



Local Development Plan 2 (2017 – 2033)

Evidence Base

Affordable Housing & other s.106 Obligations

Preliminary Report on Financial Viability

prepared jointly by Burrows-Hutchinson Ltd
with Pembrokeshire County Council

December 2019

Abbreviations

AMR	Annual Monitoring Report
BHL	Burrows-Hutchinson Ltd
FVA	Financial Viability Assessment (or Appraisal)
LDP / LDP 2	Local Development Plan / Local Development Plan 2
LHMA	Local Housing Market Assessment
LPA	Local Planning Authority
PCC	Pembrokeshire County Council
PCNPA	Pembrokeshire Coast National Park Authority
PSB	Pembrokeshire Service Board
SA	Sustainability Appraisal
SME	Small-to-Medium Enterprise
SPG	Supplementary Planning Guidance
TAN	Technical Advice Note
ULEV	Ultra-Low-Emission Vehicle
WG	Welsh Government

Glossary of Terms

Adopted	The Local Development Plan is adopted when the Authority's Council Meeting decides it will be the Development Plan for the County and replace the existing Development Plan.
Affordable Housing	Residential development for sale or rent below market prices and retained as affordable in perpetuity
Affordable Housing Allocation	Land allocated for affordable housing either low cost home ownership or to rent.
Availability and Deliverability of Land	Available land includes land which the owner is willing to develop or to sell for development. Deliverability relates to the economic viability of bringing a site forward; and to the absence of other material constraints to its development.
Countryside	Land outside the settlements identified within the Settlement Hierarchy
Deposit Plan	A full draft of the Plan which is available for public consultation during the Deposit Period.
Housing Allocation	Residential development sites for a minimum of 5 units and shown within the Development Plan

Infrastructure	Infrastructure encompasses power supplies, water supply, means of sewage or surface water disposal, roads and other transportation networks, telecommunications and facilities that are required as a framework for development. It can also encompass facilities and services needed to support communities such as schools and parks and leisure facilities.
Market Housing	Housing for sale at market prices (can include self-build or custom build housing).
Preferred Option	The hybrid option resulting from the consideration of a range of options or issues following consultation.
Preferred Strategy	The first formal strategy document for the review of the LDP which sets out the framework and overarching policies that will guide the policies and proposals relating to land use.
Review Report	A document which sets out where the current LDP (LDP1) needs to be changed and why. PCC published a draft of this document in 2017; a revised document will be published alongside the Preferred Strategy in December 2018.
Settlement Hierarchy	Settlements are classified within the hierarchy according to the population, level of services and the sustainability of the settlement. Some very small settlements with very limited or no services will fall outside the hierarchy and are defined as countryside.
Self-build/custom build housing	Bespoke housing development commissioned and managed by the intended occupier. In all cases whether a home is self-build or custom build, the initial owner of the home will have primary input into its final design and layout.

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1) Introduction

Local Development Plan Review

- i) Pembrokeshire County Council is preparing a replacement Local Development Plan (LDP) – **Local Development Plan 2**. When adopted, it will provide a revised and updated policy framework to guide development outside the Pembrokeshire Coast National Park, and will inform planning decisions taken by the County Council. During the **Review**, the existing Local Development Plan (up to 2021) will remain in place until Local Development Plan 2 (LDP2) is adopted.

Review of Viability

- ii) This **Preliminary Assessment of Financial Viability** (the Study) has been produced at a key stage in the Local Development Plan review.
- iii) Pembrokeshire County Council have commissioned Burrows-Hutchinson Ltd (BHL) to work with their in-house team in undertaking a Viability Assessment. Building on the evidence of the local and regional house price database, produced as part of the Mid and South West Wales Regional Viability Commission, the Study identifies the potential for developments in Pembrokeshire that include any residential element, to accommodate:
- **affordable housing contributions** (whether on site, or as an off-site contribution); and
 - **other S.106 obligations** as identified in the Council's Planning Obligations SPG.

In addition, the Study:

- makes recommendations on **high level targets** for the proportion of affordable housing that it should be viable for sites to deliver, on a locational basis
- will propose **site-specific affordable housing percentages** for key housing allocations across the Plan's main settlements
- assesses whether or not **smaller sites** (5-10 units) and **individual properties** can support affordable housing contributions.

In order to identify high-level targets, sales values achieved on recent developments in a range of locations across the Plan area have been collected and analysed.

- iv) The Study has also been informed by a workshop with Local Agents, Developers and other Stakeholders, held in Haverfordwest; as well as a review of baseline evidence which includes relevant plans and policies. Slides used in a presentation for that workshop, and notes on the discussion that arose from that, are attached as **Appendix A** to this Report.

2) Policy Context

National Policy Context

2.1 The delivery of new housing is one of the key issues facing the planning system in Wales. The importance of new housing to meet social needs and allow communities to grow is recognised by Welsh Government, as is the important role of new house building in generating economic growth.

2.2 The national planning system therefore seeks to facilitate the construction of new homes in appropriate locations, and is clear that the LDP should act as an effective tool for the delivery of sustainable development and local aspirations. Ensuring that LDP policies and allocations are viable and deliverable is therefore a guiding principle for LDPs, and is a key element of meeting the tests of soundness as set out in the current and emerging Welsh Government LDP Manuals (Edition 2, 2015 and draft Edition 3, 2019) and examination guidance prepared by the Planning Inspectorate (PINS 2015).

Welsh Government LDP Manual (Edition 2, 2015)

2.3 The LDP Manual states that ‘it is important to be able to demonstrate that there are no fundamental impediments to the development of the sites allocated in the plan’; and that the LDP strategy is to take account of a range of matters, including a broad assessment of the deliverability and viability of strategic sites.

2.4 Para 6.4.2.12 of the LDP Manual emphasises the need for LDP’s to demonstrate that developments remain viable having had regard to both the application of policy requirements and the availability of relevant infrastructure; and be in a position to understand the implications for delivery, timetabling and site viability.

Welsh Government LDP Manual (Draft consultation version Edition 3, 2019)

2.5 The Draft consultation version of LDP Manual 3 notes that one of the key outcomes of the LDP system is to:

“5) Deliver what is intended through deliverable and viable plans, taking into account necessary infrastructure requirements, financial viability and other market factors (Paragraph 3.10)”.

It also requires that Development Management policies are based on viability assessments and legislation parameters (Table 1 content).

2.6 The Draft Manual suggests that the Candidate Site process should be used to frontload provision of a viability assessment. It also notes that to support delivery of the Plan, site-specific testing in the form of a viability appraisal should be undertaken for sites which are key to delivering the plan, demonstrating that they are deliverable in principle (Paragraph 3.47). A plan-wide financial viability appraisal should also be undertaken as early as possible, ideally at the candidate site stage, but no later than deposit. (Paragraph 3.50)

2.7 The Draft Manual further states that the affordable housing policy in the LDP should have percentage targets and thresholds that relate to an evidence-based viability study. Where they differ, e.g. for locally specific circumstances, this should be clearly justified and explained.

2.8 The Draft Manual includes the following definition of Viability:

“Development can be considered viable if, after taking account of all known costs including: Government policy/regulations, all construction and infrastructure costs, the cost of and availability of finance, other costs such as fees and a contingency sum, the value of the development will generate a surplus sufficient to provide both an adequate profit margin for the developer and a land value sufficient to encourage a land owner to sell, at least 20% above Existing Use Value (EUV). Development can also be made viable through the availability of Government grants.”

[Planning Policy Wales \(PPW\) Edition 10, December 2018 and Technical Advice Notes \(TANs\)](#)

2.9 PPW 10 states that as part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan.

2.10 PPW 10 also advocates that at the ‘Candidate Site’ stage of development plan preparation landowners/developers should carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites. Pembrokeshire County Council held its initial call for Candidate Sites prior to the publication of PPW 10; and did not ask for a formal viability assessment to support Candidate Site submissions. However, it did ask for a range of information that enabled the LPA to assess whether or not there were likely to be any abnormal costs associated with a site’s delivery.

2.11 PPW 10 advises that at the Deposit Stage there must be a high-level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. In addition, for sites which are key to the delivery of the plan’s strategy, a site-specific viability assessment should be undertaken. This Study aims to meet those requirements insofar as it practicably can do so. However, any additional information required in support of the Plan will be developed further during the remaining stages of the preparation of LDP 2.

2.12 Technical Advice Note 2 Planning and Affordable Housing sets out additional guidance on affordable housing. It requires LPAs to include either site thresholds or combinations of site thresholds and site-specific targets in their plans. It notes that LPAs may identify sites for up to 100% Affordable Housing. Technical Advice Note 6: Planning for Sustainable Rural Communities notes that development plans should include sufficient land to meet market and affordable housing needs across the planning authority’s area. It also notes that, in rural areas, planning authorities may wish to give priority to affordable housing to meet local needs.

[Draft National Development Framework \(2019\)](#)

2.13 Upon its adoption, the National Development Framework (NDF) will be the highest tier of development plans in Wales, focusing on issues and challenges at a national scale. The framework is to be built upon by Strategic Development Plans (SDPs) at a sub-regional level, and by LDPs at a local authority level. LDPs must support the NDF and the strategic decisions they take must conform to the direction provided by the NDF. The LDP will therefore be guided and bound by its strategic direction and ambitions.

2.14 The Welsh Government (WG) published the draft version of the NDF in August 2019 for consultation. Whilst this is subject to ongoing consultation and subsequent deliberations, LDP 2 has regard to the outcomes identified within it, the first of which notes the following:

Our cities, towns and villages will be physically and digitally well connected, offering good quality of life to their residents. High-quality homes meeting the needs of society will be well-located in relation to jobs, services and accessible green and open spaces. Places will meet and suit the needs of a diverse population, with accessible community facilities and services.

2.15 The NDF notes that the provision of affordable homes should become a key focus for housing delivery. To facilitate this, Policy 5 of the draft NDF provides guidance in respect of making provision for affordable housing through development plans, as follows:

Policy 5 – Delivering Affordable Homes

The Welsh Government will increase delivery of affordable homes by ensuring that funding for affordable homes is effectively allocated and utilised.

Strategic and Local Development Plans should develop strong evidence-based policy frameworks to deliver affordable housing, including setting development plan targets based on regional estimates of housing need and local assessments. In response to local and regional needs, they should identify sites for affordable housing led developments and explore all opportunities to increase the supply of affordable housing.

2.16 It is the aim of this evidence to support the provision and delivery of affordable housing across the county of Pembrokeshire (outside the PCNPA, which has its own LDP), by identifying realistic and achievable targets for maximising the delivery of affordable housing through the planning system. As noted above, these targets are informed by viability evidence to support the robustness and realistic delivery of the targets.

[Planning Inspectorate \(PINS\) Local Development Plan Examinations Procedure Guidance August 2015](#)

2.17 The PINS guidance indicates that viability evidence would normally be presented to demonstrate an LPA's compliance with **Soundness Test 2 – Is the Plan appropriate?** (i.e. is the plan appropriate for the area in light of the evidence).

2.18 The PINS guidance note also clarifies that in order to demonstrate compliance with **Soundness Test 3 – Will the Plan deliver?** (i.e. is it likely to be effective), viability evidence should demonstrate that proposals (particularly allocations) are likely to be delivered as anticipated.

2.19 The national policy position reflects the growing recognition within Planning of the critical link that exists between aspirations set out within development plans and the delivery of individual site allocations in achieving timely and sustainable development during the course of the Plan period.

2.20 The ability to demonstrate that LDP allocations will come forward during the plan period also helps to provide evidence that the Council will meet requirements in PPW to ensure that sufficient land is available, or will become available, to provide a five-year supply of land for housing.

[Welsh Government Studies](#)

[Independent Review of Affordable Housing Supply April 2019](#)

2.21 The report identifies a number of key recommendations to assist in increasing the quality and number of affordable homes built in Wales. These include a better understanding of housing need through the LHMA process, consolidated and simplified standards for new-build grant-funded and s.106 homes. The report also recommends that WG should introduce a requirement for all new affordable homes to be constructed to near zero carbon/EPC 'A' standards, using a fabric first

approach from 2021; supplemented by technology (renewables) if required. The report suggests that there should be a longer-term goal of 2025 at the latest to have the same standards for all homes, irrespective of tenure.

2.22 Such requirements, if adopted, are likely to have cost implications which are considered in the methodology of this Study. Further recommendations in the study are in relation to modern methods of construction, rent policy and Local Authorities as enablers and builders; with a particular recommendation for the management of public sector land. Finally, there are recommendations in relation to the financing of affordable housing and dowry and major repairs allowance.

Local and Regional Policy Context

2.23 At the end of 2018, and with the support of Welsh Government, the 8 LPA's in the Mid and South West Wales Region (MSWWR) procured the delivery of a **Regional House Price Database**; two **Viability Models** to make financial assessments of development proposals at a site-specific and at a higher level; and a programme of training and knowledge transfer to enhance existing skills, and to establish a broader understanding of viability issues across the region. A more detail account of the commission, and of the methodology that has been derived from it, is set out in section 3 of this Report.

