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VIABILITY APPRAISAL & REPORT

**BROADWATER GARDENS (BIOPARK)
BROADWATER ROAD
WELWYN GARDEN CITY
HERTS AL7 3TT**

**Prepared by
Kempton Carr Croft**

On behalf of HG Group

Regulated by RICS | Offices: Basingstoke | Camberley | Gerrards Cross | Maidenhead | Mayfair | Reading | Staines-Upon-Thames | Windsor

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1. Executive Summary

Gross Development Value

Based on development of 289 private sale residential units with a gross sales area of 203,369 sq ft.	£95,096,838
Total development costs having regard to the criteria set out in the report	£93,539,748
Net Land Value	£ 1,557,090
LESS: EXISTING USE VALUE	<u>£ 6,000,000</u>
Deficit	<u><u>-£ 4,442,910</u></u>

It is therefore demonstrated that if the proposed scheme were offered for 100% private sale, it is shown to be in deficit in comparison to the Existing Use Value and therefore, unable to provide any level of affordable housing, already being in deficit by -£4,442,910 with an adjusted Developers Profit of 12.83%.

2. Instructions and Assumptions

- 2.1 We have been instructed by HG Group to undertake a viability appraisal and report at the subject property to assess the possibility and viability of providing an affordable housing contribution on the above site having regard to the Benchmark Land Value of the property and the net land value of the proposed redevelopment.
- 2.2 We set out within the report and in the attached appendices information which we have relied upon in arriving at my conclusions.
- 2.3 All information contained within this report is supported by evidence and additional comments are made where necessary.
- 2.4 The viability has been undertaken by Petrina J Froud and Michael Darroch BSc (Hons) MRICS whose CVs are attached **(Appendix A)**.
- 2.5 The viability is not intended to represent a Valuation in accordance with the RICS Valuation Global Standards 2019, and should not be relied on as such.

3. Methodology

- 3.1 In preparing this Viability Appraisal and Report, we have taken full consideration of RICS Professional Guidance, England – Financial viability in planning, 1st edition, GN 94/2012, National Planning Policy Guidance (NPPF) updated February 2019 and National Planning Policy Guidance for Viability (NPPG) updated September 2019. Account has been taken specifically of the effect that planning obligations and other requirements have on the viability of the proposed development, whilst maintaining an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering the project.

4. Objectivity, Impartiality and Reasonableness

- 4.1 We confirm that in undertaking this review we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

5. Contingent Fees

- 5.1 We confirm that in preparing this report, no performance related or contingent fees have been agreed.

6. Date and Extent of Inspection

- 6.1 Our inspection of the above property and general area has been internet based using online resources.

7. Situation, Communications and Amenities

Location Plan annexed to rear of report (Appendix B)

- 7.1 The subject site is situated at the Biopark accessed directly off Biopark Drive which is accessed from Broadwater Road, between the junctions of Broadwater Crescent and Penn Way, and lies adjacent to the mainline railway line serving the Great Northern and Thameslink lines. The immediate area is predominantly residential in nature, mainly comprising recently constructed flat developments. Broadwater Crescent is situated adjacent to the entrance to the Biopark and leads to a comprehensive residential development which comprises a mix of flats, terraced and semi-detached houses. There is also an area of allotments located to the southern boundary of the Biopark.
- 7.2 The property is situated within approximately 0.5 miles of Welwyn Garden City town centre with easy access to its comprehensive shopping, banking and restaurant amenities. Welwyn Garden City Train Station is also located within approximately 0.4 miles of the subject property, running Great Northern and Thameslink services, with regular services to Moorgate, London Kings Cross, Cambridge and Royston.
- 7.3 A414 Hertford Road is located within approximately 1.9 miles, with A1(M) located within approximately 2.5 miles leading to Junction 23 of the M25 within a further 6.6 miles.
- 7.4 St Albans is located approximately 7.5 miles from the subject property, Stevenage is located within approximately 9.3 miles, Luton is located approximately 13.3 miles away and Watford is located approximately 16.5 miles distant.

8. Description of Property

Site Plan annexed to rear of report (Appendix C)

- 8.1 The site currently consists of a former Biopark, with research and development facilities, of approximately 120,900 sq ft Net Internal Area, across 4 no. buildings with basement and surface parking areas.
- 8.2 The site area for the proposed development, consists of an irregularly shaped plot, of approximately 3.06 acres (1.24 ha) with access from Biopark Drive/Broadwater Road.

