

Financial Viability Assessment Report

Former Gas Holders,

Crampton's Road, TN14 5DN

Instructions

This Financial Viability Assessment (FVA) is submitted to the Sevenoaks District Council to accompany a detailed planning application for the proposed residential development at the former Gas Holder Site, Crampton's Road, TN14 5DE ('the Subject'). The application is made on behalf of SGN Place Limited ('the Applicant').

In producing this FVA we can confirm that all those involved, including sub-consultants, have acted objectively and impartially and without interference. Additionally, all those involved have given full consideration to how the proposed development will be delivered and the associated performance metrics. The conclusions of this assessment have been made with reference to all the appropriate guidance/ policy including:

- National Planning Policy Framework (updated June 2019);
- Planning Practice Guidance (PPG) – Viability (updated September 2019);
- RICS Financial Viability in Planning 1st Edition (July 2012); and
- RICS Financial Viability in Planning: Conduct and Reporting 1st Edition (May 2019).

This FVA has been carried out with regard to the Professional and Ethical standards set out within PS2 of the RICS Valuation – Global Standards 2020 (the Red Book), effective from January 2020.

A copy of our Terms of Engagement are attached at **Appendix 1**.

We confirm that this report and all subsequent engagement with the council and their reviewer has and will be conducted in a reasonable and transparent manner.

Confidentiality

We understand that the report will be submitted to the Sevenoaks District 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

Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. No liability is given to any third party and the figures suggested are not in accordance with the RICS Valuation – Global Standards 2020 (incorporating the IVSC International Valuation Standards), together the 'Red Book', and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such.

Conflicts of Interest

We can confirm that there are no conflicts of interest between Savills and either the Applicant, the Council or the Subject.

Declaration of Previous Involvement with Local Planning Authority

Although we do not consider any of the below to constitute a conflict of interest we are obliged to declare that we have historically provided development consultancy advice to Sevenoaks District Council on a number of sites.

Date of Appraisals

The date of the Appraisal is the date of this FVA.

Confirmation of Reporting Timescales

We can confirm that an adequate amount of time has been allowed for in the preparation of this report and the timeframes stated within our Terms of Engagement were not extended.

Signatures to the Report

Prepared by:



Gareth Turner

Director

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1. Executive Summary

1.1. Introduction

- 1.1.1. The Subject site is located within Sevenoaks District Council approximately 0.3 miles north of Bat & Ball Station, 0.7 miles north of the A25 between Otford road to the west and Crampton’s road to the east.
- 1.1.2. The site previously held gas holders which have been decommissioned as part of SGN’s commitment to bringing brownfield land back into use where it is no longer required for gas distribution. The previous plant has been dismantled with redundant plant and infrastructure having been removed and some remediation work undertaken. The site is currently bare ground.
- 1.1.3. The application site has an area of approximately 0.9 ha. The application site includes some remaining operational gas infrastructure, a series of small buildings and areas of hard standing, bare ground and vegetation. The developable area site extends to circa 79,000 sqft (1.81 acres).
- 1.1.4. The proposed scheme comprises a residential development for 136 homes (126 apartments and 10 townhouses) totalling 106,754 sqft NIA with associated parking spaces. Eight of the townhouses are proposed to be delivered as low cost home ownership at 80% of market value.
- 1.1.5. 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 Residual Land Value (RLV) of the proposed scheme using Argus Developer (Version 6) and have based our appraisal upon the plans and schedule of accommodation shown in **Appendix 3**. The RLV is calculated by subtracting all associated development costs and a suitable level of developer profit from the Gross Development Value (GDV) of the proposed development, which is assessed by calculating all revenues and capital receipts realised by the developer. The assumptions adopted within our appraisal have been informed by market evidence and input from independent third party experts, where appropriate.
- 1.1.6. We have compared the RLV to our Site Value Benchmark (SVB) to ascertain whether there is a deficit or surplus against our Benchmark. In this case our Site Value Benchmark has been determined by giving consideration to the Existing Use Value (EUV) of the Subject plus a suitable landowner premium. The EUV has been calculated through a traditional valuation methodology, which includes capitalising a rental income by a suitable capitalisation rate and deducting associated costs. We have not investigated the Alternative Use Value (AUV) of the Subject as we do not deem it appropriate in this instance.
- 1.1.7. We have appraised the proposed scheme and summarise the results in the table below. Please see Appendix 4 for the full appraisal.

Table 1 – Viability Appraisal Results

Residual Land Value	Site Value Benchmark	Surplus/Deficit Against Benchmark
-£4.75m	£2.75m	-£7.5m

- 1.1.8. Our assessment concludes that the RLV generates a deficit when compared against the SVB. Therefore the scheme is not considered to be technically viable and is unable to provide an affordable housing contribution other than on an ex gratia basis. Notwithstanding the deficit the Applicant is prepared to provide the eight low cost home ownership units on an ex gratia basis.
- 1.1.9. The key issues facing the proposed development are the significant development costs associated with development of this nature. There are circa £740,000 of additional remediation costs which affect the scheme viability.
- 1.1.10. Despite the viability deficit, we would note that the Applicant is a long-term stakeholder incentivised with both maximising the opportunity and in delivering place making benefits to the local area. Planning viability is therefore not a prohibitive factor to the Applicant's ambition to deliver a high quality scheme which will deliver a high quality development alongside substantial planning contributions and public realm improvements within the area.

2. Introduction

2.1. Client Instruction

2.1.1. 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. A copy of our signed Terms of Engagement can be found attached at Appendix 1.

2.2. Information

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

- Site location plan as attached at Appendix 2;
- Floorplans and area schedule of the existing accommodation produced by Max architects as attached at Appendix 3; and
- Build costs and remediation costs as advised by Equals cost consultancy.

3. Subject Description

3.1. Subject Location

- 3.1.1. The Subject site is located within Sevenoaks District Council less 0.3 miles north of Bat & Ball Station, 0.7 miles north of the A25 than half a mile from Bat and Ball Station, between Otford road to the west and Crampton's road to the east.
- 3.1.2. The surrounding area is a mix of retail and residential. Wickes, Currys PC World and Carpetright are located off Otford Road to south and west; the streets immediately to the north and east are terraced two to three storey housing.
- 3.1.3. A location plan is attached at **Appendix 2**.

3.2. Subject Description

- 3.2.1. The site previously held gas holders which have been decommissioned as part of SGN's commitment to bringing brownfield and no longer required for gas distribution back into use. The previous plant has been dismantled with redundant plant and infrastructure removed and some remediation work undertaken. The site is currently bare ground.
- 3.2.2. The application site has an area of approximately 0.9 ha. The application site includes two recently demolished gasholder structures, some remaining operational gas infrastructure, a series of small buildings and areas of hard standing, bare ground and vegetation. The developable area (based on the site plan) extends to circa 79,000 sqft (1.81 acres).
- 3.2.3. The demolished gasholders are separated by a public footpath that bisects the site from north to south. Gasholder 4 was constructed in the 1930s while Gasholder 3 was constructed in the late 1940s. An Active Pressure Reducing System (PRS) is in the north of the site which comprises three small above surface structures and above ground pipework and is contained within a newly fenced modern compound area with gravel surfacing. Two further buildings are present, to the south of the SGN operational land area, adjacent to the eastern site boundary. These buildings comprise an active electrical substation and an abandoned building, which had formerly been used during the operation of the gas works. Finally, a small building is present in the south eastern corner of the site, which is used for storage

3.3. Proposed Development

- 3.3.1. A planning application has been submitted which seeks full planning permissions for 136 homes (126 apartments and 10 townhouses).
- 3.3.2. The apartments are provided over three blocks: the Rotunda from ground to 9th storey at the west of the site and North and South Blocks on ground to 3rd floor.
- 3.3.3. A detailed accommodation schedule and plans are provided at **Appendix 3**. The table below sets out a summary of the proposed accommodation.

Table 2 – Accommodation Summary

Block	Unit Type	No of Units	Average Area (sqft)	Totals
North Block	Studio	1	429	429
	1 bed 2 person	17	547	9,300
	2 bed 4 person	22	766	16,841
	3 bed 5 person	1	971	971
South Block	1 bed 2 person	9	556	5,004
	2 bed 4 person	5	785	3,925
	3 bed 4 person	2	885	1,770
	3 bed 6 person	2	1,176	2,353
Rotunda	1 bed 2 person	19	606	11,506
	2 bed 4 person	30	797	23,896
	3 bed 6 person	18	1,063	19,133
Townhouses	2bed 4 person	1	885	885
	3 bed 5 person	1	1,408	1,408
	3 bed 6 person	8	1,167	9,334
Totals		136		106,754

4. Methodology

4.1. Financial Viability Assessments

- 4.1.1. In line with the NPPF, site-specific financial viabilities may be 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 Section 106 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.
- 4.1.5. If a scheme is being rendered unviable because of Section 106 requirements, it may be appropriate to look at reducing the burden of those requirements in order to facilitate viability.

4.2. Residual

- 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 other uses	+	Built value of Affordable Housing	=	GDV
GDV	-	Build costs, Finance coats, Section 106, costs, CIL, sales fees, Developers Profit, etc	=	Residual Land Value

- 4.2.2. The Residual Land Value (RLV) is then compared to a SVB. If the RLV is lower and/or not sufficiently higher than the SVB the project is not technically viable.

5. Benchmark

5.1. Introduction

- 5.1.1. Identifying an appropriate SVB requires judgement bearing in mind that national planning guidance indicates that appropriate land for housing should be 'encouraged' to come forward for development.
- 5.1.2. In line with the latest RICS Professional Statement 'Financial Viability in Planning: Conduct and Reporting (May 2019) and the latest PPG we have assessed the Site Value Benchmark using the Existing Use Value (EUV) of the Subject, plus a suitable landowner premium. Existing Use Value is sometimes referred to as Current Use Value (CUV), and these two terms are interchangeable when used for Financial Viability in planning. The latest guidance also requires us to investigate the Alternative Use Value (AUV) of the Subject where an existing planning consent may already exist or where the Subject may benefit from being converted to an alternative lawful planning use. We are not aware that the Subject benefits from an existing planning consent or potential conversion to an alternative lawful planning use. As such we have not appraised the AUV of the Subject.
- 5.1.3. The site is currently hardstanding since the previous gas holders have been decommissioned. We have based our Site Value Benchmark assuming open storage land, and have arrived at our opinion of value having identified relevant rental and investment transactions.

