

Financial Viability Assessment - FINAL

**Blackmoorfoot Road
Huddersfield**

Redrow Homes

13 June 2022

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Executive Summary

This Financial Viability Assessment ('FVA') has been commissioned by Redrow Homes to assess the viability of land at Blackmoorfoot Road, Huddersfield, based on all relevant national and local planning policy requirements.

The Planning Practice Guidance for Viability ('PPGV') (July 2018, updated May / September 2019) states that an executive summary of an FVA is to be made publicly available to promote greater transparency and accountability within the viability assessment process.

The RICS Professional Statement Financial Viability in Planning: Conduct and Reporting (1st Edition, May 2019) also states that all FVAs must be accompanied by non-technical summaries to assist non-specialists in better understanding the report.

Accordingly, an executive summary has been prepared to present the findings of this FVA in a clear and concise manner. This executive summary should, however, not be considered in isolation from the full report.

Input	C&W Assumption
Site	Blackmoorfoot Road, Huddersfield
Applicant	Redrow Homes
Consultant	Cushman & Wakefield
Proposed Development	84 no. 2, 3 and 4-bed dwellings
Policy Requirements	20% affordable housing + £220,000 in S.106
Benchmark Land Value	£2,016,000 (£205,000 per NDA)
Net Sales Area	92,919 sq ft
Net Developable Area	6.36 acres
GDV	£20,737,924
Build Costs	£9,970,209
Abnormal Development Costs	£5,986,538
Contingency	£607,283
Professional Fees	£821,217
Marketing and Disposal Fees	£636,914
Developer's Profit	£4,040,788
Residual Land Value (Inc. 20% affordable housing + S.106 costs)	-£2.033m (-£320,000 per NDA)
Residual Land Value (Inc. nil affordable housing + S.106 costs)	-£0.273m (-£43,000 per NDA)

1. Introduction

The following sections of this report explain the proposed scheme in further detail and how each of the value and cost inputs have been determined. We firstly provide a brief summary of the approach to the FVA, the proposed development, the key viability issues and the conclusions drawn from this FVA under the sub-headings below.

- Purpose of FVA and Approach
- Site Location(s) and Description of Proposed Development
- Relevant Local Planning Policy
- Summary of Key Viability Inputs
- Scheme/area wide Viability and Key Conclusions

1.1 Purpose and Information Relied On

In preparing this FVA for planning purposes, we have relied on information made available to us by the Applicant. If there are changes to the proposed scheme and/or the information relied on, this could impact on the assumptions adopted in the FVA and the resultant conclusions. We request that any changes are made known to us for review at the earliest opportunity and we reserve the right to amend our assumptions in the event of such changes.

1.2 Report Structure

The remainder of this report is structured as follows:

- Section 3 – sets out the mandatory reporting requirements in the RICS Professional Statement Financial Viability in Planning: Conduct and Reporting (May 2019);
- Section 4 – sets out the other relevant national viability guidance, the justification for, and the approach to the FVA;

This FVA has been prepared as at 13 June 2022 in the context of prevailing market and economic conditions. Should there be a material change to the market and/or economic climate prior to determination of the planning decision, it may be necessary to update the FVA assumptions.

2. Financial Viability in Planning: Conduct and Reporting (May 2019) – RICS Professional Statement

Cushman & Wakefield is a firm regulated by the RICS. In line with RICS requirements, we have had regard to the relevant RICS professional standards and guidance in preparing this FVA. We outline the most relevant standards and guidance within Sections 3 and 4 of this report.

2.1 RICS Professional Statement

This FVA has been prepared in accordance with the RICS Professional Statement Financial Viability in Planning: Conduct and Reporting (1st edition) (May 2019). This document sets out mandatory requirements on conduct and reporting in relation to FVAs for planning in England to demonstrate how a reasonable, objective and impartial outcome should be arrived at. It also aims to support the government's reforms to the planning process announced in July 2018 and any subsequent updates.

Sections 2.1 to 2.14 of the Professional Statement set out the fourteen mandatory reporting and process requirements for all FVAs prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

We confirm that this FVA has been carried out in accordance with Sections 2.1 to 2.14. The mandatory reporting requirements are set out under the sub-headings below and expanded on where relevant in this FVA.

2.2 Section 2.1: Objectivity, Impartiality and Reasonableness Statement

We confirm that this FVA has been carried out by an RICS member who has acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information. We further confirm that the RICS member is a suitably qualified practitioner and RICS Registered Valuer with sufficient skills, expertise and knowledge to provide a robust and objective FVA.

The RICS member has extensive experience in advising on FVAs across the Yorkshire region, and has an up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

2.3 Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

The terms of engagement for this instruction are appended to the rear of this report.

We must declare any conflict of interest or risk of conflict of interest. Section 2.2 states that 'informed consent' management through the form of a declaration statement can be appropriate depending on the circumstances.

We confirm that we have no current, anticipated or previous recent involvement with the subject site or the parties to the instruction. We confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.

If any of the parties in this FVA identified a conflict of interest, we would immediately stand down from the instruction.

2.4 Section 2.3: No Contingent Fee Statement

In preparing this report, no performance-related or contingent fees have been agreed.

We have previously advised the applicant on several site-specific FVAs in support other planning applications for development. Again, we do not consider that any conflict of interest, or risk of conflict of interest, arises as a result of the interests which we have disclosed.

2.5 Section 2.6: Justification of Evidence

All inputs into this FVA have been reasonably justified as explained in further detail throughout this report. It is noted that where the appointed reviewer disagrees with elements of the submitted FVA, the parties should always seek to resolve differences of opinion where possible.

2.6 Section 2.7: Benchmark Land Value

We have assessed the Benchmark Land Value ('BLV') in accordance with Section 2.7 of the Professional Statement in that we have reported the following:

- Current Use Value
- Premium
- Market evidence (as adjusted in accordance with the Planning Practice Guidance)
- All supporting considerations, assumptions and justifications adopted

Full justification for the adopted BLV is provided in Section 8 of this report.

2.7 Section 2.9: Sensitivity Analysis

A sensitivity analysis on key appraisal inputs is provided in Section 9 of this report, together with accompanying explanation and interpretation of the results. This enables the applicant and decision-maker to consider how changes to key variables impact on viability having regard to scheme risks and an appropriate return, and to assist in arriving at appropriate conclusions.

2.8 Section 2.10: Engagement

We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

This must be agreed and documented between the parties.

2.9 Section 2.11: Non-technical Summaries

A non-technical summary is provided at the beginning of this report which includes the key figures and issues that support the conclusions drawn from this FVA.

2.10 Section 2.14: Timescales

We confirm that adequate time has been allowed to produce this FVA having regard to the scale of this particular project.

We further confirm that this FVA has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

3. Viability Guidance and Approach to Financial Viability Assessment

Further to the mandatory RICS reporting requirements, within this section of our report we summarise the other key national guidance pertaining to viability and how we have approached the FVA for the subject site in light of this guidance.

3.1 Current Viability Guidance

In July 2018, the government published a revised National Planning Policy Framework ('NPPF') and Planning Practice Guidance for Viability ('PPGV') which were updated in February 2019 and May 2019 / September 2019 respectively. These documents set out the key principles which should be considered when assessing the viability of development at the plan-making and decision-taking stages.

In response, the RICS has published two documents; the aforementioned RICS Professional Statement (May 2019) and the RICS Guidance Note: Assessing Viability in Planning Under the NPPF 2019 For England (March 2021).

The RICS Professional Statement sets out the mandatory FVA requirements on conduct and reporting as covered in Section 3. The RICS guidance note provides best practice and guidance for carrying out and interpreting the results of FVAs under the NPPF and PPGV.

We have had full regard to the relevant national and RICS guidance in preparing this FVA. It is noted, however, that despite the recent updates to the guidance, there still remains considerable ambiguity and subjectivity in terms of the approach to FVAs and the assessment of key inputs.

The most pertinent aspects of the guidance are summarised under the sub-headings below and expanded on where relevant in this FVA.

3.2 Application of the Red Book and Related RICS Guidance

The RICS guidance note confirms that FVAs are not valuations as such, but contains significant valuation content which are within the jurisdiction of the RICS Valuation – Global Standards ('the Red Book') and other RICS mandatory statements / professional guidance. All RICS members carrying out FVAs must therefore adhere to these provisions.

