D|S|P Housing & Development Consultants

Test Valley Borough Council

Affordable Housing Viability Assessment Update

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Final Report

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Dixon Searle LLP
The Old Hayloft
28C Headley Road
Grayshott
Hindhead
GU26 6LD

www.dixonsearle.co.uk

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Non-Technical Executive Summary

- Test Valley Borough Council commissioned Dixon Searle Partnership (DSP) to carry out an Affordable Housing Viability Study Update (AHVSU) to inform the Council's further development of its affordable housing policies within the Local Plan.

- This study refreshes previous Affordable Housing Development Viability Studies undertaken in 2004, 2007 and more recently 2009/10 on behalf of the Borough Council. This study explains the work that has been undertaken, its results and conclusions.

- The study focusses on the viability (meaning the "financial health") of market housing developments that are required under both national and local policy and planning guidance to provide a proportion of affordable homes. The affordable homes are usually a mix of rented properties and low cost home ownership (for example shared ownership), with a focus needed locally on affordable rented housing. These are referred to as forms of tenure, so that normally a target tenure mix is set at a strategic level and then discussed on specific schemes according to local needs, viability and funding circumstances.

- Affordable housing requirements of this nature are normally triggered at certain development sizes, known as threshold positions. The affordable housing provision to be sought is known as the proportion. That is expressed as a percentage (%) of the overall development numbers.

- Through this work, the Council asked DSP to provide detailed evidence to inform and support its policy development processes. This study reviews the impact on development viability of varying affordable housing policy positions – combinations of thresholds, proportions and varying tenure mixes. The study re-assesses the (financial) capacity of residential development schemes in the Borough to deliver affordable housing without their viability being unduly affected – based on an updated review of development assumptions used within the assessment.

- Affordable housing impacts (reduces) development viability because it generally produces a level of revenue for the developer that is significantly below the market sale level. We therefore see scheme viability decrease as the affordable housing proportion increases.

Usually it also decreases as the tenure mix includes more affordable rented housing as opposed to low cost home ownership, although this varies.

- To consider and review these effects, we use the well-established method of Residual Land Valuation. This means carrying out developer type financial appraisals (calculations) which deduct all the costs of development (including site related cost, policy requirement costs, build costs, finance costs, professional fees and development profits and the like) from the completed scheme value. The calculation process produces an amount left over as available for the land purchase (hence the term "residual land value" – RLV). We carry out a very large number of these appraisals, exploring a range of varying potential scheme types, affordable housing and other policy variations and the effect of market sales values, other inputs and costs changing. We cover a range of market sales value levels within the process because these will vary by locality within the Borough, and also over time with a changing market.

- In order to inform the appraisals process, we carried out local market research (focusing on house prices and how those vary) and gathered information on the other cost assumptions, so that we could make sure that sound relevant judgments were made, including reviewing how costs and values had altered since the previous study was carried out.

- The premise adopted for this update review was to test the policies previously recommended and as set out in the Council's Draft Core Strategy and Development Management DPD. These included affordable housing policies based on seeking 40% affordable housing on 15+ dwellings, 30% affordable housing on sites of between 10 and 14 dwellings and 20% affordable housing on sites of 5-9 dwellings. In addition this study tests the potential for the collection of financial contributions in-lieu of on-site affordable housing on schemes of between 1-4 units.

- The study concludes that although viability variations are seen throughout the Borough, as driven by the varying market sale values (house prices) in general a simple Borough–wide approach to affordable housing provision should continue to be considered but with variations to the affordable housing proportion sought based on site size rather than geography.

- Whilst the Council could also consider varying the affordable housing target (%) approach geographically across the Borough, we have concluded on balance that a simpler approach (following the principles outlined below that take into account viability within policy) would work better in the Test Valley Borough context.

- The report sets out the following potentially viable policy options as follows:

    - A single, Borough-wide approach to affordable housing provision (i.e. no variation by geography)
    - On sites of 15 or more dwellings: 40% affordable housing;
    - On sites of 10 – 14 dwellings: 30% on-site affordable housing;
    - On sites of 5-9 units: 20% on-site affordable housing;
    - On sites of 1-4 units: 10% affordable housing equivalent via a financial contribution.

- The study text provides detail on this, including discussion on the potential to secure valuable financial contributions from some developments. Particularly in periods of public funding (grant) uncertainty, such as the foreseeable future holds, we think this has significant potential to provide a useful additional housing tool (an affordable housing fund) which could be used flexibly to enhance the Council's enabling scope.

- Finally, in summary, we recommend that whatever policy is finally chosen within the Local Plan, it is important that these are practically applied as targets. The policy development and wording ultimately chosen will need to be accompanied with a clear recognition that flexibility will be necessary as sites come forward, where developers demonstrate development viability issues that require discussion with the Council. In such cases, affordable housing may not be the only issue – usually there are a wide range of factors involved, including market conditions, the varying nature of sites and the collective costs including wider planning objectives and obligations.

Executive Summary ends.
October 2012

1 Introduction

1.1. Background

1.1.1 Test Valley Borough Council is in the course of preparing its Local Plan. One of the Council's main corporate priorities is the delivery of affordable housing.

1.1.2 Test Valley Borough Council adopted its Borough Local Plan, covering the period to 2011 in June 2006. The planning policies that relate specifically to affordable housing are Policies ESN 04 Affordable Housing and ESN 05 Rural Exception Affordable Housing. The Council subsequently adopted an Affordable Housing Supplementary Planning Document in March 2008.

1.1.3 The Council is currently in the process of developing replacement policies and published its draft Core Strategy and Development Management Development Plan Document (DPD) for consultation in January 2012. The current draft document is now called the Test Valley Borough Local Plan DPD and we shall refer to it as such in this update report.

1.1.4 Policy ESN 04 of the of the Borough Local Plan[1] and the supporting text deal with affordable housing provided as a proportion of the housing on new development sites. This is further amplified through the Council's Affordable Housing SPD. The policy requires that:

- *Sites of 15 or more dwellings within or on the edge of settlements with a population of 3,000 or more up to 40% of dwellings to be affordable*
- *Site of 5 or more dwellings within or on the edge of settlements with a population of less than 3,000*

1.1.5 Neither the policy nor the accompanying text specifies the tenure mix of rented to non-rented housing or the type or size of units required. The Borough Local Plan policy relies on negotiation on a site-by-site basis, having regard to identified local needs.

[1] Test Valley Borough Local Plan (2006)

1.1.6 A revised approach is proposed for the emerging Local Plan DPD of a stepped approach with a sliding scale, in line with the findings of the previous 2009/10 Affordable Housing Development Viability Study Update:

'The Council will negotiate provision on housing sites within or on the edge of settlements of:

- *15 or more dwellings for up to 40% of dwellings to be affordable*
- *10-14 dwellings for up to 30% of dwellings to be affordable*
- *5-9 dwellings for up to 20% of dwellings to be affordable*
- *1-4 dwellings a financial contributions equivalent to up to 20% of dwellings to be affordable'.*

1.1.7 An Affordable Housing Development Study was first undertaken in 2004 which informed the Borough Local Plan 2006. This was subsequently updated in 2007 to inform preparation of a previous withdrawn Core Strategy and again in 2009/10 to inform the current draft. A further review and update is now appropriate to inform the revised Draft Local Plan DPD.

1.1.8 The Council has therefore commissioned Dixon Searle Partnership (DSP) to carry out this Affordable Housing Viability Assessment update to refresh the previous work. A further look into affordable housing viability was considered necessary given the variety of influences from a changing market, development costs and values; together with the introduction in 2011 of the Homes and Communities Agency's (HCA) latest Affordable Housing (funding) Programme (AHP); including the affordable rent regime and the relationships between these and other factors. This update therefore serves the purpose of checking the scope and options still suitable for affordable housing policy in viability terms, ensuring that the proposed policy is robust, and its evidence base on this aspect is kept up to date.

1.1.9 This study re-assess the (financial) capacity of residential development schemes in the Borough to deliver affordable housing without their viability being unduly affected – based on an updated review of circumstances and therefore assumptions used within the assessment. This is in the context of developing suitable affordable housing policies which aim to strike an appropriate balance between affordable housing needs and scheme viability, bearing in mind the need to also maintain overall housing supply. The study was carried out in accordance with the requirements of the National Planning Policy Framework (published in March 2012) which supersedes the previous raft of Planning Policy Statements (PPSs) under current Government proposals.

1.1.10 Paragraphs 173-174 of the NPPF, in particular, deal with the Government's approach by placing an emphasis upon ensuring the viability and deliverability of proposed development, and states that:

'*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…'*

'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'.

1.1.11 The NPPF at paragraph 50 also states on affordable housing:

'where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.'

1.1.12 Within the Glossary of the NPPF, the Government defines affordable housing as follows:

'Affordable housing: *Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*

Social rented *housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.*

Affordable rented *housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).*

Intermediate housing *is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.*

Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.'

1.1.13 It is important that the Council's policies do not deter development through unduly reducing the supply of land brought forward for residential development more widely. Any policy must balance delivery of affordable housing and planning obligations with maintaining sufficient incentive (reasonable land value levels) for landowners to release land – allowing developers to promote and bring forward schemes.

1.1.14 These were key drivers behind and themes for the Council's previous affordable housing viability study work; the current viability work continues this and will keep the Council's evidence base on this area up to date.

1.1.15 As with the previous viability study work, this update study tested a range of affordable housing options by running development appraisals on a variety of development scenarios or site typologies that reflect the nature of development coming forward across the Borough. This enabled us to test the impact of a range of cost assumptions and variables on likely development viability (e.g. affordable housing proportion, tenure mix, developer's profit, planning obligations requirements etc.). As a key part of the process we also considered viability over a range of values ('value levels') evidenced by our research for this study, so that we could test how viability varies with location within the Borough and could also change over time taking into account variations to market conditions. It is necessary to take not just a "now" view, but also to consider the potential influence of changing property values levels.

1.1.16 As with the earlier assessments, this update study tests a range of affordable housing proportions over a variety of notional site types and sizes, in accordance with the most established methodology for this purpose. The threshold at which on-site affordable housing is sought from market residential development is also considered through the testing, by selecting scheme types relevant to the potential threshold points (points at which affordable housing target proportions take effect or change).

1.1.17 This update has been carried out to test the Council's proposed Local Plan DPD policies to help inform the Council as to whether a change to the preferred affordable housing policy approach to is required. This update takes into account the implications of affordable rent, changes to market conditions, the Council's proposed sustainable design and construction and other relevant policies and consideration of how those could fit with any emerging Community Infrastructure Levy (CIL) rates (noting that this is not a CIL Viability Study). The update includes the consideration of a sliding scale approach so that the burden of providing the much needed affordable housing (or in some cases making financial contributions towards meeting needs) falls more equitably across a greater range of sites.

1.1.18 The methodology and assumptions used are outlined in Chapter 2, the results conclusions are set out in Chapter 3. The appraisal outcomes tables and supporting information are appended to the rear of this document.

1.2 Notes and Limitations

1.2.1 This study has been carried out using well recognised residual valuation techniques by consultants highly experienced in the production of strategic viability assessments for local authority policy development. In order to carry out this type of study a large number of assumptions are required alongside a large quantity of data which rarely fits all eventualities. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) generated – the RLVs generated by the development appraisals for this study <u>will not necessarily reflect site specific circumstances</u>. Therefore this assessment (as with similar studies of its type) is not intended to prescribe land values or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments having varying characteristics come forward. Nevertheless, the assumptions used within this study reflect, where possible, the policy requirements of the Council as known the time of carrying out this study and therefore take into account the cumulative cost effects of policy where those are relevant.

1.2.2 It should be noted that every scheme is different and no study of this nature can reflect the variances seen in site specific cases. Specific assumptions and values applied for our schemes are unlikely to be appropriate for all developments and a degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and informing the Council's affordable housing policy decision making processes.

1.2.3 This report sets out parameters and options for the Council in relation to affordable housing policy development from a viability perspective. Interim findings were presented to the Council for consideration and to inform policy development alongside wider policy considerations and overall priorities (wider planning objectives for the Borough and its Community).

1.2.4 It must be recognised that this planning based tool for securing affordable housing relies on market-led processes. We have to place an emphasis on the need for a practical approach to be taken by Council, bearing in mind development viability – with an increased focus on that remaining likely; especially given the current and likely short-term ongoing uncertain market conditions. By this we mean the Council being adaptable also to market housing scheme needs, being prepared to negotiate and consider varying solutions, and being responsive to varying scheme types and circumstances. The various components of a scheme will need to be considered in terms of market homes needs, affordable homes needs, their successful integration and tenure mixes. This will involve considering local needs, scheme location, type, design, management, affordability, dwelling mix, tenure, funding, numbers rounding and the like in formulating the detail from the targets basis – so, taking a view on how these things come together to impact and benefit schemes, by looking at what works best to optimise provision in the given circumstances.

1.2.5 In carrying out this update assessment from the necessary strategic viewpoint, it is assumed that there will be a variety of market conditions during the life of the Local Plan, including periods in which we will see more stable and confident economic and property market conditions.

1.2.6 The review of development viability is not an exact science. There can be no definite viability cut off point owing to variation in site specific circumstances. These include the land ownership situation. It is not appropriate to assume that because a development appears to produce some land value (or in some cases even value equivalent to an existing / alternative use), the land will change hands and the development proceed. This principle will in some cases extend to land owners expecting or requiring the land price to reach a higher level, perhaps even significantly above that related to an existing or alternative land use. This might be referred to as a premium, "overbid" or sufficient level of incentive to sell. In some specific cases, whilst weighing up overall planning objectives to be achieved, therefore, the proposals may need to be viewed alongside the owner's enjoyment / use of the land, and a potential "overbid" relative to existing use value or perhaps to an alternative use that the site may be put to. In practice, whether and to what extent an active market exists for an existing or alternative use will be a key part of determining whether or how site discussions develop. This could result in highly variable circumstances and requirements. The general decline we have seen in the demand for and the value of commercial property may be a significant factor in land value expectations and the strength of existing / alternative (comparative) use values in some instances. Land value expectations will need to be realistic and reflective of the opportunities offered by, and constraints associated with, particular sites and schemes.

1.2.7 In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies continue to be applied practically from case to case.

2 Assessment Methodology

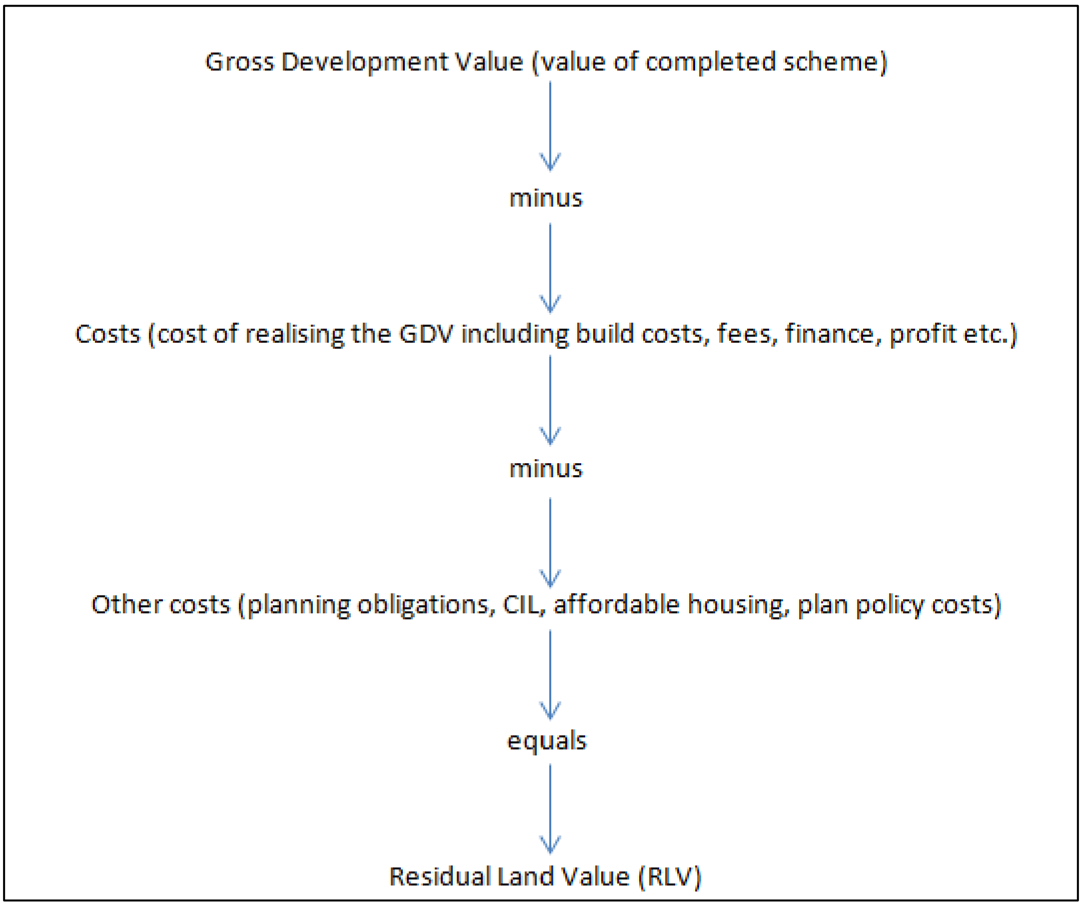
2.1 Introduction

2.1.1 In order to determine the likely impact of the Council's affordable housing policies on the viability of residential development in the Borough we need to review what effect changes to the affordable housing proportion may have on the value of a potential development site, whilst also allowing for a range of other development requirements and costs.

2.1.2 Affordable housing has a significant impact on overall development viability because invariably it produces a significantly lower level of revenue compared with that from the market sale housing; but costs broadly the same to build.

2.1.3 This study applies the same principles as the previous affordable housing viability study in testing the broad viability of a range of potential affordable housing policy scenarios on notional site typologies across the Test Valley Borough area. Again, it uses Residual Land Valuation techniques; the most established and accepted route for studying development viability at this level. Since these principles were covered in more detail in the previous study documents, we will not repeat them here. However, the basic steps and structure of the calculation are as follows (Figure 1 below):

Figure 1: Simplified Residual Land Valuation Principles



2.1.4 Having determined the RLV results for each development scheme typology and each sensitivity testing layer through running a large range of these appraisal calculations, we then need to compare those results with a range of land value levels that could relate to potential existing / alternative site uses. This comparison can vary significantly. The ability of a scheme to produce a residual land value in excess of some form of comparative land value (existing or alternative use value, potentially plus a premium to incentivise release of land for development depending on the circumstances) is a key factor in determining development viability. If insufficient value is created by a development proposal then land will not come forward for development, ultimately putting at risk the Council's housing targets (for both open market and affordable) if this becomes too regular an occurrence. This also has important implications for the appropriate wording of the policy so that it will be applied sufficiently practically as development circumstances vary.

