UNDERTAKING OF 4 SITE DEVELOPMENT APPRAISALS

Completed on behalf of Northumberland County Council

Undertaken in connection with the Council's Core Strategy

by

District Valuer Services (DVS)

September 2015

EXECUTIVE SUMMARY

1. District Valuer Services, part of the Valuation Office Agency, has been commissioned by Northumberland County Council to undertake viability appraisals of a sample of 4 sites across Northumberland.

2. For the individual viability assessments, we have adopted an appraisal approach reflecting the Council's planning policies in the Core Strategy Full Draft Plan (Dec 2014), which, as instructed, includes a 30% affordable housing provision. In the event the scheme is deemed unviable with a 30% provision we have looked to reduce the affordable housing contribution until the point at which the scheme is deemed viable.

3. The valuations and appraisals as assessed as at September 2015.

4. The results indicate that only 1 site is able to meet the Council's policy of 30%, however 2 sites are likely to be able to deliver circa 25 – 27.5% affordable housing and the remaining site is able to deliver in excess of 20%.

5. It should be noted that a CIL charge is not factored into the results detailed above. If a CIL charge is introduced, and it is in excess of the allowances for 'general S106 contributions' that have been built into the appraisals, then this is likely to have a detrimental impact on the level of affordable housing each scheme can support.

6. That said, we still conclude that there is scope for the introduction of CIL, however this is interlinked with the affordable housing provisions achievable. The two requirements have an inverse relationship, i.e. the higher the CIL the less affordable housing can be achieved and vice versa.

1 INTRODUCTION

1.1 Instruction

1.1.1 Northumberland County Council ("the Council") is currently in the process of developing a Local Plan: Core Strategy. In parallel the Council is undertaking a Viability Assessment of the Core Strategy (i.e. a whole plan viability assessment). This assessment will also underpin the proposed introduction of a Community Infrastructure Levy ("CIL"). The Council is therefore looking to ensure, through a robust evidence based assessment, that the Northumberland Core Strategy will be deliverable and viable.

1.1.2 In the context of the above District Valuer Services ("DVS"), part of the Valuation Office Agency, has been commissioned by Northumberland County Council to undertake viability appraisals of a sample of 4 sites across Northumberland (in locations chosen by the Council).

1.1.3 DVS have been instructed to test the viability of each site with the application of the Council's existing and emerging planning policies. These policies include:

1. Affordable Housing –The Council has confirmed the appropriate level of affordable housing for each site based on the Core Strategy – Full Draft Plan (Dec 2014), in this case being 30% of the total number of dwellings on site. The Council has also indicated that each site is to provide 'Intermediate' or 'Shared Ownership' affordable units, as well as 'Affordable Rented' dwellings. The Council has instructed us to look to achieve a target mix of 35% Intermediate / Shared Ownership units and 65% Affordable Rented.

2. Residual Onsite S106 / Greenfield Infrastructure Cost, charged at a rate equivalent to £500 per dwelling.

1.1.4 Please note, we have not therefore made any allowances for Community Infrastructure Levy ("CIL") charges within our appraisal, as instructed by the Council. However, this does not mean CIL cannot be provided by the sample of sites, but rather if CIL were to be included there would be a greater pressure on the identified affordable housing provision, which may lead to this figure having to be reduced to accommodate the introduction of CIL (depending on the level of viability of the site).

1.2 Brief for this work

1.2.1 The Council recognizes that the level of land values achieved will fluctuate depending on locational factors as well as site specific factors (such as abnormal costs, gross to net ratios, development densities, development types etc etc). In this regard, the Council has looked to appraise a range of developments in different locations to try and give as broad an evidence base as possible. When undertaking our own research we have subsequently looked to adopt a similar approach, identifying evidence from throughout the County and for different types of schemes.

1.2.2 The Council wished to test viability for a sample of sites in a variety of development circumstances. We have therefore adopted an appraisal approach, reflecting a prescribed maximum number of houses on each site and policy requirements.

1.2.3 The 4 sites are each included within the Council's Strategic Housing Land Availability Assessment ("SHLAA") interim report from December 2014. Each is therefore a 'real' development site (rather than a hypothetical scheme) and their individual characteristics are taken into account in the appraisals. The valuations and appraisals reflect an agreed valuation date of August 2015.

1.3 District Valuer Services (DVS)

1.3.1 DVS, part of The Valuation Office Agency, provides valuation advice to public bodies throughout the UK. It has extensive experience in undertaking development appraisals and employs specialists in development work, together with dedicated environmental and quantity surveyors to assist in appraisal work.

2 INDIVIDUAL DEVELOPMENT SITES

2.1 Introduction

2.1.1 Northumberland County Council ("the Council") is currently in the process of developing a Local Plan: Core Strategy. In parallel the Council is undertaking a Viability Assessment of the Core Strategy (i.e. a whole plan viability assessment). This assessment will also underpin the proposed introduction of a Community Infrastructure Levy ("CIL"). The Council is therefore looking to ensure, through a robust evidence based assessment, that the Northumberland Core Strategy will be deliverable and viable.

2.1.2 Although mindful of the Council's viability assumptions, the appraisals have been underpinned by the DVS's evidence and assumptions based on its experience and expertise in this field.

2.1.3 The work is to provide a sense check of both the outputs and inputs of the council's whole plan viability assessment.

2.1.4 Whereas the whole plan viability assessment tests the broad viability of hypothetical development schemes, the appraisal work tests the viability of actual development sites so that the outcomes may be checked against one another. Additionally, while the whole plan viability assessment adopts assumptions broadly accepted to represent the 'norm', the analysis offers a more explicit local consideration of assumptions. This similarly provides for a comparison to be made.

2.2 Instruction

2.2.1 4 actual sites have been identified for assessment in this study, each of which is included within the Council's latest SHLAA. The sites are anonymous due to issues of commercial confidentiality and ensuring any future assessment of planning applications is not prejudiced. The sites are identified only as Site A, B, C and D. The delivery area is identified and limited site description is provided. The sites are of varying sizes but comprise undeveloped "greenfield" land currently being used for agricultural / paddock purposes. Each site was inspected in June 2015.

2.3 The individual sites

Table 1 – Site summary

Site Name	Delivery Area	Type	PCode	Gross Area (Ha)
Site A	South East	Service centre	NE22	7.48
Site B	South East	Main town	NE24	6.67
Site C	North	Other settlement	NE66	3.04
Site D	Central	Other settlement	NE61	1.09

2.4 Development assumptions

2.4.1 The Council has provided us with a schedule of its own viability input assumptions for the whole plan and CIL Viability Assessment. This has been provided for our information purposes only, and for this exercise we are not bound to these assumptions. Instead, we have been asked to complete our viability appraisals based on our interpretation / experience of the market. However, the Council has asked that where our views differ to that of the Council we provide supporting evidence to justify our approach.

Gross and net site areas

2.4.2 We have adopted the gross site areas as shown above in Table 1 as given by the Council, which we understand match the figures provided within the latest SHLAA.

2.4.3 DVS has a dedicated team for viability work who undertake viability appraisals of individual sites on a daily basis. These appraisals are typically undertaken on an independent basis at the pre-determination stage of a planning application, and are used in the context of setting an appropriate affordable housing provision. We have subsequently reviewed a number of sites appraised in recent years to determine whether the Council's views on gross to net ratios as identified in its Core Strategy and Community Infrastructure Levy Interim Report, December 2014 are appropriate, detailed as follows (please note as these cases contain sensitive commercial information we have not provided the full address details or the parties involved):

Table 2 – Gross to net ratio evidence

Location	Gross area (Ha)	Net area (Ha)	Net as % of gross	Capacity dwellings
York	39.62	26.12	65.93%	1,100
Northallerton	50.93	26.09	51.23%	868
Selby	30.00	24.94	83.13%	848
Bolsover	26.94	21.31	79.10%	795
Castleford	25.45	16.08	63.18%	560
Boston	14.97	11.23	75.02%	500
Average	**31.32**	**20.96**	**69.60%**	**779**
Northumberland	11.28	8.14	72.16%	286
Bradford	9.33	8.47	90.78%	272
Leeds	7.00	5.95	85.00%	207
Leeds	7.68	6.47	84.24%	181
Normanton	4.30	3.10	72.09%	142
Boston	3.57	3.20	89.64%	108
Average	**7.19**	**5.89**	**82.32%**	**199**

2.4.4 For schemes providing between 100 and 500 dwellings we have identified 6 sites, which show an average gross size of 7.19 Ha and an average capacity of 199 dwellings. This produces an average gross to net ratio of just over 82%.

2.4.5 Clearly gross to net ratios will differ from site to site and there may be legitimate reasons why these are high or indeed low. However, we do not have the full details of each individual site and therefore we are unable to provide a more robust view on net developable areas. Instead, and for the purposes of an area wide study where it is considered fair and reasonable to seek average figures, we have looked to adopt gross to net ratios in line with the evidence identified above. On the basis of this evidence we have concluded that the net developable areas suggested by the Council are on the low side. We have subsequently adjusted the gross to net ratios in our appraisals as follows:

Table 3 – DVS assumed net developable areas

Site	Gross area (Ha)	Net area (Ha)	Net as % of gross
Site A	7.48	5.98	70%
Site B	6.67	4.67	70%
Site C	3.04	2.58	80%
Site D	1.09	0.93	85%

Capacity

2.4.6 As for capacity, the Council have assumed an average delivery equivalent to circa 30 dwellings per gross Ha. Based on our experience this is considered to be broadly in line with the general market and as such we have looked to adopt the same in our appraisals.

Dwelling mix

2.4.7 Prior to the market 'crash' in 2008 developers were regularly looking to apartments as a way to increase scheme densities and maximize revenues. Sales of the apartments were primarily being driven by buy-to-let investors, who were keen to take advantage of favourable buy-to-let mortgage products and strong capital growth in the residential market. The result was an increase in apartments outside of the traditional city / town centre locations, with apartments becoming a regular fixture in suburban / edge of settlement housing developments. However, in the wake of the crash the buy-to-let market suffered a sharp decline. As such demand for apartments fell, which in turn meant values decreased markedly. In many cases developers were left with apartments that they were unable to sell unless heavily discounted. In light of this recent market experience, in the current climate developers are taking a more cautious approach to the apartment sector.

2.4.8 For the majority of the sites that form part of this study, given their locations it is therefore considered unlikely that apartments would make up a significant proportion of the accommodation provided (if any).

2.4.9 On this basis, given the current difficult market for 'out-of-town' apartments, we have excluded apartment accommodation in the various sites.

Dwelling sizes

2.4.10 The Council has suggested the following average house sizes, based on its own internal research:

2 bed house	-	65.03 sq m
3 bed house	-	91.71 sq m
4 bed house	-	124.38 sq m

2.4.11 Based on our experience of the market the above average house sizes are considered to be broadly consistent with the appraisals we see. We have therefore adopted the same average figures in our appraisals.

Specification

2.4.12 In the market place, there will be some variation in the specification of the final dwellings; and in the degree of aspiration for high quality design. For the purposes of this assessment we took the sites to be developed to an average design specification for that particular location.

2.5 Affordable housing assumptions

2.5.1 As indicated above, the Council has instructed us to assume 65% of the affordable units provided fall under the requirements for "affordable rented" units, with the remaining 35% to fall into the "intermediate / shared ownership" categories. Where possible we have looked to incorporate these preferences into our appraisals.

2.5.2 For the purposes of this assessment we have assumed any affordable housing provision is to be provided 'on-site' (i.e. the Council would not accept 'off-site' commuted sum contributions).

Affordable rented

2.5.3 The Home and Communities Agency ("HCA") publication "The Regulatory Framework For Social Housing in England From April 2012 – Annex A Rent Standard Guidance" March 2012 defines Affordable Rent as follows:

"Homes let on Affordable Rent terms fall within the definition of social housing but are exempt from the full requirements of rent restructuring" Pg 13 Paragraph 2.

"Homes let on Affordable Rent terms should be made available at a rent level of up to 80% of gross market rents (inclusive of service charges where applicable)". Pg 13 Paragraph 4.

"The maximum annual rent increase on an Affordable Rent property will be the Retail Price Index (RPI) + 0.5%...On each occasion that an AR tenancy is issued for a property…providers are required to re-set the rent based on a new valuation, to ensure that it remains at no more than 80% of the relevant market rent. This requirement overrides the RPI + 0.5% limit" Pgs 14 – 15.

