# Fareham Borough Council Community Infrastructure Levy Viability Study

**Final Report June 2014**

On behalf of **Fareham Borough Council**

FAREHAM
BOROUGH COUNCIL

Project Ref: 30486/001 | Rev: Final Report | Date: June 2014

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# Document Control Sheet

**Project Name:** Fareham Borough Council CIL Viability Assessment

**Project Ref:** 30486-001

**Report Title:** Community Infrastructure Levy – Viability Study

**Doc Ref:** Final Report

**Date:** June 2014

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| Revision | Date | Description | Prepared | Reviewed | Approved |
|---|---|---|---|---|---|
| V1 | May 2014 | Draft Report | SC | DC | CH |

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## Introduction

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2. Fareham is one of the first planning authorities to introduce a CIL charging schedule in England and Wales. The original evidence base was consulted on in 2012, submitted for examination in November and approved on behalf of the planning inspectorate on the 13 December 2012. The Council formally approved the levy on the 25 April 2013 with commencement on the 1st May.

3. The Council are undertaking an early review due to:

   - Additional information now being available on the strategic site at Welborne

   - An opportunity to take advantage of new flexible charging arrangements introduced by the latest amendments to the CIL legislation in February 2014

   - Consider the impact of CIL on other planning obligations (notably affordable housing)

## Legislative background

4. To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation after 24 February 2014, when the 2014 Amendment Regulations become law should:

   '*strike an appropriate balance' between the need to fund infrastructure and the impact of CIL*; and

   '*Not threaten delivery of the relevant plan as a whole*'.

5. This means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen.

## Changes in Fareham since 1st April 2013

6. As well as assessing market changes in Fareham since the original evidence base was produced in March 2012, we have taken into account two other key aspects of evidence these being:

   - The updated viability information on Welborne
   - An analysis of planning applications and section 106 negotiations since the introduction of CIL.

7. The CIL regulations allow for index linked increases in the baseline charges from when a CIL charge is introduced. The increases are linked to the national BCIS cost indices. Up until the 1st April 2014 the increase was 7.17%. The expected rate of growth to 1st April 2015 is 6.83%. In real terms.

## Indexation

8. When the CIL charge is revised the actual CIL charges being reviewed are:

| Use | April 2013 charge | April 2015 charge |
|---|---|---|
| Residential | £105 | £119.70 |
| Care Homes | £60 | £68.40 |
| Comparison retail (out of town) | £120 | £136.80 |
| Convenience retail | £120 | £136.80 |
| Hotels | £35 | £39.90 |
| Standard charge | £0 | £0 |

## Welborne

9. In summary the work undertaken by the Council's consultants GVA and AECOM concludes that 'At face value this strategic viability analysis shows that based upon the current forecast IDP and associated development outputs (linked to the current Concept Masterplan), the Welborne scheme appears to be unviable with the current burden of policy costs and CIL.

10. Bringing the site forward will therefore require a bespoke solution for which CIL lacks the flexibility to ensure delivery. We therefore recommend that CIL is applied at a 0 rate for all types of development for this site and that planning requirements are secured via section 106 planning agreements (also known as planning obligations) and section 278 highway agreements. This is allowed for within the regulations.

## Section 106 agreements

11. The key theme of recent viability related planning submissions is that the main policy burden is affordable housing within the Local Plan. CIL was cited in only one of the section 106 viability reports as an issue in the context of arguing for a reduction in affordable housing policy.

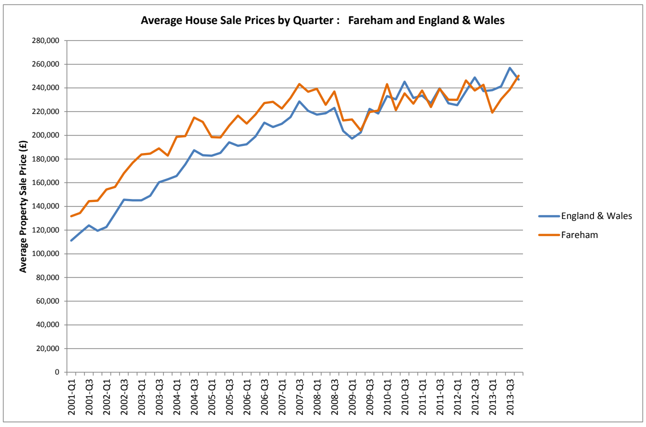
12. Site values were perceived as being the main barrier with many of the smaller developments being on existing residential land and intensification of low density housing with substantial garden areas. We have adjusted our appraisals to reflect higher land values for smaller sites based on the readily available evidence

13. Based on our appraisals CIL is less than 15% of the rate per m2. For example, on a fully policy compliant scheme of 20 units with a 40% affordable housing rate, the CIL burden would be £113,400. The cost to the developer of the affordable housing provision would be in the region of £939,600 in lost revenue from selling accommodation to an RSL at a reduced rate than sale as private housing.

## Housing market performance in Fareham

14. Figure 1.1 below illustrates the price differential between Fareham and England & Wales; in Q3 2013 the average house price achieved in Fareham was £235,000, almost identical to the average for England & Wales.

15. On a quarterly basis since 2009 the average house price in Fareham has largely mirrored the national average. The performance of the market would suggest local market conditions are robust and free of short term peaks and troughs compared to less developed residential markets.




16. Based on the readily available evidence, we are recommending that the CIL rate in Fareham is varied as follows:

- The standard residential CIL charge in Fareham remains unchanged but that the standard indexation in the CIL regulations is applied to take the charge to £120m2 to reflect the projected increase in BCIS costs as at 1st January 2015
- The strategic site at Welborne is 0 rated and planning obligations dealt with by way of a planning agreement
- Residential development of 1-4 units is subject to a levy of £185m2 to reflect the absence of any affordable housing requirement.

17. We have further recommended that if the government's proposals for exempting residential development of less than 10 units from affordable housing contributions that the levy of £185m2 is applied to units 10 units or less.

## Other charges

18. Based on the latest available evidence we have recommended the following alterations to the CIL charging schedule

- The Care-home charge is reduced to £35m2
- Extra care residential charging is reduced to £0
- Comparison retail for out of town areas is reduced to £35m2
- Convenience retail charging on units of 500m2 remains unchanged (subject to indexation)
- Convenience retail charging on units of less than 500m2 is decreased to £75m2
- The Hotel charge is reduced to £35m2
- Offices and industrial remain 0 rated
- The standard charge remains at 0

# 1 INTRODUCTION

1.1.1 Fareham Borough Council is to reviewing its Community Infrastructure Levy (CIL), and has appointed Peter Brett Associates to assess development viability in their area and recommend CIL charging rates accordingly. This report provides our analysis and recommendations.

1.1.2 Fareham is one of the first planning authorities to introduce a CIL charging schedule in England and Wales. The original evidence base was consulted on in 2012, submitted for examination in November and approved on behalf of the planning inspectorate on the 13 December 2012. The Council formally approved the levy on the 25 April 2013 with commencement on the 1st May.

1.1.3 The Council are undertaking an early review due to:

- Additional information now being available on the strategic site at Welborne.
- A desire to take advantage of new flexible charging arrangements introduced by the latest amendments to the CIL legislation.
- consider the impact of CIL on other planning obligations (notably affordable housing).

# 2 LEGAL REQUIREMENTS

## 2.1 Introduction

2.1.1 The Community Infrastructure Levy (CIL) is a planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development as a whole. It is still possible for S106 obligations to be used to fund site specific infrastructure, subject to limits on pooling obligations for particular purposes. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. The Fareham CIL has been operating since 1st May 2013. This is the first review of the schedule and the existing Reg.123 list that will be reviewed simultaneously with the CIL.

2.1.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[1], as amended in 2011[2] , 2012[3], 2013[4] and 2014[5].
- The CIL Guidance, which was updated in February 2014. The Planning Act 2008 gives the Government the power to issue CIL guidance to which authorities and examiners must have regard. This power gives particular weight to parts of the updated CIL guidance setting out what authorities should or must do. [6].

2.1.3 Below, we summarise the key points from these documents. The 2014 Regulations have altered key aspects of setting the charge for authorities who publish a Draft Charging Schedule for consultation under CIL Regulation 16 after they became law on 24 February 2014.

## 2.2 Striking the appropriate balance

2.2.1 The revised Regulation 14 requires that a charging authority '*strike an appropriate balance*' between:

- The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and
- The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

[1] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[2] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[3] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[4] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[5] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[6] DCLG (February 2014) Community Infrastructure Levy Guidance

2.2.2 By itself, this statement is not easy to interpret. The statutory guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

> 'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

2.2.3 This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.

2.2.4 As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), " …..the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened." [7]

2.2.5 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.2.6 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

> *'must strike <u>an</u> appropriate balance…'* i.e. it is recognised there is no one perfect balance;
>
> and the statutory guidance says
>
> 'Charging authorities need to demonstrate that their proposed levy rate or rates are <u>informed</u> by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'
>
> and
>
> 'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [8]

2.2.7 The Statutory Guidance sets the delivery of development in the area firmly in the context of implementing the Local Plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the Guidance. For example, in guiding examiners, the Guidance makes it clear that the independent examiner should establish that:

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[7] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2)

[8] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..'[9]

This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.2.8 The revised Regulation 14 effectively continues to recognise that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Local Plan can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should '*use an area based approach, involving a broad test of viability across their area*', supplemented by sampling *'…an appropriate range of types of sites across its area…*' with the focus *'...on strategic sites on which the relevant Plan relies…*' [10]

2.2.9 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable. The levy may put some schemes at risk in this way so long as, in aiming strike an appropriate balance overall, it avoids threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

## 2.3 Keeping clear of the ceiling

2.3.1 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[11]

2.3.2 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base; and

2.3.3 A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

## 2.4 Varying the charge

2.4.1 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[12] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

[9] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)

[10] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

[11] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

[12] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area, in which case it does have the wider definition. See S 209(1) of PA 2008, Reg 2(2), and Reg 6.

2.4.2 The guidance also points out that charging authorities should avoid 'undue complexity' when setting differential rates, and '….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.' [13]

2.4.3 Moreover, generally speaking, 'Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'; otherwise the CIL may fall foul of State Aid rules.[14]

2.4.4 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [15]

## 2.5 Supporting evidence

2.5.1 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[16]. The statutory guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[17]

2.5.2 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Local Plan. This suggests that the viability calculations may leave aside geographical areas and types of development which are expected to see little or no development over the plan period.

## 2.6 Chargeable floorspace

2.6.1 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme. The following will not pay CIL:

- New build that replaces demolished existing floorspace that has been in use for six months in the last three years on the same site, even if the new floorspace belongs to a higher-value use than the old;
- Retained parts of buildings on the site that will not change their use, or have otherwise been in use for six months in the last three years;

2.6.2 Development of buildings with floorspace less than 100 sq.m. (if not a new dwelling), by charities for charitable use, of homes by self-builders, and of social housing as defined in the regulations.

## 2.7 What the examiner will be looking for

2.7.1 According to the statutory guidance, the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation.

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[13] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)
[14] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2;2;2;6)
[15] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)
[16] Section 211 (7A) of the Planning Act 2008
[17] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

- The draft charging schedule is supported by background documents containing appropriate available evidence.
- The proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.[18]

2.7.2 Policy and other requirements:

Above, we have dealt with legal and statutory guidance requirements which are specific to establishing a CIL. More broadly, the CIL Guidance says that charging authorities *'….should consider relevant national planning policy when drafting their charging schedules. This includes the National Planning Policy Framework in England and Planning Policy Wales in Wales'*. In addition, where consideration of development viability is concerned, the CIL Guidance draws specific attention to paragraphs 173 to 177 of the NPPF. [19]

The only policy requirements which refer directly to CIL are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Since April 2013[20] this policy requirement has been complemented with a duty on charging authorities to pass a specified proportion of CIL receipts to local councils, or to spend it on behalf of the neighbourhood if there is no local council for the area where development takes place. Whilst important considerations, these two points are outside the immediate remit of this study.

## 2.8 Summary

2.8.1 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation after 24 February 2014, when the 2014 Amendment Regulations become law should:

'strike an appropriate balance' between the need to fund infrastructure and the impact of CIL; and

'Not threaten delivery of the relevant plan as a whole'.

2.8.2 As explained in statutory guidance, this means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

2.8.3 Legislation and guidance also set out that:

Authorities should avoid setting charges up to the margin of viability.

[18] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)

[19] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Sections 2:2 and 2:2:1):

[20] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

2.8.4 CIL charging rates may vary across geographical zones, building uses, and, scale of development (and only across these three factors). But there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.

> Charging rates should be informed by ‘appropriate available evidence’, which need not be ‘fully comprehensive’.
>
> While charging rates should be consistent with the evidence, they are not required to ‘mirror’ the evidence. In this, and other ways, charging authorities have discretion in setting charging rates.

2.8.5 In our analysis and recommendations, we aim both to meet these legal and statutory guidance requirements and to maximise achievement of the Councils’ own priorities, using the discretion that the legislation and guidance allow.

# 3 PLANNING AND DEVELOPMENT CONTEXT

## 3.1 Introduction

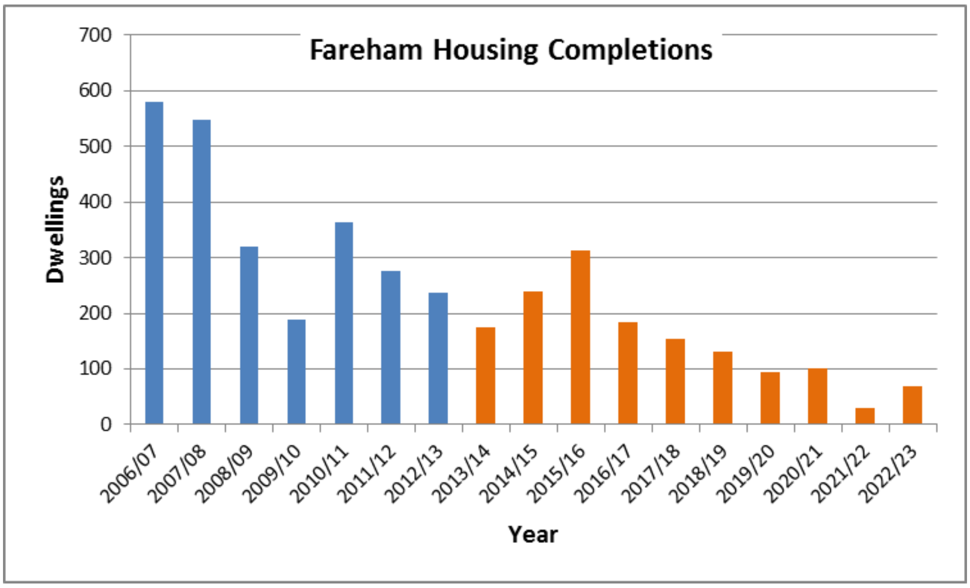
3.1.1 We need to ensure that the CIL continues to support development in general, and delivery of the Council's priorities in Fareham.

3.1.2 In this chapter we therefore first review Fareham's adopted and emerging Development Plan and the development proposed in these documents and the SPD approach to developer contributions. We then review the historic and recent patterns of development – which provide a broad indication of what may happen in the future.

### Historic Development

3.1.3 Patterns of past development provide one guide to the likely patterns of future development. Figure 3.1 below analyses net residential completions over the period 2006/7 to 2012/13. It mirrors a pattern across the UK with declining completions as a result of the recent recession but with predictions that the housing supply will increase from 2014 onwards.

**Figure 3.1 Net residential development in Fareham, 2006/7-2022-23**

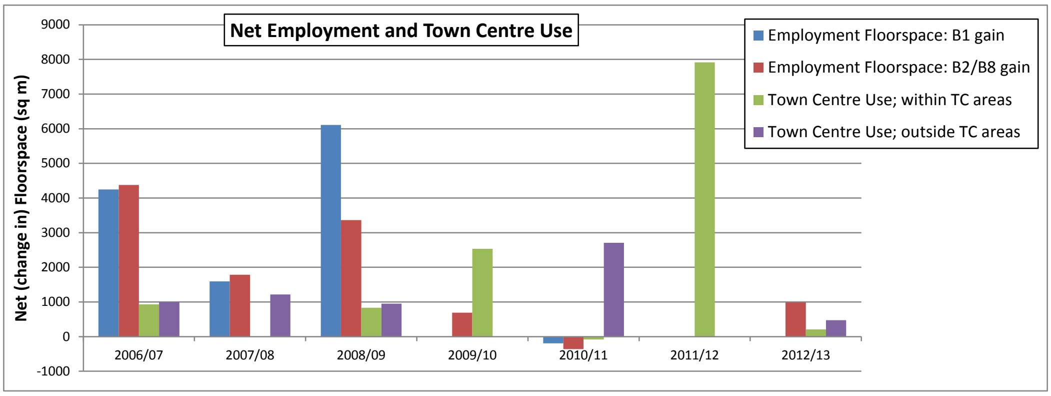



Source: Fareham BC monitoring

3.1.4 Development is focussed on the Fareham and the Western Wards within the Borough. Development in the higher value rural areas around Portchester, Stubbingdon and Hill Head is relatively small. The sites are generally small with the vast majority being less than 100 units.

3.1.5 Over this period the majority of supply has been on new sites rather than redevelopment of existing stock. This would suggest that if patterns of development continue, CIl will be payable on the great majority of dwellings built. Figure 3.2 below analyses the mix of commercial development in 2006/7-2010/11.

**Figure 3.2 Employments (B-class) and retail completions, 2006/7-2012/13**




Source: Fareham BC monitoring
Only completions greater than 200 sq. m are recorded

3.1.6 The continuing trend in employment space provision is a reduction in new employment space from the levels seen between 2006 and 2010. No new office space has been provided since 2009 and B2/B8 is seeing only modest levels provided with 1,000 sq.m. completed last year. In the past 2 years a significant new community centre has been completed in Portchester which provides a children's centre, meeting space and a multipurpose for local residents.

## Future development

3.1.7 In this section we provide an overview of future development in Fareham. Our starting point is the Core Strategy (Local Plan 1), adopted in August 2011, which sets out the visions and objectives and overall development strategy for Fareham.

3.1.8 Local Plan Part 2 (Development Sites and Policies) - Is currently in 'Publication Draft' and was published for representations on 28 February 2014. This part of the Local Plan sets out the Council's approach to managing and delivering the development in the rest of Borough, outside of Welborne, for the period to 2026.

3.1.9 The third part of the planning evidence base is the Welborne Plan. This is a site-specific plan which sets out how the new community of Welborne, to the north of the M27 Motorway at Fareham, should take shape over the period to 2036. Once adopted, the Welborne Plan will form a part of the Council's Statutory Development Plan. The plan was published in draft format in June 2013. Subsequently the Council employed GVA to produce a viability and delivery strategy specifically for this site. The 'Publication Draft Welborne Plan' was also published for representations, alongside Local Plan Part 2, in February 2014.

3.1.10 We begin with the main land uses – those that will account for the largest amounts of development and are critical to the delivery of the Council's Local Plan, and will be the focus of our viability assessments. We go on to discuss other types of development more briefly.

## Main development within strategy

### Residential development

3.1.11 The Development sites and policies plan sets out the future housing supply in Fareham (excluding the strategic site of Welborne). The provisional allocations are in table 3.1 below::

**Table 3.1 The residential development pipeline excluding the SDA Feb 2014**

| Settlement Area | Site | 5-Yr Supply 2013-2018 | 5-Yr Supply 2018-2023 | Supply 2023-2026 | Total Supply 2013-2026 |
|---|---|---|---|---|---|
| Fareham | Fareham College Site | 110 | 0 | 0 | 110 |
| | Civic Quarter, Civic Way (TC9) | 0 | 60 | 30 | 90 |
| | Fareham Railway Station Yard; Extra Care Facility C3 | 0 | 0 | 80 | 80 |
| | Market Quay Car Park, Quay Street (TC10) | 0 | 30 | 30 | 60 |
| | Land to the rear of Red Lion Hotel and Bath Lane (TC12) | 55 | 0 | 0 | 55 |
| | St Christophers Hospital, Wickham Road, Fareham | 36 | 0 | 0 | 36 |
| | Hinton Hotel, Catisfield Lane | 30 | 0 | 0 | 30 |
| | Fareham Railway Station Yard (West of track) (TC17) Flats C3 | 0 | 0 | 30 | 30 |
| | Land adjacent Maytree Road | 0 | 0 | 20 | 20 |
| | All other sites in area | 50 | 34 | 0 | 84 |
| Portchester | All sites | 20 | 0 | 0 | 20 |
| Stubbington & Hill Head | All sites | 0 | 15 | 0 | 15 |
| Western Wards & Whiteley | Peters Road | 169 | 110 | 0 | 279 |
| | All 'Coldeast' sites | 248 | 85 | 30 | 363 |
| | Land at Heath Road | 20 | 50 | 0 | 70 |
| | Swanwick Marina, Bridge Road, Swanwick | 49 | 0 | 0 | 49 |
| | Land to rear 347-411 Hunts Pond Road | 60 | 0 | 0 | 60 |
| | Genesis Centre | 35 | 0 | 0 | 35 |
| | ATC Site Farm Road | 34 | 0 | 0 | 34 |
| | East of Raley Road (North & South Sections) | 30 | 20 | 0 | 50 |
| | Land North of Whiteley | 29 | 0 | 0 | 29 |
| | East of Church Road | 0 | 10 | 10 | 20 |
| | All other sites in area | 88 | 13 | 3 | 104 |
| Fareham BC Total | | 1063 | 427 | 233 | 1723 |

Source: Fareham Borough Council, PBA

Developments under construction are included in permissions outstanding.

3.1.12 The majority of these sites are of circa 100 units and less with further windfall developments totalling 20 units also expected. This data has been used to create the residential testing scenarios.

## 3.2 Welborne

3.2.1 Over the plan period to 2026 and beyond, a large proportion of the core strategies residential development is to be in the North of Fareham Strategic Development Area (SDA), a new community to be created north of the M27. This strategic site will deliver 6,000 homes and 20 hectares of employment land.

3.2.2 Since the production of the previous CIL evidence base, the Council appointed consultants to undertake a detailed appraisal of the site. The work has been led by GVA and Aecom, to support preparation of the Welborne Plan. The work has provided an assessment of infrastructure costs and potential sale values. The appraisals take into account all known policy costs and costs and values have been included at 2014 levels.

