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FINANCIAL VIABILITY REPORT

compiled from and based upon

High-Level Financial Viability Appraisals

undertaken by

Burrows-Hutchinson Ltd

for the

Cyngor **Sir Gâr**
Carmarthenshire
County Council



Replacement Local Development Plan 2018 - 2033

DECEMBER 2022

A.J.L.B.

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List of Acronyms / Abbreviations

AMR	Annual Monitoring Report
BHL	Burrows-Hutchinson Ltd
CCC	Carmarthenshire County Council
DVM	Development Viability Model
FVA	Financial Viability Appraisal
GDV	Gross Development Value
GIA	Gross Internal Area
LDP	Local Development Plan
LHMA	Local Housing Market Assessment
LPA	Local Planning Authority
NIA	Net Internal Area
PPW	Planning Policy Wales
RDP	Replacement Deposit Plan
RLDP	Replacement Local Development Plan
SA	Sustainability Appraisal
SME	Small-to-Medium Enterprise
SoCG	Statement of Common Ground
SPG	Supplementary Planning Guidance
The Manual	Welsh Government Development Plans Manual (Edition 3) : March 2020
TAN	Technical Advice Note
ULEV	Ultra-Low-Emission Vehicle
VSG	Viability Study Group
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 a landowner willing to develop or sell for development. Deliverability relates to the economic viability of bringing a site forward.
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 how the current LDP (2006 – 2021) needs to be changed and why. This was published in February 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.

1. NON-TECHNICAL EXECUTIVE SUMMARY

- 1.1 Burrows-Hutchinson Ltd (“BHL”) has been commissioned by Carmarthenshire County Council to undertake a County-wide Viability Assessment (“the Study”) of its Housing policies, with a particular focus on the financial viability of affordable housing and other s.106 obligations on market-led residential development sites.
- 1.2 The Study responds to the guidance in the Development Plans Manual, which requires a Local Planning Authority (LPA) to undertake a high level viability appraisal to assess the broad levels of development viability in different housing market areas, which could result in a range of affordable housing percentages being sought across the LPA area^A.
- 1.3 The Study has drawn on market evidence of house prices from a range of development sites across Carmarthenshire (summarised in Appendix B). For development costs, the Study relies on a series of Viability Study Group sessions that have taken place across South Wales over the last 18 – 24 months; evidence from viability assessments that have been undertaken for specific Development Management cases; as well as data from the Building Cost Information Service (BCIS). This development cost data is set out in Appendix D, as a range of assumptions that lie behind the high-level viability assessments undertaken by BHL. It includes allowance for changes to Building Regulations that are aimed at tackling the issues of climate change by making new homes more energy efficient.
- 1.4 For any development proposal to be “financially viable”, it must be demonstrated that it is capable of delivering a competitive, market risk adjusted return to a developer; and a land value that is sufficient to encourage a land owner to sell for the proposed use. Once again, the Study relies on a combination of market evidence, settled viability cases and engagement with industry stakeholders.
- 1.5 The main conclusion reached from this high-level Study is that it should be viable for market-led residential developments to deliver the following percentages of affordable housing, as part of the overall mix of dwelling types and tenures:
 - on sites comprising 10 – 19 homes, 10% should be delivered as affordable homes;
 - on sites comprising 20 – 50 homes, 12% should be delivered as affordable homes;
 - on sites of 51 – 100 homes, 20% should be delivered as affordable homes; and
 - on sites of more than 100 homes; 25% should be delivered as affordable homes.
- 1.6 The Study has also found that, in general, it is no longer realistic to expect new developments of less than 10 dwellings to deliver affordable housing on site. All smaller developments in this category should, however, be able to make a financial contribution towards off-site delivery of affordable homes, calculated in accordance with the Council’s current Affordable Housing SPG (June 2018).
- 1.7 These findings have informed – and have been incorporated in – Policy AHOM1 in the Deposit RLDP for 2018 – 2033.
- 1.8 In addition to the wider objectives to be achieved from public consultation on the Deposit RLDP, the Council expects there to be further engagement with developers, landowners and the construction industry more generally during that consultation period. It will be expecting site promoters to provide further, more up to date evidence on the viability of individual sites; particularly in the case of those that are “key” to delivering the Revised LDP^B.

^A Paragraph 5.88 of the Development Plans Manual; and more generally

^B See paragraph 5.89 of the Development Plans Manual

2. RICS COMPLIANCE

- 2.1 Prior to accepting the commission referred to in paragraph 1.1 above, it was confirmed that BHL has no actual/potential conflict of interest in undertaking the Study. BHL does not act for any site promoter(s), landowner or developer, who might have a financial or other beneficial interest in the outcome of the Study.
- 2.2 BHL also confirms that the fees agreed for this Study are not performance-related or in any way contingent on the outcome of the Study or the conclusions reached in this Report.
- 2.3 In accordance with the RICS Professional Statement entitled Financial Viability in Planning: conduct and reporting (May 2019), BHL confirms that the High-Level Viability Assessments (“HLVA’s”) referred to in this Report have been undertaken impartially, in an objective way and without interference.
- 2.4 It is also confirmed that all relevant and available sources of information have been taken into account; and that, in accordance with best practice, the Study has relied on market-based, rather than client-specific, information.
- 2.5 It should be noted though that this Study has been undertaken at a time of some economic uncertainty. Supply chain and other issues, initially arising from the Covid-19 pandemic and compounded by the events surrounding the war in Ukraine, have had a significant, unusual impact on the cost of many building materials. At the same time, various factors have given rise to a substantial uplift in residential market values over the period since BHL undertook its preliminary Study in 2019, almost exactly 3 years ago.
- 2.6 The Council expects there to be further engagement with developers, landowners and the construction industry more generally during the period when the Revised LDP is on deposit. During that period, it will also be expecting site promoters to provide further, more up to date evidence on the viability of individual sites; particularly in the case of those that are “key” to delivering the Revised LDP^C.
- 2.7 To ensure that the viability evidence that supports relevant policies in the Revised LDP is as up to date and robust as possible, it is likely that assumptions on which this Study has been based will be briefly reviewed prior to submission of the Plan for Examination.
- 2.8 This Report still refers to the RICS Guidance Note entitled Financial Viability in Planning (GN 94/2012) as the more recent Guidance issued in March 2021 on Assessing Viability in Planning under the National Planning Policy Framework 2019 for England has a more direct application in England, rather than in Wales. The spirit of the Guidance has changed little between 2012 and 2021; and has been developed in any event by relevant case law, which the methodology behind this Report takes into account.

