Crew, Chris

From: Fidler, Richard
Sent: 25 February 2010 12:01
To: Crew, Chris
Subject: FW: Review of Financial Appraisal of Planning Application ref: H11-1253-08
Attachments: Long Sutton Valuations - Final Report 23 Feb 2010.pdf; Long Sutton Report on Developer's Costs (03 final).pdf

PLANNING & DEVELOPMENT
12 MAR 2010

From: Durbin, Jon (Capita Symonds) [mailto:Jon.Durbin@capita.co.uk]
Sent: 25 February 2010 10:13
To: Fidler, Richard
Subject: RE: Review of Financial Appraisal of Planning Application ref: H11-1253-08

Dear Richard,

Further to your Council's instruction below, I am very pleased to enclose two reports for your consideration – 2 x hardcopies of each will follow in the post. One report considers the build costs and the other the likely sale values for these residential and commercial units. I did originally promise a separate report which summarises the conclusions, however I thought that might just be repetitious, especially as the conclusions are relatively straightforward.

In summary, we consider that the applicants proposition about the additional build costs for these 'eco' homes and commercial units are reasonable – there are some qualifications to this as set out in the report from capita Architects, but for the purpose of a planning assessment the conclusions are clear: the additional build consists for the whole development would be around 20% higher than for other development not built to such eco standards.

Secondly, for the sale values, we concur with the applicant's commissioned work for the residential units, but we consider the values for the commercial units are overstated by around 9%. This of course helps the applicant's case as it suggests the value (or developer profit) would be further depressed. We also consider that there would be little if any market premium for these 'eco' homes.

The next step for your Council is to feed this factual appraisal into your planning assessment. As you of course know, part of that would be to consider the justification for the chosen location of this site and whether the additional build costs, and claimed environmental benefits, outweigh the general policy presumption against building beyond settlement boundaries. If you do wish to use our services in this respect, we have set out our proposals in messages below.

Than k you again for your instruction. If there are any points needing clarification, please do telephone me.

Best regards,

Jon

Jon Durbin MRTPI
Regional Director
CAPITA SYMONDS



PLANNING & DEVELOPMENT
12 MAR 2010

Valuations for property within development at:

Land adjacent 47 Bridge Road, Long Sutton

CAPITA SYMONDS

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1 Description of the Commission

2 Schedule of information used

3 Valuation of properties

4 Conclusion

Appendix A:

Comparisons between residential property values

Prepared by: Barrie Meen MRICS **Date:** 23 February 2010

DESCRIPTION OF THE COMMISSION

1.1 Nature of the work to be carried out

We were asked to appraise the values of the property shown in a planning application received by South Holland District Council for a sustainable development of housing and commercial units.

1.2 Location

The site is located adjacent to 47 Bridge Road, Long Sutton, Spalding in Lincolnshire.
The existing use of the site is glass houses with buildings used for storing and packing flowers.

1.3 Parties

The scheme has been designed by Search Architects of Long Sutton. An appraisal of valuations has been carried out by Local Estate Agents C Carters.

1.4 Our Commission

We have been commissioned by South Holland District Council to advise on the valuations of the completed residential and commercial property contained within the Planning application.

1.5 Buildings Valued

There are 49 housing units totalling 4148m² and 9 commercial units totalling 1105m².
The office building, called Hodnydod is not included in the appraisal.

2.0 Shedule of information used

2.1 The assessment has been made, making reference to the Scheme Designs and the Design and Access Statement , particularly to the valuation appraisal submitted by C Carter's Estate Agents. Reference has also been made to current 'offered for sale' figures along with sold prices using www.rightmove.co.uk. Contact has also been made with locally based estate agents.

2.2 Other

The valuations are given as anticipated achievable sale prices in the currently depressed property market assuming the construction will be carried out to an acceptable standard.

