



The Leas Pavilion, Folkestone, Kent CT20 2AL – Financial Viability Assessment

Prepared on behalf of: Gustavia Limited

Date: 16th July 2020

Prepared by: Steve Pozerskis MRICS
Senior Associate Director, BNP Paribas Real Estate t/a Strutt & Parker

Tim Mitford-Slade MLE MRICS
Senior Director, BNP Paribas Real Estate t/a Strutt & Parker

Contents

Report

1. Executive Summary	3
2. Background	4
3. Basis of Appraisals	4
4. Viability and Planning	5
5. The Property	5
6. Benchmark Land Value (BLV)	6
7. Residual Land Value (RLV)	8
8. Conclusions	11

Appendices

Site Location Plan	A
Schedule of Accommodation	B
Viability Appraisals	C
Market Evidence	D
BCIS Summary / Cost Plan	E

The Leas Pavilion, Folkestone, Kent

1. Executive Summary

1.1 I have been instructed by Gustavia Limited (the 'Applicant') to carry out an independent Financial Viability Assessment ('FVA') of the proposed development scheme (the 'Scheme') currently being considered for The Leas Pavilion, The Leas, Folkestone CT20 2DP (the 'Property') in order to assess the viability of the Scheme in the context of the restoration of the Listed Buildings. Full details relating to the Property can be found in the Design and Access Statement prepared by Hollaway dated April 2020 and Addendums May 2020, June 2020 and July 2020.

This FVA will accompany and support the planning application to be submitted to Folkestone and Hythe District Council ('FHDC') – *Detailed application for a residential development comprising: - Restoration of the Leas Pavilion and proposed development of 91 residential units.*

1.2 The Design and Access Statement provides comprehensive background to the proposed Scheme and this FVA deals only with the financial implications of restoring the Leas Pavilion in the context of ensuring viable delivery under the National Planning Policy Framework 2019 ('NPPF') and the Planning Practice Guidance on Viability ('PPG on Viability'). This FVA complies with the RICS Professional Statement *Financial Viability in Planning: conduct and reporting* (First Edition, May 2019) and it is confirmed that I am a Registered Valuer and Qualified Practitioner acting:

- with objectivity
- impartially
- without interference and
- with reference to all appropriate available sources of information.

1.3 Leas Pavilion is a hugely sensitive dilapidated building close to the sea front in Folkestone. As part of the town's heritage, the Applicant has designed a Scheme which sympathetically restores the building, allowing this well-known landmark of Folkestone to be saved. As part of the development, to enable the significant restoration works to be undertaken, a residential Scheme is proposed which will in effect wrap around the existing pavilion.

1.4 From a planning policy perspective, the Property lies within the jurisdiction of FHDC. The site has previously had planning permission for a similar style scheme reference Y08/12/SH which consisted of a residential development and D2 use within the existing pavilion. This planning permission was not implemented on the grounds of viability and deliverability.

1.5 This FVA has been commissioned to establish whether or not the proposed Scheme, once the restoration works have been undertaken to the Leas Pavilion, can viably provide any affordable housing (either on or off site).

1.6 This FVA concludes that even on the basis of an all private housing Scheme, the Residual Land Value ('RLV') is negative and would require significant value engineering and a huge upswing in residential housing values to generate a double-digit profit margin. The RLV is significantly below the Existing Use Value ('EUUV') of £940,000. Even testing the viability against an Existing Use Value ('EUUV') of just £1 demonstrates that the full quantum of Affordable Housing is unduly onerous and would need to be removed in order to push the RLV (or Profit) into positive territory.

1.7 The Applicant is able to bring this scheme forward based on their assumption that they may be able to rely on their supply chain to reduce the estimated costs and that they may seek to keep many of the flats for rental purposes – providing a longer term revenue stream rather than a single exit strategy which a viability appraisal such as this assumes.

The Leas Pavilion, Folkestone, Kent

2. Background

- 2.1 The Leas Pavilion covers an area of approximately 0.23 hectares (0.57 acres) situated on the sea front in Folkestone, in what could be considered one of the more desirable locations within the town.
- 2.2 The Leas Pavilion is a significantly important site in the town having previously being used as a theatre, night-club and venue at various times since its construction in 1902. The property is now dilapidated and understood to be *at risk of being lost forever* by the Friends of the Leas Pavilion and many other stakeholders. Adjacent (on both sides) of the Leas Pavilion are two income generating car parks.
- 2.3 The proposed Scheme will refurbish and restore the Leas Pavilion back in to use, utilising the value achieved by a new build residential development which will 'wrap' around the Listed Building.
- 2.4 This site has previously benefitted from planning permission for a 68-unit residential scheme with D2 use within the Leas Pavilion. This was granted (reference Y08/12/SH) in 2015 and is understood to have now lapsed on the basis that the developer was unable to make the proposal financially viable.

3. Basis of Appraisals

- 3.1 The appraisals and figures provided herein do not strictly speaking fall within the scope of the RICS Valuation – Global Standards 2017 and is not a formal valuation in that context. However, the principles of good practice set out by the RICS have been followed and detailed justification for the indicative values and component valuation appraisal inputs are provided in compliance with the RICS Professional Statement *Financial Viability in Planning: conduct and reporting* (First Edition May 2019). The methodologies adopted for the purpose of undertaking this FVA are directly in line with those originally set out in the RICS Guidance on Financial Viability in Planning (2012) and the latest versions of the NPPF and PPG on Viability, both updated in 2019.
- 3.2 This FVA is prepared purely to assist planning discussions with FHDC although we do not offer FHDC, their advisers and/or any third parties a professional duty of care. In accordance with the RICS Professional Statement *Financial Viability in Planning: conduct and reporting* I confirm that I have no conflicts of interest in providing my opinion and in providing this FVA there are no performance related or contingent fees. All of the inputs to the viability appraisals are reasonably justified and clearly stated within the FVA. I have come to a reasonable judgement on viability on the basis of objectivity, impartiality and without interference, taking into account all inputs, including those provided by the Applicant and other contributors.
- 3.3 In appraising the Scheme, I have taken note of and utilised guidance on both Government and FHDC policy as set out in:
 - a) Folkestone and Hythe Core Strategy Local Plan 2013;
 - b) Kent Minerals and Waste Local Plan 2013-2030;

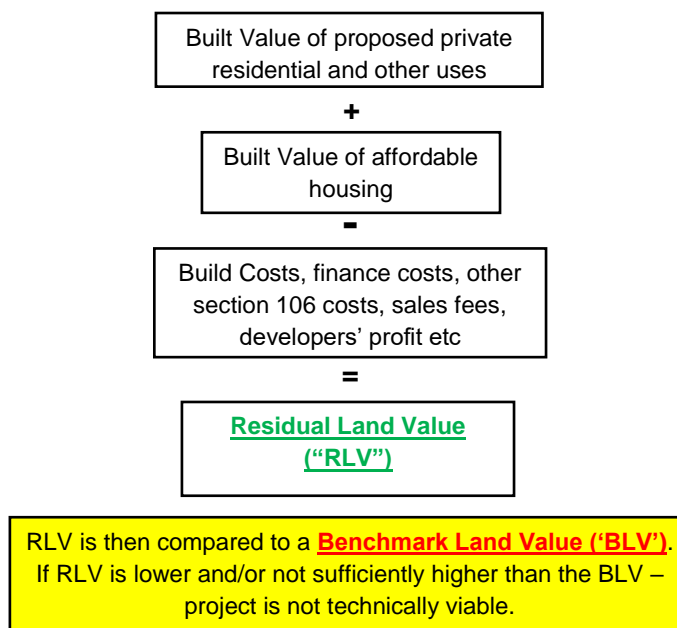
The Leas Pavilion, Folkestone, Kent

- c) National Planning Policy Framework 2019;
- d) Planning Practice Guidance on Viability 2019;
- e) RICS Professional Statement *Financial Viability in Planning: conduct and reporting* 2019;
- f) Land Value Estimates and Policy Appraisal issued by HCLG 2018;
- g) Viability and Planning System: The Relationship between Economic Viability Testing, Land Values and Affordable Housing in London dated January 2017.

