



# Affordable Housing Viability Study

Prepared for  
London Borough of Barnet

May 2010 (Final report)

## Contents

1	Executive Summary	3
2	Introduction	5
3	Methodology	9
4	The Appraisal Exercise	13
5	Appraisal outputs	23
6	Small sites analysis	35
7	Assessment of the results	41
8	Conclusions	49

## Appendices

	Appendix 1 Appraisal outputs	52
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# 1 Executive Summary

- 1.1 This report forms part of London Borough of Barnet's evidence base for its affordable housing policy requirements. It tests the ability of a range of sites throughout Barnet to provide varying levels of affordable housing, with and without grant and with various tenure mixes, on a range of sites in various existing uses.

## Methodology

- 1.2 The study compares the residual value of a range of hypothetical development scenarios to a range of typical existing use values, plus a margin to incentivise the landowner to release the site for development. For the purposes of establishing an affordable housing target, if a residential scheme has a higher value than the existing use value plus margin, the scheme can be judged to be viable with a given level of affordable housing and other planning obligations.
- 1.3 The study utilises the residual land value method of calculating the value of a hypothetical development. This method is used by developers in determining how much to bid for land and involves calculating the value of the completed units within the scheme and deducting development costs (construction, fees, finance and planning obligations) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and equates to the amount that a developer would normally pay for the site. However, when applying this methodology to individual schemes that come forward for planning, site specific factors may affect that price that developers need to offer to the landowner to secure the site.
- 1.4 The housing market is inherently cyclical and the Council is testing its affordable housing policy at a time when values have fallen below their peak. We have therefore tested the viability of the policy against both today's values and at values that reflect future movements during the plan period.

## Key findings

- 1.5 The key findings of the study are as follows:
- The appraisals indicate that 40% to 50% affordable housing is financially viable with grant on sites with low existing use value sites, both at February 2010 and peak 2007 sales values.
  - If grant funding is unavailable, 40% to 50% affordable housing will be viable in a more limited range of circumstances and, in particular, in areas where sales values are towards the top of the range in the Borough.
  - The level of sales values and existing use value of sites are key factors in determining whether an individual site is capable of providing 50% affordable housing.
  - There is no evidence that would support the adoption of an affordable housing policy that would require a *minimum* level of provision. To do so would require setting the policy at a very low level to accommodate the most 'difficult' to develop sites.

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## Summary of conclusions

- 1.6 The study indicates that 40% to 50% affordable housing is financially viable on some of the types of sites coming forward for development over the plan period. Sites with lower EUVs (industrial and community uses) appear to be most able to provide high levels of affordable housing (ie in excess of 40%). Our sensitivity testing of this main finding indicates that changes to main appraisal variables in isolation do not have a significant impact that would result in a different conclusion, as follows:
- We have appraised the hypothetical schemes using three profit levels (15%, 20% and 25%; with 15% reflecting average profit levels up to 2007 and 20% reflecting average profit levels in the current market). The results of the appraisals indicate that an increase in target profit levels should not significantly change the levels of affordable housing that can be viably delivered (assuming other variables remain unchanged).
  - We have modelled the hypothetical schemes using a range of planning obligations, from the current levels being secured (around £4,500 per unit), to a range of requirements up to £15,000 per unit. The impact of increased Section 106 obligations on the quantum of affordable housing that can be delivered is limited. The imposition of either increased Section 106 requirements or a CIL is unlikely to be a major determinant in scheme viability (assuming other variables remain unchanged).
  - An increase in existing use values of 20% has a modest impact on scheme viability and the maximum viable levels of affordable housing that can be secured. Increasing values of other land uses (perhaps in response to a wider property market recovery) should not give rise to any change in the general conclusions drawn from the data (assuming other variables remain unchanged).
  - A 10% increase in build costs has a limited impact on overall scheme viability (assuming other variables remain unchanged) and could be accommodated in the context of increasing values over the medium term, without affecting affordable housing delivery.
  - Site specific factors may affect the ability of individual schemes to provide significant levels of affordable housing. The Council will need to apply its policy sensitively, having regard to individual site circumstances which can impact on viability.

## 2 Introduction

- 2.1 This study has been commissioned to provide the evidence base on financial viability to inform affordable housing policy for the London Borough of Barnet, as required by PPS 3 and PPS12. The aims of the study are summarised as follows:
- a To test the impact upon the economics of residential development of a range of affordable housing policy options, up to the London Plan target of 50% affordable housing with and without grant;
  - b To test the impact of current S106 requirements and potential future requirements on scheme viability;
  - c To test the impact of Code for Sustainable Homes levels 3 and 4 on scheme viability; and
  - d To consider the impact of changes in future house prices upon the deliverability of affordable housing.
- 2.2 In terms of methodology, we adopted standard residual valuation approaches to make appropriate comparisons and evaluations. However, due to the extent and range of financial variables involved in residual valuations, they can only ever serve as a guide. Individual site characteristics (which are unique), mean that blanket requirements and conclusions must always be tempered by a level of flexibility in application of policy requirements on a site by site basis.

### Background and experience

- 2.3 BNP Paribas Real Estate has extensive experience of advising local planning authorities on the viability of their proposed affordable housing policies. We have also advised local planning authorities, developers and landowners on scheme-specific viability issues, with particular focus on affordable housing and other Section 106 obligations. We have recently carried out similar benchmarking exercises for a number of local authorities, including the London Boroughs of Barking & Dagenham, Brent, Islington, Lewisham, Hackney, Hammersmith & Fulham, Southwark, Tower Hamlets and Wandsworth; Tunbridge Wells Borough Council; Bristol City Council, Sheffield City Council; Fareham Borough Council; South Oxfordshire District Council and Vale of White Horse District Council.

### Context

#### 2.4 The Policy Context

Paragraph 29 of Planning Policy Statement 3 (“PPS3”) states that: *“In Local Development Documents, Local Planning Authorities should...set an overall (ie plan-wide) target for the amount of affordable housing to be provided. The target should reflect the new definition of affordable housing in this PPS. It should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.”*

- 2.5 The application of paragraph 29 of PPS3 was tested during the *Blyth Valley* case (Case Number C1/2008/1319) which concluded that local planning authorities cannot rely on housing needs surveys alone in setting their affordable housing targets. Blyth Valley Council had submitted its Core Strategy for examination prior to the publication of PPS3 and its affordable housing policy was based on evidence from its Housing Needs survey. At the time, there was no explicit requirement for councils to test the impact of their affordable housing policies on development economics (although some local authorities had undertaken such work prior to the publication of PPS3). Persimmon Homes and others challenged the soundness of the Core Strategy as the evidence base did not include a viability study that would satisfy the requirements of paragraph 29 of PPS3. This challenge was upheld.
- 2.6 Key elements of affordable housing viability testing were challenged in the High Court by Barratt Developments in regards to Wakefield MDC's Core Strategy (Case Number CO5036/2009). Barratt argued that the house price growth that the Council's target relied upon could not be guaranteed. Therefore, Barratt argued that the Council should set its target based on *current* market conditions, disregarding any potential future improvements in viability. This would have resulted in a target of 5%, despite proven need for a much greater proportion of affordable housing.
- 2.7 Central to the Barratt challenge was the concept that many advisors to local authorities have adopted; namely that the viability of affordable housing targets should be tested in the context of both current *and improved* market conditions. Local authorities then adopt the highest possible affordable housing target (based on improved market conditions), recognising that the target may not be achieved on individual sites until sales values increase. Barratt argued that affordable housing percentages should be 'stepped' in some way; with the affordable housing target only increasing over time as viability improved. Mr Justice Pritchard's judgement was that this was "*doomed to failure because of the difficulties of accurate prediction and definition*".

### Thresholds

- 2.8 While Government has applied site size thresholds to affordable housing for some time, no threshold applies to other Planning Obligations. Circular 05/05 makes clear that small schemes can be required to contribute planning obligations.
- 2.9 PPS3 states that the national indicative minimum site size for requiring affordable housing is 15 units. However, the case for reducing site size thresholds for affordable housing is addressed in PPS3, which enables local planning authorities to justify a case for reduction. Given that the Council's current policy is to deliver affordable housing on qualifying sites (10 or more units, in line with London Plan policy), we have been instructed not to consider lower thresholds.

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## **Economic and housing market context**

- 2.10 Following a ten-year trend of growth in the housing market, house prices across England reached a peak in the second half of 2007 and the market then entered a period of 'correction'. This correction of values gathered momentum during 2008, with the main commentators all reporting falls in values. The Halifax house price index showed an annual fall across England of 16.2% by the end of 2008. Similarly, the Nationwide showed an annual fall in prices of 15.9%. Prices of new build properties fell much further, with falls in some parts of England of up to 40% from peak 2007 values, as developers cut prices to complete sales to maintain cashflow.
- 2.11 A key cause of the downturn was the sub prime lending "credit crunch" in the US in the final quarter of 2007. UK and European banks were also exposed to sub prime lending, resulting in significant restrictions in lending criteria and has seen the government underwriting 'toxic' assets of the high street banks, leaving many buyers finding it too difficult or expensive to obtain the necessary financing to complete a transaction. However, the market had shown signs of weakening prior to the "credit crunch" following the impact of five interest rate rises over the previous two years. These factors, combined with a collapse in general market confidence, severely reduced the number of sales taking place in the market.
- 2.12 In October 2008 the government announced a £1 billion housing package in an attempt to revive the beleaguered market. The headline measures of the package included raising the stamp duty threshold to £175,000 and initiating a HomeBuy shared equity scheme for low income first time buyers. However, the measures were met with a lukewarm response from within the property sector. Whilst government action was welcomed, there was a general feeling that the measures proposed would do little to revive the market whilst mortgage liquidity remained constrained.
- 2.13 The acquisition by the government of preference shares in some of the major banks helped to restore some confidence. The second half of 2009 also saw the Halifax, Nationwide and Land Registry reporting increases in house prices. While this is not regarded as a signal that the correction has necessarily run its course, it provides some early signals that the market may be bottoming out. There are concerns that the current stabilisation in prices is driven by limited supply, and that prices may fall if home owners who have delayed sales pending a recovery place their properties on the market. There is also a concern that unemployment may increase further, possibly resulting in repossessions. However, analysts predict that the market will recover to 2007 sales well within the first half of the plan period.
- 2.14 This is a difficult context within which the Council must test its affordable housing policies. To reflect this difficulty, we have run our appraisals with a sensitivity analysis on future house prices, to demonstrate the impact of improved market conditions on the delivery of affordable housing.

## **Local Policy context**

- 2.15 The Council's Housing Needs Survey 2006 highlights the affordability problems in many parts of the Borough, with very acute difficulties for people on low incomes. Consequently, there is an acute shortage of good quality affordable housing. The Council's approach has been to seek to ensure that the supply of affordable housing meets as much of the need as possible by negotiating the maximum possible provision on suitable sites.
- 2.16 There are two main ways in which this can be achieved:

- Increasing the overall affordable housing quantum to be secured through planning obligations; and/or
  - Lowering the site/development size thresholds above which affordable housing and other Planning Obligations are sought.
- 2.17 Pursuing such approaches will reduce the land value generated by residential schemes which may make other uses more attractive to landowners. Higher targets and additional planning obligation requirements then potentially reduce the supply of residential land, resulting in lower housing supply and, consequently, lower affordable housing delivery.
- 2.18 The Housing Needs Survey 2006 identifies a high level of need for affordable housing that is not being met through existing levels of delivery. The survey indicates an annual need of 5,148 units. However, the GLA Annual Monitoring Report shows that only 492 units were delivered between 2006/7 and 2008/9. The Council is currently undertaking a Strategic Housing Market Assessment which will identify future housing requirements for all types of housing in Barnet for the coming 5 years. Initial results have indicated that the level of housing need for all households is in fact considerably lower than the Housing Needs Survey indicates.
- 2.19 The Council published its 'LDF Core Strategy: Issues and Options Paper' in June 2008. Policy CS7 states that an appropriate level and mix of affordable housing will be determined following a viability assessment.
- 2.20 The Council expects residential developments to provide a mix of affordable housing tenures, sizes and types to help meet identified housing needs and contribute to the creation of mixed, balanced and inclusive communities. The precise number, tenure, size and type of affordable units will reflect identified needs, site suitability and economic viability. In exceptional circumstances, where scheme viability may be affected, developers will be expected to provide viability assessments to demonstrate an alternative affordable housing provision.

### **Development context**

- 2.21 Developments in the Borough are diverse, reflecting its part suburban and part inner-urban characteristics. Sites in the Borough range from major regeneration sites in former B2 or B8 use; to small in-fill sites in residential areas. Over the past decade, the developments in the Borough have increased in density, with the densest schemes located where PTAL rates are higher.

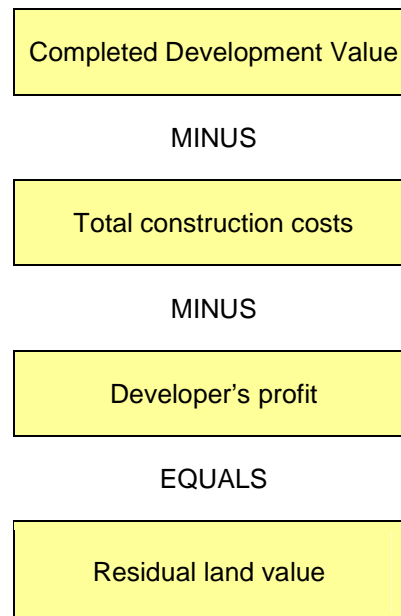


## 3 Methodology

3.1 Our methodology follows standard development appraisal conventions, using assumptions that reflect local housing market and planning policy circumstances. The study is therefore specific to the London Borough of Barnet and reflects the policy requirements that the Council currently considers may be introduced over the plan period. We have attempted to ensure that the study reflects longer term housing market trends, rather than focusing on the current low point in the cycle. As far as is possible, we have taken account of all these variables in carrying out this study.

### 3.2 The Approach to Financial Viability

Development Appraisal models can be summarised via the following equation:

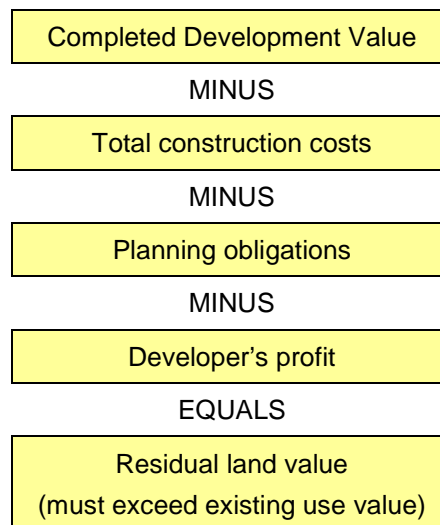


3.3 Residual Land Value – the sum that the developer will pay to the landowner to secure a site for development – will normally be the key variable. If a proposal generates sufficient positive land value, it will be implemented. If not, the proposal will not go ahead, unless there are alternative funding sources to bridge the ‘gap’ (and these will normally be particular to regeneration areas via public bodies such as the Homes and Community Agency).

