



PATHFINDER
DEVELOPMENT CONSULTANTS

FINANCIAL VIABILITY ASSESSMENT.

At

**Land at Blacksmiths Lane,
Reed, Royston. SG8 8BA.**

for

The Turney Trust.

23rd April 2026.

FINANCIAL VIABILITY ASSESMENT - EXECUTIVE SUMMARY

Land at Blacksmiths Lane, Reed, Royston SG8 8BA.

A Financial Viability Assessment (FVA) has been carried out on a development of 21 homes planned to be undertaken on the above site.

We have considered the value of the proposed development exclusively for market sale and subtracted the total costs in bringing the scheme forward (including construction, fees, and finance). We have also subtracted what we consider to be a suitable developers profit adjusted for the risks the scheme presents. This leaves a residual land value as shown below for a scheme entirely of housing for sale at market values:

Gross Development Value	£ 11,129,248
Less Gross Development Costs	£ 8,606,144
Less a suitable developer's profit	£ 1,952,075
Residual Land Value	£ 575,485

We have compared the residual land value to the Benchmark land value we consider to be appropriate. Planning guidance refers to this as *"the minimum return at which it is considered a reasonable landowner would be willing to sell..."* We consider this to be £550,000 for the site based on its Existing Use Value plus a suitable premium, to bring the site forward for development.

The residual land value is slightly higher than the benchmark value demonstrating that the scheme is viable and that there is scope created to increase S106 financial contributions from £584,165 by £25,485.

It is therefore our reasonable judgment that a viable scheme is one which contains 21 homes for market sale.

FINANCIAL VIABILITY ASSESSMENT

Land at Blacksmiths Lane, Reed, Royston SG8 8BA.

1.0 Introduction

1.1. The Turney Trust have commissioned Pathfinder to provide a Financial Viability Assessment (FVA) for the proposed development on **Land at Blacksmiths Lane, Reed, Royston.**

1.2. The site is 1.1 hectares, of grassland in agricultural use and lies wholly within the defined settlement boundary of the village, bound by existing residential development to the south and east, the A10 to the west and open countryside to the north. Reed is a historic village situated midway between the towns of Royston to the north and Buntingford to the south, connected by the former major Roman road, Ermine Street, which largely follows the current A10. Positioned approximately 300m west of Reed Village, the A10 runs north to south. Roads within the Conservation Area lead either to the A10, the village of Barkway to the east, or connect with nearby tracks and isolated farms.

1.3. The site is subject to an outline application made to North Herts District Council (26/00276/FP) described as: *Erection of 21 dwellings. (These include 14 market dwellings and 7 affordable dwellings)*. The site is allocated under Policy RD1 for c. 22 homes, the policy also outlines three site-specific requirements (1) a detailed drainage strategy, (2) sensitive design where the site affects the Reed Conservation Area and adjacent listed buildings and (3) the incorporation or diversion of the existing public right of way.

1.4. In relation to the affordable housing provision, we are mindful of policy HS2, requiring the provision of seven affordable homes (at 35%), subject to viability. We note that the size, type and tenure of any affordable housing should meet the council's expectation that 65% will be rented and 35% will be other forms of affordable housing.

1.5. The applicant is concerned about scheme viability, the level of planning gain sought on the site taking into account the substantial abnormal costs, planning requirements together with current market conditions (suppressed sales activity but stubbornly high build costs).

2.0 Basis of Reporting.

2.1. Our terms of engagement are to appraise and quantify the level of Residual Land Value that can be delivered, by the development taking into account the planned scheme and to consider the consequent viability of the proposal. In addition, we are engaged to confirm the viability of delivering a policy compliant scheme, generated by the development starting from a policy compliant approach and whether further options are required to be considered.

2.2. This report does not constitute a formal 'Red Book' valuation (RICS Valuation - Global Standards) and should not be relied upon as such. It is a viability study carried out in line with The RICS guidance note Assessing Financial Viability in Planning (March 2021) and the Planning Practice Guidance relating to viability. The RICS Professional Standards and Guidance publication 'Financial Viability in Planning: conduct and reporting' May 2019 has also been adhered to.

2.3. Specifically, it should be noted that the viability assessments of this site and conclusions set out in this report, were carried out on the basis of a broad-based study, given the limited detailed site information available. This report is confidential to the Client and the authors accept no responsibility of whatsoever nature to third parties to whom this report or any part thereof is made known. Any such party relies upon the report at their own risk.

2.4. In carrying out the FVA we have acted:

- With objectivity
- Impartiality
- Without interference
- And with reference to all appropriate available sources of information.

