SWALE BOROUGH COUNCIL

Bell Road, Sittingbourne, Kent

Viability Assessment

FINAL January 2018

CBRE

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APPENDICES ....

1.0 Introduction

1.1 CBRE has been appointed by Swale Borough Council (SBC) to provide viability advice with regards to the proposed mixed use scheme of the site at Bell Road, Sittingbourne, Kent. Aria Group is the applicant and SBC is the Local Planning Authority. Harrisons Chartered Surveyors (HCS) is providing viability advice to the applicant as part of the process.

1.2 CBRE is providing specialist viability advice to SBC in terms of reviewing the viability assessment submitted by the applicant. CBRE's role includes the interrogation of the issues associated with the viability of the scheme as presented by the applicant.

1.3 The intention of CBRE's review is to analyse and critically appraise the appropriate level of affordable housing provision and S106 contributions that the scheme can withstand when taking into account what is considered 'viable'. CBRE will critically evaluate the applicant's assertion that the development is suffering in terms of viability and cannot support a policy compliant level of affordable housing (10%) along with other S106 contributions.

1.4 SBC's policy requires 10% affordable housing provision within Sittingbourne with the tenure split being 90% rented and 10% shared ownership as set out in the recently adopted Local Plan 'Bearing Fruits 2031'.

- CBRE has had regard to the following reports and information in undertaking this report comprising:
- Viability Report prepared by Harrisons Chartered Surveyors on behalf of the applicant (dated July 2017);
- The development appraisal dated July 2017 for Bell Road (as set out at Appendix 7 of the applicant's viability report) assuming a total of 166 units including 165 one and two bedroom apartments and one commercial unit. The development appraisal includes no affordable housing or S106 contributions;
- Budget Estimate for the new build mixed use development at Bell Road, Sittingbourne prepared by Woodley Coles dated 25th May 2017 (appended to the applicant's report at Appendix 5); and
- Contractor's Estimate of Costs as prepared by Wilmott Dixon (undated)

1.5 There has been an exchange of correspondence between JTS Partnership (planners for the scheme) and CBRE as well as SBC to clarify some of the assumptions and inputs to the model.

1.6 Viability is at the heart of the delivery of development and this principle is embodied in the 2012 National Planning Policy Framework. This report therefore analyses and presents the viability issues affecting this site leading to a recommendation as to the amount of affordable housing / S.106 contributions that the scheme can support.

2.0 The Site

SITE DESCRIPTION

2.1 The site is located to the east of Sittingbourne Town Centre and to the northern end of Bell Road at the junction of High Street and East Street. The site is bounded by High Street to the north; Bell Road to the east; the adjacent Sainsbury's car parks to the west; and existing residential dwellings to the south. Sittingbourne is located within Swale District in Kent County, approximately 45 miles south-east of London. The population of Sittingbourne is approximately 62,500.

2.2 The overall site is approximately 0.81 ha (2 acres). This includes the existing Bell House building, which comprises approximately 1,347 sq m (14,500 sq ft) of office space and is situated in the south-east corner of the site. It comprises a four-storey partly occupied office building. Bell House is to be retained as part of the development proposals which results in a slightly smaller net developable area estimated at 0.67 ha (1.65 acres). Appendix 1 shows a location and scheme plan.

2.3 The subject site is now largely vacant other than the Bell House office building. The site previously comprised the former Bell Shopping Centre (circa 2,276 sq m) and the former Sainsbury's foodstore with offices on the two upper floors (circa 4,775 sq m). The balance of the site was used as a pay and display car park. Demolition of a substantial part of the retail buildings was carried out in 2011.

2.4 The immediate surrounding area is largely commercial and residential in nature. Residential uses dominate to the east and the south of the site, with commercial uses including the existing High Street to the north of the site and the relatively new Sainsbury's supermarket to the west.

2.5 Junction 5 of the M2 Motorway is located approximately 5 miles south-west of Sittingbourne and can be accessed by the A249. Sittingbourne train station is located in the north of the town and approximately 0.5 miles north-west of the site. Sittingbourne train station lies on the Chatham Main Line and the Sheerness Line in north Kent. Sittingbourne train station has a direct train to London Victoria operated by South Eastern Trains with an average journey time of 1hour 12 minutes.

SITE AND PLANNING HISTORY

2.6 Previous owners of the site obtained planning permission for a mixed-use scheme comprising four planning permissions: -

- Application Ref No. SW/10/1400. – Approved 2nd February 2011 - 4/5 storey Sheltered Housing Building and 4 storey Residential Building;
- Application Ref No. SW/10/1402. – Approved 21st December 2010 - External alterations to Bell House Offices.
- Application Ref No. SW/10/1403. – Approved 2nd February 2011 - 4 storey Hotel and Public Car Park;
- Application Ref No. SW/10/1404. – Approved 2nd February 2011- Medical Centre Use and Refurbishment of Shopping Arcade.

2.7 The applicant states that previous owners of the site were unable to attract occupiers nor developers for the scheme which contributed to the previous owning company being placed in administration. The site was subsequently sold in 2015 to the Aria group following a marketing campaign.

The Site

DEVELOPMENT PROPOSALS

2.8 The information provided by the applicant in the viability assessment assumes nil affordable housing and is as follows:

Table 1: Bell Road, Sittingbourne

Residential Scheme Presented by Harrisons Chartered Surveyors

BLOCK NO.	UNIT TYPE	AVERAGE SQ M (NET)	AVERAGE SQ M (GROSS)	NO OF UNITS	TOTAL SQ M (NET)	TOTAL SQ M (GROSS)
Block 1	2-bed apartments	69.89	98.8	47	3,285	4,646
Block 2	1-bed and 2-bed apartments	62.71	95.8	106	6,647	10,156
Block 3 - Residential	1-bed and 2-bed apartments	61.67	82	12	740	984
Block 3 - Commercial	Medical Centre	1,349	1,349	1	1,349	1,349
Total				166	12,021	17,135

Source: Aria Group / Harrisons Chartered Surveyors

2.9 A detailed accommodation schedule is attached at Appendix 2.

2.10 The development will deliver 165 apartments and one commercial unit (43 one bedroom apartments and 122 two bedroom apartments). The density is 203.7 units per gross ha (82.5 units per gross acre).

2.11 The applicant is ultimately proposing a nil affordable housing contribution and a nil S106 contribution.

3.0 Key Viability Issues

3.1 The purpose of the instruction is to examine the applicant's concerns as presented to SBC in relation to the viability of the development. The applicant has suggested that the development is currently suffering in terms of viability and therefore the development cannot afford an affordable housing contribution plus S106 contributions.

3.2 CBRE has reviewed the applicant's Viability Report dated July 2017 and their development appraisal which is appended to their report, as well as additional supporting information.

