

Review of Applicants Viability Appraisal

Application SDNP/21/04848/FUL

**Liss Forest Nursery,
Petersfield Road,
Greatham,
Hampshire GU33 6HA**

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Contents

	Page
1 Non Technical Summary	1
2 Terms of Instruction	4
3 Site Location	5
4 Site Description.....	6
5 Proposed Development SDNP/21/04848/FUL	6
6 Policy Compliant Development	7
7 Viability Approach.....	8
8 Benchmark Land Value	8
9 Residual Land Value.....	10
10 Stand Back.....	24
11 Conclusion.....	26

Appendices

Appendix One	Location and Site Plan
Appendix Two	Schedule of Accommodation and Gross Development Values
Appendix Three	Schedule of Comparable Evidence
Appendix Four	Residual Appraisal - Proposed Development
Appendix Five	Residual Appraisal - The Policy Compliant Development
Appendix Six	Residual Appraisal - The Policy Compliant Development (Gross)

1 Non Technical Summary

Property	Liss Forest Nursery, Petersfield Road, Greatham, Hampshire GU33 6HA
Location	The property lies on the eastern side of Petersfield Road in the centre of the village and immediately to the north of Greatham County Primary School and directly opposite the village hall and recreation ground. The land to the rear of the property is in agricultural use and to the north is in residential use comprising a cul-de-sac known as Baker's Field.
Description	The Application Property extends in total to 2.38 hectares (5.39 acres) and comprises a rectangular shaped site accessed via a private access road that leads directly from Petersfield Road. The property occupies a slightly elevated position above Petersfield Road and is set behind a mature hedgerow and is currently in use as a horticultural nursery with an office, WCs, owner's bungalow and a range of barns, glasshouses and poly tunnels. The property is allocated for residential development under Policy SD71 of the Local Plan.
Planning Application	A planning application for the Proposed Development was submitted and registered under reference number SDNP/21/04848/FUL. The planning application proposes the <i>'Development of 37 dwellings (including affordable homes), alterations to existing access onto Petersfield Road, hard and soft landscaping, drainage and all other associated development works.</i>
Proposed Development	<p>The Proposed Development is for 37 x residential units comprising 2 x 1 bed units, 13 x 2 bed houses, 12 x 3 bed houses, 7 x 4 bed detached houses and 3 x 5 bed detached houses. The majority of the 2 and 3 bed houses are semi-detached or terrace houses. The accommodation across the development will be arranged over ground and first floors. All of the houses benefit from gardens and good parking provision and the majority benefit from garages.</p> <p>The existing point of access is to be retained and the Proposed Development is to be served by significant areas of open space to the front and rear.</p>
Comment	The Applicant's viability appraisal has been carried out using the residual valuation method having regard to the National Planning Policy Framework 2018 (the NPPF), the Ministry of Housing, Communities and Local Government's document titled Viability dated 1 st September 2019; the Guidance Note published by the RICS titled Financial Viability in Planning; and the RICS Professional Statement Financial viability in planning: conduct and reporting (1 st Edition, May 2019).

Comparative Positions

The Proposed Development (21.6% Affordable Housing 8 x Shared Ownership Units)		
Element	Applicant	Review
Benchmark Land Value	£1,038,000	£1,038,000
Gross Development Value (GDV)		
Market Housing	£14,650,000	£17,055,000
Affordable Housing	£1,593,095	£2,139,098
Development Costs		
Base Build Costs	£10,007,128	£5,721,984
External Costs	*Included above	£1,844,156
Abnormal Development Costs	*included above	£1,973,052
Contingency	*included above (5%)	£476,960 (5%)
Professional Fees	£1,000,713 (10%)	£763,135 (8%)
Community Infrastructure Levy	£0	£0
Finance Costs & Rate	£628,039 (7%)	£808,961 (6%)
Development Period	27 months	27 months
Marketing, Agents & Legal Fees	£524,293	£456,925
<i>Developer's Profit Margin</i>	£3,074,818 (18.93%)	£3,113,283 (15.46%)
Residual Land Value	£850,655	£3,670,000
Viable/Unviable	Deemed viable	Viable

The Policy Compliant Development (50% Affordable Housing)		
Element	Applicant	Review
Benchmark Land Value	£1,038,000	£1,038,000
Gross Development Value (GDV)		
Market Housing	£11,160,000	£12,730,000
Affordable Housing	£3,026,830	£3,739,307
Development Costs		
Base Build Costs	£10,007,128	£5,721,984
External Costs	*Included above	£1,844,156
Abnormal Development Costs	*included above	£1,973,052
Contingency	*included above (5%)	£476,960 (5%)
Professional Fees	£1,000,713 (10%)	£763,135 (8%)
Planning Obligations	£0	£0
Finance Costs & Rate	£628,039 (7%)	£556,563 (6%)
Development Period	27 months	27 months
Marketing, Agents & Legal Fees	£524,293	£348,800
<i>Developer's Profit Margin</i>	£2,408,923 (16.98%)	£2,452,280 (14.89%)
Residual Land Value	-£190,720	£2,075,000
Viable/Unviable	Unviable	Viable

Conclusion In our opinion the Proposed Development as at 11th February 2022 is a viable form of development.

In our opinion the Policy Compliant Development as at 11th February 2022 is a viable form of development.

Major Issues or Areas of Disagreement The major area of disagreement between the parties relate to:

- the GDV; and
- the assessment of the Residual Land Value by the Applicant by reference only to a residual appraisal without cross-reference to evidence from comparable development land transactions. This approach is contrary to best practice and RICS guidance relating to the valuation of development land.

The Applicant has provided a Cost Plan. However, the external costs indicated exceed normal expectations and the abnormal development costs are unsupported by quotes. In the absence of any information to the contrary we have applied the sums indicated by the Cost Plan but, prior to making a decision, SDNP may wish to have these sums reviewed by a quantity surveyor or cost consultant.

It is understood that the Applicant has the benefit of an option to acquire the Application Property. In accordance with paragraph 16 of the PPG, the Applicant should be requested to confirm the purchase price payable for the Application Property or the price expected to be paid under the terms of the option agreement gross of any option discount and deductions.

Note The above is merely a summary of this report following our review of the Applicant's viability appraisal and reference should be made to the remainder of the document.

This report has been prepared to assist the Local Planning Authority in their determination of the ability of a development at the property to viably contribute to the provision of Affordable Housing. The Valuer is entitled to make certain assumptions which during subsequent legal or other investigations may prove to be inaccurate.

2 Terms of Instruction

2.1 In accordance with your instructions, we have prepared a report on the Applicant's Viability Appraisal dated September 2021. Our advice seeks to answer the following questions:

- ❑ Is the Proposed Development under application reference SDNP/21/04848/FUL a viable form of development?
- ❑ Is the Policy Compliant Development a viable form of development?

2.2 The Applicant (Cove Construction Limited) submitted a financial viability appraisal (the Viability Appraisal) prepared by Turley and dated September 2021 in support of the planning application under reference SDNP/21/04848/FUL. The Viability Assessment concludes that the Proposed Development is a viable form of development but that the Policy Compliant Development is unviable.

