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FINANCIAL VIABILITY REPORT

compiled from and based upon

High-Level Financial Viability Appraisals

undertaken by

Burrows-Hutchinson Ltd

and

Key Candidate Site Viability Assessments

for

JULY 2024 **A.J.L.B.**

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List of Acronyms / Abbreviations

AMR	Annual Monitoring Report
BHL	Burrows-Hutchinson Ltd
DVM	Development Viability Model
FVA	Financial Viability Assessment (or Appraisal)
FW	Future Wales – The National Plan 2040
GDV	Gross Development Value
GIA	Gross Internal Area
LDP / LDP-2	Local Development Plan / Local Development Plan 2
LHMA	Local Housing Market Assessment
LPA	Local Planning Authority
NIA	Net Internal Area
ORS	Opinion Research Services
PCC	Pembrokeshire County Council
PCNPA	Pembrokeshire Coast National Park Authority
PPW	Planning Policy Wales
RDP	Replacement Deposit Plan
RHMA	Regional Housing Market Assessment
RLDP	Replacement Local Development Plan
SA	Sustainability Appraisal
SAB	SuDS Approving Body
SME	Small-to-Medium Enterprise
SoCG	Statement of Common Ground
SPG	Supplementary Planning Guidance
SuDS	Sustainable Drainage System(s)
The Manual	Welsh Government Development Plans Manual (Edition 3) : March 2020
TAN	Technical Advice Note
ULEV	Ultra-Low-Emission Vehicle
VSG	Viability Study Group
WDQR	Welsh Development Quality Requirements
WG	Welsh Government

Glossary of Terms

Adopted	The Local Development Plan is adopted when the Authority's Council Meeting decides it will be the Development Plan for the County and replace the existing Development Plan.
Affordable Housing	Residential development for sale or rent below market prices and retained as affordable in perpetuity
Affordable Housing Allocation	Land allocated for affordable housing either low cost home ownership or to rent.
Availability and Deliverability of Land	Available land includes land which the owner is willing to develop or to sell for development. Deliverability relates to the economic viability of bringing a site forward; and to the absence of other material constraints to its development.
Countryside	Land outside the settlements identified within the Settlement Hierarchy
Deposit Plan	A full draft of the Plan which is available for public consultation during the Deposit Period.
Housing Allocation	Residential development sites for a minimum of 5 units and identified in the Development Plan.
Infrastructure	Infrastructure encompasses power supplies, water supply, means of sewage or surface water disposal, roads and other transportation networks, telecommunications and other facilities that are required as a framework for development. It can also encompass facilities and services needed to support communities, such as schools, parks and/or leisure facilities.
Market Housing	Housing for sale at market prices (can include self-build or custom build housing).
Preferred Option	The hybrid option resulting from the consideration of a range of options or issues following consultation.
Preferred Strategy	The first formal strategy document for the review of the LDP which sets out the framework and overarching policies that will guide the policies and proposals relating to land use.
Review Report	A document which sets out where the current LDP (LDP1) needs to be changed and why. PCC published a draft of this document in 2017; a revised document was published alongside the Preferred Strategy in December 2018.
Settlement Hierarchy	Settlements are classified within the hierarchy according to the population, level of services and the sustainability of the settlement. Some very small settlements with very limited or no services will fall outside the hierarchy and are defined as countryside.
Self-build/custom build housing	Bespoke housing development commissioned and managed by the intended occupier. In all cases whether a home is self-build or custom build, the initial owner of the home will have primary input into its final design and layout.

1. NON-TECHNICAL EXECUTIVE SUMMARY

1.1 Burrows-Hutchinson Ltd ("BHL") has been commissioned by Pembrokeshire County Council to undertake a County-wide Viability Assessment ("the Study") of its Housing policies, with a particular focus on the financial viability of affordable housing and other s.106 obligations on market-led residential development sites.

1.2 The Study responds to the guidance in the Development Plans Manual, which requires a Local Planning Authority (LPA) to undertake a high level viability appraisal to assess the broad levels of development viability in different housing market areas, which could result in a range of affordable housing percentages being sought across the LPA area[A].

1.3 The Study has drawn on market evidence of house prices from a range of development sites across Pembrokeshire (summarised in **Appendix A**). For development costs, the Study relies on

- a series of Viability Study Group sessions that have taken place across South Wales over the last 18 – 24 months, including a joint Study Group session covering Pembrokeshire and Carmarthenshire in September 2023 (see **Appendix C**);
- evidence from site-specific viability assessments that have been undertaken for candidate sites that are considered to be "key" to delivery of the LDP-2 strategy; and from other site-specific appraisals in recent Development Management cases;
- data from the Building Cost Information Service (BCIS).

This development cost data is set out in **Appendix D**, as a range of assumptions that lie behind the high-level viability assessments undertaken by BHL. It includes allowance for changes to Building Regulations that are aimed at tackling the issues of climate change by making new homes more energy efficient. A more detailed explanation is given in section 5 of this Report.

1.4 For any development proposal to be "financially viable", it must be demonstrated that it is capable of delivering a competitive, market risk adjusted return to a developer; and a land value that is sufficient to encourage a land owner to sell for the proposed use. Once again, the Study relies on a combination of market evidence, settled viability cases and engagement with industry stakeholders.

1.5 The first conclusion derived from this Study is that it should be financially viable for market-led residential developments to deliver the following percentages of affordable housing on-site, as part of the overall mix of dwelling types and tenures in those developments:

Housing Market Area		Site Size (N° of Dwellings) & AH %age on site					
Band	£ psm	6 - 9	10 - 19	20 - 32	33 - 49	50 - 99	100 +
1	£2,300	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2	£2,600	0.0%	0.0%	0.0%	0.0%	5.0%	17.5%
3	£2,900	0.0%	12.5%	15.0%	20.0%	25.0%	25.0%
4	£3,200	25.0%	25.0%	30.0%	35.0%	40.0%	N/A

The housing market areas represented in the table above are identified geographically on the map at **Appendix B**.

[A] Paragraph 5.88 of the Development Plans Manual; and more generally

1.6 The Study has also found that, except in the highest market value areas (Band 4), it is no longer realistic to expect new developments of less than 10 dwellings to deliver affordable housing on site. Many smaller developments in this category should, however, be able to make a financial contribution towards off-site delivery of affordable homes, calculated in accordance with the Council's current Affordable Housing SPG (September 2015).

1.7 This part of the Study's findings has informed – and has been incorporated in – policies GN 16 and GN 20 in the Deposit LDP-2, covering the period from 2017 – 2033.

1.8 A further/second element to this Study has been an examination of more site-specific viability appraisals undertaken for sites that the Council has decided are "key" to delivery of the LDP-2 strategy. These sites are listed in **Appendix F**, together with a summary of the principal details relating to each site and the primary inputs and assumptions used in each appraisal. Although at this stage in the planning process, further site investigation work and other studies remain to be carried out, all these sites are considered to be "viable"; and capable of delivering the proportion of affordable homes and other s.106 obligations that are set out in Appendix F. An explanation of the process that leads to that conclusion is set out in section 6 of this Report.

2. RICS COMPLIANCE

2.1 Prior to accepting the commission referred to in paragraph 1.1 above, it was confirmed that BHL has no actual/potential conflict of interest in undertaking the Study. BHL does not act for any site promoter(s), landowner or developer, who might have a financial or other beneficial interest in the outcome of the Study.

2.2 BHL also confirms that the fees agreed for this Study are not performance-related or in any way contingent on the outcome of the Study or the conclusions reached in this Report.

2.3 In accordance with the RICS Professional Standard entitled Financial Viability in Planning: conduct and reporting (April 2023), BHL confirms that the High-Level Viability Assessments ("HLVA's") and the work on the site-specific appraisals for "Key Sites" have been undertaken impartially, in an objective way and without interference.

2.4 It is also confirmed that all relevant and available sources of information have been taken into account; and that, in accordance with best practice, the Study has relied on market-based, rather than client-specific, information.

2.5 It should be noted though that this Study has been undertaken at a time of some uncertainty in relation to future building specifications for tackling climate change. Developers and others in the construction industry have also faced significant supply chain and other challenges in the last 5 years, initially arising from the Covid-19 pandemic and compounded by the events surrounding the war in Ukraine; and now the unrest in the Middle East.

2.6 The Council expects there to be further engagement with developers, landowners and the construction industry more generally during the period when LDP-2 is on deposit. To ensure that the viability evidence that supports relevant policies in LDP -2 is as up to date and robust as possible, it is likely that at least some assumptions on which this Study has been based will be reviewed prior to submission of the Plan for Examination[B].

2.7 This Report still refers to the RICS Guidance Note entitled Financial Viability in Planning (GN 94/2012) as the more recent Guidance issued in March 2021 on Assessing Viability in Planning under the National Planning Policy Framework 2019 for England has a more direct application in England, rather than in Wales. The spirit of the Guidance has changed little between 2012 and 2021; and has been developed in any event by relevant case law, which the methodology behind this Report takes into account.

[B] Paragraph 5.97 in the Development Plans Manual refers to the need for evidence "to remain relevant, up to date and proportionate to the stage reached" in the statutory plan preparation process.

3. BACKGROUND and POLICY CONTEXT

3.1 Pembrokeshire County Council is preparing a replacement Local Development Plan – **Local Development Plan 2**. When adopted, it will provide a revised and updated policy framework to guide development across the County, excluding the Pembrokeshire Coast National Park. It will inform planning decisions taken by the County Council. During the production of the Plan**,** the existing Local Development Plan (LDP-1) will remain in place until the Replacement Local Development Plan (LDP-2) is adopted.

3.2 A **Preliminary Assessment of Financial Viability** was first produced in December 2019 to support the first Deposit Plan public consultation, which took place in January 2020. This updated **Financial Viability Report** has been produced to support the second Deposit Plan public consultation.

3.3 Pembrokeshire County Council has commissioned Burrows-Hutchinson Ltd ("BHL") to carry out a fresh County-wide Viability Assessment ("the Study") of its Housing Policies, with particular regard to the potential for developments that include a residential element, to accommodate:

- **affordable housing contributions** (whether on site, or as an off-site contribution); and
- **other s.106 obligations** as identified in the Council's Planning Obligations SPG for LDP-1.

In addition, the Study:

- makes recommendations on **high level targets** for the proportion of affordable housing that it should be viable for sites to deliver – on a locational basis, for each of the housing market areas identified from this Study;
- proposes **site-specific affordable housing percentages** for key housing allocations in the Plan (i.e. LDP-2)
- assesses whether or not **smaller sites** (for less than 10 units) and **individual properties** can support affordable housing contributions.

3.4 In order to identify high level targets, sales values achieved on recent developments in a range of locations across the Plan area have been collected and analysed.

3.5 This current Study/Report also draws on evidence gathered for and from

a) an earlier Study in 2019, updated to take account of changes in both costs and values in the intervening period;

b) site-specific viability assessments undertaken and agreed since that earlier Study; and

c) a series of Viability Study Group meetings and workshops across South Wales that have taken place since that earlier Study, including a joint study group meeting in September 2023 between Carmarthenshire and Pembrokeshire (see **Appendix C**).

3.6 It should also be acknowledged that the conclusions from this current/latest Study may yet be subject to some further review prior to Examination and Adoption of LDP-2. The last 4 years have seen significant fluctuations in the balance between development costs and house prices in most of South West Wales. Further changes to Building Regulations are imminent; and some LPA's are considering net zero carbon policies specific to their own administrative areas. At the date of this Report, discussions around the most efficient means (both economically and environmentally) of further addressing the challenges posed by climate change have yet to reach a firm conclusion.

National Policy Context

3.7 The delivery of new housing is one of the key issues facing Planning Authorities in Wales. The importance of new housing to meet social needs and allow communities to grow is recognised by Welsh Government, as is the important role of new house building in generating economic growth.

3.8 The national planning system therefore seeks to facilitate the construction of new homes in appropriate locations, and is clear that the LDP should act as an effective tool for the delivery of sustainable development and local aspirations. Ensuring that LDP policies and allocations are viable and deliverable is therefore a guiding principle for LDP's, and is a key element of meeting the tests of soundness set out in the Welsh Government Development Plans Manual (Edition 3, 2020) and examination procedural guidance issued by Planning and Environment Decisions Wales (PEDW) in November 2022.

Welsh Government Development Plans Manual (Edition 3, March 2020)

3.9 At paragraph 3.10, the Development Plans Manual notes that one of the key outcomes of the LDP system is to:

"7) Deliver what is intended through deliverable and viable plans, taking into account necessary infrastructure requirements, financial viability and other market factors".

3.10 It also requires that Development Management policies should set out any relevant mitigation /compensation requirements, based on viability assessments and legislation parameters (Table 1 re: Content).

3.11 The Manual suggests that the Candidate Site process should be used to frontload provision of a viability assessment. It also notes that to support delivery of the Plan, site-specific testing in the form of a viability appraisal should be undertaken for sites which are key to delivering the plan, demonstrating that they are deliverable in principle[C]. The Manual's "*preferred approach is for this to be done in conjunction with a site promoter* …"

3.12 A plan-wide financial viability appraisal should also be undertaken as early as possible, ideally at the candidate site stage, but no later than deposit (Paragraph 3.55). Both this Study and the earlier one in 2019 were commissioned in response to that requirement.

3.13 The Manual further states that the affordable housing policy in the LDP should have percentage targets and thresholds that relate to an evidence-based viability study. Where they differ, e.g. for locally specific circumstances, this should be clearly justified and explained.

3.14 The Manual includes the following definition of Viability:

"*Development can be considered viable if, after taking account of all known costs including: Government policy/regulations, all construction and infrastructure costs, the cost of and availability of finance, other costs such as fees and a contingency sum, the value of the development will generate a surplus sufficient to provide both an adequate profit margin for the developer and a land value sufficient to encourage a land owner to sell for the proposed use. Development can also be made viable through the availability of Government grants."*

Planning Policy Wales (Edition 12) and Technical Advice Notes

3.15 PPW 12 states that as part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan[D].

3.16 In the same paragraph, PPW 12 demands that at the 'Candidate Site' stage of development plan preparation landowners/developers should carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites. The Council held its initial call for Candidate Sites in the summer of 2018, prior to the publication of PPW

[C] See paragraphs 3.52 and 5.89 of the Development Plans Manual (Edition 3)
[D] Paragraph 4.2.20 in PPW12; paragraph 4.2.19 in PPW10 and PPW11

10, when this policy was first introduced; and therefore, did not ask for a formal viability assessment to support Candidate Site submissions. However, it did ask for a range of information that enabled the LPA to assess whether or not there were likely to be any abnormal costs associated with a site's delivery. In respect of those sites that the Council considers to be "key" to the delivery of its LDP-2 strategy, site-specific viability assessments have now been undertaken, as explained in section 6 of this Report and summarised at **Appendix F**.

3.17 PPW 12 advises that at the Deposit Stage there must also be a high-level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. In addition, for sites which are key to the delivery of the plan's strategy a site-specific viability assessment should be undertaken. This Study aims to meet both those requirements in a way that is proportionate to this stage in the plan-making process. If any additional information is considered necessary in support of the Plan, that will be addressed during the remaining stages of LDP-2's preparation for Examination.

3.18 Technical Advice Note 2: Planning and Affordable Housing sets out additional guidance on affordable housing. It requires LPA's to include either site thresholds or combinations of site thresholds and site-specific targets in their plans. It notes that LPAs may identify sites for up to 100% Affordable Housing.

3.19 Technical Advice Note 6: Planning for Sustainable Rural Communities notes that development plans should include sufficient land to meet market and affordable housing needs across the planning authority's area. It notes that in rural areas, planning authorities may wish to give priority to affordable housing to meet local needs.