2.5.4 In short, Affordable Rented units are therefore calculated in relation to the private sector, with a maximum charge of 80% of the Market Rent. This is combined with an annual increase cap of RPI + 0.5%, albeit whenever a new tenancy is entered into the affordable rent reverts to a maximum of 80% of the Market Rent, overriding the annual increase.

2.5.5 In terms of identifying appropriate transfer values for Affordable Rented units we have considered the following:

(i) Arrive at a transfer value by identifying the net rental income to the Registered Provider and capitalizing this using an appropriate yield.

(ii) Transfer values submitted by applicants as part of their own viability appraisals.

2.5.6 For method (i) we have specifically assumed that a Registered Provider would look to charge the maximum allowed, being 80% of the Market Rent. We have also assumed that any service charge would only cover costs incurred (i.e. no profit is made from the service charge). We have not therefore included service charges in our assessment.

2.5.7 We have then assessed Market Rents across Northumberland. Once an average Market Rent was identified for each housing type in each location we calculated 80% of this figure (reflecting the maximum chargeable rent outlined above, being 80% of Market Rent).

2.5.8 From this we have looked to 'net' down the gross Affordable Rent by making allowances for management, bad debts, voids and repairs / maintenance. We consider fixed costs of £500 for management and £600 for general repairs / maintenance to be reasonable. We have also made an allowance of 3% on the gross Affordable Rent to reflect bad / debts and voids.

2.5.9 We have then applied a capitalisation rate (yield) of circa 6% to arrive at the transfer value.

2.5.10 We have looked at a sample of 12 modern houses across Northumberland, which are either currently available to let or have recently been let, as follows:

Table 4 – Sample of rented modern houses & affordable rent calculation

Street	Locality	Type	Bed	Rent pcm	Rent pa	Market Value	TV as % of MV
Glendford Place	Blyth	Det	4	810	9,720	235,000	59.07%
Allendale Rd	Blyth	Semi	4	700	8,400	235,000	49.99%
Aysgarth	Cramlington	Semi	3	580	6,960	170,000	55.40%
Meadow Close	Cramlington	Semi	4	695	8,340	230,000	50.65%
Tyelaw Meadows	Lesbury	Det	3	600	7,200	210,000	46.70%
Allerburn Lea	Lesbury	Det	4	775	9,300	285,000	46.32%
Chestnut Way	Morpeth	Det	3	650	7,800	192,500	55.98%
De Merley Gardens	Morpeth	Det	3	625	7,500	192,500	53.46%
Kirkharie Drive	Morpeth	Det	4	900	10,800	260,000	60.10%
Maple Drive	Morpeth	Det	4	750	9,000	260,000	48.91%
Fourth Avenue	Morpeth	Semi	2	525	6,300	137,500	60.74%
Maple Drive	Morpeth	Semi	3	600	7,200	192,500	50.94%

2.5.11 For each house we have looked to identify a Market Value. We have then adopted the approach outlined above, whereby we have looked to identify the net rental income receivable to a hypothetical registered provider for each house, and capitalized this at a yield of 6%. Once we have established the Transfer Value we have then looked to express this as a percentage of the Market Value. Of the 12 houses identified we have identified Transfer Values which show a range of 46.32% - 60.74% of the Market Value (with an average of 53.19%).

2.5.12 In terms of method (ii), typically we see affordable rented units in appraisals received from developers / house builders roughly equating to circa 50 – 55% of market value. This is therefore broadly in line the figures identified above in method (i).

2.5.13 However, at the current time it is our understanding that Registered Providers are adopting a cautious approach when taking on new affordable units. The National Housing Federation published a briefing paper in June 2015 in the wake of the Government's Summer 2015 Budget. There is some concern in the industry from Registered Providers that measures due to be introduced will impact on their income levels. As a consequence there is a suggestion that there will be a downward pressure on Transfer Values, at least in the short term. Whilst it remains to be seen whether these current concerns will translate into real reductions in Transfer Values, for the purposes of this study we believe it is prudent to take a cautious approach on this matter. As a result we have looked to adopt an average Transfer value rate equivalent to 45% of the Market Value, which is slightly below the evidence identified above.

Intermediate / shared ownership

2.5.14 As part of the Government's Help to Buy initiative, the Government defines Intermediate or Shared Ownership as being a scheme provided through housing associations whereby the purchaser buys a share of the home (between 25 – 75% of the home's value) and pays a rent on the remaining share.

2.5.15 Using method (i) detailed above in 3.4.5 again, we have considered the 12 sample properties and used the Market Values for each house as shown above in Table 6. This has been used to assess the value of share being purchased by the occupier.

2.5.16 For the remaining share (i.e. typically 25 – 75% of the home's value), the maximum a Registered Provider can charge in rent is 2.75% of the value of the remaining share. For example, for a house with a Market Value of £100,000 where the Registered provider is retaining a 75% share in the house (i.e. £75,000) the maximum rent that can be charged per annum is 2.75% of £75,000, which equals £2,062.50. Please note we have assumed the rent charged by the Registered Provider would always equate to the maximum rate of 2.75%.

2.5.17 As per the affordable rent tenure, it is then necessary to identify a net rent. The costs associated with a shared equity dwelling are considered to be lower than the affordable rent tenure. In this case we consider a fixed management charge of £250 plus a 1% allowance for bad debts / voids to be appropriate.

2.5.18 We have then applied a capitalisation rate (yield) of circa 6% to arrive at the transfer value.

2.5.19 Assuming a 50% share we have identified the following transfer values for the 12 sample houses:

Table 5 – Sample of rented modern houses & shared ownership calculation

Street	Locality	Type	Bed	Market Value	TV as % of MV
Glendford Place	Blyth	Det	4	235,000	70.91%
Allendale Rd	Blyth	Semi	4	235,000	70.91%
Aysgarth	Cramlington	Semi	3	170,000	70.24%
Meadow Close	Cramlington	Semi	4	230,000	70.88%
Tyelaw Meadows	Lesbury	Det	3	210,000	70.70%
Allerburn Lea	Lesbury	Det	4	285,000	71.23%
Chestnut Way	Morpeth	Det	3	192,500	70.52%
De Merley Gardens	Morpeth	Det	3	192,500	70.52%
Kirkharie Drive	Morpeth	Det	4	260,000	71.08%
Maple Drive	Morpeth	Det	4	260,000	71.08%
Fourth Avenue	Morpeth	Semi	2	137,500	69.66%
Maple Drive	Morpeth	Semi	3	192,500	70.52%

2.5.20 Of the 12 houses identified we have identified Transfer Values which show a range of 69.66% - 71.23% of the Market Value (with an average of 70.69%).

2.5.21 In terms of method (ii), typically we see intermediate / shared ownership units in appraisals received from developers / house builders roughly equating to circa 67.5 – 70% of market value. This is therefore broadly in line the figures identified above in method (i).

2.5.22 Again, given Registered Providers appear to be currently adopting a cautious approach when acquiring affordable units we have looked to adopt transfer values at the lower end of the range, being 67.5% of the market value.

3 LOCAL MARKET CONDITIONS

3.1 Introduction

3.1.1 This section provides an assessment of local market conditions and the basis for the assumptions on house prices used in our financial appraisals.

3.2 General comments

3.2.1 We have considered values specific to the test sites identified. It is important to stress that a series of factors will influence values and that, although development schemes do have similarities, every site is unique. Consequently, whilst market conditions in general will broadly reflect national economic circumstances and local supply/demand factors, within an area there will be particular localities and site-specific factors that generate different values and costs. The range of sites tested in this study allows assessment of viability across varying localities for this reason.

3.2.2 The comments below relate to prevailing market conditions at the valuation date (August 2015). It should be stressed that values fluctuate and that assessments of viability will alter over relatively short periods of time.

3.3 The residential market

3.3.1 During the last 12 – 24 months there has been a general feeling of improvement in the residential market across the UK. This is supported by anecdotal evidence from both estate agents and house builders, who in some cases have indicated that demand levels have returned to pre-‘crash’ levels (i.e. pre 2008).

3.3.2 The average house price across Northumberland as at August 2015 is currently circa £182,169, which is an 8.25% increase on the previous 24 months (data taken from Zoopla.co.uk). That said, there have been signs of a slow-down in the Northumberland area during the last 12 months, with values increasing only marginally by 0.65% during the last year. This may be the knock on effect of more stringent mortgage checks introduced by funders during 2014.

3.3.3 However, the general 'feeling' from local estate agents based in the County is that this apparent cooling in the local market is expected to be only relatively short term and is not expected to spark a significant fall in house values. There is still considered to be an under-supply of housing across the region (as is the case in many parts of the UK), and therefore strong demand (particularly from first time buyers) will continue to underpin house price growth. Furthermore, the Government's Help to Buy scheme has been extended until 2020 (which is seen as major benefit to first time buyers looking to purchase new build homes). In this regard, the most recent data (taken from Zoopla.co.uk) shows that house values have actually increased by 2.00% in the last 3 Months and 2.67% in the last 6 months, suggesting the moderate growth experienced over the previous 12 months is unlikely to be a longer term trend. From conversations with local estate agents and having analysed the general data referred to above it is anticipated that house prices will continue to grow in the short to medium term.

3.3.4 However, it is acknowledged that the sample of 4 sites are spread across different locations within the County and are therefore located within their own sub-market with different market dynamics. We have therefore looked to provide some commentary on the market conditions within these locations, based on each site's postcode (as per Table 1 above):

NE22

3.3.5 NE22 is located circa 5 miles south east of Morpeth and circa 14 miles north of Newcastle, in between the A1 and A189 and to the north of the River Blyth. Bedlington is the main settlement within the locality, being a former mining town. This is a predominantly residential settlement. There is a train line which runs through the town form north to south, however this is currently not operational. In the context of the general area this is regarded as a low-medium value area.

3.3.6 At the current time, the average house value within NE22 equates to £146,515 (data taken from Zoopla.co.uk) and is therefore below the County's current average of £182,169. This is an increase of circa 2.95% during the last 12 months (and therefore house prices in the locality have grown at a faster pace in the last year than the Northumberland average of 0.65%).

3.3.7 However, the general average can be a little misleading as it depends on that house types are available in a location (if there is a high proportion of terraced houses, for example, this can artificially decrease the average figure). In this respect, it is also useful to look at the average values of each particular house type. In NE22 these are currently showing (data from Zoopla.co.uk) the following averages (excluding flats):

Detached	-	£225,338
Semi-detached	-	£117,653
Terrace	-	£95,347

3.3.8 We have also considered current asking prices across NE22 (data from Zoopla.co.uk), and have identified the following:

2 bed	-	£79,660 (sample size 16)
3 bed	-	£123,756 (sample size 33)
4 bed	-	£233,216 (sample size 23)

3.3.9 However, the above information provided by Zoopla is not especially transparent and it is difficult to get a detailed view of each transaction. It also includes a mix of both second hand and new build properties and therefore is difficult to establish whether new build houses command a premium above re-sales (and if so what level of premium).

3.3.10 DVS has access to data, collated by the VOA from Stamp Duty Land Tax returns, on all property transactions. In addition we have comprehensive property surveys (description, type, size, room layout etc) for all property, including newly built dwellings, which gives us a more in depth view of transactions in specific locations. We have used the database to provide average property values by type, size etc for each locality studied. Some of the data relates to second hand dwellings which tend to sell for a lower price than equivalent brand new units. Moreover, transactions several months away from the reference date do not necessarily reflect the market conditions at the time needed. Accordingly, we have made suitable adjustments to the "comparables" (ie the sales evidence), to arrive at what we believe to be defendable values per square metre for current purposes.

3.3.11 In NE22 we have analysed the new build house sales achieved at the **Persimmon scheme at Clearwell Place, Bedlington**, located west of the town centre. For 3 bed houses (majority being detached), with an average size of 83.13 sq m, we have established an average price achieved of £176,150 (or £2,127 per sq m), all of which were achieved in 2014. For 4 bed houses (all being detached dwellings), we have established an average size of 110.60 sq m, at an average sales price of £216,117 (or £1,978 per sq m), again will all the sales being achieved in 2014.

NE23

3.3.12 NE23 is located circa 8 miles to the south east of Morpeth, circa 11.5 miles north east of Newcastle, and circa 5 miles south of Bedlington, also in between A1 and A189. Cramlington is the main settlement in the area, being a former mining town. This comprises a mix of both residential uses and industrial accommodation, with a large industrial estate located to the north west of the town centre. The train is served by a train line and benefits from a train station, which provides a direct route to Morpeth to the north and Newcastle to the south.