The RICS guidance note further advises that all FVAs for planning purposes are carried out under the NPPF / PPGV which is regarded as the 'authoritative requirement' in the Red Book. This means that the government's technical requirements on the assessment of viability take precedence over any other RICS professional statements and guidance, including any valuation-based requirements in the PPGV which take precedence over any other valuation basis or approach set out in the standards, however Red Book professional standards still apply.

RICS members undertaking FVAs for planning purposes must therefore adhere to:

- Statutory and other authoritative requirements (including the NPPF and the PPGV);
- The RICS Professional Statement Financial Viability in Planning: Conduct and Reporting; and
- PS 1 and PS 2 of the Red Book.

We confirm that we have complied with these requirements in preparing this FVA for planning purposes. In respect of PS1 and PS2 of the Red Book, we acknowledge in summary the following points of compliance in respect of this FVA:

- This FVA is prepared for assessing viability of development to assist with planning matters, either plan/policy making, or decision taking. The FVA therefore constitutes an exception from valuation technical and performance standards ('VPS') 1 – 5 of the Red Book, and is not a formal valuation;
- We confirm that all individuals who have contributed to this FVA have acted in accordance with the RICS Rules of Conduct and the RICS Global Professional and Ethical Standards;
- We have had full regard to the need to act independently and objectively at all times, in a professional and ethical manner free from any undue influence, bias or conflict of interest; and
- We collectively have sufficient professional qualifications, current knowledge of the relevant markets, and the experience, skills and understanding to undertake the FVA competently.

3.3 Viability Principles

As set out in the RICS guidance note, LPAs will have objectives to secure appropriate contributions from development to meet the community and infrastructure needs within their local area. The RICS guidance further states that other stakeholder expectations need to be considered as part of the viability process; namely developers who will expect to make a suitable return, and landowner expectations which are crucial in ensuring the voluntary release of land for development.

The purpose of an FVA is to estimate whether a proposed development, when accounting for policy compliant levels of developer contributions, can provide:

- A minimum reasonable return to the landowner (defined as the CUV plus a premium); and
- A suitable return to the developer.

If the FVA illustrates that the scheme is not viable with full policy requirements, the decision-maker will need to consider whether to adjust the developer contributions, having regard to all the particular circumstances in the individual case.

The RICS guidance (paragraph 2.3.14) advises that the decision-maker will need to:

“make their judgements bearing in mind the two major policy imperatives of ensuring maximum development contributions and the delivery of land for development”.

The RICS guidance (paragraph 2.4.6) further states that a proper understanding of viability is essential to ensure that:

- Land is realistically priced and released for development to achieve plan delivery;
- All reasonable costs of construction related to the development have been accounted for; and
- Developers can obtain appropriate market risk-adjusted returns for delivering development.

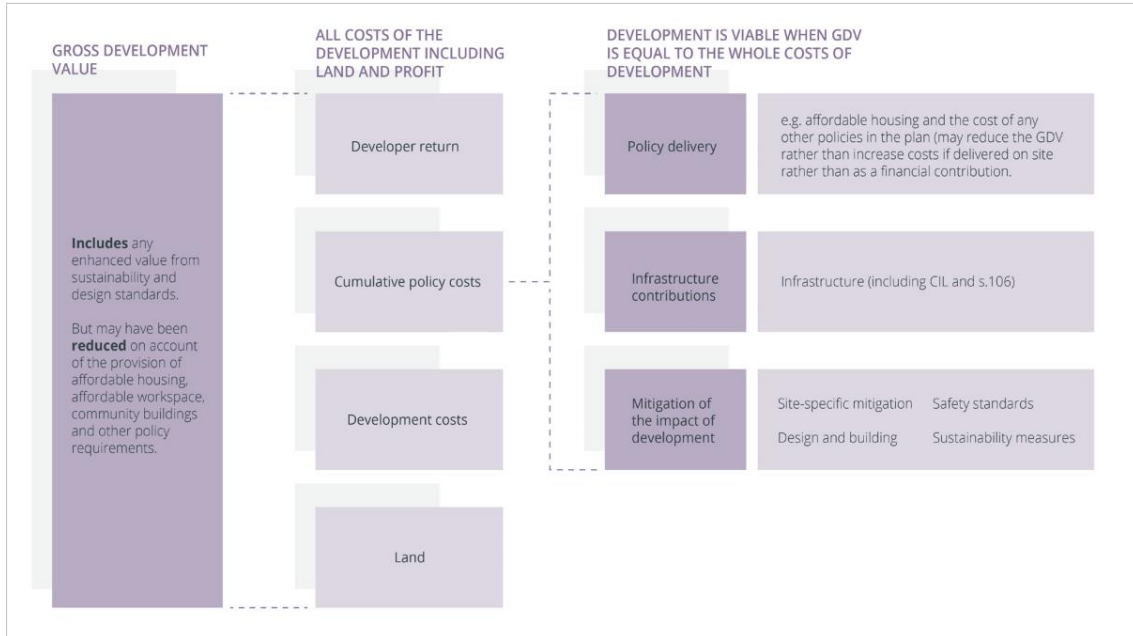
3.4 Viability Framework

The PPGV (Paragraph 10) defines an FVA as follows:

“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 includes looking at

the key elements of gross development value, costs, land value, landowner premium, and developer return’.

The FVA process reflects a residual appraisal framework as shown in the diagram below and further explained in the Valuation of Development Property (October 2019) RICS guidance note:



Source: RICS Guidance Note *Assessing Viability in Planning Under the National Planning Policy Framework 2019 for England* (March 2021)

4. Site Overview

4.1 Site Location

Huddersfield is a town within the Metropolitan Borough of Kirklees, lying 31 miles east of Manchester, 21 miles south west of Leeds and 16 miles south of Bradford. It comprises the suburbs of Milnsbridge, Lockwood, Lindley, Birkby and Crosland Moor.

It lies to the north of the Peak District National Park and to the south of Junctions 23 and 24 of M62, providing excellent access to the major road network.

The subject site lies within the suburb of Crosland Hill and sits to the south of Blackmoorfoot Road, a main arterial route serving Huddersfield town centre, 1.5 miles to the north east.

Huddersfield train station lies on the main line and provides direct connections to Manchester, Leeds, York and Sheffield. The area is also well served by local bus services, providing regular connections to nearby towns and villages.

There is a good supply of local schools, including Beaumont Primary Academy (rated as Good by Ofsted), Moor End Academy (rated as Outstanding) and Oak Primary School (Requires Improvement).

The site occupies a fringe location and is surrounded by residential areas to the east and north and employment uses to the west, including an allocated site for 700 dwellings, formerly occupied by Black Cat Fireworks.

Immediately to the south of Blackmoorfoot Road, is Johnsons Wellfield Quarry. To the west is Crosland Heath Golf Club, with open countryside beyond.

4.2 Site Description

The site is broadly rectangular in shape and is utilised as a caravan sales unit and car park, occupied by Lowdhams. It enjoys a broadly level topography and fronts Blackmoorfoot Road, in between its junctions with Standard Drive and Crosland Hill Road.

The northern boundary is bounded by dwellings fronting Mason Court and industrial units served by Standard Drive, which bounds the western boundary. The site comprises tarmac hard-surfaced areas alongside trees and soft landscaping. There is a stone wall running the perimeter of the southern boundary to Blackmoorfoot Road, which enjoys an elevated position.

We are informed the site extends to a gross area of 8.19 acres.

4.3 Proposal Summary

Redrow Homes proposes to develop the site into a scheme of 84 no. 2, 3 and 4-bedroom terraced and detached homes. The site extends to a net developable area of 6.36 acres, representing a 22% gross to net reduction

The proposed scheme is served by a single point of access from Crosland Hill Road and leads to housing arranged in a linear configuration around a central spine road and in clusters around two cul-de-sacs. There are areas of soft landscaping and public open space interspersed throughout.

The proposed site plan is provided within **Appendix B**. The proposed schedule of accommodation is as follows:

House Type	Style	Beds	No.	NSA	Total NSA
Buxton	Mid terrace	2	6	727	4,362
Tavy	Mid/ end terrace	2	8	832	6,656
Bakewell	End terrace	3	14	845	11,830
Warwick	Detached	3	14	1,081	15,134
Amberley	Detached	3	2	1,137	2,274
Shrewsbury	Detached	4	10	1,162	11,620
Marlow	Detached	4	10	1,289	12,890
Oxford	Detached	4	7	1,318	9,226
Cambridge	Detached	4	8	1,394	11,152
Harrogate	Detached	4	5	1,555	7,775
Total			84		92,919
Average				1,168	

The proposed mix includes 14 no. 2-beds (17%), 30 no. 3-beds (36%) and 40 no. 4-beds (47%). The proposed Net Sales Area (NSA) is 92,919 sq ft and dwellings range from 727 sq ft to 1,555 sq ft, reflecting an average of 1,168 sq ft.

