
Proposed Submission Adur Local Plan 2014 - representations

1 message

Nick Green <[REDACTED]>
To: "Planning.Policy" <planning.policy@adur-worthing.gov.uk>

1 December 2014 at 16:07

Dear Sirs

Please find attached some representations which we are submitting on behalf of Brighton City (Shoreham) Airport, in respect of the Proposed Submission Adur Local Plan.

The representations consist of the following:

1. Representation Form
2. Letter setting out our representations, together with three attachments.

The attachments are:

- Our representations from 7 November 2013
- Our viability appraisal dated 4 November 2013
- An extract from the Council's whole plan viability appraisal.

I would be grateful if you would acknowledge receipt when you are able to.

Kind regards

Nick Green BA (Hons) MRTPI

Director

Planning

Savills, 33 Margaret Street, London, W1G 0JD



Tel : [REDACTED]

Mobile : [REDACTED]







Email : [REDACTED]

P Before printing, think about the environment



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6 attachments

-  **representations form.pdf**
94K
-  **Local Plan reps 011214FV.pdf**
82K
-  **Albemarle (Shoreham) LLP - Formal Representations in response to Revised Draft Adur Local Plan 2013 Consultation.pdf**
1609K
-  **Development Viability Assessment Report FINAL.pdf**
600K
-  **LPA Viability Assessment.pdf**
253K
-  **ATT00001.txt**
3K

1 December 2014



James Appleton
Head of Planning
Adur and Worthing Councils
Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

Nick Green
E: [REDACTED]
DL: [REDACTED]

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

Dear Sir

Proposed Submission Draft Adur Local Plan

We are writing in respect of the proposed submission draft version of the Adur Local Plan. We act on behalf of Brighton City (Shoreham) Airport, who own and operate Shoreham airport. Our representations relate to Shoreham Airport, which is identified as a City Deal Growth Centre (para 2.38), and in particular to policies 4 and 7 of the Local Plan.

At the present time we consider the proposed submission plan to be unsound because one of the key strategic employment policies is undeliverable. The strategy for employment and economic development depends to a large part on development at the airport, but in its present form the Plan would render that development undeliverable. However, we believe that it would be possible to change the plan to overcome these concerns without significantly delaying the plan preparation, and we would encourage the Council to make the changes which are suggested below.

Access

As you are aware the owners of the airport have been having extensive and constructive discussions with the purchasers of the adjacent New Monks Farm site. Both parties would benefit from having a shared point of access, and provisional agreement has been reached that a new roundabout roughly on the boundary between the two sites would be the best place for it to be located.

We have previously expressed strong reservations about the consequences of an access too far west, if it meant closing or downgrading the existing Sussex Pad junction. This was because of the impact that would have on parties who currently rely on the Sussex Pad access, i.e. users of the airport, Northbrook College, Ricardo and Lancing College. However, we confirm that we fully support the provision of a roundabout close to the boundary of the two sites. The owners of the airport are working closely with the purchasers of New Monks Farm to agree a joint masterplan to encompass both sites and the joint access arrangements, which could form the basis of further discussions with the Council. The Local Plan proposals maps at map 2 and 4 need to be updated to reflect the agreed position of the roundabout.

Soundness

In order to be sound, the Plan needs to be deliverable, which means it needs to be:

- Positively Prepared
- Justified
- Effective

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- Consistent with National Policy

We believe that the current strategy fails to meet all of these tests, and it is therefore not sound. The reasons for this are explained below.

Employment Land Supply

The draft plan seeks to allocate employment development at the airport. Policy 7 states:

“Approximately 15,000 sqm of new employment generating floorspace (both aviation and non-aviation related), including a mix of B1 (business), B2 (general industry) and B8 (storage) uses, will be provided on the north-eastern side of the Airport.”

The economic strategy is based partly on the Employment Land Review, which recommends that the plan allocates land for between 50,000 sq m and 60,000 sq m of new class B business space in the District during the plan period. This land is to be allocated at three strategic sites: Shoreham Harbour, New Monks Farm and Shoreham Airport. However, as things currently stand the plan only allocates 41,000 sq m of land between these three sites, of which 15,000 sq m would be at the airport, meaning that there is a strategic shortfall of up to 19,000 sq m of business floorspace set out in the plan.

This is acknowledged in the draft plan at paragraph 2.45, where the proposed solution is to work with neighbouring authorities under the Duty to Cooperate to help meet the shortfall. We are not aware of what progress has been made in this regard but our understanding is that the shortfall has not been met. Paragraph 3.37 of the Duty to Cooperate Statement states:

“Taking into account the above, whilst there may be an opportunity to address some of Adur’s unmet employment needs in authorities in Northern West Sussex, the most sustainable opportunities are those on the coast. Through City Deal and the LEP, such coastal opportunities could be provided. However, further evidence work to look at employment needs and provision across the wider area in the longer term is needed and is currently being progressed.”

We therefore understand that there remains an unresolved shortfall in supply.

Deliverability

When we submitted representations to the draft Local Plan consultation in October 2013 (copy attached), we made the case that the proposal to restrict the floorspace to 15,000 sq m at Shoreham Airport would be undeliverable because it would be financially unviable. This is particularly because of the fact that the development would need to underwrite a significant proportion of the cost of a new roundabout access onto the A27, together with other abnormal development costs. A development appraisal was submitted with the representations, which showed that, with about £2 million set aside for the roundabout access a development of 15,000 sq m would generate a developers’ profit of about 3% with a residual land value of around £2.75 million. That would not be viable.

An appraisal was also carried showing a notional 30,000 sq m development. In that case the scheme would generate a developers’ profit of over 26% and a land value of £6.875 million, which would clearly be a viable proposition.