3.3 The applicant has tested the following scenario, Appraisal One, which assumes nil affordable housing and nil S106 contributions and the following result:

Table 2: Applicant's Appraisal Outcomes

Appraisal 1

GROSS DEVELOPMENT VALUE (GDV)	GROSS DEVELOPMENT COST (GDV)	FIXED LAND VALUE	RESIDUAL PROFIT	PROFIT ON COST
£36.2 million	£41 million	£1.5 million	-£6.4 million	-15%

Source: Harrisons Chartered Surveyors, 2017

3.4 The applicant has also presented a second appraisal, Appraisal Two, reflecting the personal circumstances of the applicant. The applicant has assumed that they will take on the role of Project Manager rather than appointing independent contractors, which allows for a saving in contingency and contractor overheads and profits. This scenario produces the following result:

Table 3: Applicant's Appraisal Outcomes

Appraisal 2

GROSS DEVELOPMENT VALUE (GDV)	GROSS DEVELOPMENT COST (GDV)	FIXED LAND VALUE	RESIDUAL PROFIT	PROFIT ON COST
£36.2 million	£34.9million	£1.5 million	-£266,088	-0.73%

Source: Harrisons Chartered Surveyors, 2017

3.5 The applicant suggests that the development is suffering in viability terms as the output of their appraisal generates a negative residual profit in both scenarios before a developer's profit is included in the appraisal.

3.6 The applicant does not implicitly state what they consider the viability issues to be with the scheme, however as can be seen from the above tables, the gross development value is lower than the development costs for Appraisal One and only marginally higher than the gross development costs for Appraisal Two.

3.7 The applicant states that a profit of 15% on GDV equates to £5.4 million, which they consider to be an industry standard assumption. They state that they are willing to proceed with the scheme despite the outcomes presented above, largely as they believe that by adjusting the phasing and providing a mix of private rented and sale units would ensure that the flats can be occupied more quickly which would result in a faster income stream. They believe on this basis a profit on GDV of 5% would be achieved, however have not provided an appraisal to support this statement.

4.0 Methodology and Assumptions

4.1 We have been provided with information by the applicant in relation to key cost and value assumptions, including build costs and sales values.

4.2 CBRE has undertaken a 'toolkit' residual based development appraisal based on industry best practice (prepared in Argus Developer) using a combination of information provided by the applicant (independently verified by CBRE); industry standard assumptions; and inputs which relate to SBC's aspirations (i.e. affordable housing and S106 contributions).

4.3 Utilising the principles of this best practice guidance we have ignored the nature of the applicant and the benefits or disbenefits that are unique to that applicant. The aim is to reflect industry benchmarks in the development management process, assuming the scheme is delivered in the market at the current time.

4.4 This methodology has allowed us to test the assumptions, inputs and calculations and assess the overall viability of the development. The Argus model is an industry standard development appraisal tool that utilises a residual development appraisal cashflow model as its basis. The outcome of the appraisal is a residual land value (or profit level) which can then be compared to benchmark land values in the area (or market appropriate profit levels) to establish the overall viability of the scheme.

4.5 We have adopted the mix of units as proposed by the applicant at Appendix 3 of their Viability Report (as reproduced at Table 1 in Section 2 of this report) which does not include any contribution to affordable housing.

COST ASSUMPTIONS

Build Costs

4.6 The applicant has appointed Woodley Cole LLP to undertake a budget estimate for the delivery of the scheme as proposed. Wilmottt Dixon has reviewed the budget estimate provided by Woodley Coles and provided their own costs as a comparison. Wilmott Dixon is one of the prospective contractors for the scheme but have not been appointed to deliver the scheme. We understand Wilmott Dixon will tender for the scheme along with other contractors.

4.7 The budget estimate provided by Woodley Coles and the review undertaken by Wilmott Dixon are appended to the applicant's Viability Assessment at Appendices 5 and 6.

4.8 CBRE has noted that the areas provided in Woodley Coles' budget estimate and Wilmott Dixon's review differ to the areas provided at Table 1 above. The areas provided in Table 1 above are circa 3.51% larger than the areas reported by Woodley Coles and Wilmott Dixon. The applicant's viability advisor has stated that Woodley Coles prepared their budget estimate prior to some amendments being made to the scheme. They have therefore used the rates per sq m provided in the Woodley Coles/Wilmott Dixon review and applied these rates per sq m to the revised areas (as set out in Table 1 above).

Base Build Costs

4.9 CBRE utilised the areas set out in the Woodley Coles and Wilmott Dixon review as the basis for our cost assessment. As such the costs are underestimated as the areas are now slightly higher for Blocks One and Three.

4.10 We do not believe that by applying the rates per sq m generated by CBRE's cost review to the larger areas would be sufficient as not all costs associated with the construction would need to be increased (i.e. stairs and ramps etc). Therefore we have allowed for a 2% increase in

Methodology and Assumptions

CBRE's cost assessment to allow for the slightly larger areas assumed. We set out overleaf a summary of Woodley Cole's and Wilmott Dixon's assessment of cost and compare this to our assessment for each block.

4.11 We have also provided CBRE's full cost assessment at Appendix 3 which shows a detailed comparison of our adopted costs on an elemental basis against Woodley Coles and Wilmott Dixon.

Methodology and Assumptions

Table 4

Comparison of the Applicant's and CBRE's Build Costs

Source: Woodley Coles, Wilmott Dixon, CBRE, 2017

	WOODLEY COLE COSTS (MAY 2017)				WILMOTT DIXON COSTS (APRIL 2017)				CBRE COSTS AND COMMENTS (NOVEMBER 2017)			
COST ELEMENT	BLOCK 1 (£)	BLOCK 2 (£)	BLOCK 3 (£)	TOTAL (£)	BLOCK 1 (£)	BLOCK 2 (£)	BLOCK 3 (£)	TOTAL	BLOCK 1 (£)	BLOCK 2 (£)	BLOCK 3 (£)	TOTAL (£)
Standard Build Costs	£5,629,519	£10,272,920	£2,874,712	£18,777,151	£7,137,143	£13,961,002	£3,445,137	£24,543,282	£6,656,923	£12,898,126	£3,289,828	£22,844,877
Externals	£181,178	£553,349	£57,546	£792,073	£331,215	£908,690	£129,395	£1,369,300	£247,845	£970,923	£109,548	£1,328,316
Sub-Total	£5,810,697	£10,826,269	£2,932,258	£19,569,224	£7,468,358	£14,869,692	£3,574,532	£25,912,582	£6,904,768	£13,869,049	£3,399,376	£24,173,193
Preliminaries	£1,162,259	£2,165,254	£586,452	£3,913,965	£1,162,259	£2,165,254	£586,452	£3,913,965	£1,185,504	£2,208,559	£598,181	£3,992,244
Overheads and Profits	£523,017	£974,364	£263,903	£1,761,284	£647,296	£1,277,621	£312,074	£2,236,991	£606,770	£1,205,821	£299,817	£2,112,408
Fees	£562,243	£1,047,441	£283,696	£1,893,380	£562,243	£1,047,441	£283,696	£1,893,380	£573,488	£1,068,390	£289,370	£1,931,248
Contingency	£805,882	£1,501,333	£406,631	£2,713,846	£984,016	£1,936,001	£475,675	£3,395,692	£695,290	£1,376,386	£344,006	£2,415,685
Sub-Total	£3,053,401	£5,688,392	£1,540,682	£10,282,475	£3,355,814	£6,426,317	£1,657,897	£11,440,028	£3,061,053	£5,859,156	£1,531,356	£10,451,583
Total	£8,864,098	£16,514,661	£4,472,940	£29,851,699	£10,824,172	£21,296,009	£5,232,429	£37,352,610	£9,965,821	£19,728,205	£4,930,494	£34,624,778
Rate Per sq m	£1,973	£1,626	£1,995	£1,767	£2,410	£2,097	£2,334	£2,212	£2,219	£1,943	£2,199	£2,050

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4.12 The applicant has allowed for total build costs for all three blocks of £30,291,272 in their merged appraisal provided at Appendix 7 of their Viability Report. We assume this cost includes prelims and externals, but does not include contingency, overheads and profits and professional fees as these are allowed for elsewhere within the appraisal. The applicant has stated that they have adopted the rate per sq m provided by Wilmott Dixon given they have provided a quote for the works along with a robust analysis of the Woodley Cole costs. They state they have adopted the rate per sq m for each block to ensure consistency where design changes have taken place (i.e. Blocks 1 and 3 have increased in size).

