

PRIVATE & CONFIDENTIAL

Viability Report

**FORMER ST JOSEPH'S CONVENT PREPARATORY
SCHOOL, 48 OLD ROAD EAST, GRAVESEND, DA12 1NR**

January 2024



James R Brown & Company Ltd

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Important Notice

This report has been prepared for planning input purposes.

GHL (Gravesend) Ltd,
3RD Floor,
Sterling House,
Langston Road,
Loughton,
Essex,
IG10 3TS.

PRIVATE & CONFIDENTIAL

3/1/24

Dear Sirs,

PROPOSED DEVELOPMENT AT FORMER ST JOSEPH'S CONVENT PREPARATORY SCHOOL, 48 OLD ROAD EAST, GRAVESEND, DA12 1NR - FINANCIAL VIABILITY ASSESSMENT ('FVA').

1.0 EXECUTIVE SUMMARY

- 1.1 We understand that you require a financial viability assessment ('FVA') of your proposed scheme with a view to assessing the maximum reasonable/viable affordable housing provision.
- 1.2 Having appraised the proposed scheme, we conclude that it cannot viably sustain any affordable housing provision. Although the scheme prospectively drives a profit, it falls short of a full/reasonable profit requirement.
- 1.3 We understand you plan to discuss what constructive steps can be taken to address this issue with Gravesham Borough Council ('GBC').

2.0 INSTRUCTIONS

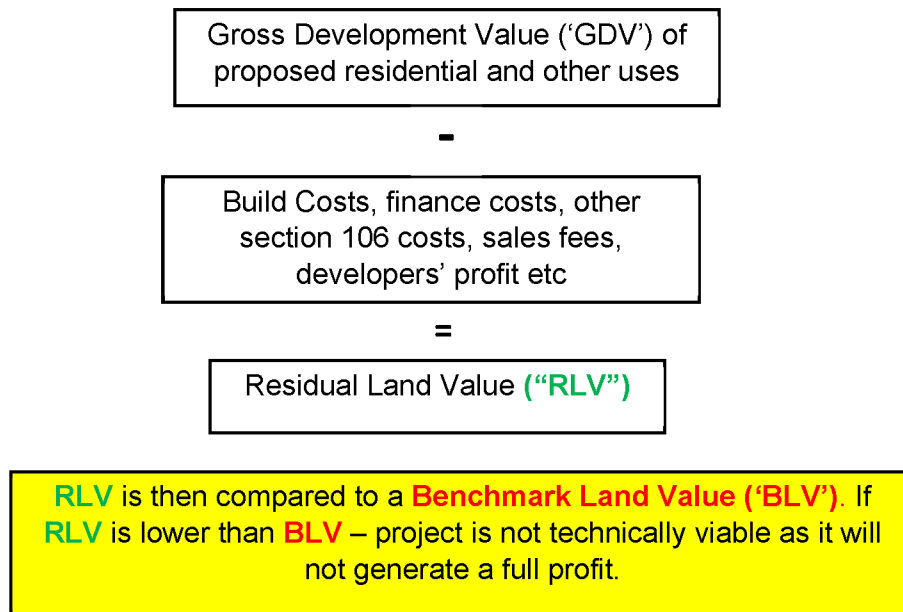
- 2.1 We understand that you require a financial viability assessment ('FVA') of your proposed scheme with a view to assessing the maximum reasonable/viable affordable housing provision.
- 2.2 In preparing this report we can confirm that we have no conflicts of interest.
- 2.3 Our opinion is also:-
- Objective, and;
 - Impartial, and;
 - Without interference, and;
 - With reference to all appropriate sources of information.

3.0 BASIS OF APPRAISALS HEREIN

- 3.1 This report is to assist planning discussions with Gravesham Borough Council ('GBC').
- 3.2 It is not an RICS (Royal Institution of Chartered Surveyors) "Red Book" compliant valuation report and the figures referred to herein are not formal valuations. However, detailed justification for the indicative values and/or component valuation inputs we have used are provided herein.
- 3.3 This viability report is provided on a confidential basis. We therefore request that the report should not be disclosed to any third parties (other than GBC and their advisors) under the Freedom of Information Act 2000 (sections 41 and 43/2) or under the Environmental Information Regulations.
- 3.4 We are aware that you will provide GBC with a copy of this report and we are happy for this to occur. However, we do not offer GBC, their advisors and/or any third parties a professional duty of care.

4.0 VIABILITY AND PLANNING

- 4.1 Scheme viability is assessed using residual valuation methodology.
- 4.2 A summary of the residual process is:-



- 4.3 If the RLV driven by a proposed scheme is reduced to significantly below an appropriate BLV, it follows that it is not fully viable.
- 4.4 The 'land residual' approach (as summarised above) can be inverted so that it becomes a 'profit residual' based upon the insertion of a specific land cost/value (equivalent to the BLV) at the top. By doing this, the focus is moved onto the level of profit driven by a scheme.
- 4.5 Particularly when using ARGUS appraisal software, the most accurate way to identify the magnitude of any profit/viability shortfall (especially if a residual land value is 'negative') is to insert the BLV (i.e. as the reasonable hypothetical land cost) into a residual profit appraisal whereupon the residual profit would then be compared to a reasonable/full profit requirement. Where residual land values are negative, ARGUS unfortunately treats such negative land values as a dowry (in effect) with regard to land finance cost calculations and therefore underestimates the viability shortfall.
- 4.6 In this instance, we have presented our viability assessment via a residual profit appraisal.