5.2. Open Storage Evidence

- 5.2.1. The rental evidence that we have been able to identify is provided below:

Table 3 – Open Storage Rental Comparables

Address	Date	Size (sqft)	Rent/ £/sqft	Comments
DB Cargo, Box Lane Freight Euro Terminal, Barking, IG11 0TP	On the Market	762,300	Quoting £3.50-£4.50	17.5 acre site, split into three separate land plots with rail frontage, plus two additional buildings totalling c.140,000 sqft.
Buckmore Park	On the Market	Up to 108,900	£2.50	Open storage, tarmac surface adjacent to J3 of M2.
Lamberts Yard, Dowding Way	On the Market	21,780	£1.79	Fenced Yard with asphalt. Basic workshop an office on site of total 1800sqft. 12 miles south of Sevenoaks. 16 miles south of J5 of M25.
Crabtree Manorway South, Chatham	On the Market	7,841	£3.37	Aggregate surface close to Belvedere train station and A2016.
Knight Road Rochester	On the Market	2,411	£12.44	Industrial trade counter with yard.
Barge Way Sittingbourne	On the Market	Up to 43,560 (four acres)	From £48,000 p.a. / acre: £4.40 /sqft	A fully fenced open storage site with access to electricity and water supplies. The site was previously the EMR car recycling plant and is partly concreted. 24 hour access. Available in lots of between 1 and 4 acres. Site circa 30 miles east of Subject

Address	Date	Size (sqft)	Rent/ £/sqft	Comments
Five Oak Green	On the Market	0.5 acres / 21,780 sqft	£1.60	Builders yard Located on the B2161 Badsell Road close to the roundabout with the A228 Maidstone Road to Tunbridge Well approx. 15 miles south of Subject.
Boord Street, Greenwich Peninsula, London, SE10 0PF	On the Market	97,574	£3.33	The site comprises rectangular tarmac surface area extending to 2.24 acres and is mostly level, with a mix of fencing and brick walls surrounding the perimeter. Currently used for commercial vehicle parking, with ancillary newspaper recycling. Access from Millennium Way. The temporary structures on the site are due to be removed.
Factory Road, Silvertown, E16	Under Offer	102,366	Under offer 'well in excess' of £3.00 (Quoting)	The site comprises a cleared level area of approx. 2.35 acres (c. 102,350 sqft) which is securely fenced and is surfaced in a mix of concrete and compacted earth. There are two vehicular access points on Factory Road and Store Road.
176-178 Dock Road, Tilbury, RM18 7BS	Under Offer	10,758	£3.25	Unsurfaced parcel of land formerly used as a petrol filling station and vehicle workshop with an adjacent terrace of retail units with residential accommodation above which were demolished circa August 2018. The property benefits from vehicular access from Dock Road.
Fiddlers Reach, Wouldham Road, Grays, Essex, RM20	On the Market	9,148	Quoting £3.83	The site is open-storage land accessed via Wouldham Road with services and utilities. The site is mainly hard standing, with some grassed area, with an access road to the east, which would need to remain clear.
	Sep-20	174,240	£3.10	4 acres let to Amazon.
	Nov-19	174,240	£3.00	4 acres let to Le Palette Rouge.
West London Industrial Estate, Iver Lane, Uxbridge, Middlesex UB8 2JE	Nov-20	65,340	£3.67	Gated site offering enclosed concreted yard. Buildings and offices may be available by negotiation. Site offers security cameras and utilities; is enclosed with palisade fencing; and has an electric sliding gated entrance.
41 Picketts Lock Lane, Edmonton	Jan-19	119,790	£3.55	Secure site with concrete yard. Ancillary buildings of a poor quality. Significantly larger than Subject and North London location.

- 5.2.2. Generally the comparables with superior transport links or access to the M25 achieve higher rents. Many of the comparables are similar surfaces to the Subject, with asphalt, tarmac or hardstanding. The site at Buckmore Park is adjacent to the go-karting facilities and is a similar distance from transport to the Subject, albeit the Subject is closer to the M25; we would expect a higher value to apply at the Subject.
- 5.2.3. The Subject site is located close to both the M25 and A25. The site is secure although located on a residential road and therefore some storage uses may be limited which would suggested that values at the higher end of the range may not be achievable.
- 5.2.4. The Subject is circa 79,000 sqft of cleared hardstanding and we might expect that the larger area would reduce the achievable £/sqft. On that basis we have adopted a rental value of £2.50/sqft. Applied to the Subject site area this equates to an annual rent at £197,500.

5.2.5. The sales and investment evidence that we have been able to identify is provided below:

Table 4 – Open Storage Sale and Investment Comparables

Location	Date	Price	Size (Sqft)	NIY	£/sqft
17 Wadsworth Rd	Jun-18	£9.66m	33,742	4.40%	£286.32
Unit 10 Grand Union Trade Park	Dec-18	£1.2m	9,729	6.12%	£123.34
Hounslow Road, TW2	OTM	£1.5m	8,181	-	£183.35
21 Wisteria Road, SE13 5HW	OTM	£680k	3,284	4.4%	-
51-59 Dudley Street, Bedfordshire, LU2 ONP	Feb-17	£166K	-	3.25%	-
Distribution House, Crawley RH11 7SS	Oct-19	£9.3m	46,468	-	£200
Link 10, Crawley RH10 9RA	Mar-19	£3.5m	12,952	4.47%	£268
Hydehurst Lane, Crawley RH10 9AS	Feb-19	£45.75m	212,082	3.50%	£293
Unit B1 Link 10, Napier Way, Crawley RH10 9RA	Jan-19	£2.125m	17,233	-	£193
1 Newton Road, Crawley RH10 9TS	Oct-18	£5.82m	33,278	4.00%	£175
Central Sussex College North Car Park, Northgate Avenue RH10 1NR	Jul-18	£2.785m	37,157	-	£75

5.2.6. The comparables are generally speaking superior investments to the Subject. Speaking with a number of active agents within the Open Storage Land market we understand that investments achieve yields of circa 7%, with the most sought after sites within the south east attracting tenants of a strong financial covenant strength which would be viewed favourably within the investment market.

5.2.7. Using the rent above of £197,500 this equates to an indicative value of open storage of circa £2.5m net of purchaser's costs and sales agent / legal fees. This equates to an average of £1.38m per acre.

5.2.8. In line with NPPF and RICS guidance we consider it appropriate to apply a premium to reflect a competitive return for a landowner, which is typically applied between 10% and 30%.

5.2.9. We note that there are significant remediation costs associated with bringing forward a residential development on this site and as such we have adopted a 10% premium which generates an EUV plus premium of **£2.75m**.

5.3. Adopted Site Value Benchmark

5.3.1. Based on our research we have adopted a Benchmark Land Value of **£2.75m**.

6. Appraisal Modelling Assumptions - Residential Values

6.1. Introduction

- 6.1.1. We have assessed a number of comparable transactions in the area to form an opinion of value for the proposed units at the Subject, taking into account the location, size, aspect, provision of outside space, proposed accommodation and parking provision.
- 6.1.2. Our research is set out below. We would note that there are very few comparables in the vicinity of the Subject, with newbuild development in particular located towards Sevenoaks town centre. Whilst these comparables have been included for context is important to note that the Subject location is inferior, located out of town in a less established and less desirable residential area without the amenities offered south of the A25.
- 6.1.3. The area around the Subject site is largely out-of-town retail and as a result whilst we have included the newbuild comparables we do not expect the Subject to achieve values at this level. We have included a number of second hand comparables that reflect the current tone of value in the Subject location, albeit many are also in a superior location.
- 6.1.4. In adopting our pricing we have therefore sought specialist advice from Savills Sevenoaks residential sales team. We would note that the where the prices identified are asking prices we would expect a reduction to apply to achievable prices of between 5% and 10%.

6.2. Newbuild Comparables

Quinton Court

- 6.2.1. Quinton is a development by Berkeley Homes located circa 0.3 miles south of Sevenoaks Station. The development comprises Nine 1 bedroom apartments, twenty eight 2 bedroom apartments, and thirteen 3 bedroom apartments. The scheme includes parking and is expected to complete in the middle of 2021.
- 6.2.2. The table below shows the average asking prices we have been able to identify.

Table 5 – Quinton Court Asking Prices


Quinton Court		Unit Type / Asking Prices		
		1 bed	2 bed	3bed
	Average Asking Price	£386,500	£713,267	£913,727
	Average Area (sqft)	608	955	1,205
	Average £/sqft	£636/sqft	£747/sqft	£758/sqft

- 6.2.3. Quinton is half a mile north of Sevenoaks town centre and generally is closer to superior quality amenities in comparison to the Subject. The proposed homes at the Subject are approximately 0.4 miles north of Bat & Ball station and are in a less attractive area characterised by out-of-town retail and relatively unattractive residential terraces.
- 6.2.4. Quinton Court would therefore attract higher prices than the Subject. We would note that Berkeley Homes typically target a premium product and as a result we would expect the homes at the Subject to achieve significantly lower capital values and £/sqft rates.

Amherst Mews

- 6.2.5. Amherst Mews is a development by Portman Homes located approximately 1.5 miles south west of the Subject, and 0.2 miles north of Sevenoaks Station. Portman homes are an experienced local developer and the asking prices we have been able identify are below:

Table 6 – Amherst Mews Asking Prices

Amherst Mews		Unit Type / Asking Prices	
		3 Bed Terrace	4 Bed Semi
	Average Asking Price	£1,065,000	£1,372,500
	Average Area (sqft)	1,475	2,024
	Average £/sqft	£722/sqft	£678/sqft

- 6.2.6. Amherst Mews is located closer to Sevenoaks station and town centre than the Subject and as such we would expect higher prices to apply at this comparable since it is in a more desirable location. The proposed homes at the Subject are generally smaller than the comparable; we would expect a degree of premium to apply to larger homes and as a result we would expect significantly lower values on both a capital and £/sqft basis to be achieved at the Subject.

Church Mews, Dunton Green

- 6.2.7. Church Mews is located approximately one mile west of the Subject, to the west of the Sevenoaks Wildlife Reserve (google maps note 2.2 miles by road). The homes are circa 0.5 miles from Dunton Green train station.

- 6.2.8. The scheme comprise three detached houses and two semi-detached properties. The asking prices we have been able to identify are below:

Table 7 – Church Mews Asking Prices

Church Mews, Dunton Green		Unit Type / Asking Prices		
		3 Bed Semi	3 Bed Detached	4 Bed Detached
	Average Asking Price	£600,000	£750,000	£700,000
	Average Area (sqft)	1,115	1,299	1,169
	Average £/sqft	£538/sqft	£577/sqft	£599/sqft

6.2.9. Dunton Green is a more desirable residential area than the Subject with access to local amenities and near to Dunton Green Primary School.

6.2.10. As with the other comparables we note that the prices identified are asking prices and we would expect a reduction to apply to reflect achievable prices.


6.2.11. Generally we'd expect the Subject to achieve lower values than this comparable to reflect the lesser residential area at the Subject.

6.3. Second Hand Comparables - Apartments

6.3.1. The newbuild comparables are limited and reflect superior locations. We therefore consider that second hand properties may be more relevant as a measure of achievable values.

Table 8 – Second Hand Apartments

	Address	Property Type	Area sqft	Asking Price	£/sqft	Comments
	Coombe Avenue	One Bed Maisonette	417	£215,000	£526/sqft	Allocated Parking and Communal Gardens. Opposite Subject.
	Watercress Drive	One Bed Apartment	646	£210,000	£325	First Floor Apartment. Advertised as having private garden. 0.8 miles east of Subject.
	Greatness Lane	Two Bed Maisonette	484	£220,000	£454	Ground Floor apartment with allocated parking and communal garden. 0.3 miles from Bat & Ball station.

	Address	Property Type	Area sqft	Asking Price	£/sqft	Comments
	Bradbourne Bale Road	2 Bed Apartment	646	£240,000	£371	1 st Floor two bedroom apartment. 0.5 miles south west of subject. On edge of A25.


6.3.2. The second hand comparables demonstrate the quality of the surrounding residential stock. The comparables are smaller than the proposed homes and we would therefore expect the homes at the Subject to achieve higher values.

6.4. Second Hand Comparables - Houses

6.4.1. The newbuild comparables are limited and reflect superior locations. We therefore consider that second hand properties may be more relevant as a measure of achievable values.

Table 9 – Second Hand Houses

	Address	Property Type	Area sqft	Asking Price	£/sqft	Comments
	Swanzy Road, Sevenoaks	3 Bed Terrace	883	£375,000	£425	3 Bed terrace 0.5 miles east of the Subject. Benefits large private driveway
	Seal Road, Sevenoaks	3 Bed Terrace	999	£425,000	£425	Mid Terrace Period property with cellar and garden. 0.8 miles south east of the Subject.
	Greatness Road, Sevenoaks	3 Bed End of Terraces	710	£360,000	£507	0.5 miles south east of the Subject. Significantly smaller than the homes at the Subject.
	St James Road, Sevenoaks	3 Bed Semi	1,139 sqft	£675,000	£592	1930s property south of the A25, close to the amenities on St John's Hill.

	Address	Property Type	Area sqft	Asking Price	£/sqft	Comments
	Golding Road	3 Bed Semi	1,160	£585,000	£504	0.6 miles south of the Subject, off St John's Hill.

6.4.2. The homes on Golding Road and St James Road are in a superior location to the Subject as they are located close to the amenities of St John's Hill and Sevenoaks town centre. They are similar distances to from Bat & Ball Station to the Subject, albeit separated by the A25, and generally similar sizes to the homes proposed at the Subject. We would expect the property at St James road to achieve a higher value than the Subject to reflect its 1930s character; we expect period properties to attract a premium over newbuild homes. We would expect the proposed homes to exceed the prices at Seal Road and Greatness Road to reflect the size of the proposed homes.

