Independent Viability Experts

FAO Ms. Lucy Buttery
Principal Planning Officer
South Holland District Council

Sent by email only

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Our ref: DN-0541
Your ref: H09-0613-21
Date: 05th September 2021

Dear Ms. Buttery

PROPERTY ADDRESS: **Phase 2 at Balmoral Way, land to the East of Chaffinch Way Holbeach**
INSTRUCTING BODY: **South Holland District Council**
APPLICANT: **Ashwood Homes**



Further to your instruction dated 21st July 2021, we are pleased to report as follows.

1. Property Overview

1.1. The property is located on the north eastern edge of Holbeach, a fenland market town about 7 miles east of Spalding, to which it is linked by the A151, with north to south links via the A17 Newark on Trent to Kings Lynn route. More specifically, the subject site is situated to the south of the A17 trunk road and abuts to the north east the applicant company's recently completed scheme at The Brambles on Chaffinch Way. This is just less than a mile from the natural centre of the town (where there are the usual amenities).

1.2. The site is currently in an 'edge of settlement' location, with existing residential dwellings abutting the majority of the south western boundary, the remainder of that boundary abutting land which is proposed for future residential development (185 dwellings). The south eastern boundary follows the line of a drain south from the A17 and then deviates around the curtilages of a detached dwelling (Willow House) and some part demolished/dilapidated former agricultural buildings (outside the application boundary). To the north the boundary is to the highway verge of the A17. Beyond Foxes Low Road to the east are open fields.

1.3. In terms of new build activity, as referred to above, the applicant company Ashwood Homes have currently just completed and sold out the adjoining 36 dwelling scheme (The Brambles) of 2/3/4 bed detached, semi-detached, terrace and apartment types immediately to the south west. Another Ashwood scheme (Elm Lane) comprising 43 dwellings is on Low Lane, less than a quarter of a mile to the west. This was completed and sold out in 2019. A scheme of 19 detached, semi detached and terraced dwellings off Fleet Road (a quarter of a mile to the south) was completed and sold in 2018/2019.

1.4. The site has an irregular shape and comprises open level land, previously in horticultural use. A group of dilapidated horticultural glasshouses and 2 storage tanks stand in the central southern part of the site with a track leading from the glasshouses to Foxes Low Road. The north western "triangle" of the site has been in use by the applicant as a site compound and is separated from the rest of the site by a row of mature poplars. Other mature trees are present in the south eastern part of the site. A single point of access for the scheme is proposed via the applicant's previous scheme (The Brambles) on Chaffinch Way.

1.5. According to the Maxey Grounds ("MG") "Viability Assessment" dated 7 July 2021, the site area extends to 3.67 Ha (9.07 acres) on a gross basis. The Council has advised that the open space being proposed is around 0.95Ha. This gives a net developable area of 2.72Ha (6.72 acres).

1.6. In terms of planning history, there have been no applications of material relevance to the current application in the past 10 years.

1.7. The current proposal is a full planning application (under ref. **H09-0613-21**) for:

"Residential development of 81 dwellings, associated garaging, roads and sewers".

1.8. This envisages the development of a range of 2 storey dwellings with 1 to 4 bedrooms, configured as maisonettes, terraced, semi-detached and detached units, together with an area of public open space stretching along the northern boundary of the site.

1.9. We have been provided with the following schedule of accommodation (from MG's appraisal model):

Type	Beds	No.	Sq m (each)	Sq m (total)
A516 - Semi	1	2	48	96
Dee - Mid terrace	2	1	68	68
Dee - Semi / end terr	2	5	68	340
A732 - Mid terr	2	1	68	68
A732 - Semi / end terr	2	11	68	748
Aire - Semi	3	14	84	1,176
A902 – Semi / end terr	3	6	84	504
Avon – Semi	3	6	85	510
Coronation – Semi	3	4	87	348
Nene – Detached	3	3	100	300
Lock - Semi	3	2	100	200
Lock – Detached	3	3	100	300
Mere - Semi	3	6	100	600
Mere – Detached	3	5	100	500
Ribble - Detached	4	7	119	833
Severn - Detached	4	2	125	250
Harren – Detached	4	2	130	260
Humber - Detached	4	1	147	147
Totals		**81**		**7,248**

1.10. However, we note a more recent site layout drawing available on the Council's planning portal (75 - SL – 01 Rev H) slightly changes this mix. What would be provided as Affordable Rented units (subject to viability) in the current scheme includes the following:

A516	end terrace / semi	48 sq m	x 2 units
A732	mid terrace	68 sq m	x 1 unit
A732	end terrace / semi	68 sq m	x 8 units
A902	end terrace / semi	84 sq m	x 3 units

1.11. In the latest drawing, this mix has been changed to the following:

A538	end terrace / semi	50 sq m	x 4 units
A732	end terrace / semi	68 sq m	x 7 units
A902	end terrace / semi	84 sq m	x 3 units

1.12. All the other units remain the same as set out in MG's schedule.

1.13. For the purposes of our review, we have applied the latest mix of dwellings as set out the latest drawings.

2. Scope of Assessment and General Assumptions

2.1 MG submitted their "Viability Assessment" dated 7th July 2021 in support of the applicant company's proposal for a change to the Council's planning policy in respect of the amount of developer contributions appropriate to the scheme as proposed. The policy compliant scheme would include 25% affordable dwellings and S106 capital contributions totalling £458,797. MG's target policy compliant appraisal shows a scheme deficit of over £2m, leading to MG's conclusion that "...all affordable housing and S106 contributions should be removed and the developer must be willing to accept a profit level of below 17.5%."

2.2 We have been instructed to provide an independent viability assessment of the scheme, with a view to advising the Council as to the appropriate level of policy contributions that the scheme can viably deliver.

2.3 In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that in completing this instruction CP Viability Ltd have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.

2.4 In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that prior to accepting this instruction we undertook a conflict of interest check. It is stressed that as an organisation we only provide independent viability reviews upon the instruction of Local Authorities and therefore can guarantee that we have not provided viability advice on behalf of the applicant for this scheme. Within this context and having undertaken a review we are unaware of any conflict of interest that prevents CP Viability from undertaking this instruction. If, at a later date, a conflict is identified we will notify all parties to discuss how this should be managed.

2.5 In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that the fee agreed to undertake this review is a fixed rate (covering the elements set out in our fee quote / terms of engagement) and is not performance related or a contingent fee.

