

VIABILITY PROOF OF EVIDENCE

**LAND TO THE EAST OF SITTINGBOURNE KENT
NORTHERN SCHEME
APP/V2255/V/24/3355314**

AND

**LAND SOUTH AND EAST OF SITTINGBOURNE KENT
SOUTHERN SCHEME
APP/V2255/24/3355313**

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28TH MAY 2025

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1. BACKGROUND AND RELEVANT EXPERIENCE

- 1.01 I am Tim Clive Mitford-Slade, a Chartered Valuation Surveyor and Head of Development Valuation UK for Strutt & Parker, a trading style of BNP Paribas Real Estate Advisory and Property Management UK Limited ('BNP Paribas Real Estate'). I am a former National Partner of Strutt & Parker and now a Senior Director of BNP Paribas Real Estate following a merger of the two businesses in October 2017. I am a Member of the Royal Institution of Chartered Surveyors ('RICS') and a Registered Valuer specialising in the valuation and sale of residential development land in the South East, operating out of offices in Canterbury, Sevenoaks, Guildford and Bristol.
- 1.02 I have over 25 years' experience of the South East development land market and have extensive local market knowledge. Indeed, I started my property career as an Estate Agent in Sittingbourne, where I worked for 18-months before returning to University to undertake a Masters in Land Economics. I have been involved in a number of development land transactions in Swale recently including the sale of Frogna Lane in Teynham on behalf of Trenport Investments to Moat and Chartway Group with planning permission for 300 dwellings. Even more recently, I acquired land at Swanstree Avenue in Sittingbourne on behalf of Hyde and Chartway Group from Gladman with planning for 135 dwellings and I have undertaken numerous development-led valuations and viability appraisals in the area in recent years, including Wisen Lane at Bordon for 675 homes. As such, I consider that I am extremely well qualified to provide viability advice on the proposed Applications. Details of my qualifications and experience entitling me to give expert opinion evidence to the Planning Inquiry are set out in **Appendix 1** (CD37.13.3A).
- 1.03 In undertaking my viability advice on behalf of the Applicants, I am aware of and have followed the RICS Professional Standard *Financial Viability in Planning: Conduct & Reporting* (2019), a copy of which is provided in **Appendix 2** (CD37.13.3B). I am also mindful of viability guidance documents such as the RICS *Assessing viability in planning under the NPPF 2019 for England* (2021) and I am familiar with the Planning Practice Guidance ('PPG') (CD16.11) on viability published following updates to the National Planning Policy Framework ('NPPF') (CD16.1).

2. MECHANICS OF THE ASSESSMENT

- 2.01 Strutt & Parker were instructed by Quinn Estates Kent Limited in September 2023 to provide viability advice and a Financial Viability Assessment ('FVA') in respect of their promotion of Land to the East of Sittingbourne, Kent ('Northern Scheme') for 1,250 dwellings and Land South and East of Sittingbourne, Kent ('Southern Scheme') for 7,150 dwellings.
- 2.02 The Northern Scheme extends to 241 acres (97.62 hectares) and comprises a mix of farmland, paddocks and previously developed land to the north of the A2 between Sittingbourne and Teynham in Kent.



Image 1 – Northern Scheme

- 2.03 The Southern Scheme, excluding the Science Park, extends to 1,360 acres (550.48 hectares) and also comprises predominantly open farmland, as set out in the Design and Access Statement accompanying the Applications. The Northern Scheme and Southern Scheme (together, 'the Schemes') are described in full in the main Statement of Common Ground ('SoCG') between the Applicants and Swale Borough Council ('the Council') (CD34.1)



