ECONOMIC VIABILITY ASSESSMENT

LAND TO THE SOUTH OF 57 MAIN STREET, BEEFORD, EAST RIDING OF YORKSHIRE

JSA DEVELOPMENTS LTD

190VUR00

RESIDENTIAL | LEEDS

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CUSHMAN & WAKEFIELD

CONTENTS

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1. INTRODUCTION

1.1 SCOPE

Cushman & Wakefield (C&W) has been instructed by JSA Developments Ltd (the Applicant) to undertake an Economic Viability Assessment (EVA) in respect of the proposed development at land to the south of 57 Main Street, Beeford, East Riding of Yorkshire.

The site was acquired by the Applicant in April 2017 following a detailed planning consent in March 2017 for the erection of 24 no. dwellings. The accompanying S.106 agreement stipulates an on-site requirement for 4 no. affordable housing units and £299,869 in S.106 contributions.

At the time the consent was secured, the scheme was deemed viable to deliver the agreed level of planning gain based on the build cost information provided to the Applicant by an external quantity surveyor.

However, following commencement of the build programme, it has become apparent that build costs provided to the Applicant prior to acquisition of the site had been significantly underestimated, and some costs omitted. Based on the correct build costs, the scheme is no longer able to viably deliver the full planning gain requirements and the scheme cannot be completed.

The purpose of this report is therefore to seek to reduce affordable housing and S.106 requirements. Our approach is based on an accepted industry methodology, which has been tested by key stakeholders from both the private and public sectors. It is based on up-to-date information, which will stand up to public scrutiny.

The National Planning Policy Framework (NPPF) was revised in 2018 and is now accompanied by the Planning Practice Guidance (PPG). Paragraph 2 of the PPG on Viability and Plan-Making refers to ensuring viability and deliverability:

'Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'

1.2 CUSHMAN & WAKEFIELD'S METHODOLOGY

Development of the scheme commenced in 2018, and 5 no. dwellings and infrastructure works have been fully completed to-date. However, in light of the significant increase in costs, construction has been halted until the issue of viability has been resolved.

In order to accurately assess the scheme viability, we have undertaken an assessment of the entire consented scheme including the elements already completed. Our approach is based on both costs provided by the Applicant and market-facing assumptions.

Our methodology for assessing the total S.106 contributions and affordable housing provision that can be viably supported by the proposed scheme is in-line with RICS and planning policy guidance and is based on the following three stages:

STAGE ONE: Establish appraisal input parameters based on a residual approach, including revenues, costs and developer's profit. We will run a residual appraisal to establish the residual land value assuming delivery of the proposed scheme including CIL payments but *excluding* allowance for S.106 contributions or provision of affordable housing.

STAGE TWO: Identify a Benchmark Land Value based on the EUV+ approach in accordance with current NPPF guidance. This establishes a minimum land value which must reasonably incentivise a landowner to release the site for development.

STAGE THREE: Run a scenario-testing exercise to assess the level of S.106 and affordable housing that can be delivered by the proposed scheme by measuring the output established in Stage One against the output established in Stage Two. To do this, we include full planning policy S.106 contributions within our Stage One appraisal and allow for an increase in the proportion of affordable housing until the residual value is equal to the Benchmark Land Value. However, where the Stage Two value exceeds the Stage One output, the scheme is deemed unviable to deliver any form of planning gain.

We outline below each of these stages and provide supporting information to assist us in establishing the viability of the scheme.

2. SITE OVERVIEW

2.1 SITE LOCATION

Beeford is a village within the East Riding of Yorkshire lying adjacent to the A165, the main arterial route serving Beverley, Hull and Bridlington. Beeford lies close to neighbouring villages including North Frodingham, Skipsea and Brandesburton. Beeford's population was recorded as 1,078 at the 2011 Census.

Beeford occupies a semi-rural location lying 13 miles to the north east of Beverley, 19 miles to the north of Hull, 9 miles to the south of Bridlington and 8 miles to the east of Driffield. Main Street (B1249) runs through the centre of Beeford and serves established residential areas and a small local village centre.

The nearest train station is Driffield, which lies on the Northern railway line and directly serves Scarborough, Hull, Bridlington and Sheffield. London Kings Cross is commutable in around 3 hours 30 minutes via Hull.

The area is served by the 136, Bridlington to Driffield bus service, connecting with Bridlington in around 50 minutes and Driffield in 20 minutes.

Beeford Church of England School is located within the centre of Beeford and was rated as Good by Ofsted in May 2015 whilst North Frodingham Primary School is 2 miles to the west and was rated as Good in November 2016. Kings Mill School within Driffield caters for 2 to 19-year olds and was rated as Good by Ofsted in October 2018.

2.2 SITE DESCRIPTION

The subject site is located immediately to the south of Main Street (B1249) and comprises an irregular-shaped parcel of brownfield land extending to 2.10 ac with a net developable area of 1.30 ac, reflecting a 38% reduction from gross to net. The site enjoys a broadly level topography.

The site formerly comprised a dwelling and paddock land but is now being developed by the Applicant in accordance with the planning consent.

The site lies within the centre of Beeford and is bounded to the north by Main Street and to the west and east by established residential areas. There are extensive areas of open countryside to the south.

2.3 PROPOSAL SUMMARY

The Applicant proposes the development of 24 no. dwellings. Plots 1, 2, 3, 5 and 6 have been fully built, whilst Plot 4 has been built to foundation level only.

