

Appeal By – AJC Group
Appeal Ref - APP/B1740/W/23/3324227
LPA Ref - 22/10813

Address
Orchard Gate
Noads Way
Dibden
SO45 4PD

Rebuttal to Fraser Castle's Proof of Evidence

Prepared by

John Newman, BSc(Hons) PGDip MRICS MCIH CABE
Director – Sturt & Co Ltd

19 September 2023

1.0 **Benchmark Land Value**

- 1.1 I note that FC has proposed a reduction in Benchmark Land Value to £990,000. This BMLV is based on an EUV of the Bungalow at £510,000 and an EUV of 1.6 acres of paddock at £160,000 being a total EUV of £670,000. A premium of £220,000 has been applied to generate the BMLV of £990,000.
- 1.2 The EUV of £510,000 was included in my initial viability reporting on the previous planning application in July 2021. The evidence base for this was the sale of Nut Haven (Applemore Hill, SO45 5TLP) being a comparable property sold in the local area. Nut Haven is a non-traditional modular build bungalow type of 90m² on 0.6 acres. The property is east of the Hythe bypass and appears to be outside the settlement boundary.
- 1.3 Nut Haven sold for £645,000 in May 2021. I considered a suitable adjustment for the smaller size of Nut Haven but the poorer condition of Orchard Gate. The EUV considered was £510,000.
- 1.4 There has been general comment regarding the House Price Index (HPI) and I do not consider it a better method of adjusting value when compared to comparable transactional evidence. However in this case it is clear that the Existing Use Value of Nut Haven and in turn Orchard Gate would have increased over the last 28 months.
- 1.5 The HPI for the location suggests this to be 117% resulting in the EUV of Orchard Gate increasing to c£597,000. This change to EUV has not been reflected in the more recent reporting in favour of a BMLV approach that considered the Local Plan evidence base.
- 1.6 The balance of the Orchard Gate site is Paddock. The area of Paddock is hard to define as there are blurred areas of use and the access road is shared. To my mind the bungalow is adequately served on a 0.3 acre plot without impacting on its EUV, with the balance being used as Paddock. The area of this being 1.9 acres.
- 1.7 In my previous reporting (July 2021) evidence was presented that demonstrated that Paddock land in the open country side in NFDC achieved £100,000 acre (Green Lane, Ossemsley, BH25 5TH). The area of land at Orchard Gate is clearly subject to a difference in opinion in terms of size. However, it is clear that Paddock Land within the settlement boundary adjacent to the National Park is very rare and would demand a significantly higher EUV. If we consider an area of Paddock at 1.9 acres then the 2021 EUV would be £190,000.
- 1.8 Considering an update to the previous EUV submission but not adjusting the Paddock land the Current Use Value would be £787,000, say £790,000 rounding up.

- 1.9 NPPG states that a premium to the Landowner is entirely reasonable. I do not consider a premium of £200,000 (resulting in a BMLV of £990,000) to be reasonable, considering the land owners costs of sale. As previously noted Orchard Gate is an unique property and its EUV could easily be higher as it is within the settlement boundary and has the benefits of local facilities. The lack of comparable evidence requires judgement in forming an opinion of EUV and in turn the premium to be applied.
- 1.10 Bruton Knowles consider a 3 x premium to the Paddock land ($3 \times £160,000 = £480,000$) to be reasonable, with the bungalow not receiving any premium due to its condition. I note that there is some disagreement in regards the area to be attributed to the Paddock but using 1.9 acres at £100,000 acre x 3 the BMLV of this would be increased to £570,000.
- 1.11 Including for an adjusted EUV of the Bungalow at £597,000 and Paddock at £570,000 then BMKV would be £1,167,000. At the lower Paddock value of £480,000 the BMLV would be reduced to £1,077,000.
- 1.12 The site's unique nature presents challenges in determining its Existing Use Value. I submitted a number of comparable property sales in my Proof (Appendix P, Q & R). I consider this evidence to be helpful in demonstrating the EUV of a property with paddock land. I consider the Dibden site with its location in settlement but proximity to National Park, size and access will drive higher value than the comparable evidence.
- 1.13 Considering the above, I am of the opinion that a BMLV of £1,150,000 for the Orchard Gate site is entirely reasonable.

