Financial Viability Assessment

Land Off Watermill Gardens
Penistone

Mulgrave Homes

29 August 2023

CUSHMAN & WAKEFIELD

Contents

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Report Disclaimer

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Version	Prepared by	Approved by	Date
FVA – Mulgrave Homes Penistone	Matthew Brear BA (Hons) MSc MRICS	Philip Roebuck FRICS	19th June 23

General Caveat

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

The results should be interpreted with this caveat in mind and the appraisals should not be interpreted or relied upon as formal valuations prepared in accordance with the current RICS Valuation – Global Standards (the "Red Book"). In addition, we highlight the following:

Market Context

Following the initial recovery of the economy from the COVID-19 pandemic, the UK is currently experiencing heightened uncertainty due to a number of factors.

The recent political turmoil observed in the UK has compounded the impact being felt from the war in Ukraine as well as significant prices rises across the economy and energy subsidies have compounded inflationary pressures. Inflation is at a 40-year high which is resulting in higher cost of living expenses as well as significant increases in the base rate.

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

Build Costs

We are currently seeing significant variation in tendered build costs and inflationary pressures across all sectors affecting the construction industry. As a result, the build cost assumptions that have been applied in this appraisal/assessment are susceptible to short term changes which could have a material bearing on viability and/or residual land values.

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

Development Finance

Development finance costs are increasing due to recent increases in the base rate and subsequent interest rates. Such further increases in the cost of development finance could have a material impact on viability and/or residual land values.

Development Programme

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

Sensitivity Analysis

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

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

Executive Summary

This Financial Viability Assessment ('FVA') has been commissioned by Mulgrave Homes to assess the viability of Land off Watermill Gardens, Penistone based on all relevant national and local planning policy requirements.

The Planning Practice Guidance for Viability ('PPGV') (July 2018, updated May / September 2019) states that an executive summary of an FVA is to be made publicly available to promote greater transparency and accountability within the viability assessment process.

The RICS Professional Statement Financial Viability in Planning: Conduct and Reporting (1st Edition, May 2019) also states that all FVAs must be accompanied by non-technical summaries to assist non-specialists in better understanding the report.

Accordingly, an executive summary has been prepared to present the findings of this FVA in a clear and concise manner. This executive summary should, however, not be considered in isolation from the full report.

Input	C&W Assumption
Site	**Watermill Gardens, Penistone**
Applicant	**Mulgrave Homes**
Consultant	**Cushman & Wakefield**
Proposed Development	17 Residential Dwellings
Policy Requirements	4 affordable units + 106 costs (£201,780)
Benchmark Land Value	**£910,000**
Net Sales Area	22,127 sq ft
Gross Site Area	1.82 acres
Net Developable Area	1.63 acres
GDV	£6,020,000
Build Costs	£2,965,018
Abnormal Development Costs	£249,060
Professional Fees	£237,201 (8%)
Finance	£94,686
Developer's Profit	£1,157,644
Policy Complaint Residual Land Value	**£357,976**

Conclusions

Our report demonstrates the scheme is unable to viably deliver Barnsley Metropolitan District Councils full planning gain requirements when measured against our opinion of Benchmark Land Value.

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

1. Introduction

The following sections of this report explain the proposed scheme in further detail and how each of the value and cost inputs have been determined. We firstly provide a brief summary of the approach to the FVA, the proposed development, the key viability issues and the conclusions drawn from this FVA under the sub-headings below.

- Purpose of FVA and Approach
- Site Location(s) and Description of Proposed Development
- Relevant Local Planning Policy
- Summary of Key Viability Inputs
- Scheme/area wide Viability and Key Conclusions

1.1 Purpose and Information Relied On

In preparing this FVA for planning purposes, we have relied on information made available to us by the Applicant. If there are changes to the proposed scheme and/or the information relied on, this could impact on the assumptions adopted in the FVA and the resultant conclusions. We request that any changes are made known to us for review at the earliest opportunity and we reserve the right to amend our assumptions in the event of such changes.

1.2 Report Structure

The remainder of this report is structured as follows:

- Section 3 – sets out the mandatory reporting requirements in the RICS Professional Statement Financial Viability in Planning: Conduct and Reporting (May 2019);
- Section 4 – sets out the other relevant national viability guidance, the justification for, and the approach to the FVA;

This FVA has been prepared as at 18th July 2023 in the context of prevailing market and economic conditions. Should there be a material change to the market and/or economic climate prior to determination of the planning decision, it may be necessary to update the FVA assumptions.

1.3 Explanatory Note

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

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

Specifically in respect of build cost inflation, C&W is currently seeing significant variation in tendered build costs across all sectors driven by supply chain shortages affecting the construction industry. As a result, the build cost assumptions that have been applied in this appraisal/assessment are susceptible to short term changes which could have a material bearing on viability and/or residual land values. As a matter of prudence we recommend that where not already provided, sensitivities should be examined to test the effects of such variations and that further advice should be sought to market test such cost assumptions to inform decision making and prior to any investment commitments. It is also recommended that changes in build costs are closely monitored and the impacts on development viability kept under review.

2. Financial Viability in Planning: Conduct and Reporting (May 2019) – RICS Professional Statement

Cushman & Wakefield is a firm regulated by the RICS. In line with RICS requirements, we have had regard to the relevant RICS professional standards and guidance in preparing this FVA. We outline the most relevant standards and guidance within Sections 3 and 4 of this report.

2.1 RICS Professional Statement

This FVA has been prepared in accordance with the RICS Professional Statement Financial Viability in Planning: Conduct and Reporting (1st edition) (May 2019). This document sets out mandatory requirements on conduct and reporting in relation to FVAs for planning in England to demonstrate how a reasonable, objective and impartial outcome should be arrived at. It also aims to support the government's reforms to the planning process announced in July 2018 and any subsequent updates.

Sections 2.1 to 2.14 of the Professional Statement set out the fourteen mandatory reporting and process requirements for all FVAs prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

We confirm that this FVA has been carried out in accordance with Sections 2.1 to 2.14. The mandatory reporting requirements are set out under the sub-headings below and expanded on where relevant in this FVA.

2.2 Section 2.1: Objectivity, Impartiality and Reasonableness Statement

We confirm that this FVA has been carried out by an RICS member who has acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information. We further confirm that the RICS member is a suitably qualified practitioner and RICS Registered Valuer with sufficient skills, expertise and knowledge to provide a robust and objective FVA.

The RICS member has extensive experience in advising on FVAs across the North of England, and has an up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

2.3 Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

The terms of engagement for this instruction are appended to the rear of this report.

We must declare any conflict of interest or risk of conflict of interest. Section 2.2 states that 'informed consent' management through the form of a declaration statement can be appropriate depending on the circumstances.

We confirm that we have no current, anticipated or previous recent involvement with the subject site or the parties to the instruction. We confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.

If any of the parties in this FVA identified a conflict of interest, we would immediately stand down from the instruction.

2.4 Section 2.3: No Contingent Fee Statement

In preparing this report, no performance-related or contingent fees have been agreed.

