 5% £199,011.

7.3. Professional Fees

7.3.1. In this instance we have adopted Professional Fees of 10%, this extends to a figure of **£417,923.**.

7.4. Sales Costs

7.4.1. We have consulted with the Savills residential development sales department who advise that a reasonable sales agent fee would be 1.50%, which extends to a total of **£85,612**, in addition to a marketing budget of £1,000 per unit.

7.4.2. Residential Sales Legal has been included at £1,500 per unit, this extends to a total of **£121,650**.

7.5. Purchaser's Costs

7.5.1. As the scheme is showing a negative residual position, the Argus Appraisal will not calculate a Stamp Duty or Purchasing Agents Fee, in respect solicitors fees on the purchase, we have included a token £20,000

- Stamp Duty Land Tax, £0,
- Agent Fees at 0%; and
- Legal fees at 0.8%, equating to £20,000..

7.6. Planning Obligations

7.6.1. Community Infrastructure Levy, we are advised that CiL is not applicable.

Section 106 (S.106) obligations, we have not been informed of the current level for the application project, so to include a meaningful sum, we have had consideration to the Unilateral Undertaking of the consented scheme in 2018, plus allowed a 5% p/a indexation figure, which extends to £125,000. A copy of the 2018 Unilateral Undertaking can be found in **Appendix 7**. As these figures are only estimated, it is likely that there will be a discrepancy against any future LPA request, any discrepancy will have an effect on the residual conclusion and appraisal will need updating.

7.7. Profit

7.7.1. In assessing what constitutes an acceptable level of developer's return in the current market we have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills, as well as applied our own development experience. In the current market if a developer was buying a site such as the Subject, they would normally seek a return of at least 20% Profit on GDV (broadly equivalent to 25% Profit on Cost) in order to justify the risk of delivering the scheme.

7.7.2. In this instance we have assessed the level of Profit on GDV of (17.5% GDV), in line with the mid-point of the RICS and NPPF, guidance, of between 15-20% of GDV.

7.8. Finance

7.8.1. As standard assumptions we have assumed that the development will be 100% debt financed, at a rate debit rate of 8%, this equates to a total finance cost of **£998,812**.

7.9. Timescales

7.9.1. We have adopted the following development timetable:

- Pre-construction: 9 months.
- Construction: 12 months.
- We have included a sales period of 8 months, commencing at the end of construction period, (3 sales per month, this may be over optimistic, as speaking to the local agents, flat sales in the area are similar to other parts of the Country where they have slowed down in the current climate. We reserve the right to revisit this matter.

8. Conclusion

8.1.1. We have appraised the proposed scheme to fully understand the economics of the development and to establish the maximum level of planning obligations, including affordable housing that the scheme can reasonably support.

8.1.2. A summary of our appraisal results for a scheme providing 100% Private Housing, is set out below. As the table shows, the proposals generate a viability deficit, without any BLV being included, based on the information as included.

Scheme providing 100% Private Housing

Target Profit on GDV	Site Value Benchmark	Residual Value
17.50%	£0	-£400,982

.

8.1.3. The results show that no further contribution to affordable housing on site or Payment in Lieu can be provided, Section 106 contributions of £125,000 have been included with the calculations, even though in doing so, the scheme is further underwater.

Click or tap here to enter text.

February 2025

Queensmere House 49 Queens Road East Grinstead RH19 1BG

Financial Viability Assessment

Contents

Instructions

This Viability Assessment is submitted to Mid Sussex District Council to accompany the planning application for the proposed residential led development at Queensmere House Queens Road East Grinstead RH19 1BG ('the Property'). The Applicant is RH19 Estates Ltd.

Confidentiality

We understand that the report will be submitted to the Council as a supporting document to the planning application. The report must not be recited or referred to in any document (save the consultants instructed by the Council to review the report) without our express prior written consent.