5.0 APPROACH TO BLV

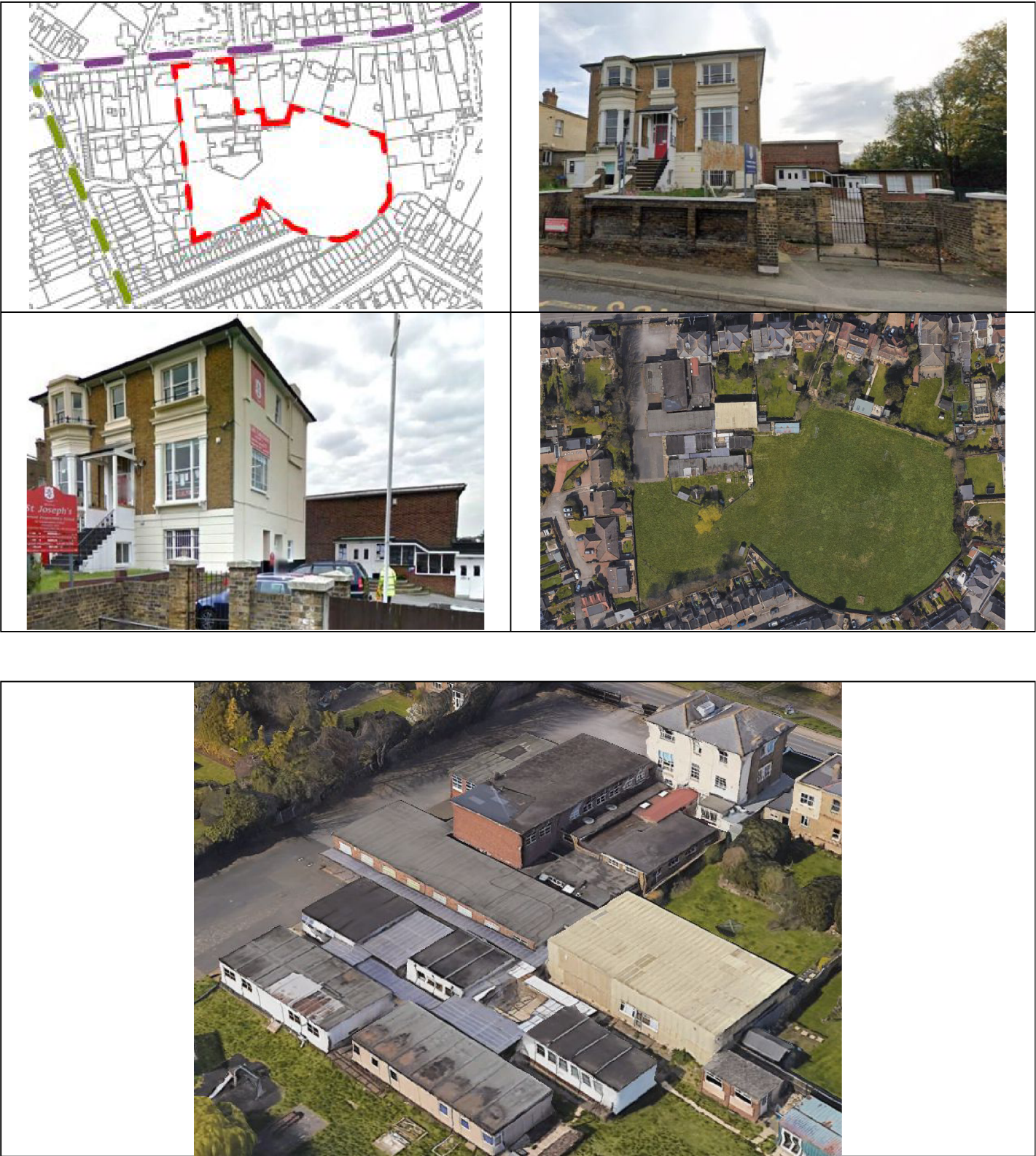
5.1 We have accounted for the guidance provided by:-

- National Planning Policy Framework (2023), and;
- National Planning Policy Guidance on Viability (September 2019), and;
- The RICS's 'Guidance Note GN 94/2012 (1st edition)', and;
- The RICS's Professional Standard – 'Financial Viability in Planning: Conduct & Reporting (1st Edition – May 2019)', and;
- The RICS's Professional Standard - 'Assessing viability in planning under the National Planning Policy Framework 2019 for England – March 2021 – 1st edition', and;
- Recent Appeal cases, and;
- Our own professionally qualified judgement and obligation to provide an opinion that is: objective, impartial, without interference and with reference to all appropriate sources of information.

5.2 Without prejudice, we have primarily considered the value of the existing site/property on an 'Existing Use Value plus land-owner's premium' basis ('EUV Plus') but with some consideration of potentially planning policy compliant alternative uses and Alternative Use Value ('AUVs').

6.0 THE SITE

6.1 Please refer to the site plan and photographs below:-



- 6.2 The site comprises 1.63 hectares (4.04 acres) and accommodates ex-school buildings (including one large Victorian 3-storey building fronting Old Road East), hardstanding areas (ex-playground etc) and playing fields.
- 6.3 The Victorian building comprises 435 sq.m. (4,682 sq.ft.) and the single-storey buildings to the rear comprise 1,950 sq.m. (20,990 sq.ft.) - all on GIA terms. Approximately 40% of the buildings to the rear (by GIA) are inferior/temporary portacabin type buildings.
- 6.4 The existing Rateable Value ('RV') of the property is £60,000 p.a.