2.1.5 The following sections set out further detail on the methodology; highlighting the key inputs into the residual land value appraisals (assumptions used in this process) and in particular the assumptions which have been reviewed since the previous viability studies. Appendix I sets out a summary of the key assumptions used for appraising each site including site size, density, housing numbers, tenure mix, dwelling mix, market sales values, build cost and fees assumptions, profit levels and planning infrastructure (obligations) costs.

2.2 Scheme types tested

2.2.1 The notional scheme typologies tested for this update study include a sample of those considered in the 2009 / 10 Affordable Housing Development Viability Study Update and provide the core of the modelling for this update and to provide a consistent basis for review. These include schemes of between 2 and 25 units. These parameters were all as agreed with the Council and reflect various types of development that could potentially come forward including but concentrating on the smaller sites most relevant to the thresholds at which the affordable housing proportions change or take effect.

2.2.2 The scheme typologies considered also take into account such information as the Council's monitoring of housing completions and supply, Strategic Housing Land Availability Assessment (SHLAA) and discussions with Council officers at project inception. Appendix I sets out the scheme typologies and associated assumptions.

2.2.3 With regard to on-site affordable housing schemes of between 5 and 25 units were tested to allow us to investigate the range of policy options being considered by the Council. In addition schemes of 1 and 4 units were also tested on the basis of the collection of a financial contribution in-lieu of on-site affordable housing.

2.2.4 Figure 2 below shows a summary of the affordable housing proportions tested within those scenarios, noting that on the schemes of fewer dwellings than the scenarios outlined above it is often impractical or unworkable to test varying tenure mix. The intermediate housing element of the affordable is assumed to be in the usual form of shared ownership. By varying the tenure mix it has enabled some review of the impact of social rent on scheme viability, compared with that from affordable rent, through this switching of part of the affordable rented element. In summary, these scenarios were as follows:

Figure 2: Affordable housing proportion and tenure mix variations

Scheme Size Tested	AH %	Target Tenure Mix*		
		Social Rent	Affordable Rent	Intermediate
2 Units	10% & 20%	Financial Contribution Only		
5 Units	20%	0%	100%	0%
	20%	100%	0%	0%
10 Units	20%	0%	50%	50%
	30%	0%	70%	30%
	40%	0%	70%	30%
	20%	50%	0%	50%
	30%	70%	0%	30%
	40%	70%	0%	30%
15 Units	20%	0%	70%	30%
	30%	0%	70%	30%
	40%	0%	70%	30%
	20%	70%	0%	30%
	30%	70%	0%	30%
	40%	70%	0%	30%
25 Units	20%	0%	70%	30%
	30%	0%	70%	30%
	40%	0%	70%	30%
	20%	70%	0%	30%
	30%	70%	0%	30%
	40%	70%	0%	30%

*Actual tenure mix varies dependent on scheme size due to rounding of units at each policy position.

2.2.5 The unit sizes used for the purposes of this study are as follows and can also be found within Appendix I):

Figure 3: Residential Unit Sizes

Unit Type	Unit Size (m^2)
1-bed flat	50
2-bed flat	67
2-bed house	75
3-bed house	85
4-bed house	110

2.2.6 As with most assumptions there will be a variety of unit sizes and no single size or range of sizes will represent all dwellings coming forward on each of the sites. It must be remembered that the aim of this study is to investigate the broad viability of the policies being appraised.

2.2.7 Since there is a relationship between values and build costs, it is the levels of those relative to each other that are most important for the purposes of this study, rather than the specific dwelling sizes. The sizes indicated are gross internal areas (GIAs). They are reasonably representative of standard unit types coming forward for smaller and average family accommodation in our experience. We acknowledge that these 3 and 4-bed house sizes, in particular, may be small compared with some of those coming forward. However, the values for larger house types would often exceed those we have assumed, meaning that there remains a similar relationship in terms of a "£ per sq m" view of values and costs. All will vary, from scheme to scheme and by individual developer / house builder. It is always necessary to consider the type and size of new build accommodation and not just its price – hence the range of values expressed per square metre is the key measure used in considering the research, working up the range of values levels for the appraisals; and for reviewing the results.

2.2.8 It has been assumed, again for the purposes of this study, that the affordable housing mix will broadly reflect that of the private housing and thus be "transferred" to a Registered Provider (RP) on a proportional basis to the private dwellings. The one exception to this is that, where possible, we have assumed that larger units (3+ beds) would not be "transferred" as shared ownership due to the potential lack of affordability of those unit types. Where possible, the larger (3+ beds) affordable homes would be considered as a priority for rented tenure. The appraisals reflect this and the other principles outlined later in the study as far as possible within the confines of a limited overall dwelling mix. These study assumptions do not equate to fixing such principles for site specifics - particular scheme circumstances will be considered by the Council at the delivery stage.

2.3 Smaller Sites – Financial Contributions

2.3.1 The study scope also included reviewing the potential to bring all sites in to the overall policy scope. This is an area that many local authorities have progressed policy on, or are reviewing, in order to arrive at an equitable approach rather than one which seeks provision only from larger developments that "trigger" current policy thresholds. We consistently find that smaller developments are not necessarily any less or more viable than larger ones – site size alone is not a determinant of viability.

2.3.2 An approach to include financial contributions from the smallest sites has potential to provide additional housing enabling funds, which can be used in a variety of ways. This can be particularly positive in terms of public funding (grant) availability, such as we have now and are likely to continue see in the next few years.

2.3.3 It is beyond the scope of this study to further consider the strategies and details that would inform and accompany this addition to the affordable housing policies and approach. An approach and calculation mechanism for collecting financial contributions was set out for the Council in the 2007 and 2009-10 studies. To inform the Council's thinking on this, we have carried out some further sample appraisals based on the previously set out methodology. For the purposes of this update we have carried out modelling using the same base calculation from the 2009-10 study on a scheme of 2 units using both a 10% and 20% equivalent proportion. In carrying out this update we adjusted downwards the residual land value percentage element of that formula (that derives the replacement land value) to 21.4% of gross development value. This reflects the reduced average level of RLVs in our base (without affordable housing) development appraisals. Further information and explanation is provided within the results section of this report.

2.3.4 For clarity, we consider that this financial contributions discussion is distinct from the Council reviewing any potential financial contributions in lieu of affordable housing relevant to larger sites where, exceptionally, an alternative to on-site provision may be considered. For those exceptional schemes or parts of schemes, we expect that the Council would require a negotiated process from the starting point of on-site affordable housing and the finances associated with that.

2.4 Gross Development Value (Scheme Value) – Open Market Values

2.4.1 The gross development value (GDV) of a scheme means the total revenue generated by the open market and affordable homes it contains – the value created on completion. Desktop research was undertaken into property prices across the Borough during May to July 2012. For this we used existing information for example from internet property search and data sites (e.g. zoopla.co.uk), estate agents' information, Land Registry and Valuation Office Agency (VOA) data – enabling a review of price trends since the Council's previous viability work. This was considered alongside our own research on the pricing of new build schemes where units were being sold or had recently been sold at the time of the latest values review. The key sources of information behind our values assumptions are shown in Appendix III – and are not included in the main part of this report. Collectively, this allowed us to see broadly how values varied across the Borough in the context of the range of value levels tested.

2.4.2 Property market reporting continues to indicate an uncertain residential market (as highlighted in Appendix III). Future values cannot be predicted, but our methodology does allow for potential future review of results in response to changes over time, perhaps including more established market trends or revised price levels - as well as sale price variations through site characteristics or location. It enables us to look more widely at the sensitivity of results to value levels as part of making our strategic overview.

2.4.3 Appendix III contains further information on house prices trends for context relative to the previous stages of the Council's evidence base. Based on DCLG House Price Data[2], our current review has found that house prices were approximately 6% higher in Q3 2011 than at the point of the original research for the 2007 Affordable Housing Study Update. Compared to the 2009/10 update, DCLG data suggests that values were 7% higher in Q3 2011 than November 2009 (the date of the data collection for that update).

2.4.4 The following table summarises the Land Registry House Prices Index for Hampshire and indicates movements between the various affordable housing viability study research points and also key points in recent market trends – further information from other sources is shown within Appendix III. This data relates to Hampshire as a whole rather than Test Valley Borough and shows that as of May 2012, house prices were approximately 3% higher than in November 2009:

[2] Department of Communities and Local Government (DCLG) – Table 581 Housing market: mean house prices based on Land Registry data, by district, from 1996 (quarterly)1-4

Figure 4: Summary of Land Registry House Prices Index Price Movements (Hants)

Month	Hampshire Council		South East Region		
	Index	Average Price (£)	Index	Average Price (£)	
Sep-07	295.8	223,710	313.3	224,957	(1)
Oct-07	297.8	225,286	315.3	226,391	
Nov-07	298.2	225,590	315.6	226,583	
Dec-07	298.8	226,012	315.2	226,271	
Jan-08	299.0	226,188	317.3	227,786	(2)
Feb-08	298.4	225,739	315.6	226,601	
Mar-08	297.8	225,257	312.9	224,642	
Apr-08	296.6	224,369	311.1	223,325	
May-08	295.4	223,475	309.8	222,382	
Jun-08	292.9	221,561	305.3	219,143	
Jul-08	291.4	220,384	302.4	217,087	
Aug-08	287.6	217,565	294.4	211,319	
Sep-08	281.7	213,065	287.1	206,143	
Oct-08	276.8	209,383	281.3	201,950	
Nov-08	270.4	204,530	273.5	196,330	
Dec-08	262.9	198,866	268.4	192,655	
Jan-09	259.7	196,425	266.3	191,211	
Feb-09	255.4	193,212	263.3	188,998	
Mar-09	251.6	190,307	258.9	185,842	
Apr-09	249.5	188,683	259.6	186,355	
May-09	247.4	187,137	261.7	187,873	(3)
Jun-09	247.9	187,505	264.5	189,914	
Jul-09	250.5	189,498	268.3	192,611	
Aug-09	253.1	191,447	271.2	194,694	
Sep-09	257.5	194,755	275.1	197,491	
Oct-09	261.5	197,799	278.8	200,149	
Nov-09	264.6	200,118	281.1	201,778	(4)
Dec-09	267.4	202,244	281.8	202,333	
Jan-10	268.6	203,193	288.5	207,130	
Feb-10	270.4	204,519	290.1	208,246	
Mar-10	272.0	205,761	288.0	206,753	
Apr-10	274.4	207,570	288.0	206,779	
May-10	275.4	208,341	293.4	210,658	
Jun-10	275.8	208,576	290.9	208,813	
Jul-10	276.8	209,336	293.7	210,869	
Aug-10	278.2	210,412	294.7	211,601	
Sep-10	279.0	211,036	294.2	211,237	(5)
Oct-10	278.2	210,464	291.3	209,142	

Nov-10	277.8	210,140	289.4	207,739	
Dec-10	277.4	209,821	287.7	206,521	
Jan-11	275.5	208,405	287.5	206,381	
Feb-11	275.5	208,406	287.8	206,619	
Mar-11	276.1	208,808	287.0	206,076	
Apr-11	274.9	207,917	286.8	205,883	
May-11	274.4	207,564	285.9	205,243	
Jun-11	275.0	207,974	287.4	206,313	
Jul-11	274.6	207,671	290.1	208,261	
Aug-11	274.5	207,595	288.4	207,046	
Sep-11	274.2	207,397	286.7	205,830	
Oct-11	273.1	206,595	287.6	206,497	
Nov-11	272.9	206,449	287.2	206,192	
Dec-11	272.9	206,420	286.0	205,325	
Jan-12	273.8	207,113	287.2	206,177	
Feb-12	274.9	207,896	289.8	208,069	
Mar-12	275.4	208,313	287.7	206,515	
Apr-12	276.3	208,989	289.2	207,627	
May-12	276.9	209,422	290.7	208,720	(6)

**lowest value levels recorded during latest economic cycle prior to current recovery*

Key to highlighting / notes in above Land Registry Index listing:

(1) September 2007: Market research for original study: (index 295.8; avg. price £223,710)
(2) January 2008: Pre-recession market peak locally: (index 299.0; avg. price £226,188)
(3) May 2009: Market values had fallen to trough: (index 247.4; avg. price £187,137)
(4) November 2009: Market research for study update: (index 277.8; avg. price £210,140)
(5) September 2010: Level of recovery - recent high: (index 279.0; avg. price £211,036)
(6) May 2012: Latest available data: (index 276.9; avg. price £209,422)

Month	Land Registry Index	Index change since Jan 06	
Jan-06	258.1	-	
Sep-07	295.8	37.7	(1)
Jan-08	299.0	40.9	(2)
May-09	247.4	-10.7	(3)
Nov-09	277.8	19.7	(4)
Sep-10	279.0	20.9	(5)
May-12	276.9	18.8	(6)

2.4.5 Overall, this latest market research suggests that we would not expect viability to have deteriorated significantly (compared with the 2009-10 study view) in terms of the influence of values trends alone (however, as this study identifies, values trends cannot be considered in isolation). A summary of the values assumed for each unit type at each value level is shown in Figure 5 below. These are shown as £ per sq. m rates and also expressed as equivalent property values based on the dwelling types and sizes assumed within this study.

Figure 5: Summary of assumed sales values range – 'Value Levels'

Value Level ('VL') (£ / sq. m)	VL (approx. £/sq. ft.)	1-bed flat (50 sq. m)	2-bed flat (67 sq. m)	2-bed house (75 sq. m)	3-bed house (85 sq. m)	4-bed house (110 sq. m)
1 (£2,000/m²)	£186	£100,000	£134,000	£150,000	£170,000	£220,000
2 (£2,200/m²)	£204	£110,000	£147,400	£165,000	£187,000	£242,000
3 (£2,575/m²)	£239	£128,750	£172,525	£193,125	£218,875	£283,250
4 (£2,950/m²)	£274	£147,500	£197,650	£221,250	£250,750	£324,500
5 (£3,250/m²)	£309	£166,250	£222,775	£249,375	£282,625	£365,750
6 (£3,700/m²)	£344	£185,000	£247,900	£277,500	£314,500	£407,000

2.4.6 From the results of our research it was decided that the viability overview should consider a scale of values represented by 6 levels ('value levels' – 'VL's) within the overall range relevant for the Borough. This is unchanged from the previous 2010/11 AHVS Update. This covers both the likely range of new build property values seen currently and also provides an indication of the potential influence of the market moving forward – i.e. allows for the review of the sensitivity of outcomes to upward and downward movements in property prices over time. So by looking at viability across a range of value levels effectively the study again considers what the viability of a particular scheme or site typology might look like if it were moved to a range of locations within the Borough or viewed over time with increasing or decreasing values produced by varying market conditions. We have provided a very broad indication of the likely relationship between locality and typical value level (for new build housing) within the data shown in Appendix III and below but generally the main range lies within Value Levels 2-5 with Value Level 1 representing values that would typically be below current new build values and Value Level 5-6 representing the upper end of the current new build values range.

VL 1- Represents lowest value current schemes, but not regularly seen Borough-wide. Generally beneath current typical new build values when considered Borough-wide; or represents further falling market as impacts current lower value schemes.

VL 1/2-3 - Levels represent current lower end new build values – e.g. parts of Andover; mass market housing (although, as identified previously, Andover also shows some higher value areas);

VLs 3 and 4 - Typical new build values considered most relevant to Borough-wide strategic overview, especially looking longer term;

VL 5 - Current upper end of typical new build values range; sought after locations; well specified schemes

VL 6 - Represents levels not regularly seen in the Borough at present.

2.4.7 It should be remembered that values can change significantly within a very small area with variations in values often seen at a street by street level, or even between one end of a street and another. The information provided is therefore purely a broad guide and again not intended to represent all site specifics but, viewed overall, it does enable us to consider the range of scenarios likely to be seen across the Borough so as to inform affordable housing policy development.

2.5 Gross Development Value (Scheme Value) - Affordable Housing Revenue

2.5.1 As part of the revenue of a development, we need to allow for the affordable housing content of the schemes being studied, since that significantly reduces the revenue to be received and yet costs broadly the same to build as the market housing. This has the effect of reducing the RLVs.

2.5.2 The affordable housing revenue for the developer is based on what a Registered Provider (RP) can generate based on the capitalised net rental stream (for affordable rent or social rent) and the capital value plus capitalised net rental stream (for intermediate tenures such as shared ownership) approach for completed affordable housing units of varying tenure. In past studies this has included social rent and forms of intermediate tenure and potentially included public subsidy in the form of social housing grant. However the HCA Affordable Homes Programme framework (2011-2015) published in February 2011 states that "*there is an expectation that S106 schemes can be delivered at nil grant for both affordable home ownership and for Affordable Rent*. *For the latter, our assumption is that the price paid will be no more than the capitalised value of the net rental stream of the homes*"[3]. The Council has therefore requested that Affordable Rent, Social Rent (on a sample basis only) and shared ownership tenures be modelled for the purposes of this study and on the basis of nil grant.

2.5.3 The assumed RP payment to developer (affordable housing revenue) levels have been calculated using the capitalised net rental stream approach with appraisal inputs made from our experience of working in this field and verified as far as possible through seeking soundings from locally active RPs. Calculations carried out using SDS Proval software, as used by many RPs, produced varying revenue (payment to developer) levels of approximately 28-40% of market value (MV) but more typically 30-35% MV for social rented properties; 35-50% of MV (typically approximately 45-50% MV) for affordable rented properties and 60-70% of MV for shared ownership properties, varying in all cases by unit type and size.

2.5.4 Following discussions with the Council it was decided to model affordable rent with the transfer value of the 1 and 2 bed properties capitalised on the basis of 80% of market rent and 3 and 4-bed properties capitalised on the basis of 70% of market rent. For affordable rented properties we introduced a further revenue level cap by assuming that the Local Housing Allowance (LHA) levels will act as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the Local Housing Allowance (LHA) rate. In reality, as with other assumptions, the level of market rents (and therefore rents at 80% or some lower proportion of the market level) will be a site specific consideration with regards to affordability and also financial viability for the RP. Registered Provider's views and attitudes to risk and their ability to support the development or purchase of affordable rented properties are wide ranging. Our practice for shared ownership revenue inputs, with affordability in mind, is to avoid assuming the transfer of larger than 2 bedroom properties for shared ownership wherever possible (3 + bedroom affordable homes are assumed principally for rented tenure).

