

Financial Viability Assessment

**Land at Lower Blaccup Farm,
Cleckheaton**

Newett Homes

10 October 2024

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Report Disclaimer

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Version	Prepared by	Approved by	Date
Financial Viability Assessment – Lower Blaccup Farm, Cleckheaton	Matthew Brear MRICS	Philip Roebuck FRICS	October 24

General Caveat

The development appraisals attached to this correspondence/included in this report are indicative and based on a wide range of variables which are subject to change as and when scheme designs are refined, and also in response to changes in market and economic conditions. The appraisal methodology is inherently sensitive to changes in the assumed inputs where small changes to the key variables could have a significant impact on the residual output.

The results should be interpreted with this caveat in mind and the appraisals should not be interpreted or relied upon as formal valuations prepared in accordance with the current RICS Valuation - Global Standards (the “Red Book”).

In addition, we highlight the following:

Market Context

On 4th July 2024, Labour won a general election with 412 seats and at 174, the second largest majority post-war – just four seats less of a majority than the Tony Blair government held in 1997. The results of the General Election were priced in by markets well in advance, with little to no immediate impact on sterling and gilts, although there was a rally in stocks – particularly for housebuilders – as a result of promises around planning reform and housing targets.

The UK and other countries still continue to experience heightened uncertainty and economic conditions are likely to remain challenging in the short to medium term due to a number of factors. The most recent inflationary data for May saw CPI fall to 2% which is the first time that CPI was in line with the Bank of England’s target of 2% since July 2021. CPIH fell from 3% to 2.8%. The Bank of England MPC has however voted to keep interest rates stable at 5.25% in multiple consecutive meetings. The pause in interest rate hikes has been driven partially by slowing inflation but also weaker economic data including downgraded economic projections by the OBR and increased unemployment. Despite the significant falls in inflation, it is currently expected that interest rates will remain at heightened levels for a prolonged period of time, with market expectations now veering towards a first base rate cut in August.

The changes to interest rates have had an impact on the cost of borrowing. The 5-year SONIA is currently running at ~4.0% whilst 10 year UK gilts are running at ~4.2%, both having risen slightly over recent months. Confidence in the banking sector is still relatively fragile as a result of interest rate rises and bond volatility. This may temper the supply of debt available to investors whilst the increase in the

'risk-free' rate has driven re-pricing of commercial real estate and had an adverse impact on property values.

The UK economy shrunk by 0.3% in the final quarter of 2023, with the economy entering a technical recession after two quarters of contraction. In all, GDP is estimated to have increased by 0.1% for the year. The outlook for growth is muted, with HM Treasury comparison of independent forecasters suggesting growth of 0.6% for 2024. There are also a number of signs that the labour market is loosening. The unemployment rate currently stands at 4.5% and job vacancies decreased again in the three months to May (latest data) to 904,000, representing the 23rd consecutive fall albeit the job market is still 4% above the pre-pandemic, pre-Brexit high back in January 2019.

In addition, 2023 saw 25,158 insolvencies – the record year for company insolvencies, up 13.7% on 2022. For perspective, 2009 saw 24,035 insolvencies. The inflationary pressures, energy pricing shocks and tightening of monetary policy are still having an impact and will weigh on the economy during the course of 2024. There is likely to be continued pressure on businesses and subsequently employment, and the impact of increased mortgage rates may take a while to filter through, with only half of interest rate rises estimated to have filtered through to the market as at Q2 2024.

Market conditions are also susceptible to the heightened geopolitical volatility relating to the ongoing conflicts in both Russia/Ukraine and Israel/Gaza which risk disruption of supply chains and could affect energy supplies and prices throughout Europe and the UK. This has been compounded by the recent Houthi attacks in the Red Sea which has led to significant re-routing and longer shipping routes.

In recognition of the potential for property market conditions to change in response to wider political and economic changes and uncertainty, and the impact that such could have on development appraisal variables, we highlight the importance of the date of our assessment and the market context in which it has been prepared.

Build Costs

Inflationary pressures affecting build costs have eased to some extent with the BCIS forecasting levels of below 4% per annum for the period 2024-2026. Nevertheless, the build costs and any inflationary assumptions that have been applied in this appraisal/assessment remain susceptible to changes which could have a material bearing on viability and/or residual land values.

Further, the build costs in the appraisal assume that appropriate cost allowances have been made to reflect all statutory and construction regulations including, but not limited to Planning, Building regulations and The Building Safety Act 2022.

Development Finance

Development finance costs have increased due to recent increases in interest rates, SONIA, swap rates and a tightening in lending by the banking sector. The high cost of development finance is impacting on viability and residual land values which could be exacerbated by any further increases in the cost of debt.

Development Programme

The development programme in the viability appraisal is indicative only and assumes that all regulatory approvals, including amongst others, Planning and Building Control and specifically the additional approvals required under the Building Safety Act 2022, will all be achieved within the assumed programme period. Any changes to the development programme could have a material impact on scheme viability and/or residual land values.

Data Centres

We highlight the growth in demand for data centres, largely being driven by AI and emerging evidence of land values which are materially higher than employment and in some cases, other uses. Unless we make specific reference to data centres, we have expressly disregarded this use in our appraisals and highlight that should the property/site attract such a use, this could have a very significant impact on the residual value. We further highlight that data centre use is regarded by some Local Authorities as falling within B8 Use Class, whilst by others it is regarded as Sui Generis.

Sensitivity Analysis

As a matter of prudence, we recommend that where not already provided, sensitivity analyses should be carried out to test the effects of variations to key inputs including but not necessarily limited to Gross Development Value/Net Development Value, build costs, development finance and development programme to inform risk and decision making, prior to any investment commitments.

Given the wider market volatility, it is also recommended that changes in costs, values and programme are closely monitored and the impacts on development viability are kept under frequent, ongoing review.