6.5. Adopted Pricing

6.5.1. Based on the comparables we have identified, and following advice from Savills' specialist residential sales team in the Sevenoaks office we have adopted average pricing as follows:

Table 10 – Adopted Pricing

Block	Unit Type	No of Units	Average Price	Average Area (sqft)	Average £/sqft	Totals
North Block	Studio	1	£220,000	429	£512	£220,000
	1 bed 2 person	17	£264,294	547	£483	£4,493,000
	2 bed 4 person	22	£355,682	766	£464	£7,825,000
	3 bed 5 person	1	£437,600	971	£450	£437,600
South Block	1 bed 2 person	9	£261,389	556	£470	£2,352,500
	2 bed 4 person	5	£358,998	785	£457	£1,794,990
	3 bed 4 person	2	£404,995	885	£457	£809,990
	3 bed 6 person	2	£550,000	1,176	£470	£1,105,000
Rotunda	1 bed 2 person	19	£295,658	606	£488	£5,617,500
	2 bed 4 person	30	£383,871	797	£480	£11,475,000

Block	Unit Type	No of Units	Average Price	Average Area (sqft)	Average £/sqft	Totals
	3 bed 6 person	18	£496,944	1,063	£467	£8,945,000
Townhouses – Market Sale	3 bed 6 person	2	£540,000	1,167	£462	£1,080,000
Townhouses – Discount Market Sale at 80% of Market Value	2bed 4 person	1	£340,000	885	£384	£340,000
	3 bed 5 person	1	£504,000	1,408	£358	£504,000
	3 bed 6 person	6	£426,000	1,167	£365	£2,556,000
Totals		136		106,754	£464	£49,555,580

6.5.2. The pricing above is inclusive of the value for parking spaces.

6.6. Affordable Housing Values

6.6.1. The application proposed homes are anticipated to be provided as low cost home ownership which we have assumed to be provided at 80% of Market Value as reflected in the table above.

6.7. Ground Rents

6.7.1. In light of the news published on 27th June 2019 that the Government has confirmed all new-build houses will be sold on a freehold basis and ground rents on new flats will be removed, we have not included ground rents in our appraisal.

6.7.2. The House of Commons Library Briefing Paper No 8047, 31 December 2019 notes the following:

“In “Implementing reforms to the leasehold system in England” (June 2019) the Government [reverted] to the commitment to set ground rents at zero financial value (£0) in future leases. Some leasehold properties will be exempt from the reduction, e.g. retirement properties, community-led developments and financial lease products. Mixed-use leases will be excluded from the legislation – ground rent will still be payable where a single lease covers residential and commercial property. When a lease is replaced, the ground rent reduction will apply only to the newly extended part of the lease”.

7. Appraisal Modelling Assumptions – Costs

7.1. Introduction

7.1.1. The following assumptions have been adopted in assessing the costs of the proposed scheme.

7.2. Build Costs

7.2.1. We have adopted the build costs as advised by Equals. The costs include an allowance for demolition, preliminaries, contingencies, and contractor's OH&P.

7.3. Site Remediation

7.3.1. In bringing forward residential development at this site, additional remediation is required beyond the level currently undertaken to make the site safe. We have been provided with an estimate of circa £740,000 expected additional remediation costs by Equals cost consultancy.

7.4. Contingences

7.4.1. The advised costs include a contractor's contingency of 2%. A typical contingency assessment might be between 5% and 10%. At this stage we have not applied an additional contingency allowance but reserve the right to do so.

7.5. Professional Fees

7.5.1. In this instance we have adopted professional fees of 10%. We have not been provided with a detailed breakdown of anticipated professional fees and therefore reserve the right to review our approach in the future.

7.6. Sales/ Letting Fees

- Residential & Commercial sales agent: 1.0%
- Residential & Commercial sales legal: 0.5%
- Residential & Commercial marketing: 1.5%

7.7. Planning Obligations

7.7.1. We have included the following estimated payments:

- CIL: £2,251,133
- Section 106: we have applied a notional allowance of £1,500 per unit.

7.7.2. The final payments will be subject to agreement with the LPA.

7.8. Profit

- 7.8.1. 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 applying 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.
- 7.8.2. Whilst the proposed development includes affordable housing, this is intended to be delivered as Discounted Market Sale and sold by the Applicant. As such the Applicant is still taking construction and sales risk and we therefore consider it appropriate to adopt a consistent profit rate.
- 7.8.3. Based on our experience and research we have included a developer's return at 20% on GDV.

7.9. Finance

- 7.9.1. In accordance with RICS guidance we have assumed that the development will be 100% debt financed. We have assumed a debit rate of 6.75% and a credit rate of 0.1%.

7.10. Timescales

- 7.10.1. We have not been provided with a development programme and so have made assumptions for appraising the scheme on the following basis:
- Purchase, planning and pre-construction: 6 months
 - Construction: 24 months
 - Sales: We have allowed an 18 month sales period. We have assumed that 40% of the units will be sold off plan with receipt at PC, and that the remaining units will be sold at 4 per month.

8. Appraisal Results

8.1. Results

- 8.1.1. We have appraised the proposed scheme against our Site Value Benchmark (SVB) in order 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 is set out below. Please see **Appendix 4** for the full appraisal.

Table 11 – Viability Appraisal Results

Residual Land Value	Site Value Benchmark	Surplus/Deficit Against Benchmark
-£4.75m	£2.75m	-£7.5m

- 8.1.3. Our assessment concludes that the RLV generates a deficit when compared against the SVB. We have therefore undertaken sensitivity analysis to understand the level of movement required to deliver a viable scheme.

8.2. Sensitivity Analysis

- 8.2.1. The value of development sites can be volatile and the residual approach adopted within this report is sensitive to changes in key variables. It is therefore useful to provide a sensitivity analysis, showing the effect on the RLV through small changes in key variables such as private sales values and build cost. We set out below a sensitivity analysis showing the effect of increasing the sales values and decreasing the build costs in 5% increments.

Table 12 – Sensitivity Analysis

Sensitivity Analysis		Private Sales Values				
		0%	5%	+10%	+15%	+20%
Build Cost	0%	-£4.75m	-£3.08m	-£1.43m	£203K	£1.77m
	-5%	-£2.97m	-£1.32m	£311K	£1.88m	£3.45m
	-10%	-£1,21m	£419K	£1.99m	£3.56m	£5.12m
	-15%	£527K	£2.10m	£3.66m	£5.23m	£6.8m
	-20%	£2.20m	£3.77m	£5.34m	£6.91m	£8.48m

- 8.2.2. The above table demonstrates that for the scheme to become economically viable in planning terms, where the RLV generates a surplus against the SVB, there would need to be an increase in private sales values combined with a decrease in construction costs of between 10% and 15%.

8.3. Conclusion

- 8.3.1. Our assessment concludes that the RLV generates a deficit when compared against the Site Value Benchmark. Therefore the scheme is not considered to be technically viable and is unable to provide an affordable housing contribution other than on an ex gratia basis. Notwithstanding the deficit the Applicant is prepared to provide the eight low cost home ownership units on an ex gratia basis.
- 8.3.2. The key issues facing the proposed development are the significant development costs associated with development of this nature. There are circa £740,000 of expected additional remediation costs required for residential development which affect the scheme viability.
- 8.3.3. We have undertaken sensitivity analysis which suggests movements in both cost of values of between 10% and 15% would be required to deliver a technically viable scheme.
- 8.3.4. Despite the viability deficit, we would note that the Applicant is a long-term stakeholder incentivised with both maximising the opportunity and in delivering place making benefits to the local area. Planning viability is therefore not a prohibitive factor to the Applicant's ambition to deliver a high quality scheme which will deliver a high quality development alongside substantial planning contributions and public realm improvements within the area.
- 8.3.5. The Applicant is therefore prepared to maintain the eight low cost home ownership homes on an ex gratia basis.

Appendices

Appendix 1
Letter of Instruction

Friday, 12 March 2021



Mr A. Hall
SGN Place Limited
C/O Kin Developments
First Floor, 141 King's Road
London
SW3 4PW

Gareth Turner
E: gturner@savills.com
DL: +44 (0) 20 7016 3771

33 Margaret Street
London W1G 0JD
T: +44 (0) 20 7499 8644
savills.com

Dear Mr. Hall,

Confirmation of Terms of Engagement

Site: Former Gas Holders, Cramptons Road, Sevenoaks

Introduction

Following on from our recent correspondence, we are grateful to you for your instructions. We now write to you as development manager on behalf of SGN Place Ltd for this site to confirm the terms upon which Savills (UK) Limited (Savills, we or us) will provide SGN Place Limited and Kin (you) with a Financial Viability Assessment (FVA) to support your planning application in respect of the development of the above site (the Subject).

Scope of Services

As confirmed please see below our agreed scope of services for providing a Financial Viability Assessment to accompany your planning application.

Viability Assessment

In light of the potential planning obligations being sought in relation to the proposed redevelopment of the site, you require Savills to provide a Financial Viability Assessment on the following bases:

- a) **Site Assessment** – to examine the development economics of the proposed scheme via the preparation of a Financial Viability Assessment Report using Argus Developer so that the level of planning obligations can be considered, including:
 - Establishing the Site Value Benchmark;
 - Assessment of residential values and pricing (including input from wider Savills departments where appropriate/required) to be included within an individual Residential Comparables report; and
 - Economic modelling, including appraisals using Argus Developer software.
- b) **Post Submission Advice** – to agree the final planning obligations with the Council/their appointed assessor.

The above includes engagement with the project team including attendance at project team meetings where required.

Timescales

We would expect to be able to issue a draft report 15 working days from receipt of the required information.

Any extensions to these agreed timeframes will be communicated and agreed with you prior to the issuance of our report and highlighted within, along with the reasons for why such an extension was required.

Conflicts of Interest

We can confirm that there are no conflicts of interest between Savills and either the Applicant, the Council or the Subject.

