

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

Address
Orchard Gate
Noads Way
Dibden
SO45 4PD

Addendum to Proof of Evidence

Prepared by

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

5 October 2023

1.0 **Argus Appraisal**

- 1.1 During the lead up to the Statement of Common Ground, I offered to provide the LPA and Bruton Knowles a copy of my Residual Valuation Worksheet (Appendix H) in an Argus format to match their corresponding evidence submitted.
- 1.2 This is particularly appropriate as there is a significant difference in opinion over the interest charges to be applied to this Valuation. I note that the off-site drainage costs are now omitted from the residual valuation worksheet and this in turn will have a significant impact on the interest charges therein.
- 1.3 Considering the 3 number affordable housing dwellings appraisal. Bruton Knowles calculate interest charges to be £239,575. My Argus cashflow (Appendix T) appraisal calculates interest charges at £432,551 being £192,976 higher than Bruton Knowles.
- 1.4 Appendix T demonstrates clearly the development costs incurred overtime and the revenue income generated from sales. I consider the assumptions used to be realistic of this development project and that the interest charges created are in turn reasonable.
- 1.5 I note that the Argus system assumes a simple curved line of expenditure on construction costs. You will note that the build spend in months 3 - 5 is lower than say month 8 reflecting this. However, in practice and in my Proof appraisal (Appendix H), it is always the case that build expenditure is front loaded on a project of this nature as orders are placed to ensure timely delivery at fixed cost.
- 1.6 Secondly, the Argus programme has linked sales and marketing costs directly to the sale date of properties. Clearly the marketing of a site starts towards the beginning of the project and as such these fees would be partly incurred earlier increasing the interest charge.
- 1.7 I refer to these timing issues as it is likely that interest charges could be higher than is shown in the appraisal. I acknowledge that the Argus system allows for more flexibility in cashflow adjustment, however my appraisal is adapted from the Bruton Knowles appraisal and so includes for its basic set up structure.
- 1.8 In reviewing the Bruton Knowles appraisal we note that the timing of cost expenditure was significantly later than it would be in practice and the sale of dwellings and revenue received would be before sufficient works had completed.
- 1.9 In reality you cannot sell a dwelling until the unit has received final Building Regs and Council for Mortgage Lender certification and the road has been built with service

connections. Health and Safety issues aside. this site will need to be practically 100% built before any sale completions occur. Building works that can be undertaken after initial sales have occurred will be kitchens, bathrooms, landscape and decorating only.

2.0 Declaration

- 2.1 I confirm that my report has drawn attention to all material facts which are relevant and have affected my professional opinion.
- 2.2 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.
- 2.3 I confirm that I am not instructed under any conditional or other success-based fee arrangement.
- 2.4 I confirm that I have no conflicts of interest.
- 2.5 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, with a small horizontal line extending from its right side.

John Newman MRICS 5 October 2023

Appendix T – Argus Appraisal Worksheets

Appraisal Summary - Orchard Gate
3 nr AH Units
Currency in £

REVENUE

Sales Valuation	Units	m²	Sales Rate m²	Unit Price	Gross Sales
P - 2 Bed House SD	1	70.00	4,642.86	325,000	325,000
P - 3 Bed House End Terr	4	338.00	4,615.38	390,000	1,560,000
P - 3 Bed House Mid Terr	4	338.00	4,556.21	385,000	1,540,000
P - 3 Bed House SD	9	760.50	4,733.73	400,000	3,600,000
P - 4 Bed House SD	3	318.00	4,245.28	450,000	1,350,000
P - 4 Bed House Det	1	135.00	4,259.26	575,000	575,000
A - 2 Bed House SD	<u>3</u>	<u>210.00</u>	2,642.86	185,000	<u>555,000</u>
Totals	25	2,169.50			9,505,000

NET REALISATION

9,505,000

OUTLAY

ACQUISITION COSTS

Residualised Price	948,614	
		948,614
Stamp Duty SDLT	90,750	
Effective Stamp Duty Rate	9.57%	
Legal Acquisition	20,125	
Valuation Fee	20,000	
Restrictive Covenants	25,000	
Bank Monitoring Fee	10,000	
		165,875

CONSTRUCTION COSTS

Construction	m²	Build Rate m²	Cost
P - 2 Bed House SD	70.00	1,500.00	105,000
P - 3 Bed House End Terr	338.00	1,480.00	500,240
P - 3 Bed House Mid Terr	338.00	1,480.00	500,240
P - 3 Bed House SD	760.50	1,500.00	1,140,750
P - 4 Bed House SD	318.00	1,500.00	477,000
P - 4 Bed House Det	135.00	1,792.00	241,920
A - 2 Bed House SD	<u>210.00</u>	1,500.00	<u>315,000</u>
Totals	2,169.50 m²		3,280,150