2.5. We confirm no contingent fees have been agreed and we have no conflicts of interest.

2.6. Special Assumptions. At the time of writing this report England is in a cost-of-living crisis and facing substantial economic turmoil and uncertainty in the markets. Unprecedented construction material price rises have had a significant impact on sites in the last year and look set to continue into the summer. As such our assessments are more optimistic than they could be. Market analysts are now reporting a significant downturn in new homes sales with no expectations of the performance of the market in 2020 being repeated.

2.7. Pathfinder are a consultancy offering services to house builders, landowners and promoters, assisting in the delivery of affordable housing, site identification and appraisal, land acquisition, and development consultancy within the east of England.

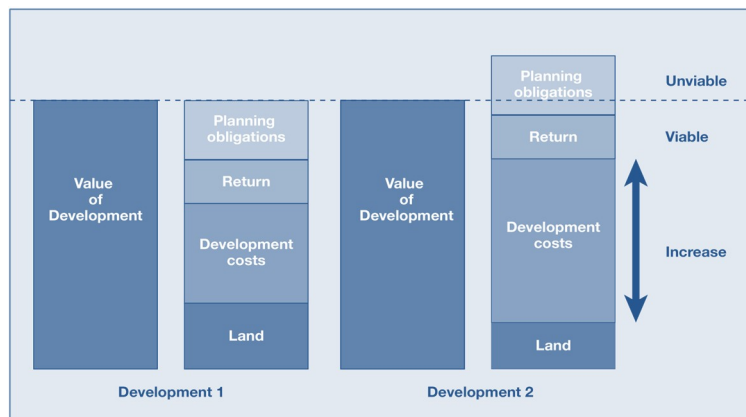
2.8. Our clients include national and regional house builders, as well as local developers, and land promotion organizations as well as individual landowners.

3.0. Standard Methodology in assessing viability

3.1. Financial Viability Assessment (FVA) is based upon a residual land value calculation, supported by a design and build cost estimate in as much detail as possible, and a scheme cash flow plotting the pattern of likely cash spend and income to generate interest on development finance.

3.2. The difference between gross development value and total cost equates to a residual land value. The model runs over a development period from the date of commencement of the project, to completion when the development has been constructed, sold and occupied. In order to assess whether a development scheme can be regarded as economically viable, it is necessary to compare residual land values produced with benchmark land values. If the development proposal generates a residual land value that is higher than the benchmark land value for the scheme, it can generally be regarded as economically viable and therefore deliverable. However, if the scheme generates a residual land value which is lower than the benchmark, it should not be deemed as economically viable (as illustrated in Diagram 1 below). The standard convention of working with current values and costs is used rather than those predicted in the future.

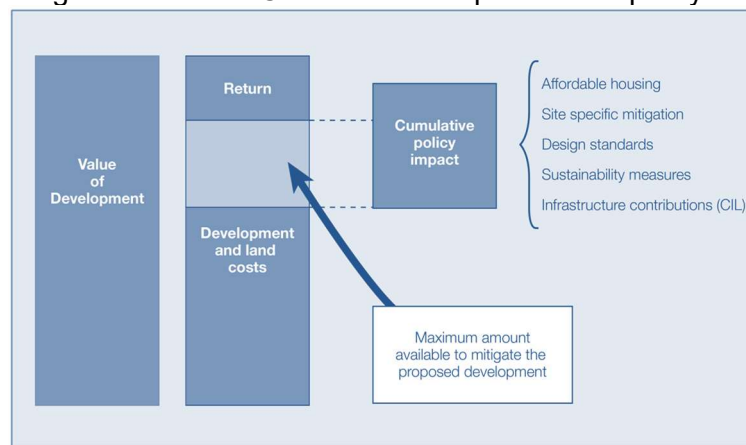
Diagram 1 - Comparative development viability



3.3. Diagram 1 illustrates the balance required to achieve a viable scheme – Development 1. It also shows how a scheme becomes unviable where there are increased development costs, due to site considerations, along with planning obligations – Development 2.

3.4. A viability assessment will have regard to not just single policy impacts but a cumulative impact of policy and planning obligations as illustrated in Diagram 2.

Diagram 2 - Cumulative impact of policy and planning obligations



4.0. Planning Guidance

4.1. There is strong policy background detailing the objectives and methodology for undertaking FVA's. This includes:

4.1.1. In December 2024 the National Planning Policy Framework was revised. It notes:

4.1.2 (1.) *The National Planning Policy Framework sets out the Government's planning policies for England and how these should be applied. It provides a framework within*

which locally-prepared plans for housing and other development can be produced.

4.1.3 (34) Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.

4.1.4 (58.) It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

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

4.1.6 (65.) Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.

4.2.1 Planning Practice Guidance relating to viability was updated in December 2025 and notes:

4.2.2 Viability assessment ...should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan... It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

4.2.3 Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.