7.0 BLV

7.1 We have considered the following school transaction comparables (Source: Gerald Eve):-

Property	Description	Floor Area (sq ft) GIA	Sale price	Sale price psf GIA	Sale date
1 Mark Street, East London	Strictly confidential. Gerald Eve marketed the property which comprises a former further, adult and day care/ nursery education facility. The property provides good quality, adaptable educational space. It sold with a restriction to Higher Education use.	27,767	£5,000,000	£198	Mar-22
Hawley Hurst School, Fernhill Road Hawley, Nr. Camberley Surrey GU17 9HU	Former independent school on a 15.47 acres site with playing fields. The School campus comprises a mix of buildings including the main School building and administration offices at the main entrance to the site. Some of the modular buildings in very poor condition and main building an awkward configuration. Purchased by Kedleston Group for use as an SEN school. Administration sale. We understand that prior to the pandemic, offers were received at £3.5m (£100 psf).	35,161	£2.875m	£82	Aug 2022
Oakwood School, 59 Godstone Road, Purley, Croydon CR8	Freehold former school on a 0.93 acre site. Two storey Victorian red brick building which had been modernised and was most recently extended in 2015 at roof level to provide additional classrooms. The school presents in reasonable condition. There is a playground, car parking and school drop off area. Purchased by Cavendish Education for use as an SEN school.	13,914	£2.95 m	£212	Q1 2022
Confidential: Ovingdean Hall, Ovingdean, Brighton	Was under offer to an investor pre the 'mini-budget'. 89,550 sq ft GIA. Ovingdean Hall comprises a substantial period building/manor house with ancillary boarding accommodation, teaching blocks and staff accommodation. It has been generally well-maintained although parts need replacement/upgrading. Selling with a lease in place to Oxford International which materially enhanced the value as an investment. The seller is spending over £10 million on refurbishments as part of the agreed sale.	89,550	In excess of £29 million	Approx £325	Jun-22
Ashdown House Prep School, Forest Row, East Sussex	Gerald Eve advised on the sale of this former boarding prep school, in an attractive rural area. The Listed and other school buildings extend to approximately 77,696 sq ft in 32 acres. It sold for alternative residential use however attracted a good level of competing demand and at the time of sale a school operator, childrens' charity and a developer were in competition close to the sale price.	77,696	£6.0 m	£78	Oct 2021
Kneller Hall, Twickenham	Former military school sold by the MoD. The site comprises Grade II listed attractive Kneller Hall of approximately 47,500 sq ft GIA, two military	80,417	£21.0 m	£261	Sep-21

Property	Description	Floor Area (sq ft) GIA	Sale price	Sale price psf GIA	Sale date
	accommodation blocks and a number of ancillary buildings including band practice rooms, Guardroom and library. 24 acre site. Acquired by Dukes Education for refurbishment to a new Upper School for nearby Radnor House.				
Oliver House, School, 7-11 Nightingale Lane, Clapham South, London SW4 9AH	Two period buildings used until July 2021 as a preparatory school. There is limited outside space and car parking to the front of the buildings and the site overlooks Clapham Common. Fair condition with some repairs and redecoration and wider refurbishment required in both buildings. Purchased by Dukes Education.	20,688	£10.0 m	£483	Aug-21
Former Penn School, Church Road, High Wycombe	Freehold development opportunity. Built in 1847, it was a residential school since 1921 and has potential for a range of alternative uses. It was previously bought by the ESFA in March 2016 for £11,495,000 equating to £205 psf, for continued school use. The ESFA tried to pursue plans for a new free school however the main building was subsequently listed by Historic England in 2020. The site was remarketed in 2021 and sold to a private individual for leisure/hotel uses. There was some interest from educational parties, but no formal offers received.	55,988	£7.15 m	£127	Jul-21
F Block, Newham College, Welfare Road, Stratford	Gerald Eve sold an Edwardian educational building with consented F1 use 0.5 mile from Stratford High Street. The property needed refurbishment and connecting to services.	22,982	£2,700,000	£118	April 2021
Duncan House, Stratford High Street, London E15	Fitted out to shell and core, the property provides educational space on Stratford High Street. No amenity space. The property exchanged in Q1 2021 for educational use at a total price of £12 million with the seller committing to providing fit out works totalling £3 million, effectively providing a net price of £9 million.	29,417	£9,000,000	£305	April 21
Queensmead, Kings Road, Windsor, Berkshire	Leasehold interest of 43 years unexpired for sale. Comprises a former Catholic school with F1 use, attractive period building and 4.79 acres of grounds. Bought by Witherslack for use as an SEN school. Buyer is negotiating a lease extension with the landlord, the Crown Estate.	48,761	£6.8 m	£139	Sept 2019
Bramley School, Chequers Lane, Tadworth	A small school was acquired for conversion to a special school, situated c 4 miles from Epsom. It was in a somewhat tired condition set in c.1.6 acres. There was another school offer. The School offers a highly specialised therapeutic provision for up to 36 pupils aged 5-16 years who have an Autistic Spectrum Disorder (ASD) and additional health needs, moderate learning difficulties, mental health difficulties, PDA and ADHD.	10,135	£2.0 m	£197	Mar 2019 exchange

