DVS Property Specialists for the Public Sector

STUDY CONCERNING THE ECONOMIC VIABILITY OF PROVIDING AFFORDABLE HOUSING ACROSS FLINTSHIRE

Undertaken in connection with the emerging Local Development Plan

Completed on behalf of Flintshire County Council

by

District Valuer Services (DVS)

June 2020

EXECUTIVE SUMMARY

DVS, part of the Valuation Office Agency, has been commissioned by Flintshire County Council to produce financial appraisals in respect of a number of example residential development sites across the County to determine the ability of such schemes to support a level of Affordable Housing. It is accepted that any of the Affordable Housing targets recommended should be achievable and 'viable'.

The Council wished to test viability for a range of sites, and an appraisal approach was undertaken that would permit this reflecting a prescribed level of affordable housing and housing mix. A variety of site typologies has been agreed with the Council and is considered to be representative of the sites that will come forward in the County. The typologies were also tested in a variety of geographical locations or sub markets which should enable more general conclusions to be drawn about the viability implications locally of differing scenarios.

The sites are all 'hypothetical' and their individual characteristics, any anticipated abnormal costs, etc. are not taken into account in the appraisals. Any potential planning application for such sites, and specific viability testing will involve more detailed data and will need to be viewed on its individual merits.

The valuations and appraisals were agreed to be as at 31 March 2019 and reflect current costs and values. It is important to stress that the prescribed 'test' developments designed to meet the Council's combined planning policies do not necessarily match any future actual development. Accordingly no dialogue has been entered into with landowners or developers in respect of individual sites.

A total of five typologies have been identified by the Council as being reflective of development in the County. We have considered notional development schemes for each site, which would meet the current Local Development Plan objectives (apart from Affordable Housing content). Each typology has then been tested across the six sub market areas identified by the Council LHMA.

We have made assumptions in respect of development costs and other financial and site inputs required to carry out the appraisals. We would also note that the assumptions used and current costs and values adopted, mean that the figures in this report are not comparable to any other report commissioned by the authority previously. Development appraisals were produced for each of the site typologies using the industry standard 'Argus' software which shows full cash flows etc and again would make comparing figures calculated using another toolkit inadvisable. The approach used was to determine the residual site value after taking into account the costs of development including a range of Affordable Housing content, the likely income from sales and an allowance for reasonable developer's profit. This methodology is the same as is used by nearly all developers when they are purchasing land and formulating their bids.

For Greenfield sites a level of profit on revenue of 17.5% on the Market Value element of the scheme was considered reasonable - reflecting in our opinion the nature of the developments and their perceived associated risks.

Reasonable and supportable Affordable Housing content which can be provided, whilst maintaining viability would be, in our opinion :

	Recommended Overall Percentage
Central	**40%**
Connah's Quay, Queensferry and Broughton	**35%**
Flint and Coast	**15%**
Garden City	**20%**
Mold and Buckley	**40%**
South Border	**30%**

This recommendation is based on the results produced and is considered reasonable in the context of the plan period and the current state of the market. It also reflects the split of affordable housing tenure types outlined in the report.

The different levels between sub markets is supportable and reflects the potential of higher value areas to make more substantial contributions to affordable housing and S106 sums.

It should be borne in mind that the results are very sensitive to the assumptions made - unit mix/numbers, build costs and gross development values, and external costs against site size for example.

We would also note that a site having a strong residual value is not guaranteed to come forward for development, and conversely those which may appear to be less viable (in terms of our appraisals of them) may also come forward for a number of other reasons, as discussed in this paper.

In addition, we would recommend regular revision of the viability appraisals to establish whether the main assumptions, particularly in respect of sale prices and build costs, have been subject to fluctuation. In the event that the parameters have moved to any significant degree (a 5% clear differential for example) it may be appropriate to review the affordable housing contribution target.

1. INTRODUCTION

1.1 DVS, part of the Valuation Office Agency, has been commissioned by Flintshire County Council to produce financial appraisals in respect of a number of typologies of residential sites across the County to determine the ability of development sites to support a level of Affordable Housing. The appraisals have been designed to assess the impact on development viability of the requirements for provision of Affordable Housing at various levels. The Council is producing a Local Development Plan ('LDP') which, when adopted, will serve as the statutory strategic spatial development framework for the County until 2030.

1.2 This study is a document which will be used in assessing the aspirational target for affordable housing, within the LDP. It is not intended, nor should it be used, as a basis for any individual case being considered under Development Management guidelines. In arriving at an overall target there will be sites which will perform better than the average and those that perform less well but the study will provide a reasonable achievable target from which policy may be derived.

Brief for this work

1.3 The Council wished to test viability for a range of sites and an appraisal approach was undertaken that would permit this reflecting a prescribed level of affordable housing and housing mix. A variety of site typologies has been agreed with the Council and is considered to be representative of the sites that will come forward in the County, with the aim of testing different site types in a variety of geographical locations. This would enable more general conclusions to be drawn about the viability implications locally of differing scenarios. We would add that within any sub market there will still be 'hotter' and 'cooler' locations in terms of viability.

1.4 The valuations and appraisals were agreed to be as at 31 March 2019.

DVS

1.5 DVS, part of The Valuation Office Agency, provides valuation advice to public bodies throughout Wales, England and Scotland. It has extensive experience in carrying out development appraisals and employs specialists in commercial and residential development work, together with dedicated environmental and quantity surveyors to assist in appraisal work. In the last few years, Councils have increasingly commissioned us to assess the viability of development schemes in relation to their ability to support affordable housing and other obligations arising in the planning process.

2. INDIVIDUAL DEVELOPMENT SITES

Introduction

2.1 The number of site typologies tested is considered to give a representative sample so that sites of all size ranges, types and in all market areas were represented.

2.2 This section considers the key characteristics of the individual sites, together with the assumptions made about the proposed development for the purposes of producing appraisals. The sites are of varying sizes and have differing current uses, although most may be considered 'Greenfield' (this is a primarily a reflection of the preponderance of this type of site in the County) either in use as farmland or scrub.

2.3 The sites are all ‘hypothetical’ and their individual characteristics, any anticipated abnormal costs, etc. are not taken into account in the appraisals. Any potential planning application for such sites, and specific viability testing will involve more detailed data.

.2.4 We were not asked as part of this study to consider the appropriateness of any other items of developer contributions such as CIL.

Existing Data

2.5 Having regard to the Council’s brief we arrived upon hypothetical schemes for each site, to meet current planning objectives in terms of density and mix but also developers aspirations, and have formulated appraisals based upon house price and commercial data from our database of all reported property transactions (supported by wider market investigations), as at the agreed valuation date. Building Cost information has been obtained directly from our internal quantity surveyors and BCIS (the Building Cost Information Service of the Royal Institution of Chartered Surveyors).

2.6 No allowance has been made for ecological factors (bats, newts etc) or other potential site remediation costs, as these will be very site specific issues. We would suggest that any such matters on specific sites, coming forward for development, would be taken account of in a specific viability test.