Future Wales: The National Plan 2040

3.20 Future Wales (FW) is the highest tier of development plans in Wales, focusing on issues and challenges at a national scale. This framework is to be built upon by Strategic Development Plans (SDPs) at a regional sub-level and (once the current review cycle of LDP's has concluded) by Local Development Plan Lites (LDPL's) at a local authority level. LDP's must support Future Wales; and the strategic decisions they take must conform to the direction provided by FW. The County Council's LDP-2 is therefore guided and bound by FW's strategic direction and ambitions; and has regard to the outcomes identified within it, the first of which notes the following:

Our cities, towns and villages will be physically and digitally well connected, offering good quality of life to their residents. *High-quality homes meeting the needs of society will be well located in relation to jobs, services and accessible green and open spaces. Places will meet and suit the needs of a diverse population, with accessible community facilities and services.*

3.21 FW notes that the provision of affordable homes should become a key focus for housing delivery. To facilitate this, Policy 7 of FW provides guidance in respect of making provision for affordable housing through development plans, as follows:

Policy 7 – Delivering Affordable Homes

The Welsh Government will increase delivery of affordable homes by ensuring that funding for these homes is effectively allocated and utilised.

Through their Strategic and Local Development Plans, planning authorities should develop strong evidence-based policy frameworks to deliver affordable housing, including setting development plan targets based on regional estimates of housing need and local assessments. In response to local and regional needs, planning authorities should identify sites for affordable *housing led developments and explore all opportunities to increase the supply of affordable housing.*

3.22 It is the aim of this evidence to support the provision and delivery of affordable housing across the county of Pembrokeshire (outside the PCNPA, which has its own LDP), by identifying realistic and achievable targets for maximising the delivery of affordable housing through the planning system. As noted above, these targets are informed by viability evidence to support the robustness and realistic delivery of the targets.

PEDW Local Development Plan Examinations: Procedure Guidance November 2022

3.23 The PEDW guidance says that viability evidence would normally be presented to demonstrate an LPA's compliance with **Soundness Test 2 – Is the Plan appropriate?** (i.e. is the plan appropriate for the area in light of the evidence).

3.24 The Guidance note also clarifies that in order to demonstrate compliance with **Soundness Test 3 – Will the Plan deliver?** (i.e. is it likely to be effective?) viability evidence should show that proposals (particularly allocations) are likely to be delivered as anticipated.

3.25 The national policy position reflects the growing recognition within Planning of the critical link that exists between aspirations set out in development plans and the delivery of individual site allocations, in achieving timely and sustainable development during the course of the Plan period.

3.26 The ability to demonstrate that LDP allocations will come forward during the plan period also helps to provide evidence that the Council will meet the requirements in PPW to ensure that sufficient land is available, or will become available, to provide a sufficient supply of land for housing.

Independent Review of Affordable Housing Land Supply – April 2019 for WG

3.27 The report identifies a number of key recommendations to assist in increasing the quality and number of affordable homes built in Wales. These include a better understanding of housing need through the LHMA process, consolidated and simplified standards for new-build grant-funded and s.106 homes. The report recommends that WG should introduce a requirement for all new affordable homes to be near zero carbon/EPC 'A' using a fabric first approach from 2021, supplemented by technology (renewables) if required. The report further suggests that there should be a longer-term goal of 2025 at the latest, to have the same standards for all homes irrespective of tenure.

3.28 Such requirements, if adopted, are likely to have cost implications which are considered in the methodology of this Study. Further recommendations in the report are in relation to modern methods of construction, rent policy and Local Authorities as enablers and builders; with a particular recommendation for the management of public sector land. Finally, there are recommendations in relation to the financing of affordable housing, dowry and major repairs allowance.

Welsh Government Affordable Housing Design Requirements 2021

3.29 The Welsh Government introduced the Welsh Development Quality Requirements (WDQR) to improve minimum design standards for all new affordable housing constructed by registered social landlords (RSLs) and private developers constructing affordable homes to be transferred to an RSL. It prescribes minimum gross internal floor areas for each type of dwelling and the number of people it is intended to accommodate, including minimum bedroom size and dimensions. It also prohibits the use of fossil fuel heating/hot water systems and requires an Energy Performance Certificate (EPC) rating 'A' in terms of the fabric of the building; although these last two requirements (relating to energy efficiency) are not yet applicable to affordable homes delivered via s.106 obligations on market-led housing sites.

3.30 The WDQR has been accounted for in this Study in relation to the minimum space standards that are required for all new affordable homes. Open market dwellings are not subject to a minimum design standard; meaning that a private developer can build open market dwellings that are smaller in size; and whose EPC rating is governed by Building Regulations rather than the WDQR. The build costs used in this Study reflect the above factors.

Local and Regional Policy Context

3.31 At the end of 2018, and with the support of Welsh Government, the 8 LPA's in the Mid and South West Wales Region (MSWWR) procured the delivery of a **Regional House Price Database**; two **Viability Models** to make financial assessments of development proposals at a site-specific and at a higher level; and a programme of training and knowledge transfer to enhance existing skills, and to establish a broader understanding of viability issues across the region.

3.32 The Mid and South West Wales Regional Planning Group also commissioned Opinion Research Services (ORS) to undertake a Regional Housing Market Assessment (RHMA) on behalf the Group. This Regional Study sought to provide an overall view of housing need within each local authority area, and identified the different types of housing need for the period 2018-2033. The RHMA was further supplemented by a more detailed assessment of housing need on an individual authority basis, in the form of Local Housing Market Assessments undertaken in 2021 and updated in 2023.

3.33 In Pembrokeshire, the LHMA takes account of the LDP-2 population and household projection figures in assessing housing need. It splits the county into those areas within Pembrokeshire Coast National Park and the remaining areas outside the National Park; and gives additional detail on housing need down to Ward levels. It demonstrates that Affordable Housing will be required in locations across the whole County; and also identifies the type and size of housing required throughout the County.

3.34 Within the County Council's Plan Area there is a need for predominantly 1- and 2-bedroom affordable homes. The LHMA provides a strong correlation between the location of affordable housing need and the distribution of proposed housing growth set out within the LDP strategy and settlement framework.

3.35 As well as the general need for affordable housing, the LHMA identifies a specific need for accessible and additionally adapted housing within Pembrokeshire; with the requirement projected to be 11,518 by 2036, of which 9,957 would be general housing stock and 1,561 in supported accommodation. The level of adaptation required could be minor in nature, or more significant, depending on the level of disability. This data has been reflected in a policy requirement in the Pembrokeshire Deposit LDP-2 which requires 20% of new homes on sites of 5 units or more to be built to Lifetime Homes Standards.

Pembrokeshire Local Development Plan (2013 – 2021)

3.36 Pembrokeshire County Council's current Local Development Plan was adopted in 2013 and will run until LDP-2 is adopted. It includes a range of policies aimed at supporting delivery of Affordable Housing and Planning Obligations; including policy SP-8 Affordable Housing Target; GN-3 Infrastructure and New Development; GN-26 Residential Development; GN-27 Residential Allocations (with indicative Affordable Housing Targets for each allocation); GN-28 Local Needs Affordable Housing; and GN-29 Exception Sites for Local Needs Housing.

3.37 The Council's 9th Annual Monitoring Report 2022-2023 indicates that overall the Council's affordable housing targets are being delivered.

3.38 The Council has adopted Supplementary Planning Guidance documents on both Affordable Housing and Planning Obligations. It also has information, which has informed this Viability Study, on the planning obligations typically being delivered by new development sites.

Pembrokeshire Local Development Plan Review (2017 - 2033) Preferred Strategy

3.39 The Council's Preferred Strategy was published on 17 December 2018 for public consultation. The document includes a target to deliver 2,000 new affordable dwellings. It identifies a Settlement Hierarchy (Policy SP-5) and sets out a strategy to direct development to settlements with the greatest number of services. Housing Allocations will only be directed to those locations that are identified as a Town, Service Centre or Service Village.

Common Housing Register (position as at May 2023)

3.40 The Common Housing Register is held by Pembrokeshire County Council. In May 2023, 5,064 households were on the register. Numbers of those in the Gold and Silver bands (considered to be in need) were 3,242. These were the figures used to inform the 2023 LHMA.

4. METHODOLOGY

4.1 The following three principles underlie any proper understanding and assessment of viability in a Planning context:

a) **Evidence based judgement**: assessing viability requires judgements, informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area, and an understanding of the way the market operates. Understanding past performance too, in relation to build rates (for example) and the scale of historic planning obligations, is a useful starting point; as is the form and scale in which new development has generally come forward. Direct engagement with the development sector/industry and other key stakeholders is helpful and desirable for accessing evidence.

b) **Collaboration**: as outlined in the Development Plans Manual Edition 3, a collaborative approach involving the local planning authority, business community, developers, landowners and other interested parties will improve understanding of deliverability and viability. Transparency of evidence should be encouraged wherever possible. It is also important to look ahead, in conjunction with the stakeholders just mentioned, and to make any reasonable adjustments to past performance that may be appropriate and necessary to achieve future aims and objectives.

c) **A consistent approach**: local planning authorities should be encouraged to ensure that their evidence base is fully supported by a comprehensive and consistent understanding of viability across their areas. For the purposes of the Pembrokeshire Study, this has been achieved by the assembly of a County-wide database of development costs and values. It is also important that the methodology used in carrying out the FVA's should be applied in a consistent fashion across the County; and that the Council should be able to demonstrate that.

Mid and South West Wales Regional Viability Commission

4.2 At the end of 2018, as part of a Regional Planning initiative, the eight LPA's in what was then the Mid and South West Wales region (MSWWR) published a Commission for the following brief, for which BHL was selected after a tendered procurement process. The Commission was divided into four parts:

a) the preparation of a **Regional Database** of local house prices achieved on new/recent residential developments, together with a **Regional Viability Model/Toolkit** capable of making reliable and transparent high-level assessments of the financial viability of typical development typologies and, where appropriate, of key/allocated sites in the absence of more site-specific data;

b) the delivery of a site-specific **Development Viability Model** (DVM) that is cashflow-based and sufficiently transparent to win the confidence of those involved in the consideration of viability issues in a Planning context;

c) the provision of **training** for Planning Officers and others within the 8 LPA's, not only in the use of these two Models, but also in the principles of assessing development economics generally, and in the application of precedents from Planning Appeal decisions and other guidance;

d) the establishment of a **format for presenting evidence** on financial viability in a consistent and appropriately transparent way across the region.

4.3 The principles of this initiative were based not only on recommendations in the Harman Report (Viability Testing Local Plans : June 2012), but also on subsequent studies, such as the

Arcadis Report on a Longitudinal Viability Study of the Planning Process in Wales, published in February 2017. Two of the key objectives of the MSWWR Commission were (a) to reach an improved understanding generally of viability issues, in a Planning context; and (b) to develop existing skills within the 8 commissioning LPA's, through knowledge transfer and provision of the two Viability Models.

4.4 Following that original commission, use of the 2 models/toolkits (RVM and DVM) has spread to the 10 LPA's in South East Wales; and the site-specific DVM is now in use across all 18 LPA's across South and Mid Wales for new Candidate Site assessments. In several cases it has also been used to address viability issues in a Development Management context. Various modifications have been made to the DVM to facilitate its use in this wider role. Both models are also available now to the remaining 7 LPA's in North Wales.

4.5 This Study has been undertaken using the outputs from the MSWWR Commission, including the Regional Viability Model and values from the House Price Database, updated to account for changes in costs and values since then. Costs used in the financial appraisals undertaken for this Study have been based on a combination of information from the BCIS database, input from stakeholders at a succession of workshops and Viability Study Group sessions in South West and South East Wales, and data drawn from a number of site-specific cases, where appraisals have been carried out on an "open book" basis with the developers concerned. This last source includes data from candidate site submissions and Development Management cases.

4.6 Some of the information in this last category is commercially sensitive, and the Study is bound to respect and safeguard the confidentiality of such data in an appropriate way. This is possible though, without unduly compromising the transparency of the evidence base, given that one of the objectives of the Study is to reach a position where those participating, and with an interest, in the LDP Review, will accept and consider its process and conclusions to be fair and reasonable.

4.7 Both the site-specific DVM, and the Regional Viability Model for high-level assessments, are constructed to produce a residual value that represents the development profit; i.e. what is left after all development costs – including the land cost (or "benchmark land value") – have been deducted from the gross development value (or total revenue). This residual estimate of profit can then be compared with whatever target margin is considered appropriate for that particular development, having regard to benchmark levels of profit that reflect a "market risk adjusted return".

4.8 The "market risk adjusted return to a developer" is a phrase used in the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning. The words reflect the principle that the level/ degree of risk inherent in any of the figures used in a Viability Appraisal, as well as the nature (and the relative complexity) of the development, are relevant to the percentage return that the scheme can be expected to yield for the developer. That "return" does, and will, also vary according to the respective levels of supply and demand, in any given set of economic and market circumstances.

4.9 This "return" will typically be described either as a percentage of GDV – where the percentage is calculated by dividing the residual profit figure by the gross development value of the project – so effectively the same as a Profit on Turnover for any other commercial enterprise; or as a Profit on Cost, where the profit is expressed as a percentage of all development costs.

4.10 Profit on GDV is the measure normally used to assess the viability of a development project; but both the DVM and the Regional Viability Model provide an estimate/calculation of "Profit on GDV" and "Profit on Cost". The Models both estimate the finance/funding costs associated with a project on the basis of cash-flowed assumptions over income and expenditure, adding transparency to the Models' outputs.

4.11 With the Regional Viability Model, all inputs appear on the same page as the outputs (in the form of an Appraisal summary); making it easier to assess the impact of any changes that the user might want to make to those inputs – e.g. for testing an alternative scenario.

4.12 Both Models also provide facilities for sensitivity testing the initial Appraisal results; and can produce Sensitivity Tables that illustrate how, in broad terms, incremental changes in selected key variables would impact on development profit. The Tables also reveal how certain changes in the proportion of affordable housing, and in the tenure mix, could affect the developer's return. These features reflect the strong recommendation in the RICS Guidance Note (GN 94/ 2012), already referred to, that financial appraisals should be subject to sensitivity testing; and that with more complex schemes, further scenario/simulation analysis should be undertaken.

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4.13 Undertaking site-specific appraisals of what the Development Plans Manual calls "key sites" can be a useful way of informing the high-level assessments that will consider the viability of more general site typologies; in order to establish the broader policies that are applied to windfall sites, for example. Whilst site-specific appraisals can be undertaken without input from the owner or promoter of a site, it is preferable that those parties should be involved in site-specific appraisals; as in many cases they will have (or will be able to obtain) information pertinent to viability, which may not be so readily available to the LPA.

4.14 It is also desirable that the owner and/or promoter of a site should have the initial opportunity to provide evidence of viability. If the site promoter is a developer/housebuilder, that party will (or should) have made some preliminary assessment of the site's financial viability in any event; even if it is based on a number of assumptions that rely on further investigation work. The LPA will be in a position to assess the validity and/or degree of risk attaching to those assumptions, which in turn will enable a sensible judgment to be made about deliverability, and the likely timing of delivery, for each site.

4.15 The Council's call for potential candidate sites took place before the site-specific Development Viability Model (DVM) was available to site promoters. Preparation of LDP-2 was subsequently delayed by the Covid-19 pandemic and nutrient neutrality issues. However, over the last 12 months the Council has obtained site-specific FVA's from site promoters for those sites that it considers to be "key" to delivering its LDP-2 strategy.

4.16 The first part of this Study concerns the high-level assessment of various site typologies; from single plots to developments of up to 10 dwellings, through to of other small, medium and larger sized development scenarios – in order to provide a general indication of the levels of affordable housing and other s.106 obligations that ought to be viable in a variety of locations and market areas across the County. The typologies selected and tested for viability are shown in the table at Appendix D; and were chosen/identified after

a) an analysis of planning applications and permissions since the LDP was adopted in 2015, to see how – in terms of site size/dwelling numbers – development proposals have been coming forward; and

b) an analysis of s.106 requirements and settlements, which showed a degree of variation – in terms of £ per dwelling – according to site size. Sites providing more than 50 new homes, for example, are required to make larger s.106 contributions (principally for education and recreational facilities) than smaller sites of up to 20 homes.