Unit no.	House type	Beds	GIA (sq ft)	NSA (sq ft)
1	End-terrace	3	985	985
2	Mid-terrace	3	985	985
3	End-terrace	3	985	985
4	Detached	4	2,315	2,077
5	Detached	3	1,723	1,528
6	Detached	3	1,723	1,528
7	Detached	4	1,960	1,765
8	Detached	4	1,917	1,679

Unit no.	House type	Beds	GIA (sq ft)	NSA (sq ft)
9	Detached	3	1,723	1,528
10	Detached	3	1,723	1,528
11	Detached	4	1,917	1,679
12	Detached	4	1,960	1,765
14	Detached	4	1,960	1,765
15	Detached	3	1,723	1,528
16	Detached	4	2,423	2,024
17	Terrace	3	990	990
18	Terrace	3	990	990
19	Detached	3	1,259	1,259
20	Terrace	2	985	985
21	Terrace	2	985	985
22*	Terrace	3	985	985
23*	Terrace	3	985	985
24*	Bungalow	1	377	377
25*	Bungalow	1	377	377
Totals			**33,955**	**31,282**

The total proposed Net Sales Area (NSA) is therefore **31,282 sq ft**, equating to an average unit size of 1,303 sq ft. The proposed scheme comprises a mixture of detached and terraced house types across 2 storeys.

The S.106 requirement stipulates a requirement to provide 4 no. affordable housing units on-site. The proposed scheme assumes units 22, 23, 24 and 25 will be of affordable tenure in accordance with the approved planning consent.

3. PLANNING OVERVIEW

3.1 PLANNING SUMMARY

The site lies within the designated development limits of Beeford and is allocated for housing within the East Riding Local Plan Allocation Document under policy BEE-B (Land South of 37-63 Main Street). The policy which supports an indicative capacity of 40 no. dwellings.

A detailed planning application for the erection of 24 no. dwellings and detached double garages to serve 57 Main Street, Beeford, and associated infrastructure was approved on 21 March 2017. The planning reference is 16/02275/STPLF.

A submission of details required by planning conditions 3, 5, 6, 7 and 8 in respect of the consent were approved in August 2017. A further application to vary conditions in respect of design modifications to plot 7 was submitted in August 2018 and is pending a decision.

3.1.1 AFFORDABLE HOUSING

In accordance with the Council's adopted policy, there is a requirement for 20% affordable housing to be delivered on site, equating to 4.8 no. units.

The agreed S.106 agreement stipulates a requirement for 4 no. on-site affordable housing units, equating to 17% provision. It states that the units should comprise 2 no. one-bedroom bungalows and 2 no. three-bedroom houses and should be either affordable rent or social rent in tenure.

In addition, the S.106 stipulates a requirement to pay £194,138 in lieu of delivering affordable housing on site.

The planning consent therefore stipulates a requirement for 4 no. affordable housing units to be delivered on site, equating to 17% provision. In addition, a payment of £194,138 is payable in lieu of providing full affordable housing provision.

3.1.2 S.106 CONTRIBUTIONS

The S.106 agreement also stipulates a requirement for the following S.106 payments:

- Additional affordable housing payment - £38,960
- Recreational Facilities contribution to be paid prior to the occupation of 16 dwellings - £66,771

The planning consent therefore stipulates an additional requirement for £105,731 in off-site payments.

4. RESIDENTIAL MARKET OVERVIEW

4.1 UK HOUSING MARKET

According to the HM Land Registry data, the average UK house price in January 2019 was £228,147. Property prices on average fell 0.8% compared to the previous month but the annual price increase was 1.7%. This is reported as the lowest annual growth for the UK since June 2013.

The monthly change in the Yorkshire and The Humber region was reported as -1.0% and the annual increase was reported 2.9%. The average house in the region is £160,420.

The February 2019 RICS UK Residential Market Survey results indicate a slowing momentum with subdued indicators on enquiries, sales and new instructions. It also reported that 77% of respondents across the UK cited the uncertainty arising out of Brexit as the single biggest challenge facing the housing market, with only 8% of respondents stated it was having no effect.

Buyer demand was reported to have fallen for the seventh consecutive month, which is coupled with a lack of stock coming to the market, highlighted as the second most significant challenge facing the market. The average number of properties recorded on estate agents' books is reported to have reached a record low in February.

There is a reduction in sales, with nearly all parts of the UK displaying a flat or negative trend. The outlook for the next three months remains subdued although expectations over the next 12 months is more positive.

There is clearly wider market uncertainty as we approach the UK's scheduled departure from the European Union. We anticipate such uncertainty will impact on residential markets in the short term, though this will be dependent on the terms of the UK's departure.

4.2 LOCAL HOUSING MARKET

The site falls within the postcode area YO25 8. Our analysis of HM Land Registry residential transactions for the YO25 8 postcode area over the period January 2018 to January 2019 identifies there were 91 transactions of second-hand properties.

In total, there were 49 no. detached sales (54%), 25 no. semi-detached (27%) and 17 no. terraced properties (19%).

The average sale prices across detached, semi-detached and terraced second-hand price was £220,886. The average detached sale price was £285,538, semi-detached was £153,398 and terraced was £137,782.

5. STAGE ONE – RESIDUAL LAND VALUE

To provide an indication of site value for the proposed development, we have undertaken analysis of the value of the completed development and the costs associated with delivering the scheme **excluding** delivery of affordable housing and S.106 contributions. This will then be measured against our assessment of Benchmark Land Value determined in Stage Two.

5.1 REVENUE ASSUMPTIONS

5.1.1 NEW BUILD REVENUE ANALYSIS

In accordance with planning policy guidance, to establish achievable revenues for the proposed scheme we have assumed delivery by a hypothetical housebuilder. We have undertaken research on new build and second-hand sold prices in the locality, taking care to select developments and properties which are most closely comparable to the subject site.

The most relevant evidence for establishing likely sales revenues on new build schemes is other comparable new build developments. Evidence should come from schemes within the immediate vicinity of any site being considered or, if this is not possible, schemes situated within neighbouring areas where house prices are comparable.

The key benefits of utilising new build evidence are:

- Accurate floor areas can be verified through information included on house builder websites or from floor plans submitted as part of the planning application for a site
- New build housing is more homogenous than second-hand stock, with specification typically similar across schemes and prior to alterations and additions by individual homeowners
- Values can be therefore accurately be compared on a rate per sq ft basis

When utilising new build evidence, it is important to note that housebuilders frequently offer incentives to purchasers or negotiate discounts against quoted asking prices to achieve sales.

