



**Hastings Borough Council  
Whole Plan  
Viability Assessment**

**June 2014**



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# Executive Summary

1.1 The report will provide an appraisal of the viability of the Hastings Borough Council Local Plan in terms of the impact of its policies on the economic viability of development proposed to be delivered. The study will consider policies that might affect the cost and value of development (eg Affordable Housing, Design and Construction Standards) as well as site specific cost constraints identified in the Council's SHLAA study (eg contamination, access issues, flood defence etc). The Appraisal also considers delivery over a 15 year plan period.

## Study Area

1.2 The study area covers the whole of the administrative area of Hastings Borough Council. The assessment first considers the existence of economic sub-market areas for residential and commercial development within the boundary to determine if the adoption of differential value assumptions is appropriate in the Viability Assessment.

## Methodology

1.3 The study seeks to assess the ability of different categories of development in the Hastings to make contributions to Affordable Housing and the costs of other planning policies. In essence the study assesses the costs and value of development (including allowance for Affordable Housing discounts in the residential assessments) and having made an allowance for a reasonable developers profit return, determines whether any additional margin is available to demonstrate positive viability (the result is expressed in positive or negative viability in £ per sqm and may be also be used to determine potential CIL rates – though this is not currently being progressed by the Council)..

1.4 The study involves a comprehensive assessment of market values for all categories of development in Hastings, together with an assessment of any sub-markets that might exist with differential areas of similar value. In the event that such sub-markets do exist they will be used to guide the adoption of differential assumptions in the viability assessment.

1.5 The Study firstly tests mixed residential and commercial development scenarios considered relevant and likely to emerge in the study area over the plan period. The study then tests specific proposed residential allocations to assess delivery of the development strategy over over the Plan Period.

1.6 The viability appraisal considers two principal land value benchmarks from which development is likely to emerge – greenfield and brownfield and also considers market land transactional evidence as a sense check to the benchmarking exercise.

1.7 The study determines the cost impact of policies proposed by the Plan, including Affordable Housing requirements, and applies these impacts together with the standard costs of development relevant to the local area. These costs, which include reasonable allowances for return to both landowner and developer as required by the NPPF, are then considered against up to date property values to determine if the development proposed over the lifetime of the Plan is viable and deliverable.

# Executive Summary

## Key Findings – General Residential Assessment

1.8 The Hastings Local Plan sets out the requirements to deliver housing over the plan period. The residential viability testing illustrated that, in general terms, housing development proposed by the plan in all locations in Hastings is viable and can meet the Council’s Affordable Housing policy. The assessment of residential land and property values indicated that the Authority did not possess clear residential sub-markets that might warrant a differential approach to assumptions within the study.

Affordable Housing				
	Proportion %	Tenure Mix %		
		Intermediate	Social Rent	Affordable Rent
<b>1 Boroughwide Greenfield</b>	40%	20%		80%
<b>2 Boroughwide Brownfield</b>	25%	20%		80%
		Intermediate	Social Rent	Affordable Rent
% Open Market Value		80%	40%	60%

1.9 The study tested the Councils Affordable Housing policy of 25%-40% dependent on existing land use with a tenure split of 20% Intermediate and 80% Affordable Rent. The study considered five different residential development scenarios to reflect the type of residential development that might emerge over the plan period. These included mixed residential (apartments, 2, 3, 4 and 5 bed housing), various scales of mixed housing development and low rise apartments.

The Council recognises that less economies of scale may exist for smaller housebuilders on small scale sites and in an effort to ensure deliverability of all scales of development in Hastings, affordable housing requirements are reduced for smaller brownfield and greenfield sites. In view of the positive viability demonstrated at 25-40% Affordable housing it was not considered necessary to test these lower levels of delivery.

# Executive Summary

Residential Viability Appraisal					
Affordable Housing Tenure Mix 20% Intermediate 80% Affordable Rent					
Viability Margin Per Sq Metre					
Affordable Housing Proportion	Mixed Residential Development	Starter Housing	Apartment Block	Executive Housing	Family Housing
Greenfield 40% AH	£96	£107	£289	£119	£115
Brownfield 25% AH	£32	£49	£313	£47	£48

1.10 The results of the viability testing clearly demonstrate that Affordable Housing is deliverable at the Council's policy of 25-40%, taking account of other planning policy cost impacts. It is acknowledged that some forms of residential development may not be viable in all locations and that some relaxation of affordable housing may be required.

## Key Findings – General Commercial Viability Assessment

1.11 The assessment of commercial land and property values indicated that the Authority could be treated as a single market area for the purposes of the study. The commercial viability appraisals were limited to categories of development considered key to delivery of the development strategy within the plan ie Employment (B1,B2 and B8) and Retail (A1-A5).

NCS Commercial Viability Appraisal			
Viability Margin £ per Sqm			
Base Land Value	Industrial (B1b B1c B2 B8)	Food Supermarket (A1)	General Retail (A1-A5)
<b>Districtwide</b>			
Greenfield	£11	£473	£65
Brownfield	£9	£409	£34

1.12 Food supermarket retail and general retail were assessed to be viable and capable of economically viable delivery in Hastings in both greenfield and brownfield development scenarios.

# Executive Summary

1.13 Greenfield Industrial development demonstrated positive viability of £14 per sqm but marginal negative viability on brownfield sites. In wider context the negative margin is considered *de minimis* and does not necessarily mean that employment sites will not come forward from brownfield locations. Nevertheless the imposition of planning obligation contributions will need to be carefully considered in the context of viability at planning application stage on employment uses.

## Key Findings – Residential Site Allocation Viability Tests

1.14 The specific testing of the Residential Site Allocations proposed by the Plan indicates whether individual development sites are considered viable on a ‘traffic light’ red, green, amber approach (having applied all policy cost impacts as well as site specific mitigation measures).

**Green** – Site considered viable having made allowance for all reasonable development impacts, a standard developers profit and return to the landowner.

**Amber** – Site considered capable of viable development making allowance for all reasonable development impacts, a standard developers profit but acknowledging that landowners may need to accept land value reductions for abnormal site development costs if development is to proceed.

**Red** – – Site not currently considered viable based on implementation of Council policies and standard returns to landowners. It should be recognised that sites in this category may be viable if (a) the abnormal costs of bringing the site into a developable state (including some up front infrastructure investment) are deducted from the land value, (b) the Council is minded to relax affordable housing or infrastructure contributions (c) landowner/developers accept some reduced profit return to stimulate the development or (d) the developable area is reduced.

1.15 The study illustrated that all residential sites in the initial 0-5 year delivery period (ie the 5 year land supply) are viable based on the adopted assumptions. Viability improves in both the medium term (6-10 years) and longer term (11-15 years) with practically all sites demonstrating positive viability.

1.16 In conclusion, the assessment of all proposed residential sites in Hastings has been undertaken with due regard to the requirements of the National Planning Policy Framework (NPPF) and the best practice advice contained in ‘Viability Testing Local Plans’. It is considered that all sites tested are viable and deliverable across the entire plan period and as such the overall residential delivery strategy is considered sound.

# Executive Summary

## Key Findings – Commercial Site Allocation Viability Tests

1.17 The specific testing of the Employment Site Allocations proposed by the Plan also indicates whether individual development sites are considered viable on a ‘traffic light’ basis as outlined above.

1.18 The viability assessment demonstrates that all employment sites proposed by the plan may be deemed either ‘green’ or ‘amber’ and may therefore be considered viable and deliverable over the plan period.

1.19 It should be noted that this study should be seen as a strategic overview of plan level viability rather than as any specific interpretation of Hastings Borough Council policy on the viability of any individual site or application of planning policy to affordable housing, or other developer contributions. Similarly the conclusions and recommendations in the report do not necessarily reflect the policy position of the Council.

# 2 Introduction

2.1 The purpose of the study is to assess the overall viability of the Hastings Local Plan assessing the specific viability of sites being considered in the Plan.

2.2 In order to provide a robust assessment, the study first uses generic development typologies to consider the cost and value impacts of the plan policies and determine whether development is viable having allowed for a 'reasonable return to the landowner and developer' as required by the NPPF. The study then goes on to assess the viability of the individual development sites proposed for allocation in the Plan. The individual viability assessments take account of policies in the Plan including affordable housing requirements and site specific constraints to determine whether the proposed sites are viable and deliverable in the plan period.

## The NPPF and Relevant Guidance

2.3 The National Planning Policy Framework 2012 introduces a new focus on viability assessment in considering appropriate Development Plan policy. Paras 173-177 provide guidance on 'Ensuring Viability and Deliverability' in plan making. They state :-

*"173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.*

*174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.....*

*177. It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up. For this reason, infrastructure and development policies should be planned at the same time, in the Local Plan. Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review."*

# 2 Introduction

2.4 In response to the NPPF, the Local Housing Delivery Group, a cross industry group of residential property stakeholders including the House Builders Federation, Homes and Communities Agency and Local Government Association, has published more specific guidance entitled 'Viability Testing Local Plans' in June 2012.

2.5 The guidance states as an underlying principle, that :-

*"An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered."*

2.6 The guidance recommends the following stages be completed in testing Local Plan viability:-

- 1) Review Evidence Base and align existing assessment evidence
- 2) Establish Appraisal Methodology and Assumptions (including threshold land values, site and development typologies, costs of policy requirements and allowance for changes over time)
- 3) Evidence Collation and Viability Modelling (including development costs and revenues, land values, developers profit allowance)
- 4) Viability Testing and Appraisal
- 5) Review of Outputs

2.7 The guidance is not prescriptive about the use of particular financial assessment models but advises that a residual appraisal approach which tests the ability of development to yield a margin beyond all the test factors to determine viability or otherwise is widely used and accepted. The guidance sets out the key elements of viability appraisal and the factors that need to be considered to ensure robust assessment.

2.8 The current study adheres to the principles of the NPPF and 'Viability Testing Local Plans' and sets out its methodology and assumptions in the following sections.

# 3 Methodology

## The Process

3.1 There are a number of key stages to Viability Assessment which may be set out as follows.

### 1) Evidence Base – Land & Property Valuation Study

3.2 Establish an area wide evidence base of land and property values for development in each sub-market area. The evidence base relies on the area wide valuation study undertaken by Heb Surveyors in 2014 (Appendix 1)

### 2) Evidence Base – Construction Cost Study

3.3 Establish an area wide evidence base of construction costs for each category of development relevant to the local area. The study will also indicate construction rates for professional fees, warranties, statutory fees and construction contingencies. The evidence base relies on the Construction Cost Study by Gleeds undertaken in 2014 (Appendix 2) In addition specific advice on reasonable allowances for abnormal site constraints was obtained from Gleeds and is outlined in the report.

### 3) Identification of Sub Market Areas

3.4 The Heb Valuation Evidence considered the existence of potential sub-markets within the study area which might warrant the application of varied assumptions to the appraisals in different locations within the study area.

### 4) Delivery Timescale

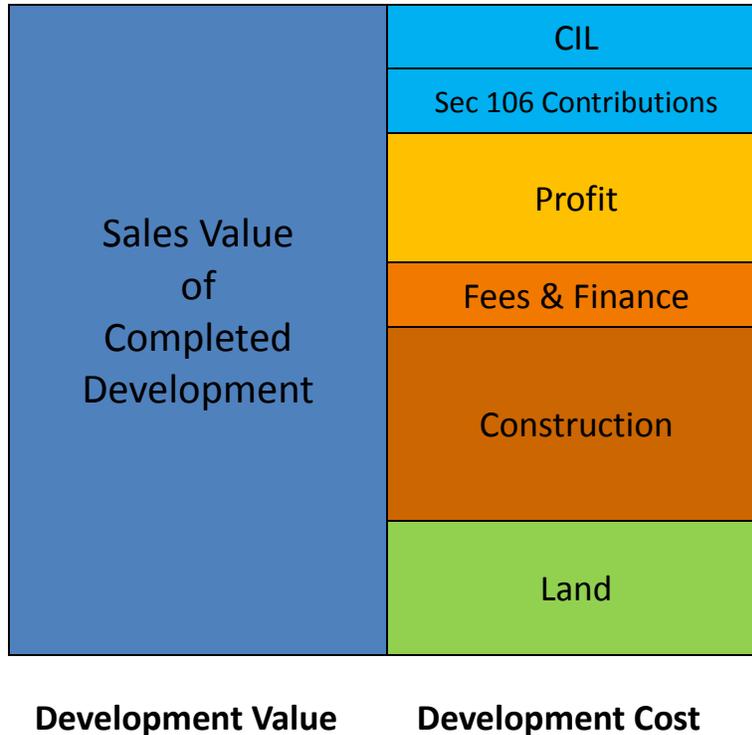
3.5 The study factors in projections for changes to property costs and values for the 0-5, 6-10 and 11-15 year delivery periods within the overall delivery timescale of the Development Plan.

### 5) Viability Appraisal

3.6 Appraisal of generic development typologies to establish overall viability in context with planning policy impacts followed by assessment of every residential and employment site proposed for allocation taking account of site area, unit numbers, brownfield or greenfield status, site specific abnormal constraints, policy requirements and affordable housing requirements. The appraisal uses a Residual Appraisal Model to determine whether any margin exists beyond a reasonable developer's and landowner's return.

# 3 Methodology

## The Development Equation



3.7 The appraisal model is illustrated by the above diagram and summarises the 'Development Equation'. On one side of the equation is the development value ie the sales value which will be determined by the market at any particular time. The variable element of the value in residential development appraisal will be determined by the proportion and mix of affordable housing applied to the scheme. Appropriate discounts for the relevant type of affordable housing will need to factored into this part of the appraisal.

3.8 On the other side of the equation, the development cost includes the 'fixed elements' ie construction, fees, finance and developers profit. Developers profit is usually fixed as a minimum % return on gross development value generally set by the lending institution at the time. The flexible elements are the cost of land and the amount of developer contribution (CIL and Planning Obligations) sought by the Local Authority.

3.9 Economic viability is assessed using an industry standard Residual Model approach. The model subtracts the Land Value, Fixed Development Costs and Profit Allowance from the Development Value to determine whether positive viability exists and the additional margin available for CIL in the event this is progressed.

# 3 Methodology

## Viability Assessment Model

3.10 The NCS model is based on standard development appraisal methodology, comparing development value to development cost. The model factors in a reasonable return for the landowner with the established threshold value, a reasonable profit return to the developer and the assessed cost impacts of proposed planning policies to determine if there is a positive or negative residual output. Provided the margin is positive (ie Zero or above) then the development being assessed is deemed viable. The principles of the model are illustrated below.

<b>Development Value (Based on Floor Area)</b> Eg 10 x 3 Bed 100sqm Houses x £2,200per sqm	<b>£2,200,000</b>
<b>Development Costs</b>	
Land Value	<b>£400,000</b>
Construction Costs	<b>£870,000</b>
Abnormal Construction Costs (Optional)	<b>£100,000</b>
Professional Fees (% Costs)	<b>£90,000</b>
Legal Fees (% Value)	<b>£30,000</b>
Statutory Fees (% Costs)	<b>£30,000</b>
Sales & Marketing Fees (% Value)	<b>£40,000</b>
Contingencies (% Costs)	<b>£50,000</b>
Section 106 Contributions/Policy Impact Cost Assumptions/CIL (SHLAA or Site Testing Only)	<b>£90,000</b>
Finance Costs (% Costs)	<b>£100,000</b>
Developers Profit (% Return on GDV)	<b>£350,000</b>
<b>Total Costs</b>	<b>£2,175,000</b>
<b>Output</b>	
<b>Viability Margin</b>	<b>£50,000</b>
<b>Potential CIL Rate (CIL Appraisal only)</b>	<b>£50 sqm</b>

3.11 The model will calculate the gross margin available for developer contributions. The model effectively calculates the additional potential to levy CIL without rendering the development economically unviable although CIL is not currently being progressed by Hastings. The Viability Margin is calculated by dividing the gross margin by the floorspace of the development being assessed to give a £ per Sqm viability result.