2.3 This report is prepared by **Fraser Castle MSc MRICS RICS Registered Valuer** who has sufficient current local, regional & national knowledge of the particular market and the skills and understanding to undertake this review of the Applicant's viability appraisal competently.

2.4 We confirm that this report is prepared in accordance with the NPPF, PPG, RICS Valuation – Global Standards 2017 and RICS Professional Statement Financial viability in planning: conduct and reporting (1st Edition, May 2019) and that we are acting as a Suitably Qualified Practitioner as defined therein.

2.5 In providing our advice we have sought to determine (1) the Benchmark Land Value of the property and (2) the Residual Land Value of the property with planning permission for the Proposed Development and the Policy Compliant Development. In arriving at our opinion of the Residual Land Value we have sought to agree inputs to the residual appraisals based upon '*not unreasonable*' assumptions within standard ranges and where possible evidence from the market and have then cross-checked the residual values generated by these appraisals against evidence from comparable development land transactions. Sensitivity testing of the key inputs to the residual appraisals has not been carried out at this stage.

- 2.6 This approach is consistent with best practice and RICS guidance in relation to the valuation of development land. The land values derived from residual appraisals are very sensitive to small changes to the inputs adopted and this cross-checking exercise and sensitivity testing is an important and necessary stage in the accurate valuation of development land. The Applicant's Viability Appraisal, in seeking to determine the Residual Land Value, relies only upon residual appraisals with no cross-reference to evidence from comparable development land transactions and with no sensitivity testing applied other than a variation of the Affordable Housing provision.
- 2.7 We confirm that, to the best of our knowledge and belief, we have had no material involvement with the property forming the subject of planning application SNDP/21/04848/FUL or the Applicant. We therefore consider that we do not have any conflict of interest in providing this report.
- 2.8 We confirm that in carrying out this review of the Viability Appraisal we have acted with objectivity; impartiality; without interference; with reference to all appropriate sources of information; and that no contingent or performance-related fee has been agreed. In providing our review we have considered the most effective and efficient way to deliver the development and our review reflects the way the development would actually be carried out.
- 2.9 This Report has been prepared on the basis that there has been full disclosure of all relevant information and facts by the Applicant. It is provided for the stated purposes and only for the use of the party whom it is addressed.

3.0 Site Location

- 3.1 The property lies on the eastern side of Petersfield Road in the centre of the village and immediately to the north of Greatham County Primary School and directly opposite the village hall and recreation ground. The land to the rear of the property is in agricultural use and to the north is in residential use comprising a cul-de-sac known as Baker's Field.
- 3.2 Greatham is an attractive and popular village that lies between Petersfield and Liphook to west of the A3 and close to Liss.
- 3.3 A location plan and site plan are attached at Appendix One. Our understanding of the extent of the subject property is outlined in red on the extract which is provided for identification purposes only.

4.0 Site Description

- 4.1 The Application Property extends in total to approximately 2.38 hectares (5.39 acres) and comprises a rectangular shaped site accessed via a private access road that leads directly from Petersfield Road. The property occupies a slightly elevated position above Petersfield Road and is set behind a mature hedge row.
- 4.2 The Application Property is currently in use as a plant nursery with an office, WCs, owner's bungalow and a range of barns, glasshouses and poly tunnels.
- 4.3 The Application Property is allocated for residential development under Policy SD71 of the SDNP Local Plan. Policy SD71: Land at Petersfield Road, Greatham provides for a *'development of 35 to 40 residential dwellings and associated open space. Development for a Class A1 (Shop) unit with a net sales floorspace up to a maximum of 280m² with suitable vehicular parking for customers will also be permitted.'* Site specific development requirements include among others:
- a) The use of local building materials to reinforce local distinctiveness;
 - b) Provide mitigation for the Wealden Heaths SPDA;
 - c) Provide mitigation to avoid increases in localised surface water flooding;
 - d) Retain the existing vehicular access and improvements to both the vehicular access and to off-site highways;
 - e) Provide a publicly accessible off-road pedestrian route from Petersfield Road to the existing public right of way to the east of the allocation site;
 - f) Provision of a significant area of public open space; and
 - g) Retain and enhance existing mature trees and site boundaries.

5.0 Proposed Development – SDNP/21/04848/FUL

- 5.1 A planning application for the Proposed Development was submitted on 23rd September 2021 and registered on 23rd September 2021 under reference number SDNP/21/04848/FUL. The planning application proposes the *'Development of 37 dwellings (including affordable homes), alterations to existing access onto Petersfield Road, hard and soft landscaping, drainage and all other associated development works.*

- 5.2 The Proposed Development is for 37 x residential units comprising 2 x 1 bed units, 13 x 2 bed houses, 12 x 3 bed houses, 7 x 4 bed detached houses and 3 x 5 bed detached houses. The majority of the 2 and 3 bed houses are provided as semi-detached and terrace houses and the accommodation across the development will be arranged over ground and first floors. All of the houses benefit from gardens and good parking provision and the majority benefit from garages. No shop is to be provided.
- 5.3 The existing point of access is to be retained and the Proposed Development is served by significant areas of open space to the front and rear including a pond (SUDS basin). At 15.5 dwellings per hectare this is a relatively low density form of development and the majority of the units at the Proposed Development enjoy views over these areas of open space with the exception of those located at the centre of the development.
- 5.4 The Proposed Development is based upon the delivery of 8 x Affordable Housing units comprising 2 x 1 bed units, 4 x 2 bed houses and 2 x 3 bed units with all of the units provided for Shared Ownership. Our assumptions in this regard are set out in Table 1 at Appendix Two.

6.0 The Policy Compliant Development

- 6.1 The Policy Compliant Development is identical to the Proposed Development in terms of the layout and the form and type of the units. The only difference relates to the tenure mix with the Policy Compliant Development based upon the provision of 18 of the units as Affordable Housing units (48.6%).
- 6.2 Policy SD28 of the South Downs National Park Local Plan requires 50% of the units to be provided as Affordable Housing with the following mix for the Affordable Housing.
- 35% 1 Bed Units
 - 35% 2 Bed Units
 - 25% 3 Bed Units
 - 5% 4 Bed Units
- 6.3 The Policy Compliant Development is based upon the following tenure mix which represents a slight departure from Policy SD28 with a marginal under provision of 4 bed units and an over provision of 3 bed units.
- 12% 2 x 1 Bed Units
 - 59% 10 x 2 Bed Units
 - 35% 6 x 3 Bed Units
 - 0% 0 x 4 Bed Units

- 6.4 Policy SD28 requires 75% of the units to be provided as Affordable Rent and 25% to be provided as Shared Ownership. The Applicant's Viability Appraisal for the Policy Compliant scheme assumes that the 2 x 1 bed apartments, 7 x 2 bed houses and 5 x 3 bed houses will be provided as Affordable Rent units and that 3 x 2 bed units and 1 x 3 bed unit will be as Shared Ownership units. Our assumptions in relation to the specific tenure mix are set out in the schedule provided as Table Two at Appendix Two.