3.3.13 At the current time, the average house value within NE23 equates to £146,954 (data taken from Zoopla.co.uk) and is therefore below the County's current average of £182,169. This is an increase of circa 2.45% during the last 12 months (and therefore house prices in the locality have grown at a faster pace in the last year than the Northumberland average of 0.65%).

3.3.14 As above, we have also looked at the current averages of each house type (excluding flats), as follows:

Detached	-	£236,977
Semi-detached	-	£136,131
Terrace	-	£106,818

3.3.15 We have also considered current asking prices across NE23 (data from Zoopla.co.uk), and have identified the following:

2 bed	-	£104,636 (sample size 59)
3 bed	-	£148,909 (sample size 135)
4 bed	-	£227,792 (sample size 46)

3.3.16 Whilst the general average is broadly in line with those shown in NE22, when broken down into house types the averages shown for NE23 are higher than NE22. For example, average values of semi-detached and terraced houses in Cramlington are circa 12.5 – 15% higher than in Bedlington. Furthermore, the asking prices in the Cramlington area are also generally higher than Bedlington. One explanation for this differential may be that Cramlington benefits from a train station providing direct links to Newcastle (and is closer by road), therefore Cramlington is more attractive to the commuter market.

3.3.17 Statistically this suggests that Cramlington should be able to support higher house values than that achievable in Bedlington. We have subsequently looked to identify actual new build house sales achieved to form a more robust view.

3.3.18 We have analysed the sales achieved at **Keepmoats development at Pickering Close / Clifton Rd in Cramlington**, located close to the centre of the town. All the sales achieved were between June 2012 and Feb 2013, when market conditions were weaker than currently being achieved. For 2 bed houses (mix of semis and terraces), with an average size of 61.20 sq m we have identified an average sale price of £118,281 (or £1,933 per sq m). For 3 bed houses (mix of terraces, semis and detached), with an average size of 81.92 sq m, we have arrived at an average sales price of £146,815 (or £1,798 per sq m). It should be noted that Keepmoat typically target a lower income market than some other house-builders and therefore house prices achieved by Keepmoat, in our experience, do tend to be on the lower end of the scale.

3.3.19 We have also analysed the sales achieved at **Miller Homes development at Alexandra Chase in Cramlington**, located a short distance to the south of the town centre. All the sales achieved were between May 2012 and July 2013, when market conditions were weaker than currently being achieved. For 3 bed houses (all semis), with an average size of 76.67 sq m we have identified an average sale price of £160,215 (or £2,090 per sq m). For 4 bed houses (mix of terraces, semis and detached), with an average size of 102 sq m, we have arrived at an average sales price of £208,748 (or £2,033 per sq m).

3.3.20 In terms of new build houses currently available in the locality, we note at the **Bett Homes scheme in Cramlington (Bassington Manor)** located to the west of Cramlington town centre, just to the north of the subject site to be assessed, there is a 3 bed dwelling currently available at an asking price of £230,000 (circa £2,300 per sq m) and a 4 bed house also available at £230,000 (circa £2,150 per sq m). At **Taylor Wimpey's Parkside Glade scheme in Cramlington** town centre there is currently a 4 bed house available at £276,000 (circa £2,350 per sq m).

3.3.21 Based on the prices achieved, there does not appear to be a major difference in values achievable at Cramlington when compared to averages achieved in Bedlington. An argument could be presented to show that values (at least on an average basis) are likely to be marginally stronger in Cramlington, which as indicated above may be down to the superior existing links to Newcastle.

NE24

3.3.22 NE24 is located circa 11 miles to the south east of Morpeth and circa 13 miles north east of Newcastle, on the east coast (mainly to the south of the River Blyth estuary, albeit Cambois itself is located on the north bank). The main access into the area is via A189. Blyth is the main settlement in the area, being a former mining town. This comprises of mix of both residential uses and industrial activity, with the latter mainly located on the banks of the River and the North Sea coastline. There is no train line serving the town.

3.3.23 At the current time, the average house value within NE24 equates to £121,040 (data taken from Zoopla.co.uk) and is therefore below the County's current average of £182,169. This is an increase of circa 1.64% during the last 12 months (and therefore house prices in the locality have grown at a faster pace in the last year than the Northumberland average of 0.65%).

3.3.24 As above, we have also looked at the current averages of each house type (excluding flats), as follows:

Detached	-	£201,731
Semi-detached	-	£116,533
Terrace	-	£94,491

3.3.25 We have also considered current asking prices across NE24 (data from Zoopla.co.uk), and have identified the following:

2 bed	-	£77,441 (sample size 39)
3 bed	-	£116,027 (sample size 102)
4 bed	-	£196,547 (sample size 60)

3.3.26 NE24 is therefore broadly in line with NE22 in terms of values for semi-detached and terraced housing, the key difference is in detached dwellings where average values in NE22 are significantly higher.

3.3.27 We have analysed the sales achieved at **Taylor Wimpey's development at Font Drive, Haggerston Rd et al in Blyth.** Development is located to the east of Blyth town centre and to the north of Blyth Golf Club. All the sales achieved were between June 2012 and May 2015. For 2 bed houses (all terraces), with an average size of 61 sq m we have identified an average sale price of £118,066 (or £1,923 per sq m). For 3 bed houses (mix of terraces and semis), with an average size of 75 sq m, we have arrived at an average sales price of £132,618 (or £1,769 per sq m). For 4 bed houses (all detached), with an average size of 120 sq m, we have arrived at an average sales price of £182,196 (or £1,521 per sq m).

3.3.28 We have analysed the sales achieved at **Persimmon's development at Wellesley Drive, Swanston Grove et al in Blyth.** This is located close to the centre of Blyth. All the sales achieved were between June 2012 and May 2015. For 2 bed houses (all terraces), with an average size of 71 sq m we have identified an average sale price of £119,468 (or £1,693 per sq m). For 3 bed houses (mix of terraces, semis and detached), with an average size of 82 sq m, we have arrived at an average sales price of £163,928 (or £1,991 per sq m). For 4 bed houses (all detached), with an average size of 111 sq m, we have arrived at an average sales price of £217,908 (or £1,977 per sq m).

3.3.29 We have analysed the sales achieved at **Miller Home's development at Lighthouse Grove, Pioneer Way et al in Blyth.** This is located close to the centre of Blyth. All the sales achieved were between June 2013 and May 2015. For 2 bed houses (mix of terraces and semis), with an average size of 61 sq m we have identified an average sale price of £88,500 (or £1,446 per sq m). For 3 bed houses (mix of terraces, semis and detached), with an average size of 84 sq m, we have arrived at an average sales price of £157,910 (or £1,876 per sq m). For 4 bed houses (all detached), with an average size of 111 sq m, we have arrived at an average sales price of £215,600 (or £1,952 per sq m).

3.3.30 In terms of new build houses currently available in the locality, we note at the **Miller Homes scheme in Blyth (Portland Wynd),** located in the Newsham area of Blyth (close to the land in Blyth being appraised as part of this assessment) there is a 4 bed dwelling currently available at an asking price of £230,000 (circa £2,350 per sq m). At **Taylor Wimpey's Crofton Grange scheme in Blyth,** located to the north west of Blyth close to the Blyth Academy. There is currently a 3 bed house available at £141,000 (circa £1,800 per sq m) and a 4 bed available at £195,000 (circa £1,550 per sq m).

3.3.31 Blyth appears to have been subject to more residential development than Cramlington and Bedlington in recent years and therefore there is more new build transactional data available. The fact there is more data available appears to have created a greater range of values achievable in the locality. However, in terms of average figures the top end of the range achieved in Blyth appears to be broadly in line with that achieved at Cramlington and Bedlington (perhaps marginally below).

NE61

3.3.32 NE61 covers a large geographical area, stretching to the south east tip of Northumberland National Park to the western extremity of the postcode area, to the Northumberland coast around Red Row and Lynemouth to the east. For the purposes of this analysis we have concentrated on data from in and around Morpeth town.

3.3.33 Morpeth is the county town of Northumberland and is located just of the A1, circa 16 miles north of Newcastle. At the current time, the average house value within Morpeth equates to £222,996 (data taken from Zoopla.co.uk) and is therefore significantly above the County's current average of £182,169. This is an increase of circa 4.15% during the last 12 months (and therefore house prices in the locality have grown at a significantly faster pace in the last year than the Northumberland average of 0.65%).

3.3.34 As above, we have also looked at the current averages of each house type (excluding flats), as follows:

Detached	-	£323,691
Semi-detached	-	£177,185
Terrace	-	£147,612

3.3.35 We have also considered current asking prices across Morpeth (data from Zoopla.co.uk), and have identified the following:

2 bed	-	£138,229 (sample size 15)
3 bed	-	£214,489 (sample size 34)
4 bed	-	£296,747 (sample size 15)

3.3.36 Morpeth is therefore a significantly higher value area than Blyth, Cramlington and Bedlington.

3.3.37 We have analysed the sales achieved at **Miller Home's development at Beaumont Court in Pegwood** (village close to Morpeth). All the sales achieved were between June 2012 and Jan 2013, when market conditions were weaker than currently being achieved. For 3 bed houses (mix of semi-detached and detached), with an average size of 71.68 sq m we have identified an average sale price of £135,398 (or £1,900 per sq m). For 4 bed houses (all detached), with an average size of 106.46 sq m, we have arrived at an average sales price of £186,850 (or £1,770 per sq m).

3.3.38 We have analysed the sales achieved at **Charles Church's development at The Kylins in Morpeth**, located to the south of Morpeth, near Morpeth Golf Course. All the sales achieved were between June 2012 and Dec 2014. For 3 bed houses (mix of terraces and semis), with an average size of 80.75 sq m we have identified an average sale price of £194,667 (£2,410 per sq m).

NE66

3.3.39 NE66 also covers a large geographical area, stretching to the north east tip of Northumberland National Park to the western extremity of the postcode area, to the Northumberland coast around Alnmouth and Embleton to the east. The main settlement in the locality in Alnwick.

3.3.40 At the current time, the average house value within the area equates to £231,825 (data taken from Zoopla.co.uk) and is therefore significantly above the County's current average of £182,169. This is an increase of circa 5.90% during the last 12 months (and therefore house prices in the locality have grown at a significantly faster pace in the last year than the Northumberland average of 0.65%).

3.3.41 As above, we have also looked at the current averages of each house type (excluding flats), as follows:

Detached	-	£317,599
Semi-detached	-	£184,260
Terrace	-	£181,394

3.3.42 We have also considered current asking prices across NE66 (data from Zoopla.co.uk), and have identified the following:

2 bed	-	£138,058 (sample size 23)
3 bed	-	£225,739 (sample size 34)
4 bed	-	£351,085 (sample size 36)

3.3.43 We have been unable to identify any new build transactions in NE66.

3.3.44 The data is therefore limited for NE66 and as such it is difficult to draw any firm conclusions. In order to form a view we have therefore considered evidence form the wider locality.

3.3.45 Having considered all of the evidence above we have adopted the following average prices on a square metre basis (please note it is acknowledged that prices will vary depending on type, size etc, but the purposes of this exercise we have looked to identify an appropriate average, to be applied to all house types and sizes in a particular scheme):

- Site A – the subject site has a rural outlook to the most part. The values achieved at the Perismmon scheme at Clearwell Place have been strong in the context of second hand values in the locality. However, for the purposes of this report we have taken a more cautious approach, albeit we believe new build houses in this location will generate significantly higher rates per sq m than the old, second hand stock which dominates the town. We have subsequently arrived at a rate of £1,875 per sq m.

- Site B – there is a significant level of variance in value across the locality, due to various ongoing and recently completed developments. Based on the evidence identified values appear to be sensitive to relatively small changes in location across the area. The subject site is located to the area with a rural outlook. The most relevant comparable is the Miller Homes Portland Wynd development. Having spoken with the sales team we understand that Portland Wynd is proving a relatively popular location within the context of the town and the sales team remained bullish about the values being achieved (albeit they were not willing to disclose actual figures at this stage). We have subsequently taken this into consideration in our assessment and have arrived at an average sale rate of £1,875 per sq m.

