



Land Allocation Viability Appraisal

**Tollgate, Sawmill
Bishops Waltham**

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Prepared for:

Winchester City Council
City Offices
Colebrook Street
Winchester
SO23 9LJ

Prepared by:

Russell Miller MRICS FNARA
DDI: 02380 820 910
M: 07760 171443
E: rmiller@vailwilliams.com

Land Allocation Viability Appraisal

INSTRUCTIONS

Vail Williams has been instructed by Winchester City Council's planning department to provide a desktop review the viability of a number of sites allocated within their local plan. The role of the assessment is to inform policy decisions made by elected members; it does not form part of site specific planning applications or negotiations due to the broad nature of the assessment.

GUIDANCE

This is not a formal market valuation as prescribed by the RICS Valuation – Professional Standards (Red Book); but we have had regard to the RICS Guidance Note 'Financial Viability in Planning' published August 2012 which provides a framework of principles and methodology; defining viability for planning purposes as follows:-

'An objective financial viability test of the development project to meet its costs, including the costs of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering the project.'

We have had regard to the National Planning Policy Framework (NPPF) that states (paragraph 19) that 'the Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth' and goes on to state that (paragraph 173) 'to ensure viability, the costs of any requirements likely to be applied to development such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking in to account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.'

METHODOLOGY

We have prepared an open book assessment by reviewing the Residual Land Value of the sites on the assumption that planning consent has been granted for a scheme that complies with Winchester City Council's current planning policies and obligations (as attached with this report). We have then compared this with a broad assessment of the Existing Use Value in order to comment on the financial viability of the proposed land allocation and likelihood of the site coming forward for development.

Residual Land Value is a valuation technique that assesses a project's land value by deducting all development costs, plus profit and finance from the anticipated gross development value (GDV) upon completion. The land value is a 'residue' that remains from the GDV having made such deductions.

Existing Use Value is an assessment of current uses on the site. We have not been instructed to liaise with landowners and inspect the sites in detail and have therefore undertaken a 'drive by' inspection and utilised Ordnance Survey mapping to make broad assumptions of existing site areas and building floor areas. It is paramount that a more comprehensive assessment of EUV is undertaken when assessing viability associated with site specific

planning applications, which would also include an assessment of alternative use value where appropriate.

We have concluded with a calculation of the potential uplift that results from deducting the Existing Use Value from the Residual Land Value. The percentage uplift is stated and on general terms reflects a return to the landowner (where positive). The level of uplift to constitute a 'competitive return' varies considerably per site but would typically fall within the range of 20-50%. This produces a Benchmark Site Value and should reflect the level at which the landowner is duly incentivised to release the land for development.

DEVELOPMENT ASSUMPTIONS

We have set out below the broad assumptions inputted in to our residual appraisals based upon our experience of advising both the private and public sectors:-

- ◆ Sale values have been estimated from market knowledge and on-line websites;
- ◆ Build costs and programmes have been derived from the Building Information Cost Tables (BCIS) adopting median prices with some variances depending on scale;
- ◆ It is assumed that construction complies with Level 4 of the Code for Sustainable Homes for residential properties;
- ◆ External and landscaping costs are unknown on individual sites and a general 10% additional allowance has therefore been included;
- ◆ Finance has been assessed at 6% on an all inclusive basis including set up fees , applied to 100% of development costs including the land price over a period that includes 3 months site set up and build and sales periods varying depending on the scale of the development;
- ◆ Profit has been assessed at 20% of development costs;
- ◆ It is agreed with WCC that a sum of £5,000/ dwelling be applied as a Section 106 Education contribution accepting that this is likely to vary depending on site specific educational requirements;
- ◆ Where an on-site affordable housing obligation persists we have assumed 40% with a split of 25% shared ownership and 75% affordable rent;
- ◆ Affordable Housing Units have been included within the residual land appraisals based upon an investment value equivalent to 60% of Market Value for Affordable Rent Units and 75% of Market Value for Shared Ownership Units;
- ◆ We have applied the Community Infrastructure Levy (CIL) on the net residential accommodation at a rate of £80/ sq m given the location of the sites being assessed (excluding vacant building credits);

- ◆ Site acquisition costs comprise SDLT, agent fees of 1% and legal fees of 0.5%;
- ◆ A contingency of 5% has been included;
- ◆ Professional fees have been included at 8% for residential schemes and 11% for commercial schemes;
- ◆ Sales and marketing costs have been included at between 2.5%-3% depending on scale and the anticipated level of marketing costs (a higher rate of 5% has been allowed for retirement schemes);
- ◆ The commercial residual appraisal assumes it is developed speculatively, let and sold as an investment, whereas in practice the delivery of employment sites is often predicated on pre-lets and owner occupier demand.
- ◆ No costs have been included in respect of contamination or environmental remediation.

BW5 – Tollgate Sawmill, Bishops Waltham (2.6 ha)

Site A (residential)

0.22 ha (0.05 ha/ plot)

Restoration of Tollgate House (assuming 150 sq m GIA)

BCIS Median Renovation Cost £1,544/ sq m

GDV £4,000/ sq m

Limited New Housing (3 x 4 bed detached houses 125 sq m each)

BCIS Median Cost for one-off housing £1,787/ sq m

GDV £3,750/ sq m

Other Costs

CIL applied to new housing £30,000 (£80 x £375/ sq m)

Education Contribution £20,000 (£5,000/ plot)

No affordable housing contribution due to scheme being below 10 units/1,000 sq m

Site B (Commercial B1b/B8)

2.38 ha gross and 1.78 ha net allowing 25% for buffer

Industrial/warehouse Units @ 40% site density 7,120 sq m

BCIS Median Cost £588/ sq m

GDV £80/ sq m rent @ 7% (£1,142/ sq m cap val)

24 month sales period/ 12 months rent free

RESIDUAL APPRAISAL

Site A £350,000

Site B (£80,000)

Total £270,000 (£103,846 ha)

EXISTING USE VALUE

Estimate from combination of external inspection and Promap analysis

Plot value of existing Tollgate House £200,000 for 0.3 ha (1/3 of GDV)

Former Timber Yard/ open storage land 4,500 sq m @ £7.50/ sq m cap. 10%= £337,500

Remaining greenfield land 1.85 ha @ £50k/ ha = £92,500

Total £630,000 (£242,307/ ha)

VIABILITY COMMENTS

Uplift calculation:

RLV – EUV = (£360,000)

This scenario calculates a residual land value below the existing use value and nil uplift on grant of planning consent for the proposed scheme.

GENERAL REMARKS

It is assumed that the existing Tollgate House could be restored, but a higher renovation cost has been allowed for.

A higher build cost has been applied to the residential element due to the scale of the scheme.

It is likely that a broader employment use for the commercial element of the land allocation would enhance marketability rather than restricting the market in what is already a rural location.

An increase in the employment provision accentuates the loss due to the demand risk against cost.

We have modelled an alternative scenario with a 100% larger residential scheme of 8 units to include an additional 2 x three bed houses and 2 x two bed houses, which increases the residual land value to circa £950,000 for an increased site of 0.42 ha (0.05 ha/plot); equating to £2,261,904/ha (£916k/ acre). No affordable due to size; increased CIL and Education contributions; reduced build cost per sq m due to scale. Resultant reduced employment reduces loss to (£70,000) with overall viability improved to an uplift of circa £250,000 (40%).

BW5: Tollgate Farm, Winters Hill/Winchester Road: 2.6Ha

