



## Northumberland National Park Authority Draft Local Plan Viability Assessment Stakeholder Workshop

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Monday 25th March 2019, 1400 - 1600

### About AspinallVerdi



- Specialist Property Development Consultants
- RICS GP and P&D Surveyors / RTPI
- CIL Viability Studies
- Local Plan / Affordable Housing Viability
- Economic Viability Appraisals for S106
- Heritage - Conservation Deficit / Enabling Dev. Appraisals
- Market Studies to support change of use
- Homes England Property Panel
- RTPI England Policy Panel / RICS FVIP Panel



## Overview

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1. Introduction
2. Local Plan Viability Context
3. Methodology
4. Research and Emerging Assumptions
5. Emerging Results
6. Feedback and Next Steps

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## Objectives of the Study

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To prepare an Financial Viability Assessment (FVA) of development across the National Park to be used as evidence to:

- support the preparation of the Preferred Options Local Plan
- consider impact of different Affordable Housing tenures
- consider impact of Market Housing (Principal Residency)
- *appraise quantum of grant*

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## Purpose of the Workshop

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To explain -

- Why a Financial Viability Study?
- Our methodology

To engage -

- Appropriate Balance

You to feedback -

- Cost / Value Assumptions

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## NPPF (February 2019)

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### 2012

Para 173. *Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking....To ensure viability, the costs of any requirements likely to be applied to development (affordable housing, infrastructure contributions etc.) should, when taking account of the normal cost of development, provide **competitive returns to a willing land owner and willing developer to enable the development to be deliverable***

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### 2019

Para 57. Where up-to-date policies have set out the contributions expected from development, **planning applications that comply with them should be assumed to be viable**. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The **weight to be given to a viability assessment is a matter for the decision maker**, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. ..

## NPPF (cont.)

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### 2019

Para 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.

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## PPG – Viability

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- Updated at the same time as the NPPF (July 2018)
- Policy requirements should be informed by **a proportionate assessment of viability**
- *Different requirements may be set for different types of site or types of development.*
- Plan makers should engage with landowners and developers to *secure evidence on costs and values to inform viability assessment at the plan making stage.*
- *‘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*
- *‘benchmark land value should be established on the basis of the **existing use value (EUV) of the land, plus a premium for the landowner.***

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## How is Viability Measured?

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- ...by an Financial Viability Model [Assessment / Analysis ]
- Normally on a “residual basis” – Residual Land Value (RLV)
- At Plan level....
  - Significant number of variables
  - Experience and judgement needed – partly due to information limitations
- Can be complex and ‘sensitive’ to changes in inputs
  - Small changes in some variables have a large impact
  - Sensitivity analysis key

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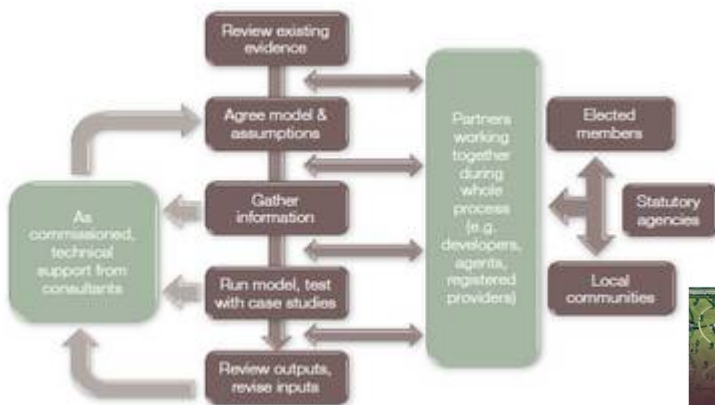
## Overview



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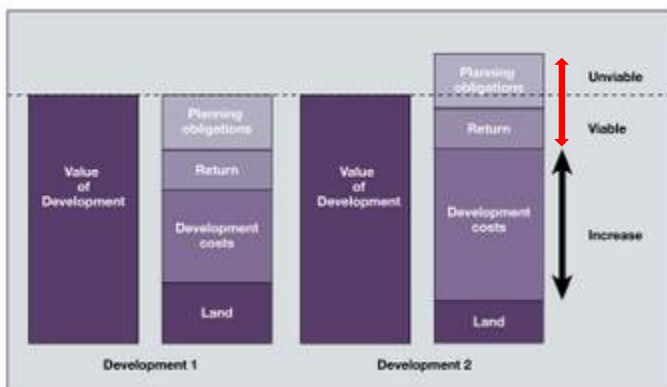
## Appraisal Methodology - Harman