9. Proposed Scheme

(Plans of the proposed scheme are annexed to the rear of the report Appendix D)

- 9.1 It is proposed to demolish the existing buildings. The proposed development is to consist of 289 no. residential units (consisting 12 no. studio flats, 117 no. 1 bedroom flats, 126 no. 2 bedroom flats, 26 no. 3 bedroom flats and 8 no. 4 bedroom townhouses) over 7 blocks to be built in a single phase with basement car parking offered at a ratio of 1 : 0.63 units.
- 9.2 A schedule of accommodation is set out at the rear of this report (**Appendix E**).
- 9.4 The proposed development has a total of 204,266 sq ft of private residential net sales area.

10. Planning and Background

- 10.1 Specific consideration has been given to Welwyn Hatfield Borough Council District Plan adopted 2005 which sets out the basis upon which Affordable Housing is required:-

Policy H7 - Affordable Housing

Within the towns and specified settlements, the Council will expect all proposals for residential development on sites of 1ha or more, or with 25 units or more, to include the provision of affordable housing to meet the needs of local people who cannot afford to occupy dwellings generally available on the open market. The Council will therefore seek through negotiation a proportion of affordable housing, which as a minimum should comprise 30% subsidised housing, on each suitable site. The proportion, type and mix of affordable housing will be based on information in the latest housing needs survey and the criteria in Section 10 of Circular 6/98.

Sites that make provision for key worker housing in addition to the affordable housing requirement will be supported.

10.2 We have also given consideration to the Welwyn Hatfield Borough Council Draft Local Plan, specifically Policy SP7 (Housing):-

Affordable Housing: As part of the overall housing target, a proportion of new homes built in the borough will be for affordable housing. Subject to viability, affordable housing will be sought on the following basis (for residential or residential-led mixed use schemes):

Location	On-site delivery target	Site threshold ⁽³⁴⁾
Hatfield (including SDS5/Hat1)	25%	11 new dwellings or a site of 0.5ha or more
Welwyn Garden City (including SDS1/WGC4, SDS2/WGC5, SDS3/Pea02b and SDS4/Pea02c)	30%	11 new dwellings or a site of 0.5ha or more
Excluded villages	35%	11 new dwellings or a site of 0.5ha or more
Symondshyde - new village (SDS6/Hat15)	30%	N/A
Re-development or re-use of Major Developed Sites or other previously developed sites in sustainable locations compatible with Green Belt policy	30%	11 new dwellings or a site of 0.5ha or more

In order to contribute to the creation of mixed communities, the priority will be for affordable housing to be delivered on the main application site. Off-site provision or a commuted payment will only be supported where it can be robustly justified and where it would result in the delivery of at least an equivalent number of new affordable homes or to a broadly equivalent value. Unless otherwise agreed, alternative delivery should be made within the same settlement as the main application site and still contribute to the creation of mixed communities.

- 10.3 Consideration has also been given to Site Specific Policy SP17 which refers to the site allocation for development:-

Policy SP 17

Mixed use development site at Broadwater Road West (SDS3/Pea02b and SDS4/Pea02c)

Land at Broadwater Road West is allocated for development to accommodate approximately 1,020 new homes over the plan period. Mixed use development on this site will comprise primarily employment, housing, leisure and rail-related uses. Development on this site will comply with the Broadwater Road West Supplementary Planning Document. Development on this site will conform to the Strategy Diagram shown in Figure 10 below and the following principles:

- i. To create a sustainable neighbourhood with an appropriate mix and density of uses for its central location; and to support living and working in close proximity;
- ii. To establish strong connections between the east side of town, the site and through to the town centre;
- iii. To provide a wide mix of housing types, sizes and tenures, including a minimum of 30% of all units as affordable housing unless it can be robustly demonstrated that such a proportion would not be viable; housing for older people;
- iv. To use the industrial heritage as a cue for form, character and identity – re-use listed structures and ensure sympathetic development;
- v. To adopt the urban design principles set out in the Broadwater Road West Supplementary Planning Document;
- vi. To accommodate large scale uses which would best be located near the town centre;
- vii. To incorporate open space in accordance with the principles set out in the Broadwater Road West Supplementary Planning Document;

- viii. At least 17,650 square metres of Class B1 employment floorspace will be provided in addition to that which was already provided on the site as at 1st April 2016. Within this total, SDS3 should provide a minimum of 6,400 square metres of Class B1 employment floorspace. The BioPark site will be retained in Class B1b use unless it can be demonstrated that it is no longer suitable for use as a research facility or it is reprovided elsewhere in Welwyn Hatfield.
- ix. About 1,020 dwellings will be provided in addition to those already provided on the site as at 1st April 2016. Affordable housing will be sought on the basis of an overall 30% on-site delivery target.
- x. Provision will also be made for community uses, fitness / leisure, retail (about 570 square metres), cafés / restaurants / bars and a hotel

Development at this site must contribute towards school provision off-site in the immediate vicinity. Development at this site will also need to include upgraded wastewater infrastructure and take into account noise from the railway and adjacent commercial activities as well as the potential for contaminated land.