4. Viability and Planning

4.1 Scheme viability is normally 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 commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed.

4.4 The RLV approach (as summarised above) can be inverted so that it becomes a 'residual profit appraisal' 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. This is a purely presentational alternative.

5. The Property

5.1 The Leas Pavilion and associated car parks are situated on The Leas, fronting the English Channel. The surrounding area consists mainly of hotels and residential apartments, but within 100m of the site

The Leas Pavilion, Folkestone, Kent

is the main high street of Folkestone with various retail and amenities expected of a town centre. The exact location is shown on the site location plan in **Appendix A**.

- 5.2 Access points are numerous across the site including the main entrance (and side entrances) to the existing Lease Pavilion and multiple entry points to the two car parks surrounding the Listed Building.
- 5.3 Currently, the Leas Pavilion is in a dilapidated state, however the former uses are still evident. The main hall, with a stage and balconies, still remains as does remnants of an ornate ceiling. Accessed from the main hall are a number of rooms which have previously been utilised as storage, a bowling alley and a kitchen, amongst other uses. There are signs of significant damp and various growths have emerged in a number of areas suggesting underlying water ingress issues, severely damaging the Listed Building.
- 5.4 The overall site is broadly rectangular in shape and of flat topography. Publically adopted highways wrap the entire site apart from to the north east corner where existing buildings on Longford Terrace make up the boundary – potentially causing party wall / structural issues – which are discussed later in this FVA.
- 5.5 From a planning policy perspective, the Property has previously benefitted from planning permission in 2015 for a mixed use scheme including D2 use and 68 apartments. We understand the Property is situated within a Conservation Area and is within an Environment Agency Flood Zone 1 which is recognised as an area of least probability of flooding.
- 5.6 The car park areas are considered to be relatively standard consisting mainly of tarmac with electronic payment machines. The tarmac is not considered to be in good condition and the boundaries are open.
- 5.7 In regard to accessibility, the Property has excellent connections to existing road, rail and public transport networks and is within two miles of Junction 12 of the M20. Furthermore, the site is within 12 minutes' walk of Folkestone Central Station providing rail services to London St Pancras with a journey time of around one hour as well as regular rail services to surrounding Kent towns. Eurostar services are available from Ashford which is a 15-minute train journey away providing access to the Continent.
- 5.8 The proposed Scheme responds to the urgent need for the Leas Pavilion to be saved – it is noted that it is unlikely the Pavilion will survive another harsh winter. The project aims to provide a residential development utilising the existing Listed Building as a grand entrance, concierge and communal space. A full schedule of accommodation is provided in **Appendix B**.

6. Benchmark Land Value (BLV)

- 6.1 To define land value for any viability assessment, a BLV should be established on the basis of the EUV of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return for which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is called EUV+.

The Leas Pavilion, Folkestone, Kent

- 6.2 In order to establish BLV all stakeholders, including plan-makers, landowners, developers, infrastructure and affordable housing providers should engage with and provide robust and open evidence to inform this process.
- 6.3 In all cases, BLV should:
- Fully reflect the total cost of all relevant policy requirements including planning obligations and, where applicable, any CIL charged;
 - Fully reflect the total cost of abnormal costs;
 - Allow for Site-Specific Infrastructure costs;
 - Allow for Professional Site fees;
 - Allow for a premium to land owners (including equity resulting from those building their own homes); and
 - Be informed by comparable market evidence of current uses, costs and values wherever possible. Where recent market transactions are used to inform assessment of BLV this should be evidenced that these transactions were based on policy compliant development. This is so the previous price is based on non-policy compliant developments and not used to inflate values over time.
- 6.4 This last bullet point is addressed further by the research document *Viability and the Planning System: The Relationship between Economic Viability Testing, Land Values and Affordable Housing in London* produced collaboratively by Kingston University, Ramidus, Royal Agricultural University Cirencester and University of Reading in January 2017. This research paper sought expert opinion from key players in the viability sector in order to demystify some of the complexities of BLV, also referred to as 'threshold land value'. The research paper stated that BLV is normally assessed by an EUV+ approach or via an assessment of Market Value based on the RICS Valuation Standards, which in turn is based on either analysis of comparable land transactions or a residual valuation. Overall, the EUV+ approach was favoured by the majority of respondents, despite the recognition that the premium element can be difficult to assess in some circumstances. The interviews gave strong support to a view that the use of comparable evidence to establish a threshold land value was not valid where such transactions had been predicated on the hope, assumption or prediction that either the plan determined contributions could be reduced to a negotiation or on appeal or that the eventual sales figures will be higher than those built into the financial viability assessment. It was therefore considered fundamental that the argument that the appraisal should be undertaken *making sure that it is truly policy compliant*. If it is not, a transaction at a higher price simply leads to a reduction in affordable housing and a loss to the community. This argument was discussed at length in the protracted Parkhurst Road Appeal which further endorsed EUV+ over purchase price.
- 6.5 It is important to note that the Planning Policy Guidance states that, *a competitive return for the landowner is the price at which a reasonable landowner would be willing to sell their land for the development. The price will need to provide an incentive for the landowner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.* It is important to fully appreciate that land value should reflect the emerging policy requirements and planning obligations and when considering comparable sites, the value will need to be adjusted to reflect this requirement.
- 6.6 The EUV of the Property is based upon two factors in this instance. The first is the existing use value of the Leas Pavilion itself. Given the dilapidated state we conclude that this element is considered to have a nominal existing use value of £1.

The Leas Pavilion, Folkestone, Kent

- 6.7 The adjacent car park space does however have an existing use value. We have been provided with recent figures associated with the income generation of these car parks. In 2019 the car parks yielded £105,338 in parking charges.
- 6.8 There are limited comparable private car parks in the local area but, based upon our knowledge of other car parks in Kent, we suggest a reasonable net income figure to account for management, voids and risk would be in the region of 20%. On the basis of the location (being close to beach and town centre) we would expect a yield to be between 7.5% and 10%. Harder yields may apply to larger car parks close to airports and stations which are run by the likes of NCP but we do not believe that this would be appropriate in this instance. However, any softer than a 10% yield would not take account of the likely income that a well-positioned car park attracts. In this instance we have adopted a cautious view at 10% for the purposes of this FVA, although we reserve the right to review this input subject to any review on behalf of FHDC. This provides a conservative EUV in the region of £725,000.
- 6.9 On the basis that the car park is a going concern and taking in to account the guidance from the RICS, it is considered suitable in this instance to apply a premium to the above EUV. Premiums of anywhere between 10% and 30% are widely accepted to be reasonable depending on the type of property and individual circumstances. This car park has a well-established income and therefore we have utilised a premium towards the upper end of this range at 30%. This equates to a value of £942,500 rounded to **£940,000**. This would be my opinion of BLV.
- 6.10 The viability appraisals are run to ascertain whether or not the Scheme produces a RLV in excess of the EUV (and BLV) in order to analyse the financial implications of reducing/removing the affordable housing.