It is our experience that housebuilders typically inflate achievable prices by 5-10% to arrive at the quoted asking price to account for negotiating discounts or incentives. The level of discount or incentives that a housebuilder is prepared to give will depend on sales rates and market conditions at the time. Where asking prices have been quoted within this report, they have been discounted appropriately.

Not all sales incentives offered by developers to secure plot sales are accounted for within the figure quoted at HM Land Registry, for example, part-exchange. For the purpose of comparing net sales revenues on a like-for-like basis, the price quoted on HM Land Registry should therefore be discounted to allow for additional sales incentives, typically in the order of 3-5% depending on market area. For the purposes of this report we have applied a discount of 3% from the gross revenues sourced from HM Land Registry.

Note that in analysing sales evidence we have relied upon HM Land Registry data and floor areas contained within the EPC Register. As such, we are reliant upon the accuracy of this data. While there may be some margin of error, the comparables do nonetheless provide good evidence for likely achievable values at the subject site and are in-line with our expectations of value based upon our market knowledge.

5.1.1.1 JSA DEVELOPMENTS LTD – HOLME FARM COURT, BEEFORD

The subject site is part-complete, and 4 no. units have now sold. This clearly provides the most relevant comparable evidence and we have analysed both asking prices and achieved sales information provided to us directly by the Applicant and the estate agent, Wooley and Parks.

We have been provided with the following sales evidence directly by the Applicant, which is net of all sales incentives.

Plot	Type	Net Sales Area (sq ft)	Net Price	£ per sq ft
1	3-bed end terrace	985	£160,000	£162
3	3-bed end-terrace	985	£160,000	£162
5	3-bedroom detached	1,528	£200,000	£131
6	3-bedroom detached	1,528	£200,000	£131
		1,257	**£186,667**	**£143**

The evidence indicates a tone of **£143 per sq ft** on a net basis. It is clear the smaller, terraced units have sold for a higher rate per sq ft on account of quantum, which falls in-line with expectations.

Plot 2 is the last remaining constructed unit and comprises a 3-bedroom mid-terrace property of 985 sq ft. We are informed the property is being marketed for £155,000, equating to an asking price of £157 per sq ft. We note the asking price is lower than the price achieved for Plots 1 and 3, though both plots are end-terrace and therefore more desirable.

In addition, Wooley and Parks are marketing Plot 4, a large 4-bedroom detached property extending to 2,077 sq ft. The property has been built to foundation level only and is being marketed for £325,000, equating to £156 per sq ft, which is higher than the established tone. However, we note it is a corner plot, which may boost its marketability.

Beeford is a village with few amenities and its appeal is therefore limited to a narrow market, though discussions with the marketing agent indicate reasonable demand. However, the stilted construction programme has undoubtedly impacted marketability.

The sales evidence clearly provides robust data, however, we consider it prudent to assess other new build schemes across the wider area to allow us to benchmark revenues against sites within superior locations.

5.1.1.2 LINDEN HOMES – HEARTLANDS, DRIFFIELD

Linden Homes is developing 84 no. 3 and 4-bedroom homes to the west of Driffield following a detailed planning approval in May 2017. We have been provided with the following net sales information directly by Linden Homes.

House Type	No. beds	Size (sq ft)	Sale Price	£ per sq ft
Semi-detached	2	700	£141,813	£203
Terrace	3	864	£167,777	£194
Terrace	3	864	£171,617	£199
Terrace	3	883	£165,960	£188
Terrace	3	883	£168,884	£191
Semi-detached	3	937	£179,300	£191
Detached	3	948	£195,015	£206
Semi-detached	3	970	£184,247	£190
Detached	3	1,032	£226,805	£220

Detached	4	1,156	£251,717	£218
Detached	4	1,136	£248,636	£219
Detached	4	1,196	£248,189	£208
Detached	4	1,277	£255,111	£200
Detached	4	1,354	£285,506	£211
Averages		**1,014**	**£206,470**	**£204**

The evidence indicates an average achieved sales revenue of **£204 per sq ft** across a range of £188 to £220 per sq ft. It is clear the smaller units are achieving a higher average revenue on a rate per sq ft on account of quantum, which falls in line with expectations. The data is net of sales incentives offered by the housebuilder and therefore provides robust evidence.

The site is situated to the western fringe of Driffield, adjacent to the A614 with immediate access to Driffield town centre. As such, the location is superior to the subject and we anticipate achievable revenues at the subject to therefore lie below the average achieved here.

5.1.1.3 WILLIAMSFIELD DEVELOPMENTS – HUTTON CRANSWICK

Williamsfield Developments is an SME housebuilder with one active scheme in the village of Hutton Cranswick, 10 miles to the west of Beeford and 4 miles to the south of Driffield. The development will comprise 31 no. units delivered over 3 phases and the second phase of development is currently being sold.

We have obtained details of 14 no. sales from HM Land Registry between January 2017 and October 2018 as follows:

Date	Address	Type	NSA (sq ft)	Price	£ per sq ft
Oct 18	1 Station Yard Close	Detached	1,938	£460,000	£237
Sep 18	33 Williamsfield Road	Detached	1,787	£339,000	£190
Jul 18	31 Williamsfield Road	Detached	1,464	£328,000	£224
May 18	27 Williamsfield Road	Semi-detached	904	£185,000	£205
Apr 18	26 Williamsfield Road	Semi-detached	1,249	£228,000	£183
Mar 18	24 Williamsfield Road	Semi-detached	1,249	£228,000	£183
Dec 17	29 Williamsfield Road	Semi-detached	904	£185,000	£205
Nov 17	22 Williamsfield Road	Detached	1,249	£258,000	£207
Nov 17	3 Station Yard Close	Detached	1,464	£350,000	£239
Sep 17	2 Station Yard Close	Detached	2,121	£435,000	£205
Aug 17	25 Williamsfield Road	Detached	1,464	£311,000	£212
Jun 17	21 Williamsfield Road	Semi-detached	1,249	£228,000	£183
Mar 17	23 Williamsfield Road	Semi-detached	1,249	£198,000	£159
Jan 17	20 Williamsfield Road	Detached	1,787	£299,000	£167
Averages			**1,434**	**£288,000**	**£201**

The scheme has achieved an average sales revenue of **£201 per sq ft** over an average unit size of 1,434 sq ft. Whilst HM Land Registry captures some incentives offered to a purchaser, it does not capture all incentives, most notably part-exchange. As such, we have applied a 5% reduction, equating to an average net revenue of **£191 per sq ft**.