2.0 **Revenue**

- 2.1 The lack of comparable evidence has resulted in a small but important difference of opinion. Bruton Knowles have included for a range of transaction evidence based on the sale of second-hand property in the town. I note that the transactions typically include for larger plots with garages and in curtilage parking. The value of these homes will be enhanced by this whereas Orchard Gate site will not.
- 2.2 I note Bruton Knowles commentary on St Judes and can only confirm that I have also interviewed the selling Agents, Fox & Sons, and received a more pessimistic response. I was informed that the unsold property would be remarketed in 2024 following significant internal remodelling. When pressed on current sales value in the current market the Agents suggested a value of £425sqft for the 3 bed semi detached house.

2.3 I discussed St Judes in my Letter to the LPA on 29 June 2023 (Appendix D) and set out the reasons why I consider the site has a higher market value compared to Orchard Gate. The inability of the Agent to sell the property demonstrates that the local residential property market reached a peak in 2022 and has been falling since this time.

2.4 I have considered the second hand market, local Agent feedback, new build projects in the wider NFDC and arrived at a conclusion as to private sales revenue at an average of £425sqft which I consider to be reasonable.

2.5 I have considered the Bruton Knowles higher revenue within my sensitivity analysis as Appendix J update.

3.0 **Development Costs**

3.1 Bruton Knowles do not agree with the inclusion of a number of development costs including the Management company, Void Costs, Valuation Fees, Covenant Insurance and Bank Fees.

3.2 The site will have common parts including powered supply to pumped drainage. These costs have to be managed within a Management company and the £5,000 cost of setting this up has to be included as a reasonable cost.

3.3 The St Judes development demonstrates that new build property can remain unsold for significant periods of time. Whilst this factor has not been included within the cashflow appraisal it is entirely reasonable to expect that completed dwellings remain void for a couple of months prior to sale. Local Authority are allowed and do charge for Council Tax on these homes and there are cost of insurance and utility charges that also have to be paid. The budget of £14,000 in my opinion is entirely reasonable.

3.4 I consider the Valuation costs dealing with Viability are a qualifying cost that sit outside the Professional Fee budget. This cost was recently agreed within my evidence in the recent uncontested West Sussex, Public Inquiry APP/L3815/W/23/3318548.

3.5 I note Bruton Knowles comments in regard the Covenant Insurance. I consider this a qualifying cost that should be included within the viability review. The budget of £25,000 has been based on experience of similar projects and judgement.

3.6 I have included an example land agreement for Lloyds Bank in my Proof at Appendix K. The Bank fees are clearly set out and resulted in fees in excess of £22,000 for a

£1,000,000 loan. These costs are standard within the industry and my budget of £10,000 is entirely reasonable. I also note that the Interest rate at (7.75% May 2023 now 8.25% following base rise of 0.5%) plus Bank fees was recently agreed within my evidence in the uncontested West Sussex, Public Inquiry APP/L3815/W/23/3318548.

- 3.7 I have been notified by the Planning Agent that I have included for s106 charges within some of the CIL charges. Accordingly I have updated my worksheet with the following.

25 Number Private Sales

New Forest Habitats recreational mitigation	
Infrastructure	£145,476
Community Infrastructure Levy	£237,029
Using clause 9 CIL payable to NFDC = (£237,029 - £145,476)	£91,553

22 Number Private Sales - 3 Number Affordable

Dwellings

New Forest Habitats recreational mitigation	
Infrastructure	£145,476
Community Infrastructure Levy	£212,507
Using clause 9 CIL payable to NFDC = (£212,507 - £145,476)	£67,031

4.0 Stand Back

- 4.1 Bruton Knowles reference the Stand Back process and the need to reference transaction land evidence. I have previously included a section within my Proof detailing the Beckley Walk site. I note that Bruton Knowles have analysed this on a Gross Land Value basis (Land plus abnormal cost plus planning contributions). I have reviewed the project on this basis and note the following.

Beckley Walk	App S	Orchard Gate	App J update
Land Value	£1,450,000	Land Value	£1,150,000
Plus		Plus	
Abnormal Works	£70,392	Abnormal Works	£685,581
CIL	£171,899	CIL	£78,828
S106	£48,691	S106	£473,416
Total	£290,982	Total	£1,237,825
Gross Land Value	£1,740,982	Gross Land Value	£2,387,825
Sales Area 1,713m2	£1,016.34	Sales Area	
	£94.42	2,170m2	£1,100
			£102

- 4.2 I have reviewed the out turn construction cost for the Beckley Walk site and note that abnormal works amount to only £70,392 including for prelims and margin (Appendix S). The land value for Beckley Walk is therefore £94sqft sales area. Orchard Gate

produces a land value of £102sqft sales area. Accordingly, the transactional evidence demonstrates that the BMLV for Orchard Gate, whilst higher, is in line with value of development land in the local area.