3.4 The problems with Development Appraisals all stem from the requirement to identify the key variables – sales values, costs etc – with some degree of accuracy in advance of implementation of a scheme. Even on the basis of the standard convention that current values and costs are adopted (not values and costs on completion), this can be very difficult. Problems with key appraisal variables can be summarised as follows:

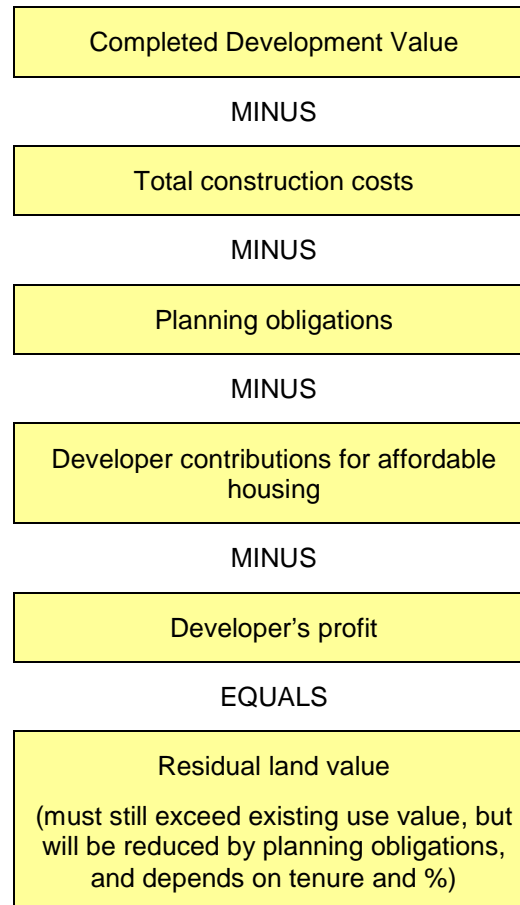
- Development costs are subject to extensive national and local monitoring and can be reasonably accurately assessed in ‘normal’ circumstances. In boroughs like Barnet, many sites will be previously developed. These sites may encounter ‘exceptional’ costs such as decontamination. Such costs can be very difficult to anticipate before detailed site surveys are undertaken. Clearly these surveys should be carried out prior to acquisition, wherever possible, in view of the high risks of exceptional costs being incurred on brownfield sites.

- Development value and costs will also be significantly affected by assumptions about the nature and type of affordable housing provision and other Planning Obligations. In addition, on major projects, assumptions about development phasing; and infrastructure required to facilitate each phase of the development will affect residual values. Where the delivery of the affordable units and/or other obligations are deferred, the less the real cost to the applicant (and the greater the scope for increased affordable housing and other planning obligations). This is because the interest cost is reduced if the costs are incurred later in the development cashflow.
  - While Developer's Profit has to be assumed in any appraisal, its level is closely correlated with risk. The greater the risk, the higher the profit level. While profit levels were typically around 15% of completed development value at the peak of the market in 2007, banks now require schemes to show a higher profit to reflect the current risk. We do not know when and if profit levels may begin to fall back.
- 3.5 Ultimately, the landowner will make a decision on implementing a project on the basis of return and the potential for market change, and whether alternative developments might yield a higher value. The landowner's 'bottom line' will be achieving a residual land value that sufficiently exceeds 'existing use value' or other appropriate benchmark to make development worthwhile. For modelling purposes, we have assumed a 15% margin above EUV. Margins above EUV may however be considerably different on individual sites, where full information will be available.
- 3.6 The following two diagrams summarise the outcomes of the residual valuation calculation.



- 3.7 The standard appraisal calculation shown above is reasonably clear, subject to the issues noted earlier in this section. However, the delivery of Planning Obligations, and in particular the provision of affordable housing, complicates the calculation by reducing Completed Development Value. The extent to which Completed Development Value is reduced depends on the percentage, tenure and funding of the affordable housing. On the assumption that other development costs remain unchanged, a reduced Completed Development Value resulting from the requirement to provide affordable housing results in a lower Residual Land Value.

- 3.8 With the exception of affordable housing – which is determined according to a Borough wide target – other planning obligations must be directly related to the scheme itself. The level of obligations can therefore vary between sites, depending on the needs created by the development and, for example, availability of places in pre-existing services, such as schools.



- 3.9 Developers will seek to mitigate the impact of 'unknown' development issues through the following strategies:

- When negotiating with the landowner, the developer will either attempt to reflect planning requirements in the offer for the land, or seek to negotiate an option to purchase, or complete a deal 'subject to planning' which will enable any additional costs arising (Planning obligations and affordable housing for example) to be passed on to the landowner. Ultimately, the landowner pays through reduced land value, providing the basic condition for Residual Land Value to exceed existing use value or other appropriate benchmark is met; and/or,
- The developer will seek to build in sufficient contingency into the development appraisal to offset risks including, for example, development design where costs might be incurred to satisfy planning requirements or changing regulatory requirements that cannot be anticipated at the outset etc.

- 3.10 Clearly, however, landowners have expectations of the value of their land which often exceed the value of the existing use. Planning obligations required by local policy will be a cost to the scheme and impact on the residual land value. Ultimately, landowners cannot be forced to sell their land and some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on continued rises in value.

## 4 The Appraisal Exercise

### Key appraisal variables

- 4.1 The key variables in any development appraisal are as follows:
- 4.2 **Sales values by area:** Sales values for residential and the investment value of commercial rents will vary between local authority areas (and within local authority areas) and are constantly changing. Developers will try to complete schemes in a rising or stable market, but movements in sales values are a development 'risk'. During times of falling house prices, local authorities may need to apply their policy requirements flexibly, or developers may cease bringing sites forward.
- 4.3 **Density:** Density is an important determinant of development value. Higher density development results in a higher quantum of units than a lower density development on the same site, resulting in an increase in gross development value. However, high density development often results in higher development costs, as a result of the need to develop taller buildings, which are more expensive to build than lower rise buildings, and sometimes provide basements for car parking. Planning obligations on higher density schemes will also be higher than on lower density schemes. It should not automatically be assumed that higher density development results in higher residual land values; while the gross development value of such schemes may be higher, this can be partially (or wholly) offset by increased build costs and higher planning obligations.
- 4.4 **Gross to net floor space:** The gross to net ratio measures the ratio of saleable space (ie the area inside residential units) compared to the total area of the building (ie including the communal spaces, such as entrance lobbies and stair and lift cores. The higher the density, the higher the gross to net floor space ratio; in taller flatted schemes, more floor space is taken up by common areas and stair and lift cores, and thus less space is available for renting or sale - and this will adversely affect the residual land value.
- 4.5 **Base construction costs:** While base construction costs will be affected by density and other variables such as flood risk, ground conditions etc., they are well documented and can be reasonably accurately determined in advance by the developer.
- 4.6 **Exceptional costs:** In boroughs like Barnet, clean, serviced greenfield sites are almost unheard of. With most schemes now coming forward on previously developed land, exceptional costs have become more common and need to be monitored carefully. Exceptional costs relate to works that are 'atypical', such as remediation of sites in former industrial use that are over and above standard build costs. However, for the purposes of this exercise, it is not possible to provide a reliable estimate of what exceptional costs would be, as they will differ significantly from site to site. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results.

- 4.7 **Developer's Profit:** Following the standard convention, developer profits are based on an assumed percentage on gross development value. While developer profit ranged from 15% to 17% of gross development value in 2007, banks currently require a scheme to show higher profits. Higher profit figures reflect levels of perceived and actual risk; the higher the potential risk, the higher the profit margin in order to offset those risks. At the current time, development risk is high and we have therefore run our appraisals with a higher profit level of 20%. However, it is possible that over the life of the Plan, the banks' requirements in terms of profit levels may change. If conditions improve, it is possible (but by no means guaranteed) that banks will relax their lending criteria and reduce the amount of profit they require schemes to achieve. We have therefore adopted three levels of profit in our appraisals; 20% (reflecting current market conditions where development risk is considered to be higher); 15% (representing improved market conditions in which development risk is perceived to be lower); and 25% (representing a worsening of market conditions).

### Existing Use Value

- 4.8 Existing Use Value ("EUV") and Alternative Use Value ("AUV") are key considerations in the assessment of development economics for policy testing purposes. Clearly, there is a point where the Residual Land Value that results from a scheme may be less than the land's existing use value. Existing use values can vary significantly, from relatively modest sums of under £2 million per hectare to £27 million per hectare or more. Similarly, subject to planning permission, the potential development site may be capable of being used in different ways – as a hotel rather than residential for example; or at least a different mix of uses (the latter being a key factor). EUV / AUV is effectively a 'bottom line' for policy testing purposes and a therefore a key factor in this study.
- 4.9 In this study, we have adopted EUVs that most closely reflect the current use on the range of sites that typically come forward for development in Barnet. The higher EUVs (i.e. offices and existing residential) act as proxies for AUVs on sites not in those uses. In each case, our calculations assume that the landowner has made a judgement that the current use does not yield an optimum use of the site; for example, it has many fewer storeys than neighbouring buildings; or there is a general lack of demand for the type of space, resulting in low rentals, high yields and high vacancies. We would not expect a building which makes optimum use of a site that is attracting a high rent to come forward for residential development, as residential value is unlikely to exceed existing use value in these circumstances.
- 4.10 Landowners will often consider a range of uses for their sites, not just residential, so AUVs will feature in their decision making process. By using a range of non-residential values in our assessment, we are able to determine how the value of residential development (with varying levels of affordable housing) compares to the alternative development types.

- 4.11 We refer to 'yields' in several places in this report. Yields form the basis of the calculation of a building's capital value, based on the net rental income that it generates. Yields are used to calculate the capital value of any building type which is rented, including both commercial and residential uses. Yields are used to calculate the number of times that the annual rental income will be multiplied to arrive at a capital value. Yields reflect the confidence of a potential purchaser of a building in the income stream (i.e. the rent) that the occupant will pay. They also reflect the quality of the building and its location, as well as general demand for property of that type. The lower the covenant strength of the occupier (i.e. their financial standing and consequent ability to pay the rent), and the poorer the location of the building, the greater the risk that the tenant may not pay the rent. If this risk is perceived as being high, the yield will be high, resulting in a lower number of years rent purchased (i.e. a lower capital value).
- 4.12 Over the past two years, yields for commercial property have 'moved out' (i.e. increased), signalling lower confidence in the ability of existing tenants to pay their rent and in future demand for commercial space. This has the effect of depressing the capital value of commercial space. However, as the economy recovers, we would expect yields to improve (i.e. decrease), which will result in increased capital values. Consequently, EUVs will increase, raising the base value of sites that might come forward, which may have implications for the delivery of housing and affordable housing.
- 4.13 Redevelopment proposals that generate residual land values below EUV are unlikely to be delivered. While any such thresholds are only a guide in 'normal' development circumstances, it does not imply that individual landowners, in particular financial circumstances, will not bring sites forward at a lower return or indeed require a higher return, or have other assessment criteria that must be met. It is simply indicative. As such, EUV should be regarded as benchmarks rather than definitive fixed variables on a site by site basis.
- 4.14 The EUVs of the individual sites identified in this study therefore give a broad indication of likely land values across the Borough, but it is important to recognise that other site uses and values may exist on the ground.
- 4.15 For example in the very short term, some 'distressed sales' of land may result in very low land values, as existing owners seek to realise cash to cover their credit commitments. In some cases, administrators may instruct site sales. These sites might therefore be purchased by developers at low cost, making the delivery of affordable housing a more viable prospect (even at today's depressed unit sales values).

### **Specific Modelling Variables**

- 4.16 This section summarises the particular assumptions used in the benchmarking exercise.

### **Sales Values**

- 4.17 Residential values in the Borough reflect national trends in recent years but do of course vary across the Borough. Our research and consultation with local agents on transacted property values at a base date of February 2010 indicates that sales values range from £2,700 per sq m to £10,770 per sq m, as shown in table 4.17.1. We have arrived at 2007 values by indexing the 2010 values using the Nationwide Greater London indices for new build property and discussions with local agents.

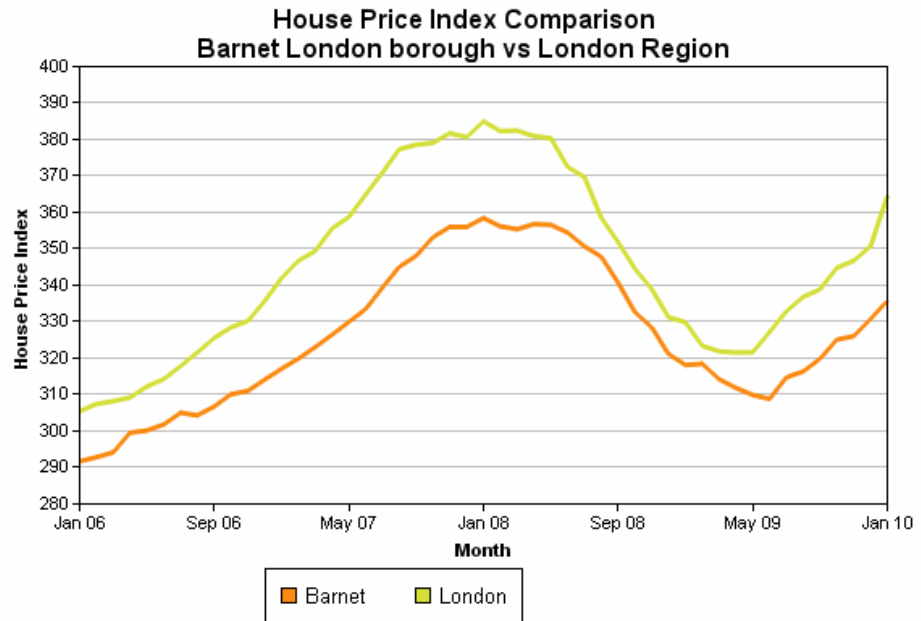
**Table 4.17.1: Sales values (£s per square metre)**

Ward	2010		2007	
	Min	Max	Low	High
Brunswick Park	3,770	5,390	4,524	6,468
Burnt Oak	2,700	4,850	3,240	5,820
Childs Hill	4,310	6,460	5,172	7,752
Colindale	2,700	4,850	3,240	5,820
Coppetts	4,310	6,460	5,172	7,752
East Finchley	5,390	10,770	6,468	12,924
East Barnet	3,770	4,850	4,524	5,820
Edgware	2,700	4,850	3,240	5,820
Finchley Church End	5,120	8,080	6,144	9,696
Garden Suburb	3,770	5,390	4,524	6,468
Golders Green	5,120	10,770	6,144	12,924
Hale	2,700	4,850	3,240	5,820
Hendon	3,770	4,850	4,524	5,820
High Barnet	3,230	8,940	3,876	10,728
Mill Hill	3,770	5,390	4,524	6,468
Oakleigh	3,770	5,390	4,524	6,468
Totteridge	3,770	5,390	4,524	6,468
Underhill	3,230	8,940	3,876	10,728
West Finchley	5,120	8,080	6,144	9,696
West Hendon	3,770	5,390	4,524	6,468
Woodhouse	4,310	6,460	5,172	7,752

- 4.18 Sales values fell between late 2007 and the middle of 2009 but there is widespread expectation that they will recover over the medium term (indeed, there are now early signs that the decline in prices may be coming to an end). Sales values achieved at the peak of the housing market cycle in late 2007 were clearly higher and we would expect values to return to those levels over the next six to eight years. Therefore our results are shown using both February 2010 values and values at the peak of the market in late 2007, to help provide an indication of the current market and future market following a recovery.
- 4.19 Land Registry data on property transactions shows that values are recovering in Barnet at a slightly slower rate than values across the whole of London (see Figure 4.19.1). If this trend continues, it suggests that it may take longer for values to recover in Barnet than elsewhere in London.