Report Limitations

Although this report has been prepared in line with RICS valuation guidance, it is first and foremost is for information purposes only. Therefore, it should be noted that, as per Professional Standards 1 of the RICS Valuation Global Standards 2022 incorporating the International Valuation Standards, advice given expressly in preparation for, or during the course of, negotiations or possible litigation does not form part of a formal 'Red Book' valuation and should not be relied upon as such.

Date of Appraisal

The Date of Appraisal is the date of this report.

1. Executive Summary

1.1. The subject site comprises the Property known as Queensmere House is located in East Grinstead in Mid Sussex District Council..

1.2. The site comprises an existing building (Queesmere House) which was formerly in use as a College that was operated by Central Sussex, prior to this use the building was used as offices.

1.3. The building was originally an office block built in the 1980's. It is a brick built building with a series of windows to the ground and first floor. The first floor has a tiled mono-pitch roof with a setback second floor behind. This is also capped with a mono-pitch tiled roof. The building is accessed via a glazed entrance off of Queens Road. There is vehicular parking to the area which is accessed via a ramp and under croft access way.

1.4. We have assessed the development economics of the proposed scheme in order to identify the level of planning obligations the scheme can sustain. We have appraised the scheme using Argus Developer (Version 8.2) and have based our appraisal upon the plans and schedule of accommodation shown in **Appendix 2** and **Appendix 3** respectively.

1.5. We have compared the resulting Profit on Cost when applying the Site Value Benchmark as the purchase price to ascertain whether there is a deficit or surplus in terms of the Profit level. In this case our Site Value Benchmark has been determined by giving consideration to the Existing Use Value of the site.

1.6. Initially we have appraised the proposed scheme for 100% of the units being Private sale, on the basis set out in the table below. Please see **Appendix 5** for the full development appraisals.

Table 1 – Viability Appraisal Results

Target Profit on GDV	Site Value Benchmark	Residual Value
17.5%	Nil	-£400,892

1.6.1. Given that the Residual Value of -£399,108 shows a negative position for a project delivering 100% private housing including an anticipate level of Section 106 contributions, technically the application scheme falls short of being viable under standard measurement of viability including a 17.5% on GDV), so would be unable to deliver any on site affordable housing or payment in lieu (PiL)

2. Introduction

2.1. Client Instruction

2.2. We have been instructed by the Applicant to examine the economic viability of this residential scheme, to determine the level of planning obligations that the proposed development can support whilst remaining viable.

2.3. Information Provided

2.3.1. We have been provided with, and have relied upon, the following information from the Applicant:

- Site area plan as attached at **Appendix 1;**
- Schedule of accommodation and floorplans produced by ATP Architects, as attached at **Appendix 2 and 3,**
- Build costs as advised by Calford Seaden attached in **Appendix 4**.
- Argus appraisals as attached in **Appendix 5;** and
- Residential sales comparable statement, as attached in **Appendix 8**.
- Unilateral Undertaking from the previous planning permission attached in **Appendix 7**.

2.4. Planning Practice Guidance-Viability (September 2019)

2.4.1. The consideration of viability under the Planning Practice Guidance-Viability (PPG) September 2019 is now a three-stage process whereby each stage must be fulfilled before the next one is assessed. We list these stages below:

1. Stage 1 is for the applicant to demonstrate whether one of the four circumstances has occurred:
   a. The site is of a wholly different type to those used in the Local Plan Viability Study, Including CIL Review,
   b. Further information on infrastructure or site costs is required,
   c. Where a scheme is under a non-standard model (for example build for rent or housing for local people); and
   d. Where there has been a recession or similar significant economic change.

2. Stage 2 shows the process for consideration that is set out in the Viability PPG under the heading ‘How should a viability assessment be treated in decision making?’ Of note, the evidence submitted should be based on what has changed since the viability study adopted under the Local Plan took place, in addition to assessing the scheme-specific economics.

3. Stage 3 of the process is about how much weight should be given to the viability evidence presented and should be consistent with RICS guidance and the PPG.

