

Financial Viability Assessment: Princess Royal Barracks, Deepcut, Surrey GU16 6RN



Prepared for
Defence Infrastructure Organisation

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1 Introduction

Defence Infrastructure Organisation ('DIO') and Skanska ('the Applicant') have commissioned BNP Paribas Real Estate to undertake an updated Financial Viability Assessment of the redevelopment ('the Proposed Development') of Princess Royal Barracks, Deepcut, Surrey GU16 6RN ('the Site'). This report updates the position that we previously reported in February 2019 following discussions with the Council's advisors (BPS). The purpose of this updated assessment is to determine the maximum viable provision of affordable housing in line with the requirements in Surrey Heath Borough Council's Local Plan. Policy CP5 of the Local Plan seeks 35% affordable housing provided as 50% rented and 50% shared ownership.

In 2014, the Council granted planning permission for a residential-led mixed use scheme providing up to 1,200 units. The Applicant is seeking to amend the affordable housing provisions of the Section 106 agreement as the scheme in its current form is unviable.

Initial phases of the permitted scheme have been delivered, with the housebuilders acquiring serviced plots providing 35% affordable housing. However, the receipts generated are too low to generate a positive land value to the Applicant. Our assessment considers the viability of the Proposed Development from the perspective of a 'Master Developer' as outlined in later sections.

We note that Surrey Heath Borough Council ('the Council') has issued a list of information requirements which we assume has been provided by BPS. This list of information is attached as Appendix 13 and we have identified where the information can be found within this report, where information is indeed available.

1.1 BNP Paribas Real Estate

BNP Paribas Real Estate is a leading firm of chartered surveyors, town planning and international property consultants. The practice offers an integrated service from nine offices in eight cities within the United Kingdom and 150 offices, across 30 countries in Europe, Middle East, India and the US, including 15 wholly owned and 15 alliances.

BNP Paribas Real Estate has a wide ranging client base, acting for international companies and individuals, banks and financial institutions, private companies, public sector corporations, government departments, local authorities and registered providers ('RPs').

The full range of property services includes:

- Planning and development consultancy;
- Affordable housing consultancy;
- Valuation and real estate appraisal;
- Property investment;
- Agency and Brokerage;
- Property management;
- Building and project consultancy; and
- Corporate real estate consultancy.

This report has been prepared by Anthony Lee MRICS MRTPI, RICS Registered Valuer.

The Affordable Housing and Development Viability Consultancy of BNP Paribas Real Estate advises landowners, developers, local authorities and RPs on the provision of affordable housing.

In 2007 we were appointed by the GLA to review its Development Control Toolkit Model (commonly referred to as the 'Three Dragons' model). This review included testing the validity of the Three Dragons' approach to appraising the value of residential and mixed use developments; reviewing the variables used in the model; and advising on areas that required amendment in the re-worked toolkit. We were appointed again in 2012 by the GLA to review the Three Dragons model and our recommendations were carried forward to the 2014 version of the Toolkit.

Anthony Lee was a member of the working group which drafted guidance for planning authorities on viability, which was published by the Local Housing Delivery Group in June 2012 as 'Viability Testing Local Plans: Advice to Planning Practitioners'. He was also a member of Ministry of Housing, Communities and Local Government's 'Developer contributions expert panel' advising civil servants on the drafting of the viability section of the July 2018 Planning Practice Guidance.

In addition, we were retained by Homes England to advise on better management of procurement of affordable housing through planning obligations.

The firm has extensive experience of advising landowners, developers, local authorities and RPs on the value of affordable housing and economically and socially sustainable residential developments.

1.2 Report structure

This report is structured as follows:

- Section two provides a brief description of the site and the proposed development;
- Section three describes the methodology that we have adopted;
- Section four outlines the assumptions we have adopted in our appraisals;
- Section five sets out the results of the appraisals;
- Finally, in Section six, we draw conclusions from the analysis.

1.3 Disclaimer

This report is not a valuation and should not be relied upon as such. In accordance with PS1 (5.2) of the RICS Valuation – Professional Standards – Global Standards 2017 (the 'Red Book'), the provision of VPS1 to VPS5 are not of mandatory application and accordingly this report should not be relied upon as a Red Book valuation.

In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

We are not aware of any conflicts of interest in relation to this assessment.

In preparing this report, no 'performance-related' or 'contingent' fees have been agreed.

This report is addressed to DIO and Skanska only and should not be reproduced without our prior consent.

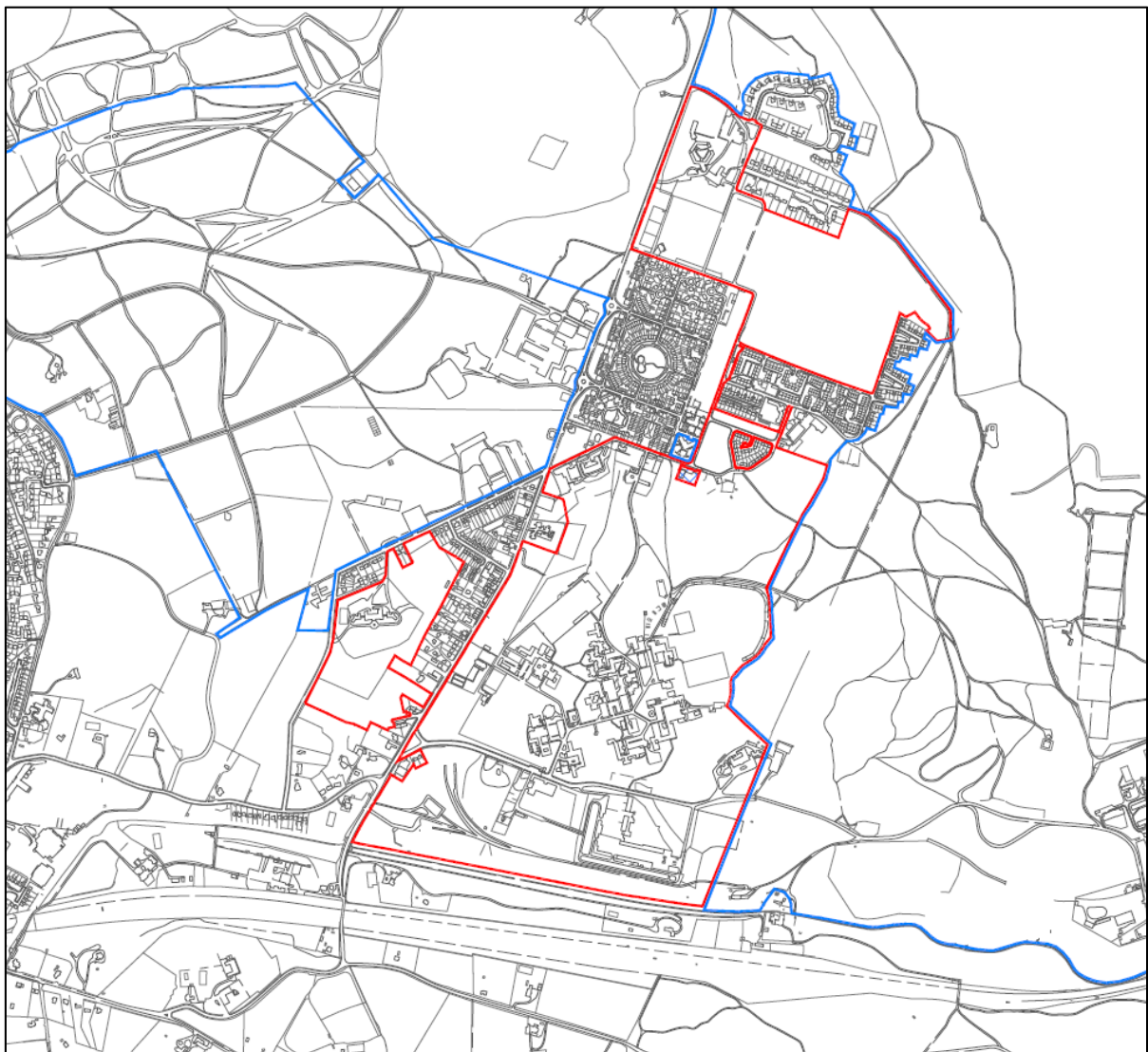
2 Description of the Development

2.1 Description of the site

The 114-hectare site is located in Deepcut, Surrey, which is adjacent to Frimley and Farnborough. The site is currently occupied by the Princess Royal Barracks which is being progressively closed with services being relocated to another base. The Barracks are due to close in 2020 following the relocation of the last facilities.

