

Elmbridge Borough Council

**Local Plan & Potential CIL Review Scoping Viability
Assessment (DSP19624)**

Appendix I:

Residential Appraisal Assumptions

Elmbridge Borough Council - Appendix I - Local Plan & Potential CIL Review Scoping Viability Assessment - Residential Assumptions Sheet (Table A)

Scheme Size Appraised	Site Type	Density (dph)	Net Land Area (ha)	Gross Land Area (ha)	Build Period (Months)
1 House	Garden Land	30	0.03	0.04	6
5 Terrace 'Mews' Houses	PDL Various / Residential Intensification	75	0.07	0.08	6
10 Houses	PDL	50	0.20	0.23	12
10 Flats	PDL	100	0.10	0.12	12
30 Mixed	Greenfield / PDL	60	0.50	0.58	18
30 Flats (Sheltered)	PDL	125	0.24	0.28	18
50 Mixed	Greenfield / PDL	60	0.83	0.96	18
50 Flats	PDL	150	0.33	0.38	18
50 Flats (incl. undercroft parking)	PDL	175	0.29	0.33	18
50 Flats (incl. basement parking)	PDL	175	0.29	0.33	18
60 Flats (Extra Care)	PDL	125	0.48	0.55	18
100 Mixed	Greenfield / PDL	60	1.67	2.17	24
150 Houses	Greenfield / PDL	60	2.50	3.25	24
200 Flats	PDL	370	0.54	0.62	24

Notes:
Initial Phase Testing (1) (to Summer 2021) - The above scenarios tested at 20% (PDL only), 30% and 40% AH on all sites of 10+ with greenfield sites also tested at 50% AH in early stages. Sites from 1-9 tested with 20% AH financial contributions (based on existing methodology). As a general principle, appraisals were completed in each case to the point at which a negative result is returned - we consider there to be no merit in extending testing beyond the points where there is a negative residual land value. Affordable Housing tenure split assumed at 70% Affordable Rent (AR) and 30% Shared Ownership (SO) - based on assessment parameters agreed with EBC. 10% Low Cost/Affordable Home Ownership (AHO) of total overall requirements. Fully applied policy position assumed - actual percentages applied will necessarily vary due to policy requirement in combination with involved dwelling numbers and rounding.

Further sensitivity testing also conducted at earlier, emerging findings stages as follows:

(1) 70% SR (social rent) / 30% AHO - Emerging findings test on 10 Houses, 30 Mixed and 50 Flats.

(2) First Homes - tested on 30 Mixed and 50 Flats initially and subsequently carried through all final stage tests (Appendix IIa results) - 2021 into 2022 work as noted below. Larger potential site allocations (2 no.) review assumptions also include assumed First Homes.

Final Phase Testing (2) (Winter 2021 - 2022) - Further testing of the above full range of scenarios at 30% and 40% AH on all sites 10+. Affordable Housing tenure revisited split assumed at 48% rented (17% SR / 31% AR) and 52% intermediate (25% First Homes (30% discount) / 27% other intermediate), based on consultation draft plan document. 10% Low Cost/Affordable Home Ownership (AHO) of total overall requirements. Again assumes fully applied policy position - although once more actual percentages applied or resulting necessarily vary due to policy requirement in combination with assumed dwelling numbers, splits and rounding.

Land area adjustment - 15% added (30% added on largest sites of 100+) (excluding PDL sites) to reflect the net developable to gross site area adjustment.

Mixed-Use Typologies (only)

Scheme Size Appraised	Site Type	Density (dph)	Net Land Area (ha)	Gross Land Area (ha)	Build Period (Months) (6-month lead-in)
30 Flats with flexible GF commercial space (300sqm) (4-storey)	PDL (Town Centre)	150	0.20	0.23	18
	Annual Rent: £175/sq. m.				
	Residential Build Cost: £1,578/sq. m. Retail Shell Build Cost: £1,010 plus 10% External Works				
	Yield @ 6%				
100 Flats with flexible GF commercial space (600sqm) (5-storey)	PDL (Town Centre)	200	0.50	0.58	24
	Annual Rent: £175/sq. m.				
	Residential Build Cost: £1,846/sq. m. Retail Shell Build Cost: £1,010 plus 10% External Works				
	Yield @ 6%				

Note: Annual Rents based on data collected from Co-star and as described within Appendix III. Build costs based on BCIS Median data rebased to an Elmbridge Location Factor. Also tested on the same basis as the main typology set described above.