- Site C – evidence is limited for new build dwellings in the locality. We have therefore considered second hand sales. As an area, this is considered to be an attractive location which supports higher values (in the context of the County). Having assessed other values established within the other schemes we have adopted a rate of £2,250 per sq m.

- Site D – evidence of new build dwellings is limited in this locality. We have therefore considered second hand sales. As a location, this is considered to be an attractive commuter village location, owing to its direct road links to Newcastle which supports higher values (in the context of the County). Having assessed other values established within the other schemes we have adopted a rate of £2,100 per sq m.

Table 6 – Market values (adopted rates per sq m)

Site	Core Strategy Delivery Area	Average price per sq m
Site A	South East	£1,875
Site B	South East	£1,875
Site C	North	£2,250
Site D	Central	£2,100

4 ASSUMPTIONS FOR VIABILITY ANALYSIS

4.1 Introduction

4.1.1 This section considers the costs and other assumptions required to produce financial appraisals for the individual sites.

4.2 The Financial appraisal model

4.2.1 Development appraisals are in essence relatively straightforward and can be illustrated by the following equation:

Completed Development Value (i.e. Total Revenue)

Less

Development Costs *(Land Acquisition + Construction + Fees + Finance)*

Equals

Residue for Developer's Profit and Risk

4.2.2 However, please note it is not a requirement of an appraisal that the residue is always equal to the developer's profit. The model can be amended so that developer's profit is a fixed input and say the land value is shown as the residue. If this were the case the model would be amended to:

Completed Development Value (i.e. Total Revenue)

Less

Development Costs *(Developer's Profit and Risk + Construction + Fees + Finance)*

Equals

Residue for Land Acquisition

4.2.3 Equally, the land value and developer's profit can be inputted as fixed figures, representing the minimum profit and minimum land value considered necessary for the scheme to be implemented. The subsequent residue could therefore be used to show the monies available for planning policy contributions.

4.2.4 For our assessment we have adopted the approach of fixing the land value and the developer's profit at the minimum levels we consider appropriate for the scheme to be implemented and inputted this into an appraisal together with all the other general costs of development (including build costs, professional fees, finance etc). We have then deducted the aggregate of these inputs from the total revenue to determine whether there is a surplus or a deficit. If a relatively strong surplus is shown the scheme is considered to be viable. If the appraisal results in a significant deficit the scheme is considered to be unviable. If the scheme demonstrates a relatively modest deficit the scheme is considered to be marginally viable.

4.3 Development Costs

Construction costs

4.3.1 When assessing build costs we have regard to a variety of data sources, including:

(i) Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS).

(ii) 'Live' tender information from the Homes and Communities Agency ("HCA"). The HCA has a tender framework called the Delivery Partner Panel 2 ("DPP2").

(iii) We also review appraisals submitted by developers / agents / house builders as part of individual viability assessments.

(iv) Quantity Surveyor reports submitted as supporting evidence for area wide viability studies.

4.3.2 The data is submitted to the BCIS from both public and private sector sources and is derived from tenders. The vast majority of the data comes from schemes of 50 dwellings or less. It does not therefore include information from 'volume' house builders who are generally reluctant to share build cost information, which they consider to be commercially sensitive. Due to their increased 'buying power' volume house-builders are able to construct houses for less than a local or even regional builder. They can offer more certainty on longer term work to contractors and sub-contractors and are therefore able to negotiate better deals, as well as being able to 'bulk buy' materials at reduced costs. When assessing larger projects, which are likely to attract volume house-builders, the limitations on the BCIS data should therefore be understood.

4.3.3 Furthermore, as indicated above, it is important to note that BCIS tracks tender prices, not actual costs. The reality is that developers will typically look to negotiate down tenders. In this regard the BCIS figures are inherently high.

4.3.4 The current BCIS data for general housing costs in Northumberland shows a lower quartile figure of £872 per sq m, median figure of £992 per sq m and upper quartile of £1,123 per sq m.

4.3.5 In terms of other data sources, the DPP2, as referred to above, was created primarily to speed up the disposal of surplus public sector land to enable residential construction to proceed. In Quarter 4 2013 25 house builders were selected to be in included on the panel. As part of the process panel members are invited to submit tenders on individual sites, with the intention being that by 'bidding' against one another the land returns will be maximized. This is therefore considered to be a strong source of information as it gives a clear indication of what house builders are willing / able to build houses for in a competitive situation.

4.3.6 For large schemes (with a mean 244 residences) the mean build cost ascertained from 65 tender bids across 20 sites is £866 per sq m. As this data is derived primarily from volume house builders it is considered to be appropriate when assessing larger schemes.

4.3.7 However, it is acknowledged that the figure of £866 per sq m has been attached a "weighting" of 100, which is in line with the approach the BCIS takes to show regional variances. Different areas are given different weightings by the BCIS, for example I note Northumberland currently has a weighting of 103 (until recently this was at 95). Whilst it is unclear on what basis these weightings are assessed, in this instance we consider it reasonable to apply the current weighting to the data. So, applying a weighting of 103 to £866 per sq m would increase the build costs to say £892 per sq m.

4.3.8 In terms of data received on individual viability appraisals, the Leeds viability team alone undertakes individual viability appraisals for over 35 local authorities (covering the area down from Northumberland to South Derbyshire and across to The Wash). We therefore receive a wide range of viability appraisals across this region. This information is useful for assessing how developers / agents / house builders interpret the market across these areas.

4.3.9 For confidentiality reasons I am unable to provide full details of viability appraisals received from applicants on individual cases. However, I am able to summarize the details and can confirm that these are all real cases that have been assessed or are currently being assessed by DVS.

4.3.10 I have concentrated on larger schemes (100 dwellings or more) and limited the information to files where DVS were instructed from Jan 2015 onwards:

- Greenfield site in Lincolnshire in medium value area, gross site area just under 9 acres. Full planning application for scheme of 108 dwellings. Regional house builder submitted a viability appraisal in April 2015, indicating a build cost equivalent to the BCIS definition (i.e. includes preliminaries, excludes contingency, externals, abnormals and professional fees) of £873 per sq m.

- Brownfield site in Derbyshire in a lower value area, gross site area just over 44 acres. Outline planning application for a scheme of 600 dwellings. National firm of chartered surveyors submitted a viability appraisal in March 2015, indicating a build cost equivalent to the BCIS definition of £724 per sq m.

- Strategic greenfield site in North Yorkshire in a high value area, gross site area 124 acres. Outline planning application for a scheme of 900 dwellings plus commercial / retail. National volume house builder submitted a viability appraisal in June 2015, indicating a build cost equivalent to the BCIS definition of £721 per sq m.

- Greenfield site in Northumberland in a low value area, gross site area circa 18 acres. Reserved matters application for a scheme of over 200 dwellings. Council have instructed me to adopt a build cost of £893.25 per sq m in my appraisal (which is currently ongoing). I understand this figure has been agreed with the applicant prior to my involvement.

- Former Hospital site in West Yorkshire in a low value area, gross site area circa 9 acres. Outline planning application for a scheme of 100 dwellings. Regional firm of chartered surveyors submitted a viability appraisal in May 2015, indicating a build cost equivalent to the BCIS definition of £772 per sq m.

- Greenfield site in West Yorkshire in a medium value area, gross site area circa 40 acres. Outline planning application for a scheme of 560 dwellings plus some additional retail / commercial. National firm of chartered surveyors submitted a viability appraisal in Feb 2015, indicating a build cost equivalent to the BCIS definition of £829 per sq m.

4.3.11 The range shown above is £721 - £893.25 per sq m, which an average figure of £802 per sq m.

4.3.12 Finally, please see Appendix 1, which is a publicly available study undertaken by a private practice Quantity Surveyor (Gardiner and Theobald, dated Nov 2014). This was prepared on behalf of DTZ. This was in the context of an area wide CIL study being undertaken by DTZ on behalf of Wakefield Council. The study concludes a reasonable build cost to be £80.10 per sq ft (£862.22 per sq m), which **includes** external costs. This figure is stated on Page 2 as being the “cost benchmarking of similar larger residential schemes” and is therefore likely to relate to schemes developed by volume house builders.

4.3.13 In terms of drawing a conclusion from the above information we would highlight two keys factors which we consider to be significant:

(i) For the larger schemes (say 100 units plus) that fall under this study it is assumed these would most likely attract volume house-builders.

(ii) Volume house builders are able to deliver to deliver schemes at reduced costs when compared to smaller local / regional builders.

4.3.14 Having considered all of the evidence available we have subsequently adopted a build cost equivalent to £875 per sq m for the Site A and Site B schemes.

4.3.15 For Site C, it is debatable as to whether this would most likely attract volume house builders. However, in any case given that this is located in a higher value area and therefore likely to require an enhanced specification, we consider it appropriate to apply uplifted costs. Likewise, for Site D this would most likely attract a local / regional builder whose costs would be higher than a volume house builder. In each case we have applied a rate of £1,000 per sq m, which is broadly in line with the BCIS median rate.

Other normal development costs

4.3.16 In addition to the per sq m build costs described above, allowance needs to be made for a range of infrastructure costs – roads, drainage, and services within the site; parking, footpaths, landscaping and other external costs; as well as off site costs for drainage and other services.

4.3.17 Many of these items will depend upon individual site circumstances and can only be estimated following a detailed assessment of each site. This is not practical within the scope of this study and therefore, based upon the experience of our Quantity Surveyors, a general allowance in relation to the build costs has been made.

4.3.18 In line with the approach taken above in 3.3.3 with regard to establishing a fair and reasonable gross to net ratio, to establish a reasonable assumption for infrastructure costs we have again analysed 12 viability appraisals received, detailed as follows (again please note as these cases contain sensitive commercial information we have not provided the full address details or the parties involved):

Table 7 – Evidence of infrastructure costs

Location	Gross area (Ha)	Cost per gross Ha	Capacity dwellings
York	39.62	£450,570	1,100
Northallerton	50.93	£312,030	868
Selby	30.00	£728,532	848
Bolsover	26.94	£269,744	795
Castleford	25.45	£499,878	560
Boston	14.97	£549,002	500
Average	**31.32**	**£468,293**	**779**
Northumberland	11.28	£378,258	286
Bradford	9.33	£375,207	272
Leeds	7.00	£317,217	207
Leeds	7.68	£222,929	181
Normanton	4.30	£360,128	142
Boston	3.57	£296,989	108
Average	**7.19**	**£325,121**	**199**

4.3.19 The above suggests that (up to a point) the larger the scheme the higher infrastructure costs / external works. This perhaps appears a little counter intuitive, as quantum would suggest the opposite, that given economies of scale the costs should theoretically decrease as the size of the scheme increases. However, for the purposes of this particular assessment, in this instance we have followed the evidence identified.

4.3.20 In applying an assumed infrastructure / external cost to each site we have looked to ensure these broadly fall within the average figures shown above.

4.3.21 For each site we have also added a contingency allowance of 2-3%.

4.3.22 An allowance has also been made to cover Building Regulations approval and NHBC (or equivalent) 10 year build guarantees, as well as the cost of undertaking initial site surveys (being general site investigations and topographical studies) and planning application fees. For each site we have looked to adopt costs similar to other schemes we have appraised across the region.

Abnormal development costs

4.3.23 Abnormal costs relate to issues such as decontamination, adverse geo technical conditions, off-site highway works, demolition of existing buildings etc (i.e. works which would not be associated with a 'standard' scheme). The information provided to us together with site inspections indicated that exceptional or abnormal costs could arise on the majority of the sites. However, we have not been provided with detailed information in respect of these elements.

4.3.24 Often abnormal costs are not revealed until a full scheme design is completed and the relevant due diligence undertaken. It is therefore impossible to provide a robust assessment of the likely abnormal costs that could be associated with the sites. For this reason, in undertaking district wide viability studies for other Councils we have typically adopted a zero (nil) cost for abnormal works.

4.3.25 However, in this case the Council has requested that an allowance is included to reflect some level of abnormal build costs in order to respond to comments received from the Northumberland Development viability Panel. For the purposes of this exercise and to reflect the Council's instructions we have therefore looked to include a 'spot' allowance for abnormal works in each of our appraisals, reflecting potential issues that could affect the site.

