Independent Viability Experts

FAO Ms Lucy Buttery
Principal Planning Officer
South Holland District Council

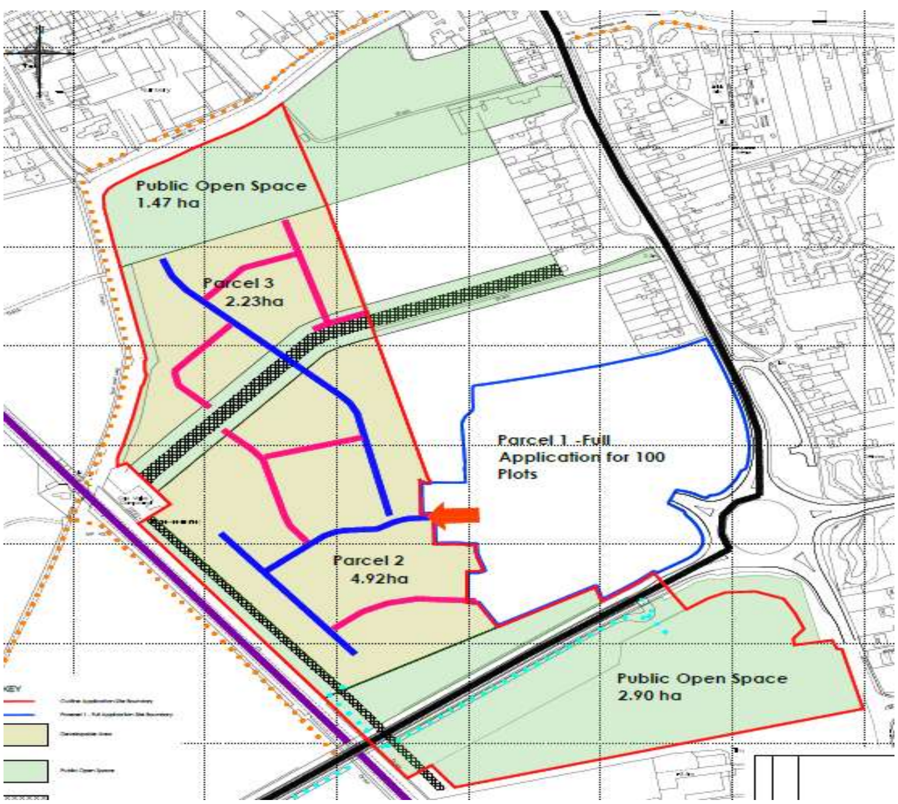
Sent by email only

David Newham MRICS
Director
CP Viability Ltd
T: 01937 360 131
M: 07947 120 953
E: davidnewham@cpviability.co.uk

Our ref: DN-0641
Your ref: H14-1218-21
Date: 30th November 2022

Dear Ms Buttery,

PROPERTY ADDRESS: **Land at Yews Farm, Spalding Road, Pinchbeck, PE11 3PB**
INSTRUCTING BODY: **South Holland District Council**
APPLICANT: **Ashwood Homes**



Further to your instructions dated 9th February 2022, we are pleased to report as follows.

1. Property Overview

1.1. The property is located within a segment of undeveloped land, which lies in between the village of Pinchbeck and the current settlement boundary of Spalding. The boundaries to the site can be described as follows:

- Northern boundary: this runs along part of the southern settlement edge of the village of Pinchbeck, immediately to the south of Market Way, Blue Gowt Drain and a small area of industrial buildings.

- Eastern boundary: for the most part this runs along the line of an existing division between two agricultural fields. However, towards the southeast the boundary extends and runs up to Spalding Road and a roundabout which is to form part of the Spalding Western Relief Road (see below). Immediately on the opposite side of Spalding Road to the subject site there are a variety of commercial / industrial premises as well as Allison Homes recent “Pinchbeck Fields” development.

- Southern boundary: this runs close to Vernatt’s Drain, which itself is situated just to the northern edge of Spalding’s settlement (which in this location comprises of various established residential dwellings). Based on the masterplan for the development this southern section will be provided as public space. Also, the Spalding Western Relief Road with run horizontally through this southern section.

- Western boundary: this runs along a railway line, beyond which are open fields.

1.2. The site comprises of generally flat agricultural fields.

1.3. The planning application (**H14-1218-21**), submitted on 23rd November 2021, is for:

> *"Hybrid planning application seeking full planning permission for 100 new homes, landscaping and infrastructure and outline planning permission (all matters reserved except access) for up to 300 new homes, landscaping and infrastructure".*

1.4. However, for the purposes of the viability review, we are instructed to assess the Phase 1 'full' scheme only, not the additional outline elements (as the full extent of the future phases is not yet known). For the Phase 1 land only the site area is understood to be 3.41 Ha (which is a net developable area).

1.5. By way of background to the viability process undertaken:

- MG (acting on behalf of the applicant) initially submitted a viability assessment of the site dated 22nd December 2021.

- **Jan 2022**: Maxey Grounds ("MG"), acting on behalf of the applicant, submitted a viability report and found that the scheme was unable to viably support any affordable housing or other planning policy contributions.

- **Mar 2022**: CP Viability ("CPV"), acting upon the instruction of the Council as an independent advisor, prepared a draft report and found that the scheme could viably support significant planning policies. This varied from 25% affordable housing and reduced S106 costs of £185,000 to 9% affordable housing but with S106 contributions of £1,113,112. The reasons for our different outcome related to market values, plot costs, external works, benchmark land value and finance.

- **5th May 2022**: MG submitted a rebuttal to our findings, again concluding that the scheme was unable to support any planning policy contributions.

- **17th May 2022**: we (CPV) responded to MG's rebuttal. We again confirmed that the scheme was able to support planning policy contributions, in line with the findings of our March 2022 assessment.

- **2nd Aug 2022**: upon the request of the Council, we provided an updated appraisal based on 13 affordable dwellings (13%), being a mix of affordable rented, shared ownership and First Homes. This scheme was viable with a S106 contribution totalling £802,800.

- **11th Aug 2022 (received on 17th Oct 22)**: MG provided an updated appraisal. Again, MG concluded that the scheme was unable to support any planning policies.