3.2.3 In summary the work concludes that 'At face value this strategic viability analysis shows that based upon the current forecast IDP and associated development outputs (linked to the current Concept Masterplan), the Welborne scheme appears to be unviable, on the basis that the NPV in all scenarios fails to match or exceed the input 'Site Value'. This is despite both uninflated and inflated scenarios showing considerable 'residual surplus' (i.e. gross receipts exceeding gross costs).'

3.2.4 The principal barriers to delivery of this site are twofold. The significant burden of the Infrastructure Delivery Plan (IDP) which equates to nearly £47,000 per unit and the ongoing constraints in the development industry in respect of raising finance for infrastructure.

3.2.5 Both of these barriers will need a bespoke solution to the issues of viability and delivery. Fareham Borough Council are in discussions with the LEP in respect of central government funding to pump prime the site and GVA's work is ongoing in respect of the timing and delivery strategy. Additional resources will be required from the LEP and possibly the Highways Agency and discussions are ongoing with these organisations.

3.2.6 We are therefore recommending that a differential rate of £0 for all types of development is applied to the Welborne strategic site to reflect the site specific infrastructure costs and that the payments of planning costs need to be balanced against the future cashflow. CIL in this particular case does not allow the future developers flexibility to achieve this.

## 3.3 The impact of CIL on planning obligations

3.3.1 We have had access to a number of section 106 viability assessments submitted to the local planning authority since March 2013. We would stress that the contents of nearly all which are confidential and we are unable to go into detail on individual negotiations. However we are able to draw some conclusions from the brief period CIL has been operating in the Borough.

3.3.2 The key theme of these submissions is that the main policy burden is affordable housing within the Local Plan. CIL was cited in only one of the reports as an issue in the context of arguing for a reduction in affordable housing policy. The developer indicated that delays in implementing the scheme meant that the CIL charge could not be applied retrospectively to the land value. The CIL regulations were of course first proposed in 2010 and we would regard scenarios such as this as an exception rather than the rule.

3.3.3 Site values were perceived as being the main barrier with many of the smaller developments being on existing residential land and intensification of low density housing with substantial garden areas. From the appraisals it is clear that CIL is not a significant barrier to development on these schemes but it is also clear that developers have not factored planning obligations into site acquisition costs.

3.3.4 Harman[21] and RICS guidance is very clear when considering the viability of development plans that benchmark land values should take into account the burden of planning policy costs at the date of acquisition. Since the guidance was only introduced in 2012 and the CIL became operative in Fareham in April 2013, the evidence is that the market has yet to take the policy guidance on board on smaller projects.

3.3.5 We have however re-appraised land values taking into account the new evidence and incorporated the findings into our viability findings in section 4.

3.3.6 We would also highlight that CIL is not the principal planning burden. Based on our appraisals CIL is less than 15% of the rate per m2. For example, on a fully policy compliant scheme of 20 units with a 40% affordable housing rate, the CIL burden would be £113,400. The cost to the developer of the affordable housing provision would be in the region of £939,600 in lost revenue from selling accommodation to an RSL at a reduced rate as opposed to sale as private housing.

[21] Viability Testing Local Plans June 2012

3.3.7 At the lower rate of affordable housing in Fareham (30%) on a 10 unit scheme, the CIL charge would be £66,130. The lost revenue on the affordable housing would be £353,350. This is circa 18%.

3.3.8 House prices rises in the South East are expected to increase in line with national forecasts over the next 2-3 years. The previous increase was 6% on the year up to January 2014. The CIL charge is less than 5% of the total development value of housing in Fareham. Therefore although the appraisals show that the proposed CIL charge is fair, reasonable and well below the ceiling of maximum affordability, the situation and viability gap is expected to improve in the immediate future.

## 3.4 Employment (B-class) development

3.4.1 The DSP's overall target for employment space throughout the Borough is 100,000 sq m. A large proportion of this space will be met at Daedalus (the Solent enterprise zone) and at Welborne. These were previously allocated in the Core Strategy. The DSP proposes to allocate a further 5 sites which are:

- Solent 2;
- Little Park Farm;
- Midpoint 27, Cartwright Drive;
- Kites Croft; and
- The Walled Garden, Cams Hall.

## 3.5 The Daedalus Site

3.5.1 Daedalus is a de-commissioned Royal Navy establishment with associated airfield located on the Gosport peninsula close to Portsmouth Harbour. The site is partly within Gosport (the Waterfront area), and partly within Fareham (the Daedalus West and Daedalus East areas and the operational airfield). The Core Strategy identifies the site for strategic employment development, to deliver between 10,000 and 33,000 sqm of net additional employment floorspace in general industrial, light industrial or warehousing uses associated with aerospace and marine industries; any office development would be restricted to ancillary use. The site is mostly owned by the Homes and Communities Agency and is being actively promoted by the Solent Local Enterprise Partnership (LEP) and the Partnership for Urban South Hampshire (PUSH). In August 2011, in response to a bid submitted by the Solent LEP, the Government announced that the Daedalus site, excluding the airfield, would become an Enterprise Zone.

3.5.2 The Core Strategy and a range of SEEDA/HCA, LEP and PUSH documents illustrate the ambitions and potential benefits of Daedalus. The vision for the site is that

- It will be an advanced manufacturing hub, specialising in marine and aviation/aerospace sectors.
- The hub will build on the area's existing specialist clusters, which include leading companies such as GKN Aerospace, BAE Systems, QuinetiQ and others, supported by specialist courses and research at the area's three universities.
- It will create up to 3,700 jobs by 2026.

- It will support the regeneration of the area, partly by providing job opportunities to match engineering skills of the local workforce.

3.5.3 At the same time, the documents show that there are significant issues around the delivery of the site:

- A comprehensive delivery plan is yet to be prepared.
- The development will need major infrastructure investment, for which funding has not yet been fully identified. Key items include road access to the site, off-site improvements to the local highway network and wider strategic improvements to the peninsula.

3.5.4 The delivery of Daedalus is critical to the success of the Core Strategy and wider sub-regional strategies. Quantitatively, the site accounts for a high proportion of the new employment space planned for the district. Qualitatively, it promises to deliver high-skill, high-value employment opportunities and make major contributions to technical progress and competitiveness.

## 3.6 Retail development

3.6.1 The development sites and policies publication (DSP1) focusses on Fareham town centre as the retail core of the Borough and the future focus for mixed use retail development. It will have a dual role of meeting the needs of existing residents and the future retail requirements of the new community at Welborne.

3.6.2 The need for future retail growth is identified in the GVA retail study 2012 and there may be a need for future convenience retail of up to 4,541 m2. The GVA report also identifies a considerable potential for further comparison retail space. The study identifies capacity for a net increase of 3,447 sq.m. of floorspace by 2017, 9,121 sq.m. net by 2022, and 15,280 sq.m. net by 2027. This is focussed on Fareham town centre. The study goes on to state: "The (comparison floorspace) capacity should be focused on the redevelopment of existing space and the implementation of key identified opportunity sites." The opportunity sites assessed in the Plan included Fareham Shopping Centre, Market Quay and the Civic Area.

3.6.3 As in accordance with the NPPF DSP1 identifies a hierarchy of shopping centres. Core Strategy Policy CS3: Vitality and Viability of Centres sets out this hierarchy, which is:

- Town Centre - Fareham;
- District Centres - Locks Heath, Portchester, Welborne (location yet to be defined); and
- Local Centres - Stubbington, Broadlaw Walk, Highlands Road, Gull Coppice (Whiteley), Titchfield, Warsash, Park Gate and the ‘Village Centre’ at Welborne (location yet to be defined).

3.6.4 Key developments and requirements outside the town centre include:

- A potential for up to 2,000 sq.m. of convenience floorspace that could be accommodated in, or adjoining, Locks Heath District Centre.
- Additional potential for new retail space is identified in Portchester and Stubbington.
- The general presumption within the plan is not to encourage out of town retail development where it could potentially be accommodated within the existing retail hierarchy.

## 3.7 Public services, Education and community facilities

3.7.1 DSP1 states that Hampshire County Council (the Education Authority) has indicated that its strategy for providing additional school places in the Western Wards is through local school expansion, and at Whiteley to provide two new primary schools and a secondary school in North Whiteley as part of the strategic allocation within Winchester District.

3.7.2 It is expected that Welborne will meet all the required pre-school and primary educational needs on site. The scale of the development supports the provision of up to two primary schools and secondary school within the strategic site.

3.7.3 The same is expected of health provision, with a health centre, GP and dentistry services likely to be provided within Welborne.

# Other land uses

## 3.8 Care homes, hotels and gyms

3.8.1 Care homes, hotels and gymnasium do not feature prominently in the Core Strategy and will not account for large amounts of development over the plan period. But Council officers consider that significant development in these categories could potentially come forward. Therefore we have included them in our viability assessments, to see if they are sufficiently viable to support a CIL charge.

## 3.9 Land uses not separately assessed

3.9.1 Some uses do not merit attention in our viability assessments or the charging schedule, either because they are unlikely to provide significant amounts of development over the plan period, or because they are covered by the assessments relating to a main use, or both. We discuss these uses briefly below.

- **Theatres** – very few new theatres are being developed in the UK. The few exceptions are in locations with large catchments, an existing foundation of extensive artistic activity and a local authority with the means and inclination to pay. In Chester, for example, the Council is providing a new theatre – though this will be housed in a former cinema rather than a new building. In Fareham, there is a possibility that the Fareham Hall theatre will be relocated, but this would not constitute a significant volume of development and in any case seems unlikely to generate a financial surplus.

- **Hostels** providing no significant element of care – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges etc., or low cost visitor accommodation such as youth hostels.

- The CIL regulations now have a mandatory exemption for accommodation used for charitable purposes. Youth Hostels are operated on a social enterprise basis with small financial returns, and again are unlikely to be financially viable in a commercial sense.

- **Scrapyards** – it is unlikely that there will be new scrapyard / recycling uses in the future, because the land values they generate are too low to compete with other types of demand.

- **Petrol filling stations** – recent new filling stations have generally been as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that there will be significant new stand-alone filling station development in the future.

- **Selling and/or displaying motor vehicles -** sales of vehicles are likely to occupy the same sorts of premises and locations as many industrial uses and therefore the viability will be covered by the assessment of the viability of industrial uses.
- **Retail warehouse clubs** – these retail uses are likely to be in the same type of premises as the A1 comparison retail uses and covering the same purchase or rental costs. Therefore they are covered by the retail viability assessments.
- **Nightclubs** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.
- **Launderettes** – these uses are likely to be in the same type of premises as A1 town centre retail uses and involving similar costs and values. Therefore they are covered by the retail assessment.
- **Taxi businesses** – these uses are likely to be in the same type of premises as A1 town centre retail uses and involve similar costs and values. Therefore they are covered by this viability assessment.
- **Amusement centres** – these uses are likely to be in the same type of premises as A1 town centre retail uses and involving the same costs and values. Therefore they are covered by the retail viability assessment.
- **Casinos** – we are not aware of any such proposals.

## 3.10 Summary

3.10.1 The land uses which are likely to account for the largest quantum of development, and hence are critical to the delivery of the Local Plan, comprise:

- Residential (including Welborne)
- Offices
- Industry and warehousing
- Retail
- Public services and community facilities.
- Hotels

3.10.2 In our viability assessments and the resulting recommendations, we have focussed on these types of development, aiming to ensure that they remain broadly viable after the CIL charge is levied. We have also assessed hotels and gyms, which are less important but still could account for significant development over the plan period.

# 4 VIABILITY ASSESSMENT METHOD

## 4.1 Development appraisal

4.1.1 Viability assessment is at the core of the charge-setting process. The purpose of the assessment is to identify charging rates at which the bulk of the development proposed in the development plan is financially viable, in order to ensure that the CIL supports and does not put at risk the overall level of development planned for the area.

4.1.2 Our viability assessments are based on development appraisals of hypothetical schemes, using the residual valuation method. The schemes selected need to be typical of the type of development expected in Fareham and be of sufficient 'finer grain' to prove the need for differential charging.

4.1.3 This approach is in line with accepted practice and as recommended by RICS guidance[22] and the Harman report.[23] Residual valuation is applied to different land uses and where relevant to different parts of the Borough, aiming to show typical values for each. It is based on the following formula:

**Value of completed development scheme**

***Less* development costs** - including build costs, fees, finance costs etc.

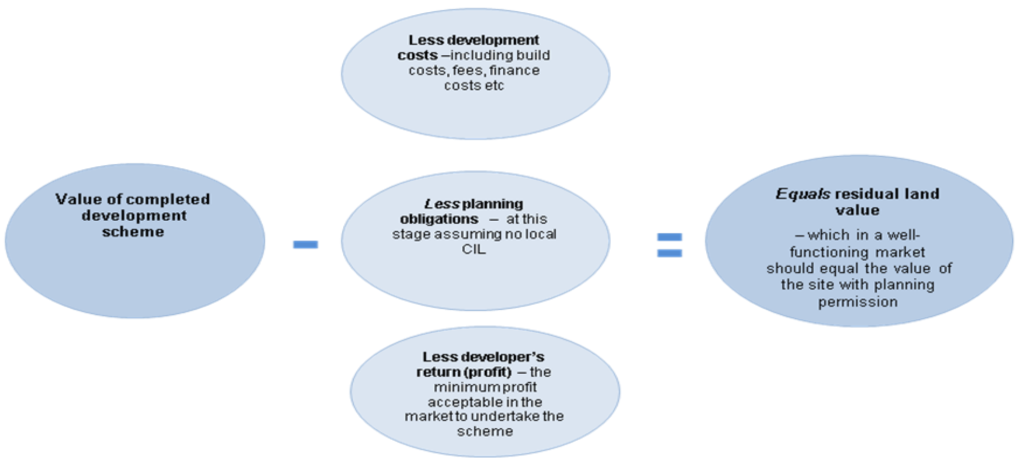
***Less* developers return (profit)** – the minimum profit acceptable in the market to undertake the scheme

***Less* policy costs** – building in (for example) Section 106 costs and other policy requirements

***Equals* residual land value**

– Which in a well-functioning market should equal the value of the site with planning permission

Figure 4.1 Method diagram




Source: PBA

[22] RICS (2012), *Financial Viability in Planning, RICS First Edition Guidance Note*

[23] Local Housing Delivery Group Chaired by Sir John Harman (2012) *Viability Testing Local Plans*

4.1.4 For each of the hypothetical schemes tested, we use this formula to estimate typical residual land values, which is what the site should be worth once it has full planning permission. The residual value calculation requires a wide range of inputs, or assumptions, including the costs of development and the required developer's return.

4.1.5 The arithmetic of residual appraisal is straightforward (we use a bespoke spreadsheet model for residential appraisals), and the popular Argus Developer software for most other building uses). However, the inputs for the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 negotiations). The difficulties grow when we are required to make calculations that represent a typical or average site – which is what we need to do for CIL purposes. Therefore our viability assessments are necessarily broad approximations, subject to a margin of uncertainty. The detailed individual appraisals are at Appendix A.

## 4.2 The summary tables

4.2.1 Having estimated the residual value, we compare this residual value with the 'benchmark land value' or 'land cost', which is the minimum land value the landowner is likely to accept to release their land for the development specified.

4.2.2 This process of comparison takes place in what we call the 'viability summary' table. These summary tables can be found in the relevant sections. The first example in this report is found at Table 6.2.

4.2.3 Benchmark values will vary to reflect the landowner's judgements, which might include the contextual nature of development, the site density achievable, the approach to the delivery of affordable housing (in the context of residential development) and so on. There are a wide range of permutations here. In order to make progress, we have to assume a central value, even though there could be a margin of error in practice. These values are discussed further in Chapter 5.

- If the residual land value shown by the appraisals is below the benchmark value, the development is not financially viable, even without CIL. That means that unless the circumstances change it will not happen.

- If the residual value and the benchmark values are equal, the development is just viable, but there is no surplus value available for CIL.

- If the residual land value shown by the appraisals is above the benchmark value, the development is viable. The excess of residual over benchmark value measures the maximum amount that may be potentially captured by CIL. The summary table then converts this amount available for CIL into a per square metre charge in the column at the far right.

4.2.4 It is important to bear in mind that these calculations are no more than approximations, surrounded by margins of uncertainty but are based on best available evidence and judgement. In drawing the implications for CIL, we take account of this uncertainty and use professional judgment to interpret the figures. We explain below.

## 4.3 Recommending a CIL charge

4.3.1 The summary tables discussed above indicate that CIL charges of a given amount may be capable of being sustained in the area. However, we are likely to recommend that the charge is set well under this point. The principal reasons for this are that:

- Markets fluctuate over time. There must be sufficient latitude for fluctuations to happen without rendering the CIL charge unviable.
- Individual site costs and values vary. Developments should remain viable after CIL charge is paid in the bulk of cases.
- The effects of the statutory indexation of CIL rates are not predictable with any accuracy for the expected life of a charging schedule.

4.3.2 It is conceivable that a simple, arithmetical approach could be used to take us from the 'overage' that the summary tables suggests is available for CIL, to a recommended CIL Charge. For example, it would be possible to set a CIL at 50% of the overage indicated in the viability testing, and to mechanically apply this deflator.

4.3.3 However, we have intentionally avoided this approach, because the viability tests necessarily cannot take account of developers' market understanding of risk, or of institutional investors' willingness to invest. These are important components of the judgement on a sensible level of CIL charge, but they cannot emerge arithmetically from the viability model. Instead, we use our market judgement in arriving at a sensible charge.

4.3.4 The 2014 CIL amendments also introduced the option of charging by volume of development as well as by use and location. These have been incorporated into our recommendations and fully reflect the affordable housing policy within Fareham as well as other planning burdens.

# 5 VIABILITY ASSESSMENT ASSUMPTIONS

5.1.1 In this chapter we discuss the main assumptions used in our development appraisals. A number of these assumptions require detailed explanation and are discussed in the next section. Other assumptions will be set out briefly in Table 5.1 below.

## 5.2 Benchmark land values

5.2.1 Our estimates of benchmark values are based on both serviced land sales with consent and disposals of land (existing use) without the benefit of planning permission. We have examined a variety of land transactions in Fareham and the surrounding area, using three main sources:

- Land currently being marketed on the UK Land Directory website and EG Property Link.
- Consultations with local property agents and developers.
- Values reported in viability studies submitted to the council as part of recent S106 negotiations.

5.2.2 Our consultees are listed at Appendix B. The actual comparables we have used were provided in confidence and cannot be made public.

5.2.3 It is important to appreciate that assumptions on benchmark land values can only be broad approximations, subject to a wide margin of uncertainty. We take account of this uncertainty in drawing conclusions and recommendations from our analysis.

### Residential

5.2.4 We have analysed a cross section of residential land comparables across Fareham and the wider sub-region.

5.2.5 Over recent years there has been limited residential development within Fareham, and a dearth of land transactions. It was therefore necessary to supplement transactional information through consultation with local property agents and developers. Although confidence in the development industry is improving, the CIL must be based on current evidence and not a future improvement in the market.

5.2.6 The comparable evidence collated generally relates to urban and edge of urban sites, which are mainly serviced with roads and major utilities to the site boundary. Much of the activity relates to smaller sites of 15 units or less and intensification of existing residential development.

5.2.7 Further development is expected on larger greenfield sites with outline planning applications being submitted at Midpoint Titchfield (39 units including 14 affordable) and land at Windmill Grove, Porchester (25 units). Both have yet to be determined.

5.2.8 Generally these smaller sites providing fifteen units or less are worth more than larger sites, on a £ per ha basis. This is perhaps expected as schemes of this size are required to provide a lower percentage of affordable housing. Units of four units and less do not have to provide any contribution and this is reflected in land values. These very small sites also tend to have a much higher degree of site servicing which is reflected in the land price.

5.2.9 Based on the analysis above we have used the following benchmark land values:

- Residential land – 4 units or less £2,000,000 per ha

- Residential land 5-10 units or £1,800,000 per ha
- Residential land 15 units or more £1,700,000 per ha
- Residential land exclusively for flats. £1,400,000 per ha

### Offices

5.2.10 There is a dearth of comparable evidence for office land values within Fareham with the Borough seeing limited levels of transactions and development over recent years. We have therefore utilised our experience of land values across the wider region in deriving a suitable benchmark land value. We estimate that a serviced development plot suitable for office development would have a value of circa £600,000 per ha.

### Industrial

5.2.11 Similarly to offices, there have only been limited levels of transactions and development for industrial uses. We have therefore utilised our experience of land values across the wider region in deriving a suitable benchmark land value. We estimate that a serviced development plot suitable for industrial development would have a value of circa £550,000 per ha.

### Retail

5.2.12 We have examined the convenience and comparison retail sector separately. While comparable evidence is scarce for both sectors we have concluded that benchmark values are as follows:

- Comparison - high street - £2,500,000 per ha.
- Comparison - out of town - £3,000,000 per ha.
- Convenience - £3,500,000 per ha (small format of 500 sq m)
- Convenience - £3,000,000 per ha (all other formats)

5.2.13 There is a lack of transactional evidence to directly support these values within Fareham. We have therefore collated evidence from local agents, including information on local rent and yields, together with evidence from outside the Borough in arriving at these values.

### Hotels

5.2.14 We have not been able to source specific comparable evidence within Fareham. We have therefore looked at the wider sub region and included a value of £1,700,000 per ha for 3 star rated development

### Care Home

5.2.15 Care home operators often compete with residential developers for the same sites; as such land values are broadly similar, albeit both uses have price ceilings that cannot be exceeded due to the economics of development. We estimate that a serviced development plot suitable for care home development would have a value of circa £1,400,000 per ha. Please note that this sector is different from retirement living which is essentially private apartments aimed at a particular demographic sector of the population.

## 5.3 S106 and planning contributions

5.3.1 In order to assess development viability, we need to make assumptions about the broader policy costs faced by development. S106 is one of these policy costs, and so these costs need to be allowed for in our viability calculations.

5.3.2 Section 106 will continue to exist after CIL begins to be charged. However, under the CIL Regulations (which also cover S106) the use of S106 will be scaled back. Under recent changes to the statutory CIL Guidance (which also cover the relationship between CIL and Section 106), the government now expects Section 106 to be solely targeted at mitigating the site specific impacts of individual developments.

### Infrastructure projects/types that will or may be funded at least in part by the CIL

Built Leisure Facilities:

- Provision of the Western Wards Swimming Pool & Fitness Centre.
- Fareham Leisure Centre - upgrade of swimming pool and ancillary facilities.