The individual site typologies

2.7 Details of the typologies identified by the Council are set out below:

Table 1

Typology	Site size in Gross Hectares
Greenfield	
10 Units	0.40
50 Units	2.05
100 Units	4.07
150 Units	6.12
300 Units	12.24

2.8 In terms of geographic spread the County has been subdivided into six sub-markets, and each main typology was tested for each area. Flintshire is a relatively small County but it is clear that there are areas which attract higher values and therefore are more viable than others. Care must be taken when looking at comparable properties to also strip out any such specifically high value properties in order not to skew an average.

2.9 In the market place, there will be some variation in the specification of the final dwellings; and in the degree of aspiration for high quality design. Whilst recognising that across the County, the Council would aspire to achieve a high standard of urban design, we have assumed the sites will be developed to a similar standard to that which is represented by the existing housing stock. We consider that this ‘median’ level of specification is also that accepted by the market in the majority of these locations.

As a result a single median building cost assumption has been made for five out of the six sites (as explained below, one location has a build cost reflecting the much lower end value of the scheme) and this level of specification is reflected in the prices achieved for the individual developments. We have also made adjustments to reflect ‘economies of scale’ on the larger schemes and these are detailed later in this Report.

2.10 The hypothetical specification also takes into account costs for additional works required such as sprinkler systems and the methodology adopted to reflect these is detailed later in this report.

Development assumptions

2.11 In order to test schemes that meet all aspects of present planning policy (apart from Affordable Housing content), we considered the unit numbers and mix to be met by each site. This was done by considering schemes as built out or proposed in Flintshire and informed by our own market knowledge and experience of viability cases. It may be summarised that developers prefer to build what may be considered a more marketable product in the market at that time - and usually that is a detached house in a relatively low density environment. We believe that these are the types of schemes most likely to come forward and so have tailored the suggest mix on that basis to try and reflect schemes which are likely to come forward.

2.12 Table 2, below, shows the mix of units provided by Developers in schemes recently completed in Flintshire.

Table 2

Typology			
	2 Bed	3 Bed	4 Bed
10 Units	2	4	4
50 Units	11	19	20
100 Units	23	37	40
150 Units	34	56	60
300 Units	68	112	120

The Table shows the mix of units a Developer would be likely to provide if they were considering a scheme with no Affordable Housing content.

2.13 Our appraisals use the overall scheme mix set out in Table 2 for the market housing element.

However, any Affordable Housing provision must reflect the Local Housing Market Assessment (‘LHMA’) which identifies housing need in Flintshire.

The LHMA concluded that Affordable Housing need is somewhat different to the mix provided by the market. The LHMA identified a split of 57% for 1/2 bed units (the LHMA, in its conclusions, groups 1 and 2 bed units together and we have done likewise); 31% for 3 bed units; and 12% for 4/5 bed units.

Therefore, our appraisals use the LHMA proportions for any affordable housing content assumed to be within the hypothetical scheme.

By way of example :

A 100 unit scheme with differing Affordable Housing Proportions :

Affordable Content	Market Units			Total Market Units	Affordable Units			Total Affordable Units	Total Scheme Units
	2 Bed	3 Bed	4 Bed		2 Bed	3 Bed	4 Bed		
0%	23	37	40	100	0	0	0	0	100
20%	11	31	38	80	12	6	2	20	100
40%	0	25	35	60	23	12	5	40	100

The total affordable housing content is a straightforward percentage of the total units in the scheme. The Affordable housing units are then split into house type by using the LHMA figures, so

If there are 40 Affordable Units
– 57% are to be 2 bed per LHMA equals 22.8 units, say 23 units
– 31% are to be 3 bed per LHMA equals 12.4 units, say 12 units
– 12% are to be 4 bed per LHMA equals 4.8 units, say 5 units

2.14 Density is based on 30 unit/hectare. In addition site sizes have been increased to allow for Public Open Space (additional 55 sq.m. per dwelling). and, finally, a further 5% has been added to each site to reflect possible land needed to accommodate any SUDS works. This density reflects an average scenario for Flintshire but may be subject to change on specific sites due to individual site characteristics in terms of topography, developable area, estate roads where necessary, local market etc.

2.15 The property sizes tested have been derived from guidance provided to RSLs and based upon our own market experience and as adopted in other such testing. It is recognised that the eventual developers of each site will form their own views, subject to Planning policy requirements, on what the appropriate unit type mix and size of units are but, for the purposes of consistency, the following unit types have been tested across both the affordable and private tenure homes:

Table 3

Unit type	**Size in sq.m.**
2 bed terrace house	70
2 bed semi-detached house	75
3 bed terrace house	83
3 bed semi-detached house	88
3 bed detached house	100
4 bed detached house	120

2.16 The mix of dwellings focuses mainly on the need for family housing, as demonstrated in our experience and in consideration of current dwelling types in the County.

2.17 The housing mix adopted reflects current house types ‘demanded’ by the market. This is at variance to the Local Housing Market Assessment which considered a greater need for 1/2 bed affordable properties, rather than 3 or 4 bed. In our opinion, the market will not readily provide 1 bed properties and our appraisals have been tempered by realism to reflect the Developer’s, and our own, views on market demand.

2.18 Current ‘market’ housing can be provided by developers in both larger and smaller sizes, both of which can result in greater site density in terms of smaller but more numerous units or similar densities backed up by larger homes; the net result of both approaches is the same : an increased built area (Square metres) per hectare.

2.19 We consider the densities used in the appraisals reflect the absence of any apartment type dwellings on any of the sites which we believe would be a correct assumption for development in Flintshire and reflects evidence observed.

2.20 The locations tested are based on the LHMA Sub Market Areas (as shown on Plan in Appendix 1) –

Flint and Coast HMA (‘Flint’)
Connah’s Quay, Queensferry and Broughton HMA (‘Connah’s Quay’)
Garden City HMA (‘Garden City’)
Mold and Buckley HMA (‘Mold’)
South Border HMA (‘South Border’)
Central HMA (‘Central’)

Affordable Housing Assumptions

2.21 In accordance with the brief, our appraisals assume that there will be a requirement to provide affordable housing on each site. The affordable housing tenure mix tested for valuation purposes has been set by the Council

The latest LHMA shows a tenure split of approximately 30% Social Rented, 30% Intermediate Rented and 40% affordable home ownership.

Flintshire is a stock retaining authority, and are subsequently able to build new social housing via their Strategic Housing and Regeneration Programme (SHARP). Evidence contained in the Affordable Housing Background Paper shows that the Authority has a successful track record of delivering new affordable housing, with an annual average delivery rate of 95 affordable dwellings between 2008 and 2018. This is the highest rate across all Local Authorities in North Wales. We understand that this has been achieved by focusing their social housing development through SHG and SHARP, and intermediate products via planning gain.

The Authority has excellent working relationships with the Registered Social Landlords (RSLs) who operate in Flintshire. Together they have successfully delivered a high rate of social housing over recent years. Therefore it is intended that they continue with this approach whereby the RSLs, who are experts in their field, will develop the social housing and the intermediate products will primarily be delivered via planning gain.