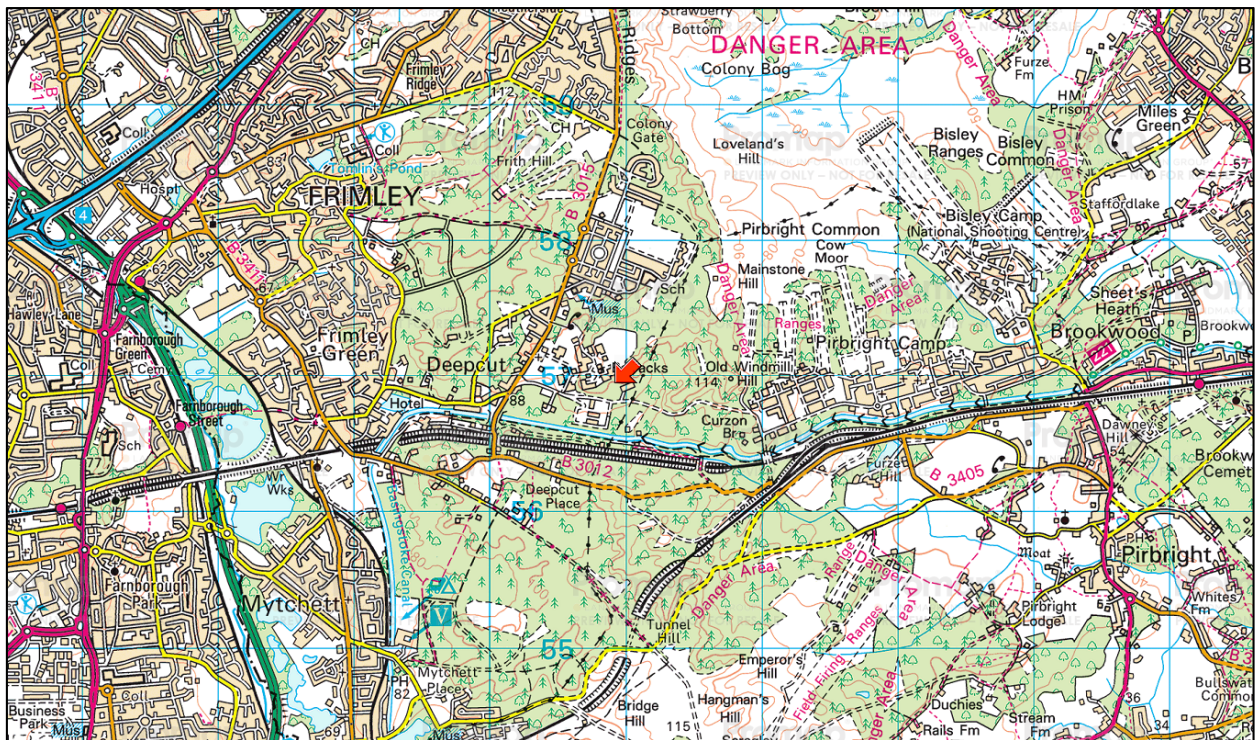
The closest train station is located in Farnborough, 3 miles from the Site. The Station offers four services an hour to London Waterloo with a journey time of 34 to 50 minutes.

Figure 2.1.1: Site Plan (Applicant site is bordered in red. Other land in DIO ownership is bordered in blue)



Source: SHBC Planning Portal

Figure 2.1.2: Location Plan



2.2 Planning

Local Plan policy CP4 identifies the Site as a site that will provide circa 1,200 net new dwellings from 2016 onwards. Part ii of Policy CP4 sets a target of 35% affordable housing alongside requirements for community infrastructure including a new primary school, new health facilities, enhanced library provision, enhanced community hall provision and possibly a place of worship.

Policy CP5 sets a borough-wide affordable housing requirement of 35% of all net additional housing, with a 50% / 50% split between social rented and intermediate housing. The policy notes that *“in seeking affordable housing provision the Borough Council will assess scheme viability, including assessing the overall mix of affordable unit size and tenure, other development scheme costs and any Housing Corporation¹ grant subsidy secured”*.

On 4 April 2014, the Council granted hybrid planning permission (reference 12/0546) for:

- Up to 1,200 new build dwellings (Class C3) of which 35% would be affordable
- A 2 form entry Primary School, together with a nursery facility (Class D1)
- a foodstore (Class A1)
- local shops (Class A1 / A2 / A3 / A5)
- space for medical facilities to accommodate GPs/dentists (Class D1)
- a library building with co-located police desk and village visitor centre (Class D1)
- a public house (Class A4)
- retention of the Church of St Barbara as a religious facility with a replacement Church Hall (Class D1)
- provision of 69.12ha of public open space comprising:
 - 35ha of SANGs and a 1.07ha SANGs link
 - 19.85ha semi natural open space (ANGST)
 - 2ha Village Green
 - 1.16ha of Allotments

¹ The Housing Corporation was replaced by Homes and Communities Agency in 2007, prior to the adoption of the Local Plan in February 2012. The Homes and Communities Agency was subsequently replaced by Homes England in 2018.

- 2.54ha of formal Parkland
- areas of amenity green space with the residential area
- dedicated play spaces within the residential area
- a care home (Class C2)
- improved footpaths, cycleways, public transport linkages and highway improvements
- Sustainable Urban Drainage system

A number of reserved matters applications have been submitted and determined by the Council.

2.3 The proposed development

In 2019, the Applicant sought to discharge Condition 9 to establish the site-wide quantum of residential units and the level of affordable housing. As part of these discussions, the Applicant proposed provisions for phase by phase reviews of viability to establish if additional affordable housing can be delivered as the Development progresses. These matters have been discussed with the Council and its advisors but no agreement was reached.

3 Methodology

The DIO and their Development Manager, Skanska, are acting in a 'Master-Developer' role in which they are responsible for providing serviced plots to housebuilders who in turn take responsibility for constructing the residential and other uses within the plot they acquire. Our appraisal is therefore undertaken by assessing the likely value that housebuilders will pay for the serviced land parcels and feeding the results in a 'Land Trading Model'.

The Land Trading Model incorporates the cost of site servicing and other works, such as site remodelling. The Land Trading Model is a bespoke Excel-based cashflow model. The model follows conventional appraisal approaches, with a cashflow of income and costs over the course of the development period.

The value of serviced plots of land has been established through a combination of an analysis of plots sold to date or under offer, alongside a notional development over 1 hectare. We have appraised this notional development using *Argus Developer*, which is a software appraisal package in widespread use for testing viability and valuing developments. Argus has been used on numerous planning applications and at appeal. The DIO has previously submitted information prepared by GVA to the Council which has in turn been reviewed by BPS on the Council's behalf. We have adopted BPS's appraisal assumptions to narrow any areas of difference between the DIO and the Council to arrive at a shared understanding of the viability of the Proposed Development.

The outputs of the Argus appraisal are used to establish a land value per hectare, which is then entered into the Land Trading Model over the development period, reflecting phased sales of land.

The Land Trading Model incorporates both growth on land values and growth on the infrastructure and other costs incurred by the Master-Developer in providing serviced parcels for sale to housebuilders.

The Land Trading Model establishes a land value resulting from the activities of the Master-Developer by applying an Internal Rate of Return ('IRR'), reflecting the risk of the venture. The land value generated by the model is then compared to a 'benchmark land value' to determine whether it is sufficiently high to incentivise release of the Site. Clearly the question of an appropriate 'incentive' for landowners of sites is difficult to establish, particularly when the existing use value (i.e. barracks buildings) is so much lower than development value. We return to this point in Section 5.