Hutton Cranswick is superior to Beeford, with a greater supply of local amenities, and ease of access to Driffield and the A614. In addition, Hutton Cranswick benefits from a train station, which forms part of the Northern network directly serving Driffield, Hull, Beverley, Bridlington and Sheffield. As such, we would anticipate the subject site will attract revenues below £191 per sq ft.

5.1.1.4 GPA HOMES – DAWNAY PARK, DRIFFIELD

GPA Homes is a SME housebuilder focussing on development in the East Riding of Yorkshire. Dawnay Park is located to the east of Driffield town centre and will provide 43 no. units across a range of 2, 3 and 4-bedroom semi-detached and detached homes, as well as a limited number of 2-bedroom bungalows.

We have sourced details of 23 no. sales from HM Land Registry between March and October 2018, as follows:

Date	Address	Type	NSA (sq ft)	Price	£ per sq ft
Nov 18	1 Crop Close	Detached	1,259	£250,000	£199
Oct 18	7 Reynards Avenue	Detached	1,259	£250,000	£199
Oct 18	22 Crop Close	Detached	1,001	£190,000	£190
Aug 18	18 Crop Close	Semi-detached	872	£155,000	£178
Aug 18	5 Reynards Avenue	Detached	1,259	£250,000	£199
Aug 18	12 Reynards Avenue	Detached	1,001	£195,000	£195
Jul 18	8 Reynards Avenue	Semi-detached	861	£165,000	£192
Jul 18	10 Reynards Avenue	Semi-detached	861	£155,000	£180
Jun 18	2 Crop Close	Semi-detached	743	£135,000	£182
Mar 18	4 Crop Close	Semi-detached	840	£156,000	£186
Mar 18	5 Crop Close	Semi-detached	840	£156,000	£186
Mar 18	16 Crop Close	Semi-detached	840	£156,000	£186
Mar 18	17 Crop Close	Semi-detached	840	£156,000	£186
Mar 18	1 Reynards Avenue	Semi-detached	872	£155,000	£178
Mar 18	6 Crop Close	Semi-detached	710	£154,000	£217
Mar 18	7 Crop Close	Semi-detached	710	£155,000	£218
Mar 18	8 Crop Close	Semi-detached	710	£155,000	£218
Mar 18	9 Crop Close	Semi-detached	710	£155,000	£218
Mar 18	10 Crop Close	Terraced	700	£147,000	£210
Mar 18	11 Crop Close	Terraced	560	£121,000	£216
Mar 18	12 Crop Close	Terraced	700	£147,000	£210
Mar 18	3 Reynards Avenue	Semi-detached	872	£155,000	£178
		Averages	**865**	**£168,773**	**£195**

The evidence indicates an average gross revenue of **£195 per sq ft**, which equates to **£185 per sq ft** following a 5% discount. We note the average unit size is 865 sq ft, which may be increasing revenues on account of quantum.

Dawnay Park occupies a superior location in comparison to the subject, with more immediate access to amenities, transport links and schools, thus holding appeal to the established family market. We therefore consider it reasonable to assume achievable revenues at the subject will lie below £185 per sq ft.

5.1.2 SECOND-HAND REVENUE ANALYSIS

We have analysed second-hand transactional data to further inform our analysis. Whilst not as important as new build evidence, second-hand data can help establish likely end-revenues on new build schemes, providing an indication of the strength of a market area. There are however weaknesses that must be taken into consideration:

- Accurate information on size is not always available. For example, some estate agents only provide areas for rooms, excluding hallways, bathrooms and en-suites, while others include all useable space, including bathrooms, halls and conservatories. EPCs include bathrooms, en-

suites and hallways but exclude conservatories. Differences in the way that areas are calculated can make direct comparison difficult.

- There is typically no way to verify the accuracy of the floor area information available.
- Second-hand stock is not homogenous, with condition, specification and decor varying from property to property. Such differences can have a significant impact on the price achievable and make it difficult to analyse values accurately.

We have utilised Rightmove and HM Land Registry to analyse achieved revenues for second-hand housing stock within a 0.5-mile radius of the subject site, which we consider represents the established local second-hand market. We have undertaken analysis of 13 no. second-hand terraced, semi-detached and detached transactions between March 2018 and November 2018.

We have utilised floor area information from the EPC Register and whilst we appreciate these may not provide a completely accurate assessment by comparison to new build, the figures can be used as a good indicator of revenues achieved in the surrounding area.

The sample data demonstrates revenues ranging from £136 per sq ft and £194 per sq ft, equating to an average of **£161 per sq ft**, reflecting the range in quality and style of existing stock. In our analysis, the average sale price was £190,531 and the average floor area was 1,180 sq ft.

We consider the proposed development will target a cross-section of the market, and it is important to be mindful of the established second-hand market when forming an opinion of anticipated new build revenues. It is generally accepted by property professionals working within the residential industry that a new build premium typically equates to between 5% - 15%.

In this case, applying a premium to the average revenue of **£161 per sq ft** indicates a new build premium could achieve between **£170 per sq ft** and **£186 per sq ft**.

It should be noted that no detailed analysis has been undertaken in respect of the time spent marketing individual properties to achieve the sales revenues outlined. We have also excluded any anomaly properties which distort the comparable range, such as bungalows.