Pioneer Place, Featherbed Lane, Addington, Croydon CR0	The site measures c. 4.8 acres and comprises c. 15,500 sq ft of built D1 accommodation (split across 5 halls which are in varying state of disrepair), c. 6,500 sq ft in n poor/derelict order, two self-contained apartments, a large car park with parking for upwards of 60 vehicles, and a former school playing field.	22,000	£4.7 m	£214	Sept-20
Former Beis Shammai School, Chigwell	2 storey former sports centre converted to a school with D1 use extending to 17,566 sq ft set over 5.14 acres. Marketed as suitable for alternative uses STP. Purchased by a Hindu charity. The group have secured planning permission to adapt and refurbish the building into a Hindu Temple. Very dated, but locationally relevant. The property is considerably smaller than the subject reflecting reverse quantum.	17,566	£5,700,000	£324	Oct-16

- 7.2 We consider it extremely conservative to apply an approximate value rate to the existing school of £50 p.s.f. (geared to the existing buildings) which drives a value of £1.28m.
- 7.3 By capitalising the existing RV at 7%, we would arrive at a value of circa £800,000 net of purchaser costs.
- 7.4 Amongst other things, we assume that the site could be used for temporary storage purposes with regard to alternative uses. This would probably be the lowest value driver and yet even this would point to a value of circa £1.1m assuming an achievable rent of £4 p.s.f. for the existing buildings/hardstanding areas and then capitalising this at 10% (less purchaser costs).
- 7.5 Considering the above, we consider a reasonable EUV to be £1.2m.
- 7.6 We have applied a land-owners premium of 15% to arrive at a reasonable BLV on a EUV Plus basis of **£1.38m**.
- 7.7 Our 15% premium is conservatively towards the lower end of the range referred to by the RICS in their Financial Viability in Planning (1st Edition 2012) which remains valid guidance and where on page 45 it says:-

Existing use value (plus a premium)

Used by some practitioners for establishing Site Value. The basis is as with EUV but then adds a premium (usually 10% to 40%) as an incentive for the landowner to sell. However, it does not reflect the market and is both arbitrary and inconsistent in practical application.

8.0 PROPOSED SCHEME

8.1 Please refer to the plan in **Appendix 1**.

8.2 In summary, the scheme comprises:-

Unit Type	Nos	Area (sq.m.)	Area (sq.ft.)	Total Area (sq.ft.)
<u>Commercial</u>				
Doctors Surgery	1	544	5,856	5,856
Commercial Totals	1			5,856
<u>Residential:-</u>				
1 bed conversion flat	6	50	538	3,229
1 bed new build flat	6	50	538	3,229
2 bed new build flat	1	83	893	893
2 bed terraced house	18	90	969	17,438
2 bed end terrace house	17	90	969	16,469
3 bed end terrace house	1	105	1,130	1,130
3 bed detached house	1	118.5	1,276	1,276
3 bed detached house	4	115	1,238	4,951
Residential Totals	54			48,615

8.3 We understand it is envisaged that the doctors surgery will be forward-sold as land for circa £400,000.

8.4 The total scheme GIA (excluding the proposed doctors surgery) is 4,653 sq.m. (50,085 sq.ft.).

9.0 APPROACH TO VIABILITY ASSESSMENT

9.1 We have financially appraised the proposed scheme using ARGUS, a widely used proprietary software package.

9.2 We have initially appraised the scheme without any affordable housing provision to ascertain whether there is any financial surplus that could be translated into an affordable housing provision.

9.3 We consider that the residual profit (based upon a hypothetical land cost/BLV input of **£1.38m**) needs to equate to at least 22.5% on total cost (assuming no affordable housing provision).

9.4 However, the scheme falls short of being viable without any affordable housing provision and as the inclusion of any affordable housing provision would worsen the viability position - we have not gone on to appraise the scheme with any such provision.

10.0 PRIVATE RESIDENTIAL VALUES

10.1 We have considered the following comparables:-

	<u>86 Covesfield, Gravesend, DA11 0EG:-</u> 2 bed flat. 695 sq.ft. Allocated car space. Sold on 29/7/22 for £221,000 = £318 p.s.f.
	<u>4 Covesfield, Gravesend, DA11 0EG:-</u> 2 bed flat. 695 sq.ft. Allocated car space. Sold on 22/8/22 for £220,000 = £317 p.s.f.
	<u>Flat D, 1 South Street, DA12 1DA:-</u> Studio. 330 sq.ft. Sold on 15/7/22 for £138,000 = £419 p.s.f.
	<u>Crawley Court, 45 West Street, DA11 0BE:-</u> 1 bed. Allocated parking. River view. 485 sq.ft. Sold on 6/5/22 for £165,000 = £340 p.s.f.
	<u>5C Constitution Hill, Gravesend, DA12 1JT:-</u> 4 bed end of terrace town-house. 1,565 sq.ft. inc. garage converted to living space. Sold on 7/6/23 for £420k = £268 p.s.f.
	<u>1 The Curlews, DA12 5QJ:-</u> 3 bed link detached house. 949 sq.ft. Sold on 21/6/23 for £370k = £390 p.s.f.

	<u>56 Richmond Drive, DA12 4DJ:-</u> 2 bed end of terrace house plus car port. 662 sq.ft. (exc. car port). Sold on 26/5/23 for £305k = £461 p.s.f.
	<u>20 The Turnstones, DA12 5QD:-</u> 4 bed detached house with double garage. 1,280 sq.ft. (exc. garage). Sold on 3/3/23 for £562k = £439 p.s.f.
	<u>125 Whitehill Road, DA12 5PL:-</u> 3 bed semi-detached house. 1,140 sq.ft. Sold on 8/12/22 for £445k = £390 p.s.f.