4 Appraisal assumptions

In this section, we outline the assumptions we have adopted in our appraisal of the scheme. These assumptions fall into two broad categories: firstly, the income received and costs incurred by the Master-Developer; and secondly, the income received and costs incurred by the housebuilders in relation to individual serviced parcels. Wherever possible, we have adopted the appraisal inputs previously advised by BPS, subject to updating to reflect changes since our last report.

4.1 Inputs used to establish value of serviced land parcels

4.1.1 Residential floor area

As noted in the previous section, we have appraised a notional hectare of development with varying levels of affordable housing in order to establish the amounts that will be entered into the Land Trading model as receipts. We have assumed 35 units per hectare and have applied the following average unit areas:

- Private houses: 1,200 square feet;
- Affordable rented houses: 850 square feet;
- Intermediate houses: 750 square feet.

Based on the floor areas above, a notional hectare would generate a total floor area of 32,900 square feet of gross internal floorspace, assuming 35% affordable housing. If the affordable housing is reduced to 20% affordable housing, the total gross internal floorspace would increase to 33,850. At 100% private housing, the total gross internal floorspace would increase to 35,000 square feet.

4.1.2 Private sales values

In their July 2018 report, BPS consider the evidence presented by GVA and conclude that houses will achieve up to £412 per square foot, with a range from £380 per square foot for 5 bed houses to £412 per square foot for 2 bed houses. Land Registry House Price Index data indicates that values have increased by 0.58% between July 2018 and the most recently available data (April 2020).

We previously applied a value at the upper end of this range in our appraisal (i.e. £412 per square foot), which after applying the change in the Land Registry Housing Price Index of 0.58% increases to £414 per square foot.

4.1.3 Affordable housing receipt from Registered Provider

In their July 2018 report, BPS advised on the values they expect RPs to pay to acquire completed units of affordable housing. We are not aware of any material changes to market conditions for RPs that would result in any significant changes to these values. Nevertheless, we have undertaken our own calculations of the likely payment by an RP for the units, based on a model reflective of RPs' valuation approach and based on rents that do not exceed Local Housing Allowances ('LHAs') in line with current government requirements.

The site is located within the Blackwater Valley Broad Rental Market Area and the LHAs within this area are as follows:

Table 4.1.3: Local Housing Allowances (Blackwater Valley Broad Rental Market Area)

Unit type	LHA 2020/21	LHA 2018/19
One bed	£161.10	£141.24
Two bed	£201.37	£176.56
Three bed	£253.15	£210.70
Four bed	£333.70	£312.00

Our model indicates that for affordable rented units, an RP could pay £182 per square foot for affordable rent, which has increased from the £142 per square foot previously adopted due to the change in the LHA over the intervening period.

For shared ownership units, RPs could pay £254 per square foot, assuming 25% initial equity stakes and 2.75% rent charged on the retained equity. This remains unchanged from our February 2019 report. This is marginally higher than BPS's £253 per square foot.

We have applied an increased value of £182 per square foot for rented units and an unchanged £253 per square foot for shared ownership units.

4.1.4 Ground rents

At this stage, we have assumed that our notional hectare of development is comprised solely of houses, which would be sold on a freehold basis. Ground rents would not be charged on these properties.

If any flatted units are provided, we note that the government's October 2018 consultation (*'Implementing Leasehold Reform'*) and subsequent ministerial speeches on this matter indicate their preference for ground rents in new leases to be set at a peppercorn. The consultation also indicated that legislation is likely to be in place by late 2020, although this is now likely to be delayed to 2021.

4.1.5 Base build costs

In order to establish the base build costs, we have relied upon the RICS *'Building Cost Information Service'* (BCIS). In our February 2019 report, BCIS mean average build costs adjusted for Surrey Heath Borough were £1,504 per square metre (£139.72 per square foot) for 'Estate Housing – Generally'. The latest BCIS data shows an increase to £1,511 per square metre (£140.38 per square foot). The BCIS data is attached as Appendix 1.

In addition, the housebuilders will be responsible for clearance and site preparation on the parcels they purchase. At this stage, we have not reflected these costs in our assessment.

4.1.6 External works

BCIS costs account for base build costs and preliminaries only (i.e. construction of the house, including fitting out) but do not account for works around the dwelling (driveways, paths, on-plot landscaping, internal site roads, street lighting etc).

To account for these additional costs, BPS's cost consultants have included an allowance equating to 5.4% of base build costs. External works typically account for between 5% to 15% of base build costs and therefore BPS's assumption is within the normal range, albeit at the lower end.

4.1.7 Contingency

We have included a contingency of 5% of base construction costs to account for design risk and for unexpected costs that emerge during the construction period. This assumption is within the normal range for such allowances.

4.1.8 Professional fees

In their July 2018, BPS noted that an allowance of 12% professional fees on core build costs and infrastructure costs was realistic and in line with market norms. We have adopted the same rate in our appraisal.

4.1.9 Marketing and disposal costs

We have applied a marketing budget of 2.5% of private GDV plus sales agent fee of 1% and legal fees of 0.5%. These assumptions are within the normal range.

4.1.10 Finance costs

Development finance is typically available at between 6% and 7%. BPS have adopted a finance rate of 6.75% in their appraisal and we have adopted the same rate. Although a bank would not provide 100% of the funding required for the proposed Development it is conventional to assume finance on all costs in order to reflect the opportunity cost (or in some cases the actual cost) of committing equity to the project.

4.1.11 Land acquisition costs

We have deducted 5% of the residual land value for Stamp Duty Land Tax, 1% for agent's fees and 0.8% for legal fees. The residual land value is sufficiently high to be in the 5% bracket for Stamp Duty Land Tax (i.e. in excess of £1 million).

4.1.12 Developer's profit

For private residential development, we have recently experienced a range from 17% to 20% of GDV when considering similar developments in the South-East. We have taken into account the uncertainty that is now apparent after the EU Referendum in the United Kingdom and the potential risk associated with leaving the European Union, in addition to the risks associated with this specific development. We consider a profit allowance of 20% of GDV to be reasonable in the current market for this particular scheme taking into account the price point of the residential units, the configuration of the building, and the risks we consider to be present in the market. We have therefore adopted a profit of 20% of GDV within our appraisal for the private residential element of the scheme.

Where applicable, we have assumed a profit of 6% of revenue for the affordable housing element of the scheme. The reduced profit on affordable housing reflects the risk of delivery. The developer will contract with an RP prior to commencement of construction and they are – in effect – acting as a contractor, with their risk limited to cost only. After contracting with the RP, there is no sales risk. In contrast, the private housing construction will typically commence before any units are sold and sales risk is present well into the development period.

Our understanding of the BPS report is that they have applied profit at the same rates.

4.1.13 Development programme

We have assumed that for the notional development, there will be a 6-month pre-construction for detailed design and reserved matters applications, followed by 28-month construction period. The first houses will be completed 9 months after construction commences and the final sale will complete 3 months after all units have been completed.

We have assumed that the receipt from the RP for the affordable housing is received in equal instalments across the construction period.

4.2 Inputs to the Land Trading Model

This section outlines the inputs to the Land Trading Model, which are the infrastructure costs, DIO costs of relocating personnel and facilities, development management fees, sales from serviced land parcels and the Master-Developer's return. These costs were discussed at length with BPS and there was a without prejudice agreement on the exclusion of some cost headings, as follows:

Table 4.2.1: Excluded costs

Row	Description	Cost
21	DIO/RDEL Decant costs	1,833,000
22	DIO/LWC Decant costs	3,963,739
23	DIO staff	1,612,500
24	Military staff	540,000

Row	Description	Cost
156	Temporary Car Park	436,942
159	Temporary Security Fencing	365,379
165	MoD Handover	50,000
286	Inflation	1,027,784
Total		9,829,344

4.2.1 Infrastructure and relocation/reprovision costs

We have relied upon an infrastructure and relocation/reprovision cost estimate as at August 2020 provided by DIO and Skanska. This has been updated and shows total costs (including Section 106 requirements) of £143.7 million incorporating fees at present value and £133.9 million excluding costs that BPS previously should be excluded. DIO and Skanska can provide more information on each of the costs if required.