Coldeast Hospital site:

- Provision and laying out of the cemetery (excluding acquisition of land) and;
- Provision and laying out of the allotments (excluding acquisition of land).

Community Centres:

- Provision of new facilities, and improvements to existing facilities, excluding any provision required due to the New Community North of Fareham.

Open Space:

- Provision and facilities for addressing open space deficiencies in terms of quantity, quality or accessibility, excluding on-site provision of local open space and children's play equipment, and excluding any provision required due to the New Community North of Fareham.

Playing fields and sports pitches:

- Excluding any provision required to the north of Fareham

Education facilities:

- Excluding any provision required due to the New Community North of Fareham

Transport infrastructure and facilities:

- Excluding specific improvements needed to make the development acceptable in planning terms. These can include (but are not limited to) highways crossovers to access the site and local road junctions, deceleration and turning lanes, measures to facilitate pedestrian and cyclist access, lighting and street furniture needed to mitigate the impact of a particular development. They may also include mitigation works remote from the development site where the need for such works is identified in a Transport Assessment and;
- Excluding all transport infrastructure required due to the New Community North of Fareham

Public realm in Fareham Town Centre:

- Environmental improvements including hard and soft landscaping, signage, seating, cycle racks and permanent multi-functional structures in Fareham town centre.

5.3.3 In general, we expect that Section 106 agreements, together with Section 278 highways agreements and planning conditions, will still be used to secure the following elements:

- Site-specific mitigation. These might be local improvements/infrastructure necessary to enable the grant of planning permission such as access roads, on-site open space, archaeology, and some off-site requirements directly related to support individual sites.
- Specific to Fareham but common to all residential development, we have included a charge of contributions from housing to the Solent Migration Project at £175 per house or flat.
- Development-specific infrastructure on large-scale major development sites (of around 200-300 or more dwellings). This is because some of these sites have significant infrastructure requirements which may require the bespoke approach which the section 106 agreement offers.
- Affordable housing. Under the Regulations, Section 106 agreements or bespoke planning conditions will be used to secure affordable housing.

5.3.4 Based on the above, and in agreement with the client team, our residential appraisals allow for a minimum of £1,000 per housing unit for S106 and S278 requirements, excluding affordable housing. This may be either monetary or in kind. This is consistent with CIL viability appraisals done in other districts around the country.

5.3.5 Assumed S106 and S278 contributions for retail appraisals are detailed within Appendix A and assume a rate of £15m2. We have not assumed 106 costs for light industrial and office space due to our appraisals indicating negative viability.

5.3.6 This estimate is made for the sole purpose of the CIL viability assessment. It does not commit Fareham Borough Council to allocating CIL receipts or S106 receipts to any site specific infrastructure or stakeholder requirements.

## 5.4 Fareham's section 123 list

5.4.1 Regulation 123 of the Community Infrastructure Regulations 2010 (as amended) restricts the use of planning obligations for infrastructure that will be funded in whole or in part by the Community Infrastructure Levy (CIL). Infrastructure types or projects on the list will not be secured through planning obligations. This is to ensure there is no duplication between CIL and planning obligations secured through s106 agreements in funding the same infrastructure projects.

5.4.2 The list below is published on the Council's website and sets out those infrastructure types and projects that Fareham Borough Council currently intends will be, or may be, wholly or partly funded by CIL. The Council highlights that this is not a firm commitment and that decisions on funding priorities have yet to be made.

## 5.5 Other assumptions

5.5.1 The other assumptions underlying our residential development appraisals are in Table 5.1 below. Our other assumptions for the commercial development appraisals are detailed within the appraisals, contained within Appendix A.

5.5.2 Inevitably, these assumptions are broad estimates. We have aimed to model typical new build schemes, as opposed to high-specification or particularly complex schemes that require particular construction techniques or materials.

Table 5.1 Residential Viability testing assumptions

| Assumption | Source | Notes |
|---|---|---|
| **Revenue** | | |
| Sales value of completed scheme | Land Registry & Consultation | For housing, Land Registry data forms a basis for analysis. This provides a full record of all individual transactions.[24] This data is then supplemented following conversations with agents and house builders' sales representatives, which allows us to form a view on new build sales values. Values used are as follows:<br><br>**Houses -** £2,900 sq m<br>**Flats -** £2,100 sq m<br><br>A full explanation of house prices used in the study is provided in Chapter 6. |
| Affordable housing | HCA policy, Core Strategy and consultation with RP's. | Planning policy for Fareham Borough Council sets an affordable housing threshold of 4 units or more with 30% on schemes of 5-14 units and 40% of 15 units and above.<br><br>The preferred tenure mix is<br><br>5-24 units – 100% affordable rent<br>25 units or more – 65:35 (affordable rent: intermediate)<br><br>.<br><br>In all our residential appraisals we have assumed that affordable rent properties are 55% of capital market value and intermediate are 65% of capital market value. |
| Densities | Core Strategy | Densities have been used in line with the Core Strategy, as follows:<br>**Houses -** 35 dwellings per ha<br>**Flats -** 65 Dwellings per ha |

[24] Land Registry data is aggregated onto www.home.co.uk and mouseprice.co.uk. This is collated by postcode.

| Construction costs | | |
|---|---|---|
| Construction | BCIS Feb 2014 Median | BCIS is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification.<br>The following build costs used are derived from recent data of actual prices in the marketplace, rebased for Fareham Borough:<br>**Houses -** £870 sq m<br>**Flats -** £1015 sq m |
| Floorspace size assumptions | Industry standards | We have assumed average floorspaces of:<br>**Houses -** 90 sq m<br>**Flats -** 65 sq m (NIA) |
| Contingency | Industry standards | Contingency is an expression of risk relating to a specific scheme and will vary from site to site. We have adopted a generic average of 5% though in practice it will vary. |
| Plot external | Industry standards | On-site preparation for internal access roads and other external works. This will vary from site to site, but we have assumed the 15% of build costs. |
| Section 106/278 | Fareham Borough Council | See text above this table in Section 5.3. |
| **Fees** | | |
| Professional fees | Industry standards | We have assumed 10% of development costs based on accepted industry standards. |
| Sale costs | Industry standards | These rates are based on industry accepted scales at the following rates:<br>Legal - £500 per unit<br>Sales agents fee - 1.25% of private sale value<br>Marketing cost - £1,000 per private unit |
| Finance costs | Industry standards | Finance costs assume an interest rate of 7%. |
| Stamp Duty on Land Purchase | HMRC | Stamp duty has been charged on the land purchase at the prevailing rate. |
| Professional fees on Land Purchase | Industry standards | Fees associated with the land purchase are based upon the following industry standards:<br>Surveyor - 1.00% |

| | | | | |
|---|---|---|---|---|
| | | Legal - | | 0.75% |
| **Profit** | | | | |
| Profit | Industry standards | Developers profit has been calculated as follows:<br>Private -<br>Affordable - | <br>20%<br>6% | <br>of gross development value<br>of gross development value |

Source: PBA; various

# 6 RESIDENTIAL

## 6.1 Introduction

6.1.1 In this section, we review the potential for setting a CIL charge in Fareham. We follow the following process:

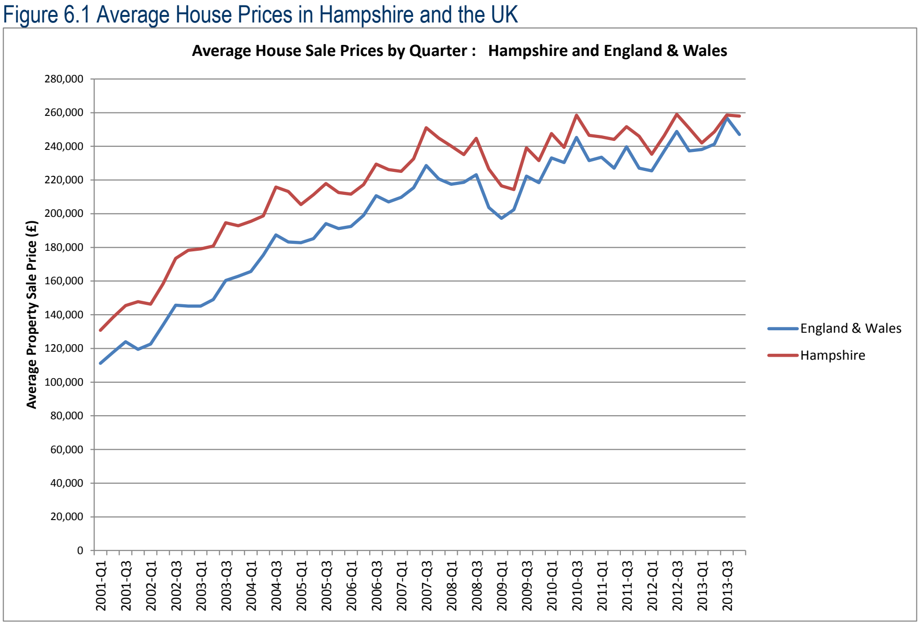
- We undertake a high level market review.
- We then deal with whether setting up different charging zones is worthwhile, given the CIL Regulations and legislation and the planning and market context. We use Land Registry data and analysis of plans for future development in this process.
- New build values and market evidence from agents and developers are then used to inform this working hypothesis.
- Formal viability testing is then undertaken in order to understand a level of CIL charge that will strike the balance between retaining development viability and raising money for local infrastructure.

## 6.2 Market overview

6.2.1 Figure 6.1 below illustrates the longer-term changes in house prices across the whole of Hampshire. It is notable that average house prices in Hampshire have broadly fluctuated in line with England & Wales – though generally being above the national average. The average house price in Hampshire is currently £240,000 (March 2014) compared to the average for England & Wales of £230,000

6.2.2 Average house prices in Hampshire have now matched their 2010 peak of £240,000; however, the graph below illustrates that house prices in Hampshire have remained relatively constant since 2010.

Figure 6.1 Average House Prices in Hampshire and the UK



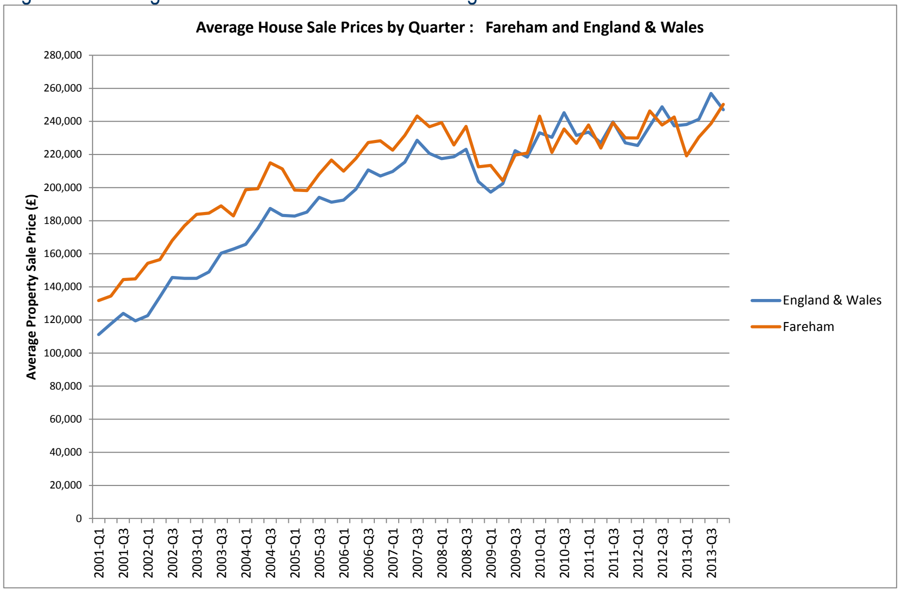

Source: PBA, Land Registry

6.2.3 Figure 6.2 below illustrates the price differential between Fareham and England & Wales; in Q3 2013 the average house price achieved in Hampshire was £235,000, almost identical to the average for England & Wales.

6.2.4 On a quarterly basis since 2009 the average house price has largely mirrored the national average. The performance of the market would suggest local market conditions are robust and free of short term peaks and troughs compared to less developed residential markets.

6.2.5 Behind these statistics we note that the value of flats is not particularly strong. This is evidenced in the general lack of enthusiasm among developers to supply the product and the relatively low sales vales per m2 in comparison to houses. This mirrors much of the UK outside of London and is not a trend we would expect to see change. Long term residential development in Fareham will remain focussed on the provision of good quality family housing.

Figure 6.2 Average House Prices in Fareham and England & Wales




Source: PBA, Land Registry

## 6.3 Charging zones

6.3.1 As we showed in Chapter 2 above, CIL Regulations (Regulation 13) allow the charging authority to introduce charge variations by geographical zone within its area, by intended use of buildings, size of development or all three. All differences in rates need to be justified by reference to the economic viability of development.

6.3.2 Setting up a CIL which levies different amounts on development in different places increases the complexity of the CIL, and is only worthwhile if the additional complexity generates significant additional revenues or would put the delivery of the plan at risk.

### Principles

6.3.3 Identifying different charging zones for CIL has inherent difficulties. One reason for this is that house prices are an imperfect indicator; we are not necessarily comparing like with like. Even within a given type of dwelling, such as terraced houses, there will be variations in, say, quality or size which will impact on price.

6.3.4 Another problem is that even a split that is correct 'on average' may produce anomalies when applied to individual houses – especially around the zone boundaries. Even between areas with very different average prices, the prices of similar houses in different areas may considerably overlap.

6.3.5 A further problem with setting charging area boundaries is that they depend on how the boundaries are defined, as well as the reality of actual house prices. Boundaries drawn in a different place might alter the average price of an area within the boundary, even with no change in individual house prices.

6.3.6 To avoid these statistical and boundary problems, it is our view that a robust set of differential charging zones should ideally meet two conditions:

- The zones should be separated by substantial and clear-cut price differences.
- They should also be separated by substantial and clear-cut geographical boundaries – for example with zones defined as individual settlements or groups of settlements, as urban or rural parts of the authority. We avoid any charging boundaries which might bisect a strategic site or development area.

6.3.7 We have held to these principles in devising zone boundaries.

### Method

6.3.8 Setting zones requires us to marshal the 'appropriate available evidence' from a range of sources in order to advise on the best way forward. We took the following steps.

- Our first step was to look at house prices. These are a good proxy for viability. We downloaded Land Registry data to do this. This was only a first step, and generated a range of options or hypotheses.
- Secondly, we talked to agents, developers and officers. Together with Land Registry data, this allowed us to generate a main hypothesis.
- Thirdly, we tested this main hypothesis through formal development appraisals.

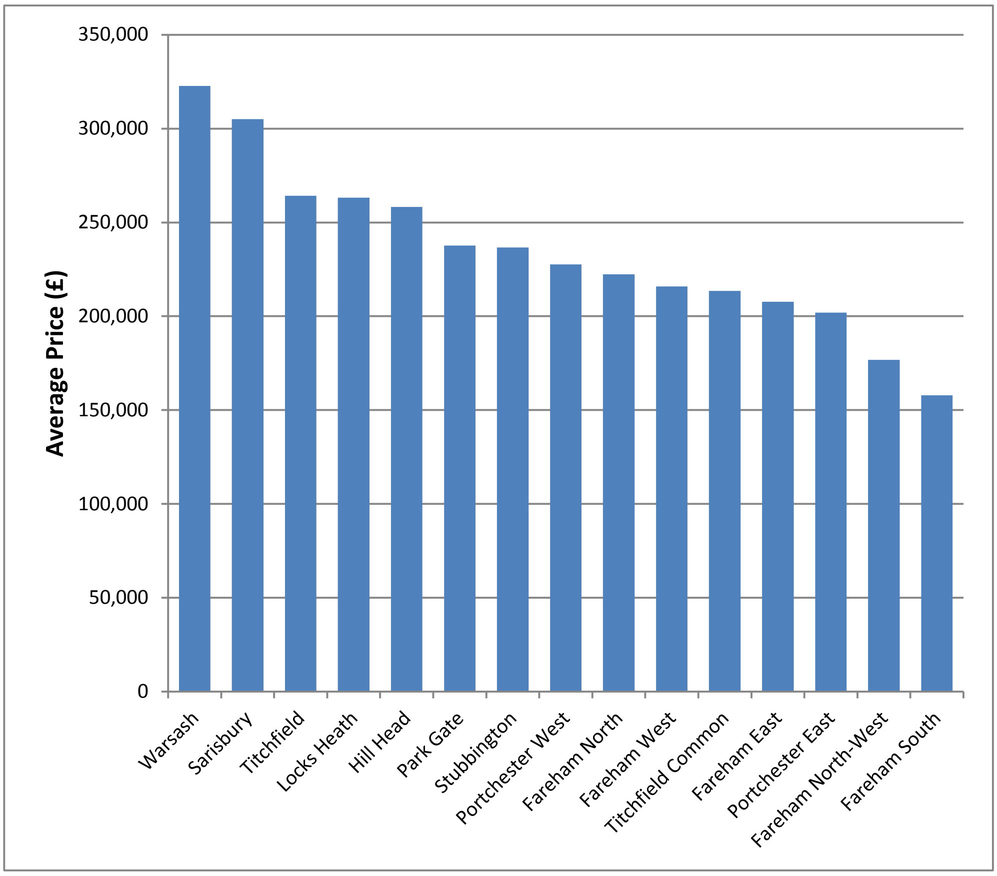
6.3.9 We explain this process below.

#### *We looked at residential sales prices*

6.3.10 In advising on charging zones, our first step was to look at average sales prices over a two year period. We used data on both new and second hand homes because, firstly, datasets on sales values for new homes only would be very much smaller, covering a small geographical area (and so more unstable), and secondly, because at this stage it is the differentials between areas that we are seeking to identify, not the absolute price levels. There were therefore good reasons to look at both new and second hand data, and no compelling reasons to avoid it.

6.3.11 As detailed in Figure 6.3 average prices are shown for each Census Standard Table (ST) ward[25].

Figure 6.3 Average house price by ward (January 2011 to August 2013)




Source: PBA, Land Registry

6.3.12 The wards forming the urban areas of South Fareham and the East of Portchester are the lowest value in the Borough and represent the most affordable areas with average values of between £150,000 and £170,000 per unit.

6.3.13 Outside of these areas, the wards show a relatively consistent picture with similar average values of between 200,000 and 255,000.

6.3.14 The semi-rural wards of Warsash and Sarisbury record the highest values with average values exceeding £300,000 per sale.

6.3.15 Land registry data also reveals that the volume of sales is increasing across all areas with an easing in lenders criteria and the introduction of the governments Help to Buy scheme. As previously indicated this has not as yet led to a substantive increase average house prices. The effect of this initiative been focussed on new build developments only may lead to an increase in the premium for new build properties (currently around 10-15%) over existing stock but this has yet to be revealed in any evidence and has been discounted from the testing.

[25] ST wards are used because very precise boundary mapping exists which shows ward boundaries, and is not subject to the degree of change that electoral wards or postcode boundaries are subject to.

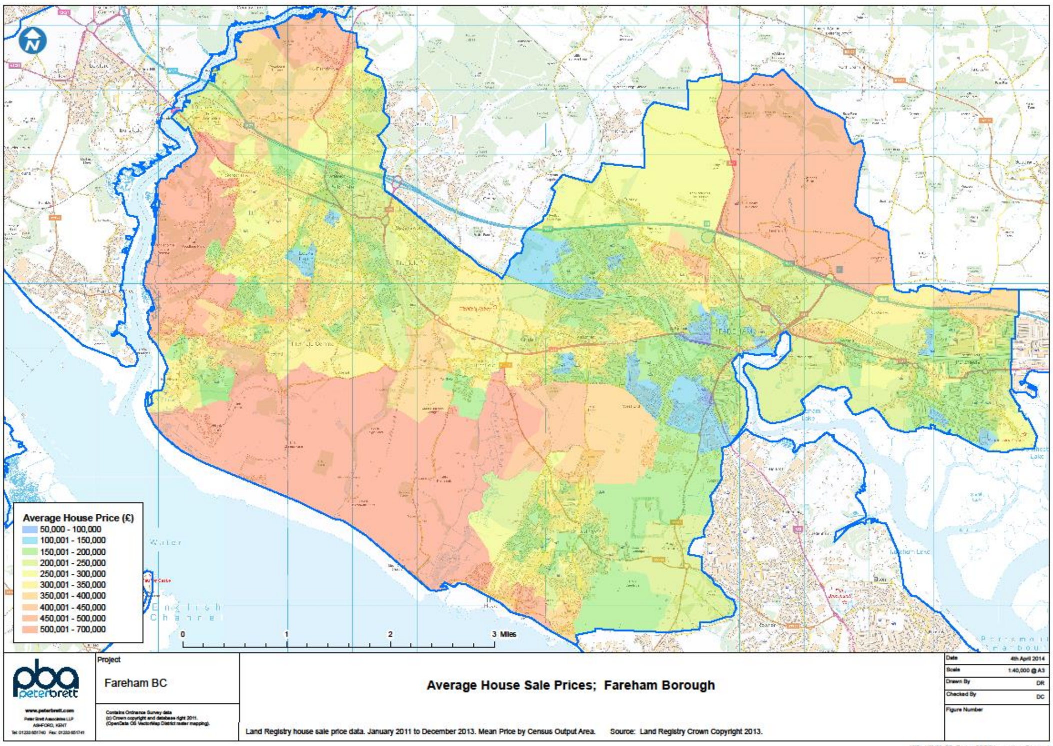
### *We mapped sales prices*

6.3.16 We have also presented this data on a map, with average prices for each ward broken into eight equal bands, because it allows us to understand the broad contours of residential prices in the area. Sales prices are a reasonable, though imperfect, proxy for development viability, so the map provides us with a broad idea of which areas would tend to have more viable housing developments, other things being equal.

6.3.17 Figure 6.4 helps illustrate patterns in house prices across the Borough:

- The semi-rural wards in the north and in the coastal fringe are typically higher value, as shown by the orange colours. The areas are characterised by little existing stock and a predominantly rural environment which maintains values through exclusivity and restricted future supply.
- The urban areas of urban areas of Fareham and Portchester feature some of the lowest values as indicated by the blue colours. These urban areas feature large volumes of post war stock (both public and private) which although of good quality, lacks the exclusivity and desirability of locations elsewhere in Fareham.
- The green and yellow areas of the remainder of the Borough reveal little variation in average house prices. The stock is largely low density family housing on the edge of semi-rural environments or large village / small town conurbations.