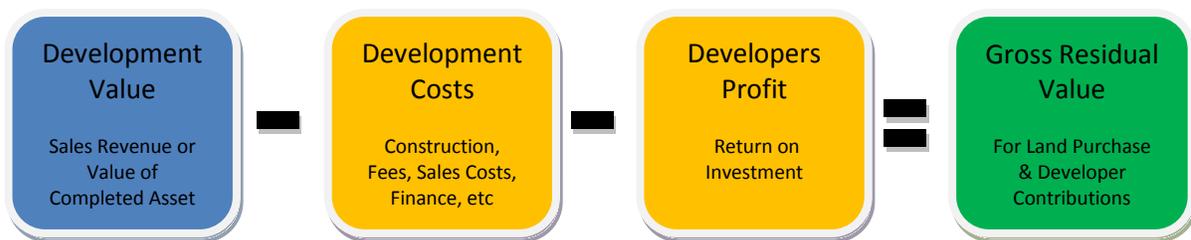
# 3 Methodology

3.12 It is important to note that the model applies % proportions and further % tenure splits to the housing scenarios to reflect affordable housing discounts which will generate fractional unit numbers. The model automatically rounds to the nearest whole number and therefore some results appear to attribute value proportions to houses which do not register in the appraisal. The fractional distribution of affordable housing discounts is considered to represent the most accurate illustration of the impact of affordable housing policy on viability.

## Land Value Assumptions

3.13 It is generally accepted that developer contributions (Affordable Housing, CIL and S106), will be extracted from the residual land value (ie the margin between development value and development cost including a reasonable allowance for developers profit). Within this gross residual value will be a base land value (ie the minimum amount a landowner will accept to release a site) and a remaining margin for contributions.

### Stage 1 – Residual Valuation



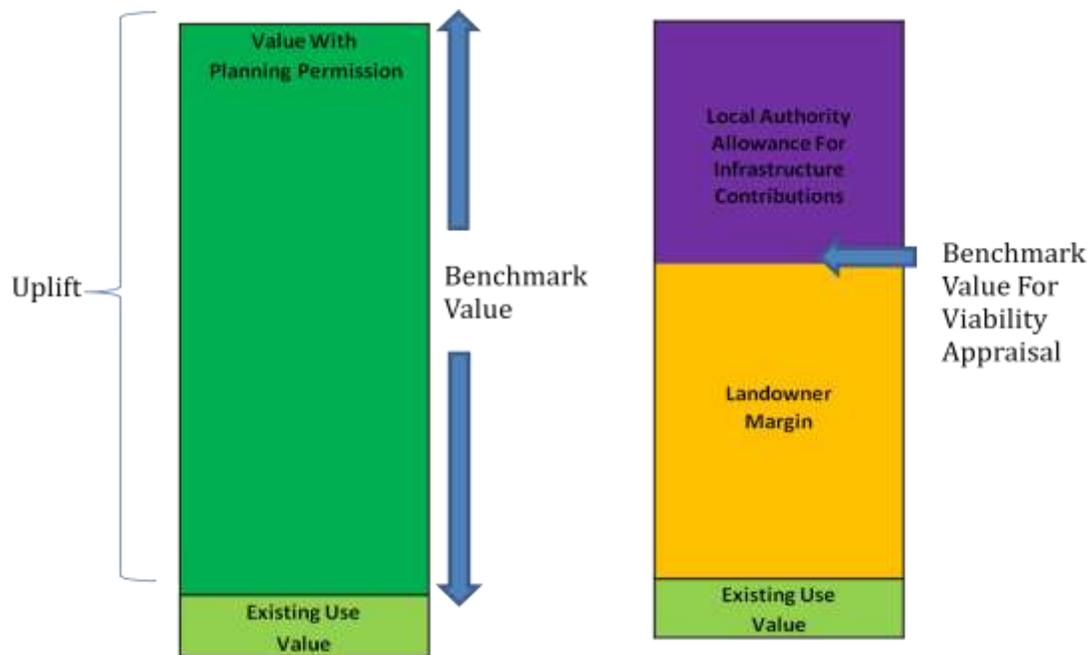
3.14 The approach to assessing the land element of the gross residual value is therefore the key to the robustness of any viability appraisal. There is no single method of establishing threshold land values for the purpose of viability assessment in planning but the NPPF and emerging best practice guidance does provide a clear steer on the appropriate approach.

### Stage 2 – Establishing Base Land Value



# 3 Methodology

## Land Value Benchmarking (Threshold Land Values)



3.15 The above diagram illustrates the principles involved in establishing a robust benchmark for land value. Land will have an existing use value (EUV) based on its market value. This is generally established by comparable evidence of the type of land being assessed (eg agricultural value for greenfield sites or perhaps industrial value for brownfield sites may be regarded as reasonable existing use value starting points and may be easily established from comparable market evidence)

3.16 The Alternative Use Value is established by assessing the gross residual value between development value and development cost after a reasonable allowance for development profit, assuming planning permission has been granted. The gross residual value does not make allowance for the impact of development plan policies on development cost and therefore represents the maximum potential value of land that landowners may aspire to.

3.17 In order to establish a benchmark land value for the purpose of viability appraisal, it must be recognised that Local Authorities will have a reasonable expectation that, in granting planning permission, the resultant development will yield contributions towards infrastructure and affordable housing. The cost of these contributions will increase the development cost and therefore reduce the residual value available to pay for the land.

3.18 The appropriate benchmark value will therefore lie somewhere between existing use value and gross residual value based on alternative planning permission. This will of course vary significantly dependent on the category of development being assessed.

# 3 Methodology

3.19 The key part of this process is establishing the point on this scale that balances a reasonable return to the landowner beyond existing use value and a reasonable margin to allow for infrastructure and affordable housing contributions to the Local Authority.

## **Benchmarking and Threshold Land Value Guidance**

3.20 Benchmarking is an approach which the Homes and Communities Agency refer to in 'Investment and Planning Obligations: Responding to the Downturn'. This guide states: *"a viable development will support a residual land value at a level sufficiently above the site's existing use value (EUUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner"*.

3.21 The NPPF has introduced a more stringent focus on viability in planning considerations. In particular para 173 states:-

*"To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable"*

3.22 The NPPF recognises that, in assessing viability, unless a realistic return is allowed to a landowner to incentivise release of land, development sites are not going to be released and growth will be stifled. The most recent practical advice in establishing benchmark thresholds at which landowners will release land was produced by the Local Housing Delivery Group (comprising, inter alia, the Local Government Association, the Homes and Communities Agency and the House Builders Federation) in June 2012 in response to the NPPF. 'Viability Testing Local Plans' states :-

*"Another key feature of a model and its assumptions that requires early discussion will be the Threshold Land Value that is used to determine the viability of a type of site. This Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development, before payment of taxes (such as capital gains tax)".*

*Different approaches to Threshold Land Value are currently used within models, including consideration of:*

- *Current use value with or without a premium.*
- *Apportioned percentages of uplift from current use value to residual value.*
- *Proportion of the development value.*
- *Comparison with other similar sites (market value).*

*We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values. The precise figure that should be used as an appropriate premium above current use value should be determined locally. But it is important that there is evidence that it represents a sufficient premium to persuade landowners to sell".*

# 3 Methodology

## NCS Approach to Land Value Benchmarking (Threshold Land Values)

3.23 NCS has given careful consideration to how the Threshold Land Value (ie the premium over existing use value) should be established.

3.24 We have concluded that adopting a fixed % over existing value is inappropriate because the premium is tied solely to existing value – which will often be very low - rather than balancing the reasonable return aspirations of the landowner to pursue a return based on alternative use as required by the NPPF. Landowners are generally aware of what their land is worth with the benefit of planning permission. Therefore a fixed % uplift over existing use value will not generally be reflective of market conditions and may not be a realistic method of establishing threshold land value.

3.25 We believe that the uplift in value resulting from planning permission should effectively be shared between the landowner (as a reasonable return to incentivise the release of land) and the Local Authority (as a margin to enable infrastructure and affordable housing contributions). The % share of the uplift will vary dependent on the particular approach of each Authority but based on our experience the landowner will expect a minimum of 50% of the uplift in order for sites to be released. Generally, if a landowner believes the Local Authority is gaining greater benefit than he is, he is unlikely to release the site and will wait for a change in planning policy. We therefore consider that a 50:50 split is a reasonable benchmark and will generate base land values that are fair to both landowners and the Local Authority.

***The Shinfield Appeal Decision in Wokingham (APP/X0360/A/12/2179141) in January 2013 has provided clear support for this approach to establishing a ‘reasonable return the landowner’ under the requirements of the NPPF. The case revolved around the level of affordable housing and developer contributions that could be reasonably required and in turn the decision hinged on the land value allowed to the applicant as a ‘reasonable return’ to incentivise release of the site. The Inspector held that the appropriate approach to establishing the benchmark or threshold land value would be to split the uplift in value resulting from planning permission for the Alternative Use - 50:50 between landowner and the community.***

The Threshold Land Value is established as follows :-

Existing Use Value + % Share Of Uplift from Planning Permission = Threshold Land Value

3.26 The resultant threshold values are then checked against market comparable evidence of land transactions in the Authority’s area by our valuation team to ensure they are realistic. We believe this is a robust approach which is demonstrably fair to landowners and more importantly an approach which has been accepted in viability studies we have presented at CIL and Local Plan Examinations.

# 3 Methodology

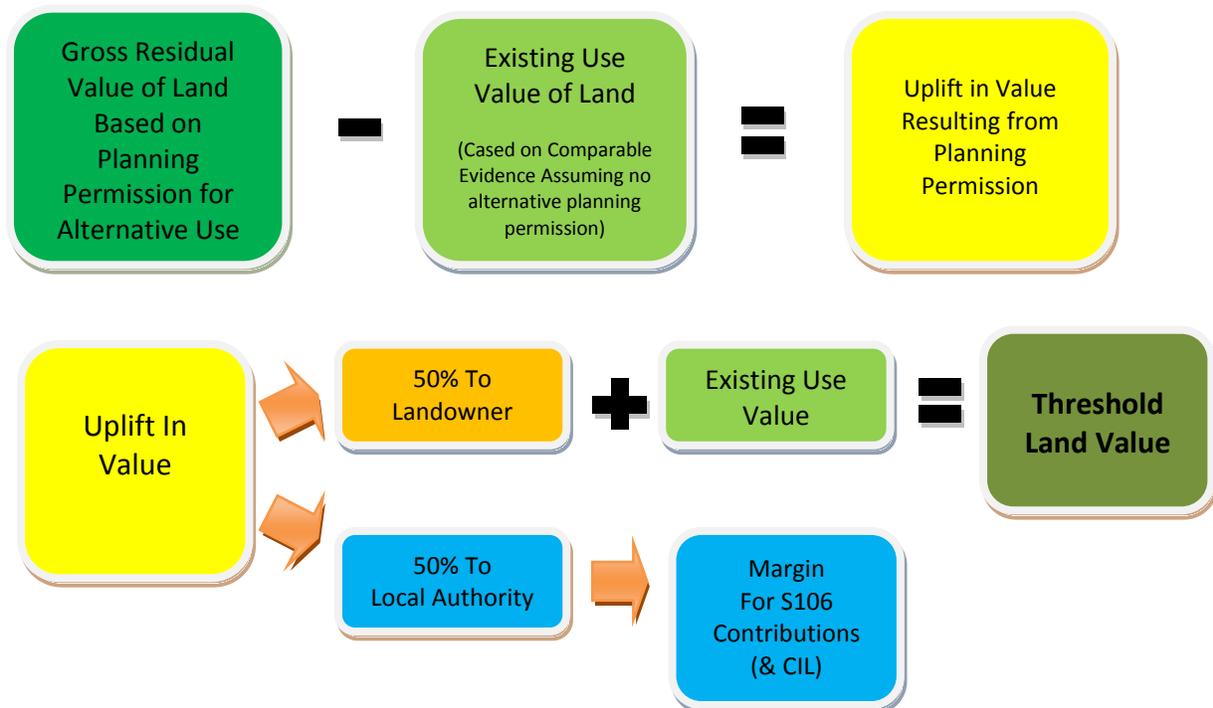
## Worked Example Illustrating % over Existing Use vs % Share of Uplift

3.27 A landowner owns a 1 Hectare field at the edge of a settlement. The land is proposed to be allocated for residential development. Agricultural value is £20,000 per Ha. Residential land is being sold in this area for £1,000,000 per Ha. For the purposes of CIL viability assessment what should this Greenfield site be valued at?

Using Fixed % over EUV the land would be valued at £24,000 (£20,000 + 20%)

Using % Share of Uplift in Value the land would be valued at £510,000 (£20,000 + 50% of the uplift between £20,000 and £1,000,000) – realising a market return for the landowner but reserving a substantial proportion of the uplift for infrastructure contribution.

### Benchmarking Based on % Share of Uplift in Land Value



# 3 Methodology

## Brownfield and Greenfield Land Value Benchmarks

3.28 In order to represent the likely range of benchmark scenarios that might emerge in the plan period for the appraisal it will be necessary to test alternative threshold land value scenarios. A greenfield scenario will represent the best case for CIL as it represents the highest uplift in value resulting from planning permission. In Hastings 'greenfield' will normally be previously undeveloped open land within the wider urban area. Nevertheless it is considered to have the same low value 'lack of potential alternative use' characteristics as traditional greenfield land and is therefore based on agricultural land value

3.29 The median brownfield position recognises that existing commercial sites will have an established value. The existing use value is based on a low value brownfield use (industrial). The viability testing firstly assesses the gross residual value (the maximum potential value of land based on total development value less development cost with no allowance for affordable housing, sec 106 contributions or planning policy cost impacts). This is then used to apportion the share of the potential uplift in value to the greenfield and brownfield benchmarks. This is considered to represent a reasonable scope of land value scenarios in that change from a high value use (eg retail) to a low value use (eg industrial) is unlikely.

3.30 Finally, as a sense check, the viability appraisals are undertaken based on market comparable evidence of actual land transactions in the relevant use category. Actual market evidence will not always be available for all categories of development, the valuation team make reasoned assumptions. It is not recommended that these results are used as the basis for setting CIL rates or Affordable Housing requirements since the market transaction land values may not necessarily reflect proper allowance for planning policy impacts – particularly where a policy that has a direct 'land taxation' impact has not previously been in existence.