4.17 High-level viability assessments were undertaken across the complete range of site typologies, for each of the 4 Housing Market Areas that were identified from an updated study of house prices throughout the County (excluding the National Park) – see **Appendices A and B**. The assumptions made in these assessments on development costs (including benchmark land values) and the profit margins required to achieve a viable development, are set out in **Appendix D**. The background to Appendices A, B and D is explained in more detail in section 5 of this Report.

4.18 For practical reasons, the high-level viability assessment of each typology is based on a set number of dwellings within the range specified for each typology. That number of dwellings in each case is shown at Appendix D in the column headed "N° of Units"; and for most typologies corresponds to a number near the midpoint within each range.

4.19 The dwelling mix adopted in the high-level assessments for each typology was supported by the findings from the 2023 LHMA and a review of the typical mix of dwelling types arising from recent planning applications/permissions; thus using the following mix as a starting point:

Dwelling Type	Tenure	
	Open Mkt	Affordable
2p 1-bed flat/hse	10%	30%
3p 2-bed house	10%	
3p 2-bed b'glow	10%	20%
4p 2-bed house	10%	28%
4p 3-bed house	20%	8%
5p 3-bed house	20%	7%
6p 4-bed house	20%	7%

4.20 The results from these high-level viability assessments, summarised in **Appendix D** were used to inform the target percentages of affordable housing that it should be viable to deliver on sites across the County, encapsulated in Policies GN 16 and GN 20 of the Deposit Plan as follows:

Housing Market Area		Site Size (N° of Dwellings) & AH %age on site					
Band	£ psm	6 - 9	10 - 19	20 - 32	33 - 49	50 - 99	100 +
1	£2,300	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2	£2,600	0.0%	0.0%	0.0%	0.0%	5.0%	17.5%
3	£2,900	0.0%	12.5%	15.0%	20.0%	25.0%	25.0%
4	£3,200	25.0%	25.0%	30.0%	35.0%	40.0%	N/A

The percentages above relate to the expected on-site provision of affordable homes that the high-level assessments show to be viable (see **Appendix D**).

4.21 It was further concluded from these high-level assessments that the percentage of on-site affordable housing that would be viable on **sites of less than 10 dwellings**, would yield very little in terms of the number of on-site affordable homes across most the County; except in a few prime (Zone/Band 4) areas around Narberth and in the south-easternmost parts of the County. In those Zone/Band 4 areas (identified on the map at **Appendix B**), it should be viable for a site of between 6 – 9 new dwellings to deliver 25% of the new homes as affordable units on-site. In the rest of the County (excluding the National Park), developments of less than 10 new dwellings will be expected to make a financial contribution towards the provision of affordable housing off-site; with the on-site provision of affordable homes being limited to sites of 10 dwellings or more.

5. HIGH-LEVEL VIABILITY ASSESSMENTS

5.1 As described in Section 4, high-level financial assessments to inform the general (rather than more site-specific) policies regarding affordable housing and other s.106 obligations – and the level of such obligations that can be expected to be viable – have been undertaken using the Regional Viability Model. The following paragraphs describe the evidence base for the inputs used in these High-Level Assessments.

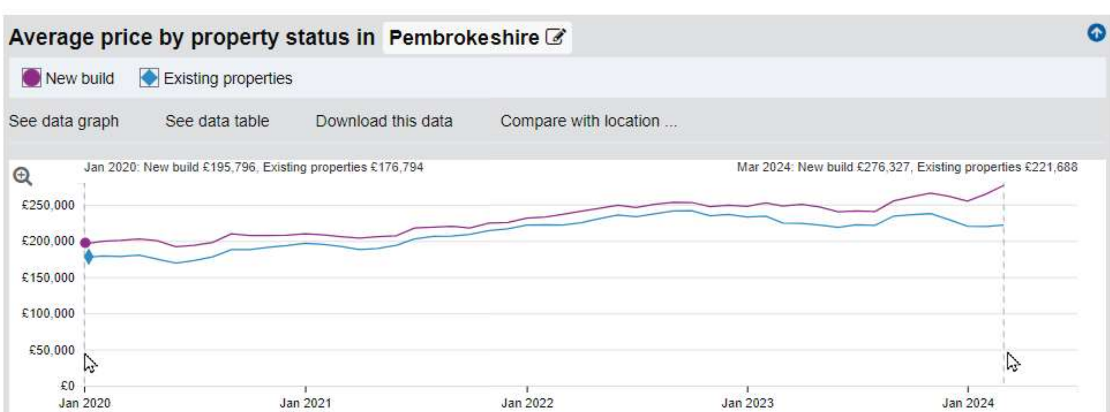
Gross Development Value

5.2 Data on the prices at which houses have sold in different parts of the County is available from HM Land Registry's website, and can be readily downloaded for further analysis. Other relevant information is also available from the EPC Register, other websites such as Rightmove and Zoopla, as well as from an LPA's own records. However, careful and thorough analysis of this data is necessary to provide a reliable and robust evidence base for viability assessments. One must also recognise that there are often differentials in the popularity of specific housing areas, sometimes not all that far apart geographically, which have a bearing on the market values that are likely to be achieved on a particular development site.

5.3 Housing values can also be affected/enhanced by good design, and by creating attractive living environments that are well-serviced and sustainable (i.e. by "place-making"). Well-conceived and well-executed housing developments, in particular, will usually command higher values/ selling prices than those achieved for second-hand stock.

5.4 A database of house prices, drawn from the above sources, was initially created as part of the MSWWR Commission in 2019. That database has been thoroughly reviewed and updated with new evidence, as part of this Study. A summary of the up-to-date evidence for Pembrokeshire from this database, concentrating on those sites that offer a robust sample of evidence, is set out in **Appendix A**. The original database has been updated and also extended to give a broader geographical coverage of the County. Where possible the database focuses on sales in an 18-month period between the beginning of 2022 and mid-2023; but in a number of cases, this period has been extended to include earlier transactions, in order to achieve a satisfactory sample size. It should also be noted that, due to delays in the recording of sale transactions at HM Land Registry, the data's median date is generally between October 2022 – March 2023; and in some cases the data runs back over a significantly longer period.

5.5 The graphic image below of the House Price Index, published by HM Land Registry from the same record of sale transactions, indicates that average house prices in Pembrokeshire increased by c.25% between January 2020 and March 2024 for existing properties; and by c.40% for new stock. Whilst prices for second-hand stock are similar now to their level at the beginning of 2022, the average price of new homes has increased by c.20% since then.



5.6 Based on HM Land Registry's House Price Index, average values (in £ per square metre) that are recorded from the sale transactions on each site at **Appendix A**, have also been adjusted (in the final column of that Appendix) in line with House Price Index to provide an indication of the current values that one would expect to be achievable in those locations today.

5.7 The values in the final column of Appendix A range from £2,300 psm at the lower end, up to values in excess of £3,000 psm in some southern/eastern parts of the County. It may also be noted that bungalows will generally achieve a premium of c.20% over the price per sqm for 2-storey housing.

5.8 Based on this evidence, interpreted too in the context of a broader, general knowledge of the County's market areas, the County has been divided into 4 market areas/bands, as illustrated on the map at **Appendix B**. Account has also been taken of estimated sales values provided by the promoters of "key sites" in the site-specific viability assessments that the Council has received for those sites.

5.9 In undertaking the high-level Countywide viability assessments for this Report, the following indicative, median values have been used for each zone/band:

- Zone/Band 1 £2,300 psm
- Zone/Band 2 £2,600 psm
- Zone/Band 3 £2,900 psm
- Zone/Band 4 £3,200 psm

5.10 The values (in £ psm) achieved on smaller sites of 10 dwellings or less will often reflect a premium of 10% or more, due to the "individual" character/quality of such developments. It is therefore considered that, although in most market areas it may not be viable for smaller schemes to deliver affordable units on site, it should still be viable for many of them to make a financial contribution (in line with Pembrokeshire's LDP-1 Affordable Housing SPG) towards off-site affordable housing. This can be gauged from the surplus profit per unit that is shown in the penultimate column on the right-hand side of **Appendix D**.

5.11 Transfer values for **affordable housing** in Pembrokeshire, are based on 55% of the Welsh Government's Acceptable Cost Guidance (ACG) for social rented tenure; and 70% of market value for intermediate tenure. The rate of 55% for new social rented homes is higher than that applied by most other planning authorities in Wales, who will typically use 42% of ACG. Welsh Government has not reviewed the ACG rates that include a value for the land on which the new home is built, since 2021. Although more recent ACG's have been published excluding the value of each plot, a decision has been taken (for the purposes of all the viability assessments covered by this Report) to base the transfer values for new social rented properties on 55% of the 2021 ACG's including land. It is recognised that the 2021 rates have been eroded to some extent by build cost inflation since then; but the values generated by this formula are still higher than 42% of the 2021 ACG's (including land) adjusted for inflation. In other words, this formula will have the effect of narrowing the gap between transfer values for social rented property in Pembrokeshire and the rates that have applied in most other local authority areas.

5.12 The banding that applies to ACG's is intended to reflect variations in the value of residential development land across different market areas; but those bands have not been reviewed for some time. Indeed, this was one reason why Welsh Government chose to discontinue the ACG's including land in 2021. As a result of the comprehensive review of house prices across the County, undertaken as part of this Study, the transfer values for new social rented homes will now be defined by the zones/updated bands shown on the map at **Appendix B**.

5.13 Based on the most recent LHMA, it has been assumed that 75% of affordable homes provided on market-led developments, via s.106 obligations, will be for social rented tenure; and that the remaining 25% will be intermediate tenure.

Rate of Sales and Development Programme

5.14 The rate at which new homes may be sold on the open market will vary from site to site, depending not only on the demand for new homes in any given location (which will also determine their selling price), but also very often on the size of the site being developed. A higher volume of sales each year will normally be achieved on the larger sites; although this is also influenced by the market knowledge of the larger/volume housebuilders, who will tend to build on sites where they expect a higher volume of demand.

5.15 Where possible, developers will try to match the rate at which they build to the rate at which the new homes can be sold; but this is not always possible to achieve, particularly when there are fluctuations in the market and/or when macroeconomic conditions create uncertainty. This is one area of risk for a developer that may not always be appreciated or understood. It is one of the things that need to be reflected in the percentage margin/return that is allowed to the developer.

5.16 On a majority of new housing developments, there will be an "overhang" period between the date on which final construction works are completed, and the date on which the last market sale is completed. The Viability Models created for the MSWWR Commission both contain features that allow the user to specify the anticipated/assumed development period, and to decide whether or not to link that with the rate at which houses are likely to sell, and to include allowance for the "overhang" period just mentioned.

5.17 A broad analysis of the rate at which new homes have sold in recent years has been made as part of this Study; and the sales rates shown at **Appendix D** are a reflection of the conclusions drawn from that exercise. It can be seen that these rates vary according to the number of dwellings in each site typology.

5.18 The rate at which affordable homes within a mixed tenure scheme are delivered will not necessarily be the same as the rate at which the open market dwellings are sold. It will often be a requirement of the s.106 obligation for the affordable housing to be delivered before all the open market homes are occupied. High-level assessments undertaken with the Regional Viability Model assume that the rate of delivery for the affordable homes will broadly match the rate at which open market dwellings are occupied on the site, but without the "overhang" mentioned in 5.16 above. This is considered to be a reasonable reflection of the way in which most s.106 obligations operate.

Development Costs

5.19 The Building Cost Information Service (BCIS) runs a database on construction costs drawn from development schemes across the UK, which provides subscribers with adjusted cost estimates for a particular locality/area. Thus, BCIS data on Average Prices for Residential Facilities is commonly used as a guide to establish the basic cost of building houses (often referred to as "plot cost") in a given area. It is generally accepted as offering a useful and reliable basis for FVA's, but its data outputs require proper interpretation for three main reasons:

a) the data is presented as a range of costs; and whilst it may have been customary to adopt the mean or the median rate (from this range) as a natural starting point, cost rates vary according to the complexity and scale of each development, as well as according to the underlying characteristics/nature of each site.

b) the national/volume housebuilders do not generally contribute to the database; yet those companies are best able to achieve economies of scale. The absence of data from their developments not only reduces the direct relevance of the BCIS data to larger development sites, many of which are controlled and/or built out by these larger companies; but also, because the BCIS database is not a complete and fully-balanced industry dataset, it could be said that the median, upper and lower quartile cost rates would present a different picture if cost information from those larger companies were included.

c) data is often submitted to BCIS with differing degrees of detail; and examination of the more detailed cost analyses for individual sites reveals a degree of inconsistency in the way that costs are often set out/recorded on the database.

5.20 For some, more rural, locations there is another issue with the BCIS database; namely that the information available is based on a very small sample of sites/schemes, sometimes only in single figures; and with little recent evidence in the data sample. This applies particularly in Wales; and thus highlights the need for viability assessments to be further informed by local evidence drawn from other studies, including site-specific viability appraisals undertaken with developers and site promoters as part of the collaborative, plan-making exercise.

5.21 The High-Level assessments carried out for this Study have been based on evidence drawn from the above combination of sources; reflecting all the above observations. The cost rates shown in **Appendix D** for each site typology, and the range of those cost rates, reflect the way in which build costs will vary according to the size of a development project, with rates being generally higher for the small sites than for the larger ones. This range of costs has also been presented and discussed at various viability workshops with stakeholders in South Wales. The table at Appendix D also shows how this range of costs compares to the BCIS median rate for estate housing.

5.22 Both the site-specific DVM and the Regional Viability Model require the user to make some allowance for additional build costs relating to **extra Building Regulations requirements** in Wales, which are not currently reflected in the more general BCIS cost rates drawn from the UK as a whole. In the past, this mainly related to the costs of providing sprinkler systems in new homes. There is some evidence indicating that developers are finding ways to reduce the cost of sprinkler systems; and in several of the viability cases with which BHL has been involved recently, developers have offered evidence of build/plot costs that include sprinkler installations. Nevertheless, it has been customary in all recent viability assessments in which BHL has been involved, to make an additional allowance of £2,550 per dwelling for the cost of sprinklers and ULEV charging points in new homes.

5.23 However, BCIS Average Prices do not yet include the costs of complying with the new Part L regulations that recently came into force both in England and in Wales. The average extra cost associated with those changes to Building Regulations has been discussed in various forums attended by BHL over the last 18 – 24 months; and by common consensus has been taken at £3,000 per dwelling (as an average figure for all dwelling types) for the purposes of this Study.

5.24 Further changes are to be introduced in 2025 and, given the time period that will be covered by LDP-2, the potential impact of those further changes must also be taken into account in this Study. BHL considers that public consumer awareness of the cost-saving benefits of the new Regulations will develop quite significantly over the course of the next 2 – 3 years; and that lenders will develop a range of new products and/or practices that take account of that.

5.25 BHL has debated the cost of these further changes to the Regulations in 2025 with a number of industry stakeholders during the last 12 months; the broad consensus seeming to be that they could add another £5,750 – £7,000 per dwelling to existing costs. This equates to between 2% and 2.5% of the average price of a new home in Pembrokeshire. For the purposes of this Study – and based on what is set out above – BHL has taken the view that the extra cost of the 2025 changes could well be matched by an increase of that magnitude in market values for the new, more energy-efficient homes. This view is supported by evidence of sales values, especially on developments of up to 20 dwellings, for homes that are already being built to a more energy efficient specification than is required by current Building Regulations.

5.26 In addition to the basic cost of building houses ("plot cost"), there are costs associated with servicing each dwelling (e.g. access roads, utility and drainage connections, garages and/or parking areas, gardens and boundary features – known collectively as **"external costs"**), as well as the costs of providing appropriate infrastructure for the development (sometimes secured by s.106 obligations). In most of the high-level assessments in this Study, external costs have been allowed for at a rate of £18,000 per dwelling; but slightly higher rates have been applied in the case of the two single dwelling site typologies (see **Appendix D**), which BHL considers to be appropriate.