[3] Homes & Communities Agency - 2011-15 Affordable Homes Programme – Framework

2.5.5 In terms of background assumptions, the shared ownership figures are calculated on the basis of not more than a minimum of 25% equity share with a rent of not more than 2.5% on the unsold equity. These assumptions amount to payments to the developer varying by unit type and value but in most cases not exceeding 61% MV.

2.5.6 Annual rental increases are based on RPI +0.5% for social rent; RPI for affordable rent); voids and bad debts are based on 2% social rent; 3% for affordable rent). Social rents are based on Target Rents.

2.5.7 Overall, the indicative revenue (payment to developer) levels assumed were considered reasonable and were within the parameters we have seen for other recent viability studies.

2.5.8 In practice, the affordable housing values generated (revenue) would be dependent on a range of scheme specifics and on other factors including the RP's own development strategies; and therefore would vary from case to case. The RP may have access to other sources of funding, such as its own resources, but any additional funding cannot be regarded as the norm – it is highly scheme dependent, and variable, and therefore has not been factored in here as fits the nil grant / other subsidy approach as a starting point.

2.6 Development Costs – Build Costs

2.6.1 The build costs shown below are taken from the Build Cost Information Service (BCIS) from the Royal Institute of Chartered Surveyors (RICS). The costs are taken as the "Median" figure for that build type – for flats we have used the BCIS "Flats – Generally" category; for houses we have used the "Housing, mixed developments" category. The figures are from Q1 2012 (latest non-forecast data available at the time of carrying out the appraisals) and a Hampshire location index (104) is used; see Figure 6 below.

Figure 6: Build Cost Data (BCIS Median, Q4 2011, Location Index 112)

Property Type	BCIS Build Cost (£/m²)*
Houses (Mixed Developments)	£836
Flats (Generally)	£955

*excludes externals and contingencies (these are added to base build cost)

2.6.2 The above build costs do not include contingencies or external works. An allowance for externals has been added to the above base build cost on a variable basis depending on the scheme type but typically between 10% and 20% of build cost for flatted and housing schemes based on analysis of specific schemes within the BCIS dataset. There will always be a range of data and opinions on, and methods of describing, build costs. In our view, we have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes which might require particular construction techniques or materials). As with many aspects there is no single appropriate figure in reality, so a judgement on some form of benchmark is necessary. As with any assumption of course this will be highly scheme specific. The base build costs have been applied to all sites.

2.6.3 An allowance of 5% of build cost has also been added to cover contingencies. This assumption is a relatively regular one in our experience. Reduced contingency levels at say 3% are seen too, but our preference for this purpose is to make sure that adequate allowances have been made.

2.6.4 The Council's emerging policies on Water Management require all new homes to meet the Code for Sustainable Homes (CfSH) Level 4 in terms of indoor water consumption (reference WAT 1) and external water use (reference WAT 2). For the purposes of this study an allowance of 5% has been added to the total build cost in respect of achieving CfSH Level 4 as a whole rather than just the WAT1 and WAT 2 categories required by the proposed policies. We have based this cost uplift on the costs shown within the Government's updated "Cost of Building to the Code for Sustainable Homes" document[4]. In very general terms this equates to an approximate increase of 5% of build costs over Part L 2010 baseline to achieve Code Level 4. Sensitivity testing has been carried out applying a 20% increase in build costs to reflect the additional cost of meeting CfSH Level 5 compared to current Part L

[4] DCLG - Cost of Building to the Code for Sustainable Homes - Updated Cost Review (August 2011)

2010 baseline rather than any future higher baseline as the Building Regulations requirements increase over time.

2.6.5 Although not specifically included within the Council's proposed policies an allowance for the achievement of Lifetime Homes standards has also been included within the development appraisals. Lifetime Homes or similar standards can affect scheme viability in a wider sense - from the point of view of increasing building footprints and therefore cost and, potentially, site capacity. However, such requirements may not necessarily add significant cost if designed-in sufficiently early as they should be. There are design implications though. The standards are not mandatory from a Government / HCA perspective. Design and cost impacts depend on a range of factors. These can include whether the criteria were designed-in from the outset or whether a standard house type is modified (it is more cost effective to incorporate the standards at the early design stage rather than modify standard designs); the experience of the home designer and builder; the size of the dwelling (it is usually more straight-forward to design larger dwellings that incorporate Lifetime Homes standards cost effectively than it is smaller ones). Analyses of costs can be variable. Our study assumption (purely for this purpose) is to include an allowance of £575 per dwelling – for all dwellings as a standard cost. The cost of implementing Lifetime Homes or similar could be expected to diminish if the concept becomes more widely adopted and the standards become embedded as the norm. Further information can be seen at www.lifetimehomes.org.uk).

2.6.6 The interaction of costs and values levels will need to be considered again at future review points. In this context it is also important to bear in mind that the base build cost levels will also vary over time. In the recent recessionary period we have seen build costs fall, but moving ahead they are expected to rise again. The latest BCIS Q1 2012 data indicates that tender prices fell by 2.2% over the preceding quarter and by by 0.5% compared to a year earlier with general inflation standing at 3.7% over the same period. The BCIS Briefing goes on to state:

"Following two years of growth in new work output, BCIS are expecting the construction industry to fall back into a fairly deep recession in 2012, with a further decline in 2013. New work output is predicted to fall by 8% in 2012 and by 3% in 2013, resulting from the Government's austerity measures and a domestic economy that remains weak. A recovery in new work output is anticipated for 2014, rising by 3%, led by the private sector, as the economy as a whole grows stronger and

consumer and business confidence improves. Stronger growth of around 5% is expected in 2015 and 2016, still driven by the private sector, but with the public sector (excluding infrastructure) only returning to modest growth in the penultimate year of the forecast period. The infrastructure sector, which relies on both public and private sector funding, is expected to grow throughout the remainder of the forecast period, following a fall in output in 2012. New work output in 2016 is still expected to be around 4% below that in 2007, the peak prior to the credit crunch.

New work output is expected to fall sharply in 2012, and with current tender price levels around 4% above the low in early 2010 and input costs having risen by 7% since then, it is thought that there is little room for a further downwards movement in tender prices. However, it is felt that with the sharp decline in new work output predicted for 2012, followed by a further smaller decline, contractors will reduce tender prices a little over the first year of the forecast, limited by contractor margins, in an effort to win work. Over the second year of the forecast, BCIS believe that contractors will be reluctant to absorb rising input costs for another year, despite a further fall in new work output in 2013, and so tender prices are predicted to rise more in line with input cost increases. As growth in new work output returns in 2014 and strengthens in 2015 and 2016, tender prices are broadly expected to rise in line with input costs until they move a little ahead towards the end of the forecast period, as cost and demand pressures start to build up. Tender prices at the end of the forecast period will still be in the order of 1% below the previous peak in 2007."[5].

2.6.7 The 'All-in tender price index' now stands at a similar level to that seen at Q4 of 2010, and prior to that, similar to tender price levels seen in Q1 2009. It has remained relatively flat in the period between the 2009/10 AHVS update and current study.

2.7 Wider planning obligations /other costs – e.g. s.106 / forthcoming potential CIL

2.7.1 All of the modelling for this study was carried out on the basis of a very broad estimate of the potential future planning infrastructure costs (Community Infrastructure Levy[6]) likely to be viable alongside other costs of compliance with Council policy. We understand that the Council will be considering implementing the

[5] BCIS – Update on Quarterly Briefing – July 2012 (http://service.bcis.co.uk/V3_BCIS/template.html)

[6] The Council indicated that it is likely that CIL will be introduced in the Borough. It was therefore agreed with Council officers that an allowance for this should be incorporated within the study modelling. This was set at £140 per sq m on the private dwellings only on the basis of advice received from the Council. A separate allowance for residual on-site s106 works has been allowed for at £1,000 per dwelling across all dwellings.

CIL approach within the next 2 years. It is possible that for some large (strategic) residential sites, s.106 planning obligations mechanisms could continue to be used with regard to some significant site specific infrastructure provision. No draft charging rates have been considered at this stage. However, for the purposes of this affordable housing viability study only we have used a notional amount of £140 per sq. m on the private dwellings only as advised by Council officers. Although the total amount generated varies by scheme size and affordable housing proportion, £140 per sq. m on our 25 unit mixed scheme assuming 40% affordable housing and 1,299 sq. m of private floor space generates £181,860. This is equivalent to £7,274 per unit (or £12,124 per unit if charging is assumed only on private dwellings). This compares to an assumption of £5,000 and £8,000 per unit tested in the 2009/10 AHVS update.

2.7.2 A further £1,000 per unit has been included to cover other site specific s106 costs.

2.8 Other Development Costs – Fees, Finance & Profit

2.8.1 The following costs allowances have been assumed for the purposes of this study:

Professional and other fees:	*Total of 10% of build cost*
Contingencies:	*5% of build cost*
Site Purchase Costs:	*0.75% agent's fees* *0.75% legal fees* *Standard rate for stamp duty*
Planning Application Costs:	*Variable*
Sustainable Design & Construction:	*See above.*
Finance:	*7.0% interest rate (assumes scheme is debt funded)* *1% notional arrangement fee*
Marketing costs:	*3.0% (of GDV) sales fees* *£600 per unit legal fees*

<u>*Developer Profit*</u>*:*	*Affordable Housing – 6% of GDV* *Open Market Housing – 20% of GDV* *Note that we acknowledge the variable role of and level of profits in terms of risk-reward for varying scheme types and in varying market conditions. We have seen profits across a wider range from less than 15% to in excess of 20% (of GDV) in our wide-ranging scheme specific viability work.*
<u>*Build period:*</u>	*6-18 months - varies by site size – details as per Appendix I based on BCIS Construction Duration Calculator and professional experience. 6 months lead in.*

2.8.2 Other costs assumptions including for surveys etc. vary by site and are shown in Appendix I.

2.9 Land Value Comparisons

2.9.1 It is necessary to compare the RLV results with an indicative level of land value expectation. This is a common feature of most current viability studies, so that we develop a feel for how likely the RLV results from the various assumptions combinations are to support viable schemes – i.e. in what circumstances they are likely to produce sufficient land value after all development costs (including profit, affordable housing, planning obligations and other planning policy related costs) are met.

2.9.2 As well as an existing or alternative use value, there may be an element of premium (excess or incentive) required to enable the release of land for development (where there is an established ready market for an existing or alternative use – 'EUV' or 'AUV'. The HCA's draft document 'Transparent Viability Assumptions' [7] that accompanies its Area Wide Viability Model suggests that "*the rationale of the development appraisal process is to assess the residual land value that is likely to be generated by the proposed development and to compare it with a benchmark that represents the value required for the land to come forward for development*". This

[7] Homes and Communities Agency – The HCA Area Wide Viability Model – Annex 1 Transparent Viability Assumptions (August 2010) Consultation Version

benchmark is referred to as threshold land value. '*Threshold land value is commonly described as existing use value plus a premium, but there is not an authoritative definition of that premium, largely because land market circumstances vary widely*'. Further it goes on to say that '*There is some practitioner convention on the required premium above EUV, but this is some way short of consensus and the views of Planning Inspectors at Examination of Core Strategy have varied'; and: 'For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value*'. In practice, as mentioned above, the premium over EUV / AUV will vary according to a number of factors including the strength of demand for new homes, the supply of land at various stages within the planning process and the attitude of the landowner to the sale of their land – '*In areas where landowners have long investment horizons and they are content with current land use, the premium will be relatively high. Conversely, the premium will be relatively low (and in extreme cases non-existent) where landowners are minded to sell or financially distressed'.*

2.9.3 The recently published document "Viability Testing Local Plans"[8] published by the Local Housing Delivery Group provides the following:

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).*

Some models allow for a variety of threshold approaches in order to give a range of outputs. Consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model. We recommend that the Threshold Land Value is based on a premium over current use

[8] Viability Testing Local Plans – Advice for planning practitioners - Local Housing Delivery Group (June 2012)

values and credible alternative use values...Alternative use values are most likely to be relevant in cases where the Local Plan is reliant on sites coming forward in areas (such as town and city centres) where there is competition for land among a range of alternative uses.”.

2.9.4 In practice, land value requirements vary significantly according to a range of constraints and opportunities - site type and conditions, planning scope and requirements, owner’s circumstances and requirements, market conditions / demand and the extent to which alternative uses etc. might be an option.

2.9.5 Given the low level of recent and current activity, it has not been possible to find meaningful evidence of recent land transactions. In this event (and this is certainly not unusual in recent experience) it is necessary to consider information such as is available to provide guides as to appropriate land value comparisons. Our practice is to consider a range of comparisons rather than a single defined benchmark land value, relating to varying potential site types (e.g. greenfield and PDL – previously developed land / brownfield where applicable). This provides a scale of land values which may need to be matched or exceeded by comparison to our results to provide viable development. With each step matched or exceeded comes an increased confidence level in that scenario being deliverable. So, for example, we would expect to see some combinations of obligations and assumptions delivered where only lower PDL comparison values need to be achieved (provided that abnormal costs were not too great) but would expect less viability scope as the land value comparison increases; so that costs or obligations may need to be adjusted to maintain a viable scheme. While the Council can react through negotiations as may be needed in considering individual schemes, policy targets which respect these dynamics need to be set. These will create the necessary clarity as to expectations on affordable housing and other matters.

2.9.6 The Valuation Office Agency (VOA) Property Market Report 2011 (the latest available) provides no information relating to localities within Test Valley Borough. It provides a limited range of indications based on particular locations within regions but does include data for Southampton. For industrial land, an indicative value of £1,145,000 per Ha is given. For agricultural land a figure of no more than £20,995 per Ha is given (although figures are for Oxfordshire and Kent, maximum agricultural values do not vary greatly across the South East). For residential building land a value of £1,700,000 per Ha is provided. This assumes established residential use and suggests that as an upper end land value comparison locally, values could need to reach circa £1.7m per Ha equivalent for certain sites to come forward. However we cannot be certain what type of planning assumptions (including obligations) are associated with those indications. Anecdotally, the Council has suggested land for residential development has come forward historically at approximately £1m per acre (£2.47m per hectare) but importantly the Council notes that this price excludes the fact that affordable housing will be sought.

2.9.7 In reviewing our results based on the principles outlined above, we consider that a range of land value comparisons could well be relevant locally. For greenfield land (enhancement to agricultural values typically of £15,000 – £20,000 per Ha and based on a multiplier of 10 to 20) we might expect values of say £400,000 per Ha to be sufficient to secure land release; lower figures might do so in the current circumstances. Between the £400,000 per ha and the upper land value levels, of say £1.7m per Ha we might expect a range of commercial use sites and lower value residential opportunities / potentials to produce suitable outcomes especially in a market where commercial property demand and values have been very severely hit. As acknowledged, however, higher land values could be seen in a variety of circumstances in the Borough.

2.9.8 None of these scenarios represent fixed or definite cut-offs; they are put forward for this study purpose only and in the context of 2.9.5 above; i.e. viewing a variety of RLV results with increased confidence as the RLVs increase relative to these various potential land value requirement indications. Again, the assumptions are not intended to prescribe value levels or other factors which would override particular site and delivery considerations.

2.9.9 In practice a range of land value comparisons and requirements will be relevant, according to site characteristics, opportunities and constraints, owners' situations, timing, market conditions and other circumstances.

2.9.10 At the same time, landowners' expectations will need to be realistic. Land values reflect these various factors – the value is associated with what can be done with it; it's potential as affected by any constraints. A premium or uplift level of land value may well not be appropriate in all circumstances – that would rely on their being a ready market for a site in its existing or in an alternative use. For example, we would not expect to see premium value levels applied where commercial premises have not been marketable for that use. The range of influences on viability outcomes will need to be considered as the Council and Developers consider sites and apply the approach in dealing with scheme specifics.

3 Results

3.1 Introduction and Interpretation.

3.1.1 This section is compiled with reference to the results set out within Appendix II. This shows the RLV results generated by our range of appraisals on the basis of the assumptions explained in Chapter 2. Before outlining the results trends, the following provides a brief guide to interpreting the results in Appendix II.

3.1.2 The results tables show the scheme type and value level in the left hand column and the tenure / proportion along the top. The table is split into two halves with the left hand side showing the actual residual land value produced (in absolute terms) and the right hand side showing the equivalent value on a £ per Ha basis. The £ per Ha side of the tables are colour coded to show how the results compare to a potential range of competing or existing use values.

3.1.3 Appendix II, Table 1a shows a summary of the appraisal results based on the following and providing a comparison to potential Greenfield and PDL land value benchmark indicators:

- 10% & 20% affordable housing on the basis of a financial contribution in-lieu of on-site affordable housing provision on sites of 2 dwellings;
- 20% affordable housing on the basis of on-site affordable housing provision on sites of 5 dwellings;
- 20%, 30% and 40% affordable housing on the basis of on-site affordable housing provision on sites of 10 or more dwellings assuming 70% affordable rent / 30% shared ownership tenure.

3.1.4 Appendix II, Table 2a shows the same information as Table 1a but with results based on a tenure mix of 70% social rent and 30% shared ownership.

3.1.5 Table 3a shows the same information as Table 1a but with results based on a higher addition to build cost to reflect the potential future requirement to attain the equivalent of the energy requirements from the Code for Sustainable Homes Level 5. This has been carried out on a sample of sites (15 and 25 only).

3.1.6 Tables 1b, 2b and 3b show the summary residual land value appraisal results as a percentage of gross development value.

3.1.7 In the following sections we will outline the meaning of the results in each case considering the results by reference to increasing value level (increasing value of market housing) - and then provide our overall interpretation of these by drawing the points together before providing our conclusions.

3.2 On-site Affordable Housing Appraisal Results and Findings

3.2.1 It is not entirely possible to directly compare results from the previous study with results from this update (due to changes in calculation of affordable housing revenue, densities used, uplift in costs for CfSH Level 4 and so on) but we have compared briefly the results generated in this update study with those from the last update carried out in 2009/10. As one example, (comparing a 25 unit mixed scheme with a 40% affordable housing requirement and an assumed 70% rent / 30% shared ownership tenure mix in each case), we can see a RLV produced in the 2009/10 study of £519,024 at Value Level 4. In this update, the same scheme typology at the same value level produces a RLV of £944,677. We can see that the impact of changes into key assumptions has led to a positive increase in the results (noting that for the original study the affordable housing was based on nil cost serviced land and therefore build cost reimbursement for the affordable housing compared to the capitalised net rental stream method of calculating the affordable rent transfer payment for this update). The comparison above is also based on a 17.5% developer's profit and Code for Sustainable Homes Level 4 in the original study compared to a 20% developer's profit assumption used for this update.