Image 2 – Southern Scheme

- 2.04 The mechanics of the viability appraisals have been agreed with Mr Martin Aust of Pathfinder, who has been instructed by the Council to review the FVA and advise his client on the viability position of both Schemes. Our approach has been to model the Northern Scheme on a traditional residual approach given the quantum of units and its appeal to housebuilders and regional developers. It is considered that any scheme of up to 1,500 units or so could easily be brought forward by a single housebuilder, such as Vistry, Persimmon or Barrett Redrow, for example. For the Southern Scheme, we have agreed on a master-developer ('MD') approach, where one party will bring forward the strategic infrastructure, which is extensive, and then package up Serviced Land Parcels for sale to housebuilders, regional developers and SME developers in the market. This MD approach is well established for schemes in excess of 5,000 dwellings and where there is extensive strategic and social infrastructure. MDs in the market include Urban & Civic, St Philips, LSL, Brookfield, Henley Camland and MADE Partnership, amongst others. Of course, Quinn Estates themselves could well act as the MD for the Schemes.
- 2.05 My original FVA was in two parts, dealing with the Northern Scheme and Southern Scheme respectively. This was issued to the Council in January 2024 (CD7.28 and CD1.11). It should be noted that the submitted FVA was undertaken to demonstrate that the Schemes could provide 10% affordable housing in line with Policy DM8. The original FVA demonstrated that with 10% policy compliant affordable housing, both Schemes could come forward. However, the original FVA also concluded that any affordable housing provision much in excess of this would not be viable, particularly for the Northern Scheme.
- 2.06 Mr Aust provided a rebuttal to the original FVA, on both Schemes. His first rebuttal on the Northern Scheme is dated 23rd April 2024 (CD4.20) with a further addendum to the Council on 18th September 2024 (CD4.19). The advice provided to the Council by Mr Aust, having reviewed the original FVA, concluded that the Northern Scheme could come forward with the provision of 11.60% affordable housing. This would be an increase from 125 affordable units in my FVA to 147 affordable housing units.
- 2.07 In respect of the Southern Scheme, Mr Aust originally concluded that 22.00% affordable housing could be provided (see CD10.21.1). Following further consideration on viability matters, and the evolving position with the Section 106 contributions at the time, Mr Aust concluded that a range of affordable housing could be provided, depending upon the final agreed quantum of Section 106 contributions (see CD10.21). His addendum to the Council concluded the following:
- 20.00% affordable housing on the Southern Scheme could be delivered if the Section 106 contributions were £127.2m
 - 15.83% affordable housing could be delivered on the Southern Scheme if the Section 106 contributions were £146.4m
- 2.08 Following submission of the original FVA and Mr Aust's rebuttal and addendum, a better picture of the Section 106 contributions and costs have emerged, which has allowed me to provide an updated FVA for both the Northern Scheme and Southern Scheme in April 2025 and again in May 2025, whilst still adopting the agreed inputs between Mr Aust and I as far possible along the evolution of the FVA. The April 2025 updated FVA is attached as **Appendix 3** (CD37.13.3C) and the May 2025 appraisals are attached as **Appendix 4** (CD37.13.3D). Mr Aust reviewed and replied to the Council on the updated FVA in May 2025, as attached at **Appendix 5** (CD37.13.3E). The revised position on behalf of the Applicants as set out in my April 2025 FVA is as follows:
- 11.28% affordable housing for the Northern Scheme is the maximum amount whilst maintaining a viable position. Using the same base position, Mr Aust updated his original figure of 11.60% to a revised figure of 11.28%. This remained the same following the May FVA update, and therefore the agreed position on the **Northern Scheme** is **11.28%**.
 - In respect of the Southern Scheme, my updated position is that 22.50% affordable housing can be delivered whilst maintaining a viable position. Pathfinder's base position, as set out in Mr Aust's updated review, is also 22.50%. This remained the same following the May FVA update, and therefore the agreed position on the **Southern Scheme** is **22.50%**.
 - With the agreed positions on the Northern Scheme and Southern Scheme in place, the blended rate of affordable housing across the **Schemes** is agreed at **20.83%**. This excludes any adjustment for additional Section 106 requests, such as NHS Acute Care or Kent Downs National Landscape ('KDNL'), except a KDNL contribution of £250,000 supported by the Applicants. This is the same position that Mr Aust has arrived at on behalf of the Council.

- More information has come in at the date of this Proof of Evidence in respect of highway infrastructure costs, which have not been taken account as yet by either myself or Mr Aust pending further due diligence and technical analysis. Any impact on the FVA which may arise from this will be reported in my rebuttal.

- 2.09 Between March and May 2025 further discussion took place between Mr Aust and I on key inputs to the FVA, including BLV and private market sales values. The net result of these discussions is a change in some of the inputs to the appraisals, but no actual change to the percentage of affordable housing which can be delivered whilst retaining a viability position on delivery. As such, the percentages set out in March 2025 remain as they were for May 2025, pending any further adjustments on infrastructure costs.
- 2.10 In order to undertake the appraisals, I used Argus Circle Developer ('Argus') to model the Schemes, whereas Mr Aust used an Excel approach. Both are accepted formats for the models, and where possible I have translated Mr Aust's Excel calculations into an Argus format for ease of reference, but they both speak to each other and have the same outputs, subject to rounding.
- 2.11 Furthermore, in terms of the mechanics of the FVA, I have undertaken a sensitivity analysis around sales values and costs to ensure a robust approach to the calculations and give full transparency to both the FVA and Review Mechanism.

3. VIABILITY INPUTS

- 3.01 For building the viability models, certain key inputs have been agreed between Mr Aust and I, including the residential mix, non-residential development and a schedule of costs relating to the infrastructure works. This has enabled both parties to work from the same starting point and allow the models to be compared and contrasted. Taking each key input to the appraisals in turn, these are set out below.

Residential Mix

- 3.02 The schedule of accommodation used for the Northern Scheme is based on 1,250 dwellings. Mr Aust has a very slightly different mix but this has evolved to stress test the viability position and come to a conclusion on the overall percentage of affordable housing which can be delivered. Given the outline nature of the planning application and in the absence of a reserved matters application, it is necessary to model the residential mix based on identified housing needs in Swale, and as such both the FVA and the advice from Mr Aust are broadly consistent. The mix for the Northern Scheme is summarised as follows.

REVENUE		
Sales Valuation	Units	ft²
1b Flat	69	40,848
2b Flat	19	14,326
2b House	81	65,367
2b House	240	211,920
3b House	179	173,451
3b House	303	326,028
4b House	88	104,192
4b House	88	113,696
5b House	25	34,975
5b House	17	26,537
1b Flat Affordable	27	15,984
2b Flat Affordable	9	6,786
2b House Affordable	18	13,572
2b House Affordable	40	34,000
3b House Affordable	22	19,888
3b House Affordable	13	13,013
4b House Affordable	9	10,269
4b House Affordable	3	3,714
Totals	1,250	1,228,566

Table 1 – Northern Scheme Mix

- 3.03 As can be seen above, the mix comprises 10% flats and 90% houses which align to typical urban fringe developments and current appetite from housebuilders to match market demand. It is likely that the mix will evolve over the lifetime of the project and any changes can be reflected in subsequent reviews of the viability position under the FVA Review Mechanism set out in the Section 106 Agreements.
- 3.04 In respect of the Southern Scheme, Mr Aust and I both use a similar residential mix in modelling our Serviced Land Parcels, and these are also very similar to the mix adopted on the Northern Scheme so as to maintain consistency across the development.
- 3.05 Each Serviced Land Parcel has been modelled on 120 units, being a mix of private market and affordable housing. The scale reflects a typical two-year delivery programme for a housebuilder and is sufficiently compact to attract interest from larger SME developers.
- 3.06 Of course, when it comes to actual land sales of Serviced Land Parcels, these will be a range from perhaps 60 units through to around 500 units, depending upon the maturity of the development and market demand at any point in time. As such, one or more these 120 unit Serviced Land Parcels can be combined when it comes to reviewing the viability position over the lifetime of the development.
- 3.07 The mix for the Southern Scheme Serviced Land Parcel of 120 units, as agreed, is as follows:

REVENUE		
Sales Valuation	Units	ft²
1b Flat	6	3,552
2b Flat	2	1,508
2b House	7	5,649
2b House	15	13,245
3b House	14	13,566
3b House	27	29,052
4b House	9	10,656
4b House	9	11,628
5b House	2	2,798
5b House	2	3,122
1b Flat Affordable	4	2,368
2b Flat Affordable	1	754
2b House Affordable	1	754
2b House Affordable	13	11,050
3b House Affordable	5	4,520
3b House Affordable	1	1,001
4b House Affordable	1	1,141
4b House Affordable	1	1,238
Totals	120	117,602

Table 2 - Southern Scheme Mix

Revenues

- 3.08 One of the key drivers in assessing the likely level of viable affordable housing delivery is the private market revenue of the completed units, referred to as the Gross Development Value ('GDV').
- 3.09 Given the outline nature of the development, it is not appropriate to make significant on-site adjustments for each individual unit across the Schemes, but to provide a generic value on a £ per square foot ('£psf') or £ per square meter ('£psm') basis. For the purposes of this report, I provide all my rates on a £psf basis in line with common market practice. I have based my appraisals on a range of values for this part of Sittingbourne from £380psf to £400psf as follows:

REVENUE					
Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
1b Flat	69	40,848	400.00	236,800	16,339,200
2b Flat	19	14,326	400.00	301,600	5,730,400
2b House	81	65,367	395.00	318,765	25,819,965
2b House	240	211,920	395.00	348,785	83,708,400
3b House	179	173,451	390.00	377,910	67,645,890
3b House	303	326,028	390.00	419,640	127,150,920
4b House	88	104,192	385.00	455,840	40,113,920
4b House	88	113,696	385.00	497,420	43,772,960
5b House	25	34,975	380.00	531,620	13,290,500
5b House	17	26,537	380.00	593,180	10,084,060

Table 3 – Northern Scheme Revenues

REVENUE					
Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
1b Flat	6	3,552	400.00	236,800	1,420,800
2b Flat	2	1,508	400.00	301,600	603,200
2b House	7	5,649	395.00	318,765	2,231,355
2b House	15	13,245	395.00	348,785	5,231,775
3b House	14	13,566	395.00	382,755	5,358,570
3b House	27	29,052	395.00	425,020	11,475,540
4b House	9	10,656	395.00	467,680	4,209,120
4b House	9	11,628	395.00	510,340	4,593,060
5b House	2	2,798	386.75	541,063	1,082,127
5b House	2	3,122	386.75	603,717	1,207,434

Table 4 – Southern Scheme Revenues

- 3.10 It is important to use a range of values as the market is driven by capital values, and much larger family homes will have a dilated £psf compared to flats and small houses. There will always be a ceiling on larger homes, and therefore providing a blanket £390psf, for example, would not be reflective of the market.
- 3.11 I have based my evidence on the six new build schemes of scale in Sittingbourne with an average of £386psf, but I had adopted a range which includes an element of early placemaking, particularly on the Southern Scheme. I am also of the opinion, based on market evidence, that if the apartments and smaller units command a value of £400psf, the larger family houses will have a lower rate, so as to avoid a skew of capital values. It is for this reason that I adopt a range of £380psf to £400psf and an average of £390psf on the Northern Scheme and a range of £387psf to £400psf and an average of £395psf on the Southern Scheme due to greater prospects of early placemaking.
- 3.12 Analysis has been undertaken of every new build home sold in Sittingbourne since April 2022. These are shown grouped below and gives the most robust empirical market evidence of new homes transacted over the last 36 months:



Image 3 – New Build Developments in Sittingbourne

- 3.13 The map above captures every single new home transaction and covers seven schemes. One of these is discounted as it includes a development at Mill Way by Sanctuary Affordable Housing and is a scheme of predominantly shared ownership and discounted market units. The other six have been delivered by housebuilders as follows:
- Spring Acres by Chartway and Hyde at Bapchild
 - Edgelake by Rosechurch Homes at Great East Hall Park
 - Applegate Park by Barratt David Wilson Homes
 - Amber Fields by Redrow
 - Orchard Meadows by Persimmon at Iwade
 - Regent Quay by Redrow
- 3.14 Four of these are top five UK housebuilders and would make up the most likely demand for the Schemes. As such, their achieved values are going to be the best barometer of what can be achieved in the local market.

