

REPORT ON AFFORDABLE HOUSING & VIABILITY

Land at Christy's Lane, Shaftesbury, Dorset SP7 8TL

APPLICATION BY:

CHURCHILL RETIREMENT LIVING LIMITED

Redevelopment for retirement living accommodation for older people comprising 41 retirement apartments including communal facilities, access, car parking and landscaping.

planningissues
TOWN PLANNING AND ARCHITECTURE

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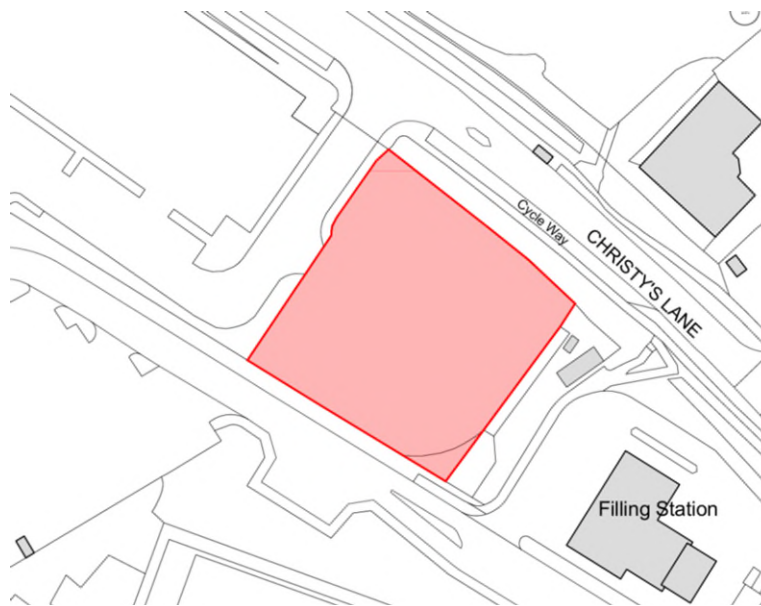
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SITE:	Land off Christy's Lane, Shaftesbury
LPA REFERENCE:	TBC
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This report or its findings do not constitute a formal valuation under the RICS Valuation – Global Standards 2022. This report has been prepared for Churchill Retirement Living (“the client”) with advice provided expressly in preparation, or during the course of negotiations.

NON-TECHNICAL SUMMARY

- 1.1 This statement provides an assessment of the financial viability of the proposal to build 41 retirement living apartments on the site off Christy's Lane in Shaftesbury. The site currently sits vacant having formerly been in use as a cattle market with the wider site being partially redeveloped to provide a new Lidl retail store.



Site Location

- 1.2 It is considered that it is unfeasible to provide affordable housing on site in this instance. The proposal is for a retirement living community with all residents availing of shared amenity and paying service charges at higher-than-average levels to obtain these communal benefits. This is the same approach as agreed with the local authority for the applicant's existing Shaftesbury development (Hardy Lodge).
- 1.3 It is commonly agreed that planning obligations and S106 'run with the land'¹. Policy requires that planning obligations are assessed against the uplift in land value associated with the award of a planning permission and intensification of land. It is therefore appropriate to calculate commuted sums against the impact on land value of policy requirements as well as a consideration of overall viability.
- 1.4 Planning obligations must also meet the requirements of CIL Regulation 122 in that such obligations must be necessary, directly related to the development, and fairly related in scale and kind.

¹ <https://www.gov.uk/guidance/planning-obligations> (Para 001)

1.5 A financial viability appraisal has been prepared on the basis of the detailed evidence and best practice set out within this statement. The approach follows the council's latest plan wide viability analysis (2022) which specifically examines this housing typology and finds that viability is constrained within this location for the type of housing proposed. The plan wide analysis tests 10% affordable housing rather than the full policy requirement acknowledging viability constraints for similar proposals.

1.6 The following table summarises the appraisals examined relating to the 100% open market retirement proposal and considers financial viability by comparing the residual land value of the proposal to the site benchmark land value. The benchmark applied is considered the minimum threshold against which the site may be released for redevelopment.

	100% Open Market Scheme	
Open Market Sales	£12,465,000	£4,888 m2
Base Construction Cost	[REDACTED]	
Profit	£2,493,000	20% on GDV
Residual Land Value	[REDACTED]	
Benchmark Land Value	AUV	
Surplus/Deficit	-£80,078	

Table 1 – Summary of Viability

1.7 It is concluded that no financial headroom exists to contribute towards affordable housing. The proposal can only be implemented once the minimum return as set out within this report may be achieved.

1.8 The following sections set out the detailed inputs to the financial viability appraisal with evidence supporting each input and assumption provided accordingly.

INTRODUCTION AND STATEMENT OF IMPARTIALITY

- 2.1 This Statement is prepared in relation to proposals to redevelop the site off Christy's Lane, Shaftesbury for retirement living accommodation.
- 2.2 This statement considers how the proposal addresses national and local policy relating to affordable housing and viability matters.
- 2.3 This statement has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) professional statement on Financial Viability in Planning: conduct and reporting (1st Edition, May 2019) as well as the Assessing Viability in Planning under the NPPF 2019 for England, RICS Guidance Note (1st Edition, March 2021²). In line with the requirements, the author confirms the following is true.
- 2.4 The author of this report has acted with objectivity, without interference and references all appropriate sources of information. The author has over 15 years' experience preparing similar assessments and is suitably qualified.
- 2.5 No performance-related or contingent fees have been agreed.
- 2.6 The information used is market led and not client driven in line with the NPPG standardised approach.
- 2.7 Planning Issues is the 'in house' planning consultancy for the applicant but in applying the standardised approach to viability have assessed the viability in a fully impartial manner.
- 2.8 Inputs to the Financial Viability Appraisal (FVA) are reasonably justified and based upon industry benchmarks recently agreed with other local planning authorities for similar proposals and in a number of occasions at planning appeal.
- 2.9 The applicant will seek to engage with the local planning authority in order to reach agreement in respect of the report conclusions where differences of opinion may materialise.
- 2.10 A non-technical summary of the outputs of the FVA is included to provide a high level summary of the outputs of this assessment.

² Reissued in April 2023 as a RICS Professional Standard having previously been a RICS Guidance Note. The regulatory requirements remain the same and no material changes have been made to the document.