4.3.26 Again, in line with the approach taken above, to establish a reasonable assumption for abnormal costs we have analysed 12 viability appraisals received, detailed as follows (again please note as these cases contain sensitive commercial information we have not provided the full address details or the parties involved):

Table 8 – Evidence of abnormal costs

Location	Gross area (Ha)	Cost per gross Ha	Capacity dwellings
York	39.62	£465,806	1,100
Northallerton	50.93	£587,325	868
Selby	30.00	£281,341	848
Bolsover	26.94	£264,227	795
Castleford	25.45	£160,395	560
Boston	14.97	£55,056	500
Average	**31.32**	**£302,358**	**779**
Northumberland	11.28	£121,000	286
Bradford	9.33	£110,464	272
Leeds	7.00	£0	207
Leeds	7.68	£280,560	181
Normanton	4.30	£393,840	142
Boston	3.57	£50,428	108
Average	**7.19**	**£159,382**	**199**

4.3.27 We have concluded from the above, as well as from our wider experience in the market place, that (up to a point) as scheme sizes increase it is likely abnormal works on a per gross Ha basis will also increase.

4.3.28 In applying an assumed abnormal cost to each site we have looked to ensure these broadly fall within the average figures shown above.

Developer's profit

4.3.29 As indicated above, for the purposes of our assessment we have applied what is considered to be the 'minimum' return a developer would require to develop each site.

4.3.30 We have adopted the two tiered approach advocated by the HCA. This involves applying a profit level to the Market Value homes (normally 15 – 20% of revenue) and a lower contractor's margin (5 – 6% on cost) to the affordable dwellings. When the two are factored together this gives an overall 'blended' profit level.

4.3.31 In terms of what constitutes an appropriate profit level in the current market the HCA's DPP2 (referenced above in 5.3.1) again provides a useful data source as the information submitted by developers also relates to required profit levels. At the end of 2013 house builders were selected in the northern section to be included on the panel. They were invited to submit development appraisals stating their individual requirements for the amount of developer's profit they would require when undertaking residential schemes. Due to reasons of confidentially we are unable to provide the individual submissions from each bidder. However, we are able to disclose the median figures, which for Market Value homes equates to 16% of gross development value and for affordable units 4.3% of build cost.

4.3.32 However, in April 2015 the HCA provided updated data from the DPP2, which indicated that for the same northern section the profit margin had increased to a mean of 19.2% on gross development value for market value homes, and 7.9% of cost for affordable units. We subsequently sought further details to try and explain the increase during the last 2 years when market conditions had improved (and therefore logic would suggest that profit margins should decrease as risks decrease). The HCA commented that the general pattern was that larger, riskier projects in low value areas in the North of England were tending to attract bids of circa 19 – 20% on GDV. For smaller sites, considered to be generally less of a risk due to the lower level of borrowings required for implementation bids were coming in at 17.5% on GDV or lower. During the sample period the DPP2 had sought bids on a number of larger schemes which skewed the mean figures towards the top end of the range.

4.3.33 However, it should be stressed that this again is not our only source of data. As per our assessment of construction costs, we also consider individual viability appraisals forwarded to us by developers, which includes what they consider to be appropriate inputs (such as benchmark land values, house prices and likewise developer's profit). We use these viability appraisals as a starting point when undertaking our own appraisals. The following evidence has therefore been taken from viability assessments undertaken by the applicant / their agent without any influence from DVS (please note due to the confidential nature of the appraisals we are unable to provide full details of the specific sites and if further details are needed we will need to seek prior approval from the relevant parties):

- *Leeds, West Yorkshire* – October 2013. Scheme of 112 dwellings. Appraisal provided by national surveying firm. 'Blended' developer's profit stated as being 16.67% of gross development value ("GDV").

- *Holbeach, South Holland* – Viability appraisal dated Dec 2013. Housing and flat scheme for 55 units. Two-tiered developer's profit approach, stated as being 17.5% of GDV for the Market Value dwellings and 6% on cost for the affordable units.

- *Repton, South Derbyshire* – Viability appraisal dated March 2014. Scheme of 33 dwellings, regional developer. 'Blended' developer's profit stated as being 15% of GDV, applied to the Market Value houses.

- *Former Colliery site, South Yorkshire* - Viability appraisal dated July 2014. House scheme for 325 dwellings, national developer. Target profit on market value units of 20% on GDV.

- *Skipton, North Yorkshire* – Viability appraisal dated July 2014. House scheme for 110 dwellings, national developer. 'Blended' developer's profit given as 15.61% on GDV.

- *Derby, Derbyshire* – Viability appraisal dated March 2015. House scheme for 600 dwellings, national agent. Target profit on market value units of 20% on GDV.

- *Boston. Lincolnshire* – Viability appraisal dated April 2015. House scheme for 108 dwellings, national developer. 'Blended' developer's profit given as 16.58% on GDV

4.3.34 In addition to the above, we have also been involved in a variety of site specific viability assessments where we have been instructed to negotiate viability matters on behalf of the local authority. This involves looking to negotiate and agree inputs into the viability appraisal, with a view to coming to a compromised position with regard to viability and the impact on affordable housing / planning gain. The following examples have therefore been taken from sites where we have looked to agree an appropriate developer's profit with the applicant / the agent through a negotiation process:

- *Market town, North Yorkshire* – Viability negotiations during Summer 2015. Scheme of 900 dwellings, volume house builders. Through negotiations agreed a developer's profit of 20% on GDV for the Market Value Houses and 6% on cost for the affordable units.

- *Suburban area, North of Leeds City Centre* – Viability negotiations during Summer 2015. Scheme of 400 dwellings, regional developer. Through negotiations agreed a developer's profit of 18% on GDV for the Market Value Houses and 6% on cost for the affordable units.

- *Village to South of Leeds, West Yorkshire* – Viability negotiations during Summer / Autumn 2014. Scheme of 181 dwellings, regional developer. Through negotiations agreed a developer's profit of 18% on GDV for the Market Value Houses and 5% on cost for the affordable units.

- *Edge of City Centre, York, North Yorkshire* – Viability negotiations during Quarter 1 2014. Scheme of 195 dwellings, national developer. Through negotiations agreed a developer's profit of 17.5% on GDV for the Market Value Houses and 6% on cost for the affordable units.

- *Village in South Derbyshire* – Viability negotiations during Quarter 3 2013. Scheme of 77 dwellings, regional developer. Through negotiations agreed a developer's profit of 18% on GDV for the Market Value Houses and 6% on cost for the affordable units.

4.3.35 Based on the evidence above there is clearly an element of 'flex' in profit levels depending on the nature of each particular scheme. It is therefore appropriate to vary profit levels to reflect the circumstances of each particular development. However, the data does suggest that a general range of 15 – 20% on GDV for market value houses is fair and reasonable at the current time, with the higher end of the range tending to be applied to larger schemes in lower value areas (and perhaps with higher associated abnormal / infrastructure costs).

4.3.36 Having considered the evidence identified, we have adopted a fixed profit of 6% on cost for all 4 sites, which is considered to be consistent with individual appraisals we currently undertake. In terms of profit for the market value units, it is acknowledged that some of the sites are located within more challenging, lower value areas. We have subsequently applied a profit level of 20% on GDV for the market value units at Site A and Site B. For Site C, this is considered to be a high value area and therefore for a sub 100 dwelling scheme the risk profile is less than other locations in Northumberland. We have subsequently adjusted the profit level to 17.5%. Finally, for Site D this is a small scheme in a popular location, and again 17.5% is considered to be a reasonable margin for a developer.

Fees

4.3.37 For the larger housing sites which are considered likely to attract regional / national house builders we have assumed professional fees of circa 6% of the total build costs. This is considered to be in line with other similar sized schemes we have appraised across the region, and particularly relevant to schemes where there is little 'original' thought in the development (i.e. the developer is a national house builder who will look to use existing 'house' products in the scheme design). For smaller, more bespoke projects which require more design input we have adopted circa 8%.

Finance

4.3.38 It has been assumed throughout this study that VAT either does not arise or that its effects can be ignored. Our appraisals assume a finance rate of 6% - 6.5% for outgoings (i.e. borrowings). We concluded this rate on the basis of developer appraisals being presented to us around the valuation date and consider it to be reasonable in the context of the exercise being undertaken.

4.3.39 We have also assumed a credit rate of 4% (which tends to be relevant to larger, multi phased developments completed over a number of years). Again, this is considered to be in line with schemes we are appraising across the region and also guidance provided by the Homes and Communities Agency ("HCA").

4.3.40 An allowance has also been made for an arrangement fee and a surveyor's fee.

4.4 Site acquisition and disposal costs

4.4.1 The development is assumed to proceed immediately and so other than interest on the site cost prior to and during construction, no allowance has been made for holding costs, or indeed any income arising from ownership of the site.

4.4.2 Acquisition Costs include stamp duty at a rate of 4% for sites in excess of £500,000 and an allowance of 0.5% for acquisition legal fees, plus a small allowance for land registry fees. On the larger, more complex sites we have included an agent fee at 1%.

4.4.3 Sales/promotion and legal fees are assumed to amount to 3% of receipts with no separate allowance for marketing costs.

4.4.4 Solicitor’s fees for the house sales are shown at a flat rate per house of £500.

5 RESULTS OF VIABILITY ANALYSIS

5.1 Our viability appraisals are set out in Appendix 2.

5.2 We have designed our appraisals to test the impact of the Council's policies on viability by adopting fixed benchmark / threshold land values and adopting a minimum return which a developer would require to implement the scheme. Please note, if the current affordable housing target of 30% is found to be unviable, we have only adjusted the affordable housing policy in trying to identify the 'point' at which the scheme become viable again.

5.3 We have run our appraisals using the HCA Development Appraisal Toolkit ("DAT"), which is an industry approved program. designed specifically for residual / viability appraisals. As indicated above we have inputted the land values and developer's profit as fixed costs within the appraisals, together with all the other inputs for a development project (such as house values, build costs, professional fees, contingency etc). The DAT runs a cash flow for the scheme based on all the fixed inputs and calculates whether there is a subsequent 'surplus' of revenue. If the results show a nil return or any level of surplus the scheme is considered to be viable. If the scheme shows a deficit up to – (minus) £50,000 the scheme is considered to be marginally viable. If the scheme shows a deficit of greater than – (minus) £50,000 the scheme is considered to be unviable.

<u>Table 9 – Summary of viability assessment (based on policy compliant scheme)</u>

Address	AH provision	Surplus / Deficit on DAT	Viable?
Site A	30%	-£181,150	No
Site B	30%	-£344,935	No
Site C	30%	£901,180	Yes
Site D	30%	-£114,345	No

5.4 Of the 4 sites assessed, only 1 (Site C) is considered to be viable when the full planning policies including 30% Ah target are applied, with the remaining 3 showing various levels of deficit.

5.5 For each of the 3 unviable sites we have re-run the appraisal with a reduced affordable housing provision to test whether 'flex' in the number of affordable houses would improve the viability of each site. Please note, where applicable, we have shown the amended level of affordable housing provision which generates a viable scheme.

Table 10 – Summary of re-run viability assessment for unviable sites

Address	AH provision	AH Units	Surplus / Deficit on DAT	Viable?
Site A	27.68%	62	-£10,451	Yes
Site B	26.50%	53	-£9,239	Yes
Site D	21.88%	7	£24,213	Yes

5.6 For all 3 sites, when the affordable housing provision is reduced the scheme becomes viable. In other words, the schemes can deliver a level of affordable housing and still be viable, but only if that level is reduced below the current policy provision of 30%. That said, in each case the site is able to deliver in excess of 20% affordable housing (and in 2 cases over 25%).

5.7 Having run our initial assessments, we have then looked to adopt sensitivity analysis (whereby key inputs into our appraisals our adjusted to provide an analysis of how viability could be affected).

5.8 The HCA DAT allows the user to run sensitivity analysis on 2 key inputs, being sales revenues and build costs. In undertaking our assessment we have re-tested each appraisal under 3 scenarios, as follows:

Sensitivity Analysis Scenario 1 – reduction in sales values by 5%, increase in basic build costs by 5%

Sensitivity Analysis Scenario 2 – increase in sales values by 5%, basic build costs remain the same.

Sensitivity Analysis Scenario 3 – increase in sales values by 2.5%, basic build costs increase by 5%.

5.9 We have plotted the results of the sensitivity analysis in the following table. Please note:

- For the purposes of the sensitivity analysis we have adopted the affordable housing provision which generates a viable scheme.