Figure 6.4 Map: Average house prices across Fareham




Source: Land Registry, PBA

***We looked at the likely location of new development***

6.3.18 Understanding the patterns of development is the next stage in our analysis.

6.3.19 During the next five year period the Council expect a number of sites to come forward, with the majority of supply being in the strategic site of Welborne.

6.3.20 The Fareham DSP (part 1) indicates that of the projected housing supply from 1st April 2013 to the 31st march 2026. There is a projected supply of 1,823 units including windfall sites. Of these sites 615 are new allocations with a further 370 rolled forward from the existing local plan. A further 100 are allocated as projected windfall applications. These are likely to be the main locations and patterns of housing development over the core strategy period outside of Welborne.

6.3.21 The majority of this supply is in the lower and mid band value areas with little in the higher value areas.

6.3.22 At this stage therefore the hypothesis was that Fareham should remain with a single band based on where the future development is likely to occur, with the exception of the area covered by the policy boundary of the Welborne Plan, for the reasons indicated above.

6.3.23 We then used findings from interviews with developers and agents to test this hypothesis, to see if their views broadly agreed (we did not ask them to confirm the hypothesis directly). We were particularly interested in using the interview process to understand the values of new development, and how these values might fit with the bands suggested in our emerging hypothesis.

## 6.4 Consultation

**We looked at the local market with agents and developers**

6.4.1 We talked to a range of sources on residential markets, including local agents and local housebuilders active in the area. The consultation explored a number of issues, focussing on broad areas within the Borough. The general sentiment was that:

- The market appears to be more buoyant than recent years with rising levels of demand. Nonetheless, vendors have to be realistic on asking price and second-hand units will only sell quickly in priced correctly. There is still demand for family housing but limited demand for flats.

- Settlements across the Borough have their own property market, leading to variances in house prices. Generally prices achieved directly in the urban are lower than that achieved in semi-rural and village locations

6.4.2 A copy of our consultees is detailed within Appendix B.

**We looked at current developments**

6.4.3 There is limited large scale development activity within Fareham with the exception of Welborne. We have listed below the current housing developments proposed within the district. The proposed supply chain is outlined in figure 3.1 above.

**The working hypothesis following consultation**

6.4.4 Discussions with agents and developers helped us arrive at a ‘firmed up’ working hypothesis regarding the geographical CIL charges.

6.4.5 Outside of Welborne, Fareham should maintain a single charge for Residential development. There are price differences across the Borough but the majority of supply is within areas of similar house prices. Creating higher and lower zones adds complexity without either increasing revenue to the Council or reducing the risk of plan delivery.

6.4.6 Nevertheless we observed that land prices were higher for smaller sites with a lesser requirement for affordable housing provision. This would suggest these developments are more viable.

## 6.5 Viability analysis

6.5.1 We then tested this approach by undertaking a viability analysis. Development appraisals are necessary to set a CIL, because the data used so far is only a proxy for viability testing, rather than a viability test in itself. Only development appraisals can properly combine the receipts and costs of development to arrive at an overall picture of viability.

- First, development appraisals use recent sales prices as a basis, and relate to new dwellings specifically. To arrive at these prices we consulted with developers and agents who have been selling new housing over the last six months. (By contrast, Land Registry prices presented cover the last two years and include second-hand as well as new houses).

- Secondly, the results of the development appraisal (which shows the price that a developer can afford to pay for land) can be compared with prevailing benchmark land values (in effect, what the landowner will accept in order to sell the land). Benchmark values have an important bearing on the amount of CIL assumed to be available.

### Residential scenarios tested

6.5.2 To assess the capacity of different types of development to pay CIL in Fareham, we have produced indicative development appraisal of hypothetical schemes, comprising the following:

- 2 Houses
- 4 Houses
- 5 Houses
- 10 Houses
- 15 Houses
- 20 Houses
- 50 Houses
- 100 Houses

- 10 Flats
- 20 Flats

6.5.3 This mix of schemes was selected in discussion with the Council, making use of their local knowledge, to create a representative but focused profile of residential development likely to come forward in the area for the foreseeable future, as set out within Local Plan Part 2: Development Sites and Policies Plan. The schemes selected will test the viability of development falling below and above affordable housing thresholds. We have not tested a single unit project and it likely that the vast majority of this supply will be delivered as a self-build proposition and will therefore be eligible to claim an exemption from paying any CIL.

6.5.4 We consider that little in the way of flatted development is expected. Whilst there will be pockets of flatted development in the some of the urban areas, this is not expected to be significant and certainly would not represent the bulk of new residential development. Retirement living falls within this category.

**6.5.5** We expect that some sites which come forward will have a mixture of houses and flats. We have not modelled these mixed schemes separately because we are attempting to understand the viable CIL rates payable on individual components of the schemes. If we were to model a mixed house and flat scheme, one housing type might cross subsidise another, and provide a misleading result about the level of CIL which could be viably afforded.

### Findings

6.5.6 Table 6.1summarises the residential development appraisals; individual detailed appraisals are at contained within Appendix A.

6.5.7 Our objective in these summary tables is to show, for each notional development scenario, how much money might be theoretically available for a CIL charge. Reading Table 6.1 from left to right, successive columns are as follows:

a) Number and type of units

b) Net site area

c) Total Floorspace: this is the total floorspace created by the development, including both market and affordable housing.

d) CIL chargeable floorspace: the accommodation within the scheme on which CIL will be paid, equal to the floorspace of market housing (CIL is not charged on affordable housing as it receives 100% relief).

e) Residual value before policy contributions - £ per hectare, and £ per sq m: the residual value is produced by an indicative appraisal after S106, affordable housing and all other policy costs have been taken into account. The method and assumptions used in this appraisal to arrive at this number are described in the report. Briefly, the residual site value is the difference between the value of the completed development and the cost of that development, and developer's profit.

f) Benchmark land value per ha and per sq m: the estimated minimum a developer would typically need to pay to secure a site of this kind, expressed in £ per ha or divided by its chargeable floorspace. This figure assumes the land is fully serviced without the benefit of full planning permission but assumes that it is allocated and that the proposed development will be policy compliant.

g) Overage per ha and per sq m: this column identified the amount of money which is, in theory, available for CIL. It is expressed per ha and per sq m of chargeable development. Note that this sum is derived from the difference between the residual value after policy contributions and the benchmark land value. As noted earlier, this overage is an estimate of the CIL 'ceiling' – the maximum CIL that could be charged consistent with the development being financially viable, expressed per ha. Given the uncertainties surrounding viability appraisal, it is of course an approximate indicator, which should be used cautiously.

6.5.8 The theoretical maximum CIL charge per square metre for each development is therefore shown in the far right column of the summary table below. As we explain below, though, we do not recommend that this theoretical maximum be directly translated into a CIL charge.

Table 6.1 Residential Summary Table **(based on current FBC affordable housing policy)**

| | No of dwellings | Net site area ha | Total Floor Space per sq.m | CIL Chargeable Floor Space per sq.m | Residual land value after policy contributions | | Benchmark | | Buffer | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Floor Space | Floor Space | Per Ha | Per £psm | Per Ha | Per £psm | Per Ha | Per £psm |
| Houses - | 2 | 0.06 | 180 | 180 | £3,345,651 | £1,062 | £2,000,000 | £635 | £1,345,651 | £427 |
| Houses - | 4 | 0.11 | 360 | 360 | £3,351,709 | £1,024 | £2,000,000 | £611 | £1,351,709 | £413 |
| Houses - | 5 | 0.14 | 450 | 315 | £2,584,435 | £804 | £1,800,000 | £560 | £784,435 | £349 |
| Houses - | 10 | 0.28 | 900 | 630 | £2,533,846 | £788 | £1,800,000 | £560 | £733,846 | £326 |
| Houses - | 15 | 0.42 | 1350 | 810 | £2,287,656 | £712 | £1,700,000 | £529 | £587,656 | £305 |
| Houses - | 20 | 0.56 | 1800 | 1,080 | £2,331,299 | £725 | £1,700,000 | £529 | £631,299 | £327 |
| Houses - | 50 | 1.43 | 4500 | 2,700 | £2,243,410 | £713 | £1,700,000 | £540 | £543,410 | £288 |
| Houses - | 100 | 2.86 | 9000 | 5,400 | £2,178,460 | £692 | £1,700,000 | £540 | £478,460 | £253 |
| Flats | 10 | 0.11 | 760 | 532 | -£856,261 | -£124 | £1,400,000 | £203 | -£2,256,261 | -£467 |
| Flats | 20 | 0.14 | 1520 | 912 | -£1,518,925 | -£140 | £1,400,000 | £129 | -£2,918,925 | -£448 |

Source: PBA

## 6.6 The recommended residential CIL charge

6.6.1 Although the analysis suggests that in some development scenarios a high theoretical CIL charge might be levied, we strongly recommend that the charge be set under this viability ceiling. The principal reasons for this are that:

- Costs and values are likely to fluctuate over time and vary between different sites, which could make the charge unsustainable without a contingency margin.
- Site-specific issues will adversely affect costs or values in some cases. In particular, some sites developments may involve significant abnormal costs.

6.6.2 Furthermore, as detailed in 6.5.4, we have given greater weight to the results of scenarios likely to come forward in Fareham over the plan period. Under the current CIL regulations, we suggest the following residential charges be adopted:

Table 6.2 Recommended residential charging rates

| **Value** | CIL charge per sq m |
|---|---|
| Residential development – less than 5 units | £185 |
| Residential development 5 and more units | £120 |
| Residential development – Welborne | £0 |

Source: PBA

6.6.3 We believe these charges to be reasonable given the current residential market within Fareham despite the increase in development activity. We do not believe there is sufficient evidence to justify an increase in the charge rates for residential development of units of 5 units and above from the adopted April 2013 charging schedule, beyond the actual and anticipated effect of CIL indexation, which is required by the CIL Regulations. The indexation has been included in the revised recommendations and rounded to £5m2. We do however recommend an increase in the levy for units which are not subject to affordable housing obligations and a nil rate for all types of development within the Welborne strategic growth area.

6.6.4 We have also at the request of the Council produced another series of viability appraisals which assume that the Governments draft proposals to exempt schemes of 10 units and below from making affordable housing contributions, either on site or off site. The effect in

Fareham will be to improve viability on schemes of between 5 and 10 units. The results of the testing are in table 6.3 below

Table 6.3 Residential Summary Table **(based on possible changes to national policy on limiting affordable housing contributions for smaller developments)**

| | No of dwellings | Net site area ha | Total Floor Space per sq.m | CIL Chargeable Floor Space per sq.m | Residual land value after policy contributions | | Benchmark | | Buffer | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Floor Space | Floor Space | Per Ha | Per £psm | Per Ha | Per £psm | Per Ha | Per £psm |
| Houses - | 2 | 0.06 | 180 | 180 | £3,345,651 | £1,062 | £2,000,000 | £635 | £1,345,651 | £427 |
| Houses - | 4 | 0.11 | 360 | 360 | £3,351,709 | £1,024 | £2,000,000 | £611 | £1,351,709 | £413 |
| Houses - | 5 | 0.14 | 450 | 450 | £3,263,677 | £1,015 | £1,800,000 | £560 | £1,463,677 | £455 |
| Houses - | 10 | 0.28 | 900 | 900 | £3,200,585 | £996 | £1,800,000 | £560 | £1,400,585 | £436 |
| Houses - | 15 | 0.42 | 1350 | 810 | £2,287,656 | £712 | £1,700,000 | £529 | £587,656 | £305 |
| Houses - | 20 | 0.56 | 1800 | 1,080 | £2,331,299 | £725 | £1,700,000 | £529 | £631,299 | £327 |
| Houses - | 50 | 1.43 | 4500 | 2,700 | £2,243,410 | £713 | £1,700,000 | £540 | £543,410 | £288 |
| Houses - | 100 | 2.86 | 9000 | 5,400 | £2,178,460 | £692 | £1,700,000 | £540 | £478,460 | £253 |
| Flats | 10 | 0.11 | 760 | 760 | £22,836 | £3 | £1,400,000 | £203 | -£1,377,164 | -£199 |
| Flats | 20 | 0.14 | 1520 | 912 | -£1,518,925 | -£140 | £1,400,000 | £129 | -£2,918,925 | -£448 |

6.6.5 The main impact on the appraisal is to improve the viability of units of 10 units or less. We would suggest that this would allow the Council to increase the CIl charge to £155m2 for all schemes with 10 units are less. This would produce a revised charging schedule as follows.

6.6.6 Table 6.4 Recommended residential charging rates (based on possible changes to national policy on limiting affordable housing contributions for smaller developments)

Table 6.4 Recommended residential charging rates

| **Value** | CIL charge per sq m |
|---|---|
| Residential development – up to 10 units | £185 |
| Residential development 11 and more units | £120 |
| Residential development – Welborne | £0 |

Source: PBA

# 7 OFFICES

## 7.1 Market overview

7.1.1 Fareham is located in the south western corner of the South Hampshire Market Area which contains the cities of Portsmouth, Southampton and Winchester. The majority of office floorspace in Fareham is in business park locations in the north of the Borough, which benefits from strong connectivity via the M27 and the West Coastway and Fareham to Eastleigh and Portsmouth to Southampton rail lines.

7.1.2 Our research of available evidence would suggest that the market has not improved since the last CIl evidence base in March 2012. In general the office sector within Fareham has seen low tenant demand and limited development activity; ultimately this has led to a continuing vacancies in secondary quality office stock and a potential long term scarcity of accommodation. In order to secure tenants landlords are obliged to offer incentives in a numbers of forms including reduced rents, rent free periods, shorter lease terms and break options.

7.1.3 Most of the space in Fareham Borough is secondary in nature, and the prevailing tone of rent is in the region of £130 to £150 per sq m. We would suggest that rents need to be in excess of £300 per sq m to be viable on a speculative basis in the Borough. Only when rental levels reach these values does land have any substantial value to support office development. This rental level is not currently achievable throughout the Borough. Thus, office development is not viable in current market conditions.

7.1.4 The scale of the difference between current rental values and those likely to be required to sustain speculative development suggests that office development is unlikely to become viable in the short to medium term. We believe that some small-scale development may occur on existing employment sites but this will be linked to specific user requirements as pre-let or owner-occupier developments.

7.1.5 The evidence presented above, together with that from the evidence base to the adopted Fareham Core Strategy, suggests that Fareham is not now, and is not likely to be in the medium term, a significant office location. Demand is likely to be restricted to local requirements. Given that ‘pure’ office developments are generally not viable, it seems likely that the only developments that will take place are mixed use developments which combine office accommodation with more viable uses, such as residential or retail.

## 7.2 Viability analysis

### Scenarios tested

7.2.1 We have produced indicative development appraisals of hypothetical development, comprising a 3,000 sq m scheme, typical 2-3 storey business park style scheme split into individual pavilion units.

### Findings

7.2.2 We have produced an outline development appraisal based on current values, yields and development costs and concluded that speculative office development continues to be unviable and that a 0 charge is appropriate.

7.2.3 We have included a detailed appraisal within Appendix A.

Table 7.1 Viability summary offices

| | | | | Residual value | | Benchmark | | CIL Overage | |
|---|---|---|---|---|---|---|---|---|---|
| | GIA | NIA | Net site area ha | Per Ha | Per £psm | Per Ha | Per £psm | Per Ha | Per £psm |
| Business Park Office | 3,000 | 2,550 | 0.15 | -£2,312,356 | -£116 | £550,000 | £28 | -£429,353 | -£143 |

Source: PBA

## 7.3 The recommended CIL charge

7.3.1 Based on our research, office development is not viable. We therefore recommend that a nil CIL charge should continue to be set for office floorspace.

# 8 LIGHT INDUSTRIAL

## 8.1 Market Overview

8.1.1 The industrial property market in Fareham is perhaps a little more buoyant than the office sector. This is a trend which is repeated across the UK with industrial space being lost to other uses and new occupier trends in traditional employment space. The emergence of service industries and the new forms of distribution are supporting the market. Specialist manufacturing is also showing resilience which is supporting occupancy rates

8.1.2 Despite reasonable levels of demand, the UK has yet to see any significant investment in new light industrial accommodation. Development risk remains high in relation to rents and yields and there is little appetite from the private sector to develop new accommodation for small and medium enterprises (SMEs). Arguably the sector has always relied on the public sector to provide workshop accommodation and a combination of state aid guidelines and reduced public sector budgets has reduced supply in the long term.

8.1.3 Fareham has the advantage of an enterprise zone at the former Daedalus airfield. The range of incentives from the new generation of enterprise zones are primarily aimed at the occupiers and not developers. Although they provide an incentive, it is perhaps not significant enough to deliver speculative development.

8.1.4 We would expect a gradual rise in rents and yields in the secondary sector but there is little medium to long term prospect of speculative development in this sector without public intervention.

## 8.2 Viability analysis

### Scenarios tested

8.2.1 We have tested indicative schemes of 3,500 sq m which could be potentially either let as a single unit or subdivided into smaller units.

### Findings

8.2.2 We have produced outline development appraisals based on current values, yields and development costs and concluded that the speculative industrial development produces negative land values. The developments therefore do not generate an overage that could be captured by CIL.

8.2.3 We have included a detailed appraisal in Appendix A.

Table 8.1 Viability summary light industrial

| | GIA | NIA | Net site area ha | Residual value | | Benchmark | | CIL Overage | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Per Ha | Per £psm | Per Ha | Per £psm | Per Ha | Per £psm |
| Industrial | 3,500 | 3,500 | 0.50 | -£340,960 | -£49 | £550,000 | £79 | -£445,480 | -£127 |

Source: PBA

## 8.3 The recommended CIL charge

8.3.1 We concluded that industrial/warehouse development in Fareham Borough is generally not viable. We therefore recommend that a nil CIL charge should be set for industrial floorspace.

# 9 RETAIL

## 9.1 Defining retail categories

9.1.1 As outlined in section 2 onwards, the Regulations allow charge distinctions to be made by use of buildings where there are distinct uses which can be clearly defined on the charging schedule.

9.1.2 In this analysis of retail viability, we are setting out the distinct retail building use categories we have used in this analysis: these are, firstly, convenience uses, and secondly, comparison uses. Due to the nature of in town and out of town retailing and the different viability issues we have also distinguished between in town and out of town from a comparison retailing perspective.

9.1.3 These distinctions between convenience and comparison uses are based on the definitions provided at Annex B of PPS4[26], which we have slightly reworded to fit the present context (the Annex B definition discussion applies to goods, but we wish to define the sales units in which those goods are sold).

- A convenience unit is a shop or store where the planning permission allows selling wholly or mainly everyday essential items, including food, drinks, newspapers/magazines and confectionary
- A comparison unit is a shop or store selling wholly or mainly goods which are not everyday essential items. Such items include clothing, footwear, household and recreational goods.

9.1.4 In March 2012, PPS 4 was superseded by the National Planning Policy Framework (NPPF). The NPPF does not define different categories of retail goods. This does not cause difficulties for this study, because the definitions provided above do not rely on PPS4. We do not rely on PPS4 to support a particular policy stance, or use it to justify a particular definition. Instead, we use PPS4 as analytical support to help us clearly distinguish between particular types of retailing commonly observable in the marketplace, and to provide reassurance that these distinctions are not ours alone.

9.1.5 Some stores sell a mixture of convenience and comparison goods. In those instances, a store should be categorised as having convenience or comparison status according to its main use (our definition above defines convenience and comparison units as shops or stores selling *wholly or mainly* these types of items). We have used this phrasing carefully, and in this have taken the lead from the way that PPS4 defines superstores.[27]

## 9.2 Market overview

### Comparison retailing

9.2.1 Work by Deloitte on the future for retailing is pessimistic, suggesting that ‘reductions in store numbers of 30-40% are foreseeable over the next 3-5 years.’[28] The effects are seen to be increased vacancy rates, decreasing prime rents, and increasingly flexible rental terms,

[26] DCLG (2009) *Planning Policy Statement 4: Planning for Sustainable Economic Growth*

[27] DCLG (2009) *Planning Policy Statement 4: Planning for Sustainable Economic Growth* (27) Annex B provides the following definition. ‘Superstores: Self-service stores selling mainly food, or food and non-food goods...’

[28] Deloitte (2012) *The changing face of retail: The store of the future* (2) see *https://www.deloitte.com/view/en_GB/uk/industries/consumer-business/ 28098047f3685310VgnVCM3000001c56f00aRCRD.htm*

including shorter rental terms, lease free periods, shorter break clauses and monthly, as opposed to quarterly, rents. Other reports describe a similar picture.

9.2.2 Town centre (high street) comparison retailing in the UK is in a period of transition. The majority of comparison retail-led regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier demand and performance. There have been a number of insolvencies, and the traditional high-street operators are frequently struggling, particularly in more secondary retail locations.

9.2.3 Colliers retail market report (Autumn 2011) states that 'secondary retail locations will continue to suffer as a result of the growing consumer trend of fewer shopping trips and the focus on the large retail destinations and online. Furthermore, daily/weekly shopping that would once have taken place in the local town centre is increasingly shifting to supermarkets, which now provide a wide range of comparison goods and services alongside the traditional convenience offer'.

9.2.4 Fareham Town Centre is the third largest in the sub-region, after Portsmouth and Southampton, and benefits from a wide range of retailers, a relatively low vacancy rate, and an attractive physical environment. DSP1 places the town centre at the core of retail activities in the Borough and identifies potential for new comparison and convenience space. Demand will be expected to increase as new housing at Welborne becomes available.

9.2.5 Observations in Fareham indicate that in general along with much of the UK comparison rents have either fallen or stabilised. This been achieved in lieu of shorter leases. This together with competition from centres in Chichester, Portsmouth and Southampton and Winchester is likely to restrict developer appetite for town centre comparison retail development.

### Convenience retail

9.2.6 Despite the economic downturn the grocery market has been very resilient; it has seen growth where other aspects of the retail sector have seen contraction. Many foodstore operators have taken advantage of the gap created in the market, by the collapse of speculative development following the 'credit crunch' in 2007/08, and they have used this opportunity to increase expansion activity.

9.2.7 More recently major operators appear less focused on delivering non-food retail and are building fewer 'mega-stores' (stores over circa 9,290 sq m). Instead expansion strategies appear to be focused on the acquisition of smaller sites and the refurbishment/expansion of existing stores. This is the likely to be the prevalent type of convenience development in Fareham.

