Financial Viability Appraisal

Address:	12 Claygate Lane, Hinchley Wood, Esher, Surrey, KT10 0AQ
LPA:	Elmbridge Borough Council
Planning ref:	N/A
Client:	Wynngate Ltd
Date:	1st November 2023

Contents

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Executive Summary

This report provides a Financial Viability Appraisal (FVA) of proposed development at 12 Claygate Lane, Hinchley Wood, Esher, Surrey, KT10 0AQ. The process involves utilising Market Comparison and Residual Methods following RICS Guidance *Valuation of Development Property* (2019), *Assessing Viability in Planning under the NPPF Framework* (2021), and National Planning Policy Guidance on Viability (NPGV 2019), and complies with RICS professional standards and guidance *Financial Viability in Planning: Conduct & Reporting.*

Following NPGV para 008, wherever possible this FVA utilises assumptions used in the underlying local plan evidence base. Where changes have been made, these are fully supported by market evidence demonstrating current local circumstances.

The key outputs of this FVA are summarised in the below table:

GDV	**£7,035,000.85**
Costs exc land and profit	**£4,225,509.10**
Finance	**£415,170.32**
Return	**£1,407,000.17**
BLV	**£1,580,700.00**
RLV	**£987,321.26**
RLV-BLV	**(£593,378.74)**
Target profit	**20.00%**
Actual profit	**11.57%**

Target developer return includes a risk-adjusted rate for market residential (20.00%). Sensitivity analysis demonstrates this is the minimum return necessary to offset the current risk environment.

Benchmark Land Value (BLV) is assessed via the EUV+ and AUV method where relevant in line with national policy. A 10% landowner premium has been added in this instance.

As such, this FVA demonstrates that, on a 100% open market basis, the benchmark land value exceeds the residual land value of the scheme. Therefore, the development cannot viably provide the targeted contributions.

Full appraisal inputs and evidence are found in the Schedules, referred to throughout.

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Introduction

S106 Management is instructed by Wynngate to produce a Financial Viability Appraisal (FVA) to determine the level of Affordable Housing contribution that can be viably delivered on proposed development at 12 Claygate Lane, Hinchley Wood, Esher, Surrey, KT10 0AQ.

Elmbridge Borough Council seeks an Affordable Housing S106 contribution in accordance with Core Policy CS21 of the Elmbridge Core Strategy (adopted July 2011).

The existing site comprises the detached house at 12 Claygate Lane and a plot of greenfield land adjacent to the rear garden of the house and extending along to the rear of the neighbouring properties. 12 Claygate Lane is a 4-bedroom detached house with a total GIA of 159.80m2 and a garden plot of c. 646.15m2 (0.0646ha). The total area of the adjacent greenfield land is 2,608.20m2 (0.2680ha).

This FVA is to be viewed in conjunction with a new application. The proposed development seeks to demolish the existing house and use the combined land to erect 1 x 4-bed and 1 x 3-bed detached houses, 4 x 3-bed semi-detached houses and 3 x 1-bed flats. The total proposed residential area will be 1,069.50m2.

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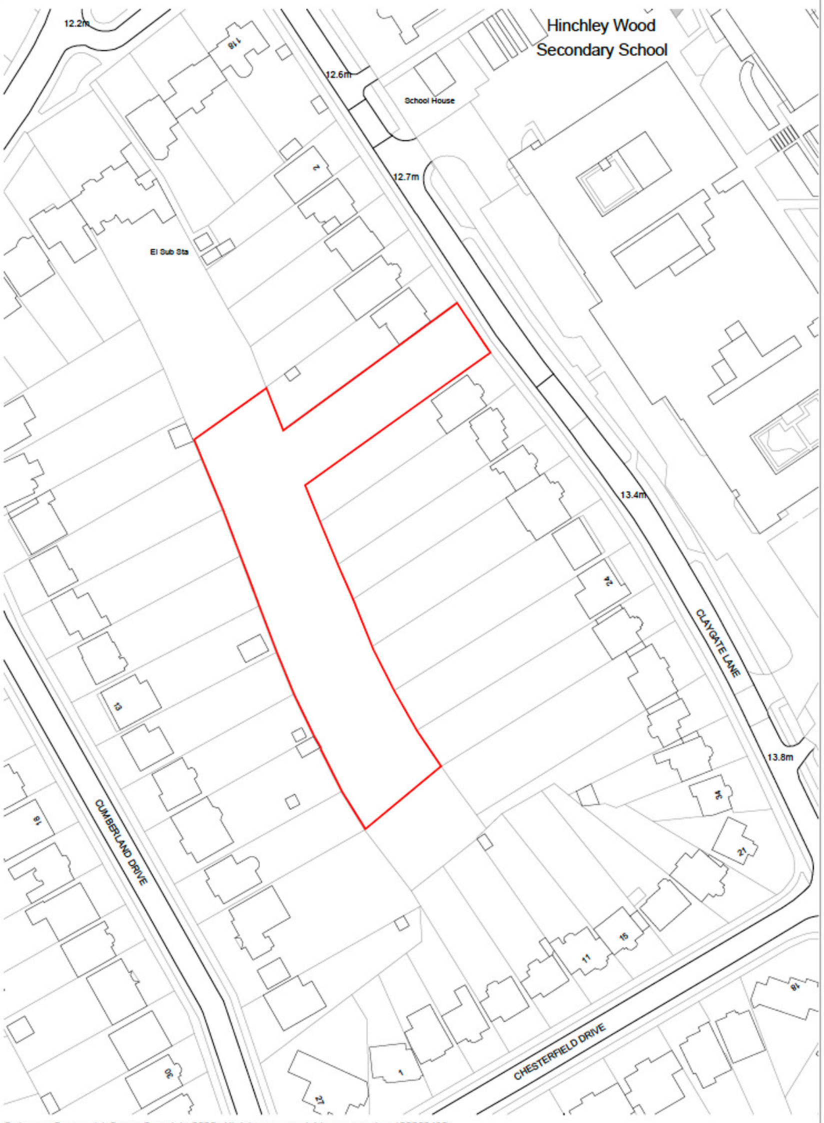
Location Plan



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S106 Management

S106 Management is a viability consultancy established in 2011. Formed initially to capitalise on 35 years of specialist experience in planning law, viability assessment and development, the company has expanded over the last 10 years and now benefits from the expertise of chartered surveyors, town planners, solicitors, architects and an extensive network of planning professionals.

With over a decade of experience in creating expert financial viability appraisals, advising on complex planning obligations, and negotiating with local authorities, **S106 Management** has often been at the forefront of planning viability matters. The company is now one of the most effective and experienced specialist viability consultancies in the UK, combining expertise from all corners of the industry and benefiting from a considerable evidence base of several thousand development appraisals countrywide.

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Planning Policy

By virtue of section 38 (6) of the *Planning and Compulsory Purchase Act* 2004, planning applications must be determined in accordance with the adopted plan of the Local Authority, unless material considerations indicate otherwise.

Therefore, the policy starting point is CS21 of the Elmbridge Core Strategy (adopted July 2011):

CS21 - Affordable housing

The Council will aim to deliver at least 1150 affordable homes between 2011-2026.

In the event that overall housing targets are exceeded, the target for affordable housing delivery will rise proportionately.

The Council will require provision of affordable housing in accordance with the following, where viable:

- 40% of the gross number of dwellings on sites of 15 dwellings or more
- 30% of the gross number of dwellings on sites of 6 – 14 dwellings
- 20% of the gross number of dwellings on sites of 5 dwellings
- A financial contribution equivalent to the cost of 20% of the gross number of dwellings on sites of 1 – 4 dwellings.

Where exceptionally development is proposed on a greenfield site[(44)], at least 50% of the gross number of dwellings should be affordable on any site of 15 dwellings or more.

A target of at least 50% will apply to public land, regardless of the number of dwellings proposed. [(45)]

On-site provision will be expected for sites of 5 or more dwellings. Only in exceptional circumstances will an alternative to on-site provision be appropriate.

The target tenure mix of affordable housing and housing types and sizes shall be in accordance with those identified in the most up to date SHMA or SPD.[(46)]

CS21 suggests that developments of 6 - 14 dwellings should provide a financial contribution equivalent to 30% of the gross number of dwellings.

The purpose of this FVA is to determine whether the development is capable of supporting the targeted contribution.

This policy has been informed by the 'Elmbridge Borough Council Local Development Framework Viability Study' (hereafter referred to as the FVS), completed on behalf of the council in May 2009.

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We note that Elmbridge Borough Council are currently working on a new local plan, which is yet to be published and is still under review by The Secretary of State as of August 2023.

As part of the evidence base for the emerging local plan, the 'Elmbridge Local Plan & Community Infrastructure Levy Scoping Viability Assessment' has been carried out by DSP Property Consultants on behalf of the council and published in May 2022.