The tenures tested were social rented, intermediate rent and intermediate for sale. These tenures are as defined in Welsh Assembly Government (now WG) Technical Advice Note 2 (‘TAN 2’) Planning and Affordable Housing :

> “• **social rented housing** - provided by local authorities and *registered social landlords* where rent levels have regard to the Assembly Government’s *guideline rents* and *benchmark rents*; and
>
> • **intermediate housing** - where prices or rents are above those of social rented housing but below market housing prices or rents. This can include equity sharing schemes (for example *Homebuy*). Intermediate housing differs from low cost market housing, which the Assembly Government does not consider to be affordable housing for the purpose of the land use planning system.”

The values attributable to each tenure type in our appraisals were :

- Social Rent : average weekly rental for social rented units (from StatsWales) of 2 or more bedrooms, less 25% allowance for voids and management costs to give a net rent. The net rent was then capitalised at 5.5% to give a notional transfer value of £68,000 per unit. (in the appraisals this was converted to an equivalent figure based on a percentage of the market value of each unit ranging from 37-45% of market value).

- Intermediate Rent : average monthly rental, based on Local Housing Allowance rates for Flintshire (from StatsWales), less 25% allowance for voids and management costs to give a net rent. The net rent was then capitalised at 5.5% to give a notional transfer value of £85,000 per unit. (in the appraisals this was converted to an equivalent figure based on a percentage of the market value of each unit ranging from 46-57% of market value).

- Intermediate for Sale : taken at 70% of market value.

Based on this analysis, our conversations with RSLs and our knowledge of figures adopted by Developers, we concluded that the above figures represent a reasonable basis to adopt in the appraisals. The variance in the percentage of market value, reflects the higher/lower value locations.

2.22 Testing was undertaken at a provision of 30% socially rented units, 30% intermediate rented and 40% Intermediate for Sale, which we understand reflects the need identified by the Council.

The process followed in undertaking the appraisals is :

- Take the appropriate mix of units for the relevant typology from Table 2
- Decide on a percentage of Affordable content to be tested and resultant split in the number of market/affordable units for the typology being considered
- Allocate tenures in line with LHMA to the Affordable units (as shown in example in 2.13)
- Insert appropriate market value figures for non Affordable units

- Insert appropriate value for Affordable units : based on percentage of market value for each tenure type as set out in 2.21 (the final percentage adopted reflects the tenure mix of the Affordable units being tested)

An example appraisal is provided in Appendix 2.

2.23 The affordable housing has been assumed to be sold by a Developer to an RSL. Planning Policy strongly supports the concept of integrated, mixed, developments and over the period of the LDP this is expected to be the case in Flintshire. From a viability perspective, we have assumed that such mixed developments will occur and that RSL's and Developers will work together, with the RSL's contributing at a similar level as elsewhere. However, given the relatively high percentage of Intermediate for Sale units we would anticipate that Developers could opt to undertake some direct sales on this type of 'product' and we have reflected this potential in the Profit figures adopted (see below) for the Affordable units in the appraisals.

2.24 Each of the tested schemes assumes that no Social Housing Grant has been offered in support of the development of affordable housing. Availability of grant funding is uncertain and it is, therefore, considered inappropriate to test viability on the assumption that it could be obtained.

OTHER DEVELOPER CONTRIBUTIONS

Other developer contributions

2.26 Based on information from the Council, we have allowed for non Affordable Housing s106 contributions of £4,200 per unit, which we understand to be a reasonable expectation of payments likely to be made based on current policy and previous experience of approved schemes.

2.27 If additional developer contributions were to be required, then this could impact on the amount of affordable housing which could reasonably be expected to be provided. These increased costs would reduce viability and developer profit margins unless they could be absorbed through reduced land prices paid to site vendors.

2.28 Whilst other payments may be required on particular sites, dependent upon specific local needs, the Council have clearly stated that after infrastructure provision Affordable Housing will then be prioritised. There may be instances where this is not the case, e.g. where infrastructure is required without which no development can take place, but these will be limited.

2.29 Community Infrastructure Levy may become a further factor during the period of the Plan. However, at this stage it is not adopted and it is difficult to gauge what impact it may have upon viability. For this study we have made no allowance for CIL although any review (as recommended) will need to take this into account.

3. LOCAL MARKET CONDITIONS

Introduction

3.1 This section provides an assessment of local market conditions. This provides the basis for the assumptions on house prices used in the financial appraisals for the typology sites.

3.2 In support of this exercise, we have considered values specific to the test sites identified. It is important to stress that a series of factors will influence values and that, although development schemes do have similarities, every site is unique to some degree. Consequently, whilst market conditions in general will broadly reflect national economic circumstances and local supply/demand factors, within an area there will be particular localities and site-specific factors that generate different values and costs. The range of sites tested in this study seeks to assess viability across varying localities for this reason.

3.3 The comments below relate to prevailing market conditions at the valuation date. It should be stressed that values fluctuate, and that we are at the moment in a time of perhaps greater market uncertainty than normal, and that assessments of viability will alter over relatively short periods of time.

3.4 Each of the test sites and developments has been assessed having regard to new build sale prices, where available, or by reference to general value levels obtained from our database of all property sales. We assessed the property values on both a unit-by-unit basis and with reference to wider sale price trends. In assessing the sales data we stripped out any sales between connected parties or obvious outliers and such in order to achieve a more reliable average.

3.7 We have also noted a number of ongoing and recently completed housing developments. From these we obtained current asking prices and from our database were able to note prices actually achieved, on sales around the valuation date. From this extensive list of comparables, we attributed values in each of the locations for use in the appraisals.

3.8 In support of this exercise, we have considered values specific to the test sites identified. It is important to stress that a series of factors will influence values and that, although development schemes do have similarities, every site is unique to some degree. Consequently, whilst market conditions in general will broadly reflect national economic circumstances and local supply/demand factors, within an area there will be particular localities and site-specific factors that generate different values and costs. The range of sites tested in this study seeks to assess viability across varying localities for this reason.

3.9 As a result, typical prices for the market housing are reflected within the appraisals, as shown below;

Table 4

	Sq.M.	Flint	Garden City	South Border	Connah's Quay	Central	Mold
2 bed terrace house	70	£120,000	£130,000	£140,000	£140,000	£145,000	£150,000
2 bed semi-detached house	75	£130,000	£145,000	£155,000	£155,000	£155,000	£160,000
3 bed terrace house	83	£150,000	£160,000	£165,000	£165,000	£165,000	£185,000
3 bed semi-detached house	88	£160,000	£170,000	£180,000	£185,000	£185,000	£200,000
3 bed detached	100	£190,000	£200,000	£200,000	£215,000	£220,000	£220,000
4 bed detached	120	£225,000	£240,000	£250,000	£260,000	£275,000	£270,000

3.10 We consider the values adopted to be fair and reasonable and fully reflective of each of the local markets considered in the current climate, and bearing in mind the type and size of proposed 'average' unit.

3.11 All the figures reflect conditions as at the valuation date.

4. ASSUMPTIONS FOR VIABILITY ANALYSIS

Introduction

4.1 This section considers the costs and other assumptions required to produce financial appraisals for the individual sites.

