

## Email 291018 Jackson Webb to Walton & Co re Matter 3 hearing

**From:** [REDACTED]  
**Sent:** 29 October 2018 16:38  
**To:** [REDACTED]  
**Cc:** [REDACTED]

Dear [REDACTED]

Please find below my comments upon the Aspinall Verdi Report together with my appraisal attached amended text and attached the up-dated appraisal and supporting BCIS extracts:

### **Transfer Land Value (TLV)**

Aspinall Verdi have based their TLV evidence (para. 5.26) on just a single brownfield planning application for the development of 16 residential properties. We understand that the price paid for the 1.36-acre site was £360,000 which equated to £264,700 per acre. Adding the 30% up-lift over the Existing Use Value, this one sample application was used to justify the TLV of £350,000 per acre then applied to schemes varying from 8 units to 120 units. It is wholly inaccurate to extrapolate this one comparable to all other sites. Worsened by the fact that planning permission has yet to be granted, despite the application being lodged over 12 months previously.

In paras. 5.19 to 5.23 Aspinall Verdi had previously attempted to calculate the Existing Use Value of car parks and secondary commercial properties identified as allocated sites. This is done by applying yields of 10% and 12% to the Rateable Value. This is not an established technique for establishing an Existing Use Value of a property and the use of such high Yields is unsupported. For example, the average yield for 102 lots sold at Allsops Auction on 3<sup>rd</sup> July 2018 was 7.81% (adjusted by removing some very low yield anomalies). Thereby indicating that yields over 9% are now uncommon, even on secondary properties.

Accepting the evidence put forward by Aspinall Verdi of industrial land values in Bradford of £300,000 per acre, I advocate this evidence-based research by Colliers International should form the basis of the Existing Use Value. Meaning that the TLV (EUV+30%) should equate to £390,000 per acre.

### **Residual Site Value (RSV)**

We have prepared the attached appraisal demonstrating that an eight-unit application scheme is unable to sustain any Affordable Housing. The changes made to the Aspinall Verdi Scheme C appraisals is based upon the following observations.

- References to "Updated TLV by BA/JW" have been replaced with "5 Bed houses".
- Forecast Sale Prices have been reduced by 2.5%, in line with the Land Registry Average Sale Price reduction since November 2017. These prices are then broadly in line with parts of Skipton, however, although many other areas in Craven would not generate such high prices, so there could be a justification for a further reduction.

- The Planning Fee calculation has been corrected with reference to the Planning Portal calculator.
- The “Professional Fees” have increased from 7% to 9.0% of Construction Costs (including Contingency), due to this being a small scheme.
- Aspinall Verdi have based the demolition costs upon an average per acre figure derived from eight other Local Plan/CIL Viability reports (Paras. 5.10-5.14). These include ‘leafy’ areas such as West Oxfordshire and South Oxfordshire, who both apply £50,000 per acre and the industrial area of Sandwell, who apply £100,000 per acre. Aspinall Verdi admit the majority of these areas are similar in character to Craven (i.e. mainly greenfield sites) where most have applied £50,000 per acre, consequently Aspinall Verdi have also applied £50,000 per acre. I believe that the majority of these comparable Council do not apply a separate affordable housing policy for green field sites to brownfield sites. So, except for the areas, such as Sandwell, where most of the development land is likely to be brownfield they are not comparable. Consequently, the methodology is flawed, and the average demolish cost for brownfield land adopted by Aspinall Verdi is likely to be too low and should be no less than £100,000 per acre. The “Site Clearance and Demolition” has therefore been increased from £60,000 to £100,000 per acre in line with the Sandwell Council viability assessment.
- The Build Costs applied by Aspinall Verdi in all the scheme appraisals of £1,066 per m<sup>2</sup> falls short of the BCIS Mean Average General Housing Estate value of £1,181 per m<sup>2</sup>. When considering small contracts such of the 8 unit Scheme C, BCIS advise that this should be inflated by about 2.5%. This generates a Build Cost of £1,211 per m<sup>2</sup>. I attach the supporting BCIS Index for Craven last up-dated on 1<sup>st</sup> September 2018.
- the “Normal abnormalities” from the greenfield rate of 5% to a brownfield rate of 7.5% of Build Costs.
- Aspinall Verdi’s ‘normal abnormalities’ allowance at 3% has remained the same as for greenfield sites which is too low, considering the main increase in construction costs for brownfield development will be derived from abnormal costs, such ground decontamination, removal of asbestos from old buildings, laying of gas membranes, etc.
- There is also no allowance for garages, even though the sample scheme developments include three, four and five-bedroom houses. Four single garages have therefore been added to the construction costs.
- Legal Costs relating to the sale of the Affordable dwellings, which were missing have been added.
- I have completely changed the basis on which the finance is calculated. I have compiled a cash-flow (assuming 50% pre-sales) which has a rate of 8.0% per annum (charged monthly) on the net negative cash-flow; and a 2.0% per annum income from the positive cash-flow, although the scheme is to some extent self-funding. Plus, Finance Arrangement and Termination Fees, each 1.0% of the loan facility.

I believe corresponding adjustments should be made to all the sample appraisals, in addition to Aspinall Verdi appraising an apartment scheme, which are common on brownfield sites.

Regards



 MRICS, Director



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