2.24 The Mid and South West Wales Regional Planning Group has also commissioned Opinion Research Services (ORS) to undertake a Regional Housing Market Assessment (RHMA) on behalf the Group. This Regional Study seeks to provide an overall view of housing need within each local authority area, and identifies the different types of housing need for the period 2018-2033. The RHMA is further supplemented by a more detailed assessment of housing need on an individual authority basis.

2.25 In Pembrokeshire's assessment, the draft RHMA takes into account the Revised LDP, population and household projection figures in assessing housing need. It splits the county into those areas within the Pembrokeshire Coast National Park Authority and those areas outside the National Park Authority. The report also splits the need down to Ward levels. It demonstrates that Affordable Housing will be required in locations across Pembrokeshire, and also identifies the type and size of the housing required throughout the County. Within the PCC Plan Area there is a need for predominantly 1- and 2-bedroom affordable homes. The RHMA identifies a strong correlation between the location of affordable housing need and the distribution of proposed housing growth set out within the LDP strategy and settlement framework. As well as the general need for affordable housing, the LHMA identifies a specific need for additional adapted housing within Pembrokeshire with the need projected to be between 4,256 and 11,223 by 2033. The level of adaption required could be minor in nature or more significant, depending on the level of disability. This data has been reflected in a policy requirement in the Pembrokeshire Deposit LDP 2 which requires 10% of units on sites of 10 or more to be built to Lifetime Homes Standards.

Pembrokeshire Local Development Plan (2013-2021)

2.26 Pembrokeshire County Council's current Local Development Plan was adopted in 2013 and runs until 2021. It includes a range of policies aimed at supporting delivery of Affordable Housing and Planning Obligations, including policy SP 8 Affordable Housing Target; GN 3 Infrastructure and New Development; GN 26 Residential Development; GN 27 Residential Allocations (with indicative Affordable Housing Targets for each allocation); GN 28 Local Needs Affordable Housing; and GN 29 Exception Sites for Local Needs Housing.

2.27 The Authority's 5th Annual Monitoring Report 2017-2018 indicates that overall the Council's affordable housing targets are being delivered.

2.28 The Authority has adopted Supplementary Planning Guidance documents on both Affordable Housing and Planning Obligations. The Authority has information on the typical planning obligations being delivered by developments, which have informed this Viability Appraisal.

[Pembrokeshire Local Development Plan Review \(2021 - 2035\) Preferred Strategy](#)

2.29 The Council's Preferred Strategy was published on 17 December 2018 for public consultation. The document includes a target to deliver 2,000 new affordable dwellings. It identifies a Settlement Hierarchy (Policy SP 5) and sets out a strategy to direct development to settlements with the greatest number of services. Housing Allocations will only be directed to those locations that are identified as a Town, Service Centre or Service Village.

[Common Housing Register \(position as at July 2019\)](#)

2.30 The Common Housing Register is held by Pembrokeshire County Council. In July 2019, 3,816 households were on the register. Numbers of those in the Gold and Silver bands (considered in need) were 2179.

3) Methodology

3.1 The following three principles underlie any proper understanding and assessment of viability in a Planning context:

- a) **Evidence based judgement:** assessing viability requires judgements, informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area, and an understanding of the way the market operates. Understanding past performance too, in relation to build rates (for example) and the scale of historic planning obligations, is a useful starting point; as is the form and scale in which new development has generally come forward. Direct engagement with the development sector/industry and other key stakeholders is helpful and desirable for accessing evidence.
- b) **Collaboration:** as outlined in the Draft LDP Manual Ed.3, a collaborative approach involving the local planning authority, business community, developers, landowners and other interested parties will improve understanding of deliverability and viability. Transparency of evidence should be encouraged wherever possible. It is also important to look ahead, in conjunction with the stakeholders just mentioned, and to make any reasonable adjustments to past performance that may be appropriate and necessary to achieve future aims and objectives.
- c) **A consistent approach:** local planning authorities should be encouraged to ensure that their evidence base is fully supported by a comprehensive and consistent understanding of viability across their areas. For the purposes of the Pembrokeshire Study, this has been achieved by the assembly of a County-wide database of development costs and values. It is also important that the methodology used in carrying out the FVA's should be applied in a consistent fashion across the County; and that the Council should be able to demonstrate that.

Mid and South West Wales Regional Viability Commission

3.2 At the end of 2018, as part of a Regional Planning initiative, the eight LPA's in the Mid and South West Wales region (MSWWR) published a Commission for the following piece of work, for which BHL was selected after a tendered procurement process. The Commission was divided into four parts:

- a) the preparation of a **Regional Database** of local house prices achieved on new/recent residential developments, together with a **Regional Viability Model/Toolkit** capable of making reliable and transparent high-level assessments of the financial viability of typical development typologies and, where appropriate, of key/allocated sites in the absence of more site-specific data;
- b) the delivery of a site-specific **Development Viability Model** (DVM) that is cashflow-based and sufficiently transparent to win the confidence of those involved in the consideration of viability issues in a Planning context;
- c) the provision of **training** for Planning Officers and others within the 8 LPA's, not only in the use of these two Models, but also in the principles of assessing development economics generally, and in the application of precedents from Planning Appeal decisions and other guidance;
- d) the establishment of a **format for presenting evidence** on financial viability in a consistent and appropriately transparent way across the region.

3.3 The principles of this initiative were based not only on recommendations in the Harman Report (Viability Testing Local Plans : June 2012), but also on subsequent studies, such as the Arcadis Report on a Longitudinal Viability Study of the Planning Process in Wales, published in February 2017. Two

of the key objectives of the Commission have been (a) to reach an improved understanding generally of viability issues, in a Planning context, and (b) to develop existing skills within the 8 LPA's, through knowledge transfer and provision of the two Viability Models.

3.4 The creation and development of a team of officers within those authorities, who will specialise to some extent in undertaking viability assessments – applying a combination of their local market knowledge and intelligence with a consistent approach to viability across the region – is an ongoing process. In the interim, and in order to meet the deadlines required for a Review of the current LDP, Pembrokeshire County Council commissioned BHL to support their Forward Planning team, working alongside their officers in the emerging Regional Viability team, to undertake/complete the Study that is the subject of this Evidence Report.

3.5 This Study has been undertaken using the outputs from the MSWWR Commission, including the Regional Viability Model and values from the House Price Database. Costs used in the financial appraisals have been based on a combination of information from the BCIS database, input from stakeholders at and following the workshop(s), and data drawn from a number of site-specific cases, where appraisals have been carried out on an “open book” basis with the developers concerned. Some of the information in this last category is commercially sensitive, and the Study is bound to respect and safeguard the confidentiality of such data in an appropriate way. We consider this is possible without unduly compromising the transparency of the evidence base, given that one of the ultimate objectives of the Study is to reach a position that those participating, and with an interest, in the LDP Review, will accept and consider to be fair and reasonable.

3.6 Both the site-specific DVM, and the Regional Viability Model for high-level assessments, are constructed to produce a residual value that represents the development profit; i.e. what is left after all development costs, including the land cost (sometimes described as “site value”), have been deducted from the gross development value (otherwise described as total revenues). This residual estimate of profit can then be compared with whatever target margin is considered appropriate for that particular development, having regard to benchmark levels of profit that reflect a “market risk adjusted return”.

3.7 The “market risk adjusted return to a developer” is a phrase used in the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning. The words reflect the principle that the degree/level of risk inherent in any of the figures used in a Viability Appraisal, as well as the nature (and the relative complexity) of the development, are relevant to the percentage return that it can be expected to yield for the developer. That “return” does, and will, also vary according to the levels of supply and demand in a given set of economic and market conditions.

3.8 This “return” will typically be described either as a percentage of GDV – where the percentage is calculated by dividing the residual profit figure by the gross development value of the project – so effectively the same as a Profit on Turnover for any other commercial enterprise; or as a Profit on Cost, where the profit is expressed as a percentage of all development costs.

3.9 Profit on GDV is the measure normally used to assess the viability of a development project; but both the DVM and the Regional Viability Model provide an estimate/calculation of “Profit on GDV” and “Profit on Cost”. The Models both estimate the finance/funding costs associated with a project on the basis of cash-flowed assumptions over income and expenditure, adding transparency to the Models’ outputs.

3.10 With the Regional Viability Model, all inputs are made on the same page as the outputs (in the form of an Appraisal summary) appear; making it easy to see/assess the impact of any changes that

the user might want to make to those inputs. Both Models also provide facilities for sensitivity testing the initial Appraisal results; and can produce Sensitivity Tables that illustrate how, in broad terms, incremental changes in selected key variables would impact on development profit. The Tables also reveal how certain changes in the proportion of affordable housing, and in the tenure mix, could affect the developer's return. These features reflect the strong recommendation in the RICS Guidance Note (GN 94/2012), already referred to, that financial appraisals should be subject to sensitivity testing; and that with more complex schemes, further scenario/simulation analysis should also be undertaken.

The Pembrokeshire Study

3.11 Undertaking site-specific appraisals of what the Draft LDP Manual calls “key sites” can be a useful way of informing the high-level assessments that will consider the viability of more general site typologies; in order to establish the broader policies to be applied to windfall sites, for example. Whilst site-specific appraisals can be undertaken without input from the owner or promoter of a site, it is preferable that those parties should be involved in site-specific appraisals; as in many cases they will hold (or be able to obtain) information pertinent to viability, which may not be so readily available to the LPA.

3.12 It is also desirable that the owner and/or promoter of a site should have the initial opportunity to provide evidence of viability. If the site promoter is a developer/housebuilder, that party will (or should) have made some preliminary assessment of the site's financial viability in any event; even if it is based on a number of assumptions that rely on further investigation work. The LPA will be in a position to assess the validity and/or degree of risk attaching to those assumptions, which in turn will enable a sensible judgment to be made about deliverability, and the likely timing of delivery, for each site.

3.13 The Study to date has focused on the high-level assessment of

- i) a selection of “key sites” in 9 representative locations across the County; and
- ii) various “general” site typologies, ranging from the development of single plots to developments of up to 10 dwellings; and of other small, medium and larger sized development scenarios.

These “general” typologies are shown in the following table:

Size Range	Unit No	Site Area		dph	dpa	----- Mix of dwelling types -----							
						1-bed		2-bed		3-bed		4-bed	
		ha	ac			N°	%	N°	%	N°	%	N°	%
Large single	1	0.067	0.17	15	6							1	5-bed
Small single	1	0.040	0.10							1	100%		
2 - 5 units	4	0.200	0.49	20	8					4	100%		
6 - 9 units	8	0.330	0.82	24	10			2	25%	4	50%	2	25%
10 - 19 units	16	0.540	1.33	30	12			5	31%	8	50%	3	19%
20 - 49 units	30	1.000	2.47	30	12	2	7%	9	30%	14	47%	5	17%
50 - 99 units	75	2.500	6.18	30	12	6	8%	22	29%	34	45%	13	17%
100 & over	120	4.000	9.88	30	12	10	8%	35	29%	55	46%	20	17%

The “general” typologies were chosen/identified after

- a) an analysis of planning applications and consents since the LDP was adopted in 2015, to see how – in terms of site size/dwelling numbers – development proposals have been coming forward; and

b) an analysis of s.106 settlements and requirements, which showed a degree of variation – in terms of £ per dwelling – according to site size. Sites providing more than 50 new homes, for example, are required to make larger s.106 contributions (principally for education and recreational facilities) than smaller sites of up to 20 homes – see para 4.22 below and Appendix B for further detail.

3.14 The mix of dwelling types and sizes applied to these high-level assessments has been further informed by data, and preliminary conclusions, from the ORS Regional Housing Market Assessment referred to in para 2.24 above; and specifically the preliminary findings from that Study relating to future housing need and provision in Pembrokeshire. Should there be any material change to the data, assumptions or conclusions drawn from that Study, during the Deposit consultation period for LDP 2, that will need to be taken on board through a review of the high-level assessments carried out for this Viability Report. The size of dwellings has been based on the English nationally proscribed space standards, reflecting the policy requirements of Deposit Plan Policy GN 13.

3.15 The results from all high-level assessments relating to the general site typologies (**Appendix D**) offer a more detailed picture of the assumptions made on the mix of dwelling types, and tenure, for each site typology.

3.16 The majority of Community Council areas across the county fall either within Band 1 or Band 2 in the WG Acceptable Cost Guidance notes. Outside the National Park, there is just one Community Council (Haverfordwest) in Band 3. As most locations allocated for new residential development fall within Band 2, the high-level assessments for this Study have all been based on affordable housing transfer values associated with ACG Band 2. Future, site-specific and more detailed assessments, undertaken to comply with the requirements of PPW 10, can/will (of course) take account of the actual ACG Band applicable to each site.