The financial appraisal model

Development appraisals are in essence relatively straightforward and can be illustrated by the following equation:

Completed Development Value

Less

Development Costs *(Land Acquisition + Construction + Fees + Finance)*

Equals

Residue for Developer's Profit and Risk

Development Costs

Construction Costs

4.2 Based upon advice from our internal quantity surveyors and taking into account recently published Build Cost Information Service (BCIS) data, we have established a current base price per square metre construction costs for residential development in this area. The BCIS calculates build costs based upon actual tender and build price information.

4.3 For all sites, except Flint, the base figure adopted is £970 per square metre for new build houses on schemes of up to 100 units.

For larger schemes tested of 150 and 300 units, lower figures of £918 and £866 per square metre, respectively, have been adopted to reflect economies of scale available on such projects. This reduction from the Median build cost rate reflects rates adopted by larger housebuilders and our experience of rates put forward and accepted by developers of larger schemes.

The figures for schemes of up to 100 units are the median build costs provided within the BCIS report; that used for 300 unit schemes is the Lower Quartile cost; and the figure for 150 unit schemes is midway between the median and lower quartile figures. The BCIS report is at Q1 2019 and is adjusted for the Clwyd location (see Appendix 3).

Flint has been treated as an exception. Given the low values in this location, we would anticipate a degree of 'value engineering' by a reasonable developer to reflect the anticipated sale prices of the completed units. Thus, for the smaller schemes of up to 100 units, the build cost has been taken at midway between median and lower quartile (around 5% reduction from median), i.e. £918 per square metre; and for the larger schemes of 150 and 300 units the lower quartile figure of £866 per square metre has been adopted. It was not considered appropriate to reduce the build cost below the lower quartile figure even for the largest scheme.

4.4 By its nature these are generalised figures as specific developers will have different priorities, but we consider them to be reasonable for the purposes of this exercise. We are not aware of any supporting scheme-specific build cost evidence provided by the developers, which is essential in support of any such differing build cost opinions particularly since there is a clear (yet understandable) commercial interest for developers to overstate build cost.

4.5 Currently DVS are reviewing a number of Developer appraisals, provided in support of discussions on viability tests on individual sites, which support the figures adopted. In view of this evidence and the comments made above, we are comfortable that the figures we have used are fair and reasonable.

4.6 In our experience the costs of affordable housing are unlikely to differ significantly from those used for the market housing due to the stringent requirements of Lifetime Homes and Development Quality Requirements required by the Welsh Government and their partner RSLs.

4.7 We have used the 5 year default data adopted within BCIS, which is reflective of enhanced building regulation standards.

We have adopted an uplift for sprinkler systems. As it is only a recent legal requirement we would not expect this to be reflected, as yet, within the BCIS figures. In previous studies we have adopted a figure of £3,075 per house for this item. Information from local RSLs indicates figures of between £2,500 and £3,500 for this addition. We have allowed a figure of £3,250 per unit which may be generous particularly on the larger schemes where we would anticipate some economies of scale.

4.8 The cost of Drainage Systems ('SuDS') at sites is difficult to quantify in terms of cost but we understand that data from Welsh Government indicates that this should be cost neutral. We have therefore made no extra allowance for these within our overall costs. However, there may be a need for some additional land to accommodate various systems and to reflect this we have added 5% to all the expected site areas within our appraisals.

Other normal development costs

4.9 In addition to the per square metre build costs described above, allowance needs to be made for a range of infrastructure costs – roads, drainage, and services within the site; parking, footpaths, landscaping and other external costs; as well as offsite costs for drainage and other services.

4.10 Many of these items will depend upon individual site circumstances and can only be estimated following a detailed assessment of each site. This is not practical within the scope of this study and therefore, based upon the experience of our Quantity Surveyors, a general allowance in relation to the build costs has been made.

The larger percentage addition on the higher unit schemes reflects the potential need on these sites for additional works such as pumping stations, water attenuation, connections to highways necessitating, for example, traffic light junctions, roundabouts etc. These items would not be categorised as ‘abnormal’ costs, rather they are relatively common requirements, hence the higher percentage addition.

Table 5

Site	External %
10-100 units	15%
150 units	20%
300 units	25%

4.11 In addition a 2.5% uplift has been added for ‘contingencies’.

Abnormal development costs

4.12 We are aware that exceptional or abnormal costs could arise on some sites. Typically, abnormal costs would constitute items such as unusual site levelling, additional foundation costs where ground conditions are poor, cost of remediation for contaminated sites, etc.

4.13 We have not undertaken investigations regarding the availability and capacity of existing utility services, which was considered to be beyond the scope of this study. We have, therefore, assumed that such services are available and adequate for each of the sites.

4.14 If there are capacity issues regarding, for example, sewage this will affect each site to a greater or lesser extent. Over the period of the plan it may be that other factors improve this situation or that one development in an area effectively ‘pays’ for upgrades which are then available for subsequent schemes in that locality. An allowance at this stage would be highly speculative, without much greater research and may not be appropriate for many sites which have no issues, or for those where the issues may be resolved in the future.

4.15 It may be that when discussions take place on actual sites, in the future, that provision of services will be an ‘abnormal’ cost (if such services are not readily available or require significant infrastructure contributions) and will need to be reflected in the viability of the particular site under consideration.

Land Values

4.16 The land values adopted reflect an opinion of the level required for the land to be released onto the market for residential development. This may well be lower than transactions in the recent past, but our appraisals are based on current market conditions, with the affordable housing requirements as expected at the time and assuming the land is acquired at the date of valuation. It must be borne in mind that the sites we are assessing here do not have current planning in place - so we are assessing an amount which would convince a landowner to release land for development from its current use. This is not the same as a value for the transaction of a site which has planning agreed.

4.17 Evidence of land values at the present time is limited but anecdotal evidence of asking prices suggests that landowners’ price aspirations remain firm and whilst there is some greater flexibility our market research suggests that distressed landowner vendors are rare.

4.18 Establishing the level at which a landowner would ‘release’ development land is subjective but is a critical element in any assessment of viability. Factors that could be taken into account include individual circumstances (including tax liability), expectations about changes in Government policy with regard to s106 and affordable housing delivery and opinion on the present and future trend in land values.

4.19 The general view is that landowners accept the need to reflect public realm expenses, for example educational, public open space contributions, highway works etc., in the land value they receive, and there is a general level of value for development land. This varies depending on the circumstances of each site.

4.20 The appropriate value will be that at which the vendor will be minded to sell when comparing the Existing Use Value of the land (plus any premium required to incentivise the vendor to sell) against alternative uses. Such alternatives could be very low, e.g. amenity, agricultural land at say £7,500 per acre, or at a higher level for industrial land.

4.21 As valuers, in our opinion, it is too simplistic to state that land value should be, say, 25-30% of Gross Development Value (as we understand has been proposed in some consultation workshops for similar studies). The land values' percentage of the overall GDV is relative but this is more of a yardstick for the developer, as this percentage will change as other factors change (i.e. development cost, risk, house prices etc.). It also ignores the fact that sites which are considered 'unviable' by developers may theoretically have a negative land value.