5.27 On larger sites, the amount/cost of appropriate infrastructure may be quite large; such that what are commonly called the **"opening up" costs** of a major/strategic development site can have a significant impact on the overall land value per acre (or hectare). This is an important factor to be taken into account when one is considering what value represents an acceptable return to the landowner. It is unrealistic for a landowner to expect the same value per acre/hectare from a site that requires substantial "opening up" expenditure on infrastructure, as one might expect from a site that is already serviced with the necessary infrastructure.

5.28 On this basis, and because such infrastructure costs are normally quite site-specific, the high-level assessments undertaken for this Study have assumed that the land/site value adopted for each assessment is inclusive of what are commonly called "abnormal" site costs; in other words, the assumption is that such costs will be deducted from the price actually paid to the landowner. This may not always be the case in practice; some sites will not come forward at all, unless a minimum level of value is received by the landowner. However, it is considered that sites to which "abnormal" costs are likely to apply will typically fall into the category of "key sites", which are subject to more site-specific appraisal; and/or that, if there are good reasons for such a site to be developed, it could perhaps be a case to which the "exceptional circumstances" referred to in paragraph 5.90 of the Development Plans Manual apply, i.e. where viability considerations might justify a departure from normal policy requirements.

5.29 Accordingly, whilst the high-level assessments in this Study contain an allowance for normal **s.106 obligations and SuDS requirements**, which a developer can anticipate from the policies in the LDP and any relevant Supplementary Planning Guidance, they do not make allowance for "abnormal" obligations.

5.30 The cost allowances made in this Study are recorded in **Appendix D** and have been calculated as follows:

a) £1,500 per dwelling for SuDS adoption costs. The Pembrokeshire SAB currently have no record of a commuted sum being taken for any residential development; and natural infiltration rates are good in many parts of the County. Nevertheless, it was considered appropriate to make a modest (rather than nil) allowance in the high-level Countywide viability assessments for such costs.

b) for s.106 obligations, the costs per dwelling shown in a separate table at the bottom of Appendix D. The table shows the rates that were previously used in high-level viability assessments undertaken in 2019; based not only on the Council's LDP-1 Supplementary Planning Guidance but also on a review of s.106 contributions agreed since adoption of LDP-1. For the 2024 high-level viability assessments, it was decided to increase the 2019 allowances by a further 15.8% (in line with the change in the BCIS All-In Tender Prices Index); which was also supported by evidence from a review of s.106 agreements entered into since 2019.

5.31 Further allowances need to be made in an FVA for external **professional fees** (or in-house costs) relating to the planning and design of the development, and of individual dwellings; and for construction warranties and the design/implementation of other site infrastructure. Expressed as a percentage of construction costs, these costs will typically range between 4% or 5% on a site where house types are drawn from a range of standard designs; to around 12% on a single dwelling site, where more bespoke design work will often be involved. This range of costs/percentages has been applied to the different site typologies in the manner set out in **Appendix D**.

5.32 It is also customary to include a **contingency sum** as a buffer against unexpected variations in construction costs. An allowance of 5% on total construction costs has been included in all this high-level assessment work.

5.33 In a similar way, allowances have been made against the estimated gross revenue from open market sales to cover **marketing and sale costs**, as follows:

a) 2% on all site typologies of less than 20 dwellings;

b) 2.5% on all site typologies of 20 dwellings or more (reflecting the higher costs normally associated with marketing and show homes, in order to achieve higher monthly/annual sales rates); and

c) a further allowance for legal costs, calculated at £600 per dwelling on both open market and affordable homes.

5.34 The **cost of funding/financing** the development has been calculated using an "all-in" interest rate of 6% p.a. for the two typologies of 50 dwellings or more; and higher rates from 7% to 8% for sites of less than 50 dwellings. The rates applied to each site typology are again recorded at **Appendix D**. The use of an "all-in" interest rate is in line with the approach typically adopted and accepted in many Planning Appeal decisions. Although it could be argued to be a slightly simplistic way of calculating such costs – which, in reality, will be broken down between separate charges for monthly interest on the sum being borrowed at any given time, plus arrangement/exit/facility fees, and monitoring costs – applying an "all-in" rate of interest has become accepted as a convenient and less complicated way of arriving at much the same result.

5.35 The use of a common "all in" rate also reflects a recommendation in the RICS Guidance Note (GN 94/2012) that "*the nature of the applicant should normally be disregarded [in an FVA], as should benefits or disbenefits that are unique to the applicant. The aim should be to reflect industry benchmarks in both development management and plan-making viability testing*." The larger, volume housebuilders will typically have access to funds at a lower rate than an SME builder/developer; so for larger sites, it could be argued that the use of that rate in these high-level assessments will give them an extra margin or "buffer".

5.36 Some smaller businesses may have to pay more than 7% or 8% for funds, particularly if they lack sufficient equity and/or track record to obtain more competitive rates. But then again, there are other SME's who will have built up sufficient equity reserves to enable them to reduce their overall borrowing costs/requirements.

Land/Site Value

5.37 Both the DVM and the Regional Viability Model require the user to supply an estimated land price (or site value) in the first instance, although this estimate can be changed in the course of finalising the appraisal, if it is appropriate to do so.

5.38 The Development Plans Manual states that the land value should be "sufficient to encourage a land owner to sell for the proposed use". A range of values from £180,000 to £240,000 per net developable acre was agreed at the Viability Study Group meeting in September 2023 (see Appendix C) for residential development land in Carmarthenshire. It was agreed at the same meeting that a similar range of values should be deduced for Pembrokeshire, from evidence of both market transactions and settled viability assessments across the County. It had also been suggested that £200,000 per net acre was a minimum expectation for most landowners.

5.39 It was clear from a more detailed review of the available evidence that a value of £200,000 per net acre could not reasonably be justified for sites in the least popular market areas; but that higher values would be needed "to encourage a landowner to sell" in market areas where higher sales values could be achieved. Accordingly, the following range of values has been used in the high-level viability assessments, corresponding to each of the market area "bands" that have been identified on the map at Appendix B:

Housing Market Area		**Land Value**	
Band	**£ psm**	**£ / net ac**	**£ / net ha**
1	£2,300	£150,000	£370,000
2	£2,600	£200,000	£495,000
3	£2,900	£250,000	£615,000
4	£3,200	£300,000	£740,000

5.40 For the purposes of a High-Level County-wide Viability Study such as this, it is appropriate for the focus to be on the mainstream level of land prices; for sites that are capable of delivering, or have delivered, policy compliant schemes. It is considered that the values above fit that description.

5.41 BHL's approach in this Study acknowledges that values at the lower end of the range will be achieved in market areas where sales values are also at the lower end of the range shown above; and that the opposite will be the case in locations where higher house prices apply. Thus the tables at **Appendix D** show a range of values used in the high-level assessments that BHL has undertaken, for each site typology.

5.42 All the appraisals include an allowance of 1.5% on top of this land price (or site value) for fees connected with a land purchase; together with the appropriate amount for Land Transaction Tax, which the Models calculate on the basis of current LTT rates.

Development Profit and Viability

5.43 In the case of larger and/or more complex development sites, current practice would accept that a development proposal is "viable" if it is expected to achieve a return for the developer of 20% on the gross development value of all open market housing in the scheme, plus a return of 6% on the total development cost of all the affordable housing. Depending on the proportion of affordable housing that the development is expected to deliver, the combination of these separate returns will produce a "blended margin" that will vary between around 17% on GDV (where the proportion of affordable housing is 35% or more) and around 19% on GDV (where the proportion of affordable housing is only 10%-15% of the overall development, for example).

5.44 For smaller and medium-sized sites, it is normally considered that a developer's profit margin should be within a range of between 15%-20% on GDV for a scheme to be considered "viable"; the appropriate percentage within that range being determined both by normal market forces – it is not uncommon for there to be stronger competition between developers for smaller sites than for some large sites – and by the degree of risk attaching to the scheme.

5.45 As referred to earlier, the RICS Guidance Note (GN 94/2012) on Financial Viability in Planning refers to the concept of "a market risk adjusted return to the developer", in the context of deciding what should amount to an "acceptable market level" of return for Viability purposes. As stated in para. 3.3.2 of the Guidance Note, "*a small scheme constructed over a shorter timeframe may be considered relatively less risky, and therefore attract a lower profit margin, given that the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain*."

5.46 This position is reflected in the range of "target" profit margins (as a percentage of the GDV from open market sales) shown against each site typology in **Appendix D**; all of which are considered to be a fair representation of the "market risk adjusted returns" that it would be reasonable to expect in each case. The range is essentially from 15% on GDV for sites of between 2 – 5 dwellings, rising to 18% on GDV for sites of between 33 – 49 units; and 20% on GDV for sites of over 50 dwellings. A separate rate of 10% on GDV has been used for single dwelling sites, where in many cases the "developer" will be a private individual undertaking a custom build, with or without help from a building contractor. A margin of 10% on GDV is considered appropriate for that case, more as an additional "buffer" against unexpected costs than as a profit/gain that is likely to be realised. However, it is also considered that a 10% margin is appropriate and adequate to those cases where a contractor is building a new single home on a more speculative basis; because all the plot cost rates (like the BCIS Average Prices per sqm) include an allowance for a contractor's overheads and profit on the building work.

5.47 The tables at **Appendix D** show the results from BHL's high-level viability assessments for each site typology, in terms of an estimated surplus or shortfall compared with the target profit margin for each typology (also shown in Appendix D). That surplus or shortfall is shown as a value per dwelling, in the penultimate column of the table; and is accompanied by a brief comment in the final column to the right. For small sites (generally those delivering less than 10 new homes), a surplus indicates the level of financial contribution that it should be viable for a site of each size in each market area to make towards the provision of affordable homes off-site. In some cases, this exceeds the level of contribution that is likely to be required by the Council's LDP-1 Affordable Housing SPG. In lower value areas, it does not.

Sensitivity Testing

5.48 The methodology behind the high-level viability assessments in this Study already affords a degree of sensitivity testing, by considering a range of potential house prices and land values for each site typology. Nevertheless, in accordance with best practice, the results from all the high-level assessments have been sensitivity tested to show the effect on developer's profit of the following changes to the basic inputs:

- plus/minus 10% in gross development value;
- plus/minus 10% in build (plot + external) costs;
- plus/minus 15% in land value.

5.49 To illustrate this, an example of the RVM outputs from one of the high-level assessments is attached as **Appendix E**.

6. VIABILITY ASSESSMENTS for "KEY SITES"

6.1 The Council has identified market-led sites that are expected to deliver at least 50 new homes as "key sites" to the delivery of LDP-2 policies[E]. Sites that are expected to be developed by an RSL with at least 50% affordable housing, and for which social housing grant is expected to be available, have been excluded from that definition.

6.2 Accordingly, the Council and BHL have engaged with the promoters of all key sites to establish the financial viability of each site. This process began by inviting each site promoter to submit a viability appraisal, using the DVM, which all bar one have done. The exception is the site known as Land at Gibbas Way, Pembroke, for which the Council has received only a partial site appraisal from the promoter. BHL has therefore produced its own FVA, using market-based (rather than client-specific) evidence that is discussed in previous sections of this Report.

6.3 The conclusion from this part of the Study is that all the "key sites" are financially viable; and can be expected to deliver the percentages of affordable housing that are shown in the table at **Appendix F**. That table also includes a note of the other main inputs and assumptions that lie behind each site-specific appraisal; summarised in a format that is intended to preserve an appropriate level of confidentiality for information that is still commercially sensitive[F].

6.4 It must be recognised that, at this stage in the planning process, viability appraisals will often be based on a number of high-level assumptions; pending more detailed site investigation work, for example, or other more detailed studies and assessments relating to transport or environmental issues. Although a site promoter may have expended not insignificant sums in promoting a site through the candidate site process, it is relatively rare for more detailed work to be undertaken until there is greater certainty of a site being allocated for development in the local development plan.

6.5 Nevertheless, where high-level assumptions have been made, the background to them has been interrogated by BHL as far as is reasonably possible at this stage. Any assumptions that might be considered unrealistic, or out of line with general market evidence, have been discussed with the relevant site promoter; and have been amended where appropriate. Each site-specific appraisal is therefore considered to be sufficiently robust to meet the national policy requirements and guidance contained in Planning Policy Wales and the Development Plans Manual at this stage in the planning process. Site promoters are aware that "only in exceptional circumstances should further viability appraisals be undertaken at the planning application stage"[G].

6.6 Inevitably, not all the "key sites" fit neatly into the market value bands that were identified for the purpose of the high-level Countywide viability assessments. The Development Plans Manual recognises that this may sometimes be the case[H]. In cases where such differences may be apparent, the outputs from a site-specific appraisal should generally be preferred.

[E] Paragraph 4.2.20 in PPW 12 requires planning authorities to consider how they will define a "key site"; and dictates that a site-specific viability appraisal must be undertaken for those sites, through the consideration of more detailed costs, constraints and specific requirements.

[F] See paragraph 5.96 in the Manual

[G] See paragraph 5.90 in the Manual

[H] See paragraph 5.108 in the Manual.

7. SUMMARY and CONCLUSIONS

7.1 The affordable housing targets set out in Policy GN 16 and GN 20 of Deposit LDP-2 are derived from, and are supported by, the high-level assessments described in previous sections of this report. Those targets are summarised as follows:

Housing Market Area		Site Size (N° of Dwellings) & AH %age on site					
Band	**£ psm**	**6 - 9**	**10 - 19**	**20 - 32**	**33 - 49**	**50 - 99**	**100 +**
1	£2,300	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2	£2,600	0.0%	0.0%	0.0%	0.0%	5.0%	17.5%
3	£2,900	0.0%	12.5%	15.0%	20.0%	25.0%	25.0%
4	£3,200	25.0%	25.0%	30.0%	35.0%	40.0%	N/A

7.2 The high-level assessments recognise that larger sites are likely to be able to deliver a greater proportion and absolute number of new affordable homes, as a result of the economies of scale that normally apply.

7.3 The high-level assessments also concluded that it is not likely to be viable, in current market conditions, for **smaller sites of less than 10 dwellings** to make a meaningful contribution to on-site affordable housing; except in the Band 4 market area, where higher sales values could justify the provision of 25% affordable housing on-site for developments of between 6 – 19 new homes. In the 3 other market areas (Bands 1, 2 and 3), it would be better for all sites of less than 10 dwellings – not just those of less than 5 units – to make a financial contribution for the provision of affordable housing off-site.

7.4 The site-specific appraisals undertaken on sites identified by the Council as "key" to delivery of its LDP-2 strategy underpin the affordable housing percentages shown for each of those sites in Policy GN 16 of the Deposit Plan. Those appraisals further indicate that all those "key sites" are considered to be "viable" in current market conditions, based on all relevant and available sources of information.

7.5 This Report is made for Pembrokeshire County Council, as part of the evidence base for the Council's Deposit LDP-2; and for the purposes of establishing the viability of its LDP-2 policies on affordable housing and other s.106 obligations. The Report has been prepared with all reasonable skill, care and diligence; and in a manner consistent with the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses. Nevertheless, no duty of care can be accepted to third parties for the whole or any part of its contents.

Andrew Burrows MA FRICS
Director
Burrows-Hutchinson Ltd
Strategic Asset Management,
Economic Regeneration and Viability,
Energy Conservation and Performance.