DESCRIPTION OF APPLICATION SITE

- 3.1 The site is located off Christy's Lane in Shaftesbury between the recently developed Lidl Store to the north and the Tesco Petrol station to the south. Christy's Lane forms part of the A350 between Poole and towns to the north.
- 3.2 The site extends to circa 0.25 hectares and comprises of vacant land having most recently been in use as part of the Shaftesbury Cattle Market. In May 2020, a planning application was approved across the wider site for a new retail supermarket with this element of land earmarked for future disposal.
- 3.3 The wider site including the now built retail store forms part of the mixed-use allocation referred to as 'Land between the town centre and Christy's Lane' in policies 11 and 12 of the North Dorset Local Plan.
- 3.4 Policy 18 and supporting paragraph 8.118 specifically refer to the wider site's suitability to provide additional retail floorspace through mixed use redevelopment.
- 3.5 Policy 12 allows mixed use schemes to incorporate an element of residential provided that:
1) it is of a type and scale that will maintain or enhance the role and function of the town in the catchment it serves; 2) it is designed to respect the historic character of the town centre.
- 3.6 No alternative consents are in place and the site is being disposed of by the current owner with the expectation that it is developed for an alternative use.

NATIONAL PLANNING POLICY

Introduction

- 4.1 This section provides an overview of national policy and best practice as it relates to viability in planning.

National Planning Policy Framework (NPPF)

- 4.2 The Government published an amended version of the NPPF in July 2021. This statement will make reference to the current version of the NPPF.
- 4.3 Paragraphs 63 - 65 advises that where a need for affordable housing is identified, planning policies should specify the type required and expect it to be met onsite unless offsite provision or an appropriate financial contribution in lieu can be robustly justified and the agreed approach contributes to the creation of a mixed and balanced community. Where a major development involving housing is proposed, at least 10% of the total number of homes should be available for affordable home ownership. Specialist housing proposals such as housing for older people will be exempt from such a provision in recognition of its non-standard nature.

National Planning Policy Guidance (NPPG)

- 4.4 The National Planning Policy Guidance (NPPG) relating to viability matters was comprehensively updated in July 2018 with further updates in September 2019.
- 4.5 The NPPG reiterates the NPPF position that proposed developments should not be subject to a scale of obligations and policy burdens that threaten development viability. It emphasises that the guidance of the NPPF applies to decision taking on individual sites. It confirms that plans should set out required levels of contribution, including affordable housing, and advises that:

'These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.'

'Different requirements may be set for different types or location of site or types of development'.

(Paragraph: 001 Reference ID: 10-001-20180724)

- 4.6 It is increasingly common for Local Plan viability testing to examine the viability of housing for older people. In the case of Fareham Borough Council, their plan wide testing confirms

that specialist housing for older people should be exempt from affordable housing requirements due to constrained viability associated with this typology³. The NPPG states that viability assessments are primarily a role for plan making and should not compromise sustainable development and ensure that policies are realistic and will not undermine the delivery of the plan (Paragraph: 002 Reference ID: 10-002-20180724).

4.7 Paragraph 007 states that it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the decision making level. Such circumstances could include development on unallocated sites, where further information on site and infrastructure costs are required, **or where the proposed development significantly varies from standard models (for example build to rent or housing for older people** – my emphasis) (Paragraph: 007 Reference ID: 10-007-20190509).

4.8 Paragraph 008 states that where a viability assessment is submitted it should refer back to the information that informed the plan and it is a matter for the decision maker as to the weight to be attached to it. This should include matters such as the most up to date evidence, change in circumstances and the transparency of assumptions behind the viability assessment (Paragraph: 008 Reference ID: 10-008-20180724).

4.9 In terms of the review of viability during the lifetime of a project the NPPG states that plans should set out circumstances when review mechanism may be appropriate as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development (Paragraph: 009 Reference ID: 10-008-20190509).

4.10 The NPPG considers the inputs required for a viability assessment to determine if a site is financially viable by looking at whether the value generated by a development is greater than the costs of developing it. This includes reviews of gross development value, costs, land value, landowner premium and developer return supported by appropriate evidence following the Government's recommended approach (Paragraph: 010 Reference ID: 10-010-20180724).

4.11 The required inputs are then defined in the following paragraphs as follows;

Gross Development Value (Paragraph: 011)

The value of the development for which residential developments may be total sales or rental income, for which market evidence can be used.

Costs (Paragraph: 012)

Based on evidence reflective of local market conditions including build costs, abnormal costs, site specific infrastructure costs, policy compliant contributions and CIL, finance costs, professional fees and contingencies.

³ https://www.fareham.gov.uk/pdf/planning/local_plan/revisedpublicationlocalplan.pdf (Para 5.33)

Land Value (Paragraphs 013, 014, 015, and 016)

Based on existing land value plus a premium for the landowner reflecting a minimum return at which the land owner would be willing to sell. This should reflect the implications of abnormal costs, infrastructure costs and professional site fees and be informed by market evidence.

Return to Developer (Paragraph 018)

Potential risk is accounted for in the assumed return for development assumed at between 15-20% of gross development value for plan making purposes but alternative figures may be appropriate for different development types.

- 4.12 The NPPG expects viability appraisals to be prepared by suitably qualified practitioners in accordance with the NPPG. Findings should be presented clearly and set out in an executive summary, making clear what assessments have been used and supported by evidence. It should also be prepared on the basis that it will be made publically available, unless in exceptional circumstances (Paragraph: 020 Reference ID: 10-020-20180724 and 21 ID: 10-021-20180724).
- 4.13 The NPPG confirms that Information used in viability assessment is not usually specific to that developer and thereby need not contain commercially sensitive data (Paragraph: 021 Reference ID: 10-021-20190509). This reaffirms the standardised approach.
- 4.14 On 26th June 2019, a further NPPG update was published relating to Housing for older and disabled people. This guidance stresses that plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure and that plans can set out different policy requirements for different types of development.
- 4.15 This section of the NPPG identifies specialist housing for older people as a 'nonstandard' model of housing where different viability considerations will be relevant.
- 4.16 The NPPF states within this section that decision makers should consider the location and viability of a development when assessing planning applications for specialist housing for older people. Local planning authorities can encourage the development of more affordable models and make use of products like shared ownership. Where there is an identified unmet need for specialist housing, local authorities should take a positive approach to schemes that propose to address this need (Ibid).

5. DEVELOPMENT PLAN POLICY

- 5.1 This section sets out local planning policy considerations as they relate to affordable housing and other planning obligations.