- The data shows whether the scheme, based on the above affordable housing provision assumption, delivers a surplus or a deficit. Where a deficit in excess of -£50,000 is shown the scheme is considered to be unviable and marked in red. Where the scheme shows a deficit of between - £50,000 and 0 (zero) or a surplus the scheme is considered to be viable and marked in green.

- If a deficit is shown from the sensitivity analysis we have then also indicated the estimated impact this has on the affordable housing provision (i.e. we have shown an estimate of what adjusted level of affordable housing provision would be required to create a viable scheme).

- Likewise, if a surplus is generated, we have then increased the affordable housing provision (up to the maximum policy of 30%, if applicable), with a view to achieving a nil surplus (or thereabouts).

<u>Table 11 – Summary of sensitivity analysis – Scenario 1</u>

Address	Initial AH provision	Scenario 1 £	Adjusted AH provision for viable scheme
Site A	27.68%	**-1,930,891**	15 – 20%
Site B	26.50%	**-1,695,900**	15 – 20%
Site C	29.67%	**-129,065**	27.5%
Site D	21.88%	**-372,721**	15 – 20%

5.10 The results therefore suggest that, assuming that houses prices reduce by 5% and build costs increase by 5%:

- Sites A, B and D would still all be viable, but only if the affordable housing provision is reduced to between 15 and 20%.

- Site C would remain viable, but would no longer be able to deliver policy. The affordable housing provision would need to be reduced to circa 27.5%.

<u>Table 12 – Summary of sensitivity analysis – Scenario 2</u>

Address	Initial AH provision	Scenario 2 £	Adjusted AH provision for viable scheme
Site A	27.68%	**930,060**	30%
Site B	26.50%	**822,062**	30%
Site C	29.67%	**1,431,845**	30%
Site D	21.88%	**227,649**	27.5 – 30%

5.11 The results therefore suggest that, assuming that houses prices increase by 5% and build costs remain static:

- Sites A, B and C would comfortably be able to provide the full affordable provision of 30%.

- Site D may be able to deliver full policy, if not in excess of 27.5% should be achievable.

Table 13 – Summary of sensitivity analysis – Scenario 3

Address	Initial AH provision	Scenario 3 £	Adjusted AH provision for viable scheme
Site A	27.68%	**-503,807**	20 – 25%
Site B	26.5%	**-434,229**	20 – 25%
Site C	29.67%	**671,331**	29.67%
Site D	21.88%	**-66,296**	20-21%

5.12 The results therefore suggest that, assuming that houses prices increase by 2.5% and build costs also increase by 5%:

- Site C would be the only scheme able to deliver the full affordable housing policy.

- However, Sites A, B and C would all still be viable with affordable with affordable housing provisions in excess of 20%.

5.13 Please note, as a final comment we would stress that we cannot guarantee that all developers would adopt exactly the same revenues and costs for the schemes that we have used in our appraisals. However, we can say that we feel confident that our approach is a reasonable representation of how typical developers and landowners would look at project viability.

6 CONCLUSIONS AND FINAL COMMENTS

6.1 Whilst we consider our appraisals to be robust based on the information provided, we would stress that area wide studies have their limitations due to the general lack of information on key areas such as full planning policy requirements, abnormal development costs, scheme design etc.

6.2 As detailed above in the main body of the report, the level of the Council's planning policies has a bearing on viability (albeit for the sample sites this impact is tempered due to the low level of affordable housing policy).

6.3 Where the benchmark / threshold land value has been reached (which we have assumed in our appraisals) and likewise the level of developer's profit is at the minimum required for a developer to implement the scheme, abnormal costs will also have a significant impact on viability. With no information available on abnormal costs for the majority of the sites we have had to make made 'spot' allowances within our appraisals (as requested by the Council). In reality it is likely these costs will vary significantly from site to site, which will have a key impact on viability.

6.4 The above highlights the importance of ensuring a degree of flexibility within policies. Where site specific circumstances require further assessment development appraisals of some planning applications may be appropriate. This will enable a more rigorous viability assessment to be undertaken, as full scheme details would be available including full details on key areas such as abnormal costs and 'planning gain' contributions.

6.5 Nevertheless, whilst still bearing in mind the limitations of an area wide study, we have used the results of our assessment to conclude the following:

1. Based on our various assumptions, only Site C is able to deliver the Council's 30% affordable housing policy.

2. For Sites A, B and D in order to ensure viability (even before CIL is factored in) we believe it is therefore likely the affordable housing provision would need to be reduced below 30%. That said, the level of reduction is not particularly significant for Sites A and B, which would need to be reduced to circa 25 – 27.5%. For Site D the reduction would be slightly more, albeit we still believe the site will be able to deliver an affordable housing provision in excess of 20%.

3. Based on the above we have concluded that unless affordable housing targets are reduced the scope for the introduction of CIL is likely to be limited.

4. We would also stress that CIL and affordable housing provision have an inverse relationship, in that the higher the CIL charge the higher the downward pressure on the affordable housing provision, and equally the lower the CIL charge the greater potential there is for a higher affordable housing provision.

David Newham MRICS RICS Registered Valuer

District Valuer Services

September 2015

Appendix 1

Gardiner and Theobald evidence

Appendix 2

Viability Appraisal

Appendix 1 – Gardiner and Theobald Evidence

WAKEFIELD

Residential Benchmarking

for DTZ

November 2014

Please see the below cost benchmarking of similar large residential schemes, which includes indexing analysis to the most recent point (Quarter 4, 2014).

You will see that the median cost (including externals) comes out at £85.52 (indexed to 2014 Q4). This includes for the build costs and various further allowances including contingencies, fees, increased spec, site abnormals etc. An indicative breakdown of how we would expect the figure to be split down is included below:

Housebuilder Residential - Indicative Breakdown Split	
	4Q 14
average house	**£56.29**
garage	**£3.82**
house inc garage	**£60.11**
contingency @ 2.5%	**£1.50**
house inc contingency	**£61.62**
plus extenals, prelims, fees etc	**£18.48**
Total	**£80.10**
abnormals	**£3.12**
increased spec	**£2.30**
Grand Total Build	**£85.52**

Our approach is entirely consistent with the advice of the RICS, as it references the best and most current construction cost information there is with regard to standard construction costs, that is to say, evidence from actual, recent, similar schemes.

Whilst BCIS is a useful and very well respected reference source, indeed administered by the RICS itself, its primary purpose is as a marker for the various sectors and interests of the development industry for schemes at the very earliest stages of planning prior to professional cost advice being sought, and indeed as a rudimentary sense check for more advanced schemes.

Site specific abnormals aside (i.e. infrastructure off and on site through to particular special requirements regarding foundations), the actual process of house building is relatively straightforward, and the unit cost is generally a constant factor in the business modelling of housebuilders, large or small, and as such most volume housebuilders (national and regional) tend to keep these costs to themselves. As to how much they will factor in as a build cost when carrying out a development appraisal when considering a land purchase much depends on their view of the market at the time, and the importance or not they attach to acquiring the site. Hence build costs can vary widely within one housebuilder, with the quality of finishes typically being only a minor consideration (around +/- £2/sqft.). It is not u
including estate roads and plot externals) build costs (excluding abnormals) to vary by around £20/sqft by development. As it is, the build costs of larger SUE schemes naturally fall within the lower end of the range.

DTZ Wakefield
Residential Benchmarking

DTZ Wakefield

RESIDENTIAL BENCHMARKING EXERCISE

Residential Units

SCHEME DETAILS						**COST ANALYSIS**				
Project	Client	Tender Date	Units	Average unit size SQ FT	Net to gross efficiency %	Building Cost only £ / SQ FT	Regional Location Factor %	Location Adjusted Costs* £ / SQ FT	Market Forces update to 4Q 2014** %	Resultant Comparative Cost £ / SQ FT
Project 1	Confidential	Jan-10	400	1,249	100%		-12%	68.62	18%	81.22
Project 2	Confidential	Jul-07		1,380	100%	80.56	-3%	78.07	3%	80.51
Project 3	Confidential	Jul-08	4,000	829	100%	78.44	-3%	76.01	4%	78.98
Project 4	Confidential	Jan-09		882	100%	80.05	-11%	70.99	13%	80.14
Project 5	Confidential	Jan-09	750	900	100%	79.89	-10%	71.52	13%	80.74
Project 6	Confidential	Apr-08	2,500	945	100%	91.45	-12%	80.34	4%	83.16
Project 7	Confidential	Apr-08	1,000	945	100%	93.65	-12%	82.27	4%	85.16
Project 8	Confidential	Jan-12	4,500	920	100%	77.92	0%	77.92	10%	85.83
Project 9	Confidential	Jan-14	2,600	800	100%	68.00	0%	68.00	5%	71.45
Project 10	Confidential	Dec-13	2,000	1029	99%	72.12	4%	75.33	7%	80.62
Average										80.78
									Median Cost with Fees and Contingencies	**85.52**
										£80.66
									AVERAGE COST PER SQ FT	£80.78

*BCIS Location Indicies used to adjust projects to Wakefield
**BCIS All In TPI Indicies used to adjust projects to 4Q 2014

Appendix 2 – Viability Appraisal

Surplus (Deficit) from Input land valuation at 1/8/2015 **-£10,451**

HCA DEVELOPMENT APPRAISAL TOOL

SUMMARY DETAIL

SCHEME

Site Address	Site A	Date of appraisal	01/08/2015
Site Reference		Net Residential Site Area	5.24
File Source		Author & Organisation	
Scheme Description		Registered Provider (whe|	0

Housing Mix (Affordable + Open Market)

Total Number of Units	224	*units*
Total Number of Open Market Units	162	*units*
Total Number of Affordable Units	62	*units*
Total Net Internal Area (sq m)	21,036	*sq m*
% Affordable by Unit	27.7%	
% Affordable by Area	25.5%	
Density	43	*units/ hectare*
Total Number of A/H Persons	0	*Persons*
Total Number of Open Market Persons	0	*Persons*
Total Number of Persons	0	*Persons*
Gross site Area	7.48	*hectares*
Net Site Area	5.24	*hectares*
Net Internal Housing Area / Hectare	4,014	*sq m / hectare*

equals 17,485 sqft per acre

***Average* value (£ per unit)**	**Open Market Phase 1:**	**Open Market Phase 2:**	**Open Market Phase 3:**	**Open Market Phase 4:**	**Open Market Phase 5:**	**Total**
1 Bed Flat Low rise	£0	£0	£0	£0	£0	
2 Bed Flat Low rise	£0	£0	£0	£0	£0	
3 Bed Flat Low rise	£0	£0	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£121,931	£0	£0	£0	£0	
3 Bed House	£171,956	£0	£0	£0	£0	
4 Bed + House	£233,213	£0	£0	£0	£0	
Total Revenue £	**£29,368,947**	**£0**	**£0**	**£0**	**£0**	**£29,368,947**
Net Area (sq m)	15,663	-	-	-	-	15,663
Revenue (£ / sq m)	£1,875	-	-	-	-	

CAPITAL VALUE OF OPEN MARKET SALES **£29,368,947**

Capital Value of Private Rental	
Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	**£0**

CAPITAL VALUE OF OPEN MARKET HOUSING			**£29,368,947**	£ 1,875 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency	**£16,242,648**	£ 1,037 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING				**£13,126,299**

AH Residential Values

AH & RENTAL VALUATION BASED ON CAPITAL VALUES for RESIDUAL VALUATION

Type of Unit	**Social Rented**	**Shared Ownership (all phases)**	**Affordable Rent (all phases)**	**Total**
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House		£1,536,336		£1,536,336
3 Bed House		£2,437,470		£2,437,470
4 Bed + House		£1,416,764		£1,416,764
	£0	£5,390,570	£0	**£5,390,570**
£ psqm of CV (phase 1)	-	848	-	

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)	**£5,390,570**
RP Cross Subsidy (use of own assets)	£0
LA s106 commuted in lieu	£0
RP Re-cycled SHG	£0
Use of AR rent conversion income	£0
Other source of AH funding	£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING **£0**

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)			**£5,390,570**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency	**£5,571,063**	£ 1,037 psqm		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING				**-£180,493**

Car Parking

No. of Spaces	**Price per Space (£)**	**Value**
-	-	£0

Value of Residential Car Parking				**£0**	
Car Parking Build Costs			£0		

Ground rent

	Capitalised annual ground rent	
Social Rented	£0	
Shared Ownership	£0	
Affordable Rent	£0	
Open market (all phases)	£0	
Capitalised Annual Ground Rents		**£0**