5.1.3 GROSS DEVELOPMENT VALUE

Developer/Scheme	Average				Comparison
	Floor area	Price	Gross £ per sq ft	Net £ per sq ft	
Subject site	1,257	£180,000	n/a	**£143**	n/a
Linden Homes, Driffield	1,014	£206,471	n/a	**£204**	**Superior**
Williamsfield, Hutton Cranswick	1,434	£288,000	£201	**£191***	**Superior**
GPA Homes, Driffield	865	£168,773	£195	**£185***	**Superior**

**a 5% discount has been applied to the gross average revenue to account for sales incentives not captured by HM Land Registry*

The most direct and robust evidence is clearly the subject scheme, and analysis of the four completions indicates the average revenue equates to **£143 per sq ft** across a range of £131 to £162 per sq ft, with higher rates per sq ft achievable for the smaller units on account of quantum. However, the delays in constructing the site have undoubtedly impacted marketability and we consider it reasonable to assume

higher revenues could be achievable if development recommenced and progressed without further interruption.

Whilst this provides the most robust market evidence, we have analysed three further schemes to enable us to benchmark against the wider market.

The two active schemes in Driffield, developed by Linden Homes and Dawnay Homes, are achieving net average revenues of between **£185 and £204 per sq ft**. In addition, analysis of the Williamsfield scheme in Hutton Cranswick indicates it is achieving a net revenue of **£191 per sq ft**. Hutton Cranswick is a superior location, benefitting from a greater provision of amenities, superior transport links and a train station.

Beeford is a semi-rural location with limited amenities and our analysis indicates the schemes within superior locations are achieving higher revenues, which falls in line with our expectations.

We have undertaken analysis of second-hand revenues within a 0.5-mile radius of the site, which indicates average revenues are in the order of **£161 per sq ft** across an average unit size of 1,180 sq ft. Whilst an indicative measure, applying a 5% -15% premium indicates achievable new build revenues may lie in the region of £170 per sq ft and £185 per sq ft. Based on our analysis, we would expect such a premium to be to the lower end of the range.

The proposed product mix comprises a range of 3 and 4-bedroom units and we note 7 no. units are below 1,000 sq ft (35%) and 13 no. units are above 1,000 sq ft (65%). Whilst there have only been a limited number of transactions, plot sales at the subject site clearly provide the most robust evidence.

However, the scheme is only part-developed, which has no doubt impacted marketability and the revenues that have been achieved thus far. As such, we consider it reasonable to assume an average revenue above £143 per sq ft will be achievable across the wider scheme, though this may slow the achievable rate of sale.

We have therefore adopted these rates to the proposed mix to determine our opinion of GDV.

Unit no.	House type	NSA (sq ft)	£ per sq ft	Sale Price
1	End-terrace	985	£162	£160,000
2	Mid-terrace	985	£157	£155,000
3	End-terrace	985	£162	£160,000
4	Detached	2,077	£144	£300,000
5	Detached	1,528	£131	£200,000
6	Detached	1,528	£131	£200,000
7	Detached	1,765	£159	£280,000
8	Detached	1,679	£155	£260,000
9	Detached	1,528	£144	£220,000
10	Detached	1,528	£144	£220,000
11	Detached	1,679	£155	£260,000
12	Detached	1,765	£159	£280,000
14	Detached	1,765	£159	£280,000
15	Detached	1,528	£144	£220,000
16	Detached	2,024	£148	£300,000
17	Terrace	990	£162	£160,000
18	Terrace	990	£162	£160,000
19	Detached	1,259	£127	£160,000

Unit no.	House type	NSA (sq ft)	£ per sq ft	Sale Price
20	Terrace	985	£162	£160,000
21	Terrace	985	£162	£160,000
22	Terrace	985	£157	£155,000
23	Terrace	985	£157	£155,000
24	Bungalow	377	£332	£125,000
25	Bungalow	377	£332	£125,000

Our opinion of GDV, excluding any provision for affordable housing, therefore equates to **£4,855,000**, and an average of **£155 per sq ft**. Please note, this is based on the proposed scheme but assumes a 100% product mix, excluding an allowance for affordable housing.

This reflects an increase in revenues currently being achieved based on robust, relevant market evidence.

Whilst the properties may ultimately be marketed for a value higher than the figures stated, our opinion of revenues represents the value we consider a housebuilder could achieve following deductions for negotiating discounts and incentives. Asking prices could be in the region of 5% higher to allow for these incentives and price negotiations.

5.2 COST ASSUMPTIONS

5.2.1 BUILD AND ABNORMAL COSTS

To assess the residual land value of the proposed development, we must deduct the costs of construction from the GDV. The cost assumptions associated with identifying the value of the proposed scheme fall into two distinct sections:

- The cost of delivering the housing, including plot externals; and
- The cost of delivering the infrastructure, services, site works etc. over and above that of the traditional house building costs. These are the abnormal development costs.

The NPPF and PPG guidance indicates standard build costs should be based on data provided by the Build Cost Information Service (BCIS), which accounts for prelims but excludes plot externals. Based on our experience, we would anticipate a standard build cost rate for a volume residential development to be within the range of £90 per sq ft to £100 per sq ft, inclusive of plot externals.

We have been provided with a schedule of build costs by the Applicant, which is based on a combination of costs incurred to date and estimated costs required to complete the development. We are informed these costs reflect a blend of standard build and abnormal costs.

Build Cost Item	Cost	Cost per sq ft (GIA)
Infrastructure	£232,060	£6.83
Drainage	£54,474	£1.60
Service connections	£106,251	£3.13
Contractor	£3,106,000	£91.47
Asbestos removal	£1,087	£0.03
Extra-over build cost	£195,700	£5.76
Garage and boundary	£56,910	£1.68
Total	**3,752,482**	**£110.51**

The aggregate build cost is therefore **£3,752,482**, equating to £110.51 per sq ft based on the total GIA of 33,955 sq ft.

This aggregate build cost combines standard plot build, external works and abnormal costs, which we have incorporated as a single cost within our appraisal. We have assumed this cost is phased as monthly payments over the assumed build period.

By way of comparison, we have undertaken research into BCIS costs, rebased to the East Riding of Yorkshire based on median quartile averages. This equates to £1,023 per sq m (£95 per sq ft), which we have increased by 10% to reflect the addition of plot externals, which reflects an all-in build cost of £1,125.30 per sq m (£104.54 per sq ft).