4.22 Essentially, in arriving at Market Value both parties will first consider what the land is likely to be worth at its highest alternative use value ('AUV' - often, but not always, residential development) and also what its existing use value ('EUV') is. In terms of alternative use value of the site, we would suggest that if that value was higher and easily achievable (i.e. without time, money and risk associations) the prudent landowner would have already achieved the transition to this more valuable use. Therefore, most land value benchmarks will have first reference to a site's existing use value.

4.23 The AUV informs both sides of the gain being made by the land owner, and the amount of this difference is their incentive to sell. If the incentive is relatively small then the landowner may not be minded to sell or may demand the full AUV. If the incentive is relatively large then the vendor may be keen to sell and the developer will try and take advantage of this by negotiating down the price. In these negotiations AUV and EUV are considered but not with any hard and fast rules and in every case each party will make their own assessment of what is an appropriate incentive to sell.

4.24 In our Viability Study testing we have assumed land values that offer significant financial incentives (above EUV) to land owners, albeit that they are below what may be aspirational figures, held by landowners, from a time when land sales did not reflect the same obligations in regards to affordable housing, or S106 sums.

4.25 On this basis we have adopted a base Greenfield land value of £300,000 per hectare. In our opinion these figures are sufficient to incentivise a landowner to sell and provides accurately for the reality in the market place, if compared to the existing EUV (for example £18,000 per hectare for agricultural land).

4.26 Some development land agents may be keen to talk up the value of development land, and it is true to say that land sales can yield very large sums of money indeed. That said, because this information is often anecdotal or second hand a degree of caution has to be attached to it. This can be for many reasons such as a price being clean of abnormal costs yet to be deducted, the sale value reflecting existing infrastructure (i.e. "oven ready") or a significant difference between the net and gross development areas.

4.27 Where sites are either landlocked or would need the co-operation of a third party to create a suitable access we have not, generally, made any allowance for extra costs in these cases but have assumed that the main landholding would share some of its 'value' with the third party to create a developable site.

Fees

4.28 We have assumed professional fees (Architects, Quantity Surveyors, Planning Consultants, Engineers, etc) amounting to 8% of build costs on the smaller schemes, reducing to 7% on 150 unit schemes and 6% for a 300 unit scheme..

4.29 Professional fees can vary greatly from scheme to scheme, and from discussions and negotiations with developers (including at planning inquiry) we usually see fees below 12% and as low as 5% of build cost. From our current evidence we feel that the figures above are fair and reasonable.

Financial and other appraisal assumptions

4.30 It has been assumed throughout this study that VAT either does not arise or that its effects can be ignored.

Interest rate

4.31 Our appraisals assume a finance rate of 7% for outgoings. We are aware, that this may be considered 'low' and that finance can be difficult to obtain at 'any rate'. However, we concluded this rate on the basis of developer appraisals being presented to us around the valuation date and consider it to be reasonable in the context of the exercise being undertaken. Many small builders will finance projects from retained funds and will use an opportunity cost rate - which is another reason why some sites deemed unviable on the hypothetical model may also come forward for development in reality.

4.32 We have allowed a 1.5% credit rate within the cashflow as is good practice. The credit interest rate for development finance may be argued to mirror the debit rate, as the development cash flow already allows for the drawing of developer profit and therefore any sales income should be used to offset borrowing costs on this or other development schemes i.e. the opportunity cost of scheme revenue matches the borrowing rate. However on some smaller sites, a lower credit interest may be adopted to allow for any hypothetical local/regional developers who may only have one concurrent development and not be in a position to make their money work quite so hard for them. It is not a case that it is suggested that any profit on sales income is taken out of the scheme and placed in a savings account offering 1.5% interest for example.

Developers' Profit

4.33 We normally assume that a residential developer requires a return of 15-20% return on revenue (Gross Development Value) for 'Market or Private Housing'. For the purposes of this study we have adopted 17.5% for sites to test the viability of each development. These are figures agreed on recent viability cases and in the current market offer what we believe is an acceptable return to the developer of schemes of this type.

4.34 Historically, the profit benchmark for developers was around 15% (on Gross Development Value for residential developments and on Cost for commercial developments) but as the market improved we saw returns falling below this. However, when the economy and property market fell (post 2007) we saw developer profit requirements shift up to 20%

(and more where risk was greater e.g. flatted development). Latterly, as stability returned to the market due to supply and demand mismatches, and developers have become more outwardly confident (if still more cautious in their decision making) a gradual easing of developer profit expectations has been observed. The base allowance for developer return of 17.5% against GDV is inclusive of developer internal overheads.

4.35 We would also comment that there is a need to be clear about the basis upon which developer's profit is quoted and measured. House builders tend to talk of profit gross of the cost of design fees, marketing, and finance. DVS make separate deductions in their appraisals for design fees, marketing and finance hence the lower profit figures adopted.

4.36 The appraisal model normally assumes that the Developer will construct the affordable housing for the RSL and charge a 6% 'project management fee' (in essence another term for developer profit on these units) for doing so. This reflects the fact that generally this element of the development carries little risk as the units are effectively pre-sold.

In this case, 40% of the Affordable units (a significant portion of the total and at a level where an RSL may not take all the units but leave this tenure type with the Developer) are assumed to be Intermediate for Sale. This product may involve developer activity and risk and so it is arguable that a full market return of 17.5% could be required on this portion of the Affordable offer.

In previous studies we have adopted 6% developer profit across all Affordable Housing tenures. However, given the predominance of the Intermediate for Sale tenure, on this occasion, in our opinion this scenario needs to reflect the risks of this tenure type (including RSLs being unwilling to take the units). To reflect this, we have increased the overall profit level on the Affordable units to 11% (this is a blended profit taking account of the proportions of each tenure type and the risk allocated to each).

Phasing

4.37 For the purposes of this study we have assumed the following development periods below, based upon our experience of similar schemes.

4.38 There are numerous factors that can affect the timeframes of an individual development programme, including:

- a) Size of site;
- b) Its location;
- c) Prevailing market conditions at key stages of delivery and sales rates;
- d) Complexities surrounding ownership(s); and
- e) Complexities surrounding the resolution of any planning-related requirements.

4.39 However, presently there is an observed trend towards sales rates acting as a more notable influence upon the delivery of new development. This is commonly seen with estate style residential schemes, whereby the rapidity to sell units is heavily contributing to decision to speed up or slow down the build phase. A combination of reduced access and/or flexibility to development finance for the developer, and relative capacity remaining within the construction industry may offer a reasonable explanation for this.

4.40 The expected timeframes adopted reflect the current state of the market and the anticipated take up of housing on new developments, which we have assumed is at 3 units per month. Again this is based upon our experience in specific development cases where essentially we understand that developers build in relation to the sales period. It would be inadvisable to build out quicker than units can be sold to avoid empty properties on site for a prolonged period of time.

We have allowed a 3 month period prior to construction commencing and then a further 6 months before the first unit is available for sale.

On larger sites, it would be usual to expect several developers to work together and increase the take up rate but for the purposes of this exercise we have taken a conservative view on take up rate.

