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George Whalley
Principal Planning Officer
Christchurch and East Dorset Councils

By email

Dear George,

CIL Examination 12th April 2016

Viability Statement

Peter Brett Associates prepared viability evidence to support the Christchurch and East Dorset Draft CIL charging schedules between June 2013 and March 2015. The viability testing carried out by PBA was undertaken in accordance with the DCLG CIL guidance. This involved an assessment of market values throughout the districts as well as reviewing the development costs for different types and sizes of schemes. The data used to inform the viability testing was gathered from a variety of recognised industry sources (including the Land Registry, CoStar / Focus, EGi and BCIS). Updates to the viability evidence in December 2014 and January 2015 updated housing values and costs to the most current data available as informed by the Land Registry Housing Price Index and the BCIS database.

This viability evidence has assessed the effect of the proposed rates on the economic viability of development across the Christchurch and East Dorset plan area. The evidence has taken all relevant development costs into account which includes those incurred on strategic sites and brownfield land including sites where demolition is required. This has included an assessment of relevant regulatory requirements and existing planning policies of the adopted Christchurch and East Dorset Local Plan including the full affordable housing requirements and site specific requirements for strategic sites.

The viability evidence used has informed the proposed CIL rates whilst still allowing for a significant viability buffer. The viability report dated December 2014 examined the impact of a £70 per sq m CIL charge on a comprehensive range of development scenarios and identified significant viability buffers for each scenario of between 31% - 80%. Further work undertaken in January 2015 identified a viability buffer of between 73% - 79% for developments of 10 units or less at a CIL rate of £150 per sq m where no affordable housing is required, demonstrating a substantial viability margin.

The assumptions made in the viability evidence concerning residential land values, benchmark land values and competitive rates of return to the developer were found robust at examination in 2015. The residential land values assumed by PBA in the viability evidence are based on

market comparables and the nature of sites likely to come forward during the development plan period. We have examined a variety of land transactions in Christchurch and East Dorset using the following main sources:

- Land currently being marketed on the UK Land Directory website
- Consultations with local property agents and developers

Evidence shows that since the 2015 examination evidence shows that greenfield benchmark land values have not altered to any significant degree. Savills Research on residential development land values in the paper 'Market in Minutes: UK Residential Development Land' (February 2016) states that, greenfield benchmark land values have not altered to any significant degree. Savills Research on residential development land values in the paper 'Market in Minutes: UK Residential Development Land' (February 2016) states:

'The largely stable values of development land are in part due to the increase in supply of new permissions... [and] a lack of new players in the market... Greenfield land values increased by 0.7% in Q4 2015 (-0.1% in Q3 2015) bringing annual growth to just 2.0%.'

Although brownfield site values have increased slightly more than greenfield site values (growth in urban land values in Q4 2015 was 1.5% taking annual growth to 7.1%), they have still not increased to a degree by which they would impact so substantially on the appraisals as to make the viability evidence unsound – particularly given the allowance of the substantial viability buffers in the viability testing.

Through the consultation process and engagement with local agents no evidence has been put forward of any appraisal work / comparable transactional evidence to justify alternative residential land values to those adopted in our viability work.

Since March 2015 nothing has materially changed in the market to require these assumptions to be revisited and we consider the current viability evidence base to be robust in supporting the current proposed CIL rates. The proposed rates in the Christchurch and East Dorset Draft Charging Schedules strike an appropriate balance between housing delivery and the need to fund infrastructure which has potential implications for the economic viability of development across the plan area.

To further inform our view that the viability evidence supporting the proposed CIL charges remains sound, we have set out in the tables below updated cost and value evidence from BCIS and the Land Registry House Price Index (HPI), which illustrates that there has been no discernible difference to build costs or values since the 2015 examination.

Build costs comparison, £ per sq m

	2015 examination	Current 2016 Estate housing & flatted apartments generally'
Houses	£1,003*	£1,005
Flats	£1,182*	£1,180

* Includes Code for Sustainable Homes allowance (no longer required)

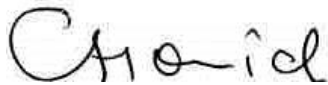
Source: PBA viability update on revised affordable housing thresholds, BCIS online (April 2016, re-based to Christchurch)

Sales values comparisons

Date	HPI Dorset	PBA 2015 examination Assumed private residential values £ per sq m	2016 market values assuming uplift in line with HPI
November 2014 (date of evidence agreed sound at 2015 examination)	310.00	Flats £3,488	Flats £3,679
February 2016	327.55 (5.5% difference)	Houses £3,052	Houses £3,220

Source: Table 1-3, PBA affordable housing viability testing for CIL (35% & 40% affordable housing C2/C3 uses, Dec 2014 – most recent update of market values in CIL viability evidence)

Yours sincerely,



Cristina Howick MA (Oxon), MSc (Econ)

Partner

For and on behalf of Peter Brett Associates LLP