- 3.15 **Spring Acres** by Chartway and Hyde is the closest of the sites and is located in Bapchild on the eastern edge of Sittingbourne. There were 27 recorded sales of new homes between April 2022 and November 2023 and all of these were semi-detached or detached family homes with an average size of 1053 ft². The average sales price recorded at the land registry, which will exclude any incentives offered by the developer, is **£391psf**. This has been index linked to April 2025 in line with the Land Registry House Price Index.
- 3.16 **Edgelake** by Rosechurch Homes is the only SME developer to have delivered homes of any scale in this location, although they are part of the Trenport Group and previously owned all of East Hall Farm before selling large parcels to the likes of Countryside and Orbit. This particular site was left over from that development and was brought forward as a trial site for Rosechurch Homes as their first housebuilder type scheme. There have been 14 recorded sales at Edgelake since December 2022 with an average unit size of 1065 ft² and an average sales rate of **£384psf**. It is noted that this excludes incentives paid directly by the developer, which include SDLT allowances for home movers, up to 5% deposit paid, service charge paid for the first year, up to £5,000 contribution to estate agent fees, up to £1,500 for legal costs, removal costs of up to £1,500 and an interior package that includes blinds, light fittings and mirrors. These types of incentives are now common on all new build schemes and the value is rarely, if ever, reflected in the Land Registry data. The incentives at Edgelake average just over 7% of the list price of the new homes.
- 3.17 There have been 22 sales at **Applegate** since September 2023 with an average sales rate of **£393psf**. The David Wilson brand of Barratt Homes (now Barratt Redrow) is at the upper end of the housebuilder quality spectrum and this is reflected in the sales values achieved, albeit this is before any incentives are allowed for such as deposit contributions of up to £15,000 per home, equivalent to around 3.5% discount.
- 3.18 By far the greatest number of sales have been achieved at **Amber Fields**, to the west of Sittingbourne and averaging **£385psf** for the last 12 months, index linked to April 2025. By contrast, the high density **Regent Quay** scheme, also by Redrow (now Barrett Redrow), has a much lower rate of **£378psf** for the last 35 sales which reflects the town centre location with less generous plot sizes.
- 3.19 Finally, the Orchard Meadows development by Persimmon at Iwade is a fairly typical and somewhat vanilla housebuilder development albeit in a village location with average dwelling sizes of 1054 ft². The average sales price before deduction of incentives as at April 2025 is **£380psf**.
- 3.20 As can be seen above, the average of all the new build houses sold in Sittingbourne in the last three years index linked to April 2025 and excluding incentives is £386psf and a range of £380psf to £393psf. This is before deduction of incentives and supports the FVA range I have adopted of £380psf to £400psf and an average of £390psf to £395psf net receipt after allowances for incentives. This is somewhat higher than the current market evidence and reflects an element of early placemaking in the Schemes, particularly on the Southern Scheme.
- 3.21 Indeed, on the basis that current incentives are running around 6%, then the market evidence is a net comparable sales value in Sittingbourne at £363psf. I have allowed for net sales values averaging £390psf on the Northern Scheme and £395 on the Southern Scheme. These include early placemaking premiums of 7% on the Northern Scheme and 9% on the Southern Scheme.
- 3.22 A schedule of the Sales Evidence is attached as **Appendix 6** (CD37.13.3F).
- 3.23 By contrast, Mr Aust had applied a blanket £400psf to all of his units regardless of size and in the absence of any empirical evidence that Sittingbourne is yet at this level.
- 3.24 All of my evidence is from the sale of new homes in Sittingbourne only, providing the most robust and transparent empirical market data available. Mr Aust, by contrast, bases his opinions upon the following, none of which are houses and nor do they have any real relationship with the Schemes, given the type of dwellings and location:
- i. The asking price and sold price of two retirement living apartments in Sittingbourne at £405psf and £357psf respectively, dated from 2021;
 - ii. The sold price of five 1-bedroom apartments in Sittingbourne from 2021 at between £246psf and £358psf
 - iii. The asking price of a 2-bedroom Grade II listed converted apartment on the banks of Faversham Creek, 8 miles to the east of Sittingbourne;

- iv. The under offer price of a 1-bedroom apartment in a converted brewery, also in Faversham;
 - v. Two schemes of river frontage apartments in Tonbridge, some 27 miles to the west beyond Maidstone;
- 3.25 Mr Aust does at least state that his assessments are more optimistic than they could be, but his evidence base lacks any form of robust evidence base, albeit we both agree a ceiling on values at £400psf.
- 3.26 The affordable housing revenues were originally agreed with Mr Aust at £230psf based on 45% of private market values for affordable rent tenures and 75% for shared ownership, producing a blended discount to private market sales values of 57% to 59%. The mix of affordable tenures has not yet been crystallised (although a 60/40 split is referenced in the Section 106 Agreement) and therefore Mr Aust and I both agree that a blended rate based on market evidence is the preferred approach to the affordable housing revenue at the current time. The percentage discount was based on £400psf as most of the affordable housing is assumed to be on the smaller units within each Scheme.
- 3.27 Both Mr Aust and I are alive to the Aspinall Verdi Site Wide Viability Analysis ('AVVA') which references a rate of 45% for affordable rent tenures and 75% for shared ownership. A copy of the AVVA is provided in **Appendix 7** (CD37.13.3G).
- 3.28 It goes without saying that the affordable housing market is experiencing extreme disruption, and the percentage discount agreed upon may prove fairly optimistic in today's market unless there is a preference for affordable ownership units over affordable rented ones. Nevertheless, for the purposes of agreeing an overall quantum of affordable housing, Mr Aust and I are agreed on a blended rate of between £231psf and £237psf.
- 3.29 Neither Mr Aust nor I include any specific value for the non-residential uses within the Schemes, other than the commercial land which is valued as serviced land and included in the appraisals at £400,000 per net acre, with an associated servicing cost. The district centres in the Schemes include some elements of value, but also community uses which will have a negative residual value. Furthermore, any value which may be extracted for the district centres will be relatively small in the overall project budget and unlikely to come forward until the Schemes are suitably mature. As such, it is not considered necessary or appropriate to layer any significant value or cost for the district centres in the FVA.
- 3.30 In respect of disposal costs for the private market dwellings, I have used a rate of 2.51% for marketing and sales. Mr Aust uses a rate of 2.29% including an allowance of £900/dwelling for legal fees. There is no allowance for affordable housing package sales in his assumptions, although the overall rates would allow these to be absorbed in the 2.00% budget and compare closely to my own assumptions as to disposal costs. AVVA cites a rate of 3.50% for agent and legal fees on the sales. A further allowance has been made for the package sale of the affordable housing stock at 1.00% which is included in my overall rate of 2.51%. Given the range of 2.29% and 2.51%, it is unlikely that this difference would have a material impact on the final viability position and is therefore essentially agreed between Mr Aust and I.