7. Residual Land Value (RLV)

- 7.1 In order to establish the RLV it is necessary to undertake a series of residual appraisals using Argus Circle Developer ('Argus'), a widely used tool which seeks to establish a residual value for a development scheme taking into account all of the costs of development including an appropriate return for a developer in the form of a minimum level of profit. Assuming an EUV of £1 it is necessary to look at the RLV of the proposed scheme on a policy compliant basis. In the event that the RLV is negative, due regard would need to be given to the cumulative impact of Affordable Housing and CIL on the scheme and whether or not a reduction in those costs pushes the RLV (or Profit) into positive/acceptable territory and towards the BLV (or minimum required levels of Profit). Only then would the scheme be considered viable. The two appraisals which I have run are known as **As Proposed** and **Policy Compliant** and are provided in **Appendix C**. The inputs to the appraisals have been informed by empirical market evidence where available and are summarised as follows:
- i. **Gross Development Value ('GDV')** – The GDV is the value of the completed residential units based upon analysis of comparable transactions in the locality. Firstly, the residential units have been assessed and I consider these to have an overall value in the order of £450 psf based upon the market evidence outlined in **Appendix D**. However, due regard has been given to the extensive place-making which could be achieved by the Scheme and for the purposes of testing the viability, the capital values have been pushed to the upper ends of the spectrum to reflect such place-making. We have therefore utilised an overall average of c.£500 per sq ft for the residential elements. **These values are not supported by empirical market evidence and can only be achieved through high specification and extensive placemaking, reflected in the build costs.**

The Leas Pavilion, Folkestone, Kent

- ii. We have included a rate per sq ft for each floor, rising by £12.50 per floor starting at £450 rising to £550 for the top floor. This is based upon the fact that the upper floors, with the benefit of a lift, will have a superior outlook and therefore carry a premium value. We have not applied any value directly to the Leas Pavilion space as this will be utilised as communal space / concierge / storage space for residents. However, we suggest that to support the rate per sq ft at £500 the inclusion of this space is required to make it stand out compared to other modern schemes in Folkestone itself which provide a rate per sq ft of closer to £300 per sq ft. As such, the value of the Leas Pavilion itself is captured by the premium value attached to the apartments.

As discussed later in this report we have initially provided an all private housing As Proposed appraisal, however to provide the full picture we have also included a separate Policy Compliant appraisal. We have based the affordable housing values on a shared ownership model at an estimated 60% of open market value to increase viability as best as possible. In this instance we have utilised 29% onsite affordable housing as this provides two complete floors of affordable housing which may be more desirable to a registered provider.

- iii. **Freehold** – The developer suggests that a share of the freehold will be made available to each purchaser. We have not made any adjustment to the rate per sq ft above, but rather we have included these at £5,000 per unit. This equates to £470,000.
- iv. **Parking** – There is proposed a total of 66 parking spaces, of which 2 spaces will be reserved for Electric Pool cars for use by the residents; the remaining 64 spaces will be sold to the residents at a price to be determined but for the purposes of this appraisal we have adopted £10,000 per space.
- v. **Primary Build Costs ('PBC')** – PBC for the build has been provided by the cost consultants for the project, Betteridge & Milsom. This is then compared to the Building Cost Information Service ('BCIS') data rebased for the local area and included as **Appendix E**. The base build cost equates to £ 22,938,326 inclusive of parking areas. In addition Betteridge Milsom suggest a contingency £2.2 million. This equates to c.7.5% of total build cost which, although is slightly higher than would be expected of a standard flatted development, it takes in to account the additional risk factors associated with the heritage element.

It should be noted that unless stated otherwise, all costs are inclusive of main contractors' preliminaries, overheads and profit but exclusive of VAT.

- vi. **Site Works / Externals** – The site works and external costs cover highways and road infrastructure, utilities and service infrastructure, hard and soft landscaping, balconies, external lighting, footpaths etc. Betteridge & Milsom suggest site works in the order of £1,896,705 (inclusive of preliminaries and OH&P). This is equivalent to c.8% of the base build costs which is below the 10% to 15% range we would expect for a new development.

The Leas Pavilion, Folkestone, Kent

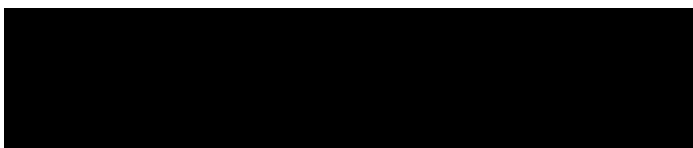
- vii. **Abnormal Costs** – Abnormal costs have been provided by Betteridge & Milsom, principally in relation to the complex and sensitive restoration of the Listed Building and are summarised as follows. It should be noted this is above the initial expectation due to continued deterioration of the Pavilion itself after a particularly harsh winter. Undercroft parking is included for information below. It is included within the above base build costs and has not been double counted within the appraisal:

Abnormal	Cost
Historical works (inc Prelims / OH&P)	£4,499,339
Total	£4,499,339

- viii. **Fees** - All professional fees typically range from 6% to 12% depending upon the size and complexities of a development. Betteridge & Milsom have provided an estimate of fees at £3,791,874. This equates to around 12% of overall costs. It should be noted that this includes fees relating to potential party wall issues with the buildings to the north east of the site and the added fees regarding the refurbishment of the existing Leas Pavilion. In addition, we have adopted 2.5% sales and marketing costs for the market residential units plus 0.25% to cover legal fees. On the Policy Compliant appraisal, we have adopted 1% of the value of the affordable units to cover transfer to the registered provider.
- ix. **Delivery and Finance** – We have adopted a debit rate of 6.51% on 100% of costs to include Bank charges and admin fees at a time when the Bank of England base rate stands at 0.1%. Sales rates for the residential units have been assumed at 4 units/month. Utilising the BCIS duration calculator based upon an estimated build cost of c.£28,000,000. BCIS predict, with “90% confidence” that a build period between 95 to 118 weeks is reasonable. Taking an average of this equates to circa 27 months. We have included a further 9 months’ pre-construction period. This is longer than for a standard flatted scheme but given the sympathetic works required on the Leas Pavilion we have aired on the side of caution in this instance. Sales are expected to be at between two and three private units per month – but note that many of the schemes discussed within the GDV appendix have struggled to sell. However, for the purposes of this appraisal we have adopted an optimistic four units per month.
- x. **Planning Obligations** – We have included CIL based upon the following:
- CIL Rate - £50 per sq m
 - Net Additional Area – 9,336 sq m
 - CIL Liability - £466,824
 - Indexation based upon BCIS ATPI Jun-2016 – Q3 2020 – 1.18
 - Adjusted CIL Liability - £551,550
- xi. **Profit** – The PPG on Viability refers to a range of 15% to 20% of GDV as a suitable return to developers in order to establish the viability of planning policies. For the purposes of this appraisal we have utilised the profit level to highlight the potential viability and deliverability issues with this scheme.