This is all backed up by the work carried out to prepare the Council’s November 2014 Whole Plan Viability Study. That document contains a development appraisal of the Shoreham Airport site, which is appended to this letter, which contemplates 15,000 sq m of development as envisaged by the draft policy. That appraisal assumes a £2.5 million cost for the roundabout. The scenario would generate a developers’ loss of just over £3 million, which plainly points toward an unviable scheme.

It is therefore common ground between us and the Local Planning Authority that the development envisaged at the airport by draft policies 4 and 7 of the plan would be unviable. The allocation is a key part of the Local

Plan strategy, which is already weakened by a shortfall in overall identified supply. If development at the airport cannot come forward because it is not viable, that would leave the Local Plan a further 15,000 sq m adrift of its employment land requirements, leaving it with only 26,000 sq m out of a requirement of 50-60,000 sq m.

This is clearly an unsound position.

Proposed Changes

Paragraph 21 of the NPPF states:

“In drawing up Local Plans, local planning authorities should:

set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth;

set criteria, or identify strategic sites, for local and inward investment to match the strategy and to meet anticipated needs over the plan period;”

In this case we believe that the draft plan fails to meet this objective. The allocation at Shoreham Airport is clearly unviable, and this is common ground. Moreover the plan as a whole fails to deliver sufficient employment land to meet anticipated needs over the plan period. If the allocation at the airport were to be increased to 30,000 sq m, which was originally accepted by the planning authority, it would achieve two things:

1. The allocation would become viable and deliverable; and
2. The Local Plan would contain sufficient employment land to meet identified strategic needs.

There is a third benefit to be derived from the proposed changes. If the development at the airport can be made to be viable, it will enable the access roundabout from the A27 to be delivered, which will ‘unlock’ the bulk of the New Monks Farm site, which is also a strategic housing site. Without the ability of the airport to fund a proportion of the roundabout, it is unlikely that the access can be delivered by the New Monks Farm development alone.

We believe that 30,000 sq m development can take place at the airport, part of which would be close to the new access roundabout, without having an unacceptable impact on the landscape.

We therefore propose that policies 4 and 7 are amended to provide for up to 30,000 sq m of development at the airport. We also propose that map 4 is amended to allow development adjacent to the A27, and to show the position for the new access adjacent to the ownership boundary with New Monks Farm.

Yours faithfully

Nick Green
Director

Enc October 2013 submissions
LPA Whole Plan Viability Appraisal extract

Proposed Submission Adur Local Plan 2014



Representation Form

Return Address:

planning.policy@adur-worthing.gov.uk


Or:

Planning Policy Team, Adur and Worthing Councils, Town Hall, Chapel Road,
Worthing, BN11 1BR

Or hand in at:

- Adur Civic Centre, Ham Road, Shoreham-by-Sea, BN43 6PR or
- Portland House, 44 Richmond Road, Worthing, BN11 1HS

**Please return to Adur District Council by 5pm on 1st December 2014
Late representations will not be considered.**

 **Use of your information** Respondent details and representations will be forwarded to the Secretary of State for consideration when the Adur Local Plan is submitted for examination. All documents will be held by Adur District Council and representations will be published including on the internet e.g. www.adur-worthing.gov.uk. Personal contact details (address, email and phone number) will be removed from published copies of representations. Your information will be handled in accordance with Data Protection Act 1998.

Contact details will be added to the Adur Planning Policy consultees database to keep you informed on the progress of the Adur Local Plan and other related documents.

Please tick if you do **not** want to be informed.

This form has two parts:

- Part A - Respondent Details. You only need to fill this in once.
- Part B - Your representation(s). Please fill in a separate sheet for each representation you make.

It is recommended that you read the Guidance Notes provided for an explanation of terms used in this form.

Part A – Personal Information
You only need to complete this section once

Personal Details

First name		
Last name		
Organisation (where applicable)	Brighton City (Shoreham) Airport	
Address line 1	c/o Agent	
Address line 2		
Address line 3		
Post Code		Telephone c/o Agent
Email address	c/o Agent	

Agent's Details (if applicable)

First name	Nick	
Last name	Green	
Organisation	Savills	
Job Title	Director	
Address line 1	33 Margaret Street	
Address line 2		
Address line 3	London	
Post Code	W1G 0JD	Telephone [REDACTED]
Email address	[REDACTED]	

Part B – Representation

Please use separate sheets for each representation

Policy No.	<input type="text" value="4 and 7"/>	Paragraph No.	<input type="text"/>
Map	<input type="text" value="2 and 4"/>	Other section (please specify)	<input type="text"/>

2. Do you consider the Adur Local Plan to be: (tick as appropriate)

2.1 Legally Compliant Yes No

2.2 Sound Yes No

Please read the Guidance Note for guidance on legal compliance and soundness.

If you have ticked no to 2.1, please continue to Q4.

If you have ticked no to 2.2, please continue to Q3.

If you have ticked yes to 2.1 and 2.2 please go to Q7.

3. Do you consider the Adur Local Plan to be unsound because it is not: (tick as appropriate)

3.1 Positively Prepared X

3.2 Justified X

3.3 Effective X

3.4 Consistent with National Policy X

4. If you consider the Adur Local Plan to be unsound or not legally compliant, please explain why in the box below:

Please see attached letter and enclosures.

(Continue on a separate sheet if necessary)

5. Please explain in the box below what change(s) you consider necessary to make the Adur Local Plan legally compliant and sound having regard to the reason you identified above.

(You will need to say why this change will make the Plan legally compliant or sound. It will be helpful if you are able to put forward your suggested or revised wording of any policy or supporting text. Please be as precise as possible).