28 no. dwellings (33%) are smaller than 1,000 sq ft and 56 no. dwellings (67% %) are larger than 1,000 sq ft.

The mix comprises 28 no. terraced (33%) and 56 no. detached (67%) house types. All proposed dwellings extend to 2-storeys.

5. Planning Overview

5.1 Planning Policy

The Kirklees Local Plan was adopted on 27 February 2019 and now forms the statutory development plan for the area.

The subject site is allocated for housing within the Local Plan under reference HS20, known as 'Land north of Blackmoorfoot Road, Crossland Hill, Huddersfield'.

The document references a gross site area of 3.34 ha (8.25 acres) and provides an indicative capacity of 116 no. dwellings, noting constraints such as potentially contaminated land, noise and dust source from Johnson Wellfield Quarry and close to Listed buildings.

5.2 Planning Gain Requirements

Kirklees Council affordable housing policy PLP11 seeks delivery of 20% affordable housing on schemes of 10 or more dwellings (subject to viability). We are informed the Council seeks additional S.106 payments of £220,000.

Based on the proposed development of 84 no. dwellings, Kirklees Council therefore seeks delivery of 20% affordable housing (17 no. dwellings) plus £220,000 towards S.106 payments.

6. Residential Market Overview

6.1 UK Housing Market

The April 2022 RICS UK Residential Market Survey points to a modestly positive trend in new buyer demand remaining in place, alongside a generally stable picture for agreed sales. These forces therefore exert upward pressure on house prices across all parts of the UK.

Across the UK, +10% of respondents reported an increase in new buyer enquiries during April, similar to a balance of +9% returned in March. This marks the eighth successive month in which a positive reading has been returned for the survey's measure of buyer interest, albeit the profile of demand growth has been relatively modest.

Newly agreed sales indicated a more or less steady picture of -2%. +12% of respondents anticipate a rise in transaction volumes in the coming three months, suggesting a softening in growth in sales volume. Sales expectations over the 12-month horizon have turned flat, registering a net balance of -4%. This signals a generally flat trend over the year ahead as a whole.

New instructions to sell were largely stagnant, evidenced by a net balance reading of -1% being posted. In the previous iteration of the survey (March 2022), this indicator saw its first positive reading in twelve months being posted, but the latest feedback suggests this upward trend was not sustained for long.

There have been little signs of house price inflation losing any steam. The tight supply backdrop coupled with modest growth in demand have placed upward pressure on house prices across the country.

+80% of respondents cited an increase in house prices in the April 2022 survey returns, with the +62% of respondents anticipating a continued rise in house prices over the next 12 months.

7. Stage One: Residual Land Value

To establish the viability of the proposed scheme we have adopted the residual approach, which involves calculating the Gross Development Value (GDV) of the development on completion and deducting all costs associated with bringing the scheme forward, including an element of developer's profit.

7.1 Gross Development Value

In accordance with planning policy guidance, to establish achievable revenues for the proposed scheme we have assumed delivery by a hypothetical housebuilder. We have undertaken research on new-build and second-hand sold prices in the locality, taking care to select developments and properties which are most closely comparable to the subject site.

7.1.1 New-build Revenue Analysis

The most relevant evidence for establishing likely sales revenues on new-build schemes is other comparable new build developments. Evidence should come from schemes within the immediate vicinity of any site being considered or, if this is not possible, schemes situated within neighbouring areas where house prices are comparable.

The key benefits of utilising new build evidence are:

- Accurate floor areas can be verified through information included on house builder websites or from floor plans submitted as part of the planning application for a site
- New build housing is more homogenous than second-hand stock, with specification typically similar across schemes and prior to alterations and additions by individual homeowners
- Values can be therefore accurately be compared on a rate per sq ft basis

When utilising new-build evidence, it is important to note that housebuilders frequently offer incentives to purchasers or negotiate discounts against quoted asking prices to achieve sales.

Not all sales incentives offered by developers to secure plot sales are accounted for within the figure quoted at HM Land Registry (HMLR), most notably, part-exchange. For the purpose of comparing net sales revenues on a like-for-like basis, the price quoted on HMLR should therefore be discounted to allow for additional sales incentives, typically in the order of 3-5% depending on market area. For the purposes of this report we have applied a discount of 3% from the gross revenues sourced from HMLR.

Note that in analysing sales evidence we have relied upon HMLR data and floor areas contained within the EPC Register. As such, we are reliant upon the accuracy of this data. While there may be some margin of error, the comparables do nonetheless provide good evidence for likely achievable values at the subject site and are in-line with our expectations of value based upon our market knowledge.

A full breakdown of comparable evidence is provided within **Appendix A**.

7.1.2 Avant Homes – Fitzwilliam Grange, Huddersfield



Fitzwilliam Grange is a scheme of 1, 2, 3 and 4-bedroom homes and is located 0.7 mile to the north east of the subject, with ready access to Huddersfield town centre via Blackmoorfoot Road. It also lies close to local amenities and Oaks Primary School.

Avant secured a reserved matters approval in August 2019 for a scheme of 200 no. dwellings across a range of terraced, semi-detached and detached house types across a 2-storey mix.

To the front of the site is a proposed scheme of 26 no. dwellings, which formed part of a separate full application.

The front parcel is earmarked to provide future commercial uses.

There are no recorded sales on HMLR, and we have therefore undertaken analysis of asking prices listed on the developer's website to inform our approach.

Asking prices

House Type	Plot	Beds	Style	Storeys	NSA	Price	£ per sq ft
Bampton	25	3	Semi	2	862	£224,995	£261
Beckford	37	2	Semi	2	701	£189,995	£271
Beckford	36	2	Semi	2	701	£189,995	£271
Easton	26	3	Semi	2	880	£228,100	£259
Fenbridge	205	3	Terrace	2	773	£199,995	£259
Fenbridge	204	3	Terrace	2	773	£196,995	£255
Holbury	24	4	Detached	2	1226	£229,995	£188
Irtonbridge	20	3	Semi	2	858	£228,100	£266
Irtonbridge	182	3	Terrace	2	858	£209,995	£245
Lathbury	33	4	Detached	2	1355	£339,995	£251
Lorton	221	3	Detached	2	995	£269,995	£271
Lorton	11	3	Semi	2	995	£239,995	£241
Paington	192	3	Semi	3	1227	£259,995	£212
Paington	193	3	Semi	3	1227	£259,995	£212
Ramsbury	226	4	Detached	2	1502	£379,995	£253
Ramsbury	32	4	Detached	2	1502	£364,995	£243
Ramsbury	197	4	Detached	2	1502	£364,995	£243
Seabridge	15	3	Semi	2	932	£228,100	£245
Sudbury	27	4	Detached	2	1503	£359,995	£240
Trowbridge	16	4	Detached	2	1073	£269,995	£252
Ulbridge	179	4	Semi	2.5	1148	£262,995	£229
Ulbridge	198	4	Semi	2.5	1148	£249,995	£218
Blended					1,079	£261,328	£242

The average asking price is £261,328 across 1,079 sq ft, representing an average revenue of £242 per sq ft over a range of £188 to £271 per sq ft.

We would comment that the mix includes some 2.5/3-storey product, which typically achieves a lower £ per sq ft by comparison to traditional 2-storey dwellings, as evidenced here. The evidence also indicates that there is a highest £ per sq ft is typically representative of the smallest house types on account of quantum, which falls in line with market expectations.

It is also clear the detached properties are priced at a premium by comparison to the terraced and semi-detached units, which is again as expected.

We have set out below a summary of asking prices by house type, alongside an estimated net revenue assuming a 7.5% discount from the asking price. Note we have excluded the Paington and Ulbridge house types, which are 3 and 2.5-storey produce respectively and therefore not comparable to the units proposed.