1.6. The schedule of accommodation as originally set out in MG's submission includes the following:

Type	Beds	No.	Sq m (each)	Sq m (total)
Dee Semi / Terrace	2	16	68.00	1,088
Clyde Semi	3	10	72.74	727
Aire Semi	3	10	83.80	838
Avon Semi	3	6	84.54	507
Nene Semi	3	1	100.05	100
Nene Detached	3	13	100.05	1,301
Lock Detached	3	13	100.24	1,303
Mere Semi	3	1	100.24	100
Mere Detached	3	10	100.24	1,002
Ribble Detached	4	4	119	477
Severn Detached	4	4	125	500
Humber Detached	4	3	147	440
Tay Detached	4	9	164	1,480
Totals		**100**		**9,863**

1.7. However, this is potentially subject to some (limited) variance dependent on the level of affordable housing adopted (as this is dependent on the Council's affordable housing mix requirement).

2. Scope of Assessment and General Assumptions

2.1. MG's latest appraisal dated 11th Aug 22 was based on a 25% affordable housing provision and S106 contributions totalling £1,415,912. This results in a deficit of £4,853,883 and was therefore deemed to be unviable.

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 (if any).

2.2 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.

2.3 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.

2.4 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.

2.5 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.

2.6 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.

2.7 We have assessed the viability of the scheme as at 30th November 2022.

2.8 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.

2.9 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.

2.10 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).

2.11 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).

2.12 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.

2.13 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 Aug 22 – summary

3.1. To summarise, 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 "Basic construction cost". 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	75	£2,561	£20,366,000
Affordable Rent	18	£1,386	£1,863,691
Shared Ownership	7	£1,740	£910,923
Total	**100**		**£23,140,614**

Gross Development Cost (Outgoings)

Type	Rate	Total
Plot construction	£1,391.73 per sqm (9,863 sqm GIA)	£13,727,129
Garages	Various types	£1,046,000
Externals	18.50% of build costs	£2,732,600
Professional fees	4.59% of build costs	£803,718
Abnormals	Various	£2,053,191
Planning policy	Education/health/relief road	£1,415,912
Marketing / disposal	3% of GDV	£610,980
Legals	£750 per unit	£75,000
Debit interest	6.25% debit	£801,954
Banks fees	Arrangement and broker fee	£26,000
Acquisition costs	Legals, SDLT	£43,550
Benchmark land value	£110,558 per net acre	£940,000
Developer profit	17.50% on MV / 5.52% on revenue	£3,718,463
Total		**£27,994,497**

3.2. Based on the above inputs MG's appraisal shows a deficit of around £4.8million. MG subsequently conclude that the scheme is unable to support the full planning policy contributions.

3.2 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

3.3 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.

3.4 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)	Yews Farm (based on 100 dwellings)
Density	35 dwellings per net Ha	Circa 29 dwellings per net Ha
Average Value	£1,900 per sq m	£2,561 per sqm
Average Size	100 sq m	98.63 sq m
Build Cost	£911 per sq m	£1,392 per sq m
Externals	10% on build cost	18.5% on build cost
Contingency	3% on build cost	0% on build cost
Professional Fees	7% on build cost	4.59% on build cost
S106	Up to £5,000 per dwelling	£14,159 per dwelling
Sales/Marketing	3% on revenue	3% on revenue
Developer Profit	17.5% Market, 6% Afford	17.5% Market, 5.57% Afford
BLV (inc abnormals)	£535,000 per net Ha	£877,769 per net Ha

3.3. 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.

3.4. The main points affecting the viability position for the subject scheme at Yews Farm in comparison with the Local Plan position are as follows:

(i) The density of the scheme is lower than assumed in the Local Plan study, which has a negative impact on viability.

(ii) Using MG's figures, the build costs adopted have increased by 52.80% compared with the Local Plan viability study. The sales values are 34.79% higher than the figures used the in Local Plan viability study. This suggests that build cost inflation has increased at a faster pace than sales values since the Local Plan study, which increases the viability pressure on development.

(iii) There is a difference how externals have been categorised, with externals in the Local Plan study totalling 10% on build cost and the externals at Yews Farm totalling 18.5% on build cost. This is tempered by MG proposing lower contingency and professional fees.

(iv) The S106 planning policy requirements for this particular scheme are significantly higher than the Local Plan assumption (of up to £5,000 per dwelling), equating to £14,159 per dwelling. This is mainly due to the requirement for a contribution toward the Relief Road.

(v) Finally, benchmark land value / abnormal cost assumptions in the Local Plan were also significantly different. Combined, the Local Plan assumption equated to £535,000 per net Ha. Combined, MG's benchmark land value and abnormal cost allowance is equivalent to £877,769 per net Ha.

3.5. There are subsequently a number of key differences between the Local Plan viability testing assumptions and that used by MG in their appraisal. This is driving the different viability outcomes.

4. CP Viability's appraisal

Gross Development Value (Revenue)

4.1. We have assessed the scheme mix as set out above in paragraph 1.5.

4.2. In their original Jan 22 assessment, MG's average sales values were as follows:

2 bed semi	68 sqm	£170,000 (£2,500 per sq m)
3 bed semi	73 sqm	£185,000 (£2,543 per sq m)
3 bed semi	84-85 sqm	£210,000 (£2,484 - £2,506 per sq m)
3 bed semi	100 sqm	£220,000 (£2,199 per sq m)
3 bed detached	100 sqm	£250,000 (£2,499 per sq m)
4 bed detached	119 sqm	£290,000 (£2,433 per sq m)
4 bed detached	125 sqm	£290,000 (£2,321 per sq m)
4 bed detached	147 sqm	£330,000 (£2,251 per sq m)
4 bed detached	164 sqm	£350,000 (£2,129 per sq m)

4.3. In support of these values MG considered the following;

- Ashwood Homes, Station Road Surfleet development
- Ashwood Homes, Holbeach Meadows development
- Allison Homes, Pinchbeck Fields development
- New build houses for sale through Rightmove.

4.4. For the purposes of our original Mar 22 review, we researched new build housing across the "PE11" postcode area, focusing on sales as shown on the Land Registry since Jan 2020. We cross-referenced the Land Registry data with EPC dwelling sizes to allow an analysis based on a rate per sq m.