^C See paragraph 5.89 of the Development Plans Manual

3. BACKGROUND and POLICY CONTEXT

- 3.1 Carmarthenshire County Council is preparing a replacement Local Development Plan (LDP) – the **Revised Local Development Plan**. When adopted, it will provide a revised and updated policy framework to guide development outside of the Brecon Beacons National Park; and will inform planning decisions taken by the County Council. During the production of the Plan, the existing Local Development Plan (up to 2021) will remain in place until the Revised Local Development Plan (LDP) is adopted.
- 3.2 Carmarthenshire County Council have commissioned Burrows-Hutchinson Ltd (“BHL”) to undertake a County-wide Viability Assessment (“the Study”) of its Housing Policies, with particular regard to the potential for developments that include a residential element in Carmarthenshire, to accommodate:
- **affordable housing contributions** (whether on site, or as an off-site contribution)
 - **other s.106 obligations**.
- 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
 - 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.
- 3.3 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.
- 3.4 This current Study/Report also draws on evidence gathered for and from
- a) an earlier Study in 2019, updated to take account of changes in both costs and values in the intervening period;
 - b) site-specific viability assessments undertaken and agreed since that earlier Study; and
 - c) a series of Viability Study Group meetings and workshops across South Wales that have taken place since that earlier Study.
- 3.5 It should also be emphasised that the conclusions from this current/latest Study may yet be subject to some further review prior to Examination and Adoption of the Revised LDP. The last three years have seen significant changes in development costs and housing market values in most of South Wales.

National Policy Context

- 3.6 The delivery of new housing is one of the key issues facing Planning Authorities 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.
- 3.7 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 LDP’s, and is a key element of meeting the tests of soundness set out in the Welsh Government Development Plans Manual (Edition 3, 2020) and examination procedural guidance prepared by the Planning Inspectorate (August 2015).

Welsh Government Development Plans Manual (Edition 3, March 2020)

3.8 At paragraph 3.10, the Development Plans Manual notes that one of the key outcomes of the LDP system is to:

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

3.9 It also requires that Development Management policies should set out any relevant mitigation / compensation requirements, based on viability assessments and legislation parameters (Table 1 re: Content).

3.10 The 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^D. The Manual’s *“preferred approach is for this to be done in conjunction with a site promoter ...”*

3.11 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 3.55). Both this Study and the earlier one in 2019 were commissioned in response to that requirement.

3.12 The 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.

3.13 The 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 for the proposed use. Development can also be made viable through the availability of Government grants.”

Planning Policy Wales (PPW) Edition 11, February 2021 and Technical Advice Notes (TANs)

3.14 PPW 11 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^E.

3.15 In the same paragraph, PPW 11 demands 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. The County Council held its initial call for Candidate Sites prior to the publication of PPW 11 and whilst it requested viability information in support of Candidate Site submissions, it did not enforce this requirement. It did ask, however, for a range of information which enabled the LPA to assess whether or not there were likely to be any abnormal costs associated with a site’s delivery. It is expected that more detailed and up to date site-specific FVA’s will be undertaken on a number of sites – and particularly those that are “key” to deliver of the Revised LDP – prior to submission of the Revised Deposit Plan for Examination.

3.16 PPW 11 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

^D See paragraphs 3.52 and 5.89 of the Development Plans Manual (Edition 3)

^E Paragraph 4.2.19 in PPW11

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 Revised LDP's preparation.

- 3.17 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.
- 3.18 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 notes that in rural areas, planning authorities may wish to give priority to affordable housing to meet local needs.

Future Wales: The National Plan 2040 (National Development Framework)

- 3.19 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 regional sub-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 and have 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.

- 3.20 The NDF notes that the provision of affordable homes should become a key focus for housing delivery. To facilitate this, Policy 7 of the draft NDF provides guidance in respect of making provision for affordable housing through development plans, as follows:

Policy 7 – Delivering Affordable Homes

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

Through their Strategic and Local Development Plans planning authorities 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, planning authorities should identify sites for affordable housing led developments and explore all opportunities to increase the supply of affordable housing.

- 3.21 It is the aim of this evidence to support the provision and delivery of affordable housing across Carmarthenshire, 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

- 3.22 The PINS guidance suggests 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).

- 3.23 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.
- 3.24 The national policy position reflects the growing recognition within Planning of the critical link that exists between aspirations set out in development plans and the delivery of individual site allocations, in achieving timely and sustainable development during the course of the Plan period.
- 3.25 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.

Independent Review of Affordable Housing Land Supply – April 2019 for WG

- 3.26 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 S106 homes. The report also recommends that WG should introduce a requirement for all new affordable homes to be near zero carbon/EPC 'A' 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.
- 3.27 Such requirements if adopted are likely to have cost implications which are considered in the methodology of this Study. Further recommendations in the report 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

- 3.28 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.
- 3.29 The Mid and South West Wales Regional Planning Group has also commissioned Opinion Research Services (ORS) to undertake a Regional Housing Market Assessment 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. This regional report is further supplemented by a more detailed assessment of housing need on an individual authority basis.
- 3.30 In Carmarthenshire's local housing market assessment, the report takes into account the Revised LDP, population and household projection figures in assessing housing need. The LHMA splits the county into 4 Affordable Housing Action Areas (see **Appendix A**). A significant proportion of the number of households requiring affordable housing fall within the Llanelli Action Area (47%). The LHMA also identifies the type and size of the housing required throughout the County, with Llanelli having a consistent spread of need across 1, 2 and 3 bedroom homes. In general across the other Action Areas, the county requires the development of 2-bed and 3-bed housing to meet the affordable need. The LHMA 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.

Carmarthenshire Local Development Plan (2014 – 2021)

- 3.31 Carmarthenshire County Council's current Local Development Plan was adopted in 2014 and will now run until superseded by the Revised LDP. It includes a range of policies aimed at supporting delivery of Affordable Housing and Planning Obligations including policy SP 6 Affordable Housing, GP3 Planning Obligations, AH1 Affordable Housing, AH2 Affordable Housing – Exceptions Sites and AH3 Affordable Housing – Minor Settlement in the Open Countryside.
- 3.32 The Council's 6th Annual Monitoring Report 2021-2022 indicates that for that year permission was granted for 204.5 affordable dwellings.
- 3.33 The Council has adopted Supplementary Planning Guidance documents on both Affordable Housing and Planning Obligations. It also has information, which has informed this Viability Study, on the planning obligations typically being delivered by new development sites.

Carmarthenshire Local Development Plan Review (2018 - 2033) Preferred Strategy

- 3.34 The Council's Preferred Strategy was published in December 2018 for public consultation. It identifies a Settlement Hierarchy (Policy SP 16, now referenced SP3 in the second Deposit Plan) and sets out a strategy to direct the majority of development to settlements with the greatest number of services. Housing Allocations will only be directed to those locations that are identified as Principal Centres, Service Centres or Sustainable Villages. The Preferred Strategy also outlines a strategic policy relating to the provision of affordable housing. However, the identification of a target has been deferred to the Deposit Revised LDP to take account of emerging evidence.

4. METHODOLOGY

- 4.1 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 Development Plans Manual Edition 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 Carmarthenshire 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

- 4.2 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.
- 4.3 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 MSWWR Commission were (a) to reach an improved understanding generally of viability issues, in a Planning context; and (b) to develop existing skills within the eight commissioning LPA's, through knowledge transfer and provision of the two Viability Models.

