

## **Rebuttal of John Newman's Proof of Evidence**

**Relating to Planning Appeal ref:**

**APP/B1740/W/23/3324227 and Application ref 22/10813**

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- 0.** This rebuttal responds to John Newman's (JN) proof of evidence.
- 0.1** I have organised this rebuttal by topic as there are several recurring themes in JN's evidence which are best addressed this way. The topics covered are as follows:
1. 3 Dragons Local Plan Viability Test 2018
  2. Existing Use Value / Benchmark Land Value
  3. Section 106 Contributions
  4. Off-site Drainage Infrastructure Works
  5. Void Council Tax Costs
  6. Management Company Costs
  7. Bank Monitoring and Quantity Surveyors Costs
  8. Valuation Fee
  9. Market Housing Gross Development Value
  10. Affordable Housing Gross Development Value
  11. Methodology
  12. Revised Residual Appraisals
- 0.2** I refer to Sixteen appendices as follows:
- Appendix One - Area Included in the Title for the Bungalow
- Appendix Two – Extract from Woodland UK Website
- Appendix Three – Sales Particulars - Orchardleigh
- Appendix Four – Quinton Edwards Valuation
- Appendix Five – E-mail from Martin Cole 12<sup>th</sup> September 2023
- Appendix Six – Bepton Road FVA
- Appendix Seven - UK House Price Index (November 2022 to September 2023)
- Appendix Eight - Landinsight Extract Average Values in Dibden Purlieu
- Appendix Nine - Landinsight Extract Average Values in Lower Burgate, Fordingbridge
- Appendix Ten – RICS Guidance Note – Comparable Evidence in Property Valuation
- Residual Appraisals
- Appendix Eleven – Proposed Development (Applicant's Costs)
- Appendix Twelve - Proposed Development (£0 Drainage Infrastructure)
- Appendix Thirteen - Policy Compliant Development (Applicant's Costs)
- Appendix Fourteen – Policy Compliant Development (£0 Drainage Infrastructure)
- Appendix Fifteen - Policy Compliant Development (Applicant's Costs and Sensitivity Testing)

## 1. Three Dragons Whole Plan Review – Viability Assessment 2018 (CD7-26)

- 1.1 The Whole Plan Review – Viability Assessment (the 3 Dragons Review) at paragraph 4.6 advises as follows:

*‘In terms of the proportion of affordable housing the viability evidence suggests that:*

- ...
- *35% affordable housing, in Totton and the Waterside is achievable in most cases’.*

The Appeal Property is located within the Totton and Waterside area and it is clear that the 3 Dragons Review considers that development at the Appeal Property with 35% Affordable Housing provision would be achievable.

- 1.2 However, the PPG and guidance together with the 3 Dragons Review recognise that there may be circumstances in which policy compliant Affordable Housing cannot be delivered. On this occasion, the viability or otherwise of the proposed form of development at the Appeal Property appears to hinge on 1) the extent of the abnormal development costs and site specific infrastructure costs and 2) the opinion of the Benchmark Land Value and in particular the assessment of the premium and the extent to which the premium is affected by abnormal development costs and site specific infrastructure costs having regard to minimum price expectations.
- 1.3 At paragraphs 4.6 JN advises that *‘it is clear from my review of the Economic Viability of the Appeal site that the local plan is now out of date’*. JN goes on to say at paragraph 4.7 that since the Local Plan was adopted there have been significant economic changes which have affected the house building industry. At paragraph 4.8 JN advises that these economic changes have directly affected the development costs for current projects and that *‘a review of these assumptions demonstrates that what may have been a viable plan in 2018 are now no longer the case’*. JN then provides a table that seeks to compare the assumptions made in relation to the assumptions made by the 3 Dragons Review for Case Study site CS2 for Totton and the Waterside and the proposed development at the Appeal Property. Case Study site CS2 assumes a 0.8 hectare site and development at 30 dwellings per hectare with 35% Affordable Housing. This is very closely aligned to the Policy Compliant Development.
- 1.4 At face value, the table provided by JN suggests that development costs have risen more than residential values and, that being the case, one would anticipate this to have a negative effect on residential development land values over that period. JN identifies an increase in residential values of (21.61%) by reference to the UK House Price Index and a decrease in the assumed developer’s profit on the Market Housing from 20% to 17.5%. These factors will positively influence residential land values. JN also identifies the following increases on the cost side base build (22.41%), finance (6% to 8.25%), Section 106 contributions (£2,500 per unit to £19,000 per unit) and CIL (£96 per sq m to £109 per sq m). These factors will negatively influence residential land values. However, on closer analysis it can be seen that these changes to cost and value have a positive affect on the residential land value indicated by the 3 Dragons Review for Case Study site CS2.

- 1.5 I replicated JN's table below and added capital sums for the differences between the June 2018 and current values. It can be seen below that the changes to these costs and values result in an aggregate positive effect in the amount of £176,790 which would carry over to the residual land value. On this basis, I consider the 3 Dragons Review remains valid (certainly for Case Study site CS2) as do the conclusions reached.
- 1.6 In adjusting the costs and values indicated by JN and Case Study site CS2 I have adopted the percentage changes indicated by JN and the Gross Internal Area applied by Case Study site CS2. However, in relation to the Market Housing GDV I have applied a starting sum of £311 per sq ft. This is higher than the £306 per sq ft assumed by JN which appears to be a minor under estimate of the sum of £3,346 per sq m adopted by the 3 Dragons Review. I have also assumed that this increase applies only to the Market Housing units (16,626 sq ft) and that the value of the Affordable Housing units remain unchanged since June 2018.