Build Costs

- 3.31 For the residential build costs, Mr Aust and I have derived our data from the RICS Build Cost Information Service ('BCIS') which is a widely accepted industry standard for assessing the cost of a development in the absence of a detailed planning permission and cost plan. The rate I have used is £150psf which is the same as the average Median Rate for Swale rebased to April 2025 across the three available data sets, albeit that I have included an element of External Costs within this rate such as garages. I have then cross-checked this with the average Lower Quartile Rate of £129psf plus an allowance for garages and external costs over and above the external cost allowance of £6,750 per dwelling in my FVA. Indeed, it would be expected that wider plot external works would be at least 15% of build cost (£19.35psf), which is the percentage used in the AVVA, so using the Lower Quartile Rate and adding this cost in provides a figure of £148psf excluding any allowances for Biodiversity Net Gain ('BNG'), Electric Vehicle ('EV')

Building Function	Lower Qtr £psm	LQtr £psf	Median £psm	Median £psf
Estate Housing Generally Av		£ 129		£ 150
5yr Data	£ 1,457	£ 135	£ 1,737	£ 161
10yr Data	£ 1,352	£ 126	£ 1,570	£ 146
15yr Data	£ 1,359	£ 126	£ 1,538	£ 143

charging points and requirements under the Future Homes Standard ('FHS'). As such, the rate adopted of £150psf in line with the Median Rate for Swale is the lowest that can be expected whilst retaining an appropriate level of quality and design to achieved standard volume housebuilding.

Table 5 – BCIS Costs for Swale April 2025

- 3.32 There will of course be some housing from the SME developers that may well break the £400psf sales mark within the Schemes, but equally these will be delivered with an Upper Quartile Rate north of £170psf. Therefore, in order to provide a robust analysis of the build costs it is considered appropriate to base these on a blanket rate of £150psf across both Schemes in line with Median Rate data.
- 3.33 We have both used the same rate across all the residential units on a blended basis and as per BCIS guidance the rate is adjusted to provide a locational weighting for Swale. The AVVA also uses the BCIS Median Rate and this is reflected in the FVA Review Mechanism. To use any other rate would distort the costs and not allow for the extra-over design and quality which can be brought to the Schemes by SME developers, who would typically be north of the Upper Quartile Rate. As such, the Median Rate best reflects the proposed design qualities of the Schemes whilst allowing for both volume and bespoke housebuilding together.
- 3.34 For the on-plot costs, additional allowances have been made for contingencies and professional fees. In respect of the latter, I have used a rate of 5.00% for all professional fees on the Northern Scheme and Southern Scheme Serviced Land Parcels. Mr Aust has used a rate of 6.00% for professional fees. In the MD model, both Mr Aust and I have professional fees of 4% plus planning costs.
- 3.35 The AVVA adopts the following rates:
- BCIS Median Rate
 - 15.00% for external works
 - Contingency of 5.00% (citing a range of 3.00% to 5.00%)
 - Professional fees of 10.00% (citing a range of 8.00% to 12.00%)

Infrastructure Costs

- 3.36 Infrastructure costs for the Northern Scheme at the date of this Proof of Evidence include the following:
- Interim Junction Works - £3,000,000
 - Section 278 Works - £33,005,000
 - Strategic Drainage - £2,500,000 (at £2,000 per unit)
 - Strategic Landscaping - £1,250,000 (at £1,000 per unit)
 - Ecology - £937,500 (at £750 per unit)
 - Utilities - £6,250,000 (at £5,000 per unit)
 - Internal Road Infrastructure - £4,895,000
 - Site Preparation and Enabling Works - £937,500 (at £750 per unit)
 - Sports Hub for Bapchild Cricket Club - £1,100,000
- 3.37 The infrastructure costs for the Southern Scheme at the date of this Proof of Evidence are clearly more extensive and front-loaded, hence the need to approach this from a master-developer perspective. There are of course some additional costs embedded in the Serviced Land Parcels, although most of the infrastructure costs sit within the MD Appraisal. Those costs which are specific to each Serviced Land Parcel, and therefore the responsibility of the housebuilder or developer, only relate to on-plot costs of £6,750 per unit. However, the MD will be required to meet all major strategic and social infrastructure for the Southern Scheme as follows:
- Commercial Land Site Service Cost - £6,127,500
 - 6km Link Road - £50,295,000
 - Motorway Junction and S278 Works - £77,700,000

- Strategic Foul Drainage Infrastructure - £21,450,000
- Strategic Green Infrastructure - £21,450,000
- Site Wide Ecology - £10,725,000
- Utility Infrastructure - £35,750,000
- Site Preparation and Enabling Works - £26,127,500
- Internal Road Infrastructure - £28,000,000
- Archaeology - £4,000,000
- Sports Hubs - £16,000,000

3.38 The infrastructure costs for the Schemes amount to approximately £43,100 per unit for the Northern Scheme and £41,625 per unit for the Southern Scheme. These can be compared to other major developments locally such as Otterpool Park in Folkestone, where the infrastructure cost is approximately £36,500 per unit on a scheme of 8,500 homes. The affordable housing requirement at Otterpool Park is 22%.