Source: Rightmove & Land Registry

- 10.2 Considering the above, we have assumed the following residential values for the units in the proposed scheme:-

Unit Type	Nos	Area (sq.m.)	Area (sq.ft.)	Total Area (sq.ft.)	Value Each (as private)	Aggregate Total Value	Value p.s.f.
1 bed conversion flat	6	50	538	3,229	£200,000	£1,200,000	£371.61
1 bed new build flat	6	50	538	3,229	£190,000	£1,140,000	£353.03
2 bed new build flat	1	83	893	893	£285,000	£285,000	£319.00
2 bed terraced house	18	90	969	17,438	£360,000	£6,480,000	£371.61
2 bed end terrace house	17	90	969	16,469	£370,000	£6,290,000	£381.94
3 bed end terrace house	1	105	1,130	1,130	£430,000	£430,000	£380.46
3 bed detached house	1	118.5	1,276	1,276	£470,000	£470,000	£368.48
3 bed detached house	4	115	1,238	4,951	£465,000	£1,860,000	£375.65
Residential Totals	54			48,615		£18,155,000	£373.44

11.0 BUILD COST

- 11.1 We recommend that you obtain a site/scheme specific build cost assessment from a suitably qualified Quantity Surveyor and that we are given an opportunity to review our viability conclusion herein in light of their opinion.
- 11.2 However, meanwhile, we have considered BCIS data (for neighbouring Dartford as there are too few data returns in Gravesend) as follows:-



£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 04-Nov-2023 07:33

Rebased to Dartford (114; sample 9)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
810. Housing, mixed developments (15)	1,727	937	1,499	1,675	1,889	4,268	1275	
810.1 Estate housing								
Generally (15)	1,716	834	1,457	1,650	1,875	5,911	1423	
Single storey (15)	1,956	1,166	1,651	1,876	2,163	5,911	234	
2-storey (15)	1,650	834	1,430	1,601	1,811	3,566	1104	
3-storey (15)	1,802	1,072	1,493	1,722	2,048	3,523	80	
4-storey or above (15)	3,593	1,756	2,875	3,210	4,779	5,346	5	
810.11 Estate housing detached (15)	2,232	1,272	1,666	1,917	2,384	5,911	21	
810.12 Estate housing semi detached								
Generally (15)	1,731	1,011	1,478	1,687	1,892	3,864	354	
Single storey (15)	1,936	1,250	1,645	1,894	2,118	3,864	80	
2-storey (15)	1,670	1,011	1,461	1,618	1,825	2,966	262	
3-storey (15)	1,698	1,265	1,371	1,626	2,015	2,474	12	
810.13 Estate housing terraced								

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
Generally (15)	1,748	1,029	1,434	1,649	1,915	5,346	233	
Single storey (15)	2,006	1,307	1,661	1,985	2,394	2,856	18	
2-storey (15)	1,668	1,029	1,419	1,597	1,836	3,566	179	
3-storey (15)	1,837	1,072	1,475	1,691	2,051	3,523	34	
816. Flats (apartments)								
Generally (15)	2,021	1,003	1,675	1,900	2,274	6,874	845	
1-2 storey (15)	1,903	1,181	1,610	1,814	2,127	3,967	180	
3-5 storey (15)	1,996	1,003	1,667	1,898	2,251	4,201	564	
6 storey or above (15)	2,385	1,458	1,935	2,239	2,596	6,874	98	

11.2 Considering the above, we have assumed the following build cost:-

Residential:-

4,653 sq.m. x £1,950 p.s.m. = £9,073,350

Plus externals @ 15% = £10,434,353

11.3 We have added a 5% contingency and professional fees at 10%.

12.0 SECTION 106, S.278 & CARBON OFFSET

- 12.1 We are not experts in assessing likely combined costs in this regard.
- 12.2 We have assumed a combined costs in this regard of £150,000.
- 12.3 This is purely a working assumption and we recommend that we are provided with an accurate costing in this regard following related discussions with GBC and that we are given an opportunity to revise our viability conclusion herein thereafter (if necessary).

13.0 EXTRAORDINARY COSTS

- 13.1 We have not accounted for any extraordinary costs at this stage.

14.0 DEVELOPMENT PROFIT

14.1 With regard to profit, NPPG and the RICS said the following in 2019:-

How should a return to developers be defined for the purpose of viability assessment?

Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

See related policy: National Planning Policy Framework [paragraph 57](#)

Paragraph: 018 Reference ID: 10-018-20190509

Revision date: 09 05 2019 See [previous version](#)

- 14.2 This could and should be read to mean that an overall blended return of between 15-20% is reasonable which would then reconcile with a detailed RICS study (written in the main by the University of Reading) dated September 2019 where they said:-

RICS:-

Research  September 2019 Performance metrics, required returns and achieved returns for UK real estate development	The review of published development appraisals and associated literature suggests that residential developers favour the use of cash-based target returns. From the survey, a figure of 20% profit on costs was mentioned regularly for sites without significant risks (for example, risks relating to planning permission), and 25% for those sites with higher levels of perceived risk. These levels of profit on cost imply a profit on gross development value (GDV) of around 15 to 20%. The larger developers, utilising cash-flow techniques and developing longer schemes, quoted target rates of return of around 10 to 12%, and this reconciles with higher cash returns that are typically required for longer projects. Inclusion of finance within development appraisals is common.
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- 14.3 We target profit on cost as most investments are measured this way. However, this can be translated into a return on GDV.
- 14.4 Profit exists to cover risk and uncertainty which has substantially increased since the NPPG and RICS guidance referred to above because of (for example):-
- Recent mortgage rate increases.
 - Recent development finance rate increases.
 - The end of Help to Buy.
 - Build cost inflation.
 - High general inflation.
 - Cost of living crisis.
 - Increased Corporation Tax for developers since April 2023.
 - Gloomy house price predictions.
 - Net Zero Carbon requirements (higher build costs over and above inflation).