1.7	Item	3 Dragons Review	August 2018	Difference
	Gross Development Value	£311 per sq ft (£5,168,232)	£378 per sq ft (£6,285,086)	£67 per sq ft (£1,116,855)
	Base Build Cost	£112 per sq ft (£2,650,128)	£137 per sq ft (£3,244,160)	£25 per sq ft (£594,032)
	Finance	6% (£188,215)	8.25% (£258,796)	2.25% £70,581
	CIL	£96 per sq m (£148,282)	£109 per sq m (£168,361)	£13 per sq m (£20,079)
	Section 106	£2,500 per unit (£62,500)	£19,000 per unit (£475,000)	£16,500 per unit (£412,500)
	Developer's Profit	20% (£1,257,017)	17.5% (£1,099,890)	2.5% (£157,127)
	<b>Aggregate Difference</b>			<b>£176,790</b>

1.8 It can therefore be seen that residential development land values can increase even in times of high build cost inflation. This is contrary to JN's expectations based upon incomplete analysis and is inconsistent with the opinion provided by JN at paragraph 4.19 in which he advises that *'the costs of delivery have significantly increased and outpaced any increase in house price revenue over the same period'* (last 4 years). It is also inconsistent with my understanding of the residential development land market which saw significant increases in value following the COVID 19 pandemic.

## 2. Existing Use Value / Benchmark Land Value

2.1 At paragraph 6.15 JN advises that the 3 Dragons Review considers land in the Waterside area of NFDC to have a BMLV of £1.2 million per hectare and that this is considered by Three Dragons to include a suitable incentive (premium) to the landowner to release their property for development. At £1.2 million per hectare this indicates a BLV for the property of £1,067,000 and provides the relevant context for the determination of the BLV.

2.2 However, at paragraph 4.9 JN states a belief that the 3 Dragons Review *'considered urban land assembly only and did not include for the impact of actual residential dwellings being on site'*. This is based upon an analysis of the rate applied for Stamp Duty Land Tax which assumes a land only calculation. At paragraph 4.11 JN goes on to say that the BLV for the Appeal Property if assessed on this basis is likely to be on the low side considering that it is not land only but a dwelling and land.

2.3 This opinion appears to be contradicted by the 3 Dragons Review which at paragraph 2.9 advises as follows *'In arriving at these benchmarks we have not found sufficient evidence to support differing values for brownfield / greenfield sites and the values we have used are sufficient to ensure land transacts on both types, notwithstanding the comments made in the previous paragraph regarding lower value greenfield sites...'*. Paragraph 2.10 of the 3 Dragons Review comments that *'The benchmark land values are an estimate of the lowest values that landowners may accept and where development is able to pay more, then land will be transacted at higher prices'*.

2.4 On the basis of the above, it can be seen that a sum in the order of £1.2 million per hectare is considered by the 3 Dragons Review to apply equally to greenfield and brownfield sites and specifically acknowledges that lower values might be expected to apply to greenfield sites. The 3 Dragons Review also confirms that these values are an estimate of the lowest values that landowners may accept. I am therefore of the opinion that rather than supporting JN's view that a higher BLV should apply, the 3 Dragons Review envisages very closely the type of scenario presented by the Appeal Property which comprises part brownfield (residential dwelling requiring refurbishment) and part greenfield (paddock). It is also intended to provide an estimate only of the lowest values that landowners may accept to release their land for development and is prepared for plan making purposes. A higher or lower value could therefore reasonably be applied having regard to the specific circumstances relating to 'site-specific' viability (the exercise at hand). I do not therefore consider there to be any basis for JN to assume that the 3 Dragons Review is supportive of a higher BLV than indicated at £1.2

million per hectare (£1,067,000). Rather, the 3 Dragons Review simply provides the relevant context for any assessment of the BLV.

- 2.5 At section 7 of my Proof of Evidence I have set out my approach to the determination of the BLV and how this assessment has evolved following the receipt of new and additional information relating to abnormal development costs by the Appellant on 3<sup>rd</sup> September 2023.
- 2.6 JN and I have previously agreed the EUV of the residential parts (the bungalow) at £510,000 and for the paddock at £160,000. This provided for an aggregate EUV of £670,000. I attach a plan as Appendix One that confirms the area of the land included within the Title for the bungalow at 0.58 acres and confirmed in the BK Review 1<sup>st</sup> November 2023 and which informed my opinion of the EUV. This compares with the area now quoted by JN at 0.29 acres which appears to exclude the access road serving the bungalow and forming part of the Registered Title for the bungalow and initially quoted by JN in the Initial FVA of 0.62 acres. In my opinion JN has now adopted a lower site area for the bungalow in an attempt to artificially increase the EUV and by extension the BLV by overstating the implied area of the paddock.
- 2.7 JN at paragraph describes the remainder of the site (including the access road) as *'the non-dwelling plot'* and indicates a site area inclusive of the access road for these parts of 1.91 acres. The access road clearly forms part of the bungalow; is necessary to access the bungalow (and the paddock); and is un-useable for any other purpose without severely compromising the value of the bungalow. The access road therefore carries no value other than providing access to the bungalow (and the paddock) and is reflected in the agreed value of the bungalow at £510,000.
- 2.9 The EUV agreed for the bungalow at £510,000 was proposed by JN in the Initial FVA and agreed by the BK Review 1<sup>st</sup> November 2022. No premium was applied to the bungalow by JN as it is in poor condition requiring refurbishment and, in line with the PPG which at paragraph 017 confirms that *'...Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV'* before going on to say that *'Valuation based upon AUV includes the premium to the landowner'*. As confirmed in my Proof of Evidence at paragraph 7.3.7 *'The Appellant has not sought to apply a premium to the EUV of the bungalow. This is a correct interpretation of the PPG and I have similarly not applied a premium to the bungalow'*.
- 2.9 An EUV equal to £100,000 per acre was proposed by JN in the Initial FVA and this agreed in the BK Review 1<sup>st</sup> November 2022. The BK Review 1<sup>st</sup> November 2022 presented and analysed a significant body of comparable evidence from sales of comparable parcels of land in confirming an EUV of £100,000.