### Residential

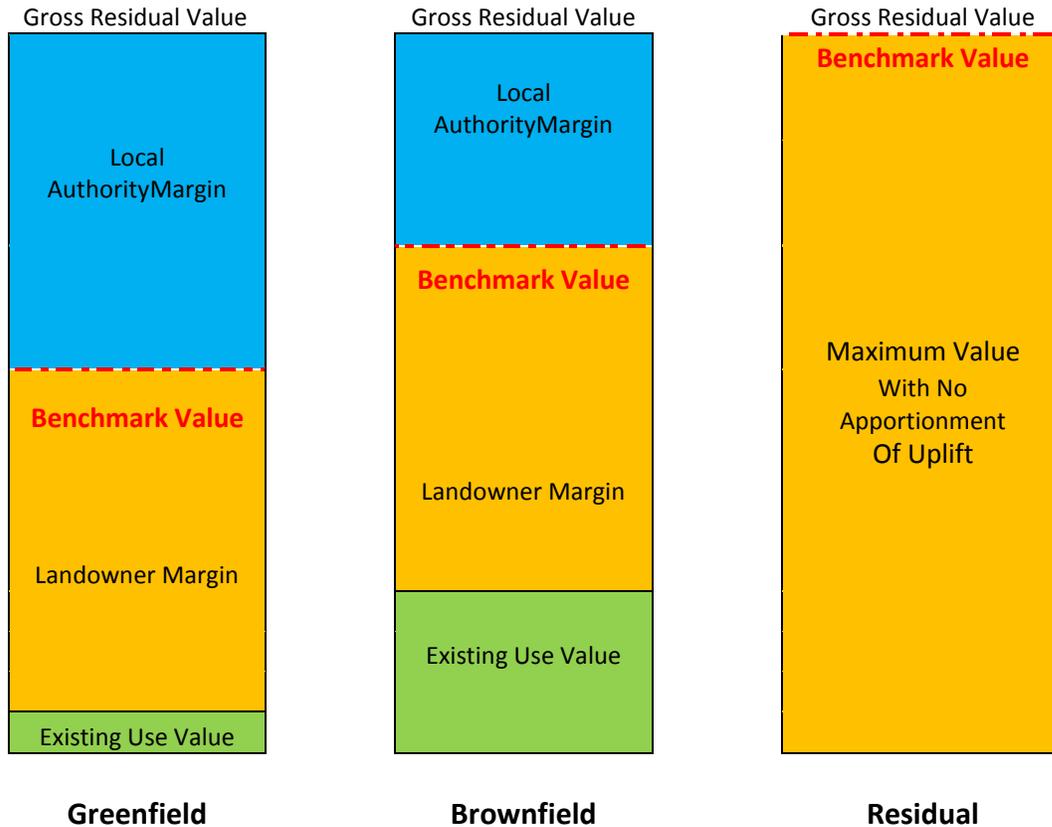
Benchmark 1	Greenfield	Open/Undeveloped/Agricultural - Residential
Benchmark 2	Brownfield	Industrial – Residential
Benchmark 3	Market Comparable	Based on transactional evidence where available

### Commercial

Benchmark 1	Greenfield	Open/Undeveloped/Agricultural – Proposed Use
Benchmark 2	Brownfield	Industrial – Proposed Use
Benchmark 3	Market Comparable	Based on transactional evidence where available

3.31 The viability study assumes that affordable housing land will, in most circumstances, have no significant value because development costs generally match or exceed affordable housing sales value

# 3 Methodology



3.32 The above diagram illustrates the concept of Benchmark Land Value. The level of existing use value for the three benchmarks is illustrated by the green shading. The uplift in value from existing use value to proposed use value is illustrated by the blue and gold shading. The gold shading represents the proportion of the uplift allowed to the landowner for profit. The blue shading represents the allowance of the uplift for developer contributions to the Local Authority. The Residual Value assumes maximum value with planning permission with no allowance for planning policy cost impacts. This benchmark is used solely to generate the brownfield and greenfield threshold values.

3.33 Whilst brownfield land evaluation with a higher benchmark land value will necessarily indicate that less margin exists for CIL, it should be acknowledged that brownfield sites will often contain existing buildings which may be used to claim CIL relief in calculating the net CIL liability. This should be taken into account in setting CIL rates.

3.34 The 'Market Comparable' land values will normally represent the highest land value assumptions of the three assessed benchmarks as they cannot make allowance for the introduction of the new policy that is being assessed and which will have subsequent impact on value, once adopted.

# 3 Methodology

## Residual Valuation & Development Appraisal

3.35 NCS do not rely solely on residual value appraisal to assess viability. Alternative methodologies rely on subtracting development costs and profit from development value and inputting an assumed CIL charge to give a residual value for land. This residual value is then compared to a benchmark value. If it is equal to or higher to the benchmark the level of CIL being tested is deemed to be viable.

3.36 The problem with the residual value approach is that it doesn't factor in the finance cost of land – which will be the element of development cost that is incurred up front and carry finance costs through the entire development process. The omission of this finance cost could potentially give a false picture of development viability.

3.37 Best Practice Guidance on viability advises that the impact of planning policies on the economic viability of development is assessed rather than the impact of policies on land value. NCS therefore adopt a development appraisal approach rather than a residual land value approach. NCS has developed a bespoke model specifically to assess the economic viability of development and the maximum margin available for CIL for every category of development. This model factors in land value (threshold land value as discussed in the previous section) as a key element of development cost. In this way the finance charges for of all elements of development cost are properly assessed including land.

## Property Sales Values

3.38 The sale value of the development category will be determined by the market at any particular time and will be influenced by a variety of locational, supply and demand factors as well as the availability of finance. The study uses up to date comparable evidence to give an accurate representation of the market circumstances. The methodology relies primarily on current market research rather than published data tables which may often be out of date (see Valuation Report – Appendix 1).

Sales Values	Sales Value £sqm				
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed
Boroughwide	2400	2250	2175	2175	2175

# 4 Viability Appraisal Assumptions

## Development Categories

4.1 The study considers the categories of development that are relevant to the delivery of the Plan and the impact of planning policies on the viability of those categories, as follows:-

**Residential (C3)** - Based on varying residential development scenarios and factoring in the affordable housing requirements of the Authority. Land values are assessed based on house type plots. Sales values are assessed on per sqm rates.

**Commercial** - The following categories are considered. Land Values and Gross Development Values are assessed on sqm basis.

Industry (B1(b)B1(c), B2, B8)  
Food Supermarket Retail (A1)  
General Retail (A1, A2, A3)

## Sub Market Areas

4.2 The valuation study considered evidence of residential land and property values across Hastings and concluded that there were not sufficient distinctions between sales prices to justify testing based on differential sub-market areas.

4.3 The commercial valuation study (Appendix 1) considered the values of commercial and other non-residential land and property. It also concluded that there were not sufficient distinctions between sales prices to justify testing based on differential sub-market areas.

# 4 Viability Appraisal Assumptions

## Affordable Housing

4.4 A series of residential viability tests have been undertaken, reflecting the Council's differential affordable housing requirements for greenfield and brownfield development. The following extract from a generic residential viability appraisal model illustrates how affordable housing is factored into the residential valuation assessment. The relevant variables (eg unit numbers, types, sizes, affordable proportion, tenure mix etc) are inputted into the highlighted cells. The model will then calculate the overall value of the development taking account of the relevant affordable unit discounts.

<b>DEVELOPMENT SCENARIO</b>	Mixed Residential Development				Apartments	10
<b>BASE LAND VALUE SCENARIO</b>	Greenfield				2 bed houses	20
<b>DEVELOPMENT LOCATION</b>	Urban Zone 1				3 Bed houses	40
<b>DEVELOPMENT DETAILS</b>	100	Total Units			4 bed houses	20
<b>Affordable Proportion</b>	30%	30	Affordable Units		5 bed house	10
<b>Affordable Mix</b>	30%	Intermediate	40%	Social Rent	30%	Affordable Rent
<b>Development Floorspace</b>	6489	Sqm Market Housing	2,163	Sqm Affordable Housing		
<b>Development Value</b>						
<b>Market Houses</b>						
7	Apartments	65	sqm	2000	£ per sqm	£910,000
14	2 bed houses	70	sqm	2200	£ per sqm	£2,156,000
28	3 Bed houses	88	sqm	2200	£ per sqm	£5,420,800
14	4 bed houses	115	sqm	2200	£ per sqm	£3,542,000
7	5 bed house	140	sqm	2200	£ per sqm	£2,156,000
<b>Intermediate Houses</b>						
		60%	Market Value			
3	Apartments	65	Sqm	1200	£ per sqm	£210,600
5	2 Bed house	70	Sqm	1320	£ per sqm	£415,800
2	3 Bed House	88	Sqm	1320	£ per sqm	£209,088
<b>Social Rent Houses</b>						
		40%	Market Value			
4	Apartments	65	sqm	800	£ per sqm	£187,200
6	2 Bed house	70	sqm	880	£ per sqm	£369,600
2	3 Bed House	88	sqm	880	£ per sqm	£185,856
<b>Affordable Rent Houses</b>						
		50%	Market Value			
3	Apartments	65	sqm	1000	£ per sqm	£175,500
5	2 Bed house	70	sqm	1100	£ per sqm	£346,500
2	3 Bed House	88	sqm	1100	£ per sqm	£174,240
100	Total Units					
<b>Development Value</b>						<b>£16,459,184</b>

It is important to note that the model applies % proportions and further % tenure splits to the housing scenarios which will generate fractional unit numbers. The model automatically rounds to the nearest whole number and therefore some results appear to attribute value proportions to houses which do not register in the appraisal. The fractional distribution of affordable housing discounts is considered to represent the most accurate illustration of the impact of affordable housing policy on viability.

# 4 Viability Appraisal Assumptions

4.5 The following Affordable Housing Assumptions have been agreed for the purpose of the residential viability appraisals. The assumptions relate to the overall proportion of affordable housing, the tenure mix between Intermediate, Social Rent and Affordable Rent housing types. Finally the transfer values in terms of % of open market value is set out for each tenure type. It was considered that Affordable Rent housing was more likely to be delivered in Hastings than Social Rent housing due to the lack of housing grant availability.

Affordable Housing				
Charging Zone	Proportion %	Tenure Mix %		
		Intermediate	Social Rent	Affordable Rent
Greenfield	40%	20%	0%	80%
Brownfield	25%	20%	0%	80%
<b>Transfer Values % Open Market Value</b>		80%	40%	60%

4.6 The affordable assumptions were applied to all residential scenario testing. For the smaller unit number tests the proportional and tenure splits result in fractions of unit numbers. In these cases, where whole affordable housing units may not be deliverable, the sums in the appraisals may be deemed to equate to the impact of off-site contributions for 'partial' unit delivery.

## Development Density

4.7 Density is an important factor in determining gross development value and land value. Density assumptions for commercial development will be specific to the development category. For instance the floorplate for industrial development is generally around 50% of the site area to take account of external servicing, storage and parking, Offices will vary significantly dependent on location, town centre offices may take up 100% of the site area whereas out of town locations where car parking is a primary consideration, the floorplate may be only 25% of the site area. Food retailing generally has high car parking requirements and large site areas compared to floorplates.

The land : floorplate assumptions for commercial development are as follows:-

- Industrial                      2:1
- General Retail                2:1 (shopping parades, local centres etc)
- Food retail                     3:1

# 4 Viability Appraisal Assumptions

4.8 Residential densities vary significantly dependent on house type mix and location. Mixed housing developments may vary from 10-50 dwellings per Hectare. Town Centre apartment schemes may reach densities of over 150 units per Hectare. We generate plot values for residential viability assessment related to specific house types. The plot values allow for standard open space requirements per Hectare.

4.9 The density assumptions for house types related to plot values are as follows :-

Apartment	100 units per Ha
2 Bed House	40 units per Ha
3 Bed House	35 units per Ha
4 Bed House	25 units per Ha
5 Bed House	20 units per Ha

## House Types and Mix

4.10 The study uses the following standard house types as the basis for valuation and viability testing as unit types that are generally reflective of market circumstances in Hastings.

Apartment	51 sqm
2 Bed House	77 sqm
3 Bed House	93 sqm
4 Bed House	106 sqm
5 Bed House	150 sqm

4.11 Housing values and costs are based on the same gross internal area. However apartments will contain circulation space (stairwells, lifts, access corridors) which will incur construction cost but which is not directly valued. We make an additional construction cost allowance of 15% to reflect the difference between gross and net floorspace.

# 4 Viability Appraisal Assumptions

## Residential Development Scenarios

4.12 The study tests a series of residential development scenarios to reflect general types of development that are likely to emerge over the plan period.

4.13 For residential development, five scenarios were considered. The list does not attempt to cover every possible development likely to occur in Hastings but an overview of residential development in the plan period.

1. Mixed Housing (Apt, 2, 3, 4 & 5 Bed Housing)	100 Units
2. Starter Housing (Apt, 2 & 3 Bed Housing)	30 Units
3. Apartments	15 Units
4. Executive Housing (3, 4 & 5 Bed Housing)	30 Units
5. Family Housing (2,3 & 4 Bed Housing)	44 Units

The individual site allocation assessments all tested mixed residential development using a mix considered to represent the type of residential development likely to emerge over the plan period. They may be summarised as follows :-

Housing Mix		
Title	Residential Mix	
Unit Numbers	5%	Apartments
	25%	2 bed houses
	40%	3 Bed houses
	20%	4 bed houses
	10%	5 bed house

## Commercial Development Scenarios

4.14 The appraisal tests the types of commercial development that are particularly relevant to the delivery of the Plan, namely Industrial (B1, B2, B8) and Retail (A1-A5). A typical form of development, that might emerge during the plan period, is tested within each use class.

# 4 Viability Appraisal Assumptions

4.15 The density assumptions for commercial development will be specific to the development category. For instance the floorplate for industrial development is generally around 50% of the site area to take account of external servicing, storage and parking. Food retailing generally has high car parking requirements and larger site areas compared to floorplates.

4.16 The viability model also makes allowance for net:gross floorspace. In many forms of commercial development such as industrial and retail, generally the entire internal floorspace is deemed lettable and therefore values per sqm and construction costs per sqm apply to the same area. However in some commercial categories (eg offices) some spaces are not considered lettable (corridors, stairwells, lifts etc) and therefore the values and costs must be applied differentially. The net:gross floorspace ratio enables this adjustment to be taken into account.

4.17 The table below illustrates the commercial category and development sample testing as well as the density assumptions and net:gross floorspace ratio for each category.

Commercial Development Sample Typology					
Unit Size & Land Plot Ratio					
		Unit Size	Plot Ratio	Gross:Net	Sample
		Sqm	%		
Industrial	B1b B1c B2 B8	1000	200%	1.0	Factory Unit
Food Retail	A1	3000	300%	1.0	Supermarket
General Retail	A 1 A2 A3	300	150%	1.0	Roadside Retail Unit

## Code for Sustainable Homes

4.18 The study adopts CoSH 4 to reflect the construction standards promoted by Hastings Borough Council.

## Construction Costs

4.19 The construction rates will reflect allowances for external works, drainage, servicing preliminaries and contractor's overhead and profit. The viability assessment will include a 5% allowance for construction contingencies.

# 4 Viability Appraisal Assumptions

## Abnormal Construction Costs

4.20 Abnormal Site Constraint Costs associated with the development of individual sites have been identified for the individual testing of allocated residential and employment sites. Advice on cost allowances for these constraints was obtained from Gleeds and is summarised in the table below.

Abnormal Site Development Costs	Budget Cost £/Hectare
<p><b>Archaeology &amp; Heritage</b></p> <p>Typically, Archaeology is addressed by a recording/monitoring brief by a specialist, to satisfy planning conditions. Similarly works to listed buildings and other heritage features will incur enhanced costs Intrusive archaeological investigations are exceptional and not allowed for in the Budget cost</p>	<b>£25,000</b>
<p><b>Flood Defence Works</b></p> <p>Generally involves raising floor levels above flood level, on relevant sites Budget £2,000 per unit x 35 units/Hect, apply to 1 in 3 sites</p>	<b>£25,000</b>
<p><b>Site Specific Access Works</b></p> <p>New road junction and S278 works, allowance for cycle path linking Major off-site highway works not allowed for.</p>	<b>£20,000</b>
<p><b>Land Contamination</b></p> <p>Heavily Contaminated land is not considered, as remediation costs will be reflected in the land sales values  Allow for remediation/removal from site of isolated areas of spoil with elevated levels of contamination</p>	<b>£25,000</b>
<p><b>Ground Stability</b></p> <p>Former Mining area. Allow raft foundations to dwellings, on 75% of sites Budget £2000 per unit x 35 units x 25% of sites</p>	<b>£20,000</b>
<p><b>Utilities</b></p> <p>Allowance for Infrastructure Upgrade</p>	<b>£80,000</b>
<p><b>Site Specific Biodiversity Mitigation/Ecology</b></p> <p>Allow for LVIA and Ecology surveys and mitigation and enhancement allowance.</p>	<b>£20,000</b>

# 4 Viability Appraisal Assumptions

## Policy Cost Impacts & Planning Obligation Contributions

4.21 The purpose of the study is to test the impact of proposed planning policies on the viability of development having allowed for a reasonable return to the landowner and developer.

4.22 Costs have been factored into the viability appraisals to reflect the impact of relevant policies contained in the Planning Strategy and Development Management Plan policies and the residual use of planning obligations for site specific mitigation. The principle impact on residential development will be the delivery of Affordable Housing under Policy H3. The cost impact allowances for this are explained at paragraphs 4.4 – 4.5 above

The other policies which are considered to have a cost impact on development may be summarised as follows :-

SC3 - Promoting Sustainable and Green Design - include climate change and adaptation measures such as green roofs and walls, sustainable drainage systems, multi-functional green space, protecting and enhancing biodiversity, waste reduction and recycling facilities, water efficiency, flood risk management & use of recycled material in development.