   In accordance with the above, we have assessed the proposed development on this basis.

3. Subject Description

3.1. Subject Location

3.1.1. The Property. comprises an existing building (Queesmere House) which was formerly in use as a College that was operated by Central Sussex, prior to this use the building was used as offices

3.2. The building was originally an office block built in the 1980's. It is a brick built building with a series of windows to the ground and first floor. The first floor has a tiled mono-pitch roof with a setback second floor behind. This is also capped with a mono-pitch tiled roof. The building is accessed via a glazed entrance off of Queens Road. There is vehicular parking to the area which is accessed via a ramp and under croft access way.

3.2.1. The site is triangular in shape in shape, with the current building situated to the front facing Queens Road, to the rear is carparking, also accessed off Queens Road. .

3.3. Proposed Development

3.3.1. The Proposed Development is for the following:

- 24 no. Apartments, comprising
  - 17 x 1 Bedroom
  - 6 x 2 Bedroom and
  - 1 x 3 Bedroom.

3.3.2. A detailed accommodation schedule and plans are provided at Appendix 2 and 3. Further details of the proposals are contained within our Residential Comparable report.

4. Methodology

4.1. Financial Viability Assessments

4.1.1. In line with the NPPF, and local strategic planning guidance, site-specific financial viabilities are a material consideration in determining how much and what type of affordable housing should be required in residential and mixed-use developments.

4.1.2. As such, viability appraisals can and should be used to analyse and justify planning obligations to ensure that S106 requirements do not make a scheme unviable.

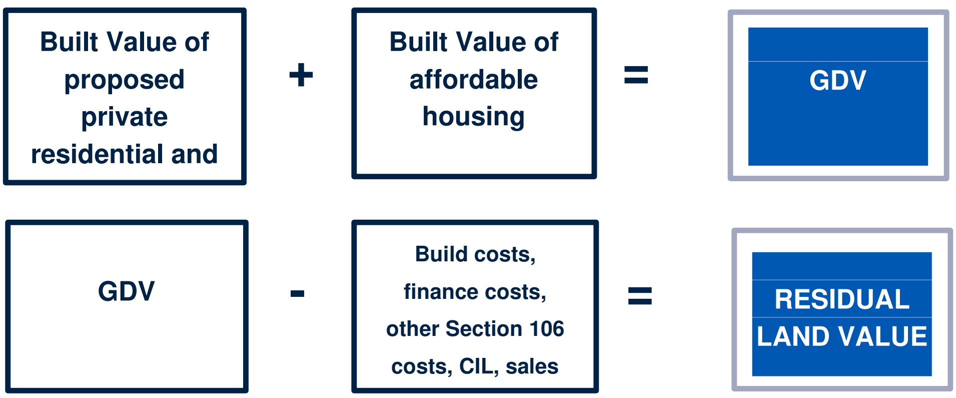
4.1.3. The RICS define financial appraisals for planning purposes as:

'*An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to a developer in delivering a project*'.

4.1.4. The logic is that, if the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.2. Residual Land Valuation

4.2.1. The financial viability of development proposals is determined using the residual land valuation method. A summary of this valuation process can be seen below:



Land Value (RLV) is then compared to a site value benchmark. If the RLV is lower and/or not sufficiently higher than the benchmark the project is not technically viable

5. Site Value Benchmark

5.1. Introduction

5.1.1. The RICS professional statement 'Financial viability in planning: conduct and reporting' (effective from 1 September 2019) states that Financial Viability Assessments must include the Existing Use Value (EUV), the premium and all supporting considerations, assumptions and justifications adopted when considering the Benchmark Land Value. In this section, we have set out these considerations and explained how market evidence and other supporting information has been analysed in identifying the Benchmark Land Value.

5.2. Existing Use Value plus premium (EUV+)

5.2.1. EUV is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers, and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

5.2.2. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

5.2.3. The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. The RICS, the NPPF and the Mayor's Affordable Housing and Viability SPG all support the adoption of Benchmark Land Values on an EUV plus basis where possible.