9.2.8 Nonetheless, research by CBRE indicates that the development pipeline remains robust with approximately 274,000 sq m under construction in 2013; furthermore, the report states that 'Tesco's early 2012 announcement that they were paring back their ambitious hypermarket expansion programme has, to date, had little impact on the overall grocery pipeline figures' [29].

9.2.9 According to the IPD & Briant Champion Long, 2012 saw more than £1.2 billion of supermarket assets changing hands last year, as predominantly institutional investors sought long-term, index-linked income accounting for 90% of investment purchases[30].

9.2.10 Within convenience retail, viability is remarkably insensitive to precise location. Data from CBRE shows that grocery viability is similar in locations throughout the UK with a premium being paid for schemes in London. There is very little investment adjustment (around 1% on yield) between major supermarket developments based on the transactional evidence for

[29] CBRE (2013) *UK Grocery Outlets in the Pipeline - MarketView*

[30] IPD/Briant Champion (2012) *Long UK Supermarket Investment Report*

leases of similar length and terms. Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions.

## 9.3 Retail scenarios tested

9.3.1 It is difficult to model the viability of town centre comparison retail development, as values are usually much more sensitive to location, footfall patterns and sizes of unit than, say, office or residential development.

9.3.2 As detailed in Chapter 3, the majority of new comparison retail is expected to be within the Fareham itself. The smaller district centres broadly achieve the same rental levels. As such, it is unnecessary to undertake a separate viability test for each of these areas.

9.3.3 Convenience retail is less sensitive to precise location. As such we have not tested a variety of locations within the District. We have however tested a number of different store sizes to analyse potential impact on viability which also reflects the potential for differential charging by size as in accordance with the February 2014 regulations.

9.3.4 We have produced indicative development appraisals of hypothetical schemes which are relevant to the Fareham context, as follows:

- Comparison retailing:
  - a 100 sq m in-town small format comparison scheme
  - a 500 sq m in town medium format comparison scheme
  - a1,000 sq m in town large format comparison scheme
  - a 500 sq m out-of-town comparison retail format
  - a 1,000 sq m out-of-town comparison retail format
- Convenience retailing:
  - a grocery store of 500 sq m gross
  - a grocery store of 1,000 sq m gross
  - a grocery store of 2,000 sq m gross
  - a grocery store of 4,000 sq m gross

## 9.4 Viability Analysis

### Retail assumptions

9.4.1 We have utilised the following assumptions in our appraisals:

Table 9.1 Retail testing assumptions

| Assumption | Source | Notes |
|---|---|---|
| Revenue | | |
| Sales value of completed scheme | EGI & Consultation | Comparison (high street) - £183 per sq m capitalised at 8%.<br>Comparison (out of town) - £136 per sq m capitalised at 8%.<br>Convenience (465 sq m) - £161 per sq m capitalised at 6%.<br>Convenience (1,000 sq m) - £188 per sq m capitalised at 5.75%.<br>Convenience (4,000 sq m) - £188 per sq m capitalised at 5.75%. |
| Construction costs | | |
| Construction | BCIS Online | BCIS is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification. The following build costs used are derived from recent data of actual prices in the marketplace, rebased for Fareham:<br>Comparison (high street) £748 per sq m<br>Comparison (out of town) £589 per sq m<br>Convenience (465 sq m and 1,000 sq m) £1,017 per sq m<br>Convenience (2,000 and 4,000 sq m) £1,198 per sq m |
| Contingency | Industry standard | Contingency is an expression of risk relating to a specific scheme and will vary from site to site. We have adopted a generic average of 5% though in practice it will vary. |
| Plot external | Industry standard | On-site preparation for internal access roads and other external works. This will vary from site to site, but we have assumed 10% of build costs, which we believe appropriate. |
| Section 106 | IBC & PBA | For convenience retail we have allowed £5,000 for the 415 sq m and 1,000 sq m scenario and £10,000 for the 4,000 sq m scenario.<br><br>Changes in the legislation make clear that all future S106 costs are to be immediately related to development in question. As such, strategic infrastructure costs will be dealt with through CIL in future. Relatively modest amounts can therefore be allocated to S106 in future. |
| Fees | | |
| Professional fees | Industry standards | We have assumed 10% of development costs based on accepted industry standards. |
| Sale costs/Letting Fees | Industry standards | With regards to comparison retail we have allowed 10% for marketing, 10% for letting agents' fees and 5% for sales agents' fees. We have not allowed for marketing or letting fees for the convenience retail scenarios as we have |

| | | |
|---|---|---|
| | | assumed the development would be pre-let.<br><br>Fees associated with the investment sale are based upon the following industry standards:<br><br>Surveyor - 1.00%<br>Legal - 0.75%<br><br>Stamp duty has been charged at the prevailing rate. |
| Finance costs | Industry standards | Finance costs assume an interest rate of 7%. |
| Stamp Duty on Land Purchase | HMRC | Stamp duty has been charged on the land purchase at the prevailing rate. |
| Professional fees on Land Purchase | Industry standards | Fees associated with the land purchase are based upon the following industry standards:<br><br>Surveyor - 1.00%<br>Legal - 0.75% |
| Profit | | |
| Profit | Industry standards | A developer's profit of 20% on total development costs has been allowed in all retail appraisals. |

Source: PBA; various

### Findings

9.4.2 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table.

| | | | | Residual value | | Benchmark | | CIL Overage | |
|---|---|---|---|---|---|---|---|---|---|
| | GIA | NIA | Net site area ha | Per Ha | Per £psm | Per Ha | Per £psm | Per Ha | Per £psm |
| Fareham town centre - small format | 100 | 85 | 0.01 | £2,166,262 | £303 | £2,500,000 | £350 | -£4,672 | -£47 |
| Fareham town centre - mid sized format | 500 | 425 | 0.07 | £2,413,982 | £338 | £2,500,000 | £350 | -£6,021 | -£12 |
| Fareham town centre - large sized format | 1,000 | 900 | 0.16 | £1,878,412 | £301 | £2,500,000 | £400 | -£99,454 | -£99 |
| Comparison retail out of town - mid sized format | 500 | 425 | 0.07 | £4,215,209 | £590 | £3,000,000 | £420 | £85,065 | £170 |
| Comparison retail out of town - large sized format | 1,000 | 900 | 0.16 | £4,375,124 | £700 | £3,000,000 | £480 | £220,020 | £220 |
| Retail convenience - small format | 500 | 450 | 0.11 | £4,475,225 | £985 | £3,500,000 | £770 | £107,275 | £215 |
| Retail convenience - medium format | 1,000 | 900 | 0.25 | £4,757,989 | £1,189 | £3,000,000 | £750 | £439,497 | £439 |
| Retail convenience - medium / large format | 2,000 | 1,800 | 0.50 | £5,337,049 | £1,334 | £3,000,000 | £750 | £1,168,524 | £584 |
| Retail convenience - larger format | 4,000 | 3,600 | 1.00 | £4,640,637 | £1,160 | £3,000,000 | £750 | £1,640,637 | £410 |

Source: PBA

9.4.3 We have included detailed appraisals within Appendix A.

## 9.5 The recommended CIL charge

9.5.1 Given the evidence above, we have therefore recommended the following rates for convenience and comparison retailing:

Table 9.2 Recommended retail charging rates

| Development type | CIL charge per sq m |
| --- | --- |
| Wholly or mainly comparison retail (in town) | £0 |
| Wholly or mainly comparison (out of town) | £35 |
| Wholly or mainly convenience retail less than 500m2 | £75 |
| Wholly or mainly convenience retail more than 500m2 | £140 |

Source: PBA

9.5.2 The recommended CIL charge for convenience retail is significantly below all overages produced, allowing for a significant buffer. Our results show that there are some differences in viability of development for different sized units. However, only limited levels of convenience retail are expected in Fareham. The charging schedule should use the definitions at paragraph 9.1.3.

# 10 CARE HOMES

## 10.1 Introduction

10.1.1 Over recent years there have been a number of planning applications for care homes within the District. Given projected growth in older population it is likely that more development of this nature will come forward in Fareham in the future.

## 10.2 Defining the sector

10.2.1 We have defined this sector as follows[31]:

- Residential care homes (now generally referred to simply as care homes) are residential settings where a number of older people live, usually in single rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only - help with washing, dressing and giving medication. Some care homes are registered to meet a specific care need, for example dementia or terminal illness.

- What used to be called nursing homes are now called care homes with nursing. These settings will provide the same personal care but also have a qualified nurse on duty twenty-four hours a day to carry out nursing tasks. These homes are for people who are physically or mentally frail or people who need regular attention from a nurse. Homes registered for nursing care may accept people who just have personal care needs but who may need nursing care in the future.

10.2.2 These uses fall under the C2 (residential institutions) Use Class.

10.2.3 We carefully distinguish this type of provision from retirement flats and quasi-retirement accommodation sometimes known as assisted living apartments. The term assisted living or 'extra care housing' is used to describe developments that comprise self-contained homes with design features and support services available to enable self- care and independent living.

## 10.3 Market overview

10.3.1 Research by Knight Frank in 2013 found that 'there remains strong appetite among several major operators to develop new care homes, albeit focused in relatively affluent areas offering strong demographics'. [32] However, the restricted availability of finance has slowed development, and operators are increasingly turning to pre-let arrangements to satisfy requirements.

10.3.2 Knight Frank also report that rental levels in the care home sector have become more polarised. In London and the south-east, typical modern future-proofed care homes range from £9,400 to £9,850 per bed [33]. These rental levels are considerably higher than the UK's other regions.

10.3.3 In summary, then, the market is in flux. There appears to be greater appetite for development in particularly prosperous local markets, whereby higher rents can be achieved, but

[31] Definition derived from the Elderly Accommodation Counsel http://www.housingcare.org/jargon-residential-care-homes.aspx

[32] Knight Frank (2012), *UK Healthcare – Development Opportunities*

[33] Knight Frank (2013), *Healthcare Investment*

development within less affluent location appears more limited. Nonetheless, transactions in less affluent locations are still happening.

## 10.4 Viability analysis

### Scenarios tested

10.4.1 We have modelled a 60 bedroom 2,400 sq m (gross) care home development for the private market.

### Findings

10.4.2 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table.

10.4.3 We have included detailed appraisals within Appendix A.

Table 10.1 Viability summary care home

**Care Home appraisal summary table**

| Ref | Zone | Site area | Floorspace | Residual land value | | Benchmark land value | | Overage (CIL Ceiling) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Ha | Sq m | Per ha | Per sq m | Per ha | Per sq m | Per ha | Per sq m |
| 11 | Fareham | 0.40 | 2400 | £1,831,847 | £305 | £1,400,000 | £233 | £431,847 | £72 |

Source: PBA

## 10.5 The recommended CIL charge

10.5.1 Based on the latest evidence, we are recommending that the care home charge is reduced to £35m2

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# 11 Hotels

## 11.1 Market overview

11.1.1 Savills reported in Quarter 3 2012 that UK hotel investment volumes have been relatively resilient during 2012, with investors focusing their attention to prime hotels in the face of weakening UK economic performance[34].

11.1.2 Overseas investors are dominating transactions in London; their focus is on top-end/luxury segment. Savills indicate that as a result over half the top end hotels in central London are owned by overseas entities. Prime hotel yields in London are between 4% and 5%, resulting in excess of £200,000 per bed space for a simple 3 star hotel.

11.1.3 Moving away from central London investment yields move-out. Yields for national operators generally range between 6% and 7%.

## 11.2 Viability analysis

### Scenarios tested

11.2.1 We have modelled a 60 bedroom hotel, in line with proposed likely development in Fareham.

### Findings

11.2.2 The results of our viability assessment are summarised in the table below. The theoretical maximum CIL charge is shown on the far right column of the table.

11.2.3 We have included detailed appraisals within Appendix A.

Viability summary hotel

| | GIA | Net site area ha | Residual value | | Benchmark | | CIL Overage | |
|---|---|---|---|---|---|---|---|---|
| | | | Per Ha | Per £psm | Per Ha | Per £psm | Per Ha | Per £psm |
| Hotel | 2,787 | 0.50 | £2,082,096 | £374 | £1,700,000 | £305 | £191,048 | £69 |

Source: PBA

## 11.3 The recommended CIL charge

11.3.1 We concluded that hotel development in Fareham is generally viable. We therefore recommend that a £35m2 CIL Charge should be set for hotel floorspace which is a reduction from the current charge.

[34] Savills research UK Hotels – UK Hotel Investment Monitor – Autumn 2012

# 12 THE STANDARD CHARGE

## 12.1 Introduction

12.1.1 In the earlier chapters above, we outlined the key development types that will be central to the delivery of the Local Plan or otherwise likely to be significant forms of development. Where relevant, we have then undertaken viability testing of the principal types of development that will come forward in future, and have shown that CIL charges at the stated levels will not render the main components of growth unviable. We have therefore undertaken the tests required by the CIL Regulations.

12.1.2 The question now is how to use this analysis to help us to set a charge for development types that are *not* central to the delivery of the Local Plan. These peripheral types of development might be as diverse as laundrettes, youth hostels, cinemas, health centres and so on.

12.1.3 We have not undertaken individual viability testing of this range of possible uses, for the following reasons.

i These uses are not critical to the delivery of the Core Strategy, and historical evidence suggests that they have not been particularly important in the past.

ii Because limited amounts of net new floorspace will be delivered in these categories, they would generate relatively little revenue if CIL were charged on them.

iii These uses will often move into second-hand rather than new build premises, so they would not be liable to CIL anyway.

iv A robust viability assessment of these uses would be complex, partly because there are many possible combinations of type of development (building) and type of use and these combinations are impossible to predict. This kind of assessment would need specialist valuation, involving disproportionate cost and effort, and the results would be inconclusive.

12.1.4 The CIL Regulations require us to use ‘appropriate available evidence’ in suggesting charges.

## 12.2 Recommendations

12.2.1 While we have not undertaken individual viability testing for these non-principal uses, we can use the work carried out in this report on the principal development types to indicate the level of values which might be achievable by sui generis uses and other development not specifically covered in our research.

12.2.2 Of the sui generis uses, for example:

- Laundrettes, nightclubs, taxi businesses and amusement centres are likely to be in the same type of premises as small comparison uses and covering similar purchase or rental costs. (We note that these types of development are not particularly prevalent in Fareham now, nor are likely to be in the future, but we mention them here in order to cover unforeseen future scenarios). Mindful that the lowest of the recommended charges for comparison retail is zero, a precautionary approach here would suggest that a zero charging rate is appropriate.

- Scrapyards and the selling and/or displaying of motor vehicles are likely to occupy the same sorts of premises and locations as many B2 uses.

12.2.3 Based on the scale of charges assessed for the various peripheral uses we have looked at, and the general tone of value in the area, we recommend that zero CIL is charged on building uses not specifically dealt with on the charging schedule.

# 13 SITE TESTING

## 13.1 Introduction

13.1.1 CIL guidance emphasises the importance of ensuring that strategic sites remain viable after all policy costs (which includes CIL and affordable housing) are taken into account[35]. The guidance also clarifies the point that strategic site infrastructure may be delivered through S106, and that CIL rates charged may be altered on strategic sites to reflect this fact[36].

13.1.2 This chapter aims to pick up these points. Our first objective here is to broadly understand whether development on strategic sites is compatible with the levels of CIL recommended with other policy costs (such as affordable housing) which fall on development.

13.1.3 It is not our objective to make a definitive statement of site viability. This is because there is currently a lack of information about how sites will be developed, and the economic conditions that will prevail at the time of development.

13.1.4 This testing is first and foremost a supporting, high level analysis to inform the drafting of the CIL evidence base and planning policy.

13.1.5 As per Valuation Standards 1 of the RICS Valuation Standards – Global and UK Edition[37], the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal “Red Book” valuation and should not be relied upon as such.

13.1.6 Furthermore, this testing does not substitute for detailed viability work for S106, affordable housing negotiation or other purposes. This work may be undertaken separately when sites come forward.

## 13.2 Approach to developer contributions

13.2.1 With the Welborne allocation representing a significant strategic site in the Borough, it is important to ensure that, if a CIL charge is to be taken forward across the whole Borough, With such strategic sites and their significant site-specific infrastructure requirements, it is sometimes the case that the best approach is to use Section 106 contributions to address these site-specific infrastructure needs, meaning that only a very low or even £0psm CIL charge could then be afforded.

13.2.2 As identified in the emerging Infrastructure Delivery Plan (IDP), there is a sizeable funding gap in the district. If a straightforward approach was taken to addressing this – at least in part – through developer contributions, then a CIL charge would be applied and money collected by the charging authority. This money would be used to address the infrastructure needs associated with growth and would therefore contribute towards tackling this funding gap, albeit not in its entirety (as required by the CIL Regulations).

13.2.3 The major advantage of such an approach is that ‘in-kind’ delivery of infrastructure needs by way of S106 is straightforward and gives assurance to both developer and Borough Council that the required infrastructure will be delivered and will be delivered when it is needed. This is consistent with the IDP evidence for Fareham

[35] DCLG (April 2013) *Community Infrastructure Levy Guidance* (para 27)
[36] DCLG (April 2013) *Community Infrastructure Levy Guidance* (para 34).
[37] RICS (March 2012) *Valuation – Professional Standards, VS1 Professional and Ethical Requirements*

13.2.4 The CIL Regulations have significantly restricted the use of S106. Regulation 122(2) states that planning obligations must be:

(a) necessary to make the development acceptable in planning terms;

(b) directly related to the development; and

(c) fairly and reasonably related in scale and kind to the development.

13.2.5 It is still possible to pool S106 contributions but this is limited. Regulation 123(3b) states that a planning obligation may not constitute a reason for granting planning permission if five or more separate planning obligations which provide for the funding or provision of a 'project or type of infrastructure' have already been entered in to. Moreover, the counting number of S106 contributions towards a project or type of infrastructure applies from 6th April 2010 when the CIL Regulations came into effect.

13.2.6 By way of an example:

- Contributions are sought via S106 for 'primary school education'
- Since 6th April 2010, three S106 contributions have already been secured for 'primary school education'
- Therefore, only two further contributions can be sought for 'primary school education', i.e. only two new sites can contribute.

13.2.7 In addition, all of those contributions must be necessary to make the development acceptable, directly related to the development and fairly and reasonably related in scale and kind. Contributions towards 'primary school provision' would therefore have to be broken down to show what it would be spent on and these infrastructure items would have to be directly related to the sites that are contributing towards it. In other words, that infrastructure item is required to directly address the needs arising from the growth on those sites, as opposed to addressing wider needs. For smaller sites this is not possible and so such a strategy would fall foul of the Regulations. However, for certain larger strategic development areas, the infrastructure needs (such as a new primary school) are often directly related to that development.

13.2.8 It is important therefore to test the strategic sites to see whether such an approach is appropriate and within the requirements of the CIL Regulations.

# 14 RECOMMENDATIONS

## 14.1 Introduction

14.1.1 We recommend the following CIL charging rates. As recommended by guidance, these rates reflect viability at the present time. If viability improves, a new CIL charge could be set, or higher levels of affordable housing could be negotiated.

## 14.2 Charging rates

14.2.1 We recommend the following CIL charging rates:

Table 14.1 Proposed CIL charging rates in line with current Regulations

| Development type | CIL charge per sq m |
|---|---|
| Residential development – less than 5 units | £185 |
| Residential development 5 units and above | £120 |
| Welborne (All types of development) | £0 |
| Offices | £0 |
| Industrial | £0 |
| Wholly or mainly comparison retail in town | £0 |
| Wholly or mainly comparison retail out of town | £75 |
| Wholly or mainly convenience retail less than 500m2 | £75 |
| Wholly or mainly convenience retail greater than 500m2 | £140 |
| Care homes | £35 |
| Hotels | £35 |
| Standard charge (all other uses not covered) | £0 |

14.2.2 The Government has consulted on further regulatory reforms and is now proposing to 'abolish contributions to affordable housing for schemes of less than 10 units.