3.17 All these preliminary high-level assessments have been made, across the complete range of site typologies, on the basis of an 80/20 split for the affordable homes between social rent and intermediate tenure. This is emphasised in the final footnote to **Appendix B**.

3.18 **Page 1 of Appendix B** also contains an analysis of financial contributions arising from settled s.106 obligations on planning consents granted since adoption of the current LDP, in accordance with the two adopted SPG's; one for Affordable Housing (adopted in September 2015), and the second relating to other Planning Obligations across the County as a whole (including the National Park). The latter SPG, adopted in September 2016, was based on 2015 cost estimates for works and facilities. It is envisaged that both SPG's will be updated as part of the current LDP Review. The first footnote on page 1 of Appendix B explains how a potential cost increase of 24% has been allowed for in the High-Level Assessments undertaken for this Study.

3.19 The findings and conclusions from this Study are summarised in section 5 of this Report.

4) High-Level Viability Assessments

4.1 As described in Section 3, high-level financial assessments to inform the general (rather than more site-specific) policies regarding affordable housing and other s.106 obligations, and what level of such obligations can be expected to be viable, have been undertaken using the Regional Viability Model. The following paragraphs describe the evidence base for the inputs used in these High-Level assessments.

Gross Development Value

4.2 Data on the prices at which houses have sold in different parts of the County is available from HM Land Registry's website, and can be readily downloaded for further analysis. Other relevant information is also available from the EPC Register, other websites such as Rightmove and Zoopla, as well as from an LPA's own records. However, careful and thorough analysis of this data is necessary to provide a reliable and robust evidence base for viability assessments. One must also recognise that there are often differentials in the popularity of specific housing areas, sometimes not all that far apart geographically, which have a bearing on the market values that are likely to be achieved on a particular development site.

4.3 Housing values can also be affected/enhanced by good design, and by creating attractive living environments that are well-serviced and sustainable (i.e. by "place-making"). Well-conceived and well-executed housing developments, in particular, will usually command higher values/selling prices than those achieved for second-hand stock.

4.4 The MSWWR database of housing values has focused on "new build" evidence, as well as prices paid in the last 2 – 3 years on other recent residential developments for modern, second-hand stock. A summary of the main outputs from this database, concentrating on those sites that offer a robust sample of evidence, is set out in **Appendix C**. It is recognised that there are gaps in the geographical coverage of the current data; not least because the pattern of new housing development differs from one area to another. Over the course of the next 12 months, and beyond that into the future, other new sites and evidence will be added to this database, to complete the picture. It will also be important that the database is kept regularly up to date in this way.

4.5 The values (in £ psm) applied to the open market homes in the high-level assessments are set out in **Appendix B**. For the general site typologies, these values vary between £2,050 psm (£190 psf) and £2,300 psm (£213 psf) according to the size of site and volume of dwellings. It is considered that this range of values is well supported by the evidence at Appendix C.

4.6 Evidence from Appendix C has also been employed in assessing appropriate gross sales values for the 9 key sites listed on page 2 of Appendix B.

4.7 As explained in para 3.16 above, transfer values for all affordable housing have been based on values drawn from the WG Acceptable Cost Guidance; and are based on Band 2 rates. It has also been assumed (para 3.17) that 80% of any affordable dwellings provided on-site (on mixed market and affordable housing sites) will be for social rent, and 20% intermediate tenure. Transfer values are calculated at 42% of the full ACG cost/value for the social rented units, and 70% of ACG for all intermediate forms of tenure.

4.8 This 80/20 tenure is designed to maximise delivery of affordable housing for rent (for which the demand is greatest in Pembrokeshire); but also reflects the Authority's desire to provide options for owned affordable housing, as part of meeting a range of needs and assisting with the viability of

sites. This approach will be reflected in the updated Supplementary Planning Guidance document on Affordable Housing to support the LDP 2.

Rate of Sales and Development Programme

4.9 The rate at which new homes may be sold on the open market will vary from site to site, depending not only on the demand for new homes in any given location (which will also determine their selling price), but also very often on the size of the site being developed. A higher volume of sales each year will normally be achieved on the larger sites; although this is also influenced by the market knowledge of the larger/volume housebuilders, who will tend to build on sites where they expect a higher volume of demand.

4.10 Where possible, developers will try to match the rate at which they build to the rate at which the new homes can be sold; but this is not always possible to achieve, particularly when there are fluctuations in the market and/or when macroeconomic conditions create market uncertainty. This is one area of risk for a developer that may not always be readily appreciated or understood; and which is one of the things that need to be reflected in the percentage margin/return that is allowed to the developer.

4.11 On a majority of new housing developments, there will be an “overhang” period between the date on which final construction works are completed, and the date on which the last market sale is completed. The Viability Models created for the MSWWR Commission both contain features that allow the user to specify the anticipated/assumed development period, and to decide whether or not to link that with the rate at which houses are likely to sell, and to include allowance for the “overhang” period just mentioned.

4.12 A broad analysis of the rate at which new homes have sold in recent years has been made as part of this Study; and the sales rates shown at **Appendix B** are a reflection of the conclusions drawn from that exercise. It can be seen that these rates vary according to the number of dwellings in each site typology.

4.13 The rate at which affordable homes within a mixed tenure scheme are delivered will not necessarily be the same as the rate at which the open market dwellings are sold. It will often be a requirement of the s.106 obligation that the affordable housing should be delivered before all the open market homes are occupied. High-level assessments undertaken with the Regional Viability Model assume that the rate of delivery for the affordable homes will broadly match the rate at which open market dwellings are occupied on the site, but without the “overhang” described in 4.11 above. This is considered to be a reasonable reflection of the way in which most s.106 obligations operate.

Development Costs

4.14 The Building Cost Information Service (BCIS) runs a database on construction costs drawn from development schemes across the UK, which provides subscribers with adjusted cost estimates for a particular locality/area. Thus, BCIS data on Average Prices for Residential Facilities is commonly used as a guide to establish the basic cost of building houses (often referred to as “**plot cost**”) in a given area. It is generally accepted as offering a useful and reliable basis for FVA’s, but its data outputs require proper interpretation for three main reasons:

- a) the data is presented as a range of costs; and whilst it may have been customary to adopt the mean or the median rate (from this range) as a natural starting point, it is a fact that cost rates

vary according to the complexity and scale of each development, as well as according to the underlying characteristics/nature of each site.

- b) the national/volume housebuilders do not generally contribute to the database; yet those companies are best able to achieve economies of scale. The absence of data from their developments not only reduces the direct relevance of the BCIS data to larger development sites, many of which are controlled and/or build out by these larger companies; but also, because the BCIS database is not a complete and fully-balanced industry dataset, it could be said that the median, upper and lower quartile cost rates would present a different picture if cost information from those larger companies were included.
- c) data is often submitted to BCIS with differing degrees of detail; and examination of the more detailed cost analyses for individual sites sometimes reveals a degree of inconsistency in the way that costs are set out/recorded on the database.

4.15 For some, more rural, locations there is another issue with the BCIS database; namely that the information available is based on a very small sample of sites/schemes, sometimes only in single figures. This highlights the need for viability assessments to be further informed by local evidence drawn from other studies, including site-specific viability appraisals undertaken with developers and site promoters as part of a collaborative, plan-making exercise.

4.16 The High-Level assessments carried out for this Study have been based on evidence drawn from the above combination of sources; reflecting all the above observations. The cost rates shown in **Appendix B** for each site typology, and the range of those cost rates, reflect the way in which build costs vary according to the size of a development project, with rates being generally higher for the small sites than for the larger ones. This range of costs has been also been presented and discussed at stakeholder workshops across the region.

4.17 Pembrokeshire County Council is also proposing a new policy (GN 13 in Deposit LDP 2) to the effect that on sites of 10 or more dwellings a minimum of 10% of all new homes should be built to Lifetime Home Standards. For the purposes of this Viability Report, it has been estimated that this requirement will add approximately 5% to the cost of those homes. This has been factored into the cost rates shown in Appendix B.

4.18 Both the site-specific DVM and the Regional Viability Model require the user to make some allowance for additional build costs relating to **extra Building Regulations requirements** in Wales, which are not currently reflected in the more general BCIS cost rates drawn from the UK as a whole. These specifically relate to the costs of providing sprinkler systems in new homes, and ULEV charging points. Although there is some evidence indicating that developers are finding ways to reduce the cost of sprinkler systems, a combined allowance of £3,500 per dwelling has been made for the extra Building Regulations requirements mentioned here, throughout this Study.

4.19 In addition to the basic cost of building houses (“plot cost”), there are costs associated with servicing each dwelling (e.g. access roads, utility and drainage connections, garages and/or parking areas, gardens and boundary features – known collectively as “**external costs**”), as well as the costs of providing appropriate infrastructure for the development (often secured by s.106 obligations). In most of the high-level assessments, external costs were calculated at £15,000 per dwelling (see Appendix D); but for the larger single dwelling site typology, the allowance for external costs was taken at £20,000.

4.20 On larger sites, the amount/cost of appropriate infrastructure may be quite large; such that what are commonly called the **“opening up” costs** of a major/strategic development site can have a significant impact on the overall land value per acre (or hectare). This is an important factor to be taken into account when one is considering what value represents an acceptable return to the landowner. It is unrealistic for a landowner to expect the same value per acre/hectare from a site that requires substantial “opening up” expenditure on infrastructure, as one might expect from a site that is already serviced with the necessary infrastructure.

4.21 On this basis, and because such infrastructure costs are normally quite site-specific, the high-level assessments undertaken for this Study have assumed that the land/site value adopted for each assessment is inclusive of what are commonly called “abnormal” site costs; in other words, the assumption is that such costs will be deducted from the price actually paid to the landowner. This may not always be the case in practice; some sites will not come forward at all, unless a minimum level of value is received by the landowner. However, it is considered that sites to which “abnormal” costs are most likely to apply will normally fall into the category of “key sites”, which will be subject to more site-specific appraisal; and/or that, if there are good reasons for such a site to be developed, it may be considered as a case to which the “exceptional circumstances” referred to in the Draft LDP Manual Ed.3 apply, and in which viability considerations might justify a departure from normal policy requirements.

4.22 Accordingly, whilst the high-level assessments in this Study contain an allowance for normal **s.106 obligations**, which a developer can anticipate from the policies in the LDP and any relevant Supplementary Planning Guidance, they do not make allowance for “abnormal” obligations. The level of s.106 obligations assumed for the purpose of the high-level assessments is shown (in £ per dwelling) against each typology/key site in **Appendix B**; and (as explained in that Appendix) has been adjusted for inflation.

4.23 Further allowances need to be made in an FVA for external professional fees (or in-house costs) relating to the planning and design of the development, and of individual dwellings; and for construction warranties and the design/implementation of other site infrastructure. Expressed as a percentage of construction costs, these costs will typically range between 4% on a site where house types are drawn from a range of standard designs; to around 12% on a single dwelling site, where more bespoke design work will often be involved. This range of costs/percentages has been applied to the different site typologies in the way set out in **Appendix B**.

4.24 It is also customary to include a **contingency sum** as a buffer against unexpected variations in construction costs. An allowance of 5% on total construction costs has been included in all this high-level assessment work.

4.25 In a similar way, an allowance of 2.5% on the estimated gross revenue from open market sales has been made in all the appraisals to cover **marketing and sale costs**; plus legal costs, calculated at £600 per dwelling on both open market and affordable homes.

4.26 The **cost of funding/financing** the development has been calculated using an “all-in” interest rate of 6% p.a. in all the appraisals. This follows the approach typically adopted/accepted in many Planning Appeal decisions. Although it could be argued to be a slightly simplistic way of calculating such costs – which, in reality, will normally be broken down between separate charges for monthly interest on the sum being borrowed at any given time, plus arrangement/exit/facility fees, and monitoring fees – applying a (higher) “all-in” rate of interest has become accepted as a convenient and less complicated way of arriving at much the same result.

4.27 The use of a single rate in the appraisal of all site typologies reflects a recommendation in the RICS Guidance Note (GN 94/2012) that *“the nature of the applicant should normally be disregarded [in an FVA], as should benefits or disbenefits that are unique to the applicant. The aim should be to reflect industry benchmarks in both development management and plan-making viability testing.”*

The larger, volume housebuilders will typically have access to funds at a lower rate than 6% p.a.; so for larger sites, it could be argued that the use of that rate in these high-level assessments will give them an extra margin or “buffer”.

4.28 Smaller businesses may have to pay more than 6% for funds, particularly if they lack sufficient equity and/or track record to obtain more competitive rates. But then again, there are other SME’s who will have built up sufficient reserves to be borrowing quite small sums in proportion to overall scheme costs.

Land/Site Value

4.29 Both the DVM and the Regional Viability Model require the user to supply an estimated land price (or site value) in the first instance, although this estimate can be changed in the course of finalising the appraisal, if it is appropriate to do so.