8. Conclusions

- 8.1 This FVA concludes that a policy compliant scheme fails to deliver an acceptable return (or RLV). The abnormal costs, including the remediation and restoration works of the Listed Leas Pavilion, along with the substantial CIL burden render the scheme unviable with a 30% provision of Affordable Housing. Indeed, even with a significantly reduced contributions package and an all private housing scheme, the development is going to be difficult to deliver with an acceptable margin or positive land value. The deliverability of the scheme based upon current values and costs appears uncertain, however the Applicant is confident that value engineering can be made through their supply chain coupled with the potential to lengthen the exit strategy by leasing a proportion of the units out, will allow them to make a commercial call that this scheme is deliverable, albeit only on an all private basis.
- 8.2 It is clear from this FVA that the Scheme provides for the restoration and long term future of the Leas Pavilion which has been a fixture in the town of Folkestone for many decades. The proposed development is considered the minimum amount of development that will ensure the proposal comes forward whilst allowing the full restoration of the Leas Pavilion. Any significant planning obligations would reduce the deliverability of the scheme and thus risk the future of this important Listed Building. There remains the significant investment that the development will provide to the local economy via expenditure, new homes bonus, council tax and that there is a socio-economic premium that must be considered alongside the viability of the Scheme.
- 8.3 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our appraisal is therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.



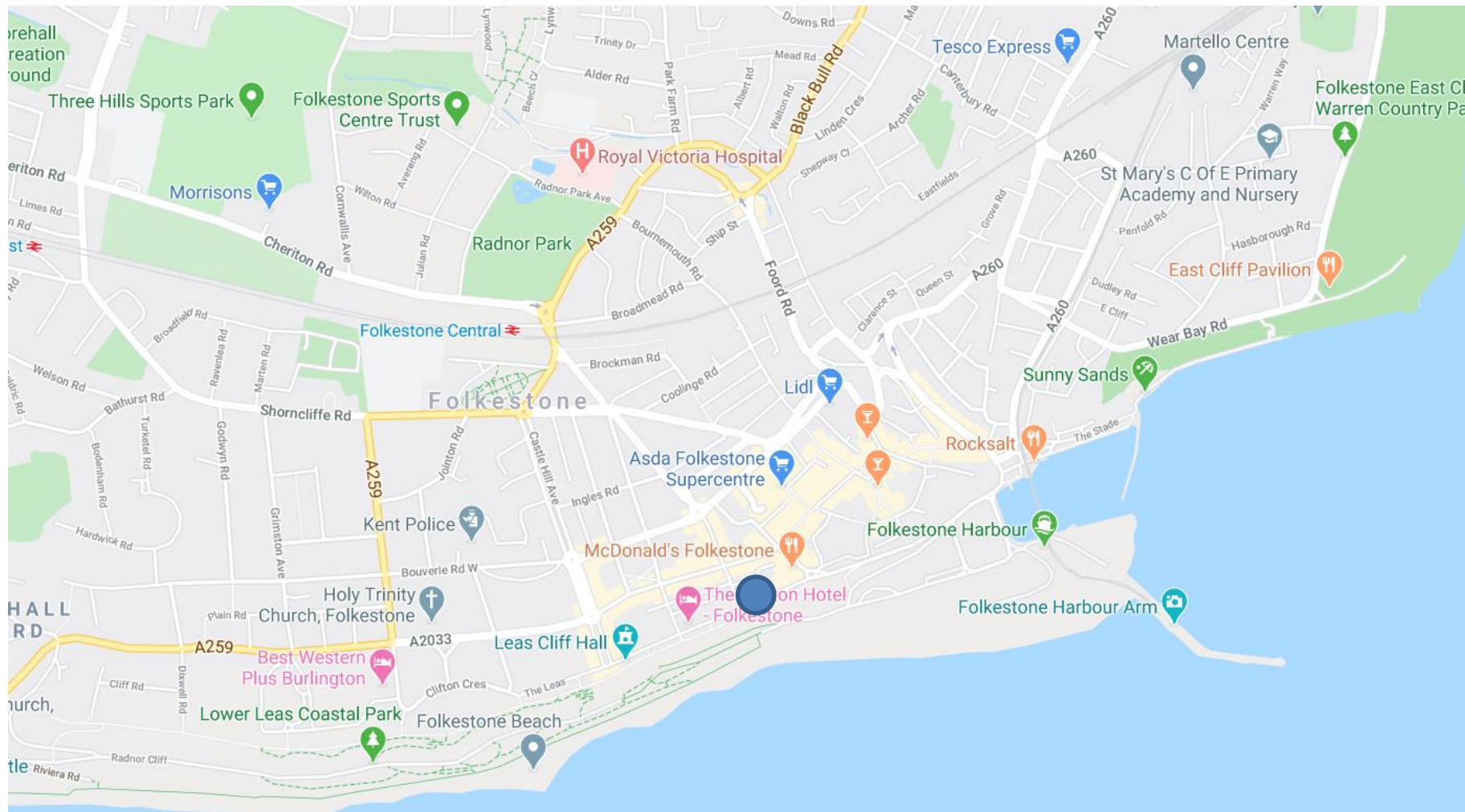
Tim Mitford-Slade MLE MRICS
Director & Head of Development & Valuation
Registered Valuer
BNP Paribas Real Estate t/a Strutt & Parker