5.2.4. Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.

5.2.5. Policy compliance means that the development complies fully with up-to-date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

5.3. Site Value Benchmark calculation

5.3.1. In respect of the Site Benchmark Land Value (BLV), in this initial calculation we have not included a BLV as the Residual is shown as a negative position, however we retain the right to do so and include in the calculation./

6. Appraisal Modelling Assumptions - GDV

6.1. Residential Values

6.1.1. We have assessed several comparable transactions in the area to form an opinion of value for the proposed apartments at the Subject, taking into account the location, size, aspect, provision of outside space, proposed accommodation and parking provision. We have attached our Argus appraisal in **Appendix 5**.

6.1.2. Based on research attached at **Appendix 6** that has been prepared by Savills, along with advice received from local experts Hamptons, who's individual unit by unit schedule can be found in Appendix 6, we have adopted a Gross Development Value (GDV) for the base scheme of **£5,707,000** equating to **£403,67 sq ft**, for a 100% private scheme

6.1.3. Affordable Values

6.1.4. Due to the scheme having a negative residual position in including 100% private housing, no affordable housing has been calculated.

6.2. Ground Rents

6.2.1. The Leasehold Reform (Ground Rent) Act 2022 was brought into force on 30 June 2022. The Act will place a ban on landlords charging ground rent to future leaseholders, although there are exceptions to some leaseholders. There has been no announcement about making the new measures retrospective, but this has been debated in the Commons and intervention on existing leases cannot be ruled out. Because of the aforementioned, we have not included any Ground Rents within the appraisal.

7. Appraisal Modelling Assumptions - Costs

7.1.1. The following assumptions have been adopted in assessing the costs of the proposed scheme, all assumptions are based against the Scheme providing 100% Private Housing, applying no Section 106 contributions.

7.2. Build Costs

7.2.1. We have adopted the build costs as advised by Calford Seaden, a copy of the cost plan can be found in **Appendix 4** and extend to **£**4,179,232

For the purposes of the appraisal, we have broken this figure down into:

- Substructure £248,2107,
- Superstructure £1,389,046,
- Internal finishes £474,099,
- Fittings and furnishings £122,000,
- Mechanical and Electrical Services £689,137
- External works and drainage £327,273,
- Main contractors Prelims @10% £250,277,
- D&B design development risk @ 2% £76,513,
- D&B construction risk £78,044,
- Client contingency @ 5% £199,011.

7.3. Professional Fees

7.3.1. In this instance we have adopted Professional Fees of 10%, this extends to a figure of **£417,923.**.

7.4. Sales Costs

7.4.1. We have consulted with the Savills residential development sales department who advise that a reasonable sales agent fee would be 1.50%, which extends to a total of **£85,612**, in addition to a marketing budget of £1,000 per unit.

7.4.2. Residential Sales Legal has been included at £1,500 per unit, this extends to a total of **£121,650**.

7.5. Purchaser's Costs

7.5.1. As the scheme is showing a negative residual position, the Argus Appraisal will not calculate a Stamp Duty or Purchasing Agents Fee, in respect solicitors fees on the purchase, we have included a token £20,000

- Stamp Duty Land Tax, £0,
- Agent Fees at 0%; and
- Legal fees at 0.8%, equating to £20,000..

7.6. Planning Obligations

7.6.1. Community Infrastructure Levy, we are advised that CiL is not applicable.

Section 106 (S.106) obligations, we have not been informed of the current level for the application project, so to include a meaningful sum, we have had consideration to the Unilateral Undertaking of the consented scheme in 2018, plus allowed a 5% p/a indexation figure, which extends to £125,000. A copy of the 2018 Unilateral Undertaking can be found in **Appendix 7**. As these figures are only estimated, it is likely that there will be a discrepancy against any future LPA request, any discrepancy will have an effect on the residual conclusion and appraisal will need updating.