SC4 - Working Towards Zero Carbon Development - achieving low carbon development through energy efficiency, provide renewable energy generation etc

SC7 - Flood Risk - flood resistant or resilient design - use of Sustainable Drainage Systems

DM4 - General Access

- power lift system to all floors of new buildings of 3 storey's or more (not including single dwelling houses)

DM3 - General Amenity

- internal space standards - 1 bed/2 person 51 sqm; 2 bed /3 person 66 sqm; 2 bed/4 person 77 sqm; 3 bed/5 person 93 sqm; and 4 bed/6 person 106 sqm

- external garden space - homes designed for family use (dwellings with two or more bedrooms) - 10 metres in length normally at rear

4.23 The cost impacts of the above policies on residential development are considered to be covered by the adoption of Code for Sustainable Homes 4 construction rates in the study. Similarly the General Access and General Amenity policy impacts are covered by the house type sizes adopted in the study and the enhanced apartment construction cost rates. The commercial construction cost rates are based on BREEAM 'very good' standards and are similarly considered to cover the above policy cost impacts.

CI 3 - Children's Play Provision

- provision of play area on site or contribution towards play areas off site

# 4 Viability Appraisal Assumptions

## T3 - Sustainable Transport

- pedestrian paths and cycleway
- cycle parking
- bus shelters & other bus infrastructure

4.24 The above policy costs are likely to be accounted for by specific planning obligations attached to planning consent. Based on historical evidence of planning contributions and advice from Hastings BC – an average of £646 per dwelling has been collected over the last few years. It is recognised that this level of collection is quite low and may not reflect the full impact of plan policies requiring planning obligation mitigation. Therefore an additional cost allowance of £2000 per residential unit has been made in the appraisals. An additional allowance of £20/sqm has been made in the retail appraisals to cover planning obligations. It is recognised that industrial development viability is marginal and unlikely to be able to make planning obligation contributions.

## HN4 - Development affecting Heritage Assets with Archaeological and Historic Interest or Potential Interest

- developers required to submit desk based assessment and where necessary the results of a field evaluation - expected to demonstrate that the particular archaeological interest of the site will be satisfactorily preserved either in situ or by record. Often this is to retain listed buildings and structures and to record below surface archaeology.

## HN8 - Biodiversity and Green Space

- an ecological constraints and opportunities plan will be required where on-site or nearby ecological constraints are known or where further information on potential ecological issues is required. Mitigation may be sought when there are likely impacts on existing ecological areas.

4.25 Specific allowances to cover these impacts are made in the individual site allocation tests.

## Developers Profit

4.26 Developers profit is generally fixed as a % return on gross development value or return on the cost of development to reflect the developer's risk. In current market conditions, and based on the minimum lending conditions of the financial institutions, a 20% return on GDV is used in the residential viability appraisals to reflect speculative risk. A 17.5% return is applied to retail development in recognition that most development will be pre-let or pre-sold with a reduced level of risk.

4.27. In recognition of the challenging economic circumstances for employment uses in Hastings it is considered unlikely that speculative industrial development is likely to come forward, of the type that would require a full developers profit and risk allowance. It is more likely that most industrial developments will be undertaken direct by occupiers and therefore the appraisals assume a reduced profit allowance of 5% for industrial development to reflect occupier's management and opportunity costs rather than a full developer's profit allowance.

# 5 General Viability Appraisals

5.1 The results of the generic Viability Testing are set out in the following tables. The residential results are based on full affordable housing delivery for the five residential development scenarios that were tested. The commercial table illustrates viability of the three types of development that were tested.

5.2 The viability model applies all costs associated with the development being assessed including a reasonable allowance for return to the landowner and developer and the impacts of all planning policies. The model then subtracts total cost from total value to determine if there is any additional margin to demonstrate positive viability. The results are expressed as either positive or negative viability in £ per sqm. The results are expressed in this way to illustrate the additional potential to levy CIL in the event this is considered in the future.

5.3 Each category of development produces a greenfield and brownfield result in each test area. These results reflect the benchmark land value scenario. The first result assumes greenfield development which generally represents the highest uplift in value from current use and therefore will produce the highest potential viability. The second result assumes that development will emerge from low value brownfield land. As explained in the Land Value assumptions Section, the Market Comparable results are provided as a sense check. They rely on a full allowance for land value that is not necessarily reflective of a 'reasonable return to the landowner' that acknowledges the policy impacts and reasonable developer contribution aspirations of the Local Authority.

<b>Residential Viability Appraisal</b>					
<b>Affordable Housing Tenure Mix 20% Intermediate 80% Affordable Rent</b>					
<b>Viability Margin Per Sq Metre</b>					
<b>Affordable Housing Proportion</b>	<b>Mixed Residential Development</b>	<b>Starter Housing</b>	<b>Apartment Block</b>	<b>Executive Housing</b>	<b>Family Housing</b>
Greenfield 40% AH	£96	£107	-£289	£119	£115
Brownfield 25% AH	£32	£49	-£313	£47	£48
Market Comparable	-£153	-£122	-£425	-£148	-£141

<b>Commercial Viability Appraisal</b>			
<b>Viability Margin £ per Sqm</b>			
<b>Base Land Value</b>	<b>Industrial (B1b B1c B2 B8)</b>	<b>Food Supermarket (A1)</b>	<b>General Retail (A1-A5)</b>
Greenfield	£11	£473	£65
Brownfield	-£9	£409	£34
Market Comparable	-£9	-£132	-£73

# 6 Site Allocation Appraisals

6.1 The study has undertaken Viability Appraisals of all sites being proposed by the Hastings Local Plan – Development Management Plan.

6.2 The residential appraisals are based on a standard residential mix to allow direct comparison of all sites. The mix is considered reflective of the type of housing development likely to emerge over the plan period as illustrated below.

Housing Mix		
Title	Residential Mix	
Unit Numbers	5%	Apartments
	25%	2 bed houses
	40%	3 Bed houses
	20%	4 bed houses
	10%	5 bed house

6.3 The study is based on full affordable housing delivery and the assumptions in the table below.

Affordable Housing				
	Proportion %		Tenure Mix %	
		Intermediate	Social Rent	Affordable Rent
<b>1 Boroughwide Greenfield</b>	40%	20%		80%
<b>2 Boroughwide Brownfield</b>	25%	20%		80%
% Open Market Value		Intermediate	Social Rent	Affordable Rent
		80%	40%	60%

6.4 Both the Residential and Commercial appraisals factored in site specific abnormal costs and mitigation factors as set out in the tables below. These costs were adjusted for the 6-10 and 11-15 year delivery periods in the residential assessment as outlined below. For the purpose of the study and the prevailing conditions in Hastings, every residential site assessment made allowance for Archaeological/Heritage and Ecological mitigation costs.

Residential Abnormal Costs							
Archlogy & Heritage (Ha)	Flood (Ha)	Ecology (Ha)	Contam (Ha)	Sec 106 (unit)	Ground Stability (Ha)	Utilities Upgrade (Ha)	Other
25000	25000	20000	25000	1000	20000	80000	Site Specific

# 6 Site Allocation Appraisals

6.5 The delivery of housing and sites has been considered over a plan period of 15 years and broken down into 5 year delivery periods from 0-5 years, 6-10 years and 11-15 years. Larger sites have assumed phased delivery across 2-3 periods.

6.6 Based on forecasts from industry research (Savills for regional residential market trends and Gleeds for construction cost forecasts) the following broad assumption adjustments have been applied to the values and costs in the study in the three appraisal periods. There will obviously be significant fluctuations over a 15 year plan period with higher residential value growth likely in the early part of the cycle but the figures are considered to represent reasonable estimates for the purpose of the Viability Appraisal. Similarly there have been very significant build cost increases as recovery from recession begins to take hold but these will inevitably flatten out over time.

Assumption Adjustments			
Residential Values Av Annual Increase	0-5 Yrs 5%	Thereafter 4%	
Construction Costs Av Annual increase	0-5 yrs 5%	Thereafter 3%	
Delivery Period	0-5 Years	6-10 Years	11-15 Years
Value Adjustment	0%	38%	65%
Costs Adjustment	0%	35%	57%

6.7 The adjustment applied to the 0-5 year period does not allow for growth in accordance with the guidance contained in the NPPF.. A period of 7 years of compounded adjustments is applied to the 6-10 year period and 12 years for the 11-15 year period. Adjustments are similarly applied to S106 and Abnormal Site Constraint Costs.

6.8 The site specific testing indicates whether individual development sites are considered viable on a 'traffic light' red, green, amber approach (having applied all policy impacts considered in the initial analysis).

**Green** – Site considered viable having made allowance for all reasonable development impacts, a standard developers profit and return to the landowner.

**Amber** – Site considered capable of viable development making allowance for all reasonable development impacts, a standard developers profit but acknowledging that landowners may need to accept land value reductions for abnormal site development costs if development is to proceed.

**Red** – Site not currently considered viable based on implementation of Council policies and standard returns to landowners. It should be recognised that sites in this category may be viable if (a) the abnormal costs of bringing the site into a developable state (including some up front infrastructure investment) are deducted from the land value, (b) the Council is minded to relax affordable housing or infrastructure contributions (c) landowner/developers accept some reduced profit return to stimulate the development or (d) the developable area is reduced.

# 6 Site Allocation Appraisals

## Residential Site Allocations 0-5 Year Delivery

Viability Results		0-5 Year Delivery			
Ref	Site	Size	Units	Type	Viability
LRA1	Holmhurst St Mary	6.98	50	Greenfield	£173,039
LRA4	Old Roar House, Old Roar Road	0.84	14	brownfield	£54,210
LRA5	Former Workplace health & fitness centre, The Ridge West	0.47	11	brownfield	£52,178
LRA10	Land north of Downey Close	0.24	7	Greenfield	£62,294
GH2	Mayfield E, Bodiam Drive	1.10	37	Greenfield	£229,835
GH4	Mayfield J, Mayfield Lane	0.77	36	Greenfield	£238,769
GH5	Land at Redgeland Rise (Wishing Tree Nursery)	0.71	28	brownfield	£87,291
FB1	The Grove School	1.00	30	brownfield	£81,456
FB2	Former West St Leonards Primary School	3.92	70	brownfield	-£76,327
FB5	Former Hastings College, St Saviours Road	1.05	44	brownfield	£129,037
FB8	Former Westerleigh School playing fields	0.56	7	Greenfield	£46,152
FB14	Land north of 31 Fern road	0.28	10	Greenfield	£68,055
FB15	Land at Fern Road	0.46	14	Greenfield	£91,847
SAP1	Horntye Park	1.01	115	brownfield	£364,891
SAP7	Billmore Corner, Battle Road	0.06	8	brownfield	£56,326
SAP8	4 Wykeham Road	0.03	6	brownfield	£43,001
MBL1	Former Hastings College, Archery Road	2.22	91	brownfield	£217,073
MBL2	37 Charles Road West, Filsham Nurseries	0.26	9	brownfield	£53,657
MLB8	Caple Ne Ferne, 2 Albany Road	0.18	8	brownfield	£50,273
CLB1	1-3 Chapel Park Road	0.13	27	brownfield	£112,151
CLB4	4-5 Stockleigh Road	0.03	12	brownfield	£81,271
HTC4	40 & 41 Wellington Square	0.02	12	brownfield	£81,775
HOV3	Mount Pleasant Hospital, Frederick Road	1.84	40	brownfield	£31,487
HOV4	The Cheviots/ Cotswold Close	1.23	79	brownfield	£264,731
HOV5	87-221(odds) Farley Bank	0.73	29	brownfield	£90,679
HOV6	Ore Business Park, Farley Bank	0.70	19	brownfield	£53,170
HOV7	Upper Broomgrove Road	0.28	12	brownfield	£5,888
CVO2	Land West of Frederick Road	0.60	29	brownfield	£97,236
CVO4	Church Street	0.35	6	Greenfield	£57,927
COV5	309-311 Harold Road	0.09	6	brownfield	£39,975

# 6 Site Allocation Appraisals

## Residential Site Allocations 6-10 Year Delivery

Viability Results		6-10 Year Delivery			
Ref	Site	Size	Units	Type	Viability
LRA1	Holmhurst St Mary	6.98	120	Greenfield	£1,385,748
LRA2	Harrow Lane Playing Fields	4.75	28	Greenfield	£68,742
GH1	Robsack A, Church Wood Drive	1.24	32	Greenfield	£363,792
GH3	Spyways School, Gillsmans Hill	1.05	33	brownfield	£230,821
GH6	Mayfield Farm	0.54	8	Greenfield	£80,877
FB1	The Grove School	6.40	150	brownfield	£830,648
FB2	Former West St Leonards Primary School	3.92	30	brownfield	£-40,649
FB3	Seaside Road, West St Leonards	2.22	40	brownfield	£-36,851
FB4	Former Westerleigh School	2.15	68	brownfield	£427,724
FB6	Cinque Ports Way former Stamco Timber Yard and TA centre	0.65	25	brownfield	£137,700
FB9	190 Bexhill Road	0.19	32	brownfield	£377,072
SH3	Hurst Court, 316 The Ridge	0.66	20	brownfield	£145,464
SAP2	Hollingsworth Garage, Braybrooke Road	0.40	56	brownfield	£485,794
SAP3	12-19 Braybrooke Terrace	0.23	25	brownfield	£222,347
SAP4	347-349 London Road	0.15	18	brownfield	£215,630
SAP5	Silver Springs Medical Practice, Beaufort Road	0.12	9	brownfield	£107,982
MBL1	Former Hastings College, Archery Road	2.22	30	brownfield	£134,436
MBL3	Gambier House, West Hill Road	0.23	15	brownfield	£177,928
MBL4	West Hill Road Reservoir	0.19	14	brownfield	£167,746
MBL5	27 Dane Road	0.14	11	Greenfield	£185,527
CLB2	Taxi office/BR Social Club, St John's Road	0.12	30	brownfield	£275,624
HTC1	Hastings Station Yard (part)	0.44	27	brownfield	£227,088
HTC2	Cornwallis Street Car Park	0.22	10	brownfield	£114,079
HTC3	The Observer building (part)	0.07	39	brownfield	£128,336
HOV1	Former Stills Factory (part)	2.71	25	brownfield	£-377,134
HOV2	Ore Valley	2.35	50	brownfield	£-75,362
HOV9	107 The Ridge (Simes & Sons)	0.22	8	brownfield	£88,267
CVO1	Victoria Avenue	0.77	51	Greenfield	£89,584
CVO3	Rear of Old London Road	0.46	10	Greenfield	£146,003

# 6 Site Allocation Appraisals

## Residential Site Allocations 11-15 Year Delivery

Viability Results		Zone 1		11-15 Year Delivery	
Ref	Site	Size	Units	Type	Viability
LRA2	Harrow Lane Playing Fields	4.75	112	Greenfield	£2,169,459
LRA3	land adjacent to 777 The Ridge	1.86	10	Greenfield	£72,470
FB1	The Grove School	2.00	60	brownfield	£752,085
FB3	Seaside Road, West St Leonards	2.22	80	brownfield	£901,411
FB7	Former Malmesbury House, West Hill Road	0.70	117	brownfield	£1,571,328
FB13	Hastings Garden Centre, Bexhill Road	0.78	12	brownfield	£140,931
SH1	Land adjacent to Sandrock Park, The Ridge	3.32	80	Greenfield	£1,406,108
SH4	Mount Denys, Pine Hill & Ridgeway	0.64	31	brownfield	£555,458
HOV1	Former Stills Factory (part)	2.71	50	brownfield	£86,273

# 6 Site Allocation Appraisals

## Employment Sites 0-5 Year Delivery

### Employment Site Viability Results

Ref	Site	Size	Benchmark	Viability
LRA6	Queensway North, Queensway	2	greenfield	£239,613
LRA7	Land at the junction of The Ridge West & Queensway	1.2	greenfield	£156,623
LRA8	Land in Whitworth Road, The Ridge West	2.51	greenfield	£156,623
LRA9	Marline Fields, Enviro 21 Business Park, land west of Queensway	1.48	greenfield	£64,615
HTC6	Priory Quarter, Havelock Road	2.58	Brownfield	£5,553,678

## Employment Sites 6-10 Year Delivery

### Employment Site Viability Results

Ref	Site	Size	Benchmark	Viability
GH8	Sites PX and QX Churchfields	1.61	greenfield	£312,577
GH9	Sites NX2 Sidney Little Road, Churchfields	0.32	greenfield	-£7,054
GH10	Site RX2 Sidney Little Road, Churchfields	0.22	greenfield	£40,162
GH11	Site NX3 Sidney Little Road, Churchfields	0.17	greenfield	£56,675
HOV11	Ivyhouse Lane, northern extension	1.4	greenfield	£192,086
HOV12	Land east of Burgess Road, Ivyhouse	0.51	greenfield	£145,191

NB Sites have been assessed on net developable areas rather than the full extent of the allocated site area – which in some cases does not relate to the likely floor area of development that the site can yield.