Since this is the most recent study, we will also refer to assumptions made here where appropriate in our report.

PPG Viability para 008 states:

> ***'How should a viability assessment be treated in decision making?***
>
> ***Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.'***

This creates a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties, with the burden of proof relating to what changes have occurred since adoption of the local plan applicable to all parties.

As such, where appropriate the conclusions of the underlying local plan evidence base are used to inform our report and corroborate assumptions. Where we believe changes must be made these are fully evidenced.

National Guidance is a material consideration; therefore, we also consider the 'National Planning Policy Framework' (NPPF) (2021), and the 'National Planning Guidance for Viability' (NPGV) (May 2019).

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National Guidance

National guidance on the delivery of Affordable Housing is provided by the NPPF.

Paragraphs 57, 58 and 64 of the NPPF are of particular relevance:

57. Planning obligations must only be sought where they meet all of the following tests[26]:
    a) necessary to make the development acceptable in planning terms;
    b) directly related to the development; and
    c) fairly and reasonably related in scale and kind to the development.

58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

64. Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount[30].

The recommended approach referred to above is set out in the NPGV (https://www.gov.uk/guidance/viability).

The standard approach to viability is explained at para. 10 of the NPGV:

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

This is summarised well in the below figure from RICS guidance:

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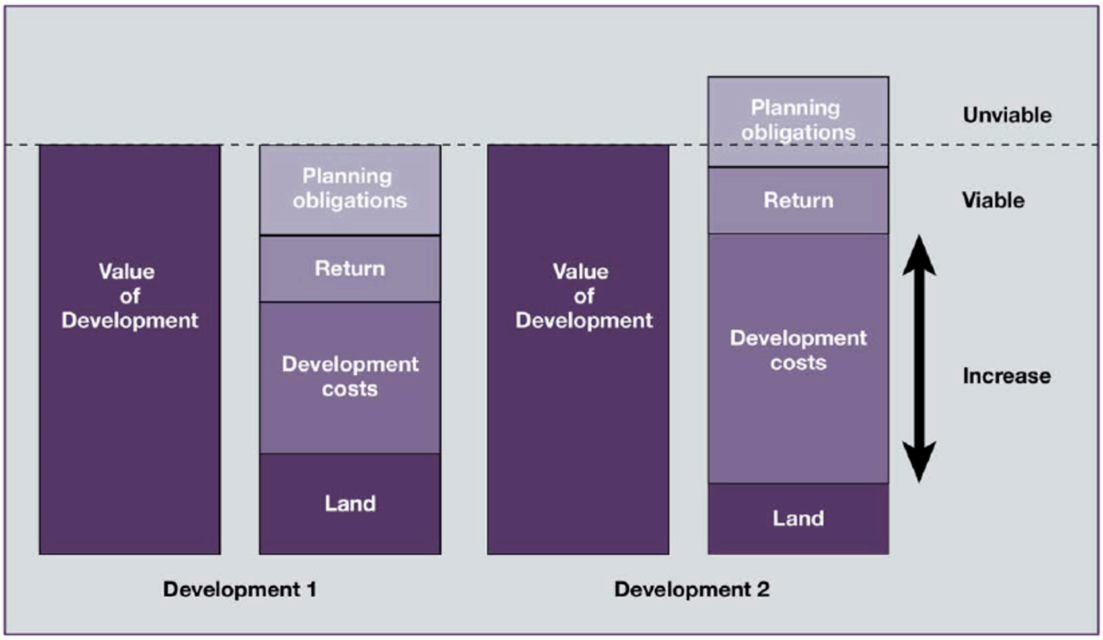

Paragraphs 11-18 lay out the required approach to calculating gross development value (GDV), development costs, benchmark land value, landowner and developer return.

The concept of viability is well expressed by the NPGV, in particular para 012 which sets out the costs that should be included in any viability statement, and paras 013-017 which seek to ensure that the landowner should receive the Existing Use Value (EUV) of the site plus a premium, thus providing an incentive to the landowner to bring the site forward for development.

Our report has been written in accordance with the principles set out in both the NPPF, and the NPGV.

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Particular Circumstances

Both RICS guidance and PPG Viability note that particular circumstances must justify the need for a site-specific viability assessment. These circumstances are broad, with a non-exhaustive list provided by the PPG.

> ***'Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.'***
>
> ***PPG Viability para 007***

The particular justification for this site-specific viability assessment is that significant economic changes have occurred since the plan was brought into force.

Following the RICS guidance:

> **3.10.3** The main differences in FVAs for decision taking, compared to for plan making, are that:
>
> - the level of planning requirements has been determined in the plan
> - the site will be identified
> - the scheme will be specified in more detail
> - any abnormal costs can be identified, including any remediation costs and related land remediation relief tax allowances that may be available, and any costs incurred in readying the site for development, and
> - the evidence base can be more specifically related to the actual site (where the site was not assessed at the plan-making stage).

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Viability

The relevance of viability is accepted in Core Policy CS21 which states:

Financial viability

Developers and landowners are expected to consider the overall cost of development, including the required planning obligations and any abnormal costs, prior to negotiating the sale or purchase of land or the acquisition or sale of an option. The affordable housing should be provided through private subsidy, and where economically justified, a public subsidy.

In the exceptional circumstances where it is considered that the delivery of affordable housing in accordance with the policy is unviable, this must be demonstrated through the submission of a financial appraisal alongside a planning application. The Council's 'Validation Checklist' will be updated to reflect this as a local requirement for validating planning applications. The Council will also require the applicant to pay for an independent review of the information submitted. If the Council is satisfied that affordable housing cannot be provided in accordance with the policy, it will seek to negotiate alternative provision.

This policy statement should be seen in the context of the NPPF, and indeed subsequent Government guidance.

There are several proprietary toolkits in use to justify viability. We use the Housing Corporation Economic Appraisal Tool (HCEAT); and Argus Developer.

Our report and its conclusions are based on the application of this tool.

The next section sets out the assumptions that have been made in the preparation of the viability toolkit examining the viability of this site; the toolkit is shown in **Schedule 1** of this report. The comments below address the inputs to the toolkit sequentially and an electronic copy can be provided to the LPA on request.

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Toolkit Inputs

Proposed Development

The development is summarised by the table below (plans are shown at **Schedule 2** to this report):

Unit	Area m2	Type
1	212.30	4-bed Detached
2	164.20	3-bed Detached
3	40.70	1-bed Flat
4	41.30	1-bed Flat
5	52.20	1-bed Flat
6	120.90	3-bed Semi-detached
7	120.90	3-bed Semi-detached
8	158.50	3-bed Semi-detached
9	158.50	3-bed Semi-detached
Total area (m2)	**1,069.50**	
Total area detached	**376.50**	
Avg. detached size	**188.25**	
Total area semi	**558.80**	
Avg. semi size	**139.70**	
Total area flats	**134.20**	
Avg. flat size	**44.73**	

The unit mix comprises 1 x 4-bed and 1 x 3-bed detached houses, 4 x 3-bed semi-detached houses and 3 x 1-bed flats. The properties will benefit from off street parking and private gardens.

Affordable Housing Values

We approach this issue by firstly modelling a scheme with no Affordable Housing; if the Residual Value of this model exceeds the Benchmark Value of the site (as described below) producing a surplus profit, then we produce a second model to illustrate the maximum level of Affordable Housing that can viably be delivered by the development.

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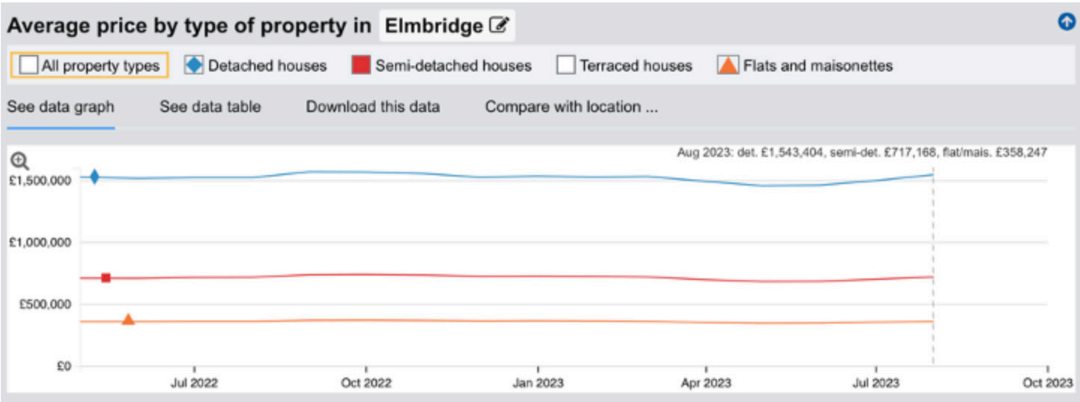
Open Market Housing Values

Land Registry data for Elmbridge suggests the following average values for detached & semi-detached houses and flats.