7.0 Viability Approach

- 7.1 The Proposed Development can be considered viable to provide policy compliant planning contributions including Affordable Housing if the Residual Land Value (RLV) is equal to or more than the Benchmark Land Value (BLV).
- 7.2 In arriving at our opinion of the RLV for the Proposed Development we have adopted the residual valuation method and established the Gross Development Value (GDV) of the Proposed Development and then deducted all of the costs of carrying out the Proposed Development and a reasonable developer's profit. As discussed earlier, the results of the residual appraisal are later cross checked against land sale transactional evidence to ensure the residual result is at market levels.
- 7.3 The BLV has been determined having regard to the minimum return at which it is considered a reasonable landowner would be willing to sell the Property for development in accordance with the NPPF.

8.0 Benchmark Land Value

- 8.1 Benchmark Land Value should be determined by reference to the existing use value (EUV) of the Property plus a premium for the landowner or by reference to the value in an alternative use (AUV). The EUV is the value of the land in its existing use and the premium 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 requirements. The EUV is not the price paid and should exclude hope value. The BLV is the threshold that, if exceeded by the RLV of the development, the development can be considered viable and below which a scheme will be unviable.

The Applicant's Approach

- 8.2 The Applicant has assessed the BLV at £1,038,000. This is based upon an EUV of £865,000 as determined by a valuation prepared by BCM LLP and the addition of a 20% premium. The valuation date is 11th October 2020.

- 8.3 The Application Property comprises a three bed bungalow constructed in approximately 1977 which occupies a plot extending to 0.233 hectare (0.576 acre) together with a garage, office building, staff/WC block and a range of buildings including two barns, glasshouses and poly tunnels that occupy the remainder of the site.

The Bungalow

- 8.4 The bungalow has brick elevations under a pitched tiled roof with UPVC double glazed windows and rainwater goods and has accommodation extending to 1,132 sq ft comprising kitchen, reception room, bathroom, three bedrooms and conservatory. It is understood that the bungalow is in fair condition and would benefit from modernisation. We have not inspected the bungalow but photographs are provided within the report and the condition described appears consistent the photographs. The gardens appear to have been relatively well maintained and the bungalow benefits from a garage.
- 8.5 The bungalow is subject to an agricultural occupancy condition requiring the occupant to be operating the business on site. Discounts for properties affected by such conditions are typically higher in higher value locations and for higher value properties due to issues relating to affordability and discounts up to 25% to 30% are common. The discount has been assessed at 15% in arriving at a value for the bungalow in the order of £315,000. This value is supported by evidence from a two bedroom bungalow on Longmoor Road in Greatham which achieved a sale in 2020 at £375,000 in good condition. It is considered that a higher discount than 15% may apply but at this stage and in the absence of specialist valuation input we have adopted a value of £315,000 for the bungalow.

The Nursery Site

- 8.6 The nursery site extends to approximately 4.814 acres and supports a plant nursery business. The nursery site is accessed via the access road that also serves the bungalow and that leads to a circulation area towards the rear that also provides parking and access to the glasshouses and polytunnels. The accommodation at the nursery site comprises staffroom and a separate office both of which appear to have been constructed at the same time as the bungalow and have brick elevations under a tiled roof. There are two steel portal framed barns with concrete floors and asbestos cement roofing and side cladding. These extend to 1,318 sq ft and 1,409 sq ft. In addition, there are six timber framed glasshouses with irrigation systems and heating to some; seven metal framed polytunnels with irrigation systems; and two areas of concrete hardstanding.
- 8.7 It is understood that the glasshouses and polytunnels are currently operational but some of the polytunnels appear to have had the coverings removed and some modernisation would be required.

- 8.8 A value of £185 per sq ft has been applied to the office and staffroom; £40 per sq ft to the barns; and £1.10 per sq ft to £1.40 per sq ft to the glasshouses and polytunnels. This provides for a value of the nursey site in the order of £550,000 which is supported by evidence from comparable properties in Liphook and the wider area.

The Premium

- 8.9 On the basis of the above, BCM adopt a value of £865,000 for the Application Property in its existing use. A 20% premium has been applied in arriving at a BLV of £1,038,000. The application of a 20% premium lies within the standard range and is considered appropriate and we are therefore able to support a BLV of £1,038,000 at this stage but reserve the right to obtain specialist valuation advice.

9.0 Residual Land Value

- 9.1.1 Prior to considering a residual appraisal to establish the RLV for the Proposed Development and the Policy Compliant Development, we have considered land sales evidence to set the market context and had regard to the Local Plan and Affordable Housing Viability Assessment prepared by BNP Paribas and dated August 2017 (the BNP Report).
- 9.1.2 The BNP Report considers 17 different development typologies and applies these to the different settlement categories. Greatham lies within Category 3 and the development typology most relevant to this planning application is Typology 13 – Town based in-fill, Houses 25 Units. The BNP Report confirms within Figure 7.10.1 at page 38 that such developments in Category 3 Settlements with 50% Affordable Housing (75% Affordable Rent and 25% Intermediate) are considered viable based upon a GDV of £4,200 per sq m (£390 per sq ft) and are expected to generate a RLV in the order of £943,333 per gross hectare (£381,746 per gross acre) and marginally unviable based upon a GDV of £4,000 per sq m (£371 per sq ft) and are expected to generate a Residual Land Values (RLV) in the order of £738,412 per gross hectare (£298,819 per gross acre).
- 9.1.3 Values in Greatham by reference to Table 5.7.1 of the BNP Report for detached and semi-detached house are assessed at £4,262 per sq m and £3,901 respectively. The Proposed Development comprises a mix of detached, semi-detached and terrace houses and based upon the BNP Report one would anticipate the Proposed Development to be at the margin of viability with policy compliant Affordable Housing provision.

9.1.4 The Residential Parts extend to 2.38 hectares (5.39 acres) and at £738,412 per gross hectare to £943,333 per gross hectare acre this indicates a RLV for the Policy Compliant Development in the range between £1,757,421 and £2,245,133. A value towards the middle of this range at £2,000,000 is significantly in excess of the Applicant's assessment of the BLV at £1,038,000 and suggests that the Policy Compliant scheme could be a viable form of development. Whilst we do not seek to rely directly on this analysis it does indicate that, in principal, a development of this nature should be viable at a policy compliant level absent any abnormal cost imposition over and above that included within the BNP analysis.

9.2 Evidence from Comparable Development Land Transactions

Elizabeth Meadows, Ramsdean Road, Stroud, Hampshire

9.2.1 This development lies a short distance to the south of Greatham in the village of Stroud on the western side of the A3 and close to the Seven Stars public house and the junction formed between the A272 and Ramsdean Road. Stroud is a comparable location to Greatham and attracts similar residential values. The property was developed by CALA following the grant of planning permission for the '*Erection of 30 dwellings and village hall together with car parking, open space and landscaping following demolition of existing buildings*' on 10th October 2018.

9.2.2 This development is considered to provide good prima facie evidence of residential development land values. It is understood that this property was acquired with the benefit of planning permission for £1,920,000 on 30th November 2018. The planning permission provided for a development of 30 units with 40% Affordable Housing provision (18 x Market Housing units and 12 x Affordable Housing units) and had a total Net Sales Area of 33,073 sq ft (23,950 sq ft Market Housing and 9,123 sq ft Affordable Housing) indicating an average unit size of 1,102 sq ft.

