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Ref: JN/Metis/Southbourne
Date: 10 December 2024

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Dear Sirs

Southbourne Allocation DPD

I am instructed by Metis Homes to undertake a review of the Southbourne Allocation DPD Viability Review Stage 1 October 2024, undertaken by Dixon Searle.

Relevant Context

This review undertaken for the Local Planning Authority considers a range of development options that seek to test the viability of potential development scenarios, including an associated level of infrastructure. It is worth noting in this context that Dixon Searle describes this infrastructure as "necessary" to support the planned level of development. However, the inclusion of a multi-modal bridge is not supported by the Council's highways evidence and the client has submitted separate highways evidence which confirms that a vehicular bridge is not required.

It is also worth noting that the Dixon Searle reporting includes appraisals of development scenarios of 1,050 dwellings. However, we have been advised by the client's Planning Consultant, Nova Planning Limited, that the consultation is being undertaken on the basis of identifying an allocation for 800 dwellings (the residual requirement net of committed development), and indeed this is directly referenced in the exhibition material presented by CDC to the local community. I have been advised that 250 dwellings have already been approved within the BLD area and are counted as commitments against the overall requirement of 1,050 dwellings, leaving the residual 800 dwellings requirement to be allocated. Consequently, I question the relevance and legitimacy of Dixon Searle assessing the viability of 1,050 dwellings, noting that the obligations for the 250 committed dwellings are already secured through their respective permissions, and should not be included in viability modelling for 1,050 dwellings scenarios, as appears to be the case in the Dixon Searle reporting.

Finally, the Dixon Searle reporting is based on summary appraisals contained at Appendix 2a of the report. The client's Planning Consultant has requested electronic copies of the Argus Appraisal worksheets from CDC on our behalf, but this information has not been provided on the basis that it is information that would need to be made available to all parties, which is not considered appropriate while the consultation

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process is underway. It is not possible to undertake a full and detailed assessment without access to this information and this compromises the consultation process to some degree.

Despite the absence of detailed evidence, I have set out below my concerns in respect of various key inputs. I raise significant questions regarding the viability of the development, particularly in respect of development with a multi-modal bridge. I have recently undertaken more detailed plan viability testing in the West Sussex area and will draw upon this evidence to consider the efficacy of Dixons Searles approach.

Benchmark Land Value

Scenario 1 West includes for the lowest Benchmark Land Value testing at £100,000 acre. I have reviewed my reporting for the Harris Scrapyard & Oaks Farm Site in Southbourne, granted at appeal under Ref. APP/L3815/W/23/3318548, and note that I reference the BMLV for agricultural land at between £100,000 acre and £300,000 acre. I also noted that discounted amenity land value could range between £50,00 acre and £150,000 acre. The Dixon Searle BMLV at £100,000 acre appears to be on the low side and this could lead to delivery issues, i.e. the Site not being released for development.

I have considered my recent reporting on the Newbridge Park site in the neighbouring Horsham District Council (Land West of Billingshurst (Newbridge Park). This comparable 1004 unit development has been the subject of a detailed viability review. It was agreed that the average BMLV for the agricultural land would be £160,000. This represented the minimum land value the landowner would release the site for redevelopment.

Considering the evidence, I suggest that the BMLV adopted by Dixon Searle in their viability review is on the low side and that additional cost to land acquisition need to be included.

Revenue

Across the Dixon Searle reporting they consider a range of revenue for private sales between £4,750m2 (£441sqft) and £5,000m2 (£464sqft). There are a number of comparable sites being delivered in the West Sussex area at this time. Historic sales rates average £429sqft, however the Southbourne area will be below this average compared to the higher value locations of Chichester etc. The comparables are also distorted by higher revenues achieved in 2022.

Saxon Gate, Havant Road, Emsworth, PO10 7LF	Barratt	£429sqft
The Orchards, Southbourne, PO10 8NB	Abri	£435sqft
Rosebrook, Broad Road, Hambrook, PO18 8RE	Cala	£434sqft
Priors Meadows, Cooks Lane, Southbourne, PO10 8LG	Bloor	£443sqft
Harbour Reach, Long Copse Lane, Emsworth, PO10 7UR	Metis	£434sqft

Minerva Heights, Old Broyle Road, Chichester, PO19 3PH	Miller	£419sqft
	Vistry	£389sqft
	Bovis	£414sqft
Lavant View, Pinewood Way, Chichester, PO19 6EJ	Redrow	£440sqft
Indigo Park, Shopwhyke Road, Chichester, PO20 2GD	Bellway	£380sqft
Average		£429sqft

Current release prices at the Cala Homes Rosebrook site are £395sqft. There is no evidence to support the Dixon Searle values suggested at £441sqft to £464sqft and the values used should reflect today's values.