4.5. The closest new build transactional evidence to the subject scheme identified was the Pinchbeck Fields development by Allison Homes. This is situated a few hundred metres to the east of the subject site, on the other side of Spalding Road. We noted the following relevant sales:

	Address		Pcode	Sq m	£ psm	Price	10%		Date	Type
55	ATHERTON GARDENS	PINCHBECK	PE11 3YJ	92	£ 2,489	£ 229,000			30/03/2020	Detached
57	ATHERTON GARDENS	PINCHBECK	PE11 3YJ	92	£ 2,467	£ 227,000			21/08/2020	Detached
				92	**£ 2,478**	**£ 228,000**	**£ 250,800**	**£ 2,726**		
81	ATHERTON GARDENS	PINCHBECK	PE11 3YJ	83	£ 2,325	£ 192,995	**£ 212,295**	**£ 2,558**	20/03/2020	Semi
39	ATHERTON GARDENS	PINCHBECK	PE11 3YJ	86	£ 2,395	£ 205,995			30/07/2020	Semi
45	ATHERTON GARDENS	PINCHBECK	PE11 3YJ	86	£ 2,442	£ 210,000			11/09/2020	Semi
77	ATHERTON GARDENS	PINCHBECK	PE11 3YJ	86	£ 2,407	£ 206,995			01/07/2020	Semi
				86	**£ 2,415**	**£ 207,663**	**£ 228,430**	**£ 2,656**		

4.6. Please note, we when analysing the Land registry data it is appropriate to allow some (limited) discount for 'non-financial' incentives, which are not reflected in the Land Registry data. However, equally, it is also necessary to allow for sale price inflation since the transactions occurred in 2020. We have subsequently reviewed the following measures to assess whether there has generally been house price inflation since the sales occurred:

- **UK House Price Index:** this indicated that in September 2020 (the last date of sale shown from Pinchbeck Fields) the average house price in the South Holland District was £192,418. As at December 2021 (the latest the index showed at that point in time) the average house price in the South Holland District was £217,519. This reflected an increase of 11.54% since Sept 2020.

- **Nationwide:** we have 45 Atherton Gardens as having a value of £210,000 as at Q3 2020. As at Q4 2021 (the latest period shown at that point in time) the house price was stated as being £239,183, an increase of 13.90%.

4.7. Adopting a cautious approach, allowing for a deduction to reflect non-financial sales incentives, but also sales inflation, we considered an increase of 10% to the figures shown on the Land Registry to be reasonable. This would suggest that, if the Pinchbeck Fields dwellings were sold in Mar 22, they would have achieved the following:

- Detached 92 sq m £250,800 (£2,726 per sq m). The nearest dwelling type at the subject scheme is a detached of 100 sq m, which MG had valued at £250,000. Allowing for inflation, the Pinchbeck Fields adjusted value suggests MG's allowance is below expectations (for what is a larger dwelling).

- Semi 83 sq m £212,295 (£2,558 per sq m). However, we would stress that the 10% inflation rate (to get to this figure of £212,295) may be too low for this particular dwelling type, as this actually sold in March 2020, not September 2020 from which the inflation was measured. Nevertheless, it does still suggest MG's allowance of £210,000 for a semi of 84 sq m was on the low side of expectations.

- Semi 86 sq m £228,430 (£2,656 per sq m). The nearest dwelling type at the subject scheme is a semi of 85 sq m, which MG valued at £210,000. Allowing for inflation, the Pinchbeck Fields adjusted value suggests MG's allowance was below expectations. Furthermore, as the 3 sales which form part of this analysis took place in July and Sept 2020 (and are significantly uplifted compared to the March 2020 sales of the 83 sq m semi) this supported our view that the inflation rate of 10% is likely to be understated when considering the value of the 83 sq m semi discussed above.

4.8. As for additional evidence, we had been instructed by the Council to undertake a viability review of Keston Nurseries, Mill Green Road, Pinchbeck (planning ref H14-0355-17), with our review submitted in Jan 2022. MG were acting on behalf of the applicant for that particular scheme and submitted their viability appraisal in Oct 2021. The project is positioned around 1/3 of a mile to the north west of the subject scheme and therefore was deemed to be a useful comparable. Phase 1 of the scheme had already commenced with sales achieved. The (relevant) values put forward by MG in their appraisal (which were as shown on the planning portal and therefore publicly available) were as follows:

- 3 bed semi 104 sq m £234,500 (£2,255 per sq m). This figure was accepted in our review. The nearest dwelling type at the subject property is 100 sq m, to which MG applied a value of £220,000 (£2,195 per sq m). This points to MG's allowance as being below expectations.

- 4 bed detached 160 sq m £350,000 (£2,188 per sq m). However, we did note that this house type was being marketed for sale at an asking price of £455,000. Based on this and allowing for price reductions / incentives we considered a value of £390,000 (£2,438 per sq m) to be justifiable. The nearest dwelling type at the subject property is 164 sq m, to which MG applied a value of £350,000 (£2,129 per sq m). Again, this points to MG's allowance as being below expectations.

4.9. Furthermore, we have also (Jan 22) been instructed by the Council to undertake a viability review of Sunnydale Close, Surfleet (planning ref H17-1187-21). This is a scheme being brought forward by Ashwood Homes and MG were also acting on behalf of the applicant, having submitted their viability appraisal in Dec 21. The project is positioned around 2 miles to the north east of the subject scheme. The proposed scheme at Sunnydale Close includes a number of dwelling types that are also proposed at the subject property, therefore this was deemed to provide a useful point of comparison. We compared the values put forward by MG at Sunnydale Close, our opinion of value at Sunnydale Close and also MG's values at the subject scheme:

House Type	MG Sunnydale Close values	CPV Sunnydale Close values	MG subject scheme values
Clyde 3b semi	£185,000	£194,250	£185,000
Aire 3b semi	£210,000	£220,500	£210,000
Avon 3b semi	£210,000	£220,500	£210,000
Mere 3b detached	£250,000	£262,500	£250,000
Lock 3b detached	£250,000	£262,500	£250,000
Ribble 4b detached	£290,000	£309,750	£290,000
Severn 4b detached	£285,000	£299,250	£290,000
Tay 4b detached	£350,000	£367,500	£350,000

4.10. Please note, at Sunnydale Close our adopted values were based on sales achieved at Otters Close, Surfleet (an Ashwood Homes' scheme), albeit plus an allowance for inflation since the sales were agreed.