Please see attached letter and enclosures.

(Continue on separate sheet if necessary)

6. If your representation concerns soundness or legal compliance and is seeking a change, do you consider it necessary to attend and give evidence at the hearing part of the examination? (tick as appropriate)

No, I wish to communicate through written representations

Yes, I wish to speak to the Inspector at the hearing sessions

Please note: The Inspector will determine the most appropriate procedure to hear those who have indicated that they wish to participate at the hearing part of the examination.

7. If you wish to participate at the hearing part of the examination, please outline why you consider this to be necessary.

The representations relate to issues of viability and deliverability, which are best understood if there is an opportunity to explain matters verbally to the Inspector and to answer questions as appropriate. There are also associated issues relating to how development at Shoreham Airport can help development to come forward at another strategic site (New Monks Farm), which require explanation.

8. Please tick if you do not wish to be informed of the following:

When the Plan has been submitted for Examination

When the recommendations from the Examination have been Published

When the Local Plan has been adopted

What happens next?

Representations made to the Council will be passed to the Inspector for consideration.

Once this has happened, the Inspector will commence the examination and give notice of the start of the hearing sessions.

Interested parties will be informed of the start date of the hearing sessions and the matters to be considered.

Thank you for making representations.

7th November 2013



James Appleton
Head of Planning
Adur and Worthing Councils
Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

Nick Green

F: +44 (0)

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

BY POST AND EMAIL TO: [REDACTED] and planning.policy@adur-worthing.gov.uk

Dear Sir

**Revised Draft Adur Local Plan (September 2013) – Public Consultation
Formal Planning Representations on behalf of Albemarle (Shoreham) LLP**

We are writing on behalf of Albemarle (Shoreham) LLP to make formal representations in respect of the Revised Draft Adur Local Plan. Our representations relate to the employment and economy strategies of the plan, and specifically to the strategic allocation at Shoreham Airport.

Background

As part of the preparation for the Draft Local Plan, the Council concluded that the Airport had the capacity to develop around 30,000 sqm of employment floorspace, which would have been located on the east part of the Airport complex, adjacent to the boundary with the River Adur. However, this would have necessitated the closure of the two grass runways and the kilo taxiway, which are essential to the effective operation of the Airport. In order to overcome this and to allow the operation of the Airport to remain unaffected, we proposed splitting the 30,000 sqm 'allocation' into two elements; one on the east part of the Airport, consistent with the earlier intentions, and one at a new location adjacent to the 'north west' boundary of the Airport, adjacent to the A27.

Although we consider that the 'north west' development area could safely be delivered without unacceptable landscape impact (and we have submitted evidence to support this), the Revised Draft Local Plan nevertheless fails to support this. Draft Policy 4 and Draft Policy 7 of the Plan supports only the provision of 15,000 sqm floorspace at the Airport, at a location toward the east flank of the site.

The development of employment floorspace at Shoreham Airport is intrinsically linked to the access arrangements from the A27 to any new development, and also the access to other existing occupiers in the area including Lancing College, Ricardo, Northbrook College and all of the occupiers of the Airport premises. It is also closely linked to the provision of an access from the A27 necessary to deliver the emerging housing allocation at New Monks Farm. The ability to deliver development at Shoreham Airport cannot therefore be viewed in isolation, as it has significant knock-on effects.

In the current form we believe that the Revised Draft Local Plan is unsound. This is because:

- The Revised Draft Local Plan fails to consider issues of viability, and there is no evidence whatsoever to support the strategy in this respect.

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- The current strategy for the Airport would be unviable if it is linked to the need to provide a new access to the A27.
- Additionally, the knock-on effects of the current strategy will place at risk the future viability of a great many other occupiers which rely on the existing A27 access.
- There is a danger that the strategy could also risk the delivery of the New Monks Farm housing development, because there would be serious doubts about the ability to provide a new access to the A27.
- If the development of any employment floorspace at the Airport fails to come forward, it would jeopardise the City Deal initiative, which identified the Airport as a key Growth Hub.

Soundness

In order to be sound, the Plan needs to be deliverable, which means it needs to be:

- Positively Prepared
- Justified
- Effective
- Consistent with National Policy

We believe that the Revised Draft Local Plan fails to meet all of these tests, and it is therefore not sound. The detailed reasons for this are explained below.

General Comments

1. The Revised Draft Local Plan arbitrarily restricts the quantum of development at the Airport to 15,000 sqm, without any analysis of viability or deliverability. There is therefore no evidence base to underpin the Revised Draft Local Plan, which suggests that the plan is not justified.
2. The Revised Draft Local Plan fails to provide guidance on the likely location of the new access to the A27. In doing so it fails to provide certainty and confidence to developers, which undermines the Plan's deliverability. The NPPF states that:

"local planning authorities should set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth" (para 21), as well as that planning should *"be genuinely plan led"* (para 17).

The failure to provide guidance on the location of the A27 access means that the strategy fails to meet these requirements; it is not therefore consistent with national policy, meaning it fails the test of soundness.

3. The 2011 Employment Land Review (ELR) identifies the Airport as one of the few areas that can attract high value activities, owing to the 'relatively easy access to the A27' and the attractive environment. The plan fails to consider the likely consequences if the existing access to the A27 is compromised or is located at New Monks Farm.
4. Draft Policy 7 of the Revised Draft Local Plan imposes a number of significant requirements on the 15,000 sqm development, including significant improvements to the A27 Sussex Pad junction, travel initiatives and various measures to mitigate flooding and ecological impacts. However, no consideration is given to whether the value generated by only 15,000 sqm of development would be sufficient to support these objectives, which is a significant omission.