Our appraisal assumes a cost of £110.51 per sq ft, which lies above the BCIS figure of £104.54 per sq ft. However, the cost of £110.51 per sq ft accounts for plot build *plus* abnormal costs, which are not accounted for in BCIS figures. It is therefore appropriate that our adopted build cost lies above the BCIS cost.

The build cost of £110.51 per sq ft represents a combination of costs incurred to date and projected costs required to complete the remainder of the development. It is therefore a robust assessment, which is supported by BCIS in accordance with NPPF and PPG planning guidance.

5.2.2 PROFESSIONAL FEES

Professional fees typically range from 6-10% of the build cost, depending on site complexity and design challenges.

The Applicant has provided the following breakdown of Professional Fees, comprising costs incurred to date and projected fees associated with completing the development.

Build Cost Item	Cost
Planning fees	£11,362
Topographical Survey	£540
CGI Designs	£4,815
Archaeology Survey	£15,450
Environmental Contamination Survey	£4,098
Ecology Report	£969
Building Control Fees	£4,867
Architectural Design Fees	£187,780
Quantity Surveyor	£17,700
Plasmor	£4,385
ABC Warranties	£26,434
Asbestos Report	£975
Accounts	£2,672
Total	**£282,047**

The aggregate Professional Fee allowance equates to £282,047, reflecting **7.5%** of the total build cost of £3,752,482, which falls in line with expectations. We have therefore adopted a Professional Fee cost of **£282,047** within our appraisal, phased as monthly payments throughout the construction period.

5.2.3 CONTINGENCY

In our experience, contingency allowance should range from 3-5%, depending on the risks associated with the development. As some of the build costs have already been incurred by the Applicant, we have not incorporated a contingency to the overall total build cost of £3,752,482.

Instead, we have adopted a **5% contingency** to the projected costs which have not yet been incurred, as advised by the Applicant. This equates to a contingency of **£140,248**, which represents a 3.7% contingency based on the total build cost of £3,752,482 and is therefore within the accepted range.

5.2.4 FINANCE

We have adopted a market-facing finance rate of **6%**, inclusive of all arrangement, monitoring and exit fees. This equates to a total finance cost of **£24,109**.

5.2.5 MARKETING AND SALES FEES

We have allowed **1% marketing fees**, **1% agent fees** and **£500 per unit legal fees**. The aggregate marketing and sales fee equates to **£109,100**.

5.2.6 SALES AND BUILD RATE

Our appraisal assumes a build and sales rate **of 18 months**, equating to 1.3-unit sales per calendar month.

We have assumed the development includes a 1-month lead-in, with sales commencing 6 months following the start of construction. We have assumed a 5-month post construction tail for the sale of the final units. Our cashflow assumes a total development timeline of 24 months.

5.2.7 DEVELOPER'S PROFIT

There continues to be a healthy debate across the industry around what represents an appropriate level of developers profit in viability assessments. There is no definitive answer, although the majority of guidance and appeal precedents point to a minimum profit of 20% of GDV being appropriate.

Published in July 2018, updated PPG and NPPF guidance on viability identifies an assumption of 15-20% of GDV may be considered a suitable return for developers to establish the viability of planning policies. It acknowledges that alternative figures may be suitable where there is evidence to support, depending on the type, scale and risk profile of planned development.

C&W have experience in selling a range of residential development land to national and regional housebuilders and we can confirm that from our experience they do not vary their profit requirement below 20% of GDV. C&W also undertake a significant number of bank funding valuations for developments to be undertaken by housebuilders and can confirm that a development which generates a profit on GDV of less than 20% is highly unlikely to be able to secure development funding. In the absence of bank funding, some housebuilders have sought funding through alternative sources, notably high net worth individuals and property investment companies. In our experience, such individuals are also unwilling to support developments which generate a profit of less than 20% of GDV.

We have therefore adopted a developer's profit of **20% of GDV**.

5.3 RESIDUAL LAND VALUE

We have established appropriate appraisal input parameters to inform a residual appraisal calculation using Argus Developer software. Please note, this residual output *excludes* any allowance for S.106 contributions and affordable housing.

Our assessment of land value based on the above inputs equates to a **negative** land value of **minus £423,986**. It is clear the significant increase in development costs is impacting on the viability of the scheme and the Applicant's ability to deliver any level of planning gain.

Within Stage Three, we will assess the level of affordable housing and S.106 the site is able to afford when measured against our opinion of Benchmark Land Value established in Stage Two. However, given the negative land value based on our Level One approach, the viability of the scheme to deliver full planning gain is not in question.

6. STAGE TWO: BENCHMARK LAND VALUE

6.1 OVERVIEW

To assess the viability of the proposed development, we must compare the residual land value established in Stage One with a Benchmark Land Value (BLV). BLV is the minimum land value that would reasonably incentivise a hypothetical landowner to release the site for development.

On 24 July 2018, the Government published updated National Planning Policy Framework (NPPF) and Planning Policy Guidance (PPG) in respect of viability. This introduced a new approach for assessing BLV known as **Existing Use Value Plus (EUV+)**.

To determine EUV+, guidance states we are first required to establish the EUV of the land. We must then establish the landowner premium, which is the minimum amount over and above EUV which reasonably incentivises a sale and releases the site for development. The guidance states BLV should:

- be based on EUV;
- allow for a sufficient premium to landowner(s);
- reflect the implication of abnormal costs, including infrastructure costs and professional fees; and
- be informed by market evidence, including current uses, costs and values, where possible. Market evidence should be based on policy-compliant developments or otherwise be adjusted to reflect the cost of according with planning policy.

Whilst the guidance does not explicitly reference *how* to establish an appropriate premium over EUV, reference to market transactional data clearly provides the most robust and evidence-based approach in supporting an EUV+ assessment.