Contingency	5.00%	246,432
Demolition & Site Clearance		50,000
Asbestos Removal		10,000
CIL	1,959.50 m ²	109.23
CIL Credit		(147,004)
S106 Air Quality		2,472
S106 Solent Bird Aware		19,820
S106 BNG		35,000
106 Open Space		48,932
S106 Habitat non infrastructure		21,716
S106 Habitat infrastructure		145,476
S106 Off Site Highways		20,000
Nitrate Mitigation 49.56kg		180,000

4,127,030

Other Construction

Externals	962,900
Substation Upgrades	87,000
0/O 1.5m Deep Strip Foundation	51,734
Permalble Block Paving	52,800

Pump Station		80,984	
Capping Layer (350mm)		47,220	
SUDS £75m3 x 277m3		20,775	
Tree Works		30,000	
Tree Protection £32m x 625m		20,000	
Car Charging		25,000	
Part L Building Reg (Prov)£96.85m2		210,068	
			1,588,481
PROFESSIONAL FEES			
Professional Fees - Pre Contract		256,289	
Professional Fees - Post Contract	2.80%	138,002	
			394,291
DISPOSAL FEES			
Sales, Legals & Marketing	2.50%	223,750	
Void Council Tax		14,000	
Affordable Housing Sale	1.00%	5,550	
Management Company setup		5,000	
			248,300
FINANCE			
Debit Rate 8.250%, Credit Rate			
0.000% (Nominal)			
Total Finance Cost			432,551
TOTAL COSTS			7,905,142
PROFIT			
			1,599,858
Performance Measures			
Profit on Cost%	20.24%		
Profit on GDV%	16.83%		
Profit on NDV%	16.83%		
IRR% (without Interest)	33.22%		
Profit Erosion (finance rate 8.250)	2 yrs 3 mths		

RLV 3 x HA Units (Omit off site drainage)

Heading	Category	Total	Cost Code	Oct 23	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024
				1	2	3	4	5	6	7
Phase 1 - Revenue										
Sale - P - 2 Bed House SD	2	324,999	None	0	0	0	0	0	0	0
Sale - P - 3 Bed House End Terr	2	1,560,000	None	0	0	0	0	0	0	0
Sale - P - 3 Bed House Mid Terr	2	1,540,000	None	0	0	0	0	0	0	0
Sale - P - 3 Bed House SD	2	3,600,000	None	0	0	0	0	0	0	0
Sale - P - 4 Bed House SD	2	1,349,999	None	0	0	0	0	0	0	0
Sale - P - 4 Bed House Det	2	575,000	None	0	0	0	0	0	0	0
Phase 2 - Revenue										
Sale - A - 2 Bed House SD	2	554,999	None	0	0	0	0	0	0	0
Phase 1 - Disposal Costs										
Sales, Legals & Marketing	9	-223,750	None	0	0	0	0	0	0	0
Void Council Tax	9	-14,000	None	0	0	0	0	0	0	0
Management Company setup	10	-5,000	None	0	0	0	0	0	0	0
Phase 2 - Disposal Costs										
Affordable Housing Sale	9	-5,549	None	0	0	0	0	0	0	0
Phase 1 - Acquisition Costs										
Residualised Price	12	-832,413	None	-832,413	0	0	0	0	0	0
Stamp Duty SDLT	14	-90,750	None	-90,750	0	0	0	0	0	0
Legal Acquisition	16	-20,125	None	-20,125	0	0	0	0	0	0
Valuation Fee	21	-20,000	None	-20,000	0	0	0	0	0	0
Restrictive Covenants	21	-25,000	None	-25,000	0	0	0	0	0	0
Bank Monitoring Fee	21	-10,000	None	-10,000	0	0	0	0	0	0
Phase 2 - Acquisition Costs										
Residualised Price	12	-116,201	None	-116,201	0	0	0	0	0	0
Phase 1 - Construction Costs										
Demolition & Site Clearance	27	-50,000	None	0	0	-50,000	0	0	0	0
Asbestos Removal	27	-10,000	None	0	0	-10,000	0	0	0	0
Con. - P - 2 Bed House SD	24	-104,999	None	0	0	-1,389	-3,212	-4,792	-6,130	-7,224
Con. - P - 3 Bed House End Terr	24	-500,239	None	0	0	-6,620	-15,305	-22,834	-29,205	-34,419
Con. - P - 3 Bed House Mid Terr	24	-500,239	None	0	0	-6,620	-15,305	-22,834	-29,205	-34,419
Con. - P - 3 Bed House SD	24	-1,140,749	None	0	0	-15,097	-34,903	-52,071	-66,600	-78,491
Con. - P - 4 Bed House SD	24	-476,999	None	0	0	-6,313	-14,594	-21,773	-27,848	-32,820
Con. - P - 4 Bed House Det	24	-241,919	None	0	0	-3,201	-7,402	-11,042	-14,124	-16,645
Externals	79	-962,899	None	0	0	-12,743	-29,462	-43,953	-56,217	-66,253