4.30 The Draft LDP Manual states that the land value should be “sufficient to encourage a land owner to sell, at least 20% above Existing Use Value”. In practical terms, stakeholders attending the workshop(s) saw little merit or relevance in relating development land values to Existing Use Value; and made it clear that a 20% uplift on agricultural land values would certainly not be “sufficient to encourage a landowner to sell”.

4.31 To date, only limited market evidence has been obtained (or has been made available) for this Study. It is intended to gather more evidence during the Deposit consultation period.

4.32 Development land prices were discussed at the Stakeholder workshop on 17th September; and the view was expressed by several participants that “landowner expectations” were generally in the region of (and sometimes in excess of) £200,000 per net developable acre, across all site typologies. For the purposes of the high-level assessments in this Study, a land value in the region of £200,000 per net acre (£500,000 per net hectare) has therefore been used for the majority of the key sites and other site typologies.

4.33 As shown in **Appendix B**, this has been reduced to c.£175,000 per net acre for two key sites in locations where market demand and house prices are generally less strong than elsewhere across the county; and a slightly higher value has been placed on a key site in a more favoured location. A higher plot value has also been assumed for the single dwelling site typologies.

4.34 All the appraisals include an allowance of 1.5% on top of this land price (or site value) for fees connected with a land purchase; together with the appropriate amount for Land Transaction Tax, which the Models calculate on the basis of the current LTT rates.

Development Profit and Viability

4.35 In the case of larger and/or more complex development sites, current practice would accept that a development proposal is “viable” if it is expected to achieve a return for the developer of 20% on the gross development value of all open market housing in the scheme, plus a return of 6% on the total development cost of all the affordable housing. Depending on the proportion of affordable housing that the development is expected to deliver, the combination of these separate returns will produce a “blended margin” that will vary between around 17% on GDV (where the proportion of

affordable housing is 35% or more) and around 19% on GDV (where the proportion of affordable housing is only 10%-15% of the overall development, for example).

4.36 For smaller and medium-sized sites, it is normally considered that a developer's profit margin should be within a range of between 15%-20% on GDV for a scheme to be considered "viable"; the appropriate percentage within that range being determined both by normal market forces – it is not uncommon for there to be stronger competition between developers for smaller sites than for some large sites – and by the degree of risk attaching to the scheme.

4.37 As referred to earlier, the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning refers to the concept of "a market risk adjusted return to the developer", in the context of deciding what should amount to an "acceptable market level" of return for Viability purposes. As stated in para. 3.3.2 of the Guidance Note, *"a small scheme constructed over a shorter timeframe may be considered relatively less risky, and therefore attract a lower profit margin, given that the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain."*

4.38 This position is reflected in the range of "target" profit margins (as a percentage of the GDV from open market sales) shown against each site typology in **Appendix B**; which are considered to be a fair representation of the "market risk adjusted returns" that it would be reasonable to expect in each case. The range is essentially from 15% on GDV for sites of between 2 – 4 dwellings, rising to 18% on GDV for sites of between 20 – 50 units; and 20% on GDV for sites of over 50 dwellings. A separate rate of 10% on GDV has been used for single dwelling sites, where more often than not the "developer" will be a private individual doing a custom build, with or without help from a building contractor. A margin of 10% on GDV is considered appropriate for that case, more as an additional "buffer" against unexpected costs than as a profit/gain that is likely to be realised. However, it is also considered that a 10% margin is appropriate and adequate to those cases where a contractor is building a new single home on a more speculative basis.

4.39 When "blended" with the lower rate of return normally expected/accepted on the affordable homes (see para 4.35 above), the main target margins on open market sales, described in para. 4.38, are slightly reduced in percentage terms. The Blended Margin percentages shown in Appendix B are those generated from the high-level assessments made for each site typology. In all the appraisals undertaken, the target margin on open market sales was achieved, using the percentages of on-site affordable housing and other s.106 obligations that are shown against each typology in Appendix B. In other words, the high-level assessments all suggest that those levels of affordable housing and other s.106 obligations should be viable for developments within the complete range of assumed site typologies.

4.40 That conclusion is based on ACG Band 2 transfer values for the affordable housing – see para 3.16 above – and an assumed 80/20 split of on-site affordable housing between social rented and intermediate tenures (see para 3.17).

4.40 The results from all high-level assessments for the general site typologies are attached to this report as **Appendix D**, to illustrate typical inputs to, and outputs from, the Regional Viability Model.

5) Summary and Conclusions

5.1 The overall conclusion from the high-level assessments made of general site typologies is that it should be viable for unallocated/windfall sites to deliver a proportion of at least 10% of affordable homes, by cross-subsidy from the sale of open market units. The assessment results (in Appendix B) indicate that a higher proportion (15%) should be viable on larger sites of 100 dwellings or more, largely due to the economies of scale that larger sites can generally achieve on development costs.

5.2 Initial high-level viability assessments of 9 representative “key sites” support this conclusion, and also identify

- a) the potential for higher percentages to be achieved in locations where market demand and house prices are relatively strong – this applies particularly to southern parts of the county, near the boundary with the National Park; and
- b) the need to set a lower, 5% target for affordable housing in locations where house prices are weaker than the norm – for example, in less populated rural areas; especially in northern parts of the county .

5.3 To meet the requirements of PPW 10 (and particularly para 4.2.19 in that document), it will be necessary for further, site-specific assessments to be undertaken to confirm (or otherwise) the financial viability of the sites provisionally identified in Policy GN 14 of the Deposit LDP 2. This work should be done prior to finalising LDP 2 for independent examination; so that the relevant evidence is available for that examination. The work will need to be informed by landowners and/or the site promoters responding to the requirements of PPW 10, as set out in section 2 of this report.

5.4 The response from engagement with stakeholders in the last 6 months, firstly in connection with the regional work under the MSWWR Commission, and secondly on more detailed issues associated with this Viability Study, has been both worthwhile and instructive. BHL believes there is scope for ongoing discussions that should make a positive contribution to this review of the current LDP, as well as future reviews thereafter. The Draft LDP Manual proposes the creation of Viability Study Groups and this report recommends that Pembrokeshire County Council should be one of the first LPA’s to adopt that proposal.

5.5 This Report is made for Pembrokeshire County Council, as part of the evidence base for the Council’s Deposit LDP 2, for the purposes of establishing the viability of its policies on affordable housing and other s.106 obligations. The Report has been prepared with all reasonable skill, care and diligence, and in a manner consistent with the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses. Nevertheless, no duty of care can be accepted to third parties for the whole or any part of its contents.

Andrew Burrows MA FRICS

Director

Burrows-Hutchinson Ltd

16th December 2019

APPENDICES

A - Stakeholders' Workshop on 17th September 2019

at Picton House, Haverfordwest

BHL/PCC Presentation and Meeting Notes

Planning Pembrokeshire's Future
Local Development Plan
Cynllun Datblygu Lleol
 Cynllunio Dyfodol Sir Benfro

**PCC Replacement
 Local Development Plan**

**Viability Stakeholder
 Workshop**

Picton House, Haverfordwest
 Tuesday 17th September 2019

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Planning Pembrokeshire's Future
Local Development Plan
Cynllun Datblygu Lleol
 Cynllunio Dyfodol Sir Benfro

Workshop timetable

1. Introduction
2. New house prices and sub-market areas
3. Build costs
4. Building regulations and local policy requirements
5. S.106 obligations
6. Professional fees
7. Development Land Values
8. Developer Profit Margins
9. Any questions?

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Pre-Deposit LDP Consultation

Documents published for public consultation
17 Dec '18 – 4 Feb 2019:

- Preferred Strategy
- Review Report
- Candidate Site Register
- Sustainability Appraisal
- Habitats Regulations Appraisal



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Deposit Plan Development

- *PPW Edition 10* – as part of demonstrating deliverability, financial viability must be assessed prior to allocating sites.
- *PPW 10* also requires a high level plan-wide viability appraisal
- *LDP Manual 2* – viability testing should include policy requirements and infrastructure
- *LHMA* – due imminently

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Regional Mid and South West Wales Viability Commission – Andrew Burrows (Burrows-Hutchinson Ltd)

- Regional House Price Database
- Site-specific and high-level viability models
- Training and knowledge transfer
- Model the basis for Pembrokeshire Local Viability Appraisal

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Local Plans should present a vision for an area in the context of an understanding of local economic conditions and market realities.

Ambition should be tested against the realistic likelihood of delivery

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Local Development Plan

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Overarching Principles

- **Confidence** in delivery
- **Transparency** of evidence
- **Consistency** of approach
- **Collaboration** to achieve the right result

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11







Planning


Local Development Plan

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Welsh Government

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Build Costs

BCIS locational indices

- 📍 Dyfed (92; sample 48)
 - 📍 Ceredigion (94; sample 18)
 - 📍 Praseli (85; sample 4)
 - 📍 South Pembrokeshire (87; sample 4)
 - 📍 Llanelli (94; sample 7)
 - 📍 Dinefwr (91; sample 13)
 - 📍 Wales generally (89; sample 410)

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BCIS rebased to South Pembrokeshire

Building function (Maximum age of projects)	Mean	Lowest	£m ² gross internal floor area				Sample
			Lower quartiles	Median	Upper quartiles	Highest	
New build							
B10. Housing, mixed developments (15)	1,145	585	994	1,112	1,262	2,802	1231
B10.1 Estate housing							
Generally (15)	1,138	546	974	1,099	1,249	3,945	1694
Single storey (15)	1,274	722	1,087	1,223	1,435	3,945	282
2-storey (15)	1,102	546	961	1,076	1,204	2,175	1293
3-storey (15)	1,153	721	940	1,111	1,293	2,306	114
4-storey or above (15)	2,400	1,197	1,956	2,124	3,150	3,576	5
B10.11 Estate housing detached (15)	1,450	861	1,104	1,274	1,465	3,945	20

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Development Size/Density and Other Costs

- Economies of scale
- Variations in density 25dph – 35 dph
- External site costs at 15% of Build Costs
- Abnormal costs reflected in land value

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Building Regulations and Local Policy Requirements

- Space standards (NDSS)
- SUDS
- Sprinklers = £1350 per flat, £1850 per house
- ULEV charging point = £400
- Total per flat £1750 and per house £2250

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S.106 Obligations (based on historic monitoring)

- Up to 5 dwellings £5275 per dwelling (incl. AH)
- 6 - 49 dwellings £2000 per dwelling (excl. AH)
- 50 - 99 dwellings £3000 per dwelling (excl. AH)
- 100 + dwelling £4200 per dwelling (excl. AH)
- Plus 20-25% allowance for inflation

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Professional Fees

- Varying from 4% to 8% for design - depending on site size and complexity
- Includes warranties
- Upper end of this range for physical infrastructure

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Development Land Values

- Existing Use Value + 20%? (LDP Draft Manual 3)
- Local Sales evidence
- Currently working on a range of values from £100,000 to £200,000 per net developable acre (depending on location and OM sales).

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Developer Profit Margins

- Must be 'market risk adjusted'
- Typically 15% - 20% on GDV for OM sales
- 6% on cost for Affordable Housing

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Local Development Plans Team

ldp@Pembrokeshire.gov.uk

www.pembrokeshire.gov.uk/local-development-plan-review

01437 764551

**Thank you
for
attending**



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PCC Viability Stakeholder Workshop – Tuesday 17th September 2019

Attendees:

Jo Rees-Wigmore (JRW), Andrew Vaughan-Harries (AVH), David Haward (DH), Richard James (RJ), Jonathan Hickin (JH), Guy Thomas (GT), Howard Eynon (HE), Linda Jones (LJ), Christopher Hunter (CH), Amy James (AJ), Rod Thomas (RT), Mike Simmons (MS), Ian Bartlett (IB), Craig Jones (CJ), Nick Garrod (NG), Jamie Edwards (JE).

PCC: Sara Morris (SM), Bob Smith, Charlotte Harding, Eirian Forrest, Kane Thomas, Andrew Burrows (AB) Viability Consultant, Burrows-Hutchinson Ltd

1. Introduction

General points:

As part of a WG-sponsored commission for 8 LPA's in the Mid and South West Wales Region (including PCC), AB has developed Excel-based models (a) for assessing the viability of LDP policy requirements at a preliminary/high level, and (b) for more site-specific appraisals. PCC is looking for reasonable inputs to fine tune the methodology underpinning the high-level assessments for its LDP Review.

Targets are included for affordable housing and for infrastructure

A Regional House Price Database is being developed – AB is leading on this.

AB is now applying the high-level viability model on a local basis in Pembrokeshire – the topic of today's stakeholder workshop.

AB emphasised the following key elements to the work being undertaken for the Review (see slide 8):

- Confidence in delivery
- Transparency in delivery
- Consistency of approach
- Collaboration

SM commented that a total 512 candidate sites have been proposed from 2 separate "calls" for sites in the course of this Review of PCC's adopted LDP.