7.7. Profit

7.7.1. In assessing what constitutes an acceptable level of developer's return in the current market we have consulted with specialist colleagues within the Loan Security Valuation and Capital Markets departments of Savills, as well as applied our own development experience. In the current market if a developer was buying a site such as the Subject, they would normally seek a return of at least 20% Profit on GDV (broadly equivalent to 25% Profit on Cost) in order to justify the risk of delivering the scheme.

7.7.2. In this instance we have assessed the level of Profit on GDV of (17.5% GDV), in line with the mid-point of the RICS and NPPF, guidance, of between 15-20% of GDV.

7.8. Finance

7.8.1. As standard assumptions we have assumed that the development will be 100% debt financed, at a rate debit rate of 8%, this equates to a total finance cost of **£998,812**.

7.9. Timescales

7.9.1. We have adopted the following development timetable:

- Pre-construction: 9 months.
- Construction: 12 months.
- We have included a sales period of 8 months, commencing at the end of construction period, (3 sales per month, this may be over optimistic, as speaking to the local agents, flat sales in the area are similar to other parts of the Country where they have slowed down in the current climate. We reserve the right to revisit this matter.

8. Conclusion

8.1.1. We have appraised the proposed scheme to fully understand the economics of the development and to establish the maximum level of planning obligations, including affordable housing that the scheme can reasonably support.

8.1.2. A summary of our appraisal results for a scheme providing 100% Private Housing, is set out below. As the table shows, the proposals generate a viability deficit, without any BLV being included, based on the information as included.