We have previously advised the applicant on several site-specific FVAs in support other planning applications for development. Again, we do not consider that any conflict of interest, or risk of conflict of interest, arises as a result of the interests which we have disclosed.

2.5 Section 2.6: Justification of Evidence

All inputs into this FVA have been reasonably justified as explained in further detail throughout this report. It is noted that where the appointed reviewer disagrees with elements of the submitted FVA, the parties should always seek to resolve differences of opinion where possible.

2.6 Section 2.7: Benchmark Land Value

We have assessed the Benchmark Land Value ('BLV') in accordance with Section 2.7 of the Professional Statement in that we have reported the following:

- Current Use Value
- Premium
- Market evidence (as adjusted in accordance with the Planning Practice Guidance)
- All supporting considerations, assumptions and justifications adopted

Full justification for the adopted BLV is provided in Section 8 of this report.

2.7 Section 2.9: Sensitivity Analysis

A sensitivity analysis on key appraisal inputs is provided in Section 9 of this report, together with accompanying explanation and interpretation of the results. This enables the applicant and decision-maker to consider how changes to key variables impact on viability having regard to scheme risks and an appropriate return, and to assist in arriving at appropriate conclusions.

2.8 Section 2.10: Engagement

We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

This must be agreed and documented between the parties

2.9 Section 2.11: Non-technical Summaries

A non-technical summary is provided at the beginning of this report which includes the key figures and issues that support the conclusions drawn from this FVA.

2.10 Section 2.14: Timescales

We confirm that adequate time has been allowed to produce this FVA having regard to the scale of this particular project.

We further confirm that this FVA has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

3. Viability Guidance and Approach to Financial Viability Assessment

Further to the mandatory RICS reporting requirements, within this section of our report we summarise the other key national guidance pertaining to viability and how we have approached the FVA for the subject site in light of this guidance.

3.1 Current Viability Guidance

In July 2018, the government published a revised National Planning Policy Framework ('NPPF') and Planning Practice Guidance for Viability ('PPGV') which were updated in February 2019 and May 2019 / September 2019 respectively. These documents set out the key principles which should be considered when assessing the viability of development at the plan-making and decision-taking stages.

In response, the RICS has published two documents; the aforementioned RICS Professional Statement (May 2019) and the RICS Professional Standard: Assessing Viability in Planning Under the NPPF 2019 For England (March 2021).

The RICS Professional Statement sets out the mandatory FVA requirements on conduct and reporting as covered in Section 3. The RICS Professional Standard provides requirements and expectations for how the RICS expects its members to carry out and interpreting the results of FVAs under the NPPF and PPGV.

We have had full regard to the relevant national and RICS guidance in preparing this FVA. It is noted, however, that despite the recent updates to the guidance, there still remains considerable ambiguity and subjectivity in terms of the approach to FVAs and the assessment of key inputs.

The most pertinent aspects of the guidance are summarised under the sub-headings below and expanded on where relevant in this FVA.

3.2 Application of the Red Book and Related RICS Guidance

The RICS Professional Standard confirms that FVAs are not valuations as such but contains significant valuation content which are within the jurisdiction of the RICS Valuation – Global Standards ('the Red Book') and other RICS mandatory statements / professional guidance. All RICS members carrying out FVAs must therefore adhere to these provisions

The RICS guidance note further advises that all FVAs for planning purposes are carried out under the NPPF / PPGV which is regarded as the 'authoritative requirement' in the Red Book. This means that the government's technical requirements on the assessment of viability take precedence over any other RICS professional statements and guidance, including any valuation-based requirements in the PPGV which take precedence over any other valuation basis or approach set out in the standards, however Red Book professional standards still apply.

RICS members undertaking FVAs for planning purposes must therefore adhere to:

- Statutory and other authoritative requirements (including the NPPF and the PPGV);
- The RICS Professional Statement Financial Viability in Planning: Conduct and Reporting; and
- PS 1 and PS 2 of the Red Book.

We confirm that we have complied with these requirements in preparing this FVA for planning purposes.

In respect of PS1 and PS2 of the Red Book, we acknowledge in summary the following points of compliance in respect of this FVA:

- This FVA is prepared for assessing viability of development to assist with planning matters, either plan/policy making, or decision taking. The FVA therefore constitutes an exception from valuation technical and performance standards ('VPS') 1 – 5 of the Red Book, and is not a formal valuation;
- We confirm that all individuals who have contributed to this FVA have acted in accordance with the RICS Rules of Conduct and the RICS Global Professional and Ethical Standards;
- We have had full regard to the need to act independently and objectively at all times, in a professional and ethical manner free from any undue influence, bias or conflict of interest; and
- We collectively have sufficient professional qualifications, current knowledge of the relevant markets, and the experience, skills and understanding to undertake the FVA competently.

3.3 Viability Principles

As set out in the RICS guidance note, LPAs will have objectives to secure appropriate contributions from development to meet the community and infrastructure needs within their local area. The RICS guidance further states that other stakeholder expectations need to be considered as part of the viability process; namely developers who will expect to make a suitable return, and landowner expectations which are crucial in ensuring the voluntary release of land for development.

The purpose of an FVA is to estimate whether a proposed development, when accounting for policy compliant levels of developer contributions, can provide:

- A minimum reasonable return to the landowner (defined as the CUV plus a premium); and
- A suitable return to the developer.

If the FVA illustrates that the scheme is not viable with full policy requirements, the decision-maker will need to consider whether to adjust the developer contributions, having regard to all the particular circumstances in the individual case.

The RICS guidance (paragraph 2.3.14) advises that the decision-maker will need to:

"make their judgements bearing in mind the two major policy imperatives of ensuring maximum development contributions and the delivery of land for development".

The RICS guidance (paragraph 2.4.6) further states that a proper understanding of viability is essential to ensure that:

- Land is realistically priced and released for development to achieve plan delivery;
- All reasonable costs of construction related to the development have been accounted for; and
- Developers can obtain appropriate market risk-adjusted returns for delivering development.