3.2.2 We can see that, in comparison with the previous view, the combination of lower base build costs and higher revenue assumptions on the affordable housing have outweighed the increase in developer profit assumptions for this update study whilst maintaining the value levels as per the 2009/10 AHVA. This has led to increased RLV results compared to previous.

3.2.3 So, in relative terms, the results look stronger than for the original study when looking at the results of each of the scheme types modelled. However, in absolute terms, comparing the residual land value results to estimated existing use value benchmarks, or 'land value thresholds' we note that, similar to the original study, the RLVs are not sufficiently high to overcome those estimated land value thresholds at Value Level 1 and at Value Level 2 are likely only to exceed lower land value thresholds from within the overall range considered and at the lower proportion of affordable housing tested.

3.2.4 The results for the 10 unit scheme, which is assumed to be providing 30% affordable housing, all show strong prospects of viability in a greenfield scenario at all values except from VL1, which is showing only a nominally positive RLV (unlikely to be workable). However, we have commented that VL1 mainly represents a sensitivity test for current low end values in the Borough falling (in approximate terms, by about 10%) – those are not values typically seen for new builds in any area locally at present.

3.2.5 As the scheme size increases (and thus the affordable housing proportion required increases accordingly), the RLV results shown suggest similar outcomes overall in that the VL1 results are generally negative or poor, and therefore very unlikely to be viable. Whilst the picture improves at VL2, the tone of outcomes is still residual land values that are unlikely to be sufficient to exceed anything other than lower-end land values.

3.2.6 Between value level 2-3 we see the results improve sufficiently compared to greenfield and lower end industrial / employment land value thresholds for 30% to 40% affordable housing generally to be viable (taking into account the other assumptions used) but based on sites without significant on-site / other infrastructure costs or obligations in addition to the assumptions made. In order to accommodate higher levels of infrastructure on strategic greenfield sites, a strengthening of the values / costs relationship would be needed e.g. through a lower affordable housing proportion, altered tenure mix, improvement in sales values, lower build costs or a combination of such factors. This finding is not unusual and, as always, actual outcomes would be highly dependent on site specifics.

3.2.7 At Value Level 3, the 30% and 40% affordable housing results show residual land values that still compare favourably with a range of increasing land value benchmarks, but may still struggle in comparison with sites in existing residential use.

3.2.8 On previously development land (PDL) where a higher land value threshold / existing use value could be expected, results associated with Value Levels 3 to 4 are required to enable a 40% proportion of affordable housing (again assuming the threshold land value indications and other assumptions used in this high level study).

3.2.9 The VL2 outcomes point to potential issues with scope to support 40% affordable housing alongside the other policy cost assumptions in the lower value areas of the Borough, especially for non-greenfield scenarios. We should reiterate that in indicating typically lower value areas there will always be variations - including schemes that produce higher value levels in such areas.

3.2.10 These results also indicate that the mid to high-end values in the Borough are likely to produce viable schemes with significant planning obligations funding scope. However, the Council will need to consider the frequency and type of schemes likely to come forward in those areas and, therefore, their overall contribution to the planned levels of housing growth in the Borough over the Plan period. On this basis, there may well be only a limited justification for considering a differentiated policy approach for such areas, bearing in mind also the move away from a clear single Borough-wide clarity that such an approach would bring. The factor of higher land values tending to accompany the higher sales values scenarios also needs to be considered and is a balancing factor when thinking about viability.

3.3 Tenure Variation

3.3.1 Table 4a shows the impact on viability of switching the assumed affordable housing tenure from affordable rent to social rent. The residual land values generated reduce from the comparable affordable rented results again with values at or around Value Level 3-4 required to create potentially viable residual land values (and thus development) compared to the higher range of competing use values. When compared to greenfield land values, the results show scope to provide 40% affordable housing and additional planning obligations as tested within this study at all value levels from 2-3 and above. Below Value Level 2-3, the residual land values produced are marginal compared to the range of potential competing use values.

3.4 Smaller Sites Affordable Housing and Financial Contributions

3.4.1 The Council's earlier AHVS (2009/10) included considering a financial contributions approach for sites of fewer than 5 dwellings and for this update the Council has asked us to review this area of potential Council policy. Generally, we consider that is often impractical to expect on-site affordable housing to be integrated into the smallest sites; certainly developments of fewer than 5 dwellings. This may be possible in some cases, but may be problematic in others owing to design, affordability, management and any wider sustainability and management issues associated with highly dispersed RP housing stock. We find that views vary from one area to another, but in our experience on-site affordable housing on the very smallest schemes should not usually be a rigid expectation.

3.4.2 The reasoning and practicalities of introducing a sliding scale of affordable housing as site size increases has been explained and well-rehearsed through the Council's earlier affordable housing studies (see section 3.4 of the 2009/10 report). In this update we have tested the policy at each of the threshold points as described above and as set out in the appendices and discussed in the results chapter earlier. On the smallest sites a financial contributions approach can provide a more practical solution which is more consistently deliverable and potentially sees all additional dwellings contributing to a very useful enabling fund. As a more market-friendly approach than seeking on-site affordable housing on small schemes the approach could be applied over an extended range - to schemes providing one new dwellings or more; up to say 9 or 14 dwellings but for the purposes of this update we have restricted the testing to an example site of three units. This means collecting financial contributions as the primary route on the small sites. It is distinct from payment "in-lieu" scenarios where in exceptional circumstances on sites over the on-site thresholds a financial contribution may be negotiated in preference to a compromised on-site affordable housing solution. If progressed by the Council, there would be no starting presumption for on-site affordable housing on sites below 5 units. We have only considered the financial contribution routes on sites of between 1-4 units in this update.

3.4.3 There are many possible routes, to calculating a financial contribution. This is an initial review only of this area and usually Councils develop this thinking further through detailed SPD or similar guidance. Ultimately there are various options for the Council to consider, depending on the level of complexity thought appropriate in the local circumstances; and the degree of resourcing the various routes might need in terms of guidance, updating and site specific discussions / negotiations.

3.4.4 There is no Government or other formal requirement, or widely recognised guidance, as to how affordable housing contributions of this type should be calculated or set out. We are assuming that these contributions would be made on top of other s.106 / CIL obligations already factored in to the appraisals.

3.4.5 In essence, the precise calculation method and accompanying text is a means to an end in that the important aspects are to arrive at a suitable figure or figures which can be clearly explained; and that do not unduly affect development viability so that site supply is not restricted by the implementation of the approach.

3.4.6 At the low proportions (%s) that are appropriate for this part of a sliding scale in viability terms (usually no more than 10% to 20% equivalent) the calculation often means that a fraction of one whole affordable dwelling equivalent is being requested. We find that on most occasions these calculations on developments of this scale arrive at a fraction of an affordable dwelling in some way, and the contribution is ultimately expressed as a sum in £s. For example 10% at 4 dwellings produces 0.4 dwelling equivalent; 0.9 dwelling equivalent at 9 dwellings.

3.4.7 The calculation of a financial contribution (monetary sum) can be exact and thereby overcome these matters – it does not need to reflect whole dwellings and in our view need not be tied by such a link to the proportion. In this study we have utilised the approach as set out previously for the Council. This effectively multiplies the open market value of the relevant property / properties by a pre-determined residual land value percentage and then adds a percentage to cover servicing costs. The relevant equivalent affordable housing proportion is then applied to this figure (10% and 20% have been tested for this update) and multiplied by the number of units (in this case 5 and 9).

3.4.8 For the purposes of this study we have assumed a residual land value percentage of 21.4%, updating the calculation used within the 200/10 study by determining the notional residual land value as a percentage of GDV of the site types tested. In practice this value may need to be reviewed should this mechanism be utilised in calculating financial contributions. As an example with our 2 unit housing scheme example at Value Level 3, the financial contribution would be equivalent to the following (2 x 3-bed houses):

A – MV* (3-bed house) = £218,875

B - Residual land value percentage = 21.4%

C – Uplift for servicing costs = 15%

D – Affordable Housing Proportion

E – Number of units

(A x B + C) x D x E = Financial Contribution

£218,875 x 0.214 x 1.15 x 0.1 x 2 = £10,773

3.4.9 Ultimately there are various other options that the Council could consider, depending on the level of complexity thought appropriate in the local circumstances; and the degree of resourcing the various routes might need in terms of guidance, updating and site specific discussions / negotiations.

3.4.10 Based on 10% affordable housing financial contribution on a 2 unit scheme we can see that at Value Level 1 results are below acceptable parameters in terms of viability. At Value Level 2 we see an increase in viability but plot values (at this scale of dwellings, the land values in £ per ha need to be looked at in tandem with the per plot values generated) are still low. We need to get to Value Levels 3 or 4 before we see potentially viable looking residual land values. The 20% affordable housing equivalent on the same basis provides a further deterioration in results from that point.

4 Recommendations & Options

4.1 Overview

4.1.1 VL1 to VL2 values, representative of values moving from below to the lower value areas of the Borough, may see poor viability results with 40% affordable housing combined with the other policy and development related costs applied in this update study. It is possible that those scenarios could support 40% affordable housing on uncomplicated greenfield land (i.e. without major abnormal costs) at Value Level 2.

4.1.2 Medium to higher value scenarios are likely to be able to bear greater costs and obligations – including 40% affordable housing – on a wider range of site types including land that has to be acquired at greater cost.

4.1.3 The impact of an affordable housing tenure mix based on affordable rent (with shared ownership) is more positive for overall scheme viability than a tenure mix that includes social rent (assuming no public subsidy / HCA funding in all cases and tenure forms).

4.1.4 The impact on scheme viability of relatively high levels of planning obligations (in addition to affordable housing) can be seen but is not as great as the impact seen from increasing affordable housing proportion; or compared with the significant influence from the level of the market sales value levels available to support viability.

4.1.5 Nevertheless, it is the collective burden on schemes that counts for viability so that careful consideration will need to be given to wider planning obligations levels if optimal levels of affordable housing are to be delivered within market led developments. This will be an important factor given the likely increased costs in achieving sustainable design and construction criteria in the future and should the Council consider implementing CIL, given the non-negotiable nature of that charge and the fact that it is charged on private dwellings only.

4.1.6 There is scope for the Council to collect financial contributions from the smallest sites tested but care will be needed in setting the equivalent affordable housing proportion and consideration will be needed over the application of policy on a net vs. gross basis.

4.2 Recommendations - Affordable Housing Policy

4.2.1 The updated assumptions on costs and values and the viability appraisal results indicate that the previous Affordable Housing Viability Assessment recommendations still apply. This means that bearing in mind the local level of affordable housing need, one option available to the Council in our view is to maintain its affordable housing target headlines; based on 40% provision for larger sites but applied with flexibility where needed. A single, Borough-wide approach to affordable housing provision (i.e. no variation by geography) is still regarded as the most suitable option for the Council. We must emphasise however the importance of accepting that flexibility will need to be built into policy alongside acknowledgement of the need to negotiate; particularly in some lower value instances and sites with high development costs, etc. So, **the Council could continue with a 40% headline target on sites of 15 or more dwellings and introduce a sliding scale of affordable housing provision below this** as follows:

On sites of 10 – 14 dwellings: 30% on-site affordable housing;

On sites of 5-9 units: 20% on-site affordable housing (or via a financial contribution)

4.2.2 For the smallest sites (sites below 5 units) bearing in mind the results of the original study and this update along with the detailed explanations set out in the 2009/10 AHVS Update and further modelling in this study we would recommend that the Council introduce a requirement to collect a financial contribution equivalent to a proportion of 10% affordable housing, further respecting the sliding scale principles and the potential viability issues that may arise with any higher proportion. The Council policy could therefore reflect the following:

On sites of 1-4 units collection of financial contributions at up to 10% affordable housing equivalent.

4.2.3 There are pros (seeking to optimise affordable housing provision) and cons (around variable market sensitivities as below) associated with the above recommendations. As an alternative approach **the Council could also consider the following options** (these also need to be considered in the wider context, as outlined below):

A - Reduce the Borough-wide affordable housing headline target from previously considered levels (i.e. 40% on sites of 15 or more dwellings) to 30% on the same basis.

B - As option A above, but considered for certain areas of the Borough only – those being the typically lower value areas with the detail of this considered further if an option taken on by the Council. This would result in a more complex policy scenario. We also suggest that this should also be considered in the context of the frequency and type of schemes likely to be coming forward in the Borough as a whole – i.e. the roles that various development types and locations are likely to be playing in overall development plan (Local Plan) delivery.

4.2.4 The continuation of the 40% headline approach is supported in our view, provided it is appropriately framed in policy wording and operated in an adaptable way, as an ongoing tool for optimising affordable housing from this source. In summary our recommendations provide the following policy development scope:

Site Size Range (no. of dwellings)	Potential Policy Option (% target)	On-Site	Financial Contribution
1-4	0%	✓	✓
	10%	X	✓
	20%	X	X
5-9	0%	✓	✓
	20%	✓	✓
	>20%	X	X
10-14	0%	✓	✓
	20%	✓	✓
	30%	✓	✓
	40%	X	X
15+	0%	✓	X
	20%	✓	X
	30%	✓	X
	40%	✓	X
	>40%	X	X

4.2.5 It is important to accept that flexibility will need to be built into the final policy alongside acknowledgement of the need to negotiate in some lower value instances / difficult sites. This would apply also to a lower than 40% headline policy target, as it does to all layers of an accompanying sliding scale. The affordable housing tenure mix, tenure type, affordability, scheme types and timing (with regard to particular market conditions etc) will all collectively have an effect on the precise affordable housing package that is delivered.

4.2.6 Of equal importance, the Council will need to carefully consider whether the policy applies to all new dwellings (gross) or net new dwellings; this can be especially sensitive when collecting financial contributions from the smallest sites for example.

4.2.7 We consider that the above themes strike an appropriate balance between the duty to seek optimal provision towards meeting affordable needs in the local circumstances and economic viability of plan delivery as a whole. However, also within the parameters of our viability findings and recommendations would be an approach which reduced targets to some extent from these levels; either in respect of some defined (typically) lower value areas within the Borough or across the area. In the event of considering such options, the Council would need to consider the balance with the affordable housing need. To this end, it could be argued that policy targets should be appropriately challenging, and that they would be expected to be so in uncertain market conditions in any event. Flexible operation of the approach as required should be able to deal with issues from scheme to scheme as particular circumstances apply and varying market conditions are experienced.

4.2.8 Therefore, wherever the policy proportions are placed (including for financial contributions equivalents) they need to be regarded as targets which should be accompanied by a practical negotiated approach where needed; including the sharing of viability information to inform that process.

4.2.9 The Council will need to consider how the resourcing side balances with the need to do all possible to optimise the enabling scope that might be provided through the affordable housing targets and perhaps especially the financial contributions approach if that is to become part of policy.

4.2.10 The issues highlighted above are put forward given the need to ensure that affordable housing targets are not set so high as to jeopardise overall development in the Borough taking into account the potential for other development costs to increase and also the potential for falling values in a further period of sustained economic uncertainty.

4.2.11 The affordable housing contributions element does have potential to provide valuable contributions to add to the Council's enabling tools through an affordable housing fund. If it decides to pursue this element, the Council will need to link it to an open strategy and records relating to the funding plans, collection and allocation of monies. In our experience local authorities are able to use these funds flexibly to support a variety of affordable housing initiatives. These might include gap funding or forward funding schemes, development on Council or RP owned land, empty properties / refurbishments, purchase of existing properties, improvement of numbers or tenure provision on s.106 quota sites, etc.

4.2.12 This is based not just on a "current" view. We consider that the above identifies scope to find the appropriate balance between affordable housing needs and scheme viability, in accordance with our wide experience of successful Core Strategy and Affordable Housing DPD evidence and EiP outcomes, as well as the detail of affordable housing and other planning policies and viability factors in operation in practice.

4.2.13 Wherever pitched, the policies will need to be accompanied and explained by appropriate wording and guidance that sets out the strategic context and nature of the targets but also recognises the role of viability in implementation.

4.2.14 Allied to this, a practical, negotiated approach will need to be acknowledged - which can be responsive to particular circumstances as those will continue to be highly variable with site specifics. The need for this type of approach is likely to be particularly important in the event of ongoing economic and market uncertainty such as we still have at the current time.

4.2.15 This viability evidence will need to be considered in conjunction with wider evidence on housing needs and the shape of site supply (type, location and size of sites coming forward).

4.2.16 Other detail will need to be considered, including on:

- Numbers rounding / numerical implications of targets etc. (often best dealt with through negotiation, but as part of a number of issues that can effect viability on a site specific basis - including dwelling types and mix, tenure mix, specification, timing of delivery and so on).

- Detailed application of targets – e.g. with reference to net or gross new dwelling numbers, and bearing in mind that gross application can produce significant impacts in some circumstances, perhaps especially on smaller schemes.

- Strategy for financial contributions, if pursued – collection, allocation and monitoring.

- Monitoring, review and any necessary updating – it will be essential to consider the monitoring and review aspects associated with these policies as part of creating a sound overall approach.

Main report text ends.
October 2012
Appendices follow.