**Figure 4.19.1: Land Registry data for 2006 to 2010 (Barnet and Greater London)**



Source: Land Registry

### Unit mix

- 4.20 Unit mix will vary with density, with a greater proportion of houses than flats in lower density schemes, and the reverse in higher density schemes. Table 4.20.1 shows the density assumed in our appraisal models, which is informed by the Council's Housing Needs Survey.

**Table 4.20.1: Unit mixes - all tenures**

Density (units per hectare)	1 bed flat	2 bed flat	3 bed flat	4 bed flat	2 bed house	3 bed house	4 bed house
40	-	-	-	-	40%	35%	25%
70	-	20%	-	-	30%	30%	20%
100	20%	20%	20%	-	20%	15%	5%
130	25%	25%	20%	-	15%	10%	5%
160	30%	35%	20%	5%	5%	5%	-
190	30%	35%	25%	10%	-	-	-
220	30%	30%	25%	15%	-	-	-
250	30%	35%	25%	10%	-	-	-

### Density

- 4.21 We have run appraisals using the range of densities that are typically encountered across the Borough, as advised by the Council. Densities are assumed to range from 40 units per hectare – a modest suburban density – to 250 units per hectare – a higher, central urban density. The density bands are shown in table 4.21.1 below.

**Table 4.21.1: Density of hypothetical developments**

Density Band	Density units per hectare)
1	40
2	70
3	100
4	130
5	160
6	190
7	220
8	250

### Gross to Net Floor space

- 4.22 The higher the density in a development, the greater the amount of communal space, has to be provided, which generates no value. This is because flatted schemes require common areas and stair cores, whereas houses provide 100% 'saleable space'. In our model, as a greater quantum of flats is incorporated into the hypothetical development, the build costs increase, to reflect the cost of building the communal space in the blocks of flats.
- 4.23 In our model, we have adopted a gross to net ratio for flats of 85%. This reflects the typical ratio in schemes that BNP Paribas Real Estate has valued or appraised on behalf of developers, banks and local authorities. The gross to net ratio is reflected in the build cost when measured on the total saleable area (i.e. the area that excludes common areas). For example, if a building is comprised of 10 flats each with a net internal area (i.e. the floorspace inside the flat itself) of 100 square metres, the total net area of the building is 1,000 square metres. However, when the entrance lobbies, corridors and stair cores are taken into account, the total floor area (what is known as the gross internal area) is 1,200 square metres. The net area is 83% of the gross area. If the build cost is £1,500 per square metre of gross internal floorspace, this equates to £1,800 per square metre per net square metre. This is an important distinction when considering whether a build cost is reasonable – the unit of measurement (i.e. gross or net) needs to be consistent.

### Base Construction Costs

- 4.24 The modelling exercise plots a range of base construction costs reflecting scheme density ranging from £1,022 per square metre to £2,010 per square metre (net). These costs are drawn from the RICS Building Cost Information Service (BCIS) and subject to adjustment to take account of external works (which are excluded from the BCIS figures). It is important to note that build costs could increase further should 'exceptional costs' (above average levels) arise. Such costs include decontaminating and remediating sites. As a result, costs need to be treated with caution and where normal levels are exceeded, the capacity of the site concerned to meet the Council's planning obligations will be affected. However, with almost all developments in the Borough coming forward on previously developed sites, the build costs we have sourced from BCIS includes an 'average' cost for decontamination and site clearance.

- 4.25 We also draw attention to a consensus among forecasters on the future trend of build costs, which fell during 2009 and are expected to remain flat during 2010. Savills, for example, have predicted a cumulative fall of 11% from 2008 onwards, while the RICS BCIS predicts that costs will remain flat during 2010 and increase from 2011 onwards. Lower costs (or no increase in costs) will help to improve viability over the next year to 18 months by offsetting some of the impact of potential falls in values over 2010 (despite the recent positive house price data from Nationwide, many commentators still see downside risks to the economy which will place continued downwards pressure on house prices). However, in the medium term, build costs will increase in response to rising demand for materials and labour.

### Code for Sustainable Homes

- 4.26 Meeting the requirements of the Code for Sustainable Homes will result in increased costs above those required to meet Part L of the 2006 Building Regulations. We have relied on the Communities and Local Government/Cyril Sweet study ('Costs Analysis of the Code for Sustainable Homes – Final Report' July 2008) to estimate these additional costs. The uplift in costs above base construction costs used in the Cyril Sweet report are shown in table 4.26.1.

**Table 4.26.1: uplift in base construction costs to meet CSH levels 3 and 4**

Code Level	Additional build cost
3 (private housing)	5%
4 (affordable housing)	11%

### Developer's profit

- 4.27 As noted in paragraph 4.7, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank to fund a scheme. In 2007, profit levels were at between 15 to 17% of Gross Development Value (GDV). However, following the impact of the credit crunch and the collapse in interbank lending and the various government bailouts of the banking sector, profit margins have increased. It is important to emphasise that the level of minimum profit is not necessarily determined by developers (although they will have their own view and the Boards of the major housebuilders will set targets for minimum profit).
- 4.28 The views of the banks which fund development are more important; if the banks decline an application by a developer to borrow to fund a development, it is very unlikely to proceed, as developers do not necessarily carry sufficient cash to fund it themselves. Consequently, future movements in profit levels will largely be determined by the attitudes of the banks towards residential development.
- 4.29 The near collapse of the global banking system in the final quarter of 2008 is likely to result in a much tighter regulatory system, with UK banks having to take a much more cautious approach to all lending. In this context, the banks may not allow profit levels to decrease much lower than their current level, if at all.

- 4.30 The minimum generally acceptable profit level is currently around 20% of GDV. Our appraisals therefore show the viability of varying levels of affordable housing at 15%, 20% and 25% profit on the private housing (and 6% of GDV on the affordable housing in both cases). A lower return on the affordable housing is appropriate as there is very limited sales risk on these units for the developer; there is often a pre-sale of the units to an RSL prior to commencement. A reduced profit level on the affordable housing reflects the Homes and Communities Agency's guidelines in its Economic Appraisal Tool.

### **Planning Obligations and Community Infrastructure Levy**

- 4.31 Levels of Planning Obligations will vary according to needs arising from individual developments. The extent of any planning obligations will depend upon a number of factors, including child yield; availability of school places in the locality; trip generation and highways impacts and other site related factors. For the purposes of this study, we have modelled Planning Obligations at the following indicative levels:
- £4,500 per unit;
  - £10,000 per unit; and
  - £15,000 per unit.
- 4.32 The range of obligations tested in the study is wide and should accommodate a majority of development scenarios. The level of obligations applied to individual sites may, however, be higher or lower than the levels indicated by these ranges.

### **Affordable housing values**

- 4.33 At lower densities (where build costs are lower), social rented and intermediate housing can sometimes make a positive contribution to land value, subject to levels of grant available. This is simply because the price that an RSL can pay is greater than the build cost. However, at higher densities, the payment from an RSL for the affordable housing does not always cover its costs and a subsidy from private housing is required.
- 4.34 We have calculated the value of social rented housing by capitalising the net target rents, set in accordance with government formulae. This results in a value of £970 per square metre, assuming no grant is available.
- 4.35 As intermediate housing is linked to market values, the values will be determined in part by varying market values. The values adopted for this tenure are based on the assumption that 25% of the equity is sold to the occupier and the RSL charges a rent of 1% on the retained equity. The values in the model are capped to ensure that, when market values increase, the actual price paid by the RSL still allows end purchasers on modest incomes to afford the combined mortgage and rent payment. This is a cautious approach as price paid will in reality move with the market changes and also RSL ability to fund acquisitions and their business plan assumptions.
- 4.36 PPS 3 Para 29 requires councils to take into account in its viability study an "informed assessment of the likely level of finance available for affordable housing including public subsidy". We have therefore run our appraisals both with and without Public subsidy. Where grant is assumed to be available, we have adopted a current maximum average of £26,000 grant per person for social rented units and £7,400 grant per person for intermediate units.

- 4.37 The level of Public Sector Grant available for delivery through the planning system has been relatively high over the past five years. Forthcoming downwards pressure on public expenditure is likely to result in a reduction in the availability of grant funding for affordable housing procured through planning obligations.
- 4.38 As can be seen later in the report, however, delivery of the Council's proposed affordable housing targets does not depend on particular levels of public subsidy being made available. However, the range of circumstances in which affordable housing is viable will narrow, if grant is unavailable.

### Existing use values

- 4.39 We have researched values of sites with a range of uses, which the Council has advised are brought forward for residential development in the Borough. These existing use types are shown in table 4.40.1 below, along with our estimates of indicative values.

**Table 4.40.1: Existing use values**

Property Type	Estimate of capital value (£ millions per hectare)
Office (B1)	22.8
Existing residential (C3)	27.0
Industrial (B2/B8)	4.5
Community space/buildings	2.0

- 4.40 The scope of our analysis was limited to secondary properties only, on the assumption that these are the most likely candidates for redevelopment. In the current market, there is limited transactional evidence and, where necessary, we have derived values from historic transactions in the area. In all cases, our values specifically exclude any hope value.

### Other Influential Factors

- 4.41 Landowner attitudes can vary and land markets need time to adapt to changing policy circumstances with some landowners choosing to hold sites back in the hope that policies change. Up until the recent housing market recession, a more common circumstance in areas of sharp price inflation has been fierce competition between developers. This resulted in many developers buying sites without consent on the expectation that rising capital values would offset risk. When the market turns, these developers find that they are unable to implement their schemes and cannot afford their infrastructure and affordable housing obligations.
- 4.42 Site specific circumstances may arise where the authority is obliged to weigh up perhaps conflicting policy requirements. On sites with an extensive requirement for decontamination, not all the Council's planning requirements may be affordable. Or for example, an employment protection policy may require commercial space to be provided in a predominantly residential scheme. The commercial space is likely to have a negative or low value, which requires a cross subsidy from the private housing. This is likely to reduce the amount of subsidy available to provide affordable housing and other planning obligations.

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- 4.43 On larger schemes, perhaps phased over some years, developers will seek to agree terms on S106 and affordable housing at the outset. (Their driving factor will be the certainty, required to secure bank funding). In such circumstances, it is often in the authorities' interest to seek monitoring and review mechanisms in the S106 that will allow a renegotiation at some future date should it become necessary. The corollary to this is that, if the Authority expects to receive a share of the 'upside', it should also be prepared to accept a potential reduction in benefits should the market move the other way. Review mechanisms are now used frequently by authorities for larger schemes with multiple phases, particularly in light of reduced values following the housing market recession. There are various models in place, but the most typical is for the Developer to submit a fresh development appraisal with each reserved matters application. If values improve in a particular phase, to the extent that the profit increases above the agreed level, an increased proportion of affordable housing would be provided in that phase. The level of affordable housing in each phase and across the scheme could not exceed the relevant Authority's target percentage without the Developer's agreement.

## 5 Appraisal outputs

- 5.1 Before examining the illustrated outcomes, it is important to highlight the variables which may change the outputs – positively and negatively. They are shown in Table 5.

**Table 5: Positive and negative impacts on appraisal outcomes**

Positive impacts	Negative impacts
Net land value contribution from affordable housing (generally lower density schemes with low build costs only)	Net loss on affordable housing requiring cross subsidy from private housing (generally higher density schemes with higher build costs)
Increase in intermediate tenures may deliver a better receipt than social rented housing	Public subsidy not available to meet viability gaps where they occur
Low and/or deferred Planning Obligations	High and/or up-front Planning Obligations
Low historic land cost	High Existing/Alternative Use Value
Low cost of development finance	High cost of development finance
Availability of gap funding	High contamination or remediation costs that cannot be passed back to the landowner in price paid for site

- 5.2 With these factors in mind, the tables in the following section summarise the key outputs of our development appraisals.

### Presentation of data

- 5.3 The tables are constructed to present the maximum amount of data for easy comparison. Each table shows a range of sales values (on the left hand side) and a range of densities (along the top row). For each density, we show the build costs. The appraisal outputs are compared with four different Existing Use Values, as described in paragraph 4.40 (offices; existing residential; industrial/distribution/storage; and community space/buildings).
- 5.4 Each cell in the first table of each set of data shows the residual land value of a hypothetical scheme (of a given density and at the relevant sales value). This residual value is then compared to each of the four different existing use values across four tables. Residual values are very sensitive to small changes in appraisal variables. Consequently, our test of viability allows for a 15% margin below EUV (where schemes are shown as marginally unviable). We also allow a 15% margin above EUV to reflect landowners' premium. In these sections of the tables, green symbols show where the residual land value of each hypothetical scheme exceeds EUV by a margin of at least 15%. Yellow symbols show where the residual value is between 15% below EUV and up to 14% above EUV. In these situations, the scheme is considered marginally viable. Red symbols show where the residual value of each scheme is more than 15% lower than EUV and is clearly unviable.