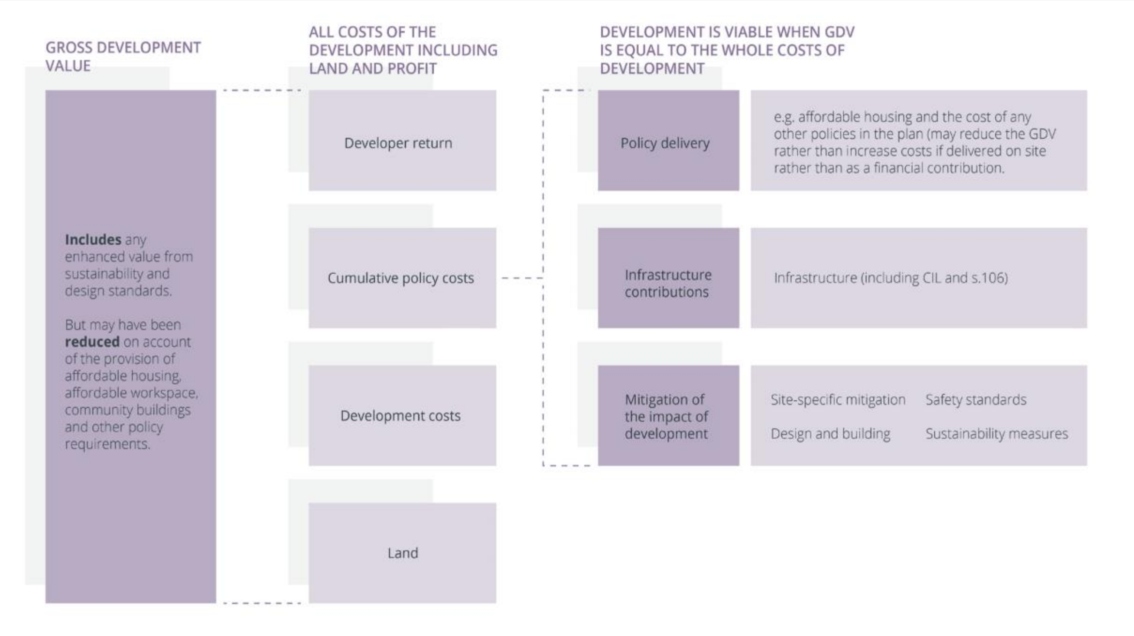
3.4 Viability Framework

The PPGV (Paragraph 10) defines an FVA as follows:

'Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes

looking at the key elements of gross development value, costs, land value, landowner premium, and developer return'.

The FVA process reflects a residual appraisal framework as shown in the diagram below and further explained in the Valuation of Development Property (October 2019) RICS guidance note:



Source: RICS Guidance Note *Assessing Viability in Planning Under the National Planning Policy Framework 2019 for England* (March 2021)

4. Site Overview

4.1 Site Location

Penistone is a market town and civil parish in the Metropolitan Borough of Barnsley, South Yorkshire. It is 8 miles west of Barnsley, 17 miles north-east of Glossop, 14.2 miles north west of Sheffield, and 29 miles east of Manchester in the foothills of the Pennines.

The A629 Halifax Road and A628 Barnsley Road provide the main routes into Penistone and link to Barnsley and the wider national motorway network. Penistone Railway Station is located approximately 0.5 to the south east of the site. The railway station currently only serves the Penistone Line which connects Huddersfield with Sheffield, via Barnsley, with an hourly train in each direction.

Penistone high street is largerly made up of local retailers. 500m south of the land is a Tesco Supermarket built in 2011.

4.2 Site Description

The site is accessed off Watermill gardens, a development of 11 dwellings which was granted consent in 2011. The affordable dwellings (plots 14 – 17) are separately accessed off Kings Court which in turn is accessed off Huddersfield Road.

The land is currently in agricultural use, for grazing, with a mixture of boundary treatments. It is of an irregular shape gently sloping in a southern direction with the northern boundary shared with Penistone Grammar School (Ofsted Rating: Good) whilst to the North East is a development by Barratt David Wilson. The centre of Penistone is located to the South.

We are advised the gross site area is 1.82 acres (0.74 hectares) and the proposed development is set on 1.63 acres (0.66 hectares) – the net developable area**.**

4.3 Proposed Schedule of Accommodation

The proposed development comprises a scheme of 17no. dwellings.

We have set out below the proposed accommodation:

House type	Type	Beds	Storey	No.	NSA	Total NSA
Newton	Detached	3	2	5	1006	5,030
Farnham	Detached	4	2	3	1,191	3,573
Chatsworth	Detached	4	2	1	1,554	1,554
Brompton	Detached	3	2	2	1,665	3,330
Kirby	Detached	6	2.5	2	2,758	5,516
H4*	Semi-Detached	2	2	4	781	3,124
Total				**17**		**22,127**

***Affordable tenure**

4.4 Accommodation Summary

The proposed accommodation comprises a Net Sales Area of 22,127 sq ft across 17 no. detached dwellings. The market housing is made up of 13 units with the mix comprising 7no. 3-bed dwellings (54%) and 4 no. 4-bed dwellings (31%) units and 2no. 6 bed properties (15%). The separately accessed affordable properties are 4 semi-detached 2-bedroom dwellings.

Newton

The detached property at ground floor features an open plan living and dining area with patio doors opening out to the rear garden. The living room is located to the front together with a WC and two storage cupboards accessed off the entrance hall. At first floor, accessed from a central landing are 3 bedrooms and a house bathroom with the master bedroom featuring an en-suite facility.

Farnham

The detached property at ground floor level is set out in a very similar way to the Newton House type. The first floor is split differently providing four bedrooms with the master bedroom benefitting from an en-suite facility. The house bathroom features a bath, sink and toilet.

Chatsworth

The detached property features to the front of the property separate living room and snug accommodation whilst to the rear is an open planning dining and kitchen area. Accessed off the kitchen is a small utility which also provides access to a side door. At first floor are 4 double bedrooms and a house bathroom. The master bathroom again benefits from an ensuite facility.

Brompton

The ground floor accommodation comprises to the front a lounge and study room located either side of the entrance hall. To the rear is a further family/dining area together with a kitchen and utility room. The first-floor features three double bedrooms with the master bedroom running front to back incorporating a dressing area and en suite facility.

Kirby

The 2.5 storey Kirby offers detached accommodation, at ground floor level and accessed off an internal hallway is the living accommodation. To the opposite side is an open plan kitchen featuring central island and located to the rear is a utility and dining room together with a family area. At first floor are 4 bedrooms with the master bedroom running front to rear incorporating a dressing area and ensuite, the house bathroom is also at this level. Located on the second floor (within the eaves) is bedrooms two and three together with a second bathroom facility.

5. Planning Overview

5.1 Planning Policy

The site falls within the administrative area of Barnsley Metropolitan District Council (BMDC). Relevant planning policies are contained within the adopted Local Development Framework.

The Local Plan Strategy was adopted in January 2019, forming part of this is the Penistone Neighbourhood Development Plan. Within this document it is proposed that they will be the development of 637 dwellings over the plan period (2014 to 2033).

The subject site forms part of allocation HS70 – Land to the North of Barnsley Road. This incorporates the development known as Watermill Gardens by Dutchy Homes which gained planning permission (Reference: 2015/1367) for the development of 11 dwellings. The local plan suggests an indicative yield of 32 dwellings from the entirety of the allocation with regard needed to listed buildings located nearby and avoid development in parts of the site that are located within flood zones 2 and 3. It is also recommended that archaeological assessment is undertaken as remains are to be expected.

Policy H7 of the local plan states that on housing developments of 15 or more dwellings then it is expected that they should provide affordable housing. Specifically, within Penistone a 30% affordable housing provision is to be expected. The type and tenure of this provision is to vary from site to site according to local circumstance.