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME		**£34,759,517**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME	**£21,813,711**		
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME			**£12,945,806**

Non-Residential

	Cost	Values
Office	£0	£0
Retail	£0	£0
Industrial	£0	£0
Leisure	£0	£0
Community Use	£0	£0
Community Infrastructure Levy	£0	

CAPITAL VALUE OF NON-RESIDENTIAL SCHEME		**£0**	
COSTS OF NON-RESIDENTIAL SCHEME	**£0**		
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL			**£0**

GROSS DEVELOPMENT VALUE OF SCHEME		**£34,759,517**	
TOTAL BUILD COSTS	**£21,813,711**		
TOTAL CONTRIBUTION TO SCHEME COSTS			**£12,945,806**

External Works & Infrastructure Costs (£)			Per unit
Site Preparation/Demolition		£0	
Roads and Sewers		£0	
Services (Power, Water, Gas, Telco and IT)		£0	
Strategic Landscaping		£0	
Off Site Works		£0	
Public Open Space		£0	
Site Specific Sustainability Initiatives		£0	
Plot specific external works		£0	
Other 1		£0	
Other 2		£0	
		£0	
Other site costs			
Fees and certification	6.0%	£1,270,702	5,673
Other Acquisition Costs (£)		£0	
Site Abnormals (£)			
Abnormals		£1,386,000	6,188
Decontamination		£0	
Other		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Other 5		£0	
		£1,386,000	
Total Site Costs inc Fees		**£2,656,702**	11,860

Statutory 106 Costs (£)		
Planning	£39,059	174
Building Regs	£25,000	112
Site surveys	£20,000	89
Building warranties	£145,600	650
S106	£112,000	500
Transport	£0	
Highway	£0	
Health	£0	
Public Art	£0	
Flood work	£0	
Community Infrastructure Levy	£0	
Other Tariff	£0	
Other 1	£0	
Other 2	£0	
Other 3	£0	
Other 4	£0	
Statutory 106 costs	**£341,659**	1,525

Marketing (Open Market Housing ONLY)			per OM unit	
Sales/letting Fees	3.0%	£881,068	5,439	
Legal Fees (per Open Market unit):	£500	£81,000	500	
Marketing (Affordable Housing)			per affordable unit	
Developer cost of sale to RP (£)		£15,500		250
RP purchase costs (£)		£0		
Intermediate Housing Sales and Marketing (£)		£0		
Total Marketing Costs		**£977,568**		

Total Direct Costs			**£25,789,640**	
Finance and acquisition costs				
Land Payment		£2,402,400	14,830 per OM home	321,176 per hectare
Arrangement Fee		£50,000	25.5% of interest	
Misc Fees (Surveyors etc)		£5,000	0.01% of scheme value	
Agents Fees		£24,024		
Legal Fees		£12,012		
Stamp Duty		£96,096		
Total Interest Paid		£196,197		
Total Finance and Acquisition Costs			**£2,785,729**	
Developer's return for risk and profit				
Residential				
Market Housing Return (inc OH) on Valu	20.0%	£5,873,789	36,258 per OM unit	
Affordable Housing Return on Cost	6.0%	£324,528	5,234 per affordable unit	
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit	
Non-residential				
Office	£0			
Retail	£0			
Industrial	£0			
Leisure	£0			
Community-use	£0	**£0**		
Total Operating Profit			**£6,198,317**	

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	**£34,773,686**	
Surplus/(Deficit) at completion 1/6/2020		**(£14,169)**
Present Value of Surplus (Deficit) at 1/8/2015		**(£10,451)**

Scheme Investment MIRR **24.1%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value	6.9%	Peak Cash Requirement	-£4,487,506
Site Value per hectare	-£2,704 per hectare	-£1,094 per acre	

Surplus (Deficit) from Input land valuation at 1/8/2015 -£9,239

HCA DEVELOPMENT APPRAISAL TOOL

SUMMARY DETAIL

SCHEME

Site Address	Site B	Date of appraisal	01/08/2015
Site Reference		Net Residential Site Area	4.67
File Source		Author & Organisation	
Scheme Description		Registered Provider (whe	0

Housing Mix (Affordable + Open Market)

Total Number of Units	200	*units*
Total Number of Open Market Units	147	*units*
Total Number of Affordable Units	53	*units*
Total Net Internal Area (sq m)	18,701	*sq m*
% Affordable by Unit	26.5%	
% Affordable by Area	24.6%	
Density	43	*units/ hectare*
Total Number of A/H Persons	0	*Persons*
Total Number of Open Market Persons	0	*Persons*
Total Number of Persons	0	*Persons*
Gross site Area	6.67	*hectares*
Net Site Area	4.67	*hectares*
Net Internal Housing Area / Hectare	4,005	*sq m / hectare*

equals 17,442 sqft per acre

Average **value (£ per unit)**	**Open Market Phase 1:**	**Open Market Phase 2:**	**Open Market Phase 3:**	**Open Market Phase 4:**	**Open Market Phase 5:**	**Total**
1 Bed Flat Low rise	£0	£0	£0	£0	£0	
2 Bed Flat Low rise	£0	£0	£0	£0	£0	
3 Bed Flat Low rise	£0	£0	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£121,931	£0	£0	£0	£0	
3 Bed House	£171,956	£0	£0	£0	£0	
4 Bed + House	£233,213	£0	£0	£0	£0	
Total Revenue £	**£26,439,432**	**£0**	**£0**	**£0**	**£0**	**£26,439,432**
Net Area (sq m)	14,101	-	-	-	-	14,101
Revenue (£ / sq m)	£1,875	-	-	-	-	

CAPITAL VALUE OF OPEN MARKET SALES **£26,439,432**

Capital Value of Private Rental	
Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	**£0**

CAPITAL VALUE OF OPEN MARKET HOUSING			**£26,439,432**	£ 1,875 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency	**£14,628,344**	£ 1,037 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING				**£11,811,088**

AH Residential Values

AH & RENTAL VALUATION BASED ON CAPITAL VALUES for RESIDUAL VALUATION

Type of Unit	**Social Rented**	**Shared Ownership (all phases)**	**Affordable Rent (all phases)**	**Total**
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House		£1,316,858		£1,316,858
3 Bed House		£1,818,430		£1,818,430
4 Bed + House		£1,574,180		£1,574,180
	£0	£4,709,468	£0	**£4,709,468**
£ psqm of CV (phase 1)	-	843	-	

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)	**£4,709,468**
RP Cross Subsidy (use of own assets)	£0
LA s106 commuted in lieu	£0
RP Re-cycled SHG	£0
Use of AR rent conversion income	£0
Other source of AH funding	£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING **£0**

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)			**£4,709,468**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency	**£4,772,403**	£ 1,037 psqm		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING				**-£62,935**

Car Parking

No. of Spaces	**Price per Space (£)**	**Value**
-	-	£0

Value of Residential Car Parking				**£0**	
Car Parking Build Costs			£0		
Ground rent					
			Capitalised annual ground rent		
Social Rented			£0		
Shared Ownership			£0		
Affordable Rent			£0		
Open market (all phases)			£0		
Capitalised Annual Ground Rents				**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				**£31,148,900**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME			**£19,400,746**		
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					**£11,748,154**
Non-Residential					
			Cost	Values	
Office			£0	£0	
Retail			£0	£0	
Industrial			£0	£0	
Leisure			£0	£0	
Community Use			£0	£0	
Community Infrastructure Levy			£0		
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				**£0**	
COSTS OF NON-RESIDENTIAL SCHEME			**£0**		
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					**£0**
GROSS DEVELOPMENT VALUE OF SCHEME				**£31,148,900**	
TOTAL BUILD COSTS			**£19,400,746**		
TOTAL CONTRIBUTION TO SCHEME COSTS					**£11,748,154**
External Works & Infrastructure Costs (£)			Per unit		
Site Preparation/Demolition		£0			
Roads and Sewers		£0			
Services (Power, Water, Gas, Telco and IT)		£0			
Strategic Landscaping		£0			
Off Site Works		£0			
Public Open Space		£0			
Site Specific Sustainability Initiatives		£0			
Plot specific external works		£0			
Other 1		£0			
Other 2		£0			
		£0			
Other site costs					
Fees and certification	6.0%	£1,130,141	5,651		
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
Abnormals		£1,236,000	6,180		
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£1,236,000			
Total Site Costs inc Fees		**£2,366,141**	11,831		
Statutory 106 Costs (£)					
Planning		£36,229	181		
Building Regs		£20,000	100		
Site surveys		£20,000	100		
Building warranties		£130,000	650		
S106		£100,000	500		
Transport		£0			
Highway		£0			
Health		£0			
Public Art		£0			
Flood work		£0			
Community Infrastructure Levy		£0			
Other Tariff		£0			
Other 1		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Statutory 106 costs		**£306,229**	1,531		
Marketing (Open Market Housing ONLY)			per OM unit		
Sales/letting Fees	3.0%	£793,183	5,396		
Legal Fees (per Open Market unit):	£500	£73,500	500		
Marketing (Affordable Housing)			per affordable unit		
Developer cost of sale to RP (£)		£15,000	283		
RP purchase costs (£)		£0			
Intermediate Housing Sales and Marketing (£)		£0			
Total Marketing Costs		**£881,683**			

Total Direct Costs			**£22,954,799**		
Finance and acquisition costs					
Land Payment		£2,142,400		14,574 per OM home	321,199 per hectare
Arrangement Fee		£50,000		15.3% of interest	
Misc Fees (Surveyors etc)		£5,000		0.02% of scheme value	
Agents Fees		£21,424			
Legal Fees		£10,712			
Stamp Duty		£85,696			
Total Interest Paid		£325,770			
Total Finance and Acquisition Costs			**£2,641,002**		
Developer's return for risk and profit					
Residential					
Market Housing Return (inc OH) on Valu	20.0%	£5,287,886		35,972 per OM unit	
Affordable Housing Return on Cost	6.0%	£278,004		5,245 per affordable unit	
Return on sale of Private Rent	0.0%	£0		#DIV/0! per PR unit	
Non-residential					
Office	£0				
Retail	£0				
Industrial	£0				
Leisure	£0				
Community-use	£0	**£0**			
Total Operating Profit			**£5,565,890**		

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	**£31,161,691**	
Surplus/(Deficit) at completion 1/10/2020		**(£12,791)**
Present Value of Surplus (Deficit) at 1/8/2015		**(£9,239)**

Scheme Investment MIRR **21.8%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value	6.9%	Peak Cash Requirement	-£4,436,766
Site Value per hectare	-£2,739 per hectare	-£1,108 per acre	

Surplus (Deficit) from Input land valuation at 1/8/2015 **£901,180**

HCA DEVELOPMENT APPRAISAL TOOL

SUMMARY DETAIL

SCHEME

Site Address	Site C	Date of appraisal	01/08/2015
Site Reference		Net Residential Site Area	2.43
File Source		Author & Organisation	
Scheme Description		Registered Provider (wher	0

Housing Mix (Affordable + Open Market)

Total Number of Units	91	*units*
Total Number of Open Market Units	64	*units*
Total Number of Affordable Units	27	*units*
Total Net Internal Area (sq m)	9,074	*sq m*
% Affordable by Unit	29.7%	
% Affordable by Area	25.6%	
Density	37	*units/ hectare*
Total Number of A/H Persons	0	*Persons*
Total Number of Open Market Persons	0	*Persons*
Total Number of Persons	0	*Persons*
Gross site Area	3.04	*hectares*
Net Site Area	2.43	*hectares*
Net Internal Housing Area / Hectare	3,734	*sq m / hectare*

equals 16,264 sqft per acre

***Average* value (£ per unit)**	**Open Market Phase 1:**	**Open Market Phase 2:**	**Open Market Phase 3:**	**Open Market Phase 4:**	**Open Market Phase 5:**	**Total**
1 Bed Flat Low rise	£0	£0	£0	£0	£0	
2 Bed Flat Low rise	£0	£0	£0	£0	£0	
3 Bed Flat Low rise	£0	£0	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£146,318	£0	£0	£0	£0	
3 Bed House	£206,348	£0	£0	£0	£0	
4 Bed + House	£279,855	£0	£0	£0	£0	
Total Revenue £	**£15,198,316**	**£0**	**£0**	**£0**	**£0**	**£15,198,316**
Net Area (sq m)	6,755	-	-	-	-	6,755
Revenue (£ / sq m)	£2,250	-	-	-	-	