4.13 CBRE estimates the total build costs for Blocks 1 – 3 as £28,165,432 (including prelims and external works). Externals are costed at £1.33 million which represent circa 5% of the build cost. Given this is an apartment scheme with limited external works when compared to a housing-led development, we consider this allowance to be reasonable.

4.14 There is a £2.1m difference between CBRE's assessment and the applicant's assessment.

Other Development Costs

4.15 Overheads and profits have been included in the applicant's appraisal at £2,271,845 for Blocks 1-3, which represents 7.5% of build costs, externals and prelims. This is in line with the allowance made for overheads and profits within the cost plan set out above. CBRE considers the allowance of 7.5% on build externals and prelims for overheads and profits to be reasonable and has allowed £2.1 million within our appraisal which is circa £159,437 lower than the applicant's assessment.

4.16 The applicant has stated that they have allowed for professional fees at 7.5% of standard build costs, however their actual allowance for all three phases is £2,499,030 which equates to 8.25%. (of standard build costs, externals and prelims). This is higher than the fees allowance provided in the cost plan as the applicant has adopted higher build costs given the increase in areas.

4.17 CBRE has adopted professional fees at £1.93m which equates to 6.9% of standard build costs and is £567,782 lower than the applicant's assessment.

4.18 A contingency has been applied by the applicant at 10% of standard build costs (£3,029,127) which is slightly lower than the cost assessment set out above. CBRE considers a reasonable allowance for contingency to be 7.5% given the status of the project subject to a risk analysis/register. CBRE has however allowed contingency on standard build costs, externals, prelims, overheads and profits and fees which equates to £2.4 million, circa £613,442 lower than the applicant's assessment

Marketing and Other Standard Fees

4.19 The applicant has not included any allowance for marketing costs which we assume has been an oversight as the scheme will require appropriate marketing to secure resident/investor interest. CBRE has allowed 1.5% of GDV which equates to £582,450 and is in line with our experience of undertaking viability assessments elsewhere.

4.20 The applicant has adopted sales agent and legal fees of 1.5% of GDV. We consider the applicant's assumptions to be reasonable and have adopted these within our appraisal (we have also allowed these fees on the commercial element of the scheme as well as ground rents). which equates to £618,519 as CBRE has adopted slightly higher values (see below).

4.21 Block 3 includes a commercial unit (use yet to be determined as the medical centre interest for this space has fallen away). The unit will be delivered to a shell specification. We have

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allowed for letting agents and legal fees for this space at 20% of net rental value (£36,352). The applicant has not allowed for these fees as they have included the value of the commercial element as a capital value. We have also allowed for purchaser's costs at 6.75% (£127,611).

4.22 The applicant has calculated interest at a debit rate of 4.5% per annum which has been applied to all build costs and land payments. They have also included a credit rate of 0.5%. This gives a total finance calculation of £2,331,677. We consider this rate to be on the low side, given that the current market rate is between 6% and 7% per annum. Given this scheme appears to be of high risk (amount of units in an untested market and the outturn profit generated) we consider a higher rate to be reasonable and in line with lenders' requirements, particularly given the location and size of development. CBRE has adopted 6.5% to give an interest sum of £2,838,633.

Section 106 Costs

4.23 SBC has advised that the following S106 contributions would be applicable on the scheme:

- Greenspaces contribution – TBC;
- Wheelie bins – £25,340;
- Ecological mitigation for SPA/Ramsar sites@ £281 per dwelling - £46,365;
- NHS – £142,560.
- 5% monitoring charge

NB: These amounts were quoted when the application was first consulted on. As such, the amounts could possibly change due to the passing of time.

4.24 We have not included these costs within our appraisal and instead comment on the surplus/deficit of the development and its ability to deliver S106 and affordable housing contributions.

Phasing and Programme

4.25 The applicant has assumed the scheme is broken down into three phases: Block 1 (Residential); Block 2 (Residential) and Block 3 (Residential and Commercial Unit). The phasing for each individual phase is as follows:

Phase 1- Block 1

- Purchase – July 2017
- Construction – September 2017 to August 2018 (12 months, i.e. circa 3.9 units per month)
- Sale – August 2018 to April 2019 (9 months, i.e. circa 5.2 units per month)

Phase 2 – Block 2

- Purchase – July 2017
- Construction – May 2018 to October 2019 (18 months, i.e. circa 5.9 units per month)
- Sale – October 2019 to March 2021 (18 months, i.e. circa 5.9 units per month)

Phase 3 – Block 3

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- Purchase – July 2017
- Construction – September 2018 to August 2019 (12 months, i.e. circa 1 unit per month)
- Sale – August 2019 to January 2020 (9 months, i.e. circa 1.3 units per month)

4.26 CBRE consider these timescales reasonable given the location and the type of development. Construction of each block would need to be complete prior to the sale of any units and the applicant has allowed for overlapping phases. We have adopted these timescales within our assessment.

Fixed Land Value and Profit

4.27 The applicant has adopted a fixed land value within the appraisal which represents the purchase price of the site at £1,550,000 (this excludes Bell House).

4.28 The applicant has phased the purchase price per phase based on the total floor area of development for that phase, despite the purchase price being paid in one lump sum when the site was purchased in October 2015.

4.29 The applicant has provided to CBRE confirmation of the purchase price as well as correspondence from the agent marketing the property (also Harrisons Chartered Surveyors) regarding the two offers that were received.

4.30 The developable area (i.e. excluding Bell House) equates to 0.67 ha (1.65 acres), as confirmed by the applicant. The purchase price therefore equates to £2.3m per ha / £939k per acre.

4.31 CBRE has undertaken a review of recent sales of land in the Sittingbourne and the surrounding area to gauge whether the price paid by the applicant (apportioned to omit Bell House) is considered reasonable. It is worth pointing out that although the site had previously been granted consent for various schemes (see paragraph 2.6), planning permission had expired at the time the applicant purchased the site.

4.32 CBRE has referred to the following site sales to assess the reasonableness of the price paid:

- High Oak Hill, Newington, Kent, ME9 7HY a 0.61 ha (1.5 acre) development recently sold for £800k (£1.3m per ha / £533k per acre). The site has the benefit of outline planning for 5 detached houses with garages (14/504984/OUT);
- Land at Sunset House, Almshouse Road, Throwley Forstal - a 0.4 ha (1 acre) development sold in May 2017 for £400k (£1m per ha / £400k per acre). The site has the benefit of detailed planning consent for a 2-bedroom bungalow (15/506618/FULL);
- Minster, Ramsgate, Kent CT12 4EE – a 1.3 ha (3.2 acre) development sold in June 2017 for £2.5m (£1.9m per ha / £781K per acre). The site has the benefit of outline planning for the construction of 36 dwellings OL/TH/16/0654;
- Land adjacent to Hill House, Bakers Lane, Canterbury – a 1.2 ha (3 acre) development was under offer in November 2016 for £1.4m (£1.2m per ha / £466k per acre). The site has the benefit of planning permission for 18 units CA//16/00046.