Other Construction and Abnormal Costs

- 3.39 In addition to these, there are third party interests and contractual landowner obligations which must be taken into account, specifically relating to the Northern Scheme:
- Ground Condition Abnormal Costs - £2,187,500 (at £1,750 per unit)
 - Foundation Abnormal Costs - £937,500 (at £750 per unit)
 - Latent Defects Policies - £750,000 (at £600 per unit)
 - Lifetime Home Costs - £187,500 (at £150 per unit)
 - Third Party Land Acquisition Costs relating to the highways infrastructure - £3,850,000
 - Building replacement and rebuilding costs relating to the highways infrastructure - £10,000,000

Contingency Costs

- 3.40 The AVVA adopts a contingency rate of 5.00%. In my experience, a rate of 3.00% for build costs for volume housebuilder schemes on larger developments is appropriate, and a higher rate of between 5.00% and 10% would typically be applied to infrastructure costs. Abnormal costs, by their nature, would attract a higher contingency again, typically 7.50% to 10%.
- 3.41 In respect of the Northern Scheme, I have adopted a build contingency of 3.00%, infrastructure contingency of 5.00% and an abnormal contingency of 7.50%. Mr Aust uses a blanket rate of 3.00%. For the Southern Scheme, the Serviced Land Parcels have the same 3.00% build contingency and 7.50% abnormal contingency. Mr Aust just has 2.50% contingencies for the Southern Serviced Land Parcels as he makes no allowance for abnormal costs. The 5.00% infrastructure contingency, however, appears only in the MD Appraisal for the Southern Scheme, the same rate adopted by Mr Aust, and is at the lower end of a reasonable range.
- 3.42 Whilst a 5.00% contingency rate on the infrastructure costs is agreed between Mr Aust and I, a higher rate of up to 7.50% has been tested in my sensitivity analysis. A 0.50% increase in revenues would offset this 2.50% increase in contingency costs and maintain a viable level of affordable housing in the Southern Scheme at 22.50%.

All-in Costs

- 3.43 In order to compare the cost assumptions between Mr Aust and I, it is necessary to pull together all of the development costs for each Scheme.
- 3.44 For the Northern Scheme, I have an all-in cost of just over £287m at £231psf. Mr Aust, largely by virtue of higher on-plot external costs, has a figure of just over £307m at £246psf.
- 3.45 For the Southern Scheme, the Serviced Land Parcels have an all-in cost of £20.6m at £173psf. Mr Aust, for the same reasons above, has £22.0m at £184psf. Within the MD model, Mr Aust and I adopted exactly

the same figure, except Mr Aust has not made any allowances for the servicing of the commercial land, for which I have allowed £6,127,500. Given the sensitivities of the Schemes, this isn't considered material.

Section 106 Contributions

- 3.46 For my original FVA, and for the first rebuttal undertaken by Mr Aust, the anticipated Section 106 contribution for the Northern Scheme was allowed for at £16,646 per dwelling, equating to a total sum of £20,807,038. Further to on-going engagement with the Council and Kent County Council ('KCC'), the updated position of Section 106 contributions for the Northern Scheme is £17,167 per dwelling, equating to a total contribution of £21,458,869. This excludes the Bapchild Cricket Club Sports Hub which is allowed for separately under the infrastructure costs at £1,100,000, and also excludes allowances for Acute Care.
- 3.47 Similarly, for the Southern Scheme the Section 106 costs were embedded in the Serviced Land Parcels and amounted to £18,485 per dwelling or £132,243,429. In arriving at his advice in September 2024, Mr Aust modelled the Southern Scheme based upon a Section 106 contribution of £20,479 per dwelling which resulted in a suggested reduction of affordable housing down from 22.00% in his rebuttal to 15.83% come September 2024.
- 3.48 In the updated FVA, the Sports Hubs were removed as a Section 106 cost and reinserted as an infrastructure cost. After further adjustments and discussions with the Council and KCC, the Section 106 position at the date of the updated FVA was £15,857 per dwelling equating to a total contribution of £113,374,264. This excludes allowances for Acute Care, being £4,512,778 on the Northern Scheme and £25,406,069 on the Southern Scheme. In respect of the KDNL, which is £3,439,961 and only impacts the Southern Scheme, only a contribution of £250,000 supported by the Applicants has been included in the appraisals and embedded within the Serviced Land Parcels at £37.49 per unit.
- 3.49 A breakdown of the Section 106 costs is included in **Appendix 8** (CD37.13.3H).
- 3.50 With these updated Section 106 costs, the summary of their evolution is shown below in Table 6:

Section 106	Northern/unit	Southern/unit
FVA	£16,646	£18,485
Rebuttals	£16,646	£20,479
Current	£17,167	£15,857

Finance Costs

- 3.51 An all-inclusive finance rate of 7.75% has been used to cash-flow the receipts and costs of the development over the lifetime of the project, while Mr Aust uses a rate of 7.50%. This is the same rate used in the AVVS albeit at a time when the Bank of England Base Rate was significantly lower.
- 3.52 Indeed, Mr Aust states in his review of the updated FVA (CD37.13.3F Paragraph 6.4.7), *"Where development finance is available, lenders are currently charging minimum rates of at least 7.5%. Arrangement (1%), monitoring (2%) and exit fees (1%) are also charged. These onerous lending terms persist due to on-going resistance to lending on residential development in the current market. We have adopted an interest rate of 7.5% with no additional allowance for fees, which we consider to be a standard assumption for development in the current economic climate and noting more restrictive lending practices and stringent criteria since the introduction of the Covid -19 pandemic. It is conventional to assume finance on all costs in order to reflect the opportunity cost (or, in some cases, the actual cost) of committing equity to the project."*
- 3.53 In order to model the cashflow of the Northern Scheme I have assumed a development period of between 11 and 12 years, with a sales period of 10 years, equivalent to a sales rate of 125 dwellings per annum. This may be ambitious in the current market but historically a rate of around 2 to 3 units per week would be a reasonable housebuilder target. Mr Aust has assumed a similar development programme with a sales rate of 125 units per annum (gross) or 110.3 private market sales per year (2.12 per week).