- 14.5 We note from a recent planning inquiry we were involved in (APP/V5570/W/21/3267951 – a similar or indeed lower risk profile residential led scheme and before current inflationary pressures were upon us) that the Inspector was of the following opinion as at 15/12/21:-

Overall Residual Profit

77. Using the Council's figures, the overall residual profit would be £2,293,791 which, on applying a 17% private residential gross development value (GDV) and 15% GDV on commercial, would result in a surplus of £500,493. The appellant's calculations would be £977,908 residual profit, and in applying an 18% allowance on overall GDV and/or 20% on costs, this would result in a shortfall of £834,403. This represents some £1.3 million difference between parties.

78. Profit target values supported by both parties fall within the advice of the PPG which specifies 15-20%. In general, 18-20% margin is standard. The Council's figures, which given the current risk factors around the economy, do seem to be overly low.

- 14.6 As the Inspector was of the opinion that a standard profit rate was 18-20% on GDV in that case, a reasonable profit in a substantially higher risk market must now be higher.
- 14.7 Optimistically, we have assumed reasonable blended profit requirement to be 22.5% on cost.
- 14.8 The Base Rate had risen substantially over the last 12 months.
- 14.9 Hypothetical finance costs now typically break down as follows:-

60% Bank finance at 6% =	3.6%
20% equity finance at 14% =	2.8%
20% mezzanine finance at 18% =	3.6%

10% **plus a fixed 1.5% 'in/out' finance facility fee** on bank finance (and possibly the whole finance package if arranged via an Intermediary)

- 14.10 Other viability reviewers acting for Councils have recently been (but before the most recent Base Rate increases) using finance rate assumptions of more than 8% 'all-in'.

For example:-

- Gerald Eve (July 2023 - acting for Croydon) @ 8.5%:-

Finance Rate	3.29	The Advisor has adopted a finance rate of 8.5%, which is in accordance with our FVR. We consider that this is a reasonable position, however, we continue to monitor this as it may require further updating prior to the planning committee.
S106 and CIL	3.30	The Advisor has provided an estimate of the total contribution of MCIL2, CIL, Carbon Off-set & S.278 at £2m. This figure has increased from the previous estimation of £1.37m included in our last review. Following discussions with the Council, we understand that the increase is not justified and that internal calculations suggest that the contributions would remain at £1.37m.

- 14.11 We have used an optimistic 'all-in' finance rate of 9% herein.

15.0 OTHER ASSUMPTIONS

- 15.1 Our other viability assumptions are explicitly evident from our residual profit appraisal in **Appendix 2**.

16.0 CONCLUSION

- 16.1 The residual profit appraisal in **Appendix 2** drives a profit which equates to 19.11% on cost (and/or 16.05% on GDV) which is below what we consider reasonable/necessary at 22.5% on cost.

17.0 SENSITIVITY TEST

- 17.1 We consider the only appropriate sensitivity test based upon current market predictions would result in a more unviable conclusion.
- 17.2 As such, we have not carried out any sensitivity tests.

18.0 DISCLOSURE AND STATUS OF REPORT

- 18.1 We understand that you may provide a copy of this report to GBC and their advisors but that, beyond that, this report will remain confidential.

Yours faithfully,



James Brown BSc (Hons) MRICS
RICS Registered Valuer
Director

APPENDIX 1

Proposed Amount

54

The planning application is for 41 housing units with 13 apartments.

Doctors Surgery

Room Types	Area/Unit	No. of Units
Waiting Areas	102	2
Interview Room	8	1
Consulting/Exam Rooms	16	14
Treatment Rooms	18	6

Schedule of Accommodation

House Types	Area/Unit	No. of Units
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A Conversion flats 1 bed units	50	6
B 2 Bed Terrace House	90	18
C 2 Bed End-Terrace	90	17
D 3 Bed End-Terrace	105	1
E 3 Detached House	118.5	1
F 3 Detached Houses	115	4
G New Build Apartments • 6 x 1-bed • 1 x 2-bed	50 83	7

Total Units 54

Garage

Unit Type F

20 GIA/unit

5 units

100 Total SQM



APPENDIX 2

Gravesend (St Josephs) on 1/12/23

Development Appraisal
Prepared by JRB
James R Brown & Company Ltd
29 November 2023

APPRAISAL SUMMARY**JAMES R BROWN & COMPANY LTD****Gravesend (St Josephs) on 1/12/23****Appraisal Summary for Phase 1****Currency in £****REVENUE**

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private Residential	54	48,615	373.44	336,204	18,155,000

Investment Valuation

Doctors Surgery Land	
Manual Value	400,000

GROSS DEVELOPMENT VALUE 18,555,000**NET REALISATION** 18,555,000**OUTLAY****ACQUISITION COSTS**

Fixed Price	1,380,000	
Fixed Price		1,380,000
		1,380,000
Stamp Duty	4.25%	58,650
Agent Fee	1.00%	13,800
Legal Fee	0.80%	11,040
		83,490