2. New house prices and sub-market areas

General points:

Do the market areas used for LDP 1 (and shown on slide 8) still hold true? Some attendees said they needed more time to consider this. SM advised that they could send in comments by email.

There was a debate over whether Pembroke and Pembroke Dock should form a part of a bigger area covering the whole of the Castlemartin peninsula. This was considered to give a poor fit with the draft NDF.

Haverfordwest and Milford Haven have their own market areas and something similar may be appropriate for Pembroke and for Pembroke Dock.

PCC is trying to define market areas more precisely, so is inviting comments on the map on slide 8.

PCC is trying to identify average prices within the market areas. This is based on sales achieved – derived from Land Registry information on prices and the EPC Register on gross internal areas. The aim is to get a robust database of evidence, indicating prices that ought to be achievable on new developments.

Within the identified market areas, there are hot spots / variations in prices achieved.

There are also some data gaps – Pembroke Dock, NE Pembrokeshire and North Pembrokeshire (Fishguard) are examples.

All figures presented are for new builds.

LJ: Doesn't fit with the NDF that has identified 4 growth areas for Pembrokeshire therefore is not sustainable. The areas need to align

JRW: Asked whether this was based on sales achieved?

AB: Yes, from HM Land Registry.

General Point: Hubberston and Steynton are in one region, but there's a huge market variation between them.

JE: Do you know whether we are looking at true open market sales or at Help to Buy etc.? If the latter, what is the percentage of Help to Buy? Answer: The percentage is not known. The HMLR data covers all recorded sales. The data has been sifted by PCC/AB to exclude affordable homes, so that what remains in the database is recorded sales of open market homes, including those bought with assistance from Help2Buy.

JRW: coastal locations are hotspots, so why isn't anything recorded for these areas? Answer: mostly because it is National Park and therefore not in PCC's area of planning jurisdiction. However, Penally could be included and PCC may be able to get some data for other coastal settlements, such as Fishguard and Goodwick.

GT: asked if PCC intended to refine the analysis undertaken to date. Different types of houses and development need to be reflected in the system. PCC is intending to add to the information rather than refine it.

GT: two sites in Pembroke are identified in the table on slide 9, but they are not comparable. The Gibbas Way site is primarily detached bungalows in plots, while the Gatehouse View scheme is based on terraces and semi-detached properties, many purchased with help-to-buy funding. For that reason, PCC needs to drill down below local market areas to pick up that type of variation. Sub-markets may differ substantially from one another, even if they are proximate.

JRW: Crude approach just looking at new stock, should look at old stock too.
Response from PCC – new stock is primarily what you are delivering through the planning system.

JE: Are there resales in those figures? Needs to be reflected by developer strategy.
Answer: there are some resales in the figures, which are useful, as they show how prices have changed (or not) over time.

Action point: PCC committed to circulating the Powerpoint presentation to all stakeholders who attended the workshop.

3. Build costs – Part 1

General points:

Most Wards in the plan area are in ACG bands 1 and 2, although some are in bands 3 and 4.

For viability testing purposes, PCC will chiefly be looking at ACG band 2, which is being taken as a fair average. Did attendees agree with that?

GT: His conclusion from the current banding is that there is an assumption that it costs less to build in a remote coastal location than in towns, and this isn't correct because of land prices. Answer: it would be more likely that locations close to major roads would have lower build costs, particularly for modular buildings, where components are brought in by road.

NG: The geographical spread can be disproportionate by a drop of 1 band and is not up to date.

JH: Clarified that the ACG cost tables had been updated in 2018.

JE: Asked if this was driven by land value? Does the LPA get an input into ACG bands from WG for their local area?

SM: not to our knowledge, the housing department might have had an input. AB undertook to see what further information could be obtained from WG on the background to the latest ACG's, particularly concerning land values.

LJ: BCIS sample size is very small in some areas

NG: Depends on specification and the means of procurement. Pembrokeshire has a small market and it's difficult to attract contractors. Challenges on recent scheme. Also issues with time delays of getting viability work back from the DV and issues with quality/realistic assessments.

GT: Highlighted a Swansea Bay report where 5 major contractors had made a loss or not a big profit margin. Costs of contractors needs to start at a realistic level.

NG: Pembs is a rural County and road network isn't great, especially in North of County for contractors or delivery of materials. As a result sub-contractors are dictating prices because they can pick which jobs they take on.

JH: highlighted that not all the figures are available from BCIS.

NG: Used an example at Coppins park where the costs were well up on materials.

General debate about costs on site, ecology, WW, SUDS, drainage and Western Power.

AB requested evidence on costs. Happy to have these emailed in anonymously

JE: viability and data on costs needs to be updated every 6 months

JH: To encourage developers to build more houses we need to be more aware of all the associated costs with each site.

LJ: As soon as national house builders hit problems with a site they retract.

JE: Queried what was included in the external site costs. Answer (AB): road access and parking, service connection, gardens, fencing, on-site landscaping etc.

GT: Asked if main roads and sewers were separate?

AB: Yes, depending on economies of scale. For smaller schemes, these costs will normally be included in the allowance for External Site Costs.

General conclusion: most stakeholders were happy with the use of ACG band 2 for viability testing purposes. However, there is an invitation for stakeholders to email the LDP team if they have subsequent thoughts on this.

4. LHMAs

Local Housing Market Assessment will be a key consideration in developing LDP 2 policies. For affordable housing, there is a split between social rented properties and low cost home ownership. There have been historic problems with low cost home ownership, due to difficulties in obtaining mortgages. Lenders have been resistant to lending in small geographical areas. However, local communities do not like the use of a Pembrokeshire-wide eligibility band. PCC will look carefully at what types of LCHO could be delivered successfully. Shared ownership models with related viability assessments are becoming more popular. LCHO properties have to remain as such in perpetuity and that also causes some difficulties, as it precludes staircasing. Owners are resistant to selling on at 70% of market value.

Question – could LCHO be delivered by the private sector? Answer – PCC is not sure how that might operate. Currently, almost all LCHOs share ownership with a RSL. There are also issues regarding monitoring of the discount. Help to Buy is being reviewed in 2 years' time, so the private sector might be able to help at that stage. For information, social rented and LCHO options are both built into the model. Housing need is and will remain the starting point in determining the level of provision of affordable housing required. Bedroom numbers are also a consideration.

NG: Problems with the qualification criteria, mortgage lenders don't want to lend in such a small banding- challenge. Shared ownership should be promoted- options to buy out equity side later and make sure it's affordable in perpetuity.

JE: It needs to say on the deeds that it is affordable in perpetuity.

GT: Cautioned that the Help To Buy scheme was very slow and up for review in 2 years' time.

JE: In the context of the replacement LDP are all forms of affordable housing still on the list?

SM: work in progress

5. Build costs – Part 2

PCC will mainly rely on BCIS statistics –a UK-wide database of build costs. This information mainly comes from RSLs and QSSs. National housebuilders do not contribute to BCIS.

The BCIS statistics indicate that it is slightly cheaper to build in Pembrokeshire than in Wales as a whole. However, the Pembrokeshire figures are derived from a very small sample, so there is a need for more data. See slide 12 of the presentation for more details.

Preliminaries are included, but not external site costs – AB is looking for more direct evidence of build costs. However, for clarification, the BCIS rebased to South Pembrokeshire on slide 13 is derived from a much larger sample (except for 4-storey and detached properties).

Stakeholders drew the attention of the Council to the difficulty of attracting contractors into Pembrokeshire – they have much more interest in SE Wales and the Welsh borders. In addition, the building skill sets are not so widely available in Pembrokeshire than elsewhere.

Question – are the figures in the table on slide 13 based on tender costs, rather than final figures? Answer AB advised that the figures are not just based on tender prices, but include reported costs on building projects. He pointed out that these reported costs cover a diverse range of building projects and fall within quite a broad range in terms of £ psm. It is therefore inappropriate to use/rely on a single cost rate for all site typologies in the high-level testing. His interest is primarily in gaining a view from Stakeholders on where to pitch the rates for that viability testing.

Pembrokeshire is a large county and PCC is struggling to get information about remote areas. Information on sites close to main routes is better and there are higher build rates in these locations. Cross-country drives to reach some of the less accessible housing sites is putting some contractors off. Such locations are more difficult to get building supplies to, particularly for modular buildings whose components are assembled off-site.

Generally, in Pembrokeshire, there is a limited pool of experienced contractors.

Some stakeholders suggested that BCIS might not be the best source of information. There was concern that a lot of sites were allocated by LDP 1, but there was no more detailed assessment of SuDS, site investigations, contamination, ecology, sewerage or abnormals. Western Power Distribution are now asking for electrical

sub-station upgrades in conjunction with new developments. All of this affects deliverability.

JH offered to speak to a contact on build costs. Although it might need to be done anonymously, PCC will accept external information on build costs. PCC is keen to obtain recent, live information to show what current costs are likely to be.

Question – does ACG match average build costs? Answer – PCC needs to verify this. PCC needs to know real build costs. However, national housebuilders are discounted from the analysis. Few national housebuilders are involved in Pembrokeshire, but one that is, Persimmon, is a significant provider. Generally, national housebuilders retract from peripheral locations such as Pembrokeshire when economic conditions are poor. That opens up new opportunities for local firms. PCC will welcome provision of external evidence on this matter by stakeholders.

There was a discussion about variations in density.

External site costs may be calculated for high-level testing at 15% of build/"plot" costs, or about £15,000 to £16,000 per property.

Economies of scale on large sites are time-restricted.

It is also important to look at abnormal costs – these include addressing site contamination, eradicating Japanese Knotweed, presence of old mine workings, etc. If such problems are found on a site, this should have been reflected in the price paid for the site (although this does not always happen).

6. Building regulations and local policy requirements

General points:

Building Regulations and local policy requirements are also considerations.

Nationally Described Space Standards (minimum internal floor areas for each dwelling type) have been set in England, and are likely to be applied in Wales.

Sprinklers are now required – slide 18 shows cost estimates from the BRE Global report to Welsh Government in 2017. CR – Ceredigion CC were advised by Welsh Government to assume £3,100 per property. NG – In Pembrokeshire, at Pentlepoir, the price was about £4,000 per property, due to the need for pumping and filtering systems, which were DCWW requirements. There was a big variation in experience between different stakeholders on this. Consensus was that a price of between £3,000 and £4,000 per property was more realistic. Care is needed to avoid double counting as and when BCIS database includes sprinkler costs.

Few ULEV charging points have been installed in new dwellings in Pembrokeshire, but that is likely to change in the future. Stakeholders were invited to send in their thoughts on likely costs for this by email.

SuDS are now required and are affecting (reducing) site densities. SuDS take up land, but might not greatly add to build costs. JE – in Carmarthenshire, a SuDS

maintenance cost of £36,000 for a 9 dwelling development (£4,000 per property) was recorded recently. This did not include initial addition to construction costs.

7. S.106 obligations

General points:

For the high-level viability study, PCC anticipates adding 20% to 25% to the levels of S.106 contributions included in the 2015 Affordable Housing SPG document.

PCC may need to adjust the expected levels of S.106 contributions to reflect the actual rate of inflation.

Affordable housing viability is a 'snapshot' and therefore needs to be reviewed regularly – because costs and values change. Consensus is that build costs are likely to increase more than value in the future.

Question – is S.106 based on delivery? Answer – the average level of s.106 costs shown on slide 20 excludes all sites where viability is known to be an issue. It is therefore based on sites that either have been delivered or are expected to come forward without a viability challenge (development has already commenced on some of those). It is recognised that some sites with significant S.106 contributions are not currently delivered – for instance Slade Lane, Haverfordwest – but these have not been included in the average figures on the slide.

NG: Gave an example of a landowner that has signed up to a section 106 in order to gain a planning permission, but the site was no longer deliverable.

LJ: Queried why an average figure was being used and not an actual figure. SM: PCC needs this information in a general/average form for high-level testing. Assumptions have to be built into the high-level modelling to reflect typical S.106 contributions. This should not be confused with assessing s.106 requirements and costs for individual sites, where site-specific testing is required/appropriate.

LJ: education targets can skew figures. Answer: PCC looks at education forecasts when setting S.106 contributions on this matter. Local Authority budgetary constraints might require developers to contribute more in the future.

CR: suggested an algorithm (rules to be followed in calculations) in the policy to allow for inflation rather than a blanket allowance.

GT: query- based on delivery or signed up agreements? Lots of sites had planning permission but were not viable. Are we subtly being prepared for CIL?

SM: The S.106 averages are based on a combination of sites delivered and not yet delivered to give a robust sample. No, we are not currently preparing for CIL.