- 4.4 Following that original commission, use of the 2 models/toolkits (RVM and DVM) has spread to the 10 LPA's in South East Wales; and the site-specific DVM is now in use across all 18 LPA's across South and Mid Wales for new Candidate Site assessments; and, in several cases, for addressing viability issues in a Development Management context. Various modifications have been made to the DVM to facilitate its use in this wider role.
- 4.5 This Study has been undertaken using the outputs from the MSWWR Commission, including the Regional Viability Model and values from the House Price Database, updated to account for changes in costs and values since then. Costs used in the financial appraisals undertaken for this Study have been based on a combination of information from the BCIS database, input from stakeholders at a succession of workshops and Viability Study Group sessions in South West and South East Wales, 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.
- 4.6 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. This is possible though, without unduly compromising the transparency of the evidence base, given that one of the objectives of the Study is to reach a position where those participating, and with an interest, in the LDP Review, will accept and consider its process and conclusions to be fair and reasonable.
- 4.7 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 (or "benchmark land value") – have been deducted from the gross development value (or total revenue). 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".
- 4.8 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 the scheme 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.
- 4.9 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.
- 4.10 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.

- 4.11 With the Regional Viability Model, all inputs appear on the same page as the outputs (in the form of an Appraisal summary); making it easier to assess the impact of any changes that the user might want to make to those inputs – e.g. for testing an alternative scenario.
- 4.12 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 be undertaken.

The Carmarthenshire Study

- 4.13 Undertaking site-specific appraisals of what the Development Plans 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 have (or will be able to obtain) information pertinent to viability, which may not be so readily available to the LPA.
- 4.14 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.
- 4.15 Consultation on potential candidate sites for the Revised LDP took place between February and August 2018, before the site-specific Development Viability Model (DVM) was available to site promoters, as it is now. It is understood that the Council will be seeking site-specific FVA’s from site promoters, particularly for “key sites”, during the consultation period for the Deposit Plan in 2023.
- 4.16 Accordingly, this Study has focused on the high-level assessment of various 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 – in order to provide a general indication of the levels of affordable housing and other s.106 obligations that ought to be viable in a variety of locations and market areas across the County. The typologies selected and tested for viability are shown in the following table:

Size Range	N° of Units	Site Area		dph	dpa	----- Mix of dwelling types -----							
		ha	ac			1-bed		2-bed		3-bed		4-bed	
						N°	%	N°	%	N°	%	N°	%
Large single	1	0.067	0.17	15	6							1	100%
Small single	1	0.040	0.10	25	10					1	100%		
2 - 4 units	4	0.170	0.42	24	10					2	50%	2	50%
5 - 9 units	8	0.330	0.82	24	10					4	50%	4	50%
10 - 19 units	16	0.540	1.33	30	12			4	25%	6	38%	6	38%
20 - 50 units	34	1.000	2.47	34	14			8	24%	12	35%	14	41%
51 - 100 units	72	2.000	4.94	36	15		0%	16	22%	36	50%	20	28%
Over 100	120	3.240	8.00	37	15	4	3%	26	22%	60	50%	30	25%

These 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;
 - b) a review of candidate site typologies, to ensure that those are suitably covered by the typologies chosen for the high-level viability assessments; and
 - c) an analysis of s.106 settlements and requirements, which showed a degree of variation – in terms of £ per dwelling – according to site size.
- 4.17 High-level viability assessments were undertaken across the complete range of site typologies, incorporating affordable housing transfer values for each of the 4 Affordable Housing Action Areas, coupled with a range of values for the open market homes based on the evidence at **Appendix B**. The assumptions made in these assessments on development costs (including benchmark land values) and the profit margins required to achieve a viable development, are set out in **Appendix D**. The background to Appendix B and Appendix D is explained in detail in section 5 of this Report.
- 4.18 For practical reasons, the high-level viability assessment of each typology is based on a set number of dwellings within the range specified for each typology. That number of dwellings in each case is shown at Appendix D in the column headed “N° of Units”; and for most typologies corresponds to a number near the midpoint within each range.
- 4.19 The results from these high-level viability assessments, summarised in **Appendix E** were used to inform the target percentages of affordable housing that it should be viable to deliver on sites across the County, encapsulated in Policy AHOM1 of the Deposit Plan as follows:
- **sites comprising 10 – 19 homes will be required to provide an affordable housing contribution of 10%;**
 - **sites comprising 20 – 50 homes will be required to provide an affordable housing contribution of 12%;**
 - **sites of 51 – 100 homes will be required to provide an affordable housing contribution of 20%; and**
 - **sites of 101 homes or more will be required to provide an affordable housing contribution of 25%.**

The percentages above relate to the expected on-site provision of affordable homes that the high-level assessments show to be viable (see Appendix E).

- 4.20 It was further concluded from these high-level assessments that the percentage of on-site affordable housing that would be viable on sites of less than 10 dwellings, would yield very little in terms of the number of on-site affordable homes; a site of 8 or 9 new dwellings might yield at most one affordable home. It was therefore decided to make a policy shift towards **sites of less than 10 dwellings** (rather than the current threshold of 5 units) making financial contributions to provide affordable housing off-site; with the on-site provision of affordable homes being limited to sites of 10 dwellings or more.

5. HIGH-LEVEL VIABILITY ASSESSMENTS

5.1 As described in Section 4, 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

- 5.2 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.
- 5.3 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.
- 5.4 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 for Carmarthenshire from this database, concentrating on those sites that offer a robust sample of evidence, is set out in **Appendix B**. As noted in Appendix B, the database has been updated and also extended to give a broader geographical coverage of the County. It should still be noted though that, due to delays in the recording of sale transactions at HM Land Registry, the data generally covers sales between the beginning of 2021 and the first half of 2022; i.e. with a median date of September 2021. The UK House Prices Index, derived from the recorded sales at HM Land Registry, indicates that average house prices in Carmarthenshire increased by nearly 13% between June 2021 and June 2022 (see **Appendix C**).
- 5.5 The data at Appendix B shows the average price (in £ psm) achieved on each development site; as well as an increase of 10% on those average figures. The values in the "Avge+10%" column broadly range from £2,300 psm (£214 psf) and £2,700 psm (£250 psf). It is this range of values that has been used in the high-level viability assessments undertaken in the course of this Study, for sites delivering 20 new dwellings or more. The evidence at Appendix B is, for the most part, drawn from development sites of that size.
- 5.6 The values (in £ psm) achieved on smaller sites (of less than 20 dwellings) will often reflect a premium of between 5% and 10% due to the more "individual" character and quality of many such developments. BHL is aware, for example, of current development sites where values of £3,000 psm (£279 psf) and more are being achieved. In the high-level assessments of these smaller site typologies, BHL has therefore considered a slightly higher range of values, from £2,800 psm (£260 psf) up to c.£2,900 psm (£270 psf). This is shown in the Summary of Results from BHL's High-Level Viability Assessments at **Appendix E**.
- 5.7 Carmarthenshire has its own way of determining the transfer values for **affordable housing**, based on median household incomes in different parts of the County; rather than by fixing values by reference to the Welsh Government's Acceptable Cost Guidance – the method predominantly used elsewhere. The County is being divided into 4 Affordable Housing Action

Areas (AHAA's), based on an assessment of median household incomes. Within those AHAA's, transfer values have been set by use of a multiplier, applied to the median household income for each AHAA. The same transfer value has been applied to a given type/size of affordable dwelling in each AHAA, irrespective of whether it is for social rent or intermediate (generally Low-Cost Home Ownership) tenure. The median household incomes within each AHAA are to be reviewed annually, and transfer values updated on the Council's website as before.