4.2.4 Plans should set out circumstances where review mechanisms may be appropriate... over the lifetime of the development...

4.2.5 Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.

4.2.6 In plan making and decision-making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.

4.2.7 For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used.

4.2.8 Assessment of costs should be based on evidence which is reflective of local market conditions.

4.2.9.A benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Benchmark land value should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.

4.2.10 EUV should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross check of benchmark land value....Applicants should identify and evidence any adjustments to reflect the cost of policy compliance.

4.2.11 EUV is the value of the land in its existing use. EUV can be established... by assessing the value of the specific site... using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

4.2.12 The premium... is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. A reasonable premium... must be based upon the best available evidence... Market evidence can include BLV from other assessments... Land transactions can be used but only as a cross check to other evidence.

4.2.13 Potential risk is accounted for in the assumed return for developers at the plan making stage.

4.2.14 **For the purpose of plan making** an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk.

4.3.1. The Royal Institution of Chartered Surveyors (RICS) has produced a revised guidance note, **Assessing Financial Viability in Planning** (March 2021). The RICS guidance notes that:

4.3.2. *'To achieve deliverability, plans need to contain policies that, taken as a whole in the context of the development envisaged by the plan, are not likely to make that development financially unviable. A key determinant of financial viability is the balance between housing delivery and the provision of developer contributions. If developer contributions are set too high, landowners may not release land.'*

4.3.3. *Higher land prices reduce developer contributions and reduced developer contribution expectations can fuel higher land prices. The PPG now makes explicit that this should not occur under the new approach.*

4.3.4. *FVAs are undertaken to determine the balance between housing delivery and developer contributions. The FVA must be supported by appropriate evidence and that evidence is informed by engagement with developers, landowners, infrastructure and affordable housing providers.*

4.3.5. *Given that planning policies can affect markets, planning requirements should be set at levels that enable the market to function and plan policies to be delivered.*

4.3.6. *Market cyclicalities are a development risk and are accounted for in the risk-adjusted return required by the developer. At the date of valuation, these risks are based on expected out-turns that may turn out to be different to the actual achieved return in the future. The development cash flows that are modelled in the FVA should be those cash flows that are expected (The risk-adjusted return has already compensated the developer for taking on that particular risk. Therefore, inputs into the viability assessment should not be adjusted to conservative estimates; they should be the best estimate of what is expected).*

4.3.7. *An FVA estimates whether planned developments with policy-compliant levels of developer contributions are able to provide:*

- *a minimum reasonable return to the landowner (defined as the EUV plus a premium), and*
- *a suitable return to the developer.*

If the FVA shows that the specified landowner and developer return are not enough to satisfy these benchmarks, the development typology is unviable at the level of developer contributions being tested at the plan-making stage.

4.3.8. *A proper understanding of financial viability is essential in ensuring that:*

- *land is realistically priced and released for development by landowners to achieve plan delivery*
- *developers are capable of obtaining appropriate market risk-adjusted returns for delivering developments*
- *assumptions about the quantum of development that can be viably delivered over the course of the plan period are robust and*
- *CIL charging schedules are set at an appropriate level.*

4.3.9. *Where up-to-date plans are in place, a decision taking FVA can still be allowed but only in certain circumstances. The applicant must demonstrate whether particular*

circumstances justify the need for an FVA. Such circumstances could include, for example, where development is proposed on unallocated sites of a wholly different type to those used in the FVA that informed the plan, where further information on infrastructure or site costs is required, where particular types of development are proposed that may significantly vary from standard models of development for sale, or where a recession or similar significant economic changes have occurred.

4.3.10 It is normal to start by reference to the FVA undertaken at the plan-making stage, which, other than for key strategic sites, will have been most likely undertaken on a typology basis.

4.3.11 At the site-specific level, market evidence from the actual site or from comparable developments can be used. Paragraph 012 of the PPG states that 'Assessment of costs should be based on evidence which is reflective of local market conditions'. Additionally, it states that build costs should 'be based on appropriate data, for example that of the Building Cost Information Service' (BCIS). Wherever possible, cost estimates should be based on market evidence from similar developments. BCIS and other indices are 'appropriate' but are not always reflective of local market conditions. (For) build cost a full quantity surveyor's cost report showing how costs have been estimated should be made available for site-specific information.

4.3.12. Standardised inputs are market, not individual developer, orientated.

4.3.13. PPG paragraph 018 identifies the return to the developer in plan-making FVAs. An assumption of 15– 20% of GDV may be considered a suitable developer return. However, PPG paragraph 018 states that 'Plan-makers may choose to apply alternative figures outside of this range where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk'. Alternative figures may also be applied for different development types, such as commercial development or build to rent.