5.0 Bruton Knowles Appraisal

- 5.1 Bruton Knowles have presented an Argus Worksheet that sets out their residual valuation assumptions. The workings of this have not been verified as we have not been provided with the digital files. However, on inspection it appears that there are a number of discrepancies that need to be verified. I refer to Bruton Knowles Appendix 5.
- 5.2 Build Contingency is included at 5% at a sum of £235,818, however this is only 4.78% of the works cost being £4,926,431. It appears that the contingency has not been applied to all costs and is therefore understated.
- 5.3 Professional Fees is included at 8% at a sum of £377,309, however this is only 7.65% of the works cost being £4,926,431. It appears that the fee has not been applied to all costs and is therefore understated.
- 5.4 Bruton Knowles have included for Interest charges at £241,960 on £7,286,219 of cost. This calculated sum appears to be far too low and I suspect that the cashflow appraisal which is not visible does not include for all costs at the correct time.
- 5.5 Valuation Guidance suggests Interest charges are likely to be reflective of half the time multiplied by the cost multiplied by the interest rate. In this case the charge would be c£500,000. My Policy Compliant worksheet includes for a slightly higher £551,000, however this will be reflective of my higher costs.

Bruton Knowles App 5
 Policy Compliant - 20 Months
 Total Cost £7,286,219
 Interest Charge £241,960
 Rate 8.25%

Valuation Guidance
 Half Time 10 Months 0.833
 Rate 8.25%
 Total Cost £7,286,219
 (Time/2 x Cost x Rate) £500,727

Bruton Knowles £241,960

Sturt & Co £551,122

5.6 The Bruton Knowles digital files have been requested and if able to be verified ahead of the Inquiry I will provide an update on this area of difference.

6.0 Residual Land Value Update

6.1 I have updated the RLV including for the reduced CIL charges as set out at 3.7. In summary the following RLV are generated under each analysis. I attach Appendix G, H, I & J updates.

Version	Description	RLV
Appendix G Update	Policy including off site drainage	-£114,790
Appendix H Update	12% AH inc off site drainage	£466,014
Appendix I Update	100% Private inc off site drainage	£720,000
Appendix J Update	12% AH inc off site drainage plus Higher Rev (BK)	£936,780

7.0 Conclusion

7.1 Having reviewed the Bruton Knowles report I do not consider there to be any evidence to change the conclusions previously reached in my Proof bar the double counting of s106 contributions to Habitat Mitigation.

7.2 I have clarified the areas of disagreement and consider the costs and revenues included for within my reporting to be reasonable and justified.

7.3 The viability assessments confirm that the RLV does not exceed to BMLV and as such the site cannot provide a policy compliant affordable housing contribution.

7.3 I consider the site to have significant viability issues, however the provision of 3 number s106 affordable housing units has been made taking into account the site's constraints.

8.0 Declaration

8.1 I confirm that my report has drawn attention to all material facts which are relevant and have affected my professional opinion.

8.2 I confirm that I understand and have complied with my duty as an expert witness which overrides any duty to those instructing or paying me, that I have given my

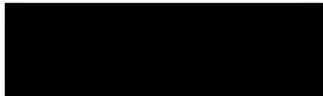
evidence impartially and objectively and that I will continue to comply with that duty as required.

8.3 I confirm that I am not instructed under any conditional or other success-based fee arrangement.

8.4 I confirm that I have no conflicts of interest.

8.5 I confirm that my report complies with the requirements of RICS – Royal Institution of Chartered Surveyors, as set down in the RICS practice statement ‘Surveyors acting as Expert Witnesses’.

Signed:

A black rectangular box redacting the signature.

John Newman MRICS 19 September 2023

Appendix

Appendix G Update	Policy including off site drainage
Appendix H Update	12% AH including off site drainage
Appendix I Update	100% Private including off site drainage
Appendix J Update	12% AH including off site drainage plus Higher Revenue (BK)
Appendix S	Beckley Walk - Out Turn Costs