Fee Statement

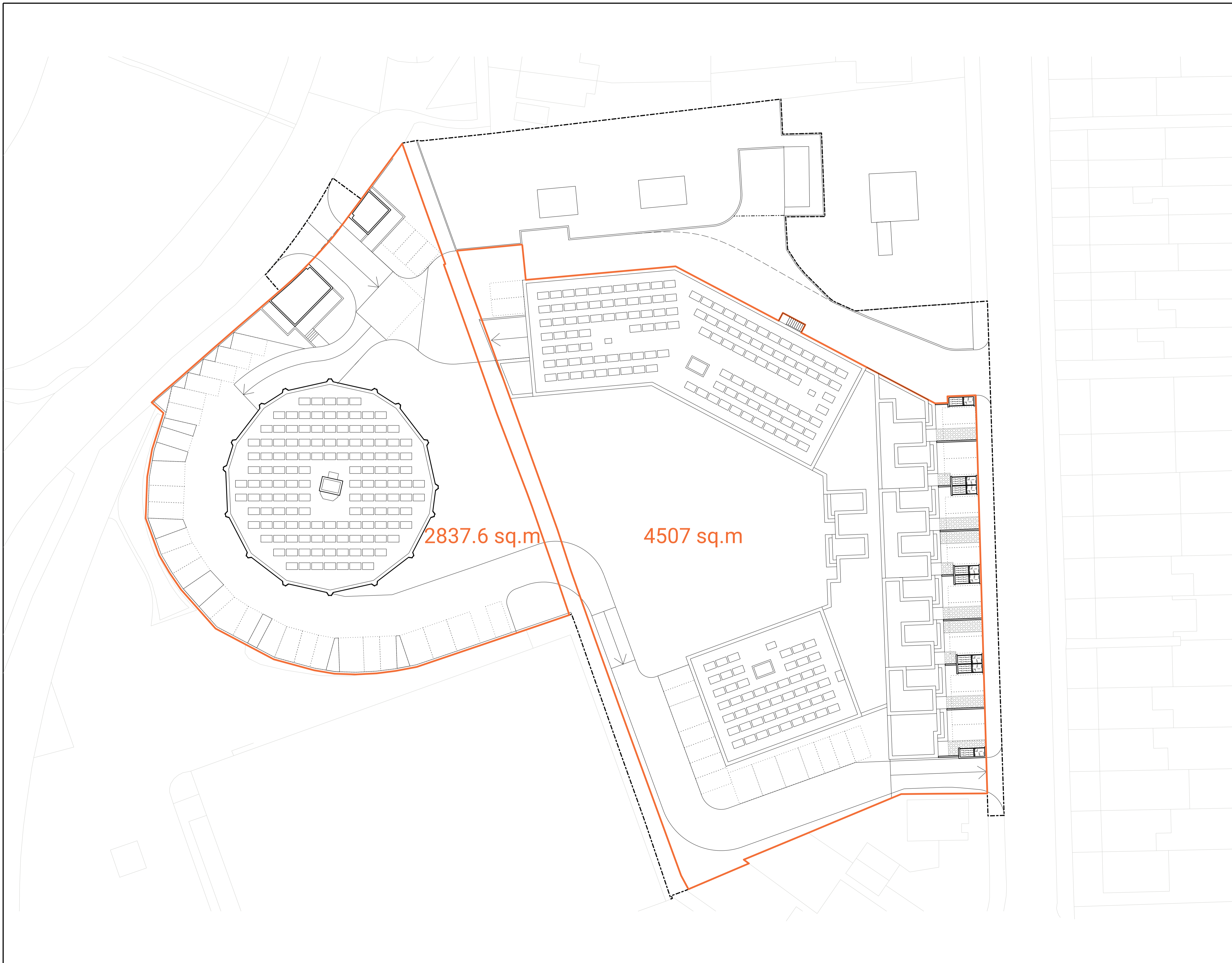
We can confirm that in-line with the latest RICS Guidance our agreed fee for undertaking the above work is not performance related nor do we have any contingent fees agreed between Savills (UK) Limited and SGN Place Limited.

Yours sincerely,

A handwritten signature in black ink that reads "Gareth Turner". The signature is written in a cursive, flowing style.

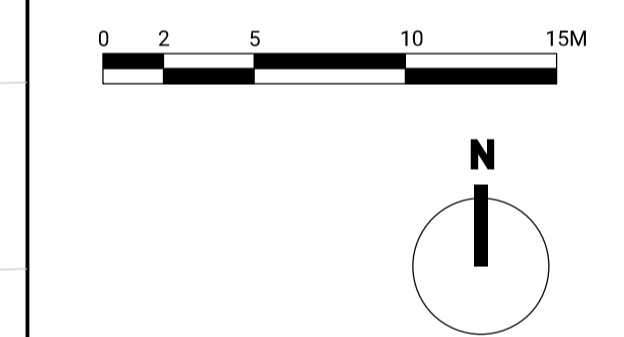
Gareth Turner
Director

Appendix 2 Site Plan



ISSUE	REVISION NOTE	DATE
/	Issued for Information	01.03.2021

- GENERAL NOTES
1. DO NOT SCALE DRAWINGS
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 4. REPORT ANY DISCREPANCIES WITH CONTRACT DOCUMENTATION AND / OR CONSULTANTS' DRAWINGS



SEVENOAKS GASHOLDER SITE

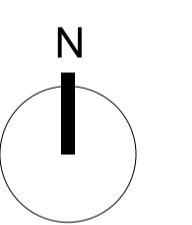
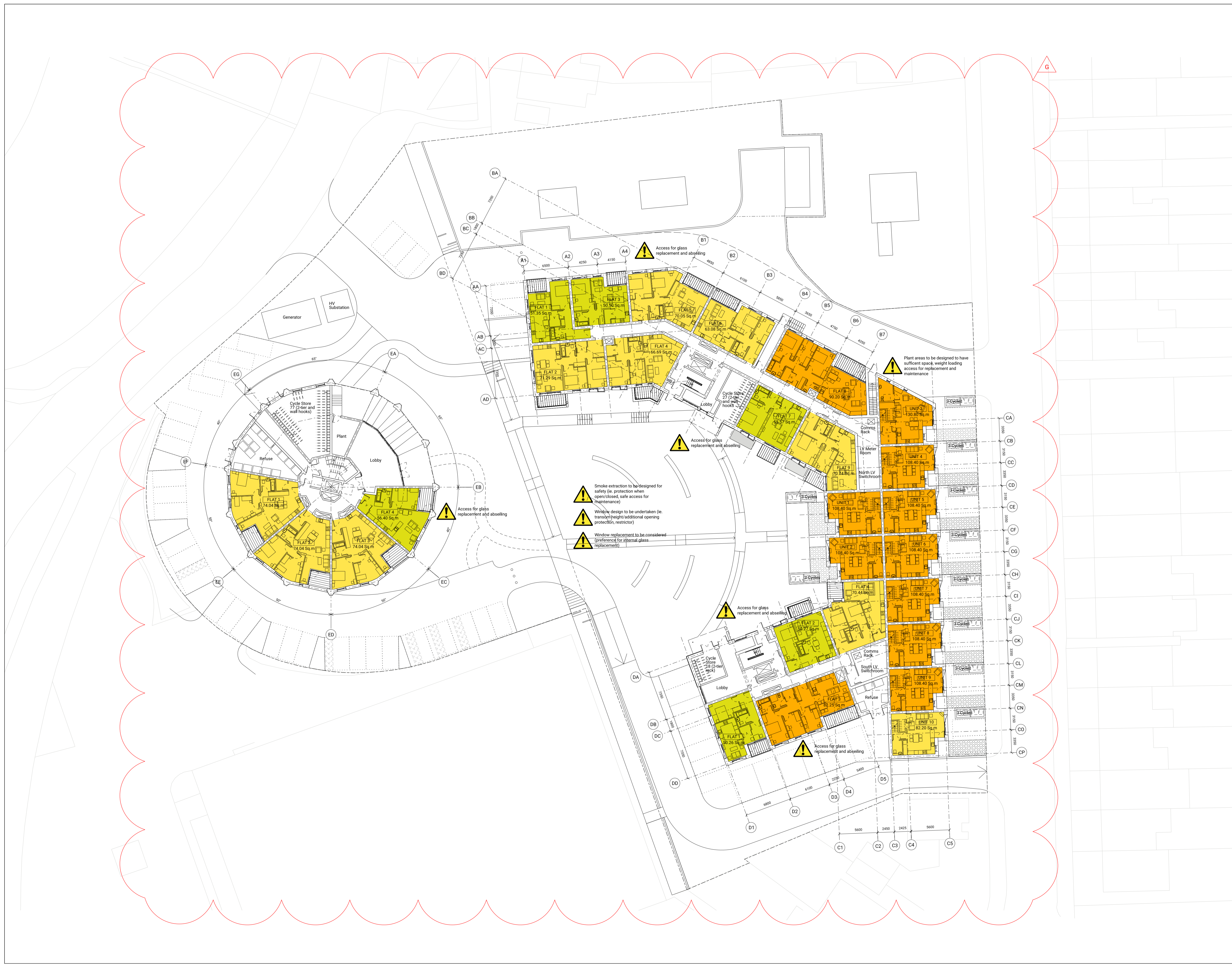
SITE PLAN

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PROJECT NO.	0330	FIRST ISSUE	01.03.2021
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DRAWING NO.	0330_sk025_0050		

Appendix 3 Plans and Accommodation Schedule

ISSUE	REVISION NOTE	DATE
A	Issued for Information	06.08.2020
B	Revised parking layout	07.08.2020
C	Revised plant layout	13.08.2020
D	Stage 2 Report	02.09.2020
E	Issued for Information	25.09.2020
F	Issued for Information	02.10.2020
G	Issued for Information	25.11.2020

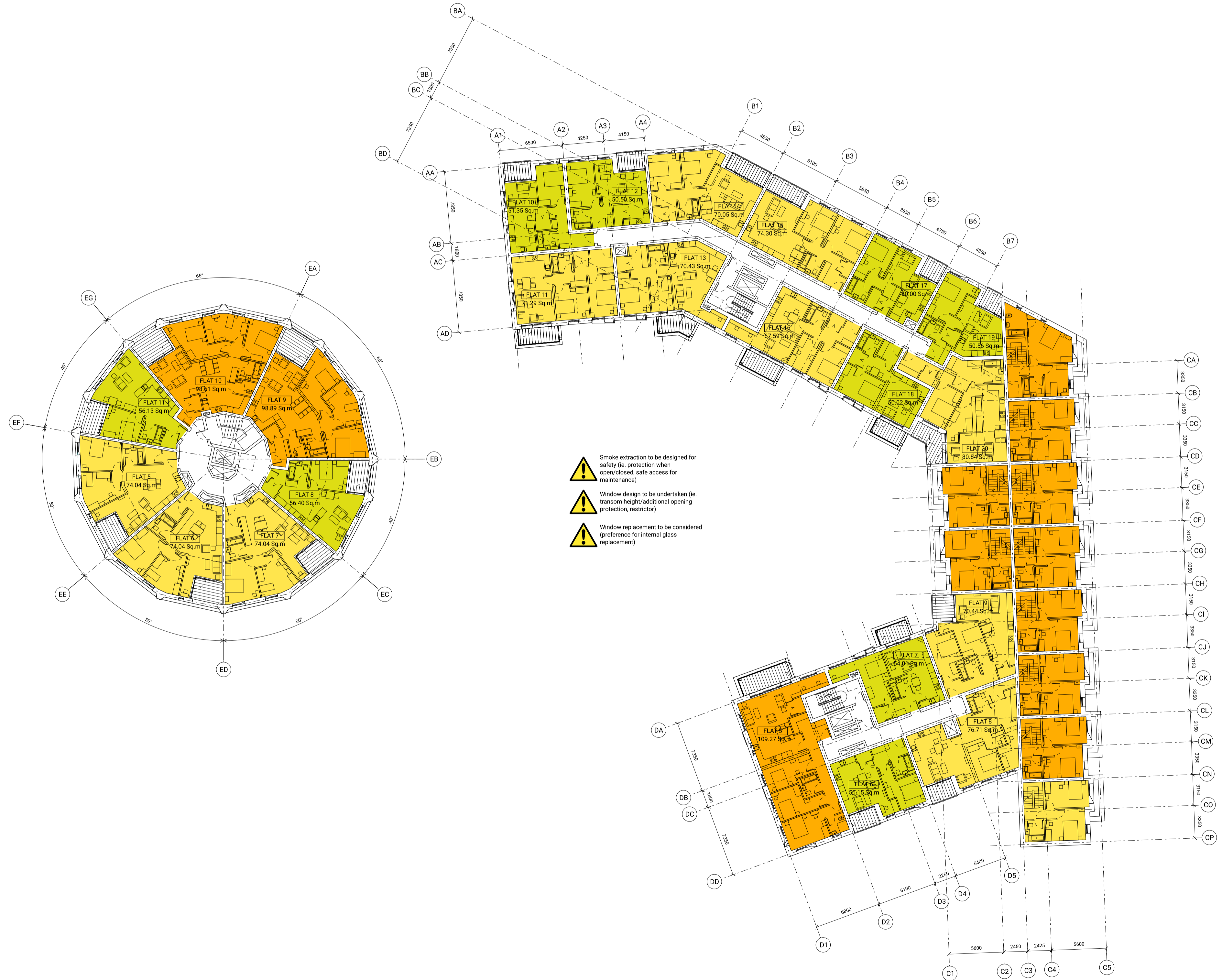
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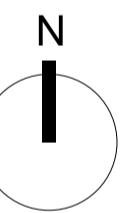
GROUND FLOOR PLAN

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PROJECT NO.	0330	FIRST ISSUE	06.08.2020
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DRAWING NO.	0330_1000		