# 7 Conclusions

## General Viability Assessment - Residential

7.1 The general residential viability testing illustrated that, in general terms, housing development proposed by the Local Plan in all locations in Hastings is viable and can meet the Council's Affordable Housing policy. The assessment of residential land and property values indicated that the Authority did not possess clear residential sub-markets that might warrant a differential approach to assumptions within the study.

Affordable Housing				
	Proportion %		Tenure Mix %	
		Intermediate	Social Rent	Affordable Rent
<b>1 Boroughwide Greenfield</b>	40%	20%		80%
<b>2 Boroughwide Brownfield</b>	25%	20%		80%
% Open Market Value		Intermediate	Social Rent	Affordable Rent
		80%	40%	60%

7.2 The study tested the Council's Affordable Housing policy of 25%-40% dependent on existing land use with a tenure split of 20% Intermediate and 80% Affordable Rent. The study considered five different residential development scenarios to reflect the type of residential that might emerge over the plan period. These included mixed residential (apartments, 2, 3, 4 and 5 bed housing), various scales of mixed housing development and low rise apartments.

Residential Viability Appraisal					
Affordable Housing Tenure Mix 20% Intermediate 80% Affordable Rent					
Viability Margin Per Sq Metre					
Affordable Housing Proportion	Mixed Residential Development	Starter Housing	Apartment Block	Executive Housing	Family Housing
Greenfield 40% AH	£93	£100	£-290	£118	£114
Brownfield 25% AH	£30	£42	£-314	£46	£47

7.3 The results of the viability testing clearly demonstrate that Affordable Housing is deliverable at the Council's policy requirements of 25-40%, taking account of other planning policy cost impacts. It is acknowledged that apartment development may not be viable in all locations and that some relaxation of affordable housing requirements may be required in order to enable apartments to come forward where delivery of this type of accommodation is key to the delivery of the overall housing strategy.

# 7 Conclusions

## General Viability Assessment - Commercial

7.4 The assessment of commercial land and property values indicated that the Authority could be treated as a single market area for the purposes of the study. The commercial viability appraisals were limited to categories of development considered relevant to delivery of the development strategy within the plan ie Employment (B1,B2 and B8) and Food/Non Food Retail (A1-A5)

Base Land Value	Commercial Viability Appraisal		
	Viability Margin £ per Sqm		
	Industrial (B1b B1c B2 B8)	Food Supermarket (A1)	General Retail (A1-A5)
<b>Districtwide</b>			
Greenfield	£11	£473	£65
Brownfield	-£9	£409	£34

7.5 Retail development was assessed to be viable and capable of economically viable delivery in Hastings in both greenfield and brownfield development scenarios.

7.6 Greenfield Industrial development demonstrated positive viability of £11 per sqm but marginal negative viability on brownfield sites. In wider context the negative margin is considered *de minimis* and does not necessarily mean that employment sites will not come forward from brownfield locations. Nevertheless the imposition of planning obligation contributions will need to be carefully considered in the context of viability at planning application stage on employment uses.

## Site Allocations Viability Assessment - Residential

7.7 The viability testing of proposed residential sites in Hastings has been undertaken, accounting for the following policy impacts and key assumptions :-

- Greenfield or Brownfield Development
- Delivery Timescale
- Affordable Housing Delivery of 25-40%
- Key Planning Policy Cost Impacts (Renewable Energy, CoSH etc)
- Residual Planning Obligation Allowances
- Site Specific Abnormal Costs and Mitigation Factors

# 7 Conclusions

7.8 The study is a strategic assessment of whole plan viability and as such is not intended to represent a detailed viability assessment of every individual site. The study applies the general assumptions in terms of affordable housing, planning policy costs impacts and identified site mitigation factors based on generic allowances. It is anticipated that more detailed mitigation cost and viability information may be required at planning application stage to determine the appropriate level of affordable housing and planning obligation contributions where viability issues are raised. The purpose of the study is to determine whether the sites proposed by the Local Plan are viable and deliverable given the policy cost impacts of the Plan.

7.9 The study illustrated that the majority of residential sites in the initial 0-5 year delivery period (ie the 5 year land supply) are 'green' in terms of positive viability based on the adopted assumptions. Viability improves in both the medium term (6-10 years) and longer term (11-15 years) with most sites demonstrating positive viability.

7.10 Only a small number of sites demonstrate significant negative viability (FB2 in the 0-5 year period and HOV1, HOV2 in the 6-10 year delivery period) . This negative viability is not necessarily a fair reflection of actual market circumstances. An extract of the 6-10 year results table below demonstrates this issue. All of the individual site assessments make allowances for abnormal costs and site specific mitigation factors. These factors are not taken into account in the land value allowance for the site. In order to reflect a reasonable return to the landowner (as required by the NPPF for the purposes of viability appraisal), the land value must assume that the site can gain planning permission and be in a developable state. Therefore the abnormal costs of bringing a site into a developable state would normally be deducted from the site value. This would certainly be the assumption adopted by any house builder in purchasing land.

Residential Site Allocations 6-10 Year Delivery							
Ref	Site	Size	Units	Type	Viability	Abnormal Costs	Land Value
HOV1	Former Stills Factory (part)	2.71	25	brownfield	-£377,134	£616,275	£813,200
HOV2	Ore Valley	2.35	50	brownfield	-£75,362	£610,875	£1,626,399

7.11 Taking the 6-10 year delivery sites as an example, the table illustrates that the negative viability is at a level where the deduction of abnormal costs from the land value would make the development viable. For HOV1, Former Stils Factory, If abnormal costs of £616,275 are deducted from the land value of £813,200 the development would demonstrate positive viability of over £270,000. Similarly HOV2 would demonstrate positive viability of over £500,000 if the same principles are applied. The only 'red' site in the five year supply, West St Leonards Primary School, demonstrates negative viability of only £75,000 (due to a requirement for a £150,000 community hall) which is considered insignificant in the context of a £12 Million scheme. As such all of these sites are considered to be deliverable.

# 7 Conclusions

7.12 It should also be recognised that the assessment necessarily relies on fixed assumptions and generic application of allowances for standard and abnormal construction costs. There will be significant variations dependent on specification, construction methods and associated build cost and indeed sales rates which will make some types of development more or less viable and individual assessments may still be necessary at planning application stage where variations to policy requirements are sought.

7.12 In conclusion, the assessment of all proposed residential sites in Hastings has been undertaken with due regard to the requirements of the NPPF and the best practice advice contained in 'Viability Testing Local Plans'. It is considered that the vast majority of sites are viable across the entire plan period. The delivery of a few of the sites may require landowners to be realistic about value reductions to take account of abnormal development costs or the Council may need to reduce affordable housing aspirations for some forms of residential development in some locations. to encourage development in the short term. As such the overall residential delivery strategy of the Plan is considered sound.

7.13 It should be noted that this study should be seen as a strategic overview of plan level viability rather than as any specific interpretation of Hastings policy on the viability of any individual site or application of planning policy to affordable housing or developer contributions. Similarly the conclusions and recommendations in the report do not necessarily reflect the policy position of Hastings Borough Council.

## Site Allocations Viability Assessment – Employment

7.14 The specific testing of the Employment Site Allocations proposed by the Plan also indicates whether individual development sites are considered viable on a 'traffic light' basis as outlined in para 6.8 above.

7.15 The employment site appraisals have been based on the net developable areas of the site in relation to the likely amount of floorspace that each site will yield as advised by the Council. The land value allowance and build cost assumptions are adjusted accordingly to reflect the specific scenarios. Based on these assumptions all of the employment sites proposed by Hastings over the plan period are considered to be viable and deliverable based on the guidance contained in the NPPF.

## Valuation Study

## Construction Cost Study



Nationwide CIL Service

**DEVELOPMENT MANAGEMENT PLAN  
WHOLE PLAN VIABILITY TEST  
LAND AND PROPERTY VALUE APPRAISAL STUDY**

**AS PART OF EVIDENCE BASE**

**FOR AND ON BEHALF OF  
HASTINGS BOROUGH COUNCIL**



**REPORT PREPARED BY  
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**Royal Institution of Chartered Surveyors  
Registered Valuers**

**20 June 2014**

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## TERMS OF REFERENCE

As part of our instruction to provide valuation advice and assistance to Hastings Borough Council in respect of Whole Plan viability testing, we are instructed to prepare a report identifying typical land and property values within the Borough.

These typical land and sale prices are to reflect 'new build' accommodation and test categories have been broken down into land use types reflecting uses required to demonstrate Plan viability:-

- 1) Residential (C3 houses)
- 2) Residential (C3 apartments)
- 3) Food retail (supermarkets)
- 4) General retail (A1, A2, A3, A4, A5)
- 5) Employment / Industrial (B1, B/C, B2, B8)
- 6) Agricultural (land, for benchmarking purposes)

We have assessed evidence from across the administrative area to consider whether separate value zones / sub-markets may be appropriate, or whether a single assessment can be applied.

## THE EVIDENCE BASE

Our evidence takes an area based view, by a broad sample of value to establish a fair 'tone' for the Borough.

The purpose of this report is to provide a bespoke valuation Evidence Base, specifically for viability testing for the Hastings Local Plan – Development Management Plan. Whilst it is possible to assemble an evidence base from many different (and in some instances existing) information sources, we believe there is an inherent danger in this approach. The underlying assumptions for valuation or costs assessment in each data source may be different and a 'mix and match' approach may be flawed when comparable evidence is scrutinised.

The valuation evidence obtained to produce this report takes the form of an area-wide approach, and allows for economic viability of development to be considered as a whole, whereby all categories of development have been assessed. Land and property valuation evidence has been assembled for the following categories:-

- Residential(C3) – land values per hectare, and development value based on dwelling type.
- Commercial – land values per hectare and completed development values in the following categories:-

Food Retail (supermarket)

General Retail (A1, A2, A3, A4, A5)

Employment / Industrial (B1, B, B1c, B2, B8)

Agricultural (Greenfield base value)

Valuation methodology has consisted primarily of collecting recent comparable transactions within all of the identified development categories prior to full analysis (more fully outlined under 'Procedure and Methodology').

We have also taken opinion from developers and agents active in the study area.

Where appropriate, reasoned valuation assumptions have been taken.

The key to our approach is to assess at what value land and property may reasonably come forward rather than simply following a quasi-scientific residual method which may not fully reflect the real world realities of a functioning property market. Where appropriate, residual valuations have been undertaken to incorporate and verify figures.

It should be noted that there will inevitably be scope for anomalies to be identified within the charging area. The values identified herein provide a fair and reasonable 'tone' across the Borough.

This approach and methodology is deemed wholly acceptable under recent viability testing guidance, whereby it is accepted that inevitably valuation at an area wide level cannot be taken down to a 'micro economic' geographical level.

## **HASTINGS BOROUGH**

Hastings is a Town and Borough situated in East Sussex on the south coast of England.

An established commercial centre, which includes St Leonards.

Hastings is located some 67 miles from London, 31 miles south west of Ashford and 18 miles east of Eastbourne.

Road communications are provided by the A21 trunk road (to the M25 and London to the north), and the A259 to Folkestone (East) and Eastbourne / A27 / M27 to the west.

Rail links are available to Brighton, Ashford and London.

The Borough has an estimated population of some 87,000 people (2011 Census), and covers an area of approximately 30 sq kilometres.

## **LOCAL PROPERTY MARKET OVERVIEW**

Hastings is situated on the south coast between Eastbourne and Folkestone.

Although served by two trunk roads (A21 and A259), both are prone to congestion, which in turn limits the Boroughs appeal for inward investment.

The Borough is predominantly urbanised with the exception of the protected and undeveloped eastern area.

Future green field development within the Borough is further limited by the sea to the south and the High Weald Area of Outstanding Natural Beauty to the north.

The Borough comprises a relatively small and compact geographical area with limited differentials in property types (with the exception of the sea front area).

As in many locations within the UK, the property market within the Borough has been subdued for a number of years since the 2007/2008 'credit crunch'.

Speculative commercial development is virtually non-existent and is likely to remain so for the short to medium term.

Our retained locally based property and valuation experts, Stiles Harold Williams, have indicated that local new build housing evidence has been limited due to the recession nationally and locally. This has been confirmed by house builder stakeholders when consulted.

Where limited development has taken place in recent years, it often comprises registered social housing and is therefore not reflective of market value. Where it is occurring, market housing development locally tends to fall outside the Borough boundary in more sought-after locations for example Rye and Battle.

## **PROCEDURE & METHODOLOGY**

Inevitably our methodology has varied to some extent with each property sector addressed, primarily due to the differing valuation techniques appropriate and required for that property type. More specific clarification is given within the chapter outlining methodology for each specific market category.

To ensure a robust evidence base, our methodology favours an approach which is pragmatic and balances the reasonable expectations of landowners return with the planning policy requirements of the Council which include infrastructure, affordable housing, play provision etc.

Our methodology is more thoroughly outlined later in this report under the residential valuation commentary. We believe this approach best reflects the realities of the property market and is therefore compliant with the best practice guidance in “Viability Testing Local Plans” (LHDG 2012) and “Financial Viability in Planning” (RICS 2012).

Wherever possible we have incorporated an assessment of the transactional market comparison information that is available, adapting it through justifiable assumptions where necessary. This market sampling can then be used to confirm validity of our residual valuations.

It should be appreciated that it has not always been possible to find a definitive piece of evidence for every property type in every potential location. Where appropriate, reasoned assumptions have been taken.

With regards to our built property sales valuations, our methodology varies slightly between commercial property and residential property.

With commercial property we have scrutinised and adopted evidence from actual sales transaction evidence where possible, this is backed up where appropriate by market rent capitalisation whereby rental evidence (and estimated market rental levels) is capitalised through multiplication reflecting appropriate investment yield profiles to produce a capital value.

Our residential sales values are based upon actual market comparable evidence, due to the fact that housing tends to offer a much more ‘uniform’ product, with more easily identifiable sales value market evidence being available. This is backed up with market sentiment from relevant stakeholders.

Members of our professional team have made a number of visits to appropriate locations within the Borough to back up our extensive desktop research.

For the purposes of this report we have identified, assembled and fully analysed substantial amounts of individual comparable market evidence. Clearly it would be impractical to tabulate and include *all* of the information obtained within this report, however we will be happy to provide more detailed evidence on any aspect of our comparable database upon request.

We would comment however that there is a marked and noticeable lack of recent, and in particular new build market evidence for the Hastings area, and inevitably this has resulted in some instances manipulation of the data that is available by our valuation team to produce indicative new build values (predominantly in commercial categories).

As well as our desktop and field research, we have carried out research with property agents and developers active within the area, both in terms of collecting further market evidence but also to establish general 'market sentiment' for each use category.

To ensure the best possible local knowledge and context is brought to our valuations and assumptions we have engaged the services of Stiles Harold Williams, locally based Chartered Surveyors, valuers, development and appraisal specialists.