D|S|P Housing & Development Consultants

Appendix I
Development Appraisal Assumptions

Test Valley Borough Council - Affordable Housing Viability Study Update - Residential Assumptions Sheet

Site Size Appraised	Dwelling Mix (BF = Bed Flat; BH = Bed House	Likely Density (dph)	Percentage Affordable Housing & Tenure Mix						Construction Duration (months)
			Private Mix	20% Affordable Tenure Split 70% AR; 30% LCHO*	Private Mix	30% Affordable Tenure Split 70% AR; 30% LCHO*	Private Mix	40% Affordable Tenure Split 70% AR; 30% LCHO*	
2 Units**	2 x 3BH	40	Financial Contributions Only - 10% / 20% equivalent tested						6
5 Units	2 x 2BH; 3 x 3BH	40	1 x 2BH, 3 x 3BH	1 x 2BH AR	N/A	N/A	N/A	N/A	6
10 Units	5 x 2BH; 5 x 3BH	40	4 x 2BH, 4 x 3BH	1 x 3BH AR; 1 x 2BH SO	3 x 2BH, 4 x 3BH	1 x 2BH, 1 x 3BH AR; 1 x 2BH SO	3 x 2BH, 3 x 3BH	1 x 2BH, 2 x 3BH AR; 1 x 2BH SO	9
15 Units	5 x 2BH; 10 x 3BH	40	4 x 2BH, 8 x 3BH	2 x 3BH AR; 1 x 2BH SO	3 x 2BH, 7 x 3BH	1 x 2BH, 3 x 3BH AR; 1 x 2BH SO	2 x 2BH, 7 x 3BH	1 x 2BH, 3 x 3BH AR; 2 x 2BH SO	9
25 Units	2 x 1BF; 4 x 2BF; 7 x 2BH; 7 x 3BH; 5 x 4BH	55	1 x 1BF; 3 x 2BF; 6 x 2BH; 6 x 3BH; 4 x 4BH	1 x 1BF, 1 x 2BF, 1 x 3BH, 1 x 4BH AR; 1 x 2BH SO	1 x 1BF; 2 x 2BF; 5 x 2BH; 5 x 3BH; 4 x 4BH	1 x 1BF, 2 x 2BF, 2 x 3BH, 1 x 4BH AR; 2 x 2BH SO	2 x 2BF; 4 x 2BH; 5 x 3BH; 4 x 4BH	2 x 1BF, 2 x 2BF, 2 x 3BH, 1 x 4BH AR; 3 x 2BH SO	12

*Policy position. Actual percentage will vary due to numbers rounding. Appraisals repeated with Social Rent replacing Affordable Rent.

** Financial contributions tested.

Unit Sizes (sq m)	All
1-bed flat	50
2-bed flat	67
2-bed house	75
3-bed house	85
4-bed house	110

Open Market Value*1	Value Level 1	Value Level 2	Value Level 3	Value Level 4	Value Level 5	Value Level 6
1-bed flat	£100,000	£110,000	£128,750	£147,500	£166,250	£185,000
2-bed flat	£134,000	£147,400	£172,525	£197,650	£222,775	£247,900
2-bed house	£150,000	£165,000	£193,125	£221,250	£249,375	£277,500
3-bed house	£170,000	£187,000	£218,875	£250,750	£282,625	£314,500
4-bed house	£220,000	£242,000	£283,250	£324,500	£365,750	£407,000
Value (£ / m²)	£2,000	£2,200	£2,575	£2,950	£3,325	£3,700

Development Costs	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS	
Build Costs Flats (Generally) (£/m²)[1]	£1,098
Build Costs Houses (Mixed Developments) (£/m²)[1]	£961
Survey Costs (£ / unit)	£500
Contingencies (% of build cost)	5%
Professional & Other Fees (% of build cost)	10.0%
Sustainable Design / Construction Standards (% of build cost)[2] - Code Level 4.	5%
Lifetime Homes / Other (£ per unit)[3]	£545
Planning obligations /CIL costs (notional allowance)	£140/m²
Marketing & Sales Costs (%of GDV)	3%
Legal Fees on sale (£ per unit)	£600
DEVELOPER'S RETURN FOR RISK AND PROFIT	
Open Market Housing Profit (% of GDV)	20.0%
Affordable Housing Profit (% of GDV)	6.0%
FINANCE & ACQUISITION COSTS	
Arrangement Fee - (% of loan)	1.0%
Miscellaeneous (Surveyors etc) - per unit	0.00%
Agents Fees (% of site value)	0.75%
Legal Fees (% of site value)	0.75%
Stamp Duty (% of site value)	0% to 5%
Finance Rate - Build (%)	7.0%
Finance Rate - Land (%)	7.0%

Notes:

[1] Build cost taken as "Median" figure from BCIS for that build type - e.g. flats ; houses storey heights etc and then rounded. Median figure gives a better figure than the Mean as it is not so influenced by rogue figures that can distort the mean on small sample sizes. BCIS data: Flats (Generally): £955/m² GIA; Houses Mixed Development: £836/m² GIA.

Build costs taken from 1st Quarter 2012 and rebased to Hampshire Location Factor of 104 without externals, contingencies or fees.

Above build costs include externals at 15% of base build cost.

[2] The above costs are based on the Cost of Building to the Code for Sustainable Homes - Updated Cost Review (August 2011) cost data assuming Building Regs 2010 baseline. CfSH L 4 assumed for all dwellings for the purposes of this study only.

[3] Allowance to achieve Lifetime Homes Standards acknowledged within report as potential variable cost issue (depending on design etc).There have been a number of studies into the costs and benefits of building to the Lifetime Homes standard. These have concluded that the costs range from £545 to £1615 per dwelling, depending on: the experience of the home designer and builder; the size of the dwelling (it is easier to design larger dwellings that incorporate Lifetime Homes standards cost effectively than smaller ones); whether Lifetime Homes design criteria were designed into developments from the outset or whether a standard house type is modified (it is more cost effective to incorporate the standards at the design stage rather than modify standard designs); and any analysis of costs is a 'snapshot' in time. The net cost of implementing Lifetime Homes will diminish as the concept is more widely adopted and as design standards, and market expectations, rise (www.lifetimehomes.org.uk).

Test Valley Borough Council - Affordable Housing Payments to Developer Data

Unit Type	DSP sales value per sqm	DSP Values Range	Equivalent Jan 1999 value	ASDS Social rent level per week 2012	ASDS Social Rent price	ASDS Social Rent price - % of OMV	Basingstoke BMRA June 2012 LHA rate	transfer value based upon June 2012 LHA for Basingstoke	Rents - 80% market rent	transfer value based upon 80% MR	transfer value based upon 80% MR - % of OMV	Rents - 70% market rent	transfer value based upon 70%MR	transfer value based upon 70% MR - % of OMV	Rents - 60% market rent	transfer value based upon 60%MR	transfer value based upon 60%MR - % of OMV	DSP Values Range	Shared Ownership transfer value based upon 25% equity sale	transfer value based upon shared ownership - % of OMV
1 bed flat	£2,000	£102,000	£40,800	£77.24	£52,000	51%			£78	£42,500	41.7%	£69	£33,500	32.8%	£59	£24,500	24.0%	£102,000	£60,500	59.31%
51 sqm	£2,250	£114,750	£45,900	£79.88	£55,000	48%			£88	£51,500	44.9%	£77	£41,000	35.7%	£66	£30,500	26.6%	£114,750	£68,500	59.69%
	£2,500	£127,500	£51,000	£82.51	£57,500	45%			£98	£61,000	47.8%	£86	£50,000	39.2%	£74	£38,500	30.2%	£127,500	£76,000	59.61%
	£2,750	£140,250	£56,100	£85.15	£60,000	43%			£108	£70,500	50.3%	£94	£57,000	40.6%	£81	£45,000	32.1%	£140,250	£84,000	59.89%
	£3,000	£153,000	£61,200	£87.79	£63,000	41%	£129.81	£91,000	£118	£80,000	52.3%	£103	£65,500	42.8%	£88	£51,500	33.7%	£153,000	£92,000	60.13%
	£3,250	£165,750	£66,300	£90.43	£65,500	40%			£128	£89,500	54.0%	£112	£74,000	44.6%	£96	£59,000	35.6%	£165,750	£100,000	60.33%
	£3,500	£178,500	£71,400	£93.06	£68,000	38%			£137	£91,000	51.0%	£120	£81,500	45.7%	£103	£65,500	36.7%	£178,500	£108,000	60.50%
	£3,750	£191,250	£76,500	£95.70	£71,000	37%			£147	£91,000	47.6%	£129	£90,000	47.1%	£110	£72,500	37.9%	£191,250	£116,000	60.65%
	£4,000	£204,000	£81,600	£98.34	£73,500	36%			£157	£91,000	44.6%	£137	£91,000	44.6%	£118	£80,000	39.2%	£204,000	£124,000	60.78%
2 bed flat	£2,000	£134,000	£53,600	£90.10	£65,000	49%			£103	£66,000	49.3%	£90	£53,000	39.6%	£77	£41,000	30.6%	£134,000	£80,500	60.07%
67sqm	£2,250	£150,750	£60,300	£93.56	£68,500	45%			£116	£78,000	51.7%	£101	£64,000	42.5%	£87	£50,500	33.5%	£150,750	£91,000	60.36%
	£2,500	£167,500	£67,000	£97.03	£72,500	43%			£129	£90,500	54.0%	£113	£75,000	44.8%	£97	£60,000	35.8%	£167,500	£101,500	60.60%
	£2,750	£184,250	£73,700	£100.49	£76,000	41%			£142	£102,000	55.4%	£124	£85,500	46.4%	£106	£68,500	37.2%	£184,250	£111,500	60.52%
	£3,000	£201,000	£80,400	£103.96	£79,500	40%	£160.38	£120,000	£155	£115,000	57.2%	£135	£96,000	47.8%	£116	£78,000	38.8%	£201,000	£122,000	60.70%
	£3,250	£217,750	£87,100	£107.42	£83,000	38%			£168	£120,000	55.1%	£147	£107,500	49.4%	£126	£87,000	40.0%	£217,750	£132,500	60.85%
	£3,500	£234,500	£93,800	£110.89	£86,500	37%			£180	£120,000	51.2%	£158	£117,500	50.1%	£135	£96,000	40.9%	£234,500	£143,000	60.98%
	£3,750	£251,250	£100,500	£114.35	£90,000	36%			£193	£120,000	47.8%	£169	£120,000	47.8%	£145	£105,000	41.8%	£251,250	£153,500	61.09%
	£4,000	£268,000	£107,200	£117.82	£93,500	35%			£206	£120,000	44.8%	£180	£120,000	44.8%	£155	£115,000	42.9%	£268,000	£164,000	61.19%
2 bed house	£2,000	£150,000	£60,000	£93.41	£68,500	46%			£115	£77,000	51.3%	£101	£64,000	42.7%	£87	£50,500	33.7%	£150,000	£90,500	60.33%
77 sqm	£2,250	£168,750	£67,500	£97.29	£72,500	43%			£130	£91,000	53.9%	£114	£76,000	45.0%	£97	£60,000	35.6%	£168,750	£102,000	60.44%
	£2,500	£187,500	£75,000	£101.16	£76,500	41%			£144	£104,000	55.5%	£126	£87,000	46.4%	£108	£70,500	37.6%	£187,500	£113,500	60.53%
	£2,750	£206,250	£82,500	£105.54	£80,500	39%			£159	£118,500	57.5%	£139	£99,500	48.2%	£119	£81,000	39.3%	£206,250	£125,000	60.61%
	£3,000	£225,000	£90,000	£108.92	£84,500	38%	£160.38	£120,000	£173	£120,000	53.3%	£151	£111,000	49.3%	£130	£91,000	40.4%	£225,000	£137,500	61.11%
	£3,250	£243,750	£97,500	£112.80	£88,500	36%			£188	£120,000	49.2%	£164	£120,000	49.2%	£141	£101,500	41.6%	£243,750	£148,500	60.92%
	£3,500	£262,500	£105,000	£116.68	£92,500	35%			£202	£120,000	45.7%	£177	£120,000	45.7%	£151	£111,000	42.3%	£262,500	£160,500	61.14%
	£3,750	£281,250	£112,500	£120.56	£96,500	34%			£216	£120,000	42.7%	£189	£120,000	42.7%	£162	£120,000	42.7%	£281,250	£172,000	61.16%
	£4,000	£300,000	£120,000	£124.44	£100,500	34%			£231	£120,000	40.0%	£202	£120,000	40.0%	£173	£120,000	40.0%	£300,000	£184,000	61.33%
3 bed house	£2,000	£190,000	£76,000	£107.92	£83,500	44%			£146	£106,000	55.8%	£128	£89,500	47.1%	£110	£72,500	38.2%	£190,000	£115,000	60.53%
95 sqm	£2,250	£213,750	£85,500	£112.83	£88,500	41%			£164	£123,500	57.8%	£144	£104,000	48.7%	£123	£84,500	39.5%	£213,750	£130,000	60.82%
	£2,500	£237,500	£95,000	£117.75	£93,500	39%			£183	£141,000	59.4%	£160	£119,500	50.3%	£137	£98,000	41.3%	£237,500	£145,000	61.05%
	£2,750	£261,250	£104,500	£122.66	£98,500	38%			£201	£142,500	54.5%	£176	£134,500	51.5%	£151	£111,000	42.5%	£261,250	£160,000	61.24%
	£3,000	£285,000	£114,000	£127.57	£103,500	36%	£184.62	£142,500	£219	£142,500	50.0%	£192	£142,500	50.0%	£164	£123,500	43.3%	£285,000	£174,500	61.23%
	£3,250	£308,750	£123,500	£132.49	£108,500	35%			£238	£142,500	46.2%	£208	£142,500	46.2%	£178	£136,500	44.2%	£308,750	£189,000	61.21%
	£3,500	£332,500	£133,000	£137.40	£113,500	34%			£256	£142,500	42.9%	£224	£142,500	42.9%	£192	£142,500	42.9%	£332,500	£204,000	61.35%
	£3,750	£356,250	£142,500	£142.31	£118,500	33%			£274	£142,500	40.0%	£240	£142,500	40.0%	£206	£142,500	40.0%	£356,250	£219,000	61.47%
	£4,000	£380,000	£152,000	£147.23	£123,500	33%			£292	£142,500	37.5%	£256	£142,500	37.5%	£219	£142,500	37.5%	£380,000	£233,500	61.45%
4 bed house	£2,000	£220,000	£88,000	£120.36	£96,000	44%			£169	£128,000	58.2%	£148	£108,000	49.1%	£127	£88,500	40.2%	£220,000	£134,000	60.91%
110 sqm	£2,250	£247,500	£99,000	£126.05	£102,000	41%			£190	£148,000	59.8%	£167	£126,000	50.9%	£143	£103,000	41.6%	£247,500	£151,000	61.01%
	£2,500	£275,000	£110,000	£131.74	£107,500	39%			£212	£168,500	61.3%	£185	£143,000	52.0%	£159	£118,500	43.1%	£275,000	£168,500	61.27%
	£2,750	£302,500	£121,000	£137.43	£113,500	38%			£233	£188,500	62.3%	£204	£161,000	53.2%	£175	£133,500	44.1%	£302,500	£185,500	61.32%
	£3,000	£330,000	£132,000	£143.12	£119,500	36%	£253.85	£208,000	£254	£208,000	63.0%	£222	£178,000	53.9%	£190	£148,000	44.8%	£330,000	£202,500	61.36%
	£3,250	£357,500	£143,000	£148.81	£125,000	35%			£275	£208,000	58.2%	£241	£196,000	54.8%	£206	£163,000	45.6%	£357,500	£219,500	61.40%
	£3,500	£385,000	£154,000	£154.50	£131,000	34%			£296	£208,000	54.0%	£259	£208,000	54.0%	£222	£178,000	46.2%	£385,000	£237,000	61.56%
	£3,750	£412,500	£165,000	£155.32	£132,000	32%			£317	£208,000	50.4%	£278	£208,000	50.4%	£238	£193,000	46.8%	£412,500	£254,000	61.58%
	£4,000	£440,000	£176,000	£155.32	£132,000	30%			£338	£208,000	47.3%	£296	£208,000	47.3%	£254	£208,000	47.3%	£440,000	£271,000	61.59%

Notes

Rent increases on AR based on RPI only whereas SR will be RPI plus 0.5%

Voids and bad debts on AR based upon 3% whereas SR are 2%

Target rents for SR set as of April 2012

Rent assumptions excluding Social rent assume a £250 pa. Service charge within them.

Denotes a capped rent

Denotes a transfer value based upon the Basingstoke LHA limit as the % MR exceeds the LHA rate.

Basingstoke BRMA has been adopted as the cap because it is the closest to the average of the 4 BRMA in Test Valley

Denotes a rents in excess of the Basingstoke BRMA LHA rent

D|S|P Housing & Development Consultants

Appendix II
Residential Appraisal Results Summary

Table 1a: Residual Land Value Results
70% Affordable Rent / 30% Shared Ownership
£140/m² CIL / Planning Obligations

Development Scenario	Value Level	Site Density (dph)	Residual Land Value (£) 10% AH	Residual Land Value (£) 20% AH	Residual Land Value (£) 30% AH	Residual Land Value (£) 40% AH	Residual Land Value (£/Ha) 10% AH	Residual Land Value (£/Ha) 20% AH	Residual Land Value (£/Ha) 30% AH	Residual Land Value (£/Ha) 40% AH
2 Units (FC)	1	40	£13,361	£5,853	N/A	N/A	£267,219	£46,824	N/A	N/A
	2	40	£35,681	£27,423	N/A	N/A	£713,625	£219,380	N/A	N/A
	3	40	£77,532	£67,865	N/A	N/A	£1,550,636	£542,923	N/A	N/A
	4	40	£119,382	£108,308	N/A	N/A	£2,387,648	£866,466	N/A	N/A
	5	40	£161,233	£148,751	N/A	N/A	£3,224,659	£1,190,008	N/A	N/A
	6	40	£203,084	£189,194	N/A	N/A	£4,061,670	£1,513,551	N/A	N/A
5 Units (On-Site)	1	40	N/A	£348,818	N/A	N/A	N/A	£2,790,542	N/A	N/A
	2	40	N/A	£73,643	N/A	N/A	N/A	£589,146	N/A	N/A
	3	40	N/A	£168,041	N/A	N/A	N/A	£1,344,332	N/A	N/A
	4	40	N/A	£264,846	N/A	N/A	N/A	£2,118,766	N/A	N/A
	5	40	N/A	£348,818	N/A	N/A	N/A	£2,790,542	N/A	N/A
	6	40	N/A	£432,790	N/A	N/A	N/A	£3,462,318	N/A	N/A
10 Units (On-Site)	1	40	N/A	£53,143	£22,535	-£11,750	N/A	£212,571	£90,142	-£46,999
	2	40	N/A	£151,628	£122,071	£89,267	N/A	£606,511	£488,282	£357,069
	3	40	N/A	£326,914	£288,698	£246,697	N/A	£1,307,656	£1,154,793	£986,789
	4	40	N/A	£495,882	£452,494	£418,564	N/A	£1,983,529	£1,809,974	£1,674,255
	5	40	N/A	£654,785	£592,775	£527,583	N/A	£2,619,140	£2,371,099	£2,110,333
	6	40	N/A	£813,688	£733,056	£646,760	N/A	£3,254,751	£2,932,225	£2,587,042
15 Units (On-Site)	1	40	N/A	£58,632	-£3,880	-£12,532	N/A	£156,352	N/A	-£33,420
	2	40	N/A	£211,597	£150,735	£133,300	N/A	£564,260	N/A	£355,465
	3	40	N/A	£467,963	£401,713	£365,595	N/A	£1,247,902	N/A	£974,920
	4	40	N/A	£741,139	£655,769	£602,349	N/A	£1,976,371	N/A	£1,606,265
	5	40	N/A	£979,108	£854,886	£783,254	N/A	£2,610,954	N/A	£2,088,677
	6	40	N/A	£1,217,076	£1,054,002	£964,158	N/A	£3,245,536	N/A	£2,571,089
25 Units (On-Site)	1	40	N/A	-£1,726	-£79,822	-£118,544	N/A	-£2,761	-£127,716	-£189,671
	2	40	N/A	£254,268	£179,106	£137,040	N/A	£406,828	£286,569	£219,265
	3	40	N/A	£680,292	£574,163	£510,635	N/A	£1,088,467	£918,661	£817,016
	4	40	N/A	£1,148,131	£1,023,660	£944,677	N/A	£1,837,009	£1,637,856	£1,511,483
	5	40	N/A	£1,564,342	£1,389,730	£1,288,184	N/A	£2,502,947	£2,223,568	£2,061,095
	6	40	N/A	£1,966,337	£1,737,843	£1,607,748	N/A	£3,146,139	£2,780,548	£2,572,397