Executive Summary

This Financial Viability Assessment ('FVA') has been commissioned by Newett Homes to assess the viability of their proposed development of the land at Lower Blaccup Farm, Cleckheaton 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	Lower Blaccup Farm, Cleckheaton
Applicant	Newett Homes
Consultant	Cushman & Wakefield
Proposed Development	67 no. residential dwellings
Policy Requirements	20% Affordable Housing
Benchmark Land Value	£665,000
Net Sales Area	71,772 sq ft
Gross Site Area	5.86 acres
Net Developable Area	4.25 acres
GDV	£17,354,080
Build Costs	£8,548,351
Abnormal Development Costs	£3,294,818
Section 106	£200,000
Contingency	£420,892
Professional Fees	£687,445
Marketing and Disposal Fees	£483,825
Developer's Profit	£3,371,898
Negative Residual Land Value	(£641,751)

Conclusions

Our report demonstrates the scheme is unable to viably deliver full affordable housing requirements based on current policy when measured against our opinion of Benchmark Land Value.

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

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 2nd October 2024 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.

1.3 Explanatory Note

Despite the initial recovery of the economy from the pandemic, the UK is currently experiencing heightened uncertainty due to the wider global impacts from the war in Ukraine, increased inflationary pressures with inflation being at a 40 year high and employees in several sectors threatening industrial action in response to the higher costs of living expenses. The Bank of England has increased interest rates (14 consecutive times) in response to inflation resulting in higher borrowing costs.

These factors are impacting on growth and consumer confidence. In recognition of the potential for market conditions to move rapidly in response to wider political and economic changes, and the impact that such could have on development appraisal variables, we highlight the importance of the date of our assessment.

Specifically, in respect of build cost inflation, C&W is currently seeing significant variation in tendered build costs across all sectors driven by supply chain shortages affecting the construction industry. As a result, the build cost assumptions that have been applied in this appraisal/assessment are susceptible to short term changes which could have a material bearing on viability and/or residual land values. As

a matter of prudence we recommend that where not already provided, sensitivities should be examined to test the effects of such variations and that further advice should be sought to market test such cost assumptions to inform decision making and prior to any investment commitments. It is also recommended that changes in build costs are closely monitored and the impacts on development viability kept under review.

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.

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.

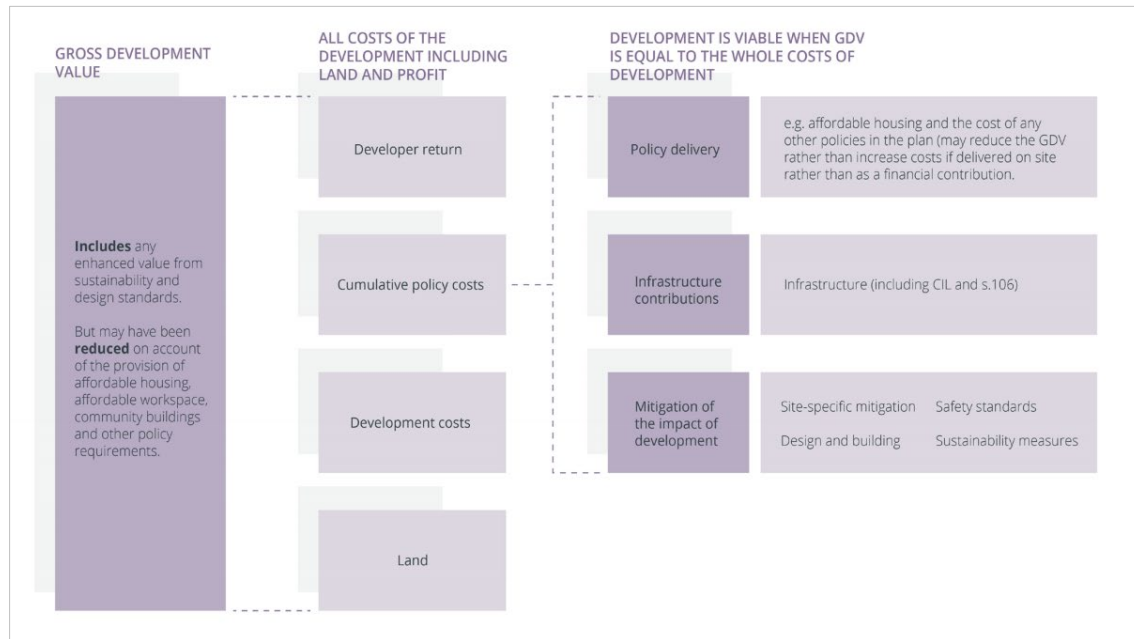
3.4 Viability Framework

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

The site is located on the outskirts of the village of Cleckheaton, approximately 600m West of the town Centre. Cleckheaton is located within the Metropolitan Borough of Kirklees and is situated approximately 5 miles south of Bradford city centre and 8 miles South West of Leeds City Centre.

The site is accessed at a number of points from the existing residential development with all access taken off Hightown Road which leads to Westgate and runs through the centre of Cleckheaton. Both the M62 and M606 are approximately 1 mile to the North providing access into the centre of Bradford and the wider national motorway network.

The surrounding area is made up of existing privately owned housing stock, except for the northern boundary where there is a single storey industrial estate which is it understood it let to numerous occupiers.

Cleckheaton town centre features predominately local convenants with the exception of the Tesco Superstore located to the north of the town centre. Located nearby are several Primary Schools including Whitechapel Church of England Primary School and Hartshead Junior and Infant School both of which benefit from an ofstead rating of Good additionally Spen Valley High School offering a secondary education and also benefits from a Good Ofstead rating.

4.2 Site Description

The land adjoins existing residential development with access points at both Asbourne View and Ashbourne Drive. The landforms part of a wider area of grazing land measuring over 24 acres with several boundary treatments in situ splitting out the elements grazing. The land is predominantly grassed with the elements of self-seeding weeds and ragwort.

The land is of a significant gradient in places sloping in a northerly direction before flattening off at the Northern most boundary.

The gross site area measures 5.85 acres.

4.3 Development Proposal

The proposed development is split into two separate elements which can be described as the northern and southern parcels. The development proposes to provide a total 67 dwellings. The Southern Parcel is accessed off Accessed from Ashbourne View whilst the Northern Parcel is accessed from Asbourne Drive.

Located at the Northern end of the development is the main SUDS/ attention pond.

The net development area measures 4.25 acres.