All of the above information has been analysed, considered then distilled into the tabulated figures appended to this report which confirm our opinion as to appropriate values in each category.

It should be borne in mind that as with any study where artificial boundaries are imposed, certain anomalies may arise.

There is inevitably a limit to the scale with which this study can be reduced to, and accordingly it is entirely feasible that certain 'hot' or 'cold' spots may exist above or below the overall tone identified for the Borough as a whole. Similarly, within the Borough an individual site, building or piece of market evidence could fall outside the established 'tone'.

In addition to the above market research, we have sought comparable market evidence from a variety of data points including:-

- Hastings and Rother Strategic Housing Market Assessment Update 2009 / 2010 (DTZ)
- Hastings and Rother Employment Strategy and Land Review Update, 2011
- East Sussex in Figures website
- Hastings Retail Areas Survey (2012)
- Affordable Housing Viability Study and the impact of Affordable Housing report 2011
- Hastings SHLAA (2010 / 11)
- Focus System – a nationwide subscription database covering commercial property issues
- EGI – a further subscription database covering commercial property uses
- heb and Stiles Harold William's own residential and commercial databases of transactions
- Land Registry – subscription data tables to establish residential sale values by area
- RICS Commercial Market Survey (quarterly)
- V.O.A Property Market Report 2012 (last published date available)
- V.O.A. Residential Building Land Report (July 2010) for H.C.A (last published date available)
- RICS Rural Land Survey 2014
- Contact and discussions with regional house builders, Estate Agents and Commercial Developers
- Contact / interview of commercial property agents active within the Borough and region

We have sought **Stakeholder** opinion from a variety of sources to provide market sentiment including Stiles Harold Williams, Tingley Commercial, Rydon Homes, Persimmon, Taylor Wimpey, Bellway Homes, Countrywide Homes, Aaron Corp, The Emerson Group (Jones Homes, Orbit Developments), Barratt Homes, Bovis Homes, Bloor Homes, Crest Nicolson.

All of the above parties were contacted with a view to discussing appropriate value tones and market data for Hastings Borough, and we thank them for their assistance.

In a number of cases the Consultee was unable to respond or provide significant assistance, primarily due to the recent lack of development activity in Hastings. A common comment amongst consultees was that this in itself was indicative of subdued demand and values in the location.

When considering this report it should be borne in mind that an element of 'valuation uncertainty' has arisen in recent years primarily due to the turbulent and recessionary market conditions. The current economic downturn has produced a dramatic fall in the quantity of property transactions taking place which in turn results in far fewer pieces of transactional market evidence that would ordinarily be available in more buoyant market conditions.

Inevitably this produces a position where fewer pieces of market evidence are allocated to an area with fewer individual data points benefitting from quality comparable evidence specifically from within their own boundaries. In such instances the evidence available must therefore be adapted using best and reasoned assumptions

The figures reported herein may appear to be somewhat "irregular". This is primarily due to the fact that in practice the property market still operates largely through imperial measurements which we have been obliged to convert to metric for the purposes of this report. By way of example '£60 per sq ft' becomes '£645.83 per sq m'.

## **EVIDENCE DATES**

As with any property valuation the date of comparable evidence is critical in terms of achieving a realistic outcome to the study. For this reason we have strived to obtain the most up to date information available.

The majority of our comparable evidence was obtained from January 2010 to June 2014.

Where it has been necessary to analyse older evidence, appropriate judgements have been made by a fully qualified valuation team to adapt the evidence to an appropriate 'present day figure'.

We are happy to discuss any individual piece of market evidence upon request, to provide full details including data information where appropriate.

## **BASIS OF VALUATION**

Unless stated otherwise (for example benchmarking) , we have prepared our valuation figures on the basis of Market Value which is defined in the valuation standards published by the Royal Institution of Chartered Surveyors as:-

*“The amount for which a property should exchange at the date of valuation between a willing buyer and willing seller in an arms-length transaction after proper marketing wherein the parties had both acted knowledgeably, prudently and without compulsion”.*

## POTENTIAL SUB-MARKETS

Hastings Borough is a relatively compact geographical area offering what is overall broadly similar housing stock. There are undoubtedly locations within the Borough which are more sought after than others (for example "The Ridge" and Old Town) however for viability testing a high level overview approach is recommended. Inevitably valuations for further appraisal cannot be taken down to a 'street by street' level.

A common comment from Consultees was that although there are undoubtedly better and worse areas on a street by street basis, this is difficult to transpose to a more area based view.

This was in turn backed up by our analysis of the postcode areas covering the Borough, where only minor variation from the overall Hastings average house price (£162,000, 6 months to May 2013) were seen. The Hastings and Rother SHMA (2010, DTZ) concluded similar findings.

Our approach necessarily requires the adoption of an overall 'tone' which is appropriate for the Borough as a whole.

Our valuation figures are based on new build values (which traditionally command a premium over and above existing stock or average house price figures).

The lack of development activity within the Borough has inevitably resulted in a lack of new build house price evidence and with this in mind we have been unable to identify sufficient evidence to clearly delineate different areas of value within the Borough.

These findings have been broadly mirrored by the house price by area (overall and per sq ft) data maps within the Hastings and Rother Strategic Housing Market Assessment update 2009/2010, which demonstrates limited variance in value across Hastings as a whole.

In conclusion, although we would be able to provide 'best case – worst case' values for Hastings as a whole, we are unable to confirm clear and easily identifiable boundary demarcations for value sub-markets that we would be confident of defending at Public Examination. For this reason have recommended that a single value approach should be adopted in this instance.

With specific reference to commercial property we have been unable to identify what we would consider to be sufficient location - specific data to warrant a sub division of commercial areas.

Although there would again undoubtedly be both hot and cold spots within the Borough, sufficient evidence across all commercial uses does not exist to accurately and fairly delineate where value boundaries should be drawn.

By way of example, although a case can be made for a higher value retail zone in the town centre / sea front area, most new build retail development is likely to emerge from the *roadside* retail category in more peripheral roadside locations. Other commercial uses are likely to show a more uniform value pattern across the Borough.

In simple terms any delineation of commercial areas will inevitably become based on an arbitrary judgement as to where boundaries should be drawn which we would not be confident in justifying at Examination for all commercial use categories. With this in mind we would recommend a single commercial zone is appraised, with values appropriate for the whole study area.

## SECTOR SPECIFIC VALUATION COMMENTARY

### 1) Residential C3 (houses and apartments)

#### Base Land Values

When assessing an appropriate tone for residential development land values, our starting point was to carry out a residual land appraisal whereby a typical development scenario was appraised. In simplified terms this was achieved by assessing the 'end' property value (total projected value of sales), then deducting from this figure the cost of construction, including professional fees, finance and other standard costs of development.

The resultant figure is the maximum theoretical price which may be available for land acquisition, which in turn determines likely aspirational market values.

As a starting point for viability testing, this residual appraisal was carried out *without* deduction for Affordable Housing, Section 106 contributions or any other Local Authority policy based contributions, to give an indication of the theoretical land value which could be appropriate in the study area.

The residual approach is more thoroughly outlined within the 'Development Equation' section of the NCS Viability Testing report.

Once the residual land value figure has been calculated it is assessed against other sources of land value information. Qualified property valuers reasoned assumptions and judgement is applied to the market information that is available to produce a "sense check" land value which is both fair and realistic in current market conditions and not simply academic exercise to produce a theoretical land value which may not bear scrutiny when compared against current market activity.

Additional sources of information for market value to confirm an appropriate 'tone' for the Borough have included:-

- Valuation Office Agency Building Land Figures (HCA report, July 2010, most recent version) which suggests traded land values for nearby Eastbourne Borough at approximately **£2 million (m) per hectare**. Furthermore that Eastbourne is a more sought-after and therefore valuable location than Hastings. In this respect an appropriate adjustment has been made. The next nearest published data points are the Medway towns at **£1.3m per hectare and Worthing at £2m per hectare**.
- Stiles Harold Williams, local land agents, valuers and development advisors confirm opinion that land values in Hastings area are currently in between **£1.2m to £1.6m per hectare** (gross), depending on location specifics.
- Stakeholder consultations - Jones Homes, Bloor Homes, Bovis Homes, Crest Nicolson, Barratt Homes and Taylor Wimpey verified **£1.2m - £1.6m per HA** (gross) as an appropriate "tone".
- Fellows Road, Hastings – a site of 0.38 acres with consent for 12 x 2 bed houses. Valuation for secured lending purposes in October 2012 at £350,000 = £900,000 per acre or **£2.27m per hectare**. Small site – quantum adjustment.
- Osborne House, The Ridge, Hastings. 6.94 acre site – 3 acres net developable area. Planning consent for 55 units. Sold £875,000 in December 2012 equates to £291,000 per acre - **£719,000 per hectare, net**.

- Mayfield, St Leonard's. 1.6 acre site with consent for 36 units. Sale agreed at £551,000 in April 2013. £345,000 per acre - **£851,000 per hectare, net**
- Old Roar Road, Hastings. 2 acre site (1 acre net developable area) expired planning for 14 units. Sale agreed April 2013 at £320,000 - **£791,000 per hectare, net**
- Terminus Rd, Bexhill. 1.3 acre site sold March 2014 at £310,000 - **£603,000 per Hectare, net.**

When considering the above factors and in consultation with our retained local experts, we consider an indicative 'market comparison' land value fair and reflective for the Borough as a whole is £1.49 million per Ha in current market conditions.

#### New Build Residential Values Per sq m

Our valuations are specifically required to assess new build housing, that may emerge in the study area.

It therefore follows that the methodology used is applied to real evidence collated from the existing new / nearly new homes market wherever possible. An extensive survey of this market was conducted within the Borough.

Wherever possible we have attempted to favour 'new build' evidence since this generally attracts a premium over and above existing stock, and more particularly over Land Registry average figures where the results may be skewed by an unknown sample size and where no reference is available to the type and quality of the constituent properties.

Generally speaking new home developments are predominantly built by larger volume developers and tend to offer a relatively uniform size style and specification across any geographical area. It also follows that the majority of future developments will constitute similar construction and styles.

Having established like for like comparable evidence, this was further analysed and tabulated to specify new home types, i.e. apartments and 2, 3,4 and 5 bed units.

Market research was therefore focused on the above criteria by identifying new or 'nearly new' home developments where possible in the Borough or surrounding comparable locations, that were under construction or recently completed. Data for individual house types on these developments was analysed and sale prices achieved obtained from developer / house builders, Land Registry Data, or other sources.

Where necessary, additional supporting information was gathered on each development using asking prices with an assumed reduction made according to negotiated discounts as provided by the developer, local agents and professional judgement / assessment of the results. Where new home data was found lacking, nearly new or 'modern' transactions and asking prices were analysed and adapted.

Often stakeholders contacted cited lack of new build residential development as preventing comment regarding potential values.

We have spoken to a number of residential developers active in the south east region including Bloor Homes, Bovis Homes, Crest Nicolson, Aaron Corp, Barratt Homes, Taylor Wimpey, Bellway Homes and The Emerson Group (Jones Homes). There is a noticeable lack of market information and market sentiment forthcoming, primarily due to the lack of recent development activity within the Borough.

The Emerson Group are an exception, at their Mayfield Heights development in St Leonard's on Sea. They have confirmed that typical achievable averages over the last 6 months have been in the region of **£2,750 per sq m** (3 bed semi-detached) and **£1,920 per sq m** (4 bed town houses).

General market sentiment from other stakeholders expressing opinion generally suggested a range of £190 - £220 (best) per sq ft (**£2050 - £2368 per sq m**) as a fair tone, possible falling to £2000 in poorer locations

Stiles Harold Williams have recently appraised a Hastings (TN34 postcode) development site for Secured Lending (Bank) Purposes. Their report (October 2012) considered recent transactions and adopted a figure of **£2500 per sq M** as being potentially achievable on quality new housing.

A similar appraisal (June 2012) of a site in Westfield (immediately North of Hastings), adopted **£2153 (4 bed) - £2530 per sq m** (3 bed) as appropriate, based on sales to date on site.

The lack of substantial new build evidence is noticeable in Hastings. There is little by way of new development.

We have considered the evidence identified, and made reasoned assumptions as qualified RICS Registered Valuers as to an appropriate tone for the Borough, by adapting the limited new build sales information and stakeholder opinion that is available.

By way of example, the Valley Park development, Rye – approximately 12 miles from Hastings. Although geographically nearby, it is a more sought-after location and offers a particularly high spec product. We have therefore considered the sales values (**between c.£ 2397 - £3000 per Sq M**) and made appropriate deductions.

Much of the sales data was initially collected for a previous viability study, dated 3<sup>rd</sup> June 2013. In the intervening period, the Nationwide House Price Index suggests an increase in values for the South East (excluding London) of 7.62%. We consider a more modest rise appropriate for Hastings in isolation. Rightmove data suggests an increase of 4%-6%.

As a final "broad-brush" sense check, **Zoopla** states average sales in Hastings Borough for the previous 12 months equate to **£2241** per sq m.

A summary of our findings is tabulated and appended.

## 2) Food Retail (Supermarket)

The major supermarket retailers are all represented locally operating from large format stores.

The discount / metro food market retailers including Metro formats, Alldays, Aldi, Lidl and Iceland are represented within the area, typically occupying store sizes of between 930 sq m to 1,500 sq m.

In terms of valuations, our food retail valuations are based on the comparable / comparison and investment methods.

From our market knowledge we are aware that there has been a 'cooling off' in demand for new sites from the supermarket occupiers which in turn has begun to depress values from recent peak levels. From a typical 'peak' value of c.£3.7M per hectare, land values are increasingly falling back towards c.£2.5M per hectare.

Local sources have indicated that the Morrisons site at Hampden Park in Eastbourne was acquired at a price equating to £3.1M per HA (£1.25m acre) in 2011.

Our development appraisal (residual value) has demonstrated a residual land value of £3.82 million per hectare (before imposition of, Section 106 or other Local Authority charges).

For supermarket / food retail outlets, we have appraised a typical food store format of 3,000 sq m – (32,000 sq ft) with a site area of 1 hectare – (2.5 acres).

The sales figures that we have quoted within our report are based on a rental level per sq m multiplied by the appropriate capitalisation level to provide a gross sales figure per m<sup>2</sup>.

For Hastings Borough we have utilised a figure of £161.50 sq m / £15.00 per sq ft with a capitalisation yield of 6%. This yield is appropriate bearing in mind food stores will most likely be occupied by one of the major supermarket brands such as Tesco, Sainsburys, Asda or Morrisons, by way of an institutional lease.

Supermarket land sale information is often difficult to obtain. Typically confidentiality clauses may relate to transactions. Furthermore supermarket sites are often pieced together by way of a lengthy site assembly process. Often smaller, key parts of potential sites are purchased at a premium, not reflective of a more realistic 'per hectare' figure for the site as a whole. Similarly, rental and sales deal information is often subject to confidentiality clauses. In addition, supermarket transactions are relatively scarce compared to say residential or industrial sales.

In this respect our comparable information has been drawn from a relatively wide geographical area, not always specific to Hastings Borough.

This is fully justifiable in valuation terms. Typically food store values are driven by the availability of planning consent (triggering competitive bidding) rather than exact location specifics. This tends to level values to a similar tone, region wide. Accordingly we have considered some evidence from outside the Borough.

The most relevant aspects of our evidence are tabulated at *Appendix 3*. Typically superstore rental evidence (locally, regionally and nationally) ranges from between £160 to £270 per sq m and in this respect our rental / sales value can be seen as a conservative assessment.

### **3) General Retail (A1, A2, A3, A4, A5)**

Established retail is dominated by Hastings town centre and the sea front area, with the majority of new developments where occurring distributed across the area, primarily constituting roadside retail and convenience shopping.

Our retail valuations are primarily based on the capital / comparison and investment methods.

For the purpose of this report, we have categorised other retail as all other retail except supermarket food stores. Other retail therefore encompasses high street retail, edge of town and out of town retail as well as restaurants and drive through and so forth. In practice, High Street development will be mainly limited to re-development of existing buildings.