4.33 The above demonstrates that there is not a great deal of evidence of land transacting for residential development in Swale over the last couple of years, particularly for higher density development.

4.34 Taken as an average the comparables listed above equate to an average site area of 0.88 ha (2.18 acres) and an average sold/marketing price of £1.5m per ha/ £586k per acre.

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4.35 Given the scheme proposed by the applicant and the planning permissions already gained for the site (although now expired) are at a much higher density than the comparables presented above we would consider the applicant's fixed land value (£1.55m) to represent a reasonable assessment of the value of the site and have included it within our appraisal. Although the permissions have now expired, the principal of development on the site has been established. We have phased the site value based on the gross floorspace generated per phase as per the applicant's assumptions, which improves viability as it reduces the finance cost.

4.36 We have also adopted SDLT at the prevailing rates per phase which equates to 3.07% (£47,559) for the three phases combined. We have also allowed for sales agency and legal fees at 1.5% (£23,249).

4.37 The output of CBRE's appraisal is therefore a residual profit level which can be compared to market expectations for a scheme of this size, complexity and location (see following section).

GROSS DEVELOPMENT VALUES

4.38 The applicant has presented to CBRE a total Gross Development Value (GDV) of £36,200,000, which includes an allowance of £1,860,000 for the commercial unit as part of Block 3. The Gross Development Value produced by the residential element of the scheme therefore equates to £34,340,000, i.e. £3,218 per sq m (£299 per sq ft) and an average capital value per unit of £208,121.

4.39 These values are based on comparable evidence presented by Harrisons Chartered Surveyors who are active in the Sittingbourne market. Comparable evidence is attached at Appendix 4 of the applicant's Viability Report which is in the form of an email from Harrisons. The evidence provided is for resale apartments (i.e. not new) with a percentage applied to reflect a premium for new build accommodation. The evidence presented refers to an average resale value of £3,000 per sq m (£279 per sq ft), with the agent suggesting a 10 – 15% uplift for new build accommodation. This should equate to between £3,300 and £3,450 per sq m (£306 - £321 per sq ft). The values adopted in the applicant's values are lower than this range.

4.40 To sense check these values, CBRE has also undertaken a review of local market comparable new build developments in Sittingbourne and the surrounding area. See Table 5 overleaf:

Methodology and Assumptions

Table 5

Open Market Residential Sales, Sittingbourne and Surrounding Areas

DEVELOPMENT	PLOT	UNIT TYPE	GROSS ASKING PRICE	SQ FT	PRICE PER SQ FT	SQ M	PRICE PER SQ M
Archers Park, Staplehurst Road, Sittingbourne, Kent, ME10 5BH	Papyrus House - GF	2-bed apartment	£174,995	629	£278.21	58	£2,994.67
	Papyrus House - FF	2-bed apartment	£179,995	629	£286.16	58	£3,080.23
	Papyrus House - SF	2-bed apartment	£189,995	629	£302.06	58	£3,251.36
	Papyrus House - GF	1-bed apartment	£154,995	524	£295.79	49	£3,183.90
	Papyrus House - FF	1-bed apartment	£159,995	524	£305.33	49	£3,286.61
	Papyrus House - SF	1-bed apartment	£169,995	524	£324.42	49	£3,492.03
Cozenton Point, Birling Road, Rainham, ME8	3, 7 & 11	2-bed apartment	£195,000	753	£258.83	70	£2,786.01
Pearl Lane (off Pier Road), Gillingham, Kent, ME7 1FA	Victory Pier	2-bed apartments	£255,000	637	£400.31	59	£4,308.98
		2-bed apartments	£300,000	791	£379.27	73	£4,082.43
		2-bed apartments	£280,000	791	£353.98	73	£3,810.27
		2-bed apartments	£295,000	705	£418.44	65	£4,504.09
		2-bed apartments	£300,000	735	£408.06	68	£4,392.39
		2-bed apartments	£270,000	692	£390.17	64	£4,199.83
		2-bed apartments	£279,000	710	£392.96	66	£4,229.80
X1 Chatham Waters, Gillingham Gate Road, Gillingham, Kent, ME7		1-bed apartments	£225,000	538	£418.06	50	£4,500.00
		2-bed apartment	£265,000	700	£378.76	65	£4,076.92
		2-bed apartment	£310,000	807	£384.00	75	£4,133.33
The Docks, Cade Close, St. Marys Island, Chatham, ME4 3AJ	Azure	2-bed apartment	£310,000	891	£347.92	83	£3,745.05
Roman Way, Strood, Rochester, ME2	Temple Wharf	1-bed flat	£224,995	642	£350.46	60	£3,772.35
		2-bed flat	£249,995	806	£310.17	75	£3,338.64
		2-bed flat	£257,995	797	£323.71	74	£3,484.39

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The Pump House Cottage Industrial Estate Forstal Road, Aylesford, ME20		2-bed apartment	£250,000	924	£270.56	86	£2,912.34
Horsted Park, Pilots View Chatham, ME4 6BF	The Ardingly	2-bed apartment	£245,000	783	£312.90	73	£3,368.05
	The Bidborough	1-bed apartment	£197,500	557	£354.58	52	£3,816.68
	The Bidborough	1-bed apartment	£192,500	554	£347.47	51	£3,740.20
	The Dallington	2-bed apartment	£242,500	755	£321.19	70	£3,457.31
	The Bodium	1-bed apartment	£199,500	623	£320.22	58	£3,446.90
	The Bodium	1-bed apartment	£197,500	587	£336.46	55	£3,621.62

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4.41 The above values represent asking prices within an 10 mile radius and due to the varying nature of the area includes some higher and lower value areas.

4.42 The evidence we have gathered suggests an average gross asking price for new properties equating to the following:

- One bedroom apartments – £3,654 per sq m (£339 per sq ft) equating to an average capital value of £191,331 (based on an average size of 52 sq m/ 564 sq ft);
- Two bedroom apartments - £3,685 per sq m (£342 per sq ft) equating to an average capital value of £255,236 (based on an average size of 69 sq m/746 sq ft);
- Average one and two bedroom apartments - £3,677 per sq m (£342 per sq ft) equating to an average capital value of £234,695 (based on an average size of 64 sq m / 687 sq ft).

4.43 We would point out that these are gross asking prices and do not take into account any incentives that maybe offered by a developer as part of a sale. Incentives could comprise up to a 5% deduction on the prices quoted above.

4.44 Having said that and despite the comparables being sourced from a wider area which do take into account some higher value areas, given the evidence presented above (i.e. the average sizes, rates per sq ft and overall capital values) we consider the values adopted by the applicant to be on the low side and have therefore increased the values as set out in Table 6 below.