2.6 In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) we can confirm that CP Viability Ltd is not currently providing ongoing advice to South Holland District Council in area-wide financial viability assessments to help formulate policy.

2.7 As stated within the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) it is now a mandatory requirement to provide sensitivity analysis of the viability results. This is to demonstrate to the applicant and decision maker the impact that changes to inputs have on the viability outcome and also to help the assessor reach an informed conclusion. We have subsequently undertaken sensitivity testing as part of this review.

2.8 We have assessed the viability of the scheme as at 12th August 2021.

2.9 This assessment does not provide a critique of the proposed development design. Our role is limited to testing the viability of the proposals as detailed on the relevant planning applications.

2.10 We have relied on the information provided to us by the instructing body and the applicant and in particular information publicly available through the Council's planning portal website. We have not met either of the Instructing Body or the applicant.

2.11 In accordance with the RICS "Assessing viability in planning under the National Planning Policy Framework 2019 for England (Guidance Note 1st Edition, March 2021), our appraisal assumes a hypothetical landowner and a hypothetical developer. The intention of a viability assessment is therefore to identify the approach a 'typical' or 'average' developer / landowner would take to delivering the site for development. A viability assessment does not therefore seek to reflect the specific circumstances of any particular body (whether landowner or developer).

2.12 Our review also adheres to the guidance set out in the Planning Practice Guidance for viability, as published in July 2018 (and updated most recently in September 2019).

2.13 In undertaking our appraisals, we have utilised the ARGUS Development Appraisal Tool. This is an industry approved cash-flow model, designed specifically for development appraisals.

2.14 This report reflects the independent views of CP Viability, based on the research undertaken, the evidence identified and the experience of the analysing surveyor.

3. MG's appraisal – summary

3.1. As stated above, MG have submitted their principal appraisal dated 7th July 2021, which is based on a target policy compliant scheme providing 20 onsite affordable dwellings (25%) plus other S106 contributions totalling £489,137. This produces (on the basis of MG's assumptions) a scheme deficit of more than £2million, leading MG to the conclusion that all developer contributions (including affordable housing) should be removed. MG model a further appraisal scenario without affordable housing and other S106 contributions; this reduces the deficit to £696,308, which is still, therefore, unviable. MG undertake some sensitivity analysis, varying the latter non-target policy compliant (i.e., zero contribution) scheme in terms of both revenue and build costs upwards and downwards by 5% increments. This scheme only becomes viable (on their terms) where revenue is increased by 5% and scheme costs are decreased by 5%.

3.2. To summarise MG's appraisal, we have categorised the costs provided under what we consider to be the most common sections of a viability appraisal. For example, all costs which we believe relate to the basic construction of a dwelling (including a contractor's margin or developer's overhead) have been allocated under "Plot construction". Any unusual costs are referred to as "Abnormals", and so on. This categorisation approach allows us to undertake a comparison between the subject scheme and other developments we have assessed.

Gross Development Value (Revenue)

Type	No.	Average £ per sq m	Total
Market Value Houses	61	£2,237	£13,043,500
Affordable housing (Affordable rent)	14	£1,355	£1,300,887
Affordable housing (Int/SO)	6	£1,554	£708,640
Total	**81**		**£15,053,027**

Gross Development Cost (Outgoings)

Type	Detail	Total
Plot construction	£1,158 per sq m	£8,393,184
Garages	18 x £9k sngl; 19 x £13k dbl; 2 x £17k triple	£443,000
External works costs	19.32% of above build costs	£1,707,145
Contingency	2.91% of build costs above	£307,030
Professional fees	4.83% of combined build costs	£509,423
Abnormals	Various @ £104,115 per acre	£944,176
S.106 contributions	Education/NHS	£489,137
Sales & marketing	3% of MV GDV	£391,305
Sales legal fees (MV)	£750 per market dwelling	£45,750
Sales to RP legal fees	£400 per dwelling	£8,000
Finance costs	6.25% debit	£451,727
Arrangement fees etc	Inc. Misc	£18,000
Benchmark land value	£110,271 per acre	£1,000,000
Acquisition costs	Legals, SDLT	£47,000
Developer's profit	17.50% on MV dwellings/4.9% on AH	£2,380,997
Total		**£17,135,874**

3.2 Based on the above appraisal assumptions, MG's appraisal returns a deficit of – (minus) £2,082,847. This is an unviable outcome; MG conclude that the affordable housing and S106 contributions adopted in their appraisal should accordingly be reduced to zero, and even then, the developer would need to reduce their profit margin expectations downwards from 17.5% to make the scheme viable.

3.3 The Planning Practice Guidance on viability states the following:

> *Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.* Paragraph 007
>
> *Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.* Paragraph 008

3.4 When there is a Local Plan in place (as is the case for South Holland District Council through the South East Lincolnshire Local Plan) the PPG therefore requires an applicant to demonstrate what has changed since the plan was brought into place and also specifically to comment upon what is different between the site-specific circumstances of the scheme and what was used in the viability testing which informed the plan.

3.5 MG do specifically comment upon this in their report. It is noted that the main points affecting the viability position for the site in question are:

- The density of the scheme is lower than assumed in the Local Plan.
- Build costs are increased by 21.33% compared to those assumed in the Local Plan. These costs have increased more than the sales values, please see below.
- Sales values are increased by 15.06% compared to the Local Plan.
- External / site specific infrastructure costs are significantly higher than the assumption in the Local Plan.

3.6 MG comment that these factors combined result in a different viability position when compared with the Local Plan and reassessment of the viability position is required for this development to be delivered.

3.7 We have subsequently reviewed the South East Lincolnshire Local Plan and plotted the assumptions used at the subject scheme against the assumptions used (for a similar scheme type) in the Local Plan testing:

Appraisal Input	**2017 Viability Study (Rates/Percentages for 150 dwellings)**	**Chaffinch Way Holbeach (Jul 2021 based on 81 dwellings)**
Density	30 dwellings per net Ha	29.78 dwellings per net Ha
Average Value	£1,900 per sq m	£2,237 per sqm
Average Size	100 sq m	89.5 sq m
Build Cost	£911 per sq m	£1,158 per sq m
Externals	10% on build cost	19.32% on build cost
Contingency	3% on build cost	2.91% on build cost
Professional Fees	7% on build cost	4.83% on build cost
S106	Up to £5,000 per dwelling	£6,039 per dwelling
Sales/Marketing	3% on revenue	3% on revenue
Developer Profit	17.5% Market, 6% Afford	17.5% Market, 4.90% Afford
BLV (inc abnormals)	£535,000 per net Ha	£714,771 per net Ha

3.8 As shown above, there are a number of differences between the assumptions applied to MG's appraisal testing and that used in the South East Lincolnshire Plan viability. However, the density is not considered to be significantly different to the South East Lincolnshire Plan viability testing (contrary to the comments of MG).