July 2024

Location/Development	Postcode	OM Sales		Period	Av GIA	Av £psm	With HPI
Scarrowscant, H'fordwest	SA61 1FB	21	M	09/22 to 02/23	76	£2,880	£2,989
Ashford Park, Crundale	SA62 4FG	64	M	04/16 to 09/22	89	£2,147	£3,005
Pond Bridge, Johnston	SA62 3QT	7	M	10/18 to 03/22	80	£1,692	£2,302
Brookfield Close, Keeston	SA62 6FB	16	M	03/17 to 09/23	133	£1,929	£2,639
Leven Close, Hook	SA62 4LF	14	R	04/16 to 10/21	114	£1,945	£2,490
Hubberston, Milford Haven	SA73 3SA	18	R	07/22 to 08/23	74	£2,222	£2,311
Houghton	SA73 1NN	5	R	02/20 to 06/21	122	£2,364	£2,601
Gatehouse View, Pembroke	SA71 4TP	4	R	08/22 to 10/23	84	£2,447	£2,540
Gibbas Way/Callans Drive, Pembroke	SA71 5JA	5	R	08/22 to 09/23	98	£3,471	£3,541
Lamphey (various, excl bungalows)	SA71 5NA	8	R	07/22 to 10/23	110	£2,826	£2,968
Bowett Close, Hundleton	SA71 5RY	17	N	07/17 to 06/21	82	£2,562	£3,505
Rock Park/Meadow Gdns, Kilgetty	SA68 0AB	24	N	09/20 to 10/22	97	£2,647	£2,912
Ash Grove Gardens, St Florence	SA70 8DZ	3	N	05/22 to 11/22	167	£3,270	£3,394
Cornfields Walk, Sageston	SA70 8DS	25	N	04/22 to 09/23	83	£3,220	£3,343
Potters Grove, Templeton	SA67 8UX	24	M	05/21 to 10/23	78	£3,457	£3,803
Maes Rheithordy, Cilgerran	SA43 2TZ	28	M	02/20 to 10/22	81	£2,304	£2,949
Vergam Terrace, Fishguard	SA65 9DF	4	N	09/22 to 10/22	113	£2,215	£2,299
		287					

NOTES :

"OM Sales" records firstly the number of sales in the period shown; and secondly whether these were predominantly new build (N) or re-sales (R) or a mixture of the two (M).
Average dwelling size (GIA in sqm) is given for each development.
The average value (in £ psm) from the recorded sample has then been adjusted by reference to HM Land Registry's House Price Index for Pembrokeshire in the final column of the table.
It is £ psm values in the final column that have guided the classification of sub-market value zones/bands.
Developments at Gibbas Way, Pembroke and Bowett Close, Hundleton are predominantly bungalows.

Band values are based on pounds per square metre (psm) sale values

Band 1 - £2,300psm to £2,599psm

Area Name	Settlements
Cleddau Estuary East	Martletwy
Northeast	Abercych, Blaenffos, Boncath, Bwlch-y-Groes, Cyrmych, Eglwyswrw, Glandwr, Hermon, Llanfyrnach, Newchapel, Postgwyn, Rhoshill, Tegryn
North	Ambleston, Castlemorris, Croescoch, Fishguard, Ffos Las, Goodwick, Hayscastle Cross, Letterston, Little Newcastle, Llandeloy, Llangolman, Llanrhian, Maenclochog, Mathry, Panteg, Penycwm, Penygroes Villas, Pont - yr – Hafod, Puncheston, Square & Compass, St Nicholas, Trecwn, Treffynnon, Treffgarne, Trefgarn Owen, Walton East, Wolfscastle, Woodstock
Southwest	Johnston, Milford Haven (excluding Steynton), Rosemarket, Tiers Cross, Thornton

Band 2 - £2,600psm to £2,899psm

Area Name	Settlements
Central	Camrose, Clarbeston Road, Cuffern, Golden Hill, Jeffreyston, Keeston, Lampeter Velfrey, Leachpool, Llandissilio, Llawhaden, Ludchurch, Pelcomb Cross, Poyston Cross, Princes Gate, Roch, Robeston Wathen, Simpson Cross, Spittal, Tavernspite, Whitland, Wiston, Wolfsdale
Cleddau Estuary North and West	Barnlake, Burton, Burton Ferry, Deerland, Freystrop, Hill Mountain, Hook, Houghton, Little Honeyborough, Llangwm, Lower Freystrop, Madox Moor, Mascle Bridge, Milford Haven (Steynton area only), Neyland, Sardis, Waterston
Pembroke Dock area	Cosheston, Pembroke Dock, Slade Cross, Upper Nash.
Teifi Estuary	Bryngwyn, Cilgerran, Llwyncelyn, Pen-y-Bryn, St Dogmaels

Band 3 - £2,900psm to £3,199psm

Area Name	Settlements
Clunderwen	Clunderwen
Haverfordwest area	Crundale, Haverfordwest/Merlins Bridge, Portfield Gate, Slade Villas, Uzmaston
Southern A477 corridor	Begelly, Broadmoor, Carew/Sageston, Cold Blow, East Williamston, Kilgetty, Llanteg/Llanteglos, Milton, New Inn, Pentlepoir, Pleasant Valley, Redberth, Reynalton, Stepaside, Summerhill
Pembroke area	Hundleton, Lamphey, Maiden Wells, Pembroke, St Tywnells

Band 4 - £3,200psm to £3,499psm

Area Name	Settlements
Narberth area	Narberth, Templeton
Southeast	New Hedges, Penally, St.Florence

Joint Carmarthenshire and Pembrokeshire County Councils Viability Stakeholder Workshop – Tuesday 12th September 2023

Record of meeting arranged by Carmarthenshire County Council (CCC) and Pembrokeshire County Council (PCC), attended by the following stakeholders and chaired by Andrew Burrows MA FRICS of Burrows-Hutchinson Ltd:

Attendees:

Andrew Vaughan-Harries, Hayston Development and Planning Ltd

Guy Thomas, Guy Thomas & Co

Linda Jones, BABB Architects

Ian Bartlett, Ian Bartlett Building Design & Conservation

Mark Harris, Home Builders Federation

Phil Davies, Gerald Blain Associates

Stephan Siaw, Stantec

Jonathan Hickin, Wales & West Housing Association

Wyn Harries, Harries Planning Design Management

Evans Banks

David Darkin, Darkin Architects

Llyr Evans, Llyr Evans Planning

Nicole Jones

Carmarthenshire County Council: Ian Llewellyn, Simon Clement, Rhys Evans, Sian Mathias

Pembrokeshire County Council: Nicola Gandy, Bob Smith, Charlotte Harding, Eirian Forrest, Tom Nettleship, Emma Gladstone, David Popplewell, Rachel Elliott, Sian Husband, Steve Caplan , David Meyrick

Introduction

This record of the Stakeholder Viability Workshop has been prepared to inform the viability work for the preparation of the Carmarthenshire County Council's (CCC) Revised Local Development Plan, and the Pembrokeshire County Council (PCC) Revised Local Development Plan.

Slide 1 - Agenda

Andrew Burrows' comments:

Andrew Burrows outlined that there would not be a general discussion on the state of the housing market. The meeting will focus on build costs, the current economic climate and impact on current sales.

Slide 2 – LDP Timetables

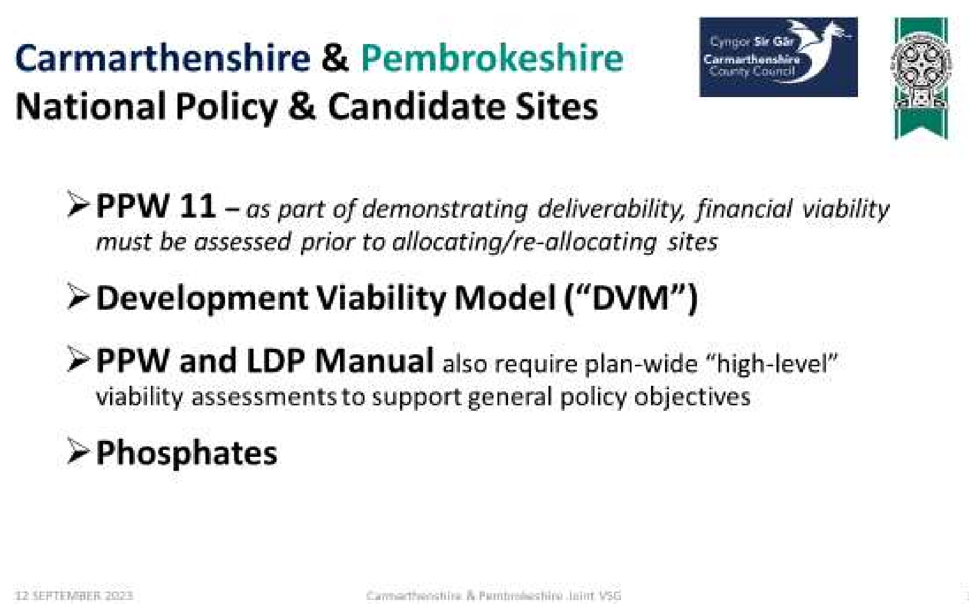
Andrew Burrows' comments:

CCC will be submitting their revised LDP to Welsh Government by the end of the year and examination is expected to take place in 2024. A High Level Viability Assessment was undertaken for CCC in November 2022 which formed part of the evidence base for their Deposit RLDP. CCC are reviewing site specific viability information for their key sites.

PCC are preparing their Plan for Re-Deposit consultation in early 2024 and examination is expected in winter 2024/25. This workshop will inform PCC's High level viability assessment. PCC have recently requested site specific viability information for their key sites.

The second stage of the new Building Regulations will affect the majority of the plan period which will run to the end of 2033 for both CCC and PCC.

Slide 3 – National Policy & Candidate Sites



Andrew Burrows' comments:

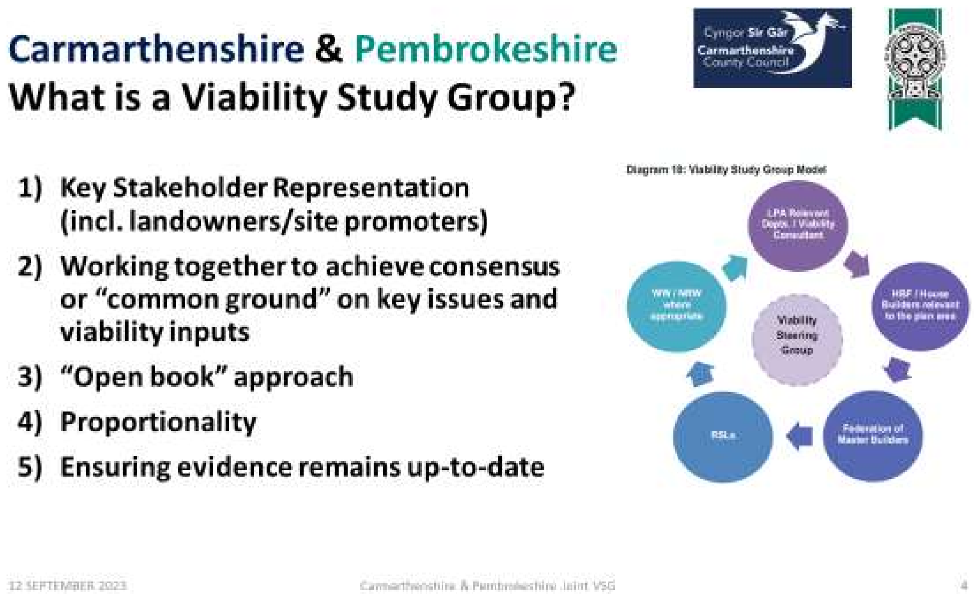
Planning Policy Wales (PPW) and the LDP Manual require sites to demonstrate deliverability and financial viability. Key sites must be assessed prior to allocation in the development plan. This workshop needs to inform the key parameters needed for the high level assessment work and key site assessments.

Comments from Local Planning Authorities on phosphates:

Bob Smith from PCC, stated that in Pembrokeshire more than 40% of the planning area is affected by the phosphate guidance, primarily in mid and north Pembrokeshire. Natural Resources Wales is making progress with permit reviews and Dwr Cymru Welsh Water (DCWW) has made investment commitments, which will enable some sites to be allocated in the Plan; but some phosphate affected sites allocated in PCC's LDP 2 Deposit Plan 1 may not be allocated in Deposit Plan 2 and would need to wait for a later Plan.

Ian Llewellyn from CCC stated that Carmarthenshire has undertaken an Interim Action Plan for Phosphate. The phosphate affected areas in Carmarthenshire are largely rural, although there are a number of affected small sites. Natural Resources Wales's (NRW's) review of permits is identifying some headroom in settlements in the Towy Valley. CCC is working with DCWW and NRW on mitigation. CCC have reduced the number of allocations in phosphate affected areas.

Slide 4 – What is a Viability Study Group?



Andrew Burrows' comments:

The aim is to start discussion on viability at an early stage and request viability information at candidate site stage; however, CCC and PCC undertook the call for candidate sites prior to this requirement. Viability information is required from site promoters for 'key' sites. There is a need for consensus on viability inputs with developers and landowners. If a site cannot be supported by viability information it shouldn't be allocated in the plan. It is important to work together in addressing the shortage of housing, climate change and rising costs.

Slide 5 - Carmarthenshire and Pembrokeshire Housing Market Generally

Andrew Burrows' comments:

The information presented above is from the Land Registry website. The charts suggest that the average price of a house in Pembrokeshire has fallen by 5% since July 2022 (£151,600) to £144,000 in June 2023. The gap between the price of new and existing housing stock is widening. Carmarthenshire has experienced a 3% increase in house values since July 2022. There is also a widening gap between new and existing stock. The data implies there is a new build premium of 23-24%. Andrew Burrows clarified that a direct comparison between the old and new build prices is difficult, as the condition of second-hand homes will vary.

Stakeholder's comments:

- Stakeholders questioned where the evidence on new build premiums was taken from and Andrew Burrows clarified that it was from the Land Registry website.
- The graphs show there is continued demand which, combined with a housing shortage is still driving up prices.
- The market in Wales appears to be holding up better than in England and Help to Buy in Wales is a significant contributing factor.
- The market has slowed in autumn 2023, compared to spring 2023; expectations are that prices may decrease overall.
- Caution was advised in relation to the data presented, as the sample sizes for new builds are small.
- New build premiums are becoming apparent in relation to new "green" credentials, which are attracting buyers faced with higher energy prices.
- Some lenders are offering 'Green Mortgages' for properties rated as 'EPC A' as owners will make savings during the life of the property.
- Certain age profile house purchasers can be cautious of new technology (including sprinkler systems).

- **Outcome of discussion: House prices are stabilising. Due to overall demand and Help to Buy in Wales, prices are expected to remain stable or decrease only slightly.**

Slide 6 - Affordable Homes

Andrew Burrows' comments:

CCC and PCC calculate transfer values in different ways. CCC have a tenure neutral approach (paying the same price for affordable homes irrespective of tenure) based on an annual review of household incomes in four sub-market areas, undertaken in November.

PCC set transfer values for social rented affordable homes at 55% of Acceptable Cost Guidance (ACG), which is more generous than most other authorities. The price paid for intermediate rented homes is 70% of Open Market Value. PCC does not have strong demand for Low Cost Home Ownership. The Draft 2022 Local Housing Market Assessment shows a need for 70% of affordable housing to be Social Rented and 30% Intermediate rent. Welsh Government is no longer publishing ACGs including land costs. The latest figures including land are the 2021 figures; and for s.106 sites, there is concern that the latest 2023 ACG's exclude land costs, which should be factored in.

PCC is keen to see as many homes built to Lifetime Homes Standard as possible due to their ageing population and Andrew Burrows invited views and reaction from builders to that principle.