- 5.8 The High-Level Viability Assessments covered by this Report have been based on the range of transfer values shown on the right-hand side of the following table:

House Type	Storeys	Dwelling type	GIA m ²	Avg AH £	£/m ²	AMV	C&W	LLAN	CRMT
1-bed flat common access	1	1b2p flat - c/a	50.0	£56,895	£1,138	56,903	58,945	53,366	58,364
1-bed flat walk up	1	1b2p flat - w/u	53.0	£56,895	£1,073	56,903	58,945	53,366	58,364
2-bed flat common access	1	2b3p flat - c/a	58.0	£71,119	£1,226	71,129	73,682	66,708	72,955
2-bed flat walk up	1	2b3p flat - w/u	65.0	£71,119	£1,094	71,129	73,682	66,708	72,955
2-bed bungalow	1	2b3p bungalow	58.0	£71,119	£1,226	71,129	73,682	66,708	72,955
1-bed mid/end terrace	2	1b2p house	58.0	£56,895	£981	56,903	58,945	53,366	58,364
2-bed terr/semi-det'd	2	2b3p house	74.0	£71,119	£961	71,129	73,682	66,708	72,955
2-bed semi/terraced	2	2b4p house	83.0	£71,119	£857	71,129	73,682	66,708	72,955
3-bed semi/terraced	2	3b4p house	88.0	£85,342	£970	85,355	88,418	80,049	87,546
3-bed detached	2	3b5p house	93.0	£85,342	£918	85,355	88,418	80,049	87,546
4-bed detached	2	4b6p house	110.0	£99,566	£905	99,581	103,154	93,391	102,137
4-bed detached	2	4b7p house	114.0	£99,566	£873	99,581	103,154	93,391	102,137
4-bed detached	2	4b8p house	130.1	Overall Average £1,019 psm					
5-bed detached	2	5b9p house	153.3						

The dwelling types (on the left-hand side of the table) that have been used in BHL's High-Level Viability Assessments are predominantly based on the 2021 Welsh DQR's; with the addition of two larger dwelling types at the bottom of the list.

Rate of Sales and Development Programme

- 5.9 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.
- 5.10 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 uncertainty. This is one area of risk for a developer that may not always be appreciated or understood. It is one of the things that need to be reflected in the percentage margin/return that is allowed to the developer.
- 5.11 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.
- 5.12 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 D** 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.

5.13 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 for the affordable housing to 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” mentioned in 5.11 above. This is considered to be a reasonable reflection of the way in which most s.106 obligations operate.

Development Costs

5.14 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, 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 built 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 reveals a degree of inconsistency in the way that costs are often set out/recorded on the database.

5.15 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; and with little recent evidence in the data sample. This applies particularly in Wales; which 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.

5.16 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 D** 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 also been presented and discussed at various viability workshops with stakeholders in South Wales.

5.17 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. In the past, this mainly related to the costs of providing sprinkler systems in new homes. There is recent evidence indicating that developers are finding ways to reduce

the cost of sprinkler systems; and in several of the viability cases with which BHL has been involved recently, developers have offered evidence of build/plot costs that are inclusive of sprinkler installations. The plot cost rates shown in Appendix D are considered to include the cost of sprinklers.

- 5.18 However, BCIS Average Prices do not yet include the costs of complying with the new Part L regulations that are now coming into force both in England and in Wales. The average extra cost associated with the 2021 Part L changes has been discussed in various forums attended by BHL over the last 18 – 24 months; and by common consensus has been taken at £3,000 per dwelling (as an average figure for all dwelling types) for the purposes of this Study.
- 5.19 Further changes are to be introduced in 2025 and, given the time period that will be covered by the Revised LDP, the potential impact of those further changes must be taken into account in this Study. BHL considers that public consumer awareness of the cost-saving benefits of the new Regulations will develop quite significantly over the course of the next 2 – 3 years; and that lenders will develop a range of new products and/or practices that take account of that.
- 5.20 BHL has debated the cost of these further changes to the Regulations in 2025 with a number of industry stakeholders during the last 12 months; the broad consensus seeming to be that they could add another £5,750 – £7,000 per dwelling to existing costs. This equates to between 2% and 2.5% of the average price of a new home in Carmarthenshire (**Appendix C**). For the purposes of this Study – and based on what is set out above – BHL has taken the view that the additional cost of the 2025 changes could well be matched by a small increase in market value for the new, more energy-efficient homes.
- 5.21 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 (sometimes secured by s.106 obligations). In most of the high-level assessments in this Study, external costs have been allowed for at a rate of £17,500 per dwelling; but slightly higher rates have been applied in the case of the two single dwelling site typologies (see **Appendix D**), which BHL considers to be appropriate.
- 5.22 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.
- 5.23 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 likely to apply will typically 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 could perhaps be a case to which the “exceptional circumstances” referred to in paragraph 5.90 of the Development Plans Manual apply, i.e. where viability considerations might justify a departure from normal policy requirements.

- 5.24 Accordingly, whilst the high-level assessments in this Study contain an allowance for normal **s.106 obligations and SuDS requirements**, 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.
- 5.25 The cost allowances made in this Study are recorded in **Appendix D** and have been calculated as follows:
- a) for SuDS, £4,000 per dwelling on all sites of less than 20 homes; and £3,500 per dwelling on all sites of 20 new homes or more.
 - b) for s.106 obligations (including a contribution towards off-site affordable housing on sites of up to 10 dwellings), costs based on the Council’s current Supplementary Planning Guidance; and assuming (for Education contributions) that the higher rates in the SPG are applied and that there is no spare capacity in existing schools. For the three smallest site typologies, evidence from s.106 settlements over the last 3 years has been used to arrive at an average cost per dwelling.
- 5.26 It has been assumed that, in locations within the Caeau Mynydd Mawr SPG area, the cost of complying with the latest SPG will be treated as an “abnormal” cost, deducted from the land value benchmarks described in paragraphs 5.33 to 5.37 below. Appendix D shows that the cost arising from the SPG is not a major one in terms of £/acre.
- 5.27 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% or 5% 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 manner set out in **Appendix D**.
- 5.28 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.
- 5.29 In a similar way, allowances have been made against the estimated gross revenue from open market sales to cover **marketing and sale costs**, as follows:
- a) 2% on all site typologies of less than 20 dwellings;
 - b) 2.5% on all site typologies of 20 dwellings or more (reflecting the higher costs normally associated with marketing and show homes, in order to achieve higher monthly/annual sales rates); and
 - c) a further allowance for legal costs, calculated at £600 per dwelling on both open market and affordable homes.
- 5.30 The **cost of funding/financing** the development has been calculated using an “all-in” interest rate of 7% p.a. for all site typologies up to 50 dwellings; and 6% p.a. for the two typologies of more than 50 dwellings. This follows the approach typically adopted and accepted in many Planning Appeal decisions. Although this could be argued to be a slightly simplistic way of calculating such costs – which, in reality, will 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.

- 5.31 The use of a common “all in” rate also 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 an SME builder/developer; 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”.
- 5.32 Some smaller businesses may have to pay more than 7% 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 equity reserves to enable them to reduce their overall borrowing costs/requirements.