Therefore, as of August 2023 the average sales price for a detached house was £1,543,404 and for a semi-detached the price was £717,168, while flats sold on average for £358,247.

Nimbus suggests the following data:

This suggests an average open market value for properties in the immediate area of £7,082.712/m2. However, this is not differentiated by property type and hence is of limited use.

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Transactional Data

We have compared this data to relevant recent 'sold' transactions extrapolated from Rightmove (see **Schedule 3**). Values are extremely sensitive to small changes in search area; therefore, we have limited our transactional search to within 1 year and 1/2 mile of the scheme.

SOLD - Detached - within 1/2 mile, last 1 year					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
27, Medina Avenue, Esher, Surrey KT10 9TJ	3-bed detached: 1 bath, in good condition, off-street parking & garage, good size rear garden, potential to extend	23.06.2023	143.10	£6,027.25	£862,500
21, Southwood Gardens, Esher, Surrey KT10 0DF	4-bed detached: 1 bath, extended, off-street parking & garage, popular residential road, modern home office in garden, refurbished and well-presented throughout	24.05.2023	152.00	£7,730.26	£1,175,000
45, Avondale Avenue, Esher, Surrey KT10 0DB	4-bed detached: in good condition, rear garden, off-street parking & garage	12.05.2023	130.00	£7,923.08	£1,030,000
7, Manor Road North, Esher, Surrey KT10 0AA	3-bed detached: 2 baths, refurbished and well-presented throughout, study, rear garden, large front drive	03.03.2023	143.00	£7,588.81	£1,085,200
58, Claygate Lane, Esher, Surrey KT10 0BJ	3-bed detached: 1 bath, well-presented throughout, off-street parking, rear garden, popular location, potential to extend	16.12.2022	107.50	£8,744.19	£940,000
121, Claygate Lane, Esher, Surrey KT10 0BH	4-bed detached: 1 bath, well-presented throughout, beautiful garden with views over golf course, off-street parking & garage, large reception with fireplace	11.11.2022	134.70	£7,795.10	£1,050,000
52, Greenways, Esher, Surrey KT10 0QD	4-bed detached: 2 baths, well presented throughout, rear garden, off-street parking & garage	24.11.2022	173.00	£7,115.61	£1,231,000
26, Scott Farm Close, Thames Ditton, Surrey KT7 0AN	5-bed detached: 4 baths, refurbished throughout with modern interiors, cul-de-sac location, landscaped garden, garage & parking	15.02.2023	201.45	£5,708.61	£1,150,000
82, Lynwood Road, Thames Ditton, Surrey KT7 0DW	5-bed detached: 3 baths, well presented throughout, double garage, study, rear garden, private development	24.02.2023	174.00	£7,183.91	£1,250,000
			Avg. £/m2	**£7,193.16**	
			Avg. area	**150.97**	

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SOLD - Semi-Detached - within 1/2 mile, last 1 year					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
56, Angel Road, Thames Ditton, Surrey KT7 0AZ	3-bed semi: 1 bath, well presented, rear garden, off street parking	16.06.2023	110.20	£8,166.97	£900,000
112, Thorkhill Road, Thames Ditton, Surrey KT7 0UW	3-bed semi: refurbished & modernised, rear garden, 1 bath	10.02.2023	149.00	£6,677.85	£995,000
13, Manor Road North, Esher, Surrey KT10 0AA	4-bed semi: 2 baths, in good condition, front & rear garden, driveway & garage	14.12.2022	146.40	£7,103.83	£1,040,000
20, Manor Drive, Hinchley Wood, Esher, Surrey KT10 0AX	5-bed semi: 2 baths, in need of refurbishment and modernisation, large rear garden, driveway & garage	11.11.2022	152.90	£5,493.79	£840,000
45, Rushett Close, Thames Ditton, Surrey KT7 0UT	2-bed semi: cottage, modernised and refurbished, 1 bath, rear garden, home office, planning permission for side extension	23.02.2023	72.20	£9,833.80	£710,000
41, Severn Drive, Esher, Surrey KT10 0AJ	Semi-detached house	09.12.2022	105.00	£8,571.43	£900,000
2, Portsmouth Road, Thames Ditton, Surrey KT7 0EY	Semi-detached house	06.12.2022	88.00	£9,261.36	£815,000
158, Manor Road North, Thames Ditton, Surrey KT7 0BQ	Semi-detached house	06.12.2022	188.00	£6,170.21	£1,160,000
			Avg. £/m2	**£7,274.88**	
			Avg. area	**126.46**	

SOLD - Flats - within 1/2 mile, last 1 year					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
12a, Mayfield Close, Thames Ditton, Surrey KT7 0AG	2-bed maisonette: refurbished throughout, 1 bath, private garden	10.05.2023	72.00	£5,902.78	£425,000
10, Giggs Hill Gardens, Thames Ditton, Surrey KT7 0AS	2-bed flat: split level, 1 bath, in good condition, modernised kitchen, loft storage, communal parking & gardens	05.05.2023	74.80	£5,681.82	£425,000
15, Gloucester Close, Thames Ditton, Surrey KT7 0EW	2-bed flat: ground floor, in good condition, 1 bath, private garden	24.02.2023	64.50	£7,054.26	£455,000
19, Gloucester Close, Thames Ditton, Surrey KT7 0EW	2-bed maisonette:	16.12.2022	62.70	£7,177.03	£450,000
2, Mayfield Close, Thames Ditton, Surrey KT7 0AG	2-bed maisonette: in good condition, 1 bath	09.12.2022	60.80	£7,302.63	£444,000
			Avg. £/m2	**£6,568.10**	
			Avg. area	**66.96**	

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The average achieved prices are higher than the average data noted above, apart from the prices for flats. This is due to the fact that this data is compiled from across the postcode and typologies. More granular data presents a more accurate picture.

We have also studied properties which are currently on the market:

FOR SALE - Detached - within 1/2 mile					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
Severn Drive, Esher, KT1	3-bed detached: 1 bath, well presented, front & rear garden, driveway parking & garage	For sale	106.00	£8,443.40	£895,000
Lynwood Road, Thames Ditton, Surrey, KT7	4-bed detached: 2 baths, well presented throughout, garage and driveway, rear garden	For sale	115.90	£7,722.17	£895,000
Hill Rise, Hinchley Wood, KT10	4-bed detached: 1 bath, front & rear garden in need of care, cul de sac, off street parking, potential to extend	Sold STC	115.40	£7,798.96	£900,000
Thorkhill Gardens, Thames Ditton, KT7	4-bed detached: refurbished and well-presented throughout, 2 baths, garage & off street parking, cul de sac, rear garden	Sold STC	125.10	£7,194.24	£900,000
Claygate Lane, Esher, KT10	4-bed detached: 1 bath, well presented throughout with original features, front & rear garden, conservatory, garage & driveway	For sale	164.80	£6,067.96	£1,000,000
Sugden Road, Thames Ditton, KT7	4-bed detached: fully refurbished with modern interiors, double beds, rear garden, 3 baths	Sold STC	161.80	£6,767.61	£1,095,000
Scott Farm Close, Thames Ditton	4-bed detached: 2 baths, well presented throughout, double garage, secluded rear garden, cul de sac location, study, large driveway	Under Offer	128.10	£8,587.04	£1,100,000
Hayward Road, Thames Ditton	5-bed detached: 3 baths, well presented throughout, en suite to master bed, rear garden, conservatory, driveway & garage	For sale	188.50	£6,100.80	£1,150,000
Cumberland Drive, Esher, Surrey, KT10	***5-bed detached: refurbished throughout with modern interiors, 3 baths, study & playrooms, 2 x en-suite bedrooms, 3 baths, large rear garden***	***Under Offer***	***249.40***	***£6,415.40***	***£1,600,000***
			Avg. £/m2 value	**£7,036.90**	
			Avg. area	**150.56**	