9.2.3 It is understood that abnormal development costs were in the order of £1,053,283 comprising construction of a village hall (£465,783), provision of a ground source heat pump (£409,500) with a further sum of £178,000 for demolition, extra deep foundations, retaining walls, grounding overhead cables and provision of a new sub station. CIL contributions are understood to total £441,280. If one makes an allowance for abnormal development costs and CIL this indicates a **gross land value** with 40% Affordable Housing of £3,414,563 which analyses at £114,000 per unit and £103 per sq ft Net Sales Area. Residential development land values have improved over the intervening period and the above can therefore be considered a minimum.

9.2.4 We now turn to a review of the Applicant's residual appraisals provided in support of their opinion of the Residual Land Value.

The Residual Appraisals

9.3 Gross Development Value

- 9.3.1 The Applicant's opinion of the Gross Development Value (GDV) for the Market Housing units at the Proposed Development and the Policy Compliant Development is based upon evidence from new build schemes and second hand stock in Greatham and the surrounding towns and villages.
- 9.3.2 Table 4.9 of the Viability Appraisal confirms the unit values adopted by the Applicant. These values reflect average value for the respective unit types but little analysis is provided by the Viability Appraisal and it is not clear how the Applicant has adjusted the comparable evidence to reflect the particular attributes of the units at the Proposed Development (location, orientation, plot size, availability of garage, views over amenity areas etc). This broad-brush approach lacks the necessary robustness required to support a reduced Affordable Housing provision on viability grounds.
- 9.3.3 In arriving at our opinion of the GDV for the Proposed Development and the Policy Compliant Development we have had regard to the evidence provided by the Applicant and, in addition, evidence from the sale new build developments in the neighbouring settlements of Liss, Liphook and Stroud as discussed below, among others.

Evidence from New Build Sales

CALA Andlers Wood, Andlers Ash Road, Liss, Hampshire

- 9.3.4 This development is referred to by the Applicant and lies on the eastern side of Andlers Ash Road on the southern outskirts of Liss. The development comprises 3, 4 and 5 bed houses. Liss lies in close proximity to Greatham but is considered an inferior location to Greatham.
- 9.3.5 The Applicant has made reference to the asking prices for five units at this development comprising 3 and 4 bed houses with garages and 5 bed houses with double garages. The asking prices for these units indicate values in the range between £420 per sq ft for the detached five bed houses to £431 per sq ft for the detached four bed house. We are aware of a number of sales at this development as set out in the schedule at Appendix Three and discussed below.
- 9.3.6 The best evidence for the three bed semi-detached houses at the Policy Compliant Development is provided by the sale of comparable sized semi-detached houses extending to 1,130 sq ft with a single garage and driveway parking space. These units achieved sales between February and June 2021 in the range between £450,000 (£398 per sq ft) and £460,000 (£407 per sq ft). With indexation these sales indicate present values in the order of £448 per sq ft to £467 per sq ft. Higher values might be expected to apply to the units at the Policy Compliant Development to reflect the superior location in Greatham but this will be offset, to a degree, by the smaller size of the units at Andler's Walk.

9.3.7 The best evidence for the four bed detached houses is provided by the detached houses extending to 1,399 sq ft with a single garage and driveway parking space. These units achieved sales in May to June 2021 in the range between £580,000 (£414 per sq ft) and £605,000 (£432 per sq ft). With indexation these sales indicate present values in the order of £478 per sq ft to £497 per sq ft. Similar values might therefore be expected to apply to the units at the Proposed Development which are of a comparable size.

Duke' Quarter, Bordon, Hampshire – Taylor Wimpey

9.3.8 The Applicant makes reference to asking prices for Duke's Quarter in Bordon. The evidence provided relates to three bed houses with accommodation arranged over three floors. These units are not comparable to the two storey units at the Policy Compliant Development as significantly lower values apply to three storey housing and Bordon is a significantly inferior location when compared to Greatham.

9.3.9 Asking prices for 2 bed houses with accommodation over two storeys extending to 641 sq ft is referred to by the Applicant. The asking prices for these units at £255,000 (£398 per sq ft) and £260,000 (£406 per sq ft) are again of limited relevance as they relate to significantly smaller two bed units occupying a significantly inferior location in Bordon.

New Quarter, Bordon, Hampshire – Barratt Homes

9.3.10 This development again lies in Bordon, a significantly lower value location, and the asking prices referenced relate to 3 bed houses with accommodation over three storeys which are not comparable to two storey units; to a very small four bed house (1,186 sq ft); and to a 4 bed terrace house again with accommodation arranged over three floors.

Oak Park, Longmoor Road, Liphook, Hampshire – Taylor Wimpey

9.3.11 This development by Taylor Wimpey lies to the north of Greatham on the southern outskirts of the village of Liphook. Liphook is generally a similar value location to Greatham, however, Oak Park lies away from the town centre and therefore occupies an inferior village location when compared to the Policy Compliant Development.

9.3.12 The schedule at Appendix Three summarises the unit values achieved at this development. The majority of sales were achieved in 2019 to 2020. Maple Walk, a development by Redrow lies immediately to the rear of Oak Park and is a current development that provides more relevant and up to date evidence. The evidence from Maple Walk is discussed below.

Maple Walk, Longmoor Road, Liphook, Hampshire - Redrow

- 9.3.13 This is a current development by Redrow and lies to the rear (west) of Oak Park close to the A3. We are advised by the marketing agent that there has been and there remains good interest in this development. This is a development of 2, 3 and 4 bed houses but to date none of the two bed houses have been constructed or made available for sale. The most relevant unit types to the Policy Compliant Development are discussed below.

4 Bed Units

Plot 109 – The Harrogate

- 9.3.14 This property comprises a 4 bed detached house with accommodation arranged over ground and first floors extending to 1,555 sq ft and has the benefit of a garage and two driveway parking spaces and gardens to the front and rear. Plot 109 occupies a good location within this development and looks out over a central amenity area. A sale was completed in September 2021 at the asking price of £669,950 (£431 per sq ft).

- 9.3.15 This property is considered directly relevant to the Oakleigh unit type at the Policy Compliant Development which has accommodation extending to 1,585 sq ft. Greatham is a superior location and the Policy Compliant Development is considered superior being less dense and providing a more attractive setting. A value in excess of £430 per sq ft can therefore be expected to apply.

Plot 40 – The Henley

- 9.3.16 This property comprises a 4 bed detached house with accommodation arranged over ground and first floors extending to 1,769 sq ft and has the benefit of a double garage and driveway parking spaces and a rear garden. Plot 40 lies at the edge of the development adjacent to the western boundary close to the acoustic fence separating the development from the A3. Contracts were exchanged in February 2022 for a sale at the asking price of £794,950 (£449 per sq ft).