Stakeholder's comments:

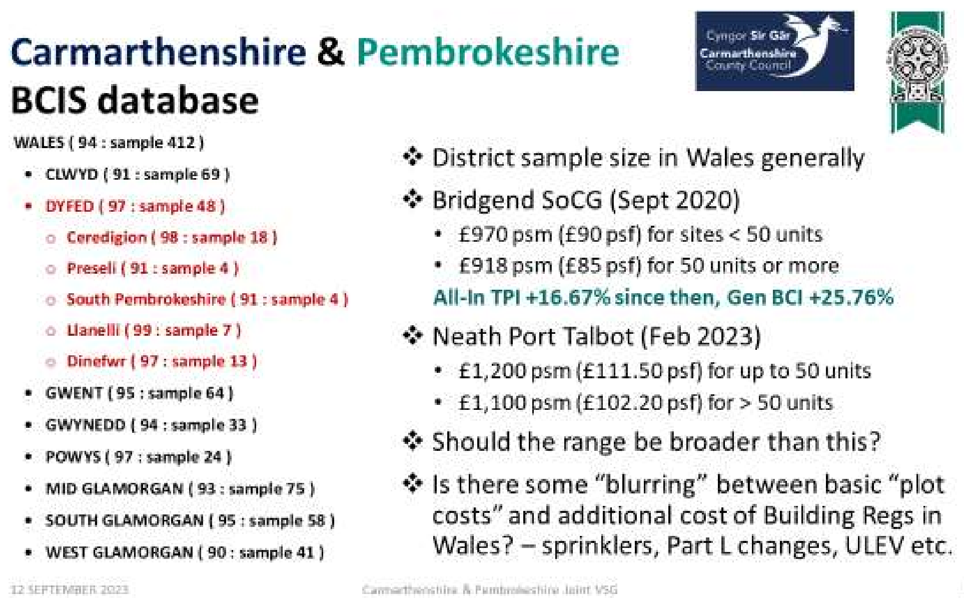
- The new ACGs published in July 2023 now have different rates for sites over 20 units and under 20 units. The dividing line was previously at 10 units.
- Stakeholders stressed that developers need certainty of what will be paid for affordable properties that are transferred. The less a private developer is paid, the less viability there

is. The price needs to be fair and developers need to work with local RSLs to understand what RSLs can afford to pay for properties. The Plan should be based on the latest evidence and it would be out of date if authorities use 2021 ACGs, rather than 2023 ACGs.

- One developer stated they would be happy to build to Lifetime Homes Standard and they are doing that on most of their developments already as their target market are active early retirees. They considered it would be a sensible policy to follow.
- It was expressed that not all sites would be appropriate for Lifetime Home standards, due to topography; or in high density town centre locations it could be problematic.
- No costs of building to Lifetime Homes Standard were provided, but one developer may have rough figures that could be shared privately with Andrew Burrows.
- In England, Part M Building Regulations has over taken Lifetime Homes requirement.

Outcome of discussion: Further discussion will take place between Andrew Burrows and PCC to decide which ACGs are to be used. The industry favoured the most up to date ACGs being used. More information to be gathered on the cost of building to Lifetime Homes Standard.

Slide 7 - Build/ Plot costs



Andrew Burrows' comments:

The left hand side of the slide shows BCIS location factors, which are used to adjust average building prices, taken from across the UK, to a particular district/area. Given a factor of 100 as the average, costs in Dyfed (97) are considered to be marginally below the UK average. However, the sample sizes are small and relate to a 40-year period. There are very few data submissions to BCIS from Wales; which increases the importance of the stakeholder debate on build costs. The BCIS database is becoming less relevant in Wales, as the majority of BCIS evidence comes from RSLs in England.

The right hand side of the presentation shows “plot cost” rates which have been agreed for Bridgend and Neath Port Talbot (NPT). Stakeholders were asked whether they felt the rates from NPT were appropriate for CCC and PCC; whether there should be a broader range; and whether a higher rate should be applied to sites of 20 units or less?

Andrew Burrows stressed that he needs evidence of build cost rates, particularly on smaller schemes in both counties – as both rely to a certain extent on smaller sites – but appreciates information can be commercially sensitive. He would welcome 1-1 discussions via the local authority – e-mail ldp@pembrokeshire.gov.uk.

Andrew Burrows also confirmed that information/evidence from individual viability cases is taken into account, when considering what cost rates to use in the high-level County-wide viability assessments. However, as those cases are a limited number, he stressed the importance of gathering as much information as possible from all sectors of the industry. He noted too that, in many such cases, the cost of sprinklers are now included in the “plot cost” rate, rather than being treated as an added cost.

Stakeholder’s Comments:

- Concern was expressed that BCIS figures suggest it would be cheaper to build in Wales than in England. There may be issues regarding availability of labour and materials in locations further west, which would make it more expensive to build in Wales.
- Material prices have gone up; and although they are levelling out now, they are not likely to decrease.
- Authorities should look at the types of site which are being allocated. A site of less than 20 homes is typical in Pembrokeshire. Ensure values are realistic to SMEs who will be the main builder in the area.
- National house builders, other than Persimmon, don’t operate in West Wales. As sales rates are slower, they would need to use local sales staff (not their standard model). Persimmon employ their own staff and are less dependent on the availability of sub-contractors.
- An RSL stated that they struggle to attract larger contractors, who do not operate in West Wales due to risk and profit. RSL’s find it easier to build 10-unit schemes, rather than 50 units.
- Stakeholders suggested that data on build costs should be sourced from public sector building in local authorities and Welsh Government, rather than relying on BCIS or input purely from stakeholders in the study group. Information from viability discussions which have taken place at planning application stage should also be fed in.
- It was stressed that we need to be careful as to what is compared – the WDQR standards for new affordable homes differ from market housing on size, boiler type and other green credentials.
- PCC is a house builder and has recently built Cranham Park in Johnston and a replacement dwelling scheme at Tiers Cross, however, this is a very small number of schemes.
- High-level viability assessments to understand how we build during the life of the plan. The houses being built will be built to higher standards due to building regulations being amended.
- BCIS data will still be important in the overall balance; and it doesn’t take account of sprinklers as they are not required in England. Sprinklers serviced off the main are now

failing due to pressure; potentially necessitating a move back to tanks and pumps, which are more costly.

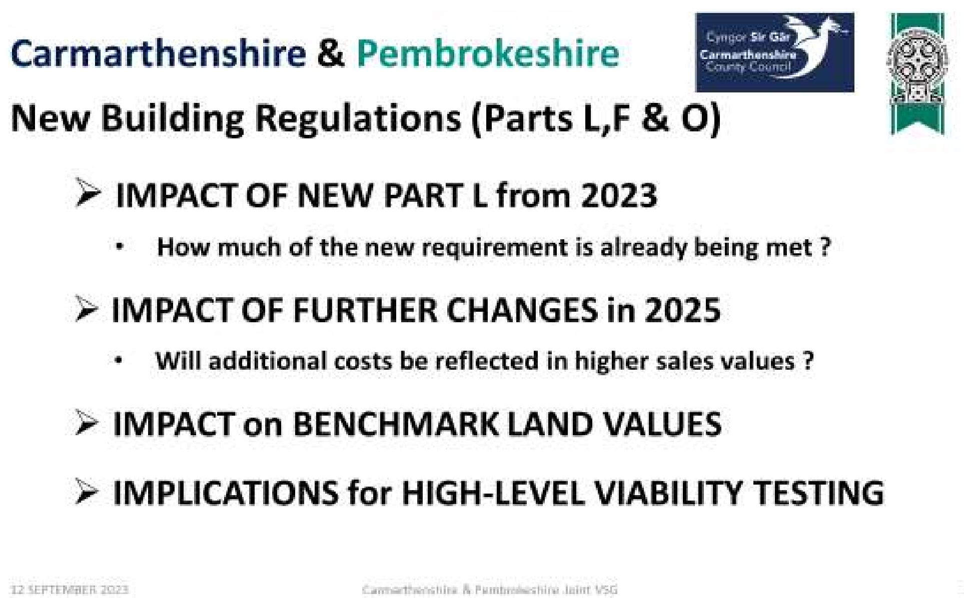
Outcome of discussion:

a) **More information to be gathered on build costs from the public sector, noting however that WDQR does increase build costs in that sector.**

b) **Andrew Burrows will enquire what information Welsh Government is able to share.**

c) **More evidence to be obtained from the private sector through 1-1 discussions.**

Slide 8 - New Building Regulations



Andrew Burrows' Comments:

Changes to building regulations will apply from 2023 on most sites. A general allowance for sprinklers (£2,000/dwelling) and ULEV charging points (£550/dwelling) is typically being added to BCIS Average Prices. £3,000 per dwelling is being added for first Part L changes. These rates were confirmed in the NPT, Newport and Monmouthshire stakeholder workshops. Further building regulations changes are being introduced from 2025. Andrew Burrows has some evidence from a viability case in Pembrokeshire that a scheme with higher green credentials is attracting a significant premium in sales values. Uncertainty remains concerning the introduction of new Part S in Wales (grid issues).

Stakeholder's Comments

- It was argued that the cost for ULEV charging points of £550 was too low; and an example was quoted of a payment of £850 for a charging unit (without installation) on an existing property. There is a price range for these charging points; and they can work with a range of products such as solar panels, so prices are increasing as they become more "intelligent".

- One stakeholder thought sprinklers were £3,000 per dwelling and another had experience of sprinklers costing £3,500 to £4,000 and higher, if a pump is required. Another stakeholder said their experience was a minimum of £3,500 per unit for sprinklers; and depends on water pressure. One agent stated that they have experienced very low water pressure and water supply issues in parts of Pembrokeshire and that the engineering and design issues can be significant.
- In terms of green mortgages there is increased premium and willingness to pay more at the higher end of the market for green credentials where the property is bigger, as the larger properties cost more in energy to run and the increase in costs does not have as big a percentage increase. However, a £20k increase per home for a 3 bed has a larger impact on the purchaser.
- Some purchasers are wary of modern technology such as heat pumps and solar panels and would rather install a gas boiler and no sprinklers. The market responds far better to fabric improvements such as triple glazing, rather than to bolt on things that have a finite life.
- Clients are asking for A rated homes due to energy costs; but if energy costs fall, then interest will decline.

Outcome of discussion:

a) Further evidence on ULEV charging and sprinklers is required.

b) General agreement that purchasers would pay more for homes built to a higher energy performance rating; but that a premium might be more difficult to obtain at the lower end of the market.

Slide 9 - Other Development Costs

Andrew Burrows' comments:

An allowance for normal external works is 15-20% on top of plot costs (approx. £17,500 per dwelling), with lower external costs for higher density schemes.

Allowance for abnormal costs is not normally made in high level assessments, as such costs should be mainly reflected in the land value. For key sites, which require site specific viability information, an allowance for abnormal costs – e.g. land remediation/contamination, major ground works, new infrastructure such as major alterations to a highway or utility supplies – should be made, where relevant; and should again have a bearing on land value.

SAB is no longer an abnormal cost as it is a policy requirement. Andrew Burrows clarified that if there are exceptional costs associated with SAB attenuation, this should be reflected in land value. SuDS can typically reduce developable area by 10%; and this will be reflected in high-level assessments. SuDS adoption costs vary significantly from £1k per dwelling up to £10k per dwelling. CCC made an allowance of £4k per unit on sites up to 20 units; and £3,500 for sites over 20 units. There is no evidence in Pembrokeshire for charges being made for adopting SuDS as the authority often combines housing and highway drainage systems. Andrew Burrows called for evidence of charges for SuDS adoption in Pembrokeshire.

PPW 11 requires investigation to be done to demonstrate sites are viable at the plan making stage. Duty is on site promoters to offer sites which are viable; in order to deliver confidence in the plan.

Stakeholder's comments

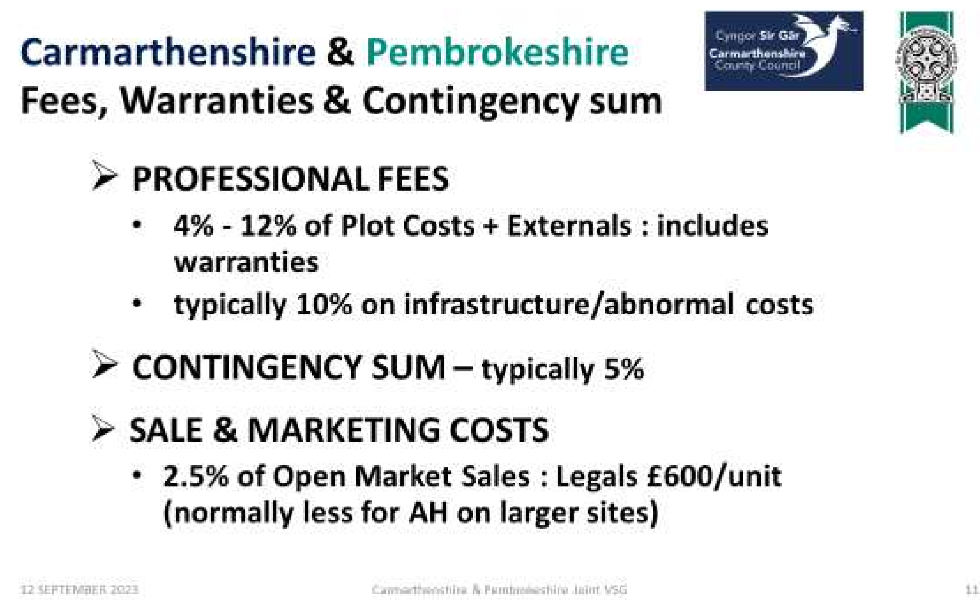
- It was presented that abnormal costs are usually found when you look at the individual site; and all abnormal costs being absorbed by the land value was not appropriate as they would not be known at that early a stage. There may be cases where it is important to bring forward a site, due to its location and/or for other reasons.
- In relation to SuDS, it is reasonable to assume that installation costs are similar to those for more traditional solutions/schemes. Some sites are naturally free draining and others require attenuation
- Welsh Government are considering a Review of c.80 issues associated with the SuDS regulations; and are expected to produce an Action Plan in the coming Autumn. However, the absence of any allowance for adoption costs is out of step with the approach taken by every other authority in South Wales.
- No evidence was provided by stakeholders of charging for SuDS adoption in Pembrokeshire. Officers in PCC will check this.
- It was agreed that PPW requires high-level viability testing at plan making stage so that individual viability assessment should be an exception at Development Management stage. It was acknowledged that some smaller builders are less accustomed to providing viability information.

Outcome of discussion:

a) **Not making an allowance for SuDS adoption costs in Pembrokeshire, but keeping this under review and additional evidence welcomed.**

b) **There may be individual cases where abnormal site costs cannot be entirely absorbed in the price paid for land; but the principles remain that sites should not be allocated without some understanding of their financial viability; and that the owner of a parcel of land with abnormal site costs cannot reasonably expect to receive the same price as would be paid for a clean site. PPW effectively requires that site promoters are increasingly aware of issues that affect financial viability; and do not rely on the Planning system to "carry the can".**

Slide 10 – Fees, Contingency & Marketing/Sale Costs



Andrew Burrows' comments:

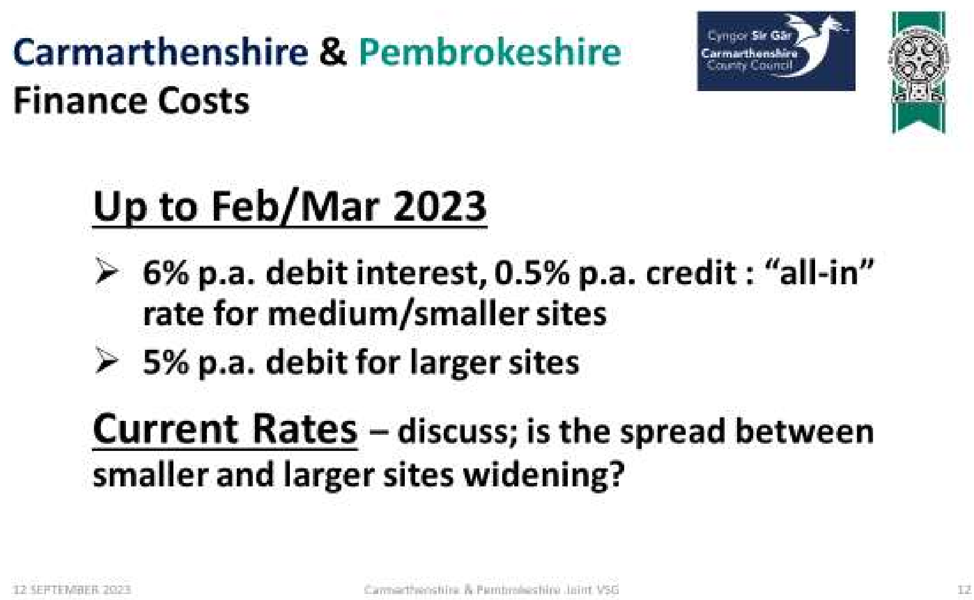
The percentages presented in Slide 11 show a broad range for professional fees which varies for development typologies – 4% - 5% for large schemes over 50 units. A higher allowance of 10-12% is applied for individual schemes and it can be higher for bespoke schemes. A typical contingency is 5% to provide an extra buffer.