4. CP Viability's appraisal

Gross Development Value (Revenue)

4.1. We have assessed the scheme mix as set out above in paragraph 1.9.

4.2. In their assessment, MG's average sales values can be summarised as follows:

– 2 bed semi / terrace	68 sq m	£2,433 per sq m
– 3 bed semi	84 to 87 sq m	£2,305 per sq m
– 3 bed semi	100 sq m	£2,100 per sq m
– 3 bed detached	100 sq m	£2,270 per sq m
– 4 bed detached	119 to 125 sq m	£2,120 - £2,176 per sq m
– 4 bed detached	130 sq m	£2,077 per sq m
– 4 bed detached	147 sq ft	£2,061 per sq m

4.3. In support of these values, MG state that they have "...utilised new build comparable evidence from a site known as Holbeach Meadows..." (i.e., another Holbeach scheme scheme by the applicant company, situated just less than 1.5 miles to the south west of the subject scheme). MG have adjusted sales values where necessary if the same house types are not present on this site. No other evidence is put forward to support the adopted sales values.

4.4. For the purposes of our review, we have initially focused on new build transactions since January 2019 within postcode area 'PE12' (in which the subject property is located).

4.5. The closest scheme identified through our Land Registry search is the applicant company's own "The Brambles" development, which adjoins the subject site to the west (and is effectively Phase 1 of the wider development, with the subject scheme being Phase 2).

4.6. The sales values identified at The Brambles are as follows (limited to the most recent sales, where possible):

	Address	Sq m	£ psm	Price	Date	Type	Type
6	CHAFFINCH WAY	68	£ 2,265	£ 154,000	22/10/2020	Semi	Dee 2b
8	CHAFFINCH WAY	68	£ 2,265	£ 154,000	23/10/2020	Semi	Dee 2b
		68	**£ 2,265**	**£ 154,000**			
2	CHAFFINCH WAY	84	£ 2,131	£ 179,000	25/09/2020	Semi	Aire 3b
4	CHAFFINCH WAY	84	£ 2,131	£ 179,000	16/10/2020	Semi	Aire 3b
56	BALMORAL WAY	84	£ 2,125	£ 178,500	07/01/2021	Semi	Aire 3b
		84	**£ 2,129**	**£ 178,833**			
44	BALMORAL WAY	87	£ 2,052	£ 178,500	08/09/2020	Semi	Coronation 3b
46	BALMORAL WAY	87	£ 2,167	£ 188,500	29/10/2020	Semi	Coronation 3b
52	BALMORAL WAY	87	£ 2,184	£ 190,000	17/12/2020	Semi	Coronation 3b
54	BALMORAL WAY	87	£ 2,075	£ 180,500	11/12/2020	Semi	Coronation 3b
		87	**£ 2,119**	**£ 184,375**			
3	CHAFFINCH WAY	100	£ 2,200	£ 220,000	25/09/2020	Detached	Lock 3b
5	CHAFFINCH WAY	100	£ 2,200	£ 220,000	30/10/2020	Detached	Lock 3b
		100	**£ 2,200**	**£ 220,000**			
34	BALMORAL WAY	100	£ 1,970	£ 197,000	04/12/2020	Semi	Mere 3b
40	BALMORAL WAY	100	£ 1,900	£ 190,000	31/07/2020	Semi	Mere 3b
		100	**£ 1,935**	**£ 193,500**			
7	CHAFFINCH WAY	119	£ 2,050	£ 244,000	30/10/2020	Detached	Ribble 4b
12	CHAFFINCH WAY	119	£ 2,050	£ 244,000	27/11/2020	Detached	Ribble 4b
48	BALMORAL WAY	119	£ 2,050	£ 244,000	17/12/2020	Detached	Ribble 4b
50	BALMORAL WAY	119	£ 2,050	£ 244,000	22/12/2020	Detached	Ribble 4b
		119	**£ 2,050**	**£ 244,000**			

4.7. As part of our analysis, we have considered the values adopted by MG compared to the values shown above taken from The Brambles, as follows:

Dwelling name	Type	The Brambles value £psm	MG Values £psm	Diff
The Dee	2b semi	£2,265	£2,463	8.74%
The Aire	3b semi	£2,129	£2,321	9.02%
The Coronation	3b semi	£2,119	£2,264	6.84%
The Mere	3b semi	£1,935	£2,100	8.53%
The Lock	3b detached	£2,200	£2,270	3.18%
The Ribble	4b detached	£2,050	£2,176	6.15%

4.8. When compared to the values achieved at The Brambles (with the majority of sales taking place in Q4 2020), in every case MG have adopted a value uplift at the subject scheme, ranging from an uplift of 3.18% to 9.02% (average 7.08%).

4.9. In addition, we have also reviewed the applicant's Holbeach Meadows scheme (which MG refer to in their report), noting the most recent net sales (for recently completed, exchanged and sold subject to contract):