- 9.3.17 This property is considered to be particularly relevant to the Alverstoke, Avington CT and Hillier unit types at the Policy Compliant Development which have accommodation over two floors extending to 1,766 sq ft, 1,772 sq ft and 1,784 sq ft respectively. Greatham is a superior location and the Policy Compliant Development is considered superior being less dense and providing a more attractive setting. A value in the order of £449 per sq ft can therefore be expected to apply reflecting the superior location and form of the Policy Compliant Development but the provision of only a single garage.

Plot 120 - The Oxford

- 9.3.18 The Oxford is a smaller 4 bed detached house with accommodation extending to 1,318 sq ft. Plot 120 is currently reserved at the asking price of £619,950 (£470 per sq ft). Although significantly smaller than the 4 bed units at the Policy Compliant Development and not as directly relevant as the evidence from the Henley and the Harrogate, the evidence from this reservation is supportive of values in the range between £430 per sq ft and £449 per sq ft and suggests that the Applicant's opinion of value for the 4 bed units at £392 per sq ft to £396 per sq ft are pessimistic.

3 Bed Units

Plot 122 – The Warwick

- 9.3.19 This property comprises a 3 bed detached house with accommodation arranged over ground and first floors extending to 1,081 sq ft and has the benefit of a garage and two driveway parking spaces and gardens to the front and rear. Plot 122 occupies a busy location at the entrance to the development. Plot 122 is currently reserved at the asking price of £499,950 (£462 per sq ft).
- 9.3.20 This property is considered directly relevant to the Houghton unit type at the Policy Compliant Development which has accommodation extending to 1,082 sq ft. Greatham is a superior location and the Policy Compliant Development is considered superior being less dense and providing a more attractive setting. Plot 122 is, however, a detached unit which will attract a premium. A value in the order of £462 per sq ft can therefore be expected to apply and, again, the Applicant's opinion of value for the three bed units at the Policy Compliant Development in the range between £398 per sq ft to £410 per sq ft appears pessimistic.

Plot 45 – The Oxford Lifestyle

- 9.3.21 This property comprises a 3 bed detached house with accommodation arranged over ground and first floors extending to 1,318 sq ft and has the benefit of a garage and driveway parking and a rear garden. Plot 45 lies centrally within the development and is currently on the market with an asking price of £624,950 (£474 per sq ft).
- 9.3.22 This property is larger than the three bed units at the Policy Compliant Development and is detached. Lower unit values can therefore be expected to apply to the 3 bed houses at the Policy Compliant Development although similar values in £ per sq ft would be expected to apply with the superior location and form of development and the effect of quantum cancelling out any detached premium.

CALA Elizabeth Meadows, Ramsdean Road, Stroud, Hampshire

- 9.3.23 This development of 30 units is discussed above at paragraphs 9.2.1 to 9.2.3. The Market Housing units at this development sold in the period between September 2019 and July 2020 and a schedule of these sales is provided at Appendix Three.

9.3.24 The best evidence for the three bed semi-detached houses at the Policy Compliant Development is provided by the semi-detached houses extending to 980 sq ft with a single garage and driveway parking space. These units achieved sales in the range between £439,500 (£449 per sq ft) and £489,000 (£499 per sq ft). With indexation these sales indicate present values in the order of £479,816 (£490 per sq ft) and £550,665 (£562 per sq ft). Greatham is considered a comparable location and similar values might therefore be expected to apply in £ per sq ft terms, however, a modest discount would be expected to reflect the larger size of the three bed units proposed.

9.3.25 The best evidence for the four bed detached houses at the Policy Compliant Development is provided by the detached houses extending to 1,582 sq ft and 1,755 sq ft with a single garage and driveway parking space. These units achieved sales in the range between £678,000 (£428 per sq ft) and £699,000 (£442 per sq ft) for the smaller units and £785,000 (£447 per sq ft). With indexation these sales indicate present values in the order of £478 per sq ft to £497 per sq ft. Similar values might therefore be expected to apply to the units at the Proposed Development which are of a comparable size.

Temple Road, Liss, GU33 7BP

9.3.26 This development comprising a terrace of 3 x houses lies to the rear of the Temple Inn in Liss Forest which lies to the north of and is an extension of Liss.

9.3.27 The 2 bed mid terrace house at this development has accommodation arranged over ground and first floors extending to 934 sq ft and benefits from a relatively small rear garden and parking for two cars. This house is offered with an asking price of £389,950 (£418 per sq ft) and we are advised by the marketing agent (Chapplins) that there has been interest at this level.

9.3.28 The two bed houses at the Policy Compliant Development are a little smaller at 875 sq ft but occupy a superior location and the majority have the benefit of a garage and driveway parking space. A similar unit value and a significantly higher value in £ per sq ft terms might therefore be expected to apply.

9.3.29 The 3 bed end terrace house at this development have accommodation arranged over ground and first floors extending to 1,050 and 1,100 sq ft and benefit from larger rear gardens than the 2 bed house and parking for two cars. These houses are currently under offer at £440,000 (£400 per sq ft) and £430,000 (£409 per sq ft).

9.3.30 The three bed houses at the Policy Compliant Development are of a comparable size or larger, occupy a superior location and the majority have the benefit of a garage and driveway parking space. Higher unit values and a significantly higher value in £ per sq ft terms might therefore be expected to apply.

9.4 **Evidence from Second Hand Stock**

9.4.1 The Applicant has made reference to evidence from a number of second hand sales in Greatham and the surrounding area. This evidence includes sales at Bordon which we do not consider to be a comparable market location; for 6 Dalley Way in Liss which is a modern unit constructed in 2010, this however is an end terrace unit and now quite dated reflecting a sale in July 2020; together with sales for 1 Oaktree Cottages which is a Victorian house and not therefore directly relevant. The evidence provided for relatively modern units at Todmore is considered relevant and is discussed further below. We do not, however, consider the evidence from the sales at Silver Birch Mews in Greatham to be of particular relevance. The units at this development whilst modern (constructed in approximately 2012) have accommodation arranged over three storeys. As discussed above, three storey housing attracts significantly lower values than two storey housing and the evidence from this development is not therefore indicative of the values achievable at the Policy Compliant Development.

Todmore, Greatham, Hampshire GU33 6AR

9.4.2 This development was constructed in approximately 1996 and lies a short distance to the north of the Application Property on the western side of Petersfield Road. The most recent sales were in the period between June 2020 and April 2021.

21 Todmore, Greatham

9.4.3 This property comprises a three bed semi-detached house with accommodation over two storeys extending to 980 sq ft Net Sales Area and benefits from a garage and driveway parking and lies at the corner of the development adjacent to Petersfield Road and occupies a triangular shaped plot with a small rear garden. A sale was achieved on 16th April 2021 at £378,000 (£386 per sq ft). The Policy Compliant Development is a superior form of development and occupies a superior location within the village and have superior plot characteristics. The market has also improved since the date of this sale and all of these factors can be expected to have a positive effect on value before one applies a significant new build premium.

16 Todmore, Greatham

9.4.4 This property comprises a three bed detached house with accommodation over two storeys extending to 1,117 sq ft Net Sales Area and benefits from a garage and driveway parking and lies centrally within the development but is overlooked by neighbouring units on both sides and suffers from a lack of privacy. A sale was achieved on 18th June 2020 at £418,000 (£374 per sq ft). The Policy Compliant Development is a superior form of development and occupies a superior location within the village and have superior plot characteristics. The market has also improved since the date of this sale and all of these factors can be expected to have a positive effect on value before one applies a significant new build premium.