Asking prices (2-storey product only)

House Type	No.	NSA	Price	£ per sq ft	Net £ per sq ft
Terraced	3	801	£202,328	£252	£234
Semi-detached	7	847	£218,469	£258	£239
Detached	8	1,332	£322,495	£242	£224
Blended	18	1,055	£262,013	£248	£230

Assuming a blended discount of 7.5% could be reasonably anticipated following negotiation of sales incentives between the developer and purchaser, we consider it reasonable to assume the blended net revenue will lie in the order of £230 per sq ft.

Whilst the absence of sales evidence limits the weight that can be attributed to Fitzwilliam Grange, it does represent the most comparable scheme in terms of location, though recognising its position is more urban.

The scheme benefits from good connectivity to Huddersfield town centre and enjoys scenic views to the east over the wider valley. The site is surrounded by modest traditional housing, but we consider it represents a marginally superior location given its accessibility to the town centre and transport links.

Furthermore, the site lies immediately adjacent to Oaks Primary School and local amenities, which will boost its marketability.

7.1.3 Barratt Homes – Helme Ridge, Meltham

Helme Ridge by Barratt Homes lies within the town of Meltham, 2.5 miles to the south west of the subject site.

Barratt secured reserved matters approval in June 2015 for the erection of 88 no. 3 and 4-bedroom semi-detached and detached house types across the first phase, including 15% affordable housing.

The site occupies a semi-rural location, with a good supply of local amenities and schools.



We have undertaken market research via HMLR, which confirms there were 21 no. open market transactions of detached house types between February 2019 and April 2020 across the first phase.

Average sale prices

House Type	No.	Size	Price	Gross £ per sq ft	Net £ per sq ft
Semi-detached	3	829	£209,995	£253	£246
Detached	18	1,090	£278,218	£255	£248
Blended	21	1,053	£268,471	£255	£247

The blended average sale price of £268,471 reflects an average gross revenue of £255 per sq ft.

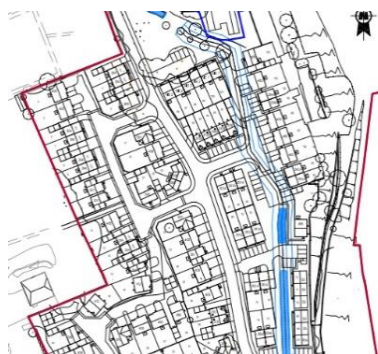
Whilst HMLR does account for most sales incentives offered by the housebuilder to the purchaser, it does not account for *all* incentives, most notably part-exchange, where the net receipt to the housebuilder may follow sometime after submission of forms to HMLR.

On this basis, we have assumed a 3% discount to the average gross revenue of £255 per sq ft to establish a net revenue position. We therefore surmise the blended average net revenue equates to around **£247 per sq ft**.

Sale prices ranged from £239,995 for a 1,079 sq ft unit to £349,995 for a detached unit of 1,421 sq ft. The highest revenues on a £ per sq ft basis were for the smallest detached units of 947 sq ft, with the larger units generally achieving a lower revenue on account of quantum.

The scheme occupies a semi-rural position, close to local amenities, schools and lying on the fringe of the Peak District National Park. We would therefore anticipate a lower revenue to be achievable at the subject by comparison.

7.1.4 Kier Living– Stonegate, Linthwaite



Stonegate by Kier Living lies within the village of Linthwaite, 2.3 miles to the north west of the subject and to the north of Blackmoorfoot Road.

The scheme comprises 113 no. 2, 3 and 4-bedroom dwellings across a range of terraced, semi-detached and detached house types over a 2 and 3-storey mix. The scheme is now fully sold.

Our market research confirms there were 27 no. open market transactions between January and September 2020.

Average revenues

House Type	No.	Size	Price	Gross £ per sq ft	Net £ per sq ft
Terraced	17	1,033	£187,996	£182	£177
Semi-detached	5	848	£189,795	£224	£217
Detached	5	1,113	£253,5,96	£228	£221
Blended	27	1,018	£200,477	£198	£192

The achieved prices ranged from £151,995 to £264,995 across units between 764 and 1,324 sq ft, reflecting a range of £159 to £234 per sq ft gross.

The evidence indicates detached units achieved a premium over and above semi-detached and terraced product, which falls in line with market expectations, though there is also a quantum adjustment whereby the smallest units achieved the highest revenue on a £ per sq ft basis.

We note the terraced average revenue of £182 per sq ft net accounts for 3-storey product, which achieves a discount by comparison to the 2-storey units. Further analysis indicates the blended revenue of the 2-storey terraced units only (across 904 sq ft), is £212 per sq ft gross, or £206 per sq ft net.

The blended average revenue is therefore reduced on account of the higher density product, noting the blended average of the semi-detached and detached units is £226 per sq ft gross (£220 per sq ft net). We consider it reasonable to apply more weight to this approach on account of the wholly 2-storey mix proposed.

The scheme lies within a popular market location, close to amenities and schools and with reasonable access to the M62. We therefore anticipate broadly similar revenues to be achievable at the subject by comparison.

7.1.5 Second-hand revenue analysis

The scheme sits close to established residential areas and we have undertaken analysis of the local second-hand market to inform our approach.

Whilst not as important as new build evidence, second-hand data can help establish likely end-revenues on new build schemes, providing an indication of the strength of a market area. There are however weaknesses that must be taken into consideration:

- Accurate information on size is not always available. For example, some estate agents only provide areas for rooms, excluding hallways, bathrooms and en-suites, while others include all useable space, including bathrooms, halls and conservatories. EPCs include bathrooms, en-suites and hallways but exclude conservatories. Differences in the way that areas are calculated can make direct comparison difficult.
- There is typically no way to verify the accuracy of the floor area information available.
- Second-hand stock is not homogenous, with condition, specification and decor varying from property to property. Such differences can have a significant impact on the price achievable and make it difficult to analyse values accurately.

We have utilised floor area information from the EPC Register and whilst we appreciate these may not provide a completely accurate assessment by comparison to new build, the figures can be used as a good indicator of revenues achieved in the surrounding area.

The scheme to the north of the subject, fronting Greystone and Mason Court, provides the most comparable second-hand evidence and we have therefore undertaken analysis of revenues as set out below.

Date	Address	Type	Beds	Size	Price	£ per sq ft
Dec 20	21 Mason Court	Detached	4	1,259	£293,500	£233
March 19	15 Greystone	Detached	4	1,227	£257,000	£209
Blended				1,243	£275,250	£221

The evidence indicates there have been two recent transactions of detached properties, though it should be noted that no detailed analysis has been undertaken in respect of the time spent marketing to achieve the sales revenues outlined.

To support our analysis further, we have analysed second-hand evidence across a 0.25-mile radius, as follows:

Average revenues

House Type	No.	Size	Price	£ per sq ft
Terraced	7	826	£133,071	£161
Semi-detached	15	945	£142,367	£151
Detached	8	1,325	£276,249	£208
Blended	30	1,019	£175,900	£173

The evidence indicates a range in quality of surrounding stock, with prices ranging from £91,000 to £412,000, representing between £119 and £284 per sq ft. The evidence provides a useful indication of the tone of values in the area and guides the level that a new-build scheme could potentially achieve.

Whilst we consider the proposed development will target a cross-section of the market, it is important to be mindful of the established second-hand market when forming an opinion of anticipated new-build revenues. It is generally accepted by property professionals working within the residential industry that a new-build premium typically lies between 5% and 15%.

On this basis, it is reasonable to assume a new-build premium in the order of £180 to £200 per sq ft. However, we anticipate a new-build premium will exceed this range, consistent with the new-build evidence analysed above.

7.1.6 Summary of new-build revenues

Our analysis of new-build revenues is as follows:

Scheme	House Type	Floor Area	Price	Gross £ per sq ft	Net £ per sq ft	Distance	Comparability
Fitzwilliam Grange*	Terraced	801	£202,328	£252	£234	3 miles	Marginally superior
	Semi-detached	847	£218,469	£258	£239		
	Detached	1,332	£322,495	£242	£224		
	Blend	1,055	£262,013	£248	£230		
Helme Ridge	Semi-detached	829	£209,995	£253	£246	2.5 miles	Superior
	Detached	1,090	£278,218	£255	£248		
	Blend	1,053	£268,471	£255	£247		
Stonegate	Terraced	1033	£187,996	£182	£177	2.3 miles	Similar
	Semi-detached	848	£189,795	£224	£217		
	Detached	1113	£255,596	£228	£221		
	Blend	1,013	£219,353	£222	£215		

*net revenues assume a 7.5% discount from listed asking prices

**a 3% discount has been applied to the gross average revenue to account for sales incentives not captured by HMLR

Note all revenues listed above are 2-storey product only

7.1.7 GDV Summary – Market Housing

The site occupies a semi-rural location to the western fringe of Huddersfield town centre. It is located close to traditional housing to the north and more extensive housing areas to the east, which vary in quality.

