



MANAGEMENT

Financial Viability Appraisal

Address: 60 Keymer Road, Hassocks, BN6 8AR
LPA: Mid Sussex
Planning ref: N/A
Client: Star Garages (Brighton) Limited
Date: 14th February 2025



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Executive Summary

This report provides a Financial Viability Appraisal (FVA) of proposed development at 60 Keymer Road, Hassocks, BN6 8AR. The process involves utilising Market Comparison and Residual Methods following RICS Guidance *Valuation of Development Property* (2019), *Assessing Viability in Planning under the NPPF Framework* (2024), and *National Planning Policy Guidance on Viability* (2024), and complies with RICS professional standards and guidance *Financial Viability in Planning: Conduct & Reporting*.

Following NPGV para 008, wherever possible this FVA utilises assumptions used in the underlying local plan evidence base. Where changes have been made, these are fully supported by market evidence demonstrating current local circumstances.

The key outputs of this FVA are summarised in the below table:

GDV	£9,488,880.44
Costs exc land and profit	£7,579,986.89
Finance	£465,244.46
Return	£1,660,554.08
BLV	£1,030,000.00
RLV	(£216,904.99)
RLV-BLV	(£1,246,904.99)
Target profit	17.50%
Actual profit	4.36%

Target developer return includes a risk-adjusted rate for market residential. Sensitivity analysis demonstrates this is the minimum return necessary to offset the current risk environment.

Benchmark Land Value (BLV) is assessed via the EUV+ and AUV method where relevant in line with national policy.

As such, this FVA demonstrates that, on a 100% open market basis, the benchmark land value exceeds the residual land value of the scheme. Therefore, the development cannot viably provide the targeted contributions.

Full appraisal inputs and evidence are found in the Schedules, referred to throughout.

Introduction

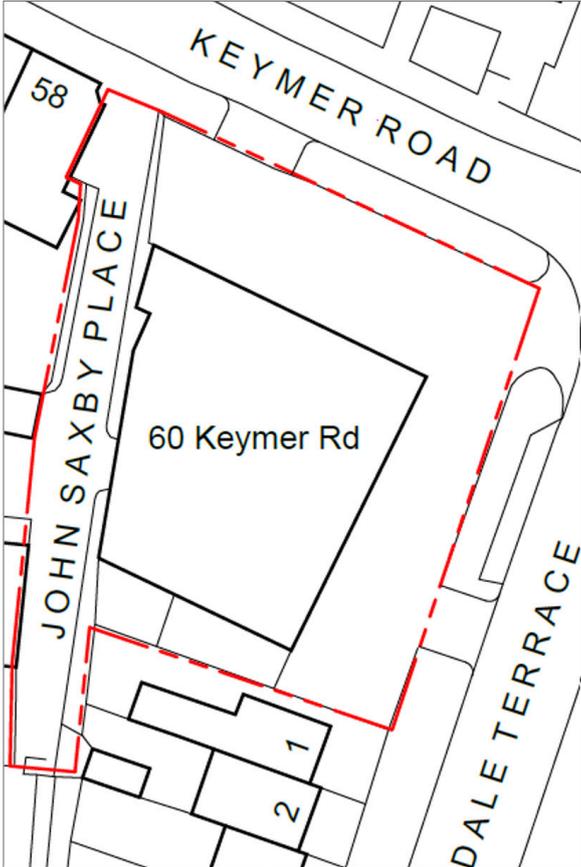
S106 Management is instructed by Star Garages (Brighton) Limited to produce a Financial Viability Appraisal (FVA) to determine the level of Affordable Housing contribution that can be viably delivered on proposed development at 60 Keymer Road, Hassocks, BN6 8AR.

Mid Sussex District Council seeks an Affordable Housing contribution in accordance with District Plan Policy 31 (adopted March 2018). The Council are also progressing a local plan review, which is at Submission Draft Regulation 19 stage. Thus we consider the pending policy in this draft document as appropriate.

The existing site accommodates the former National Tyre Centre, a commercial premises with a GIA of 543.2m². The total site area is 1,607m².

This FVA is to be viewed in conjunction with a new planning application which proposes to demolish the existing buildings, clear the site and erect a mixed use building containing Class E commercial accommodation on the GF and 26 residential apartments + communal lounge and guest bedroom on floors 1 - 3. In total the project will provide 190.2m² of Class E and 1,864.9m² of residential accommodation, plus common parts.

Site Location Plan



S106 Management

S106 Management is a viability consultancy established in 2011. Formed initially to capitalise on 35 years of specialist experience in planning law, viability assessment and development, the company has expanded over the last 10 years and now benefits from the expertise of chartered surveyors, town planners, solicitors, architects and an extensive network of planning professionals.

With over a decade of experience in creating expert financial viability appraisals, advising on complex planning obligations, and negotiating with local authorities, **S106 Management** has often been at the forefront of planning viability matters. The company is now one of the most effective and experienced specialist viability consultancies in the UK, combining expertise from all corners of the industry and benefiting from a considerable evidence base of several thousand development appraisals countrywide.

Planning Policy

By virtue of section 38 (6) of the *Planning and Compulsory Purchase Act 2004*, planning applications must be determined in accordance with the adopted plan of the Local Authority, unless material considerations indicate otherwise.

Therefore, the policy starting point is DP31 of the Mid Sussex District Plan 2014 - 2031 (adopted 2018)

DP31: Affordable Housing

Strategic Objectives: 13) To provide the amount and type of housing that meets the needs of all sectors of the community.

Evidence Base: Mid Sussex District Council Common Housing Register; Parish Housing Needs Assessments; Northern West Sussex Affordable Housing Needs Update Report (2014); Mid Sussex Housing and Economic Development Needs Assessment; Mid Sussex Whole Plan and Community Infrastructure Levy Viability Assessment (2016).

The Council will seek:

1. the provision of a minimum of 30% on-site affordable housing for all residential developments providing 11 dwellings or more, or a maximum combined gross floorspace¹⁴ of more than 1,000m²;
2. for residential developments in the High Weald Area of Outstanding Natural Beauty providing 6 – 10 dwellings, a commuted payment towards off-site provision, equivalent to providing 30% on-site affordable housing;
3. on sites where the most recent use has been affordable housing, as a minimum, the same number of affordable homes should be re-provided, in accordance with current mix and tenure requirements;
4. a mix of tenure of affordable housing, normally approximately 75% social or affordable rented homes, with the remaining 25% for intermediate homes, unless the best available evidence supports a different mix; and
5. free serviced land for the affordable housing.

All affordable housing should be integrated with market housing and meet national technical standards for housing including “optional requirements” set out in this District Plan (Policies DP27: Dwelling Space Standards; DP28: Accessibility and DP42: Water Infrastructure and the Water Environment); or any other such standard which supersedes these.

Proposals that do not meet these requirements will be refused unless significant clear evidence demonstrates to the Council’s satisfaction that the site cannot support the required affordable housing from a viability and deliverability perspective. Viability should be set out in an independent viability assessment on terms agreed by the relevant parties, including the Council, and funded by the developer. This will involve an open book approach. The Council’s approach to financial viability, alongside details on tenure mix and the provision of affordable housing will be set out in a Supplementary Planning Document.

The policy will be monitored and kept under review having regard to the Council’s Housing Strategy and any changes to evidence of housing needs.

DP31 suggests that developments of 11+ dwellings should provide 30% on site affordable units.