The residences have the benefit of being built on a site with a total area of 10.45 acres, the site forming an almost self-contained community with pedestrian access from the housing to commercial units where employment could be provided for residents, along with an area set aside for allotments, giving the opportunity for householders to be part self-sufficient with respect to green grocery requirements.

The units will achieve SAP ratings far better than the current building regulation standard, which should result in low running costs with regard to heating requirements. The latest technology will be employed with respect to ventilation and drainage of the units, all contributing to a development that will be unique locally and probably nationally.

This type of high tech development could help to achieve a premium with respect to values but it is felt that this may be considered too 'avant-garde' locally and nationally in current depressed market conditions. The development will take place in a flood plain, but having spoken to local estate agents this is not considered a problem locally when gaining household insurance.

3.0 Valuation of the property

3.1 Residential

The valuation of the properties has been carried out by making comparisons with the for sale and sold properties in the locality along with discussion with local estate agents

Appendix A shows values felt achievable by local agents. Agents A and B show very similar values. Agent C gave values that were unjustifiably low.

SCHEDULE OF VALUATIONS

TYPE	SIZE	VALUE
2 bedroom semi-detached house	62m²	£115,000
2 bed semi-detached house	75m²	£120,000
3 bed semi-detached house	86m²	£140,000
3 bed detached house	86m²	£155,000
4 bed detached house	108m²	£170,000
4 bed detached house	119m²	£180,000

APPENDIX A

PROPERTY	C CARTERS ESTATE AGENTS (£)	AGENT A (£)	AGENT B (£)	AGENT C (£)
Semi-detached house – 2 bed – 62m²	115,000	110 - 115,000	110 - 120,000	110,000
Semi-detached house – 2 bed – 75m²	120,000	115 - 120,000	115 - 125,000	115,000
Semi-detached house – 3 bed – 86m²	145,000	135 - 140,000	140 - 145,000	125,000
Detached house – 3 bed – 86m²	155,000	150 - 160,000	145 - 160,000	135,000
Detached house – 4 bed – 108m²	170,000	170 - 175,000	170 - 175,000	150,000
Detached house – 4 bed – 119m²	180,000	175 - 180,000	180 - 185,000	160,000

The valuations shown are based on the design and access statement and also the schedule of accommodation included within the site layout. The floor layout drawings appear to differ in floor area from the other two sources. The floor plans show properties with larger floor areas and will obviously attract a higher price.

3.2 Commercial Units

The value of these units have been ascertained using the internet and by canvassing local commercial valuers together the design and access statement and the site layout. Again the floor plans differ from the other sources. The floor plans showing larger floor areas will attract a higher price.

SCHEDULE OF COMMERCIAL VALUATIONS

PROPERTY	£
Workshop/office – 153m²	115,000
Workshop/office – 85m²	70,000

Carter's valuations are around 9% more than our assessment.

4.0 Conclusion

We consider Carters valuations for the residential units to be realistic with the exception of a slight over valuation of the semi-detached house by 3 -3.5%.
The commercial units appear to be over valued by approximately 9% which may be attributable to the high tech nature of the construction. We consider this premium to be difficult to obtain in current depressed market conditions.

CAPITA
ARCHITECTURE

Capita Architecture

Cambridge Studio

REPORT ON DEVELOPER'S COSTS, CONTAINED WITHIN PLANNING APPLICATION

FOR

RESIDENTIAL, OFFICE AND COMMERCIAL ECO DEVELOPEMENT

AT

LONG SUTTON
LINCOLNSHIRE

10 FEBRUARY 2010

PLANNING & DEVELOPMENT
12 MAR 2010

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1 **Description of the Commission**

2 **Source of information used**

3 **Are claimed build costs reasonable**

4 **What would cost of non sustainable construction be**

5 ***Conclusion***

Appendix A

'Sustainable construction'

Table 1 - Davis Langdon's cost - Full scheme
Table 2 - Davis Langdon's cost - Reduced scheme
Table 3 - Table to get cost m² of residential units
Table 4 - Table to get cost m² of commercial units
Table 5 - David Langdon's costs + Capita enhancement

Appendix B

'Non sustainable construction'

Table 6 - David Langdon's costs + Capita enhancement - reduced scheme

Prepared by: Nigel Denham FRICS **Date:** 19 February 2010

Revision: 03 Final

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1 DESCRIPTION OF THE COMMISSION

1.1 Nature of the work to be carried out

We were asked to review the costs contained as back up information received by South Holland District Council for a new sustainability scheme, by their advisors the Breckland office of Capita Symonds, reference H11/1253/08.