Specific Comments

5. We consider that the development of only 15,000 sqm of employment floorspace at the Airport is likely to be viable as a standalone development. However, initial work on viability demonstrates that the land value generated by this quantum of development would not be sufficient to cover any of the costs associated with significant improvements to the A27 access or any contribution to flood defences or other infrastructure costs. This in itself is evidence that the policy has not been properly thought through, is not justified and is not effective. This is described in more detail below in the section entitled “*viability*”.
6. As a result of this, the development of the 15,000 sqm envisaged by the Revised Draft Local Plan cannot support the provision of a new access to the A27. Therefore it will only take place if the development (and the remainder of the Airport) can rely on the existing Sussex Pad junction for access to and from the A27.
7. It follows that the cost of any new access to the A27, if it is provided at all, would need to be covered by public funds, the developers of New Monks Farm, or by other developers.
8. It seems clear that the Highways Agency (HA) will only allow one access onto the A27 to serve both Shoreham Airport and New Monks Farm. If the new access is located adjacent to the New Monks Farm strategic development area, we understand that the HA will require the existing Sussex Pad junction to be closed or down-graded. This would mean that access to the Airport and other sites would become convoluted and unattractive, which make it unattractive for occupiers to locate at the Airport. We have serious concerns about the substantial negative effect this would have on the on the viability of the new development that is envisaged at the Airport, and we consider that the issue would be likely to render the 15,000 sqm unviable.

These concerns are magnified by the fact that the new A27 access arrangements that are proposed by the owners of New Monks Farm show a very significant down grading of the Sussex Pad junction. The plans which have been submitted to the Council show a junction which only allows left turn movements into the Airport from the A27 when west-bound. Every other access or egress movement would need to be via a convoluted route via New Monks Farm and onto a section of the A27 which is always more heavily congested owing to the proximity of the Lancing Manor roundabout. We understand these plans have been accepted in principle by the Highways Agency, which causes very significant concerns.

Downgrading or closing the A27 access would also have a substantial negative impact on the following:

- The future viability of the Airport as a general aviation Airport business;
- Ricardo;
- Lancing College;
- Northbrook College;
- All of the occupiers of commercial units at the Airport; and
- The potential future viability of commercial aviation ventures at Shoreham Airport.

The NPPF states that development plans need to be deliverable, which means paying careful attention to viability and costs in plan-making and decision-taking (para 173). In this case the plan is unsound because there is real doubt over whether or not one of its strategic employment allocations could be delivered in the manner that is envisaged. There is also likely to be an unacceptable impact on the viability of a range of existing organisations if the Sussex Pad junction is downgraded, including important businesses and education establishments. The inability of the proposed development to support infrastructure improvements, particularly the new A27 access, leads to two options:

1. The development utilises the existing unchanged Sussex Pad junction, even if a new A27 access is constructed adjacent to New Monks Farm; or
2. If the Sussex Pad junction is closed or downgraded, the Airport development is likely to be unviable.

It appears likely that the Highways Agency would resist the first of these two scenarios, which suggests that it is unlikely to be feasible. Under the second scenario, development at the Airport is unlikely to take place. In both cases the Revised Draft Local Plan is unsound because it is not positively prepared, justified or effective. It is also inconsistent with national policy (the NPPF), as it fails to "set out a clear economic vision and strategy for their area which positively and proactively encourages sustainable economic growth".

Viability

We are attaching a viability appraisal which has been carried out by BW Investor Services Ltd. This has modelled two scenarios; the development of 30,000 sqm floorspace split between the east and the north west development areas (as we are proposing), and the development of only 15,000 sqm at the eastern area, consistent with the strategy within the current Revised Draft Local Plan.

The appraisal utilises a land value recently provided by GVA, and a value for the development which is based on the advice of local commercial agents including Stiles Harold Williams. The assessment considers the ability of the development in both scenarios to support a contribution toward the provision of a new A27 access, and also a sum toward the provision of the Adur Tidal Walls flood protection scheme. The cost of the access has been estimated by iTransport at £3-4 million, and we have therefore assumed a contribution of £2 million. A sum of £300,000 has been assumed for the Adur Tidal Walls project.

There is also a contractual requirement to provide 20% of any development profits to the freeholder, which is a significant development cost in this case.

The 15,000 sqm development would produce a developers profit of £3,078,669 without including any of the costs described above. However this would be reduced to £428,669 after deducting these costs, which represents a profit on cost of just 3%. As an example most developers would expect a return of c20% in order to secure funding and to proceed with a development. Therefore the development would only be viable if proceeds without any contribution toward an A27 access. i.e. the existing Sussex Pad access should remain.

On the other hand the appraisal of the 30,000 sqm development would produce a developer's profit of over 26%, after the costs of a new access to the A27 and other costs have been deduced. Clearly this would be a viable proposition.

Landscape Impact

We are confident that the allocation of a further development area adjacent to the A27, potentially of c15,000 sqm, could be accommodated without significant impact on the landscape or on any heritage assets. Effective mitigation can be achieved through measures such as careful use of landscaping, green roofs and screening to car parking areas.

We have submitted evidence on potential landscape impact, in the form of verified view images taken from a number of key points on the South Downs and the area to the east of the site. In their current state these images do not incorporate any mitigation measures. In our view this evidence shows the implementation of both of the 'east' and the 'north west' development areas could readily be carried out in an acceptable manner. We intend to undertake additional work to further demonstrate this point before the Local Plan Examination takes place.