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- 5.5 On the far right hand side of each table, we provide an indication of where the range of sales values falls in the current market and at the peak of the last housing market cycle in 2007. These value bands have been drawn more widely than the values currently being achieved, reflecting values from the peak of the market in 2007, to provide an indication of viability when the market recovers.
- 5.6 The full set of data tables are attached as Appendix 1, which also show the residual land values from which the symbols are derived. The data tables show the following variables:
- Affordable housing: 30%, 40% and 50% affordable housing;
  - A social rent to intermediate housing split of 70%:30%;
  - Base Section 106 contributions of £4,500 per unit with sensitivities at £10,000 and £15,000 per unit;
  - Wheelchair supplementary cost of 15% of build costs, applied to 10% of all units;
  - Code for Sustainable Homes level 3 for private housing and level 4 for the affordable housing; and
  - Each of the above with profit levels of 15%, 20% and 25% on GDV; and
  - Sensitivities of an increase in EUV of 20% and build costs of 10%.
- 5.7 For each affordable housing percentage, there are 60 separate tables. Each table is comprised of 112 residual valuations, which are then analysed against four EUVs, providing a total of 448 individual assessments per page. The dataset for each affordable housing percentage therefore comprises some 26,880 separate calculations; and the entire dataset comprises 80,640 individual development scenarios.
- 5.8 An annotated version of the data output is provided on the following page.
- 5.9 We provide some examples of the results in the following sections to illustrate the layout of the tables. The full set of results can be found at Appendix 1. Examples 1 to 6 on the following pages illustrate a range of scenarios.



## Guide to appraisal outputs

The appraisal outputs contain a series of tables, showing different scenarios (eg level of affordable housing, tenure mix, profit levels and planning obligations), as set out in paragraph 5.6. At the top of each page, we show the residual values from a series of hypothetical schemes, which are then compared to four different existing use values in the tables below. The first table below shows the layout of the residual values:

Each cell shows the residual land value of a hypothetical scheme. For example, the cell we point to here is a 70 unit per ha scheme, with average sales values of £6,179 per sqm and build costs of £1,346 per sqm. The residual value is £4,976,943.

MODEL	1								Sales value per sm	
	Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph		250 uph
Build costs ->		£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	
Sales value per sm										
£2,691	-	435,452	- 3,316,980	- 7,296,254	- 10,476,051	- 13,012,634	- 16,333,037	- 20,888,142	- 24,395,355	£2,691
£3,563		839,133	- 1,219,536	- 4,747,400	- 7,280,025	- 9,381,410	- 12,005,164	- 15,781,092	- 18,808,866	£3,563
£4,435		2,103,309	859,056	- 2,198,544	- 4,083,999	- 5,750,187	- 7,677,291	- 10,674,042	- 13,222,378	£4,435
£5,307		3,361,973	2,927,818	334,826	- 890,083	- 2,118,963	- 3,349,418	- 5,566,992	- 7,635,890	£5,307
£6,179		4,620,637	4,976,943	2,848,657	2,261,207	1,471,936	940,997	- 484,707	- 2,059,271	£6,179
£7,050		5,879,301	7,024,950	5,362,489	5,376,213	5,049,487	5,210,043	4,521,245	3,451,122	£7,050
£7,922		7,137,964	9,072,958	7,876,320	8,491,218	8,592,159	9,438,215	9,497,347	8,961,515	£7,922
£8,794		8,396,629	11,120,966	10,383,293	11,606,224	12,134,830	13,660,547	14,473,449	14,471,908	£8,794
£9,666		9,647,469	13,156,087	12,861,035	14,701,587	15,654,804	17,855,827	19,417,399	19,899,558	£9,666
£10,538		10,699,834	14,865,725	14,942,981	17,300,829	18,601,487	21,367,831	23,541,519	24,427,386	£10,538
£11,410		11,750,527	16,575,364	17,024,927	19,900,069	21,548,171	24,879,835	27,644,064	28,955,214	£11,410
£12,282		12,801,220	18,285,001	19,106,874	22,499,310	24,494,854	28,391,839	31,746,610	33,483,042	£12,282
£13,154		13,851,913	19,994,640	21,188,819	25,098,168	27,433,908	31,903,844	35,849,155	38,010,869	£13,154
£13,993		14,863,692	21,640,958	23,193,657	27,589,245	30,256,282	35,269,588	39,799,755	42,371,001	£13,993

Each cell in the table follows an identical pattern to the table on the previous page. The arrow points to a scheme of 70 units per ha, with average sales values of £6,179 per sqm and build costs of £1,346 per sqm. The residual value of that scheme (£4.98 million) is 10% higher than the EUV (£4.54 million). This scheme is judged as 'marginal', as the residual falls short of exceeding EUV by 15%.

Existing use value

£4,544,800 per hectare  
£1,840,000 per acre

Here, the arrow points to a scheme of 160 units per ha, with sales values of £7,922 per sqm and build costs of £1,830 per sqm. The residual value of the scheme is £8.59 million, comfortably exceeding the EUV by more than 15%. This scheme is assessed as 'viable' and represented by a green symbol.

These columns show where each submarket fits within the range of sales values (August 2009 values and 2007 values)

RLVs less existing use value		Industrial / warehousing									
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value £per sq m	Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1887 per sqm	£1959 per sqm	£2013 per sqm			
Sales value £per sq m											
£2,691	☹	☹	☹	☹	☹	☹	☹	☹	£2,691		
£3,563	☹	☹	☹	☹	☹	☹	☹	☹	£3,563		
£4,435	☹	☹	☹	☹	☹	☹	☹	☹	£4,435		
£5,307	☹	☹	☹	☹	☹	☹	☹	☹	£5,307		
£6,179	☺	☺	☹	☹	☹	☹	☹	☹	£6,179		
£7,050	☺	☺	☺	☺	☺	☺	☺	☹	£7,050		
£7,922	☺	☺	☺	☺	☺	☺	☺	☺	£7,922		
£8,794	☺	☺	☺	☺	☺	☺	☺	☺	£8,794		
£9,666	☺	☺	☺	☺	☺	☺	☺	☺	£9,666		
£10,538	☺	☺	☺	☺	☺	☺	☺	☺	£10,538		
£11,410	☺	☺	☺	☺	☺	☺	☺	☺	£11,410		
£12,282	☺	☺	☺	☺	☺	☺	☺	☺	£12,282		
£13,154	☺	☺	☺	☺	☺	☺	☺	☺	£13,154		
£13,993	☺	☺	☺	☺	☺	☺	☺	☺	£13,993		

These results are then compared to a series of existing use values, using a system of symbols. Green symbols show where the residual land value is 15% greater than the existing use value (and is therefore considered viable); yellow symbols show where the residual value is between 14% below EUV and 14% above EUV (and is considered marginal); and red symbols show where the residual value is 15% or greater less than EUV and is clearly unviable. A shaded bar has been added to illustrate how to interpret the results; at a sales value of £7,050 per square metre, schemes with densities of 40 to 130 uph would be viable; schemes with densities of between 160 and 220 uph would be marginally viable and schemes with a density of 250 uph would be unviable. These results would be the same at both 2010 and 2007 sales values.

### Example 1: 30% affordable (70% social rent; 30% intermediate); Section 106 contributions of £4,500; 20% profit; CSH level 3 on private and 4 on affordable; with grant

MODEL 2										Aff Hsg		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			30%	
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm									Sales value psm	% SR	70%
Sales value psm										% SO	30%	
										£106 (private)	£4,500 per unit	
										£106 (affordable)	£0 per unit	
										CSH (average unit cost)	£9,376 per unit	
										Grant	Yes	
										Developer's profit	20%	

RLVs less existing use value										Offices		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph				
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm									Sales value psm	Market value range 2010	Market value range 2007
Sales value psm												
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		

RLVs less existing use value										Residential		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph				
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm									Sales value psm	Market value range 2010	Market value range 2007
Sales value psm												
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		

RLVs less existing use value										Industrial / warehousing		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph				
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm									Sales value psm	Market value range 2010	Market value range 2007
Sales value psm												
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		

RLVs less existing use value										Community space/buildings		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph				
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm									Sales value psm	Market value range 2010	Market value range 2007
Sales value psm												
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		

### Example 2: As per Example 1, no grant

MODEL	5								Aff Hsg	30%
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	% SR	70%
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm								% SO	30%
Sales value per sq m									S106 (private)	£4,500 per unit
									S106 (affordable)	£0 per unit
									CL	
									CSH (average unit cost)	£9,376 per unit
									Grant	No
									Developer's profit	20%
£2,691	1,149,399	397,092	3,245,298	5,191,763	6,770,044	8,603,271	11,883,910	14,317,274	2,691	
£3,563	2,719,076	2,173,393	86,667	1,230,459	2,287,577	3,437,006	5,557,214	7,403,121	3,563	
£4,435	4,299,027	4,729,849	3,038,616	2,889,198	2,189,929	1,981,524	731,393	516,996	4,435	
£5,307	5,852,980	7,274,408	6,159,676	6,567,127	6,609,237	7,162,209	6,914,384	6,303,308	5,307	
£6,179	7,419,932	9,620,169	9,262,847	10,436,159	11,002,798	12,396,663	13,079,676	13,122,611	6,179	
£7,050	8,986,266	12,365,328	12,390,059	14,309,191	15,396,340	17,535,117	19,243,368	19,904,815	7,050	
£7,922	10,553,637	14,911,697	15,489,943	18,100,222	19,789,891	22,911,569	25,396,027	26,882,300	7,922	
£8,794	12,120,799	17,457,448	18,589,627	22,051,253	24,183,443	28,106,023	31,514,501	33,419,784	8,794	
£9,666	13,682,376	19,987,409	21,682,659	25,910,669	28,555,090	33,326,339	37,618,696	40,161,329	9,666	
£10,538	15,153,346	22,580,302	24,597,985	29,532,501	32,559,399	39,219,653	43,362,260	46,500,269	10,538	
£11,410	16,624,316	24,784,396	27,512,109	33,154,143	36,761,887	43,109,368	49,105,624	52,639,245	11,410	
£12,282	18,095,287	27,177,889	30,426,834	36,775,786	40,864,986	47,999,883	54,849,388	59,178,207	12,282	
£13,154	19,566,258	29,671,382	33,341,559	40,397,427	44,968,283	52,890,398	60,592,952	65,517,166	13,154	
£13,993	20,982,747	31,674,112	36,146,330	43,884,935	48,919,607	57,859,793	66,123,791	71,621,350	13,993	

RLVs less existing use value		£27,794,353 per hectare £9,226,463 per acre		Offices							
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm								Sales value per sq m	Market value range 2010	Market value range 2007
£2,691	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£2,691	↑	↑
£3,563	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£3,563		
£4,435	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£4,435		
£5,307	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£5,307		
£6,179	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£6,179		
£7,050	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,050		
£7,922	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,922		
£8,794	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£8,794		
£9,666	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£9,666		
£10,538	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£10,538		
£11,410	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£11,410		
£12,282	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£12,282		
£13,154	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,154		
£13,993	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,993		

RLVs less existing use value		£27,002,840 per hectare £10,932,324 per acre		Residential							
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm								Sales value per sq m	Market value range 2010	Market value range 2007
£2,691	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£2,691	↑	↑
£3,563	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£3,563		
£4,435	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£4,435		
£5,307	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£5,307		
£6,179	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£6,179		
£7,050	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,050		
£7,922	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,922		
£8,794	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£8,794		
£9,666	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£9,666		
£10,538	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£10,538		
£11,410	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£11,410		
£12,282	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£12,282		
£13,154	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,154		
£13,993	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,993		

RLVs less existing use value		£4,544,800 per hectare £1,840,000 per acre		Industrial / warehousing							
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm								Sales value per sq m	Market value range 2010	Market value range 2007
£2,691	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£2,691	↑	↑
£3,563	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£3,563		
£4,435	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£4,435		
£5,307	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£5,307		
£6,179	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£6,179		
£7,050	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,050		
£7,922	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,922		
£8,794	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£8,794		
£9,666	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£9,666		
£10,538	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£10,538		
£11,410	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£11,410		
£12,282	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£12,282		
£13,154	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,154		
£13,993	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,993		

RLVs less existing use value		£2,000,000 per hectare £805,717 per acre		Community space/buildings							
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm								Sales value per sq m	Market value range 2010	Market value range 2007
£2,691	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£2,691	↑	↑
£3,563	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£3,563		
£4,435	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£4,435		
£5,307	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£5,307		
£6,179	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£6,179		
£7,050	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,050		
£7,922	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,922		
£8,794	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£8,794		
£9,666	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£9,666		
£10,538	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£10,538		
£11,410	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£11,410		
£12,282	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£12,282		
£13,154	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,154		
£13,993	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,993		

### Example 3: As per example 1, but increased S106 contributions of £15,000 per unit

MODEL 14										Aff Hsg		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			% SR	30%
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			% SO	30%
Sales value psm										Sales value psm	S106 (private)	£15,000 per unit
£2,691	1,842,686	701,762	2,055,712	3,770,893	5,261,008	6,396,793	9,701,648	12,000,810	2,691		S106 (affordable)	£15,000 per unit
£3,563	3,409,638	3,266,475	1,086,247	184,776	766,203	1,630,529	3,374,952	5,086,657	3,563		C:SH (average unit cost)	£9,376 per unit
£4,435	4,976,590	5,812,234	4,209,418	4,077,116	3,674,690	3,662,549	2,871,164	1,767,623	4,435		Grant	Yes
£5,307	6,543,543	6,267,995	7,232,990	7,948,148	9,075,704	9,917,761	9,055,656	9,986,326	5,307		Developer's profit	20%
£6,179	8,110,495	10,903,754	10,446,402	11,819,179	12,469,255	14,154,213	15,200,148	15,398,077	6,179			
£7,050	9,677,448	13,449,514	13,546,266	15,680,210	16,862,807	19,390,667	21,364,641	22,155,561	7,050			
£7,922	11,243,163	15,995,274	16,646,170	19,581,242	21,236,358	24,627,120	27,486,767	26,913,046	7,922			
£8,794	12,809,407	19,541,033	19,746,255	23,432,273	25,643,964	29,963,673	33,605,241	35,870,539	8,794			
£9,666	14,364,176	21,080,995	22,638,867	27,275,197	30,001,943	35,080,416	38,709,436	42,412,076	9,666			
£10,538	15,936,147	23,474,467	25,753,612	30,896,839	34,105,241	39,960,931	45,453,000	48,751,035	10,538			
£11,410	17,506,117	25,867,261	28,668,336	34,518,461	38,206,538	44,641,446	51,196,564	55,089,995	11,410			
£12,282	19,077,087	28,259,626	31,693,961	38,140,123	42,311,937	49,731,961	56,940,127	61,426,964	12,282			
£13,154	20,648,057	30,644,362	34,497,767	41,761,765	46,415,136	54,622,476	62,883,691	67,767,913	13,154			
£13,993	21,664,547	32,943,720	37,304,568	45,249,272	50,366,459	59,331,860	68,214,531	73,871,423	13,993			