- 2.10 The approach I took to the determination of the BLV is set out in my Proof of Evidence at Section 7. I arrived at an aggregate sum for the EUV (correcting for an error in JN's assessment of the site area of the paddock) of £670,000 (£510,000 for the bungalow and £160,000 for the paddock). No premium was to be applied to the bungalow and I was therefore left to consider the premium relevant to the paddock to establish the BLV. In arriving at my opinion of the BLV for the paddock I had regard to expectations for minimum prices in option and promotion agreements at approximately £300,000 per gross acre. I also had regard to my initial understanding of the BLVs applied in the Totton and Waterside area by the 3 Dragons Review at £1,200,000 per hectare (£485,000 per gross acre). This provided for a range of potential values relevant for the BLV of the paddock between £480,000 (1.6 acres x £300,000) and £775,000 (1.6 acres x £485,000) and for the Appeal Property as a whole in the range between £990,000 and £1,295,000. In my initial review I settled on a BLV for the paddock of £640,000 and for the Appeal Property overall of £1,150,000. This represented a sum approximately midway between the range indicated and was subsequently agreed by JN.
- 2.11 Significantly, at £1,150,000 this was in line with but lower than my opinion of the RLV of the Policy Compliant Development. As discussed above, paragraph 2.10 of the 3 Dragons Review comments that *'The benchmark land values are an estimate of the lowest values that landowners may accept and where development is able to pay more, then land will be transacted at higher prices'*.
- 2.12 Following the re-opening of the issue of abnormal development cost by the Appellant on 3<sup>rd</sup> September 2023 by the introduction of new and additional abnormal development cost for off-site drainage infrastructure at £401,358 it has become necessary to review the assessment of the BLV. As discussed in my Proof of Evidence at section 7 (paragraphs 7.3.4, 7.3.5, 7.4.2 and 7.4.3) where abnormal development costs and site specific infrastructure costs are an additional cost to the development and therefore impact the development land value but have no impact on the assessment of the EUV then, under such circumstances, the PPG and the 2021 Guidance Note confirm that the if the development site value is reduced and the EUV is unaffected, the premium should be reduced.
- 2.13 As confirmed at paragraph 7.4.6 of my Proof of Evidence *'I am of the opinion that the BLV at the lower end of the range indicated above (£990,000) based upon the EUV of the bungalow and minimum values per gross acre for the paddock is the maximum that could be considered appropriate. There is nevertheless a case for a lower BLV to apply given the extent of the abnormal development costs and site specific infrastructure costs and to this end I draw attention to the most current and relevant FVA available prepared by Rapleys and dated 14<sup>th</sup> August 2023 and submitted in support of application 22/10747 for 9 dwellings at Land north of the Hollies, Hill Street in Totton (the Rapleys FVA). This is provided as a core document to the Appeal and comprises a not dissimilar parcel of land when compared to the paddock. The Rapleys FVA at Section 14 adopts a BLV equal to £500,000 per hectare (£202,500 per acre). If this sum was applied to the paddock this would indicate a BLV for the Appeal Property in the order of £834,000'*.



- 2.14 Following the reopening of the abnormal development cost issues by the Appellant I responded to JN's e-mail dated 3<sup>rd</sup> September 2023 on 4<sup>th</sup> September 2023 (a copy of this e-mail exchange is provided as Appendix Twelve of my Proof of Evidence) advising that I was no longer able to confirm that the BLV of £1,150,000 was agreed and that having regard to paragraph 014 of the PPG and the 2021 Guidance Note a lower sum would apply.
- 2.15 This e-mail appears to have prompted JN to review the basis upon which it he has sought to determine the BLV. That said, it can be seen that JN does not in his Proof of Evidence confirm the EUV adopted for the bungalow or the paddock (I therefore assume these remain as previously agreed at £510,000 and £160,000 respectively) nor does he specifically confirm the premium applied. JN does, however, confirm his opinion of the BLV at £1,150,000.
- 2.16 JN introduces three new pieces of evidence: Green Acres, Pinewood Park, Southampton SO19 6AL (Green Acres), Racecourse Cottage, Long Road, Droxford SO32 3QX (Racecourse Cottage) and Orchardleigh, Botley Road, Bishop's Waltham SO32 1DR (Orchardleigh) which are discussed below.

#### **Green Acres**

- 2.17 The sales particulars for Green Acres advise that *'It is considered that a one-for-one replacement, or perhaps more extensive re-development may be a possibility subject to all necessary consents being obtainable'*. I do not therefore consider this piece of evidence to be a reliable form of evidence upon which to establish the EUV. This is because the property was sold as a site with development potential. The motivation of the purchaser and therefore the purchase price is not known and the purchase price could therefore have included an element of hope value for development. Paragraph 015 of the PPG advises that *'...EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value...'*. The EUV of the Appeal Property cannot be determined by reference to Green Acres and on this basis it is not therefore possible to extrapolate a BLV.
- 2.18 Notwithstanding the above, it has been agreed that the condition of the bungalow at the Appeal Property is such that refurbishment is required and that a premium should not apply to the EUV of the bungalow as refurbishment is considered an AUV and AUV includes the premium. The application of a premium of 50% to the value derived from Green Acres is therefore inappropriate. This is because (1) this has the effect of applying a premium to the bungalow to which a premium should not apply; and (2) there is no justification in any event for a premium of 50% the typical range being 10% to 30%.

#### **Racecourse Cottage**

- 2.19 This property comprises a comparable size bungalow occupying a comparable size plot of 0.4 acres but includes additional land comprising 1.82 acres of woodland and 1.4 acres of grazing land comprising a strip of land within an adjoining field.
- 2.20 I fundamentally disagree with JN's analysis of the evidence provided by this property and the manner in which he has sought to use this evidence to demonstrate an EUV of £1,288,571 for the Appeal Property. There are several reason for this which are discussed below.