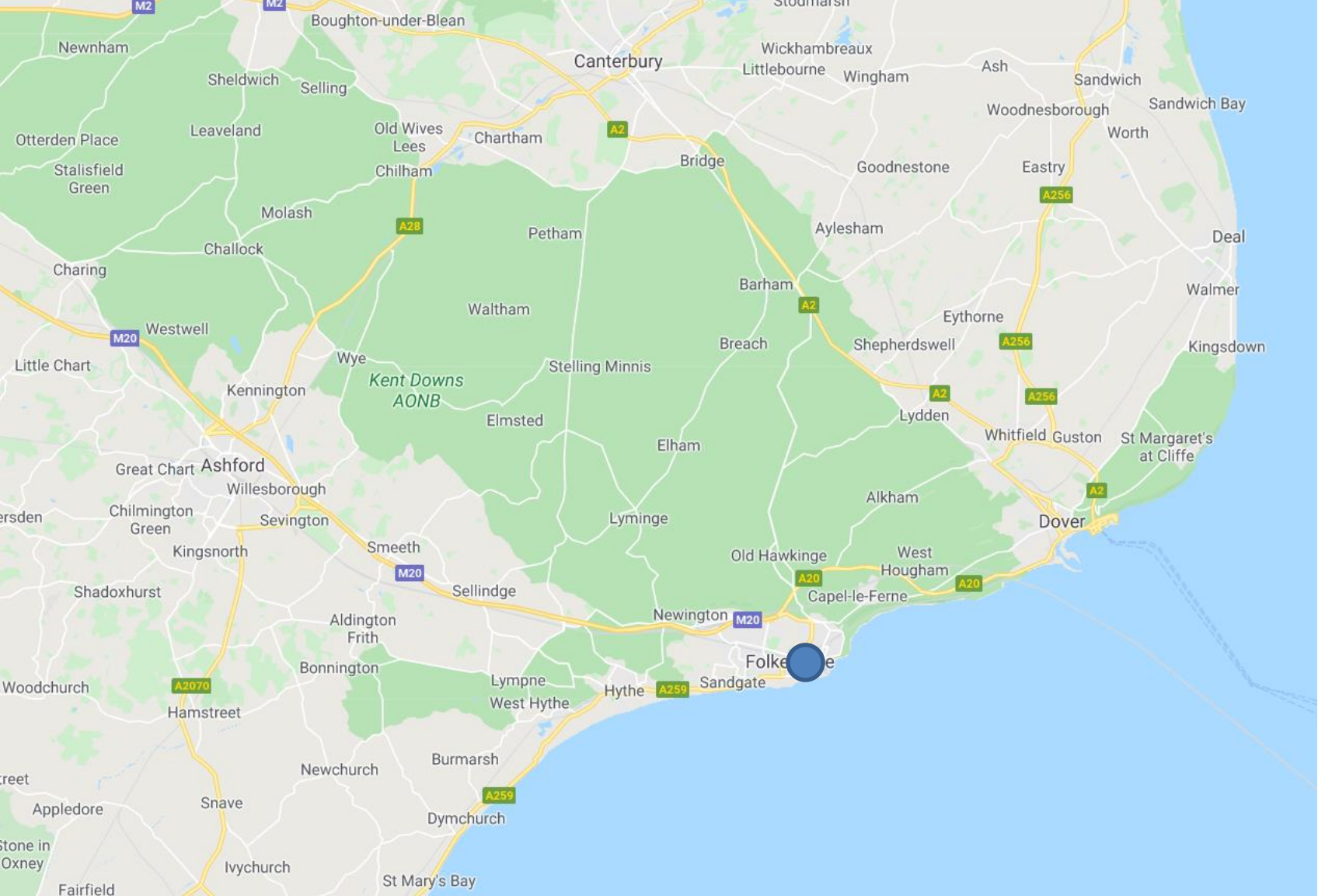
16th July 2020

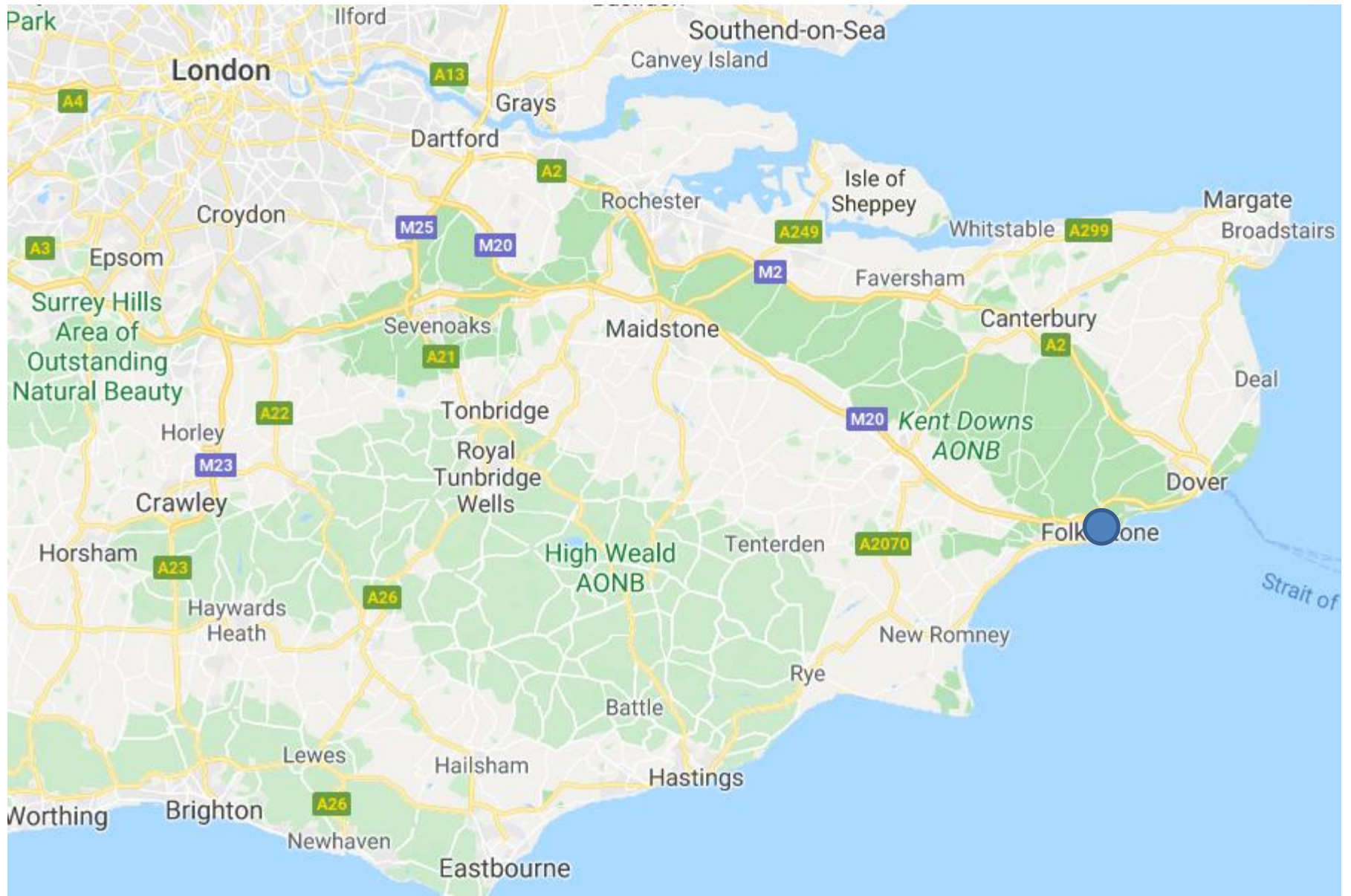


Appendix A

Site Location Plan









Appendix B

Schedule of Accommodation

SCHEDULE OF ACCOMMODATION - LEAS PAVILION. 20.07.2020

	Proposed Spaces no.		GIFA (in sqm)*	GIFA (in sqft)*
Basement Floor	32			0.0
Leas (Proposed)			860.2	9259.1
Parking, plant, circulation (west)			610.4	6570.3
Parking, plant, circulation (east)			492.9	5305.5
TOTAL			1963.5	21134.9

	Proposed Spaces no.		GIFA (in sqm)*	GIFA (in sqft)*
Ground Floor	34			
Leas (Proposed)		528.6	- void	130.8
Parking, plant, circulation (west)				397.8
Parking, plant, circulation (east)				774.3
				562.7
TOTAL			1734.8	18673.2

Level	Unit no.	Proposed No. of Beds	Proposed NIFA (in sqm)	Proposed NIFA (in sqft)	Terrace Areas (in sqm)	Terrace Areas (in sqft)	GIFA (in sqm)*	GIFA (in sqft)*
1st Floor	Unit 1.1	2-bed (4 person)	80.1	862.2	22.6	243.3		
	Unit 1.2	2-bed (4 person)	75.7	814.8	23.3	250.8		
	Unit 1.3	2-bed (4 person)	71.3	767.5	8.5	91.5		
	Unit 1.4	1-bed (2 person)	58.9	634.0	7.6	81.8		
	Unit 1.5	2-bed (4 person)	80.2	863.3	7.9	85.0		
	Unit 1.6	2-bed (4 person)	92.2	992.4	5.3	57.0		
	Unit 1.7	2-bed (4 person)	146.5	1576.9	13.9	149.6		
	Unit 1.8	2-bed (4 person)	134.1	1443.4	13.8	148.5		
	Unit 1.9	1-bed (2 person)	54.6	587.7	5.4	58.1		
	Unit 1.10	1-bed (2 person)	58.9	634.0	7.1	76.4		
	Unit 1.11	2-bed (4 person)	72.9	784.7	11.7	125.9		
	Unit 1.12	2-bed (4 person)	75.7	814.8	16.9	181.9		
	Unit 1.13	2-bed (4 person)	83.0	893.4	13.2	142.1		
TOTAL	13 units		1084.1	11669.1	157.2	1692.1	1276.5	13740.1