Unit Sizes (sq m)	Affordable	Private
1-bed flat	50	50
2-bed flat	67	67
2-bed house	75	75
3-bed house	85	93
3-bed larger 'Mews Style' house	n/a	108
4-bed house	115	124

Dwelling Mix*	Market	Affordable Rented	Shared Ownership
1 Bed	20%	15%	10%
2 Bed	50%	34%	25%
3 Bed	20%	11%	15%
4+ Bed	10%	40%	50%

*based on the Assessment of Local Housing Needs (March 2020) and further DSP analysis. All subject to 'best-fit scenario' within assumed mix.

Open Market Value	EBC lower-end values			EBC typical new-build values range				EBC upper-end new build values / high value property	
	VI1	VI2	VI3	VI4	VI5	VI6	VI7	VI8	VI9+
1-bed flat	£237,500	£262,500	£275,000	£287,500	£300,000	£312,500	£325,000	£350,000	£375,000
2-bed flat	£318,250	£351,750	£368,500	£385,250	£402,000	£418,750	£435,500	£469,000	£502,500
2-bed house	£441,750	£488,250	£511,500	£534,750	£558,000	£581,250	£604,500	£651,000	£697,500
3-bed house	£513,000	£567,000	£594,000	£621,000	£648,000	£675,000	£702,000	£756,000	£810,000
3-bed larger 'Mews Style' house	£513,000	£567,000	£594,000	£621,000	£648,000	£675,000	£702,000	£756,000	£810,000
4-bed house	£589,000	£651,000	£682,000	£713,000	£744,000	£775,000	£806,000	£868,000	£930,000
Value (£ / m ²)	£4,750	£5,250	£5,500	£5,750	£6,000	£6,250	£6,500	£7,000	£7,500

*Retirement (Sheltered and Extra Care) tested at VI7-VI9+ (£7,000/sqm to £8,500/sqm)

Value Levels - Locations by settlement

Settlement	Value Level Range
Claygate	VI5-8
Cobham	VI4-6
Downside	VI4-8
East Molesey	VI6-8
Esher	VI5-8
Hersham	VI2-5
Hinchley Wood	VI2-3
Long Ditton	VI5-8
Oxshott	VI3-6
Stoke D'Abernon	VI4-7
Thames Ditton	VI6-8
Walton-on-Thames	VI2-5
West Molesey	VI2-4
Weston Green	VI5-7
Weybridge	VI4-6

Affordable Housing Revenue Assumptions

Unit	Affordable Rent		Social Rent	
	LHA Cap	Average AH Transfer Price (LHA)	Weekly Rent	Average AH Transfer Price (LHA)
1-bed	£195.62	£161,274	£110.00	£90,689
2-bed	£253.15	£193,870	£130.00	£107,178
3-bed	£264.08	£217,719	£150.00	£123,667
4-bed	£265.00	£218,478	£175.00	£144,278

Note: Affordable Rents based on LHA cap, but with additional cap at £265.00 as agreed with EBC. Shared Ownership assumed at 65% of market value.

Elmbridge Borough Council - Appendix I - Local Plan & Potential CIL Review Scoping Viability Assessment - Residential Assumptions Sheet (Table B)