RLV 3 x HA Units (Omit off site drainage)

Substation Upgrades	79	-86,999	None	0	0	-86,999	0	0	0	0
E/O 1.5m Deep Strip Foundation	79	-51,733	None	0	0	-51,733	0	0	0	0
E/O Block Paving @£40m2x1,320m2	79	-52,799	None	0	0	-698	-1,615	-2,410	-3,082	-3,632
Pump Station	79	-80,983	None	0	0	-5,890	-13,669	-17,895	-18,570	-15,693
Capping Layer (350mm) £20m x2,361	79	-47,219	None	0	0	-624	-1,444	-2,155	-2,756	-3,249
SUDS £75m3 x 277m3	79	-20,774	None	0	0	-1,511	-3,506	-4,590	-4,763	-4,025
Tree Works	79	-29,999	None	0	0	-29,999	0	0	0	0
Tree Protection £32m x 625m	79	-19,999	None	0	0	-19,999	0	0	0	0
Car Charging	79	-25,000	None	0	0	-330	-764	-1,141	-1,459	-1,720
Part L Building Reg (Prov)£96.85m2	79	-210,067	None	0	0	-2,780	-6,427	-9,588	-12,264	-14,454
Contingency	25	-230,681	None	0	0	-15,627	-7,380	-10,854	-13,611	-15,652
CIL	29	-214,036	None	-214,036	0	0	0	0	0	0
CIL Credit	29	147,003	None	147,003	0	0	0	0	0	0
S106 Air Quality	29	-2,472	None	-2,472	0	0	0	0	0	0
S106 Solent Bird Aware	29	-19,820	None	-19,820	0	0	0	0	0	0
S106 BNG	29	-35,000	None	-35,000	0	0	0	0	0	0
106 Open Space	29	-48,932	None	-48,932	0	0	0	0	0	0
S106 Habitat non infrastructure	29	-21,716	None	-21,716	0	0	0	0	0	0
S106 Habitat infrastructure	29	-145,476	None	-145,476	0	0	0	0	0	0
S106 Off Site Highways	29	-20,000	None	-20,000	0	0	0	0	0	0
Nitrate Mitigation 49.56kg	29	-180,000	None	-180,000	0	0	0	0	0	0
Phase 2 - Construction Costs										
Con. - A - 2 Bed House SD	24	-314,999	None	0	0	0	-4,649	-10,816	-16,099	-20,498
Contingency	25	-15,749	None	0	0	0	-232	-540	-805	-1,024
Phase 1 - Professional Fees										
Professional Fees - Pre Contract	32	-225,534	None	-225,534	0	0	0	0	0	0
Professional Fees - Post Contract	32	-129,181	None	0	0	0	-8,933	-4,579	-6,730	-8,421
Phase 2 - Professional Fees										
Professional fees - Pre Contract	32	-30,755	None	-30,755	0	0	0	0	0	0
Professional fees - Post Contract	32	-8,819	None	0	0	0	-130	-302	-450	-573
Escrow Account										
Deposits Received		0		0	0	0	0	0	0	0
Cumulative Deposits Received		0		0	0	0	0	0	0	0
Deposits Used		0		0	0	0	0	0	0	0
Cumulative Deposits Used		0		0	0	0	0	0	0	0
Unused Deposits		0		0	0	0	0	0	0	0

RLV 3 x HA Units (Omit off site drainage)