2nd Floor	Unit 2.1	2-bed (4 person)	80.1	862.2	17.5	188.4		
	Unit 2.2	2-bed (4 person)	74.4	800.8	16.6	178.7		
	Unit 2.3	2-bed (4 person)	72.5	780.4	10.8	116.3		
	Unit 2.4	1-bed (2 person)	58.2	626.5	7.1	76.4		
	Unit 2.5	2-bed (4 person)	81.4	876.2	10.1	108.7		
	Unit 2.6	2-bed (4 person)	92.1	991.4	5.7	61.4		
	Unit 2.7	3-bed (6 person)	126.9	1365.9	13.9	149.6		
	Unit 2.8	2-bed (4 person)	99.3	1068.9	13.9	149.6		
	Unit 2.9	1-bed (2 person)	54.4	585.6	5.4	58.1		
	Unit 2.10	1-bed (2 person)	58.9	634.0	7.1	76.4		
	Unit 2.11	2-bed (4 person)	74.1	797.6	10.7	115.2		
	Unit 2.12	2-bed (4 person)	75.7	814.8	16.7	179.8		
	Unit 2.13	2-bed (4 person)	83.0	893.4	17.3	186.2		
TOTAL	13 units		1031.0	11097.6	152.8	1644.7	1218.1	13111.5

3rd Floor	Unit 3.1	2-bed (4 person)	80.1	862.2	17.5	188.4		
	Unit 3.2	2-bed (4 person)	74.4	800.8	16.6	178.7		
	Unit 3.3	2-bed (4 person)	72.5	780.4	10.8	116.3		
	Unit 3.4	1-bed (2 person)	58.2	626.5	7.1	76.4		
	Unit 3.5	2-bed (4 person)	81.4	876.2	10.1	108.7		
	Unit 3.6	2-bed (4 person)	92.1	991.4	5.7	61.4		
	Unit 3.7	3-bed (6 person)	126.9	1365.9	13.9	149.6		
	Unit 3.8	2-bed (4 person)	99.3	1068.9	13.9	149.6		
	Unit 3.9	1-bed (2 person)	54.4	585.6	5.4	58.1		
	Unit 3.10	1-bed (2 person)	58.9	634.0	7.1	76.4		
	Unit 3.11	2-bed (4 person)	74.1	797.6	10.7	115.2		
	Unit 3.12	2-bed (4 person)	75.7	814.8	16.7	179.8		
	Unit 3.13	2-bed (4 person)	83.0	893.4	17.3	186.2		
TOTAL	13 units		1031.0	11097.6	152.8	1644.7	1218.1	13111.5

4th Floor	Unit 4.1	2-bed (4 person)	80.1	862.2	17.5	188.4		
	Unit 4.2	2-bed (4 person)	74.4	800.8	16.6	178.7		
	Unit 4.3	2-bed (4 person)	72.5	780.4	10.8	116.3		
	Unit 4.4	1-bed (2 person)	58.2	626.5	7.1	76.4		
	Unit 4.5	2-bed (4 person)	81.4	876.2	10.1	108.7		
	Unit 4.6	2-bed (4 person)	92.1	991.4	5.7	61.4		

	Unit 4.7	3-bed (6 person)	126.9	1365.9	13.9	149.6				
	Unit 4.8	2-bed (4 person)	99.3	1068.9	13.9	149.6				
	Unit 4.9	1-bed (2 person)	54.4	585.6	5.4	58.1				
	Unit 4.10	1-bed (2 person)	58.9	634.0	7.1	76.4				
	Unit 4.11	2-bed (4 person)	74.1	797.6	10.7	115.2				
	Unit 4.12	2-bed (4 person)	75.7	814.8	16.7	179.8				
	Unit 4.13	2-bed (4 person)	83.0	893.4	17.3	186.2				
TOTAL	13 units		1031.0	11097.6	152.8	1644.7	1218.1	13111.5		

5th Floor	Unit 5.1	2-bed (4 person)	80.1	862.2	17.5	188.4				
	Unit 5.2	2-bed (4 person)	74.4	800.8	16.6	178.7				
	Unit 5.3	2-bed (4 person)	72.5	780.4	10.8	116.3				
	Unit 5.4	1-bed (2 person)	58.2	626.5	7.1	76.4				
	Unit 5.5	2-bed (4 person)	81.4	876.2	10.1	108.7				
	Unit 5.6	2-bed (4 person)	92.1	991.4	5.7	61.4				
	Unit 5.7	3-bed (6 person)	126.9	1365.9	13.9	149.6				
	Unit 5.8	2-bed (4 person)	99.3	1068.9	13.9	149.6				
	Unit 5.9	1-bed (2 person)	54.4	585.6	5.4	58.1				
	Unit 5.10	1-bed (2 person)	58.9	634.0	7.1	76.4				
	Unit 5.11	2-bed (4 person)	74.1	797.6	10.7	115.2				
	Unit 5.12	2-bed (4 person)	75.7	814.8	16.7	179.8				
	Unit 5.13	2-bed (4 person)	83.0	893.4	17.3	186.2				
TOTAL	13 units		1031.0	11097.6	152.8	1644.7	1218.1	13111.5		

6th Floor	Unit 6.1	2-bed (4 person)	123.5	1329.3	27.9	300.3				
	Unit 6.2	2-bed (4 person)	124.3	1338.0	29.4	316.5				
	Unit 6.3	3-bed (5 person)	108.7	1170.0	8.1	87.2				
	Unit 6.4	2-bed (4 person)	96.6	1039.8	6.9	74.3				
	Unit 6.5	3-bed (6 person)	126.9	1365.9	14.0	150.7				
	Unit 6.6	2-bed (4 person)	99.2	1067.8	14.0	150.7				
	Unit 6.7	2-bed (4 person)	86.7	933.2	11.6	124.9				
	Unit 6.8	2-bed (4 person)	124.4	1339.0	11.7	125.9				
	Unit 6.9	2-bed (4 person)	123.6	1330.4	20.5	220.7				
TOTAL	9 units		1013.9	10913.5	144.1	1551.1	1162.2	12509.8		

7th Floor	Unit 7.1	2-bed (4 person)	77.5	834.2	51.9	558.6				
	Unit 7.2	2-bed (4 person)	97.7	1051.6	28.9	311.1				
	Unit 7.3	2-bed (4 person)	85.3	918.2	24.0	258.3				
	Unit 7.4	2-bed (4 person)	90.5	974.1	29.3	315.4				
	Unit 7.5	2-bed (4 person)	86.6	932.2	14.0	150.7				
	Unit 7.6	2-bed (4 person)	86.6	932.2	14.0	150.7				
	Unit 7.7	2-bed (4 person)	75.2	809.4	18.0	193.8				
	Unit 7.8	2-bed (4 person)	95.8	1031.2	28.9	311.1				
	Unit 7.9	2-bed (4 person)	77.5	834.2	51.9	558.6				
TOTAL	9 units		772.7	8317.3	260.9	2808.3	912.7	9824.2		

8th Floor	Unit 8.1	3-bed (6 person)	149.2	1606.0	56.4	607.1				
	Unit 8.2	3-bed (6 person)	122.2	1315.3	22.2	239.0				
	Unit 8.3	2-bed (4 person)	86.7	933.2	17.3	186.2				
	Unit 8.4	2-bed (4 person)	86.7	933.2	17.4	187.3				
	Unit 8.5	1-bed (2 person)	52.6	566.2	10.9	117.3				
	Unit 8.6	3-bed (6 person)	149.4	1608.1	56.4	607.1				
TOTAL	6 units		646.8	6962.1	180.6	1944.0	751.4	8088.0		