The site also lies adjacent to the former Black Cat industrial estate, which is earmarked as a new housing scheme with potential to deliver 700 no. new homes. Furthermore, there are industrial uses to the south, though these are broadly hidden from view by trees, though the presence of a quarry nearby may impact marketability.

There is a reasonable supply of new-build housing within the wider area, though limited stock in the immediate locality.

We have therefore drawn upon new-build evidence across a wider geographical area, which includes schemes in different market locations, though there is a broadly consistent tone in the evidence we have considered.

The most directly comparable scheme in terms of location is Fitzwilliam Grange by Avant Homes, which is under construction. It lies around 0.7 mile to the north east of the subject and benefits from superior access to the town centre, local amenities and services and transport connections. It is within an area of established housing and close to a primary school, though lacks the semi-rural aspect.

In the absence of confirmed sales, we have analysed asking prices across a range of terraced, semi-detached and detached house types. Excluding the 2.5 and 3-storey product, our analysis indicates the blended asking price is £262,013, representing £248 per sq ft gross. However, it is appropriate to discount this price to account for sales incentives offered to the purchaser and a range of 5-10% is broadly considered a reasonable expectation. Assuming a 7.5% discount from the gross blended revenue of £248 per sq ft supports a net revenue position of £230 per sq ft.

We have also looked at two schemes in different market areas; Helme Ridge by Barratt Homes and Stonegate by Kier Living, though recognising sales at this scheme date back to 2019.

Our evidence indicates Barratt is achieving a blended net revenue of around £255 per sq ft for detached product, though noting the revenue may be higher on account of the modest size of dwellings. This scheme enjoys a semi-rural outlook, with good access to local amenities and schools and superior connectivity to the Peak District National Park.

Stonegate by Kier Living is now fully sold, and our analysis indicates it achieved a blended net revenue of £198 per sq ft net across 2-storey terraced, semi-detached and detached product. This location is semi-rural, and broadly comparable to the subject on balance.

We have also had regard to the second-hand market, where properties within a 0.25-mile radius achieved a blended average of £173 per sq ft, though noting that the established stock varies in age and quality. There have been two sales of houses at the scheme immediately to the north, which is relatively modern. Our research indicates the sales of detached units achieved between £209 and £233 per sq ft.

We consider the scheme will hold strong demand for families and commuters, though its marketability will be impacted by its fringe location limited local amenities and indirect access to the M62.

7.1.8 GDV Summary – Affordable Housing

Our assessment of achievable transfer values, assuming transfer to a Registered Provider, assumes delivery of 20% affordable housing in accordance with Kirklees Council policy.

The 17 affordable homes have been split into 55% social rented and 45% intermediate affordable products. The Kirklees Interim Affordable Housing Policy (January 2020) states the following transfer values should apply to affordable homes:

- Affordable and social rented houses - £54.63 per sq ft (£588 per sqm)
- Intermediate houses - £92.81 per sq ft (£1,171 per sqm)

7.1.9 GDV Conclusions

Having regard to our comparable evidence analysis, our assessment of achievable revenues is as follows assuming delivery of 20% affordable housing:

Private GDV (80%)

House type	Style	No.	NSA	£ per sq ft	Sale Price	Total Sales
Buxton	Mid terrace	0	727	£257	£186,839	£0
Tavy	End/mid terrace	0	832	£257	£213,824	£0
Bakewell	End terrace	11	845	£255	£215,475	£2,370,225
Warwick	Detached	14	1,081	£251	£271,331	£3,798,634
Amberley	Detached	2	1,137	£250	£284,250	£568,500
Shrewsbury	Detached	10	1,162	£252	£292,824	£2,928,240
Marlow	Detached	10	1,289	£249	£320,961	£3,209,610
Oxford	Detached	7	1,318	£248	£326,864	£2,288,048
Cambridge	Detached	8	1,394	£247	£344,318	£2,754,544
Harrogate	Detached	5	1,555	£246	£382,530	£1,912,650
Total		67				£19,830,451
Average				£251	£283,922	

Affordable (20%)

House type	Style	No.	NSA	£ per sq ft	Sale Price	Total Sales
Tavy affordable rent	- End/mid terrace	5	832	£54.63	£45,450	£227,261
Tavy intermediate	- End/mid terrace	3	832	£92.81	£77,218	£231,654
Buxton affordable rent	- Mid terrace	4	727	£54.63	£39,716	£158,864
Buxton intermediate	- Mid terrace	2	727	£92.81	£67,473	£134,946
Bakewell Affordable rent	- End terrace	2	845	£54.63	£46,160	£92,325
Bakewell intermediate	- End terrace	1	845	£92.81	£78,425	£78,425
Total		17				£923,475

House type	Style	No.	NSA	£ per sq ft	Sale Price	Total Sales
Average				£73.72	£59,074	

Total GDV (100%)

	No.	NSA	£ per sq ft	Sale Price	Total Sales
Total	84	92,919			£20,753,924
Average			£33.78	£258,603	

Whilst the properties may ultimately be marketed for a value higher than the figures stated, our opinion of revenues represents the value we consider a housebuilder could achieve following deductions for negotiating discounts and incentives. Asking prices could be in the region of 5% higher to allow for these incentives and price negotiations.

7.2 Cost Assumptions

7.2.1 Build costs

To assess the residual land value of the proposed development, we have deducted the costs of construction from the GDV. The cost assumptions associated with identifying the value of the proposed scheme fall into two distinct sections:

- The cost of delivering the housing, including plot externals; and
- The cost of delivering the infrastructure, services, site works etc. over and above that of the traditional house building costs. These are the abnormal development costs.

The NPPF and PPG guidance states build costs should be based on appropriate data and identifies the Build Cost Information Service (BCIS) as an appropriate source. A scheme of this scale will appeal to volume housebuilders and therefore the lower quartile build cost estimate is a reasonable point of reference.

The BCIS lower quartile rate for general estate housing and rebased to Kirklees over a 5-year period equates to £1,050 per sq m (£97.55 per sq ft), which includes standard plot build plus prelims.

Whilst BCIS average price data include preliminaries, it does not account for costs associated with immediate plot externals such as gardens, driveways and utility service connections. We have therefore included a 10% allowance to account for plot externals not captured within the BCIS data. This gives an 'all-in' build cost of £1,155 per sq m (£107.30 per sq ft).

For the avoidance of doubt, this cost relates to the plot build and plot externals only and makes no allowance towards abnormal development cost items. Our approach is robust, consistent with the latest NPPF guidance and is supported by independent BCIS data.

7.2.2 Detached Garages

We have also factored in an additional cost for detached garages, which are not accounted for in BCIS data. We are advised the proposed scheme includes 28 no. single and 1 no. double garages, and we have apportioned costs of £10,000 per single and £15,000 per double garage.

Our appraisal therefore includes a cost of **£295,000** for detached garages.

7.2.3 Abnormal Development Costs

Our appraisal adopts an abnormal development cost of **£5,986,539**, equating to approximately £941,000 per net developable acre and £71,000 per plot. The breakdown of abnormal development cost items assumed is set out below. Further details and supporting information are available upon request.