1.2 Location

The location of the site is adjacent 47 Bridge Road, Long Sutton, Spalding in the county of Lincolnshire PE12 9EF.

This is a site using the existing site access, there are several houses to the road frontage which will be outside of the site, the building stock comprising 2,400 m² of which 1,400 m² in use (glass houses), the site is used for growing /storing/packaging flowers.

1.3 Parties

The scheme has been designed by Search Architects of Long Sutton, and the costs are by Davis Langdon from Norwich, Robert Doughty Consultancy Ltd have made some analysis of the costs.

1.4 Our Commission

Capita Architecture are advising in a Quantity Surveying capacity only and are reporting to Jon Durbin director of the Capita Symonds Breckland office, we are assisting in reviewing the costs contained in the planning application and ancillary information are reasonable, and ascertaining how much extra the sustainability items may have added to the costs.

We have no remit with regard to property and land values.

We have noted that there have been other schemes in the area, but we have no details of the particular costs/ size of jobs and when/ if they have been completed, these may or may not be aware to the developer.

1.5 Buildings provided

There are 49 residential units totalling 4,148m², 9 commercial units totalling 1,105 m², 1 office, and associated drainage and external works on a site area of 10.43 hectares. Of the 49 residential units 25 are affordable housing and 24 for sale.

We understand that the office is not in the costs, a review of the drawings show a building of 40 - 50m² called the 'Hodnydod' - and is of heritage construction and will have a very high m² rate. There must be some specific reason why the Quantity Surveyor excluded this from the Cost Plan.

2 SCHEDULE OF INFORMATION USED

2.1 South Holland District Council planning website

It is noted the drawings for all of the plots have been prepared and have noted the costs are prepared on a plot by plot basis, we would suggest the level of information is at RIBA Stage C, this is important later when accessing the level of Contingencies, Risk etc.

Of particular interest is the additional information in the Appendix to the Design Access statement item 8, provided by the applicant, this contains a covering report by Robert Doughty Consultants, but within this is an Elemental Cost Plan which has been prepared by Davis Langdon which shows how the costs are built up, this is the main document we will review.

The covering letter to Search Architects dated 27 October 2009 shows a cost of **£7,565,000**, but this was revised by a further letter dated 27 October 2009, which reduced the costs by **£350,000**.

The construction cost of the project we are reviewing is therefore **£7,215,000**.

For clarity we are referring to construction costs only and these exclude professional fees, surveys, Value added Tax and other costs which will be applied if the project proceeds.

2.2 Other

We have used pricing information in the office such as Spons 2010, and the online RICS Building Cost Information Service etc, for our analysis of rates.

The warehouse includes curved standing seam roofing with glulaminated beams; this is very expensive, whilst it is not part of our remit, we are not sure whether rents could be affordable for this level of specification.

The finishings costs still reflect the same domestic levels of the residential units, and are high.

External works

The site is 4.23 hectares, (42,300m²) and the areas of the works should be similar, which they are. i.e. no area of the site is left untouched.

The percentage for external works and drainage is approximately 35% of the building cost, this is in the higher range of what we would expect, but is dependant on the area.

The paths rate is low at £25/m², the rates for allotments and wetlands seem high - the latter will have drainage.

There does not appear to be an allowance for sundry street furniture, cycle parking, and bin stores, however we note that in the planning application cycle parking may not be required.

No apparent allowance for signage.