We consider that the issue of landscape impact upon views from the South Downs National Park is equally applicable to New Monks Farm as it is to the Airport and the Sussex Pad junction. We therefore object to the wording in Draft Policy 4 which states the following, with our emphasis added to the unacceptable text:

To facilitate regeneration and ensure a sustainable economy, 38,000 square metres of land will be allocated for appropriate employment generating uses in Adur up to 2031 at the following locations:



- Shoreham Airport (approximately 15,000 sqm subject to landscape considerations)
- New Monks Farm (approximately 10,000 sqm)
- Shoreham Harbour Regeneration Area (approximately 13,000 sqm within Adur)

We consider that the text "*subject to landscape considerations*" should be deleted, or it should be added to the reference to New Monks Farm in order to provide a degree of parity between the sites.

Conclusions

If the strategy for the Airport is restricted to 15,000 sqm it is clear that the development can only proceed if the existing Sussex Pad junction is retained to provide access, as there would not be sufficient value to support a new access. The evidence clearly shows that the full 30,000 sqm development will be necessary if a new access to the A27 is to be supported.

This 30,000 sqm scenario would address all of the concerns about the deliverability of the Local Plan strategy, together with concerns about the 'knock-on' effects of the current strategy on the existing occupiers who rely on the Sussex Pad junction. It would also give greater certainty to the deliverability of the housing allocation at New Monks Farm, which is equally dependant on a fundable solution for a new access to the A27.

At the present time the Revised Draft Local Plan fails to meet the tests of soundness, and we object to Revised Draft Policies 4 and 7 on this basis.

Yours faithfully

A large black rectangular redaction box covering the signature of Nick Green.

Nick Green
Director

Enc. Commercial Appraisals, BW Investor Services Ltd

Development Viability Assessment

Shoreham Airport



Executive summary

- The recent reduction in commercial development allocation at Shoreham Airport has left the scheme unviable after taking account of section 106 contributions
- The short form development appraisal in appendix 2 of this report illustrates that at current values, the scheme would have a final development value of £18.5m, with the total costs and section 106 contributions accounting for the majority of the value of the scheme.
- The positioning of the road improvement scheme will prove to be detrimental to the viability of the development, with rental values achievable at the scheme threatened if the access to the site is not located at the Sussex Pad junction.
- A reinstatement of the original allocation of 30,000 sq m at the Airport would allow sufficient profit from the development to cover all section 106 contributions and allow for sufficient profit for the scheme to be advanced – see appendix 3.
- If reinstated, the 30,000 sq m development would allow for a £875,000 payment to be made to the Council under the profit claw back clause in the head lease agreement.

Introduction

BW investor services have been instructed by Albemarle Shoreham LLP to review the viability of development at Shoreham Airport.

The current allocation of 15,000 sq m on the eastern boundary of the Airport identified in the Revised Draft Adur Local Plan (2013) has been reduced from the initial allocation of 30,000 sq m, which was allocated in the first Draft Adur Local Plan (2012).

Requests to relocate some of the original 30,000 sq m of allocated development in the initial Draft Plan to the northwest boundary of the Airport, by the A27, were justified because a provision of 30,000 sq m on the eastern boundary would interfere with the effective operation of the Airport.

The exclusion of the northern boundary development significantly reduces the viability of the scheme at the Airport, particularly in light of the financial contributions required for the purpose of road improvements and the required flood defences.

A short form development appraisal has been undertaken, which highlights the restrictions to the financial viability of the creation of the much needed employment floor space in the Adur and Worthing area.

Basis of Appraisal/Viability Assessment

The basis of the appraisal has been undertaken having consulted with a number of local specialists who have provided their opinion on rental values achievable on the new floor space when delivered, the prospective investment yields on the properties when they are completed and let and the costs involved in bringing the floor space to completion.

These figures should be seen as indicative of the types of financial commitments that would be required for the development to be completed and of the potential profits that may be generated from the construction and successful letting of the buildings.

Development Costs

The attached short form appraisal in appendix 1 indicates the potential for profit on the development to the east side of the Airport however this profit is eroded by the significant contributions required for the road improvements and the flood defences. Overall costs of developing 15,000 sq m on the eastern boundary amount to £11.6m, with further contributions and profit share arrangements adding a further £2.6m to the overall 'costs' of the scheme.

Land Value

An allowance for the value of the land needed to be allocated to the development of the schemes has been made in line with a recent valuation undertaken by GVA on behalf of Nationwide Commercial. An extract from the valuation report is attached in appendix 1 identifying the land values attributed to the prospective development land.

Development Value

Our enquiries with a number of local and national real estate experts has led us to believe that the final development value of 15,000 sq m, when fully let, will amount to £18.5m. With the above cost schedule this would result in a small profit of £428,669, or 3.0%, on the project, making the scheme unviable at this level of development. The results of the short form appraisal for the 15,000 sq m scheme are presented in appendix 2 of this report.

Clearly this is an unacceptable result and means that any scheme of this size is unable to be supported in its current format.

Potential for 30,000 sq m development

We have also examined the potential for the original 30,000 sq m allocation at the airport and provide the short form appraisal in appendix 3 of this report.

On the basis of a 30,000 sq m allocation at the Airport a profit of 26.7% on costs is achieved, which would make the project viable.

Under this scenario the value generated from the scheme would allow for a £875,000 payment to be made to the Council under the profit claw back clause in the head lease agreement.

Planned Road Improvements

At the moment, there are several proposals for the necessary road improvements to support development at the Airport and at New Monks Farm. It is our opinion that, if the road improvements were to be focused away from the Sussex Pad junction, then the value of the proposed development at the Airport would be damaged further.

Our enquiries with local property agents suggest that rental values at the scheme on the eastern boundary of the airport may be impacted by as much as 10-15% from the base values used in the appraisals in appendices 2 and 3.