Stakeholder's comments:

- In some cases the contingency of 5% is being exceeded due to fluctuations in material costs caused by Covid, Brexit, the War in Ukraine, etc

Outcome of discussion: Professional fees, contingency and sale and marketing costs were not significantly challenged. It is acknowledged that fluctuations in material costs have caused difficulties; but, as material cost and supply chain issues stabilise again, the 5% contingency is still felt to provide an appropriate buffer.

Slide 11: Finance Costs



Andrew Burrows' comments:

We need to be mindful that CCC's and PCC's revised LDPs run up to 2033; and interest rates are not generally expected to remain at their present level. A 6% debit interest rate for smaller sites and 5% for larger sites has been generally accepted as an "all-in" rate for viability assessments for some time. An "all-in" rate includes allowances for arrangement, exit and monitoring fees. Most schemes will generate a positive net cash flow at some point prior to final completion; which can be put back into the business to fund the next scheme. Thus, a credit interest rate of only 0.5% arguably understates the benefit of a cash surplus being used to defray borrowing on other projects.

High level assessment is to test the policy requirements and whether they will work or not in general terms; i.e. to review current policy requirements re: affordable housing, education etc and to see whether, in a majority of cases, they are still likely to be viable or whether they need to change. Individual site assessment are needed for key sites, to establish whether they can meet the policy requirements; or if there is a justification for them not meeting them. These viability assessments are monitored/reviewed within the proposed lifetime of the plan.

Stakeholder's comments

- Interest rates are back to historic/normal levels. The interest rate charged by the bank is dependent on the level of risk. Interest rates should be set at 10% for speculative house building due to the borrowing risk. The sites don't normally generate credit.
- It was argued that interest rates should be reviewed annually by reference to the Bank of England base rate, plus an appropriate percentage. However, it was explained that an assumption needed to be set for the high-level viability assessments to be undertaken at this stage of the plan-making process; that LDP's are subject to annual monitoring by the LPA; and that a full review of the plan is undertaken every four years.

Outcome of discussion: The "all-in" debit interest rate for smaller sites will be taken at 8% p.a.; and for larger sites at 6% p.a.

Slide 12 - Developer's Profit

Andrew Burrows' comments:

Andrew Burrows provided a definition of profit from Development Plans Manual. Risk varies from site to site. Using 15-16% on GDV for sites of 2-9 units, 17-18% on sites of 10-50 units and 20% on sites over 50 units. A different rate of 6% on Cost is applied to the affordable housing element of a mixed tenure scheme. 10% on GDV is considered appropriate for single plots; and acts as a supplementary contingency on self-build plots.

Stakeholder's comments

- One RSL is looking for 12% on Cost for 100% affordable housing schemes.

Outcome of discussion: Margins for open market sales were not disputed. Additional evidence to be gathered for a typical margin for affordable housing costs.

Slide 13 - Land Values and Acquisition Costs

Andrew Burrows' comments

Interested in evidence of existing use values for agricultural and commercial properties in the two counties. The presentation shows typical residential land values, excluding abnormal costs. Land for new housing is £180K to 240K per acre for Carmarthenshire and £200k per acre for Pembrokeshire. Are these still considered appropriate as benchmark land values? Acquisition costs are fairly standard.

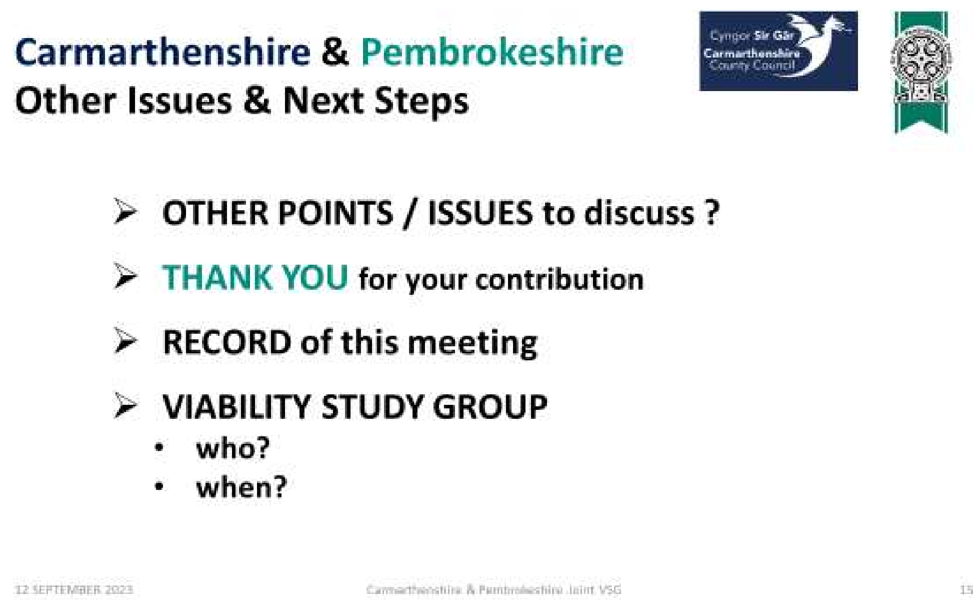
Stakeholder's comments

- Suggested that £12-20k per acre for agricultural land was appropriate for Pembrokeshire, which has a significant proportion of the best and most versatile agricultural land (Grade 1) in the UK.
- It was asked whether we should factor in demand for tourism and diversification of agricultural land in Pembrokeshire; and does that have an impact on land values?
- Other evidence was cited of £10k per acre for grazing land adjacent to a settlement in Pembrokeshire.
- Suggested that £8-12k per acre for agricultural land was appropriate for Carmarthenshire.
- For commercial land values, 'commercial' is a broad category and there are many factors to take into account.
- The presentation shows a range in the land values for Carmarthenshire and a range should also be applied for Pembrokeshire rather than a single figure. It was agreed by Andrew Burrows that a range in the land values would be shown for Pembrokeshire; as prices in Preseli, for example, will be lower.

Outcome of discussion:

a) Agricultural land value of £8-£12k agreed for Carmarthenshire and values of £12-£20k per acre in Pembrokeshire was considered high by stakeholders, despite evidence presented from PCC.
b) Housing land values in Carmarthenshire were not disputed; and a range should be applied for Pembrokeshire.

Slide 14: Other issues and next steps



Andrew Burrows' comments:

Andrew Burrows expressed thanks for input to the viability discussion. A record of the meeting will be prepared and circulated to all who attended. A future Viability Stakeholder Group may be required. All current attendees will be invited.

N° of Units	Band	Site Area ha	Site Area ac	Building Densities dph	Building Densities dpa	Building Densities sqm /ha	Net to Gross Ratio	OMV £ psm	OM Sales p.a.	AH % on site	s.106 & SuDS / dwelling	Build Cost £ psm	% of BCIS Median	Design Fees %	Debit Rate %	Land Price (£)	Land Value £/acre	Developer's Profit Target % OM GDV	Developer's Profit Blended Margin	Surplus/ Shortfall per unit *	Comment
								£2,810								£45,000	£271,881	10.0%	10.2%	£235	Viable at values in excess of
5-bed Single	-	0.07	0.17	15	6	2,190	100%	£2,900		0.0%	£1,500	£1,610	115%	12%	8.0%	£55,000	£332,299	10.0%	10.1%	£1,777	£431,000 (£2,810 psm)
								£3,200								£63,000	£380,633	10.0%	10.1%	£34,045	
3-bed Single	-	0.040	0.10	25	10	2,325	100%	£2,900		0.0%	£1,500	£1,560	111%	12%	8.0%	£25,000	£253,000	10.0%	11.4%	£3,871	Viable at values in excess of
								£3,200								£30,000	£303,600	10.0%	17.7%	£22,940	£265,500 (£2,855 psm)
4	1							£2,300		0.0%					8.0%	£65,000	£175,413	15.0%	0.1%	(£11,149)	Not viable
	2	0.150	0.37	27	11	3,470	90%	£2,600	8	0.0%	£1,500	£1,540	110%	9%	8.0%	£83,500	£225,339	15.0%	13.1%	(£6,591)	Not viable below £2,660 psm
	3							£2,900		0.0%					8.0%	£102,000	£275,264	15.0%	20.6%	£20,975	Viable (but without on-site AH)
(2-5 units)	4							£3,200		0.0%					8.0%	£120,500	£325,189	15.0%	26.6%	£48,424	
8	1							£2,300		0.0%					8.0%	£111,500	£150,451	16.0%	2.8%	(£29,857)	Not viable
	2	0.300	0.74	27	11	2,623	90%	£2,600	8	0.0%	£1,500	£1,490	106%	8%	8.0%	£148,500	£200,376	16.0%	12.0%	(£10,223)	Not viable below £2,725 psm
	3							£2,900		0.0%					8.0%	£185,500	£250,301	16.0%	19.2%	£9,230	£1,228/dwg shortfall with 1 AH
(6-9 units)	4							£3,200		25.0%					8.0%	£222,500	£300,227	16.0%	17.8%	£5,958	2 AH on-site (3 AH not viable)
16	1							£2,300		0.0%					7.5%	£211,500	£150,202	17.0%	3.3%	(£28,592)	Not viable
	2	0.570	1.41	28	11	2,557	85%	£2,600	16	0.0%	£4,400	£1,430	102%	7%	7.5%	£282,000	£200,269	17.0%	12.4%	(£10,960)	Not viable below £2,745 psm
	3							£2,900		12.5%					7.5%	£352,500	£250,337	17.0%	17.0%	£681	Delivering 2 AH units
(10-19 units)	4							£3,200		25.0%					7.5%	£423,000	£300,404	17.0%	18.1%	£5,158	Delivering 4 AH units
26	1							£2,300		0.0%					7.0%	£322,500	£150,055	17.5%	5.8%	(£23,883)	Not viable
	2	0.870	2.15	30	12	2,651	80%	£2,600	24	0.0%	£4,400	£1,400	100%	6%	7.0%	£430,000	£200,074	17.5%	14.5%	(£6,812)	Not viable below £2,695 psm
	3							£2,900		15.4%					7.0%	£537,500	£250,092	17.5%	17.2%	£534	Delivering 4 AH units
(20-32 units)	4							£3,200		34.6%					7.0%	£645,000	£300,110	17.5%	17.3%	£2,788	Delivering 9 AH units
40	1							£2,300		0.0%					7.0%	£493,500	£150,202	18.0%	7.4%	(£20,839)	Not viable
	2	1.330	3.29	30	12	2,589	80%	£2,600	24	0.0%	£4,400	£1,350	96%	6%	7.0%	£658,000	£200,269	18.0%	16.1%	(£4,341)	Not viable below £2,660 psm
	3							£2,900		20.0%					7.0%	£822,500	£250,337	18.0%	18.0%	£1,558	Delivering 8 AH units
(33-49 units)	4							£3,200		35.0%					7.0%	£987,000	£300,404	18.0%	17.4%	£2,356	Delivering 14 AH units
75	1							£2,300		0.0%					6.0%	£871,500	£150,121	20.0%	13.2%	(£13,499)	Not viable
	2	2.350	5.81	32	13	2,734	75%	£2,600	30	5.3%	£5,850	£1,250	89%	5%	6.0%	£1,162,000	£200,161	20.0%	19.9%	£202	Delivering 4 AH units
	3							£2,900		26.7%					6.0%	£1,452,500	£250,201	20.0%	19.3%	£1,245	Delivering 20 AH units
(50-99 units)	4							£3,200		40.0%					6.0%	£1,743,000	£300,241	20.0%	18.6%	£1,952	Delivering 30 AH units
120	1							£2,300		0.0%					6.0%	£1,297,500	£150,065	20.0%	16.7%	(£6,206)	Not viable
	2	3.500	8.65	34	14	2,838	70%	£2,600	36	17.5%	£7,500	£1,150	82%	5%	6.0%	£1,730,000	£200,087	20.0%	19.4%	£5	Delivering 21 AH units
	3							£2,900		30.0%					6.0%	£2,162,500	£250,109	20.0%	19.6%	£2,765	Delivering 36 AH units
(100+ units)	4							£3,200							6.0%	£2,595,000	£300,130	20.0%			**NOT TESTED**

Extra allowance for special Bldg Regs requirements **£5,550** **/dwelling** **SuDS** **£1,500 /dwelling** **BCIS Median** **£1,400** **psm** *** based on 75/25 SR/Int split**

Allowance for External Site Costs **£18,000** **/dwelling for all typologies, except 3-bed single plot (£18,750) and 5-bed single plot (£24,000)**

s.106 contributions		2024 allowance	2019 allowance	Average since LDP adoption
5-bed single	1	s.106 contributions in these typologies relate solely to the provision of off-site affordable units	£6,500 /dwelling	Average £5,272/dwelling on contributing sites (78.6%) or £5,425/dwelling including sites making no contribution. Minimal on-site AH (2 sites out of 27).
3-bed single	1		£6,500 /dwelling	
2 - 5 units	4		£6,500 /dwelling	
6 - 9 units	8		£2,500 /dwelling	Avge £2,163/dwelling on contributing sites (81.4%). 19 out of 33 cases delivering AH on-site.
10 - 19 units	16	£2,900 /dwelling	£2,500 /dwelling	
20 - 32 units	26	£2,900 /dwelling	£2,500 /dwelling	Avge £1,823/dwelling (80.6% contributing). 13/19 cases AH on-site.
33 49 units	40	£2,900 /dwelling		
50 - 99 units	75	£4,350 /dwelling	£3,750 /dwelling	Avge £3,044/dwelling. 5 sites out of 9 delivering AH on-site
100 units +	120	£6,000 /dwelling	£5,200 /dwelling	Avge £4,195/dwelling. All 6 cases delivering AH on-site.

Notes:

1) Allowances made for s.106 contributions in 2019 High-Level Viability assessments included a 24% uplift from rates achieved since LDP adoption, to reflect inflation since 2015 when the s.106 requirements were initially costed. These 2019 rates have been increased by a further 15.8% (in line with the change in the BCIS All-In Tender Prices Index) and rounded, to arrive at the rates used in the 2024 High-Level Viability assessments.

2) Sites in the 3 categories from 10 - 49 units have been aggregated for the purposes of establishing a common rate of average s.106 contribution.

3) Building densities shown are per net site area; and all broadly equate to 24 dph of gross site area, after taking account of the net to gross ratios shown.