Abnormal Cost Item	Cost
Earthworks to formation (cut and fill)	£154,536
Import Topsoil	£47,081
Import Subsoil - Clean capping requirement	£30,120
No Dig barrier to underside of clean cap	£18,833
Export Subsoil from Arisings - below cap level assumed contamination	£450,002
Tree protection	£22,450
Treeworks	£15,000
Post and Heras security fencing	£13,825
Demolition and remediation and uplift due to cost increases	£698,373
Removal of Asbestos materials	£25,000
Himalayan Balsam treatment costs	£10,000
Renewables – Part L Costs	£410,760
Underfloor heating as per building regulation changes under Part L	£144,059
Car Charging Points	£44,000
Cycle sheds	£70,400
Bird and Bat Boxes	£8,800
Acoustic Glazing – vents and increased glazing	£13,650
SWA tanks	£374,000
Drainage size and depth abnormal	£114,556
Allowance for connecting in to existing combined sewers	£15,000
Geogrid to Carlow Tank Base - Tank Size is 340m2. Assume two layers	£2,380
Protectaline to water pipes in made ground	£9,570
Beam & block floors	£105,000
Gas protection - amber 1	£105,000
Trench Fill plots	£57,525
Foundation to 84 no. plots	£1,032,062
Form pile mats - RL dig	£72,576
Retaining	£419,491
Retaining Wall to site boundary	£295,520
Additional footpath access at southern boundary	£4,929
Additional Geogrid to hardstanding areas	£54,495
Works to POS and buffers	£25,492.50
Standard Road Construction (2,782 sqm of road at £289.72 per sqm)	£806,001
Ramps and Tables	£4,500
Extended Drives (1,281.5 sqm of extended drive at £60 per sqm)	£82,860
Abnormal fees and services cost	£228,692
Total	£5,986,539

We have phased payment of abnormal costs on a weighted approach from the start of the pre-construction period until the end of the construction period to reflect the assumption the majority of abnormal costs will be incurred in the early stages of development.

7.2.4 Professional Fees

Professional fees typically range from 6-10% of the standard build cost depending on site complexity and design challenges.

Given the scale of proposed development, we have applied Professional Fees of **8%** to the standard build cost plus externals and garages.

7.2.5 Contingency

In our experience, contingency allowance should range from 3-5%, depending on the risks associated with the development.

We have adopted a **3%** contingency to the standard build cost, plus externals and garages. We have applied a **5%** contingency to the abnormal development costs to reflect the greater uncertainty and risk.

7.2.6 Finance

We have adopted a finance rate of **6%** based on the land and construction cost assuming 100% debt finance, inclusive of all arrangement, monitoring and exit fees.

7.2.7 Marketing and Sales Fees

We have allowed **2% marketing** and **1% agent fees** to the private units, plus **£500 per unit legal fees** across all tenures.

7.2.8 Acquisition Costs

We have allowed standard acquisition costs, comprising Stamp Duty Land Tax at the prevailing rate, 1% agent and 0.5% legal fees.

7.2.9 S.106 Obligations

We have allowed S.106 payments of £220,000, phased on a bi-annual profile with equal payments from the start to the end of the construction period.

7.2.10 Sales and Build Rate

We have had regard to the existing supply of new-build housing schemes and have assumed a build and sales rate of **3 no. private units per month**. The build and sales period each equate to 22 months, or 1.8 years. This reflects a build and sales rate of 3.7 units per month across all tenures.

We have assumed the development includes a 3-month lead-in with sales commencing 5 months after construction start. We have assumed a 5-month post construction tail for the sale of the final units. Our cashflow assumes a total development timeline of 31 months, or 2.6 years.

7.2.11 Developer's Profit

There continues to be a healthy debate across the industry around what represents an appropriate level of developers profit in viability assessments. There is no definitive answer, although the majority of guidance and appeal precedents point to a minimum profit of 20% of GDV being appropriate.

Published in July 2018, updated PPG and NPPF guidance on viability identifies an assumption of 15-20% of GDV may be considered a suitable return for developers to establish the viability of planning policies. It acknowledges that alternative figures may be suitable where there is evidence to support, depending on the type, scale and risk profile of planned development.

However, this assumption relates to planning stage viability when specific cost information is unlikely to be available.

C&W have experience in selling a range of residential development land to national and regional housebuilders and we can confirm that from our experience they do not vary their profit requirement below 20% of GDV. C&W also undertake a significant number of bank funding valuations for developments to be undertaken by housebuilders and can confirm that a development which generates a profit on GDV of less than 20% is highly unlikely to be able to secure development funding. In the absence of bank funding, some housebuilders have sought funding through alternative sources, notably high net worth individuals and property investment companies. In our experience, such individuals are also unwilling to support developments which generate a profit of less than 20% of GDV.

Furthermore, a higher profit level is reflective of the high upfront infrastructure costs, and ongoing economic and market uncertainty resulting from the COVID-19 pandemic. These factors undoubtedly increase the risk profile and we therefore consider a profit target of 20% is a realistic expectation.

The updated NPPF guidance indicates that a lower level of profit may be accepted by the developer in respect of affordable units, as they are transferred to a Registered Provider. We consider 8% of GDV to be reasonable on affordable units.

We have therefore adopted a blended developer's profit, based on **20% on the private GDV** and **8% on the affordable GDV**, which is consistent with NPPF guidance. The blended profit equates to **19.47% on GDV**.

7.3 Residual Land Value

We have established appropriate appraisal input parameters to inform a residual appraisal calculation using Argus Developer software. We have prepared a policy-compliant appraisal based on the proposed scheme and mix, which assumes delivery of 17 no. affordable units (20%) and a S.106 payment of £220,000.

We have adopted market-facing inputs based on our market research and experience, and abnormal development costs provided by our client. Our inputs are supported by evidence and are considered robust and appropriate.

The residual output based on a policy compliant position equates to a land value of -(£2,032,685) representing -(£319,605) per net developable acre.

8. Stage Two: Benchmark Land Value

8.1 Overview

To assess the viability of the proposed development, we must compare the residual land value established in Stage One with a Benchmark Land Value (BLV).

On 24 July 2018, the Government published updated National Planning Policy Framework (NPPF) and Planning Policy Guidance (PPG) in respect of viability. This introduced a new approach for assessing BLV known as **Current Use Value Plus (CUV+)**. The guidance was subsequently amended in May 2019, which provided more clarity around the approach to establishing BLV.

The RICS released its own revised guidance in May 2019 by way of publication of Financial Viability in Planning: Conduct and Reporting, 1st Edition, which become mandatory for RICS members undertaking viability assessments in September 2019.

To determine CUV+, guidance states we are first required to establish the CUV of the land. We must then establish the landowner premium, which is the minimum amount over and above CUV which reasonably incentivises a sale and releases the site for development. The guidance states BLV should:

- be based on CUV;
- allow for a sufficient premium to landowner(s);
- reflect the implication of abnormal costs, including infrastructure costs and professional fees; and
- be informed by market evidence, including current uses, costs and values, where possible. Market evidence should be based on policy-compliant developments or otherwise be adjusted to reflect the cost of according with planning policy.

The guidance states that the price paid for the land cannot be used to support BLV and reduce the level of planning gain delivery.

PPG also recognises it may be appropriate to establish a viable Alternative Use Value (AUV). In such instances, AUV should be evidenced by cost and value information to support the BLV. However, as the premium is implicit within the AUV, it must not be double counted.

8.2 Current Use Value

Establishing CUV is the first component in assessing Benchmark Land Value. In the PPG, Current Use Value is defined as:

‘the value of the land in its existing use. Current use value is not the price paid and should disregard hope value.’

The site is currently utilised for employment purposes and is classified as brownfield in nature, although we understand its planning use is sui generis. It is occupied by Lowdhams and operates as a caravan and motorhome showroom, comprising surfaced yard, car park and two single storey industrial units, alongside areas of soft landscaping, with access available via Crossland Hill Road and Blackmoorfoot Road.

On account of the existing employment use, we consider it appropriate to assess the CUV on the basis of continued employment use.

To assess the CUV, it is first appropriate to establish the site area and floor area of the existing properties.

We are advised the site extends to 8.19 acres gross, and the buildings comprise two rectangular-shaped detached single storey industrial units, with stone and metal profile-clad elevations surmounted by pitched roofs. The units are served by a central canopy and appear to be well maintained, commensurate with their age and use.

Utilising Promap online software, we calculate the footprint of the buildings and canopy extends to 1,188.21 sq m (12,790 sq ft), which we have rounded to 12,800 sq ft. This equates to 0.30 acres.

We have assumed a 10% reduction to establish a Gross Internal Area (excluding the canopy) of 9,500 sq ft in accordance with the RICS Code of Measuring Practice.

Based on the total gross site area of 8.19 acres, the surplus yard/car park therefore extends to 7.9 acres (8.19 acres less 0.30 acres). 0.3 acres as a proportion of 8.19 acres represents 4% site coverage, which is very low for a unit of this size. We would anticipate 40% site coverage to be typical and therefore consider it appropriate to value the surplus yard over and above 40% on a separate basis.

We calculate that the site area of a unit extending across a footprint of 12,800 sq ft with 40% site coverage equates to 0.75 acres. The gross site area is 8.19 acres and therefore the surplus yard equates to 7.45 acres.