Type	Bed	Plot	Sq m	Type	£/sq m	Net Price	Position
Dee	2	36	68	Terrace	£ 2,279	£155,000	SSTC
Dee	2	37	68	Terrace	£ 2,279	£155,000	Exchanged
					£ 2,279	**£155,000**	
Dee	2	29	68	Semi	£ 2,456	£167,000	SSTC
Dee	2	30	68	Semi	£ 2,456	£167,000	SSTC
Dee	2	31	68	Semi	£ 2,449	£166,500	SSTC
Dee	2	32	68	Semi	£ 2,446	£166,350	SSTC
Dee	2	33	68	Semi	£ 2,441	£166,000	SSTC
					£ 2,450	**£166,570**	
Avon	3	43	85	Semi	£ 2,276	£193,500	Completed
Avon	3	44	85	Semi	£ 2,294	£195,000	Completed
Avon	3	45	85	Semi	£ 2,294	£195,000	Completed
Avon	3	46	85	Semi	£ 2,259	£192,000	Completed
					£ 2,281	**£193,875**	
Lock	3	21	100	Semi	£ 2,100	£210,000	Completed
Mere	3	19	100	Semi	£ 2,070	£207,000	Completed
Mere	3	22	100	Semi	£ 2,100	£210,000	Completed
					£ 2,085	£208,500	
Lock	3	4	100	Detached	£ 2,269	£226,850	Completed
Lock	3	5	100	Detached	£ 2,269	£226,850	Completed
Lock	3	6	100	Detached	£ 2,270	£227,000	Completed
Lock	3	18	100	Detached	£ 2,270	£227,000	Completed
Lock	3	63	100	Detached	£ 2,269	£226,850	Completed
Lock	3	64	100	Detached	£ 2,270	£227,000	Completed
Lock	3	65	100	Detached	£ 2,270	£227,000	Completed
					£ 2,269	**£226,936**	
Mere	3	66	100	Detached	£ 2,265	£226,500	Completed
Mere	3	67	100	Detached	£ 2,269	£226,850	Completed
					£ 2,267	**£226,675**	
Ribble	4	15	119	Detached	£ 2,139	£254,550	Completed
Ribble	4	17	119	Detached	£ 2,116	£251,850	Completed
Ribble	4	53	119	Detached	£ 2,175	£258,850	Exchanged
Ribble	4	54	119	Detached	£ 2,176	£259,000	Exchanged
Ribble	4	68	119	Detached	£ 2,151	£256,000	Completed
					£ 2,152	**£256,050**	
Harren	4	51	130	Detached	£ 2,076	£269,850	Exchanged
Humber	4	16	147	Detached	£ 2,040	£299,850	Completed
Humber	4	49	147	Detached	£ 2,061	£303,000	Exchanged
Humber	4	50	147	Detached	£ 2,061	£303,000	Exchanged
					£ 2,054	**£301,950**	

4.10. Again, we have compared these values to that put forward by MG in their appraisal:

Dwelling name	Type	Holebeach Meadows value £psm	MG Values £psm	Diff
The Dee	Terrace	£2,279	£2,279	0%
The Dee	Semi	£2,450	£2,463	0.53%
The Avon	Semi	£2,281	£2,294	0.57%
The Lock	Semi	£2,100	£2,100	0%
The Mere	Semi	£2,085	£2,100	0.72%
The Lock	Detached	£2,269	£2,270	0.04%
The Mere	Detached	£2,267	£2,270	0.13%
The Ribble	Detached	£2,152	£2,176	1.12%
The Harren	Detached	£2,076	£2,077	0.05%
The Humber	Detached	£2,054	£2,061	0.34%

4.11. The majority of MG's adopted values are therefore slightly above that currently being achieved at the Holbeach Meadows scheme.

4.12. Having considered the above, we conclude that the values applied by MG are reasonable when considered against the sales achieved at both the adjacent The Brambles scheme and also Holbeach Meadows. There is therefore no evidential justification to amending MG's adopted values.

4.13. For the affordable rented dwelling, MG's allowances are equivalent to 53.19% to 57.47% of market value. For the shared ownership the range is 65.06% to 65.25%. these allowances are considered to be in keeping with expectations and are comparable to other schemes we have appraised across the district. We have subsequently adopted the same allowances in our appraisal.

Build costs

4.14. For their standard plot construction costs, MG refer to the Build Cost Information Service ("BCIS") database. This is a database regularly used in the construction industry, providing average build price rates for different types of accommodation in different locations.

4.15. MG apply what they refer to as "...the weighted average BCIS lower quartile figure", for detached, semi-detached and terraced house types, which they state as £1,141 per sq m. To this, however, they have added "...the cost of wide strip reinforced foundations..." at £16.97 per sq m. BCIS rates exclude external works costs, garages, contingency and abnormal works costs and as such these need to be included elsewhere in the appraisal.

4.16. MG make an additional allowance for external works. What we consider to be 'standard' external works (site preparation, road and sewers, landscaping / public open space and plot specific externals) equates to £1,707,145 (19.32% of the basic plot construction costs).

4.17. Further allowances are made for garages (rates ranging from £9,000 [single] to £17,000 [triple] per garage) and a contingency sum equivalent to 2.91% of the plot construction, externals and garages. Finally, abnormals / site specific infrastructure costs are included, totalling £944,176.

4.18. We disagree with MG's approach to arriving at a base build costs figure. The rates for individual house types are based on significantly smaller sample sizes and therefore can be regarded as being less reliable. For example, the individual rate for detached dwellings is based on a sample of 21. In comparison, the sample sizes for general estate housing (2 storey) is based on a sample of 1,172. For this reason, we would consider the lower quartile 2 storey general estate housing current rate of £1,094 per sq m to be more reliable.

4.19. By way of additional evidence, we have also considered other recent schemes (which have not involved MG) which we have appraised across the district. The applicant's submitted build costs are as follows:

- Weston (Jan 21) 150 dwellings, greenfield £1,066 per sq m
- Deeping St Nicholas (Oct 20) 120 dwellings, mostly greenfield £1,023 per sq m

4.20. Furthermore, we have also considered a number of other schemes involving MG where we have challenged the adopted build costs put forward. Our suggested adjustment in each case can be summarised as follows:

- Surfleet (Nov 20) 60 dwellings, greenfield £1,051 per sq m
- Surfleet (Jan 21) 77 dwellings, greenfield £1,076 per sq m
- Holbeach (May 20) 83 dwellings, greenfield £1,054 per sq m

4.21. Having considered all of the above and allowing for build cost inflation since the other schemes were appraised, we consider that a plot construction cost equivalent to £1,094 per sq m is reasonable for the purposes of the viability testing.

4.22. Please note, with respect to the additional wide strip reinforced foundations costs (totalling £122,454) this is deemed to be a site infrastructure / abnormal cost and is therefore included elsewhere in our appraisal (see below).

4.23. The various allowances adopted for garages (ranging from £9,000 to £17,000 per unit) are considered to be in keeping with other appraisals we have assessed in the region. As the BCIS rate excludes garages, we therefore agree that it is appropriate to allow for these costs separately.