ISSUE	REVISION NOTE	DATE
A	Issued for Information	06.08.2020
B	Stage 2 Report	02.09.2020
D	Issued for Information	25.09.2020
E	Issued for Information	25.11.2020

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Chester House, Unit 1.09
 Kennington Park, 1-3 Brixton Road
 London SW9 6DE

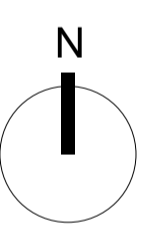
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LEVEL 1 PLAN

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ISSUE	REVISION NOTE	DATE
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B	Stage 2 Report	02.09.2020
C	Issued for Information	25.11.2020

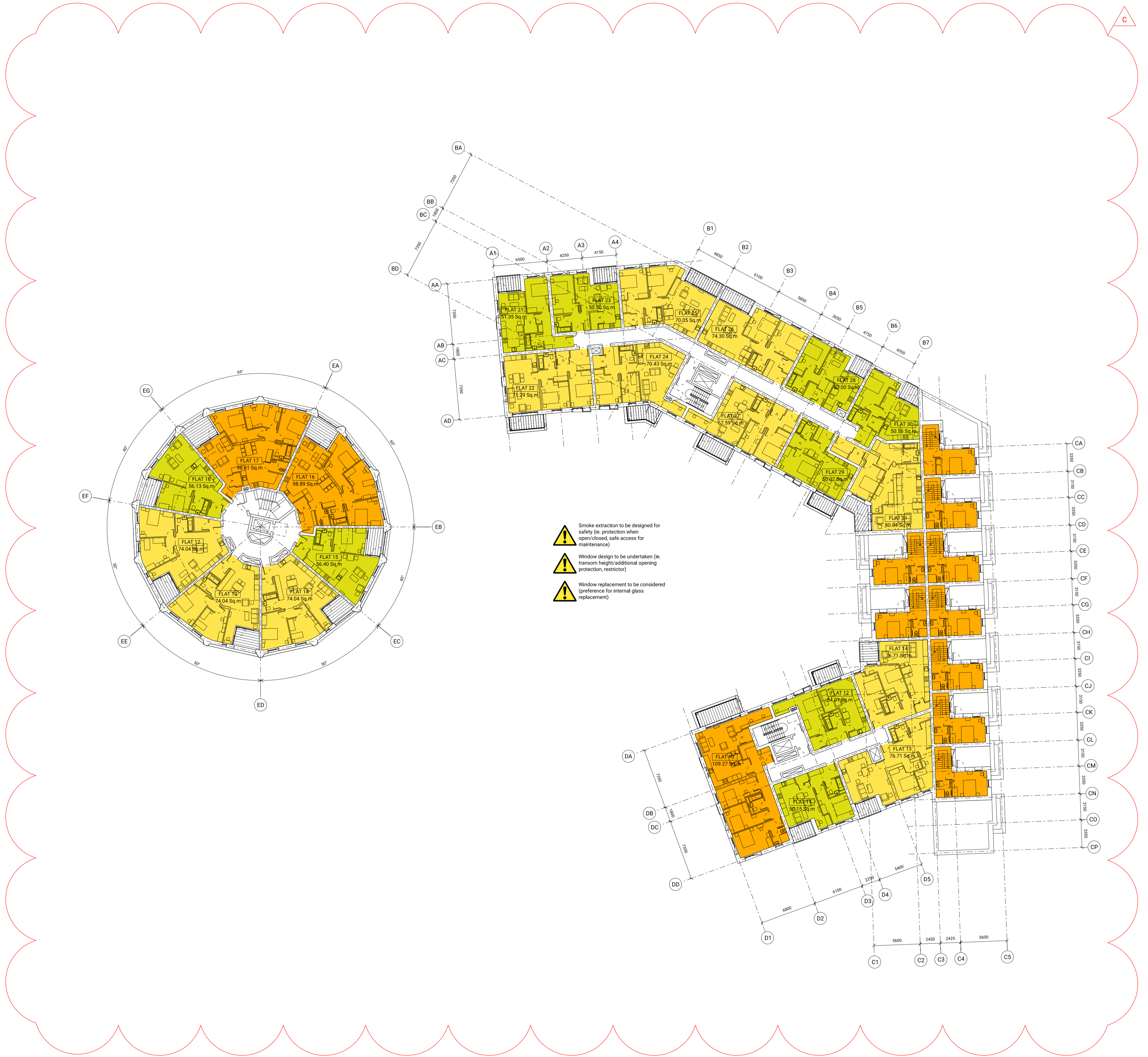
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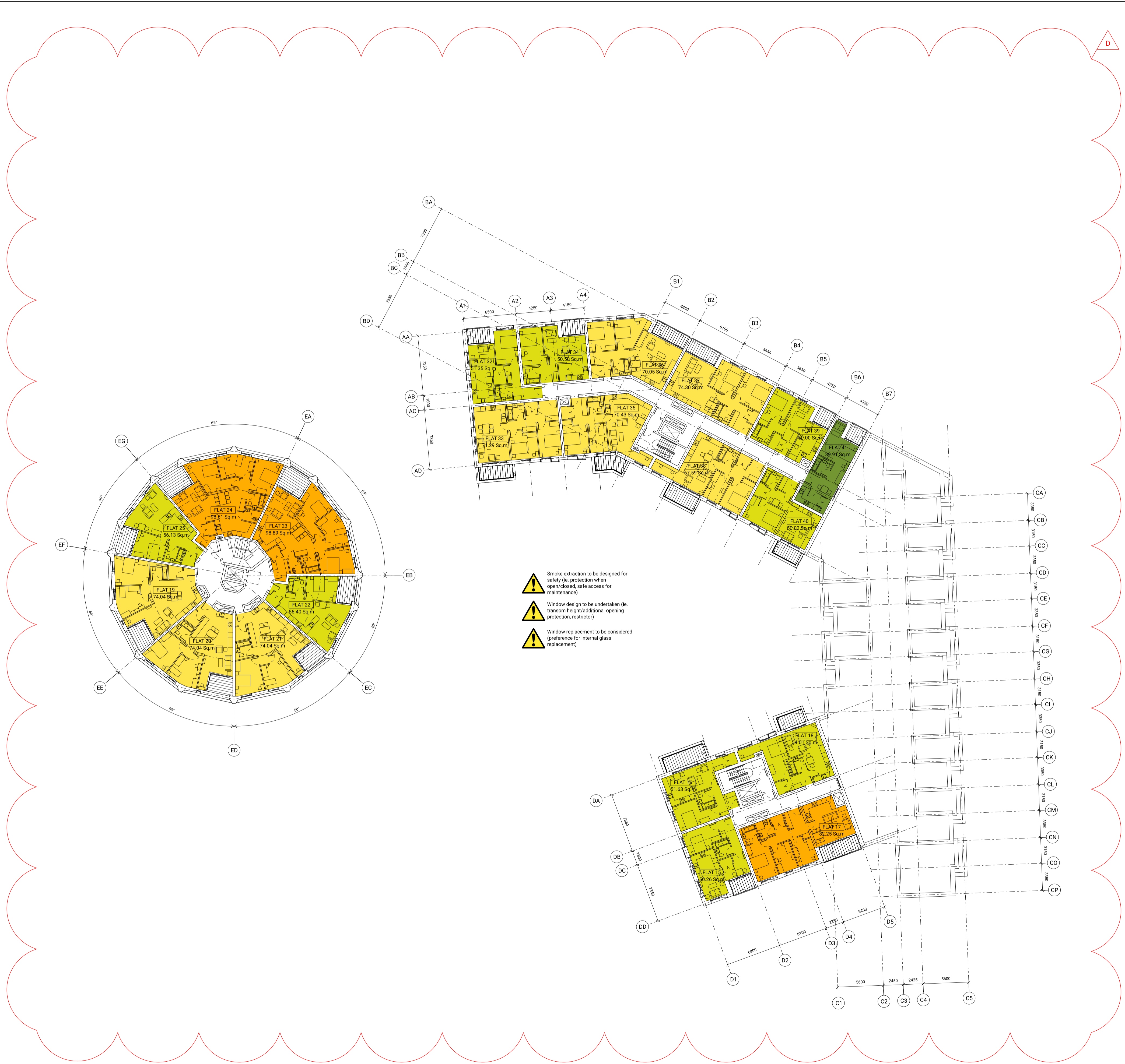


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LEVEL 2 PLAN

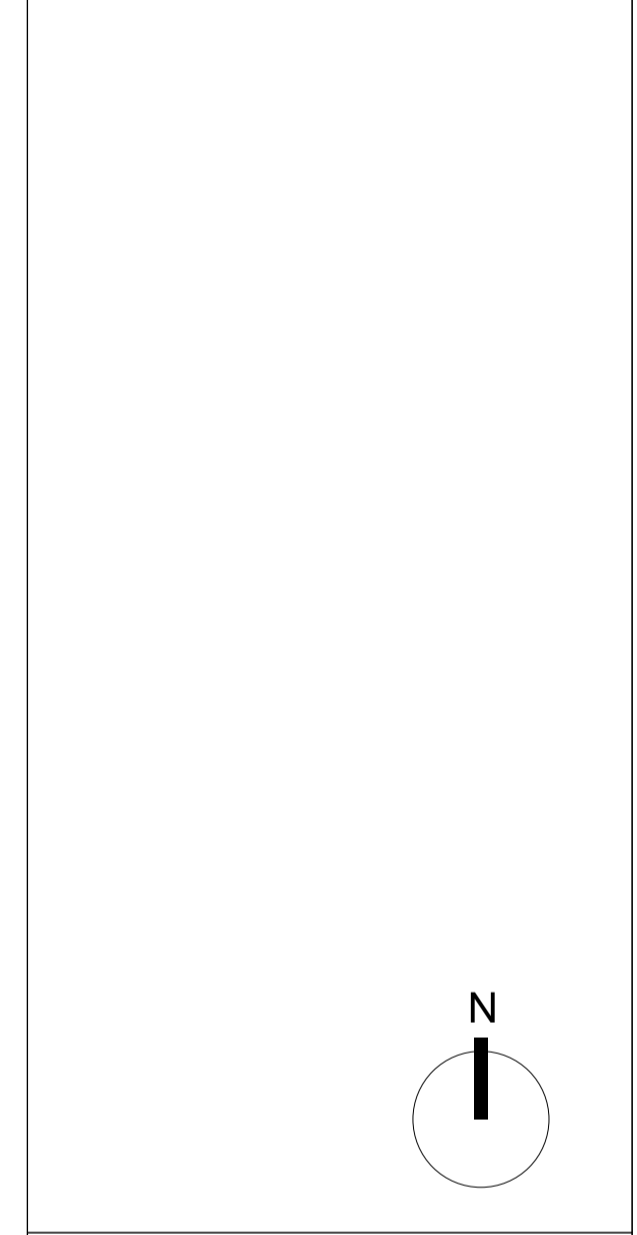
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DRAWING NO.	0330_1020		





ISSUE	REVISION NOTE	DATE
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B	Stage 2 Report	02.09.2020
C	Issued for Information	25.09.2020
D	Issued for Information	25.11.2020