Policy DPH8 of the Draft Local Plan reduces the number of units required to provide 30% from 11+ to 10+. However, given that the subject development proposes 26 residential units this point is immaterial.

DPH8: Affordable Housing

Delivering the amount and type of housing which meets the needs of all sectors of the community is a key objective of the District Plan. Consequently, the Council requires:

1. A minimum of 30% on-site affordable housing, with the number of units rounded up to the next whole number, on all residential and mixed-use developments providing 10 dwellings or more, or with a combined gross floorspace of greater than 1,000m².

The purpose of this FVA is to determine whether the development is capable of supporting the targeted contribution.

Further economic data is provided by the Mid Sussex District Council Local Plan Viability Study (LPVS) (May 2022). Mid Sussex District Council have also commissioned a Regulation 19 Viability Note which was produced by HDH Planning & Development Ltd in September 2024. At para 6.19 the updated viability note concludes that the Council can rely on the 2022 LPVS to Inform local plan policy:

6.19 Overall values have increased, through changes in the market. The Council's policy requirements do not add significantly to the costs of development, beyond those considered

in the 2022 Viability Study. On this basis the Council can continue to rely on the 2022 Viability Study to inform the plan-making process.

PPG Viability para 008 states:

'How should a viability assessment be treated in decision making?

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.'

This creates a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties, with the burden of proof relating to what changes have occurred since adoption of the local plan applicable to all parties.

As such, where appropriate the conclusions of the underlying local plan evidence base are used to inform our report and corroborate assumptions. Where we believe changes must be made these are fully evidenced.

National Guidance is a material consideration; therefore, we also consider the 'National Planning Policy Framework' (NPPF), and the 'National Planning Guidance for Viability' (NPGV).

National Guidance

National guidance on the delivery of Affordable Housing is provided by the NPPF.

Paragraphs 57, 58 and 65 of the NPPF are of particular relevance:

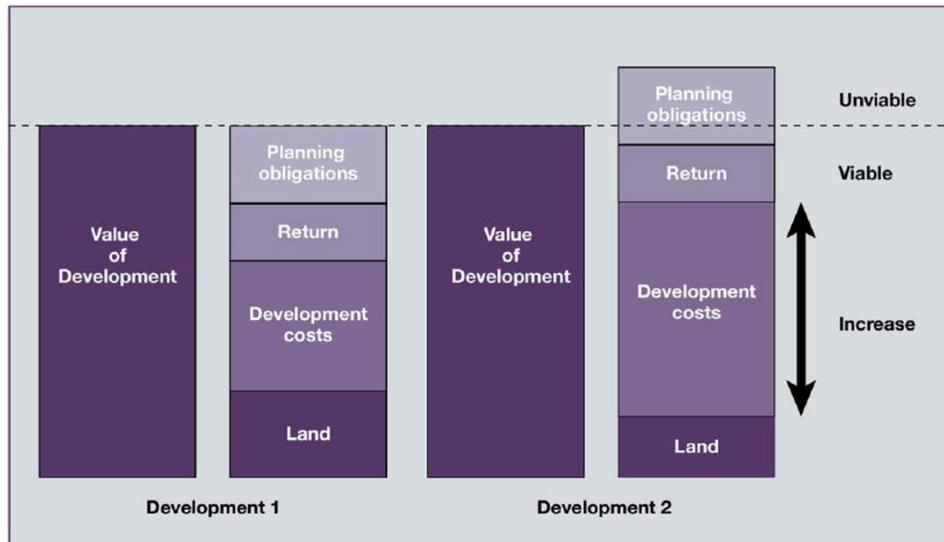
57. Planning obligations must only be sought where they meet all of the following tests²⁴:
- a) necessary to make the development acceptable in planning terms;
 - b) directly related to the development; and
 - c) fairly and reasonably related in scale and kind to the development.
58. Where up-to-date policies have set out the contributions expected from development, planning applications that 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. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.
65. Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount³¹.

The recommended approach referred to above is set out in the NPGV (<https://www.gov.uk/guidance/viability>).

The standard approach to viability is explained at para. 10 of the NPGV:

'Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.'

This is summarised well in the below figure from RICS guidance:



Paragraphs 11-18 lay out the required approach to calculating gross development value (GDV), development costs, benchmark land value, landowner and developer return.

The concept of viability is well expressed by the NPGV, in particular para 012 which sets out the costs that should be included in any viability statement, and paras 013-017 which seek to ensure that the landowner should receive the Existing Use Value (EUV) of the site plus a premium, thus providing an incentive to the landowner to bring the site forward for development.

Our report has been written in accordance with the principles set out in both the NPPF, and the NPGV.

Particular Circumstances

Both RICS guidance and PPG Viability note that particular circumstances must justify the need for a site-specific viability assessment. These circumstances are broad, with a non-exhaustive list provided by the PPG.

'Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.'

PPG Viability para 007

The particular justification for this site-specific viability assessment is that significant economic changes have occurred since the plan was brought into force.

Following the RICS guidance:

3.10.3 The main differences in FVAs for decision taking, compared to for plan making, are that:

- the level of planning requirements has been determined in the plan
- the site will be identified
- the scheme will be specified in more detail
- any abnormal costs can be identified, including any remediation costs and related land remediation relief tax allowances that may be available, and any costs incurred in readying the site for development, and
- the evidence base can be more specifically related to the actual site (where the site was not assessed at the plan-making stage).

Vacant Building Credit

The NPPF establishes Vacant Building Credit (VBC) in Para.65

Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount 31.

³⁰ *Equivalent to the existing gross floorspace of the existing buildings. This does not apply to vacant buildings which have been abandoned.*

We understand that:

- a) the whole building is vacant
- b) the building has not been abandoned
- c) the building has not been made vacant specifically for the purpose of redevelopment.

The following worked example is a standard approach to calculating VBC.

Examples of Vacant Building Credit calculation		
Example 1	Housing development in AH Area 1. (Affordable Housing requirement 40%) 40 dwellings The Proposed Gross Internal Floor Area(GIFA): 4,000sqm The existing Gross Internal Floor Area(GIFA): 1,000sqm	
Step 1	Calculate the affordable housing contribution based on the total number of eligible dwellings and the affordable housing percentage (40%) required by the council's planning policy	Affordable housing contribution 40 units x 40% = 16 units
Step 2	Calculate the amount of existing floorspace, if any, as a proportion of the floorspace provided by the development: E/P x 100 (where E = existing floorspace and P = proposed floorspace)	1,000 sqm / 4,000 sqm x100 = 25%
Step 3	Calculate the number of AH credit: Step 1 AH units x Step 2 percentage	16 units x 25% = 4 units
Step 4	Deduct the AH credit from the policy compliant affordable housing contribution, Step 1 AH number – Step 2 AH number	16 units – 4 units = 12 units (12 affordable dwellings to be delivered on-site)

The affordable housing contribution required under Policy DP31 is 30%.

The existing GIFA is 543.2m².

The proposed GIFA is 2,275m² depending on the scheme assessed.

A credit of between 23.8% will therefore apply.

Viability

The relevance of viability is accepted in DP31 which states:

Proposals that do not meet these requirements will be refused unless significant clear evidence demonstrates to the Council's satisfaction that the site cannot support the required affordable housing from a viability and deliverability perspective. Viability should be set out in an independent viability assessment on terms agreed by the relevant parties, including the Council, and funded by the developer. This will involve an open book approach. The Council's approach to financial viability, alongside details on tenure mix and the provision of affordable housing will be set out in a Supplementary Planning Document.