Table 4.2.1.1: Infrastructure costs

Cost category	Anticipated final cost August 2020	Anticipated final cost May 2019	Change
Not permissible	1,314,000	1,314,000	0
Planning and requisite consents	375,000	375,000	0
Costs of sale	1,080,743	874,284	206,459
Professional and other fees	1,075,000	1,075,000	0
Building works	337,500	337,500	0
Site assembly preparation and ancillary expenditure	5,796,739	5,796,739	0
DIO staff costs	2,152,500	2,152,500	0
Professional fees	13,329,434	11,706,019	1,623,415
Building works and ancillary expenditure	79,268,945	69,681,583	9,587,362
Costs of sale/Professional fees	1,748,505	1,649,352	99,153
Section 106 contributions	18,123,317	16,442,432	1,680,885
Prelim (staff) costs	12,861,745	8,820,167	4,041,578
Prelim costs	5,141,140	6,565,695	(1,424,555)
Other	1,116,041	544,934	571,107
Total	143,720,609	127,335,205	16,385,404
Excluded costs (see Table 4.2.1)	(9,829,344)	(12,006,839)	2,177,495
Net costs included in model	133,891,266	115,328,366	18,652,900

4.2.2 Return

The return required by a Master Developer over an eleven-year period reflects their judgement on the balance of risk and opportunity in seeing the development through to completion. In development financial appraisals, the IRR is typically calculated on a without-finance basis (referred to as ungeared IRR). In practice, this means that the Master Developer uses their own equity to fund the infrastructure costs and therefore the IRR is a true return on their own capital, rather than mixed funding including debt, where the return must include the lender's interest rate.

Our experience is that in complex development scenarios such as the Proposed Development, the market would expect a grown IRR of between 15% to 20%. There is significant risk for the Master Developer, particularly those associated with the timing of receipts, the accuracy of cost estimates, market movement, legislative and policy change, changing operational DIO requirements. Clearly on the flip-side, there is potential for house price inflation, which in turn could increase receipts from housebuilders, and accelerated delivery.

In our 2019 assessment we targeted a grown IRR of 15% which presents an acceptable balance between risk and opportunity but it could easily be higher. This is a reasonable compromise position, particularly in the context of a market which faces significant uncertainties associated with the wider economy and the UK's future trading relationship with the EU and other countries which remain unresolved.

During discussions in 2019, BPS indicated that a lower IRR should be targeted, with indicative figures ranging from 6% to 10%. We have therefore tested the results of the appraisals using an IRR of 8% on a without prejudice basis.

4.3 Growth and inflation

We have applied growth to land values and infrastructure costs in the Land Trading Model at the rates shown in Table 4.3.1. These are based on a range of forecasts and reflect the current risks in the land market and caution amongst housebuilders in acquiring new sites.

Table 4.3.1: Annual growth and inflation rates

Year	Growth on serviced land plot payments	Inflation on costs
2019	2.50%	2.50%
2020	2.50%	2.50%
2021	2.50%	2.50%
2022	2.50%	2.50%
2023	2.50%	2.50%
2024	2.50%	2.50%
2025	2.50%	2.50%

5 Analysis

5.1 Benchmark land value

In order to establish the viability of the Proposed Development, it is necessary to compare the output of the Land Trading Model to a benchmark land value for the Site. This benchmark land value should be sufficient to incentivise the release of the Site for development.

The 2019 Planning Practice Guidance ('PPG') indicates that the benchmark land value should be based on existing use value plus a premium and where appropriate be informed by market evidence. Additionally, there are special circumstances in this particular case, with the MOD requiring a receipt from the disposal of the base to fund a replacement facility. The business case for moving the base and making the land available for residential development depends on a receipt to cover the costs of decommissioning the base and constructing new facilities elsewhere. If the receipt is too low as a result of planning requirements, the MOD may need to halt relocation of services.

Although there are a number of buildings that could be converted to other uses, which would generate a significant value, we have assumed for the purpose of establishing a benchmark land value that the site is a greenfield site. Existing use values of greenfield sites are typically £9,000 - £10,000 per acre. However, minimum option pricing in the south-east ranges from £100,000 to £150,000 per gross acre, or £247,000 to £370,000 per gross hectare (10 to 15 times EUV). It would be very difficult to depress land values below these levels. We have applied a value at the lower end of this range as a target land value. At £100,000 per gross acre (£247,000 per gross hectare), the 85.73-acre site has a benchmark land value of £8,573,370.

5.2 Appraisal results

5.2.1 Appraisal of notional hectare of development

The outputs of our appraisals of a notional hectare of development are summarised in Table 5.2.1 and the appraisals are attached at appendices 2, 3 and 4. Where affordable housing is incorporated, we have assumed an equal split between rented and shared ownership housing, except where this would result in fractions of units (in these cases the rented housing is rounded up and the shared ownership rounded down).

Table 5.2.1: Notional hectare of development: residual land values

Affordable housing percentage in notional hectare	Number of Private units	Number of rented units	Number of SO units	Residual land value	Appraisal summary
35%	23	6	6	£3,074,028	Appendix 2
30%	24	6	5	£3,158,441	Appendix 3
25%	27	4	4	£3,495,292	Appendix 4
20%	28	4	3	£3,579,704	Appendix 5
15%	30	3	2	£3,790,336	Appendix 6
10%	31	2	2	£3,916,555	Appendix 7
5%	33	1	1	£4,127,187	Appendix 8
100% private	35	-	-	£4,337,819	Appendix 9

5.2.2 Land trading model results

We have run our land trading model by entering receipts from housebuilders received to date, as follows:

Land parcel	Site area (hectares)	Site value (£ m)	Date	Value per hectare (£ m)
Parcel M	6.10	18.00	07/2017	2.95
Parcel A	3.37	11.05	08/2018	3.28
Parcel E	0.66	3.28	04/2019	4.97
Pub	0.43	0.72	06/2020	1.67

The average land receipt to date is £3.23 million per hectare, with parcels M and A providing 35% affordable housing. The Pub is not being brought forward as residential and is excluded from the average above.

In future, there can be no certainty that developers will bid at the levels they have in the recent past, given that economic risks have increased significantly and actual receipts will need to be reflected in any future reviews of viability.

As noted in Section 4, an appropriate return for a master-developer is a grown IRR of at least 15%, but for the purposes of our appraisal, we have considered the results of the appraisal with an 8% IRR, which is in the middle of the range previously advanced by BPS.

Table 5.2.3: Land Trading Model outputs (8% IRR)

Affordable housing percentage in future phases	Residual value from housebuilders per hectare (£ m)	Land Trading Model – land value	Land Trading Model - Value per hectare (Target = £247,000 per hectare)	Land Trading Model – Value per acre (Target = £100,000 per acre)
35%	3.074	-£15,003,707	-£432,259	-£175,004
30%	3.158	-£13,987,379	-£402,978	-£163,149
25%	3.495	-£9,931,712	-£286,134	-£115,844
20%	3.579	-£8,915,396	-£256,854	-£103,989
15%	3.790	-£6,379,398	-£183,791	-£74,409
10%	3.917	-£4,859,729	-£140,009	-£56,684
5%	4.127	-£2,323,731	-£66,947	-£27,104
0%	4.338	£212,267	£6,115	£2,476

Copies of the Land Trading Model with 8% IRR and 35%, 20% and 0% affordable housing are attached at appendices 10, 11 and 12.

If the future phases are required to provide any affordable housing, the Land Trading Model generates a negative land value ranging from -£2.32 million to -£15.00 million at 5% and 35% affordable housing respectively. At 100% private housing, the Land Trading Model generates a positive land value of £0.21 million, equating to £6,115 per hectare, or £2,476 per acre. This is significantly lower than the target of £100,000 per acre, which itself is at the bottom end of the reasonable range.

6 Conclusions

The DIO is bringing the site forward for development to generate receipts to reinvest in facilities at alternative locations. If the receipts are insufficient to fund the site infrastructure costs and the Section 106 costs, there is a significant risk that the DIO will mothball the Development, resulting in no further housing being provided.

As outlined in our report, DIO and Skanska will operate in a 'Master Developer' role, involving securing planning permission, relocating services, investing in replacement facilities, and funding site infrastructure requirements. They will recoup their costs and secure a return from receipts arising from the sale of serviced plots to housebuilders. Initial phases have proceeded on the basis of 35% of residential units being provided as affordable housing. However, if this level of affordable housing continues into future phases, the Proposed Development is forecast to incur a significant loss.