8. Professional fees

General points:

Allowances in the Model for professional fees are split between (a) Planning and Building/Scheme Design, e.g. architects, engineers, warranties and planning

application fees); and (b) fees arising on the design and delivery of physical infrastructure, both on- and off-site. Within (a), warranties will typically amount to about 1% of build costs. The outline above includes points of clarification arising from questions raised at the meeting.

LJ: is this a default? In the Llanelli session it was indicated that they were. They are hidden and should be more transparent. AB – both High-Level and Site-Specific Models contain a number of “default” settings, all shown on the initial/project worksheet, to enable the models to produce appraisals with a minimum amount of input. Any of these “default” settings can be changed by any user of the Models; and should be changed by the user where there is a good evidence-based reason to do so. None of these settings are “hidden”.

NG: is the pre-app fee also included in the professional fee? Needs to be front loaded. AB: it is intended that the allowance at (a) above should include pre-app. The High-Level Model does not allow for front-loading costs (or the opposite) as that level of detail is disproportionate to the purpose of the high-level work. The Site-Specific model does allow for costs/fees to be split in a more detailed way.

LJ: pre app consultees often don't come back with the relevant information.

For high-level testing, PCC plans to allow for Planning and Building/Scheme Design fees at rates of between 4% to 8% of build costs, depending on the size of the development (higher rates for smaller sites). This is based on assumptions commonly made in other high-level studies, as well as AB's experience of such costs on development projects generally. Not all stakeholders agreed that this level of allowance was sufficient; and they were asked to send in any alternative suggestions by email – anonymously if necessary.

9. Development Land Values

General points:

Welsh Government's draft LDP Manual, edition 3, advocates using existing use value plus 20%. WG considers that this gives a reasonable return to the landowner. However, the general view of stakeholders was that this was totally unrealistic and PCC was asked to move forward on an alternative basis. PCC needs local land sales information to allow this to happen. This might be available from the Land Registry, but much of the information provided to the Land Registry is either not publicly available (on the grounds of confidentiality) or requires more detailed research to discover it.

AB proposed taking a range of values, from £100,000 to £200,000 per net developable acre, depending on location and the general level of house prices in that location. However, there is a potential ACG issue in doing this. Andrew Burrows wants to establish a market rate that is a fair estimate for the high-level testing. There was a debate on this point and the general feeling was that if the chosen figure was below £200,000 per developable acre, owners would sit on land in the hope that a better offer would come along in due course, even if not for a generation or two; and if it was below £180,000 per net acre, site viability would be marginal.

However, this is dramatically different from what WG suggests. *N.B. This point regarding WG will be checked to find what land value estimates are embedded within the ACG's.*

There is a time limit on land availability and some uncertainty on how this might affect land.

Asked about plot values on single dwelling or other small sites, AB said that these could vary considerably, and would reflect the end value of the home(s) being built. For high-level testing, it is necessary to adopt a common sense approach, primarily based on average figures within a range of values.

NG: Were penalties for landowners sitting on land being considered?

SM: No penalties but WG has placed emphasis on deliverability.

NG: Does that apply to PCC own schemes?

SM: Yes, PCC property are treated like any other proposer of Candidate Sites.

CR: highlighted that high level discussions on land tax were taking place.

CJ: writing to the landowners wasn't enough, need more evidence before committing sites to LDP2.

JH: More research into each site was needed.

SM asked stakeholders for evidence on land values. .

One agent identified that although they were bound by confidentiality and couldn't discuss specific sites they felt £200,000 per acre was a common expectation among landowners.

NG: Hope value for landowners was still pre 2008- falling at first hurdle.

One agent had clients who were prepared to sit it out and hope that the section 106 disappears.

JE: Could LPA look at time limits on developing land?

AB: Would £200,000 per acre apply to North of County?

NG: yes.

The issue of Finance Costs was raised by GT, and how these are calculated in the Model(s). AB explained that the Site-Specific model allows for the user to define his/her own borrowing costs with variable input areas for the level of borrowing required (as against developer's equity), the interest rate applicable to both borrowing and equity, and lender's arrangement/exit/monitoring fees. However, it is quite common for viability appraisals to adopt (currently) an "all-in" rate of interest (i.e. a rate that includes the lender's fees) pitched at 6% p.a., and applicable to both the developer's equity input and borrowing, for most schemes. Lower rates will commonly apply on larger schemes, where developers can be expected to have access to funds at a lower cost.

The High-Level model works on the basis of an “all-in” rate, for which the current “default” setting is 6% p.a.; but which can be changed (and can also be used to examine “what if” scenarios, if required).

10. Developer Profit Margins

PCC/AB have limited local evidence on contractors’ margins. Some of those present suggested that these could be up to 12%, but 6% to 7% seems more typical.

Developers’ profit margins, reflecting additional elements of risk, were accepted as being within a range of 15% to 20% on GDV; although the level of margin required to attract volume housebuilders could be higher in some circumstances. Stakeholders were invited to comment further by email, if appropriate, as this is a key area in which to achieve some consensus.

11. Any questions / comments?

SM – the regional work is aiming to bring viability testing back “in house”, with local authority property teams using the new Models, rather than externalising the assessments by using the District Valuer.

There was a debate about whether viability assessments should be expected to accompany Candidate Site submissions. If this is to be done in the future, then training for those involved would be needed. Perhaps specialist viability teams will be set up in the future.

Question – who adjudicates on what figures are fed into the model? Answer – a LDP 2 background paper will be prepared on this, which will form part of the evidence base for the Plan. This will be scrutinized by the Inspector who examines the Plan, alongside the Plan itself. If there is disagreement over the figures used in the model, this could potentially become an objection matter at LDP 2 Deposit.

Feedback from stakeholders suggested that there are ongoing concerns over the use of BCIS.

For PCC 100% affordable housing schemes, SM has asked her housing colleagues at PCC to release key information.

HRA and Second Homes Tax are also considerations.

There is a general need for more transparency in viability testing, and for LPA’s and the development industry to work together on producing LDP’s that are “deliverable”. This meeting was seen as a good step forward, as it offers potential for getting consensus between stakeholders and the Council on the methods used for testing; and for avoiding (wherever that is possible) disagreement on key issues at Public Examination.

B - Summary of High-Level Viability Assessments

Size Range	Unit No	Site Area		dph	dpa	OMV £ psm	OM Sales p.a.	AH % on site	s.106/ dwelling	Build Cost £ psm	% of Median Rate	Design Fees %	Land Price	Land Value £/ha	Developer's Profit	
		ha	ac												Target % OM GDV	Blended Margin
Large single	1	0.067	0.17	15	6	£2,300		0.0%	£6,500	£1,220	130%	12%	£50,000	£746,269	10.0%	10.6%
Small single	1	0.040	0.10			£2,250		0.0%	£6,500	£1,150	122%	12%	£25,000	£625,000	10.0%	11.5%
2 - 5 units	4	0.200	0.49	20	8	£2,250	8	0.0%	£6,500	£1,080	115%	9%	£100,000	£500,000	15.0%	15.7%
6 - 9 units	8	0.330	0.82	24	10	£2,175	8	12.5%	£2,500	£1,030	110%	8%	£165,000	£500,000	16.0%	16.0%
10 - 19 units	16	0.540	1.33	30	12	£2,100	16	12.5%	£2,500	£990	105%	7%	£270,000	£500,000	17.0%	17.8%
20 - 49 units	30	1.000	2.47	30	12	£2,050	24	10.0%	£2,500	£940	100%	6%	£500,000	£500,000	18.0%	18.1%
50 - 99 units	75	2.500	6.18	30	12	£2,050	30	10.0%	£3,750	£900	96%	5%	£1,250,000	£500,000	20.0%	19.9%
100 & over	120	4.000	9.88	30	12	£2,050	36	15.0%	£5,200	£850	90%	4%	£2,000,000	£500,000	20.0%	19.6%

Extra allowance for special Bldg Regs requirements

£3,500 /dwelling

Median build cost £940 incl. allowance for 10% Lifetime Homes

The table above summarises the results of High-Level testing for a range of site typologies; and the principal inputs/assumptions upon which each appraisal was based. Build costs have been drawn from a combination of "open book" site assessments with developers, and the BCIS database (the latter having quite a limited sample size). Account has also been taken of comments made at recent Stakeholder workshops, particularly concerning landowners' expectations on site values.

The results demonstrate that a general 10% AH target for windfall sites ought to be viable; and that for larger sites (100 dwellings or more) a higher target of 15% AH on-site should be achievable. The "blended margin" for a development, where AH is provided on-site, will always be less than the "target" margin on the gross value of the open market housing - because the blended margin incorporates a lower, "contractor's margin" on the affordable homes. In all cases, the appraisals produced a blended margin equal to or greater than the combined target margins for open market and affordable homes.

Analysis of s.106 contributions		Allowance made	Average since LDP adoption
Large single	1	£6,500 per dwelling	Average £5,272/dwelling on contributing sites (78.6%) or £5,425/dwlg including sites making no contribution. Minimal on-site AH (2 sites out of 27).
Small single	1	£6,500 per dwelling	
2 - 5 units	4	£6,500 per dwelling	
6 - 9 units	8	£2,500 per dwelling	Avg £2,163/dwelling on contributing sites (81.4%). 19 out of 33 cases delivering AH on-site.
10 - 19 units	16	£2,500 per dwelling	Avg £1,823/dwelling (80.6% contributing). 13/19 cases AH on-site.
20 - 49 units	30	£2,500 per dwelling	Avg £3,044/dwelling. 5 sites out of 9 delivering AH on-site.
50 - 99 units	75	£3,750 per dwelling	Avg £4,195/dwelling. All 6 cases delivering AH on-site.
100 units +	120	£5,200 per dwelling	

NOTES:

- 1) Allowances made for s.106 contributions in 2019 High-Level Viability appraisals have included a 24% uplift from rates achieved since LDP adoption, to reflect inflation since 2015 when the s.106 requirements were initially costed.
- 2) Sites in the 3 categories from 6 - 49 units have been aggregated for the purposes of establishing a common rate of average s.106 contribution.

Specific Sites	N° of Units	Site Area		dph	OMV £ psm	OM Sales p.a.	AH % on site	s.106/ dwelling	Build Cost £ psm	% of Median Rate	Design Fees %	Land Price	Land Value £/ac	Developer's Profit	
Site Name		ha	ac											Target % OM GDV	Blended Margin
Parc Loktudi, Fishguard	44	1.47	3.63	30	£2,050	24	11%	£2,500	£940	100%	6%	£725,000	£199,600	18.0%	18.4%
Conway Drive, M Haven	279	9.32	23.02	30	£2,050	36	15%	£5,200	£850	90%	4%	£4,650,000	£202,000	20.0%	19.6%
St Daniels, Pembroke	92	3.00	7.41	31	£2,050	30	10%	£3,750	£900	96%	5%	£1,485,000	£200,400	20.0%	19.7%
Pennar, Pembroke Dock	60	1.99	4.92	30	£2,050	30	13%	£3,750	£900	96%	5%	£1,000,000	£203,400	20.0%	19.7%
Highfield Pk, Narberth	52	2.10	5.19	25	£2,225	30	21%	£3,750	£900	96%	5%	£1,050,000	£202,400	20.0%	19.6%
Waunaeron, Crymych	24	1.20	2.96	20	£2,050	24	4%	£2,500	£940	100%	6%	£525,000	£177,100	18.0%	17.9%
Hayston View, Johnston	80	4.00	9.88	20	£2,050	30	5%	£3,750	£900	96%	5%	£1,750,000	£177,100	20.0%	19.3%
Lamphey (adj. School)	59	2.95	7.29	20	£2,150	30	10%	£3,750	£900	96%	6%	£1,500,000	£205,800	18.0%	18.1%
Kilvelgy Pk, Kilgetty	17	0.83	2.05	20	£2,420	16	24%	£2,000	£990	105%	7%	£440,000	£214,600	17.0%	16.8%
Begelly Farm	46	2.19	5.41	21	£2,250	24	15%	£2,000	£940	100%	6%	£1,100,000	£203,300	18.0%	18.0%

NOTES:

- 1) The above have been taken as representative of Key Sites (current/proposed allocations) across the County, and have been subjected to High-Level testing to assess their viability at given levels of AH and other s.106 obligations. They are considered to be viable at the levels shown in red in the table above.
- 2) Values for open market housing have been informed by the data on new house prices collected for Pembrokeshire as part of the Regional Database created by the MSWWR Commission.
- 3) The results of this analysis, of a selection of Key Sites, has been further used to inform/confirm the assumptions used in the more general High-Level appraisals on page 1 of this summary.
- 4) A land price of £200,000 per acre equates to £494,200 per hectare. Site values for Crymych and Johnston have been reduced to account for lower value locations.
- 5) The High-Level modelling shown above gives only an initial, general indication of viability; and will be subject to more site-specific appraisals to be undertaken in accordance with the requirements of PPW 10 para 4.2.19.