RLVs less existing use value										Offices		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm				
Sales value psm										Sales value psm		
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563	↑	↓
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435	↑	↓
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307	↑	↓
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179	↑	↓
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050	↑	↓
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922	↑	↓
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794	↑	↓
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666	↑	↓
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538	↑	↓
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410	↑	↓
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282	↑	↓
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154	↑	↓
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993	↑	↓

RLVs less existing use value										Residential		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm				
Sales value psm										Sales value psm		
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563	↑	↓
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435	↑	↓
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307	↑	↓
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179	↑	↓
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050	↑	↓
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922	↑	↓
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794	↑	↓
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666	↑	↓
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538	↑	↓
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410	↑	↓
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282	↑	↓
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154	↑	↓
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993	↑	↓

RLVs less existing use value										Industrial / warehousing		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm				
Sales value psm										Sales value psm		
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563	↑	↓
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435	↑	↓
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307	↑	↓
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179	↑	↓
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050	↑	↓
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922	↑	↓
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794	↑	↓
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666	↑	↓
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538	↑	↓
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410	↑	↓
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282	↑	↓
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154	↑	↓
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993	↑	↓

RLVs less existing use value										Community space/buildings		
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm				
Sales value psm										Sales value psm		
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563	↑	↓
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435	↑	↓
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307	↑	↓
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179	↑	↓
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050	↑	↓
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922	↑	↓
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794	↑	↓
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666	↑	↓
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538	↑	↓
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410	↑	↓
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282	↑	↓
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154	↑	↓
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993	↑	↓

### Example 4: As per example 1, but EUVs increased by 20%

MODEL	37								Aff Hsg	
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	% SR	30%
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm								% SO	70%
Sales value psm									SI06 (private)	£4,500 per unit
									SI06 (affordable)	£4,500 per unit
									CLL	£9,376 per unit
									CSH (average unit cost)	Yes
									Grant	20%
									Developer's profit	20%

**RLVs less existing use value**      **£22,794,353 per hectare**      **Offices**  
**£9,228,483 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm										
Sales value psm											
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		

**RLVs less existing use value**      **£27,002,840 per hectare**      **Residential**  
**£10,932,324 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm										
Sales value psm											
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		

**RLVs less existing use value**      **£4,544,800 per hectare**      **Industrial / warehousing**  
**£1,840,000 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm										
Sales value psm											
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		

**RLVs less existing use value**      **£2,000,000 per hectare**      **Community space/buildings**  
**£809,717 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm   £1346 per sqm   £1679 per sqm   £1787 per sqm   £1830 per sqm   £1884 per sqm   £1959 per sqm   £2013 per sqm										
Sales value psm											
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691	↑	↓
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993		



### Example 6: As Example 5, but no grant

MODEL 5										Aff Hsg	
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			40%
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			
Sales value psm									Sales value psm		
£2,691	792,972	1,011,032	4,021,515	6,177,036	7,884,756	10,142,003	13,457,263	16,035,248	2,691		
£3,563	2,175,086	1,273,941	1,216,460	2,659,572	3,684,360	5,396,087	7,849,403	9,904,260	3,563		
£4,435	3,562,214	3,544,368	1,557,800	834,369	78,125	641,879	2,240,843	3,773,273	4,435		
£5,307	4,949,341	5,798,985	4,324,171	4,278,252	4,014,014	4,049,109	3,280,714	2,293,323	5,307		
£6,179	6,336,489	8,053,373	7,090,542	7,706,739	7,913,278	8,706,467	8,745,478	8,340,376	6,179		
£7,050	7,723,594	10,308,160	9,853,447	11,135,347	11,806,892	13,347,069	14,210,242	14,387,428	7,050		
£7,922	9,110,721	12,562,748	12,698,661	14,563,895	15,700,504	17,867,671	19,675,006	20,381,888	7,922		
£8,794	10,497,849	14,617,336	15,343,876	17,862,443	19,594,117	22,626,272	25,115,095	26,373,315	8,794		
£9,666	11,877,280	17,884,192	18,079,889	21,409,206	23,424,111	27,258,843	30,518,993	32,343,491	9,666		
£10,538	13,138,112	19,115,758	20,578,025	24,522,950	26,995,573	31,459,735	35,442,048	37,776,884	10,538		
£11,410	14,398,944	21,167,323	23,076,359	27,626,815	30,512,688	35,651,596	40,365,103	43,210,278	11,410		
£12,282	15,659,775	23,216,889	25,574,695	30,731,883	34,025,798	39,843,466	45,288,157	48,643,672	12,282		
£13,154	16,920,607	25,270,455	28,073,031	33,826,344	37,546,911	44,026,336	50,711,212	54,077,896	13,154		
£13,993	18,134,741	27,246,037	30,478,835	36,824,638	40,933,760	48,071,951	54,951,931	59,309,222	13,993		

RLVs less existing use value										Offices	
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			
Sales value psm									Sales value psm		
£2,691	792,972	1,011,032	4,021,515	6,177,036	7,884,756	10,142,003	13,457,263	16,035,248	2,691	Market value range 2010	Market value range 2007
£3,563	2,175,086	1,273,941	1,216,460	2,659,572	3,684,360	5,396,087	7,849,403	9,904,260	3,563		
£4,435	3,562,214	3,544,368	1,557,800	834,369	78,125	641,879	2,240,843	3,773,273	4,435		
£5,307	4,949,341	5,798,985	4,324,171	4,278,252	4,014,014	4,049,109	3,280,714	2,293,323	5,307		
£6,179	6,336,489	8,053,373	7,090,542	7,706,739	7,913,278	8,706,467	8,745,478	8,340,376	6,179		
£7,050	7,723,594	10,308,160	9,853,447	11,135,347	11,806,892	13,347,069	14,210,242	14,387,428	7,050		
£7,922	9,110,721	12,562,748	12,698,661	14,563,895	15,700,504	17,867,671	19,675,006	20,381,888	7,922		
£8,794	10,497,849	14,617,336	15,343,876	17,862,443	19,594,117	22,626,272	25,115,095	26,373,315	8,794		
£9,666	11,877,280	17,884,192	18,079,889	21,409,206	23,424,111	27,258,843	30,518,993	32,343,491	9,666		
£10,538	13,138,112	19,115,758	20,578,025	24,522,950	26,995,573	31,459,735	35,442,048	37,776,884	10,538		
£11,410	14,398,944	21,167,323	23,076,359	27,626,815	30,512,688	35,651,596	40,365,103	43,210,278	11,410		
£12,282	15,659,775	23,216,889	25,574,695	30,731,883	34,025,798	39,843,466	45,288,157	48,643,672	12,282		
£13,154	16,920,607	25,270,455	28,073,031	33,826,344	37,546,911	44,026,336	50,711,212	54,077,896	13,154		
£13,993	18,134,741	27,246,037	30,478,835	36,824,638	40,933,760	48,071,951	54,951,931	59,309,222	13,993		

RLVs less existing use value										Residential	
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			
Sales value psm									Sales value psm		
£2,691	792,972	1,011,032	4,021,515	6,177,036	7,884,756	10,142,003	13,457,263	16,035,248	2,691	Market value range 2010	Market value range 2007
£3,563	2,175,086	1,273,941	1,216,460	2,659,572	3,684,360	5,396,087	7,849,403	9,904,260	3,563		
£4,435	3,562,214	3,544,368	1,557,800	834,369	78,125	641,879	2,240,843	3,773,273	4,435		
£5,307	4,949,341	5,798,985	4,324,171	4,278,252	4,014,014	4,049,109	3,280,714	2,293,323	5,307		
£6,179	6,336,489	8,053,373	7,090,542	7,706,739	7,913,278	8,706,467	8,745,478	8,340,376	6,179		
£7,050	7,723,594	10,308,160	9,853,447	11,135,347	11,806,892	13,347,069	14,210,242	14,387,428	7,050		
£7,922	9,110,721	12,562,748	12,698,661	14,563,895	15,700,504	17,867,671	19,675,006	20,381,888	7,922		
£8,794	10,497,849	14,617,336	15,343,876	17,862,443	19,594,117	22,626,272	25,115,095	26,373,315	8,794		
£9,666	11,877,280	17,884,192	18,079,889	21,409,206	23,424,111	27,258,843	30,518,993	32,343,491	9,666		
£10,538	13,138,112	19,115,758	20,578,025	24,522,950	26,995,573	31,459,735	35,442,048	37,776,884	10,538		
£11,410	14,398,944	21,167,323	23,076,359	27,626,815	30,512,688	35,651,596	40,365,103	43,210,278	11,410		
£12,282	15,659,775	23,216,889	25,574,695	30,731,883	34,025,798	39,843,466	45,288,157	48,643,672	12,282		
£13,154	16,920,607	25,270,455	28,073,031	33,826,344	37,546,911	44,026,336	50,711,212	54,077,896	13,154		
£13,993	18,134,741	27,246,037	30,478,835	36,824,638	40,933,760	48,071,951	54,951,931	59,309,222	13,993		

RLVs less existing use value										Industrial / warehousing	
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			
Sales value psm									Sales value psm		
£2,691	792,972	1,011,032	4,021,515	6,177,036	7,884,756	10,142,003	13,457,263	16,035,248	2,691	Market value range 2010	Market value range 2007
£3,563	2,175,086	1,273,941	1,216,460	2,659,572	3,684,360	5,396,087	7,849,403	9,904,260	3,563		
£4,435	3,562,214	3,544,368	1,557,800	834,369	78,125	641,879	2,240,843	3,773,273	4,435		
£5,307	4,949,341	5,798,985	4,324,171	4,278,252	4,014,014	4,049,109	3,280,714	2,293,323	5,307		
£6,179	6,336,489	8,053,373	7,090,542	7,706,739	7,913,278	8,706,467	8,745,478	8,340,376	6,179		
£7,050	7,723,594	10,308,160	9,853,447	11,135,347	11,806,892	13,347,069	14,210,242	14,387,428	7,050		
£7,922	9,110,721	12,562,748	12,698,661	14,563,895	15,700,504	17,867,671	19,675,006	20,381,888	7,922		
£8,794	10,497,849	14,617,336	15,343,876	17,862,443	19,594,117	22,626,272	25,115,095	26,373,315	8,794		
£9,666	11,877,280	17,884,192	18,079,889	21,409,206	23,424,111	27,258,843	30,518,993	32,343,491	9,666		
£10,538	13,138,112	19,115,758	20,578,025	24,522,950	26,995,573	31,459,735	35,442,048	37,776,884	10,538		
£11,410	14,398,944	21,167,323	23,076,359	27,626,815	30,512,688	35,651,596	40,365,103	43,210,278	11,410		
£12,282	15,659,775	23,216,889	25,574,695	30,731,883	34,025,798	39,843,466	45,288,157	48,643,672	12,282		
£13,154	16,920,607	25,270,455	28,073,031	33,826,344	37,546,911	44,026,336	50,711,212	54,077,896	13,154		
£13,993	18,134,741	27,246,037	30,478,835	36,824,638	40,933,760	48,071,951	54,951,931	59,309,222	13,993		

RLVs less existing use value										Community space/buildings	
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph			
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			
Sales value psm									Sales value psm		
£2,691	792,972	1,011,032	4,021,515	6,177,036	7,884,756	10,142,003	13,457,263	16,035,248	2,691	Market value range 2010	Market value range 2007
£3,563	2,175,086	1,273,941	1,216,460	2,659,572	3,684,360	5,396,087	7,849,403	9,904,260	3,563		
£4,435	3,562,214	3,544,368	1,557,800	834,369	78,125	641,879	2,240,843	3,773,273	4,435		
£5,307	4,949,341	5,798,985	4,324,171	4,278,252	4,014,014	4,049,109	3,280,714	2,293,323	5,307		
£6,179	6,336,489	8,053,373	7,090,542	7,706,739	7,913,278	8,706,467	8,745,478	8,340,376	6,179		
£7,050	7,723,594	10,308,160	9,853,447	11,135,347	11,80						



**Example 7: 50% affordable (70% social rent; 30% intermediate); Section 106 contributions of £4,500; 20% profit; CSH level 3 on private and 4 on affordable; with grant**