Once constructed, all new class B development on this site will be afforded the same policy protection as that accorded by Policy SADM9 of this plan.

- 10.4 The subject application is for 289 units. We understand therefore that it would be necessary to provide an on-site affordable housing contribution of 86.7 units (30% affordable housing).
- 10.5 Where a developer disputes the level of affordable housing on viability grounds the Council will require a financial appraisal together with supporting documentation in order to assess whether any particular scheme can support affordable housing and if so at what level.
- 10.6 It is assumed for the purposes of the viability that planning consent will be granted for the development as described above. It is further assumed that there will be no onerous or unusual conditions attached to any planning consent granted.

11. Viability Commentary

- 11.1 In order to assess the viability of the residential development scheme, in relation to the provision of affordable housing, it is necessary to establish the relationship between the development land value with the benefit of planning permission, and the Existing Use

Value of the existing property and/or any existing consents or uses which would be forthcoming in terms of planning (Alternative Use Value).

- 11.2 In order to undertake this exercise an assessment has to be undertaken to establish the end value of the development once completed, together with the associated costs of creating the development.
- 11.3 In order to assess the viability of providing an affordable housing contribution we have carried out an appraisal of the site value on the basis of a mix of its Existing Use Value and we provide this assessment below.

12. Benchmark Land Value

- 12.1 In order to establish the Benchmark Land Value, it is first necessary to consider the level at which a reasonable land owner would be prepared to sell their land. It is then necessary to establish the basis upon which the valuation should be undertaken.
- 12.2 The applicant has therefore sought independent advice from Aitchison Raffety, a local firm of Chartered Surveyors and RICS Registered Valuers. We attach their Report and Valuation of the existing property herewith (**Appendix I**).
- 12.3 Aitchison Raffety have assessed the property's Existing Use Value at £6 million and we have therefore adopted their valuation within our appraisal of the viability of the proposed scheme.
- 12.4 However, in accordance with RICS Guidance, and NPPG – Viability – Updated July 2018, May 2019 and September 2019, it is usual to apply an uplift or premium to any Existing Use Value in order to encourage the landowner to bring the site forward for development rather than keeping it in its existing use (EUV Plus) :-

“Benchmark land value should:

- *Be based upon existing use value*
- *Allow for a premium to landowners (including equity resulting from those building their own homes.)*
- *Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees”*

“Existing Use Value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers,

developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development)...”

“The premium (or the ‘plus’ in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements....”

- 12.11 This could be a premium of between 10% and 40% in accordance with RICS Guidance. We have not yet applied a premium to the value of the existing property which would be necessary in order to incentivise the owners to release the property for development. However, we reserve the right to apply this premium at a later stage if we consider this to be necessary.

13. Gross Development Value

- 13.1 In assessing the appropriate Gross Development Value for the Proposed Scheme, the applicant has sought advice from Ashtons Land and New Homes and Lambert Smith Hampton, whose advice is attached at **Appendix F** and advise total GDVs of:-

Ashtons: £91,330,000 (average £449.09 psf).
LSH: £95,096,838 (average £465.55 psf)

- 13.2 It will be noted that Ashtons Land and New Homes are currently marketing a number of new build residential developments in Welwyn Garden City and therefore have a considerable amount of first-hand knowledge and experience regarding achievable values. In addition, Lambert Smith Hampton are experienced valuers in the local market. However, we have also undertaken our own research into sales evidence within the immediate surrounding area. We set this evidence out in the table below:-

