



## **RESPONSE TO CRITIQUE BY DR G J BURRELL OF THE PRINCES PARADE COST VIABILITY APPRAISAL (SAVILLS VIABILITY ASSESSMENT REPORT)**

We have read the critique set out by Dr Burrell, dated 13 January 2019.

He states that our valuation of £14.3m for the scheme as described is overstated.

The purpose of our viability assessment report is to consider the land value of a sale of a serviced development area, on the open market, at the date of the report. We respond as follows:

### **1.0 Costs**

- 1.1 Para 16 of the critique relates to the cost of the piling. Our piling costs were derived from BM to which we added 5% contingency and 8% for professional fees. Costs of piling will vary from site to site and we are aware of actual costs from other development sites. It is our view that the costs set out are a reasonable assumption for a principally residential development; a recent estimate on another site with piling up to 20 metres deep for a 140 unit scheme amounted to around £900,000.
- 1.2 With house build costs we referred to BCIS all-in tender costs for the area other than the BM figures as we considered that these would be more in line with regional developer costs; it should be recognised that a national developer would be able to reduce the costs by some 10% or more.
- 1.3 Regarding external costs, we added 15% despite it being a serviced site (for serviced parcels we would often allow for just 10% additional to BCIS costings). Together with the contingency, this would amount to around £3.5m (excluding piling) which we consider is a comfortable estimate based on the information to hand.

### **2.0 Revenue**

- 2.1 In para 11 of the critique there is a reference to an error in the residential sale figures providing revenue for 106 instead of 105 units; however, we have also applied costs for 106 units so that there is very little difference and in the scale of the whole exercise we considered a specific allowance for this was not necessary.
- 2.2 In para 12 of the critique it refers to the restaurant/convenience store and hotel as shell buildings; this is not correct as we specifically stated that these would be serviced sites; we consider that a residential developer is highly unlikely to wish to construct a restaurant or hotel unless there is an end user; and it is probable that the end user themselves may wish to organise the build, hence the assumption of a serviced site. It is also assumed that the six plots would be available at a later stage after a developer had constructed the infrastructure within the serviced site area.

### **3.0 Cash Flow**

- 3.1 The assumption by Hadon that the cash payment of £14.4m will be month 17 after the project start is queried in para 10 of the critique. In our view, once the initial infrastructure is proceeding, a contract could be concluded with a developer or developers for the serviced parcel, and construction work could commence probably within 12 months, for the residential element; however, revenue from the hotel and restaurant site and the six self-build plots would be probably well after the 17 months, so that the 17 months would be a reasonably conservative estimate of average income. With the vast majority of revenues from the site likely to come forward at an earlier stage, this would be of significant help in terms of monies



towards the leisure centre; and the risk is further reduced by entering into early contracts at fixed prices in terms of the land sales.

#### **4.0 Summary**

- 4.1 Small changes in costs and house prices can affect the residual land value quite markedly and we can only provide a reasonable guide; it is quite possible that, depending upon market conditions at the time, our land value estimate would be exceeded; and we understand that following a soft marketing exercise, interest was shown in this site, albeit mainly as one development site, by a number of developers which reflects, to a degree, the popularity of Hythe and the tremendous location of the site, overlooking the English Channel.

For and on behalf of Savills (UK) Limited  
David Parry FRICS  
RICS Registered Valuer

25 January 2019