CAPITAL VALUE OF OPEN MARKET SALES **£15,198,316**

Capital Value of Private Rental	
Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	**£0**

CAPITAL VALUE OF OPEN MARKET HOUSING			**£15,198,316**	£ 2,250 psqm	
BUILD COST OF OPEN MARKET HOUSING inc Contingency	**£7,821,378**	£ 1,158 psqm			
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING					**£7,376,938**

AH Residential Values

AH & RENTAL VALUATION BASED ON CAPITAL VALUES for RESIDUAL VALUATION

Type of Unit	**Social Rented**	**Shared Ownership (all phases)**	**Affordable Rent (all phases)**	**Total**
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House		£833,958		£833,958
3 Bed House		£1,021,418		£1,021,418
4 Bed + House		£944,510		£944,510
	£0	£2,799,886	£0	**£2,799,886**
£ psqm of CV (phase 1)	-	1,076	-	

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)	**£2,799,886**
RP Cross Subsidy (use of own assets)	£0
LA s106 commuted in lieu	£0
RP Re-cycled SHG	£0
Use of AR rent conversion income	£0
Other source of AH funding	£0

OTHER SOURCES OF AFFORDABLE HOUSING FUNDING **£0**

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)			**£2,799,886**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency	**£2,685,585**	£ 1,158 psqm		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING				**£114,301**

Car Parking

No. of Spaces	**Price per Space (£)**	**Value**
-	-	£0

Value of Residential Car Parking		**£0**	
Car Parking Build Costs	£0		

Ground rent

	Capitalised annual ground rent		
Social Rented	£0		
Shared Ownership	£0		
Affordable Rent	£0		
Open market (all phases)	£0		
Capitalised Annual Ground Rents		**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME		**£17,998,202**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME	**£10,506,964**		
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME			**£7,491,238**

Non-Residential

	Cost	Values	
Office	£0	£0	
Retail	£0	£0	
Industrial	£0	£0	
Leisure	£0	£0	
Community Use	£0	£0	
Community Infrastructure Levy	£0		
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME		**£0**	
COSTS OF NON-RESIDENTIAL SCHEME	**£0**		
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL			**£0**
GROSS DEVELOPMENT VALUE OF SCHEME		**£17,998,202**	
TOTAL BUILD COSTS	**£10,506,964**		
TOTAL CONTRIBUTION TO SCHEME COSTS			**£7,491,238**

External Works & Infrastructure Costs (£)			Per unit
Site Preparation/Demolition		£0	
Roads and Sewers		£0	
Services (Power, Water, Gas, Telco and IT)		£0	
Strategic Landscaping		£0	
Off Site Works		£0	
Public Open Space		£0	
Site Specific Sustainability Initiatives		£0	
Plot specific external works		£0	
Other 1		£0	
Other 2		£0	
		£0	
Other site costs			
Fees and certification	6.0%	£612,056	6,726
Other Acquisition Costs (£)		£0	
Site Abnormals (£)			
Abnormals		£563,388	6,191
Decontamination		£0	
Other		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Other 5		£0	
		£563,388	
Total Site Costs inc Fees		**£1,175,444**	12,917
Statutory 106 Costs (£)			
Planning		£23,764	261
Building Regs		£10,000	110
Site surveys		£8,000	88
Building warranties		£59,150	650
S106		£45,500	500
Transport		£0	
Highway		£0	
Health		£0	
Public Art		£0	
Flood work		£0	
Community Infrastructure Levy		£0	
Other Tariff		£0	
Other 1		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Statutory 106 costs		**£146,414**	1,609
Marketing (Open Market Housing ONLY)			per OM unit
Sales/letting Fees	3.0%	£455,949	7,124
Legal Fees (per Open Market unit):	£500	£32,000	500
Marketing (Affordable Housing)			per affordable unit
Developer cost of sale to RP (£)		£6,750	250
RP purchase costs (£)		£0	
Intermediate Housing Sales and Marketing (£)		£0	
Total Marketing Costs		**£494,699**	

Total Direct Costs			**£12,323,521**	
Finance and acquisition costs				
Land Payment		£1,502,000	23,469 per OM home	494,079 per hectare
Arrangement Fee		£50,000	39.0% of interest	
Misc Fees (Surveyors etc)		£5,000	0.03% of scheme value	
Agents Fees		£0		
Legal Fees		£7,510		
Stamp Duty		£60,080		
Total Interest Paid		£128,090		
Total Finance and Acquisition Costs			**£1,752,680**	
Developer's return for risk and profit				
Residential				
Market Housing Return (inc OH) on Valu	17.5%	£2,659,705	41,558 per OM unit	
Affordable Housing Return on Cost	6.0%	£156,442	5,794 per affordable unit	
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit	
Non-residential				
Office	£0			
Retail	£0			
Industrial	£0			
Leisure	£0			
Community-use	£0	**£0**		
Total Operating Profit			**£2,816,147**	
(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)				
TOTAL COST			**£16,892,348**	
Surplus/(Deficit) at completion 1/11/2018				**£1,105,854**
Present Value of Surplus (Deficit) at 1/8/2015				**£901,180**

Scheme Investment MIRR **35.1%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value	8.3%	Peak Cash Requirement	-£2,900,862
Site Value per hectare	£455,084 per hectare	£184,170 per acre	

Surplus (Deficit) from Input land valuation at 1/8/2015 **£24,213**

HCA DEVELOPMENT APPRAISAL TOOL

SUMMARY DETAIL

SCHEME

Site Address	Site D	Date of appraisal	01/08/2015
Site Reference		Net Residential Site Area	0.93
File Source		Author & Organisation	
Scheme Description		Registered Provider (whei	0

Housing Mix (Affordable + Open Market)

Total Number of Units	32	*units*
Total Number of Open Market Units	25	*units*
Total Number of Affordable Units	7	*units*
Total Net Internal Area (sq m)	3,199	*sq m*
% Affordable by Unit	21.9%	
% Affordable by Area	17.6%	
Density	34	*units/ hectare*
Total Number of A/H Persons	0	*Persons*
Total Number of Open Market Persons	0	*Persons*
Total Number of Persons	0	*Persons*
Gross site Area	1.09	*hectares*
Net Site Area	0.93	*hectares*
Net Internal Housing Area / Hectare	3,440	*sq m / hectare*

equals 14,983 sqft per acre

***Average* value (£ per unit)**	**Open Market Phase 1:**	**Open Market Phase 2:**	**Open Market Phase 3:**	**Open Market Phase 4:**	**Open Market Phase 5:**	**Total**
1 Bed Flat Low rise	£0	£0	£0	£0	£0	
2 Bed Flat Low rise	£0	£0	£0	£0	£0	
3 Bed Flat Low rise	£0	£0	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£136,563	£0	£0	£0	£0	
3 Bed House	£192,591	£0	£0	£0	£0	
4 Bed + House	£261,198	£0	£0	£0	£0	
Total Revenue £	**£5,538,582**	**£0**	**£0**	**£0**	**£0**	**£5,538,582**
Net Area (sq m)	2,637	-	-	-	-	2,637
Revenue (£ / sq m)	£2,100	-	-	-	-	

CAPITAL VALUE OF OPEN MARKET SALES **£5,538,582**

Capital Value of Private Rental	
Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	**£0**

CAPITAL VALUE OF OPEN MARKET HOUSING			**£5,538,582**	£ 2,100 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency	**£3,116,253**	£ 1,182 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING				**£2,422,329**

AH Residential Values

AH & RENTAL VALUATION BASED ON CAPITAL VALUES for RESIDUAL VALUATION

Type of Unit	**Social Rented**	**Shared Ownership (all phases)**	**Affordable Rent (all phases)**	**Total**
1 Bed Flat Low rise				
2 Bed Flat Low rise				
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House		£215,086		£215,086
3 Bed House		£389,997		£389,997
4 Bed + House				
	£0	£605,083	£0	**£605,083**
£ psqm of CV (phase 1)	-	998	-	

CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)		**£605,083**	
RP Cross Subsidy (use of own assets)		£0	
LA s106 commuted in lieu		£0	
RP Re-cycled SHG		£0	
Use of AR rent conversion income		£0	
Other source of AH funding		£0	
OTHER SOURCES OF AFFORDABLE HOUSING FUNDING		**£0**	
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)		**£605,083**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency	**£663,950** £ 1,182 psqm		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING			**-£58,867**

Car Parking

No. of Spaces	**Price per Space (£)**	**Value**
-	-	£0

Value of Residential Car Parking				**£0**	
Car Parking Build Costs			£0		

Ground rent

	Capitalised annual ground rent		
Social Rented	£0		
Shared Ownership	£0		
Affordable Rent	£0		
Open market (all phases)	£0		
Capitalised Annual Ground Rents		**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME		**£6,143,665**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME	**£3,780,203**		
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME			**£2,363,462**

Non-Residential

	Cost	Values	
Office	£0	£0	
Retail	£0	£0	
Industrial	£0	£0	
Leisure	£0	£0	
Community Use	£0	£0	
Community Infrastructure Levy	£0		
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME		**£0**	
COSTS OF NON-RESIDENTIAL SCHEME	**£0**		
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL			**£0**
GROSS DEVELOPMENT VALUE OF SCHEME		**£6,143,665**	
TOTAL BUILD COSTS	**£3,780,203**		
TOTAL CONTRIBUTION TO SCHEME COSTS			**£2,363,462**

External Works & Infrastructure Costs (£)			Per unit
Site Preparation/Demolition		£0	
Roads and Sewers		£0	
Services (Power, Water, Gas, Telco and IT)		£0	
Strategic Landscaping		£0	
Off Site Works		£0	
Public Open Space		£0	
Site Specific Sustainability Initiatives		£0	
Plot specific external works		£0	
Other 1		£0	
Other 2		£0	
		£0	
Other site costs			
Fees and certification	8.0%	£293,608	9,175
Other Acquisition Costs (£)		£0	
Site Abnormals (£)			
Abnormals		£269,339	8,417
Decontamination		£0	
Other		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Other 5		£0	
		£269,339	
Total Site Costs inc Fees		**£562,947**	17,592
Statutory 106 Costs (£)			
Planning		£12,320	385
Building Regs		£3,000	94
Site surveys		£3,000	94
Building warranties		£20,800	650
S106		£16,000	500
Transport		£0	
Highway		£0	
Health		£0	
Public Art		£0	
Flood work		£0	
Community Infrastructure Levy		£0	
Other Tariff		£0	
Other 1		£0	
Other 2		£0	
Other 3		£0	
Other 4		£0	
Statutory 106 costs		**£55,120**	1,723
Marketing (Open Market Housing ONLY)			per OM unit
Sales/letting Fees	3.0%	£166,157	6,646
Legal Fees (per Open Market unit):	£500	£12,500	500
Marketing (Affordable Housing)			per affordable unit
Developer cost of sale to RP (£)		£2,500	357
RP purchase costs (£)		£0	
Intermediate Housing Sales and Marketing (£)		£0	
Total Marketing Costs		**£181,157**	

Total Direct Costs			**£4,579,428**		

Finance and acquisition costs

Land Payment		£403,500		16,140 per OM home	370,183 per hectare
Arrangement Fee		£20,000		22.4% of interest	
Misc Fees (Surveyors etc)		£2,000		0.03% of scheme value	
Agents Fees		£0			
Legal Fees		£2,018			
Stamp Duty		£12,105			
Total Interest Paid		£89,430			
Total Finance and Acquisition Costs			**£529,053**		

Developer's return for risk and profit

Residential				
Market Housing Return (inc OH) on Valu	17.5%	£969,252		38,770 per OM unit
Affordable Housing Return on Cost	6.0%	£38,677		5,525 per affordable unit
Return on sale of Private Rent	0.0%	£0		#DIV/0! per PR unit
Non-residential				
Office	£0			
Retail	£0			
Industrial	£0			
Leisure	£0			
Community-use	£0	**£0**		
Total Operating Profit			**£1,007,929**	

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	**£6,116,409**
Surplus/(Deficit) at completion 1/5/2017	**£27,256**
Present Value of Surplus (Deficit) at 1/8/2015	**£24,213**

Scheme Investment MIRR **38.4%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value	6.6%	Peak Cash Requirement	-£1,714,472
Site Value per hectare	£29,308 per hectare	£11,861 per acre	