The results of our modelling indicate that the future phases will need to proceed on the basis of 100% private housing to generate a positive land value for the Master Developer.

The scheme already includes 119 units of affordable housing in parcels A and M, which equates to 9.9% of the total, assuming no additional affordable housing is provided on any other phases.

Appendix 1 - BCIS costs

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 15-Aug-2020 00:46

› Rebased to Surrey Heath (118; sample 14)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810.1 Estate housing							
Generally (15)	1,511	738	1,294	1,459	1,652	5,236	1595
Single storey (15)	1,697	965	1,435	1,631	1,903	5,236	262
2-storey (15)	1,462	738	1,272	1,424	1,594	3,184	1224
3-storey (15)	1,540	946	1,268	1,475	1,726	3,113	104
4-storey or above (15)	3,194	1,552	2,567	2,866	4,266	4,722	5
810.11 Estate housing detached (15)	1,957	1,136	1,475	1,665	1,967	5,236	21
810.12 Estate housing semi detached							
Generally (15)	1,504	894	1,297	1,476	1,654	2,787	377
Single storey (15)	1,663	1,074	1,424	1,644	1,852	2,787	75
2-storey (15)	1,466	894	1,296	1,441	1,610	2,523	288
3-storey (15)	1,433	1,072	1,162	1,403	1,530	2,169	14
810.13 Estate housing terraced							
Generally (15)	1,553	946	1,276	1,468	1,705	4,722	313
Single storey (15)	1,754	1,169	1,473	1,645	2,083	2,477	33
2-storey (15)	1,500	950	1,268	1,444	1,655	3,184	230
3-storey (15)	1,549	946	1,254	1,461	1,702	3,113	48
4-storey or above (10)	4,494	4,266	-	-	-	4,722	2

Appendix 2 - Notional hectare residual value - 35% affordable housing

**Deepcut - residual value of hectare of development
35% affordable housing**
Summary Appraisal for Phase 1 Houses

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	23	23,000	414.00	414,000	9,522,000
Aff Rent houses	6	5,400	182.00	163,800	982,800
SO houses	<u>6</u>	<u>4,500</u>	253.00	189,750	<u>1,138,500</u>
Totals	35	32,900			11,643,300

NET REALISATION
11,643,300
OUTLAY
ACQUISITION COSTS

Residualised Price			3,074,028	
Stamp Duty		5.00%	153,701	
Agent Fee		1.00%	30,740	
Legal Fee		0.80%	24,592	
				3,283,062

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	23,000 ft ²	140.38 pf ²	3,228,740	
Aff Rent houses	5,400 ft ²	140.38 pf ²	758,052	
SO houses	<u>4,500 ft²</u>	140.38 pf ²	<u>631,710</u>	
Totals	32,900 ft²		4,618,502	4,618,502

Contingency		5.00%	243,395	243,395
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Other Construction

External works		5.40%	249,399	249,399
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PROFESSIONAL FEES

Professional fees		12.00%	584,148	584,148
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MARKETING & LETTING

Marketing		2.50%	238,050	238,050
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DISPOSAL FEES

Sales Agent Fee		1.00%	95,220	
Affordable disposal fee		1.00%	21,213	
Sales Legal Fee	23 un	650.00 /un	14,950	
Affordable disposal legal fee		0.50%	10,606	
				141,990

MISCELLANEOUS FEES

Profit on Private		17.00%	1,618,740	
Profit on Affordable		6.00%	127,278	
				1,746,018

FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			521,974	
Construction			16,761	
Total Finance Cost				538,735

TOTAL COSTS
11,643,299
PROFIT
1
Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.41%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 3 - Notional hectare residual value – 30% affordable housing

**Deepcut - residual value of hectare of development
30% affordable housing**
Summary Appraisal for Phase 1 Houses

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	24	24,000	414.00	414,000	9,936,000
Aff Rent houses	6	5,400	182.00	163,800	982,800
SO houses	<u>5</u>	<u>3,750</u>	253.00	189,750	<u>948,750</u>
Totals	35	33,150			11,867,550

NET REALISATION
11,867,550
OUTLAY
ACQUISITION COSTS

Residualised Price			3,158,441	
Stamp Duty		5.00%	157,922	
Agent Fee		1.00%	31,584	
Legal Fee		0.80%	25,268	
				3,373,215

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	24,000 ft ²	140.38 pf ²	3,369,120	
Aff Rent houses	5,400 ft ²	140.38 pf ²	758,052	
SO houses	<u>3,750 ft²</u>	140.38 pf ²	<u>526,425</u>	
Totals	33,150 ft²		4,653,597	4,653,597

Contingency		5.00%	245,245	245,245
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Other Construction

External works		5.40%	251,294	251,294
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PROFESSIONAL FEES

Professional fees		12.00%	588,587	588,587
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MARKETING & LETTING

Marketing		2.50%	248,400	248,400
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DISPOSAL FEES

Sales Agent Fee		1.00%	99,360	
Affordable disposal fee		1.00%	19,316	
Sales Legal Fee	24 un	650.00 /un	15,600	
Affordable disposal legal fee		0.50%	9,658	
				143,933

MISCELLANEOUS FEES

Profit on Private		17.00%	1,689,120	
Profit on Affordable		6.00%	115,893	
				1,805,013

FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			538,513	
Construction			19,752	
Total Finance Cost				558,265

TOTAL COSTS
11,867,549
PROFIT
1
Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.42%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 4 - Notional hectare residual value – 25% affordable housing

**Deepcut - residual value of hectare of development
25% affordable housing**

Summary Appraisal for Phase 1 Houses

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	27	27,000	414.00	414,000	11,178,000
Aff Rent houses	4	3,600	182.00	163,800	655,200
SO houses	<u>4</u>	<u>3,000</u>	253.00	189,750	<u>759,000</u>
Totals	35	33,600			12,592,200

NET REALISATION

12,592,200

OUTLAY

ACQUISITION COSTS

Residualised Price				3,495,292	
Stamp Duty		5.00%		174,765	
Agent Fee		1.00%		34,953	
Legal Fee		0.80%		27,962	
					3,732,972

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	27,000 ft ²	140.38 pf ²	3,790,260	
Aff Rent houses	3,600 ft ²	140.38 pf ²	505,368	
SO houses	<u>3,000 ft²</u>	140.38 pf ²	<u>421,140</u>	
Totals	33,600 ft²		4,716,768	4,716,768

Contingency		5.00%	248,574	248,574
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Other Construction

External works		5.40%	254,705	254,705
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PROFESSIONAL FEES

Professional fees		12.00%	596,577	596,577
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MARKETING & LETTING

Marketing		2.50%	279,450	279,450
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DISPOSAL FEES

Sales Agent Fee		1.00%	111,780	
Affordable disposal fee		1.00%	14,142	
Sales Legal Fee	27 un	650.00 /un	17,550	
Affordable disposal legal fee		0.50%	7,071	
				150,543

MISCELLANEOUS FEES

Profit on Private		17.00%	1,900,260	
Profit on Affordable		6.00%	84,852	
				1,985,112

FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			599,497	
Construction			28,001	
Total Finance Cost				627,498

TOTAL COSTS

12,592,199

PROFIT

1

Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.46%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 5 - Notional hectare residual value – 20% affordable housing

**Deepcut - residual value of hectare of development
20% affordable housing**
Summary Appraisal for Phase 1 Houses

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	28	28,000	414.00	414,000	11,592,000
Aff Rent houses	4	3,600	182.00	163,800	655,200
SO houses	<u>3</u>	<u>2,250</u>	253.00	189,750	<u>569,250</u>
Totals	35	33,850			12,816,450

NET REALISATION
12,816,450
OUTLAY
ACQUISITION COSTS

Residualised Price			3,579,704	
Stamp Duty		5.00%	178,985	
Agent Fee		1.00%	35,797	
Legal Fee		0.80%	28,638	
				3,823,124