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FOR SALE - Semi-Detached - within 1/2 mile					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
Angel Road, Thames Ditton, KT7	***3-bed semi: refurbished & modernised, 1 bath, off-street parking, mature garden, potential to extend***	***For sale***	***122.21***	***£7,364.37***	***£900,000***
Eastmont Road, Esher, KT10	3-bed semi: refurbished, 2 x reception rooms, 1 bath, large rear garden, off-street parking, potential to extend	Sold STC	91.90	£8,705.11	£800,000
Eastmont Road, Hinchley Wood	3-bed semi: 1 bath, in good condition, rear garden, off-street parking & garage	Sold STC	125.10	£6,354.92	£795,000
Westmont Road, Esher, Surrey, KT10	4-bed semi: 2 baths, in good condition, integral garage & driveway, rear garden	For sale	127.90	£6,645.82	£850,000
Lynwood Road, Thames Ditton	4-bed end of terrace: four floors, in good condition, 3 baths, rear garden, driveway & garage	For sale	165.70	£5,280.63	£875,000
Couchmore Avenue, Hinchley Wood	4-bed semi: in need of modernisation, utility room, 2 baths, dining room, conservatory, garage & driveway, large front garden	Sold STC	165.00	£5,424.24	£895,000
Eastmont Road, Esher, KT10	4-bed semi: refurbished and in good condition throughout, 3 baths, driveway & garage, rear garden	Sold STC	143.00	£6,993.01	£1,000,000
Manor Road North, Esher	4-bed semi: 1 bath, in good condition, large driveway, rear garden, potential to extend	For sale	135.60	£7,374.63	£1,000,000
Manor Road North, Esher	4-bed semi: refurbished and modernised, driveway parking, 3 baths, rear garden	Sold STC	191.85	£6,254.89	£1,200,000
			Avg. £/m2 value	**£6,556.23**	
			Avg. area	**140.92**	

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FOR SALE - Flats - within 1/2 mile					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
Woodfield Road, Thames Ditton, Surrey, KT7	*1-bed flat: 1 bath, Ground Floor, Modern Kitchen, Allocated Parking, Communal Gardens, Unfurnished*	*Sold STC*	*40.60*	*£6,157.64*	*£250,000*
Poplar Road, Esher, Surrey, KT10	*1-bed flat: 1 bath, modern interiors, allocated parking*	*Under Offer*	*45.30*	*£6,600.44*	*£299,000*
23 Manor Court, Station Approach, Hinchley Wood, Surrey, KT10 0SR	2-bed flat: 1 bath. In good condition	For sale	48.60	£5,658.44	£275,000
Woodfield Road, Thames Ditton, KT7	2-bed flat: top floor, 1 bath, in good condition, quiet development	For sale	51.60	£5,620.16	£290,000
Station Approach, Hinchley Wood, KT10	2-bed flat: 1 bath. In need of refurbishment and modernisation	Sold STC	46.20	£6,385.28	£295,000
Twickenham Place, 69 Woodfield Road, Thames Ditton	2-bed flat: over 60s residence, double beds, 1 bath, ample storage, 1st floor	For sale	54.60	£5,952.38	£325,000
Manor Road North, Hinchley Wood, Esher	2-bed flat:	For sale	62.43	£5,926.64	£370,000
Esher, Surrey, KT10 0DD	2-bed flat: 1 bath, in good condition, allocated parking	Under Offer	64.30	£2,721.62	£175,000
Poplar Road, Esher, KT10	2-bed flat: in good condition, double beds, 1 bath, first floor	For sale	71.00	£4,929.58	£350,000
			Avg. £/m2 value	**£5,424.76**	
			Avg. area	**53.85**	

Furthermore, we have reviewed new-build data however, we note that comparable results are limited when searching within a reasonable distance. No comparable results are produced for new build flats and hence we exclude this dataset.

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NB FOR SALE - Detached - within 1/2 mile					
Address	**Type**	**SSTC/For Sale?**	**Area m2**	**£/m2**	**Price**
Plot 11 Long Acre Place, Thames Ditton, Surrey, KT7	*3-bed detached: modern exterior and interior design, 3 baths,*	*Sold STC*	*153.85*	*£7,149.82*	*£1,100,000*

NB FOR SALE - Semi-Detached - within 1/2 mile					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
Plot 7 Long Acre Place, Thames Ditton, Surrey, KT7	4-bed semi: 3 baths, modern exterior and interiors, private garden, 2 x parking spaces,	For sale NB	198.81	£6,413.16	£1,275,000
Plot 10 Long Acre Place, Thames Ditton, Surrey, KT8	4-bed semi: 3 baths, modern exterior and interiors, private garden, 2 x parking spaces,	Sold STC	167.97	£6,995.30	£1,175,000
Plot 9 Long Acre Place, Thames Ditton, Surrey, KT9	*4-bed semi: 3 baths, modern exterior and interiors, private garden, 2 x parking spaces,*	*For sale NB*	*167.97*	*£6,846.46*	*£1,150,000*
			Avg. £/m2	**£6,732.12**	
			Avg. area	**178.25**	

The average £/m2 values and GIAs from the data sets above are summarised below:

	Nimbus (General)	Sold	For sale	NB For Sale
Avg. £/m2 - Detached	£7,082.71	£7,193.16	£7,036.90	£7,149.82
Avg. £/m2 - Semi	£7,082.71	£7,274.88	£6,556.23	£6,732.12
Avg. £/m2 - Flats	£7,082.71	£6,568.10	£5,424.76	n/a
	Sold	**For Sale**	**NB For Sale**	**As Proposed**
Avg. GIA - Detached	150.97	150.56	153.85	155.82
Avg. GIA - Semi	126.46	140.92	178.25	139.70
Avg. GIA - Flats	66.96	53.85	n/a	44.73

When looking at the figures above, a decrease in value is apparent between sold properties and those currently on the market for both detached and semi-detached properties, suggesting that prices are on a downward trend. We note however, that this could also be attributed to the fact that the comparable units on the market are on average larger.

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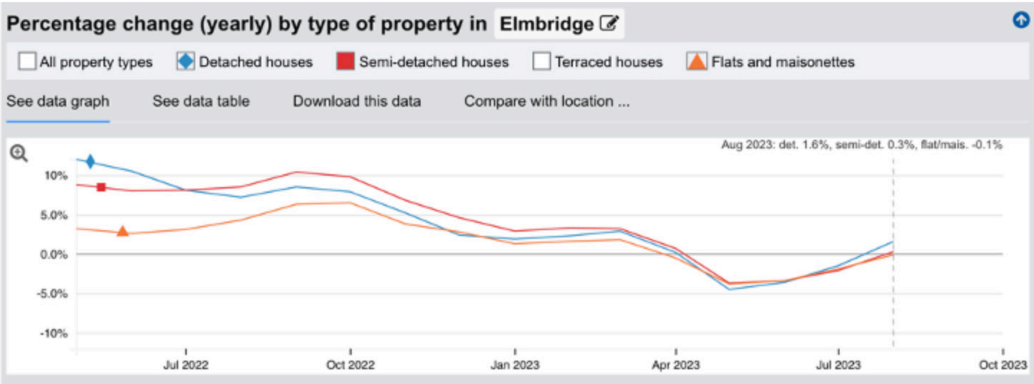
A decrease in values however is also suggested by HPI data as shown below:



Plot 9 Long Acre Place (new build for sale semi-detached) is currently on the market for £1,150,000 (£6,847/m2). This unit is c. 10m2 larger than the largest proposed semi-detached houses at 158.50m2. The comparable unit however features 4 bedrooms instead of 3-bedrooms for the proposed units. Moreover, the proposed units will only have 1 bathroom, while the comparable unit features 3 bathrooms. Based on this, we expect the largest proposed semi-detached units to achieve a lower price.

Angel Road (for sale semi-detached) is currently on the market for £900,000 (£7,364/m2). This unit is only marginally larger than the smallest proposed semidetached houses at 120.90m2. Both the proposed and comparable feature 3-bedrooms and 1 bath, as well as off-street parking. The comparable unit has been refurbished and modernised throughout and hence we expect the proposed new-build units to achieve a similar price.

Plot 11 Long Acre Place (new build for sale detached) is currently on the market for £1,100,000 (£7,150/m2). This unit is c. 10m2 smaller than the mid-size proposed detached houses at 164.20m2. The comparable unit however features an extra bathroom and a more modern design. Based on this, we expect the proposed detached unit to achieve a similar price but marginally lower

Cumberland Drive (for sale detached) is currently on the market for £1,600,000 (£6,415/m2). This unit is closest in size to the largest proposed detached house at 212.30m2, however c. 40m2 larger. The comparable unit also features and extra bedroom and extra bathrooms, as well as a study and playroom. Based on the above, we expect the proposed detached to achieve a lower sales value.

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Woodfield Road and Poplar Road (for sale flats) are both 1-bedroom flats, similar in size and layout to the proposed flatted units. They measure 40.60m2 and 45.30m2 and are currently on the market for £250,000 (£6,157.64) and respectively £299,000 (£6,600.44). Both units are in good condition and Poplar Road also features modern interiors. We therefore expect the proposed flats to achieve similar prices.