4.24. With respect to the external works, based on our adjusted plot construction rate these equate to 20.48% of the plot construction / garage costs. By way of evidence, and to 'sense check' this figure in relation to externals costs, we have reviewed cases referred to above in paras 4.19 and 4.20 to establish what allowances have been put forward elsewhere. These can be summarised as follows:

- Weston (Jan 21) 150 dwellings, greenfield 15%
- Deeping St Nicholas (Oct 20) 120 dwellings, mostly greenfield 14.30%
- Surfleet (Nov 20) 60 dwellings, greenfield 15% to 17.5%
- Surfleet (Jan 21) 77 dwellings, greenfield 16%
- Holbeach (May 20) 83 dwellings, greenfield 15%

4.25. The above sample shows an average of 15.06% to 15.56%.

4.26. It is also noted that the Local Plan viability testing had a lower allowance of 10%.

4.27. The above demonstrates that there is an element of 'flex' with respect to standard external costs on a site by site basis. However, all 5 cases show an external costs below the suggested allowance at the subject property. In particular, we note that the 2 most recent cases we have appraised in the district (both of which were undertaken by an assessor other than MG) show external costs at 15% or lower. Having considered this, we are of the view that MG's allowance is above expectations. We have subsequently adjusted this to 15% in our appraisal.

4.28. With regard to contingency, MG's allowance is equivalent to 3.20% of our adjusted combined plot construction, garages and external costs. By way of evidence, and to 'sense check' this figure in relation to contingency, we have again reviewed the 5 similar scale greenfield schemes discussed above in paragraph 4.24. The viability appraisal assumptions with respect to contingency costs in these schemes (and expressed as a percentage of the plot construction, garages and externals) can be summarised as follows:

- Weston (Jan 21) 150 dwellings, greenfield 2.55%
- Deeping St Nicholas (Oct 20) 120 dwellings, mostly greenfield 2.50%
- Surfleet (Nov 20) 60 dwellings, greenfield 2.50%
- Surfleet (Jan 21) 77 dwellings, greenfield 2.50%
- Holbeach (May 20) 83 dwellings, greenfield 3.00%

4.29. Having considered the above, we are of the view that an allowance of 2.5% is reasonable as it is in keeping with the majority of the other schemes tested recently in the district.

4.30. Based on the above evidence, and for the purposes of the viability review, we have adopted a construction contingency allowance of 2.5%.

4.31. With respect to abnormals / site specific infrastructure costs, the following allowances are included (please note in addition we have included the wide strip reinforced foundations costs of £122,454 which MG had included as part of the standard plot costs):

SUDS	35,500
Site prep	60,000
Foul pump inc rising main	135,000
Acoustics	152,532
Dewatering road / foul pump	70,600
E/O to raise plot levels	158,958
E/O import & fill around plots	214,025
Off site works	30,000
E/O stone under road	51,561
E/O wide strip foundation garages	36,000
Wide strip reinforced foundations	122,454

4.32. The above totals £1,066,630 (£392,143 per net Ha).

4.33. It is stressed that the impact of abnormal / site specific infrastructure costs can be offset (at least partially) by reductions in the benchmark land value. The Planning Practice Guidance (PPG) publication on viability (published alongside the NPPF and recently updated in September 2019) states that benchmark land values should "reflect the implications of abnormal costs; site-specific infrastructure costs; and professional costs". In other words, the higher the abnormals / infrastructure works, the lower the benchmark land value and vice versa. This is also discussed below under the 'benchmark land value' section.

4.34. In this respect, if at a later date savings were found in the abnormal costs or additional costs were identified this will not necessarily impact on the overall viability outcome. This is because the benchmark land value would also need to be adjusted, which would largely offset any changes in the abnormals.

4.35. Having considered the above, for the purposes of our review we have accepted the abnormal costs as put forward in MG's appraisal. This is on the basis that the benchmark land value reflects the level of abnormal costs.

Professional fees

4.36. MG have included professional fees which are equivalent the equivalent of 5.31% of of adjusted standard build costs.

4.37. By way of evidence, and to 'sense check' this figure in relation to professional fees, we have again reviewed the 5 similar scale greenfield schemes discussed above in paragraph 4.24. The viability appraisal assumptions with respect to professional fees as put forward by the applicants in their own assessments (and expressed as a percentage of the plot construction, garages and externals) can be summarised as follows:

- Weston (Jan 21) 150 dwellings, greenfield 6.00%
- Deeping St Nicholas (Oct 20) 120 dwellings, mostly greenfield 7.23%
- Surfleet (Nov 20) 60 dwellings, greenfield 7.00%
- Surfleet (Jan 21) 77 dwellings, greenfield 6.00%
- Holbeach (May 20) 83 dwellings, greenfield 5.86%

4.38. The above sample shows an average of 6.42%.

4.39. Based on the above evidence, if anything MG's allowance is therefore slightly below expectations. We have subsequently adjusted this to 6.5% in our appraisal.

S106 / Other Council Policy Requirements

4.40. The Council's policy requires a 25% on-site affordable housing requirement (20 units), to be split as follows:

	Affordable Rent	Shared Ownership
1 bed	4	-
2 bed	7	3
3 bed	3	3
Total	**14**	**6**

4.41. In addition, the Council has confirmed the following levels of developer contributions:

- NHS contribution £54,460
- Education £404,337

Marketing / legal costs

4.42. For sales and marketing costs, MG have allowed 3% on the market value revenue. For sales legal costs, an additional allowance of £750 per unit has been applied to the market value units, plus £400 per unit for the affordable dwellings.

4.43. By way of evidence, and to 'sense check' this figure in relation to marketing / disposal fees, we have again reviewed the 5 similar scale greenfield schemes discussed above in paragraph 4.24. The viability appraisal assumptions with respect to marketing / disposal fees as put forward by the applicants in their own assessments (and expressed as a percentage of the market value revenue) can be summarised as follows:

- Weston (Jan 21) 150 dwellings, greenfield 2.00%
- Deeping St Nicholas (Oct 20) 120 dwellings, mostly greenfield 3.03%
- Surfleet (Nov 20) 60 dwellings, greenfield 2.50%
- Surfleet (Jan 21) 77 dwellings, greenfield 2.50%
- Holbeach (May 20) 83 dwellings, greenfield 2.50%

4.44. The above sample shows an average of 2.51%.

4.45. Based on the above evidence, we have reduced the sales and marketing fee allowance to 2.5%. The allowances for legal fees are considered to be reasonable and have been accepted in our appraisal.