This policy statement should be seen in the context of the NPPF, and indeed subsequent Government guidance.

There are several proprietary toolkits in use to justify viability. We use the Housing Corporation Economic Appraisal Tool (HCEAT); and Argus Developer.

Our report and its conclusions are based on the application of this tool.

The next section sets out the assumptions that have been made in the preparation of the viability toolkit examining the viability of this site; the toolkit is shown in **Schedule 1** of this report. The comments below address the inputs to the toolkit sequentially and an electronic copy can be provided to the LPA on request.

Toolkit Inputs

Proposed Development

The development is summarised by the table below (plans are shown at **Schedule 2** to this report):

Unit	Area m2	Type
1	72.50	2b 4p
2	76.20	2b 4p
3	76.20	2b 4p
4	92.60	3b 5p
5	62.10	1b 2p
6	62.10	1b 2p
7	86.20	2b 4p
8	77.10	2b 4p
9	72.50	2b 4p
10	76.20	2b 4p
11	76.20	2b 4p
12	92.60	3b 5p
13	90.90	3b 5p
14	55.90	1b 2p
15	55.90	1b 2p
16	80.50	2b 4p
17	77.10	2b 4p
18	50.60	1b 2p
19	71.70	2b 4p
20	71.70	2b 4p
21	73.70	2b 4p
22	71.60	2b 4p
23	54.50	1b 2p
24	54.50	1b 2p
25	77.60	2b 4p
26	56.20	1b 2p
Total	1,864.90	

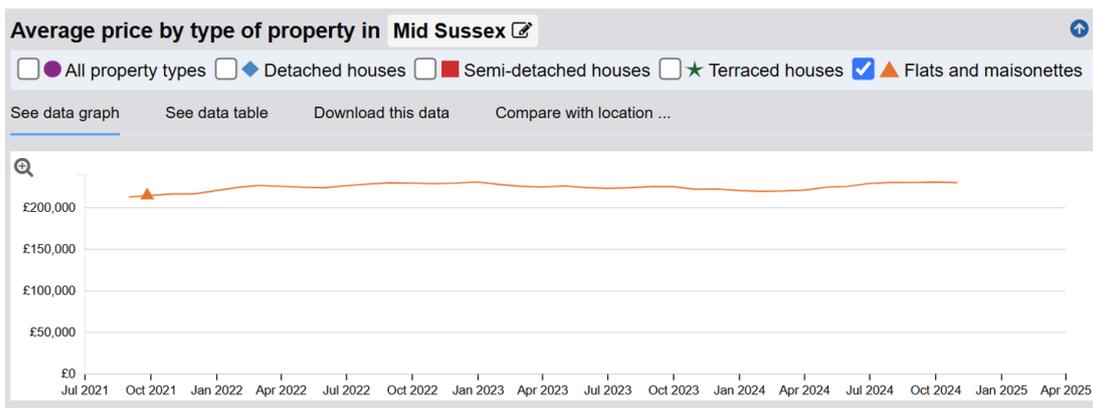
The accommodation mix comprises 8 x 1-bedroom units, 15 x 2-bedroom units and 3 x 3-bedroom villas.

Affordable Housing Values

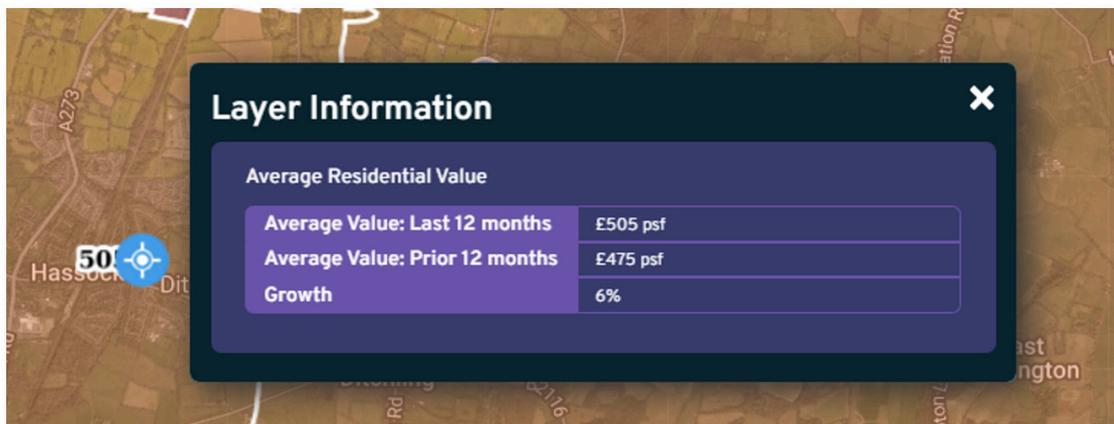
We approach this issue by firstly modelling a scheme with no Affordable Housing; if the Residual Value of this model exceeds the Benchmark Value of the site (as described below) producing a surplus profit, then we produce a second model to illustrate the maximum level of Affordable Housing that can viably be delivered by the development.

Open Market Housing Values

Land Registry data for Mid Sussex suggests the following average values for flats:



Nimbus suggests the following data:



This suggests an average open market value for properties in the immediate area of £5,433/m², down 3% year on year.

We have further consulted the local plan viability study which notes the following assumptions for value:

Table 4.10 2021 Residential Price Assumptions – £/m²				
	North	AONB	South	Burgess Hill
Greenfield	4,300	4,400	4,600	4,100
Previously Developed Land	4,300	4,400	3,900	4,100
Flatted Development	4,100	4,000	4,600	3,700

Source: HDH (December 2021)

The LPVS accepts however that there will be significant variance on site specific basis and we therefore conduct more detailed research regarding the local market below.

Transactional Data

We have compared this data to relevant recent 'sold' transactions for detached units extrapolated from Rightmove (see **Schedule 3**). Values are extremely sensitive to small changes in search area; therefore, we have limited our transactional search to within 2 years and 1/4 mile of the scheme:

<i>Sold flats within 1/4 mile last 2 years</i>					
Address	Type	Sale Date	Area m2	£/m2	Price
Orchard House, 2, Flat 3, Orchard Lane, Hassocks, West Sussex BN6 8QF	Mid-floor flat	17.10.2024	70	£4,428.57	£310,000
9, Heron Tye, Hassocks, West Sussex BN6 8JU	Mid-floor flat	29.05.2024	52	£2,711.54	£141,000
Crown Point House, Flat 1, Woodland Road, Hassocks, West Sussex BN6 8HT	Modernised 2-bedroom flat in purpose built block, garage	24.05.2024	70.1	£4,101.28	£287,500
Hassocks Lodge, 7, Keymer Road, Hassocks, West Sussex BN6 8AT	Mid-floor flat	26.04.2024	76	£3,421.05	£260,000
Crown Point House, Flat 11, Woodland Road, Hassocks, West Sussex BN6 8HT	2-bedroom purpose built apartment, communal garden, garage, parking & visitors parking	25.01.2024	60.2	£4,086.38	£246,000
8, Heron Tye, Hassocks, West Sussex BN6 8JU	Mid-floor flat	19.01.2024	47	£3,829.79	£180,000
Fitzjohn Court, 66, Flat 16, Keymer Road, Hassocks, West Sussex BN6 8QP	2-bedroom top-floor flat	12.12.2023	67	£3,343.28	£224,000
127, Parklands Road, Hassocks, West Sussex BN6 8LE	Modernised 3-bedroom first-floor flat, private garden space, village location	29.11.2023	73.8	£4,200.54	£310,000
Hassocks Lodge, 15, Keymer Road, Hassocks, West Sussex BN6 8AT	Top-floor flat	31.10.2023	70	£4,542.86	£318,000
			Avg. £/m2 value	£3,884.15	

The average achieved prices are lower than the average data noted above, this is because the Nimbus data considers all property types while the Rightmove data considers flatted units only. More granular data presents a more accurate picture.