14.2.3 In the event that these charges are implemented, we would recommend the following charging rates:

Table 14.12 Proposed CIL charging rates in line with proposed affordable housing reform

| Development type | CIL charge per sq m |
|---|---|
| Residential development – less than 10 units | £185 |
| Residential development - low value zone – 11+ dwellings | £120 |
| Welborne (all types of development) | £0 |
| Offices | £0 |

| Development type | CIL charge per sq m |
|---|---|
| Industrial | £0 |
| Wholly or mainly comparison retail in town | £0 |
| Wholly or mainly comparison retail out of town | £75 |
| Wholly or mainly convenience retail less than 500m2 | £0 |
| Wholly or mainly convenience retail more than 500m2 | £75 |
| Care homes | £140 |
| Hotels | £35 |
| Standard charge (all other uses not covered) £35 | |
| | £0 |

Source: PBA

# Appendix A Appraisals

# Fareham - Residential Appraisals

| | | | | | | |
|---|---|---|---|---|---|---|
| **Houses –** | **4.0** | **units** | | | | |
| **ITEM** | | | | | | |
| **Net Site Area** | 0.11 | **£3,351,709** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 4.00 | **4.00** | **0.00** | | | |
| **Development Value** | | | | | | |
| **Private Units** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 4.00 | 90 | 360 | £2,900 | £1,044,000 |
| | | 4.00 | | 360 | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| **Intermediate** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| | | **4.00** | | **360** | | **£1,044,000** |
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £368,688 |
| | | | Plus Purchaser Costs @ | | | 4.75% |
| | | | | | | **£386,201** |
| **Build Costs** | | | | | | |
| **Private units** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 4.00 | 360 | £870 | | £313,200 |
| | | 4.00 | | | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| **Intermediate Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| | | 4.00 | 360 | | | **£313,200** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £31,320 |
| | 0 | | £175 | per unit | | £700 |
| | | | | | | **£32,020** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £34,522 |
| | | | | | | **£34,522** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £17,261.00 |
| | | | | | | **£17,261** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £4,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£4,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £2,000 |
| Sales agents fee - | | | 1.25% | | | £13,050 |
| Marketing cost - | | | £1,000 | per private unit | | £4,000 |
| | | | | | | **£19,050** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£806,254** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £208,800 |
| **Affordable -** | | | 6% | | | £0.00 |
| | | | | | | **£208,800** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£1,015,054** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £28,946 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£28,946 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £1,044,000 |

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| Houses – | 5.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 0.14 | £2,584,435 per ha | | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 5.00 | **3.50** | **1.50** | | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Houses - | 3.50 | 90 | 315 | £2,900 | £913,500 |
| | | 3.50 | | 315 | | |
| **Social Rent** | Houses - | 1.05 | 90 | 95 | £1,595 | £150,728 |
| | | 1.05 | | 95 | | |
| **Intermediate** | Houses - | 0.45 | 90 | 41 | £1,595 | £64,598 |
| | | 0.45 | | 41 | | |
| | | **5.00** | | **450** | | **£1,128,825** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £361,821 |
| | Plus Purchaser Costs @ | 4.75% |
| | | **£379,007** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Houses - | 3.50 | 315 | £870 | £274,050 |
| | | 3.50 | | | |
| **Social Rent** | Houses - | 1.05 | 95 | £870 | £82,215 |
| | | 1.05 | | | |
| **Intermediate Rent** | Houses - | 0.45 | 41 | £870 | £35,235 |
| | | 0.45 | | | |
| | | 5.00 | 450 | | **£391,500** |

**Additional Costs**

| | | | |
|---|---|---|---|
| Plot external | 10% | of build costs | £39,150 |
| 0 | £175 | per unit | £875 |
| | | | **£40,025** |

**Professional Fees**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 10% | £43,153 |
| | | **£43,153** |

**Contingency**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 5% | £21,576.25 |
| | | **£21,576** |

**Developer contributions**

| | | | |
|---|---|---|---|
| S.106 | £1,000 | per unit | £5,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£5,000** |

**Sale cost**

| | | | |
|---|---|---|---|
| Legals - | £500 | per unit | £2,500 |
| Sales agents fee - | 1.25% | | £11,419 |
| Marketing cost - | £1,000 | per private unit | £3,500 |
| | | | **£17,419** |

| | |
|---|---|
| **TOTAL DEVELOPMENT COSTS** | **£897,680** |

**Developers' Profit**

| | | |
|---|---|---|
| Based upon percentage of gross development value | Rate | |
| **Private -** | 20% | £182,700 |
| **Affordable -** | 6% | £12,919.50 |
| | | **£195,620** |

| | |
|---|---|
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | **£1,093,299** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | £35,526 |

| | APR | PCM | |
|---|---|---|---|
| **Finance Costs**<br>Assumes 100% debt financed | 7.00% | 0.565% | -£35,526 |

| | |
|---|---|
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | £1,128,825 |

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| Houses – | 10.0 | units | | | | |
|---|---|---|---|---|---|---|
| ITEM | | | | | | |
| Net Site Area | 0.28 | | £2,533,846 per ha | | | |
| | | Private | Affordable | | | |
| Yield | 10.00 | 7.00 | 3.00 | | | |
| **Development Value** | | | | | | |
| **Private Units** | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
| | Houses - | 7.00 | 90 | 630 | £2,900 | £1,827,000 |
| | | 7.00 | | 630 | | |
| **Social Rent** | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
| | Houses - | 2.10 | 90 | 189 | £1,595 | £301,455 |
| | | 2.10 | | 189 | | |
| **Intermediate** | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
| | Houses - | 0.90 | 90 | 81 | £1,595 | £129,195 |
| | | 0.90 | | 81 | | |
| | | **10.00** | | **900** | | **£2,257,650** |
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £709,477 |
| | | | Plus Purchaser Costs @ | | | 5.75% |
| | | | | | | **£750,272** |
| **Build Costs** | | | | | | |
| **Private units** | | No. of units | Size sq.m | Cost per sq.m | | Total Costs |
| | Houses - | 7.00 | 630 | £870 | | £548,100 |
| | | 7.00 | | | | |
| **Social Rent** | | No. of units | Size sq.m | Cost per sq.m | | Total Costs |
| | Houses - | 2.10 | 189 | £870 | | £164,430 |
| | | 2.10 | | | | |
| **Intermediate Rent** | | No. of units | Size sq.m | Cost per sq.m | | Total Costs |
| | Houses - | 0.90 | 81 | £870 | | £70,470 |
| | | 0.90 | | | | |
| | | 10.00 | 900 | | | **£783,000** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £78,300 |
| | 0 | | £175 | per unit | | £1,750 |
| | | | | | | **£80,050** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £86,305 |
| | | | | | | **£86,305** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £43,152.50 |
| | | | | | | **£43,153** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £10,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£10,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £5,000 |
| Sales agents fee - | | | 1.25% | | | £22,838 |
| Marketing cost - | | | £1,000 | per private unit | | £7,000 |
| | | | | | | **£34,838** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£1,787,617** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £365,400 |
| **Affordable -** | | | 6% | | | £25,839.00 |
| | | | | | | **£391,239** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£2,178,856** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £78,794 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£78,794 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £2,257,650 |

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| Houses – | 15.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 0.42 | | **£2,287,656** | **per ha** | | |
| | | | **Private** | **Affordable** | | |
| **Yield** | 15.00 | | **9.00** | **6.00** | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Houses - | 9.00 | 90 | 810 | £2,900 | £2,349,000 |
| | | 9.00 | | 810 | | |
| **Social Rent** | Houses - | 4.20 | 90 | 378 | £1,595 | £602,910 |
| | | 4.20 | | 378 | | |
| **Intermediate** | Houses - | 1.80 | 90 | 162 | £1,595 | £258,390 |
| | | 1.80 | | 162 | | |
| | | **15.00** | | **1350** | | **£3,210,300** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £960,815 |
| | Plus Purchaser Costs @ | 5.75% |
| | | **£1,016,062** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Houses - | 9.00 | 810 | £870 | £704,700 |
| | | 9.00 | | | |
| **Social Rent** | Houses - | 4.20 | 378 | £870 | £328,860 |
| | | 4.20 | | | |
| **Intermediate Rent** | Houses - | 1.80 | 162 | £870 | £140,940 |
| | | 1.80 | | | |
| | | 15.00 | 1350 | | **£1,174,500** |

| | | | |
|---|---|---|---|
| **Additional Costs** | | | |
| Plot external | 10% | of build costs | £117,450 |
| 0 | £175 | per unit | £2,625 |
| | | | **£120,075** |
| **Professional Fees** | | | |
| Based on percentage of construction costs (build and additional ) | 10% | | £129,458 |
| | | | **£129,458** |
| **Contingency** | | | |
| Based on percentage of construction costs (build and additional ) | 5% | | £64,728.75 |
| | | | **£64,729** |
| **Developer contributions** | | | |
| S.106 | £1,000 | per unit | £15,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£15,000** |
| **Sale cost** | | | |
| Legals - | £500 | per unit | £7,500 |
| Sales agents fee - | 1.25% | | £29,363 |
| Marketing cost - | £1,000 | per private unit | £9,000 |
| | | | **£45,863** |
| **TOTAL DEVELOPMENT COSTS** | | | **£2,565,686** |
| **Developers' Profit** | | | |
| Based upon percentage of gross development value | Rate | | |
| **Private -** | 20% | | £469,800 |
| **Affordable -** | 6% | | £51,678.00 |
| | | | **£521,478** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | **£3,087,164** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | £123,136 |
| **Finance Costs** | APR | PCM | |
| Assumes 100% debt financed | 7.00% | 0.565% | -£123,136 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | £3,210,300 |

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| Houses – | 20.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 0.56 | | £2,331,299 per ha | | | |
| | | | Private | Affordable | | |
| **Yield** | 20.00 | | 12.00 | 8.00 | | |

| **Development Value** | | | | | | |
|---|---|---|---|---|---|---|
| **Private Units** | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
| | Houses - | 12.00 | 90 | 1,080 | £2,900 | £3,132,000 |
| | | 12.00 | | 1080 | | |
| **Social Rent** | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
| | Houses - | 5.60 | 90 | 504 | £1,595 | £803,880 |
| | | 5.60 | | 504 | | |
| **Intermediate** | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
| | Houses - | 2.40 | 90 | 216 | £1,595 | £344,520 |
| | | 2.40 | | 216 | | |
| | | **20.00** | | **1800** | | **£4,280,400** |

| **Development Cost** | | | | | |
|---|---|---|---|---|---|
| **Site Acquisition** | | | | | |
| Site Value | | | | | £1,305,527 |
| | | | Plus Purchaser Costs @ | | 5.75% |
| | | | | | **£1,380,595** |
| **Build Costs** | | | | | |
| **Private units** | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
| | Houses - | 12.00 | 1080 | £870 | £939,600 |
| | | 12.00 | | | |
| **Social Rent** | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
| | Houses - | 5.60 | 504 | £870 | £438,480 |
| | | 5.60 | | | |
| **Intermediate Rent** | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
| | Houses - | 2.40 | 216 | £870 | £187,920 |
| | | 2.40 | | | |
| | | 20.00 | 1800 | | **£1,566,000** |

| **Additional Costs** | | | |
|---|---|---|---|
| Plot external | 10% | of build costs | £156,600 |
| 0 | £175 | per unit | £3,500 |
| | | | **£160,100** |
| **Professional Fees** | | | |
| Based on percentage of construction costs (build and additional ) | 10% | | £172,610 |
| | | | **£172,610** |
| **Contingency** | | | |
| Based on percentage of construction costs (build and additional ) | 5% | | £86,305.00 |
| | | | **£86,305** |
| **Developer contributions** | | | |
| S.106 | £1,000 | per unit | £20,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£20,000** |
| **Sale cost** | | | |
| Legals - | £500 | per unit | £10,000 |
| Sales agents fee - | 1.25% | | £39,150 |
| Marketing cost - | £1,000 | per private unit | £12,000 |
| | | | **£61,150** |
| **TOTAL DEVELOPMENT COSTS** | | | **£3,446,760** |
| **Developers' Profit** | | | |
| Based upon percentage of gross development value | Rate | | |
| **Private -** | 20% | | £626,400 |
| **Affordable -** | 6% | | £68,904.00 |
| | | | **£695,304** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | **£4,142,064** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | £138,336 |

| **Finance Costs** | APR | PCM | |
|---|---|---|---|
| Assumes 100% debt financed | 7.00% | 0.565% | -£138,336 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | £4,280,400 |

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| Houses – | 50.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 1.43 | | **£2,243,410** | **per ha** | | |
| | | | **Private** | **Affordable** | | |
| **Yield** | 50.00 | | **30.00** | **20.00** | | |
| **Development Value** | | | | | | |
| **Private Units** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 30.00 | 90 | 2,700 | £2,900 | £7,830,000 |
| | | 30.00 | | 2700 | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 14.00 | 90 | 1,260 | £1,595 | £2,009,700 |
| | | 14.00 | | 1,260 | | |
| **Intermediate** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 6.00 | 90 | 540 | £1,595 | £861,300 |
| | | 6.00 | | 540 | | |
| | | **50.00** | | **4500** | | **£10,701,000** |
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £3,208,076 |
| | | | Plus Purchaser Costs @ | | | 5.75% |
| | | | | | | **£3,392,540** |
| **Build Costs** | | | | | | |
| **Private units** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 30.00 | 2700 | £870 | | £2,349,000 |
| | | 30.00 | | | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 14.00 | 1260 | £870 | | £1,096,200 |
| | | 14.00 | | | | |
| **Intermediate Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 6.00 | 540 | £870 | | £469,800 |
| | | 6.00 | | | | |
| | | 50.00 | 4500 | | | **£3,915,000** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £391,500 |
| | 0 | | £175 | per unit | | £8,750 |
| | | | | | | **£400,250** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £431,525 |
| | | | | | | **£431,525** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £215,762.50 |
| | | | | | | **£215,763** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £50,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£50,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £25,000 |
| Sales agents fee - | | | 1.25% | | | £97,875 |
| Marketing cost - | | | £1,000 | per private unit | | £30,000 |
| | | | | | | **£152,875** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£8,557,952** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £1,566,000 |
| **Affordable -** | | | 6% | | | £172,260.00 |
| | | | | | | **£1,738,260** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£10,296,212** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £404,788 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£404,788 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £10,701,000 |

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| Houses – | 100.0 | units | | | |
|---|---|---|---|---|---|

**ITEM**

| | | | | | |
|---|---|---|---|---|---|
| **Net Site Area** | 2.86 | **£2,178,460** | **per ha** | | |
| | | **Private** | **Affordable** | | |
| **Yield** | 100.00 | **60.00** | **40.00** | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Houses - | 60.00 | 90 | 5,400 | £2,900 | £15,660,000 |
| | | 60.00 | | 5400 | | |
| **Social Rent** | Houses - | 28.00 | 90 | 2,520 | £1,595 | £4,019,400 |
| | | 28.00 | | 2,520 | | |
| **Intermediate** | Houses - | 12.00 | 90 | 1,080 | £1,595 | £1,722,600 |
| | | 12.00 | | 1080 | | |
| | | **100.00** | | **9000** | | **£21,402,000** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £6,230,396 |
| | Plus Purchaser Costs @ | 5.75% |
| | | **£6,588,644** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Houses - | 60.00 | 5400 | £870 | £4,698,000 |
| | | 60.00 | | | |
| **Social Rent** | Houses - | 28.00 | 2520 | £870 | £2,192,400 |
| | | 28.00 | | | |
| **Intermediate Rent** | Houses - | 12.00 | 1080 | £870 | £939,600 |
| | | 12.00 | | | |
| | | 100.00 | 9000 | | **£7,830,000** |

**Additional Costs**

| | | | |
|---|---|---|---|
| Plot external | 10% | of build costs | £783,000 |
| 0 | £175 | per unit | £17,500 |
| | | | **£800,500** |

**Professional Fees**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 10% | £863,050 |
| | | **£863,050** |

**Contingency**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 5% | £431,525.00 |
| | | **£431,525** |

**Developer contributions**

| | | | |
|---|---|---|---|
| S.106 | £1,000 | per unit | £100,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£100,000** |

**Sale cost**

| | | | |
|---|---|---|---|
| Legals - | £500 | per unit | £50,000 |
| Sales agents fee - | 1.25% | | £195,750 |
| Marketing cost - | £1,000 | per private unit | £60,000 |
| | | | **£305,750** |

| | |
|---|---|
| **TOTAL DEVELOPMENT COSTS** | **£16,919,469** |

**Developers' Profit**

| | | |
|---|---|---|
| Based upon percentage of gross development value | Rate | |
| **Private -** | 20% | £3,132,000 |
| **Affordable -** | 6% | £344,520.00 |
| | | **£3,476,520** |

| | |
|---|---|
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | **£20,395,989** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | £1,006,011 |

| | APR | PCM | |
|---|---|---|---|
| **Finance Costs** | | | |
| Assumes 100% debt financed | 7.00% | 0.565% | -£1,006,011 |

| | |
|---|---|
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | £21,402,000 |

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| | | | | | | |
|---|---|---|---|---|---|---|
| **Flats -** | **10.0** | **units** | | | | |
| **ITEM** | | | | | | |
| **Net Site Area** | 0.11 | **£22,836** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 10.00 | **10.00** | **0.00** | | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Flats - | 10.00 | 65 | 646 | £2,100 | £1,356,600 |
| | | 10.00 | | 646 | | |
| **Social Rent** | Flats - | 0.00 | 65 | 0 | £1,155 | £0 |
| | | 0.00 | | 0 | | |
| **Intermediate** | Flats - | 0.00 | 65 | 0 | £1,155 | £0 |
| | | 0.00 | | 0 | | |
| | | **10.00** | | **646** | | **£1,356,600** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £2,512 |
| | Plus Purchaser Costs @ | 1.75% |
| | | **£2,556** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Flats - | 10.00 | 760 | £1,015 | £771,400 |
| | | 10.00 | | | |
| **Social Rent** | Flats - | 0.00 | 0 | £1,015 | £0 |
| | | 0.00 | | | |
| **Intermediate Rent** | Flats - | 0.00 | 0 | £1,015 | £0 |
| | | 0.00 | | | |
| | | 10.00 | 760 | | **£771,400** |

**Additional Costs**

| | | | |
|---|---|---|---|
| Plot external | 10% | of build costs | £77,140 |
| 0 | £175 | per unit | £1,750 |
| | | | **£78,890** |

**Professional Fees**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 10% | £85,029 |
| | | **£85,029** |

**Contingency**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 5% | £42,514.50 |
| | | **£42,515** |

**Developer contributions**

| | | | |
|---|---|---|---|
| S.106 | £1,000 | per unit | £10,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£10,000** |

**Sale cost**

| | | | |
|---|---|---|---|
| Legals - | £500 | per unit | £5,000 |
| Sales agents fee - | 1.25% | | £16,958 |
| Marketing cost - | £1,000 | per private unit | £10,000 |
| | | | **£31,958** |

| | |
|---|---|
| **TOTAL DEVELOPMENT COSTS** | **£1,022,347** |

**Developers' Profit**

| | | |
|---|---|---|
| Based upon percentage of gross development value | Rate | |
| **Private -** | 20% | £271,320 |
| **Affordable -** | 6% | £0.00 |
| | | **£271,320** |

| | | | |
|---|---|---|---|
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | **£1,293,667** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | £62,933 |
| **Finance Costs** | APR | PCM | |
| Assumes 100% debt financed | 7.00% | 0.565% | -£62,933 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | £1,356,600 |

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| Flats - | 20.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 0.14 | **-£1,518,925** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 20.00 | **12.00** | **8.00** | | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Flats - | 12.00 | 65 | 775 | £2,100 | £1,627,920 |
| | | 12.00 | | 775 | | |
| **Social Rent** | Flats - | 5.60 | 65 | 362 | £1,155 | £417,833 |
| | | 5.60 | | 362 | | |
| **Intermediate** | Flats - | 2.40 | 65 | 155 | £1,155 | £179,071 |
| | | 2.40 | | 155 | | |
| | | **20.00** | | **1292** | | **£2,224,824** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | -£212,649 |
| | Plus Purchaser Costs @ | 1.75% |
| | | **-£216,371** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Flats - | 12.00 | 912 | £1,015 | £925,680 |
| | | 12.00 | | | |
| **Social Rent** | Flats - | 5.60 | 426 | £1,015 | £431,984 |
| | | 5.60 | | | |
| **Intermediate Rent** | Flats - | 2.40 | 182 | £1,015 | £185,136 |
| | | 2.40 | | | |
| | | 20.00 | 1520 | | **£1,542,800** |

| | | | |
|---|---|---|---|
| **Additional Costs** | | | |
| Plot external | 10% | of build costs | £154,280 |
| 0 | £175 | per unit | £3,500 |
| | | | **£157,780** |
| **Professional Fees** | | | |
| Based on percentage of construction costs (build and additional ) | 10% | | £170,058 |
| | | | **£170,058** |
| **Contingency** | | | |
| Based on percentage of construction costs (build and additional ) | 5% | | £85,029.00 |
| | | | **£85,029** |
| **Developer contributions** | | | |
| S.106 | £1,000 | per unit | £20,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£20,000** |
| **Sale cost** | | | |
| Legals - | £500 | per unit | £10,000 |
| Sales agents fee - | 1.25% | | £20,349 |
| Marketing cost - | £1,000 | per private unit | £12,000 |
| | | | **£42,349** |
| **TOTAL DEVELOPMENT COSTS** | | | **£1,801,645** |
| **Developers' Profit** | | | |
| Based upon percentage of gross development value | Rate | | |
| **Private -** | 20% | | £325,584 |
| **Affordable -** | 6% | | £35,814.24 |
| | | | **£361,398** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | **£2,163,043** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | £61,781 |
| **Finance Costs** | APR | PCM | |
| Assumes 100% debt financed | 7.00% | 0.565% | -£61,781 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | £2,224,824 |

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| Houses – | 2.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 0.06 | **£3,345,651** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 2.00 | **2.00** | **0.00** | | | |
| **Development Value** | | | | | | |
| **Private Units** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 2.00 | 90 | 180 | £2,900 | £522,000 |
| | | 2.00 | | 180 | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| **Intermediate** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| | | **2.00** | | **180** | | **£522,000** |
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £191,180 |
| | | | Plus Purchaser Costs @ | | | 2.75% |
| | | | | | | **£196,438** |
| **Build Costs** | | | | | | |
| **Private units** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 2.00 | 180 | £870 | | £156,600 |
| | | 2.00 | | | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| **Intermediate Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| | | 2.00 | 180 | | | **£156,600** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £15,660 |
| | 0 | | £175 | per unit | | £350 |
| | | | | | | **£16,010** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £17,261 |
| | | | | | | **£17,261** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £8,630.50 |
| | | | | | | **£8,631** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £2,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£2,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £1,000 |
| Sales agents fee - | | | 1.25% | | | £6,525 |
| Marketing cost - | | | £1,000 | per private unit | | £2,000 |
| | | | | | | **£9,525** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£406,464** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £104,400 |
| **Affordable -** | | | 6% | | | £0.00 |
| | | | | | | **£104,400** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£510,864** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £11,136 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£11,136 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £522,000 |

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# Fareham- Residential Appraisals - alternative affordable housing contributions

| | | | | | | |
|---|---|---|---|---|---|---|
| **Houses –** | **4.0** | **units** | | | | |
| **ITEM** | | | | | | |
| **Net Site Area** | 0.11 | **£3,351,709** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 4.00 | **4.00** | **0.00** | | | |
| **Development Value** | | | | | | |
| **Private Units** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 4.00 | 90 | 360 | £2,900 | £1,044,000 |
| | | 4.00 | | 360 | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| **Intermediate** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| | | **4.00** | | **360** | | **£1,044,000** |
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £368,688 |
| | | | Plus Purchaser Costs @ | | | 4.75% |
| | | | | | | **£386,201** |
| **Build Costs** | | | | | | |
| **Private units** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 4.00 | 360 | £870 | | £313,200 |
| | | 4.00 | | | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| **Intermediate Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| | | 4.00 | 360 | | | **£313,200** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £31,320 |
| | 0 | | £175 | per unit | | £700 |
| | | | | | | **£32,020** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £34,522 |
| | | | | | | **£34,522** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £17,261.00 |
| | | | | | | **£17,261** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £4,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£4,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £2,000 |
| Sales agents fee - | | | 1.25% | | | £13,050 |
| Marketing cost - | | | £1,000 | per private unit | | £4,000 |
| | | | | | | **£19,050** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£806,254** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £208,800 |
| **Affordable -** | | | 6% | | | £0.00 |
| | | | | | | **£208,800** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£1,015,054** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £28,946 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£28,946 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £1,044,000 |