Old School Road, Liss, Hampshire

- 9.4.5 This development was constructed in approximately 1996 and lies close to the centre of Liss. The most recent sales were in the period between June 2020 and April 2021 and a schedule is provided at Appendix Three. The most recent sales at this development were in the period between January 2021 and October 2021 with the sales indicating values between £401 per sq ft and £465 sq ft. The units at this development are, in the main, significantly smaller and terraced. The most relevant evidence is provided by 16 Old School Road as discussed below.

16 Old School Road, Liss, Hampshire GU33 7RX

- 9.4.6 This property comprises a detached four bed house with accommodation over two storeys extending to 1,365 sq ft Net Sales Area and benefits from an integral garage and driveway parking and lies at the rear of the development close to the recreation ground. A sale was achieved on 15th February 2021 at £640,000 (£465 per sq ft) in excellent condition. The Policy Compliant Development is a superior form of development and occupies a similar location in the centre of the village of Greatham, which is a superior location, and is a less dense and more attractive form of development. The market has improved since the date of this sale and all of these factors can be expected to have a positive effect on value before one applies a new build premium. The extent of any new build premium may be modest as 16 Old School Road was sold in excellent condition.

Dalley Way, Liss, Hampshire GU33 7HD

- 9.4.7 This development of six x terrace and semi-detached houses was constructed in 2003 and lies adjacent to the village centre and the Old School Road development. The Applicant made reference to the sale of 6 Dalley Way in July 2020, however, there have been two more recent sales at this development with the latest completing on 31st March 2021.

4 Dalley Way, Liss

- 9.4.8 This 3 bed mid-terrace house has accommodation extending to 979 sq ft Net Sales Area arranged over ground and first floors and was offered to the market in average/good condition with a remote garage and achieved a sale on 31st March 2021 at £375,000 which analyses at £383 per sq ft.
- 9.4.9 The three bed units at the Policy Compliant Development are semi-detached, larger and whilst occupying a similar village centre location have superior plot characteristics and form part of a superior and less dense form of development. These factors can all be expected to have a positive effect on value before one applies a new build premium.

Conclusion

- 9.4.10 The best evidence for the value of the units at the Policy Compliant Development is provided by the recent transactions at Maple Walk in Liphook. Liphook and Greatham are comparable locations in value terms, generally, although the Maple Walk occupies a less favourable location at the edge of the village rather than the centre. It is therefore considered that the evidence from Maple Walk provides an indication of the lower end of the range of values applicable. The evidence for 3 bed houses indicates values in the order of £462 per sq ft to £474 per sq ft. This is supported by the evidence from the sales at Andler's Walk which with the application of indexation to account for improvements in market conditions indicates values of £448 per sq ft to £497 per sq ft. It is also supported by the evidence from Elizabeth Meadows which indicates values between £449 per sq ft to £499 per sq ft and £490 per sq ft to £562 per sq ft with indexation.
- 9.4.11 These values compare with those adopted by the Applicant for the 3 bed houses between £398 per sq ft to £410 per sq ft. It is therefore considered that the Applicant's opinion of the GDV for the 3 bed houses is very pessimistic. This view is confirmed by the evidence from the Temple Road development which occupies an inferior location and provides terraced houses. These inferior units are currently under offer at £400 per sq ft to £410 per sq ft.
- 9.4.12 The best evidence for the 4 bed houses is provided by the recent sales at Maple Walk for similar size properties within a more compact development and indicate values of at least £431 per sq ft to £449 per sq ft. This is supported by the evidence from Elizabeth Meadows, again for similar size units, at £428 per sq ft to £442 per sq ft and £478 per sq ft to £497 per sq ft with indexation. It is also supported by the sale of the 4 bed units at Andler's Wood at £414 per sq ft to £432 per sq ft and £478 per sq ft to £497 per sq ft with indexation.
- 9.4.13 These values compare with those adopted by the Applicant for the 4 bed houses between £392 per sq ft to £396 per sq ft. It is therefore considered that the Applicant's opinion of the GDV for the 4 bed houses is very pessimistic. This view is confirmed by the evidence from the 16 Old School Road in Liss which comprises a second hand unit in an inferior location and development and which achieved a sale in February 2021 in excellent condition at £640,000 (£465 per sq ft).
- 9.4.14 There is little in the way of current evidence for the sale of 2 bed houses. The evidence from Temple Road for a similar size (875 sq ft) but mid terrace unit with a small garden and occupying an inferior location indicates a value significantly in excess of £418 per sq ft. This is supported by the evidence from the sale of 1 Terracotta Road in Liphook (Oak Park) in February 2021 at £355,000 (£419 per sq ft) which indicates a value with indexation in the order of £469 per sq ft.

The Policy Compliant Development

- 9.4.15 Table 2 at Appendix Two confirms our opinion of the GDV for Policy Compliant Development.
- 9.4.16 In arriving at our opinion of the GDV for the Policy Compliant Development we have adopted an aggregate GDV of £16,469,307 comprising £12,730,000 (£447 per sq ft) for the Market Housing units and £3,739,307 (£237 per sq ft) for the Affordable Housing units.
- 9.4.17 This compares with the Applicant's aggregate GDV for the Policy Compliant Development of £14,186,826.

The Proposed Development

- 9.4.18 Table 1 at Appendix Two confirms our opinion of the GDV for Proposed Development.
- 9.4.19 In arriving at our opinion of the GDV for the Proposed Development we have adopted an aggregate GDV of £19,194,098 comprising £17,055,000 (£453 per sq ft) for the Market Housing units and £2,139,098 (£325.68 per sq ft) for the Affordable Housing units.
- 9.4.20 This compares with the Applicant's aggregate GDV for the Proposed Development of £16,243,095.

9.5 Affordable Housing GDV

- 9.5.1 In relation to the Affordable Rent units we have adopted the Local Housing Allowance for the Blackwater Valley BRMA and applied these, as relevant, to the assumed Affordable Rent units and made deductions of 3% for voids and £1,750 per unit per annum for management, maintenance and sinking fund before capitalising the net income at 5.25%. This equates to some 44.81% of the equivalent market value.
- 9.5.2 In relation to the Shared Ownership units we have assumed an initial equity sale of 35% of the unrestricted Market Value and assumed a rent at 2.75% on the unsold equity before capitalising the income at 5%. This equates to some 69.57% of the equivalent market value.
- 9.5.3 On the basis of the above, we have adopted the following values for the Affordable Housing:
- Policy Compliant Development £3,739,307
 - Proposed Development £2,139,098
- 9.5.4 Our residual appraisal assumes that the Affordable Housing GDV will be paid on typical 'Golden Brick' terms with 30% of the Affordable Housing GDV paid on month six of the construction period (for the land and works completed up to the first course of bricks above the damp proof membrane) with the remaining 70% payable monthly until practical completion.