Address	Photo	Unit Type	Size sq ft	Sold Price	Sold Date	£/Ft 2	Notes
SECOND HAND PROPERTIES							
81 Salvisberg Court Otto Road Welwyn Garden City		1 bedroom	538	£230,000	July 2020	£427	Top floor one bedroom flat constructed circa 2014. 200 m from subject property. Remains in good condition. Balcony, overlooking courtyard.
16 By the Mount Welwyn Garden City		1 bedroom	614	£203,000	July 2020	£331	First floor one bedroom flat constructed circa 1985. 400 m from subject property. In very good condition. Residents parking.
6 Penn Way Welwyn Garden City		1 bedroom	560	£257,000	Jan 2020	£459	First floor one bedroom flat constructed circa 2012. 100 m from subject property. In very good condition. Large private terrace, communal garden.
15 Salvisberg Court Otto Road Welwyn Garden City		1 bedroom	592	£220,000	On market	£372	First floor one bedroom flat, constructed circa 2014. 200 m from subject property. In very good condition. Corner Plot. Juliet balcony. Secure underground parking.
29 Salvisberg Court Otto Road Welwyn Garden City		2 bedrooms	710	£280,000	March 2020	£394	Second floor two bedroom flat constructed circa 2014. 200 m from subject property. In good condition. Allocated underground parking.

3 Salvisberg Court Otto Road Welwyn Garden City		2 bedrooms	775	£295,000	March 2020	£381	Two bedroom flat constructed circa 2015. 200 m from subject property. Two bathrooms. In good condition. Allocated underground parking.
102 Broadwater Road Welwyn Garden City		2 bedrooms	721	£260,000	March 2020	£361	Top floor two bedroom flat constructed circa 2012. 200 m from subject property. In good condition. Juliet Balcony. Underground allocated parking. Communal garden.
118 Broadwater Road Welwyn Garden City		4 bedrooms	Not known	£352,500	Jan 2020	-	4 bedroom mid terraced townhouse. 200 m from subject property. In reasonable condition. 2 bathrooms plus cloakroom. Allocated parking to rear.
3 Penn Way Welwyn Garden City		4 bedrooms	1550	£450,000	On market	£290	4 bedroom terraced townhouse. 100 m from subject property. In good condition. 2 bathroom plus cloakroom. Allocated parking to rear.
NEW BUILD PROPERTIES							
Plot 28, Maple Mews Bridge Road East Welwyn Garden City		1 bed	557	£251,305	Exch. May 2020	£451	1 bedroom flat. 1 km from subject property. Allocated parking.
Griffin Place Broadwater Road Welwyn Garden City		1 bed	458	£237,500	U/O	£518	Flats. Located adjacent to Biopark. Allocated car parking.
		2 bed	952	£330,000	Exh.	£347	
		2 bed	622	£283,000	U/O	£455	

Mercury House Bridge Rd East Welwyn Garden City		1 bed	506	£255,000	Aug '20	£503	Flats. Located 850 m from subject property. Allocated car parking.
		1 bed	506	£245,000	Aug '20	£484	
		2 bed	613	£310,000	July '19	£506	
Leaside Close Welwyn Garden City		4 bed	1280	£535,000	Autumn 2020	£418	Terraced townhouses. 2.6 km from subject property. Gated development. 3 parking spaces per house.
			1270	£540,000		£425	
			1420	£565,000		£398	
			1528	£570,000		£373	
			1528	£560,000		£366	
			1420	£545,000		£384	
			1270	£532,500		£419	
	1270	£520,000	£409				

13.3 Given the above evidence, we consider that the Gross Development Values advised by Lambert Smith Hampton are more appropriate and we have therefore adopted their advised figure at £95,096,838 (£465.55 psf) within our appraisal. It should be noted that whilst Lambert Smith Hampton have allowed an additional £5,000 per car parking space, we have assumed, as per the above evidence, that it will be necessary to include the car parking within the sale price of each flat and we have therefore, included this amount within our total Gross Development Value rather than allowing for this separately.

13.4 Historically, it has been usual to apply a value to the capitalised ground rents. However, consultations have been undertaken and the results released, most recently that of June 2019 entitled “Summary of consultation responses and Government response” to “Implementing reforms to the leasehold system in England” confirming that the Government is intending to push ahead with legislation to ban the charging of ground rents. In previous consultation documents it was stated that this legislation was aimed for mid 2020. However, the Queen’s Speech 2019 announced:

“The Government will ensure that if a new home can be sold as freehold, then it will be. We will get rid of unnecessary ground rents on new leases and give new rights to homeowners to challenge unfair charges ...”

Therefore, there is no realistic prospect of a ground rent being realised once this development has been completed and available for sale.