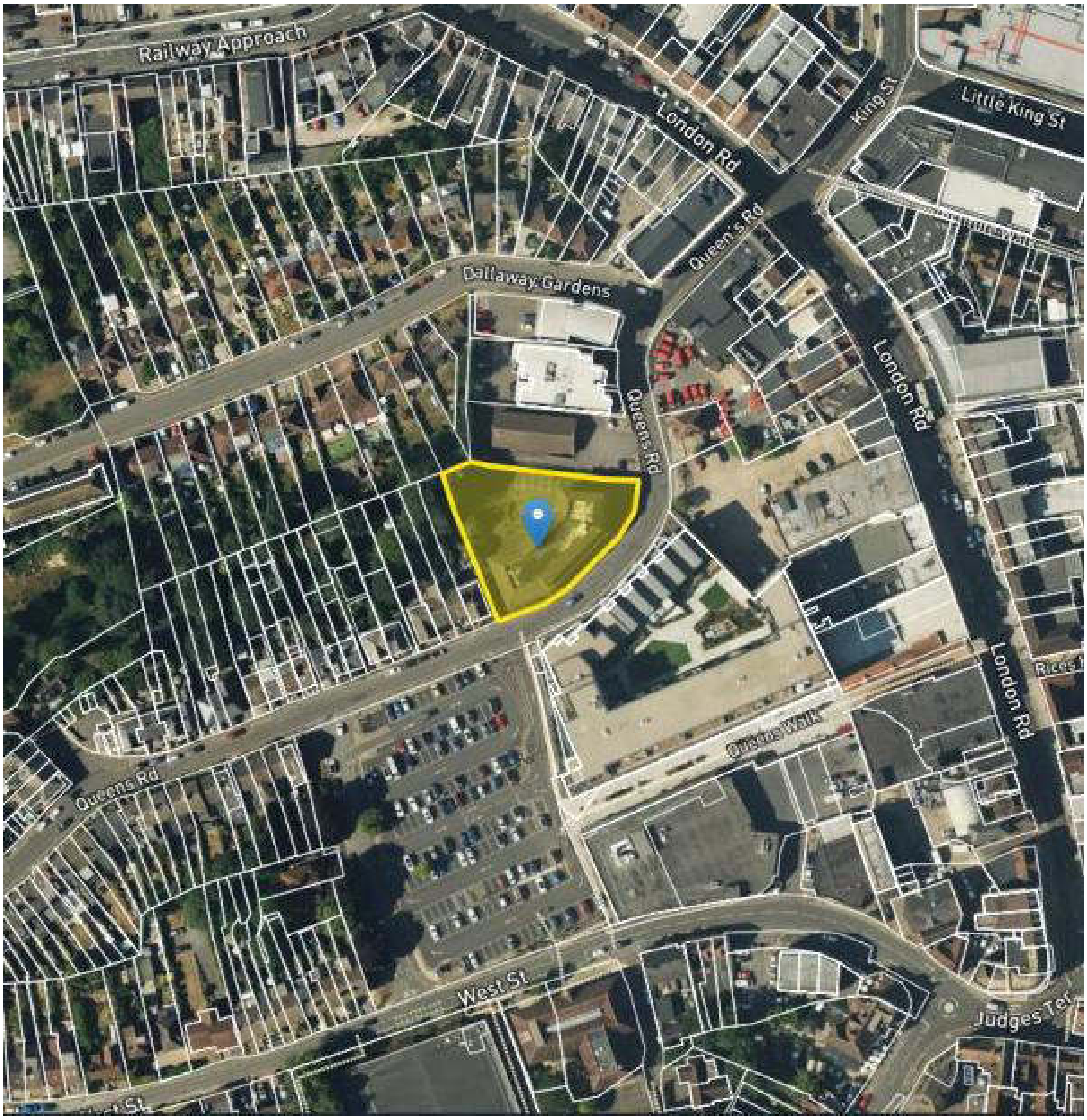
Scheme providing 100% Private Housing

Target Profit on GDV	Site Value Benchmark	Residual Value
17.50%	£0	-£400,982

8.1.3. As advised prior, the applicant has elected to provide a quantum of affordable housing on site, even though based against the results on a scheme providing 100% private housing falls short of being viable, considering the results of the appraisal including the advice received from specialist consultants as included in the appendices.

8.1.4. The results show that no further contribution to affordable housing on site or Payment in Lieu can be provided, Section 106 contributions of £125,000 have been included with the calculations, even though in doing so, the scheme is further underwater.

Appendix 1. Site plan


Railway Approach
London Rd
King St
Little King St
Queen's Rd
Dallaway Gardens
Queens Rd
London Rd
London Rd
Queens Walk
Queens Rd
West St
Judges Ter

Appendix 2. Schedule of Accommodation

Queensmere House 49 Queens Road East Grinstead RH19 1BG

Schedule of Accommodation

Unit	Beds/Person	Floor	Type	Sq m	Sq ft
1	1b 2p	Lower Ground	Conversion	50.8	547
2	1b 2p	Lower Ground	Conversion	52.7	567
3	2b 4p	Lower Ground	Conversion	70.7	761
4	3b 5p	Lower Ground	Conversion	80.6	868
5	2b 4p	Lower Ground	Conversion	73	786
6	1b 2p	Ground	Conversion	50.8	547
7	1b 1p	Ground	Conversion	42	452
8	1b 1p	Ground	Conversion	37.4	403
9	2b 3p	Ground	Conversion	61.1	658
10	1b 2p	Ground	Conversion	50.2	540
11	1b 2p	Ground	Conversion	50.4	543
12	1b 2p	Ground	Conversion	51.3	552
13	2b 4p	First	Conversion	70	753
14	1b 2p	First	Conversion	53.3	574
15	1b 1p	First	Conversion	44	474
16	2b 3p	First	Conversion	61.1	658
17	1b 2p	First	Conversion	51.3	552
18	1b 2p	First	Conversion	50.4	543
19	1b 2p	First	Conversion	51.3	552
20	2b 3p	Second	Conversion	73	657
21	1b 2p	Second	Conversion	50	538
22	1b 2p	Second	Conversion	50	538
23	1b 2p	Second	Conversion	50	538
24	1b 2p	Second	Conversion	50	538
				1,325.4	14,139