5.2 S.106 Requirements and Community Infrastructure Levy

As per BMDC policy the proposed scheme puts four dwellings forward of an affordable tenure, these are spread across plots 14,15,16 and 17. There is an additional commuted sum which makes up the shortfall in the number of affordable dwellings within the scheme. This is calculated based on the Council's SPD guidance which states that commuted sum equals open market value minus transfer values minus the agreed developer profit, this totals £64,350.

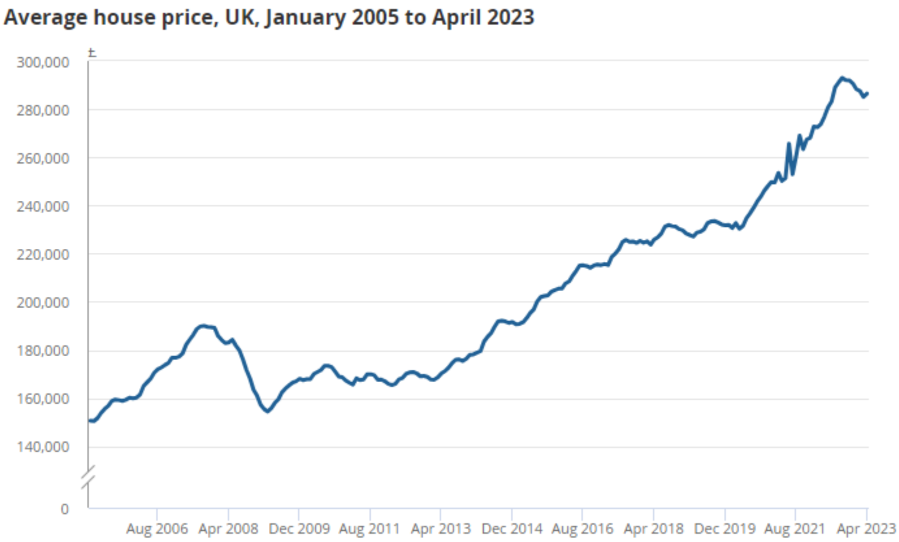
As part of the 106 agreement the commuted sum totals £201,780 as part of the 106 agreement these are make up as follows:

- Education - £92,160
- Sustainable Travel – £16,000
- Open Space - £29,270
- Shortfall of affordable - £64,350

6. Residential Market Overview

6.1 UK Housing Market

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



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

However, following Russia's invasion of Ukraine in February 2022, the UK and wider global economy has witnessed a sharp rise in the cost of living specifically fuel and energy prices together with general consumer goods. Subsequently inflation is now at its highest for forty years at 10.5% although it is widely thought to have peaked in October 2022 at 11.1%. A fall in wholesale gas prices and an improvement in the global supply chain should mean inflation is on the downward trajectory.

Inflation continues to outpace earnings, and in September to November 2022, growth in real terms (adjusted for inflation) for total and regular pay both fell by 2.6% on the year. The cost-of-living squeeze is impacting buyers and renters' affordability.

To control inflation, the Bank of England increased interest rates to 4.5% in May 2023, and once more to 5.0% in June 2023. The residential market is extremely sensitive to interest rate rises For example, a 2- year fixed mortgage rate on a 90% LTV was 1.95% in January 2022, peaking at 6.28% in November 2022. Housing market activity has slowed, as rising interest rates, high inflation, and a weaker economy impact buyers' confidence.

- Mortgage approvals experienced a monthly increase of 3.1% in May 2023, showing some of the positivity we had earlier in the year.
- Sales experienced a 3% monthly decrease in May 2023, and remain 20% below pre-pandemic levels.
- In June 2023 UK house prices experienced a 3.5% annual decline, remaining broadly flat over the month.

7. Stage One: Residual Land Value

To establish the viability of the proposed scheme we have adopted the residual approach, which involves calculating the Gross Development Value (GDV) of the development on completion and deducting all costs associated with bringing the scheme forward, including an element of developer's profit.

7.1 Gross Development Value

In accordance with planning policy guidance, to establish achievable revenues for the proposed scheme we have assumed delivery by a hypothetical housebuilder. We have undertaken research on new-build and second-hand sold prices in the locality, taking care to select developments and properties which are most closely comparable to the subject site.

7.1.1 New-build Revenue Analysis

The most relevant evidence for establishing likely sales revenues on new-build schemes is other comparable new build developments. Evidence should come from schemes within the immediate vicinity of any site being considered or, if this is not possible, schemes situated within neighbouring areas where house prices are comparable.

The key benefits of utilising new build evidence are:

- Accurate floor areas can be verified through information included on house builder websites or from floor plans submitted as part of the planning application for a site
- New build housing is more homogenous than second-hand stock, with specification typically similar across schemes and prior to alterations and additions by individual homeowners
- Values can be therefore accurately be compared on a rate per sq ft basis

When utilising new-build evidence, it is important to note that housebuilders frequently offer incentives to purchasers or negotiate discounts against quoted asking prices to achieve sales.

Not all sales incentives offered by developers to secure plot sales are accounted for within the figure quoted at HM Land Registry (HMLR), most notably, part-exchange. For the purpose of comparing net sales revenues on a like-for-like basis, the price quoted on HMLR should therefore be discounted to allow for additional sales incentives, typically in the order of 3-5% depending on market area. For the purposes of this report we have applied a discount of 3% from the gross revenues sourced from HMLR.

Note that in analysing sales evidence we have relied upon HMLR data and floor areas contained within the EPC Register. As such, we are reliant upon the accuracy of this data. While there may be some margin of error, the comparables do nonetheless provide good evidence for likely achievable values at the subject site and are in-line with our expectations of value based upon our market knowledge.

We have utilised the following new build evidence to inform our assessment of achievable revenues.

1. **Watermill Gardens – Dutchy Homes**
2. **Woodview Grange - Orion Homes**
3. **Penning Fold/ Penning Ridge – Barratt Homes/ David Wilson Homes**

7.1.2 Watermill Gardens – Dutchy Homes

This scheme adjoins the subject development and provides access to the market housing element, therefore, in terms of location it is extremely comparable. The development consists of 11 dwellings, it is expected that no affordable housing was required due it being under the threshold.

Following its planning consent in late 2015 the development was slowly built out. Set out below is a mixture of initial sales from the latter phase and more recent secondary sales.

Address	Date	Sale Price	Property Type	Floor Area	Gross price (£/sqft)	Net Price (£/sqft)
Secondary Sales						
3, Watermill Gardens	25/05/21	£530,000	Detached	2012	£263	n/a
1, Watermill Gardens	10/12/20	£495,000	Detached	2012	£246	n/a
2, Watermill Gardens	02/11/18	£550,000	Detached	2,163	£254	n/a
New Build Sales						
1, Watermill Gardens	08/03/18	£454,999	Detached	2012	£226	£219
4, Watermill Gardens	15/12/17	£454,999	Detached	1,851	£246	£239
5, Watermill Gardens	01/12/17	£494,999	Detached	2012	£246	£239
3, Watermill Gardens	30/11/17	£534,999	Detached	2012	£266	£259

To focus on the more recent secondary sales the blended average revenue equates to £254 per sq ft.