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## RICS – Financial Viability In Planning

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## Best Practice Model

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GDV (inc. AH)

Less

- Fees
  - S106/CIL
  - Build costs
  - Profit
  - Interest etc.
- = RLV

No. Units / Size  
x Density  
= size of site (ha)  
x BLV (£/ha)  
= BLV



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## Residential Market Paper

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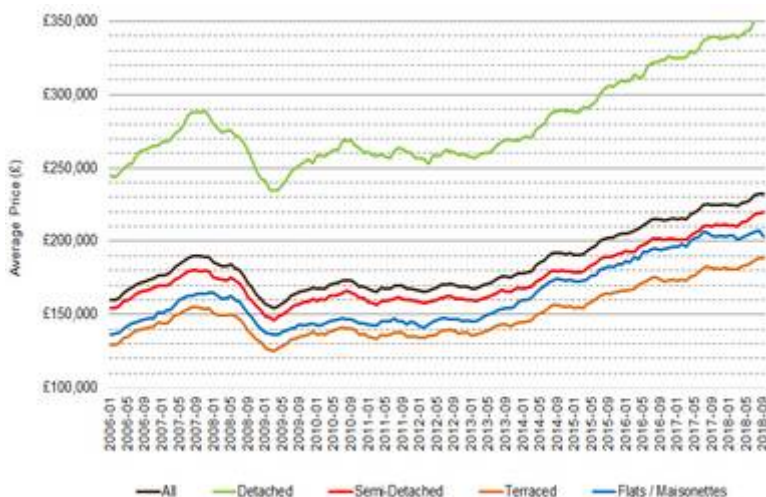
- UK and Regional Market Overview
- Existing Evidence Base – (SHMA / Demographic Forecast)
- New Build Achieved Values
- New Build Asking Prices
- Housing Value Zones / Second hand Achieved Values
- Market Housing Value Assumptions

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### UK and Regional Market Overview - Average House Prices across UK

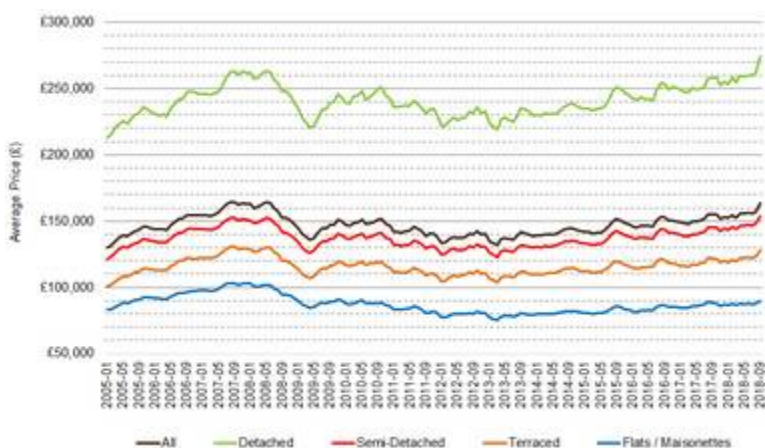
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### Average House Prices across Northumberland

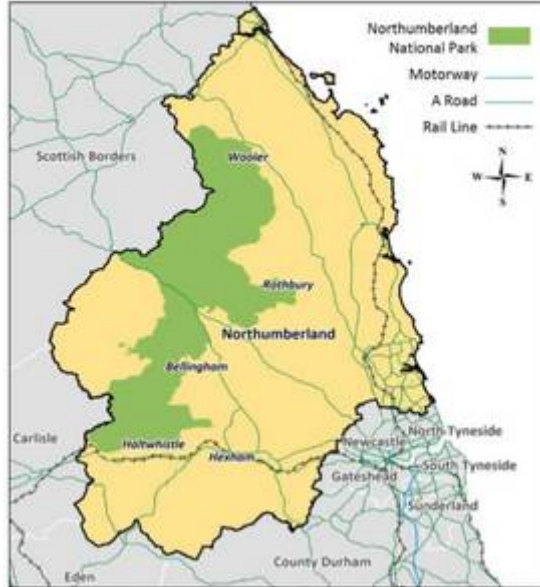
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### Northumberland and National Park Authority