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Private Residential	50,085	208.33	10,434,353
Contingency		5.00%	521,718
S.106/ S.278/Carbon			150,000
			11,106,071

PROFESSIONAL FEES

Professionals	10.00%	1,043,435
		1,043,435

MARKETING & LETTING

Marketing	1.00%	181,550
		181,550

DISPOSAL FEES

Sales Agent Fee	1.25%	226,938
Sales Legal Fee		70,000
		296,938

TOTAL COSTS BEFORE FINANCE 14,091,483**FINANCE**

Debit Rate 9.000%, Credit Rate 2.500% (Nominal)	
Land	318,497
Construction	840,848
Other	326,823
Total Finance Cost	1,486,168

TOTAL COSTS 15,577,652**PROFIT****2,977,348****Performance Measures**

Profit on Cost%	19.11%
Profit on GDV%	16.05%
Profit on NDV%	16.05%
IRR% (without Interest)	22.75%
Profit Erosion (finance rate 9.000)	1 yr 12 mths

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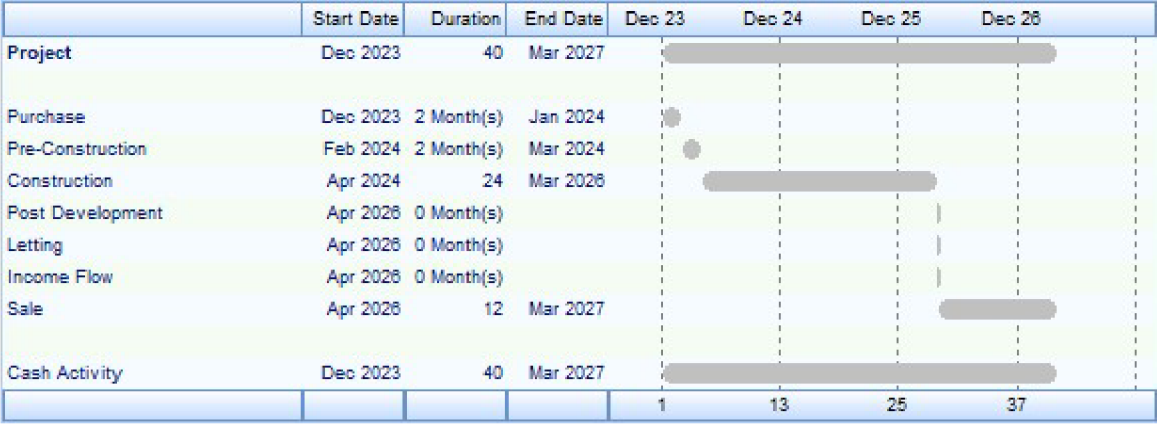
TIMESCALE AND PHASING CHART

JAMES R BROWN & COMPANY LTD

Gravesend (St Josephs) on 1/12/23

Project Timescale	
Project Start Date	Dec 2023
Project End Date	Mar 2027
Project Duration (Inc Exit Period)	40 months

Phase 1



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DETAILED CASH FLOW

JAMES R BROWN & COMPANY LTD

Gravesend (St Josephs) on 1/12/23

Detailed Cash flow Phase 1

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Monthly B/F	001:Dec 2023	002:Jan 2024	003:Feb 2024	004:Mar 2024	005:Apr 2024	006:May 2024	007:Jun 2024	008:Jul 2024
	0	(1,463,490)	(1,474,466)	(1,485,442)	(1,093,583)	(1,333,080)	(1,521,019)	(1,798,973)
Revenue								
Cap - Doctors Surgery Land	0	0	0	400,000	0	0	0	0
Sale - Private Residential	0	0	0	0	0	0	0	0
Disposal Costs								
Sales Agent Fee	0	0	0	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0	0	0	0
Unit Information								
Private Residential								
Acquisition Costs								
Fixed Price	(1,380,000)	0	0	0	0	0	0	0
Stamp Duty	(58,650)	0	0	0	0	0	0	0
Agent Fee	(13,800)	0	0	0	0	0	0	0
Legal Fee	(11,040)	0	0	0	0	0	0	0
Construction Costs								
S.106/ S.278/Carbon	0	0	0	0	(150,000)	0	0	0
Con. - Private Residential	0	0	0	0	(70,745)	(154,837)	(231,779)	(301,570)
Contingency	0	0	0	0	(3,537)	(7,742)	(11,589)	(15,079)
Professional Fees								
Professionals	0	0	0	0	(7,074)	(15,484)	(23,178)	(30,157)
Marketing/Letting								
Marketing	0	0	0	0	0	0	0	0
Net Cash Flow Before Finance	(1,463,490)	0	0	400,000	(231,356)	(178,063)	(266,546)	(346,806)
Debit Rate 9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
Credit Rate 2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
Finance Costs (All Sets)	0	(10,976)	(10,976)	(8,141)	(8,141)	(9,876)	(11,408)	(13,407)
Net Cash Flow After Finance	(1,463,490)	(10,976)	(10,976)	391,859	(239,497)	(187,939)	(277,954)	(360,213)
Cumulative Net Cash Flow Monthly	(1,463,490)	(1,474,466)	(1,485,442)	(1,093,583)	(1,333,080)	(1,521,019)	(1,798,973)	(2,159,185)