- 3.54 As for the Southern Scheme, the early delivery of strategic highways infrastructure has a major bearing on the finance cost of the development. The finance rate is agreed at between 7.5% and 7.75% and the cashflow models are attached as **Appendix 9** (CD37.13.3I). The development programme is set out in the cashflow models and has been rigorously reviewed by the cost consultants on the project, but it goes without saying that the MD model incentivises the early release of Serviced Land Parcels to reduce finance costs.
- 3.55 I would normally expect the cost of debt to be in the range of 4% to 6% of GDV. For the Northern Scheme, however, due to the high infrastructure costs in the early phases of development, the rate is 7.80%. As Mr Aust uses a marginally lower rate of interest, the cost of debt in his model is lower at 6.88% but still above the norm.
- 3.56 Indeed, for the Serviced Land Parcels on the Southern Scheme, I have a cost of debt at 5.88% of GDV, and Mr Aust has a rate of 4.53%. Both of these are within the expected range, which emphasises further the financial impact of early infrastructure on the cashflow and cost of debt.
- 3.57 The impact on the Southern Scheme is even greater in the MD model, where the motorway junction and 6km link road carry a major upfront cost burden before any significant land parcel receipts. The cost of debt as a percentage of total revenue to the MD is 9.84%. Mr Aust has a rate of 10.71%.

Profit Margins and Performance Measures

- 3.58 The profit margins on the Northern Scheme and Serviced Land Parcels in the Southern Scheme are based upon 18.00% on the Private Market Housing values and 6.00% of the Affordable Housing values, regardless of affordable tenure. The blended rate will therefore vary depending upon the actual mix of Private Market and Affordable Housing, so for the updated FVA the rate for the Northern Scheme is 17.30% of GDV, equating to 20.92% on cost and an IRR of 14.40%. Mr Aust has a blended rate of 16.83%. All of these rates are within current market tolerances for development schemes and fit within the ranges provided for other viability studies in Swale and beyond.
- 3.59 The blended rate for the Serviced Land Parcels on the Southern Scheme is lower, as the quantum of affordable housing is higher. As such, the updated FVA shows 16.53% on blended GDV, 19.80% on cost and an IRR of 23.32% given the serviced nature of the site and shorted development period. Mr Aust has a blended rate of 16.09%.
- 3.60 The AVVA uses a profit rate of 20.00% for the private market housing and 6.00% of the affordable housing. These are both based against the gross revenue and is marginally higher than the blended rates used by Mr Aust and I.
- 3.61 For the profit margin on the MD model for the Southern Scheme, Mr Aust and I adopt a rate of 15.00% on cost, being all costs to the MD. The land element would be drawn down by the MD from the landowner at the point of sale into the market as a serviced parcel, so would not attract a margin *per se*. As such, it is necessary to strip this element out so as to avoid an over-allowance on profit within the model. Argus, as an appraisal tool, treats land as a cost and therefore it is necessary to manipulate the margin within the model to reflect 15.00% on MD costs only. It is for this reason the Southern Scheme MD Appraisal within the updated FVA (see CD37.13.3D) refers to a MD profit of 11.16% of cost.
- 3.62 Mr Aust and I are both in agreement that either an IRR, profit on cost, profit on GDV or gross margin would be appropriate performance measures for the Schemes, but we have both settled on profit on GDV for the Northern Scheme and Southern Scheme Serviced Land Parcels, and a profit on MD cost for the MD model for the Southern Scheme, inclusive of development and project management costs.

4. METHODOLOGY

- 4.01 The inputs above allow one to arrive at a Residual Land Value ('RLV') for both the Schemes. As per accepted viability methodology, these are compared with an adopted Benchmark Land Value ('BLV'). In simple terms, if the RLV exceeds the BLV, then there is a surplus available and the scheme can be considered viable. Likewise, if the RLV falls below the BLV, then there needs to be some 'give' on the provision of affordable housing or wider Section 106 contributions until the point where the RLV and BLV are equal. That is the methodology used and accepted by Mr Aust and I and is endorsed by the RICS and national planning policy guidance.
- 4.02 Indeed, not only is the methodology agreed, but we are also aligned in respect of an appropriate BLV for the Schemes. In this regard, we have adopted a range of £100,000 to £110,000 per gross acre, which is a multiple of ten on the current agricultural value of £10,000 to £11,000 per acre, blended across the landholdings.
- 4.03 For the Northern Scheme, which extends to 241 acres, Mr Aust uses a BLV of £100,000 per acre and a total value of £24,201,953. Given the fact that there are greater elements of urban fringe pony paddocks (which would be double agricultural land value) and some limited brownfield land within the area of the Northern Scheme, and in line with the Swale viability studies to date, I layer a small premium to reflect these higher value, non-farmland uses. As such, I have tested the RLV against a very marginally higher BLV of £110,000 per acre or a total value of £26,510,000. Despite this, both Mr Aust and I agree that our respective RLVs meet the BLV with an affordable housing quantum equal to 11.28%.

	Pathfinder	Strutt & Parker
Benchmark Land Value	£24,201,953	£26,510,000
Site Area Hectares	97.94	97.62
Site Area Acres	242	241
BLV £ per Ha	£247,110	£271,563
BLV £ per Ac	£100,008	£110,000
RLV to BLV %	100%	100%

Table 7 – Northern Scheme BLV

- 4.04 For the Southern Scheme, the area cited in the planning application is 577.48 hectares which is 1,426 acres. This includes the existing Science Park – whilst this is required to allow for the delivery of the southern relief road, it is not actually being sold and therefore should be excluded from the BLV calculations. The area of this is agreed at 27 hectares or 66.69 acres.
- 4.05 Given these adjustments, I have run my most up-to-date appraisals based upon a BLV for the Southern Scheme of £135,968,560 at £100,000 per acre. Mr Aust uses the same BLV rate but against a slightly larger area resulting in a sub-5% difference in total BLV value. However, as we have applied very minor differences in our inputs to the Southern Scheme appraisals, we still agree on an affordable housing quantum for the Southern Scheme at 22.50%.