Methodology and Assumptions

Table 6: CBRE Adopted Sales Values

UNIT	NUMBER OF UNITS	AVERAGE PRICE PER SQ M	AVERAGE UNIT PRICE	GROSS SALES
Block 1 (two bedroom apartments)	47	£3,576.86	£250,000	£11,750,000
Block 2 (one and two bedroom units)	106	£3,667,82	£230,000	£24,380,000
Block 3 (one, two and three bedroom units)	12	£3,648.65	£225,000	£2,700,000
Total	165	£3,638	£235,333	£38,830,000

Source: CBRE, November 2017

4.45 The applicant has not included any ground rental income on the market apartments, which we would expect to see. A reasonable assumption would be at £250 per annum per open market apartment capitalised at a 6% yield. This is based on comparable information for a scheme of 9 flats in Sittingbourne. CBRE has included this within our baseline appraisal which equates to £687,500.

4.46 CBRE's GDV for the residential element of the scheme equates to £39,571,500, compared to the applicant's residential GDV of £36,200,000.

Commercial Values

4.47 The applicant has included a commercial unit of 1,349 sq m within Block 3 of the development. This was due to be taken by the NHS for a medical centre, however this interest has now fallen away. The applicant therefore proposes to develop the unit to shell condition only and the unit will be marketed for a range of uses.

4.48 The applicant has assumed in their development appraisal a value of £1,860,000 based on a rental value of £134.55 (£12.50 per sq ft), a rent free period of 9 months and an investment yield of 9%. This calculation was based on its use as a medical centre.

4.49 CBRE has undertaken a review of commercial uses in the area (i.e. offices, nurseries, medical centre etc) albeit there is limited comparable information for these uses. Given the information that is available we consider the applicant's assessment to be reasonable at this time and stage of the project.

4.50 CBRE has adopted the assumptions provided by the applicant, however CBRE's capital value equates to a slightly higher figure of £1,890,529 based on the assumptions set out above.

4.51 We set out in the following section the results of our development appraisals based on the assumptions provided above.

5.0 Development Appraisal Results

5.1 The table below, Table 7, sets out the results of CBRE's baseline development appraisal:

Table 7

Results of CBRE's Appraisal

GROSS DEVELOPMENT VALUE (GDV)	NET DEVELOPMENT VALUE (NDV)	TOTALDEVELOPMENT COSTS (TDC)*	LAND COSTS	RESIDUAL PROFIT	PROFIT ON GDC (GDV)
£41.4 million	£41.3 million	£38.7 million	£1.62 million	£960k	2.38% (2.32%)

Source: CBRE, November 2017 excluding land and profit*

NB: It should be noted that the residual appraisal analysis in this report does not comprise a formal Red Book Valuation falling within the provisions of the RICS Valuation Standards (9th Edition). Please see Appendix four in relation to our standard terms and exclusions.

5.2 The results of CBRE's baseline appraisal (which includes no affordable housing or S106 contributions) shows a residual profit of £960k which equates to 2.38% on GDC (2.32% on GDV). This is circa £5.4 million higher than the applicant's assessment, largely due to differences in values and build costs.

5.3 Although CBRE's appraisal shows a significantly higher profit level than the applicant's assessment, we must consider the outturn appraisal against what is considered to be market appropriate profit levels for the scheme and location. We would consider a reasonable profit for a scheme of this size/complexity to be in the region of 15 - 18% on GDV (i.e. £6.2 - £8.3 million).

5.4 CBRE's development appraisal is therefore showing a deficit of between £5.2m and £7.3m.

5.5 We would comment however that there are a couple of issues that could improve and/or effect the viability of the scheme:

- The gross to net ratios for the apartments are between 65% and 75% which is very inefficient for a new build residential development. We have queried this assumption with the applicant who has suggested that the gross to net ratios are based on the plans submitted for planning. They could not comment as to whether the design of the blocks was having a material impact on the amount of net residential space available. CBRE would generally allow 85% as a gross to net ratio on new build apartment schemes. As such if this ratio could be increased, the profitability of the scheme would also increase.
- The applicant has advised that the scheme will comprise undercroft car parking, with residents expected to pay based on a permit system or potentially sold separately on long leases. The parking will be let / sold on the basis that the revenue will match the additional cost of constructing the underground car parking. However, since the underground parking is a recent design change, there are no detailed costings. The applicant also believes that parking will be cost / revenue neutral and have not included this within their appraisal. Should this not be the case the viability of the scheme could increase or decrease depending on the costs of providing the parking and the value that can be achieved from this addition to the scheme.
- The applicant has also included an option whereby the developer takes on the role of project manager and has removed all costs associated with contingency and overheads and profits. If these costs were removed from the appraisal, circa £4.5 million could be removed and a profit of circa 15.26% on GDV could be achieved. However, it is unlikely that contingency costs would be reduced to nil.

Methodology and Assumptions

- The applicant has also stated that they are willing to proceed with the scheme despite the outcomes presented above, largely as they believe that by adjusting the phasing and providing a mix off private rented and sale units would ensure that the flats can be occupied more quickly which would result in a faster income stream. They believe on this basis a profit on GDV of 5% would be achieved. We have queried this with the applicant and they have stated that an appraisal has not been undertaken on this basis and therefore CBRE has not been provided with supporting information.

5.6 We have some concerns regarding the deliverability of the scheme based on the results of the appraisal set out above. We would suggest that a viability review mechanism is included as part of the S106 agreement to review viability as the scheme progresses. Should viability improve, a commuted payment back to the Council in lieu of forgone affordable housing / S106 contributions would be applicable.

6.0 Conclusions and Recommendations

6.1 The purpose of this report has been to provide development appraisal and viability advice to SBC by critically reviewing the applicant's development appraisals submitted as part of the planning application process. This was to allow the construction of a 'toolkit' development appraisal to establish the outturn profit for the scheme based on nil affordable housing and S106 contributions. This outturn profit would then be compared to current market expectations to assess viability and provide a view as to whether the scheme could support contributions to affordable housing and S106 provisions.

6.2 Our role has been to ascertain whether there are viability issues associated with the scheme as presented by the applicant and whether there is scope for negotiation and a reduction in affordable housing and S106 contributions to allow scheme progression.

6.3 We have utilised a range of assumptions which comprise CBRE assumptions; assumptions provided by SBC; information provided by the applicant (independently verified by CBRE); and industry standard assumptions.

6.4 We set out below a summary of the position reached to date with regard to assessing the viability of the development proposals at the site:

- The appraisal submitted by the applicant demonstrates a residual profit level of (-£6.4 million) for the site as a whole, which is based on no affordable housing or S106 contributions but does include a fixed land value based on the applicant's purchase price (excluding Bell House);
- The applicant has undertaken a second appraisal which demonstrates a residual profit of (-£266k) should the developer take on the role of project manager of the scheme and hence remove the costs of overheads and profits and contingency (estimated by the applicant at £5.3m);
- CBRE has undertaken a 'toolkit' development appraisal based on industry best practice but assuming a nil affordable housing contribution and no S106 contributions. We have however allowed for the fixed land value put forward by the applicant as we deem this to be a reasonable assessment based on comparable information. CBRE has undertaken a review of the cost plan prepared by the applicant as well as auditing other inputs to the development appraisal. CBRE's appraisal results in a residual profit of £960k (2.38% on GDC/2.32% on GDV) largely due to differences in residential sales values and the cost plan;
- CBRE considers market expectations of profit for a scheme of this size, complexity and location to be in the region of 15% - 18% on GDV (i.e. £6.2 - £8.3 million). CBRE's development appraisal is therefore showing a deficit of between -£5.2m and £7.3m and hence a lack of viability.