Table 7

Site	Development Period
10 units	13 months
50 units	26 months
100 units	43 months
150 units	60 months
300 units	110 months

Site acquisition and disposal costs

Site holding costs and receipts

4.41 The development is assumed to proceed immediately and so other than interest on the site cost during construction, no allowance has been made for holding costs, or indeed any income arising from ownership of the site. Acquisition Costs include current stamp duty rates and an allowance of 1.8% for site acquisition agents' and legal fees.

Disposal costs

4.42 Sales/promotion and marketing fees are assumed to amount to 3% of market housing receipts and 2.5% of the Affordable units. In some larger schemes there may be increased marketing costs in show homes and media marketing to maintain sales rates, but this will be offset by reduced fees to agents. An addition of £600 per unit legal fees for the sale of units is also included.

5. RESULTS AND ANALYSIS OF VIABILITY RESULTS

The results of the test appraisals for the main site typologies, based on the assumptions set out above, are demonstrated in the tables below. In summary the table indicates whether the benchmark land value can be achieved based on an assumed percentage of Affordable housing provision.

Housing Market Area :	Central							
		Residual Land Value (£ per Hectare) including Affordable Housing Content of						
	50%	40%	35%	30%	25%	20%	15%	10%
Number of Units								
10	£220,095	£399,645						
50	£213,030	£351,618						
100	£204,266	£341,929						
150	£227,124	£365,693						
300	£253,971	£386,881						

Key	Residual Land Value is Compared with 'Benchmark' Land Value - £300,000 per Hectare
(green)	Viable (over Benchmark)
(amber)	Marginal but likely to come forward (within 10% of Benchmark)
(red)	Unviable (below Benchmark)

Affordable Housing Mix	Social Rent - 30%	Intermediate for Rent - 30%	Intermediate for Sale - 40%

Housing Market Area :	Connah's Quay, Queensferry and Broughton							
		Residual Land Value (£ per Hectare) including Affordable Housing Content of						
	50%	40%	35%	30%	25%	20%	15%	10%
Number of Units								
10		£281,862		£439,720				
50		£243,154	£332,017					
100			£305,906					
150		£266,134	£325,777					
300		£296,737	£349,262					

Key	Residual Land Value is Compared with 'Benchmark' Land Value - £300,000 per Hectare
(green)	Viable (over Benchmark)
(amber)	Marginal but likely to come forward (within 10% of Benchmark)
(red)	Unviable (below Benchmark)

Affordable Housing Mix	Social Rent - 30%	Intermediate for Rent - 30%	Intermediate for Sale - 40%

Housing Market Area :	**Flint and Coast**							
	Residual Land Value (£ per Hectare) including Affordable Housing Content of							
Number of Units	50%	40%	35%	30%	25%	20%	15%	10%
10						£273,190	N/A	£394,237
50							£283,726	£321,032
100							£263,904	£306,720
150							£295,732	
300								£262,705

Key Residual Land Value is Compared with 'Benchmark' Land Value - £300,000 per Hectare

- Viable (over Benchmark)
- Marginal but likely to come forward (within 10% of Benchmark)
- Unviable (below Benchmark)

Affordable Housing Mix: Social Rent - 30% | Intermediate for Rent - 30% | Intermediate for Sale - 40%

Housing Market Area :	**Garden City**							
	Residual Land Value (£ per Hectare) including Affordable Housing Content of							
Number of Units	50%	40%	35%	30%	25%	20%	15%	10%
10				£201,337	N/A	£324,337		
50						£275,882	£335,911	
100						£267,365	£311,768	
150						£290,855	£338,305	
300					£278,365	£330,152		

Key Residual Land Value is Compared with 'Benchmark' Land Value - £300,000 per Hectare

- Viable (over Benchmark)
- Marginal but likely to come forward (within 10% of Benchmark)
- Unviable (below Benchmark)

Affordable Housing Mix: Social Rent - 30% | Intermediate for Rent - 30% | Intermediate for Sale - 40%

Housing Market Area : **Mold and Buckley**

Residual Land Value (£ per Hectare) including Affordable Housing Content of

Number of Units	50%	40%	35%	30%	25%	20%	15%	10%
10	£197,575	£411,655						
50	£215,764	£366,809						
100	£199,921	£359,067						
150	£237,544	£385,597						
300	£264,073	£405,142						

Key Residual Land Value is Compared with 'Benchmark' Land Value - £300,000 per Hectare

- Viable (over Benchmark)
- Marginal but likely to come forward (within 10% of Benchmark)
- Unviable (below Benchmark)

Affordable Housing Mix: Social Rent - 30% | Intermediate for Rent - 30% | Intermediate for Sale - 40%

Housing Market Area : **South Border**

Residual Land Value (£ per Hectare) including Affordable Housing Content of

Number of Units	50%	40%	35%	30%	25%	20%	15%	10%
10		£162,130	N/A	£308,437				
50				£269,442	£370,156			
100				£267,829	£322,569			
150				£292,844	£352,977			
300			£269,781	£321,250				

Key Residual Land Value is Compared with 'Benchmark' Land Value - £300,000 per Hectare

- Viable (over Benchmark)
- Marginal but likely to come forward (within 10% of Benchmark)
- Unviable (below Benchmark)

Affordable Housing Mix: Social Rent - 30% | Intermediate for Rent - 30% | Intermediate for Sale - 40%

Summary of Conclusions by Housing Market Area
Showing Percentage of Affordable Housing Considered Viable

Table 8

	Number of Units					**Recommended Overall Percentage**
	10	50	100	150	300	
Central	40%	40%	40%	40%	40%	**40%**
Connah's Quay, Queensferry and Broughton	30%	35%	35%	35%	40%	**35%**
Flint and Coast	20%	15%	10%	15%	0%	**15%**
Garden City	20%	20%	15%	20%	20%	**20%**
Mold and Buckley	40%	40%	40%	40%	40%	**40%**
South Border	30%	25%	25%	30%	30%	**30%**

5.1 Taking into account the above, in our opinion reasonable and supportable Affordable Housing content which can be provided, for each of the LHMA sub areas, whilst maintaining viability would be as shown in the final column 'Recommended Overall Percentage'

5.2 This recommendation is based on the results produced and is considered reasonable in the context of the plan period and the current state of the market. It also reflects the split of affordable housing tenure types outlined in the report. It is inadvisable to plan for marginal viability and some flexibility should be left to allow for changes in costs or abnormals on a site specific basis etc. We would further recommend that the LDP allows for sites to be considered on an individual scheme-by-scheme basis with a full viability appraisal, if necessary.

5.3 The different levels between sub markets is supportable and reflects the potential of higher value areas to make more substantial contributions to affordable housing and S106 sums.

5.4 It should be borne in mind that the results are very sensitive to the assumptions made - unit mix/numbers, build costs and gross development values, and external costs against site size for example.

5.5 We have also been asked to consider whether it is appropriate to seek on site affordable content for schemes of less than 10 units. Whilst it is possible to test these sites for 'on site' affordable units, the results can be skewed by the inability to test for 'whole units'; the fact that build costs can be higher on small schemes (although this is often offset by higher sale prices due to greater individuality/exclusiveness); and different benchmark land value aspirations. Sites are often very 'individual' or 'one off' in nature (backland, garden land etc.) which can make a generic policy more difficult. Overall, we do not consider on site provision to be a workable option for this type of site.