9.6 Build Costs

9.6.1 The Applicant has assessed the base build costs for the Proposed Development by reference to cost plan (the Cost Plan) prepared by Rider Levitt Bucknall and dated June 2021. A copy of the Cost Plan has been provided as Appendix Five of the Applicant's Viability Appraisal. Our understanding of the assumptions made in relation to base build costs, external development costs, abnormal development costs and contingency are set out below.

9.6.2 The Cost Plan provides for total costs of £10,007,128 inclusive of a contingency of 5% (£467,936).

Base Build Costs

9.6.3 The Cost Plan provides for a base build cost of £5,523,984 (£125 per sq ft) with a further sum of £41,040 for enhanced elevational treatments. A sum of £198,000 has been included for the construction of the garages.

9.6.4 We have reviewed the base build costs against BCIS Upper Quartile data rebased to East Hampshire as at February 2022. This is in line with the recommendations of BNP Report and reflects the higher quality form of development. The base build cost provided by the Cost Plan is in line with BCIS data and we have therefore adopted the same.

9.7 External Costs

9.7.1 The Cost Plan identifies further costs in the order of £3,528,376 for external costs and abnormal development costs. We estimate that some £1,844,156 relates to external costs and there is a 7.5% allowance for 'on-plot' externals. At £1,844,156 the external cost allowance is equal to 33% of the aggregate base build costs. The standard range for external costs is between 10% to 15% and the BNP Report assumes 17.5% within the National Park boundary. The external cost assessment provided by the Cost Plan therefore significantly exceeds normal expectations and prior to making a decision SDNP Authority may wish to have the external costs assessed by a quantity surveyor or costs consultant. Pending the receipt of further information we have, at this stage, provisionally adopted a sum of £1,844,156 for external costs.

9.8 Abnormal Development Costs

9.8.1 The Cost Plan identifies abnormal development costs of approximately £1,973,052.

9.8.2 No specific evidence has been provided to support these sums in the form of quotes. Prior to making a decision SDNP Authority may wish to have the external costs assessed by a quantity surveyor or costs consultant. In the absence of any information we have provisionally adopted a sum for abnormal costs of £1,973,052.

9.9 Contingency

9.9.1 The Applicant has applied a contingency of 5% to the base build costs, external costs and abnormal development costs. The typical range for contingency is between 3% to 5%. In our appraisal we have provisionally adopted a contingency of 5% in line with the Cost Plan, however, it is considered that a lower contingency of 3% may apply as the Policy Compliant Development appears to be a relatively straight forward development using standard house types and construction techniques. We reserve the right to review our opinion of the contingency pending confirmation in respect of the external and abnormal development costs.

9.10 Professional Fees

9.10.1 The Viability Appraisal adopts a sum equal to 10% for professional fees. This sum has been applied to the base build costs, external costs and contingency. The typical range for professional fees is between 6% to 10% with higher sums for professional fees normally applied to complex developments. In our appraisal we have adopted a sum for professional fees of 8%. Professional fees of 8% have been applied as the Policy Complaint Development appears to be a relatively straight forward development using standard house types and construction techniques.

9.11 Planning Contributions

9.11.1 The Viability Appraisal assumes a sum of £75,000 as a contribution towards highway improvements and £18,000 works associated with the travel plan. We have done the same

9.11.2 SDNP Authority advise that a further sum will be required as a contribution towards the provision of mitigation land in relation to the Wealden Heaths Special Protection Area. At this stage, we have made a further allowance of £125,000 for Section 278 and Section 106 contributions pending confirmation from SDNP Authority. Please note that these sums are not included within the Applicant's appraisals at this stage.

9.12 Community Infrastructure Levy

9.12.1 The Applicant has made no allowance for a contribution to the Community Infrastructure Levy. It is assumed that this is a reflection of the relatively high existing Gross Internal Area of the current structures at the property and the exemption for Affordable Housing. The effect of which is to push the GIA of the Policy Compliant Development below the existing Gross Internal Area. We have therefore, at this stage, assumed a £nil contribution to the Community Infrastructure Levy pending confirmation by SDNP Authority.

9.13 Marketing, Sale Costs and Legal Fees

9.13.1 The Viability Appraisal has adopted sale and marketing costs for the Market Housing units and the Affordable Housing at 3% of the GDV and a sum equal to £1,000 per unit has been adopted for conveyancing. We have adopted a sum equal to 2.5% of the GDV of the Market Housing units for sale and marketing costs and £750 per unit for conveyancing.

9.13.2 We have applied a sum of £10,000 for the cost of sale of the Affordable Housing units and a further sum of £350 per unit for conveyancing.

9.14 Finance Costs and Development Programme

9.14.1 The Viability Appraisal adopts a finance rate of 7% per annum inclusive of arrangement fees. The majority of viability appraisals we see are based upon a finance rate of 6% and we have therefore adopted a finance rate of 6% in our appraisals.

9.14.2 The Viability Appraisal adopts a development programme extending to 27 months as set out below:

- 1 month site acquisition (Month 1)
- 5 month mobilisation and pre-construction period (Months 2 to 6)
- 15 month construction period (Months 7 to 21)
- 6 month sale period (Months 22 to 27 assuming 30% of sales off-plan)

9.14.3 This is in line with our expectations and the BCIS Duration Calculator and we have adopted the same.

9.15 Land Acquisition Costs

9.15.1 The Viability Appraisal assumes Stamp Duty Land Tax at the prevailing rate and a sum equal to 1.8% for agency and legal fees. These costs are broadly in line with expectations and we have adopted the same in this review.

9.16 Developer's Profit Margin

9.16.1 The Viability Appraisal adopts a developer's profit equal to 20% of the GDV of the Market Housing and 6% of the GDV for the Affordable Housing. At 20% the developer's profit for the Market Housing units lies at the upper end of the range of 15% to 20% indicated by the PPG. This Proposed Development appears to be a relatively straight forward development using standard house types and construction techniques and is of a size and form that would be attractive to the market in a popular location where competition to secure the site is likely to be high. We have therefore adopted a developer's profit equal to 17.5% of the Market Housing GDV. A 6% profit on the GDV for the Affordable Housing is standard and we have adopted the same.

9.17 Appraisal Results

The Proposed Development

9.17.1 Our residual appraisal (attached as Appendix Four) indicates a Residual Land Value for the Proposed Development of £3,671,482. Say £3,670,000.

The Policy Compliant Development

- 9.17.2 Our residual appraisal (attached at Appendix Five) indicates a Residual Land Value for the Policy Compliant Development of £2,076,664. Say £2,075,000. This is in line with the indicative RLVs provided by the BNP Report as discussed above at paragraph 9.1.4.