- 2.21 First, this property is offered in significantly better condition than the bungalow at the Appeal Property which requires refurbishment. JN makes no allowance for the varying condition of the respective bungalows at this property and the Appeal Property.
- 2.22 Second, JN chooses to disregard any value attributable to the adjoining woodland extending to 1.82 acres. Woodland values typically lie in the range between £15,000 to £25,000 per acre. As a demonstration of this I provide an extract from the Woodlands UK website as Appendix Two. The woodland parcel at Racecourse Cottage lies adjacent to a residential dwelling and has an established vehicular access and a value at the top end of this range would be expected to apply in the order of £40,000. By disregarding any value attributable to the woodland JN exaggerates the value of the residential parts and adjoining land.
- 2.23 Third, JN analyses the purchase price paid for this property by reference to a value per acre. In my opinion this is an entirely inappropriate unit of analysis and not one that would be replicated by the market or another valuer. The underlying value of the woodland and the strip of land from the adjoining field are entirely separate from the value of the residential parts which is the dominant valuation factor. Using JN's approach and analysis this suggests that if an additional acre of field was made available at Racecourse Cottage a purchaser would be prepared to pay £585,000 per acre for this additional acre. Similarly, if only half an acre of the adjoining field had been available to purchase JN's analysis implies that a discount of £292,500 would have applied. Neither seems at all likely.
- 2.24 If one was valuing Racecourse Cottage or seeking to use it as evidence to value an alternative property such as the Appeal Property then, in my opinion, one would seek to disaggregate the various components. Based upon the purchase price of £820,000 one might expect the following to apply woodland £40,000 and adjoining land up to £100,000 per acre (£100,000) leaving say £680,000 for the bungalow.
- 2.25 On the basis of the above, I consider JN's analysis of the sale of Racecourse Cottage and its application to the Appeal Property to be flawed and to significantly overstate the EUV.

### ***Orchardleigh***

- 2.26 This property comprises a former horticultural nursery site occupying a site of 2.98 acres with a range of partially dilapidated outbuildings and a three bedroom house that is subject to an agricultural occupancy condition. It is therefore, in my opinion, not comparable to the Appeal Property. JN advises that an offer of £715,000 has been received for Orchardleigh.
- 2.27 I again fundamentally disagree with JN's analysis of the evidence provided by this property and the manner in which he has sought to use this evidence to demonstrate an EUV of £770,000 for the Appeal Property and a BLV of £1,155,000. There are several reasons for this which are discussed below.

- 2.28 First, JN describes the house at Orchardleigh as derelict which is not supported by the sales particulars (copy provided as Appendix Three). No allowance for the varying condition of the bungalow at the Appeal Property and the house at this property appears to have been made.
- 2.29 Second, JN applies an uplift of to the entire value of the property to reflect the agricultural occupancy condition. In my opinion, this is incorrect for two reasons (1) based upon a recent valuation prepared for South Downs National Park Authority by Quinton Edwards in relation to a viability assessment for the Former Liss Nursery in Greatham Hampshire it is understood that a more appropriate uplift would be 25% to reflect the impact of an agricultural occupancy condition. (2) Any uplift should apply only to the residential parts. Quinton Edwards are the leading provider of valuation advice in relation to such properties and relevant extracts from the Quinton Edwards report are provided as Appendix Four. The effect of JN's analysis and approach is to overestimate the value of Orchardleigh on an unrestricted basis and therefore to overestimate the EUV of the Appeal Property.
- 2.30 Third, JN analyses the purchase price paid for this property by reference to a value per acre. In my opinion this is an entirely inappropriate unit of analysis and not one that would be replicated by the market or another valuer. The underlying value of the former horticultural site and the grazing land are entirely separate from the value of the residential parts which is the dominant valuation factor. Similar comments therefore apply as set out above in relation to Racecourse Cottage.
- 2.31 If one was valuing Orchardleigh or seeking to use it as evidence to value an alternative property such as the Appeal Property then, in my opinion, one would seek to disaggregate the various components. My opinions in this regard are confirmed by the approach adopted by the Quinton Edwards valuation for the Liss Forest Nursery site.
- 2.32 On the basis of the above, I consider JN's analysis of the sale of Orchardleigh and its application to the Appeal Property to be flawed and to significantly overstate the EUV.
- 2.33 Notwithstanding the above, it has been agreed that the condition of the bungalow at the Appeal Property is such that refurbishment is required and that a premium should not apply to the EUV of the bungalow as refurbishment is considered an AUV and AUV includes the premium. The application of a premium of 50% to the value derived from Orchardleigh is therefore inappropriate. Again, this is because (1) this has the effect of applying a premium to the bungalow to which a premium should not apply; and (2) there is no justification in any event for a premium of 50% the typical range being 10% to 30%.

### **Conclusion**

- 2.34 On the basis of the above, I do not consider the evidence provided by JN for Green Acres, Racecourse Cottage or Orchardleigh or its analysis by JN to be informative to the assessment of the EUV of the Appeal Property. I find JN's analysis to be flawed and consider that this is supported by the valuation provided by Quinton Edwards and to overstate the EUV and the BLV of the Appeal Property. The most obvious but not only reason for this overstatement being the analysis by acre with a premium applied to the per acre rate even though no premium should be applied to the bungalow due to its condition and the requirement for refurbishment. I note that JN does not confirm his opinion of the EUV in his Proof of Evidence or that it has changed from that agreed at £510,000 for the bungalow and £100,000 per acre for the paddock.
- 2.35 I therefore find nothing in JN's proof of evidence that would make me want to reconsider my opinion of the EUV of the Appeal Property (£670,000 comprising £510,000 for the bungalow and £160,000 for the paddock) and the BLV at £990,000 having regard to minimum price expectations and the impact of abnormal development costs.

### **3. Section 106 Contributions**

- 3.1 Section 106 contributions totalling £241,710 were previously agreed between the Appellant and the Council. It is now understood that alternative sums have been agreed by the Appellant and the Council. The agreed sums are as follows:

- Habitats non-infrastructure £21,716
- Air quality monitoring £2,472
- Solent bird aware £19,820

Further sums have been agreed that are not addressed by the Section 106 Agreement but will be provided for by planning condition as follows:

- Nitrate mitigation £180,000
- Off-site highways £20,000

- 3.2 In addition to the above, sums have been included by the Appellant for

- Off-site biodiversity enhancements £35,000
- Open space £48,932
- Habitats infrastructure £145,476

I am advised by the Council (and this is confirmed by the Section 106 agreement) that the sum of £145,476 for habitats infrastructure is already accounted for by the CIL contribution and therefore represents a double count. I have not therefore allowed for this cost item.