Interest Received on Unused Deposits	0	0	0	0	0	0	0	0
Interest Payable	0	0	0	0	0	0	0	0
Finance Details								
Total Revenue	9,505,000	0	0	0	0	0	0	0
Total Cost	-7,472,590	-1,911,226	0	-328,185	-168,942	-244,179	-309,927	-359,223
Net Cash Flow	2,032,409	-1,911,226	0	-328,185	-168,942	-244,179	-309,927	-359,223
Net Cash Flow (Interest Calculation)		0	-1,911,226	-1,911,226	-2,265,691	-2,434,634	-2,678,813	-3,039,472
Inflation Set 1. Rate pa = 0.000%		0	0	0	0	0	0	0
Interest Set 1. Debit Rate pa = 8.250%		8	8	8	8	8	8	8
Interest Set 1. Credit Rate pa = 0.000%		0	0	0	0	0	0	0
Total Interest (Interest Set 1)	-432,550	0	-13,139	-13,139	-15,576	-16,738	-18,416	-20,896
Total Interest (All Sets)	-432,550	0	-13,139	-13,139	-15,576	-16,738	-18,416	-20,896
Net Cash Flow (IRR)	2,032,409	-1,911,226	0	-328,185	-168,942	-244,179	-309,927	-359,223
Cumulative Net Cash Flow	1,599,858	-1,911,226	-1,924,366	-2,265,691	-2,450,210	-2,711,128	-3,039,472	-3,419,591

May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025
8	9	10	11	12	13	14	15	16	17	18	19	20	21
0	0	0	0	0	0	0	46,428	46,428	46,428	46,428	46,428	46,428	46,428
0	0	0	0	0	0	0	222,857	222,857	222,857	222,857	222,857	222,857	222,857
0	0	0	0	0	0	0	220,000	220,000	220,000	220,000	220,000	220,000	220,000
0	0	0	0	0	0	0	514,285	514,285	514,285	514,285	514,285	514,285	514,285
0	0	0	0	0	0	0	192,857	192,857	192,857	192,857	192,857	192,857	192,857
0	0	0	0	0	0	0	82,142	82,142	82,142	82,142	82,142	82,142	82,142
0	0	0	0	0	0	0	79,285	79,285	79,285	79,285	79,285	79,285	79,285
0	0	0	0	0	0	0	-31,964	-31,964	-31,964	-31,964	-31,964	-31,964	-31,964
0	0	0	0	0	0	0	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000
0	0	0	0	0	0	0	-5,000	0	0	0	0	0	0
0	0	0	0	0	0	0	-5,549	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	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
-8,076	-8,685	-9,050	-9,174	-9,054	-8,691	-8,086	-7,237	-6,146	-4,812	-3,235	0	0	0
-38,477	-41,377	-43,120	-43,706	-43,135	-41,408	-38,523	-34,481	-29,282	-22,926	-15,413	0	0	0
-38,477	-41,377	-43,120	-43,706	-43,135	-41,408	-38,523	-34,481	-29,282	-22,926	-15,413	0	0	0
-87,743	-94,356	-98,332	-99,669	-98,367	-94,427	-87,848	-78,631	-66,776	-52,282	-35,150	0	0	0
-36,689	-39,454	-41,117	-41,676	-41,131	-39,484	-36,733	-32,879	-27,922	-21,861	-14,697	0	0	0
-18,607	-20,010	-20,853	-21,136	-20,860	-20,025	-18,630	-16,675	-14,161	-11,087	-7,454	0	0	0
-74,063	-79,646	-83,001	-84,130	-83,031	-79,705	-74,152	-66,372	-56,365	-44,131	-29,669	0	0	0

[illegible]

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	1,357,857	1,357,857	1,357,857	1,357,857	1,357,857	1,357,857	1,357,857
-392,065	-409,401	-427,218	-433,720	-428,580	-411,798	-383,376	-387,826	-325,570	-262,222	-187,233	-33,964	-33,964	-33,964
-392,065	-409,401	-427,218	-433,720	-428,580	-411,798	-383,376	970,031	1,032,287	1,095,634	1,170,623	1,323,892	1,323,892	1,323,892
-3,398,695	-3,790,761	-4,270,486	-4,697,704	-5,131,424	-5,656,940	-6,068,739	-5,094,258	-4,239,863	-3,207,576	-2,111,942	-1,007,039	316,852	1,640,745
0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	8	8	8	8	8	8	8	8	8	8	8	8	8
0	0	0	0	0	0	0	0	0	0	0	0	0	0
-23,366	-26,061	-29,359	-32,296	-35,278	-38,891	-41,722	-35,023	-29,149	-22,052	-14,519	-6,923	0	0
-23,366	-26,061	-29,359	-32,296	-35,278	-38,891	-41,722	-35,023	-29,149	-22,052	-14,519	-6,923	0	0
-392,065	-409,401	-427,218	-433,720	-428,580	-411,798	-383,376	970,031	1,032,287	1,095,634	1,170,623	1,323,892	1,323,892	1,323,892
-3,835,023	-4,270,486	-4,727,064	-5,193,081	-5,656,940	-6,107,630	-6,532,729	-5,597,721	-4,594,583	-3,521,000	-2,364,897	-1,047,927	275,965	1,599,858