In respect of the new build sales However, whilst HMLR does account for most sales incentives offered by the housebuilder to the purchaser, it does not account for all financial incentives, most notably part-exchange, where the net receipt to the housebuilder may follow sometime after submission of forms to HMLR. On this basis, we have assumed a 3% discount from gross to net to arrive at a blended average of £239 per sq ft.

It is noted that the evidence is for significantly sized dwelling with the majority over 2000 sq ft, It is common in the marketplace to see smaller dwellings achieve a higher price per sq ft in comparison to their larger counterparts.

7.1.3 Wood View Grange – Orion Homes

Developer Orion Homes gained consent in June 2018 for the development of 28 dwellings incorporating 5 affordable units. The development is access of the A628 (Thurlstone Road) to the West of the centre and circa 0.75 miles south west of the subject property.

Recent transactional evidence includes:

Address	Date	Sale price	Property Type	Floor Area	Gross price (£/sqft)	Net Price (£/sqft)
30, Wood View Grange	11/05/22	£394,995	Detached	1,410	£280	£272
9, Wood View Grange	24/03/22	£289,995	Semi	1,367	£212	£206
28, Wood View Grange	17/03/22	£384,995	Detached	1,528	£252	£244
3, Wood View Grange	10/03/22	£369,995	Detached	1,184	£312	£303
21, Wood View Grange	07/02/22	£220,995	Semi	904	£244	£237
19, Wood View Grange	28/01/22	£220,995	Semi	904	£244	£237
18, Wood View Grange	14/01/22	£339,995	Detached	1,184	£287	£279
4, Wood View Grange	03.12/21	£285,995	Semi	1,367	£209	£203

Whilst HMLR does account for most sales incentives offered by the housebuilder to the purchaser, it does not account for all financial incentives, most notably part-exchange, where the net receipt to the housebuilder may follow sometime after submission of forms to HMLR.

On this basis, we have assumed a 3% discount to the gross average revenue meaning blended average net revenue of £248. Splitting this by house type show highlights the following evidence:

Type	No.	Average Price	Average Size	Gross £/sq ft	Net £/sq ft
Detached	4	£372,495	1,326	£280	£271
Semi-Detached	4	£254,495	1,135	£224	£217

The scheme shares a very similar location to the subject development with the detached properties comparable in size to the subject development. The semi-detached dwellings are significant in size and as such distort the overall figures to a degree.

7.1.4 Penning Fold/ Penning Ridge – Barratt Homes/ David Wilson Homes

Barratt David Wilson purchased land located to the north of the subject development in July 2021 with the benefit of a consent for the development of 400 dwellings. The developer it is understood are building out the majority with sales via two outlets using there two brands (Barratt Homes and David Wilson Homes)

Launch prices are as follows:

House name	Type	Beds	Price	Size	Devaluation (£/psf)
Barratt Homes					
Ellerton	Semi	3	£287,995	830	£347
Maidstone	Semi	3	£289,995	830	£349
Moresby	Detached	3	£304,995	854	£357
Alderney	Detached	4	£407,995	1,225	£333
Kingsley	Detached	4	£384,995	1,080	£356
David Wilson Homes					
Holden	Detached	4	£507,995	1,536	£331
Ingelby	Detached	4	£373,995	1,081	£346
Kirkdale	Detached	4	£459,995	1,354	£340
Bradgate	Detached	4	£479,995	1,434	£335
Chelworth	Detached	4	£549,995	1,703	£323
Cornell	Detached	4	£449,995	1,374	£328

It would be anticipated that these gross prices would net back by circa 5 to 15% once sales incentives have been accounted for, subsequently for this purpose an average discount of 10% has been applied:

Barratt Homes

Type	No.	Average Price	Average Size	Gross £/sq ft	Net £/sq ft
Detached	3	£365,995	1,053	£348	£313
Semi-Detached	2	£288,995	830	£349	£291

David Wilson Homes

Type	No.	Average Price	Average Size	Gross £/sq ft	Net £/sq ft
Detached	6	£470,328	1,414	£333	£300

The scheme is located to the north east of the subject development with vehicle access from both Halifax Road and Well House Lane. The development is of such a size that it will be self-generating in terms of evidence. Current sales of phase one concern the middle element of the site and therefore are to this early stage may feel detached from the town centre

7.1.5 Second-Hand Revenue Analysis

We have also undertaken analysis of the wider second-hand market, measuring a 1 mile radius from the centre of Penistone. Given the mix and type of property that the proposed development is to provide the focus has been on detached accommodation.

Our market research indicates there were 23 no. transactions between June 2022 and April 2023, the following evidence was obtained.

Average Price (£)	Average size (Sq Ft)	Average Price per sq ft (£/sqft)
£353,758	1,275	£277.00

It would be fair to anticipate that newbuild dwellings would achieve a premium in comparison to second-hand sales. That said based on the evidence the average size is smaller than a lot of the new build schemes considered which can distort figures. As previously stated, it is generally accepted that smaller dwellings often achieve a higher price per sq ft. It also worth noting that during the period considered there has been very little new build activity with only smaller schemes coming forward.

7.1.6 Summary of new-build revenues

Our analysis of new-build revenues is as follows:

Development	Developer	Distance from Subject (m)	House Type	Average Price	Average Size	Gross £/sq.ft	Net £/sq.ft*	Similarity
Watermill Gardens	Dutchy Homes	Adjoining	Detached	£525,000	2,062	£254	-	Same Location Bigger Dwellings
	Orion Homes	0.75	Detached	£372,495	1,326	£280	£271	Comparable
			Semi-Detached	£254,495	1,135	£224	£217	
Penning Fold	Barratt Homes	1	Detached	£365,995	1,053	£348	£322	Comparable
			Semi-Detached	£288,995	830	£349	£323	
Penning Ridge	David Wilson Homes	1	Detached	£470,328	1,414	£333	£308	Comparable
Second Hand	n/a	n/a	Detached	£353,758	1,275	£277	N/A	Second hand evidence

7.1.7 GDV Summary – Market Housing

There has been a steady flow of new build activity with Penistone over the past number of years, however, as has been highlighted this has been from the SME development sector. The Penistone Neighbourhood Development Plan proposes that there will be the development of 637 dwellings over the plan period (2014 to 2033). A significant amount (66%) of this target will come from the Barratt/ David Wilson Homes scheme located to the North.

To achieve their target sales rates they have dual branded the site to create a significant supply into the market place. That said It is felt that the subject development can separate itself given the quality of dwellings that is proposed. It is also felt the location whilst not benefiting from the views that the Barratt/ David Wilson Homes scheme has, it is superior in terms of proximity to the town centre.

7.1.8 GDV Summary – Affordable Housing

Our assessment of achievable transfer values, to a Registered Provider, assumes delivery of 30% affordable housing in accordance with policy H7. The draft SPD: Affordable Housing expands that the tenure split should be 70% affordable homes for rent and 30% affordable home ownership.