Land/Site Value

- 5.33 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.
- 5.34 The Development Plans Manual states that the land value should be “sufficient to encourage a land owner to sell for the proposed use”. Recent evidence from both market transactions and settled viability assessments on development sites across the County indicates that residential land prices mainly fall within a range from £180,000 to £240,000 per net developable acre (or from approximately £445,000 to £592,500 per hectare).
- 5.35 There is some evidence of higher prices being paid in locations where there is the potential to achieve premium sales values; and/or where a particular developer is either able to achieve greater cost savings than the norm or is willing to accept a reduced profit margin (if the risk associated with the development is less than the norm, for example). For the purposes of a High-Level County-wide Viability Study such as this, it is appropriate for the focus to be on the mainstream level of land prices; for sites that are capable of delivering, or have delivered, policy compliant schemes.
- 5.36 BHL’s approach in this Study acknowledges that values at the lower end of the range will be achieved in market areas where sales values are also at the lower end of the range described in para. 5.6 above; and that the opposite will be the case in locations where higher house prices apply. Thus the tables at Appendix D show a range of values used in the high-level assessments that BHL has undertaken, for each site typology. As with the preliminary study carried out by BHL in 2019, a slightly higher benchmark land value/rate has been applied in the case of the two single plot typologies; which is broadly equivalent to £300,000 per acre.
- 5.37 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 current LTT rates.

Development Profit and Viability

- 5.38 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).

- 5.39 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.
- 5.40 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."*
- 5.41 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 D**; all of 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; because all the plot cost rates (like the BCIS Average Prices per sqm) include an allowance for a contractor's overheads and profit on the building work.
- 5.42 The tables at **Appendix E** show the results from BHL's high-level viability assessments for each site typology, in terms of an estimated surplus or shortfall compared with the target profit margin for each typology (see Appendix D). That surplus or shortfall is shown firstly as a figure for the development as a whole (left-hand column); and also as a figure per dwelling (centre column) and in £psm (right-hand column). For the purposes of interpreting the results in Appendix E, given the high-level nature of the assumptions made in this Study, a surplus or shortfall within £1,500 per dwelling and/or £15 psm is considered to meet the test of viability. That level of leeway broadly equates to between 1.0% and 1.5% of development build costs; whereas the difference between the average value of an open market home and the average transfer value for an affordable dwelling is in the order of £142,5000 or £1,500 psm.

Sensitivity Testing

- 5.43 The methodology behind the high-level viability assessments in this Study already affords a degree of sensitivity testing, by considering a range of potential house prices and land values for each site typology. Nevertheless, in accordance with best practice, the results from all the high-level assessments have been sensitivity tested to show the effect on developer's profit of the following changes to the basic inputs:
- plus/minus 10% in gross development value;
 - plus/minus 10% in build (plot + external) costs;
 - plus/minus 15% in land value.
- 5.44 To illustrate this, an example of the RVM outputs from one of the high-level assessments is attached as **Appendix F**.

6. SUMMARY and CONCLUSIONS

- 6.1 The revised affordable housing targets set out in Policy AHOM1 of the Deposit Plan are derived from, and are supported by, the high-level assessments described in previous sections of this report. Those targets are as follows:
- **sites comprising 10 – 19 homes will be required to provide an affordable housing contribution of 10% on site;**
 - **sites comprising 20 – 50 homes will be required to provide an on-site affordable housing contribution of 12%;**
 - **sites of 51 – 100 homes will be required to provide an on-site affordable housing contribution of 20%; and**
 - **sites of 101 homes or more will be required to provide an on-site affordable housing contribution of 25%.**
- 6.2 Unlike the current targets set by Policy AH1 in the current LDP, which vary between different geographical areas, the percentage targets in Policy AHOM1 are determined more by site size (in terms of the number of dwellings that a site can be expected to deliver). This recognises that larger sites are likely to be able to deliver a greater proportion and absolute number of new affordable homes.
- 6.3 The high-level assessments that have been carried out also concluded that it is not likely to be viable, in current market conditions, for **smaller sites of less than 10 dwellings** to make a meaningful contribution to on-site affordable housing; and that it would be better for all sites of that smaller size – not just those of less than 5 units – to make a financial contribution for the provision of affordable housing off-site.
- 6.4 Further work is needed to establish site-specific affordable housing percentages for key sites (including existing allocations) across the Revised LDP's main settlements. This work will be done during the consultation period for the Deposit Plan; and will be informed in part by landowners and site promoters responding to the requirements of PPW 11, and the guidance in the Development Plans Manual, as set out in section 3 of this Report.
- 6.5 This Report is made for Carmarthenshire County Council, as part of the evidence base for the Council's Revised LDP; and for the purposes of establishing the viability of its LDP 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