4.11. As demonstrated above, it was clear that MG did not differentiate between values achievable at Surfleet compared to Pinchbeck (except for a relatively minor £5,000 difference for the Severn house type). In this respect, broadly the same values achievable at Surfleet would translate to Pinchbeck.

4.12. Having considered all of the above, in our initial March 22 assessment we arrived at the following net sales values for the various dwelling types:

- Clyde 2 bed semi 73 sq m: broadly in keeping with our Sunnydale Close value, we applied £194,000 (£2,667 per sq m).

- Dee 2 bed semi 68 sq m: we applied a £10,000 discount compared to the Clyde value above, to reflect this being smaller in size. This equated to £184,000.

- Aire 3 bed semi 84 sq m: this took into account the analysed values at Pinchbeck Fields for semi-detached dwellings of 83 and 86 sq m, as well as our adopted value at Sunnydale Close. We arrived at £220,000.

- Avon 3 bed semi 85 sq m: this took into account the analysed values at Pinchbeck Fields for semi-detached dwellings of 83 and 86 sq m, as well as our adopted value at Sunnydale Close. We arrived at £220,000.

- Nene 3 bed semi 100 sq m: this took into account the accepted MG value at Keston Nurseries for a 3 bed semi of 104 sq m (£234,500). Given the adjustment in size we arrived at £227,500.

- Mere 3 bed semi 100 sq m: this took into account the accepted MG value at Keston Nurseries for a 3 bed semi of 104 sq m (£234,500). Given the adjustment in size we arrived at £227,500.

- Nene 3 bed detached 100 sq m: this took into account the analysed values at Pinchbeck Fields for a detached dwelling of 92 sq m (£250,800), as well as our adopted value at Sunnydale Close for the Lock / Mere. We arrived at £262,500.

- Lock 3 bed detached 100 sq m: this took into account the analysed values at Pinchbeck Fields for a detached dwelling of 92 sq m (£250,800), as well as our adopted value at Sunnydale Close for the Lock / Mere. We arrived at £262,500.

- Mere 3 bed detached 100 sq m: this took into account the analysed values at Pinchbeck Fields for a detached dwelling of 92 sq m (£250,800), as well as our adopted value at Sunnydale Close for the Lock / Mere. We arrived at £262,500.

- Ribble 4 bed detached 119 sq m: this took into account our adopted value at Sunnydale Close. We arrived at £300,000.

- Severn 4 bed detached 125 sq m: this took into account our adopted value at Sunnydale Close. We arrived at £310,000

- Tay 4 bed detached 164 sq m: this took into account our Keston Nurseries adopted value of £390,000 for a 160 sq m dwelling. We arrived at £390,000.

- Humber 4 bed detached 147 sq m: working back from the Tay value, for a dwelling of this size we consider £350,000 to be reasonable.

4.13. Overall (assuming a policy compliant scheme), our total market value revenue equated to £20,237,000 (£2,544 per sq m) in Mar 22. This compared to £19,050,000 as shown in MG's appraisal.

4.14. In MG's updated appraisal from Aug 22, to allow for inflation, MG adopted an uplifted average of £2,561 per sq m. However, this was more in keeping with our own Mar 22 figures, and in that sense does not reflect inflation since this time.

4.15. For the purposes of this final report, it is necessary to update our adopted values and seek to apply inflation (if deemed appropriate).

4.16. As per our original March 2022 assessment we have considered the following measures of inflation:

- **UK House Price Index:** this indicates that in March 2022 (the date of our original assessment) the average house price in the South Holland District was £230,889. As at August 2022 (the latest the index shows) the average house price in the South Holland District is £245,784 This is an increase of 6.45% since March 2022.

- **Nationwide:** we have inputted 45 Atherton Gardens as having a value of £240,000 as at Q1 2022. As at Q3 2022 (the latest period currently shown in the data) the house price is stated as being £255,232, an increase of 6.35%.

4.17. The above suggests house prices by just over 6% since the start of Jan 2022.

4.18. However, in terms of the economic conditions, at the current time the market is experiencing a high level of uncertainty and volatility. Over recent weeks the residential market has experienced a significant adjustment. The Bank of England base rate has recently been increased to 3%, compared to 0.5% at the start of 2022. The knock-on effect of this and the government's announcement is that mortgage providers have significantly increased the cost of mortgage products, with rates pushing out towards 6.5% (compared to sub 2.5% as at Jan 22). The sharp increase in monthly repayments, combined with the ongoing cost of living / energy crisis, has meant a greater pressure on affordability.

4.19. By way of an example as to the impact this has on affordability, for a sale price of £200,000, with a 10% deposit this would mean a mortgage of £180,000. In the summer 2022 mortgages were available at around 2.5%. Assuming a 25 year mortgage period, this equates to a monthly repayment of £814. As at the time of writing, mortgages have increased to around 6.5%. On the same criteria this would means a mortgage repayment of £1,229 per calendar month, a circa 50% increase in the monthly payment. Furthermore, additional rises in interest rates are expected in the coming weeks in an attempt to temper inflation. If mortgage rates increase to say 8%, the monthly repayment would be £1,405. This level of increase in mortgage costs will significantly impact on purchaser affordability, which in turn will reduce demand. The 'knock-on' effect is a reduction in property prices.

4.20. In light of these market conditions, and whilst these are nothing but early predictions, some commentators are predicting that values could fall by circa 5% to 15% in 2023. This, it is stressed, is yet unproven, however it does highlight current market sentiment.

4.21. From a valuation perspective, there is subsequently significant uncertainty as to how values will perform going forward. Current signs are that values will start to fall (as asking prices are reduced to try and drive sales). This has yet to manifest itself through clear transactional data, although we are noticing asking prices being reduced across the marketplace.

4.22. Having considered the above, and whilst acknowledging that sales price inflation was sharp from early 2022 to the end of the summer 2022, it is likely that some of those value gains have been lost in recent weeks owing to the Bank of England interest rates rises. Adopting a fairly cautious approach, we have therefore applied a reduced sales price inflation of 2.5% since our March 2022 assessment.

4.23. We have subsequently calculated a current average value of £2,608.01 per sq m, which has been applied to our updated appraisal.