4.4 Proposed Schedule of Accommodation

Set out below is the proposed accommodation mix for the development

Name	Beds	Type	Floor Area (Sq Ft)	Number Of	Total Sq Ft.
Maltby-A	1	Maisonette	651	2	1,302
Maltby-B	1	Maisonette	651	2	1,302
Maltby-C	2	Maisonette	794	2	1,588
Maltby-D	2	Maisonette	794	2	1,588
Dalton	3	Semi	908	6	5,448
Dalton	3	Detached	908	1	908
Saxton	3	Detached	939	1	939
Saxton	3	Semi	939	4	3,756
Grassington (2.5 Storey)	3	Semi	969	16	15,504
Fewston (Split Level)	3	Semi	1,145	4	4,580
Scotton (Split Level)	3	Semi	1,188	8	9,504
Ledsham (2.5 Storey)	4	Detached	1,138	4	4,552
Ledsham (2.5 Storey)	4	Semi	1,138	2	2,276
Addingham	4	Detached	1,258	2	2,516
Halsham	4	Detached	1,417	8	11,336
Middleham (Split Level)	4	Detached	1,351	1	1,351
Cawthorne	5	Detached	1,661	2	3,322
				67	71,772

The proposal comprises a NET Sales Area of 71,772 sq ft across 67 no. dwellings, reflecting a blended average unit size of 1,071 sq ft across both the affordable and market housing tenures.

Incorporating the affordable content results in a bedroom mix of 6% 1 Beds, 6% 2 beds, 60% 3 beds and 25% 4 beds and 3% 5 beds.

As identified within the accommodation schedule several house types due to the topography are split level meaning elements of the ground floor are underground and form a retaining structure. Additionally, there are units that are classed as 2.5 storey. This often means there is a bedroom located within the apex of the roof.

5. Planning Overview

5.1 Planning Policy

Current planning strategy for the area is taken from the Kirklees Local Plan which was adopted in February 2019. Within the Local Plan the subject site is allocated under reference HS100.

Policy LP11 – Housing Mix and Affordable Housing states that for a development of more than 10 homes, including proposals involving self-contained residential units. The proportion of affordable homes should be 20% of the total units on market housing sites. A policy complaint scheme would amount to 13.4 units,

The Kirklees Affordable Housing and Housing Supplementary Planning Document (SPD) 2023 states that the tenure split for the affordable homes is 55% affordable rent and 45% intermediate. Kirklees Transfer Values Viability Assessment (February 2022) states that the transfer values to be adopted are as follows:

Affordable & Social Rent - £861psm
Intermediate/ Shared ownership - £1,292psm

Subsequently these values have been adopted within the policy compliant appraisal undertaken.

25% of the affordable housing provision is to be a First Homes tenure and receive a discount of 30% from their market value.

5.2 S.106 Requirements and Community Infrastructure Levy

At this early stage it is not clear what the total contribution for the section 106 agreement would amount to. Subsequently an assumption has been made that the section 106 monies will equate to £200,000.

Should it be found that this figure is not accurate a re-appraisal will be required due to the subsequent impact on the residual land value.

Additional payments also include a BNG payment off site totalling £120,000 and bird boxes at a cost of £3,500.

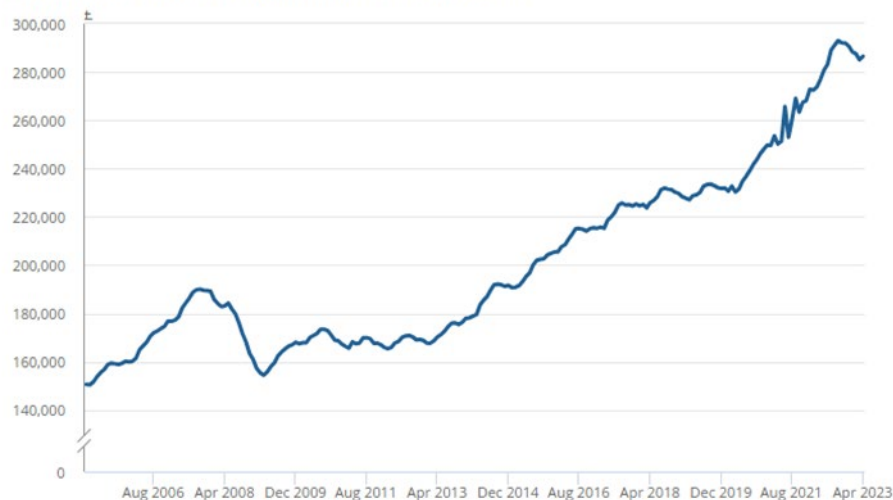
It is understood that the council do not have an adopted CIL charging schedule. The development will therefore not be liable for this charge.

6. Residential Market Overview

6.1 UK Housing Market

Since the easing of lockdown restrictions in early 2021, the residential market gained momentum during 2021 and H1 2022, which has subsequently meant a sharp price rises in most UK locations.

Average house price, UK, January 2005 to April 2023



The above graph highlights how steeply house prices increased over the course of 2021 and 2022, assisted by a strong employment market, government incentives, a low interest rate environment and a lack of supply of new build housing have all led to sustained house price growth. This, however, tapered off in 2023 and into 2024, with increased cost of borrowing leading to a drop off in activity across the UK housing market as a whole, with many national housebuilders reporting lower than average sales rates.

Following Russia's invasion of Ukraine in February 2022, the UK and wider global economy has witnessed a sharp rise in the cost of living specifically fuel and energy prices together with general consumer goods, with the Consumer Price Index (CPI) reaching heights of 9.6% as of October 2023. More generally, the UK economy remains relatively weak, entering into recession at the back end of 2023, with GDP falling 0.3% in the three months to December.

In a bid to control inflation, the Bank of England increased interest rates to 5.0% in June 2023, and once more to 5.25% in August 2023. The residential market is extremely sensitive to interest rate rises, with monthly mortgage payments becoming more expensive for many households. Housing market activity has continued to slow, as rising interest rates, high inflation, and a weaker economy impact consumer confidence.

Despite this, the UK economy is seeing some signs of improvement in this space, with CPI falling to 4.2% in Jan 2024. And in Q4 2023, we witnessed wages increase at a greater rate than inflation since autumn 2021. Despite this improvement, interest rates still remain high, albeit reduced to 5% in August.