The developer return includes compensation for risk. The assessor should consider the relative level of risk attached to the development of the different strategic sites and hypothetical typologies. When estimating the appropriate return for each typology and site, the assessor should consider evidence from other stakeholders and relevant FVAs.

4.3.14. There are three approaches to the assessment of the BLV. All three should be calculated and reported to the decision-maker separately to counter arguments that BLVs from one method of valuation have been used as an input into another method, in order to reduce developer contributions artificially. If applied correctly, the recommended approach will nullify this possibility. The primary approach is EUV+ (or AUV where appropriate). The other two approaches are cross- checks.

a) The first cross-check is the residual BLV, found by applying the residual valuation approach set out in Valuation of development property, RICS guidance note.

b) The market comparison approach can be used to provide a further cross-check. Where the evidence allows, land transactions can be used. The normal valuation approach to the analysis of transactions is set out in Comparable evidence in property valuation, RICS guidance note.

In the case of the BLV in FVAs, these two methods are not the primary approach, which is the EUV plus a premium. They are therefore cross-checking mechanisms only. An important difference between market value and BLV is the weighting of the evidence base. While the evidence base for the market value is grounded in transactions, and in comparative values and costs of the developed property in a residual valuation, the PPG reduces the status of comparable land transactions to that of a cross-check of the BLV, which may be undertaken to help inform the BLV established by reference to the EUV plus a premium. Existing use value should be informed by market evidence of current uses, costs and values’).

4.3.15. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. It is therefore a minimum return that would persuade a reasonable landowner to sell the land.

4.3.16. The PPG states that the AUV ‘of the land may be informative in establishing benchmark land value’. The AUV refers to the value of land for uses other than its existing use. The EUV of a partially implemented development could be nil. The BLV may therefore be more appropriately assessed by reference to the AUV. The RICS guidance note, defines it as ‘the market value, or any other appropriate basis, with the special assumption of an alternative use to the existing use or permitted highest and AUV - these uses may include where there is:

- an extant planning consent that can be implemented*
- an alternative development that fully complies with up-to-date plan policies*
- potential to refurbish the existing property*
- any alternative use for the property that would achieve planning consent*
- a partially implemented consent, or*
- an application under section 73 of the Town and Country Planning Act 1990 for a variation or removal of a condition on an existing planning permission.*

4.3.17. Different forms of adjusted market evidence to inform the premium include specific references to:

- BLVs from other FVAs, and*
- Land transactions, but only as a cross-check to the other evidence.*

4.3.17. Where assessors consider that the impacts of value and cost change are a significant factor in the market, these changes are taken into account in the FVA and sensitivity testing of these projections is undertaken.’

4.4.1 It is mandatory in the **Financial viability in planning: conduct and reporting (May 2019)** RICS professional statement that FVAs include sensitivity analysis to examine the effect of changes in key inputs. Sensitivity testing should be proportionate to the site or typology under review.

5.0 Plan Wide Financial Viability Assessment

5.1 The Local Authority plan wide FVA carried out by Dixon Searle in August 2016 is out of date and therefore we have not referred to it.

6.0. Assumptions used in our modelling framework

6.1. Our viability assessment is based upon broad approximations, where detailed information is not available. We have modelled the delivery of a scheme of 21 homes.

6.2. Property Type and Sizes. The mix of property types, and floor areas (GIFA), are typical developer sizes and based upon the planning drawings prepared by 29 Architecture and Planning (see appendix 3).

6.3. Gross Development Value.

6.3.1. Anticipated sales values have been obtained from an analysis of current sales values in Royston and surrounding locations and asking prices for new build homes in the vicinity and has been used to identify potential sales prices for individual units and rates per ft² that could be achieved for the scheme. This information has been used to generate the Gross Development Value of the site (shown in the EVA) and is contained at appendix 1.

6.3.2. Rates used are at £437/ft² are considered ambitious in comparison with the current difficult market. We have included research and comparable evidence provided by local agent Cheffins.

6.3.3. Affordable Housing is assumed to transact at 50% of market value for Affordable Rented Homes and 70% for Shared Ownership, ambitious levels in the well documented difficult market conditions currently being experienced, where receiving any offers on a scheme of this size will be challenging.

6.3.4. By way of general market commentary: Experts are now revising downward their estimates for house price growth in 2026. Estate agent Savills now forecasts average UK house price growth in 2025 to be just 1%, down from the 4% prediction it made in November 2024. According to the latest ONS data released in July, the average price of a home in the UK in May 2025 was £269,000, up from the £266,000 recorded in April, but down from the £273,000 recorded in March. This average price is slightly lower than the market peak of £266,000 recorded in 2022 in the wake of the pandemic.