Base appraisals - 20% developer's profit; standard build costs; planning obligations of £140/m²

Key:

RLV Negative

RLV between zero and greenfield land value (plus premium) (£0 - £400,000) - assuming greenfield land at £20,000 per hectare with 20 times uplift for premium over EUV

RLV between greenfield with premium and assumed employment value (c£400,000 - £1,145,000/ha)**

RLV between assumed employment value & residential intensification value(c£1,145,000 - £1,700,000/ha)**

RLV above above assumed residential intensification value (>£1,700,000/ha)**

** VOA Southampton Jan 2011

Source: Dixon Searle LLP (July 2012)

Table 1b: Residual Land Value Results
70% Affordable Rent / 30% Shared Ownership
£140/m² CIL / Planning Obligations - Percentage of GDV

			Residual Land Value (£)			
Development Scenario	**Value Level**	**Site Density (dph)**	**10% AH**	**20% AH**	**30% AH**	**40% AH**
2 Units (FC)	1	40	3.9%	1.7%	N/A	N/A
	2	40	9.5%	7.3%	N/A	N/A
	3	40	17.7%	15.5%	N/A	N/A
	4	40	23.8%	21.6%	N/A	N/A
	5	40	28.5%	26.3%	N/A	N/A
	6	40	32.3%	30.1%	N/A	N/A
5 Units (On-Site)	1	40	N/A	28.7%	N/A	N/A
	2	40	N/A	9.0%	N/A	N/A
	3	40	N/A	17.6%	N/A	N/A
	4	40	N/A	24.2%	N/A	N/A
	5	40	N/A	28.7%	N/A	N/A
	6	40	N/A	32.3%	N/A	N/A
10 Units (On-Site)	1	40	N/A	3.9%	1.7%	-1.0%
	2	40	N/A	10.0%	8.5%	6.6%
	3	40	N/A	18.5%	17.2%	15.6%
	4	40	N/A	24.4%	23.5%	23.0%
	5	40	N/A	28.8%	27.7%	26.4%
	6	40	N/A	32.4%	31.2%	29.7%
15 Units (On-Site)	1	40	N/A	2.7%	-0.2%	-0.7%
	2	40	N/A	9.0%	6.8%	6.5%
	3	40	N/A	16.9%	15.6%	15.4%
	4	40	N/A	23.3%	22.1%	21.9%
	5	40	N/A	27.6%	26.1%	25.9%
	6	40	N/A	31.1%	29.4%	29.2%
25 Units (On-Site)	1	40	N/A	0.0%	-2.4%	-3.8%
	2	40	N/A	6.4%	4.9%	4.0%
	3	40	N/A	14.6%	13.4%	12.7%
	4	40	N/A	21.3%	20.6%	20.2%
	5	40	N/A	25.9%	25.1%	24.7%
	6	40	N/A	29.5%	28.5%	28.1%

Base appraisals - 20% developer's profit; standard build costs; planning obligations of £140/m²

** VOA Southampton Jan 2011

Source: Dixon Searle LLP (July 2012)

Table 2a: Residual Land Value Results
70% Social Rent / 30% Shared Ownership
£140/m² CIL / Planning Obligations

			Residual Land Value (£)				Residual Land Value (£/Ha)			
Development Scenario	**Value Level**	**Site Density (dph)**	**10% AH**	**20% AH**	**30% AH**	**40% AH**	**10% AH**	**20% AH**	**30% AH**	**40% AH**
2 Units (FC)	1	40	£13,361	£5,853	N/A	N/A	£267,219	£46,824	N/A	N/A
	2	40	£35,681	£27,423	N/A	N/A	£713,625	£219,380	N/A	N/A
	3	40	£77,532	£67,865	N/A	N/A	£1,550,636	£542,923	N/A	N/A
	4	40	£119,382	£108,308	N/A	N/A	£2,387,648	£866,466	N/A	N/A
	5	40	£161,233	£148,751	N/A	N/A	£3,224,659	£1,190,008	N/A	N/A
	6	40	£203,084	£189,194	N/A	N/A	£4,061,670	£1,513,551	N/A	N/A
5 Units (On-Site)	1	40	N/A	£10,813	N/A	N/A	N/A	£86,501	N/A	N/A
	2	40	N/A	£58,806	N/A	N/A	N/A	£470,447	N/A	N/A
	3	40	N/A	£145,986	N/A	N/A	N/A	£1,167,887	N/A	N/A
	4	40	N/A	£236,374	N/A	N/A	N/A	£1,890,992	N/A	N/A
	5	40	N/A	£323,554	N/A	N/A	N/A	£2,588,433	N/A	N/A
	6	40	N/A	£413,942	N/A	N/A	N/A	£3,311,538	N/A	N/A
10 Units (On-Site)	1	40	N/A	£48,331	£10,906	-£30,394	N/A	£193,322	£43,625	-£121,576
	2	40	N/A	£139,197	£94,802	£49,567	N/A	£556,786	£379,207	£198,269
	3	40	N/A	£306,061	£245,790	£182,937	N/A	£1,224,246	£983,161	£731,747
	4	40	N/A	£465,362	£403,997	£327,534	N/A	£1,861,450	£1,615,987	£1,310,137
	5	40	N/A	£628,178	£541,517	£449,719	N/A	£2,512,712	£2,166,069	£1,798,875
	6	40	N/A	£794,906	£695,885	£590,808	N/A	£3,179,625	£2,783,539	£2,363,230
15 Units (On-Site)	1	40	N/A	£49,210	-£27,975	-£36,626	N/A	£131,227	N/A	-£97,671
	2	40	N/A	£187,257	£99,699	£82,264	N/A	£499,353	N/A	£219,371
	3	40	N/A	£428,163	£318,878	£282,761	N/A	£1,141,768	N/A	£754,028
	4	40	N/A	£681,439	£539,048	£485,628	N/A	£1,817,171	N/A	£1,295,008
	5	40	N/A	£927,061	£752,707	£681,075	N/A	£2,472,163	N/A	£1,816,199
	6	40	N/A	£1,180,337	£980,908	£891,064	N/A	£3,147,566	N/A	£2,376,170
25 Units (On-Site)	1	40	N/A	-£10,361	-£94,820	-£124,907	N/A	-£16,577	-£151,712	-£199,851
	2	40	N/A	£219,309	£124,940	£85,563	N/A	£350,895	£199,904	£136,902
	3	40	N/A	£618,189	£479,139	£412,991	N/A	£989,103	£766,622	£660,786
	4	40	N/A	£1,035,897	£855,684	£763,981	N/A	£1,657,435	£1,369,094	£1,222,369
	5	40	N/A	£1,440,137	£1,212,401	£1,092,898	N/A	£2,304,219	£1,939,841	£1,748,636
	6	40	N/A	£1,854,103	£1,585,205	£1,440,146	N/A	£2,966,565	£2,536,328	£2,304,233

Base appraisals - 20% developer's profit; standard build costs; planning obligations of £140/m²

Key:
- RLV Negative
- RLV between zero and greenfield land value (plus premium) (£0 - £400,000) - assuming greenfield land at £20,000 per hectare with 20 times uplift for premium over EUV
- RLV between greenfield with premium and assumed employment value (c£400,000 - £1,145,000/ha)**
- RLV between assumed employment value & residential intensification value(c£1,145,000 - £1,700,000/ha)**
- RLV above above assumed residential intensification value (>£1,700,000/ha)**

** VOA Southampton Jan 2011

Source: Dixon Searle LLP (July 2012)

Table 2b: Residual Land Value Results
70% Social Rent / 30% Shared Ownership
£140/m² CIL / Planning Obligations - Percentage of GDV

Development Scenario	Value Level	Site Density (dph)	Residual Land Value (£) 10% AH	20% AH	30% AH	40% AH
2 Units (FC)	1	40	3.9%	1.7%	N/A	N/A
	2	40	9.5%	7.3%	N/A	N/A
	3	40	17.7%	15.5%	N/A	N/A
	4	40	23.8%	21.6%	N/A	N/A
	5	40	28.5%	26.3%	N/A	N/A
	6	40	32.3%	30.1%	N/A	N/A
5 Units (On-Site)	1	40	N/A	1.5%	N/A	N/A
	2	40	N/A	7.4%	N/A	N/A
	3	40	N/A	15.8%	N/A	N/A
	4	40	N/A	22.3%	N/A	N/A
	5	40	N/A	27.3%	N/A	N/A
	6	40	N/A	31.4%	N/A	N/A
10 Units (On-Site)	1	40	N/A	3.5%	0.9%	-2.5%
	2	40	N/A	9.3%	6.8%	3.8%
	3	40	N/A	17.6%	15.1%	12.2%
	4	40	N/A	23.4%	21.8%	19.2%
	5	40	N/A	28.1%	26.1%	23.7%
	6	40	N/A	32.0%	30.2%	28.0%
15 Units (On-Site)	1	40	N/A	2.3%	-1.4%	-2.0%
	2	40	N/A	8.0%	4.7%	4.2%
	3	40	N/A	15.8%	12.9%	12.4%
	4	40	N/A	22.0%	19.2%	18.7%
	5	40	N/A	26.7%	24.0%	23.6%
	6	40	N/A	30.6%	28.1%	27.8%
25 Units (On-Site)	1	40	N/A	-0.3%	-2.9%	-4.0%
	2	40	N/A	5.6%	3.5%	2.5%
	3	40	N/A	13.5%	11.5%	10.6%
	4	40	N/A	19.8%	18.0%	17.2%
	5	40	N/A	24.5%	22.8%	22.0%
	6	40	N/A	28.4%	26.9%	26.2%

Base appraisals - 20% developer's profit; standard build costs; planning obligations of £140/m²

Source: Dixon Searle LLP (July 2012)

Table 3a: Residual Land Value Results
70% Affordable Rent / 35% Shared Ownership
£140/m² CIL / Planning Obligations - CfSH Level 5

Development Scenario	Value Level	Site Density (dph)	20% AH	30% AH	40% AH	20% AH	30% AH	40% AH
15 Units (On-Site)	1	40	-£102,228	-£174,005	-£171,561	-£272,609	-£464,012	-£457,497
	2	40	£64,685	£3,822	-£4,669	£172,492	£10,192	-£12,451
	3	40	£333,141	£254,800	£228,264	£888,377	£679,467	£608,703
	4	40	£597,927	£512,557	£468,477	£1,594,471	£1,366,818	£1,249,272
	5	40	£835,895	£711,673	£649,381	£2,229,053	£1,897,795	£1,731,683
	6	40	£1,073,863	£910,789	£830,286	£2,863,635	£2,428,772	£2,214,095
25 Units (On-Site)	1	40	-£302,423	-£369,330	-£396,863	-£483,877	-£590,928	-£634,980
	2	40	£96	-£77,617	-£116,193	£153	-£124,187	-£185,908
	3	40	£432,765	£344,864	£289,089	£692,425	£551,783	£462,542
	4	40	£900,604	£785,345	£715,573	£1,440,967	£1,256,552	£1,144,916
	5	40	£1,316,816	£1,151,415	£1,059,080	£2,106,905	£1,842,263	£1,694,528
	6	40	£1,718,811	£1,499,527	£1,378,644	£2,750,097	£2,399,244	£2,205,830

Sensitivity appriasals - 20% developer's profit; standard build costs; planning obligations of £140/m²; CfSH Level 5

Key:

- RLV Negative
- RLV between zero and greenfield land value (plus premium) (£0 - £400,000) - assuming greenfield land at £20,000 per hectare with 20 times uplift for premium over EUV
- RLV between greenfield with premium and assumed employment value (c£400,000 - £1,145,000/ha)**
- RLV between assumed employment value & residential intensification value(c£1,145,000 - £1,700,000/ha)**
- RLV above above assumed residential intensification value (>£1,700,000/ha)**

** VOA Southampton Jan 2011

Source: Dixon Searle LLP (July 2012)

Table 3b: Residual Land Value Results
70% Affordable Rent / 30% Shared Ownership
£140/m² CIL / Planning Obligations - CfSH Level 5 - Percentage of GDV

Development Scenario	Value Level	Site Density (dph)	Residual Land Value (% of GDV) 20% AH	30% AH	40% AH
15 Units (On-Site)	1	40	-4.8%	-8.8%	-9.3%
	2	40	2.7%	0.2%	-0.2%
	3	40	12.1%	9.9%	9.6%
	4	40	18.8%	17.3%	17.1%
	5	40	23.6%	21.7%	21.5%
	6	40	27.5%	25.4%	25.1%
25 Units (On-Site)	1	40	-8.4%	-11.2%	-12.8%
	2	40	0.0%	-2.1%	-3.4%
	3	40	9.3%	8.0%	7.2%
	4	40	16.7%	15.8%	15.3%
	5	40	21.8%	20.8%	20.3%
	6	40	25.8%	24.6%	24.1%

Sensitivity appriasals - 20% developer's profit; standard build costs; planning obligations of £140/m²; CfSH Level 5
FC = Financial Contribution only - no on-site affordable housing
Source: Dixon Searle LLP (July 2012)

D|S|P Housing & Development Consultants

Test Valley Borough Council

Market, Values and Assumptions Research
Affordable Housing
Viability Study Update

Appendix III

Dixon Searle LLP
The Old Hayloft
28C Headley Road
Grayshott
Hindhead
GU26 6LD

www.dixonsearle.co.uk

Appendix III - Affordable Housing Viability Study Update 2012 – Property Market & Values Research

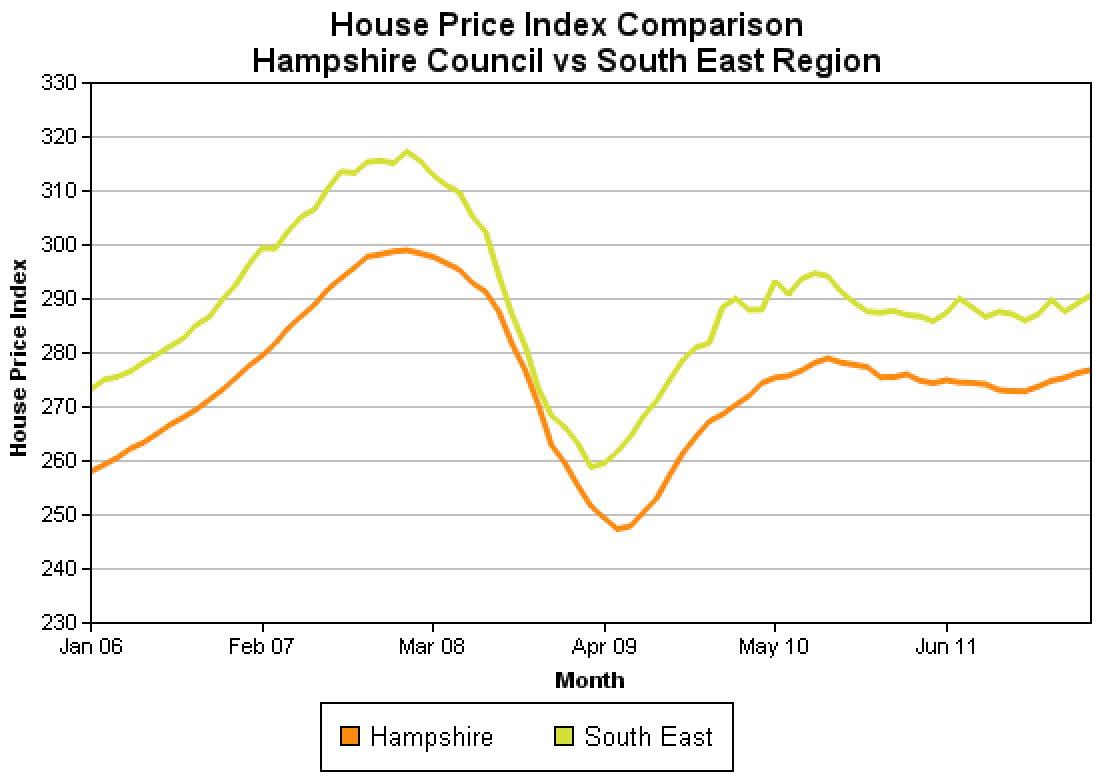
In this Appendix first we provide house price trends information and updated values research relevant to the study. Towards the end of the Appendix, wider economic and housing market context information is outlined.

In summary, it appears that the economic backdrop remains highly uncertain principally due to influences outside the UK, overall there are signs of a still uncertain housing market. Clearly this picture could well change and only time will tell how this develops.

House prices trends and local values research – see the following pages.