All High-Level Appraisals recorded in this Summary were undertaken on the assumption that 80% of the affordable homes would be for social rent.

A higher number of affordable units might be achievable in some cases, if the proportion of shared-ownership homes (or other intermediate tenure) were increased.

C - Summary and Analysis of New House Prices

MSWWR REGIONAL HOUSE PRICE DATABASE

SUMMARY as at September 2019

Location/Development	Postcode	OM Sales	Period	Av GIA	Avge Price	Av £psm	Max £psm
Scarrowscant, H'fordwest	SA61 1EB	19	02/16 to 01/19	103.2	£205,663	£1,992	£2,419
Hermitage Farm, H'fordwest	SA62 4AF	59	06/14 to 08/18	85.0	£166,430	£1,958	£2,366
Asford Park, Crundale	SA62 4FG	51	04/16 to 03/19	90.0	£188,643	£2,095	£2,578
Bunkers Hill, Milford Haven	SA73 1GH	18	01/17 to 02/19	113.1	£224,861	£1,988	£2,277
Hubberston, Milford Haven	SA73 3SA	184	02/13 to 02/19	78.7	£123,407	£1,568	£2,375
Gatehouse View, Pembroke	SA71 4TP	64	02/17 to 12/18	88.7	£164,584	£1,856	£2,255
Gibbas Way, Pembroke	SA71 5JA	35	04/15 to 03/19	94.4	£227,678	£2,413	£3,119
Honeyhill Grove, Lamphey	SA71 5NA	12	01/17 to 03/19	96.9	£191,917	£1,980	£2,738
Coppins Park, Pentlepoir	SA69 9BR	39	11/14 to 3/19	78.5	£168,872	£2,152	£2,458
Newton Fields/Heights, Kilgetty	SA68 0ZA	51	11/16 to 10/18	76.4	£184,545	£2,417	£2,818
Redstone Court, Narberth	SA67 7EU	50	11/11 to 12/18	118.8	£220,409	£1,856	£2,228
Sunnybank Gardens, Narberth	SA67 7FF	12	08/17 to 09/18	99.7	£214,204	£2,149	£2,330
Jesse Road, Narberth	SA67 7FG	25	01/18 to 01/19	77.3	£172,156	£2,227	£2,373
		619					

Average values (£psm) have been highlighted in **red** if they exceed £2,000, and in **blue** if they are less than £1,500

Maximum values (£psm) have been highlighted in **red** if they exceed £2,200, and in **blue** if they are less than £1,800

07/09/2019

Pembrokeshire County (excl. NPA)

D - Examples of High-Level Appraisal Results

High-Level Appraisal						
Gross Development Value		Units (N°)				% GDV
Open Market Homes		1	£	211,500		
Soc. Rented Homes	80.0%	0	£	-		
Intermediate Homes	20.0%	0	£	-		
Total Revenue		1	£	211,500		100.0%
Land Cost incl LTT & fees @	1.50%		£	25,375		12.0%
Pre-Construction Costs	(if applicable)					
Physical Infrastructure						
Normal External Costs	£/unit	£ 15,000	£	15,750		7.4%
Abnormal Site Costs	£/unit	£ -	£	-		
Opening-up Costs	£/unit	£ -	£	-		
Professional Fees		12.00%	£	1,890		0.9%
Planning Obligations / CIL	£/unit	£ 6,500	£	6,500		3.1%
Housing Construction						
Building Costs	£/unit	£ 117,180	£	117,180		55.4%
Professional Fees		12.00%	£	14,062		6.6%
Sale & Marketing Costs			£	3,115		1.5%
Finance Costs						
Interest rates (p.a.)	Debit	Credit				
	6.00%	0.50%	£	3,275		1.5%
Total Development Costs			£	187,146		
Blended Margin on Total GDV	11.5%		Profit	£ 24,354		
Overall Profit on Cost	13.01%		(see benchmark below)			
Target/Benchmark Profit						
			£	21,150		
based on open market sales @		10.00%	£	21,150		
and on affordable housing cost @		6.00%	£	-		
Surplus/(Shortfall) on Target Profit			£	3,204		15.15%
Total Equity & Borrowing (Capital Employed)			£	156,273		83.50%

<u>Sensitivity</u>		
House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

High-Level Appraisal						
<u>Gross Development Value</u>		Units (N°)				% GDV
Open Market Homes		1	£	352,590		
Soc. Rented Homes	80.0%	0	£	-		
Intermediate Homes	20.0%	0	£	-		
Total Revenue		1	£	352,590		100.0%
Land Cost incl LTT & fees @	1.50%		£	50,750		14.4%
Pre-Construction Costs	(if applicable)					
Physical Infrastructure						
Normal External Costs	£/unit	£ 20,000	£	21,000		6.0%
Abnormal Site Costs	£/unit	£ -	£	-		
Opening-up Costs	£/unit	£ -	£	-		
Professional Fees		12.00%	£	2,520		0.7%
Planning Obligations / CIL	£/unit	£ 6,500	£	6,500		1.8%
Housing Construction						
Building Costs	£/unit	£ 200,052	£	200,052		56.7%
Professional Fees		12.00%	£	24,006		6.8%
Sale & Marketing Costs			£	4,526		1.3%
Finance Costs						
Interest rates (p.a.)	Debit	Credit				
	6.00%	0.50%	£	5,795		1.6%
Total Development Costs			£	315,150		
Blended Margin on Total GDV	10.6%		Profit	£ 37,440		
Overall Profit on Cost	11.88%		(see benchmark below)			
Target/Benchmark Profit						
			£	35,259		
based on open market sales @	10.00%		£	35,259		
and on affordable housing cost @	6.00%		£	-		
Surplus/(Shortfall) on Target Profit			£	2,181		6.19%
Total Equity & Borrowing (Capital Employed)			£	268,771		85.28%

<u>Sensitivity</u>		
House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

High-Level Appraisal						
<u>Gross Development Value</u>		Units (N°)				% GDV
Open Market Homes		4	£	846,000		
Soc. Rented Homes	80.0%	0	£	-		
Intermediate Homes	20.0%	0	£	-		
Total Revenue		4	£	846,000		100.0%
Land Cost incl LTT & fees @	1.50%		£	101,500		12.0%
Pre-Construction Costs	(if applicable)					
Physical Infrastructure						
Normal External Costs	£/unit	£ 15,000	£	63,000		7.4%
Abnormal Site Costs	£/unit	-	£	-		
Opening-up Costs	£/unit	-	£	-		
Professional Fees		9.00%	£	5,670		0.7%
Planning Obligations / CIL	£/unit	£ 6,500	£	26,000		3.1%
Housing Construction						
Building Costs	£/unit	£ 110,271	£	441,084		52.1%
Professional Fees		9.00%	£	39,698		4.7%
Sale & Marketing Costs			£	23,550		2.8%
Finance Costs						
Interest rates (p.a.)		Debit 6.00% Credit 0.50%		£ 12,298		1.5%
Total Development Costs			£	712,799		
Blended Margin on Total GDV	15.7%		Profit	£ 133,201		
Overall Profit on Cost	18.69%		(see benchmark below)			
Target/Benchmark Profit						
			£	126,900		
based on open market sales @	15.00%		£	126,900		
and on affordable housing cost @	6.00%		£	-		
Surplus/(Shortfall) on Target Profit			£	6,301		4.97%
Total Equity & Borrowing (Capital Employed)			£	385,206		54.04%

<u>Sensitivity</u>		
House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

Main Inputs & Key Variables						Collect / Update GIA's and ACG's	
Unit Nos.		GIA's in m²		Overall		Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m²	OMV
1	1	2b3p bungalow	58.0	58.0	25.0%	£ 1,030	£126,000
2		3b4p house	88.0	88.0	25.0%	£ 1,030	£191,000
2		3b5p house	94.0	94.0	25.0%	£ 1,030	£204,000
2		4b6p house	110.0	110.0	25.0%	£ 1,030	£239,000
7	1	ACG Band 2		100.0%			
Percentage of Affordable Homes			12.5%	OMV per m²		£ 2,175	£202 psf
Sales GIA's		OM	642.0 m²	AH	58.0 m²		
Net to gross ratio for flats			85.0%	Total Build (m²)		700.0	
Allowance for External Site Costs			14.3%	of Build Costs, or £/unit		£ 15,000	
Site/Sales Agency & Marketing Costs			2.50%	of OM Sales			
Legals on all Units			£600	per dwelling			
AH transfer values - Social Rent			42.0%	of ACG		Intermediate	70.0%
Extra cost/unit (if any) for additional Building Regs requirements						£3,500	
Contingency on all construction & physical infrastructure costs						5.00%	
s.106 Obligations			£2,500	per dwelling - or CIL		psm (excl AH)	
Abnormal Site Costs (if any)						per acre	
Opening-up Costs (if any)						per acre	
Net Developable Site Area				Land Price		£165,000	
			0.82 acres	0.33 hectares		£202,347 per acre	£500,000 per hectare
Housing Density			24.2 units/hectare	and		2,121 sq.m/hectare	

Development Programme		19 months in total
Pre-Construction period	2 months	Estate/Mixed
Construction period	17 months	starting in Month 3
Sales rate (OM homes)	8 per year	Overhang months
Sales period (OM & AH)	11 months	starting in Month 9

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High-Level Appraisal					
Gross Development Value		Units (N°)		% GDV	
Open Market Homes		7	£	1,396,350	
Soc. Rented Homes	80.0%	1	£	51,072	
Intermediate Homes	20.0%	0	£	21,280	
Total Revenue		8	£	1,468,702	100.0%
Land Cost incl LTT & fees @	1.50%		£	167,625	11.4%
Pre-Construction Costs (if applicable)					
Physical Infrastructure					
Normal External Costs	£/unit	£ 15,000	£	126,000	8.6%
Abnormal Site Costs	£/unit	£ -	£	-	
Opening-up Costs	£/unit	£ -	£	-	
Professional Fees		8.00%	£	10,080	0.7%
Planning Obligations / CIL	£/unit	£ 2,500	£	20,000	1.4%
Housing Construction					
Building Costs	£/unit	£ 98,306	£	786,450	53.5%
Professional Fees		8.00%	£	62,916	4.3%
Sale & Marketing Costs			£	39,709	2.7%
Finance Costs					
Interest rates (p.a.)	Debit	Credit			
	6.00%	0.50%	£	21,604	1.5%
Total Development Costs			£	1,234,383	
Blended Margin on Total GDV 16.0%					
Overall Profit on Cost 18.98%					
Profit			£	234,319	
(see benchmark below)					
Target/Benchmark Profit			£	232,536	
based on open market sales @			16.00%	£	223,416
and on affordable housing cost @			6.00%	£	9,120
Surplus/(Shortfall) on Target Profit			£	1,783	0.77%
Total Equity & Borrowing (Capital Employed)			£	528,391	42.81%

Sensitivity

House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

Main Inputs & Key Variables						Collect / Update GIA's and ACG's		
Unit Nos.		Dwelling Type	GIA's in m²		Overall % mix	Build Cost/m²	Approx. OMV	
OM	AH		Sales	Build				
1	2	2b3p bungalow	58.0	58.0	18.8%	£ 990	£122,000	
2		2b4p house	83.0	83.0	12.5%	£ 990	£174,000	
4		3b4p house	88.0	88.0	25.0%	£ 990	£185,000	
4		3b5p house	94.0	94.0	25.0%	£ 990	£197,000	
3		4b6p house	110.0	110.0	18.8%	£ 990	£231,000	
14	2	ACG Band 2		100.0%				
Percentage of Affordable Homes			12.5%	OMV per m²		£ 2,100	£195 psf	
Sales GIA's		OM	1,282.0 m²	AH	116.0 m²			
Net to gross ratio for flats			85.0%	Total Build (m²)		1,398.0		
Allowance for External Site Costs			16.7%	of Build Costs, or £/unit		£ 15,000		
Site/Sales Agency & Marketing Costs			2.50%	of OM Sales				
Legals on all Units			£600 per dwelling					
AH transfer values - Social Rent			42.0%	of ACG	Intermediate	70.0%		
Extra cost/unit (if any) for additional Building Regs requirements						£3,500		
Contingency on all construction & physical infrastructure costs						5.00%		
s.106 Obligations			£2,500	per dwelling - or CIL		psm (excl AH)		
Abnormal Site Costs (if any)					per acre			
Opening-up Costs (if any)					per acre			
Net Developable Site Area			Land Price £270,000					
1.33 acres			0.54 hectares		£202,347 per acre £500,000 per hectare			
Housing Density			29.6 units/hectare		and 2,589 sq.m/hectare			

Development Programme		19 months in total
Pre-Construction period	2 months	Estate/Mixed
Construction period	15 months	starting in Month 3
Sales rate (OM homes)	16 per year	Overhang 2 months
Sales period (OM & AH)	11 months	starting in Month 9