More timely information on the housing market comes from lenders like Nationwide and Halifax, as well as online estate agents including Zoopla and Rightmove. On July 21, Rightmove said the average price of a UK home for sale in July fell by 1.2%, when compared to June. It's the biggest July fall in house prices in two decades.

Savills reported in July: House prices fell by -0.8% in June on a seasonally adjusted basis, according to Nationwide. This was the biggest monthly fall since the period following the 2022 mini-budget, and leaves values down -0.6% since the start of the year. They are still up 2.1% on a 12 month basis, however. **The weakest performing regions were the West Midlands (-1.7%) and East Anglia (-1.3%).**

Price growth is weaker than we expected and comes despite improving affordability. Falling Mortgage rates have made it easier to buy a home, despite this, confidence in the housing market remains fragile. While the Monetary Policy Committee held rates at 4.25% in June, there is an expectation that rates will continue to trend downwards with two further cuts this year expected by Oxford Economics, ending the year at 3.75%. Many lenders have already priced in these cuts and some are offering sub-4% mortgages, although these lower-rates still require a significant deposit and fee.

The weaker than expected performance in the housing market is partially a consequence of a weak labour market, with unemployment rising to 4.6% in April, according to the ONS, the highest rate in almost 4 years. The ONS estimates that number of people on payrolls fell by 55,000 in April. This weakness is primarily driven by employers responding to increased NI contributions and a higher minimum wage, both of which came into force in April.

Value falls are also driven by a supply/demand imbalance as the latest RICS survey continues to show the majority of surveyors reporting falls in the number of new enquiries and rising levels of new instructions to sell. This limited demand is forcing sellers to be increasingly pragmatic.

Overall activity metrics also remain somewhat muted following the lowering of SDLT thresholds, with completions in May (the second month after the change to SDLT thresholds) still 16% lower than the 2017-19 average for the month. This was an improvement from the 35% below typical activity in the previous month – previous analysis of ours shows it typically takes 2-3 months for the market to recover from such SDLT changes.

6.4. Gross Development Costs

6.4.1. Site Acquisition Costs

We have included site acquisition costs to cover agent and legal fees at a total of 1.5% of the benchmark land value. These assumptions are viewed as standard. Stamp duty at the prevailing rate has been allowed for, calculated on the residual value.

6.4.2. Design and Build Costs

We have assumed that all design costs (site survey, architecture, engineering planning consultant and fees), are included within the Cost Plan attached at Appendix 2. Our cost plan is based on the design drawings and surveys relating to the Planning Application and prepared by 29 Architecture and Planning.

We have used the location adjusted *Building Cost Information Service* (BCIS) data, to generate the construction cost of individual homes. Rates used are adjusted to reflect the location factor for North Herts and are at the Median Rate for general estate housing (at the appropriate architype), taking into account the design, specification and sales values sought. Prices reflect the location and type of project, including the design and high level of specification synonymous with the developer. We note the BCIS advise the use of the higher mean rate to determine an average build cost, i.e. the sum of the figures divided by the number of figures.

In their August 2015 report 'Housing Development: the economies of small sites' note in relation to the general use of their data, 'BCIS advise the use of the mean to determine an average build cost... '(it) is likely to be more representative for **all** potential projects than the median.'

All external works costs, and abnormals not included in the BCIS are shown separately. External and abnormal costs are fully detailed at appendix 2 including rates and quantities, these are all items not included in the BCIS rate. The PPG specifically notes:

- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy.*

The RICS guidance notes:

The evidence collected to support assumptions on costs could include, but is not restricted to, the following:

- *expected build cost (a full quantity surveyor's cost report showing how costs have been estimated should be made available for site-specific information; plan making may have to rely on BCIS or other online information)*

The overall analysis generates a total design and build cost of £7,378,194 or £3,118.43m².

6.4.3. Abnormal and Contingency Costs

Abnormal and additional costs allowed for are clearly identified in the cost plan (Appendix 2). We reserve the right to amend our report to include additional costs in areas not yet identified. The RICS guidance notes: *In decision taking, the abnormal costs and any enabling infrastructure should be estimated in the FVA.*

Contingency costs have been allowed for at a rate of just 4%. It should be noted it is usual to include an element of contingency because construction projects are inherently complex and face numerous uncertainties and risks. The contingency acts as a financial safety net to cover unforeseen expenses, manage unexpected conditions, and prevent budget overruns or delays that would otherwise jeopardize the project's success.