In addition, the above demand-side challenges, in respect of wider viability challenges, there have been a number of increasing challenges relating to the construction of housing in the UK. As previously aforementioned, due to the wider global macroeconomic factors, not only has demand been impacted from the cost-of-living crisis, wider supply-chain issues have been realised within the construction

industry, with build costs increasing significantly over the past 24-36 months, which has had a direct impact on the UK construction market.

The impact on build costs caused by wider macroeconomic issues, the UK development market has also been hit by a number of new regulatory constraints, which have, in their own right, led to increases in the cost of construction. These include introduction of new Part L of Building Regulations, which set out that all new homes must produce 31% less carbon emissions than previous regulations, as well as the consideration of new Biodiversity Net Gain requirements, which is in place to ensure developments leave habitats for wildlife in a better state than it was before development. There is also the impending Future Homes Standards which, in 2025, will provide more onerous requirements for developers, ensuring that all new homes will produce 75%-80% less carbon emissions than under 2021 regulations.

The above overview provides a clear picture of the problems which the UK residential market has faced over recent years. The remainder of the report looks to provide more site-specific evidence of the level of scheme viability in the context of the local area.

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 5% 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.

There has been very limited development nearby therefore focus on Barratt Homes scheme is where most weight can be attached albeit noting the superior specification that would come from this developer; a review of schemes further afield has also been undertaken.

7.1.2 Wadsworth Gardens, Cleckheaton – Barratt Homes

National Housebuilder Barratt Homes are onsite delivering there Wadsworth Gardens Scheme. The development was granted permission in June 2021 for the delivery of 122 dwellings. The scheme is located 0.5 miles to the North of the subject property in what would be considered a comparable location. It is also felt the specification of the development is superior to that of the applicants.

At this stage there are no sales lodged with His Majesty's Land Registry (HMLR) and therefore a review of current asking prices has been undertaken.

Name	Beds	Type	Asking Price	Sq Ft	Gross £psf	Net £psf
Maidstone	3 Bed	Terrace	£259,995 - £269,995	912	£290.57 (Ave)	£276.04
Denby	3 Bed	Detached	£314,995	880	£357.95	£340.05
Woodcote (2.5 storey)	4 Bed	Semi	£319,995	1,208	£264.90	£251.65
Brentford (3 storey)	3 Bed	Townhouse	£324,995	1,162	£279.69	£265.71
Alderney	4 Bed	Detached	£389,995	1,207	£323.11	£306.95
Radleigh	4 Bed	Detached	£427,995	1,317	£324.97	£308.77
Ashburton	4 Bed	Detached	£444,995	1,471	£302.51	£287.37

Given that this review is of asking prices a discount of 5% has been applied to account for the incentives that the developer is offering, at the time of writing this includes:

- "Part Exchange"
- "Fantastic deals worth up to £13,000"

A review of the detached evidence has been undertaken given this is where the most evidence is, this shows the following average values:

Type	No. Of	Average Size (Sq Ft)	Average Price	Gross £psf	Net £psf
Detached	4	1,219	£394,495	£323.62	£307.44

7.1.3 Heaton Avenue, Ovens Developments

Local housebuilder Ovens Developments completed a scheme 18 Semi Detached/ Terraced dwellings, incorporating the demolition of previously erected school building. Many sales have taken place between the start of 2021 and the end of 2022, subsequently due to the time lag between transactions and the date of this assessment indexation has been applied to allow for ease of assessment.

Address	Date sold	Type	Sold Price	Estimated Market Value	Floor area ft ²	Price per ft ²	Market price per ft ²
90, Westcliffe Road	13/10/22	Semi	£250,000	£256,691	1,001	£249.74	£256.42
92, Westcliffe Road	15/09/22	Semi	£245,000	£254,212	1,001	£244.75	£253.95
94, Westcliffe Road	01/07/22	Semi	£245,000	£259,519	1,001	£244.75	£259.25
16, Heaton Avenue	10/06/22	Semi	£210,000	£224,562	786	£267.26	£285.79
10, Heaton Avenue	14/04/22	Terraced	£210,000	£229,132	786	£267.26	£291.61
12, Heaton Avenue	07/03/22	Terraced	£200,000	£219,943	786	£254.53	£279.91
14, Heaton Avenue	04/02/22	Terraced	£210,000	£230,444	786	£267.26	£293.28
18, Heaton Avenue	28/01/22	Semi	£210,000	£235,613	786	£267.26	£299.85
100, Westcliffe Road	02/11/21	Semi	£230,000	£260,468	980	£234.81	£265.92
98, Westcliffe Road	06/08/21	Semi	£230,000	£266,610	980	£234.81	£272.19
102, Westcliffe Road	21/05/21	Semi	£230,000	£273,876	1,001	£229.76	£273.59
30, Bramhope Road	21/05/21	Terraced	£195,000	£226,810	786	£248.17	£288.65
106, Westcliffe Road	14/05/21	Semi	£230,000	£273,876	980	£234.81	£279.61
28, Bramhope Road	10/05/21	Terraced	£190,000	£220,994	786	£241.80	£281.25
104, Westcliffe Road	09/03/21	Semi	£230,000	£273,876	1,001	£229.76	£273.59
108, Westcliffe Road	12/02/21	Semi	£219,000	£262,767	980	£223.58	£268.26

Given the subject development does not feature terraced housing an assessment of only the semi detached dwellings has been undertaken, this shows the following average values.

A discount of 3% from the Gross price to Net price has been applied. The reason for this variance is given the smaller scale developer it is unlikely they can offer such significant incentives in comparison to the PLC's.

Type	No. Of	Average Size (Sq Ft)	Average Price	Gross £psf	Net £psf
Semi	11	954.07	£258,360	£270.81	£262.69

7.1.4 Emmets Reach, Birkenshaw, Barratt David Wilson

National housebuilder Barratt David Wilson have developed 125 dwellings (inc Apartments) in Birkenshaw, approximately 2 miles North East of the subject development. It is noted that Birkenshaw is classed as a superior location in comparison with the subject development.

Most of the sales evidence is from the start of 2021 to the end of 2022, subsequently once again due to the time lag between transactions and the date of this assessment indexation has been applied to allow for ease of assessment.