5.6 We were asked to assess the Economic Viability of providing Affordable Housing. We would also comment that in some areas typologies deemed unviable will still have schemes coming forward. We would suggest firstly that viability can be affected by a whole range of issues including the overall economic climate/housing/commercial market but on more site specific basis factors include:

1) Assumptions on development including density and housing type and mix.
2) Percentage of affordable housing
3) Amount of Section 106 contributions
4) Local Authority planning policy
5) Final detail/conditions of planning consent
6) Site Abnormals
7) Infrastructure Requirements
8) Final development costs and profit etc.

5.7 Looking at the proposed sub markets we would note that virtually all of the sites are deemed viable but with varying levels of Affordable Housing content.

5.8 Within any sub market there always will be pockets of higher or lower viability which are difficult to capture in an area wide study - for example where a high quality style development is undertaken in an edge of settlement area with good access to major transport links and excellent views.

5.9 We would suggest that there a number of other factors why any site deemed to have lower levels of viability in an area wide study may also in fact come forward in reality as has been demonstrated in Flintshire;

- **Values** - Current market commentaries are mixed and it is impossible to predict if higher house price sale levels will occur, which will make some sites more 'viable'. It is clearly appropriate however to take account of likely house price growth across the plan period, given established historic house price growth trends. An increase in house prices (although this is often negated by a corresponding increase in costs) could increase viability on some sites.

- **Phasing** - it is highly likely that some schemes will be built out and sold more quickly than our average assumptions, and on that basis viability will improve as finance will be calculated over a shorter time period, and therefore cost less. This may be seen on an RSL led scheme where the same pressure to build against sales rates is less prevalent as effectively all of the units are pre-sold. However we believe that based on the evidence that we have seen that the adopted phasing reflects Flintshire, generally speaking.

- **Build costs** - we have used a median BCIS rate for most of the smaller schemes and this may well be bettered in specific agreed build contracts or where smaller builders with lower overheads etc are employed to undertake the construction. We would comment though that it is impossible to predict how build costs will change over the next few years or even months following on from the recent EU referendum result as labour costs are part of the adopted build cost rates - they may increase or decrease. The build rate adopted for smaller schemes may be 'value engineered' for some schemes to reflect the relatively lower value of the product to be delivered. We would suggest therefore that lower construction deals may be made and units will come forward.

- **Profit** - In some cases the landowner could also be the developer (for example, a farmer with surplus land) and, in that situation, could decide to 'release' the land at a nominal sum and take his profit through sale of completed dwellings or even keeping a unit for self or family occupation, thus improving potential viability. It should also be noted that RSLs are likely to have a lower profit margin than the level quoted for private sector house builders. As a result of this, it is evident that some of the sites would actually be viable for development solely by RSLs, sometimes without Social Housing Grant, as RSLs can have internal funds that allow them to bridge gaps in viability.

- **Finance** - Many small and self-builders will finance projects from retained funds and will use an opportunity cost rate - which is another reason why some sites deemed unviable in a hypothetical model may also come forward for development in reality.

- **Mix** - a mix of higher value units may improve viability. We have only tested hypothetical mixes which may be different than that proposed in reality. A different mix of affordable tenures will also improve (or reduce) viability - for example less social rented units being required.

- **Grant funding** - any provision of grant funding will obviously impact upon viability in a positive way. Also the release of sites for RSL affordable only schemes is a possibility to provide more units.

5.10 Ultimately, flexibility between the three main delivery stakeholders (Landowners, Developers and the Public Sector (DVS would include RSLs here, although in cases they could move between all three hats) is the key. Historically, flexibility has been expected only from the Public sector and, whilst it is right to expect a flexible approach, the other stakeholders also need to recognise that they need to be flexible (whether it be on land values, margins etc.). Stakeholders appear to be engaging with this debate, and hopefully this will lead to better delivery of homes (private and affordable).

5.11 If rigorously enforced, any affordable housing policy could restrict the number of sites coming forward for development. However, it could also help reduce land price expectations amongst landowners although if no flexibility is adopted (on a case-by-case basis) for those sites experiencing genuine, and evidenced, viability issues then this could lead to an overall reduction in affordable and open market housing delivery.

Delivery of Stated Affordable Housing Target and Monitoring

5.12 It is very difficult to speculate whether any 'provisional' Preferred Strategy affordable housing target of new affordable units can be met by the plan end date. This will be dependent on many factors including policy requirements, wider economic conditions etc.

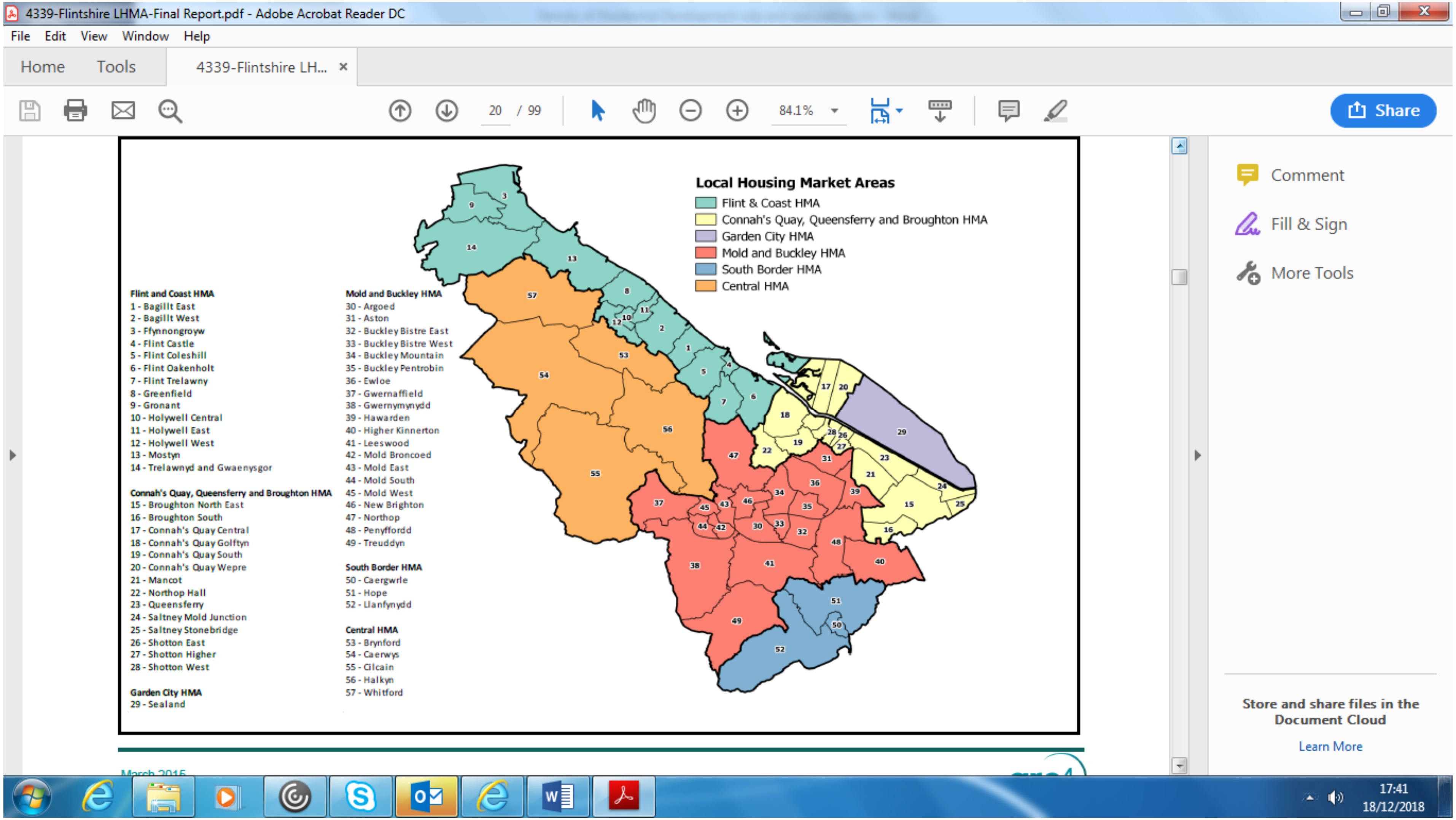
5.13 The final point to make is one that has been reiterated through this study and viability testing, and that is the overriding importance of flexibility. A strong policy framework is essential but this should include clear and transparent flexibility in the assessment of each site for affordable housing provision. A clear, fair and flexible policy framework will engender goodwill and will hopefully be reciprocated in flexibility in landowners' price expectations and developers' expected margins. Where developers genuinely cannot provide the stated target on a particular site many local authorities now require the developer to pay for an independent analysis of the site to confirm their interpretation for the council. This in our view would be a reasonable and flexible policy to introduce.