3.3 No information has been provided by JN to support the sum of £35,000 applied for biodiversity enhancements or £48,932. I have provisionally adopted these sums within my residual appraisals and requested confirmation in this regard but such confirmation remains outstanding. I reserve the right to review my residual appraisals in the event that no supporting information is received relating to these cost items.

3.4 At this stage, I have therefore agreed/provisionally agreed all of the Appellants costs for planning contributions with the exception of the sum of £145,476 applied for habitats infrastructure.

#### **4. Off-site Drainage Infrastructure Costs**

4.1 The issue of off-site drainage infrastructure is referred to by JN at paragraph 7.16 and 7.17. JN advises at paragraph 7.16 that *'Southern Water, being the statutory utility company have refused to provide technical input regarding this matter until planning permission is granted'* but provides as Appendix O a letter dated 1<sup>st</sup> September 2023 from Parchow Groundworks Ltd. This letter provides some limited information in relation to the works proposed and provides a cost estimate of £401,359. The provision of this letter partially answers the queries raised by my e-mail dated 4<sup>th</sup> September 2023 in response to JN's email dated 3<sup>rd</sup> September 2023 (copy provided as Appendix 12 to my Proof of Evidence) when these significant new and additional abnormal development costs were first introduced.

4.2 The late presentation and limited scope of the information provided has prevented the Council from being able consider these costs in detail or to appoint a Quantity Surveyor to review the budget of £401,359 assumed for these works. I reserve the right to review my residual appraisals if following review by a Quantity Surveyor a lower sum is assessed or an alternative drainage solution can be provided.

4.3 At this stage, I understand that the final drainage solution has not been agreed and that multiple options potentially remain available including:

1. Discharge to an existing ditch
2. Infiltration and discharge into an existing ditch
3. Infiltration and use of the existing sewer network
4. Provision of a new sewer for which a sum of £401,359 has been assumed.

The cost implications of these options range from lowest (1) to highest (4) with only fairly nominal costs associated with (1) above.

4.4 In the absence of an agreed drainage solution and an agreed cost position relating to drainage I have prepared residual appraisals for the Proposed Development and the Policy Compliant Development based upon two scenarios as set out below to demonstrate the effect on viability. Further iterations of the residual appraisals may be required following when the drainage solution is agreed and following input from the Council's Quantity Surveyor.

- Scenario 1 - Enil drainage to an existing ditch
- Scenario 2 - £401,359 off-site drainage infrastructure.

## 5. Void Council Tax Costs

- 5.1 At paragraph 7.14 JN advises that 'it is common practice for Local Authorities to commence the charging of Council Tax on non-completed dwellings and allows a sum of £14,000 for Council Tax voids. JN advises that if the Council were to confirm that such a charge would not be made until the properties at the proposed development were fully completed then this cost item can be removed from the assessment.
- 5.2 I am in receipt of an e-mail dated 12<sup>th</sup> September 2023 from Martin Cole the Revenues Manager at New Forest District Council dated 12<sup>th</sup> September 2023. A copy of the e-mail is provided as Appendix Five. The e-mail confirms that *'Council Tax is payable from the date a new build property first becomes unoccupied and/or furnished'* and goes on to say that *'In the case of a new build property which remains unoccupied, council tax becomes payable one month after the property is treated as complete and ready for occupation'*.
- 5.3 On the basis of this e-mail it is clear that the Council will not charge Council Tax on non-completed dwellings. I therefore assume that JN can now agree that this cost item can be removed from the residual appraisals.
- 5.4 Notwithstanding the above, at paragraph 7.7 JN advises that whilst a number of the inputs to the residual appraisals that he has applied are small (Council Tax voids, management company cost, bank monitoring and Quantity Surveyors cost and valuation fees) *'they are costs which our firm of Chartered Surveyors include as a matter of good established valuation practice on all reporting'*.
- 5.5 It is clear from my proof of evidence that I consider the application of such sums to be atypical cost items that are not typically included within a residual appraisal for a development of this form and type and are unrepresentative of market practice. Valuation essentially seeks to replicate the market and the inclusion of costs that are unrepresentative of the market cannot therefore be considered *'good and established valuation practice'*.
- 5.6 My opinion in this regard, that such costs typically are only charged against retirement homes development is supported by the 3 Dragons Local Plan Viability Test 2018 (CD 7-26) which at Appendix II section 3 on page 64 advises that void costs should only be applied to smaller sheltered and extra care schemes and schemes of over 50 units.
- 5.7 I have previously reviewed a FVA prepared by JN on behalf of South Downs National Park Authority for a site off Bepton Road in Midhurst in West Sussex. A copy of the Bepton Road FVA is provided as Appendix Six. It can be seen from the Bepton Road FVA that a sum for void Council Tax costs was not included. The inclusion of such costs are not therefore included *'as a matter of good established valuation practice on all reporting'*.

5.8 JN also advises that this cost item has always been included within his reporting. This is not, however, the case. This cost item was only introduced after the BK Review 1<sup>st</sup> November 2022 and did not form part of the Initial FVA or the FVA Update.

#### **6. Management Company Costs**

6.1 At paragraph 7.13 JN advises that a sum of £5,000 has been allowed for management company costs. I do not seek to repeat the comments made in my Proof of Evidence relating to this cost item but consider this to be an a-typical cost item for a residual appraisal for a development of this form and type.

6.2 It can be seen from the Bepton Road FVA prepared by JN (as discussed above) that a sum for management company costs was not included. The inclusion of such costs are not therefore included *'as a matter of good established valuation practice on all reporting'*.

6.3 JN also advises that this cost item has always been included within his reporting. This is not, however, the case. This cost item did not form part of the Initial FVA but was introduced in the FVA Update.