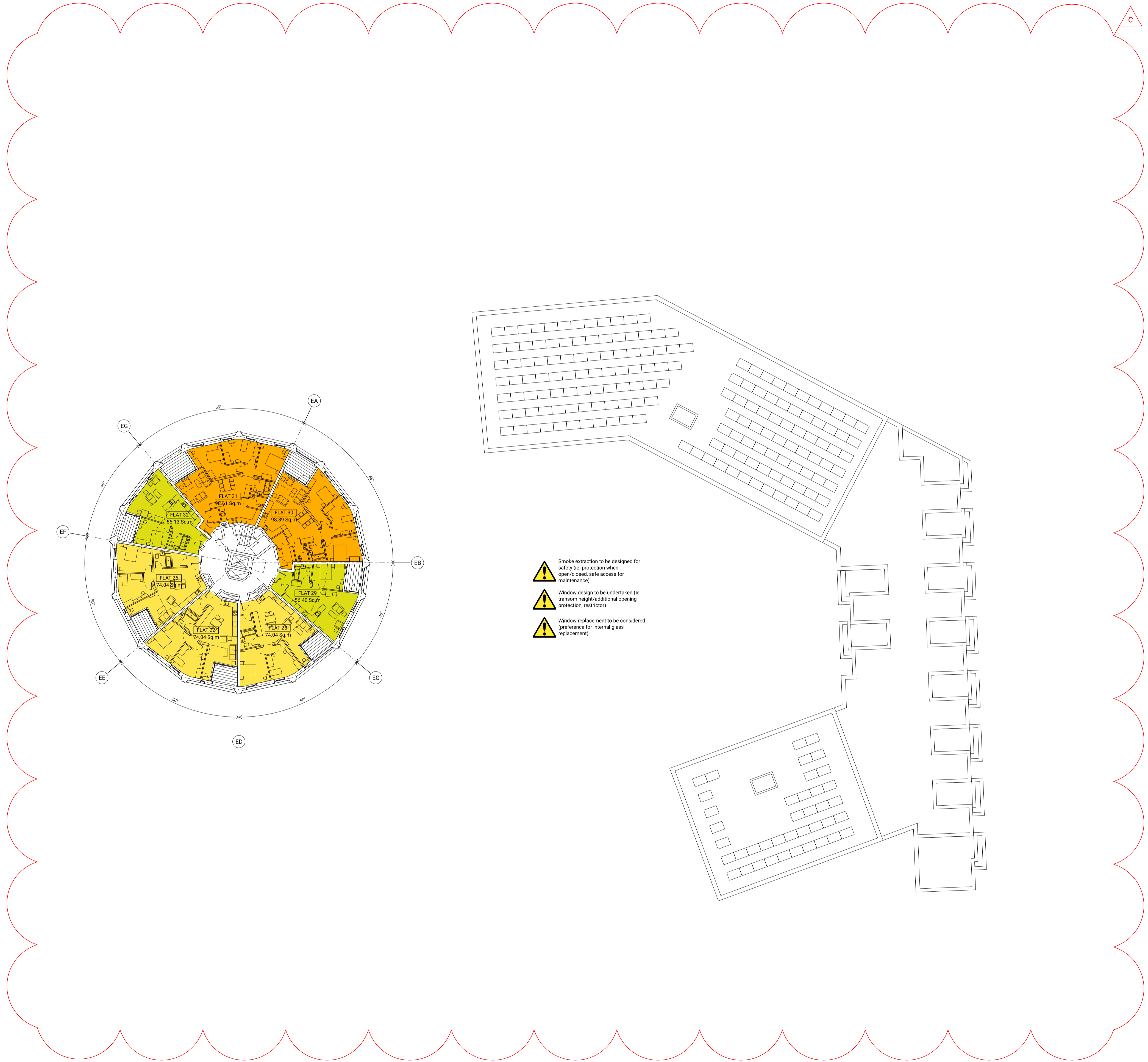
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LEVEL 3 PLAN

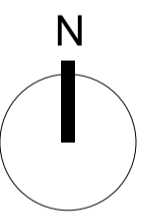
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PROJECT NO.	0330	FIRST ISSUE	06.08.2020
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DRAWING NO.	0330_1030		



- Smoke extraction to be designed for safety (ie. protection when open/closed, safe access for maintenance)
- Window design to be undertaken (ie. transom height/additional opening protection, restrictor)
- Window replacement to be considered (preference for internal glass replacement)

ISSUE	REVISION NOTE	DATE
A	Issued for Information	06.08.2020
B	Stage 2 Report	02.09.2020
C	Issued for Information	25.11.2020

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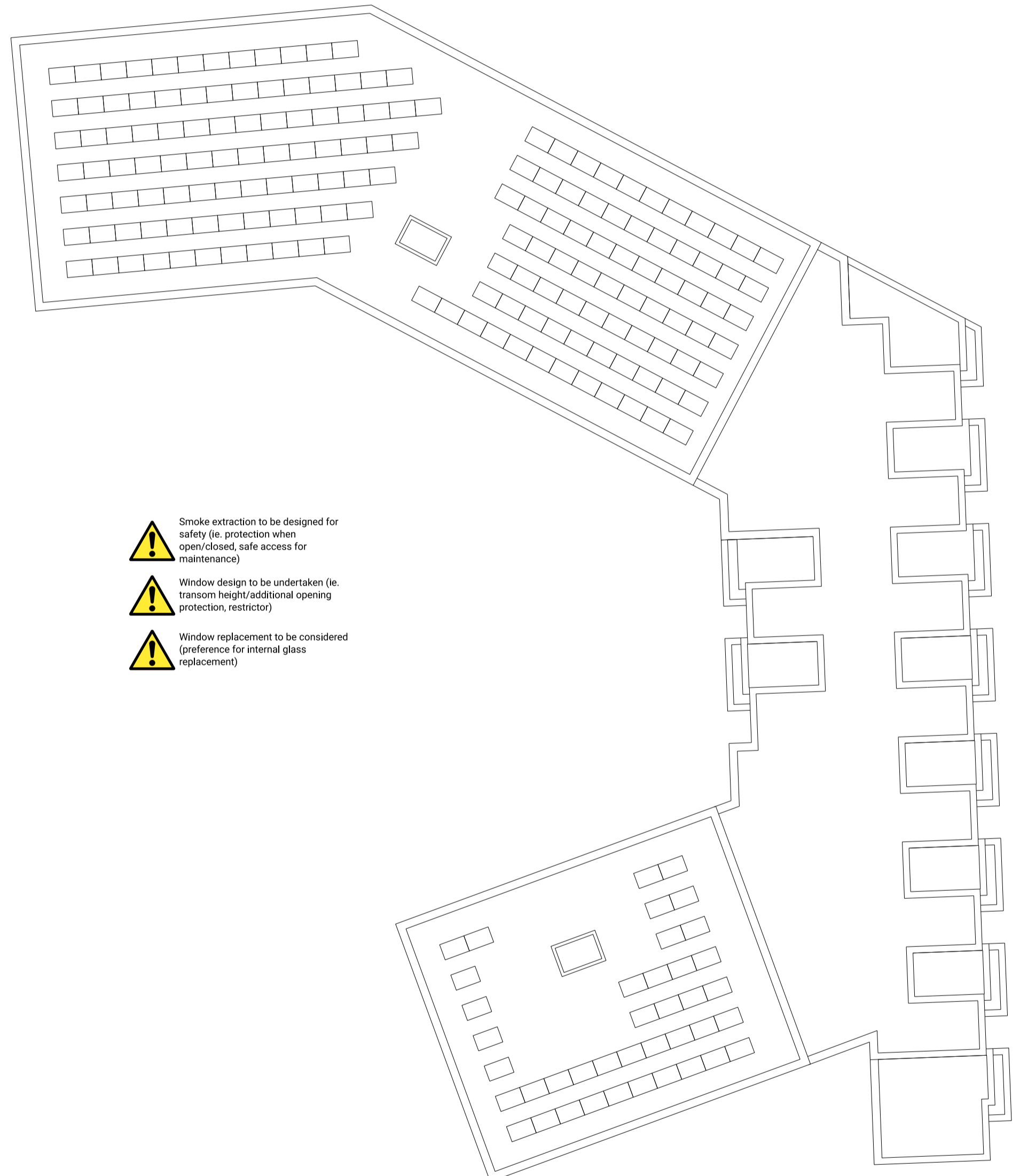
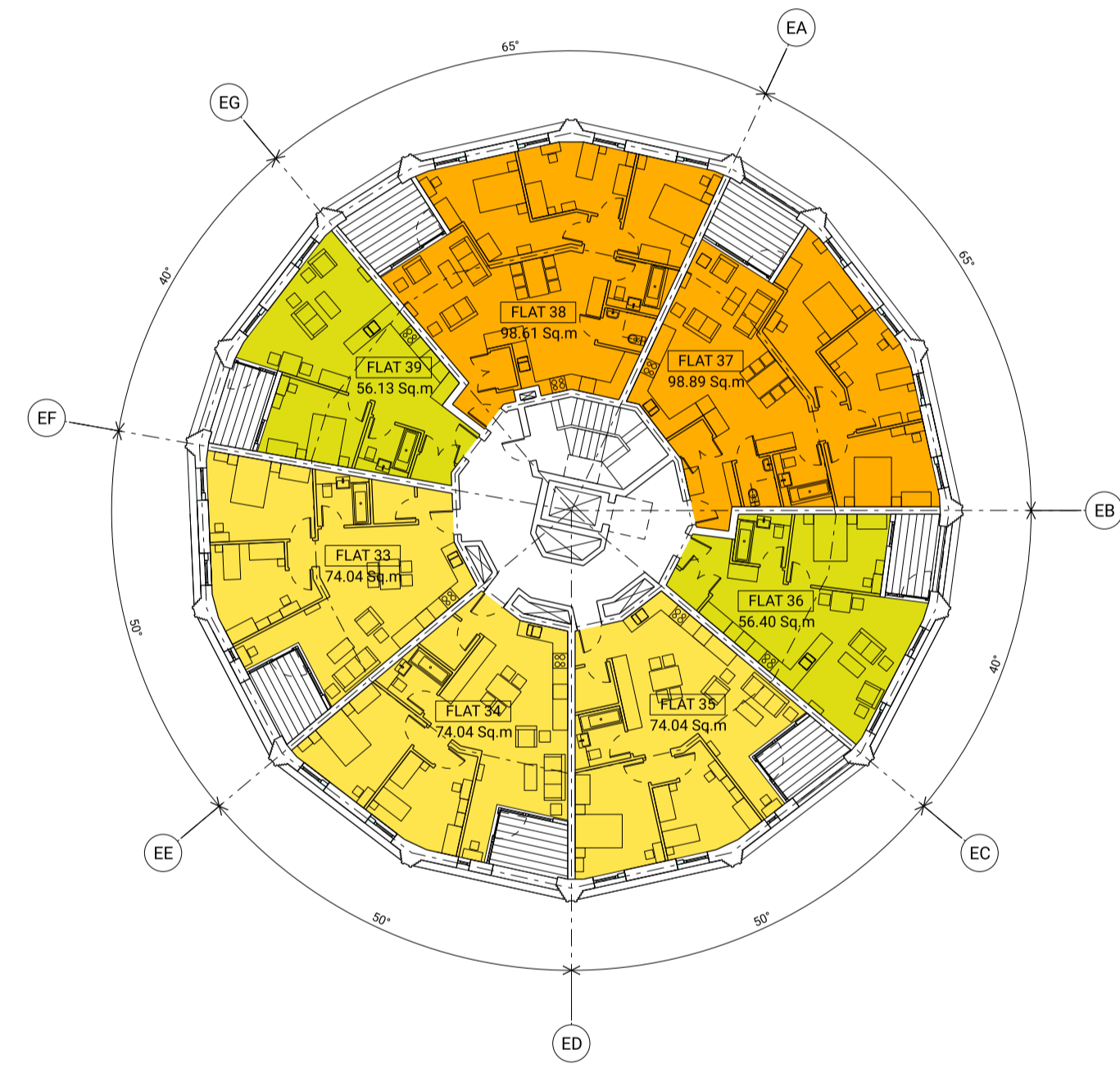


MAX
architects
Chester House, Unit 1.09
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London SW9 6DE

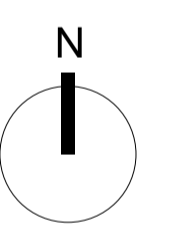
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LEVEL 4 PLAN

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DRAWING NO.	0330_1040		



- ⚠ Smoke extraction to be designed for safety (ie. protection when open/closed, safe access for maintenance)
- ⚠ Window design to be undertaken (ie. transom height/additional opening protection, restrictor)
- ⚠ Window replacement to be considered (preference for internal glass replacement)



ISSUE	REVISION NOTE	DATE
A	Issued for Information	06.08.2020
B	Stage 2 Report	02.09.2020
C	Issued for Information	25.11.2020