Furthermore, we refer to a development located within 0.2 miles from the subject site at Woodleaf Gardens. This is in particular relevant to the semi-detached units and we refer to the achieved prices below, as shown in **Schedule 4**. The comparable units have sold between December 2021 and January 2022.

Plot	Address	Type	Area (m2)	£/m2	Price
6	12 Woodleaf Gardens, Esher, KT10 0EF	SHOW HOME 4 bed semi-detached house	146.14	£6,192.89	£905,000.00
7	11 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	149.02	£6,022.87	£897,500.00
8	10 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	147.90	£6,068.27	£897,500.00
9	9 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	149.57	£6,251.14	£935,000.00
10	8 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	147.25	£6,078.09	£895,000.00
11	7 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	149.02	£6,022.87	£897,500.00
12	6 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	147.90	£6,068.27	£897,500.00
13	5 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	149.57	£6,016.81	£899,950.00
14	4 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	148.18	£6,056.86	£897,500.00
15	3 Woodleaf Gardens, Esher, KT10 0EF	4 bedroom semi detached house	147.90	£6,084.84	£899,950.00
			Avg. area (m2)	**Avg. £/m2**	**Avg. price paid**
			148.24	**£6,086.18**	**£902,240.00**

This suggests that current asking prices in the area are optimistic and in reality lower sales values will be achieved.

Our client has provided valuation schedules for the proposed units, produced by John D Wood & Curchods Land & New Homes. These are shown at **Schedule 5**.

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Based on our own research and highlighted transactions, as well as considering the valuations provided, we have valued the scheme as per the below:

Unit	Area (m2)	Type	£/m2	Price
1	212.30	4-Bed Detached	£5,887.89	£1,250,000
2	164.20	3-Bed Detached	£6,394.64	£1,050,000
3	40.70	1-Bed Flat	£6,756.76	£275,000
4	41.30	1-Bed Flat	£6,658.60	£275,000
5	52.20	1-Bed Flat	£6,417.62	£335,000
6	120.90	3-Bed Semi-Detached	£7,237.39	£875,000
7	120.90	3-Bed Semi-Detached	£7,237.39	£875,000
8	158.50	3-Bed Semi-Detached	£6,624.61	£1,050,000
9	158.50	3-Bed Semi-Detached	£6,624.61	£1,050,000
Total area (m2)	**1,069.50**			**Total GDV**
				£7,035,000
		Detached	**£6,108.90**	**£2,300,000.00**
		Semi-Detached	**£6,889.76**	**£3,850,000.00**
		Flats	**£6,594.63**	**£885,000.00**

The proposed valuation above has been reached following extensive market research, consideration of comparable characteristics in recent transactions, new build and external amenity premiums and advice from local agents and therefore should be considered robust. The figures represent the very top end of what can be achieved in today's market and considering current trends should be considered optimistic.

Freehold Ground Rent

The capital value of the Freehold Ground Rents from the project is therefore included at zero for the purposes of this viability appraisal. The Leasehold Reform (Ground Rent) Bill received Royal Assent on 8 February 2022 meaning it is now an Act of Parliament (law).

The Act limits ground rent to a 'peppercorn rent.'

As such, all viability assessors are currently including ground rent at either a zero or nominal rate as this income will not be realised.

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Timing

This FVA is to be read in conjunction with a detailed planning application which we expect to be granted within 3 months. There will be a 3-month period following this to produce building regs. drawings and obtain all fixed price quotations. We therefore allow a 6-month pre-commencement period.

Construction is projected over months 1 to 12 -month period with sales expected between months 12 and 16.

Construction Costs

The below commentary is drawn from the most recent BCIS update.

Wide predictions of a forthcoming recession combined with persistent high inflation provides a bleak outlook for construction over the next two years. Construction demand is expected to shrink, and with fewer opportunities there will be greater keenness to secure work. Although materials prices will fall long term, in the short term, current inflationary pressures are expected to keep labour costs rising resulting in increases in both costs and tenders. Tender prices will be rising more slowly than input costs over the next two years as contractors seek to fill order books and it is not until the last two years of the BCIS forecast period that margins and output are expected to recover.

Building costs, as measured by the BCIS General Building Cost Index, rose 8.1% in the year to 1Q2023 and the annual rate of inflation continues to follow the downward trend from the recent peak of 14.6% in 2Q2022. The slowdown in the growth of construction costs is mainly attributed to the fall in material cost inflation, which remains the main driver of building cost inflation. This, however, is expected to change - as the increased cost of labour is predicted to overtake materials to become the main driver of construction costs in the second half of 2023.

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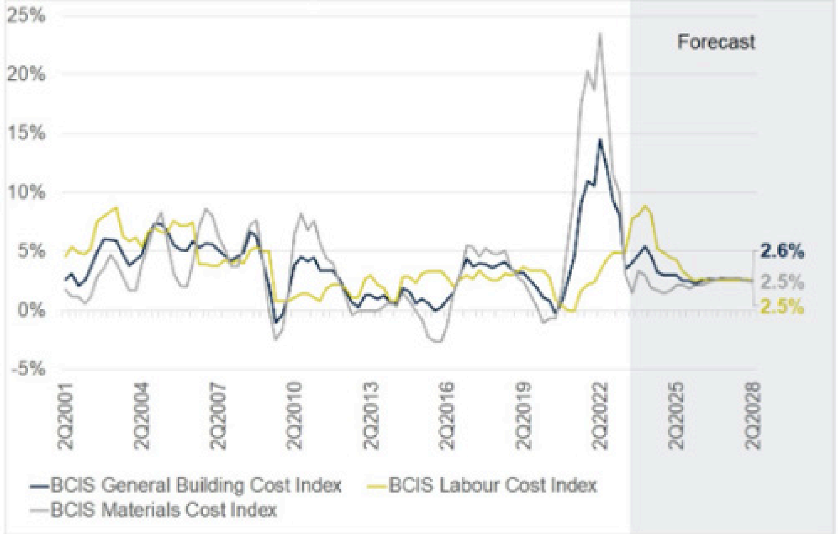
Figure 9: BCIS General Building Cost Index, BCIS Labour Cost Index and BCIS Materials Cost Index



Source: BCIS

RICS released further advice in June 2023:

- *Tender prices in 2Q2023 rose by 1% compared with the previous quarter, and by 4.9% on the same time last year. Labour site rates continue to rise faster than wage awards and are expected to become the main driver of the growth in overall costs in the second half of 2023. Materials' inflation has been easing and supply chain issues are being mostly resolved. Annual growth in tender prices is expected to continue to ease, standing at 2.4% in 2Q2024. It is not until the 2Q2025 that tender prices are likely to rise faster than costs, with tender prices forecast to rise by 16% in the five years to 2Q2028.*

- *Materials prices are expected to go up by 3.1% in the 12 months to 2Q2023. Although overall the availability of materials is at pre-Covid levels and energy prices are going down, costs for some materials, especially those requiring an energy intensive manufacturing process, are seeing high growth rates.*

- *Wage awards over the next year are likely to come under pressure from high inflation, with the annual growth in BCIS Labour cost index forecast at 4.9% in 2Q2024 and 8.3% in 2Q2024. Site rates have already risen in line with inflation and may steady in 2023. This will be reflected in the market conditions element of the TPI.*

- *BCIS General Building Cost Index is forecast to grow by 3.5% in the 12 months to 2Q2023. Costs are predicted to rise by 16.3% over the forecast period (2Q2023 to 2Q2028).*

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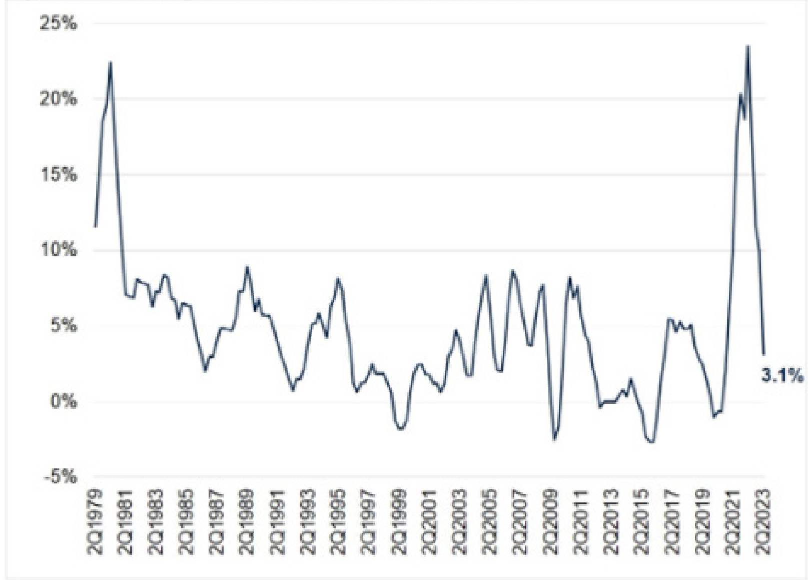
- *Total new work output grew by 4.4% in 2022 compared with the previous year. New construction output is expected to contract in 2023-2024, before returning to growth thereafter, and rising 13% over the forecast period (2023-2028).*

Figure 14: Annual growth in BCIS Materials Cost Index



Source: BCIS

Therefore, while there are initial positive signs, and some predictions of a more competitive environment driving pricing into 2024, overall build costs continue to increase at the current time.