4.24. We have accepted MG's adopted affordable rented and updated shared ownership transfer values.

4.25. With regards to affordable housing, MG's allowances are deemed reasonable and have been accepted in our appraisal.

Build costs

4.26. MG's original Jan 22 assessment showed a 'blended' build cost of £1,265 per sq m. This was based on individual Build Cost Information Service ("BCIS") rates for detached, semi-detached and terraced housing.

4.27. In our Mar 22 review, we disagreed with the use of individual detached, semi-detached and terraced housing BCIS rates, as we deemed the sample to be too small to be relied on. Instead, we deemed the BCIS 'general' estate housing rate to be appropriate, which at the time was £1,134 per sq m.

4.28. In their latest comments from August 2022 MG introduce new evidence from advice they have received from Two Two Five Quantity Surveying Ltd ("Two Two Five"). This is in connection with another Ashwood Homes scheme in Holbeach (Holbeach Meadows) but is used as evidence to support MG's assertion that the BCIS lower quartile estate housing rate is inappropriate. Instead, MG conclude that the BCIS median rate is more appropriate.

4.29. MG have referred to the Two Two Five evidence in other cases we have recently been involved with across South Holland. We have subsequently analysed the data and would comment as follows:

- Two Two Five consider that it will cost more to construct a detached dwelling than a semi-detached or terrace, but state that detached dwellings tend to be larger and there is an economy of scale for these units compared with smaller dwellings (with the implication being that this has a downward pressure on the rate per sq m for detached units).

- An extract from the Two Two Five advice has been reviewed by us. We note that this gives a breakdown of the projected build costs for various house types. We would summarise the figures provided by Two Two Five as follows (all-inclusive of preliminaries, which is how the BCIS data is presented and therefore enables a 'like for like' comparison):

			£ psf		£ psm
Thames	Detached	£	91.67	£	986.76
Barrowby	Detached	£	94.61	£	1,018.41
Freshney	Detached	£	95.96	£	1,032.94
Ribble	Detached	£	107.28	£	1,154.79
Tay	Detached	£	107.60	£	1,158.23
Harren	Detached	£	108.43	£	1,167.17
A902	Semi / terr	£	109.48	£	1,178.47
Medway	Detached	£	110.70	£	1,191.60
Balmoral	Detached	£	113.93	£	1,226.37
Ouse	Detached	£	113.96	£	1,226.70
Humber	Detached	£	114.91	£	1,236.92
Bain	Detached	£	115.95	£	1,248.12
A732	Semi / terr	£	118.28	£	1,273.20
Coronation	Semi	£	118.46	£	1,275.13
Sparta	Semi	£	118.76	£	1,278.36
Mere	Semi / Det	£	119.32	£	1,284.39
Huntingdon	Semi	£	120.52	£	1,297.31
Lock	Semi / Det	£	120.72	£	1,299.46
Avon	Semi	£	120.96	£	1,302.05
Severn	Detached	£	120.96	£	1,302.05
Tamar	Detached	£	120.96	£	1,302.05
Aire	Semi / terr	£	120.96	£	1,302.05
Rutland	Detached	£	120.96	£	1,302.05
Clyde	Semi	£	123.96	£	1,334.34
Dee	Semi / terr	£	125.39	£	1,349.73
Holland	Flat	£	166.30	£	1,790.10
Average		**£**	**116.19**	**£**	**1,250.72**

4.30. The above demonstrates that the highest rates per sq m are generally reflected through the smallest semi-detached and terraced dwellings. This suggests that detached dwellings are not more expensive to build (at least in terms of a rate per sq m) when compared to terraced and semi-detached dwellings.

4.31. Furthermore, the above average rates are below the latest BCIS median rate of £1,322 per sq m.

4.32. For other schemes of this scale across the District (including schemes involving Ashwood Homes / MG at Sunnydale Close, Surfleet, James Rd, Crowland, Chaffinch Way, Holbeach and Fen Lane, Holbeach) we have applied the BCIS lower quartile "generally" rate. This is consistent with the approach adopted in the 2017 Local Plan viability study.

4.33. Having reviewed the latest figures, we note that the BCIS "generally" 2 storey lower quartile rate currently equates to £1,180 per sq m. This is therefore below Two Two Five Figures average rate shown above of £1,250.72 per sq m, but also significantly below the BCIS median rate of £1,322 per sq m.

4.34. Having considered the above, we do not agree with MG's use of the median BCIS rate in the modelling. Taking into account the Two Two Five evidence, but also the approach used in the 2017 viability study as well as the approach adopted in numerous other schemes across the District, we consider that the latest BCIS lower quartile "generally" figure of £1,180 per sq m should be applied.

4.35. Further allowances are made for garages; being £12,000 for a single, £20,000 for double, £22,000 for pairs, £30,000 for a single and pair and £38,000 for a single, single and double. Based on other schemes we have appraised we consider these allowances to be above expectations. Allowing for build cost inflation since our original assessment, we have adopted the following rates: £10,000 for a single, £17,000 for double, £22,000 for pairs, £26,000 for a single and pair and £35,000 for a single, single and double.

4.36. As for what we deem to be 'standard' externals (being plot specific externals, substations, landscaping and roads), MG's original Jan 22 assessment showed a figure of £2,732,600, which was equivalent to 20.21% of their plot costs. In our March 22 assessment, we analysed 8 other residential development schemes we had appraised across the South Holland District during the last 2 years or so (6 out of the 8 involving MG). The average standard external cost allowance across the sample was 15.89%. Taking into account the fact that 10% had been used in the Local Plan 2017 viability testing, we concluded that a 15% allowance was broadly reasonable.

4.37. In their latest assessment, the external costs applied by MG in their appraisal total £2,732,600. This is therefore the same as was allowed in their Jan 2022 assessment.

4.38. In their latest comments, MG state the following:

- Externals at Holbeach Meadows, as identified by Two Two Five, equated to 32% of the BCIS build costs.

- MG acknowledge that external costs will differ from site to site.

- MG indicate that it is necessary to "…look at the work specifically required as opposed to an average figure across a range of sites".