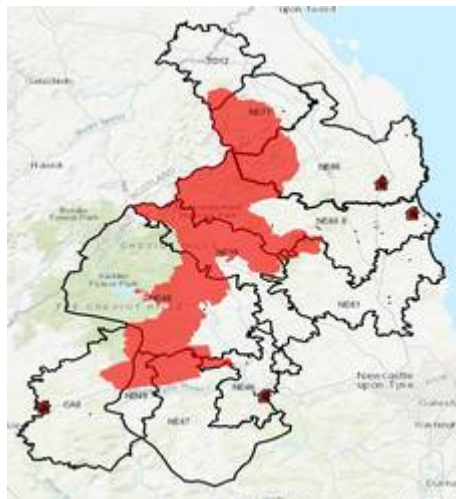
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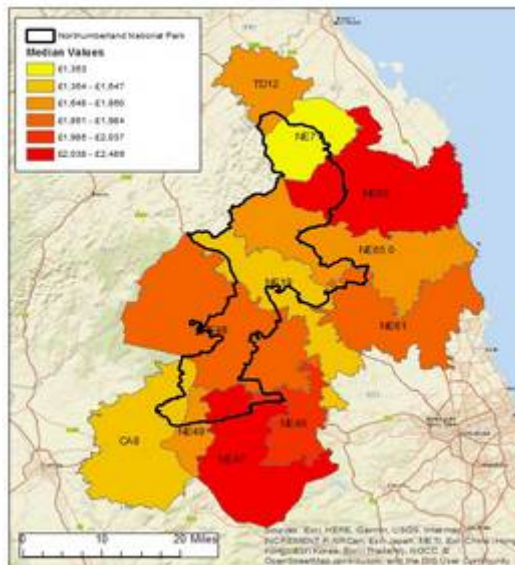
### New Build Achieved – Land Registry

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### Housing Value Zones – (Second Hand Values)



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### Residential Value Assumptions

No of Beds	Floor Area	Market Value (MV)	Principal Residency	Local Connection	Affordable Rent	LCHO
			95%	80%	80%	65%
1	70	£200,000	£190,000	£160,000	£160,000	£130,000
2	79	£225,000	£213,750	£180,000	£180,000	£146,250
3	93	£325,000	£308,750	£260,000	£260,000	£211,250
4	106	£400,000	£380,000	£320,000	£320,000	£260,000

Source: AspinallVerdi (February, 2019)

Please provide feedback any specific feedback on the above Market Values and Affordable Rent / LCHO asset values

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## Residential Value Assumptions

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No of Beds	Floor Area	Market Value (MV)	Principal Residency	Local Connection	Affordable Rent	LCHO
			95%	80%	80%	65%
1	70	£2,857	£2,714	£2,286	£2,286	£1,857
2	79	£2,848	£2,706	£2,278	£2,278	£1,851
3	93	£3,495	£3,320	£2,796	£2,796	£2,272
4	106	£3,774	£3,585	£3,019	£3,019	£2,453

Source: AspinallVerdi (February, 2019)

Please provide feedback any specific feedback on the above Market Values and Affordable Rent / LCHO asset values

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## Transfer Value Assumptions

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Affordable Housing:

- Affordable Rent @ 80% Market Value
- LCHO @ 65% Market Value

Market Housing;

- 50% Local Connection (80% MV)
- 50% Principal Residency (95% MV)

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## Cost Assumptions – Initial Payments

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Item	Assumption	Comment
Planning Application Professional Fees and reports	Allowance for typology	Generally x 3 Statutory Planning fees
Statutory Planning Fees	Based on national formula	
Site Specific S106	£1,000 per unit	Site Specific Allowance for typology. We have made an allowance of £1,000 per unit for Section 106 / Section 278 costs
CIL	Not Applicable in Northumberland National Park	

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## Cost Assumptions – Construction

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	Cost	Comments
Housing	£1,275 psm	Based on analysis of benchmarks (BCIS)
External Works	15%	Plot external works sympathetic to the National Park location
Site Wide Infrastructure	20%	Site wide infrastructure costs. These would normally be bespoke to a particular development.