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| | | | | | | |
|---|---|---|---|---|---|---|
| **Houses –** | **5.0** | **units** | | | | |
| **ITEM** | | | | | | |
| **Net Site Area** | 0.14 | **£3,263,677** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 5.00 | **5.00** | **0.00** | | | |
| **Development Value** | | | | | | |
| **Private Units** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 5.00 | 90 | 450 | £2,900 | £1,305,000 |
| | | 5.00 | | 450 | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| **Intermediate** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| | | **5.00** | | **450** | | **£1,305,000** |
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £456,915 |
| | | | Plus Purchaser Costs @ | | | 4.75% |
| | | | | | | **£478,618** |
| **Build Costs** | | | | | | |
| **Private units** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 5.00 | 450 | £870 | | £391,500 |
| | | 5.00 | | | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| **Intermediate Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| | | 5.00 | 450 | | | **£391,500** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £39,150 |
| | 0 | | £175 | per unit | | £875 |
| | | | | | | **£40,025** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £43,153 |
| | | | | | | **£43,153** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £21,576.25 |
| | | | | | | **£21,576** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £5,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£5,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £2,500 |
| Sales agents fee - | | | 1.25% | | | £16,313 |
| Marketing cost - | | | £1,000 | per private unit | | £5,000 |
| | | | | | | **£23,813** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£1,003,685** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £261,000 |
| **Affordable -** | | | 6% | | | £0.00 |
| | | | | | | **£261,000** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£1,264,685** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £40,315 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£40,315 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £1,305,000 |

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| Houses – | 10.0 | units |
|---|---|---|

**ITEM**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Net Site Area** | 0.28 | **£3,200,585** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 10.00 | **10.00** | **0.00** | | | |
| **Development Value** | | | | | | |
| **Private Units** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 10.00 | 90 | 900 | £2,900 | £2,610,000 |
| | | 10.00 | | 900 | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| **Intermediate** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Houses - | 0.00 | 90 | 0 | £1,595 | £0 |
| | | 0.00 | | 0 | | |
| | | **10.00** | | **900** | | **£2,610,000** |
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £896,164 |
| | | | Plus Purchaser Costs @ | | | 5.75% |
| | | | | | | **£947,693** |
| **Build Costs** | | | | | | |
| **Private units** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 10.00 | 900 | £870 | | £783,000 |
| | | 10.00 | | | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| **Intermediate Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Houses - | 0.00 | 0 | £870 | | £0 |
| | | 0.00 | | | | |
| | | 10.00 | 900 | | | **£783,000** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £78,300 |
| | 0 | | £175 | per unit | | £1,750 |
| | | | | | | **£80,050** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £86,305 |
| | | | | | | **£86,305** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £43,152.50 |
| | | | | | | **£43,153** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £10,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£10,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £5,000 |
| Sales agents fee - | | | 1.25% | | | £32,625 |
| Marketing cost - | | | £1,000 | per private unit | | £10,000 |
| | | | | | | **£47,625** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£1,997,826** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £522,000 |
| **Affordable -** | | | 6% | | | £0.00 |
| | | | | | | **£522,000** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£2,519,826** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £90,174 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£90,174 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £2,610,000 |

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| | | | | | | |
|---|---|---|---|---|---|---|
| **Houses –** | **15.0** | **units** | | | | |
| **ITEM** | | | | | | |
| **Net Site Area** | 0.42 | | **£2,287,656** | **per ha** | | |
| | | | **Private** | **Affordable** | | |
| **Yield** | 15.00 | | **9.00** | **6.00** | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Houses - | 9.00 | 90 | 810 | £2,900 | £2,349,000 |
| | | 9.00 | | 810 | | |
| **Social Rent** | Houses - | 4.20 | 90 | 378 | £1,595 | £602,910 |
| | | 4.20 | | 378 | | |
| **Intermediate** | Houses - | 1.80 | 90 | 162 | £1,595 | £258,390 |
| | | 1.80 | | 162 | | |
| | | **15.00** | | **1350** | | **£3,210,300** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £960,815 |
| | Plus Purchaser Costs @ | 5.75% |
| | | **£1,016,062** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Houses - | 9.00 | 810 | £870 | £704,700 |
| | | 9.00 | | | |
| **Social Rent** | Houses - | 4.20 | 378 | £870 | £328,860 |
| | | 4.20 | | | |
| **Intermediate Rent** | Houses - | 1.80 | 162 | £870 | £140,940 |
| | | 1.80 | | | |
| | | 15.00 | 1350 | | **£1,174,500** |

**Additional Costs**

| | | | |
|---|---|---|---|
| Plot external | 10% | of build costs | £117,450 |
| 0 | £175 | per unit | £2,625 |
| | | | **£120,075** |

**Professional Fees**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 10% | £129,458 |
| | | **£129,458** |

**Contingency**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 5% | £64,728.75 |
| | | **£64,729** |

**Developer contributions**

| | | | |
|---|---|---|---|
| S.106 | £1,000 | per unit | £15,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£15,000** |

**Sale cost**

| | | | |
|---|---|---|---|
| Legals - | £500 | per unit | £7,500 |
| Sales agents fee - | 1.25% | | £29,363 |
| Marketing cost - | £1,000 | per private unit | £9,000 |
| | | | **£45,863** |

| | |
|---|---|
| **TOTAL DEVELOPMENT COSTS** | **£2,565,686** |

**Developers' Profit**

| | | |
|---|---|---|
| Based upon percentage of gross development value | Rate | |
| **Private -** | 20% | £469,800 |
| **Affordable -** | 6% | £51,678.00 |
| | | **£521,478** |

| | |
|---|---|
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | **£3,087,164** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | £123,136 |

| | APR | PCM | |
|---|---|---|---|
| **Finance Costs** Assumes 100% debt financed | 7.00% | 0.565% | -£123,136 |

| | |
|---|---|
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | £3,210,300 |

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| Houses – | 20.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 0.56 | **£2,331,299** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 20.00 | **12.00** | **8.00** | | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Houses - | 12.00 | 90 | 1,080 | £2,900 | £3,132,000 |
| | | 12.00 | | 1080 | | |
| **Social Rent** | Houses - | 5.60 | 90 | 504 | £1,595 | £803,880 |
| | | 5.60 | | 504 | | |
| **Intermediate** | Houses - | 2.40 | 90 | 216 | £1,595 | £344,520 |
| | | 2.40 | | 216 | | |
| | | **20.00** | | **1800** | | **£4,280,400** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £1,305,527 |
| | Plus Purchaser Costs @ | 5.75% |
| | | **£1,380,595** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Houses - | 12.00 | 1080 | £870 | £939,600 |
| | | 12.00 | | | |
| **Social Rent** | Houses - | 5.60 | 504 | £870 | £438,480 |
| | | 5.60 | | | |
| **Intermediate Rent** | Houses - | 2.40 | 216 | £870 | £187,920 |
| | | 2.40 | | | |
| | | 20.00 | 1800 | | **£1,566,000** |

| | | | |
|---|---|---|---|
| **Additional Costs** | | | |
| Plot external | 10% | of build costs | £156,600 |
| 0 | £175 | per unit | £3,500 |
| | | | **£160,100** |
| **Professional Fees** | | | |
| Based on percentage of construction costs (build and additional ) | 10% | | £172,610 |
| | | | **£172,610** |
| **Contingency** | | | |
| Based on percentage of construction costs (build and additional ) | 5% | | £86,305.00 |
| | | | **£86,305** |
| **Developer contributions** | | | |
| S.106 | £1,000 | per unit | £20,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£20,000** |
| **Sale cost** | | | |
| Legals - | £500 | per unit | £10,000 |
| Sales agents fee - | 1.25% | | £39,150 |
| Marketing cost - | £1,000 | per private unit | £12,000 |
| | | | **£61,150** |
| **TOTAL DEVELOPMENT COSTS** | | | **£3,446,760** |
| **Developers' Profit** | | | |
| Based upon percentage of gross development value | Rate | | |
| **Private -** | 20% | | £626,400 |
| **Affordable -** | 6% | | £68,904.00 |
| | | | **£695,304** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | **£4,142,064** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | £138,336 |
| **Finance Costs** | APR | PCM | |
| Assumes 100% debt financed | 7.00% | 0.565% | -£138,336 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | £4,280,400 |

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| Houses – | 50.0 | units | | | |
|---|---|---|---|---|---|
| **ITEM** | | | | | |
| **Net Site Area** | 1.43 | £2,243,410 per ha | | | |
| | | **Private** | **Affordable** | | |
| **Yield** | 50.00 | **30.00** | **20.00** | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Houses - | 30.00 | 90 | 2,700 | £2,900 | £7,830,000 |
| | | 30.00 | | 2700 | | |
| **Social Rent** | Houses - | 14.00 | 90 | 1,260 | £1,595 | £2,009,700 |
| | | 14.00 | | 1,260 | | |
| **Intermediate** | Houses - | 6.00 | 90 | 540 | £1,595 | £861,300 |
| | | 6.00 | | 540 | | |
| | | **50.00** | | **4500** | | **£10,701,000** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £3,208,076 |
| | Plus Purchaser Costs @ | 5.75% |
| | | **£3,392,540** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Houses - | 30.00 | 2700 | £870 | £2,349,000 |
| | | 30.00 | | | |
| **Social Rent** | Houses - | 14.00 | 1260 | £870 | £1,096,200 |
| | | 14.00 | | | |
| **Intermediate Rent** | Houses - | 6.00 | 540 | £870 | £469,800 |
| | | 6.00 | | | |
| | | 50.00 | 4500 | | **£3,915,000** |

| | | | |
|---|---|---|---|
| **Additional Costs** | | | |
| Plot external | 10% | of build costs | £391,500 |
| 0 | £175 | per unit | £8,750 |
| | | | **£400,250** |
| **Professional Fees** | | | |
| Based on percentage of construction costs (build and additional ) | 10% | | £431,525 |
| | | | **£431,525** |
| **Contingency** | | | |
| Based on percentage of construction costs (build and additional ) | 5% | | £215,762.50 |
| | | | **£215,763** |
| **Developer contributions** | | | |
| S.106 | £1,000 | per unit | £50,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£50,000** |
| **Sale cost** | | | |
| Legals - | £500 | per unit | £25,000 |
| Sales agents fee - | 1.25% | | £97,875 |
| Marketing cost - | £1,000 | per private unit | £30,000 |
| | | | **£152,875** |
| **TOTAL DEVELOPMENT COSTS** | | | **£8,557,952** |
| **Developers' Profit** | | | |
| Based upon percentage of gross development value | Rate | | |
| **Private -** | 20% | | £1,566,000 |
| **Affordable -** | 6% | | £172,260.00 |
| | | | **£1,738,260** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | **£10,296,212** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | £404,788 |
| **Finance Costs** | APR | PCM | |
| Assumes 100% debt financed | 7.00% | 0.565% | -£404,788 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | £10,701,000 |

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| Houses – | 100.0 | units |
|---|---|---|

**ITEM**

| | | | | | |
|---|---|---|---|---|---|
| Net Site Area | 2.86 | £2,178,460 per ha | | | |
| | | Private | Affordable | | |
| Yield | 100.00 | 60.00 | 40.00 | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| Private Units | Houses - | 60.00 | 90 | 5,400 | £2,900 | £15,660,000 |
| | | 60.00 | | 5400 | | |
| Social Rent | Houses - | 28.00 | 90 | 2,520 | £1,595 | £4,019,400 |
| | | 28.00 | | 2,520 | | |
| Intermediate | Houses - | 12.00 | 90 | 1,080 | £1,595 | £1,722,600 |
| | | 12.00 | | 1080 | | |
| | | **100.00** | | **9000** | | **£21,402,000** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | £6,230,396 |
| | Plus Purchaser Costs @ | 5.75% |
| | | **£6,588,644** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| Private units | Houses - | 60.00 | 5400 | £870 | £4,698,000 |
| | | 60.00 | | | |
| Social Rent | Houses - | 28.00 | 2520 | £870 | £2,192,400 |
| | | 28.00 | | | |
| Intermediate Rent | Houses - | 12.00 | 1080 | £870 | £939,600 |
| | | 12.00 | | | |
| | | 100.00 | 9000 | | **£7,830,000** |

**Additional Costs**

| | | | |
|---|---|---|---|
| Plot external | 10% | of build costs | £783,000 |
| 0 | £175 | per unit | £17,500 |
| | | | **£800,500** |

**Professional Fees**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 10% | £863,050 |
| | | **£863,050** |

**Contingency**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 5% | £431,525.00 |
| | | **£431,525** |

**Developer contributions**

| | | | |
|---|---|---|---|
| S.106 | £1,000 | per unit | £100,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£100,000** |

**Sale cost**

| | | | |
|---|---|---|---|
| Legals - | £500 | per unit | £50,000 |
| Sales agents fee - | 1.25% | | £195,750 |
| Marketing cost - | £1,000 | per private unit | £60,000 |
| | | | **£305,750** |

| | |
|---|---|
| **TOTAL DEVELOPMENT COSTS** | **£16,919,469** |

**Developers' Profit**

| | | |
|---|---|---|
| Based upon percentage of gross development value | Rate | |
| **Private -** | 20% | £3,132,000 |
| **Affordable -** | 6% | £344,520.00 |
| | | **£3,476,520** |

| | |
|---|---|
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | **£20,395,989** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | £1,006,011 |

| | APR | PCM | |
|---|---|---|---|
| **Finance Costs**<br>Assumes 100% debt financed | 7.00% | 0.565% | -£1,006,011 |

| | |
|---|---|
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | £21,402,000 |

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| | | | | | | |
|---|---|---|---|---|---|---|
| **Flats -** | **10.0** | **units** | | | | |
| **ITEM** | | | | | | |
| **Net Site Area** | 0.11 | **£22,836** | **per ha** | | | |
| | | **Private** | **Affordable** | | | |
| **Yield** | 10.00 | **10.00** | **0.00** | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Development Value** | | | | | | |
| **Private Units** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Flats - | 10.00 | 65 | 646 | £2,100 | £1,356,600 |
| | | 10.00 | | 646 | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Flats - | 0.00 | 65 | 0 | £1,155 | £0 |
| | | 0.00 | | 0 | | |
| **Intermediate** | | **No. of units** | **Size sq.m** | **Total sq.m** | **£psm** | **Total Value** |
| | Flats - | 0.00 | 65 | 0 | £1,155 | £0 |
| | | 0.00 | | 0 | | |
| | | **10.00** | | **646** | | **£1,356,600** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Development Cost** | | | | | | |
| **Site Acquisition** | | | | | | |
| Site Value | | | | | | £2,512 |
| | | | Plus Purchaser Costs @ | | | 1.75% |
| | | | | | | **£2,556** |
| **Build Costs** | | | | | | |
| **Private units** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Flats - | 10.00 | 760 | £1,015 | | £771,400 |
| | | 10.00 | | | | |
| **Social Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Flats - | 0.00 | 0 | £1,015 | | £0 |
| | | 0.00 | | | | |
| **Intermediate Rent** | | **No. of units** | **Size sq.m** | **Cost per sq.m** | | **Total Costs** |
| | Flats - | 0.00 | 0 | £1,015 | | £0 |
| | | 0.00 | | | | |
| | | 10.00 | 760 | | | **£771,400** |
| **Additional Costs** | | | | | | |
| Plot external | | | 10% | of build costs | | £77,140 |
| | 0 | | £175 | per unit | | £1,750 |
| | | | | | | **£78,890** |
| **Professional Fees** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 10% | | | £85,029 |
| | | | | | | **£85,029** |
| **Contingency** | | | | | | |
| Based on percentage of construction costs (build and additional ) | | | 5% | | | £42,514.50 |
| | | | | | | **£42,515** |
| **Developer contributions** | | | | | | |
| S.106 | | | £1,000 | per unit | | £10,000 |
| CIL | | | £0 | per GIA sq m | | £0 |
| | | | | | | **£10,000** |
| **Sale cost** | | | | | | |
| Legals - | | | £500 | per unit | | £5,000 |
| Sales agents fee - | | | 1.25% | | | £16,958 |
| Marketing cost - | | | £1,000 | per private unit | | £10,000 |
| | | | | | | **£31,958** |
| **TOTAL DEVELOPMENT COSTS** | | | | | | **£1,022,347** |
| **Developers' Profit** | | | | | | |
| Based upon percentage of gross development value | | | Rate | | | |
| **Private -** | | | 20% | | | £271,320 |
| **Affordable -** | | | 6% | | | £0.00 |
| | | | | | | **£271,320** |
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£1,293,667** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | £62,933 |
| **Finance Costs** | | | APR | | PCM | |
| Assumes 100% debt financed | | | 7.00% | | 0.565% | -£62,933 |
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | £1,356,600 |

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| Flats - | 20.0 | units | | | | |
|---|---|---|---|---|---|---|
| **ITEM** | | | | | | |
| **Net Site Area** | 0.14 | | -£1,518,925 | per ha | | |
| | | | **Private** | **Affordable** | | |
| **Yield** | 20.00 | | **12.00** | **8.00** | | |

**Development Value**

| | | No. of units | Size sq.m | Total sq.m | £psm | Total Value |
|---|---|---|---|---|---|---|
| **Private Units** | Flats - | 12.00 | 65 | 775 | £2,100 | £1,627,920 |
| | | 12.00 | | 775 | | |
| **Social Rent** | Flats - | 5.60 | 65 | 362 | £1,155 | £417,833 |
| | | 5.60 | | 362 | | |
| **Intermediate** | Flats - | 2.40 | 65 | 155 | £1,155 | £179,071 |
| | | 2.40 | | 155 | | |
| | | **20.00** | | **1292** | | **£2,224,824** |

**Development Cost**

**Site Acquisition**

| | | |
|---|---|---|
| Site Value | | -£212,649 |
| | Plus Purchaser Costs @ | 1.75% |
| | | **-£216,371** |

**Build Costs**

| | | No. of units | Size sq.m | Cost per sq.m | Total Costs |
|---|---|---|---|---|---|
| **Private units** | Flats - | 12.00 | 912 | £1,015 | £925,680 |
| | | 12.00 | | | |
| **Social Rent** | Flats - | 5.60 | 426 | £1,015 | £431,984 |
| | | 5.60 | | | |
| **Intermediate Rent** | Flats - | 2.40 | 182 | £1,015 | £185,136 |
| | | 2.40 | | | |
| | | 20.00 | 1520 | | **£1,542,800** |

**Additional Costs**

| | | | |
|---|---|---|---|
| Plot external | 10% | of build costs | £154,280 |
| 0 | £175 | per unit | £3,500 |
| | | | **£157,780** |

**Professional Fees**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 10% | £170,058 |
| | | **£170,058** |

**Contingency**

| | | |
|---|---|---|
| Based on percentage of construction costs (build and additional ) | 5% | £85,029.00 |
| | | **£85,029** |

**Developer contributions**

| | | | |
|---|---|---|---|
| S.106 | £1,000 | per unit | £20,000 |
| CIL | £0 | per GIA sq m | £0 |
| | | | **£20,000** |

**Sale cost**

| | | | |
|---|---|---|---|
| Legals - | £500 | per unit | £10,000 |
| Sales agents fee - | 1.25% | | £20,349 |
| Marketing cost - | £1,000 | per private unit | £12,000 |
| | | | **£42,349** |

| | |
|---|---|
| **TOTAL DEVELOPMENT COSTS** | **£1,801,645** |

**Developers' Profit**

| | | |
|---|---|---|
| Based upon percentage of gross development value | Rate | |
| **Private -** | 20% | £325,584 |
| **Affordable -** | 6% | £35,814.24 |
| | | **£361,398** |

| | |
|---|---|
| **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | **£2,163,043** |
| **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | £61,781 |

| | APR | PCM | |
|---|---|---|---|
| **Finance Costs**<br>Assumes 100% debt financed | 7.00% | 0.565% | -£61,781 |

| | |
|---|---|
| **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | £2,224,824 |

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# Fareham- Commercial Appraisals

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Industrial** | | | | | | | |
| **ITEM** | | | | | | | |
| | | **residual value** | | | | | |
| **Net Site Area** | 0.50 | **-£340,960** | **per ha** | | | | |
| **1.0** | **Development Value** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | Industrial | 1 | 3500 | £65.00 | 8.0% | £2,843,750 | £2,843,750 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 9 | £2,684,254 |
| | | | | | | Less Purchaser Costs | £191,953 |
| | | | | | | Adjusted cap value | £2,492,301 |
| | | **1** | **3,500** | | | | **£2,492,301** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | -£167,548 |
| | | | | | | Less Purchaser Costs | 1.75% |
| | | | | | | | **-£170,480.05** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **Size sq.m** | **No. of units** | | | **Total Costs** |
| 2.2.1 | Industrial | 1 | 3,500 | £467 | | | £1,634,500 |
| | | | | | | | **£1,634,500** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | External works as a percentage of build costs | | 15.0% | | | | £245,175 |
| | | | | | | | **£245,175** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £150,374 |
| | | | | | | | **£150,374** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £101,502 |
| | | | | | | | **£101,502** |
| **2.6** | **Sale costs** | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.6.2 | Letting agent fee | | 10% | of rent | | | £22,750 |
| 2.6.3 | Letting legal fees | | 5% | of rent | | | £11,375 |
| | | | | | | | **£59,125** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£2,020,196** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £404,039 |
| | | | | | | | **£404,039** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£2,424,236** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£68,065** |
| | | | APR | | | PCM | |
| **4.00** | **Finance Costs** | | 7.00% | | | 0.565% | -£68,065 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£2,492,301** |

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**Business Park Office**

| ITEM | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Site Area** | 0.15 | **residual value** -£2,312,356 | **per ha** | | | | |
| **1.0** | **Development Value** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | City centre office | 1 | 2550 | £118 | 8.0% | £3,761,250 | £3,761,250 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 6 | £3,619,264.50 |
| | | | | | | Less Purchaser Costs | £253,884 |
| | | | | | | Adjusted cap value | £3,365,380 |
| | | **1** | **2,550** | | | | **£3,365,380** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | -£2,312,356 |
| | | | | | | Plus Purchaser Costs | 1.75% |
| | | | | | | | **-£2,352,822.49** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **Size sq.m** | **No. of units** | | | **Total Costs** |
| 2.2.1 | City centre office | 1 | 3,000 | £1,290 | | | £3,870,000 |
| | | | | | | | **£3,870,000** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | External works as a percentage of build costs | | 15.0% | | | | £580,500 |
| | | | | | | | **£580,500** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £356,040 |
| | | | | | | | **£356,040** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £240,327 |
| | | | | | | | **£240,327** |
| **2.6** | **Sale costs** | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.6.2 | Letting agent fee | | 10% | of rent | | | £30,090 |
| 2.6.3 | Letting legal fees | | 5% | of rent | | | £15,045 |
| | | | | | | | **£70,135** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£2,764,180** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £552,835.90 |
| | | | | | | | **£552,836** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£3,317,015** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£48,365** |
| **4.00** | **Finance Costs** | APR 7.00% | | | | PCM 0.565% | -£48,365 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£3,365,380** |