4.39. MG indicate that externals should be considered on a site by site basis, but then refer to a single case (Holbeach Meadows) as an example of why externals should be higher than our 15% allowance. In our view, the 8 schemes we referred to in our original assessment (and the external costs applied to the viability submissions) are more persuasive than the single example of Holbeach Meadows. Furthermore, and having recently appraised Holbeach Meadows, we note that MG's adopted external costs in that assessment were equivalent to 20.51% of their build costs.

4.40. Also, since our original assessment in March 2022, we have been involved with appraising other schemes across South Holland district. The most relevant to the subject scheme (in terms of scale) is a scheme at Long Sutton of 180 dwellings, which was appraised by MG in Aug 2022. In this appraisal, MG adopted 'standard' external costs equivalent to 13.33% of their adopted build costs. This was equivalent to around £175,000 per gross acre. At the subject scheme, MG's standard external cost allowance is equivalent to £324,301 per gross acre. It is unclear why there is such a wide disparity between these respective costs when this is meant to cover 'standard' items such and roads, drains, lighting, open space etc. We would expect some level of fluctuation, but not to this extent. Please note, as a side, our own 15% external allowance is equivalent to £222,202 per gross acre, so in the context of the Long Sutton example this does not appear to be understated.

4.41. Having considered the above, based on other schemes we have appraised and the Local Plan viability testing from 2017, we are not persuaded to adjust our standard external cost allowance of 15% of the BCIS rate.

4.42. For contingency, we maintain a 3% allowance, as per our original assessment.

4.43. In terms of the abnormal costs associated with the scheme, our previous modelling included the following:

Site prep	50,000
EV charging points	50,000
Air source heat pumps	250,000
Reinforced network	68,500
Dewatering	193,750
Acoustic measures	37,941
Import soil to lift site	765,000
Foul pump station rising main	150,000
SUDS & storm attenuation	142,000
E/O piled foundations for houses	444,015
E/O piled foundations for garages	96,000

4.44. The above totalled £2,247,206.

4.45. This was lower than MG's original allowance. The reason for this was that MG adopted £8,000 per dwelling for air source heat pumps, whereas we deemed £2,500 per dwelling to be appropriate. The rest of the costs were adopted on the basis that the corresponding benchmark land value was adjusted accordingly (as the guidance states that benchmark land value should fluctuate dependent on the level of abnormal costs).

4.46. In their updated assessment, MG adopt the same abnormal costs, bar the air source heat pumps which they have reduced to £5,000 per unit.

4.47. At the time of our Mar 22 assessment, we deemed a £4,000 per dwelling allowance to be reasonable but made a deduction to reflect the fact that some of the dwellings would not potentially be subject to this requirement (as this did not come into effect until June 2022). As this is now in effect, we accept that all dwellings will be impacted by this mandatory requirement. We stand by, though, the rate of £4,000 per dwelling, which we have applied to our appraisal.

4.48. Overall, the abnormal costs shown in our appraisal total £2,397,206.

Professional fees

4.49. MG have included professional fees which are equivalent the equivalent of 5.56% of our adjusted build and external works costs. This is considered to be a reasonable allowance (and consistent with our original assessment) and has subsequently been accepted in our appraisal.

S106 / Other Council Policy Requirements

4.50. The Council's policy requires a 25% on-site affordable housing requirement (split between affordable rent, shared ownership and First Homes dwellings).

4.51. In addition, the Council has confirmed the following S106 requests:

- Health £66,000
- Education £547,112
- Relief Road £802,800
- Parish cemetery extension contribution £100,000

4.52. The above totals £1,515,912.

Marketing / legal costs

4.53. For disposal 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 dwellings. This is considered to be a reasonable allowance (and consistent with our original assessment) and has subsequently been accepted in our appraisal.

Finance

4.54. MG have allowed for these costs at a debit rate of 6.25%, with an additional £26,000 for arrangement fees and other costs. It is stressed that due to recent interest rates rises it is deemed appropriate to increase the debit interest rate to 7%. However, equally, as savings costs start to rise we deem it appropriate to allow a credit interest rate of 2.5%.

4.55. 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

4.56. MG adopt a profit equivalent to 17.5% on revenue for the market value units and circa 5.5% on revenue for the affordable (or 6% on costs).

4.57. 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.

4.58. 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).

4.59. 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 6% on revenue for affordable dwellings.

4.60. We have again reviewed other schemes appraised across the District. Having considered this and the above, we conclude that an allowance of 17.5% is acceptable for the market value and First Homes dwellings, together with 5.5% on revenue for the affordable (6% on cost).

Benchmark land value

4.61. 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.

4.62. 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.

4.63. 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:

4.63.1. 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.

4.63.2. The EUV should disregard any hope value.

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

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

4.63.5. 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.

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

4.63.7. 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.

4.64. 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.

4.65. 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 consistent with what has bene applied to other schemes across the District.

4.66. In terms of a premium uplift, MG's suggest an additional £250,000 per gross Ha as being an acceptable incentive to a landowner. This equates to circa 11 times the existing use value (when expressed on a 'per gross acre' basis).

4.67. As part of our analysis, we have looked to compare this to the rate used in the Local Plan testing, which is £535,000 per net Ha (when the abnormal costs are included).

4.68. MG's allowance for the benchmark land value equates to £275,660 per net Ha. The abnormals put forward equate to £602,109 per net Ha. Combined this equates to £877,769 per net Ha, compared to £535,000 per net Ha as used in the Local Plan testing. On this basis, MG's allowance appears to be above expectations, when taken within the context of the net site area and abnormal costs.

4.69. The guidance is clear that as abnormal costs increase, this should have a downward pressure on the corresponding benchmark land value. In other words, the abnormal costs can and should be deducted from the land value for the purposes of the viability testing. However, these deductions can only be up to a point. There comes a 'tipping point' where a landowner would simply not be incentivised to sell. For example, if a site is currently worth £50,000 as an agricultural field but for a residential development to come forward the level of abnormal costs (if deducted from the land value) means that a landowner would only receive £50,000 then clearly there would be no incentive for the landowner to sell. Equally, if the landowner only received a relatively small uplift in value (say a sale of £75,000 or £100,000) then again therefore would be no incentive for the landowner to release the property for development.