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Development Viability Assessment
Appendices

DEVELOPMENT LAND

At the time of our 2011 update there had been no change in general sentiment towards values of development land and thus our figures remained unchanged. In addition the planning position with regards to the Core Strategy land within the Airport Lease had remained unchanged. However as at October 2013 there have been a number of updates which we summarise as follows.

LDF LAND

Since our 2011 report there has been an update published by the Council in the Revised Draft Policy 7: Shoreham Airport which states that: "Approximately 15,000 sq m of new employment generating floor space (both aviation and non-aviation related) including a mix of B1 (business), B2 (general industry) and B8 (storage) uses will be provided on the north eastern side of the airport."

Furthermore, it states that due to the current flood zone 3B designation of the airport, no development shall take place within the allocated area until the Shoreham tidal walls on the west banks have been completed. The Council have confirmed that the aim is for this to be completed by 2017 but there is no specific date confirmed.

In 2010 and 2011 there was potential that a greater allocation of employment generating uses would be allocated on the site and, whilst this remains a possibility, given the specific designation by the Council of only allowing 15,000 sq m within the LDF, we have used this as the basis for our valuation. On the basis of a site cover of circa 40-50% we calculate that 10 acres of land would be required to accommodate this level of development.

We are of the opinion that serviced plots of industrial land at Shoreham would achieve £275,000 per acre. Our approach to the valuation of this land is to discount back from this figure.

We have received a letter from the Borrower which states that the current access onto the A27 is acceptable for this level of development and we have thus not allowed any risk for any highways costs associated with servicing the land.

We have, however, had to allow for the costs of putting in services to the site given it is greenfield. We thus discount our figure of £275,000 per acre to £150,000 per acre. Furthermore we have discounted this value to reflect the risk associated with the time it will take for the Environment Agency to install the flood barrier and the potential cost that the Borrower will have to incur in contributing towards its construction.

We would note that the Overage Agreement contained within the Airport Lease dated 30 June 2006 does relate to this land. However, given the freeholder is the Council to which this payment would be made and, given the nature of the site and the risk that is attributed to it, in our opinion it is unlikely that this provision would be enforced.

On this basis we conclude a figure of £1,250,000 for this land (£125,000 per acre).

AIRFIELD LAND

We are of the opinion that this would achieve circa £10,000-£15,000 per acre if there were no restrictions as to its development given the prices achievable for farmland in this location and the fact that areas of the site could potentially be sold off as separate lots with some hope value for development.

However, in light of the use restriction in the Airport Lease we have discounted this figure for 28 years and thus concluded £5,000 per acre. This is an unchanged figure to 2011 and 2010, however, given we have included the additional 15 acres previously included in the LDF allocation, the overall value of this part has increased to £1,170,000.

Appendix 2

Development Appraisal (15,000 sq m)

	10 acres 15,000 sq m	10 acres 161,458.5 sq ft
Site Rents	£86.11 psm	£8.00 psf
Total Rent	£1,291,668	£1,291,668
Yield	7.00%	7.00%
Gross Development Value	<u>£18,452,400</u>	<u>£18,452,400</u>
Less Costs	<u>£1,070,239</u>	<u>£1,070,239</u>
Net Development Value	£17,382,161	£17,382,161
Development Costs		
- Land Value (as per GVA Grimley valuation)	£2,750,000	£2,750,000
- Construction	£8,072,925	£8,072,925
- Services (as per GVA valuation)	£1,500,000	£1,500,000
- Fees	£1,295,128	£1,295,128
- Interest @ 5.0%	£281,792	£281,792
- Contingency (5%)	£403,646	£403,646
Total costs of Devt	<u>£14,303,492</u>	<u>£14,303,492</u>
Developers Profit	<u>£3,078,669</u>	<u>£3,078,669</u>
Section 106 contributions		
- Roundabout	£2,000,000	£2,000,000
- Flood Defence contribution	£300,000	£300,000
- 20% profit clawback	£350,000	£350,000
Profit after section 106 contributions	<u>£428,669</u>	<u>£428,669</u>
Developer profit	3.0%	3.0%

Appendix 3

Development Appraisal (30,000 sq m)		
Site	25 acres	25 acres
Size	30,000 sq m	322,917.0 sq ft
Rents	£86.11 psm	£8.00 psf
Total Rent	£2,583,336	£2,583,336
Yield	7.00%	7.00%
Gross Development Value	<u>£36,904,800</u>	<u>£36,904,800</u>
Less Costs	<u>£2,140,478</u>	<u>£2,140,478</u>
Net Development Value	£34,764,322	£34,764,322
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Developers Profit	<u>£9,823,577</u>	<u>£9,823,577</u>
<u>Section 106 contributions</u>		
- Roundabout	£2,000,000	£2,000,000
- Flood Defence contribution	£300,000	£300,000
- 20% profit clawback	£875,000	£875,000
Profit after section 106 contributions	<u>£6,648,577</u>	<u>£6,648,577</u>
Developer profit	26.7%	26.7%

Development Viability Assessment

Shoreham Airport

Prepared by BW investor services Ltd on behalf of Albemarle Shoreham LLP

4th November 2013

Executive summary

- **The recent reduction in commercial development allocation at Shoreham Airport has left the scheme unviable after taking account of section 106 contributions**
- **The short form development appraisal in appendix 2 of this report illustrates that at current values, the scheme would have a final development value of £18.5m, with the total costs and section 106 contributions accounting for the majority of the value of the scheme.**
- **The positioning of the road improvement scheme will prove to be detrimental to the viability of the development, with rental values achievable at the scheme threatened if the access to the site is not located at the Sussex Pad junction.**
- **A reinstatement of the original allocation of 30,000 sq m at the Airport would allow sufficient profit from the development to cover all section 106 contributions and allow for sufficient profit for the scheme to be advanced – see appendix 3.**
- **If reinstated, the 30,000 sq m development would allow for a £875,000 payment to be made to the Council under the profit claw back clause in the head lease agreement.**

Introduction

BW investor services have been instructed by Albemarle Shoreham LLP to review the viability of development at Shoreham Airport.