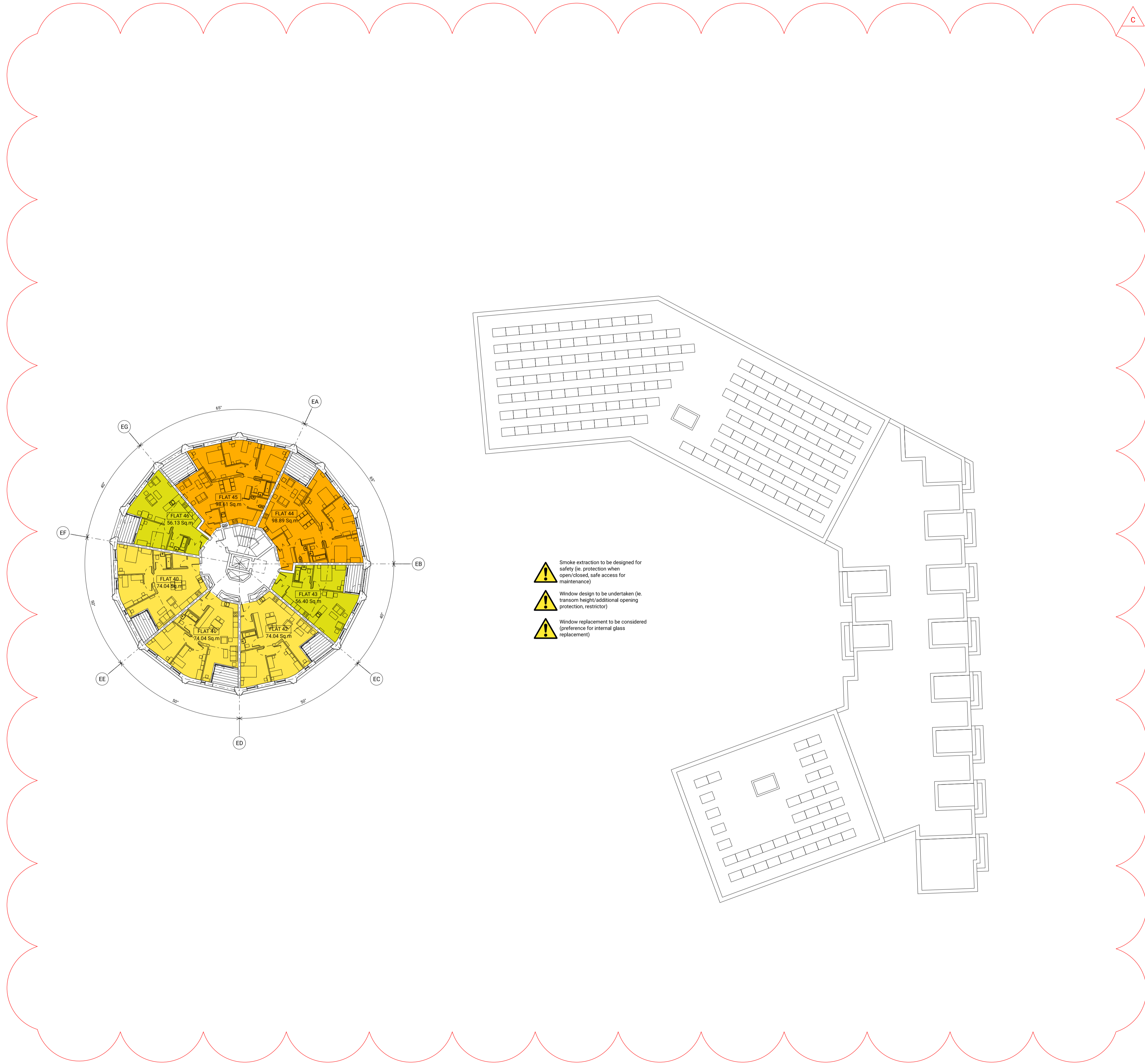
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LEVEL 5 PLAN

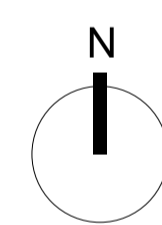
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- ⚠ Smoke extraction to be designed for safety (ie. protection when open/closed, safe access for maintenance)
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ISSUE	REVISION NOTE	DATE
A	Issued for Information	06.08.2020
B	Stage 2 Report	02.09.2020
C	Issued for Information	25.11.2020

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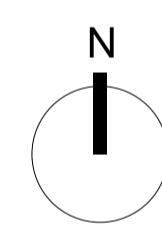
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LEVEL 6 PLAN

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DRAWN	AG	APPROVED	MT
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ISSUE	REVISION NOTE	DATE
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B	Stage 2 Report	02.09.2020
C	Issued for Information	25.11.2020

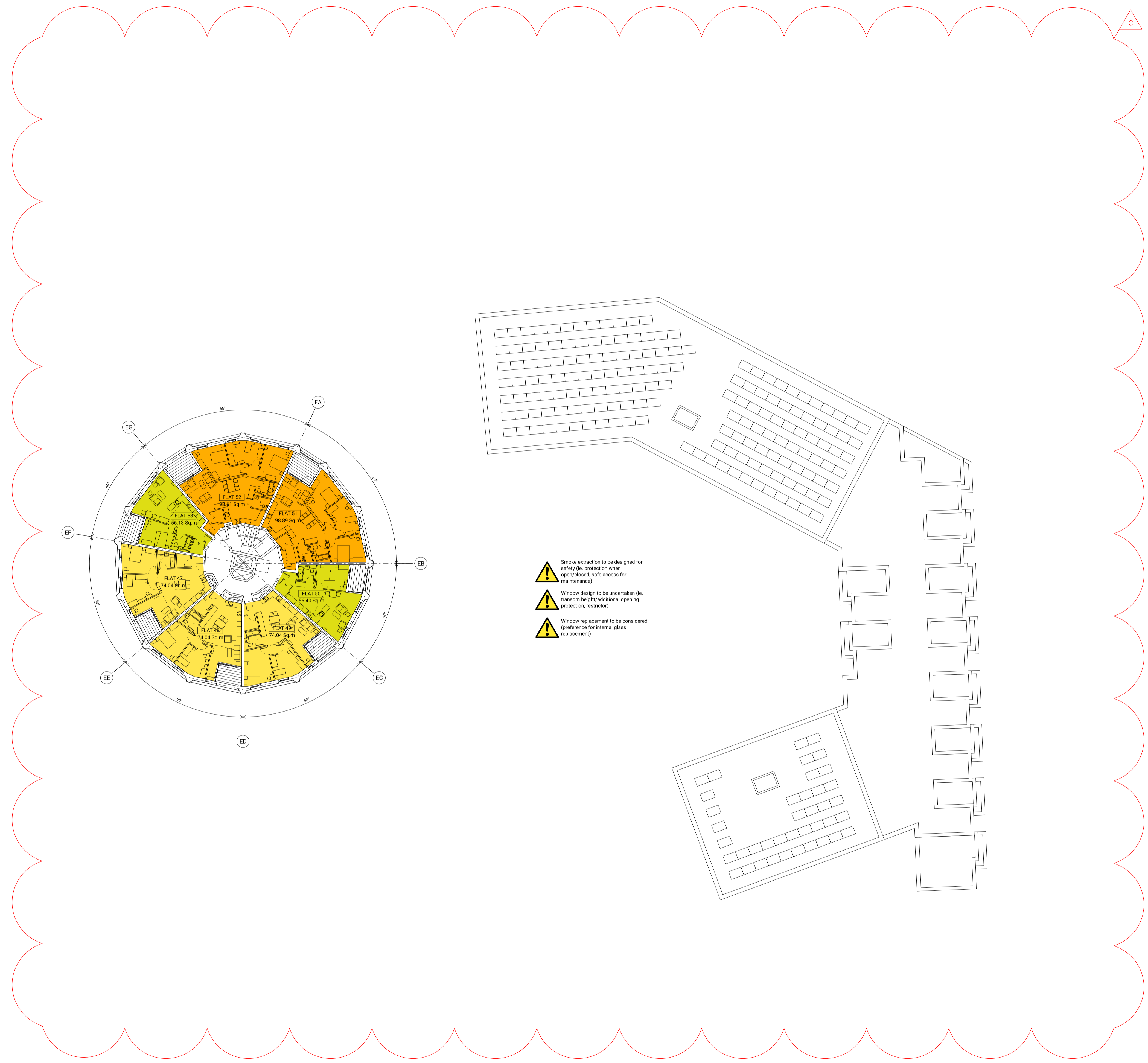
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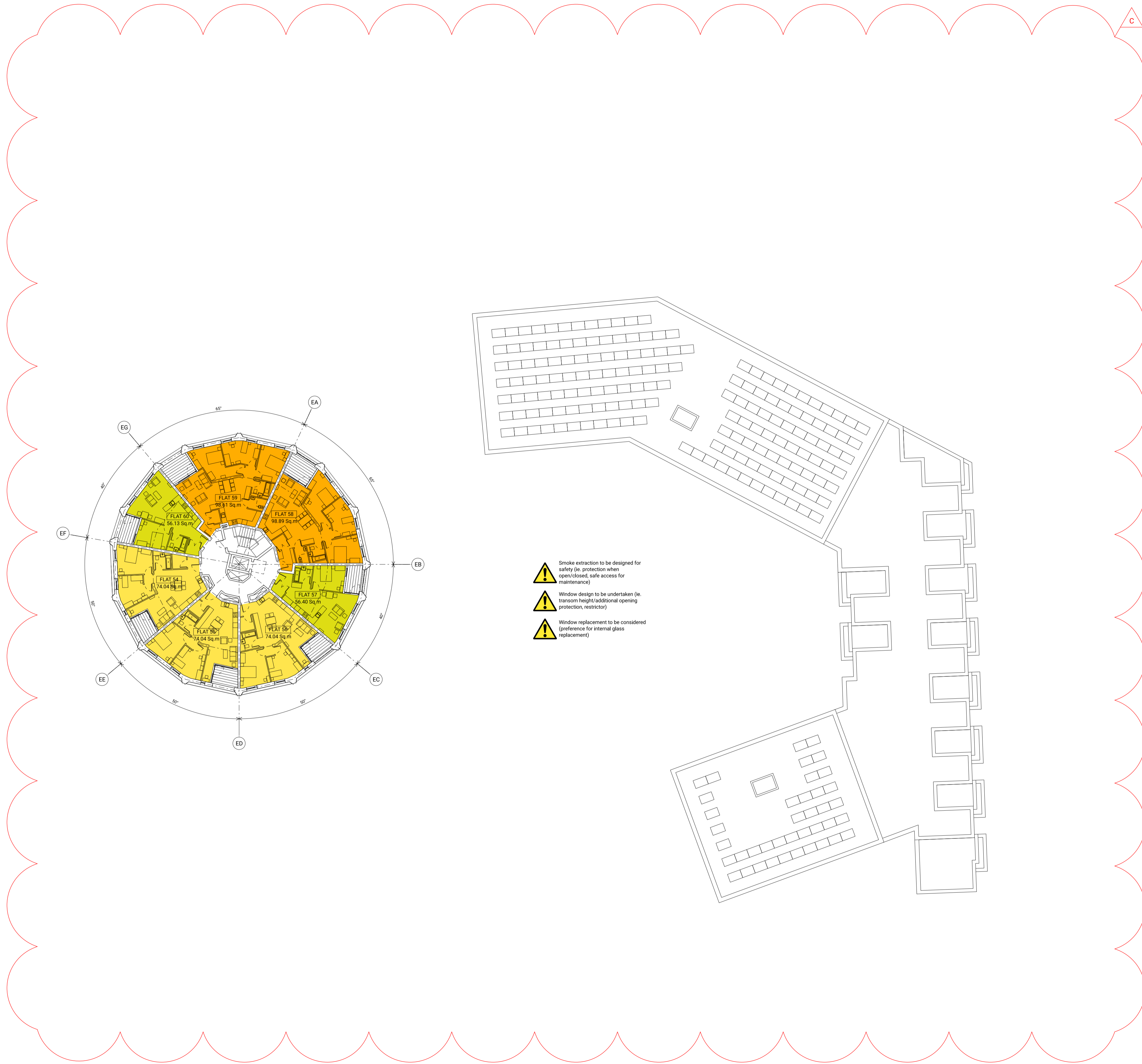