House Price Index report - Hampshire Council vs South East Region (January 2006 - May 2012)

Source: www.landreg.gov.uk



House Price Index report -
Hampshire Council vs South East Region
(January 2006 - May 2012)

Month	Hampshire Council		South East Region	
	Index	Average Price (£)	Index	Average Price (£)
Jan-06	258.1	195,188	273.3	196,197
Feb-06	259.3	196,142	275.0	197,449
Mar-06	260.6	197,115	275.6	197,849
Apr-06	262.3	198,399	276.6	198,582
May-06	263.4	199,243	278.2	199,743

Jun-06	265.0	200,458	279.7	200,779	
Jul-06	266.7	201,740	281.2	201,903	
Aug-06	268.1	202,753	282.6	202,909	
Sep-06	269.5	203,873	285.2	204,763	
Oct-06	271.3	205,242	286.7	205,795	
Nov-06	273.2	206,647	289.9	208,146	
Dec-06	275.4	208,293	292.6	210,072	
Jan-07	277.6	209,991	296.4	212,801	
Feb-07	279.5	211,395	299.5	214,997	
Mar-07	281.7	213,093	299.3	214,879	
Apr-07	284.7	215,319	302.6	217,251	
May-07	286.8	216,958	305.3	219,157	
Jun-07	288.9	218,555	306.6	220,113	
Jul-07	291.8	220,727	310.5	222,889	
Aug-07	293.8	222,255	313.6	225,138	
Sep-07	295.8	223,710	313.3	224,957	(1)
Oct-07	297.8	225,286	315.3	226,391	
Nov-07	298.2	225,590	315.6	226,583	
Dec-07	298.8	226,012	315.2	226,271	
Jan-08	299.0	226,188	317.3	227,786	(2)
Feb-08	298.4	225,739	315.6	226,601	
Mar-08	297.8	225,257	312.9	224,642	
Apr-08	296.6	224,369	311.1	223,325	
May-08	295.4	223,475	309.8	222,382	
Jun-08	292.9	221,561	305.3	219,143	
Jul-08	291.4	220,384	302.4	217,087	
Aug-08	287.6	217,565	294.4	211,319	
Sep-08	281.7	213,065	287.1	206,143	
Oct-08	276.8	209,383	281.3	201,950	
Nov-08	270.4	204,530	273.5	196,330	
Dec-08	262.9	198,866	268.4	192,655	
Jan-09	259.7	196,425	266.3	191,211	
Feb-09	255.4	193,212	263.3	188,998	

Mar-09	251.6	190,307	258.9	185,842	
Apr-09	249.5	188,683	259.6	186,355	
May-09	247.4	187,137	261.7	187,873	(3)
Jun-09	247.9	187,505	264.5	189,914	
Jul-09	250.5	189,498	268.3	192,611	
Aug-09	253.1	191,447	271.2	194,694	
Sep-09	257.5	194,755	275.1	197,491	
Oct-09	261.5	197,799	278.8	200,149	
Nov-09	264.6	200,118	281.1	201,778	
Dec-09	267.4	202,244	281.8	202,333	
Jan-10	268.6	203,193	288.5	207,130	
Feb-10	270.4	204,519	290.1	208,246	
Mar-10	272.0	205,761	288.0	206,753	
Apr-10	274.4	207,570	288.0	206,779	
May-10	275.4	208,341	293.4	210,658	
Jun-10	275.8	208,576	290.9	208,813	
Jul-10	276.8	209,336	293.7	210,869	
Aug-10	278.2	210,412	294.7	211,601	
Sep-10	279.0	211,036	294.2	211,237	(4)
Oct-10	278.2	210,464	291.3	209,142	
Nov-10	277.8	210,140	289.4	207,739	(5)
Dec-10	277.4	209,821	287.7	206,521	
Jan-11	275.5	208,405	287.5	206,381	
Feb-11	275.5	208,406	287.8	206,619	
Mar-11	276.1	208,808	287.0	206,076	
Apr-11	274.9	207,917	286.8	205,883	
May-11	274.4	207,564	285.9	205,243	
Jun-11	275.0	207,974	287.4	206,313	
Jul-11	274.6	207,671	290.1	208,261	
Aug-11	274.5	207,595	288.4	207,046	
Sep-11	274.2	207,397	286.7	205,830	
Oct-11	273.1	206,595	287.6	206,497	
Nov-11	272.9	206,449	287.2	206,192	

Dec-11	272.9	206,420	286.0	205,325	
Jan-12	273.8	207,113	287.2	206,177	
Feb-12	274.9	207,896	289.8	208,069	
Mar-12	275.4	208,313	287.7	206,515	
Apr-12	276.3	208,989	289.2	207,627	
May-12	276.9	209,422	290.7	208,720	(6)

Key to high-lighting/notes in above Land Registry Index listing:

(1) September 2007: Market research for original study (index 295.8; avg. price £223,710)

(2) January 2008: Pre-recession market peak locally (index 299.0; avg. price £226,188)

(3) May 2009: Market values had fallen to trough (index 247.4; avg. price £187,137)

(4) September 2010: Level of recovery - more recent high (index 279.0; avg. price £211,036)

(5) November 2010: Market research for study update (index 277.8; avg. price £210,140)

(6) May 2012: Latest available data (index 276.9; avg. price £209,422)

Month	Land Registry Index	Index change since Jan 06	
Jan-06	258.1	-	
Sep-07	295.8	37.7	(1)
Jan-08	299.0	40.9	(2)
May-09	247.4	-10.7	(3)
Sep-10	279.0	20.9	(4)
Nov-10	277.8	19.7	(5)
May-12	276.9	18.8	(6)

House prices trends – update on study completion:

Prior to finalising the report the latest Land Registry information set out the following:

The October 2012 report stated:

For England Wales overall:

Annual change in average house prices 1.1% (positive)

Monthly change in average house prices -0.3% (negative)

Average price £161,605

For the South East:
Annual change in average house prices 1.4% (positive)
Monthly change in average house prices -0.3% (negative)
Average price £209,137

For Hampshire:
Annual change in average house prices 1.6% (positive)
Monthly change in average house prices 0.3% (positive)
Average price £209,846

Source: www.landregistry.gov.uk

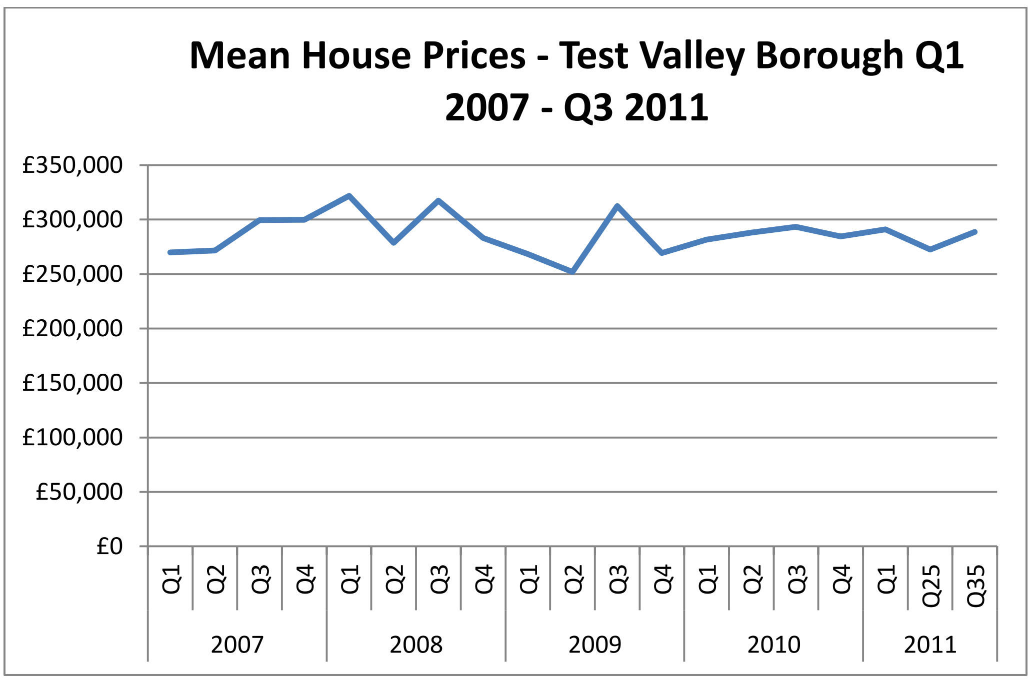
CLG Median House Prices by District – Test Valley Borough – Quarter (Q) 1 2007 to Q3 2011

(£K = £000) **(Figures sourced - www.communities.gov.uk – local level house prices; Land Registry data based)**

2007				2008			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
£269,784	£271,522	£299,611	£299,829	£321,884	£278,637	£317,442	£282,986

2009				2010			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
£268,530	£252,006	£312,453	£269,166	£281,513	£287,980	£293,290	£284,542

2011		
Q1	Q2	Q3
£291,089	£272,506	£288,534



Test Valley - Average Current and Sold House Prices

Source: www.zoopla.co.uk (downloaded July 2012)

Andover (includes Charlton, other surrounding villages and wider rural area)

Average current value estimate:	£243,623		
Average current asking price:	£243,698	414	properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£372,909	£242	3.9	£362,470
Semi-detached	£209,717	£227	3.1	£204,825
Terraced	£163,388	£199	2.8	£167,132
Flats	£124,362	£187	1.8	£120,068

Period	Avg. price paid	No. of sales
Last year	£247,125	618
Last 3 years	£248,535	2,014
Last 5 years	£246,549	3,953
Last 7 years	£233,117	6,560

Broughton

Average current value estimate: £576,401

Average current asking price: £350,000 1 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£734,755	£315	4.3	£335,120
Semi-detached	£330,934	£285	3.1	£307,905
Terraced	£278,945		2.2	
Flats	£231,169			

Period	Avg. price paid	No. of sales
Last year	£323,024	9
Last 3 years	£388,031	39
Last 5 years	£481,729	68
Last 7 years	£463,949	101

Charlton

Average current value estimate: £222,222

Average current asking price: £266,364 18 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£282,628	£221	3.6	£325,613
Semi-detached	£206,614	£205	3.0	£212,500
Terraced	£185,831		2.8	£201,750
Flats	£155,780	£255	2.0	£166,475

Period	Avg. price paid	No. of sales
Last year	£235,171	14
Last 3 years	£217,049	63
Last 5 years	£226,482	133
Last 7 years	£215,404	222

Chilworth

Average current value estimate: £593,727

Average current asking price: £915,293 27 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£750,038	£275	4.9	£651,045
Semi-detached	£309,471	£280	3.2	
Terraced	£236,251		3.7	£215,000
Flats	£255,140		2.6	£125,000

Period	Avg. price paid	No. of sales
Last year	£577,038	13
Last 3 years	£540,644	57
Last 5 years	£559,011	110
Last 7 years	£548,061	169

Grateley

Average current value estimate: £303,454

Average current asking price: 0 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£412,718	£200	4.0	£515,500
Semi-detached	£201,916	£223	3.2	£200,500
Terraced	£156,247			£145,500
Flats	£77,650			

Period	Avg. price paid	No. of sales
Last year	£404,389	9
Last 3 years	£329,369	16
Last 5 years	£335,894	31
Last 7 years	£308,206	47

Nether Wallop

Average current value estimate: £616,770

Average current asking price: £425,000 1 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£757,467	£291	4.2	£671,667
Semi-detached	£325,976		3.1	£370,000
Terraced	£237,833		2.6	
Flats				

Period	Avg. price paid	No. of sales
Last year	£596,250	4
Last 3 years	£510,692	12
Last 5 years	£609,543	29
Last 7 years	£500,159	52

North Baddesley

Average current value estimate: £233,043

Average current asking price: £247,477 51 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£303,168	£243	3.4	£290,444
Semi-detached	£212,983	£220	3.0	£204,658
Terraced	£185,697	£224	2.8	£185,083
Flats	£130,348	£264	1.7	£150,000

Period	Avg. price paid	No. of sales
Last year	£225,079	83
Last 3 years	£226,478	241
Last 5 years	£233,180	486
Last 7 years	£224,209	824

Nursling

Average current value estimate: £276,488

Average current asking price: £324,765 13 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£305,310	£233	3.5	£278,813
Semi-detached	£217,378	£213	3.1	£261,207
Terraced	£169,100	£201	2.6	£163,000
Flats	£170,965		2.1	£168,250

Period	Avg. price paid	No. of sales
Last year	£253,247	18
Last 3 years	£272,271	55
Last 5 years	£277,158	102
Last 7 years	£264,289	160

Over Wallop

Average current value estimate: £429,446

Average current asking price: £236,633 3 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£635,887	£254	4.3	
Semi-detached	£255,559	£273	3.3	£381,000
Terraced	£243,289		2.9	
Flats	£104,132		2.0	

Period	Avg. price paid	No. of sales
Last year	£381,000	2
Last 3 years	£374,926	27
Last 5 years	£378,656	48
Last 7 years	£388,576	73

Romsey (includes Michelmersh, North Baddesley, West Wellow, other surrounding villages and wider rural area)

Average current value estimate: £332,660
Average current asking price: £365,196 155 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£493,526	£280	4.0	£503,769
Semi-detached	£262,026	£259	3.1	£264,045
Terraced	£217,757	£269	2.8	£223,611
Flats	£180,458	£285	1.8	£176,617

Period	Avg. price paid	No. of sales
Last year	£318,586	272
Last 3 years	£305,654	958
Last 5 years	£315,307	1,720
Last 7 years	£302,395	2,777

Rownhams

Average current value estimate: £285,618

Average current asking price: £283,407 28 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£341,153	£225	3.9	£340,786
Semi-detached	£248,224	£209	3.4	£223,153
Terraced	£205,221		3.1	£208,428
Flats	£132,747		1.9	£105,000

Period	Avg. price paid	No. of sales
Last year	£289,302	34
Last 3 years	£270,190	104
Last 5 years	£275,772	189
Last 7 years	£276,324	318

Stockbridge (includes Broughton, Chilbolton, Over Wallop and other surrounding villages)

Average current value estimate: £510,831

Average current asking price: £551,658 12 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£659,626	£314	4.2	£572,022
Semi-detached	£316,601	£278	3.1	£327,187
Terraced	£269,529	£285	2.7	£271,862
Flats	£217,139		1.9	£201,625

Period	Avg. price paid	No. of sales
Last year	£455,983	50
Last 3 years	£426,778	211
Last 5 years	£463,688	392
Last 7 years	£443,441	633

West Wellow

Average current value estimate: £421,453

Average current asking price: £367,425 16 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£475,686	£278	3.9	£439,645
Semi-detached	£287,906		3.1	£242,500
Terraced	£197,409	£234	2.8	£179,875
Flats	£130,182			

Period	Avg. price paid	No. of sales
Last year	£362,381	16
Last 3 years	£373,778	56
Last 5 years	£388,357	103
Last 7 years	£386,910	173

Weyhill

Average current value estimate: £319,054

Average current asking price: £273,389 9 properties

Property type	Avg. current value	Avg. £ per sq. ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£393,807	£218	3.9	£320,286
Semi-detached	£194,131		3.1	£212,000
Terraced	£170,772		2.3	£165,000
Flats	£133,522		2.1	

Period	Avg. price paid	No. of sales
Last year	£291,000	9
Last 3 years	£280,180	22
Last 5 years	£283,509	53
Last 7 years	£275,888	95

Notes on above house price information:

No separate data available for Valley Park (Key Service Centre). There is some overlap across the different settlements due to the way data is recorded by address on the Zoopla website.

Review of previous (2009/10 Update Study) Values levels

(Using DSP dwelling size assumptions in order to further inform current consideration of values range (scale of Values levels ('VLs') and relevance to example Test Valley localities).

Average Asking Prices Analysis - Ranked by Price							
Rank	Settlement	1 Bed Flats	2 Bed Flats	2 Bed House	3 Bed House	4 Bed House	All Properties
1	Chilbolton	-	-	-	-	£605,000	£605,000
2	Nether Wallop	-	-	-	£228,000	£895,000	£561,500
3	Kings Somborne	-	-	£250,000	£353,300	£690,000	£448,317
4	Stockbridge	-	£149,950	£245,000	£333,000	£575,000	£345,495
5	Broughton	-	-	£302,475	£356,990	-	£332,761
6	Valley Park	-	£155,000	£177,720	£260,189	£348,210	£284,892
7	North Baddesley	£134,986	£160,406	£169,167	£239,608	£305,361	£234,047
8	Romsey	£130,535	£197,865	£219,017	£232,976	£329,599	£229,988
9	Andover	£106,837	£148,496	£161,286	£195,228	£294,509	£207,043
10	Middle Wallop	-	£235,000	£180,000	-	-	£198,333
-	**Overall**	**£124,612**	**£172,258**	**£190,246**	**£224,542**	**£335,223**	**£236,130**

Average Asking Prices Analysis - Ranked by Value Level*								VL Equivalent
Rank	Settlement	1 Bed Flats	2 Bed Flats	2 Bed House	3 Bed House	4 Bed House	All Properties	
1	Nether Wallop	-	-	-	£2,682	£7,160	£5,759	6+
2	Chilbolton	-	-	-	-	£4,840	£5,500	6+
3	Kings Somborne	-	-	£3,333	£4,156	£5,520	£4,790	6+
4	Broughton	-	-	£4,033	£4,200	-	£4,122	6+
5	Stockbridge	-	£2,238	£3,267	£3,918	£4,600	£3,866	6
6	Middle Wallop	-	£3,507	£2,400	-	-	£2,923	4
7	Romsey	£2,611	£2,953	£2,920	£2,741	£2,637	£2,861	3-4
8	Valley Park	-	£2,313	£2,370	£3,061	£2,786	£2,793	3-4
9	North Baddesley	£2,700	£2,394	£2,256	£2,819	£2,443	£2,602	3-4
10	Andover	£2,137	£2,216	£2,150	£2,297	£2,356	£2,336	2-3
-	**Overall**	**£2,492**	**£2,571**	**£2,537**	**£2,642**	**£3,047**	**£2,698**	**3-4**