PPG also recognises it may be appropriate to establish a viable Alternative Use Value (AUV) where an existing implementable permission is in place. In such instances, AUV should by evidenced by cost and value information to support the BLV. However, as the premium is implicit within the AUV, it must not be double-counted.

6.2 CUSHMAN & WAKEFIELD'S APPROACH

Establishing EUV is the first component in assessing EUV+. In the PPG, EUV is defined as:

'the value of the land in its existing use together with the right to implement any development for which there are policy-compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. EUV is not the price paid and should disregard hope value.'

The subject extends to 2.10 gross acres and is brownfield, having formerly comprised a single dwelling and associated paddock land. The site was openly marketed and was acquired by the Applicant following a competitive tendering exercise for £415,000, equating to £197,619 per gross acre.

The site benefits from a detailed planning consent for a scheme of 24 no. units and the principle of residential use is therefore established. However, NPPF guidance states the price paid for the land cannot be used to support an assessment of Benchmark Land Value. As such, we consider it appropriate to assess the EUV based on residential use and have analysed residential land transactional evidence to inform our assessment.

6.2.1 LINDEN HOMES, SPELLOWGATE, DRIFFIELD

Linden Homes is in the process of acquiring a parcel of land within Driffield, which will serve as the second phase of development for the existing Heartlands scheme. The site extends to a net developable acreage of 2.23 acres and is being acquired on an unconditional on planning basis for £483,000, equating to £216,591 per net acre. The scheme will deliver 40 no. units, including 4 no. affordable units, falling below the Council's policy requirements on the grounds of viability.

We are informed the abnormal developments costs associated with development of the site equate to £726,541, equating to £325,803 per net acre or £18,163 per plot.

The aggregate of the price paid for the land and the abnormal development costs therefore equates to a gross land value of £1,209,541, reflecting £542,395 per net acre.

6.2.2 SUMMARY

The subject site benefits from an implementable planning consent and it is therefore appropriate to assess the existing use value having regard to land transactional evidence. Linden Homes are in the process of acquiring land at Spellowgate, Driffield, on an unconditional basis at £216,591 per net acre. However, the scheme occupies a superior market location and it is reasonable to assume the price has been discounted to reflect planning risk.

In accordance with planning guidance, we must assess an appropriate premium that will incentivise the landowner to release the site for development. On this basis, we consider a rate of £200,000 per net acre to be appropriate, equating to a **Benchmark Land Value of £260,000**.

7. STAGE THREE: AMOUNT AVAILABLE FOR S.106 AND AFFORDABLE HOUSING

7.1.1 OVERVIEW

To determine the level of S.106 contributions and affordable housing that the site can viably deliver, we must consider the results outlined in Stages One and Two.

Our opinion of land value established in Stage One, *excluding* any S.106 contribution or affordable housing delivery, equates to a negative land value of **-£423,986**. This is based on a combination of incurred/projected costs and market-facing assumptions and is in accordance with NPPF and PPG planning guidance.

Our opinion of Benchmark Land Value established in Stage Two is **£260,000**, equating to **£200,000 per net developable acre.**

Where the value of Stage One *exceeds* the value of Stage Two, we would run a scenario-testing exercise to assess the level of affordable housing and S.106 that the scheme could afford based on the surplus, i.e., the monetary difference between the Stage One and Stage Two values.

However, given the negative land value determined in Stage One, it is clear the scheme is unable to deliver any form of planning gain.

8. CONCLUSIONS

We have demonstrated that the site is unable to viably deliver any affordable housing requirements or S.106 contributions.

The Applicant acquired the site based on cost advice provided by an external consultant. However, following commencement of the build programme, it became apparent costs had been omitted and underestimated, which has significantly impacted the Applicant's ability to deliver the scheme as intended with the required level of return. On this basis, the scheme is unviable to deliver any form of planning gain.

Our approach is in accordance with updated planning guidance and is supported by robust transactional evidence, and we consider our conclusions both reasonable and valid.

The proposed development is considered viable with no affordable housing provision towards affordable housing and S.106 contributions.

Please note, a more onerous requirement would not offer appropriate incentive to the landowner or developer, and the development would be rendered unviable.