6.4.4. Design & Professional Fees

Allowances have been included to cover all design and professional fees, at 8.5%. This is at the bottom of the normal range compared to typical allowances assumed in Financial Viability testing, and in the whole plan viability study, covering all surveys, enquires and design work pre and post planning, as well as statutory fees and consultants. At the planning appeal for Shinfield, Reading (APP/X0360/A/12/2179141) the inspector deemed a 10% professional fee to be realistic due to the nature of the site not being simple or straightforward but containing an element of known contamination, the potential presence of protected species, protected trees in the proximity of existing housing.

6.4.5. S106 Contributions

S106 commuted sum costs in line with advice given total £584,165.

6.4.6 Marketing and Sales Costs

We have adopted full marketing sales and disposals costs within the appraisal, including:

- Marketing costs of the private properties
- Agent's fees
- Legal fees associated with private sales

On this basis we have assumed a sales and marketing cost of 2.5% of the gross development value of the open market sales properties, and £900 per home legal fees.

6.4.7. Finance Costs.

Where development finance is available, lenders are currently charging minimum rates of at least 7%. Arrangement (1%), monitoring (2%) and exit fees (1%) are also charged. These onerous lending terms persist due to on-going resistance to lending on residential development in the current market. We have adopted an interest rate of just 7% with no additional allowance for fees, which we consider to be a standard assumption for development in the current economic climate.

It is conventional to assume finance on all costs in order to reflect the opportunity cost (or, in some cases, the actual cost) of committing equity to the project.

This assumption is marginally higher than in the 2024 study. However, the rate is lower than funders are generally seeking reflecting major economic uncertainty in the current market. We note research from Gerald Eve, dated October 2023 (since which time the Bank of England base rate has reduced by 1.5% (1.25% at the time the report was originally written), which suggested a minimum rate of 8.5%. This would translate to a rate currently of 7% which we use.

6.5. Development Programme

6.5.1. For the purpose on undertaking the Financial Viability Assessment only, we have assumed that a standard development of 135 homes, occurs over an 48 month period with the land being acquired in month one, and construction taking 42 months.

6.5.2. We have assumed sales of open market units occur from month 15 to month 48 on an even basis. The rate of sales directly links to the assumed sales prices of individual units and the nature of the local market.

6.5.3. These assumptions are particularly important in the calculation of development interest. The accounting for development interest on the land acquisition is from month one of the programme, not allowing for any historic holding costs of the site, in line with best practice.

6.6. Overhead & Profit

6.6.1. When considering the changing economic climate, financial institutions have tightened their requirements for overhead and profit returns on all schemes. Banks have raised their expectations in terms of risk and required returns that new developments offer. It is currently deemed likely that any private residential development proposals predicting an overhead and profit return of less than between 15% and 25% of gross development value would not be considered viable. We note the contents of the recently revised NPPF in this regard. However the current uncertainty associated with the future of the UK's trade relationship with the European Union has created uncertainty which may undermine some buyers' confidence to a degree. In this context, financial institutions are likely to tighten their requirement for profit returns on developments. As a consequence, target profit levels increased to in excess 20% on value in the short term.

6.6.2. We have adopted an overhead and profit rate of 17.5% of gross development value for the new scheme. There is a strong argument that this does not sufficiently

take into account the location, nature of the development and current market conditions. The rate is identical to the councils 2017 plan wide viability study and lower the generally accepted minimum level required for bank funding to be obtained.

6.6.3. As affordable housing contains less commercial risk, typically with a JCT Design & Build Contract or a Development Agreement being signed at the commencement of works, and monthly valuations of construction work, borrowing and risk are reduced and so lower levels of overhead and profit are the norm. We have therefore allowed an overhead and profit of 6% in relation to the delivery of affordable housing for rent and shared ownership. Discounted Market Sale carry at least the same sales costs and risks to the developer as open market sales. There is no contract for sale in place at start on site, and sales are to a restricted market. We have therefore assume a profit level 12% of market value.

6.6.4. At the planning appeal for Shinfield, Reading (APP/X0360/A/12/2179141) the inspector deemed that "the usual target being in the range 20-25%" of gross development value. This is in line with the recent appeal decision Chapel St Leonards APP/D2510/Q/14/2228037 noting that this level of return is reasonable. At (Appeal Ref: APP/W1145/Q/13/2204429, Former Holsworthy Showground, Holsworthy) the inspector felt a blended rate including the affordable housing of, 18% was appropriate rejecting the council's argument for 17.5% on open market housing (not dissimilar to the blended rate of 18.5% in APP/N4720/A/14/2227584, Roundhay Leeds).

7.0. Methods for Assessing Land Values

7.1 The minimum land value judged as capable of ensuring a site is brought forward is important in our calculations of scheme viability. As noted in the PPG:

"The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell..."

7.2 Planning Practice Guidance relating to Benchmark land value notes:

7.2.1. The benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Benchmark land value should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.