Recommendation

6.5 As set out above we have some concerns regarding the viability and delivery of this scheme, largely due to the inefficient nature of the new build development, no inclusion for cost/revenue of undercroft car parking (which could have an impact on scheme viability) and the overall profit returned for the scheme.

6.6 As a result we would suggest that a viability review is included as part of the S106 Agreement, whereby should viability increase over the lifetime of the development the Council can share in this and aim to recoup forgone S106 contributions and affordable housing (as a commuted payment). This would allow delivery at this point in time.

6.7 The viability review could be a simple formula and linked to each phase of development.

Methodology and Assumptions

Prepared By:	Donna Pickersgill Associate Director – National Development and Regeneration For and on behalf of CBRE Ltd
Signed off by:	Caroline Mitchell-Sanders Director – National Development and Regeneration For and on behalf of CBRE Ltd
Date of Issue: 18th January 2018	Status: FINAL

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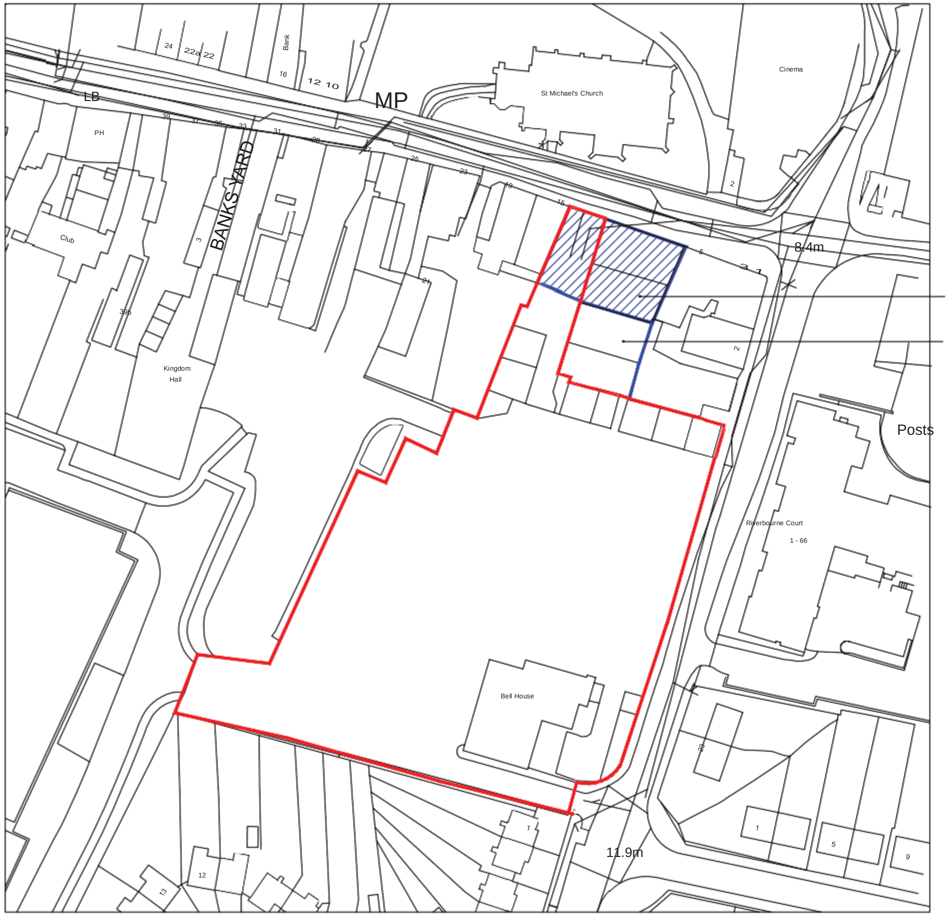
APPENDICES

Appendix 1 – Location/Scheme Plan



Freehold title with KRK Ltd.
Leases over 7 years to:

- Upper floor lease to David Allen and Paul Cramble
- Ground floor lease to J.D. Weatherspoon

Notes.

- Do not scale.
- The contractor is responsible for checking dimensions, tolerances and references. Report all discrepancies to OSG Architecture Limited before proceeding with the works.
- Where an item is covered by drawings to different scales the larger scale drawing is to be worked to.

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Rev.	Date.	Description.

Wyseplan Building, Occupation Road,
Wye, Ashford, Kent TN25 5EN
01233 812148
www.osgarchitecture.com

osg ARCHITECTURE LTD

Project Title.
Proposed Residential Development at
Bell Road
Sittingbourne
Kent

Drawing Description.
Site Location Plan

Scale.	Date.
1:1250 @ A3	Feb'16
Drawn By.	**Checked By.**
SH	KO

Purpose.
PLANNING

Drawing No.	Revision.
15/0356/01	

Appendix 2 – Accommodation Schedule

BELL ROAD SITTINGBOURNE

Accommodation Schedule	Accommodation	Number of Units	Unit area M^2	Ancillary & Circulation Areas	Total area M^2	Sale Price Per Unit	Total Sale Value	Unit Rental Value PCM	Unit Type Rental Value PA
Bell Road Block - Block 1									
Ground floor	2 bed (3 person)	8	68		544	215000	1720000	800	76800
Ground floor	2 bed (3 person)	1	66		66	215000	215000	800	9600
First floor	2 bed (3 person)	9	68		612	215000	1935000	800	86400
First floor	2 bed (3 person)	1	66		66	215000	215000	825	9900
Second floor	2 bed (3 person)	9	68		612	215000	1935000	825	89100
Second floor	2 bed (3 person)	1	66		66	215000	215000	825	9900
Third floor	2 bed (3 person)	9	68		612	215000	1935000	825	89100
Third floor	2 bed (3 person)	1	66		66	215000	215000	825	9900
Fourth floor	2 bed (3 person)	1	68		68	250000	250000	850	10200
Fourth floor	2 bed (4 person)	4	76		304	250000	1000000	850	40800
Fourth floor	2 bed (4 person)	1	73		73	250000			
Fourth floor	2 bed (4 person)	1	105		105	330000	330000	850	10200
Fourth floor	2 bed (4 person)	1	91		91	295000	295000	850	10200
	Ancillary Space & Circulation space			1361					
Total for Block		**47**		**1361**	**3285**	**£ 3,123**	**£ 10,260,000**	**£ 9,925**	**£ 452,100**

