Viability Assessment – Executive Summary

Land to the east of Chaffinch Way, Holbeach

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

H09-0613-21

7th October 2024

This Executive Summary sets out the key points from our Viability Assessment (dated 7th October 2024) for Land to the east of Chaffinch Way, Holbeach, for ease of review for decision makers and interested parties, removing highly confidential and sensitive information.

As part of Ashwood Homes original planning submission for the site a Viability Assessment was put forward, seeking no affordable housing and no financial contributions due to site viability. The councils appointed Expert concluded that the development should be viable at that time, with a reduced level of affordable housing an only a slightly reduced level of financial contributions.

Although Ashwood Homes did not agree with the conclusions of the councils Expert, a decision was made to proceed with the consent as issued at the time, rather than following an appeal process, to allow us to move forward with the scheme build in a timely manner and maintain our projected house build numbers.

Subsequently, the stagnant and/or declining market conditions, combined with slow sales rates, increasing costs and higher than anticipated abnormal costs have further squeezed viability from an already compromised position. As such, it has now become necessary to submit a further Viability Assessment to achieve the removal of the affordable housing requirement and financial contributions, as originally set out at planning stage.

The Viability Assessment sets out all relevant parameters, following the structure of reporting adopted by the Council appointed Expert, CPV, and demonstrates a deficit of £2,375,150 when providing the affordable housing and financial contributions as contained within the current planning permission.

The Gross Development Value of the consented scheme is calculated based on our live sales information and amounts to £17,315,000.

A lower quartile BCIS build cost of £1,237m^2 has been adopted within the assessment to align with the recently approved scheme at Monks House Lane (H16-0136-23). Ashwood Homes consider this figure to understate current market build costs, but the figure has been adopted within our assessment for expedience and consistency with the recently approved scheme.

(continued...)

Further to the BCIS plot build costs, the assessment also picks up site specific abnormal build costs of £1,259,900, which are higher than originally envisaged prior to commencement on site (£1,066,630), primarily attributable to a more costly foundation solution being required than anticipated at design stage. The cost of garages and contingency are also factored into the build cost, as items which are excluded from the BCIS rates.

As with our adoption of the BCIS build cost within the assessment, Ashwood Homes have also adopted the rate recently approved by CPV in their assessment at Monks House Lane in relation to External costs, being £263,931 per acre. This ensures consistency of approach, and this cost better aligns with the total cost of the works, rather than other methodologies previously applied, which relied on a percentage of build costs.

In relation to other costs, such as Professional Fees (6.5% of costs), Sales and Marketing (3% of revenues), and profit (17.5% for market housing and 6% for affordable housing, both on revenue) all have been calculated on a like-for-like basis with the most recent findings of the councils independent expert CPV, as up to date and accepted costs, to facilitate the most expedient consideration of the application.

In relation to land cost, the assessment adopts the Benchmark Land Value approach (as always adopted by CPV) allowing only a 10 – 15 times uplift from Existing Use Value as a premium for the landowner. Giving consideration to the level of abnormal site development costs, the lower end of the range (10x) has been used for this 9.07 acre site (providing a Benchmark Land Value of £907,000), which is consistent with the Monks House Lane application, where a c.11x uplift was considered acceptable.

The assessment concludes that the scheme is not viable with the planning approved quantum of affordable housing and financial contributions, returning a deficit of £2,375,140.

A further appraisal is also contained within the report, removing the affordable housing and all financial contributions. This appraisal also falls below the requisite criteria to be considered viable, but at a lesser deficit of £1,507,140.

Approval is sought through this submission to vary the section 106 agreement associated with the site to remove the affordable requirement and also all financial contributions, to aid viability and the delivery of these much-needed homes.