No apparent allowance for DDA ramps and handrails.

The external stores to the external units are low at £1,000 per unit; they could require paper stores/ bins stores, scissors lifts depending on use.

External Services

Thee rate for the diversion of 11KV oversite cable could be low unless a firm quotation from EDF has been received.

No apparent allowance for BT incoming cables.

Mains water, gas, electricity connection to site, these are assumed to be in the £2,500 allowed for each unit.

We note that there are 2 wind turbines left at £30,000 each, (from the original 5) according to the deduction made at the last meeting, but the drawings show 4, there is a Risk that some of the late reductions have not been fully implicated in the costs.

Drainage

Foul and surface water rate the same, surface to hard areas could be £15.00/ m², but allowance for land drainage may be needed, we note there are balancing ponds the rate of £20/m² may allow for this

No allowance for diversion of existing drains, noted existing site partially used, so there will be some.

Sever connections will be more than £3,000 if in main road, requiring watching and lighting.

3.2 Examination of Davis Langdon's Cost Plan - Summary

The costs have been brought forward to a summary, we have redrafted this as ***Appendix A tables 1 and 2*** and so some of the figures/percentages that we describe hereunder can we be can be seen:-

The costs for the £350,000 omission have been factored in (as the cost plan is based on the higher figure) and subtotalled and it is noted that the, preliminaries have been added at the rate of 6.70% or £7,000 per week. We feel these are low, on a percentage basis we would have expected a rate of 10% at the least. It is noted that 65 weeks has been used by the Quantity Surveyor to generate a better rate for looking at preliminaries costs, on this basis we would suggest that this should in the region of £10,000 per week. However we are not sure if the project will require phasing and or/enabling works or what form of contract will be used.

The amount for contingency is 3% is after the next subtotal and appears low. If they mean 'construction contingency', this would be the minimum we would expect to see, due to the exclusions listed. There is no specific allowance for design risk and as this is an outline estimate this should be approximately 5%. However this may be in the rates, but on the basis of some of the exclusions e.g. 1, 2, 4 - 8, 17 -19 these are not Contingency items and will require financial provision for somewhere.

The costs are based at September 2009 i.e. 3Q09 according to the note, whether they mean that or, have updated to how long it will get to site and 65 weeks from then - is nor clear, however we would suggest the note reads as written, and the developer has undertaken a forward projection on the BCIS indices to the mid point of the construction period, assuming a start on site date, the indices are updated regularly and are presently relatively stable within the period under review.

The exclusions are divided into two; those which will form part of the total project cost such as fees, surveys and associated Value Added Tax, these will add between 15 - 20% to the construction cost to obtain the total project or outrun cost, which we assume has been prepared outside these costs and relate more or less to items 9 -16.

The remaining items are Risk Items but may be required such as items 1 - 8, and items that will probably not be required, it is recommended this is the subject of a Risk Register, however for the purposes of this exercise we feel that financial provision for some of these items should be included such as 1, 2,4,5,6, 9 (removal of any), 7,8,17 - we recommend a percentage for Risk in the costs.

We noted that there was no exclusion on loose fittings and furniture, but this is implied, however there is a higher inclusion of fittings in the commercial units which will has increased the rate for this work, in addition to the level of specification and ECO measures.

3.3 Examination of Davis Langdon's Cost Plan - Introduction

These are construction costs only and are exclusive of valued added tax, based on September 2009 rates and include all the work on the drawings except that excluded, notably the office, demolitions any site works offsite /accommodation works.