#### **7. Bank Monitoring and Quantity Surveyors Costs**

7.1 At paragraph 7.12 JN advises that a sum of £10,000 has been allowed for bank monitoring and Quantity Surveyors costs. I do not seek to repeat the comments made in my Proof of Evidence relating to this cost item but consider this to be an a-typical cost item for a residual appraisal for a development of this form and type.

7.2 JN also advises that this cost item has always been included within his reporting. This is not, however, the case. This cost item did not form part of the Initial FVA but was introduced in the FVA Update.

#### **8. Valuation Fee**

8.1 In my proof of evidence I had assumed that the unspecified valuation fee referred to by JN related to valuation fees associated with any secured lending arrangement provided to the Appellant. It is, however, apparent from JN's proof of evidence that this sum relates to both his and my fees associated with preparing and reviewing the viability of the proposed development.

8.2 JN advises that in neighbouring Local Planning Authorities (BCP Council and Southampton City Council) it is adopted policy to allow the costs of valuation in undertaking and reviewing the viability assessment.

8.3 I consider this to be an a-typical cost item for a FVA and have not seen such sums applied previously in the FVAs I have reviewed. Furthermore, it does not form part of the 'other Costs' specifically referred to within the 3 Dragons Local Plan Viability Test 2018 (CD 7-26) at Appendix II section 3 on page 64. I therefore consider the inclusion of such a sum to be opportunistic and unsupported.



## 9. Market Housing Gross Development Value

- 9.1 At paragraph 7.29 JN advises that the sales revenue were considered in detail in the Initial FVA. I do not agree with this statement and as stated at 9.2.4 of my Proof of Evidence consider that it *'is unclear what evidence the Appellant relies upon and how the evidence has been analysed and adjusted to reflect the particular attributes of the units at the Proposed Development (location, orientation, plot size, availability of garage, views over amenity areas etc). In my view, it is necessary to reflect carefully on the comparability of the available evidence. A broad-brush approach risks inaccuracy by relying on evidence which is not sufficiently comparable. A discerning approach to the best evidence (reflecting on location, size, type of dwelling and value significant features) is preferable to and more reliable than a melting pot approach where evidence of a variety of quality is used to derive an average or proxy value'*.
- 9.2 At paragraph 7.30 JN provides an opinion as to sales values provided by Enfield's for the proposed development dated December 2022. It appears that JN has simply adopted the opinion of sales prices provided by Enfields with the exception of the value applied to Plot 1 which he has increased to £575,000.
- 9.3 At paragraph 7.31 JN advises that the marketing agent for the St Jude's development confirmed that in the current market they would not have been able to secure a sale for the remaining 3 bed semi-detached house in excess of £425,000. This compares with a sale price achieved for the adjoining semi-detached house in November 2022 at £490,000. This indicates a fall in values of 15.3%. I am not aware of any evidence to suggest that the residential market has fallen in Dibden Purlieu or the wider region to such an extent and none has been provided by JN in his Proof of Evidence. I have provided as Appendix Seven an extract from the UK House Price Index rebased to New Forest for the period between November 2022 and September 2023 (although data only appears to be available to June 2023). The index indicates an average value in November 2022 of £416,671 and in June 2023 of £415,230. This represents a fall in value of approximately 0.34% which I do not consider to be significant. It also brings into question the advice provided by Enfields to JN.
- 9.4 I have similarly spoken to Enfields (on two occasions) most recently in 28<sup>th</sup> July 2023 at which time they advised that they would not be remarketing re-marketing St Jude's. The units are to be remarketed by Fox & Sons with an asking price of £475,000 for the semi-detached three bed house.
- 9.5 JN makes reference to a development known as Forest Edge in Lower Burgate which occupies a remote location on the north eastern edge of Fordingbridge. JN advises that he considers this to be a marginally better location than Dibden Purlieu. It is unclear on what basis this assessment is made and this is not in line with my expectations. To demonstrate this I have obtained data using Landinsight relating to all residential sales in the 18 month period between March 2022 to September 2023 within one mile of the Forest Edge development and the Appeal Property. This information is provided as Appendix Eight and Nine and shows an average value in Dibden Purlieu of £387 per sq ft and at Lower Burgate of £361 per sq ft.



- 9.6 Dibden Purlieu therefore appears to be a significantly higher value location (5.26%) and it is clear from my Proof of Evidence (paragraph 9.4.7) that Noads Way is considered by Enfields to be a prime location in Dibden Purlieu which can therefore be expected to attract higher than average values. This is demonstrated by the evidence provided in my Proof of Evidence for second hand stock.
- 9.7 In my opinion there are more relevant new build development to rely upon for comparable evidence than the Forest Edge development. These include Oak View in Hythe and Beckley Walk in Totton. Notwithstanding the above, I note that JN provides evidence from a single unit at Forest Edge in seeking to demonstrate a GDV for the Market Housing units at the Proposed Development in the order of £420 per sq ft. This is an incomplete analysis and I understand that higher values in £ per sq ft terms apply to other three bed semi-detached house within this development. For example, Unit 54 comprising a three bed semi-detached house is on the market with an asking price of £440,000 which analyses at £434 per sq ft.
- 9.8 At £434 per sq ft this is 20.22% higher than the average value in £ per sq ft terms for Lower Burgate and provides an indication of the extent of any new build premium that can be expected to apply.
- 9.9 That said, I am aware of another development that lies to the west of Forest Edge on the north western side of Fordingbridge known as Whitsbury Green by the developer Pennyfarthing where significantly higher values in £ per sq ft terms apply suggesting a far higher new build premium. This development occupies a similar location but one that I would consider to be superior to Forest Edge. Current asking prices for three bed semi-detached houses of a comparable size (915 sq ft) to those at the Proposed Development are in the order of £450,000 (£492 per sq ft). Details of such a property are provided as Appendix Ten. It is understood that a reservation has been made at this level although incentives of approximately 5% are being offered. This suggests a value for similar size three bed semi-detached houses in an inferior location in the order of £467 per sq ft. This is in line with my assessment of the value of the three bed houses at the Proposed Development although one might expect higher values to apply to reflect the superior location.
- 9.10 The marketing agent for Pennyfarthing advises that a four bed detached house with accommodation extending to 1,377 sq ft and a garage was recently placed under offer at the asking price of £630,000 (£458 per sq ft) with no incentives. This provides good evidence for the value of Plot One at the Proposed development which similarly comprises a four bed detached house and has accommodation extending to 1,453 sq ft with a single garage and which I value at £650,000 (£447 per sq ft).
- 9.11 On the basis of the above I remain of the view that my opinion of the Market Housing GDV is robust and is supported by evidence from second hand and new build stock locally and from evidence from new build development within the wider area. I consider the values adopted by JN to be pessimistic and unsupported.