We consider it appropriate to value the CUV of the existing building and yard on a capital value basis, assuming a sale with vacant possession to an owner occupier. In terms of the surplus yard and following discussions with our valuation colleagues, we consider it appropriate to value the CUV on a rate per acre approach. This is on the assumption the site could be split and sold separately for continued employment use.

Therefore, our approach to establishing CUV is as follows:

- Existing buildings + service yard (9,500 sq ft GIA across 0.75 acres) - £ per sq ft approach
- Surplus yard (7.45 acres) - £ per acre approach

To inform our assessment of values, we have had regard to the following comparable evidence.

- **9 Colne Road, Huddersfield** – a 8,286 sq ft hybrid trade warehouse unit lying close to Huddersfield ring road and including high specification offices with secure yard and car parking. It sold with vacant possession in September 2020 for £648,000, representing £77.76 per sq ft. We consider the unit superior in terms of enhanced specification and high office coverage (50%). We would anticipate a lower £ per sq ft by comparison.
- **Scar Land, Milnsbridge, Huddersfield** – a parcel of freehold development land of 1.66 acres is currently on the market at £425,000 with vacant possession, representing £250,000 per acre based on the gross area of 1.66 acres. The site has outline consent for the development of 4 no. industrial units totalling 14,000 sq ft and is considered a secondary location. The land is currently under offer but is significantly smaller than the surplus land assumed. Therefore, a lower £ per acre can be assumed reasonable.

In assessing the CUV, we have had regard to the location, nature and physical aspects of the subject site for employment use.

The buildings appear well presented externally and are regular in shape, with reasonable access from the public highway, though the location lacks immediate proximity to the motorway network and is therefore considered secondary in nature.

We have therefore assumed the following values in arriving at our opinion of CUV:

- Existing buildings + service yard - £40 per sq ft x 9,500 sq ft = £380,000
- Surplus yard (7.45 acres) - £175,000 per acre x 7.45 acres = £1,300,000

We have therefore assessed the CUV at a rate of £1,680,000, equating to £205,000 per acre based on the gross area of 8.19 acres.

8.3 Landowner Premium (+)

To assess the level of planning gain delivery the scheme can afford, viability guidance states we must assess a reasonable landowner premium over and above CUV which we consider would suitably incentivise the landowner to release the site for residential development having regard to the risks and anticipated returns.

Guidance states that the landowner 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;
- be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration; and
- Evidence 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.

Whilst guidance is silent on how the premium should be calculated, it acknowledges that comparable land transactional evidence can serve as a cross-check, an approach we fully support as it enables us to balance a premium uplift against the market.

8.4 Market Evidence

Whilst a premium should suitably incentive the landowner to release the site for residential development, it should also have regard to the market and thus, we consider comparable land transactional evidence should serve as a cross-check, an approach fully consistent with NPPF viability guidance.

We would comment that we do not consider it appropriate to establish BLV based on a multiplier alone, as when not applied in the correct context it can be regarded as arbitrary with no regard to the market. For that reason, we consider it paramount that comparable land transactional evidence should be considered to provide an informed, holistic view of BLV adopting the CUV+ methodology. This approach is fully consistent with viability guidance.

We have focussed on the land sales detailed within our market research and can provide the following headlines:

- **Avant Homes, Fitzwilliam Grange** – we have established through HMLR that the site was acquired in October 2019 for £5,942,000. The site extends to a gross area of 21.46 acres, which

reduces to a net area of 18.2 acres following an assumed 15% gross to net reduction. On this basis our best estimate is that the site was acquired for approximately £325,000 per net developable acre. It is understood the scheme is delivering policy compliance.

- **Barratt Homes, Helme Ridge** – HMLR indicates the first phase parcel was acquired for £3,030,000 in April 2016. Planning documents confirm the net developable area is around 6 acres, representing a value of approximately £500,000 per net developable acre. The scheme is policy compliant.

Our analysis indicates a tone of £325,000 to £500,000 per net developable acre, reflecting a blended average of £412,500 per net developable acre.

NPPF guidance states that, where land evidence is used to inform BLV in a cross-check capacity, it should reflect policy-compliant developments. However, we have been unable to establish the full extent of costs relevant to these schemes.

8.5 BLV Conclusions

We have assessed the CUV at £1,680,000, reflecting £205,000 per gross acre. We consider it reasonable to assume the principle of residential use is supported on account of the housing allocation and therefore anticipate the hypothetical landowner would seek a premium in excess of CUV to reflect the hope value in securing a future implementable residential consent.

To guide a suitable premium, we have considered key comparable land transactional evidence, an approach fully consistent with viability guidance.

The transactional land evidence indicates a tone of £325,000 to £500,000 per net developable acre. However, we acknowledge we have been unable to establish the full extent of abnormal development costs pertinent to these schemes. This therefore impacts the reliability of this evidence, although we consider it should serve as a cross-check in accordance with viability guidance.

Assuming a premium uplift of 1.2 x the CUV of £1,680,000 would reflect a rounded BLV of £2,016,000, equating to approximately £315,000 per net developable acre.

A BLV at this level is broadly consistent with the transactional land evidence. We consider the principle of residential development is established by way of the housing allocation and consider this level of BLV would reasonably incentivise the hypothetical landowner to release the site for residential redevelopment.

On this basis, our opinion of BLV equates to £2,016,000, reflecting £315,000 per net developable acre.

9. Stage Three: Sensitivity Analysis

9.1 Overview

In Stage One we established the policy-compliant land value incorporating 20% affordable housing in addition to S.106 payments of £220,000, reflecting £34,500 per net developable acre.

In Stage Two we established a BLV of £2,016,000, equating to £315,000 per net developable acre.

The residual land output assuming a policy-compliant position is unable to meet the BLV threshold and we therefore conclude the scheme is unable to viably deliver Kirklees Council's full planning gain requirements.

9.2 Sensitivity Analysis

To test the level of affordable housing that could be delivered we have undertaken a sensitivity analysis in accordance with the RICS Guidance Note, Financial Viability in Planning: Conduct and Reporting (effective 1 September 2019).

We have run scenarios assuming reduced levels of affordable housing by 5% increments. Note each scenario assumes a variation to sales periods and profit on account of the increase in private accommodation.

Sensitivity Analysis illustrating a variation in affordable housing delivery

% Affordable	Net Sales Area				GDV	RLV	£ per NDA	BLV (£ per NDA)	BLV Shortfall
	Private		Affordable						
	No.	NSA	No.	NSA					
20%	67	79,366	17	13,553	£20.754m	-£2.033m	-£320m	£2.016m (£315k)	-£4.049m
10%	76	86,263	8	6,656	£22.057m	-£1.135m	-£179k		-£3,151m
0%	84	92,910	-	-	£23.308m	-£273k	-£43k		-£2.289m

The results demonstrate the scheme is unable to viably deliver any affordable housing and meet the threshold that would incentivise the hypothetical landowner to release the site for development.

10. Conclusions

We have demonstrated that the site is unable to viably deliver Kirklees Council's full planning policy requirements. This is on account of the significant abnormal development costs required to bring the site forward for residential development and modest anticipated revenues.

Our approach is in accordance with updated planning guidance and is supported by robust transactional evidence. We therefore consider our conclusions both reasonable and valid.

We have tested the viability of the scheme by running a scenario testing exercise to vary the amount of affordable housing the scheme could deliver when measured against our opinion of BLV.

Whilst our appraisal concludes the scheme is unable to viably deliver any level of on-site affordable housing in addition to the S.106 off-site payments.

Please note, a more onerous requirement or additional financial burden would further reduce the incentive to the landowner and the development would be rendered unviable.

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Date: 13 June 2021

11. Disclaimer

This FVA and the advice provided do not constitute a formal valuation. However, we have prepared the FVA having regard to the requirements of PS 1 and PS 2 of the current RICS Valuation – Global Standards (the “Red Book”).

The FVA is for the purposes of assessing the viability of the planning application proposals only to inform the applicant’s negotiations with the Local Planning Authority regarding levels of affordable housing and other planning contributions. The FVA and the advice provided constitute an exception from valuation technical and performance standards (‘VPS’) 1 – 5 of the Red Book.

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This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report.