In addition, we are aware that the Help to Buy Builder Participation and Registration Guidance states:-

Ground Rents

2.15 The ground rent charged on any leasehold Eligible Dwelling **MUST NOT** exceed a peppercorn per annum.

13.5 We have therefore, not allowed Capitalised Ground rents within our appraisal.

13.6 Therefore the total Gross Development Value adopted is:-

Private Sale Residential Units £95,096,838

14. Development Value

14.1 Build Cost

14.1.1 In assessing the appropriate build costs advice has been sought from HG Construction, who have advised that the cost necessary to construct the development, including contingency is £61,630,182 (£181.58 psf). We attach a copy of the summary of their build cost estimate herewith (**Appendix G**). The full build cost estimate can be provided separately upon request.

14.1.2 It should be noted that we have not allowed separately for any items related to Contingency or provisional sums included within the HG Construction schedule.

14.1.3 It can be seen from our appraisal that we have allowed separately for professional fees at 8% of build cost.

14.2 S106 Costs/CIL

14.2.1 Section 106 costs for the scheme have yet to be calculated for the scheme and we have not so far allowed for these costs within our appraisal. The introduction of these costs would have a further negative impact upon the viability of the scheme.

14.2.2 We also note that whilst CIL has not yet been adopted within the Borough, it is likely that this will have completed its consultation process and could be adopted within the lifetime of this planning application. Again, we have not so far allowed for CIL within our appraisal, but the introduction of this will be a further cost to the development and therefore our appraisal may need to be revisited accordingly at a later date.

14.3 Interest Charge

14.3.1 We have assumed an all-in interest rate of 6.75% which is consistent with other recent viability appraisals.

14.4 Agents marketing and legal costs

14.4.1 We have assessed these at 3% of the residential sales Gross Development Value, allowing for sales, marketing and legal costs.

14.5 Developer's profit

14.5.1 We have assessed private residential sale Developer's Profit at 17.5%. We would usually expect a single phased scheme on a brownfield site to require a Developer's Profit of at least 20% of Gross Development Value as all costs need to be expended before any revenues are received.

14.6 Development Timetable

14.6.1 We set out in the table below the interest period adopted for the proposed scheme:-

Description	Duration
Pre-Construction & Demolition	8 months
Construction	24 months
Sales	29 months

14.6.2 The sales period is based upon 40% of units being sold off plan with completion of these sales at practical completion of construction, with the remaining 60% of units to be sold at 6 units per month. We consider this development timetable to be ambitious.

14.7 Professional Fees

14.7.1 Technical fees have been adopted at 6% of build costs which we consider to be conservative for a scheme of this nature.

14.8 Contingency

14.8.1 Contingency has been allowed for within HG Construction's build cost estimate and we have therefore not allowed separately for this cost.

14.9 Gross Development Value

14.9.1 As set out above we consider the Gross Development Value of the scheme to be £95,096,838 (average £465.55 psf).

15. VIABILITY APPRAISAL

- 15.1 We have set out above the values and inputs necessary to bring the proposed scheme forward for development.
- 15.2 We set out below, for the sake of clarity, a summary of our viability appraisal, demonstrating the effect that the necessary values and costs have on the viability of the proposed development. A full copy of these appraisals are appended. **(Appendix H)**.

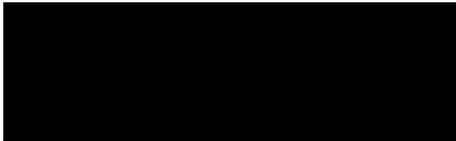
	All Private Sale Scheme (Appendix H)
Gross Development Value, (Based on development of 289 residential units with a gross sales area of 203,369 sq ft)	£95,096,838
Total costs (Inc. construction, land acquisition fees, professional fees, disposal fees, CIL/S106, finance and profit)	£93,539,748
Net Land Value	£1,557,090
LESS: EXISTING USE VALUE	<u>£6,000,000</u>
Deficit	<u>-£4,442,910</u>

16. CONCLUSIONS AND ANALYSIS

- 16.1 It can be seen from the summary above that the proposed development is already in deficit by -£4,442,910 with an adjusted Developer's Profit of 12.83% as a 100% private sale scheme before the introduction of any affordable housing units.
- 16.2 It is therefore clear that the scheme cannot afford to provide any affordable housing units already being in significant deficit.

17. CERTIFICATION

- 17.1 The viability report and appraisal has been prepared in accordance with the RICS Professional Guidance, England, Financial Viability in Planning, 1st edition, Guidance Note and specifically in accordance with our Standard Conditions of Engagement – Residential Viabilities and Appraisals. During the preparation of our report we have made assumptions in regard to the property, which are set out within our Conditions of Engagement and these assumptions form an integral part of this report.



PETRINA J FROUD
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14th January 2021