Please provide any specific feedback on the above construction rates/%

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## Cost Assumptions - Other

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Item	Assumption	Comments
Brownfield – Demolition and Clearance	£100,000 / acre	Site clearance / remediation allowance
Contingency	3%	
Professional Fees	6.5%	
Sales Agent	1%	of Sales (Principal Residency)
Sales Legal	0.5%	of Sales (Principal Residency)
Marketing budget	3%	of Sales (Principal Residency)

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## Residential Cost Assumptions – Finance, OH&P

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Item	Assumption	Comments
Debit Interest	6.25%	Applies to 100% of cashflow to include Finance Fees etc.
Profit on Market Sales	6%	On Principal Residency
Profit on Affordable Housing	6%	

Please provide any specific feedback on the above profit margins (having regard to the aim of using Principal Residency to cross-subsidise affordable housing)

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## Residential Typologies

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- Based on the types of schemes that may come forward within different parts of the National Park
- Mix is adjusted on the smaller typologies to reflect the number of units on the scheme
- Appropriate Densities (20 dph)

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## Typology Assumptions

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Typologies A - H - 100% Affordable Housing scenarios –

- 60% Affordable Rent @ 80% Market Value
- 40% LCHO @ 65% Market Value

Typologies I - P - Affordable Housing tested between 20 and 33% -


- 50% Affordable Rent (80% MV)
- 50% LCHO (65% MV)
- Remaining units 100% Principal Residency

Typologies Q - X - Same as I - P but Market Housing split;

- 50% Local Connection (80% MV)
- 50% Principal Residency (95% MV)

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## Unit Sizes



Property Type	Affordable Housing (Sqm)	'Market' Housing (Local Occupancy / Principal Residency) (Sqm)
2-Bed House	79	79
3-Bed House	93	93
4-Bed House	106	106


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## Benchmark Land Values



- Assumes £10,000 per plot
- i.e. £81,000 per acre / £200,000 per ha (net)
- 20 dph

GDV (inc. AH)	
Less	
• Fees	
• S106/CIL	
• Build costs	
• Profit	
• Interest etc.	
= RLV	
	No. Units / Size x Density = size of site (ha) x BLV (£/ha) = BLV



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## How to interpret the Viability Appraisals



Scheme Ref: **A**  
 No Units: **1** Location / Value Zone: **NP-wide** Development Scenario: **Greenfield**  
 Notes:

RESIDUAL LAND VALUE			
Residual Land Value (gross)			20,905
SCLT	20,905 @	5.00% (ribbed)	0,491
Acquisition Agent fees	20,905 @	1.00%	(210)
Acquisition Legal fees	20,905 @	0.50%	(105)
Interest on Land	20,905 @	6.25%	(170)
<b>Residual Land Value</b>			<b>18,809</b>
RLV analysis:	20,909 £ per plot	576,301 £ per ha	233,077 £ per acre

BENCHMARK LAND VALUE			
Residential Density	20.0	0.05	0.12
Site Area (hectares)	1,000	20,000	8,102
Density analysis:	10,000 £ per plot	200,000 £ per ha	90,929 £ per acre
<b>Benchmark Land Value</b>			<b>18,800</b>

BALANCE			
Surplus (Deficit)	18,809 £ per plot	376,181 £ per ha	952,239 £ per acre
			<b>18,809</b>

GDV (inc. AH)  
 Less  
 • Fees  
 • S106/CIL  
 • Build costs  
 • Profit  
 • Interest etc.  
 = RLV

No. Units / Size  
 x Density  
 = size of site (ha)  
 x BLV (£/ha)  
 = BLV

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**Viability Buffer – Sensitivities**  
e.g. AH v ‘Market Housing’