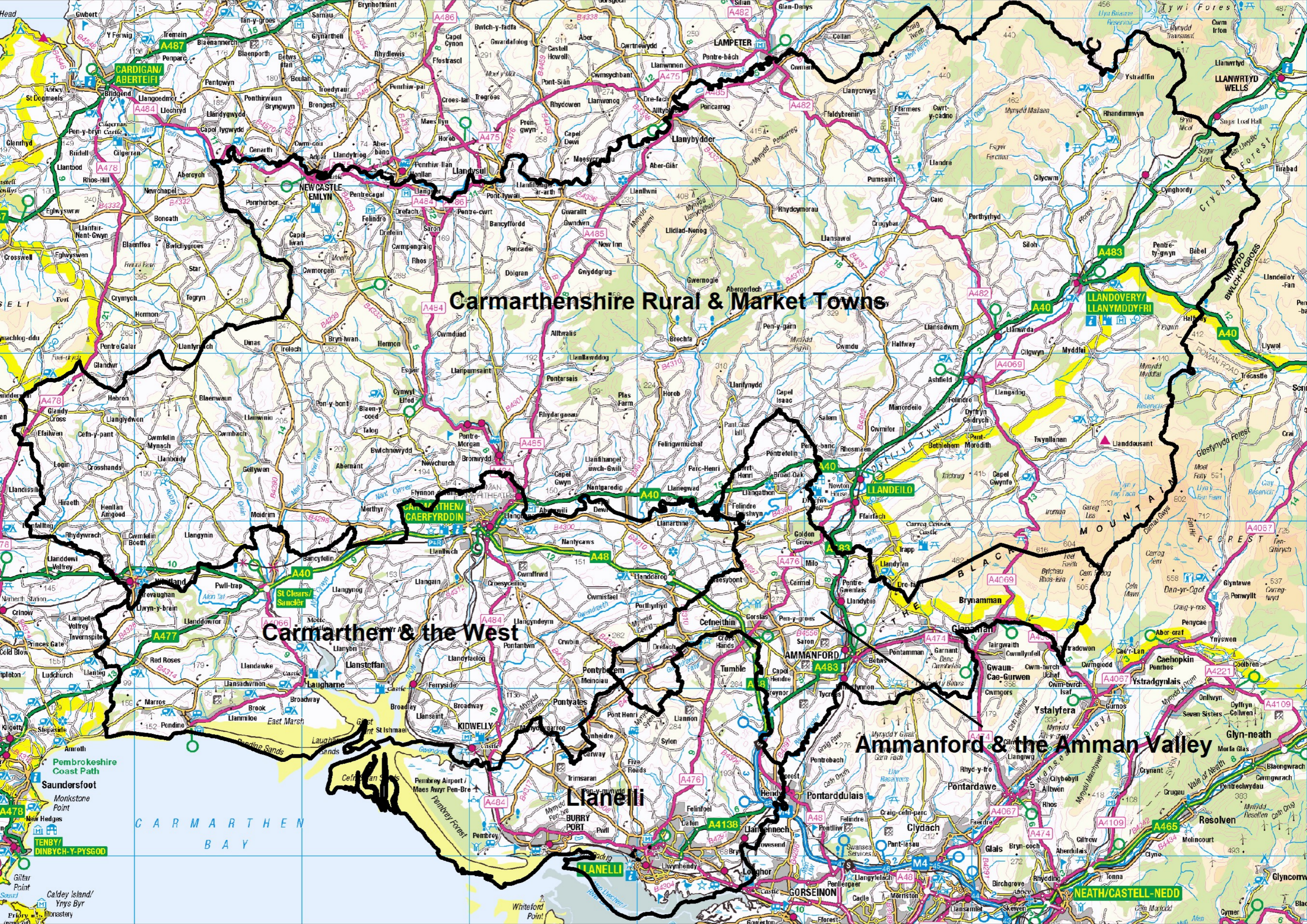
Director

Burrows-Hutchinson Ltd
Strategic Asset Management,
Economic Regeneration and Viability,
Energy Conservation and Performance.

December 2022

APPENDICES

APPENDIX A : PLAN of AFFORDABLE HOUSING ACTION AREAS



Carmarthenshire Rural & Market Towns

Carmarthen & the West

Ammanford & the Amman Valley

Llanelli

NEATH/CASTELL-NEDD

CARDIGAN/ABERTEIFI

NEWCASTLE ENILYN

CARMARTHEN/CAERFYRDDIG

LLANDEILO

LLANDOVERY/LLANYMDDYFRI

LLANELLI

CARMARTHEN BAY

Pembrokeshire Coast Path

TENBY/DINBYCH-Y-PYSGOD

Caldey Island/ Ynys Byr

Glyncoth

Resolven

Glyn-neath

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APPENDIX B : EVIDENCE of MARKET VALUES for NEW HOMES

Location/Development	Primary Postcode	AHAA	N° OM Sales	Sales Period	Avge GIA m ²	Avge Price	Avge £psm	Max £psm	Avge + 10%	Increase on 2019	Note
Parc-Y-Mynydd, Saron	SA18 3LP	AMV	5	02/21 - 05/22	113.4	£281,000	£2,478	£2,705	£2,730	38.9%	
Parc-Y-Gelli, Foelgastell	SA14 7AQ	AMV	4	01/21 - 03/22	117.0	£204,750	£1,750	£2,067	£1,930	56.9%	(a)
Foelgastell generally	SA14 7EG	AMV	11	03/21 - 06/22	161.8	£338,318	£2,091	£3,816	£2,310	N/A	(b)
Gorslas, Cross Hands	SA14 7NF	AMV	8	06/21 - 05/22	117.5	£246,488	£2,098	£3,101	£2,310	N/A	(b)
Cefneithin, Cross Hands	SA14 7BZ	AMV	30	01/21 - 05/22	91.3	£190,628	£2,088	£2,483	£2,300	22.1%	
Cae Coch, Drefach, Cross Hands	SA14 7AL	AMV	11	07/18 - 12/18	127.4	£284,773	£2,236	£2,731	£2,460	N/A	(c)
Llwyngwern, Hendy	SA4 0AA	Llan	8	01/21 - 08/22	83.4	£190,813	£2,289	£2,843	£2,520	27.1%	
Clos Benallt Fawr, Fforest	SA4 0TQ	Llan	20	01/21 - 05/22	116.1	£282,747	£2,436	£3,667	£2,680	N/A	(b)
Parc Brynderi, Llanelli	SA14 9QA	Llan	8	06/21 - 05/22	77.3	£195,312	£2,528	£2,941	£2,790	37.8%	
Ffordd-Y-Meillion etc, Llanelli	SA15 2EX	Llan	16	01/21 - 08/22	82.8	£199,194	£2,405	£3,118	£2,650	27.5%	
Parc-Y-Strade, Llanelli	SA15 4DA	Llan	41	02/21 - 08/22	69.9	£150,561	£2,155	£2,741	£2,380	N/A	(d)
Maes Pedr, Carmarthen	SA31 3BR	C&W	13	01/21 - 08/22	73.5	£164,346	£2,237	£2,647	£2,470	24.6%	(e)
Maes Elen/Macsen, Camarthen	SA31 3FB	C&W	22	01/21 - 02/22	86.4	£183,582	£2,126	£2,778	£2,340	N/A	(f)
Allt Ioan, Johnstown, Carmarthen	SA31 3SB	C&W	6	08/19 - 05/22	78.3	£177,750	£2,269	£2,704	£2,500	N/A	(b)
Maes Lewis Morris, Llangynnwr	SA31 2PL	C&W	25	01/19 - 12/21	111.0	£230,980	£2,081	£2,583	£2,290	13.1%	
Parc Llwyn Celyn, St Clears	SA33 4EB	C&W	7	10/20 - 12/21	102.9	£223,143	£2,169	£2,220	£2,390	24.7%	
Cefn Maes, St Clears	SA33 4DA	C&W	5	06/21 - 08/22	115.6	£279,500	£2,418	£2,719	£2,660	N/A	(b)
Spring Gardens etc, Whitland	SA34 0HR	CRMT	15	02/20 - 08/22	90.0	£206,600	£2,296	£3,088	£2,530	59.0%	(g)
			255								

Average values have been highlighted in red if they exceed £2,475 psm (£230 psf); and in blue if they are less than £2,000 psm (£186 psf)

Maximum values (£psm) have been highlighted in red if they exceed £2,700, and in blue if they are less than £2,150

OTHER COMMENTS / NOTES :

- (a) Predominantly 3-storey homes. Resale of N° 11 showed 36.1% uplift in value between July 2019 and December 2021
- (b) Additional dataset included in 2022 Viability Review
- (c) no sales since 2019
- (d) no sales data for this development in 2019 dataset
- (e) all re-sales in 2021/22 dataset
- (f) predominantly new build transactions in 2021/22 dataset
- (g) extended dataset, including Llys-Y-Crofft and Maes Abaty in 2020/22 sample

APPENDIX C : UK HOUSE PRICES INDEX (Carmarthenshire)