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High-Level Appraisal				
Gross Development Value	Units (N°)			% GDV
Open Market Homes	14	£	2,692,200	
Soc. Rented Homes	80.0% 2	£	95,155	
Intermediate Homes	20.0% 0	£	39,648	
Total Revenue	16	£	2,827,003	100.0%
Land Cost incl LTT & fees @	1.50%	£	276,050	9.8%
Pre-Construction Costs (if applicable)				
Physical Infrastructure				
Normal External Costs	£/unit £ 15,000	£	252,000	8.9%
Abnormal Site Costs	£/unit £ -	£	-	
Opening-up Costs	£/unit £ -	£	-	
Professional Fees	7.00%	£	17,640	0.6%
Planning Obligations / CIL	£/unit £ 2,500	£	40,000	1.4%
Housing Construction				
Building Costs	£/unit £ 94,501	£	1,512,021	53.5%
Professional Fees	7.00%	£	105,841	3.7%
Sale & Marketing Costs		£	76,905	2.7%
Finance Costs	Debit Credit			
Interest rates (p.a.)	6.00% 0.50%	£	44,749	1.6%
Total Development Costs		£	2,325,206	
Blended Margin on Total GDV	17.8%	Profit	£ 501,797	
Overall Profit on Cost	21.58%	(see benchmark below)		
Target/Benchmark Profit		£	474,666	
based on open market sales @		17.00%	£	457,674
and on affordable housing cost @		6.00%	£	16,992
Surplus/(Shortfall) on Target Profit		£	27,131	5.72%
Total Equity & Borrowing (Capital Employed)		£	1,055,611	45.40%

Sensitivity

House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

Main Inputs & Key Variables							Collect / Update GIA's and ACG's	
Unit Nos.			GIA's in m ²		Overall		Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix		Cost/m ²	OMV
1	1	1b2p flat	50.0	55.6	6.7%		£ 940	£103,000
2		2b3p flat	61.0	67.8	6.7%		£ 940	£125,000
3	2	2b3p bungalow	58.0	58.0	16.7%		£ 940	£119,000
2		2b4p house	83.0	83.0	6.7%		£ 940	£170,000
7		3b4p house	88.0	88.0	23.3%		£ 940	£180,000
7		3b5p house	94.0	94.0	23.3%		£ 940	£193,000
5		4b6p house	110.0	110.0	16.7%		£ 940	£226,000
27	3	ACG Band 2			100.0%			
Percentage of Affordable Homes			10.0%	OMV per m ²		£ 2,050	£190 psf	
Sales GIA's		OM	2,336.0 m ²	AH		166.0 m ²		
Net to gross ratio for flats			90.0%	Total Build (m ²)		2,526.7		
Allowance for External Site Costs			18.0%	of Build Costs, or £/unit		£ 15,000		
Site/Sales Agency & Marketing Costs			2.50%	of OM Sales				
Legals on all Units			£600	per dwelling				
AH transfer values - Social Rent			42.0%	of ACG		Intermediate	70.0%	
Extra cost/unit (if any) for additional Building Regs requirements						£3,500		
Contingency on all construction & physical infrastructure costs						5.00%		
s.106 Obligations			£2,500	per dwelling -		or CIL	psm (excl AH)	
Abnormal Site Costs (if any)						per acre		
Opening-up Costs (if any)						per acre		
Net Developable Site Area				Land Price		£500,000		
2.47 acres			1.00	hectares		£202,347 per acre	£500,000 per hectare	
Housing Density			30.0 units/hectare	and		2,527 sq.m/hectare		

Development Programme	22 months in total	
Pre-Construction period	2 months	Estate/Mixed
Construction period	18 months	starting in Month 3
Sales rate (OM homes)	24 per year	Overhang 2 months
Sales period (OM & AH)	14 months	starting in Month 9

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High-Level Appraisal				
Gross Development Value	Units (N°)			% GDV
Open Market Homes	27	£	4,788,800	
Soc. Rented Homes	80.0% 2	£	129,730	
Intermediate Homes	20.0% 1	£	54,054	
Total Revenue	30	£	4,972,584	100.0%
Land Cost incl LTT & fees @	1.50%	£	521,000	10.5%
Pre-Construction Costs	(if applicable)			
Physical Infrastructure				
Normal External Costs	£/unit £ 15,000	£	472,500	9.5%
Abnormal Site Costs	£/unit £ -	£	-	
Opening-up Costs	£/unit £ -	£	-	
Professional Fees	6.00%	£	28,350	0.6%
Planning Obligations / CIL	£/unit £ 2,500	£	75,000	1.5%
Housing Construction				
Building Costs	£/unit £ 86,802	£	2,604,070	52.4%
Professional Fees	6.00%	£	156,244	3.1%
Sale & Marketing Costs		£	137,720	2.8%
Finance Costs	Debit Credit			
Interest rates (p.a.)	6.00% 0.50%	£	78,998	1.6%
Total Development Costs		£	4,073,882	
Blended Margin on Total GDV	18.1%	Profit	£ 898,702	
Overall Profit on Cost	22.06%	(see benchmark below)		
Target/Benchmark Profit		£	885,150	
based on open market sales @		18.00%	£ 861,984	
and on affordable housing cost @		6.00%	£ 23,166	
Surplus/(Shortfall) on Target Profit		£	13,552	1.53%
Total Equity & Borrowing (Capital Employed)		£	1,648,446	40.46%

Sensitivity		
House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

Main Inputs & Key Variables							Collect / Update GIA's and ACG's	
Unit Nos.			GIA's in m ²		Overall		Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix		Cost/m ²	OMV
4	2	1b2p flat	50.0	55.6	8.0%		£ 900	£103,000
6		2b3p flat	61.0	67.8	8.0%		£ 900	£125,000
4	6	2b3p bungalow	58.0	58.0	13.3%		£ 900	£119,000
6		2b4p house	83.0	83.0	8.0%		£ 900	£170,000
17		3b4p house	88.0	88.0	22.7%		£ 900	£180,000
17		3b5p house	94.0	94.0	22.7%		£ 900	£193,000
13		4b6p house	110.0	110.0	17.3%		£ 900	£226,000
67	8	ACG Band 2			100.0%			
Percentage of Affordable Homes			10.7%	OMV per m ² £ 2,050		£190 psf		
Sales GIA's		OM	5,820.0 m ²	AH		448.0 m ²		
Net to gross ratio for flats			90.0%	Total Build (m ²)		6,342.0		
Allowance for External Site Costs			18.8%	of Build Costs, or £/unit		£ 15,000		
Site/Sales Agency & Marketing Costs			2.50%	of OM Sales				
Legals on all Units			£600	per dwelling				
AH transfer values - Social Rent			42.0%	of ACG		Intermediate	70.0%	
Extra cost/unit (if any) for additional Building Regs requirements						£3,500		
Contingency on all construction & physical infrastructure costs						5.00%		
s.106 Obligations			£3,750	per dwelling - or CIL		psm (excl AH)		
Abnormal Site Costs (if any)						per acre		
Opening-up Costs (if any)						per acre		
Net Developable Site Area				Land Price		£1,250,000		
6.18 acres			2.50	hectares		£202,347 per acre	£500,000 per hectare	
Housing Density			30.0 units/hectare	and		2,537 sq.m/hectare		

Development Programme		36 months in total
Pre-Construction period	3 months	Estate/Mixed
Construction period	31 months	starting in Month 4
Sales rate (OM homes)	30 per year	Overhang 2 months
Sales period (OM & AH)	27 months	starting in Month 10

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High-Level Appraisal				
Gross Development Value	Units (N°)			% GDV
Open Market Homes	67	£	11,931,000	
Soc. Rented Homes	80.0% 6	£	354,614	
Intermediate Homes	20.0% 2	£	147,756	
Total Revenue	75	£	12,433,370	100.0%
Land Cost incl LTT & fees @	1.50%	£	1,322,250	10.6%
Pre-Construction Costs	(if applicable)			
Physical Infrastructure				
Normal External Costs	£/unit £ 15,000	£	1,181,250	9.5%
Abnormal Site Costs	£/unit £ -	£	-	
Opening-up Costs	£/unit £ -	£	-	
Professional Fees	5.00%	£	59,063	0.5%
Planning Obligations / CIL	£/unit £ 3,750	£	281,250	2.3%
Housing Construction				
Building Costs	£/unit £ 83,584	£	6,268,815	50.4%
Professional Fees	5.00%	£	313,441	2.5%
Sale & Marketing Costs		£	343,275	2.8%
Finance Costs				
Interest rates (p.a.)	Debit 6.00% Credit 0.50%	£	195,058	1.6%
Total Development Costs		£	9,964,401	
Blended Margin on Total GDV	19.9%	Profit	£ 2,468,969	
Overall Profit on Cost	24.78%	(see benchmark below)		
Target/Benchmark Profit		£	2,449,524	
based on open market sales @		20.00%	£	2,386,200
and on affordable housing cost @		6.00%	£	63,324
Surplus/(Shortfall) on Target Profit		£	19,445	0.79%
Total Equity & Borrowing (Capital Employed)		£	2,923,718	29.34%

Sensitivity

House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

Main Inputs & Key Variables							Collect / Update GIA's and ACG's	
Unit Nos.			GIA's in m ²		Overall		Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix		Cost/m ²	OMV
6	4	1b2p flat	50.0	55.6	8.3%		£ 850	£103,000
10		2b3p flat	61.0	67.8	8.3%		£ 850	£125,000
7	8	2b3p bungalow	58.0	58.0	12.5%		£ 850	£119,000
10		2b4p house	83.0	83.0	8.3%		£ 850	£170,000
25	3	3b4p house	88.0	88.0	23.3%		£ 850	£180,000
24	3	3b5p house	94.0	94.0	22.5%		£ 850	£193,000
20		4b6p house	110.0	110.0	16.7%		£ 850	£226,000
102	18	ACG Band 2			100.0%			
Percentage of Affordable Homes			15.0%	OMV per m ²		£ 2,050	£190 psf	
Sales GIA's		OM	8,802.0 m ²	AH		1,210.0 m ²		
Net to gross ratio for flats			90.0%	Total Build (m ²)		10,135.3		
Allowance for External Site Costs			19.9%	of Build Costs, or £/unit		£ 15,000		
Site/Sales Agency & Marketing Costs			2.50%	of OM Sales				
Legals on all Units			£600	per dwelling				
AH transfer values - Social Rent			42.0%	of ACG		Intermediate	70.0%	
Extra cost/unit (if any) for additional Building Regs requirements					£3,500			
Contingency on all construction & physical infrastructure costs					5.00%			
s.106 Obligations			£5,200	per dwelling - or CIL		psm (excl AH)		
Abnormal Site Costs (if any)						per acre		
Opening-up Costs (if any)						per acre		
Net Developable Site Area			Land Price		£2,000,000			
9.88 acres			4.00 hectares		£202,347 per acre		£500,000 per hectare	
Housing Density			30.0 units/hectare		and		2,534 sq.m/hectare	

Development Programme		43 months in total
Pre-Construction period	3 months	Estate/Mixed
Construction period	37 months	starting in Month 4
Sales rate (OM homes)	36 per year	Overhang 3 months
Sales period (OM & AH)	34 months	starting in Month 10

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High-Level Appraisal				
Gross Development Value	Units (N°)			% GDV
Open Market Homes	102	£ 18,044,100		
Soc. Rented Homes	80.0% 14	£ 853,574		
Intermediate Homes	20.0% 4	£ 355,656		
Total Revenue	120	£ 19,253,330		100.0%
Land Cost incl LTT & fees @	1.50%	£ 2,128,500		11.1%
Pre-Construction Costs	(if applicable)			
Physical Infrastructure				
Normal External Costs	£/unit £ 15,000	£ 1,890,000		9.8%
Abnormal Site Costs	£/unit £ -	£ -		
Opening-up Costs	£/unit £ -	£ -		
Professional Fees	6.00%	£ 113,400		0.6%
Planning Obligations / CIL	£/unit £ 5,200	£ 624,000		3.2%
Housing Construction				
Building Costs	£/unit £ 79,057	£ 9,486,785		49.3%
Professional Fees	4.00%	£ 379,471		2.0%
Sale & Marketing Costs		£ 523,103		2.7%
Finance Costs	Debit Credit			
Interest rates (p.a.)	6.00% 0.50%	£ 327,260		1.7%
Total Development Costs		£ 15,472,519		
Blended Margin on Total GDV	19.6%	Profit £ 3,780,811		
Overall Profit on Cost	24.44%	(see benchmark below)		
Target/Benchmark Profit		£ 3,761,244		
based on open market sales @		20.00%	£ 3,608,820	
and on affordable housing cost @		6.00%	£ 152,424	
Surplus/(Shortfall) on Target Profit		£ 19,567		0.52%
Total Equity & Borrowing (Capital Employed)		£ 4,184,996		27.05%

Sensitivity

House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	80.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)