We have also studied properties which are currently on the market:

<i>Flats for sale within 1/4 mile</i>					
Address	Type	Sale Status	Area m2	£/m2	Price
Keymer Road, Hassocks	Modern 2-bedroom top-floor flat in terraced conversion, parking, central village location	For Sale	69.9	£3,934.19	£275,000
Keymer Road, Hassocks, Sussex, BN6	2-bedroom purpose built flat for Over 55's, large communal garden, parking	Sold STC	59.2	£3,125.00	£185,000
Windmill Avenue, Hassocks, West Sussex, BN6 8LJ	1-bedroom ground-floor flat in need of modernisation	For Sale	47	£3,829.79	£180,000
Windmill Avenue, Hassocks, BN6	1-bedroom purpose built flat, communal garden, parking	For Sale	50	£4,000.00	£200,000
Adastra Place, Hassocks, West Sussex, BN6 8AJ	2-bedroom modernised first-floor apartment, allocated parking space	Offers in Excess of	65	£3,846.15	£250,000
Fitzjohn Court, Hassocks, West Sussex, BN6 8QP	1-bedroom apartment, communal garden, parking	For Sale	39	£4,743.59	£185,000
Keymer Road, Adastra Place, BN6	2-bedroom purpose built flat, allocated parking space	Sold STC	66	£3,636.36	£240,000
Parklands Road, Hassocks, BN6	Modern 2-bedroom purpose built penthouse apartment, landscaped private terrace, private garage	Sold STC	59	£5,338.98	£315,000
Orchard Lane, Orchard House, BN6	2-bedroom apartment, large communal grounds & garden, parking	Sold STC	65	£5,307.69	£345,000
			Avg. £/m2 value	£4,181.89	

Last, we review new build units which are currently advertised for sale. Due to a lack of properties in the direct locality, we have had to extend our search radius to 5+ miles:

<i>New Build Flats for sale within 5 miles</i>					
Address	Type	Sale Date	Area m2	£/m2	Price
Church Road, Burgess Hill	Contemporary 2-bedroom newly built apartment, balcony, parking - Approx area	For Sale	68	£4,264.71	£290,000
Circus, Crescent Way, Burgess Hill, West Sussex, RH15	Brand new 2-bedroom, second-floor apartment with balcony	Guide Price	75	£3,800.00	£285,000
Circus, Crescent Way, Burgess Hill	Brand new 2-bedroom apartment with balcony, permit parking	Guide Price	77	£3,701.30	£285,000
Chase House, 18 Gradwell End, Gradwell Park, South Chailey, East Sussex BN8 4FP	Newly built 2-bedroom retirement apartment, residents facilities, communal garden & parking	Sold STC	97.9	£4,974.46	£487,000
Circus, Crescent Way, Burgess Hill, West Sussex, RH15	2-bedroom flat in newly built apartment block, permit parking	Guide Price	71	£4,014.08	£285,000
Circus, Crescent Way, Burgess Hill, West Sussex, RH15	Contemporary flat in newly built apartment block, permit parking	Guide Price	77	£3,506.49	£270,000
Victoria Road, Burgess Hill	Recently built 2-bedroom apartment, front & rear balconies, allocated parking	For Sale	85.9	£3,434.23	£295,000
			Avg. £/m2 value	£3,981.52	

The average £/m2 values and GIAs from the data sets above are summarised below:

	Nimbus	Sold	For Sale	New Build For Sale
Avg. £/m2 values - flats	£5,433	£3,884	£4,181	£3,981
	Sold	For Sale	New Build For Sale	Subject Units
Avg. GIA m2 - flats	65.1	57.7	78.8	70.16

Average asking prices are generally inflated when compared to wider achieved values and the dataset supplied by Nimbus, suggesting asking prices are unlikely to be achieved. Consultation with local agents suggests prices are often being discounted 5-10% in the current market.

Of use to this discussion is the unit available on Church Road. This apartment provides 2-bedrooms and will be finished to a premium specification. It is advertised for £290,000 which equates to £4,294/m2. We have had particular regard to this transaction when valuing the proposed scheme. When considering sales values we include a premium for the fact that the development will provide a communal lounge and guest bedroom.

We have valued the scheme as per the below:

Unit	Area m2	Type	£/m2	Price
1	72.50	2b 4p	4,827.59	£350,000
2	76.20	2b 4p	4,658.79	£355,000
3	76.20	2b 4p	4,658.79	£355,000
4	92.60	3b 5p	4,319.65	£400,000
5	62.10	1b 2p	5,152.98	£320,000
6	62.10	1b 2p	5,152.98	£320,000
7	86.20	2b 4p	4,408.35	£380,000
8	77.10	2b 4p	4,604.41	£355,000
9	72.50	2b 4p	4,827.59	£350,000
10	76.20	2b 4p	4,658.79	£355,000
11	76.20	2b 4p	4,658.79	£355,000
12	92.60	3b 5p	4,319.65	£400,000
13	90.90	3b 5p	4,345.43	£395,000
14	55.90	1b 2p	5,456.17	£305,000
15	55.90	1b 2p	5,456.17	£305,000
16	80.50	2b 4p	4,472.05	£360,000
17	77.10	2b 4p	4,539.56	£350,000
18	50.60	1b 2p	5,928.85	£300,000
19	71.70	2b 4p	4,881.45	£350,000
20	71.70	2b 4p	4,881.45	£350,000
21	73.70	2b 4p	4,748.98	£350,000
22	71.60	2b 4p	4,888.27	£350,000
23	54.50	1b 2p	5,596.33	£305,000
24	54.50	1b 2p	5,596.33	£305,000
25	77.60	2b 4p	4,510.31	£350,000
26	56.20	1b 2p	5,427.05	£305,000
Total Area	1864.90		4,812.59	£8,975,000

The proposed valuation above has been reached following extensive market research, consideration of comparable characteristics in recent transactions, new build and external amenity premiums and advice from local agents and therefore should be considered robust. The figures represent the very top end of what can be achieved in today's market and considering current trends should be considered optimistic.

Freehold Ground Rent

The capital value of the Freehold Ground Rents from the project is therefore included at zero for the purposes of this viability appraisal. The Leasehold Reform (Ground Rent) Bill received Royal Assent on 8 February 2022 meaning it is now an Act of Parliament (law).

The Act limits ground rent to a 'peppercorn rent'.

As such all viability assessors are currently including ground rent at either a zero or nominal rate as this income will not be realised.

Timing

This FVA is to be read in conjunction with a detailed planning application which we expect to be granted within 3 months. There will be a 3-month period following this to produce building regs. drawings and obtain all fixed price quotations. We therefore allow a 6 month pre-commencement period.

Construction is projected over a 18-month period with sales expected between months 16 and 22.