APPENDIX D : COST and PROFIT ASSUMPTIONS for VIABILITY ASSESSMENTS

Size Range	N° of Units	Site Area		dph	dpa	Build Cost £ psm	%age of BCIS Median	Externals as % of Build	Externals in £/unit	SuDS + s.106/ dwelling	Part L 2021 £/unit	Prof'l Fees %	Sales and Mktg	Debit Interest % p.a.	Profit Target OM GDV
		ha	ac												
Large single	1	0.067	0.17	15	6	£1,500	115%	10.00%	£23,000	£15,800	£3,000	12%	2.0%	7.0%	10%
Small single	1	0.040	0.10	25	10	£1,500	115%	12.90%	£18,000	£10,200	£3,000	10%	2.0%	7.0%	10%
2 - 4 units	4	0.170	0.42	24	10	£1,500	115%	11.30%	£17,500	£7,675	£3,000	9%	2.0%	7.0%	15%
5 - 9 units	8	0.330	0.82	24	10	£1,430	110%	11.80%	£17,500	£7,715	£3,000	8%	2.0%	7.0%	16%
10 - 19 units	16	0.540	1.33	30	12	£1,365	105%	13.15%	£17,500	£9,000	£3,000	7%	2.0%	7.0%	17%
20 - 50 units	34	1.000	2.47	34	14	£1,300	100%	13.75%	£17,500	£8,175	£3,000	6%	2.5%	7.0%	18%
51 - 100 units	72	2.000	4.94	36	15	£1,170	90%	15.70%	£17,500	£8,225	£3,000	5%	2.5%	6.0%	20%
Over 100	120	3.240	8.00	37	15	£1,040	80%	18.00%	£17,500	£8,385	£3,000	4%	2.5%	6.0%	20%

BCIS Median - estate housing £1,300 = rate used here

Size Range	N° of Units	OM Sales p.a.	Benchmark Lane Value HIGH (OMV £2,700 psm)			Benchmark Lane Value MEDIUM (OMV £2,500 psm)			Benchmark Lane Value LOW (OMV £2,300 psm)			Extra s.106 in CMM SAC £/ac
			£	£/ha	£/ac	£	£/ha	£/ac	£	£/ha	£/ac	
			Large single	1		£50,000	£746,300	£302,100				
Small single	1		£30,000	£750,000	£303,600							£15,494
2 - 4 units	4	8	£100,000	£588,200	£238,100				£75,600	£444,700	£180,000	£14,582
5 - 9 units	8	8	£195,000	£590,900	£239,200	£172,500	£522,700	£211,600	£147,500	£447,000	£180,900	£15,024
10 - 19 units	16	16	£320,000	£592,600	£239,900	£282,500	£523,100	£211,800	£240,000	£444,400	£179,900	£18,363
20 - 50 units	34	24	£590,000	£590,000	£238,800	£520,000	£520,000	£210,500	£445,000	£445,000	£180,100	£21,071
51 - 100 units	72	30	£1,185,000	£592,500	£239,800	£1,037,500	£518,800	£210,000	£890,000	£445,000	£180,100	£22,311
Over 100	120	36	£1,920,000	£592,600	£239,900	£1,680,000	£518,500	£209,900	£1,445,000	£446,000	£180,500	£22,954

APPENDIX E : SUMMARY of HIGH-LEVEL VIABILITY ASSESSMENT RESULTS

Estimated Surplus/(Shortfall) on Target Profit Margin			
Typology : large single plot		Affordable Housing Action Area	
Market Value	AH %	ALL	AH contribution based primarily on market value of new home; AHAA of lesser significance.
£429,000	off-site	£657	
£2,800/m ² : £260/ft ²			

Surplus/(Shortfall) on Target Profit Margin per dwelling			
Typology : large single plot		Affordable Housing Action Area	
Market Values	AH %	ALL	AH contribution based primarily on market value of new home; AHAA of lesser significance.
£429,000	off-site	£657	
£2,800/m ² : £260/ft ²			

Surplus/(Shortfall) on Target Profit Margin in £ psm			
Typology : large single plot		Affordable Housing Action Area	
Market Values	AH %	ALL	AH contribution based primarily on market value of new home; AHAA of lesser significance.
£429,000	off-site	£4.29	
£2,800/m ² : £260/ft ²			

Typology : small single plot		Affordable Housing Action Area	
Market Values	AH %	ALL	AH contribution based primarily on market value of new home; AHAA of lesser significance.
£265,000	off-site	£1,398	
£2,850/m ² : £265/ft ²			

Typology : small single plot		Affordable Housing Action Area	
Market Values	AH %	ALL	AH contribution based primarily on market value of new home; AHAA of lesser significance.
£265,000	off-site	£1,398	
£2,850/m ² : £265/ft ²			

Typology : small single plot		Affordable Housing Action Area	
Market Values	AH %	ALL	AH contribution based primarily on market value of new home; AHAA of lesser significance.
£265,000	off-site	£1,398	
£2,850/m ² : £265/ft ²			

Typology : 2 - 4 homes		Affordable Housing Action Area	
Market Values	AH %	ALL	Market value of £2,800 psm required to achieve viable margin of 15% on GDV
High (£2,700/m ²)	off-site	(£34,830)	
Low (£2,500/m ²)	off-site	(£78,059)	

Typology : 2 - 4 homes		Affordable Housing Action Area	
Market Values	AH %	ALL	Market value of £2,800 psm required to achieve viable margin of 15% on GDV
High (£2,700/m ²)	off-site	(£8,708)	
Low (£2,300/m ²)	off-site	(£19,515)	

Typology : 2 - 4 homes		Affordable Housing Action Area	
Market Values	AH %	ALL	Market value of £2,800 psm required to achieve viable margin of 15% on GDV
High (£2,700/m ²)	off-site	(£84)	
Low (£2,300/m ²)	off-site	(£189)	

Typology : 5 - 9 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	0.0%	£2,228	Market Value of £2,910 psm (£270 psf) required to achieve viability with 1 affordable unit (12.5%)		
Med (£2,500/m ²)	0.0%	(£112,170)			
Low (£2,300/m ²)	0.0%	(£224,689)			

Typology : 5 - 9 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	0.0%	£279	Market Value of £2,910 psm (£270 psf) required to achieve viability with 1 affordable unit		
Med (£2,500/m ²)	0.0%	(£14,021)			
Low (£2,300/m ²)	0.0%	(£28,086)			

Typology : 5 - 9 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	0.0%	£3	Market Value of £2,910 psm (£270 psf) required to achieve viability with 1 affordable unit		
Med (£2,500/m ²)	0.0%	(£135)			
Low (£2,300/m ²)	0.0%	(£271)			

Typology : 10 - 19 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
Top (£2,825/m ²)	12.5%	£4,893	£9,996	(£8,455)	£5,268
High (£2,700/m ²)	6.3%	(£19,117)	(£16,549)	(£25,821)	(£18,917)
Med (£2,500/m ²)	0.0%	(£114,861)	(£114,861)	(£114,861)	(£114,861)

Typology : 10 - 19 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
Top (£2,825/m ²)	12.5%	£306	£625	(£528)	£329
High (£2,700/m ²)	6.3%	(£1,195)	(£1,034)	(£1,614)	(£1,182)
Med (£2,500/m ²)	0.0%	(£7,179)	(£7,179)	(£7,179)	(£7,179)

Typology : 10 - 19 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
Top (£2,825/m ²)	12.5%	£3	£6	(£5)	£3
High (£2,700/m ²)	6.3%	(£12)	(£11)	(£17)	(£12)
Med (£2,500/m ²)	0.0%	(£73)	(£73)	(£73)	(£73)

Typology : 20 - 50 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	11.8%	£20,200	£29,241	(£4,895)	£19,932
Med (£2,500/m ²)	2.9%	(£49,064)	(£47,015)	(£54,868)	(£49,236)
Low (£2,300/m ²)	0.0%	(£401,930)	(£401,930)	(£401,930)	(£401,930)