7.2.2 EUV should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross check of benchmark land value. Applicants should identify and evidence any adjustments to reflect the cost of policy compliance.

7.2.3 EUV is the value of the land in its existing use. EUV can be established... by assessing the value of the specific site... using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

7.2.4 The premium is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully

comply with policy requirements. A reasonable premium must be based upon the best available evidence. Market evidence can include BLV from other assessments. Land transactions can be used but only as a cross check to other evidence.

7.3 The RICS guidance notes that:

7.3.1 The likely behaviour of landowners in deciding whether to sell their land is a consideration, but some changes to planning policy and practice will affect the value of land. PPG paragraph 002 states that the 'price paid for land is not a relevant justification for failing to accord with relevant policies in the plan'. It also states that landowners and site purchasers 'should consider this when agreeing land transactions'... Viability should inform landowners about reasonable expectations, having regard to planning policy and their options.

7.3.2 The PPG is clear that market evidence can be used as a cross-check for BLV, but should not be used in place of BLV... BLV should not be assumed to equate to market value.

7.3.3 Recognising this possible divergence between BLV for planning purposes and prices paid in the market, PPG paragraph 011 states that 'Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan'.

7.3.4 Landowner expectations are a very important element in the voluntary release of land for development, but these expectations may include individual criteria, such as cultural ties to the land, that create different values to individual owners and may impact on the release price of that land.

7.3.5 Development land value is ultimately a function of the residual value of the development potential of the site, including a range of development options, once all relevant costs have been deducted.

7.3.6 The EUV is not normally affected by any abnormal costs or enabling infrastructure included as part of bringing the development forward. The only costs that impact the EUV are those that would stop the existing use if not remedied. The cost of rectification should be deducted from the EUV based on the assumption of the use continuing in the future.

7.3.7 Where a residual valuation is being used to identify the residual planning obligations, the BLV used in that calculation must allow for the reduction in land value of a site that has abnormal costs.

7.3.8 The BLV will usually be based upon the EUV plus a premium (EUV+) but may sometimes be based on the AUV excluding a premium where appropriate. The BLV should not be expected to equate to the market value... The BLV is not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers' contributions can be assessed... The PPG reduces the status of comparable land transactions to that of a cross-check of the BLV.

7.3.9 The components that need assessing are:

- EUV
- premium
- AUV, where appropriate

- *policy-compliant site value assessed by the residual method and*
- *policy-compliant site value assessed by the comparative method.*

7.3.10 The PPG identifies the evidence base for the premium... can include BLVs from other FVAs.

7.3.11 The AUV refers to the value of land for uses other than its existing use... Where the BLV is based on the AUV, no premium should be added.

7.3.12 Market evidence of land transactions can be used to cross-check the BLV assessment. Land transactions must be adjusted to be compliant with policy requirements

7.3.13 The actual process is not prescribed, but there is a clear instruction on the weight to be placed on the different assessment methods and the evidence on which each is based:

- **Step one** is to determine EUV
- **Step two** is the assessment, where appropriate, of the AUV
- **Step three** is to assess a premium
- **Step four** is to determine the residual value of the site assuming actual or emerging policy requirements (to) be cross checked against the EUV+.
- **Step five** is to cross-check the EUV+ approach to the determination of the BLV of the site by reference to land transaction evidence.

7.4.14 The PPG is unambiguous that EUV+ is the primary approach. The other two valuations must be used to cross-check the resulting BLV and not be the primary determinant of BLV.

7.4.15 There is no guidance in the PPG as to what that minimum return is, nor should there be. It is a feature of real estate markets that each typology and site is unique.

7.4.15 The EUV for the purposes of FVAs is the value in the existing use, ignoring any prospect of future change to that use. This may however include permitted development or change of use within the same planning use class, but only where this does not necessitate any refurbishment or redevelopment works to the existing buildings or site works.

7.4.15 Where possible and appropriate, the market comparison approach will be used; the analysis of transactions is a major part of that approach. The evidence must be adjusted to disregard any hope value.

7.4.16 It would be inappropriate to determine a lower BLV and penalise the landowner for making the site ready for development.

7.4.17 The applicant must demonstrate that there is demand for the alternative use and why the proposed scheme is being promoted over the AUV, if the AUV suggests greater viability and returns.

7.4.18 BLVs from other FVAs are relevant sources of information to assist in identifying the premium element in an EUV+ approach to the assessment of the BLV.

7.4.19 Where the EUV part of the benchmark is a substantial element of the overall assessed value, the premium is usually stated as a percentage increase of the EUV. This is typical in urban and brownfield sites. In the case of greenfield, cleared brownfield or some sui generis (unique) sites outside of the normal planning use classes, where the EUV is a small proportion of the BLV, the premium is more likely to be stated as a multiplier or could be stated as an actual amount.