The Local Plan (2016)

- 5.2 The Development Plan comprises of the North Dorset Local Plan (adopted 2016) and the Shaftesbury Neighbourhood Plan (adopted 2021).
- 5.3 Policy 8 of the 2016 North Dorset Local Plan sets out the requirements as they relate to affordable housing provision. It states that development which delivers 11 or more net additional dwellings and which has a maximum combined gross floorspace of more than 1,000 square metres, including housing on mixed-use sites, will contribute to the provision of affordable housing.
- 5.4 Within the settlement boundaries of Shaftesbury and Blandford (Forum and St. Mary) and within any urban extensions to these towns, 30% of the total number of dwellings will be affordable.
- 5.5 In cases where a level of affordable housing provision below the target percentages is being proposed, the developer may be offered an opportunity (subject to certain requirements) to involve the District Valuer or other mutually agreed independent assessor with a view to securing a mutually agreed level of affordable housing provision.
- 5.6 In any case where viability is an issue, an 'open book' approach will be sought on any viability assessment. If it can be demonstrated that a level of affordable housing provision below the percentages set out above can be justified on grounds of viability (taking account of grant funding or any other subsidy) an obligation will be required to secure the maximum level of provision achievable at the time of the assessment.
- 5.7 The presumption is that affordable housing will be provided on site (where viable). Where the size of a site means that the full required percentage of affordable housing could not be provided on site, the amount of affordable housing that can be accommodated on site will be maximised.
- 5.8 Any shortfall in on-site provision will be met either by off-site provision or, where alternative off-site provision is not considered feasible or viable, by a financial contribution. Where a developer contribution in lieu of actual affordable housing provision is considered appropriate, contributions will be sought based on realistic assessments of the cost of delivering affordable homes.
- 5.9 Within the District as a whole, 70% to 85% of all new affordable housing should be provided as affordable rented and/or social rented housing. The remaining 15% to 30% should be

provided as intermediate housing. As a starting point for site-based negotiations, the Council will seek a tenure split within this range on individual sites, but a different split may be permitted if it can be justified by local circumstances, local needs or local viability considerations.

Emerging Local Plan (Regulation 18 – February 2022)

- 5.10 The emerging local plan is some way off but a 2022 viability study to support the emerging plan models the provision of 10% shared ownership on housing proposals for older people only.

Plan Wide Viability (2022)

- 5.11 In anticipation of the preparation of a new Local Plan for the combined authorities, the council commissioned Three Dragons to undertake a plan wide viability assessment.
- 5.12 In relation to housing for older people, the study specifically tests sheltered housing as proposed here. It finds that older person housing is not as viable as standard residential development.
- 5.13 An alternative affordable housing percentage of 10% (for sheltered and extra care housing), alongside meeting wider policy and mitigation costs is generally viable and should not harm delivery of development according to the testing undertaken.
- 5.14 Testing by location (and value band) shows that in North Dorset (assuming only 10% home ownership results in only marginally viability) the generic affordable housing target of 30% would result in unviable proposals.
- 5.15 In line with the requirements of the NPPG, reference will be taken from the plan wide study in relation to the appropriate inputs and assumptions. Where assumptions or inputs differ, further evidence will be provided in line with best practice and local data on values and costs.

Local Housing Needs Assessment (2021)

- 5.16 The most recent assessment of housing need was undertaken in 2021 by Icenii. In relation to housing for older people, this assessment states that in Dorset, the total number of people aged 65 and over is projected to increase by 36% over the 17- years to 2038. This compares with overall population growth of 10% and a small decrease in the under 65 population of 1%. The projections show an increase in the population aged 65 and over of 41,400 people. This is against a backdrop of an overall increase of 38,300 – population growth of people aged 65 and over therefore accounts for over 100% of the total projected population change.

- 5.17 The data shows that the majority of older persons households are owner occupiers (79% in BCP and 82% in Dorset), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home.
- 5.18 The study concludes that 20% of all supply to 2038 needs to be specialist housing for older people based upon population projections. A range of housing types will be required to address that need but a significant requirement for market tenures is set out in table 10.22. At 2021, the study suggests an oversupply of older person's affordable tenures and an undersupply of market housing for older people of 443 units. Projecting forward to 2023, 77% of all supply is for market tenures.
- 5.19 The study also comments on the provision of affordable housing on private housing proposals involving older persons housing. It states that there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. According to the study *It may well be that a differential and lower affordable housing policy is justified for housing with care according to the analysis.*
- 5.20 In relation to on-site affordable housing requirements, the study goes on to state that whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

VIABILITY ASSESSMENT

Financial Appraisal Inputs

Internal Floor Area

6.1 The proposed building is made up of the following (Appendix 1):

54 units	27 × 1-beds (53.02 m ²) & 14 × 2-beds (79.93 m ²)
Saleable floor area	2,550 m ²
GIFA	3,268 m ²
Gross/Net saleable area	78.04%

(A full schedule is included at Appendix 1)

Sales Values

6.2 The closest comparable in terms of recent sales is the applicant's Hardy Lodge development. Hardy Lodge was built in 2018 and consists of 42 retirement living apartments. The development is located on Coppice Street to the west of the subject site. Coppice Street/Hardy Lodge is noticeably quieter in terms of road traffic with private amenity and parking accessed through an underpass to the rear of the building.

6.3 Hardy Lodge sold from early 2018 to mid-2022 according to the sales transactions for newbuild flats available on the Land registry. On average, 1 beds (49 m² average) achieved £5,439 m² and 2 beds (75.5 m²) achieved £4,637 m² after indexation is applied to today's date.

6.4 In general care needs to be applied to index lifting retirement living transactions as it is clear from the initial sales to the later sales that very little uplift is achieved in practice (greater incentives appear to be offered to facilitate later sales).

6.5 Good quality resale units are now available at Hardy Lodge. At the time of writing, a 2 bed unit is available at a guide price of £310,000. A number of 1 bed units are available asking from £225,000 to £250,000.

6.6 The average sizes proposed at the subject site are marginally larger (53 – 79 m² on average) which should result in lower £m² due to normal regression in value for larger units. Values of £275,000 (£5,186 m²) for 1 beds and £360,000 (£4,503 m²) are applied on the basis of the comparable evidence and suitable adjustments.

6.7 For comparison and context, the average property price in Shaftesbury is £326,750. The majority of sales in Shaftesbury during the last year were terraced properties, selling for an average price of £276,227. Semi-detached properties sold for an average of £323,040 according to Rightmove.

6.8 The council plan wide viability study (2022) applies values of £233,000 - £310,000 for North Dorset sheltered housing testing which suggests that the values applied to this site are high but clearly given recent negative movements in the market, these assumptions may need to be revisited.

Base Build Cost

6.9 The application proposes a 3-storey flatted scheme. At the time of writing, the RICS Build Cost Information Service (BCIS) advises rates for 3-storey of £1,798 m² in respect of supported housing developments in this location applying the 10-year period (the most recent with sufficient sample size). The sample size for this sample is 20 which is the minimum recommended by BCIS. The BCIS extract applied is included at Appendix 3 of this report.

6.10 A further allowance of [REDACTED] per unit is applied to reflect building regulation enhancements including the provision of electrical vehicle charging points (part s), mechanical cooling (part o). Similar allowances are made within the council's plan wide viability study which recognises that such costs are not accounted for within BCIS data.