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DETAILED CASH FLOW

JAMES R BROWN & COMPANY LTD

Gravesend (St Josephs) on 1/12/23

Detailed Cash flow Phase 1

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009:Aug 2024 (2,159,185)	010:Sep 2024 (2,594,036)	011:Oct 2024 (3,096,146)	012:Nov 2024 (3,657,467)	013:Dec 2024 (4,270,191)	014:Jan 2025 (4,926,972)	015:Feb 2025 (5,619,359)	016:Mar 2025 (6,339,360)	017:Apr 2025 (7,079,749)	018:May 2025 (7,831,585)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
(364,211)	(419,700)	(468,039)	(509,228)	(543,265)	(570,152)	(589,888)	(602,473)	(607,908)	(606,192)
(18,211)	(20,985)	(23,402)	(25,461)	(27,163)	(28,508)	(29,494)	(30,124)	(30,395)	(30,310)
(36,421)	(41,970)	(46,804)	(50,923)	(54,327)	(57,015)	(58,989)	(60,247)	(60,791)	(60,619)
0	0	0	0	0	0	0	0	0	0
(418,842)	(482,656)	(538,245)	(585,612)	(624,755)	(655,675)	(678,371)	(692,844)	(699,094)	(697,120)
9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(16,008)	(19,455)	(23,075)	(27,112)	(32,026)	(36,712)	(41,630)	(47,545)	(52,742)	(57,985)
(434,850)	(502,111)	(561,321)	(612,724)	(656,781)	(692,387)	(720,001)	(740,389)	(751,836)	(755,105)
(2,594,036)	(3,096,146)	(3,657,467)	(4,270,191)	(4,926,972)	(5,619,359)	(6,339,360)	(7,079,749)	(7,831,585)	(8,586,690)

This appraisal report does not constitute a formal valuation.

DETAILED CASH FLOW

JAMES R BROWN & COMPANY LTD

Gravesend (St Josephs) on 1/12/23

Detailed Cash flow Phase 1

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019:Jun 2025 (8,586,690)	020:Jul 2025 (9,338,014)	021:Aug 2025 (10,076,069)	022:Sep 2025 (10,792,495)	023:Oct 2025 (11,480,431)	024:Nov 2025 (12,129,829)	025:Dec 2025 (10,943,876)	026:Jan 2026 (10,584,872)	027:Feb 2026 (10,154,852)	028:Mar 2026 (9,645,082)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	1,815,500	907,750	907,750	907,750	907,750
0	0	0	0	0	(22,694)	(11,347)	(11,347)	(11,347)	(11,347)
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
(597,325)	(581,307)	(558,139)	(527,820)	(490,350)	(445,729)	(393,958)	(335,036)	(268,963)	(195,739)
(29,866)	(29,065)	(27,907)	(26,391)	(24,517)	(22,286)	(19,698)	(16,752)	(13,448)	(9,787)
(59,732)	(58,131)	(55,814)	(52,782)	(49,035)	(44,573)	(39,396)	(33,504)	(26,896)	(19,574)
0	0	0	0	0	(18,155)	(9,078)	(9,078)	(9,078)	(9,078)
(686,923)	(668,503)	(641,860)	(606,993)	(563,902)	1,262,063	434,274	502,034	578,018	662,225
9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(64,400)	(69,552)	(74,566)	(80,944)	(85,496)	(76,109)	(75,271)	(72,014)	(68,249)	(65,530)
(751,324)	(738,055)	(716,425)	(687,936)	(649,398)	1,185,954	359,003	430,021	509,770	596,695
(9,338,014)	(10,076,069)	(10,792,495)	(11,480,431)	(12,129,829)	(10,943,876)	(10,584,872)	(10,154,852)	(9,645,082)	(9,048,387)

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DETAILED CASH FLOW

JAMES R BROWN & COMPANY LTD

Gravesend (St Josephs) on 1/12/23

Detailed Cash flow Phase 1

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029:Apr 2026 (9,048,387)	030:May 2026 (8,291,625)	031:Jun 2026 (7,458,733)	032:Jul 2026 (6,620,539)	033:Aug 2026 (5,775,691)	034:Sep 2026 (4,924,188)	035:Oct 2026 (4,066,986)	036:Nov 2026 (3,203,128)	037:Dec 2026 (2,332,616)	038:Jan 2027 (1,455,977)
0	0	0	0	0	0	0	0	0	0
907,750	907,750	907,750	907,750	907,750	907,750	907,750	907,750	907,750	907,750
(11,347)	(11,347)	(11,347)	(11,347)	(11,347)	(11,347)	(11,347)	(11,347)	(11,347)	(11,347)
(70,000)	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
(9,078)	(9,078)	(9,078)	(9,078)	(9,078)	(9,078)	(9,078)	(9,078)	(9,078)	(9,078)
817,326	887,326	887,326	887,326	887,326	887,326	887,326	887,326	887,326	887,326
9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(60,563)	(54,433)	(49,132)	(42,477)	(35,822)	(30,123)	(23,468)	(16,813)	(10,686)	(4,032)
756,762	832,892	838,193	844,848	851,503	857,202	863,857	870,512	876,639	883,294
(8,291,625)	(7,458,733)	(6,620,539)	(5,775,691)	(4,924,188)	(4,066,986)	(3,203,128)	(2,332,616)	(1,455,977)	(572,683)

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Gravesend (St Josephs) on 1/12/23

039:Feb 2027	040:Mar 2027
(572,683)	315,371
0	0
907,750	2,723,250
(11,347)	(34,041)
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
(9,078)	(27,233)
887,326	2,661,977
9.000%	9.000%
2.500%	2.500%
729	0
888,054	2,661,977
315,371	2,977,348

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