3.4 Davis Langdon's Conclusions

The Quantity Surveyor concluded that the scheme was **15 - 20%** more than a conventional scheme, with the residential part **25% more expensive** and the commercial part **8% more expensive**, this is repeated in paragraphs 3.4 and 3.5 of Robert Doughty's Consultancy Ltd's covering note; we will review this in section 4. We derived approximate rates per m² on both the residential and commercial units with all costs equal apportioned in ***Appendix A tables 3 and 4.***

On Robert Doughty's report page 3.3 they added a note to the effect that the rate is **£1,600/m²**, for residential, we are not sure where this has been taken from, we believe they are talking about 'total project cost', and have taken approximately **20%** for fees etc. If added to the rate we derived in **Appendix A table 4** this would be **£1,397 x 115% = £1,606/ m².**

4 COMPARASION WITH COSTS FOR NON - ECO HOMES

4.1 Cost Analysis of similar Projects - Residential

We reviewed the online BCIS (building cost information service) of the RICS for the cost per metre squared and adjusted this to the base date and location of Lincolnshire for both the housing and residential units.

Taking the mean cost per m² this was **£681/m²**, for residential accommodation, we have factored in a 10% increase as the BCIS indices do not reflect on some of the older jobs, or the increase in building standards, CDM etc, and have allowed a rate of **£749/m²**, this is more or less as the **25%** extra claimed by Davis Langdon. **(£945/m² - 26.18%).**

4.2 Cost Analysis of similar Projects - Commercial

With regard to the commercial properties, we have more divergence here as there is less information on the units, which appear to be light industrial, elsewhere it is noted there is a greater fit out been allowed for in the rates, that is why the rates in the Davis Langdon Cost Plan are very similar to the residential units. Taking the mean cost of **£577/m²**, we have applied a factor of 30% increase on the rates as on the residential units (10%), and to reflect the higher standards (that appear within the costs for these units) (20%) this gives a rate of **£750/m²**, which is more than the **8%** claimed by Davis Langdon. **(£868/m² - 15.74%).**

With regard to the single office which is excluded, because of the unusual design, we would suggest a rate of **£1,250/m²**, to reflect the unusual nature of the construction - by excluding it from the costs it may be this is being undertaken outside the main works.

5 CONCLUSION

5.1 Adequacy of existing claimed build figures

Generally we feel that the rates are satisfactory subject to enhancement for preliminaries from 6.6% to 10 %, re-labelling the contingency as construction contingency, and adding an item in for Risk at 3-5%, this would increase the costs as ***Appendix A table 5.*** (Based on a Risk of 3% the minimum we would advise and which we have used).

We therefore recommend this is used for comparing the cost for this scheme together with clarification on the completion date, indices update, and if the costs should include the office.

5.2 Comparison of costs with non Eco homes

We have therefore replicated the table in ***Appendix A table 5*** to give the Capita derived costs for non ECO homes, including reduced allowance for external works and included this as ***Appendix B table 6*** for the reduced. Scheme.

5.3 Final conclusion

Accordingly as the reduced scheme was that submitted with the planning application, we report that the construction costs (subject to the caveats earlier in the report) are **£7,683,000 or £1,462.59/m²** and for the equivalent non ECO construction are **£6,371,000 or £1,212.83/m²** the overall increase is **20.60%.**

Appendix A

LONG SUTTON

LINCOLNSHIRE

Table 1

Davis Langdon Summary Sheet **Scheme as Cost Plan**

		GFA	Rate	£		
49 Nr Residential Units		4,148 m²	987.00	4,094,000		
9 Nr Commercial Units		1,105 m²	906.72	1,002,000		
		5,253 m²				
	Sub total		**£**	**5,096,000**		
External works and Services	)			1,495,000		
Drainage	)	35.20%		299,000	1,794,000	
	Sub total		**£**	**6,890,000**		
Preliminaries		6.60%		455,000		Preliminaries/ week £7,000
65 weeks						
	Sub total		**£**	**7,345,000**		
Contingencies		3.00%		220,000		Cost per m2 overall £1,440.13
	Total construction cost (Full Scheme)		**£**	**7,565,000**		