External Build Cost

6.11 Typical allowances range between 5-15% of base build cost for flatted schemes⁴. A rate of 10% of base build cost has been assumed for the purposes of this appraisal given the nature of the proposal in terms of scale in proportion to site area. External works include required works to footpaths and access which are not accounted for elsewhere.

Site/Proposal Specific Costs

6.12 These elements are site and development specific and have been estimated separately and are in addition to the build cost rate identified above. A cost of [REDACTED] has been included within the appraisal in respect of the following site-specific costs. These costs are associated with the current use of the site and particular ground conditions and will not therefore be addressed within the baseline BCIS data which is concerned only with the cost of the building itself.

Widened foundations for apartment building - [REDACTED]

Capping/Radon Barrier - [REDACTED]

⁴ GLA Viability Toolkit Guidance Notes 2015.

Professional Fees

- 6.13 An allowance of 10% of the base construction costs has been used to take account of the particular complexity of sheltered housing. This is within the usual tolerance for this type of proposal which has added design and planning complexity and is normally agreed within a range of 8-12% in our experience. The council's plan wide viability study applies a similar range for proposals of this type depending on scale.

Other S106/Planning Obligations/Community Infrastructure Levy (CIL)

- 6.14 There is no adopted CIL charging schedule.
- 6.15 If other S106 obligations are sought during the determination of the application, the appraisal must be updated to reflect these requirements.

Sales and Marketing

- 6.16 Sales and marketing allowances for specialist housing proposals for older people are widely acknowledged to differ substantially from mainstream housing. This is due to the restricted occupancy and longer than average sales periods often extending over several years. This is clearly evident at Hardy Lodge which commenced sales in early 2018 and continued selling until mid-2022. A dedicated sales staff will be present on site from pre completion to end of sale supported by regional and head office marketing teams. The overall allowance must also cover online marketing, promotional events and local agent engagement.
- 6.17 A combined rate of 5% of sales revenue for sales and marketing costs has been assumed as supported by a number of recent appeal decisions.⁵ It is noted that the council plan wide viability study assumes a combined sales and marketing rate of 6% in line with the RHG guidance.
- 6.18 Legal fees associated with the sale of each property is assumed at £750 per unit as standard.

Sales Rate

- 6.19 Hardy Lodge achieved a sales rate of 0.72 units per month over the period February 2018 to November 2022. 49% of the units sold within 12 months. A further 25% of the units sold within months 13-24 and the remaining spread evenly over the following month 25 to month 57.
- 6.20 For the purpose of this appraisal, it is assumed that an ambitious overall sales rate of 1.2 sales per month is achieved across a 35-month period. Within this, it is assumed that 20% of units are sold in month 1 with 57% sold in months 1-12. The remaining units sales are spaced

⁵ Appeal Ref: 3166677 (Redditch, December 2017)

evenly across the remaining sales period. This is considered highly ambitious in light of the comparable evidence and as such, the applicant reserves the right to revisit these assumptions in light of changes in the market.

Empty Property Costs

- 6.21 Empty property costs are a function of council tax payable on finished unsold and empty property as well as service charges and other charges, which must be paid owing to longer than average sales periods for this type of proposal. Hardy Lodge provides direct evidence of significant void periods from end of construction to first occupation. The inclusion of EPCs within viability appraisals has been agreed with local planning authorities and their assessors on similar proposals throughout the country.
- 6.22 It is considered reasonable to include such costs within the viability appraisal as they are an unavoidable cost associated with the development of retirement living flatted schemes. The NPPG is clear at paragraph 007 that where types of development are proposed which may significantly differ from standard models of development (e.g., housing for older people), the particular viability considerations can be taken into account by decision makers. EPCs are a particular cost associated with this form of development.
- 6.23 A breakdown of the empty property costs associated with this development is included below and applied to the Argus cashflow to accurately link to the assumed sales rate and finance costs. The total EPC cost allowed for within the appraisal is £202,425.

EMPTY PROPERTY COSTS - SHAFTESBURY				
Average Cost Per Month Applied to Argus Appraisal Empty Property Cost Cashflow				
1 bed apartments			units	Total
Service charge	£ 208.75		27	£ 5,636.25
Council Tax (C)	£ 180.67		27	£ 4,878.00
Utilities	£ 25.00		27	£ 675.00
Average	£ 414.42		27	£ 11,189.25
2 bed apartments/3 beds/cottages			units	Total
Service charge	£ 309.25		14	£ 4,329.50
Council Tax (D)	£ 203.33		14	£ 2,846.67
Utilities	£ 25.00		14	£ 350.00
Average	£ 537.58		14	£ 7,526.17

Table 3 - Summary of Empty Property Costs Monthly Payments

Finance Costs

- 6.24 An overall debit rate of 8.0 % is applied and this has been included in this submission. A credit rate of 1.0% has been assumed. No arrangement fee has been allowed for in the appraisal as it is assumed to be incorporated within the overall debit rate. It is widely

reported at the time of writing that average development lending rates are now in excess of 12%. Given the continued forecast increase in Bank of England base rate, the applicant reserves the right to review these assumptions.

Land Acquisition Costs

- 6.25 Stamp duty is applied at the current HMRC variable rates as updated in April 2016.
- 6.26 Land purchase legal fees at 0.75% of the land value on purchase and Acquisition Agent fees at 1% of the land value are assumed as standard.

Developers Return

- 6.27 As set out, the NPPG is clear that potential risk is accounted for in the assumed return for development assumed at between 15-20% of gross development value for plan making purposes but alternative figures may be appropriate for different development types and typologies.
- 6.28 An acceptable return for risk in respect of retirement living proposals such as this not less than 20% of gross development value.
- 6.29 This is consistent with the Inspector conclusions for the McCarthy and Stone proposal at Redditch (Appeal Ref: 3166677), the Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137) and the Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412) in 2019. The consistent findings in these appeal decisions were that:
- There are a number of inherent sector specific risks with this form of development which materially differ to that of general needs housing including an inability to phase and allow for risk reappraisal.
 - Retirement living housing must be fully completed and operationally ready before sales commences as older people are less likely to buy 'off plan' without seeing for example the benefit of the communal facilities.
 - The above provides a slower return on investment and a longer period of uncertainty in the market and cost exposure. This risk is particularly pronounced in periods of market uncertainty when sales rates are slow. This is the case in the current market where we are seeing access to development finance tightening with lenders increasing borrowing rates and demanding higher coverage in the form of higher developer returns.
 - A restricted occupancy also limits the marketability of such housing in comparison to general needs development. The sector does not benefit from Government incentives such as First Homes. A slow down in the wider market also means that sales for older

persons housing also slow down given that such sales are often at the end of a much longer chain. We are now seeing sales transactions across the wider market slow considerably as a result of increased mortgage rates and affordability issues for prospective purchasers across the market.