## **10. Affordable Housing Gross Development Value**

- 10.1 JN and I are in broad agreement on the methodology to be employed to determine the Affordable Housing GDV. The minor differences in the output values are more a result of our difference of opinion in relation to the underlying values (Market Housing GDV) applied to the Shared Ownership units. At paragraph 7.23 JN advises that he has requested a formal offer for the Affordable Housing units from a Registered Provider (Vivid). A copy of Vivid's offer has not been provided but it is understood that the following sums have been offered:
- Proposed Development £535,000
  - Policy Compliant Development £1,850,000
- 10.2 These sums are in line with my expectations and, as advised by JN at paragraph 7.25, in line with the Affordable Housing GDV achieved at Lower Burgate Farm in Fordingbridge. I have therefore adopted the same in my residual appraisals. It should, however, be noted that the underlying values upon which these sums are based reflect JN's opinion of the Market Housing GDV and a marginally higher sum might be expected to apply based upon my opinion of the Market Housing GDV.
- 10.3 At paragraph 7.24 JN advises that Affordable Housing values are likely to be lower in the future as Registered Providers adjust to changing market conditions. Residual appraisals are required to be based upon current costs and current values at the date of assessment. The offer received from Vivid was confirmed by e-mail by JN on 6<sup>th</sup> September 2023 and can therefore be considered current for the purpose of the residual appraisals.

## **11. Methodology**

- 11.1 JN at section 5 of his Proof of Evidence advises as follows at paragraph 5.1 '*The viability assessment considered by this appeal follows a residual valuation methodology which is consistent with PPG and RICS GN*'. It is accepted that the primary method for determining the Residual Land Value is by reference to a residual appraisal, however, as set out in detail in the BK Review 1<sup>st</sup> November 2022 and my Proof of Evidence the RICS Guidance (the 2021 Guidance Note and the Professional Statement) require the appraiser '*to undertake a detailed review of the inputs into a viability appraisal and to consider the outputs of the residual appraisal objectively and with the benefit of experience*'. This forms an important part of the Stand Back exercise.
- 11.2 The requirement to stand back can best be achieved by comparing the residual value derived by reference to a residual appraisal with evidence from the sale of comparable development land transactions. This is in line with the requirements of the 2019 Guidance Note and the 2021 Guidance Note and is set out in detail at Section 6.4 of my Proof of Evidence. It is not therefore sufficient in seeking to determine the RLV to rely solely on a residual appraisal based upon not unreasonable assumptions.

11.3 The 2021 Guidance Note confirms at paragraph 2.2.4 that *‘this (the 2021 Guidance Note) and other RICS guidance notes are intended to assist practitioners in applying the government’s required approach and should be referenced as appropriate, including:*

- ❑ *Valuation of development property, RICS guidance note (the 2019 Guidance Note)*
- ❑ *Comparable evidence in real estate valuation, RICS guidance note*
- ❑ *Valuation of land for affordable housing, RICS guidance note...*

The 2019 Guidance Note at paragraph 2.3.3 confirms that *‘in the case of the valuation of development property, valuations are normally undertaken in two ways: the market comparison approach; and the residual method’* and confirms at paragraph 2.3.4 that *‘Best practice avoids reliance on a single approach or method of assessing the value of development property. Normally, any valuation undertaken by the market comparison approach should be cross-checked by reference to the residual method. Where a residual method is used, it is similarly important to cross-check the outcome with comparable market bids and transactions where they exist, including the subject property’*. The advice to apply both methods when possible has been endorsed by 2019 amendments to IVS 410 (effective from 31st January 2020), which state: *‘...the valuer should apply a minimum of two appropriate and recognised methods to valuing development property for each valuation project...’*.

11.4 The 2019 Guidance Note at paragraph 5.3 advises that *‘Valuation of development property by comparison requires a depth of information of similar assets normally in a similar type of location or geographical area’*. The RICS Guidance Note *Comparable evidence in property valuation (1<sup>st</sup> edition)* (copy provided as Appendix Eleven) sets out a hierarchy of different types of evidence with direct transactional data at the top. This includes all types of relevant transactional comparable evidence, including:

- ❑ *Recently completed transactions of identical properties for which full and accurate information is available; occasionally this may include the subject property itself...*

Paragraph 5.4 goes on to say that *‘A transaction in the property being valued can provide some of the best evidence available for a valuation, provided it is a recent transaction’* and the PPG at paragraph 16 advises that *‘Local Authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement)’*.

11.5 Confirmation of the price expected to be paid through an option agreement or promotion agreement on the grant of planning permission provides a mechanism to facilitate transparency in decision taking. Transparency is confirmed as a primary motivation of the 2018 and 2019 revisions to the NPPF and the PPG on viability (as confirmed by paragraph 1.1.2 of the 2021 Guidance Note).

- 11.6 Best practice, the Professional Statement and RICS Guidance Notes and direction from IVS require the valuation of development property to be determined by reference to the comparison and residual methods and the purchase price for a property being valued can provide some of the best evidence available for that valuation. In this regard, it is unsatisfactory that the Appellant has not disclosed the proposed purchase price for the site or the assumptions which underpin it and the continuing failure to disclose the purchase price hampers the ability to provide an evidence based sense check of the results of a residual appraisal.
- 11.7 The obvious conclusion therefore is that the Appellant must have considered the property to be viable with policy compliant Affordable Housing when the purchase price and option agreement was completed / on exchange of the conditional contract. The failure to confirm the purchase price therefore supports the proposition that the Policy Compliant Development remains viable.