Derived by Capita

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LINCOLNSHIRE

Table 2

Davis Langdon Summary Sheet **Scheme as Cost Plan less £350,000**

		GFA	Rate	£	
49 Nr Residential Units		4,148 m²	945.27	3,921,000	
9 Nr Commercial Units		1,105 m²	868.00	959,000	
		5,253 m²			
	Sub total		£	**4,880,000**	
External works and Services	)			1,495,000	
Drainage	)	**34.92%**		209,000	1,704,000
	Sub total		£	**6,584,000**	
Preliminaries 65 weeks		**6.41%**		422,000	
	Sub total		£	**7,006,000**	
Contingencies		**2.98%**		209,000	
	Total construction cost (Reduced Scheme)		£	**7,215,000**	

Preliminaries/ week **£6,492**

Cost per m² overall **£1,373.50**

Derived by Capita

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LINCOLNSHIRE

Table 3

Davis Langdon Summary Sheet — **Scheme as Cost Plan less £350,000 - residential only**

		GFA	Rate	£	
49 Nr Residential Units		4,148 m²	945.27	3,921,000	
9 Nr Commercial Units		1,105 m²	0	0	
		5,253 m²			
	Sub total		£	3,921,000	
External works and Services Drainage		34.92%		1,369,000	
	Sub total		£	5,290,000	
Preliminaries 65 weeks		6.41%		339,000	Preliminaries/ week £5,215
	Sub total		£	5,629,000	
Contingencies		2.98%		168,000	
	Total construction cost (Reduced Scheme)		£	5,797,000	Cost per m² overall £1,397.54
	Derived by Capita			Residential only	

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Table 4

Davis Langdon Summary Sheet — **Scheme as Cost Plan less £350,000 - commercial only**

	GFA	Rate	£
49 Nr Residential Units	4,148 m²	0.00	0
9 Nr Commercial Units	1,105 m²	868.00	959,000
	5,253 m²		
	Sub total	£	959,000
External works and Services Drainage	34.92%		335,000
	Sub total	£	1,294,000
Preliminaries 65 weeks	6.41%		83,000
	Sub total	£	1,377,000
Contingencies	2.98%		41,000
Total construction cost (Reduced Scheme)		£	1,418,000
Derived by Capita			Commercial only

Preliminaries/ week
£1,277

Cost per m² overall
£1,283.26

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LINCOLNSHIRE

Table 5

Davis Langdon Summary Sheet **Scheme as Cost Plan less £350,000 + Capita enhancement**

		GFA	Rate	£		
49 Nr Residential Units		4,148 m²	945.27	3,921,000		
9 Nr Commercial Units		1,105 m²	868.00	959,000		
		5,253 m²				
	Sub total			£ 4,880,000		
External works and Services	)			1,495,000		
Drainage	)	34.92%		209,000	1,704,000	
	Sub total			£ 6,584,000		
Preliminaries		10.00%		658,000		Preliminaries/ week
65 weeks						£10,123
	Sub total			£ 7,242,000		
Construction Contingencies		3.00%		217,000		
				7,459,000		
Risk		3.00%		224,000		Cost per m² overall
	Total construction cost (Reduced Scheme)			£ 7,683,000		£1,462.59

Derived by Capita
Derived by Capita

Appendix B

LONG SUTTON

LINCOLNSHIRE

Table 6

Davis Langdon Summary Sheet — **Scheme as Cost Plan less £350,000 + Capita enhancement (Non Eco Scheme)**

	GFA	Rate	£	
49 Nr Residential Units	4,148 m²	749.00	3,107,000	
9 Nr Commercial Units	1,105 m²	750.00	829,000	
	5,253 m²			
	Sub total		£ 3,936,000	
External works and Services) Drainage)	35.00%		1,378,000	
	Sub total		£ 5,314,000	
Preliminaries 65 weeks	13.00%		691,000	Preliminaries/ week £10,631
	Sub total		£ 6,005,000	
Construction Contingencies	3.00%		180,000	
			6,185,000	
Risk	3.00%		186,000	Cost per m² overall £1,212.83
	Total construction cost (Reduced Scheme)		£ 6,371,000	
	Derived by Capita			