7.1.9 GDV Conclusions

Having regard to our comparable evidence, our assessment of achievable revenues is as follows assuming delivery of 30% affordable housing.

House type	Type	Beds	Number of	Price (£)
Newton	Detached	3	5	£330,000
Farnham	Detached	4	3	£360,000
Chatsworth	Detached	4	1	£500,000
Brompton	Detached	3	2	£475,000
Kirby	Detached	6	2	£725,000
H4*	Semi-Detached	2	4	£97,500
Total			**17**	

In respect of the affordable dwellings a transfer value at 50% of open market value as per our analysis of the BMDC affordable housing policy requirement.

This assessment results in a total gross development value (GDV) of £6,020,000. Specially focussing on the market housing, the total revenue equates to £5,630,0000 which devalues to £296psf overall. It is felt this is a fair assessment taking account of the variance in size and design in comparison to other developments considered.

7.2 Cost Assumptions

7.2.1 Build costs

To assess the residual land value of the proposed development, we have deducted the costs of construction from the GDV. The cost assumptions associated with identifying the value of the proposed scheme fall into two distinct sections:

- The cost of delivering the housing, including plot externals; and
- The cost of delivering the infrastructure, services, site works etc. over and above that of the traditional house building costs. These are the abnormal development costs.

The NPPF and PPG guidance states build costs should be based on appropriate data and identifies the Build Cost Information Service (BCIS) as an appropriate source. A scheme of this scale will appeal to SME housebuilders who will not benefit from the cost saving experienced by large scale national housebuilders who ultimately benefit from economies of scale. Additionally Mulgrave Homes are passionate about delivering high specification, well-built dwellings therefore the upper quartile build cost estimate is a reasonable point of reference.

The BCIS upper quartile rate for general estate housing dated 14th July 2023 and rebased to Barnsley as the nearest point equates to £1,433 per sq m (£134 per sq ft), which includes standard plot build plus prelims.

Whilst BCIS average price data include preliminaries, it does not account for costs associated with immediate plot externals such as gardens, driveways and utility service connections. We have therefore included a 10% allowance to account for plot externals not captured within the BCIS data. This gives an ‘all-in’ build cost of £1,587.30 per sq m (£147.47 sq ft).

For the avoidance of doubt, this cost relates to the plot build and plot externals only and makes no allowance towards abnormal development cost items. Our approach is robust, consistent with the latest NPPF guidance and is supported by independent BCIS data.

7.2.2 Detached Garages

BCIS data does not account for the construction of detached garages, and we have therefore applied an extra-over cost for the quota of garages proposed at a fixed cost per unit of £12,000 per single garage, and £17,000 per double garage

We are advised the scheme will deliver 13 no. detached garages, comprising 11 no. singles and 2 no. doubles, representing a total cost for detached garages of £166,000.

7.2.3 Abnormal Development Costs

Our client has provided us with a schedule of anticipated abnormal development costs, which we have itemised within our appraisal as set out below.

Item	Cost
Open Space	£51,480
Piled Foundations	£90,280
Surface Water Balancing Works	£107,300
Total	**£249,060**

We have assumed the abnormal costs associated with the scheme are phased over the period of the construction.

7.2.4 Section 106 Costs

Through discussions with the local planning authority the below costs have been estimated as part of the section 106. It is assumed these costs are met at commencement of construction.

Item	Cost
Education Contribution	£92,160
Sustainable Travel Contribution	£16,000
Off Site Open Space Contribution	£29,270
Shortfall of Affordable (1.10 plots)	£64,350
Total	**£201,780**

7.2.5 Professional Fees

Professional fees typically range from 6-10% of the standard build cost depending on site complexity and design challenges.

Given the scale of proposed development, we have applied Professional Fees of **8%** to the standard build costs (plus externals and garages)

7.2.6 Contingency

In our experience, contingency allowance should range from 3-5%, depending on the risks associated with the development.

We have adopted a 3% contingency to the standard build cost and externals, garages. We have adopted a 5% contingency allowance on abnormal costs, given a greater presence of uncertainty surrounding these costs.

7.2.7 Finance

We have adopted a finance rate of 10% based on the land and construction cost assuming 100% debt finance, inclusive of all arrangement, monitoring and exit fees.

7.2.8 Marketing and Sales Fees

We have allowed 1% marketing and 1.5% agent fees to the private units, plus £1,000 per unit legal fees across all tenures.

7.2.9 Acquisition Costs

We have assumed standard acquisition costs, comprising Stamp Duty Land Tax at the prevailing rate, 1% agent and a fixed cost of £7,500 for legal fees.

7.2.10 Sales and Build Rate

Given the location of the subject site, and the anticipated level of demand, in addition to prevailing market conditions, we have assumed a sales rate of 1.5 units per calendar month. This is based on the scale of the development with a build similar to the rate of sale taking account of the larger accommodation which we are informed is taking longer to sell due to difficulties in the market place brought about by the cost of living crisis.

We have assumed the development includes a 3-month pre-construction period, followed by the unit build, with sales commencing 5 months after the start of unit build. Our cashflow assumes a total development timeline of 17 months.

7.2.11 Developer's Profit

There continues to be a healthy debate across the industry around what represents an appropriate level of developers profit in viability assessments. There is no definitive answer, although the majority of guidance and appeal precedents point to a minimum profit of 20% of GDV being appropriate.

Published in July 2018, updated PPG and NPPF guidance on viability identifies an assumption of 15-20% of GDV may be considered a suitable return for developers to establish the viability of planning policies. It acknowledges that alternative figures may be suitable where there is evidence to support, depending on the type, scale and risk profile of planned development.

However, this assumption relates to planning stage viability when specific cost information is unlikely to be available.

C&W have experience in selling a range of residential development land to national and regional housebuilders and we can confirm that from our experience they do not vary their profit requirement below 20% of GDV.

Furthermore, a higher profit level is reflective of the high upfront infrastructure costs, and ongoing economic and market uncertainty resulting from the ongoing cost of living crisis, impact of Brexit, rising build cost inflation, and the war in Ukraine. These factor undoubtably increase the risk profile and we therefore consider a profit target of 20% is a realistic expectation.

The updated NPPF guidance indicates that a lower level of profit may be accepted by the developer in respect of affordable units, as they are transferred to a Registered Provider. We consider 8% of GDV to be reasonable on affordable units.

We have therefore adopted a blended developer's profit, based on 20% on the private GDV and 8% on the affordable GDV, which is consistent with NPPF guidance. We have therefore adopted a blended profit of 19.22% on GDV based on a policy-compliant scheme.

7.3 Residual Land Value

We have established appropriate appraisal input parameters to inform a residual appraisal calculation using Argus Developer software.

We have prepared a policy-compliant appraisal based on the proposed scheme, incorporating 4 affordable dwellings and section 106 payments.

We have adopted market-facing inputs based on our market research and experience, and abnormal development costs provided by our client. Our inputs are supported by evidence and are considered robust and appropriate.

The residual output based on a policy-compliant position equates to a land value of £357,976.