- The NPPG recognises that viability for older peoples housing differs from general needs housing (NPPG Paragraph 007) and that it is appropriate for local planning authorities to recognise this at both the plan making and decision taking level.

Timing Assumptions

6.30 The following timing assumptions are made for the viability appraisal:

FINANCE	Duration	Commences
Timescale		
Acquisition	1	Aug 2023
Pre-Construction	6	Sep 2023
Construction	14	Mar 2024
Sale	35	May 2025
Total Duration	56	

6.31 A copy of the financial viability appraisal (FVA) for a 100% open market appraisal is included at Appendix 4 and summarised within the next section.

Benchmark Land Value

6.32 In assessing the viability of the site, a key benchmark is site value. For planning viability assessment purposes, the starting position should be the existing use value. The second component is the plus element (or the premium to the landowner) as set out within the NPPG.⁶ The NPPG states that:

The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements⁷.

6.33 The NPPG also references alternative use land value stating that assessment of alternative uses may be informative in determining minimum benchmark land values.

⁶ <https://www.gov.uk/guidance/viability>
⁷ Ibid Paragraph: 013 Reference ID: 10-013-20190509

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

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner⁸.

- 6.34 The site has been cleared of its former use in anticipation of redevelopment. As set out in the policy section, the site is allocated for mixed use development and was marketed competitively by its current owners after which the applicant secured an interest in the site on a subject to planning basis. It is understood that there was significant interest in the site and a number of formal offers were received.
- 6.35 It is reasonable therefore to explore policy compliant alternative uses in this instance given that site benchmark land value should reflect the minimum site value at which a reasonable land owner would release land for development.
- 6.36 The requirements relating to the application of alternative uses include demonstration of market demand. The use which demonstrates clear and deliverable demand is for residential use and in the form which maximises land value and is policy compliant. An alternative housing scheme has therefore been examined in the form of a lower density housing scheme which includes a mix of 3 and 4 bedroom houses (10 homes in total).
- 6.37 Appendix 5 sets out the detail of the alternative use proposal including the values and costs associated with that proposal as required by the NPPG. This alternative proposal produces a benchmark land value of £602,941, rounded to £600,000. Our view is that this is a conservative site value given the significant interest in the site.

⁸ Ibid Paragraph: 017 Reference ID: 10-017-20190509

VIABILITY APPRAISAL OUTPUT AND CONCLUSIONS

7.1 The outputs of the financial appraisals with 0% affordable housing are summarised below for ease of reference applying the assumption that any viable affordable housing contribution would be satisfied on the basis of a financial payment. For any sum to be viable, the residual land value of the proposal must be higher than the benchmark land value discussed in the previous section.

	100% Open Market Scheme	
Open Market Sales	£12,465,000	£4,888 m2
Base Construction Cost	[REDACTED]	£1,798
External Build Costs	[REDACTED]	10% base
Contingency	[REDACTED]	5% base
Extra Over Build Costs	[REDACTED]	Scheme Specific
Professional Fees	[REDACTED]	10% base
Marketing	[REDACTED]	3% GDV
Disposal Costs	[REDACTED]	2% GDV
Unsold Unit Fees	[REDACTED]	Scheme Specific
Finance	[REDACTED]	8%
Profit	£2,493,000	20% GDV
Acquisition Costs	[REDACTED]	As Standard
Residual Land Value	[REDACTED]	
Benchmark Land Value	[REDACTED]	AUV
Surplus/Deficit	-£80,078	

Table 4 - Summary of Viability Appraisal Outputs

7.2 The residual value of the proposed scheme with no affordable housing is below the site benchmark in this case by broadly [REDACTED]

7.3 The viability appraisal therefore shows no headroom for affordable housing payments given that the inclusion of affordable housing would reduce the residual land value of the proposal. The position presented is negative but the award of planning permission is for a 3-year period during which time the applicant will have the ability to review the proposals in further detail and ensure that prior to implementing the scheme, the minimum return for risk is ensured.

Sensitivity Testing

7.4 As required by the RICS Conduct and Reporting Professional Statement, sensitivity testing of the appraisal has been undertaken. Stepped increases and decreases of 2.5% in sales revenue and build costs are analysed and a summary of impact of residual land value is presented.

7.5 In relation to build cost, the BCIS quarterly briefing (June 2023) states that falling demand this year and next year will likely result in fewer opportunities and greater keenness to

tender; the supply chain will manage or absorb some of the pressure from site wages so that the Tender Price Index will likely increase more slowly than the cost index. BCIS forecasts prices to rise by 2.4% in the year to 2Q2024 and by 3.3% to 2Q2025.

7.6 Cumulatively, from 2023 – 2026, tender prices are forecast to increase by 13.6% above current levels.

Table 9: BCIS forecast of tender prices

Period	Forecast
2Q2022 to 2Q2023	+4.9%
2Q2023 to 2Q2024	+2.4%
2Q2024 to 2Q2025	+3.3%
2Q2025 to 2Q2026	+3.0%
2Q2026 to 2Q2027	+3.4%
2Q2027 to 2Q2028	+3.5%

BCIS Forecast of Tender Price Index Growth to 2026

7.7 In terms of values, Savills and Knight Frank forecast 5-10% declines in house prices in 2023-24 with modest recovery in 2025. Capital Economics forecast a decline of 8.5% between Q4 2023 and Q4 2024. According to Savills, if mortgage lenders cut rates next year, house prices will start to recover from the end of 2024 onward.

7.8 The Office for Budget Responsibility (March 2023 update) states in relation to house prices:

“Our central forecast is that house prices fall by 10 per cent from their high in the fourth quarter of 2022, a 1 percentage point larger fall than in our November forecast. Property transactions are expected to drop by 20 per cent relative to their peak in the same quarter. Leading indicators from Halifax and Nationwide suggest that house prices have already fallen by 3 to 6 per cent between their peak in the middle of 2022 and February 2023. Low consumer confidence, the squeeze on real incomes, and the expectation of mortgage rate rises to come are expected to contribute to continued falls in house prices and a reduction in housing market activity.”⁹

7.9 The RICS Housing Market Survey June 2023 point to a renewed deterioration in sales market activity. This is on the back of the recent escalation in interest rate expectations. Market sentiment amongst contributors is also negative with all English regions showing declines in values and transactions.

7.10 In summary, forecasts over the next 3 years suggest that build cost inflation will continue to outpace inflation in house prices. It is therefore concluded that the assumptions within the FVA are appropriately balanced and are not overly pessimistic given the current and forecasted movements in costs and values.