Main Inputs & Key Variables

Collect / Update GIA's and AH

Unit Nos. OM	AH	Dwelling Type		GIA's in m² Sales	Build	Overall % mix	Build Cost/m²	Approx. OMV
8	10	1b2p	flat - w/u	53.0	55.8	15.0%	£ 1,150	£138,000
9		2b3p	house	74.0	74.0	7.5%	£ 1,150	£192,000
11	4	2b3p	bungalow	58.0	58.0	12.5%	£ 1,150	£151,000
15	3	2b4p	house	83.0	83.0	15.0%	£ 1,150	£216,000
16	4	3b4p	house	88.0	88.0	16.7%	£ 1,150	£229,000
20		3b5p	house	93.0	93.0	16.7%	£ 1,150	£242,000
20		4b7p	house	114.0	114.0	16.7%	£ 1,150	£296,000
99	21	ACG/AHI Band	2			100.0%		

Percentage of Affordable Homes	17.5%	OMV per m²	£ 2,600	£242 psf
Sales GIA's OM 8,521.0 m²		AH 1,363.0 m²		
Net to gross ratio for flats	95.0%	Total Build (m²)	9,934.2	
Allowance for External Site Costs	18.9%	of Build Costs, or £/unit	£ 18,000	
Site/Sales Agency & Marketing Costs	2.50%	of OM Sales		
Legals on all Units	£650	per dwelling		
AH transfer values Social Rent	55.0% of ACG	Intermediate	70.0% of OMV	
Extra cost/unit (if any) for additional Building Regs requirements			£5,550	
Contingency on all construction & physical infrastructure costs			5.00%	
s.106 and SuDS	£7,500	per dwelling - or CIL		psm (excl AH)
Abnormal Site Costs (if any)			per net acre	
Opening-up Costs (if any)			per net acre	
Net Developable Site Area		Benchmark Land Value	£1,730,000	
8.65 acres	3.50 hectares	£200,035 per acre	£494,286 per hectare	

Housing Density 34.3 units/hectare and 2,838 sq.m/hectare

High-Level Appraisal

Gross Development Value		Units (N°)			% GDV
Open Market Homes		99		£ 22,154,600	
Social Rented Homes	75.0%	16		£ 1,280,689	
Intermediate Homes	25.0%	5		£ 620,165	
Total Revenue		120		£ 24,055,454	100.0%
Land Cost, incl LTT, and fees @	1.50%			£ 1,837,500	7.6%
Pre-Construction Costs	(if applicable)			£ -	
Physical Infrastructure					
Normal External Costs		£/unit	£ 18,000	£ 2,268,000	9.4%
Abnormal Site Costs		£/unit	£ -	£ -	
Opening-up Costs		£/unit	£ -	£ -	
Professional Fees		5.00%		£ 113,400	0.5%
Planning Obligations / CIL / SuDS		£/unit	£ 7,500	£ 900,000	3.7%
Housing Construction					
Building Costs		£/unit	£ 105,790	£ 12,694,859	52.8%
Professional Fees		5.00%		£ 634,743	2.6%
Sale & Marketing Costs				£ 631,865	2.6%
Finance Costs	Debit	Credit			
Interest rates (p.a.)	6.00%	0.50%		£ 327,938	1.4%
Total Development Costs				£ 19,408,305	
Blended Margin on Total GDV	19.3%	Profit		£ 4,647,149	
Overall Profit on Cost	23.94%	(see benchmark below)			
Target/Benchmark Profit				£ 4,617,202	
based on open market sales @		20.00%		£ 4,430,920	
and on affordable housing cost @		6.00%		£ 186,282	
Surplus/(Shortfall) on Target Profit				£ 29,947	0.65%
Total Equity & Borrowing (Capital Employed)				£ 4,586,569	23.63%

Development Programme	42 months in total		
Pre-Construction period	3 months	Estate/Mixed	
Construction period	36 months	starting in Month	4
Sales rate (OM homes)	36 per year	Overhang	3 months
Sales period (OM & AH)	33 months	starting in Month	10

Create / Update Sensitivity

Sensitivity		
House Price Factor	100.00%	(open market sales only)
Proportion of Social Rent	75.00%	(affordable housing)
Construction Cost Factor	100.00%	(housing & physical infrastructure)
Land Value/Price	100.00%	(land value & associated costs)

Sensitivity Tables - Profit on GDV

Resi GDV / Build Costs

Variation in Value of Open Market Homes

Development Profit (£)		-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%
	-10.00%	3,701,175	4,365,813	5,030,451	5,473,543	5,695,089	5,916,635	6,138,181	6,359,727	6,802,819	7,467,457	8,132,095
	-7.00%	3,320,329	3,984,967	4,649,605	5,092,697	5,314,243	5,535,789	5,757,335	5,978,881	6,421,973	7,086,611	7,751,249
	-4.00%	2,939,483	3,604,121	4,268,759	4,711,851	4,933,397	5,154,943	5,376,489	5,598,035	6,041,127	6,705,765	7,370,403
	-2.00%	2,685,586	3,350,224	4,014,862	4,457,954	4,679,500	4,901,046	5,122,592	5,344,138	5,787,230	6,451,868	7,116,506
Variation in Build Costs	-1.00%	2,558,637	3,223,275	3,887,913	4,331,005	4,552,551	4,774,097	4,995,643	5,217,189	5,660,281	6,324,919	6,989,557
	0.00%	2,431,689	3,096,327	3,760,965	4,204,057	4,425,603	4,647,149	4,868,695	5,090,241	5,533,333	6,197,971	6,862,609
	+1.00%	2,304,740	2,969,378	3,634,016	4,077,108	4,298,654	4,520,200	4,741,746	4,963,292	5,406,384	6,071,022	6,735,660
	+2.00%	2,177,792	2,842,430	3,507,068	3,950,160	4,171,706	4,393,252	4,614,798	4,836,344	5,279,436	5,944,074	6,608,712
	+4.00%	1,923,894	2,588,532	3,253,170	3,696,262	3,917,808	4,139,354	4,360,900	4,582,446	5,025,538	5,690,176	6,354,814
	+7.00%	1,543,049	2,207,687	2,872,325	3,315,417	3,536,963	3,758,509	3,980,055	4,201,601	4,644,693	5,309,331	5,973,969
	+10.00%	1,162,203	1,826,841	2,491,479	2,934,571	3,156,117	3,377,663	3,599,209	3,820,755	4,263,847	4,928,485	5,593,123

Variation in Value of Open market Homes

Profit on GDV (%)		-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%
	-10.00%	16.95%	19.40%	21.71%	23.18%	23.89%	24.60%	25.28%	25.96%	27.27%	29.16%	30.95%
	-7.00%	15.20%	17.71%	20.07%	21.57%	22.30%	23.01%	23.72%	24.41%	25.75%	27.68%	29.51%
	-4.00%	13.46%	16.02%	18.42%	19.96%	20.70%	21.43%	22.15%	22.85%	24.22%	26.19%	28.06%
	-2.00%	12.30%	14.89%	17.33%	18.88%	19.63%	20.37%	21.10%	21.81%	23.20%	25.20%	27.09%
Variation in Build Costs	-1.00%	11.72%	14.32%	16.78%	18.34%	19.10%	19.85%	20.58%	21.30%	22.69%	24.70%	26.61%
	0.00%	11.13%	13.76%	16.23%	17.80%	18.57%	19.32%	20.05%	20.78%	22.19%	24.20%	26.12%
	+1.00%	10.55%	13.19%	15.68%	17.27%	18.04%	18.79%	19.53%	20.26%	21.68%	23.71%	25.64%
	+2.00%	9.97%	12.63%	15.14%	16.73%	17.50%	18.26%	19.01%	19.74%	21.17%	23.21%	25.16%
	+4.00%	8.81%	11.50%	14.04%	15.65%	16.44%	17.21%	17.96%	18.70%	20.15%	22.22%	24.19%
	+7.00%	7.07%	9.81%	12.40%	14.04%	14.84%	15.62%	16.39%	17.15%	18.62%	20.73%	22.74%
	+10.00%	5.32%	8.12%	10.75%	12.43%	13.24%	14.04%	14.83%	15.60%	17.10%	19.25%	21.29%

Resi GDV / Site Value

Variation in Value of Open Market Homes

Development Profit (£)		-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%
	-15.00%	2,707,314	3,371,952	4,036,590	4,479,682	4,701,228	4,922,774	5,144,320	5,365,866	5,808,958	6,473,596	7,138,234
	-10.00%	2,615,439	3,280,077	3,944,715	4,387,807	4,609,353	4,830,899	5,052,445	5,273,991	5,717,083	6,381,721	7,046,359
	-5.00%	2,523,564	3,188,202	3,852,840	4,295,932	4,517,478	4,739,024	4,960,570	5,182,116	5,625,208	6,289,846	6,954,484
Variation in Site Value (including Acquisition Costs)	-2.00%	2,468,439	3,133,077	3,797,715	4,240,807	4,462,353	4,683,899	4,905,445	5,126,991	5,570,083	6,234,721	6,899,359
	0.00%	2,431,689	3,096,327	3,760,965	4,204,057	4,425,603	4,647,149	4,868,695	5,090,241	5,533,333	6,197,971	6,862,609
	+2.00%	2,394,939	3,059,577	3,724,215	4,167,307	4,388,853	4,610,399	4,831,945	5,053,491	5,496,583	6,161,221	6,825,859
	+5.00%	2,339,814	3,004,452	3,669,090	4,112,182	4,333,728	4,555,274	4,776,820	4,998,366	5,441,458	6,106,096	6,770,734
	+10.00%	2,247,939	2,912,577	3,577,215	4,020,307	4,241,853	4,463,399	4,684,945	4,906,491	5,349,583	6,014,221	6,678,859
	+15.00%	2,156,064	2,820,702	3,485,340	3,928,432	4,149,978	4,371,524	4,593,070	4,814,616	5,257,708	5,922,346	6,586,984

Profit on GDV (%)		-10.00%	-7.00%	-4.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+4.00%	+7.00%	+10.00%
	-15.00%	12.40%	14.98%	17.42%	18.97%	19.72%	20.46%	21.19%	21.90%	23.29%	25.28%	27.17%
	-10.00%	11.98%	14.58%	17.03%	18.58%	19.34%	20.08%	20.81%	21.53%	22.92%	24.92%	26.82%
	-5.00%	11.55%	14.17%	16.63%	18.19%	18.95%	19.70%	20.43%	21.15%	22.55%	24.56%	26.47%
Variation in Site Value (including Acquisition Costs)	-2.00%	11.30%	13.92%	16.39%	17.96%	18.72%	19.47%	20.21%	20.93%	22.33%	24.35%	26.26%
	0.00%	11.13%	13.76%	16.23%	17.80%	18.57%	19.32%	20.05%	20.78%	22.19%	24.20%	26.12%
	+2.00%	10.97%	13.60%	16.07%	17.65%	18.41%	19.17%	19.90%	20.63%	22.04%	24.06%	25.98%
	+5.00%	10.71%	13.35%	15.84%	17.42%	18.18%	18.94%	19.68%	20.40%	21.82%	23.85%	25.77%
	+10.00%	10.29%	12.94%	15.44%	17.03%	17.80%	18.55%	19.30%	20.03%	21.45%	23.49%	25.42%
	+15.00%	9.87%	12.53%	15.04%	16.64%	17.41%	18.17%	18.92%	19.65%	21.08%	23.13%	25.07%

OM Values /AH %age

Variations in Percentage of Affordable Housing (assuming same split between Social Rent and Intermediate tenures as appears on Resi sheet)

Profit on GDV (%)		-5.00%	-4.00%	-3.00%	-2.00%	-1.00%	0.00%	+1.00%	+2.00%	+3.00%	+4.00%	+5.00%
	-5.00%	18.11%	17.64%	17.18%	16.39%	15.91%	15.42%	14.93%	14.60%	13.59%	13.08%	12.73%
	-4.00%	18.91%	18.45%	17.99%	17.20%	16.72%	16.23%	15.74%	15.41%	14.40%	13.89%	13.54%
	-3.00%	19.70%	19.24%	18.78%	17.99%	17.51%	17.03%	16.54%	16.20%	15.20%	14.69%	14.34%
	-2.00%	20.47%	20.01%	19.55%	18.76%	18.29%	17.80%	17.32%	16.98%	15.98%	15.47%	15.12%
Variation in OM Residential Values	-1.00%	21.23%	20.77%	20.31%	19.52%	19.05%	18.57%	18.08%	17.74%	16.75%	16.24%	15.88%
	0.00%	21.97%	21.52%	21.06%	20.27%	19.80%	19.32%	18.83%	18.49%	17.50%	16.99%	16.63%
	+1.00%	22.70%	22.25%	21.79%	21.00%	20.53%	20.05%	19.57%	19.23%	18.24%	17.73%	17.37%
	+2.00%	23.42%	22.97%	22.51%	21.72%	21.25%	20.78%	20.30%	19.95%	18.96%	18.46%	18.10%
	+3.00%	24.12%	23.67%	23.22%	22.43%	21.96%	21.49%	21.01%	20.66%	19.68%	19.17%	18.81%
	+4.00%	24.81%	24.37%	23.91%	23.13%	22.66%	22.19%	21.71%	21.36%	20.38%	19.87%	19.51%
	+5.00%	25.49%	25.05%	24.60%	23.81%	23.34%	22.87%	22.39%	22.05%	21.06%	20.56%	20.20%

Changes in the Proportions of Social Rented and Intermediate Tenure

Aff Hsg %age	17.50%											
Social Rented	75.00%	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Intermediate	25.00%	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Development Profit (£)		5,350,988	5,263,008	5,175,028	5,087,048	4,999,068	4,867,099	4,779,119	4,691,139	4,603,159	4,515,179	4,427,199
Profit on GDV (%)		22.24%	21.88%	21.51%	21.15%	20.78%	20.23%	19.87%	19.50%	19.14%	18.77%	18.40%

Development Site	Units	NDAc	NtoG	dpa	sqm/ha	AH %	Band	OM Sales £/m²	Plot Cost £/m²	Land Value £/net ac	s.106/dwg	Blended Margin
Stranraer Road, Pembroke Dock	55	4.47	91%	12.3	2,512	14.5%	2	£2,755	£1,281	£122,973	£3,889	20.10%
Golden Hill, Pembroke	50	3.55	85%	14.1	3,212	20.0%	3	£2,763	£1,250	£242,254	£1,080	18.80%
St Daniels Hill, Pembroke	147	8.40	70%	17.5	3,587	25.0%	3	£2,906	£1,100	£160,688	£6,170	18.42%
Gibbas Way, Pembroke	86	5.25	74%	16.4	3,297	25.0%	3	£3,088	£1,350	£250,000	£988	18.80%
Conway Drive, Steynton	117	8.02	80%	14.6	3,606	15.4%	2	£2,751	£1,300	£137,227	£15,086	19.98%
Myrtle Meadows, Steynton	63	6.99	89%	9.0	2,097	15.9%	2	£2,929	£1,300	£178,750	£11,878	19.15%
Hayston View, Johnston	82	8.03	81%	10.2	2,784	6.1%	1	£2,697	£1,275	£186,780	£13,717	19.63%
Pembroke Road, Merlins Bridge	51	4.30	100%	11.9	2,756	23.5%	3	£2,946	£1,281	£232,583	£443	19.08%
Tan Ffynnon, Cilgerran A & B	90	7.41	76%	12.1	2,667	17.8%	2	£2,844	£1,300	£222,582	£2,611	19.00%
Clunderwen	68	5.34	80%	12.7	3,316	25.0%	3	£2,952	£1,263	£249,064	£2,059	14.45%

NOTES / COMMENTS :

Each site has been colour-coded in accordance with the Housing Market Area in which it is located (i.e. Band 1, Band 2 or Band 3 - see **Appendix B**).

The Net Developable Area (NDAc) is shown for each site (in acres), together with the ratio between that Net Area and the Gross Site Area (NtoG). An indicative development density is given for each site, in terms of dwellings per net acre (dpa) and square metres per net hectare (sqm/ha).

The proportion of on-site affordable housing that is considered to be "viable" for each site is shown under the heading "AH%".

In cases where the average open market sales values (in £ psm) and the plot cost rate appear to exceed the norm for that Housing Market Area and/or site typology, this reflects a higher proportion of single storey homes in the proposed dwelling mix.

In cases where the Land Value shown above is lower than the Benchmark Land Values used for the High-Level Countywide Viability Assessments, this typically reflects a higher level of "abnormal" site costs for the site concerned. In all cases, it is understood that the land value used in the promoter's FInancial Viability Appraisal is considered sufficient to encourage the landowner to sell for the proposed use.

Similarly, the Blended Margin for each site is understood, from discussion with the site promoter, to provide an adequate profit margin for the developer of each site.