Balance (RLV - BLV)	AH - % on site 100%						
	10%	25%	40%	55%	70%	85%	100%
19,727							
80%	22,140	21,789	21,438	21,087	20,736	20,387	19,727
85%	32,122	30,107	28,093	26,078	24,064	22,051	19,727
90%	42,105	38,426	34,748	31,069	27,391	23,713	19,727
95%	52,087	46,745	41,463	36,181	30,719	25,359	19,727
100%	62,070	55,064	48,058	41,052	34,046	27,024	19,727
105%	72,052	63,383	54,713	46,043	37,374	28,688	19,727
110%	82,035	71,701	61,368	51,035	40,701	30,352	19,727
115%	92,017	80,020	68,023	56,026	44,029	32,017	19,727
120%	102,000	88,339	74,678	61,017	47,356	33,681	19,727
125%	111,982	96,658	81,333	66,008	50,684	35,345	19,727
130%	121,965	104,977	87,988	71,000	54,011	37,009	19,727
135%	131,948	113,296	94,643	75,991	57,339	38,674	19,727
140%	141,930	121,614	101,298	80,982	60,666	40,338	19,727
145%	151,913	129,933	107,953	85,973	63,994	42,002	19,727
150%	161,895	138,252	114,608	90,965	67,321	43,666	19,727
155%	171,878	146,571	121,263	95,956	70,649	45,331	19,727
160%	181,860	154,890	127,918	100,947	73,976	46,995	19,727
165%	191,843	163,208	134,573	105,939	77,304	48,659	19,727
170%	201,825	171,527	141,228	110,930	80,631	50,324	19,727
175%	211,808	179,846	147,883	115,921	83,959	51,988	19,727
180%	221,790	188,164	154,538	120,912	87,286	53,652	19,727

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**e.g. AH v Build Costs**



Balance (RLV - BLV)	AH - % on site 100%						
	10%	25%	40%	55%	70%	85%	100%
19,727							
80%	80,734	86,728	92,722	98,716	104,710	110,704	116,698
85%	85,068	78,062	71,056	64,050	57,044	50,038	43,032
90%	77,402	70,396	63,390	56,384	49,378	42,372	35,366
95%	69,736	62,730	55,724	48,718	41,712	34,706	27,700
100%	62,070	55,064	48,058	41,052	34,046	27,040	19,727
105%	54,404	47,398	40,392	33,386	26,380	19,374	12,138
110%	46,738	39,732	32,726	25,720	18,714	11,708	4,542
115%	39,072	32,066	25,060	18,054	11,048	4,042	(3,557)
120%	31,406	24,400	17,394	10,388	3,382	(4,227)	(12,670)
125%	23,740	16,734	9,728	2,722	(4,963)	(13,912)	(26,285)
130%	16,074	9,068	2,062	(5,740)	(15,154)	(27,525)	(41,900)
135%	8,408	1,402	(6,496)	(16,396)	(26,764)	(42,139)	(57,515)
140%	741	(7,253)	(17,638)	(27,003)	(37,379)	(48,004)	(63,130)
145%	(8,018)	(18,881)	(28,243)	(37,818)	(48,434)	(58,869)	(69,745)
150%	(18,123)	(29,482)	(38,848)	(48,443)	(58,859)	(68,884)	(78,360)
155%	(27,728)	(39,083)	(48,453)	(58,468)	(68,874)	(78,899)	(87,975)
160%	(36,933)	(48,684)	(58,058)	(68,083)	(78,904)	(88,914)	(97,590)
165%	(45,738)	(58,285)	(67,663)	(77,688)	(88,919)	(98,929)	(107,205)
170%	(54,143)	(67,886)	(77,268)	(87,293)	(98,934)	(108,944)	(116,820)
175%	(62,148)	(77,487)	(86,873)	(96,898)	(108,949)	(118,959)	(126,435)
180%	(69,753)	(87,088)	(96,478)	(106,503)	(118,964)	(128,974)	(136,050)

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e.g. AH v Profit on 'Market' Units