⁹ [Economic and fiscal outlook - March 2023 - Office for Budget Responsibility \(obr.uk\)](https://obr.uk/economic-and-fiscal-outlook-march-2023/)

Construction: Rate /m ²								
Sales: Rate /m ²	-7.500%	-5.000%	-2.500%	0.000%	2.500%	5.000%	7.500%	10.000%
	1,663.15 /m ²	1,708.10 /m ²	1,753.05 /m ²	1,798.00 /m ²	1,842.95 /m ²	1,887.90 /m ²	1,932.85 /m ²	1,977.80 /m ²
-7.500%	-444,776	-285,859	-122,857	46,473	223,637	401,285	579,614	758,222
	-444,776	-285,859	-122,857	46,473	223,637	401,285	579,614	758,222
-5.000%	-628,742	-469,825	-310,908	-149,140	18,631	195,616	373,264	551,372
	-628,742	-469,825	-310,908	-149,140	18,631	195,616	373,264	551,372
-2.500%	-812,707	-653,790	-494,873	-335,956	-174,930	-8,693	167,596	345,242
	-812,707	-653,790	-494,873	-335,956	-174,930	-8,693	167,596	345,242
0.000%	-996,673	-837,756	-678,839	-519,922	-361,005	-200,703	-34,973	139,584
	-996,673	-837,756	-678,839	-519,922	-361,005	-200,703	-34,973	139,584
2.500%	-1,180,638	-1,021,721	-862,804	-703,887	-544,971	-386,054	-226,475	-61,252
	-1,180,638	-1,021,721	-862,804	-703,887	-544,971	-386,054	-226,475	-61,252
5.000%	-1,364,604	-1,205,687	-1,046,770	-887,853	-728,936	-570,019	-411,102	-252,190
	-1,364,604	-1,205,687	-1,046,770	-887,853	-728,936	-570,019	-411,102	-252,190
7.500%	-1,548,569	-1,389,652	-1,230,735	-1,071,818	-912,902	-753,985	-595,068	-436,151
	-1,548,569	-1,389,652	-1,230,735	-1,071,818	-912,902	-753,985	-595,068	-436,151
10.000%	-1,732,535	-1,573,618	-1,414,701	-1,255,784	-1,096,867	-937,950	-779,033	-620,116
	-1,732,535	-1,573,618	-1,414,701	-1,255,784	-1,096,867	-937,950	-779,033	-620,116

Table 5 – Sensitivity Analysis

APPENDIX 1

Accommodation Schedule

Flat Areas

Floor	Flats							1 bed / 2 person 1B2P	2 bed / person 2B4P	4					
G	1	=	75.87	m ²	=	816.7	ft ²		<input type="checkbox"/>						
G	2	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
G	3	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
G	4	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
G	5	=	84.45	m ²	=	909.0	ft ²		<input type="checkbox"/>						
G	6	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
G	7	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
G	8	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
G	9	=	79.92	m ²	=	860.3	ft ²		<input type="checkbox"/>						
G	10	=	79.92	m ²	=	860.3	ft ²		<input type="checkbox"/>						
G	11	=	75.99	m ²	=	817.9	ft ²		<input type="checkbox"/>						
G	12	=	53.49	m ²	=	575.8	ft ²	<input type="checkbox"/>							
1	12a	=	53.49	m ²	=	575.8	ft ²	<input type="checkbox"/>							
1	14	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
1	15	=	75.87	m ²	=	816.7	ft ²		<input type="checkbox"/>						
1	16	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
1	17	=	59.24	m ²	=	637.7	ft ²	<input type="checkbox"/>							
1	18	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
1	19	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
1	20	=	84.45	m ²	=	909.0	ft ²		<input type="checkbox"/>						
1	21	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
1	22	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
1	23	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
1	24	=	79.92	m ²	=	860.3	ft ²		<input type="checkbox"/>						
1	25	=	80.90	m ²	=	870.8	ft ²		<input type="checkbox"/>						
1	26	=	82.79	m ²	=	891.1	ft ²		<input type="checkbox"/>						
2	27	=	53.49	m ²	=	575.8	ft ²	<input type="checkbox"/>							
2	28	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
2	29	=	75.87	m ²	=	816.7	ft ²		<input type="checkbox"/>						
2	30	=	75.87	m ²	=	816.7	ft ²		<input type="checkbox"/>						
2	31	=	59.24	m ²	=	637.7	ft ²	<input type="checkbox"/>							
2	32	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
2	33	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
2	34	=	84.45	m ²	=	909.0	ft ²		<input type="checkbox"/>						
2	35	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
2	36	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
2	37	=	52.16	m ²	=	561.4	ft ²	<input type="checkbox"/>							
2	38	=	53.06	m ²	=	571.1	ft ²	<input type="checkbox"/>							
2	39	=	55.31	m ²	=	595.4	ft ²	<input type="checkbox"/>							
2	40	=	53.06	m ²	=	571.1	ft ²	<input type="checkbox"/>							
2	41	=	82.79	m ²	=	891.1	ft ²		<input type="checkbox"/>						

Ground floor	0	7	5
First floor	0	9	5
Second floor	0	11	4

		1B2P	2B4P					
Total		0	27	14	0	0	0	0
		0.0%	65.9%	34.1%	0.0%	0.0%	0.0%	0.0%
Parking spaces	14		53.02	79.93				
Battery cars	6		1431.54	1119.02				
		Saleable	2550.56					
		Gross	3268.05					