Construction Costs

Construction costs in 2021-24 have been turbulent, with significant variations occurring due to supply/demand imbalances post-Covid, increased building regulations and energy crises.

We commonly see costs associated with detailed Quantity Surveyor's site-specific assessment at a level c.10-20% above the Median BCIS average data (or higher for custom specifications).

This is likely because this database is based on voluntarily reported data and therefore may be skewed by the cost efficiencies associated with volume housebuilders compared with SME builders and developers, who are less likely to participate in reporting such statistics or have accurate cost breakdowns readily available.

The above issue can be mitigated by consideration of the 'one-off' category set against the Estate building category in BCIS. While this is labelled rather arbitrarily as 'up to 3' units, it is a useful proxy to show the cost differential between small schemes and volume building, and therefore should be taken into account for schemes of up to 10 units.

Due to the above we favour the Upper Quartile Estate or Median One-off BCIS costs for schemes up to 10 units, and Median for schemes over 10 units. In higher value areas where a higher specification is required, we adopt Upper Quartile costs.

We have consulted the BCIS data for the subject area rebased to Q2 2025 to provide an estimated build cost in the first instance.

£/M2 STUDY							
<p>Description: Rate per m2 gross internal floor area for the building Cost including prelims.</p> <p>Last updated: 25-Jan-2025 08:09</p>							
<p>MAXIMUM AGE OF RESULTS: <input type="text" value="Default period"/></p>							
Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	2,012	983	1,659	1,888	2,279	6,835	765
1-2 storey (15)	1,919	1,156	1,612	1,808	2,202	3,780	162
3-5 storey (15)	1,983	983	1,651	1,877	2,242	4,112	511
6 storey or above (15)	2,339	1,442	1,883	2,209	2,531	6,835	90

The local plan viability study adopts £1,441 - £1,666 statistic; however, this was in a very different economic environment.

Taking the above into consideration, we have adopted the upper quartile costs of new build flats 3-5 storey, which is £2,242/m².

The GIA of the flats themselves (1,864m²), represents 82% of the internal accommodation of the upper floors (2,275m²), with the additional space allowing for all common parts including the communal lounge and guest bedroom.

Our modelling has been run with a corresponding correction factor.

Non-BCIS

As mentioned previously, the BCIS data makes no allowance for all external works and associated infrastructure costs, and as it is reported in retrospect will not account for newer policy and legislation such as biodiversity enhancement.

We have therefore referred to the DPVS, which suggests an appropriate allowance for external works and infrastructure to be between 5% and 15%. In our experience 15% is adopted for more complicated sites while 10% is adopted for less complex sites or conversions.

In this case we suggest the upper end of the allowance above (15%) is appropriate. This is explained as the subject project development involves demolition and site clearance. In addition, the mixed use new build structure will require substantial facilitating works and associated infrastructure works such as parking, green space, and the provision of a rainwater attenuation tank.

In addition, the requirements of the Environment Bill are now in force regarding a minimum 10% biodiversity net gain on all development sites. Councils may adopt a higher target in their development plans.

The 2019 DEFRA Consultation considers the potential cost of delivery as a proportion of build costs on both greenfield and brownfield sites.

Based on this, broadly we consider an allowance of 0.75% for brownfield delivery and 2.5% for greenfield to be an appropriate assumption if the net gain is to be delivered onsite.

We have adopted the following inputs:

- 15% externals
- 0.75% for brownfield biodiversity uplift.

The toolkit has been run with a corresponding figure.

Fees

Professional fees are often quoted on a range of 8-12%, with separate allowances for planning fees.

The local plan viability study adopts 9% as a broad category for professional fees – this is not differentiated by site type.

This will vary according to the size and complexity of the scheme. We normally adopt 6-8% for large sites (with repetitive designs and no complicating factors), 10-12% for more differentiated sites (with a variety of different house types or areas) and 10-15% for small sites, where the scale of the fees is often larger due to the lower overall cost of build and lack of potential efficiencies.

We have adopted a figure of 10% for this scheme on the basis that the scheme will provide 26 residential units.

Contingency

PPG Viability para 012 notes:

- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

Prudent developers often adopt a standard contingency allowance of 10-20% to account contingency. We more commonly see an allowance of c.5% for viability assessment, although in the recent past when inflation has increased a higher allowance has been made.

In this case we adopt 5% on the basis of a 17.5% target return. If the target return is reduced then the contingency allowance must likewise be adjusted to compensate.

Planning Obligations (S106 Contributions & CIL)

Mid Sussex have not yet adopted a CIL charging schedule, thus we have made no allowance in this regard.

This is subject to confirmation by the charging authority.

Our client has received the following pre application advice regarding potential S106 requests:

Infrastructure Provision

In line with Policy DP20 of the District Plan the proposal will be required to make infrastructure contributions in accordance with the Councils adopted Supplementary Planning Document “Development and Infrastructure”. Typically this would include TAD (Total Access Demand), libraries, education primary, education secondary, education 6th form, children’s play space, kickabout, formal sports, community buildings and LCI (Local Community Infrastructure).

Estimated figures are summarised below:

<u>Mid Sussex District Council</u>	Amount £
Community Buildings	£14,926.60
Leisure	
Children's Play space	£19,513.00
Kickabout	£16,390.40
Formal Sport	£22,347.00
Local Community Infrastructure	TBC
<u>West Sussex County Council</u>	
Education	
Primary Education	£27,529.00
Secondary Education	£29,627.00
Sixth Form Education	£6,941.00
Fire and Rescue	£0.00
Libraries	£10,394.00
Transport	
Total Access Demand (TAD):	
Infrastructure	£23,618.00
Sustainable Access	£27,028.00
Estimated Total	£198,314.00

Our modelling has been run at this level.

Site Acquisition Costs

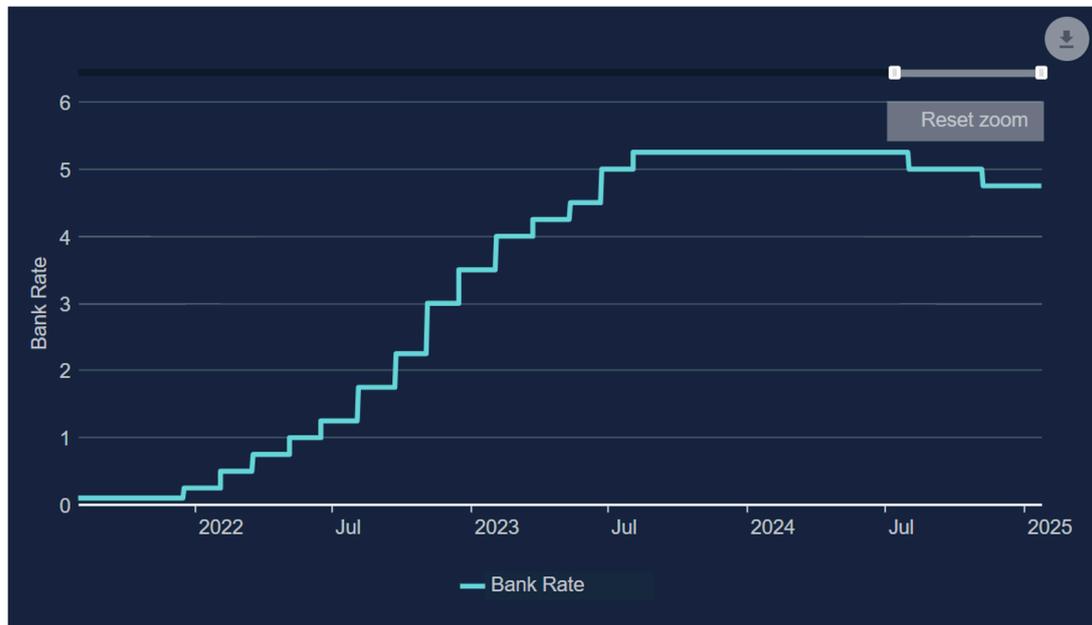
We have included acquisition costs comprised of SDLT at the prevailing rate, legal fees at 0.75% and agency fees of 1%.