10.0 Stand Back

10.1 Evidence from Comparable Development Land Sales

- 10.1.1 The RICS Professional Statement Financial viability in planning: conduct and reporting 1st Edition May 2019 requires appraisers to consider the outputs of the residual appraisals objectively and with the benefit of experience and to apply judgement to the outcome of the residual appraisals. The Professional Statement requires sensitivity analysis of the inputs to the residual appraisal to assess how changes in inputs can affect viability and to understand the extent to which a residual appraisal enables an appropriate determination of viability to be made.
- 10.1.2 The requirement to stand back can best be achieved by comparison of the RLV derived by reference to the residual appraisals with evidence from the sale of comparable development land transactions in line with the requirements of RICS Guidance Note (Valuation of Development Property). This is confirmed by the RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England 1st Edition, March 2021 effective from 1st July 2021 at paragraph 2.2.4.
- 10.1.3 The 2021 Guidance Note confirms at paragraph 2.2.1 that ‘FVAs are not valuations as such, but there is a significant valuation content within an FVA. For that reason, these valuation aspects are within the jurisdiction of the Red Book and other RICS mandatory statements and professional guidance’. The 2021 Guidance Note goes on to say at paragraph 2.2.3 that *‘FVAs for planning purposes are carried out under the NPPF/PPG; this is regarded as the authoritative requirements in the Red Book. This means that the UK government’s technical requirements on the assessment of viability take precedence, but Red Book professional standards still apply. RICS members undertaking this work must adhere to the following:*
- *Statutory and other authoritative requirement*
 - *The Financial viability in planning: conduct and reporting RICS Professional Statement...*
 - *PS 1 and PS 2 of the Red Book’*

At paragraph 2.2.4 the 2021 Guidance Note confirms that *‘this (the 2021 Guidance Note) and other RICS guidance notes are intended to assist practitioners in applying the government’s required approach and should be referenced as appropriate, including:*

- *Valuation of development property, RICS guidance note*
- *Comparable evidence in real estate valuation, RICS guidance note*
- *Valuation of land for affordable housing, RICS guidance note...*

10.1.4 The RICS Guidance Note titled Valuation of Development Property 1st Edition and dated October 2019 (the 2019 Guidance Note) provides the latest guidance on the valuation of development property and at paragraph 2.3.3 confirms that *‘in the case of the valuation of development property, valuations are normally undertaken in two ways: the market comparison approach; and the residual method’*. The Guidance Note confirms at paragraph 2.3.4 that *‘Best practice avoids reliance on a single approach or method of assessing the value of development property. Normally, any valuation undertaken by the market comparison approach should be cross-checked by reference to the residual method. Where a residual method is used, it is similarly important to cross-check the outcome with comparable market bids and transactions where they exist, including the subject property’*. The advice to apply both methods when possible has been endorsed by 2019 amendments to IVS 410 (effective from 31st January 2020), which state: *‘...the valuer should apply a minimum of two appropriate and recognised methods to valuing development property for each valuation project...’*. It is clear from the above that best practice, RICS guidance and direction from IVS require the valuation of development property to be determined by reference to the comparison and residual methods.

10.1.5 The Applicant has sought only to determine the RLV of the proposed development by reference to the residual method. This is contrary to best practice and RICS guidance.

10.1.6 The 2019 Guidance Note at paragraph 5.3 advises that *‘Valuation of development property by comparison requires a depth of information of similar assets normally in a similar type of location or geographical area. The RICS Guidance Note Comparable evidence in property valuation (1st edition) sets out a hierarchy of different types of evidence with direct transactional data at the top. This includes all types of relevant transactional comparable evidence, including:*

- *‘Recently completed transactions of identical properties for which full and accurate information is available; occasionally this may include the subject property itself...’*

Paragraph 5.4 goes on to say that *‘A transaction in the property being valued can provide some of the best evidence available for a valuation, provided it is a recent transaction.’*

10.1.7 On the basis of the above and having regard to paragraph 16 of the PPG, the Applicant is requested to confirm the purchase price payable for the Application Property or the price expected to be paid under the terms of the option agreement in favour of the Applicant.

10.2 Evidence from Comparable Development Land Transactions

- 10.2.1 The evidence from comparable development land transactions is discussed above at paragraphs 9.2.1 to 9.2.3 and indicates a land value **gross of abnormal development costs and CIL and with 40% Affordable Housing provision** for Elizabeth Meadows in Stroud of £114,000 per unit and £103 per sq ft Net Sales Area.
- 10.2.2 Our residual appraisal for the Policy Compliant Development **gross of abnormal development costs and CIL** and with 50% Affordable Housing provision (copy as Appendix Six) provides for a residual value of £4,140,033 which analyses at £112,000 per unit and £94 per sq ft.
- 10.2.3 One might expect a marginally lower gross land value than that indicated by Elizabeth Meadows to apply reflecting the higher proportion of Affordable Housing (50%) provided by the Policy Compliant Development. However, residential values have continued to improve over the intervening period and this would largely off-set any expectation in this regard. It is considered that the gross land value of £94 per sq ft is supportive of our residual appraisals and the value of £112,000 per unit is similarly in line with expectations and reflects the higher average unit size at the Policy Compliant Development (1,195 sq ft against 1,102 sq ft for Elizabeth Meadows). At £112,000 per unit and £94 per sq ft it is therefore considered that our opinion of the gross land value of the Policy Compliant Development is supported by the evidence from Elizabeth Meadows.

10.3 Sensitivity Analysis

- 10.3.1 The latest RICS Professional Statement requires practitioners to provide sensitivity analysis of appraisals based upon an initial estimate of high and low end expectations for the various inputs to an appraisal as part of the stand back approach discussed above. The Applicant has not carried out a sensitivity analysis on their residual appraisals for the Proposed Development or the Policy Compliant Development other than by varying the proportion of Affordable Housing provision.

11.0 Conclusion

- 11.1 To be considered viable to make a policy compliant contribution towards the provision of Affordable Housing the Residual Land Value should exceed the Benchmark Land Value which is agreed at £1,038,000.

The Proposed Development

- 11.2 Our residual appraisal for the Proposed Development provides for a RLV of £3,670,000 and is in line with the evidence from comparable development land transactions. At £3,670,000 the RLV of the Proposed Development exceeds the BLV.

The Policy Compliant Development

11.3 Our residual appraisal for the Policy Compliant Development provides for a RLV of £2,075,000 and again is in line with the evidence from comparable development land transactions. At £2,075,000 the RLV of the Policy Compliant Development exceeds the BLV.

11.4 We have been asked to advise in relation to two questions:

- ❑ Is the Proposed Development under application reference SDNP/21/04848/FUL a viable form of development? Confirmed. The Residual Land Value at £3,670,000 materially exceeds the Benchmark Land Value of £1,038,000 and is therefore a viable form of development.
- ❑ Is the Policy Compliant Development a viable form of development with policy compliant Affordable Housing provision? Confirmed. The Residual Land Value at £2,075,000 materially exceeds the Benchmark Land Value of £1,038,000 and is therefore a viable form of development.

Valuer:



**Fraser Castle MSc MRICS
RICS Registered Valuer
For and on behalf of
Bruton Knowles LLP**

Appendix One

Site & Location Plan

Appendix Two

Table 1
Schedule of Accommodation & GDV
The Proposed Development

Appendix Two

Table 2
Schedule of Accommodation & GDV
The Policy Compliant Development

Appendix Three

Schedule of Comparable Evidence

Appendix Four

Residual Appraisal - The Proposed Development

Appendix Five

Residual Appraisal – The Policy Compliant Development

Appendix Six

Residual Appraisal - The Policy Compliant Development (Gross)