8. Stage Two: Benchmark Land Value

8.1 Overview

To assess the viability of the proposed development, we must compare the residual land value established in Stage One with a Benchmark Land Value (BLV).

On 24 July 2018, the Government published updated National Planning Policy Framework (NPPF) and Planning Policy Guidance (PPG) in respect of viability. This introduced a new approach for assessing BLV known as Current Use Value Plus (CUV+). The guidance was subsequently amended in May 2019, which provided more clarity around the approach to establishing BLV.

The RICS released its own revised guidance in May 2019 by way of publication of Financial Viability in Planning: Conduct and Reporting, 1st Edition, which become mandatory for RICS members undertaking viability assessments in September 2019.

In 2021, the RICS then released a subsequent Guidance Note (now a mandatory Professional Standard) 'Assessing Viability in planning under the National Planning Policy Framework 2019 for England' which replaced the 2012 'Financial viability in planning' guidance note. This document sets out the method of assessing Benchmark Land Value, as per the PPG on Viability and NPPF.

To determine CUV+, guidance states we are first required to establish the CUV of the land. We must then establish the landowner premium, which is the minimum amount over and above CUV which reasonably incentivises a sale and releases the site for development. The guidance states BLV should:

- be based on CUV;
- allow for a sufficient premium to landowner(s);
- reflect the implication of abnormal costs, including infrastructure costs and professional fees; and
- be informed by market evidence, including current uses, costs and values, where possible. Market evidence should be based on policy-compliant developments or otherwise be adjusted to reflect the cost of according with planning policy.

The guidance states that the price paid for the land cannot be used to support BLV and reduce the level of planning gain delivery.

PPG also recognises it may be appropriate to establish a viable Alternative Use Value (AUV). In such instances, AUV should by evidenced by cost and value information to support the BLV. However, as the premium is implicit within the AUV, it must not be double counted.

8.2 Current Use Value

Establishing CUV is the first component in assessing Benchmark Land Value. In the PPG, Current Use Value is defined as:

'the value of the land in its existing use. Current use value is not the price paid and should disregard hope value.'

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

Agricultural land values vary but typically command in the order of £7,500 - £12,500 per gross acre, dependant on quality, location, size, etc. Agricultural land rarely transacts on the open market and therefore sourcing land evidence is challenging, however, there are a number of sources we can consider in support of our assessment.

The most recent RICS/RAU Rural Land Market Survey dated H1 2022 confirms the weighted average price based on transactions of farmland rebased to Yorkshire & Humber on a size of less than 50 acres equates to £12,808 per acre.

We have also had regard to comparable evidence to inform our approach. We are aware of the following transactions/ opportunities which have taken place within the wider area.

Address	Price	Acres	£/Acre	Status
Land at Cat Hill Farm, Cat Hill lane, Hoylandswaine	£400,000	27.88	£14,347	Sold (STC)
Lot 5, Dangworth, Sheffield	£45,000	2.69	£16,728	FOR SALE
Redmires Road, Sheffield	£150,000	9.4	£16,957	FOR SALE

Given the size of the land and proximity to the town centre accessibility it is felt that it has a use as a pony paddock accommodating 1 / 2 horses, subsequently a premium can be attached for such a use. Therefore, a value of £20,000 per acre has been applied which equates to £36,400 when multiplied against the gross acreage of 1.82 acres overall.

8.3 Landowner Premium (+)

To assess the level of planning gain delivery the scheme can afford, viability guidance states we must assess a reasonable landowner premium over and above CUV which we consider would suitably incentivise the landowner to release the site for residential development having regard to the risks and anticipated returns.

Guidance states that the landowner premium should:

- provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements;
- be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration; and
- Evidence used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.

Whilst guidance is silent on how the premium should be calculated, it acknowledges that comparable land transactional evidence can serve as a cross-check, an approach we fully support as is it enables us to balance a premium uplift against the market.

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

8.3.1 Planning Decisions

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

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

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

More recently, we have knowledge of a greenfield development site in Faringdon, which, upon appeal in July 2021, it was held that a 10x premium on EUV was sufficient, reflecting the 'minimum return' to incentivise a landowner to release the land for development.

8.4 Market Evidence

Whilst a premium should suitably incentivise the landowner to release the site for residential development, it should also have regard to the market and thus, we consider comparable land transactional evidence should serve as a cross-check, an approach fully consistent with NPPF viability guidance.

We would comment that we do not consider it appropriate to establish BLV based on a multiplier alone, as when not applied in the correct context it can be regarded as arbitrary with no regard to the market. For that reason, we consider it paramount that comparable land transactional evidence should be considered to provide an informed, holistic view of BLV adopting the CUV+ methodology. This approach is fully consistent with viability guidance.

Halifax Road, Penistone
Barratt David Wilson purchased the land to the north east of the subject site in July 20201. The scheme is made up of 400 units (280 market/ 120 affordable). It is understood not all the land with the benefit of the planning permission was sold. The gross acreage of land sold equated to 33.53 acres (gross) at a transaction price of £19,000,0000 equating to £566,000 per acre

New Mill Road, Holmfirth
On a smaller scale a site measuring 1.29 acres is currently marketed by Savills. The land benefits from a planning consent for 15 residential dwellings (3 affordable units). It is understood that the transaction has failed to sell several times with the most recent agreed sale at approximately £1,000,000 per acre in line with the asking price

NPPF guidance states that, where land evidence is used to inform BLV in a cross-check capacity, it should reflect policy-compliant developments and therefore, we recognise a downwards adjustment to the above values is required. Furthermore, we have been unable to establish the full extent of costs relevant to this scheme.

We consider this site to sit within broadly similar market locations, and would expect that achieved revenues would be within a similar range to the subject site.

8.5 BLV Conclusions

We have assessed the CUV at £36,400, reflecting £20,000 per gross acre. We consider it reasonable to assume the principle of residential use is supported at the site given its allocation and location in comparison to the built environment and therefore anticipate the hypothetical landowner would seek a premium in excess of CUV to reflect the hope value in securing a future implementable consent.

To guide a suitable premium, we have considered legal precedents and analysed key comparable land transactional evidence. The level of uplift established through legal precedents and discussed above is 10 – 30 over and above CUV, though recognising that where abnormal development costs are higher, land value will be reduced.

Assuming a premium uplift of 25 x the CUV of £20,000 per gross acre would reflect a BLV of 910,000 equating to approximately £558,000 per net developable acre.

A BLV at this level is broadly consistent with the transactional land evidence following adjustments. We consider the principle of residential development is established by way of the housing allocation and therefore consider this level of BLV would reasonably incentivise the hypothetical landowner to release the site for residential redevelopment.

On this basis, our opinion of BLV equates to £910,000, reflecting £500,000 per gross acre.

9. Stage Three: Sensitivity Analysis

9.1 Overview

In Stage One we established the policy-compliant land value incorporating 4 no. affordable units (30%) is £382,168

In Stage Two we established a BLV of £910,000, equating to approximately £558,000 per net developable acre.