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	28,000 ft ²	140.38 pf ²	3,930,640	
Aff Rent houses	3,600 ft ²	140.38 pf ²	505,368	
SO houses	<u>2,250 ft²</u>	140.38 pf ²	<u>315,855</u>	
Totals	33,850 ft²		4,751,863	4,751,863

Contingency		5.00%	250,423	250,423
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Other Construction

External works		5.40%	256,601	256,601
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PROFESSIONAL FEES

Professional fees		12.00%	601,016	601,016
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MARKETING & LETTING

Marketing		2.50%	289,800	289,800
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DISPOSAL FEES

Sales Agent Fee		1.00%	115,920	
Affordable disposal fee		1.00%	12,244	
Sales Legal Fee	28 un	650.00 /un	18,200	
Affordable disposal legal fee		0.50%	6,122	
				152,487

MISCELLANEOUS FEES

Profit on Private		17.00%	1,970,640	
Profit on Affordable		6.00%	73,467	
				2,044,107

FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			615,586	
Construction			31,443	
Total Finance Cost				647,029

TOTAL COSTS
12,816,449
PROFIT
1
Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.47%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 6 - Notional hectare residual value – 15% affordable housing

**Deepcut - residual value of hectare of development
15% affordable housing**
Summary Appraisal for Phase 1 Houses

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	30	30,000	414.00	414,000	12,420,000
Aff Rent houses	3	2,700	182.00	163,800	491,400
SO houses	<u>2</u>	<u>1,500</u>	253.00	189,750	<u>379,500</u>
Totals	35	34,200			13,290,900

NET REALISATION
13,290,900
OUTLAY
ACQUISITION COSTS

Residualised Price			3,790,336	
Stamp Duty		5.00%	189,517	
Agent Fee		1.00%	37,903	
Legal Fee		0.80%	30,323	
				4,048,079

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	30,000 ft ²	140.38 pf ²	4,211,400	
Aff Rent houses	2,700 ft ²	140.38 pf ²	379,026	
SO houses	<u>1,500 ft²</u>	140.38 pf ²	<u>210,570</u>	
Totals	34,200 ft²		4,800,996	4,800,996

Contingency		5.00%	253,012	253,012
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Other Construction

External works		5.40%	259,254	259,254
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PROFESSIONAL FEES

Professional fees		12.00%	607,230	607,230
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MARKETING & LETTING

Marketing		2.50%	310,500	310,500
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DISPOSAL FEES

Sales Agent Fee		1.00%	124,200	
Affordable disposal fee		1.00%	8,709	
Sales Legal Fee	30 un	650.00 /un	19,500	
Affordable disposal legal fee		0.50%	4,355	
				156,764

MISCELLANEOUS FEES

Profit on Private		17.00%	2,111,400	
Profit on Affordable		6.00%	52,254	
				2,163,654

FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			653,845	
Construction			37,565	
Total Finance Cost				691,410

TOTAL COSTS
13,290,899
PROFIT
1
Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.49%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 7 - Notional hectare residual value – 10% affordable housing

**Deepcut - residual value of hectare of development
10% affordable housing**
Summary Appraisal for Phase 1 Houses

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	31	31,000	414.00	414,000	12,834,000
Aff Rent houses	2	1,800	182.00	163,800	327,600
SO houses	<u>2</u>	<u>1,500</u>	253.00	189,750	<u>379,500</u>
Totals	35	34,300			13,541,100

NET REALISATION
13,541,100
OUTLAY
ACQUISITION COSTS

Residualised Price			3,916,555	
Stamp Duty		5.00%	195,828	
Agent Fee		1.00%	39,166	
Legal Fee		0.80%	31,332	
				4,182,881

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	31,000 ft ²	140.38 pf ²	4,351,780	
Aff Rent houses	1,800 ft ²	140.38 pf ²	252,684	
SO houses	<u>1,500 ft²</u>	140.38 pf ²	<u>210,570</u>	
Totals	34,300 ft²		4,815,034	4,815,034

Contingency		5.00%	253,752	253,752
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Other Construction

External works		5.40%	260,012	260,012
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PROFESSIONAL FEES

Professional fees		12.00%	609,006	609,006
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MARKETING & LETTING

Marketing		2.50%	320,850	320,850
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DISPOSAL FEES

Sales Agent Fee		1.00%	128,340	
Affordable disposal fee		1.00%	7,071	
Sales Legal Fee	31 un	650.00 /un	20,150	
Affordable disposal legal fee		0.50%	3,536	
				159,097

MISCELLANEOUS FEES

Profit on Private		17.00%	2,181,780	
Profit on Affordable		6.00%	42,426	
				2,224,206

FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			675,972	
Construction			40,290	
Total Finance Cost				716,262

TOTAL COSTS
13,541,099
PROFIT
1
Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.50%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 8 - Notional hectare residual value – 5% affordable housing

**Deepcut - residual value of hectare of development
5% affordable housing**
Summary Appraisal for Phase 1 Houses

Currency in £

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	33	33,000	414.00	414,000	13,662,000
Aff Rent houses	1	900	182.00	163,800	163,800
SO houses	<u>1</u>	<u>750</u>	253.00	189,750	<u>189,750</u>
Totals	35	34,650			14,015,550

NET REALISATION
14,015,550
OUTLAY
ACQUISITION COSTS

Residualised Price			4,127,187	
Stamp Duty		5.00%	206,359	
Agent Fee		1.00%	41,272	
Legal Fee		0.80%	33,017	
				4,407,836

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	33,000 ft ²	140.38 pf ²	4,632,540	
Aff Rent houses	900 ft ²	140.38 pf ²	126,342	
SO houses	<u>750 ft²</u>	140.38 pf ²	<u>105,285</u>	
Totals	34,650 ft²		4,864,167	4,864,167

Contingency		5.00%	256,342	256,342
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Other Construction

External works		5.40%	262,665	262,665
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PROFESSIONAL FEES

Professional fees		12.00%	615,220	615,220
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MARKETING & LETTING

Marketing		2.50%	341,550	341,550
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DISPOSAL FEES

Sales Agent Fee		1.00%	136,620	
Affordable disposal fee		1.00%	3,536	
Sales Legal Fee	33 un	650.00 /un	21,450	
Affordable disposal legal fee		0.50%	1,768	
				163,373

MISCELLANEOUS FEES

Profit on Private		17.00%	2,322,540	
Profit on Affordable		6.00%	21,213	
				2,343,753

FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			714,024	
Construction			46,620	
Total Finance Cost				760,643

TOTAL COSTS
14,015,549
PROFIT
1
Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.52%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 9 - Notional hectare residual value – 100% private housing

**Deepcut - residual value of hectare of development
100% private housing**
Summary Appraisal for Phase 1 Houses
Currency in £
REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Private Houses	35	35,000	414.00	414,000	14,490,000

NET REALISATION
14,490,000
OUTLAY
ACQUISITION COSTS

Residualised Price				4,337,819	
Stamp Duty		5.00%		216,891	
Agent Fee		1.00%		43,378	
Legal Fee		0.80%		34,703	
					4,632,791

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Private Houses	35,000 ft ²	140.38 pft ²	4,913,300	4,913,300
Contingency		5.00%	258,931	258,931
Other Construction				
External works		5.40%	265,318	265,318

PROFESSIONAL FEES

Professional fees		12.00%	621,434	621,434
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MARKETING & LETTING

Marketing		2.50%	362,250	362,250
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DISPOSAL FEES

Sales Agent Fee		1.00%	144,900	
Sales Legal Fee	35 un	650.00 /un	22,750	
				167,650

MISCELLANEOUS FEES

Profit on Private		17.00%	2,463,300	2,463,300
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FINANCE

Debit Rate 6.750% Credit Rate 0.000% (Nominal)				
Land			751,766	
Construction			53,260	
Total Finance Cost				805,025

TOTAL COSTS
14,489,999
PROFIT
1
Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%

IRR 6.53%

Profit Erosion (finance rate 6.750%) 0 yrs 0 mths

Appendix 10 - Land Trading Model - 35% affordable housing

Deepcut redevelopment

Land Trading Model

Key inputs

IRR	8%	Land Payment	-£15,003,707	Target land value	£8,573,370	Target land value per hectare	£247,000
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-£175,004 per acre
 -£432,259 per hectare
 £100,000 per acre