Finance

4.46. MG have allowed for these costs at a debit rate of 6.25%, with an additional £18,000 for arrangement fees and other costs. This is considered to be reasonable. We have subsequently adopted the same in our appraisal.

4.47. To calculate the finance, we have inputted our appraisal data into the ARGUS Development Appraisal Toolkit, which is an industry approved discounted cash flow model (appended to this report).

Developer's profit

4.48. MG adopt a profit equivalent to 17.5% on revenue for the market value units and circa 4.9% for the affordable.

4.49. For a scheme of this size and nature we believe it is appropriate to apply a profit margin expressed as a percentage of the revenue.

4.50. In our experience profit margins fluctuate depending on the nature of the scheme and the type of developer implementing the project. However, and only as a broad guide, we tend to see profit margins in the region of 15% to 20% of revenue. This range is now also explicitly referenced in the recent PPG publication (albeit within the context of plan viability testing).

4.51. It is stressed, however, that affordable dwellings are assumed to attract a lower profit requirement. This is because the risk associated with delivering affordable units is less than market value dwellings, as they are typically transferred in bulk to a single party and are often 'pre-sold' even before construction has been completed. We usually see a reduced profit in the region of 5%-6% on revenue for affordable dwellings.

4.52. We have again reviewed the 5 other schemes appraised across the district, referred to above in para 4.24. The profit levels applied in the modelling are as follows:

- Weston (Jan 21) 150 dwellings, greenfield 17.50%
- Deeping St Nicholas (Oct 20) 120 dwellings, mostly greenfield 16.67%
- Surfleet (Nov 20) 60 dwellings, greenfield 17.50%
- Surfleet (Jan 21) 77 dwellings, greenfield 17.50%
- Holbeach (May 20) 83 dwellings, greenfield 17.50%

4.53. Having considered this and the above, we conclude that an allowance of 17.5% is acceptable for the market value dwellings, together with 5% for the affordable.

Benchmark land value

4.54. The Benchmark Land Value ("BLV") attempts to identify the minimum price that a hypothetical landowner would accept in the prevalent market conditions to release the land for development. Whilst a relatively straight forward concept in reality this is open to interpretation and is generally one of the most debated elements of a viability appraisal. It is also often confused with market value, however the guidance stresses that this is a distinct concept and therefore is different to market value assessments.

4.55. The standard approach is to run an initial appraisal based on all of the above fixed inputs to arrive at a site value for the site. In accordance with the RICS guidance, this residual site value can then be compared to the "benchmark land value" (which is the minimum price that a hypothetical landowner would accept and a hypothetical developer would pay for the scheme to be delivered). If the residual site value is above this "benchmark" then the scheme is viable. If the residual site value falls below this figure, then the scheme is deemed to be unviable.

4.56. Viability assessors are provided some guidance through the National Planning Policy Framework ('NPPF') and Planning Practice Guidance ('PPG'), as published on 24th July 2018 (and updated in May/September 2019). This provides a more up to date guide to undertaking viability assessments and can be regarded as superseding certain elements of the above 2012 documents. One area which the PPG deals with is in relation to assessing BLV, stating the following:

4.56.1. To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.

4.56.2. The EUV should disregard any hope value.

4.56.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.

4.56.4. Benchmark land value should be informed by market evidence including current uses, costs and values wherever possible.

4.56.5. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

4.56.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.

4.56.7. Alternative Use Value of the land may be informative in establishing benchmark land value. However, these should be limited to those uses which have an existing implementable permission for that use. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.

4.57. In other words, the Council should not subsidise (through a loss of planning policy contributions) any overbid made when acquiring the site. Any overbid (or indeed underbid) for a site should therefore be disregarded when considering the BLV. As part of the process of reviewing viability it is down to the assessor to determine whether a price paid is an appropriate figure (or not) to use as a BLV.

4.58. In their report, MG calculate the existing use value as being based on agricultural land value (which they suggest is around £10,000 per acre or £25,000 per gross hectare). This is considered to be broadly reasonable and is consistent with what has been agreed on other sites elsewhere.

4.59. In terms of a premium uplift, MG's allowance equates to 10.90 times the existing use value.

4.60. We have looked to compare this to other benchmark land values recently agreed in South Holland, taking into account the level of abnormal costs (please note we have reviewed the benchmark land values alongside the abnormal costs as the guidance indicates that abnormal costs should be a key consideration in setting the level of benchmark land value). We have again referred to the 5 schemes discussed above in para 4.24 and would summarise the adopted benchmark land values plus abnormals as follows:

- Weston (Jan 21) 150 dwellings, greenfield. Existing use value £10,000 per acre (£25,000 per Ha). Abnormals £276,377 per net acre (£682,928 per net Ha). Premium uplift 8. Adopted benchmark land value £700,000 (£80,000 per net acre or £197,680 per net Ha).

- Deeping St Nicholas (Oct 20) 120 dwellings, mostly greenfield however this did include some existing farm buildings and barns, which had their own underlying existing use value, which impacted on the overall benchmark land value. For this reason, this is not considered to provide a 'like for like' comparison to the subject property and has been excluded from the analysis.

- Surfleet (Nov 20) 60 dwellings, greenfield. Existing use value £10,000 per acre (£25,000 per Ha). Abnormals £84,025 per net acre (£207,626 per net Ha). Premium uplift 16.16. Adopted benchmark land value £800,000 (£163,513 per net acre or £404,040 per net Ha).

- Surfleet (Jan 21) 77 dwellings, greenfield. Existing use value £10,000 per acre (£25,000 per Ha). Abnormals £127,644 per gross acre (£315,489 per Ha). Premium uplift 8.88. Adopted benchmark land value £636,585 (£88,835 per acre or £219,512 per Ha).

- Holbeach (May 20) 83 dwellings, greenfield. Existing use value £10,000 per acre (£25,000 per Ha). Abnormals £135,911 per gross acre (£335,836 per Ha). Premium uplift 11. Adopted benchmark land value £841,500 (£111,093 per acre or £274,510 per Ha).

4.61. Please note, the Surfleet (77 dwellings) and Holbeach cases only provide a gross site area, not a net developable area. This somewhat 'skews' the analysis compared to schemes where the net developable area has been used.