Finance Costs

Given the macro-economic context, lenders have become increasingly risk adverse and therefore funding is becoming harder to acquire. The Bank of England marginally reduced the base rate to 4.5% in Q1 2025 after a series of increases to 5.25%; however, the prevailing finance environment is considered higher risk and therefore commercial rates are remaining considerably higher than the low rates seen in recent years. This is reflected in a majority of viability assessments.

The local plan viability study in May 2022 adopted 6%. The base rate at that date was 2%. The base rate has increased 2.5% since this date.

Official Bank Rate



To provide hard data, Vision Finance, a development finance broker, has noted that rates of 10-12% 'all-in' on 100% are currently considered optimistic. More broadly in terms of viability assessments, we note the following recent viability cases where an 8+ rate has been agreed:

LPA	Ref	Rate
Hackney	2023/1240	8%
Hackney	2023/1231	8%
Basildon	23/00212/FUL	9%
Tonbridge & Malling	22/01237/FUL	8%
South Holland	H11-0383-23	8%

Therefore, a minimum interest figure of 8% is appropriate, and has been used in the toolkit. In reality finance deals are now significantly exceeding this level, but as an all-in rate 8% accommodates all fees and is applied to all costs.

Sales/Marketing Costs

The local plan viability study adopts the following inputs:

Disposal costs

7.42 For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of affordable housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.

Generally, we would assume sales agents fees at 1.5%, legal fees at 0.5% and marketing/promotion at 2% for housing schemes including a show home and 1% for marketing without a show home.

We have adopted a sales/marketing cost of 3% and legal fees of £1,000 per unit.

Developer Profit

The NPGV contains the following advice at paragraph 18:

How should a return to developers be defined for the purpose of viability assessment?

'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.'

The RICS guidance similarly notes the test laid out in the PPG as a starting point.

Return to the developer

4.2.27 In paragraph 018, under the heading of 'Standardised inputs to viability assessment', the PPG provides some guidance on how a return to developers is defined for the purposes of the FVA. The paragraph's focus is on a suitable return for plan making, rather than individual returns for scheme-specific decision taking. It identifies a standardised input of 15% to 20% of GDV as a suitable return for the purpose of plan making, but is silent on a decision-taking developer return. However, PPG paragraph 008 states that where a site-specific FVA accompanies a specific planning application, it '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'. This implies, in addition to other inputs, a similar test regarding developer's profit to that used at the plan-making stage.

The guidance further notes that timescale, uncertainty and any particular characteristics that increase risk are factors which particularly influence profit assumptions.

As previously noted, Paragraph 008 of the NPGV provides a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties.

The Mid Sussex District Plan Viability Study, produced in 22, at Para. 7.31 identifies 17.5% gross development value as an appropriate assumption. This aligns with national policy and precedent.

7.31 In this assessment, the developers' return is assessed as 17.5% of market housing and First Homes and a contractor's return of 6% is applied to other forms of affordable housing. A 15% return is assumed for non-residential development, and Build to Rent.

Our experience is that for the previously assumed finance terms to be offered by commercial lenders, a minimum of 17.5% is generally required, up to a maximum of 25% on riskier proposals. Development finance will generally therefore set the expectations for return on investment.

Recent appeal decision ref APP/Y3615/W/22/3298341 noted the following:

68. Although it refers expressly to plan making, I also see no good reason why the profit range of 15-20% identified in the Government's planning practice guidance (PPG) should not reasonably be applied to a scheme of this type in order to assess viability, particularly when read in the context of para 58 of the Framework. Given the fairly difficult and comparatively uncertain economic circumstances for the construction sector at present and regardless of what profit margin the appellant has worked to in the past, it is reasonable to assume developer risk is greater now than at other more economically stable times. Consequently, notwithstanding the evidence regarding house prices and demand for housing in the area, and in respect to programming and sales revenue, a profit target to the higher end of the range, up to 20% of gross development value, is reasonable.

Taking into account the risk profile of the development we consider the assumption adopted in the Local Plan Viability Assessment to be appropriate (17.5%). This is supported by our sensitivity analysis, which further demonstrates the relative risk profile of the development (see below).

The appraisal has been run accordingly.

Commercial Assumptions - Input Sheet 3

Size of Scheme

In addition to the residential dwelling the development will also provide commercial units with a GIA of 190m².

Values

The local plan viability study adopts the following commercial value assumptions:

	Rent £/m ²	Yield	Rent free period	Derived Value	Assumption
Offices - Large	£270	5.25%	1.0	£4,886	£4,885
Offices - Small	£270	7.00%	1.0	£3,605	£3,600
Industrial - Large	£135	4.50%	1.0	£2,871	£2,871
Industrial - Small	£120	6.00%	1.0	£1,887	£1,890
Logistics	£130	4.25%	2.0	£2,815	£2,800
Retail - Central	£450	6.00%	1.0	£7,075	£7,000
Retail (Elsewhere)	£225	8.00%	1.0	£2,604	£2,600
Supermarket	£250	4.50%	0.0	£5,556	£5,550
Retail Warehouse	£200	5.50%	2.0	£3,267	£3,250

Source: HDH (January 2022)

We have completed our own market research on rents, capital values and yields in the subject location:

Address	Type	Status	Area m ²	£/m ²	Price
33a Market Place, Burgess Hill, RH15 9NP	First-floor retail / office space in covered shopping centre	To Let	136	£95.22	£12,950
41 Church Road, Burgess Hill, RH15 9BB	Retail shop unit on ground-floor level, adjacent to Market Place shopping centre	To Let	127	£157.48	£20,000
21 Market Place, Burgess Hill, RH15 9NP	High street retail property to lease	To Let	89	£264.04	£23,500
11A Market Place, 1st Floor, Burgess Hill, RH15 9NP	Commercial / office / storage space to let forming part of shopping centre	To Let	84	£96.43	£8,100

Ground Floor, 66 Church Walk, Burgess Hill, RH15 9AS	A mix of multi-use commercial basement & ground-floor units in new development with 12 residential apartments on the upper floors, 25-68 sqm	To Let	68	£150.74	£10,250
5 Market Place, Burgess Hill, RH15 9NP	A prominent ground-floor retail unit situated within Market Place shopping centre	To Let	54	£370.37	£20,000
18A Market Place, 1st Floor, Burgess Hill, RH15 9NP	Office space	To Let	54	£126.85	£6,850
Office unit Ditchling Common, BN6	Small office unit	To Let	15	£233.33	£3,500
Modernised High Street shop premises	Refurbished ground-floor retail unit in Period building, village location	Let agreed	40.4	£185.64	£7,500
			Avg. £/m2 value	£168.79	

Based on the data above we apply an optimistic £200/m2. We apply a yield at 7% to produce a capital value for the commercial space after costs of £513,880.