In terms of producing a sales value per m<sup>2</sup>, we have again utilised a rental level per sq m and capitalised this using appropriate yield to arrive at a sales value per m<sup>2</sup>. However, town centre retail units are valued on a Zoned Area basis as opposed to arterial road, edge of town or out of town retail, which use an overall rental per sq m.

Our figure is one consistent with retail rents for edge of centre and arterial road retail and can therefore be applied across all geographical retail locations.

We have then considered appropriate rentals, which using comparable evidence produces a rental in the region of £129 per sq m (£12.00 per sq ft), capitalised at a yield of 7.5%.

All of the above methodology has been considered then applied to the 'test' assumed property, i.e. a 300 sq m roadside unit. We believe that this is the most likely form of new retail development to emerge. Established "high street" retail is seldom developed from new (more typically a refurbishment of long established existing stock).

With regard to land values, we have utilised both the development appraisals (residual method) and comparable evidence method. Our residual land value figure is £1.4 million per HA. Our local valuation specialists, Styles Harold Williams, have suggested a figure slightly higher - £1.5 million per HA may be more appropriate and accordingly we have adopted this for prudence.

On a similar basis to supermarket evidence, roadside retail transactional levels tend to be similar over a wide geographical area, since values are generally driven by availability of retail planning. Similarly the established national multiple occupiers all typically have a set rental rate payable across any given region. Accordingly some appropriate available evidence has been drawn from outside the immediate Hastings area.

Our most pertinent information is listed at *Appendix 2*.

We believe the figures adopted can be considered as being 'safe' and conservative. Within the general retail category other occupier types for example bulky goods warehouse style retail can command significantly higher figures than those specified, often to a similar level to supermarket retail. To assess a fair 'tone' for the category and the area as a whole we have been more conservative in our assessments.

#### **4) Employment - Industrial (B1b/c, B2, B8)**

From our research it was noticeable that there is virtually no speculative new build development coming forward.

Our methodology is again based largely on the capital comparison and investment methods, through assessment of transactional evidence. It should again be noted however that something of a short fall of available evidence exists for 'new build' across the Borough.

Where appropriate, rental evidence has been capitalised through adopting investment yields. Generally, industrial rents (non secondary stock) vary between £4.00 to £6.50 per sq ft (£43 to £70 per sq m), and an investment yield of approximately 8.5% could be considered appropriate.

When preparing our figures we have assumed:-

1. The land is cleared and ready for development without unduly onerous remediation being required, with sites generally serviceable and appropriate planning in place.
2. Our appraisal assumes a new build industrial/warehouse development of c. 10,000 sq ft and capable of division into units of approximately 5,000 sq ft (to avoid premium or discount for quantum) with say 5% office content.

To an extent the minimum new build value is self determining – i.e. when the cost of construction is taken into account developers are simply unwilling to enter into design and build agreements unless a minimum price is agreed with the purchaser that reflects the cost of the construction plus developers profit. In this respect it is noticeable that only limited difference in headline sales figures across the Borough as a whole.

Plots of employment land are available at Enviro 21, St Leonards are available at a *quoting* price of c. £500,000 per Ha.

Discussions with commercial agents in the vicinity suggest a figure of £400,000 per hectare as being an appropriate general market value for land across the location.

## **Conclusions**

Subsequent to the matters discussed above, the conclusions of our report can be summarised as follows:-

Although 'hot' and 'cold' spots for housing exist within the Borough as pin point locations, the Borough is appraised as a whole for high level testing as recommend by guidance. There is not to sufficient variation in (existing) average or new build house price information to more than one sub-market value zone for the Borough. A similar conclusion can be applied for commercial property, where we have similarly found a Borough wide approach to value to be appropriate.

heb Chartered Surveyors, and our retained local experts at Stiles Harold Williams are fully accredited RICS Registered Valuers, and our conclusions as to appropriate 'tone' values across development categories within the Borough are tabulated and summarised within the value tables and zone map appended.

Yours faithfully

**heb Chartered Surveyors**

## VALUE TABLES

## HASTINGS BOROUGH COUNCIL INDICATIVE RESIDENTIAL VALUES

Sales Values £						Land Value £Ha	
Sales Value £sq m						Residual	Market
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed		
<b>Value</b>	2,400	2,250	2,175	2,175	2,175	1,616,000	1,490,000

## HASTINGS BOROUGH COUNCIL INDICATIVE COMMERCIAL VALUES

Sales Values £ SQ M		Land Values per £ Ha	
		Market Value	Residual
Industrial	760	400,000	Negative
Food Retail	2,700	3,700,000	3,815,807
Gen Retail	1,700	1,500,000	1,300,000
Agricultural	350	20,000	N/A

### ADDITIONAL RESIDENTIAL SALES DATA

Valley Park Sales Update 02.04.13

Rye - Hastings fringe location. High specification, better location.

Plot	Name	Beds	House Type	Additional	Sq Ft	Brochure Price	Completed Sale Price	£ Sq Ft	£ Sq M
<b>Phase 1 Built</b>									
70	Arlington	4B	Semi-Detached	Integral Garage	1106	299,000	285,000	257.69	2774
71	Albany	2B	Semi-Detached	Garage	804	215,000	210,000	261.19	2812
72	Fairfield	3B	Link-Detached	Garage	948	275,000	269,950	274.76	3065
15	Arlington	4B	End-Terrace	Integral Garage	1106	285,000	275,000	248.64	2676
16	Arlington	4B	Mid-Terrace	Integral Garage	1106	265,000	265,000	239.60	2579
17	Roland	3B	End-Terrace	Car Spaces	950	265,000	250,000	263.16	2833
34	Albany	2B	Semi-Detached	Car Spaces	804	197,500	197,500	245.65	2644
35	Albany	2B	Semi-Detached	Garage	804	199,950	199,950	248.69	2677
45	Fairfield	3B	Semi-Detached	Garage	948	270,000	249,950	263.66	2838
46	Albany	2B	Semi-Detached	Garage	804	199,950	199,950	248.69	2677
<b>Phase 2A Built</b>									
73	Fairfield	3B	Link-Detached	Garage	948	269,950	259,450	273.68	2946
74	Hampden	4B	Link-Terraced	Garage	1235	314,000	314,000	254.25	2737
75	Hampden	4B	Mid-Terrace	Garage	1235	275,000	275,000	222.67	2397
76	Hampden	4B	Link-Terraced	Garage	1235	299,950	275,000	222.67	2397
77	Hartford	2B	Linked - FoG	Car Space	691	185,000	175,000	253.26	2726

Phase 2B Built									
59	Bennington	3+B	Semi-Detached	Garage	1000	275,000	250,000	250.00	2691
60	Bennington	3+B	Semi-Detached	Garage	1000	275,000	250,000	250.00	2691
61	Fairfield	3B	Semi-Detached	Garage	948	250,000	250,000	263.71	2838
62	Fairfield	3B	Semi-Detached	Garage	948	250,000	250,000	263.71	2838
80	Beaumont	2B	Semi-Detached	Car Spaces	748	205,000	205,000	274.06	2949
81	Beaumont	2B	Semi-Detached	Car Spaces	748	199,950	199,950	267.31	2877
82	Beaumont	2B	Semi-Detached	Car Spaces	748	199,950	199,950	267.31	2877
83	Beaumont	2B	Semi-Detached	Car Spaces	748	205,000	205,000	274.06	2949
Phase 3A Under Construction									
88	Arlington	4B	Link-Detached	Integral Garage	1106	315,000	313,500	283.45	2728
89	Arlington	4B	Link-Detached	Integral Garage	1106	325,000	Quoting	293.85	3163
90	Fairfield	3B	Link-Detached	Garage	948	275,000		290.08	3122
91	Fairfield	3B	Link-Detached	Garage	948	270,000		284.81	3065
Phase 3B & C Built to Base									
96	Hartford	2B	Detached FoG	Car Port	691	185,000		267.73	2882
101	Fairfield	3B	Semi-Detached	Car Port	948	250,000		263.71	2838
102	Fairfield	3B	Semi-Detached	Car Port	948	250,000		263.71	2838
105	Oakland	2B	End-Terrace	Car Port	753	210,000		278.88	3002
106	Oakland	2B	Mid-Terrace	Car Port	753	205,000		272.24	2930
107	Oakland	2B	Mid-Terrace	Car Port	753	205,000		272.24	2930
108	Oakland	2B	End-Terrace	Car Port	753	215,000		285.52	3073

**Gould Drive, Westfield**

10+ houses sold during 2012 achieving values of between £2,153 per sq m (4 bed) to £2,530 per sq m (3 bed). Source Stiles Harold Williams.

**Mayfield Heights, St Leonards-On-Sea**

Typical sales averages advised by developer (Jones Homes) between £1,920 per sq m (4 bed townhouses) to £2,750 per sq m (3 bed semi's).

8 properties are currently available on development with quoting terms which verify these figures as being appropriate.

**The Landmark, Bexhill-On-Sea**

Apartment development. Quoting prices based on c. £2500 - £3750 per sq m, at assumed 60 sq m 2 bed and 70 sq m 3 bed.

**Whitestrans Drive, Camber**

Fringe of study area. Better location. 2 bed apartments (assumed 60 sq m)- quoting prices based on c. £2,500 - £2,800 per sq m, and 3 bed houses (assumed 88 sq m) – quoting prices based on c. £2,750 - £3,000 sq m.

**Quarrywood Apartments, Grange Road, Hastings.** Modern / new build apartments. Quoting prices currently range from c. £3,330 - £3,500 sq m.

Somerley Fields, Westfield      New build development, Hastings fringe.

House No.	Property	Beds	Size Sq M	£ Sale Price	£ Sq M	Date
13	Goulds Drive	4B	119.36	225,000	1,885	January 2012
14	Goulds Drive	3B	88.64	197,950	2,233	June 2012
15	Goulds Drive	3B	88.64	195,000	2,200	January 2012
21	Goulds Drive	3B	88.64	215,000	2,426	March 2012
23	Goulds Drive	4B	119.36	235,000	1,970	May 2012

Source - Land Registry (Zoopla). All new build properties.

House No.	Property	Beds	Size Sq M	£ Sale Price	£ Sq M	Date
Flat 1	Goulds Drive	2B	55	129,950	2,363	Aug 2013
Flat 3, 4	Goulds Drive	2B	55	119,950	2,181	Quoting
Flat 4, 4	Goulds Drive	2B	55	119,950	2,181	Quoting
Flat 2, 4	Goulds Drive	2B	55	129,950	2,363	Quoting
Flat 5	Goulds Drive	2B	55	140,000	2,545	Oct 2013

## Additional Recent New Build / Modern Housing Sales

Property	Type	Size Sq M	£ Sale Price	£ Sq M
Shepherds Close, Bexhill on Sea	3B Hse	88	235,000	2,670
Egerton Road, Bexhill on Sea	2B Apt	60	240,000	4,000
Park Gate Studios, Catsfield	2B Hse	75	249,950	3,333
Rock-a-Nore, Hastings	2B Apt	60	255,000	4,250
Main Street, Beckley	3B Hse	88	275,000	3,125
1 Wartling Gardens, St Leonards on Sea, Hastings	4B Hse	112	249,950	2,236
2 Wartling Gardens, St Leonards on Sea, Hastings	4B Hse	115	248,500	2,159
3 Wartling Gardens, St Leonards on Sea, Hastings	4B Hse	112	248,500	2,228
5 Wartling Gardens, St Leonards on Sea, Hastings	4B Hse	116	247,500	2,135
6 Wartling Gardens, St Leonards on Sea, Hastings	4B Hse	114	244,950	2,150
Bexhill Road, St Leonards on Sea, Hastings	4B Hse	109.5	249,950	2,283
132 Marina, St Leonards on Sea, Hastings	2B Apt	64	159,950	2,499
Ambers Rise, Bexhill on Sea, Hastings	3B Bglw	88.65	280,000	3,158
Ambers Rise, Bexhill on Sea, Hastings	3B Hse	104	250,000	2,399
49 Isenhowe Drive, St Leonards on Sea, Hastings	5B Hse	190	369,950	1,947
Pine Avenue, The Ridge, Hastings	3B Apt	88	299,995	3,409
77 Hastings Road, Battle	4B Hse	120	475,000	3,958
Broad Oak, Hastings, TN31	4B Hse	171	425,000	2,485
Hurst Court Gardens, Hastings	5B Hse	276	629,950	2,282
Hurst Court Gardens, Hastings	5B Hse	220	550,000	2,500
Hurst Court Gardens, Hastings	5B Hse	227	535,000	2,357
Hurst Court Gardens, Hastings	5B Hse	227	515,000	2,269

Properties currently available in study area.  
Assumed typical build size where unavailable.

**Food Retail Evidence Schedule:-**

Address	Tenant	Size sq ft	Rent per sq ft (per sq m)	Comment
<b>Supermarkets</b>				
For the reasons stated in the sector specific commentary, we have considered Supermarket evidence locally, regionally and nationally. This demonstrates a typical rental value for supermarket use of £153 - £288 per sq m. When capitalised at a yield of 6%, this demonstrates that our adopted figure is justifiable, and can be considered conservative.				
Pulborough, Sussex	Sainsburys	29,073	£18.15 (£195)	Sold 2010 @ 4.25% (£4,347 per sq m)
Newbury	Sainsburys	133,953	£23.50 (£253)	Sold 2010 @ 4.5% (£4,982 per sq m)
Dover	Morrisons	50,700	£18 (£193.8)	Sold March 2010 @ 5% (£3,664 per sq m)
Crowborough	Tesco	27,411	£14.45 (£155)	Sold 2010 @ 4.29% (£3,422 per sq m)
Houghton Regis, Beds	Asda	51,000		Confidential transaction 2012. Developer unable to disclose, but confirmed £15-£20 psf "fair tone" across UK and £1m-£1.5m max per acre land
Sheldon Birmingham	Morrisons	105,000 sq ft	£25.82 (£277.93)	Letting March 2010
Coldhams Lane Cambridge	Sainsburys	81,983 sq ft	£24.00 (£258.34)	Rent review Dec 2009
Tewkesbury Road Cheltenham	Sainsburys	97,434 sq ft	£23.25 (£250.26)	Rent review Dec 2008
Church Lane Bedford	Aldi	16,454	£14.28 (£153.71)	Letting May 2010
Beaumont Leys Leicester	Tesco	125,952 sq ft	£23.25 (£250.26)	Rent review Feb 2008
Serpentine Green Peterborough	Tesco	136,396 sq ft	£26.00 (£279.86)	Rent review Dec 2008
Richardson Way Coventry	Tesco	103,575 sq ft	£14.27 (£153.60)	Investment sold at 4.57% in Sept 2011

Embassy Court, Welling	Tesco	84,023 sq ft	£18.40 (£198.06)	Letting June 2010. Investment sold at 5% in June 2011
Diss	Tesco	50,334 sq ft	£22.00 (£236.81)	Sale & lease back Jan 2013 at £432.91 (£4660 sq m).5%
Stanway Colchester	Sainsburys	147,000 sq ft	£26.79 (£288.37)	Letting Dec 2010
Maldon	Tesco	103,761 sq ft	£25.82 (£277.89)	Sale & lease back Jan 2013 at £515.60 (£5550 sq m). 5%
Thorpe Road Melton Mowbray	Tesco	49,000 sq ft	£19.29 (£207.64)	Investments sold at 5.75% May 2009
Civic Way Swadlincote	Sainsburys	66,379 sq ft	£21.24 (£228.63)	Open market letting Nov 2010. Investment also sold at 4.45%
Ebbw Vale	Tesco	58,865 sq ft	£21.66 (£233.00)	Sale & lease back Jan 2013 at £418.75 psf (£4508 sq m) 5.2%
March, Cambs	Sainsburys	32,632	£18 (£194)	ERV stated at £22 psf (£236.8 sq m). Quoting 4.5% net yield = £4067 Sq M capital value
Alfreton	Tesco	87,347 sq ft	£22.00 (£237.00)	Sale & lease back Jan 2013 at £438 psf (£4720 sq m). 5%