Appendix A – Comparable Revenue Analysis

Barratt Homes – Helme Ridge, Meltam

Date	Address	Type	Sale price	NSA	Gross £ per sq ft
Feb 2019	29 Thomas Wroe Way	Semi-detached	£214,995	829	£259
Feb 2019	25 Thomas Wroe Way	Detached	£299,995	1,206	£249
Feb 2019	2 Cop Hill View	Semi-detached	£204,995	829	£247
Mar 2019	27 Thomas Wroe Way	Semi-detached	£209,995	829	£253
Mar 2019	45 Poppy Gardens	Detached	£309,995	1,216	£255
Apr 2019	51 Poppy Gardens	Detached	£309,995	1,216	£255
May 2019	47 Poppy Gardens	Detached	£269,995	1,076	£251
Jun 2019	27 Cop Hill View	Detached	£252,995	947	£267
Jun 2019	8 Cop Hill View	Detached	£284,995	1,076	£265
Jun 2019	6 Cop Hill View	Detached	£284,995	947	£301
Jun 2019	29 Cop Hill View	Detached	£249,995	947	£264
Jun 2019	12 Cop Hill View	Detached	£249,995	947	£264
Jul 2019	4a Cop Hill View	Detached	£319,995	1,216	£263
Oct 2019	49, Poppy Gardens	Detached	£260,000	1,076	£242
Jan 2020	31 Cop Hill View	Detached	£349,995	1,421	£246
Jan 2020	182 Helme Lane	Detached	£259,995	947	£274
Jan 2020	35 Cop Hill View	Detached	£299,995	1,206	£249
Mar 2020	188 Helme Lane	Detached	£264,995	947	£280
Mar 2020	184 Helme Lane	Detached	£249,995	1,076	£232
Mar 2020	33 Cop Hill View	Detached	£239,995	1,076	£223
Apr 2020	186 Helme Lane	Detached	£249,995	1,076	£232

Kier Living – Stonegate, Linthwaite

Date	Address	Type	Sale price	NSA	Gross £ per sq ft
Jun 2019	18 Mill House Court	Detached	£264,995	1152	£230
Jun 2019	2 Mill House Court	Terraced	£190,000	904	£210
Jun 2019	24 Mill House Court	Detached	£257,995	1152	£224
Jun 2019	16, Mill House Court	Detached	£264,995	1152	£230
Jun 2019	6 Black Rock Drive	Detached	£254,995	1130	£226
Jul 2019	2 Black Rock Drive	Semi-detached	£199,995	904	£221
Jul 2019	4 Black Rock Drive	Semi-detached	£199,995	904	£221
Aug 2019	22 Mill House Court	Semi-detached	£178,995	764	£234
Aug 2019	26 Mill House Court	Detached	£225,000	980	£230
Sep 2019	4 Mill House Court	Terraced	£183,995	904	£204
Sep 2019	5 Mill House Court	Terraced	£194,995	1012	£193
Sep 2019	6 Mill House Court	Terraced	£199,995	904	£221
Sep 2019	3 Mill House Court	Terraced	£194,995	1012	£193
Sep 2019	1 Mill House Court	Terraced	£199,995	1012	£198
Sep 2019	9 Mill House Court	Terraced	£199,995	1012	£198
Oct 2019	7 Mill House Court	Terraced	£194,995	1012	£193
Nov 2019	8 Mill House Court	Semi-detached	£204,995	904	£227
Dec 2019	7 Black Rock Drive	Terraced	£199,995	1141	£175
Dec 2019	5 Black Rock Drive	Terraced	£199,995	1141	£175
Dec 2019	20 Mill House Court	Semi-detached	£164,995	764	£216
Dec 2019	11 Black Rock Drive	Terraced	£199,995	1141	£175
Feb 2020	1, Black Rock Drive	Terraced	£215,000	1324	£162
Oct 2020	39 Black Rock Drive	Terraced	£185,995	1130	£165
Dec 2020	21 Black Rock Drive	Terraced	£179,995	1130	£159
Dec 2020	37 Black Rock Drive	Terraced	£151,995	926	£164
Jan 2021	35 Black Rock Drive	Terraced	£151,995	926	£164
Jan 2021	25 Black Rock Drive	Terraced	£151,995	926	£164

Appendix B – Proposed Site Layout

Appendix C – Policy-compliant Appraisal Summary

Blackmoorfoot Road, Huddersfield - 20% affordable
June 2022

Development Appraisal
Cushman & Wakefield
16 June 2022

APPRAISAL SUMMARY**CUSHMAN & WAKEFIELD****Blackmoorfoot Road, Huddersfield - 20% affordable
June 2022****Summary Appraisal for Phase 1****Currency in £****REVENUE**

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Bakewell	11	9,295	255.00	215,475	2,370,225
Warwick	14	15,134	251.00	271,331	3,798,634
Amberley	2	2,274	250.00	284,250	568,500
Shrewsbury	10	11,620	252.00	292,824	2,928,240
Marlow	10	12,890	249.00	320,961	3,209,610
Oxford	7	9,226	248.00	326,864	2,288,048
Cambridge	8	11,152	247.00	344,318	2,754,544
Harrogate	5	7,775	246.00	382,530	1,912,650
Affordable Rent - Buxton	4	2,908	54.63	39,716	158,864
Affordable Rent - Bakewell	2	1,690	54.63	46,162	92,325
Shared Ownership - Buxton	2	1,454	92.81	67,473	134,946
Shared Ownership - Tavy	3	2,496	92.81	77,218	231,654
Affordable Rent - Tavy	5	4,160	54.63	45,452	227,261
Shared Ownership - Bakewell	<u>1</u>	<u>845</u>	92.81	78,424	<u>78,424</u>
Totals	84	92,919			20,753,924

NET REALISATION**20,753,924****OUTLAY****ACQUISITION COSTS**

Residualised Price (Negative land)	(2,032,685)	(2,032,685)
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CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Total Build Cost	92,919	107.30	9,970,209
Build contingency		3.00%	307,956
Abnormal contingency		5.00%	299,327
Earthworks to formation			154,536
Import topsoil			47,081
Import subsoil			30,120
No dig barrier			18,833
Export topsoil from arisings			450,002
Tree protection			22,450
Treeworks			15,000
Post and heras fencing			13,825
Demolition and remediation			698,373
Asbestos removal			25,000
Himalayan Balsam costs			10,000
SWA tanks			374,000
Drainage size and depth			114,556
Connecting to existing sewers			15,000
Geogid to carlow tank base			2,380
Protectaline to water pipes			9,570
Beam and block floors			105,000
Gas protection			105,000
Trench fill plots			57,525
Foundation to 84 no. plots			1,032,062
Form pile mats			72,576

APPRAISAL SUMMARY**CUSHMAN & WAKEFIELD****Blackmoorfoot Road, Huddersfield - 20% affordable****June 2022**

Retaining		419,491	
Retaining wall to site boundary		295,520	
Additional footpath access		4,929	
Additional Geogrid to hardstanding		54,495	
Abnormal fees and service cost		228,692	
Part L costs		410,760	
Car charging points		44,000	
Cycle sheds		70,400	
Bird and bat boxes		8,800	
Acoustic glazing		13,650	
Underfloor heating (Part L)		144,059	
Works to POS and buffers		25,492	
Standard Road Construction		806,001	
Ramps and Tables		4,500	
Works to POS and buffers		82,860	
S.106		220,000	
			6,813,821
Other Construction			
Single detached garages		280,000	
Double detached garages		15,000	
			295,000
PROFESSIONAL FEES			
Professional Fees	8.00%	821,217	
			821,217
MARKETING & LETTING			
Marketing	2.00%	396,609	
			396,609
DISPOSAL FEES			
Sales Agent Fee		1.00%	198,305
Sales Legal Fee	84 un	500.00 /un	42,000
			240,305
FINANCE			
Debit Rate 6.0000%, Credit Rate 0.0000% (Nominal)			
Land		(265,394)	
Construction		474,055	
Total Finance Cost			208,661
TOTAL COSTS			16,713,136
PROFIT			4,040,788
Performance Measures			
Profit on Cost%		24.18%	
Profit on GDV%		19.47%	
Profit on NDV%		19.47%	
Profit Erosion (finance rate 6.000)		3 yrs 8 mths	

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About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop and live. The firm's 45,000 employees in more than 60 countries provide deep local and global insights that create significant value for our clients.

Cushman & Wakefield is among the largest commercial real estate services firms, with core services of agency leasing, asset services, capital markets, facility services, global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation and valuation & advisory.

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