Year	TOTAL	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
LAND SALES (CAPITAL RECEIPTS)																		
No of residential hectares sold	34.71	0	0.00	0	0	6.1	3.37	3.84	7.42	5.55	5.17	3.26						
Land receipt per hectare		-	-	-	-	1,770,492	5,381,306	4,373,698	3,074,028	3,074,028	3,074,028	3,074,028						
Completion						Jul-17	Aug-18	Sep-19	Jul-20	Sep-21	Sep-22	Sep-23						

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
LAND INFLATION																	
Base land value index	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.03	1.05	1.08	1.10	1.13	1.16	1.19	1.22	1.25	1.28
Base land value	£0	£0	£0	£0	£10,800,000	£18,135,000	£16,795,000	£23,379,520	£17,924,561	£17,114,726	£11,061,675	£0	£0	£0	£0	£0	£0
Base land value																	
Land sales costs																	
COST INFLATION																	
Build cost inflation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
RPI	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

Inflation	on	Rate - land:	2.50%	per annum	Total costs	£140,512,691
		Rate - build:	2.50%	per annum	Total receipts	£115,210,482

Land value to apply in cashflow: 35.0%

% affordable		Sales per ha	Private	Rented	SO
0%	£809,127	£4,337,819	35	0	0
5%	-£2,144,201	£4,127,187	33	1	1
10%	-£5,097,529	£3,916,555	31	2	2
15%	-£6,867,279	£3,790,336	30	3	2
20%	-£9,820,607	£3,579,704	28	4	3
25%	-£11,004,170	£3,495,292	27	4	4
30%	-£15,727,248	£3,158,441	24	5	6
35%	-£16,910,825	£3,074,028	23	6	6

Deepcut redevelopment

Land Trading Model

Master Developer costs timing

Cost heading		2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29
		1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0
See Skanska spreadsheet	1	1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0
	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	16																
Totals		1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0

Inflation 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.03 1.05 1.08 1.10 1.13 1.16 1.19 1.22 1.25

Master Developer costs timing (grown numl)

0%

Cost heading		2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29
Inflated costs																	
See Skanska spreadsheet	1		£640,035	£1,679,484	£4,876,808	£7,984,725	£16,664,134	£19,199,513	£21,604,636	£27,410,661	£18,719,626	£7,549,051	£10,604,314	£0	£0	£0	£0
	2		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	3		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	4		£0	£0	£3,579,704	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	5		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	6		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	7		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	8	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	9	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	10	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	11	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	12	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	13	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	14	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	16																
Totals		£0	£640,035	£1,679,484	£8,456,512	£7,984,725	£16,664,134	£19,199,513	£21,604,636	£27,410,661	£18,719,626	£7,549,051	£10,604,314	£0	£0	£0	£0

Appendix 11 - Land Trading Model - 20% affordable housing

Deepcut redevelopment

Land Trading Model

Key inputs

IRR	8%	Land Payment	-£8,915,396	-£103,989 per acre -£256,854 per hectare	Target land value	£8,573,370	£100,000 per acre	Target land value per hectare	£247,000
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Year	TOTAL	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
LAND SALES (CAPITAL RECEIPTS)																		
No of residential hectares sold	34.71	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Land receipt per hectare		0	0.00	0	0	6.1	3.37	3.84	7.42	5.55	5.17	3.26						
Completion						1,770,492	5,381,306	4,373,698	3,579,704	3,579,704	3,579,704	3,579,704						
						Jul-17	Aug-18	Sep-19	Jul-20	Sep-21	Sep-22	Sep-23						

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
LAND INFLATION																	
Base land value index	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.03	1.05	1.08	1.10	1.13	1.16	1.19	1.22	1.25	1.28
Base land value	£0	£0	£0	£0	£10,800,000	£18,135,000	£16,795,000	£27,225,439	£20,873,142	£19,930,090	£12,881,314	£0	£0	£0	£0	£0	£0
Base land value																	
Land sales costs																	
COST INFLATION																	
Build cost inflation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
RPI	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

Inflation	on	Rate - land:	2.50%	per annum	Total costs	£140,512,691
		Rate - build:	2.50%	per annum	Total receipts	£126,639,985

Land value to apply in cashflow:

20.0%

% affordable		Sales per ha	Private	Rented	SO
0%	£809,127	£4,337,819	35	0	0
5%	-£2,144,201	£4,127,187	33	1	1
10%	-£5,097,529	£3,916,555	31	2	2
15%	-£6,867,279	£3,790,336	30	3	2
20%	-£9,820,607	£3,579,704	28	4	3
25%	-£11,004,170	£3,495,292	27	4	4
30%	-£15,727,248	£3,158,441	24	5	6
35%	-£16,910,825	£3,074,028	23	6	6

Deepcut redevelopment

Land Trading Model

Master Developer costs timing

Cost heading	8%	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29
		1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0
See Skanska spreadsheet	1	1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0
	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	16																
Totals		1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0

Cost heading	Inflation	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29
	35%	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.03	1.05	1.08	1.10	1.13	1.16	1.19	1.22	1.25
Master Developer costs timing (grown numl)																	
Inflated costs																	
See Skanska spreadsheet	1		£640,035	£1,679,484	£4,876,808	£7,984,725	£16,664,134	£19,199,513	£21,604,636	£27,410,661	£18,719,626	£7,549,051	£10,604,314	£0	£0	£0	£0
	2		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	3		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	4		£0	£0	£3,579,704	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	5		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	6		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	7		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	8		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	9		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	10		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	11		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	12		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	13		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	14		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Totals		£0	£640,035	£1,679,484	£8,456,512	£7,984,725	£16,664,134	£19,199,513	£21,604,636	£27,410,661	£18,719,626	£7,549,051	£10,604,314	£0	£0	£0	£0

Appendix 12 - Land Trading Model - 100% private housing

Deepcut redevelopment

Land Trading Model

Key inputs

IRR	8%	Land Payment	£212,267	£2,476 per acre £6,115 per hectare	Target land value	£8,573,370	£100,000 per acre	Target land value per hectare	£247,000
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Year	TOTAL	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
LAND SALES (CAPITAL RECEIPTS)																		
No of residential hectares sold	34.71	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Land receipt per hectare		0	0.00	0	0	6.1	3.37	3.84	7.42	5.55	5.17	3.26						
Completion						1,770,492	5,381,306	4,373,698	4,337,819	4,337,819	4,337,819	4,337,819						
						Jul-17	Aug-18	Sep-19	Jul-20	Sep-21	Sep-22	Sep-23						

	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
LAND INFLATION																	
Base land value index	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.03	1.05	1.08	1.10	1.13	1.16	1.19	1.22	1.25	1.28
Base land value	£0	£0	£0	£0	£10,800,000	£18,135,000	£16,795,000	£32,991,282	£25,293,687	£24,150,914	£15,609,338	£0	£0	£0	£0	£0	£0
Base land value																	
Land sales costs																	
COST INFLATION																	
Build cost inflation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
RPI	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

Inflation	on	Rate - land:	2.50%	per annum	Total costs	£140,512,691
		Rate - build:	2.50%	per annum	Total receipts	£143,775,221

Land value to apply in cashflow: 0.0%

% affordable		Sales per ha	Private	Rented	SO
0%	£809,127	£4,337,819	35	0	0
5%	-£2,144,201	£4,127,187	33	1	1
10%	-£5,097,529	£3,916,555	31	2	2
15%	-£6,867,279	£3,790,336	30	3	2
20%	-£9,820,607	£3,579,704	28	4	3
25%	-£11,004,170	£3,495,292	27	4	4
30%	-£15,727,248	£3,158,441	24	5	6
35%	-£16,910,825	£3,074,028	23	6	6

Deepcut redevelopment

Land Trading Model

Master Developer costs timing

Cost heading	8%	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29
		1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0
See Skanska spreadsheet	1	1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0
	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	16																
Totals		1,779,000	640,035	1,679,484	4,876,808	7,984,725	16,664,134	19,199,513	21,077,694	26,089,862	17,383,033	6,839,068	9,372,669	0	0	0	0