Accommodation Schedule	Accommodation	Number of Units	Unit area M^2	Ancillary & Circulation Areas	Total area M^2	Sale Price Per Unit	Total Sale Value	Unit Rental Value PCM	Unit Type Rental Value PA
Central Block - Block 2									
First Floor	1Bed (2 Person)	1	51		51	170000	170000	700	8400
First Floor	1Bed (2 Person)	1	52		52	170000	170000	700	8400
First Floor	1Bed (2 Person)	2	53		106	170000	340000	700	16800
First Floor	1Bed (2 Person)	1	54		54	170000	170000	700	8400
First Floor	1Bed (2 Person)	1	55		55	170000	170000	800	9600
First Floor	1Bed (2 Person)	1	58		58	180000	180000	700	8400
First Floor	1Bed (2 Person)	1	61		61	195000	195000	800	9600
First Floor	2Bed (3 Person)	2	63		126	215000	430000	800	19200
First Floor	2Bed (3 Person)	1	65		65	215000	215000	800	9600
First Floor	2Bed (3 Person)	4	66		264	215000	860000	800	38400
First Floor	2Bed (3 Person)	3	68		204	220000	660000	800	28800
First Floor	2Bed (4 Person)	1	74		74	230000	230000	700	8400
Second	1Bed (2 Person)	1	51		51	170000	170000	700	8400
Second	1Bed (2 Person)	1	52		52	170000	170000	700	8400
Second	1Bed (2 Person)	2	53		106	170000	340000	700	16800
Second	1Bed (2 Person)	1	54		54	170000	170000	700	8400
Second	1Bed (2 Person)	1	58		58	180000	180000	825	9900
Second	1Bed (2 Person)	1	61		61	195000	195000	825	9900
Second	2Bed (3 Person)	2	63		126	215000	430000	825	19800
Second	2Bed (3 Person)	1	65		65	215000	215000	825	9900
Second	2Bed (3 Person)	6	66		396	215000	1290000	700	50400
Second	2Bed (3 Person)	3	68		204	220000	660000	700	25200
Third	1Bed (2 Person)	1	51		51	170000	170000	700	8400
Third	1Bed (2 Person)	1	52		52	170000	170000	700	8400
Third	1Bed (2 Person)	2	53		106	170000	340000	700	16800
Third	1Bed (2 Person)	1	54		54	170000	170000	825	9900
Third	1Bed (2 Person)	1	58		58	180000	180000	825	9900
Third	1Bed (2 Person)	1	61		61	195000	195000	825	9900
Third	2Bed (3 Person)	2	63		126	215000	430000	825	19800
Third	2Bed (3 Person)	1	65		65	215000	215000	825	9900
Third	2Bed (3 Person)	5	66		330	215000	1075000	700	42000
Third	2Bed (3 Person)	3	68		204	220000	660000	700	25200
Third	2Bed (4 Person)	1	74		74	170000	170000	700	8400
Fourth	1Bed (2 Person)	1	51		51	170000	170000	700	8400
Fourth	1Bed (2 Person)	1	52		52	170000	170000	700	8400
Fourth	1Bed (2 Person)	2	53		106	170000	340000	825	19800
Fourth	1Bed (2 Person)	1	54		54	170000	170000	825	9900
Fourth	1Bed (2 Person)	1	58		58	180000	180000	825	9900
Fourth	1Bed (2 Person)	1	61		61	195000	195000	825	9900
Fourth	2Bed (3 Person)	2	63		126	215000	430000	825	19800
Fourth	2Bed (3 Person)	1	65		65	215000	215000	700	8400
Fourth	2Bed (3 Person)	5	66		330	215000	1075000	700	42000
Fourth	2Bed (3 Person)	3	68		204	220000	660000	700	25200
Fourth	2Bed (4 Person)	1	74		74	230000	230000	700	8400
Fifth	1Bed (2 Person)	1	51		51	170000	170000	700	8400
Fifth	1Bed (2 Person)	1	52		52	170000	170000	825	9900
Fifth	1Bed (2 Person)	2	53		106	170000	340000	825	19800
Fifth	1Bed (2 Person)	1	54		54	170000	170000	825	9900
Fifth	1Bed (2 Person)	1	58		58	180000	180000	825	9900
Fifth	1Bed (2 Person)	1	61		61	195000	195000	825	9900
Fifth	2Bed (3 Person)	2	63		126	215000	430000	825	19800
Fifth	2Bed (3 Person)	1	65		65	215000	215000	825	9900
Fifth	2Bed (3 Person)	5	66		330	215000	1075000	825	49500
Fifth	2Bed (3 Person)	3	68		204	220000	660000	825	29700
Fifth	2Bed (4 Person)	1	74		74	230000	230000	825	9900
Sixth	1Bed (2 Person)	1	50		50	180000	180000	700	8400
Sixth	1Bed (2 Person)	2	54		108	190000	380000	700	16800
Sixth	2Bed (3 Person)	1	62		62	225000	225000	825	9900
Sixth	2Bed (4 Person)	1	74		74	250000	250000	850	10200
Sixth	2Bed (4 Person)	2	75		150	250000	500000	850	20400
Sixth	2Bed (4 Person)	2	78		156	270000	540000	850	20400
Sixth	2Bed (4 Person)	1	80		80	275000	275000	850	10200
Sixth	2Bed (4 Person)	1	81		81	275000	275000	850	10200
	Parking, Ancillary Space & Circulation space			3509					
Total of Block		**106**		**3509**	**6647**	**£ 3,262**	**£ 21,680,000**	**£ 48,575**	**£ 972,900**

Accommodation Schedule	Accommodation	Number of Units	Unit area M^2	Ancillary & Circulation Areas	Total area M^2	Sale Price Per Unit	Total Sale Value	Unit Rental Value PCM	Unit Type Rental Value PA
Medical Centre - Block 3									
Commercial									
Ground floor	Medical centre	1	711		711				
First Floor	Medical centre	1	638		638				
Total for Medical Area					**1349**	**1403**	**1892647**		
Residential									
Second Floor	1 bed (2 person)	2	52		104	170000	340000	700	16800
Second Floor	2 bed (3 person)	1	65		65	215000	215000	700	8400
Second Floor	2 bed (3 person)	3	67		201	215000	645000	825	29700
Third Floor	1 bed (2 person)	2	52		104	170000	340000	700	16800
Third Floor	2 bed (3 person)	1	65		65	215000	215000	825	9900
Third Floor	2 bed (3 person)	3	67		201	215000	645000	825	29700
	Circulation			244					
Total for Residential Area		**12**	**244**	**244**	**740**	**£ 3,243**	**£ 2,400,000**	**£ 4,575**	**£ 111,300**
Grand Total				**5114**	**12021**		**£ 36,232,647**	**£ 63,075**	**£ 1,536,300**

Appendix 3 – Cost Plan

Residential and Medical Centre Development
Bell Road, Sittingbourne, Kent
Review of Construction Costs
November 2017

Information and Details Used

Viability Report prepared by Harrisons Chartered Surveyors for Aria Group dated 31st July 2017 incorporating Appendices 1 to 9

This CBRE Construction Cost Review focusses on the Construction Costs contained within **Appendix 5** of the Viability Report containing a Budget Estimate of the likely costs of the proposed development prepared by Woodley Coles Quantity Surveyors **(hereinafter referred to as WC Costs)** and **Appendix 6** containing a Contractor's Estimate of Cost prepared by Willmott Dixon **(hereinafter referred to as WD Costs)**

An Elemental Summary of construction Costs is provided at Section 2 of the WC Costs, with supporting breakdowns of that summary at Sections 3.1 to 3.3

The WD Costs within Appendix 6 compare their 'costs' with those of the WC Costs contained within the WC Costs at Sections 3.1 to 3.3 of Appendix 5

The proposed development comprises three principal blocks of accommodation, as described at Section 1.5 of the Harrisons Viability Review

Residential and Medical Centre Development
Bell Road, Sittingbourne, Kent
Review of Construction Costs
November 2017