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The local plan CIL viability study suggests the following construction costs:

Figure 9: Base Build Cost Data (BCIS Median)

Development Type		Base BCIS Build Cost £/sq. m.*
Residential	Build Costs Mixed Developments - generally (£/sq. m)	£1,398
	Build Costs Estate Housing - generally (£/sq. m)	£1,378
	Build Costs Estate Housing – terraced generally (£/sq. m)	£1,486
	Build Costs 'One-off' – semi-detached housing (£/sq. m)	£2,245
	Build Costs Flats – generally (£/sq. m)	£1,580
	Build Costs Flats - 3-5 Storeys (£/sq. m)	£1,534
	Build Costs Flats - 6+ Storey (£/sq. m)	£1,828
	Build Costs (Supported Housing - Generally) (£/sq. m)	£1,975
Larger format retail	Foodstore / large convenience store	£1,698
	Retail Warehouse	£1,053
Small retail (Settlement Centres)	Smaller shops development - retail, restaurants or similar - Settlement Centres	£1,536
Small retail	Local convenience stores and local shops	£1,536
Business - Offices - Town Centre	Office Building (3+ storey)	£2,244
Business - Offices - Out of Town Centre	Office Building (3+ storey)	£2,244
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,586
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£943
Hotel	Hotel - town centre / urban (3-storey)	£2,491
Residential Institution	Care Home (C2)	£2,067

**The above are base costs excluding external works and contingencies (added allowance made – see Appendix I).*

We note however, these figures are from 2022 and therefore will need updating to the current economic environment.

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We have also consulted BCIS data, re-based to Q4 2023 and the Elmbridge area:

BCIS®

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 21-Oct-2023 07:33

Rebased to 4Q 2023 (388; forecast) and Elmbridge (117; sample 18)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	2,074	1,030	1,719	1,950	2,334	7,055	845
1-2 storey (15)	1,953	1,212	1,653	1,861	2,183	4,072	180
3-5 storey (15)	2,049	1,030	1,711	1,947	2,310	4,311	564
6 storey or above (15)	2,448	1,496	1,986	2,298	2,664	7,055	98
820.1 'One-off' housing detached (3 units or less)							
Generally (15)	3,282	1,287	2,236	2,895	3,929	8,440	129
Single storey (15)	2,687	1,574	1,982	2,571	3,404	4,827	28
2-storey (15)	3,192	1,287	2,179	2,784	3,761	8,032	70
3-storey (15)	3,658	1,732	2,629	3,700	4,137	6,784	25
4-storey or above (15)	6,847	4,182	-	7,383	-	8,440	4
820.2 'One-off' housing semi-detached (3 units or less) (15)	2,252	1,381	1,864	2,071	2,521	7,100	56

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Given the size of the proposal set against the vast majority of BCIS data reported on larger sites, we consider the 'one-off' category to be more comparable for the proposed houses.

We therefore adopt the following construction cost values:

- Mean cost of £3,282/m2 for 'one-off' new-build detached (generally)
- Mean cost of £2,252/m2 for 'one-off' new-build semi-detached (generally)
- Mean cost of £2,074/m2 for new-build flats (generally)

We have assumed the area of the flats to represent 95% of the enclosing building. Our calculations have been run with a corresponding correction factor.

Non-BCIS Costs

As mentioned previously, the BCIS data makes no allowance for all external works and associated infrastructure costs, and as it is reported in retrospect will not account for newer policy and legislation such as biodiversity and enhanced building regulations.

We have therefore referred to the Local Plan CIL and Viability Study (May 2022), which at para 2.10.2 (page 20) suggests an appropriate allowance for external works to be between 5-20%. In this case, the development will involve the installation of new drainage systems for the new houses and other external works such as the construction of an access road. We therefore consider an allowance of 20% for external works costs to be appropriate and adopt this in our calculation.

Our client has informed us that further abnormal works will need to be carried out as part of the development including screw piling various areas to protect the TPOs RPA's, general TPO protection, car ports, eco garden, complete new fencing to all boundaries, a potential new pedestrian crossing and planting of mature trees to introduce screening to neighbouring houses. We note that this will unavoidably lead to a higher total cost for external works than projected in our initial calculations.

The toolkit has been run with a corresponding figure.

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Fees

Professional fees are often quoted on a range of 8-12%, with separate allowances for planning fees.

The Local Plan CIL and Viability Study (May 2022) at Fig. 10 (page 46) suggests that a level between 8-10% is appropriate. This is not differentiated by site type.

This will vary according to the size and complexity of the scheme. We normally adopt 6-8% for large sites (with repetitive designs and no complicating factors), 10-12% for more differentiated sites (with a variety of different house types or areas) and 10-15% for small sites, where the scale of the fees is often larger due to the lower overall cost of build and lack of potential efficiencies.

We have adopted a figure of 10% for this scheme on the basis of 6 x detached and semi-detached houses & 3 x flats and 1,069.50m2 size of scheme.

Contingency

PPG Viability para 012 notes:

- ***explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return***

Inflation is currently at 6.3%, which given the early stage of this assessment (pre-planning consent) is a material long-term risk. All prudent developers are currently adopting a standard contingency allowance of 10-20% to account for this risk. While general risk is accounted for in the project's target return, the lower the return assumption the higher the contingency adoption should be, ensuring an operating profit is retained in all instances.

In this case we adopt 6% on the basis of a 17.50% target return. If the target return is reduced then the contingency allowance must likewise be adjusted to compensate.

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Planning Obligations (S106 contributions & CIL)

Elmbridge adopted their CIL Charging Schedule in 2016 and this was updated in July 2020.

We have calculated the CIL payment as below:

	LPA CIL
Adopted Charging Schedule (£/m2)	£186.38
Following indexation (£/m2)	£218.01
Total proposed GIA (m2)	1,069.50
Existing GIA (m2)	159.80
Retained GIA (m2)	0.00
Lost GIA (m2)	159.80
Applicable GIA (m2)	909.70
CIL (total)	**£198,321.99**

This is subject to confirmation by the charging authority.

Site Acquisition Costs

The EUV is £1,405,410 as explained below. We have included acquisition costs comprised of SDLT at 5%, legal fees at 0.75% and agency fees of 2%.

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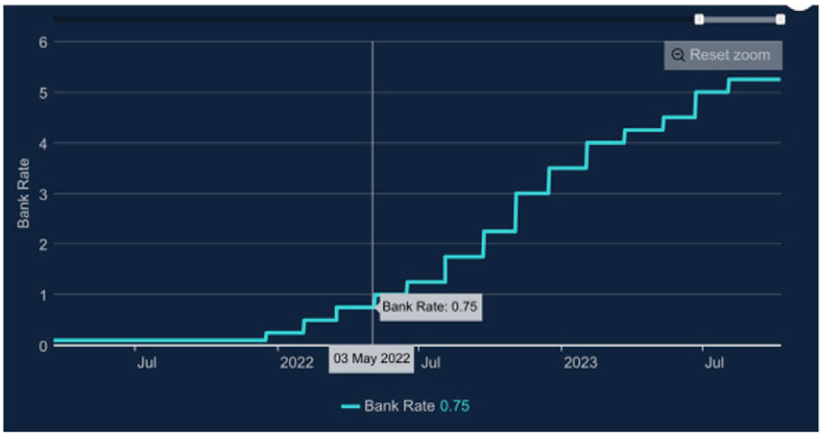
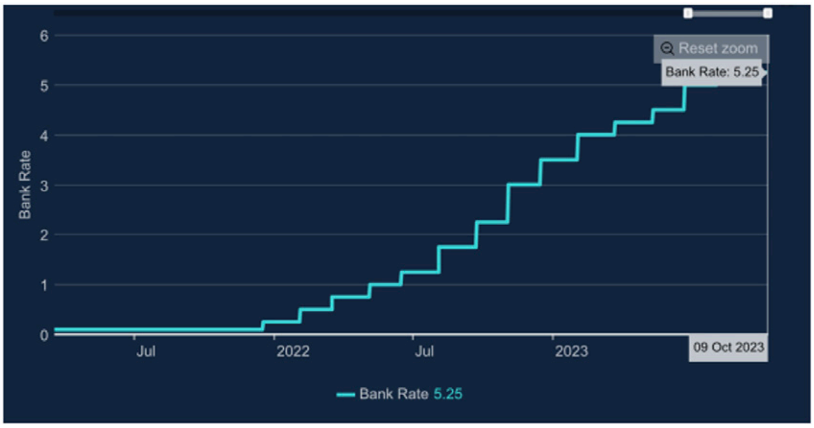
Finance Costs

Given the macro-economic context, lenders have become increasingly risk averse and therefore funding is becoming harder to acquire. The Bank of England maintained the base rate to 5.25% in October 2023 however, further rate rises are expected throughout 2023. The local plan CIL and viability study in May 2022 adopted 6.5%. The base rate at that time was 0.75%. The base rate has increase 4.5% since this date.