APPENDIX 2

Sales Values Analysis

No	Address	Date sold	Sold price	ated market	New build	Designation	Category	Subcategory	bedrooms	r=Floor area m	Price per m	arket price per	Tenure
33	Apartment 12, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	18/05/2018	243950	282214	TRUE	Residential	House	Flat	1	52	4691.35	5427.19	Leasehold
30	Apartment 26, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	31/05/2018	252950	292625	TRUE	Residential	House	Flat	1	48	5269.79	6096.35	Leasehold
31	Apartment 17, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	31/05/2018	288750	334041	TRUE	Residential	House	Flat	2	73	3955.48	4575.9	Leasehold
32	Apartment 42, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	31/05/2018	310950	359723	TRUE	Residential	House	Flat	2	99	3140.91	3633.57	Leasehold
29	Apartment 4, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	01/06/2018	199950	231257	TRUE	Residential	House	Flat	1	45	4443.33	5139.04	Leasehold
27	Apartment 7, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	29/06/2018	225950	261327	TRUE	Residential	House	Flat	1	51	4430.39	5124.06	Leasehold
26	Apartment 34, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	29/06/2018	265950	307590	TRUE	Residential	House	Flat	2	63	4221.43	4882.38	Leasehold
28	Apartment 14, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	29/06/2018	275250	318346	TRUE	Residential	House	Flat	2	72	3822.92	4421.47	Leasehold
25	Apartment 27, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	19/07/2018	247950	283619	TRUE	Residential	House	Flat	1	48	5165.63	5908.73	Leasehold
24	Apartment 5, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	31/10/2018	299950	342832	TRUE	Residential	House	Flat	2	69	4347.1	4968.58	Leasehold
23	Apartment 8, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	09/11/2018	227950	263067	TRUE	Residential	House	Flat	1	50	4559	5261.34	Leasehold
22	Apartment 28, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	14/11/2018	196950	227291	TRUE	Residential	House	Flat	1	43	4580.23	5285.84	Leasehold
21	Apartment 10, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	30/11/2018	211950	244602	TRUE	Residential	House	Flat	1	46	4607.61	5317.43	Leasehold
20	Apartment 37, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	29/03/2019	358950	450068	TRUE	Residential	House	Flat	2	90	3988.33	5000.76	Leasehold
19	Apartment 23, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	15/04/2019	243950	304991	TRUE	Residential	House	Flat	1	56	4356.25	5446.27	Leasehold
18	Apartment 19, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	30/04/2019	323950	373157	TRUE	Residential	House	Flat	2	75	4319.33	4975.43	Leasehold
17	Apartment 32, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	21/06/2019	224950	263389	TRUE	Residential	House	Flat	1	50	4499	5267.78	Leasehold
16	Apartment 40, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	28/06/2019	242000	283352	TRUE	Residential	House	Flat	2	66	3666.67	4293.21	Leasehold
15	Apartment 15, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	28/06/2019	266950	312566	TRUE	Residential	House	Flat	2	67	3984.33	4665.16	Leasehold
14	Apartment 1, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	29/10/2019	237950	277670	TRUE	Residential	House	Flat	1	48	4957.29	5784.79	Leasehold
13	Apartment 35, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	28/11/2019	358950	414539	TRUE	Residential	House	Flat	2	112	3204.91	3701.24	Leasehold
12	Apartment 31, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	18/12/2019	300950	347115	TRUE	Residential	House	Flat	2	74	4066.89	4690.74	Leasehold
11	Apartment 24, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	28/02/2020	260950	302077	TRUE	Residential	House	Flat	2	63	4142.06	4794.87	Leasehold
10	Apartment 36, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	20/03/2020	264950	310061	TRUE	Residential	House	Flat	1	58	4568.1	5345.88	Leasehold
9	Apartment 20, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	17/07/2020	231950	271152	TRUE	Residential	House	Flat	1	48	4832.29	5649	Leasehold
8	Apartment 33, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	21/08/2020	240611	284096	TRUE	Residential	House	Flat	1	51	4717.86	5570.51	Leasehold
7	Apartment 39, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	25/09/2020	219950	258468	TRUE	Residential	House	Flat	1	46	4781.52	5618.87	Leasehold
6	Apartment 41, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	28/10/2020	293950	345128	TRUE	Residential	House	Flat	2	68	4322.79	5075.41	Leasehold
5	Apartment 9, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	27/11/2020	308755	350783	TRUE	Residential	House	Flat	2	73	4229.52	4805.25	Leasehold
4	Apartment 38, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	29/06/2021	236950	261299	TRUE	Residential	House	Flat	1	43	5510.47	6076.72	Leasehold
3	Apartment 11, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	29/06/2021	218950	241449	TRUE	Residential	House	Flat	1	49	4468.37	4927.53	Leasehold
2	Apartment 30, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	06/08/2021	312450	345468	TRUE	Residential	House	Flat	2	68	4594.85	5080.41	Leasehold
1	Apartment 16, Hardy Lodge, Coppice Street, Shaftesbury, Dorset SP7 8GY	31/08/2022	234950	232829	TRUE	Residential	House	Flat	1	50	4699	4656.58	Leasehold

1 beds 49 5439 £ 266,511.00
2 beds 75.46 4637 £349,908.02

APPENDIX 3

BCIS (August 2023)

£/M2 STUDY

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

Last updated: 12-Aug-2023 07:48

Rebased to North Dorset (103; sample 12)

MAXIMUM AGE OF RESULTS: 10 YEARS

Building function (Maximum age of projects)	£/m ² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
843. Supported housing								
Generally (10)	1,978	1,000	1,579	1,894	2,317	3,793	68	
Single storey (10)	2,141	1,752	1,888	2,233	2,320	2,589	7	
2-storey (10)	2,025	1,209	1,620	1,756	2,377	3,437	25	
3-storey (10)	1,792	1,000	1,495	1,798	2,057	2,702	20	
4-storey or above (10)	2,068	1,229	1,502	1,952	2,179	3,793	16	
843.1 Supported housing with shops, restaurants or the like (10)	1,950	1,338	1,614	1,842	2,082	3,127	20	

APPENDIX 4

FVA 0% Affordable Housing

Christy's Lane, Shaftesbury (0% AH) (41)

Development Appraisal
CRL
August 21, 2023

Christy's Lane, Shaftesbury (0% AH) (41)

Appraisal Summary for Phase 1 Retirement Housing

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
1 Bed Flats	27	1,431.54	5,186.72	275,000	7,425,000
2 Bed Flats	14	1,119.02	4,503.94	360,000	5,040,000
Totals	41	2,550.56			12,465,000

NET REALISATION

12,465,000

OUTLAY

ACQUISITION COSTS

Residualised Price (0.20 Ha @ 2,599,609.71 /Hect)

Stamp Duty
Effective Stamp Duty Rate
Agent Fee
Legal Fee

CONSTRUCTION COSTS

Construction

1 Bed Flats
2 Bed Flats

Totals

Developers Contingency
Foundations and Capping
Parts FLOS Building Regulations

Other Construction Costs

Externals

PROFESSIONAL FEES

Architect

MARKETING & LETTING

Marketing

DISPOSAL FEES

Sales Agent Fee
Sales Legal Fee

Unsold Unit Fees

1 Bed Flats
2 Bed Flats

TOTAL COSTS BEFORE FINANCE

FINANCE

Timescale

	Duration	Commences
Acquisition	1	Aug 2023
Pre-Construction	6	Sep 2023
Construction	14	Mar 2024
Sale	35	May 2025
Total Duration	56	

Debit Rate 8.00%, Credit Rate 1.00% (Nominal)

Land
Construction
Other
Total Finance Cost

TOTAL COSTS

PROFIT

2,493,000

Christy's Lane, Shaftesbury (0% AH) (41)**Performance Measures**

Profit on Cost%	25.00%
Profit on GDV%	20.00%
IRR% (without Interest)	24.20%

APPENDIX 5

Benchmark Land Value

Assessment of Alternative Use Land Value

In considering the site benchmark land value, a rationale landowner will explore uses which are policy compliant and deliverable. A common benchmark will therefore likely relate to residential uses.