4.70. It is not therefore simply a case of deducting all of the abnormals from the land value when testing viability, as the guidance makes it clear that a landowner has to be incentivised to sell. What is subjective, and open to debate, is where that tipping point is precisely for each site. It is entirely reasonable, and within the requirements of the guidance, to expect a landowner to adjust their expectations of land price to reflect high abnormal costs. Equally, though, it is reasonable to assume that the landowner has to receive an attractive enough price to release the site, regardless of how high the abnormals are.

4.71. In this particular case, given the level of abnormals (which are relatively high for a greenfield site of this size and nature) we consider that a minimum land price of £650,000 would act as a sufficient incentive for a landowner to release this site for development. Below this level would risk the site not coming forward. At this level this is equivalent to around £175,000 per net Ha. When combined with the abnormals it equates to around £890,000 per net Ha, which is significantly above that used in the Local Plan testing, but in our view a realistic reflection on the minimum price a landowner would be willing to accept to release the site.

5. Appraisal results and conclusions

5.1. We have run an initial appraisal for the scheme as proposed incorporating the various appraisal inputs detailed above and applying the full planning policy requirements, including a 25% onsite affordable housing provision plus £1,415,912 in S106 contributions. This generates a residual land value below £650,000 and is therefore unviable.

5.2. We have subsequently amended the policy provision to try and reach a viable outcome. As a Scenario 1 (please see attached), included 25% affordable housing, and varied the S106 contributions. However, this generates a residual land value below the benchmark land vale and is not therefore viable.

5.3. For our Scenario 2, we have assumed the full S106 contributions (£1,515,912) to see whether any affordable housing can be delivered. However, please see attached our Scenario 2 appraisal. However, this generates a residual land value below the benchmark land vale and is not therefore viable.

5.4. As a Scenario 3 (please see attached), we have included only the health and education S106 contributions (which totals £613,112). With this level of S106 contributions the scheme would need to reduce its affordable housing provision to 13 onsite units (13%). The mix of affordable houses is as follows:

Scenario 3 – Affordable Housing

	Affordable Rent	Shared Ownership	First Homes
1 bed	2	-	-
2 bed	2	1	3
3 bed	2	-	3
4 bed	-	-	-
Total	**6**	**1**	**6**

5.5. Finally, as a Scenario 4, upon the request of the Council we have included only the Relief Road payment (£802,800) and onsite affordable housing based on the following mix: With the full Relief Road payment the scheme would need to reduce its affordable housing provision to 7 onsite units (7%). The mix of affordable houses is as follows:

Scenario 4 – Affordable Housing

	Affordable Rent	First Homes
1 bed	2	-
2 bed	3	1
3 bed	-	1
4 bed	-	-
Total	**5**	**2**

5.6. In summary, we agree with the applicant that the scheme is unable to viably support the full planning policy provision. However, our modelling shows that the scheme can either provide:

- S106 contributions at £613,112 but with reduced affordable housing (13%).
- Relief Rd payment at £802,800 but with reduced affordable housing (7%).

5.7. 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

Yews Farm, Spalding
H14-1218-21
Viability appraisal - Sc1
DN-0761

Development Appraisal
Prepared by David Newham MRICS Director
CP Viability Ltd
30 November 2022

Yews Farm, Spalding
H14-1218-21
Viability appraisal - Sc1

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	m²	Sales Rate m²	Unit Price	Gross Sales
Market Value	75	7,954.00	2,607.86	276,572	20,742,925
Affordable Rent	18	1,350.00	1,344.43	100,832	1,814,983
First Homes	6	422.00	2,060.69	144,935	869,610
Shared Ownership	1	68.00	1,740.00	118,320	118,320
Totals	**100**	**9,794.00**			**23,545,838**

NET REALISATION				**23,545,838**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (3.41 Ha @ 132,444.13 /Hect)			451,634	
				451,634
Stamp Duty			12,082	
Effective Stamp Duty Rate		2.68%		
Legal Fee		0.75%	3,387	
				15,469
CONSTRUCTION COSTS				
Construction	**m²**	**Build Rate m²**	**Cost**	
Market Value	7,954.00	1,180.00	9,385,720	
Affordable Rent	1,350.00	1,180.00	1,593,000	
First Homes	422.00	1,180.00	497,960	
Shared Ownership	68.00	1,180.00	80,240	
Totals	**9,794.00 m²**		**11,556,920**	**11,556,920**
Contingency		3.00%	431,006	
Garages			936,000	
Site prep			50,000	
EV charging points			50,000	
Air source heat pumps			400,000	
Reinforced network			68,500	
Dewatering			193,750	
Acoustic measures			37,941	
Import soil to lift site			765,000	
Foul pump station rising main			150,000	
SUDS & storm attenuation			142,000	
0/O piled foundations houses			444,015	
0/O piled foundations garages			96,000	
				3,764,212
Other Construction Costs				
Externals		15.00%	1,873,938	
				1,873,938
PROFESSIONAL FEES				
Professional fees			803,718	
				803,718
DISPOSAL FEES				
Marketing & sales		3.00%	622,288	
Legals	100.00 un	750.00 /un	75,000	
				697,288
Total Additional Costs				26,000
TOTAL COSTS BEFORE FINANCE				**19,189,179**
FINANCE				
Debit Rate 7.000%, Credit Rate 2.500% (Nominal)				
Land			85,305	
Construction			384,159	
Other			222	
Total Finance Cost				469,241

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TOTAL COSTS		**19,658,420**
PROFIT		
		3,887,418
Performance Measures		
Profit on Cost%	19.77%	
Profit on GDV%	16.51%	
IRR% (without Interest)	39.81%	

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Yews Farm, Spalding
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Viability appraisal - Sc2