The current allocation of 15,000 sq m on the eastern boundary of the Airport identified in the Revised Draft Adur Local Plan (2013) has been reduced from the initial allocation of 30,000 sq m, which was allocated in the first Draft Adur Local Plan (2012).

Requests to relocate some of the original 30,000 sq m of allocated development in the initial Draft Plan to the northwest boundary of the Airport, by the A27, were justified because a provision of 30,000 sq m on the eastern boundary would interfere with the effective operation of the Airport.

The exclusion of the northern boundary development significantly reduces the viability of the scheme at the Airport, particularly in light of the financial contributions required for the purpose of road improvements and the required flood defences.

A short form development appraisal has been undertaken, which highlights the restrictions to the financial viability of the creation of the much needed employment floor space in the Adur and Worthing area.

Basis of Appraisal/Viability Assessment

The basis of the appraisal has been undertaken having consulted with a number of local specialists who have provided their opinion on rental values achievable on the new floor space when delivered, the prospective investment yields on the properties when they are completed and let and the costs involved in bringing the floor space to completion.

These figures should be seen as indicative of the types of financial commitments that would be required for the development to be completed and of the potential profits that may be generated from the construction and successful letting of the buildings.

Development Costs

The attached short form appraisal in appendix 1 indicates the potential for profit on the development to the east side of the Airport however this profit is eroded by the significant contributions required for the road improvements and the flood defences. Overall costs of developing 15,000 sq m on the eastern boundary amount to £11.6m, with further contributions and profit share arrangements adding a further £2.6m to the overall 'costs' of the scheme.

Land Value

An allowance for the value of the land needed to be allocated to the development of the schemes has been made in line with a recent valuation undertaken by GVA on behalf of Nationwide Commercial. An extract from the valuation report is attached in appendix 1 identifying the land values attributed to the prospective development land.

Development Value

Our enquiries with a number of local and national real estate experts has led us to believe that the final development value of 15,000 sq m, when fully let, will amount to £18.5m. With the above cost schedule this would result in a small profit of £428,669, or 3.0%, on the project, making the scheme unviable at this level of development. The results of the short form appraisal for the 15,000 sq m scheme are presented in appendix 2 of this report.

Clearly this is an unacceptable result and means that any scheme of this size is unable to be supported in its current format.

Potential for 30,000 sq m development

We have also examined the potential for the original 30,000 sq m allocation at the airport and provide the short form appraisal in appendix 3 of this report.

On the basis of a 30,000 sq m allocation at the Airport a profit of 26.7% on costs is achieved, which would make the project viable.

Under this scenario the value generated from the scheme would allow for a £875,000 payment to be made to the Council under the profit claw back clause in the head lease agreement.

Planned Road Improvements

At the moment, there are several proposals for the necessary road improvements to support development at the Airport and at New Monks Farm. It is our opinion that, if the road improvements were to be focused away from the Sussex Pad junction, then the value of the proposed development at the Airport would be damaged further.

Our enquiries with local property agents suggest that rental values at the scheme on the eastern boundary of the airport may be impacted by as much as 10-15% from the base values used in the appraisals in appendices 2 and 3.

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Development Viability Assessment

Appendices

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Development Appraisal (15,000 sq m)

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Size	15,000 sq m	161,458.5 sq ft
Rents	£86.11 psm	£8.00 psf
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Yield	7.00%	7.00%
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Less Costs	<u>£1,070,239</u>	<u>£1,070,239</u>
Net Development Value	£17,382,161	£17,382,161
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- Costruction	£8,072,925	£8,072,925
- Services (as per GVA valuation)	£1,500,000	£1,500,000
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Section 106 contributions		
- Roundabout	£2,000,000	£2,000,000
- Flood Defence contribution	£300,000	£300,000
- 20% profit clawback	£350,000	£350,000
Profit after section 106 contributions	<u>£428,669</u>	<u>£428,669</u>
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Development Appraisal (30,000 sq m)

Site	25 acres	25 acres
Size	30,000 sq m	322,917.0 sq ft
Rents	£86.11 psm	£8.00 psf
Total Rent	£2,583,336	£2,583,336
Yield	7.00%	7.00%
Gross Development Value	<u>£36,904,800</u>	<u>£36,904,800</u>
Less Costs	<u>£2,140,478</u>	<u>£2,140,478</u>
Net Development Value	£34,764,322	£34,764,322
<u>Development Costs</u>		
- Land Value (as per GVA Grimley valuation)	£6,875,000	£6,875,000
- Costruction	£17,114,601	£17,114,601
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- Flood Defence contribution	£300,000	£300,000
- 20% profit clawback	£875,000	£875,000
Profit after section 106 contributions	<u>£6,648,577</u>	<u>£6,648,577</u>
Developer profit	26.7%	26.7%

Commercial Viability Appraisal

SITE LOCATION	Shoreham Airport Employment	
DEVELOPMENT SCENARIO	Greenfield	Greenfield or Brownfield
NET DEVELOPABLE SITE AREA	3.5	Ha
DEVELOPMENT DETAILS	15000	Sqm Total Floorspace