9. CONFIDENTIALITY AND DISCLOSURE

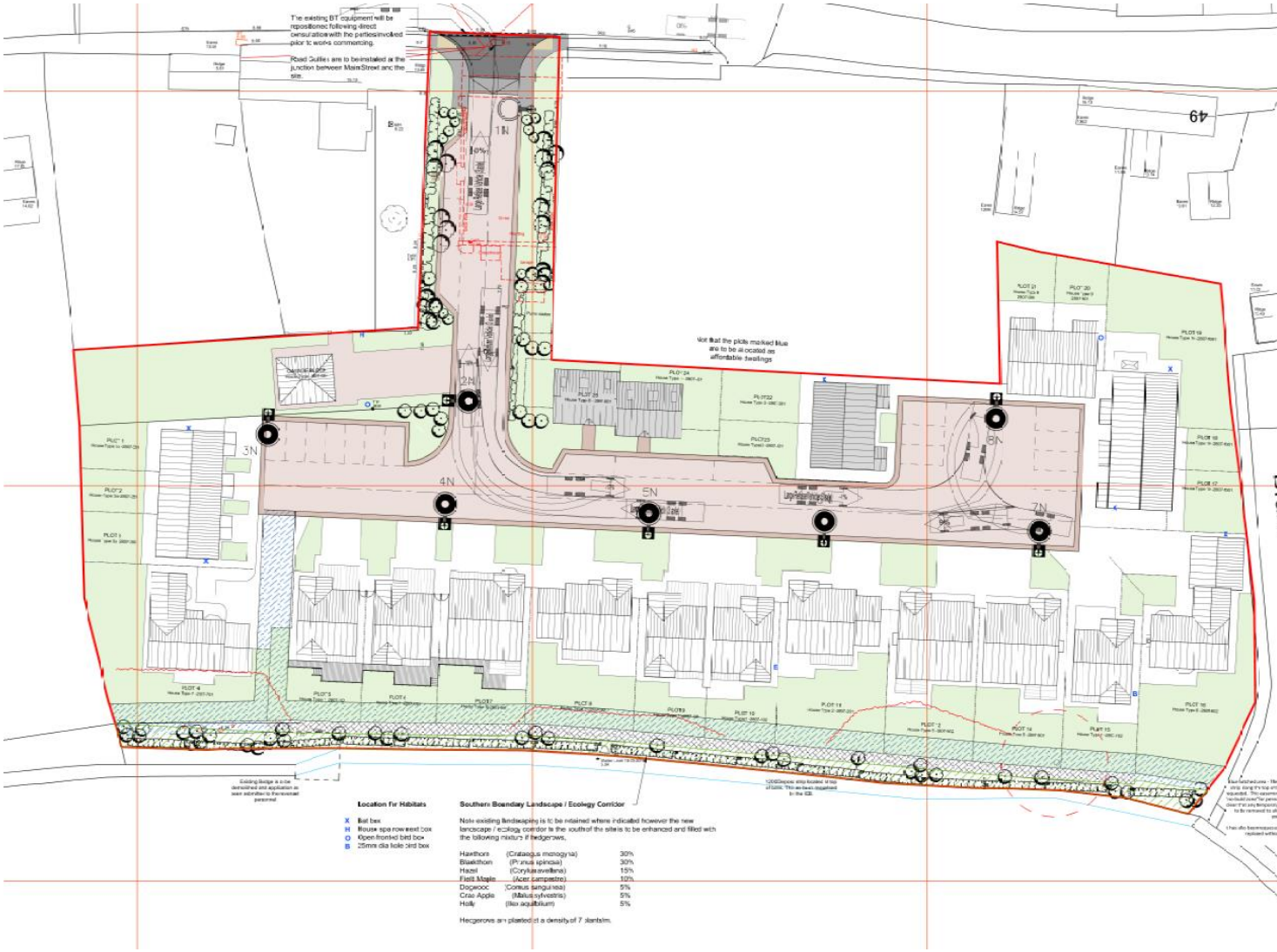
The inputs and results of this report are commercially sensitive and are provided to JSA Developments Ltd on a confidential basis and must not be disclosed to any third party.

We request that this document is excluded from the Freedom of Information Act under Sections 41 and 43(2).

In accordance with proper practice, we must state that the contents of this report and the appendices are confidential to you for the specific purpose to which it refers and is for your use only. Consequently, no responsibility is accepted to any other party in respect of the whole or any part of its contents. Before this Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the authors written approval as to the form and context of such publication or disclosure must first be obtained.

APPENDIX A

CONSENTED SITE LAYOUT



Location For Habitats

- X Bat box
- H House sparrow nest box
- O Open fronted bird box
- B 25mm dia hole bird box

Southern Boundary Landscape / Ecology Corridor

Note existing landscaping is to be retained where indicated however the new landscape / ecology corridor to the south of the site is to be enhanced and filled with the following mixture if hedgerows.

Hawthorn	(Crataegus monogyna)	30%
Blackthorn	(Prunus spinosa)	30%
Hazel	(Corylus avellana)	15%
Field Maple	(Acer campestre)	10%
Dogwood	(Cornus sanguinea)	5%
Crab Apple	(Malus sylvestris)	5%
Holly	(Ilex aquifolium)	5%

Hedgerows are planted at a density of 7 plants/m.

PRELIMINARY STATUS

M - Street lighting column added to drawing	11-07-17SJ
L - Garage position oriented as per comments received from the current owners of the land. Garages has been reduced and repositioned	25-04-17DR
K - Additional easement added to the drawing following discussion with drainage board	16-11-16DR
J - A 4m no build easement strip has been added to the drawing at the request of DB and a 1200 strip at the top of the bank is to be allowed for the disposal of cutting from the dyke	11-11-16DR
H - Plots 21-20-19-18-17 and 11 all brought forward to allow for a minimum standoff of 9m from the rear of 20 to the boundary	04-11-16DR
G - Alterations to the the car parking layout following the requested of the LA highways consultant.	03-11-16DR
F - Additional 3 car parking spaces added to the plan on the entrance road into the site. Footpath has been extended 2m past the ramped access into the site as requested.	02-11-16DR
E - Plots 17-21 redesigned and relocated as requested by LA & information on habitats and landscaping added to the drawing.	07-10-16 DR
D - Plots 1-3 have been repositioned so that line through with the rear of plot 4 as requested by LA.	29-09-16 DR
C - Additional units added to the drawing plots 25 & 26	22-09-16 DR
B - Road design amended	
A House Type Drawing References Updated Garage Size updated to reflect 2807-001	25.07.2016 SJ

client

JSA DEVELOPMENTS

project

HOUSING DEVELOPMENT TO LAND OFF MAIN STREET BEEFORD

drawing

PROPOSED SITE PLAN

date JUN 16	drawn DR	checked
scale 1:250@A1	drawing no	dwg no 2807-02M

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bld ARCHITECTS

APPENDIX B

APPRAISAL SUMMARY

APPRAISAL SUMMARY — CUSHMAN & WAKEFIELD

Land to the south of 57 Main Street, Beeford

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
24 x plots	24	31,282	155.20	202,292	4,855,000
NET REALISATION				**4,855,000**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (Negative land)			(423,986)		
				(423,986)	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
24 x plots	33,955	110.51	3,752,482	**3,752,482**	
Contingency			140,248		
				140,248	
PROFESSIONAL FEES					
Professional fees			282,047		
				282,047	
MARKETING & LETTING					
Sales and Marketing		2.00%	97,100		
				97,100	
DISPOSAL FEES					
Sales Legal Fee	24 un	500.00 /un	12,000		
				12,000	
FINANCE					
Debit Rate 6.00%, Credit Rate 0.00% (Nominal)					
Land			(40,052)		
Construction			64,161		
Total Finance Cost				24,109	
TOTAL COSTS				**3,884,000**	
PROFIT					
				971,000	
Performance Measures					
Profit on Cost%		25.00%			
Profit on GDV%		20.00%			

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