Building Costs

We refer to the up to date BCIS data shown below:

Results

Rebased to 2Q 2025 (405; forecast) and Mid Sussex (108; sample 15) [Edit](#)

£/M2 STUDY							
<p>Description: Rate per m2 gross internal floor area for the building Cost including prelims.</p> <p>Last updated: 25-Jan-2025 08:09</p>							
<p>MAXIMUM AGE OF RESULTS: <input type="text" value="Default period"/></p>							
Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
340. Mixed commercial developments (15)	1,769	1,076	-	1,734	-	2,533	4
762. Public Libraries (20)	3,373	2,522	2,972	3,221	3,828	4,650	19

One potential final use for the Class E space is a public library, which we note has a higher £/m² build costs than mixed commercial developments. This is as yet not confirmed, and we therefore adopt the median quartile build cost for mixed commercial premises (£1,734/m²) for the Class E space.

The toolkit has been run with this amount.

Fees

Professional fees (10%) and contingencies (5%) have been included as per the residential element of the scheme.

Timing

This is identical to the 'residential' section of the report.

Purchaser's costs

We have adopted purchaser's costs of 5.75%.

Developer Profit Input Sheet 2

We adopt 17.5% in line with the residential element of the development.

Benchmark Land Value

The NPGV provides a standard methodology for determining Benchmark Land Value (BLV).

Paragraph 15 requires that the EUV of the site should be identified:

'Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'

RICS guidance Assessing Viability in Planning under the NPPF Appendix B lays out the appropriate approach to assessing existing use value, including relevant data sources:

5.2.5 The assessment of the BLV requires the assessment of five components. They should be calculated and reported to the plan-maker/decision-maker **separately** to counter circularity arguments that BLVs from one method of valuation have been used as an input into another method, in order to reduce developer contributions.

5.2.6 The components that need assessing are:

- EUV
- premium
- AUV, where appropriate
- policy-compliant site value assessed by the residual method and
- policy-compliant site value assessed by the comparative method.

B.1.3 The PPG paragraph 015 identifies the type of evidence base that can be used to support the determination of the EUV and the sources of that evidence. At the plan-making stage, this should be accomplished with collaboration between the plan-makers, developers and landowners, and can use published sources of information on rental and capital values of land and property, such as:

- land registry records of transactions
- real estate licensed software packages
- real estate market reports
- real estate research
- estate agent websites
- property auction results
- Valuation Office Agency data and
- public sector estate/property teams' locally held evidence.

1. EUV

The existing site accommodates the former National Tyre Centre, a commercial premises with a GIA of 543.2m2. The total site area is 1,607m2.

To determine an appropriate EUV, we have obtained advice from Mr John Carter (RICS commercial valuer):

'I have been asked to carry out a Benchmark Valuation of a premises at 60 Kenmore Road, Hassocks BN6 8AR.

The premises comprise an industrial warehouse building extending to some 6240 ft.² together with provision for car parking spaces at the front and to the side of the building.

It is located fronting Kenmore Road which comprises mixed use properties with predominantly retail premises immediately surrounding it together with residential uses in Dale Terrace on the return frontage of the property.

The unit has the advantage of a prominent frontage on to Keymore Road together with car parking spaces to support the operator of the site.

The premises are currently vacant although I am advised that it was trading as a National Tyre centre up until October 2023 with an assessed rent being paid at the figure in the region of £65,000 per annum.

There are limited number of industrial units currently on the market, but there are several being marketed at the Ditchling Common industrial estate which is in close proximity to the subject property where rents range from £10-£12 50 per square foot.

I have spoken to a representative from Oakley Commercial estate agents acting for Peachy Holdings (who own the premises at the Ditchling Common industrial estate) who advised me that rentals on that estate range from £10-£12 per square foot. The individual I spoke to is aware of the subject premises and believe that it is reasonable to assume a that a fair market rent based on a figure of £12 a square foot should be adopted here.

The resulting rental is at the sum of £75,000 to which I have capitalised at 8% resulting in a capital valuation of £936,000.'

2. Premium

Paragraph 16 requires that a premium should be added to the EUV (EUV +) to incentivise the landowner to bring the site forward for development:

'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. **Market evidence can include benchmark land values from other viability assessments.** Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

D.2.4 The circumstances underpinning the assessments of the EUV and premium, and which may require adjustment, could include:

- the date of the determination of the BLV
- landowner optionality, i.e. the range of options open to the landowner
- state of the property, obsolescence and compliance with environmental and building regulations
- site constraints such as ground conditions, contamination, ransom issues, planning factors, third-party rights and covenants
- uniqueness of opportunity, such as 'one-off' site assembly
- competition from alternative sites
- the weighting of individual BLV/premium evidence relative to the subject property, and
- adjustments made by the plan-maker in arriving at an adopted premium, if any.

D.2.5 Information on BLVs and premiums in other FVAs can be requested but, if it cannot be provided, the practitioner will need to make assumptions and this will have an impact on the quality of that evidence. It is up to the decision-maker how much weight to accord to that evidence.

D.2.6 Where the EUV part of the benchmark is a substantial element of the overall assessed value, the premium is usually stated as a percentage increase of the EUV. This is typical in urban and brownfield sites.

D.2.7 In the case of greenfield, cleared brownfield or some *sui generis* (unique) sites outside of the normal planning use classes, where the EUV is a small proportion of the BLV, the premium is more likely to be stated as a multiplier or could be stated as an actual amount.

The guidance is clear that the premium associated with a benchmark can be variable but must provide some incentive, when set against maintaining the site's existing use or doing nothing, for the landowner to release the land for development. Without this premium the land will not be released for development.

In this Instance we allow a modest 10% landowner premium to produce a BLV of £1,029,600, say £1,030,000

3. AUV

Paragraph 17 allows the BLV to be determined by an alternative Use Value (AUV):

'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.'

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. 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.'

The professional guidance sets out the requirements for an AUV approach to determining land value. Largely this will be most appropriate where an existing extant or implementable consent is in place and there are accurate drawings on which to base the AUV:

C.1.5 Extant consents also need to meet the tests set out in C.1.1. above. But, as the extant consent is capable of being implemented, assessment of the residual value of the consent as permitted should be provided.

C.1.2 The AUV approach should be based on accurate floor plans and elevations for the alternative scheme. This is essential so that accurate gross to net assumptions can be made and for a detailed cost plan to be prepared.

Further where an existing use will be refurbished or redeveloped this will constitute an AUV. However, the guidance makes a distinction between refurbishment and repair as below:

B.1.7 PPG paragraph 017 states that 'where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV'. Where any assumption regarding the use of the property involves any alterations, including refurbishment or redevelopment, BLV will be based on AUV with no premium.

B.1.8 What constitutes a repair versus an alteration will be determined by professional judgement as to whether the works bring the building up to standard within the existing use, or whether they go beyond that and fall into the category of refurbishment. In many circumstances, the expenditure in proportion to the building value may be a material consideration in informing this professional judgement. Each case needs to be considered on its merits but a building or site in need of substantial repair would be expected to have a lower EUV than a building or site in good repair, subject to any dilapidations claims. Furthermore, a landowner should not profit from their failure to maintain the building or site.