CBRE

WC costs - May 2017			WD Costs - April 2017			CBRE Comments and Costs (November 2017)						
						WD Costs claim to review the WC Costs but appear to predate them						
Block 1 4492 m2	Block 2 10156 m2	Block 3 2242 m2	Block 1 4492 m2	Block 2 10156 m2	Block 3 2242 m2	Block 1 4492 m2	Ditto; 2% Increase	Block 2 10156 m2	Ditto; 2% Increase	Block 3 2242 m2	Ditto; 2% Increase	Notes
£	£	£	£	£	£	£		£		£		
Substructures												
972,860	1,793,930	554,120	498,300	917,950	439,200	498,300	508,266	917,950	936,309	439,200	447,984	Piling costs in WC excessive
Frame												
696,260	1,445,105	403,560	1,033,160	2,388,250	515,660	943,320	962,186	2,144,940	2,187,839	470,820	480,236	WC timber frame/WD in-situ RC frame; WD costs high; £210/m2 allowed
Upper Floors												
13,000	37,136	35,400	13,000	37,136	35,400	13,000	13,260	37,136	37,879	35,400	36,108	Costs reasonable
Roof												
117,027	208,824	85,384	132,027	238,824	95,384	132,027	134,668	238,824	243,600	95,384	97,292	WD Costs include for lift/riser projections - reasonable allowances
Stairs and Ramps												
48,000	72,000	60,000	149,000	262,000	131,000	85,000	86,700	127,440	129,989	106,200	108,324	WC Costs light/WD Costs excessive
External Walls												
687,948	816611	855,873	1,078,890	1599050	704,168	998,850	1,018,827	1,437,225	1,465,970	707,543	721,694	Brick cladding £150/m2; Timber cladding £125/m2 Render/block £85/m2 Backing walls and parapets as WD Glazed area high on Block 3 WC Costs

Residential and Medical Centre Development
Bell Road, Sittingbourne, Kent
Review of Construction Costs
November 2017

WC costs - May 2017			WD Costs - April 2017			CBRE Comments and Costs (November 2017)						
						WD Costs claim to review the WC Costs but appear to predate them						
Block 1 4492 m2	Block 2 10156 m2	Block 3 2242 m2	Block 1 4492 m2	Block 2 10156 m2	Block 3 2242 m2	Block 1 4492 m2	Ditto; 2% Increase	Block 2 10156 m2	Ditto; 2% Increase	Block 3 2242 m2	Ditto; 2% Increase	Notes
£	£	£	£	£	£	£		£		£		
Windows and External Doors												
288,850	433,825	126,425	288,850	433,825	126,425	288,850	294,627	433,825	442,502	126,425	128,954	Costs reasonable
Internal Walls and Doors												
654,488	1,094,013	186,192	686,588	1,142,450	263,692	675,788	689,304	1,127,450	1,149,999	234,692	239,386	Lift shafts undermeasured in WC; 215 block priced in CBRE; walls light in WC measure
Wall Finishes												
131,916	234,896	45,910	251,997	470,400	105,164	162,466	165,715	335,520	342,230	79,962	81,561	Skirtings deemed in floor finish rate (high); emulsion rate £4/m2; tiling £60/m2
Floor Finishes												
233,584	528,112	57,350	233,584	528,112	57,350	233,584	238,256	528,112	538,674	57,350	58,497	Rates include skirtings
Ceiling Finishes												
148,236	335,148	41,278	148,236	335,148	41,278	134,760	137,455	304,680	310,774	38,326	39,093	Rate £30/m2 in lieu £33/m2
FF & E												
268,000	608,000	70,000	268,000	608,000	70,000	268,000	273,360	608,000	620,160	70,000	71,400	Costs reasonable
Services												
Sanitary Installations												
155,600	343,700	36,600	155,600	343,700	36,600	155,600	158,712	343,700	350,574	36,600	37,332	Costs reasonable incl disposal inst'ns
M & E												
961,400	2,134,700	209,800	1,931,560	4,367,080	674,720	1,684,500	1,718,190	3,808,500	3,884,670	620,600	633,012	M and E at £375/m2; Medical Centre allowance of £251,600
Lifts												
80,000	60,000	90,000	80,000	120,000	120,000	80000	81,600	120000	122,400	90000	91,800	Allow 2 lifts block 2
BWIC												
59,850	126,920	16,820	75,851	169,077	29,096	59,850	61,047	131,920	134,558	16,820	17,156	WC rates reasonable; extra lift block 2
Work to Existing Buildings												
112,500	0	0	112,500	0	0	112,500	114,750	0	0	0	0	Rates ok

Residential and Medical Centre Development
Bell Road, Sittingbourne, Kent
Review of Construction Costs
November 2017

CBRE

WC costs - May 2017			WD Costs - April 2017			CBRE Comments and Costs (November 2017)						
						WD Costs claim to review the WC Costs but appear to predate them						
Block 1 4492 m2	**Block 2 10156 m2**	**Block 3 2242 m2**	**Block 1 4492 m2**	**Block 2 10156 m2**	**Block 3 2242 m2**	**Block 1 4492 m2**	**Ditto; 2% Increase**	**Block 2 10156 m2**	**Ditto; 2% Increase**	**Block 3 2242 m2**	**Ditto; 2% Increase**	**Notes**
£	**£**	**£**	**£**	**£**	**£**	**£**		**£**		**£**		
External Works and Drainage												
181,178	553,349	57,546	331,215	908,690	129,395	242,985	247,845	951,885	970,923	107,400	109,548	Paving to patios £65/m2; topsoiling added to turf/seed; block paving rate £85/m2; low walls incl foundation £200/m; railings £100/m; drainage £15/m2 overall; attenuation £50k block 1, £85k block 2, £30k block 3; undercroft/basement car park £120/m2 block 2; basement car parking omitted from WD Costs
Sub-Totals - Building and Externals												
5,810,697	**10,826,269**	**2,932,258**	**7,468,358**	**14,869,692**	**3,574,532**	6,769,380	6,904,768	13,597,107	13,869,049	3,332,722	3,399,376	
Preliminaries												
1,162,259	2,165,254	586,452	1,162,259	2,165,254	586,452	1,162,259	1,185,504	2,165,254	2,208,559	586,452	598,181	As Cost Plans - reasonable
OHP												
523,017	974,364	263,903	647,296	1,277,621	312,074	594,873	606,770	1,182,177	1,205,821	293,938	299,817	7.50% reasonable
Fees												
562,243	1,047,441	283,696	562,243	1,047,441	283,696	562,243	573,488	1,047,441	1,068,390	283,696	289,370	Fees as WC Cost plan - reasonable
Risk												
805,882	1,501,333	406,631	984,016	1,936,001	475,675	681,657	695,290	1,349,398	1,376,386	337,261	344,006	Risk is too high at 10% - 7.5% reasonable subject to risk analysis/register
Totals												
8,864,098	**16,514,661**	**4,472,940**	**10,824,172**	**21,296,009**	**5,232,429**	**9,770,412**	**9,965,820**	**19,341,378**	**19,728,205**	**4,834,069**	**4,930,750**	**Construction Costs**
1,973	**1,626**	**1,995**	**2,410**	**2,097**	**2,334**	**2,175**	**2,219**	**1,904**	**1,943**	**2,156**	**2,199**	**£/m2**

Appendix 4 – Terms and Exclusions

This report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed £1,000,000 (One Million Pounds); and CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

The residual method of valuation is very sensitive to changes in key inputs. Small changes in variables such as sales volumes or build costs will have a disproportionate effect on land value. Site values can therefore be susceptible to considerable variances as a result of changes in market conditions. In preparing our residual development appraisals, we have undertake a residual appraisal of the proposed scheme, making the necessary allowances to reflect the current market and associated planning risks.

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