Address	Date sold	Type	Sold Price	Estimated Market Value	Floor area ft ²	Price per ft ²	Market price per ft ²
8, Holden View	25/06/21	Semi	£287,995	£335,071	1,292	£222.96	£259.41
4, Holden View	25/06/21	Detached	£364,995	£425,054	1,367	£267.00	£310.93
6, Holden View	22/06/21	Semi	£280,995	£326,927	1,292	£217.54	£253.10
1, Heathfield Lane	18/06/21	Detached	£359,995	£419,231	1,367	£263.34	£306.68
7, Holden View	07/05/21	Semi	£298,995	£356,033	1,292	£231.48	£275.64
5, Holden View	30/04/21	Semi	£280,246	£336,509	1,292	£216.96	£260.52
9, Holden View	28/04/21	Semi	£239,995	£288,177	829	£289.56	£347.70
11, Holden View	23/04/21	Semi	£227,995	£273,768	829	£275.08	£330.31
17, Holden View	09/04/21	Terraced	£227,995	£267,624	829	£275.08	£322.90
19, Holden View	01/04/21	Terraced	£227,995	£267,624	829	£275.08	£322.90
15, Holden View	26/03/21	Terraced	£219,995	£256,661	829	£265.43	£309.67
10, Ridge Lane	12/03/21	Terraced	£266,995	£311,494	1,195	£223.47	£260.71
12, Ridge Lane	12/03/21	Terraced	£262,995	£306,828	1,195	£220.12	£256.80
8, Ridge Lane	05/03/21	Terraced	£274,995	£320,828	1,195	£230.16	£268.52
5, Heathfield Lane	18/02/21	Semi	£307,000	£368,353	1,292	£237.68	£285.18
5, Ridge Lane	29/01/21	Semi	£278,995	£337,584	1,195	£233.51	£282.55
3, Ridge Lane	14/01/21	Semi	£277,995	£336,374	1,195	£232.67	£281.53

Given the subject development does not feature terraced housing an assessment of only the semi detached dwellings has been undertaken, this shows the following average values. A discount of 5% from the Gross price to Net price has been applied.

Type	No. Of	Average Size (Sq Ft)	Average Price	Gross £psf	Net £psf
Semi	9	1,167	£328,755	£281.64	£267.56

7.1.5 Taylor Wimpey, Mirfield

National Housebuilder Taylor Wimpey have delivered a scheme of 166 dwellings in Mirfield, approximately 2.5 miles south of the subject development. Mirfield could be considered slightly superior in comparison to the subject development.

As some of this evidence is now slightly dated indexation has been applied to allow for ease of assessment.

Address	Date sold	Type	Sold Price	Estimated Market Value	Floor area ft ²	Sold Price per ft ²	Market price per ft ²
27, Strawberry Way	30/03/23	Semi	£294,995	£296,769	1,292	£228	£229.70
25, Strawberry Way	24/03/23	Semi	£261,000	£262,569	1,292	£202	£203.23
8, Strawberry Way	03/03/23	Semi	£248,000	£249,491	1,130	£219	£220.79
10, Strawberry Way	27/02/23	Semi	£274,995	£271,747	1,130	£243	£240.48
6, Strawberry Way	17/02/23	Detached	£379,995	£373,959	1,335	£285	£280.12
4, Strawberry Way	31/01/23	Detached	£409,995	£400,041	1,378	£298	£290.31
29, Strawberry Way	22/12/22	Detached	£389,995	£380,776	1,335	£292	£285.23
45, Strawberry Way	20/12/22	Detached	£329,995	£322,195	1,152	£286	£279.68
31, Strawberry Way	16/12/22	Semi	£289,995	£283,041	1,292	£224	£219.07
33, Strawberry Way	16/12/22	Semi	£289,995	£283,041	1,292	£224	£219.07
47, Strawberry Way	09/12/22	Detached	£399,995	£390,540	1,464	£273	£266.76
51, Strawberry Way	09/12/22	Detached	£359,995	£351,486	1,249	£288	£281.41
43, Strawberry Way	09/12/22	Semi	£269,995	£263,521	1,130	£239	£233.20
41, Strawberry Way,	09/12/22	Semi	£266,995	£260,593	1,130	£236	£230.61
49, Strawberry Way	02/12/22	Detached	£374,995	£366,131	1,335	£281	£274.26
39, Strawberry Way	02/12/22	Detached	£349,995	£341,722	1,152	£304	£296.63
53, Strawberry Way	10/11/22	Detached	£369,995	£360,303	1,335	£277	£269.89
12, Strawberry Way	28/10/22	Detached	£349,995	£343,753	1,249	£280	£275.22
14, Strawberry Way	28/10/22	Detached	£366,995	£360,450	1,335	£275	£270.00
16, Strawberry Way	07/10/22	Detached	£392,995	£385,987	1,378	£285	£280.11
18, Strawberry Way	04/10/22	Semi	£279,995	£275,243	1,292	£217	£213.04
57, Strawberry Way	30/09/22	Semi	£249,995	£248,346	861	£290	£288.44
65, Strawberry Way	16/09/22	Semi	£249,995	£248,346	861	£290	£288.44
63, Strawberry Way	16/09/22	Semi	£242,995	£241,392	861	£282	£280.36

The evidence has been assessed to provide the following averages per housetype, A discount of 5% from the Gross price to Net price has been applied

Type	No. Of	Average Size (Sq Ft)	Average Price	Gross £psf	Net £psf
Semi	12	1130	£265,341.58	£234.76	£223.03
Detached	12	1308	£364,778.58	£278.86	£264.92

7.1.6 Second Hand Market

In undertaking a review of the second-hand market, we have specifically focussed on comparable evidence located near to the subject development. Less weight can be attached to the second hand evidence as the scope for variance is increased most specifically the condition of the property. That said the evidence does provide a useful guide to values in the area with transactions taken from the start of 2023 to April 2024:

Address	Date Sold	Sold Price	Property Type	Floor area sq ft	Price per sq ft
44, Moorlands Road	24/05/24	£325,000	Detached	1098	296.01
28, Hightown Road	13/05/24	£215,000	Semi	1001	214.78
76, Westgate	27/03/24	£242,500	Semi	829	292.58
3, Ashbourne View	21/03/24	£375,000	Detached	1238	302.94
4, The Crescent,	15/03/24	£200,000	Semi	678	294.93
11, The Crescent	01/03/24	£180,000	Semi	893	201.48
22, St Barnabas Road	23/02/24	£200,000	Semi	840	238.21
28, Royd Wood	19/12/23	£225,000	Semi	764	294.41
21, Filley Royd	19/12/23	£280,000	Detached	1206	232.26
33, West End Drive	08/12/23	£337,500	Detached	1313	257.01
137, Quaker Lane	17/11/23	£285,000	Detached	936	304.34
18, The Oval	13/10/23	£180,000	Semi	689	261.29
1, Clayborn View	22/09/23	£320,000	Detached	1033	309.68
40, Penn Drive	25/08/23	£195,000	Semi	1302	149.72
8, The Oval	01/08/23	£180,000	Semi	710	253.37
31, Penn Drive	28/07/23	£195,000	Semi	657	296.99
161, Quaker Lane	17/07/23	£240,000	Semi	904	265.44
28, Ashbourne Drive	27/04/23	£190,000	Semi	786	241.8
52, Clare Road	21/04/23	£165,000	Detached	861	191.61
5, Moorlands Road,	06/04/23	£369,000	Detached	1356	272.07
14, Filley Royd	05/04/23	£300,000	Detached	1098	273.24

Assessing this evidence shows the following average values:

House Type	No	Average Price	Average Size	Gross £/ sq ft
Detached	9	£306,277	1,126	£271.85
Semi Detached	12	£203,541.67	838	£242.95

7.2 GDV Summary – Market Housing

The below table sets out the evidence that has been assessed as apart of the review into sales revenues from newbuild developments within close proximity of the subject scheme:

Location and Distance from subject	Developer	House Type	Average Price	Average Size	Gross £/psf	Net £/psf	Indexed (Net)
Cleckheaton 0.5 miles	Barratt Homes	Detach	£394,495	1,219	£323.62	£307.44	-
Cleckheaton 0.25 miles	Ovens Developments	Semi	£258,360	954	£270.81		£262.69
Birkenshaw 1.5 miles	Barratt Homes	Semi	£328,755	1,157	£281.64		£267.56
Mirfield	Taylor Wimpey	Semi	£265,341	1,130	£234.76		£223.03
		Detach	£364,778	1,308	£278.88		£264.92

7.2.1 GDV Summary – Affordable Housing

In providing our policy complaint appraisal we have had regard to Kirklees Affordable Housing and Supplementary Planning Documents (SPD 202) This highlights that a development that triggers the need for affordable housing contributions is required to provide 25% of the provision as first homes. This 25% requirement should form part of the immediate tenure split.

The SHMA 2016 set out household needs and examined the current range of housing stock suggesting a mix of 45% intermediate tenure and 55% affordable rent.

It is understood transfer values are as follows:

- Affordable & Social Rent - £80 per sq ft
- Intermediate/ Shared Ownership - £120 per sqft
- First Homes – Discount from OMV of 30%

Applying this policy position to the Accommodation schedule results in the following mix:

Tennure	Name	Type	Floor Area (Sq Ft)	Num of	Total Sq Ft.	Price PSF	Price Per Unit	GDV
Affordable Rent	Maltby-A	Maisonette	651	2	1,302	£80	£52,080	£104,160
Affordable Rent	Maltby-B	Maisonette	651	2	1,302	£80	£52,080	£104,160
Affordable Rent	Maltby-C	Maisonette	794	2	1,588	£80	£63,520	£127,040
Affordable Rent	Maltby-D	Maisonette	794	1	794	£80	£63,520	£63,520
Intermediate	Maltby-D	Maisonette	794	1	794	£120	£95,280	£95,280
Intermediate	Dalton	Semi	908	2	1,816	£120	£108,960	£217,920
First Homes	Dalton	Semi	908	3	2,724	£216	£171,500	£514,500
Total				13	10,320			£1,226,580

7.2.2 GDV Conclusions

In arriving at our opinion of Gross Development Value regard has been had to evidence presented within earlier sections of this report:

Name	Type	Floor Area (Sq Ft)	Number Of	Total Sq Ft.	Price PSF	Price Per Unit	GDV
Dalton	Semi	908	1	908	£269.82	£245,000	£245,000
Dalton	Detached	908	1	908	£286.34	£260,000	£260,000
Saxton	Detached	939	1	939	£284.88	£267,500	£267,500
Saxton	Semi	939	4	3,756	£271.57	£255,000	£1,020,000
Grassington (2.5 Storey)	Semi	969	16	15,504	£247.68	£240,000	£3,840,000
Fewston (Split Level)	Semi	1,145	4	4,580	£248.91	£285,000	£1,140,000
Scotton (Split Level)	Semi	1,188	8	9,504	£244.11	£290,000	£2,320,000
Ledsham (2.5 Storey)	Detached	1,138	4	4,552	£254.83	£290,000	£1,160,000
Ledsham (2.5 storey)	Semi	1,138	2	2,276	£241.65	£275,000	£550,000
Addingham	Detached	1,258	2	2,516	£302.07	£380,000	£760,000
Halsham	Detached	1,417	8	11,336	£292.87	£415,000	£3,320,000
Middleham (Split Level)	Detached	1,566	1	1,351	£255.37	£345,000	£345,000
Cawthorne	Detached	1,661	2	3,322	£270.92	£450,000	£900,000
			54	61,452			£16,127,500

This results in an overall average of £262.44 across the scheme, which is generally in line with the other evidence considered. It is acknowledged within the market that both split level housetypes and 2.5 storey properties are generally less attractive and subsequently have been discounted in value to be reflective of this.

Cost Assumptions

7.3 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 two storey estate housing dated 24th September 2024 and rebased to Bradford equates to £1,107 per sq m (£102.83 per sq ft).

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 £1,217.7 per sq m (£113.13 sq ft).

7.3.1 Garages

As identified within the accommodation schedule several units benefit from detached single garage accommodation. BCIS data does not account for the construction of detached garages, and we have therefore applied an extra-over cost for the quota of garages proposed at a fixed cost per unit of £15,000 per single garage which is applied to 7 plots.