4.62. Notwithstanding this, the above shows consistent existing use value of £10,000 per acre (£25,000 per Ha). Furthermore, the premium uplifts fluctuate from 8 to circa 16 times the existing use value (dependent on the level of abnormal costs).

4.63. By way of further evidence, the South East Lincolnshire Local Plan viability testing shows a combined benchmark land value and abnormals equivalent to £216,512 per acre or £535,000 per Ha. Whilst some growth from this figure could be argued (owing to inflation since the plan testing viability research was undertaken in 2016/2017) even so measured against this MG's allowance appears high.

4.64. Having considered the above, and for the purposes of this review, we consider a premium of 9 times the net developable area to be appropriate. This equates to **£604,901** (equivalent to £90,000 per net acre or £222,390 per net Ha). When combined with the abnormals this equates to £248,698 per net acre or £614,533 per net Ha, which is considered to be reasonable within the context of the other schemes analysed and also the South East Lincolnshire Local Plan viability testing.

5. Appraisal results and conclusions

5.1. We have run an appraisal for the scheme as proposed incorporating the various appraisal inputs detailed above. Our initial approach was to apply the full planning policy requirements, including a 25% onsite affordable housing provision plus £458,797 in S106 contributions. However, this returned an unviable outcome. On a 'trial and error' basis we have reduced the planning policy contributions (initially focusing on affordable housing provision) until a viable outcome is achieved. Please see our attached Scenario 1. With an affordable housing provision of 9 dwellings (11.11%) and S106 contributions totalling £458,797 this shows a residual land value of £606,063. As this is above the benchmark land value of £604,901 this scenario is considered to be viable. The affordable housing mix is as follows:

Scenario 1: Onsite affordable housing 9 units (11.11%):

Affordable rent	No. of units	Intermediate	No. of units
1 bed house	2	1 bed house	-
2 bed house	3	2 bed house	2
3 bed house	1	3 bed house	1
Sub total	**6**	**Sub total**	**3**

5.2. For illustrative purposes, the key differences between our base appraisal and the MG assessment are as follows:

Input	MG appraisal	CPV Scenario 1 appraisal
Plot Construction	£1,158 psm	£1,094 psm
Externals	19.32%	15%
Contingency	2.91%	2.50%
Professional fees	4.83%	6.50%
Marketing / disposal fees	3.00%	2.50%
Benchmark land value	£1,000,000	£604,901

5.3. However, in addition, we have also re-run the appraisal, but on the assumption that the council favours onsite affordable housing over the health and education contributions. Please see attached our Scenario 2. Under this scenario 18 onsite affordable dwellings can be provided (22.22%), with nil S106 capital contributions. The affordable housing mix is as follows:

Scenario 2: Onsite affordable housing 18 units (22.22%):

Affordable rent	No. of units	Intermediate	No. of units
1 bed house	4	1 bed house	-
2 bed house	6	2 bed house	2
3 bed house	3	3 bed house	3
Sub total	**13**	**Sub total**	**5**

5.4. As per the Council's request, in addition we have also run a Scenario 3, but on the assumption that the health and education contributions are halved (i.e. totalling £229,399). Please see attached our Scenario 3. Under this scenario 13 onsite affordable dwellings can be provided (16.05%), with £229,399 in S106 capital contributions. The affordable housing mix is as follows:

Scenario 3: Onsite affordable housing 13 units (16.05%):

Affordable rent	No. of units	Intermediate	No. of units
1 bed house	3	1 bed house	-
2 bed house	4	2 bed house	2
3 bed house	2	3 bed house	2
Sub total	**9**	**Sub total**	**4**

5.5. In summary, we agree with the applicant that an adjustment to the Council planning policies is justified here on the basis of the viability testing. However, contrary to the applicant's position, we conclude that some level of affordable housing / S106 contributions can be provided. If the Council chooses to favour S106 contributions (i.e. our Scenario 1) the scheme can provide 9 affordable dwellings plus capital contributions totalling £458,797. Alternatively, if the Council chooses to favour onsite affordable dwellings (i.e. our Scenario 2) our modelling shows that 18 onsite affordable dwellings can be provided but with nil S106 contributions. Finally, if the S106 contributions are halved (our Scenario 3) the scheme can support 13 affordable units.

5.6. Please note, the key reasons why the viability outcome is worse than shown in the Local Plan wide viability testing is due to:

- The average dwelling size is smaller than that assumed in the Local Plan viability modelling (by around 10 sq m per dwelling). This reduces the amount of revenue which can be generated from the scheme. To put this into context, a 10 sq m per dwelling at the subject equates to 810 sq m. Even at a conservative £2,077 per sq m (which allows for the market value and affordable transfer values) this would be equivalent to an additional revenue of £1.68million.

- From this build costs, externals, contingency, professional fees, marketing / disposal and profit needs to be deducted, which we calculate at £1.427million. The net gain in the appraisal of having an additional 10 sq m per dwelling would therefore be around £255,000 (which would be equivalent to potentially 4/5 additional affordable dwellings on the scheme).

- Furthermore, as stated above in para 3.5, build costs are increasing at a faster rate than sales values. Since the Local Plan study in 2017, using our latest plot costs of £1,094 per sq m, this is an increase of around 17%. In comparison, sales values have increased by circa 15%. This is creating a higher viability pressure.

- The external costs assumed in the Local Plan modelling (10% of plot costs) have been found to be below the market (on previous cases that we have been involved with cost consultants have confirmed that circa 15% is more appropriate). To put this into context, the difference between 15% externals and 10% externals at the subject property in capital terms if £394,711. This is equivalent to around 6/7 affordable units.

5.7. Combined, these factors are therefore driving a poorer viability outcome than suggested in the Local Plan testing.

5.8. Our conclusions remain valid for 6 months beyond the date of this report. If the implementation of the scheme is delayed beyond this then market conditions may have changed sufficiently for our conclusions on viability to be adjusted. Under this scenario we would strongly recommend the scheme is re-appraised.