MODEL		Density - units/ha ->								Sales value psm	
		40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph		
Build costs ->		£1023 per sqm £1346 per sqm £1679 per sqm £1787 per sqm £1830 per sqm £1884 per sqm £1959 per sqm £2013 per sqm									
Sales value psm											
£2,691		2,288,962	1,504,816	960,998	2,354,231	3,444,903	4,860,552	7,166,540	9,086,342	2,691	
£3,563		3,496,264	3,468,605	1,465,848	691,262	21,064	719,914	2,275,115	3,739,520	3,563	
£4,435		4,702,479	5,432,021	3,885,218	3,885,659	3,447,074	3,293,186	2,546,027	1,583,760	4,435	
£5,307		5,905,297	7,396,436	6,271,215	6,871,723	6,840,748	7,418,208	7,311,683	6,838,562	5,307	
£6,179		7,086,114	9,368,862	8,661,761	9,667,787	10,234,423	11,462,968	12,076,699	12,094,212	6,179	
£7,050		8,210,932	11,322,267	11,052,205	12,543,881	13,626,067	15,507,708	16,824,463	17,219,582	7,050	
£7,922		9,313,793	13,293,434	13,442,893	15,627,191	17,016,662	19,552,456	21,561,867	22,544,962	7,922	
£8,794		10,716,567	15,239,510	15,833,396	18,596,151	20,387,882	23,574,449	26,279,252	27,770,322	8,794	
£9,666		11,913,691	17,186,045	18,212,189	21,550,560	23,743,278	27,573,575	30,980,862	32,989,129	9,666	
£10,538		12,954,284	18,891,891	20,294,134	24,137,448	26,674,205	31,036,802	35,095,297	37,486,956	10,538	
£11,410		14,014,977	20,597,136	22,376,081	26,724,336	29,605,132	34,560,026	39,187,943	42,024,784	11,410	
£12,282		15,085,670	22,302,681	24,468,027	29,311,221	32,536,059	38,053,252	43,290,458	46,552,611	12,282	
£13,154		16,116,364	24,008,226	26,539,973	31,898,109	35,466,967	41,546,476	47,893,034	51,067,180	13,154	
£13,993		17,126,142	25,650,034	28,544,810	34,389,185	38,299,361	44,910,323	51,345,631	55,411,999	13,993	
<b>RLVs less existing use value</b>		<b>£22,794,353 per hectare</b>								<b>Offices</b>	
<b>£9,228,483 per acre</b>											
Density - units/ha ->		40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	
Build costs ->		£1023 per sqm £1346 per sqm £1679 per sqm £1787 per sqm £1830 per sqm £1884 per sqm £1959 per sqm £2013 per sqm									
Sales value psm											
£2,691		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691	Market value range 2010
£3,563		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563	Market value range 2007
£4,435		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435	
£5,307		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307	
£6,179		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179	
£7,050		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050	
£7,922		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922	
£8,794		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794	
£9,666		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666	
£10,538		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538	
£11,410		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410	
£12,282		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282	
£13,154		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154	
£13,993		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993	
<b>RLVs less existing use value</b>		<b>£27,002,840 per hectare</b>								<b>Residential</b>	
<b>£10,932,324 per acre</b>											
Density - units/ha ->		40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	
Build costs ->		£1023 per sqm £1346 per sqm £1679 per sqm £1787 per sqm £1830 per sqm £1884 per sqm £1959 per sqm £2013 per sqm									
Sales value psm											
£2,691		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691	Market value range 2010
£3,563		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563	Market value range 2007
£4,435		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435	
£5,307		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307	
£6,179		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179	
£7,050		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050	
£7,922		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922	
£8,794		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794	
£9,666		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666	
£10,538		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538	
£11,410		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410	
£12,282		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282	
£13,154		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154	
£13,993		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993	
<b>RLVs less existing use value</b>		<b>£4,544,800 per hectare</b>								<b>Industrial / warehousing</b>	
<b>£1,840,000 per acre</b>											
Density - units/ha ->		40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	
Build costs ->		£1023 per sqm £1346 per sqm £1679 per sqm £1787 per sqm £1830 per sqm £1884 per sqm £1959 per sqm £2013 per sqm									
Sales value psm											
£2,691		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691	Market value range 2010
£3,563		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563	Market value range 2007
£4,435		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435	
£5,307		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307	
£6,179		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179	
£7,050		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050	
£7,922		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922	
£8,794		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794	
£9,666		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666	
£10,538		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538	
£11,410		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410	
£12,282		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282	
£13,154		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154	
£13,993		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993	
<b>RLVs less existing use value</b>		<b>£2,000,000 per hectare</b>								<b>Community space/buildings</b>	
<b>£809,717 per acre</b>											
Density - units/ha ->		40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value psm	
Build costs ->		£1023 per sqm £1346 per sqm £1679 per sqm £1787 per sqm £1830 per sqm £1884 per sqm £1959 per sqm £2013 per sqm									
Sales value psm											
£2,691		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691	Market value range 2010
£3,563		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563	Market value range 2007
£4,435		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435	
£5,307		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307	
£6,179		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179	
£7,050		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050	
£7,922		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922	
£8,794		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794	
£9,666		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666	
£10,538		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538	
£11,410		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410	
£12,282		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282	
£13,154		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154	
£13,993		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993	

### Example 8: As per example 7, but no grant

MODEL	5							
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1864 per sqm	£1969 per sqm	£2013 per sqm
Sales value per sqm								
£2,691	416,546	1,625,520	4,797,731	7,162,307	8,999,468	11,490,735	15,032,017	17,763,223
£3,563	1,631,089	374,500	2,354,631	4,096,685	5,521,204	7,335,166	10,141,592	12,495,400
£4,435	2,838,401	2,367,529	79,096	1,035,162	2,042,539	3,189,698	5,261,167	7,897,578
£5,307	4,045,702	4,323,562	2,488,666	1,989,375	1,400,208	923,819	390,614	1,716,862
£6,179	5,253,004	6,286,877	4,898,236	4,975,441	4,823,769	5,012,920	4,412,081	3,568,139
£7,050	6,460,305	8,250,393	7,307,806	7,961,505	8,217,443	9,059,022	9,177,117	8,832,841
£7,922	7,667,607	10,213,899	9,707,381	10,947,569	11,611,117	13,163,772	13,942,153	14,101,476
£8,794	8,874,908	12,177,223	12,097,925	13,933,633	15,004,791	17,148,522	18,707,189	19,336,847
£9,666	10,072,185	14,130,874	14,476,718	16,904,966	18,361,443	21,172,984	23,419,268	24,526,651
£10,538	11,122,877	15,040,613	16,556,665	19,504,207	21,528,127	24,884,987	27,521,635	29,063,460
£11,410	12,173,570	17,550,291	19,840,610	22,099,486	24,263,886	28,193,603	31,624,390	33,681,338
£12,282	13,224,264	19,269,889	20,722,557	24,686,374	27,194,612	31,687,049	35,726,906	38,109,135
£13,154	14,274,956	20,959,527	22,804,503	27,273,261	30,125,539	35,190,274	39,829,471	42,636,364
£13,993	15,286,735	22,615,845	24,809,341	29,764,538	32,947,914	38,544,120	43,780,071	46,987,094

Aff Hsg	50%
% SR	70%
% SO	30%
SI06 (private)	£4,500 per unit
SI06 (affordable)	£4,500 per unit
CIL	
CSH (average unit cost)	£11,031 per unit
Grant	Nil
Developer's profit	20%

**Offices**  
**£22,794,353 per hectare**  
**£9,228,483 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1864 per sqm	£1969 per sqm	£2013 per sqm
Sales value per sq m								
£2,691								
£3,563								
£4,435								
£5,307								
£6,179								
£7,050								
£7,922								
£8,794								
£9,666								
£10,538								
£11,410								
£12,282								
£13,154								
£13,993								

Market value range 2010: £2,691 - £13,993 (indicated by a red double-headed arrow)  
 Market value range 2007: £2,691 - £13,993 (indicated by a blue double-headed arrow)

**Residential**  
**£27,002,840 per hectare**  
**£10,932,324 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1864 per sqm	£1969 per sqm	£2013 per sqm
Sales value per sq m								
£2,691								
£3,563								
£4,435								
£5,307								
£6,179								
£7,050								
£7,922								
£8,794								
£9,666								
£10,538								
£11,410								
£12,282								
£13,154								
£13,993								

Market value range 2010: £2,691 - £13,993 (indicated by a red double-headed arrow)  
 Market value range 2007: £2,691 - £13,993 (indicated by a blue double-headed arrow)

**Industrial / warehousing**  
**£4,544,800 per hectare**  
**£1,840,000 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1864 per sqm	£1969 per sqm	£2013 per sqm
Sales value per sq m								
£2,691								
£3,563								
£4,435								
£5,307								
£6,179								
£7,050								
£7,922								
£8,794								
£9,666								
£10,538								
£11,410								
£12,282								
£13,154								
£13,993								

Market value range 2010: £2,691 - £13,993 (indicated by a red double-headed arrow)  
 Market value range 2007: £2,691 - £13,993 (indicated by a blue double-headed arrow)

**Community space/buildings**  
**£2,000,000 per hectare**  
**£809,717 per acre**

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1864 per sqm	£1969 per sqm	£2013 per sqm
Sales value per sq m								
£2,691								
£3,563								
£4,435								
£5,307								
£6,179								
£7,050								
£7,922								
£8,794								
£9,666								
£10,538								
£11,410								
£12,282								
£13,154								
£13,993								

Market value range 2010: £2,691 - £13,993 (indicated by a red double-headed arrow)  
 Market value range 2007: £2,691 - £13,993 (indicated by a blue double-headed arrow)

## 6 Small sites analysis

- 6.1 The Council is not currently proposing any change to its affordable housing threshold of 10 units. However, there is concern that the affordable housing threshold may have impacted on housing supply overall.

We have therefore tested the financial viability of delivering affordable housing on smaller sites using the following variables:

- Developments of between 10 and 30 units;
  - Development constructed as a flatted scheme;
  - Existing Use Value – a range reflecting the ‘typical’ small sites that are developed for schemes of between 10 and 30 units; single residential properties; small builders merchants’ yards; and residential backlands.
- 6.2 The hypothetical small schemes are run with the same range of sales values used in the appraisals of larger sites, as described in section 4.17. The build cost rate for the units is assumed to reflect low to medium density flatted development (£1,506 per square metre) and is increased by around 15% to reflect the lack of economies of scale achieved on larger sites and to reflect the generally more bespoke nature of small developments.

### Impact of affordable housing requirement on smaller sites

- 6.3 The Council has been operating a 10 unit threshold for some time in line with the position adopted in the London Plan. We have tested a series of hypothetical development scenarios at this threshold and above to determine whether the economics of such schemes are materially different from larger schemes.
- 6.4 The appraisal method used to test the ability of smaller sites to provide affordable housing is identical to the method used for larger sites. The hypothetical schemes are run with 10, 11, 12, 13, 15, 20, 25 and 30 units, with a range of sales values. The residual land values from each hypothetical scheme is then compared to the three different existing use values identified in section 6.1 above. We have assumed that the development would be constructed as a mix of flats.
- 6.5 Tables 6.6.1, 6.6.2 and 6.6.3 show the residual values generated by the schemes, with a 30%, 40% and 50% affordable housing requirement.
- 6.6 Our assumptions for the three EUVs are as follows:
- 6.7 **EUV 1:** Single house for redevelopment or conversion (for smaller schemes): the site would need to be sufficiently large to accommodate up to 30 flats. Based on our search of the local property market, we have adopted an indicative value of £1.85 million (at the 10 unit end of the development scale), ranging to £4 million for developments at the larger scheme end of the scale.

- 6.8 **EUV 2:** Builders merchants' yards: we have assumed that a builder's merchant yard could be purchased for between £0.75 million (for a site of 0.1 ha to accommodate a 10 unit scheme) and £2.25 million (for a site to accommodate a 30 unit scheme). These are estimates only as the actual purchase price of such plots would be influenced by a range of factors; the extent to which an owner of such a site may be prepared to dispose of his/her site would depend on the current level of trade and (if the business intends to continue trading) whether alternative premises can be purchased with the sum received, leaving a sufficient sum as a reward for moving.
- 6.9 **EUV 3:** Residential backlands: placing a value on residential backlands is difficult and depends on the extent to which individual owners can be persuaded to dispose of part of their gardens. The site purchase cost we have assumed of between £0.5 million and £2.2 million (depending on size of development) can be regarded only as a high level indication of how much it might cost to purchase suitable sites from owners. In some parts of Barnet, the sums suggested here may be insufficient to incentivise individual owners to dispose of parts of their land. It should also be noted that the London Mayor's interim Supplementary Planning Guidance suggests a presumption against development of backlands, which is likely to reduce supply from this source.
- 6.10 Table 6.10 shows the results of our appraisals of small sites using a similar presentational approach to the larger site appraisals in Section 5. This first set of results shows the results of the appraisals with 30% affordable, to provide an indication of the likely viability of sites between 10 and 30 units. Moving across the table columns from left to right, the size of scheme increases from ten units to thirty units. This table indicates that smaller schemes will be more viable on sites with lower existing use values and with higher sales values. In this respect, the results for the small site appraisals are no different from the larger sites. It is also evident that viability of sites is fairly uniform, regardless of the number of units.
- 6.11 Table 6.11 shows the results with a requirement for 40% affordable, which would result in a deterioration in viability, in comparison to the results where 30% affordable housing is provided. This is a pattern that we would expect to see and mirrors the findings from our appraisals of larger sites.
- 6.12 Finally, table 6.12 shows the impact of a 50% affordable housing requirement on scheme viability, again resulting in a further deterioration against the 30% and 40% results.
- 6.13 The results indicate that the Council's requirement for affordable housing provision on sites of between 10 and 30 units has no greater adverse impact on viability than on larger (30+ developments). However, it is possible that there is a 'deterrent' factor to development, based on the imposition of a full 40% or 50% requirement when moving from 9 units (which has no affordable housing requirement) to 10 units. It is at the 10 to 15 unit scale of development that developers may seek to maintain value by designing developments of 9 units when a site could readily accommodate 10 to 15 units. A sliding scale would therefore assist in maximising supply of housing and generating a contribution towards affordable housing. This is illustrated in table 6.13.1.

**Table 6.13.1: Indicative sliding scale for developments between 10 and 15 units**

<b>Number of units in development</b>	<b>40% affordable housing requirement</b>	<b>Number of affordable housing units required under sliding scale</b>
10	4	1
11	4	2
12	5	3
13	5	4
14	6	5
15	6	6

**Table 6.10: Smaller sites with 30% affordable housing requirement**

MODEL										
Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units	Aff Hsg	30%
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	% SR	60%
Sales value psm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	% SC	40%
£2,691	42,563	46,820	51,076	55,332	63,845	85,128	106,409	127,691	S106 (private)	£4,500 per unit
£3,563	353,911	389,302	424,693	460,084	530,867	707,822	884,778	1,061,733	S106 (affordable)	£4,500 per unit
£4,435	663,003	729,303	795,603	861,903	994,504	1,326,005	1,657,507	1,989,008	CIL	
£5,307	970,636	1,067,700	1,164,763	1,261,827	1,455,954	1,941,272	2,426,590	2,911,907	CSH (average unit cost)	£4,032 per unit
£6,179	1,279,269	1,406,096	1,533,923	1,661,750	1,917,404	2,556,538	3,195,673	3,834,807	Grant	Yes
£7,050	1,584,867	1,743,353	1,901,840	2,060,327	2,377,300	3,169,733	3,962,166	4,754,599	Developer's profit	20%
£7,922	1,890,843	2,079,927	2,269,011	2,458,096	2,836,264	3,781,686	4,727,108	5,672,529		
£8,794	2,196,820	2,416,501	2,636,184	2,855,865	3,295,230	4,393,639	5,492,049	6,590,460		
£9,666	2,495,043	2,744,547	2,994,051	3,243,555	3,742,565	4,990,086	6,237,607	7,485,129		
£10,538	2,790,226	3,058,249	3,326,272	3,614,294	4,170,339	5,560,452	6,950,565	8,340,678		
£11,410	3,065,410	3,371,950	3,678,492	3,985,032	4,598,114	6,130,819	7,663,524	9,196,229		
£12,282	3,350,593	3,685,652	4,020,712	4,355,770	5,025,889	6,701,185	8,376,482	10,051,779		
£13,154	3,635,776	3,999,354	4,362,931	4,726,509	5,453,664	7,271,552	9,089,440	10,907,328		
£13,993	3,910,397	4,301,437	4,692,477	5,083,516	5,865,596	7,820,794	9,775,993	11,731,191		