	Pathfinder	Strutt & Parker
Benchmark Land Value	£142,701,083	£135,968,560
Site Area Hectares	577.48	550.48
Site Area Acres	1427	1360
BLV £ per Ha	£246,947	£247,000
BLV £ per Ac	£100,000	£100,000
RLV to BLV %	100%	100%

Table 8 – Southern Scheme BLV

- 4.06 For the BLVs, Mr Aust and I have both used the well-established Existing Use Value Plus ('EUV+') approach in line with the PPG guidance and the NPPF.
- 4.07 The Schemes include both development land and green open spaces, which have been blended together to arrive at a BLV rate of £100,000 per acre, as agreed between Mr Aust and I. However, it would be reasonable to conclude that the development land may have a BLV closer to the upper end of the range of up to 20 times agricultural existing use value as set out in the AVVA, and the open space may be lower. However, in line with the AVVA and adopted viability practice a blended rate is adopted by Mr Aust and I at £100,000 per gross acre for the Southern Scheme. Both the development land and open spaces come together to form the Scheme, and therefore have to be treated as a single entity when establishing the BLV.

5. SUMMARY CONCLUSIONS

5.01 In summary, Mr Aust and I have agreed upon the methodology and approach to the viability and agree that these should be different for the Northern Scheme and Southern Scheme. We are very slightly at odds on Private Market GDV and some of the on-plot build costs, but we are nevertheless sufficiently close that when one layers in the significant costs of bringing forward a Scheme of this scale, we both agree that affordable housing provision much beyond 20% would render the Scheme unviable and undeliverable.

5.02 The conclusions reached are therefore summarised below in Table 9 as follows:

Scheme	Original FVA	Pathfinder	Updated FVA	Pathfinder Update
Northern	10%	11.60%	11.28%	11.28%
Southern	10%	15.83% to 22.00%	22.50%	22.50%
Blended	10%	15.20% to 20.45%	20.83%	20.83%

5.03 The figures above specifically exclude the Acute Care and the KDNL contributions (other than the £250,000 KDNL contribution supported by the Applicants). With these imposed upon the Scheme, there is inevitably a knock-on effect whereby the extra costs push the RLV below the accepted BLV. As such, the quantum of affordable housing is then reduced to equalise the viability position, as shown in Table 10 below:

Requirement	Updated FVA with no Acute Care or KDNL Contributions	Updated FVA with additional Contributions	Pathfinder with no Acute Care or KDNL Contributions	Pathfinder with additional Contributions
Acute Care - North	11.28%	6.08%*	11.28%	6.08%
Acute Care - South	22.50%	16.67%	22.50%	17.50%
Acute Care - Blended	20.83%	15.10%	20.83%	15.80%
Acute Care & KDNL - South	22.50%	15.83%	22.50%	16.70%
Acute Care & KDNL - Blended	20.83%	14.38%	20.83%	15.12%
KDNL - South	22.50%	21.67%	22.50%	21.70%
KDNL - Blended	20.83%	20.13%	20.83%	20.15%

*Although the appraisals in the updated FVA show 0%, on balance I am of the opinion that an affordable housing provision of 6.08% in line with Pathfinder's model is not unreasonable and within the sensitivity range of the appraisal inputs.

6. VIABILITY REVIEW MECHANISM

- 6.01 During the course of the viability review process over the last 18 months, it is clear that Mr Aust and I have reached agreement on many matters, but the fluid nature of the Section 106 requests over this period and significant up-front costs has resulted in a range of outputs. As such, it has not been possible to crystallise a definitive position on the quantum or mix of the affordable housing within the scheme over the lifetime of the project, not least as costs for the major infrastructure may well fluctuate over the early years of delivery.
- 6.02 However, with the Section 106 contributions and costs known as far as possible to date, Mr Aust and I do at least have an agreed position on the percentage amount of affordable housing blended across the Schemes of 20.83%. On this basis and assuming 8,400 homes this will deliver 1,764 affordable homes and exceeds the total number of affordable homes delivered in the entire Borough of Swale over the last decade.
- 6.03 Whilst this is the maximum viable proportion of affordable homes that can be committed to at the time of the applications being determined, it is below the 27.70% that is concluded in the 2020 SHMA as being the proportion of housing need required as affordable housing to achieve the projected tenure requirements in 2038. In view of this, both applications include review mechanisms which enable the proportion of affordable housing to increase with a view to achieving the 27.70% level of identified need.
- 6.04 The FVA Review Mechanism follows the same approach and methodology agreed to-date, and is set out as an Excel model. There are agreed trigger points for the FVA Review Mechanism that will capture the prevailing values and costs at the time. That way, a robust mechanism is in place to ensure the maximum delivery of affordable housing up to the agreed cap.

7. STATEMENT OF TRUTH

- 7.01 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

8. DECLARATION

- 8.01 I confirm that my report has drawn attention to all material facts which are relevant and have affected my professional opinion.
- 8.02 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.
- 8.03 I confirm that I am not instructed under any conditional or other success-based fee arrangement.
- 8.04 I confirm that I have no conflicts of interest.
- 8.05 I confirm that I am aware of and have complied with the requirements of the rules, protocols and directions of the Planning Inquiry.
- 8.06 I confirm that my report complies with the requirements of the Royal Institution of Chartered Surveyors, as set down in the RICS Practice Statement *Surveyors acting as expert witnesses* (4th Edition). This is included as **Appendix 10** (CD37.13.3J).



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