Yours sincerely



David Newham MRICS
Director
CP Viability Ltd

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 1
DN-0541

Development Appraisal
Prepared by David Newham MRICS Director
CP Viability Ltd
05 September 2021

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 1

Appraisal Summary for Phase 1

Currency in £

REVENUE				
Sales Valuation	**Units**	**m²**	**Sales Rate m²**	**Unit Price**
Market Value	72	6,644.00	2,257.07	208,278
Affordable Rent	6	388.00	1,423.73	92,068
Shared ownership	3	220.00	1,569.02	115,061
Totals	**81**	**7,252.00**		
NET REALISATION				**15,893,593**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (3.67 Ha @ 165,139.72 /Hect)			606,063	
				606,063
Stamp Duty			19,803	
Effective Stamp Duty Rate		3.27%		
Legal Fee		0.75%	4,545	
				24,349
CONSTRUCTION COSTS				
Construction	**m²**	**Build Rate m²**	**Cost**	
Market Value	6,644.00	1,094.00	7,268,536	
Affordable Rent	388.00	1,094.00	424,472	
Shared ownership	220.00	1,094.00	240,680	
Totals	**7,252.00 m²**		**7,933,688**	**7,933,688**
Contingency		2.50%	239,169	
Garages			443,000	
Abnormals			1,066,630	
Health			54,460	
Education			404,337	
				2,207,596
Other Construction Costs				
Externals		15.00%	1,190,053	
				1,190,053
PROFESSIONAL FEES				
Professional fees		6.50%	593,043	
				593,043
DISPOSAL FEES				
Marketing & sales		2.50%	374,900	
Legals - Market Value	72.00 un	750.00 /un	54,000	
Legals - Affordable			8,000	
				436,900
Total Additional Costs				18,000
TOTAL COSTS BEFORE FINANCE				**13,009,691**
FINANCE				
Debit Rate 6.250%, Credit Rate 0.000% (Nominal)				
Land			110,584	

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 1

Construction		104,783	
Total Finance Cost			215,367
TOTAL COSTS			**13,225,059**
PROFIT			**2,668,534**
Performance Measures			
Profit on Cost%	20.18%		
Profit on GDV%	16.79%		
IRR% (without Interest)	43.59%		

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 1

Gross Sales
14,996,000
552,409
345,184
15,893,593

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 1

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 2
DN-0541

Development Appraisal
Prepared by David Newham MRICS Director
CP Viability Ltd
05 September 2021

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 2

Appraisal Summary for Phase 1

Currency in £

REVENUE				
Sales Valuation	**Units**	**m²**	**Sales Rate m²**	**Unit Price**
Market Value	63	5,968.00	2,239.61	212,159
Affordable Rent	13	860.00	1,409.07	93,216
Shared ownership	5	388.00	1,545.54	119,934
Totals	**81**	**7,216.00**		
NET REALISATION				**15,177,470**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (3.67 Ha @ 169,656.50 /Hect)			622,639	
				622,639
Stamp Duty			20,632	
Effective Stamp Duty Rate		3.31%		
Legal Fee		0.75%	4,670	
				25,302
CONSTRUCTION COSTS				
Construction	**m²**	**Build Rate m²**	**Cost**	
Market Value	5,968.00	1,094.00	6,528,992	
Affordable Rent	860.00	1,094.00	940,840	
Shared ownership	388.00	1,094.00	424,472	
Totals	**7,216.00 m²**		**7,894,304**	**7,894,304**
Contingency		2.50%	238,036	
Garages			443,000	
Abnormals			1,066,630	
				1,747,666
Other Construction Costs				
Externals		15.00%	1,184,146	
				1,184,146
PROFESSIONAL FEES				
Professional fees		6.50%	590,099	
				590,099
DISPOSAL FEES				
Marketing & sales		2.50%	334,150	
Legals - Market Value	63.00 un	750.00 /un	47,250	
Legals - Affordable			8,000	
				389,400
Total Additional Costs				18,000
TOTAL COSTS BEFORE FINANCE				**12,471,556**
FINANCE				
Debit Rate 6.250%, Credit Rate 0.000% (Nominal)				
Land			125,913	
Construction			149,918	
Other			170	

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 2

Total Finance Cost		276,001
TOTAL COSTS		**12,747,557**
PROFIT		**2,429,913**

Performance Measures

Profit on Cost%	19.06%
Profit on GDV%	16.01%
IRR% (without Interest)	35.85%

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 2

Gross Sales
13,366,000
1,211,802
599,668
15,177,470

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 2

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 3
DN-0541

Development Appraisal
Prepared by David Newham MRICS Director
CP Viability Ltd
05 September 2021

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 3

Appraisal Summary for Phase 1

Currency in £

REVENUE				
Sales Valuation	**Units**	**m²**	**Sales Rate m²**	**Unit Price**
Market Value	68	6,340.00	2,250.95	209,868
Affordable Rent	9	590.00	1,419.60	93,063
Shared ownership	4	304.00	1,554.03	118,107
Totals	**81**	**7,234.00**		
NET REALISATION				**15,580,989**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (3.67 Ha @ 165,006.16 /Hect)			605,573	
				605,573
Stamp Duty			19,779	
Effective Stamp Duty Rate		3.27%		
Legal Fee		0.75%	4,542	
				24,320
CONSTRUCTION COSTS				
Construction	**m²**	**Build Rate m²**	**Cost**	
Market Value	6,340.00	1,094.00	6,935,960	
Affordable Rent	590.00	1,094.00	645,460	
Shared ownership	304.00	1,094.00	332,576	
Totals	**7,234.00 m²**		**7,913,996**	**7,913,996**
Contingency		2.50%	238,602	
Garages			443,000	
Abnormals			1,066,630	
Health			27,230	
Education			202,169	
				1,977,631
Other Construction Costs				
Externals		15.00%	1,187,099	
				1,187,099
PROFESSIONAL FEES				
Professional fees		6.50%	591,571	
				591,571
DISPOSAL FEES				
Marketing & sales		2.50%	356,775	
Legals - Market Value	68.00 un	750.00 /un	51,000	
Legals - Affordable			8,000	
				415,775
Total Additional Costs				18,000
TOTAL COSTS BEFORE FINANCE				**12,733,966**
FINANCE				
Debit Rate 6.250%, Credit Rate 0.000% (Nominal)				
Land			122,023	

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 3

Construction		161,927	
Total Finance Cost			283,950
TOTAL COSTS			**13,017,916**
PROFIT			**2,563,073**
Performance Measures			
Profit on Cost%	19.69%		
Profit on GDV%	16.45%		
IRR% (without Interest)	36.49%		

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 3

Gross Sales
14,271,000
837,563
472,426
15,580,989

Land to east of Chaffinch Way, Holbeach
H09-0613-21
Scenario 3