Therefore, a minimum interest figure of 8.50% is appropriate, and has been used in the toolkit. In reality finance deals are now significantly exceeding this level, but as an all-in rate 8.50% accommodates all fees and is applied to all costs.

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Sales/Marketing Costs

We have adopted a sales/marketing cost of 3% and legal fees of £1,000 per unit.

Developer Profit

The NPGV contains the following advice at paragraph 18:

> ***How should a return to developers be defined for the purpose of viability assessment?***
>
> *'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.'*

The RICS guidance similarly notes the test laid out in the PPG as a starting point.

> **Return to the developer**
>
> **4.2.27** In paragraph 018, under the heading of 'Standardised inputs to viability assessment', the PPG provides some guidance on how a return to developers is defined for the purposes of the FVA. The paragraph's focus is on a suitable return for plan making, rather than individual returns for scheme-specific decision taking. It identifies a standardised input of 15% to 20% of GDV as a suitable return for the purpose of plan making, but is silent on a decision-taking developer return. However, PPG paragraph 008 states that where a site-specific FVA accompanies a specific planning application, it 'should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then'. This implies, in addition to other inputs, a similar test regarding developer's profit to that used at the plan-making stage.

The guidance further notes that timescale, uncertainty and any particular characteristics that increase risk are factors which particularly influence profit assumptions.

As previously noted, Paragraph 008 of the NPGV provides a presumption that the underlying local plan evidence base is correct until otherwise proven by dissenting parties.

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The Local Plan CIL and Viability Study, conducted by DSP Consultants and published in May 2022 adopts 17.5% on GDV for small sites under 10 units:

> 3.8.2 Within Appendix IIc, which includes the more recent tests on the small sites at 17.5% GDV profit on market sales, the Table 3a scenario envisages a relatively modest single new house in the borough context (of approximately 150 sq. m) compared to many that have

Our experience is that for the previously assumed finance terms to be offered by commercial lenders, a minimum of 17.5% is generally required, up to a maximum of 25% on riskier proposals. Development finance will generally therefore set the expectations for return on investment.

Recent appeal decision ref APP/Y3615/W/22/3298341 noted the following:

> 68. Although it refers expressly to plan making, I also see no good reason why the profit range of 15-20% identified in the Government's planning practice guidance (PPG) should not reasonably be applied to a scheme of this type in order to assess viability, particularly when read in the context of para 58 of the Framework. Given the fairly difficult and comparatively uncertain economic circumstances for the construction sector at present and regardless of what profit margin the appellant has worked to in the past, it is reasonable to assume developer risk is greater now than at other more economically stable times. Consequently, notwithstanding the evidence regarding house prices and demand for housing in the area, and in respect to programming and sales revenue, a profit target to the higher end of the range, up to 20% of gross development value, is reasonable.

Taking into account the risk profile of the development and the current material market environment, we consider a target profit of 20% on GDV to be the minimum appropriate assumption given the costs associated with this project. This is supported by our sensitivity analysis, which further demonstrates the relative risk profile of the development (see below).

The appraisal has been run accordingly.

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Benchmark Land Value

The NPGV provides a standard methodology for determining Benchmark Land Value (BLV).

Paragraph 15 requires that the EUV of the site should be identified:

> *'Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).*
>
> *Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'*

RICS guidance Assessing Viability in Planning under the NPPF Appendix B lays out the appropriate approach to assessing existing use value, including relevant data sources:

> 5.2.5 The assessment of the BLV requires the assessment of five components. They should be calculated and reported to the plan-maker/decision-maker **separately** to counter circularity arguments that BLVs from one method of valuation have been used as an input into another method, in order to reduce developer contributions.
>
> 5.2.6 The components that need assessing are:
>
> - EUV
> - premium
> - AUV, where appropriate
> - policy-compliant site value assessed by the residual method and
> - policy-compliant site value assessed by the comparative method.

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B.1.3 The PPG paragraph 015 identifies the type of evidence base that can be used to support the determination of the EUV and the sources of that evidence. At the plan-making stage, this should be accomplished with collaboration between the plan-makers, developers and landowners, and can use published sources of information on rental and capital values of land and property, such as:

- land registry records of transactions
- real estate licensed software packages
- real estate market reports
- real estate research
- estate agent websites
- property auction results
- Valuation Office Agency data and
- public sector estate/property teams' locally held evidence.

EUV

The existing site comprises the house at 12 Claygate Lane and a plot of greenfield land adjacent to the rear garden of the house and extending along rear the neighbouring properties. 12 Claygate Lane is a 4-bedroom detached house with a total GIA of 159.80m2 and a garden plot of c. 646.15m2 (0.0646ha). The total area of the adjacent greenfield land is 2,608.20m2 (0.2680ha).

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Residential Element

In order to obtain an accurate value for the existing property, we have turned to the sold data which has been extrapolated from Rightmove.

SOLD - Detached - within 1/2 mile, last 1 year					
Address	**Type**	**Sale Date**	**Area m2**	**£/m2**	**Price**
27, Medina Avenue, Esher, Surrey KT10 9TJ	3-bed detached: 1 bath, in good condition, off-street parking & garage, good size rear garden, potential to extend	23.06.2023	143.10	£6,027.25	£862,500
21, Southwood Gardens, Esher, Surrey KT10 0DF	***4-bed detached: 1 bath, extended, off-street parking & garage, popular residential road, modern home office in garden, refurbished and well-presented throughout***	***24.05.2023***	***152.00***	***£7,730.26***	***£1,175,000***
45, Avondale Avenue, Esher, Surrey KT10 0DB	4-bed detached: in good condition, rear garden, off-street parking & garage	12.05.2023	130.00	£7,923.08	£1,030,000
7, Manor Road North, Esher, Surrey KT10 0AA	3-bed detached: 2 baths, refurbished and well-presented throughout, study, rear garden, large front drive	03.03.2023	143.00	£7,588.81	£1,085,200
58, Claygate Lane, Esher, Surrey KT10 0BJ	3-bed detached: 1 bath, well-presented throughout, off-street parking, rear garden, popular location, potential to extend	16.12.2022	107.50	£8,744.19	£940,000
121, Claygate Lane, Esher, Surrey KT10 0BH	4-bed detached: 1 bath, well-presented throughout, beautiful garden with views over golf course, off-street parking & garage, large reception with fireplace	11.11.2022	134.70	£7,795.10	£1,050,000
52, Greenways, Esher, Surrey KT10 0QD	4-bed detached: 2 baths, well presented throughout, rear garden, off-street parking & garage	24.11.2022	173.00	£7,115.61	£1,231,000
26, Scott Farm Close, Thames Ditton, Surrey KT7 0AN	5-bed detached: 4 baths, refurbished throughout with modern interiors, cul-de-sac location, landscaped garden, garage & parking	15.02.2023	201.45	£5,708.61	£1,150,000
82, Lynwood Road, Thames Ditton, Surrey KT7 0DW	5-bed detached: 3 baths, well presented throughout, double garage, study, rear garden, private development	24.02.2023	174.00	£7,183.91	£1,250,000
			Avg. £/m2	**£7,193.16**	
			Avg. Area	**150.97**	

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We focus on the property at ***21, Southwood Gardens*** which has sold for £1,175,000 (£7,730/m2). The unit also features 4-bedrooms and is located within ½ mile from the subject property. The two properties share more similar features, including driveway parking and garage. We would expect the subject property to achieve a similar price.

The property last transacted for £490,000 in February 2005. Adjusted for Land Registry HPI Elmbridge 2005-2023 (56.7 – 141.2) this results in a value of £1.22m.

Based on the above, we value the existing house at £1,200,000, which we adopt as our EUV for the residential element.

In addition, there is a plot of 0.268Ha of land to the rear of 12 Claygate Lane which will comprise the remainder of the site. This will have a more limited value, so we adopt a nominal £25,000/Ha on the basis of greenfield value, resulting in a total £6,700.