Five of the housetypes feature integral garages, this totals an additional floor area of 4,633 sq ft not accounted for within the current floor area presented. It is accepted that element of the accommodation is generally lower in spec therefore the standard BCIS rate of £1,107 per sq m (£102.83 per sq ft) has been adopted less 10% to account for spec, this equates to £996.20 per sq (£92.55 per sq ft).

7.3.2 Abnormal Development Costs

The following set of abnormal costs have been provided by the applicant following their technical investigations into bringing the land forward for development.

Item	Allocated Cost
Drainage	
SW attenuation Tank	£198,900
SW attenuation pond	£107,200
Cartaway att. Arisings incl. 20% bulking	£29,340
Oversized pipes & Manholes	£75,364.44
Connection into road SW (or off site)	£15,000
Drill and Grout 8 plots central area	£50,000
Contamination	£25,000
Tree clearance	£5,000
Import and place capping (300mm)	£14,437.38
Highways (S278)	£20,000
S278 agreements	£5,000
Levels	
Underbuild	£40,462.67
Lifting road levels, drives and paths	£33,375.15
Retaining	£1,658,387.75
Split level units e/o	£325,000
Split level units pre-cast steps for rear access	£61,750
Cut	£107,680.50
Fill	£36,420
Cartaway (clean)	£309,000
Tanking	£25,000
Services	
Service diversions and reinforcements	£50,000
Substation housing	£32,500
Other (OTAB)	
EO for ramps to s.38 road to transition tarmac to block paved (raised table)	£1,500
Install and remove on completion double sided heras on timber posts - (for existing footpath area)	£5,850
Temporary diversions of footpath (assumed not notifiable) to construct new works	£5,000
Regrade of gravel track and provide more permanent footway	£12,500
Trees (as planning layout)	£6,650.00
Increased facings below DPC (EO to block)	£10,000.00
Split level foundations & roofline	£22,500.00
Total	£3,288,817.90

The aggregated abnormal cost figure equates to **£3,288,817.90** equating to approximately £49,000 per plot or approximately £560,000 per acre.

7.3.3 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 **8.0%** to the standard build costs (including garages).

7.3.4 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, externals, garages and Part L and F costs. We have adopted a **5%** contingency allowance on abnormal costs, given a greater presence of uncertainty surrounding these costs.

7.3.5 Finance

We have adopted a finance rate of **8%** based on the land and construction cost assuming 100% debt finance, inclusive of all arrangement, monitoring and exit fees.

7.3.6 Marketing and Sales Fees

We have allowed **3%** to cover both marketing and agent expenses to the private units.

Legal costs have been applied at £1,000 per unit for legal fees across all tenures. It is understood that whilst the legal process of is timely, the general work is repetitive and therefore there are cost savings. That said a number of housebuilders have confirmed that they are experiencing high cancellation rates therefore this rate per unit allows for an element of wasted time.

7.3.7 Acquisition Costs

We have assumed standard acquisition costs, comprising **Stamp Duty Land Tax** at the prevailing rate, **1.5% agent** and **1% legal fees**.

7.3.8 Sales and Build Rate

Given the location of the subject site, and the anticipated level of demand, we have assumed a sales rate on private housing of 2.0 units per calendar month.

We have assumed the development includes a 6-month pre-construction period, with sales commencing 6 months after construction start. We have assumed a 6-month post construction tail for the sale of the final units.

7.3.9 Part L

BCIS does not currently allow for Part L costs subsequently an allowance of £5,500 per unit has been applied to the appraisal. This figure is in line with the recent DLUHC consultation.

7.3.10 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 Brexit and exacerbated by the COVID-19 pandemic. These factor 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 (including First Homes)** and **6% on the affordable GDV**, which is consistent with NPPF guidance.

7.4 Residual Land Value 20% affordable Provision

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 13 no. affordable units (20%). An appraisal summary is provided in **Appendix 2**.

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 (£641,751)

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 agricultural in nature and therefore we consider it appropriate to assess its CUV on the basis of agricultural land values.

As referenced previously the land can currently be accessed at two points, the southern steeper element is accessed off Ashbourne View and measures 3.35 acres the remainder is accessed off Ashbourne Drive and measures 2.51 acres, the gradient associated to this element is generally less.

We have therefore reviewed the Farmland Market Update Q4 2023 research bulletin prepared by Carter Jonas. The report sets out the value per acre for different types of farmland across the UK. In the

Yorkshire and Humber Region land values range between £5,500 and £11,000 per acre for arable and pasture land.

A review of comparable sized sales has also been undertaken, this has provided the following evidence:

Land at Queensbury

Located 6.5 miles from the subject land, 2.24 acres of grazing land and stables are on the market at an asking price of £75,000. The value of the stables would be limited and therefore an approximate land value of £18,000 to £20,000 per acre would be applicable.

Land at Wilsden

Located 9 miles North West of the subject land, 2.59 acres of grazing land and stables is on the market at £70,000. Again the stables present limited value and therefore an approximate land value of £17,500 to £18,000 per acre would be applicable.

Land at Allerton

5.56 acres of productive meadow has been subject to a best and finals process. It is understood to have achieved in excess of the asking price which quoted £65,000 equating to £11,690 per acre.

Given the topography and condition of the subject land a rate of £7,500 per acre has been applied to the southern parcel The Northern element it is felt would appeal to the equestrian market benefiting from ease of access and proximity to the urban area. A figure of £17,500 per acre has been applied to this element.

Based on this evidence, the following rates have been applied to each element:

Element 1: Southern Parcel 3.35 acres/ Value of £7,500 per acre. Value £25,125

Element 2: Northern Parcel: 2.51 acres/ Value of £17,500 per acre. Value £43,925

This would suggest a value of £69,050 rounded to £70,000 equating to £11,945 per acre

This results in a CUV overall of £70,000

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.

In considering an appropriate uplift there are a number of sources available to us and we will provide comment on each in turn.

8.3.1 Planning Decisions

We have interrogated legal precedents in order to provide an indication of what may be deemed an appropriate landowner incentive, though clearly individual circumstances will dictate each case. We have focussed on decisions post-July 2018, when NPPF viability guidance was refreshed.