9th Floor	Unit 9.1	3-bed (5 person)	164.2	1767.4	119.6	1287.4				
	Unit 9.2	2-bed (4 person)	146.5	1576.9	114.7	1234.6				
TOTAL	2 units		310.7	3344.3	234.3	2522.0	360.0	3875.0		

TOTAL	91 Units		7952.2	85596.7	1588.3	17096.3	9335.2	100483.2		
--------------	-----------------	--	---------------	----------------	---------------	----------------	---------------	-----------------	--	--



Appendix C

Viability Appraisals

BNP Paribas Real Estate

Development Appraisal

Financial Viability Assessment

v5.0 Policy Compliant

The Leas Pavilion
Folkestone
WITHOUT PREJUDICE

Report Date: 16 July 2020

Prepared by Tim Mitford-Slade MLE MRICS

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Financial Viability Assessment
v5.0 Policy Compliant****Summary Appraisal for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
1st Floor Flats	13	11,699	270.00	242,979	3,158,730
2nd Floor Flats	13	11,044	277.50	235,747	3,064,710
3rd Floor Flats	13	11,044	475.00	403,531	5,245,900
4th Floor Flats	13	11,044	487.50	414,150	5,383,950
5th Floor Flats	13	11,044	500.00	424,769	5,522,000
6th Floor Flats	9	10,945	512.50	623,257	5,609,313
7th Floor Flats	9	8,317	525.00	485,158	4,366,425
8th Floor Flats	6	6,962	537.50	623,679	3,742,075
9th Floor Flats	2	3,344	550.00	919,600	1,839,200
Freehold	1	0	0.00	470,000	470,000
Parking	1	0	0.00	400,000	400,000
Extra Over Parking	<u>1</u>	<u>0</u>	<u>0.00</u>	<u>240,000</u>	<u>240,000</u>
Totals	94	85,443			39,042,303

NET REALISATION**39,042,303****OUTLAY****ACQUISITION COSTS**

Fixed Price			1
Agent Fee	1.00%		0
Legal Fee	0.50%		0

1

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Extra Over Parking	1 un	1,901,178	1,901,178

	ft²	Rate ft²	Cost
1st Floor Flats	13,760 ft ²	209.33 pf ²	2,880,442
2nd Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173
3rd Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173
4th Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173
5th Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Financial Viability Assessment
v5.0 Policy Compliant**

6th Floor Flats	12,873 ft ²	209.33 pf ²	2,694,798	
7th Floor Flats	9,782 ft ²	209.33 pf ²	2,047,751	
8th Floor Flats	8,189 ft ²	209.33 pf ²	1,714,133	
9th Floor Flats	3,933 ft ²	209.33 pf ²	823,335	
Totals	100,498 ft²		21,037,148	22,938,326
Contingency			2,200,000	
Road/Site Works/Externals			1,896,705	
CIL			551,550	4,648,255
Other Construction				
Abnormal Restoration Cost			4,499,339	4,499,339
PROFESSIONAL FEES				
All Professional Fees			3,791,874	3,791,874
DISPOSAL FEES				
Sales Agent & Marketing Fees		2.50%	792,722	
Affordable Housing Sales Package		1.00%	62,234	
Sales Legal Fee	65 un	800.00 /un	52,000	906,956
FINANCE				
Debit Rate 6.510% Credit Rate 0.510% (Nominal)				
Land			0	
Construction			2,606,843	
Other			960,174	
Total Finance Cost				3,567,017
TOTAL COSTS				40,351,768
PROFIT				(1,309,466)
Performance Measures				
Profit on Cost%		(3.25)%		
Profit on GDV%		(3.35)%		
Profit on NDV%		(3.35)%		
IRR		4.11%		

**Financial Viability Assessment
v5.0 Policy Compliant**

Profit Erosion (finance rate 6.510%)

N/A

BNP Paribas Real Estate

Development Appraisal

Financial Viability Assessment

v5.0 As Proposed

The Leas Pavilion
Folkestone
WITHOUT PREJUDICE

Report Date: 16 July 2020

Prepared by Tim Mitford-Slade MLE MRICS

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Financial Viability Assessment
v5.0 As Proposed****Summary Appraisal for Phase 1**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
1st Floor Flats	13	11,699	450.00	404,965	5,264,550
2nd Floor Flats	13	11,044	462.50	392,912	5,107,850
3rd Floor Flats	13	11,044	475.00	403,531	5,245,900
4th Floor Flats	13	11,044	487.50	414,150	5,383,950
5th Floor Flats	13	11,044	500.00	424,769	5,522,000
6th Floor Flats	9	10,945	512.50	623,257	5,609,313
7th Floor Flats	9	8,317	525.00	485,158	4,366,425
8th Floor Flats	6	6,962	537.50	623,679	3,742,075
9th Floor Flats	2	3,344	550.00	919,600	1,839,200
Freehold	1	0	0.00	470,000	470,000
Parking	1	0	0.00	370,000	370,000
Extra Over Parking	<u>1</u>	<u>0</u>	<u>0.00</u>	<u>270,000</u>	<u>270,000</u>
Totals	94	85,443			43,191,263

NET REALISATION**43,191,263****OUTLAY****ACQUISITION COSTS**

Fixed Price			1
Agent Fee	1.00%		0
Legal Fee	0.50%		0

1

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Extra Over Parking	1 un	1,901,178	1,901,178
	ft²	Rate ft²	Cost
1st Floor Flats	13,760 ft ²	209.33 pf ²	2,880,442
2nd Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173
3rd Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173
4th Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173
5th Floor Flats	12,990 ft ²	209.33 pf ²	2,719,173

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Financial Viability Assessment
v5.0 As Proposed**

6th Floor Flats	12,873 ft ²	209.33 pf ²	2,694,798	
7th Floor Flats	9,782 ft ²	209.33 pf ²	2,047,751	
8th Floor Flats	8,189 ft ²	209.33 pf ²	1,714,133	
9th Floor Flats	<u>3,933 ft²</u>	209.33 pf ²	<u>823,335</u>	
Totals	100,498 ft²		21,037,148	22,938,326
Contingency			2,200,000	
Road/Site Works/Externals			1,896,705	
CIL			551,550	
				4,648,255
Other Construction				
Abnormal Restoration Cost			4,499,339	
				4,499,339
PROFESSIONAL FEES				
All Professional Fees			3,791,874	
				3,791,874
DISPOSAL FEES				
Sales Agent & Marketing Fees		2.50%	1,073,032	
Sales Legal Fee	91 un	800.00 /un	72,800	
				1,145,832
FINANCE				
Debit Rate 6.510% Credit Rate 0.510% (Nominal)				
Land			0	
Construction			2,795,206	
Other			933,140	
Total Finance Cost				3,728,347
TOTAL COSTS				40,751,973
PROFIT				2,439,289
Performance Measures				
Profit on Cost%		5.99%		
Profit on GDV%		5.65%		
Profit on NDV%		5.65%		
IRR		9.93%		

**Financial Viability Assessment
v5.0 As Proposed**

Profit Erosion (finance rate 6.510%)

0 yrs 11 mths



Appendix D

Market Evidence

Sea View Apartments: Kent

There are very few new build flatted developments in the local area. We have therefore had to rely on schemes from across the Kent area, in particular those with sea views.