Development Value		Net Lettable Area	Sales Value		
Industrial	B1b B1c B2 B8	15000	860	£ per sqm	£12,900,000
Office	B1a	0	0	£ per sqm	£0
Food Retail	A1	0	0	£ per sqm	£0
Other Retail	A 1 A2 A3 A4 A5	0	0	£ per sqm	£0
Residential Inst	C2	0	0	£ per sqm	£0
Hotels	C3	0	0	£ per sqm	£0
Community	D1	0	0	£ per sqm	£0
Leisure	D2	0	0	£ per sqm	£0
Agricultural		0	0	£ per sqm	£0
Sui Generis		0	0	£ per sqm	£0
Sui Generis		0	0	£ per sqm	£0
Total Development Value					£12,900,000

Development Costs		Site Area	Land Value		
Industrial		3.5	259500	£ per Ha	£908,250
Office		0	9500	£ per Ha	£0
Food Retail		0	9500	£ per Ha	£0
Other Retail		0	9500	£ per Ha	£0
Residential Inst		0	9500	£ per Ha	£0
Hotels		0	9500	£ per Ha	£0
Community		0	9500	£ per Ha	£0
Leisure		0	9500	£ per Ha	£0
Agricultural		0	19000	£ per Ha	£0
0		0	9500	£ per Ha	£0
0		0	9500	£ per Ha	£0
Total Land Cost					£908,250

Construction		Gross Internal Area	Construction Rate	CIL Rate	
Industrial		15000	600	0	£9,000,000
Office		0	0	0	£0
Food Retail		0	0	0	£0
Other Retail		0	0	0	£0
Residential Inst		0	0	0	£0
Hotels		0	0	0	£0
Community		0	0	0	£0
Leisure		0	0	0	£0
Agricultural		0	0	0	£0
0		0	0	0	£0
0		0	0	0	£0
Total Construction Cost					£9,000,000

Abnormal Costs		2500000		£2,500,000		
Professional Fees @		8.0%	of Construction Cost	£720,000		
Legal Fees		0.5%	of Gross Development Value	£64,500		
Statutory Fees		0.6%	of Construction Cost	£54,000		
Sales/Marketing Costs		2.0%	of Gross Development Value	£258,000		
Contingencies		5.0%	of Construction Cost	£450,000		
Planning Obligations		0	£ per sqm	£461,900		
CIL				£0		
Interest @	6.0%	12	Month Build	3	Mth Sale Void	£598,062
Arrangement Fee	1.0%		of Total Costs		£234,530	
Development Profit		5.0%	of Gross Development Value		£645,000	
Total Costs					£15,930,572	

VIABILITY MARGIN

£3,030,572

Commercial Viability Appraisal

SITE LOCATION	Shoreham Airport Employment	
DEVELOPMENT SCENARIO	Greenfield	Greenfield or Brownfield
NET DEVELOPABLE SITE AREA	3.5	Ha
DEVELOPMENT DETAILS	15000	Sqm Total Floorspace

Development Value		Net Lettable Area	Sales Value	
Industrial	B1b B1c B2 B8	15000 sqm	860 £ per sqm	£12,900,000
Office	B1a	0 sqm	0 £ per sqm	£0
Food Retail	A1	0 sqm	0 £ per sqm	£0
Other Retail	A 1 A2 A3 A4 A5	0 sqm	0 £ per sqm	£0
Residential Inst	C2	0 sqm	0 £ per sqm	£0
Hotels	C3	0 sqm	0 £ per sqm	£0
Community	D1	0 sqm	0 £ per sqm	£0
Leisure	D2	0 sqm	0 £ per sqm	£0
Agricultural		0 sqm	0 £ per sqm	£0
Sui Generis		0 sqm	0 £ per sqm	£0
Sui Generis		0 sqm	0 £ per sqm	£0
Total Development Value				£12,900,000

Development Costs		Site Area	Land Value	
Industrial		3.5 Ha	259500 £ per Ha	£908,250
Office		0 Ha	9500 £ per Ha	£0
Food Retail		0 Ha	9500 £ per Ha	£0
Other Retail		0 Ha	9500 £ per Ha	£0
Residential Inst		0 Ha	9500 £ per Ha	£0
Hotels		0 Ha	9500 £ per Ha	£0
Community		0 Ha	9500 £ per Ha	£0
Leisure		0 Ha	9500 £ per Ha	£0
Agricultural		0 Ha	19000 £ per Ha	£0
0		0 Ha	9500 £ per Ha	£0
0		0 Ha	9500 £ per Ha	£0
Total Land Cost				£908,250

Construction		Gross Internal Area	Construction Rate	CIL Rate	
Industrial		15000 sqm	600 £ per sqm	0	£9,000,000
Office		0 sqm	0 £ per sqm	0	£0
Food Retail		0 sqm	0 £ per sqm	0	£0
Other Retail		0 sqm	0 £ per sqm	0	£0
Residential Inst		0 sqm	0 £ per sqm	0	£0
Hotels		0 sqm	0 £ per sqm	0	£0
Community		0 sqm	0 £ per sqm	0	£0
Leisure		0 sqm	0 £ per sqm	0	£0
Agricultural		0 sqm	0 £ per sqm	0	£0
0		0 sqm	0 £ per sqm	0	£0
0		0 sqm	0 £ per sqm	0	£0
Total Construction Cost				£9,000,000	

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Professional Fees @		8.0%	of Construction Cost	£720,000		
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Arrangement Fee	1.0%		of Total Costs	£234,530		
Development Profit		5.0%	of Gross Development Value	£645,000		
Total Costs				£15,930,572		

VIABILITY MARGIN **£3,030,572**