The 'Report on the examination of the draft North Tyneside Community Infrastructure Levy Charging Schedule', (published October 2018) discussed the principle of an appropriate premium. Here, the Planning Inspector considers the principle of applying a 20-30 multiplier to CUV for greenfield sites, as proposed by the Council's consultants. The Inspector states: 'I see little persuasive evidence that these judgements are unreasonable'.

We are also aware of an appeal decision in respect of a site in Poulton-le-Fylde, Lancashire, where the applicant submitted a FVA to support a scheme of 130 no. dwellings. To assess the BLV, the consultants argued that an appropriate uplift equates to 15-25 as a multiplier of CUV for greenfield sites. The appeal was allowed by the Planning Inspector in February 2020.

8.4 BLV Conclusions

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

The level of uplift established through legal precedents and discussed above is 15 – 30 over and above CUV, though recognising that where abnormal development costs are higher, land value will be reduced.

Taking account of the planning position of both the subject site, together with the fact the land sits within the settlement boundary a multiplier of 25x CUV would normally be applied. That said, the abnormals associated with the sites development reflect circa £560,000 per gross developable acre therefore an adjustment of the multiplier premium has been adopted to account for this.

It has been suggested within previous viability work that the multiplier should be adjusted by 1 times for every £50,000 per net acre of abnormal works in this case £773,829 per net acre.

This therefore equates to a multiplier overall of 9.5 times the EUV.

On this basis, our opinion of BLV equates to £665,000 reflecting £156,470 per net developable acre and approximately £113,000 per gross acre.

8.5 Sensitivity Analysis

Development appraisals are sensitive to minor of changes in certain key inputs, and in light of the recent changes in items such as build costs, market demand and revenues, and the cost of finance, we have undertaken a sensitivity analysis in accordance with the RICS Guidance Note, Financial Viability in Planning: Conduct and Reporting (effective 1 September 2019).

Within this exercise we have considered revisions to several of the inputs within the residual appraisal. The main adjustment is to the Gross Development value (GDV) of the scheme, figures previously referred to are based on market evidence derived from schemes in comparable locations. This exercise seeks to enhance revenues in £2.50 increments to show how these adjustments are reflected in the value of the land. An additional adjustment would be to reduce the standard build costs, again in £2.50 increments. It is worth noting that both these points do not align with market movements currently.

This exercise results in the following values:

		Sales Rate (£/sq ft)				
		-£5.00	-£2.50	+/- 0.00%	+£2.50	+£5.00
Construction Cost (£/sq ft)	-£5.00	(£534,089)	(£409,648)	(£285,842)	(£162,742)	(£40,378)
	-£2.50	(£712,656)	(£587,920)	(£463,184)	(£339,207)	(£215,867)
	+/- £0.00	(£892,289)	(£766,727)	(£641,751)	(£517,016)	(£392,686)
	+£2.50	(£1,072,478)	(£946,477)	(£820,911)	(£695,583)	(£570,847)
	+£5.00	(£1,253,426)	(£1,127,027)	(£1,000,664)	(£875,102)	(£749,540)

Despite the positive adjustments to both build cost and revenues the resultant land value remains negative and significantly away from the benchmark position states. This is due to the significant abnormal costs that the scheme is subject to.

9. Conclusions

We have demonstrated the site is unable to viably deliver full planning policy requirements based on the currently policy of 20% affordable housing. This is on account of the significant standalone build costs required to bring the site forward for residential development, coupled with the presence of significant abnormal development costs.

Our approach is in accordance with updated planning guidance we therefore consider our conclusions both reasonable and valid.

This FVA has been prepared and countersigned by:

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10th October 2024

10. 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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Appendix 1 –Layout Plan



Appendix 2 – Development Appraisal

PROJECT PRO FORMA**CUSHMAN & WAKEFIELD**

Newett Homes
 Blaccup Farm
 Cleckheaton

Project Pro Forma for Phase 1

Currency in GBP

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Affordable Homes	10	7,596	93.74	71,208	712,080
First Homes	3	2,724	188.88	171,500	514,500
Market Housing	<u>54</u>	<u>61,452</u>	<u>262.44</u>	<u>298,657</u>	<u>16,127,500</u>
Totals	<u>67</u>	<u>71,772</u>			<u>17,354,080</u>

TOTAL PROJECT REVENUE

17,354,080

DEVELOPMENT COSTS**ACQUISITION COSTS**

Residualized Price (Negative land)	(641,751)	(641,751)
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CONSTRUCTION COSTS**Construction**

	ft²	Build Rate ft²	Cost
Affordable Homes	7,596	113.13	859,335
First Homes	2,724	113.13	308,166
Market Housing	61,452	113.13	6,952,065
Integral Garages	<u>4,633</u>	<u>92.55</u>	<u>428,784</u>
Totals	<u>76,405 ft²</u>		<u>8,548,351</u>

Contingency	3.00%	256,451
Contingency	5.00%	164,441
Drainage		545,242
Levels		2,597,076
Services		82,500
Other (OTAB)		64,000
Sheds		6,000
Single Garages		105,000
		3,820,709

Other Construction Costs

Part L	67 um	5,500.00 /um	368,500	368,500
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Section 106 Costs

Section 106 Costs		200,000
BNG		120,000
Bird Boxes		3,500
		323,500

PROFESSIONAL FEES

Professional Fees	8.00%	687,445	687,445
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DISPOSAL FEES

Sales and Marketing Fee	3.00%	483,825
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PROJECT PRO FORMA**CUSHMAN & WAKEFIELD**

Newett Homes

Blaccup Farm

Cleckheaton

Sales Legal Fee	67 um	1,000.00 /um	67,000	550,825
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TOTAL COSTS BEFORE FINANCE	13,657,579
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FINANCE

Debit Rate 8.000%, Credit Rate 0.000% (Nominal)

Land	(142,741)
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Construction	467,345
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Total Finance Cost	324,603
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TOTAL COSTS	13,982,182
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PROFIT	3,371,898
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Performance Measures

Profit on Cost%	24.12%
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Profit on GDV%	19.43%
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Profit on NDV%	19.43%
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IRR% (without Interest)	51.22%
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Profit Erosion (finance rate 8.000)	2 yrs 9 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.

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