B.1.9 Works undertaken to comply with building regulations or statutory requirements, such as the *Disability Discrimination Act 1995* or the need to provide Energy Performance Certificates (EPCs), would generally constitute repairs, as these are required for the continued use of the building. Such works could of course represent a significant cost. If the property cannot be legally used for its current use at the date of valuation, that should be reported, even if the EUV is based on the assumption that remedial works will be carried out.

B.1.10 All relevant repair and maintenance costs should be reflected in the valuation, and all assumptions made underpinning the assessment of the EUV should be reported.

B.1.12 Where a landowner has not renewed leases, it would be inappropriate to determine a lower BLV and penalise the landowner for making the site ready for development. That would occur if a lower EUV is coupled with a premium evidenced from similar sites that had not been made ready for development in this way. A balance is required, reflecting the circumstances at the valuation date, but also the costs actually incurred in delivering the site and bringing it forward for development purposes. Such costs would generally sit in the scheme assessment, as necessary to incur in order to bring the scheme forward. They should not include payments to tenants and other parties who have an interest in the land based on hope value, but should reflect the current use value of these interests and the statutory costs of determining tenancies. Any double counting (value and cost) must be avoided in the EUV, premium and scheme assessment.

In this instance we have not completed a policy-compliant residual calculation as the outcome of the 100% open market appraisal demonstrates this is not viable.

The standard approach to viability is to compare the BLV of the development site with the Residual Value calculated by the viability toolkit. It is only if the Residual Value of the development exceeds the Market Value (Benchmark), that it will be viable for a contribution to be made towards Affordable Housing.

Conclusions

The full spreadsheet appears at **Schedule 1**, and the key conclusions are set out in the summary section. They are also repeated for convenience below:

Sales	£9,488,880.44
<i>Less Costs</i>	
Construction Costs (Resi)	£5,098,909.51
Commercial Costs (Build & Fees)	£394,104.16
Other Site Costs	£1,791,723.22
Marketing	£295,250.00
Finance Costs	£465,244.46
Developer Return	£1,660,554.08
Residual Site Value	(£216,904.99)
Benchmark Land Value	£1,030,000.00
Result	(£1,246,904.99)

To determine the viability of targeted affordable housing provision, the Benchmark Value of the site as stated above, is deducted from the Residual Value calculated by the viability model. If the result is negative, as it is in this case, the development does not achieve the target return on a 100% open market basis and therefore is unlikely to be able to viably deliver the targeted contributions.

The following table summarises the above conclusions.

Spreadsheet Residual Value	(£216,904.99)
Plus Target Developer Return	£1,660,554.08
Less Benchmark Value	£1,030,000.00
Actual Profit	£413,649.08
Percentage actual profit	4.36%

This presents a return which is significantly lower than the 17.5% target identified previously.

Any planning obligations would further reduce this level.

Sensitivity Matrix

Following RICS guidance we have provided a sensitivity analysis of the assumptions in this report, demonstrating the impact on developer profit of +/-5-10% changes in build costs and sales values. This is particularly important to inform assessment of risk.

Sensitivity testing conclusions are included below.

Testing the variance associated with changes in sales and build costs of +/- 5-10% results in the below matrix:

Developer profit %		Sales values				
		-10%	-5%	0%	5%	10%
Build Costs	-10%	-0.27%	4.73%	9.73%	14.73%	19.73%
	-5%	-2.95%	2.05%	7.05%	12.05%	17.05%
	0%	-5.64%	-0.64%	4.36%	9.36%	14.36%
	5%	-8.33%	-3.33%	1.67%	6.67%	11.67%
	10%	-11.01%	-6.01%	-1.01%	3.99%	8.99%

This demonstrates that in 24 of the 25 scenarios the achieved return is below the targeted 17.5%, suggesting a high risk development.

T&Cs and Compliance

- 1.1 S106M has been instructed by the applicant to review the viability of the proposed development and engage with the local authority and their representatives on this matter.
- 1.2 Scope of instruction extends to provision of 1 report document and schedules for submission as part of a planning application.
- 1.3 S106M has not inspected the property.
- 1.4 This report is prepared as an assessment of the Planning Financial Viability of a proposed development for the purposes of agreeing appropriate Section 106 planning obligations and affordable housing contributions. It is not a valuation of the subject site or scheme. It is exempted from the RICS Red Book on the basis of the parties negotiating and agreeing the planning obligations and the authoritative requirement of the NPPF and PPG. It does not constitute a Red Book valuation report, and should under no circumstances be relied upon as such, although it may refer to the conclusions of third parties in this regard for which no liability is accepted. The date of the report can be viewed on the front page and will require updating for market uncertainty after a reasonable time period has elapsed.
- 1.5 The report is assumed to be made publicly available for transparency purposes unless otherwise stated. The Executive Summary can be considered a Non-Technical Summary for the purposes of the guidance.
- 1.6 S106M accepts responsibility only to the commissioning party named at the start of this report alone that this report has been prepared with the skill, care and diligence reasonably to be expected of a competent consultant but accept no responsibility whatsoever to any other person or entity.
- 1.7 S106M confirm that any RICS members involved in this reporting have complied with the mandatory requirements of RICS Professional Statement Financial Viability in Planning: Conduct and Reporting May 2019, including the following:
 - We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information (para 2.1).
 - We have identified no conflicts of interest or risk of conflicts in preparing this report (para 2.2).
 - We are not working under a contingent or performance related fee agreement basis (para 2.3).
 - We support positive, proactive, transparent and appropriate engagement between all parties in the planning process. This report is prepared on the basis that it will be made publicly available, except in specifically agreed exceptional circumstances (para 2.4).
 - We have not been involved in the preparation of the Council's Local Plan Area Wide Viability Assessment (para 2.5); however we have regard to this in line with PPG Viability para 002 and the statutory development plan.
 - All inputs are reasonably justified by market and supporting evidence including but not limited to the local plan viability study which justifies the adopted planning policy in line with para 008 PPG Viability (para 2.6-2.7).
 - The status of this report is Final as of the dated front page subject to any further reasonable, proactive and constructive negotiations to resolve reasonable professional differences of opinion in line with para 2.6, 2.8 and 2.10 of the Professional Statement.
 - Our report includes sensitivity testing in line with the para 2.9.
 - Where there are professional differences of opinion over inputs we seek to resolve these during negotiations following submission of the original report in line with para 2.8-2.10. Where differences of opinion cannot be resolved this is stated clearly.

- The Executive Summary complies with the Non-Technical Summary requirement of para 2.11.
- Any sub-consultants contributing to this report have been made aware of the Professional Statement and its requirements, and confirm compliance with it (para 2.13).
- We have been allowed sufficient time since instruction to carry out this FVA bearing in mind the scale of the development and the status of the information as at the date of this report (para 2.14).
- Appropriate regard has also been had to RICS Guidance Note: Assessing Viability in Planning under the NPPF 2019 (2021).

Material Uncertainty

In respect of the planning and development sector as at the report date where unprecedented sets of circumstances are highlighted, including for example COVID-19, the Ukraine War and Energy Crisis, creating an absence of relevant/sufficient market evidence on which to base our judgements, our report will be reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of the report less certainty – and a higher degree of caution – should be attached to that report than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the report cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which said report may have been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in market conditions we highlight the importance of the valuation date and any reporting material uncertainty.

Quality Control

This report is provided for the stated purpose and for the sole use of the named clients. In line with para 2.12 the following quality control pathway has been taken, with all parties involved in the compilation of this report and history of previous viability discussions noted:

Luke James O'Cathail - BA Hons

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