- **Sandgate Pavilions, Sandgate** provides a new build development comprising of three apartment blocks providing a mixture of two and three bedroom apartments. The apartments are situated in Sandgate, approximately two miles from the subject site. Sandgate Pavilions are finished to a very high specification throughout and offer sea views for all units. A selection of asking prices at this development are as follows:

Enbrook Pavilion 2 (1st Floor) – 2 Bed – 1,259 sq ft - £795,000 - £631 per sq ft

Enbrook Pavilion 2 (2nd Floor) – 2 Bed – 1,259 sq ft - £825,000 - £655 per sq ft

Enbrook Pavilion 1 (1st Floor) – 2 Bed – 1,389 sq ft - £900,000 - £648 per sq ft

Shorncliffe Pavilion 1 (1st Floor) – 2 Bed – 1,389 sq ft - £925,000 - £666 per sq ft

Shorncliffe Pavilion 1 (3rd Floor) – 2 Bed – 1,389 sq ft - £950,000 - £684 per sq ft

Each of these units has two parking spaces, sea views and are finished to a very high specification. Not all of the units within the proposed scheme will have a sea view thus we would expect a lower overall rate per sq ft to apply to the proposed scheme. Furthermore, our analysis of the last three years (2017-2019) sales of flats across Sandgate and Folkestone utilising the land registry and our postcode sector toolkit suggests that overall, properties achieve a c.10% premium in Sandgate (CT20 3) over and above those in the subject area (CT20 2).

We would therefore expect a lower overall rate per sq ft to apply to the proposed site.

- **Seabrook Heights, Hythe** is a private development of 9 luxurious apartments and one penthouse apartment in Hythe which is some 5 miles to the west of the site. The highly specified penthouse (of 1,418 sq ft) provides the most recent sale at £980,000 which equates to £691 per sq ft. The specification included an integrated Sonos sound system, electrically controlled recessed curtains, a free-standing stone bath to master en suite, enlarged ceiling height of 2.6m, a Minerva stone kitchen worktop with a wine cooler and full Bosch appliances.

Other units within the scheme currently on the market consist of:

Apartment 2 - 2 Bed - 893.5 sq ft, OTM £420,000, **£470 psf**

Apartment 5 - 2 Bed - 947 sq ft, OTM £470,000, **£496 psf**

Apartment 8 – 2 Bed - 925.5 sq ft OTM £500,000, **£540 psf**

The above units are situated close to the sea front in a similar setting, if arguably more desirable location in terms of surrounding area. Our research suggests that Hythe (CT20 5), over the past three years, has achieved c.23% premium over and above CT20 2. On the basis that the subject location is not considered as desirable as this development we would expect a lower overall rate per sq ft to be achievable. If we take the 23% premium as reasonable this equates to rate per sq ft of c.£375 per sq ft (compared to the average asking prices above), however in this instance we suggest this is considered to be too low.

- **Haverfield Park, Cannongate Road, Hythe** is a development by Kingston Homes comprising 8 modern apartments and 3 traditional homes. Haverfield Park is located on Cannongate Road, in close proximity to the Seabrook Heights development detailed above, albeit in a potentially more desirable location given the distance to the town centre and elevated position providing sea views. The apartment block comprises one two bedroom penthouse that extends to approximately 1,440 sq ft and is currently on the market for £815,000 which equates to **£566 per sq ft**.
- **Bay, Hythe** is a small scheme of six luxury contemporary apartments by TG Designer Homes. The apartments are located directly on Hythe's beach, with uninterrupted views of the shoreline. Each of the units benefits from direct sea views from the living space, underfloor heating, contemporary high quality fixtures and fittings, and two parking spaces in a secure underground garage. The sales figures detailed as follows average **£615 per sq ft**

A new build development within Folkestone (without sea views) at Bluebell Gardens, has 4 flats currently being marketed. Situated 0.3 miles to the north of the subject site, the largest two bedroom flat of 985 sq ft is currently being marketed at £295,000. This equates to c.£300 per sq ft.

Further research utilising Zoopla suggests that the average flat value in Folkestone is currently in the region of £268 per sq ft. We would expect the proposed flats to achieve a value well in excess of this average given they will be of a new build specification and their proximity to the sea.

The heat map below provides further evidence regarding the achievable values in the local area – of particular note is the “warmer” colours towards Sandgate/Hythe compared to Folkestone, which provides further evidence that the comparable evidence from Hythe and Sandgate will likely achieve a premium over and above the equivalent in Folkestone.



There are a number of second hand, modern developments which provide evidence as to an achievable rate per sq ft in Folkestone. A two bedroom flat at SeaScape on the Esplanade at Sandgate has sold subject to contract at £525,000. We understand this property is 1,128 sq ft which equates to a sale at £465 per sq ft. This is a modern development with parking but is situated in a more desirable location in Sandgate, as discussed above. Another flat situated equidistance between Hythe and Folkestone on Court Road, Seabrook, of 932 sq ft is currently on the market for £400,000. This equates to £429 per sq ft. This flat is a recently completed, well specified property with sea views in a more desirable location than the subject site, as detailed above.

There is limited directly comparable evidence available in Folkestone thus we have endeavoured to use other sources of evidence to provide an overview of potential achievable values. The range above provides values between £268 per sq ft and £684 per sq ft for various flats across the area. We would expect the flats at the subject site to achieve a price within this range. This takes in to account the modern specification and sea frontage (with some of the flats having sea views) but also the fact that there are flats with a higher specification in a more desirable area recently sold towards the top of this range.

We have spoken to our new homes team and they conclude that an overall average rate per sq ft of some £450 per sq ft would adequately take in to account the above considerations.



Appendix E

BCIS Summary

£/m² study

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

Last updated: 01-Feb-2020 00:47

› Rebased to Shepway (101; sample 18)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (15)	1,294	664	1,128	1,255	1,419	2,959	1255
810.1 Estate housing							
Generally (15)	1,289	617	1,102	1,245	1,411	4,489	1650
Single storey (15)	1,444	818	1,228	1,392	1,625	4,489	272
2-storey (15)	1,249	617	1,090	1,219	1,369	2,668	1265
3-storey (15)	1,308	813	1,067	1,270	1,465	2,614	108
4-storey or above (15)	2,695	1,343	2,195	2,384	3,536	4,018	5
810.11 Estate housing detached (15)	1,627	967	1,205	1,431	1,701	4,489	21
810.12 Estate housing semi detached							
Generally (15)	1,285	745	1,108	1,252	1,408	2,364	392
Single storey (15)	1,428	897	1,234	1,410	1,596	2,364	77
2-storey (15)	1,253	745	1,106	1,223	1,379	2,171	300
3-storey (15)	1,209	918	964	1,165	1,292	1,866	15
810.13 Estate housing terraced							
Generally (15)	1,327	811	1,100	1,253	1,459	4,018	325
Single storey (15)	1,494	981	1,249	1,440	1,746	2,116	35
2-storey (15)	1,283	811	1,091	1,242	1,434	2,668	239
3-storey (15)	1,322	813	1,063	1,258	1,459	2,614	49
4-storey or above (10)	3,777	3,536	-	-	-	4,018	2
816. Flats (apartments)							
Generally (15)	1,512	758	1,268	1,443	1,699	5,142	928
1-2 storey (15)	1,445	896	1,232	1,383	1,604	2,672	220
3-5 storey (15)	1,488	758	1,257	1,427	1,681	3,216	613
6 storey or above (15)	1,842	1,125	1,508	1,720	1,973	5,142	92