#### **Gross Land Value**

- 11.8 The established and industry standard method of analysing evidence from comparable development land transactions is by reference to the Gross Land Value (GLV) as discussed at section 8.2 of my Proof of Evidence. The GLV is represented by the aggregate of the purchase price for a development property together with the sums attributable to abnormal development costs and for Section 106 contributions and CIL. In this way the GLV provides an effective means of comparison between different development sites in a way that the purchase price cannot.
- 11.9 JN in his FVA and Proof of Evidence has chosen to adopt an atypical method to the analysis of comparable development land transactions that is inconsistent with established market practice. It is unclear what conclusion can be reached applying JN's approach which is not based upon market based evidence adjusted to reflect the impact of abnormal development costs, Section 106 contributions and CIL in the way that the GLV performs.
- 11.01 The 2019 Guidance Note at section 5 sets out the issues to be addressed for development property by valuation using comparison and at paragraph 5.8 advises that '*... valuation by comparison is potentially reliable if evidence of sales can be found and analysed on a common unit basis. Units of comparison normally revolve around the relationship between value and size, but other units can be utilised, such as site value per unit or habitable room and the relationship between site value and the value of the completed development*'.

11.11 The validity of each unit of comparison is to some extent determined by the nature and form of development being valued and analysed for comparison. For example, for larger urban expansion projects the GLV expressed as a value per net developable acre or per gross acre may be most applicable whereas for smaller developments with minimal abnormal development costs a value as a percentage of the GDV may be appropriate. However, in all cases analysis of the GLV and valuation on a per unit, per habitable room or per sq ft Net Sales Area basis can be considered to provide the most accurate indication of value with suitable adjustment as required to reflect differences between the valuation property and the comparator. In my analysis I have undertaken analysis and valuation on a £ per sq ft of Net Sales Area basis and sought to explain and explore the differences between the comparator property and the proposed development at the Appeal Property. This approach is consistent with RICS Guidance and industry practice. The approach adopted by JN, however, does not provide for a consistent unit of comparison and in my opinion is inconsistent with RICS Guidance and industry practice.

## **12. Revised Residual Appraisals**

12.1 Having regard to the changes indicated above in relation to the Affordable Housing GDV, Section 106 contributions and off-site drainage works costs I have amended my residual appraisals accordingly and copies are provided as Appendix Twelve to Appendix Sixteen.

12.2 At this stage the drainage solution for the proposed development has yet to be agreed and I have therefore prepared residual appraisals on two scenarios:

Scenario 1 - Enil drainage to an existing ditch

Scenario 2 - £401,359 off-site drainage infrastructure.

12.3 Under Scenario 1 my residual appraisals indicate the following:

Proposed Development – Residual Land Value £1,537,038

Policy Compliant Development – Residual Land Value £1,019,965

12.4 In both cases the Residual Land Value exceeds my opinion of the Benchmark Land Value of £990,000. I therefore conclude that if the provision of off-site drainage infrastructure is not the required drainage solution the proposed development is viable with Policy Compliant Affordable Housing provision.

12.5 Under Scenario 2 my residual appraisals indicate the following:

Proposed Development – Residual Land Value £1,143,743

Policy Compliant Development – Residual Land Value £626,971

- 12.6 Under Scenario 2 it can be seen that the Residual Land Value for the Proposed Development that provides 3 x Affordable Housing units exceeds my opinion of the Benchmark Land Value of £990,000 and is marginally viable against the Appellant's opinion of the BLV at £1,150,000. I therefore conclude that if the provision of off-site drainage infrastructure is the required drainage solution the proposed development is viable with 3 x Affordable Housing units.
- 12.7 However, under Scenario 2 the Residual Land Value of the proposed development with policy compliant Affordable Housing falls below my opinion of the Benchmark Land Value and would be considered unviable.

### ***Sensitivity Testing***

- 12.8 In line with the approach adopted in my Proof of Evidence I have carried out sensitivity testing of my residual appraisal for the Policy Compliant Development inclusive of off-site drainage infrastructure costs at £401,359 (copy as Appendix Twelve). This demonstrates that with adjustments (3.5%) to the GDV, (3.5%) to the construction costs and the adoption of a finance cost of 7.5% in line with the Rapleys FVA a residual value for the Policy Compliant Development of £977,720 is achieved even with the inclusion of the new and additional costs for off-site drainage infrastructure at £401,358. This demonstrates that with only minor adjustment to the inputs applied in my residual appraisals (within reasonable ranges for valuation error) and in line with the Rapleys FVA the Policy Compliant Development is marginally viable with policy compliant (35%) Affordable Housing provision.

## **Statement of Truth & Declaration**

- (i) (ii) Statement of Truth

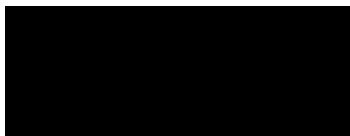
I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

- (iii) (iv) Declaration

- |   |  |
|---|--|
| 1 | I confirm that my report has drawn attention to all material facts which are relevant and have affected my professional opinion  |
| 2 | I confirm that I understand and have complied with my duty to the Planning Inspectorate as an expert witness which overrides any duty to those instructing or paying me, that I have given my evidence impartially and |

objectively and that I will continue to comply with that duty as required.

- 3 I confirm that I am not instructed under any conditional or other success-based fee arrangement
- 4 I confirm that I have no conflict of interest
- 5 I confirm that my report complies with the requirements of the RICS – Royal Institution of Chartered Surveyors, as set down in the RICS Practice Statement Surveyors acting as expert witnesses.



**Fraser Castle MRICS  
RICS Registered Valuer  
For and on behalf of Bruton Knowles LLP**