Typology : 20 - 50 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	11.8%	£594	£860	(£144)	£586
Med (£2,500/m ²)	2.9%	(£1,443)	(£1,383)	(£1,614)	(£1,448)
Low (£2,300/m ²)	0.0%	(£11,821)	(£11,821)	(£11,821)	(£11,821)

Typology : 20 - 50 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	11.8%	£6	£9	(£1)	£6
Med (£2,500/m ²)	2.9%	(£15)	(£14)	(£16)	(£15)
Low (£2,300/m ²)	0.0%	(£120)	(£120)	(£120)	(£120)

Typology : 51 - 100 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	20.8%	£130,484	£165,656	£35,747	£131,081
Med (£2,500/m ²)	12.5%	£14,331	£34,741	(£41,308)	£14,193
Low (£2,300/m ²)	0.0%	£6,209	£6,209	£6,209	£6,209

Typology : 51 - 100 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	20.8%	£1,812	£2,301	£496	£1,821
Med (£2,500/m ²)	12.5%	£199	£483	(£574)	£197
Low (£2,300/m ²)	0.0%	£86	£86	£86	£86

Typology : 51 - 100 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	20.8%	£19	£24	£5	£19
Med (£2,500/m ²)	12.5%	£2	£5	(£6)	£2
Low (£2,300/m ²)	0.0%	£1	£1	£1	£1

Typology : over 100 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	30.0%	£266,605	£352,833	£33,584	£268,411
Med (£2,500/m ²)	22.5%	£208,079	£271,698	£35,588	£208,877
Low (£2,300/m ²)	14.2%	(£32,398)	£8,993	(£143,460)	(£31,090)

Typology : over 100 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	30.0%	£2,222	£2,940	£280	£2,237
Med (£2,500/m ²)	22.5%	£1,734	£2,264	£297	£1,741
Low (£2,300/m ²)	14.2%	(£270)	£75	(£1,196)	(£259)

Typology : over 100 homes		Affordable Housing Action Area			
Market Values	AH %	AMV	C & W	LLAN	CRMT
High (£2,700/m ²)	30.0%	£24	£31	£3	£24
Med (£2,500/m ²)	22.5%	£19	£24	£3	£19
Low (£2,300/m ²)	14.2%	(£3)	£1	(£13)	(£3)

APPENDIX F : EXAMPLE of RVM OUTPUT with SENSITIVITY TABLES

Main Inputs & Key Variables						Collect / Update GIA's and AH Values	
Unit Nos.			GIA's in m ²		Overall	Build	Approx.
OM	AH	Dwelling Type	Sales	Build	% mix	Cost/m ²	OMV
10	6	2b4p house	83.0	83.0	22.2%	£ 1,170	£224,000
9	9	3b4p house	88.0	88.0	25.0%	£ 1,170	£238,000
18		3b5p house	93.0	93.0	25.0%	£ 1,170	£251,000
20		4b7p house	114.0	114.0	27.8%	£ 1,170	£308,000
57 15			ACG/AHI Band 3		100.0%		
Percentage of Affordable Homes			20.8%		OMV per m² £ 2,700 £251 psf		
Sales GIA's			OM 5,576.0 m²		AH 1,290.0 m²		
Net to gross ratio for flats			95.0%		Total Build (m²) 6,866.0		
Allowance for External Site Costs			15.7% of Build Costs, or £/unit		£ 17,500		
Site/Sales Agency & Marketing Costs			2.50% of OM Sales				
Legals on all Units			£600 per dwelling				
AH transfer values			Social Rent using AHI		Intermediate using AHI		
Extra cost/unit (if any) for additional Building Regs requirements			£3,000				
Contingency on all construction & physical infrastructure costs			5.00%				
s.106 and SuDS			£8,225 per dwelling -		or CIL psm (excl AH)		
Abnormal Site Costs (if any)			per net acre				
Opening-up Costs (if any)			per net acre				
Net Developable Site Area			Benchmark Land Value £1,185,000				
4.94 acres 2.00 hectares			£239,781 per acre		£592,500 per hectare		
Housing Density			36.0 units/hectare		and 3,433 sq.m/hectare		

High-Level Appraisal				
Gross Development Value	Units (N ^o)			% GDV
Open Market Homes	57	£	15,055,200	
Social Rented Homes	8	50.0%	£ 560,345	
Intermediate Homes	7	50.0%	£ 560,345	
Total Revenue	72	£	16,175,889	100.0%
Land Cost, incl LTT, and fees @	1.50%	£	1,251,625	7.7%
Pre-Construction Costs (if applicable)		£	-	
Physical Infrastructure				
Normal External Costs	£/unit	£ 17,500	£ 1,323,000	8.2%
Abnormal Site Costs	£/unit	£ -	£ -	
Opening-up Costs	£/unit	£ -	£ -	
Professional Fees		5.00%	£ 66,150	0.4%
Planning Obligations / CIL / SuDS	£/unit	£ 8,225	£ 592,200	3.7%
Housing Construction				
Building Costs	£/unit	£ 120,301	£ 8,661,681	53.5%
Professional Fees		5.00%	£ 433,084	2.7%
Sale & Marketing Costs			£ 419,580	2.6%
Finance Costs		Debit		
Interest rates (p.a.)		6.00%	0.50%	
		£	211,268	1.3%
Total Development Costs			£ 12,958,588	
Blended Margin on Total GDV	19.9%	Profit	£ 3,217,301	
Overall Profit on Cost	24.83%		(see benchmark below)	
Target/Benchmark Profit		£	3,181,554	
based on open market sales @	20.00%	£	3,011,040	
and on affordable housing cost @	6.00%	£	170,514	
Surplus/(Shortfall) on Target Profit		£	35,747	1.12%
Total Equity & Borrowing (Capital Employed)		£	3,679,959	28.40%

Development Programme	
Pre-Construction period	32 months in total
Construction period	3 months
Sales rate (OM homes)	27 months
Sales period (OM & AH)	30 per year
	Overhang 2 months
	starting in Month 10

Create / Update Sensitivity

Sensitivity	
House Price Factor	100.00% (open market sales only)
Proportion of Social Rent	50.00% (affordable housing)
Construction Cost Factor	100.00% (housing & physical infrastructure)
Land Value/Price	100.00% (land value & associated costs)

Sensitivity Tables - Profit on GDV

Table with 12 columns and multiple rows. Headers include 'Resi GDV / Build Costs' and 'Variation in Value of Open Market Homes'. Rows show Development Profit (£) and Profit on GDV (%) across various percentage variations from -10.00% to +10.00%.

Table with 12 columns and multiple rows. Headers include 'Resi GDV / Site Value' and 'Variation in Value of Open Market Homes'. Rows show Development Profit (£) and Profit on GDV (%) across various percentage variations from -15.00% to +15.00%.

Table with 12 columns and multiple rows. Headers include 'OM Values /AH %age' and 'Changes in the Proportions of Social Rented and Intermediate Tenure'. Rows show Profit on GDV (%) and Aff Hsg %age across various percentage variations from -5.00% to +5.00%.