5.14 We would comment also that the viability position should be monitored and kept under review. The main areas to be kept under review would be values and costs as these fluctuate constantly and will directly impact upon the residual land values.

5.15 The context to any increase in viability however is that a 10% ‘sale price’ increase does not mean a 10% increase in house prices for example, it means a 10% increase in house prices ***relative*** to all the other variables affecting development cost. In simple terms this could mean a 10% increase in house prices whilst all other variables (i.e. costs) remain static. It may well also be recognised that conversely even if house prices rise, a similar rate of increase in build costs would to all intents and purposes cancel out any improvement in viability.

5.16 It may be recommended that a simple monitoring of House Price Index movements across Flintshire on a year to year basis is measured against BCIS rates, and that if a divergence of 5% either way against a sample 100 unit scheme residual value in comparison to current levels is detected that this triggers a fuller review. Where the rate changes cancel one another out then a full review may not be required.

Appendix 1 – Local Housing Market Areas



Appendix 2 – Example Argus Appraisal

APPRAISAL SUMMARY **LICENSED COPY**

Flintshire LDP March 2019
100 units, 25% affordable
HMA - South Border

Summary Appraisal for Merged Phases
2

Currency in £

REVENUE
Sales Valuation

	Units	m²	Sales Rate m²	Unit Price	Gross Sales
2 Bed Terr - MV	5	350.00	2,000.00	140,000	700,000
2 Bed Semi - MV	4	300.00	2,066.67	155,000	620,000
3 Bed Terr - MV	9	747.00	1,987.95	165,000	1,485,000
3 Bed Semi - MV	9	792.00	2,045.45	180,000	1,620,000
3 Bed Det - MV	11	1,100.00	2,000.00	200,000	2,200,000
4 Bed Det- MV	37	4,440.00	2,083.33	250,000	9,250,000
2 Bed Terr - Aff	7	490.00	1,120.00	78,400	548,800
2 Bed Semi - Aff	7	525.00	1,157.33	86,800	607,600
3 Bed Terr - Aff	3	249.00	1,066.87	88,550	265,650
3 Bed Semi - Aff	3	264.00	1,097.73	96,600	289,800
3 Bed Det - Aff	2	200.00	1,100.00	110,000	220,000
4 Bed Det- Aff	3	360.00	1,118.06	134,167	402,501
Totals	**100**	**9,817.00**			**18,209,351**

NET REALISATION **18,209,351**

OUTLAY

ACQUISITION COSTS

Residualised Price		2,037,355	
Residualised Price (Negative land)		(724,497)	
			1,312,857
Stamp Duty		57,271	
Agent Fee	1.00%	20,374	
Legal Fee	0.80%	16,299	
			93,944

CONSTRUCTION COSTS
Construction

	m²	Build Rate m²	Cost	
2 Bed Terr - MV	350.00	970.00	339,500	
2 Bed Semi - MV	300.00	970.00	291,000	
3 Bed Terr - MV	747.00	970.00	724,590	
3 Bed Semi - MV	792.00	970.00	768,240	
3 Bed Det - MV	1,100.00	970.00	1,067,000	
4 Bed Det- MV	4,440.00	970.00	4,306,800	
2 Bed Terr - Aff	490.00	970.00	475,300	
2 Bed Semi - Aff	525.00	970.00	509,250	
3 Bed Terr - Aff	249.00	970.00	241,530	
3 Bed Semi - Aff	264.00	970.00	256,080	
3 Bed Det - Aff	200.00	970.00	194,000	
4 Bed Det- Aff	360.00	970.00	349,200	
Totals	**9,817.00**		**9,522,490**	**9,522,490**
Contingency		2.50%	281,897	
s106	100.00 un	4,200.00 /un	420,000	
				701,897

Other Construction				
External Works		15.00%	1,124,569	
Sprinklers	75.00 un	3,250.00 /un	243,750	
Externals		15.00%	303,804	
Sprinklers	25.00 un	3,250.00 /un	81,250	
				1,753,373
PROFESSIONAL FEES				
Other Professionals		7.00%	620,581	
Other Professionals		7.00%	163,041	
				783,623
DISPOSAL FEES				
Sales Fees and Marketing		3.00%	476,250	
Sales Fees and Marketing		2.50%	58,359	
Sales Legal Fee	100.00 un	600.00 /un	60,000	
				594,609
FINANCE				
Debit Rate 7.000%, Credit Rate 1.500% (Nominal)				
Total Finance Cost				374,218
TOTAL COSTS				**15,137,010**
PROFIT				**3,072,341**

Performance Measures

Profit on Cost%	20.30%
Profit on GDV%	16.87%
Profit on NDV%	16.87%
IRR	35.05%

Appendix 3 – BCIS

BCIS®

RICS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 13-Apr-2019 00:45

› Rebased to 1Q 2019 (323) and Clwyd (82; sample 68)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (5)	1,016	633	897	984	1,110	2,357	364
810.1 Estate housing							
Generally (5)	1,038	592	866	970	1,140	3,541	273
Single storey (5)	1,257	742	1,009	1,239	1,387	3,541	55
2-storey (5)	966	592	836	929	1,066	1,710	207
3-storey (5)	1,182	757	911	1,112	1,347	2,096	9
4-storey or above (5)	1,834	1,758	-	-	-	1,909	2