Appraisal Summary for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**m²**	**Sales Rate m²**	**Unit Price**	**Gross Sales**
Market Value	100	9,830.00	2,630.90	258,618	25,861,775
NET REALISATION				**25,861,775**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (3.41 Ha @ 105,578.08 /Hect)			360,021		
				360,021	
Stamp Duty			7,501		
Effective Stamp Duty Rate		2.08%			
Legal Fee		0.75%	2,700		
				10,201	
CONSTRUCTION COSTS					
Construction	**m²**	**Build Rate m²**	**Cost**		
Market Value	9,830.00	1,180.00	11,599,400	**11,599,400**	
Contingency		3.00%	432,471		
Garages			936,000		
Site prep			50,000		
EV charging points			50,000		
Air source heat pumps			400,000		
Reinforced network			68,500		
Dewatering			193,750		
Acoustic measures			37,941		
Import soil to lift site			765,000		
Foul pump station rising main			150,000		
SUDS & storm attenuation			142,000		
0/O piled foundations houses			444,015		
0/O piled foundations garages			96,000		
Health			66,000		
Education			547,112		
Relief Road			802,800		
Cemetery extension			100,000		
				5,281,589	
Other Construction Costs					
Externals		15.00%	1,880,310		
				1,880,310	
PROFESSIONAL FEES					
Professional fees			803,718		
				803,718	
DISPOSAL FEES					
Marketing & sales		3.00%	775,853		
Legals	100.00 un	750.00 /un	75,000		
				850,853	
Total Additional Costs				26,000	
TOTAL COSTS BEFORE FINANCE				**20,812,093**	
FINANCE					
Debit Rate 7.000%, Credit Rate 2.500% (Nominal)					
Land			67,612		
Construction			461,927		
Other			5,668		
Total Finance Cost				523,871	
TOTAL COSTS				**21,335,964**	
PROFIT					
				4,525,811	

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Viability appraisal - Sc2

Performance Measures

Profit on Cost%	21.21%
Profit on GDV%	17.50%
IRR% (without Interest)	41.09%

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Development Appraisal
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CP Viability Ltd
30 November 2022

Yews Farm, Spalding
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Viability appraisal - Sc3

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Sales Rate m²**	**Unit Price**	**Gross Sales**
Market Value	87	8,891.00	2,618.93	267,643	23,284,925
Affordable Rent	6	404.00	1,342.66	90,406	542,435
First Homes	6	422.00	2,060.69	144,935	869,610
Shared Ownership	1	68.00	1,740.00	118,320	118,320
Totals	**100**	**9,785.00**			**24,815,290**

NET REALISATION			**24,815,290**	
OUTLAY				
ACQUISITION COSTS				
Residualised Price (3.41 Ha @ 191,970.61 /Hect)		654,620		
			654,620	
Stamp Duty		22,231		
Effective Stamp Duty Rate	3.40%			
Legal Fee	0.75%	4,910		
			27,141	

CONSTRUCTION COSTS

Construction	**m²**	**Build Rate m²**	**Cost**	
Market Value	8,891.00	1,180.00	10,491,380	
Affordable Rent	404.00	1,180.00	476,720	
First Homes	422.00	1,180.00	497,960	
Shared Ownership	68.00	1,180.00	80,240	
Totals	**9,785.00 m²**		**11,546,300**	**11,546,300**
Contingency		3.00%	430,639	
Garages			936,000	
Site prep			50,000	
EV charging points			50,000	
Air source heat pumps			400,000	
Reinforced network			68,500	
Dewatering			193,750	
Acoustic measures			37,941	
Import soil to lift site			765,000	
Foul pump station rising main			150,000	
SUDS & storm attenuation			142,000	
0/O piled foundations houses			444,015	
0/O piled foundations garages			96,000	
Health			66,000	
Education			547,112	
				4,376,957
Other Construction Costs				
Externals		15.00%	1,872,345	
				1,872,345
PROFESSIONAL FEES				
Professional fees			803,718	
				803,718
DISPOSAL FEES				
Marketing & sales		3.00%	698,548	
Legals	100.00 un	750.00 /un	75,000	
				773,548
Total Additional Costs				26,000
TOTAL COSTS BEFORE FINANCE				**20,080,628**
FINANCE				
Debit Rate 7.000%, Credit Rate 2.500% (Nominal)				
Land			124,507	
Construction			351,622	
Other			4,734	

Total Finance Cost		471,395
TOTAL COSTS		**20,552,023**
PROFIT		
		4,263,267
Performance Measures		
Profit on Cost%	20.74%	
Profit on GDV%	17.18%	
IRR% (without Interest)	41.85%	

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H14-1218-21
Viability appraisal - Sc4
DN-0761

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CP Viability Ltd
30 November 2022

Yews Farm, Spalding
H14-1218-21
Viability appraisal - Sc4

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Sales Rate m²**	**Unit Price**	**Gross Sales**
Market Value	93	9,340.00	2,624.29	263,557	24,510,825
Affordable Rent	5	304.00	1,344.04	81,717	408,587
First Homes	2	141.00	2,055.82	144,935	289,870
Totals	**100**	**9,785.00**			**25,209,282**

NET REALISATION				**25,209,282**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (3.41 Ha @ 194,252.42 /Hect)			662,401	
				662,401
Stamp Duty			22,620	
Effective Stamp Duty Rate		3.41%		
Legal Fee		0.75%	4,968	
				27,588
CONSTRUCTION COSTS				
Construction	**m²**	**Build Rate m²**	**Cost**	
Market Value	9,340.00	1,180.00	11,021,200	
Affordable Rent	304.00	1,180.00	358,720	
First Homes	141.00	1,180.00	166,380	
Totals	**9,785.00 m²**		**11,546,300**	**11,546,300**
Contingency		3.00%	430,639	
Garages			936,000	
Site prep			50,000	
EV charging points			50,000	
Air source heat pumps			400,000	
Reinforced network			68,500	
Dewatering			193,750	
Acoustic measures			37,941	
Import soil to lift site			765,000	
Foul pump station rising main			150,000	
SUDS & storm attenuation			142,000	
0/O piled foundations houses			444,015	
0/O piled foundations garages			96,000	
Relief Road			802,800	
				4,566,645
Other Construction Costs				
Externals		15.00%	1,872,345	
				1,872,345
PROFESSIONAL FEES				
Professional fees			803,718	
				803,718
DISPOSAL FEES				
Marketing & sales		3.00%	735,325	
Legals	100.00 un	750.00 /un	75,000	
				810,325
Total Additional Costs				26,000
TOTAL COSTS BEFORE FINANCE				**20,315,322**
FINANCE				
Debit Rate 7.000%, Credit Rate 2.500% (Nominal)				
Land			126,009	
Construction			408,719	
Other			4,495	
Total Finance Cost				530,233
TOTAL COSTS				**20,845,555**

Yews Farm, Spalding
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PROFIT

		4,363,727

Performance Measures

Profit on Cost%	20.93%	
Profit on GDV%	17.31%	
IRR% (without Interest)	39.67%	