Total Benchmark = £1.580m

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Premium

Paragraph 16 requires that a premium should be added to the EUV (EUV +) to incentivise the landowner to bring the site forward for development:

> *'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.*
>
> *Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. **Market evidence can include benchmark land values from other viability assessments**. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

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D.2.4 The circumstances underpinning the assessments of the EUV and premium, and which may require adjustment, could include:

- the date of the determination of the BLV
- landowner optionality, i.e. the range of options open to the landowner
- state of the property, obsolescence and compliance with environmental and building regulations
- site constraints such as ground conditions, contamination, ransom issues, planning factors, third-party rights and covenants
- uniqueness of opportunity, such as 'one-off' site assembly
- competition from alternative sites
- the weighting of individual BLV/premium evidence relative to the subject property, and
- adjustments made by the plan-maker in arriving at an adopted premium, if any.

D.2.5 Information on BLVs and premiums in other FVAs can be requested but, if it cannot be provided, the practitioner will need to make assumptions and this will have an impact on the quality of that evidence. It is up to the decision-maker how much weight to accord to that evidence.

D.2.6 Where the EUV part of the benchmark is a substantial element of the overall assessed value, the premium is usually stated as a percentage increase of the EUV. This is typical in urban and brownfield sites.

D.2.7 In the case of greenfield, cleared brownfield or some *sui generis* (unique) sites outside of the normal planning use classes, where the EUV is a small proportion of the BLV, the premium is more likely to be stated as a multiplier or could be stated as an actual amount.

We refer to the local plan viability study which advocates a 20% premium on brownfield sites, and £500,000/ha on greenfield sites:

6.34 In this pre-consultation iteration of this Viability Update, the following Benchmark Land Value assumptions are used (these are applied on a gross site area):

Brownfield/Urban Sites:	EUV Plus 20%.
Greenfield Sites:	EUV Plus £500,000/ha.

We have applied this to the noted EUVs:

- 12 Claygate Lane – EUV OF £1.2M + 20% premium = £1.44M
- Greenfield plot – EUV of £6,700 + £500,000/ha premium = £140,700

Therefore, we adopt £1,580,700 our BLV.

We note that we have been informed that the developers are paying an undisclosed premium at this stage for both parts of the site which results in a higher actual value.

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AUV

Paragraph 17 allows the BLV to be determined by an alternative Use Value (AUV):

> *'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.*
> *Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.*
>
> *Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.'*

In this instance we have not considered the AUV of the site.

Policy Compliant Appraisal

In this instance we have not completed a policy-compliant residual calculation as the outcome of the 100% open market appraisal demonstrates this is not viable.

The standard approach to viability is to compare the BLV of the development site with the Residual Value calculated by the viability toolkit. It is only if the Residual Value of the development exceeds the Market Value (Benchmark), that it will be viable for a contribution to be made towards Affordable Housing.

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Conclusions

The full spreadsheet appears at **Schedule 1**, and the key conclusions are set out in the summary section. They are also repeated for convenience below:

Sales	£7,035,000.85
Less Costs	
Construction Costs (Resi)	£2,787,070.39
Commercial Costs (Build & Fees)	£0.00
Other Site Costs	£1,218,388.68
Marketing	£220,050.03
Finance Costs	£415,170.32
Developer Return	£1,407,000.17
Residual Site Value	£987,321.26
Benchmark Land Value	£1,580,700.00
Result	**(£593,378.74)**

To determine the viability of targeted affordable housing provision, the Benchmark Value of the site as stated above, is deducted from the Residual Value calculated by the viability model. If the result is negative, as it is in this case, the development does not achieve the target return on a 100% open market basis and therefore is unlikely to be able to viably deliver the targeted contributions.

The following table summarises the above conclusions.

Spreadsheet Residual Value	**£987,321.26**
Plus Target Developer Return	**£1,407,000.17**
Less Benchmark Value	**£1,580,700.00**
Actual Profit	**£813,621.43**
Percentage actual profit	**11.57%**

This presents a return which is lower than the 17.50% target identified previously.

Any planning obligations would further reduce this level.

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Sensitivity Matrix

Following RICS guidance we have provided a sensitivity analysis of the assumptions in this report, demonstrating the impact on developer profit of +/-5-10% changes in build costs and sales values. This is particularly important to inform assessment of risk.

Sensitivity testing conclusions are included below.

Testing the variance associated with changes in sales and build costs of +/- 5-10% results in the below matrix:

Developer profit %		Sales values				
		-10%	-5%	0%	5%	10%
Build Costs	-10%	5.53%	10.53%	15.53%	20.53%	25.53%
	-5%	3.55%	8.55%	13.55%	18.55%	23.55%
	0%	1.57%	6.57%	11.57%	16.57%	21.57%
	5%	-0.42%	4.58%	9.58%	14.58%	19.58%
	10%	-2.40%	2.60%	7.60%	12.60%	17.60%

This demonstrates that in 22 out of 25 scenarios the achieved return is below the targeted 20%, suggesting a high-risk development.

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T&Cs and Compliance

1.1 S106M has been instructed by the applicant to review the viability of the proposed development and engage with the local authority and their representatives on this matter.

1.2 Scope of instruction extends to provision of 1 report document and schedules for submission as part of a planning application.

1.3 S106M has not inspected the property.

1.4 This report is prepared as an assessment of the Planning Financial Viability of a proposed development for the purposes of agreeing appropriate Section 106 planning obligations and affordable housing contributions. It is not a valuation of the subject site or scheme. It is exempted from the RICS Red Book on the basis of the parties negotiating and agreeing the planning obligations and the authoritative requirement of the NPPF and PPG. It does not constitute a Red Book valuation report, and should under no circumstances be relied upon as such, although it may refer to the conclusions of third parties in this regard for which no liability is accepted. The date of the report can be viewed on the front page and will require updating for market uncertainty after a reasonable time period has elapsed.

1.5 The report is assumed to be made publicly available for transparency purposes unless otherwise stated. The Executive Summary can be considered a Non-Technical Summary for the purposes of the guidance.

1.6 S106M accepts responsibility only to the commissioning party named at the start of this report alone that this report has been prepared with the skill, care and diligence reasonably to be expected of a competent consultant but accept no responsibility whatsoever to any other person or entity.

1.7 S106M confirm that any RICS members involved in this reporting have complied with the mandatory requirements of RICS Professional Statement Financial Viability in Planning: Conduct and Reporting May 2019, including the following:

- We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information (para 2.1).
- We have identified no conflicts of interest or risk of conflicts in preparing this report (para 2.2).
- We are not working under a contingent or performance related fee agreement basis (para 2.3).
- We support positive, proactive, transparent and appropriate engagement between all parties in the planning process. This report is prepared on the basis that it will be made publicly available, except in specifically agreed exceptional circumstances (para 2.4).
- We have not been involved in the preparation of the Council's Local Plan Area Wide Viability Assessment (para 2.5); however we have regard to this in line with PPG Viability para 002 and the statutory development plan.
- All inputs are reasonably justified by market and supporting evidence including but not limited to the local plan viability study which justifies the adopted planning policy in line with para 008 PPG Viability (para 2.6-2.7).
- The status of this report is Final as of the dated front page subject to any further reasonable, proactive and constructive negotiations to resolve reasonable professional differences of opinion in line with para 2.6, 2.8 and 2.10 of the Professional Statement.
- Our report includes sensitivity testing in line with the para 2.9.
- Where there are professional differences of opinion over inputs we seek to resolve these during negotiations following submission of the original report in line with para 2.8-2.10. Where differences of opinion cannot be resolved this is stated clearly.

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- The Executive Summary complies with the Non-Technical Summary requirement of para 2.11.
- Any sub-consultants contributing to this report have been made aware of the Professional Statement and its requirements, and confirm compliance with it (para 2.13).
- We have been allowed sufficient time since instruction to carry out this FVA bearing in mind the scale of the development and the status of the information as at the date of this report (para 2.14).
- Appropriate regard has also been had to RICS Guidance Note: Assessing Viability in Planning under the NPPF 2019 (2021).

Material Uncertainty

In respect of the planning and development sector as at the report date where unprecedented sets of circumstances are highlighted, including for example COVID-19, the Ukraine War and Energy Crisis, creating an absence of relevant/ sufficient market evidence on which to base our judgements, our report will be reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of the report less certainty – and a higher degree of caution – should be attached to that report than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the report cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which said report may have been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in market conditions we highlight the importance of the valuation date and any reporting material uncertainty.

Quality Control

This report is provided for the stated purpose and for the sole use of the named clients. In line with para 2.12 the following quality control pathway has been taken, with all parties involved in the compilation of this report and history of previous viability discussions noted:

Alex Toma BA Hons

Tomas Furby MSc MRTPI AssocRICS
RICS Membership No. 0873248