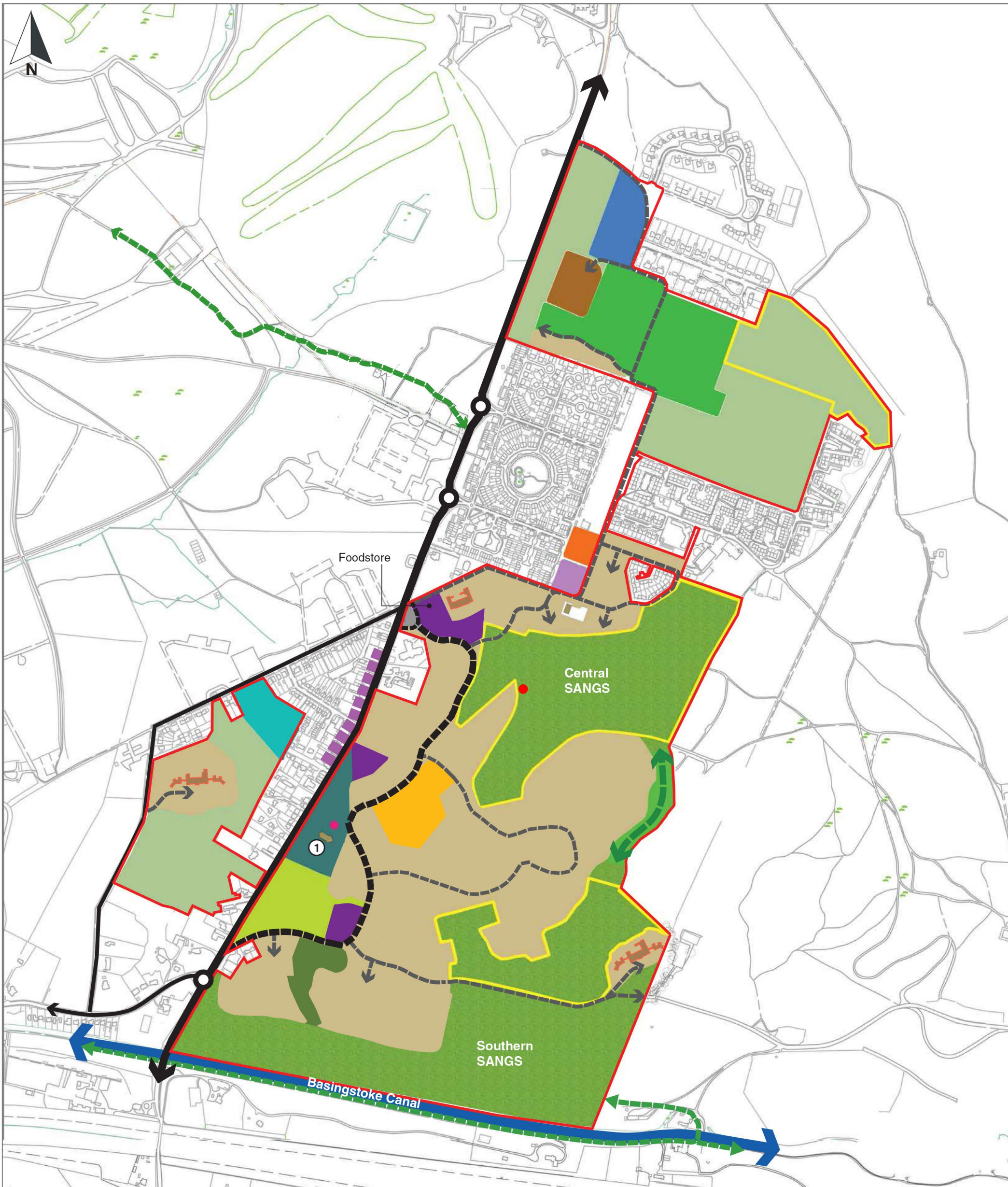
Cost heading	Inflation	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29
	0%	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.03	1.05	1.08	1.10	1.13	1.16	1.19	1.22	1.25
Master Developer costs timing (grown numl)																	
Inflated costs																	
See Skanska spreadsheet	1		£640,035	£1,679,484	£4,876,808	£7,984,725	£16,664,134	£19,199,513	£21,604,636	£27,410,661	£18,719,626	£7,549,051	£10,604,314	£0	£0	£0	£0
	2		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	3		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	4		£0	£0	£3,579,704	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	5		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	6		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	7		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	8		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	9		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	10		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	11		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	12		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	13		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	14		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Totals			£640,035	£1,679,484	£8,456,512	£7,984,725	£16,664,134	£19,199,513	£21,604,636	£27,410,661	£18,719,626	£7,549,051	£10,604,314	£0	£0	£0	£0

Appendix 13 - Response to SHBC email dated 8 September 2020

Information requested	Comment
a) Application plan	Included in report at Figure 2.1.1. Site plans also available on SHBC's planning portal
b) Land ownership plan	Included in report at Figure 2.1.1. Site plans also available on SHBC's planning portal
c) Details of the proposed scheme	Description included at Section 2.2 of the report. Also see Strategic Masterplan attached as Appendix 14.
d) A schedule of floor areas in terms of GIA and net sales area	The proposal is an outline application and there is no detailed design work on the serviced land parcels. The floor areas in the serviced land plot appraisals are based on BPS's floor areas.
e) A working electronic version of the proposed scheme appraisal and any supporting appraisals such as an existing or alternative use valuation. We would also expect detailed assumptions if not the modelling used to generate affordable housing values	We can provide live versions of the Argus appraisals as was the case during previous discussions with BPS.
f) A submission which provides evidence in support of the assumptions adopted this would typically include: - Relevant evidence of analysed local sales in support of proposed values - Relevant evidence of yields and rents where the scheme includes a commercial element - Evidence of offers from RP's - Support for key assumptions used within the scheme appraisal	<p>In all cases, we have relied on BPS's own opinion of appraisal inputs, subject to indexation for change over the intervening period.</p> <p>As master-developer, Skanska/DIO have not had any discussions with RPs as this lies within the remit of the housebuilders purchasing serviced land parcels. Skanska/DIO are not privy to these details.</p>
g) A detailed element cost plan – this should be in a format which would facilitate elemental comparison with BCIS	Skanska and DIO are the master developer and will be selling serviced land parcels to housebuilders. We do not have access to their cost plans. In any event, we have (with BPS's agreement) relied upon BCIS costs. Given that they say they will be comparing costs to BCIS, and that we do not have access to the housebuilders' data, there is not additional information that can be provided.
h) Any plans which have been relied upon in preparing the Cost Plan but which have not formed part of the planning submission	See response to (g) above.

Information requested	Comment
i) A detailed specification for the development. This underpins the cost plan and proposed values	This is an outline scheme and a detailed specification for serviced plots does not exist. Please see the Design and Access Statement for the masterplan at Appendix 15.
j) Detailed proposed programme from site acquisition through to final sale	The land sale programme is included in the land trading model in the assessment.
j) Full list of verifiable expenditure to date	This is included in our report.
k) Land sales achieved figures to date	This is included in our report.
l) Financial model – scheme appraisal	This is included in our report.
m) Justification for developer return and target land value in particular	This is included in our report. We have adopted a lower IRR than our target level within the range that BPS previously identified.
n) Justification for all other appraisal inputs including properly constructed cost plan	This appears to be a repeat of items above.

Appendix 14 - Strategic Masterplan



Key			
	Application site boundary		New housing
	Deepcut Bridge Road		New Primary school/nursery
	Existing road		Existing community hall
	Spine road		Existing retail / commercial area along DBR and SPAR
	Proposed local access streets		New retail / public house
	Retained buildings 1 St Barbara's Church		SANGs hut and car parking
	New church hall		Care home
	Community allotments		Conversions (Separate application)
	Main green links		SNCI boundary
	Formal Park		Village green
	Playing fields		Sports hub
	ANGSt		SANGS
	Other green space		SANGS link
	Infrastructure		



April 2020

Princess Royal Barracks, Deepcut
Illustrative Strategic Masterplan
for Skanska

Drawing No. 00752_SM_01
Scale @ A3 NTS Rev D1



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