7.4.20 It should be clearly stated whether development land has been transacted with or without planning permission.

7.5.1 Regarding existing use values, sites coming forward for development can typically comprise green field sites. Guidance issued by the HCA in “Transparent Assumptions: Guidance for the Area Wide Viability Model” 2010 states that for green field land, benchmarks tend to be in a range of 10 to 20 times agricultural value. In Knight Frank’s report, *The Rural Report*, Winter 2014, typical agricultural land value per hectare are noted as being £25,946. This would give a benchmark land value of between £259,460 per hectare and £518,920 per hectare.

7.5.2. When considering Benchmark land values based on EUV plus a market incentivized premium the Inspector in Pinn Court Farm, Exeter (APP/U1105/A/13/2208393) noted that it was “unrealistic and inconsistent with the principles in the Planning Practice Guidance to expect a transaction to be incentivised and to occur to deliver housing at a value less than the relevant comparables.”

7.5.3. Premiums also need to be set at a level that reflect land promotion costs, which are unlikely to be less than £60,000 per hectare and often more, as well as provide a satisfactory return on the risk capital invested in the planning application. In addition, they must achieve a value that provides sufficient security for a loan to deliver the infrastructure that enables the development to proceed.

7.6. Benchmark Land Value used

7.6.1. In reaching a conclusion on an appropriate Benchmark Land Value we have reviewed the evidence and using our professional judgement, we believe that an appropriate Benchmark Land Value assumption for the area cannot be lower than:

- £550,000 for the overall site.
- Or £500,000 per hectare.

7.6.2. In setting an appropriate benchmark land value the following evidence has been taken into account:

- We consider that the EUV Plus method of establishing the Benchmark Land Value is appropriate.
- The former use of the site for agricultural uses.
- We have assumed an EUV of £25,000 per hectare and a premium expressed as a multiple of 20 times EUV for the residential development land.
- Paragraph 6.5.1 above notes a range for agricultural sites of £259,460 per hectare and £518,920 per hectare.
- Typically greenfield premiums range from x10 for large strategic sites (plus 200 homes) to x20 for ‘small paddock type sites’. The premium we have used is therefore typical for a site of this size.

7.6.3 We note that in the recent High Court decision relating to Parkhurst Road, Holgate J noted that Benchmark land values 'should reflect and not buck relevant planning policies.'

8.0 Analysis of FVA Outputs and appropriate Sensitivity Analysis.

8.1. We have considered:

8.2. Base Appraisal. The scheme of 21 homes for market sale, generates a residual land value of **£575,486** (which equates to **105%** of the benchmark value). This can be considered to be an economically viable level of land value as required by the National Planning Policy Framework. It notes sites need to deliver '*a minimum return at which it is considered a reasonable landowner would be willing to sell.*' We further note in the recently published Viability Testing Local Plans document it is necessary "*for the scheme to provide a competitive return to the developer to ensure the development takes place and generates a land value sufficient to persuade the landowner to sell the land.*" Delivery would require the developer to be prepared to take further substantial additional risk in outperforming market sales rates, construction procurement, or lower profits than could be expected.

8.3. The provision of any affordable housing would worsen viability on a proportionate basis. Affordable rented homes could not be expected to attract more than 50% of the market sales value in the current week market, and 70% for shared ownership homes. Option 1 models the 7 affordable homes and shows that with no S106 financial contributions at all the scheme fails to generate a residual value equal to the benchmark, put another way is clearly not viable (87% of the BLV).

8.4. The residual land value is £25,485 higher than the benchmark. This is the sum that could be available towards higher S106 financial contributions (including off site affordable housing provision) above the £ 569,885 currently allowed for.

8.5. We have undertaken the following economic sensitivity scenario tests of the base appraisal for 21 homes for market sale as follows, considering reasonable changes to assumptions:

- +2% GDV = Residual value 145% BLV
- -2% GDV = Residual value -64% BLV
- -2% Design and build cost = Residual value 133% BLV
- +2% Design and build cost = Residual value 76% BLV

9.0 Conclusions

9.1. The FVA indicates the scheme as proposed, based on current known costs and values generates a residual land value of **£575,486** assuming the provision of 21 homes for market sale.

9.2. This is a level, which can be considered to deliver a *minimum return* to the landowner, in comparison with the established convention of consideration of current benchmark values. The scope is created to increase S106 financial contributions from £584,165 by £25,485.

9.3. It is therefore our reasonable judgment that a viable scheme is one which contains 21 homes for market sale.

Signed



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23rd April 2026.