The following proposal examines an alternative residential scheme of houses which could reasonably be delivered on this site as part of the wider mixed-use allocation.

Policy

The Development Plan comprises of the North Dorset Local Plan (adopted 2016) and the Shaftesbury Neighbourhood Plan (adopted 2021).

Policy 18 and supporting paragraph 8.118 specifically refer to the wider site's suitability to provide additional retail floorspace through mixed use redevelopment.

Policy 12 allows mixed use schemes to incorporate an element of residential provided that:

- 1) it is of a type and scale that will maintain or enhance the role and function of the town in the catchment it serves;
- 2) it is designed to respect the historic character of the town centre.

No alternative consents are in place and the site is being disposed of by the current owner with the expectation that it is developed for an alternative use.

Policy 8 of the 2016 North Dorset Local Plan sets out the requirements as they relate to affordable housing provision. It states that development which delivers 11 or more net additional dwellings and which has a maximum combined gross floorspace of more than 1,000 square metres, including housing on mixed-use sites, will contribute to the provision of affordable housing.

Scheme

3 bed Houses	7	630.00
4 Bed Houses	<u>3</u>	<u>367.80</u>
Totals	10	997.80

The proposal includes 10 houses together with 20 parking spaces to be provided in line with the local car parking requirements for new developments.

The areas proposed range from 90-122 m² therefore in excess of minimum space standards.

Table of Inputs to Financial Appraisal

In line with the NPPG, the costs and value associated with the alternative use value are applied below.

Input	Assumptions	Notes
Sales Values	3 beds - £335,000 (90 m2) 4 beds - £475,000 (122 m2)	Vale View (26 - 108) sold 2021, average areas 90-91 m2 securing £335,000 on average (market value). Vale View (12 - 124) sold 2021, average areas 90-91 m2 securing £480,000 on average (market value). Hilltop Grove (2022)
Build Cost	£1,426 m2 FLOS Building Regulations - £6,000 per dwelling Abnormal Costs - £166,500	BCIS estate housing 2 storey at August 2023 In line with typical costs tested in plan wide analysis. Allowed in line with the application proposal.
External Works	12% base build	Plan wide viability tests 10-15% rates
Professional Fees	8% of base build	8-10% tested in plan wide study
Marketing	3% of GDV	3% in plan wide study for this typology
S106	£50,000	Assumed £5,000 per unit
Developers Return	18.5%	Plan wide study assumes 17.5%
Timing	6 month lead in 14 months construction 6 month sale	
Finance	8% debit 1% credit	The same as the application scheme
Acquisition Costs	SDLT as standard 1.75% residual land value for agent and legal fees £50,000 allowed for planning promotion	

The inputs and assumptions are in line with those assumptions applied in the council's plan wide viability study.

Christy's Lane, Shaftesbury (0% AH) AUV Houses

Christy's Lane, Shaftesbury (0% AH) AUV Houses

Appraisal Summary for Phase 1 Retirement Housing

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
3 bed Houses	7	630.00	3,722.22	335,000	2,345,000
4 Bed Houses	<u>3</u>	<u>367.80</u>	3,874.39	475,000	<u>1,425,000</u>
Totals	10	997.80			3,770,000

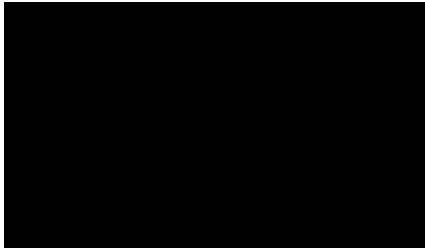
NET REALISATION **3,770,000**

OUTLAY

ACQUISITION COSTS

Residualised Price (0.20 Ha @ 3,014,705.77 /Hect)

- Stamp Duty
- Effective Stamp Duty Rate
- Agent Fee
- Legal Fee
- Town Planning



CONSTRUCTION COSTS

Construction

- 3 bed Houses
- 4 Bed Houses
- Totals**
- Developers Contingency
- Extra Overs
- FHS

Other Construction Costs

- Externals

Section 106 Costs

- S106

PROFESSIONAL FEES

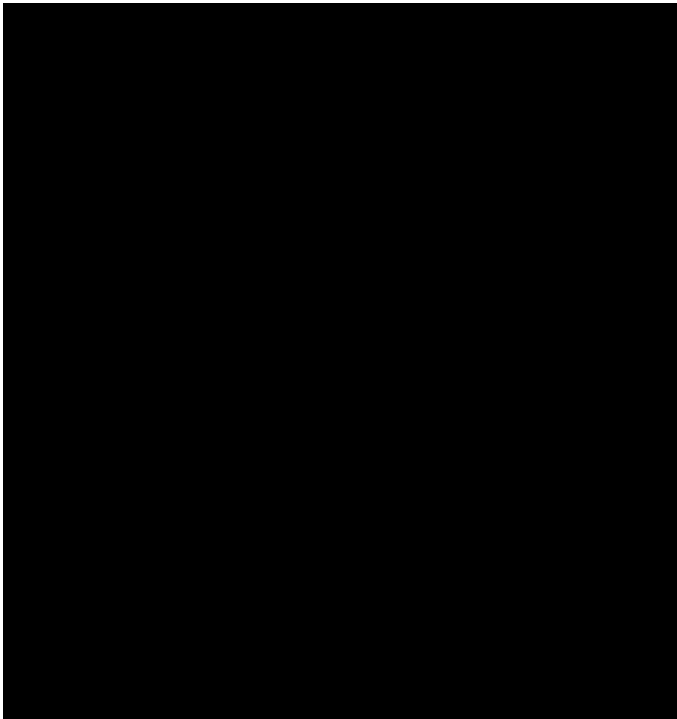
- Architect

MARKETING & LETTING

- Marketing

DISPOSAL FEES

- Sales Agent Fee
- Sales Legal Fee



TOTAL COSTS BEFORE FINANCE

FINANCE

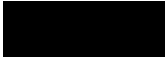
Timescale	Duration	Commences
Acquisition	1	Aug 2023
Pre-Construction	6	Sep 2023
Construction	14	Mar 2024
Sale	6	May 2025
Total Duration	27	

Debit Rate 8.00%, Credit Rate 1.00% (Nominal)

- Land
- Construction
- Other
- Total Finance Cost



TOTAL COSTS



PROFIT

697,450

Christy's Lane, Shaftesbury (0% AH) AUV Houses**Performance Measures**

Profit on Cost%	22.70%
Profit on GDV%	18.50%
IRR% (without Interest)	30.40%