RLVs less existing use value									Existing residential house	
EUV	925,000	1,050,000	1,200,000	1,300,000	1,400,000	1,500,000	2,000,000	2,250,000		
Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units		
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm		
Sales value per sq m	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	Market value range 2010	Market value range 2007
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	↕	↕
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		

RLVs less existing use value									Builders' merchants yard	
EUV	736,000	809,600	883,200	956,800	1,104,000	1,472,000	1,840,000	2,208,000		
Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units		
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm		
Sales value per sq m	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	Market value range 2010	Market value range 2007
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	↕	↕
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		

RLVs less existing use value									LPA Land/Community uses	
EUV	500,000	525,000	475,000	525,000	625,000	725,000	825,000	975,000		
Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units		
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm		
Sales value per sq m	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	Market value range 2010	Market value range 2007
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	↕	↕
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖		



**Table 6.11: Smaller sites with 40% affordable housing requirement**

**MODEL**



Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units	
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	
Sales value psm									Sales value psm
£2,691	36,381	40,019	43,658	47,296	54,572	72,763	90,953	109,144	2,691
£3,563	313,410	344,750	376,091	407,432	470,114	626,819	783,525	940,230	3,563
£4,435	588,233	647,057	705,881	764,704	882,351	1,176,467	1,470,584	1,764,700	4,435
£5,307	861,957	948,152	1,034,348	1,120,544	1,292,935	1,723,913	2,154,891	2,585,869	5,307
£6,179	1,135,655	1,249,221	1,362,786	1,476,352	1,703,483	2,271,310	2,839,138	3,406,965	6,179
£7,050	1,407,823	1,548,605	1,689,387	1,830,169	2,111,733	2,815,644	3,519,556	4,223,467	7,050
£7,922	1,679,989	1,847,989	2,015,988	2,183,986	2,519,985	3,359,980	4,199,974	5,039,969	7,922
£8,794	1,952,157	2,147,373	2,342,588	2,537,804	2,928,235	3,904,314	4,880,392	5,856,471	8,794
£9,666	2,213,986	2,435,385	2,656,784	2,878,182	3,320,980	4,427,972	5,534,966	6,641,960	9,666
£10,538	2,458,429	2,704,272	2,950,115	3,195,958	3,687,643	4,916,859	6,146,073	7,375,288	10,538
£11,410	2,702,872	2,973,160	3,243,447	3,513,733	4,054,308	5,405,745	6,757,180	8,108,616	11,410
£12,282	2,947,315	3,242,046	3,536,777	3,831,509	4,420,972	5,894,630	7,368,287	8,841,945	12,282
£13,154	3,191,757	3,510,933	3,830,109	4,149,285	4,787,637	6,383,516	7,979,394	9,575,273	13,154
£13,993	3,427,147	3,769,861	4,112,576	4,455,291	5,140,721	6,854,294	8,567,868	10,281,441	13,993

Aff Hsq	40%
% SR	60%
% SO	40%
S106 (private)	£4,500 per unit
S106 (affordable)	£4,500 per unit
CSH (average unit cost)	£3,456 per unit
Grant	Yes
Developer's profit	20%



**RLVs less existing use value EUV**      **Existing residential house**

	925,000	1,050,000	1,200,000	1,300,000	1,400,000	1,500,000	2,000,000	2,250,000			
Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units			
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Sales value pper sq m									Sales value pper sq m	Market value range 2010	Market value range 2007
£2,691	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691		
£3,563	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563		
£4,435	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435		
£5,307	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307		
£6,179	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179		
£7,050	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050		
£7,922	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922		
£8,794	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794		
£9,666	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666		
£10,538	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538		
£11,410	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410		
£12,282	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282		
£13,154	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154		
£13,993	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993		

**RLVs less existing use value Builders' merchants yard**

	736,000	809,600	883,200	956,800	1,104,000	1,472,000	1,840,000	2,208,000			
Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units			
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Sales value pper sq m									Sales value pper sq m	Market value range 2010	Market value range 2007
£2,691	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691		
£3,563	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563		
£4,435	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435		
£5,307	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307		
£6,179	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179		
£7,050	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050		
£7,922	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922		
£8,794	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794		
£9,666	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666		
£10,538	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538		
£11,410	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410		
£12,282	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282		
£13,154	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154		
£13,993	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993		

**RLVs less existing use value LPA Land/Community uses**

	500,000	525,000	475,000	525,000	625,000	725,000	825,000	975,000			
Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units			
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Sales value pper sq m									Sales value pper sq m	Market value range 2010	Market value range 2007
£2,691	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691		
£3,563	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563		
£4,435	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435		
£5,307	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307		
£6,179	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179		
£7,050	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050		
£7,922	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922		
£8,794	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794		
£9,666	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666		
£10,538	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538		
£11,410	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410		
£12,282	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282		
£13,154	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154		
£13,993	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993		

**Table 6.12: Smaller sites with 50% affordable housing requirement**

Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units
	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm
Build costs ->								
Sales value psm								
£2,691	30,199	33,219	36,239	39,259	45,298	60,398	75,498	90,597
£3,563	272,908	300,199	327,490	354,782	409,363	545,817	682,271	818,725
£4,435	513,465	564,811	616,157	667,504	770,197	1,026,929	1,283,661	1,540,394
£5,307	753,277	828,605	903,933	979,260	1,129,916	1,506,554	1,883,193	2,259,831
£6,179	992,420	1,091,663	1,190,904	1,290,147	1,488,631	1,984,841	2,481,051	2,977,261
£7,050	1,230,779	1,353,856	1,476,934	1,600,012	1,846,168	2,461,556	3,076,946	3,692,335
£7,922	1,469,136	1,616,050	1,762,963	1,909,877	2,203,704	2,938,273	3,672,841	4,407,409
£8,794	1,707,494	1,878,244	2,048,993	2,219,743	2,561,242	3,414,989	4,268,736	5,122,483
£9,666	1,932,930	2,126,223	2,319,516	2,512,809	2,899,395	3,865,060	4,832,325	5,798,790
£10,538	2,136,632	2,350,295	2,563,959	2,777,622	3,204,949	4,273,265	5,341,581	6,409,896
£11,410	2,340,335	2,574,368	2,808,401	3,042,435	3,510,501	4,680,669	5,850,836	7,021,004
£12,282	2,544,037	2,798,441	3,052,844	3,307,249	3,816,055	5,088,074	6,360,093	7,632,111
£13,154	2,747,739	3,022,514	3,297,287	3,572,061	4,121,609	5,495,479	6,869,348	8,243,218
£13,993	2,943,897	3,238,287	3,532,677	3,827,066	4,415,845	5,887,795	7,359,743	8,831,692

Aff Hsq	50%
% SR	60%
% SO	40%
S106 (private)	£4,500 per unit
S106 (affordable)	£4,500 per unit
CSH (average unit cost)	£2,880 per unit
Grant	Yes
Developer's profit	20%

**RLVs less existing use value**      **Existing residential house**

EUV      925,000      1,050,000      1,200,000      1,300,000      1,400,000      1,500,000      2,000,000      2,250,000

Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units	Sales value psm	Market value range 2010	Market value range 2007
	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Build costs ->											
Sales value psm											
£2,691	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£2,691		
£3,563	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£3,563		
£4,435	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£4,435		
£5,307	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£5,307		
£6,179	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£6,179		
£7,050	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,050		
£7,922	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,922		
£8,794	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£8,794		
£9,666	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£9,666		
£10,538	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£10,538		
£11,410	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£11,410		
£12,282	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£12,282		
£13,154	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,154		
£13,993	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,993		

**RLVs less existing use value**      **Builders' merchants yard**

736,000      809,600      883,200      956,800      1,104,000      1,472,000      1,840,000      2,208,000

Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units	Sales value psm	Market value range 2010	Market value range 2007
	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Build costs ->											
Sales value psm											
£2,691	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£2,691		
£3,563	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£3,563		
£4,435	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£4,435		
£5,307	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£5,307		
£6,179	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£6,179		
£7,050	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,050		
£7,922	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,922		
£8,794	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£8,794		
£9,666	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£9,666		
£10,538	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£10,538		
£11,410	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£11,410		
£12,282	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£12,282		
£13,154	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,154		
£13,993	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,993		

**RLVs less existing use value**      **LPA Land/Community uses**

500,000      525,000      475,000      525,000      625,000      725,000      825,000      975,000

Number of units	10 units	11 units	12 units	13 units	15 units	20 units	25 units	30 units	Sales value psm	Market value range 2010	Market value range 2007
	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Build costs ->											
Sales value psm											
£2,691	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£2,691		
£3,563	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£3,563		
£4,435	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£4,435		
£5,307	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£5,307		
£6,179	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£6,179		
£7,050	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,050		
£7,922	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£7,922		
£8,794	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£8,794		
£9,666	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£9,666		
£10,538	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£10,538		
£11,410	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£11,410		
£12,282	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£12,282		
£13,154	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,154		
£13,993	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	£13,993		



## 7 Assessment of the results



7.1 This section needs to be read in conjunction with the tabular / graphical presentation in Appendix 1 (with a few examples shown in the preceding sections). In these tables, the residual land values are calculated for various different scenarios across a range of different sales values and densities of development, and then compared with existing use values. The tables show the outputs of our appraisals using the variables set out in Section 4.

### Assessment

7.2 The tables in Appendix 1 demonstrate that the delivery of 50% affordable housing (in combination with other planning obligations as noted above) is generally achievable on sites in existing use as industrial/warehousing and community space and buildings. However, sites in existing use as offices or residential will only be capable of providing significant proportions of affordable housing when values exceed around £8,000 per square metre.



7.3 The two extracts from the appraisal results illustrate the importance of EUV in determining viability. Both extracts show a 50% affordable housing requirement with base Section 106 costs of £4,500 per unit and grant for the affordable housing. The first extract shows the viability of a 50% affordable housing requirement on a site in existing office use.

RLVs less existing use value £22,794,353 per hectare Offices  
£9,226,483 per acre

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value £per sq m	Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			
Sales value £per sq m											
£2,691	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691		
£3,563	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563		
£4,435	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435		
£5,307	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307		
£6,179	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179		
£7,050	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050		
£7,922	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922		
£8,794	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794		
£9,666	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666		
£10,538	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538		
£11,410	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410		
£12,282	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282		
£13,154	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154		
£13,993	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993		

7.4 However, the picture is very different when the existing use is an industrial site, as shown in the extract below. However, it should be noted that such sites may suffer from heavy contamination, beyond the 'average' level of costs accounted for in BCIS build cost data. These costs would affect affordable housing outturns.

RLVs less existing use value £4,544,800 per hectare Industrial / warehousing  
£1,840,000 per acre

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value £per sq m	Market value range 2010	Market value range 2007
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm			
Sales value £per sq m											
£2,691	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691		
£3,563	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563		
£4,435	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435		
£5,307	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307		
£6,179	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179		
£7,050	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050		
£7,922	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922		
£8,794	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794		
£9,666	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666		
£10,538	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538		
£11,410	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410		
£12,282	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282		
£13,154	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154		
£13,993	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993		

- 7.5 Table 7.1.1 summarises the full set of results that can be found at Appendix 1. The summary table shows the results across the full range of sales values (£2,691 to £13,993 per square metre, reflecting the lowest value in the current market and the highest value in the 2007 market), on a 160 unit per hectare scheme. The results assume Section 106 contributions of £4,500 per unit and a profit margin of 20% (reflecting current housing market conditions).
- 7.6 The results are split between the four existing use values and show the maximum viable proportion of affordable housing with and without grant, at each sales value.

**Table 6.6.1: Maximum viable proportions of affordable housing**

Density of 160 units per hectare; 70% social rent and 30% intermediate; 20% profit; CSH Level 3 on private housing and CSH Level 4 on affordable; and base Section 106 contributions (£4,500 per unit)

Values per sq m	High EUV site (Office)		High EUV (Existing Residential)		Medium EUV site (Industrial/Storage/Distribution)		Low EUV (community space and/or buildings)	
	Grant	No Grant	Grant	No Grant	Grant	No Grant	Grant	No Grant
£2,691	<30%	<30%	<30%	<30%	<30%	<30%	<30%	<30%
£3,563	<30%	<30%	<30%	<30%	<30%	<30%	<30%	<30%
£4,435	<30%	<30%	<30%	<30%	40%	<30%	50%	<30%
£5,307	<30%	<30%	<30%	<30%	50%	40% m	50%	40%
£6,179	<30%	<30%	<30%	<30%	50%	50% m	50%	50%
£7,050	30% m	<30%	<30%	<30%	50%	50%	50%	50%
£7,922	40% m	30% m	30% m	<30%	50%	50%	50%	50%
£8,794	50% m	40% m	40% m	30% m	50%	50%	50%	50%
£9,666	50% m	40% m	50% m	40% m	50%	50%	50%	50%
£10,538	50%	50% m	50% m	40% m	50%	50%	50%	50%
£11,410	50%	50% m	50% m	50% m	50%	50%	50%	50%
£12,282	50%	50%	50%	50% m	50%	50%	50%	50%
£13,154	50%	50%	50%	50% m	50%	50%	50%	50%
£13,993	50%	50%	50%	50%	50%	50%	50%	50%

**m** = marginal (i.e. scheme value falls between 15% above and 15% below EUV. To be considered viable, the study assumes scheme value must be 15% or more above EUV)

- 7.7 The summary tables show a variance in the results between the different types of existing use, as is to be expected. The existing use values used in our analysis range from £2 million to £27 million per hectare, which the schemes must generate to be considered viable. In the current market, table 6.6.1 indicates that 40% to 50% affordable housing could only be achieved on high existing use value sites in areas with the sales values at the higher end of the range (ie in excess of £10,358 per square metre). On sites with medium EUVs, an affordable housing target of 40% to 50% would be viable in areas with sales values more towards the lower end of the range (ie £4,435 per square metre or more). However, as values increase back towards their 2007 levels, more areas at the lower end of the range will move into the zones where the targets are financially viable, providing that other variables remain constant.
- 7.8 High levels of affordable housing (i.e. 50%) are more readily achievable on sites in low value uses. On sites with low existing use values (community uses), 50% affordable could be achieved in all but the two very lowest value bands. The position improves at 2007 sales values compared to 2010 values.
- 7.9 There are two further important caveats to the results:
- 7.10 As noted previously, residual land values need to exceed EUV to be considered viable. There may be site specific circumstances where these EUV benchmarks may be higher or lower. While a higher EUV requires a commensurate higher residential sales value, in many circumstances, this will still be viable. However, higher density schemes are more vulnerable to existing use value requirements due to their higher build costs and greater contribution towards planning obligation in comparison to low density schemes.
- 7.11 There will often be circumstances where landowners' expectations or high competition for sites will result in a purchase price that may impact on the level of affordable housing that a scheme is capable of providing. Such cases will need to be considered carefully by the Borough as and when they are presented. The Borough would need to be satisfied that the purchase price was reasonable before accepting it as a benchmark in a viability appraisal.