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# Fareham town centre - small format

| ITEM | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net Site Area | 0.014 | residual value 2166261.655 | per ha | | | | |
| **1.0** | **Development Value** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | Fareham town centre - small format | 1 | 85 | £200 | 8.00% | £212,500 | £212,500 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 9 | £200,581.61 |
| | | | | | | Less Purchaser Costs | £5,843.75 |
| | | | | | | Adjusted cap value | £194,738 |
| | | **1** | **85** | | | | **£194,738** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | £30,328 |
| | | | | | | Plus Purchaser Costs | 1.75% |
| | | | | | | | **£30,858.40** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Cost per £ psm** | | | **Total Costs** |
| 2.2.1 | Fareham town centre - small format | 1 | 100 | £764 | | | £76,400 |
| | | | | | | | **£76,400** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.00% | | | | £11,460 |
| | | | | | | | **£11,460** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £7,029 |
| | | | | | | | **£7,029** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £4,744 |
| | | | | | | | **£4,744** |
| **2.6** | **Sale costs** | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.6.2 | Letting agent fee | | 10% | of rent | | | £1,700 |
| 2.6.3 | Letting legal fees | | 5% | of rent | | | £850 |
| | | | | | | | **£27,550** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£158,042** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £31,608.33 |
| | | | | | | | **£31,608** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£189,650** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£5,088** |
| **4.00** | **Finance Costs** | | APR | | | PCM | |
| | | | 7.00% | | | 0.565% | -£5,088 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£194,738** |

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# Fareham town centre - mid sized format

| ITEM | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Site Area** | 0.07 | **residual value** **£2,413,982** | **per ha** | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **1.0** | **Development Value** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | Fareham town centre - mid sized format | 1 | 425 | £180 | 7.75% | £987,097 | £987,097 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 9 | £933,354.82 |
| | | | | | | Less Purchaser Costs | £56,758 |
| | | | | | | Adjusted cap value | £876,597 |
| | | **1** | **425** | | | | **£876,597** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | £168,979 |
| | | | | | | Plus Purchaser Costs | 2.75% |
| | | | | | | | **£173,626** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Cost per £ psm** | | | **Total Costs** |
| 2.2.1 | Fareham town centre - mid sized format | 1 | 500 | £764 | | | £382,000 |
| | | | | | | | **£382,000** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.00% | | | | £57,300 |
| | | | | | | | **£57,300** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £35,144 |
| | | | | | | | **£35,144** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £23,722 |
| | | | | | | | **£23,722** |
| **2.6** | **Sale costs** | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.6.2 | Letting agent fee | | 10% | of rent | | | £7,650 |
| 2.6.3 | Letting legal fees | | 5% | of rent | | | £3,825 |
| | | | | | | | **£36,475** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£708,267** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £141,653 |
| | | | | | | | **£141,653** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£849,920** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£26,677** |
| **4.00** | **Finance Costs** | | APR 7.00% | | | PCM 0.565% | -£26,677 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£876,597** |

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# Fareham town centre - large sized format

| ITEM | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net site area | 0.16 | residual value £1,878,412 | per ha | | | | | |
| **1.0** | **Development Value** | | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | Fareham town centre - large sized format | 1 | 900 | £150 | 7.50% | £1,800,000 | £1,800,000 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 12 | £1,674,418.60 |
| | | | | | | Less Purchaser Costs | £13,500.00 |
| | | | | | | Adjusted cap value | £1,660,919 |
| | | **1** | **900** | | | | **£1,660,918.60** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | £286,917 |
| | | | | | | Plus Purchaser Costs | 4.75% |
| | | | | | | | **£300,546** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Cost per £ psm** | | | **Total Costs** |
| 2.2.1 | Fareham town centre - large sized format | 1 | 1,000 | £764 | | | £764,000 |
| | | | | | | | **£764,000** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £114,600 |
| | | | | | | | **£114,600** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £70,288 |
| | | | | | | | **£70,288** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £47,444 |
| | | | | | | | **£47,444** |
| **2.6** | **Sale costs** | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.6.2 | Letting agent fee | | 10% | of rent | | | £13,500 |
| 2.6.3 | Letting legal fees | | 5% | of rent | | | £6,750 |
| | | | | | | | **£45,250** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£1,342,128** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £268,426 |
| | | | | | | | **£268,426** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£1,610,554** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£50,365** |
| **4.00** | **Finance Costs** | | APR 7.00% | | | PCM 0.565% | -£50,365 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£1,660,919** |

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# Comparison retail out of town - small sized format

| ITEM | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net site area | 0.07 | residual value £4,215,209 | per ha | | | | | |
| **1.0** | **Development Value** | | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** | |
| 1.1 | Comparison retail out of town - small sized format | 1 | 425 | £180 | 7.75% | £987,097 | £987,097 | |
| | | | | | | **Rent free period** | **Adjusted for rent free** | |
| | | | | | No. of months | 6 | £950,935.57 | |
| | | | | | | Less Purchaser Costs | £46,887.10 | |
| | | | | | | Adjusted cap value | £904,048 | |
| | | **1** | **425** | | | | **£904,048.47** | |
| **2.0** | **Development Cost** | | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | | |
| 2.1.1 | Site Value | | | | | | £281,685 | |
| | | | | | | Plus Purchaser Costs | 4.75% | |
| | | | | | | | **£295,065** | |
| **2.2** | **Build Costs** | | | | | | | |
| | | **No. of units** | **Size sq.m** | **Cost per £ psm** | | | **Total Costs** | |
| 2.2.1 | Comparison retail out of town - small sized format | 1 | 500 | £607 | | | £303,500 | |
| | | | | | | | **£303,500** | |
| **2.3** | **Externals** | | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £45,525 | |
| | | | | | | | **£45,525** | |
| **2.4** | **Professional Fees** | | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £27,922 | |
| | | | | | | | **£27,922** | |
| **2.5** | **Contingency** | | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £18,847 | |
| | | | | | | | **£18,847** | |
| **2.6** | **Sale costs** | | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 | |
| 2.6.2 | Letting agent fee | | 10% | of rent | | | £7,650 | |
| 2.6.3 | Letting legal fees | | 5% | of rent | | | £3,825 | |
| | | | | | | | **£36,475** | |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£727,334** | |
| **3.0** | **Developers' Profit** | | | | | | | |
| | | | Rate | | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £145,467 | |
| | | | | | | | **£145,467** | |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£872,801** | |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£31,248** | |
| **4.00** | **Finance Costs** | | APR 7.00% | | | PCM 0.565% | -£31,248 | |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£904,048** | |

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# Comparison retail out of town - mid sized format

| ITEM | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net site area | 0.16 | residual value £4,375,124 | per ha | | | | |
| **1.0** | **Development Value** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | Comparison retail out of town - mid sized format | 1 | 900 | £170 | 7.50% | £2,040,000 | £2,040,000 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 9 | £1,932,296.73 |
| | | | | | | Less Purchaser Costs | £15,300.00 |
| | | | | | | Adjusted cap value | £1,916,997 |
| | | **1** | **900** | | | | **£1,916,996.73** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | £661,957 |
| | | | | | | Plus Purchaser Costs | 5.75% |
| | | | | | | | **£700,020** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Cost per £ psm** | | | **Total Costs** |
| 2.2.1 | Comparison retail out of town - mid sized format | 1 | 1,000 | £607 | | | £607,000 |
| | | | | | | | **£607,000** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £91,050 |
| | | | | | | | **£91,050** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £55,844 |
| | | | | | | | **£55,844** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £37,695 |
| | | | | | | | **£37,695** |
| **2.6** | **Sale costs** | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.6.2 | Letting agent fee | | 10% | of rent | | | £15,300 |
| 2.6.3 | Letting legal fees | | 5% | of rent | | | £7,650 |
| | | | | | | | **£47,950** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£1,539,558** |
| **3.0** | **Developers' Profit** | | | | | | |
| 3.1 | Based upon percentage of total development costs | | Rate 20% | | | | £307,912 |
| | | | | | | | **£307,912** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£1,847,470** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£69,527** |
| **4.00** | **Finance Costs** | | APR 7.00% | | | PCM 0.565% | -£69,527 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£1,916,997** |

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# Retail convenience - small format

| ITEM | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | residual value | | | | | | |
| Net site area | 0.11 | £4,475,225 | per ha | | | | | |
| **1.0** | **Development Value** | | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** | |
| 1.1 | Retail convenience - small fori | 1 | 450 | £230 | 6.50% | £1,592,308 | £1,592,308 | |
| | | | | | | **Rent free period** | **Adjusted for rent free** | |
| | | | | | No. of months | 6 | £1,542,951.20 | |
| | | | | | | Less Purchaser Costs | £11,942.31 | |
| | | | | | | Adjusted cap value | £1,531,009 | |
| | | **1** | **450** | | | | **£1,531,008.89** | |
| **2.0** | **Development Cost** | | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | | |
| 2.1 | Site Value | | | | | | £492,275 | |
| | | | | | | Plus Purchaser Costs | 4.75% | |
| | | | | | | | **£515,657.86** | |
| **2.2** | **Build Costs** | | | | | | | |
| | | **No. of units** | **No. of units** | **Cost per £ psm** | | | **Total Costs** | |
| 2.2.1 | Retail convenience - small fori | 1 | 500 | £1,024 | | | £512,000 | |
| | | | | | | | **£512,000** | |
| **2.3** | **Externals** | | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £76,800 | |
| | | | | | | | **£76,800** | |
| **2.4** | **Professional Fees** | | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £47,104 | |
| | | | | | | | **£47,104** | |
| **2.5** | **Contingency** | | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £31,795 | |
| | | | | | | | **£31,795** | |
| **2.6** | **Section 106 Obligations convenience retail** | | | | | | | |
| 2.6.1 | | | £15 | psm | | | £6,750 | |
| | | | | | | | **£6,750** | |
| **2.7** | **Sale costs** | | | | | | | |
| 2.7.1 | Marketing costs | | £25,000 | | | | £25,000 | |
| 2.7.2 | Letting agent fee | | 10% | of rent | | | £10,350 | |
| 2.7.3 | Letting legal fees | | 5% | of rent | | | £5,175 | |
| | | | | | | | **£40,525** | |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£1,230,632** | |
| **3.0** | **Developers' Profit** | | | | | | | |
| | | | Rate | | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £246,126.41 | |
| | | | | | | | **£246,126** | |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£1,476,758** | |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£54,250** | |
| **4.00** | **Finance Costs** | | APR | | | PCM | | |
| | | | 7.00% | | | 0.565% | -£54,250 | |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£1,531,009** | |

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# Retail convenience - medium format

| ITEM | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | residual value | | | | | |
| Net site area | 0.25 | £4,757,989 per ha | | | | | |
| **1.0** | **Development Value** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | Retail convenience - medium f | 1 | 900 | £190 | 5.00% | £3,420,000 | £3,420,000 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 6 | £3,337,578.25 |
| | | | | | | Less Purchaser Costs | £25,650.00 |
| | | | | | | Adjusted cap value | £3,311,928 |
| | | **1** | **900** | | | | **£3,311,928.25** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1 | Site Value | | | | | | £1,189,497 |
| | | | | | | Plus Purchaser Costs | 5.75% |
| | | | | | | | **£1,257,893** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **No. of units** | **Cost per £ psm** | | | **Total Costs** |
| 2.2.1 | Retail convenience - medium f | 1 | 1,000 | £1,024 | | | £1,024,000 |
| | | | | | | | **£1,024,000** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £153,600 |
| | | | | | | | **£153,600** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £94,208 |
| | | | | | | | **£94,208** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £63,590 |
| | | | | | | | **£63,590** |
| **2.6** | **Section 106 Obligations convenience retail** | | | | | | |
| 2.6.1 | | | £15 | psm | | | £13,500 |
| | | | | | | | **£13,500** |
| **2.7** | **Sale costs** | | | | | | |
| 2.7.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.7.2 | Letting agent fee | | 10% | of rent | | | £17,100 |
| 2.7.3 | Letting legal fees | | 5% | of rent | | | £8,550 |
| | | | | | | | **£50,650** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£2,657,442** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £531,488.34 |
| | | | | | | | **£531,488** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£3,188,930** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£122,998** |
| **4.00** | **Finance Costs** | | APR | | | PCM | |
| | | | 7.00% | | | 0.565% | -£122,998 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£3,311,928** |

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# Retail convenience - medium / large format

| ITEM | | | | | | | |
|---|---|---|---|---|---|---|---|
| | residual value | | | | | | |
| Net site area | 0.50 | £5,337,049 | per ha | | | | |
| **1.0** | **Development Value** | | | | | | |
| | | **No. of units** | **Size sq.m** | **Rent** | **Yield** | **Value per Unit** | **Total Value** |
| 1.1 | Retail convenience - medium / | 1 | 1800 | £190 | 4.75% | £7,200,000 | £7,200,000 |
| | | | | | | **Rent free period** | **Adjusted for rent free** |
| | | | | | No. of months | 6 | £7,034,860.35 |
| | | | | | | Less Purchaser Costs | £54,000.00 |
| | | | | | | Adjusted cap value | £6,980,860 |
| | | **1** | **1,800** | | | | **£6,980,860.35** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1 | Site Value | | | | | | £2,668,524 |
| | | | | | | Plus Purchaser Costs | 5.75% |
| | | | | | | | **£2,821,964** |
| **2.2** | **Build Costs** | | | | | | |
| | | **No. of units** | **No. of units** | **Cost per £ psm** | | | **Total Costs** |
| 2.2.1 | Retail convenience - medium / | 1 | 2,000 | £1,024 | | | £2,048,000 |
| | | | | | | | **£2,048,000** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £307,200 |
| | | | | | | | **£307,200** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £188,416 |
| | | | | | | | **£188,416** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £127,181 |
| | | | | | | | **£127,181** |
| **2.6** | **Section 106 Obligations convenience retail** | | | | | | |
| 2.6.1 | | | £15 | psm | | | £27,000 |
| | | | | | | | **£27,000** |
| **2.7** | **Sale costs** | | | | | | |
| 2.7.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.7.2 | Letting agent fee | | 10% | of rent | | | £34,200 |
| 2.7.3 | Letting legal fees | | 5% | of rent | | | £17,100 |
| | | | | | | | **£76,300** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£5,596,061** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £1,119,212.24 |
| | | | | | | | **£1,119,212** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£6,715,273** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£265,587** |
| **4.00** | **Finance Costs** | | APR | | | PCM | |
| | | | 7.00% | | | 0.565% | -£265,587 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£6,980,860** |

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# Retail convenience - larger format

| ITEM | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net site area | 1.00 | residual value £4,640,637 | per ha | | | | | |
| | | No. of units | Size sq.m | Rent | Yield | Value per Unit | Total Value |
| 1.1 | Retail convenience - larger format | 1 | 3600 | 190 | 4.75% | £14,400,000 | £14,400,000 |
| | | | | | No. of months | Rent free period 6 | Adjusted for rent free £14,069,720.70 |
| | | | | | | Less Purchaser Costs | £144,000.00 |
| | | | | | | Adjusted cap value | £13,925,721 |
| | | 1 | 3,600 | | | | **£13,925,721** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | £4,640,637 |
| | | | | | | Plus Purchaser Costs | 5.75% |
| | | | | | | | **£4,907,474** |
| **2.2** | **Build Costs** | | | | | | |
| | | No. of units | No. of units | Cost per £ psm | | | Total Costs |
| 2.2.1 | Retail convenience - larger format | 1 | 4,000 | £1,168 | | | £4,672,000 |
| | | | | | | | **£4,672,000** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £700,800 |
| | | | | | | | **£700,800** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £429,824 |
| | | | | | | | **£429,824** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £290,131 |
| | | | | | | | **£290,131** |
| **2.6** | **Section 106 Obligations convenience retail** | | | | | | |
| 2.6.1 | | | £15 | psm | | | £54,000 |
| | | | | | | | **£54,000** |
| **2.7** | **Sale costs** | | | | | | |
| 2.7.1 | Marketing costs | | £25,000 | | | | £25,000 |
| 2.7.2 | Letting agent fee | | 10% | of rent | | | £68,400 |
| 2.7.3 | Letting legal fees | | 5% | of rent | | | £34,200 |
| | | | | | | | **£127,600** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£11,181,829** |
| **3.0** | **Developers' Profit** | | | | | | |
| 3.1 | Based upon percentage of total development costs | | Rate 20% | | | | £2,236,366 |
| | | | | | | | **£2,236,366** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | **£13,418,195** |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£507,526** |
| **4.00** | **Finance Costs** | | APR 7.00% | | | PCM 0.565% | -£507,526 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£13,925,721** |

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# Hotel

| ITEM | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | residual value | | | | | |
| **Net site area** | 0.50 | **£2,082,096** | **per ha** | | | | |
| **1.0** | **Development Value** | | | | | | |
| | | **No. of beds** | | **Price per bed** | **Yield** | | **Total Value** |
| **1.1** | Hotel | 60 | | £6,250 | 5.75% | | £6,521,739 |
| | | | | | | Less Purchaser Costs | 5.75% |
| | | **60** | | | | | **£6,146,739.13** |
| **2.0** | **Development Cost** | | | | | | |
| **2.1** | **Site Acquisition** | | | | | | |
| 2.1.1 | Site Value | | | | | | £1,041,048 |
| | | | | | | Plus Purchaser Costs | 5.75% |
| | | | | | | | **£1,100,908** |
| **2.1** | **Build Costs** | | | | | | |
| | | **No. of units** | **No. of units** | **Cost per £ psm** | | | **Total Costs** |
| 2.2.1 | Hotel | 1 | 60 | £48,491 | | | £2,909,460 |
| | | | **60** | | | | **£2,909,460** |
| **2.3** | **Externals** | | | | | | |
| 2.3.1 | as percentage of build costs | | 15.0% | | | | £436,419 |
| | | | | | | | **£436,419** |
| **2.4** | **Professional Fees** | | | | | | |
| 2.4.1 | as percentage of build costs & externals | | 8% | | | | £267,670 |
| | | | | | | | **£267,670** |
| **2.5** | **Contingency** | | | | | | |
| 2.5.1 | Based upon percentage of construction costs | | 5% | | | | £180,677 |
| | | | | | | | **£180,677** |
| **2.6** | **Sale costs** | | | | | | |
| 2.6.1 | Marketing costs | | £25,000 | | | | £25,000 |
| | | | | | | | **£25,000** |
| | **TOTAL DEVELOPMENT COSTS** | | | | | | **£4,920,135** |
| **3.0** | **Developers' Profit** | | | | | | |
| | | | Rate | | | | |
| 3.1 | Based upon percentage of total development costs | | 20% | | | | £984,027.02 |
| | | | | | | | **£984,027** |
| | **TOTAL PROJECT COSTS [EXCLUDING INTEREST]** | | | | | | £5,904,162 |
| | **TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]** | | | | | | **£242,577** |
| | | | APR | | | PCM | |
| **4.00** | **Finance Costs** | | 7.00% | | | 0.565% | -£242,577 |
| | **TOTAL PROJECT COSTS [INCLUDING INTEREST]** | | | | | | **£6,146,739** |

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# Peter Brett Associates

## Development Appraisal

Care Home - 60 beds

Report Date: 11 June 2014

**Care Home - 60 beds**

**Summary Appraisal for Phase 1**

**REVENUE**

| **Rental Area Summary** | **Units** | **Initial MRV/Unit** | **Net Rent at Sale** | **Initial MRV** | |
|---|---|---|---|---|---|
| | 60 | £6,500 | 390,000 | 390,000 | |
| **Investment Valuation** | | | | | |
| Current Rent | 390,000 | YP @ | 7.0000% | 14.2857 | 5,571,429 |
| GROSS DEVELOPMENT VALUE | | | | 5,571,429 | |
| Purchaser's Costs | | 5.75% | (320,357) | | |
| NET DEVELOPMENT VALUE | | | | 5,251,071 | |
| **NET REALISATION** | | | | **5,251,071** | |
| **OUTLAY** | | | | | |
| **ACQUISITION COSTS** | | | | | |
| Residualised Price (0.40 Ha £1,831,846.47 pHect) | | | 732,739 | | |
| Stamp Duty | | | 29,310 | | |
| Agent Fee | | 1.00% | 7,327 | | |
| Legal Fee | | 0.75% | 5,496 | | |
| | | | | 774,871 | |
| **CONSTRUCTION COSTS** | | | | | |
| **Construction** | **m²** | **Rate m²** | **Cost** | | |
| | 2,400.00 | £1,111.00 | 2,666,400 | **2,666,400** | |
| Contingency | | 5.00% | 133,320 | | |
| | | | | 133,320 | |
| **Other Construction** | | | | | |
| Externals | | 10.00% | 266,640 | | |

**Care Home - 60 beds**

| | | | |
|---|---|---|---|
| | | | 266,640 |
| **PROFESSIONAL FEES** | | | |
| Professional Fees | 10.00% | 293,304 | |
| | | | 293,304 |
| **FINANCE** | | | |
| Debit Rate 7.000% Credit Rate 0.000% (Nominal) | | | |
| Land | | 80,076 | |
| Construction | | 161,282 | |
| Total Finance Cost | | | 241,358 |
| **TOTAL COSTS** | | | **4,375,893** |
| **PROFIT** | | | |
| | | | **875,179** |
| **Performance Measures** | | | |
| Profit on Cost% | 20.00% | | |
| Profit on GDV% | 15.71% | | |
| Profit on NDV% | 16.67% | | |
| Development Yield% (on Rent) | 8.91% | | |
| Equivalent Yield% (Nominal) | 7.00% | | |
| Equivalent Yield% (True) | 7.32% | | |
| IRR | 29.73% | | |
| Rent Cover | 2 yrs 3 mths | | |
| Profit Erosion (finance rate 7.000%) | 2 yrs 8 mths | | |

# Appendix B Consultations and Market Evidence Sources

Appendix B - Consultations and Market Evidence Sources

- Chapplins Estate Agents
- Pearsons
- Austin Wyatt
- Jeffries
- CB Richard Ellis
- LSH
- Abbeyfield retirement
- Linden Homes
- GVA