Supermarkets	Land Evidence	Size Acres	Rent per Acre (per HA)	Comment
Hampden Park, Eastbourne	Morrisons	5.5 acres	£1.25m per acre (£3.1 million per HA)	2011
Carlton Road Worksop	Tesco	8 acres	£15M (£1.875M per acre) £4.55M per ha	Land was sold in June 2009
Barry Waterfront	Asda	7.78 acres	£2.3m per acre headline	Consent for 90,000 sq ft store. 2012
Houghton Regis	Asda	51,000		Confidential transaction 2012. Developer unable to disclose, but confirmed £15-£20 psf fair tone across UK and £1m-£1.5m max per acre land
Chesterfield Road South Chesterfield	Tesco	9 acres	£14M (£1.55M per acre) (£3.76M per ha)	Tesco stated that £500,000 was spent on remediation.
Carlton Road Nottingham	Asda	1 acre	£1.5M per acre (£3.71M per ha)	Blueprint Regeneration for Asda September 2011
Wilford Lane West Bridgford	Sainsburys	6.97 Acres	£1.9m p acre	March 2013. £2.12m incl S106. "Prime" site.
Carter Gate Newark	Asda	6 acres	£6,000,000 (£1M per acre) (2.48M per ha)	£1m pa. 2009
<p>We are aware from our on-going discussions with agents &amp; supermarket operators they are typically prepared to pay the sum in the region of £1.5M per acre for supermarket land although over recent months there has been a noticeable decrease in appetite for new development &amp; this figure is often diminishing, in some cases more in line with the figure of approximately £1M per acre.</p>				

## General Retail Evidence Schedule

Address	Tenant	Size sq ft	Rent per sq ft (per sq m)	Comment
<b>General Retail</b>				
26 Queens Road, Hastings	Sandwich Place	1,105	£16.74 (£180)	Quoting terms for Oct 2013 letting
Priory Meadow Shopping Centre	N/A	Various		5 Units currently available, quoting rents from £206 to £270 per sq m
240 London Road, Hastings, TN34	BetFred	720	£14.72 (£158)	Lease available – passing rent
Wellington Place, Hastings	Sports Direct	c. 10,000 (sales)		Investment available at 7.5%
Havelock Rd Hastings	Tesco	3134	£19.14 (£206)	Jan 2010
London Rd, Ore, Hastings	Betfred	720	£14.72 (£158)	
Bexhill Rd Retail Pk	Bensons Beds	6,627	£11.50 (£124)	Rent passing – lease available
Bexhill Rd Retail Pk	TK Maxx	20,400	£10.00 (£108)	2013 Lease renewal
Bexhill Rd Retail Pk	CarpetRight	7,070	£17.50 (£188)	2012 Rent review
Bexhill Rd Retail Pk	Pound Stretcher	6,520	£20.00 (£215)	Rent passing
Bexhill Rd Retail Pk		All Units		Investment available at 7.5% - £1,802 per sq m
Parker Rd, Ore Valley, Hastings	One Stop	2,518	£11 (£118)	Investment available at 8.7% (mixed use scheme to include offices)
Ropemaker Park, BN27 3GU	Tesco Express	3,015	£16 (£175)	March 2013. Investment available at £2700 sq m (6.5%)
High Street, Hailsham	Domino's Pizza	1,320	£16.64 (£179)	£222 per sq m (7.12%) February 2013

Ropemaker Park, BN27 3GU	KFC	1,569	£19 (£206)	2013 review. Investment available at £2700 sq m (6.5%)
Rye Road, Hawkhurst	Budgens	13,459	£16.35 (£176)	June 2008.
346 Seaside Road, Eastbourne	Co-op	3,876	£16.77 (£80.5)	Pre-let October 2011.
Pollgate, BNF26 6RE	Somerfield	4,173		Freehold investment sold £8,000 per sq m
High Street, Pollgate	Confidential	1,077	£14.86 (£160)	Panther Securities October 2012
Cooden Sea Rd, Bexhill On Sea	Tesco Express	4,500	£13.50 (£145)	Jan 2010. Investment sold at 5.5% - £2511 sq m
Sutton Park Rd Seaford	Tesco Express	4,676	£15 (£161)	2010. Investment available at 6% - £2661 sq m
Admiral Retail Pk , Eastbourne	Hobby Craft	12,000	£21 (£226)	Oct 2012
31 Station Rd Hastings	Confidential	2,412	£14.51 (£156)	19/2/2012. New letting, quoting terms
18 Sea Road, Bexhill	Dominos Pizza	2,814	£21 (£230)	July 2011. Investment sold as part of mixed use prop at 7.5%. Rental de-valued from VOA areas
10 Robertson St Hastings	A Jones and sons	3,073	£11.40 (£122.5)	Investment sold at 6.68%, May 2011
2-3 Station Rd Hastings	Café Nero	4,605	£13.57 (£146)	Letting April 2011
Forge, Battle	Confidential	2,320		Sale March 2011. Roadside showroom. Confidential terms - quoting £1810 sq m
Hastings Rd Filmwell	Little Chef	4,281	£113 sq m	March 2011
1 & 2 Ore Valley, Park Rd, Hastings	Orbit Group	3,005	£16.00 (£1,722)	Roadside, new letting June 2012

## Employment / Industrial Transactions (new build / modern)

Property	Size Sq Ft	Transaction Data, quoting terms	Notes
10 Armstrong Lane, St Leonards on Sea	2,150	Quoting price equates to £625 per sq m, or £100 per sq m (excluding mezzanine)	Under offer – May 2014
8 Wainwright Road, Beeching Pk Ind Est, Bexhill on Sea	1,069	Quoting price equates to £1,150 per sq m.	Under offer. Small unit – quantum allowance
34 Beeching Rd, Bexhill	2,800	£64.60 per sq m	Let Dec 2013
North Ridge Pk, Hastings	3,240	£64.44 per sq m	Aug 2013 letting
10 Armstrong Cl, St Leonards on Sea	5,000	£51.66 per sq m	Let Aug 2013
22 Haywood Way, North Ridge Pk, Hastings	2,495	£81.00 per sq m	Let July 2013
19 Haywood Way, North Ridge Pk, Hastings	2,495	£81.00 per sq m	Let May 2013
51 Ranalagh Trade Pk, Newhaven	3,940	£59.00 per sq m	Leasehold
17-18 North Ridge Pk, Hastings	7,580	£80.75 per sq m	Let April 2013
11-15 North Ridge Pk, Hastings	10,080	£80.75 per sq m	Let Aug 2012
Cirket House, St Leonards on Sea	19,964	£50.00 per sq m	Let April 2012
4 Haywood Way, North Ridge Pk, Hastings	2,150	£71.34 per sq m	Let Oct 2011
23 North Ridge Pk, Hastings	2,245	£81.00 per sq m	Let June 2011
4 Hayland Ind, St Leonards on Sea	2,000	£64.58 per sq m	Let March 2011
5 Hayland Ind, St Leonards on Sea	3,152	£717.00 per sq m FH	Freehold sale Jan 2011
8 Ivy House Lane, Hastings	2,150	£59.20 per sq m	Let Sept 2010
9 Ivy House Lane, Hastings	2,150	£59.20 per sq m	Let Sept 2010
7 Ivy House Lane, Hastings	2,150	£59.20 per sq m	Let April 2010
22 Castlegun Rd, St Leonards on Sea	5,000	£50.00 per sq m	Let Jan 2010

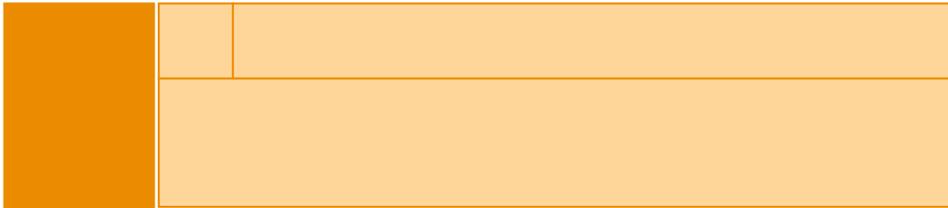


**WHOLE PLAN VIABILITY APPRAISAL**

**CONSTRUCTION COST STUDY**

**For**

**HASTINGS BOROUGH COUNCIL**



*Viability Appraisal*

*Order of Cost Study*

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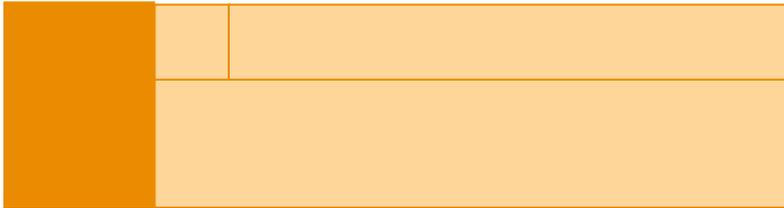
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Document Type:	<i>Order of Cost Study</i>	
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Project:	<i>Viability Appraisal</i>	
RIBA Stage:	<b>N/A</b>	
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Revision: (Document issues are given in Appendix A)	<i>0.1</i>	
Date:	<i>22/05/14</i>	
Prepared by:	<i>Alan Davidson</i>	
Checked by:		



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## **Executive Summary**

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### **2.0 Basis of Cost Study**

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2.6 Exclusions

### **3.0 Detailed Construction Cost Study**

\_Toc220216143

# *Executive Summary*

## **1. The Project**

This Cost Study provides an estimate of construction costs over a range of development categories, to support a Whole Plan Viability Appraisal

## **2. Allowances**

The Estimate includes on-cost allowances (ie costs to be added to the base cost construction Rates as set out at page 7) for the following:

- Consultants
- Building Regulations and Planning fees
- National House Building Council Buildmark Insurance where applicable

## **3. Basis of Estimate**

The basis of the Estimate is in Section 2 of this report.

## **4. Detailed Construction Cost Study**

The detailed Cost Study is given in Section 3 of this report.

## **5. Risk Allowance**

A Risk Allowance of 5% of construction cost is recommended

# Project Description

NCS have been appointed by Hastings Borough Council to produce a Whole Plan Viability Assessment to assist with the adoption of the Local Plan.

Gleeds are acting as part of the NCS team, to provide indicative construction costs, over the range of development categories, to inform the Appraisal.

The range of development categories are as agreed with NCS

# Basis of Cost Study

## Base Date

Rates for Construction Costs in the Estimate have been priced at a Base Date of 2<sup>nd</sup> Quarter, 2014. Allowances must be made for inflation beyond this date dependant on the mid-point date of construction.

## Procurement

The costs included in this Estimate assume that procurement is to be achieved on a single stage competitive tender basis, from a selected list of Contractors.

## Scope of Development Types

The scope of development types within the various categories varies between categories.

This is reflected within the range of construction values stated for a particular category.

For the purposes of undertaking the Viability Appraisal, average rates for construction have been given for each development category; the range of values have also been stated.

## Basis of Costs

The following benchmarking data was used in the preparation of the estimate:

1. Analysis of construction costs over a range of projects within the Gleeds Research and Development Data Base.
2. Where insufficient data is available within any particular category cross-reference is also made to BCIS construction cost information.
3. Reference is also made to the Communities and Local Government Cost Analysis for Code for Sustainable Homes, in respect of dwelling costs
4. Appropriate general build rates for volume house-building are taken from our knowledge of this Sector

All construction costs have been adjusted for Location Factor (Hastings Borough Council 1.18) and All-in TPI for 2<sup>nd</sup> Quarter 2014 (BCIS index – 249), (as 16 May 2014 indices update)

Note: the cost allowances are based on the current building regulations as at April 2013.

## Assumptions/Clarifications

The following assumptions/clarifications have been made during the preparation of this Estimate:

- The costs included in this Estimate assume that competitive tenders will be obtained on a single stage competitive basis.
- There are no allowances in the Estimates for Works beyond the site boundary.
- All categories of development are assumed to be new build.
- It is assumed development takes place on green or brown field prepared sites, i.e. no allowance for demolition etc.

- All categories of development include an allowance for External Works inc drainage, internal access roads, utilities connections ( but excluding new sub-stations ), ancillary open space etc
- Site abnormal and facilitating works have been excluded.

## Exclusions

The Order of Cost Study excludes any allowances for the following:

- Value Added Tax
- Finance Charges
- Unknown abnormal ground conditions including:
  - Ground stabilisation/retention
  - Dewatering
  - Obstructions
  - Contamination
  - Bombs, explosives and the like
  - Methane production
- Removal of asbestos
- Surveys and subsequent works required as a result including:
  - Asbestos; traffic impact assessment; existing buildings
  - Topographical; drainage/CCTV; archaeological
  - Subtronic
- Furniture, fittings and equipment
- Aftercare and maintenance
- Listed Building Consents
- Service diversions/upgrades generally
- Highways works outside the boundary of the site

# Detailed Construction Cost Study

Development Type	Construction Cost £/m <sup>2</sup>		
	Min	Max	Average
Standard Residential, code 3 (Volume House-builder, mid-range, 2-5 bed house)	913	1,392	960
Residential, volume built, 2-5 bed, code 4	972	1,451	1,010
Low Rise Apartments	1,080	1,601	1,314
Low Rise Apartments Code 4	1130	1750	1365
Multi Storey Apartments	1,725	2,600	2,011
Student Accommodation, ensuite	1,368	2,095	1,623
Care Homes	1,165	1,646	1,484
General Retail, shell finish	885	1,445	991
Food Retail supermarket, shell finish	814	1,062	873
Hotels, 2000m <sup>2</sup> mid-range	1,451	1,670	1,534
Offices, Cat A fit-out	1,191	1,765	1,415
Industrial, general shell finish	506	934	600
Institutional / Community D7 (museums, library, public halls, conference)	1,834	3,254	2,452
Leisure D5 (cinema, bowling alleys, shell)	1,027	1,307	1,133
Agricultural shells	226	974	568
<b>SUI Generis</b>			
Vehicle Repairs	1,014	1,186	1,107
Vehicle Showrooms	1,360	1,581	1,520
Builders Yard	416	926	608

**On-costs**

Professional fees		
- Consultants (excluding legals)	7.25%	
- Surveys etc	<u>0.75%</u>	8%
Planning / Building Regs		
Statutory Fees		0.6%
NHBC / Premier warranty (applies only to Residential and Other Residential)		0.5%
Contingency / Risk Allowance		5%

Note:

- \* Offices, Cat A are based on speculative office development, of cost efficient design
- \*\* Leisure D5 development is based on shell buildings (bowling alleys, cinemas and the like) and exclude tenant fit-out

**Abnormal Site Development Costs, Hastings Borough Council.****Budget Cost  
£/Hectare**

Abnormal Costs, by their very nature, vary greatly between different sites.

Budget figures are given, for typical categories relevant to Hastings Borough Council.

The Budgets are expressed as costs per hectare of development site.

**Archaeology/Heritage Costs**

25,000

Typically, Archaeology is addressed by a recording / monitoring brief by a specialist, to satisfy planning conditions. Similarly works to Listed Buildings or other Heritage features will incur enhanced costs

Intrusive archaeological investigations are exceptional and not allowed for in the budget cost. Similarly the general allowance will not cover specific listed building restoration works

**Site Specific Access Works**

20,000

New road junction and S278 works; allowance for cycle path linking locally with existing

Major off-site highway works not allowed for.

**Site Specific Biodiversity Mitigation / Ecology**

Allow for LVIA and Ecology surveys and mitigation and enhancement allowance.

20,000

**Flood Defence Works**

Allowance for raising floor levels above flood level, on relevant sites

25,000

Budget £2,000 per unit x 35 units, apply to 1 in 3 sites.

**Utilities, Gas, Electric**

Allowance for infrastructure upgrade

80,000

**Land Contamination**

Heavily contaminated land is not considered, as remediation costs will be reflected In the land sales values

25,000

Allow for remediation/removal from site of isolated areas of spoil with elevated levels Of contamination

**Ground Stability**

Allow for raft foundations to dwellings on 25% of sites

Budget £2,000 x 35 units x 25%

20,000