#### **Impact of varying levels of developer's profit**

- 7.12 The tables at Appendix 1 clearly show the impact of movements in developer's profit on the viable quantum of affordable housing. The impact of changes in the profit level has a modest effect upon the outcomes on affordable housing delivery. Two extracts from the results below provide a direct comparison of viability with a 15% and 20% profit (all other variables in the table are identical). Extract 1 below assumes 15% profit, while extract 2 assumes 20% profit. While the range of viable schemes increases when profit is lower, the impact is relatively modest.

### Extract 1: 15% profit

RLVs less existing use value	£22,794,353 per hectare £9,228,483 per acre								Offices
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	
Build costs->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	
Sales value £per sq m									Sales value £per sq m
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993

### Extract 2: 20% profit

RLVs less existing use value	£22,794,353 per hectare £9,228,483 per acre								Offices
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	
Build costs->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	
Sales value £per sq m									Sales value £per sq m
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563
£4,435	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,435
£5,307	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,307
£6,179	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,179
£7,050	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,050
£7,922	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,922
£8,794	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,794
£9,666	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,666
£10,538	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,538
£11,410	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,410
£12,282	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£12,282
£13,154	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,154
£13,993	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£13,993

7.13 While the actual residual values decline when a 20% profit is required (eg at 190 units per ha and a sales value of £9,666 per sqm, the residual value with 15% profit is £30.01m; while at 20% profit, the residual falls to £27.57m), the changes are not sufficiently significant to change the pattern of viable schemes in the tables.

### Impact of the imposition of higher Section 106 requirements

7.14 By comparing the two data extracts below, we can determine the impact of the imposition of any possible future requirement for increased Section 106. Extract 1 shows the current position with regards to the Council's requirements (i.e. circa £4,500 per unit). Extract 2 shows the impact on viability of a change in obligations to £15,000 per unit.

7.15 As with developer's profit, the impact of higher Section 106 requirements on the quantum of affordable housing is limited. There is a slight deterioration in viability, with marginally viable schemes pushed up into the next sales value band. This suggests that the imposition of an increased Section 106 requirement is unlikely to be a major determinant in scheme viability.

### Extract 1: Base section 106 contributions of £4,500 per unit

RLVs less existing use value		£22,794,353 per hectare £9,228,483 per acre								Offices
Density - units/ha ->		40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	
Build costs->		£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	
Sales value £per sq m										Sales value £per sq m
£2,691		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691
£3,563		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563
£4,435		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435
£5,307		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307
£6,179		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179
£7,050		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050
£7,922		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922
£8,794		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794
£9,666		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666
£10,538		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538
£11,410		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410
£12,282		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282
£13,154		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154
£13,993		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993

### Extract 2: Increased total contributions (£15,000 per unit)

RLVs less existing use value		£22,794,353 per hectare £9,228,483 per acre								Offices
Density - units/ha ->		40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	
Build costs->		£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	
Sales value £per sq m										Sales value £per sq m
£2,691		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£2,691
£3,563		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,563
£4,435		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,435
£5,307		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,307
£6,179		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,179
£7,050		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,050
£7,922		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,922
£8,794		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,794
£9,666		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,666
£10,538		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,538
£11,410		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,410
£12,282		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£12,282
£13,154		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,154
£13,993		⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£13,993

## Impact of grant availability

7.16 All our appraisals are tested with the assumption that the affordable housing will be provided without Social Housing Grant. It is therefore clear that higher levels of affordable housing could be achieved in circumstances where this is not currently possible, if grant were made available. As noted as paragraph 4.33, when supported by grant affordable housing can often make a contribution towards land value. The impact of grant funding on the viable proportions of affordable housing can be seen clearly in Table 6.6.1.

## Impact of increase in EUVs

- 7.17 We have also considered the impact of an increase in Existing Use Values, above the levels assumed in our appraisals. This might reflect a situation where, for example, there is a shortage in office space, which would result in an increase in rents for secondary space.
- 7.18 The two extracts from the dataset below show the impact on scheme viability of a 20% increase in the four EUVs. All other variables in the two extracts are identical.
- 7.19 The two extracts indicate that the impact of an increased EUV is not significant and should not give rise to any change in the general conclusions drawn from the data.

### Extract 1: Viability with base EUVs

RLVs less existing use value	£4,544,800 per hectare £1,840,000 per acre								Industrial / warehousing
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	£per sq m
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563
£4,435	⊕	⊕	⊕	⊖	⊖	⊖	⊖	⊖	£4,435
£5,307	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£5,307
£6,179	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£6,179
£7,050	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£7,050
£7,922	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£7,922
£8,794	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£8,794
£9,666	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£9,666
£10,538	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£10,538
£11,410	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£11,410
£12,282	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£12,282
£13,154	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£13,154
£13,993	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£13,993

### Extract 2: Viability with EUVs increased by 20%

Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	Sales value
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	£per sq m
£2,691	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£2,691
£3,563	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,563
£4,435	⊕	⊕	⊖	⊖	⊖	⊖	⊖	⊖	£4,435
£5,307	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£5,307
£6,179	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£6,179
£7,050	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£7,050
£7,922	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£7,922
£8,794	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£8,794
£9,666	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£9,666
£10,538	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£10,538
£11,410	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£11,410
£12,282	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£12,282
£13,154	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£13,154
£13,993	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£13,993

## Impact of increase in build costs

- 7.20 Finally, we have tested the impact of 10% increase in build costs. Long term growth in sales values has historically more than cancelled out increases in build costs, although this trend does not necessarily apply to new requirements (eg sustainability, which our appraisals account for separately).
- 7.21 Extract 1 below shows a base position with current assumptions on build costs, while extract 2 shows the position resulting from a 10% increase over base build costs. The increased build cost does not have a significant impact on viability and could be accommodated in the context of increasing values over the medium term.

### Extract 1: Base build costs

RLVs less existing use value	£2,000,000 per hectare £809,717 per acre								Community space/buildings
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	
Sales value per sq. m									Sales value per sq. m
£2,691	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	£2,691
£3,563	🟢	🟢	🔴	🔴	🔴	🔴	🔴	🔴	£3,563
£4,435	🟢	🟢	🟢	🟢	🟢	🟢	🟡	🔴	£4,435
£5,307	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£5,307
£6,179	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£6,179
£7,050	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£7,050
£7,922	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£7,922
£8,794	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£8,794
£9,666	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£9,666
£10,538	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£10,538
£11,410	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£11,410
£12,282	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£12,282
£13,154	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£13,154
£13,993	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£13,993

### Extract 2: Base build costs plus 10%

RLVs less existing use value	£2,000,000 per hectare £809,717 per acre								Community space/buildings
Density - units/ha ->	40 uph	70 uph	100 uph	130 uph	160 uph	190 uph	220 uph	250 uph	
Build costs ->	£1023 per sqm	£1346 per sqm	£1679 per sqm	£1787 per sqm	£1830 per sqm	£1884 per sqm	£1959 per sqm	£2013 per sqm	
Sales value per sq. m									Sales value per sq. m
£2,691	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	£2,691
£3,563	🟢	🟡	🔴	🔴	🔴	🔴	🔴	🔴	£3,563
£4,435	🟢	🟢	🟡	🔴	🔴	🔴	🔴	🔴	£4,435
£5,307	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£5,307
£6,179	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£6,179
£7,050	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£7,050
£7,922	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£7,922
£8,794	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£8,794
£9,666	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£9,666
£10,538	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£10,538
£11,410	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£11,410
£12,282	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£12,282
£13,154	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£13,154
£13,993	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	£13,993



## 8 Conclusions

- 8.1 Barnet has an acute shortage of affordable housing as demonstrated by the Housing Needs Survey.
- 8.2 This report examines, in terms of financial viability, the potential for development sites in the Borough to deliver affordable housing at varying percentages, while also securing other planning obligations at current and possible future levels. By comparing the residual land values generated by our appraisals to a range of existing use values (plus margin), we can determine whether residential development is likely to come forward, incorporating 40% to 50% affordable housing and other planning requirements. An important caveat to the results is that they have not taken account of any site specific exceptional costs and, where these arise, they may override our conclusions. An 'average' level of costs are included in BCIS data for the Borough, as almost all sites are previously developed and frequently encounter some form of exceptional cost. This underlines the importance of rigorous testing of individual site viability appraisals.

### **Key question 1: Do the appraisal results provide support for a 50% affordable housing target, in line with the current London Plan?**

- 8.3 It is important to consider the affordable housing target in its proper context – it is a strategic target for delivery from all sites in the Borough, some of which may deliver more than 50% affordable housing (eg estate regeneration schemes). The number of units coming through RSL led schemes will be important as not every Section 106 site will be able to deliver the affordable housing target at all times over the plan period. It would appear sensible to us that the Council adopt a 50% affordable housing target on S106 sites, which should be applied sensitively, taking full account of individual site circumstances. This is essential, as the results of our appraisals indicate that 50% affordable housing is unlikely to be viable in all situations over the plan period; in all areas across the Borough; and consistently between sites in differing existing uses. In cases where the policy is currently not viable, the policy would need to be applied flexibly until values recover or other factors assist in improving viability (e.g. a reduction in interest rates or falling build costs).
- 8.4 Adopting a lower target than 50% could lead to a reduction in potential affordable housing delivery. Table 6.6.1 indicates that a 30% affordable housing target would increase the range of viable scenarios only very marginally. Conversely, adopting a 30% affordable housing across the whole Borough would result in a significant number of sites that could have provided 50% affordable housing providing only 30%.
- 8.5 Furthermore, the results of our analysis (summarised in Table 6.6.1) indicate that in a range of circumstances across the Borough, 50% affordable housing could be achieved. When sales values are at the very lowest end of the range, higher proportions of affordable housing marginally improve scheme viability. This is because the difference between market values and the affordable housing price payable is small and more than outweighed by a reduction in profit levels (as noted previously, profit on the affordable housing is assumed at 6% and 20% on private housing).

- 8.6 However it should be made clear that the results demonstrate that the delivery of 50% affordable housing on every single site coming forward for development in the Borough is currently (and is likely to continue to be) an ambitious target that only a limited number of the sites will be able to achieve. This is no different from other local authority areas, where some sites are able to meet the respective Council's strategic affordable housing target and others are not, due to site specific circumstances and the cyclical nature of the housing market. However, the variable pattern of viability can be addressed providing the Council's policy is drafted with sufficient flexibility to address situations where the targets are unviable. London Plan policies already provide this flexibility.
- 8.7 It is evident that on sites with high EUVs, there are some circumstances where sales values would need to increase beyond the 2007 peak for 50% affordable housing to be achievable. It is also important to note that residential development is not always viable, even if schemes are configured as 100% private housing, indicating that residential development cannot always compete with the current uses. Non-viability of the affordable housing targets on these sites does not imply that the target should not be adopted, as it is clearly viable on other sites with different existing uses. The target may also be easier to achieve on a greater number of sites as a result of future increases in sales values, providing build cost inflation does not accelerate again.

**Key question 2: Is there evidence to suggest that the Council should consider a variable affordable housing target?**

- 8.8 There are significant variations in market values across the Borough. The Council could consider adopting a differential affordable housing target, with a reduced target in lower value areas.
- 8.9 If the Council were minded to adopt such a regime, it would need to be alert to the possibility of market distortion arising from the application of the differential target. Developers may seek to develop sites at the very boundary of a less expensive zone, with a lower affordable housing requirement, but seek to take advantage of higher values in the adjacent zone. Consequently, the Council may find that it needs to redraw the boundaries on a regular basis. In response to this issue of market distortion, other authorities have adopted single targets across their entire area.
- 8.10 The need for differential, area based affordable housing targets falls away if the Council's policies are worded to provide flexibility, taking full account of financial viability of individual sites.

**Key question 3: Is the impact of movements in appraisal variables sufficiently significant to change the Study's conclusions on the maximum viable proportion of affordable housing? In particular, what is the impact of increasing profit levels, increased planning obligations, increasing existing use values and increasing build costs?**

- 8.11 Small changes in variables can potentially have a significant impact on the residual land value generated by a scheme. In the case of this study, changes in variables therefore have the potential to change the conclusions that we reach on the viability of particular levels of affordable housing.
- 8.12 We have sensitivity tested our results by adopting different levels of profit; planning obligations; existing use values; and build costs. The changes in these variables that we have tested individually do not have a significant impact upon scheme viability and thus our conclusions on viable levels of affordable housing delivery.

- 8.13 We cannot predict with full certainty how variables will move over the entire plan period. It is therefore important that any affordable housing target is applied with sensitivity and subject to viability. This approach is fully endorsed by the London Plan.

**Key question 4: Do the results of the study provide an indication of any potential impact of the requirement for affordable housing upon the supply of land for residential development?**

- 8.14 Policy makers need to carefully consider the balance between their aims of seeking to maximise affordable housing supply and ensuring that the supply of residential land (upon which affordable housing supply depends) does not fall.
- 8.15 The study indicates that, in some cases across the Borough, residential development incorporating an element of affordable housing generates a higher residual value than other uses that landowners may consider. Consequently, it is therefore unlikely that the Council's requirements will reduce residential land supply. However, there will always be individual cases where landowners may seek a higher return for their land and thus decide to wait for an improvement in values or a change in policy.
- 8.16 Furthermore, the Council's flexible approach to the application of the policy target to individual developments should ensure that landowners are encouraged to bring sites forward.

**Key question 5: Is the Council's affordable housing target compliant with the requirements of Paragraph 29 of PPS3 (namely that targets should reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured)?**

- 8.17 This study is compliant with the requirements of paragraph 29 of PPS 3 as it assesses the Council's proposed affordable housing targets in the context of the likely economic viability of the land for housing in a cyclical housing market, in which values, costs, risks to delivery, developers' returns and existing use values may vary. The study also considers the likely levels of finance available for affordable housing.
- 8.18 The study indicates that 50% affordable housing (in combination with other planning obligations as noted above) is achievable in many circumstances on the types of sites coming forward for development over the plan period. Sites with lower EUVs appear to be most able to meet a 50% policy, although grant funding will continue to be an important factor in achieving this level of affordable housing.

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## Appendix 1 Appraisal outputs

[See separate electronic document]