*Note - assuming DSP unit sizes for indicative comparison

Test Valley BC – New Build Properties for Sale at July 2012

Sources: www.rightmove.co.uk; www.findanewhome.com; www.zoopla.co.uk

Address	Description	Price	Size (m2)	Price per m2	Price Less 20%	Price Less 10%	Price Plus 10%	Developer / Agent
Andover								
Houses								
Augusta Park, East Anton, SP11 6GE	5 bed detached	£399,950	192.1	£2,082	£1,665	£1,874	£2,290	Bellway
	4 bed detached	£364,950	160.4	£2,275	£1,820	£2,047	£2,502	
	4 bed detached	£359,950	160.4	£2,243	£1,795	£2,019	£2,468	
	4 bed detached	£359,950	160.4	£2,243	£1,795	£2,019	£2,468	
	4 bed detached	£349,950	*137.0*	£2,554	£2,044	£2,299	£2,810	
	4 bed detached	£339,950	148.3	£2,293	£1,834	£2,063	£2,522	
	4 bed detached	£336,950	148.3	£2,272	£1,818	£2,045	£2,500	
	4 bed detached	£333,950	148.3	£2,252	£1,802	£2,027	£2,477	
	4 bed detached	£275,950	126.3	£2,186	£1,749	£1,967	£2,404	
	3 bed detached	£219,950	89.2	£2,466	£1,973	£2,220	£2,713	
	3 bed detached	£218,000	89.2	£2,444	£1,955	£2,200	£2,689	
	3 bed townhouse	£212,950	99.9	£2,132	£1,706	£1,919	£2,345	
	3 bed townhouse	£209,950	99.9	£2,102	£1,682	£1,892	£2,312	
The Villas at Augusta Park, Ryeland Way, SP11 6AB	4 bed detached	£325,000	*139.0*	£2,338	£1,871	£2,104	£2,572	Taylor Wimpey
	4 bed detached	£320,000	*134.0*	£2,388	£1,910	£2,149	£2,627	
	4 bed detached	£315,000	*139.0*	£2,266	£1,813	£2,040	£2,493	
	3 bed semi	£240,000	*92.5*	£2,595	£2,076	£2,335	£2,854	
	3 bed townhouse	£230,000	*107.0*	£2,150	£1,720	£1,935	£2,364	
	3 bed semi	£210,000	*76.0*	£2,763	£2,211	£2,487	£3,039	
	3 bed terraced	£202,000	*77.0*	£2,623	£2,099	£2,361	£2,886	
The Romans at Augusta Park, Cheviot Road, SP11 6RD	4 bed detached	£300,000	127.2	£2,359	£1,887	£2,123	£2,595	Taylor Wimpey
	3 bed townhouse	£222,000	110.3	£2,013	£1,611	£1,812	£2,214	
	3 bed terraced	£210,000	97.5	£2,155	£1,724	£1,939	£2,370	
	3 bed semi	£190,000	78.9	£2,409	£1,927	£2,168	£2,650	
Augusta Park, Icknield	6 bed detached	£349,995	*145.0*	£2,414	£1,931	£2,172	£2,655	Bryant Homes
	4 bed townhouse	£325,000	*150.0*	£2,167	£1,733	£1,950	£2,383	

Address	Description	Price	Size (m2)	Price per m2	Price Less 20%	Price Less 10%	Price Plus 10%	Developer / Agent
Way, SP11 6AB	3 bed semi	£179,995	*73.5*	£2,449	£1,959	£2,204	£2,694	
Steeplechase Court, Forest Lane, SP11 6LG	4 bed detached	£375,000	*184.0*	£2,038	£1,630	£1,834	£2,242	Foreman Homes/ Graham & Co
	3 bed terraced	£270,000	*128.0*	£2,109	£1,688	£1,898	£2,320	
	3 bed terraced	£260,000	*128.0*	£2,031	£1,625	£1,828	£2,234	
Picket Twenty, London Road, SP11 6TW	4 bed detached	£284,950	*115.5*	£2,467	£1,974	£2,220	£2,714	Bloor Homes/ Connells
	4 bed detached	£284,950	*115.5*	£2,467	£1,974	£2,220	£2,714	
	4 bed detached	£274,478	*115.5*	£2,376	£1,901	£2,139	£2,614	
	3 bed terraced	£244,950	113.2	£2,164	£1,731	£1,947	£2,380	
	3 bed terraced	£244,950	113.2	£2,163	£1,730	£1,947	£2,379	
	3 bed terraced	£244,950	113.2	£2,163	£1,730	£1,947	£2,379	
Picket Twenty, London Road, SP11 6LF	3 bed townhouse	£259,950	*123.0*	£2,113	£1,691	£1,902	£2,325	Persimmon Homes
	4 bed townhouse	£249,950	*103.0*	£2,427	£1,941	£2,184	£2,669	
	4 bed townhouse	£249,950	*103.0*	£2,427	£1,941	£2,184	£2,669	
	3 bed townhouse	£244,950	*118.0*	£2,076	£1,661	£1,868	£2,283	
	3 bed townhouse	£239,950	*118.0*	£2,033	£1,627	£1,830	£2,237	
	3 bed townhouse	£239,950	*118.0*	£2,033	£1,627	£1,830	£2,237	
	4 bed semi	£239,950	*108.0*	£2,222	£1,777	£2,000	£2,444	
	3 bed townhouse	£234,950	*118.0*	£1,991	£1,593	£1,792	£2,190	
	3 bed townhouse	£234,950	*103.0*	£2,281	£1,825	£2,053	£2,509	
	3 bed townhouse	£234,950	*103.0*	£2,281	£1,825	£2,053	£2,509	
	3 bed townhouse	£234,950	*103.0*	£2,281	£1,825	£2,053	£2,509	
	3 bed townhouse	£224,950	*103.0*	£2,184	£1,747	£1,966	£2,402	
	3 bed semi	£221,950	*75.0*	£2,959	£2,367	£2,663	£3,255	
	3 bed semi	£219,950	*75.0*	£2,933	£2,346	£2,639	£3,226	
	3 bed semi	£213,950	*75.0*	£2,853	£2,282	£2,567	£3,138	
	3 bed semi	£209,950	*75.0*	£2,799	£2,239	£2,519	£3,079	
	3 bed semi	£194,950	*72.0*	£2,708	£2,166	£2,437	£2,978	
Old Winton Road, SP10	3 bed detached	£239,950	*n/k*					Graham & Co
Average		£264,365	115.6	£2,325	£1,860	£2,092	£2,557	

Address	Description	Price	Size (m2)	Price per m2	Price Less 20%	Price Less 10%	Price Plus 10%	Developer / Agent
Flats								
Augusta Park, SP11 6GE	2 bed coachhouse	£169,950	*67.5*	£2,518	£2,014	£2,266	£2,770	Bellway
Augusta Park, SP11 6AB	2 bed coachhouse	£172,000	*62.5*	£2,752	£2,202	£2,477	£3,027	Taylor Wimpey
Augusta Park, SP11 6RD	2 bed coachhouse	£160,000	71.4	£2,240	£1,792	£2,016	£2,464	Taylor Wimpey
Average		£167,317	67.1	£2,503	£2,002	£2,253	£2,753	

Michelmersh

Houses								
Rudd Lane, SO51 0NU	6 bed detached	£895,000	*296.5*	£3,019	£2,415	£2,717	£3,320	Banner Homes/ Reeds Rains
	5 bed detached	£725,000	218.7	£3,315	£2,652	£2,984	£3,647	
Average		£810,000	257.6	£3,167	£2,533	£2,850	£3,484	

North Baddesley

Houses								
Botley Road, SO52 9EE	3 bed detached	£250,000	73.3	£3,413	£2,730	£3,072	£3,754	Pearsons
Fulford Road, SO52	3 bed townhouse	£237,500	95.6	£2,484	£1,987	£2,236	£2,733	Jonathan Rees
Average		£243,750	84.4	£2,949	£2,359	£2,654	£3,244	

Address	Description	Price	Size (m2)	Price per m2	Price Less 20%	Price Less 10%	Price Plus 10%	Developer / Agent
Over Wallop								
Houses								
Pound Road, SO20 8JX	3 bed detached	£475,000	*n/a*					Fox Grant
Average								

Romsey								
Houses								
Abbotswood, Sandy Lane, SO51 7LF	5 bed detached	£585,000	*212.0*	£2,759	£2,208	£2,483	£3,035	Taylor Wimpey
	5 bed detached	£495,000	*165.5*	£2,991	£2,393	£2,692	£3,290	
	5 bed detached	£495,000	*165.5*	£2,991	£2,393	£2,692	£3,290	
	4 bed detached	£430,000	*139.0*	£3,094	£2,475	£2,784	£3,403	
	4 bed detached	£410,000	*129.5*	£3,166	£2,533	£2,849	£3,483	
	4 bed detached	£325,000	*99.0*	£3,283	£2,626	£2,955	£3,611	
Abbotswood, Sandy Lane, SO51 0PD	5 bed detached	£629,950	*196.5*	£3,206	£2,565	£2,885	£3,526	Bovis Homes
	5 bed detached	£499,950	*151.0*	£3,311	£2,649	£2,980	£3,642	
	5 bed detached	£454,950	*137.5*	£3,309	£2,647	£2,978	£3,640	
	4 bed detached	£439,950	*120.0*	£3,666	£2,933	£3,300	£4,033	
	3 bed detached	£269,950	*78.0*	£3,461	£2,769	£3,115	£3,807	
Newton Lane, SO51 8GZ	3 bed terraced	£349,950	*72.0*	£4,860	£3,888	£4,374	£5,346	Penyards
Ash Close, SO51	3 bed semi	£250,000	83.0	£3,012	£2,410	£2,711	£3,313	Morris Dibben
Average		£433,438	134.5	£3,316	£2,653	£2,984	£3,648	
Flats								
Brewery Lane, SO51 8JX	2 bed coachhouse	£230,000	*61.5*	£3,740	£2,992	£3,366	£4,114	Michael Rhodes
Average		£230,000	61.5	£3,740	£2,992	£3,366	£4,114	

Notes on above new builds information:

Not exhaustive – there may be other examples.

No new builds found for the following settlements:- Charlton, Chilworth, Nursling, Rownhams or Valley Park (Key Service Centres).

Per sq m values are necessarily indications.

Entries in *italics* text are based on estimated floor areas (by DSP) from plans or other information provided by agents and/or house builders.

n/a = not available. Where no plan or other information was readily available to allow us to estimate the floor area and therefore provide per sq m pricing indications.

VOA Data – Residential Land - 2009

SOUTH EAST			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Brighton	3,250,000	3,250,000	4,500,000
Eastbourne	2,000,000	2,000,000	2,500,000
Folkestone	1,450,000	1,275,000	1,450,000
Medway Towns (Rochester)	2,100,000	2,000,000	2,000,000
Tunbridge Wells	2,500,000	2,500,000	2,500,000
Guildford	3,700,000	3,420,000	3,000,000
Reigate	3,500,000	3,230,000	2,850,000
Worthing	2,150,000	2,000,000	2,150,000
Aylesbury	2,540,000	2,450,000	3,500,000
Oxford	5,000,000	5,000,000	5,100,000
Wokingham	2,800,000	2,600,000	3,450,000
Basingstoke	1,800,000	1,755,000	1,760,000
Portsmouth	1,450,000	1,400,000	1,390,000
Southampton	1,900,000	1,860,000	1,825,000
Ryde, Isle of Wight	875,000	825,000	875,000

Source: www.voa.gov.uk

VOA Data – Residential Land - 2011

Value of land for residential development as at 1 January 2011

Region	Location	Suburban site of 0.5 Hectares		
		£/Ha of site area	£ per hab room	£ per m2 completed space GIA
South West	Bristol	2,100,000	13,270	580
	Plymouth	1,500,000	9,485	420
South East	Southampton	1,700,000	10,760	475
	Reading	2,750,000	17,400	765
	Oxford	4,000,000	25,250	1,100
	Medway Towns	1,400,000	8,850	390

VOA Data – Industrial Land - 2011

Industrial land as at 1 January 2011

Region	Location	Cleared industrial development site 0.5-1.0 hectares £ per hectare
South West	Bristol	800,000
	Plymouth	400,000
South East	Southampton	1,145,000
	Reading	1,900,000
	Oxford	1,000,000
	Medway Towns	850,000

Wider market context

Office for National Statistics (ONS) House Prices Index May 2012

(Source: www.communities.gov.uk)

"The Office for National Statistics (ONS) House Price Index (HPI), previously published by the Department for Communities and Local Government (DCLG), is a monthly release that publishes figures for mix-adjusted average house prices and house price indices for the UK, its component countries and regions. The index is calculated using mortgage financed transactions that are collected via the Regulated Mortgage Survey by the Council of Mortgage Lenders."

The key points from the release are:

- *In the 12 months to May 2012 UK house prices increased by 2.3 per cent. This continues the pattern seen since May 2010, with house prices relatively stable across most of the UK although falling in Northern Ireland.*

- *The year-on-year increase reflected growth of 2.6 per cent in England and 3.5 per cent in Wales, which was offset by declines in Scotland and Northern Ireland of 1.0 and 10.3 per cent respectively.*

- *Annual house price increases in England were driven by a 7.2 per cent rise in London as well as increases in the South East and East Midlands of 3.4 and 2.3 per cent respectively. The largest decreases in England were 1.6 per cent in the North West and 1.2 per cent in the West Midlands.*

- *On a seasonally adjusted basis, UK house prices remain unchanged between April and May 2012.*

- *Prices of new dwellings rose by 6.2 per cent during the 12 months to May 2012, while the price of pre-owned dwellings increased by 2.0 per cent in the same period*

- *In May 2012 prices paid by first time buyers were 2.8 per cent higher on average than in May 2011. For owner occupiers (existing owners) prices increased by 2.1 per cent for the same period*

The Royal Institution of Chartered Surveyors (RICS) produces a monthly 'UK Housing Market Survey'. DSP has considered information such as this during the study period. The survey is compiled through interviews with a wide range of valuers and agents, in order to provide an overview of the market sentiment. It helps to provide market context, as follows. *(Italic text is quoted from the surveys).*

RICS Housing Market Survey June 2012

Headines:

- *Activity continues to contract*
- *Price balance deteriorates to 8 month low*
- *Activity levels continue to contract*
- *12 month outlook deteriorates*

The June 2012 RICS Housing Market Survey shows a deterioration in the headline price balance, along with a further slide in all activity indicators. This is in line with the softening economic dataflow and the continuing uncertainty emanating from the euro crisis. The seasonally adjusted net price balance turned more negative in June, from -17 to -22 i.e. 22% more surveyors recorded price falls rather than rises. That said, whilst the price balance is negative, 63% of all surveyors recorded unchanged prices for the three months up to June. Additionally, of the respondents that did report a price fall, 83% of them did so in the 0 to -2% range.

Activity contracted in June, with all indicators continuing to lose momentum after the temporary spike in the lead up to the expiry of the stamp duty exemption (at the end of March). Starting with demand and supply, both new buyer enquiries and new vendor instructions declined this month, recording their lowest net balances in over 18 months. Turning to transactions, newly agreed sales decreased in June, with the net balance falling from -5 to -12. Average sales per surveyor (per branch) edged down from 15.6 to 15.5, while average stocks on surveyors books (per branch) fell by 0.8% from 67.6 to 67. This resulted in the sales to stock ratio - an indicator of market slack - remaining unchanged at 23.1%, considerably less than the long run average of 33%.

The outlook for the next three months remains broadly unchanged, with sales expectations turning slightly more positive and price expectations remaining negative albeit less so. The *longer term 12 month outlook deteriorated, with price expectations falling further into negative territory and sales expectations broadly flat after rising the previous month.*

At the regional level, London remains the only region in the survey where the price balance is positive, a trend that has continued more or less uninterrupted since February 2011. Of those regions recording negative balances, the South East was least negative, reinforcing the notion of a North/South price divide across England. The West and East Midlands recorded the most negative price net balances. Outside of England & Wales, Scotland and Northern Ireland continued to see falls in house values.

Source of all above italics sections: RICS monthly UK Housing Market Survey.

Council of Mortgage Lenders (CML) **(Source: www.cml.org.uk)**
Commentary 19th July 2012:

- 'Residential mortgage lending has been drifting lower over recent months on the back of softer housing transactions, once we adjust for the distorting effects of seasonal factors and the now earlier stamp duty concession for first-time buyers.
- The UK authorities have unveiled a potent set of measures over the past few weeks, aimed at safeguarding our economy from ongoing Eurozone uncertainties.
- The recent launch of the funding for lending scheme (FLS) comes at a time when credibility in further quantitative easing had started to wane. FLS will help guard against a contraction in lending over the next 18 months and, if the external environment is sufficiently supportive, should underpin the housing market and the government's wider growth agenda.

In relation to Housing the CML goes on to state:
'Broadly speaking, the housing market continues to echo the subdued tone of the wider economy.
Mortgage lending has experienced something of a see-saw pattern over recent months, largely reflecting the short-term spike and subsequent trough in house purchase activity associated with the ending of the stamp duty concession for first-time buyers in late March.

According to the Bank of England, seasonally adjusted gross lending was £12.2 billion in May. This was a little below the six-month average, and is consistent with a gentle downwards drift since the turn of the year.

Our forward estimate is for unadjusted gross lending of £11.9 billion in June. Although this would place Q2 lending at £34.2 billion, a little higher than Q1 and the year earlier, it would also mark the weakest June outturn for a decade.

The latest market report from LSL Property Services highlights a near record low for housing transactions in June, but attributes this to adverse weather and the Queen's Jubilee, rather than to any sudden deterioration.

Seasonally adjusted approvals for house purchase edged just 1% lower in May – to stand a little above 51,000 – which also suggests a less than dramatic picture. The recently announced funding for lending scheme (FLS) should help to stabilise market conditions through the second half."

RICS UK Commercial Property Market Survey Q1 2012

'Activity stabilizes and confidence turns less negative'

- *'Both demand and available space stabilise in Q1, but rent expectations remain in negative territory*
- *New development still falling, but at the slowest pace since 2007*
- *Little change in investment enquiries, but capital values still expected to ease in the near term'*

'The latest RICS UK Commercial Market Survey shows there was little change in overall activity during the first quarter. The net balance readings for both occupier demand and available space broadly stabilised, resulting in slightly tighter market conditions compared to last quarter. As such, there was a small improvement in the rental outlook; rent expectations remain negative, but less so than in the previous quarter. Surveyors in many parts of the country are continuing to suggest that occupiers are remaining cautious with regards to new letting activity.

At the headline level, occupier demand and available space were largely unchanged in Q1, at +3 and +4 respectively, suggesting a relatively flat quarter for activity. However, the rental picture *has yet to materially improve - or even stagnate - with expectations easing in the short term. On the investment side, enquiries to purchase also stabilised, while future activity is set to pick up slowly in the coming three months.*

The results suggest there are fewer development projects in the pipeline, as new starts are continuing to fall. They are, however, declining at the slowest pace in five years. Moreover, capital values are still expected to ease further at the national level; 9% more surveyors expect them to fall rather than rise in the coming quarter.

At the sector level, demand for space fell in the retail sector, while it stabilised for offices and increased for industrial space. Available space continued to rise for office and retail units, but showed modest declines for industrial - the first such reading since 2005. In the industrial sector, rents are stabilising following several consecutive decreases. Rents are still expected to decline for office and retail units.

On the investment side, only the industrial sector saw new enquiries and capital value expectations stabilise this quarter, with the net balances just edging into positive territory. There were declines for the office and retail sectors, though at a lesser pace than in last quarter.'

Source: RICS UK Commercial Property Market Survey Q1 2012

Appendix III ends