Development Costs		
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs Mixed Developments - generally (£/sq. m)	£1,462	BCIS figures are exclusive of external works ¹
Build Costs Estate Housing - generally (£/sq. m)	£1,428	
Build Costs Estate Housing - Terraced generally (£/sq. m)	£1,522	5 Terrace 'Mews' Houses scenario only
Build Costs 'One-off' Semi-Detached Housing (3 units or less)	£1,995	1 House scenario only
Build Costs Flats - generally (£/sq. m)	£1,590	
Build Costs Flats - 3-5 Storeys (£/sq.)	£1,578	Mixed-Use and 50 Flats scenario only
Build Costs Flats - 6+ Storeys (£/sq.)	£1,846	200 Flats scenario only.
Build Costs (Supported Housing - Generally) (£/sq.)	£1,625	Sheltered and Extra Care scenarios only
External Works	10% (Flats) 15% (Houses)	added to above base build costs levels'
Preparation/Site Works (on gross site area)	£500,000/ha	Bespoke costs assumed where applicable for specific site testing
Contingencies (% of build cost)	3-5%	
Professional & Other Fees (% of build cost)	8-10%	
Biodiversity Net Gain (BNG) (% of build cost)	0.7% (Greenfield) 0.1% (PDL)	Assuming 10% minimum requirement, variable by site type.
Sustainable Design / Construction Standards (% of build cost)	Variable by scheme type: 2.13% (Flats) 4.4% (Houses)	Represents Building Regulations Part L 2022 - Future Homes Standard interim uplift (31% carbon reduction), due to come into effect in June 2022. ² <i>Note: blended rate for mixed schemes (houses and flats), weighted by dwelling mix proportions.</i>
Water Efficiency Standards	110 litres per person per day	
Electric vehicle charging points - additional allowance	£500	Per dwelling; 1 per dwelling all dwellings (including flats and affordable homes)
Undercroft Parking	£5,000/unit	50 Flats with undercroft parking only
Basement Parking	£25,000/unit	50 Flats with basement parking only
Trial CIL rate (included current indexed rate)	Tested at £0 - £400/sq. m at £25/sq. / m intervals	CIL adopted rate at £125/sq. and also tested at current indexed rate of £185.26/sq. (as at January 2022).
Access Potential Building Regs M4 (2) Compliance (£ per unit) ³	£1,646 (Flats) £2,447 (Houses)	per unit - tested at 10% of total units on sites of 10+ units. Base cost assumption included in all appraisal sets.
Access Potential Building Regs M4 (3) Compliance (£ per unit) ³	£15,691 (Flats) £26,816 (Houses)	per unit - tested at 5% of total units on sites of 20+. Base cost assumption included in all appraisal sets.
Residual s.106 /non-CIL costs contingency (£ per unit) - small scale PDL / Greenfield sites	£1,000/unit	Contingency allowance. Larger specific site tests may require bespoke assumptions
Thames Basin Heaths Special Protection Area (SPA) SAMM Mitigation ⁴	£796.95/unit	market only, excludes AH - as described in the Developer Contributions SPD (2020).
Suitable Accessible Natural Greenspace (SANG)	n/a	Funded through CIL - top sliced.
Marketing & Sales Costs (%of GDV)	2-3%	
Legal Fees on sale (£ per unit)	£750	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit (% of GDV)	15% - 20%	17.5% Profit assumed as key base test (earlier sensitivity tests at 15% & 20% GDV)
Affordable Housing Profit (% of GDV)	6.0%	First Homes Profit assumed at 12% GDV
FINANCE & ACQUISITION COSTS		
Agents Fees (% of site value)	1.50%	
Legal Fees (% of site value)	0.75%	
Stamp Duty Land Tax (% of site value)	0% to 5%	HMRC scale
Finance Rate - Build (%)	6.5%	
Finance Rate - Land (%)	6.5%	

¹ Base Build cost using (unless otherwise stated) Median BCIS figure for most representative build type i.e. most closely reflecting dwelling type(s) and storey heights. Median figure preferred over Mean as it is not so influenced by outliers particularly on any small sample sizes. BCIS figures using Elmbridge location factor adopted unless otherwise stated. External added separately at 10-15%. Prep/site works allowance made separately.

² MHCLG: The Future Homes Standard (FHS) 2019 Consultation document and summary of responses received and Government's response (January 2021). Costs data interpreted from the Currie and Brown: Centre for Sustainable Energy - Cost of carbon reduction in new buildings (December 2018). Figures 4.3, 4.5, 4.7, 4.9 and Tables 4.1, 4.2, 4.3 and 4.4 and the corresponding reporting was particularly important in reaching the above costs data, alongside our own experience.

³ EC Harris DCIG Housing Standards Review Cost Impact indicate average extra over cost to be £1,646 (Cat.2) and £15,691 (additional space cost (Cat. 3)) for flats and £2,447 (Cat.2) and £26,816 (additional space cost (Cat.3 adaptable)) for houses. Earlier EF Stages 1-5 led to refining original CBC policy aspirations for M4(3) to only seek M4(2) compliance.

⁴ Appraisal assumes average calculations based on the dwelling mix proportions set out in the SHMA. Latest figure provided by EBC based on advise from Natural England (December 2020).

Elmbridge BC - Appendix I - Local Plan & Potential CIL Review Scoping Viability Assessment - Build to Rent - Rental and Investment Value Assumptions (Table C)

200 Flats 6+ Storey (Build to Rent) - Rental Assumptions								
Property Type	Dwelling Sizes (sq. m.) (85% Gross:Net)	Overall Dwelling Mix	Market - Dwelling Mix	Affordable Private Rent - Dwelling Mix	EBC Market Rent ¹ (£ per month)	Affordable Private Rent (APR) (£ per month)	Related Rental Assumptions	
1-Bed Flat	50	35%	30%	40%	£1,250	£1,000	Rent inflation:	3%
							IRR:	6%
							Net exit yield:	4.25%
2-Bed Flat	70	50%	50%	50%	£1,650	£1,320	Management:	7%
							Maintenance:	13%
							Major Repairs:	£10,000
3-Bed Flat	86	15%	20%	10%	£1,950	£1,560	Voids:	2%
							Bad debts:	3%

¹ Rents informed by DSP market research analysis

² BTR units provided at 80% of market rent as per Govt Guidance

(Build to Rent) - Cost Assumptions*		
Build Costs Flats - 6+ Storey (£/sq. m)	£1,636/sq. m.	plus 10% external works. 85% Net:Gross floor area ratio
Letting Agent Fees	10% of Yr 1 Rent	
Letting Legal Fees	5% of Yr 1 Rent	
Sales Agent Fee	1.50%	
Sales Legal Fee	0.50%	
Purchaser Costs	6.80%	
Profit on GDV	10%	Based on private units and Affordable Private Rent combined
Affordable Housing %	Variable	20% initial test up to 40% (subject to viability scope)

*see Sheet 2 for main cost assumptions which are not repeated here. These assumptions refer only to those elements bespoke to the BTR development typology.