Considering the Affordable Housing Revenue, Dixon Searle suggest that the blended Social Rent, Affordable Rent and Shared Ownership dwellings will generate an average of £233sqft.

It is widely understood that the value of s106 housing has fallen significantly over the last 18 months. A detailed review of the likely Affordable Housing Revenue on the Newbridge Park site concluded that an average revenue of £210sqft would be sustainable.

Current s106 deals in the region, including for the higher value Affordable Rent and Shared Ownership only tenure mix, are achieving average revenues at £210sqft. Considering this evidence, the revenue suggested by Dixon Searle is not sustainable.

Build Costs

Dixon Searle's assessment of build cost at £197sqft appears to be reasonable and reflects the Newbridge Park Build Cost analysis closely at £196sqft.

I note that Dixon Searle have included a budget £10m for the suggested multi-modal bridge. This budget appears to be inadequate compared to reported projects across the country. I have undertaken a review of the likely costs for the suggested multi modal bridge plus the required approach works.

A review of the standard bridge costs including for a pre cost concrete span, retaining walls, road deck and ramp with associated surfacing works suggests a standard budget of £10m. Including for the unique constraints of assembling the bridge over an operating railway line would increase this cost budget considerably.

Previous estimates in early discussions several years ago for this project indicated a budget of £15m to build the suggested bridge and considering reported comparable Network Rail projects on site in Weston Super Mare and Newcastle Upon Tyne, this budget seems more likely the minimum.

The absence of any detailed cost analysis for the suggested multi-modal bridge is in itself concerning as the unknown significantly undermines the validity and reliability of the viability exercise that has been undertaken. Based on the reported comparables at Weston Super Mare (Winterstoke Road Bridge estimated at £10.8m with £19.8m currently committed and completion expected in 2025) and Newcastle Upon Tyne (Newsham Bridge estimated at £11m and completed Dec 2024 at £30m), the cost is likely to be significantly higher than the suggested Dixon Searle budget, and its inclusion of a multi-modal bridge within the plan is likely to undermine the viability and deliverability of the development. I recommend that the LPA seek specialist advice to accurately cost the delivery of the suggested bridge infrastructure.

I also note that Network Rail are likely to require additional fees and a ransom payment for the delivery of the bridge under their published 'Shared Value' policy. The recently abandoned footbridge project across the main line at Netley (Eastleigh BC), on which I acted, had an initial fee only budget of £1m set by Network Rail. The Southbourne project would be significantly in excess of this, and these costs are not included within the Dixon Searle reporting.

Finance

Dixon Searle have included a finance rate of 6.5% reflecting 1.75% above the Bank of England base rate. It is inconceivable that risk finance for residential development can be secured at this rate.

Numerous appeal decisions support a rate at 3% above base, which at this time would be 7.75%. The use of an unsustainable finance charge will impact on the site's delivery and undermines the viability process.

Conclusions

It seems clear that the likely sales revenue generated by the Southbourne DPD is lower than reported by Dixon Searle based on current evidence. This reduction in revenue is estimated to be in excess of 5% for both private and affordable dwellings.

The overestimated revenue is also supported by the use of unsustainable BMLV that seeks to prove viability. Including for recent changes in Capital Gains Tax, Landowners will not accept land values at the level suggested by Dixon Searle.

It is also maintained that the Finance Rates included by Dixon Searle are not realistic of the market.

The viability position is challenging based on the issues outlined. However, the inclusion of multi modal bridge infrastructure costs is the most concerning given the significance of these costs and the lack of any supporting cost analysis. Based on our own analysis, there are strong indications that these costs have been significantly underestimated and as such the marginal viability position being reported is incorrect. It is my professional opinion that the viability of development is significantly

compromised with a multi-modal bridge. Development is more likely to be viable with a pedestrian/cycle bridge.

I acknowledge that the issue of appropriate BMLV cannot be resolved at this stage, however the likely revenue to be generated on this site is well understood and does not support the Dixon Searle review. I recommend that the proposed multi modal railway infrastructure is not included within the plan proposal. Additionally, I recommend that the overall s106 contributions including financial payments and affordable housing contributions may need to be reduced.

Yours sincerely



John Newman MRICS
Chartered Surveyor
Director