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LEVEL 7 PLAN

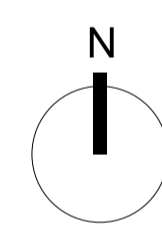
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PROJECT NO.	0330	FIRST ISSUE	06.08.2020
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DRAWING NO.	0330_1070		





ISSUE	REVISION NOTE	DATE
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B	Stage 2 Report	02.09.2020
C	Issued for Information	25.11.2020

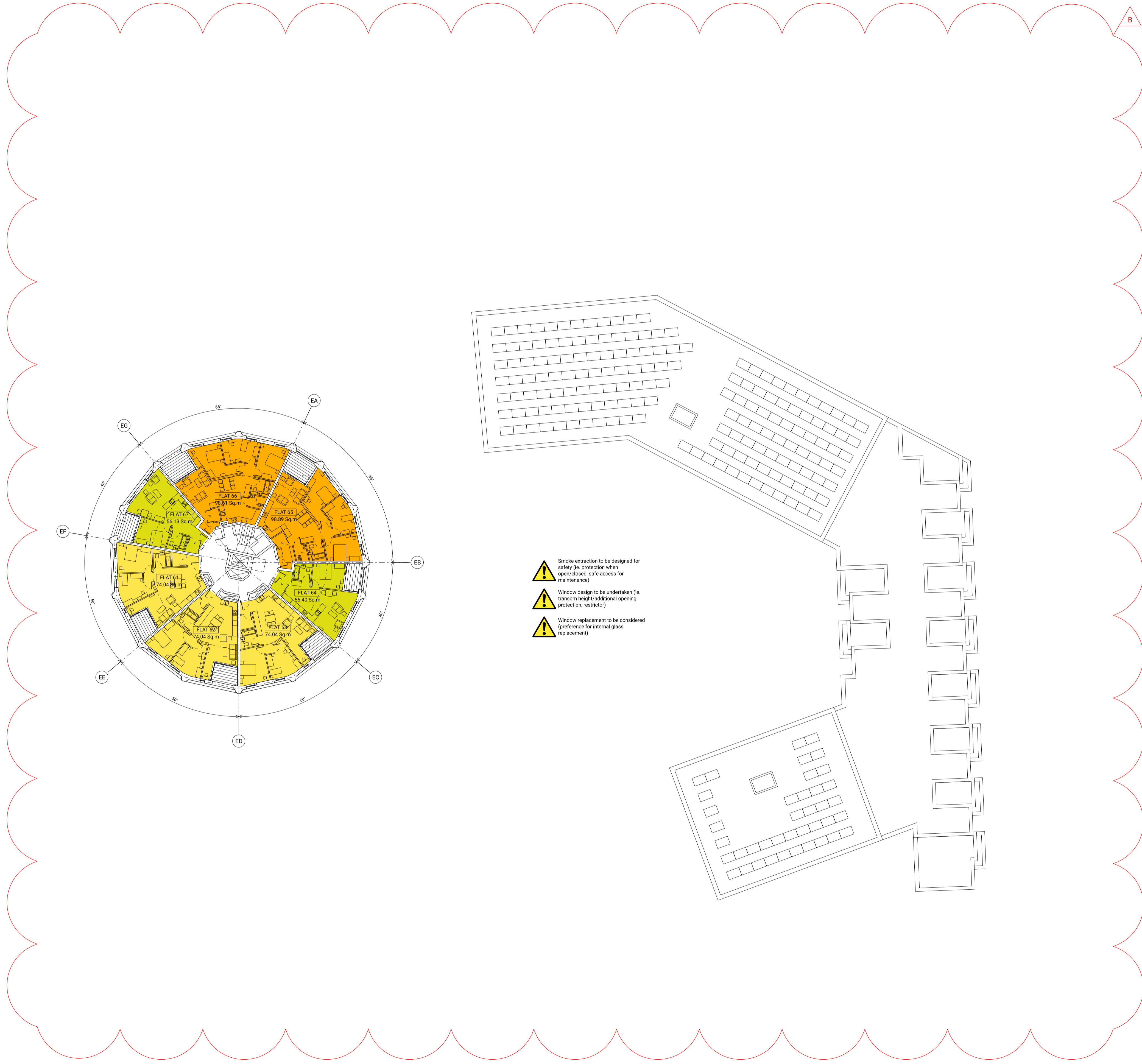
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LEVEL 8 PLAN

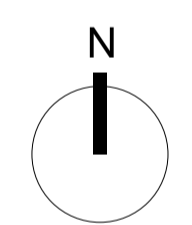
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DRAWING NO.	0330_1080		



- ⚠ Smoke extraction to be designed for safety (ie. protection when open/closed, safe access for maintenance)
- ⚠ Window design to be undertaken (ie. transom height/additional opening protection, restrictor)
- ⚠ Window replacement to be considered (preference for internal glass replacement)

ISSUE	REVISION NOTE	DATE
A	Stage 2 Report	02.09.2020
B	Issued for Information	25.11.2020

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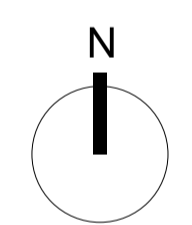
SEVENOAKS GASHOLDER SITE

LEVEL 9 PLAN

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ISSUE	REVISION NOTE	DATE
A	Issued for Information	06.08.2020
B	Stage 2 Report	02.09.2020
C	Issued for Information	25.11.2020

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 - ALL DIMENSIONS SHALL BE VERIFIED ON SITE BEFORE PROCEEDING WITH THE WORK
 - REPORT ANY DISCREPANCIES WITH CONTRACT DOCUMENTATION AND / OR CONSULTANTS' DRAWINGS

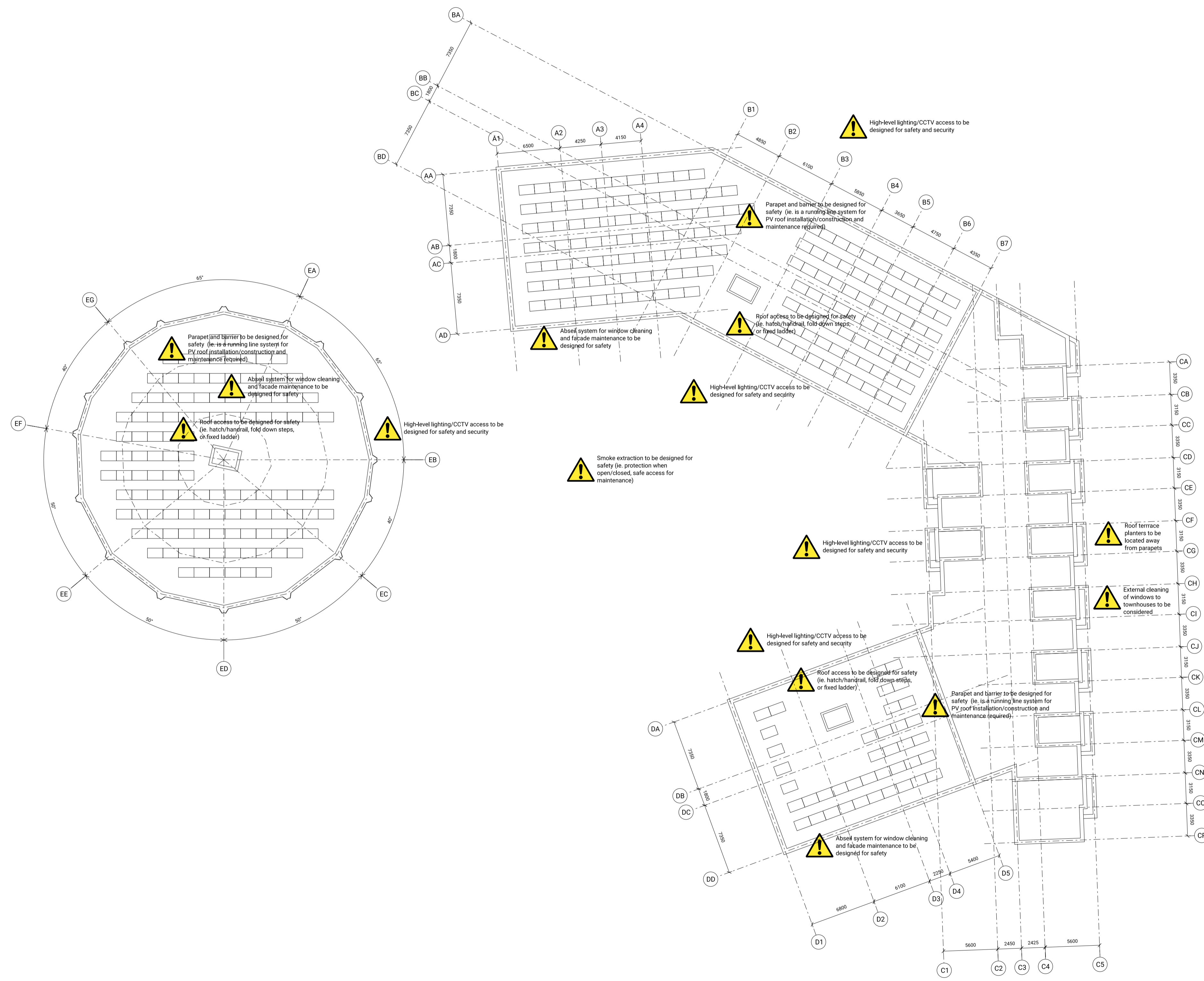


MAX
architects
Chester House, Unit 1.09
Kennington Park, 1-3 Brixton Road
London SW9 6DE

**SEVENOAKS
GASHOLDER SITE**

ROOF PLAN

DIRECTOR	MT	CHECKED	MT
DRAWN	AG	APPROVED	MT
PROJECT NO.	0330	FIRST ISSUE	06.08.2020
SCALE	1:500 @ A3 1:250 @ A1	REVISION	C
DRAWING NO.	0330_1099		



Appendix 4 Proposed Scheme Appraisal

SGN Sevenoaks Planning Viability
136 Units
8 Townhouses DMS

Development Appraisal
Savills (UK) Limited
19 March 2021

**SGN Sevenoaks Planning Viability
136 Units**
Appraisal Summary for Phase 1
Currency in £
REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Apartments	126	95,127	473.85	357,743	45,075,580
Townhouses	2	2,334	462.72	540,000	1,080,000
Townhouses - DMS	8	9,294	365.83	425,000	3,400,000
Totals	136	106,755			49,555,580

NET REALISATION 49,555,580
OUTLAY
ACQUISITION COSTS

 Residualised Price (Negative land) (4,746,004)
(4,746,004)

CONSTRUCTION COSTS
Construction

	Units	Unit Amount	Cost	
Remediation	1 un	740,000	740,000	
		ft²	Build Rate ft²	Cost
Construction Costs	149,660	223.65	33,472,097	34,212,097
Statutory/LA CIL	136 un	1,500.00 /un	204,000 2,251,133	2,455,133

PROFESSIONAL FEES

 Professional Fees 10.00% 3,421,210
3,421,210

MARKETING & LETTING

 Marketing 1.50% 743,334
743,334

DISPOSAL FEES

 Sales Agent Fee 1.00% 495,556
Sales Legal Fee 0.50% 247,778
743,334

FINANCE

 Debit Rate 6.750%, Credit Rate 0.100% (Nominal)
Land (626,679)
Construction 2,716,610
Other 725,429
Total Finance Cost 2,815,360

TOTAL COSTS 39,644,464
PROFIT
9,911,116
Performance Measures

Profit on GDV% 20.00%

IRR% (without Interest) 26.38%

Gareth Turner
Director

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+44 (0)7967 555 482
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