Elmbridge Borough Council - Appendix I - Local Plan & Potential CIL Review Scoping Viability Assessment - Commercial Assumptions Sheet (Table D)

Development Use Type	Example Scheme Type	GIA (m ²)	Site Coverage	Site Size (Ha)	Build Period (Months)**	Values Range - Annual Rents £ per sq. m			Build Cost (£ per sq. m)*	External works cost addition (%)	Total Build Cost (£/sq. m excl fees etc)	Notes:
						Low	Mid	High				
Larger format retail	Larger food/convenience store - centres/urban	2500	50%	0.50	18	£250	£275	£300	£1,698	25%	£2,123	BCIS - Hypermarkets / Supermarkets - generally.
	Retail warehouse	1000	40%	0.25	7	£250	£300	£350	£1,053	15%	£1,211	BCIS - Retail warehouses - up to 1,000 sq. m.
Small retail (settlement centres)	Smaller shops development - retail, restaurants or similar - settlement centres	300	70%	0.04	6	£150	£250	£350	£1,536	50%	£2,304	BCIS - Shops - Generally
Small retail	Local convenience stores and local shops	300	50%	0.06	6	£125	£175	£225	£1,536	15%	£1,766	BCIS - Shops - Generally
Business - Offices - Town Centre	Office Building (3+ storey)	500	150%	0.03	6	£225	£275	£325	£2,244	15%	£2,581	BCIS - Offices - 3-5 Storey; air-conditioned
Business - Offices - Out of Town Centre	Office Building (3+ storey)	2500	40%	0.63	12	£225	£275	£325	£2,244	15%	£2,581	BCIS - Offices - 3-5 Storey; air-conditioned
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	500	40%	0.13	6	£70	£100	£130	£1,586	15%	£1,824	BCIS - Advance factories / offices - mixed facilities (B1) 500 - 2,000 sq. m
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	2000	40%	0.50	9	£60	£80	£100	£943	15%	£1,084	BCIS - Advance factories / offices - mixed facilities (B1) > 2,000 sq. m
Hotel	Hotel - town centre / urban (3-storey) - 60-rooms	2100	50%	0.42	18	£4,000	£5,300	£6,600	£2,491	15%	£2,865	BCIS - Hotels
						Annual Room Rates						
Residential Institution	Care Home (65-Beds)	2100	60%	0.35	16	£100	£150	£200	£2,067	15%	£2,377	BCIS - Care Homes for the Elderly - generally
						Weekly Rent per room (net of care costs, maintenance and operating profit)						
						£3,200	£7,800	£10,400				
						Annual Rent per room (net of care costs, maintenance and operating profit) ¹						
Other Sui Generis	Variable - considered on strength of values / costs relationship basis for a range of other development uses including community / clinics / fitness/ leisure / nurseries etc.	Value / costs relationship strength considered in report										

Development Costs	
Sustainability Allowance / other enhancements addition contingency (% of cost)	5%
Professional Fees (% of cost)	8-10%
Contingencies (% of cost)	5%
Planning / Building Regs etc / insurances (% of cost)	2.0%
Site works / preparation costs / S106	£500,000/ha at £25/m ² intervals up to £300/m ²
Potential CIL - trial rates testing	(Indexed Rate for Retail Development - £74.11/sq. m. as at January 2022)
Biodiversity Net Gain (BNG) (% of build cost)	1.60%
Finance Costs	
Finance rate (including over lead-in and letting / sales period)	6.5%
Marketing Costs	
Advertising Fees (% of annual income)	1%
Letting Fees (% of annual income)	10%
Purchaser's costs	5.75%
Developer Profit (% of GDV)	15%
Yields	Variable applicability - sensitivity tested across range at 5.0% to 7.0%
Site Acquisition Costs	
Agents Fees (% of site value)	1.50%
Legal Fees (% of site value)	0.75%
Stamp Duty (% of value)	0 to 5%

*BCIS Median - Location Factor Elmbridge (115)

**BCIS Construction Duration Calculator