On this basis, the residual output assuming a policy-compliant position is unable to viably deliver BMDC full planning gain requirements.

9.2 Sensitivity Analysis Approach

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

The below demonstrates the effect on viability which changes in build costs and revenues would have on the residual land value.

Sensitivity Analysis

		Build Cost (£/sq ft)				
		-5.00% £129.00psf	-2.50% £131.50psf	+/- 0.00% £134psf	+2.50% £136.50psf	+5.00% £139.00psf
Revenues (£/sq ft)	-5.00%	£400,119	£341,350	£282,581	£233,049	£162,568
	-2.50%	£437,817	£379,048	£320,279	£261,511	£201,364
	+/- 0.00%	£475,514	£416,745	**£357,976**	£299,207	£240,160
	+2.50%	£513,212	£454,443	£395,674	£336,905	£278,136
	+5.00%	£550,910	£492,141	£433,472	£374,603	£315,834

The above table demonstrates that, even in the best case scenario of achieving reduced build costs by 5.00%, and increased revenues by 5.00%, a policy compliant scheme still does not reach the target benchmark land value of £910,000.

It should also be highlighted that the market is currently trending in the opposite direction to this scenario, whilst build cost inflation is slowing down, that isn't to say that they are falling in any case. In addition, as per our assessment of the UK housing market, the past 12-months has shown the first 12-month fall in house prices for the first time since December 2012. For this reason we would also highlight the effect that further rises to build costs and falls in revenues would have on the viability of the scheme. Should build costs rise by 5.00% and revenues drop at the same rate, our sensitivity analysis demonstrates that the residual land value would drop circa £200,000.

10. Conclusions

We have demonstrated the site is unable to viably deliver BMDC's full planning policy requirements. This is on account of the significant standalone build costs required to bring the site forward for residential development.

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

A scheme of this nature it is expected to not receive the economies of scale that might be expected from a larger scheme meaning it is subject to high standard build costs this coupled with abnormal costs of circa £20,000 per market dwelling means the end residual output is significantly impacted.

We anticipate upwards cost pressures on account of currently unknown quantums resulting from Future Homes standards, zero carbon emission targets, changes to building regulations and Government legislation, with current uncertainties surrounding further cost inflation causing significant risk.

Our appraisal concludes the scheme is unable to viably deliver any on-site affordable housing in addition to CIL. A more onerous requirement or additional financial burden would further reduce the incentive to the landowner and the development would be rendered unviable.

This FVA has been prepared and countersigned by:

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17th July 2023

11. Disclaimer

This FVA and the advice provided do not constitute a formal valuation. However, we have prepared the FVA having regard to the requirements of PS 1 and PS 2 of the current RICS Valuation – Global Standards (the "Red Book").

The FVA is for the purposes of assessing the viability of the planning application proposals only to inform the applicant's negotiations with the Local Planning Authority regarding levels of affordable housing and other planning contributions. The FVA and the advice provided constitute an exception from valuation technical and performance standards ('VPS') 1 – 5 of the Red Book.

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Appendix A – Policy-compliant Appraisal Summary

Project Pro Forma for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Market Housing	13	19,003	296.27	433,077	5,630,000
Affordable Housing	4	3,124	124.84	97,500	390,000
Totals	**17**	**22,127**			**6,020,000**
TOTAL PROJECT REVENUE				**6,020,000**	
DEVELOPMENT COSTS					
ACQUISITION COSTS					
Residualized Price			357,976		
				357,976	
Land Transfer Tax			7,899		
Effective Land Transfer Tax Rate		2.21%			
Agent Fee		1.00%	3,580		
Legal Fee			7,500		
				18,979	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Market Housing	19,003	134.00	2,546,402		
Affordable Housing	3,124	134.00	418,616		
Totals	**22,127 ft²**		**2,965,018**		
Standard Contingency		3.00%	88,951		
Abnormal Contingency		5.00%	12,453		
Abnormal Development Costs			249,060		
Garage Accomodation			166,000		
106 items			201,780		
				3,683,262	
Other Construction Costs					
Externals		10.00%	313,102		
				313,102	
PROFESSIONAL FEES					
Professional Fees		8.00%	237,201		
				237,201	
DISPOSAL FEES					
Sales Agent Fee		2.50%	140,750		
Sales Legal Fee	17 un	1,000.00 /un	17,000		
				157,750	
TOTAL COSTS BEFORE FINANCE				**4,768,270**	
FINANCE					
Debit Rate 10.000%, Credit Rate 0.000% (Nominal)					
Land			40,498		
Construction			54,188		
Total Finance Cost				94,686	

TOTAL COSTS		**4,862,956**
PROFIT		
		1,157,044
Performance Measures		
Profit on Cost%	23.79%	
Profit on GDV%	19.22%	
Profit on NDV%	19.22%	
IRR% (without Interest)	89.90%	
Profit Erosion (finance rate 10.000)	2 yrs 2 mths	

Appendix B – Layout

Land off Watermill Gardens, Penistone, South Yorkshire

Electric car charging Point.

Mode 3 electric vehicle charging point with a type 2 outlet socket.

- External wall of dwelling or garage. E

- Bollard.

Enclosures

0.6m high artificial stone wall with 1.8m piers and fence panels between.

1.8m board fence.

1.2m post & rail fence.

1.2m estate railings.

External Materials.

Facing material - Artificial Stone.

Facing material - Render.

Roof tile - Natural Slate.

Soft Landscaping

Proposed tree planting.

Proposed hedging.

Proposed shrub planting.

Mown Grass.

For detailed landscape design refer to Landscape Architects drawings and specification.

Schedule of Accommodation

House Types

H4	2 b 2 St	781	04	03,124
Newton	3 B 2 St	1006	05	05,030
Farnham	4 B 2 St	1191	03	03,573
Chatsworth	4 B 2 St	1554	01	01,554
Brompton	3 B 2 St	1665	02	03,330
Kirby	6 B 2 St	2758	02	05,516
Site Total			17	22,127

Gross Site Area = 0.74 Ha (1.82 Acres)
Nett Site Area = 0.66 Ha (1.63 Acres)

13,574 SqFt Per Acre

25.75 DPH

Rev	By	Note	Date
Rev	**By**	**Note**	**Date**

Status	**Planning**

Sketch Planning Tender Construction As Built

PRA . Architecture

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PROJECT Land off Watermill Gardens, Penistone, S Yorkshire

TITLE Proposed Site Layout

CLIENT Mulgrave Developments Ltd

DATE 08.08.23 SCALE 1:500@A2

DRAWING 1286.04 REVISION 0

DRAWN JD CHECKED JD

Proposed Site Layout

Cushman & Wakefield
St Paul’s House
23 Park Square South
Leeds LS1 2ND

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop and live. The firm's 45,000 employees in more than 60 countries provide deep local and global insights that create significant value for our clients. Cushman & Wakefield is among the largest commercial real estate services firms, with core services of agency leasing, asset services, capital markets, facility services, global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation and valuation & advisory.

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