Balance (RLV - BLV)	A/H - % on site 100%							
	100%	95%	90%	85%	80%	75%	70%	65%
1.0%	73,236	64,368	55,501	46,635	37,768	28,905	20,042	11,175
2.0%	71,902	62,567	54,013	45,518	37,024	28,512	19,727	10,850
3.0%	70,569	60,846	52,524	44,402	36,279	28,140	19,402	10,525
4.0%	69,236	59,188	51,035	43,286	35,535	27,768	19,077	10,200
5.0%	67,902	57,502	49,547	42,169	34,790	27,396	18,752	9,875
6.0%	66,569	55,864	48,058	41,052	34,046	27,024	18,427	9,550
7.0%	65,236	54,203	46,569	39,935	33,302	26,652	18,102	9,225
8.0%	63,902	52,567	45,081	38,819	32,557	26,279	17,777	8,900
9.0%	62,569	50,964	43,592	37,702	31,813	25,907	17,452	8,575
10.0%	61,236	49,420	42,103	36,586	31,069	25,535	17,127	8,250
11.0%	59,902	47,904	40,614	35,469	30,324	25,163	16,802	7,925
12.0%	58,569	46,420	39,126	34,353	29,580	24,791	16,477	7,600
13.0%	57,236	44,964	37,637	33,236	28,836	24,418	16,152	7,275
14.0%	55,902	43,535	36,148	32,120	28,091	24,046	15,827	6,950
15.0%	54,569	42,131	34,660	31,003	27,347	23,674	15,502	6,625
16.0%	53,236	40,755	33,171	29,887	26,603	23,302	15,177	6,300
17.0%	51,902	39,404	31,682	28,770	25,858	22,930	14,852	5,975
18.0%	50,569	38,081	30,193	27,654	25,114	22,558	14,527	5,650
19.0%	49,236	36,782	28,705	26,537	24,370	22,185	14,202	5,325
20.0%	47,902	35,512	27,216	25,421	23,626	21,813	13,877	5,000

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Emerging Results



- We've tested each of the typologies A - X using our bespoke excel model including the sensitivities above.
- For each appraisal a summary sheet is created which includes;
  - % of Affordable Housing
  - % of Market Housing
  - Total GDV
  - Developers profit
  - Residual Land Value
  - Benchmark Land Value
  - Surplus / Deficit (Viable / Not Viable)

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## Draft Documents to be issued....

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You should receive the following papers –

- Policies Review matrix
- Typologies matrix
- Residential Market review paper
- Workshop slides

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## Feedback

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Send written observations/evidence to –

Clive Coyne  
Head of Forward Planning  
[Clive.Coyne@nnpa.org.uk](mailto:Clive.Coyne@nnpa.org.uk)

cc [mattw@aspinallverdi.co.uk](mailto:mattw@aspinallverdi.co.uk)

Deadline (non-statutory) –  
**Wednesday 3<sup>rd</sup> April 2019**  
(we may not be able to incorporate feedback after this time)

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## Next Steps

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- Review Workshop Feedback
- Re-Run Viability Appraisals
- Prepare recommendations
- Publication of Draft Local Plan – May 2019
- Submission of Draft Local Plan – August 2019
- Examination expected – October/November 2019

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**Any other questions...?**

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- This is your chance to inform the study
- Do not wait until the Examination to introduce evidence

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- End

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## New Build Achieved – by type (£ psm)

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Property Type	Minimum	Average	Median	Maximum
Terraced	£1,538	£2,050	£1,939	£2,799
Detached	£1,198	£2,458	£2,477	£3,740
Semi Detached	£1,804	£2,341	£2,343	£3,482

Source: Land Registry - November 2017 / 18 (February, 2019)

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## New Build Achieved – by beds (£ psm)

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No of Beds (number)	Minimum	Average	Median	Maximum
One Bed (1)	£2,544	£2,544	£2,544	£2,544
Two Bed (6)	£1,999	£2,291	£2,333	£2,662
Three Bed (16)	£1,538	£2,315	£2,379	£3,482
Four Bed (37)	£1,198	£2,484	£2,543	£3,740
Five Bed (10)	£1,441	£2,325	£2,280	£3,586

Source: Land Registry - November 2017 / 18 (February, 2019)

- Our market research shows that on a per sqm basis, the values are relatively similar surrounding the authority on a property type and per bed basis.

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## New Build Asking Price Summary

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Property Type	Asking Price range (£)
Three Bed Semi Detached	£234,950 - £349,950
Four Bed Detached	£309,950 - £434,950
Five Bed Detached	£375,000 - £459,950

Source: Various agent and developer websites (January 2019)